

# 3Q16

MARKET REPORT  
Latin America &  
The Caribbean



Torre Colpatria, Bogotá, Colombia.

Global Locations

# Latin America, & The Caribbean



## Argentina

Buenos Aires City  
Buenos Aires North

## Bahamas

Nassau

## Chile

Santiago

## Cayman Islands

George Town

## Colombia

Bogota

## Jamaica

Kingston

## Mexico

Ciudad Juarez  
Guadalajara  
Guanajuato  
Matamoros  
Mexicali  
Mexico City  
Monterrey  
Queretaro  
Reynosa  
San Luis Potosi  
Tijuana

## Panama

Panama City

## Peru

Lima  
Arequipa

## Puerto Rico

San Juan



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## Market Report

3Q16

Buenos Aires



### Economic Overview

GDP GROWTH	0.5%	▼
INFLATION	40%	▬
UNEMPLOYMENT RATE	9.3%	▲
CURRENCY	Pesos Argentinos \$ARS	
CONVERSION RATE (VS USD)	15	

### Trends JULY / AUGUST / SEPTEMBER 2016

#### Prime Offices

Class A office market inventory in CBD and Greater Buenos Aires is about 1.2 M m<sup>2</sup>. Class A buildings vacancy rate in CBD and Greater Buenos Aires is about 5.5%, while for general office space inventory is about 7%.

#### Prime Industrial

The warehouse Class A inventory continues to increase, with the construction of Class A space evenly across all submarkets. The North submarket remains the largest, with 70% of newly delivered space.

#### Prime Retail

The first semester throws a negative net absorption rate. Only Av. Santa Fe and Callao and Puerto Madero corridors reflected a positive absorption, compared to the second half of 2015.

Vacancy Rate	Estimate Total Take Up	Sale Average Asking Rates	Lease Average Asking Rates
▬	▼	▬	▬
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 4,000 to 4,500		USD 28 to 32	
▲	▬	▬	▼
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 600		USD 7	
▲	▬	▬	▬
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 6,500		USD 35	

### HIGHLIGHTS

- ▶ Last bond release for USD 16.5 billions has helped Argentina to go back to the international loan market and let inject capitals to support industry development including construction.
- ▶ Latest tax cuts in capital returning to the country pushed by National Government was welcomed by the real estate industry and developers who expect positive impact in the market moving forward.
- ▶ In Buenos Aires the ratio of inhabitants /m<sup>2</sup> of class A office space is about 7%, while in cities like México DF it is about 27%, Sao Paulo 35%, Río de Janeiro 30% and Santiago de Chile 17%.

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# Market Report

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## Economic Overview

GDP GROWTH	0.5%	▼
INFLATION	0.6%	▼
UNEMPLOYMENT RATE	12.7%	▼
CURRENCY	Bahamian Dollar B\$	
CONVERSION RATE (VS USD)	1.0	

## Prime Offices

The demand for Class A office space has shown no change in the third quarter. Our overall inventory remains at 5,200 m<sup>2</sup> or 56,000 SF

## Prime Industrial

This market is limited exclusively to warehouse developments of which there are not many. Data only covers those properties for which we are able to collect reliable data. This market remains flat.

## Prime Retail

The vacancy rate in the retail sector has also remained flat during the third quarter. If Bahamar is completed in the spring of 2017 we expect the vacancy rate in this market to decrease.

## Trends JULY / AUGUST / SEPTEMBER 2016

Vacancy Rate	Estimate Total Take Up	Sale Average Asking Rates	Lease Average Asking Rates
==	==	==	==
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 2,903		USD 30.3	
==	==	==	==
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
-		USD 14.1	
==	==	==	▼
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
-		USD 25.5	

## HIGHLIGHTS

- ▶ The investment climate in the Bahamas for commercial real estate has shown no change. We expect to close on \$35 million in commercial sales during the fourth Quarter 2016 including office buildings and development sites.
- ▶ The construction has resumed at Baha Mar with the original contractor. The hotel is set to open spring 2017. The owner of the hotel is understood to be Perfect Luck Holdings LTD.
- ▶ The damage from Hurricane Matthew to the capital city was quite serious. We expect the local construction industry to benefit and this could have a positive, short-term impact on our unemployment rate.

