



BUENOS AIRES 3Q17 OFFICE MARKET

COWORKING SPACES

The Office Market

Buenos Aires is the largest office market in Argentina, with nearly 19.5 million square feet of total stock, including 13.2 million square feet of rentable Class A space.

The trend of low vacancy continued through the third quarter of 2017, although net absorption turned negative for the first time after six consecutive positive quarters. The vacancy rate increased slightly from the previous quarter, closing at 7.2%.

No relevant incorporations occurred in the Class A market during the third quarter. Significant additions to the stock are expected before the end of 2017, both in the Catalinas and Puerto Madero areas and in the Libertador and Panamericana corridors in the northern area of the city.

No significant transactions were recorded in the vacancies from the second quarter of 2017. Variations resulted from small transactions on isolated floors.

The average asking rent held stable from the prior quarter, reaching \$30.23/SF.

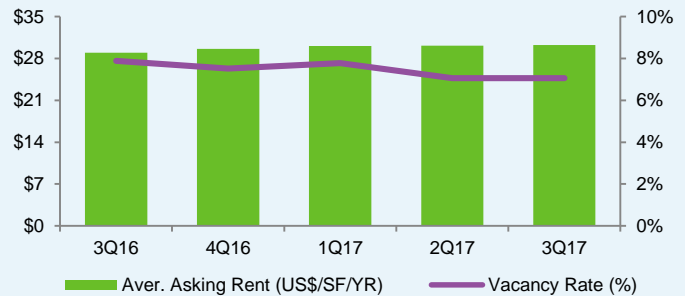
The Class A office market registered less activity in third-quarter 2017 than in the previous quarters, and the pre-electoral climate, among other factors, resulted in the negative net absorption of 60,818 square feet.

Current Conditions

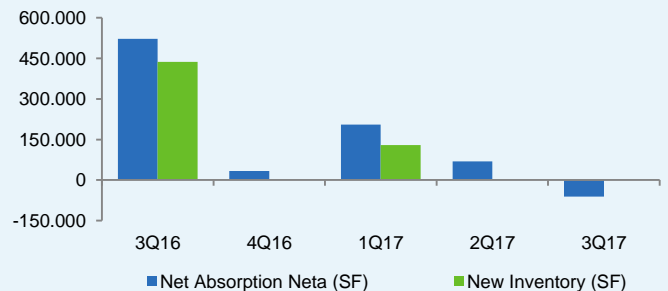
- The weighted average asking price remained stable compared with the prior quarter, averaging \$30.23/SF.
- Recent closures of new contracts and renewals exceeded the weighted average asking price, marking an upward trend for the fourth quarter of 2017.
- Class A vacancy remained stable at 7.2%, one of the lowest in Latin America.

Market Analysis

Asking Rent vs. Vacancy



Net Absorption



Source: Newmark Grubb BACRE

Argentina

Capital City	Buenos Aires
Population (2014)	43,420,000
GDP MM (2017)	USD 781,8
GDP per capita (2016)	USD 18,005
Currency	Peso
Unemployment Rate	8.7%



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	Forecast
Total Inventory (SF)	19,5MM	19,5MM	19,4MM	↑
Vacancy (%)	7.15%	7.06%	7.88%	→
Net Absorption (SF)	-60,818	68,605	522,884	→
Average Asking Rent	\$30.23	\$30.12	\$28.97	→
Under Construction (SF)	5,053,075	5,053,075	4,207,264	→

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Rent Values by Submarket

There are specific areas within each submarket that stand out from the rest. For example, the blocks located in Catalinas between Avenida Leandro N. Alem and Avenida Madero have average asking rents as high as \$41.25/SF, compared with \$32.75/SF for the rest of the submarket.

Likewise, in Northern Buenos Aires, the most popular and most expensive buildings are located around the intersection of Avenida General Paz and Autopista Ingeniero Pascual Palazzo.

