

The Class A Office Market in Buenos Aires

First Signs of Market Recovery

At the end of the third quarter, the Class A office market shows positive indicators; although the improvement observed is slight, it appears that recovery is beginning.

In March 2021, some companies have started, under the required protocols, to protect the health of employees. For third-quarter 2021, with the progress of vaccination, restrictions on access to public transportation were lifted, which facilitated mobility and access to offices. In addition, restrictions on most economic activities were made more flexible, which also had an impact on the return of companies to the workspaces. The release of restrictions translated into an increasing number of transactions, many of which were delayed and awaiting greater certainty about the control of the pandemic.

Net absorption closed in positive numbers, reversing the negative trend observed since the beginning of the pandemic; however, the annual accumulation continues to be negative as a result of the decline in demand during the first quarter of the year.

In line with the positive indicators, vacancy showed a slight decrease, partly due to a decrease in vacant space and a slight reactivation of demand. Meanwhile, in the context of a slight improvement in the market, rental values showed a stabilization compared to the last quarter.

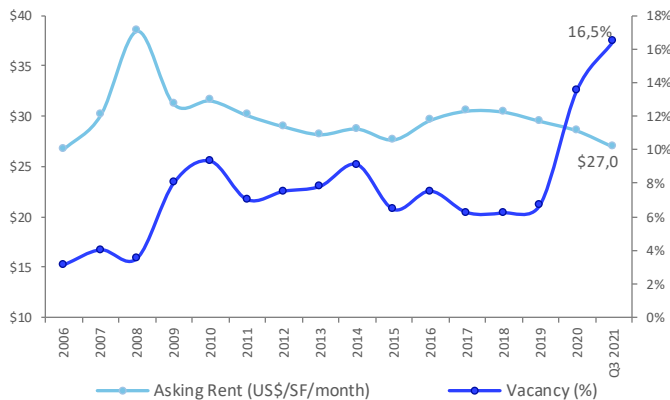
Current Conditions

- The average rental value for Class A offices stabilized at \$27.00/SF, with no significant changes compared to the last quarter.
- The vacancy rate continues to decline moderately since the second quarter of 2021, averaging 16.5% of the total rentable area.
- In third-quarter 2021, a slight recovery of the market began to show, registering a positive net absorption of 43,130.12 square feet and an annual accumulated absorption of -246,654.12 SF.

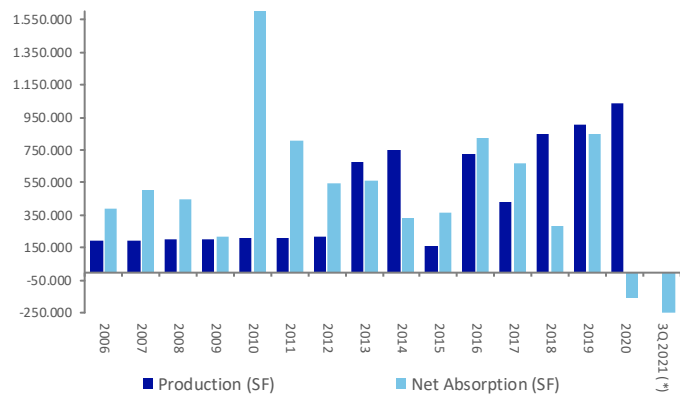
Market Analysis

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (Const.)	28,1 MSF	28,1 MSF	27,0 MSF	↗
Total Stock (Lettable) (*)	17,8 MSF	17,8 MSF	17,1 MSF	↗
Availability Rate	16,5%	16,70%	11.01%	↗
Quarterly Net Absorption	43.131 SF	-5,219 SF	-322,530 SF	↘
Average Asking Rate	\$27,0	\$26.71	\$29.03	↘
Under Construction	2.5 MSF	2.5 MSF	3,6 MSF	↘

Average Rent and Vacancy. 2006- Q3 2021



Annual Net Absorption and Production. 2006- Q3 2021



Indicators by Submarkets

During the third period of the year, vacancy continued to show a slight downward trend, which suggests that the market may be on the road to recovery.

