LOGAN

INVESTMENT REPORT

Mexico 2024

AMEFIBRA

METHODOLOGY

The Mexico 2024 Investment Report includes three main sections: AUM, GPs y LPs.

Assets Under Management (AUM):

Developed using information from regulatory agencies, financial filings and public data. It includes new managers and updates to historical data. All figures are in U.S. dollars (USD) and may vary due to currency conversions.

General Partners (GPs):

Based on 2024 surveys, it includes new respondants that affect the averages and ranges. To compensate for the lack of residential data for the 2024 IRR, some prior year data was included to minimize statistical bias.

Limited Partners (LPs):

Also based on 2024 research, with data influenced by new participants and updates. The report provides a comprehensive and up-to-date analysis of the real estate market in Mexico, considering variations due to new data and participants.

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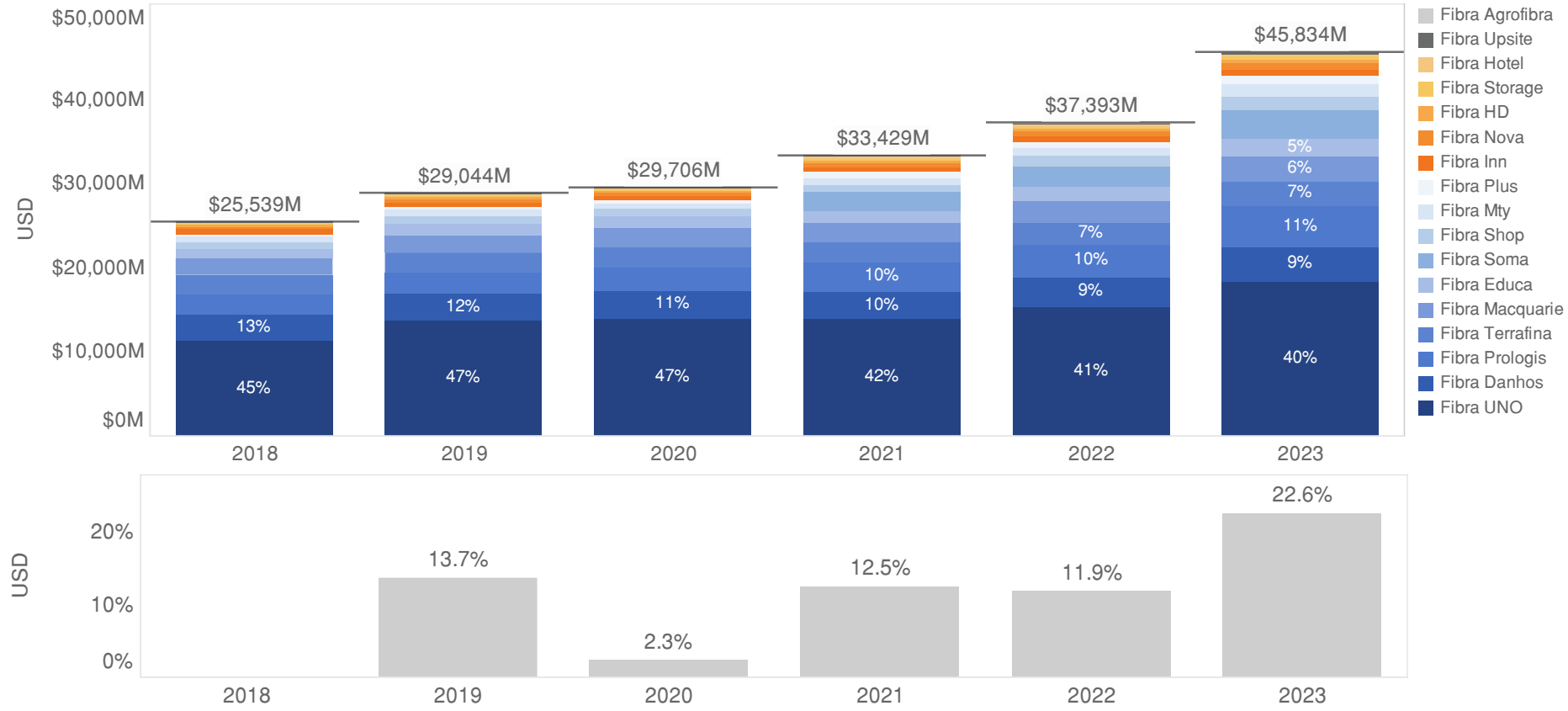
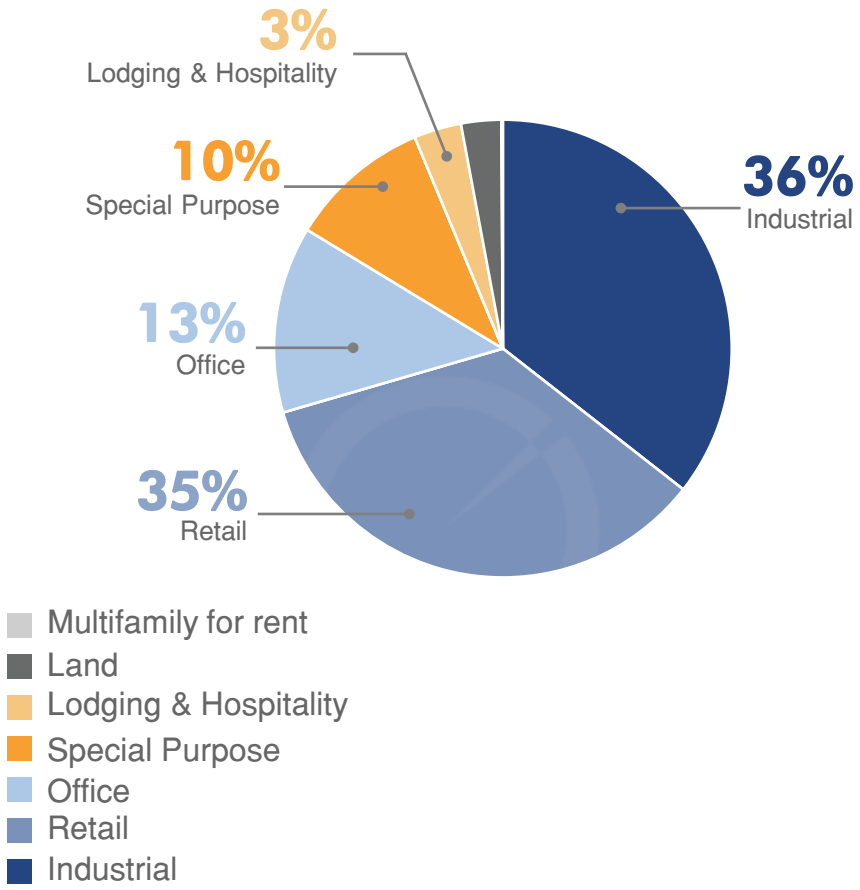
ASSETS UNDER MANAGEMENT FIBRAs

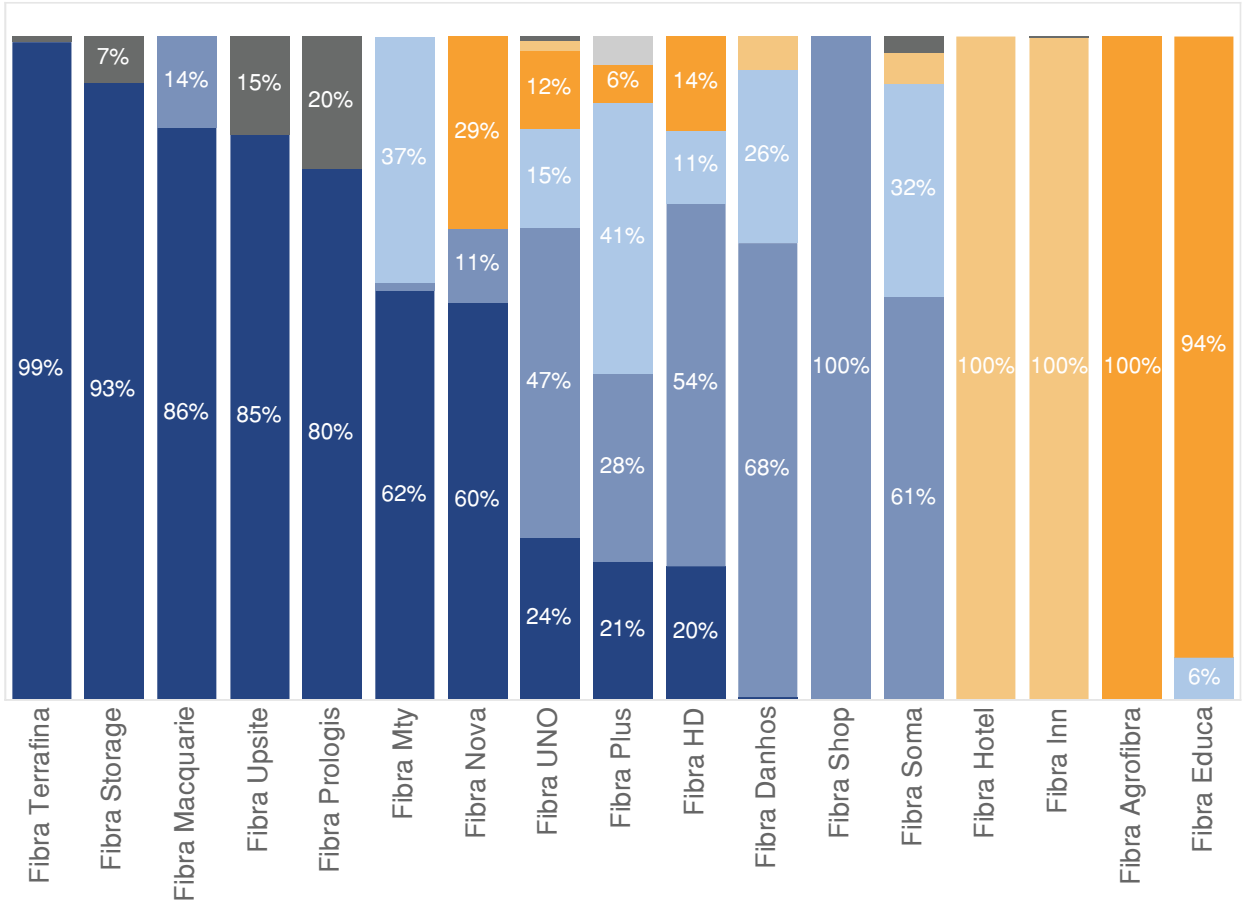
Despite the decrease in interest rates in Mexico during 2024, which went from an all-time high of 11.25% in March to 10% in December, and the appreciation of the exchange rate, with the Mexican peso trading around 20.47 pesos per dollar, **the industrial sector has shown resilience in the face of these challenges. This sector stands out for maintaining very low vacancy rates and generating stable rental income.** We have also seen the creation of new real estate vehicles specialised in the industrial sector, such as FibraNext, which is expected to be listed on the Mexican Stock Exchange in 2024. The general revaluation of assets and the various transactions carried out in 2023 contributed to maintaining the growth trend in AUM (assets under management) at the end of the year.



