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Vesta Industrial Real Estate

First Quarter 2015 Results Conference Call

April 24, 2015

C O R P O R A T E   P A R T I C I P A N T S

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Juan Sottil, *Chief Financial Officer*

Iga Wolska, *Investor Relations Director*

C O N F E R E N C E   C A L L   P A R T I C I P A N T S

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Marimar Torreblanca, *UBS*

Pablo Monsivais, *Barclays*

Ivan Enriquez, *HSBC*

Javier Gayol, *GBM*

P R E S E N T A T I O N

Operator:

Good morning. My name is Melissa and I will be your conference Operator today. At this time, I would like to welcome everyone to Vesta's First Quarter 2015 Earnings conference call. Vesta issued its quarterly report on Thursday, April 23, 2015. If you did not receive a copy via email, please do not hesitate to contact the Company at +52 (55) 5950-0070.

Before we begin the call today, I would like to remind you that forward-looking statements made during today's conference call do not account for future economic circumstances, industry conditions, Company performance, and financial results. These statements are subject to a number of risks and uncertainties. All figures included herein were prepared in accordance with the IFRS and are stated in nominal US dollars unless otherwise noted.

Joining us today from Vesta in Mexico City is Lorenzo Berho, the Chief Executive Officer and Chairman; Juan Sottil, the CFO; and Iga Wolska, the Investor Relations Officer. Now I will turn the call over to Mr. Berho. Sir, please begin.

Lorenzo Berho:

Thank you Melissa, and good morning everyone. Thank you for your interest in Vesta and for participating in today's conference call. I am delighted to share our strong first quarter results, which are a testament of the implementation of the Vesta Vision 2020 growth strategy following our successful equity offering in January.

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With the energy reforms in progress, Mexican companies are preparing for greater competition in the electricity market in 2016 and the oil and gas market in 2017, both of which will position our country as a manufacturing powerhouse. A reduction in energy costs is an extremely important factor in increasing Mexico's competitiveness, so this event should attract even more world-class foreign companies to the country.

Mexico's appeal to global manufacturing giants is already clear from record automotive industry production and exports last year. Looking ahead, Mexico is expected to become one of the top five global manufacturers by 2020, according to the Mexican Automotive Industry Association. Recent announcements by Toyota and Ford that they will invest $3.5 billion to build factories in the country are consistent with this outlook. Additionally, these investments will further strengthen the auto parts sector in the original equipment manufacturers' supply chain, reinforcing Mexico's position as the fourth largest exporter globally.

Vesta is well positioned to capture increased demand in the booming automotive sector. We recently signed a contract to acquire additional land reserves in the Poligono Empresarial San Miguel de Allende Industrial Park, cementing an earlier agreement. As part of our plan to reinforce our presence in the Bajio region, we will invest approximately $170 million in the State of Guanajuato by 2018, along with the acquisition of more land to meet increasing demand for industrial space in this market.

Turning to our operational and financial results, the first quarter of 2015 has positioned Vesta for another year of impressive growth. We expanded GLA by 4.7% to 17.6 million square feet versus the fourth quarter. Despite this expansion, the vacancy rate declined to 12.41% in the quarter. Funds from operations increased 22.6% year-over-year to $7.6 million in the first quarter.

I am pleased to report double-digit growth in our key first quarter financial results. Revenues increased 19.8% to $19.6 million. Net operating income rose 20.8% to $19 million, representing a margin of 96.8%, and EBITDA increased 18.9% to US $16.3 million, equaling a margin of 83.1%. These results are in excess of our full-year targets and underscore our optimism for future performance.

In keeping with Vesta's commitment to world-class standards of corporate governance, our Board of Directors recently- yesterday- approved policies related to Company security transactions by board members, directors and relevant employees in compliance with the regulations established by the Mexican Securities Exchange Commission. We recognize that growth is a key driver of our Vesta Vision 2020 strategy and are strengthening our organization and structure to help facilitate these ambitions. In this way, we are striving to attract more talent, create clear career and development plans, and a new compensation program. Additionally, moving to larger offices is reflective of our intention to scale up Vesta's business while allowing us to increase collaboration, productivity, and improve branding within an environment that fosters employee satisfaction.

Vesta is uniquely positioned to ride the wave of Mexico's economic expansion, and our plans will see us execute on an attractive pipeline to meet strong demand from the manufacturing sector. In the year ahead, we are committed to building on our track record of growth and strong shareholder returns.

