OFFICE LIMA

Economic Indicators

	Q3 18	Q3 19	12 month forecast
Unemployment rate	6,1%	5.8%	=
GDP Variation (Aug 2019)	2.3%	2.1%	▲
Inflation Variation	1,3%	1.9%	=

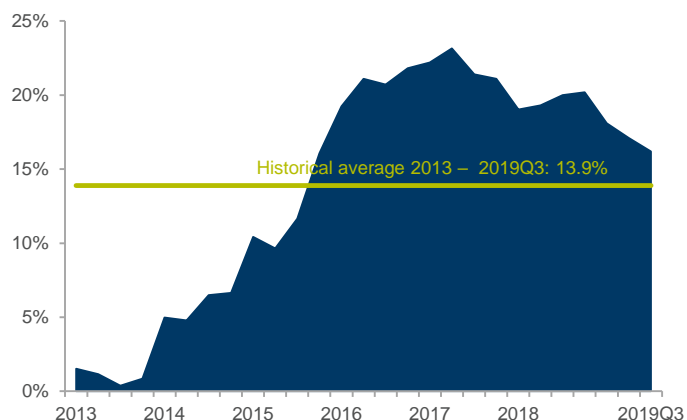Sources: Statistics and Informatics National Institute, Central Bank, Economy and Finance Ministry.

Market Indicators (Class A)

	Q3 18	Q3 19	12 month forecast
Vacancy rate	20.0%	16.2%	▼
Net Absorption (,000 sqm)	46.4	23.8	=
Under construction (,000 sqm)	67.6	80.6	▼
Average asking rent (USD/month/sqm)	17.1	16.6	▲

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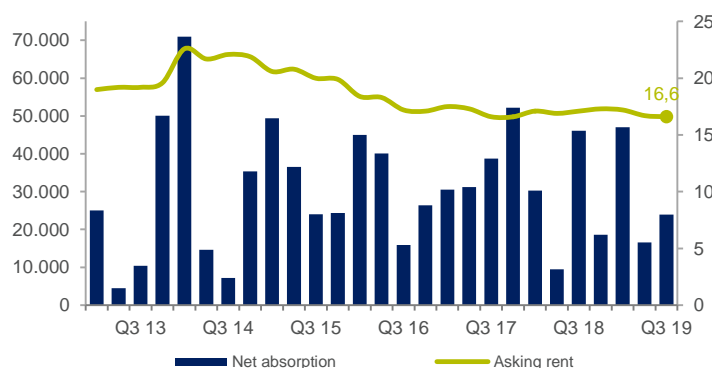
Vacancy Rate (%) (Class A)

Economic Overview

In this quarter, GDP, main indicator of the country's economic dynamism, showed a positive and sustained growth with a conservative expectation for the end of the year; this expectation remains despite recent political changes and future parliamentary elections. According to the National Institute of Statistics and Informatics, July and August have been months of continuous GDP growth, reaching a maximum of 3.39%, considering that, when finishing this report there are no final figures for the month of September. This positive scenario is mainly explained by the growth of the lodging and restaurants sector (+ 6.1%), construction (+ 4.53%), mining and hydrocarbons (+ 4.15%) and telecommunications (+ 4.73%), together with a favorable consumption of households reflected in the increase in retail trade in 3.04%, in consumer loans in 12.23% and in the importation of non-durable consumer goods in 4.81%.

Furthermore, GDP growth projections remain positive with more conservative expectations than a few months ago; the Central Reserve Bank of Peru foresees the continuity of this trend and expects that, at the end of 2019, it will reach a 3.4% growth. This trend becomes even more positive for 2020, with a 4% growth expectation. Considering the latest events and possible variations in the political scenario that could influence the level of confidence in economic growth, the projections explained above could be modified towards the end of the year with an even more conservative perspective.

Regarding inflation indicator, according to the National Institute of Statistics and Informatics, the accumulated annual variation of the inflationary indicator was 1.46% in Lima, within the target range. Since March 2017, inflation expectations remain and it is estimated that, by the end of 2019 and 2020, this indicator would be around 2%.

Since in the office and other real estate market in Lima, most rental and sales prices are established in US dollars, significant changes or speculations in the behavior of the exchange rate can influence positively or negatively depending on of the trend. The third quarter of the year closed with an exchange rate of S / .3.39 / USD, increasing 3% compared to the end of the second quarter.

The growth expectation of the world's economy has been adjusted downwards and remains even more conservative than a few months ago. It should be noted that the Peruvian economy is the one that maintains the best growth expectation for the next two years in Latin America.

Market Overview

In the third quarter of the year, the vacancy rate in the Class A office market continues to adjust with a downward trend according to a market cycle; however, the average asking rent remained stable compared to the previous quarter. At this moment, it is expected that the reduction of future inventory will impact even more on availability and, therefore, on the asking rent, where large areas (greater than 1,000 sqm) will be scarcer than at present. In this quarter, Paseo del Bosque Building with 9.049 sqm of rentable area was the only building completed.

Moreover, the vacancy indicator closed at 16.2%, 3.8% lower than the one registered in the same quarter last year. The available area decreased in 5.5% compared to last quarter, which shows a decreasing trend in this result since the beginning of the year.

