LOGAN

INVESTMENT REPORT

Dominican Republic 2024

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World Trade Center Santo Domingo

METODHOLOGY

Three methodological approaches are combined in this report:

Assets Under Management AUM: This report has been prepared using data from 'Superintendencia del Mercado de Valores de la Republica Dominicana'. The statistical information is based on data reported directly by the real estate vehicles as well as public content available through various information sources. This edition may contain differences from previous reports due to the inclusion of new property managers and/or updates of data from previous years. All figures are presented in United States Dollars (USD) and some data may vary due to the conversion from Dominican Pesos (DOP) to United States Dollars (USD). Institutional operators and trust companies are not included in the analysis.

General Partners Report (GPs): The methodology of this report is based on surveys conducted by LOGAN in 2024. The graphs reflect the totality of the responses received. However, some categories may show outliers that deviate significantly from the observed central tendency.

Limited Partners Report (LPs): This report is based on a structured survey conducted by LOGAN between June and September 2024. The sample was made up of institutional investors, purposively selected to represent the main players in the sector. Este enfoque integral proporciona un análisis más preciso del sector.

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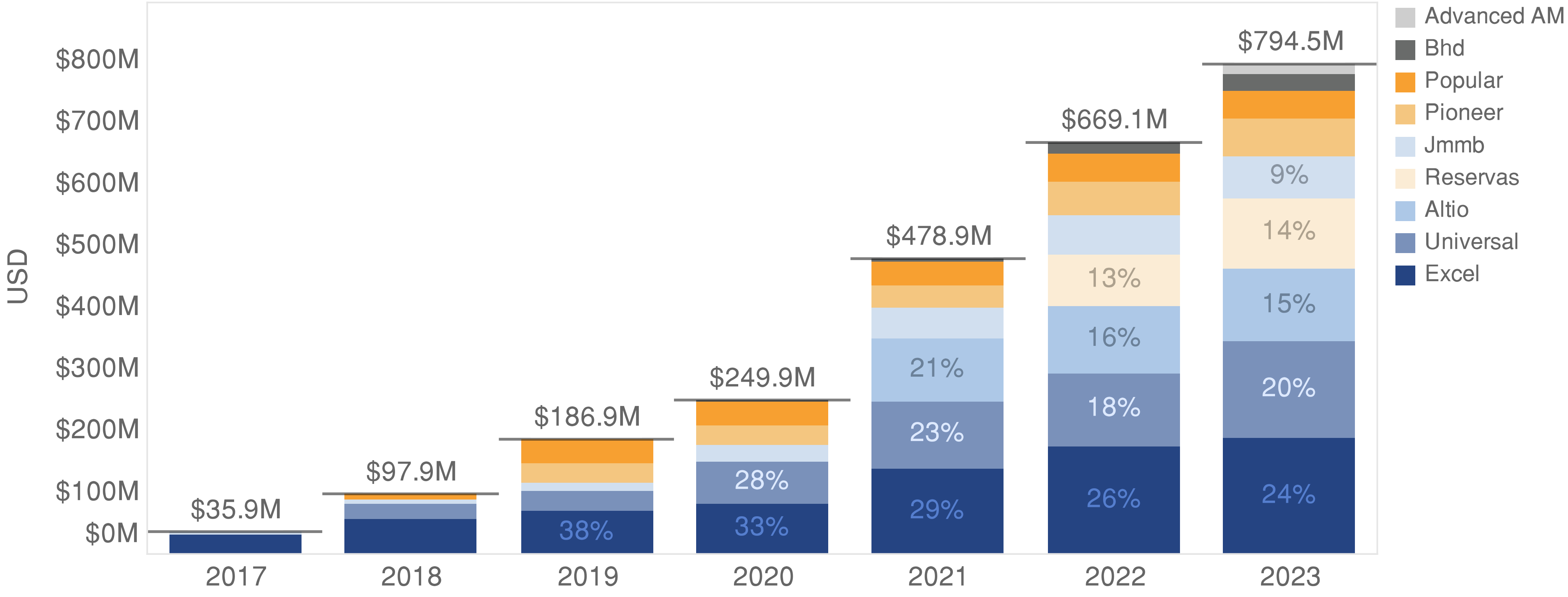
ASSETS UNDER MANAGEMENT

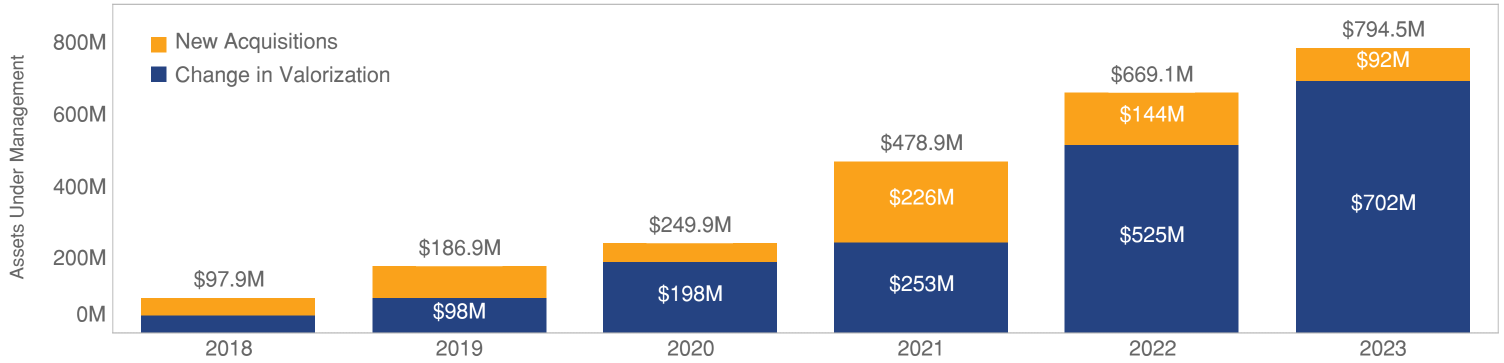
The Dominican Republic is a growing market with a lot of potential. Mutual fund regulation promotes transparency and attracts new investors. **By the end of 2023, market growth was driven by asset valuations and several large acquisitions.** Notable transactions during the year included: Safi Reservas with the purchase of the Epokal Building; Safi Excel and Safi Advanced with the acquisition of spaces in the Westpark Business Center and Friusa Tower, respectively; and Safi Universal's participation in tourism and residential projects through investment funds.



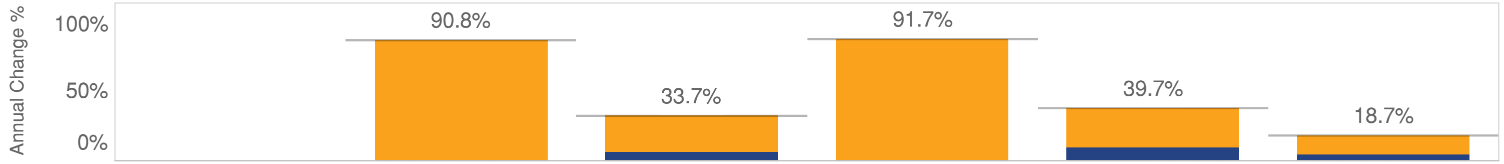
ASSETS UNDER MANAGEMENT BY FUND TYPE AND STRATEGY

In addition, Safi BHD purchased an industrial building in 'Parque Empresarial SEIN nave III' and JMMB purchased commercial space in 'Torre Corporativo 20/19'. Creation of new funds such as 'Fondo de Desarrollo Inmobiliario RD 'I of 'TC Latin America Partners', 'Fondo de Reservas II' de 'Safi Reserva's and 'Fondo de Inversión Cerrado Inmobiliario Interval I' of 'Afi Interval', along with the opening of the new 'SAFI Amergent Partners', **are evidence of the growth and consolidation phase of the Dominican real estate market.**

Growth of Assets Under Management

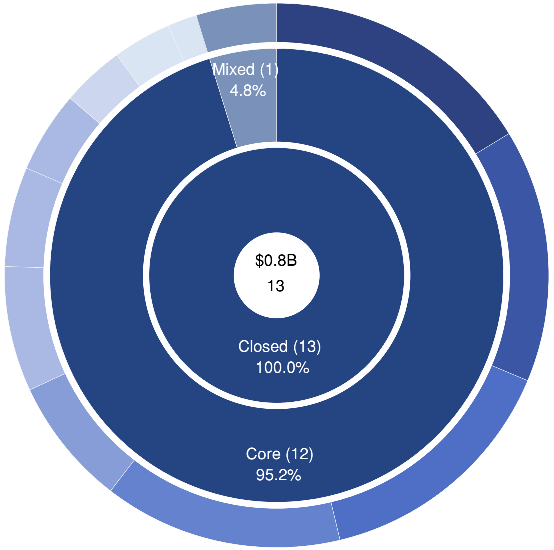


Annual Change in New Acquisitions and Valorization



GNA	90.3%	27.5%	90.5%	30.1%	13.8%
NGV	0.46%	6.18%	1.18%	9.59%	4.95%

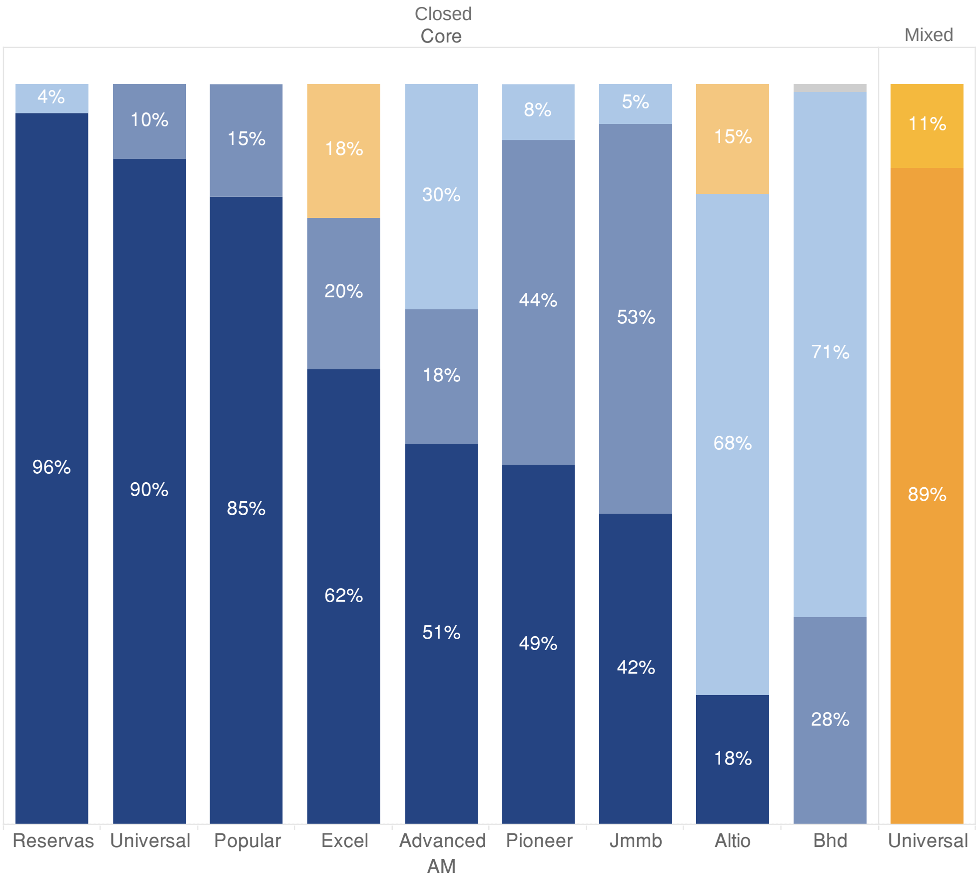
GNA: Growth in New Acquisitions, CNV: Nominal Growth in Valuation

