

ECONOMIC INDICATORS Q3 2023



(*) Average price of asking rents expressed in UF / sq m / month

Source of economic indicators: National Institute of Statistics of Chile (INE) - Bulletin 298 / 8 of September 2023 (INE)

OFFICE MARKET OUTLOOK

Vacancy at the close of third quarter, 2023 was 10.24%, representing a total of 178,873 sq m of unoccupied offices. During the trimester, vacancy dropped 8% compared to the previous period. Vacancy in 2022 registered at 10.7% and has dropped 4% since then, a positive sign for the market.

This period saw the finalization and entrance to the market of tower 2 of the “Mercado Urbano Tobalaba.” The project encompasses the urban lifestyle of the “El Golf” neighborhood with its offering of restaurants, a boulevard, and public transport access via the “Tobalaba” metro. The project represents a paradigm shift for new developments entering the market in future years, which will seek to integrate themselves into daily life in the city.

One of the largest lease transactions registered this trimester was that of an energy company that abandoned their building in Central Santiago, beginning a process of modernization.

SUPPLY AND DEMAND

Net absorption for the trimester was 26,314 sq m, 3 times the net absorption of the same period of the previous year. In this semester, 37,576 sq m have been absorbed, almost 4 times that of T3, 2022 when the figure was 10,420 sq m.

New leases year to date reached 89,619 sq m, a figure similar to pre-pandemic levels, which averaged approximately 80,000 sq m. New vacancies reached 52,043 sq m, similar to T3, 2022 which closed at 48,705 sq m. This represents a great recovery in new leases, but new vacancies still remain high.

The positive absorption is an effect of the flight to quality trend being observed in the market post-pandemic. Companies are choosing to leave their Class B offices in search of better-located and more competitive Class A space.

Compact offices lead other types in new leases, with the category of 100-300 sq m making up 39% with 22 units. Offices over 900 sq m make up 26% of the total, mostly made up of a single multi-floor lease deal by a financial services company closed in “Nueva Las Condes.”

PRICE

Asking rents remain at an average of UF 0.51 / sq m, unchanged from the last period, only a 0.7% drop from 2022. Average lease price in Dollars is USD 20.8 / sq m, a decrease of only 1%. This is due to the stability of the UF (only 1% change) and a 10% increase in the value of the Dollar versus local currency compared to the last period.

SURFACE DEMAND / CONSTRUCTION COMPLETIONS



OVERALL VACANCY & AVERAGE ASKING RENT



ECONOMIC OUTLOOK

The September, 2023 monetary policy report (LPOM) released by the Central Bank reveals a 175 base point drop in interest rates (TPM) due to lower inflation. In recent months, there has been a faster-than-expected decline in core components, and inflation of volatile goods fell sharply, in particular energy prices.

Projected inflation for the next two years is in line with the 3% goal set a few months ago.

Private consumption stabilized in the second trimester. The durable goods segment saw a slight uptick and services remain resilient.

Investment remains limited despite improvements in machinery and equipment profits.

Unemployment has risen slightly over the past 9 months. Construction has been hit hardest and has lost 63,000 jobs due to increases in prices and macroeconomic factors in past trimesters.

FUTURE OUTLOOK

Future projects in construction total 172,786 sq m, only 6% of which will enter the market by the end of 2023. By the end of the year, the total will be 46,513 sq m of new inventory, only 50% of the average of the last 15 years which is around 80,000 sq m.

