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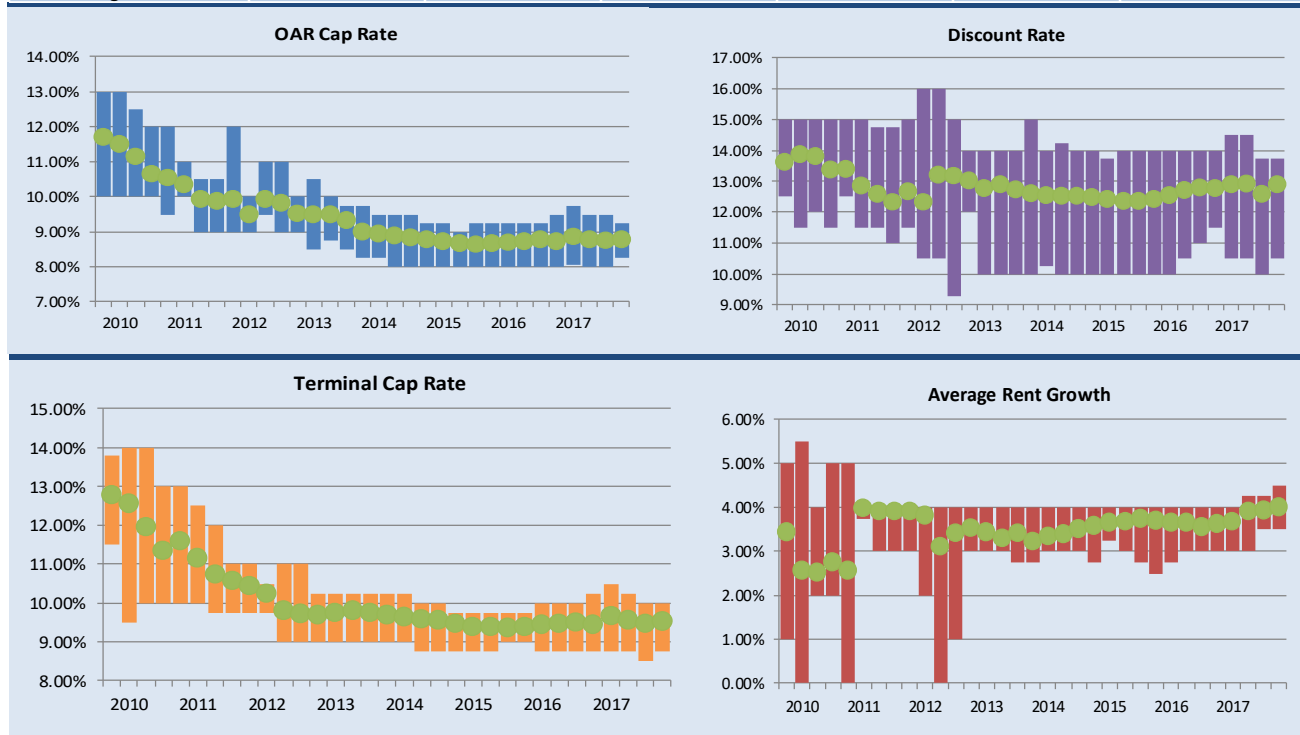
MEXICO REAL ESTATE INVESTOR SURVEY > RETAIL

Survey respondents include 3 investment funds, 5 brokerage firms and 2 consulting firms

The Mexican economy experienced positive growth in fourth quarter 2017, with GDP expanding 1.0 percent quarter-over-quarter. This follows the first contraction since 2013 which occurred in third quarter 2017. Year-over-year, the GDP grew 1.5% in fourth quarter 2017, the full-year growth came in at a four-year low of 2.0 percent in 2017. GDP growth is projected to range between 2.0% to 4.0% in 2018. The Central Bank increased interest rates to 7.50%, this is the ninth consecutive rise since December 2015. However, interest rates are projected to remain flat in 2018. The peso debilitated during the second half of 2017, following a significant recovery during the first six months of the year. The peso is expected to continue fluctuating in the near term. Inflation reached 6.8% in year-end 2017, led by higher food and energy costs that were affected by a weaker currency. The Central Bank projects inflation is near a peak and will decrease in 2018 to 3.0%. Strong demographics and the ongoing growth of the middle class is expected to result in further growth for the next three to five years in the retail sector. However, market participants report consumer spending remains strong despite the currency fluctuation. Vacancy levels in the retail sector are expected to remain stable in the near term. There is growing interest for mixed-use projects in the main metropolitan areas. Cap rates are expected to increase into 2018 as interest rates continue to increase.

