

Santiago Office Market Q2-2021

Office deliveries remain stagnant

In May 2021 the Chilean economy registered a peak Imacec (economic activity index) of 18.1% y/y. Although it was highly influenced by the low comparable base of May 2020 (-15,3%), it still fell in the optimistic end of analysts' estimates. In parallel, during the last 3 months employment has shown signs of improvement, reaching 11% in the RM and 10% on a country level. It is important to highlight that this improved performance was achieved in the context of stringent measures related to people's movement as well as government recovery packages.

The vacancy rate completed 7 quarters on the rise, from its lowest rate in 2019. It currently sits at 7.5%, 0.6% higher than the previous period (Class A: 6.7%, Class B: 8.5%). General absorption was once again negative and it has remained in the vicinity of 24.000 sqm of freed space since the pandemic began. Once again, downwards adjustments in the asking prices were seen across all submarkets, even if this situation is not yet the norm across buildings. Nevertheless, there are significant units that have remained available for lease throughout the year, not successfully marketed despite the discounts applied. Construction activity saw a slight increase due to the licensing of new projects that are expected to be delivered not before 24 months.

Current Conditions

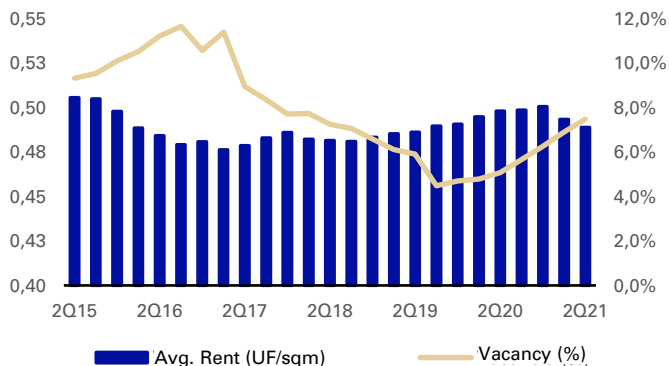
- General vacancy rate for Class A+B reached 7.5%.
- Net absorption for Class A+B was -22,638 sqm.
- Average rent for Class A+B registered a slight decrease to 0.489 UF/sqm.
- Office deliveries remain subdued, while construction construction activity saw a slight increase.

Market summary

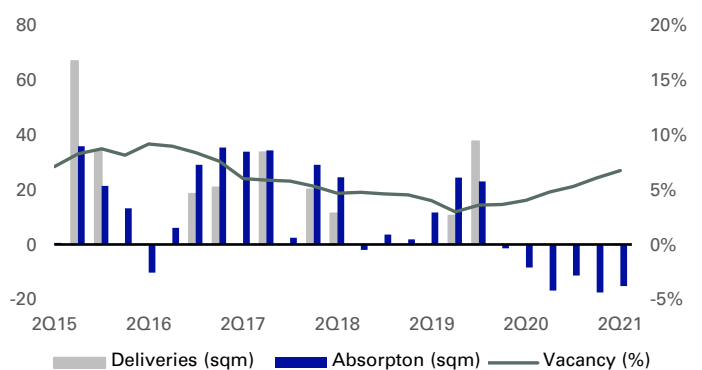
	Current Quarter	Previous Quarter	Previous Year	12-month Forecast
Total Inventory (sqm)	3.899.139	3.899.139	3.895.358	↑
Vacancy Rate	7,48%	6,90%	5,08%	↓
Net Absorption (sqm)	(22.638)	(26.109)	(4.450)	↑
Avg. Asking Rate (UF/sqm/month)	0,489	0,493	0,498	↓
Pipeline (m ²)	276.985	217.709	215.889	↑

Market analysis

AVG. RENT AND VACANCY RATE CLASS A+B



DELIVERIES, NET ABSORPTION AND VACANCY CLASS A+B (000S SQM)



RESEARCH Q2 2021

The persistent release of space witnessed for over a year accentuate the fact that companies seeking rare opportunities (submarkets such as El Golf) do not counterbalance the overall decrease in office demand.

Although comparatively across the Latam region the Santiago vacancy rate is still low, this is also a result of having an office inventory that is more modern than in markets such as Sao Paulo or Buenos Aires. It is expected that once more normal times resume, one of the possible shifts in the market will be the need for refurbishment and recycling of existing inventory risking obsolescence.

