



Latin America | 2021

Construction Outlook

Challenges of a region with variable markets

Executive summary

The goal of this construction report is to enable an understanding of the pre-pandemic and the post-pandemic scenarios in the Latin America region. Owing to the March 2020 timing of the COVID-19 impact in this region, the first half before the outbreak is considered to start in October 2019 and the second, post-outbreak period is from April to October 2020.

In 2019, the Latin America construction industry was expected to experience moderate growth, with even better expectations for 2020, but by the end of the first quarter of 2019 it had registered a 1.4% decline. In countries such as Brazil, Colombia, Chile and Peru that were expected to have the most favorable results within the region, the 2020 COVID-19 spread impact depended on key political decisions during the lockdown; for instance, Brazil and Paraguay kept the construction industry active, while others did not. On the other hand, except for just a few of the governments that lifted lockdown measures first, most countries embraced drastic sanitary measures that even in some cases involved limitations on people's movement, leaving the construction industry severely affected. The ones that were already experiencing declining construction activity during 2019 such as Argentina were aggravated by the COVID-19 lockdown, starting at the end of the first quarter of 2020, mainly in the large urban centers. In this case, most construction activities were paused for nearly seven months with only a few exceptions related to critical activities.

For the last quarter of 2020, a moderate recovery in the construction activity is expected, contingent on the recovery of supplier industries, the demand for public and private investment, and the tax /credit incentives provided by governments. Most investment projects that are not considered essential for operations will be delayed by businesses in order to survive the short-term financing problems. The recovery process, which

depends essentially on supply and demand policies, favors the investment in construction due to inflation and local currency depreciation resulting in historically low construction costs in US dollars in the overall region. In view of possible new outbreaks that could lead to the reestablishment of lockdown measures, a potential stagnation of the recovery is foreseen.

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H1 2020 Latin America construction recap

Pre-Pandemic Period

Most Latin American economies ended up growing in 2019, continuing the upward registered since 2010. It should be noted, however, that on average, the recorded increase represents a clear slowdown from the previously observed values. Indeed, the analyzed countries show an average of only 0.1% (1) growth during 2019, while it was 2.4% for the 2010-2018 period. This situation is probably explained by a set of factors, including: the complex conditions of international trade, the decline in the price of many of the most exported products, the global economic slowdown, contractive fiscal policies, social unrest and political uncertainty and the reduction of flows towards emerging markets. In this context, Colombia was able to stand out as the best performing economy, growing 1.9% in 2019. On the other hand, the Argentine economy registered the worst performance, with a 3.1% decline.

However, this moderate growth path was interrupted during the first quarter of 2020. Only Colombia and Chile (2) recorded positive variations in their GDP, while the rest saw a significant worsening, evidenced in their industrial production volumes, unemployment rates, retail sales, etc. Unemployment, for example (with Brazil recording the worst at 12.1%), which had already grown regionally in 2019 compared to the previous year, worsened in all

countries, mainly due to the escalation of the pandemic and the start of the first lockdowns late into the first quarter. Thus, 2020 began with a heterogeneous set of alarm signals across markets, including business closures, falling investments, currency depreciation, increased fiscal deficit, and moderate prices of commodities.

Therefore, between the fourth quarter of 2019 and the first quarter of 2020, Latin America witnessed a noticeable deterioration in all its economic indicators, and it would be wrong to attribute this exclusively to the first throes of the pandemic. As mentioned, 2019 had already begun to see a deterioration in the region's ability to maintain a sustained path to growth. The sum of internal problems (political uncertainty and unresolved social unrest in Chile and Bolivia, presidential elections, fiscal imbalance and above-average inflation in Argentina, unemployment above 11% in Brazil and Costa Rica, interannual GDP fall in Mexico, and more) in addition to an international environment that did not help, laid the foundations for a situation that severely impacted the region. The pandemic and all its consequences will shape at least the immediate future, after an unpredictable 2020.

(1) Source: World Bank

(2) Source: International Monetary Fund



Oct. 2019 to Mar. 2020

construction stats

Overall national construction

Construction cost variation

▪ Argentina	12.2% increase
▪ Bolivia	1.1% increase
▪ Brazil	-16.1% decrease
▪ Chile	-11.3% decrease
▪ Colombia	-9.0% decrease
▪ Costa Rica	2.0% increase
▪ Ecuador	0.0% steady
▪ Mexico	-16.9% decrease
▪ Panama	2.2% increase
▪ Paraguay	-2.0% decrease
▪ Peru	-2.6% decrease
▪ Uruguay	-12.4% decrease

Construction labor indicator

Construction wages variation

▪ Argentina	20.5% increase
▪ Bolivia	-4.2% decrease
▪ Brazil	-16.1% decrease
▪ Chile	-12.3% decrease
▪ Colombia	-7.1% decrease
▪ Costa Rica	4.5% increase
▪ Ecuador	1.5% increase
▪ Mexico	-15.7% decrease
▪ Panama	3.0% increase
▪ Paraguay	0.1% increase
▪ Peru	-2.6% decrease
▪ Uruguay	16.8% increase

Note: Variations are based on dollar currency and where applicable with local currency depreciation impact.



H2 2020 Latin America construction recap

Pandemic Period

As aforementioned, the outbreak of the pandemic did not find Latin American economies in a robust situation; indeed, some countries were already involved in political and economic crisis.

Worse still, two structural characteristics of the region contributed to a greater economic impact than in other latitudes: relatively more people work in activities that require significant physical proximity, and there are fewer jobs that are able to be carried out remotely. Nearly 45% of positions are in high-contact sectors (such as restaurants and stores), compared to just over 30% registered in countries with the highest-level development economies. On the other hand, only about one-fifth can be carried forward remotely, (just half the proportion in advanced economies) (3). These two aspects, together with a high degree of informality and poverty, and combined with the decline in international trade and global financial turbulence, led to a historic collapse in terms of economic activity in 2020, estimated between 8% and 9% (4). This means that the region will contract approximately twice as much as the global average, while also having a disproportionately high health cost in relation to its population.

Following the sharp decline in late March and during April, economies began to bounce back in May, helped mainly by the gradual easing of lockdowns and social isolation measures, as well as by considerable fiscal support in most countries, a better international environment, and the adaptation of businesses and

consumers to social distancing. However, the persistence of a high level of contagion contributed to a relatively slower reopening than in other parts of the world, albeit more sustained. Some countries –such as Uruguay, Brazil, and Costa Rica– experienced lower contractions, returning to pre-pandemic activity levels as early as July, while others –such as Peru and Ecuador– suffered much deeper declines in March and April, and remained stagnated by mid-year.

By the end of October, among the most important economies, the ones that had reach a better recovery were Brazil (which almost returned to level of the end of February), Colombia (with a significant acceleration since August), Chile and Mexico. On the other end of the spectrum, Peru and Argentina consolidated their position as the hardest-hit countries, despite the improvement experienced over the end of the first semester (5).

Going forward, the region is expected to recover 3.6% of its GDP in 2021, but most countries will not return to their pre-pandemic GDP earlier than 2023, and the per capita income will not recover until 2025, that is, it will take longer than anywhere else in the world (6).

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- (3) Source: United Nations Economic Commission for Latin America and the Caribbean
 - (4) According to estimations by the United Nations Economic Commission for Latin America and the Caribbean and International Monetary Fund
 - (5) According to Oxford Economics estimations
 - (6) Source: International Monetary Fund

Apr. 2020 to Oct. 2020

construction stats

Overall national construction

Construction cost variation

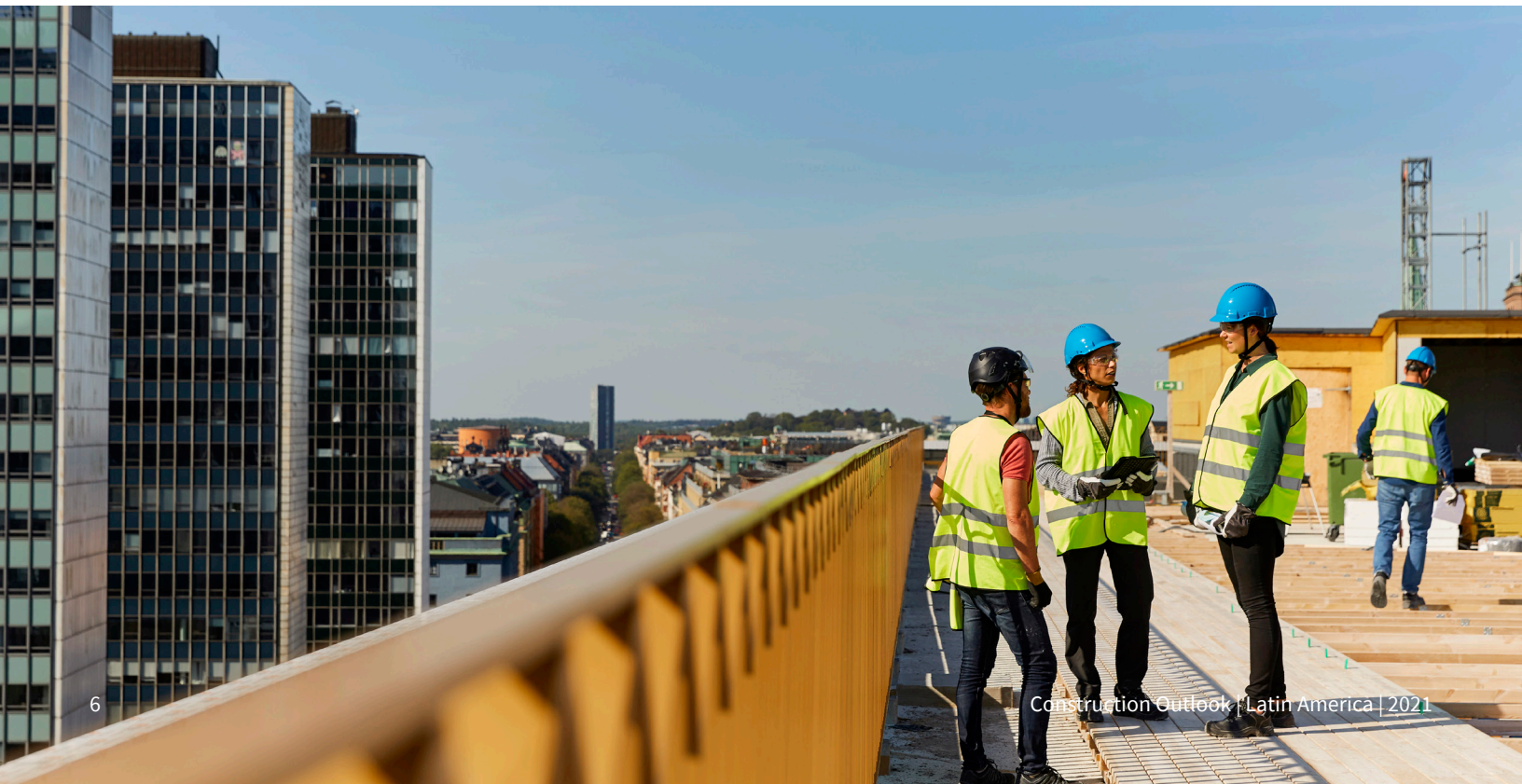
▪ Argentina	-0.1% decrease
▪ Bolivia	-0.2% decrease
▪ Brazil	0.4% increase
▪ Chile	9.6% increase
▪ Colombia	4.8% increase
▪ Costa Rica	-5.4% decrease
▪ Ecuador	0.2% increase
▪ Mexico	14.7% increase
▪ Panama	2.9% increase
▪ Paraguay	-7.3% decrease
▪ Peru	-5.0% decrease
▪ Uruguay	4.6% increase

Construction labor indicator

Construction wages variation

▪ Argentina	-15.6% decrease
▪ Bolivia	0.1% increase
▪ Brazil	-2.0% decrease
▪ Chile	10.8% increase
▪ Colombia	3.8% increase
▪ Costa Rica	-5.5% decrease
▪ Ecuador	0.0% steady
▪ Mexico	12.7% increase
▪ Panama	0.0% steady
▪ Paraguay	-6.6% decrease
▪ Peru	-4.4% decrease
▪ Uruguay	1.4% increase

Note: Variations are based on dollar currency and where applicable with local currency depreciation impact.





Construction cost profiles

Latin America countries

Along the next pages, each of the Latin America countries will present the three main construction indicators – construction costs and wages and material costs - which will help to understand similarities and distinguishing features across the region.

Note: This report collects data issued by various entities with different criteria in the diverse countries of the region, resulting in different methodologies to define costs per square meters. Dispersion of material data is also given by each market own sources and the different measure models.

For more details, please refer to the contact of each market.

Construction cost profiles

Argentina

2020 - Construction Overview

Compared to the same period in 2019, overall construction activity fell by 26% in the first three quarters of the year. The last quarter of the year shows a moderate recovery in the construction activity.

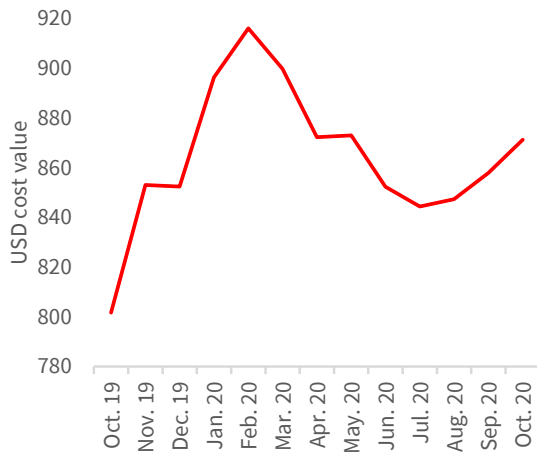
Building cost profile

The construction cost is an average index that reflects the overall condition of the industry. Due to the current slowdown the overall building cost is lower than in previous years, but with an upward trend.

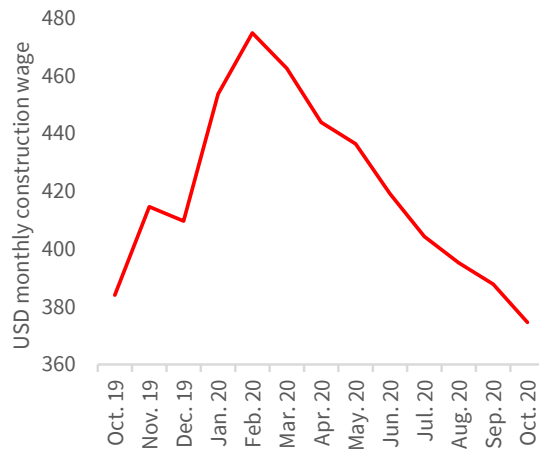
Labor cost profile

Construction was one of the worst-hit industries during the lockdown. This resulted in loss of employment, job insecurity and collective bargaining agreements below the escalation of inflation.

