

A new hybrid horizon

The Office Market

In March 2020, a social, preventive and compulsory isolation was decreed in Argentina. For second-quarter 2021, the national vaccination plan has continued its progress, including more age groups.

It will then depend on the speed of the application of the vaccines for the reactivation of the sectors currently limited by the sanitary restrictions, thus promoting the economic recovery of the country.

Since March 2021, some companies have started, under the required protocols, to protect the health of employees. But the impact of the imposed measures is beginning to be reflected in changes in workspaces and their uses, increasingly pointing to companies adapting to the needs of employees and businesses.

The Buenos Aires office market is the largest in Argentina, with 28.11 million square feet of total stock, including 17.87 million square feet of rentable Class A space, with no new additions during this period.

During the second quarter of the year, there was a slight increase in vacancies and net absorption, which continues the negative path. The vacancy percentage during second-quarter 2021 closed at 16.70% of the available inventory and the net absorption was -5,219 square feet. The rental value averaged US \$26.71/SF, showing a 10.20% year-on-year decrease.

Argentina

Capital City	Buenos Aires
Population (estimated 2021)	45,808,747
GDP MM	US\$ 445.445
GDP per capita MM	US\$ 7.117
Currency	Peso
Unemployment Rate	11,6%

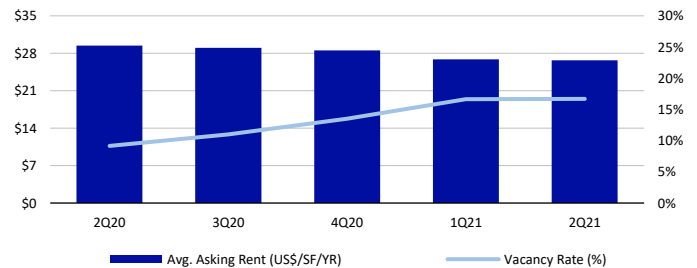


Current Conditions

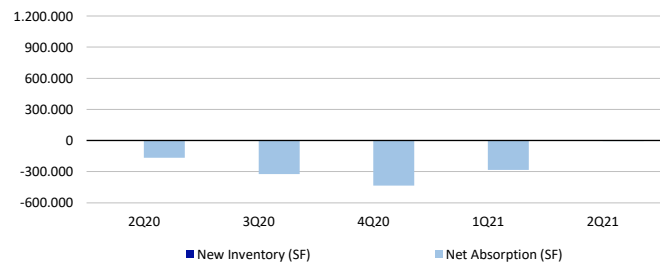
- The asking price of the Class A rental value averaged \$26.71/SF, a decrease of 0.56% compared to the last quarter.
- Class A vacancy remained stable, averaging 16.70% of the total rental area .
- 2Q 2021 continued presenting a negative net absorption of 5,219 SF, recovering some of the negative 284,565 SF in the previous quarter.

Market Analysis

ASKING RENT AND AVAILABILITY



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (Const.)	28,1 MSF	28,1 MSF	27,0MSF	↗
Total Stock (Lettable) (*)	17,8 MSF	17,8 MSF	17,1MSF	↗
Availability Rate	16,70%	16,67%	9,18%	↗
Quarterly Net Absorption	-5,219SF	-284,565SF	-167,056 SF	↗
Average Asking Rate	\$26.71	\$26.86	\$29.44	↘
Under Construction	2.5 MSF	2.5 MSF	3.4 MSF	↘

Rent Values by Submarket

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

An example of this are the blocks located in Catalinas between Av. LN Alem and Av. Madero, where average asking rents reach US \$33.44/SF, while in the rest of said submarket, the average rent is US \$29.94/SF.

In the Northern Zone of Buenos Aires, the building Centro Empresarial Libertador stands out with a monthly rental of US \$37.90/SF, while the average rent in the rest of the submarket is US \$34.28/SF.

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 found in corporate complexes, such as Lumina Panamericana, Thames Office Park, Urbana, Optima Business Park, Bureau Parc San Isidro and Edison Officia, with the lowest vacancies and highest average rent. Although asking rents in these buildings reach US \$23.41/SF, the average rent for the rest of the submarket is US \$15.96/SF.

Inventory Change

No relevant incorporations occurred in the Class A market in second-quarter 2021. During first-quarter 2021, two new submarkets were added to the inventory, corresponding to the areas of Parque Patricios and Palermo.

