

Selina McUmbler, MAI, MRICS
PRINCIPAL

Felipe Cabada
DIRECTOR



MEXICO REAL ESTATE INVESTOR SURVEY > RETAIL

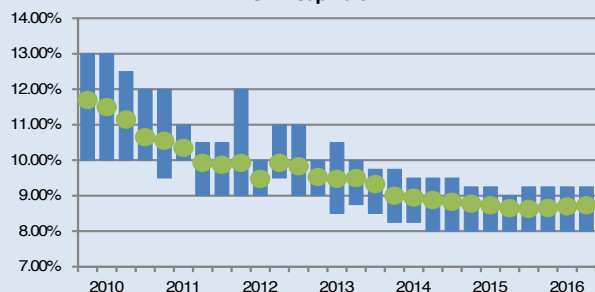
Survey respondents include 4 investment funds, 4 brokerage firms and 2 consulting firms

The Mexican economy experienced positive growth in first quarter 2016, with GDP expanding 0.8 percent quarter-over-quarter. Year-over-year, the GDP grew to 2.6% in the first quarter of 2016, an increase from 2.5% and 2.1% in 2014 and 2015, respectively. Industrial and agricultural production increased 1.2% and 3.5%, respectively, in second quarter 2016. This is the highest level of growth in two years and significantly above the year-start estimates. The Central Bank kept interest rates unchanged at 3.75%. The Mexican Peso experienced a slight rebound against the US dollar during second quarter 2016. However, the peso remains well above historical lows and is expected to continue fluctuating in the near term. Inflation reached 2.6% in second quarter, near the estimated 3.0% for 2016. Economic growth forecasts for 2016 are expected to range between 2% and 4%. Strong demographics and the ongoing growth of the middle class is expected to result in accelerated growth for the next three to five years in the retail sector. New inventory deliveries are expected in Mexico City and Monterrey, with a slight decrease in tier-two markets. Vacancy levels in the retail sector are expected to remain stable in the near term. Cap rates are expected to remain stable in 2016. However, some investors consider the market has peaked and current pricing is not sustainable.

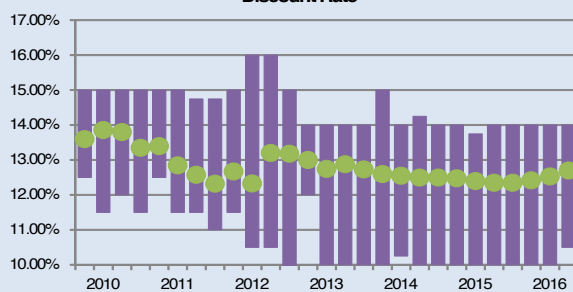
SURVEY OF MEXICAN REAL ESTATE INVESTORS > 2nd Quarter 2016 Retail Properties

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%	12.50%	4.00%	4.25%	10
2	9.00%	9.50%	10.50%	4.00%	3.50%	9
3	8.75%	9.75%	14.00%	3.00%	3.75%	8
4	8.50%	9.25%	14.00%	4.00%	3.00%	10
5	8.00%	8.75%	13.00%	3.75%	3.50%	9
6	9.25%	10.00%	12.25%	4.00%	3.50%	12
7	8.50%	9.25%	12.50%	3.50%	3.50%	8
8	8.75%	9.50%	13.00%	3.00%	3.25%	9
9	8.75%	9.50%	13.00%	3.25%	3.25%	9
10	9.00%	9.75%	12.25%	4.00%	3.75%	8
Range	8.00% - 9.25%	8.75% - 10.00%	10.50% - 14.00%	3.00% - 4.00%	3.00% - 4.25%	8 - 12
Average	8.73%	9.48%	12.70%	3.65%	3.53%	9
BP Change from 1Q16	+3	+3	+17	0	+7	—

