RESEARCH

LATIN AMERICA
3Q17 INDUSTRIAL MARKET

CONFIDENCE RISES DUE TO LATIN AMERICA'S STABILITY

This year, political conjuncture marked the industrial market regional agenda. Despite the ups and downs in the first semester, figures demonstrate stability in vacancy rates and asking prices during the third quarter. Additionally, the growth of inventories and construction activity, prove the confidence of investors in Latin-American markets.

Buenos Aires, Argentina

Buenos Aires' industrial market continues its positive trend since the past quarter. The inventory of the city was increased in 160,000 square feet and reached 21.1 million square feet. Although, construction activity showed no variation, total vacancy dropped to 8.0% due to a better quarter absorption of 205,000 square feet. The average asking rent was slightly reduced to $7.92/SF.

Río de Janeiro, Brazil

Rio de Janiero's industrial market shows signs of stability. The inventory was increased in 72,000 square feet in the last quarter and reached 18.9 million square feet. Construction activity continues at the same rate as the last quarter and the availability rate was increased in 1.3%, and stood at 27.7%, equivalent to 5.25 million square feet. The quarterly has dramatically recovered from -253,000 to 287,500 square feet this quarter. The asking rent raised in $0.39 to $7.55/SF.

Sao Paulo, Brazil

Sao Paulo's industrial market continues the positive trend started in the last quarter. The city, whose inventory surpassed 81.8 million square feet, maintains the pace of the construction activity. The quarterly absorption dropped 9% to 93,400 square feet and the asking rent increased to $6.77/SF. Availability rate, although dropped to 28.4%, is still one of the highest in Latin America.

Santiago, Chile[1]

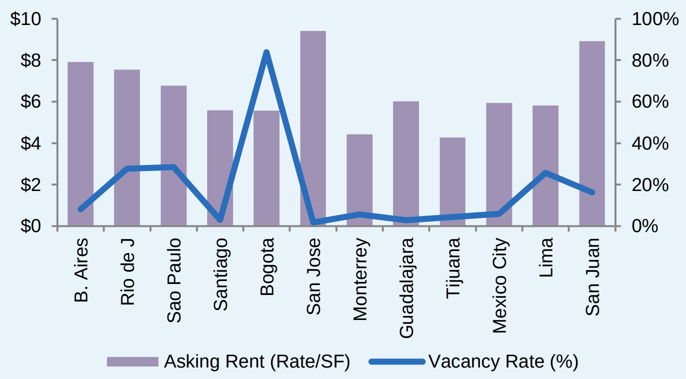
The industrial market in Santiago de Chile recorded deliveries of 323,000 square feet in the second quarter, bringing the inventory of Class A space to 23.3 million square feet. The vacancy rate stood at 3.0%, down from 4.7% in the first quarter, while asking rates averaged $5.99/SF, up from $5.02/SF in the first quarter. Absorption soared from 241,600 square feet in the first quarter to 722,600 square meters in the second one.

[1] Chile's industrial market information is delivered on a bianual basis.

Current Conditions

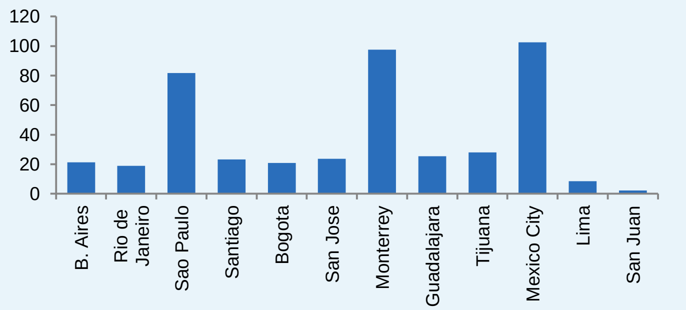
- The inventory in the region was increased in 1% and reached 454.2M square feet
- The availability rate and the average asking rent varied by less than 0.5%.
- Current construction exceeds 29.8M square feet despide the fact that 4.5 million square feet were delivered this quarter.

