RESEARCH 2H 2021

Latin America Industrial Market

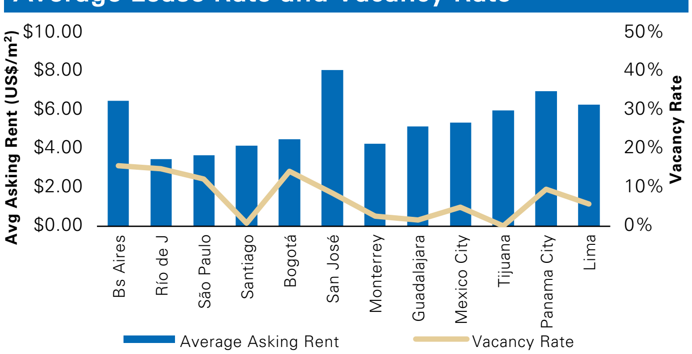
Strong Absorption at Year-End Reduces Vacancy To 6.4%

During the second half of 2021, the industrial market saw clear positive indicators across Latin America. The region's inventory showed sustained growth with the delivery of new spaces in cities like San Jose and Sao Paulo. Net absorption topped 2.9 million square meters during the second half of the year. The Sao Paulo and Monterrey markets each recorded year-to-date net absorption of more than 1.0 million square meters , while Mexico City recorded more than 0.5 million square meters. For the market as a whole, net absorption exceeded 4.0 million square meters by the end of the year. Brazilian markets recorded the lowest asking rates due to exchange rate variations, whereas the highest asking rates were recorded in San Jose.

Buenos Aires, Argentina

The Buenos Aires industrial market is still driven by increased demand from the growth of e-commerce. This has led to changes in the operations of large logistics platforms, including a need for more warehouse space. While negative net absorption was recorded during the fourth quarter, anual net absorption was positive, suggesting market recovery. The vacancy rate also trended downward as the number of vacated spaces remained stable.

Average Lease Rate and Vacancy Rate



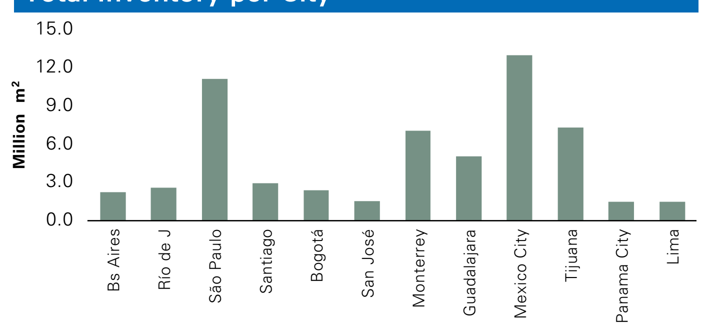
Current Conditions

- Vacancy declined from 8.2% to 6.4% despite more than 2.0 million square meters being added to the inventory.
- Construction activity increased by nearly 850,000 square meters to register 5.5 million square meters, reflecting developers' and investors' confidence.
- Average asking rates dropped slightly to $4.68 USD per square meter per month.

Market Summary

	Current Semester	Previous Semester	12-month forecast
Total Inventory (m²)	58,25M	55,85M	↑
Vacancy Rate	6,4%	8,2%	↓
2H Absorption (m²)	2,95M	1,11M	↑
Average Asking Rate (USD/m²/month)	$4,68	$4,82	↑
Under Construction (m²)	5,50M	4,64M	↑

Total Inventory per City



NEWMARK

Río de Janeiro & Sao Paulo, Brazil

Since 2020, the market for Class A industrial space has been on the rise. Demand for centrally located industrial facilities that improve supply chain efficiency is at an all-time-high as tenants seek to meet their customers' ever-changing needs. Demand for these spaces mainly comes from companies in the e-commerce, retail and logistics sectors.