At a submarket level, there were no changes in the general trend compared to Q1 2021. El Golf Clase A continues to see its

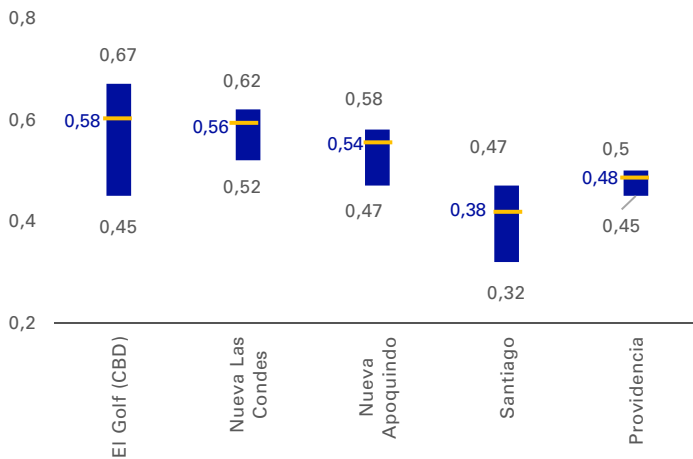
office activity hit compared to pre-pandemic times, reaching 8.5%. For the first time since records began, all tracked submarkets registered a net release of space, even if the total amount was lower than in the previous two periods.

Most buildings with large vacant spaces are yet to lease out this space at lower rates. If this scenario persists, further discounts or tenant concessions may be expected in the coming months.

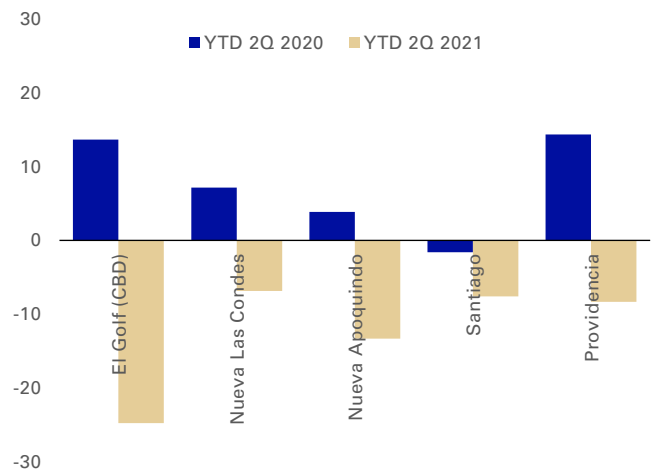
For the second half of the year, the market expects the delivery of various schemes that were due earlier in the year. Some of them are high-profile assets such as Territoria Apoquindo. Amid the challenging context for a speculative product, the level of pre-leased units looks ever more relevant.

Submarket – Class A

RENTS – RANGE AND AVERAGE (UF/SQM)

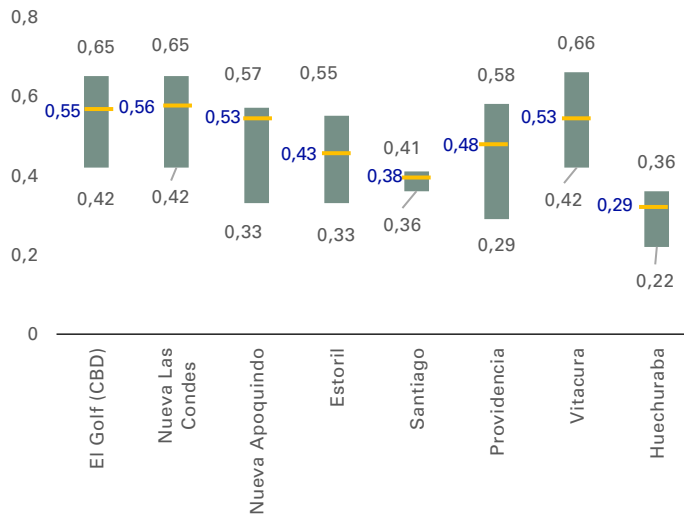


NET ABSORPTION LAST 12 MONTHS (000s SQM)