Lastly, the Panamericana Corridor has areas that are in high demand because of the submarket's geographical distribution and extension. The offices most in demand are located in the Panamerican Bureau, Thames Office Parc, Urbana, Optima Business Park, Bureau Parc San Isidro and Edision Officia complexes. Asking rents are highest in Edision Officia, reaching \$28.98/SF, whereas asking rents for the rest of the submarket average \$25.70/SF.

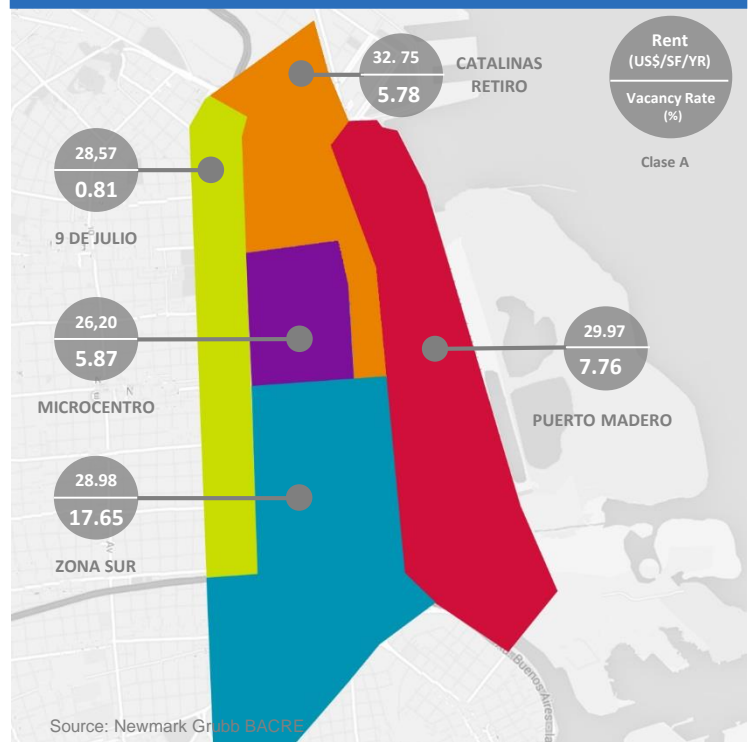
Inventory Change

No relevant incorporations occurred in the Class A market in the third quarter.

New space is expected to be incorporated during the last quarter of 2017, including the World Trade Center building in the Puerto Madero submarket, with 82,344 total square feet and 41,172 leasable square feet; the Banco Macro building in the Catalinas-Retiro submarket, with 567,257 total square feet and 376,737 leasable square feet (which will be occupied mostly by the bank); the Nodus II building in the Panamericana Corridor submarket, with 131,419 total square feet and 86,111 leasable square feet; and the Mill Offices building in the Libertador Corridor with 217,775 total square feet and 126,982 leasable square feet.

After six consecutive quarters of positive net absorption, this quarter showed a negative net absorption of 60,818 square feet, bringing year-to-date absorption to 212,278 square feet.

CABA Submarkets: Asking Rent - Vacancy Rate



Northern Area Submarkets: Asking Rent - Vacancy Rate





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Coworking grows in popularity Changes in the types and modalities of work are making workspaces more informal, collaborative and closer to where workers live and play

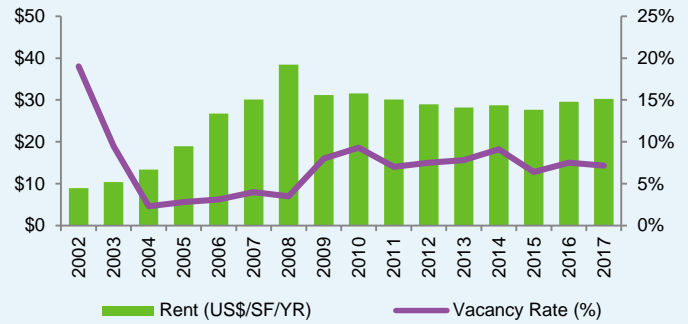
Of the total stock of Class A office space in the city of Buenos Aires (13.2 million square feet), flexible rental and coworking space comprises 4.8%. The metrics for this space confirm that it has become an established market segment. In 2000, the amount of flexible and temporary office space available for lease totaled 69,965 square feet. In 2010, the space available totaled 215,278 square feet. The space currently totals 645,834 square feet and is expected to reach 753,473 square feet by 2020.

