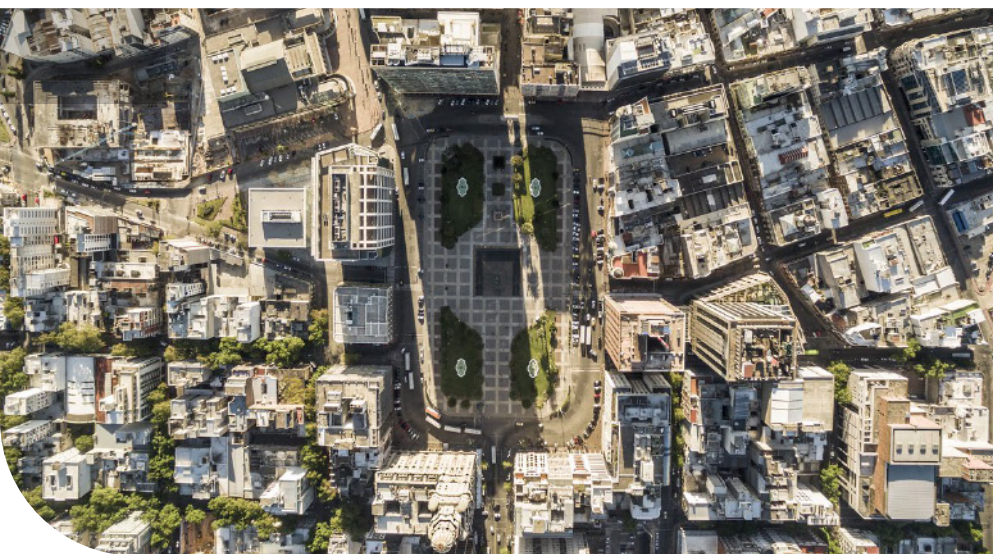


# CONSTRUCTION AND REAL ESTATE SECTORS IN URUGUAY



MARCH 2024



**Uruguay XXI**  
INVESTMENT, EXPORT AND COUNTRY  
BRAND PROMOTION AGENCY

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## WHY URUGUAY FOR THE REAL ESTATE SECTOR?

Uruguay's long history of political, social and macroeconomic stability, as well as a number of advantages in different business platforms, have made Uruguay an ideal regional hub for the Americas. This concept encompasses not only support service platforms and commercial activities, but also more sophisticated and innovative operations.

**Quality of life.** Uruguay is a safe country, providing excellent living conditions for professionals and their families, with easy access to first-rate health care and education. According to the Mercer index, Montevideo is the city with the best quality of life in Latin America. An increasing number of foreigners are choosing to live in Uruguay. Workers can legally reside and work in the country and receive assistance in processing their visa and residency applications in an expeditious manner. A residence permit for digital nomads was recently approved in Uruguay, seeking to encourage the arrival of more foreign talent to live and work in the country.

**Favorable regulatory framework.** Investment in Uruguay, both domestic and foreign, is considered to be of national interest. The country guarantees equal treatment for local and foreign investors, while a wide range of incentives are available to suit different types of activities. In addition, Uruguay stands out for having a unique tax system throughout the country.

### **Specific regulatory framework for the sector**

- Opportunities in affordable housing.
- Promotion of large-scale economic projects.
- Promotion of tourism, hotel, apart hotels, inns, motels, and tourist ranch projects.
- Promotion of condo hotel projects.

**Infrastructure investment in Uruguay.** In 2023 and 2024 Uruguay will invest close to USD 5.3 billion in infrastructure projects across the country. Infrastructure and housing construction projects totaling USD 11.4 billion are expected to be carried out during the five-year period from 2020 to 2024, accounting for 3.3% of the average GDP for the period.



## SECTOR WITH A FUTURE

### SOLID GROWTH OF THE CONSTRUCTION GDP

» The construction sector experienced close to 7% growth in 2023 in real terms (excluding the construction of the UPM pulp mill and the Central Railway construction work).

### LARGE INVESTMENT IN INFRASTRUCTURE PROJECTS

» In 2023, housing sales in Uruguay remained relatively stable with respect to 2022, after showing significant increases during 2021 and 2022.

### RECORD NUMBER OF REAL ESTATE INVESTMENT PROJECTS

» 2023 registered a high number of projects promoted by Law No. 18,795. A total of 185 projects were approved, comprising the construction of more than 4,700 housing units throughout the country.

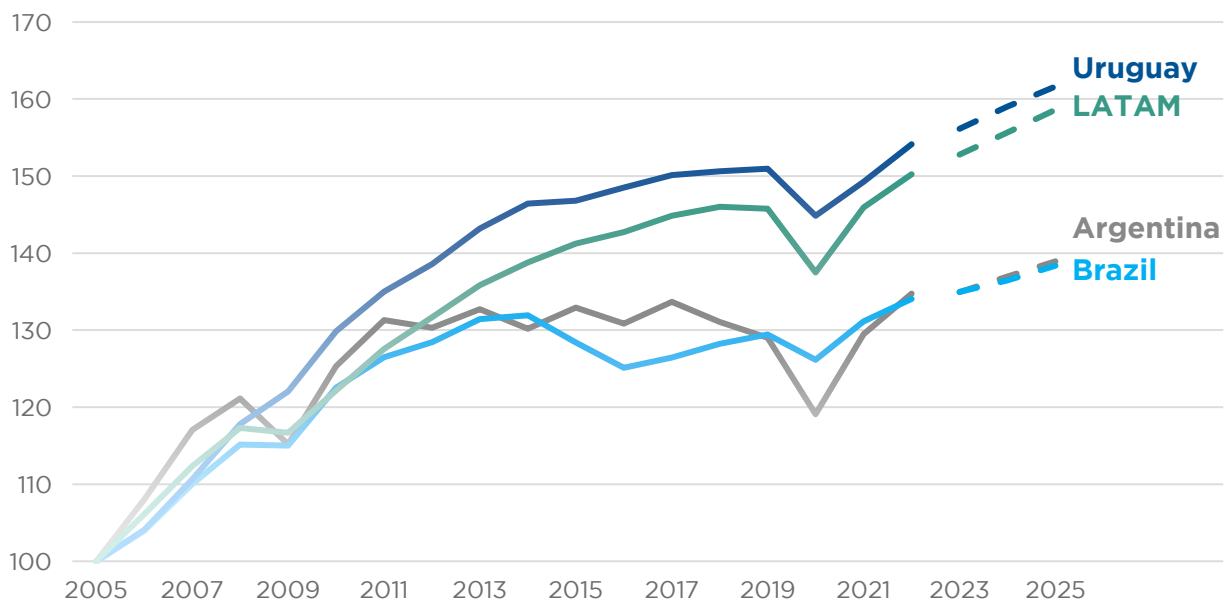
» According to the five-year infrastructure plan, between 2023 and 2024 Uruguay plans to invest close to USD 5.3 billion in infrastructure projects nationwide.

# 1. URUGUAY, AN INVESTMENT DESTINATION

Uruguay is an excellent choice of investment platform for investors in the region. The country has a strong democracy, political stability, solid governance and institutions, and a high sense of social cohesion. Uruguay's economy has accumulated almost two decades of uninterrupted economic growth, with the exception of 2020 due to the pandemic, and is the country with the highest GDP per capita and lowest inequality in Latin America.

Uruguay is a dynamic country that has remained stable in a volatile international context. Its economic governance provides certainty and positions the country in good standing within Latin America.

GRAPH N°1.1  
**GDP in Uruguay and the region**  
(Change % index 2005=100)



Source: compiled by Uruguay XXI with data from the Central Bank of Uruguay (BCU, for its acronym in Spanish) and forecast from the WEO-FMI.

## 2. CONSTRUCTION

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The construction sector plays a key role in the country's economy, employing approximately 84,000 people<sup>1</sup> and accounting for 5% of the GDP, with an annual contribution of USD 3.5 billion<sup>2</sup>. Construction accounts for 53% of the country's economic investment, 70% of which comes from the private sector<sup>3</sup>.

In addition to its direct contribution to the GDP, this sector has strong traction on other sectors of activity such as extraction, manufacture and sale of materials, procurement of architect and engineer professional services, transportation activities, project structuring and financing activities, as well as commercialization, both for real estate sales and leasing.

Due to its relevance in terms of cost and real estate production capacity,<sup>4</sup> the construction sector has a direct impact on the real estate sector. Thus, construction has great economic relevance due to its ties to other sectors and its capacity to generate direct and indirect employment, making it a key sector for generating important interlinkages in the economy<sup>5</sup>.

Construction is characterized as an economic activity that produces a wide variety of goods and includes design, construction, maintenance and operation services. It develops road, railway, airport and port infrastructure goods, goods related to power generation and distribution, health, education, cultural and sports facilities, as well as residential and non-residential buildings, such as offices and commercial locations.

Uruguay's construction companies have a strong reputation and extensive experience abroad. These companies offer exports that include construction services (on-site construction), installation, operation and maintenance services, consulting services, project development, and project management.<sup>6</sup>

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<sup>1</sup> According to figures from the BPS (Social Security Institute) as of August 2023, considering all of section F of the ISIC classification.

<sup>2</sup> BCU National Accounts 2022.

