



BUENOS AIRES
1Q18 OFFICE MARKET

BUENOS AIRES: FACING THE FUTURE

The Office Market

Buenos Aires is the largest office market in Argentina, with nearly 20.8 million square feet of total stock, including 14.3 million square feet of rentable Class A space.

The market's low vacancy trend continued through the first quarter of 2018, resulting in another quarter of positive net absorption. The vacancy rate increased slightly from the previous quarter, closing at 6.4%.

This increase reflects new Class A office space that came onto the market during the first quarter, mostly in the northern area of Greater Buenos Aires: Florida Office Center I and Florida Office Center II, which were incorporated into the POLO DOT submarket, and the Olivos Office Center, which added 258,333 square feet to the Panamericana Corridor submarket. In the Libertador Corridor, the Mill Offices building added 129,167 square feet to the submarket's stock, which was then fully leased by WeWork.

No significant transactions occurred among the vacancies from the previous quarter. Rather, variations were the result of small transactions on isolated floors.

The average asking rent increased from the previous quarter, reaching \$30.78/SF.

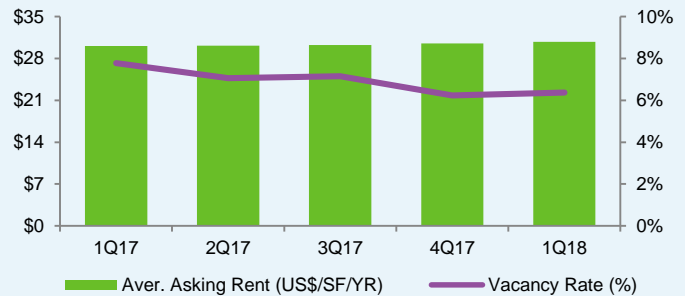
Class A leasing activity showed promise, as net absorption totaled positive 287,076 square feet.

Current Conditions

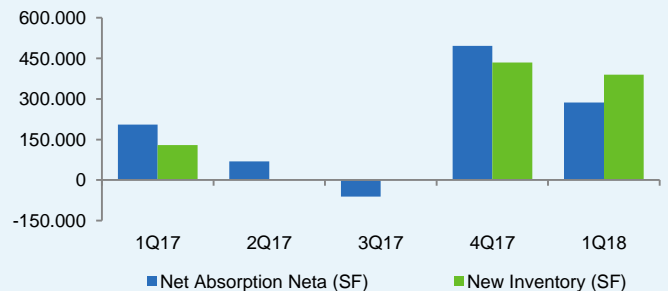
- The weighted average asking price increased slightly from the prior quarter, averaging \$30.78/SF.
- Recent closures of new contracts and renewals exceeded the weighted average asking price, marking an upward trend for the second quarter of 2018.
- Class A vacancy raised slightly to 6.4%, one of the lowest vacancy rates in Latin America.

Market Analysis

Asking Rent vs. Vacancy



Net Absorption



Source: Newmark Grubb BACRE

Argentina

Capital City	Buenos Aires
Population (2014)	44,044,800
GDP MM (2017)	USD 728,6
GDP per capita (2016)	USD 16,542
Currency	Peso
Unemployment Rate	7.2%



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	Forecast
Total Inventory (SF)	20,2MM	19,5MM	19,4MM	↑
Vacancy (%)	6.23%	7.15%	7.51%	→
Net Absorption (SF)	496,833	-60,818	-224,275	→
Average Asking Rent	\$30.53	\$30.23	\$27.51	→
Under Construction (SF)	3,958,020	5,053,075	4,207,264	→

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Rent Values by Submarket

Every submarket has a particular area that outperforms the rest. For example, the blocks located in Catalinas between Avenida Leandro N. Alem and Avenida Madero have average asking rents as high as \$44.59/SF, compared with \$33.23/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, recently named Polo Dot. Although the average value of the submarket is \$26.15/SF, some properties there command as much as \$33.44/SF.