Rio de Janeiro did not see vacated spaces during the second half of 2021. It recorded absorption of 129,000 square meters during the fourth quarter, contributing to a record-high annual absorption of 234,000 square meters. Consequently, vacancy declined from 19.0% to 15.0%. In Sao Paulo, the fourth quarter posted the highest quarterly absorption total of 2021at 578,000 square meters. Annual absorption reached 1.14 square meters, the highest since 2014. The vacancy rate also reached a low not observed since 2014.

Santiago de Chile, Chile

Industrial demand and absorption reached record levels in 2021. This strong momentum is in contrast to 2020, when an imbalance between supply and demand made some developers cautious. In turn, construction activity remained slow compared to historical averages. Most of the facilities under construction are build-to-suit, buildings which is evidence of economic uncertainty as developers look for ways to mitigate risks. Expectations for 2022 remain positive.

San Jose, Costa Rica

The industrial market in San Jose was positively impacted by a number of factors in 2021. These include a greater need to store merchandise for consumption, increased local and regional logistics activity, and the reactivation of construction activity, especially, built-to-suit facilities for specialized manufacturing companies. Recent modifications to the Free Zone Trade regime and the efforts made by developers and local government agencies to attract Foreign Direct investment have brought to fruition the absorption of spaces outside San Jose Metro Area.

Bogota, Colombia

After a difficult 2020, 2021 was a strong year for the industrial market as demand for space continued to rise during the second half of the year. The market posted absorption of nearly 150,000 square meters, three times as much as the space absorbed during the first half of the year. The strong absorption in 2021 was driven by demand for build-to-suit developments, primarily in the logistics sector. The market also saw high demand for last-mile facilities and for spaces ranging between 400 to 800 square meters across the city, mainly in retail areas.

Mexico City, Mexico

The inventory of Class A space reached 13.0 million square meters during the fourth quarter of 2021. Construction activity declined from the prior quarter to nearly 440,000 square meters. The vacancy rate declined from 6.2% in the second quarter of 2021 to 4.9 during the fourth quarter. The largest transactions in the market were logistics and technology firms leasing space in the Cuautitlan, Tepotzotlan and Tulitlan submarkets.. Gross absorption during the second half of the year reached 480,000 square meters, while net absorption was recorded at 290,000 square meters.

Guadalajara, Mexico

The Guadalajara Metro Area saw a major increase in Foreign Direct Investment in 2021, as well as an uptick in investments derived from nearshoring. The Class A industrial inventory increased to more than 5.0 million square meters during the fourth quarter of 2021. The vacancy rate remained stable from the previous quarter. The market has experienced major unmet demand for industrial space, which brings about new opportunities for industrial parks in planning stages as well as for land for the development of new industrial parks. As a result, construction activity increased slightly over the third quarter of 2021 and was recorded at nearly 161,000 square meters.

Monterrey, Mexico

By the end of 2021, demand for Class A space was high. Gross absorption was recorded at more than 1.2 million square meters while the vacancy rate declined to a record-low of 2.5%. The submarkets that posted the highest demand were Apodaca, Cienega de Flores and Santa Catarina which recorded 33%, 19% and 18% of the total market absorption, respectively. The demand recorded in 2021 was mainly driven by Tier 2 suppliers in the automotive, electronics, logistics and retail sectors, among others.

Tijuana, Mexico

After one of the most dynamic quarters Tijuana has experienced over the past decade, the market slowed down during the fourth quarter. Despite high demand, absorption declined due to the scarce supply. In addition, asking rates are still trending upward and construction activity cannot keep pace with demand. This will lead to the creation of new submarkets in undeveloped areas of Tijuana. The south of the city is also beginning to attract new investments due to Blvd. 2000 and its quick access routes to the Tecate, Rosarito and Garita de Otay submarkets.

Panama City, Panama

By December 2021, the industrial market in Panama City was in the midst of an expansion stage driven by new requirements for the settlement and expansion of local and regional logistics operations. This will continue to incentivize the development of both speculative and build-to-suit facilities. Additionally, some firms have moved their operations from inferior-quality industrial complexes to facilities that meet higher construction standards in better locations that offer higher efficiency.

