LOGAN

INVESTMENT REPORT

Colombia – 2024

www.loganvaluation.com

Photo by Alejandro Arango

METHODOLOGY

This report combines three methodological approaches:

Assets Under Management (AUM): Data was sourced from the financial statements of real estate vehicles provided by the Financial Superintendence of Colombia and direct reports from asset managers. Figures are presented in Colombian pesos (COP) and may vary from previous reports due to the inclusion of new managers or updated data. Institutional shopping center operators and other vehicles such as trusts are excluded.

General Partners (GPs) Report: Based on LOGAN's 2024 surveys. Some categories may show outliers, and the hotel sector is excluded in certain cases due to limited responses. Variations from past reports are due to new survey responses.

Limited Partners (LPs) Report: Also derived from 2024 surveys, with changes resulting from additional responses after the initial publication.

This comprehensive approach provides a more accurate analysis of the sector.

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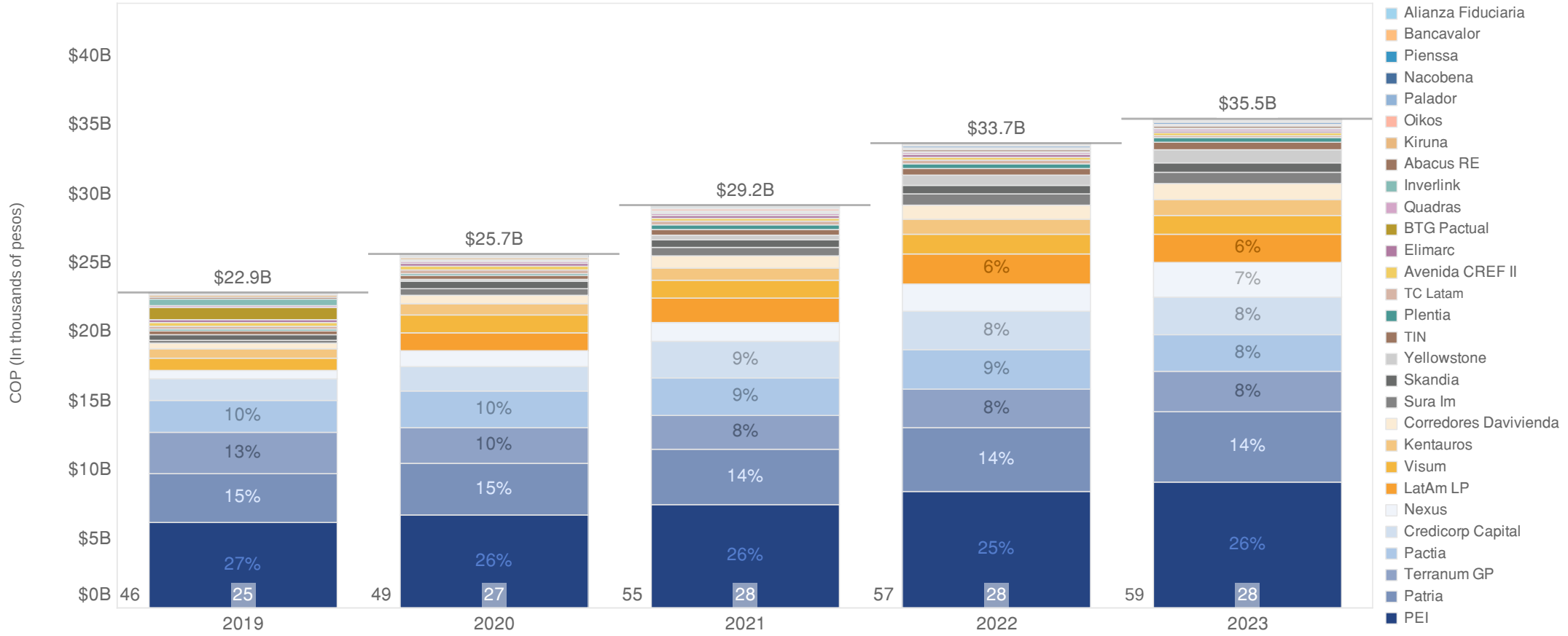
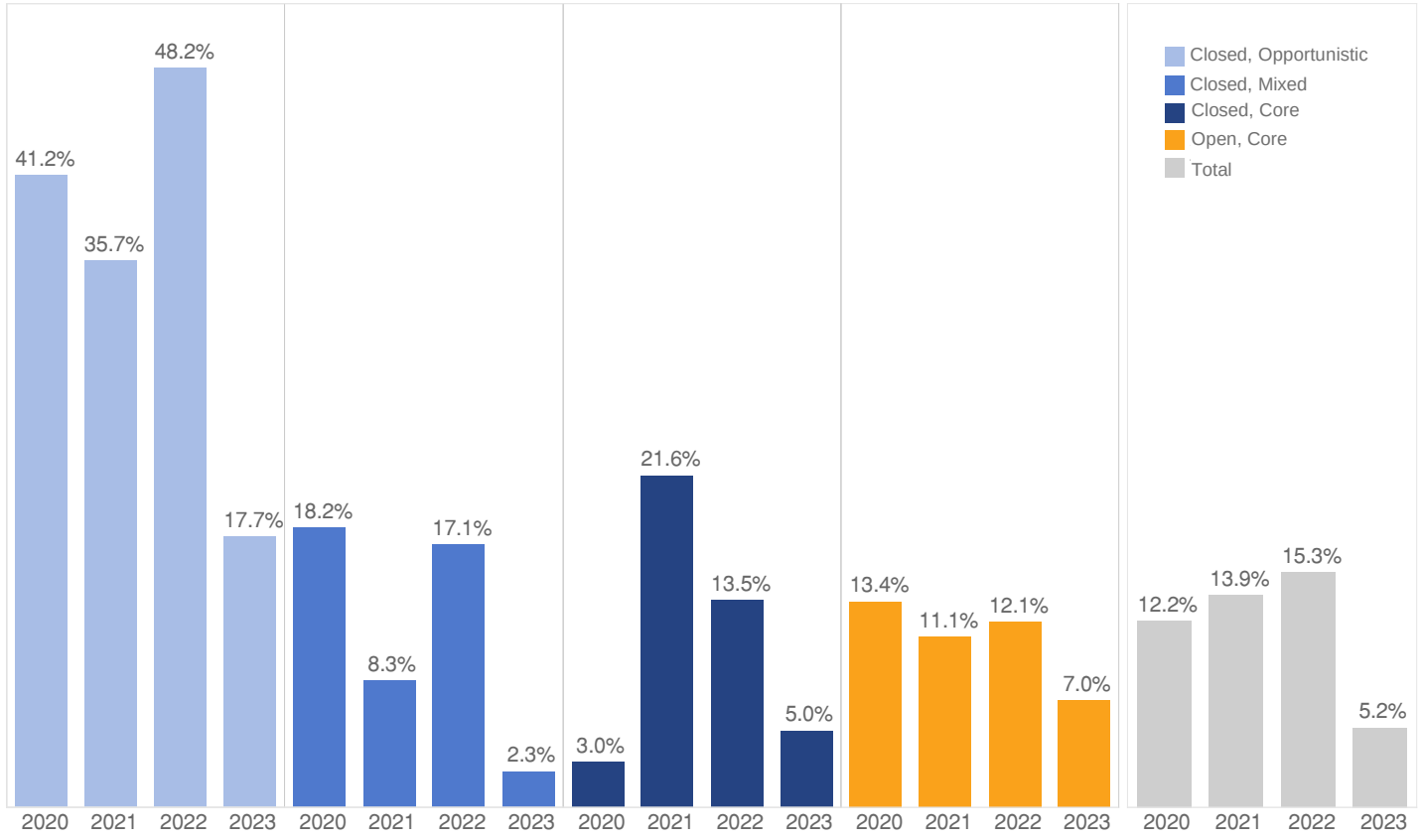
ASSETS UNDER MANAGEMENT (AUM)