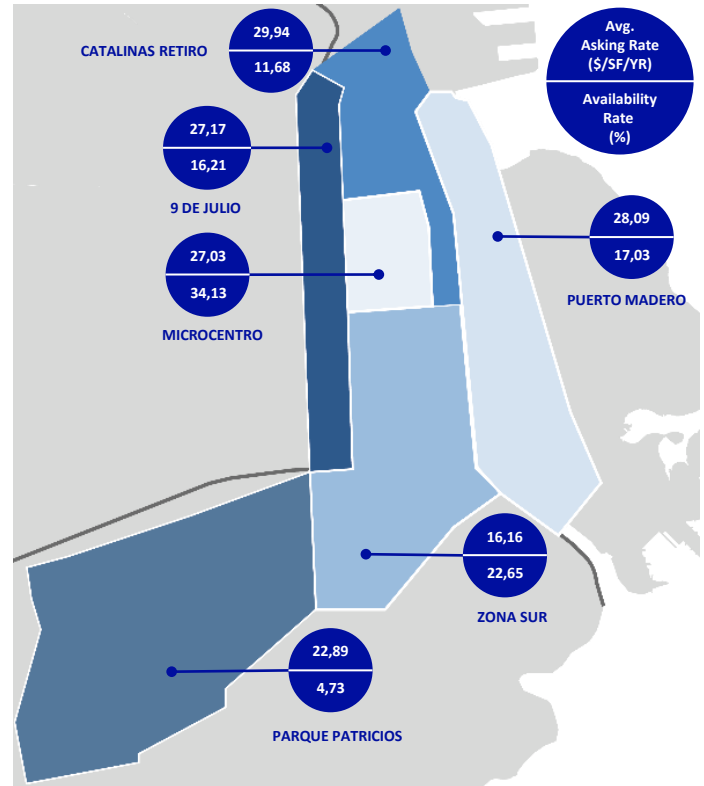
Through this period, there were no changes in the Parque Patricios Corridor, while Palermo was one of the few submarkets that presented positive net absorption, closing with a total of 9,327 square feet.

During second-quarter 2021, net absorption was negative, continuing with the trend presented since second-quarter 2020 to the release of spaces, but it is important to note that there was a significant reduction from -284,565 square feet in the previous quarter to -5,219.42 square feet in this period. This could be because Palermo, North Zone CABA and South Zone were the submarkets that presented with positive absorption, due to specific operations, such as the occupation of 180,984 square feet belonging to the Ex Cruz de Malta building in South Zone and 96,875.10 square feet in North Zone CABA in the Libertador Business Center. On the other hand, for example, the Microcentro area presented the largest release of spaces with -80,029 square feet, ending the period with a vacancy of 34.13%, one of the highest in the market.

Regarding the new space under construction, two new projects are expected in third-quarter 2021 in GBA Panamericana, totaling 485,602 square feet, which would reaffirm the trend of the location of the office market towards the North Zone. These projects may be delayed due to limitations imposed during the pandemic

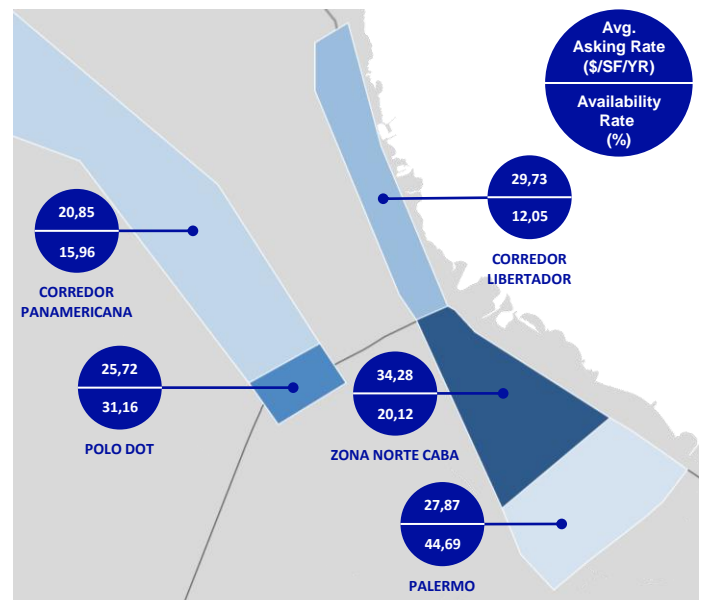
CABA Submarkets

AVERAGE ASKING RENT (\$/SF/YR) – AVAILABILITY RATE (%)



Northern Area Submarkets

AVERAGE ASKING RENT (\$/SF/YR) – AVAILABILITY RATE (%)



A new hybrid work horizon

The worldwide pandemic forced changes, both for companies and their collaborators, who experienced new ways of interaction through virtuality. The space for collaboration, socialization and interaction of ideas will continue to be face to face, giving way to hybrid modalities or adapted to the specific needs of each company.

