

SOUTH AMERICA

Industrial H2 2023

	GDP Var (%)	Unemployment Rate (%)	Inflation Index (%)
Argentina	1.4	5.7	160.9
Brazil	3.1	7.7	4.7
Chile	-1.4	8.7	4.8
Colombia	1.8	9.2	9.3
Perú	-1.0	6.6	3.6

Sources: Latest official data available
LCA and National Statistics Institute per country

ECONOMIC OUTLOOK

South America's economy closes 2023 with inflation declining in all countries except Argentina, where it continues to rise.

This has encouraged central banks to slowly lower their interest rates, which has not yet positively affected property markets and investment.

The growth observed through GDP is variable, in countries such as Brazil and Colombia, there is an increase, but in others there is stagnation, which can also be seen in the increase in unemployment. In addition, there is a decrease in manufacturing activity in countries such as Argentina, Colombia and Chile.

LOGISTICS REGIONAL MARKET OVERVIEW

During 2023 a general increase in absorption is observed, almost 50% of all this demand is concentrated in the city of Sao Paulo. A major change from the previous year is the increase in vacancy in most countries, reaching a year-on-year increase of 750% in the Chilean market, much of this is due to the fact that production exceeds net absorption, ultimately impacting the availability of space. In all countries there is a strong focus on warehouses with high specifications, such as height, floor resistance, location and sustainability. This is why main absorptions have been in type A+ and A warehouses.

In **Bogota**, vacancy has continued the downward trend that began in 2020, standing at 1.2% at the end of 2023.

In **Lima**, the annual net absorption is 80,785 sqm, divided mainly between the South and East zones. This result represents a significant increase of 165% compared to the previous year.

In **Buenos Aires**, the solid demand in the logistics center market over the last two years drove the construction of projects that were completed during the last months of 2023 and added 159,653 sqm to the inventory, which reached 2,499,657 sqm.

In **Santiago**, there is a half-yearly production of 227,000 sqm, with a total of 7 warehouses, most of which are located in the Northwest submarket, within a radius of 7 to 14 km from the city center.

In **Rio de Janeiro**, in 2023, the area demand increased 2 times compared to 2022, resulting in a variation in net absorption from 23,204 sqm to 52,245 sqm.

Class A logistics market in the state of **São Paulo** recorded a net absorption of 558,473 sq.m in 2023, a 62% increase compared to 2022. This value was the highest ever recorded in the entire historical series. Among the monitored markets, those with the highest annual net absorptions were Guarulhos (346,000 sq.m) and Barueri (103,000 sq.m).

HIGHLIGHTS

**558,473 sqm.****NET ABSORPTION**

Represents total Sao Paulo warehouse net Absorption, in 2023, 62% higher than 2022.

**100%****NEW INVENTORY VARIATION**

Is recorded in Buenos Aires, Variation between 2022 and 2023

**700%****INCREASE IN VACANCY**

In Santiago, reaching 2.27%

**USD 6.32 / Sq.m.****AVERAGE ASKING RENT**

This figure is 57% higher than the previous year in Bogotá.

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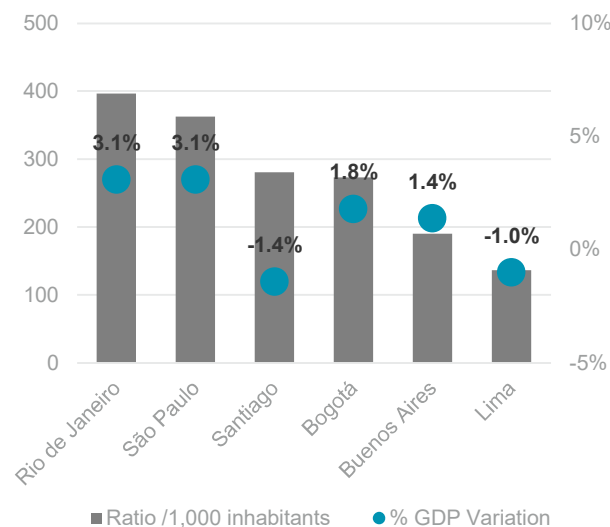
REGIONAL LOGISTIC MARKET

Inventory growth reached an average figure of 10% by 2023. The cities of Bogotá and Santiago lead this growth with an average of 14%, increasingly approaching the inventory of Buenos Aires and Rio de Janeiro above 2 million sq.m. São Paulo remains the South American city with the largest warehouse area and an interannual growth of 12%, followed by Rio de Janeiro.

