

LIMA OFFICE

Economic Indicators	Q2 16	Q2 17	12 month forecast
GDP Variation(%)	3.7%	2.5%	▲
Inflation Variation(%)	0.25%	3.02%	▼
Unemployment rate (%)	6.4%	6.9%	■

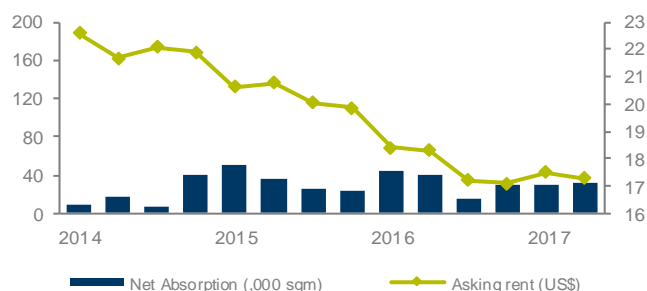
*Source: National Institute of Statistics and Informatics, Central Bank, Economy and Finance Ministry

Market Indicators (Class A)	Q2 16	Q2 17	12 month forecast
Vacancy rate	21.4%	23.1%	▲
Net Absorption (,000 sqm)	41.0	31.1	■
Under construc. (,000 sqm)	402.7	225.3	▼
Average asking rent (*)	\$18.3	\$17.3	■

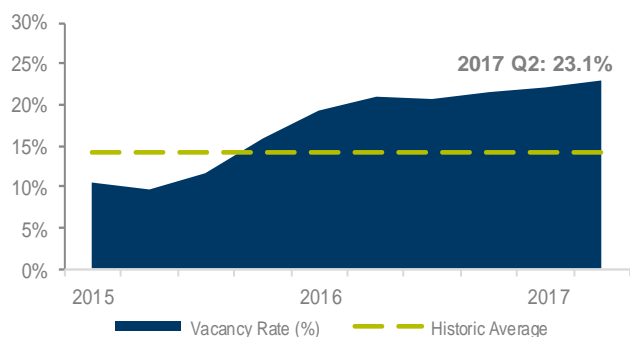
(*) The average represents net values by sqm / month

Net Absorption/Asking Rent (Class A)

Trend 2017 Q2



Overall Vacancy (Class A)



Economic Overview

Official economic indicators for second quarter 2017 have not yet been disclosed, however, expectations are more optimistic than they were for first quarter. At the end of May, when the last report by the National Institute of Statistics and Informatics was released, GDP growth was 3.39%, which was the 94th consecutive month of growth. This also takes into account all of the natural disasters and political events that occurred during the first half of the year. As such, the International Monetary Fund is projecting a GDP growth rate of approximately 2.8% for year's end - with the expectation that this trend will continue and that GDP will grow by 4.2% in 2018. According to the National Institute of Statistics and Informatics, the sectors that positively stimulated GDP between January and May were: Fisheries (+ 91.7%), Public Administration, Defense and Others (+ 4.13%), Manufacturing (+ 2.74%), and Mining and Hydrocarbons (+ 2.21%). Construction (- 5.58%) and Agriculture (-1.43%) were the biggest drag on GDP growth. Agricultural production was down due to smaller areas being harvested this year, lower yields, and the consequences of the El Niño Phenomenon, and were mostly isolated to the northern and central parts of the country.

The GDP forecast for the end of the first semester should be closer to 2.5%, however, the growth in the second half of the year will heavily lean on public investments in the country's reconstruction of the main affected areas by the El Niño Phenomenon and construction for the Pan American Games.

The annual variation for the inflation indicator was 1.16% at the national level and 1.02% for Metropolitan Lima. These figures are mainly explained by the reduction in prices that occurred in the Food and Beverages (-0.45%) sector, which fell for the third consecutive month, as well as in Transportation and Communications (-0.09%) sectors. According to the Central Reserve Bank, the inflation indicator is expected to continue its downward trend.

