



The Knowledge Report

OFFICE | FIRST QUARTER | 2010

THE NEW FACE OF THE OFFICE MARKET IN LIMA

INDICATORS

	4Q-09	1Q-10
Vacancy Rate	↑	↓
Net Absorption	↓	↑
New Supply	↓	—
Rental Rate	↑	↓

DIFFERENTIATION

The office market in Lima continues to grow in terms of square meters, including zones that previously had not been considered attractive for this kind of developments.

Due to the increase in supply, landlords and developers must learn how to accurately read the market. In order to achieve expected goals, they have to offer products that stand out over average competitor buildings. They must apply the concept of “differentiation” and offer potential office users better facilities.

When we talk about potential users we refer to multinational corporations and companies that follow international standards regarding security, accessibility, image and comfort.

The local office market development patterns have been for the last several years. Office developers must not only follow more demanding construction standards, but also fulfill the minimum obligations established by the Peruvian Construction Code and the National Institute of Civil Defense (Instituto Nacional de Defensa Civil - INDECI), emphasizing in safety and comfort for the occupants.

This evolution is also evidenced by the differentiation strategy that developers have been following in the past four years, forcing us to reclassify the existing buildings and group them within the Prime Sector (A+ and A class) and the B+ sector, which is also rather dynamic.

The Prime sector should only include those buildings that offer good attributes in terms of design, security, location, comfort, and in general international standards. This “elite” group could comprise new constructions as well as remodeled and upgraded buildings with several years of age in the market.

According to our data base, by the end of 2009, Lima had a total of 61 prime office buildings, distributed in 4 zones or submarkets. From this group, 27 corresponded to A+ class and 34 to A class.

Submarket	A+ Buildings	A Buildings
San Isidro Saga	11	13
San Isidro Golf	9	11
Miraflores	2	5
East	5	5
Subtotal	27	34
Total	61	

During the first months of 2010 Colliers International Peru analyzed and reclassified all prime office buildings, taking into consideration variables such as design, security features, comfort, location, among others.

As a result of this process, the configuration of the prime office market has changed; yet the division in 4 zones or submarkets remains.

Submarket	A+ Buildings	A Buildings
San Isidro Saga	4	8
San Isidro Golf	2	8
Miraflores	2	0
East	6	4
Subtotal	14	20
Total	34	



Building Features

Age of the construction: This variable also considers a remodeling and/or updating of the building.

Floor Height (clearance): This is the “floor to ceiling” height. High Clearance is better rated.

Floor Size: A+ class office buildings must have floor plates of at least 750 m².

Floor Plate Division: A floor plate with many partitions (small office spaces) is not considered as optimum within the prime market.

Parking spaces: Additional parking spaces to the ones required by law, as well as parking spaces for visitors.

Elevators and Stairs: The amount and functionality of these two are considered according to the height and size of the building.

Lobby, Curtain Wall: Current standards demand a greater visual, acoustic and impact of these elements.

Multiple Use Rooms: With facilities that allow for conferences, training and other activities.

Central Air Conditioning System: Essential in A+ buildings.

Sprinkler Systems: Required in usable areas and common areas.

Security Systems: Better if centralized. Even better if it has pedestrian and vehicular approximation devices.

Document Dispatch Services: The building must have areas destined to such activities.

A brief analysis of the B+ office sector will be part of the following reports too. This sector is distributed along the same zones or submarkets.

Submarket	B+ Buildings
San Isidro Saga	11
San Isidro Golf	11
Miraflores	3
East	2
Total	27

To constitute the A+, A and B+ class list, 17 attributes and characteristics have been evaluated, assigning a certain value or points to each one. The sum of these values determines the class to which the building belongs to.

Prime Office Market Summary - 1Q 2010														
Submarket	Stock or Inventory (m ²)		Number of Buildings		Vacancy (m ²)		Vacancy Rate (%)		Absorption (m ²)		Rental Rate (US\$/m ² /month)		Sale Price (US\$/m ²)	
	A+	A	A+	A	A+	A	A+	A	A+	A	A+	A	A+	A
San Isidro Saga	64,097	85,194	4	8	1,985	2,345	3.1%	2.8%	6,329	-194	16.50	15.52	1,457	0
San Isidro Golf	9,482	51,734	2	8	0	648	0.0%	1.3%	428	3,372	0.00	17.00	0	1,400
Miraflores	31,852	0	2	0	8,386	0	26.3%	0.0%	3,435	217	17.34	16.00	0	0
East	87,710	39,860	6	4	9,766	3,797	11.1%	9.5%	263	634	15.60	14.86	1,400	1,390
Subtotal	193,141	176,788	14	20	20,137	6,790	10.4%	3.8%	10,454	4,029	16.59	15.55	1,447	1,392
Total	369,929		34		26,927		7.3%		14,483		16.46		1,441.92	

STANDARD TERMS & DEFINITIONS

Prime Market: the market consisting of A and A+ class office buildings.

