

# BUENOS AIRES 4Q17 INDUSTRIAL MARKET

## RELOCATION OF LOGISTIC PARKS

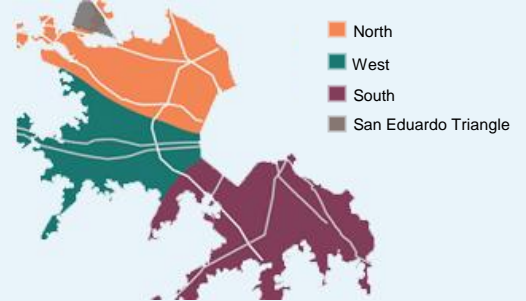
### Industrial Real Estate Market

Buenos Aires is the largest industrial property market in Argentina, with approximately 2.1 million square meters of Class A warehouse space and over 10,500 acres of industrial parks, representing 50.0% of the entire country's market.

The fourth quarter of 2017 marked both an increase in the market's stock of Class A warehouse space and in its vacancy rate, from 8.0% in the third quarter to 9.7%. The average rental rate experienced a slight decrease to \$7.80/SF/Year, for an increase of 1.45% year-to-date.

Although the inventory of Class A warehouse space increased in the fourth 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.

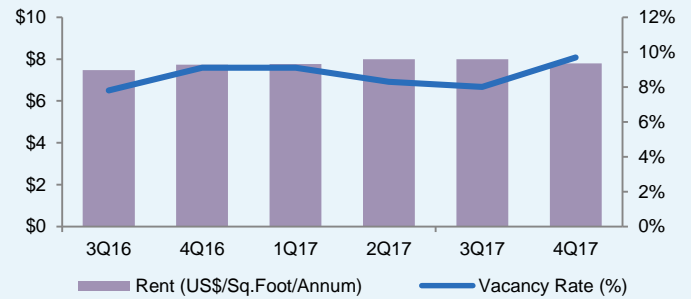
### Submarkets



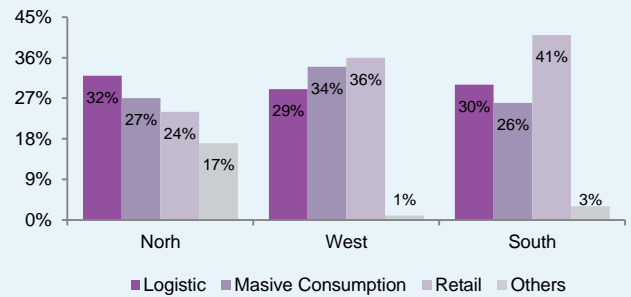
Source: Newmark Grubb BACRE

### Market Analysis - Premium Warehouse Class A

#### Average Asking Rent vs. Vacancy



#### Activities by Submarket



### Argentina

|                       |              |
|-----------------------|--------------|
| Capital City          | Buenos Aires |
| Population            | 44,044,800   |
| GDP MM (2016)         | US\$ 719,8   |
| GDP per capita (2016) | US\$ 16,343  |
| Currency              | Peso         |
| Unemployment Rate     | 8.3%         |

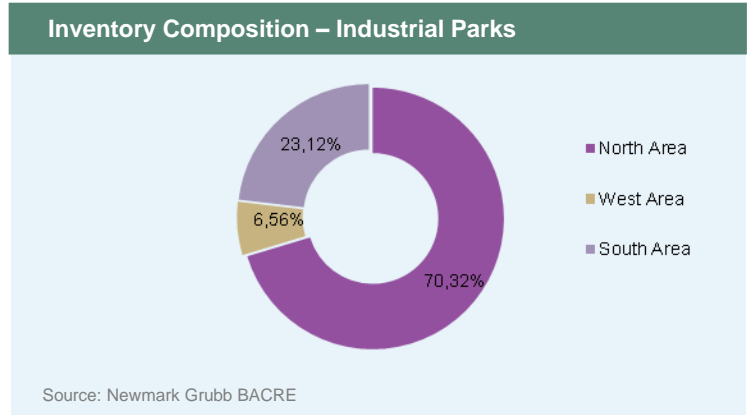
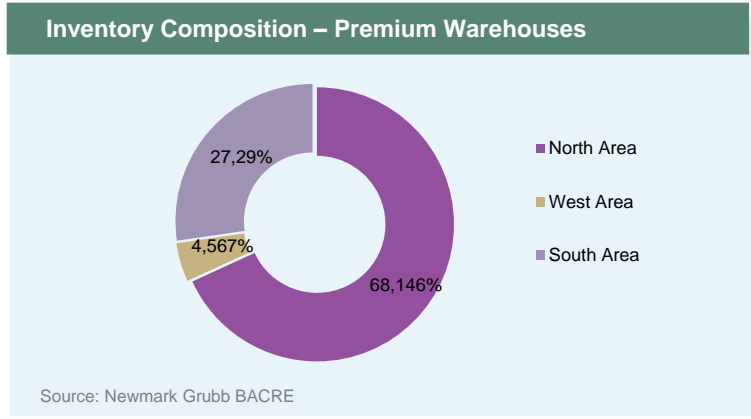


