

# SOUTH AMERICA

Office H1 2021

	GDP Var (%)	Unemployment Rate (%)	Inflation Index (%)
<b>Argentina</b>	2.5	10.2	48.8 <sup>1</sup>
<b>Brazil</b>	1.21 <sup>2</sup>	14.7 <sup>1</sup>	8.4 <sup>5</sup>
<b>Chile</b>	-4.4 <sup>2</sup>	10.4 <sup>2</sup>	3.6
<b>Colombia</b>	14.6 <sup>4</sup>	15.0 <sup>1</sup>	3.6
<b>Peru</b>	58.5 <sup>2</sup>	12.0 <sup>1</sup>	2.5

## ECONOMIC OUTLOOK

The COVID-19 health crisis continues to impact the economy across the globe, resulting in a volatile economic outlook, which is reflected in the GDP variations across the region. Due to the different government restrictions, vaccination process and relaxation in control measurements, a slower economic recovery is seen, there is a visible GDP growth, except for Brazil and Chile. Regarding the unemployment rate, there's a slight overall downfall that shows first signs of labor recovery across the South American region. This gives a positive forecast for the next year, expecting the opening of new jobs.

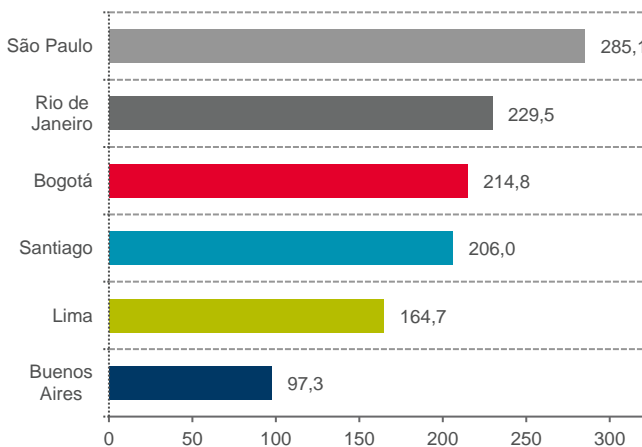
**Argentina** GDP recovered with a rise of 2.5% compared with the same period in 2020. On the other hand, the May inflation was 48.8% (12 months accumulated). Expectations continue to show a tendency towards deceleration. In **Brazil**, there was a YoY change of 6.3% of the restricted PMC (Retail Trade), as well as an increase in the Consumer Confidence Index, which closed June at 80.3%, compared to 70.7% in March. **Chile's** economic growth expected for this year has shown an increase between 8.5% and 9.5%. For the second semester, a progressive end of the confinement and relaxation in control measurements is expected, with a positive economic scenario. The **Colombian** economy registers a growth of 1.1% YoY GDP. Such performance, and unemployment improvement, generate moderate optimistic expectations about growth for the second half of 2021 and 2022.

**Peru** registered a 58.5% GDP increase. Also, it's estimated a 10.7% growth by the end of 2021 and 4.5% by 2022, assuming a recovery of consumption habits of the population and service sector. This year, Peru and Argentina are facing electoral processes which might alter both countries economy of years to come.

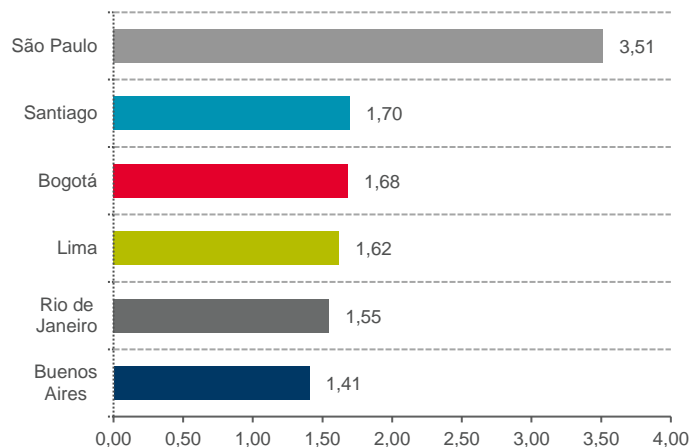
Although the inflation index is showing a significant YoY increase, based on the regional scenario; the unemployment rate dropdown and the GDP recovery in hopes for a pre-pandemic envision, there's a positive forecast for the next year to come in the region.