<sup>3</sup> BCU National Accounts for 2019 (last available record according to opening by economic agents).

<sup>4</sup> According to the Construction Chamber and the Construction League.

<sup>5</sup> According to Zunino (2016), the interconnections in the construction sector determine that shocks in the end demand of the construction sector generate a significant multiplier effect on the rest of the economy, which is estimated to be 1.8 times the sector's gross added value.

<sup>6</sup> [Business Case Construction Work – Uruguay XXI](#).

## WOOD CONSTRUCTION

Uruguay is a major timber producer and exporter. Annually, 17 million cubic meters are harvested and used in the production of pallets, formwork, furniture and construction materials. The Road map for the Construction of Social Housing in Wood in Uruguay aims to overcome the regulatory challenges and promote construction with wood material in the country<sup>7</sup>.

The use of wood as a construction material was historically postponed in Uruguay and other construction methods have prevailed in the last decades, especially the use of heavy materials. There is a strong cultural barrier that has limited research in wood, and consequently delayed its development as an option for construction in the country. For this reason, currently 1% of the promoted housings built in Uruguay are made with wood. The roadmap aims to reach 20% by 2032<sup>8</sup>.

In this context, Arboreal, a US and Uruguayan-owned sawmill located in the department of Tacuarembó, participates in the innovative Mass Timber business by producing CLT and glulam. In 2023 the company obtained certification ensuring that the structural timber produced at the sawmill meets European standards.<sup>9</sup> In addition, Lumin, a timber and forestry products company, invested USD 136 million in the construction of its third industrial plant in the country to significantly increase the sustainable production of plywood panels<sup>10</sup>.

In January 2022, MEVIR inaugurated the first nine residences of its sustainable wood housing program in the department of Rivera. The program focuses on bringing together intergovernmental cooperation with the private sector<sup>11</sup>.

In April 2023, the IDB and the Uruguayan government opened a call for housing designs: “Wood: innovating social interest architecture”. This international call intended to find companies and professionals interested in contributing to the design of three buildings of social interest using wood technologies. One call is for the construction of single-family homes in the town of Tranqueras (Rivera), another for the construction of a high-rise residential building in Durazno, and another for a medical center.

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<sup>7</sup> For more information see [Road map for the construction of social housing using wood in Uruguay](#).

<sup>8</sup> For more information see [Forestry Sector Report - Uruguay XXI](#).

<sup>9</sup> “[Uruguay receives transformative investment in the timber industry](#)” - Uruguay XXI.

<sup>10</sup> “[Lumin will invest USD 136 million in a new plywood plant in Uruguay, expanding production capacity to almost 500 thousand cubic meters](#)” - Lumin.

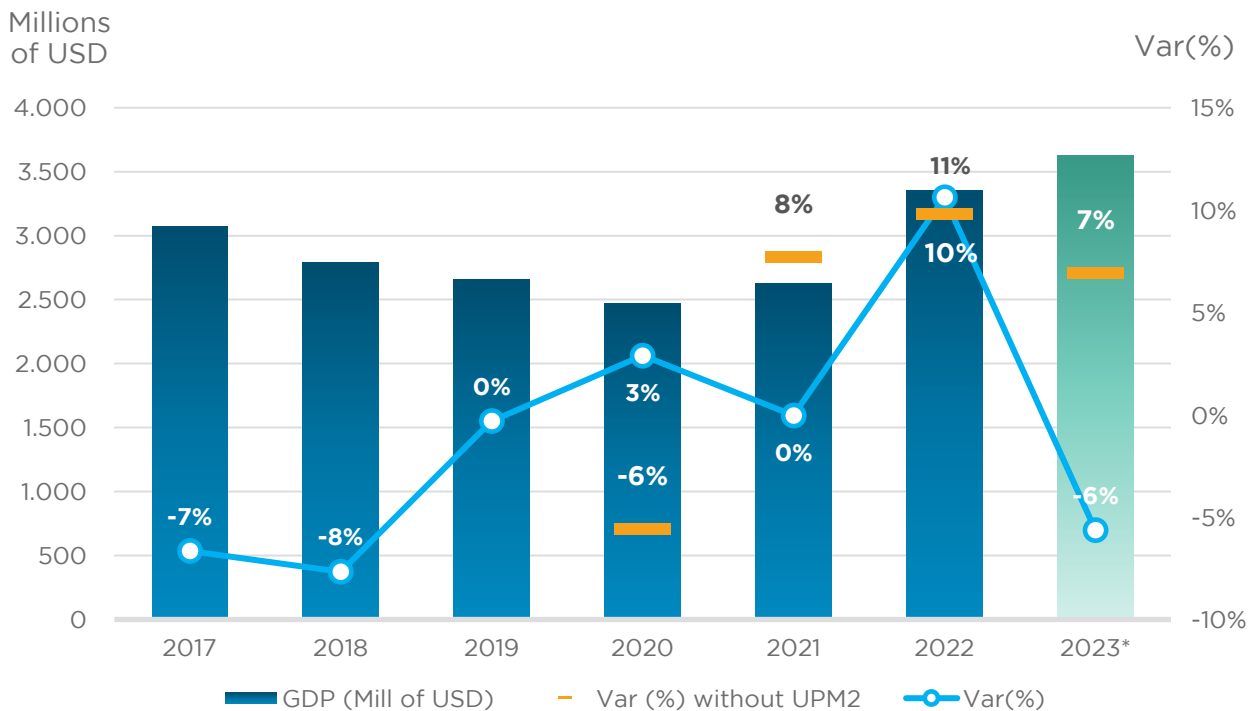
<sup>11</sup> [Mevir will launch sustainable wooden houses in the department of Rivera - Office of the Presidency](#).

Within this framework, construction of the wooden building in the city of Durazno began at the end of 2023. The building is intended to be the tallest of its kind in South America. The seven-story building will be used for more than 50 social housing units and the work is scheduled to be completed by the end of 2024.<sup>12</sup> This project is jointly carried out by Dovat Architects, Arboreal and Enkel Group.

## 2.1. ACTIVITY

In 2023, Uruguay's Gross Domestic Product (GDP) grew 0.4% year-on-year. According to data from the Central Bank of Uruguay (BCU, for its acronym in Spanish), construction showed a year-on-year 6% decline in real terms. The reduction is mainly explained by a smaller investment in the construction of the third pulp mill and the Central Railway, compared to previous years. In addition, investment in port works and communication lines was also reduced. These smaller construction works were partly offset by a larger volume of sanitation, power line and road works.

GRAPH No. 2.1  
**QUARTERLY GDP. CONSTRUCTION SECTOR**  
 (Millions of USD and % real Var y-o-y)



<sup>12</sup> ["Uruguay bets on wood to build sustainable affordable housing"](#) - El País



Source: compiled by Uruguay XXI based on the BCU and Exante<sup>13</sup>.

The five-year infrastructure plan combines public resources with private financing and execution in road, port, airport, and power infrastructure investment. In 2022, record infrastructure investment figures were recorded, which added to the public investment in housing amounting to USD 2.478 billion, equivalent to 3.5 points of the GDP.

The completion of the annual infrastructure and housing investment plans undertaken through all forms of execution will mean that during 2023 - 2024 around USD 5 billion will be invested. As a result, infrastructure and housing works amounting to USD 11.4 billion are expected to be carried out during the five-year period from 2020 to 2024, which represents 3.3% of the average GDP for the period.

Table 2.1  
**Executed and planned investment for the five-year period 2020-2024.**  
 (USD Millions)

	2020	2021	2022	2023-2024	Total 2020-2024
<b>Total infrastructure</b>	<b>1,388</b>	<b>1,793</b>	<b>2,168</b>	<b>4,543</b>	<b>9,842</b>
Road works	373	505	812	1,996	3,686
Energy	192	254	303	843	1,593
Telecommunications	135	164	156	296	751
Water and sanitation	71	78	79	397	625
Ports and airports	150	255	216	585	1,206
Railways	219	337	446	29	1,030
Other types of infrastructure	199	199	156	397	951
<b>Total Housing</b>	<b>231</b>	<b>260</b>	<b>310</b>	<b>833</b>	<b>1,634</b>
<b>Total infrastructure + Housing</b>	<b>1,569</b>	<b>2,053</b>	<b>2,478</b>	<b>5,376</b>	<b>11,476</b>

Source: compiled by Uruguay XXI with information given by the Presidency Office ([link](#)).

In 2022, the completion of road infrastructure works reached USD 812 million and a very significant additional boost is expected for the 2023-2024 period of almost USD 2 billion, so the forecast is to attain an investment in road infrastructure of close to USD 3.7 billion in the five-year period. This will entail works on over 80% of the national roads with maintenance works on 4,400 kilometers and 600 kilometers of new works, which will significantly increase the country's road assets.

In 2022, the public investment in port infrastructure amounted to USD 107 million, which represents 71% of the investment plan planned for this sector for the 2020-2024 period. Airport investments include the extension of the Carrasco International Airport concession to

<sup>13</sup> Exante projections for GDP Construction without UPM2.