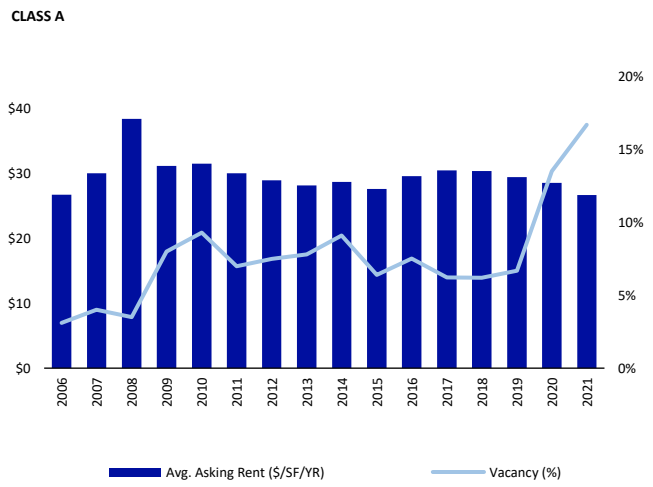
While the national vaccination plans are still underway, companies begin to evaluate the strategies for returning to the office, but something has changed; flexibility, hybrid modality, space for interaction and an action plan are needed so that the return to the office will be successful.

For real estate, it represents rethinking the business not only as advisers for the acquisition of goods but also providing a complete value proposition; assessing the needs, culture, fears and individual desires of each company and integrating them into their spaces.

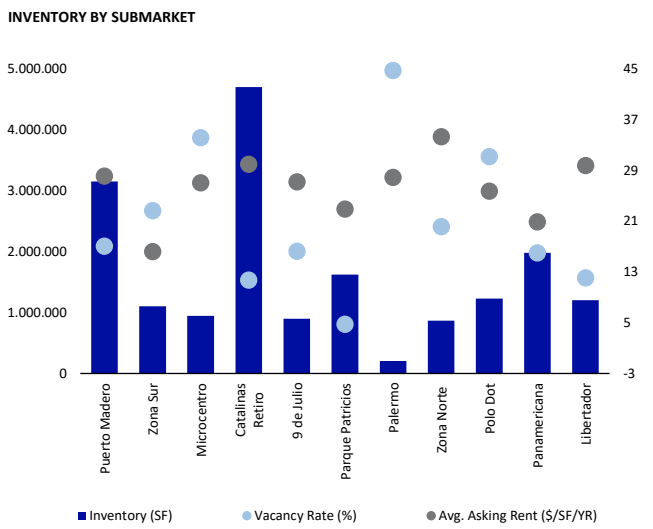
Issues such as the security of the workspace, integration spaces and the use of office spaces are beginning to be considered essential, since biosecurity is the norm today. Technical specifications, such as ventilation, air quality and other aspects that, until now, were not part of critical decision variables, have become central areas of the workspaces. Roles such as facility manager become an ally to create a strategy of return. Having an ally FM to face the return is key, given that they will manage an area that is now critical for companies but is not necessarily part of the central matrix. The role of the FM in this circumstance helps to design a safe return without managers and employees being pulled away from their main functions.

From the new challenges that the new reality brought, different responses to it can be seen in corporate spaces, from rotating modalities back to the offices, coworking spaces, rethinking the spatial distribution, as well as relocations in strategic areas from the city.

