

SOUTH AMERICA

Industrial H1 2023



| | GDP Var (%) | Unemployment Rate (%) | Inflation Index (%) |
|-----------|-------------|-----------------------|---------------------|
| Argentina | 1.3 | 6.9 | 114.2 |
| Brazil | 1.9 | 8.8 | 3.9 |
| Chile | -1.1 | 8.5 | 8.7 |
| Colombia | 0.6 | 10.4 | 12.4 |
| Peru | 1.7 | 7.1 | 6.5 |

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

PANORAMA ECONÓMICO

South America shows relative resilience to Ukraine's war. In 2022, regional economies expanded by almost 4%, employment rebounded strongly, and services sectors recovered from damage inflicted by the pandemic.

Exception for Argentina, inflationary pressures are diminishing in many countries thanks to immediate and decisive actions taken by central banks and the decrease of global food and energy prices. Nevertheless, core inflation (i.e. excluding food and energy) remains high at around 8% in Brazil and Chile (and slightly higher in Colombia, but lower in Peru).

There is a slowdown in growth, which raises uncertainty regarding the future outlook.

LOGISTIC REGIONAL MARKET OVERVIEW

In today's industrial market, there continues to be a significant demand for Class A warehousing space in the main cities of South America, but with a 23 % decrease compared to the same period in 2022. Santiago, Bogota and Buenos Aires are showing vacancies of less than 3 %, with 0.70 %, 1.66 % and 2.80 %; the last two have been decreasing in recent periods, as the available surface area is not sufficient for the existing demand. Each city has performed in specific ways, while keeping a certain level of dynamism:

In **Lima**, vacancy increased by 6.38 % compared to the end of the previous semester, due to the growth of warehouse inventory on a speculative basis in the Lurin, Villa el Salvador and Huachipa areas.

In **Buenos Aires**, industry continues to grow, affecting the demand for logistics assets, reaching a vacancy rate of 2.8 %. Absorption is 51% lower due to the reduced availability of logistics centers.

In **Bogota** there was a 5.6% increase of inventory during the first half of the year due to build-to-suit (BTS) projects. Spaces continue with sustained absorptions reaching a vacancy rate of 1.66 %.

In **Santiago**, Class A logistics centers net absorption decreased 58 % year-on-year, raising vacancy from 0 % to 0.7 %. The remaining vacant space does not meet format and specification requirements, therefore most of new contracts are being closed in projects under construction.

In **Sao Paulo** there was an increase in vacancy from 8.00 % to 9.00 % on a half-yearly basis mostly due to a new inventory of 219,035 sqm that entered in this period,

In **Rio de Janeiro**, production is 71,788 sqm, which is an 80 % compared to the same period in 2022. Also outstanding is a net absorption of 60,075 sqm, which is mainly in Duque de Caxias with 38,378 sqm.

HIGHLIGHTS



30,597 sqm

NET ABSORTION

In Lima, which is 5 times higher than the first half of 2022.



79 %

NEW INVENTORY SURFACE INCREASED YoY

In Rio de Janeiro, compared to the same period in 2022. This is equivalent to 71,788 sqm



0.7 %

REACHED VACANCY

In Santiago, after remaining at 0% for more than a year.



USD 7.16/sqm

AVG. ASKING RENT

In Buenos Aires, increasing by 33 % compared to the same period in 2022.

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REGIONAL LOGISTIC MARKET SIZE

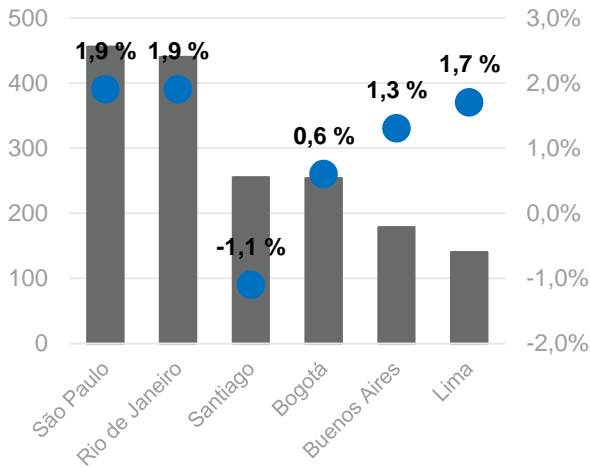
Regarding logistic center inventory growth, between the second half of 2022 and the first half of 2023, an average increase of 3.13 % is recorded in the region. **Santiago** stands out, with 4.30 %, and **Sao Paulo**, with a positive variation of 3.94 %.

