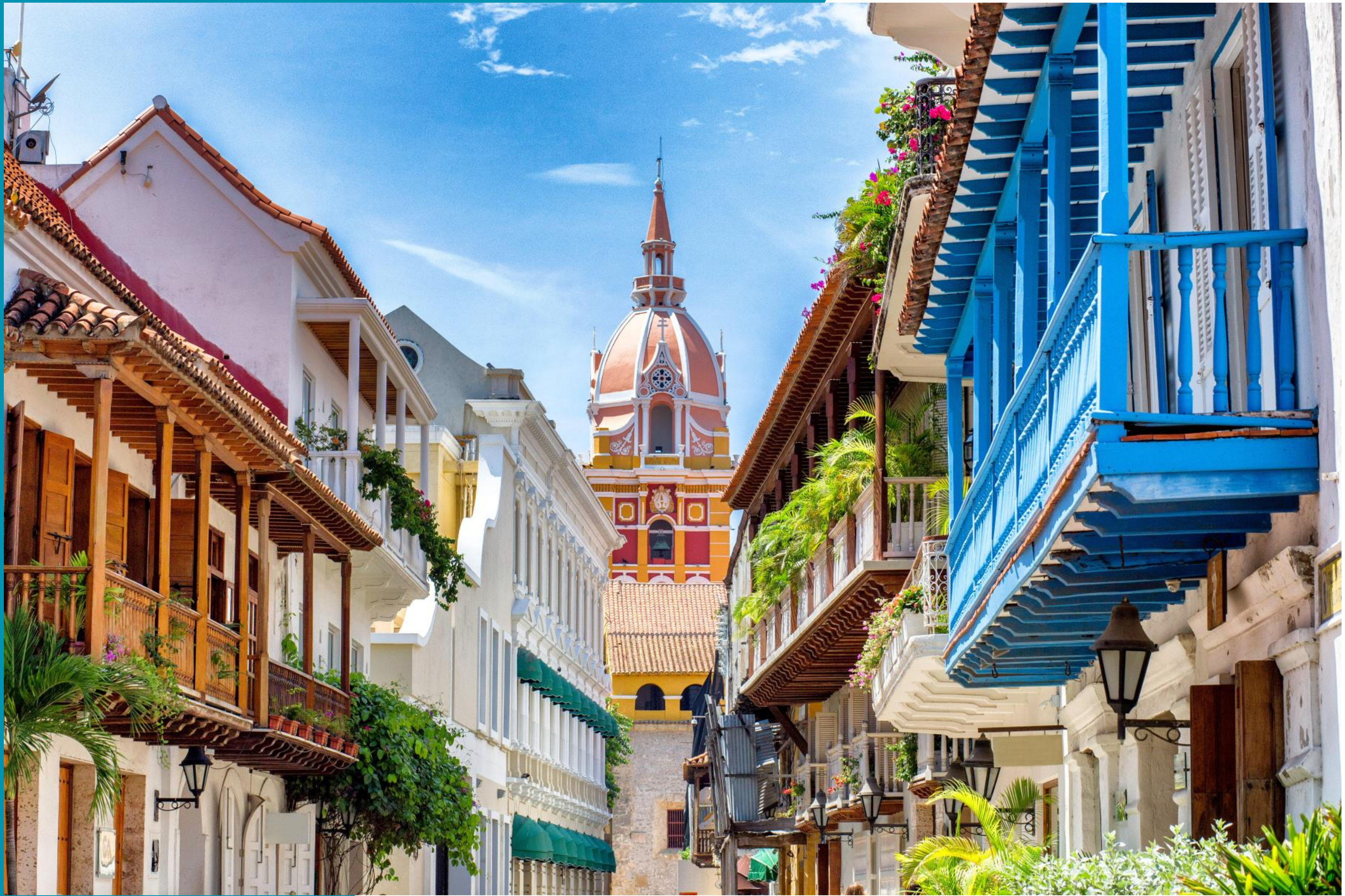
COLOMBIA

Cushman & Wakefield

Global Cities Retail Guide