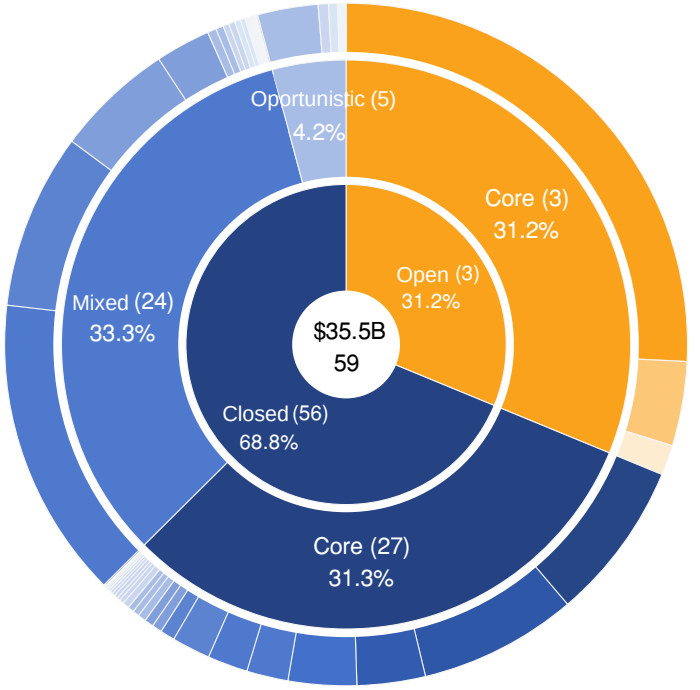
At the close of 2023, there are 59 vehicles managed by 28 asset managers. This year, we have observed a slowdown in growth, attributed to decreased investor interest. Despite this trend, over 75% of AUM is concentrated among only seven managers, highlighting a significant concentration within a select group.



ANNUAL AUM GROWTH BY FUND TYPE AND STRATEGY

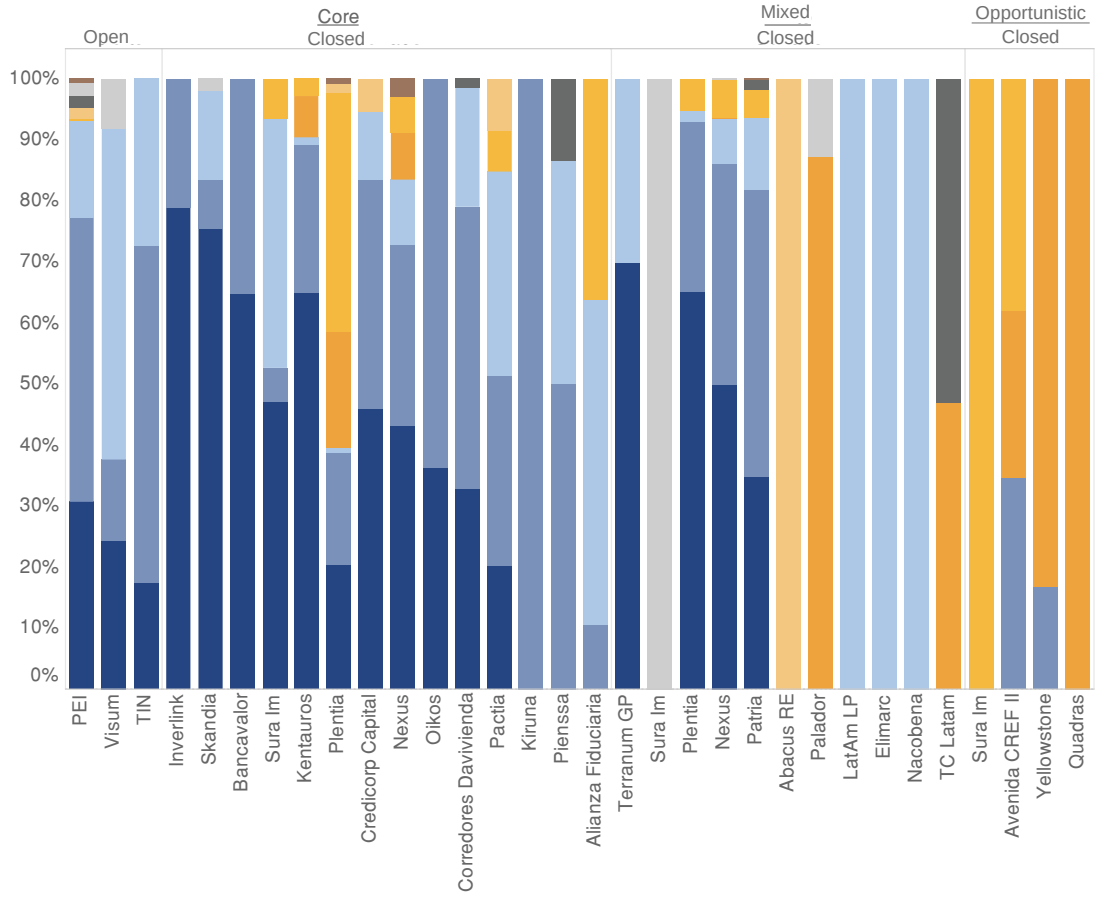
In general, the value of assets under management (AUM) for regulated real estate vehicles has grown moderately over the past four years. **Open-ended funds with a Core strategy have tended to be more stable and less volatile. In contrast, funds with an Opportunistic strategy have experienced more notable growth,** partly because there are fewer funds in this category and because they are focusing on large-scale residential projects for sale.

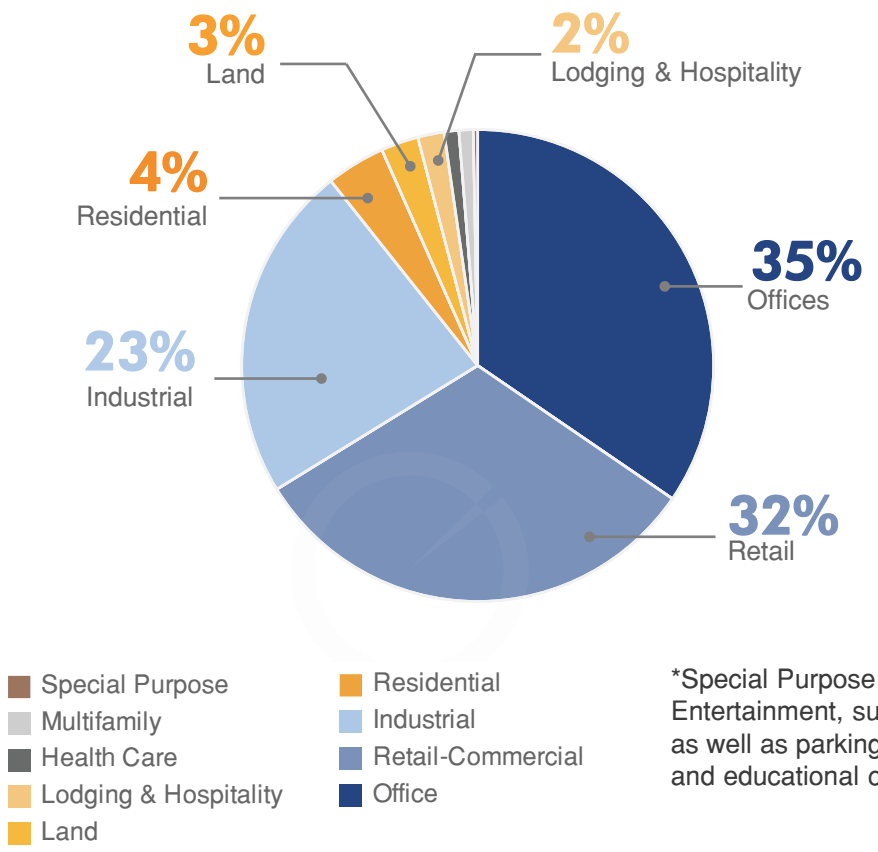




ASSETS UNDER MANAGEMENT BY SECTOR

The distribution of investments is concentrated in the Office, Industrial, and Retail sectors. On the other hand, investment in Hotels, Healthcare, and Multifamily is low, although continuous growth is expected in these sectors. Investment vehicles with a Core strategy tend to be more diversified across sectors. In contrast, vehicles with an Opportunistic strategy tend to focus on residential projects for sale.