Sao Paulo and **Rio de Janeiro** have the highest ratios of logistics center area per thousand inhabitants, with an average of 450 m². They are followed by Santiago and Bogota with an average of 255 m², and finally **Buenos Aires** and **Lima** with an average of 160 m².

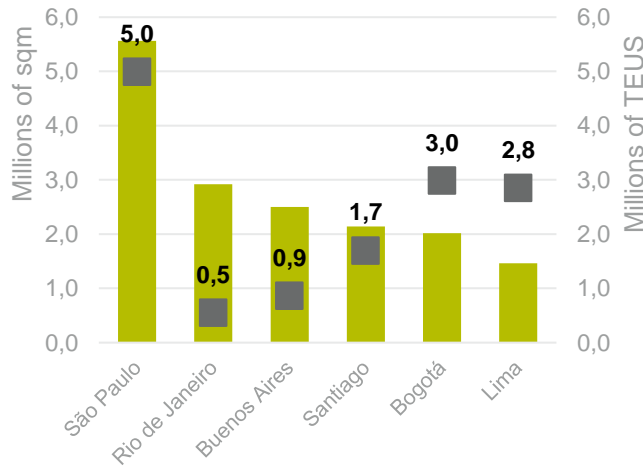
Over 2022, an accumulated throughput of 15,530,000 TEUs was registered in the Ports analyzed, a 10 % higher than in 2021. Callao is the port which experienced the largest throughput, going from 2,486,425 to 2,847,044 TEUs, which represents a 14.50 % variation. Buenos Aires Port showed a negative performance, with a decrease of 40.55 %, as a consequence of country's situation and import restrictions.

Finally, the ports with the highest movement by country are Santos and Rio de Janeiro in Brazil, San Antonio in Chile, Buenos Aires in Argentina, Cartagena in Colombia and Callao in Peru.

INVENTORY RATIO – LOGISTIC sqm/1000 INHABITANTS** VS. GDP (USD) H1 2023



LOGISTIC INVENTORY (SQM) H1 2023 VS. THROUGHPUT* 2022 (MILLIONS OF TEUS)



■ Ratio per/1.000 inhabitants ● GDP variation ■ Inventory S1 2023 ■ TEUS 2022 Total

*Throughput: Effective port transfer rate expressed in TEUs. This indicator is measured by dividing the units moved for both imports and exports by the linear meters of docking per terminal. It was considered until December 2022.

**Inhabitants: Population data of the urban center considered refers to where the center of consumption and economic activity is concentrated.

BOGOTA

7,9
Mi. inhabitants
2,0
Mi. sqm
4,6
Mi. TEU

LIMA

10,4
Mi. inhabitants
1,5
Mi. sqm
2,8
Mi. TEU

SANTIAGO

8,4
Mi. inhabitants
2,1
Mi. sqm
1,7
Mi. TEU

BUENOS AIRES

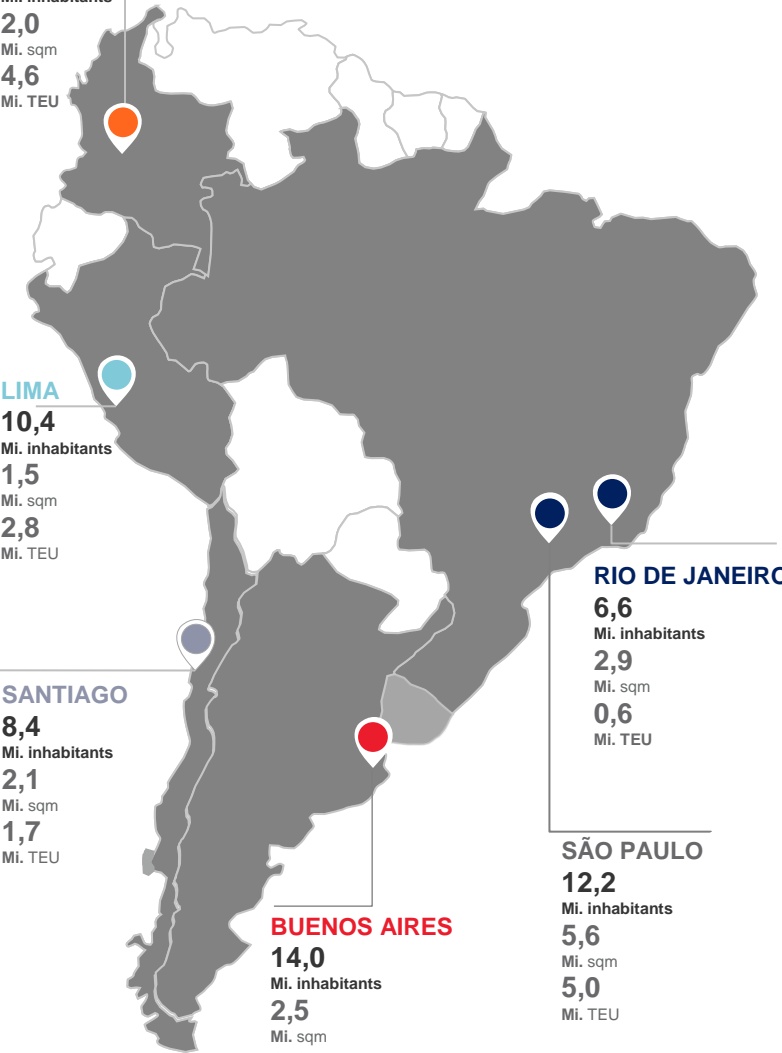
14,0
Mi. inhabitants
2,5
Mi. sqm
0,8
Mi. TEU