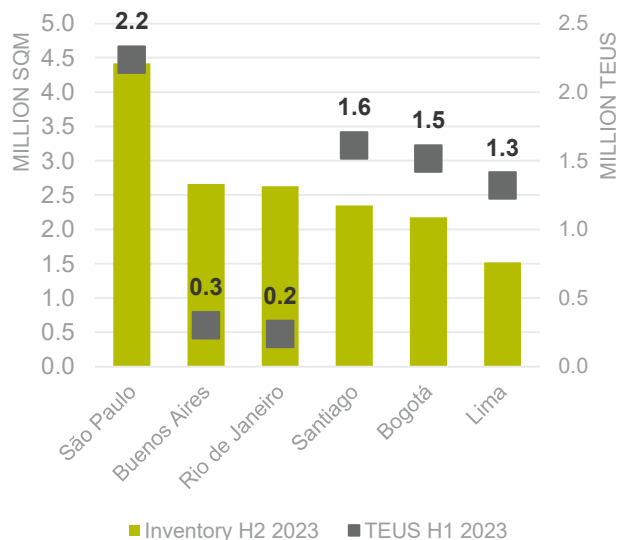
When analyzing the warehouse inventory area per 1,000 inhabitants in each city, Sao Paulo leads this ratio with a result of 490 sq.m., followed by Rio de Janeiro with 440 sq.m., such result is driven by a positive interannual variation in the GDP of the 3.1%. For Bogotá and Santiago, this ratio is around 275 sq.m., and followed by Buenos Aires and Lima with an average of 160 sq.m.. The countries to which these last four cities belong have an average GDP variation of 1.0%, Colombia standing out with a GDP variation of 1.8%.

Considering the activity in the ports of the cities analyzed, according to official sources, during the first half of 2023, the Port of Santos leads with 2.2 million TEUs, followed by the ports of Cartagena, San Antonio and Callao with an average of 1.5 million TEUs accumulated during the first half of the year.

Inventory ratio – Logistic sqm/1000 inhabitants** vs. GDP (USD) H2 2023



Logistic Inventory (sqm) H2 2023 vs. Throughput* H1 2023 (millions of TEUS)



BOGOTÁ

8.0
Mi. inhabitants
2.2
Mi. sqm
1.5
Mi. TEU

LIMA

11.1
Mi. inhabitants
1.5
Mi. sqm
1.3
Mi. TEU

SANTIAGO

8.3
Mi. inhabitants
2.3
Mi. m²
1.6
Mi. TEU

BUENOS AIRES

14.6
Mi. inhabitants
2.7
Mi. sqm
0.3
Mi. TEU

RIO DE JANEIRO

6.6
Mi. inhabitants
2.9
Mi. sqm
0.2
Mi. TEU

SÃO PAULO

12.2
Mi. inhabitants
6.0
Mi. sqm
2.3
Mi. TEU

*Throughput: Effective port transfer rate expressed in units of TEUS. This indicator is measured by dividing the units moved for both import and export by the linear meters of berthing per terminal.

**Inhabitants: The number of inhabitants of the urban center of the analyzed city was considered.

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PRICING

At the end of this semester, the average asking rent in South American cities was 6.13 USD/sq.m., 18% higher than in 2022 (5.18 USD/sq.m.). Bogotá and Buenos Aires increased this indicator significantly between semesters, with variations of 8% and 30%, respectively. The average variation between 2022 - 2023 was much higher than what was observed in the 2021-2022 period, where prices increased by only 7%.

In **Bogotá**, the average asking rent closed the second half of the year at USD 6.32 per sq.m., which represents a year-on-year increase of 57%.

Likewise, with a similar trend, in **Sao Paulo**, this indicator had a positive interannual variation of 10%, concluding the second half of 2023 at 5.85 USD/sq.m.

In **Buenos Aires**, the average asking rent maintained an upward trend and reached USDBNA 7.7/sq.m., almost 7% higher compared to the first half of 2023. Values are expected to begin to decline in the coming semesters.

In **Santiago**, asking rent began to drop (7.07 USD/sq.m.), 10% lower than last semester (8 USD/sq.m.). The gap between asking and closing prices began to widen from 0% to 10%.

Lima showed an increase of 5% between periods, due to an improvement in absorption and demand levels.

Finally, in **Rio de Janeiro**, on the contrary, the asking rental price was reduced by approximately 1.5%, going from 3.89 USD/sq.m. to 3.83 USD/sq.m., raising the gap between asked and closed price to 15%.