In terms of square meters, vacancy showed a decrease of 1.45% compared to the previous period, totaling 2.94 MSF. Overall, the market showed variations in vacancy by less than 2%, maintaining the patterns presented during second-quarter 2021.

In the Central Business District, the Catalinas-Retiro submarket is the traditional Downtown area with the lowest vacancy (12.4%), while Microcentro has the highest vacancy in the market at 35.7%. In the Northern area, the North CABA (Autonomous City of Buenos Aires) stands out with a total of 15.1%, being the only corridor that presented a year-on-year decrease of 34.1%.

In terms of demand, the market showed positive values in net absorption, which could mean a change in the negative trend started in 2020. North CABA continues to stand out, maintaining a positive absorption of 43,604.56 square feet, resulting from the occupation of 53,819 square feet in Centro Empresarial Libertador. Other specific transactions in GBA Panamericana, such as the occupancy of 40,902 square feet at the Urbana Complex, pushed demand in the Northern corridors towards positive values.

Regarding rental values, the market averaged \$27.00/sf. Values remained stable, with moderate variations of less than 2%. The disparity showed in the blocks located in the Catalinas submarket, between Leandro North Alem Avenue and Madero Avenue stands out, where monthly rental values reach \$32.30/sf, while in the rest of this area, the average rent is \$30.47/sf.

In Zona Norte CABA, the Libertador Business Center distinguishes itself; it continues to maintain its values without major variations, and the asking rent reaches \$36.8/sf.

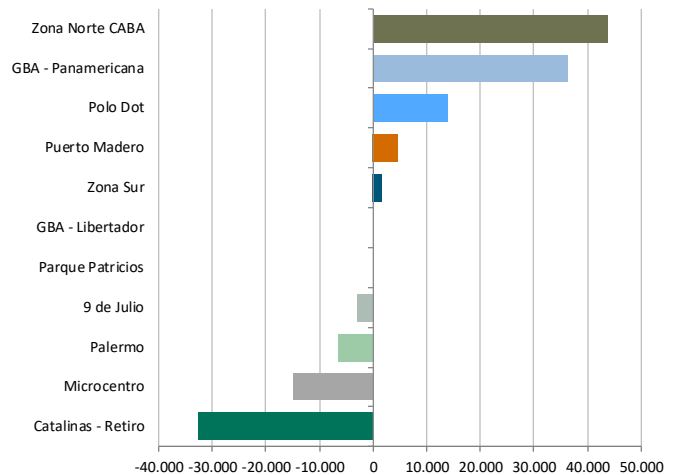
Finally, the Panamericana Corridor presents a very heterogeneous demand due to its geographical extension. Large corporate complexes, such as Lumina Panamericana, Lumina Olivos, Thames Office Park, Urbana, Optima Business Park and Edison Official, have a vacancy rate below the market average and an asking rent of \$25.64/sf, well above the submarket average, which closed at \$21.40/sf.

Emerging Poles

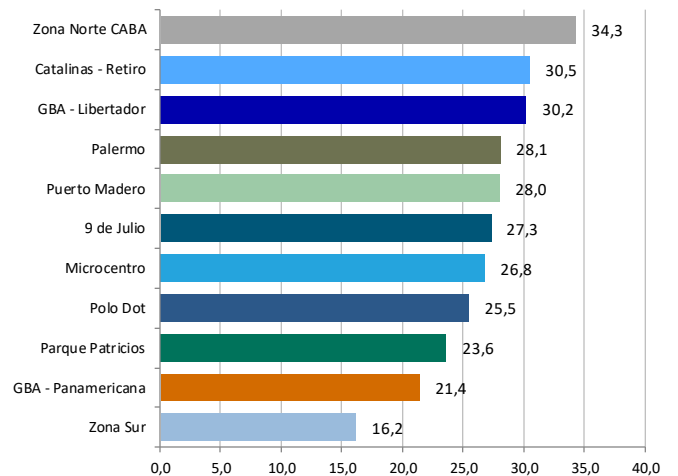
Emerging poles are areas of the city that are beginning to consolidate as new centers of attraction for the development of the office market. The implementation of the economic districts promoted by the City Government of Buenos Aires or the progressive decentralization of economic activity from the historic city center to other areas of CABA and Greater Buenos Aires are driving the formation of these emerging areas.

