



Green Street Advisors

— ADVISORY & CONSULTING GROUP —



Best Practices for Publicly Traded Real Estate Companies

Lessons Learned from the U.S. REIT Market

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Introduction:

- U.S. REIT Historical Returns and Pricing
- Pillars of U.S. REIT Outperformance

Best Practices:

- Alignment of Interests
- Capital Allocation
- Balance Sheet Management
- Overhead

Introduction

- U.S. REIT Historical Returns and Pricing
- Pillars of U.S. REIT Outperformance

The U.S. REIT market accounts for roughly half of the total global REIT market cap. With over 30 years of detailed financial disclosure, the U.S. market offers investors adequate data to draw conclusions regarding best practices.

Mature



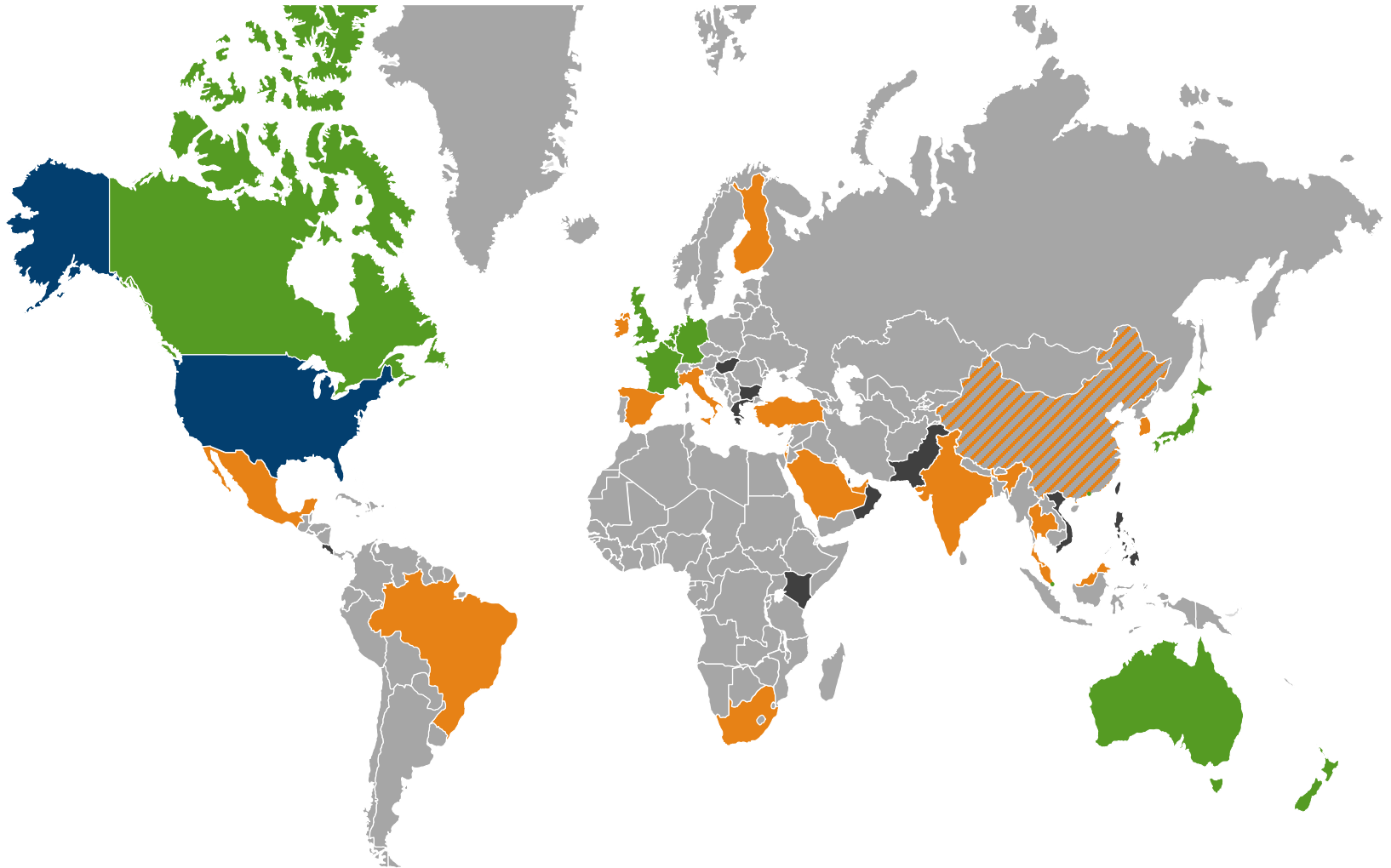
Established



Emerging



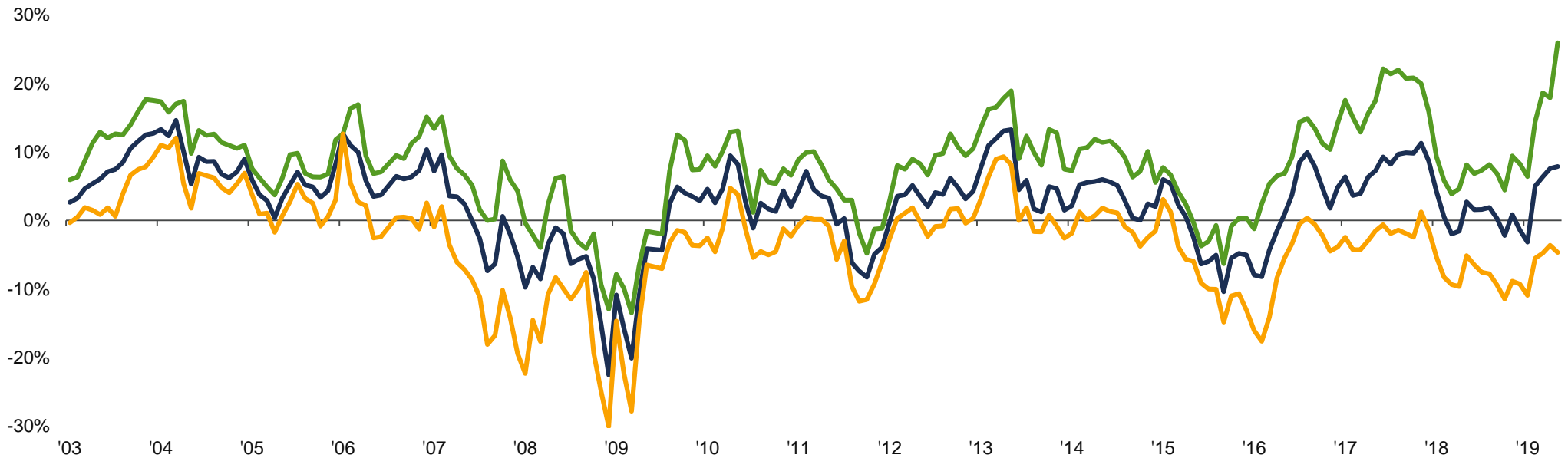
Nascent



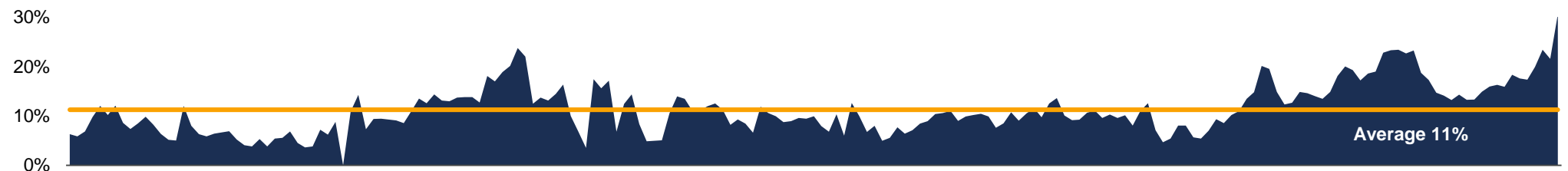
Pricing for real estate in the public market often diverges from private market pricing. Property sectors trade at premiums or discounts based on the macro outlook for their businesses. However, there is a wide range of observed premiums within sectors with the top companies often trading at substantially higher premium versus their peer set.

Industrial REITs Observed GAV Premium Page

— Industrial Average — Max — Min



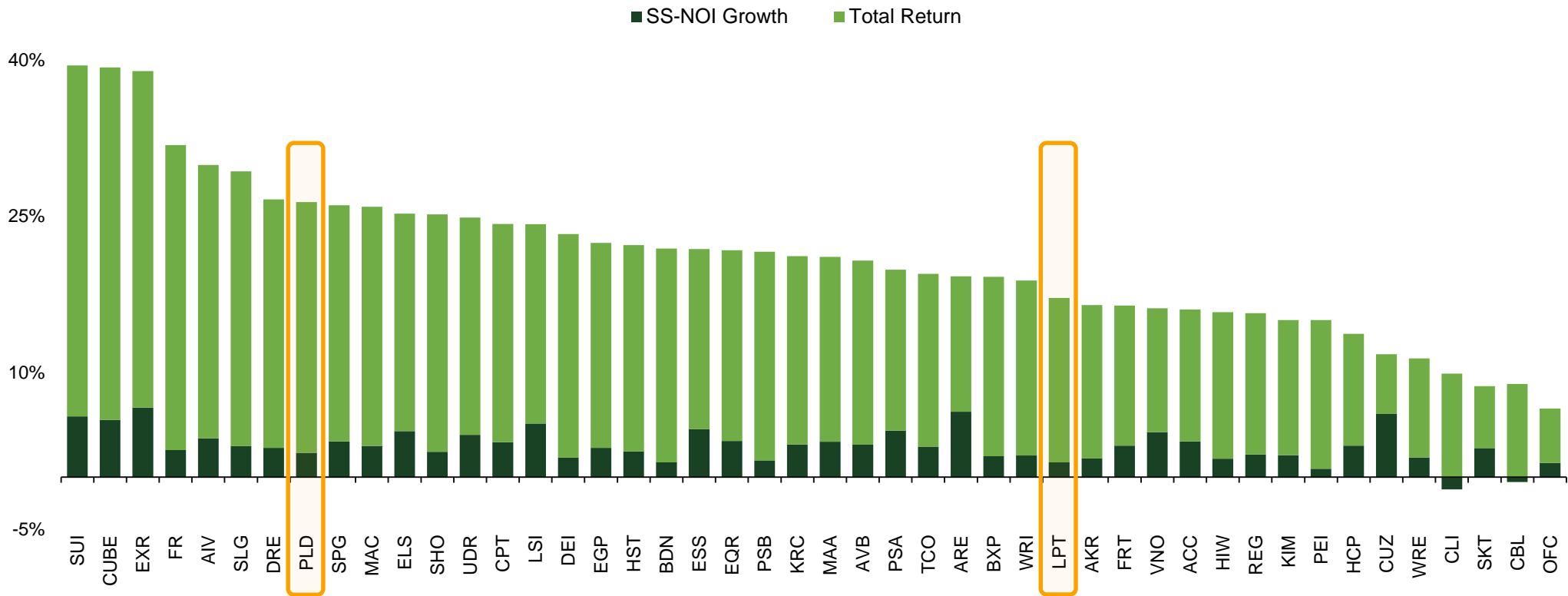
Min-Max Spread



Where the Big Differences Lie

Property-level performance does not differ by much across REITs. However, total return performance differs markedly. Differences in corporate structure, capital allocation, management track record, balance sheet management, and corporate governance account for much of the total return delta.

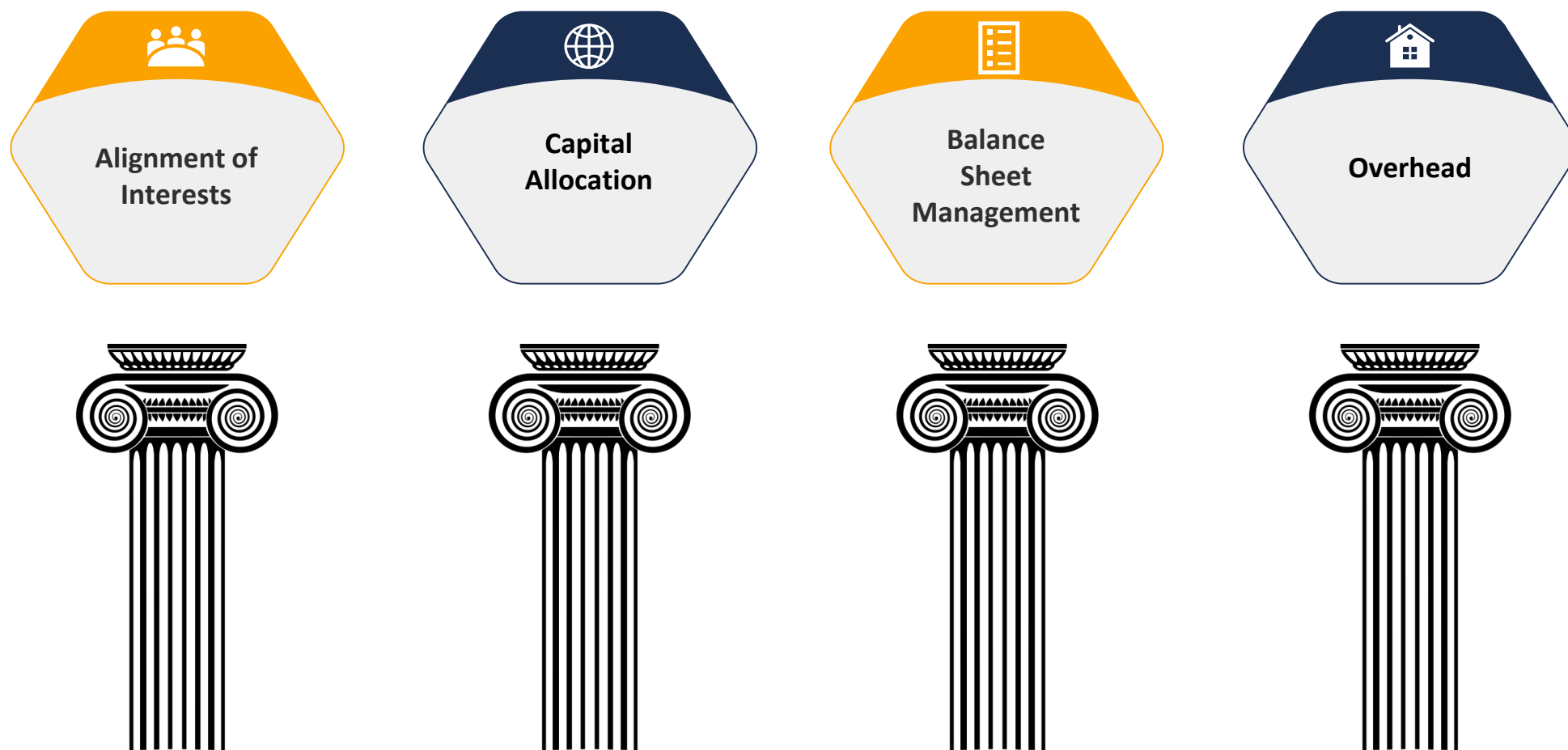
Annualized NOI Growth and Total Returns (2009-2019)





The Four Pillars of REIT Out-Performance

The size and breadth of the U.S. REIT industry has provided insight into the key drivers of shareholder returns. The best performing REITs have a lot in common ... as do the worst performing REITs. If a publicly traded real estate company aims to attract capital from global REIT investors, they need to consider adopting best practices in these four categories.





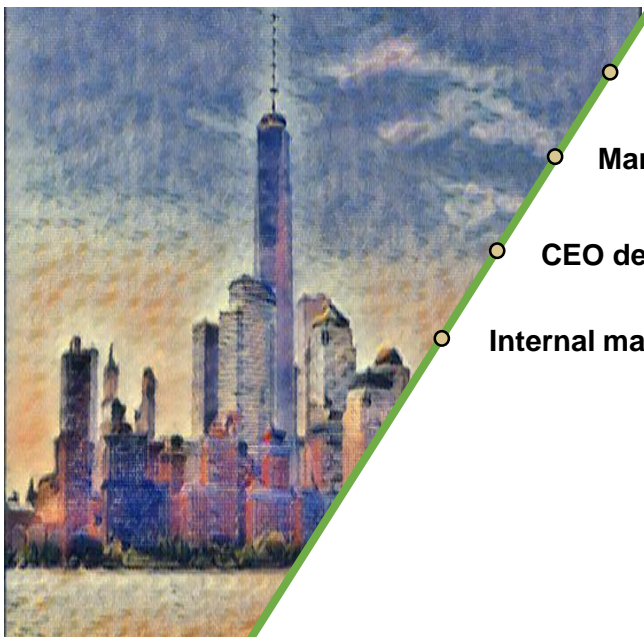
Best Practices

- Alignment of Interests
- Capital Allocation
- Balance Sheet Management
- Overhead



Alignment of Interests: Management Structure

The differences between internal and external management permeate beyond the total cost of each structure. How fees are calculated and how management is incentivized to spend their time often dictate where the next REIT dollar is allocated.



Internal

USA : 86% MX: 25%

- Internalized management expenses have fixed components, allowing G&A efficiencies with scale
- Management comp not linked to transactions or growth
- CEO departure subject to a board vote. The cost of removal varies by company
- Internal management is viewed as captive to the public market

USA: 14% MX: 75%

External

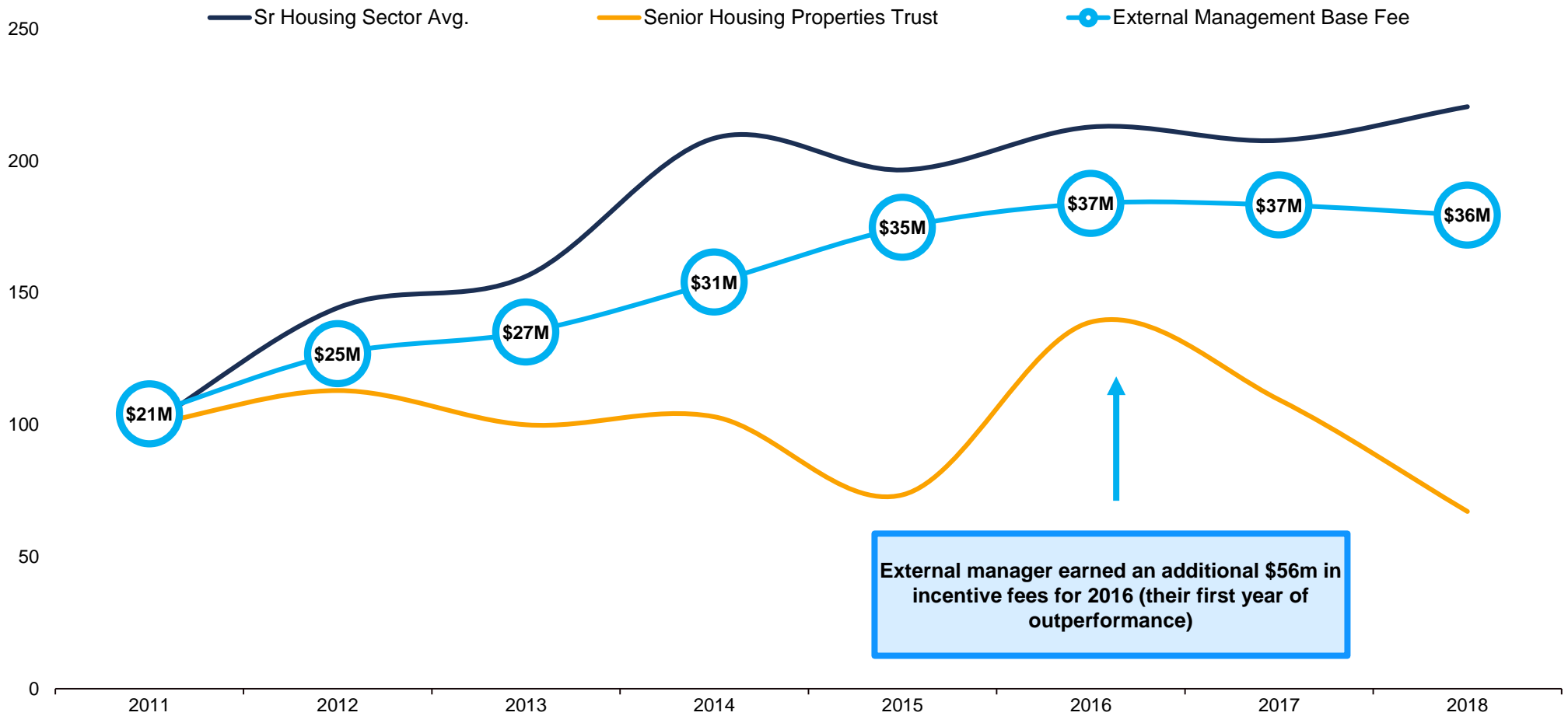
- Base fee as a % of equity or gross assts are common - incentivizes growth
- Additional transaction fees reward activity over value creation
- Termination fees range from exorbitant (10x base) to non-existent
- Related party transactions are common



Alignment of Interests: Poor Incentives in Action

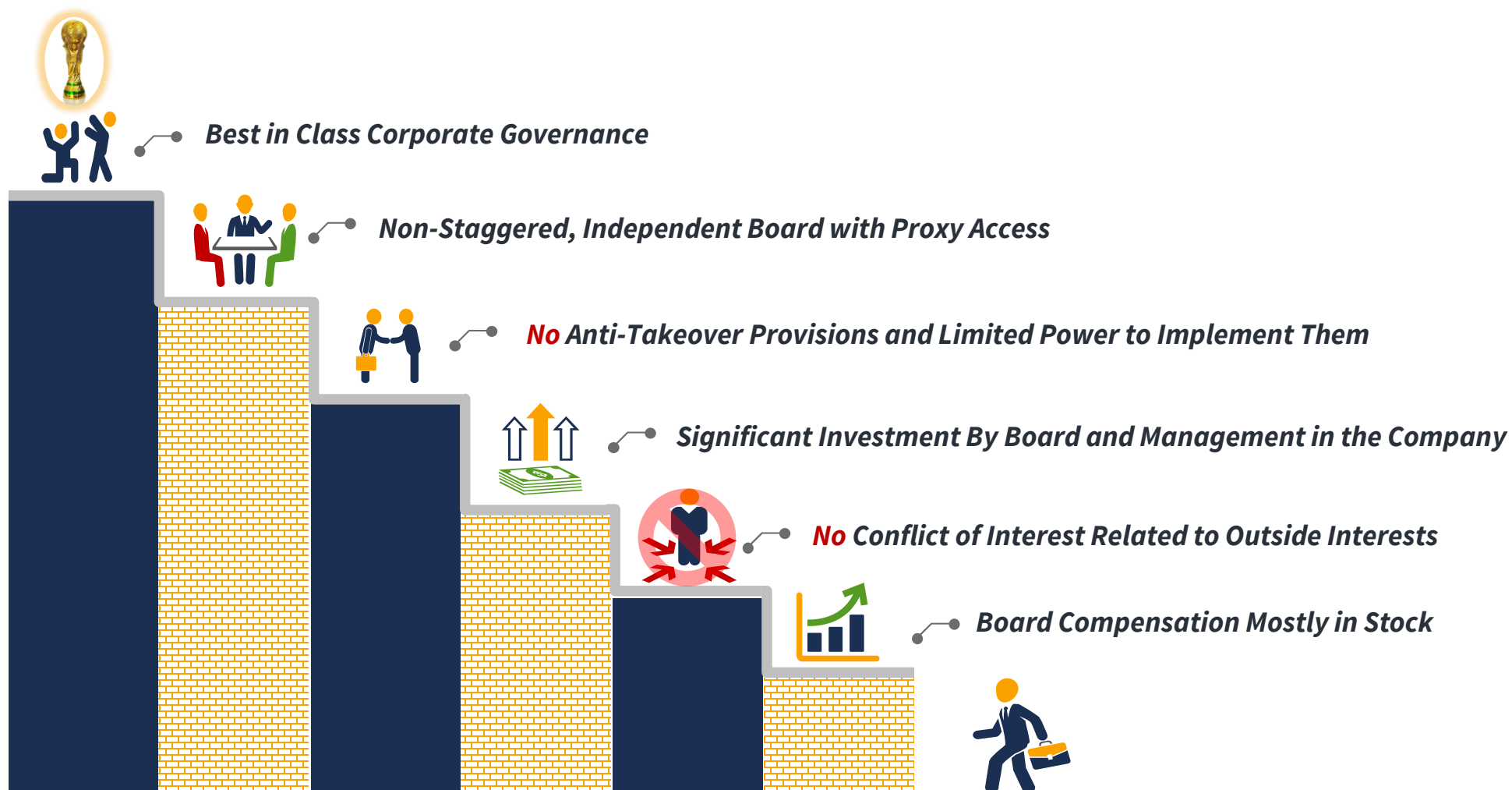
There is a historical track record of externally managed companies growing while destroying shareholder value.

Externally-Managed Senior Housing REIT Performance & External Fee Payment
(Indexed as of Jan'11)



Alignment of Interests: Cornerstones of Corporate Governance

REITs with shareholder-friendly corporate governance trade at higher valuations. Independent boards and the elimination of conflicts of interest are crucial to attracting global capital.





Alignment of Interests: Board of Directors






The center of governance in any corporation is its board of directors. Boards that make themselves accountable to shareholders via annual elections are much more likely to behave in a shareholder-friendly manner. Also, boards comprised of members who have no conflicts and/or have serious “skin in the game” are desirable.

Board Rating Metrics



Ideal Structure



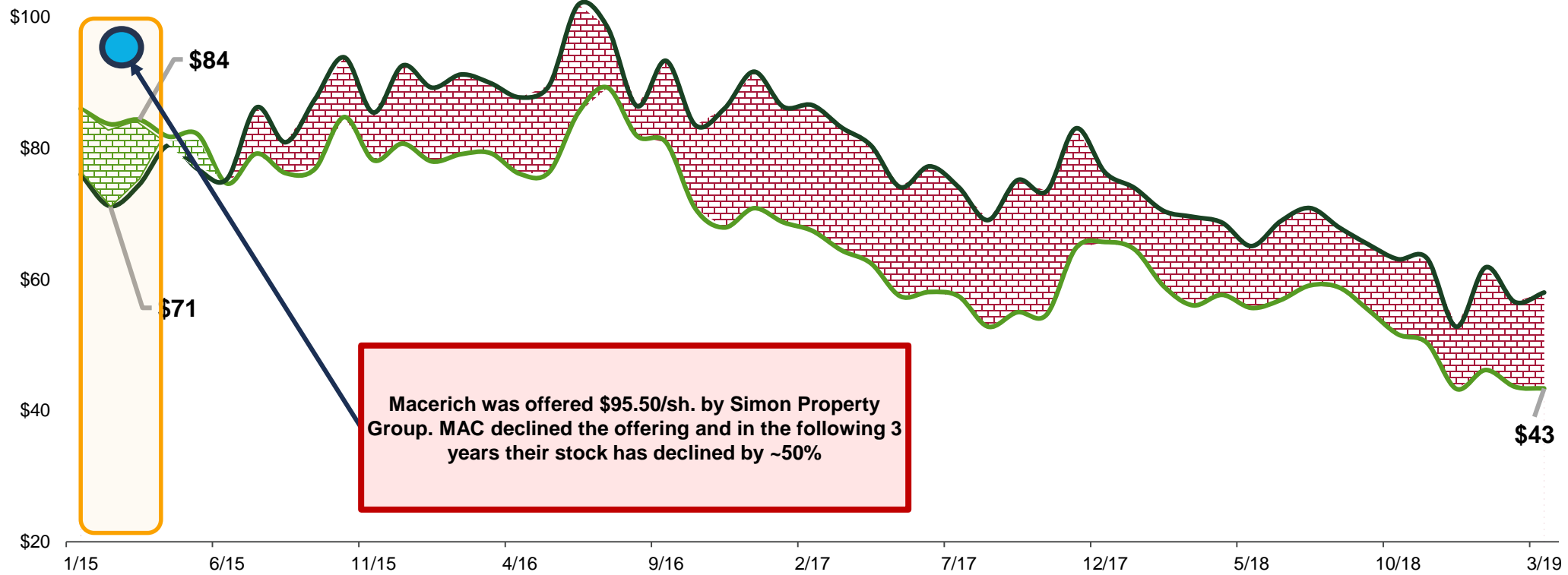
-  • *Non-staggered, no ability to stagger without shareholder vote*
-  • *No blemishes, fair compensation*
-  • *80% independent*
-  • *Large investment, compensation taken in shares*
-  • *Shareholders can use corporate proxy materials to nominate directors*

Alignment of Interests: Anti-Takeover Provisions

Anti-takeover provisions are often overlooked as they don't impact day-to-day business. However, these provisions have been used to destroy significant shareholder value when entrenched management teams have employed them to fend off attractive takeover offers.

