

LIMA OFFICE

Economic Indicators	Q1 16	Q1 17	12 month forecast
GDP Variation(%)	1.5%	2.7%	▲
Inflation Variation(%)	1.2%	1.8%	▼
Unemployment rate (%)	7.2%	7.7%	■

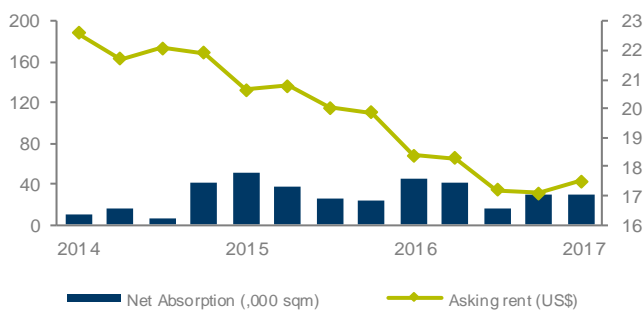
*Source: National Institute of Statistics and Informatics, Central Bank, Economy and Finance Ministry

Market Indicators (Class A)	Q1 16	Q1 17	12 month forecast
Vacancy rate	19.2%	22.2%	▲
Net Absorption (,000 sqm)	50.4	29.9	▼
Under construc. (,000 sqm)	719.5	373.7	▼
Average asking rent (*)	\$20.6	\$17.5	▼

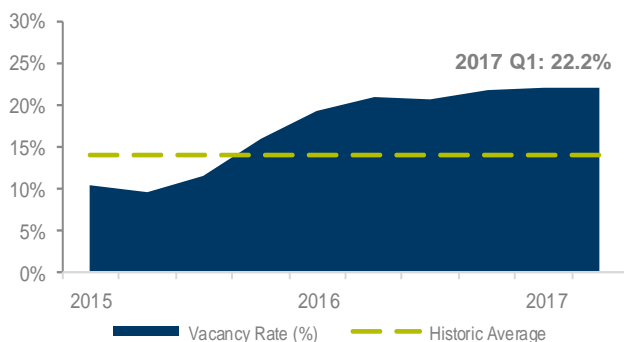
(*) The average represents net values by sqm / month

Net Absorption/Asking Rent (Class A)

Trend 2017 Q1



Overall Vacancy (Class A)



Economic Overview

Peru's economic growth faces several obstacles such as the El Niño Phenomenon, and the suspension of infrastructure projects. Previous projections for main indicators had to be downgraded, and GDP is now expected to be 3.5% for year-end 2016 (compared with the 4.3% projected in Dec'16). According to the Ministry of Economy and Finance, GDP growth for the first quarter is expected to grow at 2.0%, while February's expectations are higher at 2.75%. March results will be highly impacted by El Niño, and should push the rate back down. The National Institute of Statistics and Informatics shows the sectors that had a positive impact on GDP in January and February were : Fisheries (+ 38.13%), Telecommunications and other information services (+ 9.25%), and Mining and Hydrocarbons (+ 7.92%), while Construction (-6.11%) and Financial and Insurance (- 0.28%) dragged it down a bit.

The CPI increase for January was 0.24%, while February's increase was 0.32% and March experienced the highest monthly variation in 19 years at 1.30%. This month's increased rate was due to the change in food and non-alcoholic beverages (2.85%) and education (3.74%), both of which experienced a monthly variation higher than the average. It is possible that inflation may drop once the flood season caused by El Niño phenomenon, and the risks associated with it, has passed – probably in May, according to the latest guidance provided by Peru's meteorological agency.

The exchange rate was 3.24 nuevos soles per US dollar for 2017Q1, according to the National Superintendence of Tax Administration. This figure has been steadily declining since the beginning of the year, when it started at an exchange rate of 3.34 nuevos soles per US dollar.

Market Overview

Lima's Class A office net absorption totaled 29 thousand sqm for 2017Q1, similar to the absorption total in 2016Q4, and slightly below the average for the last two years (33 Thousand sqm). Even though it is in line with recent historical trends, net absorption was not strong enough to sustain vacancy rates. In the first quarter of 2017, inventory increased in 45,000 sqm, bringing the total amount of Class A vacant space to 1,312,857 sqm.

