LATIN AMERICA
INDUSTRIAL MARKET

POSITIVE TREND IN THE REGION

The sum of the inventories of the Latin American cities analyzed reached a total of 418.6 million SF, more than 10.8 million SF compared to the previous quarter. The activity in construction remains stable with 21.09 million SF, despite the lack of dynamics experienced by Brazilian cities. The quarter absorption of the region totaled 10.13 million SF, about 22% higher than the previous quarter, which allowed a reduction in the general vacancy rate to 11.5%.

BUENOS AIRES, ARGENTINA

Quarterly absorption recovers

The industrial inventory of the Argentine capital increased by 511,285.8 SF and reached a total of 23.15 million SF. Both construction activity and vacancy remain stable. The quarter absorption increased by more than 50.0% compared to last quarter, with 489,757 SF, so the vacancy rate closed at 10.2%. The average price, on the other hand, increased by 15.0% and reached $ 9.48 SF.

RÍO DE JANEIRO, BRAZIL

The market stagnates

The Brazilian city finished the second quarter of the year without variations in both the class A industrial inventory (which is maintained at 20.12 million SF) and the projects under construction. Despite this, total vacancy increased by more than 26,909 SF, bringing the vacancy rate slightly up 34.5%. The accumulated absorption in the first half of the year was dropped to 199,132 SF and the average rental price decreased to $ 5.67 SF.

SAO PAULO, BRAZIL

Market slowdown

The industrial inventory of Sao Paulo had an increase of only 134,548.9 SF and reached a total of 86 million SF. As in the case of Rio de Janeiro, the surface under construction shows no variations. Meanwhile, the quarter absorption was dropped to 1.11 million SF, so the vacancy rate fell to 24.7%, one of the highest in the region. The average rental price was dropped by 13.5% to $ 5.36 SF.

CURRENT CONDITIONS

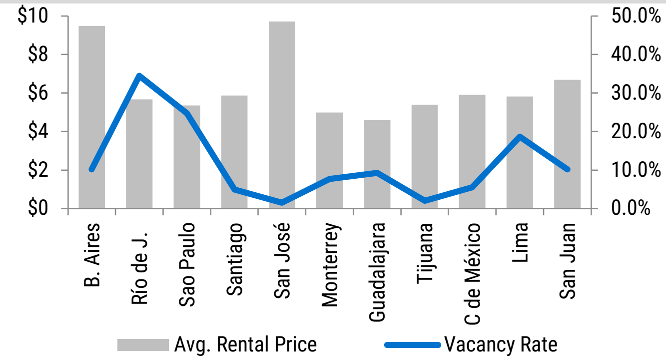
An inventory increase of more than 10.8 million SF meters was reported among all the cities analyzed.

The vacancy rate of 11.5% was dropped by 1.5% compared to the first quarter of the year

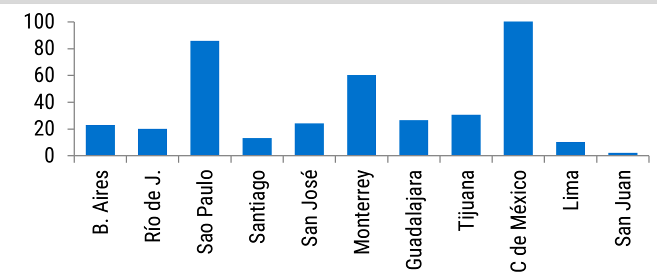
The average rent price stood at $ 6.32 SF, lower than the previous period but explained by variations in the exchange rate.

MARKET ANALYSIS

Asking Rent and Vacancy



Inventory per city (million SF)



MARKET SUMMARY

	Current Quarter	Prior Quarter	12 Month Forecast
Total Inventory (SF)	418.60 M	407.2 M	↑
Vacancy Rate	11.5%	13.0%	↑
Quarterly Net Abs. (SF)	10.13 M	8.32 M	↓
Avg. Asking Rent	$6.32	$6.67	↓
Under Construction (SF)	21.09 M	23.25 M	↓
Deliveries (SF)	11.40 M	11.94 M	↑

SANTIAGO DE CHILE, CHILE

Very good start of the year

The Chilean capital experienced a significant growth of 12.3% in the Class A industrial inventory throughout the first 6 months of the year. With this, the inventory reached a total of 27.12 million SF and the projects under construction rose to 1.96 million SF. Similarly, the accumulated absorption rose considerably to 2.7 million SF in the first half of the year and the vacancy rate increased to only 4.9%. The average rental price, on the other hand, was dropped to $ 5.88 SF, entirely due to changes in the exchange rate.

