

# Latin America Office Market

## Absorption Takes A Radical Turn

### Buenos Aires, Argentina

The market shows some stabilization in its indicators, while still remaining expectant about the economic, political and social future of the country. The stability experienced could be due to a moment of wait and see, with players waiting for the evolution of the country's economic course. During this period, businesses expanded their search to new locations, driving the development of new centers of attraction, both inside and outside the CBD zone. This has accelerated the process of change in the more traditional areas of the market.

### Río de Janeiro, Brazil

With a reduction in the volume of transactions and with the vacancy of some spaces still in process, the performance of the Class A office market in this market remains at a discreet pace in this first semester. Vacancy rate remains stable but high at 35.37%, compared to 35.45% in the first quarter of the year. Although low, the activity of new occupations exceeded that of vacancies in most submarkets of this important city.

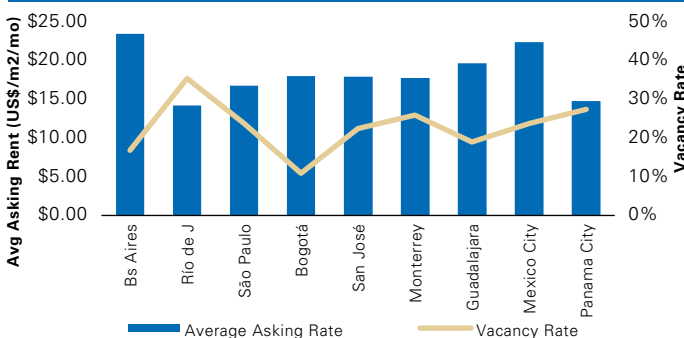
### Current Conditions

- The absorption showed an important recovery from 2021's -500,000 sq. m. to nearly 100,000 sq. m.
- Inventory in the region increased in more than 300,000 sq. m. in the first half of the year.
- Lease rates raised in 2.1% and closed the semester with an average of US\$ 18.63 /sq. m./ month.

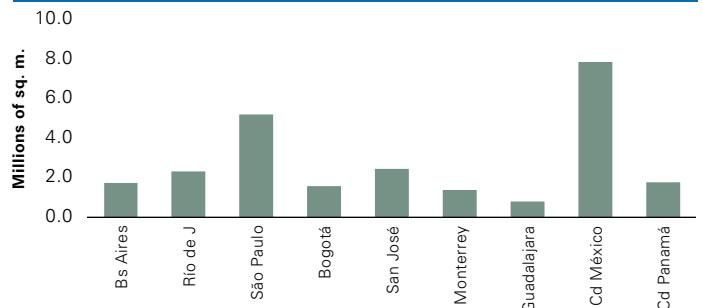
### Market Summary

	Current Semester	Previous Semester	12-month forecast
Total Inventory (m <sup>2</sup> )	25,03M	24,70M	↑
Vacancy Rate	23,7%	23,9%	↓
1H Absorption (m <sup>2</sup> )	95.380	-539.113	↑
Average Asking Rate (USD/m <sup>2</sup> /month)	\$18,63	\$18,24	↑
Under Construction (m <sup>2</sup> )	2,30M	2,64M	↑

### Average Lease Rate and Vacancy Rate



### Total Inventory per City



### **Sao Paulo, Brazil**

There was a decrease in the number of transactions in the second quarter of the year, in addition to a reduction in gross and net absorption. Even with some vacancies in process, occupied space increased by 16,000 Sq. m. Net absorption is higher than a year ago, when a total of -46,000 Sq. m. was reported. The service sector stood out in new leases during the last quarter, especially in the financial and insurance, technology and health sub-sectors. Vacancy rate closed quite stable, going from 23.84% to 23.77%.

### **San Jose, Costa Rica**

For the second quarter, the office real estate market in the Greater Metropolitan Area again showed a negative net absorption of almost 8,000 Sq. m., raising the vacancy rate to 22.4%, which represents 548,966 Sq. m. available. The demand has shown a clear preference for second-generation spaces with plug & play delivery models that have managed to reach very competitive prices compared to new properties in gray work. Currently, almost 100,000 Sq. m. are being built, which should lead to an increase in the vacancy rate during the second semester.

### **Bogota, Colombia**

The second quarter of the year continued with a moderate recovery in the office market, presenting a quarterly absorption of 12,500 Sq. m. The sector reached 30,500 Sq. m. of absorption over the first semester, well above what was registered in 2021, but still far from the usual figures in the city. The vacancy rate fell to 10.9% and the trend is expected to continue, causing prices to push higher. As of June 2022, the average recorded was USD \$18 / Sq. m. / month.

### **Mexico City, Mexico**

After just over two years, net absorption finally came out of negative numbers since the beginning of 2020. Along with this new positive net absorption, the upward trend of the vacancy rate stopped, something that has not happened since the fourth quarter of 2019. Occupations took place mainly in the Polanco, Insurgentes and Norte submarkets, which together reported 60% of the 119,000 Sq. m. in the second quarter. Thus, the accumulated occupancy at the end of the first half of the year was more than 190 thousand Sq. m., which represented an increase of 33% compared to the same period last year.

