

# SOUTH AMERICA

Office H2 2023

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

## ECONOMIC OUTLOOK

In the diverse economic landscape of South America, each country faces its unique set of challenges and opportunities, shaping the region's overall outlook for the second half of the year 2023.

In **Argentina**, inflation continues its upward trend, propelled by electoral uncertainties that have also led to significant currency devaluation. Despite these challenges, the impact on construction costs remains ambiguous.

**Brazil** stands out with positive GDP growth and declining unemployment rates in 2023. The country's monetary policies, including the easing cycle of the basic interest rate, aim to further stimulate economic expansion, while closely monitoring signals from the US Federal Reserve regarding future interest rate adjustments.

**Colombia** deals with high unemployment and inflation rates. Despite stable employment, investment has waned, prompting a shift towards consumption and imports. However, hopes for a recovery in domestic demand in 2024 are tempered by expectations of gradual moderation in job creation.

**Chile** exhibits signs of economic expansion, supported by decreasing inflation and recent cuts in the monetary policy rate. Favorable commodity prices, particularly in oil and copper, present encouraging prospects for investment and business growth.

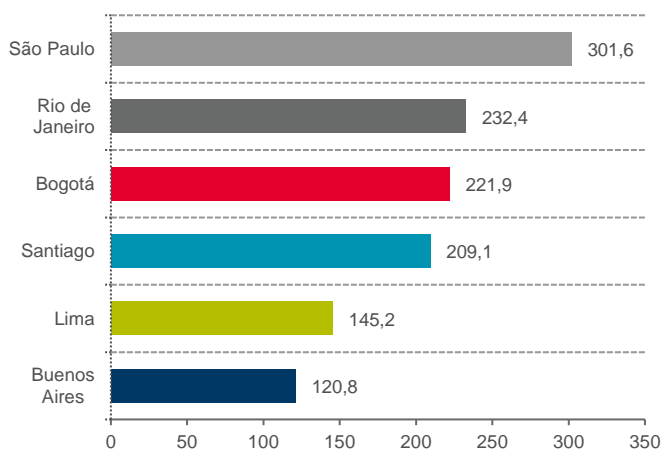
In **Peru**, efforts are focused on gradual economic stimulation, despite challenges in the construction sector. Projections for 2024 suggest a path towards recovery and expansion, boosted by steady unemployment rates and declining inflation.

Across South America, the economic outlook underscores the significance of tailored policy responses, structural reforms, and regional cooperation. Political stability, proactive monetary policies, and Commodity price dynamics are a key behavior driving the region's economic trajectory.

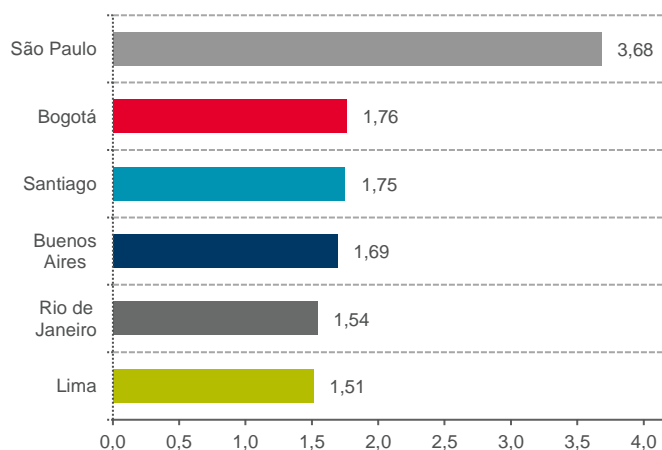
In conclusion, while South America's economic landscape may be diverse and complex, concerted efforts towards addressing challenges and capitalizing on opportunities are essential for fostering sustainable growth and prosperity across the continent.

Sources: LCA and National Statistics Institutes per country

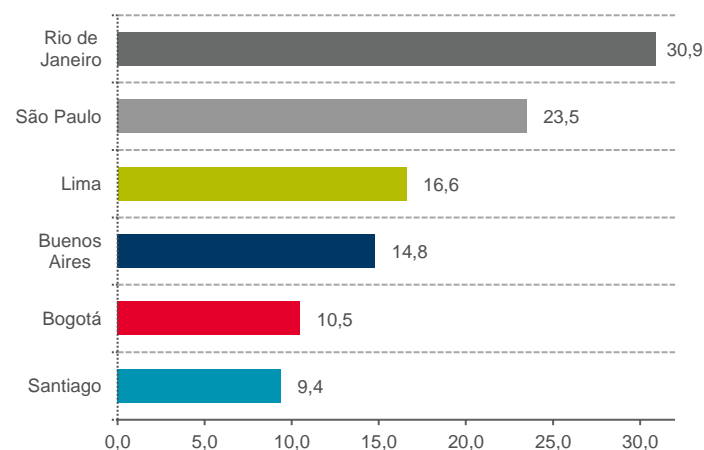
Inventory (sq m) per 1,000 inhabitants – H1 2023



