

WTCA

PRIME OFFICE INDEX **LATAM**
JUNE / 2022



WORLD TRADE
CENTERS
ASSOCIATION

THE MUSK FACTOR

The hustle and bustle of downtown Manhattan has largely returned to pre-pandemic levels. The commuter trains and subways are far from packed though. People come into town and work from offices and are enjoying being out and about again. Many of us worked through the pandemic confined to our homes for two years and understandably are happy to finally be able to leave the house, meet with colleagues and start recalibrating the 24h/day work/live environment. It's a good thing. Creativity is spurred when teams are working physically together. One cannot network and create new and meaningful relationships solely through virtual meetings.

We have learned something new though, that a job can still be accomplished without having to commute to work; it is possible to have a meaningful work-life balance whilst working from home. What was the term again? A hybrid work environment.

We know that Elon Musk is not a hybrid kind of person, even though he's one of the people responsible for combining a combustion engine with a battery. It was very interesting to see that Musk did go all combustion requiring employees to report back at the office for 40 hours a week. In a creative engineering industry that may make sense, but the world has changed, how we look at work and life has changed. COVID did that to us.

Most companies preferred not to take such a position, and for good reasons. They adjusted to the new reality and to what talent today is valuing at the workplace. Flexibility is the key word. They have also adjusted the workspace, making it more conducive and available, knowing that the quality of the work output is what ultimately matters. Attracting, motivating, and retaining talent is key. Workers who are now starting to return to the office, are enjoying their time away from their home offices, meeting with peers and replacing time in the attic with time in a professionally designed workspace. But knowing that there is still that flexibility to also work from home is what makes the return to the office more appealing.

Building owners and office managers have worked hard at reinventing the office space, at reinventing the meaning of it, and have invested a great deal as well. It has worked, we're in a new era now. Musk doesn't mean must.



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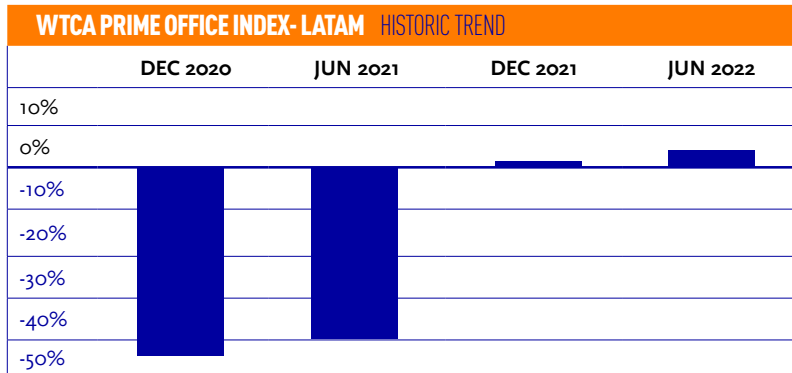
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WTCA PRIME OFFICE INDEX-LATAM JUNE 2022

This report marks the second anniversary of the semi-annual monitoring that Latin Trade, in partnership with the World Trade Centers Association, makes of the recent performance and future prospects for rent and sale of premium offices in Latin America,

the WTCA PRIME OFFICE INDEX LATAM. The index for this semester shows that the positive trend that began last semester for premium office rental and sales in the region is consolidating. This is a reflection of the economic recovery following the COVID-19 pandemic. The index shows a positive result of 2, one point higher than in the previous semester. Expectations are that

this trend will continue in both the rent and sales markets, because the economic situation is improving and there is confidence that higher prices can be achieved..



WTCA PRIME OFFICE INDEX - LATAM 2020 - 2022	2020	2021		2022
	DEC	JUN	DEC	JUN
Previous semester's performance indicator	-53	-60	-11	1
Next semester's expectations indicator	-32	-19	14	4
WTCA PRIME OFFICE INDEX - LATAM	-42	-40	1	2



This is the first time that the general index, and the two sub-indices that make it up, (the situation of the previous semester and expectations) are positive. This confirms that the activity performed well in the second half of 2021, and, moreover, that this trend will continue in the second half of 2022. It is worth noting that our December 2021 report correctly predicted a market performance improvement in the first half of 2022. This is also the case now. The June expectations indicator for the rest of the year is 4 times higher than the performance indicator of the previous semester. It seems clear that the pronounced negative conditions that prevailed during the pandemic will not be repeated in the foreseeable future. On the contrary, the index will continue to gain ground in the positive side of the spectrum.



