INNOVATING MEXICO'S INDUSTRIAL PLATFORM

ANNUAL REPORT
2016


VESTA

Our Massive Transformative Purpose

INNOVATING MEXICO'S INDUSTRIAL PLATFORM

The world has changed and has become an exponential setting where information is continually multiplying and making the future change at great speeds.

At VESTA we have evolved toward a new understanding of our company, services, products, and the way a team should work.

Becoming an **Exponential Organization (ExO)** is a commitment with innovation that requires establishing **synergies** within industries, be **disruptive** in the way we operate in order to break away from traditional efficiency standards, be **flexible** so we can adapt to change, and work to foster **sustainability.**

Mexico is a strategic country and VESTA is a key element that connects logistics in the manufacturing processes to hasten growth in the most important industries.

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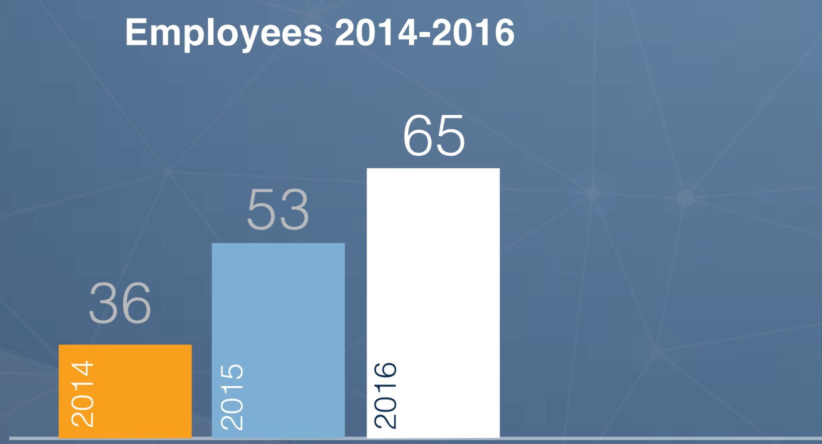
KEY FIGURES



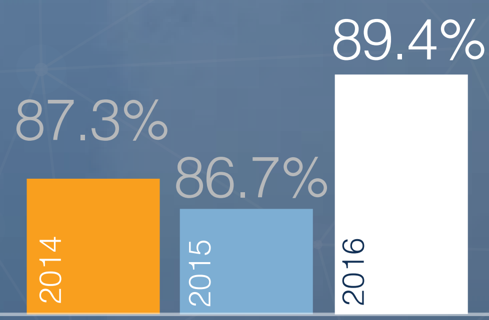
Financial

22.60 million
SF of Gross
Leasable Area (GLA)

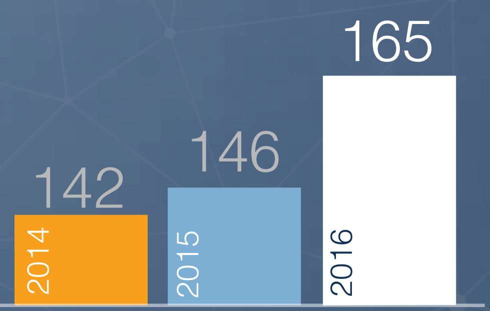
US $87.13 million
in Net Operating
Income (NOI)

89.4%
Occupancy Rate

Occupancy Rate



Social Investment
(thousands of dollars)



Environmental

US $818 thousand
in environmental investments

125.94 thousand
SF of GLA are LEED certified

274.37 kWp
installed photovoltaic capacity

Social

US $165 thousand
invested in social projects

US $294 thousand
invested in the health of our employees

105.98 thousand man-hours
voluntarily allocated to social projects

MESSAGE FROM THE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

The term **singularity** describes the moment when a civilization is changing so much that its rules, tools, and technologies become incomprehensible to previous generations. It is a point of no return in history, such as the one we are in at this moment.

In order to survive and stand out in times like these, a company needs to have strong leadership, a solid sense of social responsibility, and it must want to bring about a transformation that is not only economic, but also social and environmental.

At VESTA our **INNOVESTEAM** is continually getting ready to face these and other challenges we encounter in the changing environment in which we work.

1 Eden et al, 2012

We innovate to become an Exponential Organization

We are currently living a reality in which the only constant is change in everything around us: the economy, politics, the environment, technology, society and, consequently, private companies. Evolution is increasing faster, more frequent and, above all, more disruptive. Therefore, we are currently reconsidering the way in which we do business.

At the same time, in the context of the 4th Industrial Revolution, the world continues to transform at an extremely fast pace. It is moving toward a new production mode known as **throughput:** the number of products and services a company can produce and deliver in a specific period of time.

Under such a setting of change, transformation and evolution, companies are striving to adapt so as not to succumb; they are trying to successfully face challenges that go beyond sustainability, the relationship with stakeholders, and even how a company is managed.

Faced with these challenges, at VESTA we are adopting the characteristics of Exponential Organizations (ExO) with the aim to become a company more competitive, efficient, and innovative, capable to offer our clients real estate developments that can get ahead of the demands of the global market.

To this end, we are integrating into our company the Massive Transformative Purpose, or MTP, which at VESTA we have determined to be Innovating Mexico's Industrial Platform. We are preparing our top executives to help the company assimilate this new concept; that is why in 2016 we invested 440 man-hours in a program designed specifically for VESTA by Singularity University. In addition to our executives, several members of our Board also participated in this course aimed at helping us adopt state-of-the-art tools and implement innovative programs to evolve and become an ExO.

At the same time, we continue to encourage the passion and commitment of our **INNOVESTEAM** by making their growth a priority and strengthening the team with new hires, for an 18% increase in our workforce in 2016.

Enhancing mobility

One of the challenges being faced by our clients is in finding efficient and profitable means of mobility, since a majority of them are multinational companies with operations in different parts of the world. To meet this need, at VESTA we offer business integration in different areas in Mexico and we serve as a connecting bridge to markets in North America, Latin America, Europe, and Asia. We offer tailor-made multi-tenant buildings with innovative characteristics with which we contribute to transform Mexico into a competitive and productive industrial platform.

This year we continued to deploy the infrastructure needed to support advanced manufacturing and logistics operations. At year-end 2016, we had 138 properties, with a leasable area of more than 22.6 million square feet and 303 hectares of land reserves. Based on our unrelenting trust in our country's capabilities and potential, we continued implementing our growth plans with a development portfolio of more than 185 thousand square meters, of which 38.7% has already been leased.

Transforming communities in a positive way

At VESTA we are firm believers that a business cannot be conceived in isolation. We continually strive to strengthen our social responsibility plan by including environmental stewardship and social impact efforts in the locations where we operate, with a social investment of US $165,489 for 2016.

We continue to work on contributing to the development of the communities neighboring our parks with initiatives such as VESTA Adopt a School, and by building homes for 11 underprivileged families, fostering growth in education and quality of life for the people who live near our developments.

We also reactivated the internship program at our corporate headquarters, and participated in the 6th VESTA Challenge, thus strengthening our commitment to support our incentives programs favoring the physical well-being of our employees. With the 2016 edition of this program, we offered our support to a civil society organization that helps cancer patients. 37 employees, family members, suppliers, and clients participated in this effort through a 72-kilometer bicycle ride in the state of Baja California.

Aligned with international initiatives, we are signatories of the United Nations Global Compact, and we are committed to promoting and complying with its 10 principles within our company and throughout our value chain. On the other hand, we are proud to say that in June 2016, for the third consecutive year, our performance in Corporate Governance was recognized by the Mexican Stock Exchange (BMV), including our company in its Sustainability Index of the 30 most sustainable issuers in Mexico.

Opening the path to the future

While 2016 was a year of moderate economic growth for Mexico, once again at VESTA we were able to increase our operation funds (FFO) up from US $40.1 million in 2015 to US $48.8 million in 2016. Our income was 15.2% higher than our goal for the year, reaching US $90.5 million in 2016. Our net operating income (NOI) was 96.3%, and EBITDA stood at 83.7%. The total square feet of our gross leasable area (GLA) added onto our portfolio grew 13%, from 20 million square feet in 2015 to 22.60 million square feet in 2016.

In order to be more competitive, this year we defined new reporting metrics for our portfolio, standardizing our evaluation with that of our peers in the United States. We now consider stabilized occupancy of the portfolio (93.3%), same-stores occupancy (97.2%), and total occupancy (89.4%).

It is also important to mention that we restructured our debt at the beginning of the year; this allowed us to reduce our debt costs by 300 basis points and, at the same time, extend maturity to six years.

The macroeconomic and political environment all over the world presents a challenging scenario for all companies, but in particular for those Mexican companies that interact with the United States. Despite this, at VESTA we will address this reality with patience and backed by the knowledge that we have a diversified exports portfolio, two-thirds of which are based in Europe, Asia, Canada, and Mexico. Additionally, our solid base of multinational clients from 14 different countries helps us diversify our risk.

Although we spend much time identifying risks, in all honesty, risk tends to find us. Consequently and to address current challenges from the different angles that could have an impact on our business growth over the next few years, we are working on detecting new areas for improvement that could help us reach our VESTA Vision 20/20 and continue to grow with our clients, work on integrating intelligent solutions into our developments, and bet on the exponential growth and profitability of our operations by being more efficient.

We trust that 2017 will bring good results for our business. We estimate that our income will increase somewhere between 16% and 18%, and we are aiming for 95% NOI margin and an 83% EBITDA margin. We will also work on maintaining our position as the leading industrial real estate developer in Mexico, by delivering solid financial performance and sustainable growth to our shareholders.

We know this is possible because we have the best talent in the industry and we can offer our clients, investors, and stakeholders a company with great potential to generate economic growth for and from Mexico.

I reiterate to all of you my commitment to remain attentive of each of your needs in order to ensure that VESTA continues to be the solid and transparent company it has always been. I thank our investors for their continued trust, our 65 employees for their commitment, our suppliers for their constant support, all our stakeholders and, of course, our clients—who are at the center of all the decisions we make—for choosing us to help them make their businesses grow in Mexico.

Lorenzo Berho C.
Chairman of the Board of Directors
and Chief Executive Officer

01

WE ARE VESTA

We develop industrial real estate properties that connect the most dynamic sectors in Mexico fostering their growth.

PRESENCE IN
13 STATES IN MEXICO

138 BUILDINGS IN
OUR PORTFOLIO

22.60 MILLION
SF OF GLA

(ExO)


VESTA
Bienvenidos


SOY VOLUNTARIO
VESTA

PROFILE

For 18 years, we have innovated in the development of industrial buildings and parks for light manufacturing companies and the most important distribution centers in the country.

We innovate with the highest construction standards
We innovate in the most dynamic strategic markets
We innovate to promote growth for our clients and Mexico

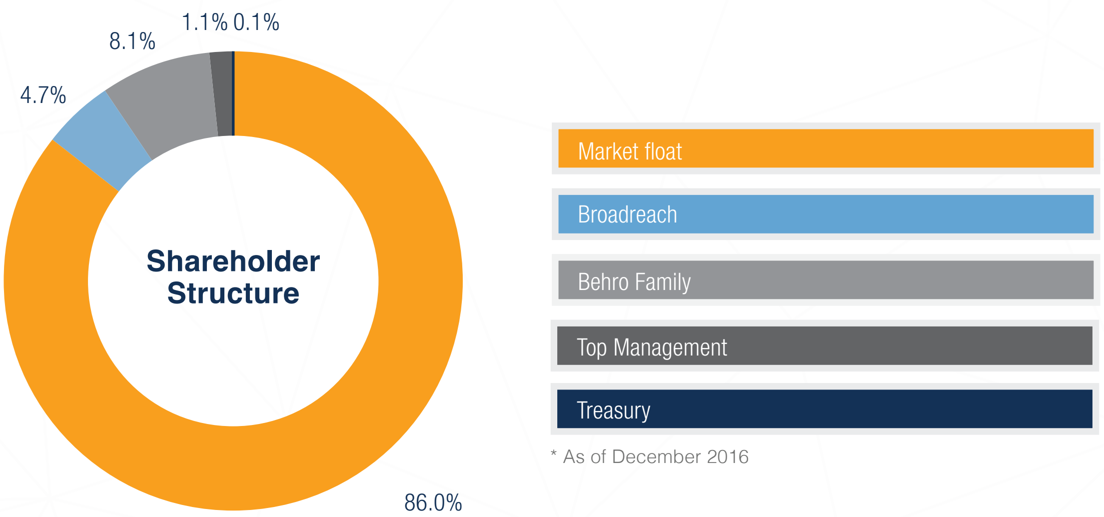
Our innovation addresses the global demands of a world that is transforming at great speeds—in a disruptive way—and is changing the way in which we live and do business. Faced with this new reality, every industry needs to implement new strategies that adapt to the requirements the future will bring.

At VESTA we are prepared to face this reality that we view as a unique opportunity to grow and innovate in our business and, at the same time, to become a strategic ally for our clients.

From the beginning, we have learned about different cultures and work philosophies from our strategic partners. We have leveraged this knowledge to offer business models suited to the needs of the clients who honor us with their preference.

Vision: To develop sustainable industrial real estate for the enhancement of human wellbeing.

Mission: To achieve excellence in the development of industrial real estate through an entrepreneurial team that generates efficient and sustainable solutions.



* As of December 2016

History

2016_ Build to Suit buildings: ThyssenKrupp, TPI Composites, Safran and Tachi S
Competitive debt refinancing
Launching of the Exponential Organization program

2015_ Second follow-on equity offering
MetLife loan

2014_ Park to Suit® BRP
Inclusion in the BMV's Sustainability Index

2013_ Park to Suit® Nissan
First follow-on equity offering

2012_ Initial Public Offering (IPO)

2010_ Acquisition of the GE stake in the Queretaro Aerospace Park

2008_ Acquisition of the Lintel portfolio in Bajio

2007_ Acquisition of the Los Bravos portfolio in Ciudad Juárez
Joint Venture with GE Capital:
Bombardier Aerospace Park
Broadreach investment
Deka investment

2006_ Acquisition of the La Mesa Industrial Park in Tijuana
Acquisition of the Nestlé Buildings
DEG investment
CalPers leverage buy out

2004_ CalPers investment

2000_ Ned Spieker (Founder of Spieker Properties) investment

1999_ First GE Capital loan

1998_ Incorporation of VESTA

PRODUCTS

We build customized products based on several sustainability standards. The majority are class “A” buildings that meet the highest quality standards in the market and are located in strategic regions around the country.

In addition, a team with great experience in the industrial real estate sector backs our products in order to help our clients maximize their potential.

Our Sustainable Contribution

BTS buildings offer the option of LEED certification.

All our buildings are free of PCU and asbestos.

We install photovoltaic panels in all new Multi-Tenant Buildings.

We advise our tenants on the use of eco-friendly materials at our buildings.

Multi-Tenant Buildings

We create facilities designed for customers that require space in the short-term, that comply with the storage and manufacturing standards of any industry. They are located in the most dynamic industrial regions of the country and can be shared by two or more tenants.

This year we finished our facilities at VESTA Park Tijuana III, San Miguel de Allende Industrial Polygon, Queretaro Industrial Park, Tres Naciones Park, VESTA Park Toluca II, and VESTA Park Puebla. We also started construction on more buildings at VESTA Park Guanajuato and at the DSP Park to Suit®.

BTS/Build to Suit®

We develop and manage comprehensive facilities that satisfy the particular needs of each client and contribute to improve their profitability. During the process, we make recommendations on designs that adhere to the best international standards, as well as cutting-edge eco-efficiency trends, including LEED certification.

Examples of successful 2016 projects include the LEED certification for BRP Juarez, delivery of Safran and ThyssenKrupp, the expansion of Tachi S, and the expanded TPI Composites project.

PTS/Park to Suit®

We design industrial parks based on international standards, thought out to increase the competitiveness of our clients by offering innovative spaces that are suited to their own needs, where they can integrate members of their supply chain (clusters) or companies in the same industry that supply a single integrating entity. Currently our parks are occupied by clients from the aerospace and automotive industries.

Buildings are developed according to the design and engineering required by the industry, based on a common-management structure, and under world class sustainable and safety conditions. All of this contributes to the wellbeing of our employees and results in savings and efficiencies for our clients.

PRESENCE

We are present in **13 Mexican states** with **22,569,584 SF of Gross Leasable Area,** divided into three main regions: **North, Central, and Bajio.**

North

4,479,452 SF
Surface Area

37
Number of buildings

35
Number of clients

88.39 acres
Land reserves

Bajio

11,363,654 SF
Surface Area

69
Number of buildings

66
Number of clients

623.78 acres
Land reserves

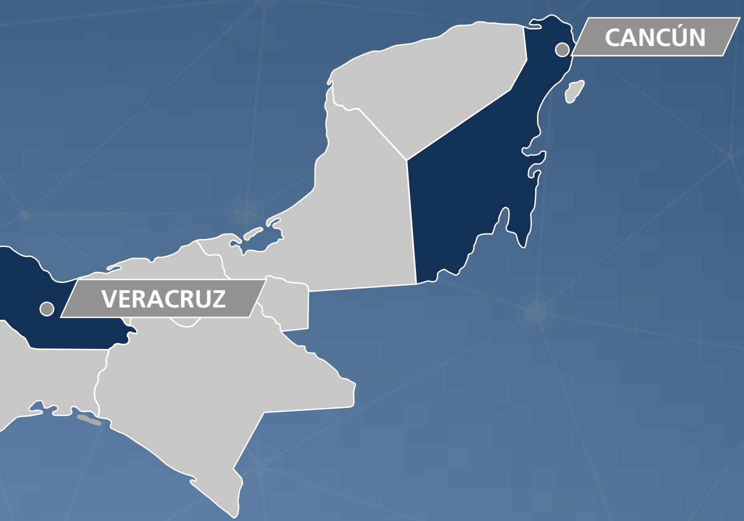
Central

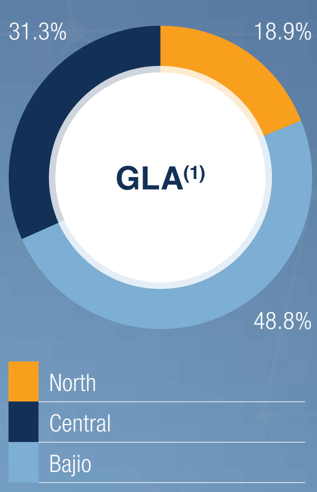
6,726,482 SF
Surface Area

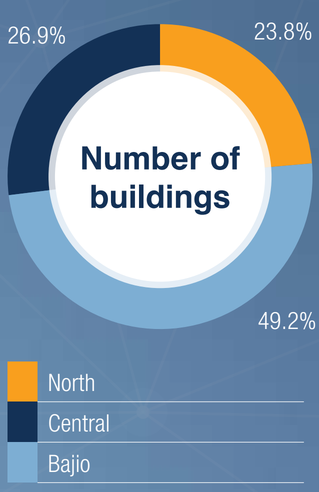
32
Number of buildings

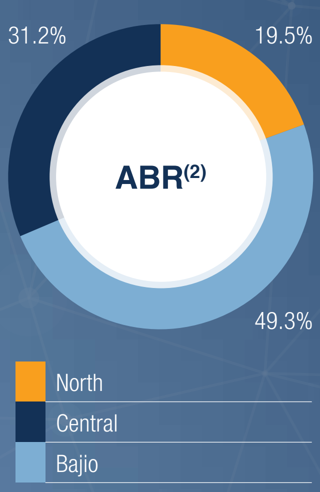
27
Number of clients

37.43 acres
Land reserves









1 Gross Leasable Area
2 Annual Base Rent

CLIENTS

We have a diverse portfolio made up of 128 clients from different industries and countries who, besides generating economic growth, are committed to sustainable development in Mexico.

A key differentiator of our business philosophy is the service we provide our clients; at VESTA we strive to become a strategic partner who establishes long-term relationships and offers innovative services that improve profitability for both sides.

We have a close and personal relationship with our tenants, which translates into high annual contract renewal rates thanks to the work done by our Asset Management team, who have a profound understanding of the real estate sector and are in constant communication with our clients.

In addition, and in order to strengthen the VESTA-client relationship even more, the Asset Management division was created to focus on offering contract renewal, investment maintenance, administration, and park operation services.

In 2016 this division implemented a program to review the Central region portfolio. By appointing local employees, we improved regional service and handled client requirements concerning their contracts and maintenance.

We complemented this service by encouraging bidirectional communication by our **Customer Satisfaction Survey** that helps us to get to know and evaluate the perception of VESTA's quality, real estate design, service, and response to client concerns.

We obtained very valuable information from the clients we surveyed.

84% believe the effectiveness with which we provide a solution to their problems was good or excellent.

93% believe our service and the availability of the administrative, commercial, and operational staff was good or excellent.

92% are satisfied with the service VESTA provides them.

Note: In 2016 customer satisfaction level was 90%.

On the other hand, in 2016 we started conducting two additional surveys: the **Maintenance Satisfaction Survey,** to detect aspects that could affect the VESTA properties and, consequently our clients' performance; and the **Supplier Survey,** aimed at maintaining efficient, healthy, and productive relationships with the companies that offer us some kind of service as part of our value chain.

From the results of the maintenance survey, we detected and addressed client concerns that were included by the Asset Management division into its action plan. We also obtained very valuable information concerning client expansion plans, new lines of business, demand for value-added services related to the properties they are leasing, as well as sustainability initiatives.

Based on this information, we invited them to participate in the VESTA Social Responsibility initiatives that best align to their own interests.

In general, the results of the survey are summarized as follows:

83% believe our service and the availability of the division's staff is good or excellent.

75% believe the effectiveness with which we provide a solution to their problems is good or excellent.

89% are satisfied with the service VESTA provides them.

86% believes the quality of our facilities is good or excellent.

This all reflected in a 98.5% renewals in 2016, 60% advance renewals for 2017 and 10% for 2018, confirming that we offer an efficient service.

At the same time, results from the first supplier survey, which we conducted with contractors in the Development and Asset Management divisions, showed that:

The Supplier survey showed the following results:

92% view VESTA as their strongest ally.

89% recognize that their relationship with VESTA has evolved favorably over the past year.

89% state that response times at both divisions are quick and timely.

SOME OF OUR CLIENTS BY INDUSTRY

AUTOMOTIVE

FOOD AND BEVERAGES

Our portfolio allocates **29.4%** of facilities to logistics companies and **70.6%** to manufacturing companies.

