



Chile Overview

- Chile has become one of the best places in Latin America to live and do business. After the military government of Augusto Pinochet ended in 1990, the Chilean government moved towards a largely free market economy, which resulted in an increase in domestic and foreign private investment, foreign trade agreements, and an impressive economic growth. Its economy has maintained an average economic growth rate of nearly 6.0% in the past 3 years, and an average growth rate of around 5.0% since the early 1990's.
- Foreign trade continues to increase as the Chilean government signs new free trade agreements with European, Asian, and North and South American countries. Chile has free trade agreements with the United States, Mexico, Canada, China, India, South Korea, New Zealand, Singapore, Japan and the European Union.
- Chile has one of the best infrastructures of Latin America as a result of healthy economic growth and high levels of foreign direct investment. The Chilean commercial real estate market ranks among the best in the region and it continues to expand in all sectors due to the high demand.
- Some of the benefits companies enjoy when operating in Santiago include a well educated and technology oriented labor force, the freest economy in Latin America, a stable government, an inexpensive cost of living, one of Latin America's most competitive telecommunications services, and the second most important financial center in Latin America after Sao Paulo, Brazil.



Geography & Climate

- Chile is the longest country in the world (North to South). It is located between the Andes Mountains and the Pacific Ocean, with Peru to the north, Bolivia to the northeast, and Argentina to the east.
- Chile is divided into 15 regions (designated by a name and a roman number), each of which is headed by a governor appointed by the Chilean President. Each region is divided into provinces, which are also headed by a governor appointed by the President. Each province is divided into municipalities, which are headed by a mayor and councilmen elected by the residents every four years.
- Some of Chile's largest cities include: Santiago, Puente Alto, Concepcion, Viña del Mar, Valparaíso, Temuco, and Punta Arenas. Valparaíso houses the national congress and is Chile's most important seaport. Santiago is the capital and largest city of Chile as well as the cultural, commercial, financial, industrial, and communications center of the country. Santiago generates 45% of Chile's total GDP. About 40% of Chile's population lives in Greater Santiago.
- The climate in Chile is temperate in the north, Mediterranean in central regions, and cool and damp in the south. The hottest months are December to March and June to August are the coldest. Santiago has an average annual temperature of 59 °F and an annual average rainfall of 13.5 inches.

Chile	
Population	16.6 million
Population Growth Rate	0.916%
Area	292,265 mi ²
Coastline	3,998 mi ²
Capital	Santiago
Official Language	Spanish
Government	Democratic
President	Michelle Bachelet

Foreign Trade

- Chile, with 57 agreements, claims to have more bilateral or trade agreements than any other country. It has signed trade agreements with major countries from the Americas, Europe, and Asia. The Chilean government is currently negotiating agreements with Thailand, Malaysia, and Australia.
- In 2006, foreign trade increased 31% from 2005. Exports of goods and services totaled \$58 billion, with copper exports reaching \$33.3 billion. Imports in 2006 totaled \$35 billion, thus recording a surplus of \$23 billion.
- In 2006, about 42% of Chile's exports went to the America, 30% to Asia, and 24% to Europe. Its most important partner is the United States, with total trade of \$14.8 billion.
- In 2006, 54% of the imports came from the Americas, 22% from Asia, and 16% from Europe. Mercosur members (Brazil, Argentina, Uruguay, and Paraguay) were Chile's main suppliers (\$9.1 billion), followed by the United States (\$5.5 billion), the European Union (\$5.2 billion), and China (3.2 billion).
- CODELCO (state-owned) is the world's largest copper-producing company and the main reason Chile has a trade surplus. Chile has copper reserves of 200 years.



