

SOUTH AMERICA

Office H2 2022

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

Argentina 5.9 7.1 92.4

Brazil 0.4 8.7 5.9

Chile -3.9 8.0 13.3

Colombia 4.5 10.4 13.1

Peru 2.8 7.6 8.5

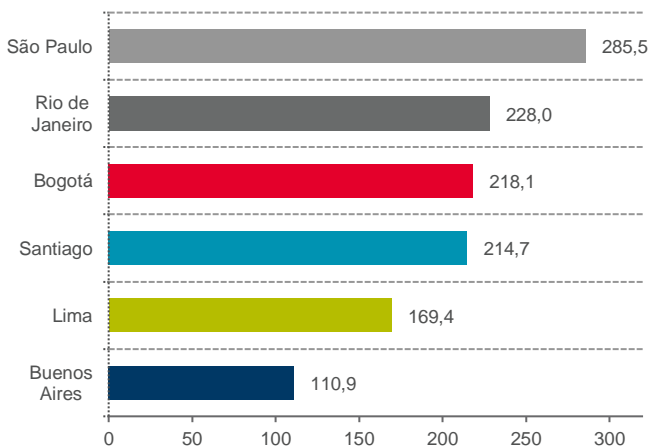
ECONOMIC OUTLOOK

The economic panorama closes the year 2022 with a notorious increase in inflation in all countries. There is an economic slowdown, with a decrease in commercial activity in Chile, Peru and Colombia; and a decrease in some indicators of factory activity. As for employment, it increased to almost recovering its pre-pandemic levels at the end of 2021, after a 20% drop. But the share of formal employment has fallen by almost 5 percentage points.

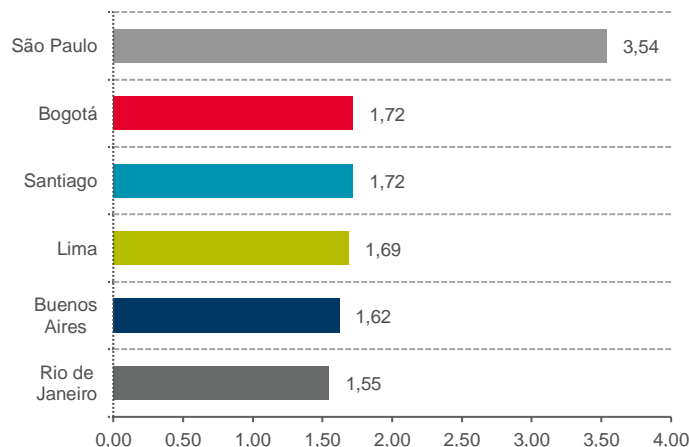
Argentina's economy, despite several non-structural economic actions, does not suggest a favorable situation, this is due to the fiscal deficit, the scarce reserves in the central bank (BCRA) and the political tensions before the electoral calendar of the coming year. In **Brazil**, compared to the same period in 2021, GDP grew by 3.6%. Regarding the unemployment rate, a decrease of 3.8 p.p. in the annual comparison was seen. Regarding inflation, during the last 12 months, the index accumulates an increase of 5.90% and in the year of 5.13%. Central Bank of **Chile's** end of year 2022 report confirms that inflation peaked this year, rising to 14.1% in August and then started declining. Adjustment in the local economy and reduction of high-cost pressures will continue to contribute to lower inflation, which is why it is expected to decline in 2023, returning to the 3% target during 2024. The **Colombian** economy joined the global trend of economic deceleration, closing the year with a CPI of 13.12%, a figure not seen since 1999. The prices of food and non-alcoholic beverages were the division with the most upward pressure, with 27.8%, followed by restaurants and hotels with 18.2%. As a result, the Banco de la República established the interest rate at 12%. For **Peru**, the interannual variation of the GDP until October of this year was 2.8 % according to the INEI, with a growth projection of 2.9 % for 2023. The annualized inflation rate closed the month of November at 8.5%. During this period there was a change of government, so it is advisable to maintain a conservative profile regarding the impact on projections in the medium and long term.

