



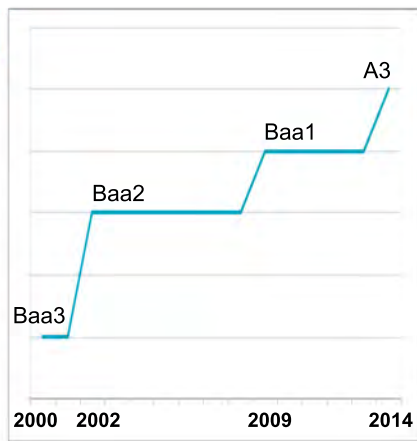
# MONTHLY MARKET INSIGHT

Newmark Grubb  
Mexico



## A POSITIVE RATING AND ITS IMPACT ON THE INDUSTRIAL REAL ESTATE SECTOR

LATAM Country	Moody's Rating	Explanation of corporate / municipal bond ratings
	Aaa	Highest quality
	Aa1	
	Aa2	High quality
	Aa3	
Chile	A1	
	A2	Upper Medium grade
Mexico	A3	
	Baa1	
Brazil	Baa2	Medium grade
Colombia	Baa3	
	Ba1	Predominantly speculative
	Ba2	
	Ba3	
Paraguay	B1	
Venezuela	B2	Speculative, low grade
Argentina	B3	



Moody's, the credit ratings agency, recently raised, for the first time, Mexico's sovereign rating from "Baa1" to "A3 with stable outlook". Mexican government securities known as CETES are being considered a more valuable investment instruments and Moody's argues that Mexico has shown strength in public finances, "due to increased government savings and the creation of fiscal monetary reserves to meet contingencies".

The above credit rating change represents a significant achievement for the current government administration that promoted and achieved several reforms focused in strategic areas such as energy, telecommunications and taxes.

Mexico as an emerging country has become one of the most important Latin American economies along with Chile, Argentina and Brazil. Now that it has received the second highest rating in the region, behind Chile (Aa3) and above Brazil (Baa2) and Argentina (B3), expectations for attracting higher direct foreign investment to the country are very positive.

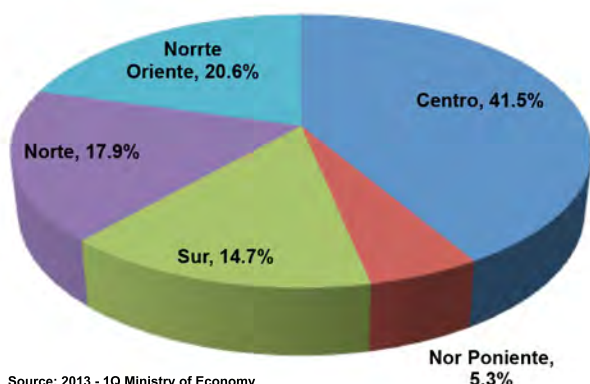
### Mexico occupies third position of the Top Five Emerging Countries for Commercial Real Estate Investments

On January 2014, for the first time, the Association of Foreign Investors in Real Estate (AFIRE) placed Mexico in the third position of the "Top Five Emerging Countries for Commercial Real Estate investments", with China in first place and moving up a position in comparison to the previous year, sending Brazil to second place.

#### Immediate Impact on the Industrial Real Estate Market

This better rating drives a new optimistic investment scenario where the industrial sector will benefit in the short term. The benefit is a result of higher demand by U.S. manufacturing in Mexico instead of Asian countries. Rather than go through the process of "reshoring" many companies are going the route "nearshoring". The change to move manufacturing activities from a distant country back to one closer to the consumer market will drive new companies to establish themselves in Mexico as well as drive the expansion of the existing ones which will boost the demand of land for development and industrial facilities. As an example, specialized clusters continue developing within the Bajío Region. The automotive sector has new facilities by manufacturers like Mazda, Honda and Volkswagen, and the aerospace with Bombardier Safran Group and Meggit, among others.

### Foreign Direct Investment in Mexico by Region and Economic Sector



Source: 2013 - 1Q Ministry of Economy

### Foreign Direct Investment in Mexico by Economic Sector