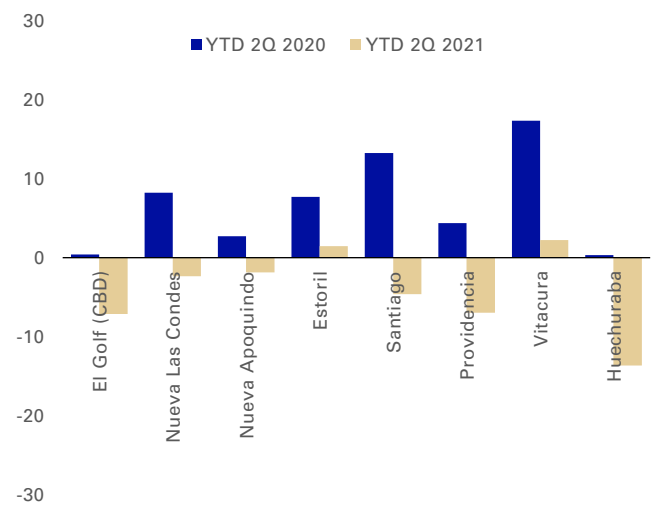


Submarket – Class B

RENTS – RANGE AND AVERAGE (UF/SQM)



NET ABSORPTION LAST 12 MONTHS (000s SQM)