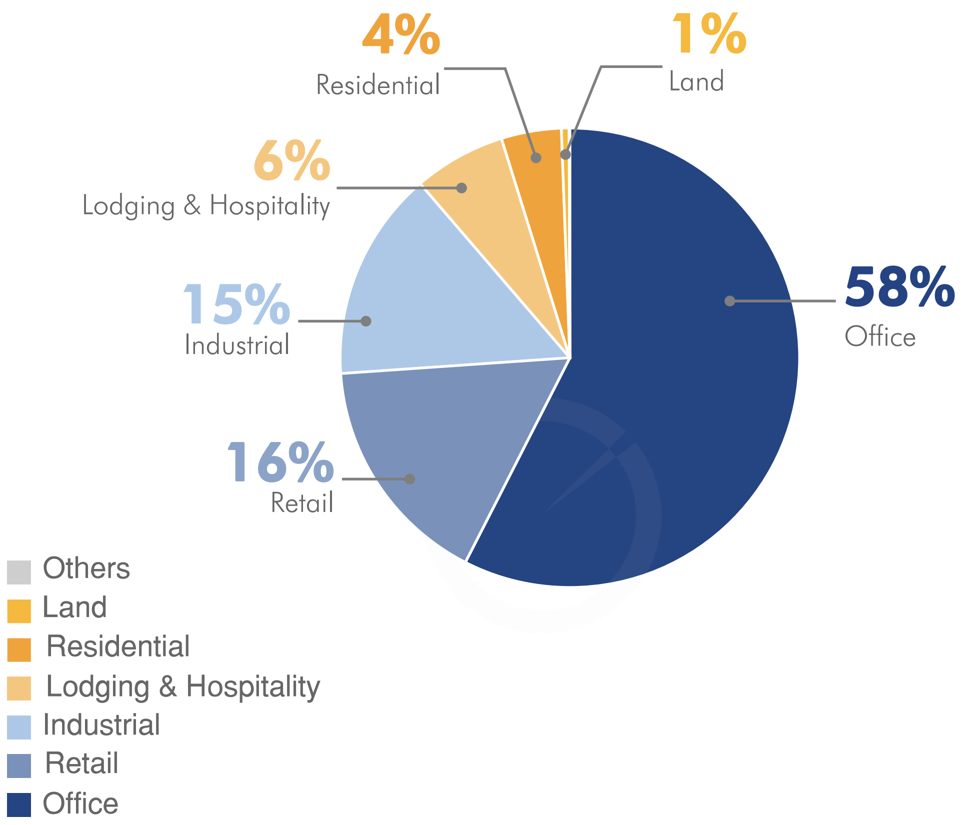


- Closed
- Closed, Core
- Closed, Mixed

ASSETS UNDER MANAGEMENT BY SECTOR

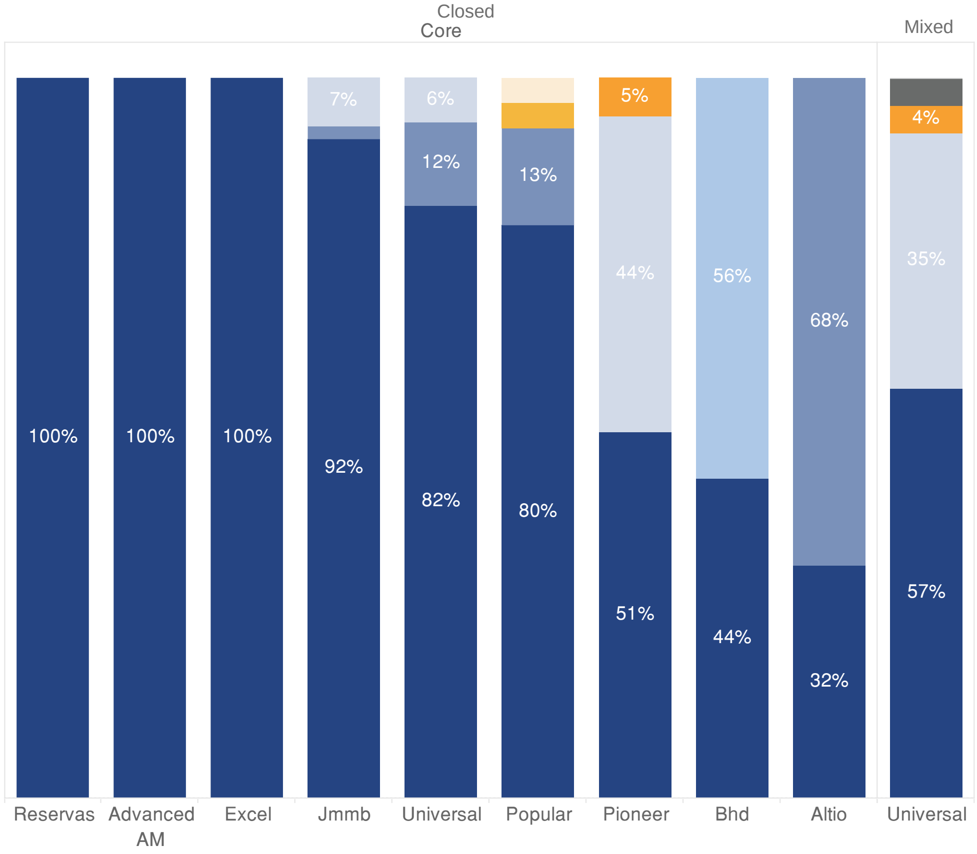
The Lodging & Hospitality sector in the Dominican Republic ranks third in terms of percentage of total AUM. This sector has the potential to grow further as the country is one of the top tourist destinations in the Caribbean. According to the Central Bank of the Dominican Republic's tourism flow report for June 2024, **international non-resident passenger arrivals increased by 9.5%** over the previous year. This number is expected to increase next year, which could be a key factor for developers of tourism projects in destinations such as Punta Cana.

