

BUENOS AIRES OFFICE MARKET

CONFIGURATION OF THE WORKPLACE

THE OFFICE MARKET

Buenos Aires is the largest office market in Argentina, with nearly 23.5 million square feet of total stock, including 16.0 million square feet of rentable Class A space.

The fourth quarter of 2018 saw a continuation of the low vacancy and positive net absorption trend of the previous three quarters. The vacancy rate decreased slightly from the third quarter, closing at 6.2%.

New Class A office space was incorporated in the South submarket, as the 376,737 square feet of profitable area in the Santander Río building was fully occupied by the bank. In the GBA Libertador submarket, the Open Office building was incorporated with a profitable area of 75,347 square feet that remains vacant.

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

The average asking rent dropped slightly from the previous quarter, reaching \$30.43/SF.

Despite the economic conditions that prevailed in 2018, the fourth quarter showed a positive net absorption of 411,536 square feet, mostly because the Santander Río building was fully occupied at incorporation, as mentioned above.

ARGENTINA

Capital City	Buenos Aires
Population	44,044,800
GDP MM (Q3 2018)	USD 695,7
GDP per capita	USD 15,794
Currency	Peso
Unemployment Rate (Q3 2018)	9.0%



CURRENT CONDITIONS

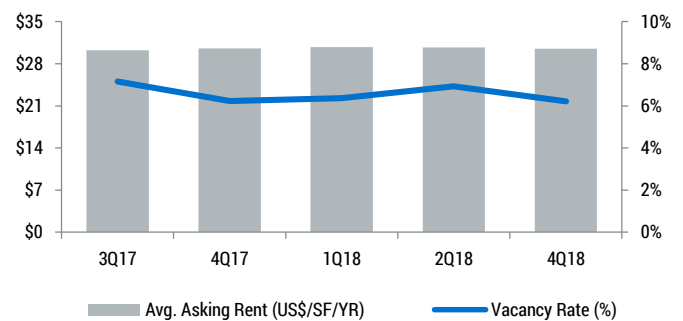
The weighted average asking price decreased slightly from the prior quarter, averaging \$30.43/SF.

Recent closures of new contracts and renewals exceeded the weighted average asking price, marking an upward trend for the next quarter.

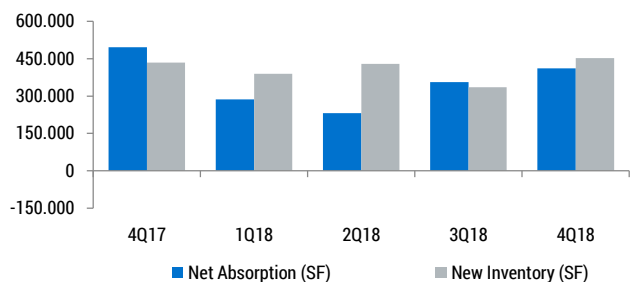
Class A vacancy dropped slightly to 6.2%, one of the lowest vacancy rates in Latin America.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	23,5 MSF	22,9 MSF	20,2 MSF	↑
Availability Rate	6.21%	6.42%	6.23%	→
Quarterly Net Absorption	411,536 SF	355,876 SF	496,833 SF	→
Average Asking Rent	\$30.43	\$30.58	\$30.53	→
Under Construction	3,7 MSF	4,1 MSF	4,0 MSF	↗

RENT VALUES BY SUBMARKET

Every submarket has a particular area or property 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 \$32.78/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 renamed Polo Dot. Some properties there command as much as \$32.33/SF, whereas asking rents in that submarket average only \$29.36/SF.