ASSETS UNDER MANAGEMENT FIBRAs BY SECTOR OF FIBRAs

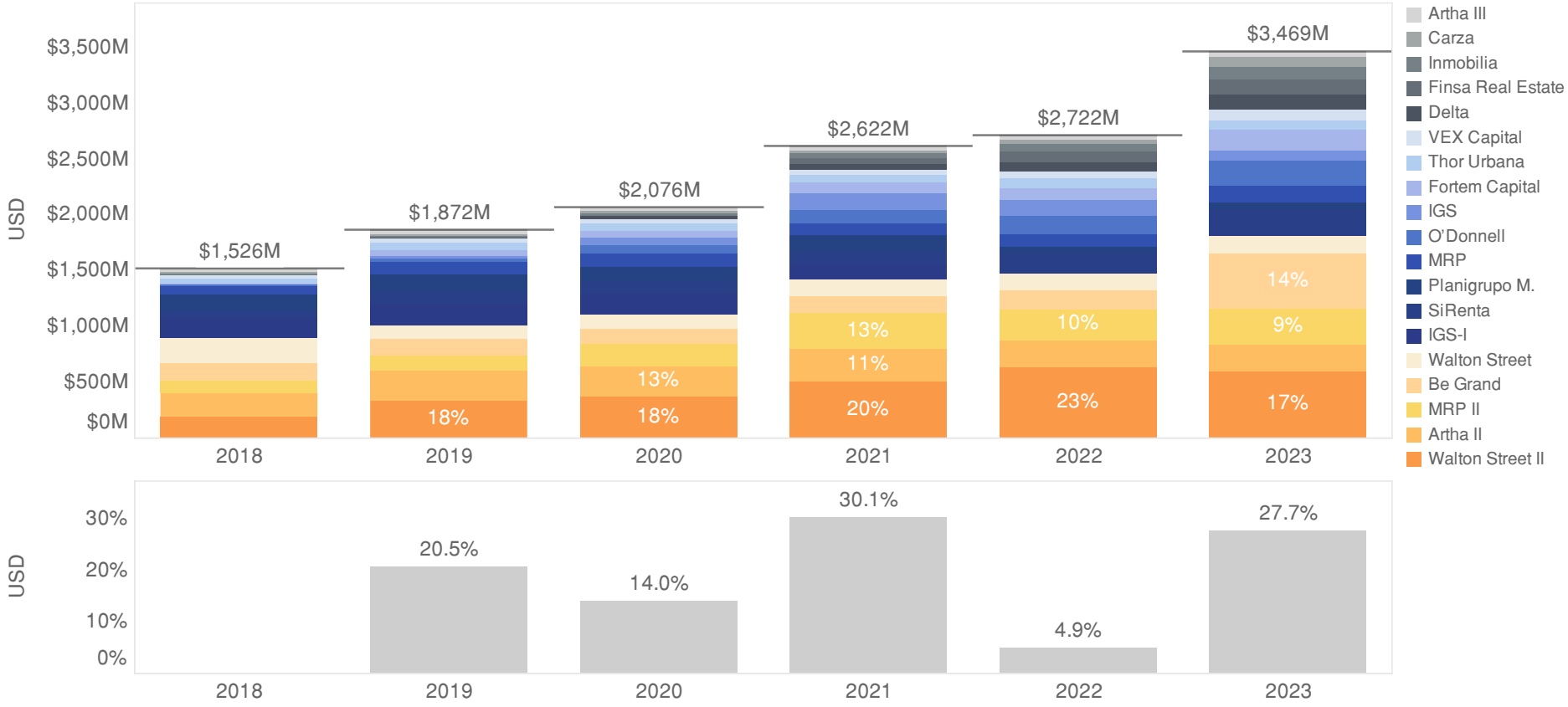
The industrial sector ranks first in terms of total AUM value. This dynamic reflects strong demand driven by a favourable economic environment, characterised by factors such as **nearshoring and the growth of e-commerce**, and the consolidation of manufacturing processes, such as maquiladoras, auto parts and light vehicle manufacturers.





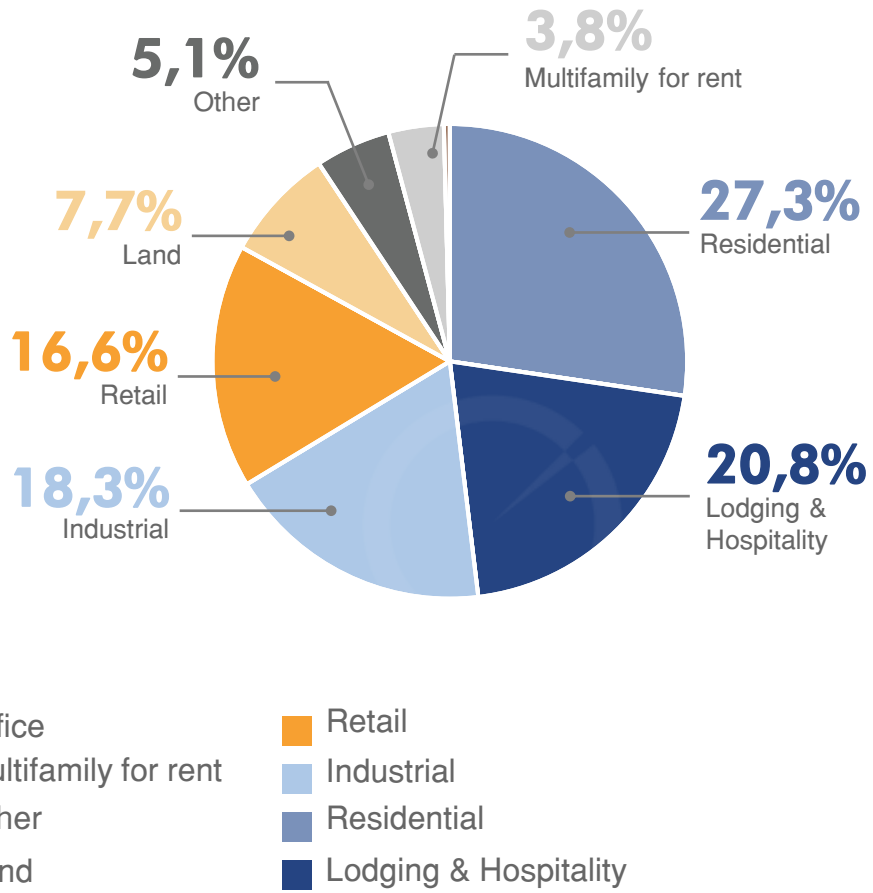
ASSETS UNDER MANAGEMENTE CKDs

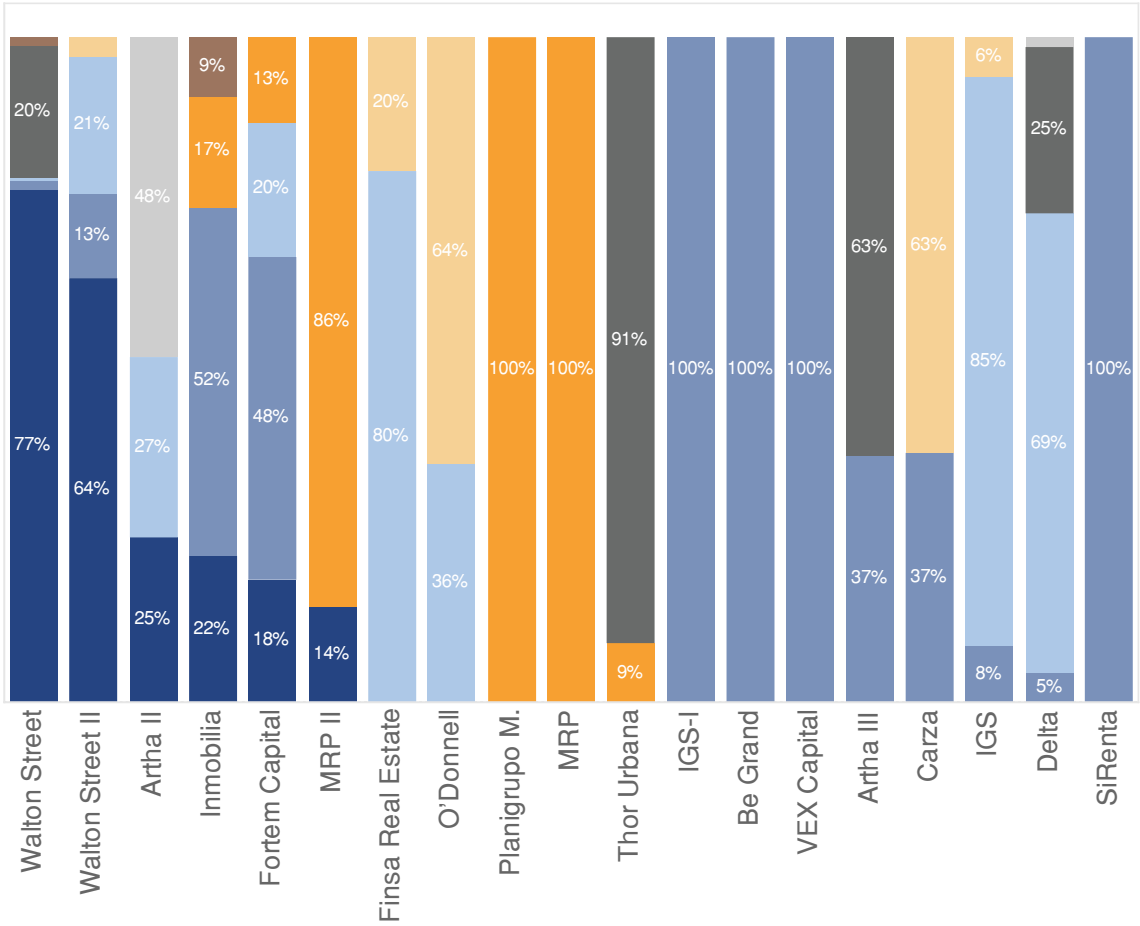
CKDs are a financing alternative that is driving projects in various sectors, including real estate. In 2023, investment in this type of project will increase, **possibly due to a rise in greenfield investment, which focuses on developing from scratch on undeveloped land.** In Mexico, a prime example is the development of industrial parks in the Bajío and northern regions of the country. CKDs have been instrumental in financing the creation of customized infrastructure designed to attract manufacturing, logistics and technology companies. This approach maximizes profitability and maintains a high level of control at every stage of the project.



