

BUENOS AIRES INDUSTRIAL MARKET

THE COVID-19 CRISIS

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 12,017 acres of industrial parks, representing 50.0% of the country's market.

The stock of Class A warehouse remained essentially unchanged from the previous quarter, reaching 2.32 million square meters. The vacancy rate decreased to 12.2%, and the average rental rate decreased slightly to \$6.90/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

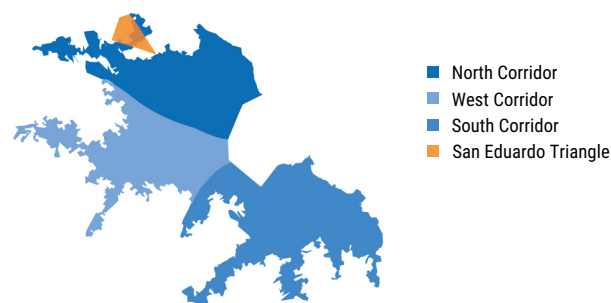
Eight thousand industries operate in these parks, accounting for 15.0% of industrial employment. Small and medium-sized enterprises (SMEs) account for 80.0% of these companies, while large companies, mostly multinationals, comprise the other 20.0%.

ARGENTINA

Capital City	Buenos Aires
Population (2020)	45,376,763
GDP MM (Q4 2019)	USD 672,5
GDP per capita	USD 14,820
Currency	Peso
Unemployment Rate (Q4 2019)	8.9%

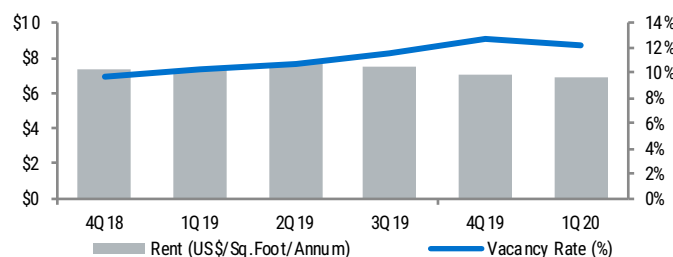


SUBMARKETS

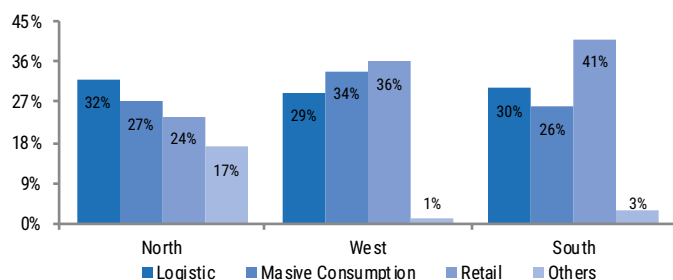


MARKET ANALYSIS

Asking Rent and Availability



Activities by Submarket



MARKET SUMMARY

Premium Warehouses	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	25,1 MSF	25,0 MSF	24,8 MSF	↗
Availability Rate	12.2%	12.7%	10.3%	→
Quarterly Net Absorption	242,188 SF	-238,959 SF	355,209 SF	↘
Average Asking Rent	\$6.90	\$7.00	\$7.40	→

THE COVID-19 CRISIS

The Argentine industry is entering a crisis that will have important consequences in the short and long term. But this crisis is affecting not only Argentina but the globe, which, due to the pandemic, is also entering an unprecedented recession. The crisis that unleashed its contagion will show what the impact of human activity is on industry, commerce and the environment.

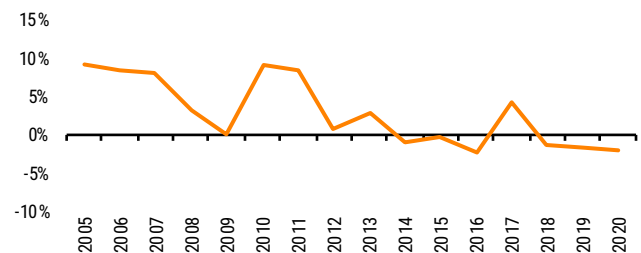
In coming days, sales will decrease; the automotive industry will stop selling cars; tourism will stall; and the food industry will reduce production. But this will not last forever.