Total construction cost

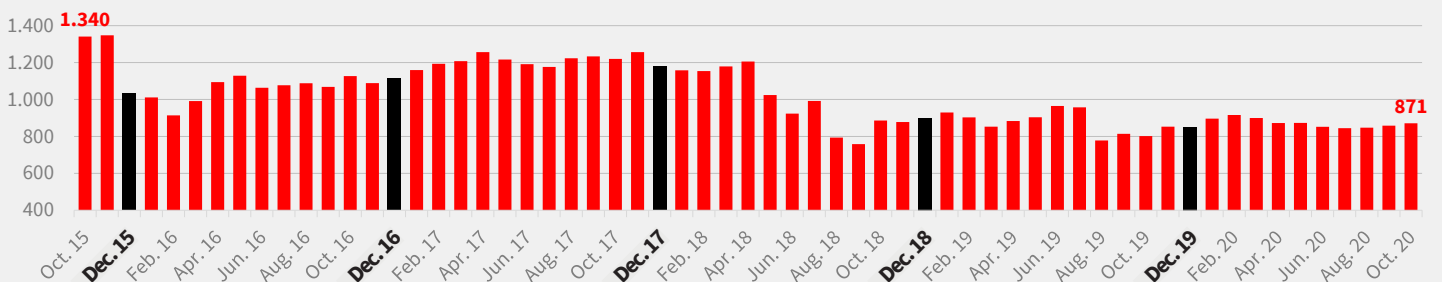


Construction wages



Total construction cost - Last 5 years

Units = USD cost value

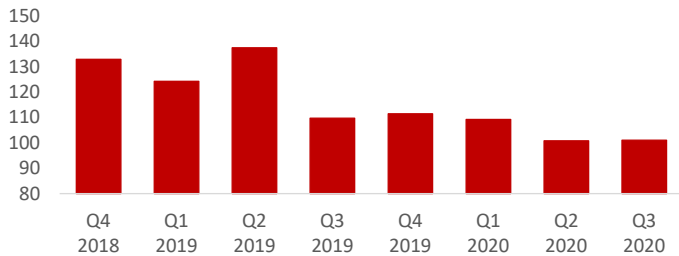


Construction cost profiles - Argentina

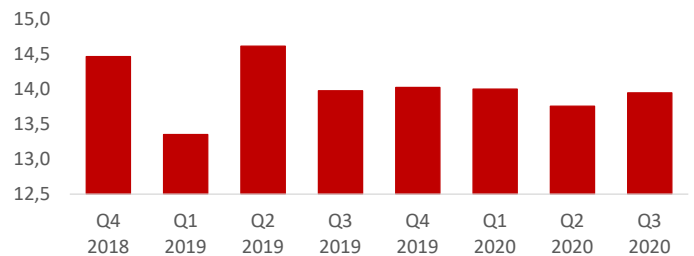
Material cost profile

Construction goods is the component whose cost has increased the most during 2020. Despite the low demand, the cost of the goods is directly tied to the US dollars exchange rate, and therefore followed the currency appreciation.

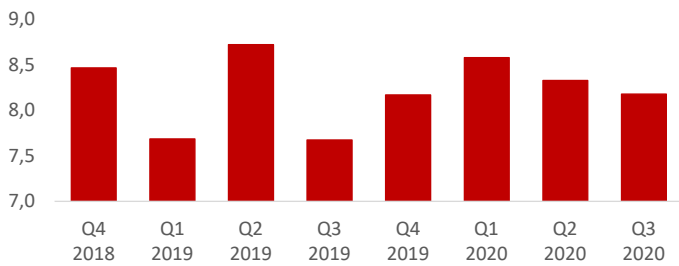
Concrete (Units = USD cost value)



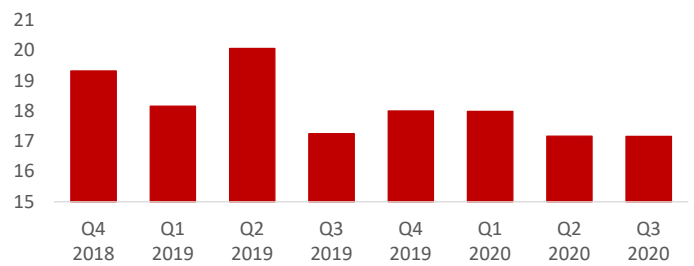
Steel and iron (Units = USD cost value)



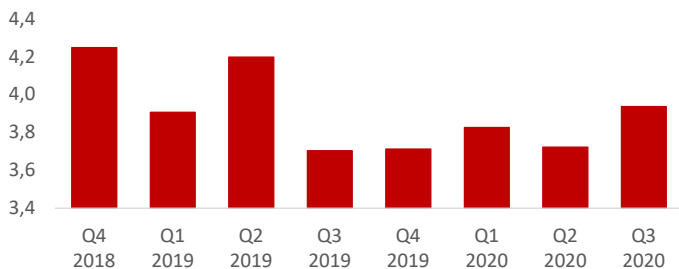
Gypsum (Units = USD cost value)



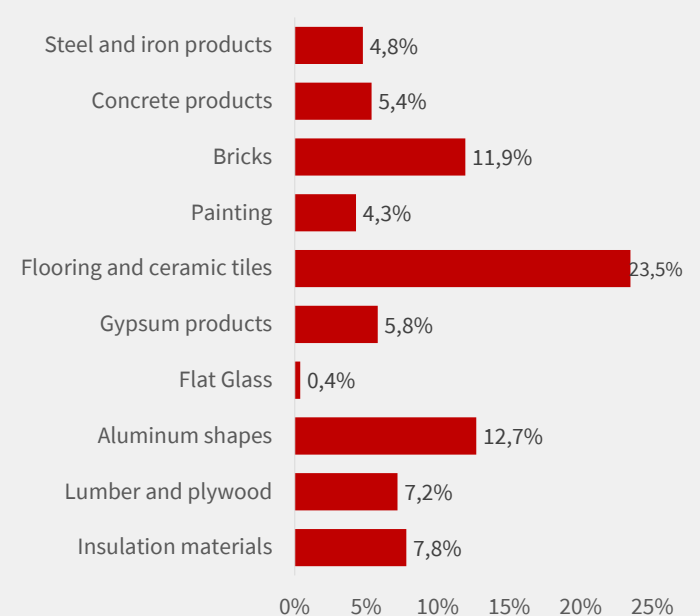
Flat glass (Units = USD cost value)



Lumber and plywood (Units = USD cost value)



Construction material costs, 12-month variation



Source: CAC: Construction Argentine Chamber
 Source: Clarin ARQ Publication
 Source: ICCBA Buenos Aires Construction Cost Index

Construction cost profiles

Bolivia

2020 - Construction Overview

Overall construction activity fell between 35% to 50% in the first three quarters of 2020, compared to the same period of the previous year. The last quarter of the year shows a marginal recovery in the construction activity, with a good perspective for further recovery for 2021.

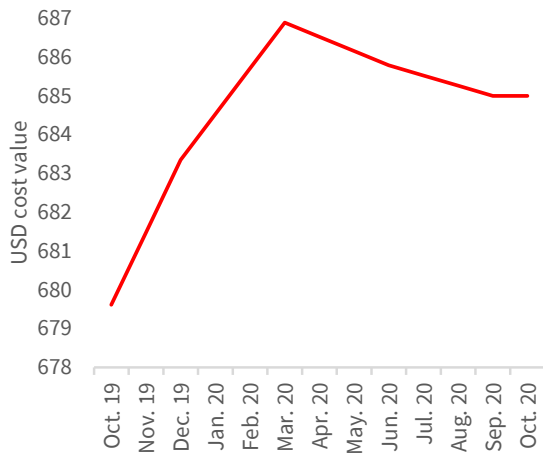
Building cost profile

The overall condition of the industry is mixed, with some elements of construction costs lower than in previous years (labor, concrete), but some others (steel) are higher. If the additional costs imposed by the government for controlling the projects are included, the overall construction index has had a slight increase in comparison to the previous year.

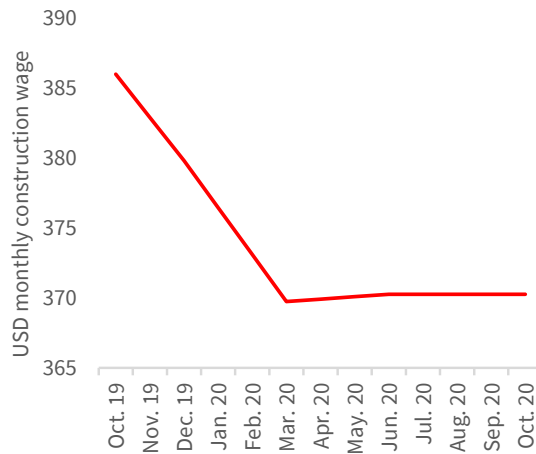
Labor cost profile

As in other countries, construction was one of the worst-hit industries during the lockdown. This resulted in a loss of direct labor of around 50%, thus leading to a reduction of overall labor cost.

Total construction cost

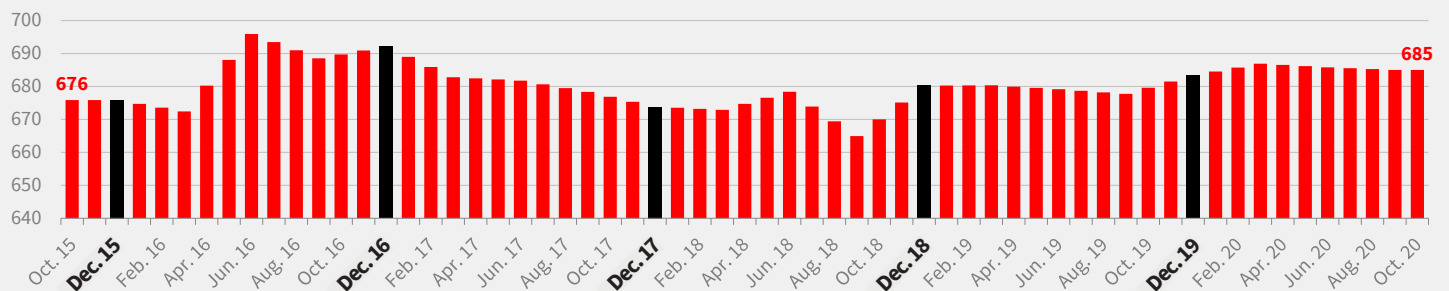


Construction wages



Construction cost - Last 5 years

Units = USD cost value

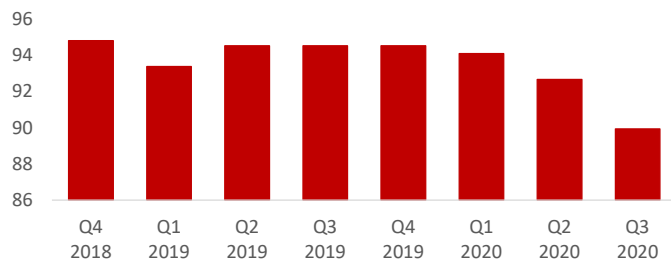


Construction cost profiles - Bolivia

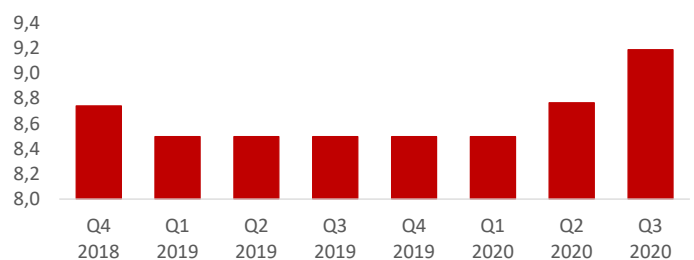
Material cost profile

Most construction materials costs have decreased during 2020. Nevertheless, three of them (paint, steel and insulation materials) have increased significantly in the same period. These materials presented a higher volatility, because they are mainly imported materials.

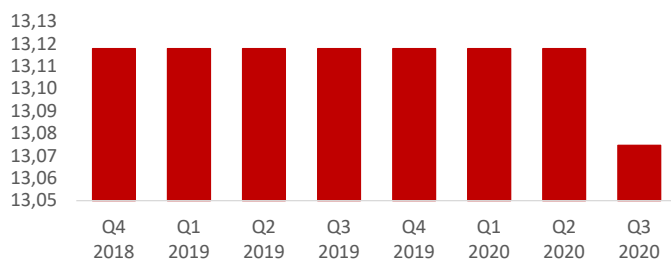
Concrete (Units = USD cost value)



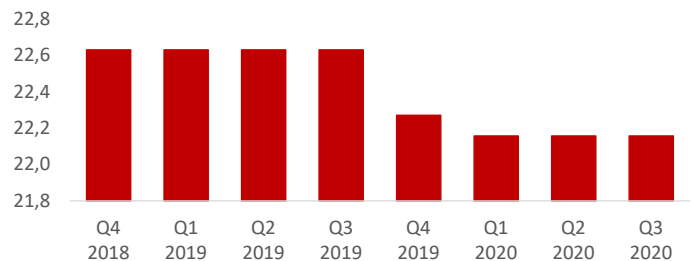
Steel and iron (Units = USD cost value)



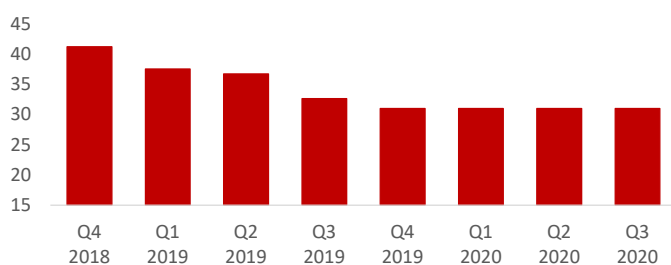
Gypsum (Units = USD cost value)



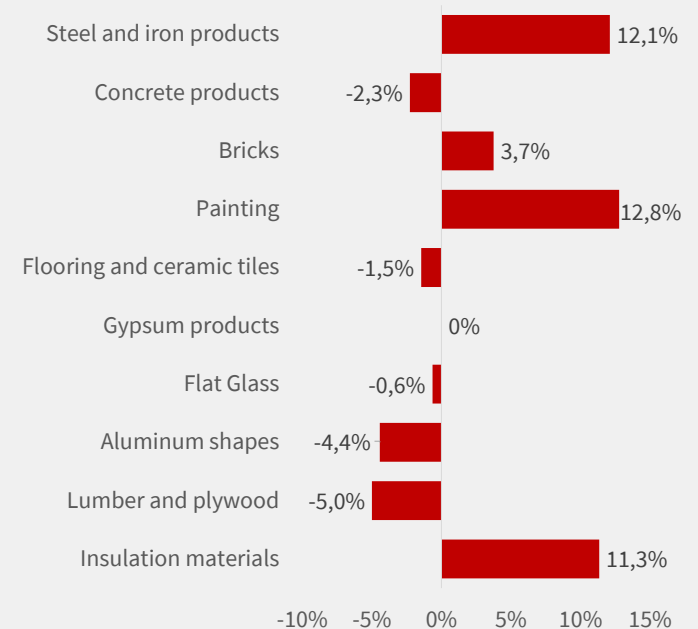
Flat glass (Units = USD cost value)



Lumber and plywood (Units = USD cost value)



Construction material costs, 12-month variation



Information provided by INCOTEC, Engineering & Construction
Santa Cruz de la Sierra, Bolivia

Source: INE: National Institute of Statistics
Source. Data base: INCOTEC S.A.