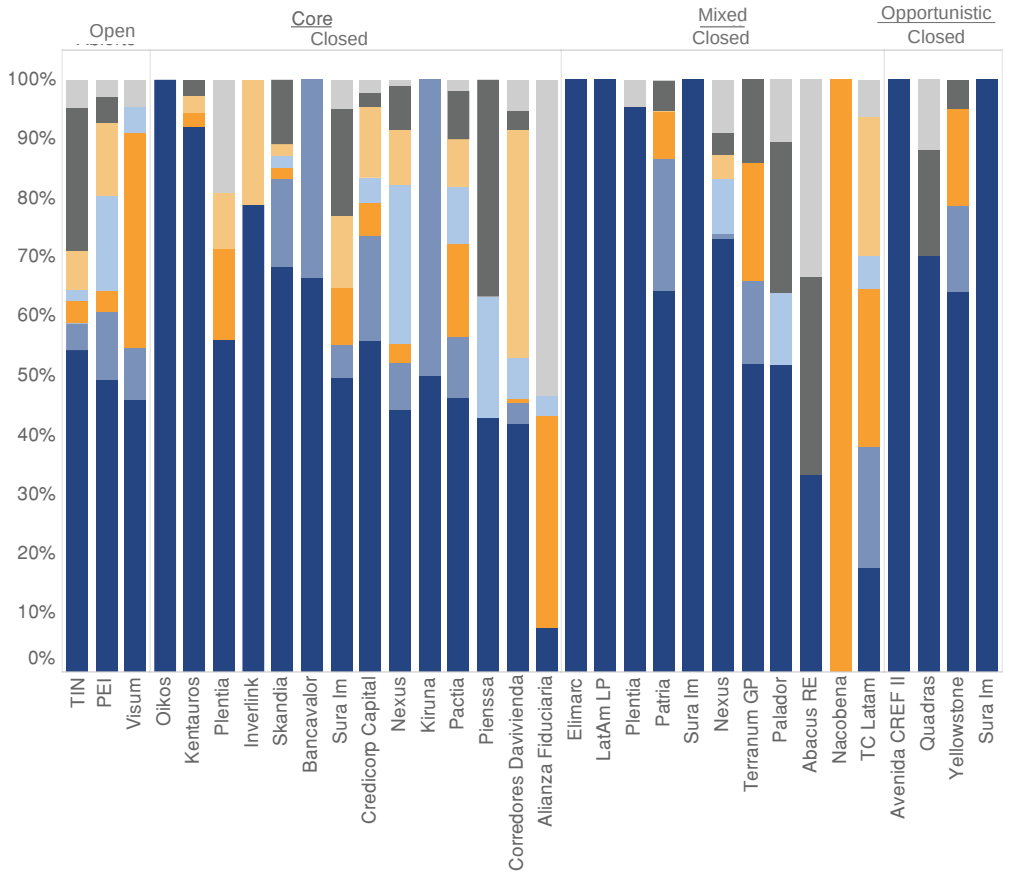


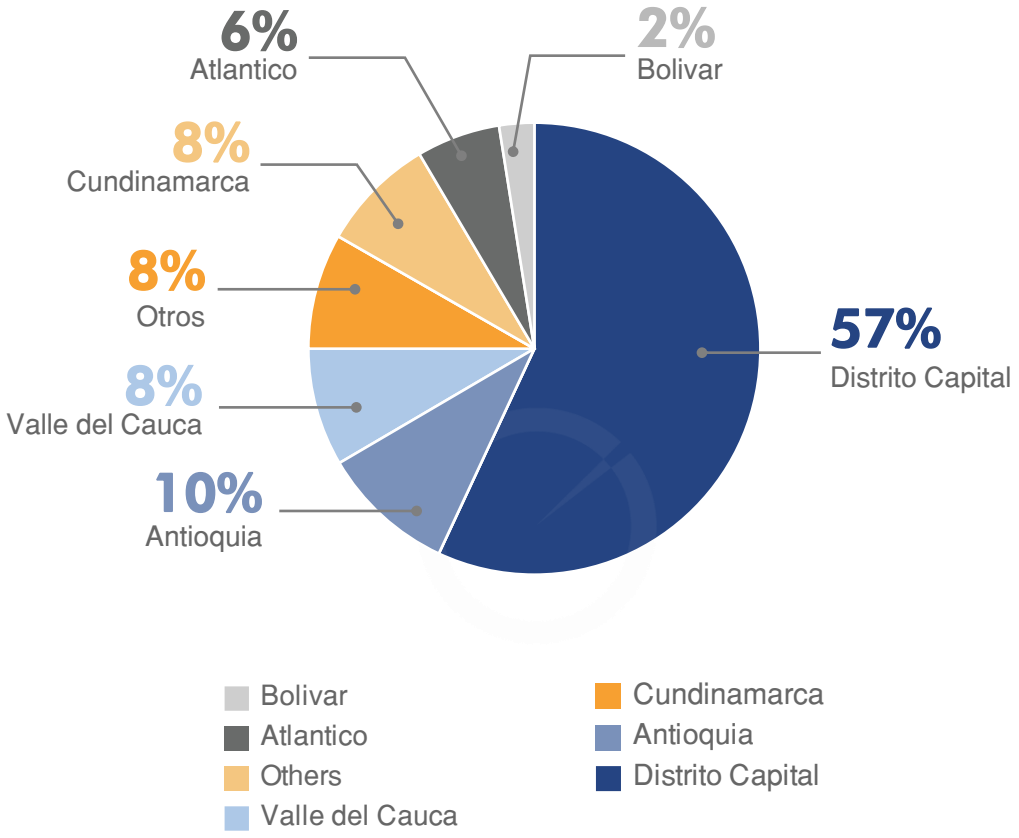


*Special Purpose: Entertainment, such as clubs; as well as parking spaces and educational centers.