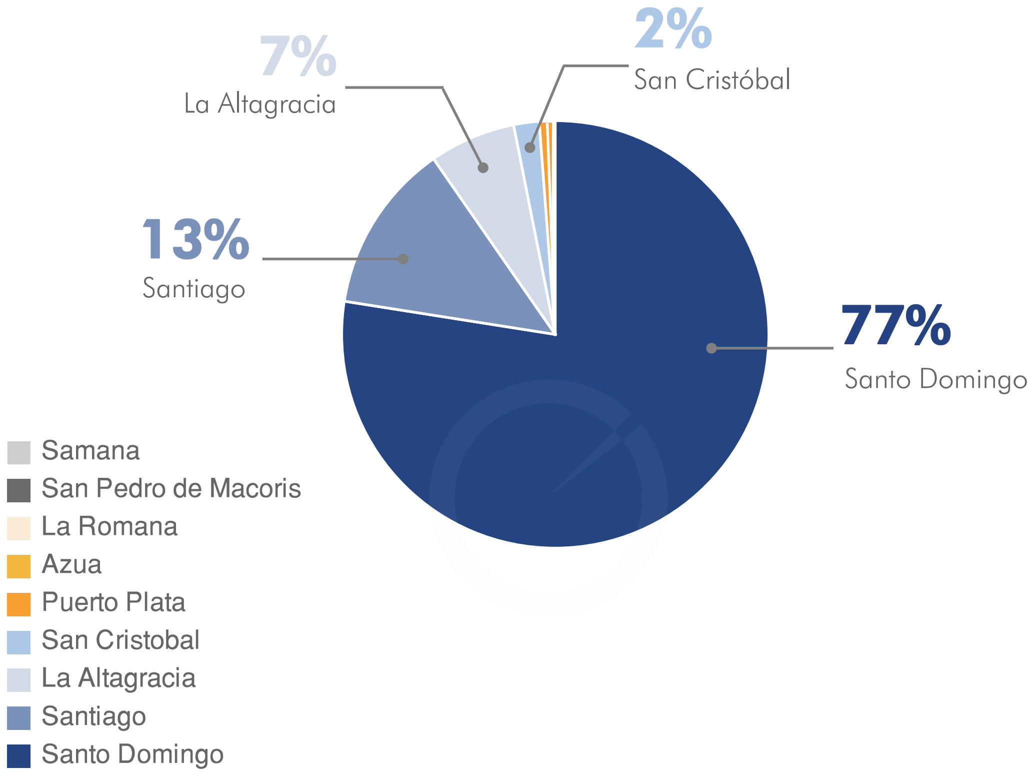




ASSETS UNDER MANAGAMENT BY CITY

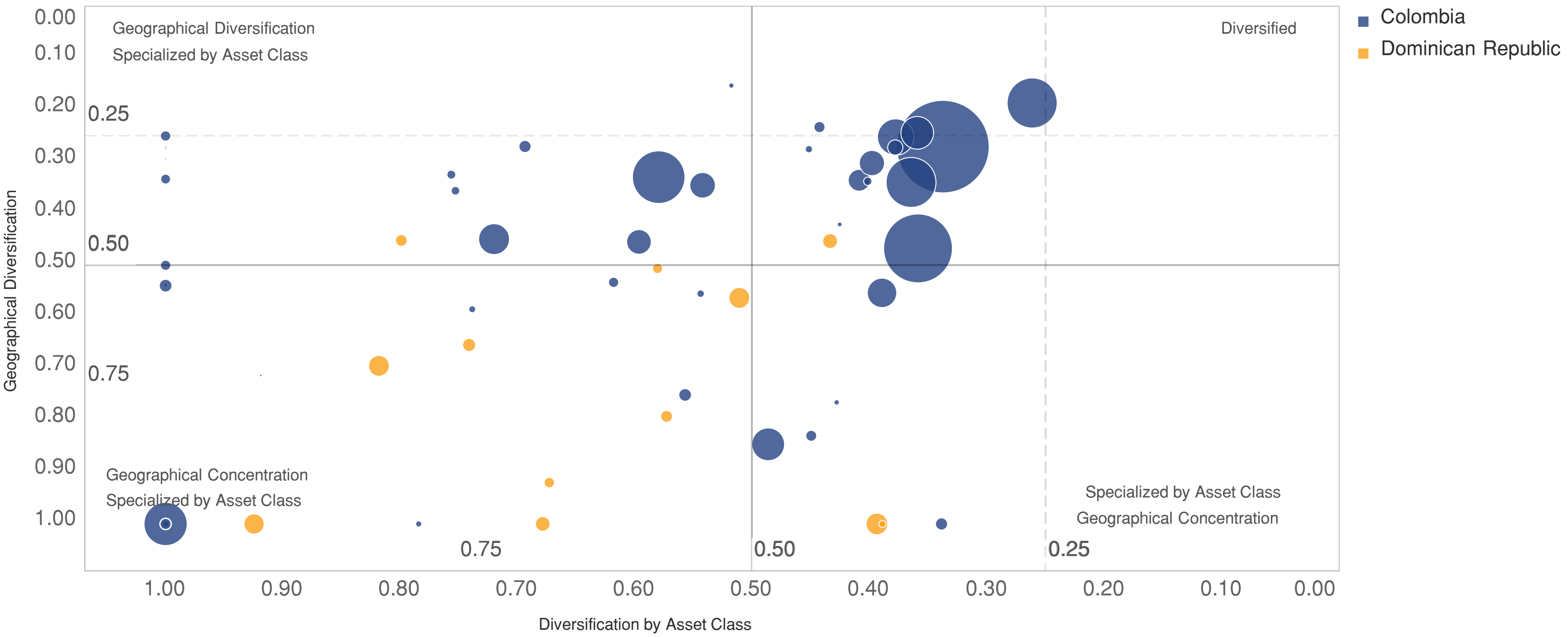
The province with the highest value of total AUM is Santo Domingo, which is closely related to the high concentration of office buildings in the city. The Dominican Republic is a growing market and real estate investment vehicles are acquiring these assets to diversify their portfolios and capitalize on the market's growth. **In growth phases of the real estate market, office properties are usually the most sought after due to their ability to provide stable and long-term income.** They also have great potential for long-term appreciation and profitability.





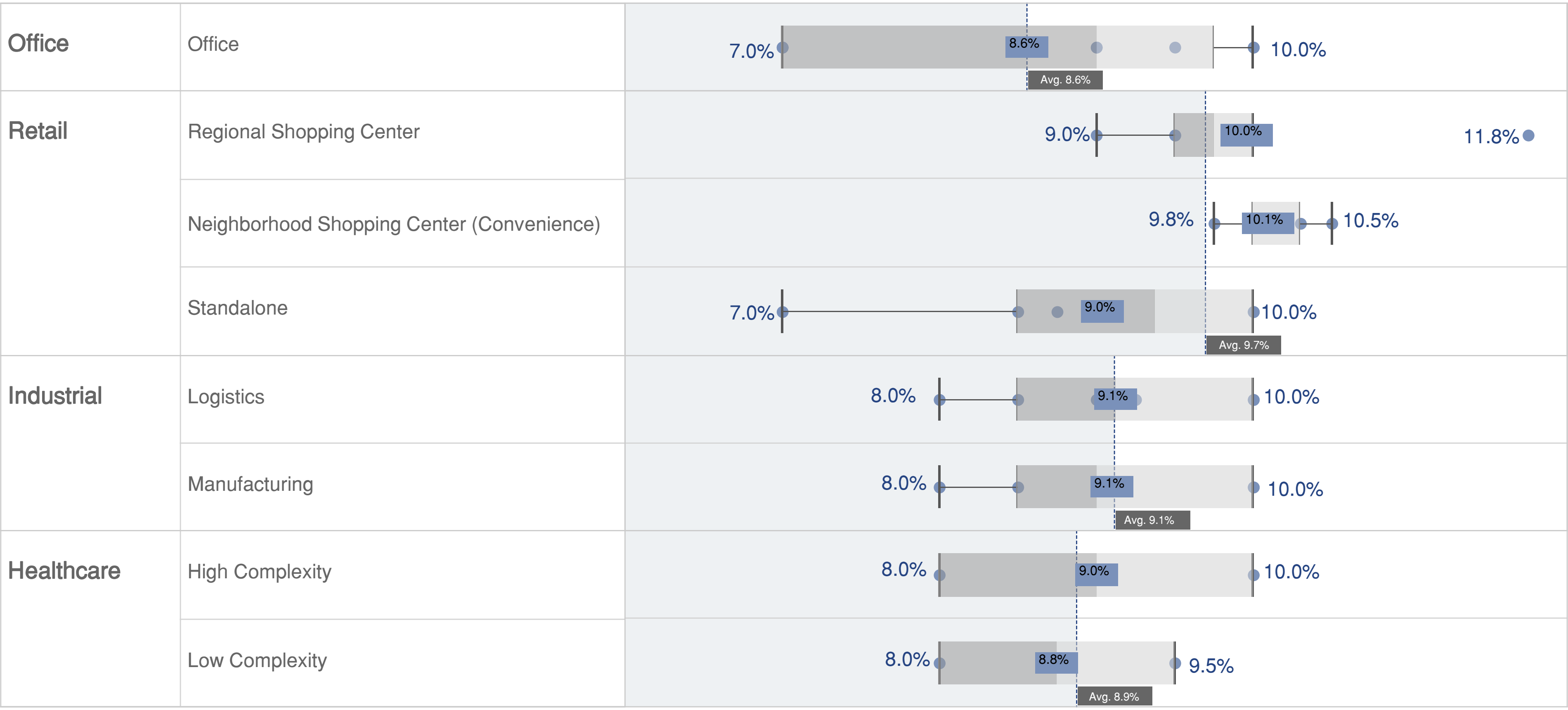
COLOMBIA AND DOMINICAN REPUBLIC DIVERSIFICATION

The chart plots 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 on both axes are to zero, the more diversified the fund is. **This chart shows that larger funds, and in particular those with a Core strategy, tend to be more diversified in terms of both sectorally and geographically.** In contrast, some of the closed-end funds shown in the chart are more specialized, focusing on a particular sector or city, or even both.



NET CAP RATES 2024

According to ‘Centro de Exportación e Inversión de la República Dominicana’, **2024 has seen a remarkable growth in foreign direct investment (FDI) in the country.** As a result of this increase, many companies have been in search of office space for the development of their business activities which has had a direct impact on reducing vacancy rates in the sector. In this context, respondents' perceptions are positive. They point out that the office sector has the lowest average net capitalization rate.



NET CAP RATES 2024

Lodging & Hospitality - Business	Luxury	8.5%	10.3%	12.0%	
	Upper Upscale	8.5%	10.3%	12.0%	
	Upscale	8.5%	10.3%	12.0%	
	Upper Midscale	9.0%	11.5%		16.0%
	Midscale	9.0%	11.5%		16.0%
	Economy	9.0%	10.8% Avg. 10.8%	12.0%	
Lodging & Hospitality - Leisure	Luxury	8.5%	10.0%	12.0%	
	Upper Upscale	8.5%	10.0%	12.0%	
	Upscale	8.5%	11.3%		18.0%
	Upper Midscale	8.8%	11.2%		16.0%
	Midscale	8.8%	11.2%		16.0%
	Economy	8.8%	11.9% Avg. 10.9%		18.0%

NET CAP RATES – DRIVING FACTORS

Real Estate Market

Factor	Description
• Rents Growth	The expected rate growth of rental income in a special market.[1]
• Vacancy change	What is the current availability of space in the market for rent? This indicates the status of development cycle.
• Inventory change	Change in market inventory: What buildings have been delivered and what has been demolished?[2]

