

BUENOS AIRES OFFICE MARKET

RETHINKING THE OFFICE

THE OFFICE MARKET

This report was made during the Covid-19 pandemic. On March 20, 2020, mandatory quarantine was declared in Argentina, going through different stages of opening and restricting economic activities based on the evolution of the pandemic.

The return to workspaces is taking place gradually, with scaled-down teams operating on alternate days to reduce occupancy and maintain social distance. Although there are still no specific dates to return to the offices, the home office is here to stay, where a rotating percentage close to 30% will work from home.

In order to make a more precise analysis, we must be attentive to what happens with the Covid-19 vaccine and at the local level to the political and economic decisions made by the government to outline a plan for GDP growth in the medium term.

Buenos Aires is the largest office market in Argentina, with nearly 27.0 million square feet of total stock, including 17.1 million square feet of rentable Class A space.

The third quarter of 2020 shows an increase in vacancy and negative net absorption. The vacancy rate for third-quarter 2020 closed at 11.01% of the available stock, and net absorption was negative 322,530 square feet. The average rental value decreased slightly compared to second-quarter 2020, averaging US \$29.03/SF.

No relevant incorporations occurred in the Class A market during third-quarter 2020. The return to activity is still very recent and gradual, resulting in a significant delay for the buildings under construction.

ARGENTINA

Capital City	Buenos Aires
Population	45,376,763
GDP MM (Q4 2019)	USD 606,99
GDP per capita	USD 13,377
Currency	Peso
Unemployment Rate (Q4 2019)	13.1%



CURRENT CONDITIONS

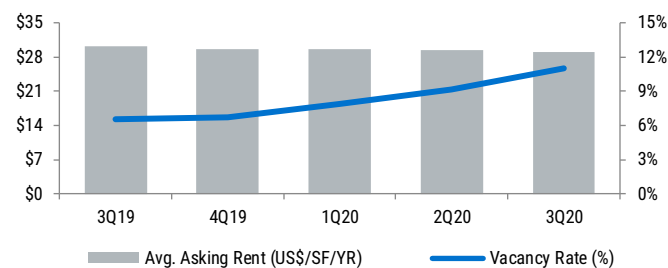
The weighted average asking price decreased slightly from the prior quarter, averaging \$29.03/SF. Premium asking prices average \$35.12/SF.

Class A vacancy raised compared to the previous quarter, averaging 11.01%.

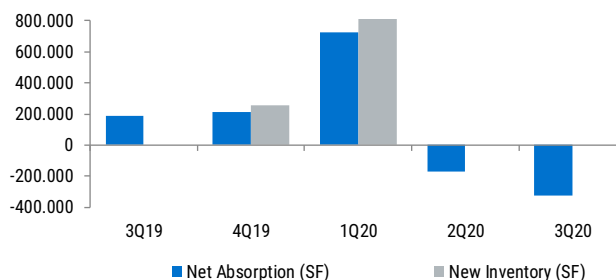
Q3 2020 shows a negative net absorption of 322,530 SF.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	27,0 MSF	27,0 MSF	24,9 MSF	↗
Availability Rate	11.01%	9.18%	6.53%	↗
Quarterly Net Absorption	-322,530 SF	-167,056 SF	188,680 SF	↘
Average Asking Rent	\$29.03	\$29.44	\$30.11	↘
Under Construction	3,6 MSF	3,4 MSF	4,6 MSF	↗

RENT VALUES BY SUBMARKET

Every submarket has a particular area or property that outperforms the rest. Significant variations can be verified between certain properties and the average of each submarket.

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 \$31.85/SF for the rest of the submarket.

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 \$33.44/SF, whereas asking rents in that submarket average only \$28.51/SF.