SAN JOSE, COSTA RICA

The low vacancy rate is maintained

The Central American city presented an increase in inventory of 212,049 SF and exceeded 24.32 million SF, while the construction activity was dropped to 754,550 SF. The quarter absorption remained stable and reported about 258,333 SF, with which the vacancy rate was dropped to 1.5%, the lowest in the region. Cumulative absorption totaled 536,042 SF and the average price increased slightly to $ 9.72 SF.

MONTERREY, MEXICO

Vacancy rate below 8.0%

The industrial inventory of Monterrey exceeded 60.38 million SF class A. With a total vacancy of 4.7 million SF available, this market ended the quarter with an vacancy rate of 7.7%. With this, the accumulated absorption for this year amounted to 2.2 million SF and the average rental price was set at $ 4.98 SF.

GUADALAJARA, MEXICO

No absorption in this quarter

The industrial inventory of Guadalajara showed a growth of 828,821 SF and reached a total of 26.47 million SF class A. Availability increased in equal measure, so it closed the quarter with a rate of 9.3% and the average price was dropped at $ 4.58 SF.

TIJUANA, MÉXICO

A low vacancy rate is maintained

The industrial market of this city in northern Mexico experienced a 1.0% growth in its inventory and closed the quarter at 30.78 million SF. The quarter absorption was considerably dropped and the quarter closed at 206,667 SF. Some outstanding industrial parks in which they closed operations in this quarter are: TAEIP, FINSA Alamar and VestaPark La Mesa. With this, the total vacancy reached 625,383 SF and the rate increased to 2.0%. The average rental price increased slightly and closed the quarter at $ 5.40 SF.

MEXICO CITY, MEXICO

One step away from the 107.7 million SF of inventory

The industrial inventory of the Mexican capital presented the highest quarter growth in the region after the entry of 2.35 SF and closed the quarter at 106.6 million SF. The surface under construction increased to 4.7 million SF, confirming the good health of the market. Another positive indicator was the recovery of the quarter absorption, which increased to 2.6 million SF and dropped the vacancy rate to 5.5%.

It is worth highlighting the expansion of electronic commerce as an increasingly relevant agent in the city. An example of this is that MercadoLibre closed more than 1.04 million SF in the Tepotzotlán corridor, to the north of the city. With this, the cumulative absorption amounted to 3.9 million SF and the average rent price was dropped to $ 5.91 SF.

LIMA, PERU

Positive signs of recovery

The Peruvian capital experienced a positive growth of the industrial area class A and exceeded 10.5 million SF in the first half of the year. Other signs of the market recovery are: an increase in the surface under construction to 1.20 million SF, double reported in December 2017, and the reduction of the available area to 1.96 million SF. With an accumulated absorption of 1.9 million SF, the vacancy rate of this city was dropped to 18.7%, while the average rent price did not change and remained at $ 5.82 SF.

SAN JUAN, PUERTO RICO

A market with few variations

The industrial market of San Juan does not present variations both in inventory, in which it remains below 2.15 million SF, and in construction, in which it does not yet show projects. The quarter absorption was limited to 38,750 SF and the average rent price was dropped to $ 6.69 SF.