WTCA PRIME OFFICE INDEX - LATAM is an indicator that fluctuates between -100 and 100 and is calculated as a mix between the current economic situation and expectations for the next six months. Positive (negative) values denote positive (negative) perceptions about the Premium Office market in Latin America. For the Index, Latin Trade surveyed experts in 20 cities of the region: San Salvador (El Salvador); Mexico City, Guadalajara, Monterrey and Nuevo Laredo (Mexico); La Paz and Santa Cruz de la Sierra (Bolivia); Ciudad del Este (Paraguay); Santiago de Chile (Chile); Buenos Aires (Argentina); Panama City (Panama); São Paulo and Curitiba (Brazil); Montevideo (Uruguay); Lima and León (Peru); Bogotá, Medellín and Cali (Colombia); and Santo Domingo (Dominican Republic).



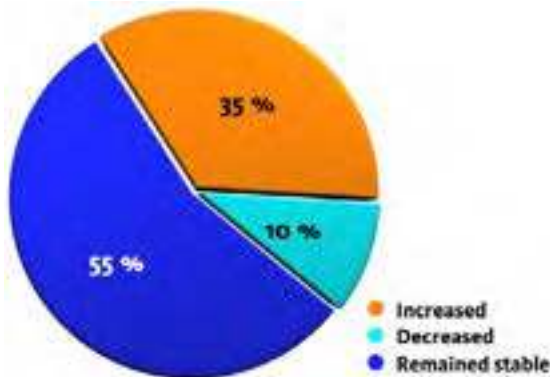
Foto WTC Buenos Aires

RENTAL MARKET PERFORMANCE H1-2022

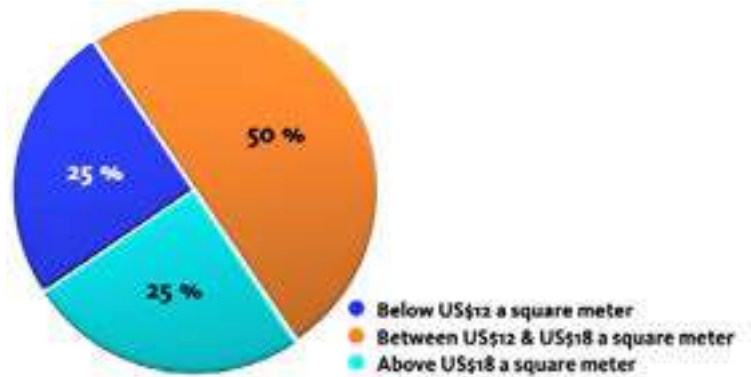
Premium office leasing during H1 2022 showed a positive trend driven by rising prices, a more favorable economic situation, and more offices placed in the highest price bracket. Additionally, the premium office market recovered after the pandemic, but has not yet reached its maximum: there is still unsatisfied demand. Some other findings also stand out: a large number of companies have reduced the size of their offices; some cities have many new office buildings on offer; and political uncertainty is present in several countries in the region.

In terms of premium office rental prices in Latin America, the report found that prices remained stable in most of the cities evaluated. Only 10% of cities reported decreases. Moreover, the proportion of cities reporting price increases is the highest in the history of the index, at 35%, well above the 10% reported a year earlier. Likewise, the share of offices in the \$12 to \$18 per square meter price range was consolidated, while an all-time high was set for offices rented for more than \$18 per square meter, with 1 out of every 4 square meters at this average price level.

RENTAL PRICES ...

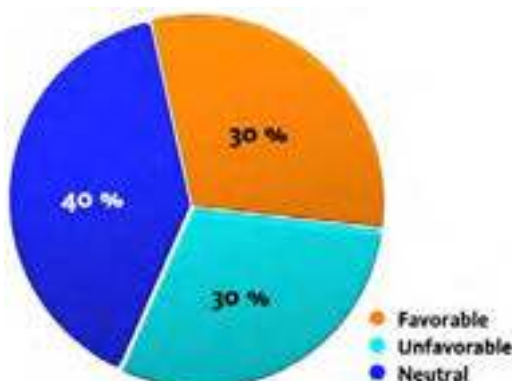


THE AVERAGE RENTAL PRICE WAS...