39.7%	Automotive
14.6%	Other
11.5%	Food & beverage
10.6%	Aerospace
8.7%	Consumer goods
7.8%	Recreational vehicles
4.6%	Logistics
2.5%	Electronics

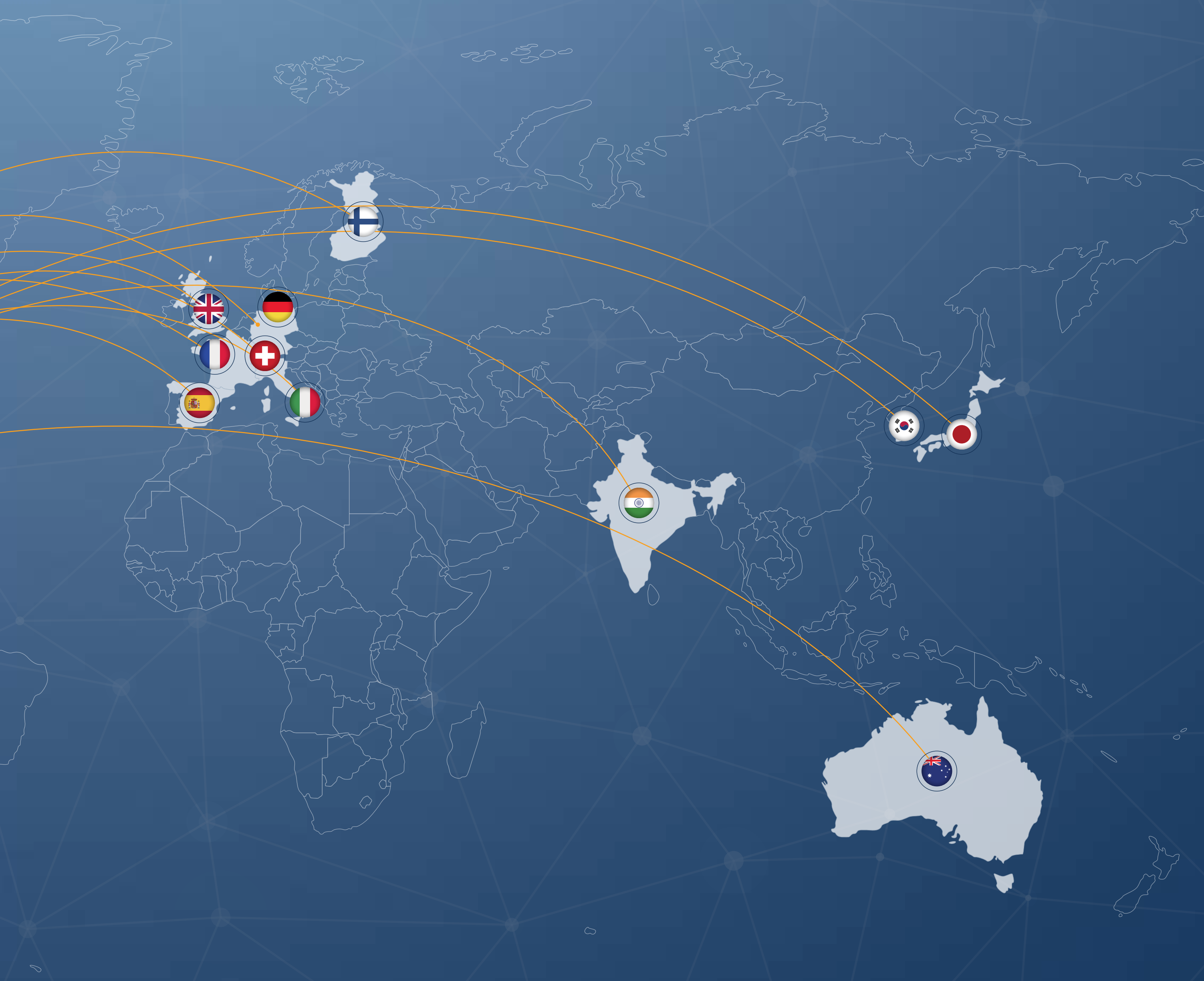
Our Key Clients	Nestlé	NISSAN	SAFRAN	BRP
Origin of our clients' capital				
% GLA*	7.2%	4.4%	4.4%	3.9%
Years with VESTA	14	3	8	3
Credit rating	AA	N/A	N/A	A-

AEROSPACE

H.C. Porsche Co. · BOMBARDIER · MEGGiTT · PCC · SAFRAN

LOGISTICS

NEOVIA · OXXO · Ryder · Wilson · xpedx · Zemog · Medistik



tpi	LEAR	BOMBARDIER	FCA	elektra	HARMAN
2.9%	2.7%	2.6%	2.1%	2.0%	1.7%
1	7	9	3	7	6
B	BB-	N/A	A	BB-	N/A

GRI G4: G4-12, G4-22, G4-32, G4-LA14, G4-HR10, G4-SO9, G4-PR2

VALUE CHAIN

VESTA's business strategy is centered on developing industrial real estate and on managing buildings and industrial parks.

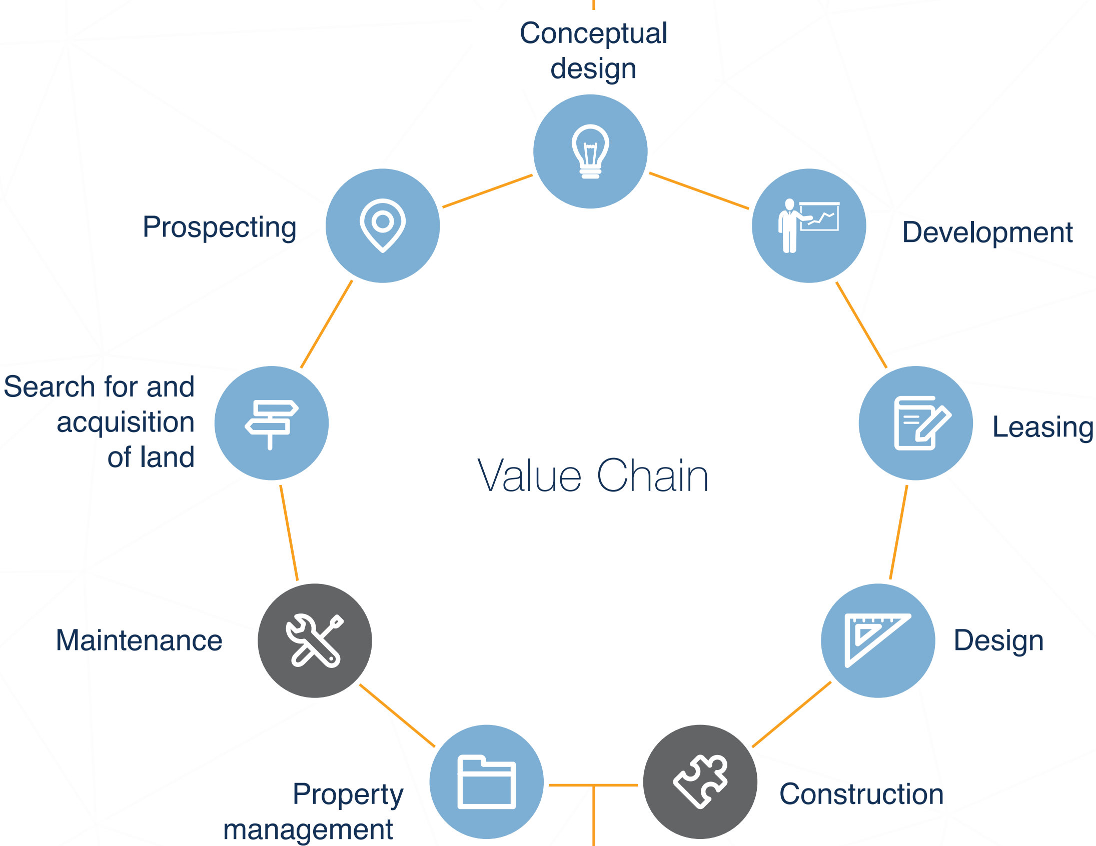
Since VESTA is not a construction company, our value chain includes a variety of activities and services we offer in collaboration with specialized suppliers that adapt both to the needs of our clients, and to our specific requirements.

Contractors and suppliers who work with us are selected by means of a bidding process through which we award contracts. This way we try to mitigate the risks inherent to construction and we foster competition among contractors, which translates into lower costs, better quality in our buildings, and into the possibility of offering competitive options to our current and future clients.

It is important to mention that we have been using this model ever since we began to operate. To this date, we have had no delays or considerable additional costs during the construction of the properties we have developed.

Our Core Competencies

We focus our efforts on creating commercial intelligence that allows us to anticipate future needs and develop strategic facilities that can attract new industries as well as those we are already familiar with; simultaneously, we continue to build long-term relationships with our clients in order to achieve our expected future growth.



Outsourced Services

We work in collaboration with companies who are experts in design, construction, and maintenance so that we can offer the best and fastest real estate development, complying with our costs metrics as well as with the timeline of our projects. For all legal permits and procedures, we work with specialists who help us manage them. Once a building is ready, maintenance is provided by a variety of contractors.

The flexibility of the VESTA business model allows us to choose the most innovative, functional, and cost-efficient options that align with the preferences and needs of our clients.

We select our project contractors by following a series of steps. First, our Allocation Committee assesses the candidates based on aspects such as quality, experience, reputation, sustainability, state-of-the-art construction and engineering techniques, and on-time delivery of developments. Afterwards, we evaluate feasibility and financial flow through standardized processes using a proprietary software that regulates access and approval levels. Once contractors have been selected, we monitor compliance and assurance that the development will be delivered on schedule.

In striving for our sustainability culture to permeate through all the links in our value chain, we share with our contractors the **Sustainability Requirements for Suppliers.** They must adhere to it, thus ensuring their construction processes and activities are aligned with VESTA's sustainability strategy. We also carry out evaluations based on environmental, labor, free association, and human rights criteria. In 2016 we had no complaints or breaches on these issues from any of our suppliers.

Of our 10 main suppliers in the Development division, all have policies in place to promote the respect for human rights and to prohibit child and forced labor. All of them either are signatories of or base their actions on the criteria established by the United Nations Global Compact. Likewise, they have a code of ethics or values guidelines and, if VESTA were to require it, they would be willing to apply for environmental certifications.

Every one of our construction projects follows an **Occupational Safety Program** developed by the supplier, and make regular reports on the safety meetings held at the work site, in collaboration with the Project Manager and the supplier. Additionally, contractors register their workers with the Mexican Social Security Institute (IMSS, by its name in Spanish), in accordance with Mexican law.

In 2016 we were notified that one of our contractors was not complying with its legal obligations as an employer. As a result, we asked for evidence and our Development division established a plan of action to ensure that the rest of our contractors comply with our requirements.

To complement our relationship with our value chain, we promote healthy, collaborative, and mutual growth relationships through several programs.

Relationship with our suppliers:

50% of our 10 main suppliers support VESTA's social responsibility projects.

90% develop their own social responsibility projects as part of their sustainable development policies.

100% have included indicators related to social responsibility values in their policies.

VESTA Contractors' Day

Seminars whose goal is to generate more efficiencies by improving, standardizing, and updating procedures in the works developed by VESTA.

Workshops and Inauguration Events

Our suppliers actively participate in our Code of Ethics workshops and are invited to inauguration and kick-off events for our developments. At these events, we encourage integration and entertainment.

Social Responsibility

This year, 5 of our main contractors collaborated in our VESTA Adopt a School initiative with improvements to one of the school's facilities and by donating technological equipment aimed at improving the education of the children.

02

DISRUPTION (ExO)

Strategy:// We are preparing to become an ExO by employing technology in our processes and by innovating in order to foresee the future needs of the industry and our surroundings.

TRANSFORMATION TO BECOME AN **ExO**

STRENGTHENED THE VESTA **VISION 20/20**

INNOVATION PROGRAM AT **SINGULARITY UNIVERSITY**

INNOVATION

An **ExO** is an organization whose output is at least **10 times** higher than its competitors as a result of employing organizational techniques that leverage acceleration technologies.[1]

The VESTA business strategy is based on innovation, a feature that is part of our company's culture under the concept of INNOVESTING: investment in innovation.

This work philosophy has taken us to seek for new ways of doing business based on the use of technology, and to anticipate disruptive changes that could arise in the competitive environment with the digital revolution and artificial intelligence, both of which are setting the stage for establishing what is known as Industry 4.0. In order to be prepared to face the challenges all this will entitle, in 2016 we began a process aimed at transforming VESTA into an Exponential Organization (ExO).

One of the characteristics of an ExO is that it can easily adapt to change because of its horizontal structure and multi-disciplinary teams that operate on decentralized authority.

At VESTA we are aware that this is our time to transform and evolve, as all ExOs do, in aspects such as strategy, processes, culture, KPIs, people, and systems. Only then will we be able to face the challenges brought about by technological singularity.

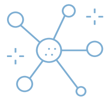
To achieve this transformation, our Board members and top management trained at the Singularity University, an academic institution whose main goal is to inspire leaders for the exponential development of technologies that will help us face great global challenges.

Based on all this, the first step we took toward organizational change at VESTA was to define our Massive Transformative Purpose (MTP) by means of an internal process that allowed us to identify our strengths, ambitions, and the company's DNA. We concluded the result would have to:

01.

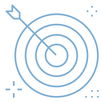
Be powerful and inspiring.

02.



Generate a cultural movement that invites change; become a transforming agent.

03.



Have a well-defined purpose.

1Exponential Organizations, Salim Ismail.
2 An MTP is a company's aspirational objective that captures the hearts and minds not only of its employees, but also of its stakeholders.

This is how we defined the VESTA MTP:

INNOVATING MEXICO'S INDUSTRIAL PLATFORM

01.

Since innovation is at the foundation of our INNOVESTING philosophy, investing in innovation is a priority for us.

02.

Building a consolidated industrial platform that is cutting-edge, intelligent, and can welcome the most modern companies in the world, is our work ambition and reason for being.

03.

Mexico is our inspiration and the country for whose success we work vehemently.

In addition to defining our MTP, we are working to identify and develop key elements with exponential goals that will help us face the challenges of the global economic environment. To this end, we will transform our processes based on information technologies that will allow us to become more efficient, save resources, grow our business internationally, and optimize the transference of knowledge within the organization.

Because our human capital will be key to implementing these changes, we are aligning our goals as a company with our MTP and with the technological processes. This is why we have already started innovating the way in which we manage our Human Resources division by defining profiles, training courses, and new abilities based on an exponential approach.

INNOVATION PROGRAM AT SINGULARITY UNIVERSITY

Experts agree that companies that do not innovate will not survive in the new era of technological advances that are changing the way in which industry works at an exponential pace.

Based on this premise and in an effort to be congruent with our INNOVESTING philosophy, in October 2016 members of our Board and our top management attended a program developed exclusively for VESTA by the Singularity University, an institution located in Palo Alto, California, at NASA's Ames Research Park. The program was designed to explore disruptive forces that are impacting the real estate industry, and focused on articulating the transformation of VESTA into an ExO.

In December, one of our Vice Presidents attended the Executive Program with other more than 40 top executives from all over the world in order to understand the creativity-developing theories so that we can include them in the VESTA innovation culture by employing different tools.

In total, 68 employees and Board members participated in this initiative, allocating 440 man-hours to this training course.

In 2017, developing innovation will become systematic for the whole company. We will conduct workshops, employee courses, and programs to create new products and processes and to increase productivity by adopting technology.

> **Singularity** is an inflection point in which the rules and technology of a given civilization accelerate in such a way that they become incomprehensible for the previous generations.

We want to be **the leaders for change**, to never stop learning, and have a continued future of exponential growth.

INTELLIGENCE

Developing market intelligence that will guide us toward innovative methods in the transformation of our business is an essential part of the innovation process at VESTA, and it will contribute to the success of our strategy.

This implies having the necessary knowledge and being prepared to face different scenarios that could arise from cutting-edge information technologies, global and local trends, our clients' needs, as well as from statistical results on topics related to the industry.

Technology strengthens our business model, and allows us to differentiate our product offering depending on the markets and their competitiveness, based on a profound analysis of market dynamics and different industrial categories where our clients participate. This helps us make profitable and sustainable decisions: we capitalize intelligence.

Our new assessment tools help us ensure that our investment decisions will maximize value creation for our shareholders.

As part of the transition process to becoming an ExO, we are preparing our employees so that they become part of the strategy and apply certain elements of intelligence to existing processes in their own activities. In addition, we are aligning individual objectives to the goals of the company, based on trends in our sector, by employing performance matrixes and strategic maps that ensure continuity.

VESTA VISION 20/20 PLAN

2016 was a year full of changes in the international environment that forced us to revisit our expansion projections and strengthen the strategic VESTA Vision 20/20 plan.

While our key objectives remain the same, we have reconsidered our annual growth based on a profound, systematic, and quantitative analysis of the markets in which we participate, selecting the opportunities we wish to leverage depending on the field and client. Our projections are conservative because we wish to maintain a healthy capital structure, whose ability to absorb the market is favored by the diversification strategy:

01.

Double the size of our property portfolio.

02.

Strengthen our corporate responsibility and risk management efforts.

03.

Increase our investment in developing our most important asset: our human capital

Components
VESTA Vision 20/20

Business
· Focus on the most dynamic market and regions in Mexico
· Corporate governance

Employees
· Job security
· Attracting and retaining talent
· Training and development

Industry partners / brokers
· Key trade channels
· Strong relationships

Investors
· Return on investment
· Growth
· Net operating income

Corporate citizenship
· Risk management
· Transparency
· Environment
· Community
· Reputation
· Human rights

Local Authorities
· Strong relationships
· Long-term relationships
· Economic and social development
· Local development

Clients / Consumers
· Attract global players in key industries
· Capture growth of current clients
· Long-term relationships

Product
· Class "A" buildings
· Stricter eco-efficiency standards
· Certified buildings

Suppliers / Contractors
· Business continuity
· Business partners
· Fair and equitable treatment

By reinforcing the **VESTA Vision 20/20** strategic plan we are preparing for changes in the market that are not under our control, thus ensuring profitable and sustainable growth for our business.

SUSTAINABILITY

Priority social and environmental projects are all within the area of influence of our company and directly benefit our stakeholders.

The components of our strategy are a perfect combination for VESTA's sustainability because we contribute to the competitiveness of our clients and the wellbeing of society by minimizing the environmental impact of our developments and, at the same time, creating capabilities for our neighboring communities.

The guidelines we follow for sustainable projects are headed by the company's highest governance body and have the support of the Social Responsibility and Environmental Committee (CRSA, by its name in Spanish), the Ethics Committee, the Investment Committee, and the Sustainability division.

CRSA is responsible for determining the sustainability plan and for verifying compliance with the company's programs related to this topic. Additionally, to make sure all our projects include sustainable aspects, and they do not go against the guidelines established in the Social and Social Responsibility and Environmental Policies, a member of CRSA and the person heading the Sustainability division, are both members of the Investment Committee.

In 2016 we worked to extend our institutional programs to every region in which we are present, and we encouraged our employees to participate more in sustainable projects. In the Transformation section of this Report we give detailed information on our most relevant programs, as well as the social and environmental benefits they offer.

In order to create social and environmental value at the locations where we are present, the projects and programs we carry out must follow:

Guidelines that capitalize our efforts toward sustainability:

1.- Generate a considerable social and environmental impact that can be measured.

2.- Promote, maintain and/or protect the VESTA name.

3.- Encourage initiatives in every region.

4.- Prioritize projects that fall within our area of influence.

5.- Under no conditions will we consider projects that go against the VESTA Code of Ethics.

6.- Initiatives that only imply a cash and/or in-kind donation will not be eligible, and neither will those that are not aligned with our business.

7.- Incentives for projects that do not have a direct relevance are not eligible either.

8.- CRSA is the only body that can approve exceptions to these guidelines.

Environmental Policy

Comply with the company's policies and procedures, as well as with all applicable local laws and regulations and, where appropriate, exceed regional environmental standards.

Reduce the ecological impact of our developments by promoting continuous improvement in bio-climatic design and eco-efficient buildings, working together with our suppliers and contractors to meet the needs of our clients.

Make a strategic effort to promote the use of renewable energy in our developments and with our stakeholders.

Optimize the consumption of energy, water, and materials at our operations, and minimize our impact on biodiversity as well as air, water, and land emissions.

Identify, plan, and manage potential environmental risks in a timely manner in our buildings, developments, and operations.

Provide the necessary resources for training and supervision in order to properly manage the environmental aspects of our operations.

Promote actions that raise environmental awareness and combat climate change among our stakeholders.

Maintain open communication with our stakeholders.

Define, monitor and openly report our environmental performance, with measurable and achievable objectives and goals.

QUALITY

We are committed to promoting a culture of sustainability among our stakeholders and, particularly, among our clients. Although we know that we have no control over their activities and consumption habits, we make sure we offer them eco-efficient spaces and oversee that they comply with the guidelines established by international certifications such as ISO 9001 or any other specific certifications the client requires.

In addition to our Environmental Policy, we also have a Quality Policy, a Quality Management System (SGC, by its name in Spanish), and internal auditors to drive efficiency throughout the company, all of whom make sure all our projects comply with the required processes.

Our Quality Policy offers our clients efficient service and sustainable real estate developments. With an enterprising team and personalized service, we establish a relationship of mutual respect with our suppliers and implement the continuous improvement of our ISO 9001:2015 quality management system.

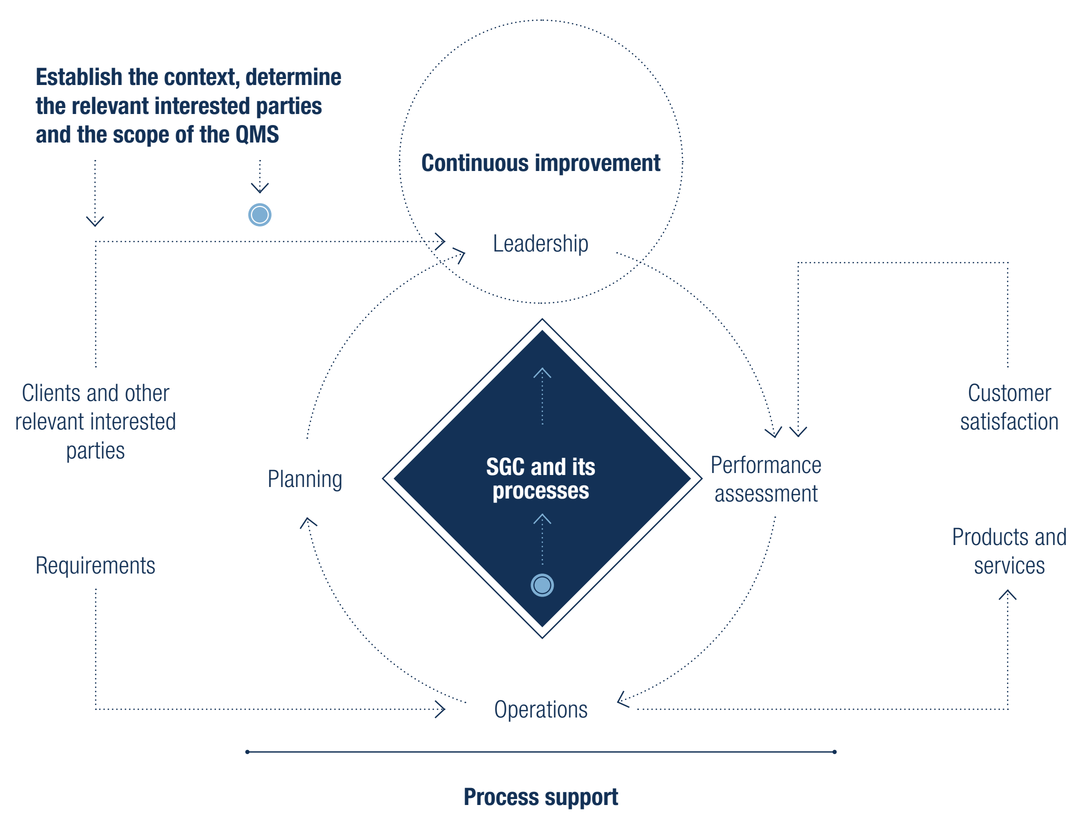
As part of our SGC we take our stakeholders and their expectations into consideration to improve our response times in our general communications and operation. Likewise, their post-sale service needs are handled by our Asset Management team whose goal is to offer a service experience that surpasses our clients' expectations.

In 2016 we worked to obtain the ISO 9001:2015 certification with the active participation of all divisions in the company. For the first time ever, we developed talent internally to update all process and procedures documentation, and to carry out the internal quality-control audit. We have concluded the diagnosis and phase I of the audit.

This exercise allowed us to involve key areas in the company such as marketing, development, and new business, and to gain a better perspective that will help us make the VESTA operating procedures more efficient.

While improving our processes, the internal VESTA quality management effort considers the sustainability strategy as well as the expectations of our stakeholders. Consequently, the whole company is on the same path to achieving the goal of finding a better way to mitigate and capitalize on our resources to create value.

Quality Management System ISO 9001:2015



About our commitment with the environment, during 2016 VESTA Park Toluca I obtained the Environmental Quality certification granted by Mexico's Federal Environmental Protection Agency (Profepa), and VESTA Park Tlaxcala was certified as an Authorized Economic Operator by the Mexican Association of Industrial Parks (AMPIP).

With the same commitment with which we promote a culture of quality, we strive to ensure the safety of our clients within the VESTA facilities and industrial buildings; we do this by implementing our **Property Security Policy.**

Property Security Policy

At VESTA safety is everyone's responsibility.

We are committed to a culture of prevention that protects all aspects of our buildings and industrial parks, including people, assets, information, processes, and the community.

1.- **Responsibility**
Safety at our buildings and industrial parks is a shared responsibility between VESTA and our tenants.

2.- **Training**
Training our employees in safety processes and systems is a primary obligation at VESTA.

3.- **Integration**
Effective communication is essential for the proper understanding and application of protective actions.

4.- **Compliance**
VESTA is obligated to comply with the safety requirements of its clients.

5.- **Best Practices**
VESTA adheres to national and international safety standards.

6.- **Business Partners**
Business partners align with VESTA's safety policies.

03

DRIVE

Performance:// We blend innovation with investments to offer properties that are tailored to meet the needs of our clients and to strengthen the company's profitability.

18% INCREASE IN INCOME

11.2% GROWTH IN GLA

40% OF THE GROWTH IN BTS

GROWTH

In 2016 the world economy was riddled with uncertainty and vulnerability; factors such as the exchange rate, oil prices, interest rates hikes, and the change of government in the United States, contributed to creating an unstable environment. Because Mexico and the United States are neighbors with a very close relationship, our position as a country was even more challenging, and it had an impact on companies that depend largely on the American market and/or American business partners.