Finally, the exchange rate closed the first semester at 3.25 Nuevos Soles per US dollar, according to the National Superintendence of Tax Administration. This figure has remained below the 3.30 Nuevos Soles per US dollar range, and it is expected to remain there through year-end.

Market Overview

Lima's Class A office market recorded a vacancy rate increase of 1pp between quarters, reaching 23.1%, and its inventory is still growing. The available area primarily increased due to the completion of 56,636 sqm of new office projects, which now brings the total inventory to 1,369,493 sqm for mid-year 2017.

Of the 56,000 sqm of Class A buildings that were delivered this quarter, 21,000 sqm were completed in San Isidro Financiero (Panama Tower) and 35,000 sqm in Santiago de Surco with the two office Tower project, Los Inkas Prime.

The inventory growth forecast for the end of the year is 6.7% when compared to the final indicators for the first half of the year. This percentage may change again if the delivery dates for some projects are delayed, and total new inventory could reach 92,000 sqm by year-end.

Evolution of availability - Vacancy rate

Compared to the same quarter last year, availability increased by 2.1%, and now totals 316,775 sqm of available area. This space is mainly concentrated in the San Isidro Financiero (113,000 sqm) and Santiago de Surco (83,000 sqm) districts.

The submarkets that most heavily impacted the vacancy rates, in a quarter-over-quarter comparison, are: Santiago de Surco, with an increase of 8.3% and a current vacancy rate of 27.8%, San Isidro Financiero, with an increase of 1.5% (12.0%) and San Borja, with a decrease of 34% (16.2%). Miraflores and Magdalena del Mar had no significant vacancy rates changes. These changes in vacancy rates were the result of the delivery of new high-end spaces in the aforementioned areas, and a net absorption of 31,148 sqm for the Class A office market, mainly in San Borja (12,099 sqm), San Isidro Financiero (9,631 sqm), and Santiago de Surco (3,290 sqm) sub-markets.

On a year-over-year basis, the vacancy rate most affected by recent additions to the inventory is San Isidro Financiero sub-market, considering new inventory for last year was of 58,725 sqm for the Class A office market, absorption levels have not maintained pace with the inventory's growth.

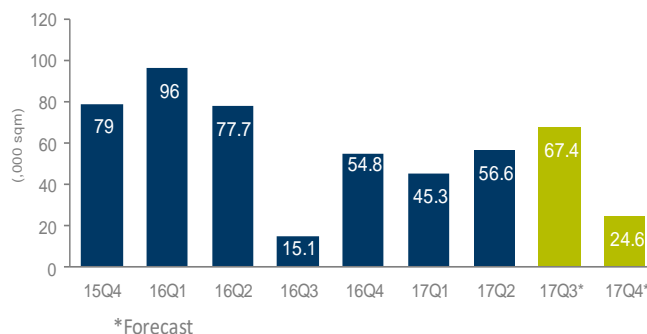
Average asking rent change

Second quarter's Class A average asking rent change has been minimal, registering a decrease of \$0.2 compared first quarter, and now stands at \$17.3 per sqm. This should not be taken as a significant change, however, and is rather a sign of stability. Currently, the asking rent range is between \$13.5 per sqm and \$23.0 per sqm, and most of the submarkets have had stable asking rents in the last quarter, with variations between -0.3 and +0.2. It is worth noting that these prices are flexible due to it being a tenant favorable market.