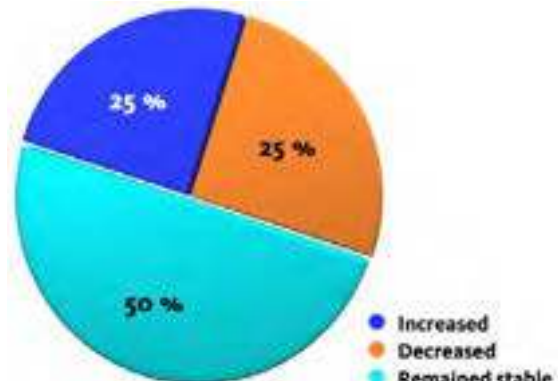


While in the second half of 2021 the economic situation was the factor that most negatively affected premium office rentals in Latin America, the first half of 2022 was characterized by an increase in the percentage of experts who consider the economic situation to be favorable for rentals. At the same time, the portion of those who consider that the economic situation was unfavorable decreased. Likewise, the indicator of the time it took to rent an office decreased. Thus, 25% of those consulted say that they have experienced shorter times to rent offices, compared to 21% six months ago. However, most experts report that it takes more than six months to rent an office, and only three cities report taking less than 3 months on average to do so: Curitiba, Montevideo and León.

THE ECONOMIC SITUATION FOR RENTALS WAS...



THE TIME IT TOOK TO RENT AN OFFICE



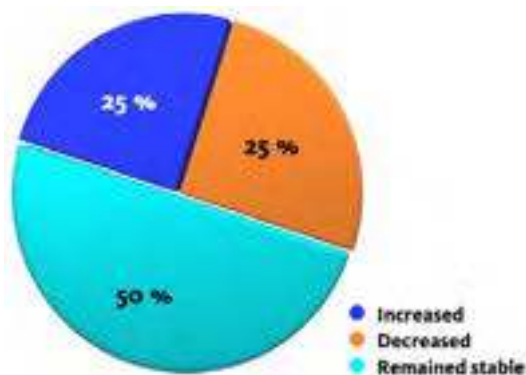
RENTAL MARKET EXPECTATIONS FOR 2H-2022

Premium office rental expectations for the second half of 2022 show that optimism about the economic situation will continue, and that rental prices will remain stable. Experts expect vacancy times to drop, as well as the time it takes to rent office space.

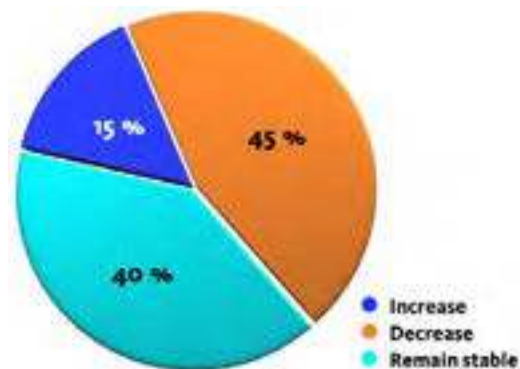
Vacancy times in some of the cities surveyed increased in comparison to the previous survey, but in general the experts surveyed expect these times to decrease rather than to remain stable. Likewise, far fewer people expect vacancy rates to exceed 15% (35% compared to 47% in the previous survey). Montevideo and Ciudad del Este stand out as the only two cities where vacancy rates are expected to be less than 10%.



THE AVERAGE VACANCY PERIOD



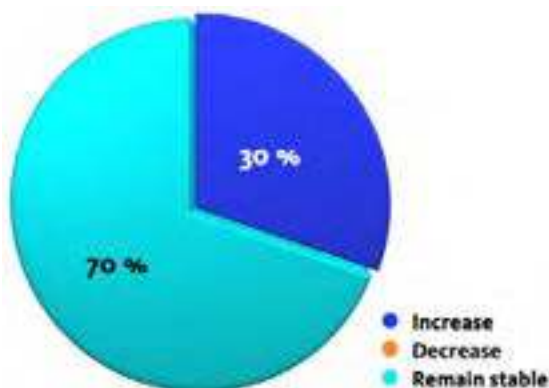
THE AVERAGE VACANCY RATE WILL...