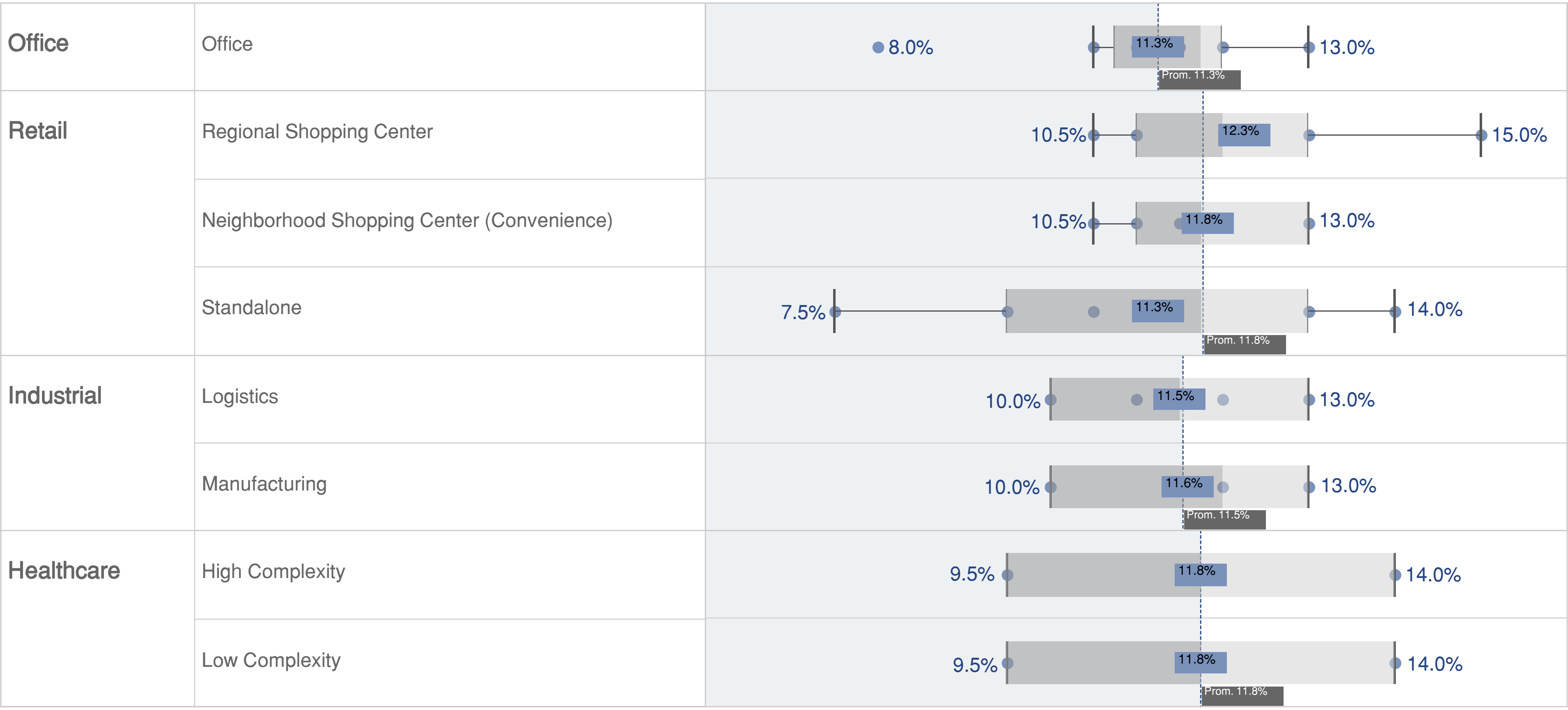
Investor Market

• Investment Equity	What is the amount of equity available in the market and how accesible is it to be invested?[3]
• Debt	How much debt is available and how competitive it is in relation to the return on equity.
• Interest Rates, Yield	Bond Yields and how they affect other investment returns.[4]

1. Smith, A. (2017). *Real Estate Market Dynamics*, *Journal of Real Estate Economics*, 45(2), pp. 200-220.
2. Miller, N., & Geltner, D. (2013). *Commercial Real Estate Analysis and Investments*. Cengage.
3. Brueggeman, W., & Fisher, J. (2011). *Real Estate Finance and Investments*. McGraw-Hill.
4. Fabozzi, F. J. (2018). *Fixed Income Analysis*. CFA Institute, 3rd Ed.

INTERNAL RETURN RATE (IRR)

The industrial sector in the Dominican Republic stands out as having one of the lowest average internal rates of return (IRR), according to respondents. This is partly due to the **country's strategic location,** which facilitates logistics and transporting goods to the United States and Europe. In addition, **tax exemptions for certain industries** such as those operating in logistics centres or manufacturing in free trade zones, make the sector particularly attractive to investors.



INTERNAL RETURN RATE (IRR)

Lodging & Hospitality - Business	Luxury	12.5%	16.6%	23.5%
	Upper Upscale	12.0%	16.7%	25.5%
	Upscale	12.0%	16.1%	23.5%
	Upper Midscale	12.0%	15.3%	19.5%
	Midscale	12.0%	15.3%	19.5%
	Economy	12.0%	15.7% Avg. 16.0%	21.5%
Lodging & Hospitality - Leisure	Luxury	10.5%	16.5%	24.0%
	Upper Upscale	10.5%	16.9%	26.0%
	Upscale	10.5%	15.5%	20.0%
	Upper Midscale	10.5%	14.9%	18.0%
	Midscale	10.5%	14.9%	18.0%
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4. Fabozzi, F. J. (2018). *Fixed Income Analysis*. CFA Institute, 3rd Ed.

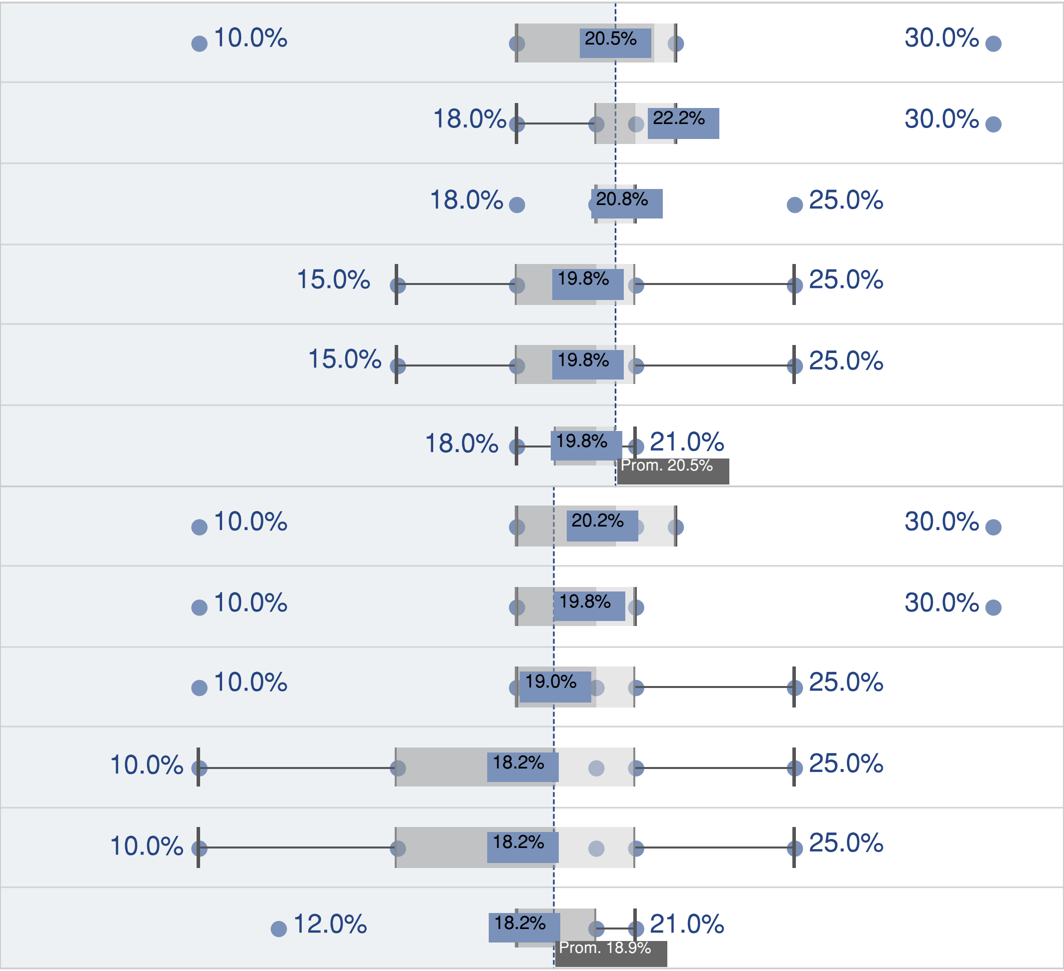
INTERNAL RETURN RATE (IRR) ON DEVELOPMENT

The hotel sector, although highly developed and fundamental to the economy, presents the highest IRR development rates according to the respondents' perception. Despite its maturity, the development of hotel projects remains complex. In addition, **popular tourist destinations such as Punta Cana and Bávaro face profound environmental challenges as pressure on natural resources requires additional efforts to implement sustainable practices in hotel development and operations.**

Office	Office	12.0% 15.8% 20.0% Avg. 15.8%
Retail	Regional Shopping Center	16.0% 17.2% 18.0%
	Neighborhood Shopping Center (Convenience)	16.0% 17.2% 18.0%
	Standalone	16.0% 17.5% 20.0% Avg. 17.3%
Industrial	Logistics	12.5% 17.7% 25.0%
	Manufacturing	12.5% 17.9% 25.0% Avg. 17.8%
Healthcare	High Complexity	14.0% 16.0% 18.0%
	Low Complexity	14.0% 16.0% 18.0% Avg. 16.0%
Multifamily for rent	Multifamily for Rent	14.0% 14.0% Avg. 14.0%

INTERNAL RETURN RATE (IRR) ON DEVELOPMENT

Lodging & Hospitality - Business	Luxury
	Upper Upscale
	Upscale
	Upper Midscale
	Midscale
	Economy
Lodging & Hospitality - Leisure	Luxury
	Upper Upscale
	Upscale
	Upper Midscale
	Midscale
	Economy