RIO DE JANEIRO

6,6
Mi. inhabitants
2,9
Mi. sqm
0,6
Mi. TEU

SÃO PAULO

12,2
Mi. inhabitants
5,6
Mi. sqm
5,0
Mi. TEU



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PRICING

South America has shown increases in asking rent prices, with the average for the six-month period ending at USD 5.99/sqm, 13 % higher than the previous semester (USD 5.30/sqm).

Buenos Aires (USD 7.16/ sqm) registered the most significant half-yearly increase in this indicator, with a 25 % gap and a year-on-year variation of 33 %. In premium warehouses (A+), the value can climb to USD 8.5 per sqm.

In **Santiago**, prices closed the semester at USD 7.88 per sq m, 15 % higher than in the previous semester and a year-on-year variation of 33.5%.

Sao Paulo also showed a significant positive annual variation, ending the second half of the year at USD 5.91 per sq m per month (+17%).

For the warehouse market in **Bogota** the average price closed in the first half of the year at USD 4.88 per sqm, 3 % higher compared to the same period in 2022.

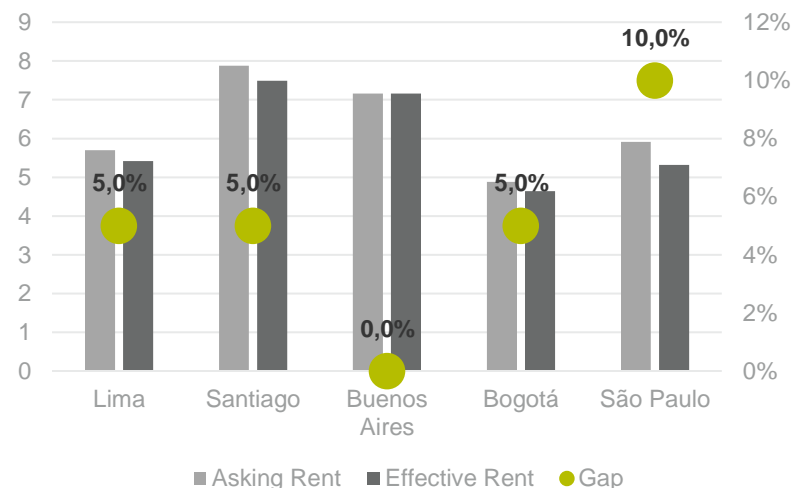
And in **Lima**, the asking rent price closed at USD 5.70/ sqm, which meant a slight increase of 2.7 % compared to the second half of 2022 despite the growth in availability, mainly in the Southern Zone.