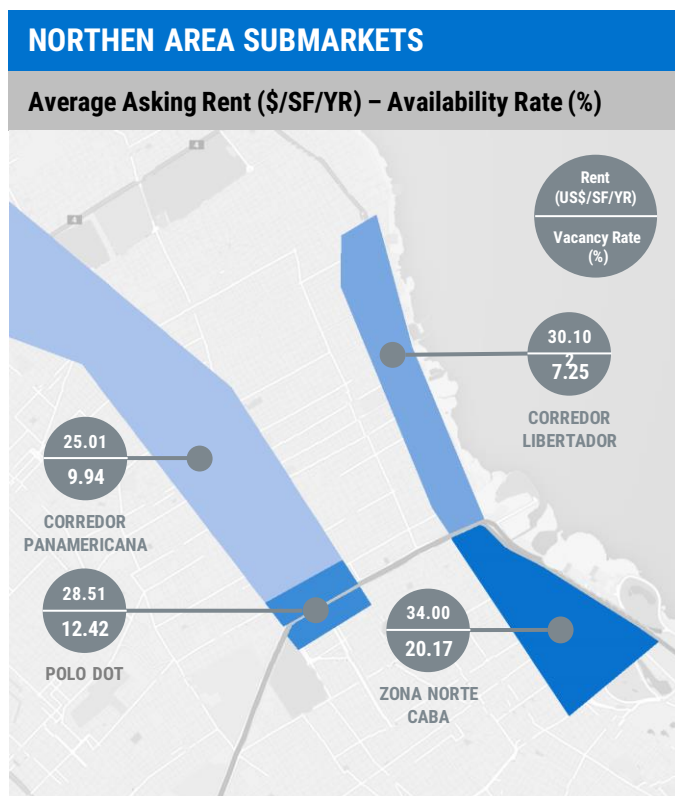
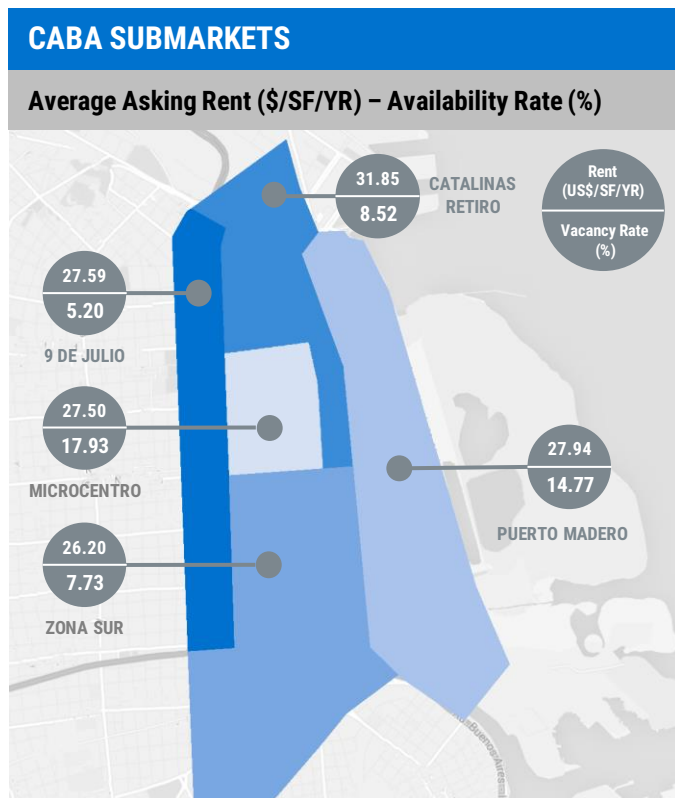
Lastly, the Panamericana Corridor has areas that are in high demand because of the submarket's geographical distribution and extension. The most in-demand offices are located in the Lumina Panamericana, Thames Office Parc, Urbana, Optima Business Park, Bureau Parc San Isidro and Edision Officia complexes. Although asking rents in these buildings reach \$27.87/SF, the average rent is \$25.02/SF for the rest of the submarket.

INVENTORY CHANGE

No relevant incorporations occurred in the Class A market in third-quarter 2020.

