

# WTCA

PRIME OFFICE INDEX **LATAM**  
DECEMBER / 2022



MADERO HARBOUR



WORLD TRADE  
CENTERS  
ASSOCIATION

# A REAL ESTATE ENVIRONMENTAL AWARENESS

As governments and corporations from around the world seek to address global warming at the United Nations Climate Change Conference, COP27, our World Trade Center members have been working together to find ways to include sustainable business practices in their real estate operations. The WTCA is an active participant in the United Nations Global Compact, where the business community gets together in support of Sustainable Development Goals. Addressing sustainability was front and center during our recent Member Forum in New York, as well as in our Real Estate Member Advisory Council meetings.

How can we raise the bar in real estate? How can we share and implement best practices to conserve energy, use durable materials and reduce waste? Is the future in constructing and operating carbon-neutral buildings? How can existing real estate be adequately retrofitted and is there an economical way of doing so?

Our network is very much aware of the urgency of addressing climate change; there is no time to waste. In a recent report, the World Meteorological Organization concluded that the global average temperature in 2022 was already around 1.15°C higher than pre-industrial levels, hence it is nearly impossible to avoid temperatures rising above the 1.50°C limit set by the Paris Climate Accord. We will do our part, and if everyone joins, we will be able to make a difference.



**Robin van Puyenbroeck**

EXECUTIVE DIRECTOR OF BUSINESS DEVELOPMENT, WTCA



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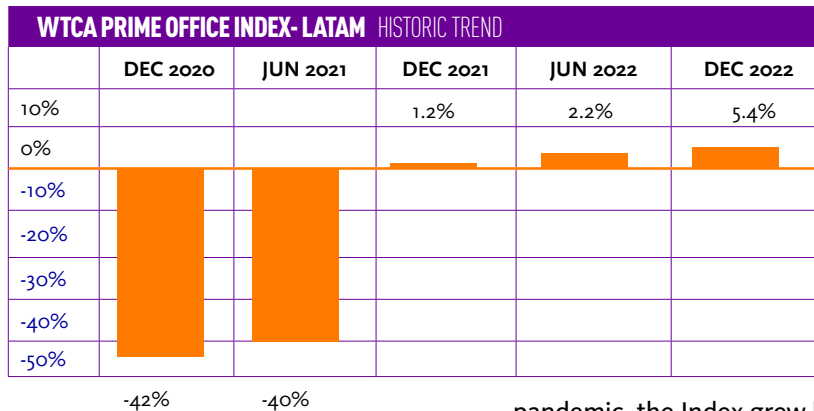
# WTCA PRIME OFFICE INDEX-LATAM DECEMBER 2022

For the past two and a half years, Latin Trade, together with the World Trade Centers Association (WTCA), has been monitoring the current situation and outlook for leasing and sales of premium offices in Latin America every six months. This report and the WTCA PRIME OFFICE

INDEX LATAM are based on the consultation of 20 experts.

In the second half of this year, the Index maintained the positive trend it has been following since the second semester of 2021. From the very negative levels of December 2020 and June 2021, at the worst moment of the Covid-19

pandemic, the Index grew by 1.2% in December 2021, 2.2% in June 2022, and 5.4% in the current measurement of December 2022.



WTCA PRIME OFFICE INDEX - LATAM DICIEMBRE 2020 - DICIEMBRE 2022	2020		2021		2022	
	DEC	JUN	DEC	JUN	DEC	JUN
Previous semester's performance indicator	-53	-60	-11	0,8	-0,2	
Next semester's expectations indicator	-32	-19	14	3,5	11	
<b>WTCA PRIME OFFICE INDEX - LATAM</b>	<b>-42</b>	<b>-40</b>	<b>1,2</b>	<b>2,2</b>	<b>5,4</b>	

The 5.4% Index in this second half of the year is 3.2 percentage points higher than the first half-year measurement. It does incorporate concerns about the expectations for a more difficult 2023 across the Latin American region, but it also ends up showing optimism due to an improved political environment and due to the expectation of sustained growth in both leasing and sales of premium office space.