Palacio de la Moderna, Santiago

Some Multinationals in Chile

- IBM
- HP
- JP Morgan
- Microsoft
- Kodak
- Motorola
- Ford
- Yahoo!
- Coca Cola
- Intel
- Reuters
- Nestle

Economy & Incentives

- The Chilean economy has shown stability over the past years. From 1990 to 1997 the economy growth was impressive, with an average growth rate of 8.0%. The growth rate decreased between 1998 and 2002 due to changes in monetary policies and the global financial crisis, but it began to recover in 2003 when it had a real GDP growth of 4.0%. 2004 had a growth rate of 6.0%, 2005 saw a growth rate of 5.7%, and 2006 had a growth rate of 4.0%. The total real GDP growth for 2007 is expected to be over 5.0%.
- Despite having healthy economic growth in the past seventeen years, around 20% of Chileans live below the poverty line. The country also has one of the most uneven distributions of wealth in the world, with 10% of the population possessing 47% of the country's wealth.
- The Chilean government is required by law to run a fiscal surplus of at least 1% of GDP. Last year the government had a surplus of nearly 8% of its GDP, or \$11.3 billion.
- Inflation has not exceeded 5% since 1998 because Chile's Central Bank pursues an inflation target of 2% to 4%. Inflation in 2006 was 3.4%.
- In the past 15 years Chile has welcomed large amounts of foreign investment, but most of it goes into gas, water, electricity, and mining. Total FDI in 2006 was \$3.4 billion, up 52% from 2005.
- In an effort to bring additional FDI, the Chilean government has formed a council on innovation and competition with the intention to identify and promote new sectors and industries.

Economic Indicators	
GDP – Purchasing PP	\$202 billion
GDP Growth Rate	4%
GDP Per Capita	\$12,983
Inflation Rate	3.4%
Labor Force	6.8 million
Unemployment Rate	7.8%
Literacy Rate	95.7%
Exchange Rate	1\$ = 507.87 CLP

Labor Force & Education

- Chile has one of the most skilled labor forces in Latin America. In the 1990's Chile had an unemployment rate of 7%, but it increased to 9%-10% between 2000 and 2003. The unemployment rate for Chile in 2006 was 7.8% and it has continued to fall; the average unemployment rate during the first eight months of 2007 was 7.0%.
- Chile has a total literacy rate of 95.7%. Some of the major universities in the country include: Pontificia Universidad Catolica de Chile, Universidad de Viña del Mar, Universidad Catolica del Norte-Chile, and Universidad Catolica de Valparaiso.

Real Estate Market Overview

- Chile is one of the top choices when multinationals look for a Latin America location. As a result, the commercial real estate market in Chile is strong and it is expected to continue expanding.
- The majority of the multinationals in Chile have their main offices in Santiago, but some of them are quickly expanding into other cities such as Valparaiso.
- Demand for office space (particularly in Santiago) is high, keeping vacancy rates at low levels. High demand and shortage of available space has encouraged developers to start constructing new space, which is forecasted to be delivered over the next three years.
- An increase in disposable income and the excellent economic performance of Chile is fueling the growth in the retail market. The industrial market is also strong. Rents for both markets are stable and new supply will be added to both markets in the next few years.
- The investment market is very active, with major investment transactions currently taking place.



Pontificia Universidad Catolica de Chile

Infrastructure

- Chile, particularly Santiago, has one of the most spectacular infrastructures of Latin America. Some infrastructures of importance include the Santiago Metro, Palacio de la Moneda, and the Costanera Norte highway system, which passes below downtown Santiago and connects the eastern and western extremes in about 40 minutes.
- The highway system connects all the major cities in the country. Some of Chile's highways have free flow systems (automatic payment), and are recognized as some of the most modern highways in the world.
- The construction sector is booming in the major cities of Chile. Several commercial and residential projects are under construction throughout the country.
- Costanera Center is a project currently under development that consists of four buildings in Santiago's central business district. The tallest of the four buildings will be Torre Gran Costanera with a height of 985 feet, making it the tallest building in South America. The project is expected to be done in 2010 and it will have residential, office, and retail space.
- Chile's most important airport is Arturo Merino Benitez International Airport of Santiago (also known as Santiago International Airport). More than 6.5 million travelers use it every year, and it has been named the "best airport of Latin America" on three occasions.
- Chile has a decent public transportation system. The state owned "Empresa de los Ferrocarriles del Estado" manages the trains in the country, and all the cities have a large fleet of taxis and buses.