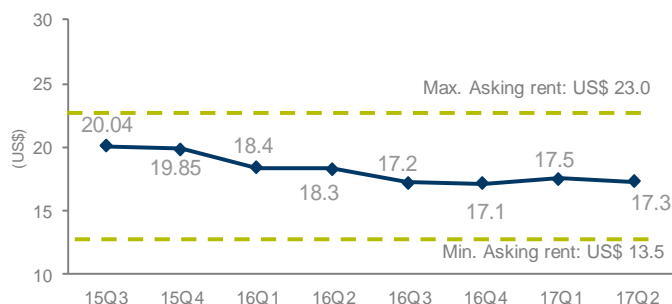
Class B Buildings Outlook

- In the second quarter of the year, the total inventory for the Class B office market increased by 12,283 sqm, totaling 657,586 sqm of office space. This inventory is located among the main business districts of Lima, mainly in: Miraflores (24.7%), Santiago de Surco (19.4%), and San Isidro Financiero (18.7%). San Isidro Empresarial, and other districts such as San Miguel, Surquillo, Ate Vitarte, Santa Anita, among others, share a much lower percentage of this total.
- The average asking rent for Class B buildings in the second quarter of 2017 decreased to US\$15.80 per square meter (\$ 0.2 less than the first quarter). The price range is between US\$7.50 and US\$22 per sqm. It is worth noting that in some cases, due to the size of the offices, leases are offered with basic implementation, which is the reason why the price is higher.
- By the end of this year, Class B office inventory will increase by 32,650 sqm, mainly in Miraflores and Santiago de Surco districts.

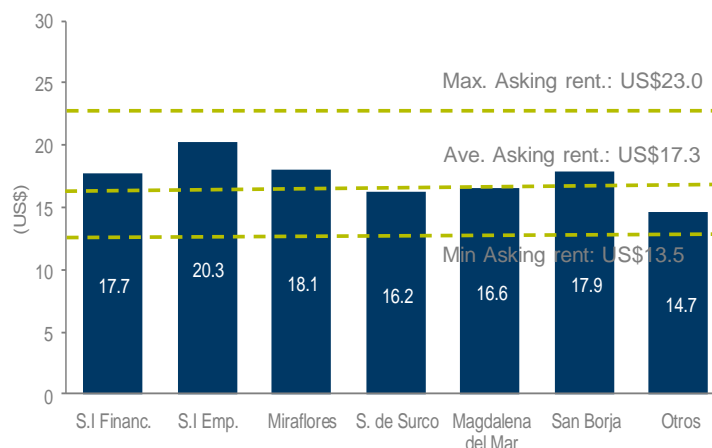
Class A - New Supply



Class A - Asking rent trend by period



Class A - Asking rent trend by submarket



MARKETBEAT

Lima

Office Q2 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	411,843	113,309	27.5%	9,631	\$17.7	\$16.9	59,085	1,348
San Isidro Empresarial	214,229	26,929	12.5%	-1,216	\$20.3	\$18.6	9,887	4,430
Miraflores	185,484	30,470	16.4%	2,934	\$18.1	\$16.4	62,920	22,831
Santiago de Surco	301,539	83,912	27.8%	3,290	\$16.2	\$18.6	82,715	8,289
Magdalena del Mar	143,850	44,700	31.1%	4,409	\$16.6	\$14.0	10,725	16,831
San Borja	35,588	5,775	16.2%	12,099	\$17.9	\$17.6	-	-
Other districts	76,960	11,475	14.9%	-	\$14.7	\$13.1	-	16,465
LIMA TOTAL	1,369,493	316,871	23.1%	31,148	\$17.3	\$15.8	225,332	70,194

Significant Completions Q2 2017

BUILDING	COMPLETION PERIOD	APROX. BLDG SQM FOR LEASE	DEVELOPER	SUBMARKET
Panama Tower	T2 2017	21,461	Park Office	San Isidro Financiero
Los Inkas Prime (Torre I y II)	T2 2017	35,175	Docsa Corp.	Santiago de Surco

Significant projects under construction

Torre del Parque	T3 2017	9,547	Urbanova	San Isidro Financiero
Caminos del Inca 240 Business Center	T3 2017	5,376	Grupo Chacarilla Sur	San Isidro Empresarial
San Isidro 27	T3 2017	6,580	ICGSA	San Isidro Financiero
C.E. Torres Reales (Real 2)	T4 2017	7,227	Inversiones Centenario	San Isidro Empresarial
Blu building II	T4 2017	6,720	Procity	Miraflores

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