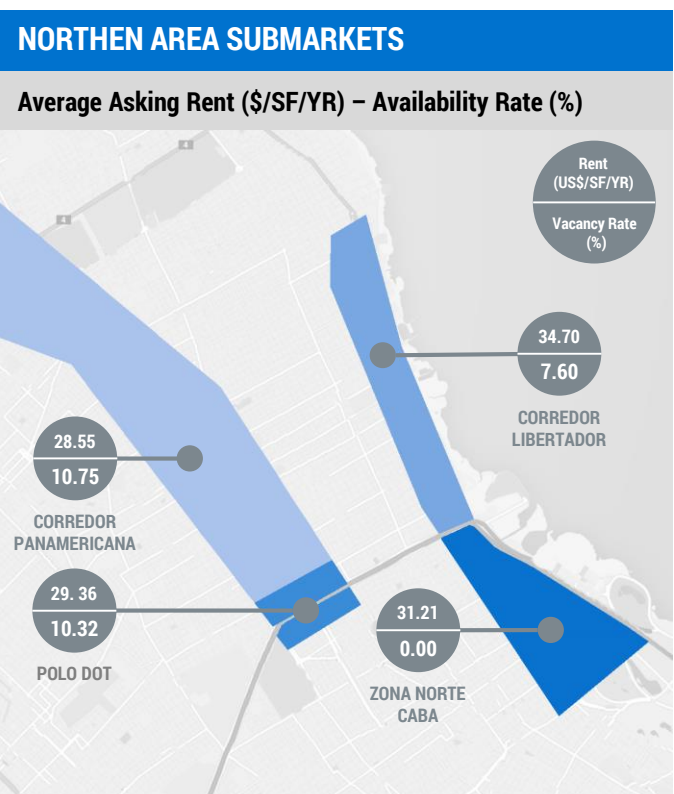
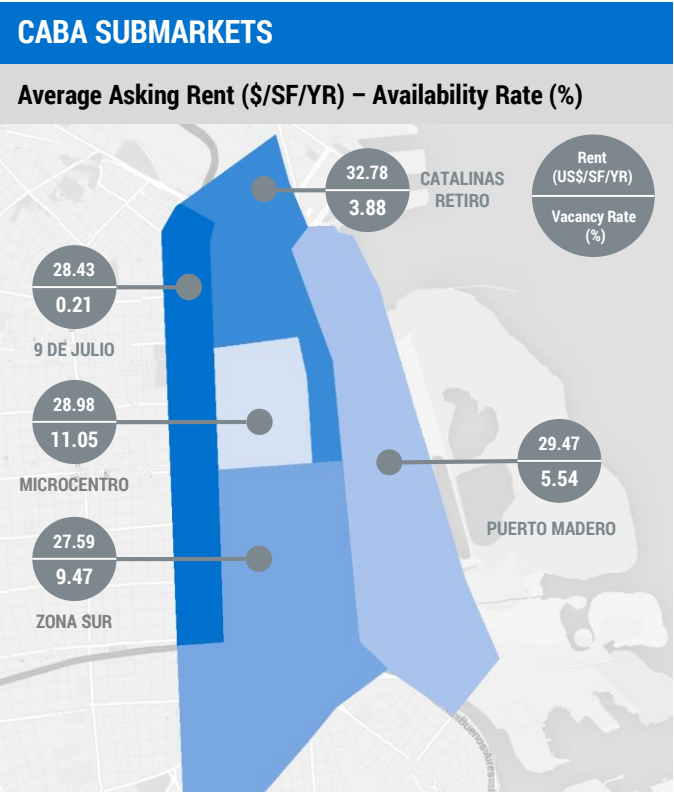
Lastly, the Panamericana Corridor has areas that are in high demand because of the submarket's geographical distribution and extension. The offices most in demand are located in the Panamerican Bureau, Thames Office Parc, Urbana, Optima Business Park, Bureau Parc San Isidro and Edision Officia complexes. Asking rents are highest in Edision Officia, where they average \$33.33/SF, compared with \$28.55/SF for the rest of the submarket

INVENTORY CHANGE

As new space incorporated during the fourth quarter of 2018, the Santander Rio building came on the market in the South submarket with a total of 4,525,084 square feet and a profitable 376,737 square feet. The building was fully occupied at the time of incorporation by the Santander Rio Bank. Consequently, even though the stock changed significantly, vacancy did not increase. The Open Office building was incorporated in the GBA Libertador submarket with a total of 141,276 square feet and a profitable 75,347 square feet. This new area remains vacant.