ASSETS UNDER MANAGEMENT BY SECTOR OF CKDs

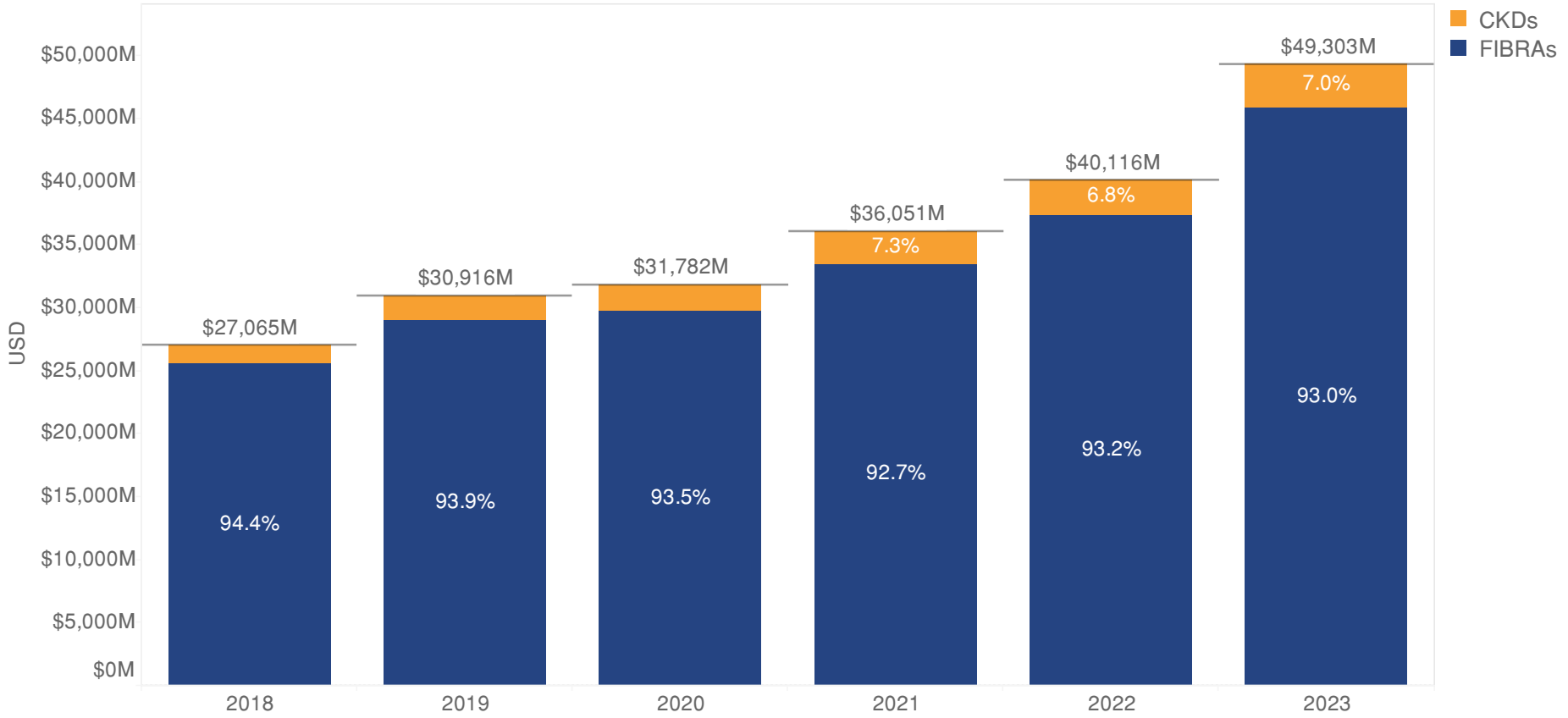
The residential sector ranks second in the total distribution of AUM. This could be related to the dominant strategy of CKDs, which tend to focus on this segment due to its consistently high demand driven by demographic growth. This approach is interesting for certain CKDs specializing in long-term strategies, as they seek more stable and sustainable returns.





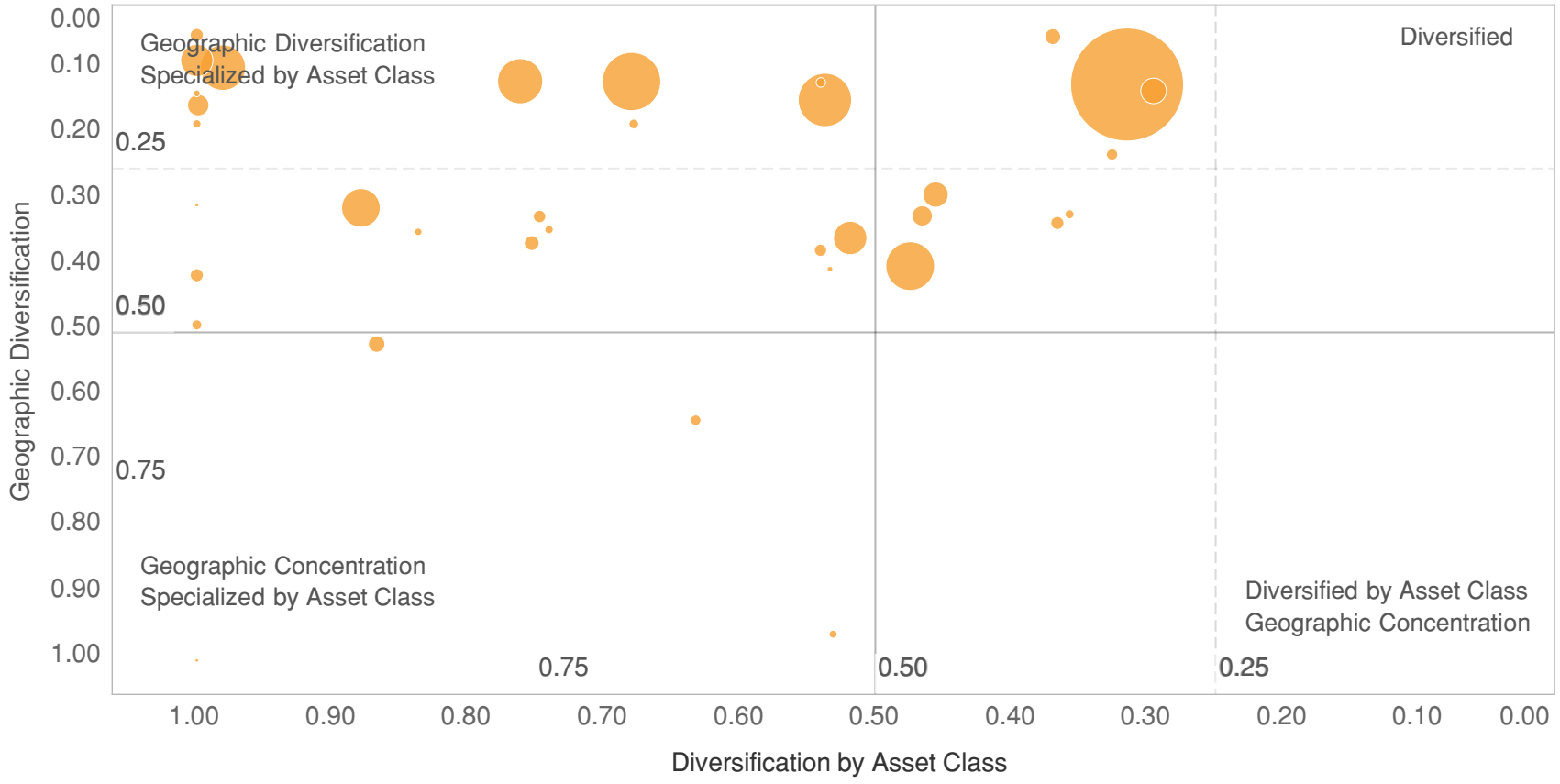
ASSETS UNDER MANAGEMENT FIBRAs AND CKDs

The synergy between Fibras and CKDs strengthens the development of the real estate sector in Mexico, one of the most mature markets in Latin America. **FIBRAS can invest in CKDs to fund specialist or large-scale real estate developments, while CKDs benefit from FIBRAs' support in managing and operating properties, creating a strategic link for the growth of the sector.** A clear example of this model is the Zeus project, supported by the CKD strategy and partly led by Walton. This project will complete its lifecycle in 2023 with the sale of its portfolio to Fibra MTY, demonstrating the success of this collaboration.



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 are to zero on both axes, the more diversified the fund is. **This chart shows how the largest funds, especially 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 graph are more specialized, focusing on a particular sector or city, or even both.

