Montevideo, Uruguay

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Montevideo At-A-Glance

	Net Rent/M²/Month		Net Rent/SF/Year		Vacancy
DOWNTOWN OFFICE	Low	High	Low	High	
New Construction (AAA)	$ 10.00	$ 20.00	$ 11.15	$ 22.30	20.0%
Class A (Prime)					
Class B (Secondary)	$ 5.00	$ 15.00	$ 5.57	$ 16.72	25.0%
SUBURBAN OFFICE					
New Construction (AAA)	N/A	N/A	N/A	N/A	N/A
Class A (Prime)	$ 7.00	$ 15.00	$ 7.80	$ 16.72	30.0%
Class B (Secondary)	N/A	N/A	N/A	N/A	N/A
INDUSTRIAL					
Bulk Warehouse	N/A	N/A	N/A	N/A	N/A
Manufacturing	N/A	N/A	N/A	N/A	N/A
High Tech/R&D	N/A	N/A	N/A	N/A	N/A
RETAIL					
Downtown	N/A	N/A	N/A	N/A	N/A
Neighborhood Service Centers	N/A	N/A	N/A	N/A	N/A
Community Power Center	N/A	N/A	N/A	N/A	N/A
Regional Malls	N/A	N/A	N/A	N/A	N/A

DEVELOPMENT LAND	Low/M²	High/M²	Low/SF	High/SF
Office in CBD	N/A	N/A	N/A	N/A
Land in Office Parks	N/A	N/A	N/A	N/A
Land in Industrial Parks	N/A	N/A	N/A	N/A
Office/Industrial Land - Non-park	N/A	N/A	N/A	N/A
Retail/Commercial Land	N/A	N/A	N/A	N/A
Residential	N/A	N/A	N/A	N/A

Market Overview

The economy in Uruguay continued to expand in 2006, and the overall direction of the market calls for strong growth to continue at a healthy pace in the next year. Following the recession of 2002, the government enacted a series of reforms and policies that have helped the markets not only stabilize relatively quickly, but also start steady growth in various key sectors of the economy, particularly those related to agriculture and services. The year end estimate is for GDP growth to maintain a level of about 5% for 2006.

This general increase in economic activity has also started to re-activate certain segments of the real estate markets, particularly for residential projects and farm and ranch sales. Significant activity is taking place in the residential sector with major multi tenant projects underway in the resort areas and larger cities.

As in the past, the outlook in Uruguay over the next twelve months will in part depend on the performance of the Argentine and the Brazilian economies which have dominated and historically controlled the main economic indicators in Uruguay. Even more so, the presidential elections of last year determined the degree of change in terms of the increased state participation in the economy.

Montevideo is the nation's capital, and with its 1.3 million inhabitants is primarily oriented towards the service industries, particularly banking, and has a relatively large public sector.

The city has still not developed a substantial modern office stock and most of the office spaces can be classified as class B and C, especially in the older downtown area where most of the government and economic activity has been concentrated.

During the 90´s because of the growth in the economy and foreign investment (the GDP nearly doubled between 1992 and 1998), a number of new office buildings with relatively modern characteristics (i.e. Central A/C, raised floor, etc.) where built. Towards the end of the decade the prime office market clearly moved out of the old downtown and more into the northern and eastern areas of town. Nevertheless the quality office market continues to be relatively limited and there are fewer than a dozen buildings that can be classified as modern class A type office space.

At the end of 2006, with the economy picking up again, the office market is beginning to see somewhat more activity. This has still not impacted significantly in the Class A vacancies or prices, and the tendency is for stable values in the near term, still mostly in the range of US$ 5-10 per square meter per month. However, certain locations and asset classes are seeing more demand and investment activity. For example, such is the case in the ongoing revival of certain parts of the old downtown area, with restaurants and small shops, as well as the growing attractiveness of certain gated community projects in the suburbs.

The industrial market has in general also been stable as far as demand and supply, with no significant changes in price levels in most asset classes. With the healthy uptick in the economy there has started to be some stronger demand from developers and investors, who see the market starting to turn back up.

The residential market in general remained stable, although the residential development segment has re-activated to a significant degree, particularly in the higher market segments.

Source: NAI Castro Cranwell & Weiss S.A.