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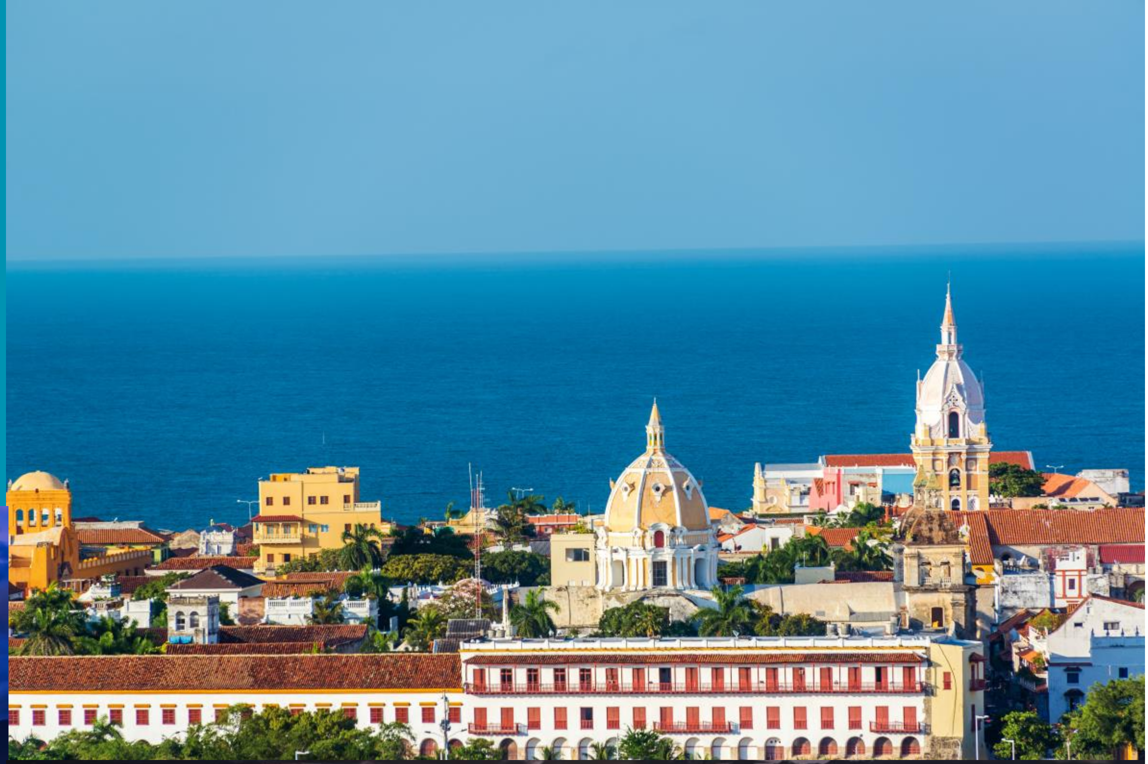
