MARKETBEAT

Lima

Office Q4 2018

CUSHMAN & WAKEFIELD

OFFICE LIMA

Economic Indicators (*)

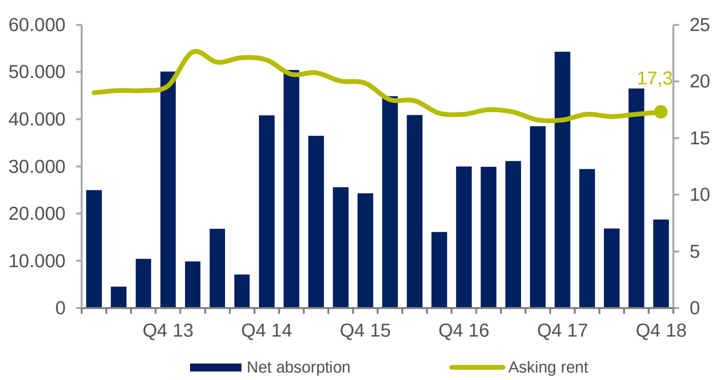
	Q4 17	Q4 18	12 month forecast
Unemployment rate	**6.6%**	**6.2%**	▲
GDP Variation (Nov 2018)	**2.0%**	**5.2%**	▲
Inflation Variation	**-0.5%**	**2.19%**	=

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

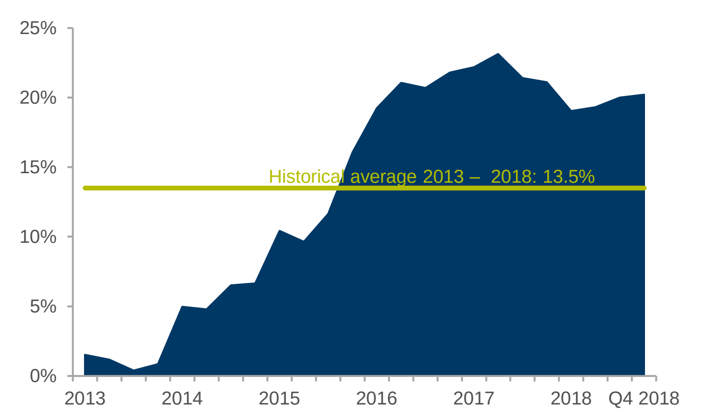
Market Indicators (Class A)

	Q4 17	Q4 18	12 month forecast
Vacancy rate	**21.1%**	**20.2%**	▼
Net Absorption (,000 sqm)	**54.3**	**18.7**	=
Under construction (,000 sqm)	**180.6**	**84.9**	▼
Average asking rent (USD/month/sqm)	**$16.6**	**$17.3**	▲

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



Vacancy Rate (%) (Class A)



Economic Overview

During 2018 there was an improvement in the main indicators, a recovery in private investment and public spending after several years of decline. Between January and November, according to the National Institute of Statistics and Informatics, the GDP registered an accumulated growth of 3.8%. In November, the growth reached was 5.2%, reflecting an improvement in most of the productive sectors. On this matter, the growth in the construction sector and the increase of mortgage loans for families stands out.

For the last quarter of 2018 projections in GDP increase remain the same. The International Monetary Fund estimates the continuity of a positive trend for GDP under the expectation that by the end of 2018 it reaches a figure close to 4%.

Regarding inflation, the Central Bank of Peru maintains the actions aimed at reducing it. The cumulated annual variation of the 2018 inflationary indicator was 2.2%. By 2019 it is projected that inflation will be around 2% in line with the inflation target which includes a range between 1% and 3%.

The Peruvian real estate market manages its rental and sale prices in US currency (USD), which it is directly influenced by changes in this indicator, in addition to the interaction of supply and demand, which could be the cause of future adjustments in this matter. During the months of November and December the exchange rate started and increasing trend, closing the year in S / 3.37 / USD.

Looking ahead to the coming months, it is expected that the generalized improvement of world activity will benefit economic growth, supported by the growth of value in exports. An increase in private investment and public spending is also expected, together with the greater dynamism in domestic demand, driven by the recovery of employment and income.

Market Overview

In the fourth quarter of the year, the Class A office market continued to reflect the impact of high market entry during the last five years. Up to 2018 class A office inventory doubled compared to 2014, despite this, availability levels began to decline in 2017 and remained without significant changes during 2018.

The vacancy rate closed the year at 20.2%. The available area increased only 2.4% compared to the previous quarter, since several of the buildings completed during this year continued to maintain high availability.

In search of a more balanced market, the production of new surface fell for the third consecutive year, reaching 122,000 sqm. At the end of the year, Plus Olguin building delivery contributed with 26,193 sqm to Santiago del Surco submarket.

