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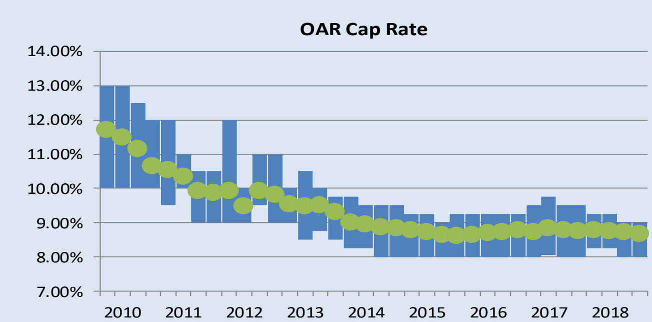
MEXICO REAL ESTATE INVESTOR SURVEY > RETAIL

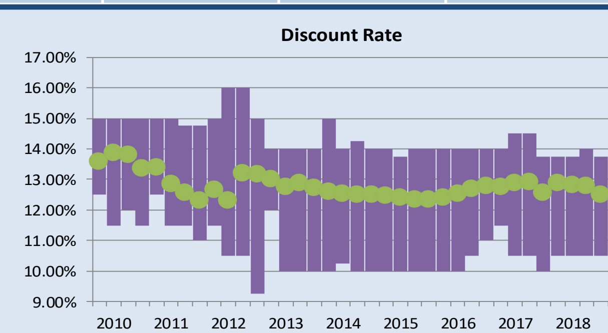
Survey respondents include 3 investment funds, 3 brokerage firms, 3 consulting firms and 1 developer

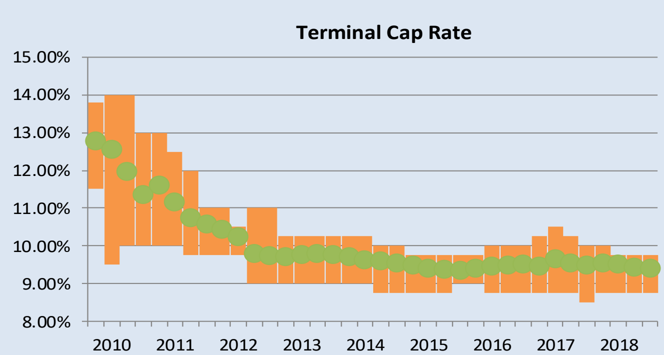
The Mexican economy experienced positive growth in third quarter 2018, with GDP expanding 0.9% quarter-over-quarter, reversing from a 0.2% contraction the prior quarter. The change was driven by higher growth in the industrial sector, coupled with faster growth in the primary and service sectors. Year-over-year, the economy grew 2.6%. GDP growth is projected to finish 2018 at 2.3% and range between 2.5% and 3.5% in 2019. The Central Bank kept interest rates unchanged at 7.75%. However, a 25-basis point increase is expected before year-end 2018. The Central Bank has increased investment rates 450 basis points since December 2015. The peso weakened during third quarter 2018, falling to a multi-month low following the vote to scrap the plans for the new Mexico City Airport. In addition, the currency has been affected by international commercial tensions in recent months. The peso is expected to continue fluctuating in the near term. Inflation reached 5.02% year-on-year in September, led by higher food and energy costs that were affected by a weaker currency. This surpassed the Central Bank inflation target of 2.0% to 4.0%. Inflation is expected to remain high for the last three months of the year. The Central Bank expects inflation to stabilize near 3.0% in 2019. 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. Market participants report consumer spending remains strong despite the currency fluctuation, along with national and international political turbulence. Vacancy levels in the retail sector are expected to remain stable in the near term. Cap rates are expected to increase in 2019.