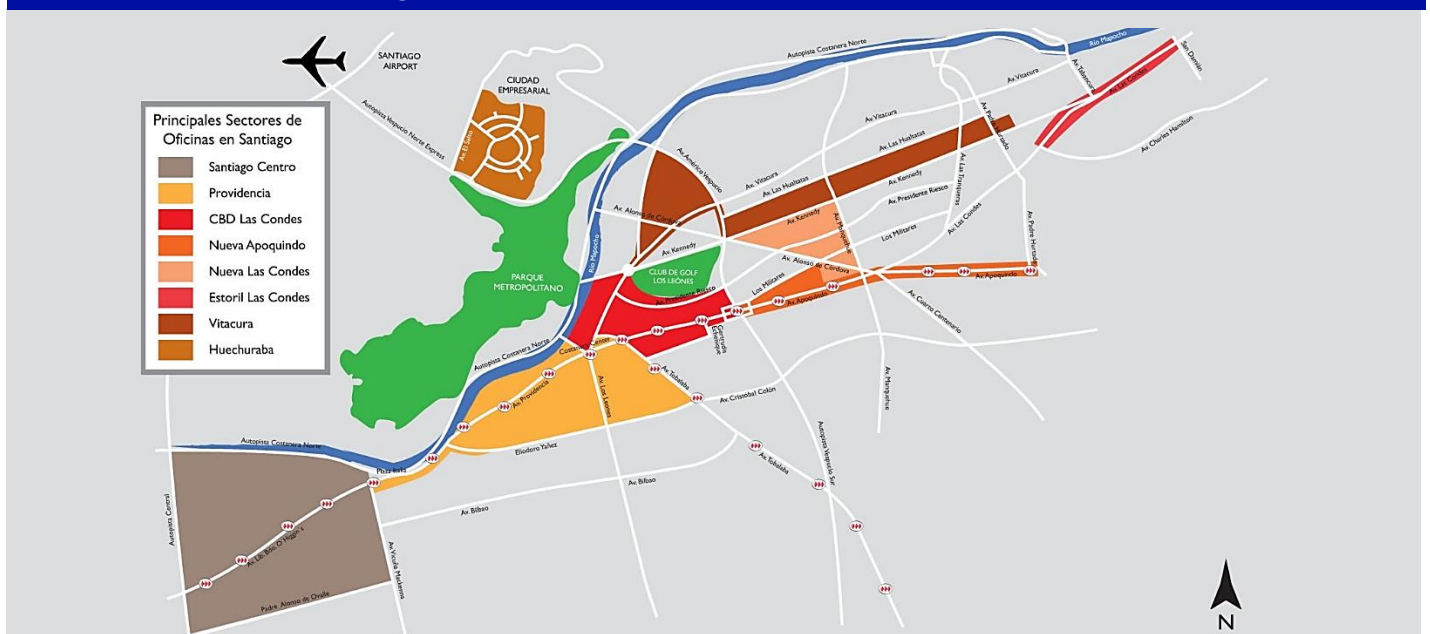
Submarket Indicators – Class A

	Inventory (sqm)	Vacancy (sqm)	Vacancy (%)	Deliveries (sqm)	Absorption (sqm)	Under Construction (sqm)	Avg. Asking Rate (UF/sqm)
CBD (Las Condes)	891.213	74.700	8,38%	0	(4.276)	100.599	0,58
Nueva Las Condes	452.335	24.173	5,34%	0	(2.039)	19.350	0,56
Nueva Apoquindo	262.343	19.723	7,52%	0	(5.959)	0	0,54
Santiago	445.577	17.678	3,97%	0	(590)	0	0,38
Providencia	188.423	14.261	7,57%	0	(2.274)	0	0,48
Total	2.239.890	150.536	6,72%	0	(15.138)	119.949	0,51

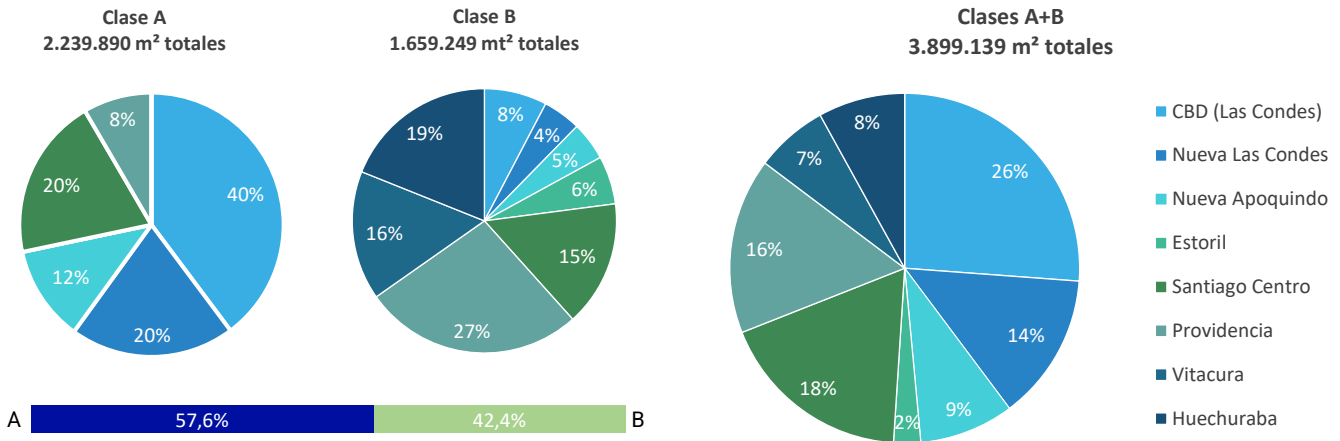
Submarket Indicators – Class B

	Inventory (sqm)	Vacancy (sqm)	Vacancy (%)	Deliveries (sqm)	Absorption (sqm)	Under Construction (sqm)	Avg. Asking Rate (UF/sqm)
El Golf (CBD)	126.601	12.980	10,25%	0	(1.923)	9.187	0,55
Nueva Las Condes	76.559	2.958	3,86%	0	(38)	0	0,56
Nueva Apoquindo	77.649	5.097	6,56%	0	(139)	17.310	0,53
Estoril	104.470	18.901	18,09%	0	(1.979)	14.697	0,43
Santiago	254.113	8.380	3,30%	0	(198)	0	0,38
Providencia	447.147	23.634	5,29%	0	(1.032)	87.957	0,48
Vitacura	260.509	17.065	6,55%	0	(1.813)	18.480	0,53
Huechuraba	312.201	52.288	16,75%	0	(378)	9.405	0,29
Total	1.659.249	141.303	8,52%	0	(7.500)	157.036	0,47
CLASS A+B	3.899.139	291.839	7,48%	0	(22.638)	276.985	0,49

