

BUENOS AIRES INDUSTRIAL MARKET

THE EVOLUTION OF INDUSTRIAL AND LOGISTIC PARKS

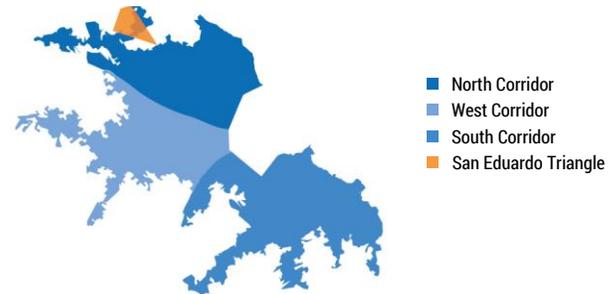
INDUSTRIAL REAL ESTATE MARKET

Buenos Aires is the largest industrial property market in Argentina, with approximately 2.2 million square meters of Class A warehouse space and over 11,387 acres of industrial parks, representing 50.0% of the entire country's market.

The stock of Class A warehouse space reached 2.24 million square meters in the third quarter of 2018, a 5.0% increase from the second quarter. The vacancy rate remained stable, closing at 10.3%. The average rental rate decreased 15.0% from the prior quarter to \$7.40/SF.

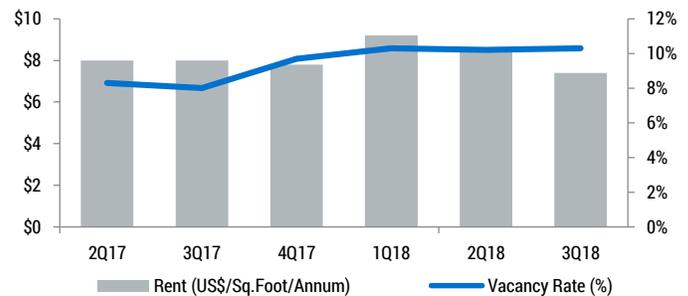
Although the inventory of Class A warehouse space increased in the third quarter of 2018, the gap in square meters built in each submarket remained stable. Consequently, the Northern Corridor (along the Pan American Highway), where the market's main logistics centers and industrial parks are located, 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

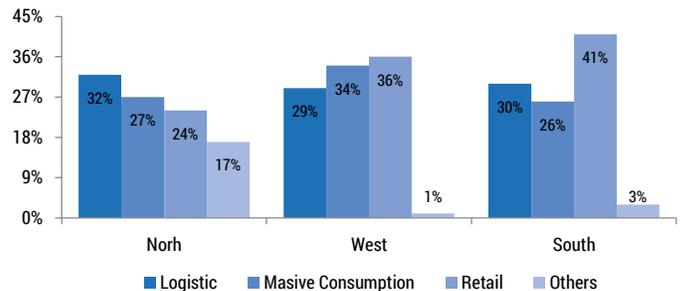


MARKET ANALYSIS

Asking Rent and Availability



Activities by Submarket



ARGENTINA

Capital City	Buenos Aires
Population	44,044,800
GDP MM (Q2 2017)	USD 752,8
GDP per capita	USD 17,092
Currency	Peso
Unemployment Rate (Q2 2017)	9.6%



MARKET SUMMARY

Premium Warehouses

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	23,1 MSF	23,1 MSF	21,2 MSF	↑
Availability Rate	10.3%	10.2%	8.0%	→
Quarterly Net Absorption	487,757	321,690	N/A	→
Average Asking Rent	\$7.40	\$8.50	\$8.00	→

THE EVOLUTION OF INDUSTRIAL AND LOGISTICS PARKS

The future of the retail sector is increasingly related to convenience, the variety of products available and the immediate need to have them. Synchronized commerce, which calls for the convergence of information, goods and financing along supply and distribution chains, offers retailers the best chance of meeting the challenges posed by both the shopping habits of millennials and new technology.

In the near future, supply chains and logistics will need a more efficient approach driven by technology, alternative fuels, autonomous vehicles, robotics/automation and predictive analysis.

