CUSHMAN & WAKEFIELD

SANTIAGO DE CHILE

Economic indicators

	S1 18	S1 19	12-Month Forecast
Unemployment rate	6,7%	6,9%	▲
GDP variation	4,7%	1,6%	▼
CPI (% interanual variation 12 months) (*)	2,0%	2,3%	▲

Market indicators

	S1 18	S1 19	12-Month Forecast
Overall vacancy	6,4%	4,15%	▼
Net absorption (sq. m) YTD	72,952	84,181	▲
Production (sqm)	56.308	75.076	▲
Average asking rent (**) (UF/sqm/month)	0.124	0,122	▼

New inventory (Sq.m) / Net absorption (Sq.m) / Projected Surface (Sq.m)

(*) UC: under construction
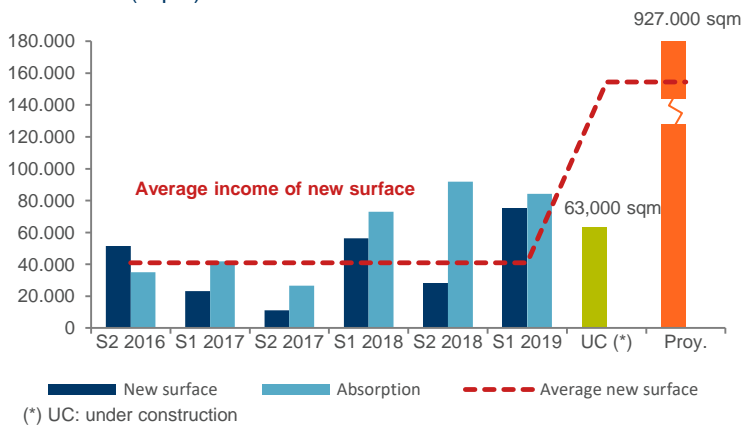
Asking rent (UF/sq.m/month) / Vacancy (%)
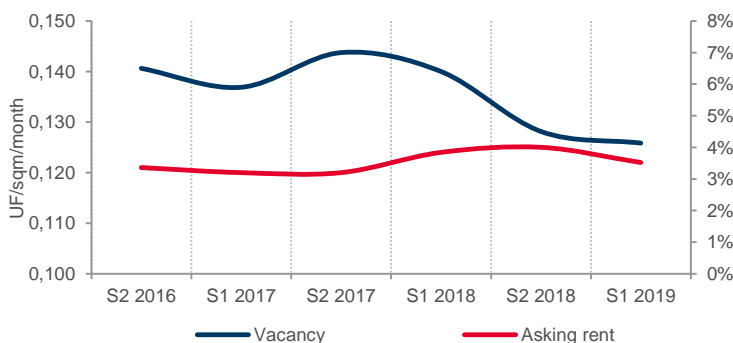
(*) Corresponds to average of submarkets Class A and B

Economic outlook

At the end of the first semester there is a standstill of economic activity. Among the main data, annual GDP growth reached 1.6% compared to the same period of 2018. One of the explanations is based on the sharp slowdown in domestic demand. For the next semester the economy should grow strongly to reach 3.5% annual average within the established goals.

As for unemployment, there is a slight increase, reaching 6.9%, two tenths in the 12-month forecast. However, it is an indicator that since 2014 percentages ranged between 6 and 7%.

The CPI for May indicates an accumulated inflation of 2.3%, with 0.6% increase in the mentioned month and 0.3% in April. In contrast to the first two months, where greater stability was observed.

On the external front, the uncertainty of the commercial war between the United States and its main partners has intensified, resulting in, among other effects, a global appreciation of the dollar and a reduction in most commodity prices, including copper.

Market overview of logistics centers and warehouses

The inventory of logistic centers continued to grow during the first half of 2019. A production of 75,076 m2 is revealed. On the other hand the vacancy experienced a slight decrease that averages 4.15%. However this decrease does not generate increases in the rental price, which remains stable.

For the second half of 2019, a large part of the logistic centers rental market is concerned with the release of large stores in the hands of companies in the retail segment, many of them with a view to the e-commerce market. In principle it is expected that 120,000 m2 will be released in the coming months. Although this area could be higher, it would generate space for a downward pressure on rental prices, especially among those operators that concentrate the largest areas.