Thank you very much for your continued trust and support. I will now hand the call over to our CFO, Juan Sottil for a discussion of our first quarter results.

Juan Sottil:

Thank you, Lorenzo. Good morning everyone, and thank you for joining us today to discuss our results for the first quarter of 2015. As Lorenzo mentioned, we had a very strong start to the year, both from an operating and financial perspective. During the quarter, we completed construction on two inventory

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buildings in Toluca, the expansion of another building in Toluca, and two build-to-suits in the Bajio region, which combined added approximately 781,000 square feet to our portfolio. As a result, Vesta's total gross leasable area increased 4.7% to 17.6 million square feet, comprising 113 high quality industrial assets. Despite this expansion, the first quarter vacancy rate decreased to 12.4% from 12.7% in the fourth quarter of last year. This improvement reflects the leasing of existing buildings in our portfolio, especially in Tijuana. Our 2015 pipeline remains strong and the investment committee recently approved the construction of two new inventory buildings. The first one is in Tijuana with a total GLA of around 304,000 square feet, and the second one is in San Miguel de Allende with a total GLA or approximately 158,000 square feet. Our growth is supported by substantial land reserves, and during the quarter we added 2.7 million square feet to our reserves in Toluca, in Queretaro, Ciudad Juarez, Guanajuato, San Luis Potosi, the State of Mexico and Baja, California.

Turning now to our financial results, I am pleased to report strong double-digit growth in revenues, net operating income, EBITDA, and funds from operations in the quarter. Revenues increased 19.8% year-over-year to $19.6 million. Looking ahead, because three quarters of Vesta rental contracts are denominated in US dollars, the impact of the recent depreciation of the Mexican peso on our top line results should be very limited. In terms of margin, the depreciation of the peso is actually benefiting Vesta and making Mexico even more appealing as a global manufacturing center. Vesta has traditionally had a lean cost structure, and because most of our costs are denominated in local currency, the peso decline has boosted margins further.

In the first quarter, operating costs as a share of total rental income decreased by 85 basis points year on year as rental income on properties grew at a faster rate than increases in operating expenses. Net operating income increased 20.8% year-over-year to US $90 million in the first three months of 2015, while the NOI margin increased 70 basis points to 96.8% due to improved operating scale. As you know, Vesta is embarking on an ambitious plan to double the size of the Company by the year 2020.

In order to successfully take advantage of the strong growth potential that we have seen in our sector, we have been strengthening our organizational structure. In the first quarter, this resulted in a 147 basis point increase in administrative expenses as a share of rental income. In the quarter, EBITDA increased 18.9% to $60.3 million while EBITDA margin decreased to 83.1% from 83.8% in the previous year's first quarter. Income before taxes amounted to $1.1 million compared to $11.6 million recorded in the same quarter last year. As in the fourth quarter, the decrease primarily reflects an exchange rate loss and a smaller year-over-year gain on revaluation due to the early phase of construction on new properties. These same factors once again impacted our bottom line, resulting in a loss of $3 million in the quarter compared to a profit of $10.7 million in the year-ago period. I am pleased to note that the fourth quarter funds from operations increased 22.6% year-over-year to $7.6 million.

Turning to our balance sheet, Vesta cash and cash equivalents amounted to $336.4 million as of the end of the first quarter. Operating activities generated cash flow of $4.6 million during the quarter as well. Investing activities were primarily related to payments for works in progress in the construction of new buildings in Bajio, Toluca, Ciudad Juarez, and Baja California. Total investments for the period amounted to $30.8 million. As of March 31, the balance of the long-term debt reached $351 million, of which 97.5% represents long-term debt and the remaining 2.5% short-term liabilities. During the quarter, we signed a seven-year, $47.5 million loan agreement with Metropolitan Life Insurance Company. The US dollar facility bears interest at a fixed rate of 4.35%, and during the first three and a half years, the loan service will be interest only. Thereafter, a monthly amortization and interest payments will be made. The amortization is based on a 30-year schedule. As a reminder, 100% of our debt is denominated in US dollars.

Vesta is a leading industrial real estate developer in Mexico, and the success of our first quarter equity offering underscores our strong growth prospects. We have identified large potential development opportunities which we believe will drive our continued expansion under the Vesta Vision 2020 growth

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plan. The Mexican industrial real estate sector continues to be a key driver of the country's economic expansion, and Vesta is uniquely positioned to take advantage as Mexico emerges as a global manufacturing center.