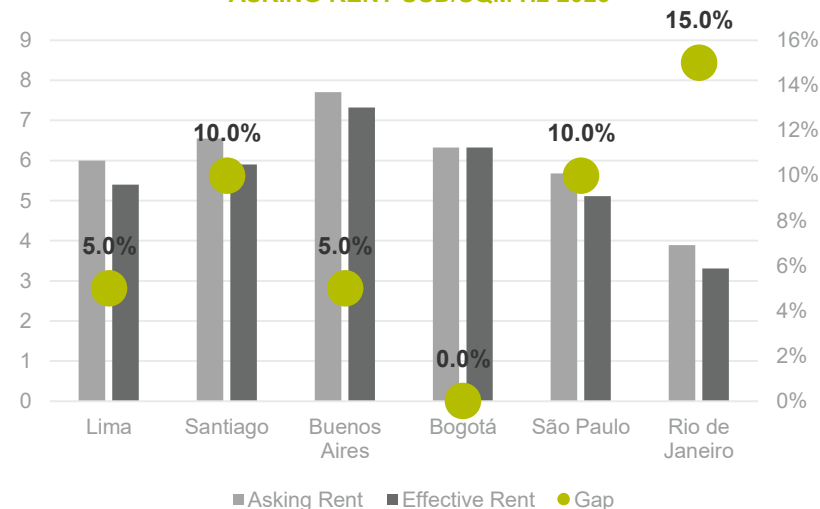
CAP RATES

Cap rates in South America continued an upward trend in 2023, despite the fact countries stopped increasing central bank interest rates and even started decreasing them, this is due to lower liquidity, fewer investors and less available debt, impacting directly on risk premium for the real estate asset class.

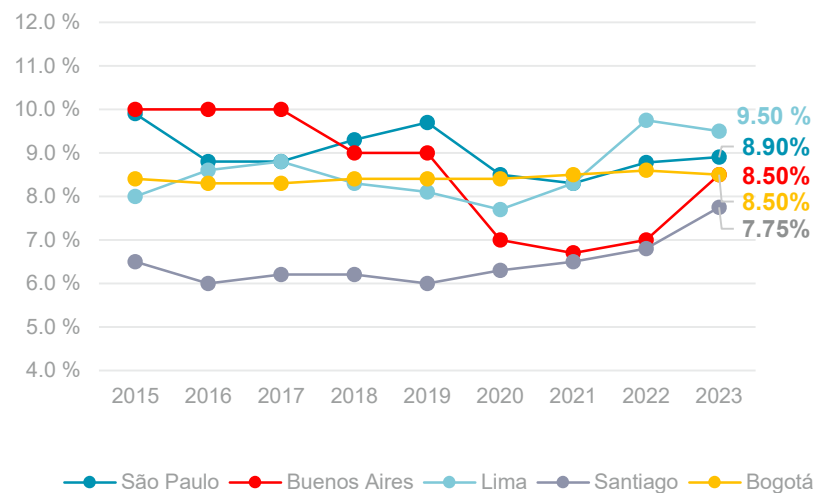
In most markets there was an increase in new developments due to the rise in demand in 2021 and 2022, this will have an effect on vacancy from 2024 and subsequently, potentially on rents.

Sao Paulo stands out as the most transparent and liquid market in the region; on the other end, Peru is experiencing an economic recession that will have its effect on industrial demand, and more broadly on real estate.

ASKING RENT USD/SQM H2 2023



INDUSTRIAL CAPRATES*



* The capitalization rate is calculated by dividing the net operating income (NOI) by the purchase price of the property

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SUPPLY AND DEMAND

The average vacancy rate in South America is approximately 8% with an average rental price of USD 6.13 per sq.m.

In 2023, the Net absorption of warehouse spaces was 1,300,000 sq.m., which increased by 20% compared to the same indicator last year. Sao Paulo, Santiago and Bogotá stand out as the cities with the highest net absorption indicators with 558,473 sq.m., 271,314 sq.m. and 244,688 sq.m., respectively.

In the Brazilian cities analyzed, vacancy increased on average by 1% compared to the previous year: **Sao Paulo** closed the year with a vacancy of 8.5% and **Rio de Janeiro**, 18.89%.

Considering its 5 industrial corridors, availability in the **Bogotá** logistics market totaled 25,853 sq.m., approximately 24% lower than the previous semester, representing a vacancy rate of 1.19%.

In **Buenos Aires**, the trend for the vacancy indicator changed from 2.8% at the end of the first half of 2023 to 5.7% at the end of the second half. The West Zone recorded the most significant increase, where, due to the entry of new projects that have not yet been occupied, the vacancy indicator increased to 16.3%.

In **Lima**, vacancy fell from 8.75% at the end of 2022, to 8.25% at the end of 2023, this is explained by the increase in net absorption that doubled its value compared to last year, reaching a cumulative total of almost 90,000 sq.m.

The accumulated net absorption closes 2022 at 271,314 sq.m. in **Santiago**, which only considers the demand of centers that are entering the market previously leased.