Construction cost profiles

Brazil

2020 - Construction Overview

Considered one of the most important sectors of the Brazilian economy, construction represents approximately 7% of Brazilian GDP. Before COVID-19 spread around the world, this sector maintained its growth forecast. The country was undergoing a series of tax reforms to reduce costs and increase investment capacity. During the lockdown period, a federal decree placed construction as an essential activity, which made it possible to keep the segment active, with investment supported by the lowest interest rate in history.

Building cost profile

During 2020, construction costs continued to increase at a steady rate. In the first half of the year, annual cost growth averaged 0.34% in local currency, then grew even faster in the second half, reaching an increase of 6.13% between April and October, due to the uncertainties triggered by the pandemic.

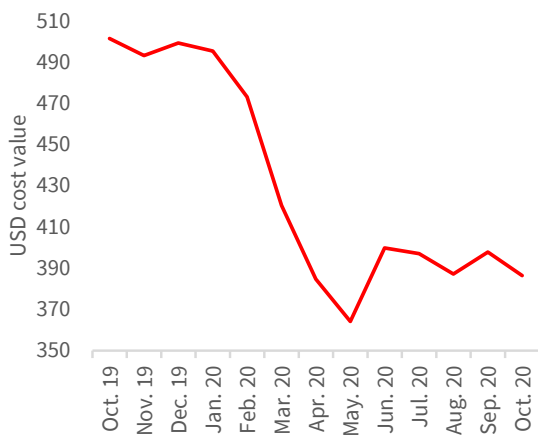
As shown below, costs in US dollars decreased with the beginning of the pandemic and stabilized in the middle of the year, opposite to what happened in local

currency. The US dollar had an accumulated increase of almost 30% against the real in 2020 and is one of the reasons for the increase in building costs in Brazil.

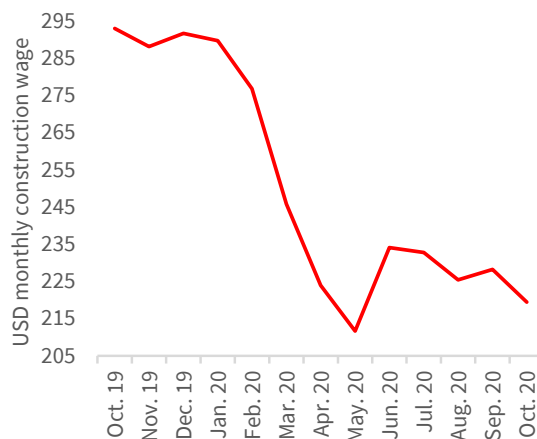
Labor cost profile

As mentioned before, construction was considered an essential activity during the pandemic. Although unemployment rates are in historical levels, on grounds of the pandemic and issues linked to the political context, the construction sector keeps new hires and salary increases within inflation.

Total construction cost

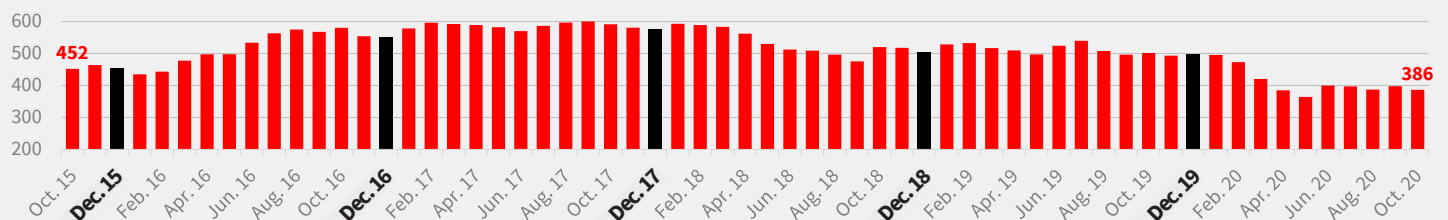


Construction wages



Construction cost - Last 5 years

Units = USD cost value



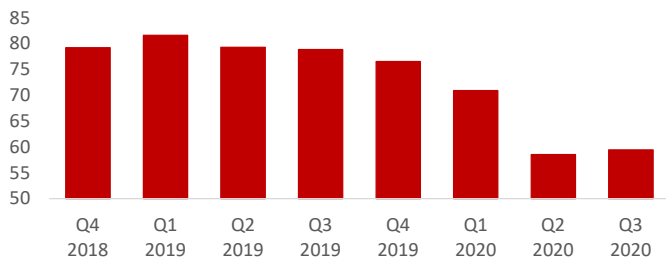
Construction cost profiles - Brazil

Material cost profile

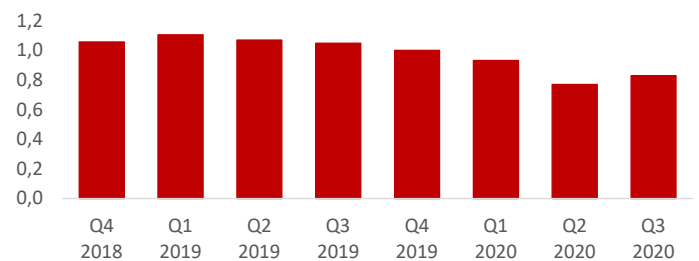
The political-social crisis, together with the offers and market demands, generated an increase in the costs of materials, mainly in the products of concrete and iron.

The graphs below, since they are in dollars, do not show this variation, because together with the increase in material costs, there was a large exchange rate fluctuation and devaluation of the local currency.

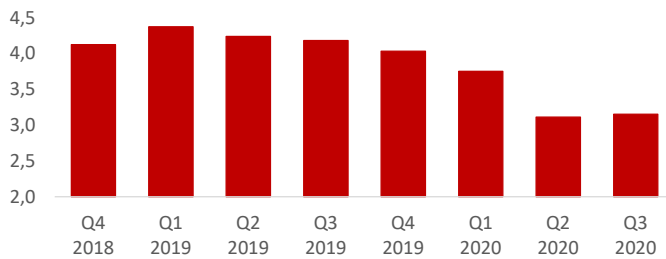
Concrete (Units = USD cost value)



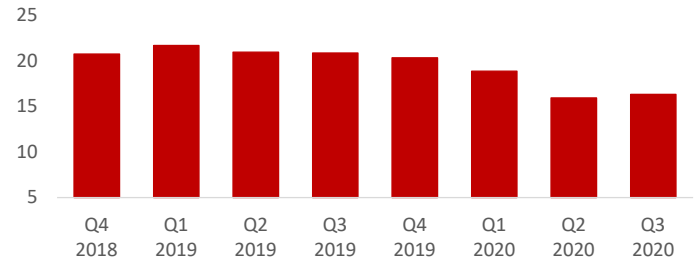
Steel and iron (Units = USD cost value)



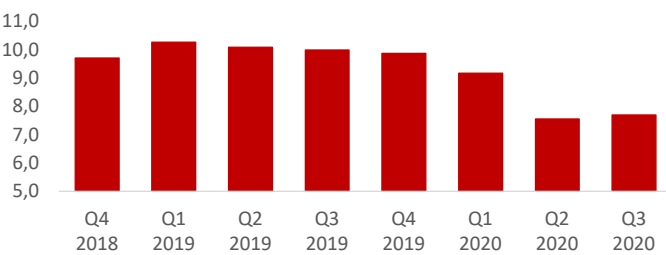
Gypsum (Units = USD cost value)



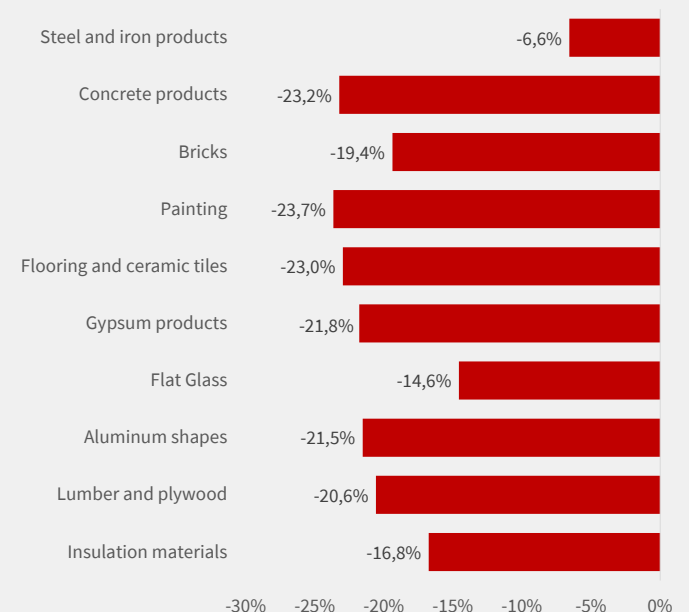
Flat glass (Units = USD cost value)



Lumber and plywood (Units = USD cost value)



Construction material costs, 12-month variation



Source: IBGE: Brazilian Institute of Geography and Statistics
 Source: SINAPI: National System of Research on Costs and Indices of Civil Construction
 Source: CBIC: Brazilian Council of the Construction Industry

Construction cost profiles

Chile

2020 - Construction Overview

At the national level, there is a slower construction growth rate than that recorded in previous years. The slight increase is the result of the increase in public works and public policy strategies.

Given the effects of the political-social crisis and the present risks from the pandemic, there has been a significant drop in the country's private sector construction activity.

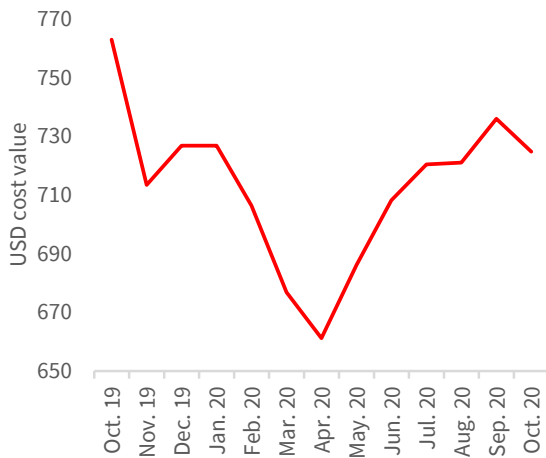
Building cost profile

The cost of construction has grown 3.4% (in local currency) in the last 12 months, primarily as a result of speculation triggered by the pandemic.

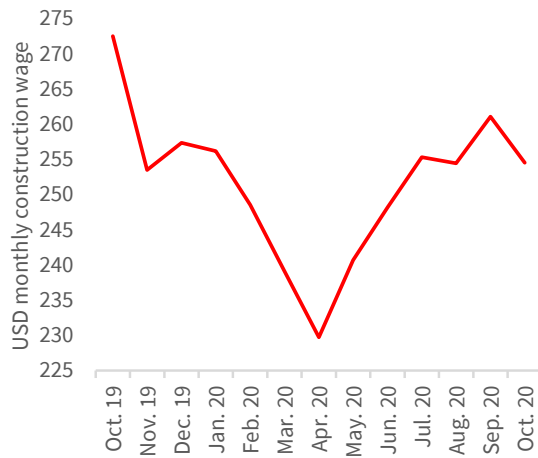
Labor cost profile

The socio-political crisis and the risks from the coronavirus pandemic have resulted in a significant decline of formal employment in the construction industry, while the creation of informal jobs have offset the unemployment rate. All in all, unemployment has remained at levels similar to the 2019 average (7.2%).

Total construction cost

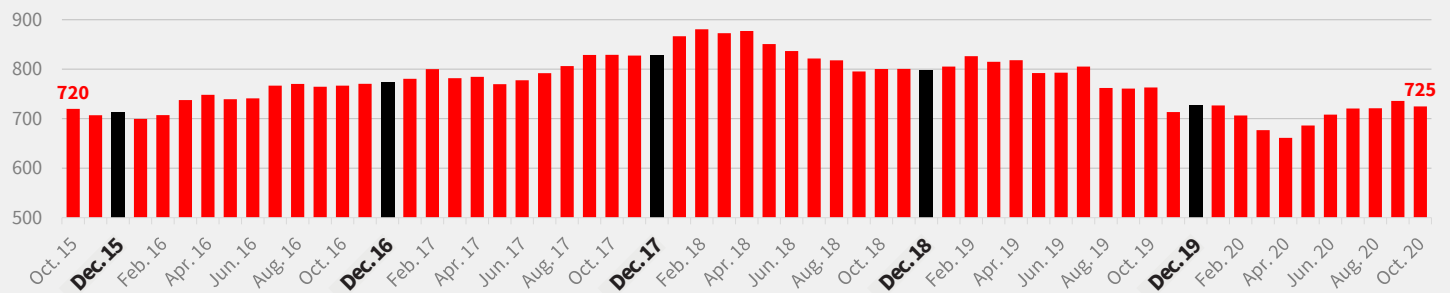


Construction wages



Construction cost - Last 5 years

Units = USD cost value

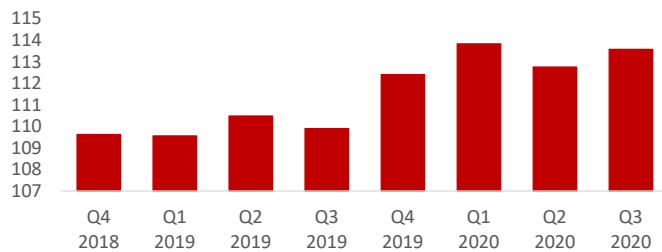


Construction cost profiles - Chile

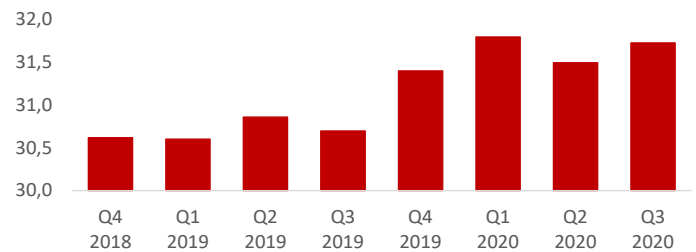
Material cost profile

The socio-political crisis and the pandemic-related risk caused an increase in costs due to a decrease in the production of materials, which led to a shortage in the stock of materials.