The western and northwestern areas continue to be the epicenter of Class A logistic centers, surrounded by the airport, roads that lead to different parts of the country and especially with good road infrastructure, human resources and proximity to urban centers. The total inventory of class A yields 1,297,688 m2, representing 37% of the total stock. Within this area, 89.3% is concentrated in the west and northeast, and the latter sector with 59.7% of the class A stock. Regarding the total vacancy it reaches 2.33%, which is low.

AS FOR THE CONSOLIDATION OF PONIENTE AND NORPONIENTE, THE INVESTORS PUT THE FOCUS ON THE SOUTH AREA FOR THE PRUCHASE OF LANDS

On the other hand, logistic centers class B showed a disposition throughout the regions, without having a clearly defined sector. At the end of the first semester it records 2,236,248 m2 that is 63% of the total stocks. Furthermore, 77.7% of the inventory is located in the west and northeast zones. Another aspect to highlight is that it has a total vacancy of 5.20%, well above submarket A, although operators highlight that there is a higher turnover rate in occupations.

Finally, the values are located on average at 0.122 UF / m2. Most of the stock, mostly Class B, is concentrated in the Poniente area, with requested values averaging 0.121 UF/ m2 given the largest offer of sqm.

Inventory per submarket – Logistic centers Class A and B (sqm)
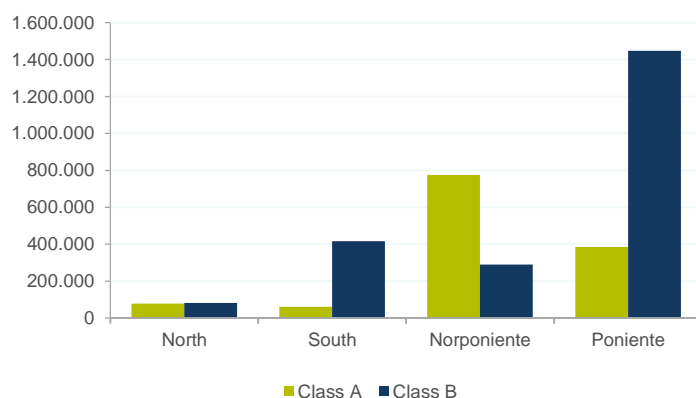
Vacancy per submarket - Logistic centers Class A and B (%)
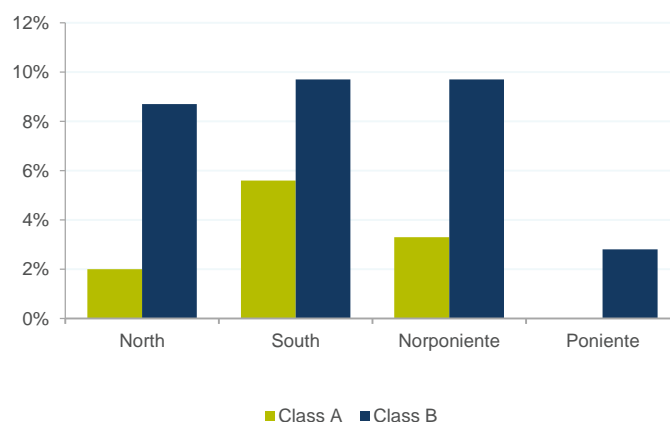
| SUBMARKET	INVENTORY CLASS A	AVAILABLE SURFACE (SQ. M)	VACANCY RATE (%)	AVERAGE ASKING RENT (UF/SQ. M /MONTH)	AVERAGE ASKING RENT (USD/SQ. M /MONTH)	UNDER CONSTRUCTION (SQ. M)
Poniente Class A	384.535	-	-	0.127	5.11	23.000
Poniente Class B	1.447.803	40.472	2.8 %	0.109	4.37	-
Norponiente Class A	774.726	25.352	3.3 %	0.134	5.39	-
Norponiente Class B	290.265	28.131	9,7%	0.121	4.88	40.000
Sur Class A	60.427	3.400	5.6 %	0.135	5.43	-
Sur Class B	416.180	40.556	9.7 %	0.118	4.74	-
Norte Class A	78.000	1.527	2.0 %	0,120	5.43	-
Norte Class B	82.000	7.106	8.7 %	0.133	5,36	-
TOTAL SANTIAGO	3.533.936	146.544	4.15 %	0.122	4.84	63.000

X-Ray of logisitic centers

Within the Class A, market there is certain homogeneity. 95% of the centers have excellent locations, considering within this qualifier the proximity to roads, downtown and maneuver radios in the area, within other weights. Then 74% have recent antiquity that dates between 2015 and 2019. The construction indicators, functionality and infrastructure of the property also present homogeneous values and have a very good to excellent rating. This implies that they have leveled platforms, shoulder height greater than 9 meters, and a fire system.

