

SOUTH AMERICA

Office H1 2023



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

Country	GDP Var (%)	Unemployment Rate (%)	Inflation Index (%)
Argentina	1.3	6.9	114.2
Brazil	1.9	8.8	3.9
Chile	-1.1	8.7	8.7
Colombia	0.6	10.4	12.4
Peru	1.7	7.1	6.5

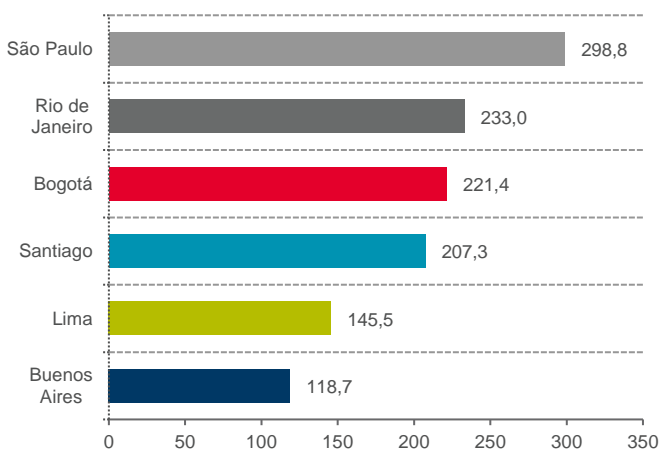
ECONOMIC OUTLOOK

South America's economic indicators for H1 2023 were generally positive. Some countries showed modest improvements, but the region continues to feel the negative effects of the COVID-19 pandemic.

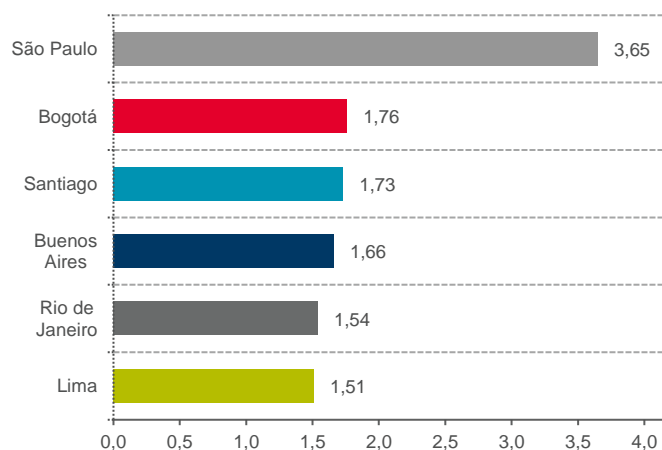
Argentina is struggling due to uncertainty in their upcoming presidential elections. The year-over-year inflation rate is currently at 114.2%, that number is expected to rise. Unemployment is stable, and year-over-year GDP growth is only 1.3%. In **Brazil**, GDP grew only 0.2% in the past year. Unemployment dropped sharply, a 20.7% decrease from last year. Inflation dropped 67.2%, returning to pre-pandemic levels. **Chile** is still experiencing high inflation at 8.7%, much higher than their goal of only 3%. This is due to higher-than-expected price increases in inelastic goods and services. Inflation is expected to decrease in the coming months if slack returns to the labor market as predicted. In **Colombia**, the economy grew 3.0% compared to S2 2022. Growth is slower than in recent years due to reduced consumption and investment in the country. Economic activity remained slow in April, but the labor market showed positive indicators; unemployment is down at a national level. **Peru's** outlook is positive with modest growth of 1.7% year over year. That number is expected to reach 2.5% by the end of 2023 according to their Ministry of Economy and Finance. Construction increased 26.2% and unemployment is at 7.1%, down 1.2% from H1 2022 when it was at 8.3%.