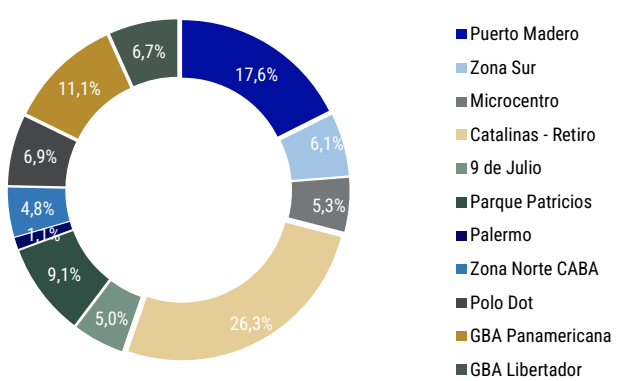
Average Asking Rate - Availability



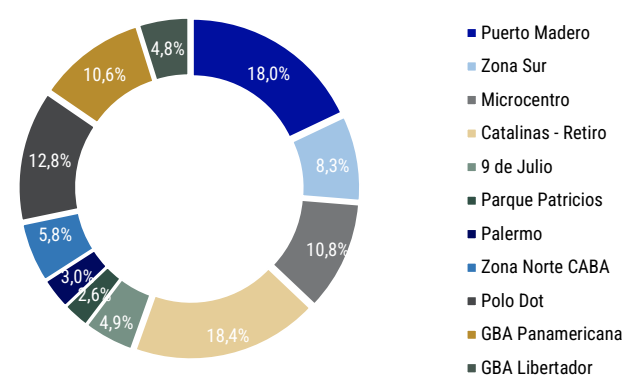
Inventory – Availability - Average Asking Rate



Inventory Composition



Availability Composition



RESEARCH 1Q 2021

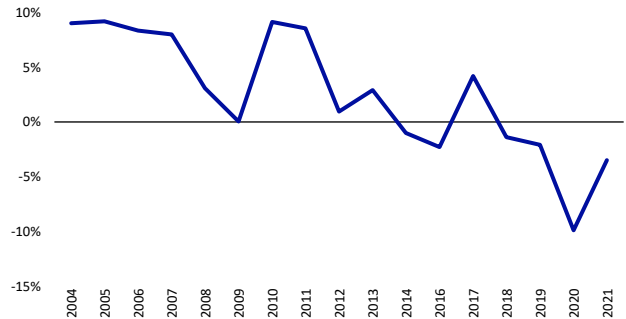
The user experience in the workspaces, for collaborators, leaders and clients, is now an issue to consider. An integral platform that operates from the search of the property to the startup of the offices will be necessary.

The cost of the operation is the first layer, but the range of services is much wider. Outside of its specific business, the largest expenditure of a company is in the space where its activity is carried out. This technology helps people create much more efficient strategies. The experience in this innovation is the differentiator, in addition to having an integral team, from brokers to the facility manager that specify the client's vision.

To compete in the new post-pandemic scenario, the office market will have to respond with much more technology to serve not only mandatory healthcare but also the experience of people within these spaces, adapting to the needs of each business.

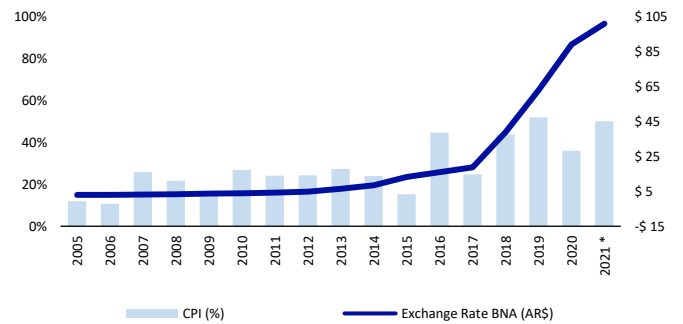
The results of a survey in second-quarter 2021 showed that the hybrid modality is one of the most considered options for the return to the workspaces, which today is perceived not only as a workplace but also as integration and strengthening of the business culture and integrating flexibility learned during the previous year.