Going into some detail, the sub-index that measures current market performance in the second half of 2022 decreased slightly (-0.2%), while the expectations sub-index increased significantly (11%). This would show that despite slowdowns, the market has enough momentum to maintain the upward trend going forward. The survey also showed that conditions and expectations look better for the leasing market for prime office space than for sales.

**METHODOLOGY** WTCA PRIME OFFICE INDEX - LATAM is an indicator that ranges between -100 and 100. Positive values denote that more of the experts interviewed feel that the current and future conditions of the Premium Office market in Latin America are better than they were in the previous semester. To build the Index, experts were consulted in San Salvador (El Salvador); Mexico City, Guadalajara, León, Nuevo Laredo (Mexico); La Paz and Santa Cruz de la Sierra (Bolivia); Asunción (Paraguay); Santiago de Chile (Chile); Buenos Aires (Argentina); Panama City (Panama); Belo Horizonte and Curitiba (Brazil); Colonia del Sacramento and Montevideo (Uruguay); Bogotá, Medellín and Cali (Colombia); Santo Domingo (Dominican Republic) and Valencia (Venezuela).

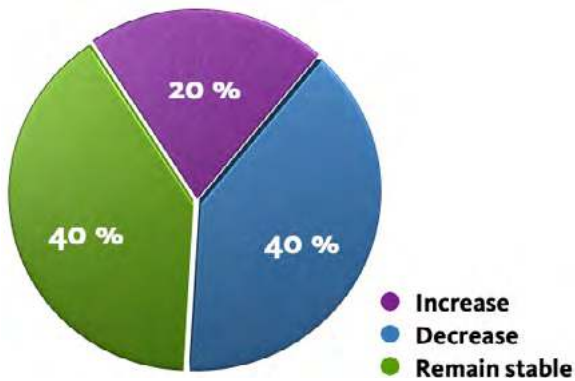
Photo WTC BA

# LEASING MARKET PERFORMANCE 2022 -2H

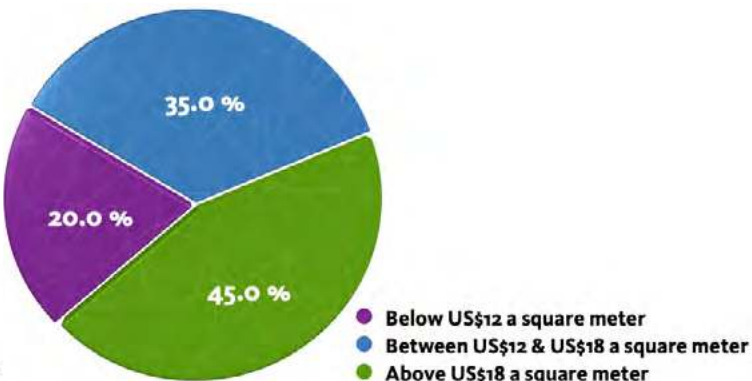
A positive trend continues to be anticipated in the leasing market for premium offices. Rentals are expected to increase moderately, and there is a growing perception of favorable economic conditions for this type of business. Coupled with lower vacancy time and vacancy rates, these indicators point to a continued recovery, despite the headwinds posed by the international political and macroeconomic situation.

*In Latin America, lease rates for premium office space continue to rise, consolidating the trend that has been in place for the past year. The survey shows that 40% of the experts found that prices increased in the second half of the year, compared to 35% in the first half of the year. Meanwhile, 55% of those consulted stated that prices remained stable, a similar proportion to that of the previous survey. Only 5% said that prices dropped, which contrasts with 10% who chose this option in the first half of the year. On the other hand, the average rental price of offices in the price range above \$18 per square meter (\$1.70/sq.ft) increased significantly, by 20 percentage points, from 25% in the first half of the year to 45% in the second half. At the same time, prices below \$12 (\$1.10/sq.ft) dropped from 25% to 20% between the two most recent measurements, and values between \$12 and \$18 per square meter went from 50% to 35%.*