Macerich Destroying Value for Shareholders

Discount to NAV Premium to NAV Price NAV

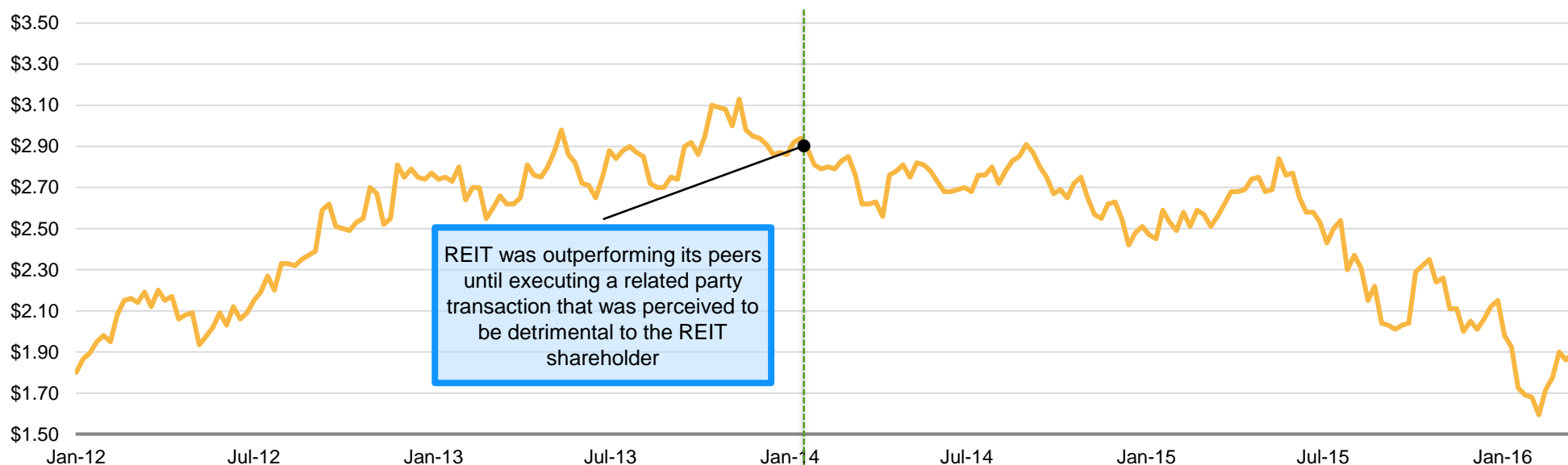




Alignment of Interests: Related Party Transactions

In the past, companies have executed related party transactions that were viewed by investors to be disadvantageous to the REIT shareholders. In these cases, investors have punished the REIT shares and expressed distrust toward management.

Logistics Focused Industrial REIT Share Price Performance



Case Study Total Return Performance	+55%	-32%
vs. Global Industrial	+6%	-26%
vs. Asia Real Estate	+2%*	-31%

Relative Returns

*Period of comparison begins 11/30/12

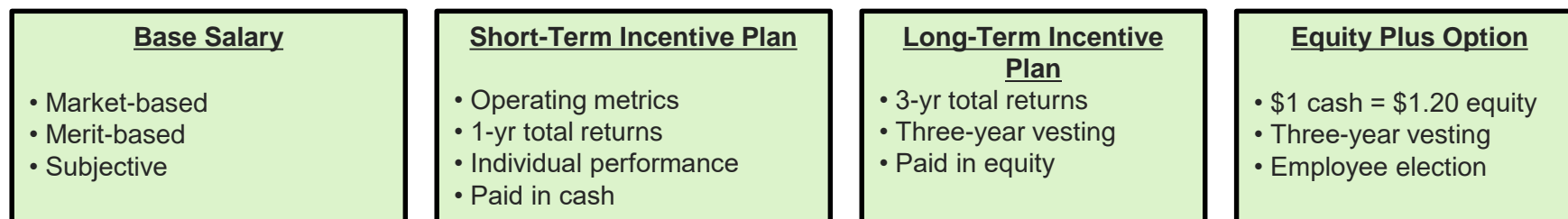
*Global industrial: Prologis & Goodman Group

*Asia Real Estate: FTSE EPRA/NAREIT Asia Pacific

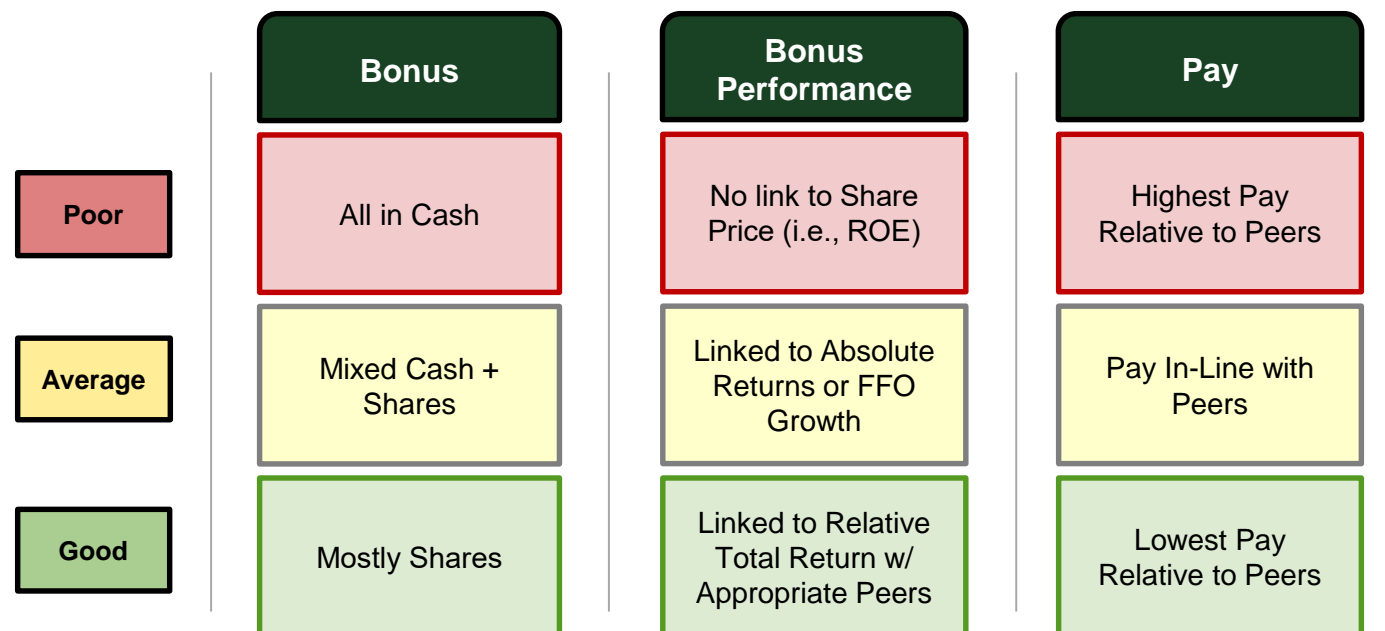
Alignment of Interests: Executive Compensation

There are several ways to structure executive compensation packages. Some practices are seen as better than others, such as awarding compensation based on relative total return performance versus a well-defined peer set. Overall, the best practice is to use common sense and reward management when shareholders do well.

The Four Components of Executive Compensation



The Do's and Dont's of Executive Compensation

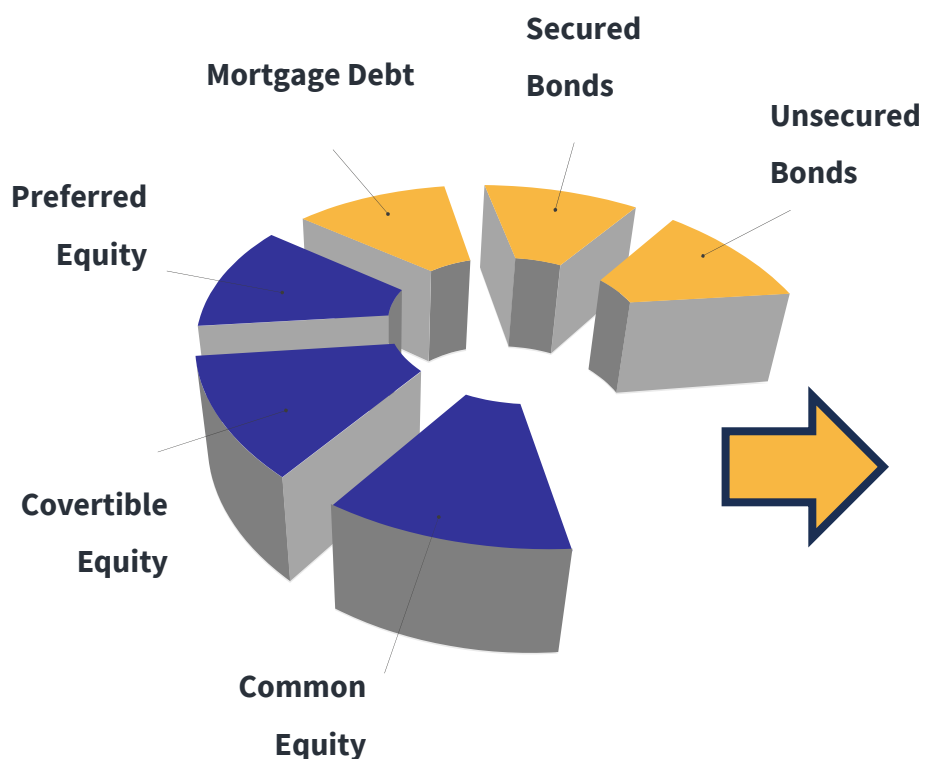


Capital Allocation: Introduction

The biggest advantage to being a public REIT is access to the broadest array of capital choices. REITs that consistently outperform typically feature management teams with outstanding long-term track records on capital allocation.

Tools for Funding Value-Accretive Activities

Effects on Performance (High to Low)



New Acquisitions

Expansion / Redevelopment

Debt Reduction

Share Repurchases / Equity Issuance

Development

Dividend Payout



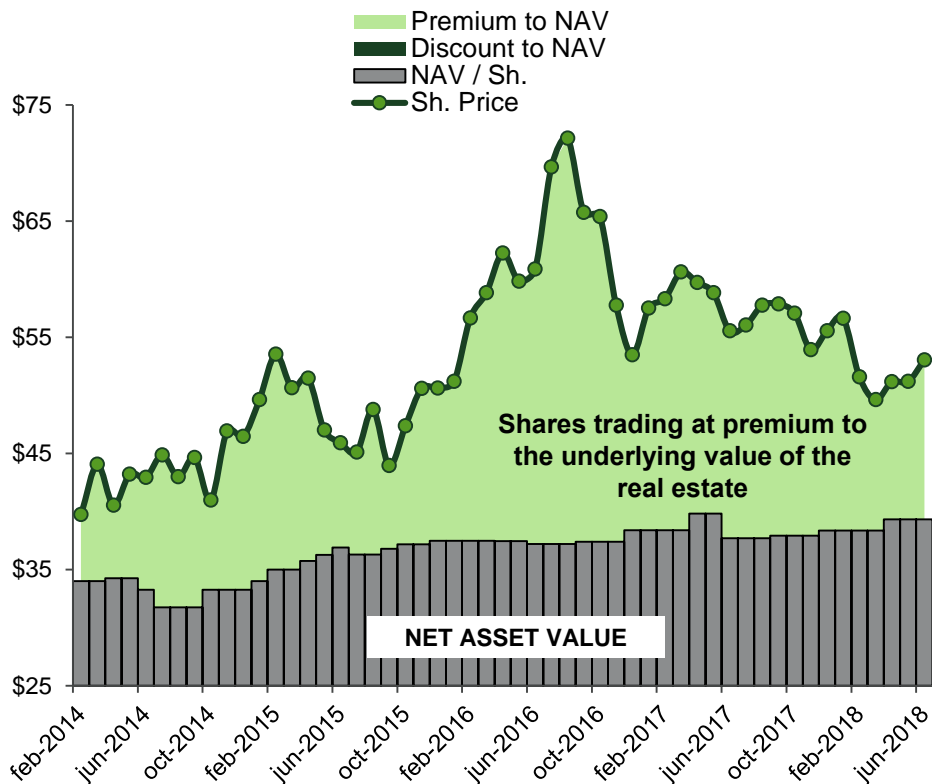
Capital Allocation: Public/Private Arbitrage

The ability of REITs to buy and sell their own shares means they can effectively capture a pricing arbitrage between values in the public and private real estate markets. REIT executives who listen to market signals are able to create permanent value for shareholders, while those who ignore them tend to destroy value.

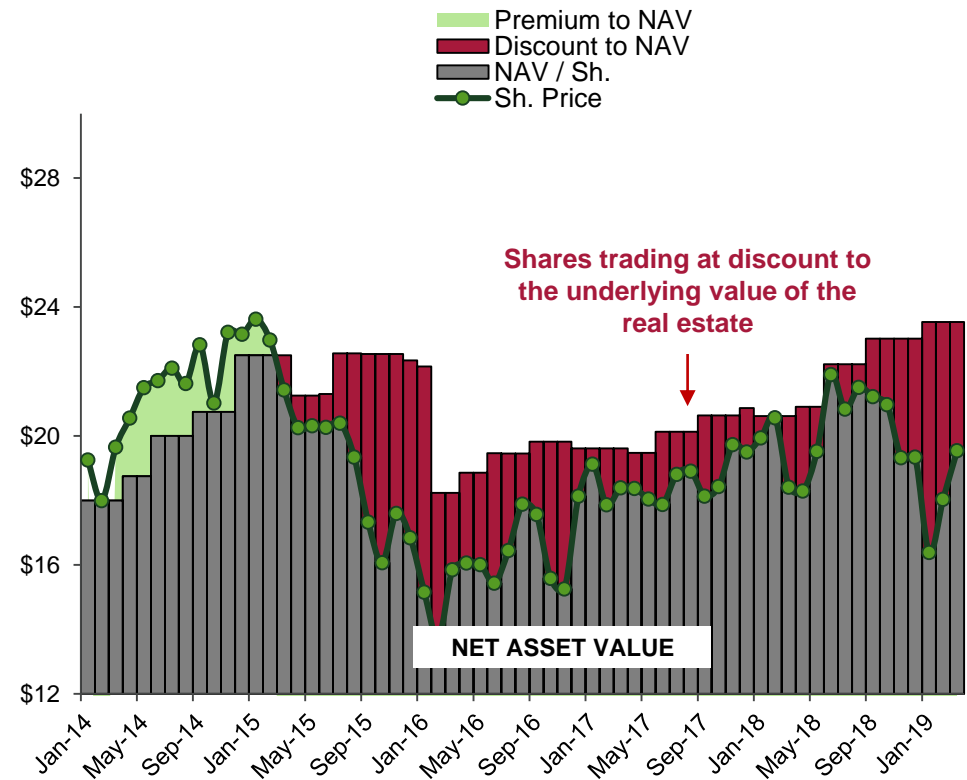
Know when to grow...

...and when to shrink

Realty Income NAV & Observed Share Price



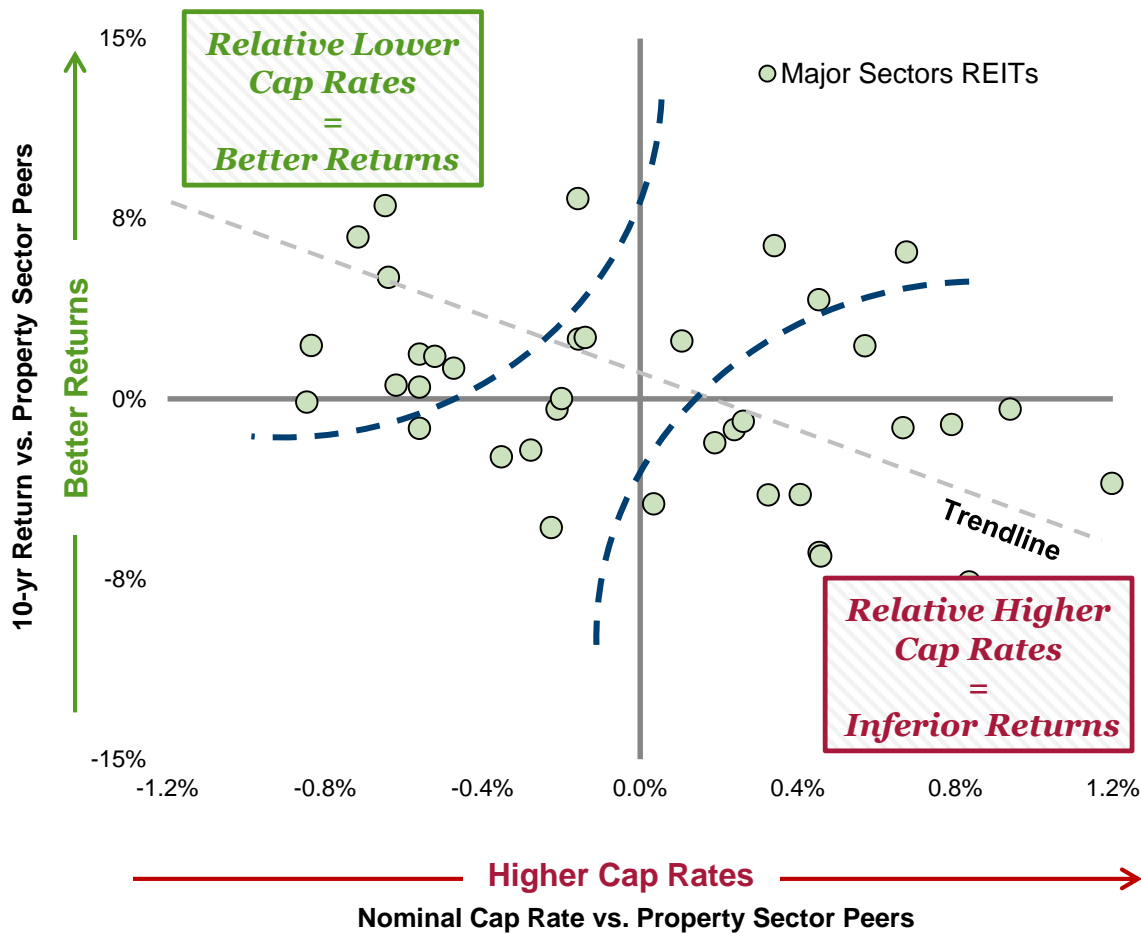
Host NAV & Observed Share Price



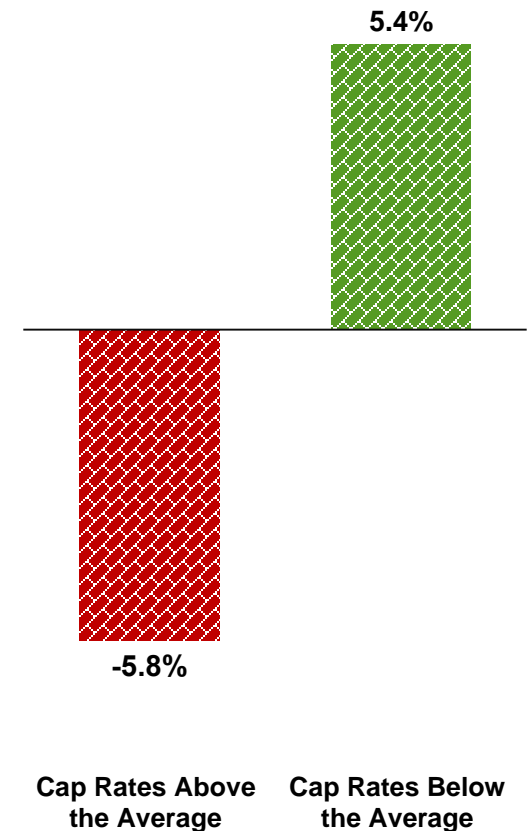
Capital Allocation: High-Quality Outperforms

The markets' underestimation of cap-ex for lower-quality assets has seen REITs that focus on higher-quality assets generating better total returns over the long-term.

Cap Rates and Returns: Higher Cap Rates = Lower Returns



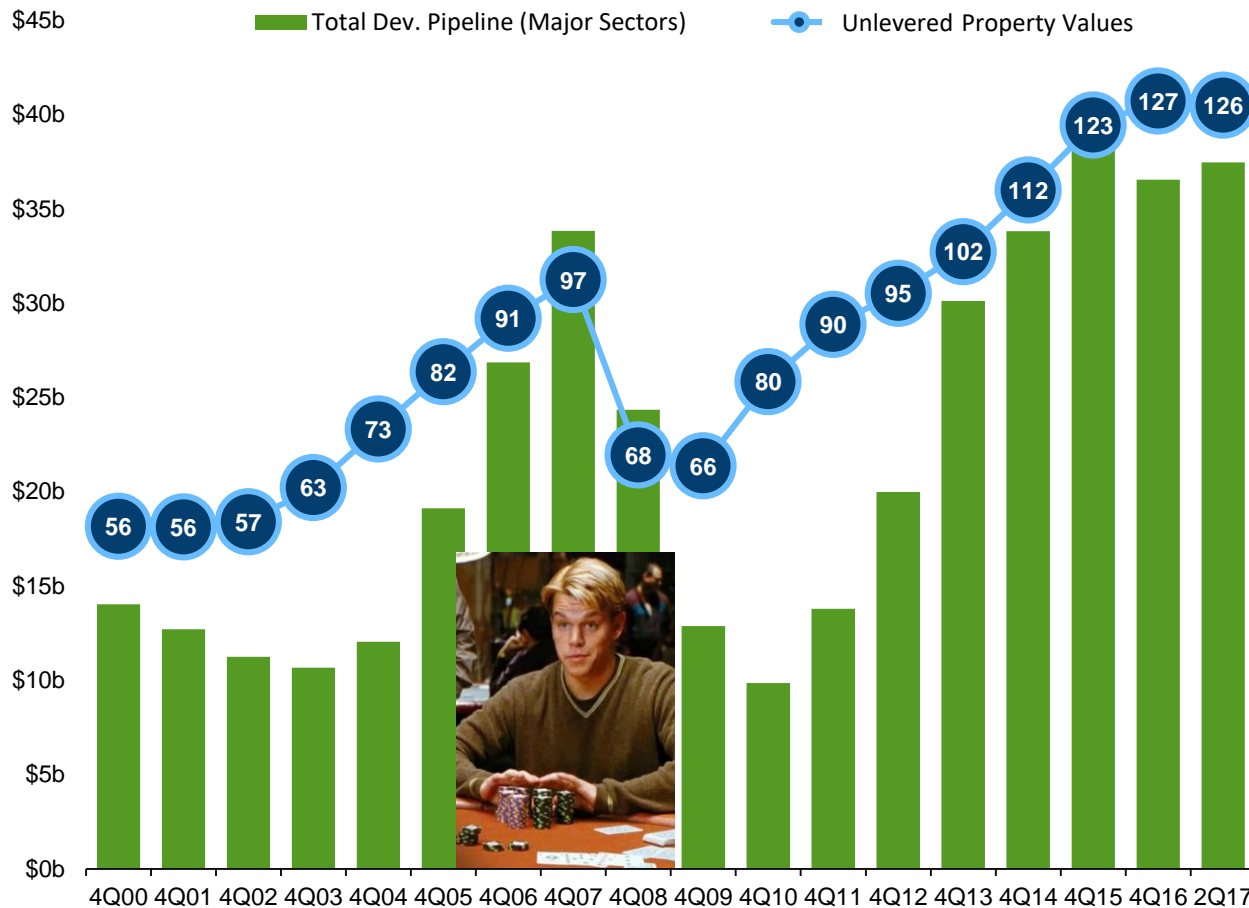
U.S. REIT
10-Yr Average Return vs. Sector Peers
(Sept '09- Sept 19')



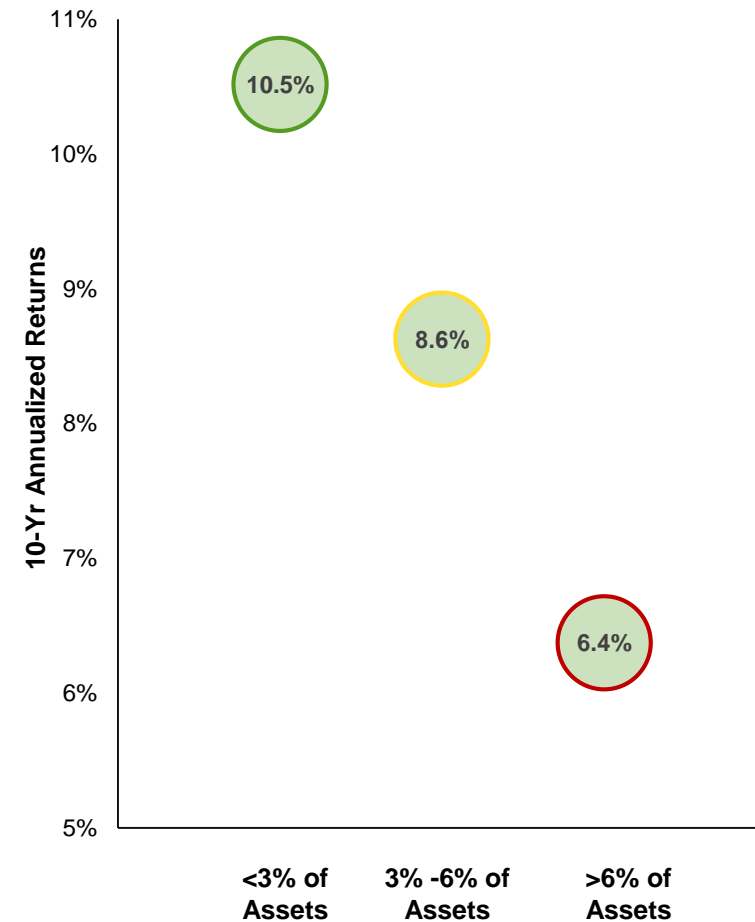
Capital Allocation: Development Risk and Reward

Development is a risky business for REITs. Doing it well can create a lot of shareholder value. Unfortunately, U.S. REITs have historically made their biggest bets at the wrong time.

REIT Development Pipeline vs CPPI



10-Yr Returns & Size of Development Pipelines

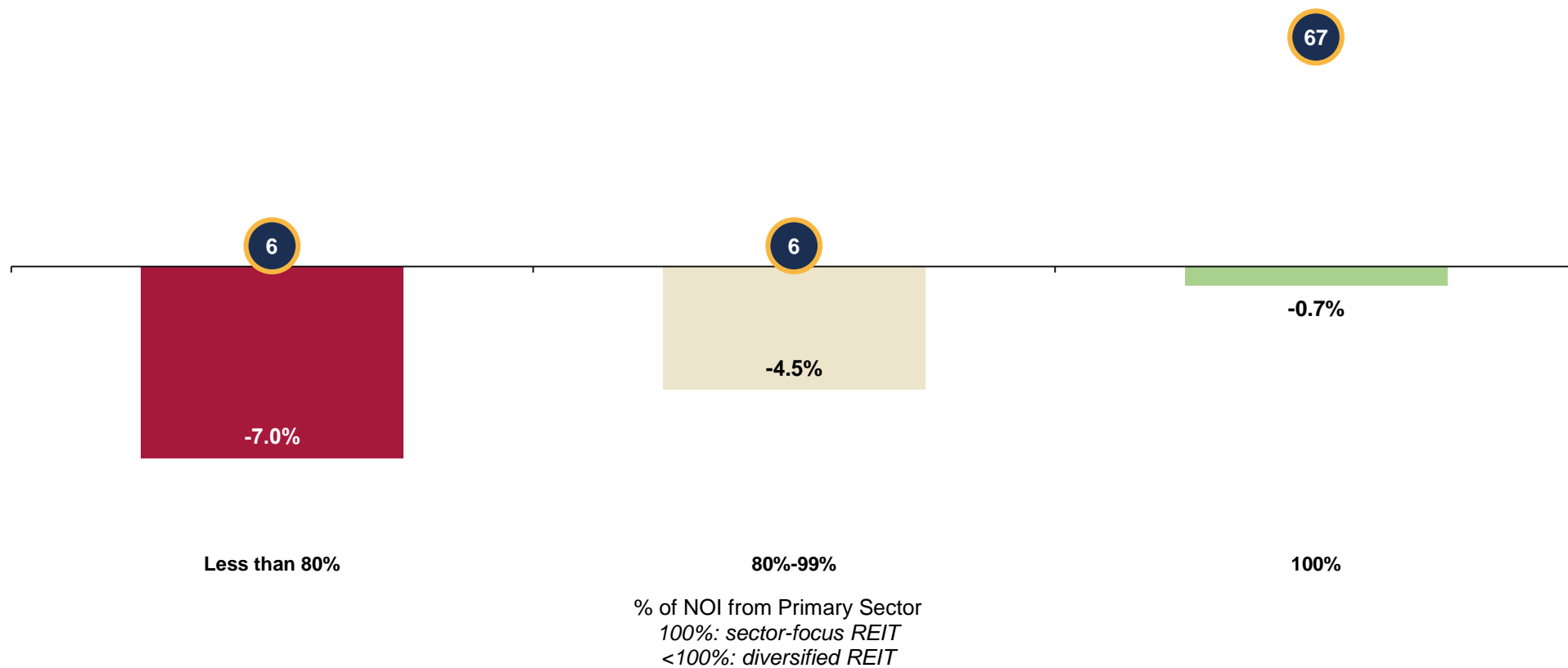


Capital Allocation: Strategic Focus

The REIT market consists largely of companies focused on a single property sector. Conventional wisdom indicates that it is easier to export sector expertise over multiple geographies than to benefit from geographical expertise over multiple property types. Diversified REITs, on average, trade at a discount to their more focused peers.

