

PERU GREEN BUILDING MARKET SNAPSHOT 2019¹

This Green Building Market Snapshot provides a summary of key market indicators based on IFC's research on policy environment, building construction, and Green Building certification and finance. The year of the snapshot coincides with the launch of the UK-IFC Market Accelerator for Green Construction (MAGC) program in the country. Additionally, most recent green building developments in the market are included where available. IFC welcomes readers' comments.

CERTIFIED GREEN BUILDING MARKET STATUS: UNDERDEVELOPED MARKET BUT STRENGTHENING

As of 2019, Peru's Green Building market was underdeveloped but strengthening. The certified green floor space comprised around 5% of new built area in Peru in 2019.² The country has had one Green Building finance product, Fondo Mivivienda (FMV)'s eco-friendly mortgage, that targets affordable housing. The program has its own certification system, Bono Verde. It is not up to international certification standards and mainly used as an access to the subsidized mortgage. The FMV's eco-friendly mortgage program contributed to the evolution of the Green Building market, but the country would need to go beyond it to scale up the market. The recent introduction of subnational Green Building incentives and enactment of a Sustainable Development Code in 2021 will likely help.



COUNTRY LANDSCAPE

- **Energy Consumption:** Buildings in Peru consume around 45% of the total energy generated.³
- **Construction Market:** According to Peru's Chamber of Construction, there is a need to triple the housing supply in Lima to meet current and future demand. Formal buildings only represent an average of 36% of built (in square meters) spaces.
- **Developers:** Among the residential developers, around 65% are small, followed by medium (17%), large (11%) and international (11%) developers.⁴ In terms of square meters, international and large local developers build around 77% of construction projects in Peru.
- **Finance:** Construction and mortgage finance market is highly concentrated—72.5% of all mortgages and 90.9% of all volume are provided by five banks in Peru: BCP, BBVA Interbank, MiBanco, and Same Group.

1. GREEN BUILDING POLICIES AND REGULATIONS

Is there a national definition of Green Building?

The recently approved Sustainable Code has defined sustainable construction and sustainable building (Supreme Decree No. 014-2021-VIVIENDA- on July 26, 2021)

Sustainable Construction:

Practice of creating or modifying buildings and urban facilities using efficient and environmentally friendly processes during all the stages that make up its life cycle.

Sustainable Building:

A Building designed and built to improve environmental performance, increase economic value, and develop an environmentally healthy interior, and therefore improve the productivity of its occupants

Is Green Building part of the country's Nationally Determined Contributions (NDC)?

The country has an economy-wide GHG emission reduction target of 20% below the country's business as usual (i.e., emission growth without climate policies) in 2030. It is contemplated in the NDC to implement measures that promote energy savings in new buildings, through the Sustainable Construction Code and the implementation of actions through the FMV.

Public Policy and Regulations

Regulation of Territorial Conditioning and Sustainable Urban Development (RATDUS) (Supreme Decree No. 022-2016-HOUSING)

It is the technical - normative instrument that guides and regulates the territorial management and sustainable urban development of the metropolitan areas. It will be in force until the regulation of the Sustainable Urban Development Law is in place.

(2021 Update): Sustainable Urban Development Law, Law 33.313 (July, 26 2021)— pending

Technical Code of Sustainable Construction (Supreme Decree No. 014-2021-HOUSING of July 26, 2021)

The code promotes the reduction of GHG emissions and the increase of the adaptive capacity, based on the implementation of sustainable urban buildings and facilities, helping to increase quality of life by increasing water and energy efficiency, improving environmental quality, reducing waste, and promoting sustainable mobility. Compliance with it is mandatory for public projects and projects financed by the FMV.

MUNICIPAL ORDINANCES:

San Borja 623-MSB (2019):

It offers height bonuses and allows for a reduction in size of a house and or the number of parking spaces for sustainable buildings.

Arequipa 1136-MPA (2018):

It grants one bonus floor for a wide array of constructions (residential, educational, commercial) if the construction is certified LEED, EDGE, or BREEAM.

