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**MEXICO REAL ESTATE INVESTOR SURVEY > RETAIL**

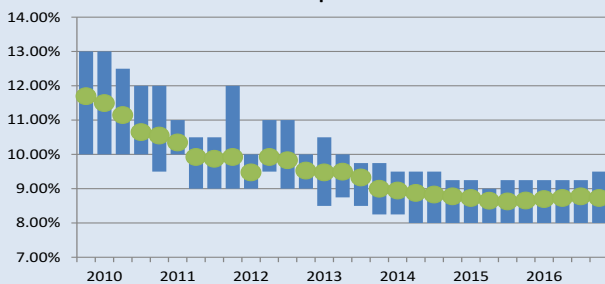
Survey respondents include 6 investment funds, 3 brokerage firms and 1 consulting firms

The Mexican economy experienced positive growth in third quarter 2016, with GDP expanding 1.0% quarter-over-quarter. Year-over-year, the GDP grew to 2.0% in third quarter 2016. The Central Bank increased interest rates to 5.75% in an effort to mitigate inflationary pressure. This move brings interest rates to the highest level in eight years. The Mexican Peso reached a historical low against the US dollar during fourth quarter 2016. Uncertainty over increases in interest rates by the US Fed are expected to place further downward pressure on the Peso. The end of the Pemex oil monopoly lead to the removal of oil subsidies by the government. This, coupled with the increasing price of crude, resulted in over a 20% increase in oil prices. Potential tax incentives for US manufactures and higher tax rates on imports proposed by the Trump administration is a major concern among market participants. Inflation reached 3.36% in 2016. This is an increase over the historical low of 2.1% registered in 2015. For 2017, inflation is expected to range between 4.00% and 5.00%, higher than the government target of 4.00%. Economic growth forecasts for 2017 are expected to range between 2% and 3%. Chedraui will open 27 new stores in 2017 following Walmart's 24 store openings in 2016. Despite recent events, retail sales continue to increase at a healthy pace while the number of stores increased 9 percent year-over-year. There is wide variability among market participants on how current events will impact the retail market. North American and European funds see the depreciation of the Peso as an opportunity to increase their position in the market. However, local investors are on a holding pattern until the outlook becomes clearer. FIBRAS and large capital investors that do not need liquidity are expected to hold retail assets. Cap rates are expected to remain stable in the near term.

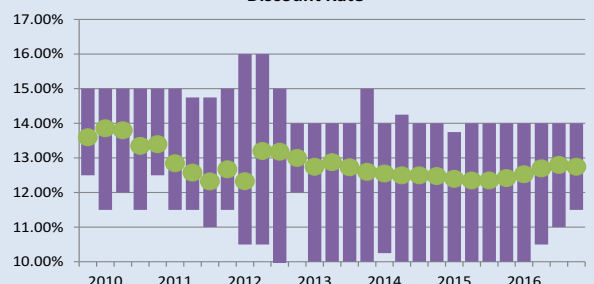
**SURVEY OF MEXICAN REAL ESTATE INVESTORS > 4<sup>th</sup> Quarter 2016 Retail Properties**

RESPONDENT	OAR CAP RATE	TERMINAL CAP RATE	IRR DISCOUNT RATE	AVERAGE RENT GROWTH	MEXICAN PESO INFLATION	AVERAGE MARKETING PERIOD (MONTHS)
1	8.50%	9.25%	12.50%	3.50%	3.50%	8
2	9.00%	9.50%	13.50%	3.00%	3.25%	10
3	9.00%	9.75%	12.00%	4.00%	3.50%	12
4	8.00%	8.75%	13.00%	4.00%	4.00%	9
5	8.50%	9.25%	13.50%	3.00%	3.75%	6
6	9.50%	10.25%	11.50%	3.50%	4.00%	12
7	8.50%	9.25%	14.00%	4.00%	4.00%	10
8	8.75%	9.50%	12.00%	4.00%	3.75%	8
9	8.75%	9.50%	12.50%	4.00%	4.25%	10
10	8.75%	9.50%	13.00%	3.25%	3.25%	9
<b>Range</b>	<b>8.00% - 9.50%</b>	<b>8.75% - 10.25%</b>	<b>11.50% - 14.00%</b>	<b>3.00% - 4.00%</b>	<b>3.25% - 4.25%</b>	<b>6 - 12</b>
<b>Average</b>	<b>8.73%</b>	<b>9.45%</b>	<b>12.75%</b>	<b>3.63%</b>	<b>3.73%</b>	<b>9</b>
<b>BP Change from 3Q16</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>+7</b>	<b>+12</b>	<b>—</b>