Valparaíso; the most important seaport of Chile

Santiago Office Market

- Santiago’s office market is concentrated in eight submarkets: Las Condes, Santiago Centro, Provincia, Vitacura, Huechuraba, Conchali, La Florida, and Nuñoa.
- Las Condes, located east of the city center, is the most important and largest submarket. It has a total supply of 10.7 million sq ft, or 42.2% of the total market, of which 7.94 million sq ft are class A.
- Provincia has an inventory of 26.7% of the total office stock; of which 2.21 million sq ft are class A and 4.3 million sq ft are class B. Santiago Centro has 19% of the total space with 2.91 million sq ft of class A and 1.83 million sq ft of class B.
- Vitacura and Huechuraba have 10.3% of the total stock, with 508,000 sq ft of class A and 1.99 million sq ft of class B.
- Conchali, La Florida, and Nuñoa combined have a market share of 1.7%, or 448,400 sq ft of class A and class B.
- In 2005 2.37 million sq ft were added to the office market. Last year that market saw an addition of 1.94 million sq ft. The total class A space to be delivered in this year is expected to be around 1.1 million sq ft, with the majority of it going to Las Condes.
- During this year the market will see an addition of 344,445 sq ft of class B, of which 56% will be distributed in Huechuraba, 19% in Vitacura, 10% in Las Condes, 8% in Santiago Centro, and 6% in Provincia.
- Last year the city had an absorption of 2.28 million sq ft of class A and B. Overall class A vacancy rate is 1.03% and overall class B vacancy rate is 2.63%.
- It is expected that in the next twelve months rents will increase slightly and the vacancy rate will continue to decrease.



Torre Gran Costanera will be Latin America’s tallest building when completed in 2010

Investment Market

- Foreign investors are starting to show more interest in Latin America, particularly in Mexico, Brazil, Chile, and Argentina because the markets are showing higher liquidity.
- In the past few years several foreign and domestic investors have closed investment acquisitions in the office, retail, and industrial sectors of Chile. At the present Chile is experiencing major institutional investment transactions.
- Next year it is expected to see a further increase in investment transactions, especially in the office market.

Retail Market

- The retail market is seeing an increase in sales and absorption due to the good performance of the economy and the increase of disposable incomes.
- The most important shopping malls in the major cities as well as pedestrian walkways are nearly fully occupied.
- Over the next twelve months rents are expected to increase.

Santiago Office Market Information
(USD/Sq Ft/Month)

Overall	Low - High	Vacancy
Class A	\$1.76 - \$2.51	2.2%
Class B	\$1.11 - \$1.67	
Sale Price	\$135 - \$200 per sq ft	

Retail Market Information
(USD/Sq Ft/Month)

Vacancy Rate	Low - High
N/A	\$2.00 - \$6.02





Las Condes Business District in Santiago

Industrial Market Information
(USD/Sq Ft/Month)

Vacancy Rate	Low - High
N/A	\$0.32 - \$0.52

**12-Month Forecast
Rental Rates**

Office	
Retail	
Industrial	

Industrial Market

- The industrial market is starting to see a recovery and several projects are currently under development. The growth in this market has been driven by agriculture and exports.
- Most industrial properties range from 53,820 and 107,640 sq ft.
- Over the next twelve months new developments near factories, agricultural storage, and seaports will be completed. Rental Rates will increase slightly.

Leasing Guidelines

Typical Lease Term	3 to 5 years, but there is no limit
Rents quoted in	Any currency or “Unidad de Formento” – a value of measure provided by the government
Unit standards	Expressed in m ² – UF\$/m ² /month
Cost	Tenants pay for all the costs – service, insurance, and maintenance
Parking space	1 parking space for every 323 to 540 sq ft of class A
Rental payments	Every month
Rent reviews	In average they are done every 3 years
Rent free periods	1-3 months



Plaza de Armas, Santiago



Punta Arenas; the southernmost big city of the world

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