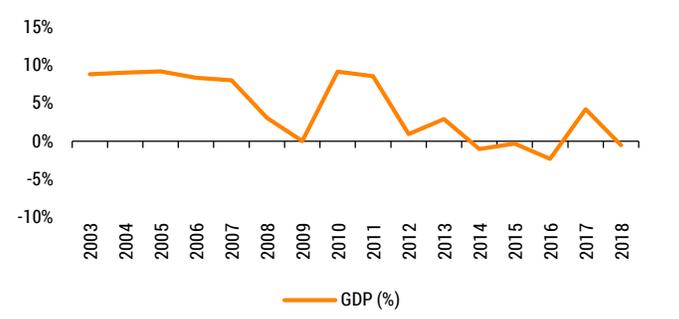
From a real estate perspective, the future of cities will be characterized by greater urbanization with more traffic congestion, densely built environments that will reflect the greater grouping of business and knowledge centers, and an increasingly tense infrastructure.

Minimal percentage savings in mobilization and transportation costs will represent significant percentages in the rental value of deposits.

The rents for logistics spaces in the main submarkets near the city will likely continue to climb, regardless of national economic trends. Nevertheless, the demand for land or space where merchandise can be stored is also expected to maintain its upward trajectory.

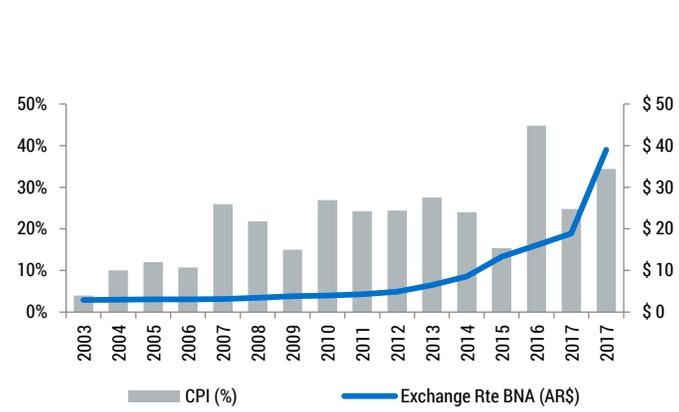
The transportation of merchandise, which includes fuel, equipment and drivers' time, is the biggest contributor to supply chain costs. Therefore, reducing costs of transporting merchandise to and within the city makes e-commerce more sustainable and economically viable into the future. Moreover, rethinking how warehouse and distribution facilities are used, where they are located and whether they allow for quick loading and unloading will lead to improvements in existing buildings. Lastly, the development of autonomous vehicles in certain markets is already changing the transportation of goods in and around the city.

GDP



Source: INDEC
GSP 2015 = 1,00 Cepal

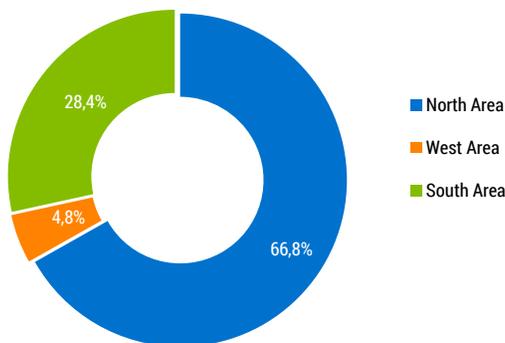
EXCHANGE RATE - CPI



Source: Banco de la Nación Argentina, INDEC
1999-2007/2015-2017 INDEC
2008-2014 Calculated through the price for the consumer geometrical average calculated by statistical institutes

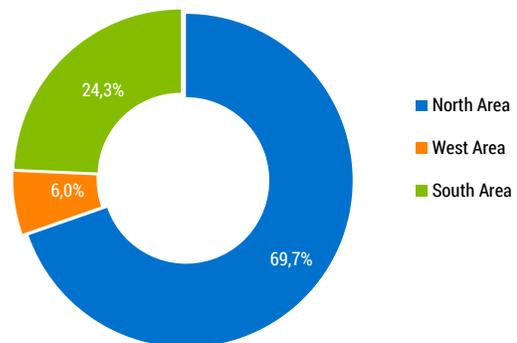
INVENTORY COMPOSITION

Premium Warehouses



INVENTORY COMPOSITION

Industrial Parks



Nevertheless, there remain many challenges, such as the viability of technology, its cost, regulation and popular acceptance. Similarly, although robotics and automation represents a large investment cost, companies are focusing on implementing new technologies to improve productivity. Even today, adoption levels, while moderate, are increasing substantially and steadily.