GDP



Source: INDEC
2015 = Value estimated by World Bank

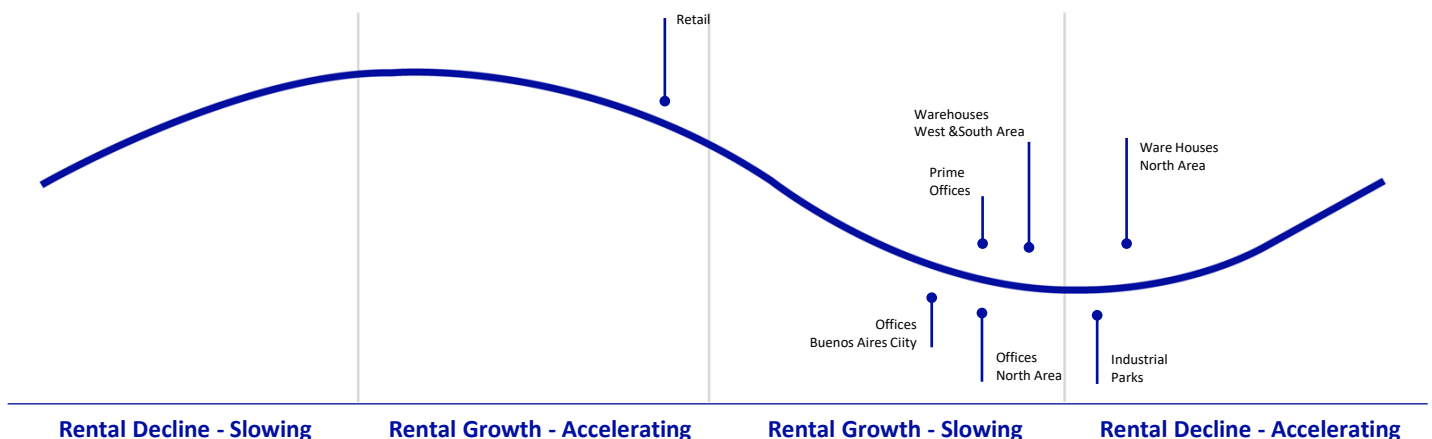
Exchange Rate – CPI



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

Real Estate Cycle













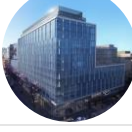






OFFICE MARKET, INDUSTRIAL MARKET, RETAIL



Market Statistics

By Submarket	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr. Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (\$/SF/YR)	Sublet Asking Rent (\$/SF/YR)	Total Asking Rent (\$/SF/YR)
CABA								
Puerto Madero	3.145.771,30	0,00	17,03%	-22.916,34	-17.598,98	28,09	N/A	28,09
Zona Sur	1.098.725,09	0,00	22,65%	98.102,18	88.608,42	16,16	N/A	16,16
Microcentro	943.477,36	134.947,01	34,13%	-80.029,60	-145.635,57	27,03	N/A	27,03
Catalinas-Retiro	4.694.470,47	800.834,16	11,68%	-2.680,21	-63.022,63	29,94	N/A	29,94
9 de Julio	895.997,80	0,00	16,21%	-21.290,99	-21.377,11	27,17	N/A	27,17
Parque Patricios	1.621.183,27	0,00	4,73%	0,00	0,00	22,89	N/A	22,89
Palermo	201.984,58	648.600,32	44,69%	9.387,20	9.387,20	27,87	N/A	27,87
Zona Norte CABA	863.738,39	467.325,48	20,12%	88.479,26	49.750,75	34,28	N/A	34,28
Polo Dot	1.228.979,05	0,00	31,16%	-29.137,88	-32.087,19	25,72	N/A	25,72
GBA								
Corredor Panamericana	1.979.362,81	492.060,92	15,96%	-17.943,42	-110.211,57	20,85	N/A	20,85
Corredor Libertador	1.200.325,54	0,00	12,05%	-27.189,61	-47.597,97	29,73	N/A	29,73
By Class								
Class A	17,874,016	2,543,768	16,70%	-5.219,42	-289.784,64	\$26,71	N/A	\$26,71

Main Class A Buildings Under Construction

	Project	Submarket	Total Area (SF)	Lettable Area (SF)	Date	LEED Certification
	Worko	GBA Panamericana	526,279	421,020	3Q 2021	
	Park 10	GBA Panamericana	86,111	64,583	3Q 2021	
	Mirabilia Central	Palermo	398,264	182,340	4Q 2021	
	Quartier Puerto Retiro	Catalinas Retiro	418,500	348,750	1Q 2022	
	Mirabilia 851	Palermo	645,834	319,903	4Q 2022	
	Bureau Diagonal	Microcentro	185,505	134,947	4Q 2022	
	Libertador y Pampa	Zona Norte CABA	263,715	219,755	4Q 2022	
	Nómada Palermo	Palermo	269,098	146,357	3Q 2023	
	Campos Salles	Zona Norte CABA	538.195	247,570	3Q 2023	
	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

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 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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