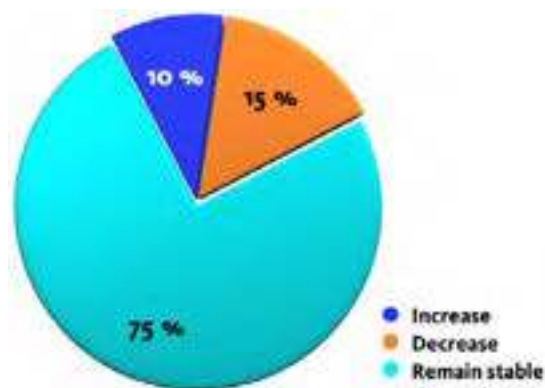
None of the experts surveyed expect rental prices to drop in the second half of 2022. Thirty percent think they will go up and the remaining 70% expect them to remain stable. Regarding the time it will take to rent an office, the vast majority expect it to remain unchanged for the remainder of 2022. The two Bolivian cities included in this year's index, La Paz and Santa Cruz de la Sierra, are the only two cities where they estimate that premium office rental times could increase.



THE TIME IT WILL TAKE TO RENT AN OFFICE WILL...



THE AVERAGE RENTAL PRICE WILL...



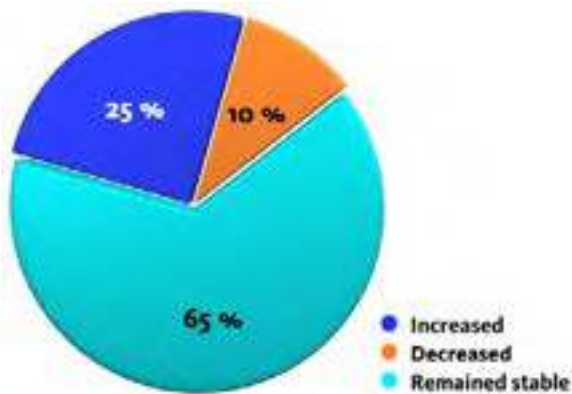


SALES MARKET PERFORMANCE 1H-2022

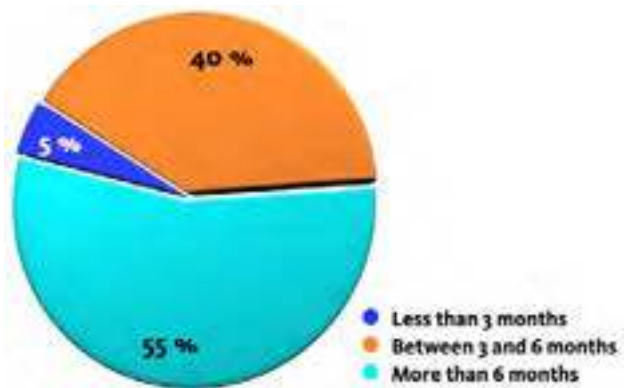
Premium office sales during 1H 2022 showed a very favorable performance, consolidating the recovery that began the previous half-year. Sales times shortened, prices dropped less than before and market expectations are also in positive territory. However, according to the experts surveyed, there is a lot of uncertainty due to inflation, and the international situation, and there are those who see that the sales market has reacted more slowly than the rental market, among other reasons, due to the increase in interest rates.

As for the time it takes to sell premium offices in Latin America, it remained relatively stable. It increased in only one out of every four cities, as compared to six months ago when this was the case in one out of every two cities. Once again, Montevideo and Ciudad del Este stood out as the two markets where these offices were selling the fastest, with waiting times of less than three months.

THE TIME IT TOOK TO SELL AN OFFICE



THE AVERAGE SALE TIME WAS...

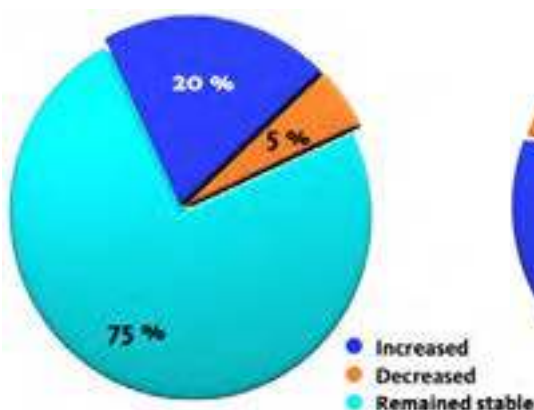


Sales prices showed great stability during the first half of 2022. Most units sold in the range of \$2,000 to \$3,000 per square meter. In Mexico City, Montevideo and Santo Domingo, sales prices exceeded \$3,000 per square meter.