**RENTAL PRICES ...**

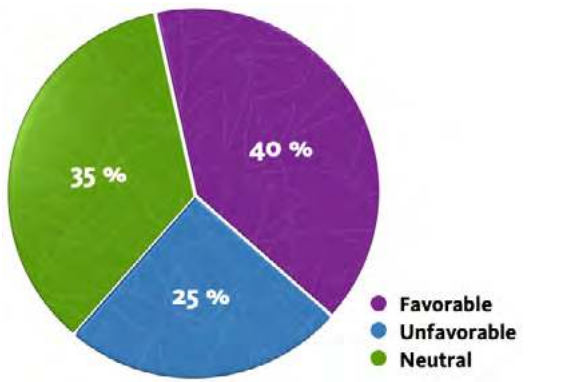


**THE AVERAGE RENTAL PRICE WAS...**

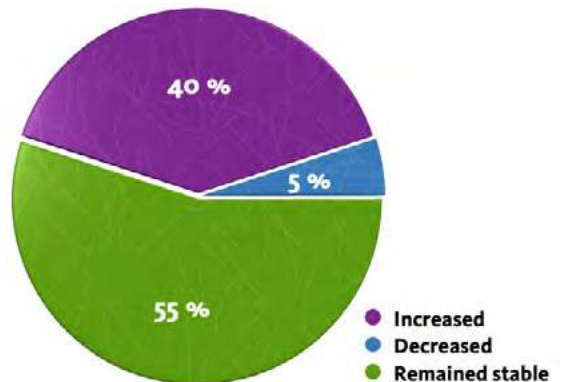


*In the second half of 2022, there was a stronger perception of improvements in the economic situation for leasing. Thus, the favorable perception went from 30% in 2022-1 to 40% in 2022-2. Moreover, the proportion of unfavorable opinions regarding the economic situation dropped from 30% to 25%, as did the proportion of those who said that the situation remained stable, which also dropped from 40% to 35%. Together with this, the time it takes to lease an office decreased. The percentage of people who said that the time it took to lease an office was shorter, went from 25% to 40%. The percentage of people who stated that it remained stable (40%) was equal to that of those who thought it improved, while those who said that the time to lease went up was 20%, i.e., 5 percentage points less than in the first half of the year.*

**THE ECONOMIC SITUATION FOR RENTALS WAS...**



**THE TIME IT TOOK TO RENT AN OFFICE...**



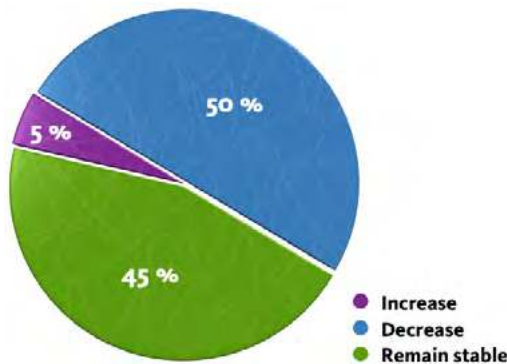
# LEASING MARKET EXPECTATIONS FOR 2022 2H

Current expectations for the first half of 2023 in premium office leasing are of renewed optimism. Respondents expect a better economic situation, reduced vacancy rates, and less time to lease an office

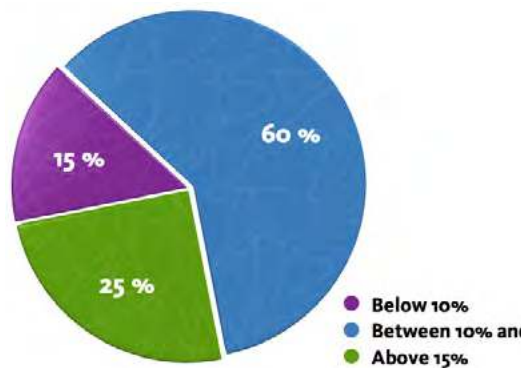


One-half of respondents now expect vacancy times to be shorter in the first half of 2023. This is an increase compared to 45% who stated this in the previous survey. Only 5% believe that vacancy times will increase, which is also an important change compared to 15% in the first half of the year. Those who believe that vacancy rates will remain stable increased from 40% to 45%. Moreover, the survey indicates that 25% believe that the vacancy rate will be higher than 15%, compared to 35% of those surveyed in the first half of the year. The opinion of those who believe it will be less than 10% increased from 10% to 15%.

THE AVERAGE VACANCY PERIOD WILL...