Puerta del Sur S.A., which involves investments in six international airports in the country: Rivera, Salto, Carmelo, Durazno, Melo and Paysandú. The Carmelo airport opened at the end of 2022 and the binational airport in the city of Rivera opened in 2023. The Salto airport was inaugurated in February 2024 and modernization works at the airports of Melo, Paysandú, and Durazno are expected to begin during the year.<sup>14</sup>

In terms of railways, the main investments of the period are those associated with the Central Railway, which has been underway since 2019. This is a 273-kilometer-long infrastructure, which connects the city of Paso de los Toros with the Port of Montevideo and will significantly raise the technical standards of the current national railway network route, enabling to attain a circulation speed of up to 80 kilometers for freight trains and to transport up to 22.5 tons per axle. The project is being executed under the public-private participation (PPP) modality by the private consortium Grupo Vial Central, formed by SACEEM, BERKES, SACYR and NGE. The investment made in 2022 represented 90% of the total planned investment, close to USD 1.03 billion. In addition, during 2022, USD 303 million was allocated to investments in energy infrastructure. It is also projected that during the 2023-2024 period, 53% of the investment planned for the five-year period will be carried out.

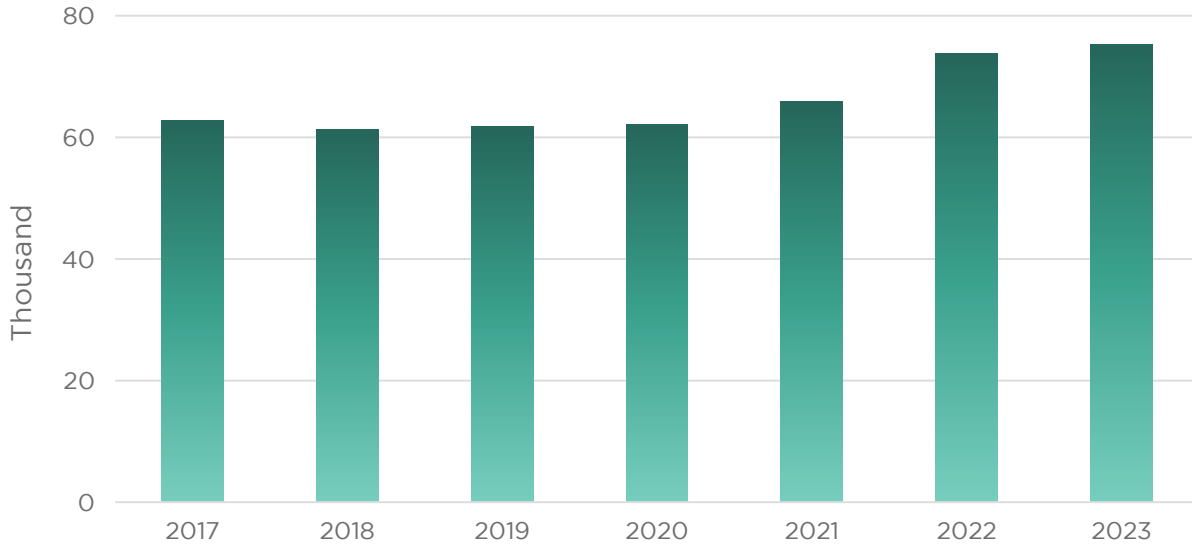
In water and sanitation infrastructure, State Sanitation Works (OSE, for its acronym in Spanish) made USD 79 million in investments in 2022 and advanced 61% of the investment plan foreseen for the five-year period, which totaled USD 375 million. Of this plan, 48% will be allocated to investments in drinking water to maintain the levels of production, transportation, distribution, and the reduction of unaccounted-for water ratios. Nearly 40% of this plan will be earmarked for improving sanitation and sewerage coverage, mainly in the interior of the country, as well as optimizing the collection, treatment and final disposal of wastewater.

## 2.2. EMPLOYMENT

According to figures from the National Statistics Institute (INE, for its acronym in Spanish), Uruguay's employment rate in December 2023 was 58.9% of the working age population (WAP). On the other hand, the activity rate was 63.8% of the WAP, while the unemployment rate was 7.8% of the economically active population (EAP).

<sup>14</sup> [“Balance of the infrastructure development in 2020-2024 in Uruguay: Successes and challenges”](#) - Crónicas

GRAPH No. 2.2  
**Employment in the construction sector**



Source: compiled by Uruguay XXI with figures from the BPS (Social Security Institute).

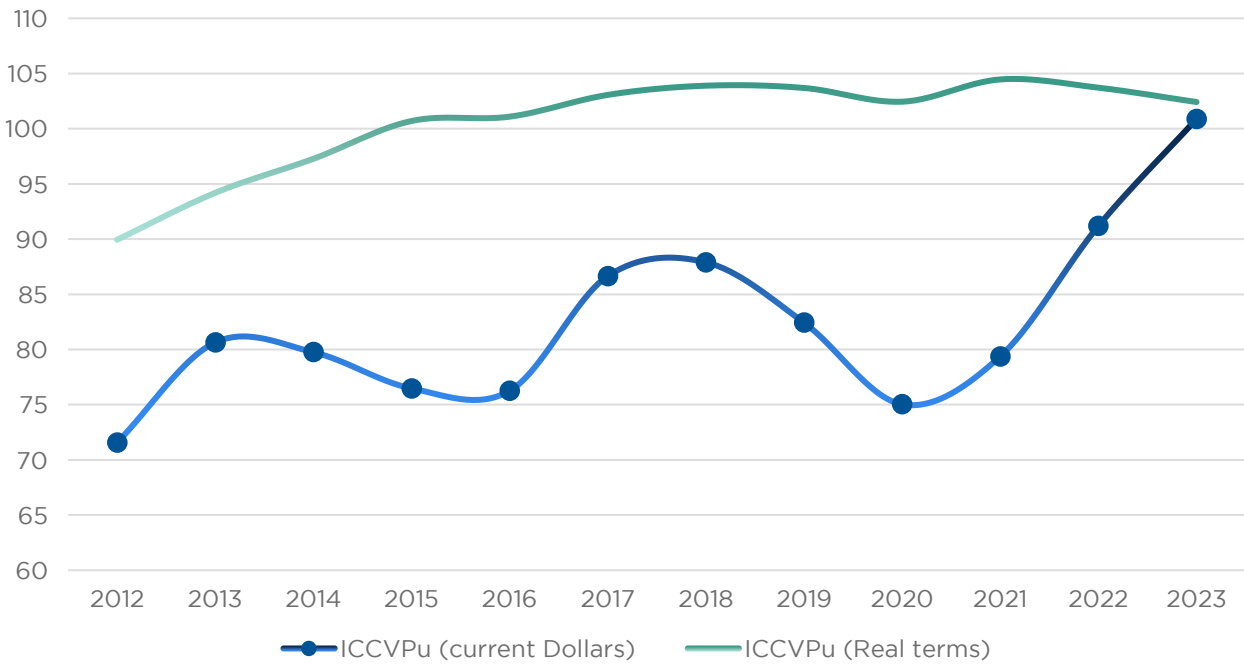
Following a 12% expansion in 2022, the number of employees in construction grew again by 2% year-on-year during 2023 and reached a record high in the past six years. According to the Single National Construction Union (SUNCA, for its acronym in Spanish), between 35% and 40% of construction workers were reliant on public sector works in 2019, but 80% of employees are now reliant on private investment.<sup>15</sup>

### 2.3. COSTS

Construction costs in real terms remain at relatively stable levels from 2019, with a year-on-year drop in 2023 (-1.3%). Construction costs in current dollars showed greater variability, explained by the more volatile evolution of the dollar and in particular due to the COVID-19 backdrop that had a strong appreciation and subsequent depreciation effect locally. This meant that in 2023 costs in dollars increased 10.6% compared to 2022.

<sup>15</sup> ["80% of construction workers rely on private works, according to the secretary general of the Sunca trade union"](#)  
 - La Diaria

GRAPH No. 2.3  
**Construction Cost Index (100 = June 2023)**

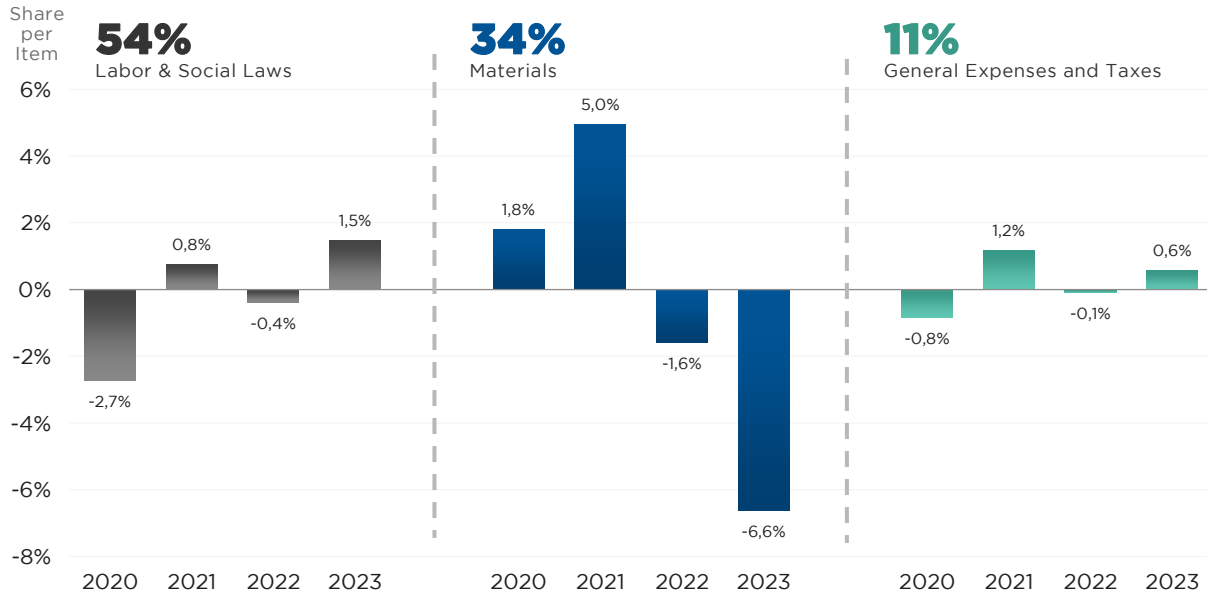


Source: compiled by Uruguay XXI using figures from the INE.