ASSETS UNDER MANAGEMENT BY GEOGRAPHICAL LOCATION

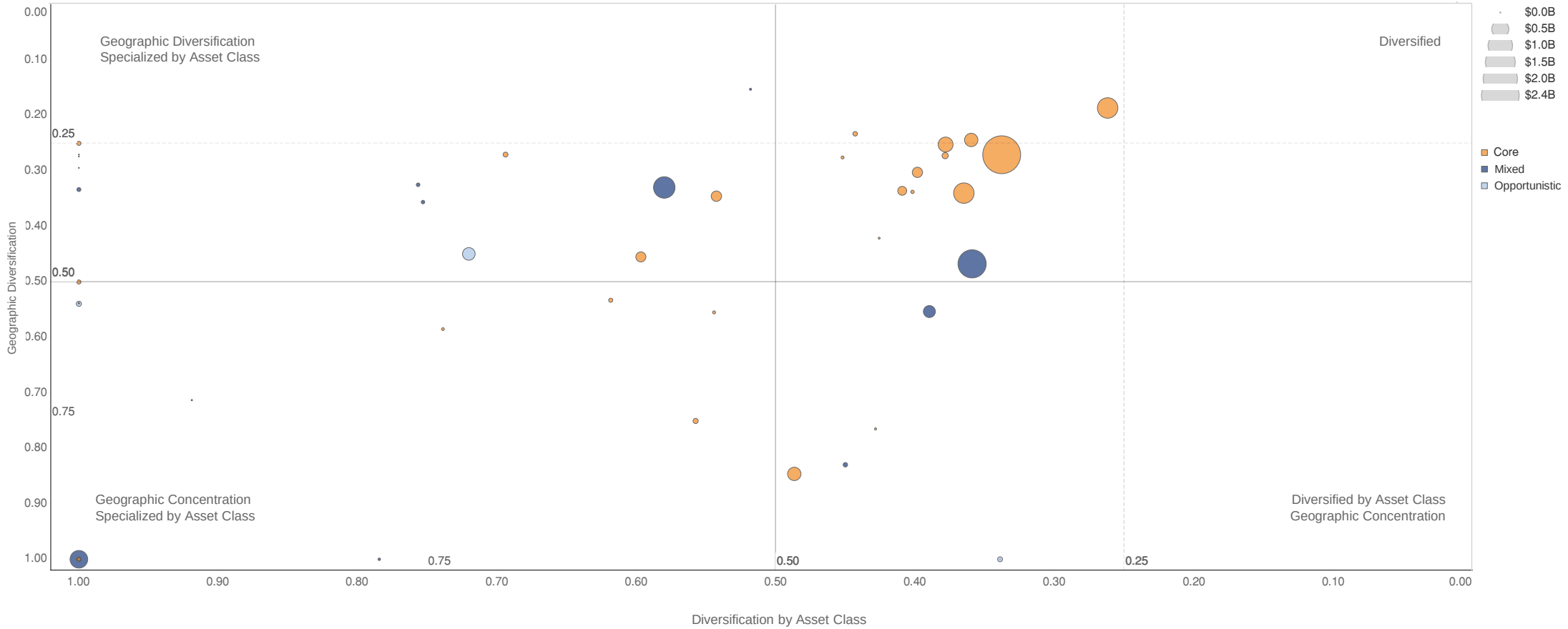
Although major cities such **as Bogota, Medellin, Cali, and Barranquilla account for the majority of the value of assets under management,** tax incentives for businesses are encouraging the search for opportunities in secondary cities. Therefore, real estate managers and developers should consider offering properties in these locations to capture demand. Additionally, acquisition costs in these less developed cities are much lower, making them even more attractive to businesses.





DIVERSIFICATION

The chart presents the Herfindahl-Hirschman Index (HHI) by sector on the x-axis and the HHI by geography on the y-axis. Both axes are inverted, meaning that the closer the points are to zero on both axes, the greater the diversification of the fund. **This chart allows us to visualize how larger funds, particularly those with a Core strategy, tend to be more diversified both by sector and geography.** In contrast, some of the closed-end funds shown in the chart are more specialized, focusing on a specific sector or city, or even both.

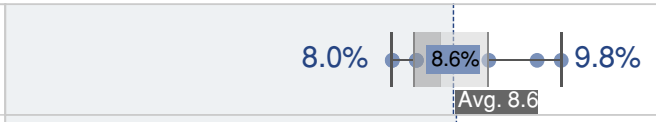
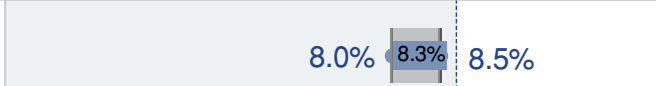
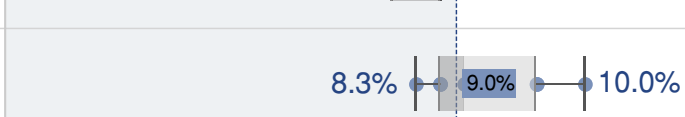
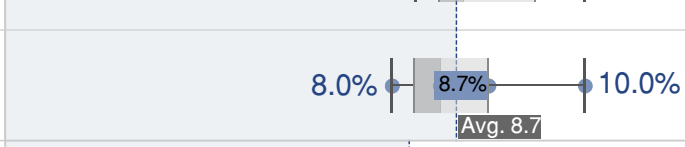
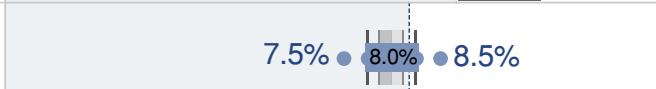
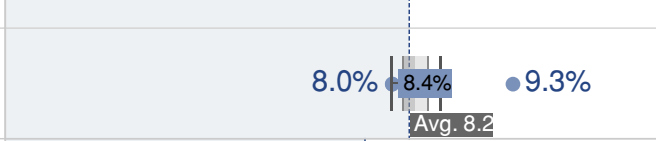
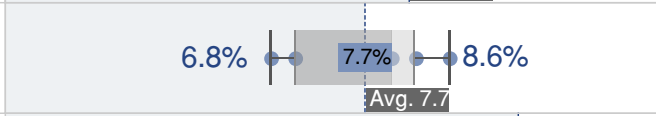
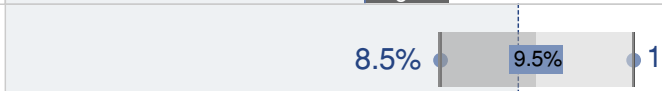
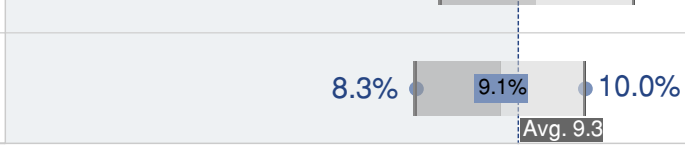


NET CAPITALIZATION RATES

According to the survey respondents, **the Multifamily sector records the lowest rate, reflecting a greater understanding of this new asset class, with the first projects showing historical performance.** This segment has attracted significant interest from investors due to its depth and potential, although its financial viability may be complicated. On the other hand, the healthcare sector presents the highest rate, due to the reform and the uncertainty surrounding the sector. As these factors become clearer and uncertainty decreases, the rate may stabilize over time.

Sector	2021	2022	2023	2024	2021	2022	2023	2024	Pron. 2025
Offices	9.0% / 7.3%	10.0% / 7.0%	10.0% / 7.5%	9.8% / 8.0%	8.1%	8.2%	8.5%	8.6%	↘
Retail	12.0% / 7.0%	10.0% / 7.0%	9.0% / 7.0%	10.0% / 8.0%	8.3%	8.3%	8.2%	8.7%	↘
Industrial	8.1% / 7.0%	9.0% / 6.0%	10.0% / 7.0%	9.3% / 7.5%	7.5%	7.6%	8.0%	8.2%	↘
Multifamily	8.8% / 6.5%	11.0% / 6.0%	10.0% / 7.0%	8.6% / 6.8%	7.8%	8.0%	8.4%	7.7%	↘
Healthcare	nd	10.0% / 6.5%	10.5% / 7.0%	10.5% / 8.3%	nd	8.0%	8.7%	9.3%	↗
Lodging & Hospitality	10.5% / 8.0%	13.0% / 7.0%	12.0% / 6.0%	8.8% / 8.5%	9.0%	9.3%	9.3%	8.6%	↘

NET CAPITALIZATION RATES 2024

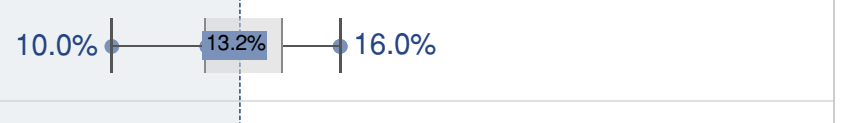
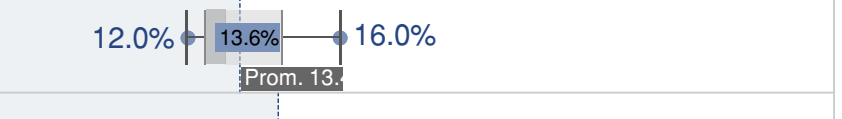
Offices	Offices	
Retail	Regional Shopping Center	
	Neighborhood Shopping Center (Convenience)	
	Standalone	
Industrial	Logistics	
	Manufacturing	
Multifamily	Multifamily	
Healthcare	High Complexity	
	Low Complexity	

INTERNAL RATE OF RETURN (IRR)

Due to several factors, such as the rapid increase in interest rates and political and economic uncertainty, rates have been rising since 2022 across all sectors. However, recently, **with a shift in interest rate trends and the political cycle entering its final phase, there is a growing sense of optimism.** If expectations continue in this direction, we could observe a gradual improvement, although it may take longer than anticipated. A drastic adjustment in rates is not expected, but rather a gradual one.