Last Three Years Average Observed Premium/Discount to GAV Based on % of Primary Sector vs. Total Portfolio

■ Observed GAV Premium/Discount ● Count

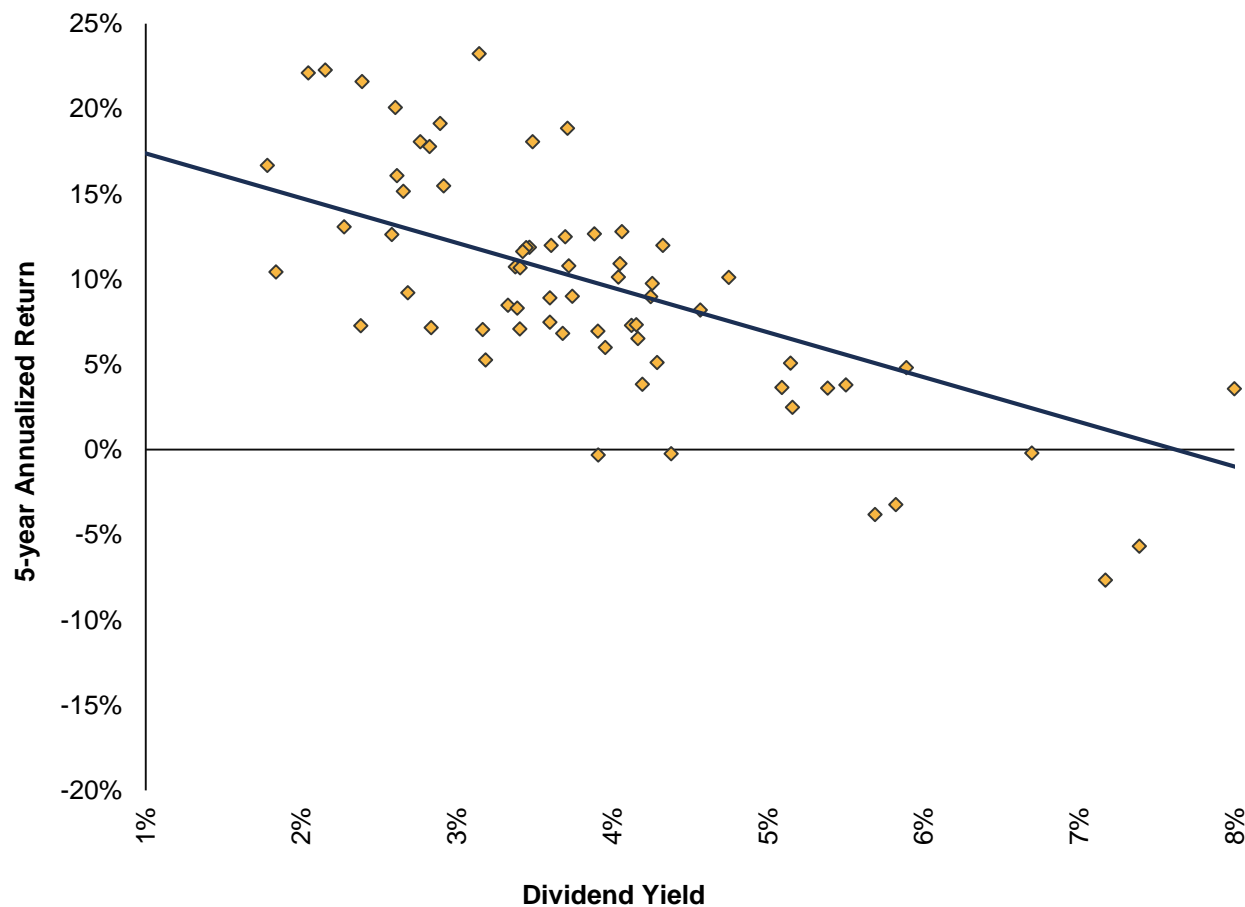


Capital Allocation: Dividend Policy

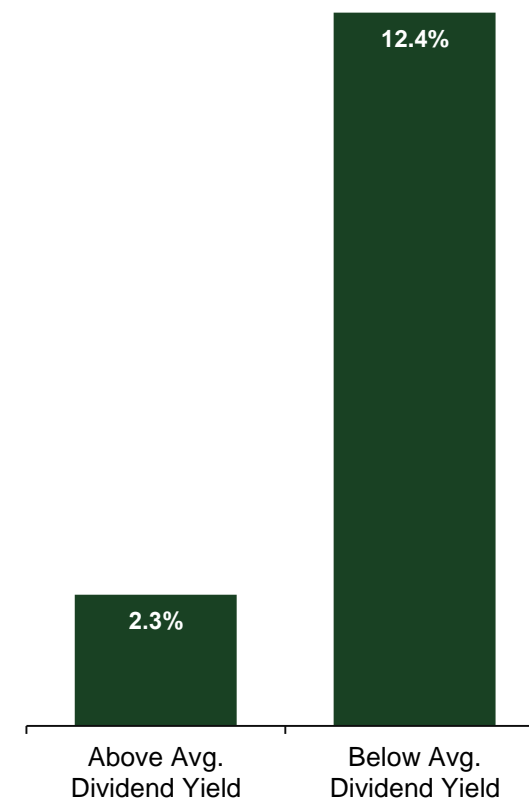
Investors who view high yields as a virtue are likely to be disappointed as REITs with above-average dividend yields have generally underperformed their lower-yielding peers.

Dividends vs. Returns

◆ GSA Universe



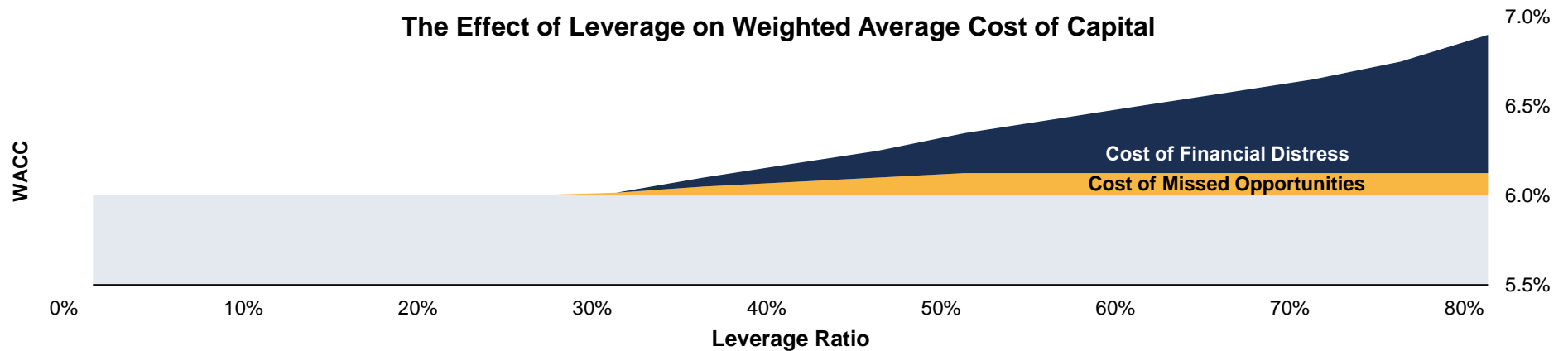
5-year Total Return Comparison



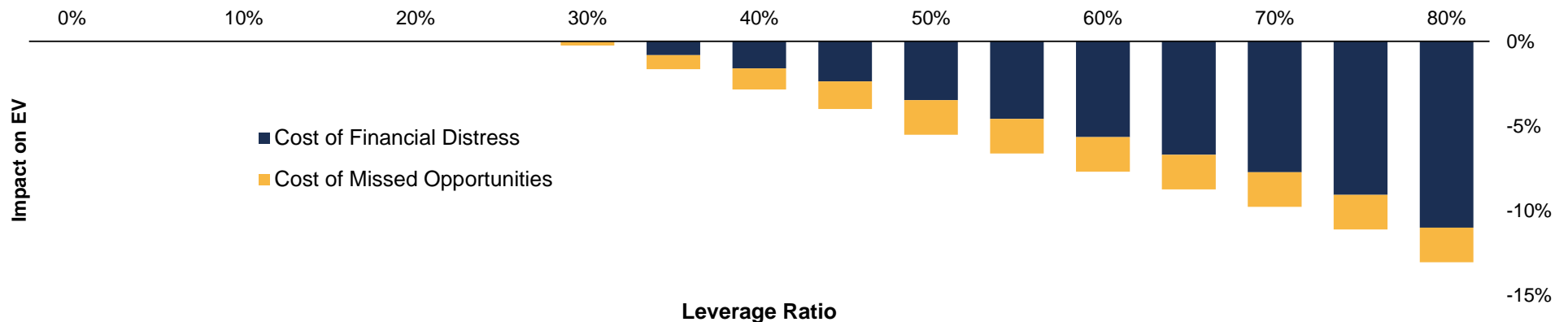
Balance Sheet: Optimal Leverage

History shows that costs associated with financial distress begin to show up even at leverage ratios below 40%, and that they become large at higher leverage ratios. Highly levered REITs are also in no position to play offence during times of distress. These two factors cause a REIT's weighted average cost of capital to increase once leverage exceeds roughly 30%.

The Effect of Leverage on Weighted Average Cost of Capital

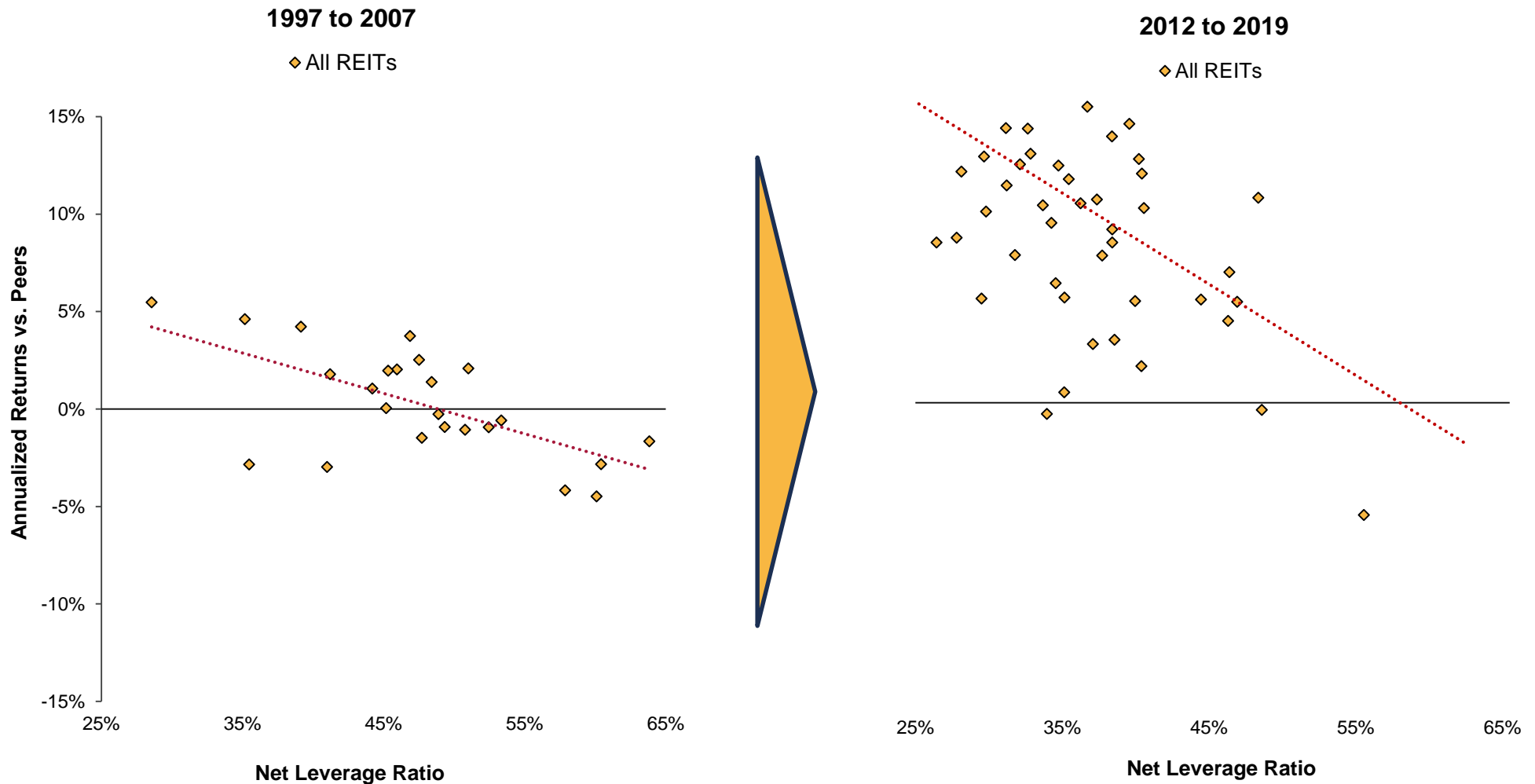


And Corresponding Impact on Enterprise Value



Balance Sheet: Leverage and Total Returns

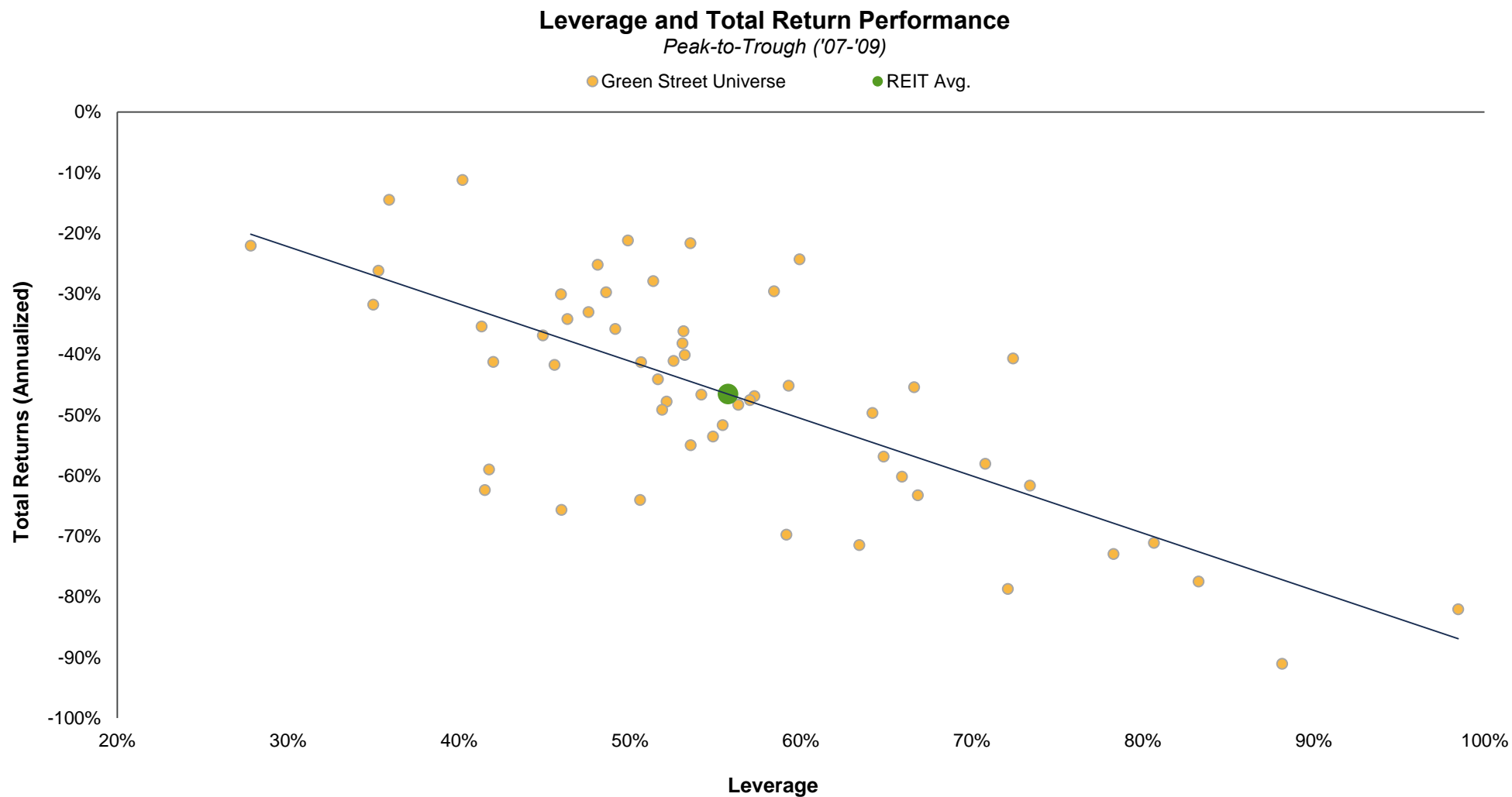
The last two bull markets could not have presented a more benign backdrop for commercial property owners. Amidst that environment, balance sheet leverage should have turbo-charged returns, but evidence of such a boost is non-existent. In fact, REITs with lower leverage outperformed over both bull market time periods.





Balance Sheet: Leverage and Total Returns

Higher-levered companies saw 70%-90% of their equity value evaporate from '07-'09 and many of these companies' current stock prices are still well below pre-recession highs.





Overhead: Operational Efficiency

A dollar of cash flow devoted to G&A is worth the same as a dollar of cash flow at the property level, and efficiency differences between the REITs can have a profound impact on share valuations. G&A differentials can easily warrant large percentage differences in share prices.

Assessing G&A to +/- Firm Warranted Share Price

$$\frac{\text{Firm G\&A (\$)}}{\text{Value of Assets}} = \text{Firm G\&A Load (\%)}$$

A firm's G&A spend is assessed relative to the current value of their assets

G&A Includes:

- Corporate Wages & Benefits
- Travel
- Marketing
- Bad Debts
- Office Supplies/Equipment
- Professional Fees
- Communications & Data Processing

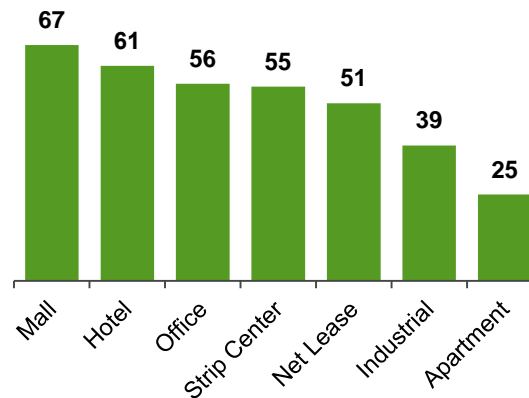
G&A Excludes:

- Property Expenses
- Cap-Ex

$$\text{Firm G\&A Load} - \text{Sector G\&A Load} = \text{G\&A Spread}$$

The G&A% is compared to the sector average to determine the +/- adjustment made to the firm's price

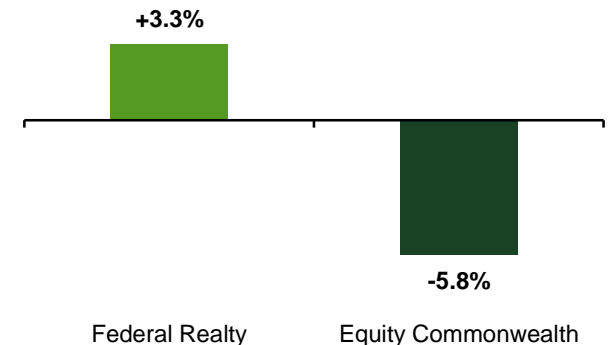
G&A Load by Property Type (bps)



$$\frac{\text{G\&A Spread}}{\text{All REIT Nom. Cap Rate}} = \text{Warranted Price Adjustment}$$

An average nominal all REIT Cap Rate (6.7%) is applied to the G&A spread to calculate warranted price adjustment

Current Warranted Share Price Adjustment Range



Historical U.S. REIT performance suggests every public real estate company management team should target the following best practices to maximize shareholder value:

Capital Allocation:

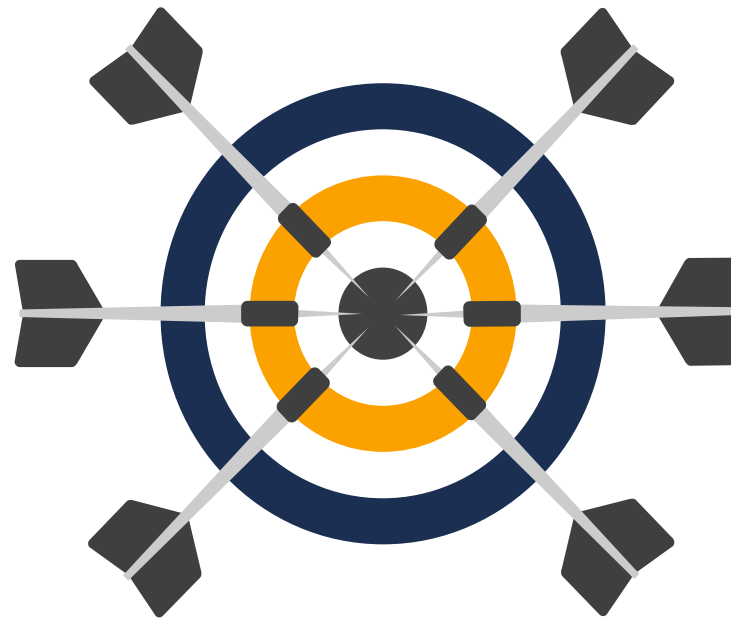
Develop a capital allocation strategy that maximizes the value of arbitrage opportunities available solely to public real estate companies

Development:

Ensure development makes sense through various points of the cycle

Operations / G&A:

Operate properties effectively and efficiently



Management Structure:

An internal structure avoids potential conflict of interest

Corporate Governance / Executive Comp:

Employ a shareholder-friendly governance structure and tie executive comp to how well the company performs against global peers

Leverage:

Establish a strong balance sheet, and a target a net leverage ratio of ~30%

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Vesta Day

2019

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*Mexico:
A Strong Foundation
Javier Mancera*

*Board member & Partner at De la
Calle, Madrazo and Mancera*



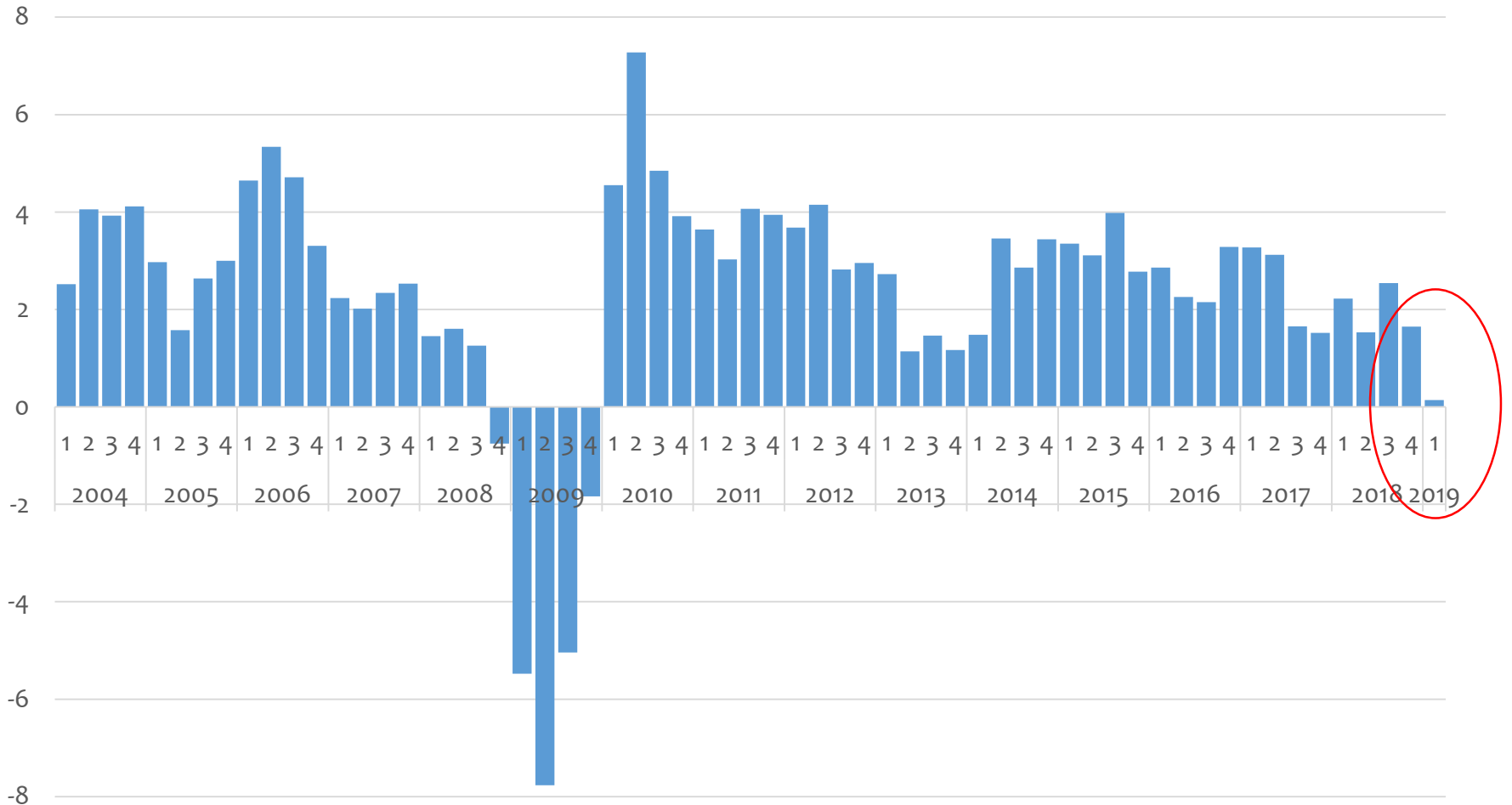
Mexico's Economic Outlook

June 2019



Mexico's GDP Growth

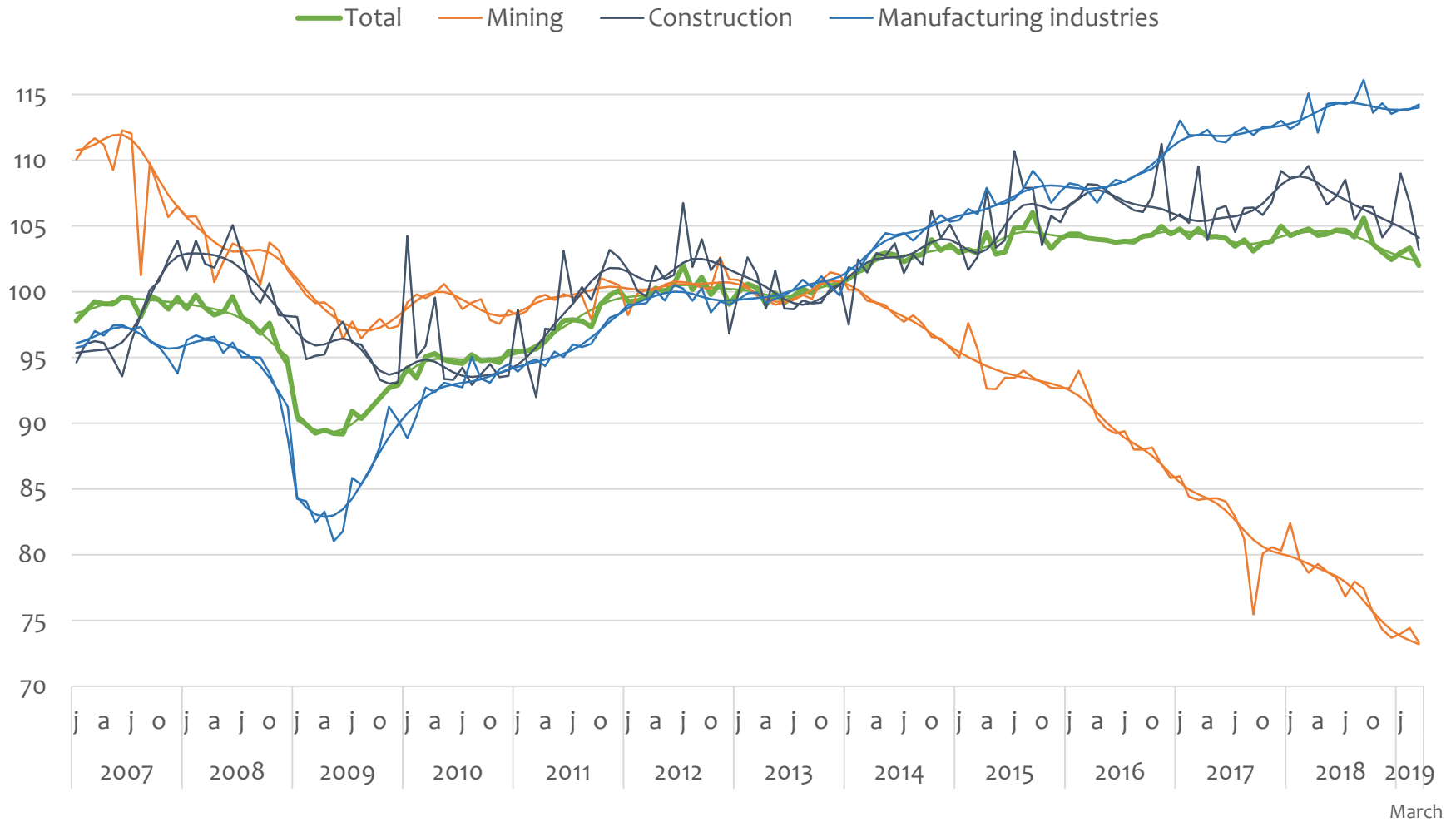
Year on Year Percentage Change
Seasonally adjusted