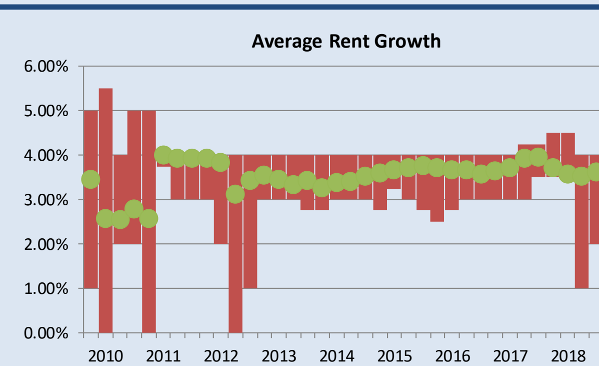
SURVEY OF MEXICAN REAL ESTATE INVESTORS > 3rd Quarter 2018 Retail Properties

RESPONDENT	OAR CAP RATE	TERMINAL CAP RATE	IRR DISCOUNT RATE	AVERAGE RENT GROWTH	MEXICAN PESO INFLATION	AVERAGE MARKETING PERIOD (MONTHS)
1	8.75%	9.50%	13.00%	3.50%	4.00%	9
2	9.00%	9.75%	13.75%	4.00%	4.00%	9
3	9.00%	9.75%	12.00%	4.00%	4.00%	12
4	8.50%	9.25%	10.50%	4.00%	4.00%	9
5	8.75%	9.50%	12.00%	4.00%	4.25%	9
6	8.75%	9.25%	13.50%	4.00%	4.00%	6
7	8.75%	9.50%	13.50%	3.00%	3.75%	9
8	8.75%	9.50%	13.00%	3.50%	4.00%	8
9	8.00%	8.75%	12.50%	2.00%	4.00%	9
10	8.50%	9.25%	11.25%	4.00%	4.00%	9
Range	**8.00% - 9.00%**	**8.75% - 9.75%**	**10.50% - 13.75%**	**2.00% - 4.00%**	**3.75% - 4.25%**	**6 – 12**
Average	**8.68%**	**9.40%**	**12.50%**	**3.60%**	**4.00%**	**9**
BP Change from 2Q18	**-5**	**-3**	**-27**	**+10**	**0**	**—**









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MEXICO REAL ESTATE INVESTOR SURVEY > INDUSTRIAL

Survey respondents include 3 investment funds, 1 brokerage firms, 3 developer and 3 consulting firms

Mexico City and other interior markets continue showing positive rent growth as vacancy levels remain low, despite significant inventory growth. Overall, market fundamentals in the main industrial regions remain strong. However, the revised NAFTA – now known as USMCA - is expected to have a negative effect on the auto industry in Mexico, which could affect the sustained growth of Bajio and other regions with big auto-related investment. Under the new agreement, there are tighter rules of origin requirements that are expected to result in higher auto prices due to higher input cost. The new deal, which could affect the entire North American auto industry, will take place during a four-year phase-in period beginning in 2020, if the USMCA is ratified. The new requirements could result in higher prices and a potential loss of the global auto market share. In addition, the different metal tariffs introduced by the US could further affect the industry if they are not lifted. Dispite the projected effects of USMCA, 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 cap rates to remain stable into 2019.

SURVEY OF MEXICAN REAL ESTATE INVESTORS > 3rd Quarter 2018 Industrial Properties

RESPONDENT	OAR CAP RATE	TERMINAL CAP RATE	IRR DISCOUNT RATE	AVERAGE RENT GROWTH	US DOLALR INFLATION	AVERAGE MARKETING PERIOD (MONTHS)
1	7.50%	8.00%	10.00%	3.00%	3.00%	8
2	8.50%	9.25%	12.00%	2.50%	2.50%	6
3	8.50%	9.00%	12.00%	3.00%	3.00%	9
4	8.25%	9.00%	11.75%	1.00%	2.00%	9
5	8.00%	8.75%	14.00%	2.00%	3.00%	6
6	8.25%	9.00%	12.50%	3.00%	3.00%	6
7	8.25%	9.00%	11.75%	3.00%	3.00%	8
8	8.50%	9.25%	12.00%	3.00%	3.00%	9
9	8.25%	8.75%	11.00%	3.00%	2.50%	6
10	8.50%	9.00%	11.00%	3.00%	3.00%	6
Range	**7.50% - 8.75%**	**8.00% - 9.25%**	**10.00% - 14.00%**	**1.00% - 3.00%**	**2.00% - 3.00%**	**6 – 9**
Average	**8.25%**	**8.90%**	**11.80%**	**2.65%**	**2.80%**	**7**
BP Change from 2Q18	**-3**	**-3**	**-13**	**+5**	**0**	**—**