

MARKETBEAT INDUSTRIAL MARKET



ARGENTINA

A Cushman & Wakefield Research Publication

Q1 2014



ECONOMIC OUTLOOK

Argentina's economic course continues to be affected by the uncertainty resulting from the future evolution of the inflation rate and the Argentine currency quotation against the exchange rate of the US Dollar.

As a consequence of the Argentine currency depreciation over the last few months, and the high interest rates imposed by Banco Central; internal consumption has declined, thus putting at risk the most important means of support of economic activity over the last few years.

This significantly uncertain outlook makes it difficult for businesses to make long-term expansion plans, and as a result, the industry is not showing any signs of recovery. Based on the Monthly Industrial Index (MII) the first quarter of the current year shows a cumulative 3.5% decline compared to Q1 2013. However, in April 2014 the industrial activity registered a 0.9% growth compared to March 2014.

The qualitative industrial survey, which measures companies' expectations for the next months, has anticipated that 81% of companies are not planning to increase the use of their installed capacity. Indeed, the industrial sector is showing a stagnation of the productive capacity. Facilities are currently being subjected to intensive use, and no major investment plans are being made in response to this scenario.

HEALTHFUL MARKET

The market continues to show healthful and stable indicators. During Q1 2014 the vacancy rate increased up to 6.9% as a consequence of the incorporation into the market of 53,450 m² the completion of which was already accumulating delays.

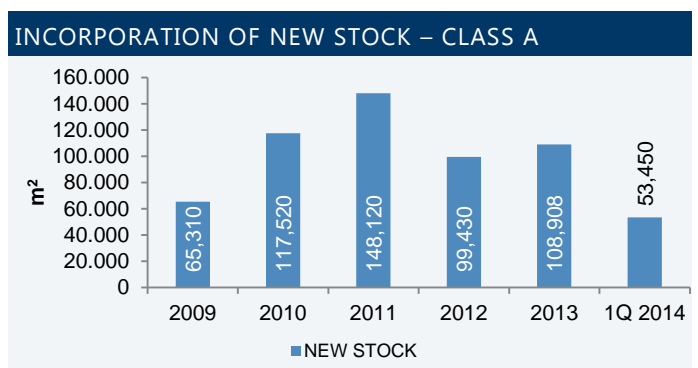
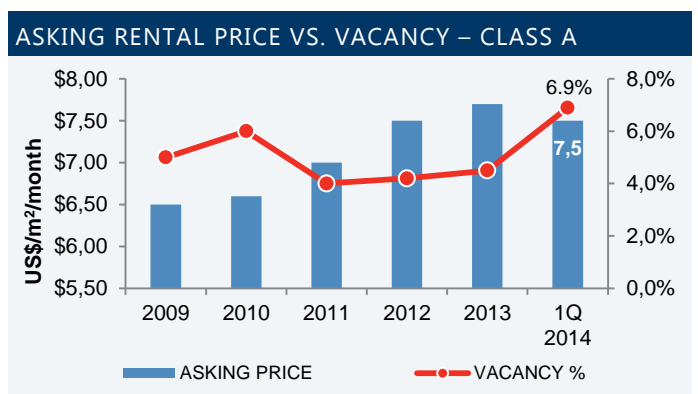
However, the vacancy rate has maintained relatively low, which confirms the growing trend towards the *build to suit* approach within the market, facilitating the incorporation of surface areas rented prior to the completion of the projects.

In terms of prices, in January 2014, the Banco Nación exchange rate for the US Dollar registered a strong increase which derived in a decreasing adjustment of rental prices fixed in US Dollars. However, during the following months values were adjusted based on the inflation rate, thus reaching similar values to those registered in Q4 2013.

OUTLOOK

The Argentine peso devaluation against the US Dollar is having an impact on construction prices estimated in US Dollars, which in the future might encourage the construction of warehouses. In turn, companies might use their funds in Argentine pesos with the purpose of buying and migrating to better equipped facilities located within logistics centers or industrial parks, which provide a wider range of services and advantages.

EVOLUTION OF INDICATORS				
	Q3 2013	Q1 2014	ANNUAL VAR %	FORECAST (12 MONTHS)
Overall vacancy	4.5%	6.9%	2.4p.p	◄
Asking price (US\$/m ² /month)	7.7	7.5	-2.6%	▲
Available surface area (m ²)	44,300	71,700	38.2%	▲



