

SANTIAGO OFFICE MARKET

THE CHALLENGING 2020 ENDS WITH THE LOWEST MARKET DEMAND SINCE THE 2009 DOWNTURN

The year 2020 concluded, ratifying its condition as the most economically challenging year for Chile since 2009 and perhaps since the 1982 crisis. Sanitary indicators remained stable during the last part of the year. However, as evidenced in European countries, this balance's fragility doesn't allow the economic agents nor the State to resume activities as usual. The Central Bank updated the GDP forecasts in the latest IPOM report, expecting a contraction between -5.75% and -6.25% for the year.

On a more positive note, there has been a gradual decrease in the unemployment rate -from 13.1% to 10.8% at present-, which could softly influence a higher demand for office space than the current situation. The office market closed the year as its players -owners, investors, and occupiers- had anticipated. Class A+B vacancy rate in Santiago increased by 1.7% throughout the year, reaching 6.4%. This result, however, should be assessed prudently in the context of the last five years, as it is equivalent to the 2018 figures and notoriously lower than the vacancy peak witnessed in 2016 (10,6%).

Once again, this rise was almost exclusively a result of move-outs, as office deliveries remained inexistent during the period. In the Class A segment, all monitored submarkets registered an increase in the vacancy rate, resulting in a general increase from 4.8% to 5.4%. However, it seems important to highlight that the effective available space -i.e., subject to being rented- is likely higher due to the relevance and unpublic sub-leases that have increased recently. Companies small and large have been reorganizing their long-term real estate strategy while also optimizing space and resources in the short term. A quick decision is to commercialize their own space, with deal terms varying case by case, as many times negotiations are also dependent on the landlord's position.

Although it is certainly premature to estimate and quantify its market impact accurately, the overarching perception is that demand for office space has contracted due to both remote working and the uncertainty regarding new trends in the office sector. There is evidence of large owner-occupied buildings in the financial services sector entirely redesigning their corporate headquarters layout. Emphasis is now on optimizing flexible space for their workers while setting aside idle space for potential subleases.

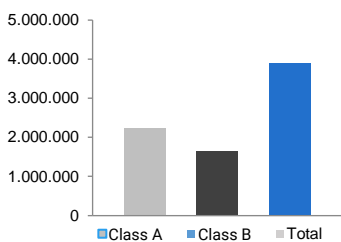
Asking prices remain stable in the vicinity of 0.5 UF/SQM. Nevertheless, the Q4 saw some vacant units adjust their prices downwards. On the other hand, there are also prime available units in the higher ranges of price, like in El Golf and Nueva Las Condes Class A.

With 2021 rolling out, any improvement in the office market's performance is almost certainly tied to an enhancement and potential solution to the pandemic. The launch of the vaccination program anticipates better perspectives for the second half of the year. Regardless, it is also certain that the office market will suffer structural changes that will present further opportunities and challenges for owners and occupiers.

CURRENT CONDITIONS

- The general vacancy rate for Class A+B ends at 6.4%.
- Net absorption for Class A+B registered -39.553 SQM. during 2020, the lowest figure since this indicator is monitored.
- No deliveries were registered in Class A or Class B, partly due to work delays due to lockdown measures.
- Average asking rates remain stable near 0.50 UF/SQM.

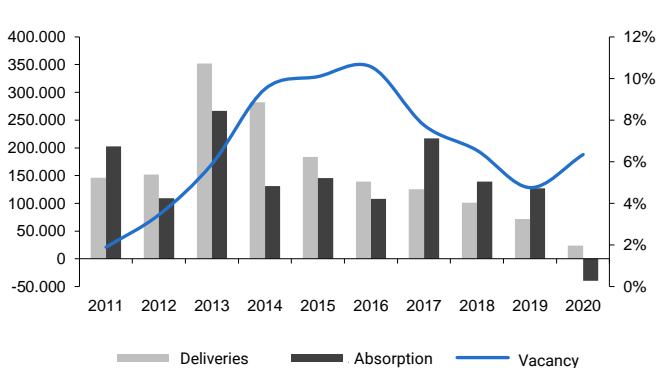
TOTAL INVENTORY (SQM)