Flexible rental and coworking space is growing in popularity for several reasons :

- Their occupancy costs are similar to those for traditional space, but they differ in concept, flexibility and experience.
- The application of technology.
- The surge of millennials entering the workforce
- The growing need for flexibility among users and businesses.

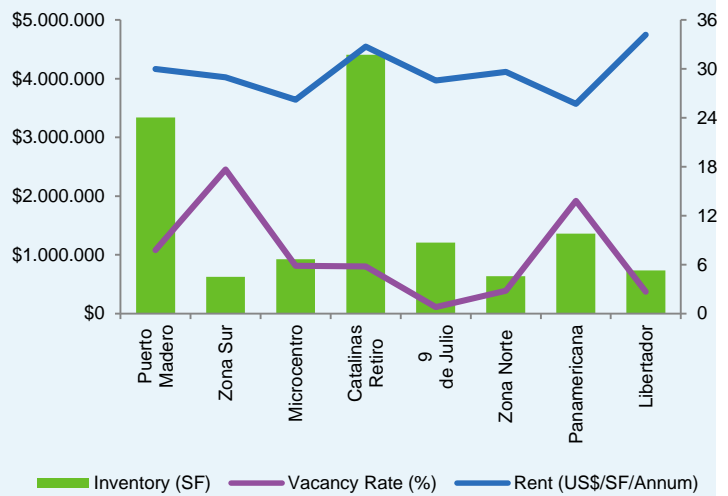
A few decades ago, offices were concentrated downtown, because that was where there the telephone lines were located. By contrast, in this age of ubiquitous communication, an office can be located in the same place as an employee's working tools. From multiple offices on the same floor to open spaces, and from the corporate building to workspaces away from the office, the world of work has adapted to more than just the preferences of millennials.

Average Asking Rent vs. Vacancy Rate (Class A)



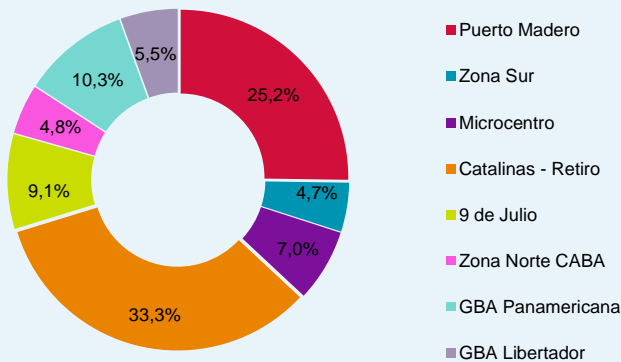
Source: Newmark Grubb BACRE

Inventory - Average Asking Rent - Vacancy By Submarket



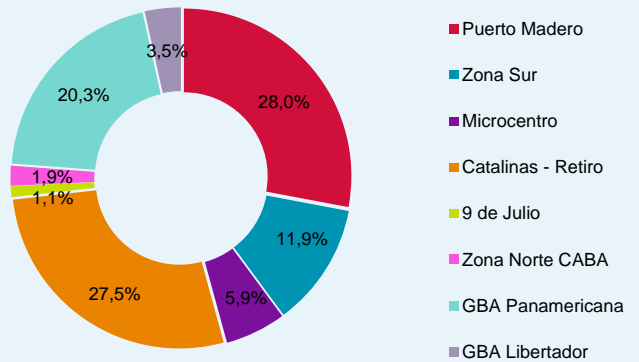
Source: Newmark Grubb BACRE

Inventory Composition



Source: Newmark Grubb BACRE

Vacancy Composition



Source: Newmark Grubb BACRE



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This change does not signify a fleeting trend. Rather, it is similar to when open space burst, except coworking space is not only open but also collaborative. Whereas open space was all about increasing the efficiency of office space, coworking is a new way of working. It is a cultural shift toward the creation of workspaces that are communities where experiences and projects are shared.