THE AVERAGE VACANCY PERIOD WILL BE...

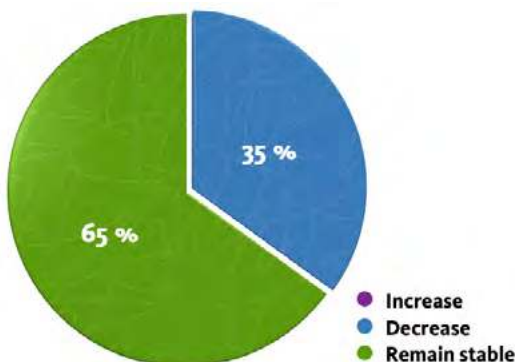


Another sign of optimism is that no one expects that the time it takes to lease an office will increase. In 2022-1, 10% thought this would happen. At the same time, 35% believe that the waiting time will decrease, i.e., 20 points more than those who had the same perception in the first half of the year. None of those surveyed thinks that the average price of leases will decrease. In fact, 55% think it will go up, compared to 30% who chose this option in 2022-1. Those who think the average price will remain stable dropped from 70% to 45%.

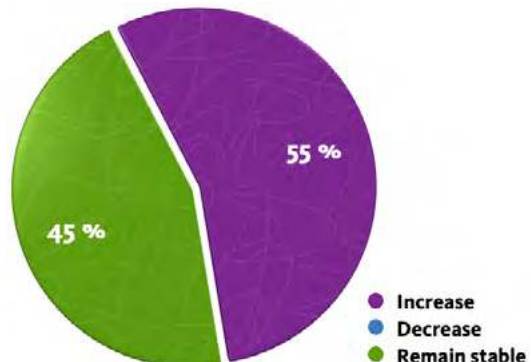
Photo WTC Buenos Aires



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



THE AVERAGE RENTAL PRICE WILL...

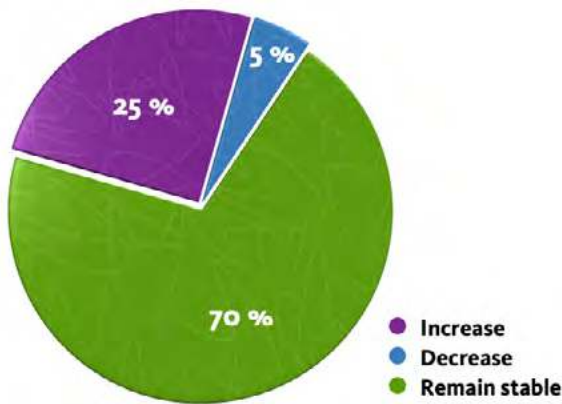


# 2022 2H SALES MARKET PERFORMANCE

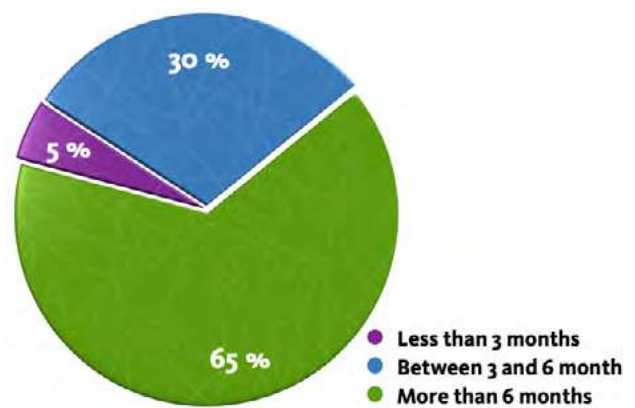
The market for premium office sellers in the second half of 2022 was weaker than in the first half of the year, experts said.

Only 5% of the experts interviewed believe that the time required to sell an office decreased this semester, compared to 10% in the first half of the year. For 70%, it remained stable, compared to 65% in the previous period. For 25% of people, the time to sell an office went up, the same percentage as reported in the previous period. In quantitative terms, those who stated that it is between 3 and 6 months went from 40% to 30% at present. Respondents who stated that it takes more than 6 months increased from 55% to 65%. Only 5% – now and in the last survey -, stated that the time to sell was less than 3 months.