CENTRAL BANK 31/12/20

CPI (12 months)	2.7%
Unemployment	10.8%
Exchange rate (CLP/USD)	\$762.9
UF (CLP/UF)	\$29,030
Interest rate (CLP)	
BCP 5 years	1.51%
BCP 10 years	2.63%

CLASS A+B: EVOLUTION 2011-2020



CLASS A+B: MARKET SUMMARY

	Current Quarter	Prior Quarter	1 year ago Quarter	12 Month Forecast
Total inventory (sqm)	3,895,358	3,888,158	3,875,780	Up
Vacancy	6.35%	5.67%	4.70%	Down
Net absorption (sqm)	(26,477)	(23,164)	27,782	Up
Avg. Asking rate (month)	0.50	0.50	0.49	Down
Under construction (sqm)	217,709	217,709	230,371	Down

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SUBMARKET INDICATORS

CLASS A

Submarket	Inventory (sqm)	Vacancy (sqm)	Vacancy (%)	Deliveries (sqm)	Absorption (sqm)	Under Construction (sqm)	Avg. Asking Rate (UF/sqm)
CBD (Las Condes)	891,213	62,368	7.00%	0	(3,850)	95,233	0.59
Nueva Las Condes	452,335	21,359	4.72%	0	(4,669)	19,350	0.57
Nueva Apoquindo	262,343	10,593	4.04%	0	(935)	0	0.54
Santiago	445,577	16,419	3.68%	0	(2,358)	0	0.41
Providencia	188,423	9,438	5.01%	0	(1,821)	0	0.49
Total	2,239,890	120,177	5.37%	0	(13,632)	114,583	0.52

CLASS B

Submarket	Inventory (sqm)	Vacancy (sqm)	Vacancy (%)	Deliveries (sqm)	Absorption (sqm)	Under Construction (sqm)	Avg. Asking Rate (UF/sqm)
CBD (Las Condes)	126,601	9,435	7.45%	0	(1,341)	9,187	0.56
Nueva Las Condes	76,559	1,196	1.56%	0	(564)	0	0.58
Nueva Apoquindo	77,649	2,893	3.73%	0	(304)	17,310	0.57
Estoril	104,470	19,194	18.37%	0	295	14,697	0.44
Santiago	254,113	7,260	2.86%	0	100	0	0.41
Providencia	443,366	18,654	4.21%	0	(1,296)	34,047	0.47
Vitacura	260,509	20,618	7.91%	0	(1,385)	18,480	0.53
Huechuraba	312,201	47,984	15.37%	0	(8,350)	9,405	0.30
Total	1,655,468	127,234	7.69%	0	(12,844)	103,126	0.48

CLASS A+B	3,895,358	247,411	6.35%	0	(26,477)	217,709	0.50
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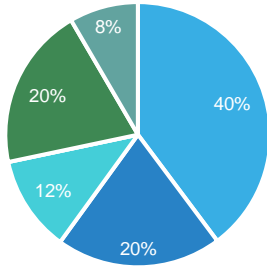
SUBMARKET MAP



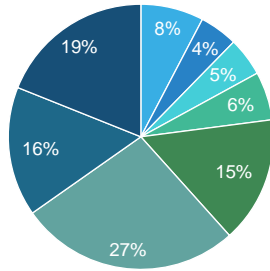
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MARKET BREAKDOWN

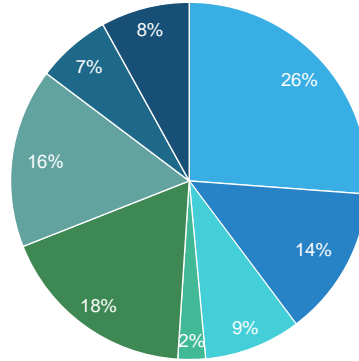
Class A
2,239,890 SQM. total



Class B
1,655,468 SQM. total



Class A+B
3,895,358 SQM. total

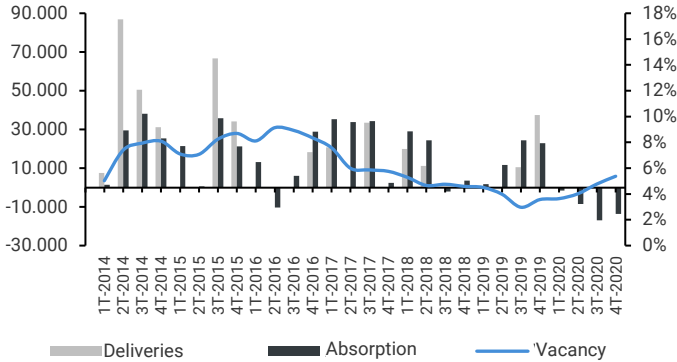


- CBD (Las Condes)
- Nueva Las Condes
- Nueva Apoquindo
- Estoril
- Santiago Centro
- Providencia
- Vitacura
- Huechuraba