Parque Patricio is an example of an emerging area that has been consolidating as an attractive option for the relocation of technology companies, attracted by the tax benefits offered by the GCBA for development. Palermo, on the other hand, offers buildings with Class A characteristics, although adapted to the new flexibility needs sought by the companies that settle in this area.

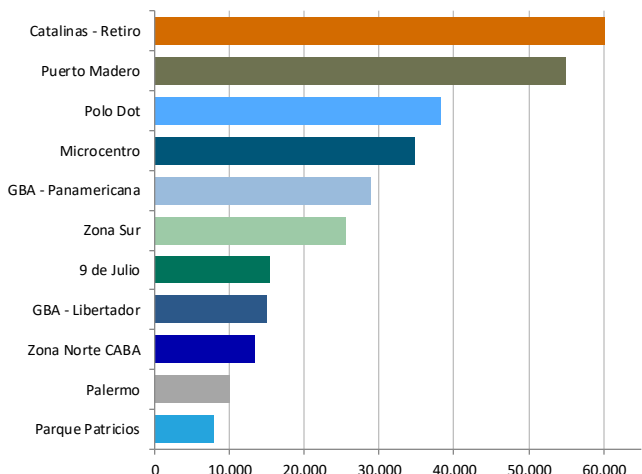
Net absorption (SF)



Asking Rent (US\$/SF/Month)



Available Surface (SF)



Future Surface Area

In 2020, due to sanitary restrictions implemented in a pandemic context, buildings under construction presented delays in the estimated completion times.

Regarding new meters under construction, two projects in GBA Panamericana, totaling 492,060 square feet, were expected to enter in third-quarter 2021, which reaffirms developer interest in capturing the migration of companies to the Northern Zone. These buildings are expected to enter in 2022.

Regarding the distribution of the area under construction, 80.7% of the meters are concentrated in CABA, within which the Catalinas-Retiro submarket stands out, which concentrates 31.5% of the area with projects such as Quartier Puerto Retiro.

In terms of projected square meters, there is greater diversification in the locations. The greatest concentration is in the Northern area, including Zona Norte CABA, marking a clear growth trend towards this area.

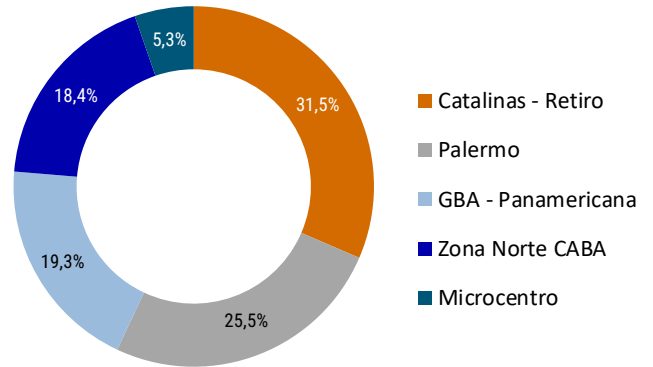
In the CBD, the Catalinas-Retiro submarket accounts for 35.3% of the total number of projects with the future development of Catalinas II, which will provide 2.5 million square feet of Class A office space.

Growth of the Emerging Poles

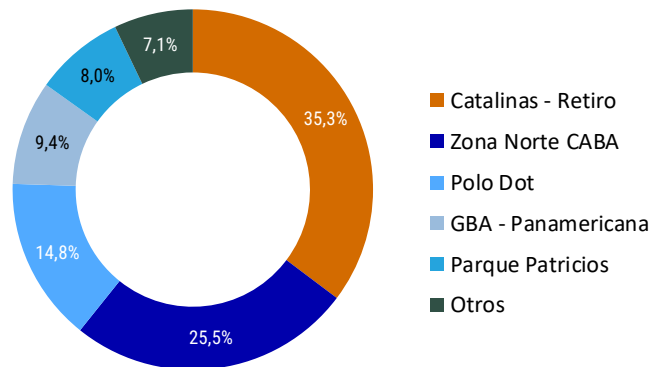
For the emerging poles, Palermo concentrates 25.5% of the under-construction inventory, totaling 648,600 square feet. On the other hand, Parque Patricios has no buildings under construction, and the new meters are in projects that represent 8.0% of the total projected for the market.