SURVEY OF MEXICAN REAL ESTATE INVESTORS > 4th Quarter 2017 Retail Properties

RESPONDENT	OAR CAP RATE	TERMINAL CAP RATE	IRR DISCOUNT RATE	AVERAGE RENT GROWTH	MEXICAN PESO INFLATION	AVERAGE MARKETING PERIOD (MONTHS)
1	8.25%	8.75%	12.50%	3.00%	4.00%	6
2	9.25%	10.00%	13.50%	4.00%	4.00%	12
3	9.00%	9.75%	13.75%	3.50%	3.50%	12
4	8.75%	9.50%	13.00%	3.00%	4.00%	10
5	8.75%	9.50%	13.00%	4.00%	4.50%	9
6	8.75%	9.50%	12.75%	4.00%	4.25%	9
7	9.00%	9.75%	12.75%	4.00%	4.00%	10
8	8.50%	9.25%	10.50%	4.50%	4.00%	8
9	8.75%	9.50%	13.50%	3.00%	3.75%	9
10	8.75%	9.75%	13.50%	4.00%	4.00%	12
Range	8.25% - 9.25%	8.75% - 10.00%	10.50% - 13.75%	3.00% - 4.50%	3.50% - 4.50%	6 - 12
Average	8.78%	9.53%	12.88%	3.70%	4.00%	10
BP Change from 3Q17	+3	+5	+5	-8	+7	—



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MEXICO REAL ESTATE INVESTOR SURVEY > INDUSTRIAL

Survey respondents include 3 investment funds, 3 brokerage firms, 2 developer and 2 consulting firms

The increase in speculative development resulted in higher vacancy levels in the Mexico City market. The northern markets experienced inventory growth mainly driven by built-to-suit, with vacancy rates and rental growth at healthy levels. The Bajío region, which has grown at an accelerated pace in recent years, had the lowest inventory growth over the past five years. However, the region has seen an increase in speculative development, which suggest investor confidence in the market. Overall, market fundamentals in the main industrial regions remain strong. The uncertainty surrounding the NAFTA negotiations has mainly affected the industrial manufacturing sector. However, the ongoing improvements in security and growing government infrastructure investments continue attracting foreign capital. The main drivers in the industrial sector continue to be the manufacturing, automotive and logistic industry. Following several years of cap rate compression, investors expect a slight increase in investment rates into 2018

SURVEY OF MEXICAN REAL ESTATE INVESTORS > 4th Quarter 2017 Industrial Properties

RESPONDENT	OAR CAP RATE	TERMINAL CAP RATE	IRR DISCOUNT RATE	AVERAGE RENT GROWTH	US DOLALR INFLATION	AVERAGE MARKETING PERIOD (MONTHS)
1	8.25%	9.00%	11.75%	2.50%	2.50%	9
2	8.50%	9.00%	11.75%	3.00%	3.00%	6
3	8.50%	8.00%	10.50%	3.00%	3.00%	8
4	7.50%	9.00%	12.00%	2.50%	2.00%	6
5	8.25%	9.50%	12.00%	3.00%	3.00%	8
6	8.75%	9.00%	12.00%	3.00%	3.00%	9
7	8.50%	9.00%	12.50%	3.00%	3.00%	6
8	8.25%	8.75%	10.50%	3.00%	3.00%	6
9	8.25%	8.50%	13.00%	2.00%	3.00%	6
10	8.25%	9.00%	12.00%	2.50%	2.50%	6
Range	7.50% - 8.75%	8.00% - 9.50%	10.50% - 13.00%	2.00% - 3.00%	2.00% - 3.00%	6 - 9
Average	8.28%	8.88%	11.80%	2.75%	2.80%	7
BP Change from 3Q17	+5	+2	-5	+5	0	—