Surco 595-MSS (2019):

It grants additional buildable area (equivalent to 25% of the total buildable area + 20% reduction in the minimum size of the house and the number of parking spaces for construction projects) for projects that seek LEED, EDGE, or BREEAM certifications.

Miraflores 510-MM (2019) modified in 539-2020:

It allows height and flexibility bonuses in some urban parameters if the construction is certified under LEED, EDGE, or BREEAM.

1. GREEN BUILDING POLICIES AND REGULATIONS, *Continued*

Public Policy and Regulations

Cusco 025(2019):

It grants additional height bonuses (additional floor for residential buildings, two additional floors for high density residential /retail buildings) if the construction is certified LEED, EDGE, or BREEAM.

(2020 Update): San Isidro 523

It allows for a reduction in the minimum size of real estate units and the number of parking spaces for residential, commercial, and mixed-use projects located in specific areas of the district.

(2020 Update): Cayma district in Arequipa 285

A municipal law that grants benefits to residential and commercial projects, new and in progress, such as a height bonus (one to two extra floors), reduction of free area (5 to 15% depending on the floor) and municipal water withdrawal.

(2020 Update): Bellavista a district in Callao, 015

A municipal law that grants one to two additional floors for those residential and commercial projects that comply with a minimum area of the lot according to zoning, and some environmental certifications such as EDGE, LEED, and BREEAM.

(2020 Update): Piura province 314-OO-CMPP

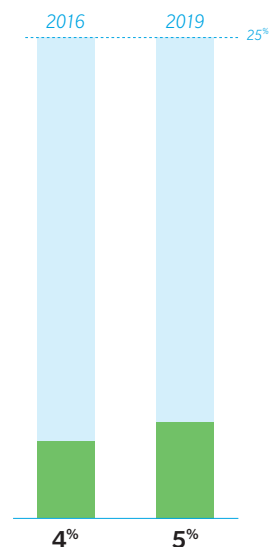
Including four district municipalities, this policy grants benefits to housing, commercial and industrial projects, as well as new urban facilities, such as a reduction in the time period for building permits, a height bonus and a reduction of payment of fees for municipal services, exclusively for social housing.

2. GREEN BUILDING MARKET SIZE

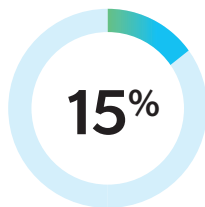
New and existing floor space certified green in 2019: .5 million square meters



Share of certified new green buildings among all new developments (based on square meters)



Share of green building developers among major developers⁵



3. CERTIFICATIONS AND STANDARDS

National Green Building Rating Systems

Bono Verde is a certification system developed by FMV to promote Green Buildings. After the third-party auditors approve the buildings, home buyers are eligible to get special benefits (bonus and a lower mortgage rate) provided by FMV through financial institutions since 2016.

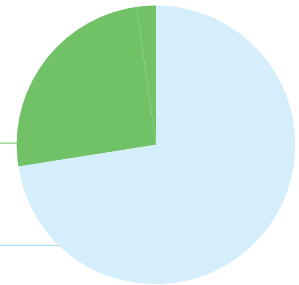
Bono Verde certified around 0.5 million sqm of residential area as of 2019.

International Green Building Rating Systems

- ▶ LEED was established in Peru in 2011 and certified 1.5 million sqm as of 2019.
- ▶ EDGE was established in Peru in 2017 and has certified 0.5 million sqm as of 2019.

Voluntary Green Building certification systems' market share by square meters certified (as of 2019).