The development of these new buildings is expected to drive the decentralization of the Class A office market from the traditional submarkets to new emerging poles.

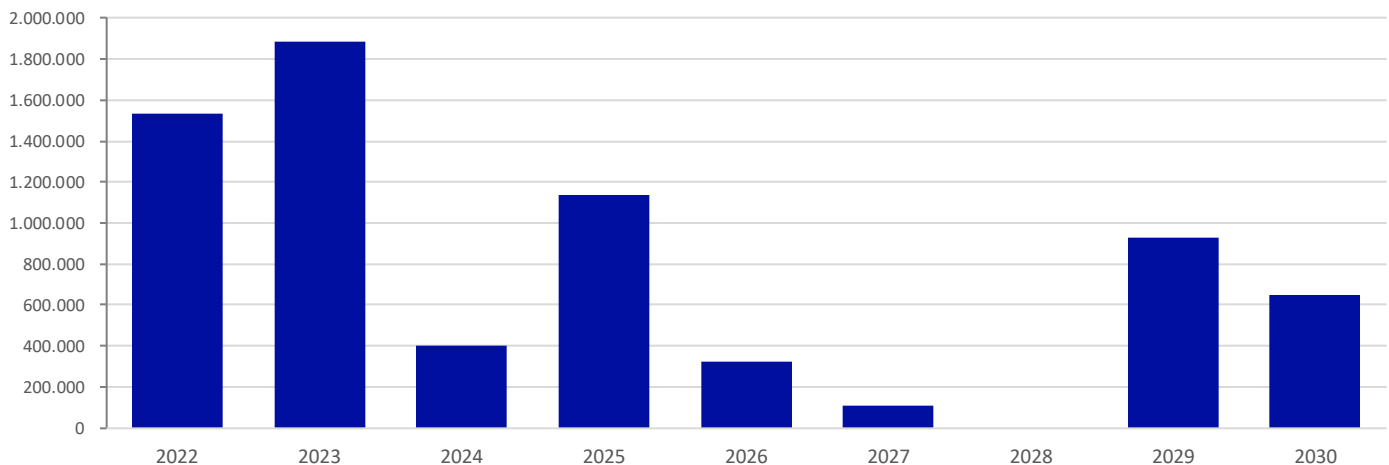
Area under construction: 2.543.725 SF



Surface area under project: 8.779.683 SF



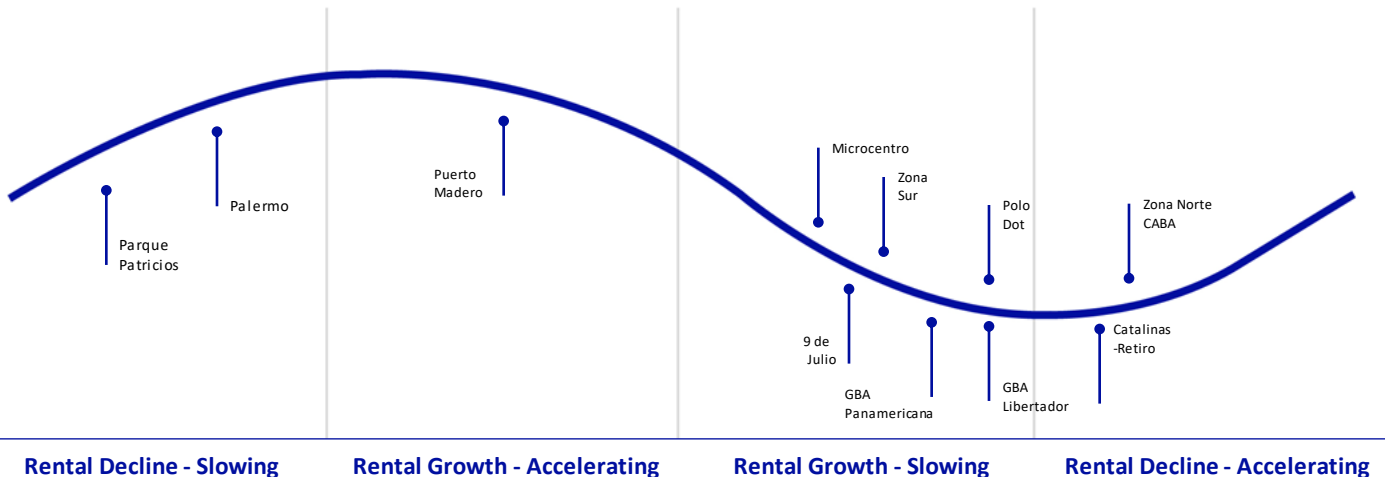
Evolution of future Class A office production (SF)



