PERU

Cushman & Wakefield
Global Cities Retail Guide

CUSHMAN & WAKEFIELD

Peru lies in South America, bordered in the north by Ecuador and Colombia, in the east by Brazil, in the southeast by Bolivia, in the south by Chile and in the west by the Pacific Ocean. It is the fourth most populous country in South America.

The economy of Peru is classified as upper middle income by the World Bank and is the 39th largest in the world. Peru is, as of 2011, one of the world's fastest-growing economies owing to the economic boom experienced during the 2000s. Peru now has been one of Latin America's fastest-growing economies over the past decade. Like Chile and Mexico, it has a free-trade agreement with the United States that protects foreign investors. Tourism is also becoming increasingly important to Peru's economy.

Peru has experienced spectacular growth in modern retail channel in the past 10 years. The latest (2017) A.T. Kearney Global Retail Development Index (GRDI) by ranks Peru's food retail sector as the 8th fastest growing country among developing countries (and 9th globally). Several international retailers are still looking to break into or expand in the country.

Cities such as Lima, Arequipa, Trujillo, and Chiclayo have the highest population and are the main drivers of economic activity and retail development, however, as the best deals run out in the larger cities, investors are increasingly looking for opportunities in smaller, interior cities (provinces) which promotes the development and growth of these areas and the improvement of living conditions.

The emerging middle class and strong consumer confidence are fuelling growth in the retail sector. Generally positive trends in underlying economic growth, an expanding population and a steady increase in real wages are key factors behind the forecast growth in Peru's household spending on the retail sector. A growing number of working women, easier access to consumer credit, and exposure to foreign product information through the media are also likely to help the value of the retail sector

The growth in private consumption has reflected the growing degree to which Peru's lower and middle classes are able to participate in the consumer economy, with changes in consumption patterns no longer limited to the well off. The entry of brands with high quality standards has driven competition in the sector and therefore the improvement of products.

Increasing GDP per capita and an ever-expanding middle class suggest that the economic gap and purchasing power disparities among the national population are shrinking. The Peruvian population is projected to grow at an annual average rate of 1.0% over the 2014-2017 period, while gross income per household is expected to grow at a notable average of 28.6% in the same period. The population is highly urbanized, even though there are still some areas that of lower economical levels that are not part of this growth.

PERU
OVERVIEW

PERU

ECONOMIC OVERVIEW

ECONOMIC SUMMARY					
ECONOMIC INDICATORS*	**2018**	**2019F**	**2020F**	**2021F**	**2022F**
GDP growth	4.0	4.0	3.8	3.9	3.9
Consumer spending	3.8	4.2	3.7	4.0	4.0
Industrial production	3.6	3.4	3.6	3.5	3.4
Investment	5.3	1.7	1.2	2.4	3.7
Unemployment rate (%)	6.7	6.2	6.1	6.1	6.1
Inflation	1.3	2.2	2.3	2.5	2.5
US$/ € (average)	3.9	3.8	3.9	4.1	4.1
Interest rates 3-month (%)	3.3	3.3	3.3	3.3	3.3
Interest rates 10-year (%)	2.8	3.0	3.8	4.0	4.0

ECONOMIC BREAKDOWN	
Population	32.5 million (2018F)
GDP (nominal)	US$ 225.15 million (2018F)
Public Sector Balance	-2.0% of GDP (2018F)
Public Sector Debt	26.0% of GDP (2018F)
Current Account Balance	-1.5% of GDP (2018F)
Parliament	130 congressmen
Head of State (1)	Martin Alberto Vizcarra Cornejo
Prime Minister (2)	Salvador Del Solar Labarthe
Election Date	(1) 23/03/2018 (2) 11/03/2019

SOURCE: Oxford Economics Ltd.

CITY	POPULATION (*)
Lima	9,485,405
La Libertad	1,928,197
Piura	1,856,809
Cuzco	1,205,527
Arequipa	1,382,730

(*) According to the last population census on 2017

PERU
LARGEST CITIES

PERU
RETAIL SCENE

Enthusiasm for a more modern retail experience has come about in part from the emergence of Peru's fast-growing middle class and sizeable younger population. The country has a middle aged population of around 26, which, combined with falling unemployment and rising incomes has created more demand for retail.

Much of Peru's retail market is dominated by Chilean-owned companies such as Falabella, Ripley, Paris and Sodimac. Peru's international retailer presence also continues to grow. A number of international brands are present in Peru's shopping centres and include: Adolfo Dominguez, Armani Exchange, Benetton, Bvlgari, Carolina Herrera, Cartier, Calvin Klein, Cat, Emporio Armani, Esprit, Ermenegildo Zegna, Floorsheim, Guess, Givenchy, Hugo Boss, Hush Puppies, Levi's, Kenneth Cole, Juicy Couture, Nike, Payless Shoesource, Salvatore Ferragamo, Versace, Victoria's Secret (coming soon) and others. QSR brands include KFC, McDonalds, Pizza Hut, Domino's, Dunkin Donuts, Krispy Kreme, Starbucks, and casual dining such as Chili's, TGI Friday's, Tony Roma's, Taco Bell, etc. First movers are securing the best locations in the highest-profile cities and offering complementary services, such as in-store-credit.