The sum of these events resulted in an average annual growth of 2.3% for the Mexican Economy, based on the information provided by the Mexican Treasury Department (SHCP, by its name in Spanish). However, because of our diversified strategy and the work of our **INNOVESTEAM**, we were able to increase our income by 15.2%, up from US $78.56 million in 2015 to US $90.51 million in 2016.

We are intensifying our diversification strategy; currently our portfolio includes companies in Europe, Asia, Canada, and Mexico, multinational companies from 14 countries. Correspondingly, our risks are diversifying and we continue to grow in spite of the adversity.

In 2016 we surpassed all macroeconomic expectations and we achieved the greatest growth ever in Build to Suit (BTS), which currently account for 35.40% of our Gross Leasable Area (GLA). To existing clients, we added global companies and their first- and second-degree suppliers such as TPI Composites, Safran, Tachi-S, ThyssenKrupp, Oxxo, and Gestamp.

We added a total of 2.51 million SF of GLA to our portfolio during the year, the highest number we have ever had since the first quarter of 2015. This is the result of the consistent hard work of the teams led by the New Business and Asset Management divisions, represented by an increase in the Net Operating Income (NOI) of 14.7%, from US $75.98 million in 2015 to US $87.12 million in 2016.

To achieve this, we deployed infrastructure within our developments to support advanced manufacturing and logistics operations. At year-end 2016 we had 138 properties, with a leasable area of more than 22.60 million SF and 303 hectares of land reserves.

We have complete confidence in Mexico's potential and we will continue with our growth plans and a development portfolio of more than 2 million SF, of which 38.7% are already leased. At the same time, we are evolving to become an exponential organization so that we can increase the profitability of our operations based on greater efficiencies, employing technologies in our processes, and by developing market intelligence. We are certain we will reach our VESTA Vision 20/20 and will be ready to face the disruptive changes that could affect our environment.

At year-end 2016, we had **138 properties,** with a leasable area of more than **22.60 million SF** and **303 hectares of land reserves**.

PORTFOLIO METRICS

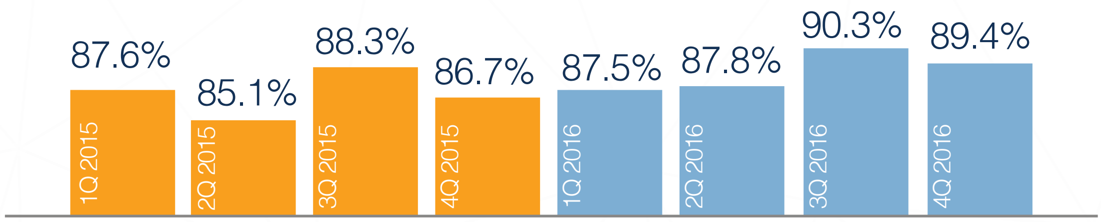
To measure the growth and performance of our portfolio it is important to have comparable tools that help us make good investment decisions. To this end, and in order to improve transparency and standardize VESTA's evaluation to that of our peers in the United States, in 2016 we defined new metrics to report our portfolio's performance, based on the market practices of the National Association of Real Estate Investment Trusts® (NAREIT®).

This process led us to make some adjustments in our occupancy metrics for: total portfolio, stabilized portfolio, and same store. We now define the **total portfolio** as all those properties that are occupied, including development, re-development, stabilized, and properties for sale. The **stabilized portfolio** is defined as those properties that have an 80% occupancy or that have been delivered for at least one year, considering whichever comes first of these two conditions. And in the **same store** category we take into consideration properties that have been operating or stabilized for two comparable periods; we are adopting common market practices and helping our readers compare VESTA's performance against our public competitors.

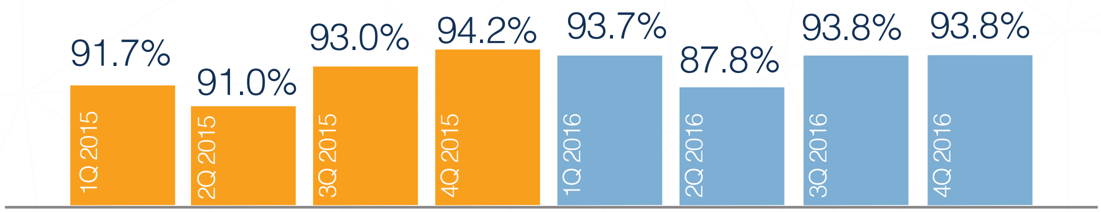
Metrics	Definition
Total portfolio occupancy	· Percentage of occupied properties in the total portfolio. Includes development, re-development, stabilization, and properties for sale.
Stabilized portfolio occupancy	· Occupancy percentage in stabilized properties. A property is considered to be stabilized when it reaches an 80% occupancy or when it has been delivered for at least a year, whichever of these two conditions happens first.
Occupancy portfolio like for like	· Occupancy percentage in properties that have been operating (stabilized) for two comparable periods.

VESTA's performance in 2016, under the new occupancy metrics for the portfolio, came to **89.4%** for the total portfolio, **93.8%** in the stabilized portfolio, and **97.2%** in same store.

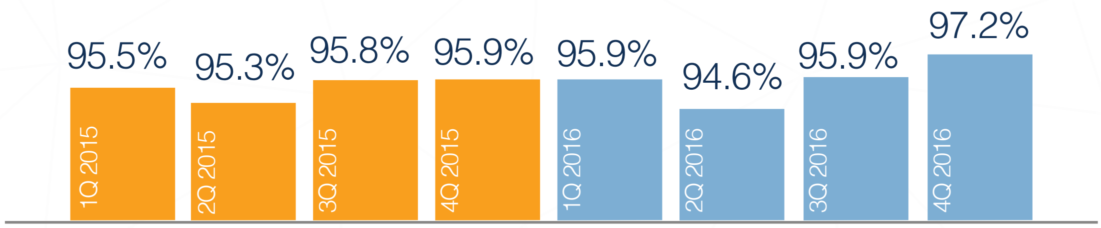
Occupancy % Portfolio



Occupancy % Stabilized Portfolio



Occupancy % Same store



At VESTA we believe it is vitally important to communicate to all our stakeholders any changes in our financial information in a timely manner in order to offer certainty to the market.

In 2016 we carried out several efforts concerning the restructuring of our debt, enabling us to maximize profit from operations and gain the trust of our investors. In August we reduced by 300 basis points our debt costs and, at the same time, we extended maturity to six years. Likewise, we paid in full our debt liabilities to Blackstone LP for US $298.06 million, corresponding to 100% of the debt with maturity this year.

Concerning new financing, we closed negotiations for US $400 million, including: a US $150 million unsecured five year loan; a US $100 million revolving unsecured loan with a three year maturity; and a 10 year secured non-recourse loan for US $150 million dollars. It is worth mentioning the BBVA and HSBC led a bank sydicate for the unsecured facilities, while the secured term loan was closed with Metropolitan Life Insurance Company (Metlife).

Sustainability efforts in our business also include caring for our finances. To this end, we analyze the credit profile of our clients and require collateral on 80% of our leasing contracts, as well as double or triple support, meaning the client is responsible for paying most of the maintenance costs, including property taxes.

In the years to come, we will continue to work to strengthen our company's profitability, leveraging all our resources to maximize economic value and ensure our return on investment.

ECONOMIC VALUE

As part of our business strategy, we seek to maximize the economic value of our company. These are the resources we can use to promote innovative projects benefiting our investors, employees, and neighboring communities.

Direct Economic Value Generated				
	2015		2016	
Total Income	**$78,562,329**	**100%**	**$90,511,822**	**100%**
Rental income	$76,837,211	97%	$87,278,706	96%
Refundable	$1,725,118	3%	$3,233,116	4%

Economic Value Distributed				
	2015		2016	
Total expenses	**$15,660,996**	**100%**	**$15,613,122**	**100%**
Property operating expenses	$4,335,132	28%	$4,376,446	28%
Direct employee benefits	$7,204,579	46%	$7,130,504	46%
Administrative expenses	$1,220,309	8%	$1,220,309	8%
Legal and audit expenses	$1,208,874	8%	$1,212,794	8%
Marketing	$1,136,643	7%	$1,136,643	7%
Other	$21,795	0%	$2,762	0%
Property appraisal expenses	$352,357	2%	$352,357	2%
Issue of indirect shares	$181,309	1%	$181,309	1%

Break-down of the Economic Value Distributed by Input		
	2015	2016
Property Operating Expenses	**$3,578,135**	**$4,376,446**
Electricity	$218,156	$223,828
Water	$144,968	$191,030
Safety	$494,635	$498,174
La Mesa maintenance	$145,735	$116,943
Materials	$43,344	$28,335
Waste collection	$1,990	$3,177
Gas	$6,293	$6,903
Real estate taxes	$1,286,942	$1,384,345
Insurance	$375,210	$353,680
Maintenance	$559,685	$896,732
Industrial park membership fees	$245,446	$298,482
Legal expenses	$54,359	$97,573
Doubtful accounts	$0	$227,244
Administration Expenses	**$2,339,543**	**$2,438,075**
Leasing	$342,780	$425,687
Communications	$18,246	$124,727
Consulting and technical support	$226,090	$396,479
Other current expenses	$537,603	$273,415
Marketing	$1,049,742	$1,112,847
Non-deductibles	$65,084	$101,980
Clean park	0	$2,941

*Amounts in dollars.

04

SYNERGY

People:// We value and leverage the talent of our employees and of the people with whom we interact, recognizing them as a key factor that allows us to achieve our business goals and objectives.

100% OF THE AUDIT AND CORPORATE PRACTICES COMMITTEES INCLUDE INDEPENDENT DIRECTORS

21 NEW EMPLOYEES

2 CUSTOMER SATISFACTION SURVEYS AND **1** SUPPLIER SURVEY

CORPORATE GOVERNANCE

The Board of Directors is the highest governing body at VESTA. It establishes the general guidelines for the business, always based on our ethics and transparency principles; approves the business plan and the annual budget; analyzes potential risks, and oversees compliance with the company's norms and policies throughout the operation.

Another of its functions is to develop new long-term policies, with the collaboration of the Board members, top management, and employees. These policies combine how the business is managed with solid corporate values and good social practices to offer a high-quality service that satisfies the needs of our clients, for whom we strive to create value beyond just the economic aspect.

Our Board includes 10 proprietary members, of which eight are independent. The members themselves, or their corresponding alternate members, are selected or ratified by the Ordinary Shareholders Meeting based on their experience, capabilities, trajectory, moral character, and professional reputation, in compliance with the requirements established in the Article 26 of the Mexican Securities Law (LMV). To be eligible as independent, they must perform their duties with no conflicts of interest and ensuring they have no personal, property, or economic interests.

The VESTA Board of Directors is diverse and multicultural, and it includes one female as independent proprietary member, a German member, and two members from the United States. This fortifies the contribution the Board makes to the growth of our company.

The Board is chaired by Lorenzo Berho Corona, who is also the company's Chief Executive Officer. He holds both positions due to his experience, working abilities, decision making, moral character and, above all, corporate integrity.

In order to be a transparent organization that promotes synergies with the people with whom we interact, we have policies in place concerning the activities performed by our Board members, top management, and employees who have access to confidential or privileged information and to the company values, as well as the guidelines for the share buyback program, in accordance with the Mexican Securities Market Law (LMV), and the Document for Issuers and Other Market Participants.

Economic compensation granted to the Board members complies with the provisions of Section I of Article 43 of the LMV and with the VESTA bylaws. The Corporate Practices Committee issues a recommendation on the amount, which is approved by the Shareholders Meeting. Remuneration for the company's top management is determined based on their responsibilities.

During 2016 we made no changes to compensations paid to the members of the Board nor the committees. Concerning our top executives, a group of external consultants assessed whether compensations were well aligned with their respective responsibilities. Accordingly, salaries for these positions within the company were leveled out to market value and were approved by the Corporate Practices Committee and by the Board of Directors.

Our stakeholders can request information about this or issue their recommendations and opinions at **investor.relations@vesta.com.mx.**

We **ensure value creation** for all stakeholders based on a solid Corporate Governance structure, experienced leadership, and an innovative work team.

01.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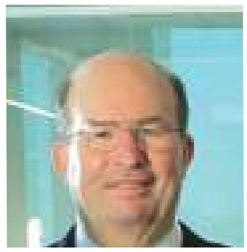

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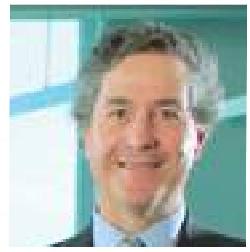

08.


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10.


Board of Directors

Director	Age	Since	Attendance	Nationality	**Alternate**	Age	Since	Attendance	Nationality
01. Lorenzo Manuel Berho Corona**	57	2001	100%	Mexican	Lorenzo Dominique Berho Carranza	34	2001	100%***	Mexican
02. Stephen B. Williams*	66	2001	100%	American	Michael Peckham*	58	2014	0%	American
09. José Manuel Domínguez Díaz Ceballos*	57	2015	100%	Mexican	José Humberto López Niederer*	56	2011	50% ***	Mexican
06. Marlene Hormes*	38	2012	100%	German	Craig Wieland*	57	2016	50% ***	Mexican
03. Enrique Carlos Lorente Ludlow*	44	2007	83%	Mexican	Luis Javier Solloa *	50	2015	0%	Mexican
05. John Andrew Foster	56	2011	83%	American	Craig Gladstone Vought	55	2012	17%	American
04. Wilfrido Castillo Sánchez Mejorada*	75	2014	66%	Mexican	José Antonio Pujals Fuentes*	78	2006	33%	Mexican
10. Oscar Francisco Cázares Elías*	57	2014	50%	Mexican	Daniela Berho Carranza	32	2014	50%	Mexican
08. Francisco Uranga Thomas*	53	2011	83%	Mexican	Jorge Alberto de Jesús Delgado Herrera*	70	2011	17% ***	Mexican
07. Luis De la Calle Pardo*	57	2011	83%	Mexican	Javier Mancera Arrigunaga*	57	2011	33% ***	Mexican

*Independent Members
**Chairman of the Board of Directors and Chief Executive Officer of VESTA, approves the Sustainability Report in collaboration with the Board of Directors and the Social Responsibility and Environmental Committee.
*** Alternate members who attended the Meetings of the Board with no voting rights because the named member was also present. They participated in the meetings to stay up to date on the company's strategies and projects.

2016 Meetings of the Board of Directors

Date	January 27	February 17	April 27	July 27	October 26	November 22
Participants	100%	100%	100%	90%	100%	80%

1 Independent Directors
2 Proprietary Directors
3 Chief Executive Officer and Chairman of the Board

Besides the compensation and economic retribution, topics described above, during these meetings the Board of Directors reviewed sustainability issues that are crucial to the company's growth and development. Other issues discussed were the organizational structure, approval of the Director of Human Resources position, the share buyback strategy, training in innovation, the political and economic environment following the presidential elections in the United States, projects under development, and the challenges and opportunities for the company in 2017.

100% of the committees include at least one Independent Board Director.

Meetings of the Operating Committees

Committee	Date	Attendance	Topics discussed
Audit	January 26 February 16 April 26 July 25 October 24	100%	· Financial statements · External auditor · Building valuations · Budgets
Corporate Practices	January 26 February 29 April 26 September 1	100%	· Review and approval of the report on employee bonuses · Analysis and approval of the compensation plan for the CEO · Analysis and approval of the VESTA organizational matrix · Approval and recommendation on the number of shares corresponding to the long-term incentives plan for the top management · Analysis and approval of the implementation of the VESTA organizational structure
Investment	January 8 February 12 March 17 June 28 September 7 October 10	100%	· Project evaluation · Approval of investments in buildings and for buying land banks · Assessment of new developments and geographies · Review of the occupancy percentages in the portfolio
Ethics	August 15 September 19	100%	· Report on the activities and follow up on claims made · Monitoring of employee compliance with the code of conduct
Social and Environmental Responsibility	November 15	100%	· Approval of the budget and objectives · Participation in regions with social projects · "Well" and LEED certifications
Debt and Equity	January 5 February 19 March 30	100%	· Market valuation · General strategy, financing policies, and debt plan · Assessment of new financing options

Committees

To support the functions of the Board, we have six operating committees. The chairmen of the Audit Committee and the Corporate Practices Committee are elected by the Shareholders Meeting, while both the members and chairmen of the other committees are elected by the Board of Directors.

The Chairman of the Board actively participates in the meetings of the committees, communicating to the members the most relevant issues for the company that are also included in the report he submits annually to the Board of Directors and the General Shareholders Meeting. In addition, most Board members participate as either chairmen or members in a committee, directly involving themselves with VESTA's most relevant issues.

Audit Committee.

Chairman: José Humberto López Niederer
Members:
Stephen B. Williams[1]
José Manuel Domínguez[1]
Marlene Hormes[1]

Oversees compliance with corporate, accounting, financial information, and internal control policies in accordance to the Mexican Securities Market Law.

Social and Environmental Responsibility Committee.

Chairman: Jorge Alberto de Jesús Delgado Herrera[1]
Members:
José Manuel Domínguez[1]
Roque Trujillo
Diego Berho Carranza
Daniela Berho Carranza

Promotes sustainable development in all the company's projects and is in charge of identifying environmental risks and determining how to mitigate them.

Ensures that the company's environmental and social policy is followed by all projects. It submits an annual report to the Board of Directors including a summary of all activities and degree of compliance. The report is also submitted to the Shareholders Meeting.

Corporate Practices Committee.

Chairman: Javier Mancera Arrigunaga[1]
Members:
José Antonio Pujals Fuentes[1]
Stephen B. Williams[1]
Óscar F. Cázares Elías[1]

Reduces the potential risk of carrying out operations in disadvantageous conditions or that benefit a specific group of people or shareholders. Oversees executive and employee administrative, remuneration, and compensation policies. Addresses and solves conflicts of interest, except when, because of their own nature, these need to be addressed by the Board of Directors.

It also functions as a Nominations Committee responsible for selecting Board members and the members of the executive committees, by issuing its recommendations to the Board of Directors and to the Shareholders Meeting, as appropriate. It also verifies the independence of the Members.

Debt and Capital Committee.

Chairman: Wilfrido Castillo Sánchez Mejorada[1]
Members:
John A. Foster[2]
Stephen B. Williams[1]
Lorenzo Berho Corona[3]

Analyzes the market to draft the company's general strategy and financing debt and equity policies to ensure growth.

Investment Committee.

Chairman: John A. Foster
Members:
Craig Wieland[1]
Lorenzo Berho Corona
Stephen B. Williams[1]
Marlene Hormes[2]

It evaluates, analyzes, and approves investments and financing for company projects, even making sure that all investments take into consideration environmental and social responsibility aspects. The Sustainability Manager participates in the meetings of this committee.

Ethics Committee.

Chairman: José Antonio Pujals Fuentes[1]
Members:
Alejandro Pucheu Romero
Elías Laniado Laborín

It verifies compliance with the Code of Ethics; additionally, it is the body in charge of receiving and processing complaints, violations, and breaches in the company's or our stakeholders' rules.

1 Independent Members
2 Alternate Member
3 Chief Executive Officer and Chairman of the Board

The **Social Responsibility and Environmental Committee's** self-evaluation will help us improve its contributions in the future, as the risk management model will do as well.

To update the Board of Directors on issues that have an impact on sustainability, presentations are made during some of the meetings on relevant topics. In addition, the Board members take part in guided tours of industrial parks, works in progress, or relevant companies to gain a better perspective of the conditions prevailing in the geographies where we operate.

In 2016, for the first time, we conducted the self-evaluation of the Social Responsibility and Environmental Committee on both its performance and the issues discussed. In 2017, we will replicate this with the other committees and with the Board itself.

Also during the year we held the first meeting of the Board of Directors outside Mexico, in the city of Palo Alto, California, where we also held the course on exponential organizations and innovation offered by Singularity University. The goal of this meeting was to include new global trends in our company and to analyze the way in which we can integrate them into our operation, from an innovative point of view.

On the other hand, we offer several options for anyone who wishes to communicate with our executives or Board members. We have an Investor Relations division that establishes and coordinates different means of communication, including:

- Conference calls
- e-mail: **investor.relations@vesta.com.mx**
- Publishing information that we consider to be relevant to the society
- Reports to the Mexican Stock Exchange and the Mexican Banking and Securities Commission.
- Annual and quarterly reports

Likewise, questions can be posted to the Board of Directors—through our General Counsel—on economic, social, or environmental issues. In accordance with our transparency framework, our financial and Corporate Governance information can be viewed at **www.vesta.com.mx.**

During 2016, the Board of Directors received inquiries concerning the prevailing political and economic environment in Mexico, feedback on the Code of Ethics and employee training plans. After reviewing every proposal, the corresponding committee issued a report that was submitted to the Board for its consideration.

GRI G4: G4-45, G4-46, G4-47, G4-EC2

Risk Management

At every meeting of the Board of Directors we assess the economic, political, social, and environmental conditions of the real estate industry in Mexico and in other countries. We follow a risk management methodology that takes into account the potential impact on our business.

Any time a new risk is identified, the committees in charge of classifying them, based on the VESTA-established guidelines, communicate them to the Board of Directors, and mitigation strategies are set.

Item	Risks
Risks associated with the business	· Economic and industry situation · Socio-political and environmental factors affecting business prospects or current projects · Financial market volatility · Slowdown in our clients' industries · Growing competition · Operating or financial restrictions · Damages or losses due to natural phenomena · Developing industrial properties · Legal, environmental, and safety regulations · Delays or improvements at our properties · Succession of key executives · Incurring in debt to finance acquisitions · Natural phenomena and climate change
Risks associated with Mexico	· Macroeconomic situation · Socio-political events · Exchange rates, inflation, and interest rates · Changes in legislation
Risks related to our shares and our shareholders	· Fluctuations in our share price · Potential sources of financing · Main shareholders with influence over the operation · Dividend payments · Limits on our operating and financial flexibility · Large selloff of shares

ETHICS AND HUMAN RIGHTS

At VESTA, ethics are a part of all the decisions we make, both within the company and externally. Consequently, we have placed particular attention to promoting a culture of legality at all levels of the company, and with our stakeholders. This effort has helped us become a solid company that is an active participant in Mexico's growth. We generate trust for investors and contribute to making the country an industrial platform for North America and the rest of the world.

Our Code of Ethics* is a document in continual evolution that consolidates our commitment to being a transparent company in the whole sense of the word, and which steers the correct behavior we need to adopt and the reality in which we live. It is aimed at all of us who work at VESTA, including our Board members, and establishes the way in which we wish to engage with our employees, clients, suppliers, shareholders, society, industry, the environment, and the authorities, as well as a series of measures to prevent conflicts of interest and corruption practices. It is constantly updated through meetings held three times a year where the new challenges and ethical dilemmas being faced by the industry and our country are discussed.

We train our whole team regularly on the content of the Code of Ethics, and we include training on this issue in the induction course that every new employee must take. We also share it with our clients and suppliers, whom we ask to adhere to the principles included in the code.

To report acts or behaviors that go against the guidelines established in our Code of Ethics, we make the following email address available to all our stakeholders: **etica@vesta.com.mx**

Via this email, whistleblowers can describe the situation either anonymously or openly, knowing that the information will be handled confidentially and will be used exclusively to investigate the claim.

All complaints are received by the Ethics Committee, who investigates the case and determines if it merits a sanction, which can result in anything from a simple reprimand, or in someone getting fired or be subjected to applicable law.

The committee does not execute the sanctions; this is the responsibility of VESTA executives. However, the committee meets once every three months, issues a report to the Chairman of the Board (irrespective of whether there are any complaints or not), and has other objectives such as:

1. To encourage compliance with the Code of Ethics, including awareness, understanding and assimilation within the company.
2. To determine a system of consequences aimed at strengthening compliance with the Code.
3. To process the ideas, suggestions, concerns, complaints, and feedback of a moral nature, drafting recommendations for the company that are consistent with the whistleblower system.
4. To identify areas and topics in which ethical standards, or the consequences system, are insufficient or nonexistent and, where appropriate, establish the required standards or consequences.
5. To request information related to how environmental, social, economic, and corporate governance risks are being managed, in order to make specific recommendations.
6. To strengthen the ethical culture in the company.

At VESTA we maintain a position of **zero tolerance to corruption** and we operate with total transparency and adherence to all applicable laws.

* The VESTA Code of Ethics can be viewed on our website: **www.vesta.com.mx**

We are signatories of the **United Nations Global Compact**, and we actively foster with our stakeholders its 10 principles concerning human rights, labor standards, the environment, and the fight against corruption.