With regards to the different components of the index, costs associated with labor and social laws, which account for 54% of total costs in the sector, registered a 1.5% growth in real terms in 2023.

The costs of materials -which had been growing in 2020 and 2021- showed a real drop of 1.6% in 2022 and 6.6% in 2023, which is explained by the importance of imports and the effect of the dollar's evolution. Finally, general expenses and taxes had a real growth of 0.6% in 2023.

GRAPH No. 2.4  
**Construction costs by item**  
(Year-on-year % change in real terms)



Source: compiled by Uruguay XXI based on figures from the INE.

## 2.4. INVESTMENT

The construction sector is key to investment in Uruguay's economy, accounting for 57% of Gross Fixed Capital Formation<sup>16</sup>. According to own estimates based on the BCU's data, investment in buildings and other constructions totaled USD 7.7 billion in 2023. Although there is no data to estimate how much of the investment is related to housing and how much to other constructions, historic data indicates that housing construction usually represents 45% of the sector's total investment, with the remaining 55% corresponding to other buildings and structures. Due to the strong momentum of the construction of the UPM pulp mill in Paso de los Toros and the associated infrastructure works in the past two years, it is estimated that the share of other buildings and structures was higher than previous years' average amounts.

<sup>16</sup> Average figure 2016-2021, based on the BCU's National Accounts data.



GRAPH No. 2.5  
**Investment in construction**  
(GFCF. Millions of current USD)



Source: compiled by Uruguay XXI based on figures from the BCU.

Between 2020 and 2022, the most extensive stage of construction of both the Central Railway and UPM's second pulp mill took place, which together represented an investment of approximately USD 4 billion.

## 3. REAL ESTATE SECTOR

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Real estate refers to real estate brokerage activities in the sale and rental of real estate. This sector encompasses a set of activities that cover the housing market, offices, commercial premises, and industrial land, among others. This report shows an overview of the sector's activity, with a main focus on the housing and office markets.

According to the national accounts compiled by the BCU, between 2016-2021 the sector accounted for 13% of gross added value. If this share continues, real estate GDP would be hovering around USD 8 billion in 2022.

In 2023, the real estate sector<sup>17</sup> employed approximately 27,000 workers, which represented a relative stability in year-on-year terms, while the wage bill -understood as the total remuneration of people working in the sector- had an increase of 2% in real terms.

The real estate industry is undergoing a moment of dynamic expansion. According to the Uruguayan Real Estate Chamber (CIU, for its acronym in Spanish), 2023 was a year marked by reactivation and growth in some types of housing. According to the CIU, the Promoted Housing Law was key for both Uruguayans and foreigners to bet on this market. Likewise, the sector's expectations for 2024 are optimistic, both for residents and foreign investors.<sup>18</sup>

### 3.1. HOUSING

The housing market is influenced by a wide range of factors such as income levels, changes in household composition and access to credit, which have a major impact on the demand for real estate. At the same time, housing development policies, regulatory changes and construction costs have a major impact on the supply and availability of new housing in the market.

In terms of demand, for decades Uruguay has had a very low natural population growth, which corresponds to the country's high level of development. The latest census showed that Uruguay's population growth rate continues to decline. Between 2011 and 2023, the population

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<sup>17</sup> Pertaining to ISIC Rev-4 classification coding 6810 and 6820, respectively.

<sup>18</sup> "[Prospects for 2024 of a dynamic sector, with investments and "strong sales"](#)" - El País

grew by only 1% (0.08% annually). This speaks of a basically stagnant population in this intercensal period<sup>19</sup>.

Despite this, over the last decades the real estate market had a strong demand for real estate, which was explained, among other factors, by the change in the structure of households compared to that found a decade ago, with an increase in single-person households, couples without children and single-parent households as well as a reduction in households made up of couples with children<sup>20</sup>. While in 2011 the average size of a household size was 2.8 persons this figure dropped to 2.5 persons in 2023<sup>21</sup>.

In addition to this, the country is undergoing an immigration process, with 61,800 people currently residing in the country with foreign national identity cards. In 2011 this population represented 2%, but the share increased to 3% in 2023.<sup>22</sup>

On the supply side, Law 18,795 (2011) on Social Interest Housing (VIS, for its acronym in Spanish)<sup>23</sup> declared investment in housing construction to be of national interest. In all these years of enforcement the law channeled 1,312 projects, which implied almost 35,000 housing units, of which 20,401 are completed (as of December 2023), which represents 66% of the total number of promoted units.

In April 2020, a new decree was approved that introduced amendments to the law, making the conditions to be covered by the regime more flexible. Among the most important of these was the elimination of the price ceilings for the sale and rental of housing promoted under the law, which until now applied to 10% of the housing in projects within Montevideo and 20% for the rest of the country's departments. The regulatory change also enabled the construction of studio apartments in the projects and eliminated the restriction that limited the number of one-bedroom units to 50%. In addition, it allows part of the ground floor to be used for commercial and other recreational areas.

Regulatory changes introduced in April 2020 have boosted the regime over the past three years. A record number of 185 projects were promoted during 2023.

<sup>19</sup> [“Preliminary population: 3,444,263 inhabitants”](#) - INE

<sup>20</sup> Calvo, J. J. & Pardo, I (2013) Behind the three million. The Uruguayan population after the 2011 Census, Gap-Population Program Udelar, Montevideo.

<sup>21</sup> [“The five graphs that explain key data of the 2023 Census”](#) - El Observador

<sup>22</sup> [“Without the immigrants that live in Uruguay, “we would have to announce a decrease in population size”, said the director of the INE”](#) - La Diaria

<sup>23</sup> Social Interest Housing - ([+Info](#))

### 3.1.1. TERRITORIAL DISTRIBUTION OF THE HOUSING MARKET

The housing stock in Uruguay reaches 1.42 million units. The market -as well as its population- is concentrated in the main urban centers, especially in Montevideo, where 40% of the population lives. In this sense, the main domestic mobility trends are similar to those observed globally, with greater urbanization and population concentration in coastal areas. According to the last census (2023), the urban population has reached a share of 96%. The departments with the greatest increase were Maldonado, Canelones, San José and Colonia, with a populational growth increasingly concentrated on the southern coast of the country.<sup>24</sup>

Another important aspect of the real estate market refers to the tourist appeal of the different regions. In 2023, 54% of tourists stayed in homes (2,065,278 people)<sup>25</sup>, of which 239,000 stayed in their own homes, which meant a larger housing stock in relation to the population permanently residing in the country. This phenomenon had a greater impact in the departments of Maldonado, Rocha and Colonia, which together with Montevideo were the main tourist destinations in the country.

## 3.2. HOUSING SALES MARKET

In 2023, the number of housing sales in Uruguay remained relatively stable compared to 2022, after showing significant increases during 2021 and 2022.

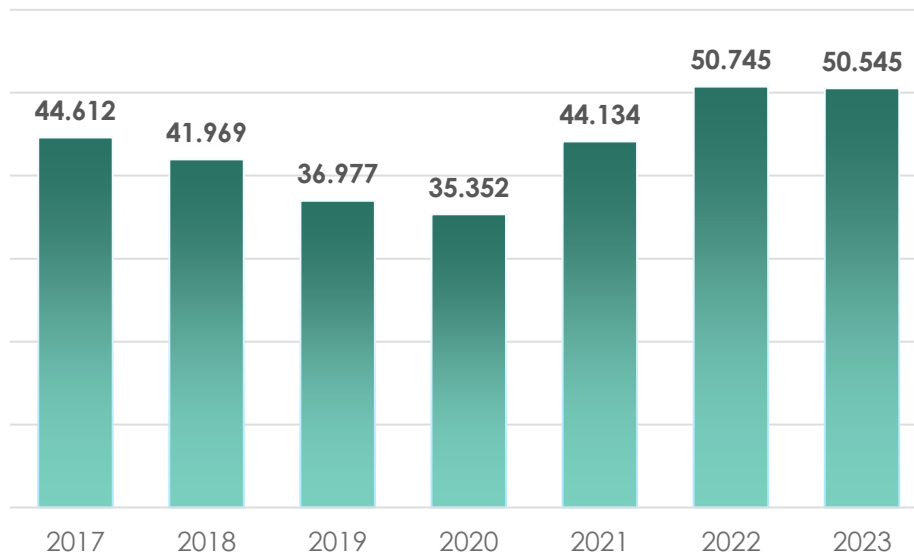
Between 2021 and 2022 there was a recovery in the number of purchases made. However, it should be considered that this increase may have been influenced by a delay or relocation of transactions that were planned for 2020. It is possible that contracts made in 2020 and early 2021 were registered later and, therefore, the data may be capturing part of this lagged effect.

