

**BUENOS AIRES OFFICES**

**Economic indicators**

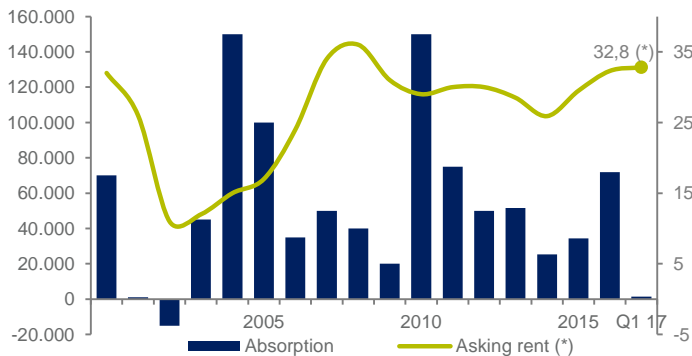
	Q1 16	Q1 17	12-Month Forecast
Unemployment rate (Q4)	5,9%	7,6%	▼
GDP variation (Q4)	2,6%	-2,1%	▼
Inflation index YTD (January-November)	35,5%	33,0%	▲

**Market indicators (Class A)**

	Q1 16	Q1 17	12-Month Forecast
Overall vacancy	6,5%	5,7%	▼
Net absorption (sqm) YTD	480	1.480	▲
Under construction (sqm)	166.817	281.780	▲
Average asking rent (*) (USD/sqm/month)	30,0	32,8	▲

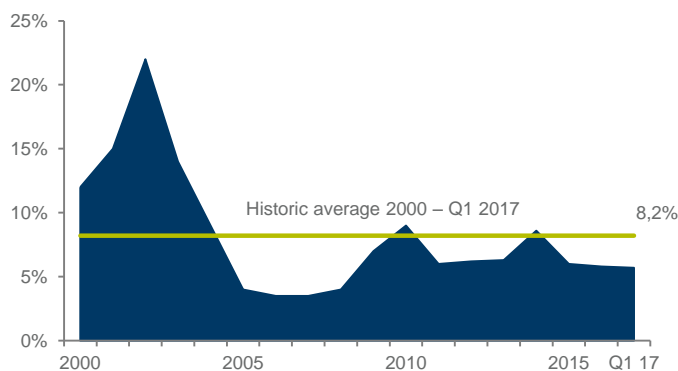
(\*) corresponds to average of submarkets Catalinas-Plaza Roma and Retiro-Plaza San Martín.

**Net absorption (sqm) / Asking rent (USD/sqm/month) (Class A)**



(\*) corresponds to average of submarkets Catalinas-Plaza Roma and Retiro-Plaza San Martín.

**Overall vacancy (%) (Class A)**



**Economic Outlook**

In the months to come, the main challenges that the government need to achieve is a deceleration in inflation to support real wages, which are the key to restore the economic situation.

The economic indicators have shown strong downward trends by the end of 2016. GDP registered a decline of 2,1%, compared to registers in the same period of 2015, reflecting the country's economic downturn. Even though the annual economic indicators continue showing a negative trend, in the last quarter of 2016 there was evidence of slight growth (+0,5) compared to registers in the previous quarter.

The construction sector is one of the most affected by the economic setback due to the decrease in the public work register by the end of 2015. Nevertheless, because of the forthcoming legislative elections, the government is having a change of policy that can provide fresh impetus in the public sector.

The increased in the tariffs on basic services in a context of the inflationary economic situation has reduce the purchasing power of households. Additionally, the parity negotiations with the unionized workers didn't achieve improvements in real wages, rising the social and political tension.

Although in 2016 the BCRA released inflation goals for 2017, the measurements of the first quarter of the year indicate that the internannual inflation could reach 33% (Congress CPI), a very different value from the declared objective of 17%.

**Market Outlook**

Buenos Aires office market continues to develop positively and does not seem to be affected by the current economic context.

Since last year, the net absorption for premium spaces demand remains positive while vacancy rate continues to fall, pushing asking rent prices up and leaving little margin for negotiation.

Even though indicators are positive, an over-offered market is observed. In the short-term, the market will need to grow in order to meet the demand for premium spaces. Although this scenario is very attractive for developers, a more stable and predictable economic environment is expected before launching new projects.

During 2016, the demand totalled around 71.800 sqm (net absorption). If the indicators remain, the office market would have a deficit for premium area based on the new supply that may be incorporated to the market throughout this year and the small premium area release. In 2017, it is expected to be deliver around 95.400 sqm of premium spaces, although only 57% will be speculative offer. This value is below the expected demand for this year.