THE AVERAGE TIME IT TOOK TO SELL AN OFFICE...



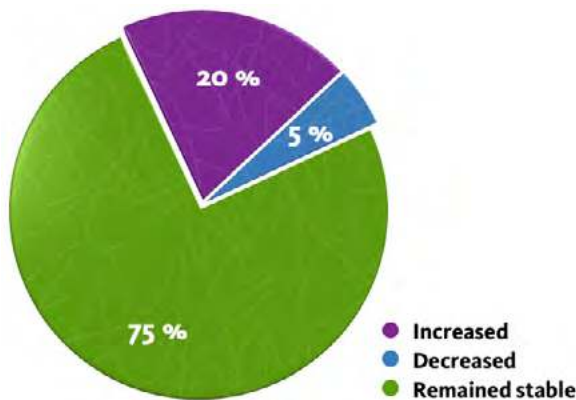
A SALE WAS CLOSED IN AN AVERAGE OF ...



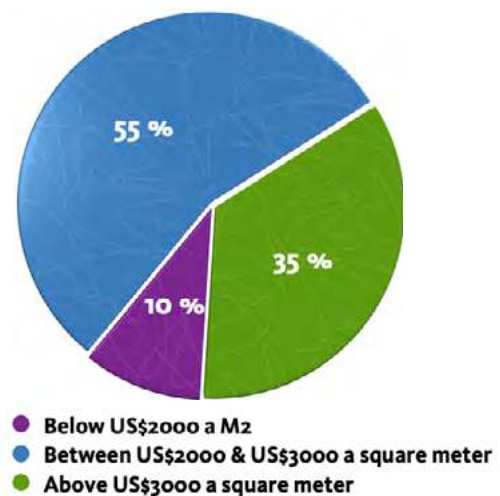
The perception about sale prices remained unchanged in this survey. Exactly like in the first half of 2022, 20% of respondents perceived that they had risen, and 75% said it had remained the same.

As for the average price, offices that were sold above \$3,000 per square meter (\$280/sq.ft) represented 15% of the responses, similar to the previous value. The range between \$2,000 and \$3,000 per square meter was 60%, 5 percentage points higher than in the first half of the year, and those who said it was below \$2,000 per square meter (\$190/sq.ft) accounted for 25%, down from 30% in the first half of the year.

THE AVERAGE SALE PRICES...



THE VALUE OF AVERAGE SALE PRICES WERE...

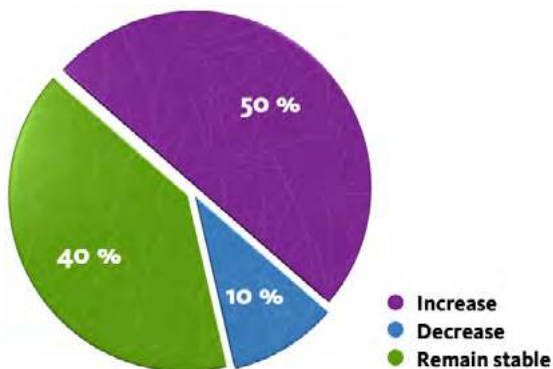


# SALES MARKET EXPECTATIONS FOR 2023 1S

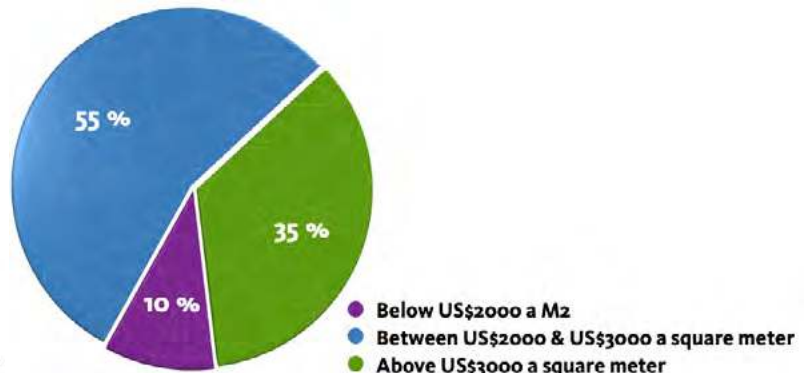
Expectations for premium office sales in the first half of 2023 show marked optimism, with more respondents believing that average prices will continue to rise and that the wait time to sell will decrease. Still, some respondents stated again, as they did in the previous survey, that political uncertainty, rising inflation, and interest rates represent major challenges for the sector.

