Structuring Real Estate Investments in Mexico: Corporate Governance, Investment Platforms, and Operating Layers

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STRUCTURING **REAL ESTATE INVESTMENTS** IN MEXICO:

Corporate Governance, Investment Platforms, and Operating Layers

In recent years, the Mexican real estate market has undergone a significant transformation, not only in terms of investment volume, but also in the way such investment is structured. While developments were traditionally conceived as stand-alone projects —a hotel, a shopping center, or an industrial facility— it is now increasingly common for investors to participate in platforms that aggregate multiple assets, different risk profiles, and varied investment horizons under a single legal framework.

This shift responds to a structural reality of the market: today's real estate projects are rarely isolated undertakings. They involve multiple participants —developers, institutional investors, family offices and, occasionally, specialized operators — whose interests are not always identical, but which must coexist within the same structure throughout their respective investment periods. In this context, legal design ceases to be a passive holding vehicle and becomes an active tool to align incentives, allocate risks, and facilitate decision-making.

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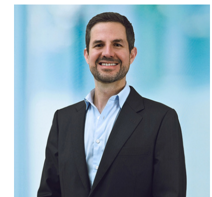

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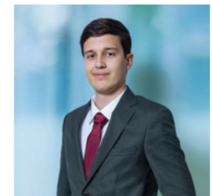

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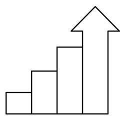


FROM STAND-ALONE PROJECTS TO INVESTMENT PLATFORMS

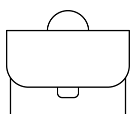
One of the clearest trends in real estate structuring is the creation of a master vehicle —frequently a trust (*fideicomiso*)— that serves as an investment platform and as the cornerstone of corporate governance.

Unlike traditional structures, this vehicle is not necessarily the direct holder of the underlying assets. Its primary function is to serve as the point of convergence for investors and as the forum in which the rules governing the life of the portfolio are established: from the development and investment strategy, to the contribution of resources (both in cash and in kind), and through to the exit mechanisms.

Below this master vehicle, independent or special-purpose entities are incorporated —either additional trusts or companies— which hold title to specific assets or developments. Each of these vehicles may correspond to an individual project or to a group of assets sharing similar characteristics, thereby allowing risks (legal, corporate, and tax) to be ring-fenced, financing to be structured on a stand-alone basis, and the strategy to be tailored to the nature of each investment.

This architecture prevents contingencies arising at the level of a specific asset from contaminating the rest of the structure, which is particularly relevant in an environment in which real estate cycles can be volatile.

Furthermore, this structure allows for significant flexibility in the admission of capital. It is not uncommon for certain investors to participate exclusively at the level of specific projects, whether due to their risk appetite, sector specialization, or internal investment restrictions. Likewise, investors at the master vehicle level may elect to restrict the admission of new participants at that level, while permitting their incorporation into lower-tier vehicles at the asset level. This modularity in the admission of investors not only broadens the available sources of capital, but also facilitates the alignment of interests on a project-by-project basis, without disrupting the corporate governance balance at the upper tier.



CORPORATE GOVERNANCE AS A STRUCTURAL PILLAR

In structures involving multiple investors, the true value lies not only in the segregation of assets, but in the quality of the corporate governance that rules the platform.

The master vehicle typically incorporates decision-making bodies —technical committees, investment committees, or the equivalent— which serve as the central forum for strategic decision-making. However, beyond the formal existence of such bodies, what is truly relevant is the precise definition of their powers and of the matters that require different approval thresholds.

In practice, the success of these structures depends on how certain matters are regulated, such as the approval of new investments, the incurrence of indebtedness, the disposition of material assets, or amendments to the strategy or business plan of the portfolio. A careful delineation of these powers not only prevents disputes among investors, but also enables the structure to operate with agility without compromising controls.

Equally relevant are the mechanisms governing the admission and exit of investors, as well as the resolution of disputes among them (commonly addressed through partner/investor separation clauses and/or buy/sell provisions). In long-term platforms, it is inevitable that some participants will seek liquidity sooner than others. For this reason, it is essential to incorporate, from inception, clear rules allowing for the transfer of interests without destabilizing the structure or affecting the operation of the underlying assets.