COST EFFECTIVENESS

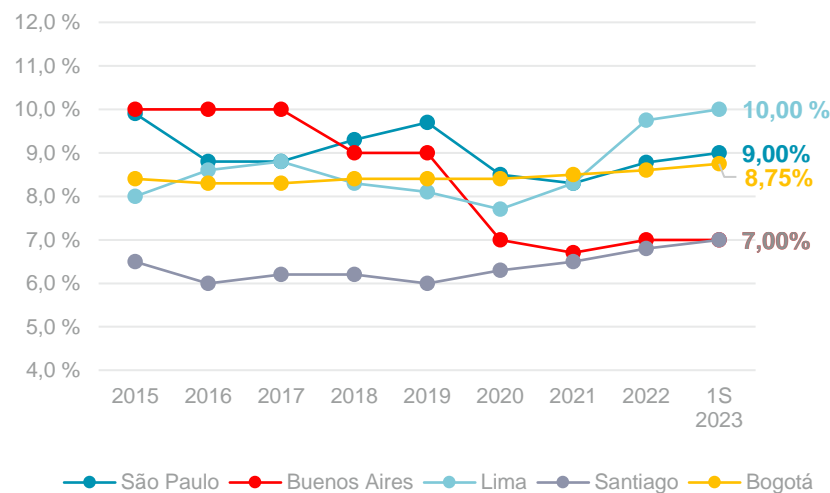
As a result of tighter monetary policies in the region, and their impact on real estate financing markets, the returns demanded by investors have been increasing to capture this new reality and the related risk premium. While there is still a strong appetite for industrial investment, driven by healthy demand in this sector and a shortage of quality product in the region's major markets, we continue to see a gap in cap rate expectations between buyers and sellers. We expect that as lower interest rate cycles begin in the markets, this gap will narrow with more investment transactions in logistics income, especially in the more institutional asset class (A), and, in the first place, in the more liquid markets such as Brazil and Chile.

The exceptional case is Argentina, where the market is characterized as bimonetary, but due to the fact that transactions are mostly local with the purpose of safeguarding local currency (pesos), the situation shows a compression in the cap rate, which reaches 4.5 %. In the absence of the unfolded exchange rate, the periodic capitalization rate should be around 7 %.

ASKING RENT USD/SQM H1 2023



AVERAGE INDUSTRIAL *CAP RATE



* 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

South America has an average vacancy rate of around 7.87% and an average asking rent price of USD 5.99 per sq m.

In the first half of 2023, total demand for logistics space was about 510,000 sqm, and the average per city was 85,000 sqm. **Sao Paulo**, **Bogota** and **Santiago** stand out for having the highest net absorption indicators: 167,538 sqm, 93,545 sqm and 82,532 sqm, respectively.

In analyzed Brazilian cities, vacancy increased by an average of 12% compared to the previous semester: **Sao Paulo** closed this semester with 9 % and **Rio de Janeiro** with approximately 19%.

Availability in **Bogota** totaled 33,559 sq m across its five corridors, corresponding to 1.7% vacancy, approximately 15% lower than in the previous semester, representing vacancy levels of 2.06%.

In **Buenos Aires**, half-yearly net absorption closed with a positive value of 73,104 sq m. Vacancy rate decreased by 37%, from 4.5% to 2.8% between semesters.

In **Lima**, vacancy has remained on an upward trend, rising from 8.78 % at the end of 2022 to 9.34 % in the first half of 2023, which represents a positive variation of 6.38 %.

In **Santiago**, cumulative net absorption in the first half of the year registered 82,532 sqm, a decrease of 72% compared to the demand of the previous semester, vacancy gradually increased to 0.7%.

PRESENT AND FUTURE

Despite the fact demand is still higher than the average of the last 6 years, this semester absorption figures are at least 50% lower than in 2022 in most cities, except for Lima and Rio de Janeiro, which show a better performance so far in 2023. If each city's performance is compared, and a similar production and absorption scenario were reproduced, it would be possible to anticipate the scenario at the end of 2023:

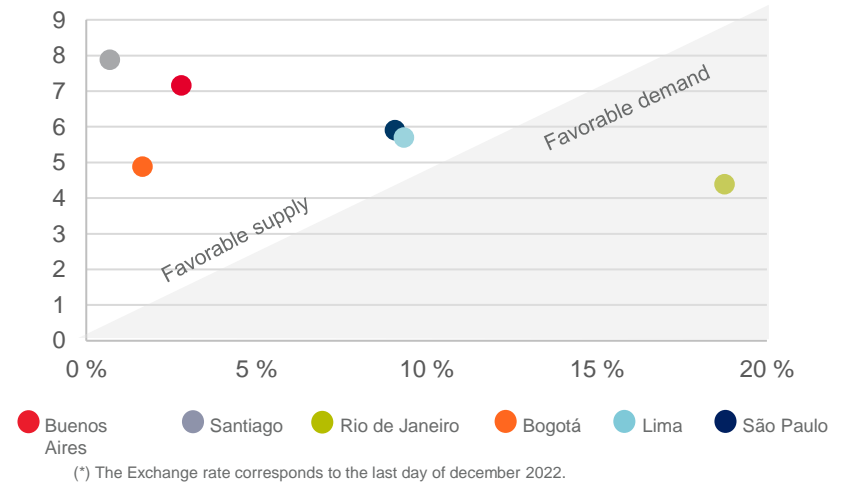
Bogota and **Buenos Aires** had an average vacancy drop of 50%, regarding the same period in 2022 and it is expected that if this dynamic continues, vacancy could be dropping, approaching 0%, especially if new project production is not enough in the short term. This will certainly drive asking rent prices up.