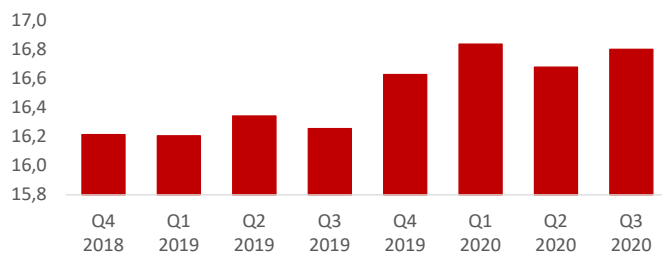
Concrete (Units = USD cost value)



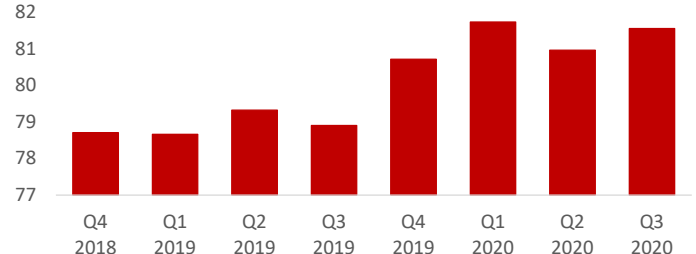
Steel and iron (Units = USD cost value)



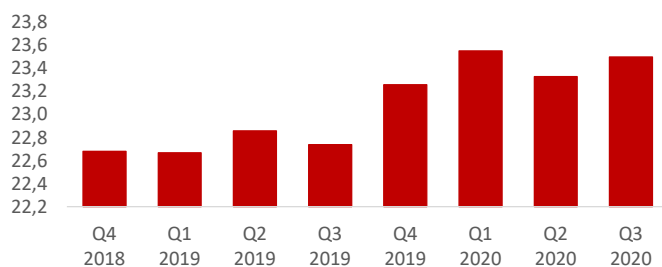
Gypsum (Units = USD cost value)



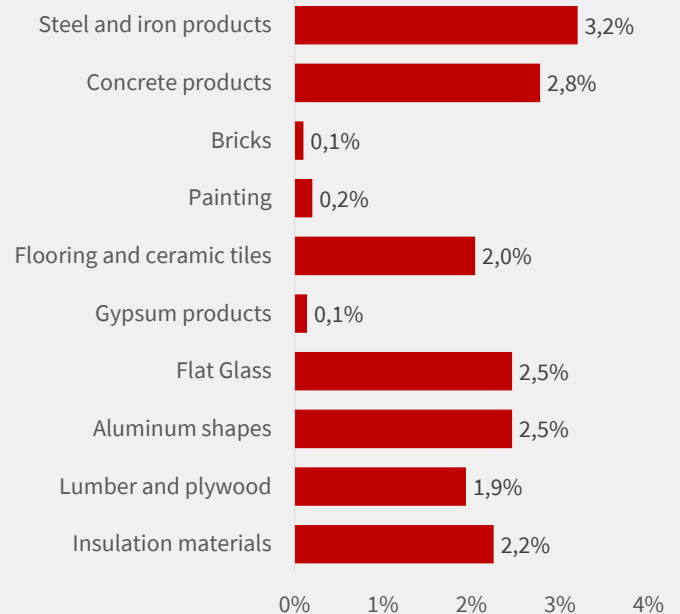
Flat glass (Units = USD cost value)



Lumber and plywood (Units = USD cost value)



Construction material costs, 12-month variation



Source: CChC: Construction Chilean Chamber
 Source: INE: National Institute of Statistics
 Source: ICHA: Steel Chilean Institute

Construction cost profiles

Colombia

2020 - Construction Overview

In 2020, the Colombian economy was harshly affected due to the COVID-19 and the oil crash. The first quarter saw a 2.0% growth, curtailed by the start of a lockdown at its end. As a result of the production paralysis due to the pandemic, it has been forecasted that the GDP will decline between 7.8% and 8.2% for the year; and the construction sector will have a forecasted decline of between 12.6% and 14.6%.

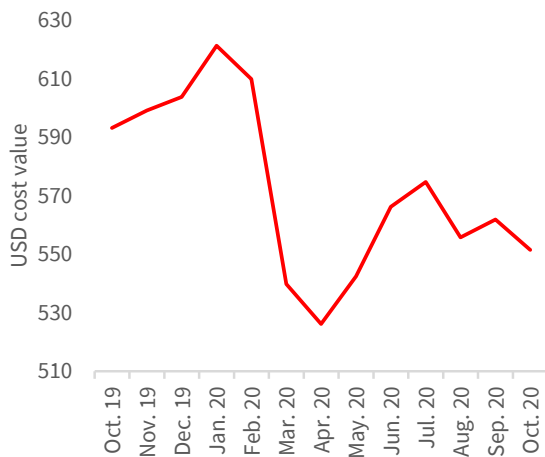
Building cost profile

During 2020, construction costs continued to decrease at a steady rate as had been occurring since mid-2018. When the pandemic hit, costs declined further due to the devaluation of the Colombian peso and, except for an upturn between May and July, they continued decreasing through the remainder of the year.

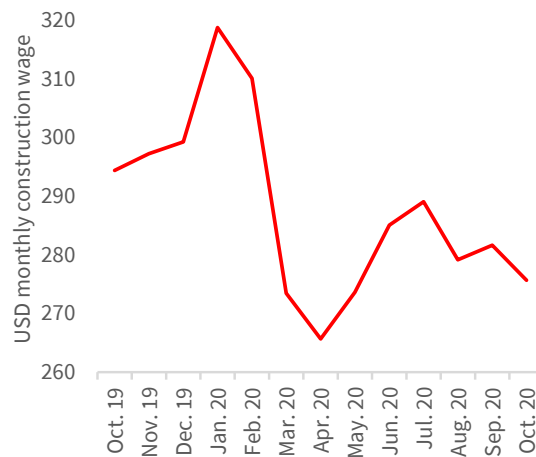
Labor cost profile

Increases are stated annually by the national government in the local currency. However, due to the devaluation of the Colombian peso, we can evidence a decrease in labor costs when considered in US dollars.

Total construction cost

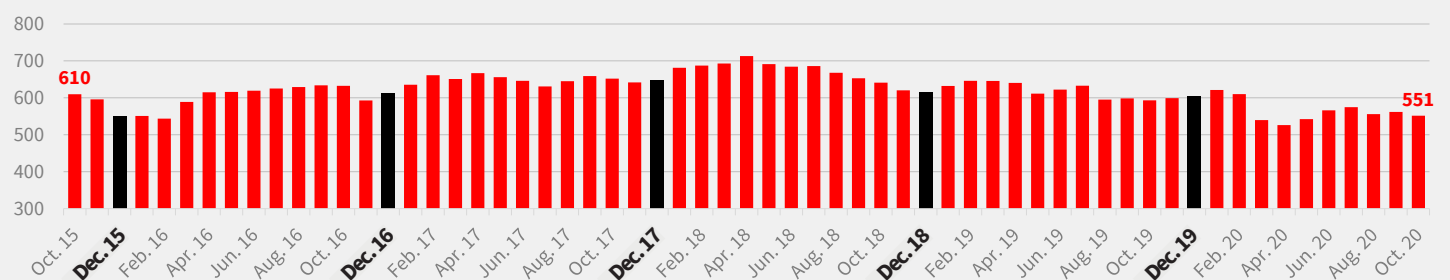


Construction wages



Construction cost - Last 5 years

Units = USD cost value

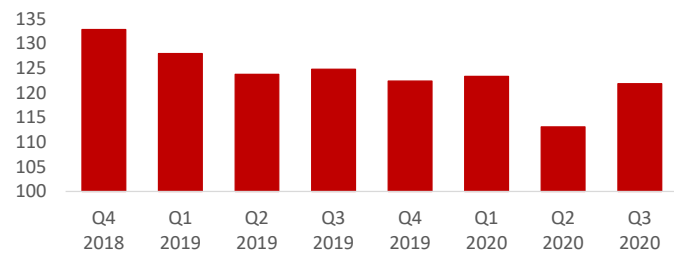


Construction cost profiles - Colombia

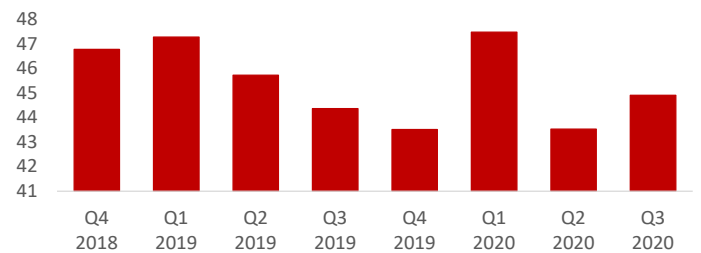
Material cost profile

Most materials had a very slight increase or decrease in their prices during 2020. Bricks, lumber and plywood and painting materials had the largest percentage price rise, while aluminum shapes, gypsum products and flat glass had the largest percentage decrease. This variance is due to the fluctuation of the national currency and the prices of imported materials.

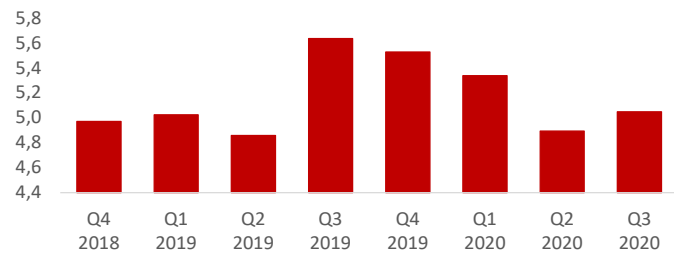
Concrete (Units = USD cost value)



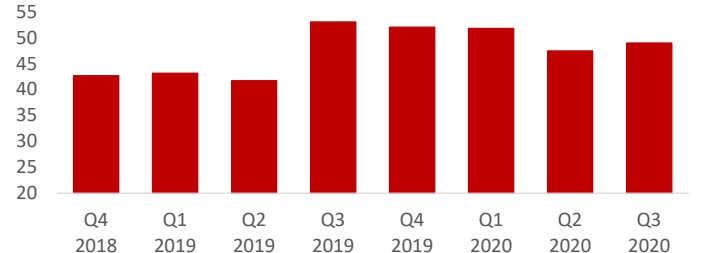
Steel and iron (Units = USD cost value)



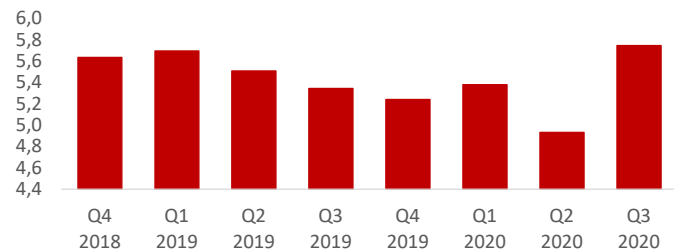
Gypsum (Units = USD cost value)



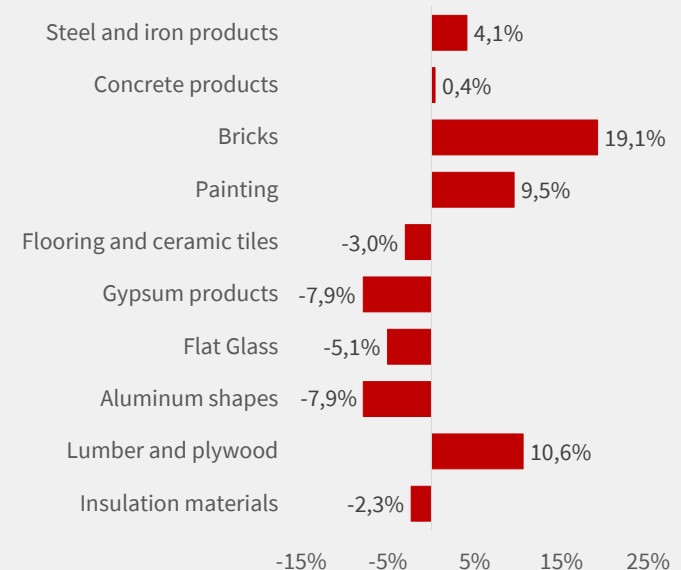
Flat glass (Units = USD cost value)



Lumber and plywood (Units = USD cost value)



Construction material costs, 12-month variation



Source: IDU: Urban Development Institute
 Source: DANE: National Administrative Department of Statistics
 Source: CAMACOL: Colombian Chamber of Construction
 Source: Construdata

Construction cost profiles

Costa Rica

2020 - Construction Overview

The interannual construction index decreased by 1.5% in 2019, while the first quarter of 2020 saw an increase of 9.5% in construction activity. At that point, the construction sector began to show signs of recovery, but the outlook became uncertain due to the impact of COVID-19.

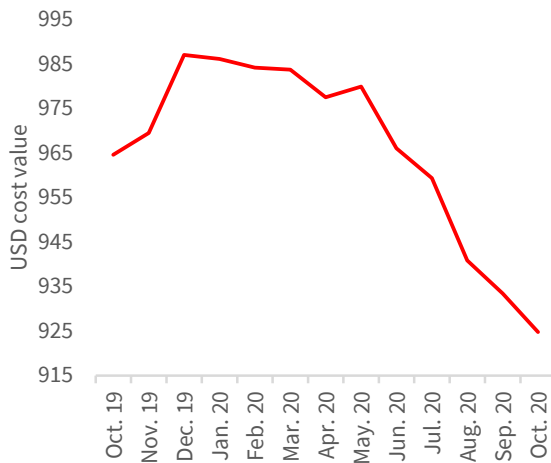
Building cost profile

The analysis should be divided in two parts. There was a minimal impact in projects that were already being built or in execution, but the outlook is very different for the works that were planned to start in the coming months. In this second scenario, projects are being canceled or placed on hold due to an expected increase in material costs during 2021.

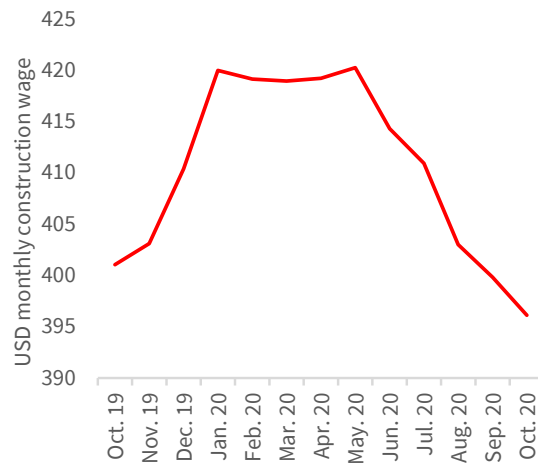
Labor cost profile

During 2020, there has not been a decrease in the basic salary for the construction sector, but going forward, a reduction in the annual salary increase of the private sector could be expected, due to the impact of COVID-19. A minimal variation of -1.7% is shown in the graph, explained primarily by the exchange rate variation.