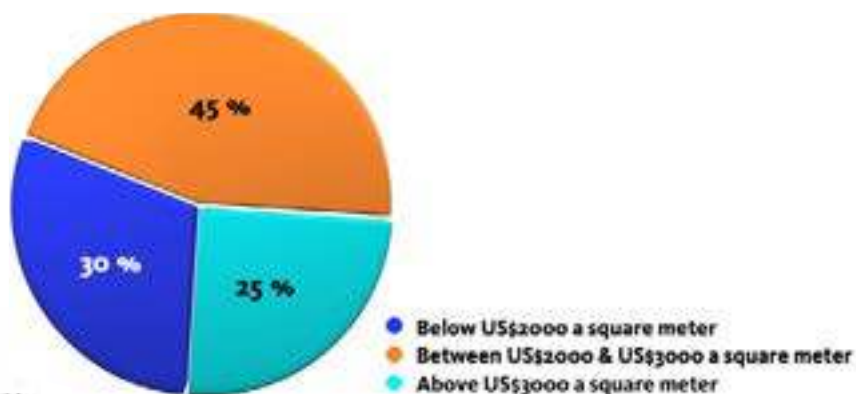
Photo WTC Mexico City



THE SALE PRICE OF AN OFFICE



THE AVERAGE SALE PRICE WAS ...



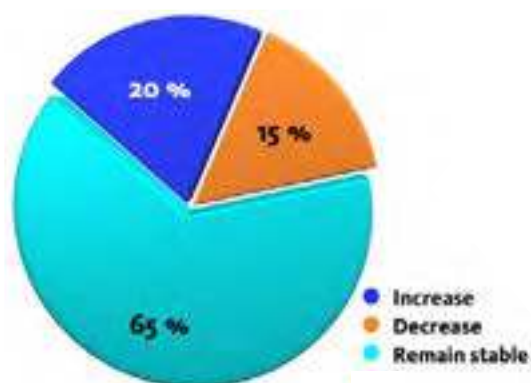
MARKET SALES EXPECTATIONS FOR 2H-2022

Premium office sales expectations for the second half of 2022 also reflect the stability of the recovery. Average sales prices are expected to rise, no major changes in the economic situation are predicted, and times required to sell are expected to remain stable.

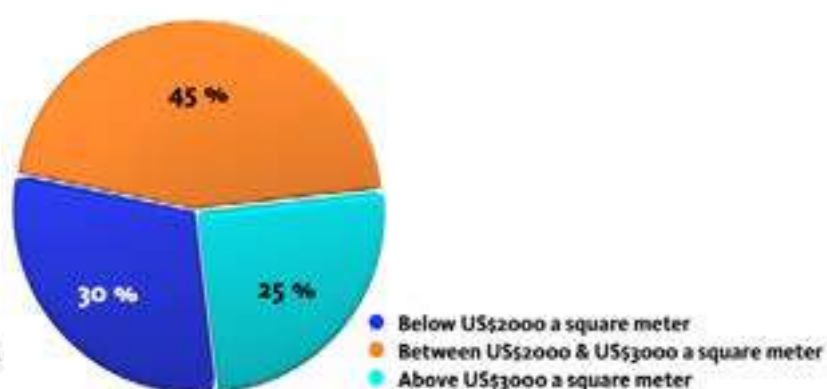


On the price side, a quarter of the cities are forecast to sell their offices above \$3,000 per square meter, almost doubling what was recorded during the first half of 2022. This range would include premium offices in Mexico City, Montevideo, Leon, Sao Paulo and Santo Domingo. The average price will remain below \$2,000 per square meter in Nuevo Laredo, Tamaulipas, La Paz, Ciudad del Este and the three Colombian cities included in the index: Bogota, Medellin and Cali.

THE SALE PRICE OF AN OFFICE WILL...