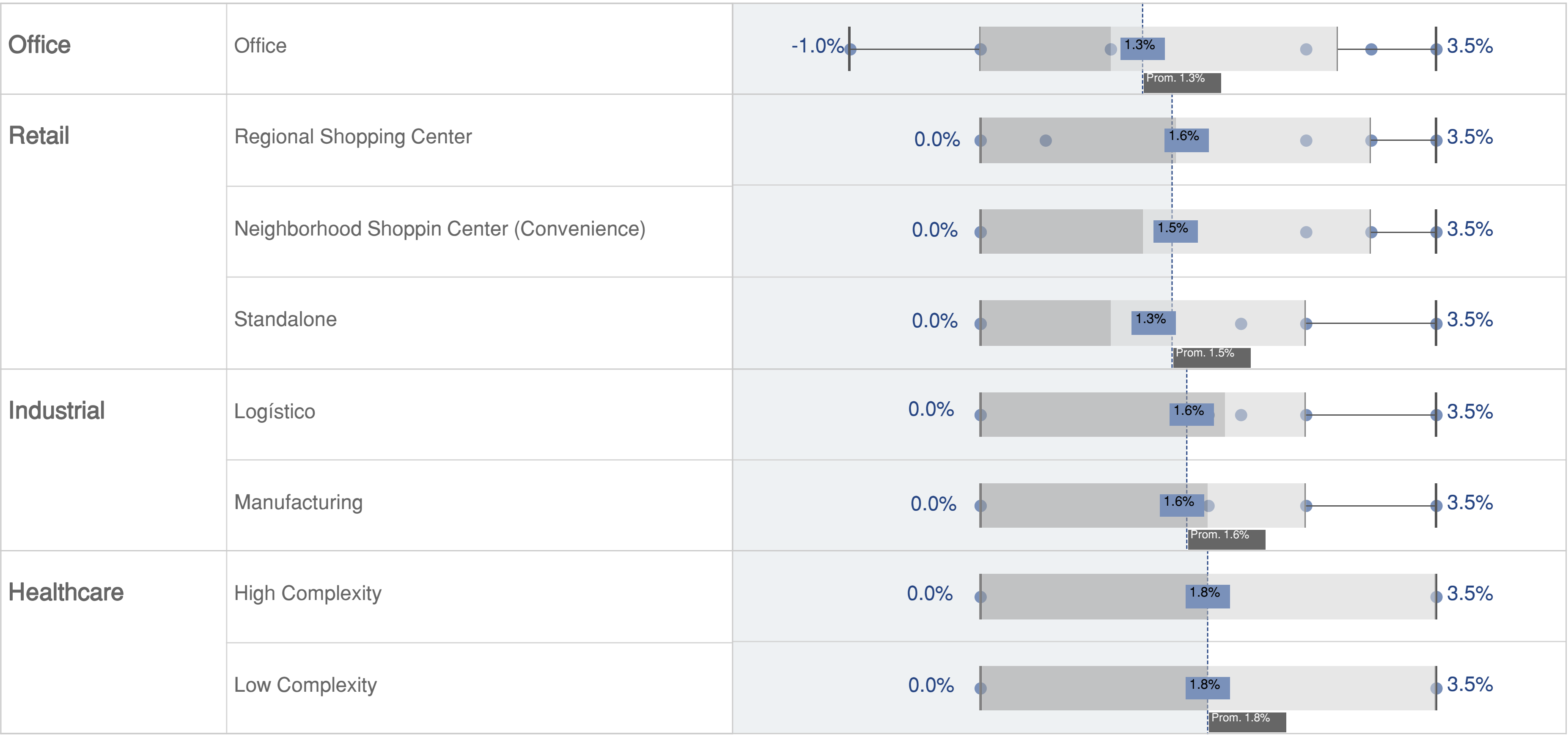


DEVELOPMENT RISK PREMIUM

Office	Office	11.3%	458 pbs.	15.8%
Retail	Regional Shopping Center	12.3%	495 pbs.	17.2%
	Neighborhood Shopping Center (Convenience)	11.8%	537 pbs.	17.2%
	Standalone	11.3%	625 pbs.	17.5%
Industrial	Logistics	11.5%	617 pbs.	17.7%
	Manufacturing	11.6%	630 pbs.	17.9%
Healthcare	High Complexity	11.8%	425 pbs.	16.0%
	Low Complexity	11.8%	425 pbs.	16.0%

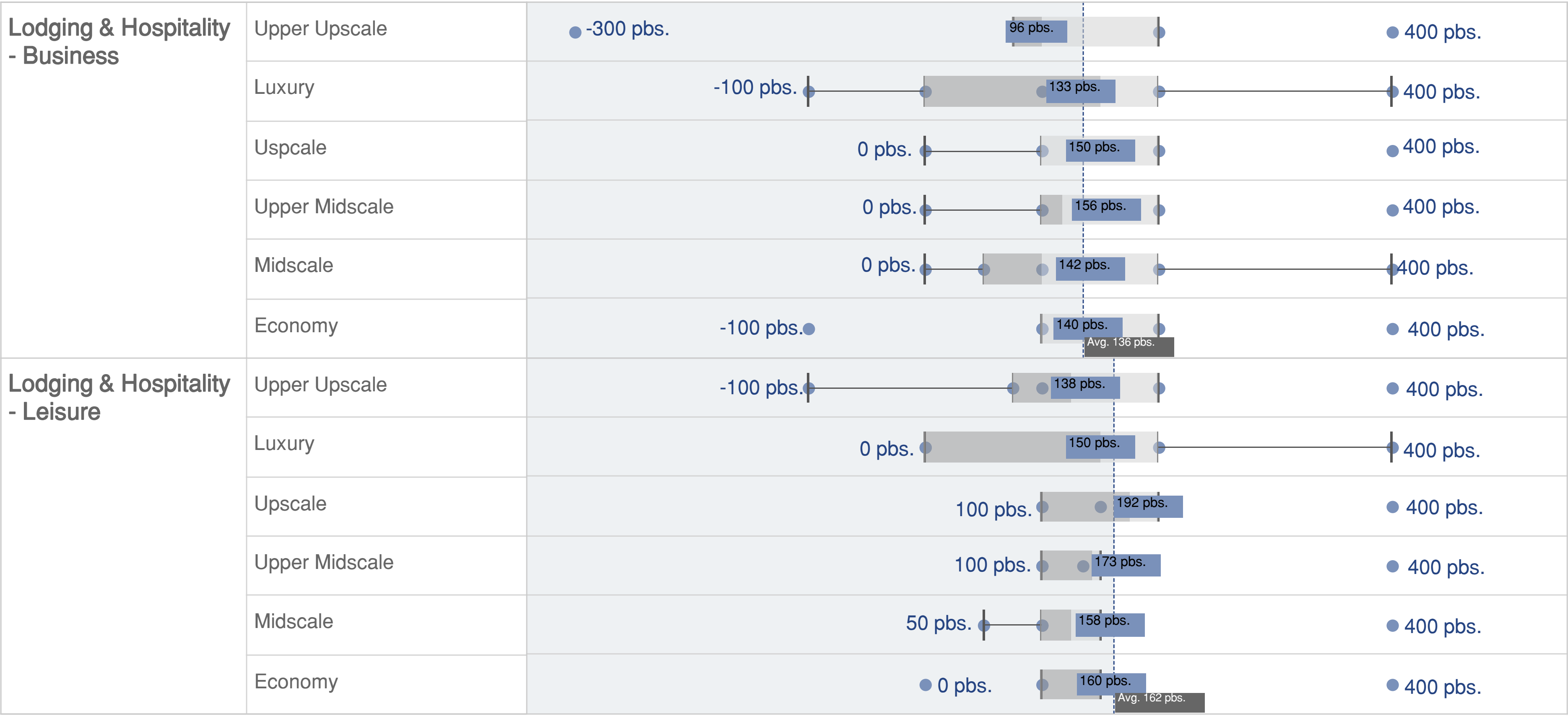
MARKET RENT GROWTH

The commercial sector stands out for having one of the highest rates of income growth, according to the perception of the respondents. This peak is reflected in the development of new malls in 2024 such as Blue Mall Punta Cana, Patio Embajada and Downtown Mall Santiago, among others. This dynamic not only reinforces the importance of the sector, but is also driven by the e-commerce model, which integrates online sales with the option of in-store pickup, which in turn encourages a greater flow of visitors to shopping malls.



GROWTH OF AVERAGE DAILY RATE (ADR) 2024

According to the respondents' perception, the average daily rate (ADR) is higher in tourism. **The Dominican Republic is a popular destination for tourists from all over the world,** which allows resorts to adjust their rates when visitors are willing to pay for high-quality experiences. During peak seasons, hotels in tourist destinations such as Punta Cana or Santo Domingo may increase their rates to capitalize on the high demand.

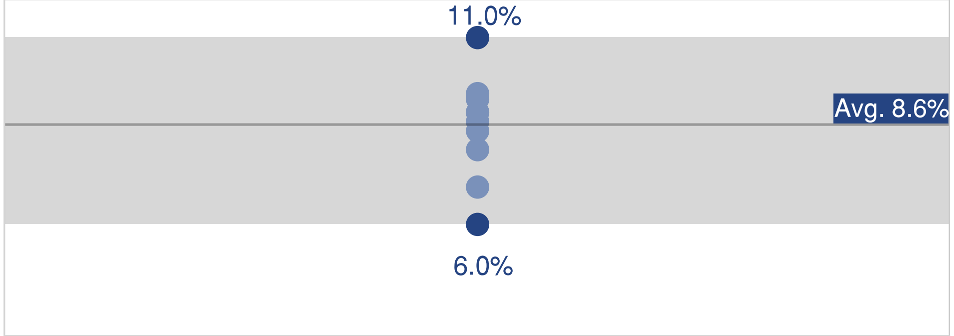


FINANCIAL INDICATORS

Activity in the real estate market, particularly in the office and tourism sectors, is showing signs of dynamism and growth, contributing to greater liquidity. In addition, **respondents' perceptions of interest rates are in line with regional conditions.** Nevertheless, some Caribbean countires such as Barbados have lower rates, possibly due to lower exchange rate volatility.

