

Industrial H1 2020

	YoY Chg	12-Months Forecast
9.85% Overall Vacancy	▲	▼
-175,980 Net Absorption Sq.m	▼	▲
\$ 4.47 (* Average Asking Rent)	▼	▲

ECONOMIC INDICATORS Q1 2020

	YoY Chg	12-Mnth Forecast
8.23% Unemployment Rate (Q1)	▲	▼
0.36% GDP variation (Q1)	▲	▲
2.8% CPI (% Interannual variation 12 months) (*)	▲	▲

(* Average lease price requested, expressed in USD/Sq.m/Month
Source: "Instituto Nacional de Estadísticas de Chile (INE)"- May 2020

MARKET OUTLOOK:

Due to the social crisis, the year began with low expectation for the warehouse market and afterwards the ongoing pandemic was added. The star of the sector has been e-commerce, however companies that were not prepared for online sales and those that are not of basic necessities, have had to reconsider the payment of rents, the reduction of surface or even lease termination. In contrast, companies that won state tenders and supported the flow of sales from e-commerce have increased their operations, adding new footage and additional logistics services such as last mile delivery.

It is observed that, despite the adverse scenario, demand has become dynamic, although more focused on small spaces, mainly from companies in the cleaning industry, while larger companies are waiting for the economic outlook to return to normal. The Sur sub-market becomes, as a result of the events, an interesting sector as a last mile target since it borders high population density boroughs in which the main retail companies have their operations.

SUPPLY AND DEMAND:

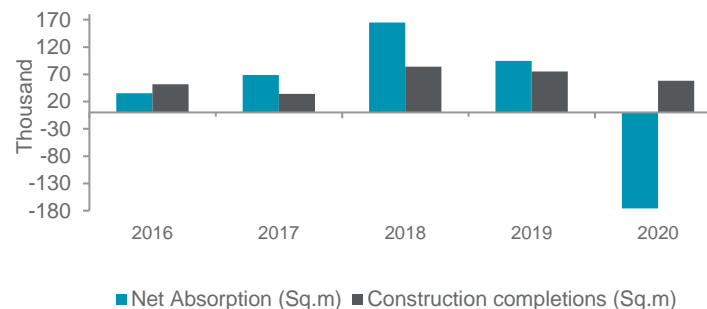
For this semester, 226,111 sqm were vacated, from those a 53% corresponds to the migration of a major retail company from the Poniente B class sub-market to its own brand new distribution center, while the remaining 47% responds to the normal lease cycle and to a few that have had to terminate leases due to low sales.

On the other hand the newly leased area was of 50,131 sqm. Mainly, from companies that have been impacted by the over-stock of imported goods and companies that have increased their sales during the pandemic. Within this area, 51% was leased in the Norponiente sub-market.

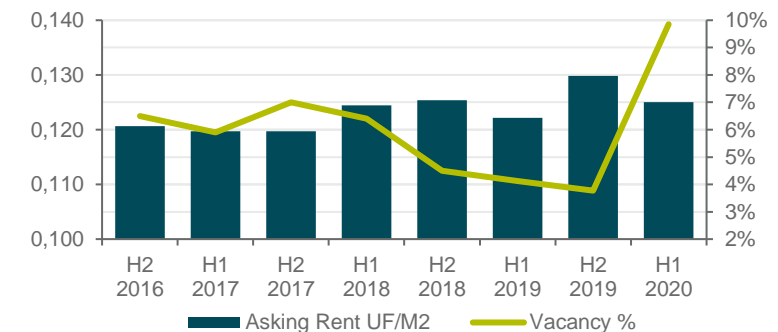
PRICING:

The rent price has decreased to 0.125 UF / sqm (-3.8% vs. the previous semester), as a result of unemployment and the incentive to streamline the market, while the price in dollars has been affected by the rise in the exchange rate. The most expensive for this period correspond to Sur class A with 0.135 UF / sqm and Norte class B with 0.130 UF / sqm.

SURFACE DEMAND / DELIVERIES



OVERALL VACANCY & AVERAGE ASKING RENT



ECONOMIC OUTLOOK

As of January, the impact of COVID-19 has been severe, lasting longer than expected and with long-term repercussions that are still uncertain. The government has carried out various aid programs for vulnerable companies and families in order to increase liquidity in the market.

Access [here](#) the most recent and specific information of COVID-19.

In this international scenario, national economic activity, despite the contraction forecast for this year of -5.5 and -7.5%, has increased to 0.36%. For the years 2021-2022, a recovery of 4.75 to 6.25% and 3 to 4% respectively is forecast, considering that these will be periods with greater certainty.

Meanwhile, inflation reached 2.8%, forecasting it will be, for the second quarter of 2022, at 3%. In the mining sector, the metal mining indicator fell to 0.8%, as a result of a 1.4% drop in processing and lower grade of copper ore. Finally, investment contracted to 16%, due to uncertainty and lack of liquidity; a revival is anticipated for the years 2021 - 2022.