Asking Rent and Availability



Inventory per City

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (SF)	454.2M	449.7 M	-	↑
Vacancy Rate	15.1%	14.9%	-	↑
Quarterly Net Abs. (SF)	6.8 M	7.9 M	-	↔
Avg. Asking Rent	$6.52	$6.49	-	↔
Under Construction (SF)	29.8 M	29.2 M	-	↔
Deliveries (SF)	4.5M	10.6 M	-	↑

LATIN AMERICA
3Q17 INDUSTRIAL MARKET

Bogota, Colombia[2]
The industrial market in Bogota posted an inventory of 20.9 million square feet with an average asking rate of $5.57/SF. However, this market also recorded a vacancy rate of 53.4%, the highest on the continent. Absorption increased to 305,835 square feet during the first quarter.

San Jose, Costa Rica
San Jose's inventory was increased in 754,200 square feet and reached a total of 23.6 million square feet. Although the quarter absorption reached 655,100 square feet, the availability rate went from 1.4% to 1.8%. The asking rent practically was unchanged and stood at $9.41/SF, the highest of the region.

Monterrey, Mexico
Monterrey has the region's second largest inventory standing at 97.4 million square feet of Class A space and 5.8 million square feet under construction . The absorption was drastically reduced and stood at 92,000 square feet and the availability rate continued at 5.6%. The average asking rent was slightly reduced to $4.43/SF.

Mexico City, Mexico[3]
The absorption of Mexico City's industrial market maintains its lead in the region with 2.2 million square feet. Class A inventory is also the largest of Latin America standing at 102.6 million square feet. Availability rate continued at 4.5% while the average asking rent was increased to $5.94/SF.

Guadalajara, Mexico
Guadalajara's industrial market shows stability with a positive trend. The inventory was increased in 379,200 square feet and stood at 25.4 million square feet at the end of the quarter. Availability rate dropped to 2.9% and the absorption stayed the same as the last quarter. The average asking rent increased to $6.01/SF and the buildings currently under construction will add 1.89 million square feet.

Tijuana, México
Tijuana's inventory was increased in 1.07 million square feet and reached a total of 27.95 million square feet in this quarter. The availability rate showed an important increase and reached 4.3% although the asking rent dropped nearly 21% and stood at $4.27/SF.

Lima, Peru
Lima's industrial inventory grew in 4.5% and reached 8.46 million square feet. The absorption stood still at 205,700 square feet as well as the availability rate, which only gained 0.7% to close at 25.7%. The average asking rent slightly decreased to $5.82/SF.

San Juan, Puerto Rico[4]
San Juan's class A industrial inventory remained unchanged and there is no record of construction activity. Absorption increased from negative 27,400 square feet in the first quarter to 64,000 square feet in the second. Average asking rent remained at $8.92/SF, second only to San Jose's.

Market Overview per City

City	Total Inventory (SF)	Under Construction (SF)	Total Vacancy (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Asking Rent (Price/SF)
Buenos Aires	21,344,833	957,988	1,705,014	8.0%	207,528	359,299	$7.92
Rio de Janeiro	18,962,942	1,517,916	5,252,745	27.7%	287,493	-1,410,998	$7.55
Sao Paulo	81,852,969	1,411,934	23,212,910	28.4%	1,316,674	2,557,688	$6.77
Santiago[1]	23,327,847	1,528,098	690,106	3.0%	722,613	722,613	$5.59
Bogota	20,968,863	10,575,714	11,193,692	53.4%	305,835	305,835	$5.57
San Jose	23,612,380	756,412	426,875	1.8%	655,135	1,438,241	$9.41
Monterrey	97,469,497	5,850,906	5,470,251	5.6%	91,816	2,278,537	$4.43
Guadalajara	25,459,123	1,890,315	734,540	2.9%	548,841	1,571,412	$6.01
Tijuana	27,950,545	796,179	1,194,716	4.3%	260,120	659,041	$4.27
Mexico City[2]	102,633,537	3,787,981	4,646,812	4.5%	2,179,423	7,924,993	$5.94
Lima	8,463,027	750,567	2,174,999	25.7%	205,698	653,046	$5.82
San Juan[3]	2,150,005	-	350,000	16.3%	64,000	36,597	$8.92
Latin America	**454,195,590**	**29,824,012**	**57,052,671**	**15.1%**	**6,845,178**	**17,096,306**	**$6.52**

[1]Chile's industrial market information is delivered on a bianual basis. [2]First quarter data [3]An adjustment in the inventory was made due to a revisión of criteria. [4]Current quarter information unavailable due the recent natural disasters..

