

SOUTH AMERICA

Office H2 2021

GDP Var (%) **Unemployment Rate (%)** **Inflation Index (%)**

Country	GDP Var (%)	Unemployment Rate (%)	Inflation Index (%)
Argentina	11.9	8.2	51.2 ¹
Brazil	-0.1 ²	12.6 ¹	10.1 ⁴
Chile	1.9 ²	8.4 ²	6.7
Colombia	7.4 ³	11.6 ¹	5.3 ⁴
Perú	12.7 ²	9.1 ¹	6.4

ECONOMIC OUTLOOK

A recognizable, but stable economic recovery took place during the second half of 2021, led by public and private efforts to promote investments and businesses, achieving a rise in private consumption. Despite this, there is a generalized increase in the inflation indexes and a GDP variation drop. The unemployment rate showed contractions in all the countries of the region, due to the strong economic recovery perceived in the first half of 2021 and the easing of restrictions related to the pandemic.

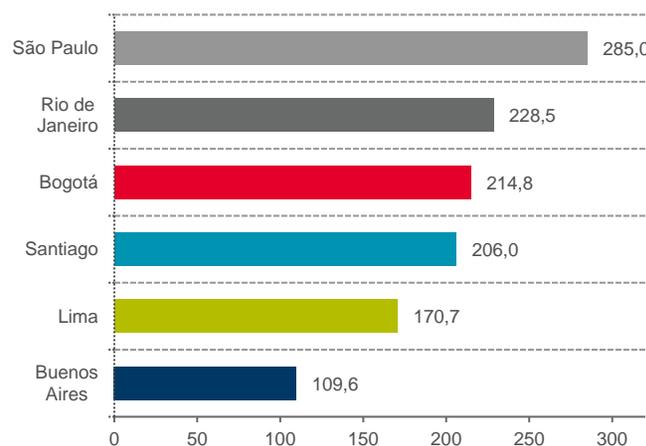
On the other hand, 2022 will be marked by social and political dynamics, due to the government changes that took place in most countries during 2021. Although the uncertainty surrounding the pandemic crisis continues, it is expected that by 2022, there will be an economic scenario like the end of 2019..

In **Argentina**, the GDP rebounded by 11.9% compared to the same period in 2020. On the other hand, inflation closed the year at 51.2%, showing some economic stability. In **Brazil**, consumption was affected by the rise in the inflation index, which was reflected in the GDP, showing a minimum negative variation. The economic development of **Chile**, during the second half of 2021, shows clear signs of recovery, due to the increase in consumption and the reduction in the unemployment rate, however, inflation is projected to remain close to 7% for a few months. As for the **Colombian** economy, GDP indicated a year-on-year growth of 7.4%, and unemployment levels drop by almost 4 points, which generates optimistic expectations for 2022, and **Perú** being one of the countries that promise a quick recovery, even though the variation in the GDP decreased and inflation rose almost 4 points, the values were more positive than expected.

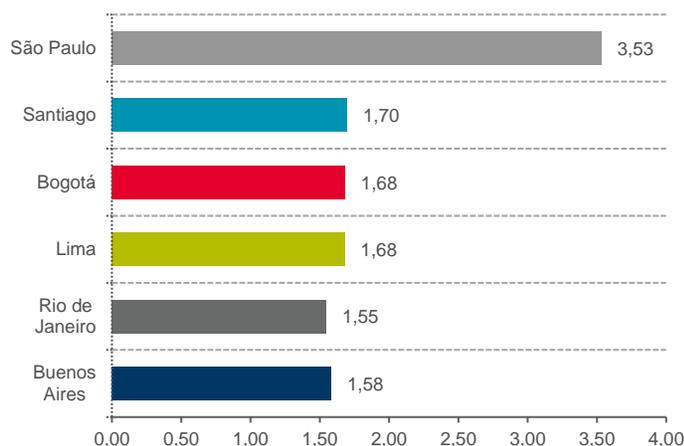
The regional data shows an expected recovery of the economy compared to the first half of the year, where a volatile scenario was perceived. The second period of the year was characterized by a stable recovery of the economies, after having gone through the most challenging period of the pandemic crisis.