Sources: LCA and National Statistics Institute per country

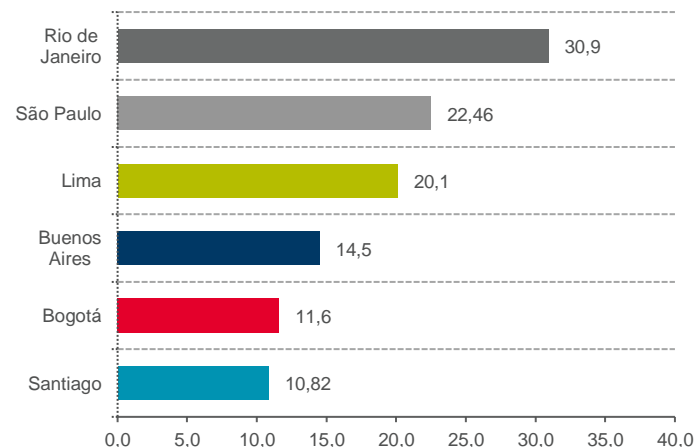
Inventory ratio (sq.m)/1.000 habitants – H2 2022



Class A inventory (Mi. sq.m.) – H2 2022



Vacancy (%) – H2 2022



SOUTH AMERICA

Office H2 2022

BOGOTÁ**7.8**

Mi. Habitants

1.7

Mi. sq.m.

LIMA**10.0**

Mi. Habitants

1.7

Mi. sq.m.

SANTIAGO**8.0**

Mi. Habitants

1.7

Mi. sq.m.

BUENOS AIRES**14.6**

Mi. Habitants

1.6

Mi. sq.m.

SÃO PAULO**12.4**

Mi. Habitants

3.5

Mi. sq.m.

RIO DE JANEIRO**6.8**

Mi. Habitants

1.5

Mi. sq.m.

MARKET SIZE

The office square meters per 1,000 inhabitant's ratio allows us to make an unbiased comparison of the cities' Office Market size. **São Paulo** continues leading the ranking with 285.5, followed by **Rio de Janeiro** with 228 and **Bogotá** having 218.5 square meters per 1,000 inhabitants.

This analysis shows that although there are slight variations in the market size, the whole region continues with the same tendency, just a few ratio differences, mainly due to current uncertainties about the business environment.

Long-term investments due to country's stability are winning ground and market size is growing, mainly in the most stable economies such as **Chile** and **Colombia**, not the case for the **Argentina** and **Peru** scenario.

MARKET OVERVIEW

As predicted in 2022H1, the overall average tendency in the South American region is that the vacancy is showing signs of recovery and reversing its upwards trend except for Chile and Peru. With COVID-19 crisis almost over, companies all over the region stopped vacating space.

Regarding next year, it is expected that, this indicator will continue its slowdown trend, due to a more stable decision making process, there will be better conditions for a gradual return to working spaces, which will eventually affect positively, lowering vacancies.

Buenos Aires closed the 2022 year reaching a vacancy of 14.5% in the corporate offices market, which represents an inter-annual downfall of -6.6%.

Rio de Janeiro positive results of net absorption in the semester led to a drop in the vacancy rate, which closed at the lowest value since the first quarter of 2016.

In **São Paulo's**, the high net absorption observed in the last quarter of the year, added to the delivery of new inventory, led also to a drop in the vacancy rate, which closed at 20.81%, the lowest value since the end of 2020. This trend was observed in all regions of the city.

As for **Santiago**, 2022 concludes with a 10.82% vacancy, or an available area of 185,947 sq.m., 23% increase compared to the closing of 2021. Year-on-year variation in vacancy shows a significant reduction, compared to a 47% year-on-year variation between 2020 and 2021, resulting in vacancy increase from 5.98% to 8.78%.

In **Bogotá**, office Class A market ended the year with 10% less available spaces, compared to the same period in 2021, a reflection of the interest in offices with high standard specifications and strategic locations, for companies seeking to locate in more suitable spaces.

The progressive return to workspaces in **Lima** throughout this year has resulted in a downward trend in available office space. In this period, the vacancy rate fell by 11.7 % compared to the same period in 2021, closing at 20.1%, which shows a sustained market recovery.

SOUTH AMERICA

Office H2 2022

SUPPLY AND DEMAND

Despite the uncertain economic environment, most of the region shows a great recovery regarding Class A Office occupations, the pandemic scenario is no longer on scene, the new work scheme companies are adopting regarding the use of the spaces affects the net absorption indicator positively and in consequence the health of the market.

Buenos Aires shows a positive net absorption of 23,835 sq.m. for the last semester, this is the first period with a positive indicator since the pandemic crisis.

Rio de Janeiro's class A CBD market closed the year 2022 with a net absorption of 51.578 sq.m. recorded during the second semester. This result was mainly due to the occupation of companies in the financial sector and the public sector in Centro. Also in Brazil, **São Paulo's** class A CBD office market showed a positive net absorption, for the last semester of the year, of 47,298 sq.m. It is worth mentioning that by the end of the year almost all markets showed positive results.