Backed by our established track record and the proceeds of our recent follow-on, we are confident that the opportunities that lie ahead will lead to continued growth and strong returns to our shareholders. We look forward to updating you on our progress throughout the year.

At this point, I would like to open the floor for questions and answers. Melissa, could you please take the questions from the audience?

Operator:

Thank you. At this point, if you would like to ask a question, please press star and then the number one on your telephone keypad.

Our first question comes from the line of Ariel Amar with Itau BBA. Please proceed with your question.

Ariel Amar:

Good morning, all. Thank you for the call, and congratulations on the results. I have two questions. The first is regarding, I guess perhaps the most obvious subject, which is the booming aerospace and automotive industry. It is, especially the automotive industry, it is quite in the spotlight as of lately. We have seen several investments by several large companies, several large automakers, but I guess my question is what has been the actual day-to-date operation movements you guys have been seeing on a day-to-day basis, and more importantly in which specific regions, because it makes a lot of sense from a top-down perspective to assume that those guys are going to need a supply chain, and that is indeed what I think is going to happen. But my question is what have you guys - what are you guys actually seeing so far in the day-to-day operations? I guess that is my first question.

My second question is also regarding your capital structure. Can you talk just a little bit more about the debt negotiation? You did get a very good credit line with Met this past quarter, but as it is widely known, most of your debt will soon mature. Given you have a very low risk profile, are we correct in assuming that you will probably be favoring long-term debt, which should probably translate into issuance of maybe a bond due to its longer term nature? What can we expect on that front, and what are the sort of yields you guys are expecting or you guys are aiming for? Thank you.

Lorenzo Berho:

Okay, thank you very much, Ariel, for being in the conference and for your continued interest in Vesta. I would like to answer the first question, and then Juan can talk a little bit about the capital structure. What we have seen in the day-to-day is a boom in Mexico. Sometimes when I get these questions, it's not that I don't track the growth of the country as a whole - of course, we do track that, but really what we do track is the potential growth and the real growth of the industries which are basically our targets and our tenants. Having said that, you know that 40% of our portfolio is represented by the automotive and 13% is represented by aerospace, being two different industries with two different sizes - one is a low mix, high volume, and the other is a low volume, high mix. The automotive sector, we are just listening to the recent announcements of Toyota and Ford that I just talked about, and that will be $3.5 billion. Those are major investments into the country, and we are not surprised anymore when these announcements are made because of the frequency of these announcements.

Having said that, since the time of those announcements to the time that they start construction, to the time that they establish and are ready to go, and the time that they start assigning contracts to their main

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suppliers, it takes several years. That is why although these are great, great announcements because with this we can predict the future, and that's why Mexico's Automotive Industry Association has mentioned that Mexico will become one of the top five global manufacturers in the world by 2020, coming from the seventh place that we have today. This gaining two places, it's a major achievement. That reflects the competitiveness and the platform that they have seen in our country.

Now, coming back to the supply chain, it's exactly what we faced in Nissan. Nissan announced several years ago, say five years ago, that they had decided to invest. They built a plant, they ended up selecting the developer, and right now is when they are selecting most of the suppliers, and that is how the process works. So of course, our Company is pretty much targeting, and that's why we are acquiring land in places that are either for Tier 1 or Tier 2 supply chain, and we will be keeping on that target. We want to be ready, we want to be close as we have done in the past, and we will be searching for these. Of course, we will be competing with other developers, but we feel very strongly about how positioned we are and our competitive advantage as well.

Talking about the aerospace industry, this is an industry that has growth at almost 20% a year for the last 10 years. This week, there was the (inaudible) aerospace event in Mexico not only to celebrate the 100 years of Mexican aviation, but also to attract investments into the country, so this is the first time that Mexico organized this kind of event, and of course we will be present in (inaudible) as we always do every year in (inaudible) where we have contact with potential companies that are in the process of deciding to come to Mexico.

This industry is expected to grow from $6 billion of exports to $12 billion of exports by 2020, so you can imagine the potential that we see being in two different sets of industries, and Mexico I would say is still in the early phases of the potential that we have.

Now, I will turn to Juan to talk a little bit about the capital structure and the loans.