Sector	2021	2022	2023	2024	2021	2022	2023	2024	Pron. 2025
Offices	13.0% / 10.0%	14.0% / 10.0%	15.0% / 10.0%	18.0% / 10.5%	11.1%	11.6%	13.0%	13.7%	↘
Retail	14.0% / 8.0%	16.0% / 10.0%	16.0% / 11.0%	20.0% / 10.5%	11.4%	12.3%	13.2%	13.5%	→
Industrial	11.0% / 9.0%	12.0% / 9.5%	14.0% / 10.0%	16.0% / 10.0%	10.2%	10.9%	11.9%	13.4%	↘
Multifamily	12.0% / 7.0%	15.0% / 10.0%	18.0% / 10.0%	18.0% / 12.0%	10.5%	11.5%	14.1%	14.4%	→
Healthcare	nd	15.0% / 10.0%	18.0% / 10.5%	15.5% / 13.5%	nd	11.9%	13.1%	14.5%	→
Lodging & Hospitality	20.0% / 11.0%	19.0% / 10.0%	20.0% / 12.5%	14.0% / 13.0%	13.0%	13.6%	15.2%	13.7%	↘

INTERNAL RATE OF RETURN (IRR) 2024

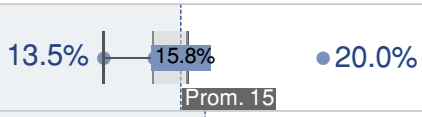
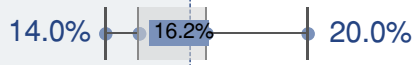
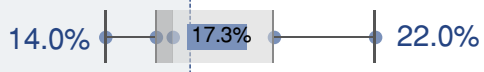
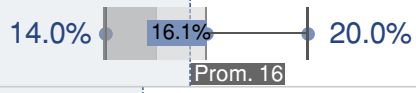
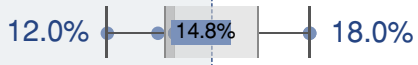
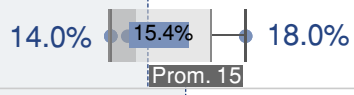
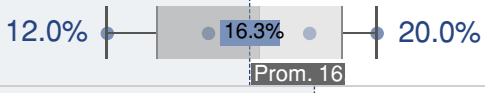
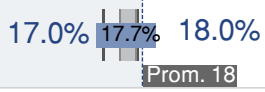
Offices	Offices	
Retail	Regional Shopping Center	
	Neighborhood Shopping Center (Convenience)	
	Standalone	
Industrial	Logistics	
	Manufacturing	
Multifamily	Multifamily	
Healthcare	High Complexity	
	Low Complexity	

DEVELOPMENT INTERNAL RATE OF RETURN (DEVELOPMENT IRR)

Construction costs remain high, and although some indicators show a slowdown in their growth rate, no decrease is expected. Additionally, the lack of liquidity has stalled most development projects, including several office buildings. In the short term, few new projects will be introduced to the market, and in the next recovery cycle, we are likely to face a shortage of high-specification buildings. Developers who take on the risk of building office spaces today may deliver at the right time, given the limited available inventory and the strong growth potential in market rents.

Sector	2021	2022	2023	2024	2021	2022	2023	2024	Pron. 2025
Offices	16.0% / 11.5%	25.0% / 9.0%	20.0% / 14.0%	20.0% / 13.5%	13.9%	15.8%	17.3%	15.8%	→
Retail	16.0% / 12.8%	19.0% / 8.0%	20.0% / 14.0%	22.0% / 14.0%	14.1%	14.8%	16.8%	16.5%	→
Industrial	14.0% / 10.8%	20.0% / 8.0%	20.0% / 12.0%	18.0% / 12.0%	12.2%	14.4%	16.0%	15.1%	↘
Multifamily	14.0% / 11.0%	20.0% / 8.0%	20.0% / 12.0%	20.0% / 12.0%	13.5%	14.0%	17.9%	16.3%	↘
Healthcare	nd	20.0% / 9.0%	22.0% / 16.0%	19.0% / 17.0%	nd	15.0%	18.9%	18.2%	→
Lodging & Hospitality	nd	22.0% / 12.0%	25.0% / 14.0%	nd	nd	16.1%	20.5%	nd	→

DEVELOPMENT INTERNAL RATE OF RETURN (DEVELOPMENT IRR) 2024

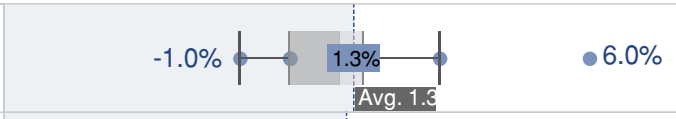
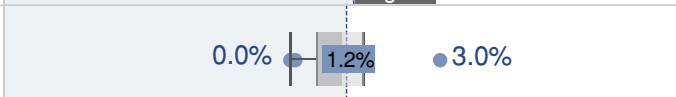
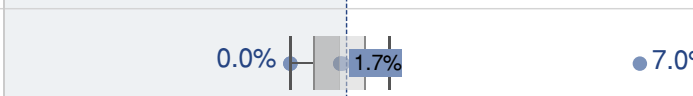
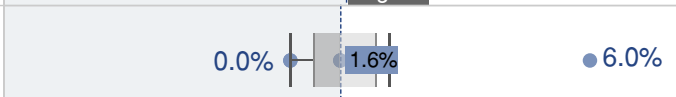
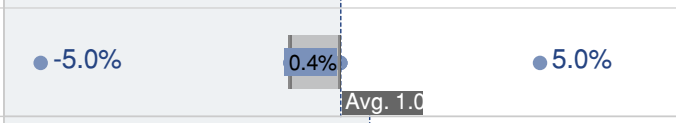
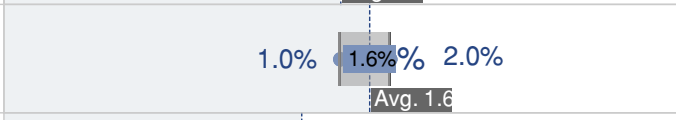
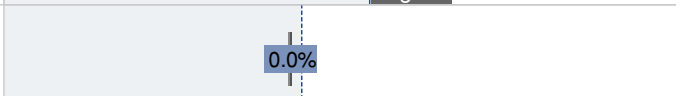
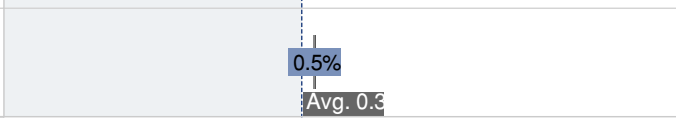
Offices	Offices	
Retail	Regional Shopping Center	
	Neighborhood Shopping Center	
	Standalone	
Industrial	Logistics	
	Manufacturing	
Multifamily	Multifamily	
Healthcare	High Complexity	
	Low Complexity	

REAL MARKET RENT GROWTH

Although inflation has continued to decrease, with a closing rate of 6.86% in the first half of the year, according to DANE, respondents maintain a conservative outlook on rent growth for the next five years. **The office sector is expected to see some of the largest rent increases,** driven by projects such as Connecta 80 and the new tower at the Sarmiento Angulo Business Center. However, it still faces significant challenges, such as negotiating competitive rents and stabilizing these new developments.