With these new additions, positive net absorption for the fourth-quarter of 2018 totaled 411,536 square feet, bringing annual absorption to 1,285,972 square feet.

The incorporation of the Blas Parera 31 building is slated for the first quarter of 2019, adding 136,700 profitable square feet to the Polo Dot submarket.



CHANGES IN THE WORKPLACE

There are five themes that will shape future occupational demand across global real estate markets. Individually, each of these themes will be highly influential. Combined, they represent nothing short of a new occupational orthodoxy.

The Productivity Push

Real estate is a strategic device for business. Attitudes toward real estate costs are changing, as a growing number of firms are shifting from cheap to effective real estate solutions. Real estate has a critical role to play in the push for increased corporate productivity. Yet this is not about increasing the density of occupation with the aim of savings at all costs. That approach has proved counterproductive. Instead, the aim is now to increase productivity by strengthening the interaction between people and property via the creation of, and investment in, a positive, serviced and well-supported workplace experience.

Next-Wave Technologies

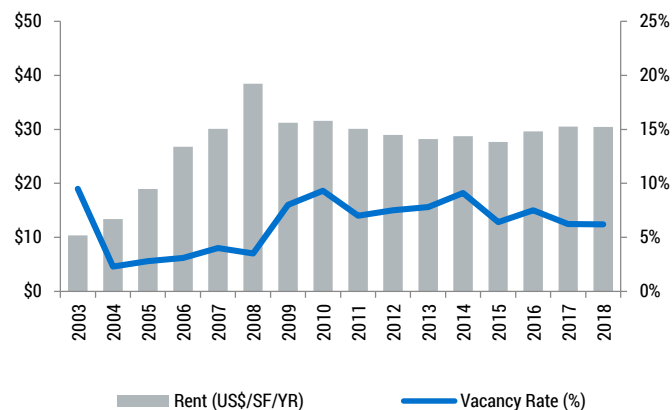
Next-wave technologies such as artificial intelligence (AI), robotics and automation will create a period of rapid organizational and process reengineering. This will change the future form, function and location of the workplace. It will reset the quantum and qualities of staff required by a business. It will bring about the closer interaction of humans and machines in support of greater corporate productivity. It will create new and different forms of occupational demand in global real estate markets.

Changing Corporate Constitutions

The seemingly constant revision of business models derives from more frequent technological change. As organizations refocus on core competencies or seek skills that sit outside of their traditional orbit, corporate supply chains are becoming broader and deeper.