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<sup>24</sup> [“The population in Uruguay has increased by 1%: there are now 3,444,263 inhabitants”](#) - Office of the Presidency

<sup>25</sup> [Statistical yearbook of the Ministry of Tourism 2023](#).

GRAPH No. 3.1  
**REAL ESTATE SALES**  
 (Number of annual sales)



Source: compiled by Uruguay XXI based on data from the INE.

### 3.2.1. SALES BY REGION

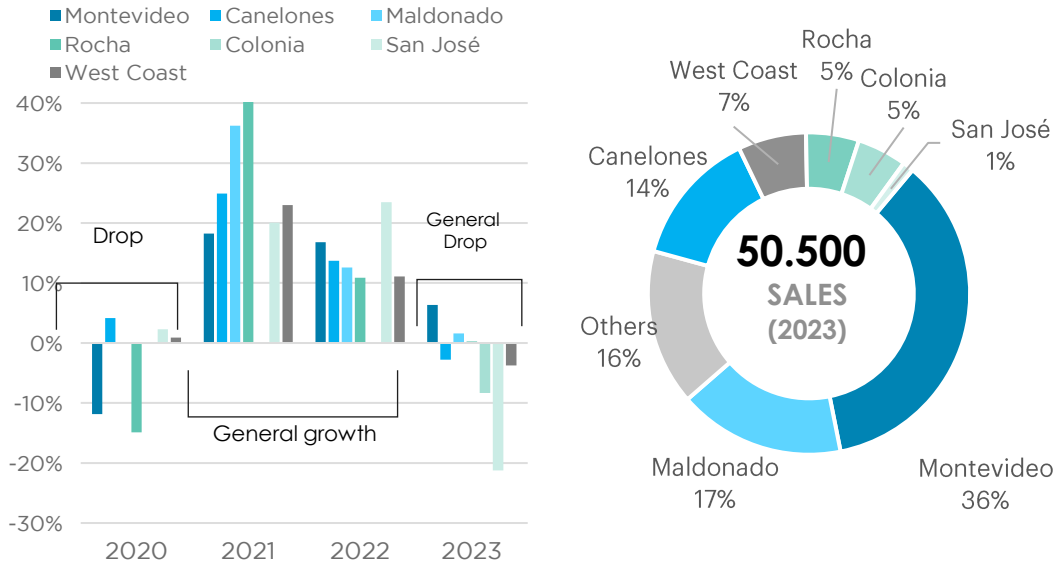
Regionally, two-thirds of real estate sales in 2023 were located in the three main departments: Montevideo (36%), Maldonado (17%) and Canelones (14%). They were followed by the departments of Rocha and Colonia with 5% each, while the departments of the country's west coast as a whole<sup>26</sup> accounted for 7% of the year's total sales. This share remained relatively stable with respect to 2021, however, in 2023 the share of Montevideo and Maldonado increased.

The number of sales in 2023 reached a similar figure to that of 2022. Montevideo was the department with the highest positive impact in the period, with a 6% increase in the number of transactions. It was followed by Maldonado with a 2% growth and Rocha, which was stable in year-on-year terms. The departments of Canelones and San José showed a drop in real estate transactions of 3% and 21%, respectively.

<sup>26</sup> Soriano, Río Negro, Paysandú and Salto are considered coastal departments.



GRAPH No. 3.2  
**REAL ESTATE SALE TRANSACTIONS**  
 (Year-on-year percentage change)



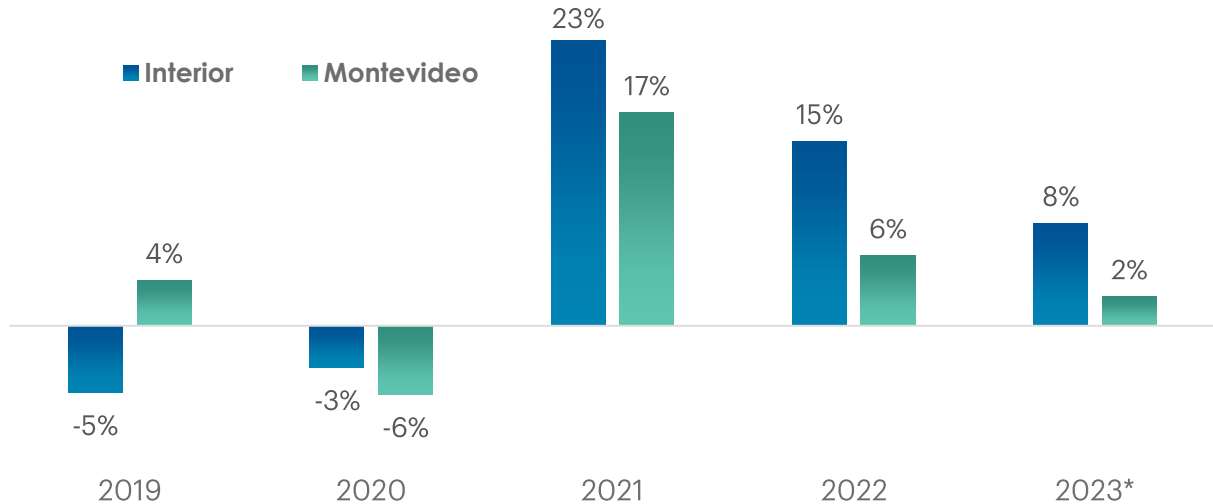
Source: compiled by Uruguay XXI based on data from the INE.

### 3.2.2. SALES PRICES

The median value of housing sales showed a year-on-year increase of 6% measured in current dollars for the country as a whole and in year-on-year terms in the period from January-November 2023. The value of real estate sales had an uneven performance between Montevideo and the rest of the country in the last year. The overall increase is mainly explained by the 8% increase in the interior provinces of the country, while in Montevideo there was an increase of only 2%.

GRAPH No. 3.3  
**REAL ESTATE SALES PRICES**

(% y-o-y change)



Source: compiled by Uruguay XXI with data from the INE.

Between January and August 2022, the average price of sales transactions under the Horizontal Property (PH, for its acronym in Spanish) regime in **Montevideo** was USD 2,078 per square meter. This marked a 3% increase in dollars over the 2021 average.

The east coast of Montevideo had the highest average price with USD 2,444 per square meter, followed by the downtown area with USD 1,947 per square meter and the central area with USD 1,736 per square meter.

The coastal area has already returned to pre-pandemic prices (2019). The central area reached an average value equal to that of 2019, while in the downtown area the average was below the 2019 average.

Regarding the transaction value, the average for a PH in Montevideo was USD 125,762. On average, the surface area of the homes sold was 62.2 square meters and the average property age was 42.2 years. When analyzed by location, the average price in the coastal area was USD 158,283, in the downtown area it was USD 110,993, and in the central area it was USD 92,684.<sup>27</sup>

According to the consulting firm EXANTE, between January and September 2023, housing prices in dollars showed a year-on-year increase of 4%, standing at approximately USD 2,600

<sup>27</sup> "[Real Estate Market Report](#)" - National Housing Agency.

per square meter. Meanwhile, measured in indexed units (UI, for its acronym in Spanish meaning a unit of value that reflects inflation), the average price of housing stood at UI 17,469 per square meter, 10% lower than in the same period of 2022.

The real estate purchasing capacity of households can be measured through the number of monthly incomes needed to buy an average home, using the total income of an average-income household<sup>28</sup>. This indicator for Uruguay shows that the cost of accessing housing grew by an average of 5% per year between 2011 and 2020. This is explained by a more dynamic evolution of housing costs in relation to the evolution of household income.

In 2020, a PH required on average about 57 monthly incomes, which implies a 9% increase in the year-on-year comparison. Likewise, the purchase of a common property (PC, for its acronym in Spanish) required 78 monthly incomes of an average household, 14% higher in relation to 2019. Thus, the evolution of the effort required from households to purchase a horizontal property has been on the rise in recent years, while in common property it showed a more variable evolution.

### **3.2.3. PROMOTED HOUSING<sup>29</sup>**

The purpose of the law is to encourage, through fiscal incentives, the construction of housing, while promoting the development of areas in cities that are of special public interest.

The Promoted Housing Law (Law No. 18,795) has three amendments to the regulations regarding incentives for private investment. The first one came into force in June 2014, the second one in March 2017 and the last one in April 2020. Announcements of policy changes, as well as their approval, generate impacts on the short-term dynamics of project revenues.<sup>30</sup>

In 2023, 185 projects were approved, which represented a 7% growth and entailed a record year for the number of projects since the law came into force. These projects involve the construction of 4,751 new dwellings.