Industrial Production

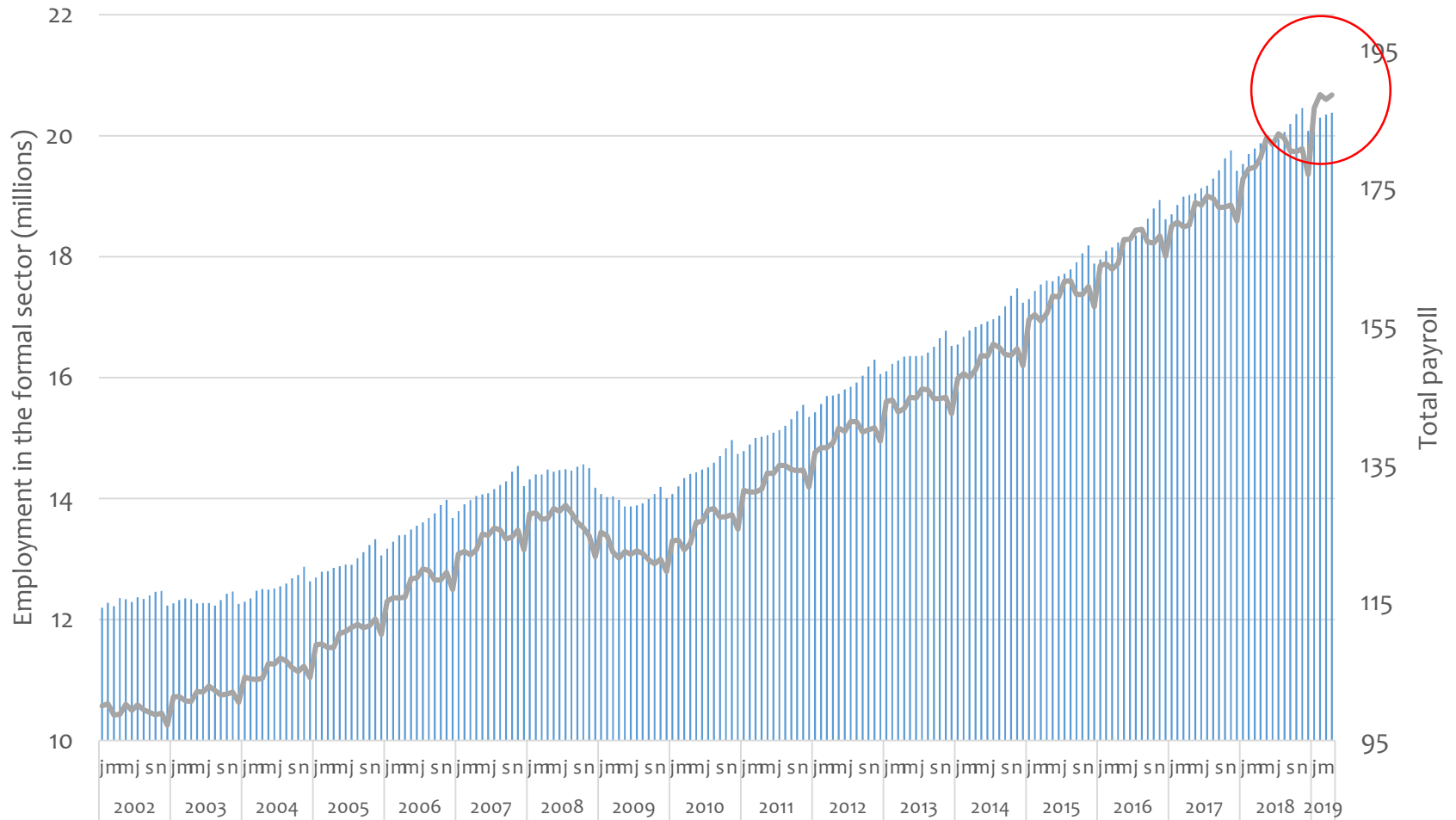
Series and cycle-trend

Index, 2013=100



Labor Force

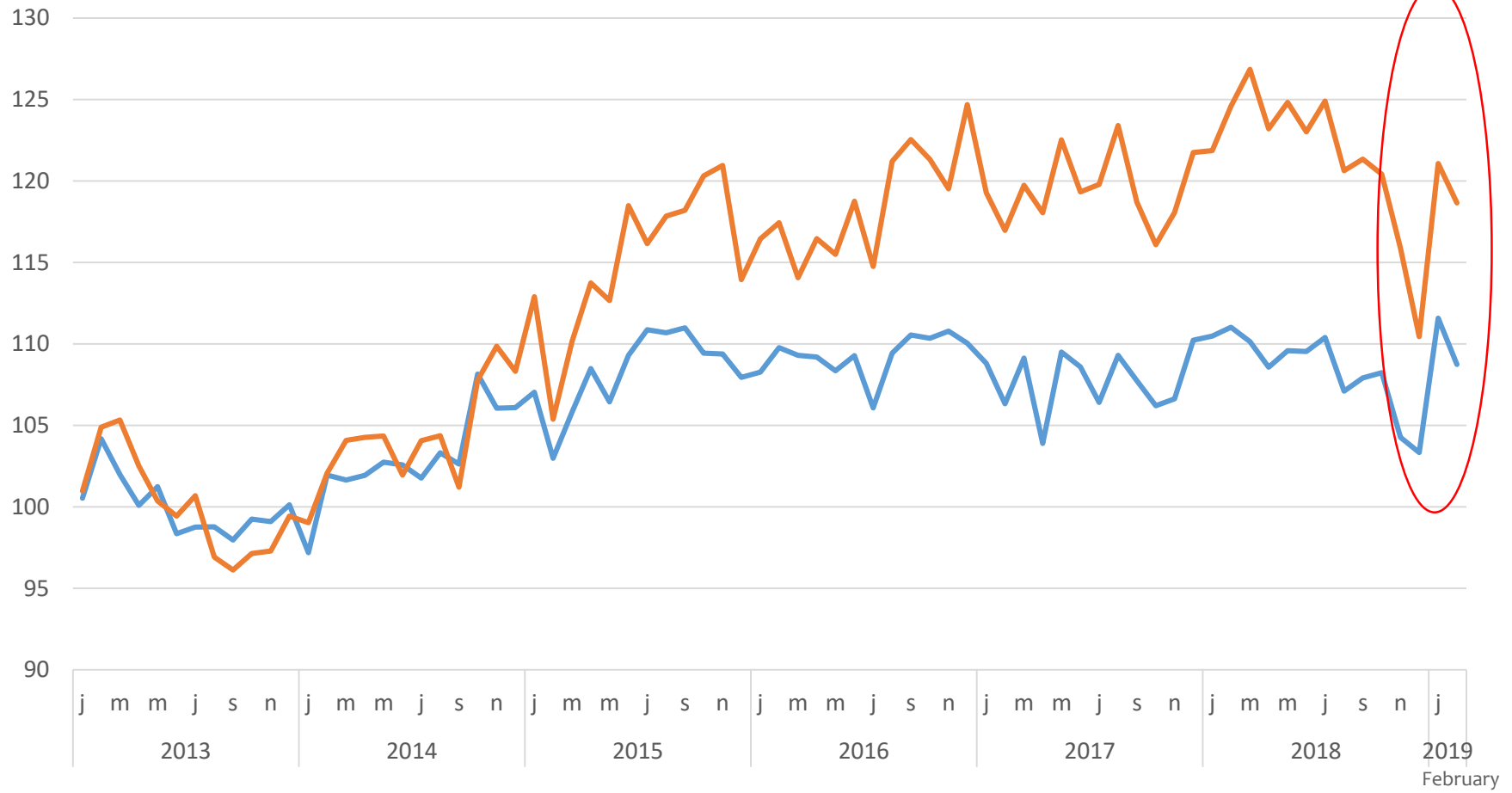
Employment in the formal sector, in millions (bars)
Total payroll, real terms, index base 100 = January 2002 (line)



Gross Fixed Investment

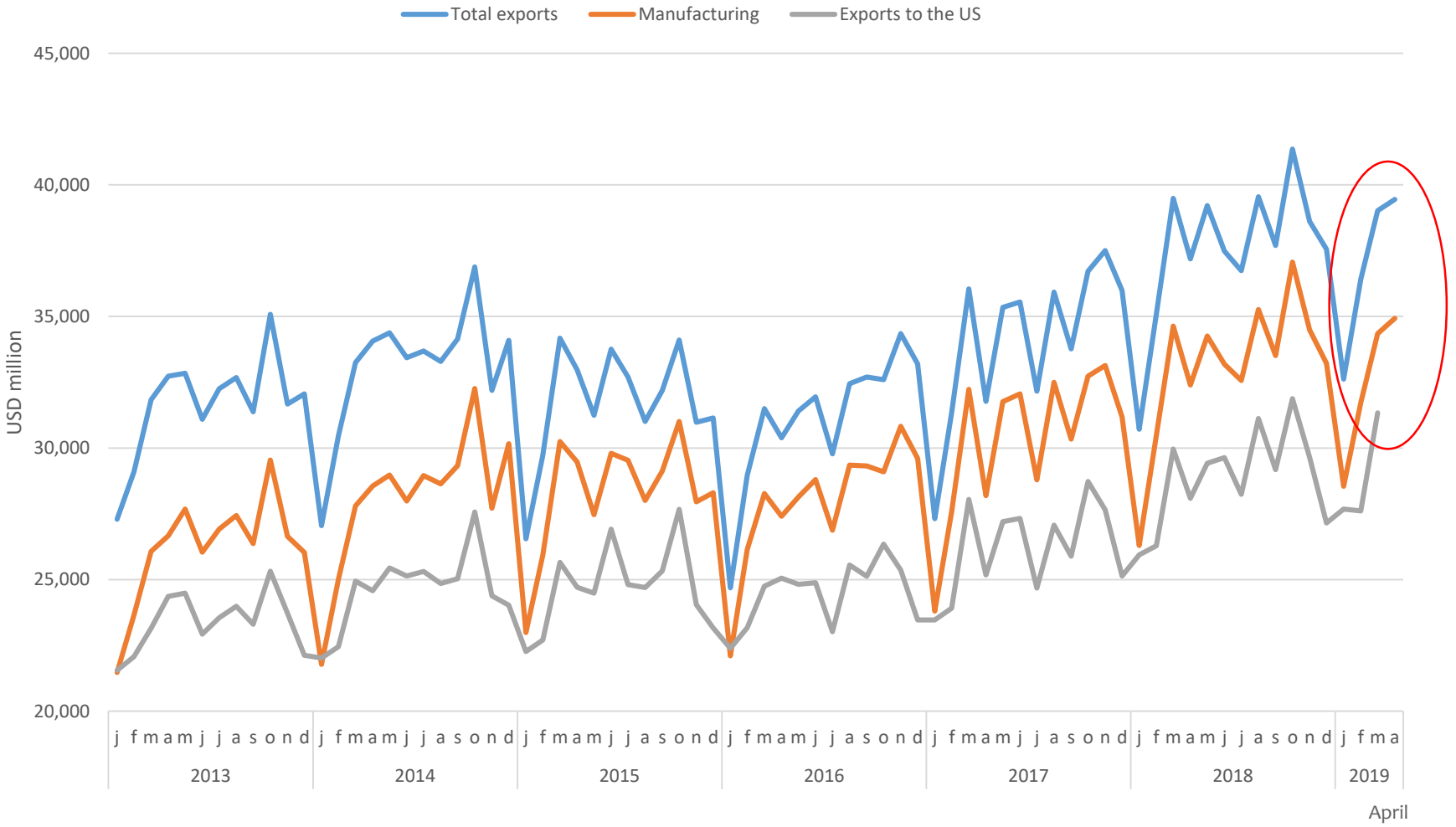
Series
Index

— Total GFI — Machinery and Equipment



Mexico's Exports

Total Value
In USD million

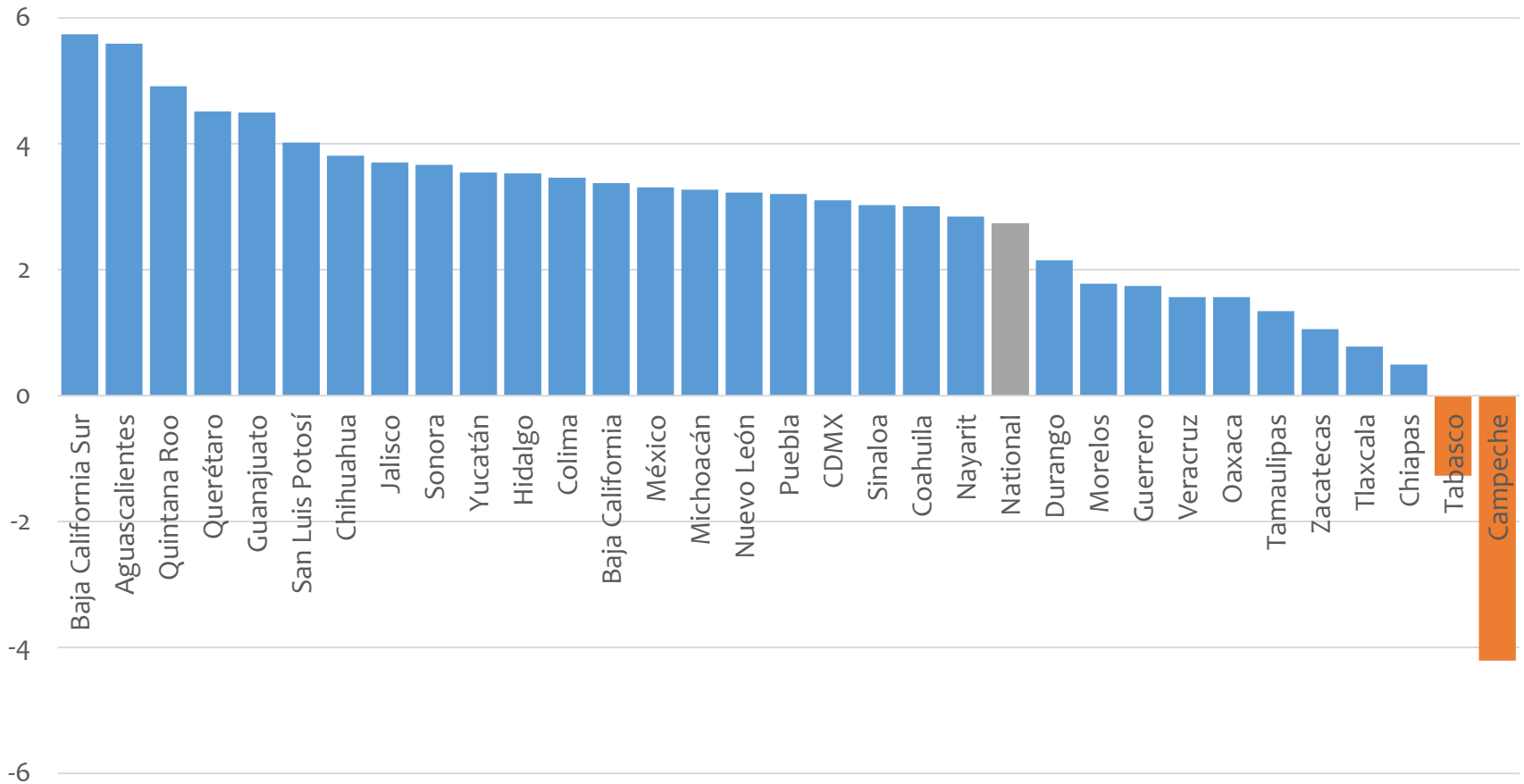


Source: INEGI

Average Annual Growth by State

2011-2018
Percentage

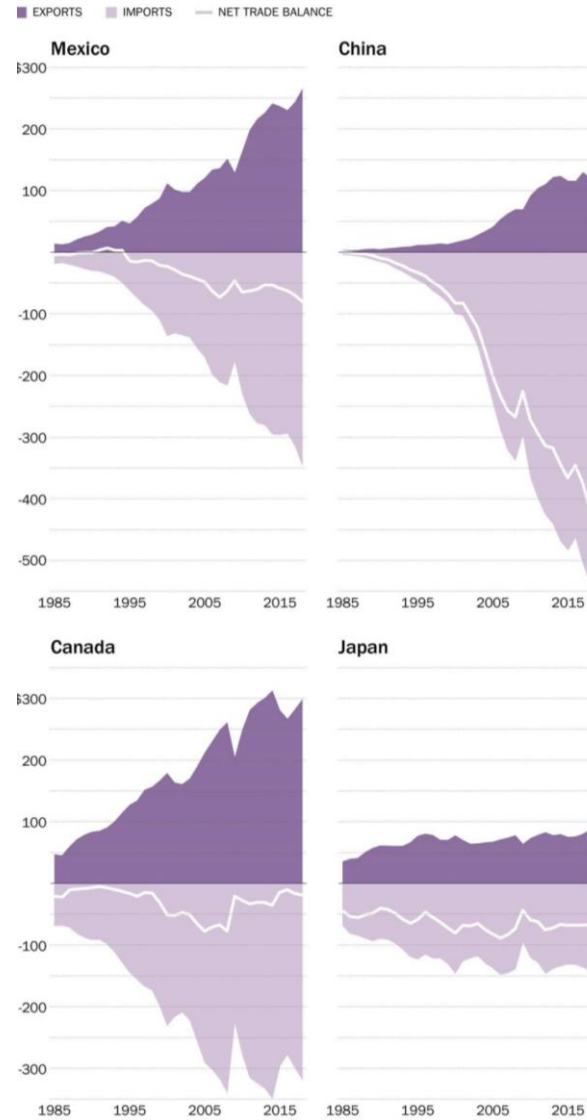
Average annual growth rate by State for the period 2011-2018



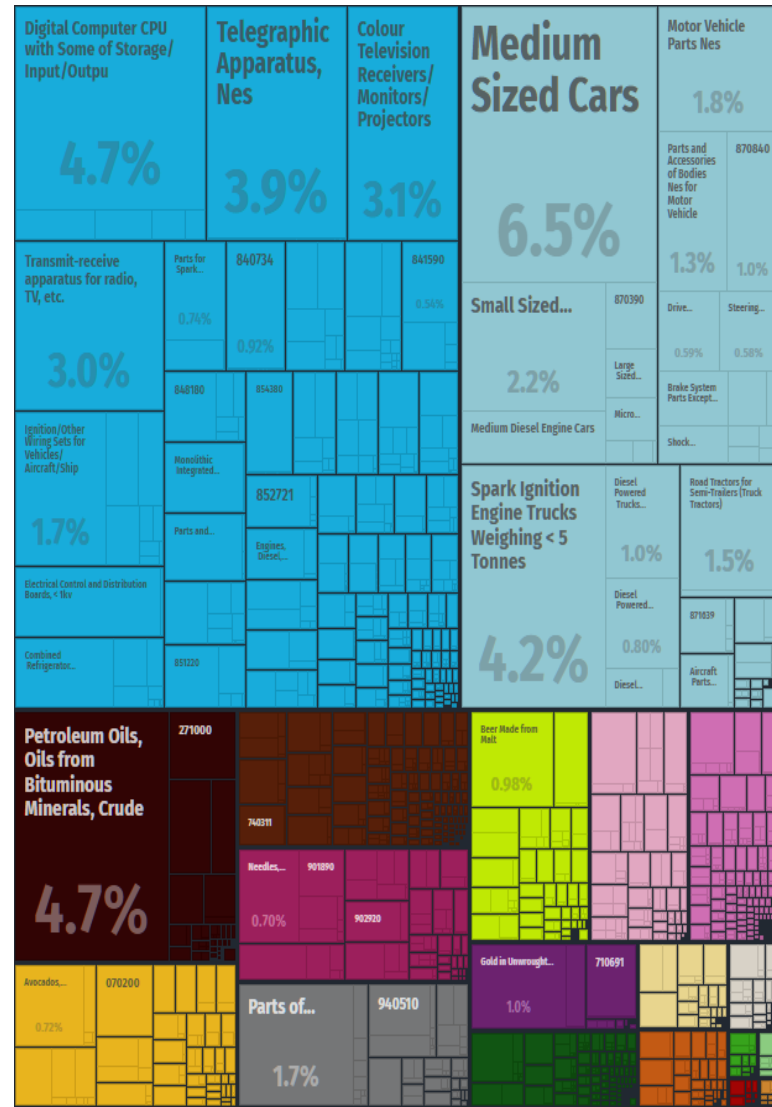
Mexico is more important than other US trading partner

2011-2018

Annual trade in goods with foreign countries



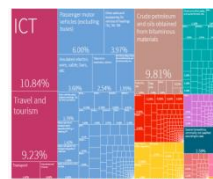
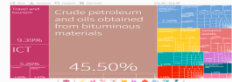
Mexico has become considerably more sophisticated...



Exports 2017
US\$ 418 B
14.8x

Exports 1993
US\$ 66.9 B
2.4x

Exports 1982
US\$ 28.3 B



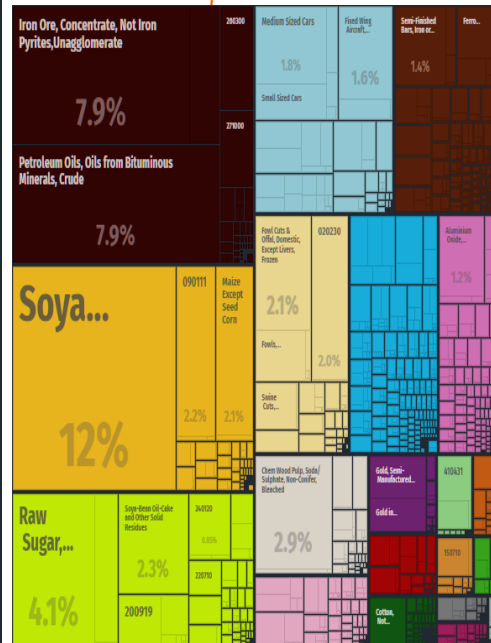
... And much more complex than other Latin American countries...

Exports Mexico 2017
US\$ 418 B

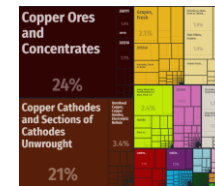


Source: The Observatory of Economic Complexity

Exports Brazil 2017
US\$ 219 B



Exports Chile 2017
US\$ 71.9 B

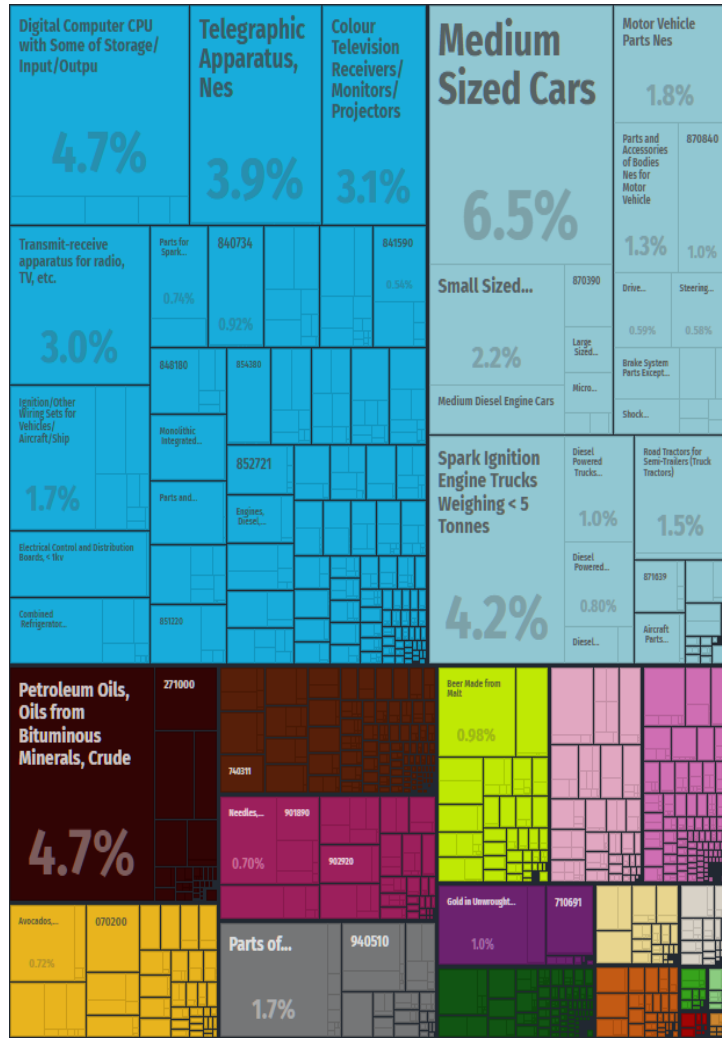


Exports Venezuela 2017
US\$ 28.3 B

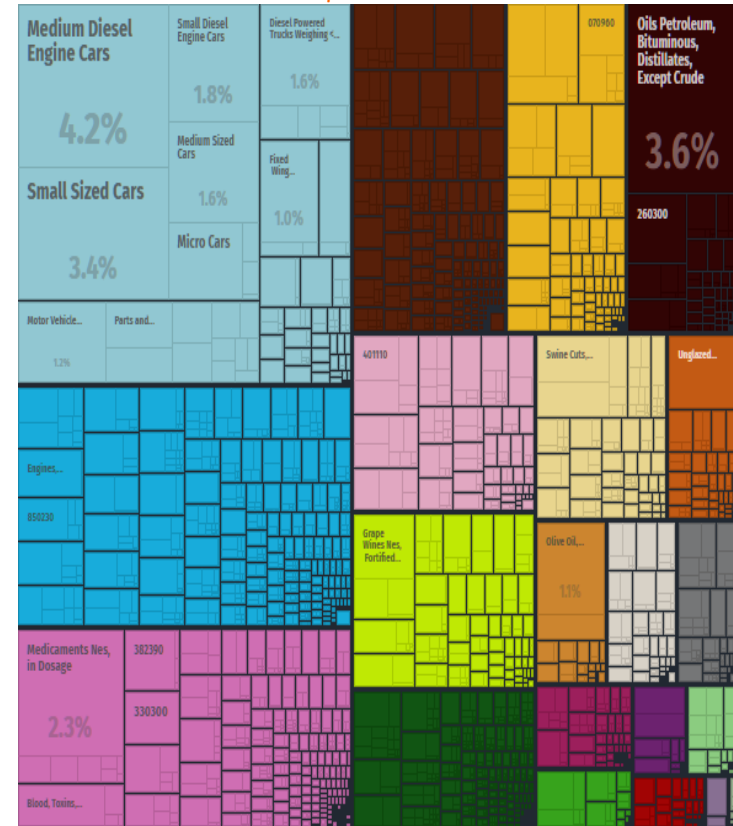


...As complex as Spain and a slightly greater exporter

Exports Mexico 2017
US\$ 418 B



Exports Spain 2017
US\$ 297 B



AMLO's first 100 days

ISSUE	AMLO'S MESSAGE	PUNDITS
Economy	<ul style="list-style-type: none"> • 4% growth average in the administration • The peso has gained 4%, inflation is at 4.4% and consumer confidence at 120 points • Increase in public investment 	<ul style="list-style-type: none"> • Need to raise investment to 25%/GDP to reach growth goal • Deceleration in economic indicators (CGI, GFI, exports)
Energy	<ul style="list-style-type: none"> • "Rescue" Pemex and CFE: fight against corruption and increase revenues • Investment in electricity generation. • More investment budget in Pemex (46%) and in CFE (64%) • Increase oil production without fracking. 	<ul style="list-style-type: none"> • Restart oil rounds and electric tenders • Focus on exploration and production • Need for new oil fields (including fracking) • Investment in transmission
Labor	<ul style="list-style-type: none"> • Union freedom • Minimum wage increase • 220,628 new jobs 	<ul style="list-style-type: none"> • Change of union leaderships • Minimum wage increase • Minor annual percentage change in job creation since April 2014
Infrastructure	<ul style="list-style-type: none"> • Do not start projects that can't be finished during the administration: refinery, Mayan train, Transisthmian corridor, Santa Lucia airport • Cancellation of the new Mexico City International Airport (NAICM) • Investment in the Southeast 	<ul style="list-style-type: none"> • Potential cancellation of the Dos Bocas refinery • Doubts about Saint Lucia Airport • Cancellation cost of NAICM • Investment in the Southeast
Social Policy	<ul style="list-style-type: none"> • Pensions for the elderly • <i>Jóvenes Construyendo el Futuro</i> 	<ul style="list-style-type: none"> • Guarantee non-clientelist use of social programs
Agriculture	<ul style="list-style-type: none"> • Guaranteed prices • Segalmex 	<ul style="list-style-type: none"> • Price distortion
Security and rule of law	<ul style="list-style-type: none"> • Creation of the National Guard 	<ul style="list-style-type: none"> • Militarization of public security?