ECONOMIC CONDITIONS

Latin-American countries show good progress during the last quarter. Sadly, some countries in the region were stroke by natural disasters that will slow their short-term economic growth. However, an adequate management during the reconstruction process may open new windows of opportunity.

Argentina

The Argentinian economy shows signs of reactivation, mainly driven by construction, agricultural and consumer sectors. The latter was benefit by the growth of local services, such as transport and communications, and imported goods and services, such as cars, pharmaceutical products and tourism. In consequence, the GDP reported a growth of 2.7% in the last quarter in comparison with the same period last year. In addition, public investments and GDP growth are in a positive trend for the third consecutive quarter. With this, the project growth of the GDP for 2018 stands at 3.5%.

Brazil

Brazil's economy maintains its positive trend after two years with negative numbers. After the last report of the Banco Central, the growth projection was raised from 0.5% to 0.7%. Although the construction market keeps going down, other markets have shown positive numbers such as agriculture (12.1%) and mining (4.2%). The economy shows a gradual recovery despite the low levels of usage of the industrial capacity and an unemployment rate of 13%. For next year, there is an optimistic projection for the growth of the GDP (2.2%), exports (4%) and imports (6%).

Chile

After reaching its lowest level on the first quarter, Chilean economy shows moderate signs of recovery. The projection for the growth of the GDP in the current year is 1.3%. The construction market is still falling but private and public consumption show a growth of 2% and 3% respectively. Furthermore, inflation stands stable, under 2%. For the next year, growth will be determined by the presidential elections in November in which, if the candidate preferred by the corporate sector wins, the growth is projected in 2.4%.

Colombia

The Colombian economy has grown 1.6% in the last quarter, maintaining the positive trend throughout the year and with the expectation of a better scenario for the next years until it reaches 3% in 2019. Although, the growth in the telecommunications market during the past months, the recently signed peace agreement lay the foundations for important improvements for tourism, foreign investments and the reactivation of the oil market.

Latin America's Population and GDP

Country	Population (millions)	GDP per capita	City	Population (millions)
Argentina	44.08	14.3	Buenos Aires	15.33
Brazil	207.68	10.3	Rio de Janeiro	12.98
			Sao Paulo	21.29
Chile	18.39	13.7	Santiago	6.54
Colombia	49.29	6.2	Bogota	9.97
Costa Rica	4.97	12.0	San Jose	1.18
Mexico	123.52	8.0	Monterrey	4.59
			Guadalajara	4.92
			Mexico City	21.15
Peru	31.83	6.5	Lima	10.07
Puerto Rico	3.36	29.7	San Juan	2.46
Total	**483.12**			**110.48**

Source: International Monetary Fund, United Nations

Exchange Rate vs U.S. Dollar

Country	4Q16	1Q17	2Q17	3Q17
Argentina (ARS)	$15.75	$15.80	$16.15	$17.41
Brasil (BRL)	$3.35	$3.26	$3.31	$3.14
Chile (CLP)	$672.69	$674.97	$665.23	$633.11
Colombia (COP)	$3,061	$2,907	$2,996	$2,957
Costa Rica (CRC)	$547.38	$549.29	$571.44	$576.44
México (MXN)	$19.82	$19.30	$18.30	$17.86
Perú (PEN)	$3.39	$3.28	$3.26	$3.24
Puerto Rico (USD)	$1.00	$1.00	$1.00	$1.00

Source: Investing.com

ECONOMIC CONDITIONS

Costa Rica

Economy projection for the Costa Rica economy is still adjusting downwards, with an estimate of 3.8% growth for the GDP by the end of the year. The fiscal deficit has become a constant threat because it stands at 3.2% of the total GDP and raises an imminent tax increase. On the positive note, the depreciation of the colon has encouraged exporters and the proximity of national elections will push public investment, leading the construction market growth.