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The accumulated annual net absorption of 2018 reached 111,495 m2, a figure that represented a decrease of 27.7% compared to the previous year.

The net absorption for the quarter was calculated at 18,722 m2 and was mainly focused in the submarkets of Santiago de Surco (10,856 m2), San Isidro Financiero (8,616 m2), and Magdalena del Mar (5,644 m2).

At the end of 2018, it is worth noting again that the largest area available is still located in San Isidro Financiero, which concentrates 34.2% of the total, followed by Santiago de Surco with 27.7%.

The submarkets that reflected a significant change in the vacancy rate were Santiago de Surco with variations of +2.7 percentage points, the only submarket that received new Class A inventory during the last quarter of the year; and Magdalena del Mar with a reduction of 3.3 percentage points.

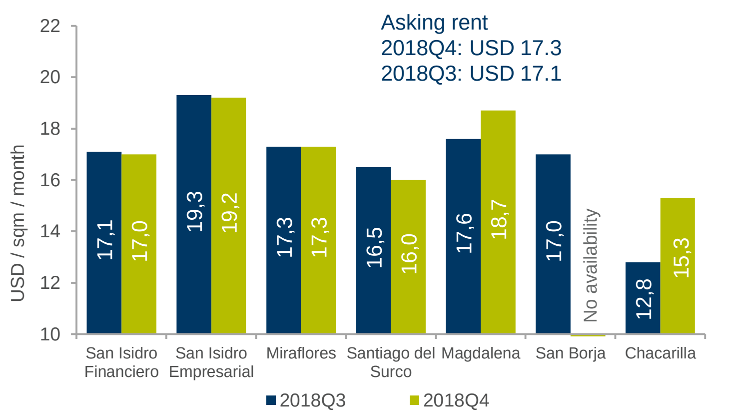
DURING 2018 THE PRODUCTION OF NEW CLASS A AREA REACHED 122 MILLION SQ. M., INCREASING THE INVENTORY BY 8.4%

Regarding the asking rental price indicated, there was a slight increase of 17.1 to USD 17.3 per sqm, although this is not a significant change in the market average, the average rental price in Magdalena del Mar adjusted to the 6.2% increase compared to the previous quarter.

Currently, 71,363 sqm are under construction., 75.7% of this total area is located in Santiago de Surco and the rest in San Isidro Empresarial.

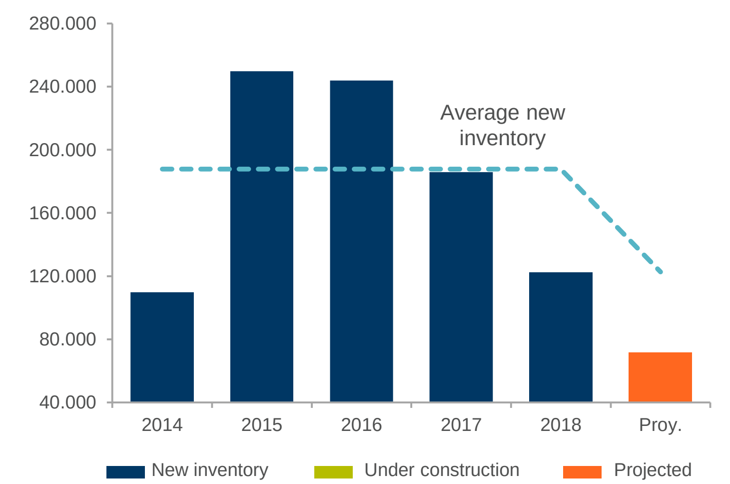
The completion of 105,859 sqm of office area is expected between 2019 and 2020, figure that represents a growth of 6.7% over the current total inventory of class A offices at the end of 2018.

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 30.4%



SUBMARKET	INVENTORY CLASS A	SURFACE AVAILABLE (SQM)	VACANCY RATE	AVERAGE ASKING RENT (USD/SQM/MONTH)	UNDER CONSTRUCTION (SQM) (*)	PROJECTED (SQM) (**)
San Isidro Financiero	516,331	109,123	21.1%	17.0	-	-
San isidro Empresarial	224,145	22,909	10.2%	19.2	17,337	13,549
Miraflores	226,380	38,736	17.1%	17.3	-	-
Santiago de Surco	349,221	88,487	25.3%	16.0	50,285	-
Magdalena del Mar	171,564	46,853	27.3%	18.7	-	29,934
San Borja	35,588	0	0%	-	-	-
Chacarilla	15,576	2,863	18.4%	15.3	-	-
LIMA TOTAL CLASS A	**1,581,232**	**319,241**	**20.2%**	**17.1**	**71,363**	**34,496**