IEEPA tariffs on Mexican imports

- **May 30:** White House announced the imposition of tariffs on Mexican imports
 - 5% on June 10
 - 10% on July 1, 2019
 - 15% on August 1
 - 20% on September 1
 - 25% on October 1
- President Trump invoked the International Emergency Economic Powers Act of 1977 (IEEPA) which allows the president to regulate commerce after declaring national economic emergency
- Mechanism to pressure Mexico on immigration issues
- On the same day, day the White House and USTR sent the U.S. Congress the draft statement of administrative action on the U.S.-Mexico-Canada Agreement (USMCA)
 - 30-day period before the introduction of the implementing legislation

*Mexico:
A Strong Foundation
Guillermo Díaz
Chief Investment Officer*



Understanding Mexico's Structural Drivers

Understanding Mexico's structural drivers is key to understanding its economy and Real Estate markets. There are three structural drivers:



Geography



Demographics



Strategy

By its nature, these drivers transcend temporary crises and market fluctuations

Therefore, they create formidable forces that influence markets in logical directions.

Mexico is a Country...

...Conveniently located at the
center of the world...

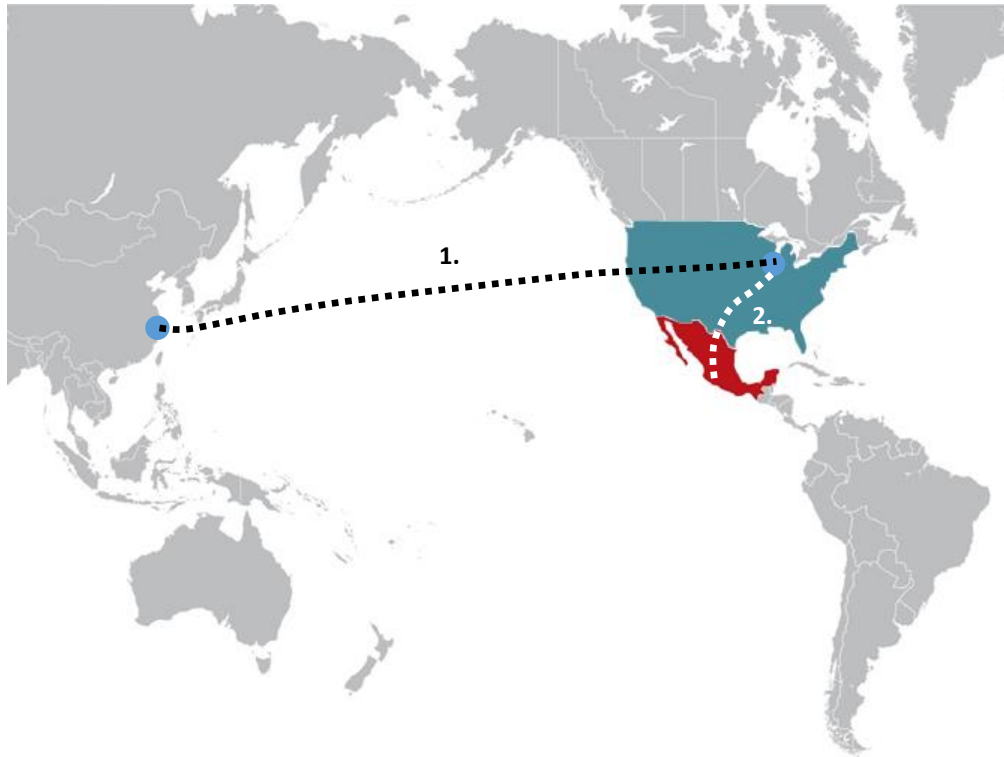
vesta^



...Next to the world's largest economy...



...With a distinct competitive advantage...



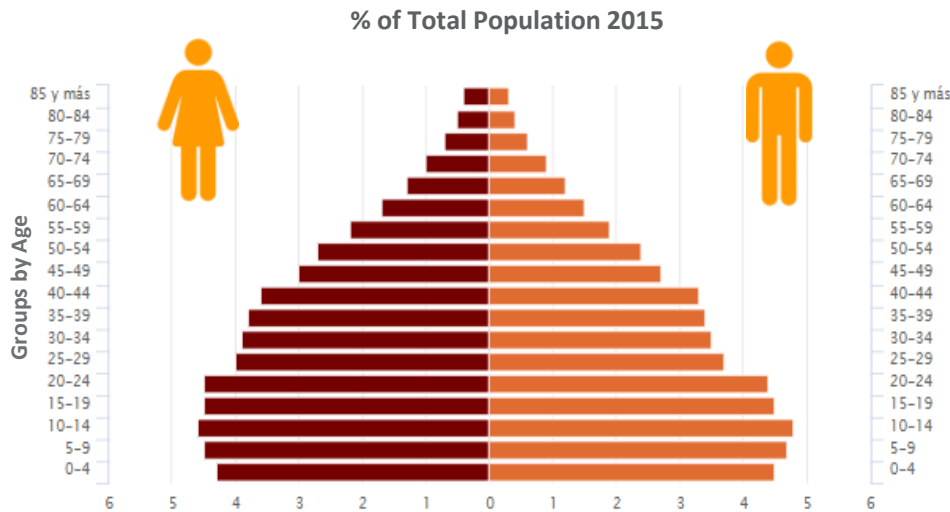
Logistics to transport a 40' container

			
1.	Shanghai – Chicago	5 to 6 weeks	US\$ 7,200
2.	Queretaro – Chicago	3 to 5 days	US\$ 2,800

...an export platform for the world...



...and a demographic bonus to drive economic growth



Total Population

2015 119,938,473

2018 124,587,124

53% Of population under 29

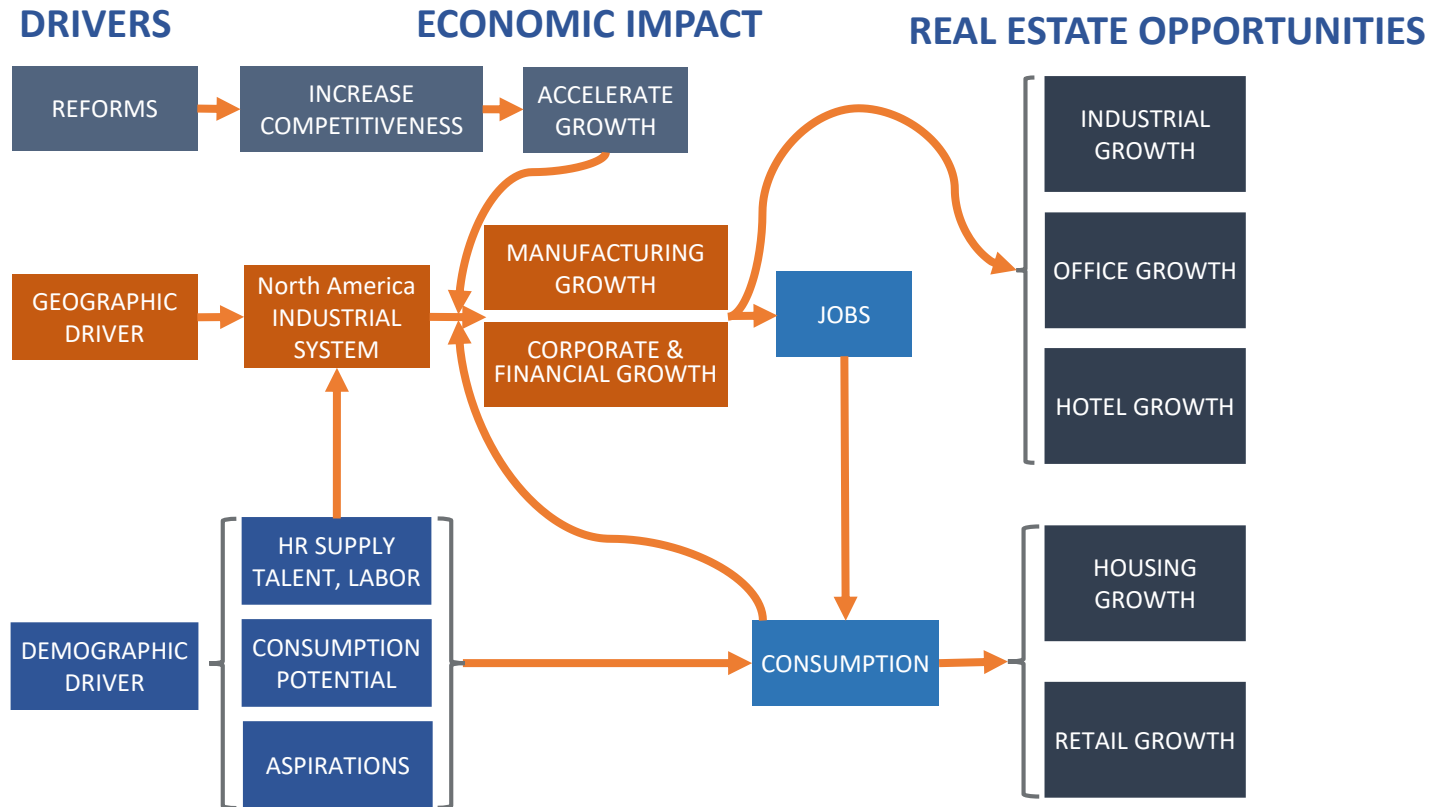
27 M new households will be formed over the next 25 years

Strong, sustained demand for:

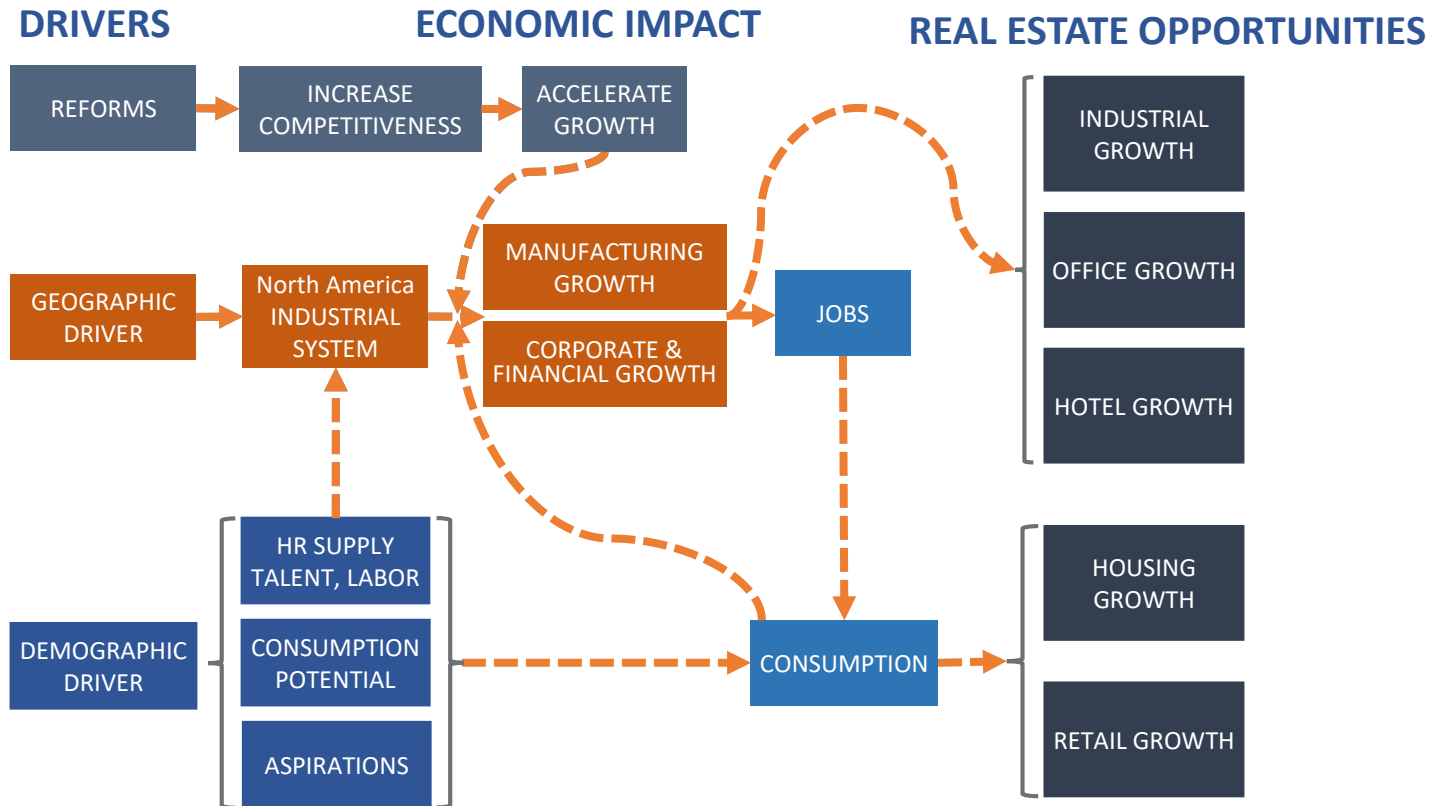
- ▲ Housing
- ▲ Durable goods
- ▲ Services (health, education etc.)
- ▲ Commerce, logistics

1.3 M new jobs per year over the next 25 years

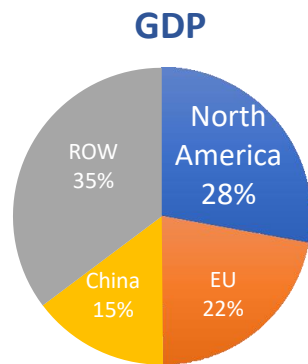
Economic-Demographic Driver Dynamics



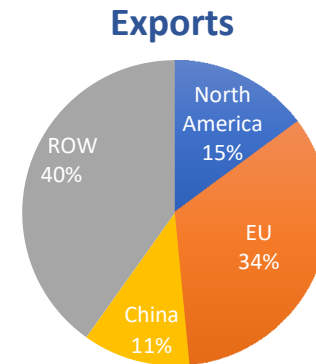
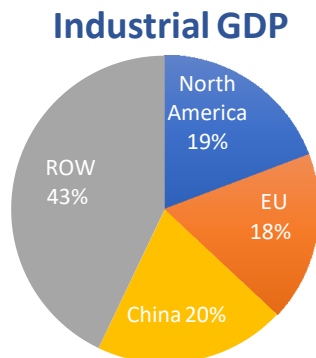
Economic-Demographic Driver Dynamics



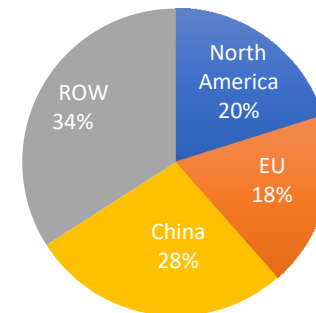
Over 25 Years, a New Industrial System Evolved in North America



The system became more important than the treaty from which it originated...



Car Production

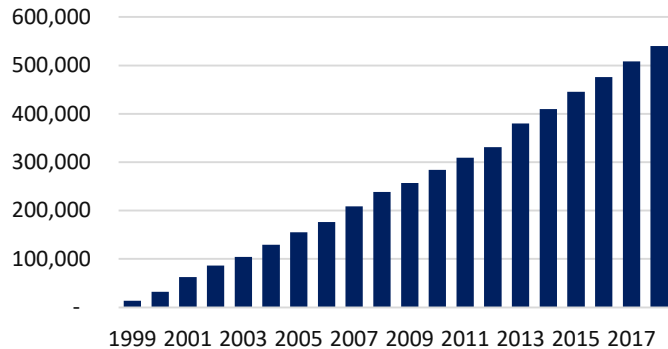


...and will continue to flourish.

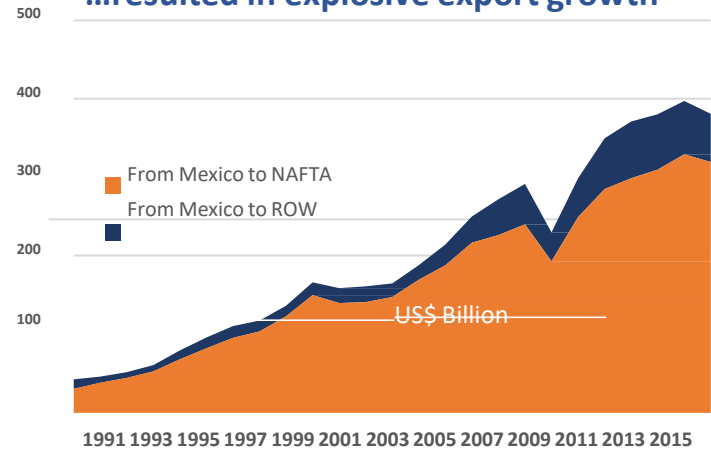
Industrial Mexico Became the System's Key Component

Mexico was transformed by NAFTA...

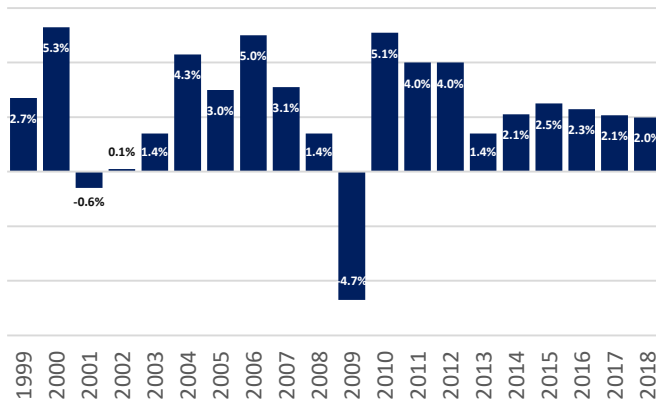
Massive Foreign Investment...



...resulted in explosive export growth

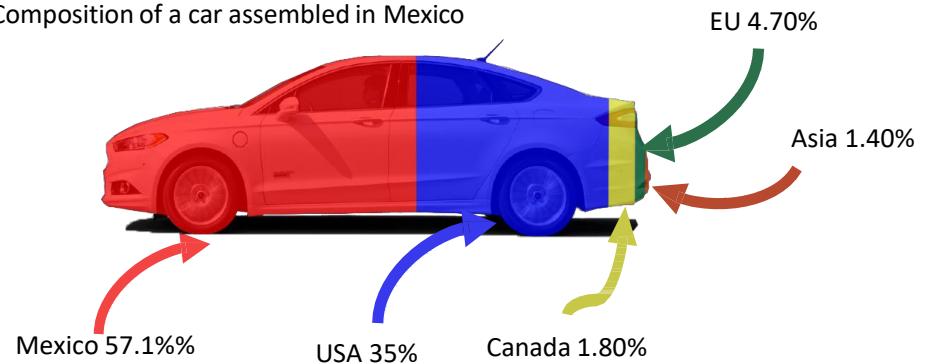


...and sustained economic growth...



...with high interdependence

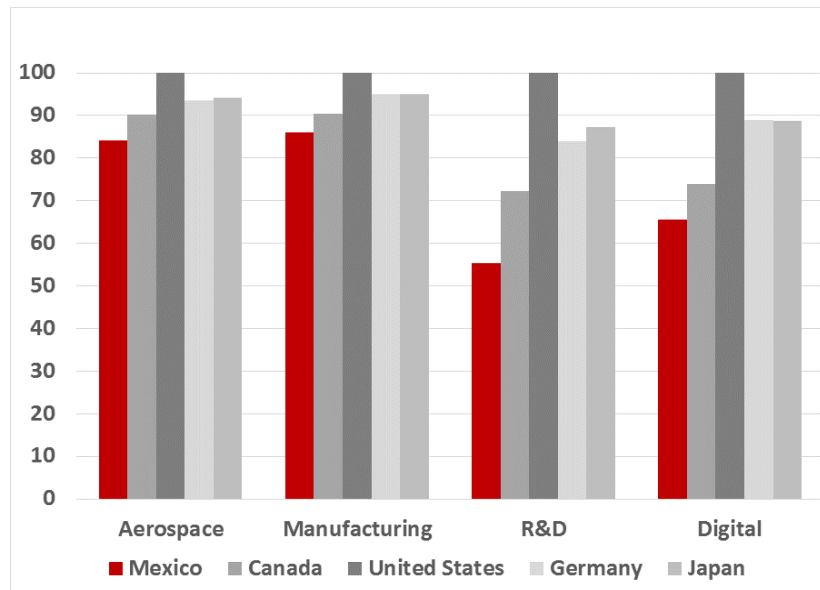
Composition of a car assembled in Mexico



Mexico Became a World-Class Manufacturing Hub

- Auto exports
- Computer Export
- Auto Parts Manufacturing
- Metal Manufacturing exports
- Medical Devices Exports

Mexico's Cost Competitiveness



...creating one of the world's most productive industrial systems



21 auto OEM's/
28 plants

Growing aerospace hub: **330** companies and **18** R&D centers



90 out of 100 important auto-parts companies worldwide operate in Mexico



Leading Medical Devices Exporter: **641** exporting companies, 12 states

Mexican Millennials: A New Generation of Winners

A new generation with a new mind frame



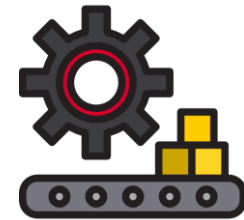
- Born in an open economy
- Connected to the world
- Able to believe in being the best



Absorbing technology

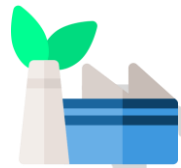
- Sound education
- Eagerness to learn
- Highly successful strategic educational projects
 - Aerospace University in Queretaro
 - IPN Mechatronics branch in Silao

Mexican Labor: World-class productivity



- Not cheap labor, but highly productive labor
- *“If we could only replicate the quality of the Silao plant here”*

Mexico: One of the Best Manufacturing Platforms in the World



Newer industrial plants



Advanced technology



Mexican plants named the best in their company systems

THE RESULT

world-class productivity

CONSEQUENCE

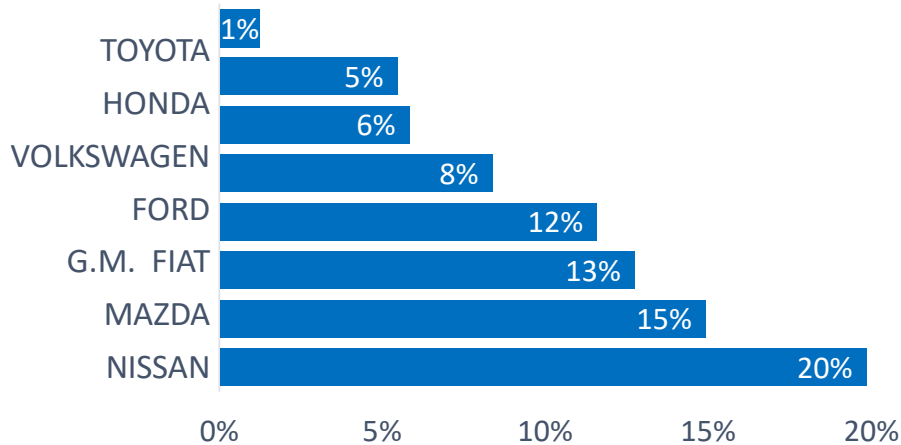
Production is allocated to the most productive plants: Mexican plants

The Outlook: Industrial Mexico will Continue to Succeed

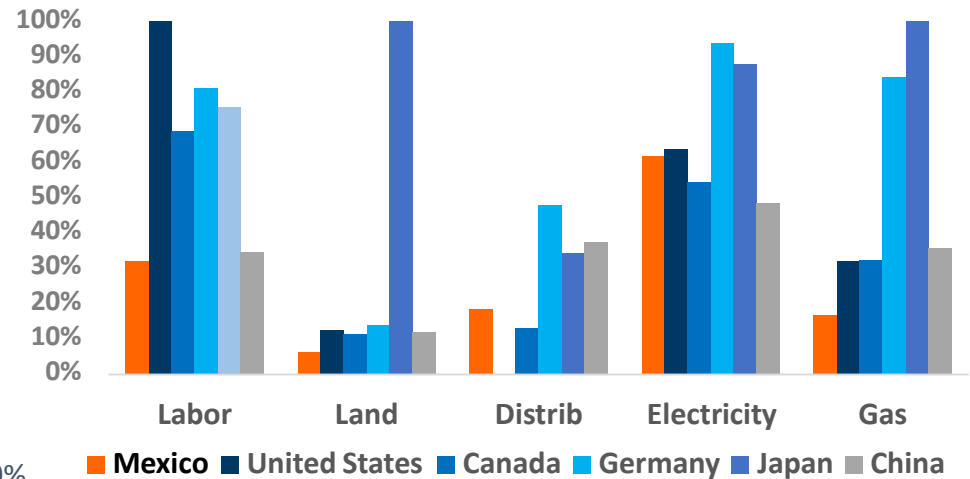
Mexico is a crucial, efficient platform of global manufacturer's facilities...

...and continues to be the optimal location for export to the US

% Of world production from Mexico



Cost Index



Global corporations are heavily invested in México and developed deep supply chains

Last 5 Yrs



\$6.1 B



\$3.8

NISSAN

\$2.0



\$1.7

FCA
FIAT CHRYSLER AUTOMOBILI

\$1.3



TOYOTA

\$1.0

BOMBARDIER

\$0.5



\$1 B

Global Trends Favor Mexico

US-China Trade War

- ▼ Constraints imposed on China make Mexico more attractive
- ▼ US depends on Mexico to remain competitive
- ▼ Has the time for the North American Alliance arrived?