Juan Sottil:

Ariel, very good question. Let me tell you, as we have talked in the past, Vesta's capital structure really for this Vesta 2020 plan really encompasses improving our debt to asset ratio from below 29% historically to somewhere in the 40% area throughout the following years. As I have said before, the new debt that we will use will favor very long-term maturities. As to whether the debt will be a bond or unstructured debt like the one we did with MetLife really depends on market conditions, and especially the spread between what we can get on the bond market vis-à-vis what we can get on the private debt market. We tend to favor bond issuance as it gives the Company more flexibility, but we are conscious of the cost.

As you saw, the terms that we got from MetLife are incredibly attractive. We raised the MetLife debt to underline the capacity of Vesta to access the debt markets. We did it in that train of thought. I see that as very good news to our shareholders, and even furthermore given the recent announcements of GE, our primary lender, well, it should give us comfort that we have a lot of alternatives to source debt for the growth of Vesta, not only GE. In fact, I can tell you that yesterday we had a very productive meeting with Blackstone. They came to Mexico. GE is our primary lender, and we are one of the primary borrowers for the GE portfolio, so it was only natural that the acquirer of that portfolio wanted to take a look at the primary assets, and we are one of them. So, we had a very productive meeting. I think that they are a top quality company, and I think that they can support our growth if the rates and the terms of the loans we can structure with them are competitive. I underline the strategy of the MetLife facility. I said that that was a benchmark in our mind, and that we hope that they could meet those targets.

So, I am very optimistic about the ability of Vesta to access the markets, and yes, what you can expect from us is accessing the debt markets judiciously over the next three or four years. Today, we have an

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ample amount of cash, so that won't happen soon, and when we do, for example next year, just to renegotiate the maturing debt, we will take a look at the long-term maturities, 10 years probably.

Ariel Amar:

All right, thank you. Thank you Lorenzo, and thank you, Juan, for the very clear answers.

Lorenzo Berho:

Thank you, Ariel.

Operator:

Thank you. Our next question comes from the line of Marimar Torreblanca with UBS. Please proceed with your question.

Marimar Torreblanca:

Yes, thanks for the call, guys, and congratulations on the quarter. I have a couple of questions. The first one is we saw the administration expenses going up this quarter year-over-year by around 36%. What level should we expect for this line going forward? Is this a level that you feel comfortable you'll maintain for the next year or so? The second one is considering your development pipeline, how do you see vacancy evolve for the rest of the year and perhaps even for next year?

Juan Sottil:

Okay Marimar, let me try to address those two questions. I will talk first of all on the admin expenses, and perhaps Lorenzo and I can talk about vacancy and what we can expect. We have been always very conscious about cost and cost control within our Company; however, to date what we plan to do is to double the size of the core portfolio roughly speaking from last year's ending GLA to 2020. It's even a little bit more, 2020 planned GLA. That requires a substantial investment in systems and people, in infrastructure of the Company, and as we did with the capital which we (inaudible), that's exactly what we're trying to do, basically put our foot on what we need to have in terms of people, staffing both at the central office and the regional.

As we have talked with you in the past, Vesta is unique in the sense that we have a regional presence which really fosters our growth and our contact with our current clients. In this process, we are part of a major change in doing business. We are opening a new area in the Company for asset management because we want to focus our regional managers in the leasing of new space and in the finding of new opportunities, and we're opening a new area in the Company that will take care of our existing portfolio and will take care of our existing client base. That is a major change to the way we do business. I think it focuses the abilities of our regional directors on selling, which they are a top notch execution team, and it focuses a specialized and small team of people on taking care of our customer base. As we have talked in the past, more than 60% of our growth comes from taking care of our fantastic customer base, and we want to devote a professional team to do just that. So, that is one of the major changes that we're implementing.

I also want to bring your attention, Marimar, in the implications of our new compensation system, and I think that it's worthwhile for all of you to take into account what happens with the new compensation system in our income statement. As you know, in our first shareholder meeting of this year, the one that approved our follow on, it had the provision that the shareholders gave management a new compensation plan. This compensation plan was structured under the advice of Green Street Associates. It is a long-term compensation plan and it has to do with the performance of the shares of Vesta vis-à-vis our peers

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in the Mexican market. The basic concept and the basic thrust of this compensation plan means that if the relevant returns, the total relevant returns, share appreciation plus dividends of Vesta against its peers on a relative basis is top notch, then compensation will be top notch for management. That is putting the interest of the shareholders on top of the returns of management.

