RESEARCH **2Q 2018**

LATIN AMERICA OFFICE MARKET

INCREASE ACTIVITY IN CONSTRUCTION

The summary of the inventories of the Latin American cities analyzed reached a total of 241.1 million SF, about 4.3 million SF compared to the previous quarter. The construction activity increased slightly to 38.7 million SF, despite reporting an vacancy rate of 18.6%. The quarterly absorption of the region totaled 2.3 SF, close to 39.0% below the previous period, while the average price was dropped to $ 24.04 /SF.

BUENOS AIRES, ARGENTINA

The inventory grows and bet to the future

The inventory of offices in the Argentine capital experienced an increase of about 419,792.1 SF and reached a total of 14.75 million SF. Similarly, the activity in construction increased by 15.3% compared to last quarter and reached 4.4 million SF this quarter. This despite the fact that the quarterly absorption was dropped to 307,847.6 SF, close to half compared to the previous period, and the vacancy rate increased slightly to 6.9%. The average asking rent remained fairly stable and closed the quarter at $ 30.7 SF.

RÍO DE JANEIRO, BRASIL

The market stopped

The Brazilian city showed a discreet inventory growth to this last quarter and reached a total of 23.78 million SF. The quarterly absorption and the surface under construction were virtually unchanged. As a result, the vacancy rate increased again to 41.7% and the average asking rent, dropped by more than 3 dollars per square meter, was reported at $ 26.15 SF.

SAO PAULO, BRASIL

The price decrees considerably

In this last quarter, the class A industrial market of Sao Paulo surpassed the 49.19 million SF of inventory. The construction activity decreased by 15.6% to 4.07 million SF and quarter absorption remained in the same range of the previous quarter with 536,042.2 SF. For this reason, the increase in the vacancy rate was lower and ended the quarter at 23.2%, equivalent to 11.41 million SF. The average asking rent, similar to Rio de Janeiro, fell about 20.0% to $ 21.66 SF

CURRENT CONDITIONS

Construction activity exceeded 37.67 million SF despite the increase of nearly 4.3 million SF of inventory

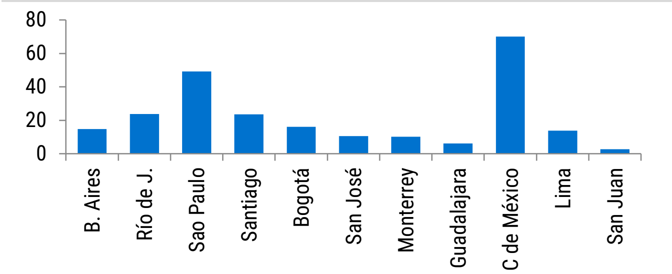
The vacancy rate, of 18.6%, increased by 0.2% compared to the first quarter of the year.

The average asking rent stood at $ 24.04 SF, lower than the previous period but explained by variations in the exchange rate.

MARKET ANALYSIS

Asking Rent and Vacancy

Inventory per city (square feet million)



MARKET SUMMARY

	Current Quarter	Prior Quarter	12 Month Forecast
Total Inventory (SF)	241M	236.81M	↑
Vacancy Rate	18.6%	18.4%	↑
Quarterly Net Abs. (SF)	2.34M	3.81M	↓
Avg. Asking Rent	$24.04	$25.01	↓
Under Construction (SF)	38.64M	37.67M	↓
Deliveries (SF)	4.2M	4.6M	↑

SANTIAGO DE CHILE, CHILE

Low vacancy in stable context

The inventory of class A offices in the southern capital presented a growth of 120,555.7 SF, reaching a total of 23.57 million SF. Even though the quarter absorption was dropped by just over 15% and ended the quarter by 262,639 SF, the construction activity increased to 1.5 million SF. In addition, the vacancy rate was dropped to 4.7%, 0.6% below the previous quarter. In the case of the average asking rent, this was reported at $ 24.03 SF, but its reduction is explained entirely by the variations in the exchange rate.

BOGOTÁ, COLOMBIA

Availability increases

The Colombian capital experienced an office inventory growth of nearly 129,166.8 SF and finished the quarter with a total of 16.04 million SF. With the recent political uncertainty, the quarterly absorption was -86,111.2 SF and the vacancy rate rose to 19.7%. The average asking rent was dropped to $ 24.01 SF

SAN JOSÉ, COSTA RICA

Positive indicators

This important Central American capital reported an inventory of class A offices of 10.5 million SF in the second quarter. Both the quarterly absorption and the surface under construction increased to 127,014 SF and 941,841 SF respectively. As a result, the vacancy rate was dropped to 8.9% and the cumulative absorption added 193,750.2 SF, still one of the lowest in the region. The average asking rent rose slightly to $ 24.38

MONTERREY, MÉXICO

A market in motion

The inventory of offices in this important city in northern Mexico reached a total of 10.2 million SF in the second quarter of the year, while construction activity showed a noticeable rise and reached about 4.4 million SF. Although the quarter absorption, corresponding to 145,312 SF , was lower compared to the last period, the vacancy rate decreased slightly to 19.0%.