<sup>1</sup> May 2021  
<sup>2</sup> Q1 2021  
<sup>3</sup> April 2021  
<sup>4</sup> Forecast BBVA Research Q2-2021  
<sup>5</sup> Inflation Index (last 12 months)  
 Sources: LCA and National Statistics Institute per country

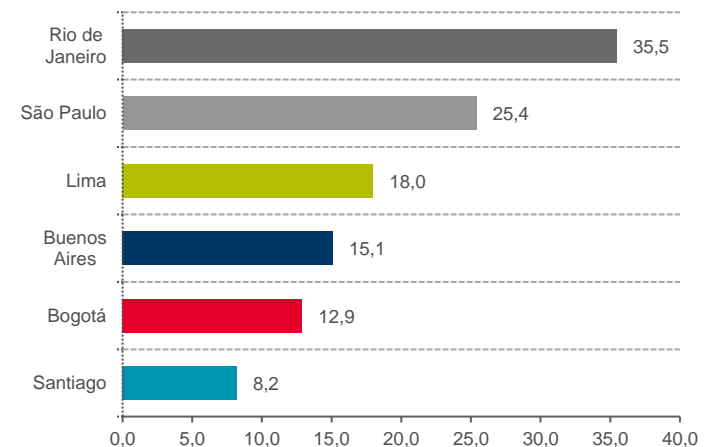
Inventory ratio (sq.m)/1.000 inhabitants – H1 2021



Class A inventory (Mi. sq.m) – H1 2021



Vacancy (%) – H1 2021



**BOGOTÁ**

**7.8**  
Mi. Habitants  
**1.68**  
Mi. sq.m

**LIMA**

**9.8**  
Mi. Habitants  
**1.62**  
Mi. sq.m

**SANTIAGO**

**8.2**  
Mi. Habitants  
**1.7**  
Mi. sq.m

**SÃO PAULO**

**12.3**  
Mi. Habitants  
**3.51**  
Mi. sq.m

**BUENOS AIRES**

**14.5**  
Mi. Habitants  
**1.41**  
Mi. sq.m

**RIO DE JANEIRO**

**6.7**  
Mi. Habitants  
**1.55**  
Mi. sq.m

**MARKET SIZE**

The office square meters per 1,000 inhabitant's ratio allows us to make an unbiased comparison of the cities' Office Market size. **São Paulo** continues leading the ranking with 285.1, followed by **Rio de Janeiro** with 229.5 and **Bogotá** having 214.8 square meters per 1,000 habitants.

This analysis shows that although there are slight variations in the market size, the whole region continues with the same tendency, just a few ratio differences, mainly due to current uncertainties about the business environment.

Long-term investments due to country's stability are winning ground and market size is growing, mainly in the most stable economies such as **Chile** and **Bogotá**, not the case for the **Argentinian** scenario.

**MARKET OVERVIEW**

The overall tendency in the South American region is that the vacancy continues increasing, showing greater values compared to the previous semester, mainly due to restrictions implemented by governments facing the second COVID-19 wave.

Regarding the second part of the year, it is expected that, due to the progress in the vaccination plans and the end of the winter period, there will be better conditions for a gradual return to working spaces, which will eventually affect positively, lowering vacancies.

**Buenos Aires** closed the first semester of 2021 reaching a vacancy of 15.1% in the corporate offices market, which represents an inter-annual rise of 67%.