In San Isidro 28,864 sqm were delivered with the completion of: the ICHMA Business building (13,860 sqm) in San Isidro Financiero; the JDA 700 building (10,468 sqm) and the Volterra Business Center (4,536 sqm) in San Isidro Empresarial. In San Borja, the Torre del Arte (16,530 sqm) office building that was developed by Urbanova, also came on line. As shown, new deliveries surpass net absorption figures, thus raising vacancy rates by 0.4 p.p. (QoQ) and 3 p.p. (YoY), reaching 22.2% for first quarter 2017.

Evolution of availability - Vacancy rate

Total available area in Lima accounts for 291,000 sqm. Vacancy rates saw the biggest change in San Isidro Financiero, with an 6 pp increase (26.07%) and in San Isidro Empresarial, which showed an increase of 5,6pp (12.0%). San Borja's vacancy rate stood at 50.2%, a jump of 41,36 pp over last quarter, due a much larger than unusual increase in leasable office space - there was an 87% inventory growth between quarters. This particular submarket is still in a growing stage, and it still has less inventory than the others.

Magdalena del Mar and Santiago de Surco saw significant vacancy drops this quarter. On the last quarter of 2016, the indicator figures were 43% and 29.5%, respectively and now stood at 34.1% and 19.5% (a decreased of 8.9% and 10%). In addition to the fact that these regions had no new deliveries last quarter, Lima Central Tower, a significant project in Santiago de Surco, presented a substantial absorption due to several deals closed in this quarter.

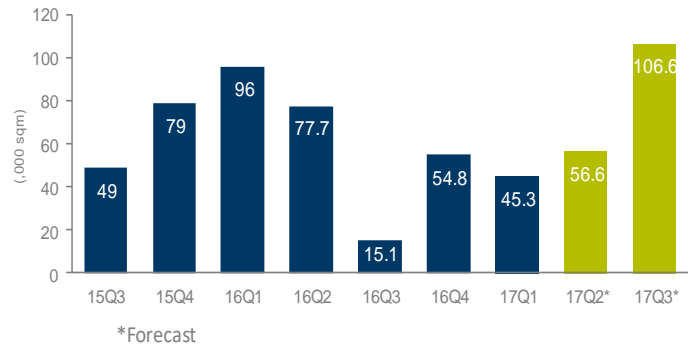
Average asking rent change

Average asking rent was \$17.5/sqm for 2017Q1, a growth of \$0.4 compared to the previous quarter (\$17.1/sqm). Despite the small increase, this should not be interpreted as a change in the overall rent trend, but rather as a pause in a market that is trending downwards. It is worth considering that, by the end of this year, there will be more 221,000 sqm of new completions added to Lima's Class A inventory, what could pressure asking rents even further. Currently, the asking rent range is between \$13.5 per sqm, as seen in Santiago de Surco, and \$24.5 per sqm as seen in San Isidro Empresarial, which remains as one of the most desired locations with moderate inventory growth.

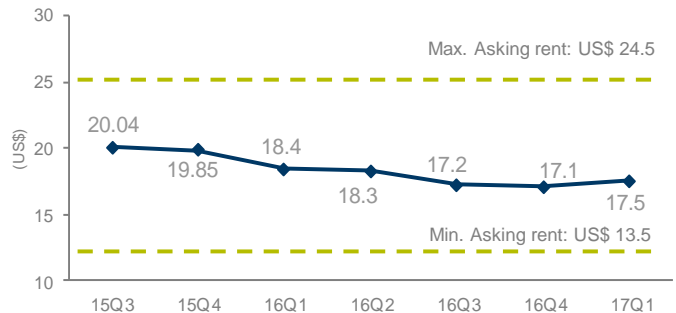
Class B Buildings Outlook

- Class B inventory totals 645,303 sqm, and is primarily distributed in Miraflores (25.2%), Santiago de Surco (19.7%), and San Isidro Financiero (19.1%). San Isidro Empresarial, and other districts such as San Miguel, Surquillo, Ate, Santa Anita, among others, have a lower percentage of the total stock.
- The 2017Q1 Class B asking rent was of \$16 per sqm. The asking rent range was between \$7.50 and \$25 per sqm. The maximum asking rent must be carefully considered, given that in some cases it may include basic implementation (ceiling, floor, among others)
- During this quarter, Class B inventory increased by 13,280 sqm. By 2017 year-end it is expected that more than 44,000 sqm of offices will be added to the market.

