

**BUENOS AIRES
2Q18 INDUSTRIAL MARKET**

**THE EVOLUTION OF
INDUSTRIAL AND LOGISTIC
PARKS**

Industrial Real Estate Market

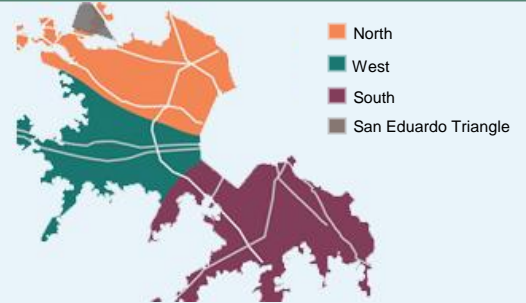
Buenos Aires is the largest industrial property market in Argentina, with approximately 2.1 million square meters of Class A warehouse space and over 11,150 acres of industrial parks, representing 50.0% of the entire country's market.

The stock of Class A warehouse space increased to 2.15 million square meters during the second quarter of 2018, while its vacancy rate remained stable at 10.2%.

The average rental rate decreased to \$8.50/SF, showing a 7.0% decline year-to-date.

Although the inventory of Class A warehouse space increased in the second quarter of 2018, 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, with approximately 25.0% of the stock of parks and warehouses, still has 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 with 5.0% of the market. Despite its high vacancy rate, the West Zone has great potential for future development.

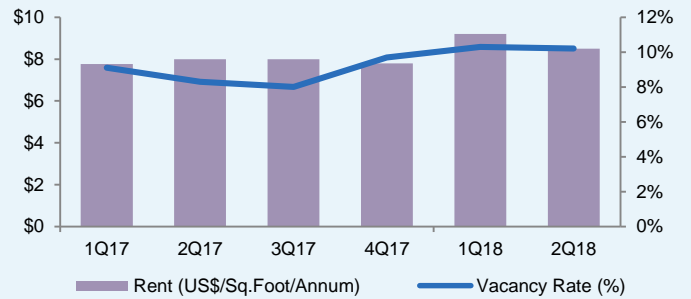
Submarkets



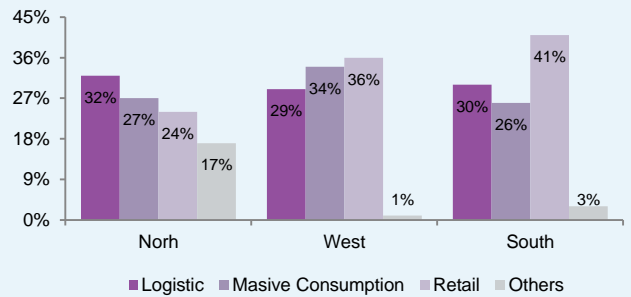
Source: Newmark Grubb BACRE

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\$ 708,5
GDP per capita (2016)	US\$ 16,086
Currency	Peso
Unemployment Rate	9.1%

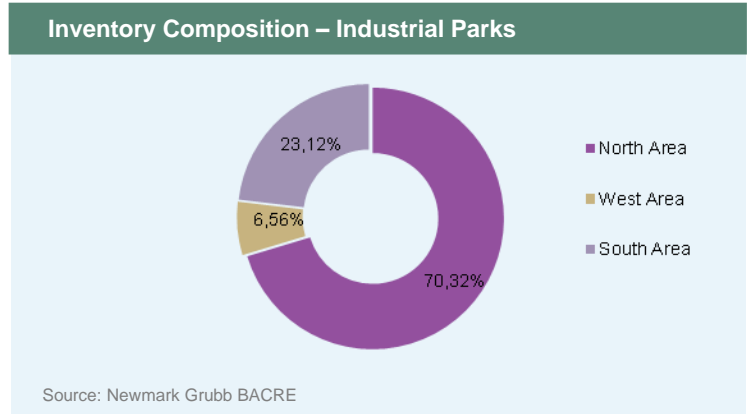
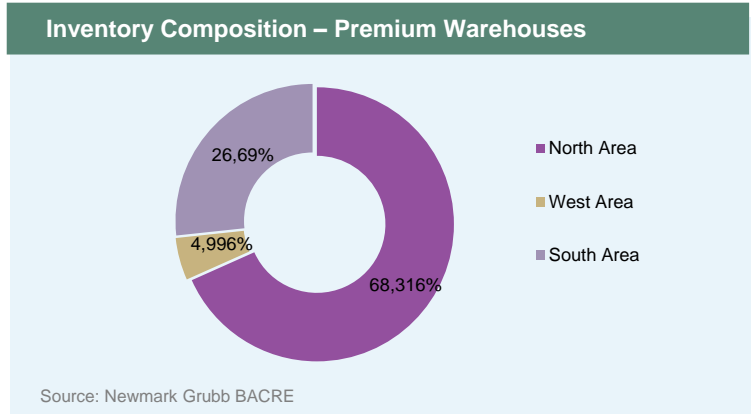