*On the price side, 50% of the experts expect the average selling price of offices to increase, a much larger percentage than the 20% of experts of the last semester. Forty percent believe that prices will remain stable, a much lower proportion than the 65% of experts in the previous survey, and 10% believe that prices will fall, which contrasts with the 15% in the first half of the year. 35% of those surveyed forecast that sales prices will be above \$3,000 per square meter (\$280/sq.ft), compared to 25% previously. 55% believe it will be between \$2,000 and \$3,000, or 10 percentage points higher than in the first half of 2022. Only 10% forecast a price below \$2,000 per square meter (\$190/sq.ft), from 30%.*

**THE AVERAGE SALE PRICES WILL...**

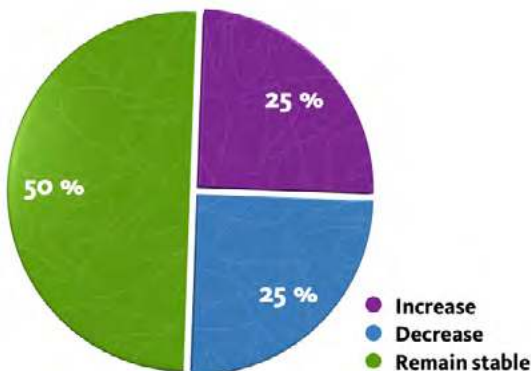


**THE AVERAGE PRICE LEVEL WILL BE...**

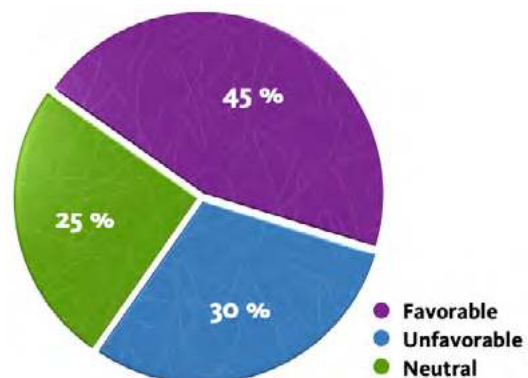


*50% of those interviewed expect that selling time for premium offices in Latin America will remain unchanged in the first half of 2023. 75% thought the same last June. Finally, the economic situation for the coming year is seen by 45% as favorable, compared to only 20% in the previous survey. One-fourth of those surveyed expect it to remain unchanged, from 55% in 2022-1. Nevertheless, those who see an unfavorable economic outlook for the market increased from 25% to 30%.*

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



**THE SITUATION FOR OFFICE SALES WILL BE...**



## BEYOND OFFICE BUILDINGS

There is no doubt that the office building infrastructure was hit hard by the pandemic. However, as the Index we publish in this issue shows, it has been recovering, and the upward trend has been uninterrupted in the two years that the WTCA and Latin Trade have been measuring these trends.

Nevertheless, there is still vacancy in many office buildings that struggle to reinvent new office space with coworking spaces and other structures that might adapt better to the increasing phenomena of the home office, and the big question is whether, in the near future, investors will have an appetite for new prime office buildings.

In Latin America, we have seen new World Trade Center (WTC) projects for prime office space in Buenos Aires, Santo Domingo, and Santa Cruz de la Sierra, though in the first two cases, this office space is part of a larger concept that includes retail and residential infrastructure. This has been

designed by developers who want to offer projects that include office space along with other activities that allow residents to have all in one place, and to get to their offices without the hustle of commuting long distances. This is the case of the planned World Trade Centers of San Miguel de Allende and Nuevo Laredo in Mexico, which, in addition to office space, offer housing, retail, and medical infrastructure, among other facilities.

After the pandemic, new trends are emerging in the real estate market such as those mentioned above. Additionally, the WTCA has seen office space attached to logistics centers and industrial parks. These office spaces house companies that provide services for logistics and manufacturing, as are the cases of WTC in Guadalajara and San Luis Potosi. All in all, at the WTCA we believe there is ample room for growth with new concepts that better interpret the needs of the companies and their collaborators.