In 2016, we received and attended a complaint of an employee related to the non-compliance with the Code of Ethics; we did not receive complaints pertaining to acts of corruption. This is the result of an open dialogue on best corporate practices, the constant training our employees receive on ethics and anti-corruption issues, as well as the request we make of all our clients and suppliers that they comply, as we do at VESTA, with the Law for Preventing and Identifying Operations done with Illicit Resources. The law implies gathering information on third parties with whom we do business to determine whether their actions are legitimate.

In terms of regulatory compliance, we adhere to all applicable regulations in the markets where we operate. In 2016, we were not subject to any reviews, reports, sanctions, or fines related to monopolistic or anti-trust practices, non-compliance with health and safety while offering our services, or with any other law.

We adhere to all applicable legislation in Mexico to handle our clients' information adequately. We did not receive any complaints about privacy breaches or personal data leaks. Additionally, most of the information we gather from our clients is public information.

At VESTA we do not sell banned or disputed products.

To make sure that the human rights of every person with whom we interact are protected, we include clauses in our rental agreements referring to ethics, human rights, and VESTA's position against employing child labor or creating conditions for forced labor, which we extend to our clients and suppliers. As of this date, we have no evidence that any operation is not complying with these principles.

Although we have not carried out any human rights evaluations at the work centers, in 2016 we received no reports concerning labor practices, discrimination, social impact, or human rights violations, nor did we detect any real or potential risks of child or forced labor at our locations.

In addition, during this period we did not receive any grievances or complaints concerning the violation of the rights of indigenous groups. Our properties are located in areas that have been specifically allocated to industrial purposes in the development plans established by state and municipal authorities. Correspondingly, there have been no community displacements or relocations. On the contrary, at VESTA we are committed to establishing a positive relationship with society through investments, job creation, economic benefits, and training.

Likewise, we demand from our suppliers and clients that they comply with all applicable legal obligations, including but not limited to, the stipulations of the Federal Labor Law, as well as our Sustainable Construction Manual for contractors, that includes sustainability and human rights clauses.

TEAM

At VESTA we are creating the synergies we need in order to become an exponential organization with the flexibility to adapt and leverage opportunities when facing the disruptive changes in the global environment.

We are a group of men and women led by a creative, collaborative, and responsible leadership that promotes our growth as a company. We can anticipate the needs of our clients with unique and innovative projects and, at the same time, set the pace to stir up the real estate sector in Mexico.

We know that, to create synergies, promote different forms of innovation, and enrich our work, we need a diverse team. Correspondingly, we make no distinctions for age, gender, race, ethnicity, origin, nationality, social status, pregnancy, illnesses, ideas, opinions, disabilities, political or sexual preferences, religion, or social or economic conditions in our employees or in people applying to occupy a post in our company.

As a result of our growth, in 2016 we increased our workforce to 65 employees, 40 men and 25 women. They are all directly employed by VESTA Management, S. de R.L. de C.V. Even though we ensure their freedom of association and their right to belong to a Union, none of our current employees are unionized.

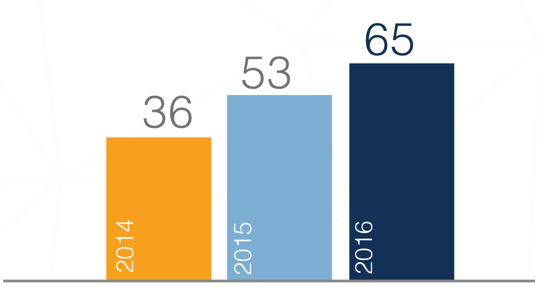
Independent contractors who operate with their own collective bargaining contracts carry out construction at our industrial facilities; their workers are unionized in each of the regions where we build our developments.

We praise the passion, talent, commitment, and experience of our employees because we are certain that this is, and will continue to be, a **key to reaching our company goals.**

Number of employees by gender	2014	2015	2016
Men	23	34	40
Women	13	19	25
Women at director level	0	1	2
Women at manager level	3	3	3
Women at staff level	10	15	20

Number of employees by age range	2014	2015	2016
<25	0	2	4
26-30	9	10	14
31-35	6	14	15
36-40	7	7	8
>41	14	20	24
Total	36	53	65
Average age	41	39	38

Employees 2014-2016



We increased the percentage of women who work at VESTA from 36% in 2015 to **38% in 2016.**

Number of employees by position in 2016							
Level	Director		Manager		Staff		Total
Age range	Men	Women	Men	Women	Men	Women	
<30	1	0	0	0	5	11	17
30-40	4	1	8	2	4	5	24
41-50	3	0	5	1	1	1	41
>50	7	1	1	0	1	3	13
Total	15	2	14	3	11	20	65

Employees by type of contract and gender in 2016									
	Corporate	Bajío	Tijuana	Toluca	Guanajuato	Aguascalientes	Ciudad Juárez	Puebla	Total by type of contract and gender
Permanent	39	7	7	5	2	2	2	1	65
Temporary	0	0	0	0	0	0	0	0	0
Men	23	5	3	4	1	2	1	1	40
Women	16	2	4	1	1	0	1	0	25

VESTA's corporate structure includes 17 directors, 17 managers, 31 administrative staff, operations coordinators, and internal auditors, all of whom carry out their duties with transparency, in adherence to corporate values, and in a socially responsible manner, in response to their corresponding economic, environmental, and social issues.

The Human Resources Management manages all training plans and programs to ensure our employees can grow by employing cutting-edge tools that will allow them to meet not only the company's goals, but their own as well. The division is also charged with promoting the best working conditions needed to attract and retain our employees.

During the third quarter of 2016, we hired a Director of Human Resources with vast experience in global companies, in order to take this division to a level that corresponds to the evolution and growth we have experienced over the past few years. This position reports directly to the CEO and participates in different committees as an observer, thus ensuring that all issues related to our employees are among VESTA's strategic priorities.

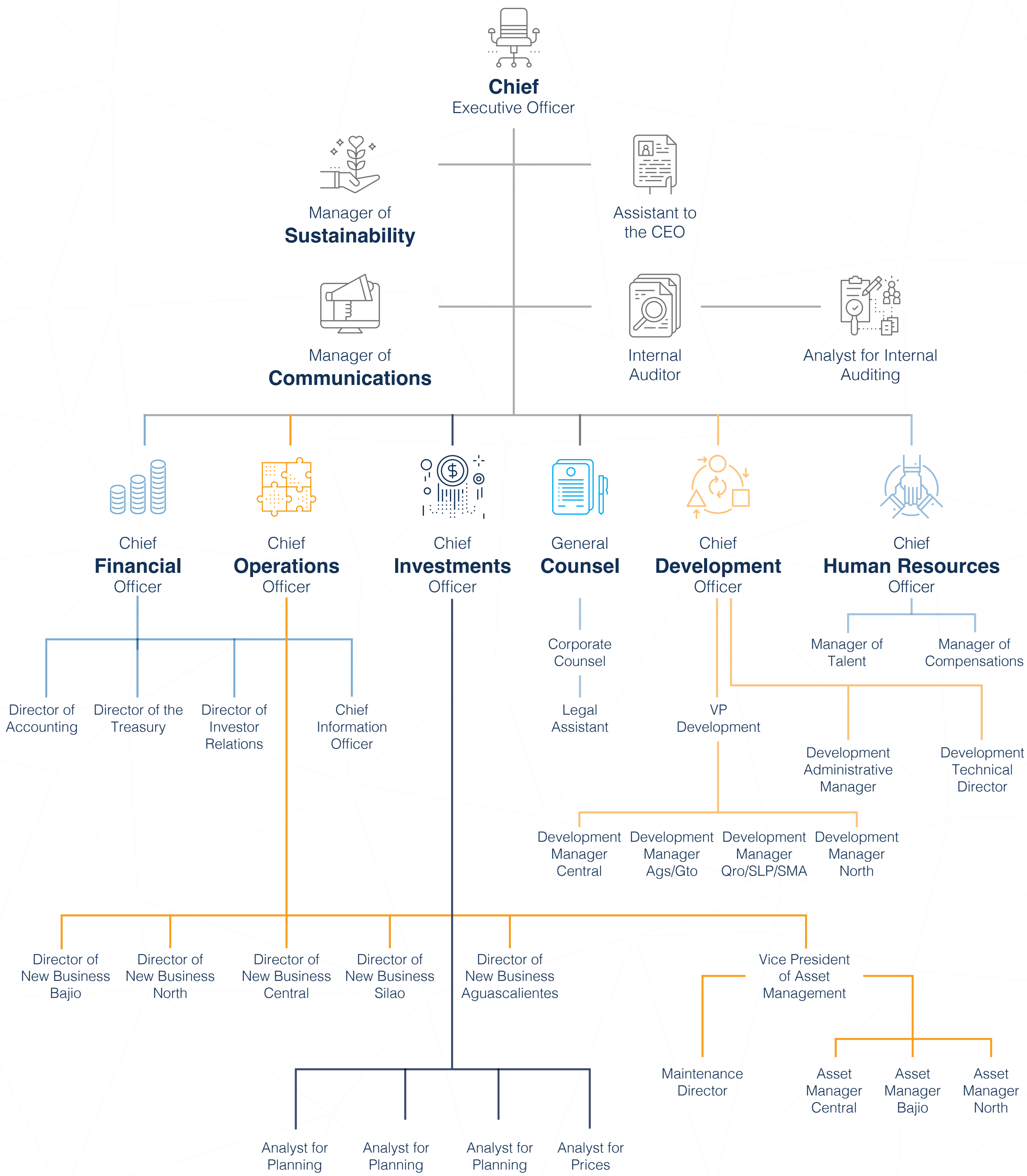
Because it is vitally important for us to not only attract the best talent, but also to retain it, we continually seek validation concerning how competitive the remuneration we offer our employees is with respect to the market and our main competitors. We do this through salary surveys conducted by global consulting firms, taking into consideration the responsibilities inherent to each position to compare them against equivalent positions in companies similar to VESTA in terms of the industry, sales volume, and number of employees.

Additionally, we established a process to make a general salary revision, which is carried out annually during the first month of the year, and includes an inflation-based adjustment, ensuring that our employees maintain their purchasing power. We also use this review to make adjustments in the retribution of those employees whose performance exceeds expectations, and to level out people who are receiving salaries below the market average for their position.

In 2016, we granted a general 5% raise, including the highest paid employee. For the employees who were leveled out, the highest raise we granted was 44%.

In 2017, we will review all positions with the collaboration of an external consultant in order to classify them by level and to allocate a salary band. This will enable us to manage every employee's total remuneration in a more objective and effective manner, and in line with the best practices in the market.

Organization Chart



100% of our employees receive a salary
above the general minimum wage.

The minimum wage at VESTA is **3.33** times higher than the general minimum wage.

2016 average Base Salary (in multiples of the minimum wage)			
Company Level	Men	Women	Ratio
Director	108	35	3 times
Manager	30	16	2 times
Staff	11	11	Fair

*Average salary by company level

Within VESTA the minimum wage (MW) to highest salary ratio is 71 times, while the average salary is 38.6 times higher than the minimum wage.

- Highest salary in MW= 108
- Average salary in MW= 39
- Difference between the lowest salary and the average= 4.5 times

Because we are currently making the necessary adjustments to ensure gender equality in our operation, starting in 2016, we review all candidate profiles during recruiting and selection processes without taking gender into consideration. The initial salary we offer[1] takes into account the candidate's most recent compensation package, the level and salary band, the position profile, and the required competencies.

The following table shows our average initial salary[2] for new employees hired during 2016 at locations where we have significant operations:

Average initial salary in 2016 (in multiples of the minimum wage)		
City	Men	Women
Mexico City	37	11
Tijuana	4	8
Queretaro	34	17
Toluca	17	8

We offer our employees a benefits package in accordance with what the Mexican labor law stipulates including: 30-day Christmas bonus and, depending on seniority, 25% vacation-pay, employee profit sharing, and vacations (six days a year for staff, 16 for managers, and 25 for top executives).

1 We are making the necessary adjustments in order to offer fair salaries.
2 The minimum wage was standardized in all of Mexico since 2015.

We also offer an attractive benefits package beyond legal stipulations including: a three-month performance bonus once a year, gasoline coupons, major medical insurance for our employees and their children under the age of 24, life insurance, car insurance as part of the VESTA fleet, maternity and paternity leave, even when adopting a child.

Life insurance for employees				
	Coverage	Investment 2014	Investment 2015	Investment 2016
Total	100%	US $17,215.92	US $14,654.16	US $15,240.03

This benefit allows our employees to determine the date on which they want to begin their paid maternity leave and gives them the opportunity to work on a flextime basis with full-pay for up to six months after the expiration of their law-backed leave. Employees can opt to work from home, depending on the needs of their division and upon approval by their superior.

For paternity leave, employees can take up to 10 working days off within six months from the date of birth or adoption of the child.

Due to this maternity and paternity leave benefit, our retention rate after the birth of a child is 100%.

Likewise, in seeking to ensure the comfort and wellbeing of our employees, we offer them other benefits such as a business casual dress code, healthy snacks, and support for participating in exercise and physical activity programs. We subsidize up to US $240 a year for sports programs, races, or gym memberships and 50% of the cost of a Fitbit Flex sports and health monitor.

Due to the maternity and paternity leave benefit, our retention rate after the birth of a child is **100%.**

WELL BUILDING STANDARD® CERTIFICATION

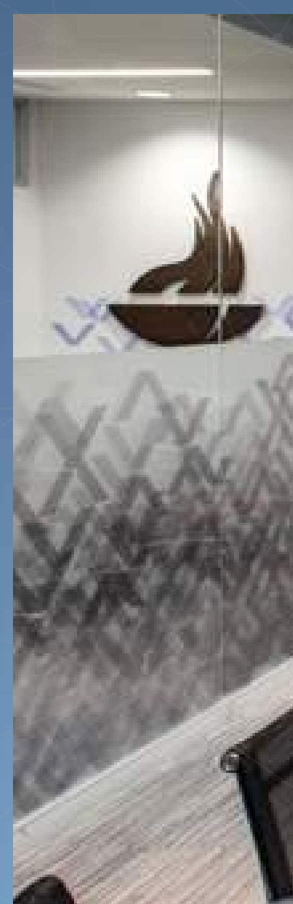
Over the past few years, we have implemented efforts to improve working conditions within our corporate offices, striving to benefit the whole team by offering them a working space where they can improve productivity while performing their duties, as well as their quality of life in the long term.

Our commitment with this program includes obtaining the WELL Building Standard® certification in 2017, and becoming the first corporate headquarters in Mexico to obtain such a distinction.

The certification is granted to companies who prove they have managed up to certain standards different aspects within their building such as air, water, light, comfort, nutrition, wellbeing, and physical and mental health.

As part of the evaluation process, aspects such as performance and the impact of these efforts on the staff are measured. To this end, we conducted a satisfaction survey among our employees in the corporate offices. Results show that 83% feel they are more productive individually, and 94% believe the space has resulted in greater productivity for the company as a whole.

The result proves we are on the right path toward continuing to improve the wellbeing of our employees while at the same time promoting company growth.



We strive to benefit the whole team by offering them a **working space where they can improve productivity** while performing their duties, as well as their quality of life in the long term.

INTERNATIONAL **WELL** BUILDING INSTITUTE™

Health and safety

The health and safety of our employees is a key factor in our ability to offer the best working conditions to carry out the company's activities. Consequently, we focus on promoting good health habits, preventing accidents, eliminating risks, and on being prepared to face emergencies.

We offer our employees benefits that contribute to their health, such as medical check-ups for the managing team, and social security (IMSS) and major medical insurance for all employees and their immediate families (spouses and children under the age of 24), including dental coverage and eye care.

Investment in major life insurance for employees (us)

	Coverage	2014	2015	2016
Employees	100%	$19,735	$20,020	$78,867
Directors	100%	$264,145	$216,879	$187,853

Investment in the health of employees (us)

	2014	2015	2016
Total investment	$311,191	$251,554	$293,677
Number of employees	36	53	65
Investment per employee	$8,644	$4,746	$4,518

In order to ensure the safety of the people who work at or visit our corporate offices, we adhere to the procedures established by the administration staff of the building where our offices are located. We also have evacuation brigades composed of three employees per work center who are trained to address any potential situation and have the necessary evacuation equipment, including vests, bracelets, and megaphones. At our parks, we guarantee the safety of our contractors by adhering to all legal stipulations.

In 2017, we will draft our own Health and Occupational Safety Policy aimed at our employees, contractors, and visitors to reinforce our current efforts and initiatives. Correspondingly, we will put together first aid, evacuation, and fire brigades at all company facilities.

Absenteeism, work-related illnesses, lost days, and fatalities

	2014	2015	2016
Fatalities	0	0	0
Contractor fatalities	0	0	1
Injury rates, lost days, and absenteeism	0	0	0
Total hours worked	81,648	122,112	148,976

Due to the nature of our business, we do not perform high-risk activities nor we use hazardous materials. Our employees are not at risk of acquiring any work-related illnesses.

Attracting and retaining talent

At VESTA we mark the difference in our sector: we attract and retain people who, in addition to their individual talents, share our team spirit as well as our company values, making it possible to create synergies with everyone we interact with, achieving exponentially positive results.

In 2016, resulting from the growth of our business, we welcomed 21 new employees into our workforce, for a 22% increase with respect to 2015. All new hires are compatible with the philosophy we are known for: **INNOVESTEAM.**

Among the new employees, two are Mexican executives directly reporting to the CEO.

Our turnover rate decreased with respect to 2015 and average seniority continues to be four years, as it has been in previous years. Of the employees who left our company, eight did so on their own accord, and two were asked to leave by the company.

INNOVESTEAM refers to working with a common goal and shared values, and applying innovation in our daily work.

Employee turnover			
	2014	2015	2016
Employees hired	9	19	21
Employees cut	3	2	10
Total employees	36	53	65
Turnover Rate	16.67%	32.08%	16.92%

*Formula to calculate turnover: (Hires-cuts) / total employees*100

When we include new employees in our team, we strive to get them to identify with our philosophy and work ethic so that they can successfully perform their duties. We offer them feedback after their first three months on the job, evaluating aspects such as attitude, teamwork, results-orientation, communication, as well as their knowledge of their area, the planning process, and the company itself.

For the whole team, we carry out competency-based performance evaluations, through which we detect training and development needs in order to establish specific plans to contribute to each employee's professional career.

In 2016, we carried out the competency-based performance evaluation for the whole workforce. Starting in 2017, each employee will have annual objectives that will be evaluated at the end of the year in conjunction with the competencies of each position. They will receive feedback from their supervisor on both their strengths and areas where they need to improve, to reinforce or improve specific actions. This methodology will allow us to focus our efforts, abilities, and expertise on growing as a team and creating synergies.

Additionally, we will identify key positions within the company, as well as high-potential employees, to develop succession plans to ensure the continuity of the business.

We offer all our employees flexibility in their work schedule so they can attend specialized or post-graduate courses, or obtain a Master's degree, and we motivate them to continue training and to share their knowledge with their colleagues and/or at academic institutions.

For a company to become an Exponential Organization, it needs to, among other things, offer the necessary training tools to develop the best capabilities in its employees. Consequently, in 2016 we offered training on the following topics:

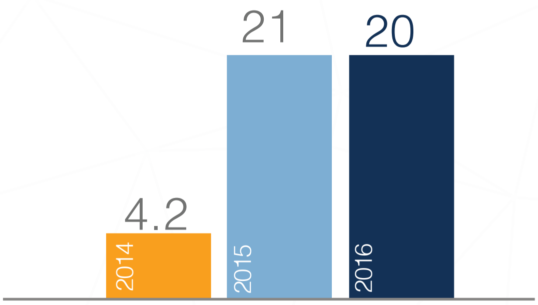
- Exponential Organizations (Singularity University)
- Induction program
- English
- Corporate Governance
- Law against money laundering
- e-marketing, social networks, and performance metrics
- Procaf Conferences
- ISO-9001
- System to Manage Real Estate Developments (SADI)
- Customer Relations Management Program (CRM)

Our top management and some members of our Board of Directors participated in the Exponential Organizations course that was held in Palo Alto, California, and taught by professors of the Singularity University. The rest of our personnel participated remotely by employing the technology installed at our facilities.

We decided to take this course because it is linked to our company's innovation strategy and we view it as the driver behind the work we will do in 2017 to implement certain projects and concepts derived from this training.

In 2016 we offered 1,305 man-hours of training, for a 17% increase with respect to 2015.

Man-hours of training per employee



Over the coming years we will continue to work to consolidate projects and programs aimed at developing our employees in order to achieve our VESTA vision and to become a platform for innovation.

INTERNS FOR SUSTAINABLE INDUSTRIAL REAL ESTATE

Aligned with our commitment to sustainability and education, we designed our Sustainable Industrial Real Estate Internship, aimed at University students who are interested in understanding the trends and opportunities in the field of sustainability in the industrial real estate sector in Mexico.

Two students, one male and one female, still enrolled in the University to obtain their Bachelor's Degree respectively in Sustainable Development in Engineering, and Marketing, participated in this program in 2016. They interacted with our top executives by participating in meetings, through their daily work, and by visiting our industrial parks.

They were also involved in other company projects such as our inclusion in the Sustainability Index of the BMV, Bloomberg indicators, the VESTA Adopt a School program, the Carbon Disclosure Project, and building homes for underprivileged communities.

We strive to help our interns understand our business as well as VESTA's sustainable management efforts, so that in the future they can become part of **INNOVESTEAM**.

STAKEHOLDERS

Having an excellent team and offering high-quality services is vitally important to offer our stakeholders the service they need. However, this in itself is not enough to create value for all of them. We know that it is important for us to get to know them, communicate with them, and establish flourishing relationships that will allow us to anticipate their requirements, requests, and needs, while at the same time ensuring the sustainability of our business.

Through the CRSA, we have identified the stakeholders with whom we interact directly or indirectly.

Stakeholders	Type of communication with a permanent contact frequency	Vesta value proposition
Clients	· Customer Satisfaction Survey (maintenance and trade) · Ongoing individual and group meetings · Building maintenance program and contract renewals · Corporate and regional contact, in addition to specific requirements, with the Asset Management division · Participation in industry events and fora in different regions · Tenant Appreciation Day · Joint participation in local social responsibility projects · Media presence · Research articles in trade publications · Inauguration and kick-off events at our developments · Website · Quarterly electronic newsletter for external communication	· Offering Class “A” buildings and industrial parks with the best location · Offering the best quality in engineering and architecture · High-level client service and ability to execute · Prompt response to specific needs · Regular service and contact to anticipate needs
Shareholders	· Shareholders Meeting · Quarterly results conference call including Q&A session with top management · Integrated Annual Report · Annual report to the Mexican Stock Exchange (BMV) and Mexican Securities Commission (CNBV) · Investor Relations division · Participation in investor conferences · One-on-one meetings with shareholders, investors, financial analysts, debt holders, and global banks. · Site visits to properties and industrial parks · Website	· Value creation · Modern portfolio · High rates of return
Suppliers	· Satisfaction Survey · Contractors’ Day (Development division) · Open bidding process to select contractors · Work meetings and calls · Weekly reports during the construction process · Supplier development through VESTA’s Sustainable Construction Manual · Selecting suppliers for promotional articles, design, and printing that are awarded annually through a bidding process · Drafting specific briefs for marketing and communications topics · Regular meetings to review communication objectives · Monitoring designs, communications, marketing and branding · Annual satisfaction survey to find opportunities for improvement in relationships and to make processes more agile · Information on our VESTA Adopt a School program and VESTA Challenge, and invitations to participate in them	· Credibility · Credit risk · Transparent processes · Selection according to established criteria

Employees	· Quarterly management review · Participation in events and conferences · Training programs · Performance evaluations · Specific e-mail for complaints · Monthly internal electronic newsletter · Website · Open doors policy to meet with any director · Motivational content developed specifically for the video wall · Wellness content on cafeteria screen	· Offering a better work place in a wellness environment · Work environment that promotes learning · Professional and personal growth · Fair and responsible compensation
Real estate partners	· Active participation in industry associations · Participation as panelists and sponsors at industry events · Continuous meetings with brokers · Site visits to buildings and industrial parks · Media interviews · Visibility in publications promoting foreign investment and sustainability issues · Brokers day in each region	· Long-term relationships · Quick response
Society	· Participation in local projects with the community where we operate · Open communication before and during the development of our industrial parks · Specific e-mail for complaints · Advertising in local newspapers in the regions where we are present · Press invitations to inauguration and kick-off events at our developments · Visibility in publications promoting foreign investment and sustainability issues · Website · Developments' promotion in media	· Long-term relationships · Credibility · Direct and indirect economic impact
Government	· Active participation in fora and events focused on attracting foreign investment · Meetings and calls · Visibility in publications promoting foreign investment and sustainability issues · Participating in municipal and state fora · Inviting relevant authorities to inauguration and groundbreaking events at our developments	· Relationships to help develop and leverage key projects

We offer all of them an e-mail address that is reviewed daily to address their concerns and issues that are relevant to our business: **contact@vesta.com.mx**

To meet the requirements of our investors, we offer them our e-mail address **investor.relations@ vesta.com.mx**, managed by the Investor Relations division.