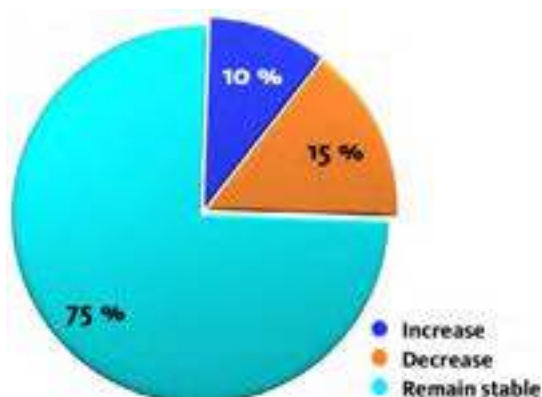


THE AVERAGE SALE PRICE WILL BE

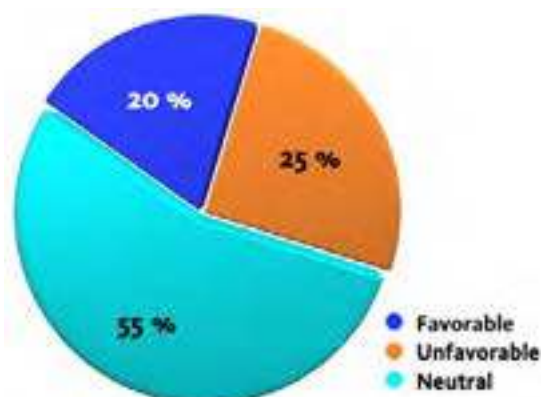


Experts expect the estimated time to sell a premium office in Latin America to remain stable at more than 6 months. Only in 10% of the cities, waiting time is expected to increase. Time is expected to decrease in Ciudad del Este and Montevideo. The economic situation is expected to be stable or favorable in most cities. However, the economy will worsen in the second half of 2022 in 5 of the 20 cities considered: San Salvador, Santiago de Chile, La Paz, Bogota and Cali.

THE TIME IT WILL TAKE TO SELL AN OFFICE WILL...



THE SITUATION FOR OFFICE SALES WILL BE



INFLATION

Inflation is currently the most important economic phenomenon in the world. After the pandemic and with events such as the war in Ukraine, the economy has seen a growth in price indexes that were thought to be thing of the past, or episodes in certain countries with bad public policies.

Policy discussions have focused on how to control price increases and cushion the devastating effect on consumers' pockets. This has been done rising interest rates and cutting specific sectoral subsidies, but even so, nothing indicates that this inflationary wave will come to an end before next year. For now we have to live with this phenomenon.

The pertinent question is, how does this new reality affect the Prime Office-space market in the region? For years, Latin America has had economies that have shown high inflation rates. But that was the case in two or three economies, while the region in general had achieved price stability.

Lease contracts are signed for a minimum term of one year and adjustments are agreed upon with annual renewals equivalent to the increase in the consumer price index. With low inflation this is not a problem, but with inflation close to 10% the income

of the owners deteriorates considerably during the course of the year, and therefore there are voices that propose monthly adjustments, or even the dollarization of rental prices.

In some countries in the region, real estate ownership is a protection against inflation, since the value of the properties is maintained in real terms and it is a good investment shelter in inflationary times. This would incentivize new constructions. In other words, with this reality of accelerated price increases, income flows may be affected, but the value of the investment is protected.

This discussion is even more pertinent now that companies are asking their employees to return to the office. Some with greater flexibility, allowing some days of work from home, and others, like Telsa, requiring everyone to return to work at the office.

Inflation is an element to take into account in the next editions of this Index, so that we can capture the market's perception to this challenge.

Carlos Ronderos

Carlos Ronderos
LATAM REGIONAL DIRECTOR WTCA



ENVIRONMENTAL SUSTAINABILITY TRENDS

IN PREMIUM OFFICES IN LATIN AMERICA



In this edition of the WTCA PRIME OFFICE INDEX LAT-AM, in addition to the regular monitoring of the Index, the experts surveyed were invited to express their views on the adoption of environmental sustainability initiatives in the region's premium office buildings.

Some progress has been made in this regard. Half of the respondents say that in their city, premium office users place a high value on buildings having features and technologies that make them environmentally sustainable. However, the other half stated that such features are not yet strongly appreciated by clients. In Lima, for example, these considerations are not among users' priorities. It is striking, however, that these perceptions will not change in the medium term.