Sources: LCA and National Statistics Institutes per country

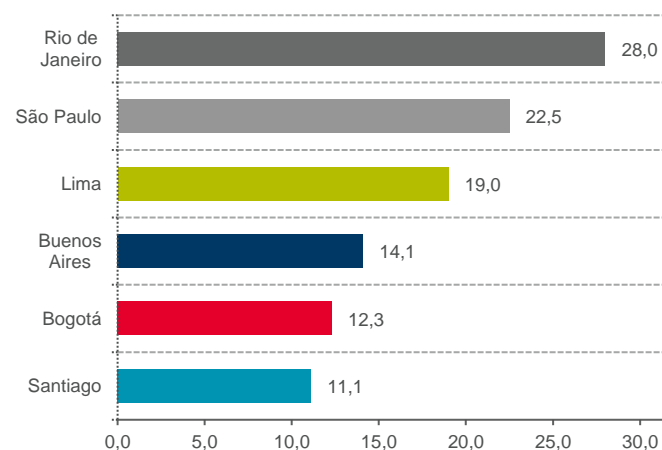
Inventory (sq m) per 1,000 inhabitants – H1 2023



Class A Office Stock (mil. sq m) H1 2023



Vacancy (%) – H1 2023



SOUTH AMERICA

Office H1 2023

BOGOTA

7.9

MM inhabitants

1.8

MM sq m

LIMA

10.4

MM inhabitants

1.5

MM sq m

SANTIAGO

8.4

MM inhabitants

1.7

MM sq m

BUENOS AIRES

14.0

MM inhabitants

1.7

MM sq m

RIO DE JANEIRO

11.7

MM inhabitants

1.5

MM sq m

SAO PAULO

20.6

MM inhabitants

3.7

MM sq m

MARKET SIZE

The ratio of sq m of office space per 1,000 people reveals the relative size of a city's office market. **Sao Paulo** has the largest with 298.8 sq m per 1,000 inhabitants, followed by **Rio de Janeiro** with 233.0, and Bogotá with 221.4.

The cities evaluated all have stock of between 1.5 and 1.8 million sq m of office space, except for **Sao Paulo** with 3.7 million square meters. The ratio of office space per person gives context to economic indicators such as vacancy rates. As stability returns to certain regions of South America, long term investments are becoming more attractive for developers. This causes growth in the office market in countries with stable economies such as **Chile** and **Colombia**. Despite having a medium ratio of office space per person, these countries had the lowest vacancy rates, unlike in **Argentina** and **Peru**.

MARKET OVERVIEW

Vacancy in the office market has decreased as companies transition to in-person or hybrid approaches over remote work models. The pandemic situation led companies to evaluate their own use of their offices and caused a push for healthier and more effective space for their employees. This focus on the use of office space is a positive sign for the market and should cause vacancy to drop further.

Buenos Aires closed H1 of 2023 with a vacancy rate of 14.1% in the office market, down 11.3% from last year.

Rio de Janeiro also saw a drop in vacancy, closing at 28.0%. This is the lowest office vacancy rate for the city since the beginning of 2016. **Sao Paulo** remained stable at 22.5% vacancy. Recovery is expected to take longer due to the size of the market, the largest in the region. For now, this stability is considered positive as the market has shown signs of recovery in other recent periods.

Santiago concluded S1 2023 with vacancy rate of 11.1%. A total of 192,587 sq m. remain vacant, 13% more than last year. The change in vacancy is due to an increase in demand for office space as companies are choosing to return to in-person work.

In **Bogota**, new class A space is entering the market to meet new demand for efficient designs, sustainable themes, established submarkets, and locations with access to transport options.

In **Lima**, the gradual return to the office through in-person or hybrid work has reduced vacancy. Vacancy dropped 12.7% in the last year, closing at 19%, a sign of recovery in the office market.

SOUTH AMERICA

Office H1 2023



SUPPLY AND DEMAND

Companies have modified their criteria for making real estate decisions post-pandemic. The return to their previous offices was the first sign of recovery. Now, the market is responding to new post-pandemic real estate strategies. It has become clear that companies favor user-centric office spaces and arrangements in this new context.

Buenos Aires shows positive net absorption numbers, with 5,509 sq m absorbed in H1 2023. This number can't yet be taken as an indicator of recovery.