### Market Summary

#### Premium Warehouse

|                      | Current Quarter | Prior Quarter | Year Ago Prior | Forecast |
|----------------------|-----------------|---------------|----------------|----------|
| Total Inventory (SF) | 22,1MM          | 21,2MM        | 20,9MM         | ↑        |
| Vacancy (%)          | 9.7%            | 8.0%          | 9.1%           | →        |
| Average Asking Rent  | US\$7.80        | US\$8.00      | US\$7.73       | →        |

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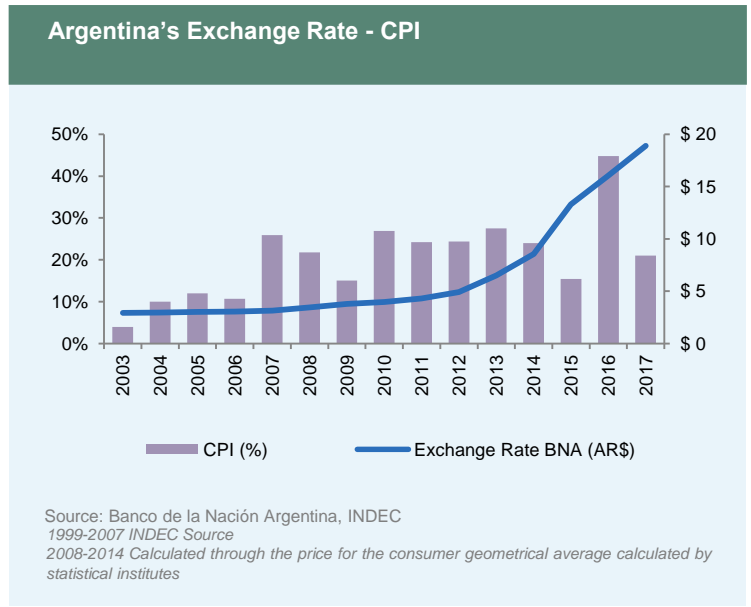
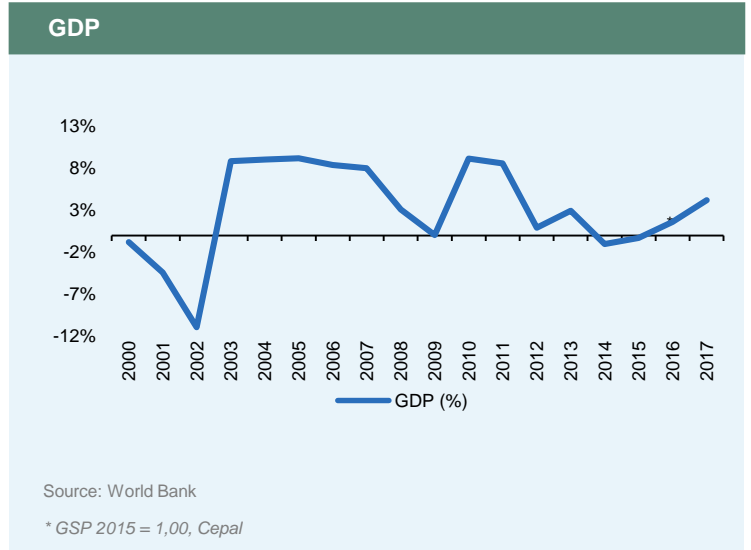
## Relocation of logistic parks

The model of the factory rooted in the urban grid from where it distributes to its chain of buyers is no longer synonymous with efficiency and success. Therefore, a growing number of strategically located industrial and logistics parks are being developed. One of the reasons why a company considers moving is the relationship with the community. It is becoming increasingly difficult for a factory to operate in the urban grid, where it is undesirable.

An industrial facility needs energy, adequate streets, transportation services for its personnel, water for industrial and human consumption, and security for its own operation and for its personnel. Also needed are an expansion of productive capacity, fiscal benefits, environmental and health conditions, lower costs and greater accessibility, among others. The success or failure of relocating a company's industrial operations will depend on all of these factors.

The relocation of a facility depends upon the analysis and evaluation of a number of important variables and indicators. These include the composition of the team that will participate in the project; the identification of all the interested parties, such as the different business units, human resources, information technology staff, and existing and future users; and everything related to construction, legal, safety and hygiene.

It is necessary to build a consistent program that includes qualifying properties, in order to ensure that employees and customers have adequate access; to factor direct and indirect costs into the budget; and to assess the movement of trucks and freight. Today, there are approximately 400 industrial parks in Argentina, and this number is expected to double in the next five years. The number of industrial parks will increase progressively year by year, motivated by companies' need to concentrate logistics, security, production and services, among other factors, in a single space.



# BUENOS AIRES 4Q17 INDUSTRIAL MARKET

Almost 40.0% of the country's industrial parks are concentrated in the province of Buenos Aires. This includes 51 parks in the metropolitan area, occupying almost 10,500 acres. In the rest of the country, there will be a greater demand for space in those industrial parks that are either close to ports or the rapid access roads linking cities.

### Logistics in constant change

In recent years, the distribution and logistics market has become one of the highest-performing sectors of the real estate industry, as a result of the ongoing shift from traditional retailers to e-commerce.