¹ October 2021
² Q3 2021
³ Forecast BBVA Research Q2-2021
⁴ Inflation Index (last 12 months)
 Sources: LCA and National Statistics Institute per country

Inventory ratio (sq. m)/1.000 inhabitants – H2 2021



Class A inventory (Mi. sq. m) – H2 2021



Vacancy (%) – H2 2021



BOGOTÁ**7.8**

Mi. Habitants

1.68

Mi. sq. m

LIMA**9.8**

Mi. Habitants

1.68

Mi. sq. m

SANTIAGO**8.2**

Mi. Habitants

1.7

Mi. sq. m

BUENOS AIRES**14.5**

Mi. Habitants

1.58

Mi. sq. m

SÃO PAULO**12.3**

Mi. Habitants

3.53

Mi. sq. m

RIO DE JANEIRO**6.7**

Mi. Habitants

1.55

Mi. sq. m

MARKET SIZE

The index of square meters of offices per 1,000 inhabitants allows us to make an objective comparison of the size of the office market in cities. **São Paulo** continues leading the ranking (285.0), followed by **Rio de Janeiro** (228.5) and **Bogotá** (214.8).

The data shows that the market is going through a period of stability, mainly explained by the continuous uncertainties regarding the business environment and the pandemic scenario, the return to offices and the new virus variants.

The economies that offer the greatest opportunities, given their economic recovery, are **Bogotá** and **Chile**, the last one with a clear stock deficit that acts as an investment opportunity in an under-supplied market.

MARKET OVERVIEW

Unlike the first semester of 2021, the office market shows a significant stability, with minimum changes in vacancy. Despite this, there's an upward trend in unoccupied spaces, mainly due to the uncertainty of returning to offices, and not so much because of government restrictions, but because of company restructuring. Even greater stability is expected in the first half of 2022 with possible drops in unemployment levels for some cities in the region.

Buenos Aires closed the second semester of 2021 reaching a vacancy of 15.3%, with just a 1.5 percentage points difference compared to the previous semester.

Rio de Janeiro, having already adopted the hybrid model in most of their offices, still has more than 100,000 sq. m waiting to be occupied, with a stable trend, closing the year with a vacancy of 35.2%, a few decimal percentages less than the previous semester.

Many companies returned to the offices in **São Paulo**, some with mixed models, which resulted in a 15% variation in gross absorption compared to the first half of 2021. This had been anticipated since the city had more than 140,000 sq. m for rent and about 4,255 sq. m waiting to be released for the second half of the year.

Vacancy in **Santiago** closed the year at 9%, with an increase of only 0.9 percentage points compared to the first half of 2021. Therefore, signs of stability are beginning to be perceived after the significant increases in unemployment.

Following the trend of the other regions, **Bogotá's** vacancy increased in only 0.2 percentage compared to the first half of the year, closing at 13.1%.

On the other hand, for several quarters ago, the vacancy in **Lima** continues with an upward trend, due to the accumulated excess supply and the pause in the decision-making of companies. However, the reactivation in the use of office spaces and the expectation of less surface area under construction and projected, could reverse this trend in the coming semesters.

SOUTH AMERICA

Office H2 2021

SUPPLY AND DEMAND

During the last semester of 2021, a slight recovery of class A office market was perceived in most of the countries in the South American region, this led to most of the cities presenting similar scenarios despite their economic differences and market trends.

Buenos Aires presented a six-month net absorption of -17,119 sq. m, showing signs of recovery compared to -30,950 sq. m in the previous semester, taking into consideration the drop in the asking price, a slight decrease in long-term vacancy is expected.

The Class A CBD market in **Rio de Janeiro** showed minor signs of recovery and stability, closing the year with a net absorption of -4,975.6 sq. m.

São Paulo shows that is the city with the greatest market recovery, with an accumulated net absorption of only -287.5 sq. m, added to this, the average asking rent did not decrease.

In **Santiago**, by the second half of 2021, the net absorption showed a negative balance of 14,029 sq. m, this continues to reflect a market affected by the crisis, but with a very different outlook from the previous half, which ended with a net absorption of -35,571 sq. m.

Bogotá's inventory remained stable in the first half of the year, with a six-month net absorption of -3,990 sq. m and a slight growth in vacancy, which, as it does not exceed 1%, can be considered stable.

