

OFFICE LIMA

Economic Indicators (\*)

	Q2 18	Q2 19	12 month forecast
Unemployment rate	6.2%	6.3%	▲
GDP Variation (May 2019)	6.4%	2.6%	▲
Inflation Variation	1,4%	2.3%	▬

(\*)Sources: Statistics and Informatics National Institute, Central Bank, Economy and Finance Ministry.

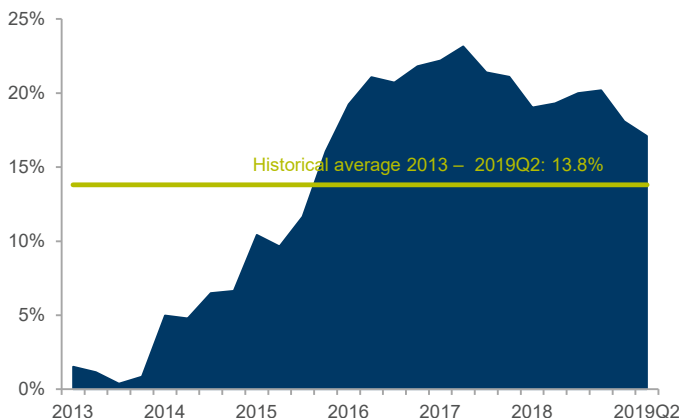
Market Indicators (Class A)

	Q2 18	Q2 19	12 month forecast
Vacancy rate	19.3%	17.5%	▼
Net Absorption (,000 sqm)	16.8	16.5	▬
Under construction (,000 sqm)	139.4	74.8	▼
Average asking rent (USD/month/sqm)	16.9	16.7	▲

Net Absorption (sqm) / Asking Rent (USD/sqm/month) (Class A)



Vacancy Rate (%) (Class A)



Economic Overview

During the second quarter of 2019, a more moderate GDP growth and a conservative look its expected into the end of the year.

April and May have been months where GDP growth achieved less than 1%, still reflecting continuous and positive trend, but in a much more conservative framework with a slight slowdown. The variations in GDP in this quarter are mainly explained by the fishing sector (-26.7%), manufacturing (-6.7%) and mining and hydrocarbons (-1.5%) added to a favorable behavior of household consumption reflected in retail trade increase of 2.50% and consumer loans in 10.62%.

Despite these variations, during the second quarter of the year, GDP growth projections maintain a positive improvement, therefore the Central Bank of Peru projects the continuity of this trend under the expectation that by the end of 2019 it will reach 3.4%. This trend becomes even more positive for 2020, with 4%. These projections could still change during the second semester of the year, due to the possible variations in the political direction of the country that could influence on this indicator.

Regarding inflation rate, the accumulated annual variation was 2.3% in Lima, within the target range, according to the National Institute of Statistics and Informatics. Since March 2017, inflation expectations remain within the target range and, by the end of 2019 and 2020, the expectation will be near 2%.

The Peruvian real estate market manages the office rental and sale prices and other properties in US dollars, therefore, changes in these indicators are influenced by changes in the exchange rate of this currency; this, in addition to the interaction of supply and demand, which could be the cause of future adjustments in them. The second quarter of the year closed with an exchange rate of S / .329 / USD, similar to the same month last year.

For the second semester of the year, the world economy is expected to maintain the expectations of stable growth which will benefit the entire economic development, supported by the positive growth of exports.

Market Overview

During the second quarter of the year, the Class A office market reflected a downward adjustment of the vacancy indicator, with an average rental price comparatively lower than the previous quarter, not showing a significant difference, mainly considering that the future inventory reduction will mean a progressive change in the main indicators of availability and price. There is not new inventory during this quarter, however more than 9,000 sqm are expected for the third quarter of the year.

The vacancy rate continues with its downward trend and closed at 17.1%, 1 p.p. lower than the one registered during the first quarter of the year. The available area decreased by 5.6% compared to last quarter due to coworking companies who has occupied significant office area surface, wether entire buildings or taking most of the available space in them.

During the second quarter of 2019, the net absorption was 16,025 sqm, even so, this represents 64% less area absorbed compared to the previous quarter, but similar to the 12,000 sqm absorbed in the same period last year. It should be considered that, for the purposes of this calculation, the spaces leased or absorbed by coworking companies, are already considered as occupied and / or rented, taking into account also that the measurement of occupation of this type of companies is by position and not by sqm. By submarkets, the net absorption this quarter was mostly concentrated in the San Isidro Financiero (13,387 sqm).

Following the same downward trend, the available surface area was distributed in a similar manner to the last quarter, focusing a34.5% of the total in San Isidro Financiero, followed by Santiago de Surco with 31.0%. All submarkets reflected a decrease in their vacancy levels, however, those which indicated a more significant reduction were San Isidro Financiero, with a decrease of 2.5% and Magdalena del Mar with 1.3% less compared to the previous quarter.