MARKET SUMMARY PER CITY

City	Total Inventory (SF)	Under Construction (SF)	Total Vacancy	Total Vacancy Rate	Qtr Net Absorption (SF)	Total Asking Rent (Price/SF)
Buenos Aires	23,132,967	1,345,488	10.2%	489,757	800,683	$9.48
Río de Janeiro	20,087,612	1,101,330	34.5%	-28,686	199,541	$5.67
Sao Paulo	86,013,421	5,905,861	24.7%	1,117,250	3,037,013	$5.36
Santiago de Chile	27,157,395	1,955,327	4.9%	2,690,975	2,690,975	$5.88
San José	24,363,948	754,560	1.5%	257,020	536,257	$9.72
Monterrey	60,445,348	1,731,212	7.7%	958,633	2,219,064	$4.98
Guadalajara	26,520,732	1,137,066	9.3%	-	214,449	$4.58
Tijuana	30,761,278	1,295,575	2.0%	206,505	2,030,696	$5.40
Mexico City	107,525,366	4,689,411	5.5%	2,561,571	3,849,547	$5.91
Lima	10,498,355	1,189,949	18.7%	1,844,297	1,844,297	$5.82
San Juan	2,150,003	-	10.2%	38,858	129,856	$6.69
Latin America	**418,656,422**	**21,105,780**	**11.5%**	**10,136,192**	**17,552,390**	**$6.32**

ECONOMIC CONDITIONS

ARGENTINA

Economic transformation process

The beginning of 2018 shows that recovery continues. In this period a commercial deficit of US $ 382M was reported, lower than expected. Argentina is in the process of an economic transformation that promotes a sustainable economic development with social inclusion and insertion in the global economy. This commitment can be seen in the fact that Argentina is currently in charge of the presidency of the G-20, at the same time that he expressed his intention to join the OECD.

On the other hand, the GDP expansion, which was initially expected to be 3.3% year-on-year, now stands at 1.4%. The inflation, is closer to 26.5%, when it was expected to find at 20%. Also a recession is experienced in the first quarters in 2018, because the expectations of quarter growth without seasonality for the second quarter of 2018 were dropped to a range between -1.0% and -0.4%.

BRAZIL

Economic slowdown and increase in inflation

In the face of the financial volatility, the effects of the trucking strike, and fiscal policy, the growth prospect in Brazil has deteriorated as has the depreciation of the exchange rate. Sectors that were part of the economic engine of the country, continue in negative numbers. Even the Central Bank has predicted inflation of 4.2% in 2018 and 3.7% in 2019. Consequently, the recovery requires structural measures that can stop the deterioration of public accounts. The growth is expected to adjust as the labor conditions improves boost private consumption, the residual effects of the recession disappear and policy conditions support investment more.

CHILE

Consolidate its positive trend

After an improvement in investment indicators and the maintenance of confidence in economic activity, an upward adjustment of GDP growth for 2018 and 2019 has been promoted to 3.7% and 3.5% respectively. The sectors with the highest annual growth are: exports (7%), services (5%) and construction (2%).

There are higher inflation expectations due to the variation in the exchange rate and the price of oil. As a result, it is expected to increase to 2.7% for this year and close to 3.0% in 2019. For its part, the Chilean peso has remained relatively stable compared to the previous quarter and it is estimated that it should fluctuate in the 515 range to 620 per dollar throughout the year.

COLOMBIA

Recovery of private consumption and GDP growth.

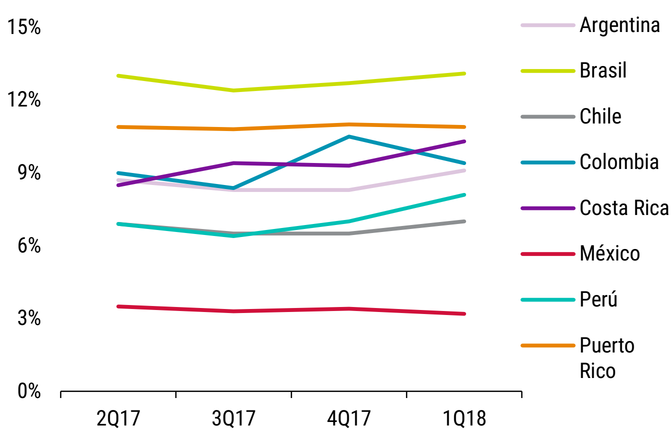
During the second quarter of 2018, the country has experienced improvements in the economic environment that allowed the recovery of private consumption and the continuity of public spenditure for the electoral period. The low private investment and the lack of macro projects as a result of political uncertainty should be reversed after the outcome of the elections.