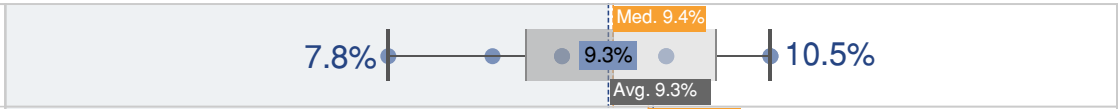
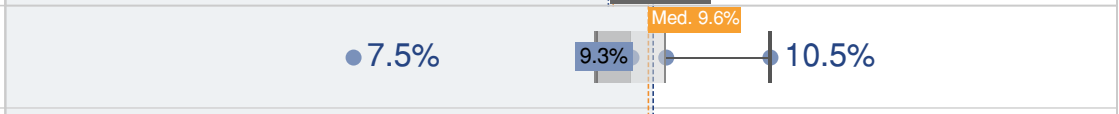
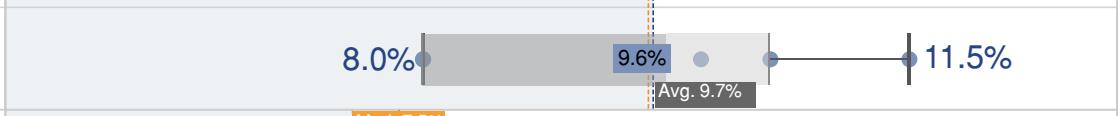
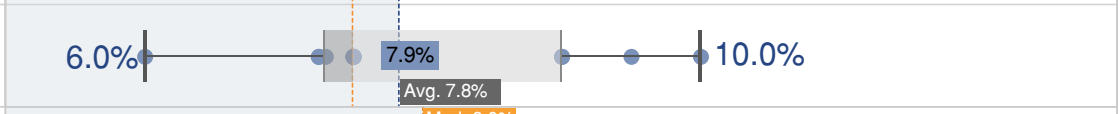
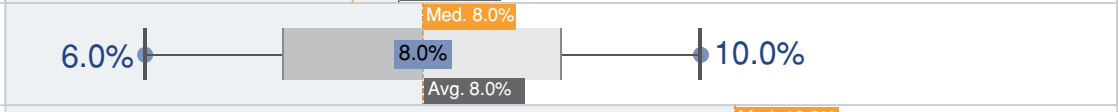
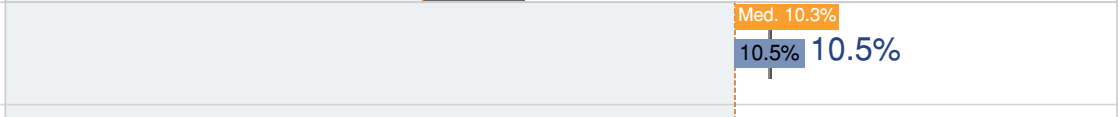
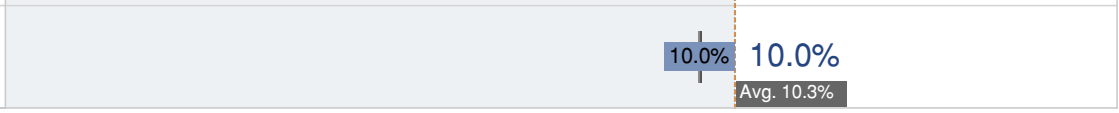


NET CAP RATES

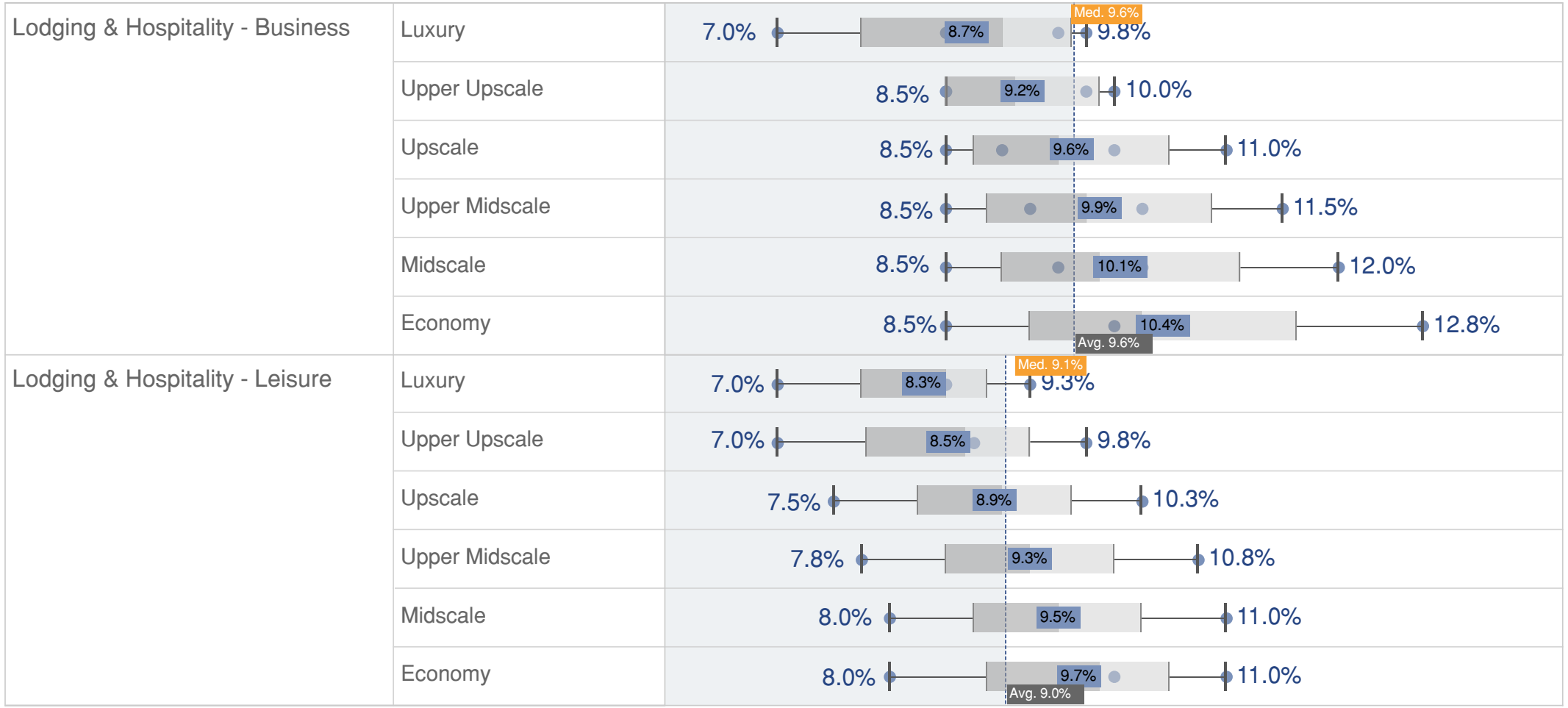
According to respondents, the **industrial sector** has the **lowest capitalization rate**. Currently, this sector is the **cornerstone** of the real estate market, in part due to the **strategic geographic location** of Mexico, which shares an extensive border with the **United States**. This proximity facilitates the **rapid and efficient export** of goods, positioning cities such as **Monterrey, Tijuana, Ciudad Juárez and the Bajío** region as key industrial hubs. In addition, the country's **macroeconomic stability** and **tax incentives** in industrial parks have strengthened the **confidence of foreign investors**.

Sector	2023	2024	2023	2024	Forecast 2025
Office	9.0% / 8.0%	10.5% / 7.8%	8.4%	9.3%	
Retail	12.0% / 8.5%	11.5% / 7.5%	9.4%	9.7%	
Industrial	9.5% / 6.8%	10.0% / 6.0%	7.6%	7.8%	
Multifamily for rent	10.0% / 6.5%	10.0% / 6.0%	8.2%	8.0%	
Lodging & Hospitality	11.5% / 7.0%	12.8% / 7.0%	9.1%	9.3%	
Healthcare	12.0% / 7.8%	10.5% / 10.0%	9.6%	10.3%	

NET CAP RATES 2024

Office	Office	
Retail	Regional Shopping Center	
	Neighborhood Shopping Center (Convenience)	
	Stand Alone	
Industrial	Logistics	
	Manufacturing	
Multifamily for Rent	Multifamily for rent	
Healthcare	High Complexity	
	Low Complexity	