For this period, the incorporation of the Bureau Diagonal building with 134,549 profitable square feet and the Millenium Global Building with 218,281 profitable square feet, both in the Microcentro submarket, was expected. These projects, as well as the Worko building in the GBA Panamericana submarket that was scheduled for the last quarter of the year, will be delayed due to the construction restrictions imposed by the mandatory quarantine.

The trend of the previous period continues, with the third quarter of the year showing a negative net absorption of 322,530 square feet.



RETHINKING THE OFFICE

The influence of the pandemic continues to be felt throughout financial markets, economies, and society in the broadest sense.

The fundamental difference between the Great Financial Crisis and COVID-19 from a workplace transformation perspective is that in 2008 clients and employees largely read about it, while in 2020 everybody has experienced it. This means that, as well as being the fundamental driver of cost-saving for many businesses, workplace transformation is also driven by a deep desire from employees to see change.

With the cautious reopening of offices, the move toward some sort of normality is far from simple. The immediate term will see admittance for employees on a permission-only basis, physical distancing inherent and human transit routes governing movement within the office building. In short, a situation far removed from the working world most would recognize.

The experiences of the pandemic will clearly have a lasting impact on the way workplaces function. Working from home has proved an effective stand-in for the office and will be a component of operational structures moving forward. It is not, though, a wholesale replacement. Most firms recognize that business culture is built and reliant on the interaction and collaboration that offices provide.

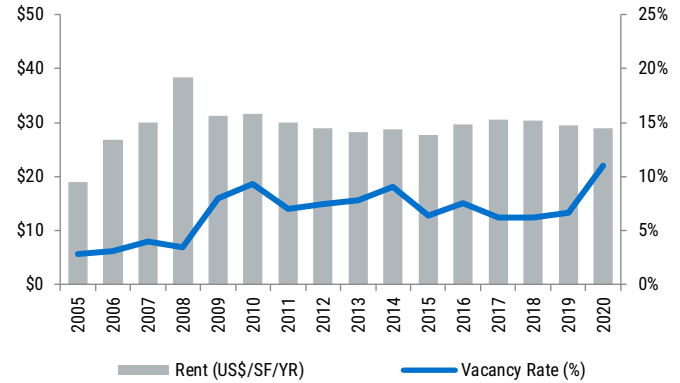
A hybrid model whereby some employees are working from home and some are working from the office is likely to prevail.

While some companies will reduce space needs as more employees work from home, others may increase footprints to reduce occupant density.

The tension between more space for those in the office, but fewer people in the office, will determine the scale of the demand for space for companies in the coming years.