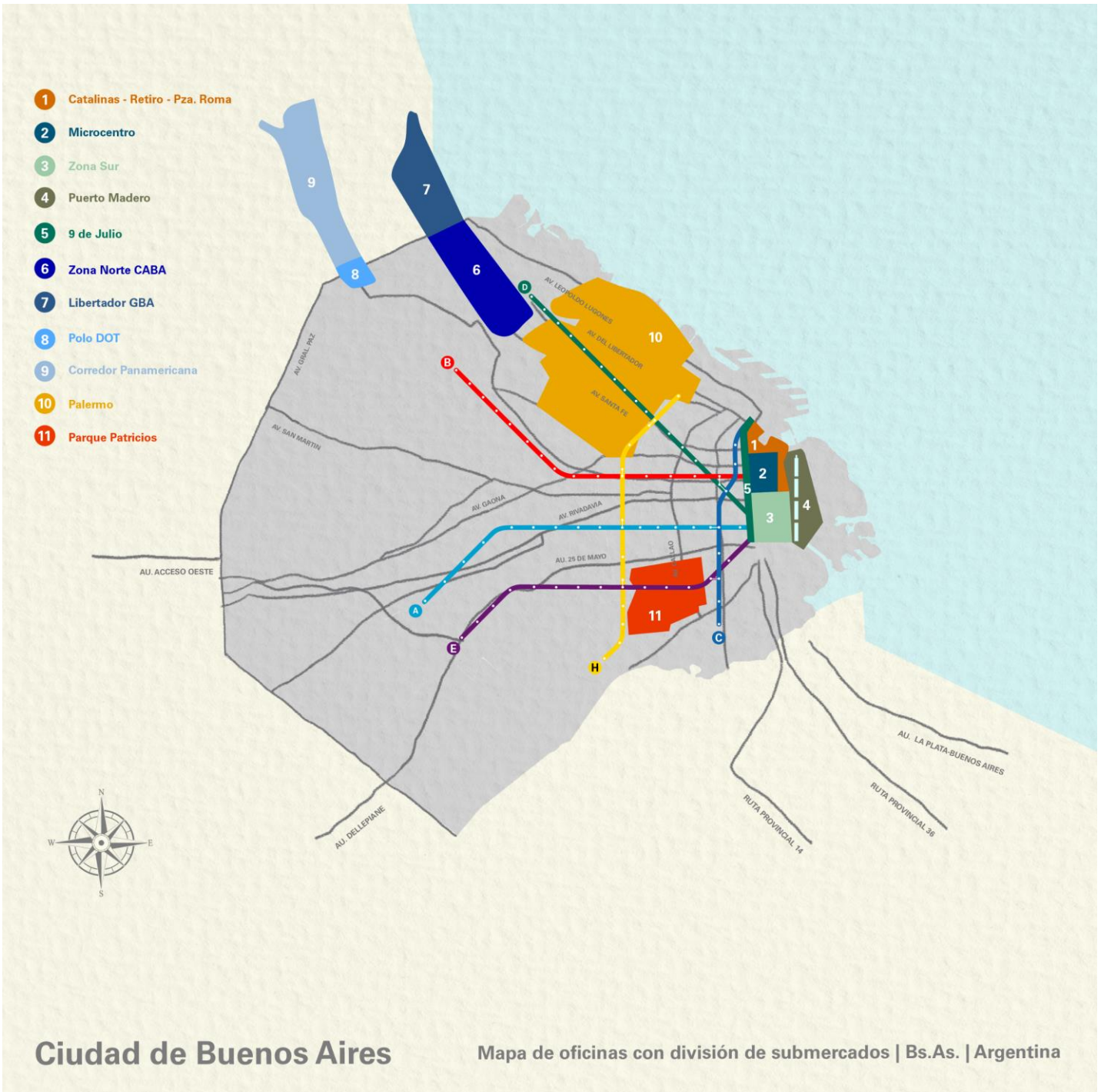
Market Statistics

By Submarket	Total Inventory (SF)	Under Construction (SF)	Projects (SF)	Total Availability Rate (%)	Qtr. Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (\$/SF/YR)
CABA							
Puerto Madero	5.138.804,26	-	-	16,9%	4.703,82	-12.895,15	27,99
Zona Sur	1.420.780,98	-	199.691,87	22,5%	1.729,22	90.337,65	16,16
Microcentro	1.383.430,25	134.947,01	-	35,7%	-15.037,17	-160.672,74	26,76
Catalinas-Retiro. Pza. San Martín. Pza. Roma	7.666.404,79	800.834,16	3.096.774,03	12,4%	-32.625,27	-95.647,91	30,47
9 de Julio	1.571.464,82	-	80.513,97	16,5%	-2.978,37	-24.355,48	27,27
Zona Norte CABA	1.349.620,84	467.325,48	2.237.061,34	15,1%	43.604,56	93.355,30	34,27
Polo Dot	2.103.244,53	-	1.295.586,06	30,0%	13.788,56	-18.298,63	25,47
GBA							
Corredor Panamericana	3.238.545,36	492.060,92	822.254,32	14,1%	36.360,45	-73.851,12	21,40
Corredor Libertador	1.724.828,86	-	342.873,27	12,1%	-	-47.597,97	30,22
Subtotal	25.597.124,69	1.895.167,58	8.074.754,86	17,3%	49.545,80	--249.626,04	\$ 24,75
Emergent Poles							
Parque Patricios	2.159.787,30	-	704.940,73	4,7%	-	0,00	23,63
Palermo	361.419,47	648.600,32	-	47,9%	-6.415,28	2.971,91	28,06
Subtotal	2.521.206,77	648.600,32	704.940,73		-6.415,28	2.971,91	\$ 25,84
TOTAL	28.118.331,46	2.543.767,90	8.779.695,59	16,5%	43.130,52	--246.654,12	\$ 26,97

Class A office market cycle by submarkets



Office market by submarket – Buenos Aires



Economic Outlook

The pandemic had a strong impact on the Argentine economy. During 2020, the country suffered a 9.9% drop in gross national product, the largest since 2002. Although the economy has begun to recover, by mid-2021, it was still below pre-pandemic levels.