For that purpose, the shareholders authorized the issuance, the potential issuance of around 10.8 million shares over the next six years. Those shares have been issued or I'm not paid, so today they have no dilutive effect. If you go to Note 14 of our financial statements, you will see a brief explanation of this plan, and it states that the share base statements (inaudible) for the three months of this year amounted to $328,600 - let's call it $329,000. This expense is part of my admin expenses, and it's an important chunk. I have to underline that this expense is not a cash flow expense, so please take that into account when we calculate EBITDA and FFO and what have you. Therefore, if we express those numbers in terms of per-share amounts, we have to take into account the corresponding implicit dilution. The new long-term compensation plan is not a cash flow but it will dilute shareholders. That's why the shareholder assembly authorized the issuance of those shares. So, please take that into account when you do the analytics, and I think this is a major part of what changed in admin expenses (inaudible) a major part of what is changing admin expenses. But, I can commit to you that we will be as watchful as ever in keeping the Company very efficient.

Lorenzo Berho:

I would just like to add to what Juan is mentioning about the detail of the impact, that of course we prefer to make the decisions and have the systems, the people, the talent and the facility in place as early as possible in order to be able to execute this growth plan successfully. Also, I would like to underline that this system of compensation probably is the last generation of systems related with how much it aligns the interest with the shareholders and the managers, because as the managers deserve to be awarded with these shares, the goals of the shareholders and the management increase deeply. So, this is why this Company, I would say, is different, because as I can remind you, we have no conflict of interest. All the interests are completely aligned, and this is the effort that the Company is doing in the vision we are sharing about fully aligning - even deeper, I should say, the interests of the shareholders and the management team.

Juan Sottil:

Now, in terms of the vacancies, your other important question, look, what we have committed to all of you is that Vesta is a responsible developer. Just to underline that and just using very basic numbers, please take into account that - I mean, if we look in the perspective of a couple of years, in 2013 our GLA was around 12 million square feet. Today it's around 17.5 million square feet - that's a substantial growth rate. A lot of our growth has been on inventory buildings. When we were 12 million square feet, vacancy—occupancy was 90%, quite healthy. Today after growing the Company by, what is it, around 40%, 45%, somewhere around there, our vacancy is—our occupancy is 87.6. So, you have a substantial growth rate all in all without affecting occupancy of a developing company, where we have developed a significant number of inventory buildings. That in my mind is quite a successful story.

We will continue to do that. We are beginning an expansion site. We are beginning an expansion site, building a lot of (inaudible) buildings, a lot of inventory buildings, and we will be extremely disciplined in leasing those buildings, and once they are leased, building new ones. So, this company is about discipline, this company is about growing and building at a time, and that is what we will continue to do over the next six years.

Lorenzo Berho:

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I also would like to add that it is not comparable, the vacancy rates of a (inaudible) when they only—or most of the work they do is acquire properties that are already stabilized, and add that to their portfolio, because first of all, they are stabilized, and they are built. When you're in a developing company, we need to develop and then we need to—once they are finished the buildings, they increase the GLA and it still takes time to get some tenants into those buildings. So, the timing to stabilize the portfolio is longer, and this is the main difference that I would see from any REIT to a developer.

On top of that, or course, the cap rates are completely different. The value and the accretive that we can add to every project means basically 300 basis points to 400 basis points more than when you acquire property, so that makes a huge difference in the value that is being created. Also, this is why Vesta has the most modern portfolio of Mexico, because it is being developed as we speak and nobody has this kind of situation.

Marimar Torreblanca:

Thank you, guys, very helpful.

Lorenzo Berho:

Thank you, Marimar.

Operator:

Thank you. Our next question comes from the line of Pablo Monsivais with Barclays. Please proceed with your question.

Pablo Monsivais:

Hi, good morning, and congrats for your results. I have a quick follow-up to Marimar's question. This question is for you, Juan. When you talk about discipline on building and leasing properties, is there any metric we should look at that can provide the construction pace, or how do you measure this discipline in terms of leasing and construction of new properties? Thanks.