Global Supply Chain Disruption Risks

- ▼ Supply chains sensitive to multiple disruption risks
- ▼ Geographically integrated supply chains reduce disruption risks

Reshoring Trend

- ▼ Increase in China's labor cost make it less competitive
- ▼ By comparison, Mexico's productivity make it a more attractive alternative

Strong, Globally Diversified Tenant Base Attractive Relative Yield

Many of the world's top **OEMs** established plants and developed **deep supply chains** in Mexico

Dynamic **industrial clusters** have grown across the country, housed by world-class industrial parks

US-style leases are the standard in Mexican industrial real estate

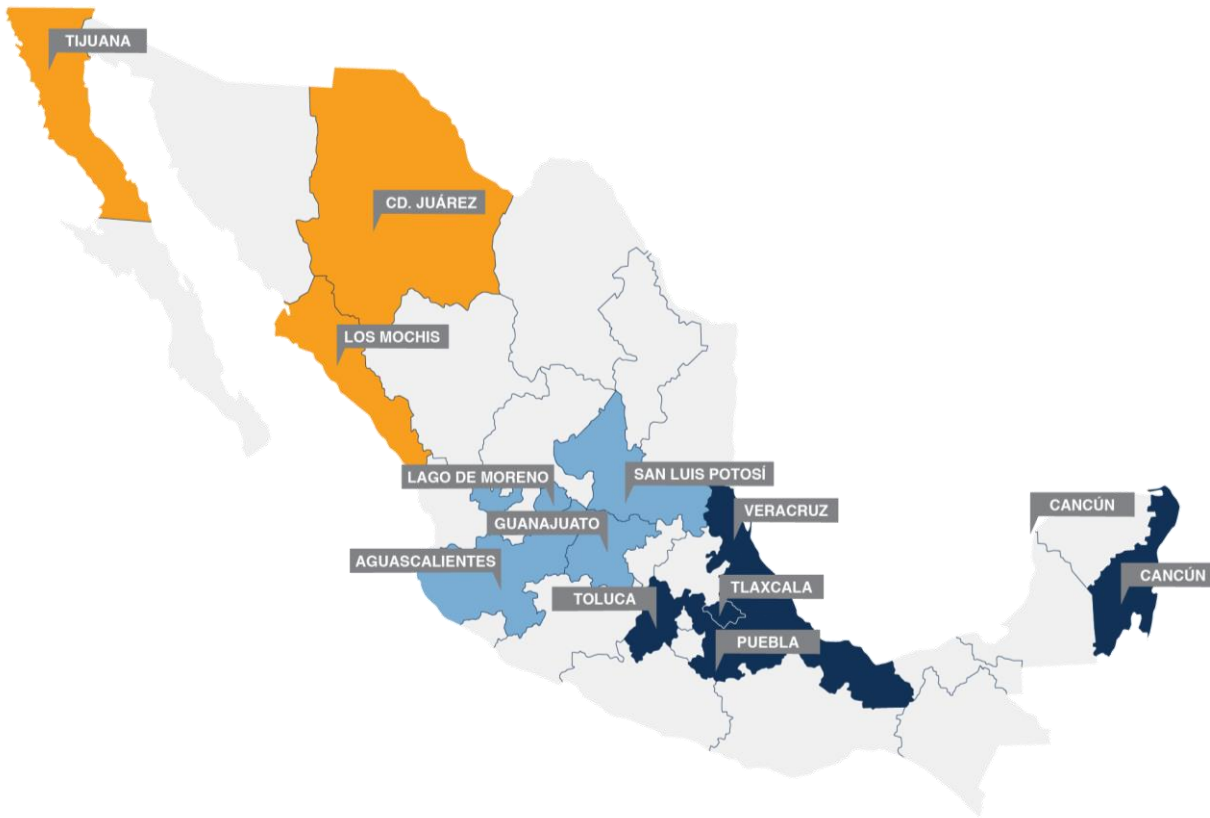
- Long-term, non-cancellable
- US Dollar denominated
- Guaranteed by parent company

The result is low-risk leases backed by valuable properties, yielding **very attractive risk-adjusted returns**

Portfolio Performance:
Diego Berho
Chief Portfolio Officer



VESTA Portfolio Snapshot

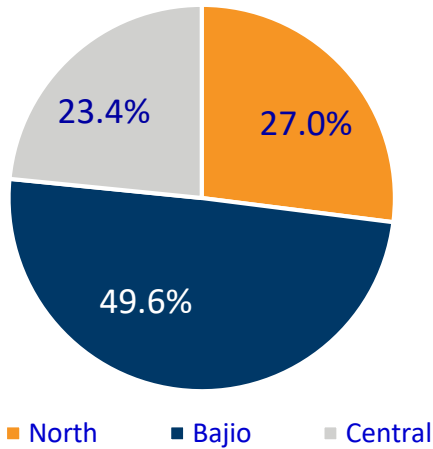


	North Region	Bajío Region	Central Region	Total
Operating buildings	66	87	34	187
Buildings under development	5	2	0	7
Total Buildings	71	89	34	194
Operating portfolio (sf)	8,212,054	15,081,603	7,122,733	30,416,390
Development portfolio (sf)	639,874	309,285	0	949,159
Total GLA (sf)	8,851,928	15,390,888	7,122,733	31,365,549
	28%	49%	22%	100%

Resilient Revenue Income

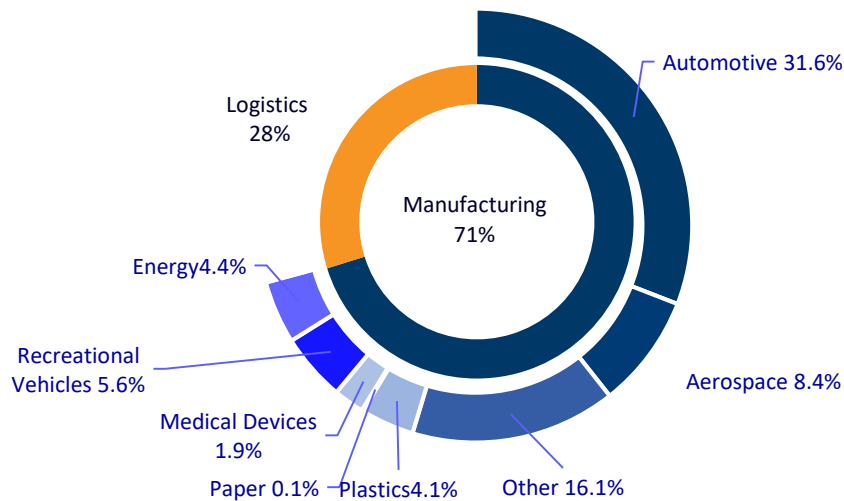
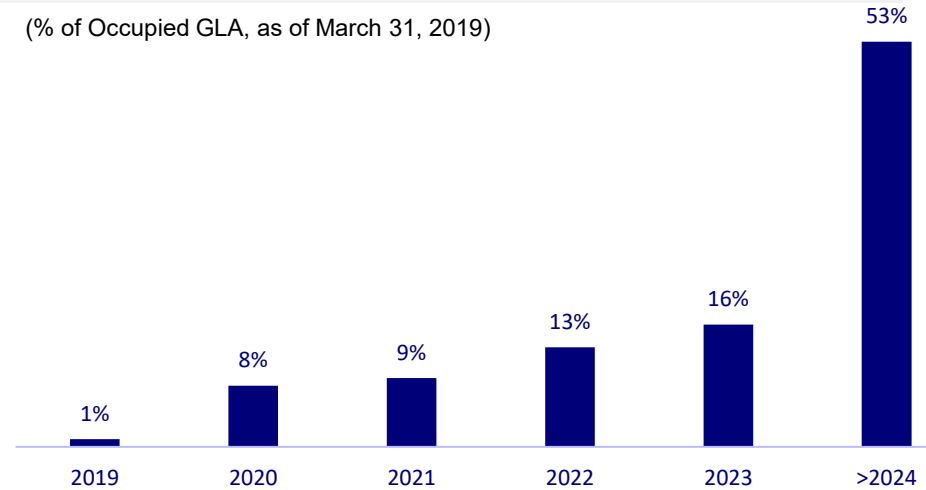
Diversified portfolio

(% of Occupied GLA, as of March 31, 2019)



Long-term and staggered lease maturity profile⁽¹⁾

(% of Occupied GLA, as of March 31, 2019)



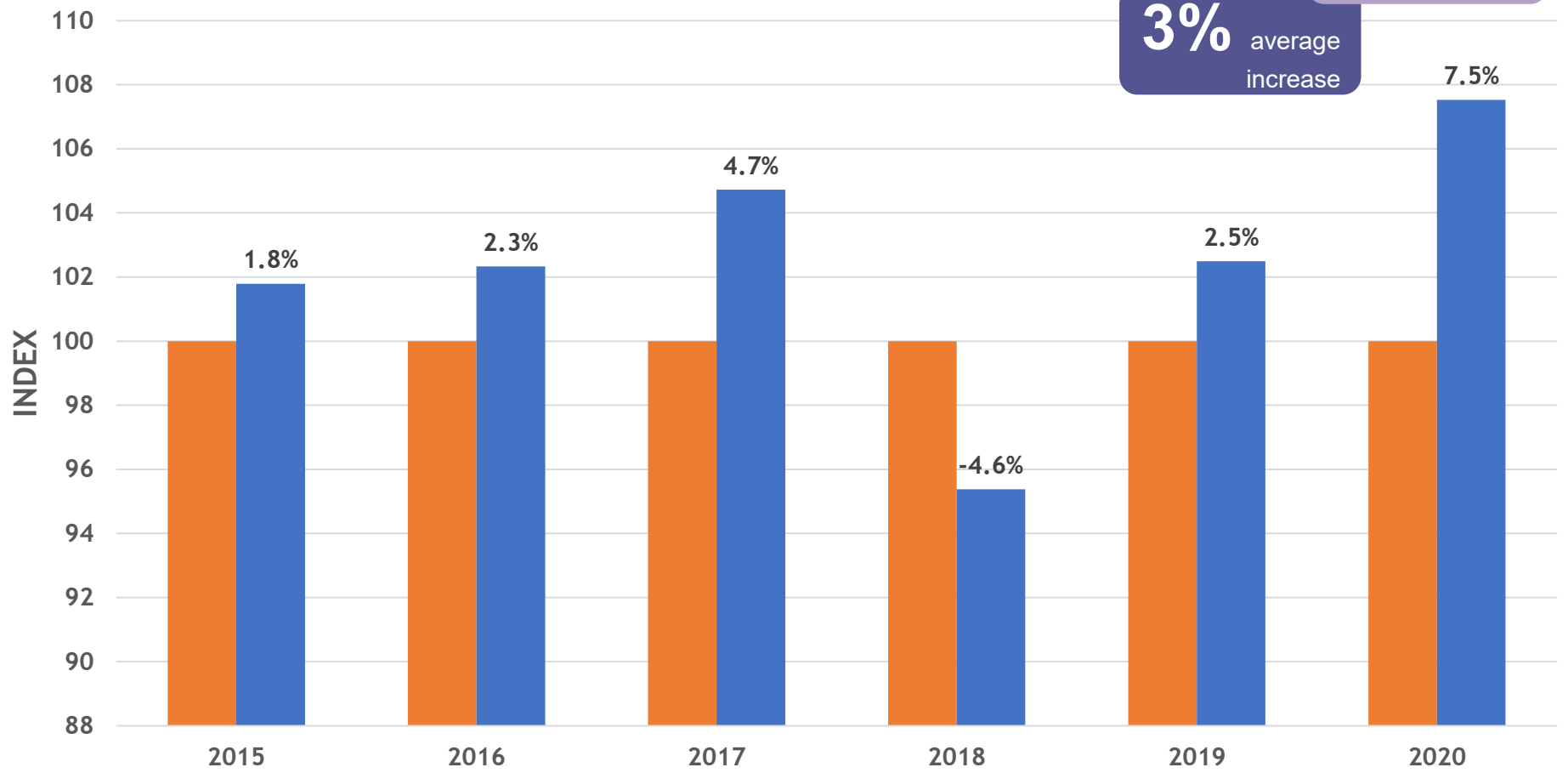
5.3 yrs
weighted
average lease term

84.5%
of our revenues are
denominated in USD

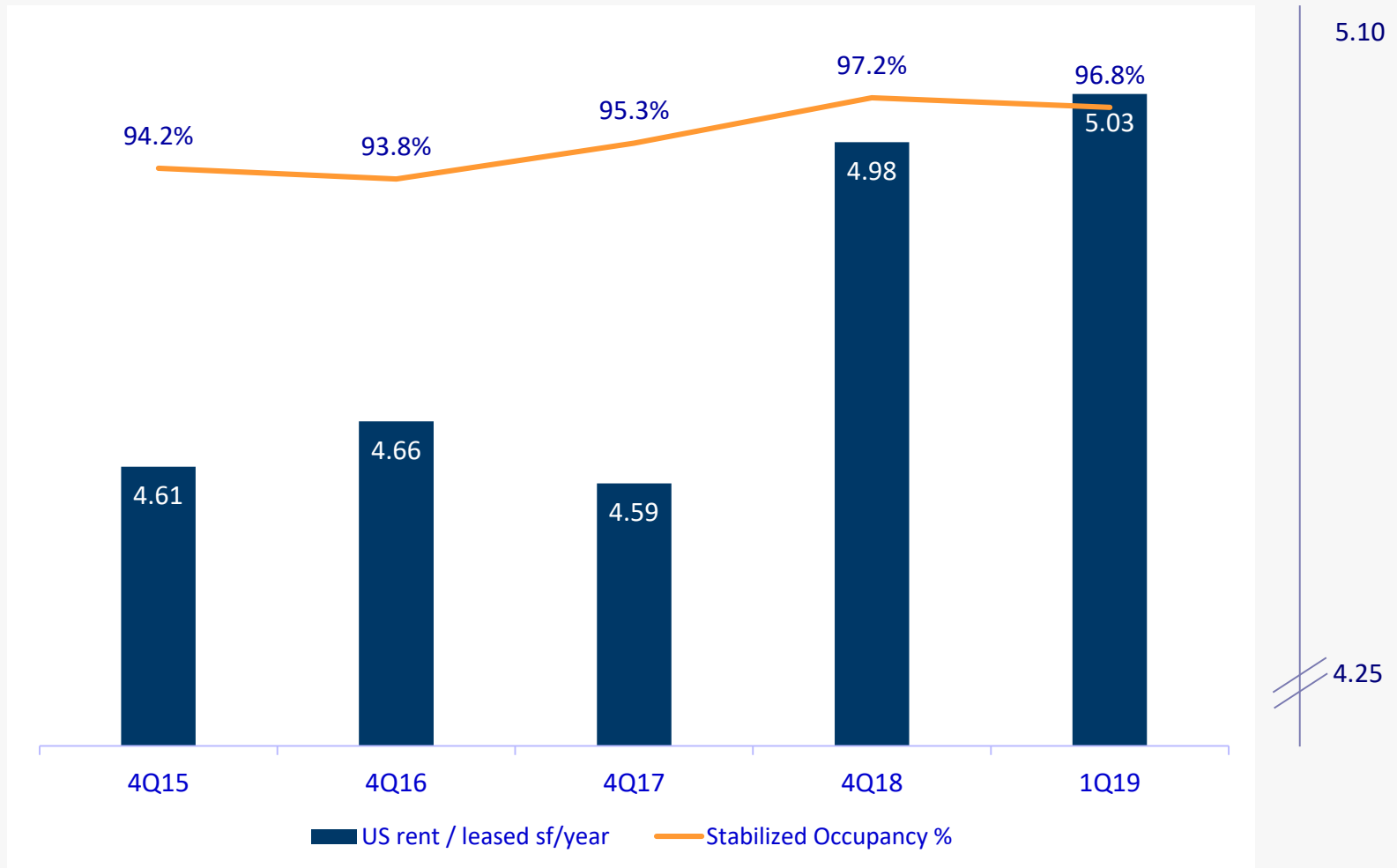
(1) As of 1Q19

Portfolio Operational Performance

Renewal vs Previous Lease Rate
VESTA Mexico



Portfolio Operational Performance



Vesta Parks as Core Development Competence

Number of Vesta Parks	15
Average GLA per VP	2.5 M sf
Land area	100-200 acres
Number of buildings	5 to 10
Number of tenants	8 to 12

vesta PARK
LAGOESTE
552 K sf GLA

vesta PARK
JUÁREZ SUR
69 K sf GLA

vesta PARK
TIJUANA III
470 K sf GLA

vesta PARK
GUANAJUATO
2.4 million sf GLA

vesta PARK
SAN LUIS POTOSÍ
368 K sf GLA

QUERETARO
AEROSPACE PARK
2.18 million sf GLA

vesta PARK
QUERÉTARO
4.5 million sf GLA

vesta PARK
SAN MIGUEL DE ALLENDE
1.0 million sf GLA

vesta PARK
TLAXCALA
667 K sf GLA

vesta PARK
PUEBLA
1.0 million sf GLA

vesta PARK
AGUASCALIENTES
5.6 million sf GLA

DOUKI SEISAN PARK
2.1 million sf GLA

vesta PARK
TOLUCA I
1.0 million sf GLA

vesta PARK
TOLUCA II
1.5 million sf GLA

vesta PARK
EL COECILLO
1.4 million sf GLA



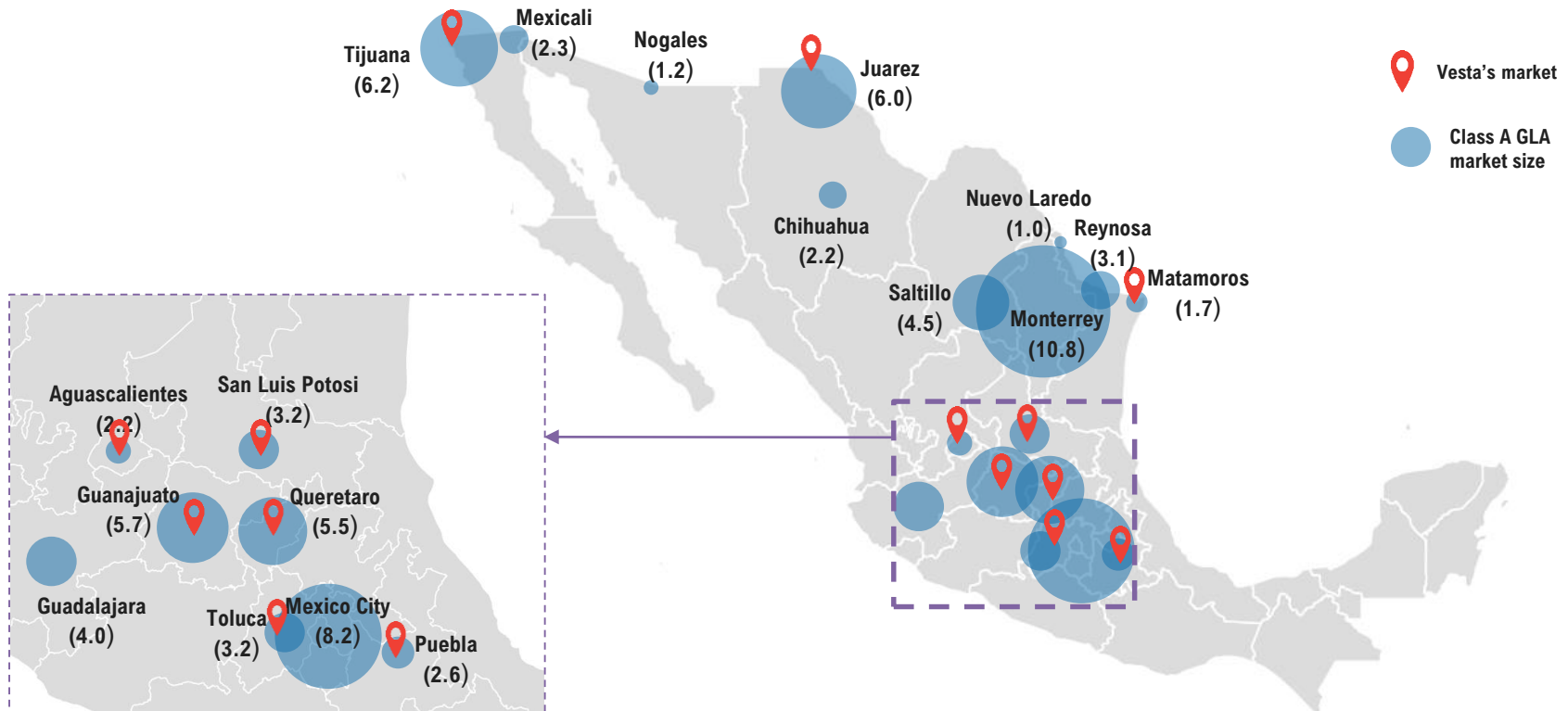
Market and Commercial Initiatives: Francisco Estrada

Senior VP New Business Bajío



Why Bajío and the central regions?

Understanding the Market



Source: JLL, LENS analysis, Noun Project

Queretaro Aerospace Park Case Study

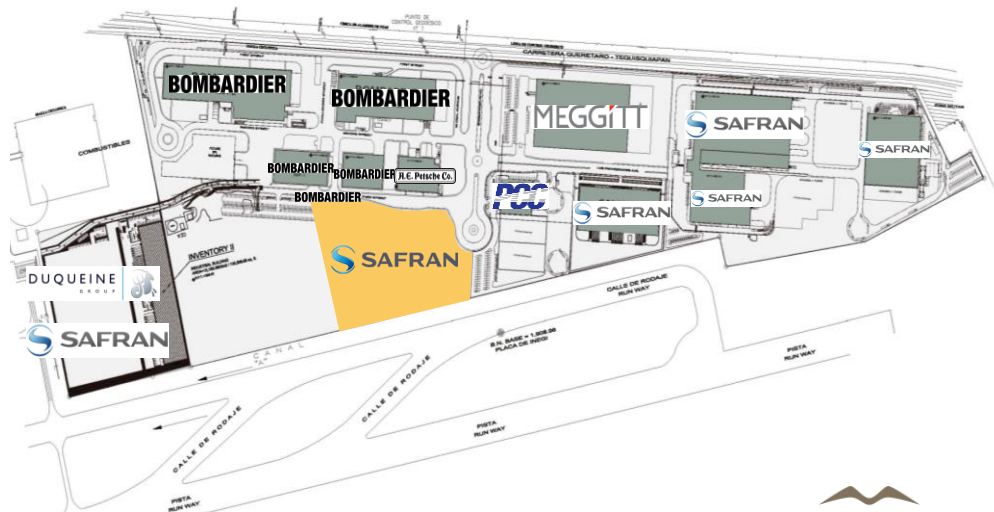
Specialized Sector Park Tenants

Year	Company	SF
2007	Bombardier (Fuselages / Structures)	95,799
2008	Bombardier (Electrical Harnesses)	105,486
2008	Meggitt (Braking Systems)	243,264
2010	AE Petsche (3PL)	52,743
2010	Bombardier (Structures / Composites)	184,063
2011	PCC (Structures)	47,361
2012	Bombardier (Stabilizer)	228,195
2015	Duqueine (Composites)	37,458
Total		994,370

Vesta grows with its clients- repeat business through subsidiaries:



Year	Company	SF
2009	Messier Dowty (Landing gears)	281,412
2009	Snecma México (Engine Components)	163,041
2011	Snecma America (Engines MRO)	172,653
2013	Sames (Engine components remanufacturing)	96,767
2016	Snecma Composites	334,122
2018	Snecma México (Engine Components)	69,965
2019	Snecma America (Engines MRO)	37,673
Total		1,155,633





BOMBARDIER

QUERETARO AEROSPACE PARK
First Aerospace Cluster In Mexico



Francisco Estrada
+52 (442) 240 9273 75
frstrada@vesta.com.mx

PARQUE AEROSPAZIAL
DE QUERETARO





FCC Aerostructures





Market and Commercial Initiatives:

Adriana Eguía

VP New Business Tijuana



Why Tijuana and border regions?

Vesta Mexico

Understanding the market



- Corredores carreteros
- +++ Vías férreas
- Puertos principales
- Puertos regionales
- ▲ Terminales intermodales interiores
- Aeropuertos de carga
- Puertos fronterizos principales



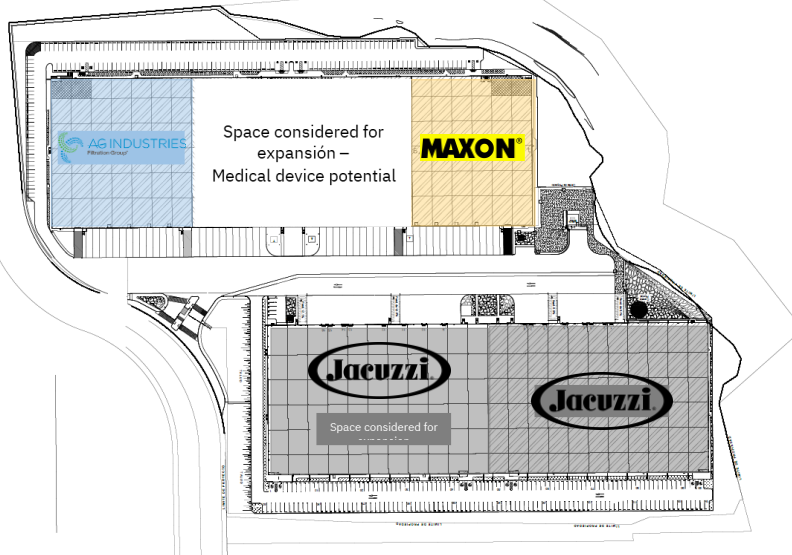
FUENTE: José San Martín Romero, "El desarrollo de cadenas de valor a través de los puertos marítimos y fronterizos y la red terrestre", SCT, mayo de 2011, p. 70. Disponible en: es.slideshare.net/CICMoficial/presentacion-jsmr

Vesta Park Lagoeste success case

Tijuana, Mexico



Vesta Park Lagoeste



Vesta's strategic vision focused on client expansion and repeat business.



Year	Company	SF
2018	AG Industries Started their medical device operation with a 3 year vision plan	84,073

- **76 companies** from OEMs to smaller suppliers
 - **42,000** specialized Jobs
- Largest **concentration** of MD companies
 - in Mexico.
 - **70%** is US Investment
- Supply **75%** of hospitals and medical centers in the US

vesta PARK
LAGOESTE













FINANCIAL PROFILE

Juan Sottit

CFO



Portfolio Sale

- Deal Description
 - Sale of 8 buildings: 2 in Toluca and 6 in Queretaro 1.6 M sf
 - Typical Vesta portfolio that we can replicate
 - 7.1% Cap rate
 - Buyer was a Canadian pension fund
 - Price paid was \$109 M- 20% above NAV
 - Direct deal, no broker involved in transaction
 - Buyer hired Vesta as property manager for the portfolio acquired

Attractive Risk Adjusted Returns



Industrial real estate in Mexico is priced to deliver an absolute return well above returns available in US or European industrial real estate. Projected total returns in Mexico appear in-line with the US and Europe after adjusting for sovereign risk. However, Mexico industrial assets that collect rent in US dollars avoid significant currency risk leading to an outsized risk-adjusted return profile.