Market Summary

Premium Warehouse

	Current Quarter	Prior Quarter	Year Ago Prior	Forecast
Total Inventory (SF)	23,1MM	22,6MM	21,2MM	↑
Vacancy (%)	10.2%	10.3%	8.3%	→
Average Asking Rent	US\$8.50	US\$9.20	US\$7.99	→

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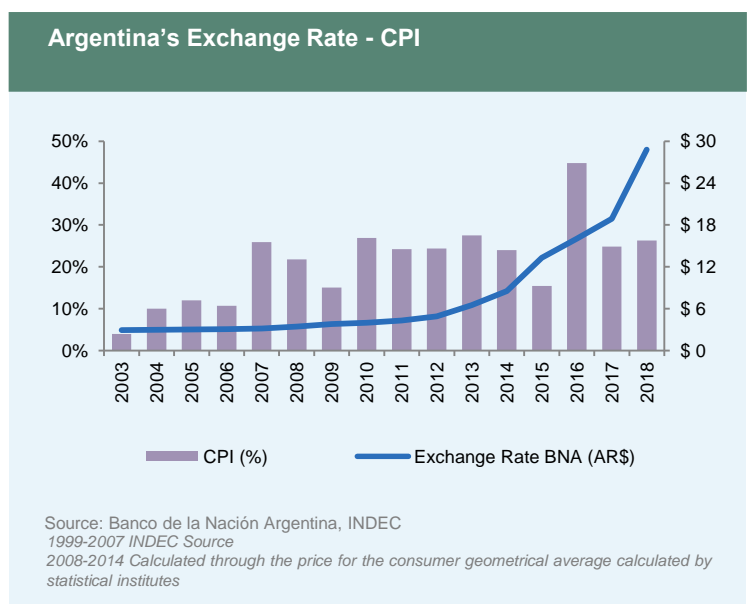
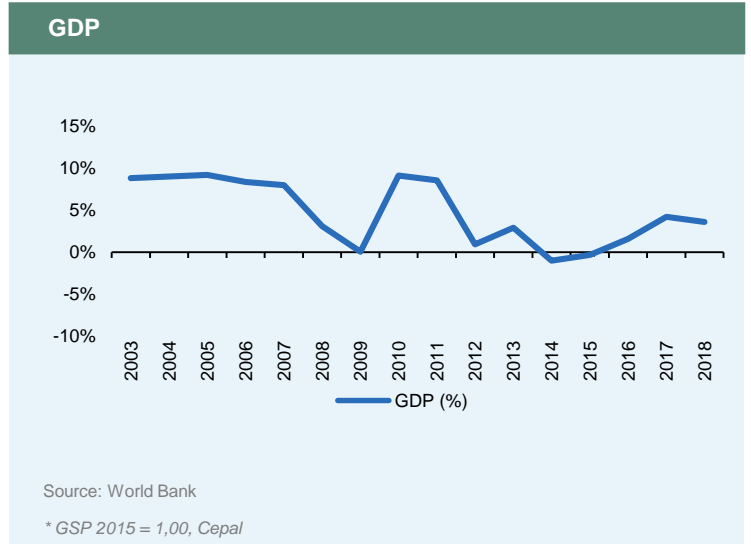
The Evolution of Industrial and Logistic Parks
 Currently, the province of Buenos Aires has more than 150 industrial parks (40.0% of the nationwide total of 400). It is estimated this figure will reach 180 parks by 2020 because of the need for relocation that a significant number of firms will have, and it will probably double by 2025. Today, there are 4,500 businesses located in different clusters throughout the province, and 80.0% of these businesses are small and medium-sized enterprises (SMEs).

The number of parks and industries located in these clusters will gradually increase year after year, driven by the need to optimize investment in infrastructure, generate urban planning and concentrate production, logistics, security, training and services in one place.

Proximity to Ezeiza International Airport or smaller-scale airports, such as El Palomar or Morón, as well as a connection to the city’s port through Ricchieri and 25 de Mayo highways should be determining factors for the development of industrial activities in the South and West areas of Greater Buenos Aires. Nevertheless, the Northern corridor (along the Pan American Highway) represents approximately 70.0% of the total inventory. The main logistics centers and industrial parks have been developed in this area.

The asking price of the square meter in a park or cluster starts at approximately \$56.00/SF and can reach \$170.00/SF, depending on the type of cluster, location, proximity to highways or the city, available infrastructure and other capabilities or advantages offered.

The land will undoubtedly become more expensive as users require larger spaces in better locations with proximity to the city’s master infrastructure. This will involve maximizing land use without underestimating the amenities the land can offer and will lead to industrial buildings with other characteristics, including multiple floors, which already exist in other markets.