In **Santiago**, the net absorption reached a value of 7,240 sq.m. in the second half of the year. The first semester also shows positive results in terms of occupation, along with Bogota and Lima, is one of the cities that showed a positive net absorption for both 2022 semesters. **Bogotá's** net absorption shows that is one of the healthiest markets, closing the year with 28,978 sq.m. Showing a quick recovery **Lima**, closed the last semester of the year with a net absorption of 30,772 sq.m., although the first semester was also positive, the fact that this indicator continues this way shows a hopeful forecast.

PRICING

An overall downward trend for the average asking rent in the South American can be perceived. While in some cities, it is possible to observe a more significant drop, it is strongly related to the gap between the closing price and the asking price, which is getting bigger at the moment.

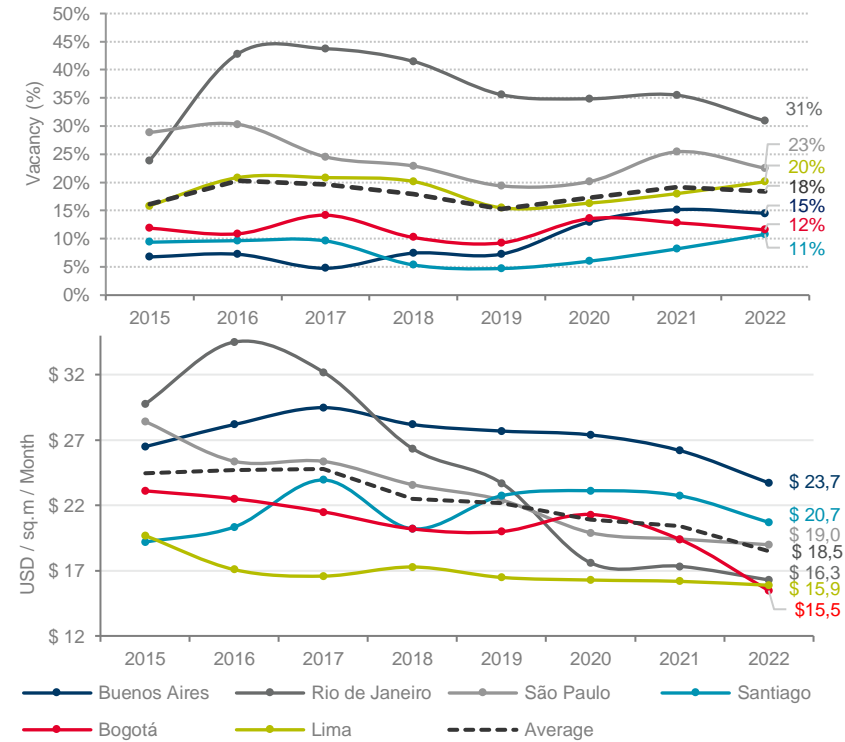
Buenos Aires total average lease price for A class offices was 23.71 USD/sq.m., increasing the downward trend, with a variation of -4% when compared to the same period of last year.

Rio de Janeiro asking price has decreased by 5.8% in the YoY comparison closing this year with an average asking price of 16,3 usd/sq.m.. In **São Paulo's** class A and A+ CBD market recorded a slight decrease and ended the period at USD 19.0 usd/sq.m., which shows that the vacancy indicator is not affecting the asking price.

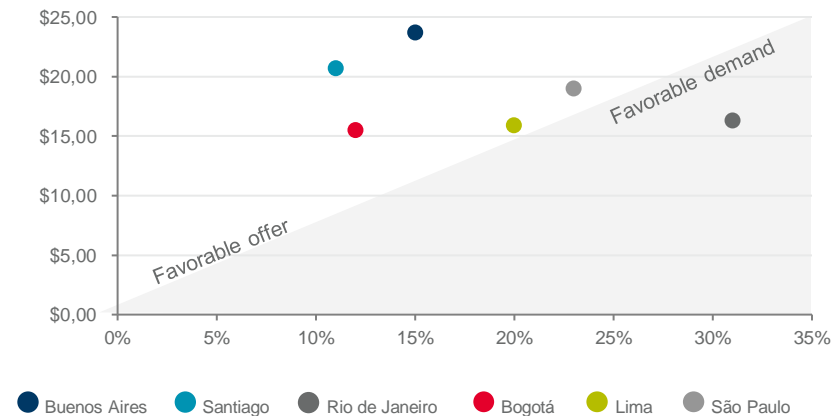
Santiago shows a 9% decrease YoY in the average asking rent, reaching USD 20.7 usd/sq.m., this decrease shows why the vacancy and net absorption indicators are so healthy, hoping this will lead to a future increase in the asking rent.