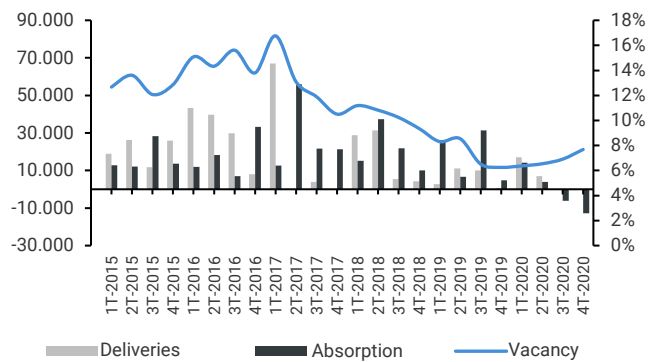


DELIVERIES, ABSORPTION AND VACANCY: EVOLUTION 2015-2020

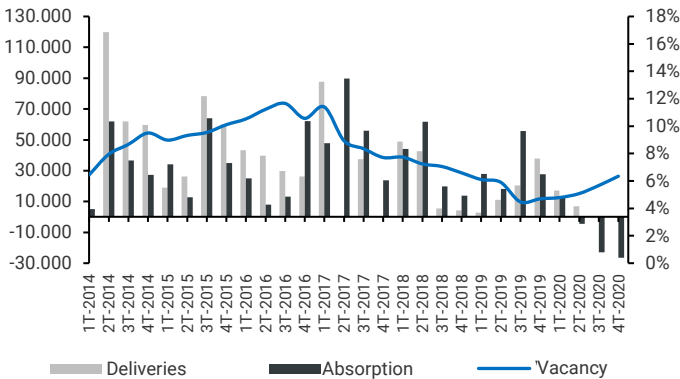
Class A



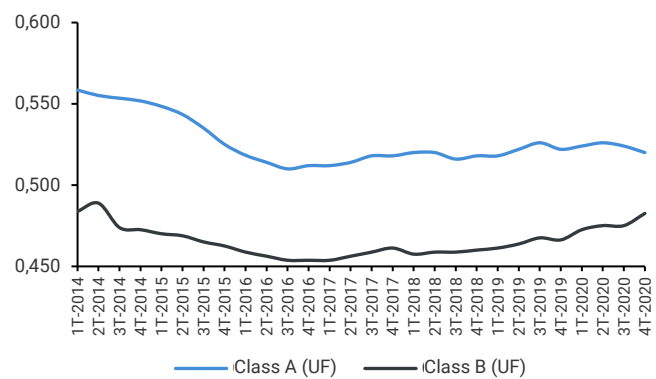
Class B



Class A+B