(*)Square meters under construction between 2019Q1 to 2019Q4
(**) Square meters proposed between 2020Q1 to 2020Q4

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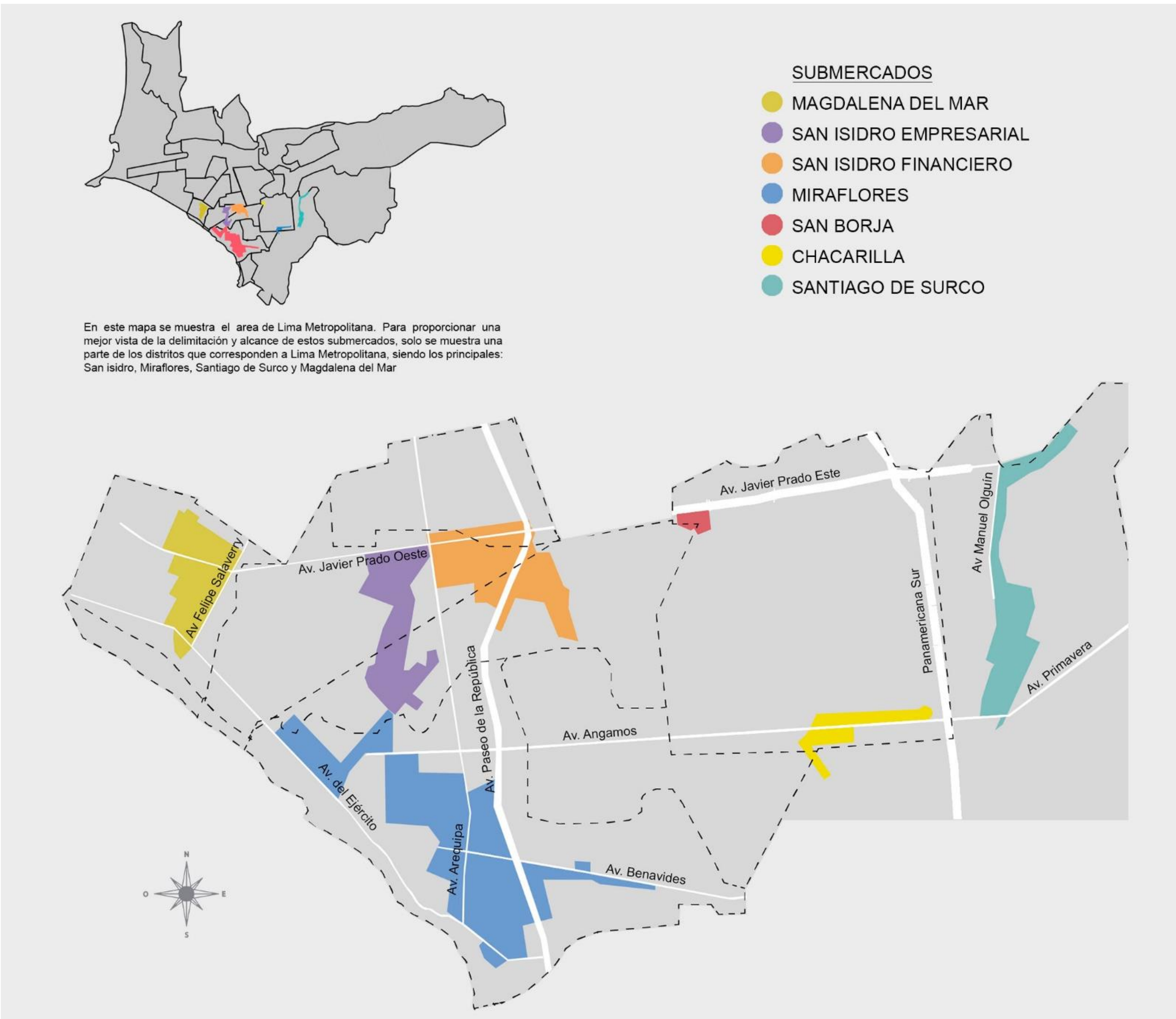
OFFICE MARKET MAP WITH SUBMARKET DIVISION

LIMA / PERU



About Cushman & Wakefield

Cushman & Wakefield was founded in New York in 1917. Argentina's office opened in 2000. It offers a wide range of real estate Premium services for both corporations (companies) and investors.

Cushman & Wakefield is among the largest commercial real estate services firms in the world with revenues of $6 billion across core services of agency leasing, asset services, capital markets, facility services, global occupier services, investment & asset management, project & development services, tenant representation, and valuation & advisory.

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