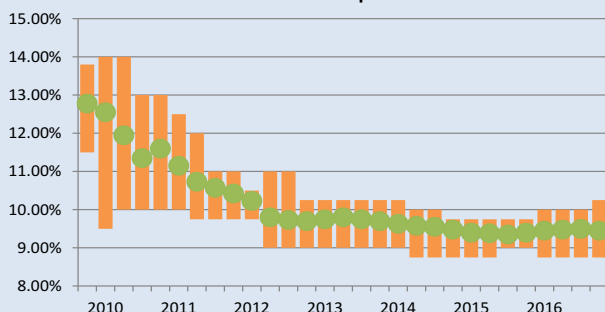
OAR Cap Rate



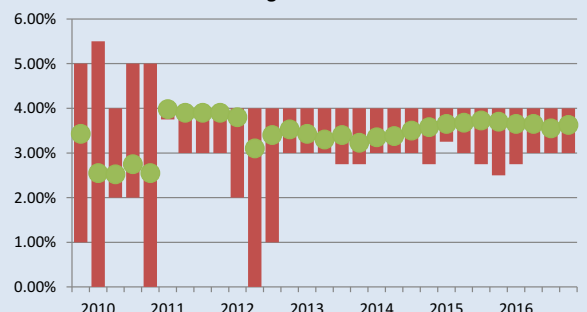
Discount Rate



Terminal Cap Rate



Average Rent Growth



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**MEXICO REAL ESTATE INVESTOR SURVEY > INDUSTRIAL**

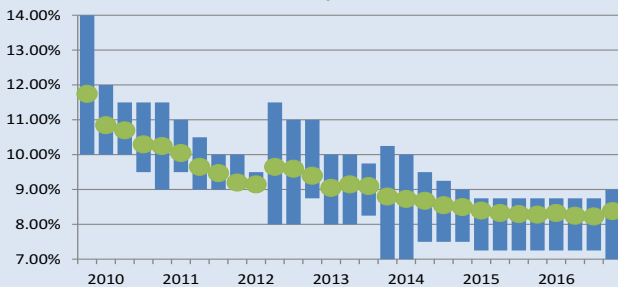
Survey respondents include 6 investment funds, 2 brokerage firms, 1 developer and 1 consulting firms

The depreciation of the Peso continues benefiting local exporters. The auto industry continues to lead the way in the industrial sector with sustained growth in the Bajio region. However, car manufacturers are feeling the pressure from the US with President Trump's threat to impose tariffs on vehicles assembled in Mexico. This resulted in Ford Motor Company cancelling a US\$1.6 billion expansion in the country. Toyota and Nissan, which have invested a combined US\$24 billion since 2010, are expected to slow down expansion plans until the outlook becomes clearer. In the northern markets, absorption has not been able to keep up with new inventory deliveries. However, investors are confident vacancy levels will remain below recent highs and rents growth will increase in the near term. The outlook for the main northern markets has gotten cloudier following the potential renegotiation of NAFTA. The smaller northern markets continue to struggle as the primary markets recapture market share. Overall, pricing in the industrial sector is expected to fluctuate in 2017 until there is a clearer view on the impact of US anticipated decisions on trade agreements, imports and taxes. Despite the negative outlook, FIBRAs continue investing in the industrial market with Terrafina recently announcing the acquisition of two industrial portfolios totaling 51 assets. The US\$381 million and US\$41 million portfolios traded at a reported 7.6% and 7.8% cap rate, respectively. Investors are unsure of the extent that regulatory changes by the US will have on the Mexican economy. However, the general outlook for the industrial market is negative.

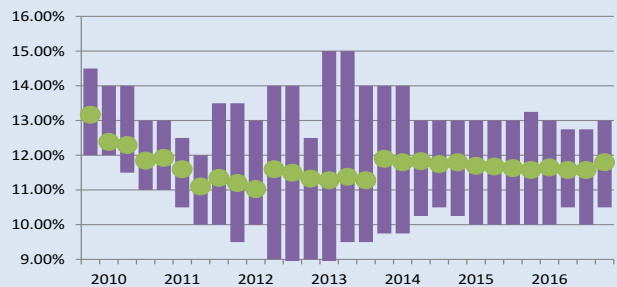
**SURVEY OF MEXICAN REAL ESTATE INVESTORS > 4<sup>th</sup> Quarter 2016 Industrial Properties**

RESPONDENT	OAR CAP RATE	TERMINAL CAP RATE	IRR DISCOUNT RATE	AVERAGE RENT GROWTH	US DOLALR INFLATION	AVERAGE MARKETING PERIOD (MONTHS)
1	8.25%	9.00%	10.50%	3.00%	3.00%	6
2	8.75%	9.50%	13.00%	2.00%	3.00%	6
3	7.00%	7.75%	11.00%	3.00%	3.00%	4
4	9.00%	9.50%	12.00%	2.00%	3.00%	6
5	8.25%	9.00%	12.00%	3.00%	2.50%	6
6	8.25%	9.00%	11.00%	2.50%	3.00%	8
7	8.50%	9.25%	10.75%	2.75%	3.00%	6
8	8.75%	9.50%	12.00%	3.00%	3.00%	8
9	8.50%	9.00%	13.00%	3.00%	2.50%	6
10	8.50%	9.25%	12.75%	3.00%	2.75%	6
<b>Range</b>	<b>7.00% - 9.00%</b>	<b>7.75% - 9.50%</b>	<b>10.50% - 13.00%</b>	<b>2.00% - 3.00%</b>	<b>2.50% - 3.00%</b>	<b>4 - 8</b>
<b>Average</b>	<b>8.38%</b>	<b>9.08%</b>	<b>11.80%</b>	<b>2.73%</b>	<b>2.88%</b>	<b>6</b>
<b>BP Change from 3Q16</b>	<b>+15</b>	<b>+13</b>	<b>+23</b>	<b>-15</b>	<b>0</b>	<b>—</b>

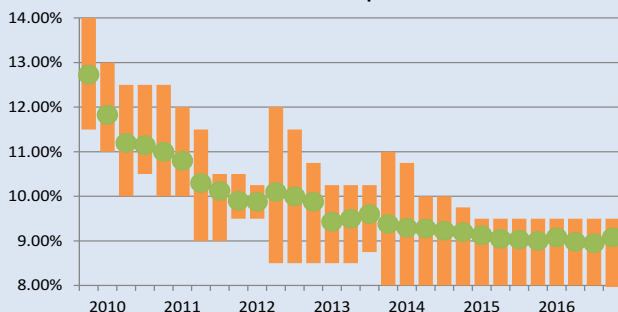
OAR Cap Rate



Discount Rate



Terminal Cap Rate



Average Rent Growth