- ▶ LEED is 74% of cumulative GB
*LEED residential 1%, non-residential or mixed-use 99%*⁶
- ▶ EDGE is 26% of cumulative GB
EDGE residential 36%, non-residential 64%



4. GREEN BUILDING FINANCE

Financial Institutions offering Green Building finance (by public/private) and their products as of 2019

- ▶ The national mortgage company's Bono Mivivienda Sostenible (BMS) was the only Green Building finance product in Peru in 2019.
- ▶ Financial institutions working with FMV can offer this mortgage. In 2019, there were 13 commercial financial institutions and nine municipal banks offering Bono Verde:
- ▶ Commercial Banks: BCP, Banco del Comercio, Banco Continental (BBVA), Interbank, Banco Financiero, Banco GNB, Banco Pichincha, Scotiabank, Mi Banco, Financiera TFC, Financiera Efectiva S.A., CAC Pacifico and Edpyme Micasita
- ▶ Municipal Banks: Arequipa, Huancayo, Ica, Trujillo, Sullana, Cusco, Tacna y Maynas, y la caja rural Raíz.

Green bonds or other capital market instruments earmarked for Green Building finance between 2015 and 2019.

- ▶ Six green bonds have been issued in Peru, but none were earmarked for Green Buildings.

Financial institution lending to Green Buildings as a % of total lending to building sector (Climate financing as a % of total bank credit)

- ▶ ~7%⁷

Financial Incentives

- ▶ Fondo Mivivienda,⁸ whose loans account for almost 25% of Peru's residential mortgages,⁹ launched the BMS in 2016 in partnership with KfW and AFD. Owners of the eco-friendly homes can subsidize the value of the home for an amount of between 3% and 4% of the original price through the BMS.¹⁰ The bonus consists of a down payment reduction of 5,000 Peruvian Soles (approx. USD 1,256)

5. COST OF UTILITIES

Share of cost of utilities (Electricity and Water) for an average income: 6%¹¹



6. EDUCATION AND SKILLS

Number of Universities offering Green Building programs

No information available

ENDNOTES

1. If not footnoted, the source of the information is a report prepared by Rodolfo Santa Maria R. "Assessment of the Green Building Market in Peru 2020", commissioned by IFC. IFC (2019) Green Buildings Market Intelligence: Peru Country Profile. <https://edgebuildings.com/wp-content/uploads/2017/09/Peru-Green-Building-Market-Intelligence.pdf>
2. IFC's calculations consider the formal construction sector. The rate covers EDGE post-design and LEED certified floor area for calendar year 2019 and excludes Bono Verde certifications as the standards of the certification do not comply with international standards. There may be a delay between certification and completion of a building. LEED numbers were retrieved from the USGBC website (<https://www.usgbc.org/projects>) on October 19, 2021. EDGE numbers were retrieved from EDGE App data as of September 30, 2021. Green certification numbers do not differentiate between buildings certified with more than one certification system or product (that is, each certification is counted as unique) and include certifications for existing buildings. Estimated new build was prepared by Rodolfo Santa Maria R. in the report "Assessment of the Green Building Market in Peru 2020", commissioned by IFC.
3. IFC(2015). IFC Supports Green Building Code in Peru to Promote Sustainable Construction. <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=24585>
4. Definitions: Small: A Peruvian company that can build up to 4 projects at the same time. Medium: A Peruvian company that can build more than 4 projects at the same time, but less than 20,000 m2 total. Big: A Peruvian company that can build more than 10 projects at the same time and more than 20,000 m2 total.
5. Based on the major 45 residential developers.
6. IFC's estimate based on LEED publicly available data.
7. Assessment of the Green Building Market in Peru 2020.
8. Fondo Mivivienda website: <https://www.mivivienda.com.pe/PortalWEB/>
9. Fitch Ratings (2020). Fondo Mivivienda S.A. Rating Report. <https://www.fitchratings.com/research/banks/fondo-mivivienda-sa-07-10-2020>
10. IFC (2019). Green Buildings Market Intelligence: Peru Country Profile. <https://edgebuildings.com/wp-content/uploads/2017/09/Peru-Green-Building-Market-Intelligence.pdf>
11. Calculated based on the Economist Intelligence Unit Database for country utility data in major cities (2019) and the World Bank GNI per capita (2019).

PARTNER SUPPORT

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