Effective Annual Interest Rate

Lowest rate to acquire a stabilized asset



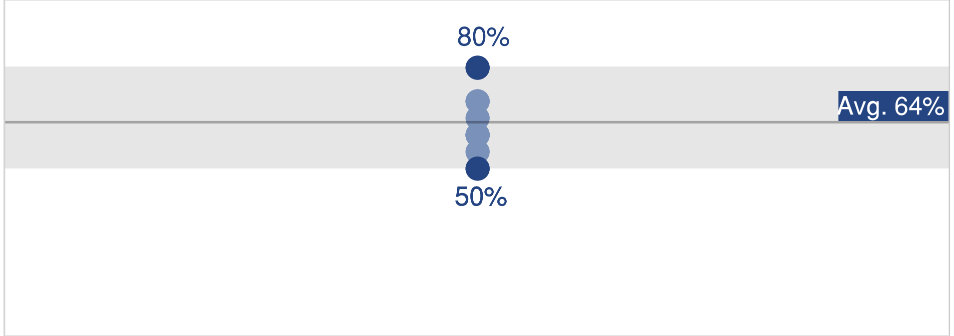
Term

Maximum term of a loan to acquire a stabilized asset

11 Years

Loan to Value

Maximum value that could be received to acquire a stabilized asset



Currency Spread

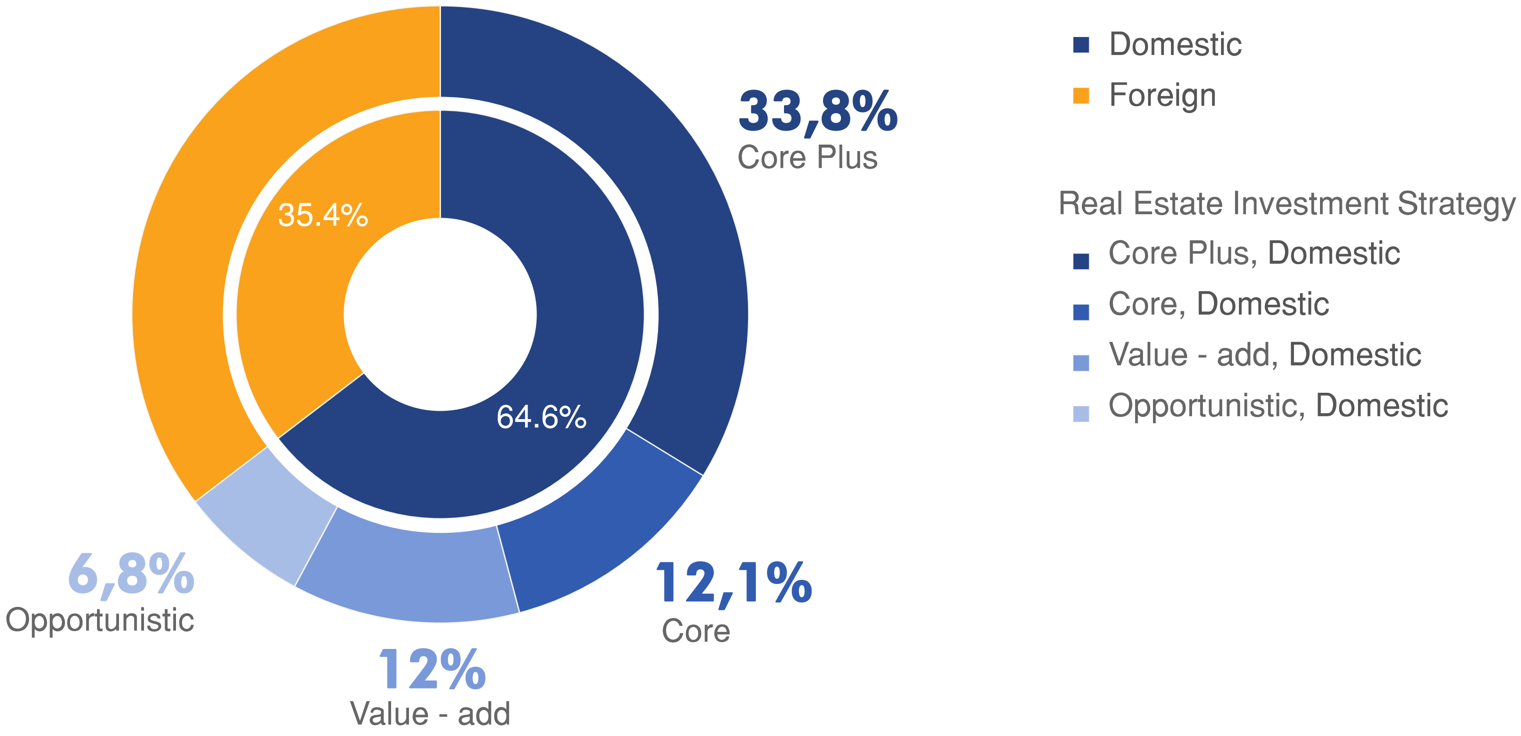
USD vs. Local currency to acquire a stabilized asset

483 pbs.

DOMESTIC AND FOREIGN INVESTMENT AND REAL ESTATE

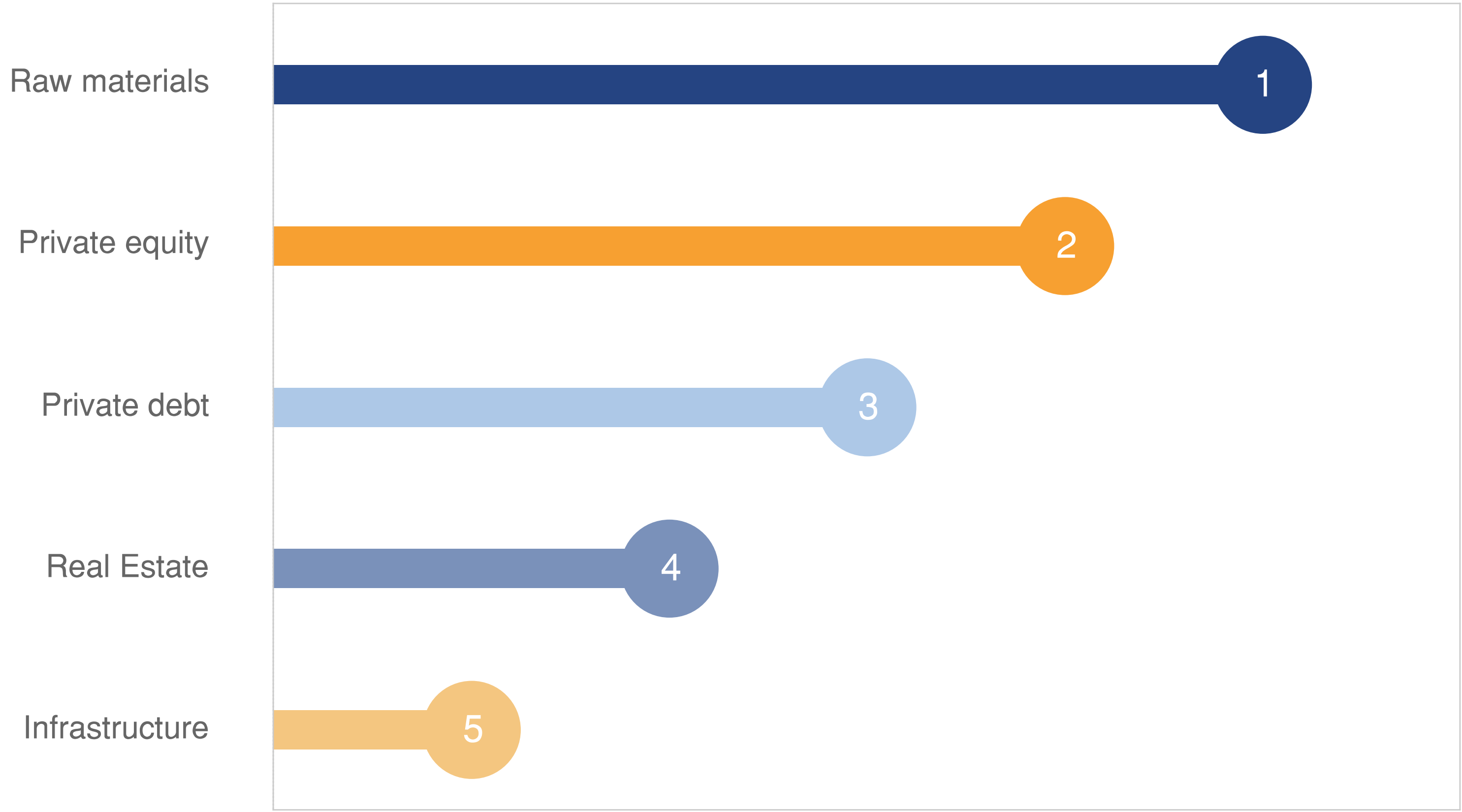
What is the domestic and international allocation of your total and real estate investments?

According to the government of the Dominican Republic, at least 50% of pension fund investments must be kept in the country in order to promote economic growth. This policy is in line with the results of portfolio surveys, which show that the country offers tax incentives and, in some cases, competitive returns. In addition, almost 60% of investment is in real estate, reflecting local investor confidence. Growth in tourism and construction has significantly boosted demand for commercial, residential and hotel properties in the country.



RETURNS BY ASSET CLASS

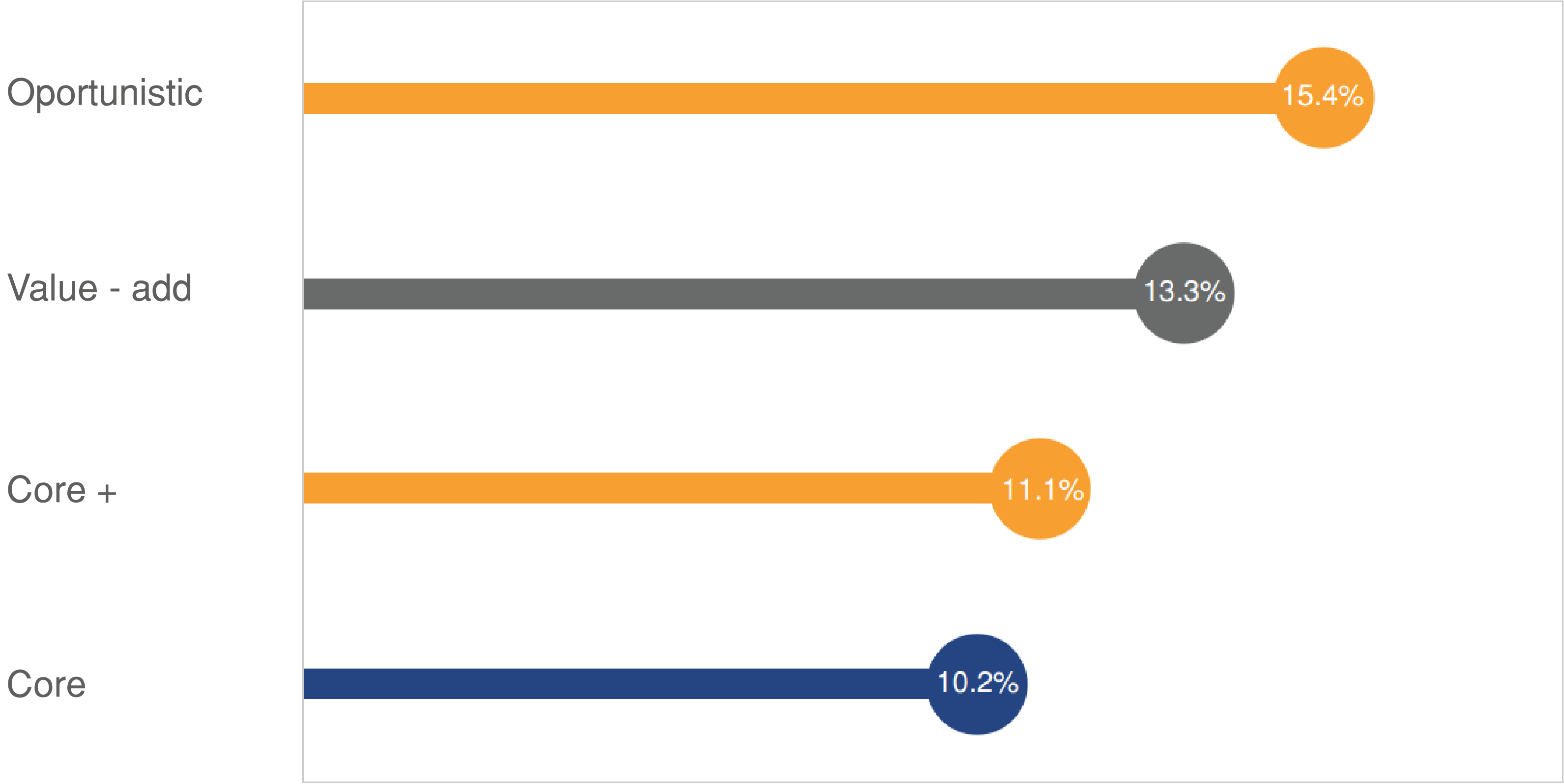
Rank in order of importance the investments that you expect to generate the higher return on investment



According to respondents, **the real estate sector ranks fourth** in terms of returns when investing in alternative assets. Despite the growing importance of this sector in the Caribbean, **there is still a lack of knowledge about this type of investment.** It is crucial to bet on the development of institutional projects to offer acquisition options to funds, thus allowing portfolio diversification. This will help the sector grow and become more attractive to investors.