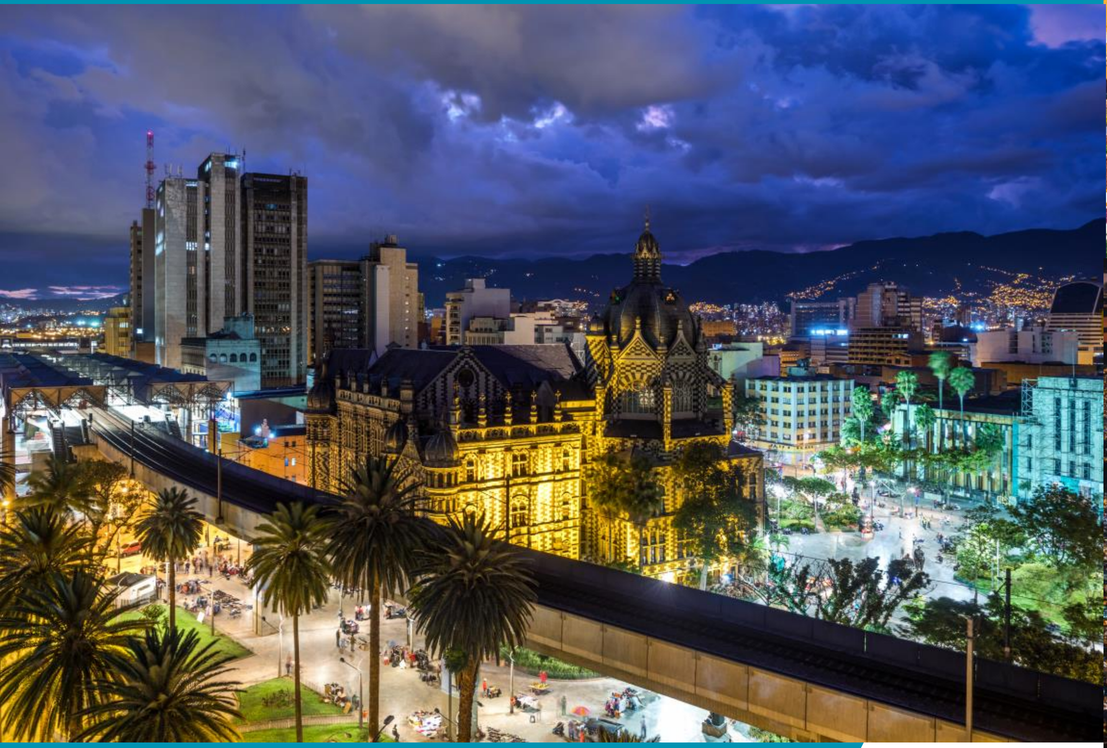
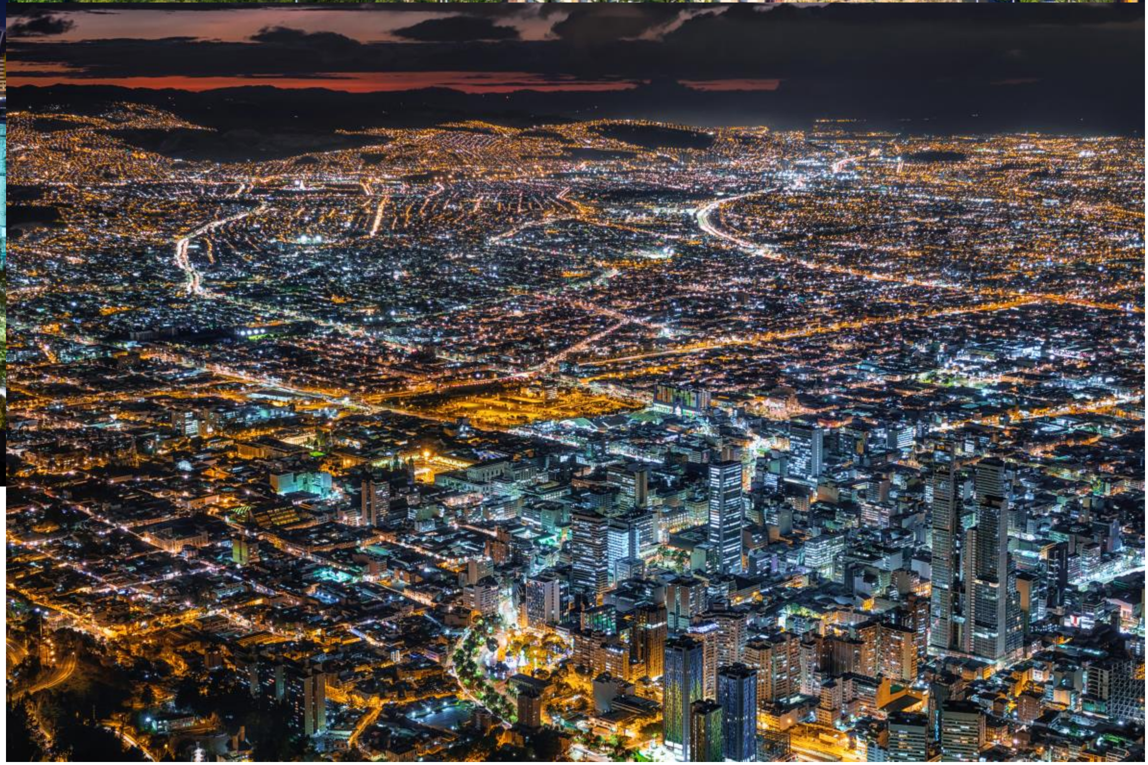