Private Market - Local Currency Returns

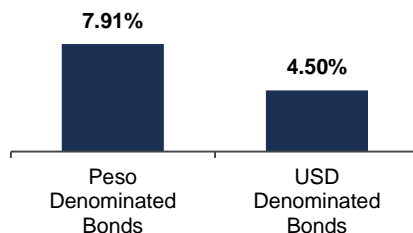
Sector	Cap Rate	Cap Ex Reserve	Economic Cap Rate	Estimated Inflation	20-'23 NOI Growth	Long-Term NOI Growth	Risk-Adjusted Expected Return
Mexico Industrial	7.5%	12%	7.0%	4.2%	3.0%	2.0%	8.9
US Industrial	4.9%	15%	4.2%	2.0%	4.2%	1.0%	5.9
European Industrial	4.3%	18%	3.9%	2.0%	3.1%	1.7%	5.8

Public Market - Local Currency Returns

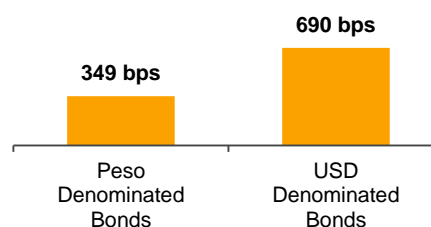
Sector	Private-Mkt Return	REIT GAV Prem	G&A Load	External Growth	Public Return	10 Year Return Govt Bond	Return Premium to 10 Yr Govt Bonds (bps)
Mexico Industrial	8.9%	-20.0%	-0.6%	+0.8%	11.4%	7.9%	349 bps
US Industrial	5.9%	10.4%	-0.4%	-	5.1%	2.5%	260 bps
European Industrial	5.8%	0.3%	-0.6%	+0.4%	5.6%	1.1%	450 bps

Benefit of US Dollar Denominated Leases

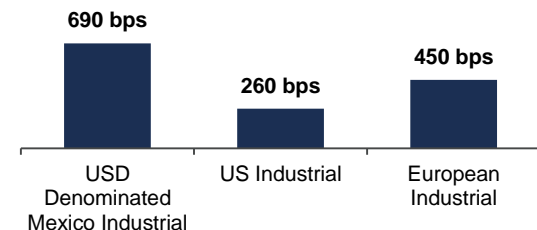
10 Yr Bond Returns



Peso vs. USD Denominated Premium to Bond Return



Mexico Industrial Adj. Return Premium vs. US & Europe



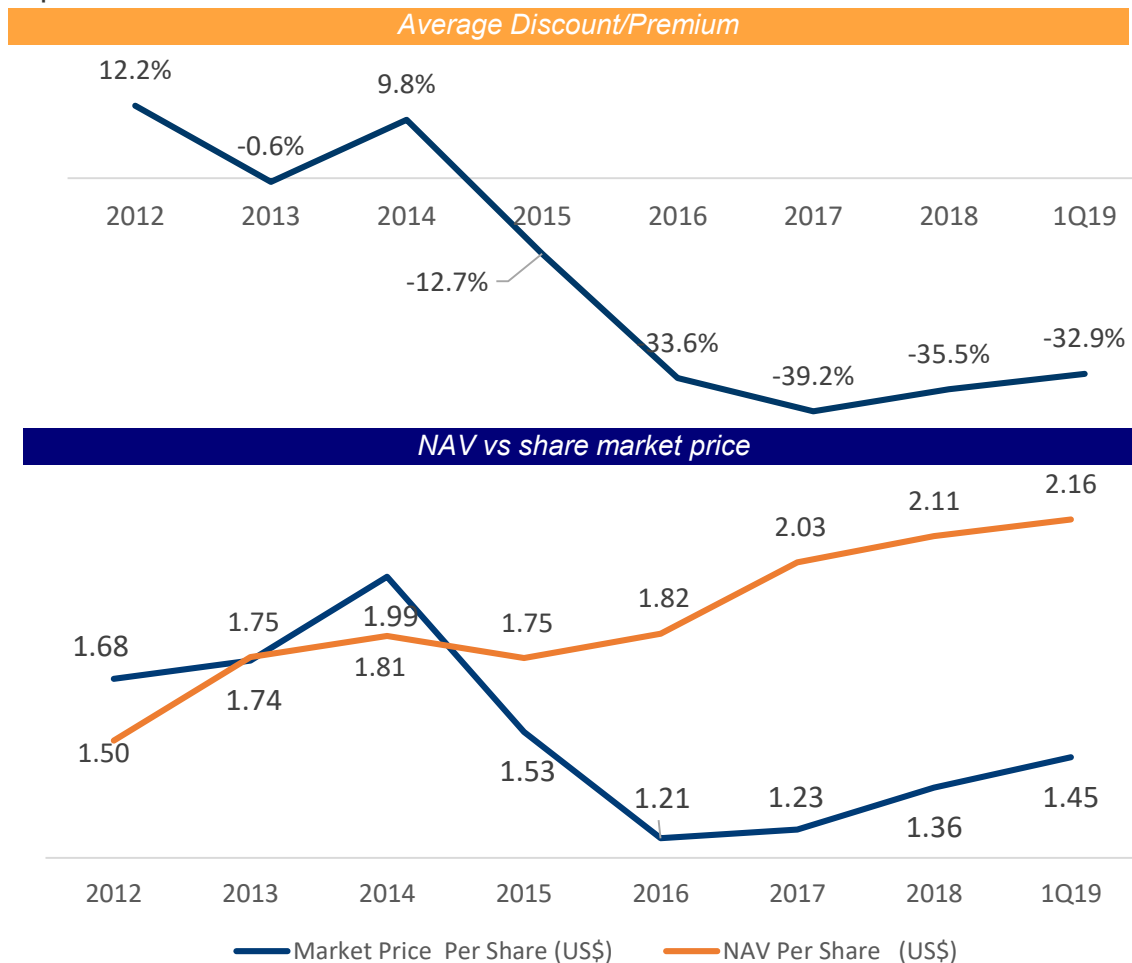
(1)Source: Greenstreet Advisors

Attractive discounts...

Higher book net asset value vs share market price

Amounts in US\$ M

Properties	1,847
Land	125
Cash	60
Debt Cash Collateral	4
Net Recoverable Taxes	10
Assets	2,046
Remaining CAPEX	(45)
Debt	(700)
Tenant Deposit	(14)
Liabilities	(759)
Net Asset Value	1,287



...Management's first priority is to create shareholder value by closing the current NAV discount at which the company currently trades in the public market through accretive asset sales, share repurchases, and continued value creating development

Vesta: The best vehicle for exposure in Mexico Industrial Real Estate

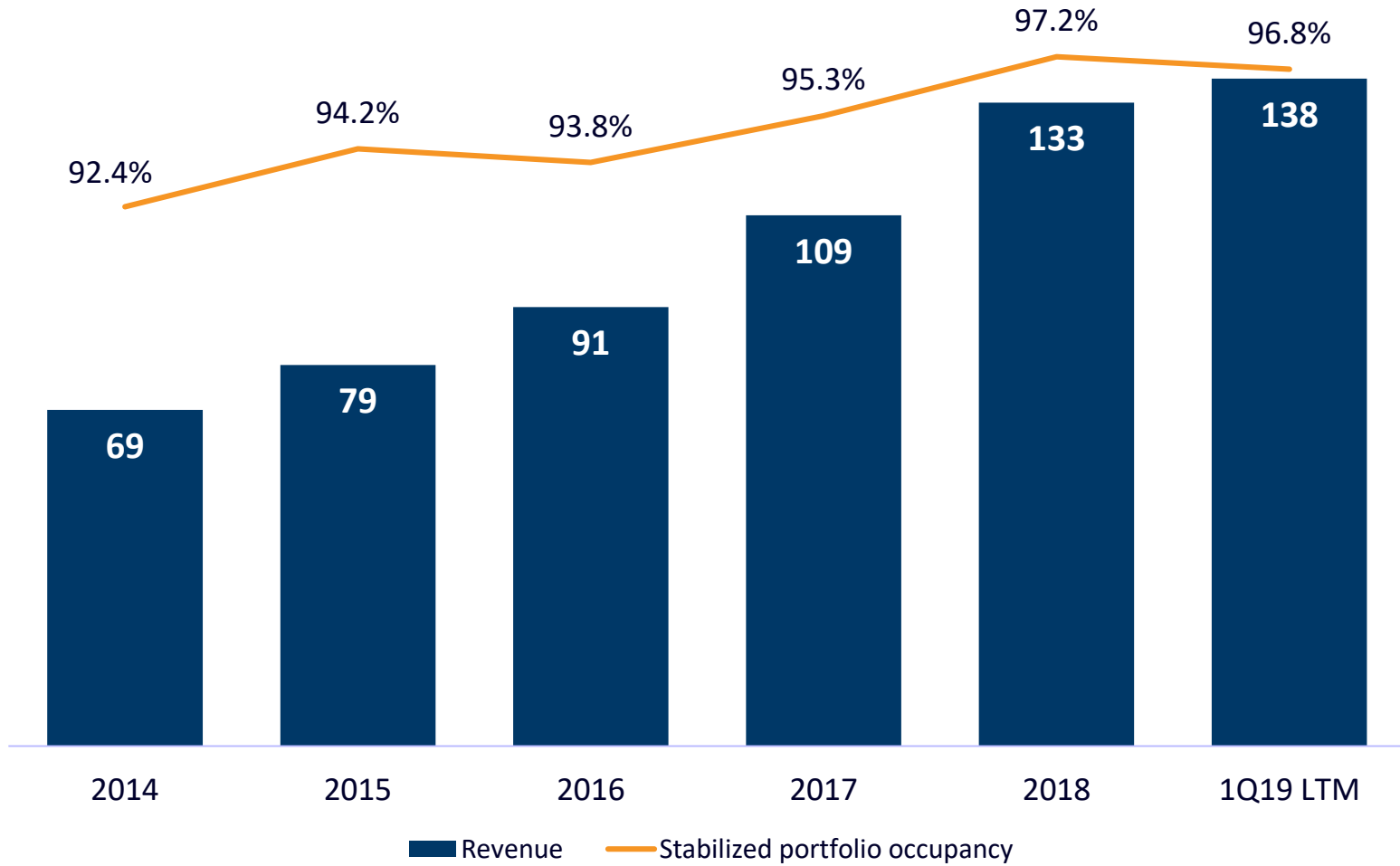


Alignment of interest	Vesta is the only publicly listed real estate industrial company in Mexico without a fees paid to an external Advisor / Sponsor	✓
High governance standards	<p>High governance standards since inception</p> <p>80% independent members</p> <p>100% committees chaired by independent Board members</p> <p>86.2% Public Float</p> <p>1 Share 1 Vote</p>	✓
Operation / G&A	G&A / Property value ratio of 0.8% at par with our peers 0.9% despite having a development cost structure	✓
Capital allocation	<p>11% Cap rate of development</p> <p>10% Cap rate of acquisitions</p> <p>10.3% Cap rate on Share buy backs</p> <p>8% Cap rate for NAV</p> <p>7.1% Cap rate for portfolio sale</p>	✓
Development risk	10% approximately of GLA	✓
Balance Sheet management	<p>LTV 35%</p> <p>5.5x Net Debt/ EBITDA</p> <p>6.2 years weighted average maturity</p> <p>4.8% weighted average interest rate (fixed)</p> <p>BBB- Rating by Fitch Ratings</p>	✓

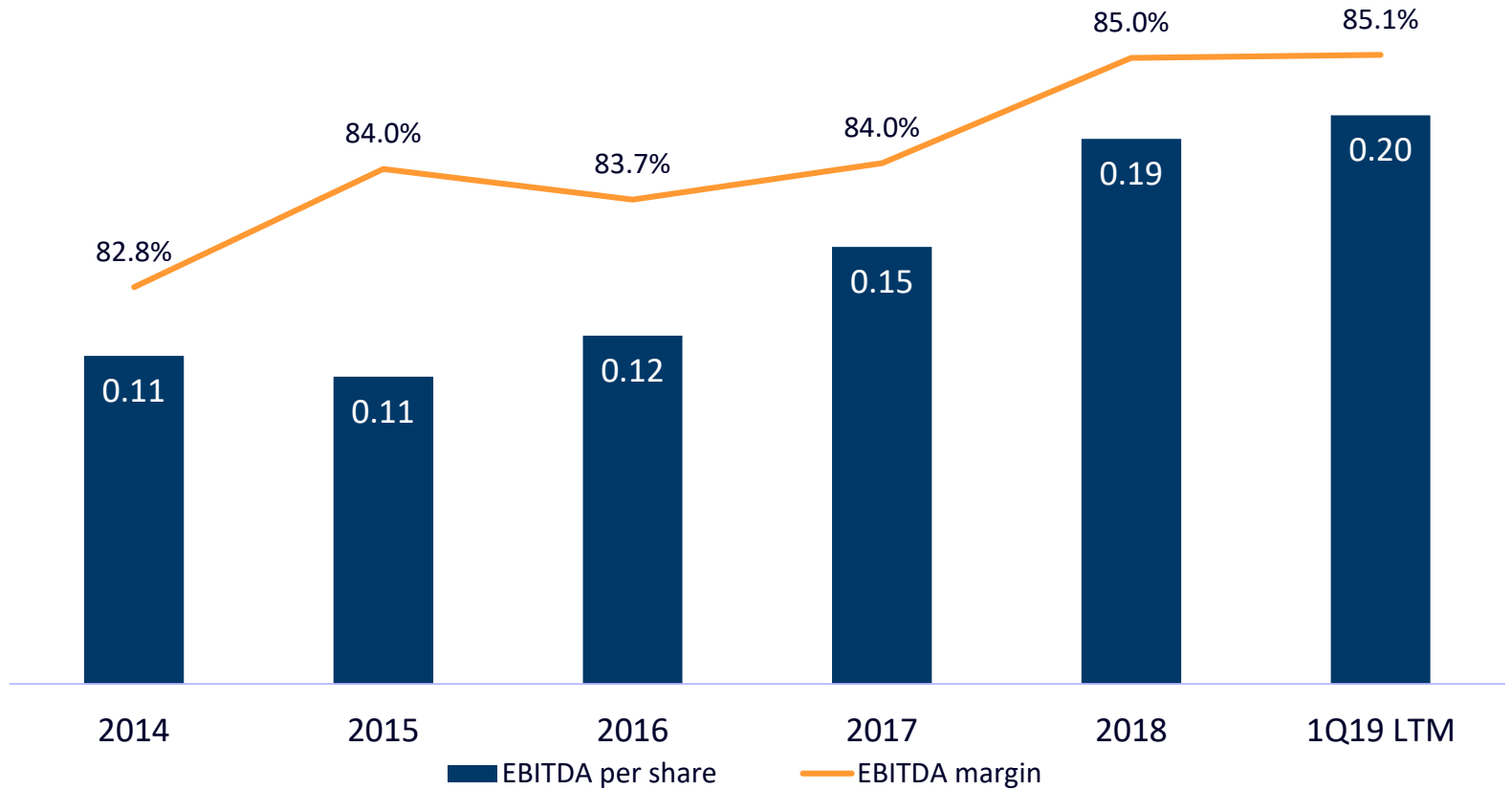
We continue to drive revenue and occupancy

(US\$ in millions)

2014-1Q19
18.1% CARG

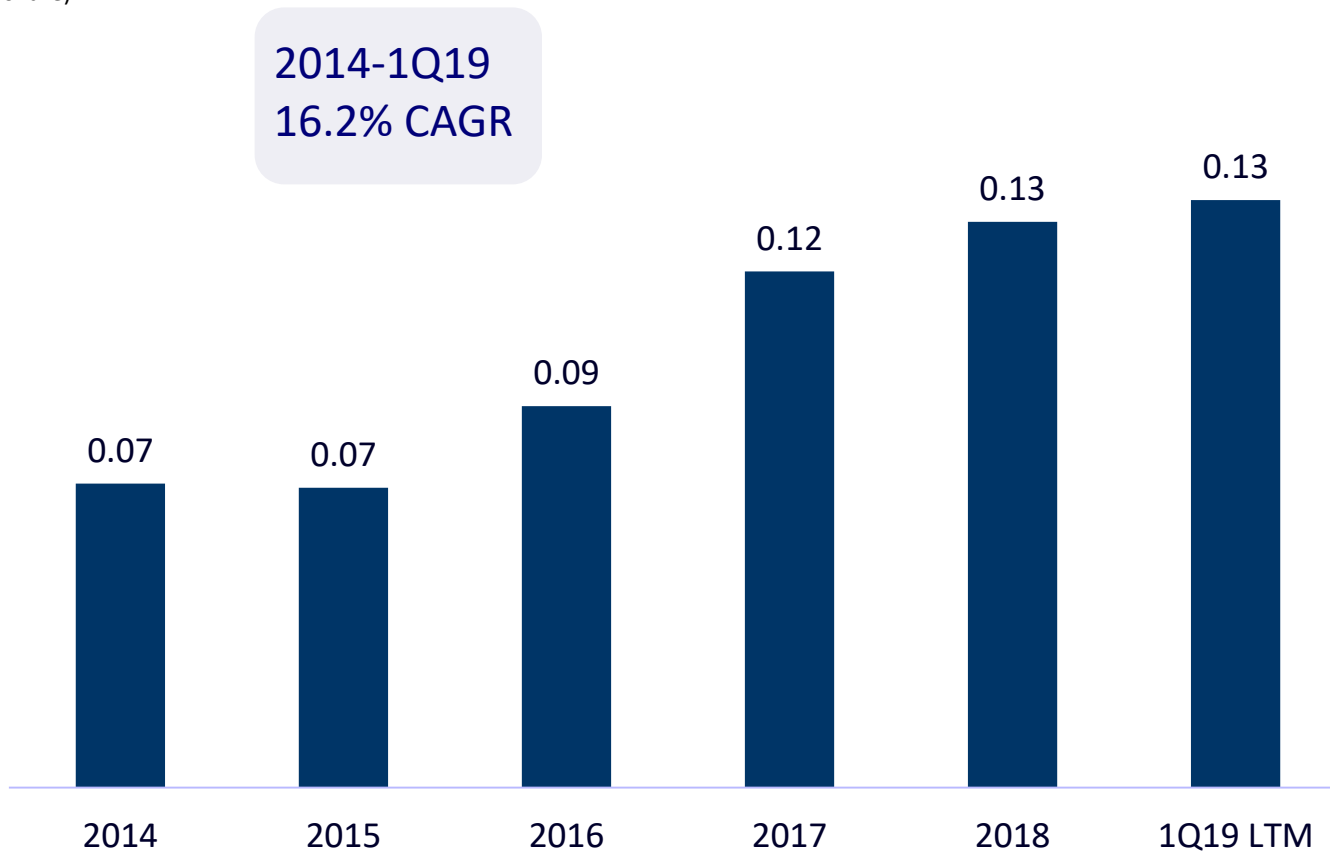


... while expanding EBITDA margins



FFO has grown exponentially since 2014

(Adjusted FFO per share)



VESTA TODAY

Lorenzo D Berho

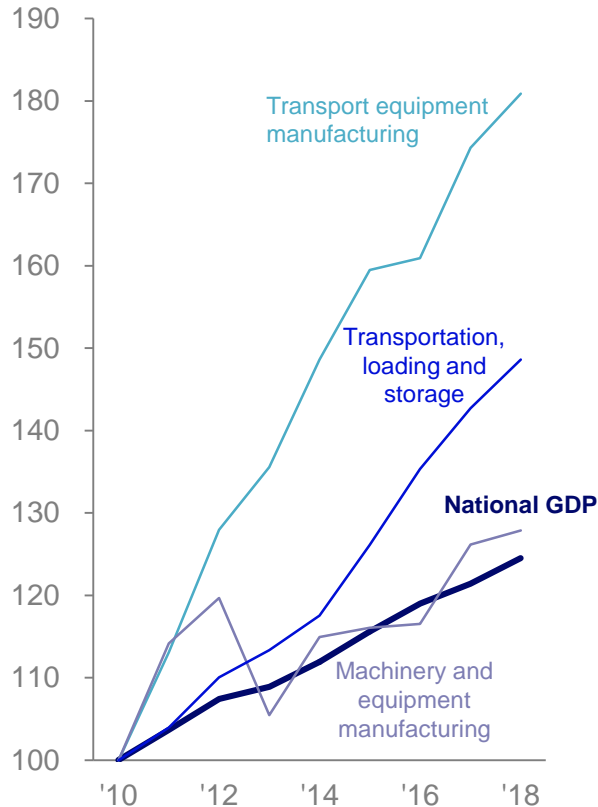
CEO



We have become an industry leader through our ability to identify the most dynamic regions and industries and make timely investments

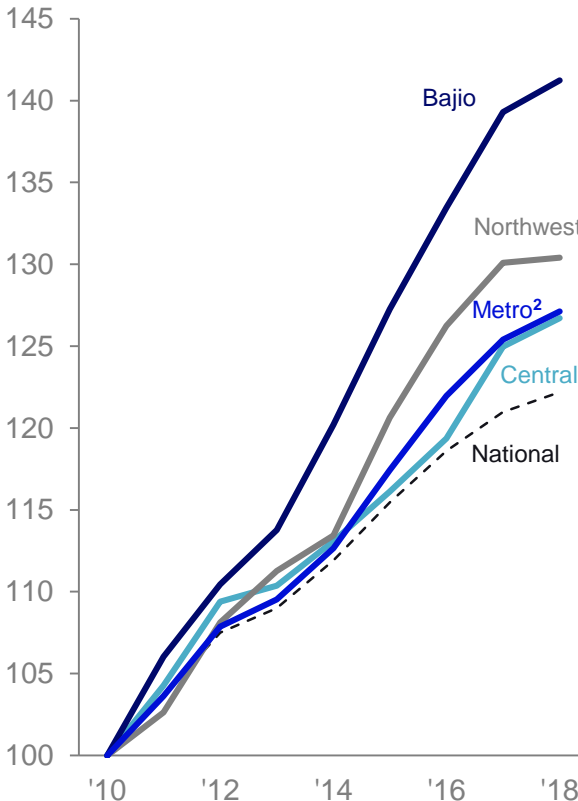
Economic growth in key sectors

Index base year 2010=100; constant 2016 pesos



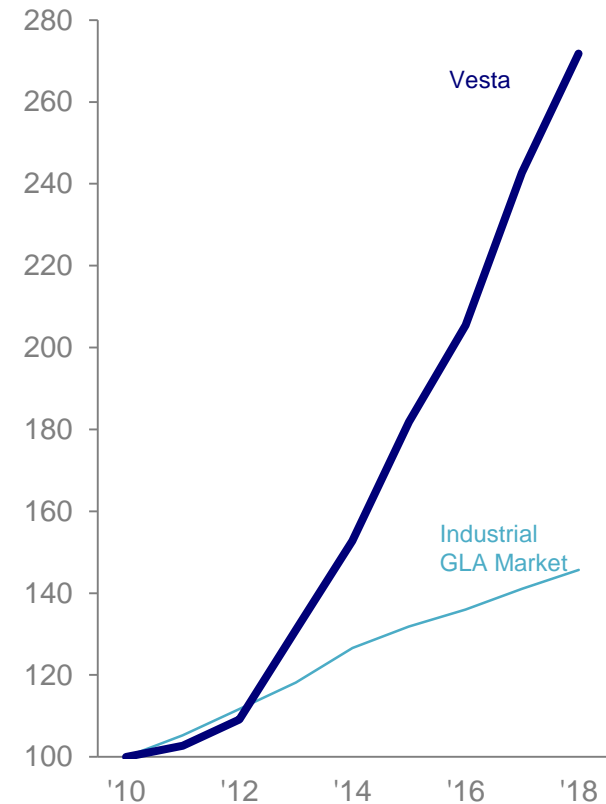
Economic growth in key regions¹

Index base year 2010=100



Vesta Growth vs Market Growth

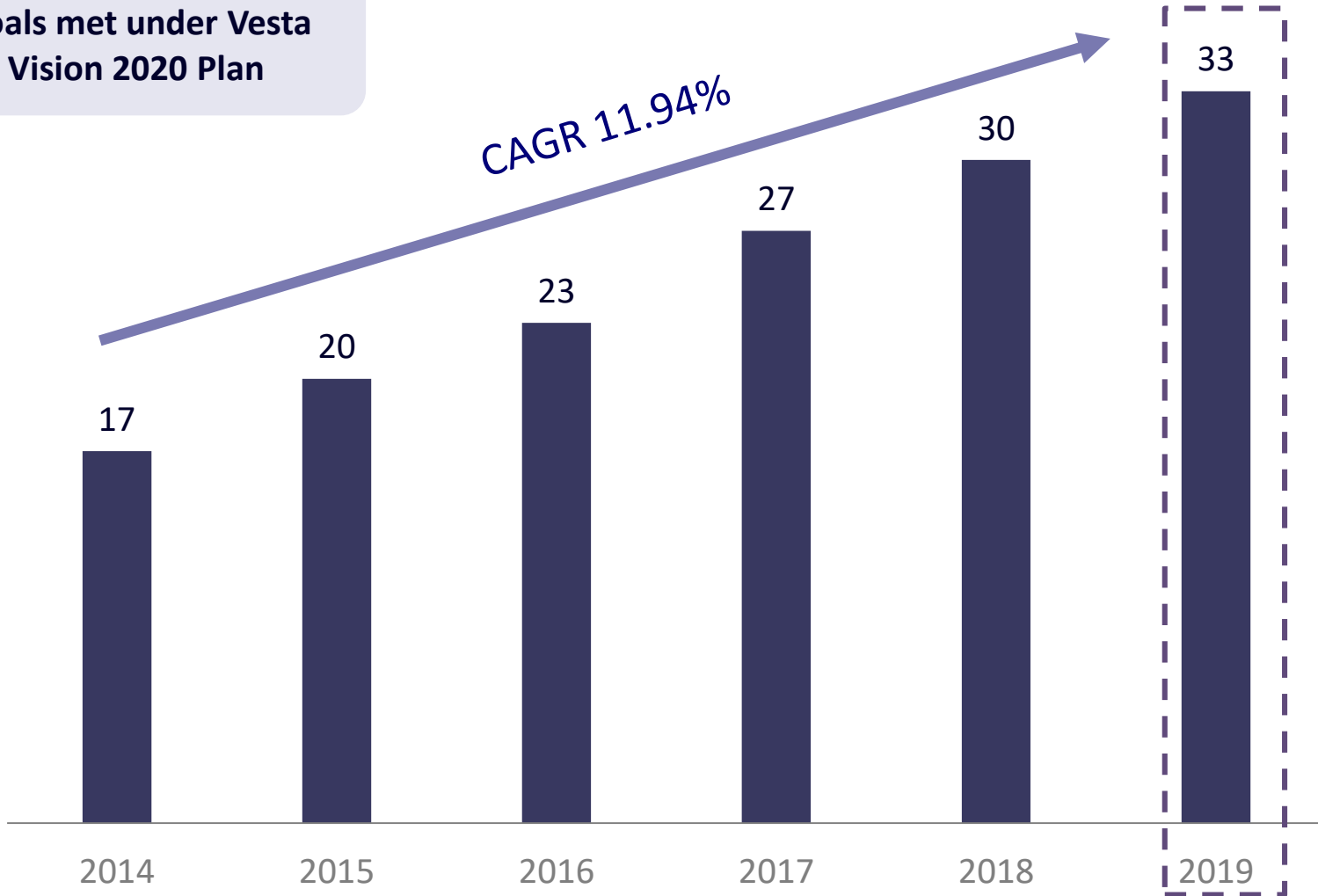
Index base year 2010=100; GLA



¹ITAAE – INEGI's Quarterly State Economic Activity ²Metro areas include Mexico City, Jalisco, and Nuevo Leon. Source: INEGI: National accounts system (2017); JLL; Vesta; LENS analysis.

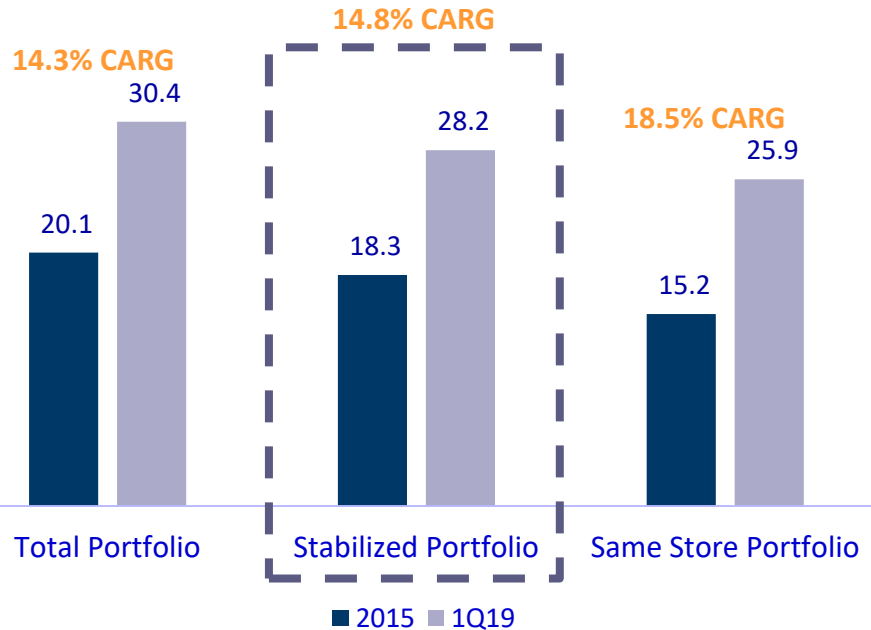
Total GLA has almost doubled since 2014

Goals met under Vesta
Vision 2020 Plan

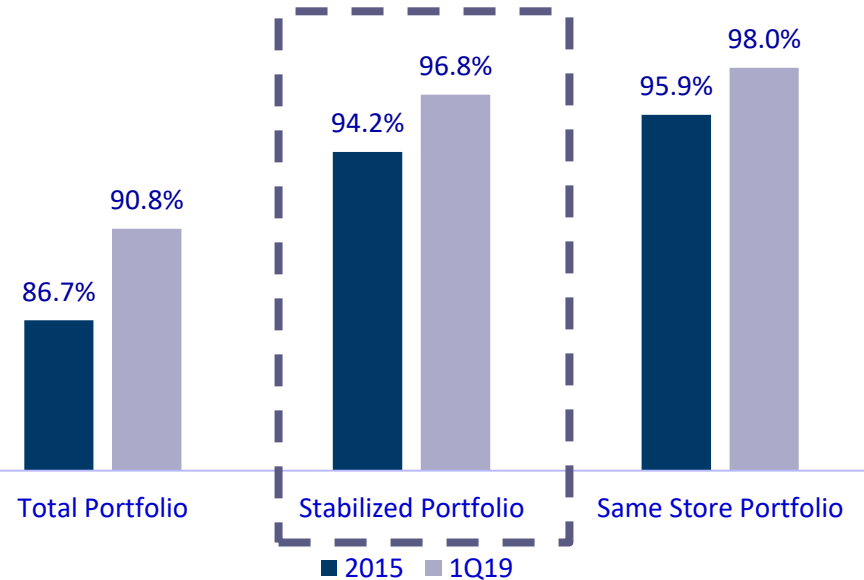


Quality of growth...