Schemes also vary. Companies with locations in different parts of the world use the "hot seats" format: offices anywhere, transferred telephone line, personal locker, without fixed drawers. Others choose temporary offices, an intermediate option. Spaces are rented, but contracts are monthly, and offices are separate from one another. This allows organizations to become more flexible without having to rent large spaces for projects that might not exist in a couple of years.

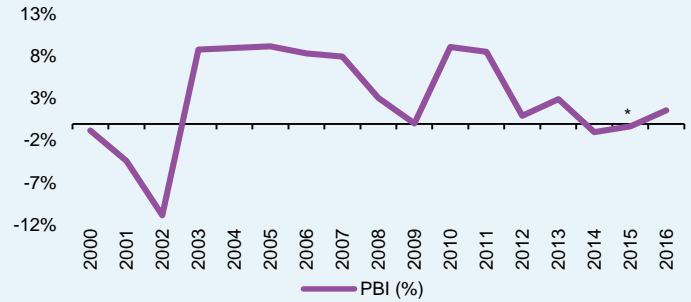
The firms that manage coworking spaces charge by the seat/person. Their rates vary according to the type of space rented, from common area space without assigned places to closed offices with greater independence. Depending on the type of membership, access to venues in other countries is available can be accessed by simply connecting a computer. All services are enabled (Wi-Fi, printers, etc.). There are also companies that set up particular projects outside their own offices and resort to this type of space.

Several coworking firms operate in Argentina, including WeWork, which leads the market's stock a few months after landing. Other coworking firms are Hit, Regus, La Maquinita, Area 3, Urban Station and Graciela Lazarte in Córdoba.

Coworking is a paradigm shift for the office market in many respects, particularly its sources of capital investment, use of office space, location, sense of belonging and shift from shared workspace to more community-oriented space with principles and collaborative projects.

Undoubtedly, this change has only just begun and is consolidated as a concept locally as well as globally.