SMEs will be the most strongly affected by the crisis due to the drop in economic activity: 50.0% of sales come from them; 99.0% of Argentine companies are SMEs, which generate 70.0% of formal employment. The number of small- and medium-sized companies in Argentina exceeds 650,000 and employs around 7 million people. They are key for the sector and of utmost importance for local growth.

Freelancers, professionals, small industries and large multi-nationals have stopped activity completely. On the other side, companies related to food and its raw materials, medical and cleaning supplies, logistics and ecommerce had to increase activity exponentially.

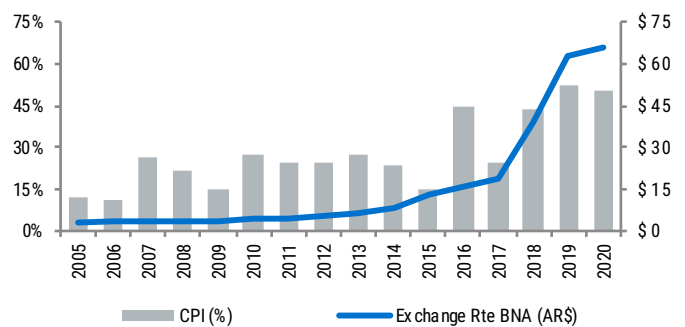
As in any tragedy or crisis time, there will be opportunities to move forward, individually and collectively. If something characterizes the Argentine people, it is a spirit of solidarity in the face of crises like these. The other part of the solution involves new state policies, key to mitigate the consequences in the industrial sector.

GDP



Source: INDEC
GDP 2015 = 1,00 Cepal

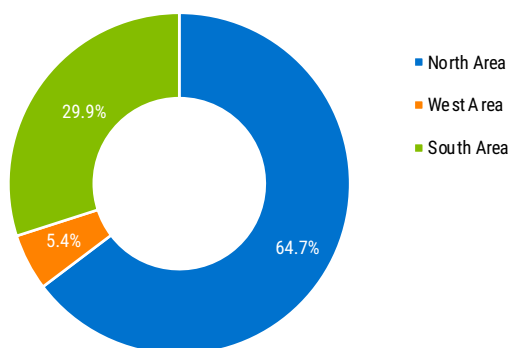
EXCHANGE RATE - CPI



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

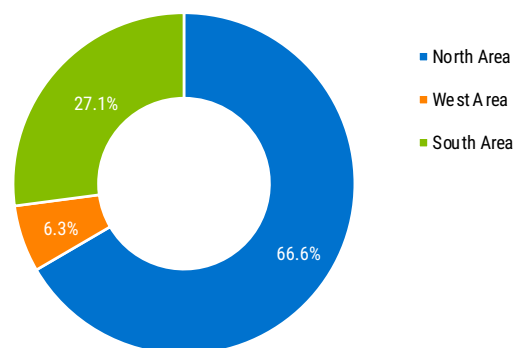
Premium Warehouses



Source: U.S. Bureau of Labor Statistics

INVENTORY COMPOSITION

Industrial Parks



Source: U.S. Bureau of Labor Statistics

INDUSTRIAL PARKS

After the announcement of preventive social isolation, the government publicly anticipated that it expects serious consequences for economic activity and made promises. One was a national law on industrial parks to give SMEs advantages in the production of goods.

Industrial parks have put all their infrastructure at the disposal of their municipalities to face this crisis.

The companies authorized to operate at this time in the industrial parks are those related to food and cleaning supplies, as well as suppliers of raw materials. Regarding the influx of workers to the parks, the implementation of home offices covers a large part of the staff. Approximately 30% to 40% of staff continues to attend to develop activities in the parks, including maintenance and adjustment of production lines in companies that are not operating.

LOGISTIC WAREHOUSES

One of the areas that is taking most of the load of making confinement as easy as possible is the logistics and transport sector.

The COVID-19 pandemic will bring a slowdown in global economic growth, and real estate development for logistical purposes is no exception. This, according to a special report from the leading global logistics real estate company, Prologis, is the most serious risk for the global expansion of this real estate niche.

