

BUENOS AIRES 3Q17 INDUSTRIAL MARKET

INDUSTRIAL PARKS: SUSTAINABLE DEVELOPMENT

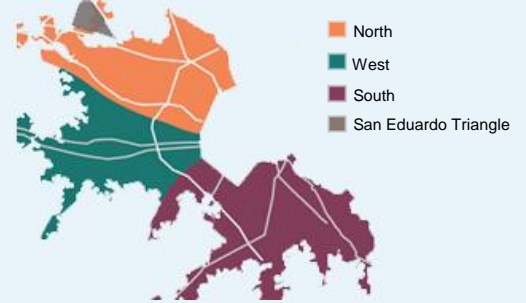
Industrial Real Estate Market

Buenos Aires is the largest industrial property market in Argentina, with approximately 1.97 million square meters of Class A warehouse space and over 4,000 acres of industrial parks, representing 50.0% of the entire country's market.

The third quarter of 2017 marked both an increase in the market's stock of Class A warehouse space and a decrease in its vacancy rate, from 8.3% in the second quarter to 8.0%. The average rental value held stable at \$8.00/SF/Year, for an increase of 1.0% year-to-date.

Although the inventory of Class A warehouse space increased in the third quarter, the gap in square meters built in each submarket remained stable. Consequently, the Northern Corridor (along the Pan American Highway), where the market's main logistics centers and industrial parks are located, remains the main submarket, comprising 70.0% of the total stock. By contrast, the South Corridor still maintains a large number of industrial sectors with important advantages stemming from their proximity to the port of Buenos Aires, although many of these sectors are hampered by old or obsolete infrastructure. The least consolidated submarket is the West Zone, which despite its high vacancy rate has great potential for future development.

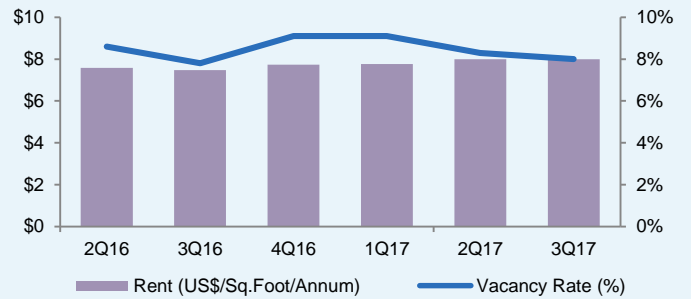
Submarkets



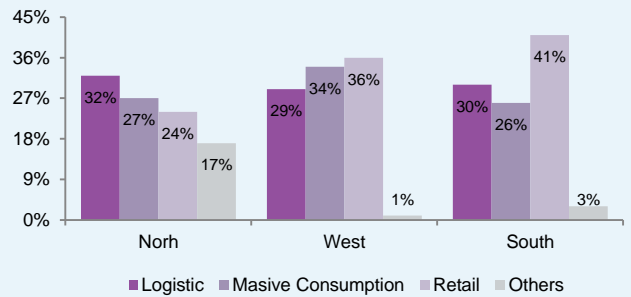
Source: Newmark Grubb BACRE

Market Analysis - Premium Warehouse Class A

Average Asking Rent vs. Vacancy



Activities by Submarket

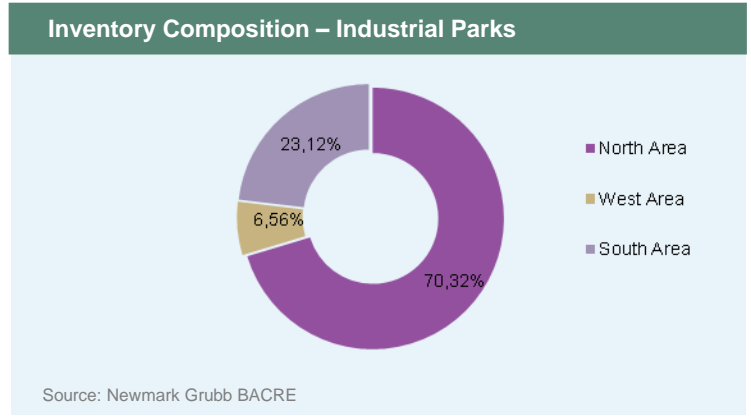
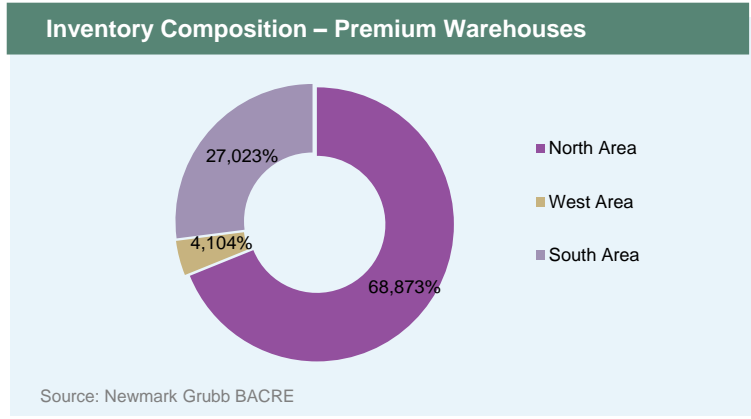