ANNUAL RETURN EXPECTATIONS (IRR)

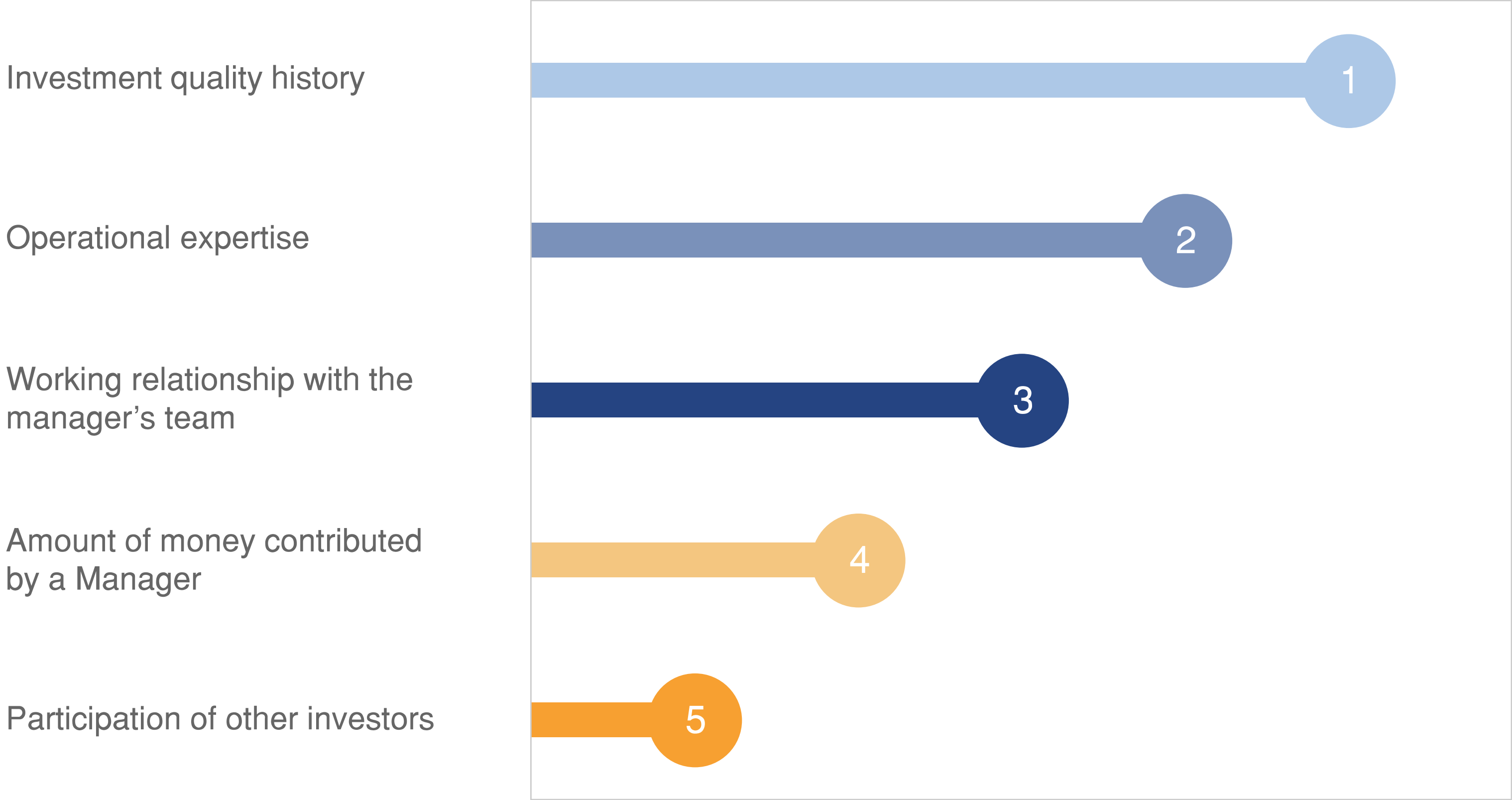
What is the expected annualized return (IRR) for each strategy type?



In the Dominican Republic, the most conservative real estate strategies, such as **core and core plus, show the lowest internal rates of return** (IRR). This is because most investment vehicles are focused on income producing, prioritizing long-term stability. Although development-oriented funds are emerging, the current preference is still for assets that generate steady cash flows, such as office and retail, emphasizing safety over high yield.

MANAGER SELECTION CRITERIA RANKING

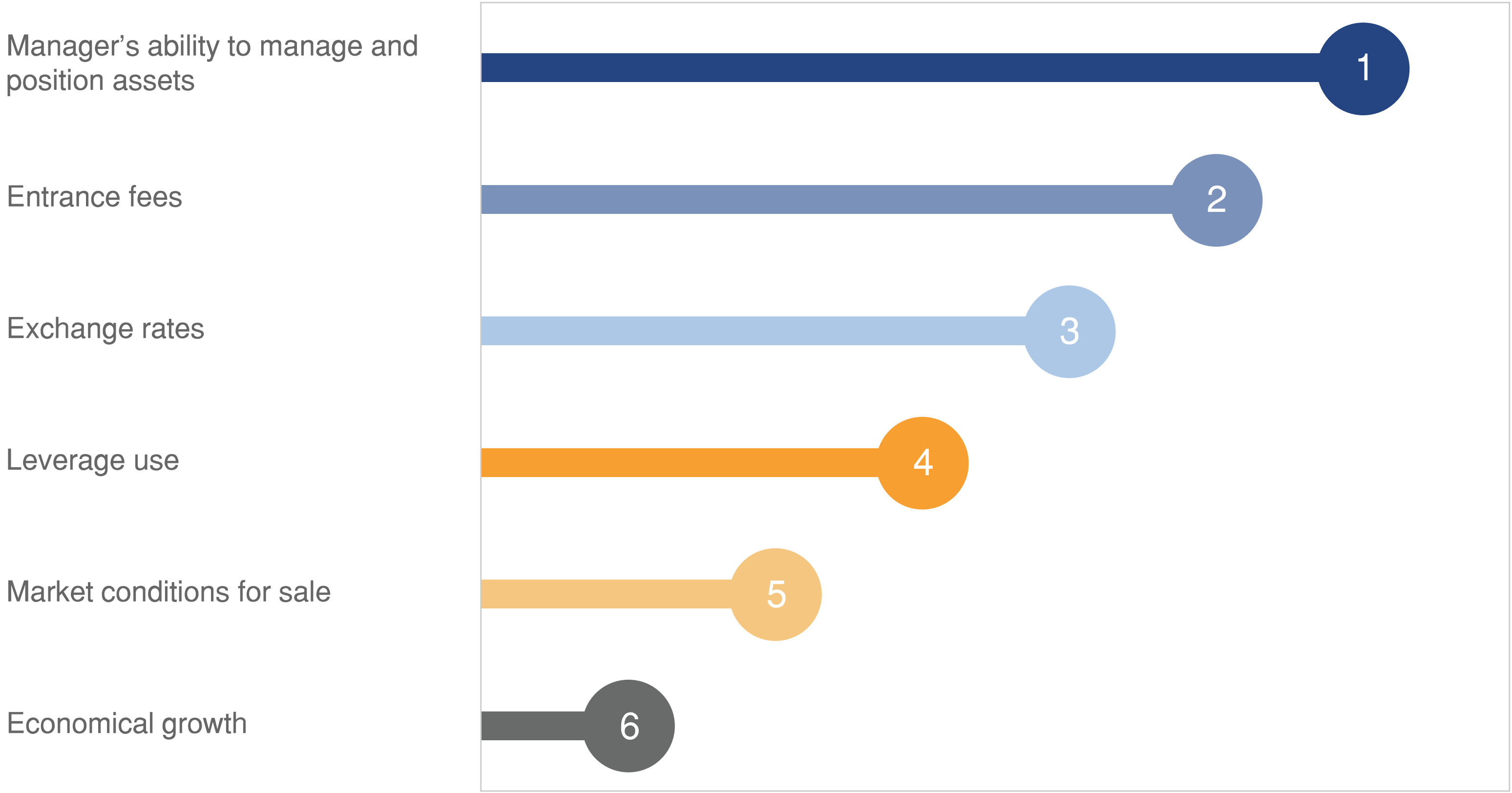
Rank the following characteristics in order of importance when selecting a manager



Although the real estate sector in the Dominican Republic is at an early stage of institutionalization, the regulation of real estate funds has increased the transparency of the market. **The publication of financial statements and management reports facilitates access to information for investors and allows a better assessment of the historical investment performance** of managers in managing, marketing and stabilizing assets. This is particularly positive as surveys show that asset management skills are the most important factor for investors when selecting a manager.