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, where they average \$31.21/SF, compared with \$28.80/SF for the rest of the submarket.

Inventory Change

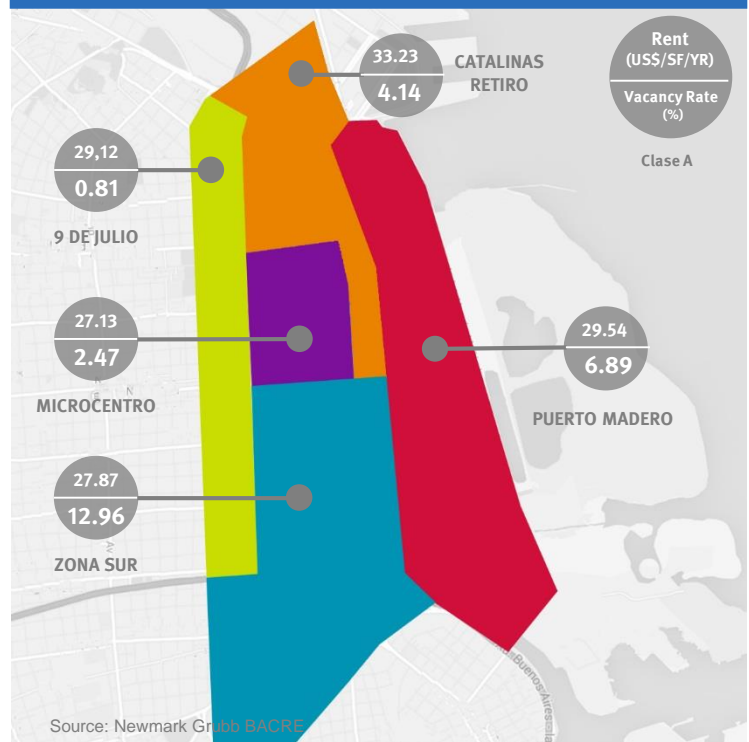
New space incorporated during the first quarter of 2018 includes: Florida Office Center I, with 45,208 total square feet and 39,331 leasable square feet in the Polo Dot submarket; Florida Office Center II, with 133,192 total square feet and 73,991 leasable square feet in the Polo Dot Submarket; the Olivos Office Center with 238,528 total square feet and 148,897 leasable square feet in the Panamericana Corridor Submarket; and in the Libertador Corridor, the Mil Offices building, with 217,775 square feet and 126,982 leasable square feet in the Libertador Corridor submarket.

The occupancy rate of the new additions is as follows: Florida Office Center I 0%, with 39,331 square feet available; Florida Office Center II 10%, with 66,413 square feet available; Olivos Office Center 21.5%, with 116,659 square feet available. Mill Offices was fully occupied by WeWork at the time of incorporation, so although the stock was modified significantly, vacancy did not increase.

With this the new addition, positive net absorption for the first quarter of 2018 totaled 287,076 square feet.

Class A inventory is expected to increase in the first semester of 2018 with the addition of the World Trade Center III building, totaling 41,172 square feet in the Puerto Madero submarket, and the Dot Zetta and Coca Cola buildings, totaling 312,153 and 69,965 square feet, respectively, in the Polo Dot submarket.

CABA Submarkets: Asking Rent - Vacancy Rate



Northern Area Submarkets: Asking Rent - Vacancy Rate





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Buenos Aires: facing the future

Buenos Aires faces the challenge of getting ready to compete with other cities in the region. The incorporation of approximately 10.9 million square feet of new Class A office space between 2018 and 2025 will position Buenos Aires as a leading market in the area.