**Rio de Janeiro** has been adopting the hybrid-office model and suffered departures by companies. Despite the improvement in the result presented the first half of 2021, Class A CBD market contains more than 98,000 sq.m of leased space waiting to be occupied, as the country continues to try and reduce the spread of COVID-19.

In **São Paulo's**, despite the companies returning space, some occupations were registered, closing the period with gross absorption of 5,551 sq.m. Furthermore, there are more than 140,000 sq.m of leases and, about 4,255 sq.m to be returned, leaving a strong figure that should turn into a positive occupation in the near future.

As for **Santiago**, the first half of the year is closing with an 8.2% vacancy, 76% higher compared with the year-to-year. This rise has been caused by the pandemic that, for the last year, has been the main factor of the increase in released surface compared to the leased surface.

In **Bogotá**, several sectors decided to also permanently implement the hybrid work model, vacating areas. Despite that, other sectors reaffirmed the need for physical spaces, which balanced the vacancy rate.

During the same period, **Lima** experienced a vacancy rate increase once again. These variations have occurred within a scenario of continuous adaptations, this behavior responds to an excess of accumulated supply from several quarters ago.

# SOUTH AMERICA

Office H1 2021



## SUPPLY AND DEMAND

Despite the uncertain economic environment, there are different scenarios in the region regarding Class A Office occupations, some of the cities show a resilient behavior with signs of recovery, while others continue to still be affected by the pandemic scenario.

**Buenos Aires** shows a negative absorption 30.950 sqm for the first semester, however, this have not yet been reflected in the asking rent, affecting the long-term vacancy.

**Rio de Janeiro's** class A CBD market bounced back after starting the year with more than 25,000 sq.m of negative net absorption accumulated in the first three months of the year, despite the recovery, Rio de Janeiro closed the semester with a net absorption of -9,841 sq.m.

As a result, **São Paulo's** class A CBD office market showed a negative net absorption for the semester of -35,520 sq.m, with most departures occurring in March, a month that recorded an absorption of almost -15,000 sq.m.

In **Santiago**, the net absorption reached a value of -64,482 since 2Q 2020. The first semester shows an occupation that represents 65% of all the hired meters during 2020, which shows a tendency towards recovery.

**Bogotá's** inventory remained almost constant, with only 12,000 sqm difference regarding last year. the vacant area showed 216,383 sq.m of available space. Vacancy rate was 12.9% for the first six months of the year.

At the end of the first semester of the year in **Lima**, the net absorption was -19.808. This indicator is the result of a constant decrease in occupation in the last three quarters, considering there weren't new deliveries.

## PRICING

We can perceive an overall downward trend for the South American region lease price. This is, mainly, because of the increasing vacancy trend. Although some cities remained stable.

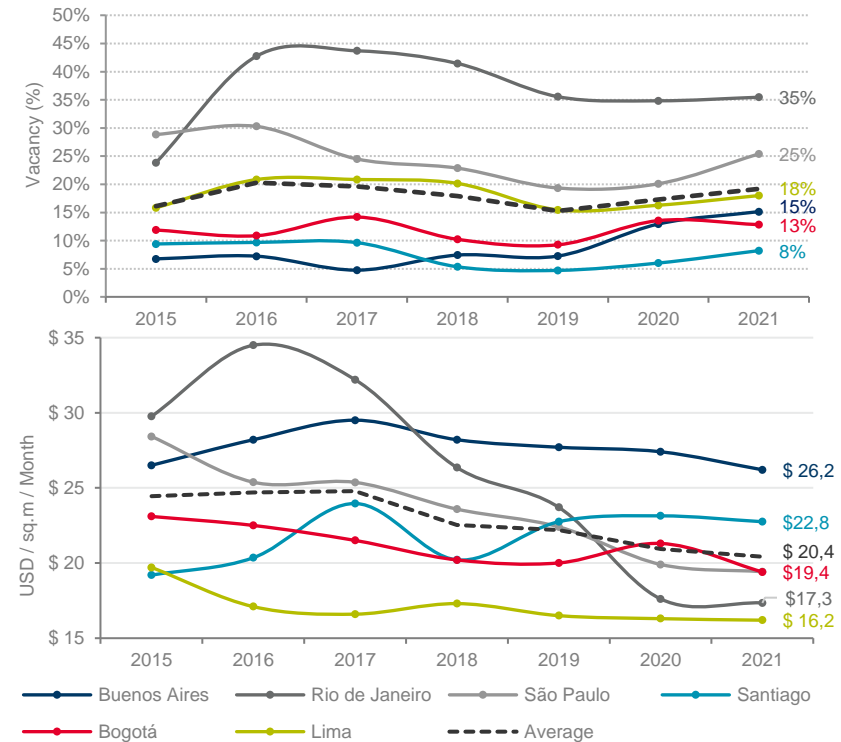
**Buenos Aires** total average lease price for A class offices was 26.2 USD/sqm, increasing the downward trend, with a variation of 7% inferior when compared to the same period of last year.