GLA Increase



Occupancy Increase

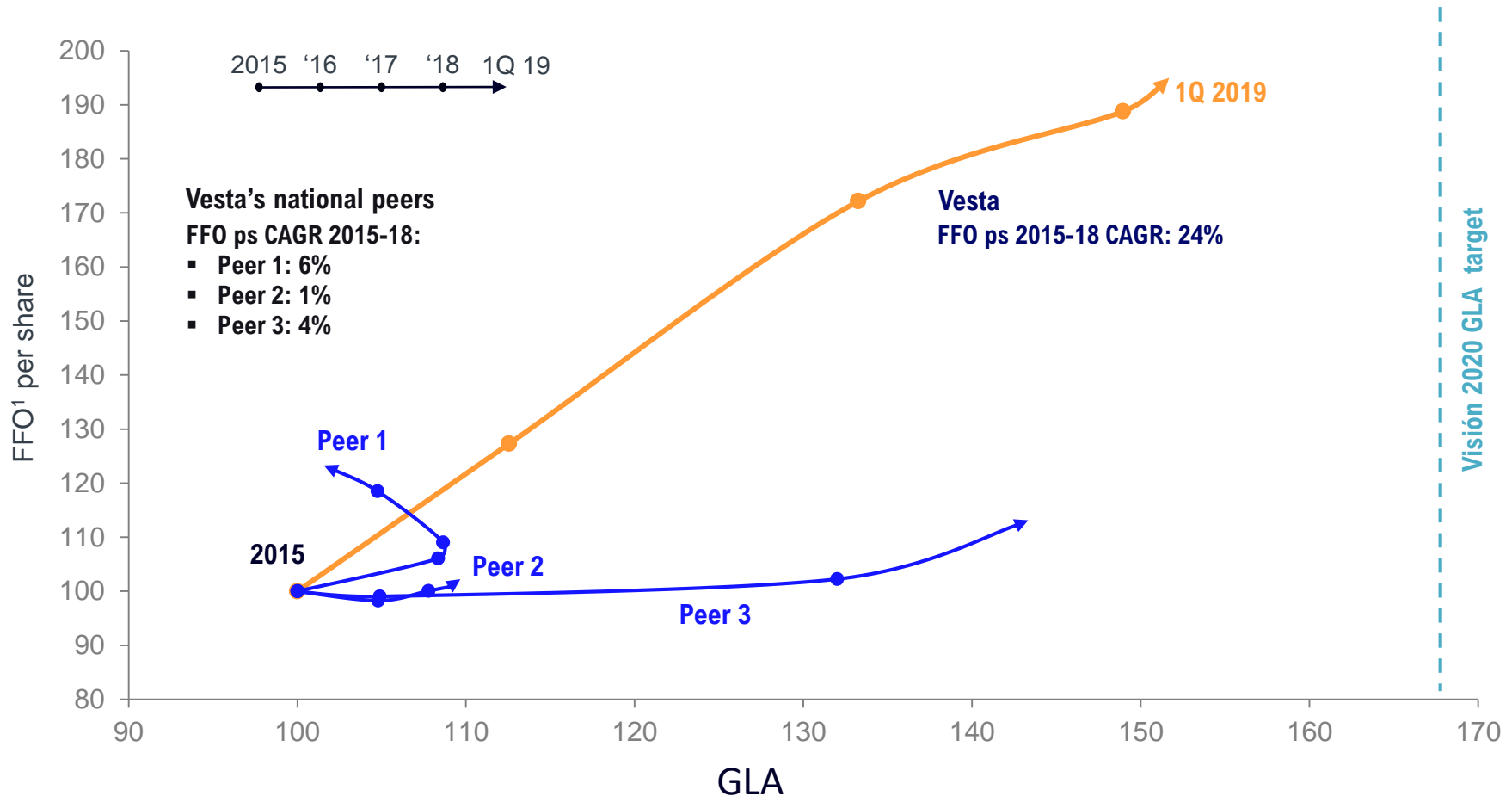


Develop portfolio using leading market intelligence
 Timely identification and acquisition of land
 Growth has come through inventory buildings representing ~60%

FFO has grown exponentially compared to our peers...

We have nearly doubled our FFO per share executing our 2020 Strategy...

Index base year 2015=100



1 Pre-tax FFO for Vesta. 2 Market capitalization weighted index of Mexican industrial FIBRAS.
Sources: Companies annual reports and LENS analysis.

... as well as our NAV growth

Our NAV per share has also grown consistently as we execute our 2020 Strategy...

End of year values, index base year 2015=100



1 Market capitalization weighted index of Mexican industrial FIBRAs.
Sources: Companies annual reports and LENS analysis.

VESTA TOMORROW

Lorenzo D Berho

CEO



Leading international real estate players typically adopt fully-integrated business model

Real estate business models

Securitized real estate

A real estate trust, usually managed and / or advised by a third party, that focuses on **acquiring, leasing and managing properties.**

Yield focus through acquisitions

Development oriented

A real estate company with strong **focus on development**, mostly smaller private companies.

Growth focus through development

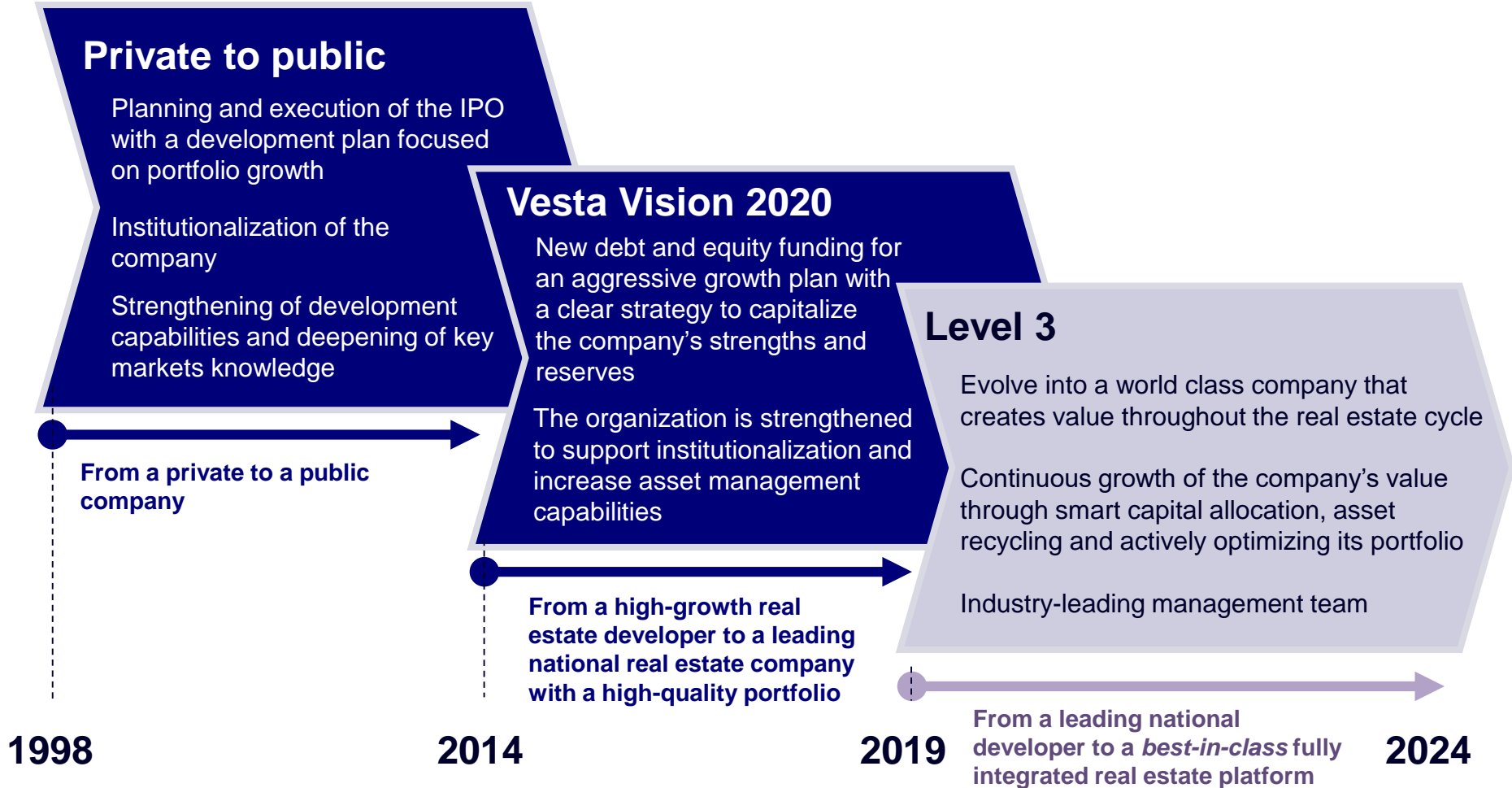
Fully integrated

A self-advised and self-managed real estate company which **owns, manages, acquires, sells, develops and redevelops properties.**

Value creation through flexible alternatives



The new 5-year strategic plan is a new chapter in our journey toward success as a best-in-class, fully-integrated industrial real estate company



Summary of Vesta's Level 3 strategy

Our strategy will be structured around our three key business components, which in turn require us to strengthen some elements of our organizational structure

Becoming a world class fully integrated industrial real estate company

I. Manage, maintain and improve current portfolio



II. Invest and / or divest for continuous value creation



III. Keep strengthening our balance sheet and expand our funding sources



IV. Strengthen our organization to successfully execute our strategy



Overall 2024 performance targets:

- Pre-tax FFO per share of US\$ 0.20 +
- NAV per share of US\$ 3.0 +

Summary of Vesta's Stage 3 strategy

Becoming a world class fully integrated industrial real estate company

I. Manage, maintain and improve current portfolio

- **Improve portfolio quality** through refurbishments and new developments / acquisitions and selected dispositions
- Maintain a **healthy contract expirations profile**
- **Increase net effective rents**
- Maintain tenant base with **high credit worthiness**

2024 targets:

- Occupancy levels of over 96% on our stabilized portfolio
- Average portfolio age < 10 years
- Average contract maturity > 5 years
- < 30% of new leases in automotive industry

Summary of Vesta's Stage 3 strategy

Becoming a world class fully integrated industrial real estate company

II. Invest and / or divest for continuous value creation

- Invest at an appropriate pace in our core markets
- Enter new markets
- Continue buy-back program and extend if arbitrage opportunities remain
- Optimize investments and divestitures decisions

2024 targets:

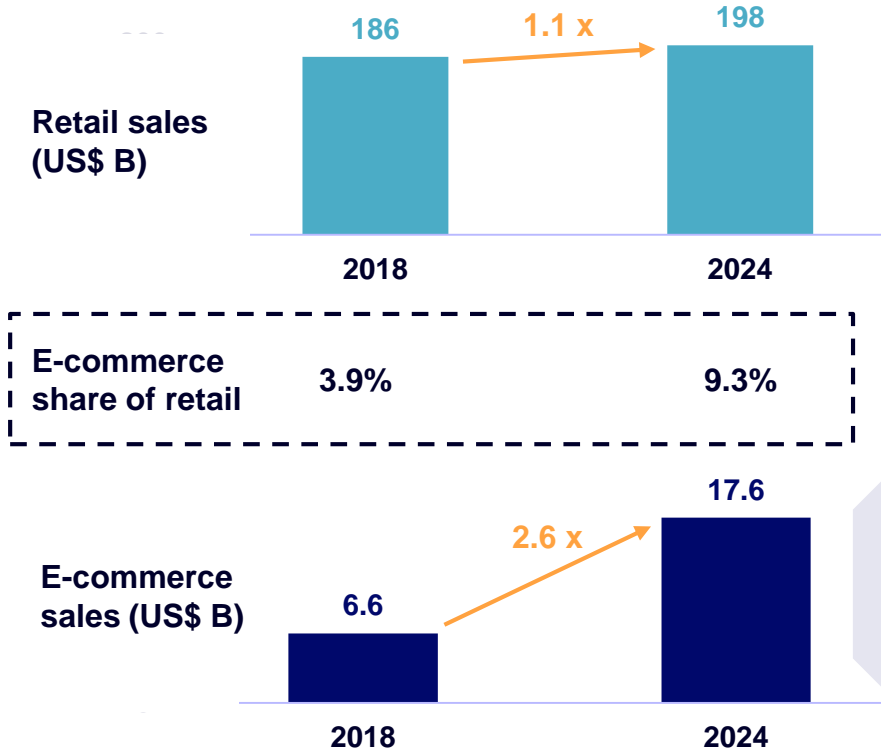
- Invest US\$ 120 M + per year
- Develop 16 M + SF over the next 6 years

E-commerce growth in Mexico

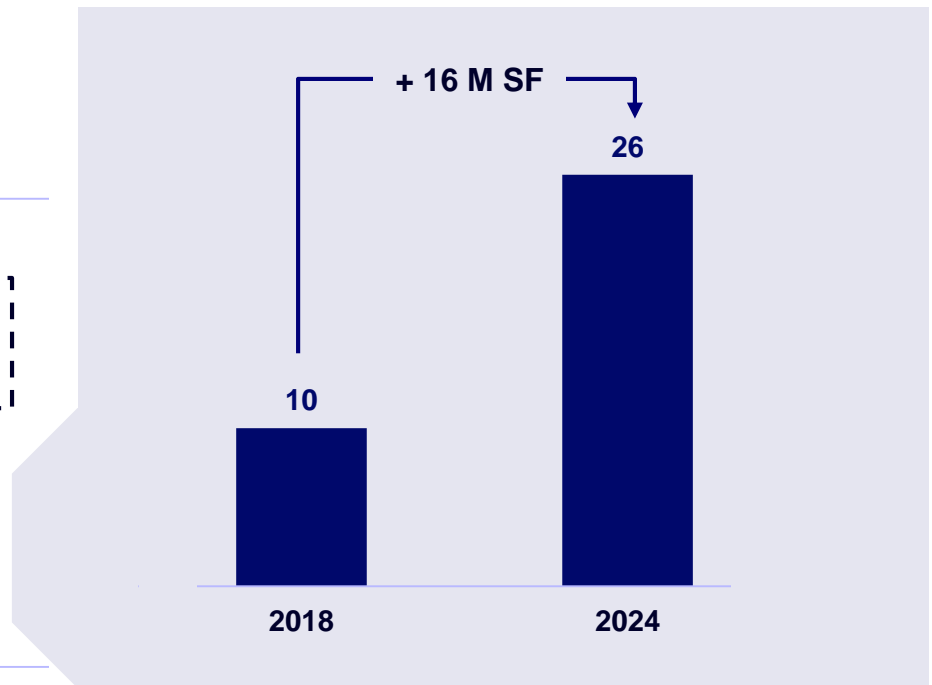
E-commerce will erode traditional retail over time reaching a higher share of total sales

We expect the GLA used by e-commerce to grow by 16 M SF over 2018-2024

Retail and e-commerce sales growth in Mexico 2018-2024
US B



E-commerce GLA growth in Mexico 2018-2024 ¹
M SF



1. A ratio of 1.5 M SF demanded by each 1 B US\$ of e-commerce sales was assumed to estimate the total e-commerce GLA demand. Sources: Euromonitor, Prologis Research, INEGI, LENS analysis.

Summary of Vesta's Stage 3 strategy

Becoming a world class fully integrated industrial real estate company

2024 targets:

- Recycle ~ US\$ 1 for every 2 of invested capital
- Net Debt to EBITDA ratio at or below 5.5x
- LTV ratio below 40%

III. Keep strengthening our balance sheet and expand our funding sources

- **Expand our funding sources** and improve our **financial flexibility**
- **Recycle capital** through selective asset dispositions to establish a track record of realizing value
- **Selectively explore JVs** and other **alternative funding sources**
- Maintain a **healthy dividend payout**

Summary of Vesta's Stage 3 strategy

Becoming a world class fully integrated industrial real estate company



IV. Strengthen our organization to successfully execute our strategy

- **Implementing new IT platform** to strengthen our innovation capabilities
- Keep strengthening our **asset management and commercial teams**
- Continue building a **qualified bench for top- and middle-management succession**
- **Maintain a strong incentive alignment** vis-à-vis shareholders

Our team...



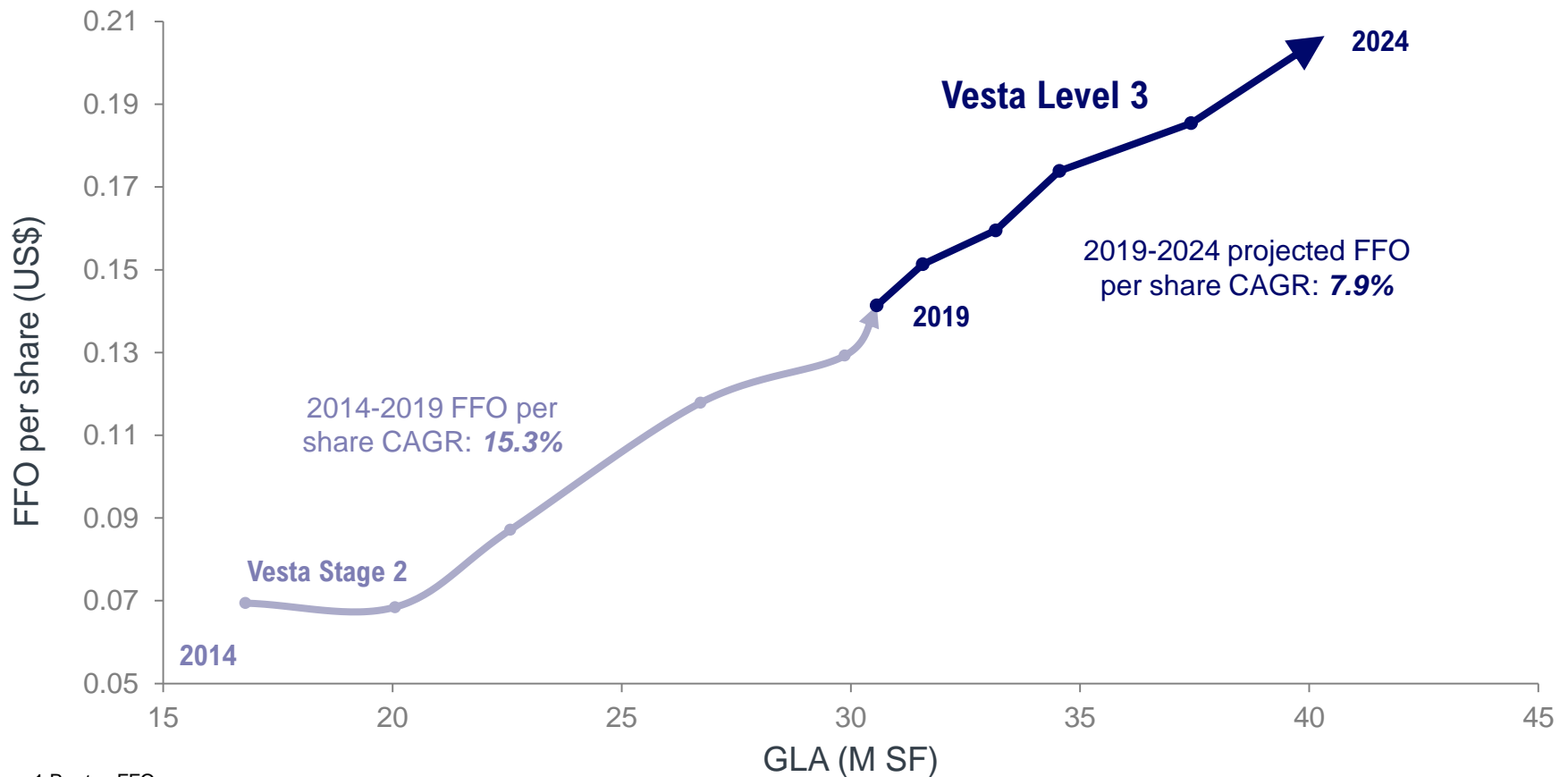
FFO growth throughout Level 3 Strategy ...



Strategy aims to grow FFO per share 1.5x versus 2018 base

Vesta growth path 2014-2024

GLA in M SF / FFO¹ per share in US \$



¹ Pre-tax FFO.

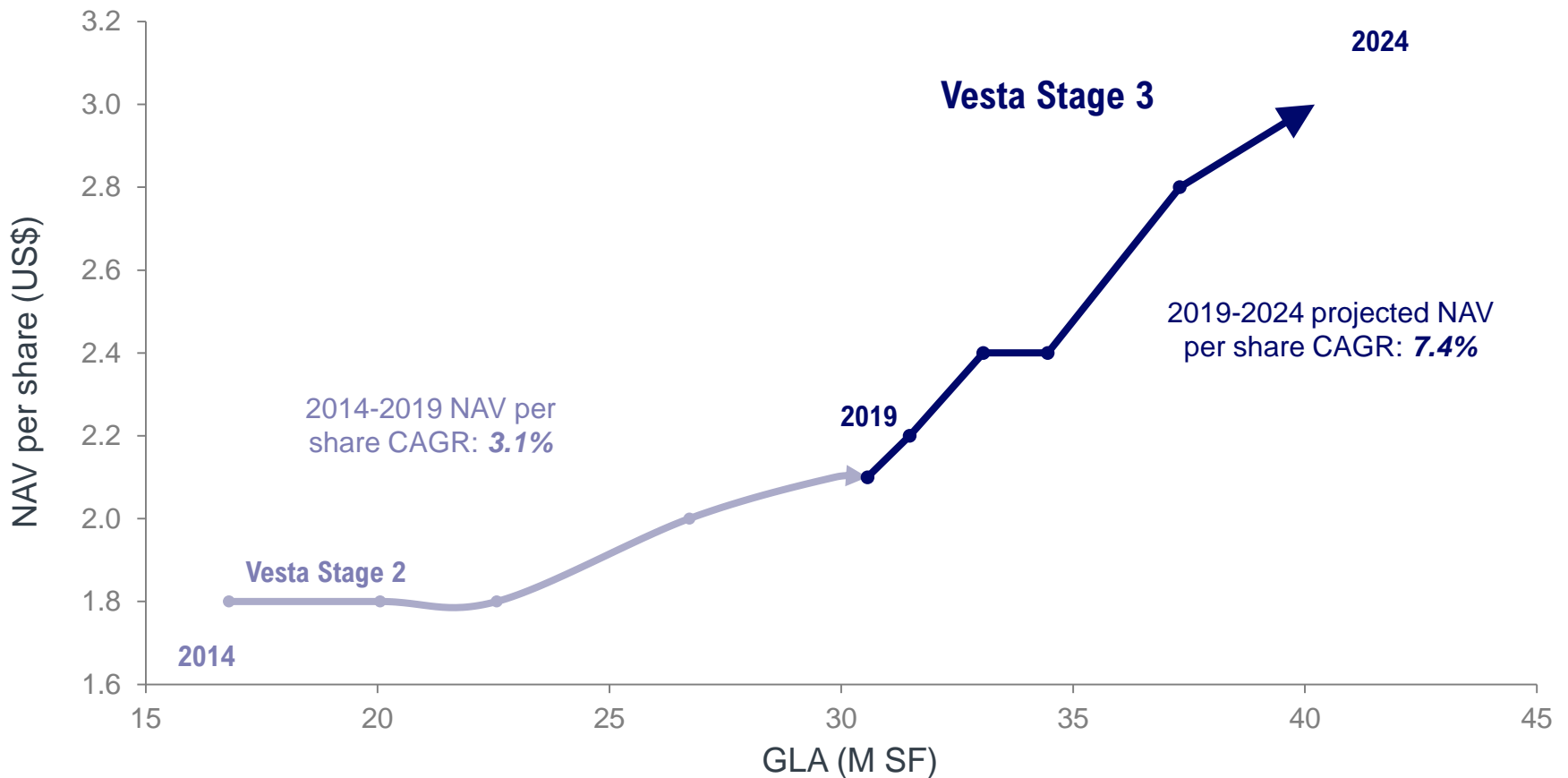
Sources: Vesta financial statements and projections.

NAV growth throughout Level 3 Strategy ...

Strategy focuses on faster per share NAV growth than ever

Vesta growth path 2014-2024

GLA in M SF / NAV per share in US \$

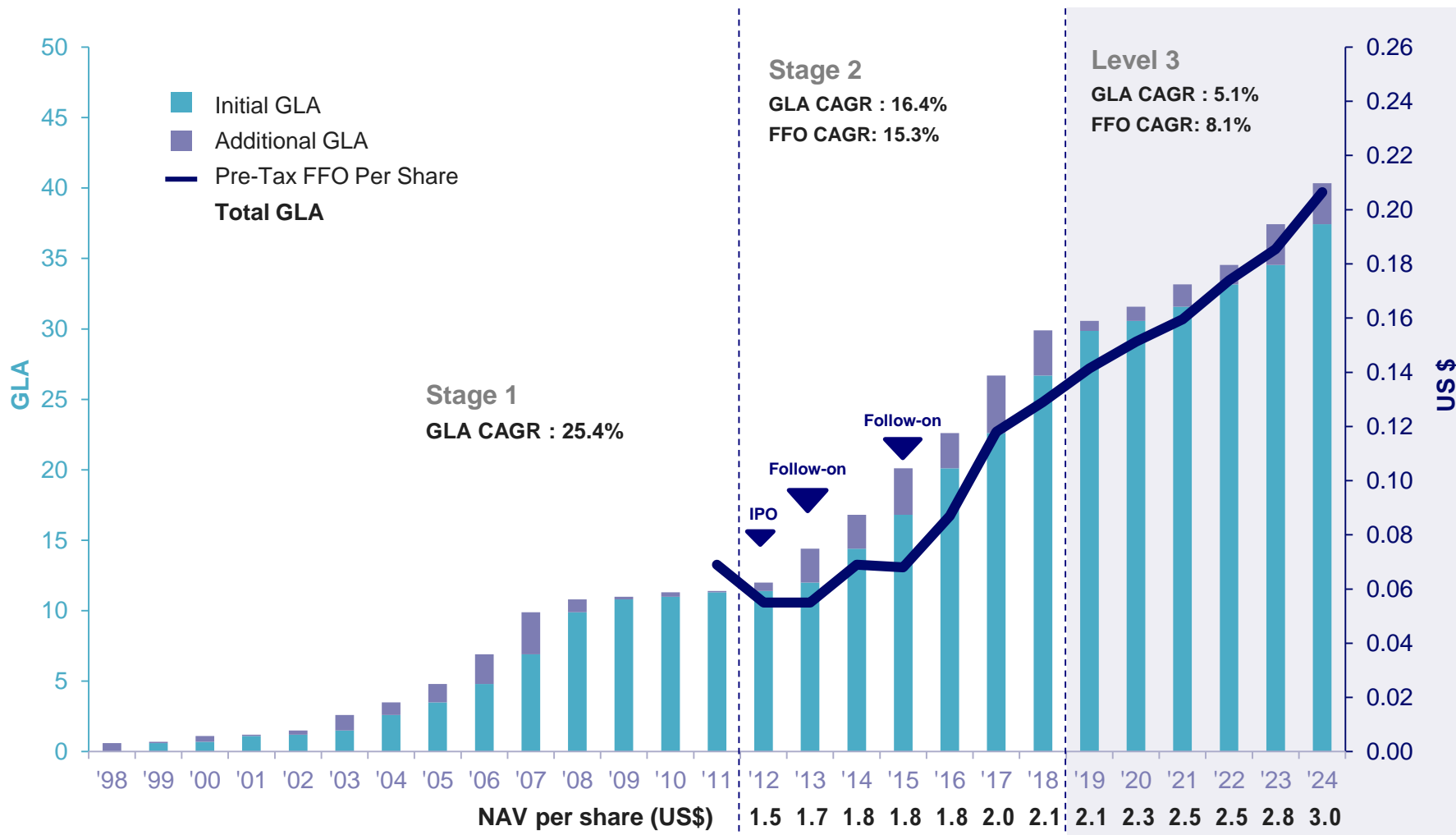


Sources: Vesta financial statements and projections.

A history of successful delivery



In summary, Vesta Level 3 strategy will maintain strong growth and value creation. By 2024, we plan to reach FFO per share above US\$ 0.20



Our Business Model

Fully integrated real estate company that creates value throughout the business cycle (Investment, Acquisitions, Development, Management, and Disposition)

Our strategic focus

- Manage, maintain and improve current portfolio
- Invest and / or divest for continuous value creation
- Further strengthen our balance sheet and expand our funding sources
- Continue building the best talent and organization

Our differentiating factors

- Leading market knowledge
- Talent
- Strong governance and alignment of interests
- Profitability per share

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Thank you!

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