

Latin America Industrial Market

Vacancy In The Region Below 6.0%

Buenos Aires, Argentina

Large space occupants expanded their operations, which is reflected in positive net absorption for the market not seen since 2018. Despite the high dependence of the sector on build-to-suit contracts, the commitment to growth is one of the positive signs of the period, although the area under construction remains at historic lows. If the demand level registered during the first half of the year continues along with scarce production of new inventory, at the end of 2022 we could see a shortage of premium logistics spaces.

Río de Janeiro, Brazil

Demand remains quite active in Brazil. This is mainly due to e-commerce, which has led to positive indicators for the real estate sector, especially in industrial parks, high-end warehouses and logistics in the main markets. The Rio de Janeiro market has shown promising signs in recent years with an average growth of 46,000 Sq. m. In the second quarter, 40,000 Sq. m. were delivered, with availability remaining stable compared to other periods.

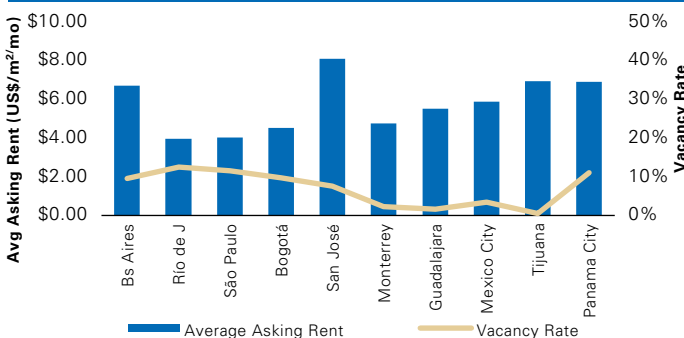
Current Conditions

- Inventory grew in 1.6 million sq. m. in the semester while vacancy dropped in 0.8%, reporting a total of 5.7% in the region.
- Net absorption in the first semester reduced in nearly 30%, mainly due to lower activity in the Brazilian markets - compared with the end of 2021 - and the low vacancy in the Mexican cities.
- The asking rent raised in almost 7% and reported an average of US\$ 4,90/sq. m./month.

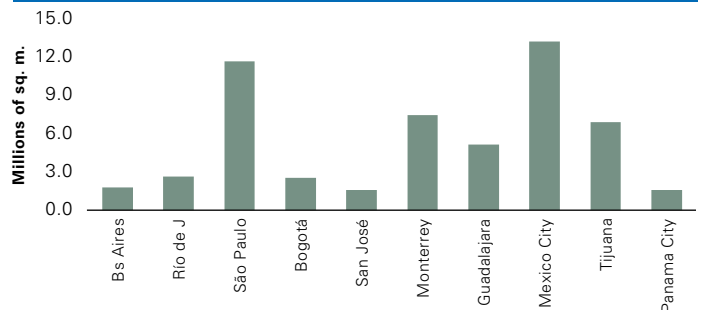
Market Summary

	Current Semester	Previous Semester	12-month forecast
Total Inventory (m ²)	54,69M	53,04M	↑
Vacancy Rate	5,7%	6,5%	→
1H Absorption (m ²)	1,97M	2,79M	↑
Average Asking Rate (USD/m ² /month)	\$4,90	\$4,59	↑
Under Construction (m ²)	3,60M	4,38M	↑

Average Lease Rate and Vacancy Rate



Total Inventory per City



Sao Paulo, Brazil

Sao Paulo, Brazil's largest Class A market, closed the last two years with figures showing record demand. In keeping with this trend, net absorption in the second quarter was reported at 440,000 Sq. m. and added accumulated absorption in the first half of 561,000 Sq. m., double the amount recorded the previous year. The vacancy rate decreased in the second quarter from 13.3% to 11.62% despite the delivery of new inventory.

San Jose, Costa Rica

The Greater Metropolitan Area vacancy rate was 7.5%. Net absorption for the first half of the year was recorded at 173,286 Sq. m., mainly represented by the establishment and expansion of companies in the medical device industry under a BTS scheme. Currently, more than 175,000 Sq. m. are under construction in new and existing manufacturing complexes, as well as logistics facilities that serve local and regional companies.