During the third period of the year, with the progression of immunization of the population, new sanitary provisions were enabled that provided greater flexibility and opening of activities that added greater mobility within the country. This translated into a greater economic movement. Although these measures did not yet reflect a growth of the GDP, there was a deceleration in the fall of the economy, which in the second quarter of the year was -1.4% from the previous quarter.

The primary elections are part of the economic and social context of the country. The results of the PASO (primary, open and mandatory elections) and the expectations about the results of the November elections have put a brake on the economy, which has been waiting for more certainty about the economic and political direction that the country could take.

In a complex and weakened economic scenario, the unemployment rate stood at 9.6%, amid a delicate social climate, where the number of people receiving state aid through various social programs is growing, in an attempt to moderate the country's poverty level.

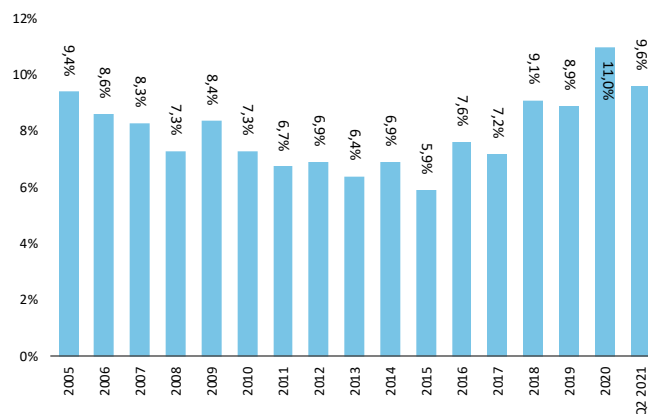
The domestic economy continues to show strong macroeconomic imbalances. The purchasing power of families continues to decline as a result of an inflationary context that for the moment seems out of control, where the consumer price index reached 51.4% annually at the end of the third quarter; the local currency continues to depreciate at the same pace as the growth of the dollar.