Employment and internship applications are handled by the Human Resources division. Media and interview requests are handled by our Communications division. In addition, the New Business, Development, or Asset Management divisions respond to people or companies offering their services, land, or industrial buildings to us.

Based on the results of our customer satisfaction surveys, we submit a written report to the corresponding division, which in turn develops an action plan to address any pending issues. When a specific request is made through the survey, we contact the client directly.

This year we conducted two customer satisfaction surveys, instead of one. The first was with commercial clients, and the second was about maintenance. This helped us identify specific needs and, above all, design the strategies we need in order to be more proactive and address pressing issues for our clients promptly. It also allows us to maintain our properties in an optimal state.

VESTA CONTRACTORS' DAY AND GROUNDBREAKING EVENTS

In 2016, in response to the growth and strengthening of our Development team, we held an event with 70 contractors who work with us in the construction of industrial buildings and parks. The goal was to share with them our objectives for the future, the company's growth plan, and to explain how the Asset Management division will work.

On the other hand, we also organized two groundbreaking events at two of our new developments: the F3 building at VESTA Park Tijuana III and VESTA Park Aguascalientes. State and municipal authorities, brokers, legal teams, suppliers, Board members, investors, employees, and other stakeholders, all participated in these events.

Our goal is to **strengthen our relationship** with our suppliers and other stakeholders, by being proactive and improving our contact mechanisms.

Associations

We participate in our communities through different associations and chambers to which we belong. We establish partnerships and develop projects in collaboration with them to bring about change to the industry because we are convinced that the sum of all efforts results in more growth for our country.

We also actively participate in the B20 Summit, whose mission is to support the G20 on issues dealing with responsibility in a sustainable world economy. Our CEO participates in the Committee for Responsible Conduct in Business and Anti-corruption.

Asociación Mexicana de Parques Industriales (AMPIP)
United Nations Global Compact (UNGC)
Cámara México-Alemana de Comercio e Industria (CAMEXA)
US Green Building Council (USGBC)
Sustentabilidad para México (SUME)
B20 Group
Asociación de Parques Industriales del Bajio
Asociación Mexicana de la Industria Maquiladora y Exportación (AIM) *Tijuana y Ciudad Juárez*
Desarrollo Económico e Industrial de Tijuana (DEITAC)
Industria Nacional de Autopartes (INA)
Consejo de América Latina de Real Estate Network de YPO/WPO
Consejo Empresarial Mexicano de Comercio Exterior, Inversión y Tecnología (COMCE)
Urban Land Institute (ULI)
Federación Mexicana de la Industria Aeroespacial (FEMIA)
Desarrollo Económico de Ciudad Juárez
Otay Mesa Chamber of Commerce
Western Maquila Association
Smart Border Coalition
National Association of Real Estate Investment Trusts (NAIRET)
Issuers Committee of the Mexican Stock Exchange
Sustainability Committee of the Mexican Stock Exchange
Consejo Consultivo de Financiamiento Verde of the Mexican Stock Exchange

05

TRANSFORMATION

Social and Environmental Responsibility:// We create opportunities for growth for the communities neighboring our developments with social and environmental initiatives.

US $165,486
IN SOCIAL INVESTMENTS

274.37 kWp
RENEWABLE ENERGY INSTALLED

147.54 TON
REDUCTION IN CO_2 EMISSIONS





SOCIAL

Culture

In the communities where we are present, simply because of the essence of our business, we can become a platform through which, in collaboration with our clients, we generate economic benefits by creating jobs, sharing knowledge, developing infrastructure, and establishing points that favor connectivity.

Construction of our parks comes with social benefits for the people who live in nearby communities, such as better access to the area, pavement, public lighting, road signs, road connections, power line infrastructure, access to public transportation, and access for people with disabilities, among others.

It is important to mention that the VESTA facilities are installed on land designated as industrial areas by local authorities as part of their master development plans. Consequently, we have had no displacements or voluntary or involuntary relocations of people or communities, nor any negative current or potential impact on the communities where we are present.

On the other hand, and aligned with the company values we are known for, we strive for all our developments to implement community engagement programs in which other stakeholders also participate. This allows us to generate an exponential and transcendental change to benefit not only VESTA itself, but also the people living in those communities and the other parties involved.

These programs are all approved by the Social Responsibility and Environmental Committee (CRSA, by its name in Spanish) and by our CEO, once they comply with the established guidelines. Priority is given to those programs that offer a significant and measurable impact in the company's area of influence.

We have an Investment Policy in place for social and environmental impact efforts that establishes that for each square foot of leased space we must invest US $0.01 cents. In 2016, we invested US $165,486, almost US $19 thousand more than in 2015, benefiting 15,448 people directly or indirectly, with 105,982 man-hours of work in the communities where we operate.

Construction of our parks comes with **social benefits** for the people who live in nearby communities.


TECHO
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TECHO

VESTA ADOPT A SCHOOL

Since 2013, VESTA Adopt a School has been one of our flagship social responsibility efforts. It allows us to provide better education to the children living in the communities where we participate, by offering them infrastructure, training, technological tools, and recreational areas.

We have rehabilitated common, surrounding, and sports areas, installed water and electricity infrastructure, equipped classrooms with technology, offered training to teachers and parents, and taught workshops on environmental stewardship and energy conservation.

After we finish with material interventions, we also offer life-skills workshops for children, teachers, and parents. The program is known as Adopt a School because our involvement is permanent and long term.

2013-2016 beneficiaries of the VESTA adopt a school program

Beneficiaries	Toluca	Queretaro	Ciudad Juárez	Silao	Total
Students	67	425	350	45	887
Parents	30	225	250	30	535
Teachers	3	13	13	5	34
Social Service Members	2	0	0	0	2
Total	102	663	613	80	1,458

Toluca

Profesor Faustino Arciniega Morales Elementary School –adjacent to VESTA Park Toluca II

- In previous years we carried out infrastructure works in common and sports areas and classrooms, and we restructured their electric installation.
- In collaboration with other suppliers, we installed solar panels, making this the only public school in the Estado de México to employ eco-technology to generate renewable energy. Today energy costs for the school are null.
- In collaboration with the *Yo Quiero Yo Puedo, A.C.* non-governmental organization, we continue to offer life-skills workshops that we started two years ago, for children, their parents, and their teachers.

Ciudad Juárez

Othón Martínez Lara Elementary School - adjacent to TPI, BRP, and the VESTA land reserve

- We offered life-skills workshops to 250 parents, students, and teachers.
- Parents also participated in play-and-experience-based workshops.
- We designed a teachers' manual, and children participated in different activities throughout the year.
- We donated shoes for the children.

The project began with the Faustino Arciniega Morales Elementary School in Toluca, and **this year we adopted three more schools** in the cities of Queretaro, Silao, and Ciudad Juárez.

Querétaro

Presidente Adolfo López Mateos Elementary School – adjacent to the Bernardo Quintana Park

- We invested in energy-efficient infrastructure and got a contract with the Federal Electricity Commission (CFE).
- We offered training courses to 425 children and 225 parents on the benefits of renewable energy.
- In collaboration with *Yo Quiero Yo Puedo, A.C.* we offered play-and-experience-based workshops to parents and drafted a life-preparedness manual for teachers so they can continue to work with the children.

Silao

Miguel F. Martínez Kindergarten – community of El Salitrillo, near VESTA Park Guanajuato

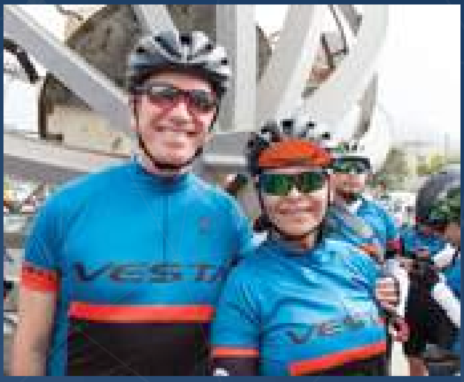
- We contributed to improving and maintaining infrastructure in collaboration with five of our suppliers.
- We equipped classrooms, libraries, and computer centers.
- Our volunteers painted external walls, games, dinner tables, bathroom appliances, the fence, and the main access.

VESTA CHALLENGE

To promote good habits and interaction among our employees and their families, we participated in a 72 km cycling ride event on the Rosarito-Valle de Guadalupe route in Baja California. People from the neighboring communities, brokers, clients, contractors, and Board members, among others, also participated.

VESTA's team included 37 cyclists—the second largest corporate team in the event—all of whom finished the race. We offered 10 flight tickets for employees who do not live in Tijuana as an incentive to participate, and we donated US $10,000 to the cause.

The goal of the event is to raise funds for **treating children with cancer** who are patients of the Pediatric Oncology Center (COP) in Baja California, a hospital that is backed by the Castro-Limón Foundation.

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BUILDING HOMES FOR UNDERPRIVILEGED FAMILIES

With the volunteer work of 42 of our employees, completing a total of 385 man-hours of work, we built 10 homes in Santa Ana Jilotzingo, in Estado de México, and one in Tijuana, in Baja California, on land plots that were donated by the families of people who are living in vulnerable and overcrowded conditions.

These actions bring to life **our ethical commitment with the communities** where we operate, in an effort to have a more just society in our country.


TECHO

Performance

To make sure that our social performance generates a real and tangible impact on the communities where we are present, we establish mid- and long-term goals aligned with our VESTA Vision 20/20.

Summary of social performance and priorities				
Past		**Present**	**Future**	
2014	**2015**	**2016**	**Mid Term**	**Long Term**
Mexican Stock Exchange Sustainability Index (IPC)				
Score for the first time we were included in the index: Universidad Anáhuac 7.27/10 -EIRIS 28/60	Second consecutive score: -Universidad Anáhuac 8.35/10	Third consecutive score: -Universidad Anáhuac 8.95/10	Remaining in the BMV Sustainability Index.	Be the sustainability leader in the industry.
ESG Bloomberg				
Score: 33.88	Score: 40.50	Score: 42.56	Maintain the same score range.	Become the reference in the industry for information transparency.
Social initiatives under social action guidelines				
Implemented in 75% of the regions where we operate.	Implemented in 80% of the regions where we operate. The CRSA approved the social initiative guidelines. We trained 100% of employees in corporate ethics and cybersecurity.	Implemented in 80% of the regions where we operate.	Implement initiatives aligned with our social investment strategy and increase participation in the regions where we operate.	Implement social initiatives in 100% of the regions where we operate.
Social projects				
We benefited 193 people with an investment of 842 man-hours and US $102,442.	We benefited 1,403 people with an investment of 64,653 man-hours and US $146,667.	We benefited 15,488 people with an investment of 105,982 man-hours and US $165,486.	Improve mechanisms to measure social impact.	Make social investments in 100% of the regions.
Social Responsibility and Evironmental Committee (CRSA)				
We held two sessions and one work meeting with 100% attendance.	A new independent director was added and we carried out three sessions with the participation of the CEO and CFO as guests.	We held two sessions with 100% attendance. We established the annual Social Responsibility Award to recognize outstanding employees and regions.	Strengthen the relationship with stakeholders through collaborative project.	Establish a strategy to verify how social investments perform.

Summary of social performance and priorities				
Past		**Present**	**Future**	
2014	**2015**	**2016**	**Mid Term**	**Long Term**
Training, performance, and work environment.				
100% of our employees has a short-term variable compensation system and 30% have a long-term variable compensation system.	We hired a person to oversee the Human Resources division. 100% of our employees is on a short-term variable compensation system and 25% on a long-term variable compensation system.	We created a new Human Resources division, and hired an expert to head it. For the first time we carried out a performance evaluation based on competencies for the whole workforce, and we established 2017 objectives.	Establish strategic Human Resources objectives, conduct a satisfaction or work environment survey, increase to 100% the percentage of employees who receive an annual performance review.	Establish a Career Plan for all our employees.
4.2 man-hours in external training per employee.	21 man-hours in external training per employee.	20 man-hours in external training per employee.	Implement the DTN (Detect Training Needs) project for all employees.	Offer 25 man-hours in external training per employee.
---	127 man-hours in internal training, taught by other employees.	154 man-hours in internal training.	Encourage employee participation in training on specific topics.	Offer 200 man-hours in internal training.
Integrated Annual Report.				
We published our second Integrated Annual Report under the GRI 3.1 guidelines. At the request of a tenant, we audited the non-financial public information through an independent third party.	We published our third Integrated Annual Report, using the GRI G4 guidelines for the first time. At the request of a tenant, we audited the non-financial public information through an independent third party.	We published our fourth Integrated Annual Report under the GRI G4 guidelines. At the request of a tenant, we audited the non-financial public information through an independent third party.	Increase the scope of performance indicators to communicate information that is relevant to our stakeholders.	Perform an annual audit of our performance indicators.
Communication				
We created the Newsletter as a means to keep all our employees informed.	We sent out seven Newsletters to our employees.	We sent out 12 Newsletters to our employees. We created a specialized Newsletter for brokers and clients.	Increase the frequency of publications so that we have 12 per year.	Increase the reach of the Newsletter to different stakeholders.
Participate in international forums and conferences				
We actively participated in two international conferences with responsible investors.	We actively participated in the Issuers Forum of the BMV. We explored the possibility of issuing green long-term debt.	We actively participated in the Issuers Forum of the BMV.	Maintain participation in national and international conferences and attract potential responsible investors to the company.	Explore different long-term financial mechanisms with sustainability guidelines.

ENVIRONMENTAL

Culture

At VESTA we promote an environmental stewardship culture with all our stakeholders. Even during the planning stages of our developments, we include construction guidelines that have the least environmental impact and include eco-efficient technologies.

In collaboration with one of our strategic partners, in 2012 we developed our **Sustainable Construction Manual** based on internationally recognized standards to establish five important points in terms of the environment that our suppliers and contractors need to take into consideration at any of our developments.

1. **Sustainable sites:** to reduce pollution and the negative impact on the construction site by implementing erosion and sedimentation plans, the use of thermal materials and permeable paving to harvest rainwater, and protecting surrounding habitats and natural resources.
2. **Water efficiency:** install water harvesting and reuse systems as well water-saving fixtures, plant native vegetation that require little water, and treat wastewater to reduce the use of drinking water.
3. **Energy and atmosphere:** include specifications for thermal materials to be used in windows, domes, roofs, and walls to reduce energy consumption, maintain optimal comfort levels based on the requirements established in the Heating Ventilation Air Conditioning (HVAC), and consider using natural light, LED lighting, and photovoltaic panels.
4. **Materials and resources:** use regional, recycled, and environmentally friendly materials to reduce environmental impact and, at the same time, contribute to local development; consider including a space in the facility for separating waste and for recycling.
5. **Indoor environmental quality:** reduce the amount of volatile organic compounds that affect the health and productivity of employees, promote access to spaces with a view, natural light, comfortable temperature, and minimize the exposure to cigarette smoke, in order to create an environment for wellbeing.

This manual was designed to reinforce our commitment to the environment and society, in addition to contributing to improve the company's good reputation with our investors, strategic partners, potential clients, and other stakeholders.

In collaboration with our suppliers and contractors, we focus on continually improving design and construction methods so that our properties are eco-efficient and, at the same time, respond to the specific needs of our clients.

Although we have no control over the activities or consumption habits of our tenants, we do encourage them to install other tools and technologies that will allow them to use the space in an efficient, profitable, healthy, and environment-friendly manner.

In order to improve VESTA's environmental performance within our sector, for several years we have been investing in sustainable initiatives for our developments.

Environmental investments (US dollars)			
Initiative	2014	2015	2016
Photovoltaic energy	US $276,753	US $166,471	US $133,790
Changing to LED lights	US $54,112.5	0	0
LED lighting in new buildings	US $460,902	US $1,050,425	US $684,978
Total	US $791,767	US $1,216,896	US $818,768

*New buildings 2014 – 90,267 m^2
*New buildings 2015 – 238,009 m^2
*New buildings 2016 – 233,802 m^2

VESTA's buildings are designed in such a way that natural light is used; the weather and hydrography of the surroundings are taken into consideration to minimize the use of air conditioning and to **achieve the best performance of the facilities.** Additionally, the materials used for construction are sourced from nearby locations.

BAJA CALIFORNIA RECOGNIZED BY CRSA

Among the efforts of the Baja California team in Social Responsibility, the following stand out: A mural painting contest in the substations of an industrial park, in which four muralists could show their talent, as well as a campaign in collaboration with the Naturalus association to promote the use of eco-friendly shopping bags at the Calimax supermarkets in Tijuana. To this end, University students designed 1,300 bags with an environmental protection message.

In addition, they also built a home for an underprivileged family, and organized and coordinated the 2016 VESTA Challenge.

The **Baja California region** was recognized by the Social Responsibility and Environmental Committee (CRSA) for their outstanding work, initiative, and selfless volunteerism in the area.

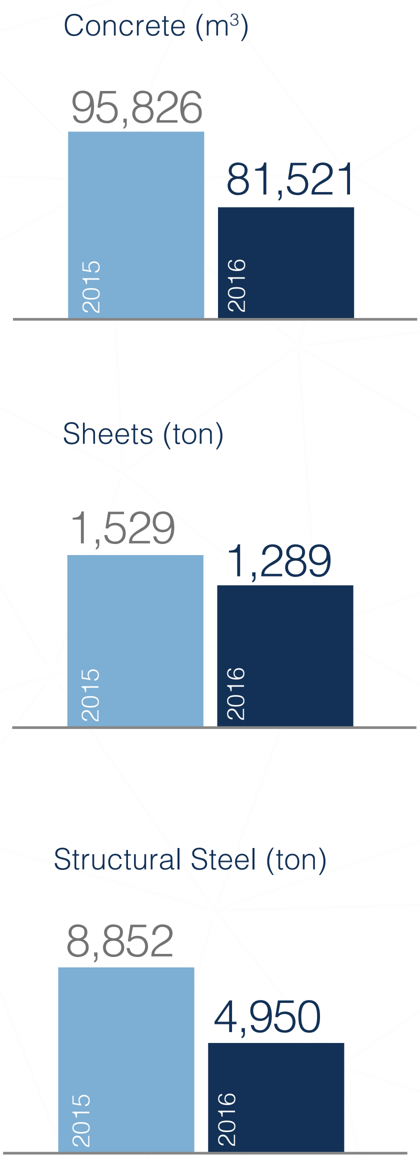

VESTA

Materials management

The main materials we use to build our developments are concrete structures, steel structures and sheets. The suppliers we hire for the projects follow the guidelines on materials specified in our Sustainable Construction Manual. Whenever possible, we use materials with a high content of recycled inputs or that have a high potential for being recycled and/or reused at the end of their life cycle.

In 2016, the volume of the strategic materials used in our developments was distributed as follows:

Strategic material by measuring unit



Does not include data for 2014 because measurements were not taken then.

Energy management

At our developments, most of the consumption of energy results from the activities carried out by our clients, over which we have no direct control. However, as part of our commitment to sustainability, at the design stages of our projects we encourage the use of eco-efficient technologies that will allow us to collaborate in reducing energy consumption at our industrial parks.

During the negotiation process with potential clients of the Build to Suit (BTS) buildings, we offer to prepare the facility for LEED (Leadership in Energy and Environmental Design) certification. We can collaborate with those tenants whose internal policies also requiere the certification.

In 2015, we reported the energy consumption for which we are personally responsible: the operation of common areas and corporate offices.

Direct energy consumption						
	2014		2015		2016	
	kWh	GJ	kWh	GJ	kWh	GJ
Energy consumption at existing locations	204,788	737.24	327,718	1,179.81	287,649	1,035.54
Energy consumption at new locations	139,603	502.58	111,655	401.96	*	*
Total (kWh)	344,391	1,239.82	439,373	1,581.77	287,649	1,035.54

*As of the closing of this report we do not have the corresponding information.

Energy consumption from renewable sources			
Installed photovoltaic capacity	2015	2016	Objetivo a largo plazo
kWp	56.84	90.09	241.68
Cumulative	184.28	274.37	516.05

The specified goals are subject to the expected portfolio growth.

Energy intensity			
	2014	2015	2016
kWh per employee	9,942.80	8,290.05	4,293.26
kWh per m^2	0.23	0.24	0.15

*53 employees in 2015; 65 employees in 2016.
*1,862,981 m^2 in 2015; 2,100,000 m^2 in 2016.

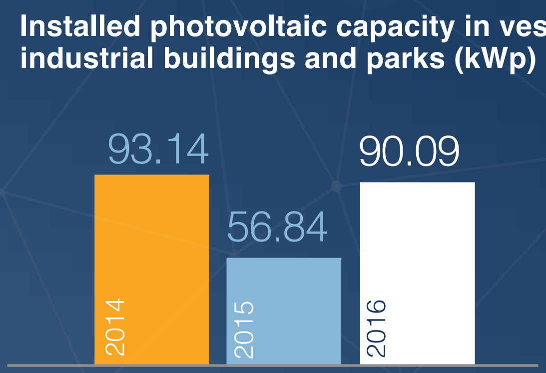
All our new Multi-Tenant Buildings are equipped with **photovoltaic panels** that can be used by our clients.

REDUCTIONS IN ENERGY CONSUMPTION

To promote efficiency and the use of renewable energy and reduce consumption from conventional sources at our industrial facilities and parks, we have 274.37 kWh of installed photovoltaic energy capacity available for our tenants to be used in common areas.

In 2016, as part of the changes we made in our corporate structure, we issued a bid to install solar panels at seven of our Multi-Tenant Buildings at the following parks: VESTA Park Guanajuato, San Miguel de Allende Industrial Polygon, VESTA Park Toluca II, VESTA Park Sur Ciudad Juarez, and VESTA Park Tijuana III, for 40% monetary savings, in addition to the environmental benefit achieved.

All of the above are in addition to the parks that were already fitted with photovoltaic energy: Douki Seisan VESTA Park Tlaxcala, and the Queretaro office. The installation of solar panels was carried out in line with the strategic VESTA Vision 20/20 plan, and translated into a 33% growth in our installed photovoltaic capacity in 2016.



We have **274.37 kWh of installed capacity** of photovoltaic energy to service our tenants and the common areas at our developments.

LEED CERTIFICATION

We contribute to the creation of spaces that are efficient in terms of energy and water usage by means of the LEED (Leadership in Energy and Environmental Design) certification.

At year-end 2016, 6.48% of our Gross Leasable Area (GLA), representing 9.39% of our cumulative income, had obtained the certification. This has contributed to reduce our electricity and water consumption expenses, and the continuance to promote sustainable practices with all our stakeholders.

In 2016, we obtained the LEED Silver certification for our corporate offices in Mexico City and the conventional LEED certification for our BRP building in Ciudad Juárez. Both were verified by a third party, who corroborated that we made the practical and measurable adaptations needed to improve our environmental performance.

Facilities certified at year-end 2016

Project	LEED Certification Level	Date	GLA SF	Cumulative Income 3Q2016
LJ85	LEED Certified	August 2013	183,675	1,034,149.85
MA2	LEED Silver	April 2014	228,273	1,057,323.56
BRP Queretaro	LEED Silver	August 2014	536,755	1,746,365.01
Queretaro Office	LEED Gold	November 2014	NA	NA
BRP Juárez	LEED Certified	August 2016	207,000	2,308,491.39
Headquarters	LEED Gold	October 2016	NA	NA
Total			1,355,703	6,146,329.81
Total Portfolio			20,923,337	65,450,825
% LEED			6.48%	9.39%

In 2016 we obtained the **LEED Gold** certification for our corporate headquarters in Mexico City, and the conventional LEED Certification for the BRP building in Ciudad Juárez.

Water and discharge management

Since water is an essential resource in any industry, at VESTA we have implemented monitoring efforts at all our developments. Our maintenance team in the Asset Management division, created in 2015 to ensure that we adequately manage our environmental indicators, oversees the monitoring.

Water supply for the majority of our parks comes from ground water wells, for which we have the corresponding concessions and permits granted by local authorities.

Additionally, in order to determine metrics that would help us reduce our consumption levels and detect potential savings, we installed state-of-the-art water measurement devices at our parks and carried out other initiatives to harvest rainwater, treat it, and use it to water garden areas at the facilities.