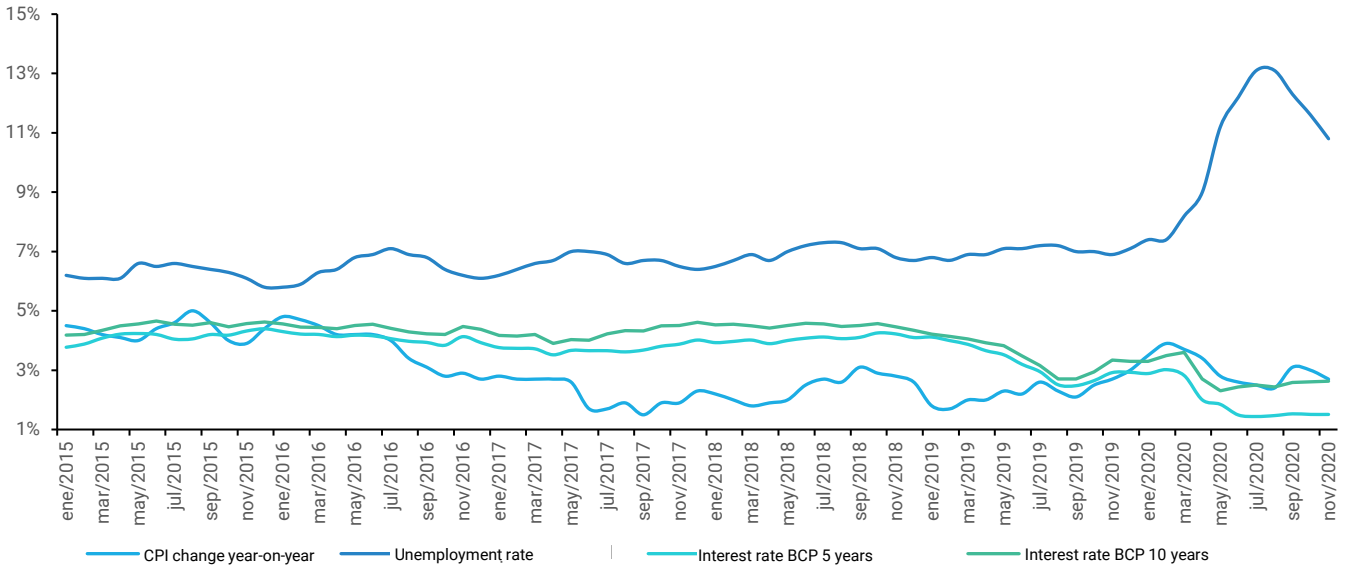
MONTHLY ASKING RATE EVOLUTION: 2014-2020



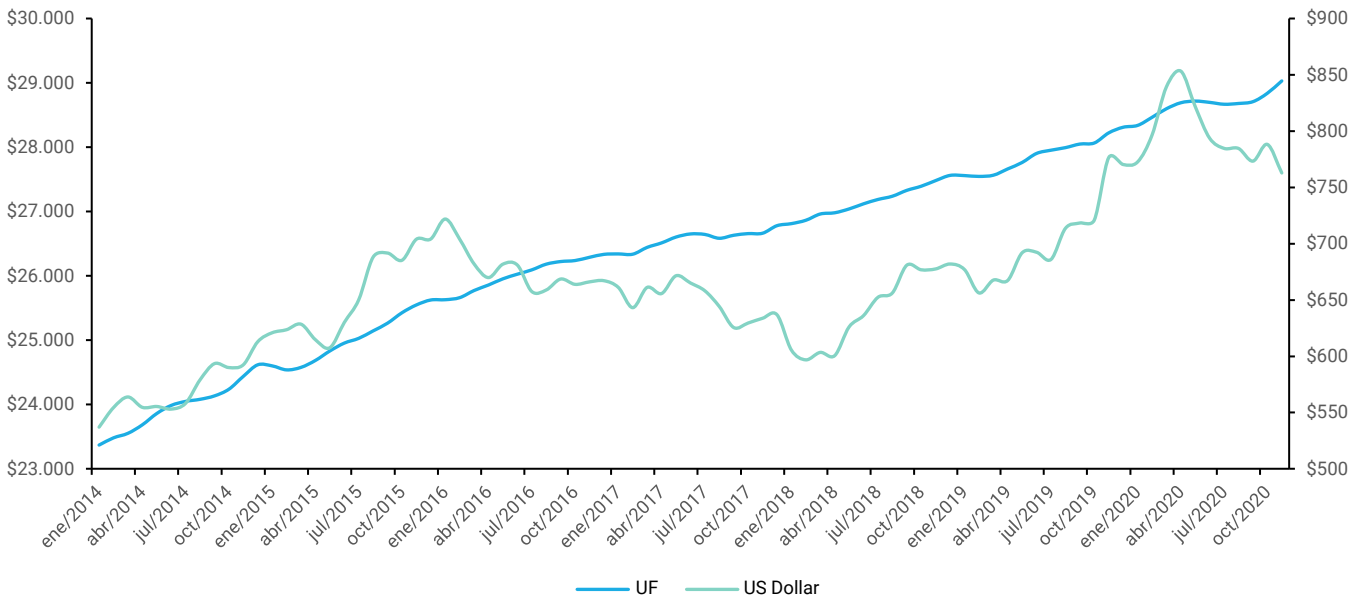
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CHILE MACROECONOMIC INDICATORS (CENTRAL BANK)