# Market Report

## 3Q16



### Economic Overview

GDP GROWTH	1.5%	▲
INFLATION	2.0%	▼
UNEMPLOYMENT RATE	5.0%	▲
CURRENCY	Chilean Peso CLP\$	
CONVERSION RATE (VS USD)	670	

### Prime Offices

The district has not received new buildings Class A / A +. The absorption has decreased over the previous quarter. However, the vacancy has decreased to 8.24%. Prices have remained static.

### Prime Industrial

During the first half of 2016 vacancy reached 9.7%, increasing significantly compared to year end 2015 (7.1%). This corresponds to approximately 290,000 sq. m. available for rent.

### Prime Retail

Vacancy rate stable around 6.0%. Average asking rents also stable at 27 USD / m<sup>2</sup> / month. No important new supply registered during this period.

### Trends JULY / AUGUST / SEPTEMBER 2016

Vacancy Rate	Estimate Total Take Up	Sale Average Asking Rates	Lease Average Asking Rates
▼	▼	=	=
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 3,400		USD 21	
▲	▼	=	▼
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 560		USD 4 to 5.5	
=	=	▲	=
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 4,300		USD 27	

### HIGHLIGHTS

- ▶ **El Golf District:** The quarterly vacancy rate has continued to decline throughout 2016 and the third quarter was no exception. The prime district showed a slight improvement of almost 0.1 percentage points, placing the Golf as the district offices healthier market with a 6.05% vacancy.
- ▶ **Nueva Las Condes district:** During 2016 the district of Nueva Las Condes will not get new office buildings Class A / A +, since a decrease was observed in the construction of these projects, which will achieve a lower rate of vacancy in this sector.
- ▶ **New Apoquindo District:** During the third quarter of 2016, the district of New Apoquindo has not received new office buildings. However, the sector expects the final reception of the new corporate building of the Chilean Chamber of Construction, which will be delivered during the fourth quarter of this year.

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### Economic Overview

GDP GROWTH	2.5%	▬
INFLATION	7.3%	▼
UNEMPLOYMENT RATE	9%	▲
CURRENCY	COP - Colombian Peso	
CONVERSION RATE (VS USD)	3,000	

### Prime Offices

Oil companies are reducing costs and this is being reflected on the size of the offices they are acquiring. Before, the most demanded offices were the 1000 m<sup>2</sup> ones; Now, the trend has headed towards the 200-500 m<sup>2</sup> offices.

### Prime Industrial

The demand of warehouse and storage properties for the next 12 months is projected around 1,5 millions m<sup>2</sup> and about 70% of that will be effective on the first half of 2017.

### Prime Retail

New investors are focusing on premises due to the high returns they are generating, especially those located at malls.

### Trends JULY / AUGUST / SEPTEMBER 2016

Vacancy Rate	Estimate Total Take Up	Sale Average Asking Rates	Lease Average Asking Rates
▬	▬	▼	▼
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 2,300		USD 18	
▼	▬	▬	▬
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 1060		USD 5	
▬	▬	▬	▬
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 4,437		USD 24	

### HIGHLIGHTS

- ▶ **2.7% of the companies want to acquire new commercial areas in Bogotá, most of them are looking for large and middle-sized spaces in malls.**
- ▶ **Building Construction sector (except for civil works) is expected to grow 5.1% in 2016 and 5.9% in 2017.**
- ▶ **This year's new foreign non-oil investments are coming from technology, food, industrial parts and footwear firms.**

## Market Report

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Kingston & Montego Bay



### Economic Overview

GDP GROWTH	1%	▬
INFLATION	6%	▬
UNEMPLOYMENT RATE	14%	▾
CURRENCY	Jamaican Dollars J\$	
CONVERSION RATE (VS USD)	129.2	

### Trends JULY / AUGUST / SEPTEMBER 2016

Vacancy Rate	Estimate Total Take Up	Sale Average Asking Rates	Lease Average Asking Rates
▬	▴	▬	▬
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 954		USD 7.2	
▬	▬	▬	▬
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 630		USD 5	
▴	▬	▬	▾
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 1,883		USD 12.5	

### Prime Offices

A number of office developments planned as developers find that potential rentals now justify new construction.