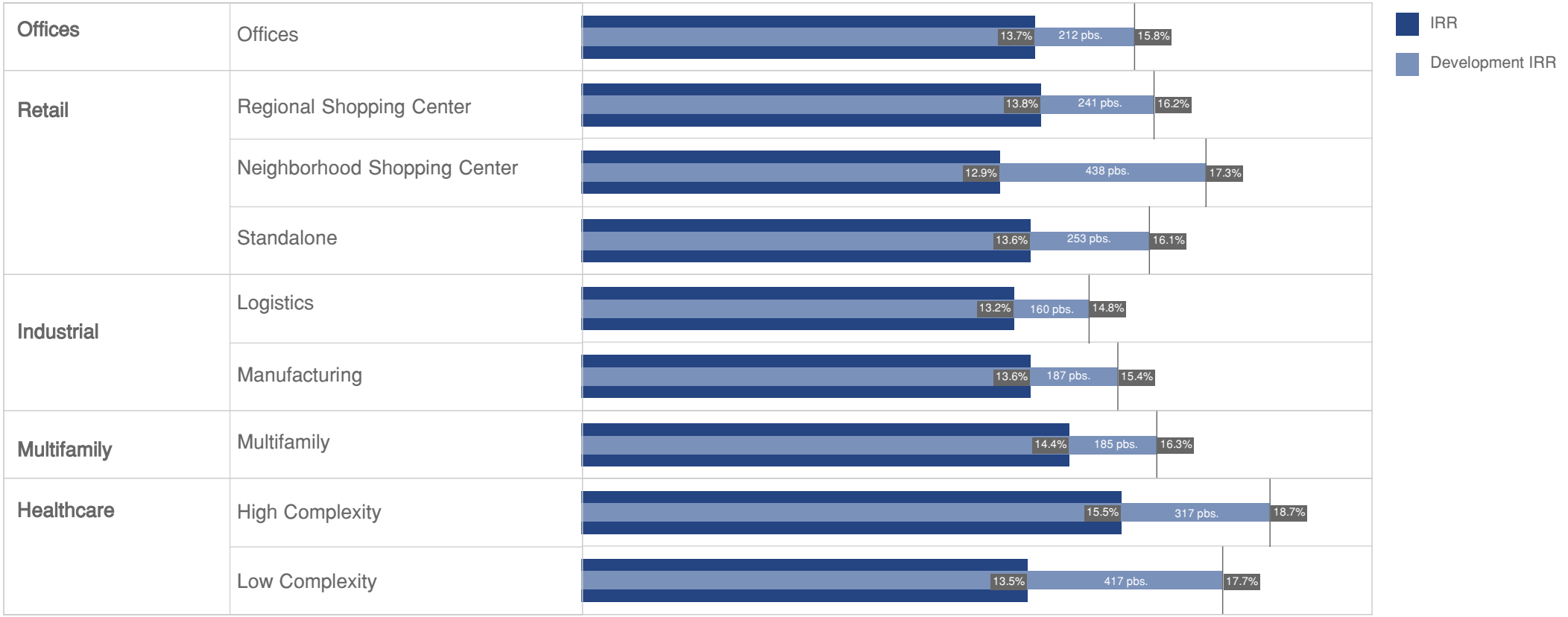
Sector	2021	2022	2023	2024	2021	2022	2023	2024	Pron. 2025
Offices	1.0% / -0.5%	2.5% / -0.5%	5.0% / -0.8%	6.0% / -1.0%	0.5%	0.5%	1.5%	1.3%	↗
Retail	2.5% / -0.5%	2.5% / -0.5%	4.0% / 0.0%	7.0% / -1.0%	0.9%	0.6%	1.2%	1.1%	↘
Industrial	2.0% / 0.0%	1.0% / 0.0%	5.0% / 0.0%	6.0% / -5.0%	0.7%	0.5%	1.4%	1.0%	→
Multifamily	1.5% / 0.0%	2.0% / 0.0%	3.0% / 0.0%	2.0% / 1.0%	0.7%	0.8%	1.1%	1.6%	→
Healthcare	nd	1.0% / 0.0%	2.0% / -0.5%	0.5% / 0.0%	nd	0.5%	0.6%	0.3%	→
Lodging & Hospitality	8.0% / -0.5%	1.0% / -0.5%	5.0% / -0.3%	nd	0.8%	0.6%	1.2%	nd	→

REAL MARKET RENT GROWTH BY SUBSECTOR

Offices	Offices	
Retail	Regional Shopping Center	
	Neighborhood Shopping Center	
	Standalone	
Industrial	Logistics	
	Manufacturing	
Multifamily	Multifamily	
Healthcare	High Complexity	
	Low Complexity	

DEVELOPMENT RISK PREMIUM

The healthcare sector presents the highest development risk premium due to the strict regulations and norms that affect both the construction of new facilities and the operation of existing ones. In contrast, the industrial-logistics and office sectors show lower development risk premiums. In the industrial-logistics sector, asset development generally follows BTS (build-to-suit) models, which significantly reduces the risk. Meanwhile, the office sector, with a longer lifecycle, is less vulnerable to rapid regulatory changes compared to the healthcare sector.



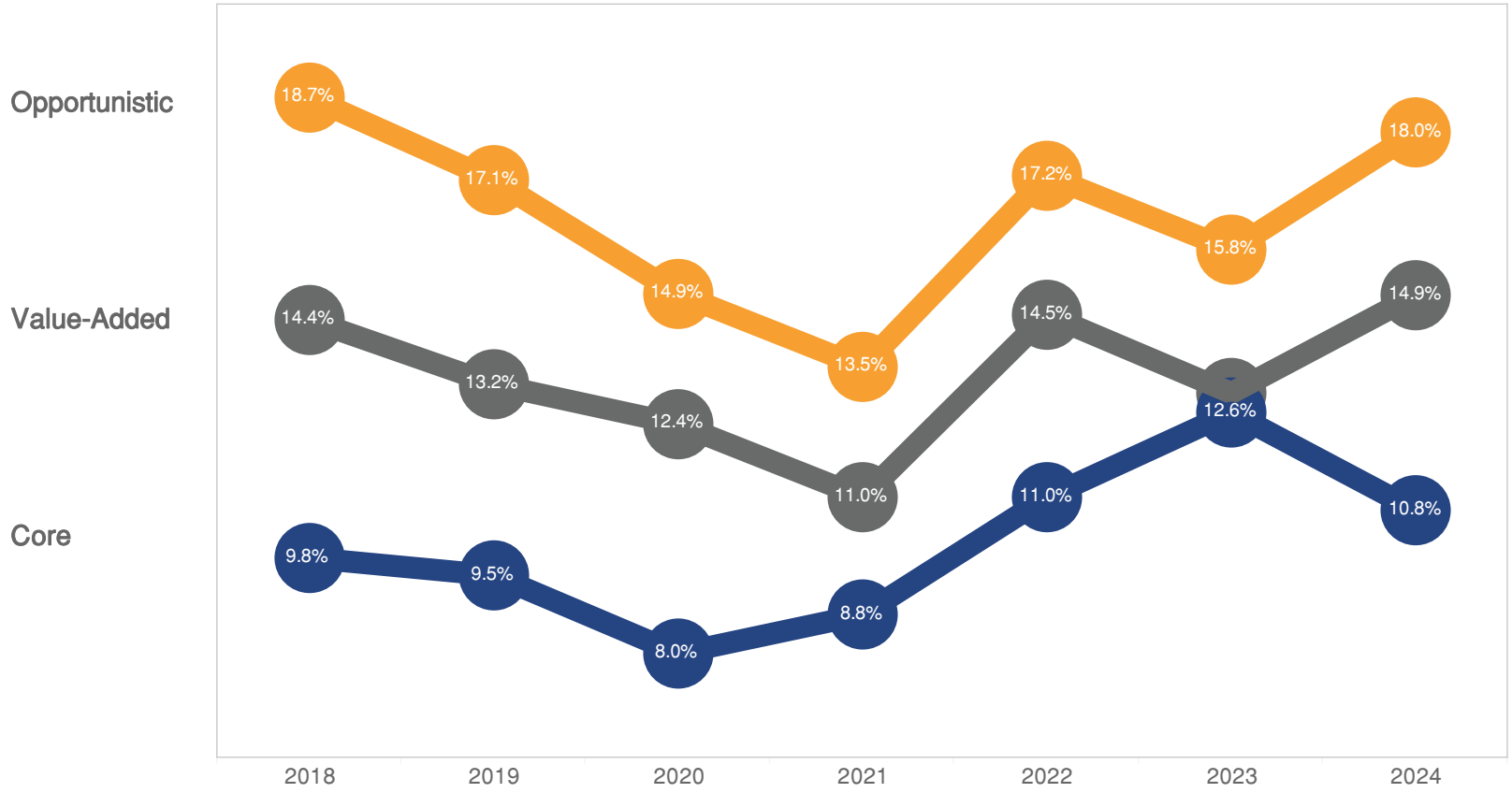
RESIDENTIAL INTERNAL RATE OF RETURN (IRR)

According to the respondents' perception, almost all sectors are seeing a decrease in rates. This could be linked to **the reduction in interest rates by banks for housing acquisitions.** Additionally, the continuation of subsidies for VIP and VIS housing in 2024 creates a favorable environment, benefiting both developers and satisfying housing demand.