DRIVERS OF FUND PERFORMANCE RANKING

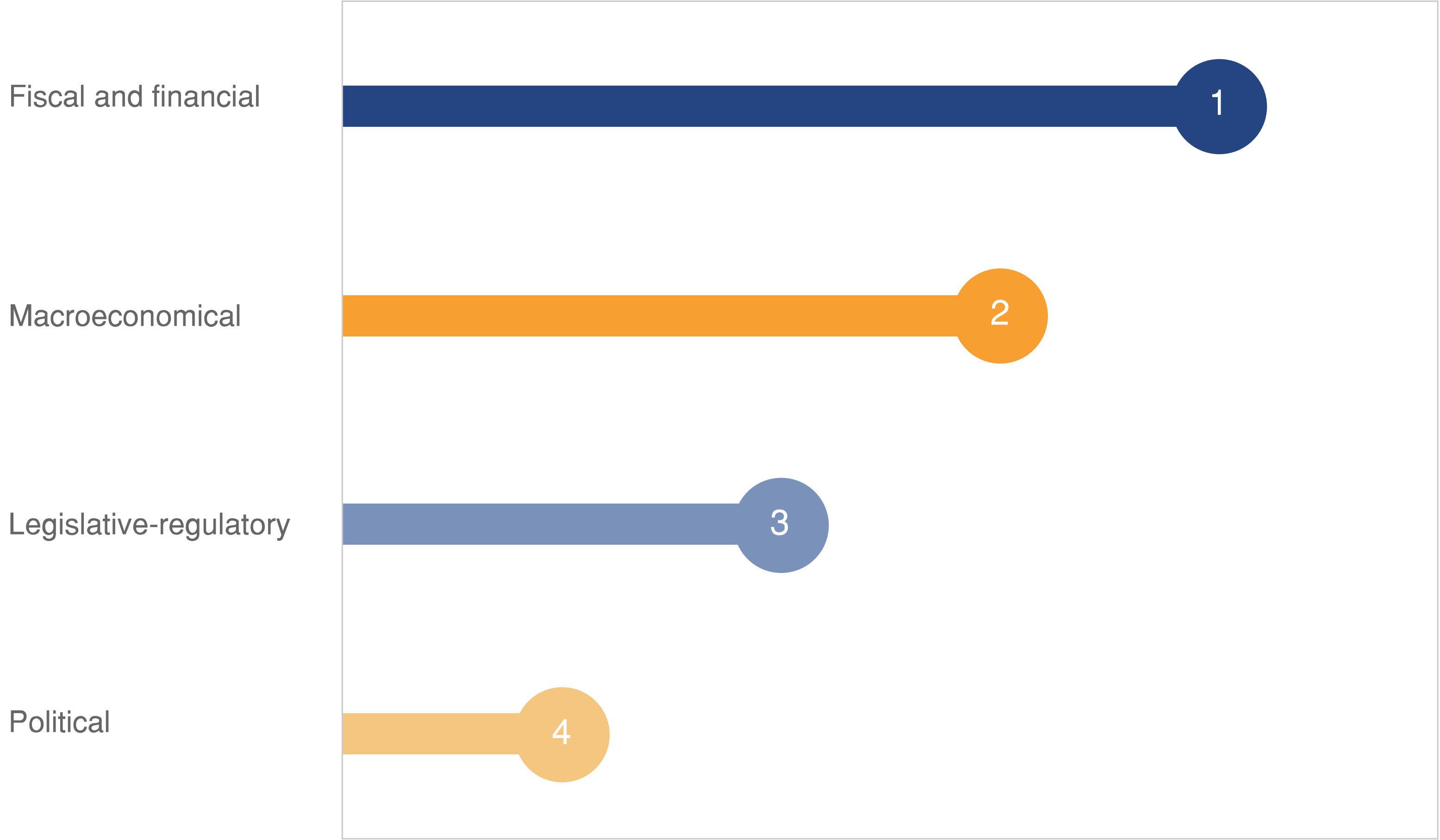
Rank the factors you expect to have the greatest impact on the funds' performance



According to respondents, **the ability of managers to position and maintain their asset portfolios is crucial when selecting a real estate manager.** The Dominican Republic is currently in an election period and the ability of managers to maintain stable income in the face of any political instability is critical to ensure stability and reduce risk in their asset portfolios.

REAL ESTATE INVESTMENT RISKS

Rank in order of importance the risks that you believe will have the greatest impact on real estate investment

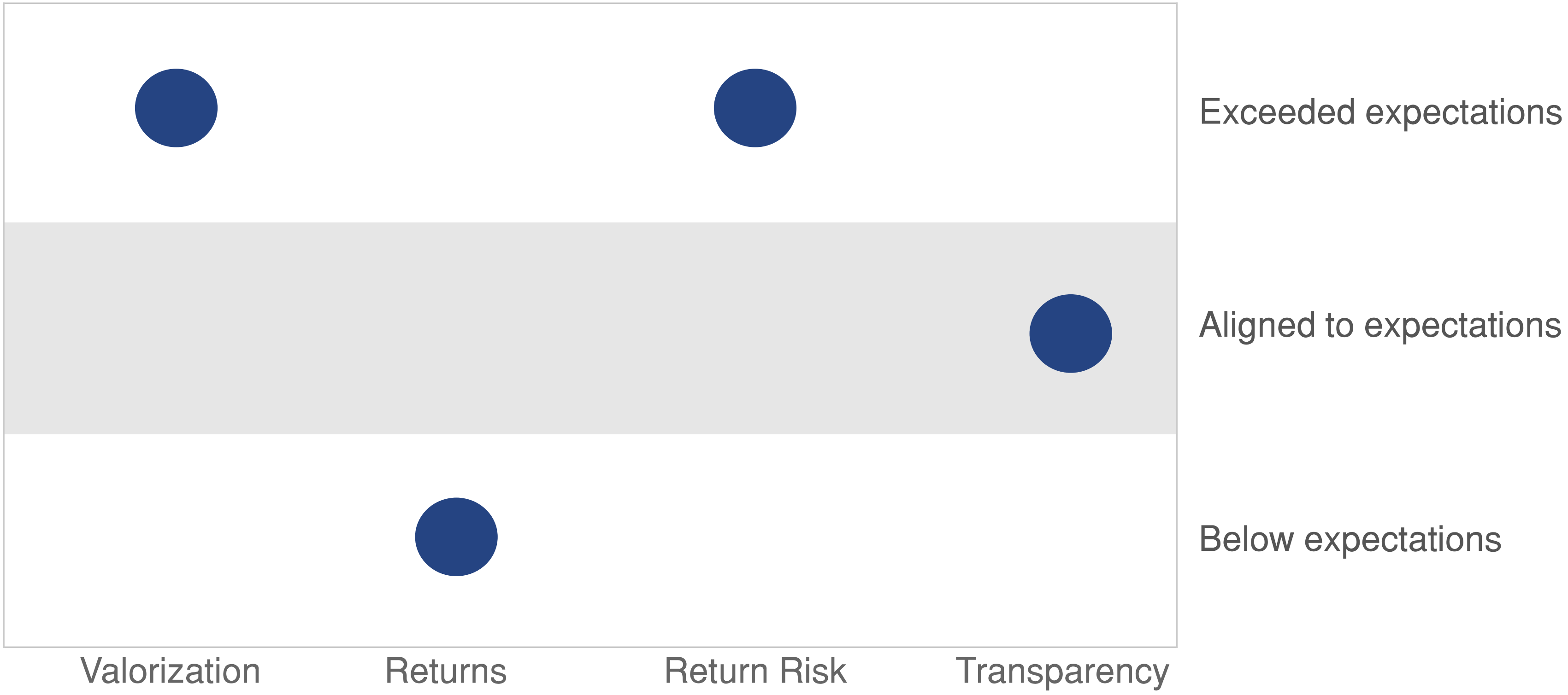


According to respondents, the political environment is crucial to investment decisions. **In a politically stable country, abrupt changes in government policy can create uncertainty and increase risk.** This can affect the flow of domestic investment and, if perceived as high risk, lead to a flight of capital to investments abroad in search of more attractive opportunities in stable countries.

INVESTMENT EXPERIENCE

How would you rate the following aspects in relation to the experience with managers and investments in 2024?

According to the respondents, current returns are below expectations, which could be related to the high level of inflation that occurred in 2023 and will still have an impact in 2024. **In terms of transparency, the disclosure mechanisms and clarity of information on real estate vehicles seem to meet the standards expected by investors.** On the other hand, both return risk and asset valuation are in line with high expectations. This is positive and could be linked to the stability and longer-term rents offered by sectors such as offices, creating a favourable perception among investors.



GLOSSARY

- **Net Cap Rate:**

  A metric that reflects the ratio of net operating income to total property value. This ratio is used to evaluate the efficiency and profitability of a real estate investment.

- **Internal Return Rate IIR:**

  It is the percentage that represents the expected anual return on a real estate investment, taking into account future income and expenses, before taxes and without leverage. This ratio is key to determining the financial viability of a Project.

- **Internal Return Rate on Development:**

  Reflects the projected rate of return on an investment in a real estate development project, taking into account the project´s future costs and revenues, excluding taxes and leverage. This rate is an essential criterion for evaluating the profitability of projects in the construction or planning stages.

- **Rental Growth:**

  This is the rate that projects the expected increase in a property's rental income over time, adjusted for inflation. It is a key indicator to measure the appreciation of real estate assets in the market.

- **Risk Prime:**

  It is the difference between the expected internal return rate (IRR) of a property project under development and the IRR of a similar completed project. This premium reflects the additional risk involved in developing a project compared to an asset already in operation.

- **Value - add:**

  Focuses on enhancing existing assets through renovation or improvement to increase their value and performance. Investors seek opportunities to add value and generate superior long-term returns.

- **Oportunistic:**

  It seeks to take advantage of short-term market opportunities by investing in undervalued assets or special situations to maximize returns. Although it may involve greater risk, it also offers the possibility of high returns.

- **Core:**

  Focuses on investing in stable, high-quality assets with low risk and predictable returns. Investors seek well-located, stable income properties for 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 include refurbishment, upgrading or changes in management to increase income and investment value.

- **Returns:**

  Refers to the return on an investment in real estate. This includes rental income, capital appreciation, and other financial benefits generated.

- **Return Risk:**

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

- **Transparency:**

  Refers to the clarity and openness of information about an investment. This includes details of costs, returns, risks and management strategies. Transparency is key to building trust between investors and managers, ensuring informed decisions and a clear relationship.

LOGAN

LOGAN Valuation is a leading firm specializing in valuation, appraisal, and real estate consulting services for institutional clients across Latin America. With a strong presence in Colombia, Peru, Mexico, Costa Rica, the Dominican Republic, and Guatemala, LOGAN is recognized for its credentials, confidentiality, and exceptional service.

The firm offers a wide range of services, including portfolio valuation, commercial appraisals, market studies, and real estate consulting. LOGAN covers a diverse array of assets, such as offices, industrial-logistics complexes, shopping centers, land, hotels, clinics-hospitals, and residential projects for sale and rental, among others.

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