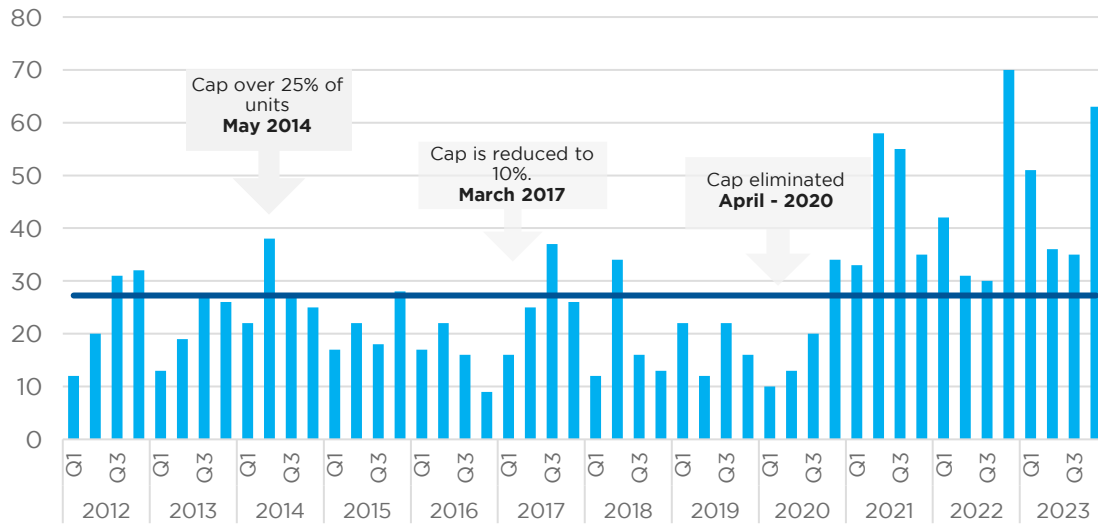
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<sup>28</sup> It is an international reference indicator, one of the main urban indicators of the United Nations (HABITAT, Urban Indicator number 31).

<sup>29</sup> For more information see the report by the National Housing Agency (ANV, for its acronym in Spanish) ([link](#)).

<sup>30</sup> For more information on the regulation, see: Regulatory framework.

GRAPH No. 3.4  
**NUMBERS OF PROJECTS REGISTERED PER QUARTER**  
(Number of projects)



Source: compiled by Uruguay XXI based on data from the National Housing Agency.

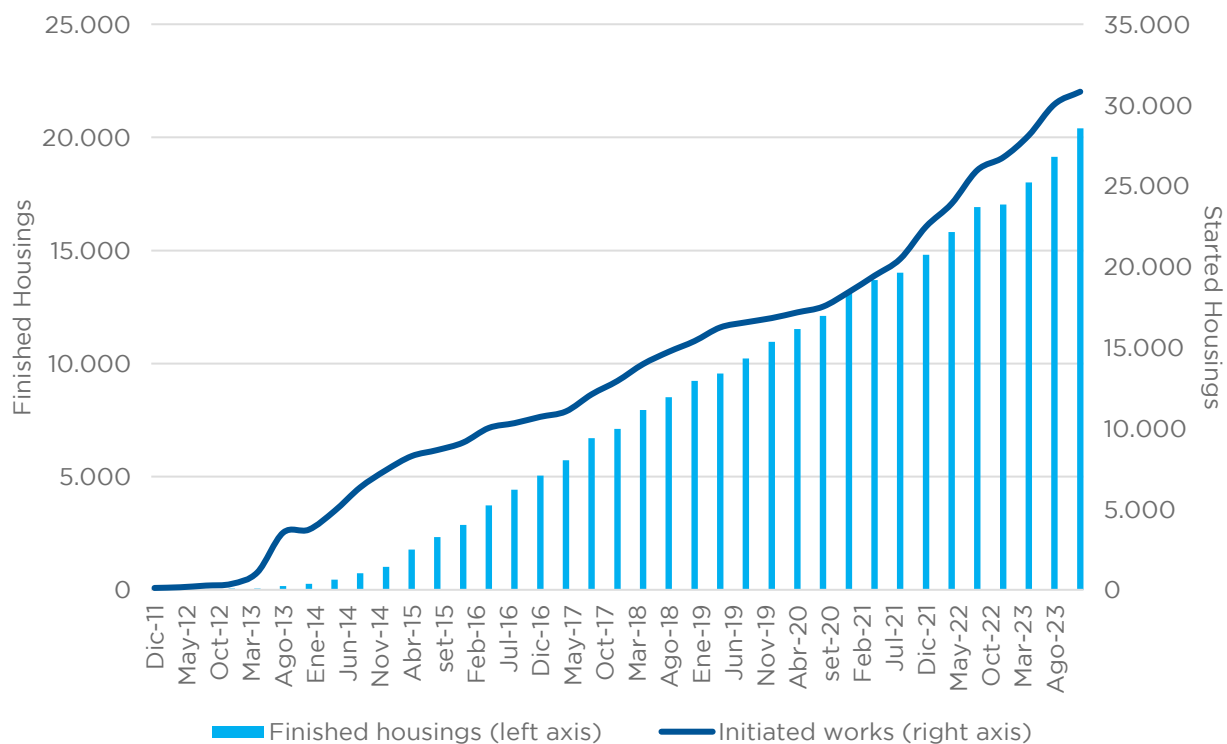
In relation to the size of the projects, small projects represent 58% of the assets, followed by medium-sized projects with 29% and large projects with 13%.

With regard to the number of housing units, the relationship is the opposite, with large projects accounting for 48% of the housing units, followed by medium-sized projects with 35% and small projects with 16%.

Regarding the projects promoted during 2023, Montevideo accounted for 65%, while during 2022 this figure reached 67%. The department of Maldonado reached 6% in 2023, while Ciudad de la Costa registered a 20% share.

Among the projects in Montevideo, 29 stand out in the neighborhood of Cordón, which involve the construction of 1,085 housing units, followed by the neighborhood of Tres Cruces with 10 projects comprising 330 housing units.

GRAPH No. 3.5  
**HOUSING UNDER CONSTRUCTION AND COMPLETED**  
(Number of projects)



Source: compiled by Uruguay XXI with information from the National Housing Agency.

### 3.3. RENTAL MARKET

Based on the Continuous Household Survey (ECH, for its acronym in Spanish) <sup>31</sup> prepared by the INE, Uruguay has 1.26 million households, of which 50% are homeowners, 7% own their homes but are still paying for them, 20% of households are renters, and the remaining 23% have another type of relationship (free occupant, cooperative, etc.). On the other hand, the evolution of households and their relationship with housing consumption has changed in recent decades.

Uruguay is in a period of declining population growth rate, mainly due to a reduction in the fertility rate. However, the number of households continues to grow due to changes in the aforementioned family structures and arrangements, an increase in the immigration rate and internal migration processes, which in Uruguay maintains a strong growth trend towards more

<sup>31</sup> According to data from the ECH carried out in 2022, as processed by Uruguay XXI.

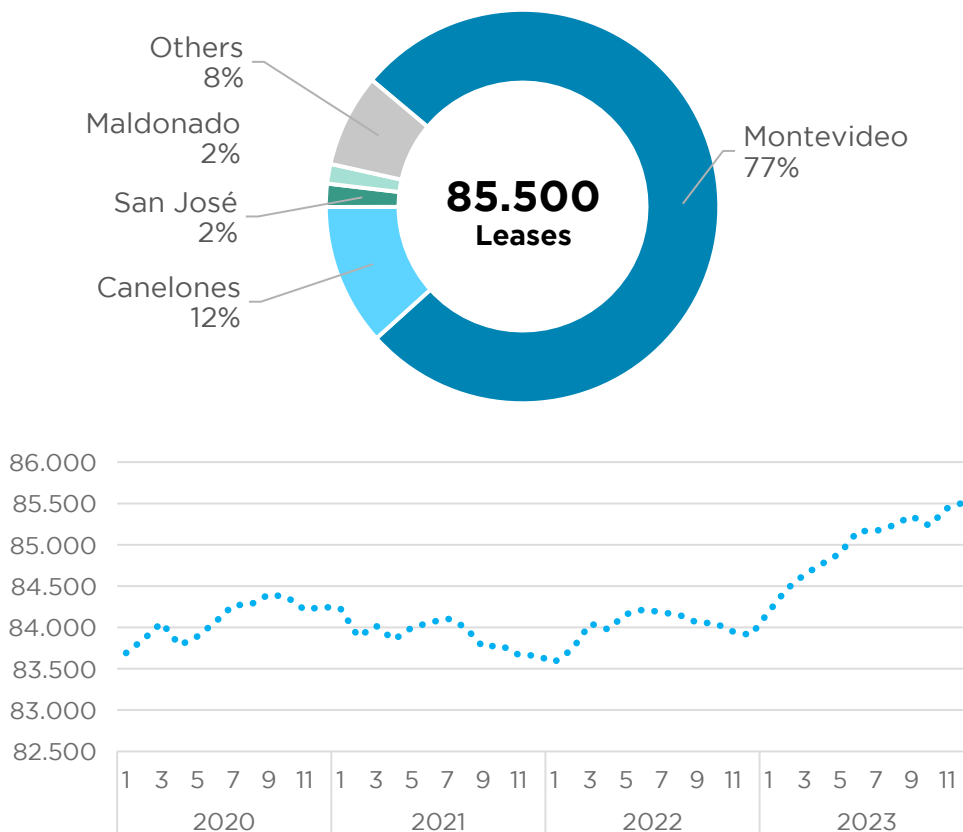


developed cities and departments, particularly towards the metropolitan area of Montevideo and coastal areas<sup>32</sup>.