Lima, Peru

The industrial market in Lima posted an inventory of nearly 1.5 million square meters, including both Class A and B facilities. More than 60% of the inventory is located to the south of the city, mainly in the Villa El Salvador and Lurin submarkets. The rest of the inventory is located in the East and Callao submarkets. Many industrial facilities and warehouses posted lower vacancy with new tenants in the e-commerce and logistics sectors taking up space. As a result, the market's overall vacancy rate declined to 5.8%. Asking rates ranged between $5.60 USD and $7.00 USD , averaging $6.26 USD per square meter per month.

Stats per City

	Total Inventory (million m²)	Under Construction (million m²)	Vacancy Rate	2H Absorption (m²)	Annual Absorption (m²)	Average Asking Rate (USD/m²/month)
Buenos Aires	2,23	0,08	15,6%	20.817	(289.411)	$6,47
Río de Janeiro	2,61	0,20	14,9%	213.801	233.669	$3,46
Sao Paulo	11,14	1,95	12,1%	919.178	1.146.493	$3,67
Santiago de Chile	2,95	0,26	0,8%	71.584	317.145	$4,17
Bogota	2,39	1,0	14,1%	149.519	205.300	$4,50
San Jose	1,52	0,21	8,5%	128.927	143.353	$8,07
Monterrey	7,0	0,69	2,5%	806.692	1.024.658	$4,27
Guadalajara	5,0	0,16	1,6%	113.952	148.320	$5,14
Mexico City	12,98	0,44	4,9%	291.333	566.690	$5,34
Tijuana	7,32	0,26	0,1%	114.977	286.196	$5,98
Panama City	1,50	0,13	9,6%	26.382	175.025	$6,97
Lima	1,49	0,12	5,8%	90.630	106.130	$6,26
Total	**58,25**	**5,50**	**6,4%**	**2.947.792**	**4.063.568**	**$4,68**

Economic Conditions

Argentina

The year kicked off with a major recession during the first quarter due to the direct impact of the pandemic amid an already deteriorated economy. Nevertheless, several indicators showed signs of recovery by the end of the year. Household savings and purchasing power were impacted by increased volatility in the exchange rate, which was recorded at 107.8 USD per Argentinean Peso for an increase of 30.5% over pre-pandemic values. Inflation was recorded at 51.2% as per the CPI.

Brazil

Brazil's economy showed signs of recovery in 2021, and government accounts improved. It is expected that the GDP will experience growth, and the service industry shows that recovery is underway. However, despite modest improvement, unemployment remains high, and close to 14 million (12,6%) Brazilians remain unemployed. Furthermore, inflation and the USD exchange are rising, the stock exchange rate is dropping, and an institutional crisis reveals the fragility of the current economic scenario. As a result, the Central Bank revised its GDP growth expectations from 4,7% to 4,4% in 2021, and from 2,1% to 1,0% in 2022.

Chile

Based on results of the second round of presidential elections in the country, Gabriel Boric, candidate for the Frente Amplio party, was elected president of Chile. Caution pervaded across the markets as investors await economic policy decisions from the new administration. Likewise, the employment rate continues to reflect the incipient improvement of the economy after nearly two years amid a pandemic. Inflationary pressure is still a major concern for the Central Bank, which unanimously agreed to increase interest rates to 4.0%.

Colombia

The reactivation of the economy was evident during the last quarter of 2021. Economic analysist have even revised their forecasts for the economy to reflect stronger growth. The primary reason for this revision is that the main indicators in the economy, such as the retail and industrial sectors, remain positive. The economic recovery and uptick in demand have been more accelerated than previously expected, and both the consumer confidence and business confidence indices have improved.