SUSTAINABLE ALTERNATIVES

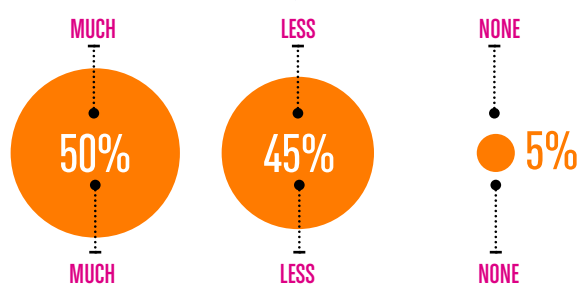
There are many reasons to adopt sustainable practices, starting, of course, with reducing the environmental impact of real estate and adding value for the client.

In other parts of the world, in the premium office segment, clients appreciate and even demand this type of differential elements. To see if this is also the case in Latin America, we looked at users' willingness to pay for sustainable offices.

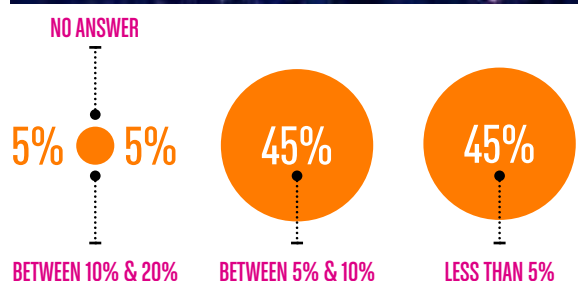
The experts surveyed said that all clients would be willing to pay more, both in rent and purchase, for this type of office as long as they identify greater added value.

Half of the experts said that, in their city, prices would increase by more than 5% for monthly rental payments. In cities such as Monterrey, clients could pay between 10% and 20% more in rental of sustainable offices.

DO CUSTOMERS PRESENTLY VALUE ENVIRONMENTAL FEATURES IN OFFICE BUILDINGS? FOR INSTANCE, HAVING LEED CERTIFICATION



IN THE MEDIUM TERM, DO YOU BELIEVE CUSTOMERS WILL VALUE ENVIRONMENTAL FEATURES IN OFFICE BUILDINGS? FOR INSTANCE, HAVING LEED CERTIFICATION



IF CUSTOMERS WERE TO SEE AN IMPORTANT ADDED VALUE IN ENVIRONMENTALLY SUSTAINABLE BUILDINGS, HOW MUCH DO YOU BELIEVE THE RENTAL PRICE COULD INCREASE?

TRENDS

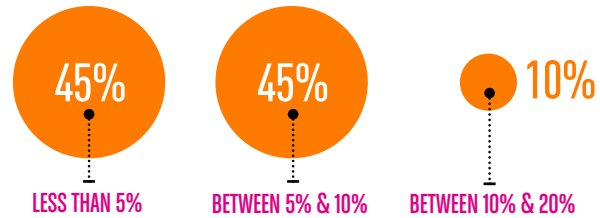
This phenomenon is most noticeable in sales prices. All the experts estimated that their clients would be willing to pay more for sustainable offices, and more than half of them expressed that the price tag would be more than 5% higher than those of other types of buildings. In Mexico City, as in Monterrey, environmentally sustainable offices can achieve sale prices between 10% and 20% higher.

These trends will be strengthened by the entry of new generations into the premium office segment, as well as by the greater environmental awareness of the general population. Marketing strategies by builders to position these features as part of their value proposal will also be important. One in 4 experts felt that additional marketing efforts should be made when offering sustainable offices.

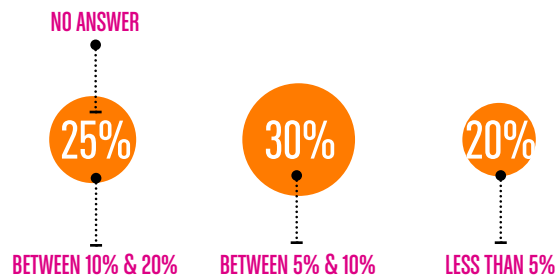
WHAT ABOUT PRICE?

It's not all about environmental awareness, though. Twenty percent of respondents said that price remains a crucial element even for environmentally sensitive tenants and buyers. Green technologies and retrofits are expensive and increase prices substantially. Making cost-efficient changes would increase customer's interest.