Economic indicators Q3 2021

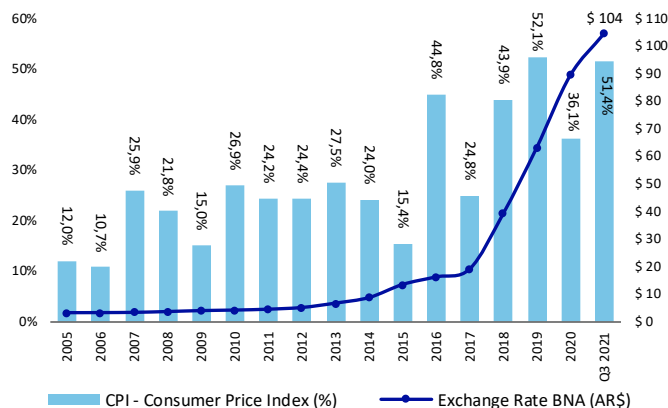
Capital City	Buenos Aires
Population (estimated 2021)	45.808.747
GDP MM	US\$ 448,411
GDP per capita MM	US\$9,789
Currency	Peso
Unemployment Rate	9,6%



Unemployment rate (%)

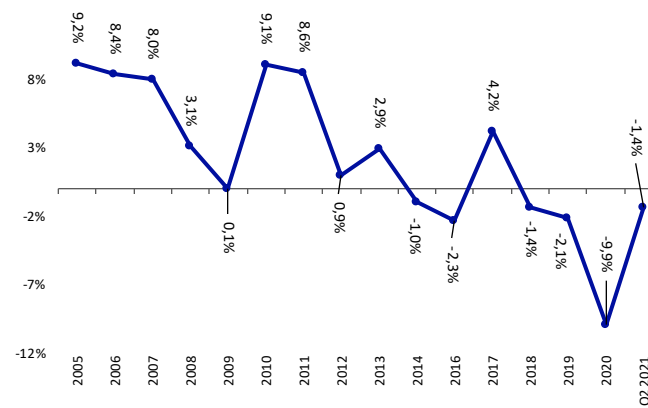


Exchange Rate (BNA) – Consumer price index (%)























Source: Banco de la Nación Argentina, INDEC 1999-2007/2015-2021 INDEC. 2008-2014 Calculated using the weighted geometric average of the consumer price indexes provided by the provisional statistics institutes.

GDP : Percentage Variation



Source: INDEC 2015 = World Bank estimated value. 2021= World Bank estimated value (June 2021 projection)

Class A Buildings under Construction

	Project	Submarket	Total Area (SF)	Lettable Area (SF)	Date	LEED Certification
	Worko	GBA Panamericana	526,279	421,020	1Q 2022	
	Park 10	GBA Panamericana	86,111	64,583	2Q 2022	
	Bureau Diagonal	Microcentro	185,505	134,947	4Q 2022	
	Libertador y Pampa	Zona Norte CABA	263,715	219,755	4Q 2022	
	Quartier Puerto Retiro	Catalinas Retiro	418,500	348,750	1Q 2023	
	Mirabilia Central	Palermo	398,264	182,340	2Q 2023	
	Mirabilia 851	Palermo	645,834	319,903	4Q 2023	
	Campos Salles	Zona Norte CABA	538.195	247,570	3Q 2023	
	Nómada Palermo	Palermo	538.195	247,570	4Q 2024	
	Alem y Córdoba	Catalinas Retiro	645,834	452,084	1Q 2025	

Areas of the projects are approximate.
Pictures are illustrative.

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Glossary of Terms

Absorption

Measures the demand in the office market based on the difference between the current occupied area versus the occupied area of the previous quarter.

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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