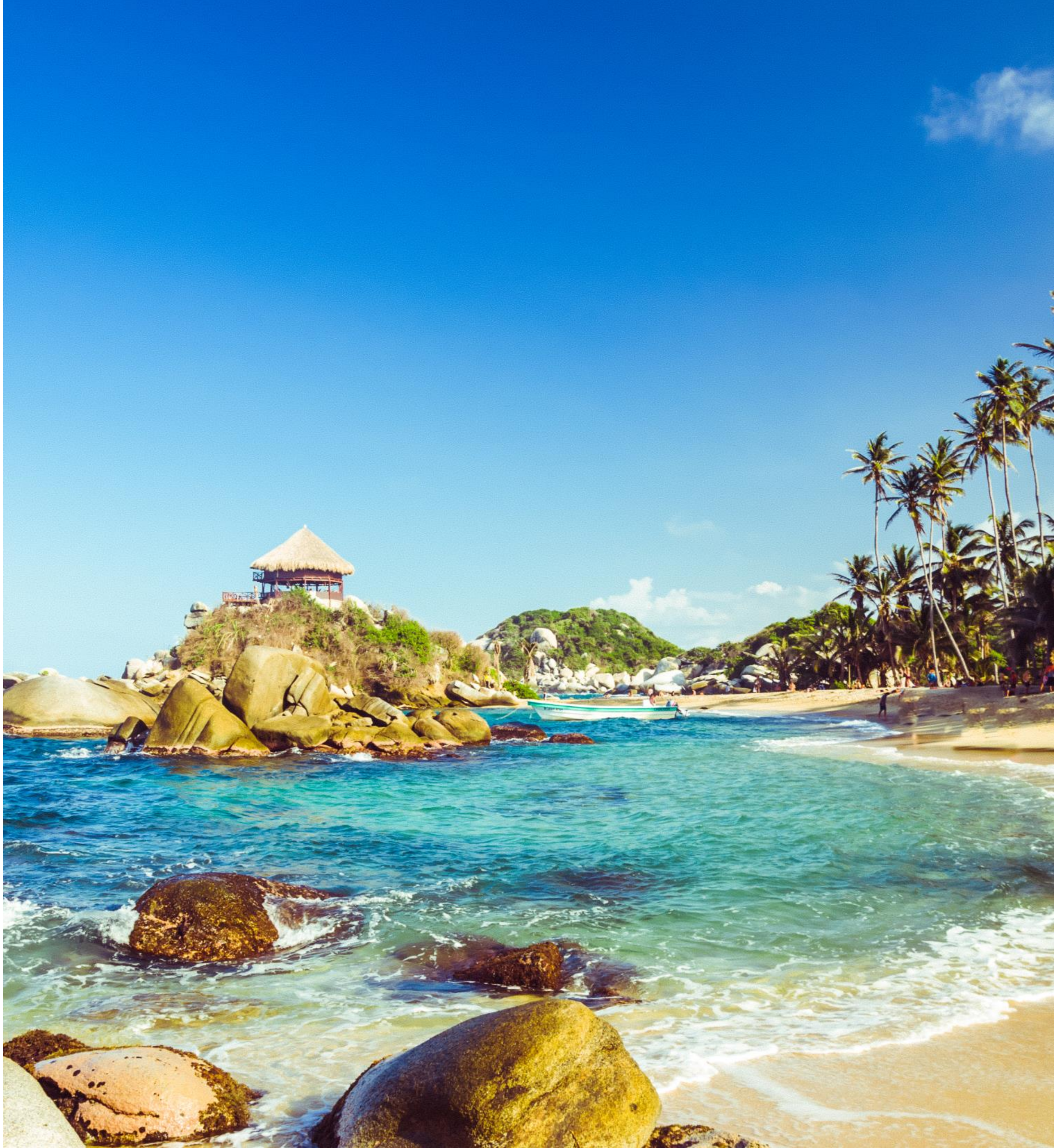




Located at the northwest corner of South America, Colombia is the only country in the region with coasts on both the Caribbean and Pacific Oceans, with a continental area of 1,141,748 sqkm (440,829 sq miles) and 928,660 sqkm (358,555 sq miles) of maritime dominions.

Colombia shares borders with Panama, Venezuela, Brazil, Peru and Ecuador, and maritime limits with Costa Rica, Nicaragua, Honduras, Jamaica, Dominican Republic, and Haiti.

Colombia's consistently sound economic policies and aggressive promotion of free trade agreement in recent years have bolstered its ability to face external shocks. Real GDP grew 1.8% in 2017, and inflation ended the year at 4.09%. The Santos Administration's foreign policy has focused on bolstering Colombia's commercial ties and boosting investment at home. The US-Colombia Free Trade Agreement (FTA) was ratified by the US congress in October 2011 and was implemented in 2012. Foreign direct investment, notably in the oil sector, reached a record of US $1.000 million in 2017.



COLOMBIA
ECONOMIC OVERVIEW

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2017	2018F	2019F	2020F
GDP growth (YoY%)	1.8	2.5	3.0	3.3
Consumer spending (YoY%)	1.7	2.5	3.0	
Industrial production (YoY%)	-0.6	1.7	2.4	
Investment (YoY%)	1.3	2.9	3.7	
Unemployment rate (%)	9.6	9.5	9.2	
Inflation	4.3	3.3	3.3	3.1
Peso/ € (average)	3,336	3,370		
Peso/ US$ (average)	2,986	2,860	2,875	2,900
Interest rates Short Term (%)	5.21			
Interest rates 10-year (%)	6.48			

ECONOMIC BREAKDOWN

Population	49.5 Million (2017)
GDP (nominal)	359.7 M USD(2017)
Public Sector Balance	-3.2% of GDP (2017)
Public Sector Debt	40.2 % of GDP (2017)
Current Account Balance	-3.3% of GDP (2017)