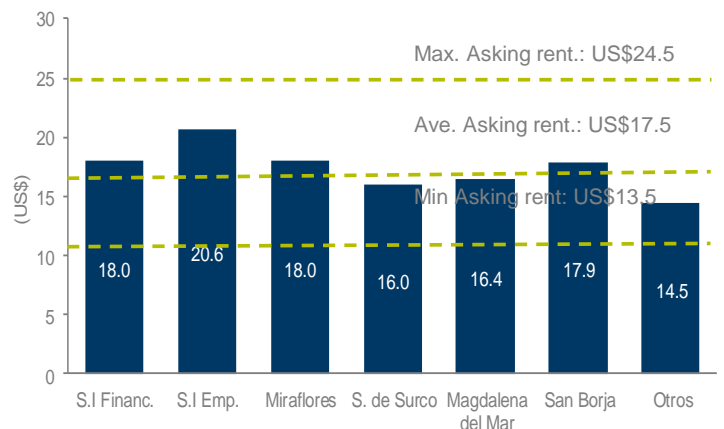
Class A - New Supply



Class A - Asking rent trend by period



Class A - Asking rent trend by submarket



MARKETBEAT

Lima

Office Q1 2017



SUBMARKET	INVENTORY (sqm)	AVAILABLE AREA (sqm)	VACANCY RATE	CURRENT NET ABSORPTION (sqm)	AVERAGE ASKING RENT (CLASS A)	AVERAGE ASKING RENT (CLASS B)	PIPELINE (UNTIL 2018) CLASS A - sqm	PIPELINE (UNTIL 2018) CLASS B - sqm
San Isidro Financiero	390,382	101,779	26.1%	-10,437	\$18.0	\$17.7	112,999	1,348
San Isidro Empresarial	214,229	25,714	12.0%	2,024	\$20.6	\$19.1	14,610	4,430
Miraflores	185,484	33,386	18.0%	-1,415	\$18.0	\$17.2	77,622	22,831
Santiago de Surco	266,364	52,023	19.5%	26,549	\$16.0	\$18.6	147,824	5,789
Magdalena del Mar	143,850	49,091	34.1%	12,866	\$16.4	\$14.0	20,725	24,905
San Borja	35,588	17,874	50.2%	352	\$17.9	\$18.2	-	-
Other districts	76,960	11,475	14.9%	-	\$14.7	\$13.1	-	20,674
LIMA TOTAL	1,312,857	291,343	22.2%	29,939	\$17.5	\$16.0	373, 780	79,977

Significant Completions Q1 2017

BUILDING	COMPLETION PERIOD	APROX. BLDG SQM FOR LEASE	DEVELOPER	SUBMARKET
JDA 700	Q1 2017	10,468	Nuovit / Liveo Corp.	San Isidro Empresarial
Volterra Business Center	Q1 2017	4,536	Inmobiliaria Volterra	San Isidro Empresarial
ICHMA Corporative building	Q1 2017	13,860	Inmobiliaria Cosas	San Isidro Financiero
Torre del Arte	Q1 2017	16,530	Urbanova	San Borja

Significant projects under construction

Panama Tower	Q2 2017	21,461	Park Office	San Isidro Financiero
Los Inkas Prime (Tower I y II)	Q2 2017	35,175	Docsa Corp.	Santiago de Surco
Torre del Parque	Q3 2017	9,547	Urbanova	San Isidro Financiero
Torres Reales Business Center (Real 2)	Q3 2017	11,950	Inversiones Centenario	San Isidro Empresarial
San Isidro 27	Q3 2017	6,580	ICGSA	San Isidro Financiero

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