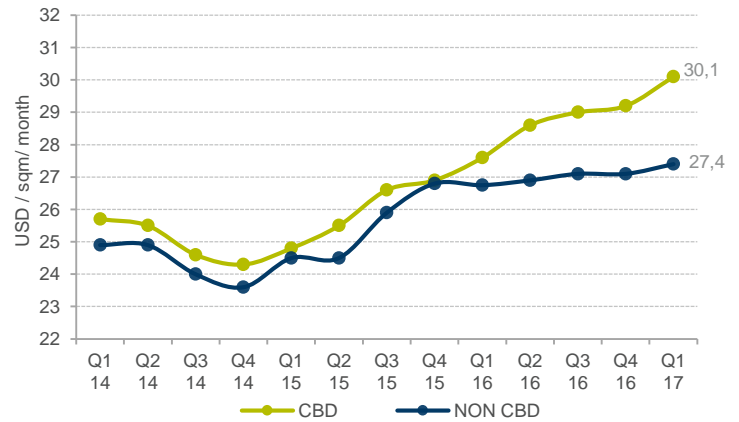
For its part, it does not help that the available area is at historically low levels and distributed in different building, making it difficult for large corporate movements.

**IN THE SHORT-TERM, THE MARKET WILL NEED TO GROW IN ORDER TO MEET THE DEMAND FOR PREMIUM SPACES**

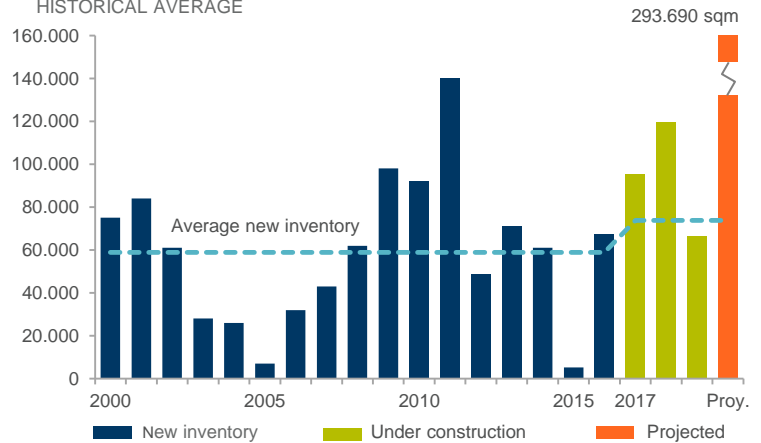
Due to the appreciation of Catalinas-Plaza Roma submarket in 2016, the average asking rent in CBD is still accelerating its growth. During the first quarter of 2017, the submarket registered an increase of 1,5% compared to previous quarter and an accumulated annual growth of 9,1%. In turn, NON CBN registered an annual growth of 2,4%.

Puerto Madero, Catalinas-Plaza Roma y Retiro-Plaza San Martín submarkets have shown a greater dynamism, with a net absorption of 6.150 sqm. On the contrary, in Libertador GBA and Microcentro submarkets the area released in the quarter was not occupied, leaving a negative net absorption.

**Class A asking rent (USD/sqm/month) CBD / NON CBD**  
THE ASKING RENT IN CBD AREA INCREASED A 9,1% DURING THE LAST YEAR