Water consumption at parks (m^3)

Park	2014	2015	2016
VESTA Park Toluca I	7,213	8,129	33,958
El Coecillo	29,382	26,617	23,931
VESTA Park Toluca II		2,144	2,979
VESTA Park Tlaxcala I		2,173	2,358
El Florido		1,653.9	1,875.5
La Mesa		2,036.11	2,135.6
Aerospace Park	NA	NA	NA
DSP	NA	NA	NA
Total		42,753.01	67,237.1

Percentage and volume of water recycled and reused

Park	2015		2016	
VESTA Park Toluca I	35%	2,845.20 m^3	84%	6,867.80 m^3
VESTA Park Toluca II	40%	857,60 m^3	85%	1,818.00 m^3

Intensity in water use

	2015	2016
m^3 per employee	806.66	1,012.5
m^3 per m^2	0.02	0.04

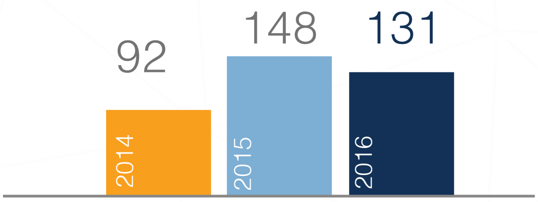
At VESTA we do not use great amounts of water to operate. We only use it directly to water the common areas of the parks we own. On the other hand, our water discharges come from the service areas and are sent to water treatment plants, which gauge the quality of the treated water to verify that it complies with the requirements established by the corresponding Official Mexican Standards. This way, the water meets the quality conditions to be discharged into national rivers. We have received no complaints from the impact of these activities.

Emissions management

We make sure our suppliers and contractors follow the guidelines of our Sustainable Construction Manual. This manual describes the activities, technologies, and tools to be used for reducing consumption of electric power, which is the main source of our air emissions.

On the other hand, we record all VESTA's direct emissions from the electric power we use to operate our corporate headquarters and the shared spaces, in order to be able to establish our reduction goals and initiatives that contribute to improving our efficiency.

Scope 2 emissions*
(Tons of CO_2e)



*Derived from our direct consumption of electric power using the emissions factor for 2016 which was 0.458.

Our initiatives to reduce emissions in some the industrial parks include employing solar energy, complying with LEED Certification, and implementing eco-efficient technologies, all of which are described in our Sustainable Construction Manual, which specifies how they should be applied in terms of sites, water, energy and air, materials and resources, as well as interior environmental quality.

Resulting from the implementation of these actions, in 2016 we reduced our CO_2e emissions by 147.54 tons.

	Annual generation kWh	Reductions Tons of CO_2e
Queretaro	69,744	34.85
Ciudad Juárez	16,161	8.08
Silao	79,000	39.47
San Luis Potosí	17,032	8.51
Tijuana	18,294	9.15
Tlaxcala	28,860	14.43
Toluca	66,210	33.09
Total	**295,310**	**147.54**

At VESTA we have no significant environmental impacts on products, materials, or people. However, we measure the intensity of our greenhouse gas emissions resulting from our direct energy consumption at our corporate headquarters and shared spaces.

Intensity of CO_2e emissions

Indicator	2014	2015	2016
Ton of CO_2e per employee	2.6	4.2	4.9
Kg of CO_2e per m^2	0.11	0.12	0.14
Sales	2.6	2.8	3.3

Waste

The most significant waste generation comes from the sludge in our wastewater treatment plants and from the maintenance-related activities at the parks and corporate offices. To dispose of it correctly, an external certified company handles it. A specialized company handles non-hazardous waste. At VESTA we do not generate hazardous waste as defined by the Basel Convention.

In 2016, we did not have to address any soil or land problems because of our activities nor did we have to pay any fines for non-compliance with environmental regulations. This year there were no reports of impacts derived from our activities, nor did we register any significant spills; we received no fines for non-compliance with environmental regulations, or complaints related to this issue. We were fined $131,651 Mexican pesos for non-compliance with the norms concerning the use and supply of products and services.

Biodiversity

Because our developments are in areas designated for industrial use by the local authorities, none of our parks is located on protected areas or on areas of great biodiversity value or with endangered species.

To make sure of this, we do a phase I environmental risk assessment before we start construction on any project. We have never affected any endangered species or natural habitat.

Our facilities have a **useful life of approximately 30 to 50 years;** as of this date, none of them have reached the end of their useful life or been sold.

Performance

In order for our environmental performance to be sustainable, efficient, in harmony with the communities where we are present, and aligned with the VESTA Vision 20/20, we have established mid and long term goals.

Summary of environmental performance and priorities					
Past			Present	Future	
2013	2014	2015	2016	Mid Term	Long Term
Social Responsibility and Environmental Committee (CRSA)					
We created the CRSA, which reports directly to the Board of Directors.	We held two sessions and one work meeting with 100% attendance.	We included a new independent director and held three sessions in which the CEO and CFO participated as guests.	We held two sessions with 100% attendance, we accepted the resignation of one director, and we reconfigured the board with four members.	Strengthen the relationship with stakeholders through collaborative project.	Establish a strategy to verify how social investments perform.
Participation in international indexes					
We established environmental indicators and objectives.	We participated for the first time in the Green Real Estate Sustainability Benchmark and we obtained the GRESB score: 32/100.	We participated for the second time in the Green Real Estate Sustainability Benchmark and we obtained the GRESB score: 43/100.	We participated for the third time in the Green Real Estate Sustainability Benchmark and we obtained the GRESB score: 50/100.	Continue to participate in international sector indexes.	Attract investors by participating in performance indexes.
LEED Certification					
We certified our first industrial building (183,675 SF), 20% of our offices.	We certified three more buildings (607,601 SF), 40% of our offices.	We started the process to certify one building (314,306 SF), and our corporate headquarters under LEED and the WELL Building Standard.	We certified one building (407,005 SF), our corporate headquarters as LEED Gold and we are in the process of obtaining the WELL Building Standard certification.	Increase the percentage of SF with LEED certification in Build to Suit buildings.	Increase the percentage of SF with LEED certification in line with our growth plan.
Eco-efficient Standards					
We applied eco-efficiencies based on this standard.	We applied in 100% of our multi-tenant buildings the new eco-efficiency guidelines.	We applied in 100% of our multi-tenant buildings the new eco-efficiency guidelines.	We applied in 100% of our multi-tenant buildings the new eco-efficiency guidelines.	Continue with 100% of our multi-tenant buildings under these standards and based on the VESTA Sustainable Construction Manual.	Implement eco-efficient guidelines in buildings that are more than 15 years old.

Summary of environmental performance and priorities					
Past			Present	Future	
2013	2014	2015	2016	Mid Term	Long Term
Environmental training					
We trained our top management focusing on LEED Certification and our employees in managing resources and energy.	We offered 60 man-hours of training in renewable energy in collaboration with suppliers and the community.	We offered 100 man-hours of training in renewable energy in collaboration with suppliers and the community.	We offered100 man-hours of training in renewable energy in collaboration with suppliers and the community.	Implement renewable energy programs and initiatives in collaboration with our stakeholders.	Extend training programs to our stakeholders.
Water consumption					
--	Assessment to measure and monitor water. Water consumption at two parks: VESTA Park I: 7,213 m^3 and Coecillo: 29,382 m^3.	Consolidation of the corporate and regional Asset Management divisions. Water consumption in eight parks: 42,753.01 m^3.	Water consumption in eight parks: 67,237.1 m^3.	Ensure water consumption measurement and monitoring at all our parks.	Grow the scope of the measurement and monitoring of water at all our developments.
Energy consumption					
Energy consumption: 127,399 kWh. Renewable energy installed capacity (FV): 34.3 kWp cumulative.	Energy consumption: 383,223 kWh. Renewable energy installed capacity (FV): 127.44 kWp cumulative.	Energy consumption: 439,373 kWh. Renewable energy installed capacity (FV): 184.24 kWp cumulative.	Energy consumption: 287,649 kWh. Renewable energy installed capacity (FV): 274.37 kWp cumulative.	Grow by 217 kWp the cumulative renewable energy installed capacity.	Ensure the growth of the energy installed capacity in line with the VESTA growth plan.
Emissions					
Greenhouse gas emissions from the use of energy: 64 tons of CO_2e.	Greenhouse gas emissions from the use of energy: 92 tons of CO_2e.	Greenhouse gas emissions from the use of energy: 148 tons of CO_2e.	Greenhouse gas emissions from the use of energy: 131 tons of CO_2e.	Increase the scope with CO_2e measurements to the whole company.	To be a CO_2e neutral-emissions company.
Policy and investment in the environment.					
Drafting an Environmental Policy and one for environmental and social investment.	Investments in the environment: US $791,767.	Investments in the environment: US $1,216,896.	Investments in the environment: US $818,768.	Maintain investments made in environmental eco-efficiencies in areas that are strategic for the company.	Grow investments in the environment in line with the VESTA growth plan.

Reported emissions were reformulated because we updated the emissions factor and, correspondingly, figures for 2014 and 2015 were adjusted.

MATERIALITY

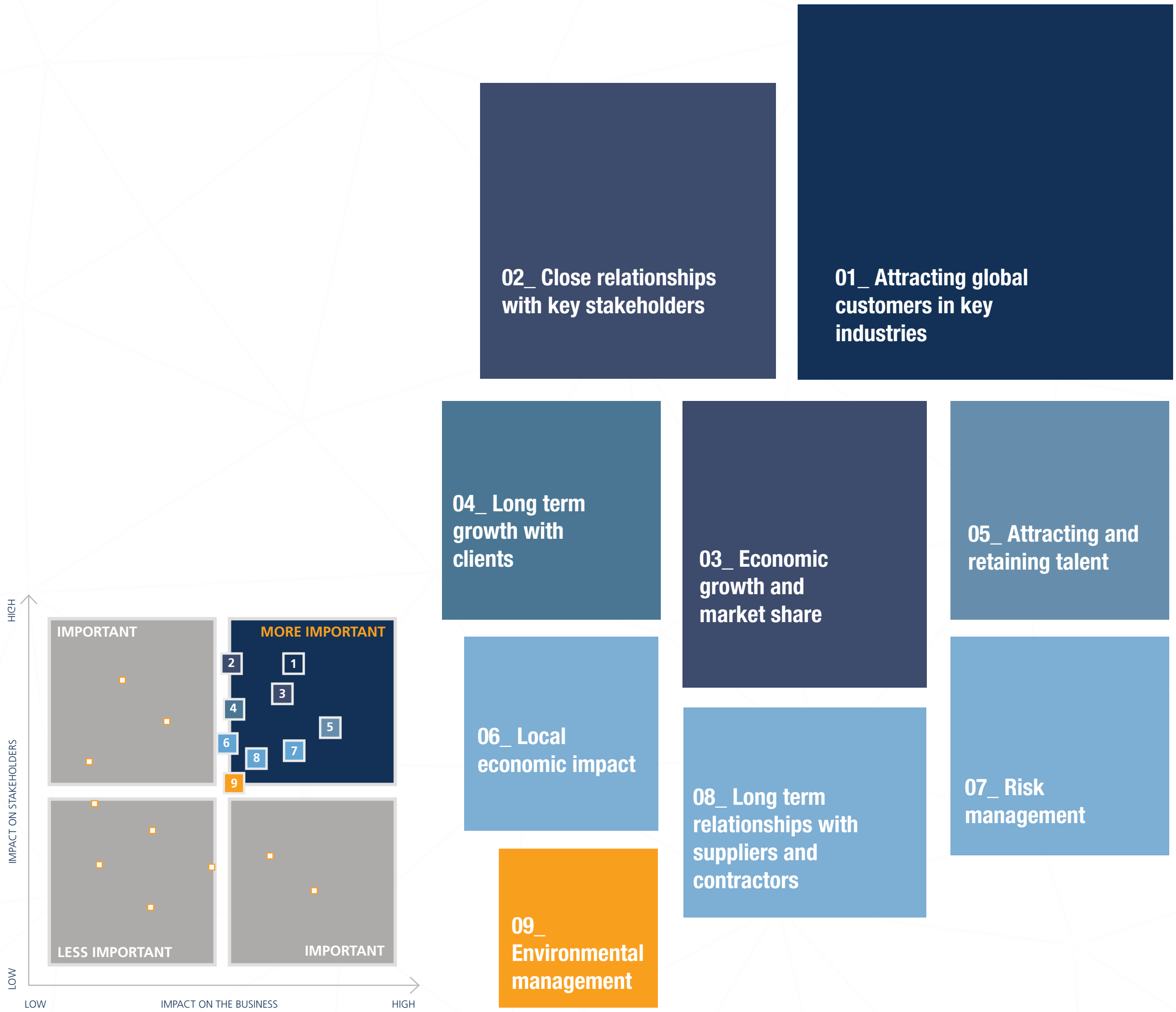
To determine the most relevant aspects, we analyzed the issues that are important to our industry and our company, considering the Mexican context and that of the regions where we have infrastructure installed. In addition, our team of directors and managers, as well as our Chairman of the Board and CEO participated in the process to also identify those economic, social, environmental, and corporate governance issues that are most relevant for our stakeholders.

To determine the material aspects and compile all the information that is relevant to our business we considered four topics:

Determination of the 2016 Materiality	
Item	Mechanism
Business strategy	· Strategic planning
	· Risk management
	· VESTA Vision 20/20 growth plan
External factors	· External consultants
	· Benchmark for best practices in the sector
	· Evaluators of financial and sustainability indexes
	· Non-financial audits
Stakeholders	· Interviews with employees and investors
	· Client surveys and feedback
	· Taped interviews with 7% of our clients
	· Traditional communication channels
Financial performance	· Social and environmental initiatives
	· Regional projects.

After analyzing the data, we identified nine aspects that we prioritized based on their relevance with the stakeholder, their impact, and their area of influence, starting with the most relevant. Once concluded, the exercise was validated by our CEO to determine the content of our Annual Report.

Material Aspect	Stakeholders it impacts	Location
1. Client attraction	Clients and investors	Mexico
2. Attracting and retaining talent	Employees	Mexico
3. Economic growth and market share.	Clients, suppliers, employees, and investors	Regional
4. Risk Management	Clients, suppliers, employees, government, society, partners in the real estate sector, and shareholders.	Mexico
5. Strengthening relationships with stakeholders	Clients, suppliers, employees, government, society, partners in the real estate sector, and shareholders.	Mexico
6. Social Management	Employees, clients, suppliers, and government	Regional
7. Environmental Management at our Park to Suit and some developments	Clients, suppliers, employees, and shareholders	Regional
8. Local economic impact	Clients, suppliers, and employees	Regional
9. Long-term growth with clients	Clients and employees	Mexico



Growth of the Strategic Plan

2020 Goal:

Development 20 M SF ~1.3x our current growth pace

Management 37 M SF ~2.2 x management capacity of our current portfolio

Key current capabilities	Key capabilities that we need to strengthen	
Culture and leadership	Value creation for our stakeholders	Systems and processes
Talent	Culture and leadership	Managing environmental, social, economic, and corporate governance risks
Structure	Talent	
Systems and processes	Structure	

In addition, in 2014 we carried out a 2020 strategic planning exercise, whose results are included in the VESTA Vision 20/20 plan. It was developed in collaboration with expert third parties, the information provided by the VESTA employees and stakeholders, macroeconomic prospects, and the company's real expectations in order to identify both risks and opportunities for our company, as well as the implications for our stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Rental Income

Rental income for the year ending on December 31, 2016 was US $90.51 million, compared to US $78.56 million as of December 31, 2015, for an increase of US $11.95 million, or 15.2%.

This increase in rental income is mainly due to:

- A 17.2% increase from new lease agreements for new space or space that remained vacant in 2015 but had been occupied during 2016.
- A 1.7% increase in rental income from an inflation-adjusted increase in rent, as stipulated in the lease agreements. Most of our lease agreements include a provision stipulating that the rent is automatically adjusted annually to reflect changes in the US Consumer Price Index, for dollar-denominated rent payments, or the Mexican Consumer Price Index (INPC), for rent payments that are denominated in pesos. INPC changes were 3.4% and 2.1% in 2016 and 2015, respectively, and inflation in the US was 2.07% and 0.73% for 2016 and 2015, respectively.
- A 1.9% increase in expenses related to payments we made for our clients, for which they later reimbursed us, that have been recorded as rental income.

These increases were partly offset by:

- A 2.4% decrease due to currency translation effects from peso-denominated rent payments.
- A US $1.54 million, or 2.0%, decrease in rental income from lease agreements that expired in 2015 and were not renewed in 2016.
- A US $1.01 million, or 1.3%, decrease in rental income from lease agreements in which the rent-per-square-feet was reduced in order to retain the client when the contract was up for renewal.

Operating costs

Our property operating costs as of December 31, 2016 were US $4.37 million, compared to US $3.53 million as of December 31, 2015, for an increase of US $0.84 million, or 24.0%.

Of this increase, US $0.81 million are direct operating costs of leased investment properties which generated rental income. During 2016, these costs amounted to US $3.38 million, while for 2015 the cost was US $2.58 million.

This change is mainly due to:

- Other property-related expenses were up 39.7%, to US $0.35 million. During 2015 other property-related expenses were US $0.89 million, and for 2016 they came to US $1.24 million.
- A US $0.03 million, or 10.1%, increase in insurance for investment properties; in 2015, we paid US $0.27 million in insurance, and for 2016 the payment came to US $0.30.
- A US $0.28 million. or 59.7%, increase in maintenance costs. Maintenance costs for 2015 and 2016, respectively, were US $0.47 million and US $0.75 million.
- An increase of US $0.15 million, or 15.6%, in property taxes, which came to US $1.09 million in 2016, and were US $0.94 million in 2015. Real estate property taxes are paid in pesos. In 2016, real estate property taxes paid in pesos came to Ps. $20.35 million, while in 2015 the payment was for Ps. $14.96 million, for an increase of Ps. $5.39 million, or 36.0%. This in addition to the effect of the peso devaluation versus the US dollar, which went from Ps. $15.8546 per dollar in 2015 to Ps. $18.6567 per dollar in 2016.

Additionally, there was a US $0.04 increase in direct operating costs from investment properties that were not leased and did not generate any rental income.

This increase was the result of:

- A US $0.05 million decrease in the real estate property taxes for properties that generated no income because several properties that had previously been unoccupied, were leased during 2016.
- A US $0.06 million increase on properties that generated no income because of facilities that were unoccupied during 2016, resulting in the Company having to cover maintenance costs.

- Other property-related expenses were up US $0.03 million, resulting from our acquisition of land reserves inside the industrial parks, and from safety, water, electric power, and other expenses, from the facilities that were unoccupied in 2016.

Administration expenses

Administration expenses for the year ending on December 31, 2016 came to US $11.24 million, compared to US $9.83 million as of December 31, 2015, for an increase of US $1.40 million, or 14.3%.

This increase is primarily due to the expenses resulting from the Company hiring a management team.

- In 2016, we registered a US $0.93 million, or 17.5%, increase compared to 2015, in employee salary and administration expenses.
- A US $0.93 million, or 34.4%, increase in legal and audit expenses.

These increases were partially offset by:

- A US $0.01 million decrease in commissions on property acquisitions;
- A US $0.02 million, or 41.1%, reduction in marketing expenses.

In order to maintain our strong corporate governance practices, the Board of Directors approved a compensation plan for top executives, based on the return generated for shareholders.

Shares were granted based on the performance of the Company's share price as of December 31, 2016 and 2015, in accordance to the VESTA Vision 20/20 plan. We registered a shared-related expense of US $0.84 million and US $0.77 million for 2016 and 2015, respectively. This expense is calculated as the fair value at the date the shares were granted using the Monte Carlo model, which takes into account the performance probability of the Company's stock. The long-term bonus plan does not represent a cash outflow nor does it have an effect on EBITDA. For more information please read Note 16 to the Financial Statements.

Depreciation

Depreciation expenses for the year ending on December 31, 2016 came to US $0.32 million, compared to US $0.19 million as of December 31, 2015.

Other income and expenses

Other income and expenses for the twelve-month period grew to an income of US $25.50 million in 2016, compared to the US $30.97 million expense year over year. The increase is mainly due to an exchange rate loss of US $24.78 million, compared to US $45.82 million for the same period of the prior year, resulting from the depreciation of the peso versus the dollar. This increase was further favored by an increase in the gain resulting of the revaluation of investment properties that came to US $67.00 million, compared to US $31.44 million the prior year. The appraisal done as of December 31, 2016 reflects the conditions of the real estate market as of that date.

The 2016 appraisal shows a US $67.00 million gain, compared to US $31.44 million in 2015. The appraisal was done in late December 2016, and reflects the conditions of the real estate market at the end of 2015.

	Year ending on December 31,	
Interim Consolidated Statement and Other Comprehensive Income	2016	2015
Other income and expenses		
Interest income	3,368.38	6,138.65
Other income (expenses)	722.44	639.64
Transaction costs of debt issuance	(947.88)	-
Interest expense	(19,862.67)	(23,373.26)
Exchange loss	(24,781.51)	(45,820.68)
Gains on revaluation of investment properties	67,004.61	31,444.06
Total other (expenses) income	25,503.38	(30,971.59)

Interest income decreased US $2.77 million during 2016, up from US $6.14 million in 2015 to US $3.37 million in 2016. This decrease is due to the interest generated by investments in resources of the follow-on offerings held during the year, which are being invested in short-term government securities. Because the company continues to invest in developing new properties, we expect to see cash reductions over the following quarters.

Exchange loss in 2016 was US $24.78 million, compared to a loss in 2015 of US $45.82 million. Exchange losses or gains are explained mainly by the peso/dollar foreign exchange effect on the dollar-denominated WTN debt, as well as the balance in pesos of CIV-held resources from the initial public offering.

Interest expense was down US $3.51 million, or 15.0%, as of December 31, 2016, compared to the prior year. The decrease is due to the fact that in June 2016, we refinanced our Blackstone debt, reducing debt costs by approximately 300 basis points and extending maturity to almost six years.

Gain on revaluation of investment properties that generate income as of December 31, 2016 registered a US $35.56 million increase, compared to 2015.

Earnings before taxes

For the reasons described above, our earnings before taxes as of December 31, 2016 came to US $100.08 million, up from a gain of US $34.04 as of December 31, 2015.

Income tax

Income tax expense as of December 31, 2016 resulted in a US $55.00 million expense, compared to an expense of US $37.87 million as of December 31, 2015. This is mainly explained by the effect of deferred tax expenses, which came to US $48.86 million. Deferred taxes mainly reflect: (i) changes in the exchange rate as of the end of the year that are used to convert our Mexican peso-denominated asset balances for tax purposes (including our investment property and net tax loss carryforwards) to US dollars, (ii) a benefit resulting from the impact of inflation on the tax basis of our asset balances (including our investment property and net tax loss carryforwards), as allowed by Mexican Income Tax Law (Ley del Impuesto Sobre la Renta), and (iii) the effects of the fair value recognition in our investment properties for accounting purposes, which are not reflected for tax purposes because the tax value of the asset remains at its historical cost and is subsequently depreciated.

Profit (loss) for the Year

For the reasons described above, our gain as of December 31, 2016 came to US $45.08 million, compared to a US $3.83 million loss as of December 31, 2015.

Comprehensive profit (loss) for the year

Comprehensive profit includes differences in foreign currency conversions for foreign operations, reflecting the impact of the exchange rate fluctuations year over year in the WTN accounts. WTN is the only one of our subsidiaries that employs the Mexican peso as its functional currency.

As of December 31, 2016, we recorded a US $20.86 exchange rate loss from converting foreign operations, compared to a US $20.93 loss as of December 31, 2015, and a US $0.45 million profit as of December 31, 2014.

Consequently, comprehensive income for 2016 stood at US $24.22 million, compared to a loss of US $24.76 million in 2015. As of December 31, 2014, our comprehensive income was US $24.67 million.

Cash flow

The following table shows the cash generated and used for the years ending on December 31, 2016, 2015, and 2014.

	Year ending on December 31,		
	2016	2015	2014
			(thousands of dollars)
Cash flow from operating activities	68,276.85	68,688.82	32,836.65
Cash flow from investing activities	23,383.16	-266,503.09	29,756.53
Cash flow from financing activities	-64,749.77	215,520.09	-50,424.09
Effects of exchange rate fluctuations	-3,896.54	61.77	-9,792.13
Net cash flow (used) generated	23,013.70	17,767.59	2,376.96

Cash flow from operating activities

The most significant factors affecting the generation of cash flow from operating activities are the rent payments collected from our tenant base.

Cash flow generated from operating activities was US $68.27 million, US $68.68 million, and US $32.84 million for 2016, 2015, and 2014, respectively.

Cash flow generated by operating activities in 2016 was affected primarily by the increase in taxes that have yet to be reimbursed in the amount of US $6.15 million. Cash flow from operating activities in 2015 was affected primarily by the decrease in accounts receivable from operating leasings, for US $3.36 million. Cash flow generated by operating activities in 2014 was affected primarily by the increase in taxes that have yet to be reimbursed in the amount of US $13.97 million.