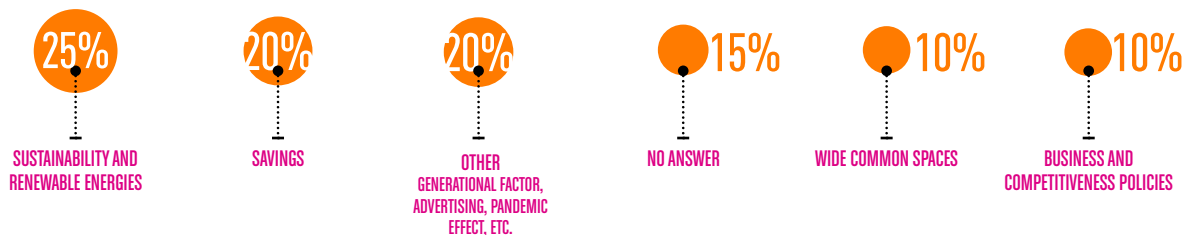
Financial considerations would indicate that these constructions can be more attractive when they use, for instance, renewable energies that generate savings in energy consumption.



IF CUSTOMERS WERE TO SEE AN IMPORTANT ADDED VALUE IN ENVIRONMENTALLY SUSTAINABLE BUILDINGS, HOW MUCH DO YOU BELIEVE THE SALES PRICE OF OFFICES COULD INCREASE?



WHAT SHOULD BE THE MAIN DRIVER FOR ENVIRONMENTALLY SUSTAINABLE OFFICE BUILDINGS TO GARNER MORE MARKET RELEVANCE?



WHAT SHOULD BE THE ELEMENT THAT MAKES OFFICE BUILDINGS MORE RELEVANT IN THE MARKET?

However, what is missing for more investors to build or remodel their offices with environmental sustainability features? According to the experts surveyed, there is a lack of advertising campaigns that promote the use of these spaces and publicize their benefits. They also stressed the importance of establishing tax incentives, and regulations requiring the incorporation of environmental criteria in new construction projects. In Santiago, Chile, for example, tax reductions and regulations already exist. Premium office buildings there are required to have these features.

WTC CIUDAD DEL ESTE – NEW DEVELOPMENT POLE



Exactly one year ago, the most recent World Trade Center in Latin America was inaugurated, the World Trade Center Ciudad del Este, in Paraguay. The project will soon start the construction of its second premium office tower, which will add more space to the 30,000 square meters that are already in operation in the first tower, which was developed with environmental sustainability standards. Olimpio Fleytas, CEO and general manager of Capitalis Desarrollo Inmobiliaria, owners of the project and who also operate the WTC in Asunción, spoke with Latin Trade about this real estate development.

Despite the difficulties involved in advancing this project almost completely in the midst of the COVID-19 pandemic, the WTC Ciudad del Este is already a commercial success. To date, 80% of the first tower has been sold, and its occupancy is close to 70%. For Fleytas, the attraction of companies from the agricultural sector to its premium offices was a determining factor behind these results. Fleytas estimated that 60% of the occupation of the first tower corresponds to agricultural companies, a sector that is experiencing a very promising moment in this region of Alto Paraná.

Entrepreneurs in this sector found in the WTC Ciudad del Este a point that allows them to take advantage of the commercial potential of the city, lo-

cated on the triple border of Paraguay, Brazil and Argentina. "There are mainly Paraguayan companies, but foreign multinationals have also arrived and we have seen the opening of subsidiaries of Brazilian companies," said Fleytas. He added that companies from other sectors such as services, banking, insurance and real estate have recently begun to settle there, attracted by the concentration of firms from the agricultural sector gathered there.

The location in the city is another factor behind the success of this project. Capitalis made a bold bid to develop a new axis to the north of the city. Today it has become a very attractive sector for the corporate world. The WTC Ciudad del Este is located on the Superhighway, as it is known locally,

very close to the bridge that connects Ciudad del Este with the neighboring city of Hernandarias.

Fleytas is convinced that this location will be decisive for corporate development in this area of the city, and recalls how the Asunción WTC marked the beginning of an unprecedented corporate development in a sector that was unexplored until then and is currently the undisputed hub of business in the country's capital. Recent real estate activity in Ciudad del Este indicates that this vision is already materializing. A hotel for a major international chain is currently under construction, as well as a modern showroom for the exclusive BMW brand.