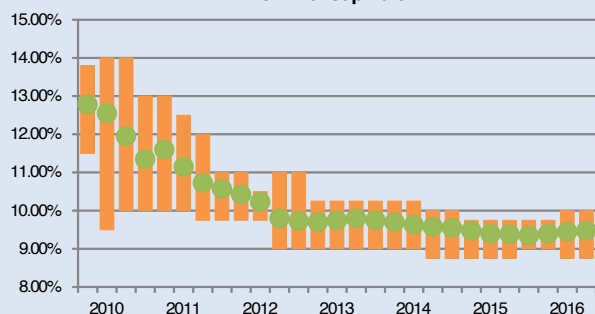
OAR Cap Rate



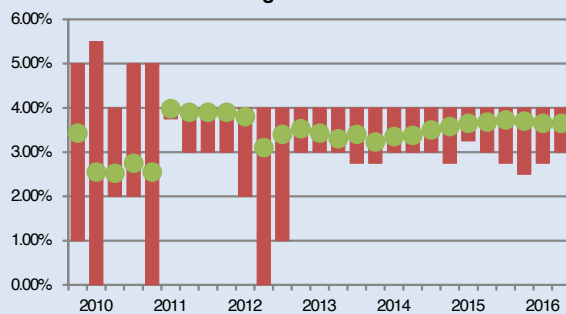
Discount Rate



Terminal Cap Rate



Average Rent Growth



Selina McUmer, MAI,
MRICS
PRINCIPAL

Felipe Cabada
DIRECTOR



MEXICO REAL ESTATE INVESTOR SURVEY > INDUSTRIAL

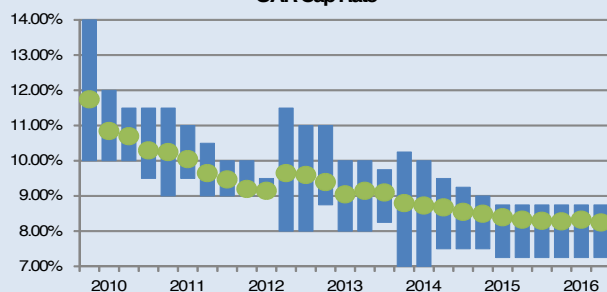
Survey respondents include 4 investment funds, 3 brokerage firms, 2 developers and 1 consulting firms

Despite the slight recovery of the Peso in recent months, the external competitiveness of local exporters is on the rise. Mexico City and other interior markets continue showing positive rent growth as vacancy levels remain low despite significant inventory growth. Over 80% of new inventory delivered in the interior of the country is built-to-suit. The number of deliveries has steadily increased driven by auto parts manufacturers in the Bajío region. The ongoing improvements in security and growing government infrastructure investments are attracting foreign capital. Growing demand is expected to continue driving rents upward. Buyers are becoming more aggressive on the pricing of industrial assets in the interior region. In the northern markets, absorption has not been able to keep up with new inventory deliveries. However, vacancy levels remain lower than over the past three years and rents are projected to continue growing near inflation after years of flat growth. The outlook for the main northern markets is positive. However, the smaller northern markets continue to struggle. With the projected rent growth in the primary northern markets, the rents in smaller markets are expected to stay flat and vacancy levels to increase as new Class A inventory enters the market. Overall, pricing in the industrial sector is expected to remain stable in the near term with potential compression in the interior markets.

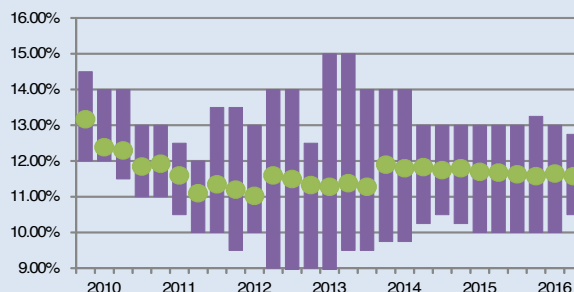
SURVEY OF MEXICAN REAL ESTATE INVESTORS > 2nd Quarter 2016 Industrial Properties

RESPONDENT	OAR CAP RATE	TERMINAL CAP RATE	IRR DISCOUNT RATE	AVERAGE RENT GROWTH	US DOLALR INFLATION	AVERAGE MARKETING PERIOD (MONTHS)
1	8.50%	9.25%	11.00%	3.00%	3.00%	10
2	8.50%	9.25%	11.50%	2.00%	3.00%	6
3	7.25%	8.00%	11.00%	3.00%	3.00%	6
4	8.25%	9.00%	10.50%	3.00%	3.00%	6
5	8.50%	9.25%	10.75%	2.75%	3.00%	6
6	8.00%	8.50%	12.75%	3.00%	2.50%	6
7	8.50%	9.25%	12.75%	3.00%	2.75%	6
8	8.75%	9.50%	12.00%	3.00%	3.00%	8
9	8.00%	8.75%	11.00%	3.00%	2.50%	6
10	8.25%	9.00%	12.50%	3.00%	3.00%	6
Range	7.25% - 8.75%	8.00% - 9.50%	10.50% - 12.75%	2.00% - 3.25%	2.50% - 3.00%	4 - 9
Average	8.25%	8.98%	11.58%	2.88%	2.88%	6
BP Change from 1Q16	-8	-10	-8	0	-3	—

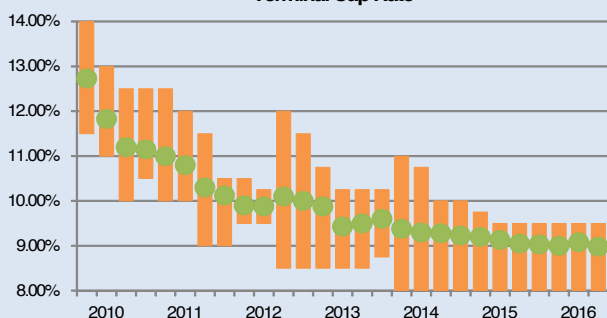
OAR Cap Rate



Discount Rate



Terminal Cap Rate



Average Rent Growth