**Rio de Janeiro** has seen a consecutive drop in its average asking price due to the city's high vacancy rate, this has created a tenant market. The Class A CBD market closed out with a drop of 3.87% (YoY).

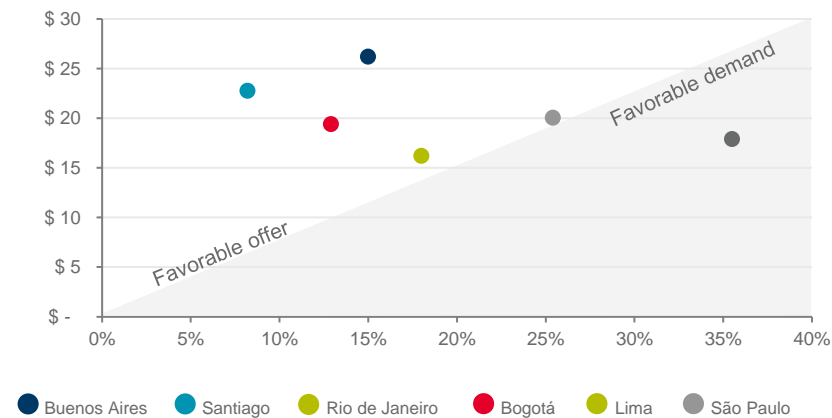
The average asking price in **São Paulo's** class A and A+ CBD market recorded an increase and ended the period at USD 19.42/sqm, this was a result of negative absorption totaling nearly 6,000 sq.m and the delivery of a new completion with an area over of 20,000 sq.m, two buildings that have asking value above the average.

**Santiago** shows a gradual decrease in requested prices, reaching USD 22.75/sqm, result of an increase in vacancy with lower market prices, due to the pandemic scenario, reaching a variation of -6.0%. The asking rent in **Bogotá** remained almost stable at USD 19.40/sqm, similar to **Lima**, that closed the first semester at USD 16.2 / sq.m. In general, with nonsignificant variations.

Vacancy Rate (%) and Asking Rent evolution (USD/sq.m/month) (\*)



Asking rent (USD/sq.m/month) vs Vacancy (%) (\*) – H1 2021



(\*) The exchange rate corresponds to the last day of June.



## PAST, PRESENT AND FUTURE

With the first Office Market recovery projections in mind, the main expectation is to return to a pre-pandemic regional scenario. Although, as stated in previous analysis, the market is going through some changes, but the 'new normal' creates a homogeneous offer, making it possible for companies to reconfigure their positions and needs.

In **Buenos Aires**, the current surface being built is 206,682 sqm, of which only 18% will be delivered by the end of 2021, 57% during 2022 and the remaining 25% would be finished by 2023.

**Rio de Janeiro** added 367,807 new completions scheduled for the next until 2030, decision that is aligned to the vacancy bounce back that is experiencing right now.

With 1.1 million sqm completed since 2015, **São Paulo** is now prepared for the recovery of the Office Market, also in vision to complete 446,627 sqm before 2030.