Argentina Market Summary

Argentina		
Capital City	Buenos Aires	
Population	43,420,000	
GDP MM (2016)	US\$ 781,8	
GDP per capita (2016)	US\$ 18,005	
Currency	Peso	
Unemployment Rate	8.7%	

Premium Warehouse	Current Quarter	Prior Quarter	Year Ago Prior	Forecast
Total Inventory (SF)	21,2MM	21,1MM	20,1MM	↑
Vacancy (%)	8.0%	8.3%	7.8%	→
Average Asking Rent	US\$8.00	US\$7.99	US\$7.58	→

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Sustainable Development

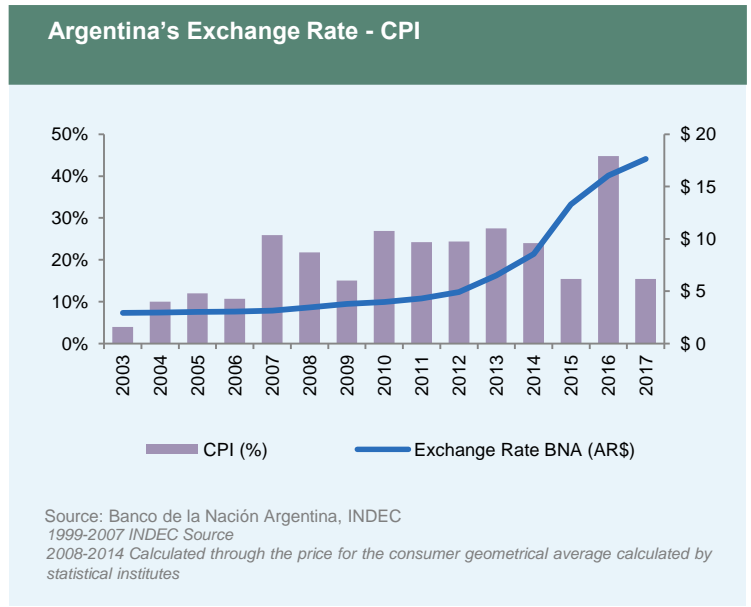
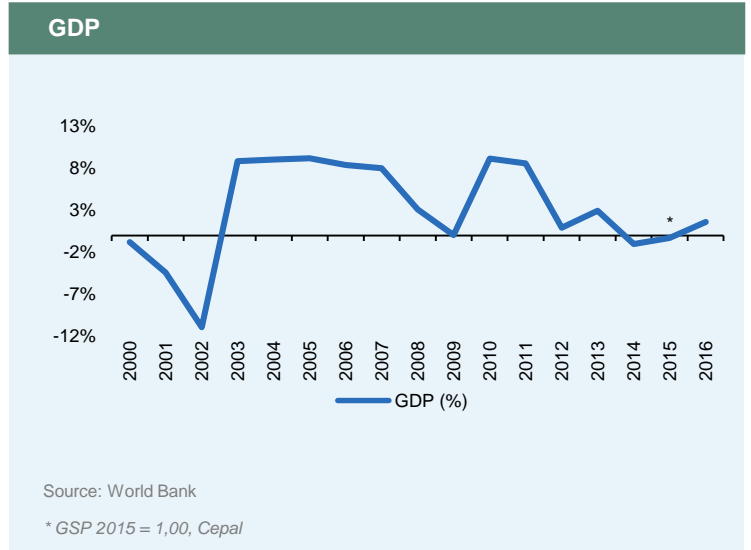
With sustainable goals, industrial buildings and logistic deposits that are designed with certification purposes will have added value in the market.

The success and subsequent growth of industrial parks is mostly due to the competitive advantages they offer, which make them very attractive regional hubs for manufacturing operations and logistics.

In addition to costs, logistics, workforce availability, macroeconomic stability and other variables in the location equation, companies always look for places where they can operate with a minimum of risk. This is precisely what industrial parks offer: a place to operate under conditions of certainty in order to promote competitiveness.

