

# CAPITAL MARKETS UPDATE

## Market Commentary - Mexico

Apr-15

- Economic growth is showing a modest recovery after two years of weakness, averaging 1.4% and 2.1% in 2013 and 2014, respectively, but still below potential output growth (at 2.5%). Growth was led by manufacturing exports, largely emanating from a double digit increase in the automobile sector for the fifth consecutive year. Domestic demand is lagging, with private consumption dragged by low consumer confidence and limited wage growth. Private investment has shown more dynamism recently, from low levels in 2013.
- Economic activity is expected to accelerate through 2017, with GDP growth strengthening from 2.9% in 2015 to 3.5% in 2017. Robust growth in the U.S. will support a continued strong performance of manufacturing exports that is expected to translate into a gradual recovery of domestic investment and consumption.
- Anticipating a longer-lasting drop in oil prices, the government has already announced spending cuts by 0.7% of GDP in the budget for 2015 and plans further consolidation of public spending in 2016. Lower public spending will have a dampening impact on the pace of economic growth, despite the confidence that fiscal discipline instills on economic

Source: BMV, C&W Research, El Financiero April 2015, JP Morgan, Pablo Ri6n y Asociados, GEA.

Recent Transactions (Sales)				
Type	T.Investor	Submarket	M2	Price US
Office	Private	Polanco	2690	\$ 6,000
Office	Corporate	Bosques	1804	\$ 3,000
Office	Corporate	Reforma	950	\$ 2,000
Office	Private	Polanco	150	\$ 1,000
Recent Transactions (Leases)				
Type	T.Investor	Submarket	M2	Price US/Month
Office	Corporate	Insurgentes	23,384	\$ 23
Office	Corporate	Norte	6,738	\$ 19
Office	Corporate	Reforma	4,968	\$ 16
Office	Corporate	Santa Fe	4,426	\$ 20

Source : C&W Research 1Q2015

Base Rates				
	Last Observed	One Month Ago	One Year Ago	
U.S.TB 5 Years	1.94%	1.94%	2.71%	
U.S.TB 10 Years	2.03%	2.12%	3.00%	
LIBOR (3 Month)	0.26%	0.25%	0.23%	
<b>CETES</b>				
28 Days	2.81%	2.67%	3.19%	
365 Days	3.62%	-	3.94%	
<b>TIIE 28 Days</b>	3.30%	3.29%	4.32%	
<b>Bonos M</b>				
5 Years	5.18%	5.07%	4.16%	
10 Years	7.75%	-	4.75%	
<b>Macroeconomic rates</b>				
E.R. U.S.	\$ 15.32	\$ 15.24	\$ 13.30	
E.R. EUR	\$ 16.71	\$ 16.51	\$ 18.10	
E.R. CAD	\$ 12.01	\$ 12.65	\$ 11.93	
Inflation (INPC)	0.18%	0.11%	0.41%	3.07%
Inflation (CPI)	0.62%	0.74%	0.37%	1.80%

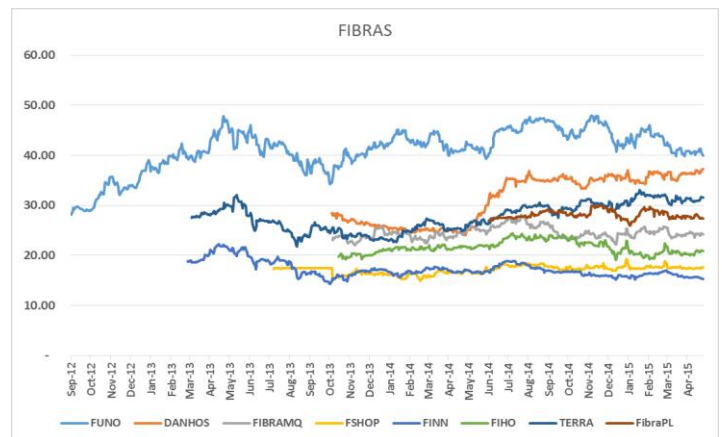
Source: Banxico, INEGI, Interam, elinpc.com.mx

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Price \* Share



- Fibra Macquarie, specialized in industrial real estate management, acquired an industrial property located in Monterrey, Nuevo Leon, which consists of two buildings totaling 59,200 m2 previously owned by Ridge Property Trust for USD \$ 58 million.
- Fibra Uno, real estate investment trust, acquired portfolio Buffalo, a set of properties located in Mexico City, including the mixed use development Mitikah with 98,228M2 and 267 meters (height) for USD \$ 185 million.
- Fibra Terrafina, trust specialized in acquiring and managing industrial investment properties sold a portfolio of assets containing industrial buildings and land reserves, in order to continue its strategy of recycling capital. The transaction was for USD \$ 101 million.

Source: BMV, C&W Research, El Financiero, Infotel April 2015, JP Morgan, GEA.

FIBRAS Growth				
	IPO		Current Share Price	Growth
<b>FUNO</b>	\$	19.51	\$ 40.00	105%
<b>Danhos</b>	\$	28.50	\$ 37.23	31%
<b>FibraMQ</b>	\$	22.98	\$ 24.15	5%
<b>Fibra Shop</b>	\$	17.25	\$ 17.58	2%
<b>Terra</b>	\$	27.50	\$ 31.59	15%
<b>Finn</b>	\$	18.82	\$ 15.29	-19%
<b>FiHo</b>	\$	19.79	\$ 20.88	6%

Numbers in USD. Source: Deutsche Bank Securities Inc., BMV.

### INFONAVIT plans FIBRA IPO for the second semester of 2015.

In the second half of the year, Workers National Housing Fund Institute (INFONAVIT) will announce the creation of a FIBRA (REIT) to serve the secondary market. The FIBRA will focus on the demand for housing that is not new, said Alejandro Murat, director of the institute.

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