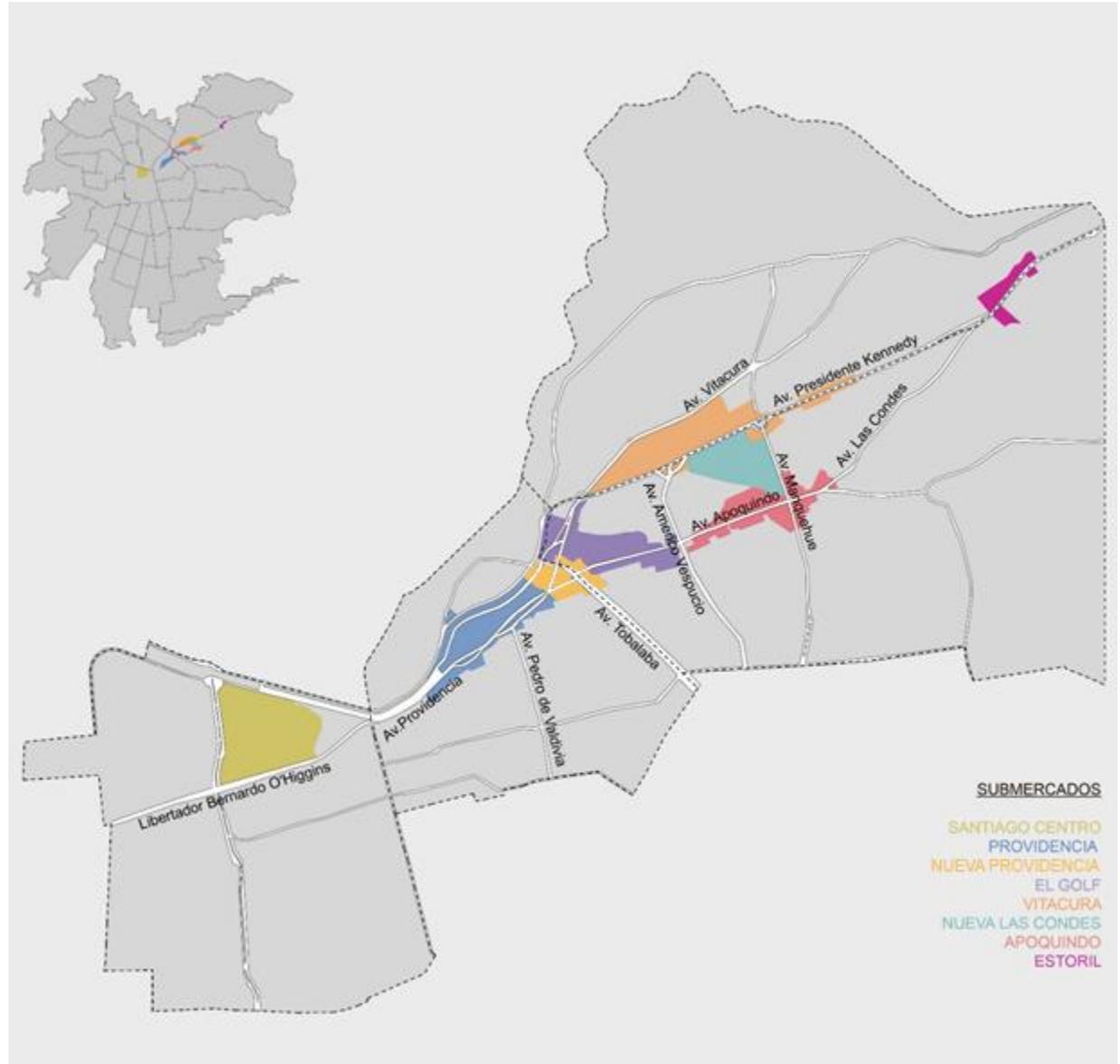
There are also 205,149 sq m in the pre-project phase, 70% of which are located in the "Las Condes" submarket.

This trimester, none of the pre-projects have begun construction, but more pre-projects have started, demonstrating interest in real estate projects by developers.

Latent uncertainty remains, caused by the lack of demand during 2021 and 2022 when hybrid approaches to remote work began to dominate. This has moved investment towards residential and warehouse developments.

This year has seen a higher demand for offices and more activity in the economy which should cause the reactivation of new projects for 2024.