The Class B logistic market demonstrates heterogeneity at the time of being qualified. There is a common denominator that refers to the location, where 91% of the centers have an excellent location. The antiquity has variations, and 34% present antiques that go from 1990 to 2004, which can represent some technical and functional obsolescence.

Construction was another important item, which shows that 54% of the centers have a low rating. This result is for not complying with minimum heights, optimal floors for the activity, or for not having level platforms.

Logistic centers characteristics Class A

Regular   Good   Excellent
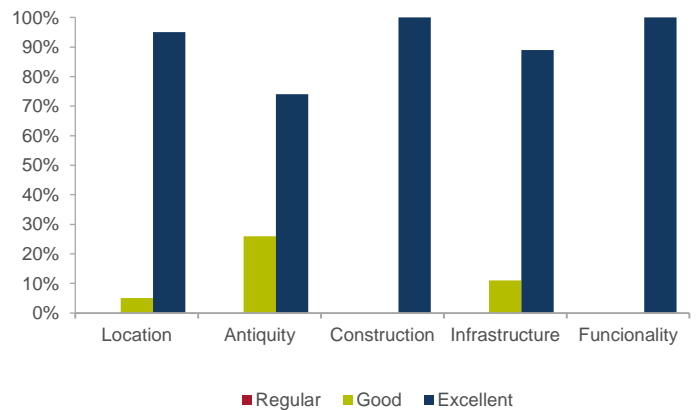
Logistic centers characteristics Class B

Regular   Good   Excellent
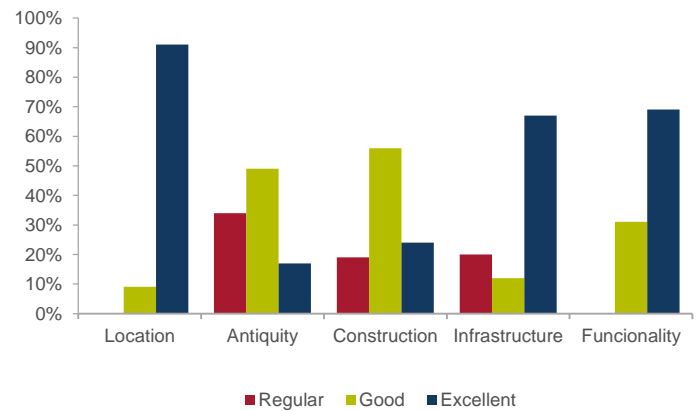
EMPLOYED METHODOLOGY

Clasification of logistic centers class A: Surface area above 10.000 sqm / Shoulder height: above 9 meters / Construction: level plattforms, level floors, fire system/ Infrastructure: Casino, changing rooms and offices / Antiquity: less than 15 years.

Clasification of logistic centers class B: Surface area above 10.000 sqm / Shoulder height: les than 9 meters / Construction: no level plattforms and lower quality floors / Antiquity: more than 15 years.

(*) The Unidad de Fomento is a unit of account used in Chile, readjusted according to the inflation. Its value it is ajusted daily by the Central Bank of Chile accordingly to the CPI index calculated by the National Institute of Statistics (INE). Data up to June 25th 2019: 1UF =U$S 40.22.

(**) The rent values do no include common expenses, according to investigation are between a 10 and 12 % of the rent. They also do no include taxes.

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About Cushman & Wakefield

Cushman & Wakefield was founded in New York in 1917. Argentina's office opened in 2000. It offers a wide range of real estate Premium services for both corporations (companies) and investors.
Cushman & Wakefield is among the largest commercial real estate services firms in the world with revenues of $6 billion across core services of agency leasing, asset services, capital markets, facility services, global occupier services, investment & asset management, project & development services, tenant representation, and valuation & advisory.