Rio de Janeiro absorbed 38,173 sq m, many of those at the beginning of the year, with occupation slowing in recent months. In **Sao Paulo**, 34,404 sq m of class A office space was absorbed in the CBD.

In **Santiago**, net absorption reached 11,262 sq m in the first half of the year. The first period also showed positive results before vacancies caught up to, and surpassed new occupations.

Bogota, closed H1 2023 with 35,590 sq m absorbed, reflecting the health of its market.

Lima finished the half with a net absorption of 20,089 sq m. At the midpoint of the year, absorption in all markets was positive despite a noticeable slowdown in new occupancies.

PRICING

Average asking lease prices in the region rose in H1 2023. As companies are trending towards smaller, more advanced offices, average lease prices per sq m have risen. The vacated larger offices are being offered at rates above the market average.

in **Buenos Aires**, the average lease price of class A office space was USD (BNA) 23.95 / sq m, a 2% increase from H2 2022

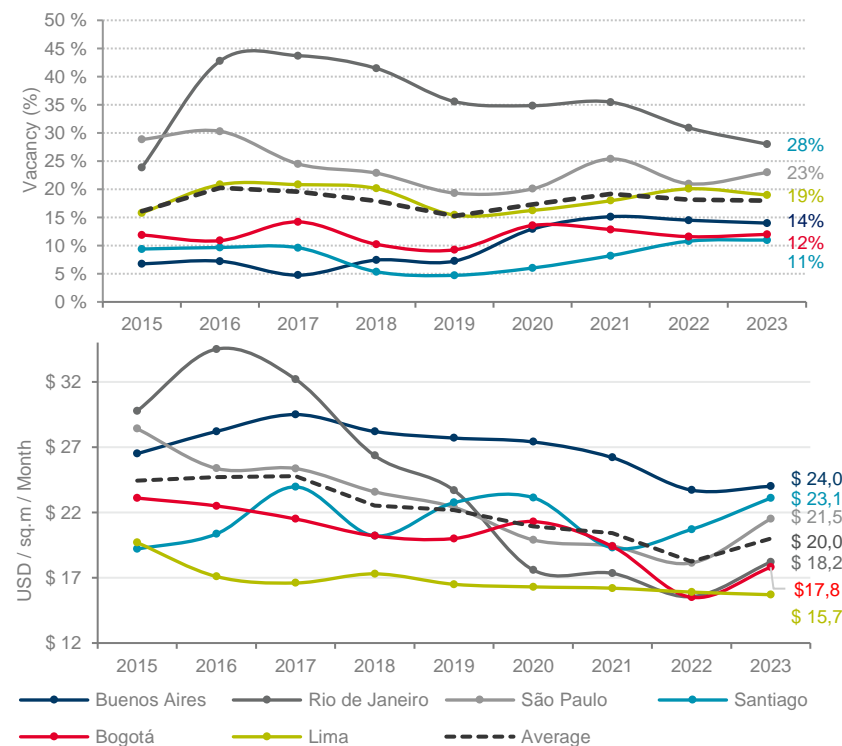
In **Rio de Janeiro** average rent increased by 17% to an average of USD 18.20 / sq m. **Sao Paulo's** average rent rose sharply to USD 21.54 / sq m.

In **Santiago**, local currency lost value against the US Dollar. The 11.6% change is mostly explained by inflation.

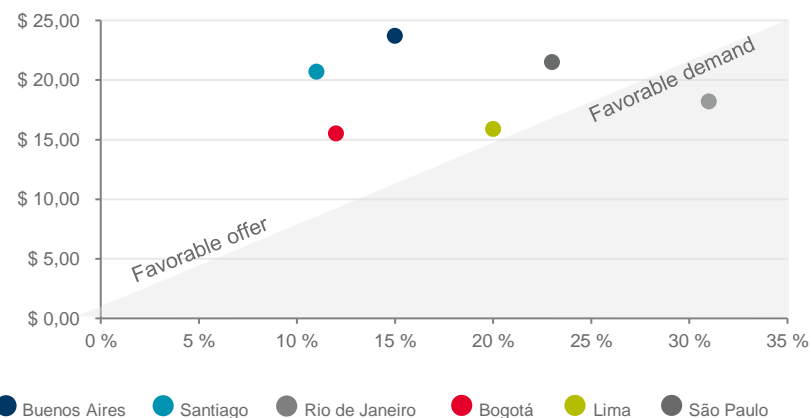
Bogota is experiencing a similar situation, the price of rent rose 8%, closing at USD 17.8 / sq m.