In this regard, provisions such as rights of first offer (ROFO), rights of first refusal (ROFR), drag-along rights, and preemptive rights generally cease to be ancillary provisions and become central elements in preserving the balance between flexibility and stability.

ASSET SEGREGATION AND FUNCTIONAL LOGIC

At the level of the vehicles holding title to the assets, the structuring follows a different logic: the proper allocation of risks and functions.

In assets involving complex operations —such as hotels, shopping centers, or even certain industrial developments with bundled services— it is common to separate the real estate components from the operating components. This separation allows each type of asset to have a risk, financing, and management profile consistent with its nature.

Real estate assets —land, improvements, and construction— tend to be financed through long-term debt secured by in rem collateral, whereas operating assets —furniture, equipment, contracts, and working capital— typically require more flexible and shorter-term financing arrangements. This segmentation allows each vehicle to structure its own financing based on its characteristics, without compromising the rest of the platform: stabilized assets can access debt on favorable terms, while development-stage projects may resort to more flexible financing structures or additional equity. By avoiding the commingling of risks across components, credit assessment by lenders is facilitated, and the ability to refinance or restructure each component on a stand-alone basis is preserved, thereby reducing the complexity and risks associated with reorganization processes.

The allocation of assets across multiple layers also entails tax considerations that should be assessed at the structuring stage. The segregation of real estate and operating components into separate vehicles may allow each entity to assume a profile consistent with its function within the structure, which, depending on the circumstances of each case, may offer meaningful efficiencies.

Beyond financing considerations, this separation also carries operational implications. It allows ownership of the assets to remain stable even when the operation changes, which is particularly valuable in sectors where operators or brands may be replaced over time without affecting the integrity of the project.

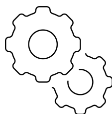
THE ROLE OF THE ASSET MANAGER: STRATEGIC DIRECTION OF THE PORTFOLIO

In structures of this nature, the existence of multiple legal and operational layers makes the role of the asset manager essential as a coordinating axis.

The asset manager does not operate the assets on a day-to-day basis, nor does it act as a mere passive administrator. Its function is strategic: it acts as a representative of the investors and is responsible for maximizing the value of the portfolio over time. This entails defining and overseeing the execution of business plans, assessing the performance of each asset, and making informed decisions regarding additional investment, refinancing, repositioning, or divestment.

In practice, the asset manager acts as a translator between the financial language of the investors and the operating reality of the assets. It is typically responsible for validating budgets, monitoring key performance indicators, and ensuring that operations remain aligned with the return and risk targets defined at the platform level.

Its involvement is particularly relevant in structures comprising multiple assets, where decision-making cannot be limited to a siloed view of each project, but must instead consider the impact on the portfolio as a whole.



THE OPERATING LAYER: EXECUTION AND SPECIALIZATION

Below the asset manager lies the operating layer, which is where the performance of the asset materializes.

Depending on the type of project, this function may be entrusted to property managers, specialized operators or, in the case of hotels, to international brands operating under management or franchise agreements. Unlike the asset manager, whose focus is strategic, these actors are responsible for day-to-day execution: management of the property, maintenance, leasing and marketing of space, relationships with users or guests, and compliance with operational obligations.

The proper delineation between these functions is critical. A structure in which the operator assumes strategic decisions without adequate oversight may result in deviations from the investors' objectives. Conversely, excessive intervention from the upper layer may hinder operational efficiency.

Striking the right balance between these two dimensions —strategy and execution— is one of the most delicate aspects of structuring this type of investment.

FINAL CONSIDERATIONS

The sophistication of the Mexican real estate market has driven the adoption of structures that transcend the individual asset and increasingly resemble institutional investment models.

In this environment, the value of a project does not depend solely on its location or the quality of the asset, but on the strength of the legal architecture supporting it. A well-designed corporate governance framework, a clear allocation of functions between strategy and operation, and a structure capable of adapting to different scenarios are indispensable elements in preserving and maximizing the value of the investment over time.

More than a matter of form, it is a matter of building platforms capable of managing capital, coordinating interests, and absorbing the complexity inherent in long-term real estate projects.