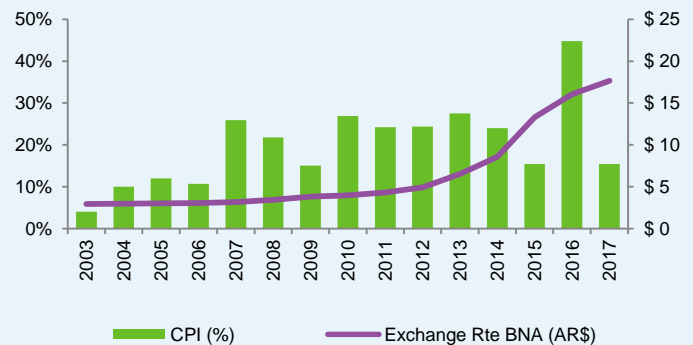
GDP



Source: World Bank

* GSP 2015 = 1,00, Cepal

Argentina's Exchange Rate - CPI



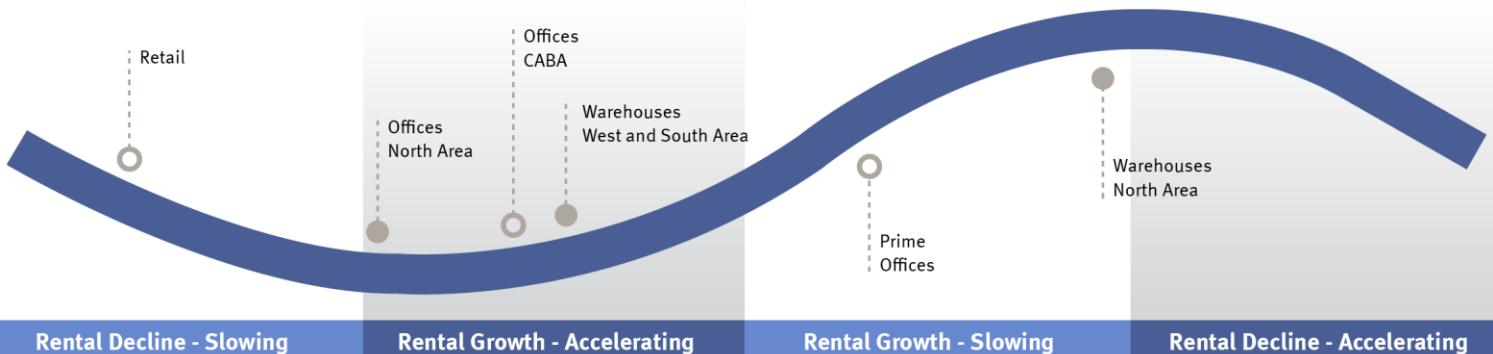
Source: Banco de la Nación Argentina, INDEC

1999-2007 INDEC Source

2008-2014

Calculated through the price for the consumer geometrical average calculated by statistical institutes

Real Estate Cycle – Office Market | Industrial Market | Retail





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Submarket Statistics

By Submarket

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (US\$/SF/YR)	Sublet Asking Rent (US\$/SF/YR)	Total Asking Rent (US\$/SF/YR)
CABA								
Puerto Madero	3,339,780	466,712	7.76%	-31,194	32,841	\$29.97	N/A	\$29.97
South Area	625,802	580,766	17.65%	0	0	\$28.98	N/A	\$28.98
Microcentro	924,221	690,639	5.87%	-14,413	85,928	\$26.20	N/A	\$26.20
Catalinas-Retiro	4,407,817	1,165,730	5.78%	-36,091	25,198	\$32.75	N/A	\$32.75
9 de Julio	1,207,301	0	0.81%	5,617	42,962	\$28.57	N/A	\$28.57
Midtown	634,069	1,030,353	2.81%	0	0	\$29.65	N/A	\$29.65
GBA								
Panamericana Corridor	1,362,419	530,865	13.83%	-26,393	9,752	\$25.70	N/A	\$25.70
Libertador Corridor	732,128	588,010	2.69%	5,995	15,597	\$34.19	N/A	\$34.19

By Class

Class A	13,233,537	5,053,075	7.15%	-60,818	212,278	\$30.23	N/A	\$30.23
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Principal Buildings Under Construction – Class A						
	Project	Submarket	Total Area (SF)	Rentable Area (SF)	Date	Leed
	WTC III	Puerto Madero	82,343	41,171	3Q 2017	
	Nodus II	Corredor Panamericana	SD	131,427	3Q 2017	
	Banco Macro	Catalinas – Retiro	441,319	376,736	3Q 2017	
	Mil Offices	Corredor Libertador	441,319	376,736	3Q 2017	
	Olivos Office Center	Corredor Panamericana	238,528	129,382	2018	
	Al Río Torre Norte	Corredor Libertador	435,894	342,876	2018	
	Torre IRSA	Catalinas – Retiro	597,880	376,736	2019	
	Centro Empresarial Libertador	Zona Norte	701,213	646,243	2019	
	Blas Parera 31	Corredor Panamericana	252,177	129,102	2019	

** Las imágenes son de caracter ilustrativo.
*Las superficies de los proyectos son aproximadas



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Glossary of Terms

Absorption

A measure of the change in occupied space

Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

Deliveries

The total RBA of properties added to the inventory once construction has been completed

Direct Space

Available space offered for lease by the building owner, landlord, or owner representative

Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space

Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of space

Weighted Average Rent

The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet in total rentable building area. Owner occupied buildings are not included in the inventory.

Newmark Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents.

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