There are currently almost 90 shopping malls comprising over 3 million sqm retail space, with a couple to be delivered in the next years, according to the Shopping Center Association.

The Food & Beverage sector has been positively affected by the continued growth of the economy. Consumers are enjoying higher disposable incomes and are eager to spend more money on luxury goods.

Social factors that have affected the food service market include tourism growth, urban expansion, and an increasing percentage of the young population that demands fast food or food prepared outside the home.

Furthermore, a better economic outlook and the construction of new shopping centre projects in other cities of the country besides the capital, has given Peruvians other areas to get to know and a wide variety of national and international brands to choose from.

PERU

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Plaza Vea, Vivanda, Wong (*), Metro Hypermarket (*), Mass, Economax: (* These are local brands, but the major investors are Chilean).

MAJOR INTERNATIONAL FOOD RETAILERS

Tottus Hypermarket, Makro

MAJOR DOMESTIC NON-FOOD RETAILERS

Comercial Li, Perfumerias Unidas, Tai loy

INTERNATIONAL RETAILERS IN PERU (Selection)

Zara, Mango, H&M, Oecshle, Saga Falabella, Ripley, Paris Stores, Casa & Ideas, among others

FOOD AND BEVERAGE OPERATORS

Kentucky Fried Chicken (KFC), Pink Berry, Burger King, Pizza Hut, Chilis, Starbucks, Bravo Restobar, Cinnabon, Las Canastas, Makoto Sushi Bar, Mis Costillitas, Osaka, Pardos Chicken, Q' Churros, Rustica Restaurant, Telepizza, Dunkin Donuts, Juan Valdez Peru, Krispy Kreme

TYPICAL HOURS OPENING HOURS

MONDAY - FRIDAY	SATURDAY	SUNDAY
09:00 – 20:00 Shops outside malls	09:00 – 20:00 Shops outside malls	09:00 – 13:00 Shops outside malls
10:00 - 22:00 shopping centres	10:00 - 22:00 shopping centres	10:00 - 22:00 shopping centres

NEW ENTRANTS TO MARKET

Victoria´s Secret, Jennifer Lopez, Aston Martin

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SHOPPING CENTRES

TOP SHOPPING CENTRES BY SIZE			
NAME	**CITY**	**SIZE (GLA SQM)**	**YEAR OPENED**
Plaza Norte	Lima / Independencia	220,000	2009
Jockey Plaza	Lima/ Santiago de Surco	165,250	1997
Mega Plaza Lima Norte	Lima / Independencia	138,000	2002
Plaza San Miguel	Lima / San Miguel	135,000	1976
Minka	Callao	133,000	1999
Real Plaza Puruchuco	Lima / Ate Vitarte	120,000	2019
Real Plaza Salaverry	Lima / Jesus María	88,000	2014
Mall Plaza Bellavista	Callao / Bellavista	79,101	2008
Mall Plaza Trujillo	La Libertad / Trujillo	71,369	2007
Mall Plaza Arequipa	Arequipa / Paucarpata	68,400	2010

(*) Source: Official web pages of shopping centres and other brochure information

PERU

KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	**COMMENT**
Lease Terms	The minimum lease period is between 3 and 5 years, on average.
Rental Payment	Rents are quoted in US dollars per square meter per month. It is paid on a monthly basis, usually in advance.
Rent Review	Rental rates are adjusted annually on 3% or the US CPI.
Service Charges, Repairs and Insurance	A service charge is usually payable in multi-tenanted buildings and covers management fees, security, cleaning, landscaping, internal maintenance of common parts, external maintenance and insurance, servicing of elevators, water, heating, air conditioning, management fees and property taxes. It excludes internal maintenance and insurance of rented accommodation, utility charges and taxes. The landlord is responsible for external /structural matters in shopping centers, while the tenant is responsible for internal matters. The landlord usually insures the main structure and external fabric but will charge this back to the tenant. Insurance for common parts is also paid by the landlord and charged back. The tenant usually pays for internal insurance directly.
Property Taxes and other costs	The local government authority charge the 'rates', the local property tax, which is payable on commercial property is usually 9% of the total amount of the sale. In terms of the lease activity, the tax charged is usually 18% of the monthly payment and if the landlord is not represented by a company instead by a one owner, the tax to be paid is 5% of the total monthly payment.
Disposal of a Lease	When a lease contract is completed, the landlord can confer upon the tenant the right to assign or sublease. However, this is usually subject to the landlord's consent.
Valuation Methods	Usually lease prices are set according to the market offer and possible benchmark of a group pf properties with the same characteristics as the one evaluated. On this characteristics list it should be considered mainly the area, the location, the facilities, and closeness to main services, among others.

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WHAT'S NEXT

REDEFINING THE LANGUAGE OF RETAIL & LEISURE