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During the third quarter, net absorption was calculated in 23,889 sqm, which represents a total of 86,000 sqm absorbed so far in 2019. By submarkets, net absorption was mostly concentrated in Santiago de Surco (8,758 sqm) and San Isidro Financiero (7,838 sqm).

The total available area (269,331 sqm) was distributed mainly in the San Isidro Financiero sub-markets (33.2%), followed by Santiago de Surco (24.4%) and Magdalena del Mar (11.9%). Most of the submarkets reflected a decrease in their vacancy levels, however, the most significant reduction were in Santiago de Surco, with a decrease of 2.5% and San Isidro financial with 1.4 percentage points less compared to the previous quarter.
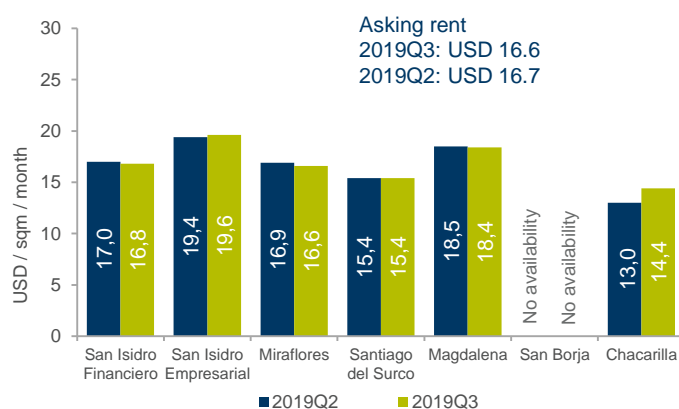
CURRENTLY, THERE ARE MORE THAN 80,000 SQM UNDER CONSTRUCTION, TO BE DELIVERED UNTIL THE END OF 2020.

In spite of the continuous reduction in the vacancy rate, the trend of adjustment of the average asking rent is still stable, for that reason, during the third quarter there were no significant changes and remained in $ 16.6 per sqm The upward process of the asking rent does not necessarily follow the same rate as the vacancy on a downward trend.

The total leasable area delivered by the end of 2019 is projected to be 53.8% lower than the new inventory delivered in 2018. For the next quarters, the submarkets that will have the most new deliveries will be San Isidro Financiero with 44,947 sqm and San Isidro Empresarial with 20,293 sqm. Some of the future outstanding deliveries are Torre Plaza República (Tower II) with 24,000 sqm and Torre del Parque with 9,315 sqm.

Currently, 80,861 sqm are under construction. It is projected that, between the fourth quarter of 2019 and 2022, 161,069 sqm of new area will be received, a growth of 10.2% over the current total inventory.

Asking Rent by submarket (USD/sqm/month)

Asking rent
2019Q3: USD 16.6
2019Q2: USD 16.7

Submarket	2019Q2	2019Q3
San Isidro Financiero	17,0	16,8
San Isidro Empresarial	19,4	19,6
Miraflores	16,9	16,6
Santiago del Surco	15,4	15,4
Magdalena	18,5	18,4
San Borja	No availability	No availability
Chacarilla	13,0	14,4