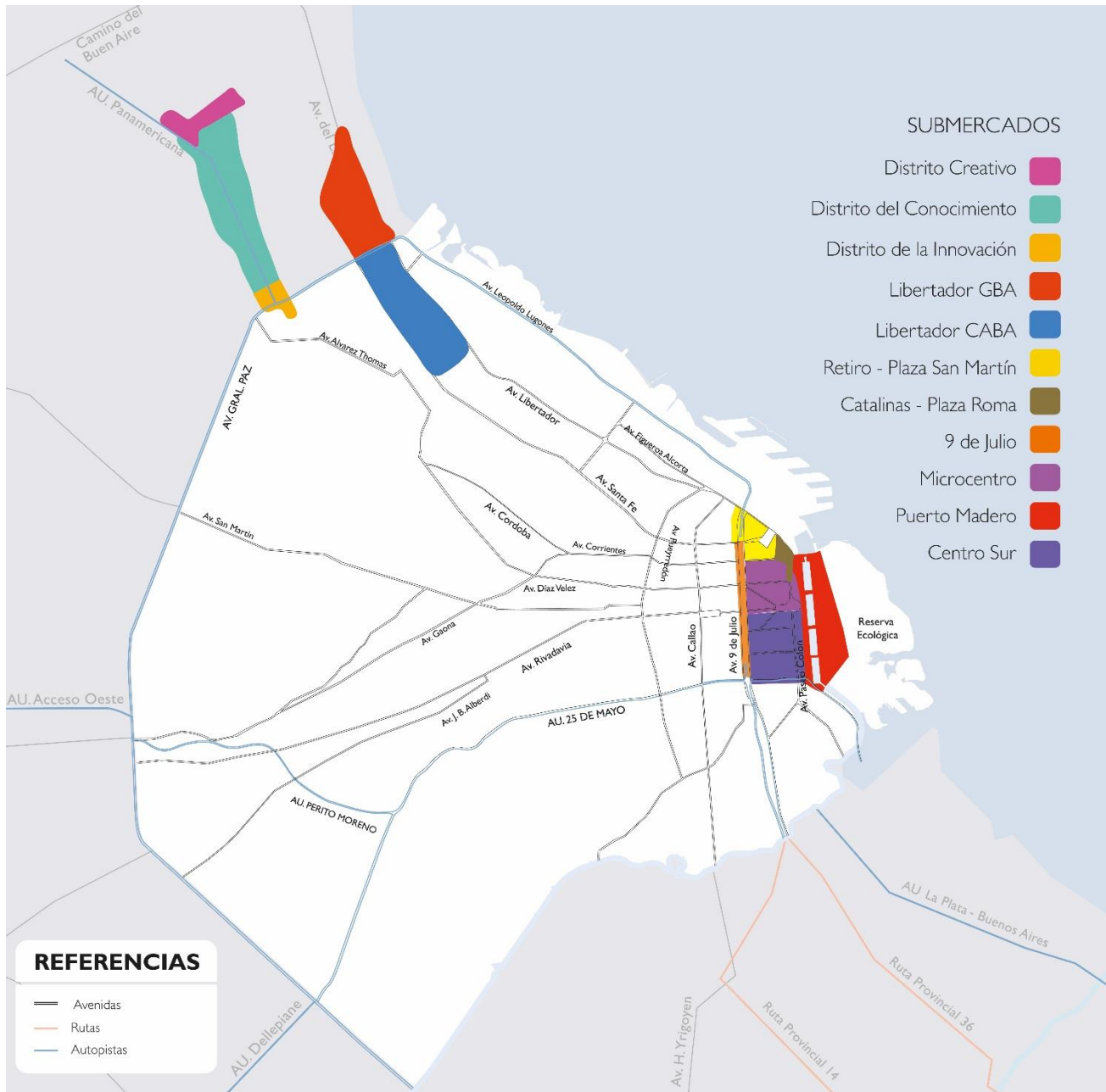
**New inventory (sqm) / Projected surface (sqm)**  
UNDER CONSTRUCTION AND PROJECTED SPACE RISES 25,2% OVER THE HISTORICAL AVERAGE



SUBMARKET	INVENTORY CLASS A	SURFACE AVAILABLE (SQM)	VACANCY RATE (%)	AVERAGE ASKING RENT (USD/SQM/MONTH)	UNDER CONSTRUCTION (SQM)	PROJECTED (SQM)
Catalinas-Plaza Roma	303.250	9.940	3,3%	35,5	41.000	39.900
Puerto Madero	243.170	20.310	8,4%	33,0	-	30.300
Microcentro	68.910	2.120	3,1%	25,0	-	-
Retiro-Plaza San Martín	77.445	2.870	3,7%	30,0	-	-
9 de Julio	73.990	7.400	10,0%	27,0	13.800	-
Centro Sur	24.160	-	-	sd	35.000	19.500
<b>CBD</b>	<b>790.925</b>	<b>42.640</b>	<b>5,4%</b>	<b>30,1</b>	<b>89.800</b>	<b>89.700</b>
Subtotal Panamericana + Philips area	259.470	15.390	5,9%	26,5	85.210	93.520
- Distrito del Conocimiento	200.050	11.060	5,5%	26,5	9.000	39.110
- Distrito de la Innovación (included Philips area)	59.420	4.330	7,3%	26,5	76.210	54.410
Libertador GBA	75.875	6.270	8,3%	29,0	56.770	82.670
Libertador CABA	12.385	-	-	27,5	50.000	-
<b>NON CBD</b>	<b>347.730</b>	<b>21.660</b>	<b>6,2%</b>	<b>27,4</b>	<b>191.980</b>	<b>176.190</b>
<b>BUENOS AIRES TOTAL CLASS A</b>	<b>1.138.155</b>	<b>64.300</b>	<b>5,7%</b>	<b>28,9</b>	<b>281.780</b>	<b>265.890</b>

**OFFICE MARKET MAP WITH SUBMARKET DIVISION**

BUENOS AIRES / ARGENTINA



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