Head of State	Juan Manuel Santos
Election Date (Next)	Junio 17 2018

RETAIL SALES GROWTH:
% CHANGE ON PREVIOUS YEAR

COLOMBIA	2017A	2018A
Retail Volume*	-0.9	0.6*

* Last 12 months (April 2017 – March 2018)

NOTE: *annual % growth rate unless otherwise indicated. Figures are based on local currency and real terms. E estimate F forecast A Actual

SOURCE: Bloomberg, Banco de la República, DANE

CITY	POPULATION
Bogotá	8 million
Medellin	2.8 million
Cali	2.4 million
Barranquilla	1.2 million
Cartagena	1.0 million

COLOMBIA
RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Creppes and Waffles, WOK, El Corral, Andrés Carne de Res, Friby, Oma, Pan pa ya, Juan Valdez, Cosechas, Tostao, Bogotá Beer Company BBC, Kokoriko, Archies, el Carnal, Popsy, Mimos

MAJOR INTERNATIONAL FOOD RETAILERS

PF Chang´s, Subway, Burger King, Pizza Hut, Dominos Pizza, KFC, Starbucks Taco Bell, Papa John’s, Krispy Kreme, Dunkin Donuts, Baskin Robbins, Jhonny Rockets, Hooter´s, Friday´s,. McDonalds.

MAJOR DOMESTIC NON-FOOD RETAILERS

Exito, La 14, Flamingo, Ktronix, Alkosto, Olimpica, Fuera de Serie, Totto, Tennis, Studio F, Fedco, Aquiles, Fiorenzzi, Santorini, BOSI, Velez, Mario Hernandez, Arturo Calle, Cromantic GEF – Punto Blanco, Bodytech, PepeGanga, Spinning Center, Myriam Camhi, Koba (D1)

INTERNATIONAL RETAILERS

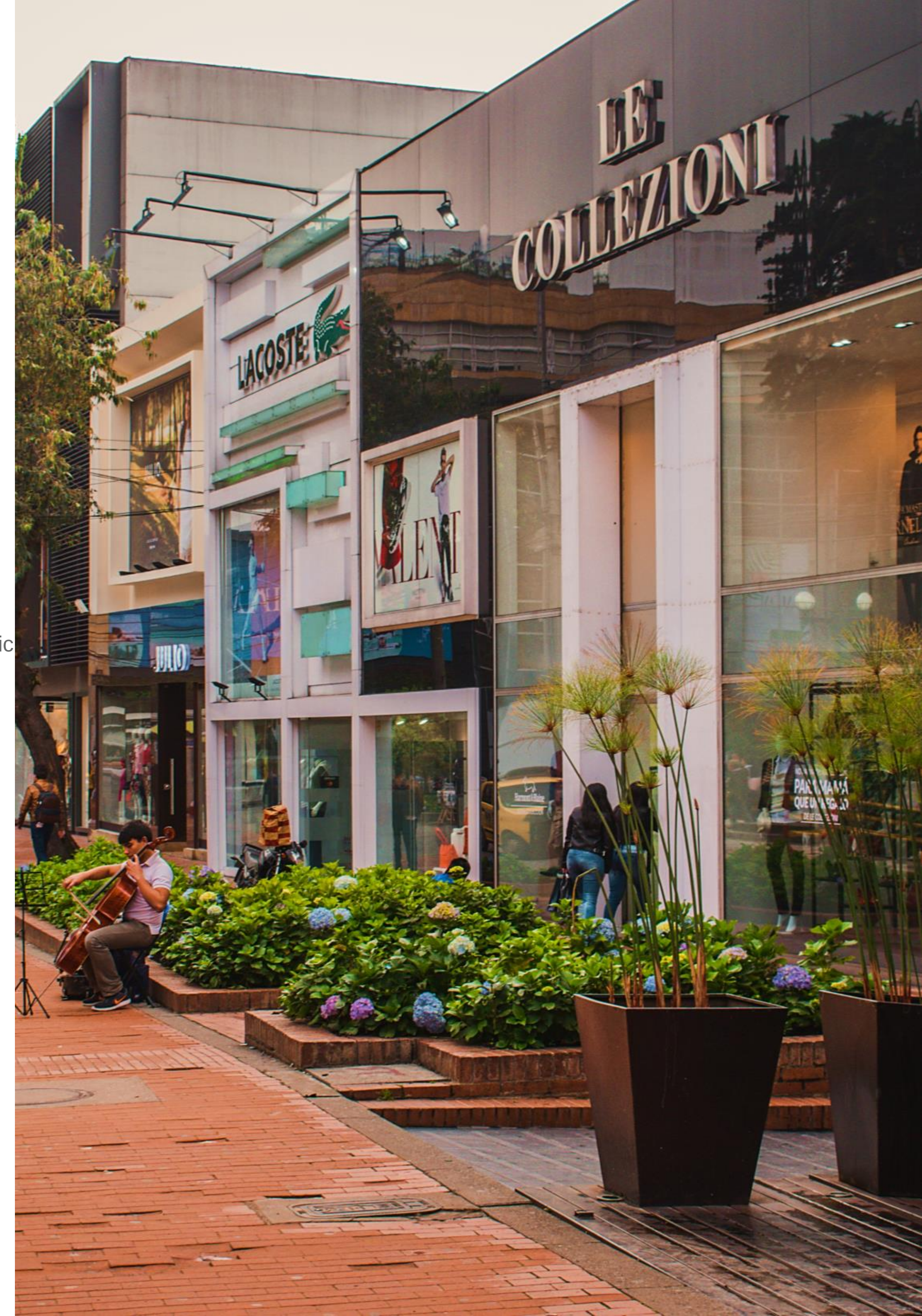
Fallabella, Farmatodo, Cencosud, Grupo Inditex, HM, Grupo Casino, Jeromino Martins, Chevignon, Naf Naf, Mango, Adidas, Forever 21, Home Sentry, Home Center, MAC, La Riviera, Maybelline