NET CAP RATES 2024

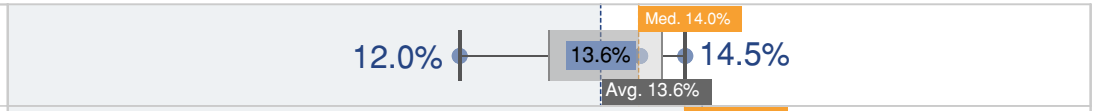
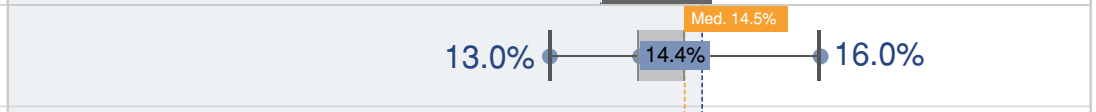
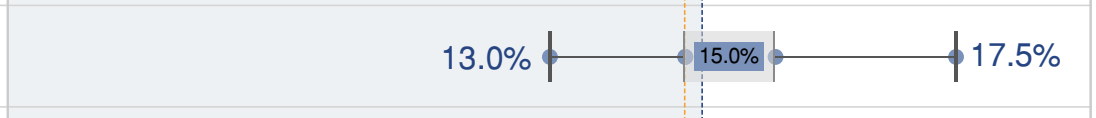
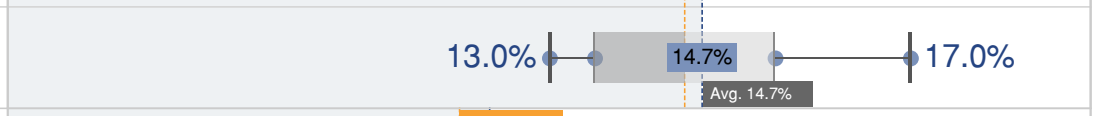
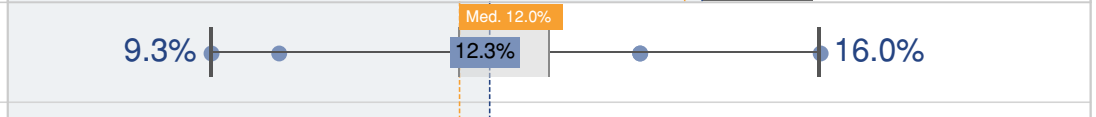
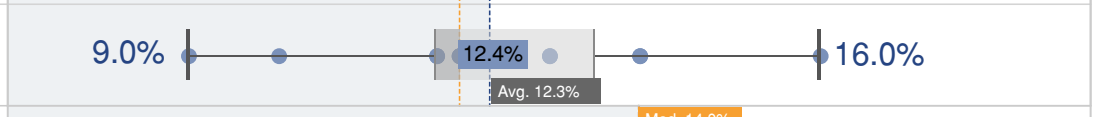
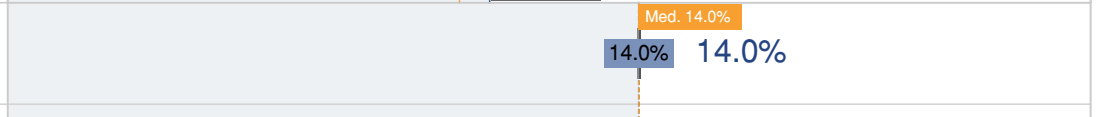
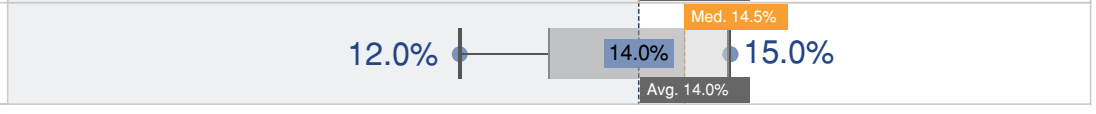


INTERNAL RETURN RATE (IIR)

The rental housing sector has one of the lowest internal rates of return, according to respondents. **There seems to be a growing understanding in the sector, linked to Mexico's strong commitment to these types of projects, where REITs (FIBRAs) and developers are making significant investments.** This interest can be explained by the fact that these projects are not as volatile as the office and retail sectors, which can be more susceptible to economic fluctuations and changes in consumer habits.

Sector	2023	2024	2023	2024	Forecast 2025
Office	18.0% / 11.5%	14.5% / 12.0%	14.0%	13.6%	
Retail	20.0% / 11.0%	17.5% / 13.0%	14.2%	14.7%	
Industrial	17.0% / 9.0%	16.0% / 9.0%	12.0%	12.3%	
Multifamily for Rent	18.0% / 12.0%	15.0% / 12.0%	14.4%	14.0%	
Lodging & Hospitality	20.0% / 12.0%	20.0% / 12.0%	18.8%	15.0%	
Healthcare	17.0% / 12.0%	14.0%	15.0%	14.0%	

INTERNAL RETURN RATE (IIR) 2024

Office	Office	
Retail	Regional Shopping Center	
	Neighborhood Shopping Center (Convenience)	
	Stand Alone	
Industrial	Logistics	
	Manufacturing	
Healthcare	High Complexity	
	Low Complexity	
Multifamily for Rent	Multifamily for Rent	

INTERNAL RETURN RATE (IIR) 2024

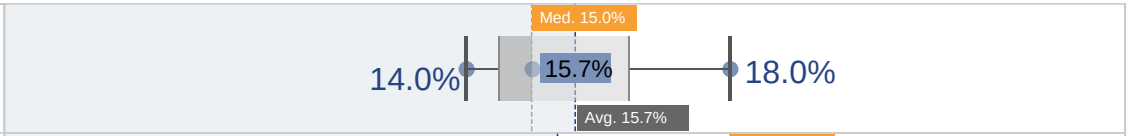
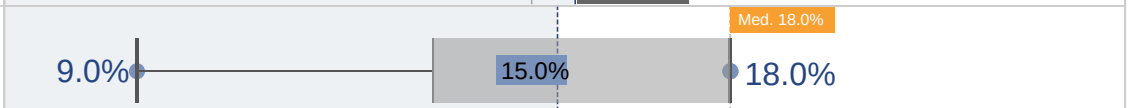
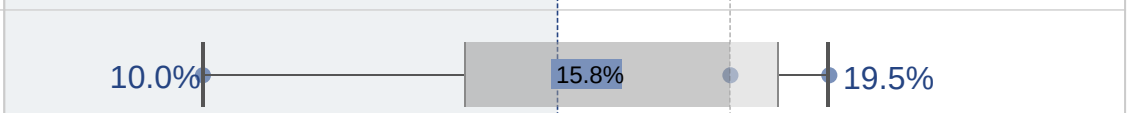
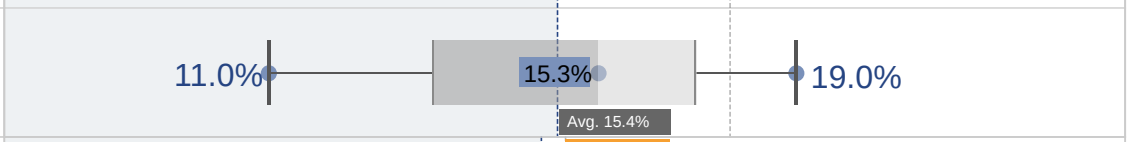
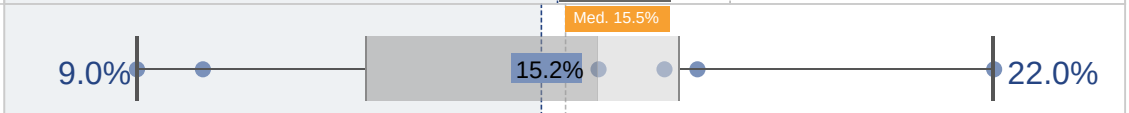
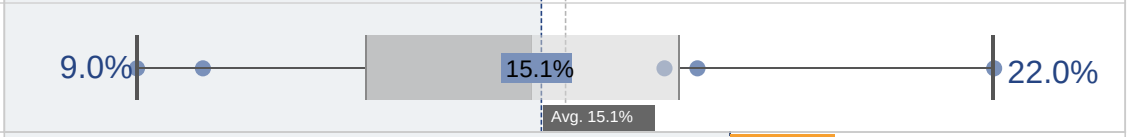
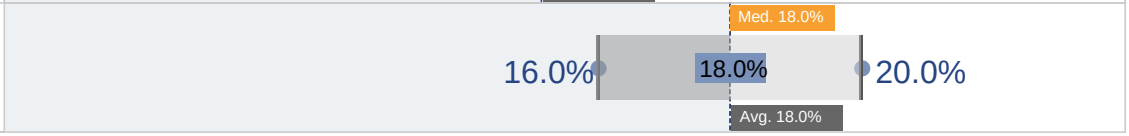
Lodging & Hospitality - Business	Luxury	13.0% / 14.5% / 17.0% (Med. 15.0%)
	Upper Upscale	13.0% / 14.9% / 17.0%
	Upscale	14.5% / 15.4% / 17.0%
	Upper Midscale	15.0% / 15.5% / 16.0%
	Midscale	15.0% / 15.9% / 18.0%
	Economy	14.0% / 16.1% / 20.0% (Avg. 15.4%)
Lodging & Hospitality - Leisure	Luxury	12.0% / 14.1% / 17.0% (Med. 14.0%)
	Upper Upscale	13.0% / 14.4% / 17.0%
	Upscale	13.5% / 14.6% / 16.0%
	Upper Midscale	14.0% / 15.3% / 17.0%
	Midscale	13.5% / 14.9% / 18.0%
	Economy	12.0% / 14.4% / 18.0% (Avg. 14.6%)

INTERNAL RETURN RATE (IIR) ON DEVELOPMENT

In 2024, respondents' outlook is in line with Mexico's economic situation, especially with the Bank of Mexico's (Banxico) reduction of the interest rate due to the slowdown in inflation. This reduction in the interest rate has created more favorable conditions for financing projects. **As a result, lower financing costs have made the expected Internal Return Rate (IRR) more attractive, especially in the commercial sector, which requires significant investment due to the complex physical infrastructure of these types of projects.**

Sector	2023	2024	2023	2024	Forecast 2025
Office	20.0% / 12.0%	18.0% / 14.0%	16.7%	15.7%	↗
Retal	23.0% / 11.0%	19.5% / 9.0%	19.0%	15.4%	→
Industrial	19.0% / 10.0%	22.0% / 9.0%	14.7%	15.1%	↘
Multifamily for Rent	20.0% / 12.0%	20.0% / 16.0%	14.8%	18.0%	↗
Lodging & Hospitality	24.0% / 15.0%	nd	20.0%	nd	→
Healthcare	19.0% / 12.0%	nd	16.3%	nd	↘