Bogota, Colombia

2021 and 2022 have been exemplary for the industrial market, with outstanding performance and absorptions by e-commerce, technology, automotive and logistics operators. Currently, the market has been affected by high construction prices, which raised sale and rent prices for the warehouses in the different industrial submarkets. Availability of warehouses is therefore at its lowest percentage, driving BTS developments.

Mexico City, Mexico

Four of the nine industrial submarkets show 100% occupancy, which reflects the high level of market demand, reaching Class A industrial inventory of just over 13 million square meters. These submarkets' occupancy levels encourage not only to increase the construction and accelerated planning of 13 industrial parks, but also promote the expansion of existing submarkets. Because the industrial sector is the main source of real estate growth in the current environment, the positive impact of investment vehicles, as well as infrastructure projects in operation in the country, are notably favored.

Guadalajara, Mexico

During the last three years, Guadalajara has recorded a boom not only in the demand for industrial spaces in general, but also in business parks thanks to the surge in logistics and e-commerce. During the second quarter, the construction area more than doubled compared to the previous period, recording more than 197,000 Sq. m. Salto is the industrial submarket with the largest area under construction, with more than 120,000 Sq. m., followed by Zapopan Norte with 35,000 Sq. m. and Periferico Sur with 30,000 Sq. m.

Monterrey, Mexico

Gross absorption this quarter was just over 258,000 Sq. m., with 61.8% corresponding to build-to-suit projects. Likewise, it should be noted that the accumulated gross absorption in the second quarter of 2021 was 396,000 Sq. m., while gross absorption accumulated this year is 483,000 Sq. m. Area under construction closed the quarter with more than 713,000 Sq. m. (60.8% corresponding to custom developments), far higher than the 389,000 Sq. m. during the same quarter last year. Meanwhile, new supply stood at more than 286,000 m².

Tijuana, Mexico

The growth of the market has not kept up with the demand. With more and more operations wanting to set down in Tijuana, buildings can't be delivered fast enough. We observe greater interest from different developers looking for land to continue to grow their portfolio and to take advantage of the wave of companies that want to establish operations in the city. The northern area of the city continues with a 0% vacancy with construction focused to the southeast. Tijuana will continue to see vacancy under 1% for months, if not years to come.

Panama City, Panama

At the end of the first half of the year, this industrial market shows a clear dynamism leading to an expansionary phase. This is reflected by a growth in construction starts that exceeds 200,000 Sq. m. and absorption of more than 40,000 Sq. m. during the first half of the year, mostly occupied by companies in the logistics industry. The vacancy rate has remained close to 10% and its growth is mainly due to the addition of new supply in already consolidated submarkets.

Stats per City					
	Total Inventory (million m ²)	Under Construction (million m ²)	Vacancy Rate	1H Absorption (m ²)	Average Asking Rate (USD/m ² /month)
Buenos Aires	1,77	0,07	9,5%	105.470	\$6,72
Río de Janeiro	2,65	0,17	12,5%	106.889	\$3,97
Sao Paulo	11,71	1,23	11,6%	560.976	\$4,04
Bogota	1,61	0,18	9,7%	205.387	\$4,52
San Jose	7,48	0,18	7,5%	173.286	\$8,08
Monterrey	7,48	0,71	2,2%	389.732	\$4,74
Guadalajara	5,18	0,08	1,6%	137.322	\$5,52
Mexico City	13,25	0,48	3,5%	10.036	\$5,89
Tijuana	6,92	0,30	0,5%	232.097	\$6,93
Panama City	1,57	0,20	11,0%	42.484	\$6,90
Total	54,69	3,60	5,7%	1.963.679	\$4,90