In **Lima**, net absorption still showed no signs of recovery compared to the first half of the year, closing at -29,976 m². For now, an increase in the vacancy rate is still expected for the next months.

PRICING

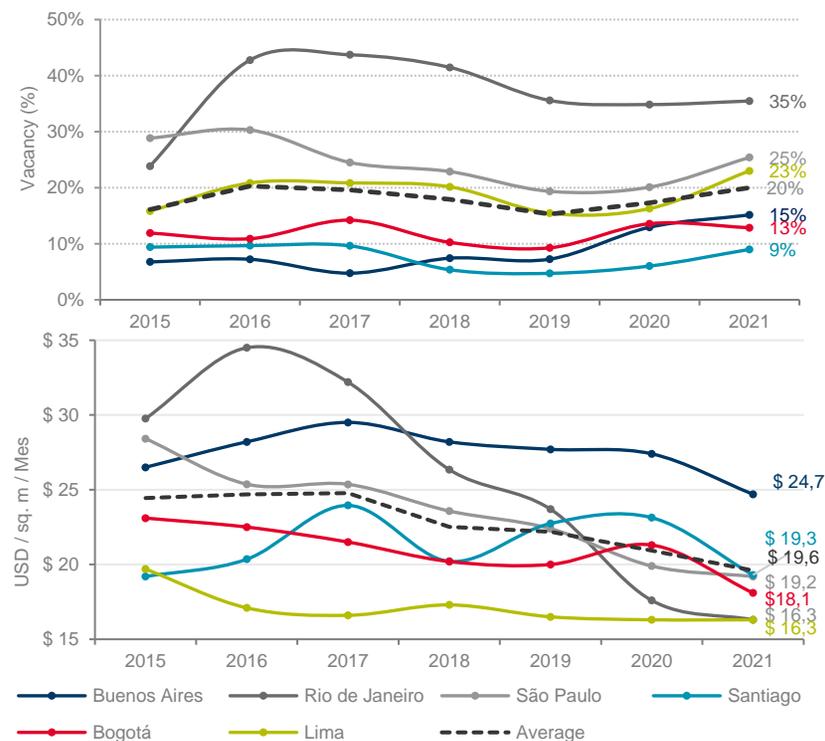
This semester, there was an inverse trend compared to the previous one, a vacancy with no significant variations and an asking rent showing a downward trend. This situation responds to the appearance of opportunities in a stable scenario and, in some countries, due to the devaluation of currencies against the US dollar.

The average asking rent of class A offices in **Buenos Aires, Santiago** and **Bogotá** closed the year with similar downward trends, at 24.7 USD/sq. m, 19.3 USD/sq. m and 18.1 USD/sq. m, respectively.

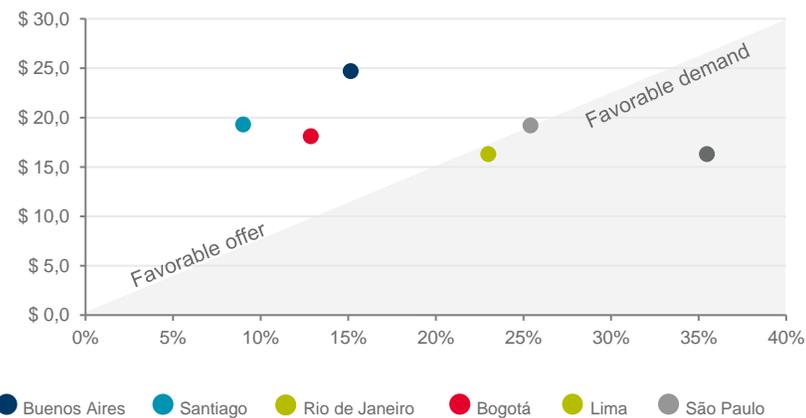
Rio de Janeiro continued to experience a consecutive drop in the average rental price due to the high vacancy rate. The CBD market for class A offices closed with a year-on-year drop of 3.94%. **Lima** concluded the year with an average asking rent of 16.3 USD/sq. m, the same as Rio de Janeiro, and it is expected, in both cases, that the downward trend will continue.

The asking rent in **São Paulo** remained stable in the second half of the year, considering that lower category buildings were vacated, and other premium ones were occupied, with higher rents.