INTERNAL RETURN RATE (IIR) ON DEVELOPMENT 2024

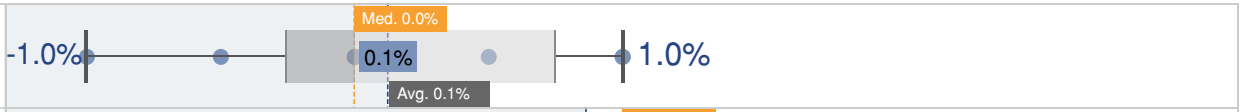
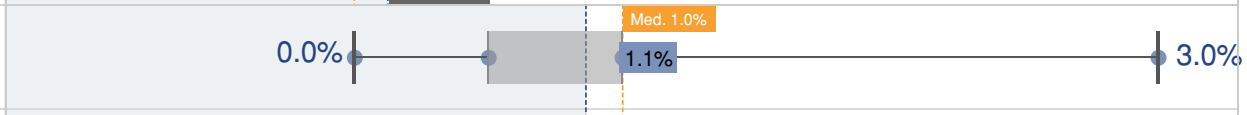
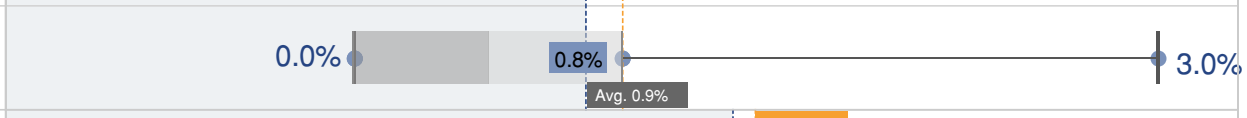
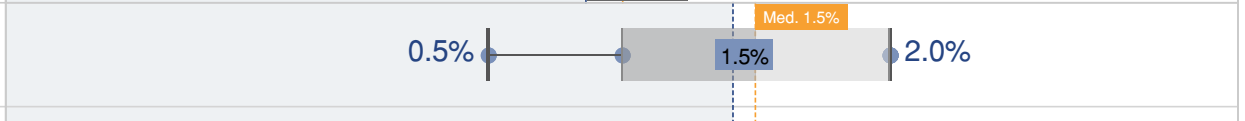
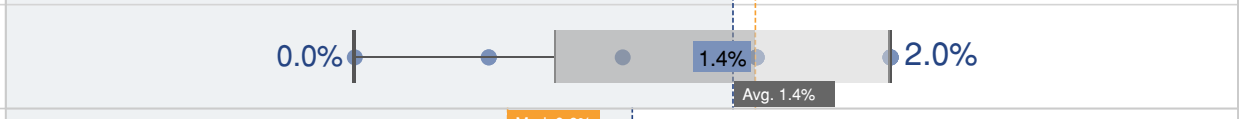
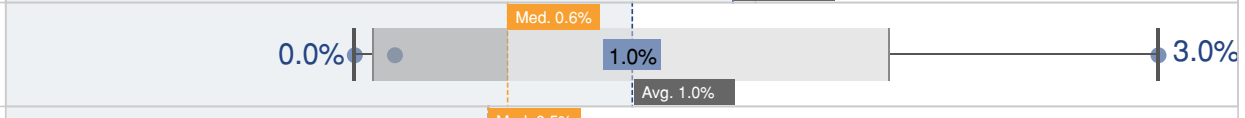
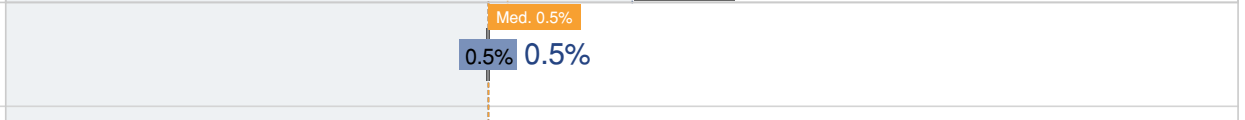
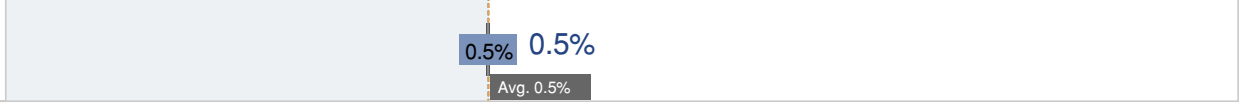
Office	Office	
Retail	Regional Shopping Center	
	Neighborhood Shopping Center (Convenience)	
	Stand Alone	
Industrial	Logistics	
	Manufacturing	
Multifamily for Rent	Multifamily for Rent	

MARKET RENT GROWTH

The industrial sector in Mexico has the highest prospects for rental growth, according to respondents. This is due to its dynamism, mainly driven by the nearshoring phenomenon. This trend has increased demand for industrial space, particularly in the northern part of the country. In 2024, the net absorption of industrial space has increased by an average of 16% compared to the previous year, and this momentum is expected to continue in 2025, further reinforcing the sustained growth in this sector.

Sector	2023	2024	2023	2024	Forecast 2025
Office	1.0% / -0.1%	1.0% / -1.0%	0.2%	0.1%	↘
Retail	7.0% / 0.0%	3.0% / 0.0%	1.2%	0.9%	↗
Industrial	5.0% / 0.0%	2.0% / 0.0%	1.6%	1.4%	↗
Multifamiliy for Rent	5.0% / 0.0%	3.0% / 0.0%	1.9%	1.0%	↗
Lodging & Hospitality	3.0% / 0.0%	nd	0.6%	nd	↘
Healthcare	2.0% / 0.0%	0.5%	0.7%	0.5%	↘

MARKET RENT GROWTH BY SUBSECTOR

Office	Office	
Retail	Neighborhood Shopping Center (Convenience)	
	Regional Shopping Center	
	Stand Alone	
Industrial	Logistics	
	Manufacturing	
Multifamily for Rent	Multifamily for Rent	
Healthcare	High Complexity	
	Low Complexity	

AVERAGE DAILY RATE ADR

Lodging & Hospitality - Business	Upper Upscale	0.8% 1.5% 2.0%
	Luxury	0.8% 1.7% 3.0%
	Upscale	0.8% 1.3% 2.0%
	Upper Midscale	0.8% 1.3% 2.0%
	Midscale	0.8% 1.8% 4.0%
	Economy	0.8% 3.6% 8.0% Med. 1.5% 1.9%
Lodging & Hospitality - Leisure	Upper Upscale	1.3% 2.7% 4.5%
	Luxury	1.3% 3.1% 5.0%
	Upscale	1.3% 2.4% 4.0%
	Upper Midscale	1.0% 2.8% 5.0%
	Midscale	0.8% 2.6% 5.0%
	Economy	0.8% 2.4% 5.0% Med. 2.3% 2.7%

RESIDENTIAL INTERNAL RETURN RATE

The growth of the urban population and the increasing demand for affordable housing in Mexico have been key drivers of the residential sector. Unlike other property segments, residential projects have a faster recovery period due to the high turnover of units sold or rented out. In addition, subsidy programs and public policies facilitate access to housing, creating favorable conditions for developers, especially in the low- and middle-income segments, and improving expected profitability.

Sector	2023	2024	2023	2024	Forecast 2025
Low Income	18.0% / 16.0%	18.0% / 15.0%	17.0%	16.3%	
Mid Income	20.0% / 16.0%	25.0% / 14.0%	18.0%	18.0%	
High Income	24.0% / 16.0%	24.0% / 16.0%	20.0%	18.9%	
Low Income – On equity	22.0% / 18.0%	22.0% / 17.5%	20.0%	19.4%	
Mid Income – On equity	24.0% / 18.0%	24.0% / 18.0%	21.3%	20.7%	
High Income – On equity	30.0% / 18.0%	30.0% / 18.0%	24.0%	23.4%	

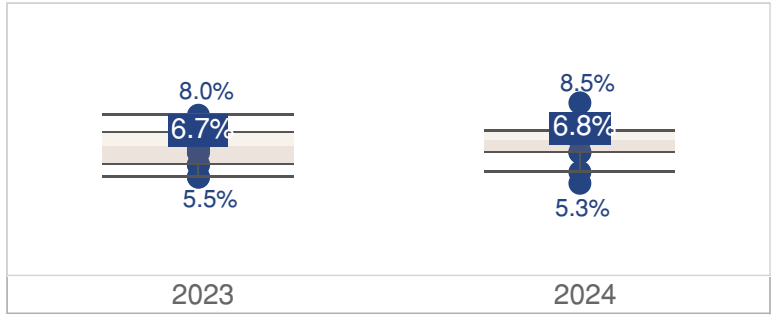
DEVELOPMENT RISK PRIME

Office	Office	13.6% 210 pbs. 15.7%
Retail	Regional Shopping Center	60 pbs. 14.4% 15.0%
	Neighborhood Shopping Center (Convenience)	83 pbs. 15.0% 15.8%
	Stand Alone	63 pbs. 14.7% 15.3%
Industrial	Logistics	12.3% 292 pbs. 15.2%
	Manufacturing	12.4% 270 pbs. 15.1%
Multifamily for Rent	Multifamily for Rent	14.0% 400 pbs. 18.0%

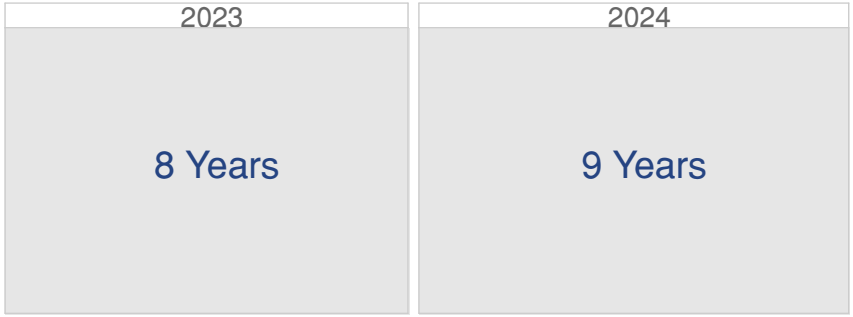
FINANCIAL INDICATORS

Global economic uncertainty, along with factors such as restrictive monetary policy in the United States and geopolitical tensions, have put additional pressure on investor expectations. This has led to an increase in dollar (USD) interest rates to levels higher than those observed in 2023, affecting the cost of financing and investment decisions in emerging markets such as Mexico.