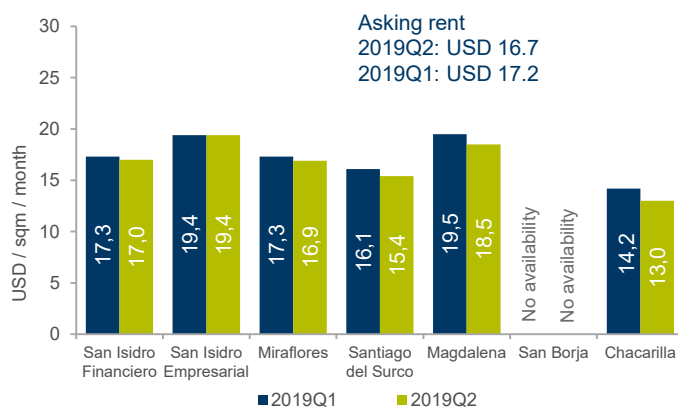
**CURRENTLY, ALMOST 84,000 SQM OF OFFICES ARE UNDER CONSTRUCTION, TO BE DELIVERED UNTIL THE END OF 2020.**

Because the requested rental prices are still in an adjustment period, during the second quarter the average was around USD 16.7 per sqm / month. This change shows a decrease of only 3% compared to the requested price of the previous quarter and the desire of the owners to continue encouraging the market to reach a healthy vacancy rate in the short term.

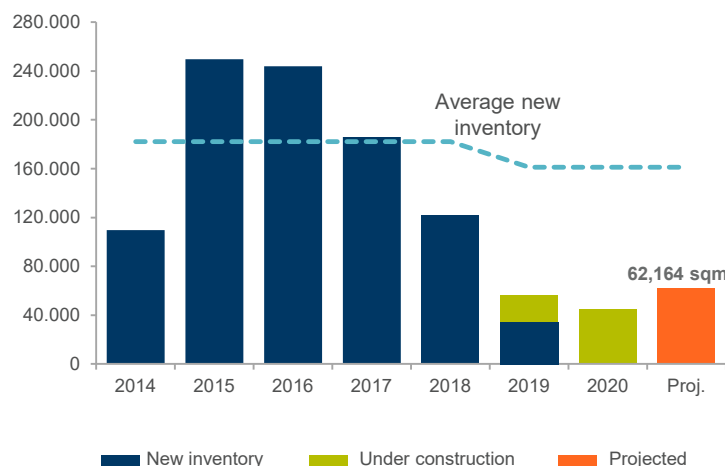
Looking for a more balanced market, 56,320 sqm of new office space is expected to be delivered by the end of 2019, 53.8% lower than the new inventory delivered in 2018. Even though there were no new deliveries registered, next quarter Paseo del Bosque Business Center will be completed and 9,049 sqm will be added to the total inventory of class A offices in the Chacarilla submarket.

83,937 sqm are currently under construction. 47.7% of that total área is located in Santiago de Surco and the remaining area is divided between San Isidro Financiero, San Isidro Empresarial and Chacarilla. Between the second semester of 2019 and 2021, the office market will receive 146,101 sqm of new office area, a data that represents a growth of 9.3% over the current total inventory of class A offices.

Asking Rent by submarket (USD/sqm/month)



New inventory (sqm) / Projected Surface (sqm)  
THE PROPOSED AND UNDER CONSTRUCTION SURFACE DECREASES THE HISTORICAL AVERAGE OF A NEW ÁREA BY 11.5%



SUBMARKET	INVENTORY CLASS A	SURFACE AVAILABLE (SQM)	VACANCY RATE	AVERAGE ASKING RENT (USD/SQM/MONTH)	UNDER CONSTRUCTION (SQM) (*)	PROJECTED (SQM) (**)
San Isidro Financiero	531,867	92,400	17.4%	17.0	20,947	24,000
San Isidro Empresarial	225,947	22,165	9.8%	19.4	13,789	21,000
Miraflores	222,415	24,268	10.9%	16.9	-	17,164
Santiago de Surco	342,305	83,503	24.4%	15.4	40,022	-
Magdalena del Mar	171,564	32,580	18.9%	18.5	-	-
San Borja	35,588	0	0	-	-	-
Chacarilla	15,576	2,362	15.1%	13.0	9,049	-
<b>LIMA TOTAL CLASS A</b>	<b>1,576,432</b>	<b>269,331</b>	<b>17.1%</b>	<b>16.7</b>	<b>83,937</b>	<b>62,164</b>

(\*) Square meters under construction between 2019Q3 to 2020Q4

(\*\*) Square meters proposed between 2021Q1 forward

Note: Some of the buildings were reclassified, therefore there is a change in Class A inventory. However, the data remains comparable.