Juan Sottil:

Look, I think that on a company like Vesta, what we have done, it really relates, Pablo, to our strong corporate governance. Lorenzo has the latitude of investing in not even one building on his own. Every transaction we do has to be reviewed by the investment committee, and that is what gives us discipline. This is a company where management has to deliver results and deliver good ideas to our Board that will judge them and that will take into account our track record. The investment committee is chaired by a very strong—an expert real estate board member that has instilled these behaviors in the way management operates the Company. After having interacted with this Board for more than 10 years, believe me, we have embraced these policies and we have made them part of our DNA. So, at the end of the day, what instills discipline in this Company is the attitudes of delivering results to our Board and to our shareholders.

One thing the investment committee takes into account on each of the buildings that we do is the local market conditions, the track record of the regional manager in proposing good ideas, executing them, and in stabilizing the opportunities that he has been given before, and of course the market conditions have to do with absorption and a lot of local stuff, of course they can look at that. The investment committee, as we have talked with all of you before, in their mind the top notch priority is credit rating of the counterparty and the type of client that we will attract. They are adamant in having the best buildings and the best quality buildings added to our portfolio. They are adamant in having very long-term leases. Our pricing

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favors long-term leases because we believe that that's stabilizing the portfolio as a whole, as you can see by our maturity profile. Last but not least, location has to be good. So, by doing this every building, one at a time, if you do it consistently over five to 10 years, what you have is the type of portfolio that Vesta has.

So, how do I envision discipline in the future? I envision discipline by looking at the buildings that we have been authorized by the investment committee, looking at the capacity of Vesta of stabilizing those buildings. Our track record has been that we stabilize buildings within six months. All in all, we have complied with that internal driven mechanic. It is very, very—it's a very aggressive mechanic. I mean, I will encourage you to go to the NAREIT conferences and talk to other developers, because in the US they have a more relaxed system. I mean, they take a year or so, and that's okay. Well, we want to keep a strong and very demanding benchmark for ourselves, because that's the only way we can excel, and that's something we will do. If for whatever reason our vacancy suffers and increases, then we will stop developing because at the end of the day, what we want to do is to be responsible to our shareholders. The name of the game is not to grow GLA. The name of the game is not to move capital into buildings. The name of the game is to have income producing properties, and that's what we will do.

Pablo Monsivais:

Great, thanks. Thanks for your answer, and just about this - you mentioned in the last part that occupancy or vacancy rates will be a key metric to look at. Do you have any sort of value of benchmark that you are looking and saying, okay, I'm reaching this level, I'm going to slow down our construction pace, or is there anything that you have in your mind on vacancies?

Juan Sottil:

Pablo, we have do to—this is very dynamic because it really depends on each and every market. The buildings that we have built, our decisions that have been taking, given the local conditions that we foresee - and remember, it takes six months to build a building, six months to lease it out. So, this is really trying to take a look at what we foresee the demand for industrial spaces within each market, the size of the market within each sub-market, (inaudible) a prime example, no? The aerospace market has its own dynamic, the (inaudible) has its own dynamic, and the (inaudible) we just acquired has its own dynamic that has to do a little bit differently there, so we take a very strong look at that.

But at the end of the day, what the investment committee will not allow us to do is to do, if we (inaudible) an inventory building that has not been leased for whatever reason within the timeframe that we committed, well guess what? They're not going to allow us to do another building in that particular market, and eventually in any other market because of that. So, that is what we plan to do - to be responsible and to be adamant in performing to our strong internal benchmarks, six months to lease a building.

Lorenzo Berho:

Maybe try to translate this into specific numbers, I would say that a range from 10 to 12% of vacancy in a high growth developing company is really—is very acceptable. This is reasonable. This is very dynamic, and of course really it all depends when do you take the picture. If the picture is taken on March 31 and for some reason there is a building that is just about to be leased in the next two weeks, these buildings or these tenants can make a difference on the percentage. So, I would say that the range is important, that regionally is crucial to analyze both this range in a developing, in a high growth developing company is very acceptable and reasonable.

Pablo Monsivais:

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Great, thanks a lot.

Lorenzo Berho:

Thank you, Pablo.

Operator:

Thank you. Our next question comes from the line of Ivan Enriquez with HSBC. Please proceed with your question.

Ivan Enriquez:

Hello Lorenzo and Juan. Congratulations on the results. My first question would be about the outlook that you foresee for rents into the coming years. I think, or I assume that with these energy reforms, other states may become more competitive, like we probably are seeing with (inaudible) states that are in the middle of the central region and the north region. So, do you see rents—that rents will significantly increase in the future as a result of the market conditions that we have? Or, do you expect other regions to start developing and act as a mitigating factor for increased rents? That would be the first question.