Vacancy Rate (%) and Asking Rent evolution (USD/sq. m/month) (*)



Asking rent (USD/sq. m/month) vs Vacancy (%) (*) – H2 2021



(*) The exchange rate corresponds to the last day of December 2021.

PAST, PRESENT AND FUTURE

During the second half of 2021, the class A office market paused in terms of new projects and future decisions. Some factors such as market stability, recovery forecasts and new uncertainties generate expectations focused on the events of the coming year.

In **Buenos Aires**, only 7,500 sq. m were delivered, because many of the buildings under construction modified their delivery dates due to the restrictions imposed on the construction sector in order to ease the situation caused by the pandemic, indicating that this situation might repeat again in the future for other projects.

Rio de Janeiro continues to add square meters of class A offices scheduled for delivery until 2030, a decision that responds to the changes that vacancy is currently experiencing.

São Paulo, due the stable situation of the market and given the non-recovery of its indicators, does not have any new projects to be delivered until 2030, maintaining the 446,627 sq. m of the previous semester.

All the projects planned for 2022, in the city of **Santiago**, were postponed, due to the high demand of materials, elevated prices, and the uncertainty that the national market is suffering. The delivery of 116,189 sq. m of class A offices is still expected.

On the other hand, **Bogotá** has 159,665 sq. m of class A offices under construction. Although the deliveries of some projects were previously scheduled, none of them were completed and delivered during the second half of 2021. Currently, there are 1,279,360 sq. m in project, doubling those of the previous half of the year.

By the end of 2021, **Lima** has 45,675 sq. m under construction, being one of the only two cities in the region that added more than 50 thousand sq. m to its inventory during the second half of 2021.

MARKET INDICATORS H2 2021

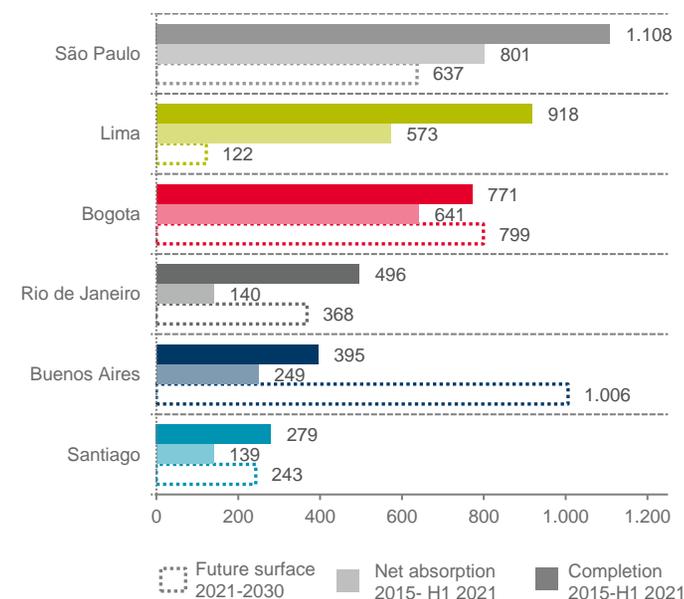
Submarket	Class A Inventory (sq. m)	Available Surface (sq. m)	Vacancy Rate	Asking Rent(*) (USD/sq. m/Month)	Net Absorption YTD (sq. m)	Under Construction and In Project (sq. m) 2021 - 2030
São Paulo (**)	3,533,153	877,002	24.8%	19.2	-288	636,731
Santiago	1,698,088	152,019	8.95%	19.3	-49,600	242,743
Bogotá	1,682,873	220,373	13.1%	18.1	8,022	799,345
Lima	1,680,894	378,618	22.5%	16.3	-49,784	122,198
Buenos Aires	1,584,376	242,922	15.3%	24.7	-48,069	1,005,740
Rio de Janeiro (**)	1,548,683	544,486	35.2%	16.3	-4,976	367,807
Class A Total	11,728,067	2,415,420	20.6%	18.9	-144,695	3,174,564

(*) The exchange rate is taken from the last day of December 2021.

USD/COP = 3.980,17 | USD/UF=0,027 | USD/BRL=5,45

(**) The information includes only CBD market.

Net Absorption vs. Completion: 2015 – H2 2021
New Inventory: 2021 H2-2030 (,000 sq. m.)



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