TYPICAL HOURS

MONDAY – FRIDAY	SATURDAY	SUNDAY
10.00-20.00	10.00-21.00	10.00-19.00

NEW ENTRANTS TO MARKET

IKEA
Allain Afflelou
Fitness 24 – Seven
SmartFit



COLOMBIA

RETAIL SCENE

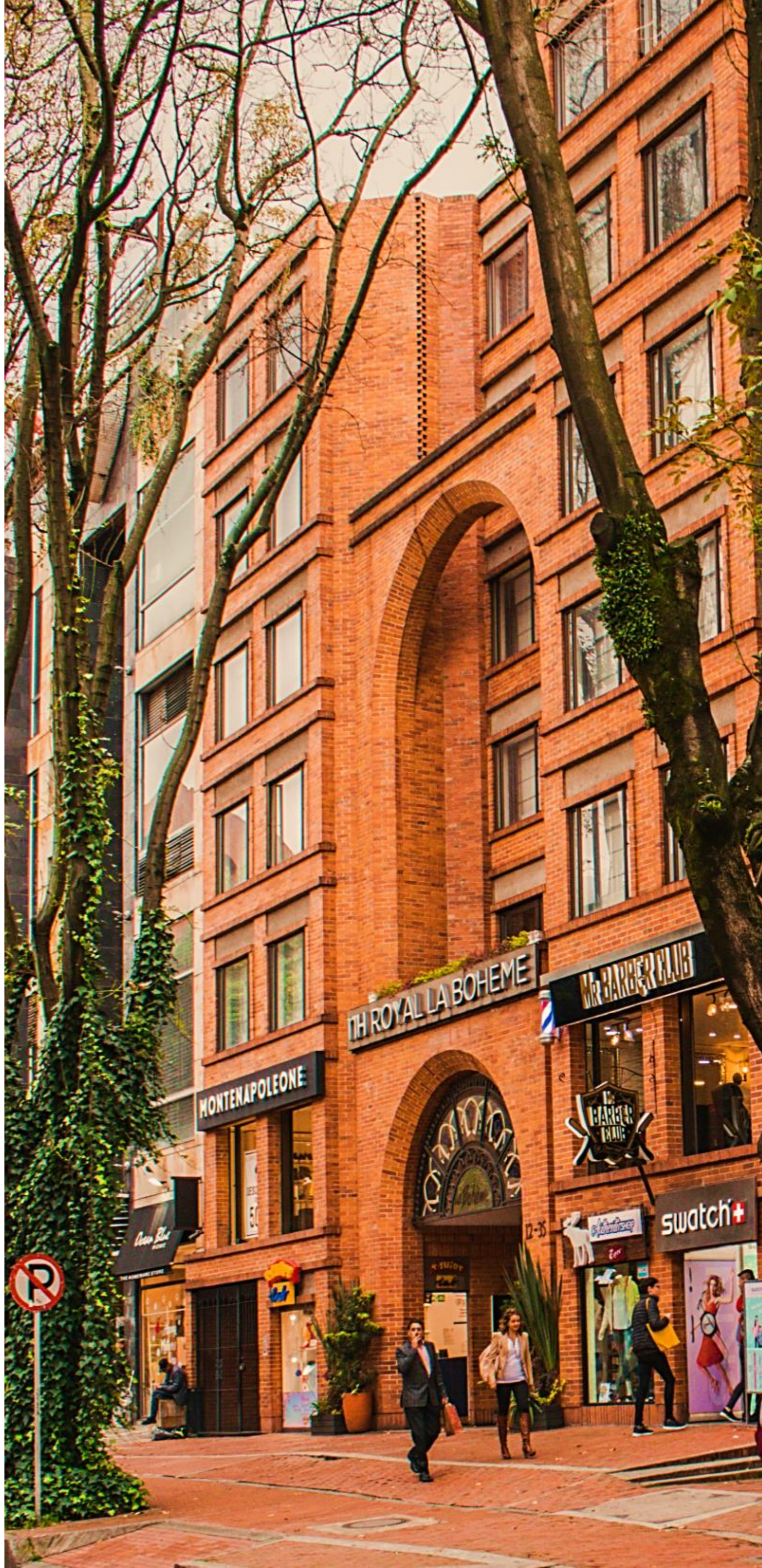
With a purchasing power of almost double that of the EU average, the retail market is rapidly expanding. Factor in a strong, stable economy and Colombia offers a great investment opportunity.