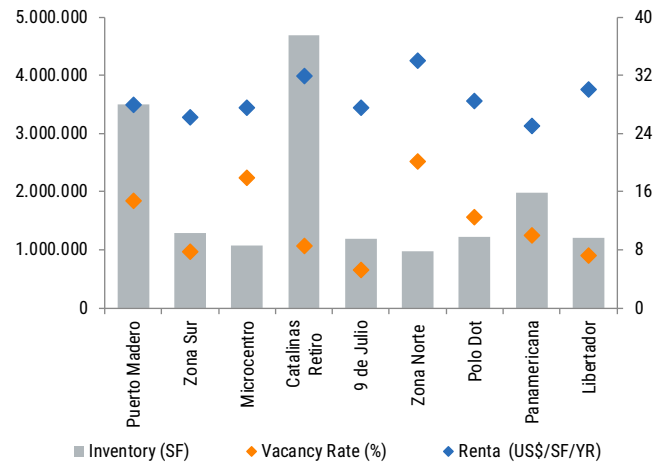
AVERAGE ASKING RENT vs AVAILABILITY

Class A

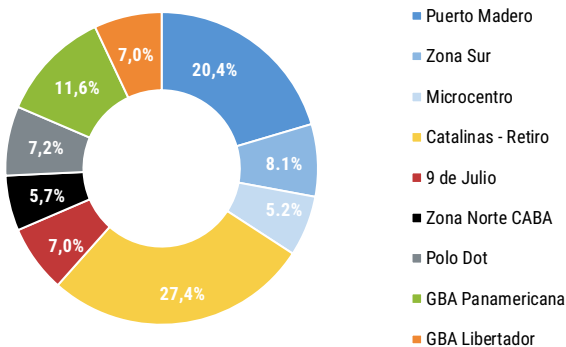


AVERAGE ASKING RENT - AVAILABILITY

Inventory By Submarket

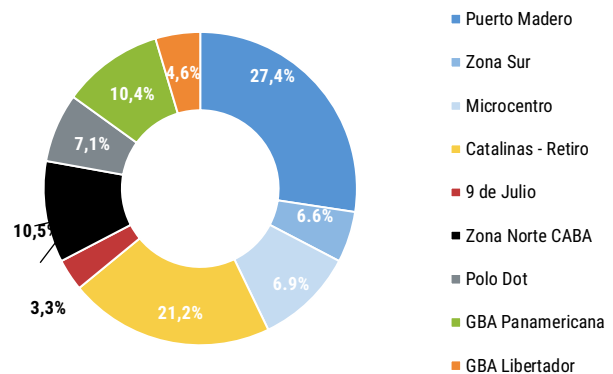


INVENTORY COMPOSITION



Source: U.S. Bureau of Labor Statistics

AVAILABILITY COMPOSITION



Source: U.S. Bureau of Labor Statistics

It has been widely demonstrated people are able to work effectively from home on a mass scale, and indeed this has brought productivity improvements and work-life balance benefits for many. But for others, it has also brought a sense of isolation and/or issues related to not having the appropriate space to work effectively from home. **We should not be asking whether people can work from home, but rather who should work from home and for how long.**

Why will people go to the office? It will certainly not be to use email or attend virtual meetings. It will be to socialize, collaborate, learn and develop. The workplace will evolve to bring significantly less focus on workstations and much more emphasis on a variety of work settings that facilitate these types of activity.

As companies adapt and rework policies for more flexible work styles, for many the office will become a personal choice rather than a professional obligation. This has strong implications for the office of the future.

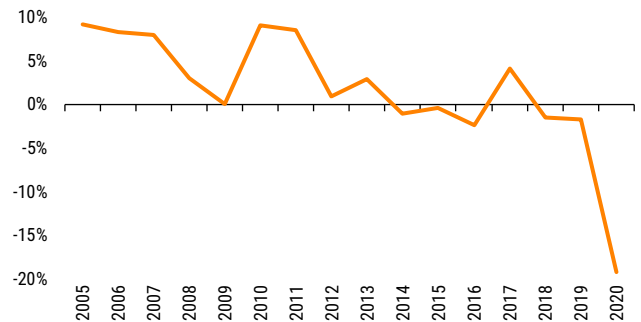
Firstly, it heightens the flight-to-quality office space that has been evident in major global markets for the last few years. The office must be a compelling proposition.

Secondly, that proposition is founded on the delivery of a strong and alluring workplace experience supported by greater services and amenities. The office of the future is much more than just the physical environment it presents.

Thirdly, the creation, curation and sustenance of this more compelling workplace environment and experience will derive from a partnership between occupier and landlord. The former will act to retain staff. The latter will act to retain income.

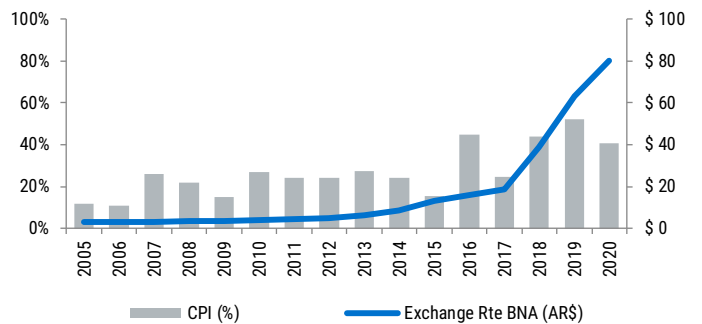
The future is about migrating from a universal format where the choice was limited to the office and occasional remote working, to a 'workplace as a service' format that provides real choice to staff and results in a more dispersed, localized, accessible and sustainable real estate platform.

