

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 2.3 million square meters of Class A warehouse space and more than 11,387 acres of industrial parks, representing 50.0% of the country's market.

The stock of Class A warehouse space increased slightly in the fourth quarter of 2018, reaching 2.26 million square meters, while the vacancy rate ticked down to close at 9.7%. The average rental rate remained stable, closing at \$7.40/SF.

Nationwide, a total of 405 industrial parks were registered at the end of 2018. Eighty percent are public, and nearly half were created in the past eight years.

INDUSTRIAL PARKS IN NUMBERS					
REGION	CENTER	NEA	NOA	CUYO	PATAGONIA
NUMBER OF PARKS	248	33	24	32	68
% REGIONAL EMPLOYMENT	11	9	19	20	57

Eight thousand industries operate in these parks, accounting for 15.0% of industrial employment. Of these companies, 80.0% are SMEs and 20.0% are large companies, mostly multinationals.

The relocation of companies in industrial parks remains steady and is expected to increase by 3.0% within the next year.

ARGENTINA

Capital City	Buenos Aires
Population	44,044,800
GDP MM (Q2 2017)	USD 695,7
GDP per capita	USD 15,794
Currency	Peso
Unemployment Rate (Q2 2017)	9.0%



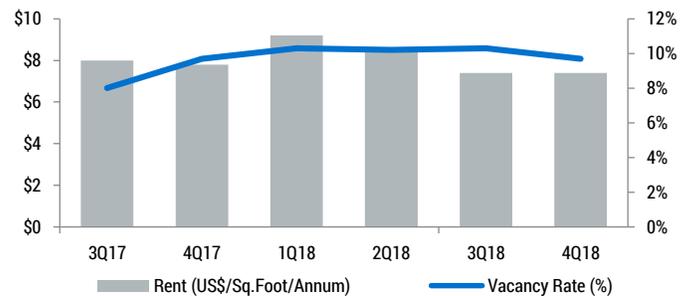
SUBMARKETS



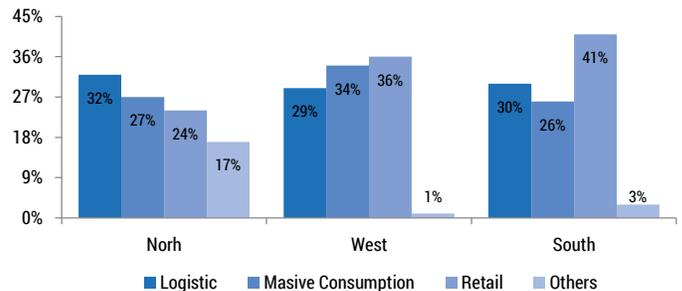
- North Corridor
- West Corridor
- South Corridor
- San Eduardo Triangle

MARKET ANALYSIS

Asking Rent and Availability



Activities by Submarket



MARKET SUMMARY

Premium Warehouses

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	24,3 MSF	23,1 MSF	22,1 MSF	↑
Availability Rate	9.7%	10.3%	9.7%	→
Quarterly Net Absorption	252,952	873,760	N/A	→
Average Asking Rent	\$7.40	\$7.40	\$7.73	→

HOW NEW TRENDS WILL BE AFFECTING THE MARKET

The expansion of electronic commerce will have a significant impact on many aspects of the real estate sector in the coming years.

HABITS OF CONSUMPTION AND LOGISTICS

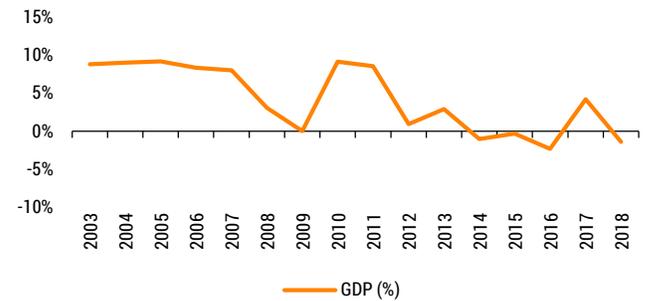
The logistics sector is changing as consumer habits continue to evolve, largely as a result of the growing number of online purchases. The shift from in-store to online purchases is transforming the logistics sector, and the growing importance of warehouses will require companies to adapt more quickly than ever.

In recent years, there has been a wave of technological change that has not only occurred in logistics and real estate, but also in the entire global economy as a whole. Intelligent communication, i.e., the increasing use of public Wi-Fi for a large number of tasks, has had a significant impact on consumer behavior. It is this change that is driving e-commerce and impacting the logistics and retail sectors. This change is also presenting new challenges and forces the supply chain and large deposits to readjust and reinvent themselves in order to offer a new type of relationship with customers.

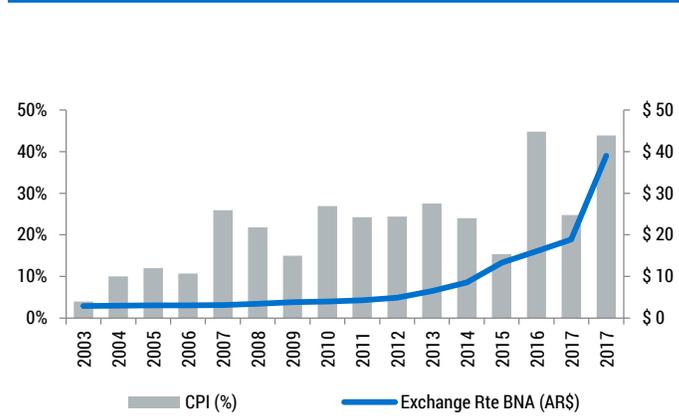
INFRASTRUCTURE AND TECHNOLOGICAL ADVANCES

Recent improvements in infrastructure and technological advances are undoubtedly influencing the ecommerce sector. This in turn is leading consumers to completely alter their shopping habits and behaviors. Consumers are now used to buying online from the comfort of their own homes, which in turn is making retail space more expensive for its occupants. As a result, a visible change is taking place in the occupation of commercial premises, with large warehouse spaces taking the place of classic establishments in order to respond to the needs of online shoppers.