The second - in terms of the new investments, I would like to know if you have already built any supplier park or building for any of the OEMs that are already in the country but that have announced investments recently in Mexico, for instance, I don't know, maybe for Ford in Guanajuato or Romas Arizpe, or Toyota in Baja, California. I just try to find how deep is your—or how profound is your relationship with those OEMs already, like the relationship that you have Armando in Nissan in Aguascalientes. Thank you, guys.

Lorenzo Berho:

Okay, well let me—thank you very much, Ivan, for your question. Let me just tell you, regionally speaking I would say that we have talked about our Vesta Vision Plan 2020, which one of the elements that we took into consideration was the infrastructure program, where infrastructure is being built, the reforms, especially the energy reforms, but most of it was related with where do we see potential growth related with the industries in which we operate. Those were reflected in our plan, those were set out with all the investors as deep as we could, but this reinforces the places where we have been buying land.

Now, when we talk about those places, that means because we know that there is potential, and for these sectors sometimes you don't have to be adjacent to the park and be the only developer. What you want to do sometimes is being in a place, in a location with the right buildings at the right time so OEMs can establish operations. We've got some places like Nissan Park, for example, has one condition, which is in order to be established in the park, you need to produce at least 60% for Nissan. Many OEMs, or several OEMs do not know exactly what percentage they're going to be devoted for one manufacturer, so they'd rather stay in a place where they have options, especially understanding that in other parts of the world, or inclusive in Mexico, they are being producing to several of them, so they prefer to be in a neutral location close to several of them and just be able to shift and increase their production according to the opportunities and the new platforms that each assembler is developing.

So, I would say that regionally speaking, we have taken this into consideration. Every element counts, not only electricity cost, but of course the big drivers in this case are the industries which are increasing, like the ones that we talked, and also the timing of those industries according to—from the time that they establish a new operation to the time where they launch a new model, which is where they basically have to—in the change of grouping their supplies. We are very close to all of them. I cannot tell you if we are

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closer or less close than our competitors. Everybody is looking for opportunities, but we love this business, we are good at it, and we will be taking a good share of the pie. That I can assure you.

The other question about new investments, I would say those are so recent that it takes a lot of time for them just to share the amount of investment. It takes a lot of time for them to share where they will invest - you may remember BMW and the speculation that was prior to the announcement, it took a year or maybe more than a year to announce that it was going to be San Luis Potosi finally, or Audi at the beginning, or Toyota. So, all these take time. Once they announce where they are going to be, still it takes a lot of time to match and understand their needs, so they get ready to commit with a developer in case they do.

So, as soon as we have anything signed, we will be sharing as we have done in the past with all of you, but of course those segments and those industries and the timing and the growth that we see, it matches perfectly with our strategy.

Ivan Enriquez:

Okay, so the outlook that you have for rents into the future, what is your view in rents, specifically in the Bajio region?

Lorenzo Berho:

In terms of prices? Okay, let me tell you. One of the things that we are always concerned is that we all work in making sure that the prices of all the elements are the most competitive ones. That's why for us to try to get, for example, being more efficient in construction and being more efficient in capital structure and being more efficient in debt cost - everything counts, so we can make sure that we are very competitive in the lease and we will not impact our tenants and make them uncompetitive at least in the thing that we supply to them.

Having said that, of course markets and regions work sometimes independently. When there is too much offered, of course prices are pressured. When no one has a building and somebody needs a building to go, you may have an opportunity. So, I would say that this will go according pretty much to inflation, and I don't expect to see any high jumps to any of the—either jumps or decreases, and we are constantly monitoring that. But I would say that regions like the Bajio are coming up, and also the demand and the offer has been balanced and that's why we are, as we mentioned in our conference, that's why our investment committee just approved for us, for example, two new developments, one in Tijuana and the other one in the San Miguel de Allende park, which is because we know that there's demand in that region.

Juan Sottil:

But as we have said before, Ivan, in our internal models, we do not foresee that over the long term. Real estate is a very long-term business, but prices will continue to go up. I mean, the market is a cycle but over the long term, really prices really adjust to inflation, so right now they are not peak, right, but over the long term, you should expect prices to move up more than my inflation on average. That's what our models reflect.

Ivan Enriquez:

Okay, thank you. Very quickly, Lorenzo, what is your main concern or the main reason that you see for Vesta? I mean, the story has been great, it's been great for the last 15 years, but what do you think is one of your highest concerns about this story?