Total construction cost

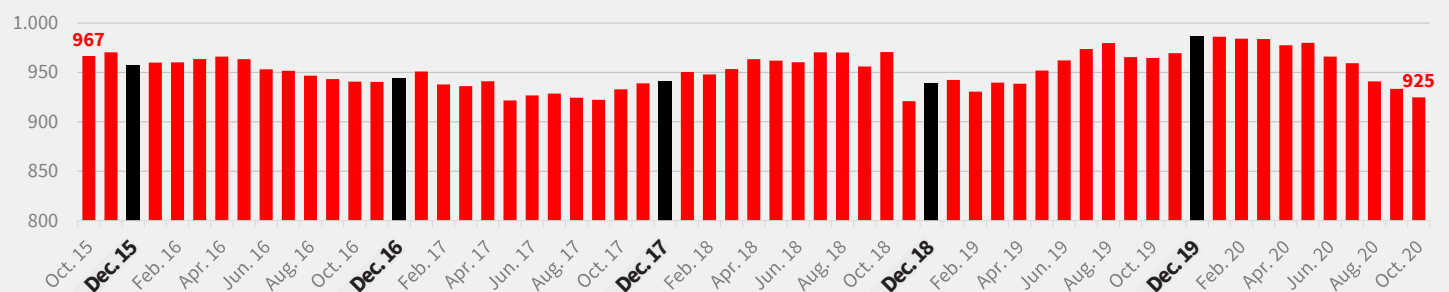


Construction wages



Construction cost - Last 5 years

Units = USD cost value

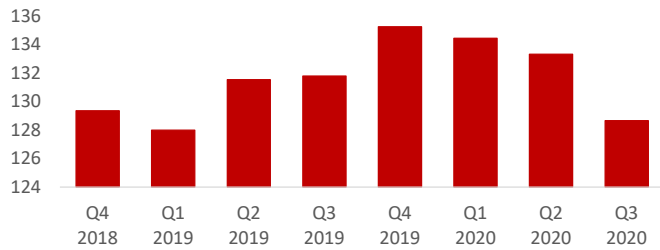


Construction cost profiles - Costa Rica

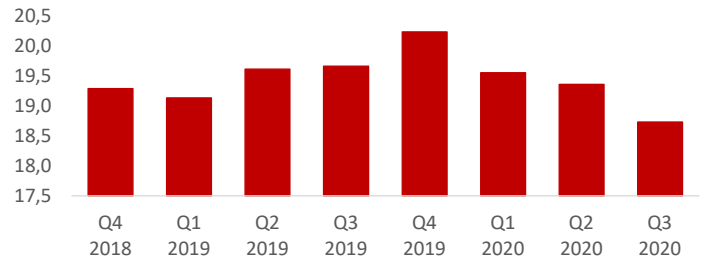
Material cost profile

In general, materials present a price variation in line with the number of active projects, influenced by a supply and demand factor.

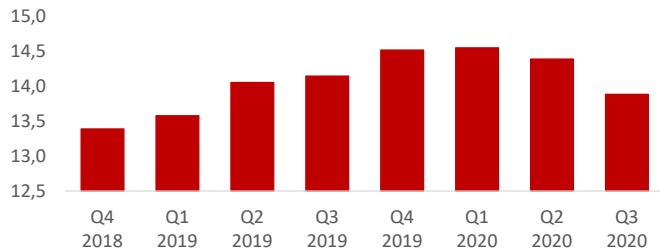
Concrete (Units = USD cost value)



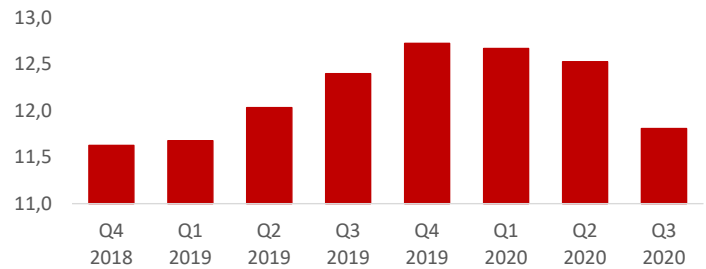
Steel and iron (Units = USD cost value)



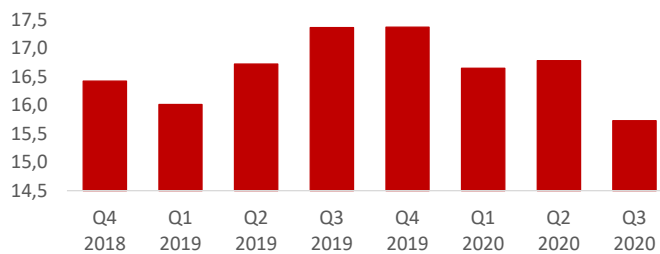
Gypsum (Units = USD cost value)



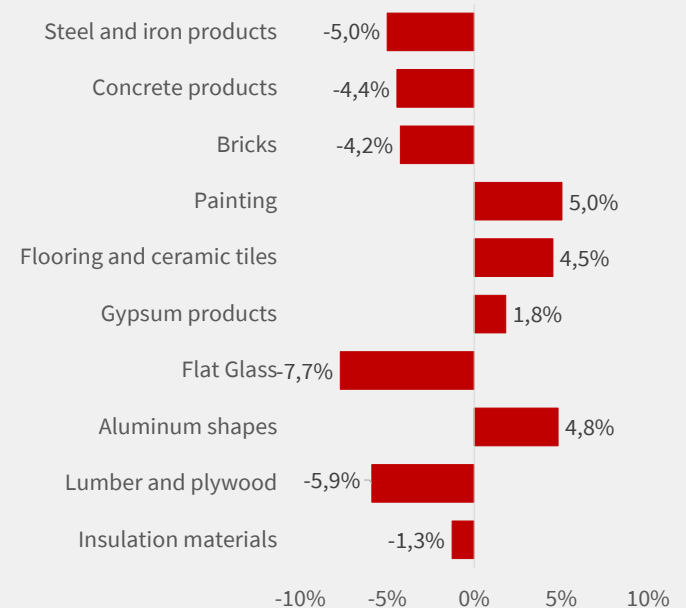
Flat glass (Units = USD cost value)



Lumber and plywood (Units = USD cost value)



Construction material costs, 12-month variation



Source: CCC: Construction Costa Rica Chamber
Source: INEC: National Institute of Statistics and Census

Construction cost profiles

Ecuador

2020 - Construction Overview

COVID-19 affected the Ecuadorian economy severely. The first quarter of 2020 saw a 2.3% decrease, and a national lockdown started at its end. As a result of the paralysis of production, it has been forecasted that the GDP will have a 12.4% decline for the year, while the construction sector is forecasted to experience a downturn of 12.7%.

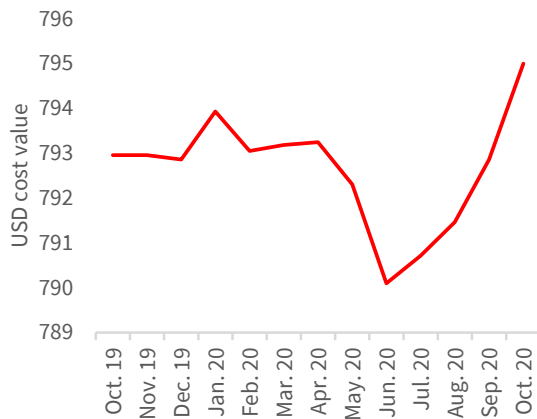
Building cost profile

By the beginning of 2020, it was registered that construction costs continued to increase at a slight steady rate, as had been the case since mid-2017. When the pandemic hit, costs decreased slightly, but then started to increase at a steady pace from June onwards. Costs continued to advance until they reached values above pre-pandemic levels by the end of the year.

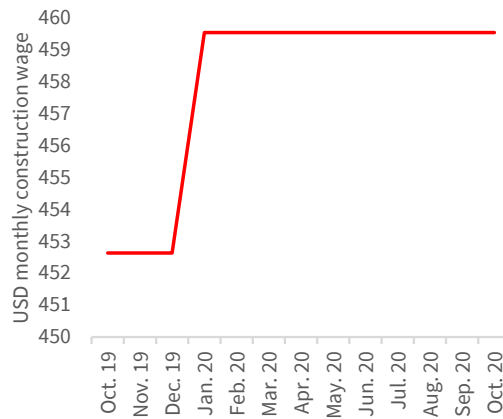
Labor cost profile

The local government states a minimum wage increase yearly; therefore, all wages remain unchanged for the year. Wages above the minimum are adjusted in a direct relation to the minimum wage but are not necessarily increased by the same percentage.

Total construction cost

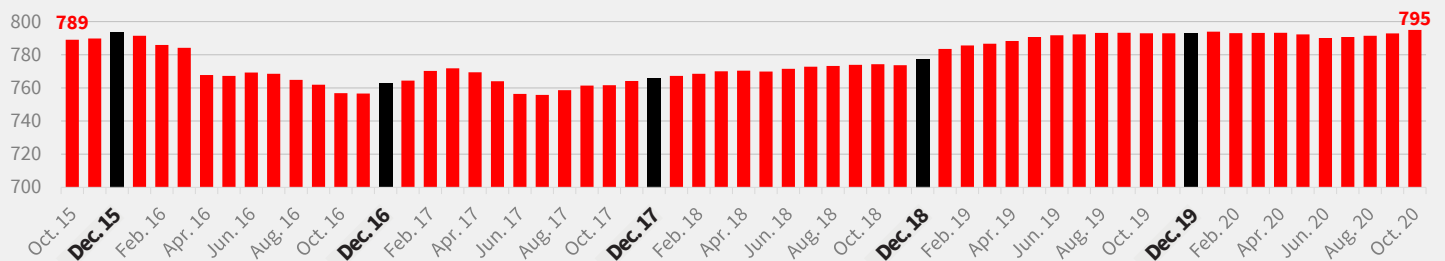


Construction wages



Construction cost - Last 5 years

Units = USD cost value

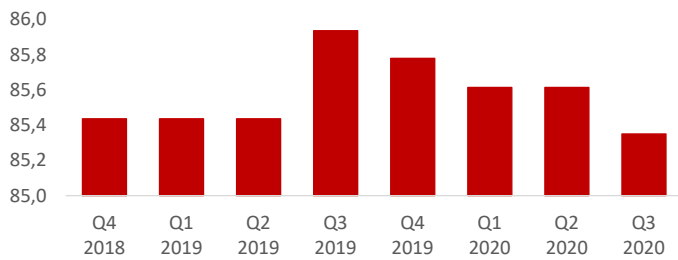


Construction cost profiles - Ecuador

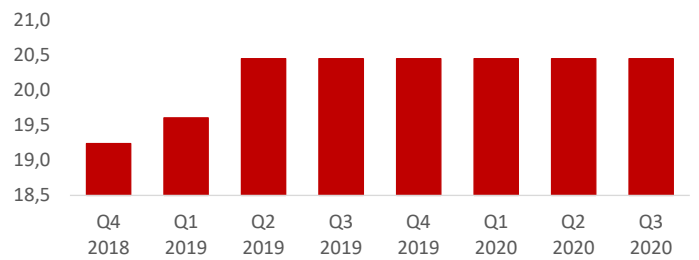
Material cost profile

Most materials had a very slight increase or decrease in price during 2020. Lumber and plywood, and steel and iron products had the most significant increases, due to the fact that they are imported, while most other materials remained with almost the same cost they had in the preceding year.

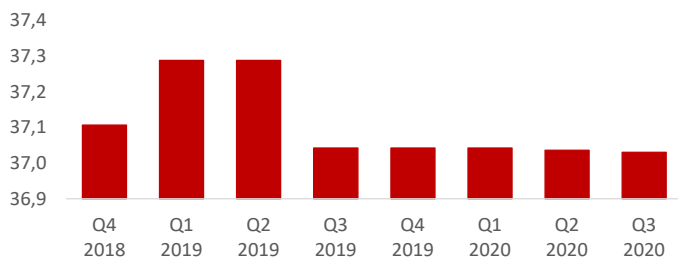
Concrete (Units = USD cost value)



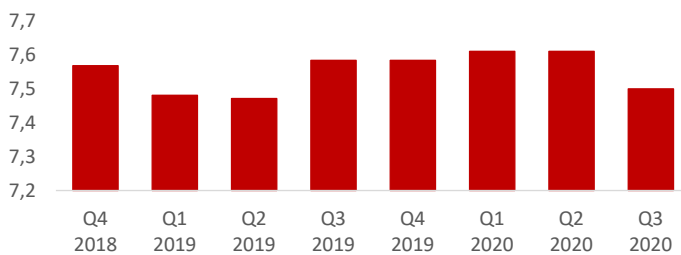
Steel and iron (Units = USD cost value)



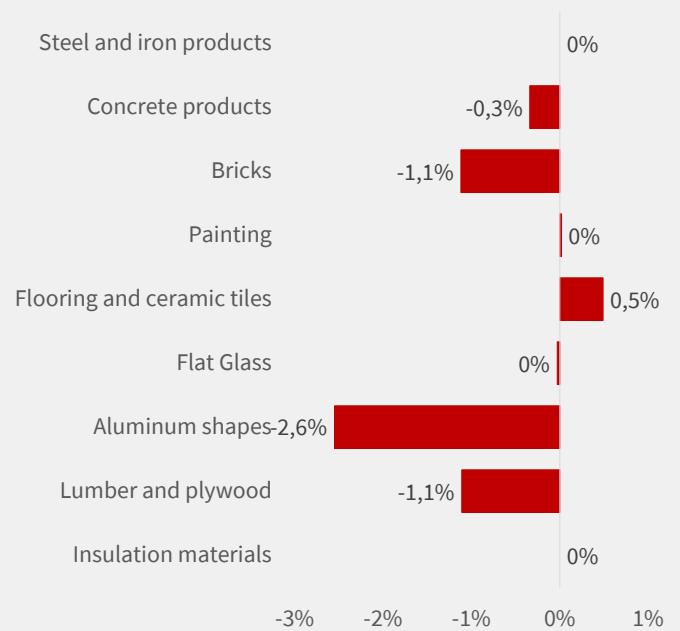
Gypsum (Units = USD cost value)



Lumber and plywood (Units = USD cost value)



Construction material costs, 12-month variation



Construction cost profiles

Mexico

2020 - Construction Overview

The effects of COVID-19's health crisis on the world economy are unprecedented and have also been detrimental to the Mexican economy. Uncertainty and risk aversion caused foreign direct investment flows to Mexico drop down in the first quarter of 2020 from what was recorded in the first quarter of 2019. In this context, the overview of the Mexican economy is one of uncertainty, in June 2020, new health security protocols and measures were implemented for the resumption of construction but to date, it is difficult to know when the recovery will occur in economic terms.