Class A Office Stock (mil. sq m) H2 2023



Vacancy (%) – H2 2023



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## MARKET SIZE

Comparing the square meters of office space per 1000 inhabitants across major cities in South America, while considering the population size of each city, reveals interesting insights.

**São Paulo** maintains the highest ratio at 301.6 square meters, reflecting its vast urban area and robust commercial infrastructure within Brazil, the continent's largest country by both population and landmass. **Rio de Janeiro**, another major Brazilian city, follows closely behind at 232.4 square meters, demonstrating substantial office availability relative to its population within the context of Brazil's expansive territory. **Bogotá** and **Santiago** exhibit comparable proportions of 221.9 and 209.1 square meters, respectively, demonstrating their position as capital cities with moderate land areas. **Lima**, situated in Peru, compared to Brazil and Colombia, presents a ratio of 145.2 square meters, indicating relatively limited office space availability per capita but aligned with the country's land size and economic development.

These findings highlight the complex interplay between urbanization, land size, and economic dynamics in shaping the distribution of office infrastructure across South America's major cities.

## MARKET OVERVIEW

In **Santiago**, the fourth quarter of 2023 saw a notable decrease in the vacancy rate, indicating a strengthening office market. The introduction of new office spaces, such as the Gertrudis Callao building, reflects the city's evolving commercial landscape, particularly in areas like Nueva Las Condes and El Golf.

Meanwhile, **Bogotá** exhibits signs of recovery, with a reduction in overall vacancy rates and a shift towards modern, high-specification office spaces. The hybrid work model continues to influence office design and usage patterns, contributing to a resilient market despite rental price increases.

In **Lima**, sustained market activity and decreasing vacancy rates signal a positive trend. San Isidro Financiero is still the most significant submarket representing one-third of the corporate office inventory.

**Buenos Aires** experiences a strong reactivation in its premium office market segment, marked by a decline in vacancy rates and positive net absorption. However, challenges persist in the Class B segment, reflecting ongoing shifts in tenant preferences.

In **Brazil**, São Paulo and Rio de Janeiro face contrasting market conditions. The vacancy rate in São Paulo decreased slightly due to the delivery of new inventory, while in Rio de Janeiro net absorption had a positive change, particularly in the Centro region. However, both cities continue to grapple with challenges such as high vacancy rates and location-specific demand dynamics.

Overall, the South American office market presents diverse opportunities for investors, with each city offering its unique blend of challenges and growth potential. Understanding local market dynamics is crucial for making informed investment decisions in this dynamic region.

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## SUPPLY AND DEMAND

Across South America, during the second half of 2023, the office market reflects a varied landscape of demand and supply dynamics, each city presenting its unique characteristics.

In **Buenos Aires**, where uncertainty prevailed due to the presidential electoral process, a strong reactivation was evident, especially during December. A positive net absorption of 15,664 sqm was recorded.

In **Bogota**, the introduction of new inventory led to a 3% increase in Class A office space, with significant absorption already noted, emphasizing the positive market conditions.

**Lima**, despite the fluctuations, shows sustained activity, with an evident reduction in vacancy levels, especially in areas such as San Isidro Empresarial and Santiago de Surco.

**Santiago's** office market sees substantial net absorption, showcasing a migration towards higher-quality spaces, while smaller office sizes between 500 and 900 sq.m. are favored.

**São Paulo** experienced a notable net absorption in its CBD class A office market, particularly in regions like Chucuri Zaidan and Paulista, signaling resilience amidst market fluctuations.

**Rio de Janeiro** observed positive net absorption for the second consecutive year, reflecting demand for newer, high-standard buildings despite available areas with lower prices in certain regions. Overall, these cities demonstrate different supply and demand dynamics, highlighting the resilience and adaptability of the South American office market.

## PRICING

The pricing dynamics in the office market of South America vary, reflecting local economic conditions and market trends during the second half of 2023.

In **Buenos Aires**, the average asking rent for Class A offices remained relatively stable at 24.23 USD BNA/sq.m./month, with minor fluctuations across different submarkets.