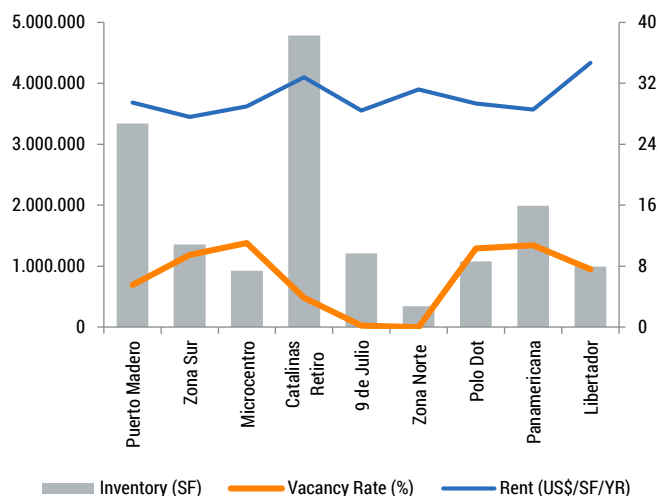
AVERAGE ASKING RENT vs AVAILABILITY

Class A

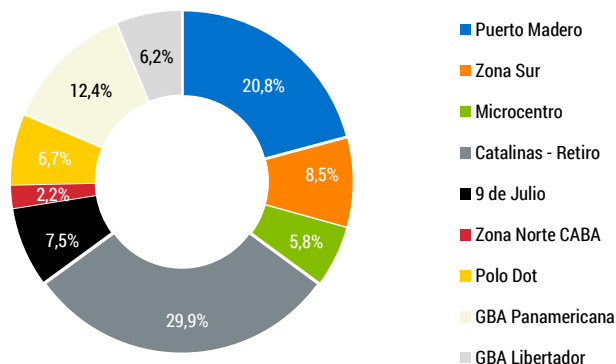


INVENTORY – AVG. ASKING RENT - AVAILABILITY

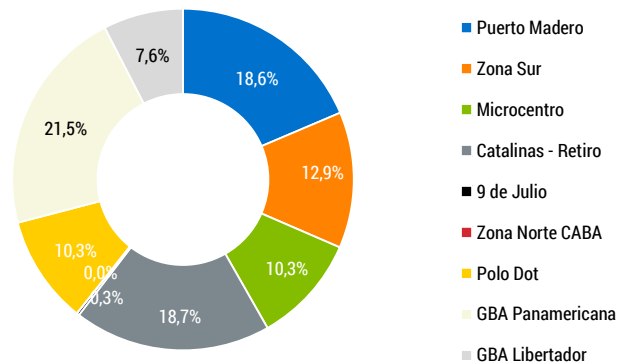
By Submarket



INVENTORY COMPOSITION



AVAILABILITY COMPOSITION



At the same time, corporate diversity initiatives and the rise of multi-generational workforces serve to alter the company demographic. These trends have multiple implications for the workplace. For example, they can strengthen the need for more flexible, collaborative workspace that improves interaction between staff.

"Space as a Service" Becomes the Demand Default

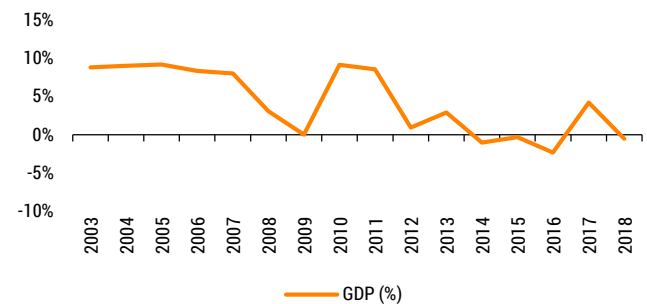
The workplace is becoming a flexible business service that can actively support growth, rather than a physical product that is fixed and often financially onerous for the occupier. This repositioning is alluring to the occupier and will become the demand default. Traditional landlords have little choice but to adapt to this new dynamic and adopt the approach taken by the coworking upstarts. They must extend their innovation beyond the design of the physical product and towards the provision of soft services, community and wellbeing.

Mobility and Mergers Underpin Occupier Activity

As the market enters a boom period of M&A activity, and as the search for talent intensifies, occupier portfolios will incorporate markets and submarkets that were once terra incognita. There will be a conscious movement toward workspaces that not only are close to talent pools but also have the amenities, services and infrastructure to assist in the retention of that talent. Expect this new era of occupier mobility to bring greater complexity to the corporate real estate portfolio while increasing the pool of demand within global real estate markets.

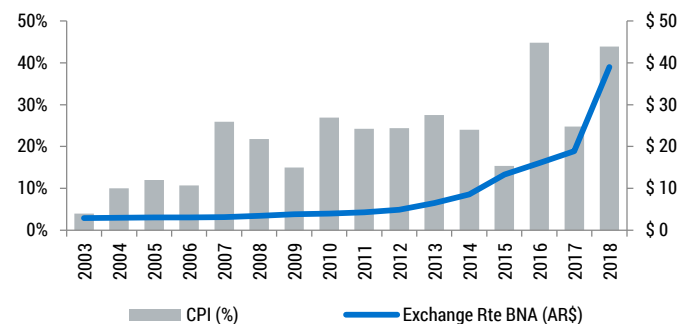
In summary, these five trends will determine the future what, where, how and why of the global workplace. This report is divided into five sections that tackle each of the trends. The report also provides real insights into the changing global workplace through a series of high-profile, global case studies and a comprehensive survey of global corporate real estate professionals.