**Carlos Ronderos**  
WTCA DIRECTOR, LATIN AMERICA



## REMOTE WORK AND PREMIUM OFFICES

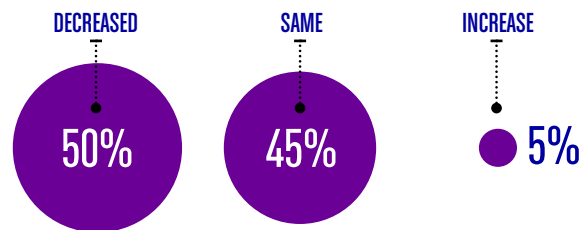


In Latin America, there has been a gradual return to face-to-face work, and many companies and employees value positively the return to offices, either totally or partially, after the pandemic moved millions to remote work. To understand the current situation and outlook for remote work and its relationship to premium office lease and sales prices in the region, Latin Trade consulted 20 experts of the World Trade Centers Association (WTCA) in 12 countries in the Americas.

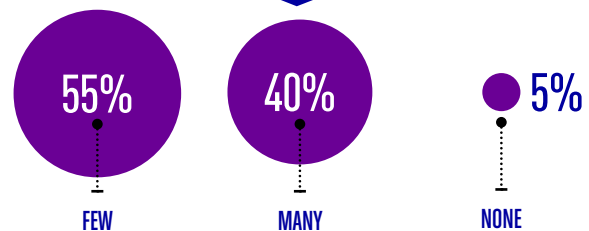
World Trade Center owners and operators in the region were asked to gauge the impact of the trend of working at least one day at home. 95% of those interviewed said that the number of people working this way remained the same as last year, or decreased, while 5% believe it increased. At the same time, half of the experts surveyed believe that this trend is in decline, i.e. that going back to the office is being favored.

Moreover, among the employers, they detected a trend of incentivizing a return to the workplace. 60% of the respondents stated that companies showed little or no interest at all in giving their employees at least one day of remote work. 40% of the responses indicate that employers are in favor of giving at least one day of work at home.

REGARDING THE TRENDS OF 2021, WITH RESPECT TO 2020, THE NUMBER OF PEOPLE WHO WORK REMOTELY AT LEAST ONE DAY A WEEK...?



DO COMPANIES CURRENTLY FAVOR REMOTE WORK, SUCH AS HAVING AT LEAST ONE DAY OF VIRTUAL WORK FROM HOME?





In the medium term, only 15% of experts believe that there will be an increase in remote work in premium offices, compared to the current situation. Forty-five percent of them believe that employers will be less interested in having their employees telework, while 40% believe that this preference will not change from current levels.

According to the respondents' answers, two days of remote work is the option most used by employers currently in hybrid work. This percentage is more than twice as high in percentage points as the next two options, i.e. one day of virtual work and more than two days of virtual work, with 20% each. Moreover, 10% say that the most used option is 100% face-to-face.

A fundamental question is the impact that the permanent adoption of remote or hybrid forms of work could have on premium office rental prices. In this regard, the vast majority of the interviewees said that there would be a decrease of less than 10% in these prices as a result of the trend. Moreover, 15% believe that the impact would be significant and therefore the price of leases would decrease by more than 10%.

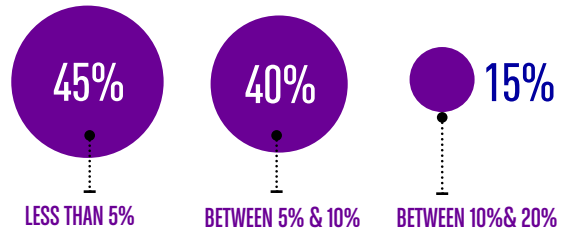
Most experts believe that the permanent use of remote or hybrid forms of work would reduce the sale price of premium offices by less than 10%. Moreover, 30% of the interviewees estimated that the decrease in price would be more than 10%.