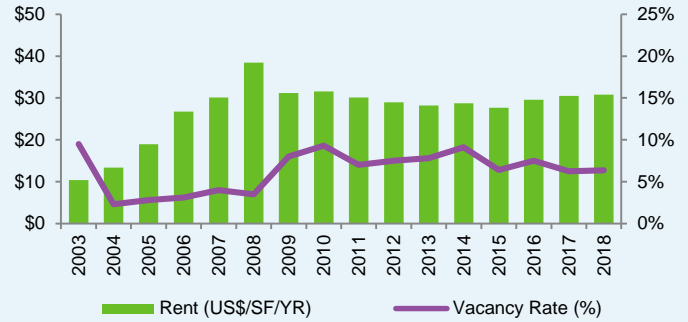
It is necessary to evaluate which factors drive a company to choose one city over another as a new location for its offices.

It is within the same time zone as the United States; it has a highly educated citizenry, including professionals with a great capacity for adapting to changes and overcoming adversity; and it is a very "European" city with plenty to offer in terms of culture, food, entertainment and nightlife. Distance should not be a determining factor: After all, Sydney, Melbourne and Singapore are culturally and geographically more distant than traditional financial centers, yet they have successfully positioned themselves as Super Cities.

Success in real estate often correlates with strong economic growth. This raises the question: What does a city with a best-in-class economy look like?

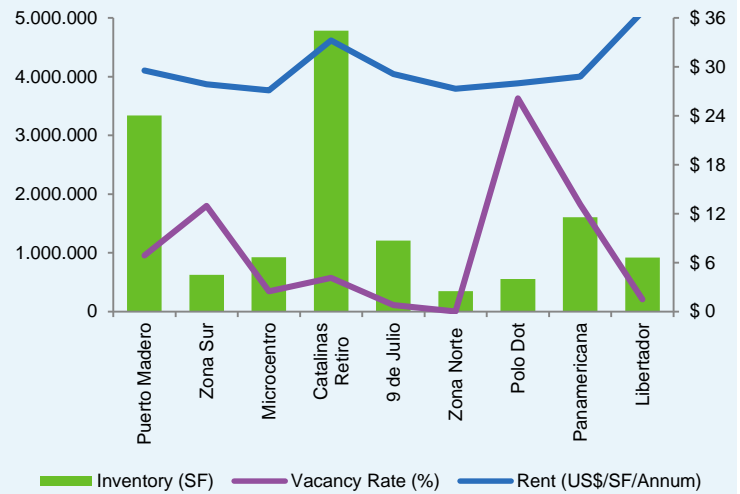
The answer is increasingly a matter of whether a city has the culture, diversity, lifestyle and opportunities necessary to attract talented people. Although these factors can come together at a workplace, they must also exist at a city level if they are to generate the critical mass of skilled and creative people who are necessary for the continued growth of successful firms.

Average Asking Rent vs. Vacancy Rate (Class A)