GDP



Source: INDEC
GSP 2015 = 1,00 Cepal

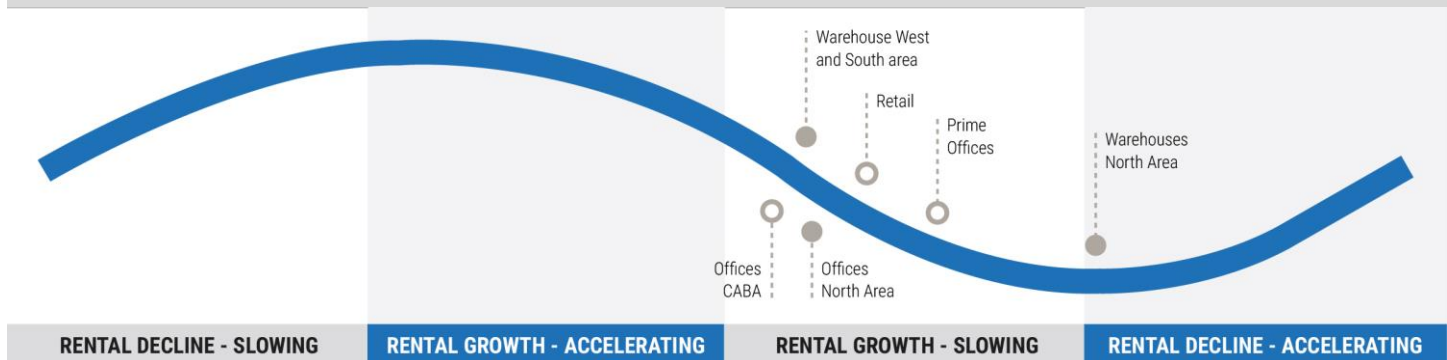
EXCHANGE RATE - CPI



Source: Banco de la Nación Argentina, INDEC
1999-2007/2015-2020 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	3,498,946	58,125	14.77%	-43,131	-111,998	\$27.94	N/A	\$27.94
South Area	1,282,648	0	7.73%	0	0	\$26.20	N/A	\$26.20
Microcentro	1,072,644	339,289	17.93%	-110,976	-101,794	\$27.50	N/A	\$27.50
Catalinas-Retiro	4,694,471	800,834	8.52%	-119,038	123,634	\$31.85	N/A	\$31.85
9 de Julio	1,194,158	0	5.20%	-24,822	-54,799	\$27.59	N/A	\$27.59
Midtown	979,989	852,996	20.17%	0	511,748	\$34.00	N/A	\$34.00
Polo Dot	1,228,979	329,375	12.42%	-1,916	-33,400	\$28.51	N/A	\$28.51
GBA								
Panamericana Corridor	1,979,363	880,810	9.94%	-22,647	-63,895	\$25.01	N/A	\$25.01
Libertador Corridor	1,200,326	342,873	7.25%	0	-25,392	\$30.10	N/A	\$30.10
By Class								
Class A	17,131,522	3,604,303	11.01%	-322,530	244,103	\$29.03	N/A	\$29.03

MAIN CLASS A BUILDINGS UNDER CONSTRUCTION

Project	Submarket	Total Area (SF)	Rentable Area (SF)	Date	Lead	
	Lex Tower	Microcentro	259,410	215,278	Q4 2020	
	Worko	GBA Panamericana	526,279	421,019	Q2 2021	
	Intecons Plaza	Zona Norte	70,000	36,000	Q4 2022	
	Lumina Florida	Polo Dot	369,363	243,242	2022	
	Torre Safra	Catalinas Retiro	645,834	452,084	2025	

Note: Areas of the projects are approximate pictures are illustrative

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

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