In **Bogota**, asking rents increased by 9% over the last three years, reaching 19.4 USD/sqm, driven by the introduction of new spaces with higher listed prices and the release of areas in valued sub-markets.

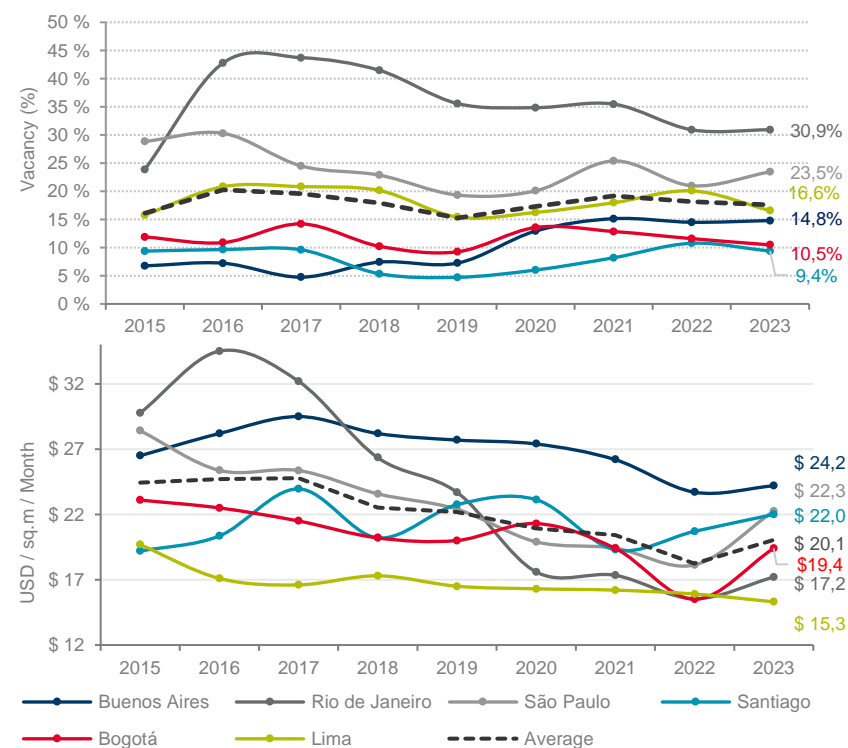
**Lima** average asking rents remained stable, closing at 15.3 USD/sq.m., with variations across submarkets reflecting property owners' strategies to meet market demands.

**Santiago** experienced a slight increase in asking rents to 22.00 USD/sqm, attributed to the revaluation of the Chilean peso and a balance in the UF due to lower inflation.

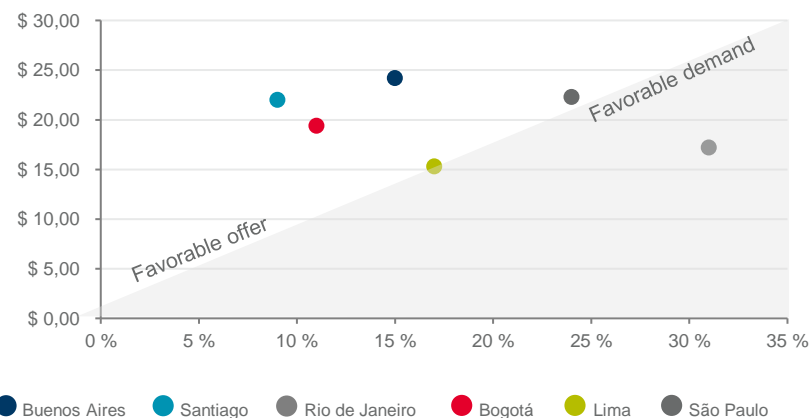
**São Paulo** witnessed a considerable increase in asking prices, ending at 22.67 USD/sq.m, with significant variations across regions like Vila Olímpia and Itaim. **Rio de Janeiro** maintained a relatively stable average asking price at 17.73 USD/sq.m, indicating market stability after years of declines, with variations across different regions reflecting market moves and occupancies.

Overall, these cities demonstrate different supply and demand dynamics, highlighting the resilience and adaptability of the South American office market.

Historical Vacancy (%) and Asking Rent (USD / sq m / month) (\*)



Asking Rent (USD / sq m / month) vs Vacancy (%) – H2 2023



Legend: Buenos Aires (Blue), Santiago (Cyan), Rio de Janeiro (Grey), Bogotá (Red), Lima (Yellow), São Paulo (Dark Grey)

(\*) Exchange rate December 31, 2023.