Sector	2021	2022	2023	2024	2021	2022	2023	2024	Pron. 2025
Low Income	20.0% / 15.0%	25.0% / 13.0%	22.0% / 18.0%	22.0% / 15.0%	17.3%	17.8%	20.0%	18.0%	
Middle Income	21.5% / 17.0%	22.0% / 13.5%	25.0% / 20.0%	18.0% / 15.0%	18.9%	16.6%	22.5%	16.8%	
High Income	26.5% / 18.0%	24.0% / 13.0%	23.0%	18.0% / 13.0%	21.5%	17.1%	23.0%	15.8%	
Low Income - On Capital	25.0% / 15.0%	25.0% / 14.0%	22.0% / 18.0%	30.0% / 18.0%	19.5%	17.6%	19.3%	21.8%	
Middle Income - On Capital	25.0% / 17.0%	24.0% / 13.5%	25.0% / 20.0%	25.0% / 16.0%	20.9%	16.4%	21.7%	19.3%	
High Income - On Capital	30.0% / 18.0%	26.0% / 14.0%	23.0%	25.0% / 14.0%	22.7%	17.3%	23.0%	18.0%	

ANNUAL RETURN EXPECTATIONS (IRR)

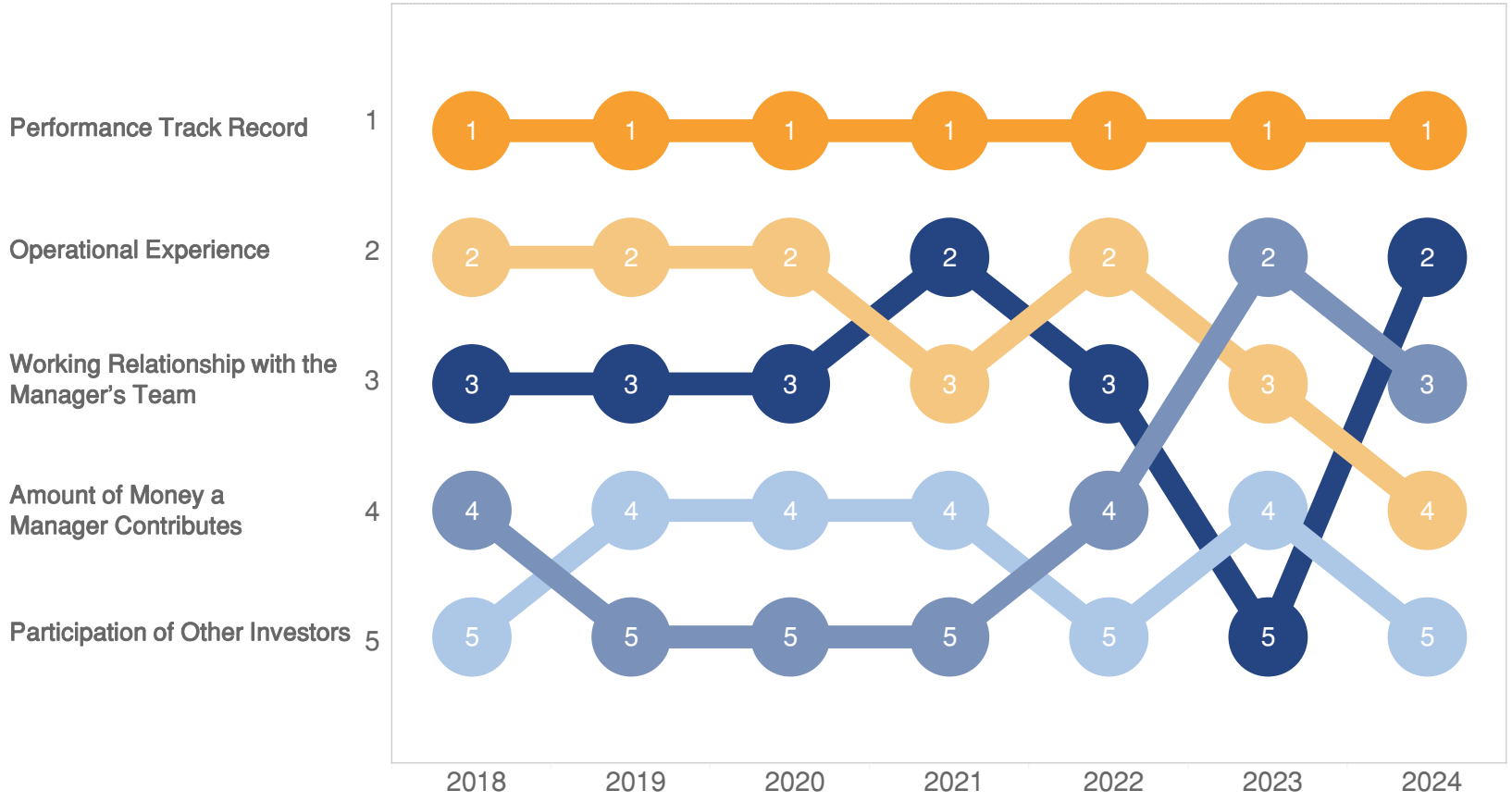
What are the annual return expectations (IRR) for each type of strategy?



The survey results reveal a notable shift in return expectations across different investment strategies. **Over the past year, the average expected return for the Core strategy has decreased, which may reflect a lower risk tolerance or market conditions that favor stability over growth.** On the other hand, expectations for Opportunistic and Value-Added strategies have increased, suggesting that investors are seeking higher returns by taking on more risk, possibly in response to new opportunities in the market.