Some of the top deals this quarter were the operations by WeWork in the Latitud and La Capital buildings for more than 26,909 SF each, and an operation by Ernst & Young in the Equus 335 building. The average asking rent remained stable at $ 22.86 SF

GUADALAJARA, MÉXICO

Moderate growth

This Mexican city presented a growth of inventory of class A offices with which it reached 6.2 million SF. In this second period, the absorption remained at similar levels as the previous one, with which the accumulated absorption added 100,104 SF, one of the lowest in the region. With this, the vacancy rate increased to 17.3%, while the average asking rent rose to $ 23.22 SF

CIUDAD DE MÉXICO, MÉXICO

The highest quarterly absorption of the region

The class A office inventory of the Mexican capital exceeded 69.96 million SF in this quarter. With the constant rate of inventory growth of around 1.62 million SF per quarter, it is confirmed that this year will surpass the 7.5 million SF of inventory.

Since the third quarter of last year, where the vacancy rate was close to 16.3%, this indicator has been dropped consistently. This is explained by recent occupations in various sectors such as government, telecommunications, finance, automotive and technology.

While a year ago the average price was at $ 26.17 SF, it is currently at $ 26.00 SF. Thus, better conditions for tenants are appreciated as a result of various buildings and corridors.

LIMA, PERÚ[1]

The absorption improves but the vacancy maintains high

The Peruvian capital experienced over the first half of the year, a growth of 775,001 SF of profitable surface of class A offices and exceeded 13.88 SF. In addition, the semestral absorption was of 603,855 SF, with which the vacancy rate was dropped to 28.1%. With about 3.9 million SF available, construction activity was dropped to 821,286 SF and the average asking rent remained stable at $ 18.57 SF

SAN JUAN, PUERTO RICO

Some absorption in a market with little news

The industrial market of San Juan does not present variations in inventory, in which it remains slightly above 2.7 million SF, and in construction, in which it does not yet show projects. The quarter absorption was 68,081 SF, with which the vacancy rate was dropped to 8.5%. The average asking rent increased slightly to $ 20.62 SF

[1] This information is semestral

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	14,718,083.25	4,376,106.60	6.9%	308,601.01	882,209	$30.69
Río de Janeiro	49,238,265.76	734,593.12	41.7%	-5,747.92	196,635	$26.15
Sao Paulo	23,593,284.77	4,078,064.97	23.2%	536,268.26	1,088,833	$21.66
Santiago de Chile	16,070,502.70	1,556,276.95	4.7%	262,865.20	575,147	$24.04
Bogotá	10,540,333.80	2,859,968.23	19.7%	-86,692.45	261,649	$24.01
San José	10,196,384.14	942,637.78	8.9%	127,003.25	194,073	$24.38
Monterrey	6,201,136.61	4,411,692.05	19.0%	145,635.56	391,096	$22.87
Guadalajara	70,094,312.29	1,913,509.27	17.3%	48,545.18	100,212	$23.22
Ciudad de México	13,907,497.00	17,002,828.66	14.3%	335,962.84	1,632,044	$28.25
Lima[1]	2,699,995.15	821,500.85	28.1%	6,037,482.27	603,747	$18.57
San Juan	241,068,864.12	-	8.5%	68,081.66	68,082	$20.62
Latin America	**14,718,083.25**	**38,697,178.49**	**18.6%**	**2,344,269.78**	**5,993,727**	**$24.05**

ECONOMIC CONDITIONS

ARGENTINA

In the process of an economic transformation

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%.

BRASIL

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.

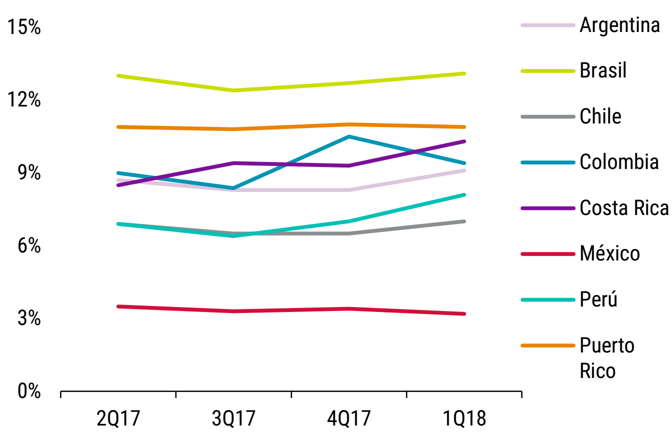
During the second quarter of 2018, the country has experienced improvements in the economic environment that allowed the recovery of private consumption and the continuity of public spenditure for the electoral period. The low private investment and the lack of macro projects as a result of political 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
Brasil (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%).

MÉXICO

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 AMLO, 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.

PERÚ

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
Brasil	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
México	123.52	8.0	Monterrey	4.59
			Guadalajara	4.92
			Cd. de México	21.15
Perú	31.83	6.5	Lima	10.07
Puerto Rico	3.36	29.7	San Juan	2.46
Total	**483.12**			**110.48**

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