Lima is the only city in which asking prices decreased, closing at USD 15.7 / sq m making it favorable for demand.

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



Asking Rent (USD / sq m / month) vs Vacancy (%) - H1 2023



(*) Exchange rate June 30, 2023.

PAST, PRESENT AND FUTURE

As developments currently under construction enter the market, the reaction to this new influx will determine developer's willingness to greenlight new projects. The results of this situation will become clearer as companies define their strategies for the future. Although the office market is showing signs of recovery, the future is still unclear.

In **Buenos Aires**, there are currently 329,468 sq m under construction. The majority of this space was expected to enter the market already, but deadlines have been moved back.

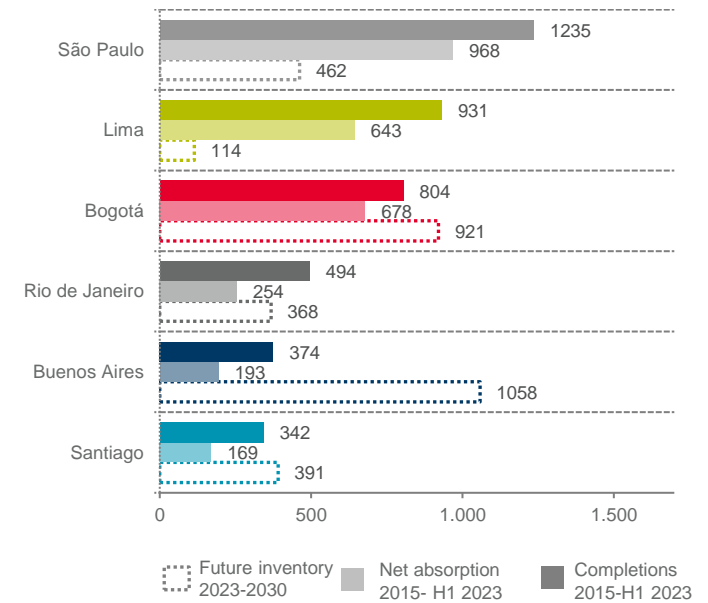
Rio de Janeiro hasn't seen new space enter the market since 2018, but unlike other periods saw future area increase to 470,293 sq m. **Sao Paulo**, where 1.2 million sq m have been constructed since 2015, saw 119,000 sq m of new space enter the market. This bodes well for the future and helps to explain its higher vacancy rate.

Santiago currently has projects totaling 185,386 sq m under construction, 87% of that space is expected to enter the market before the end of 2024. Another 205,149 sq m of projects have not yet begun construction.

Bogota currently has 150,015 sq m under construction in 8 total projects. 10,800 sq m are expected to enter the market by the end of 2023. Another 679,740 sq m of new developments are projected for the next 6 to 9 years, many of which still have undefined start dates.

Lima has 67,960 sq m of developments under construction with observable advances. Projects not yet under construction total 46,069 additional sq m.

Evolution of net absorption vs production 2015 - H1 2023
New Stock 2023-2030 (thousands of sq m)



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	1,659,630	235,189	14.1	23.95***	4,509	1,058,563
Rio de Janeiro **	1,543,513	431,422	28.0	18.20	38,173	368,292
São Paulo **	3,645,358	820,422	22.5	21.54	34,404	462,443
Santiago	1,734,786	192,587	11.1	23.12	11,262	390,535
Bogotá	1,757,181	207,355	12.3	17.80	37,590	921,241
Lima	1,513,649	287,730	19.0	15.70	20,089	114,029
Total Clase A	11,854,117	1,915,748	17.83%	20.05	146,027	3,315,104

* Exchange rate August 31, 2023.

** Only includes data from CBD.

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

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