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## PAST, PRESENT AND FUTURE

Looking ahead, South America's corporate real estate sector is poised for dynamic shifts in the coming months, driven by ongoing construction projects and economic uncertainties.

In **Buenos Aires**, the completion of several projects, will bring significant changes, potentially impacting inventory stability and market dynamics. However, with economic uncertainty following recent elections, developers and landlords are adopting a cautious approach, delaying new projects and closely monitoring demand-supply dynamics.

**Lima's** real estate landscape reflects a similar cautious sentiment, with ongoing construction projects and future tempered by an excess of available spaces in the market. There are only 2 new Class A projects left to be delivered, which demonstrates the conservative profile of the developers when evaluating the start of new construction, focusing on maintaining the balance between supply and demand, until the vacancy is further reduced.

**Bogotá's** Class A office inventory grew by 3%, with 53% of new supply absorbed. Price increases are expected due to new competitive supply. Looking ahead, 139,143 m<sup>2</sup> are set to be added by 2024, reflecting a focus on sustainability and strategic areas.

In **Santiago**, a diverse range of projects in construction and planning stages underscores the city's dynamic real estate market. 2024 holds promise for clarifying the fate of speculative projects amidst improving economic prospects.

**São Paulo** anticipates the delivery of over 100,000 sq.m of new inventory in 2024, following a year marked by significant new construction. With various regions witnessing substantial deliveries. Meanwhile, in **Rio de Janeiro**, the absence of new inventories since 2018 suggests a stable yet potentially constrained market, with future forecasts remaining uncertain. As new leases and occupancies drive changes in vacancy rates, the city's real estate sector awaits developments that may shape its future trajectory.

Overall, South America's corporate real estate outlook reflects a mix of cautious optimism, strategic planning, and adaptive responses to evolving market conditions.

## MARKET INDICATORS H1 2023

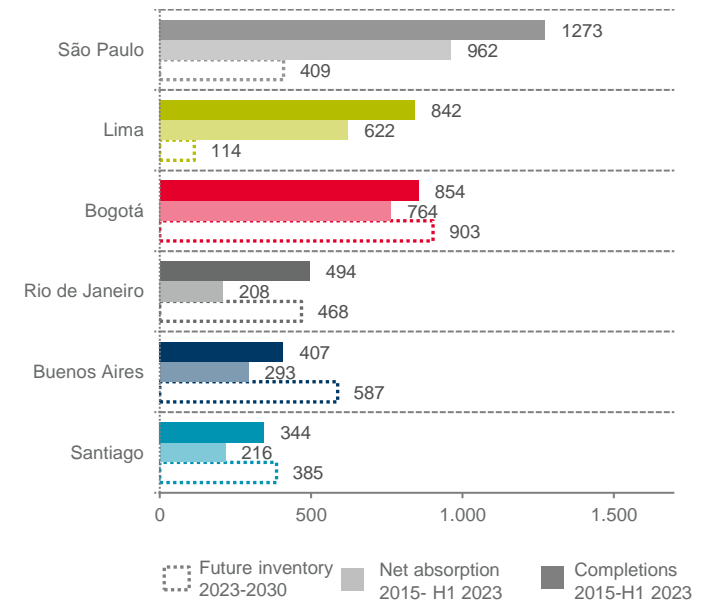
Submarket	Class A Stock (sq m)	Available Area (sq m)	Vacancy Rate (%)	Asking Rent* (USD / sq m / month)	Net Absorption YTD (sq m)	Under Construction / In Project (sq m) 2023 - 2030
Buenos Aires	1,693,926	251,226	14.8	24.24***	15,597	587,403
Rio de Janeiro **	1,543,513	477,276	30.9	17.73	27,896	368,292
São Paulo **	3,686,763	865,375	23.5	22.67	54,979	435,200
Santiago	1,757,947	164,951	9.4	22.00	59,098	385,342
Bogotá	1,768,053	185,972	10.5	19.40	67,173	903,156
Lima	1,513,649	251,465	16.6	15.30	56,436	114,029
<b>Total Clase A</b>	<b>11,963,851</b>	<b>2,196,265</b>	<b>18.36%</b>	<b>20.74</b>	<b>281,179</b>	<b>2,793,422</b>

\* Exchange rate December 31, 2023.

\*\* Only includes data from CBD.

\*\*\* The Argentine economy has multiple exchange rates. Values expressed in USD (BNA - official exchange rate).

Evolution of net absorption vs production 2015 – H2 2023  
New Stock 2023-2030 (thousands of sq m)



## ABOUT CUSHMAN & WAKEFIELD

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