



WORKPLACE URUGUAY

Office Market Report 2017 Montevideo, Uruguay 2017



Office Market Report 2017

Montevideo, Uruguay 2017

Class A+ stock will increase 43% by 2020 and vacancy will be lower than 4%

Offer

The annual survey of the office market showed relevant information regarding new projects and office buildings under construction, included in the following office market report. Main activity is given by four important projects for which construction is starting in 2017 as well as by others that are already under construction. Once finished, within a period of three years, these buildings will add about 73.189 sqm to the Premium office market (also called class A+ or AAA), to the existing 173.402 sqm class A+ office stock by increasing by 43%. Projects promoted as World Trade Center will produce 41.000 sqm of new office areas in Punta del Este, Montevideo and Colonia. "Edificio Rambla" a 94.000 sqm building project by Arq Rafael Viñoly, under construction in Barrio Palermo Rambla, stands out and is targeted to fulfill LEED Gold standards certification.

Class A and A+ office stock will then be given a similar boost as it had in 2010 and 2013 (see table 2). The difference will be given by new updated facilities included in new buildings, which will be adapted to strict fire standards, new open common working spaces and place great emphasis on green building regulations.

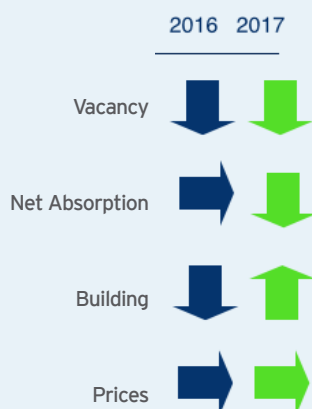
Demand

Present supply of offices is not excessive, registering an average vacancy of 12,5% for class A and A+ buildings, while vacancy of class A+ buildings is 5% corresponding to about 7000 sqm.

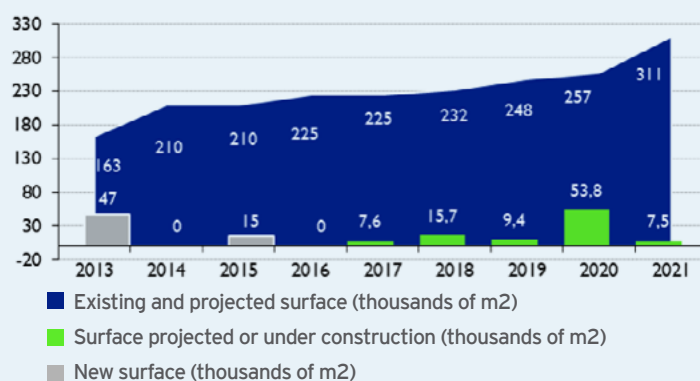
According to our records, the net absorption average of class A+ offices (sqm of office actually occupied) has been of 6600 sqm per year during the last three years. World Trade Center Tower IV, the best office building in Montevideo, had 7100 sqm occupied during the last year, in most cases by multinational companies. Other towers in Montevideo have also absorbed more than 1000 sqm, Torre de los Profesionales and E-Tower in Malvín neighborhood stood out amongst these.

Office market keeps showing constant growth due to the evolution of the workspaces and the way of working demanded by clients. This is the reason why new international projects adapt to more demanding environmental requirements and to the implementation of international certification standards. Such is the case for Apple offices in California, which are 100 % self-sustainable and have LEED Platinum certification, or Treurenberg offices in Brussels which have BREEM standards certifications.

Graph 1: Indicators



Graph 2: Evolution of the stock of offices class A and A + (thousands of m2)





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Offices / prices and projection

Prices

For class A+ offices, average prices are kept at U\$S 28 per sqm while for class A offices, the price is U\$S 20 per sqm (average prices/area according to APPCU).

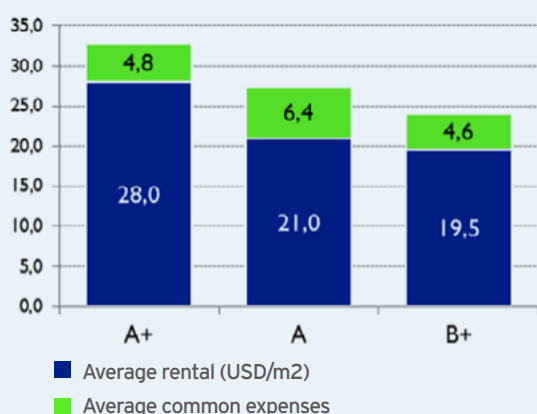
An almost identical situation was referred to in CBC Office Report in 2016. At first glance, the market looks as it's balanced and has been steady for two years. If we take a closer look at the information about class A+ offices, the situation is not such, and we notice that most of the units supplied are delivered in basic conditions and about 1.200 U\$S/sqm must be invested to get a finished office. Ready to rent office supply for 28 - 30 U\$S/sqm was reduced; the remaining possibilities are only for offices in basic conditions, which require an initial investment that affects the final price to be paid by sqm. Although price rates are similar, office conditions are basic, which makes a major difference in price.

Projection

This year we have taken a deeper look into class A+ office market, also called AAA or Premium. As previously mentioned, there are important projects to be finished and it is appropriate to analyze the situation for the next years to come. We will concentrate on Montevideo city and exclude WTC Free Zone Tower II and Aguada Park phase 2 to be started this year, since these projects are subject to different requirements and tax conditions from the rest of the city.

Between 2017 and 2021, 26.500 sqm of A+ offices will be added to existing stock, coming from new buildings, and some that are already under construction. On the other hand, there are currently 7500 sqm of space available. If occupancy rate of about 6600 sqm per year is maintained, as registered during the last three years, projections of absorption of 26.400 sqm for the next four years can be reached. By the end of the period, supply and projected demand seem to neutralize (see table 4). The fact that new projects from outside Montevideo (such as WTC Colonia and Punta del Este) will probably start to compete for demand traditionally concentrated in the capital city, must be taken into account. This information will be known once the towers are completed by the end of this decade.

Graph 3: Average rental prices per class (USD / m2)



Graph 4. Projection of the available surface area to 2021 (thousands of m2)



For more information
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