Sao Paulo, **Rio de Janeiro**, **Lima** and **Santiago** are experiencing an increase in vacancy this semester. In all these cases, the production of new space exceeds the accumulated net absorption.

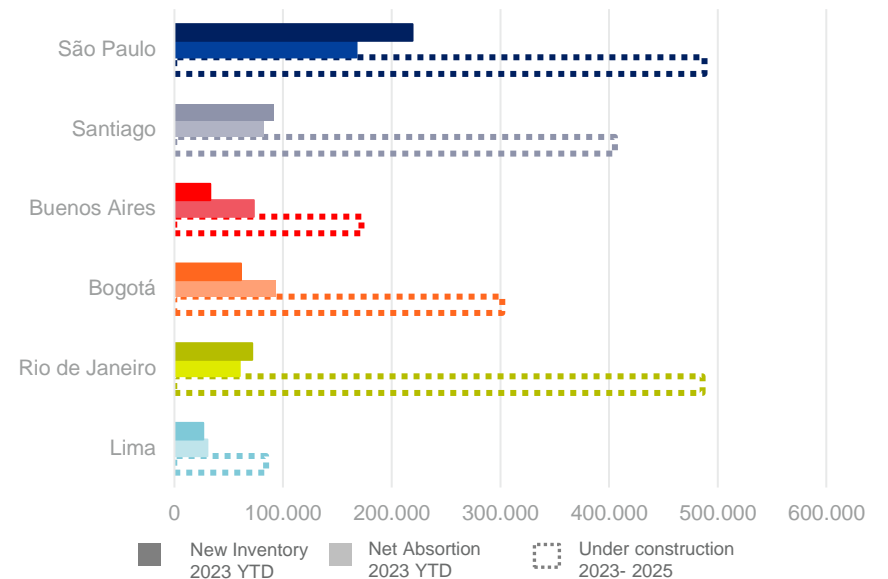
Lima shows a better demand this year 2023, presenting a net absorption 5 times higher than that recorded in the first half of 2022, vacancy tends to increase due to higher production.

Santiago begins this year to show a change in demand, there is a decrease in net absorption, which according to projections will be replicated over time, gradually increasing the vacancy of logistics centers in this city.

Asking rent (USD/sqm/Month) vs vacancy (%) (*) – H1 2023



Net Absorption vs. Production vs. Under Construction 2023 YTD



MARKET STATISTICS H1 2023

| Submarket | Class A Inventory (sqm) | Available Surface (sqm) | Vacancy Rate | Asking Rent (USD/sqm/Month) | Net Absorption YTD (sqm) | Under Construction (sqm) |
|----------------|-------------------------|-------------------------|--------------|-----------------------------|--------------------------|--------------------------|
| Lima | 1,460,608 | 136,400 | 9.34 % | 5.7 | 30,597 | 84,410 |
| Santiago | 2,138,850 | 15,000 | 0.70 % | 7.9 | 82,532 | 405,480 |
| Bogota | 2,017,372 | 33,559 | 1.66 % | 4.9 | 93,545 | 301,637 |
| Buenos Aires | 2,499,657 | 69,940 | 2.80 % | 7.2 | 73,104 | 172,226 |
| Sao Paulo | 5,563,085 | 504,347 | 9.07 % | 5.9 | 167,538 | 487,847 |
| Rio de Janeiro | 2,916,434 | 547,116 | 18.76 % | 4.4 | 60,075 | 486,206 |
| | 16,596,006 | 1,306,362 | | | 507,391 | 1,937,806 |

USD/COP = 4.098 | USD/UF= 0.024 | USD/BRL= 4.86 | USD/PEN = 3.69

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