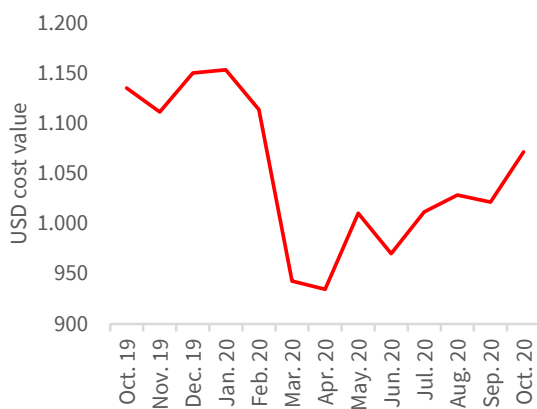
Building cost profile

During the months from July to November 2019, there was a declining trend in the level of construction costs due to the slowdown of economic activity in general, including construction industry. However, in December 2019 there was a slight increase, and then activity was reduced on account of the pandemic situation. While it was reactivated in June, it did not reach the January 2020 level and remained stable until October 2020.

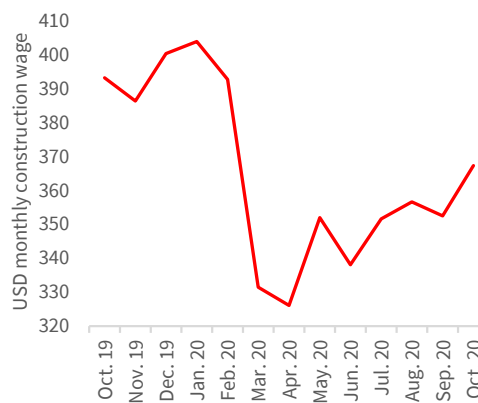
Labor cost profile

This item has registered a constant increase, according to the official reports of remuneration, due to the adjustment to the basic salary that the government authorizes every year. Regarding costs in US dollars, variations are observed from the months of November and December 2019, because of the exchange rate variation between the Mexican peso and the US dollar and the construction activity with private investment.

Total construction cost

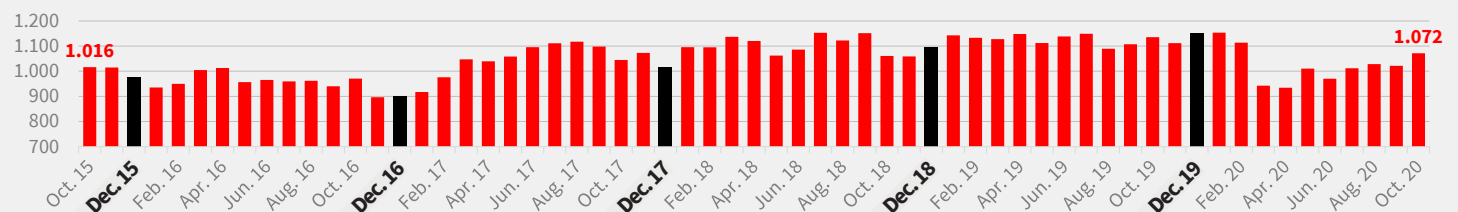


Construction wages



Construction cost - Last 5 years

Units = USD cost value

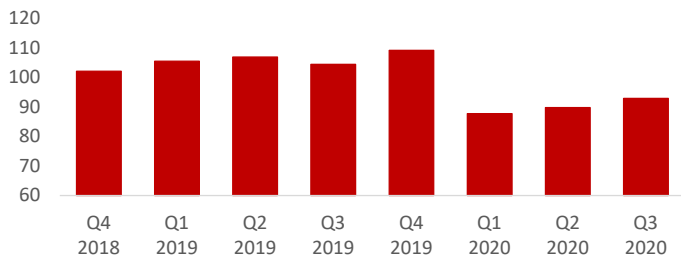


Construction cost profiles - Mexico

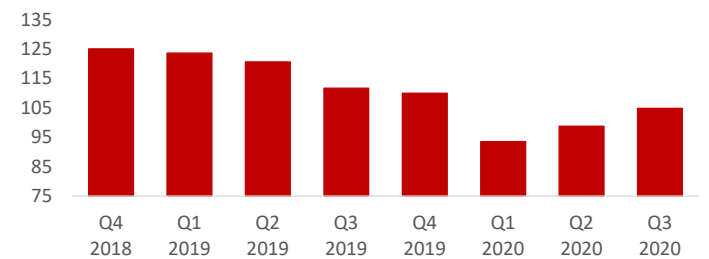
Material cost profile

The contraction that has been registered in construction activities has resulted in a reduction in the demand for materials, with concrete, gypsum and derived products, as well as glass, being those that have recorded the greatest price declines until the months of June and July 2020. An additional factor was the decrease in the price of steel, which fell from June 2018 until a slight recovery in June 2020.

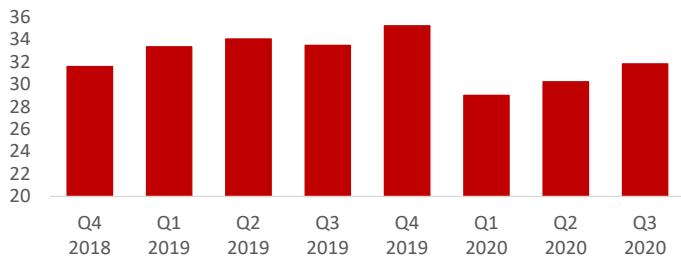
Concrete (Units = USD cost value)



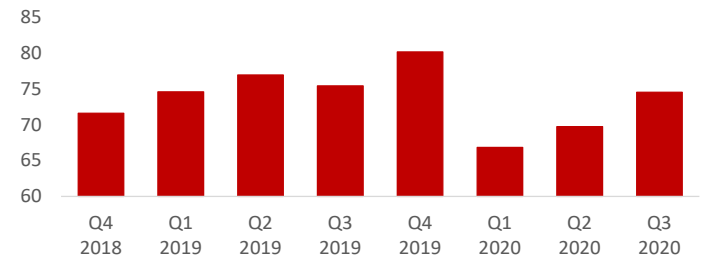
Steel and iron (Units = USD cost value)



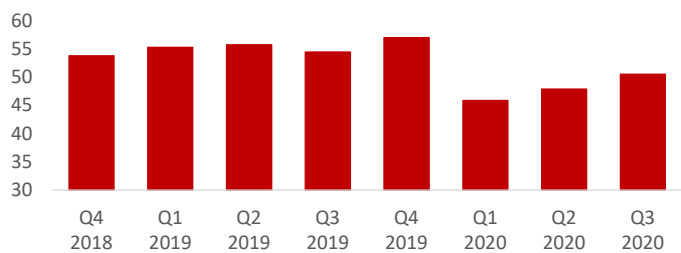
Gypsum (Units = USD cost value)



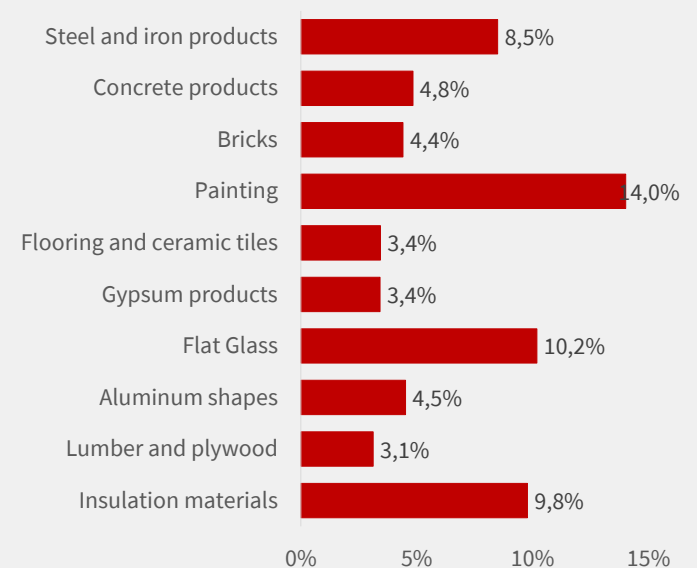
Flat glass (Units = USD cost value)



Lumber and plywood (Units = USD cost value)



Construction material costs, 12-month variation



Source: INEGI: National Institute of Statistics, Geography and Informatics.
 Source: CMIC: Mexican Chamber of Construction Industry
 Source: BIMSA: Bimsa Reports, S.A de C.v.
 Source: Mexican Magazine of Construction #644

Construction cost profiles

Panama

2020 - Construction Overview

Construction is one of the most important sectors of Panama’s economy, mainly due to its multiplying factor, which is expressed in jobs generation, consumption of materials, increased credit, transportation, heavy equipment, and many opportunities for micro and small undertakings, among other activities that converge around it.

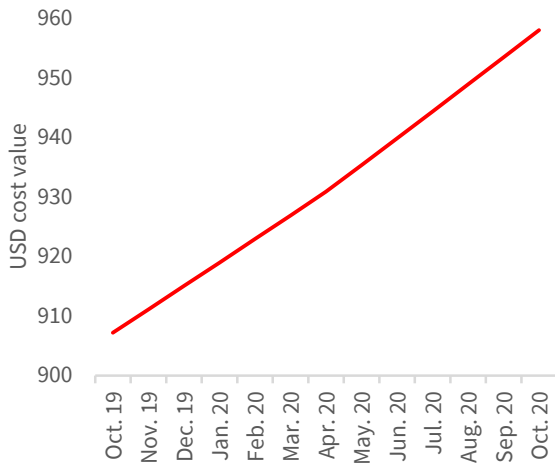
Building cost profile

In 2014 and , according to the Contraloría General de la República (CGR), the GDP of the construction sector stood at 13.9%, and in 2018 it only grew 3.2%, while in the first semester of 2019 it advanced by 3.8%, with a similar expected for 2020.

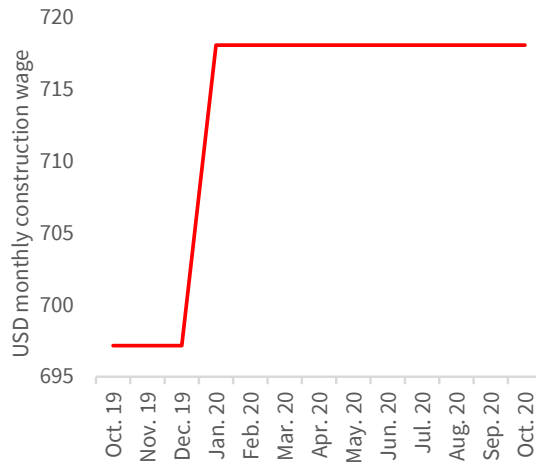
Labor cost profile

The variation of construction wages is expected to be around 3% during the two upcoming years.

Total construction cost

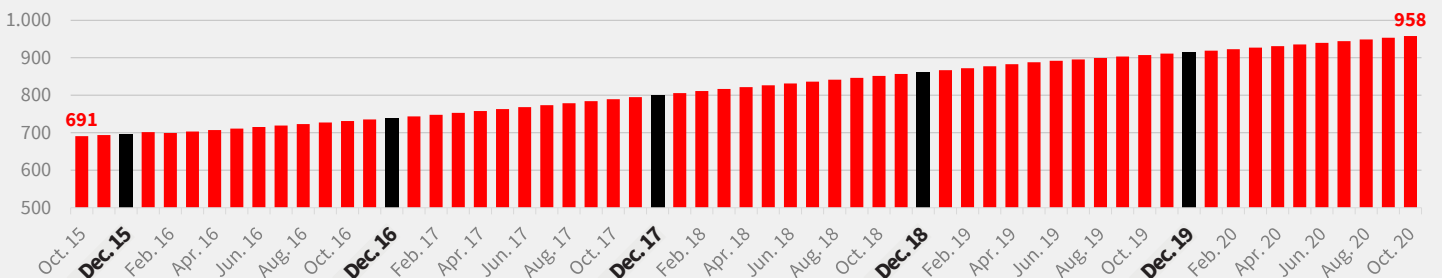


Construction wages



Construction cost - Last 5 years

Units = USD cost value

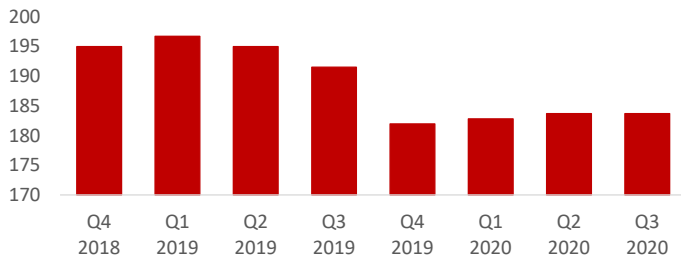


Construction cost profiles - Panama

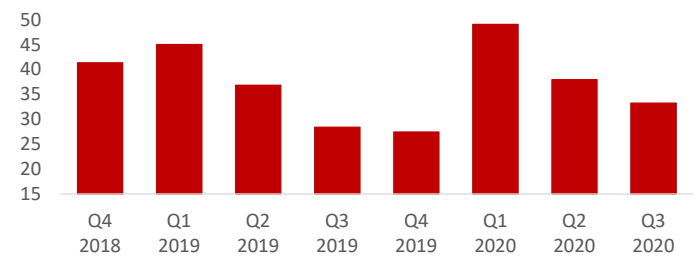
Material cost profile

Generally, the materials present a variation in cost in line with the number of active projects, influenced by a supply and demand dynamic.