However, retail is far from disappearing. For instance, Amazon is opening brick-and-mortar bookstores and acquiring supermarkets, and Walmart's online sales grew 63.0% in the last 12 months, largely because of incentives offered for the withdrawal of purchases in their stores. Meanwhile, average site size is shrinking, requiring more storage space and more efficient delivery systems. These trends are excellent starting points for the logistics business and distribution centers, especially the main distribution centers located throughout the country.

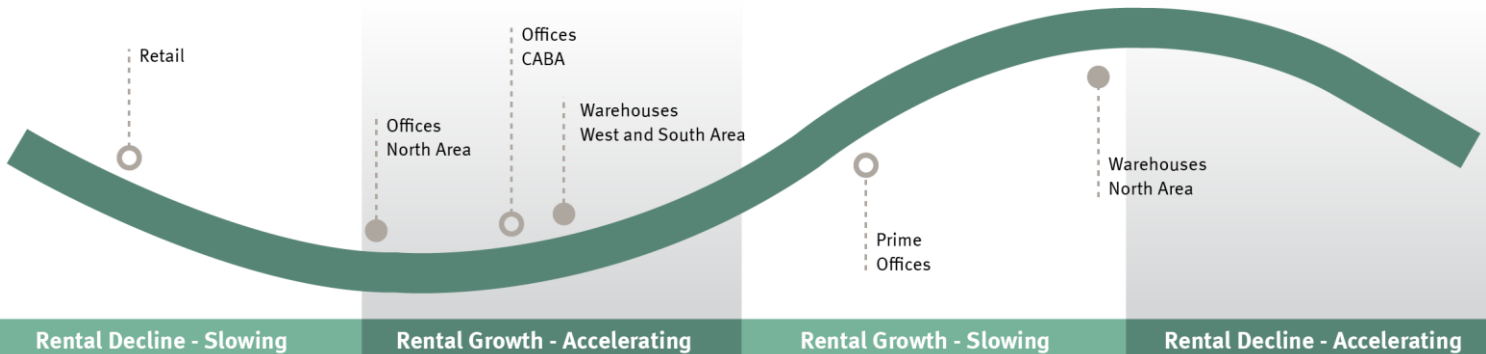
Most companies, even those with significant sales through e-commerce, have a growing need for merchandise storage space. This requires more distribution and storage logistics, with the goal of providing next-day, same-day and even two-hour delivery from warehouses to the addresses of customers.

These developments amplify the importance of warehouses in the distribution process. Challenges abound for investors and developers, as drones and other state-of-the-art technology transform the distribution industry.

The need for more storage space is an opportunity for developers of large surfaces. When thinking of relocating to a logistics center or industrial park, a company's options should be multimodal, including highways, air transport, parcel delivery centers, rail lines and others. Many opportunities lie ahead for owners and tenants in the industrial/distribution space, with challenges that are worth addressing because of the way this product is facilitating the desire of consumers for home delivery of products.

Many expenses can be reduced by occupying a larger building. Economics in industrial construction are heavily influenced by scale. Larger buildings cost less to build than smaller buildings. New technologies, such as robotics and space sensors, will allow different types of warehouse sharing. These applications will increase returns by allowing warehouses to operate on a demand model that offers occupants full flexibility at lower overall costs.

## Real Estate Cycle – Office Market | Industrial Market | Retail





**BUENOS AIRES**  
**4Q17 INDUSTRIAL MARKET**

| Premium Warehouse |                      |                  |                  |                              |
|-------------------|----------------------|------------------|------------------|------------------------------|
|                   | Total Inventory (SF) | Vacancy (SF)     | Vacancy Rate (%) | Ave. Asking Rent (U\$/SF/YR) |
| <b>NORTH</b>      | 15,077,533           | 1,508,215        | 10.0%            | \$8.70                       |
| <b>WEST</b>       | 1,010,461            | 224,353          | 22.2%            | \$7.40                       |
| <b>SOUTH</b>      | 6,037,202            | 409,028          | 6.8%             | \$7.50                       |
| <b>TOTAL</b>      | <b>22,125,196</b>    | <b>2,141,596</b> | <b>9.7%</b>      | <b>\$7.80</b>                |

| Industrial and Logistic Parks |                      |                    |                  |  |
|-------------------------------|----------------------|--------------------|------------------|--|
|                               | Total Inventory (SF) | Vacancy (SF)       | Vacancy Rate (%) | Ave. Asking Sale (U\$/m <sup>2</sup> ) |
| <b>NORTH</b>                  | 331,528,120          | 227,871,763        | 68.7%            | \$125.00                               |
| <b>WEST</b>                   | 29,923,642           | 6,081,603          | 20.3%            | \$65.00                                |
| <b>SOUTH</b>                  | 108,715,390          | 9,041,676          | 8.3%             | \$70.00                                |
| <b>TOTAL</b>                  | <b>470,167,152</b>   | <b>242,995,042</b> | <b>51.7%</b>     | <b>\$86.70</b>                         |

# BUENOS AIRES 3Q17 INDUSTRIAL MARKET

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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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