Bogotá presents a similar situation, but with an even greater drop in asking price of 21% YoY, closing in 15.5 usd/sq.m. **Lima**, is the only city that maintains a stable average asking rent, in a YOY comparison, closing at 15.9 usd/ sq.m.

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



Asking rent (USD/sq.m./month) vs Vacancy (%) (*) – H2 2022



(*) The exchange rate corresponds to the last day of December 2022.

PAST, PRESENT AND FUTURE

Although, as stated in previous analysis, the market is going through a recovery process and the 'new normal' creates a homogeneous offer, which makes companies reconfigure their positions and needs, the office market is still uncertain about its future. Also, political and economic scenarios affect the production of each city.

In **Buenos Aires**, the current surface being built is of 243,718 sq.m., most of them were supposed to be finished by now but delivery dates are still being pushed forward.

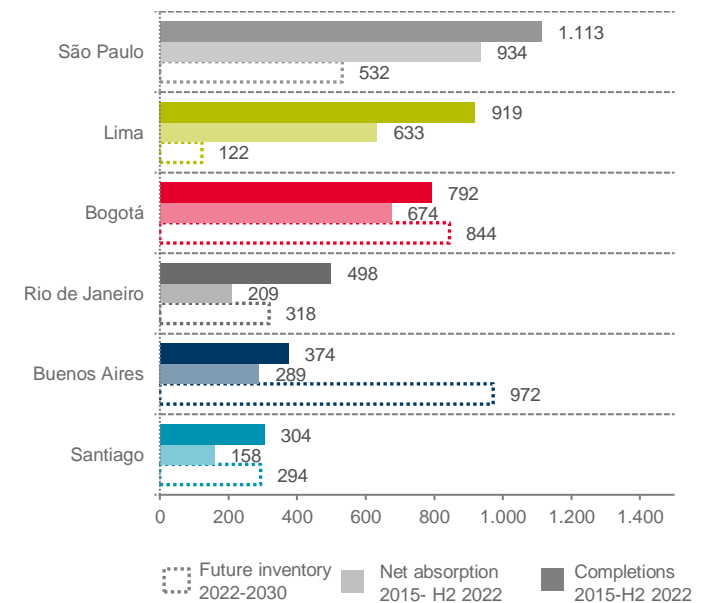
Rio de Janeiro has not presented new deliveries since 2018, and there is still no forecast for the next periods, which will contribute to the reduction of the vacancy rate. With 1.1 million sq.m. completed since 2015, São Paulo in the last semester of 2022, delivered only 6,000 sq.m. of new inventory, this was the only period of the year that presented new incomes.

Santiago has 171,840 sq.m. under construction today, of which 51,072 sq.m. would enter in 2023. This area is similar to the one delivered during 2022, which totaled 47,910 sq.m..

In **Bogotá**, for the first half of 2023, it is expected that 26% of the inventory that is currently under construction is completed. It is important to highlight that, within the stock of off-plan projects, there are some that do not have a confirmed construction start date.

Lima has currently 67,960 sq.m.. under construction, which delivery dates are still uncertain. It is important to highlight that, within the stock of off-plan projects, there are some that do not have a confirmed construction start date.

Net Absorption vs. Completion: 2015 – H2 2022
Future Inventory: 2022 H2-2030 (,000 sq.m.)



MARKET INDICATORS H2 2022

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.) 2022 - 2030
Buenos Aires	1,617,303	234,071	14.5	23.7	16,646	972,813
Rio de Janeiro (**)	1,545,016	477,712	30.9	15.6	49,772	318,212
São Paulo (**)	3,539,520	794,836	20.8	18.1	164,842	531,672
Santiago	1,718,456	185,947	10.8	20.7	-535	294,644
Bogotá	1,716,827	198,664	11.6	15.5	56,273	844,186
Lima	1,694,220	342,201	20.1	15.9	30,772	122,143
Class A Total	11,831,354	2,233,331	18.9%	18.5	185,716	2,360,414

* The exchange rate is taken from the last day of December 2022.

** The information includes only CBD market Class AA+.

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