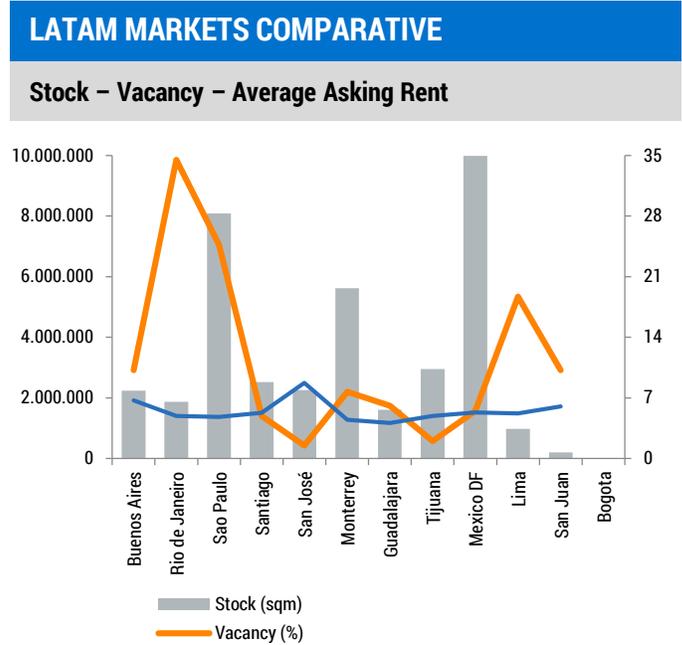
Better locations, space improvements and investment in new technology will give businesses, retailers and distributors a means of meeting the needs of consumers.

Although the movement toward e-commerce is still in its initial phase in Argentina, it must be understood that this shift will result in less spending on retail and more on logistics, especially on good facilities and warehouses in the main cities or urban centers.

In summary, every small percentage of savings in transportation and labor that is the product of more efficient deposits and operations will allow more resources to be invested in and allocated to renting better locations and spaces.

There is no doubt that rental rates differ among the submarkets near the main entry points to the city. However, transit times there are lengthening quickly. Soon, what once was close will become distant.

There are few alternatives that can accommodate growth. Buenos Aires is an urban environment with an increasingly limited supply of buildable land and a dwindling number of good logistics spaces available.



REAL ESTATE CYCLE



MARKET STATISTICS

	Total Inventory (SF)	Total Availability (SF)	Total Availability Rate (%)	Average Asking Rent (US\$/SF/YR)
PREMIUM WAREHOUSES				
North	16,134,427	1,991,322	12.3%	\$7.90
West	1,147,163	306,771	26.7%	\$6.80
South	6,862,915	188,368	2.7%	\$7.60
TOTAL	24,144,504	2,486,461	10.3%	\$7.40
INDUSTRIAL AND LOGISTICS PARKS				
North	345,521,190	247,569,700	71.7%	\$120.00
West	29,923,642	5,812,506	19.4%	\$62.00
South	120,555,680	17,006,962	14.1%	\$64.40
TOTAL	496,000,512	270,389,168	54.5%	\$82.10

NEWMARK GRUBB BACRE

HEADQUARTERS

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

ALEJANDRO WINOKUR

Co-founder and President
Newmark Grubb BACRE
+54 11 4787.6889
awinokur@bacre.com.ar

MARIANA STOSSL

Market Research
Newmark Grubb BACRE
+54 11 4787.6889
mstoss@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

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 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.