U.S. Dollar Exchange Rate

Country	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021
Argentina	76,17	84,08	89,70	94,52	104,0	107,8
Brazil	5,61	5,19	5,56	5,21	5,44	5,58
Chile	784	709	726	721	771	825
Colombia	3.825	3.414	3.624	3.735	3.834	4.000
Costa Rica	601	609	611	615	630	645
Mexico	22,09	19,87	20,62	20,03	20,33	20,89
Peru	3,60	3,62	3,68	3,81	4,13	3,99

Costa Rica

According to the Central Bank of Costa Rica, in November 2021, production recorded an interannual variation rate of 9.8%. The economic recovery has continued with positive signs of growth since March 2021. General inflation was recorded at 3.3% by the end of December 2021 as per the CPI, within the goal of 2.0% to 4.0% for the year. Note that this indicator had trended upward since the end of 2020. The unemployment rate declined to 14.4% in November of 2021 according to the INEC (National Institute of Statistics and Censuses). This indicator was down 6.9 percentage points over the year-ago period across the country.

México

Since the reopening of the economy, the domestic industry has become stagnant and far from the levels it reached before the pandemic. While the industrial sector is still operating, inflation has hit record highs, reaching 7.4% by the end of 2021. The creation of formal employment was high, recorded at an annual rate of 4.4%. However, salary increases remain below the inflation rate. While economic growth did not meet analysts' expectations by the end of 2021, recovery is expected to meet the forecasts of 3.2% during the second half of 2022.

Panama

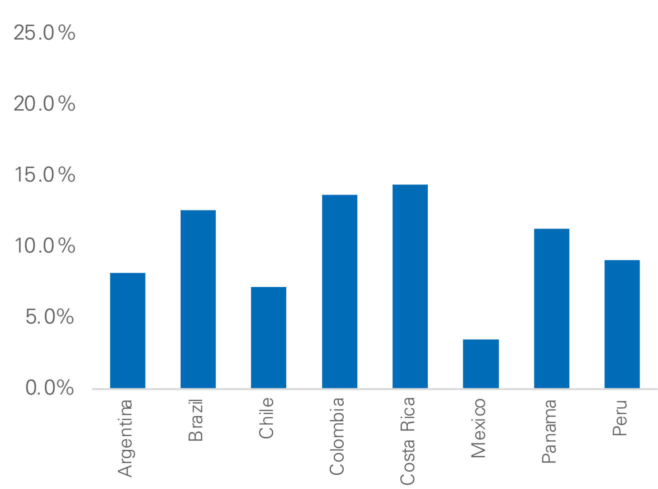
During the second half of 2021, Panama's GDP increased by 40.4% over the second half of 2020 due to the accelerated vaccination process and health authorities lifting economic restrictions. According to the INEC, the transportation and communications, retail, government and health services sectors saw positive activity throughout the second half of the 2021. Another crucial factor driving economic recovery has been the increase in Foreign Direct Investment , especially in fields like mining, financial services and telecommunications. This has also lowered the unemployment rates from levels seen in 2020.

Perú

By the end of October, the interannual variation rate of Peru's GDP was recorded at 12.7%, and it is expected to expand by 3.0% in 2022 if the economic reactivation continues. The unemployment rate between September and November of 2021 reached 9.1%, down 4.2 percentage points from the rate recorded between May and July and 39.7 percentage points over the same period in 2020. This can be directly associated with the fact that more than 63.0% of the population has been vaccinated and a significant number of people have also been able to return to their work place. In contrast, the annual inflation rate reached 6.4%, the highest in over a decade and outside the goal range proposed by the Ministry of Economy.

Unemployment Rate

PER COUNTRY



Socioeconomic Outlook

Country	Population (million)	GDP per Capita (000s US$)	City	Population (million)
Argentina	44,49	9,89	Buenos Aires	15,33
Brazil	213,30	8,80	Río de Janeiro	6,77
			Sao Paulo	12,40
Chile	18,73	15,40	Santiago	6,54
Colombia	49,65	6,51	Bogotá	9,97
Costa Rica	4,99	12,01	San José	1,18
Mexico	126,19	10,12	Monterrey	4,59
			Guadalajara	4,92
			Mexico City	21,15
Panama	4,18	16,24	Panama City	0,89
Peru	31,99	7,05	Lima	10,07

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