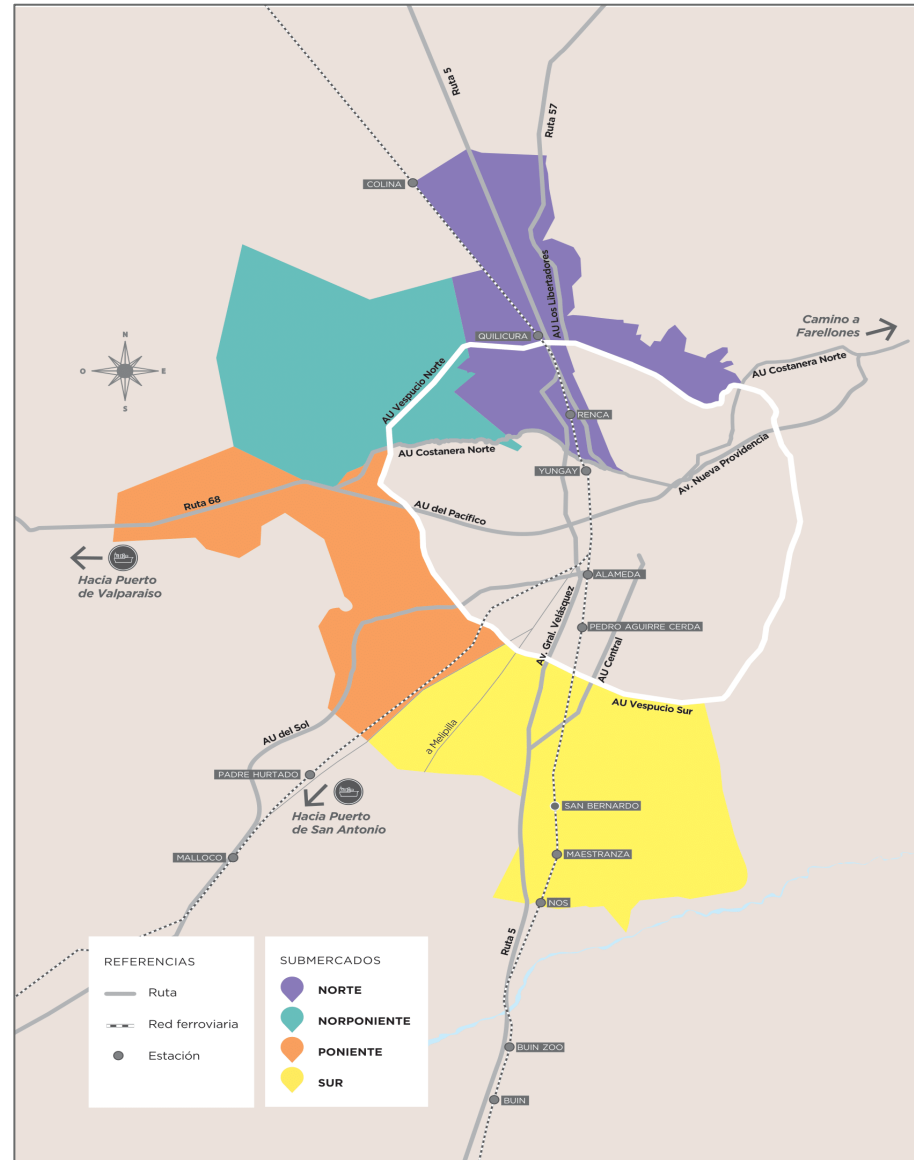
FUTURE OUTLOOK

The beginning of construction for some projects that contemplated their start for this year is postponed until 2021 and the beginning of 2022. It is estimated that around 159,000 sqm would be affected by this delay.

For the next semester, 88,918 sqm are expected to enter the market, of which 25,000 sqm correspond to the Poniente sub-market (Class B), 10,000 sqm to the South sub-market (Class B) and the rest is concentrated in the Norponiente sub-market, Class A and B, where 39,956 sqm correspond to the Anya Lo Echevers project and 13,962 sqm to the Miraflores III project.

Future demand is expected to value those logistics centers that provide outsourced services to carry out e-commerce sales operations.

WAREHOUSE MAP / SANTIAGO / CHILE



EMPLOYED METHODOLOGY

Classification of logistic centers class A:

Surface area above 10.000 sqm / Shoulder height: above 9 meters / Construction: level platforms, level floors, fire system/ Infrastructure: Casino, changing rooms and offices / Antiquity: less than 15 years.

Classification of logistic centers class B:

Surface area above 10.000 sqm / Shoulder height: less than 9 meters / Construction: no level platforms and lower quality floors / Antiquity: more than 15 years.