### 3.3.1. RENTAL LEASES

In Uruguay, leases are freely contracted, which means that the parties are free to agree on the term, currency and contract readjustment system. This flexibility allows prices to be adjusted based on existing conditions.

GRAPH No. 3.6  
**RENTAL LEASES BY DEPARTMENT**  
 (Share % in the year ending December 2023)<sup>33</sup>



Source: compiled by Uruguay XXI based on information from the INE.

The housing rental market in Uruguay comprises some 85,518 current leases as of December 2023. Seventy-seven percent corresponds to housing in the department of Montevideo, 12%

<sup>32</sup> Calvo, J. J. & Pardo, I (2013) Behind the three million. The Uruguayan population after the 2011 Census, Gap-Population Program Udelar, Montevideo.

<sup>33</sup> INE information based on registrations made by the Rent Warranty Service and “ANDA”.

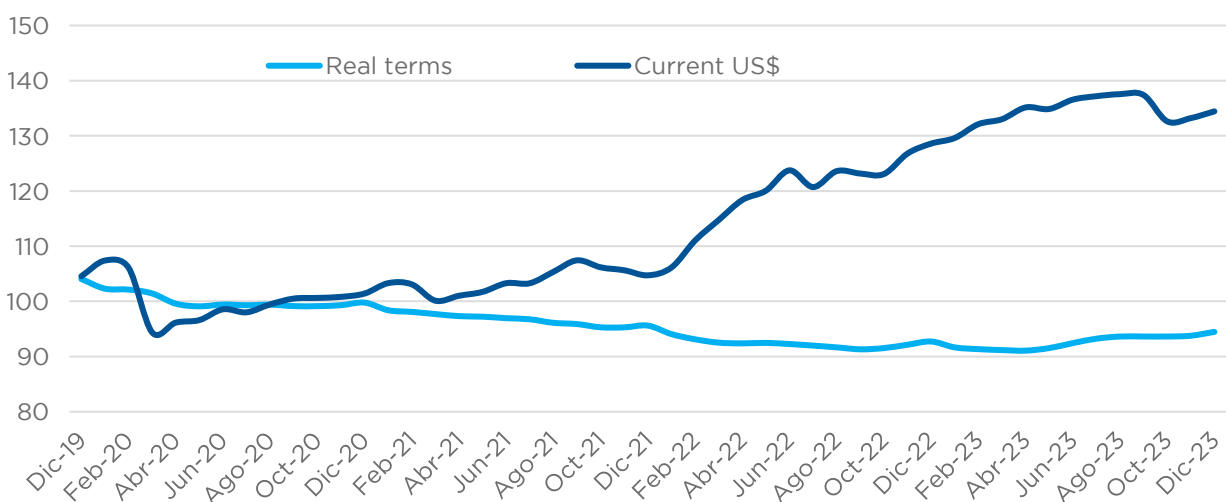
in Canelones, 2% in San José and Maldonado, and the remaining 8% covers the rest of the country.

During 2023, some 25,000 new rental agreements were signed, which represents a growth of 0.7% in the year-on-year comparison<sup>34</sup>. However, there are different dynamics in each department. On the one hand, Canelones and Lavalleja recorded increases, while Montevideo stood out for its drop.

### 3.3.2. RENTAL PRICES

Available data provided by the INE based on records from the Rental Warranty Service and “ANDA” indicate that the average price of new rental agreements measured in real terms remained stable in 2023. However, and in the face of a decline in the exchange rate measured in dollars, it showed an increase of 12% for the same comparison.

GRAPH No. 3.7  
**RENTAL PRICES**  
(Index 2020 = 100)



Source: compiled by Uruguay XXI based on data from the INE.

In terms of the main departments, Montevideo showed stability in 2023. Rental prices in real terms in Canelones and San José showed increases of close to 7%, and in Maldonado the increase was 10%.

<sup>34</sup> According to administrative data from the Rent Warranty Services (“Contaduría” and “ANDA”), systematized by the INE. Both warranties cover one third of the total rental market for residential leases.

Thus, considering that the average household income for the country as a whole increased by a greater extent during 2023, the ratio of current rental prices to average household income fell by 3%, reaching one of the lowest levels in recent years, which means a real reduction in rental costs for households.

### 3.3.3. HOUSING MARKET IN MONTEVIDEO

Montevideo accounts for over three quarters of Uruguay's rental market, according to data from the INE. The downtown area and the east coast of the city make up 45% of the rental market, with 27% and 18% respectively of current leases, followed by the neighborhood of Unión, ex Mercado Modelo and Brazo Oriental with a 14% share and the Boulevard Artigas axis with 13%. The areas farther away from the city center account for a smaller share.

TABLE No. 3.2  
**RENTAL LEASES IN THE MAIN AREAS OF MONTEVIDEO**  
 (Share % and Var % y-o-y)

Areas in Montevideo	Share (%)	Var(%) 22/21	Var(%) 23/22
<b>Downtown area</b>	27%	1%	3%
<b>Coastal Area</b>	18%	0%	-1%
<b>Unión, Ex Mercado Modelo and Others</b>	14%	1%	1%
<b>Axis Artigas Boulevard</b>	13%	1%	2%
<b>Northeast</b>	8%	0%	2%
<b>Maroñas</b>	8%	-1%	1%
<b>West Bay (La Teja - Cerro)</b>	7%	-1%	1%
<b>North</b>	3%	0%	1%
<b>West</b>	1%	3%	-3%

Source: compiled by Uruguay XXI based on data from the INE.

The price of new rental leases in Montevideo amounted to USD 492 in December 2023. The coastal area stood out for registering the highest values, with an average of USD 714 per rent, followed by the Boulevard Artigas axis and the downtown area, which were around USD 521. The northern regions had the lowest prices, with values of around USD 515.

TABLE No. 3.3  
**RENTAL LEASES IN THE MAIN AREAS OF MONTEVIDEO**  
 (Average price in current USD 2023)

Coastal Area		Boulevard Artigas Axis		Downtown	
<b>Carrasco</b>	USD 1,146	<b>La Blanqueada</b>	USD 576	<b>Palermo</b>	USD 552
<b>Punta Gorda</b>	USD 924	<b>Prado</b>	USD 542	<b>Tres Cruces</b>	USD 543
<b>Northern Carrasco</b>	USD 687	<b>Larrañaga</b>	USD 531	<b>Barrio Sur</b>	USD 530
<b>Malvín</b>	USD 671	<b>Jacinto Vera</b>	USD 520	<b>Cordón</b>	USD 529
<b>Punta Carretas</b>	USD 664	<b>Atahualpa</b>	USD 518	<b>La Comercial</b>	USD 527
<b>Pocitos</b>	USD 615	<b>Capurro, Bella Vista</b>	USD 504	<b>Aguada</b>	USD 514
<b>Parque Rodó</b>	USD 590	<b>Figurita</b>	USD 496	<b>Downtown</b>	USD 497
<b>Parque Batlle</b>	USD 575	<b>Reducto</b>	USD 479	<b>Villa Muñoz, Retiro</b>	USD 471
<b>Buceo</b>	USD 552			<b>Old Town</b>	USD 471

Source: compiled by Uruguay XXI based on data from the INE.

### 3.4. OFFICE SPACE MARKET

Montevideo's market for office space continues to develop steadily, adding new proposals that adapt to current requirements. In Uruguay, companies in the technology and global services sector are leading the demand for modern offices. The boom in global services is linked to the context of fragmentation of production processes internationally and an advance in globalization, which has allowed Uruguay to join global value chains, providing different kinds of services to the rest of the world. Outsourcing, software, financial services, professional services and trade-related companies are the main users in this market<sup>35</sup>. Uruguay is following a global trend in work spaces, in which companies tend to move their facilities to class A and A+ buildings, showing a high demand for this type of office space.