GDP



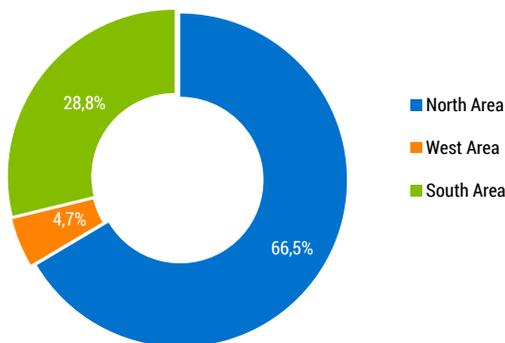
EXCHANGE RATE - CPI



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

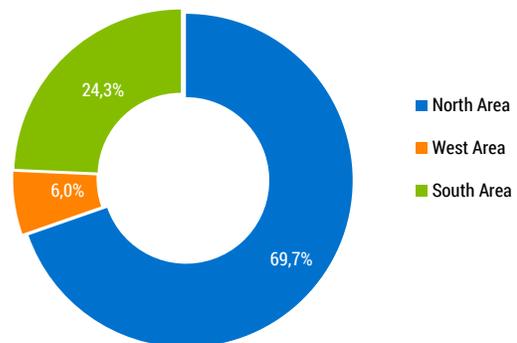
INVENTORY COMPOSITION

Premium Warehouses



INVENTORY COMPOSITION

Industrial Parks



Given the difference in price between these two types of locations, it is easy to see that the market will need larger deposits to continue to provide consumers with the online shopping experience that has now become part of their daily lives. Retailers will have to continue adapting their response to the changing needs of customers by continuing to successfully integrate online shopping into their businesses. The long-term result is an increase in storage spaces and warehouses rather than commercial premises, which will have a significant impact on the future of real estate, at least with respect to retail and large logistics warehouses.

WAREHOUSES: THE FUTURE OF LOGISTICS

For all the reasons mentioned above, the market for logistics warehouses is going through very important changes. Although retailers in general have always needed warehouses, the development of e-commerce has affected consumption and consumer needs, making high-quality deposits essential to supply chains.

The greater use of technology has heightened consumer expectations in terms of delivery speed and range of products. The logistics industry will have to satisfy these expectations, since it is expanding its offer, coveting spaces of large deposits and shrinking the supply chain by linking the consumer with the deposit or place of delivery instead of retail locations.

The robotics and automation industries are also evolving faster than ever, which is help to meet the demand of users for faster delivery. This has resulted in the proliferation of several subcategories, including logistics warehouses, dispatch centers by areas, distribution facilities in the last mile, robotic installations or machines that will be used mainly for the delivery of small products purchased online.

WAREHOUSES: LOCATION IS VITAL

In order to achieve successful storage, the most important factor is invariably location. It is essential for the occupant to choose a location that will ensure customer needs are met and will define their service standards.

Moving goods is a crucial component in the supply chain, since transportation amounts to almost 50% of the total cost. Therefore, a warehouse must be strategically located to ensure that the movement of goods is as efficient as possible.

Location also plays an important role in terms of employees. A warehouse must be in a location that can attract the highly qualified personnel necessary to its operation. The ease of access and proximity to the areas where the greatest number of people can move should be a factor to consider.

Added to this are the construction and organization of the building to allow the optimization of new technologies and the various business services necessary for the proper functioning of the warehouse.

The supply of the warehouse therefore depends on many factors, and the growing need for space and the integration of technology means that this is having an increasing impact on real estate.

In conclusion, it is easy to see the profound impact that e-commerce has had on logistics and warehouses, and that this impact will only grow. Changes in consumer habits regarding online purchases have increased the need for more and better warehouses. Warehouses have also had to adapt, becoming larger, more intelligent and in line with new technologies. Technological advances have had a large impact on the different types of warehouses. Recent warehouse subcategories have emerged as a response to these changing conditions and will undoubtedly continue to evolve in the future.

REAL ESTATE CYCLE

Office Market, Industrial Market, Retail



MARKET STATISTICS

	Total Inventory (SF)	Total Availability (SF)	Total Availability Rate (%)	Average Asking Rent (US\$/SF/YR)
PREMIUM WAREHOUSES				
North	16,134,427	1,802,953	11.2%	\$7.90
West	1,147,163	392,882	34.2%	\$6.60
South	6,992,081	166,840	2.4%	\$7.60
TOTAL	24,273,671	2,362,676	9.7%	\$7.40
INDUSTRIAL AND LOGISTICS PARKS				
North	345,521,190	247,139,144	71.5%	\$140.00
West	29,923,642	5,812,506	19.4%	\$63.00
South	120,555,680	17,006,962	14.1%	\$62.50
TOTAL	496,000,512	269,958,612	54.4%	\$88.50

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

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