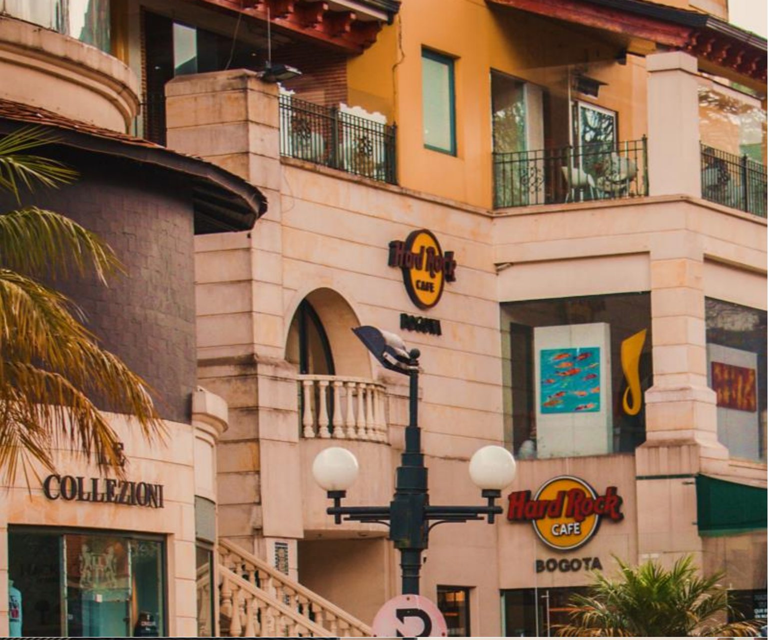
Colombia's sustained growth over the past decade, even amidst global economic uncertainty, has made it an appealing market for investors and multinationals around the world. This appeal, in conjunction with the implementation of a neoliberal economic model, has fostered the development of international commerce in the country, bringing benefits such as greater economic growth, cheaper imports, the blooming of new technologies, the stimulus of foreign competition, and a very important increase in foreign direct investment. In addition, the growth in liquidity and the availability of capital has increased the standard household's purchasing power and debt capacity, benefiting the retail sector in general.

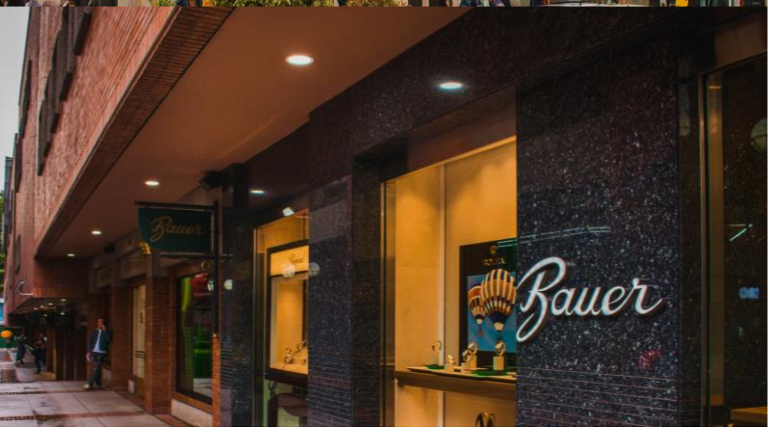
Colombia has 226 shopping malls as of December 2017 with 4.997.950 sqm. About 2% of the shopping centers in the main three cities of the country, (Bogota, Medellin, and Cali), have more than 500 stores. Two thirds of the shopping malls in these three cities account for less than 5,000 sq.m. of commercial space. The past five years have witnessed 10% growth in openings of power centers (2 or more anchors), which represents 4% of total shopping centers in the country. Shopping galleries receive around 19,000 weekly visits, many fewer than power centers, which receive between 100,000 and 500,000 visits per week.