Stock or Inventory: amount of square meters that are finished, delivered and operating in the market in a specific moment of time.

Future Supply: amount of square meters being built, or in the project stage, yet to be delivered to the market.

Absorption: amount of square meters that is occupied during a specific time frame (month, trimester, year).

Vacancy: amount of square meters that is available for lease or sale in a specific moment of time.

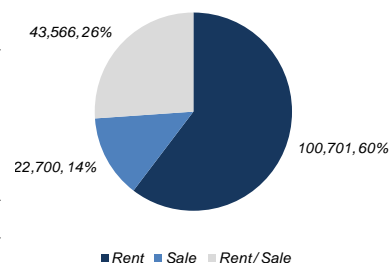
Vacancy Rate: percentage of square meters of the Stock available for lease or sale in a specific moment of time.

Asking Price: price at which an office is offered in the market and is open for negotiation.

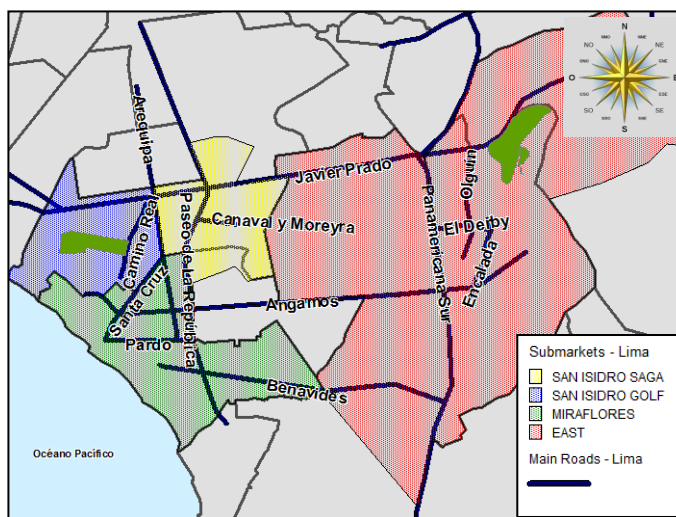
Closing price: price at which a lease or sale transaction of an office is settled.

Stock Evolution by Number of Buildings				
Submarket	Year			Total
	Current	2010	2011	
San Isidro Saga	12	3	5	20
San Isidro Golf	10	0	1	11
Miraflores	2	2	0	4
East	10	1	2	13
Total	34	6	8	48

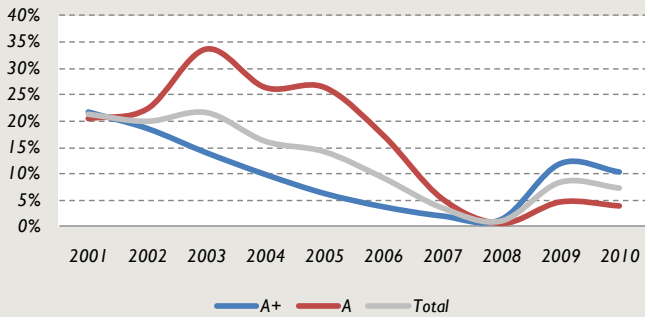
Future Supply by Type of Transaction (cumulative 2Q-10 / 4Q-11)



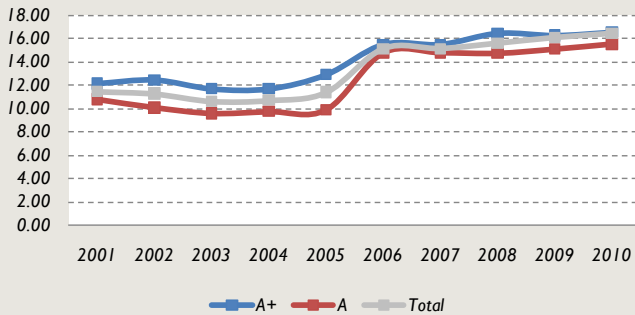
B+ Office Market Summary - 1Q 2010						
Submarket	Stock (m ²)	Number of Buildings	Vacancy (m ²)	Vacancy (%)	Rental Price (US\$/m ² /month)	Sale Price (US\$/m ²)
San Isidro Saga	79,652	11	10,917	13.7%	14.5	0.0
San Isidro Golf	68,102	11	403	0.6%	17.6	0.0
Miraflores	14,557	3	0	0.0%	0.0	0.0
East	15,009	2	2,148	14.3%	0.0	1,300
Total	177,321	27	13,468	7.6%	14.6	1,300