Cash flow from investing activities

Cash flow from investing activities came from generating resources for US $23.38 million, using US $266.50 million, and generating US $29.76 million as of December 2016, 2015, and 2014, respectively.

During 2016, investing activities were primarily related to the construction of new buildings in the Bajio, North, and Central regions. Total investments paid during 2016 reached US $157.44 million, and US $116.67 million and US $118.51 million in 2015 and 2014, respectively.

Cash flow from financing activities

Cash flow from financing activities for 2016, 2015, and 2014 came from using US $64.75 million, generating US $215.52 million, and using US $50.42 million, respectively. The issuing of 124.27 million shares, in 2015, allowed VESTA to add US $224.06 million to its equity.

Debt

As of December 31, 2016, our debt balance stood at US $340.87 million, 100% of which is long-term debt. Total debt is secured by 53 of our investment properties and the corresponding rent payments. As of December 31, 2016, 100% of the debt was denominated in US dollars.

As of December 31, 2015, the balance of long-term debt reached US $344.76 million, of which US $298.07 million, or 86.5%, correspond to the principal on short-term liabilities, while US $46.70 million, or 13.5%, are long-term debt.

As of December 31, 2014, the long-term debt balance was US $306.74 million, of which US $8.63 million, or 2.8%, correspond to the principal on short-term liabilities, while US$ 298.11 million, or 97.2%, were long-term debt.

On July 22, 2016, we obtained 5-year-maturity loans from several financial institutions in the amount of US $150,000,000 (the “Syndicated Loan”), and we received the resources on the same day. The Syndicated Loan also includes a revolving line of credit for up to US $100,000,000 that had not been used as of December 31, 2016. On July 27, 2016, the Company obtained new debt with a 10-year maturity with MetLife in the amount of US $150,000,000. Resources from both loans were used by the Company to pay back Blackstone debt, with maturity August 1, 2016.

Relevant events in 2016

The Investment Committee approved investments in the amount of US $30.9 million. US$ 12.7 million were used to construct two multi-tenant buildings at the Douki Seisan Park in Aguascalientes, US $10.7 million for a multi-tenant building at the Queretaro Industrial Park, and US$ 7.5 million to expand the J10 multi-tenant building located in Ciudad Juarez.

During the fourth quarter of the year, the Company purchased 3.7 hectares of land inside the Pacifico Industrial Park in Tijuana, Baja California for US $1.8 million.

During the third quarter, we signed a leasing agreement with Saargummi Technologies, a German supplier of the automotive industry who is currently one of our clients. Saargummi will lease the currently vacant building within the Bernardo Quintana Industrial Park in Queretaro, with a leasable area of 14,488 m^2 (155,948 SF). The term of the lease is 8 years, and rental payments will start in April 2017. In addition, Saargummi extended the existing lease for five additional years, to 2023.

During the third quarter, we signed a leasing agreement with ZF Chassis Toluca, S.A. de C.V.—which produces parts and accessories for automobiles—for a Build to Suit (BTS) facility at Douki Seisan Park, in Aguascalientes. The building will have a GLA of approximately 9,221 m^2 (99,256 SF) with a 10-year contract. Monthly rent is expected to be US $39,189, for an 11.4% cap rate.

During the second quarter, the Company purchased 19.6 hectares of land within the San Miguel Allende Industrial Polygon, for US $7.1 million, and 102 hectares of land reserves in Queretaro, for a total investment of US $12.4 million.

Also during the second quarter, we signed a contract to develop a Build to Suit (BTS) facility in San Miguel de Allende, Guanajuato, with car maker Bilstein, a subsidiary of ThyseenKrupp. The building will have a GLA of 19,094 m^2 (205,526 SF). The contract is for more than 10 years and rent payments began in December 2016. Monthly rent is expected to be US $62,246.

During the second quarter, we signed with Snecma Mexico, an aerospace engineering subsidiary of Grupo Safran, a contract for a Build to Suit (BTS) facility at the Queretaro Aerospace Park, in Queretaro. The building will have a GLA of approximately 31,401 m^2 (337,997 SF) with a 12-year contract. Monthly rent is expected to be US $198,500, for an 11.4% cap rate.

VESTA has met all its 2016-maturity obligations with debt refinancing agreements, resulting in a reduction in debt costs for the Company of approximately 300 basis points, and an extension on the average term to approximately six years.

The Company acquired US $400 million in new financing debt, including a US $150 million unsecured mid-term 5-year loan; a US $100-million revolving unsecured loan with a 3-year maturity, and a 10-year secured non-recourse loan for US $150 million.

During the first quarter, we delivered two Build to Suit facilities ahead of time: Oxxo Veracruz and Gestamp at Vesta Park Toluca II. VESTA also purchased an industrial property in Tijuana, with a GLA of 16,118 m^2 (173,008 SF). The purchase price was US $6.9 million, with a 10.5% stabilized cap rate. The building is occupied by Balboa Water Group, a company that builds fixtures for bathrooms and spas, with a 5-year leasing agreement.

Analyst coverage

In compliance with the bylaws of the Mexican Stock Exchange (BMV), article 4.033.01 Paragraph VIII, we wish to inform that our analyst coverage comes from the following brokers:

- Barclays Bank Mexico, S.A.
- Bradesco BBI Research
- BTG Pactual US Capital LLC
- Casa de Bolsa Credit Suisse S.A. de C.V.
- Casa de Bolsa Santander S.A. de C.V.
- Citigroup Global Markets Inc
- GBM Grupo Bursátil Mexicano S.A. de C.V.
- Grupo Financiero Interacciones S.A. de C.V.
- HSBC México S.A. de C.V.
- Itaú Corretora de Valores S.A
- J.P. Morgan Casa de Bolsa, S.A. de C.V.
- Merrill Lynch Mexico, S.A. de C.V.
- Scotia Inverlat Casa de Bolsa S.A. de C.V.
- UBS Casa de Bolsa S.A.

CORPORACION INMOBILIARIA VESTA, S. A. B. DE C. V. AND SUBSIDIARIES

Consolidated Financial Statements for the Years Ended December 31, 2016, 2015 and 2014, and Independent Auditors' Report Dated February 15, 2017

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF CORPORACION INMOBILIARIA VESTA, S. A. B. DE C. V. (IN US DOLLARS)

OPINION

We have audited the accompanying consolidated financial statements of Corporacion Inmobiliaria Vesta, S. A. B. de C. V. and subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2016, 2015, and 2014, and the consolidated statements of profit or loss and other comprehensive income (loss), consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2016, 2015, and 2014, its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have concluded that the following Key Audit Matters should be communicated in our report.

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. The Entity uses external appraisers in order to determine the fair value for all of its investment properties. The independent appraisers, use valuation techniques such as the discounted cash flows approach, replacement cost approach and income cap rate approach. The techniques used include assumptions, the majority of which are not directly observable in the market, to estimate the fair value of the Entity's investment property such as discount rates, long-term net operating income, inflation rates, absorption periods and market rents. The audit procedures performed to test investment properties were significant for our audit given that in order to test the reasonableness of the fair value of the investment properties, we involved an internal expert in valuation. As a result, our audit procedures included among others: i) testing the Entity's internal controls related to the approval of construction of new investment properties as well as cash disbursements related to such constructions, ii) performing detail substantive testing of the additions in investment properties made during the year; iii) performing physical inspection of some of the Entity's investment properties;

iv) using the work of our internal expert on valuation to test the fair value as determined by the Entity's expert of a sample of investment properties; v) performing an analytical substantive test of the fair value of the investment properties. Our procedures also included reviewing the appropriateness of the Entity's disclosures regarding the assumptions and accounting policies for the recognition of investment properties, which are included in the Note 8 to the consolidated financial statements.

DEFERRED INCOME TAXES

As explained in Note 2.16 to the consolidated financial statements, the Entity's deferred taxes are calculated by applying the statutory income tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. As of December 31, 2016 the amount of the tax loss carryforwards totaled $47,350,958, which represents a deferred income tax asset of $14,205,287. The use of this asset is subject to the sufficient future taxable income of each of the subsidiaries of the Entity that generated such benefit before their expiry date, which is 10 years from the year in which the tax loss is determined. The testing of the deferred income tax is significant to our audit due to the complexity of its determination. As a result, our audit procedures included among others: i) testing of the reasonableness of the calculations made by the Entity to determine the deferred income tax; ii) testing the assessment of the Entity for the reasonableness of the benefits from the deferred income assets and the tax losses carryforward will be realized as of December 31, 2016; iii) review of the disclosures made in the consolidated financial statements.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Management is responsible for the other information. The other information comprises two documents, the Entity's Annual Report and the information that will be incorporated in the Annual Report which the Entity is required to prepare in accordance with article 33Ib) of the fourth title, first chapter of the General Provisions Applicable to Issuers of Securities and Other Participants in the Securities Market in Mexico (the requirements). As of the date of our auditor's report we have not yet obtained these documents and they will be available only after the issuance of this Audit Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with IASs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited
C. P. C. Erick J. Calvillo Rello
February 15, 2017

Corporacion Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2016, 2015 and 2014
(In US dollars)

Assets	Notes	2016	2015	2014
Current assets:				
Cash, cash equivalents and restricted cash	4	$ 50,720,751	$ 27,745,05	$ 10,674,770
Financial assets held for trading	5	613,015	203,563,025	95,025,988
Recoverable taxes	6	21,794,481	20,822,580	27,712,294
Operating lease receivables	7	7,028,975	4,148,109	7,505,226
Prepaid expenses		37,191	505,450	447,152
Guarantee deposits made		-	2,750,579	-
Total current assets		80,194,413	259,534,798	141,365,430
Non-current assets:				
Investment property	8	1,415,714,762	1,214,930,005	1,101,352,822
Office furniture - Net		1,965,192	1,842,468	421,340
Guarantee deposits made and restricted cash		2,920,475	1,210,131	2,883,972
Total non-current assets		1,420,600,429	1,217,982,604	1,104,658,134
Total assets		$ 1,500,794,842	$ 1,477,517,402	$ 1,246,023,564
Liabilities and stockholders' equity				
Current liabilities:				
Current portion of long-term debt	9	$	$ 298,069,960	$ 8,629,108
Accrued interest		1,609,233	3,202,040	3,068,412
Accounts payable and client advances		1,795,748	1,409,555	14,222,235
Taxes payable, mainly income taxes		550,557	314,896	1,274,395
Accrued expenses		1,981,263	1,698,410	1,636,361
Total current liabilities		5,936,801	304,694,861	28,830,511
Non-current liabilities:				
Long-term debt	9	340,871,417	46,689,049	298,109,960
Guarantee deposits received		8,868,661	7,205,978	5,706,109
Deferred income taxes	13.3	185,733,064	144,140,530	115,641,120
Total non-current liabilities		535,473,142	198,035,557	419,457,189
Total liabilities		541,409,943	502,730,418	448,287,700
Litigation and other contingencies	17			
Stockholders' equity:				
Capital stock	10	450,880,150	455,741,735	370,368,712
Additional paid-in capital		343,037,228	349,557,056	211,869,157
Retained earnings		201,751,251	185,494,148	211,640,460
Share-based payments reserve		1,973,372	1,391,080	323,764
Foreign currency translation		(38,257,102)	(17,397,035)	3,533,771
Total stockholders' equity		959,384,899	974,786,984	797,735,864
Total liabilities and stockholders' equity		$ 1,500,794,842	$ 1,477,517,402	$ 1,246,023,564

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2016, 2015 and 2014 (In US dollars)

	Note	2016	2015	2014
Revenues:				
Rental income		$ 90,511,822	$ 78,562,329	$ 69,332,889
Property operating costs:		**(3,384,389)**	**(2,576,520)**	**(2,761,265)**
Related to properties that generated rental income	12.1			
Related to properties that did not generate rental income	12.1	(992,057)	(953,487)	(838,684)
Gross profit		86,135,376	75,032,322	65,732,940
Administration expenses	12.2	(11,236,676)	(9,832,480)	(8,302,946)
Depreciation		(322,627)	(188,267)	(40,536)
Other Income and Expenses:				
Interest income		3,368,382	6,138,652	5,712,082
Other income (expense)		722,439	639,637	(290,063)
Transaction costs on debt		(947,875)	-	-
Interest expense		(19,862,673)	(23,373,256)	(22,186,990)
Exchange loss		(24,781,506)	(45,820,677)	(19,433,700)
Gain on revaluation of investment property		67,004,611	31,444,058	29,955,242
Total other income and expenses		25,503,378	(30,971,586)	(6,243,429)
Profit before income taxes		100,079,451	34,039,989	51,146,029
Income tax expense	13.1	(54,996,658)	(37,865,161)	(26,924,032)
Profit (loss) for the year		45,082,793	(3,825,172)	24,221,997
Other comprehensive (loss) income - net of tax:				
Items that may be reclassified subsequently to profit or loss -				
Exchange differences on translating other functional currency operations		(20,860,067)	(20,930,806)	451,262
Total comprehensive income (loss) for the year		$ 24,222,726	$ (24,755,978)	$ 24,673,259
Basic and diluted earnings (loss) per share	11	$ 0.072	$ (0.006)	$ 0.05

See accompanying notes to consolidated financial statements.

Corporacion Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2016, 2015 and 2014 (In US dollars)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Share-Based Payments Reserve	Foreign Currency Translation	Total Stockholders' Equity
Balances as of January 1, 2014	$ 370,368,712	$ 211,869,157	$ 204,265,028	-	$ 3,082,509	$ 789,585,406
Share-based payments	-	-	-	$ 323,764	-	323,764
Dividends declared	-	-	(16,846,565)	-	-	(16,846,565)
Comprehensive income	-	-	24,221,997	-	451,262	24,673,259
Balances as of December 31, 2014	370,368,712	211,869,157	211,640,460	323,764	3,533,771	797,735,864
Equity issuance	85,749,137	138,310,418	-	-	-	224,059,555
Share-based payments	-	-		1,067,316	-	1,067,316
Dividends declared	-	-	(22,321,140)	-	-	(22,321,140)
Repurchase of shares	(376,114)	(622,519)		-	-	(998,633)
Comprehensive income (loss)	-	-	(3,825,172)	-	(20,930,806)	(24,755,978)
Balances as of December 31, 2015	455,741,735	349,557,056	185,494,148	1,391,080	(17,397,035)	974,786,984
Share-based payments	-	-		860,125	-	860,125
Vested shares	104,640	173,193	-	(277,833)	-	-
Dividends declared	-	-	(28,825,690)	-	-	(28,825,690)
Repurchase of shares	(4,966,225)	(6,693,021)	-	-	-	(11,659,246)
Comprehensive income (loss	-	-	45,082,793	-	(20,860,067)	24,222,726
Balances as of December 31, 2016	$ 450,880,150	$ 343,037,228	$ 201,751,251	$ 1,973,372	$ (38,257,102)	$ 959,384,889

See accompanying notes to consolidated financial statements.

Corporacion Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016, 2015 and 2015 (In US dollars)

	2016	2015	2014
Cash flows from operating activities:			
Profit before income taxes	$ 100,079,451	$ 34,039,989	$ 51,146,029
Adjustments:			
Depreciation	322,627	188,267	40,536
Gain on revaluation of investment property	(67,004,611)	(31,444,058)	(29,955,242)
Effect of foreign exchange rates	24,781,506	45,820,677	10,243,391
Interest income	(3,368,382)	(6,138,652)	(5,712,082)
Gain on sale of investment properties	-	-	(731,326)
Interest expense	19,862,673	23,373,256	22,186,990
Expense recognized in respect of share-based payments	860,125	1,067,316	323,764
Working capital adjustments:			
(Increase) decrease in:			
Operating lease receivables - Net	(2,880,866)	3,357,117	(798,467)
Recoverable taxes	(6,147,505)	(1,492,217)	(13,967,534)
Prepaid expenses	468,259	(58,298)	(123,165)
Guarantee deposits made	-	(379,428)	83,863
Increase (decrease) in:			
Accounts payable and client advances	(190,045)	736,254	(180,055)
Guarantee deposits received	1,662,683	1,499,869	182,940
Accrued expenses	553,705	62,049	(31,639)
Income taxes paid	(722,775)	(1,943,319)	128,652
Net cash generated by operating activities	68,276,845	68,688,822	32,836,655
Acquisition of office furniture			
Purchases of investment property	(157,437,522)	(116,674,635)	(118,513,768)
Acquisition of office furniture	(716,203)	(1,609,395)	(117,336)
Financial assets held for trading	178,168,504	(154,357,714)	138,026,032
Proceeds from sale of investment property	-	-	4,649,526
Interest received	3,368,382	6,138,652	5,712,082
Net cash (used in) generated by investing activities	23,383,161	(266,503,092)	29,756,536
Cash flows from financing activities:			
Proceeds from equity issuance	-	224,059,555	-
Guarantee deposits made	(1,672,342)	-	-
Guarantee deposits collected	2,750,579	-	-
Interest paid	(21,455,480)	(23,239,628)	(22,288,846)
Proceeds from borrowings	300,000,000	47,500,000	-
Repayments of borrowings	(298,069,960)	(8,629,108)	(11,288,678)
Dividends paid	(28,825,690)	(22,321,140)	(16,846,565)
Repurchase of treasury shares	(11,659,246)	(998,633)	-
Debt issuance costs	(5,817,632)	(850,951)	-
Net cash generated by (used in) financing activities	(64,749,771)	215,520,095	(50,424,089)
Effects of exchange rates changes on cash	(3,896,537)	61,770	(9,792,129)
Net increase in cash, cash equivalents and restricted cash	23,013,698	17,767,595	2,376,973
Cash, cash equivalents and restricted cash at the beginning of year	28,442,365	10,674,770	8,297,797
Cash, cash equivalents and restricted cash at the end of year - Note 4	$ 51,456,063	$ 28,442,365	$ 10,674,770

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016, 2015 and 2014 (In US dollars)

1. General information

Corporacion Inmobiliaria Vesta, S. A. B. de C. V. (“VESTA”) is a corporation incorporated in Mexico. The address of its registered office and principal place of business is Paseo de los Tamarindos 90, Torre II, 28th floor, Mexico City.

VESTA and subsidiaries (collectively, the “Entity”) are engaged in the development, acquisition and operation of industrial buildings and distribution facilities that are rented to corporations in thirteen states throughout Mexico.

On January 28, 2015, the Entity issued a total of 124,272,111 shares, including the overallotment option, through a follow-on public offering of shares in the Mexican Stock Exchange and through a private offering of shares in international markets under the Rule 144A of the United States of America and Regulations S under the Securities Act of 1933. The offering price was 27 Mexican pesos per share and the net proceeds of this offering which amounted to $224,059,555 were received on February 4, 2015.

On July 22, 2016, the Entity entered into a five-year credit agreement with various financial institutions for an aggregated amount of $150,000,000, the proceeds of this loan were received on the same date. This credit agreement also includes a revolving credit facility up to $100,000,000 which as of December 31, 2016 has not been utilized. On July 27, 2016, the Entity entered into a 10-year loan agreement with Metropolitan Life Insurance Company for a total amount of $150,000,000. The proceeds of both of the aforementioned credit facilities were used to settle the Entity’s debt with Blackstone.

2. Significant accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, Share-based Payments.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of VESTA and entities (including structured entities) controlled by VESTA and its subsidiaries. Control is achieved when the Entity:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows related to transactions between members of the Entity are eliminated in full on consolidation.

	Porcentaje de participación			
Subsidiaria / entidad	**2016**	**2015**	**2014**	**Actividad**
QVC, S. de R. L. de C. V.	99.99%	99.99%	99.99%	Holds investment properties
QVC II, S. de R. L. de C. V.	99.99%	99.99%	99.99%	Holds investment properties
WTN Desarrollos Inmobiliarios de México, S. de R. L. de C. V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta Baja California, S. de R. L. de C. V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta Bajio, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta Queretaro, S. de R. L. de C. V.	99.99%	99.99%	99.99%	Holds investment properties
Proyectos Aeroespaciales, S. de R. L. de C. V.	99.99%	99.99%	99.99%	Holds investment properties
CIV Infraestructura, S. de R.L. de C. V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta Management, S. de R. L. de C. V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta DSP, S. de R. L. de C. V.	99.99%	99.99%	99.99%	Provides administrative services to the Entity
Servicio de Administracion y Mantenimiento Vesta, S. de R. L. de C. V.	99.99%	99.99%	-	Provides administrative services to the Entity

2.4 Foreign currencies

The U.S. dollar is the functional currency of VESTA and all of its subsidiaries except for WTN Desarrollos Inmobiliarios de Mexico, S. de R. L. de C. V. ("WTN") and Vesta Management, S. de R.L. de C.V. (VM), which consider the Mexican peso to be their functional currency and are considered to be "foreign operations" under IFRS. However, VESTA and its subsidiaries keep their accounting records in Mexican pesos. In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the exchange rates in effect on the dates of each transaction.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates in effect at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates in effect on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of WTN and VM are translated into U.S. dollars using the exchange rates in effect on the last business day of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates in effect on the dates of the transactions are used. Exchange differences arising, if any, are recorded in other comprehensive income.

2.5 Cash and cash equivalents

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash is carried at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in interest income of the period. Cash equivalents are represented mainly by investments in treasury certificates (CETES) and money market funds.

2.6 Financial instruments

Financial assets and financial liabilities are recognized when VESTA or its subsidiaries become a party to the contract governing such financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

2.6.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2.6.2 Financial assets at FVTPL

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as of FVTPL upon initial recognition if:

Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as of FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income (expenses)' - Net line item.

The Entity has not designated any asset as at FVTPL.

2.6.3 The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows expected to be received (including all fees and expenses paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL.

2.6.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including operating lease receivables and others) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2.6.5 Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

2.7 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon sale or when the investment property is permanently withdrawn from use and no future economic benefits are expected to be received from such investment property. Any gain or loss arising on derecognition of the property (calculated as the difference between the net sale proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2.8 Office furniture

Office furniture is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of office furniture is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of the asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.9 Restricted cash

Restricted cash represents cash and cash equivalents balances held by the Entity that are only available for use under certain conditions pursuant to the long-term debt agreements entered into by the Entity (as discussed in Note 9). These restrictions are classified according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are fulfilled, whereby the short-term restricted cash balance was classified within current assets under cash and cash equivalents and the long-term restricted cash was classified within guarantee deposits made.

2.10 Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Entity will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.11 Financial liabilities

2.11.1 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (“at FVTPL”) or other financial liabilities.

2.11.2 Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and expenses paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.11.3 Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2.12 Short term and other long term employee benefits and employee profit sharing (“PTU”)

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Entity in respect of services provided by employees up to the reporting date.

Statutory employee profit sharing

PTU is recorded in the results of the year in which it is incurred and is presented in administration expenses line item in the consolidated statement of profit or loss and other comprehensive income.

PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

2.13 Employee benefits for termination

Employee benefits for termination are recorded in the results of the year in which they are incurred.

2.14 Share-based payment arrangements

Share-based payment transactions of the Entity

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 16.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Entity's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

2.15 Leasing

Leases are classified as finance leases whenever the terms of the lease agreement transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Entity as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Entity as lessee

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.16 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.16.1 Current tax

Current income tax ("ISR") is recognized in the results of the year in which is incurred.

2.16.2 Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.16.3 Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.17 Impairment of long-lived assets other than goodwill

At the end of each reporting period, the Entity reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

2.18 Earnings per share

Basic earnings per common share are calculated by dividing net income of the controlling interest by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are determined by adjusting consolidated net income and common shares on the assumption that the Entity's commitments to issue or exchange its own shares would be fulfilled, unless the impacts of such instruments would be anti-dilutive (for example in a year in which the Entity incurred a loss).

2.19 Application of new and revised IFRSs that are mandatorily effective for the current year

In the current year, the Entity has applied amendments to IFRSs issued by IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2016, none of which had a material impact on the accompanying consolidated financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

2.20 New and revised IFRSs in issue but not yet effective

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
Amendments to IAS 12	Income taxes[1]
Amendments to IAS 7	Statements of Cash Flows[1]
Amendments to IFRS 2	Classification and measurement of share-based payments[2]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2014 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

· All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).
· With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
· In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
· The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-

financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Entity's management do not anticipate that the application of IFRS 9 will have a material impact.

IFRS 15 Revenue from Contracts with Customers
In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation
According to IFRS 15, an entity recognizes the income when the obligation is satisfied, that is, when the "control" of the goods or services related to the performance obligation has been transferred to the client. Additionally, IFRS15 includes guidelines to face specific situations. Also, the amount of required revelations is increased.