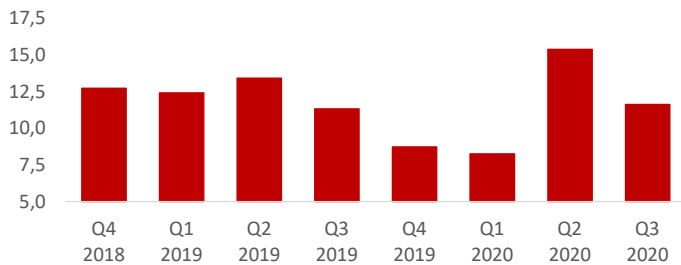
Concrete (Units = USD cost value)



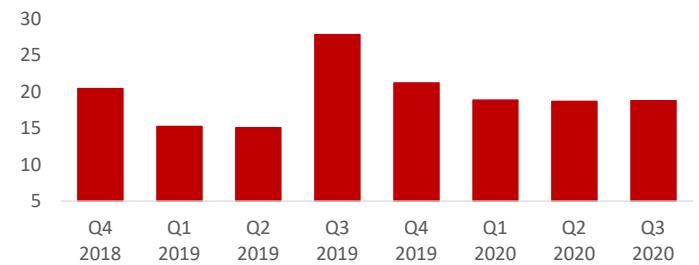
Steel and iron (Units = USD cost value)



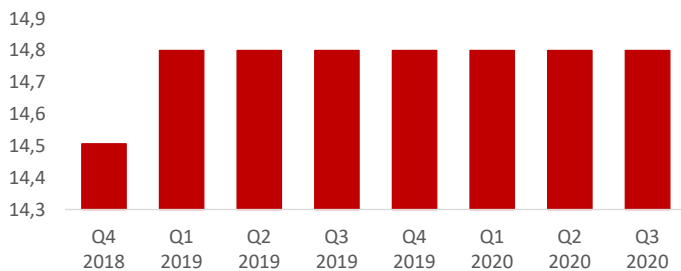
Gypsum (Units = USD cost value)



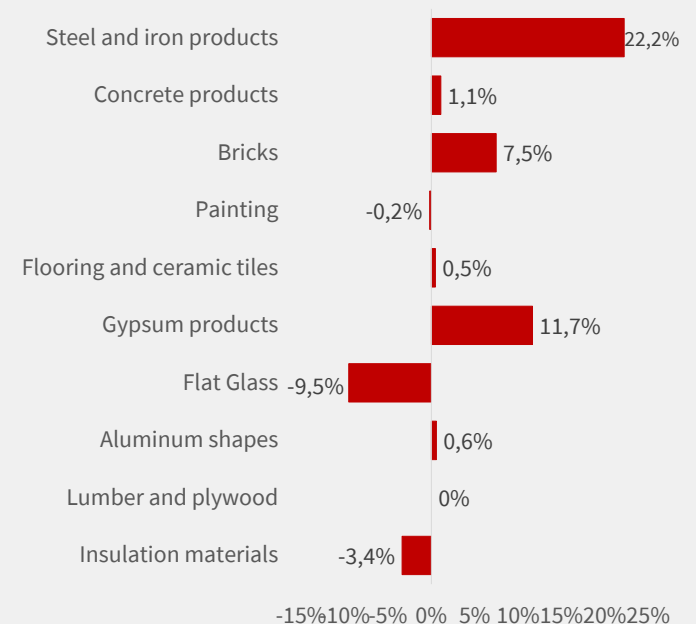
Flat glass (Units = USD cost value)



Lumber and plywood (Units = USD cost value)



Construction material costs, 12-month variation



Source: INEC: National Institute of Statistics and Census
 Source: CAPAC: Panamanian Chamber of Construction
 Source: Concrete Express Publication in "Hormigon Express"
 Source: Panama pricing generator Publication in "Panama generador de precios"

Construction cost profiles

Paraguay

2020 - Construction Overview

Compared to the same period in 2019, the overall construction activity increased by 13% in the first three quarters of 2020. The last quarter of the year saw a similar performance.

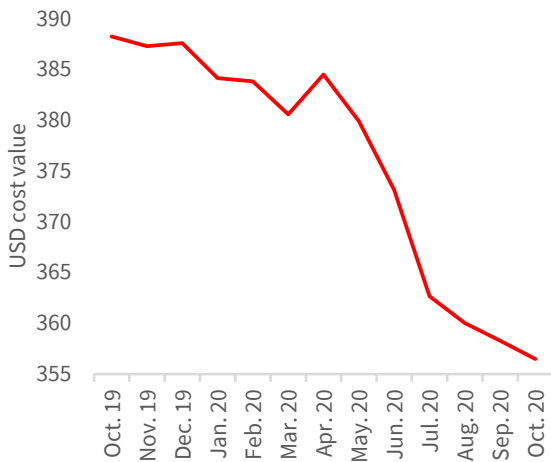
Building cost profile

These costs mainly refer to residential construction costs, since this sector is the prevailing one in the country. Construction costs are lower than in previous years, seeing that the average exchange rate has been registering consecutive annualized devaluations.

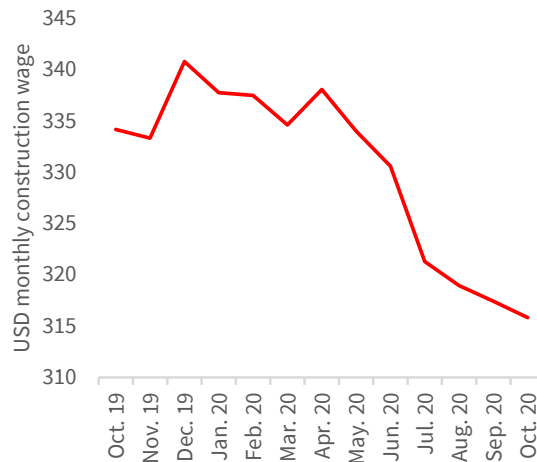
Labor cost profile

Construction was one of the few industries allowed to work during the lockdown. This resulted in maintaining the employment in the sector.

Total construction cost

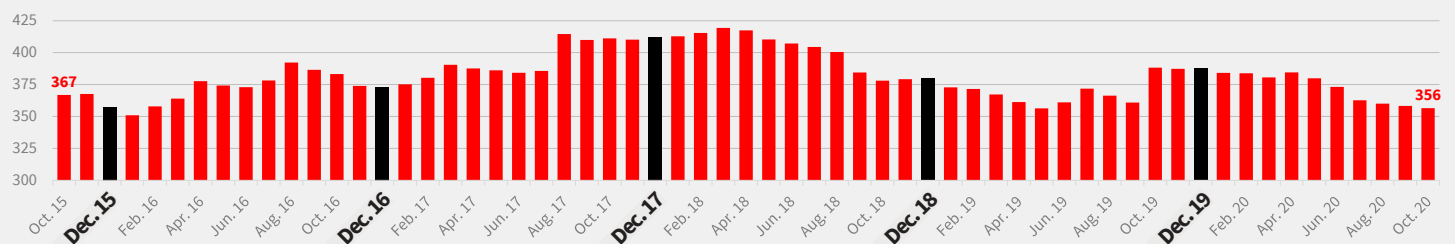


Construction wages



Construction cost - Last 5 years

Units = USD cost value

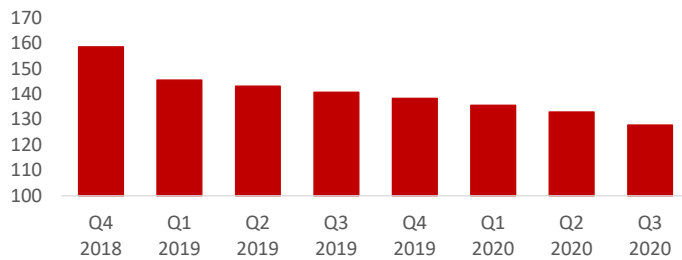


Construction cost profiles - Paraguay

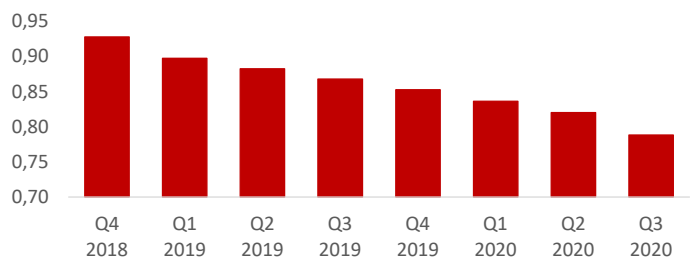
Material cost profile

The cost of materials did not show changes in local currency, and they stayed flat despite the high demand due to the increased activity.

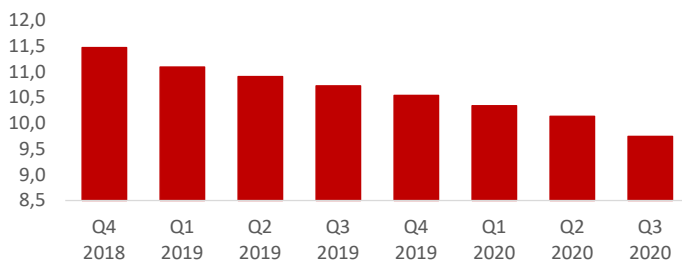
Concrete (Units = USD cost value)



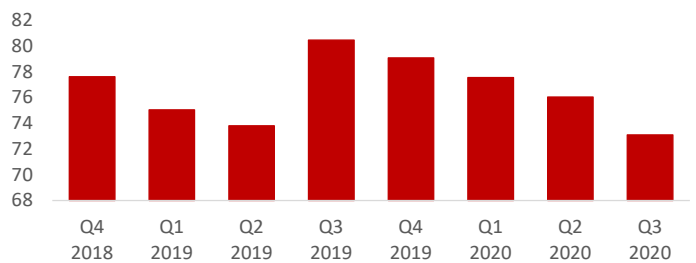
Steel and iron (Units = USD cost value)



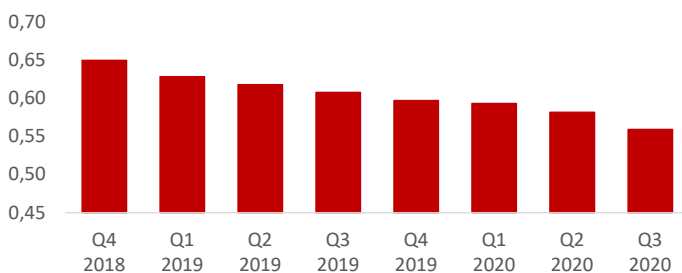
Gypsum (Units = USD cost value)



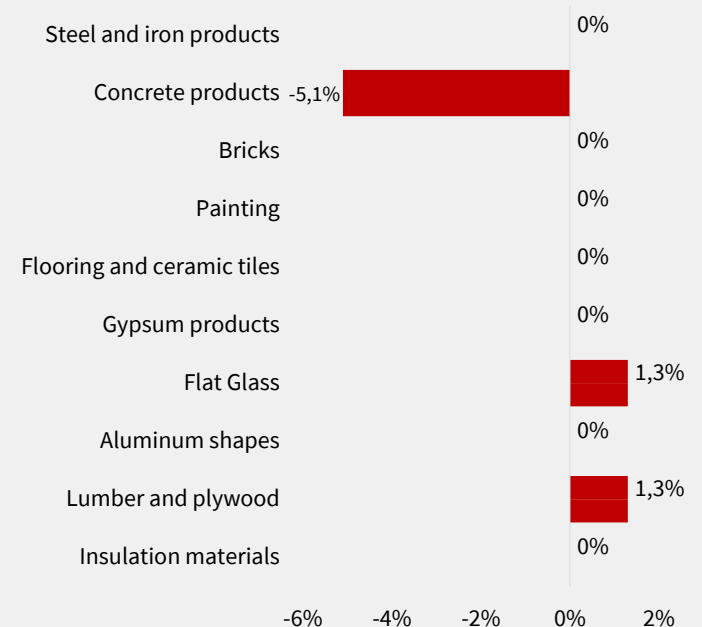
Flat glass (Units = USD cost value)



Lumber and plywood (Units = USD cost value)



Construction material costs, 12-month variation



Information provided by Raices Real Estate - Asuncion, Paraguay.

Source: Central Bank of Paraguay
Source: Mandu'a Specialized Magazine in Construction Costs

Construction cost profiles

Peru

2020 - Construction Overview

Both the COVID-19 pandemic and the national political crisis contributed to an economic crisis that affected the construction industry during 2020. The highest contraction of this sector was registered in April, with a peak of -90.4%. The government enforced the construction halt due to COVID-19, as construction sites are considered of high contagion risk. Currently the construction industry is recovering as a result of the reactivation of private residential projects, while the public sector still reflects negative numbers at -3.1%, but expected to slowly recover starting in 2021.

Building cost profile

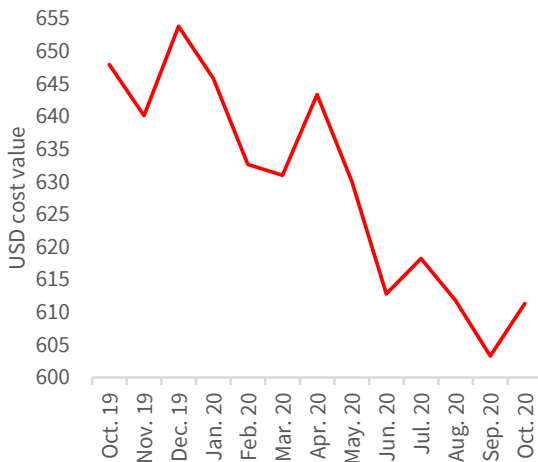
The construction cost is expressed on local currency, nonetheless, Peru utilizes dual currency for Real Estate transactions, it is up to the parties to determine the currency that is to be used (US dollars or PEN soles) and is subject to daily FX rate variations. The historical data reflects an increase in the construction cost measured in local currency but as the FX rate

also increases, and at a steeper rate, the overall effect measured in US dollars is that of a downward trend.

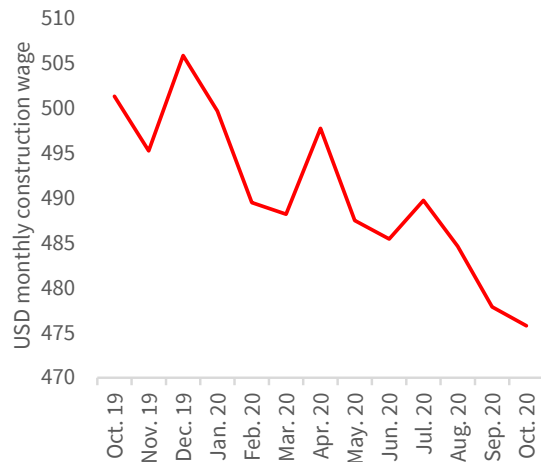
Labor cost profile

As in the majority of the countries in the region, construction was one of the worst-hit industries during the lockdown. This resulted in loss of employment, job insecurity and collective bargaining agreements.