GDP



Source: INDEC
GSP 2015 = 1,00 Cepal

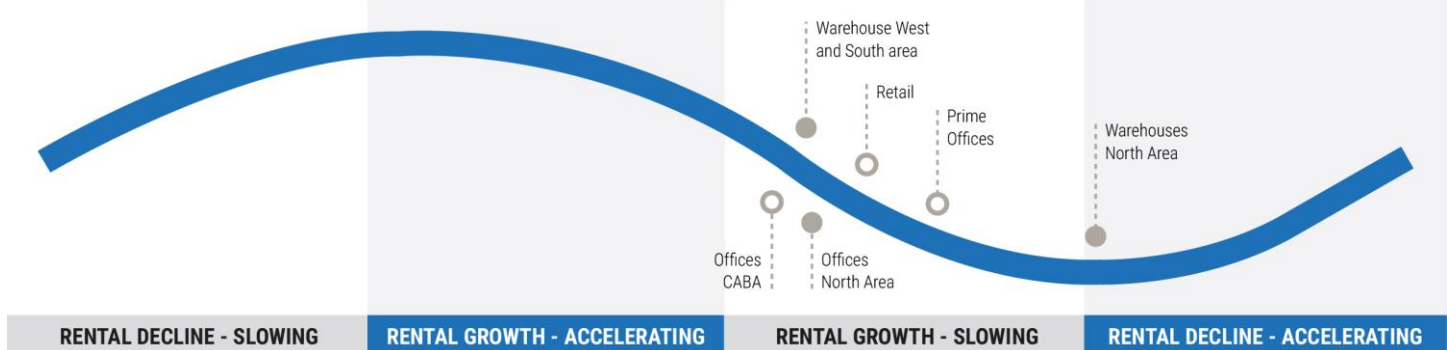
EXCHANGE RATE - CPI



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

REAL ESTATE CYCLE
















Office Market, Industrial Market, Retail



MARKET STATISTICS

	Total Inventory (SF)	Under Construction (SF)	Total Availability 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)
By Submarket								
CABA								
Puerto Madero	3,339,780	174,375	5.54%	-19,310	60,604	\$29.47	N/A	\$29.47
South Area	1,355,681	0	9.47%	376,737	593,338	\$27.59	N/A	\$27.59
Microcentro	924,221	614,619	11.05%	-32,507	-47,867	\$28.98	N/A	\$28.98
Catalinas-Retiro	4,784,554	826,711	3.88%	9,709	29,504	\$32.78	N/A	\$32.78
9 de Julio	1,207,301	0	0.21%	0	7,239	\$28.43	N/A	\$28.43
Midtown	344,552	646,243	0.00%	0	17,793	\$31.21	N/A	\$31.21
Polo Dot	1,079,856	465,883	10.32%	33,992	502,287	\$29.36	N/A	\$29.36
GBA								
Panamericana Corridor	1,990,471	593,242	10.75%	104,442	31,947	\$28.55	N/A	\$28.55
Libertador Corridor	991,807	342,873	7.60%	-61,526	91,127	\$34.70	N/A	\$34.70
By Class								
Class A	16,018,222	3,663,945	6.21%	411,536	1,285,972	\$30.43	N/A	\$30.43

MAIN CLASS A BUILDINGS UNDER CONSTRUCTION

	Project	Submarket	Total Area (SF)	Rentable Area (SF)	Date	Leed
	Blas Parera 31	Polo Dot	252,177	129,102	1Q 2019	
	Torre IRSA	Catalinas – Retiro	597,880	376,736	2Q 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	215,278	2019	
	Torre Odeón	Microcentro	269,098	252,952	2019	
	Al Río Torre Norte	Corredor Libertador	435,894	342,876	2018	
	Lumina Florida	Polo Dot	369,363	243.242	2018	

The areas of the projects are approximate
The pictures are illustrative

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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

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

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