VACANCY

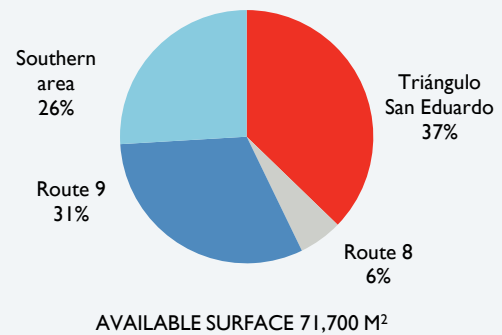
- During Q1 2014 the available surface area surveyed in the Buenos Aires Metropolitan Area (BAMA) reached 70,700 m².
- The northern area accumulates 74% of the available surface area.
- The Triángulo San Eduardo submarket, which is located in the northern area, houses 37% of the total available surface area. Even though 25,500 m² of brand new surface area entered this submarket during Q1 2014, most of it was developed under the build to suit approach, thus by the time it entered the market it had already been rented. As a result the vacancy rate went down to 5.1%.
- The Route 9 Submarket (northern area) has 31% of the available surface area. During Q1 2014, 12,000 m² of brand new surface area entered this submarket, therefore the vacancy rate of this particular area increased up to 16%.

ASKING RENTAL PRICES

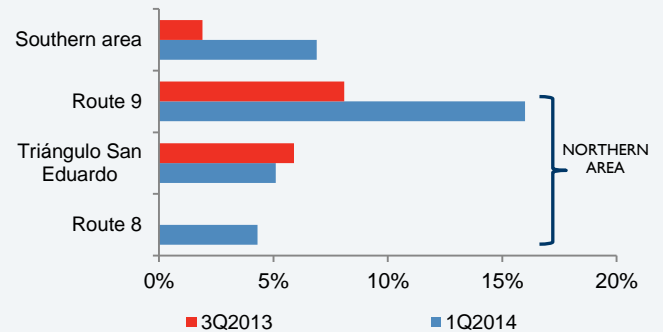
- The weighted average price has reached 7.1 US\$/m²/month, i.e., 7.8% lower than the price registered in Q3 2013. On the other hand, all the submarkets registered a moderate decrease in their asking rental prices.
- The northern area registers the highest rental prices. Within this area, the price in the Triángulo San Eduardo submarket has reached 7.8 US\$/m²/month, which shows a 2.5% decrease compared to the prices registered for Q3 2013.
- The prices in the submarkets developed around National Routes 8 and 9 have reached 7.5 and 6.9 US\$/m²/month respectively.
- The southern area registers the lowest prices in BAMA. In Q1 2014 their price reached 6.8 US\$/m²/month.

GIVEN THE SIZE OF THE NORTHERN AREA, WE HAVE DIVIDED IT INTO THREE SUBMARKETS: TRIÁNGULO SAN EDUARDO (LIMITED BY THE SPLIT OF THE ACCESO NORTE HIGHWAY INTO PILAR AND ESCOBAR BRANCHES. THE TRIANGLE IS CLOSED BY PROVINCIAL ROUTE 25). RUTA 9 (SURROUNDING ESCOBAR, ZÁRATE AND CAMPANA) AND RUTA 8 (PILAR).

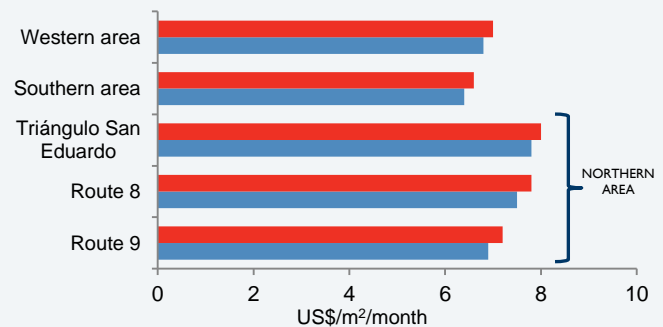
COMPOSITION OF VACANCY – CLASS A



VACANCY BY SUBMARKET – CLASS A



ASKING RENTAL PRICE BY SUBMARKET – CLASS A



BUENOS AIRES METROPOLITAN AREA (BAMA) – WAREHOUSES CLASS A

SUBMARKET	STOCK	VACANCY RATE	AVAILABLE SURFACE	NEW STOCK	UNDER CONSTRUCTION	PLANNED	ASKING RENTAL PRICE (US\$/M ² /MONTH)
Triángulo San Eduardo	519,280	5.1%	26,700	25,450	169,000	443,140	7.8
Route 8	92,000	4.3%	4,000	4,000	-	80,000	7.5
Route 9	140,000	16.0%	22,400	12,000	8,000	-	6.9
NORTHERN AREA SUBTOTAL	751,280	7.1%	53,100	41,450	177,000	523,140	7.5
Southern area	269,640	6.9	18,600	12,000	52,560	20,000	6.4
Western area	15,000	-	-	-	-	15,000	6.8
BAMA TOTAL	1,035,920	6.9%	71,700	53,450	229,560	558,140	6.9 *

* WEIGHED RENTAL PRICE.