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This might be the right time to consider the regeneration of industrial spaces for other land uses, or maybe the rebuilding of the already depreciated warehouses in order to adapt them to the new spaces and standards required to meet current and future needs.

With logistics in mind, it is impossible not to consider a future road, air, rail and maritime infrastructure project. More must be done to remove heavy vehicle traffic in cities and thus avoid pavement damage, traffic congestion and the environmental and noise pollution caused by some industries.

E-commerce has had a significant impact on the sector, which grew by more than 50.0% in 2017 compared with the previous year. This growth was largely driven by purchases made through mobile devices: Eight-five percent of the companies are offering mobile purchasing options. In Argentina, 90.0% of people connected to the Internet have made at least one online purchase, which represents approximately 17 million people. These people are for the most part women and millennials.

New technologies, such as robotics and space sensors, will serve as the basis of alternatives to share storage facilities. These applications will increase the building's profitability, as warehouses will be able to operate on demand, offering users complete flexibility at lower overall costs. Meanwhile, the appearance of storage facilities in neighborhoods closer to the user will help to reduce the volume of cargo to be distributed, as users can replace large trucks with smaller, more agile transport units capable of making smaller and more frequent deliveries. Users will also consider ecological factors, with some adopting electric vehicles to optimize their energy efficiency and use of space.

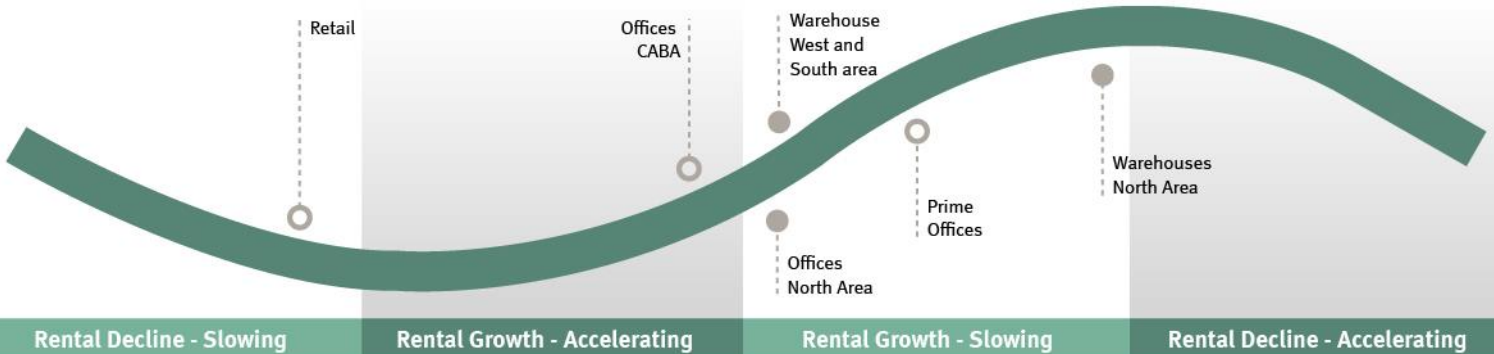
National Exhibition of Industrial and Logistic Parks 2018

From the debate that we moderated among the main referents of the sector in the last national exhibition of Industrial Parks and Logistics, we can draw several conclusions.

As this report has shown, industrial parks are representative of much of our country's work culture. Located in environments specially designed for development and growth, industrial and logistics parks offer their occupants the possibility of expanding in a controlled and secure area and the advantage of growing together with other companies. The companies that settle and develop their activities are only one of the large number of interlocutors that interact in a park: Everyone participates, everyone develops and everyone wins. Companies, users, consumers and neighbors are all beneficiaries.

Industrial parks are territorial organizers that allow for the development of a sustainable industry. Therefore, the benefits of settling in a controlled environment are not limited to companies but extend to the entire industrial and productive structure. For companies, the advantages include the services offered by other companies on the premises. In addition, industrial parks offer the possibility of expanding in one place, which improves the profitability of the investment. It produces a high impact in local communities, due to the high demand for workforce.

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	15,588,818	1,825,557	11.7%	\$9.80
WEST	1,130,210	280,938	24.9%	\$7.40
SOUTH	6,413,939	242,188	3.8%	\$8.50
TOTAL	23,132,967	2,348,683	10.2%	\$8.50

Industrial and Logistic Parks

	Total Inventory (SF)	Vacancy (SF)	Vacancy Rate (%)	Ave. Asking Sale (U\$/m ²)
NORTH	342,292,020	246,708,588	72.1%	\$126.00
WEST	29,923,642	6,027,784	20.1%	\$65.00
SOUTH	114,097,340	13,131,958	11.5%	\$70.00
TOTAL	486,313,002	265,868,330	54.7%	\$87.00

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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



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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