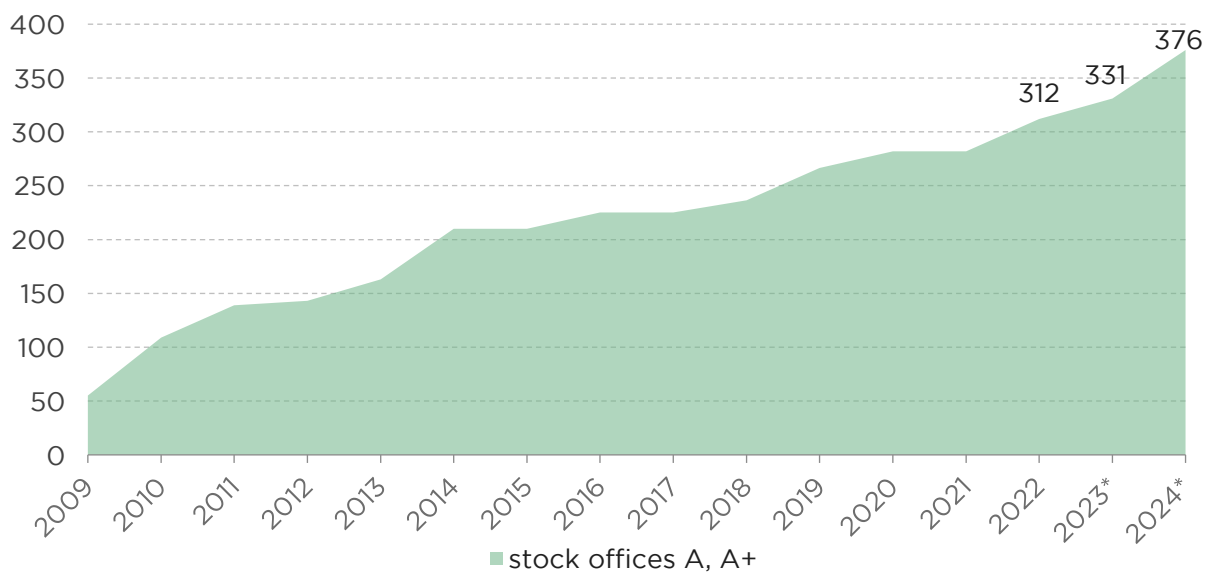
#### 3.4.1. OFFICE SPACES IN MONTEVIDEO

The increase in the export of services and the sales of professional services to domestic clients allowed office spaces to sustain a high demand in the last few years. In addition, there has been a significant improvement in the services offered by office buildings. The arrival of foreign companies increased the requirements of office buildings, which led to a growth in the Premium (A+) office market. This process was accompanied by local companies, matching their office requirements to those of foreign businesses. This had a positive effect on Montevideo's market, which translated into new standards, both in terms of quality and legal

<sup>35</sup> For further information go to: [Global Export Services Report](#).

conditions in lease terms, improving the market’s transparency levels. On the other hand, and as a counterpart, varied, qualified, modern and affordable work spaces benefit the country by encouraging the entry of new companies from abroad, as well as promoting new ways of working through the modernization of these spaces.

GRAPH No. 3.8  
**CLASS A AND A+ OFFICE SPACES STOCK**  
(Values in thousands of m2)



Source: Workplace Real Estate Report on Montevideo office spaces (2021 and 2022).

According to the report prepared by Workplace Real Estate<sup>36</sup>, in the last decade, class A and A+ corporate quality offices grew 7% on average per year and in 2023 reached 312,000 square meters. On average, in the last 22 years, 14,000 square meters were built annually. In the last year, only one class A building was added to the portfolio, totaling 1,245 square meters, well below the annual average.

What did grow in the sector were the buildings that have been converted from hotels to flexible or traditional offices. In terms of flexible offices, Sinergia has four office buildings, one space in an office complex and one multipurpose building. It is estimated that the area occupied by companies in this modality is 15% of buildings available for rent. In terms of locations, WTC Buceo is the leader with 105,000 square meters (45% of the stock). Of the new

<sup>36</sup> See: “[Workplace report 2022](#)”.

buildings and those under construction, the developers' concern for the quality of the buildings is noteworthy; compliance with international standards, environmental certification and highly curated aesthetics.

The decentralization of offices makes it so that the most common requests are in residential neighborhoods. The vacancy rate for Class A office space is 16.2%, while Class A+ is 6.8%. Particularly in the World Trade Center, office availability is very low, averaging 5%.

In 2023, 19,000 square meters of office space entered the rental stock, which represents 8% more than the existing stock. This is due to two buildings in Carrasco and one in Ciudad Vieja. An important feature of the building in Ciudad Vieja, called [ALMA ET](#), is that it will have brand-new 850-square-meter floors that do not currently exist in the market. All three new buildings will be LEED-rated, with ALMA ET being the first LEED PLATINUM-certified green building. This rating will be the highest achieved by a building in Montevideo before this organization.

TABLE No. 3.3  
**OFFICE BUILDINGS WITH LEED CERTIFICATION**

Certification	Building
<b>LEED PLATINUM</b>	Alma ET (best LEED building)
<b>LEED GOLD</b>	Plaza Alemania
	Celebra
	Sinergia Faro
<b>LEED SILVER</b>	CAF
	Porto Seguros
<b>CERTIFICATION</b>	WTC free Zone I (first LEED Building in Uruguay)
	WTC Free Zone II
	Costa Carrasco (Oracle)

Source: Workplace Real Estate's Montevideo office report (2022).

### 3.4.2. RENTAL PRICE OF OFFICES

Prices have recovered in most neighborhoods in Montevideo. In some areas they are even above historic prices. In WTC, the price of an as-built office in Tower III (built in 2009) averages USD 25 per square meter, while in Tower IV, the best tower in the complex, it averages USD 30.

The least affected by the pandemic were the neighborhoods of Carrasco and Buceo, where prices are already at the historic average, while in Ciudad Vieja and Downtown it will be

necessary to wait a little longer for recovery. The reality is that in these areas there is an opportunity for companies that need lots of square meters, as they have all the services within reach, excellent transportation and high-quality office buildings. There is a good quality/price ratio.

## 4. ANNEXES

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### 4.1. REGULATORY FRAMEWORK

To see the annex with the regulatory framework of the sector in Uruguay, click on the following link: [Regulatory Framework](#)

### 4.2. INSTITUTIONAL FRAMEWORK

To see the annex with information on the institutional framework of the sector in Uruguay, click on the following link: [Institutional Framework](#)

## 5. URUGUAY AT A GLANCE

### URUGUAY IN NUMBERS

Official name	Oriental Republic of Uruguay
<b>Geographic Location</b>	South America, bordering with Argentina and Brazil
<b>Capital city</b>	Montevideo
<b>Surface area</b>	176,215 km <sup>2</sup> . 95% of the territory is productive land, suitable for agriculture and livestock farming
<b>Population (2023)</b>	3.44 million
<b>GDP per capita (2022)</b>	USD 20,043
<b>Currency</b>	Uruguayan Peso (\$)
<b>Literacy rate</b>	0.98
<b>Life expectancy at birth</b>	77.9 years old
<b>Government type</b>	Democratic republic with presidential system
<b>Political Division</b>	19 departments
<b>Time Zone</b>	GMT - 03:00
<b>Official language</b>	Spanish

### MAIN ECONOMIC INDICATORS

Indicators	2018	2019	2020	2021	2022	2023*
<b>GDP (Annual % change)</b>	0.16%	0.93%	-7.38%	5.56%	4.71%	0.37%
<b>GDP (Millions USD)</b>	65,259	62,166	53,615	60,728	70,236	77,131
<b>Population (Million people)</b>	3.43	3.44	3.44	3.44	3.44	3.44
<b>GDP per Capita (USD)</b>	19,010	18,095	15,593	17,648	20,395	22,422
<b>Unemployment Rate - Annual Average (% EAP)</b>	8.3%	8.9%	10.4%	9.3%	7.9%	8.3%
<b>Exchange rate (Pesos per USD, Annual Average)</b>	30.8	35.3	42.1	43.6	41.1	38.9
<b>Exchange rate (Annual Average Variation)</b>	7.3%	14.7%	19.2%	3.6%	-5.6%	-5.5%
<b>Consumer Prices (Cumulative annual variation %)</b>	8.0%	8.8%	9.4%	8.0%	8.3%	5.1%
<b>Goods and services exports (USD Millions)**</b>	17,253	17,228	13,856	19,594	22,513	24,742
<b>Goods and services imports (USD Millions)**</b>	13,973	13,504	11,431	15,134	18,992	22,629
<b>Trade Surplus / Deficit (USD Billions)</b>	3.28	3.724	2.425	4.46	3.52	2.114
<b>Trade Surplus / Deficit (% of GDP)</b>	5.0%	6.0%	4.5%	7.3%	5.0%	2.7%
<b>Overall Fiscal Result (% of GDP)</b>	-3.9%	-4.4%	-5.8%	-4.1%	-3.4%	-3.6%
<b>Gross Capital Formation (% of GDP)</b>	14.9%	14.1%	16.4%	18.3%	18.9%	17.3%
<b>Public Sector Gross Debt (% of GDP)</b>	58.9%	59.9%	74.5%	69.8%	67.9%	-
<b>Foreign Direct Investment (USD Millions) ***</b>	-11	2,018	756	1,937	3,456	-
<b>Foreign Direct Investment (% of GDP)</b>	0.0%	3.2%	1.4%	3.2%	4.9%	-

\*Projected data is in red.

Sources: BCU, INE, MEF (Ministry of Economy and Finance) and estimated data (\*). The fiscal result data include the effect of Act N°19,590 (fifty-year-olds). In 2017 the BCU adopted the methodology of the 6th manual on balance of payments. The methodology includes purchase and sale of goods and re-exports and data is available since 2012. Data are net flows so they may take on negative values (\*\*).





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