### Prime Industrial

Roof Structure now partly in place for the planned Nestle building west of Kingston. Completion of the 80,000 SF Distribution Centre is planned for March 2017.

### Prime Retail

Market static.

### HIGHLIGHTS

- ▶ **IBEX Global opens their new 44,000 SF Call Centre in Portmore Pines, west of Kingston. Plans for further development in Kingston.**
- ▶ **Sagikor (Major local company in banking and insurance), on behalf of its managed funds, has completed the acquisition of 217 of the 277 residential units in the condominium resort development known as the Palmyra Resort and Spa in Montego Bay, St James, and an adjoining power plant owned by Caribbean Green Power Systems Ltd (in receivership).**

## Market Report

### 3Q16

Mexico City



### Economic Overview

GDP GROWTH	2.4%	≡
INFLATION	2.7%	≡
UNEMPLOYMENT RATE	5.4%	▼
CURRENCY	Mexican Peso \$MXN	
CONVERSION RATE (VS USD)	19.04	

### Prime Offices

Office construction still high, construction exceeding absorption and vacancy rates increased from 8.8% to 11%. With some sub-sectors overbuilt. Asking prices are moderating due to construction, but also due to exchange rates.

### Prime Industrial

Overall inventory approaching 15 million m<sup>2</sup> with 550,000 under construction. Demand is strong, asking rents reflect exchange rate problems, down to \$5.00 - \$5.25 / m<sup>2</sup> / month

### Prime Retail

Retail stores having problems since they sell in pesos and pay rent in USD. Many top shopping centers with vacancies. Top asking rent prices down as much as 25%.

### Trends JULY / AUGUST / SEPTEMBER 2016

Vacancy Rate	Estimate Total Take Up	Sale Average Asking Rates	Lease Average Asking Rates
▲	▼	▼	▼
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 1,800		USD 20 to 25	
▼	▲	≡	▼
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 750		USD 5 to 5.25	
▲	▼	▼	▼
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 1,800		USD 100	

### HIGHLIGHTS

- ▶ **Industrial facility construction increasing, 5.5 million m<sup>2</sup> compared to 3.5 million m<sup>2</sup> a year ago. Asking rates have moderated for the short term due to peso dollar exchange rate, however demand is so strong, rates will soon increase again.**
- ▶ **New office construction moderated at the start of the year, increased during the 2Q, now at 1.85 million m<sup>2</sup> compared to 1.4 during the 1st Quarter. Exchange rate has also moderated asking prices, overall average is \$21.50 / m<sup>2</sup> / month**
- ▶ **Retail markets expanding at a a slower rate. Vacancy rates up due to exchange rate.**

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## Market Report

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Panama City



### Economic Overview

GDP GROWTH	5.8%	==
INFLATION	0.2%	==
UNEMPLOYMENT RATE	5.1%	==
CURRENCY	Balboa B/.	
CONVERSION RATE (VS USD)	1.0	

### Prime Offices

Vacancy Rates since last trimester continue to stabilize, as new offices are delivered and occupied. Office Sales and lease values are up very slightly, but remain stable.

### Prime Industrial

Vacancy Rates are slowly diminishing as existing Warehouse space is occupied and few new warehouses are being built within Industrial Parks. Sales and Lease prices have decreased slightly this trimester.

### Prime Retail

Inventory is high, vacancy rates slightly increasing but rental rates remain steady. Inventory for Sale is difficult to find for individual retail units but the available spaces are found in strip malls or large shopping malls for lease.

### Trends JULY / AUGUST / SEPTEMBER 2016

Vacancy Rate	Estimate Total Take Up	Sale Average Asking Rates	Lease Average Asking Rates
==	==	▲	▲
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 2,642		USD 21	
▼	▲	▼	▼
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 1,270		USD 9	
▼	▼	==	==
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 3,370		USD 30	

### HIGHLIGHTS

- ▶ Panama is classified as "investment grade" by risk rating agencies (Standard and poors, Moody's ) and is the fifth country in the world in a subclassification of middle income territories, behind Southafrica (20), China (27), Malasia (32), and Turkey (34)
- ▶ Panama ranks as the country with the largest logistics competitiveness in Latin America and is among the 25% of the countries with the highest score worldwide.
- ▶ Fiscal and Labor incentives remain an important attraction, together activating market confidence, which keeps on attracting multinational companies to Panama.