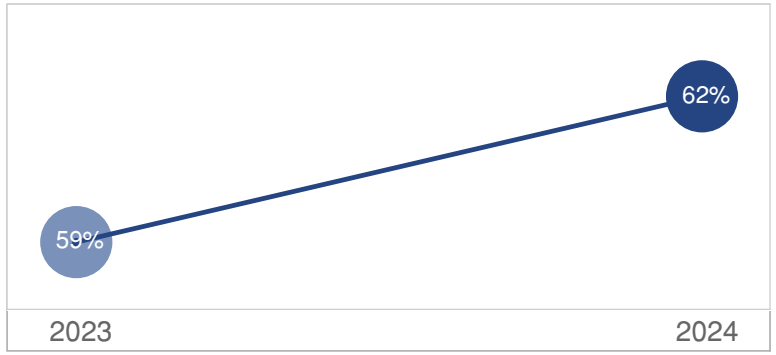
Lowest average interest rate in USD effective per annum



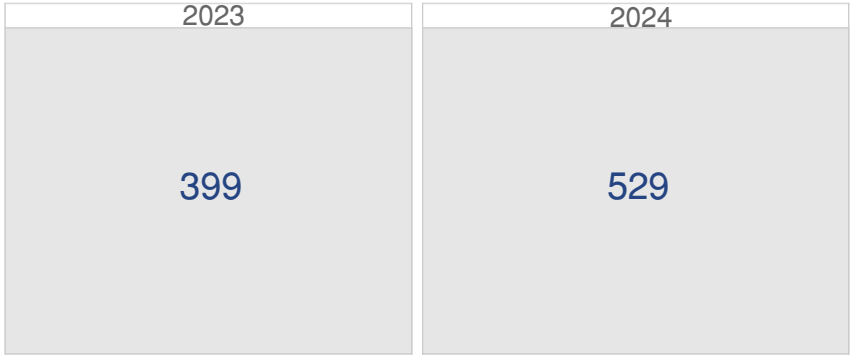
Maximum term



Average Loan to Value in USD

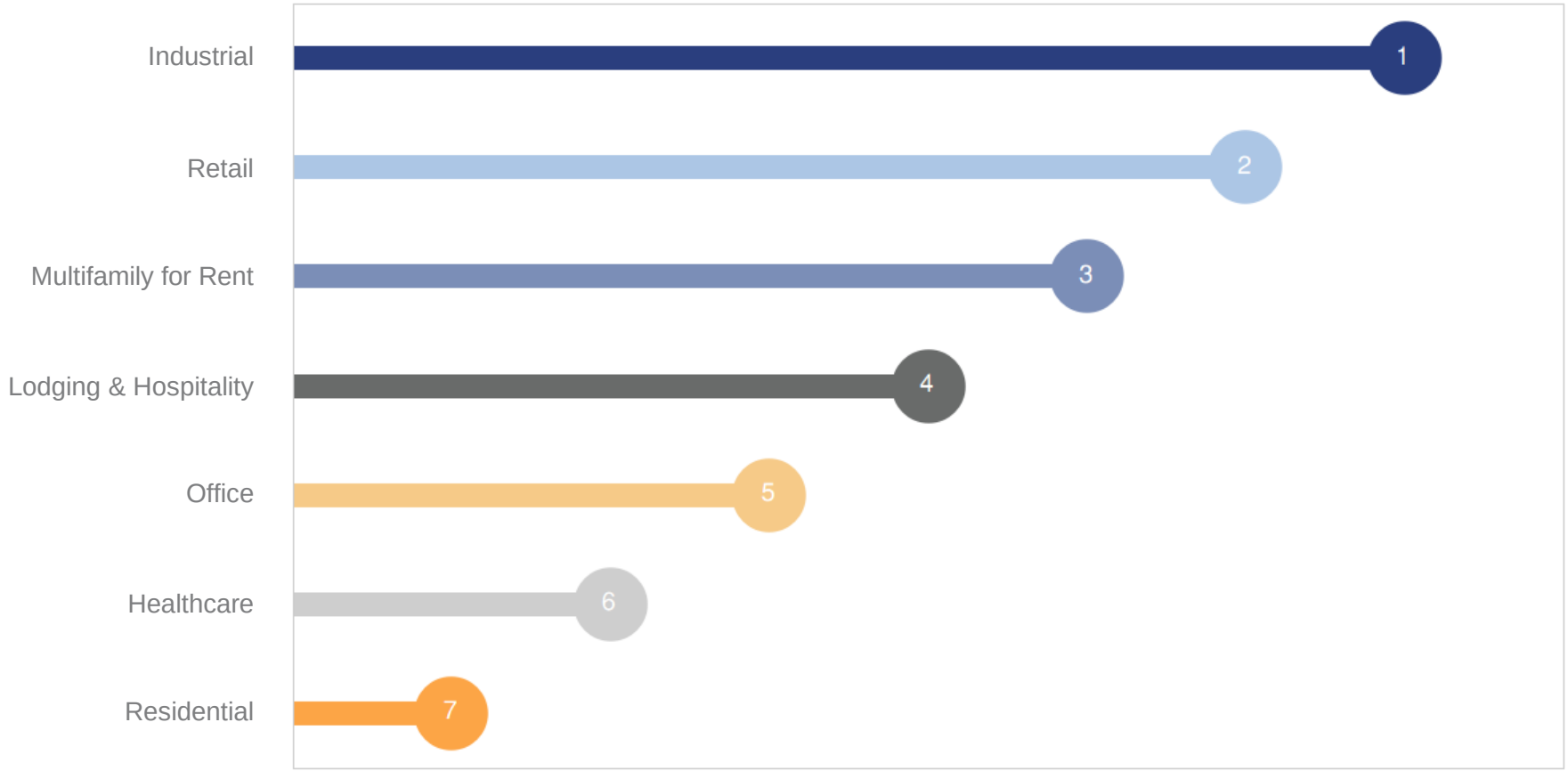


Differential by Currency



MOST ATTRACTIVE SECTOR TO INVEST IN

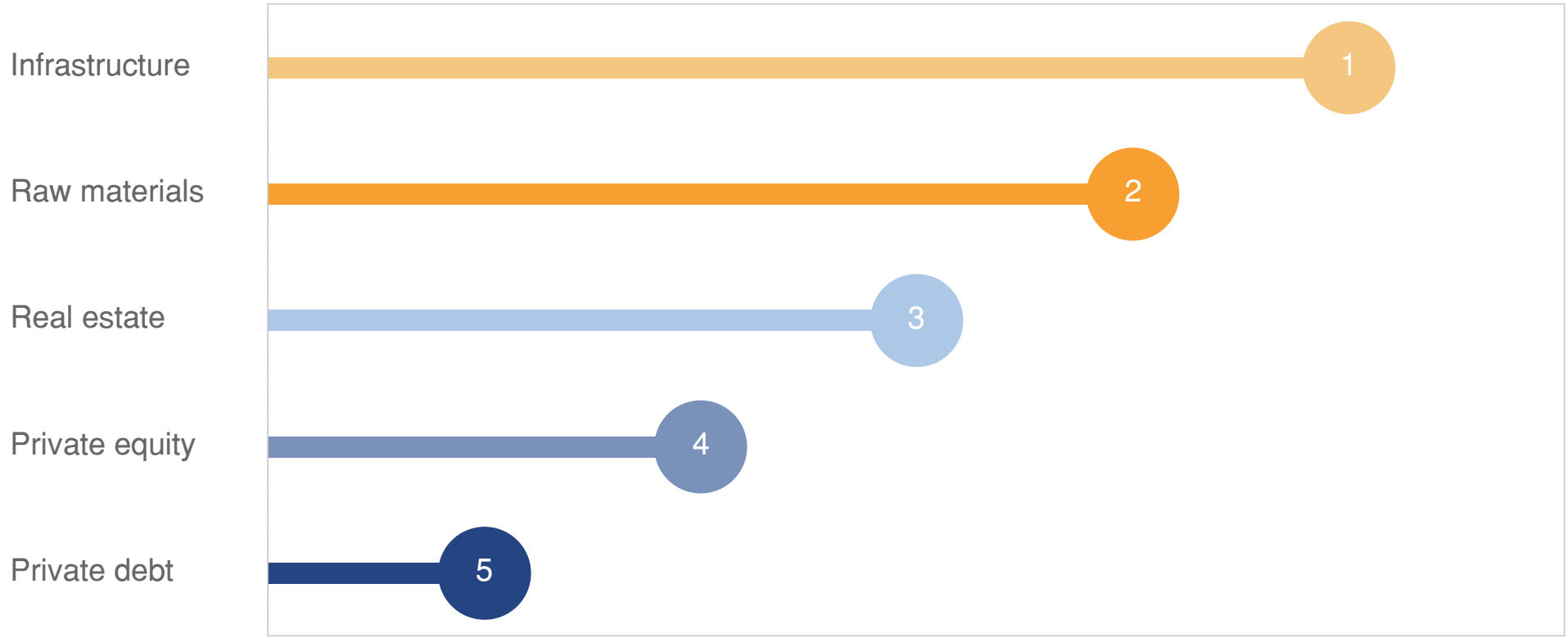
According to respondents, Mexico's industrial sector stands out as the most attractive for investment due to the country's strategic location. **This attractiveness is related to the continued growth of the manufacturing sector, especially in the production of medical devices and electronics,** which still has a lot of development potential compared to other sectors.