Colombia's outlet development is considered a present but still undeveloped opportunity; 48% of shopping malls have discount programs during the year. February and August are the preferred months for discounts.

Colombia is one of the countries with the best forecast for digital sales in the region. In the country, consumers are buying more and more online for its efficiency and agility. Forecasts indicate that E-commerce as a sales channel in Latin America will grow at a rate of 17% per year until 2019, reaching USD 85,000 million. On the other hand, in Colombia the growth of e-commerce 2015-2016 was 64%. The percentage of Internet users that bought online in 2017 was 76% (46% growth compared to 2013). An e-commerce share of more than 4% of GDP is expected during the following years.







COLOMBIA
SHOPPING CENTRES

TOP TEN SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Centro Mayor	Bogotá	300.000	2010
Calima	Bogotá	240.000	2011
Santafé	Bogotá	215.000	2006
Viva Barranquilla	Barranquilla	150.000	2016
Viva Envigado	Medellín	140.000	2018
Ventura	Soacha	114.000	2017
Caribe Plaza	Cartagena	80.000	2008
Plaza Central	Bogotá	75.000	2017
Parque La Colina	Bogotá	64.000	2017
Santafé	Medellín	50.000	2010

COLOMBIA

KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	**COMMENT**
Lease Terms	Colombian leases are typically for 10 years (due to current market situation the lease contract term is between 3 to 5 years with early termination clause) . Break options were rare in the past but now increasingly negotiable (Now it is common to negotiate early termination option and/or break point to renegotiate leases). In the absence of a clear agreement in the lease, the tenant has no legal right to break so long as the landlord fulfils his obligations. Where agreed, breaks are typically at the first rent review for office and industrial space but are not currently common for retail unless it's stated in the contract. The authorized use will depend on the terms of the lease, which will also state the degree to which this may vary by tenant.
Rental Payment	Rents are typically payable monthly and in advance . Turnover/percentages rents are increasingly seen in shopping centres and common in specialist sectors such as factory outlets, hotels and airports . A security deposit is not normally required for a tenant with a strong covenant or where an insurance company guarantee (or less frequently a bank guarantee) is provided . For weaker covenants, Landlords prefer Insurance Policy that covers rent + utilities + administration costs. Premium payments are common in the retail market in times of rising rents and limited supply, with values boosted by the 5 year review pattern of rents.
Rent Review	Indexation is common and is generally equivalent to CPI and CPI + 1%, (consumer price index). The basis of the rent review is the open market rental value (upward only even where rents generally have decreased) usually incurred every 5 years if it is stated in the contract, but It depends on each case and the terms negotiated by parties, there is no general rule.
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 . Property taxes are not included in the service charges (Landlords assume these costs). It excludes internal maintenance and insurance of rented accommodation. Tenants must assume the insurance policies and costs related to internal office spaces, equipment and furniture), utility charges and VAT (19% currently). The landlord is responsible for external/structural matters in shopping centres (office buildings and industrial/logistic parks)(charged back via service charge) or tenant (except in multi-let buildings) . The costs related to external/structural matters are assumed totally by Landlord. The tenant is responsible for internal matters. The landlord usually insures the main structure and external fabric. Insurance for common parts is also paid by the landlord and charged back. The tenant usually pays for internal insurances directly.
Property Taxes and other costs	The municipal authority charges a local property tax payable on commercial property. VAT of 19% should be charged on rental payments but it is usually recoverable by most tenants (tax advice should be sought).
Disposal of a Lease	Sub-letting is usually possible under the terms of the lease, subject to landlord's approval but at no more than half of the property. Assignment rights are not normally barred in the lease but will also be subject to consent, which should not be unreasonably withheld . Early termination is only by break clause, to be negotiated at outset of lease by mutual consent upon negotiation. At lease end, the tenant is responsible for re-instating the premises to the same condition as at the start of the lease, subject to the normal wear and tear (It depends on agreement by parties; common use is that Landlord asks to received the spaces in the same conditions as was delivered but parties can negotiate the delivery status). All tenant improvements must be approved by the landlord, subject to the alteration in the lease and the fact that approval should not be unreasonably withheld.

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