

## Lima At-A-Glance

	Rent/M <sup>2</sup> /Month		Rent/SF/Year		Vacancy
	Low	High	Low	High	
<b>DOWNTOWN OFFICE</b>					
New Construction (AAA)	\$ 13.00	\$ 17.00	\$ 14.49	\$ 18.95	10.0%-
Class A (Prime)	\$ 9.00	\$ 12.00	\$ 10.03	\$ 13.38	10.0%-
Class B (Secondary)	\$ 7.00	\$ 10.00	\$ 7.80	\$ 11.15	15.0%+
<b>SUBURBAN OFFICE</b>					
New Construction (AAA)	\$ 9.00	\$ 12.00	\$ 10.03	\$ 13.38	15.0%+
Class A (Prime)	\$ 8.00	\$ 11.00	\$ 8.92	\$ 12.26	5.0%+
Class B (Secondary)	\$ 5.00	\$ 8.00	\$ 5.57	\$ 8.92	25.0%+
<b>INDUSTRIAL</b>					
Bulk Warehouse	\$ 1.00	\$ 3.50	\$ 1.11	\$ 3.90	20.0%+
Manufacturing	\$ 1.00	\$ 3.50	\$ 1.11	\$ 3.90	20.0%+
High Tech/R&D	\$ 4.00	\$ 6.00	\$ 4.46	\$ 6.69	10.0%+
<b>RETAIL</b>					
Downtown	\$ 3.00	\$ 10.00	\$ 3.34	\$ 11.15	25.0%+
Neighborhood Service Centers	\$ 3.00	\$ 9.00	\$ 3.34	\$ 10.03	25.0%+
Community Power Center	\$ 3.00	\$ 9.00	\$ 3.34	\$ 10.03	10.0%+
Regional Malls	\$ 8.00	\$ 10.00	\$ 8.92	\$ 11.15	5.0%+
	N/A	N/A	N/A	N/A	N/A
<b>DEVELOPMENT LAND</b>					
	<b>Low/M<sup>2</sup></b>	<b>High/M<sup>2</sup></b>	<b>Low/SF</b>	<b>High/SF</b>	
Office in CBD (per buildable M <sup>2</sup> /SF)	\$ 500.00	\$ 1,200.00	\$ 46.45	\$ 111.48	
Land in Office Parks	\$ 150.00	\$ 500.00	\$ 13.94	\$ 46.45	
Land in Industrial Parks	\$ 150.00	\$ 250.00	\$ 13.94	\$ 23.23	
Office/Industrial Land - Non-park	\$ 70.00	\$ 200.00	\$ 6.50	\$ 18.58	
Retail/Commercial Land	\$ 500.00	\$ 800.00	\$ 46.45	\$ 74.32	
Residential	\$ 400.00	\$ 1,200.00	\$ 37.16	\$ 111.48	

## Market Overview

■ Since 1990 the Lima market has been overbuilt. In the past two years demand finally caught up to supply. New projects have been coming on line as there is significant demand for Class A space. With strong absorption, and increased demand created by foreign direct investments, new projects by foreign and local investors have increased. This has created a steady increase in lease rates and the willingness of property owners/managers to demand stronger contract conditions, and built in rent increases have moved up from 1-2% up to the United States CPI.

Contiguous Class A office space between 2,000 and 5,000 square meters is not available in Lima. As a consequence the few new office developments have had great success in attaining full occupancy with higher lease rates. This demand has caused the construction of several new office projects in the pipeline.

The lack of Class A office space is compounded by high end corporations that require their own class A headquarters facilities via build-to-suit Developments. This approach has also facilitated sale-leaseback transactions in the market. Now, after upsizing, tenants and user-owners find themselves with little expansion space. These corporations include: Bank Wiese, Inerfinsa, Real Towers of Centenario and Ernst & Young. Their buildings were initially designed as multi-tenant buildings. While these lease arrangements favorably impact the tenants' profitability, at least initially, they were compelled to reduce their total operating costs through newer new hi-tech facilities. A key reason for wanting to own rather than lease office space appears to be that additional tenants in their principal facilities are seen to downgrade the corporate image they wish to project.

Although Class B space does not directly compete with Class A space, it has exerted an important impact on the economics of the overall Lima office market as it is also enjoying excellent occupancy rates.

Smaller corporate users have also relocated to improve their image at lower rates and this trend has been an important element in the office leasing market, further reducing vacancy rates. There have also been a few significant office leases by new companies entering the market. An example of this in migration is the Ernst and Young building, which has managed to lease some 9,000 square meters of excess Class A office space. While other Class A office buildings at the same time have been maintaining their occupancy rates through expansion and smaller users.

In 2005 and through 2006, the lease rates in the corporate commercial office market have increased significantly providing investors a good return. Because of corporate relocations, demand is finally exceeding the supply. This supply will continue to diminish until the buildings currently in the pipeline are available to take care of the demand. It has become difficult to find 1,500 to 5,000 square meter Class A space available. Most contiguous areas available are the range of 300 to 800 square meters. This is feeding the new office construction boom since foreign investment has significantly increased as rental rates have trended upward with higher annual bumps and credit tenants.

With the development projects starting, the districts to gain the most initially will be Miraflores and San Isidro, due to the immediate and high quality services available. San Isidro is also the most preferred residential area for foreign corporation's personnel.

Source: NAI Real Estate Services s.a.c.