RETURNS BY ASSET CLASS

Classification of returns by investment strategy type

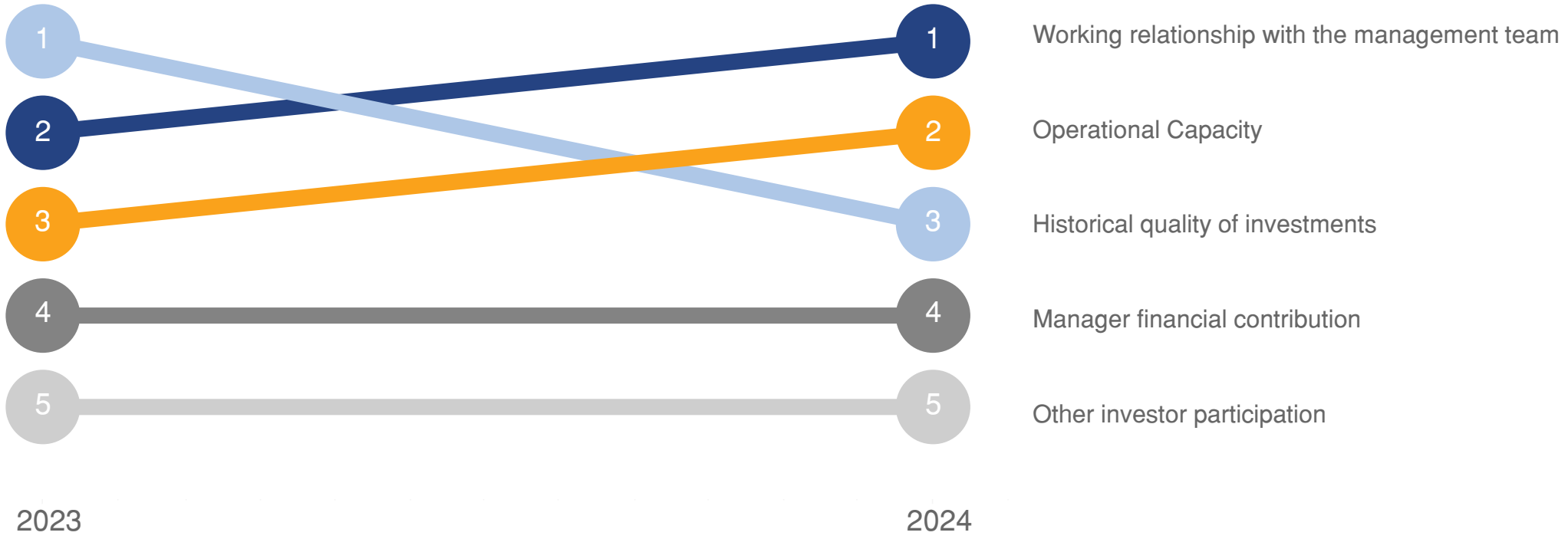
The infrastructure sector is essential for the country's economic development. Investments in these projects are typically long-term and are often promoted through public-private partnerships, providing greater stability and profitability guarantees; as for raw materials, they tend to be more volatile, which can generate higher returns in a favorable economic environment. **On the other hand, the real estate sector ranks third, possibly because while real estate offers good returns, it tends to be more illiquid and difficult to sell quickly, which may not be as attractive to pension funds seeking greater flexibility in their investments.**



MANAGER SELECTION CRITERIA RANKING

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

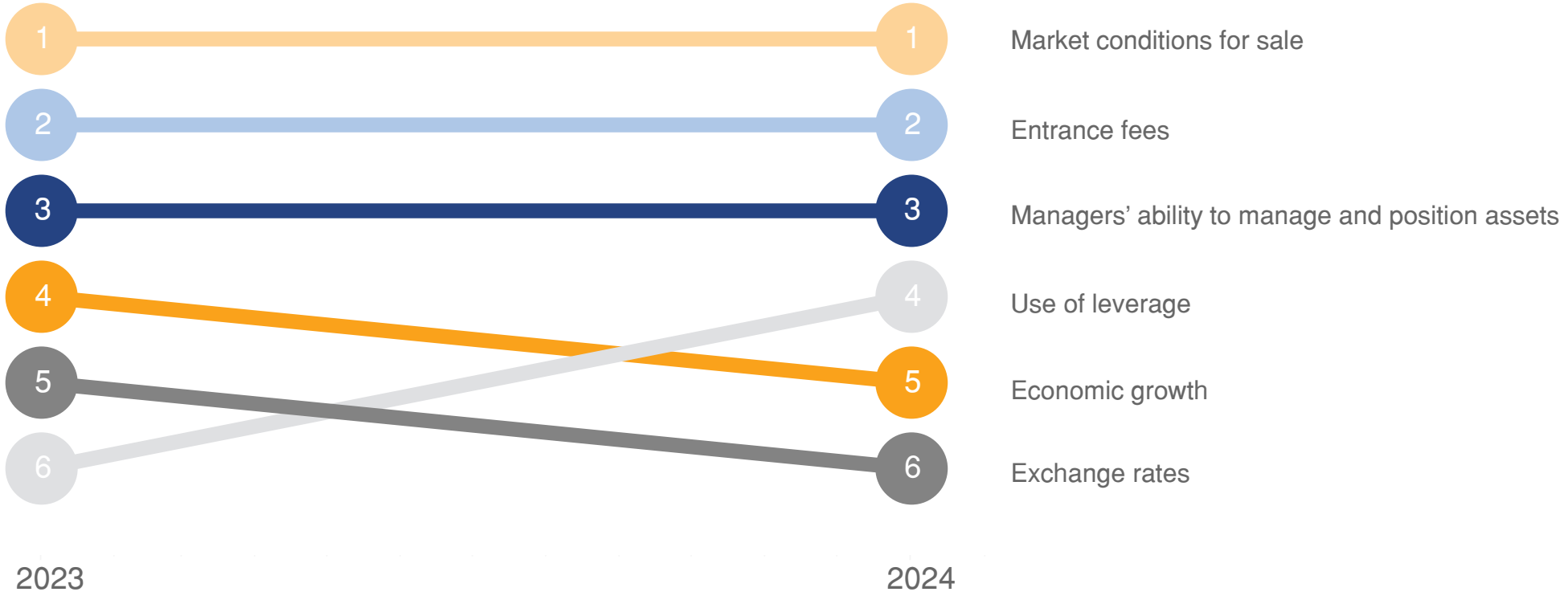
Although the historical performance of investments remains important, it has lost relevance compared to more immediate factors, such as operational capacity and the personal relationship with the management team. **This may reflect greater confidence in the abilities of current managers and a greater willingness to work with those who offer a dynamic and proactive approach, even if their performance history is not flawless.** In addition, in an ever-changing market, investors understand that past performance is not always a reliable predictor of the future.



DRIVERS OF FUNDS PERFORMANCE RANKING

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

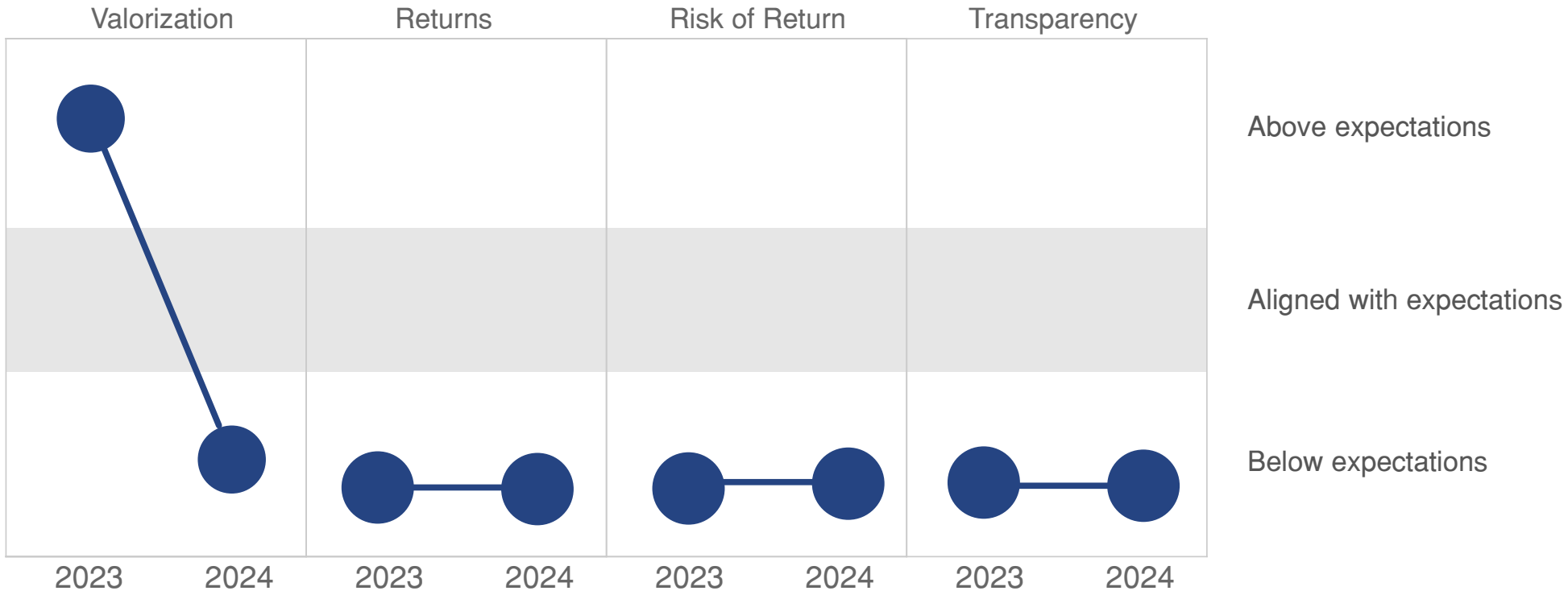
Selling market conditions continue to be the key factor in real estate sales. **During a recession, buyers tend to be more cautious, which affects property values and reduces market activity, while during a period of economic expansion, there is greater investment and optimism, which stimulates the market and promotes asset appreciation.** On the other hand, although the Bank of Mexico has recently cut interest rates, the use of leverage has risen from 6th last year to 4th. This could be related to monetary policy decisions and their impact on financing costs.



INVESTMENT EXPERIENCE

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

There appears to be a heightened perception of risk due to economic, political and regulatory factors, which affects return expectations and creates greater uncertainty in asset valuation. In addition, the lack of transparency of market information fosters mistrust among investors, making it difficult to assess risks and opportunities. **This scenario is set against a backdrop of moderate economic growth, which limits demand for new development and puts pressure on both occupancy and asset rents.**



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 Return Rate IRR:**

  It is the percentage that represents the expected annual return on a real estate investment, taking into account all future income and expenses, before taxes and unleveraged.

- **Internal Return Rate on Development:**

  The percentage representing the expected return on an investment in a development project, taking into account all future costs and revenues of the project, before tax and unleveraged.

- **Real Rent Growth:**

  Growth over inflation for the next 5 years

- **Risk Prime:**

  It is the difference between the expected internal rate of return (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 maximise 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.

- **Valorization:**

  Refers to the process of increasing the value of a property through strategic improvements or developments. This may involve refurbishment, upgrading or changes in management to increase the return and value of the investment.

- **Returns:**

  Refers to the earnings on an investment in property. This includes rental income, capital gains and any 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 about costs, income, risks and management strategies. Transparency is key to building trust between investors and managers, ensuring informed decisions and a clear relationship.

LOGAN

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