Mexico

In September, a strong earthquake affected the states of the center and south of the country. In Mexico City, in spite of the intensity of the disaster, only 0.1% of the real estate inventory –estimated in 2 million of buildings- was affected. Although people in the city are back to their normal activities, the earthquake could promote a negative impact over the economy.

During August, the renegotiation of the North American Free Trade Agreement (NAFTA) started. United States, Canada and Mexico have settled their postures in meetings between the three countries. The close trade relations could be favored or affected according with the final results of the renegotiations.

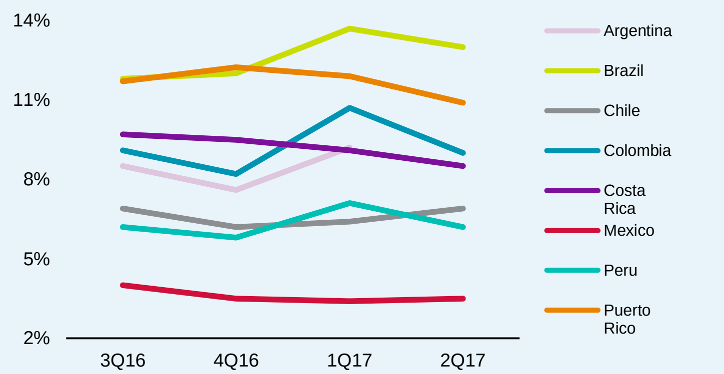
Peru

The mineral prices and important public investments reassure a sharp increase of the Peruvian economy as of the third quarter. So far, the north region of the country drags the economy fall caused by El Niño phenomenon but the infrastructure projects may revert the low public investment in the past 4 years with the recovery of nearly 15% of the executed budget. This, along side a boost in business confidence and the exchange rate stability, will help to improve the growth of the GDP for this year of 2.4% and around 3.9% for 2018.

Puerto Rico

After the strike of hurricane Maria, damages are calculated over 30 billion dollars. Puerto Rico's ailing economy declared bankruptcy in May to seek help in the payment of its debt and the compliance of its financial obligations. Sadly, natural disasters have dramatically affected the electricity supply, which affects the tourism market, its main source of income.

Unemployment Rate per Country



Source: INDEC (Argentina), IBGE (Brazil), Banco Central de Chile (Chile), Banco de la Republica (Colombia), Banco Central de Costa Rica (Costa Rica), INEGI (Mexico), Banco Central de Reserva del Peru (Peru), U.S. Bureau of Labor Statistics (Puerto Rico)

Mexico City
Newmark Knight Frank
Corporativo Espacio Santa Fe
Santa Fe, Cuajimalpa, CDMX
+52 55 5980 2000

Alejandro Winokur
Director
+54 11 4787 6889
awinokur@ngbacre.com.ar

Mariana Cury
Managing Director
+55 11 2737 3130
mariana.cury@newmarkgrubb.com.br

Manuel Ahumada
Managing Director
+562 2230 1000
mahumada@contempora.com

Juan Pablo Jimenez
Director
+571 2230 1053
jpjimenez@ngfg.co

Carlos Roberto Robles
President
+506 4000 5171
crobles@ngcentralamerica.com

Giovanni D'Agostino
Regional Managing Director Latin America
+52 55 5980 2000
gdagostino@ngkf.com.mx

Marco Yagui
Executive Officer
+511 277 8400
myagui@contempora.com.pe

Hector Aponte
Managing Director
+787 460 5555
haponte@ngcarib.com

Latin America Locations

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.

Newmark Knight Frank Research Reports are also available at **www.ngkf.com/research**

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark Knight Frank (NKF) has not verified any such information, and the same constitutes the statements and representations only of the source thereof, and not of NKF. Any recipient of this publication should independently verify such information and all other information that may be material to any decision that recipient may make in response to this publication, and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial, and tax aspects and implications.

Any recipient of this publication may not, without the prior written approval of NGKF, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains.

Please recycle,
whenever possible