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Lorenzo Berho:

We always monitor all the fundamentals, of course. We track from interest rates and we track about—for example, we saw this year—we felt or we had information, the feeling that this year was going to be a very volatile year financially, so our Board and the debt and equity committee told us late last year, I would say since October, go to the market as soon as you can, get the necessary approvals, which everybody did and they were grateful that, and that gave us the window of opportunity to access the market very successfully in the first days of the year. Well today, no other company has been able to reach the markets in Mexico, so that means that our strategy worked and we feel very comfortable having a very strong balance at the beginning of this economic cycle and this growth. So, volatile situations for financial purposes are not our concern right now, but it was at the end of last year.

Now, the other has to do with how—with the plan that we develop, and the plan of course needs to be monitored every day or every month or every quarter. One would think that it's linked of course to US economic growth, and we have seen that the reaction has been pretty good. I mean, we don't expect a super jump in the US economy, but just the recovery that the US economy is showing has a huge impact in Mexican exports. That is also—that reflects the amount of investments that have been announced in the sectors that we operate.

But, I would say if the US economy would turn again down for any reason that would have an impact on our business model.

Ivan Enriquez:

Perfect. Thank you Lorenzo, and thank you Juan.

Lorenzo Berho:

Thank you, Ivan. Have a great weekend.

Operator:

Thank you. Ladies and gentlemen, if you would like to ask a question, please press star, one on your telephone keypad at this time. Our next question comes from the line of Javier Gayol with GBM. Please proceed with your question.

Javier Gayol:

Hi Lorenzo, Juan. I just wanted to get a sense and the rationale of management behind the investment that you guys are planning for the state of Guanajuato. Is this behind potential growth that you see, is this an opportunity in terms of land acquisition, or just to better understand what are the fundamentals behind this investment that you guys are looking into?

Lorenzo Berho

Okay, well thank you very much, Javier. We talked about this a little bit at the end of last year in terms of being in a very strong position in Queretaro, we're well positioned in San Luis Potosi, well positioned in Aguascalientes. In Guanajuato, we only had a presence since several years ago in Las Colinas Industrial Park, and those buildings were leased and we were able to grow there with American Axle with a huge investment, and I would say that was our presence. So, more than a matter of not increase prices, I would say it's a matter of having the platform ready to do when the markets are there. We saw that the market was coming up, so we did anticipate this important move, buying the land that we got at the San Miguel de Allende Industrial Park, which was a new development, new park that was being developed,

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and we acquired that with a build-to-suit first tenant, which we delivered recently, in the last weeks, so in this quarter.

So, this was our move in San Miguel de Allende in order to be ready to build now buildings as the one that was just approved by our investment committee. We are moving in that direction. We see that that is going to be crucial.

On the other hand—and we will be developing in San Miguel de Allende more inventory buildings just as Juan was describing, according to the leasing activity. So, for now, we can have a pipeline of buildings if we have a pipeline of tenants, and that's part of what embraces all this $170 million, is the land, is the infrastructure, are the new inventory buildings, and potentially some build-to-suits.

Now, in the other part, the (inaudible), that is a completely different story because that park is fully consolidated. That is one of my favorite parks in Mexico. It has all the elements necessary that a park can have, except marine ports. It has airports, it has railroads, access to a main highway, and the infrastructure of that park is amazing. So, we were able to secure two pieces of—two important pieces of land in which we have already started working, and we are already developing some buildings. So these, the same thing but in different conditions of park, this was the reason in (inaudible). It was adjacent to the airport. We will be also developing either inventory and build-to-suits according to market conditions from this year to 2018. All these new buildings will comprise, and the acquisition of the land are part of this $170 million that you asked.

Javier Gayol:

Okay, that's very helpful. Thank you. Thanks for your answers, Lorenzo.

Lorenzo Berho:

Oh, thank you, Javier.

Operator:

Thank you. There are no further questions at this time. I will turn the floor back over to Mr. Berho for any closing remarks.

Lorenzo Berho:

Okay, well thank you very much for participating in Vesta's first quarter 2015 conference call. We look forward to speaking with you again when we release our second quarter 2015 results. If you have any questions in the meantime, please do not hesitate to contact our Investor Relations department. Thank you, and have a great weekend and a great day. Bye bye.

Operator:

Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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