### **Guadalajara, Mexico**

During the second quarter of 2022, the office market reported positive numbers in net absorptions, as well as a decrease in the vacancy rate. During this period, there was an increase in the average asking lease price in almost all its submarkets except for Periferico Sur. It has more than 66,000 Sq. m. under construction distributed in the Puerta de Hierro, Plaza del Sol and Vallarta submarkets. In addition, there were vacancies in almost all submarkets, totaling more than 10,000 Sq. m. 69% of the offices available in Guadalajara are in gray construction, with prices ranging from USD \$15.24 to \$25.00 / Sq. m. / month.

### **Monterrey, Mexico**

Despite the 3% growth (42,347 Sq. m.) in total inventory, vacancy rate was able to remain below 26%. This is due to absorption of 15,143 Sq. m. in the second quarter, which continues the growth trend since the first quarter of 2021. Currently, there are 229,750 Sq. m. under construction, of which 70% is concentrated in the submarkets of San Jeronimo (96,158 Sq. m.) and Santa María (63,511 Sq. m.).

### **Panama City, Panama**

The market showed a moderate decline in the vacancy rate, which reported 27.4%. This change was mainly supported by the absence of new buildings and a resurgence in the need for spaces by regional corporate headquarters. For the first half of the year, net absorption exceeded 15,000 Sq. m. in ready-to-occupy offices. Given the current conditions, average asking lease prices have suffered a significant drop where the average was recorded below USD \$15.00 / Sq. m. / month.

Stats per City					
	Total Inventory (million m <sup>2</sup> )	Under Construction (million m <sup>2</sup> )	Vacancy Rate	1H Absorption (m <sup>2</sup> )	Average Asking Rate (USD/m <sup>2</sup> /month)
Buenos Aires	1,74	0,26	16,8%	(4.417)	\$23,50
Río de Janeiro	2,31	0,02	35,4%	4.866	\$14,21
Sao Paulo	5,18	0,21	23,8%	64.529	\$16,76
Bogota	1,58	0,12	10,9%	30.490	\$18,00
San Jose	2,46	0,01	22,4%	1.071	\$17,92
Monterrey	1,37	0,23	25,9%	16.553	\$17,79
Guadalajara	0,79	0,09	19,0%	9,904	\$19,69
Mexico City	7,83	1,27	23,8%	(42.782)	\$22,37
Panama City	1,78	-	27,4%	15.166	\$14,80
<b>Total</b>	<b>25,03</b>	<b>2,30</b>	<b>23,7%</b>	<b>95.380</b>	<b>\$18,63</b>

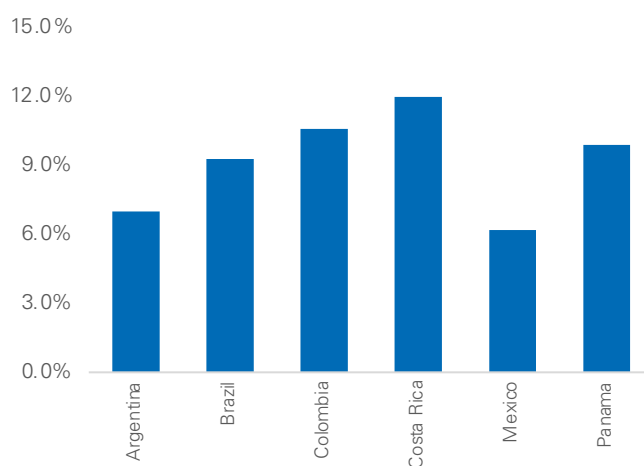
## Economic Conditions

### Argentina

Within the global economic landscape, there are high levels of uncertainty. Global GDP growth is expected to slow, with 4.0% forecast in 2022, against 6.1% in 2021. Policies of fiscal and monetary consolidation and accumulation of reserves led to greater adjustments on the exchange market, adjustments that led to high levels of monetary issuance in recent quarters, within the framework of a monetary policy that remains loose, and imposes a high floor on inflation. The recent changes in the economic cabinet have further aggravated the general situation, while distrust in the government has triggered the values of the MEP and CCL dollar, which will directly impact Argentine economic activity.

### Unemployment Rate

#### PER COUNTRY



## Brazil

The recovery of the Brazilian economy proved to be stronger than estimated and the indicators were higher than those of the first quarter. The Central Bank's projections swung to positive GDP growth in 2022 of between 0% and 1.7%.

Most of the productive sectors also had a positive performance and in May the level of activity increased by 1.2% in the industrial sector, 0.6% in trade and 0.3% in services. The expectation of GDP growth in the second quarter has been reinforced by new incentives aimed at household consumption and improvements in the agriculture and mining sectors, in contrast to the declines at the beginning of the year.

