

# Office Market

## Montevideo, Uruguay 2016

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WORKPLACE URUGUAY



## Low vacancy , the market is balanced

### Offer

The picture of this first quarter of the year is “balance in the market” between offer, demand and prices, where owners and tenants are in agreement with this situation. Nowadays the vacancy rate in Montevideo is 16.0% while in 2015, it was 21.7%. These numbers change when we take a closer look at each specific area, having a very low supply in Carrasco Sur and Tres Cruces; and higher in Pocitos Nuevo and Punta Carretas, while in Center and Ciudad Vieja the supply is higher and more varied.

Clients who are looking for offices have different options in the market, shortage is only noticed when we are searching for bigger areas, over 1000 sqm.

In some cities of Latin America, such as Bogotá, Lima, Santiago and some Brazilian cities, we see the opposite of what happens in Montevideo; there´s been an increase in the supply of office spaces, which turns to be higher than the demand.

In this scenario the main benefit for companies is to have more options to move or expand. This makes the country more attractive for multinational companies to relocate. (\*)

Montevideo has lived through this process in 2014 (see Coldwell Banker Commercial Office Market Report, 2015).(\*\*)

As there was oversupply, construction stopped, and very few sqm were added to existing stock. In consequence, demand slowly took over those remaining sqm available, which resulted in the actual balance present in the market.

(\*) The World Office Forum Report.

(\*\*) Available report in [www.cbcuguay.com.uy](http://www.cbcuguay.com.uy)

### Demand

In 2015 the market absorbed 7000 sqm (\*) that were available, resulting in important transactions, being those purchases as well as rentals. According to our records, software companies, banks, financial companies, oil, laboratories and chemistry companies, are the industries which demanded more new constructed sqm. Some of them looked to expand, while others have moved to more efficient buildings and some new service companies have begun their activities.

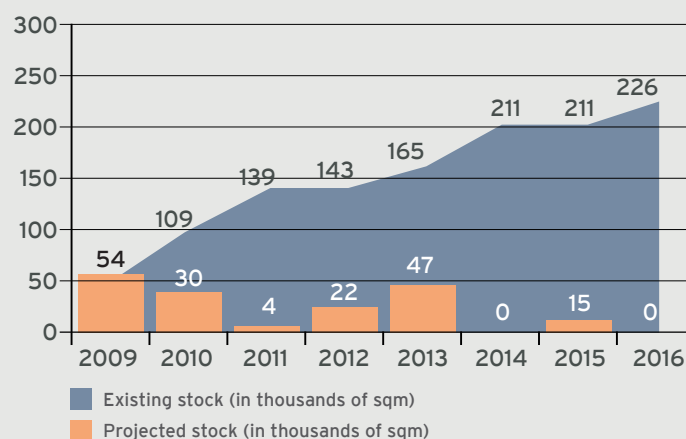
In 2015, activity was normal, having a decrease at the end of the year, and beginning of 2016 due to presidential elections in Argentina and the summer season. Today we have normal rates in the rental market, while the trading market has retracted and has very little activity, having more existing offer than demand.

(\*) Information of Class A+,A.

**Graphic 1: Indicators**

	2015	2016
Vacancy		
Net absorption		
Construction		
Price		

**Graphic 2. Office Evolution Stock Class A and A + ( thousands of sqm)**



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## Prices

Nowadays we find a particularly complicated regional and national situation: experts talk about neutrality forecasts in the growth of the GDP (Gross Domestic Product), tax adjustments were made in the first half of 2016, unemployment has increased, and the national currency was depreciated (in relation to de US Dollar), among others.

In spite of this situation, rental prices have remained steady in the last year, registering a small 3% and 5% drop, (see Picture 3), being the common expenses (HOA's) the ones that have fallen more due to the fact that they're usually rated in \$u or indexed units, so, converted to a stronger US dollar, it results in smaller amounts.

The reason why prices don't fall, is because there is a balance between offer and demand.

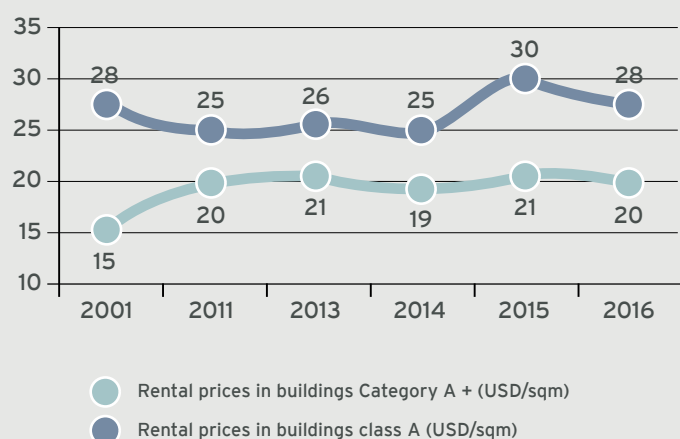
A measure we have seen, is converting rental prices from dollars to indexed units, so as to avoid an uncontrollable raise in costs.

## Projection

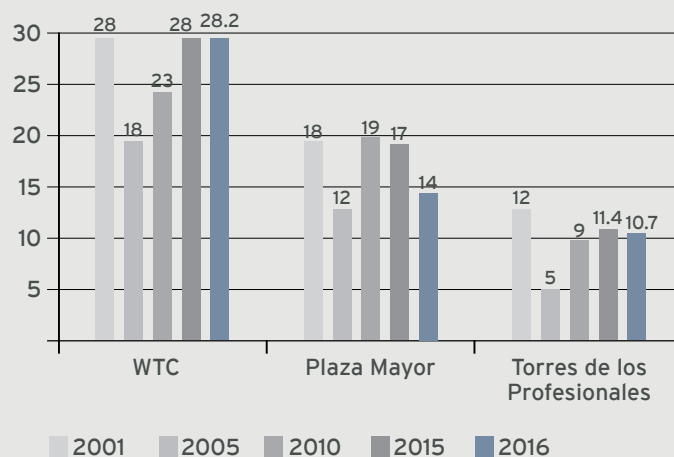
The projection for next two years is there will be a shortage of offices which means a rupture of the present state. On the other hand we have noticed that some projects are gaining strength, looking to start before the end of the year, taking between one or two years finish. In 2016 there will be very little new office sqm, whereas in 2017 we estimate around 9000 sqm will be added to existing stock. Between these new projects there is a common factor, the need to satisfy the corporate demand. Projects don't consist simply on designing an office; it involves very thorough market research, as well as identifying new trends. The application of green technologies, LEED certification, NFPA fire regulations and new undertaking focused in A+ and A categories predominate over others.

Having a varied, qualified, modern and in price supply is beneficial to the country because it will allow the entry of new foreign companies. We must add that the new way of working and the evolution of communications should contribute to modernize the public and private work area. The worker's cultural change and the space conditions must be taken into consideration in the company's efficiency. Nowadays, the spaces of cooperation, creative environments, co-working and the environmental quality are very important areas of the study every company must do.

**Graphic 3: Average monthly prices in USD/sqm**



**Graphic 4. Evolution of prices per tower (USD/sqm)**





Contact information:



**Arq. Gerardo Viñoles, MBA**

Gerente Comercial

Tel + 598 2624-4000

Cel + 598 99 694-656

gerardo.vinoles@coldwellbanker.com.uy



WORKPLACE URUGUAY

comercial@coldwellbanker.com.uy

**www.cbcuruguay.com.uy**

Coldwell Banker Commercial Workplace Uruguay  
World Trade Center Torre III oficina 158  
Montevideo, Uruguay  
Tel. + 598 2624.4000

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