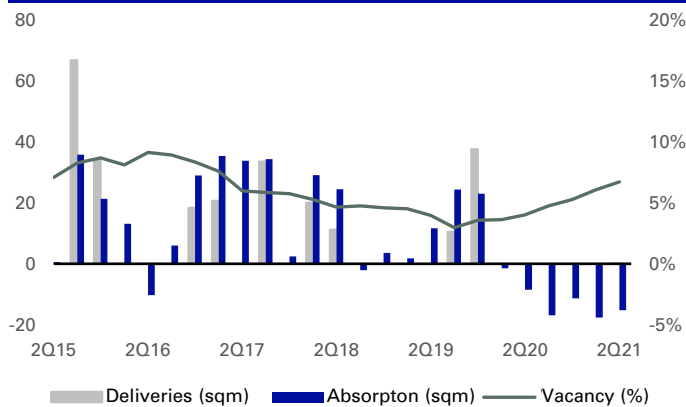
Submarket Map - Gran Santiago



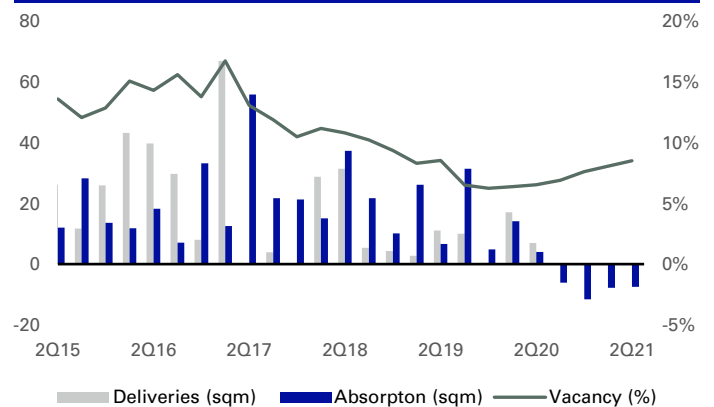
Market Breakdown



Evolution 2015-2021 per quarter – Class A

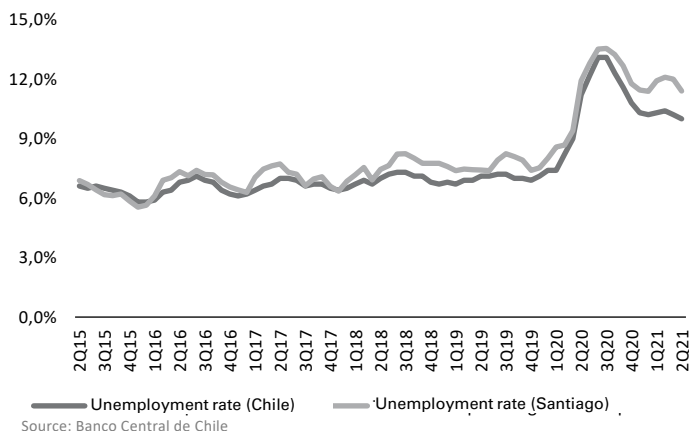


Evolution 2015-2021 per quarter – Class B



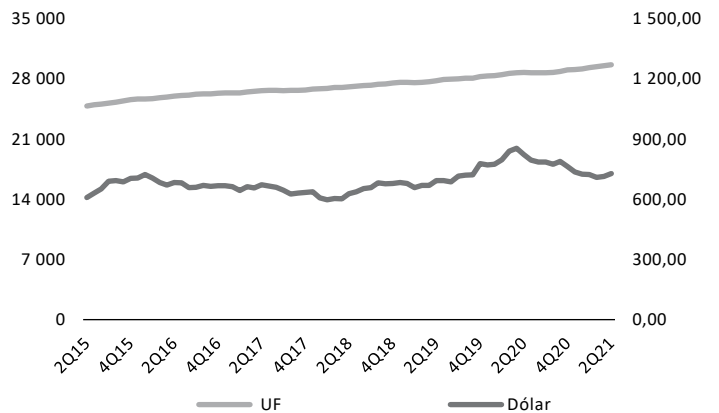
Employment Rate

YEARLY INDICATOR



Currency Rate

CLP VS UNIDAD DE FOMENTO (UF) AND US DOLLAR (USD)



Office Market Clase A – Latin America H2-2020 (see footnote)