MARKET STATISTICS

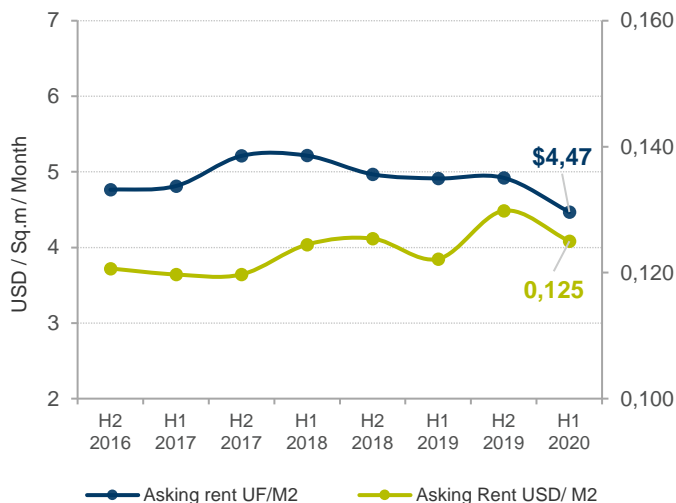
SUBMARKETS	INVENTORY (*)	NUMBER OF BUILDINGS	AVAILABLE SURFACE (SQ.M)	VACANCY RATE(%)	YTD OVERALL NET ABSORPTION (SQ.M)	UNDER CONSTRUCTION (SQ.M) (**)	PROJECTED (SQ.M) (**)	OVERALL AVG ASKING RENT (USD/SQ.M/MONTH)	OVERALL AVG ASKING RENT (UF/SQ.M/MONTH) (***)
Poniente Clase A	407,603	3	12,000	2.9 %	11,068	-	184,000	\$ 4.47	0.125
Poniente Clase B	1,459,222	8	219,797	15.1 %	-170,831	25,000	576,090	\$ 4.12	0.115
Norponiente Clase A	844,182	16	21,054	2.5 %	-13,052	39,956	124,873	\$ 4.62	0.129
Norponiente Clase B	297,405	9	64,366	21.6 %	1,922	13,962	14,134	\$ 4.47	0.125
Sur Clase A	60,427	1	3,400	5.6 %	-	-	68,000	\$ 4.83	0.135
Sur Clase B	416,859	9	27,122	6.5 %	-4,644	10,000	68,000	\$ 4.22	0.118
Norte Clase A	78,000	2	3,757	4.8 %	209	-	322,576	\$ 4.29	0.120
Norte Clase B	82,000	3	7,540	9.2 %	-652	-	40,000	\$ 4.65	0.130
TOTAL CLASS A	1,390,212	22	40,211	2.9 %	-1,775	39,956	699,449	\$ 4.55	0.127
TOTAL CLASS B	2,255,486	29	318,825	14.1 %	-174,205	48,962	698,224	\$ 4.37	0.122
TOTAL	3,645,698	51	359,036	9.85 %	- 175,980	88,918	1,397,673	\$ 4.47	0.125

(*) In the Norponiente Submarket Class B, a warehouse of 14,134 Sq.m was affected by a warehouse fire, the reconstruction will start in 2021.

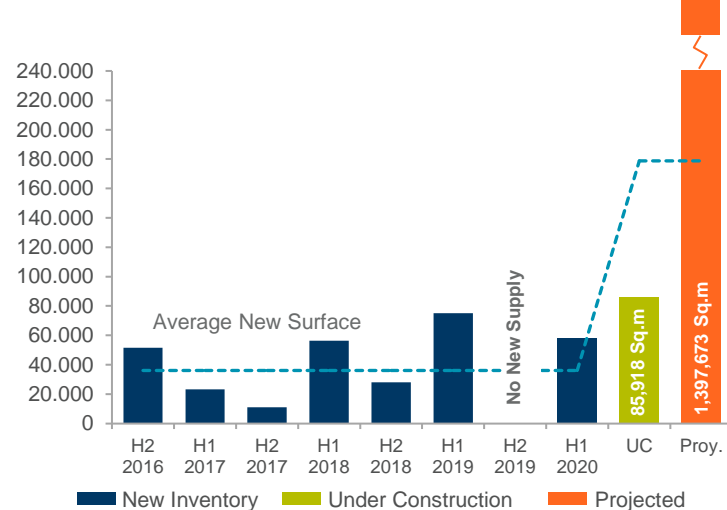
(**) Corresponds to rentable surface according to available information

(***) The Unidad de Fomento is a unit of account used in Chile, readjusted according to the inflation. Its value is adjusted daily by the Central Bank of Chile accordingly to the CPI index calculated by the National Institute of Statistics (INE); its code ISO 4217 is CLF. Data up July 6th, 2020: 1 UF = CLP \$ 28,690.67 = USD \$35.79; 1 USD = CLP \$801.46

ASKING RENT UF/SQ.M/Month vs. USD/SQ.M/Month



NEW INVENTORY (SQ.M) PROJECTED SURFACE (SQ.M)



GUSTAVO VALENZUELA

Director of Brokerage

+56 232 539 610

Gustavo.valenzuela@sa.cushwake.com

VICTOR MUÑOZ

Market Research Assistant

+56 232 539 623

Victor.muñoz@cushwake.com

cushwakechile.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy