

### Market Overview

- In 2005, Argentina had an estimated GDP (purchasing power parity) of US\$518.1 billion and GDP real growth rate of 8.7%.
- Inflation has been rising steadily and reached 12.3 percent in 2005.
- Since the 2001 recession, Argentina's economy is showing strong signs of growth due to robust internal demand and increased agriculture exports.
- Argentina is part of Mercosur, a trading bloc composed of Brazil, Argentina, Uruguay, Paraguay and associate members that has a combined population of more than 220 million people.

### Foreign Direct Investment

- In 2005, Argentina attracted \$2.4 billion in foreign direct investment, which is a 33% increase from 2004 but is still relatively low compared to its economic size.
- The local currency devaluation of 2002 has generated strong incentives in favor of local production of tradable goods.

### Office Market

- No new office building projects were started in Buenos Aires since the devaluation of the peso; however, a redevelopment trend is emerging to upgrade older buildings into Class A standards.
- Vacancy rates are in their record lows. The lowest being in the Catalinas area at 0.62% and Microcentro area at 1.97%. The average Class A vacancy rate in Buenos Aires is 1.49%.
- The total office stock in Buenos Aires is approximately 15.67 million square feet.
- In Argentina, tenants are normally liable for premise repairs and maintenance; landlords are responsible for structural repairs and maintenance.

### Incentives

- Argentina offers reduced import duty on certain telecommunication products, information technology industries, and capital goods.
- The government also gives a refund of VAT paid on the purchase of goods destined for use in investment projects.
- In an effort to promote Argentina's software industry, a new law allows up to 70% of the contribution paid to social security to be used as fiscal credit to pay national taxes.

<b>Office Rental Rates</b> (US\$ /Sq. ft./Month)		
<b>Downtown Office</b>	<b>Low</b>	<b>High</b>
Class A (Prime)	\$1.60	\$2.30
Class B (Secondary)	\$0.90	\$1.60
<b>Suburban Office</b>	<b>Low</b>	<b>High</b>
New Construction (AAA)	\$1.30	\$2.00
Class A (Prime)	\$1.20	\$1.80
Class B (Secondary)	\$0.80	\$1.50

## Retail Market

- An estimated 15- 20% of sales taking place in Buenos Aires malls are made by foreign tourists.
- Malls near hotels or tourist destinations, especially those strategically located on Florida and Córdoba avenues in Buenos Aires are in high demand.
- Today, approximately 50% of shopping centers in Argentina are located in Buenos Aires.

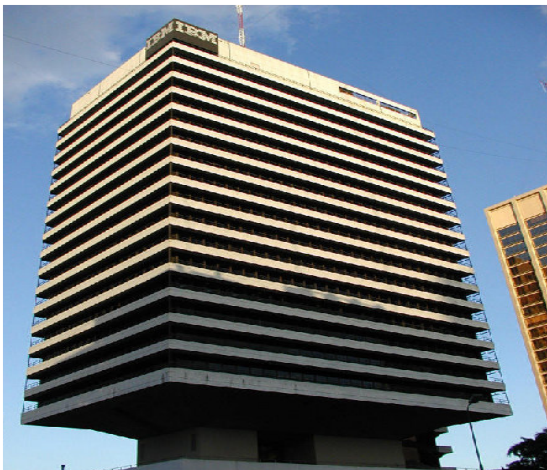


The Abasto Shopping Center

<b>Retail Rental Rates</b> (US\$ /Sq. ft./Month)		
Type	Low	High
Downtown	\$6.00	\$10.00
Neighborhood Service Centers	\$3.00	\$5.00
Regional Malls	\$9.00	\$14.00

## Some Multinationals in Buenos Aires:

- Intel
- Motorola
- Coca Cola
- American Express
- IBM
- Apple
- Ford Motors
- Firestone
- Bayer
- Siemens
- ING Bank
- Accenture
- Dow Chemical
- Fiat



IBM building in Buenos Aires

## Industrial Market

- Total industrial stock in Buenos Aires is approximately 20 million square feet.
- The industrial market has experienced higher demand due to increased local activity and export growth.
- Top industrial areas/parks most desirable to multinational companies include:
  1. Garin Industrial Center
  2. OKS Industrial Park
  3. Pilar Industrial Park
  4. Campana Industrial Park
  5. Tigre Industrial Park

<b>Industrial Rental Rates</b> (US\$ /Sq. ft./Month)		
Type	Low	High
Bulk Warehouse	\$0.15	\$0.50
Manufacturing	\$0.30	\$1.20
High Tech/R&D	\$1.00	\$1.30

## Labor Force

- Argentina's literacy rate is very high at 97.1%, making it the most populated urban area with the lowest illiteracy rate in Latin America.
- The Universidad de Buenos Aires (UBA) is the largest institution of higher education in the country.
- Argentina's unemployment rate as of 2005 was 11.1%.
- The legal minimum wage is ARS\$630 (approximately US\$204) per month.



Ezeiza International Airport

**Infrastructure**

- Many avoid heavy congestion during peak hours by using small buses or “colectivo”, the metro, and taxis.
- All of Argentina’s extensive railway networks meet in Buenos Aires.
- All international flights land at Ezeiza International Airport, which is a 45-minute drive from Buenos Aires.
- Approximately 70% of Argentina’s 1,500 warehouses and manufacturing plants are located in the Greater Buenos Aires city area.
- The Port of Buenos Aires is the main container port in Latin America and the Caribbean.
- The hub-oriented distribution approach used in the U.S. does not exist in Argentina yet; however, there has been significant improvements in transportation infrastructure during the past decade as the result of deregulation and privatization.
- Argentina began developing telecommunications 123 ago, which was only 4 years following the launch of the Bell Telephone Company.
- In 1998, total digitalization of the network has been achieved and the mobile telephone service has been growing ever since.

**Outlook 2006**

- Office rental rates are expected to rise as supply decreases.
- The industrial market is expected to remain stable over the short term.
- Buenos Aires’ retail market is also expected to stay the same, however, regional mall space are predicted to slightly increase in value and rental rates.
- No major projects are expected to start for the office market in 2006.

**Short Term Outlook**

	Rental Rates
<b>Office</b>	↑
<b>Industrial</b>	→
<b>Retail</b>	→