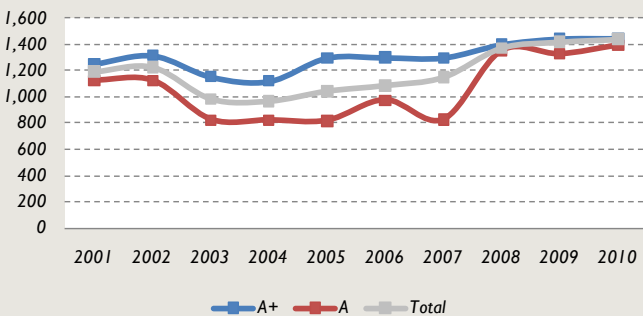
Vacancy Rate by Class



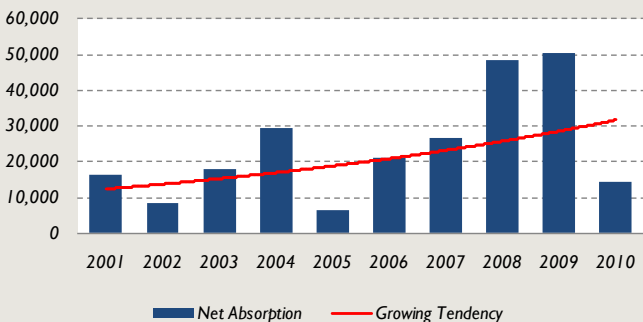
Monthly Rental Rate by Class



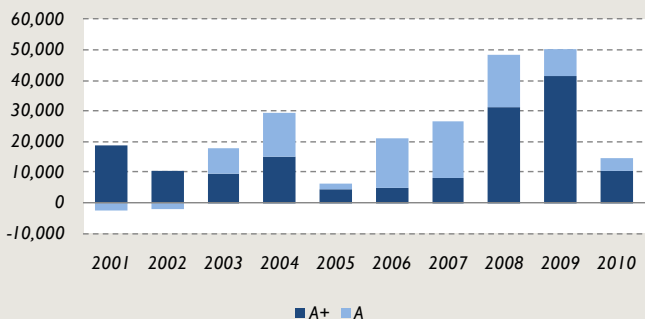
Sale Price by Class



Prime Market - Net Absorption by Year



Net Absorption by Year (A+ & A Class)



SUPPLY

During the first quarter of 2010, the market did not register the entry of new buildings.

The prime office market inventory has a total of 369,929 m² distributed amongst 34 class A+ and A buildings. The vacancy by the end of the first quarter is 26,927 m², equivalent to a 7.3% vacancy rate.

The submarkets showing more availability are the East zone with 13,564 m² and Miraflores with 8,396 m² (totaling 82% of the total market availability). In San Isidro Saga there is an availability of 4,329 m², whereas in San Isidro Golf there are 648 m² available (18% of the total vacancy).

During 2010, 72,529 m² distributed in 6 buildings, should be delivered: 3 in San Isidro Saga, 2 in Miraflores and 1 in the East zone. The zone with the greatest amount of space to be delivered is San Isidro Saga with 45,308 m² in 3 buildings, then the East zone with 12,792 m² in 2 buildings, and Miraflores with 14,428 m² in 2 buildings.

From the 72,569 m² that will be delivered this year, 40% will be exclusively for rent, whereas 60% will be for sale and/or rent.

DEMAND

The gross absorption, or the total amount of sold or leased office spaces during the first quarter of 2010 was 14,819 m². Net absorption was 14,483 m², which indicates a high level of effective demand.

The submarkets with the most transactions, were San Isidro Saga with 7,241 m² marketed and Miraflores with 3,435 m².

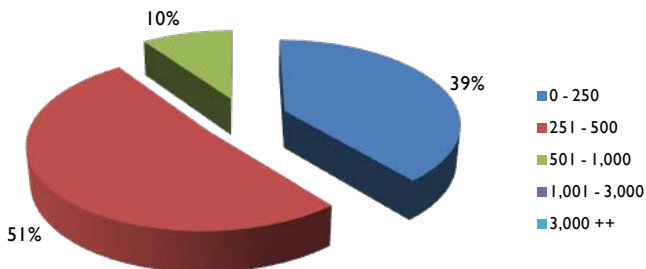
PRICES

The average monthly asking rental rate for prime office buildings during the first quarter of 2010 was US\$ 16.46 / m²; being US\$ 16.59 / m² for A+ class buildings and US\$ 15.55 / m² for A class buildings.