New inventory (sqm) / Projected Surface (sqm)
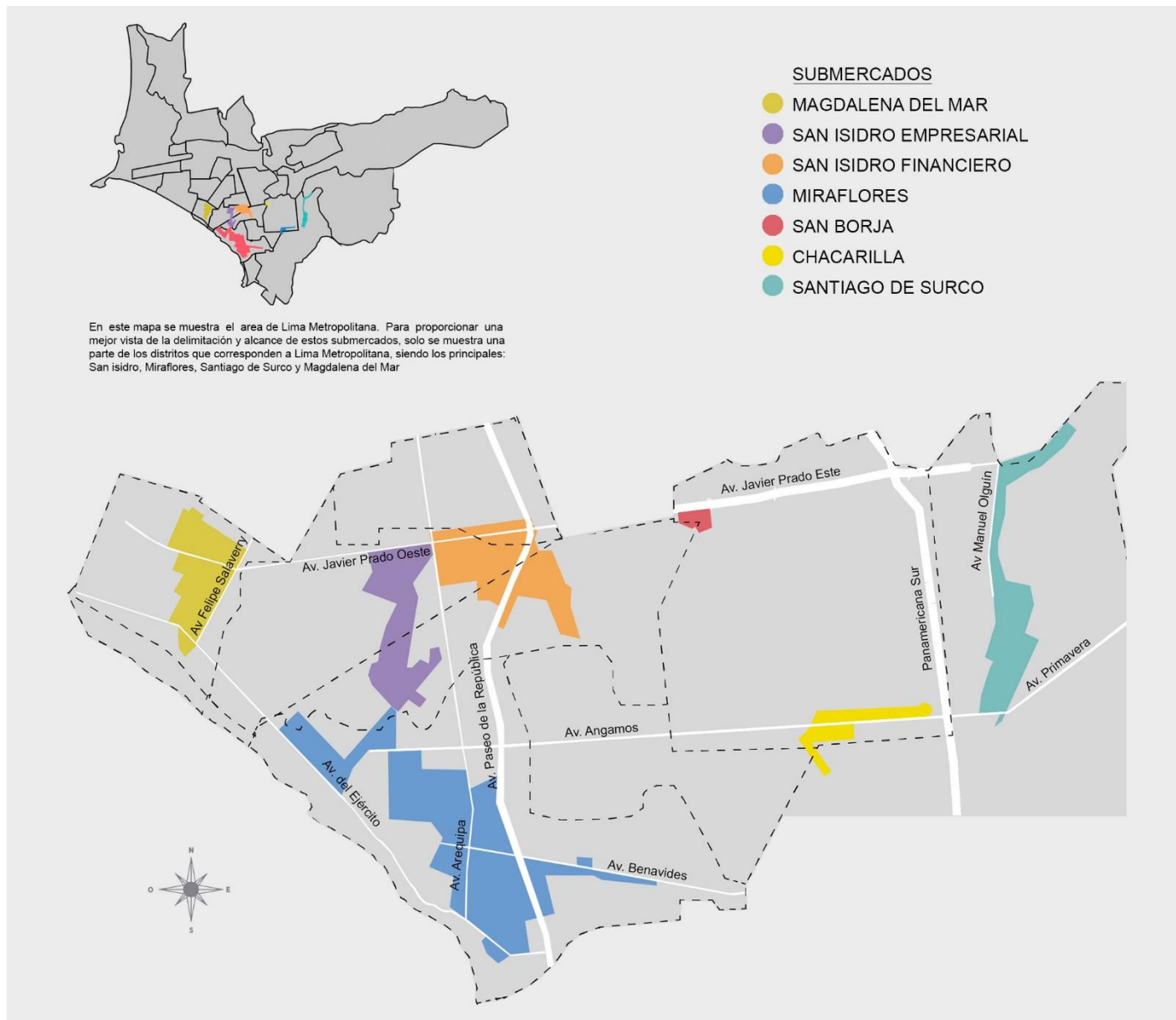**THE PROPOSED AND UNDER CONSTRUCTION SURFACE DECREASES THE HISTORICAL AVERAGE OF A NEW ÁREA BY 10.9%**

Average new inventory

65,895 sqm

New inventory | Under construction | Projected
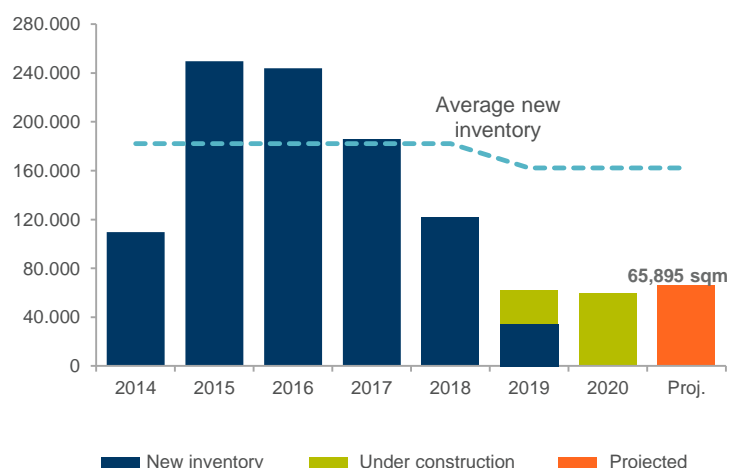
SUBMARKET	INVENTORY CLASS A	SURFACE AVAILABLE (SQM)	VACANCY RATE	AVERAGE ASKING RENT (USD/SQM/MONTH)	UNDER CONSTRUCTION (SQM) (*)	PROJECTED (SQM) (**)
San Isidro Financiero	533,150	84,565	15.9%	16.8	44,947	-
San isidro Empresarial	215,343	20,809	9.6%	19.6	5,800	31,573
Miraflores	221,972	26,571	12.0%	16.6	-	24,234
Santiago de Surco	342,305	74,745	24.4%	15.4	29,934	10,088
Magdalena del Mar	171,564	30,234	17.6%	18.4	-	-
San Borja	35,588	0	0	-	-	-
Chacarilla	24,625	8,318	33.7%	14.4	-	-
LIMA TOTAL CLASS A	**1,575,717**	**269,331**	**16.2%**	**16.7**	**80,681**	**65,895**

(*)Square meters under construction between 2019Q3 to 2020Q4
(**) Square meters proposed between 2021Q1 forward

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OFFICE MARKET MAP WITH SUBMARKET DIVISION
LIMA / PERU

SUBMERCADOS
- MAGDALENA DEL MAR
- SAN ISIDRO EMPRESARIAL
- SAN ISIDRO FINANCIERO
- MIRAFLORES
- SAN BORJA
- CHACARILLA
- SANTIAGO DE SURCO

En este mapa se muestra el area de Lima Metropolitana. Para proporcionar una mejor vista de la delimitación y alcance de estos submercados, solo se muestra una parte de los distritos que corresponden a Lima Metropolitana, siendo los principales: San isidro, Miraflores, Santiago de Surco y Magdalena del Mar

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