Total construction cost

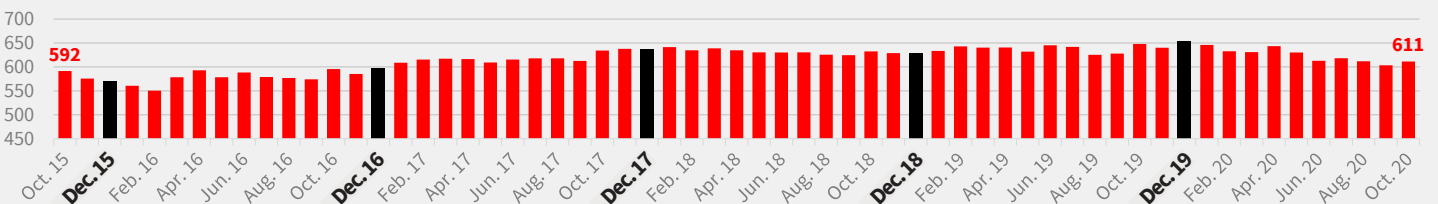


Construction wages



Construction cost - Last 5 years

Units = USD cost value

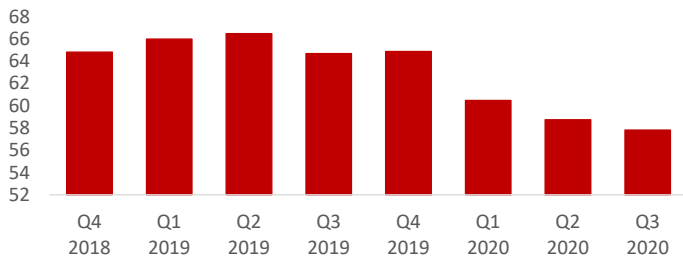


Construction cost profiles - Peru

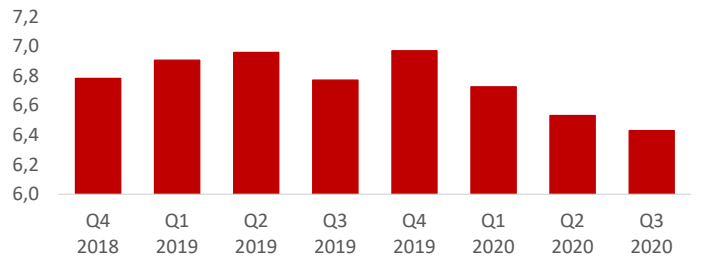
Material cost profile

The most representative construction materials in the local market are reinforced concrete (concrete and steel & iron) and clay bricks, which are both building blocks for any local project. Cost variations during the last 12-month period were an effect of the COVID-19 impact on the construction industry and the FX rate variations already mentioned. The overall trend, as measured in US dollars, is towards a decrease in costs.

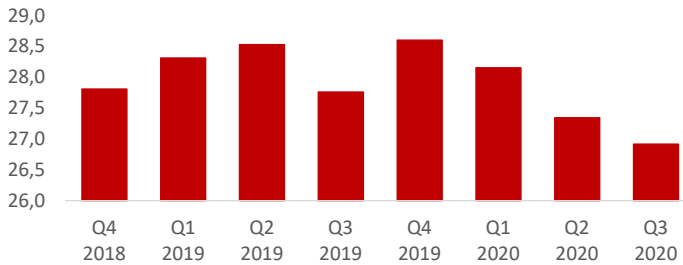
Concrete (Units = USD cost value)



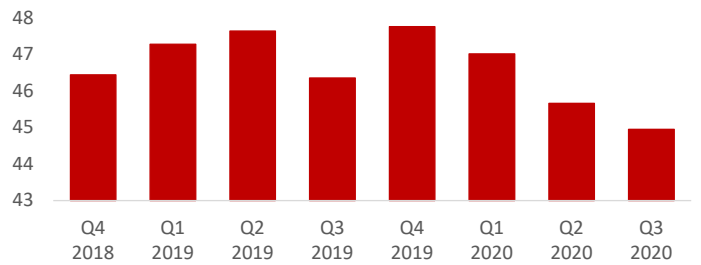
Steel and iron (Units = USD cost value)



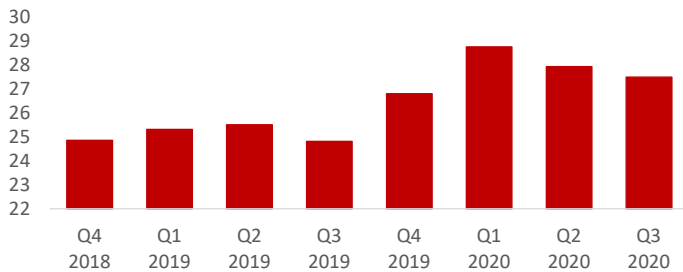
Gypsum (Units = USD cost value)



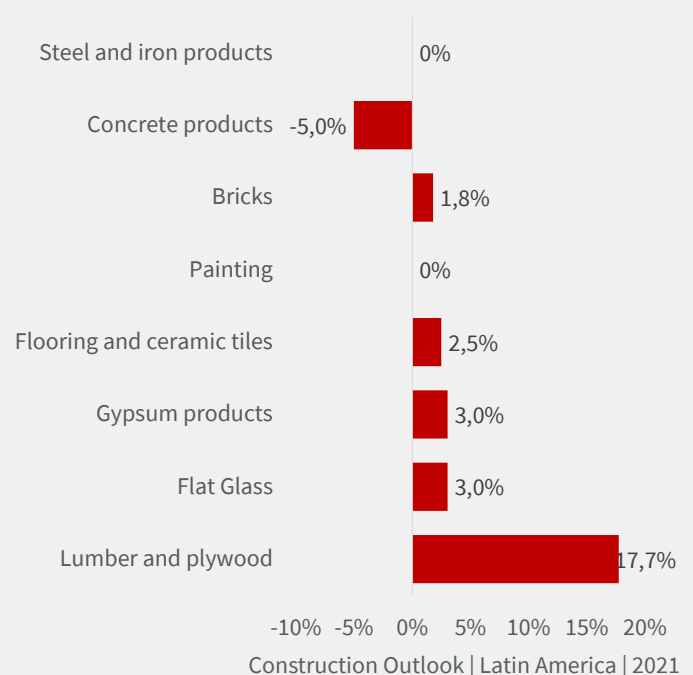
Flat glass (Units = USD cost value)



Lumber and plywood (Units = USD cost value)



Construction material costs, 12-month variation



Source: El Peruano: Peru Official Newspaper
 Source: SUNAT: Peru Official Fx Rate Publication
 Source: Constructivo: Specialized Local Construction Publication
 Source: IPE: Peruvian Economic Institute

Construction cost profiles

Uruguay

2020 - Construction Overview

During recent years, the country’s construction industry has been undergoing a decrease, which was worsened by the pandemic. However, a recovery started by the beginning of the third quarter, reaching pre-pandemic levels in the fourth quarter. The investment of a third pulp mill in the country contributed to enhance the construction activity. In addition, the tax policies outlined by the government are expected to support continued increases in the level of construction activity.

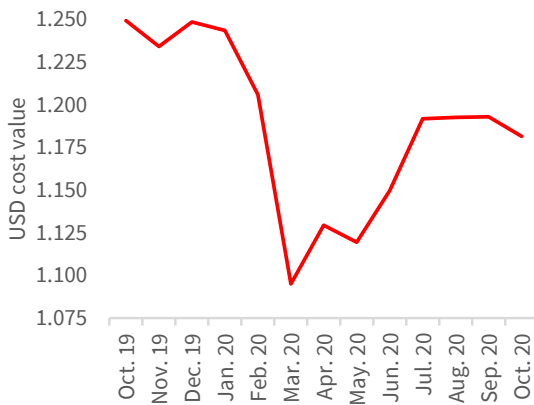
Building cost profile

In the first half of 2020, construction costs increased similarly as previous periods in local currency, while they decreased in US dollars, due to the severe exchange rate variation at the end of the first quarter. In July, they saw an upsurge of 4.9% in local currency, as well as an increase of 3.7% in US dollars, and then remained almost unchanged until the fourth quarter. As shown in the graph, costs in US dollars decreased with the pandemic outbreak due to uncertainties and increased within three months until they stabilized by the start of July.

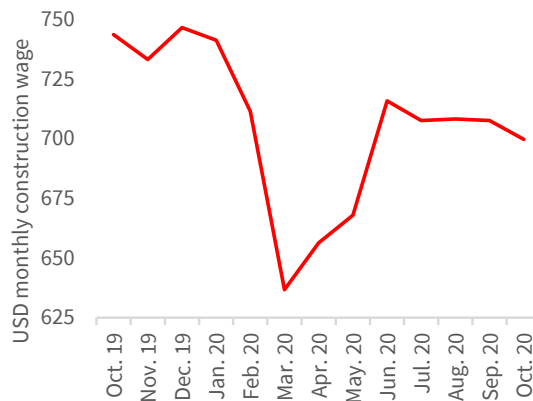
Labor cost profile

The aforementioned currency depreciation impacted wages in US dollars in March, with the arrival of the pandemic, to recover within the next months until it stabilized in the third quarter. However, in local currency wages increased by 4.2% by the end of the second quarter, and also stabilized around October, considering that labor costs are closely tied to inflation and monitored by agreements that are annually held between the construction union, the business sector and the government.

Total construction cost

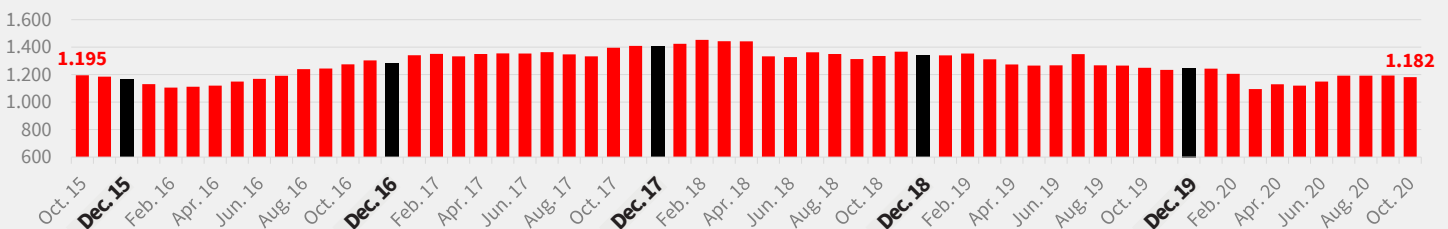


Construction wages



Construction cost - Last 5 years

Units = USD cost value

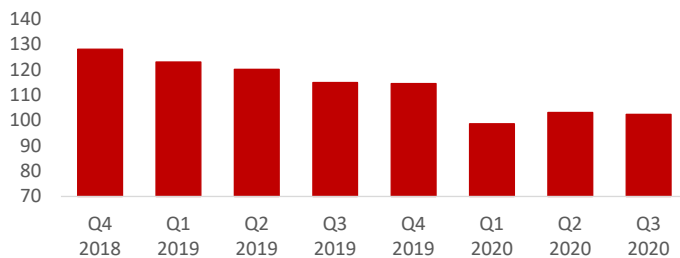


Construction cost profiles - Uruguay

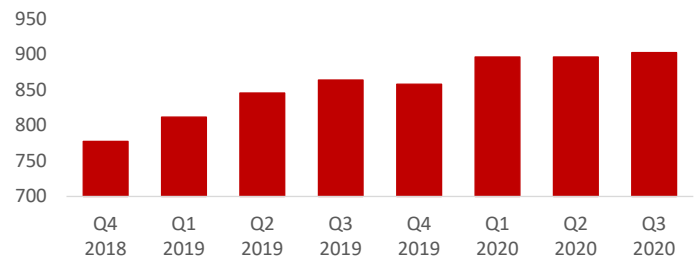
Material cost profile

The interannual variation in the prices of materials was limited and mainly based on the incidence of imported goods which are not locally produced such as flat glass, but also due to high freight charges in US dollars.

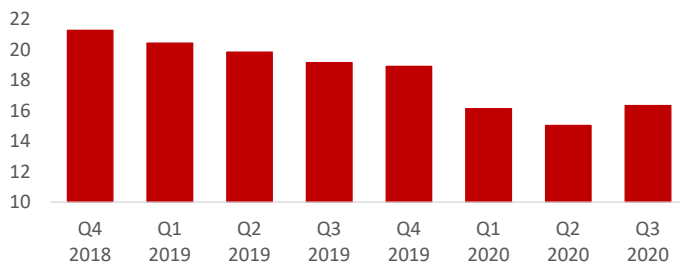
Concrete (Units = USD cost value)



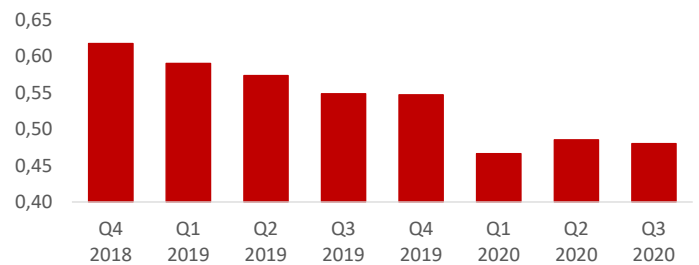
Steel and iron (Units = USD cost value)



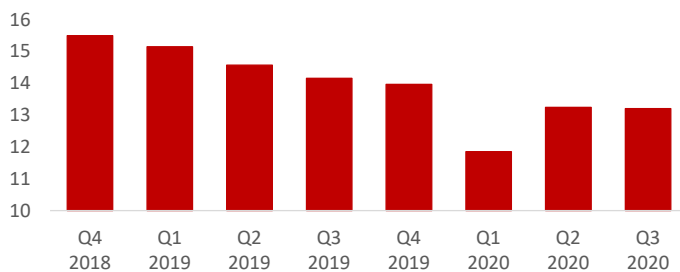
Gypsum (Units = USD cost value)



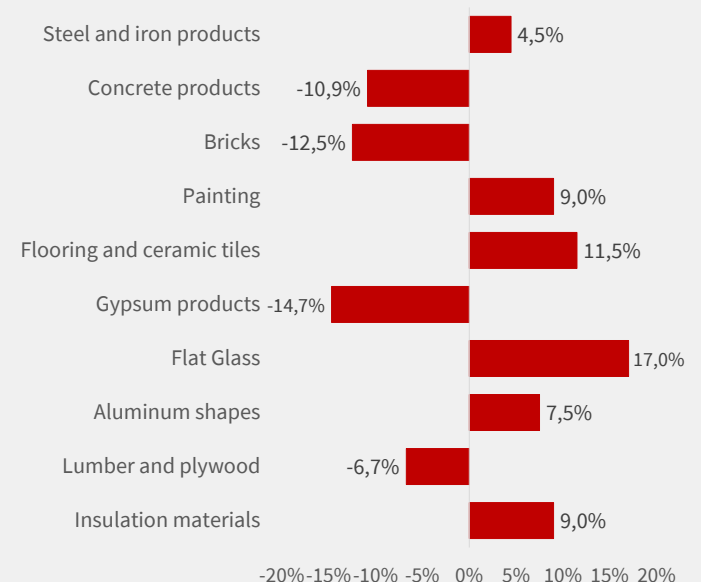
Ceramic Bricks (Units = USD cost value)



Lumber and plywood (Units = USD cost value)




Construction material costs, 12-month variation



Information provided by TGLT, Construction & Development – Buenos Aires, Argentina

Source: INES: National Statistics Institute of Uruguay Republic
 Source: MTSS: Ministry of Labor and Social Security
 Source: SUNCA; Single National Union of Construction and Annexes
 Source: SAU: Uruguay Architects Association
 Source: CCU: Construction Chamber of Uruguay



Latin America has a solid construction industry, with specific and variable characteristics according to each market.

A deep understanding of its particularities, together with the availability and stock of materials, and especially the regulatory contexts, are essential for the success of Real Estate investments in the region.



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