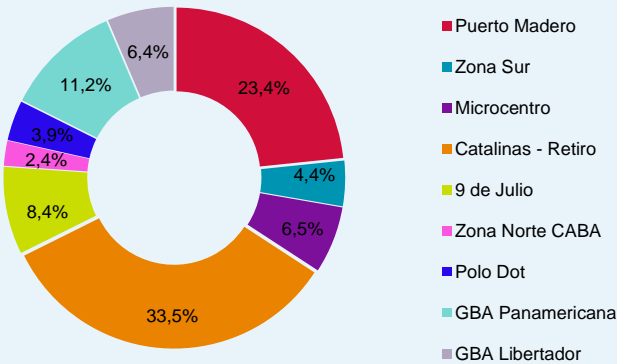
Source: Newmark Grubb BACRE

Inventory - Average Asking Rent - Vacancy By Submarket



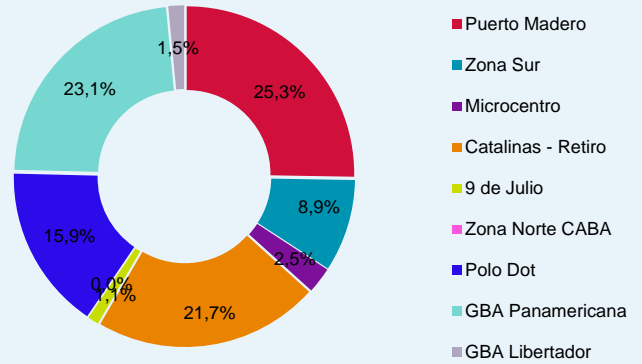
Source: Newmark Grubb BACRE

Inventory Composition



Source: Newmark Grubb BACRE

Vacancy Composition



Source: Newmark Grubb BACRE



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A city that hopes to draw top-flight companies must inspire as much of a “wow factor” as a Google office. In other words, it must be integrated into the informal networks that thrive in today’s global cities—tech geeks, foodies, LGBT, culture vultures and the craft beer crowd.

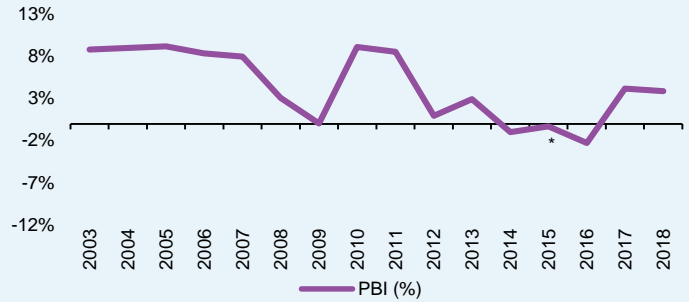
Moreover, a city must now provide the ambitious with a stage where they can succeed, as some people believe it is more important to impress their bohemian friends in the cool part of town than to please their boss.

The cities that can achieve this are in the front rank of global cities; cities that cannot are losing businesses, jobs and investment to cities that can. Last year, Fairfield, Connecticut, lost General Electric’s headquarters to Boston, known for its famous universities and innovation culture. Despite the uncertainty of Brexit, Snap Inc., the owner of Snapchat, chose London for its first European office, even though a host of other cities could offer guaranteed access to the European Union market.

This drive toward informal networks and a fluid business and cultural environment is reflected in the rise of new office districts and different office formats. From London’s Southbank to Los Angeles’ Silicon Beach, alternative central business districts are thriving, as they combine work and lifestyle in a non-traditional cultural environment. No longer content with confining themselves to traditional industry hubs, companies are moving to where they can obtain quality office space in a local setting that appeals to their staff.

Similarly, coworking office space provides a platform for informal networking among entrepreneurs. This is the real estate manifestation of the “gig economy,” which refers to the growing number of freelancers who work together on a project-by-project basis.