The experts were also asked about future risks for the premium office market due to remote or hybrid work. The responses, although diverse, generally pointed to the fact that there are no major risks. Companies will need offices because there is no 100% remote work trend in sight. Many companies have discouraged this type of work, and at the same time, employees prefer to differentiate their private space from their workspace for psychological and logistical reasons.

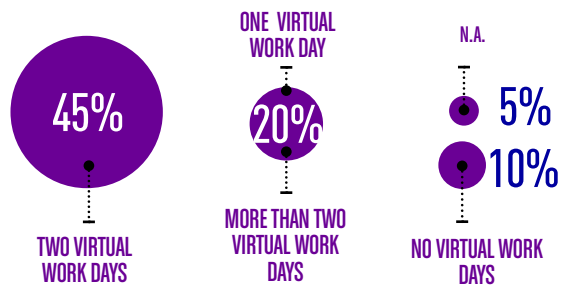
They were also asked about changes that could be made in offices to incorporate remote work trends. In this regard, the interviewees raised issues such as environmentally sustainable offices (which were analyzed in the report for the first half of 2022). Also, spaces with more and better technological infrastructure, including better internet connections, and better services such as gyms, training centers, entertainment facilities, and child daycare, among other.

In view of all of the above, the challenge for premium offices is to meet the interest of employers who want to encourage total or partial presence, and that of employees who also wish to return to the workplace. Offices must then provide the physical conditions that generate wellbeing in the work environment.

### IN THE MEDIUM TERM, DO YOU THINK THAT COMPANIES WILL FAVOR SOME TYPE OF REMOTE WORK, COMPARED TO WHAT IS CURRENTLY HAPPENING?



### WHAT IS THE MOST COMMON FORM OF REMOTE WORK TODAY?



### IN THE EVENT THAT COMPANIES AND THEIR EMPLOYEES PERMANENTLY ADOPT FORMS OF REMOTE OR HYBRID WORK, HOW MUCH DO YOU THINK THE VALUE OF OFFICE RENTALS COULD VARY?



### AND HOW MUCH DO YOU THINK THE SALE VALUE OF THE OFFICES COULD VARY?



## WTC BUENOS AIRES / MADERO HARBOR



Buenos Aires is getting ready to see the tallest office building of the World Trade Center chain in Latin America appear on its skyline. This is the fifth tower of the World Trade Center Buenos Aires, which, standing 656 feet tall, will be presented for approval by the authorities of the Argentine capital in a few days. Latin Trade spoke with Alejandro Ginevra, president, and CEO of GNV Group, the firm that developed Madero Harbour, the largest mixed-use complex in Puerto Madero, which includes the World Trade Center Buenos Aires.

Ginevra explains that they decided to move forward with a premium office project now to respond to the strong migration from the old city center to other locations, among which Puerto Madero stands out as an area that, he believes, will play an important role in the reconfiguration of the city's commercial activity.

To this end, and in keeping with post-pandemic trends, the new WTC Buenos Aires tower prioritizes the construction of open spaces, which is why the new building will have three terraces "so that people can go out for a meeting, have a bite to eat and spend more time outdoors," says Ginevra. The design also incorporates large social areas, more typical of residential buildings, and amenities such as a gym, spa, and lounges for social gatherings. In addition, the building is being considered to house one or two restaurants that would serve WTC users and external clients.

"We believe that buildings should create communities. Today, in order to win over clients we must compete with the home office, so we must attract them with an offer of spaces in which they feel at ease and accompanied," Ginevra points out. This is the reason why WTC Buenos Aires is located in Madero Harbour, an area with ample retail space, hotels, luxury buildings, and prestigious restaurants, which is why WTC is betting on a fifth tower in this sector.

The new building will be totally sustainable, with rainwater harvesting systems, heat-insulating glass, and all the features that will enable it to be LEED-certified. The project will be completed in eight years because the construction of high-rise buildings is not easy, especially when Puerto Madero is located on land reclaimed from the river: "we are building on the water; we have to go 160 feet deep to lay foundations," says Ginevra. The task is difficult because we are talking about a building of 540,000 square feet of construction, with a height of 45 floors and parking facilities for 300 vehicles. With an investment of around \$100 million, Buenos Aires is preparing to celebrate a Latin American milestone in the World Trade Center field.