The occupation of industrial parks in Argentina is closely linked to the dynamics of the economy. The outlook for the next few years looks promising. In recent months, the number of new investment funds and companies looking to open new operations in the country has increased, while projects that had been stopped by previous crises have been reactivated.

Yet the continued success of industrial parks is not only a question of increasing the capacity of this market but also of doing so in a more intelligent way, taking into account both the environment and business considerations. One of the latest trends for industrial parks is the implementation of sustainability policies, a requirement for an increasing number of tenants. In turn, owners of industrial buildings have reinforced the requirement for their customers to comply with environmental regulations, as this allows them to better protect the value of their assets in the long run.



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It is essential that more is done to promote environmental care and sustainability in industrial parks as an innovative way of strengthening the competitiveness of the industrial real estate sector. There must be action taken in both existing facilities and new spaces that favors sustainability, including the treatment of all wastewater generated within the park; the planting of trees inside the park and on the periphery; and the maintenance and permanent cleaning of avenues and lots without construction and drainage, among others.

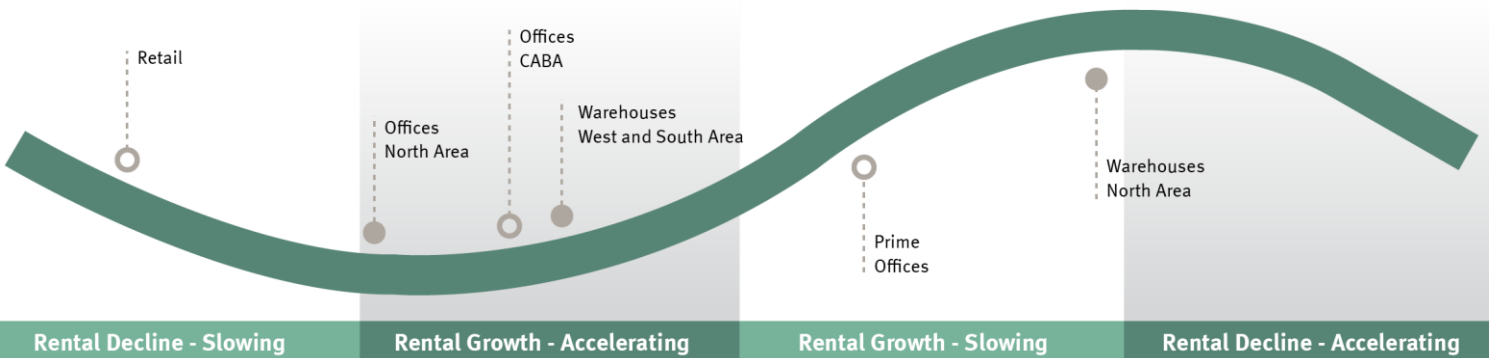
Since a significant number of owners or tenants within industrial parks are multinational companies, certification is in high demand in the market. Designing for LEED certification is a matter of thinking beyond the conventional supply of infrastructure and adopting international sustainability and security policies. The implementation of best practices focused on sustainability will improve the quality of infrastructure and will allow some industrial parks to differentiate themselves from their competition by having more options for value-added services.

This coincides precisely with what global companies seek, which is the possibility of operating under conditions of certainty with the greatest possible efficiency in all areas.

Design and Sustainability

- Intelligent design saves more energy than any technology.
- Setting objectives from day one and involving all parts of the project not only improves costs but also raises the quality of the final product.
- Integrating the concept of sustainability at each stage of the process, even if certification is the goal, optimizes the design and construction process.

Real Estate Cycle – Office Market | Industrial Market | Retail



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Premium Warehouse				
	Total Inventory (SF)	Vacancy (SF)	Vacancy Rate (%)	Ave. Asking Rent (U\$/SF/YR)
NORTH	14,700,796	1,292,937	8.8%	\$8.70
WEST	875,912	170,534	19.5%	\$7.40
SOUTH	5,768,105	241,542	4.2%	\$7.60
TOTAL	21,344,813	1,705,012	8.0%	\$8.00

Industrial and Logistic Parks				
	Total Inventory (SF)	Vacancy (SF)	Vacancy Rate (%)	Ave. Asking Sale (U\$/m ²)
NORTH	320,764,220	219,260,643	68.4%	\$120.00
WEST	29,923,642	6,081,603	20.3%	\$65.00
SOUTH	108,715,390	9,041,676	8.3%	\$72.00
TOTAL	459,403,252	234,383,922	51.0%	\$85.70

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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



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