OFFICE MAP WITH SUBMARKET DIVISION / SANTIAGO / CHILE



MARKET STATISTICS

SUBMARKETS	CLASS A INVENTORY (*)	BUILDING NUMBERS	AVAILABLE AREA (sq m)	VACANCY RATE (%)	ANNUAL ABSORPTION TO DATE (sq m)	UNDER CONSTRUCTION (sq m) (**)	PROJECTED (sq m) (**)	CLASS A ASKING RENT (USD / sq m / mes)	CLASS A ASKING RENT (UF / sq m / mes) (***)
El Golf	703,428	41	47,152	6.7 %	10,130	10,075	0	21.2	0.52
Nueva Las Condes	420,165	25	30,402	7.2 %	11,620	23,948	82,345	22.2	0.54
Apoquindo	182,430	11	20,502	11.2 %	-11,416	61,069	29,489	20.9	0.51
Estoril	30,809	4	3,142	10.2 %	-264	0	0	17.5	0.43
LAS CONDES	1,336,832	81	101,198	7.6 %	10,070	95,092	111,834	21.2	0.52
Santiago Centro	195,598	11	29,039	14.8 %	201	0	0	14.7	0.36
Providencia	50,510	2	5,792	11.5 %	2,076	15,635	0	18.0	0.44
Nueva Providencia (*)	128,191	8	34,666	27.0 %	22,769	54,551	93,315	25.3	0.62
Vitacura	36,255	4	8,178	22.6 %	2,460	7,508	0	23.3	0.57
TOTAL SANTIAGO	1,747,386	106	178,873	10.2 %	35,576	172,786	205,149	20.8	0.51

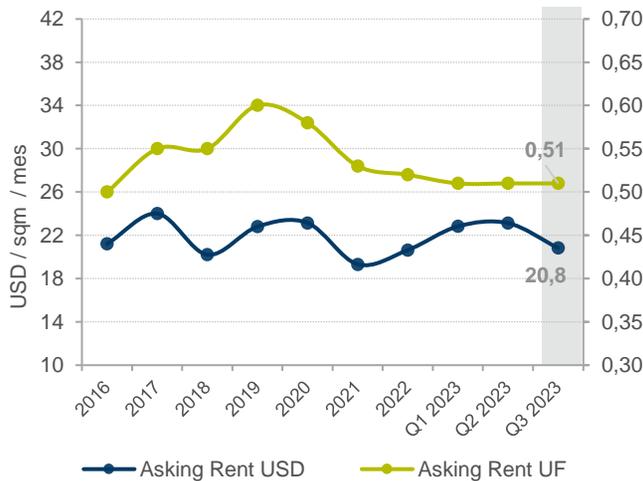
(*) Cushman & Wakefield does corrections for areas at the beginning of every year. For this reason, fluctuations can occur with respect to prior year closes in area and availability.

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

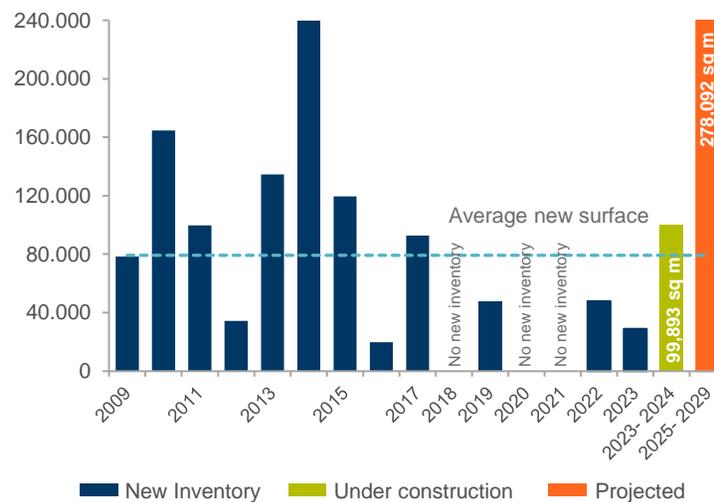
(***) The "Unidad de Fomento" (UF) is an artificial currency adjustable according to the inflation of the prior month. Its value is determined by the Central Bank of Chile according to the Consumer Price Index (IPC) calculated by the National Institute of Statistics (INE) CLF is its currency code (ISO 4217). Its value as of September, 15th is 1 UF = CLP \$ 36,179.44 = USD \$ 40.84 ; 1 USD = CLP \$ 885.84.

ASKING RENT

UF / sq m / month vs. USD / sq m / month



NEW INVENTORY (sq m)
PROJECTED SURFACE (sq m)



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