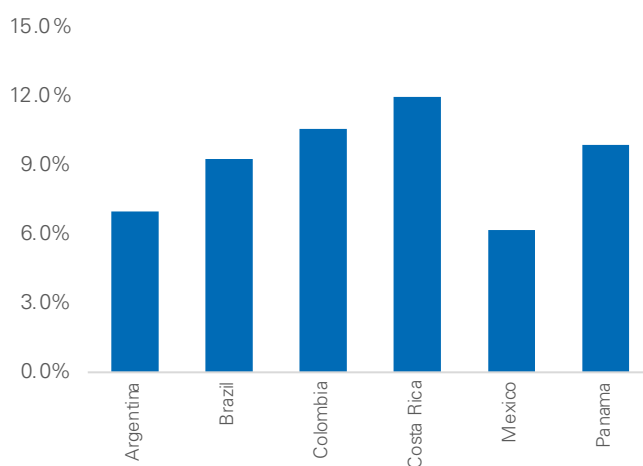
Economic Conditions

Argentina

Within the global economic landscape, there are high levels of uncertainty. Global GDP growth is expected to slow, with 4.0% forecast in 2022, against 6.1% in 2021. Policies of fiscal and monetary consolidation and accumulation of reserves led to greater adjustments on the exchange market, adjustments that led to high levels of monetary issuance in recent quarters, within the framework of a monetary policy that remains loose, and imposes a high floor on inflation. The recent changes in the economic cabinet have further aggravated the general situation, while distrust in the government has triggered the values of the MEP and CCL dollar, which will directly impact Argentine economic activity.

Unemployment Rate

PER COUNTRY



Brazil

The recovery of the Brazilian economy proved to be stronger than estimated and the indicators were higher than those of the first quarter. The Central Bank's projections swung to positive GDP growth in 2022 of between 0% and 1.7%.

Most of the productive sectors also had a positive performance and in May the level of activity increased by 1.2% in the industrial sector, 0.6% in trade and 0.3% in services. The expectation of GDP growth in the second quarter has been reinforced by new incentives aimed at household consumption and improvements in the agriculture and mining sectors, in contrast to the declines at the beginning of the year.

Colombia

GDP grew 8.5% in the first quarter of 2022, where the activities that stood out the most are trade, manufacturing and artistic activities, which contributed 5.5 basis points. The country's GDP is forecast to grow 6.1% in 2022 and 2.3% in 2023. One of the main problems is the growth of inflation, which has reached 9.2% per year. Therefore, monetary policy is expected to remain tight until the end of 2023. Another negative factor is the continued rise of the dollar, which has reached historic levels and will continue to rise.

In addition, on May 29, the first leftist president in the history of the country, Gustavo Petro, was elected, which has generated many expectations.

U.S. Dollar Exchange Rate						
Country	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Argentina	89,70	94,52	104,0	100,5	107,8	127,0
Brazil	5,56	5,21	5,44	5,58	5,08	4,96
Colombia	3.624	3.735	3.834	4.000	3.885	3.953
Costa Rica	611	615	630	630	645	675
Mexico	20,62	20,03	20,33	20,89	20,31	20,05

Source: investing.com

Costa Rica

Costa Rica's production reached a year-over-year variation rate of 5.4% in May 2022; however, economic growth is slowing due to national and international tensions. This has put pressure on the upsurge in the prices of imported raw materials, mainly energy and food, which had been increasing since 2021. It should be noted that, in analyzing trade by regime, the growth in production of businesses in the final imports regime exceeded that of special regimes for the third consecutive month.

In June 2022, headline inflation points to a year-over-year rate of 10.1%, the highest rate recorded in the last 5 years. The Central Bank projects this indicator will remain around 6% throughout 2022 and about 4% by 2023.

Mexico

The Mexican economy grew 0.9% in real quarterly terms compared to the first quarter of the year. Tertiary activities grew by more than 1% in the current period, indicating a slight recovery in the economy's most important activities.

There was a small improvement in the rate of inflation compared to the first quarter of the previous year, from 7.9% to 7.7%, but expectations regarding future trends are unfavorable. On the other hand, the unemployment rate had a slight uptick, going from 4.2% in the first quarter of 2021 to 3.7% in the current quarter.

Panama

The sectors that have boosted the economy this year are the construction, mining, export, wholesale and retail commerce, logistics and related activities, and the port system in general. In addition, there are favorable expectations regarding the recovery of the tourism sector, which was one of the most affected during the first months of the pandemic.

Meanwhile, the added values generated by activities related to the rest of the world that recorded increases were: the Panama Canal, with an increase in toll revenues of 2.6%; those related to the transit of Panamax ships of 13.2%; and air transport and re-exportation from the Colon Free Trade Zone of 22.4%.

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