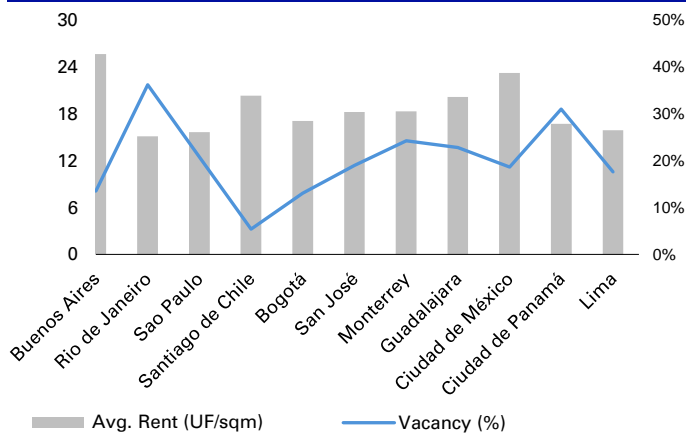
Current Conditions

- Class office inventory represents close to 28 millions of sqm as of H12020.
- Construction volumes came to a halt mostly due to government measures imposed across countries.
- Vacancy rate in the región rose from 17.4% in H1 2020 to 19.8% at the end of 2020.

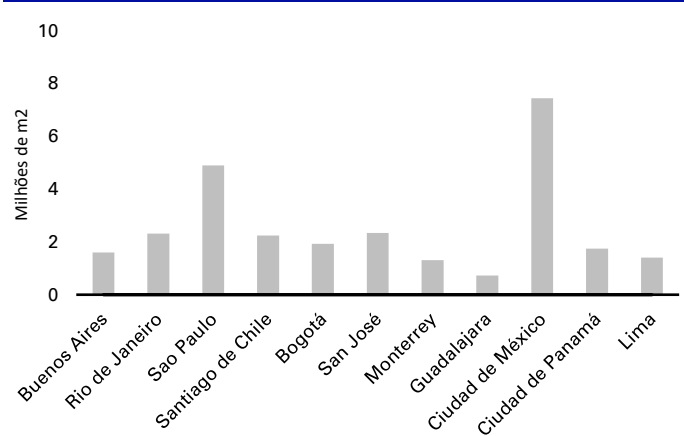
Market Summary

	Current Semester	Previous Semester	12-month Forecast
Inventario Total (m ²)	27,95M	26,39M	Up
Tasa de Disponibilidad	19,8%	17,4%	Even
Absorción Neta Semestral (m ²)	(462.931)	158.739	Up
Precio de Renta (USD/m ² /mes)	USD 18,63	USD 18,20	Even
En Construcción (m ²)	2,82M	2,75M	Up

Avg. Asking Rate vs Vacancy



Total Inventory per City



Market Indicators by City

City	Total Inventory (sqm)	Under Construction (sqm)	Vacancy (%)	Absorption (sqm)	Avg. Asking rate (USD/sqm)
Buenos Aires	1.591.572	330.000	13,5%	(70.400)	25,64
Rio de Janeiro	2.311.875	18.940	36,2%	80.000	15,11
Sao Paulo	4.890.000	320.000	20,8%	(68.130)	15,65
Santiago de Chile	2.239.890	119.949	5,4%	(30.510)	20,3
Bogotá	1.929.130	130.000	13,0%	16.000	17,09
San José	2.340.000	100.000	19,0%	(40.450)	18,24
Monterrey	1.309.578	320.000	24,2%	(1.650)	18,3
Guadalajara	720.000	140.000	22,8%	(19.680)	20,16
Ciudad de México	7.440.000	1.240.000	18,6%	(203.360)	23,24
Ciudad de Panamá	1.740.000	-	31,0%	(4.920)	16,72
Lima	1.404.990	70.000	17,6%	(24.770)	15,9
Latin America	26.390.468	3.173.219	19,8%	(462.930)	18,63

NOTE: Latin American Market data are the sole responsibility of ngkf's regional office, based in Mexico. Newmark Chile only collects, processes and reports market data from Santiago de Chile (slides N° 1-4), not participating in the figures, tables and graphs of this sheet (slide 5). This information shall be deemed as referential as there are certain methodological and presentation differences with local market data. Latam data only considers Class A. Latam data lags a quarter or six months behind. Rents are expressed in USD Annual, not UF per month.

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.

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MEDIO ORIENTE

Arabia Saudita

Emiratos Árabes

Newmark 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 Research Reports are available at ngkf.com/research.

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