With so much uncertainty, estimates of the magnitude and duration of the negative impact on constructions for logistical purposes are unpredictable, as recovery will begin once the rate of infection is reduced.

As a consequence of COVID-19, customers are likely to reevaluate ideal inventory volumes and business continuity plans. In 2019, online purchases grew 16.7% worldwide. The COVID-19 can increase the speed of adoption and the number of consumers who buy online exponentially. COVID-19 may accelerate another structural trend: driving manufacturing to new locations. With the aid of industry trends that increase productivity, manufacturers have been evolving global supply chain strategies, increasingly emphasizing locations close to adjacent ones.

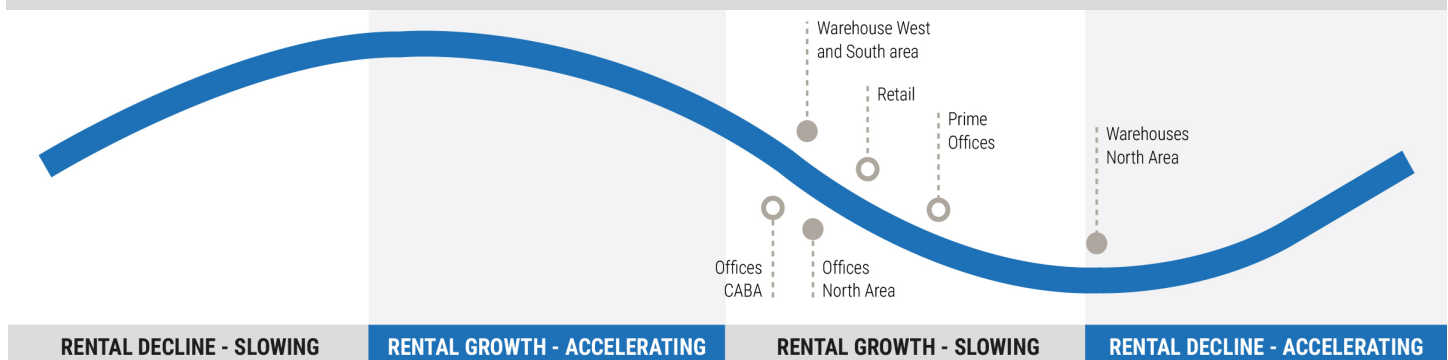
INDUSTRIAL AND LOGISTICS MARKETS

Disruption of international supply chains is the main issue in the industrial and logistics sector. Reduction of activity is generating complications and unimaginable losses for the sector. On the other hand, it is not unreasonable to think that the current crisis may accelerate the use of automation and robots in operations and reduce the sector's dependence on human labor. The move to online shopping, especially for groceries, could become more permanent and increase the demand for logistics space.

Although it is easy to focus on the short-term economic impact of COVID-19, the longer-term social and real estate impacts should not be overlooked. The impact and consequences will change the way people live and work, which could lead to new operating models.

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	16,268,976	2,305,627	14.2%	\$7.60
West	1,346,295	392,882	29.2%	\$6.50
South	7,530,276	360,591	4.8%	\$6.80
TOTAL	25,145,547	3,059,100	12.2%	\$6.90

	Total Inventory (SF)	Total Availability (SF)	Total Availability Rate (%)	Average Asking Sale Price (US\$)
INDUSTRIAL AND LOGISTICS PARKS				
North	348,535,082	244,179,072	70.1%	\$108.00
West	33,152,812	8,342,023	25.2%	\$63.50
South	141,760,563	21,635,439	15.3%	\$67.00
TOTAL	523,448,457	274,156,533	52.4%	\$79.50

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

Headquarters

1300 Maipu st., 6th floor
C1006ACT, Ciudad Autonoma de Buenos Aires, Argentina
+54 11 4311 9500

ALEJANDRO WINOKUR

Co-founder and President
Newmark Knight Frank
+54 11 4311 9500
awinokur@ngbacre.com.ar

MARIANA STOSL

Market Research
Newmark Knight Frank
+54 11 4311 9500
mstosl@ngbacre.com.ar

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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