## Colombia

GDP grew 8.5% in the first quarter of 2022, where the activities that stood out the most are trade, manufacturing and artistic activities, which contributed 5.5 basis points. The country's GDP is forecast to grow 6.1% in 2022 and 2.3% in 2023. One of the main problems is the growth of inflation, which has reached 9.2% per year. Therefore, monetary policy is expected to remain tight until the end of 2023. Another negative factor is the continued rise of the dollar, which has reached historic levels and will continue to rise.

In addition, on May 29, the first leftist president in the history of the country, Gustavo Petro, was elected, which has generated many expectations.

U.S. Dollar Exchange Rate						
Country	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Argentina	89,70	94,52	104,0	100,5	107,8	127,0
Brazil	5,56	5,21	5,44	5,58	5,08	4,96
Colombia	3.624	3.735	3.834	4.000	3.885	3.953
Costa Rica	611	615	630	630	645	675
Mexico	20,62	20,03	20,33	20,89	20,31	20,05

Source: investing.com

## Costa Rica

Costa Rica's production reached a year-over-year variation rate of 5.4% in May 2022; however, economic growth is slowing due to national and international tensions. This has put pressure on the upsurge in the prices of imported raw materials, mainly energy and food, which had been increasing since 2021. It should be noted that, in analyzing trade by regime, the growth in production of businesses in the final imports regime exceeded that of special regimes for the third consecutive month.

In June 2022, headline inflation points to a year-over-year rate of 10.1%, the highest rate recorded in the last 5 years. The Central Bank projects this indicator will remain around 6% throughout 2022 and about 4% by 2023.

## Mexico

The Mexican economy grew 0.9% in real quarterly terms compared to the first quarter of the year. Tertiary activities grew by more than 1% in the current period, indicating a slight recovery in the economy's most important activities.

There was a small improvement in the rate of inflation compared to the first quarter of the previous year, from 7.9% to 7.7%, but expectations regarding future trends are unfavorable. On the other hand, the unemployment rate had a slight uptick, going from 4.2% in the first quarter of 2021 to 3.7% in the current quarter.

## Panama

The sectors that have boosted the economy this year are the construction, mining, export, wholesale and retail commerce, logistics and related activities, and the port system in general. In addition, there are favorable expectations regarding the recovery of the tourism sector, which was one of the most affected during the first months of the pandemic.

Meanwhile, the added values generated by activities related to the rest of the world that recorded increases were: the Panama Canal, with an increase in toll revenues of 2.6%; those related to the transit of Panamax ships of 13.2%; and air transport and re-exportation from the Colon Free Trade Zone of 22.4%.

*For more information:*

**Giovanni D'Agostino**  
*President Mexico*  
*Regional Managing Director*  
*Latin America*  
giovanni.dagostino@nmrk.com

**Juan Flores**  
*Market Research*  
*Director*  
*Latin America*  
juan.flores@nmrk.com

<b>Diego León Laos</b> <i>Marketing, Corporate Comms.</i> <i>&amp; Research Specialist</i> <i>Latin America</i> diego.leon@nmrk.com	<b>Karina Longo</b> <i>Gerente de Research.</i> <i>Valuaciones. Data Analytics</i> <i>Argentina</i> klongo@ngbacre.com.ar	<b>Mariana Hanania</b> <i>Pesquisa de</i> <i>Mercado</i> <i>Brasil</i> mariana.hanania@ngkf.com.br	<b>Aurora Turriago</b> <i>Marketing, Corporate</i> <i>Comms. &amp; Research Director</i> <i>Colombia</i> aurora.turriago@nmrk.com	<b>Joseline Saborio</b> <i>Market Research</i> <i>Assistant</i> <i>Costa Rica</i> joseline.saborio@nmrk.com
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<b>Mauricio Mondragón</b> <i>Market Research</i> <i>Manager</i> <i>México</i> mauricio.mondragon@nmrk.com	<b>Diana Merino</b> <i>Market Research Analyst</i> <i>Ciudad de México</i> <i>México</i> diana.merino@nmrk.com	<b>Karen Gutiérrez</b> <i>Market Research Analyst</i> <i>Ciudad de México</i> <i>México</i> karen.gutierrez@nmrk.com	<b>Vianey Macías</b> <i>Market Research Analyst</i> <i>Ciudad de México</i> <i>México</i> vianey.macias@nmrk.com	<b>Juan Millán</b> <i>Market Research Analyst</i> <i>Monterrey</i> <i>México</i> juan.millan@nmrk.com
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<b>Luis Moreno</b> <i>Senior Market Research</i> <i>Analyst Industrial- Monterrey</i> <i>México</i> luis.moreno@nmrk.com	<b>Genaro López</b> <i>Market Research Analyst</i> <i>Tijuana</i> <i>México</i> genaro.lopez@nmrk.com	<b>Danny Quirós</b> <i>Research Manager</i> <i>Central America</i> <i>Panamá</i> danny.quiros@nmrk.com
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