MANAGER SELECTION CRITERIA RANKING

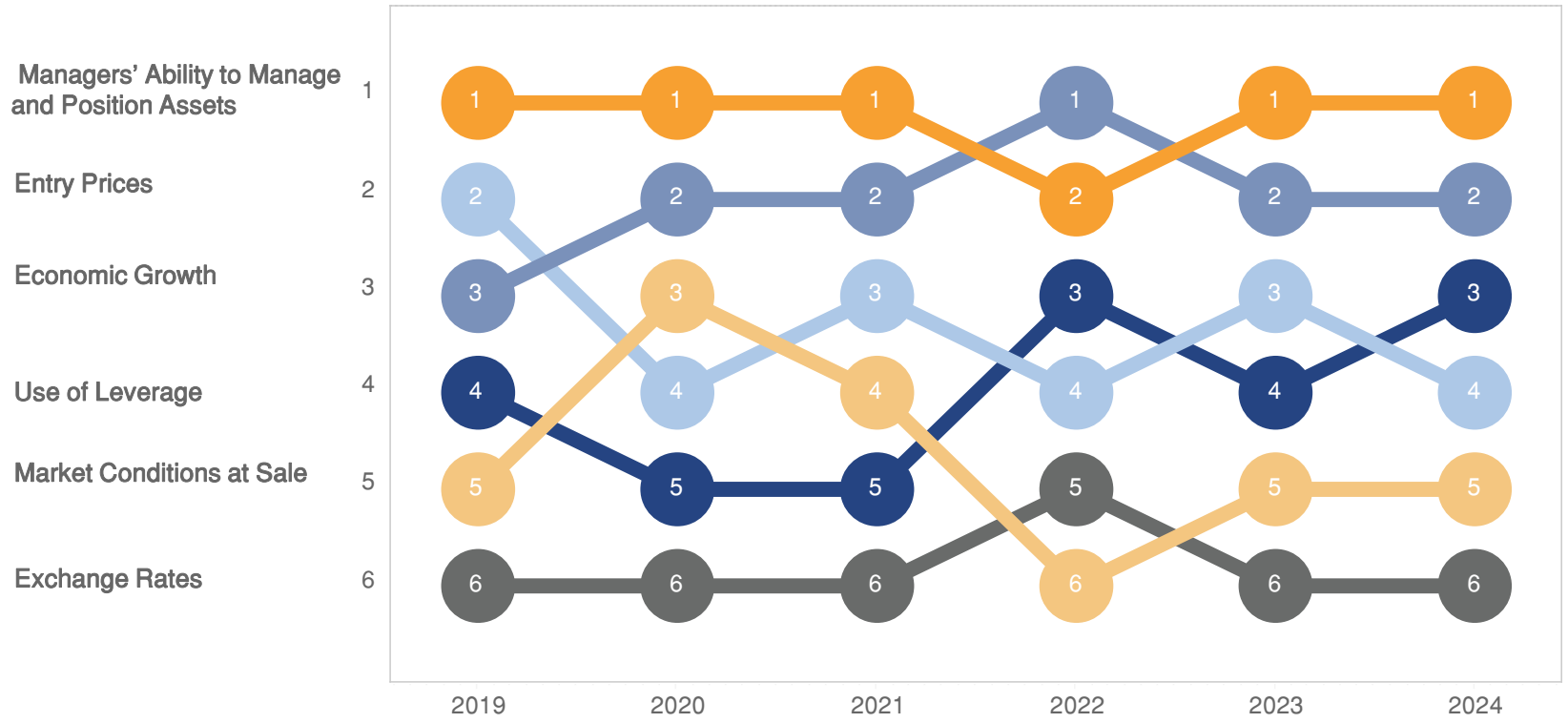
Rank the following characteristics in order of importance when selecting a manager:



Changes in investor priorities reflect market dynamics. From 2018 to 2022, performance history was key, along with operational experience and the relationship with the GP. However, in 2023, caution due to economic uncertainty led to a greater emphasis on the participation of other investors. By 2024, with the market stabilizing, the importance of a close relationship with the GP regained significance, while operational experience became less relevant, possibly due to increased confidence in a more predictable environment where operational risk is lower.

DRIVERS OF FUNDS PERFORMANCE RANKING

Rank the drivers you expect to have the greatest impact on manager performance.



The evolution of performance drivers reflects a shift in investors' focus. **Initially, the entry price and market conditions at the time of sale were key, suggesting a more transactional and short-term perspective.** Over time, these factors became less relevant as GPs' ability to manage and position assets, along with economic growth, gained more importance. The increasing focus on leverage in recent years, rising from fifth to third or fourth place, indicates that investors are paying more attention to financing strategies, especially in an environment of fluctuating interest rates and lending conditions.

INVESTMENT EXPERIENCE

How would you rate the following aspects regarding your experience with managers and investments in 2024?

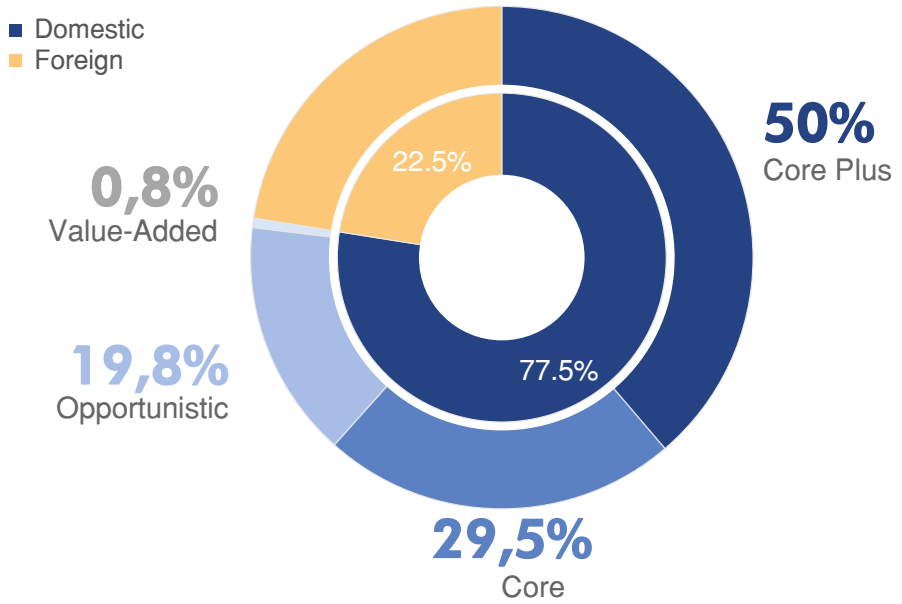
The survey results reflect a mixed experience for investors in 2024. The valuation of assets below expectations may be due to market conditions or underperformance. Returns and risk-adjusted returns aligned with expectations suggest that, despite growth challenges, financial performance and risk management were satisfactory. **The fact that transparency exceeded expectations highlights a positive shift in communication and reporting by managers, reflecting an increasing demand for clear and open processes in investment management.**

INVESTMENT FOCUS

What is the national and foreign participation of your total portfolio?

Approximately 70% of total portfolios and real estate investments are allocated domestically, indicating a strong preference for local markets. The remaining 30% invested abroad suggests a pursuit of diversification and higher returns in international markets.

What is the participation in real estate abroad and domestically, by investment type?



The chart shows that 77.5% of investors' real estate exposure is focused on the domestic market, indicating a preference for familiarity and lower risk. The Core Plus (50%) suggests higher returns with moderate risk, while the Core (29.5%) reflects stability. The 19.8% in Opportunistic strategies indicates some risk appetite, but the 0.8% in Value Add reveals reluctance toward more active strategies, possibly due to market uncertainty.

GLOSSARY

- **Net Capitalization Rate:**
  It is a rate that reflects the relationship between the actual net operating income and the total price paid for the property.

- **Internal Rate of Return (IRR):**
  It is the percentage that shows the expected annual return on an investment in property, considering all future income and expenses, before taxes and without leverage.

- **Development Internal Rate of Return (IRR):**
  It is the percentage that shows the expected return on an investment in a development project, considering all future costs and income of the project, before taxes and without leverage.

- **Real Rent Growth:**
  Growth over inflation for the next 5 years.

- **Risk Premium:**
  It is the difference between the expected Internal Rate of Return (IRR) of a real estate development project and the IRR of a similar completed project. This premium reflects the additional risk associated with developing a project compared to one that is already operational.

- **Value-Add:**
  It focuses on improving existing assets through renovations or upgrades to increase their value and performance. Investors seek opportunities to add value and achieve higher long-term returns.

- **Opportunistic:**
  This strategy seeks to take advantage of short-term market opportunities by investing in undervalued assets or special situations to maximize returns. While it may involve higher risk, it also offers the potential for high returns.

- **Core:**

  This strategy focuses on investing in stable, high-quality assets with low risk and predictable returns. Investors look for well-located properties with stable income to achieve consistent and secure long-term returns.

- **Appreciation:**

  Refers to the process of increasing the value of a property through strategic improvements or developments. This may involve renovations, updates, or changes in management to enhance performance and investment value.

- **Returns:**

  Refers to the earnings gained from a property investment. This includes rental income, asset value appreciation, and any other financial benefits generated.

- **Return Risk:**

  Refers to the possibility that the returns on an investment may be lower than expected. This risk can arise from factors such as market fluctuations, management issues, or changes in economic conditions.

- **Transparency:**

  Refers to the clarity and openness in information regarding an investment. This includes details on costs, income, risks, and management strategies. Transparency is key to building trust between investors and managers, ensuring informed decision-making and a clear relationship.

LOGAN

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