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## Market Report

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### Economic Overview

GDP GROWTH	4.0%	=
INFLATION	2.9%	▼
UNEMPLOYMENT RATE	6.5%	▼
CURRENCY	Nuevo Sol S/.	
CONVERSION RATE (VS USD)	3.4	

### Prime Offices

Office construction in the 3Q 2016 continues to increase, in the same way, generating more vacancy in this sector. Sub Markets like San Isidro and Magdalena will have new buildings at the end of the year.

### Prime Industrial

The opening of new logistics centers have been carried out in this 3Q2016 and will continue in the last quarter. The expansion of the industrial sector in sub markets like Lurin, San Bartolo and Chilca seems increasingly promising.

### Prime Retail

Due to delays in project execution, new shopping centers Mega Plaza Villa El Salvador and Via Mix Colonial, still will be placed in the next quarter. That is why the vacancy and absorption have not undergone a major change.

### Trends JULY / AUGUST / SEPTEMBER 2016

Vacancy Rate	Estimate Total Take Up	Sale Average Asking Rates	Lease Average Asking Rates
▲	▲	▼	▼
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 2,130		USD 17.5	
▲	▲	=	▼
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
USD 1,260		USD 5	
=	=	=	=
Sale Value (USD / m <sup>2</sup> )		Lease Value (USD / m <sup>2</sup> / month)	
-		USD 68	

### HIGHLIGHTS

- ▶ **The entrance of the new government favors the private local and foreign investment. There are good expectations about it.**
- ▶ **The APEC 2016 forum will be held in Lima from November 17 to 19, which will give quality growth and human development, proposing an strategy aimed to facilitating equitable and quality growth in the region.**
- ▶ **The opening of new logistics centers of BSF, Megacentro and Almonte LATAM seems to start a new vision of industrial growth in southern Lima.**

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## Market Report

3Q16

San Juan  
Metro Area



### Economic Overview

GDP GROWTH	0.4%	▼
INFLATION	0.3%	▲
UNEMPLOYMENT RATE	14%	▲
CURRENCY	USD	
CONVERSION RATE (VS USD)	1.0	

### Prime Offices

Act 20/22 incentives continue to attract foreign investors founding operations in Puerto Rico, resulting in a reduction of office space vacancies.

### Prime Industrial

The industrial sector has decreased significantly due to new tax code reforms, elimination of tax incentives and inexpensive outsourced labor.

### Prime Retail

Consumer confidence and an underground based economy has increased, trading in a slight upturn of retail revenue. National retailers are reconsidering the local market once again after a 3 year halt.

### Trends JULY / AUGUST / SEPTEMBER 2016

Vacancy Rate	Estimate Total Take Up	Sale Average Asking Rates	Lease Average Asking Rates
▼	▼	▼	=
Sale Value (USD / SF)		Lease Value (USD / SF / month)	
USD 130		USD 17	
▲	=	▼	▼
Sale Value (USD / SF)		Lease Value (USD / SF / month)	
USD 28		USD 6	
▼	▲	▼	=
Sale Value (USD / SF)		Lease Value (USD / SF / month)	
USD 120		USD 25	

### HIGHLIGHTS

- ▶ **New Shopping Center Developments** such as Mall of San Juan in operation, and Sambil Puerto Rico to break ground in 2017. Plaza las Américas, the largest shopping center in the Caribbean is expanding increasing their GLA.
- ▶ **Newly appointed Fiscal Control Board Syndicate** has commenced to practice in P.R and with this, leasing activity on national tenants has increased alongside the local retail sector. October sales have increased 4%.
- ▶ **New developments in the resort and tourism sector** are to be finalized by the end of 2016.

# MARKET REPORT

## 3Q16

### Latin America & The Caribbean

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