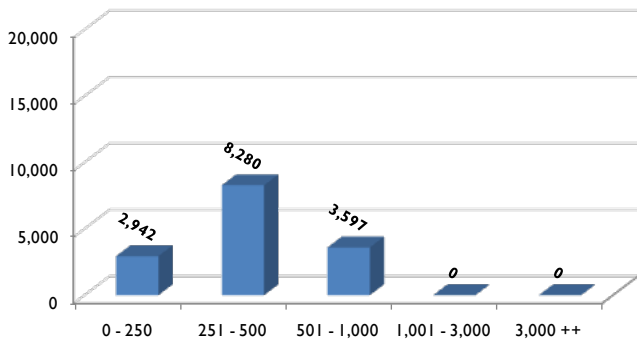
In terms of sale prices, the current average asking price is US\$ 1,442 / m²; being the average value per m² in A+ class buildings of US\$ 1,447 and in A class buildings US\$ 1,392.

It is worth mentioning that the indicated values correspond to asking prices.

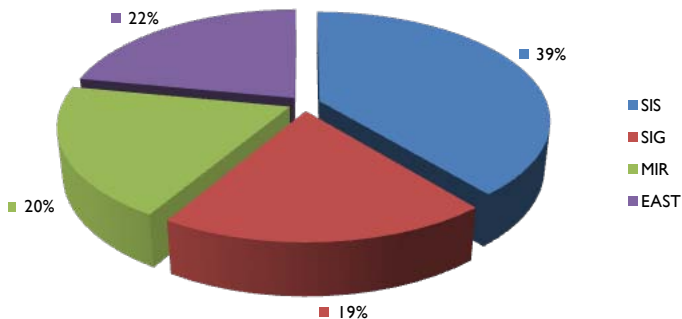
Percentage of Transactions by Area Range



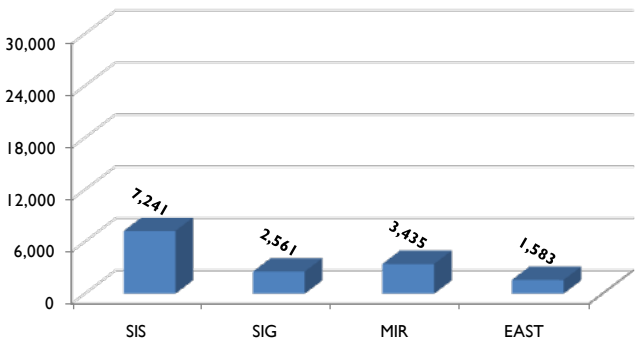
Amount of Square Meters Sold or Leased by Area Range



Percentage of Transactions by Submarket 1Q - 2010



Amount of Square Meters Sold or Leased by Submarket



DEMAND STATISTICS

During the first quarter of 2010, the demand for spaces was focused on small offices. Most transactions (90%) were for office areas under 500 m². This has been a repeating tendency during the last 9 months.

Transactions for offices under 250 m² represent 39% of the total number of transactions in the Prime market, whereas 51% of the total of transactions took place for areas between 251 m² and 500 m².

The remaining 10% of transactions took place for spaces between 500 m² and 1,000 m². No transactions were recorded for offices with areas above 1,000 m².

The zone with the highest percentage of transactions during this period was San Isidro Saga, where 39% of the transactions took place.

The lowest number of transactions took place in the San Isidro Golf and Miraflores zones, with 19% and 20% of the total transactions respectively.

SUPPLY ANALYSIS

Currently, the zone with the highest availability (vacancy) of office spaces is the East zone, with 13,564 m², equivalent to 10.6% of its stock (11.1% A+ and 9.5% A).

Currently, the zone with the lowest availability is San Isidro Golf (648 m²), which has 1.1% of its stock available, whereas the San Isidro Saga zone has 2.9% of its stock available (3.1% A+ and 2.8% A).

The Miraflores zone has 8,396 m² available for A+ class offices (26.3% of its stock available).

FORESCAST

The second quarter of 2010 will be critical, as according to our projections, 5 new office buildings projects will be delivered to the market in Lima: 3 buildings in San Isidro Saga with 45,308 m²; 1 building in the East zone with 12,792 m²; and 1 building in Miraflores with 3,887 m².

This next delivery of buildings will include the first “green building”: Platinum Plaza 1 and Platinum Plaza 2, placing Lima amongst the few cities in Latin America that have constructions known as sustainable and environmentally friendly.

Within the B+ office market, there are currently 13,468 m² available, which represents 7.6% of the total inventory. This number should increase during the years as some B+ class developments are delivered and as companies relocate from B+ class to better office buildings.

294 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 94
Canada 22
Latin America 17
Asia 25
EMEA 97
A NZ 39

868 million square feet under
management

12,479 Professionals

CONTACT INFORMATION

Lima
Eric Rey de Castro
Managing Director
San Borja Norte N° 793
L 41
Lima
Tel: 511-224-0804
Fax: 511-224-0505

Researcher's information:
Lima
Sandro Vidal
Knowledge Manager
San Borja Norte N° 793
L 41
Tel: 511-224-0804
Fax: 511-224-0505

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Future Supply Evolution, Absorption and Vacancy