**Santiago** is still uncertain in the market regarding the continuity of projects that need to be delivered during this year, given the lockdown context, rise in prices and delays. In 2021, 116,189 sqm are expected to enter the market.

By the end of the first semester, in **Bogotá**, there are 154,125 sq.m of Class A office space under construction. From these, only 18,825 sq.m will be delivered in the second half of the year. Finally, the city has 639,680 sq.m of proposed projects, many with the potential to start construction immediately.

By the end of the first semester of the year, **Lima** has 115,630 sq. m. under construction, and it is expected that 50% of this surface will be delivered during 2021-2022. It should be noted that, within the project area, there are buildings that still do not have a confirmed start date for construction but could be regularized.

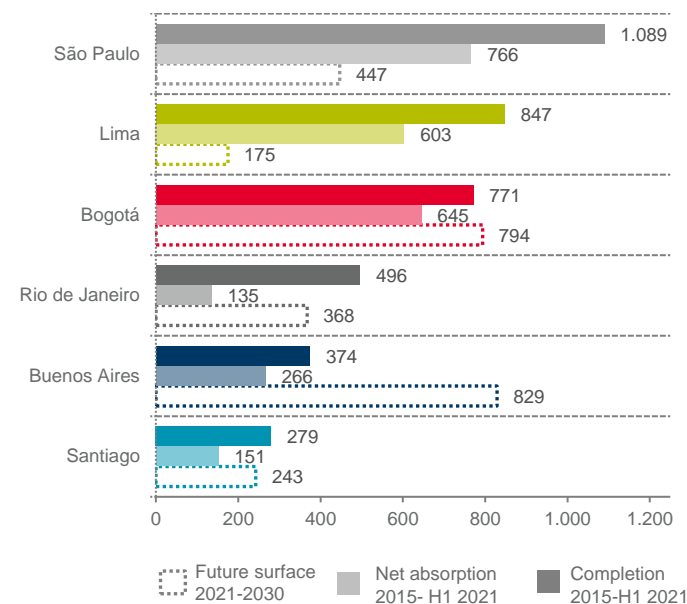
## MARKET INDICATORS H1 2021

Submarket	Class A Inventory (SQ.M)	Available Surface (SQ.M)	Vacancy Rate	Asking Rent(*) (USD/SQ.M/Month)	Net Absorption YTD (SQ.M)	Under Construction and In Project (SQ.M) 2021 - 2030
Buenos Aires	1.407.351	213.079	15,1%	26,2	-30.950	828.777
Rio de Janeiro (**)	1.548.683	549.351	35,5%	17,3	-9.841	367.807
São Paulo (**)	3.514.109	893.190	25,4%	19,4	-35.520	446.627
Santiago	1.698.088	139.574	8,2%	22,8	-37.193	242.743
Bogotá	1.682.873	216.383	12,9%	19,4	12.012	793.805
Lima	1.622.206	291.901	18,0%	16,2	-19.808	175.084
<b>Class A Total</b>	<b>11.473.310</b>	<b>2.303.478</b>	<b>19,2%</b>	<b>20,2</b>	<b>-101.512</b>	<b>2.854.843</b>

(\*) The exchange rate is taken from the last day of June 2021.

(\*\*) The information includes only CBD market Class AA+.

Net Absorption vs. Completion: 2015 – H1 2021  
New Inventory: 2021 H1-2030 (,000 sq.m.)



## ABOUT CUSHMAN & WAKEFIELD

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 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

Copyright © 2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

[Cushman & Wakefield](http://Cushman & Wakefield)

[Cushmanwakefield.com.br](http://Cushmanwakefield.com.br)

[Cushwakeargentina.com](http://Cushwakeargentina.com)

[Cushwakechile.com](http://Cushwakechile.com)

[Cushwakecolombia.com](http://Cushwakecolombia.com)

[Cushwakeperu.com](http://Cushwakeperu.com)