CPI, UNEMPLOYMENT AND INTEREST RATE (TREASURY BONDS IN CLP): EVOLUTION 2015-2020



UF AND US DOLLAR: EVOLUTION 2015-2020



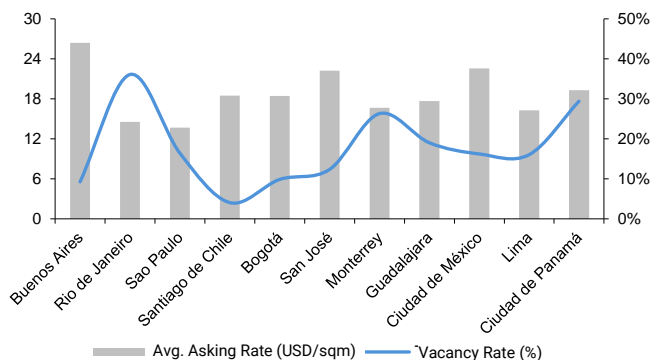
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LATIN AMERICA CLASS A OFFICE MARKET H1 -2020 (SEE FOOTNOTE)

CURRENT CONDITIONS

- La tasa de disponibilidad se situó en 17,4%, mostrando crecimiento de menos de una unidad comparado con el semestre anterior.
- La superficie en construcción muestra un aumento, atribuido a la para de algunos proyectos y que postergaron la entrega de nuevos espacios.
- El precio de renta promedio se redujo de forma importante en el primer semestre del año.

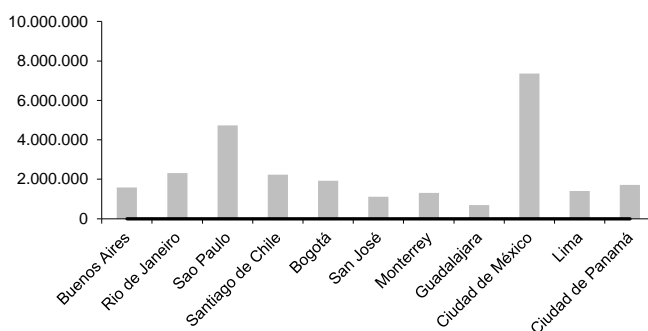
ASKING RATE VS VACANCY



MARKET SUMMARY

	Current Quarter	Prior Quarter	12 Month Forecast
Total inventory (sqm)	26.39M	25.77M	Up
Vacancy	17.4%	16.6%	Down
Net absorption (sqm)	158,739	375,261	Up
Avg. Asking rate (month)	USD 18.20	USD 20.65	Up
Under construction (sqm)	3.17M	2.75M	Down
Deliveries (sqm)	615,209	352,840	Down

TOTAL INVENTORY BY CITY (SQM)



MARKET INDICATORS BY CITY

City	Total Inventory (sqm)	Under Construction (sqm)	Vacancy (%)	Absorption (sqm)	Avg. Asking rate (USD/sqm)
Buenos Aires	1,591,572	313,146	9.2%	47,804	26.41
Rio de Janeiro	2,311,875	18,940	36.1%	(10,183)	14.53
Sao Paulo	4,735,481	261,974	16.4%	21,766	13.67
Santiago de Chile	2,239,890	114,583	4.0%	(8,523)	18.49
Bogotá	1,929,130	124,350	9.8%	33,398	18.45
San José	1,107,657	164,497	12.3%	2,274	22.23
Monterrey	1,309,578	610,648	26.3%	11,505	16.66
Guadalajara	684,162	114,851	19.0%	(24,366)	17.68
Ciudad de México	7,361,739	1,343,900	16.2%	(24,776)	22.58
Lima	1,404,990	69,547	16.0%	89,938	16.25
Ciudad de Panamá	1,714,394	37,783	29.4%	19,452	19.29
Latin America	26,390,468	3,173,219	17.4%	158,739	18.20

NOTA

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GLOSSARY

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.

Santiago, Chile
Avenida El Bosque Norte 0177-Piso 7
Las Condes 7550100
Santiago, Chile
(56-2) 2230-1000
www.ngkf.cl

Ignacio Errazuriz
Managing Director, Chile
Newmark Knight Frank
Ignacio.Errazuriz@ngkf.com

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