In this regard, the estimate of GDP growth for this year is maintained at 2.3% and, with the increase in oil prices and the execution of new investment projects, the growth projection is increase to 3.3% for 2019. Inflation was dropped by about 0.9% and reached 3.16% in May, one of the lowest in the last 4 years. This positive context also favors the Colombian peso, and it is expected to remain between 2,800 and 2,900 per dollar, mainly due to the commercial war.

EXCHAGE RATE VS US DOLLAR

Country	3Q17	4Q17	1Q18	2Q18
Argentina (ARS)	$17.41	$17.84	$19.96	$27.41
Brazil (BRL)	$3.14	$3.28	$3.25	$3.86
Chile (CLP)	$633.11	$633.07	$600.37	$636.70
Colombia (COP)	$2,957	$3,013	$2,830	$2,885
Costa Rica (CRC)	$576.44	$569.81	$569.81	$566.89
México (MXN)	$17.86	$19.14	$18.53	$18.61
Perú (PEN)	$3.24	$3.24	$3.24	$3.27
Puerto Rico (USD)	$1.00	$1.00	$1.00	$1.00

UNEMPLOYMENT RATE PER COUNTRY



COSTA RICA

Increase in the rate of economic growth

The acceleration in the activity reported to the fifth month of the year was mainly due to the recovery in the construction industry and the higher external demand for manufactured products under the special regime, according to information from the Central Bank of Costa Rica. In that sense, the numbers indicate that the Costa Rican economy is not going through a recession. The available figures on the past and recent evolution of the national production are encouraging, since they indicate that for the years 2018 and 2019 the economic growth of the country will be around 3.6%, higher than the average of the countries of Latin America and the Caribbean. (1.9%).

MEXICO

Caution awaiting NAFTA results

During the first semester of 2018 it has seen a relatively slow pace in the real estate sector that can be attributed to the insecurity generated by the elections held on July 1. After the victory of Lopez Obrador, a transition period begins between the current administration and that of the new president-elect, period in which Andrés Manuel will announce his first administrative decisions, which will have an immediate impact on the behavior of national investors and foreign. An important factor for the Mexican economy is the NAFTA 2.0, whose negotiations are expected to reach a successful conclusion in early November.

PERU

Greater political stability

The change of president that occurred after the resignation of Kuczynski was carried out in an orderly manner and promoted greater political stability. This translates into an improvement in the projection of GDP growth for this year from 3.5% to 3.8%. Domestic demand showed a significant recovery and reached a growth of 4.5%, the highest since the first quarter of 2016. The good health of Peru's trading partners, the increase in public investment and good projections for the primary sector make up the main engines of the economy for this period. The currency is expected to be between 3.25 and 3.30 soles per dollar, as a result of the strengthening of the dollar worldwide.

PUERTO RICO

Difficult panorama for this year

Puerto Rico faces a complicated panorama in this 2018 if they do not conjugate a series of factors that would propitiate a scenario of stability in the economic sphere. All this in full recovery after the impact of hurricane Maria that has increased the economic crisis in which the island was already. This explains the fact that they will not be able to amortize the debt for another five years. These circumstances have caused the economy of Puerto Rico to contract by 8% in 2018, placing it among the worst economies in the world.

LATIN AMERICA'S POPULATION AND GDP

Country	Population (millions)	GDP per capita	City	Population (millions)
Argentina	44.08	14.3	Buenos Aires	15.33
Brazil	207.68	10.3	Río de Janeiro	12.98
			Sao Paulo	21.29
Chile	18.39	13.7	Santiago	6.54
Colombia	49.29	6.2	Bogotá	9.97
Costa Rica	4.97	12.0	San Jose	1.18
Mexico	123.52	8.0	Monterrey	4.59
			Guadalajara	4.92
			Mexico City	21.15
Peru	31.83	6.5	Lima	10.07
Puerto Rico	3.36	29.7	San Juan	2.46
Total	**483.12**			**110.48**

2T 2018 **LATIN AMERICA INDUSTRIAL MARKET**

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