PRESENT AND FUTURE

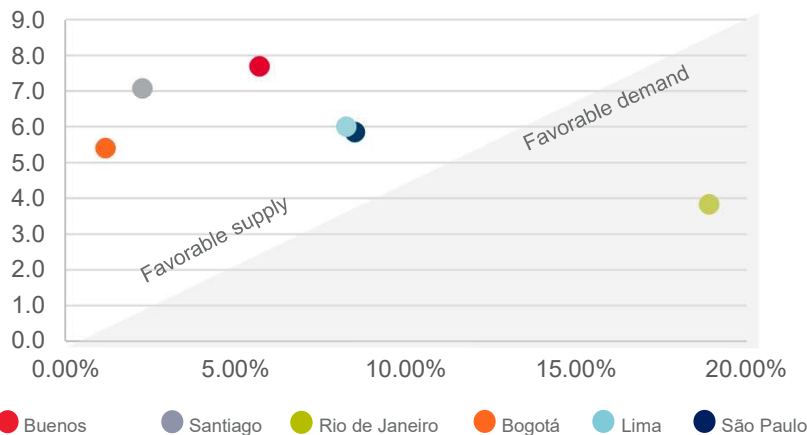
In some of the cities analyzed, demand remains strong and stable, however it is possible that this behavior could decrease, especially in Santiago and Buenos Aires. Lima and Bogotá are markets that show a clear increase in demand, resulting in a progressive decrease in availability and vacancy.

Currently, the market that shows greater demand compared to existing production is **Bogotá**, so it is expected that by 2024, availability indicators will be reduced.

In **Buenos Aires** and **Rio de Janeiro**, the increase in the surface area under construction of warehouse spaces has generated an oversupply during 2023 that, with current demand levels, could result in an increase in availability in the medium term.

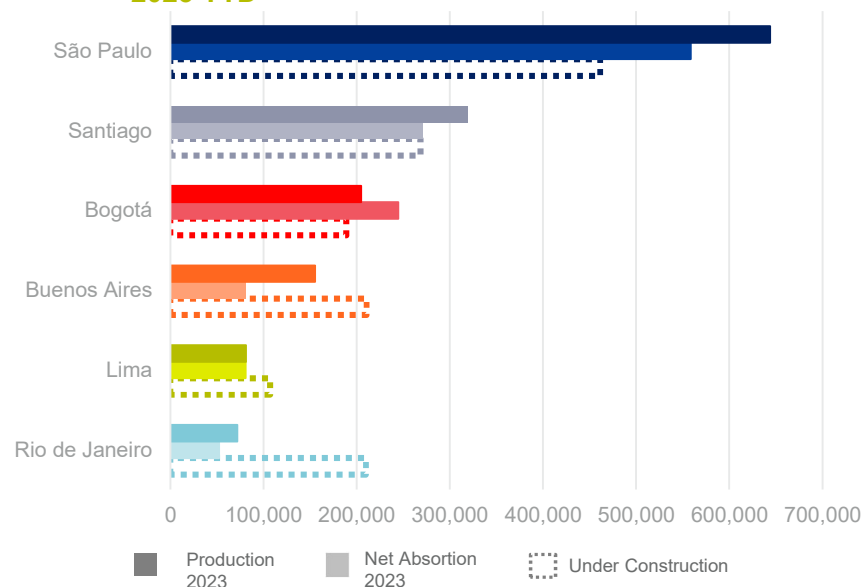
Sao Paulo and **Santiago** maintain a surface area under construction that grows in parallel with demand. However, it is important to highlight that a large part of the positive absorption in the **Santiago** warehouse market (80%) corresponds to old demand, contracts under construction of centers signed in 2022.

Asking rent (USD/sqm/Month) vs vacancy (%) (*) – H2 2023



(*) The Exchange rate corresponds to the last day of december 2023.

Net Absorption vs. Production vs. Under Construction 2023 YTD



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MARKET STATISTICS H2 2023

Submarket	Classs A Inventory (sqm)	Available Surface (sqm)	Vacancy Rate	Asking Rent (USD/sqm/Month)	Net Absorption YTD (sqm)	Under Construction (sqm)
Sao Paulo	4,419,764	374,308	8.50%	5.85	558,473	461,300
Buenos Aires	2,659,340	151,657	5.70%	7.69	81,039	210,526
Rio de Janeiro	2,626,940	506,834	18,89%	3.83	52,245	209,900
Santiago	2,347,139	53,318	2.27%	7.07	271,314	268,380
Bogotá	2,175,739	25,853	1.19%	6.32	244,688	188,747
Lima	1,519,841	125,452	8.25%	6.00	80,785	106,867
	15,748,763	1,237,422	7.72%	6.13	1,288,544	1,445,720

USD/COP = 3,822 | USD/UF=0.026 | USD/BRL=4.97 | USD/PEN=3.87

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