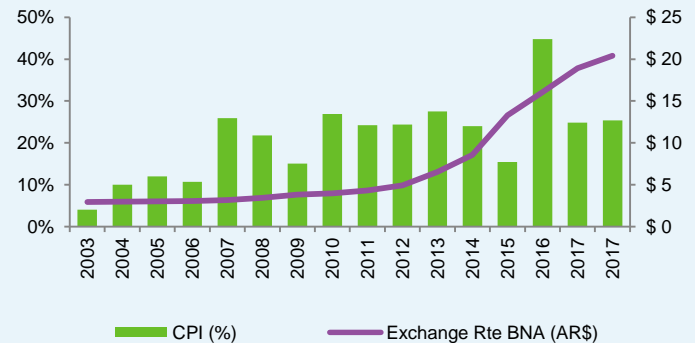
GDP



Source: World Bank

* GSP 2015 = 1,00, Cepal

Argentina’s Exchange Rate - CPI

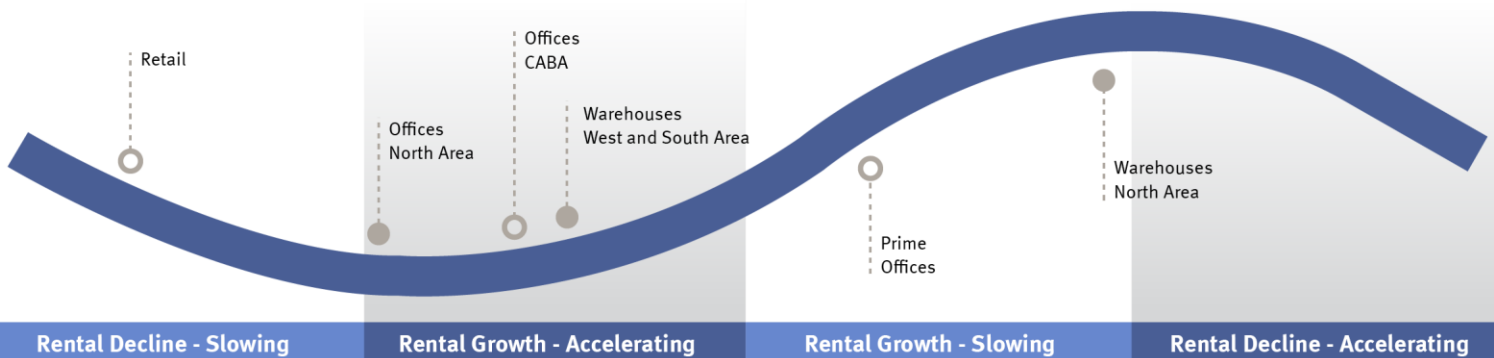


Source: Banco de la Nación Argentina, INDEC

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	174,375	6.89%	15,525	15,525	\$29.54	N/A	\$29.54
South Area	625,802	676,059	12.96%	0,00	0,00	\$27.87	N/A	\$27.87
Microcentro	924,221	614,619	2.47%	31,377	31,377	\$27.13	N/A	\$27.13
Catalinas-Retiro	4,784,554	374,627	4.14%	17,233	17,233	\$33.23	N/A	\$33.23
9 de Julio	1,207,301	0,00	0.81%	0,00	0,00	\$29.12	N/A	\$29.12
Midtown	344,552	646,243	0.00%	17,793	17,793	\$27.31	N/A	\$27.31
Polo Dot	553,534	677,792	26.15%	17,793	16,996	\$27.98	N/A	\$27.98
GBA								
Panamericana Corridor	1,604,101	172,222	13.12%	17,793	35,499	\$28.80	N/A	\$28.80
Libertador Corridor	916,901	461,029	1.51%	152,654	152,654	\$36.79	N/A	\$36.79

By Class

Class A	14,300,745	3,796,966	6.37%	287,076	287,076	\$30.78	N/A	\$30.78
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Principal Buildings Under Construction – Class A						
	Proyect	Submarket	Total Area (SF)	Rentable Area (SF)	Date	Leed
	WTC III	Puerto Madero	82,343	41,171	2Q 2018	
	Torre IRSA	Catalinas – Retiro	597,880	376,736	2Q 2019	
	Al Río Torre Norte	Corredor Libertador	435,894	342,876	2018	
	Blas Parera 31	Polo Dot	252,177	129,102	3Q 2019	
	Centro Empresarial Libertador	Zona Norte	701,213	646,243	4Q 2019	
	Nodus II	Polo Dot	SD	131,427	4Q 2019	
	Millenium Global Building	Microcentro	259,410	20,000	2019	
	Torre Odeón	Microcentro	269,098	23,500	2019	

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



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Newmark Grubb Bacre

HEADQUARTERS

1515 Olazabal St, Suite C203
CABA 1428, Argentina
+5411 4787 6889

Domingo Speranza

Founder and Director

Newmark Grubb BACRE
+54 114.787.6889
dsperanza@bacre.com.ar

Mariana Stossi

Market Research

Newmark Grubb BACRE
+54 114.787.6889
mstossi@ngbacre.com.ar

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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