The Entity is in the process of determining the potential impacts of the adoption of this norm derived into its consolidated financial statements, although, considering the nature of its operations, no significant impact is expected.

IFRS 16, Leases
IFRS 16 "Leases" was issued in January 2016 and supersedes IAS 17 "Leases" and related interpretations. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements, although by the nature of its operations it would not expect significant impacts.

Amendments to IAS 12 Income Tax: Recognition of Deferred Tax Assets for Unrealized Losses, clarify how to account for deferred tax assets related to debt instruments measured at fair value.

IAS 12 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice.

Entities are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

The management of the Entity does not expect significant impacts a result of these amendments.

Amendments to IAS 7 Statements of Cash Flows: Provide disclosures.
The amendments in disclosure initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Entities are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

The management of the Entity is in process to determine the impacts resulting of these amendments.

Amendments to IFRS 2 Share-based Payment
The amendments to IFRS 2 Share-based Payment, clarify the classification and measurement of share-based payment transactions. The amendments contain clarifications and amendments addressed to the accounting for cash-settled share-based payment transactions; classification of share-based payment transactions with net settlement features; and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. These amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments apply prospectively.

The management of the Entity does not expect significant impacts as result of these amendments.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Valuation of investment properties

As described in Note 8, the Entity uses external appraisers in order to determine the fair value of its investment properties. Such appraisers use several valuation methodologies that include assumptions that are not directly observable in the market to estimate the fair value of its investment properties. Note 8 provides detailed information about the key assumptions used in the determination of the fair value of the investment properties.

In estimating the fair value of an asset or a liability, the Entity uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Entity engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the Board of Directors of the Entity every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 8 and 14.

The Entity's management believes that the chosen valuation methodologies and assumptions used are appropriate in determining the fair value of the Entity's investment properties.

4. Cash, cash equivalents and restricted cash

For purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, including restricted cash. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

		2016		2015		2014
Cash and cash equivalents	$	48,054,432	$	21,632,285	$	6,848,378
Current restricted cash		2,666,319		6,112,770		3,826,392
		50,720,751		27,745,055		10,674,770
Non-current restricted cash		735,312		697,310		-
Total	$	51,456,063	$	28,442,365	$	10,674,770

Restricted cash represents balances held by the Entity that are only available for use under certain conditions pursuant to the loan agreements entered into by the Entity. Such conditions include payment of monthly debt service and compliance with certain covenants set forth in the loan agreement. These restrictions are classified according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are fulfilled. Non-current restricted cash was classified within guarantee deposits made in the accompanying consolidated statements of financial positon.

5. Financial assets held for trading

The portfolio of financial assets that the Entity has classified as held for trading relates to investments is used by the Entity to manage its cash surplus. Such financial assets were acquired in active markets and are principally comprised of investment funds with no maturity date and which mainly invest in AAA debt instruments, such as government bonds.

6. Recoverable taxes

		2016		2015		2014
Recoverable value-added tax ("VAT")	$	10,438,157	$	9,216,603	$	22,043,687
Recoverable income taxes		11,320,220		11,541,336		5,602,192
Other receivables		36,104		64,641		66,415
	$	21,794,481	$	20,822,580	$	27,712,294

7. Operating lease receivables

7.1 The aging profile of operating lease receivables as of the dates indicated below are as follows:

	2016	2015	2014
0-30 days	$ 4,541,467	$ 2,955,085	$ 6,392,749
30-60 days	1,588,869	424,763	861,273
60-90 days	551,533	332,338	87,726
Over 90 days	347,106	435,923	163,478
Total	$ 7,028,975	$ 4,148,109	$ 7,505,226

Pursuant to the lease agreements, rental payments should be received within 30 days following their due date; thereafter the payment is considered past due. As shown in the table above, 64%, 71% and 85% of all operating lease receivables are current at December 31, 2016, 2015 and 2014, respectively.

All rental payments past due are monitored by the Entity; for receivables outstanding from 30 to 90 days efforts are made to collect payment from the respective client. Operating lease receivables outstanding for more than 30 days but less than 60 days represent 22%, 10% and 11% of all operating lease receivables at December 31, 2016, 2015 and 2014, respectively. Operating lease receivables outstanding for more than 60 and less than 90 days represent 8%, 8% and 1% of all operating lease receivable at December 31, 2016, 2015 and 2014. Operating lease receivables outstanding greater than 90 days represent 5%, 11% and 2% as of December 31, 2016, 2015 and 2014, respectively.

7.2 Movement in the allowance for doubtful accounts receivable

The Entity individually reviews each of its operating lease receivables and according to the aging report determines the need to create an allowance for the recoverability of such receivables. The balance as of December 31, 2016 is $41,314, which was created during 2016. During 2015 and 2014 there were no increases to the allowance for doubtful accounts.

7.3 Client concentration risk

As of December 31, 2016, 2015 and 2014 one of the Entity's clients account for 29% or $2,040,061, 20% or $830,135 and 75% or $5,646,339, respectively, of the operating lease receivables balance. The same client accounted for 11%, 12% and 17% of the total rental income of Entity for the years ended December 31, 2016, 2015 and 2104, respectively. As of December 31, 2016, two of the entity's clients accounted for 21% and 18% of the operating lease receivable balance; however, neither of these clients accounted for more than 10% of the total rental income of the Entity for the year ended December 31, 2016.

7.4 Leasing agreements

Operating leases relate to non-cancellable lease agreements over the investment properties owned by the Entity, which generally have terms ranging between 5 to15 years, with options to extend the term up to a total term of 20 years. Rents are customarily payable on a monthly basis, and are adjusted annually according to applicable inflation indices (US and Mexican inflation indices). Security deposits are typically equal to one or two months' rent. Obtaining property insurance (third party liability) and operating maintenance are obligations of the tenants. All lease agreements include a rescission clause that entitles the Entity to collect all unpaid rents during the remaining term of the lease agreement in the event that the client defaults in its rental payments, vacates the properties, terminates the lease agreement or enters into bankruptcy or insolvency proceedings. All lease agreements are classified as operating leases and do not include purchase options.

7.5 Non-cancellable operating lease receivables

Future minimum lease payments receivable under non-cancellable operating lease agreements are as follows:

		31/12/2016		31/12/2015		31/12/2014
Not later than 1 year	$	100,997,236	$	85,322,145	$	70,629,698
Later than 1 year and not later than 3 years		170,779,851		145,954,674		122,117,261
Later than 3 year and not later than 5 years		191,181,511		147,512,967		115,421,411
Later than 5 years		159,893,939		140,891,280		118,579,372
	$	622,852,537	$	519,681,066	$	426,747,742

8. Investment property

The Entity uses external appraisers in order to determine the fair value for all of its investment properties. The independent appraisers, who hold recognized and relevant professional qualifications and have vast experience in the types of investment properties, owned by the Entity, use valuation techniques such as the discounted cash flows approach, replacement cost approach and income cap rate approach. The techniques used include assumptions, the majority of which are not directly observable in the market, to estimate the fair value of the Entity's investment property such as discount rates, long-term NOI, inflation rates, absorption periods and market rents.

The values, determined by the external appraisers annually, are recognized as the fair value of the Entity's investment property at the end of each reporting period. The appraisers use a discounted cash flow approach to determine the fair value of land and buildings (using the expected net operating income ("NOI") of the investment property) and a market approach to determine the fair value of land reserves. Gains or losses arising from changes in the fair values are included in the consolidated statements of profit or loss and other comprehensive (loss) income in the period in which they arise.

The Entity's investment properties are located in México and they are classified as Level 3 in the IFRS fair value hierarchy. The following table provides information about how the fair values of the investment properties are determined (in particular, the valuation technique(s) and inputs used).

Property	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Value/range	Relationship of unobservable inputs to fair value
Buildings and land	Level 3	Discounted cash flows	Discount rate	2016: 9.75% 2015: 9.50% 2014: 9.50%	The higher the discount rate, the lower the fair value.
			Long-term NOI	Based on contractual rent and then on market related rents	The higher the NOI, the higher the fair value.
			Inflation rates	Mexico: 3.5% in 2016 and 3.4% in 2015 and 2014 U.S.: 2.2% in 2016 and 2.1% in 2015 and 2014	The higher the inflation rate, the higher the fair value.
			Absorption period	12 months on average	The shorter the absorption period, the higher the fair value
			Market related rents	Depending on the park/state	The higher the market rent the higher the fair value
			Exchange rate - Mexican pesos per $1	2016: 20.00 2015: 16.03 2014: 13.60	The higher the exchange rate the lower the fair value
Land reserves	Level 3	Market value	Price per acre	Weighted average price per acre in 2016 $105,893 and $134,473 in 2015.	The higher the price, the higher the fair value.

The table below sets forth the aggregate values of the Entity's investment properties for the years indicated:

	31/12/2016	31/12/2015	31/12/2014
Buildings and land	$ 1,393,000,000	$ 1,198,208,983	$ 1,092,424,983
Advances for acquisition of land	9,652,444	2,770,159	395,921
Land reserves	79,377,000	58,602,000	64,740,000
	1,482,029,444	1,259,581,142	1,157,560,904
Less: Cost to complete construction in-progress	(66,314,682)	(44,651,137)	(56,208,082)
Balance at end of year	$ 1,415,714,762	$ 1,214,930,005	$ 1,101,352,822

The reconciliation of investment property is as follows:

	31/12/2016	31/12/2015	31/12/2014
Balance at beginning of year	$ 1,214,930,005	$ 1,101,352,822	$ 951,884,585
Additions	158,013,760	103,125,702	123,431,195
Investment properties sold	-	-	(3,918,200)
Foreign currency translation effect	(24,233,614)	(20,992,577)	-
Gain on revaluation of investment property	67,004,611	31,444,058	29,955,242
Balance at end of year	$ 1,415,714,762	$ 1,214,930,005	$ 1,101,352,822

A total of $1,077,234 additions to investment property related to land reserves and new buildings which were acquired from third parties, were not paid as of December 31, 2016 and were therefore excluded from the consolidated statements of cash flows. As of December 31, 2015, a total of $500,996 additions to investment property, which were acquired from a third party, were not paid; these additions were paid during the year ended December 31, 2016.

During 2007, the Entity entered into an agreement to build the Queretaro Aerospace Park, which consists of a trust created by the Government of the State of Queretaro, as grantor (fideicomitente), Aeropuerto Intercontinental de Queretaro, S. A. de C. V., as a participant for the purposes of granting its consent, Bombardier Aerospace México, S.A. de C.V., as beneficiary (fideicomisario), and BBVA Bancomer, S.A., as trustee (fiduciario), to which the Entity, through its subsidiary, Proyectos Aeroespaciales, adhered as grantee and beneficiary. The Government of the State of Queretaro contributed certain rights to the trust, including rights to use the land and the infrastructure built by the state of Queretaro, allowing Proyectos Aeroespaciales to build and lease buildings for a total period equivalent to the term of the concession granted to the Aerospace Park; the remaining term is approximately 42 years as of December 31, 2016.

Proyectos Aeroespaciales is the only designated real estate developer and was granted the right to use the land and infrastructure to develop industrial facilities thereon, lease such industrial facilities to companies in the aerospace and related industries and to collect the rents derived from the lease of the industrial facilities, for a period of time equivalent to the remaining term of the airport concession (approximately 42 years as of December 31, 2016). With respect to such rights, all construction, addition and improvements made by Proyectos Aeroespaciales to the contributed land (including without limitation, the industrial facilities) will revert in favor of the Government of the State of Queretaro at the end of the term of the trust, for zero consideration.

During 2013, the Company entered into an agreement with Nissan Mexicana, S.A. de C.V. ("Nissan") to build and lease to Nissan the Douki Seisan Park ("DSP Park") located in Aguascalientes, Mexico. The land where the DSP Park is located is owned by Nissan. On July 5, 2012, Nissan created a trust (trust No. F/1704 with Deutsche Bank México, S.A. as trustee) to which the Company (through one of its subsidiaries, Vesta DSP, S. de R.L. de C.V), is beneficiary and was granted the use of the land for a period of 40 years. The infrastructure and all the related improvements were built by and are managed by the Company.

As of December 31, 2016, 2015 and 2014, the Entity's investment properties have a gross leasable area (unaudited) of 22,569,585 square feet (or 2,096,783 square meters), 20,052,909 square feet (or 1,862,981 square meters) and 16,791,931 square feet (or 1,560,021 square meters), respectively and they were 89.2%, 86.7% and 87.3% occupied by tenants (unaudited), respectively. As of December 31, 2016, 2015 and 2014, investment properties with a gross leasable area (unaudited) of 2,008,397 square feet (or 186,586 square meters), 1,272,670 square feet (or 118,235 square meters) and 2,870,847 square feet (or 266,710 square meters), respectively, were under construction, representing an additional 8.9%, 14.31% and 11.68% of the Entity's total leasable area.

Most of the Entity's investment properties have been pledged as collateral to secure its long-term debt.

9. Long-term debt

On July 22, 2016, the Entity entered into a new five-year credit agreement with various financial institutions for an aggregated amount of $150,000,000; the proceeds were received on the same date (the "Syndicated Loan"). The Syndicated Loan also includes a revolving credit facility up to $100,000,000 which as of December 31, 2016 has not been utilized. On July 27, 2016, the Entity entered into a 10-year loan agreement with Metropolitan Life Insurance Company ("MetLife") for a total amount of $150,000,000. The proceeds of both of the aforementioned credit facilities were used to settle the Entity's debt with Blackstone which matured on August 1, 2016. The long-term debt is comprised by the following notes:

Issue date	Original amount	Annual interest rate	Monthly amortization	Maturity	31/12/2016	31/12/2015	31/12/2014
July 2016	150,000,000	Tasa Variable (1)	(1)	July 2021	$150,000,000	$ -	$ -
July 2016	150,000,000	4.55%	(2)	August 2026	150,000,000	-	-
April 2015	47,500,000	4.35%	(3)	April 2022	47,500,000	47,500,000	-
September 2003	7,637,927	7.17%	11,736	August 2026		4,990,210	5,134,727
April 2005	2,000,000	7.17%	3,281	August 2026		1,393,073	1,433,480
August 2005	6,300,000	7.17%	10,441	August 2026		4,437,481	4,566,048
August 2005	14,500,000	7.17%	24,146	August 2026		10,247,179	10,544,502
November 2005	32,000,000	7.17%	274,440*	August 2026		21,237,473	21,807,521
March 2006	15,000,000	7.17%	25,336	August 2026		7,767,320	8,079,295
July 2006	50,000,000	7.17%	99,961	August 2026		47,256,946	48,487,816
July 2006	12,000,000	7.17%	23,991	August 2026		10,609,960	10,905,370
September 2006	10,800,000	7.17%	19,948	August 2026		8,961,734	9,207,363
October 2006	8,300,000	7.17%	15,330	August 2026		6,887,259	7,076,029
November 2006	12,200,000	7.17%	17,717	August 2026		8,006,030	8,224,187
November 2006	28,091,497	7.17%	25,234	August 2026		11,343,196	11,653,920
May 2007	6,540,004	7.17%	12,182	August 2026		5,475,496	5,625,506
September 2007	8,204,039	7.17%	15,359	August 2026		6,905,008	7,094,132
April 2008	32,811,066	6.47%	73,846	August 2026		28,271,033	29,193,227
April 2008	867,704	6.47%	3,756	August 2026		1,437,785	1,484,686
April 2008 *	7,339,899	6.62%	183,115*	August 2026		11,718,557	12,097,602
August 2008	3,372,467	6.47%	11,936	August 2026		4,570,012	4,719,073
August 2008	6,286,453	6.47%	14,187	August 2026		5,431,327	5,608,491
April 2009	19,912,680	7.17%	36,436	August 2026		16,167,177	16,615,833
December 2009	30,000,000	7.17%	56,729	August 2026		24,171,582	24,870,114
July 2012	19,768,365	7.17%	39,521	August 2026		16,778,331	17,264,976
July 2012	27,960,333	7.17%	55,899	August 2026		24,392,657	25,080,968
July 2012	5,000,000	6.15%	1 45	August 2026		4,364,210	4,526,111
March 2013	5,918,171	5.80%	15,008	August 2026		5,248,924	5,438,091
					347,500,000	345,569,960	306,739,068
Less: Current portion					-	(298,069,960)	(8,629,108)
Less: direct issuance cost					(6,628,583)	(810,951)	-
Long-term debt with Blackstone					-	-	298,109,960
Total long-term debt					$340,871,417	$46,689,049	$298,109,960

* These notes payable had bi-annual amortization.

(1) Five-year Syndicated Loan, interest is paid on a quarterly basis and calculated using LIBOR (London interbank offered rate) plus an applicable margin. The applicable margin varies depending on the Entity's leverage ratio (higher or lower than 40%) and the number of months that the Syndicated Loan has been outstanding. Currently the applicable margin is 200 basis points; if leverage ratio is higher than 40% the margin would increase to 225 basis points. Principal amortization will commence on July 22, 2019; thereafter the Syndicated Loan will have quarterly principal payments equal to 1.25% of the loan amount.

(2) 10-year loan agreement with MetLife, interest on this loan is paid on a monthly basis and calculated using an annual fixed rate of 4.55%. Principal amortization will commence on September 1, 2023.This loan is guaranteed with 48 of the Entity's properties.

(3) On March 9, 2015, the Entity entered into a 7-year loan with MetLife, interest on this loan is paid on a monthly basis and calculated using an annual rate of 4.35%. The loan has monthly interest only payments for 42 months and thereafter monthly amortizations of principal and interest until it matures on April 1, 2022. The loan is secured by 6 of the Entity's investment properties.

These credit agreements require the Entity to maintain certain financial ratios (such as cash-on-cash and debt service coverage ratios) and to comply with certain affirmative and negative covenants. The Entity was in compliance with these covenants under the Blackstone credit agreement as of December 31, 2016.

The credit agreements also entitles MetLife to withhold certain amounts deposited by the Entity in a separate fund as guarantee deposits for the debt service and tenants guarantee deposits of the Entity's investment properties pledged as collateral. Such amounts are presented as guarantee deposit assets in the statement of financial position.

Scheduled maturities and periodic amortization of long-term debt are as follows:

As of December 2017	$	-
As of December 2018		123,019
As of December 2019		763,388
As of December 2020		791,939
As of December 2021		833,388
Thereafter		344,988,266
Less: direct issuance cost		(6,628,583)
Total long-term debt	$	340,871,417

10. Capital stock

10.1 Capital stock as of December 31, 2016, 2015 and 2014 is as follows:

	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Fixed capital						
Series A	5,000	3,696	5,000	3,696	5,000	3,696
Variable capital						
Series B	621,092,663	450,876,454	631,134,923	455,738,039	507,447,012	370,365,016
Total	$621,097,663	$450,880,150	$631,139,923	$455,741,735	$507,452,012	$370,368,712

Stockholders' equity, except restated paid-in capital and tax retained earnings will be subject to ISR payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years. As of December 31, 2016 and 2015, there were a total of 10,626,460 and 586,200, respectively, shares in treasury. There were no shares in treasury as of December 31, 2014.

10.2 Fully paid ordinary shares

	Number of shares		Amount		Additional paid-in capital
Balance as of December 31, 2014	507,452,012		370,368,712		211,869,157
Capital stock issuance of January 28, 2015	124,272,111		85,749,137		144,250,863
Direct equity issuance costs	-		-		(8,486,350)
Income taxes related to direct equity issuance costs	-		-		2,545,905
Repurchase of shares	(586,200)		(376,114)		(622,519)
Balance as of December 31, 2015	631,139,923		455,741,735		349,557,056
Vested shares	163,089		104,640		173,193
Repurchase of shares	(10,203,349)		(4,944,225)		(6,693,021)
Balance as of December 31, 2016	621,097,663	$	450,880,150	$	343,037,228

10.3 Dividend payments

Pursuant to a resolution of the general ordinary stockholders' meeting on April 4, 2016, the Entity declared a dividend of approximately $0.046 per share, for a total dividend of $28,825,690. The dividend was paid on April 19, 2016 in cash.

Pursuant to a resolution of the general ordinary stockholders' meeting on March 25, 2015, the Entity declared a dividend of approximately $0.035 per share, for a total dividend of $22,321,140. The dividend was paid on April 30, 2015 in cash.

Pursuant to a resolution of the general ordinary stockholders' meeting on March 13, 2014, the Entity declared a dividend of approximately $0.033 per share, for a total dividend of $16,846,565 which was paid via cash distributions on April 4, 2014. The payment was applied against the Entity's net tax income account.

11. Earnings per share

The amounts used to determine earnings per share are as follows:

		2016			
		Earnings	Weighted-average number of shares		Dollars per share
Profit for the year	$	45,082,793	630,259,650	$	0.072
	2015				
		Earnings	Weighted-average number of shares		Dollars per share
Loss for the year	$	(3,825,172)	622,206,426	$	(0.006)
	2014				
		Earnings	Weighted-average number of shares		Dollars per share
Profit for the year	$	24,221,997	507,452,012	$	0.05

For the year ended December, 31, 2016, basic and diluted earnings per share are the same because the weighted average number of instruments that are considered potentially dilutive, 226,159, have no impact on the per share amount. For the year ended December 31, 2015 all potentially dilutive instruments are considered to be anti-dilutive because the Entity incurred a loss for the year.

12. Property operating costs and administration expenses

12.1 Property operating costs consist of the following:

12.1.1 Direct property operating costs from investment properties that generated rental income during the year:

	31/12/2016	31/12/2015	31/12/2014
Real estate tax	$ 1,090,743	$ 943,499	$ 881,644
Insurance	302,400	274,669	312,383
Maintenance	748,043	468,528	484,080
Other property related expenses	1,243,203	889,824	1,083,158
	$ 3,384,389	$ 2,576,520	$ 2,761,265

12.1.2. Direct property operating costs from investment property that did not generate rental income during the year:

	31/12/2016	31/12/2015	31/12/2014
Real estate tax	$ 293,602	$ 343,443	$ 269,412
Insurance	51,280	52,879	47,606
Maintenance	148,689	91,689	43,648
Other property related expenses	498,486	465,476	478,018
	992,057	953,487	838,684
Total property operating	$ 4,376,446	$ 3,530,007	$ 3,599,949

12.2 12.2 Administration expenses consist of the following:

	31/12/2016	31/12/2015	31/12/2014
Employee direct benefits	$ 6,270,379	$ 5,044,294	$ 6,597,970
Auditing, legal and consulting expenses	1,212,794	902,242	873,927
Property appraisal and other fees	352,357	358,903	214,986
Indirect equity issuance and trading costs	181,309	160,695	241,284
Marketing expenses	1,136,642	1,078,389	48,676
Other	1,223,070	1,220,641	2,339
	10,376,551	8,765,164	7,979,182
Long-term incentive - Note 16	860,125	1,067,316	323,764
Total	$ 11,236,676	$ 9,832,480	$ 8,302,946

13. Income taxes

The Entity is subject to ISR. The statutory ISR rate is 30%.

13.1 Income taxes are as follows:

	31/12/2016	31/12/2015	31/12/2014
ISR expense:			
Current	$ 6,134,040	$ 2,501,584	$ 2,801,516
Deferred	48,862,618	35,363,577	24,122,516
Total income taxes	$ 54,966,658	$ 37,865,161	$ 26,924,032

13.2 The effective ISR rates for fiscal 2016, 2015 and 2014 differ from the statutory rate as follows:

	31/12/2016	31/12/2015	31/12/2014
Statutory rate	30%	30%	30%
Effects of exchange rates on tax balances	27%	90%	33%
Effects of inflation	(4)%	(12)%	(12)%
Other	2%	3%	2%
Effective rate	55%	111%	53%

13.3 The main items originating the deferred ISR liability are:

	31/12/2016	31/12/2015	31/12/2014
Deferred ISR assets (liabilities):			
Investment property	$ (199,134,089)	$ (160,640,067)	$ (124,338,843)
Effect of tax loss carryforwards	14,205,287	15,635,979	7,670,338
Other provisions and prepaid expenses	(804,262)	863,558	1,027,385
Deferred income taxes - Net	$ (185,733,064)	$ (144,140,530)	$ (115,641,120)

To determine deferred ISR the Entity applied the applicable tax rates to temporary differences based on their estimated reversal dates.

13.4 A reconciliation of the changes in the deferred tax liability balance is presented as follows:

	31/12/2016	31/12/2015	31/12/2014
Deferred tax liability at the beginning of the period	$ (144,140,530)	$ (115,641,120)	$ (91,518,604)
Movement included in profit or loss	(48,862,618)	(35,363,577)	(24,122,516)
Movement included in equity	-	2,545,905	-
Movement included in other comprehensive income	7,270,084	4,318,262	-
Deferred tax liability at the end of the year	$ (185,733,064)	$ (144,140,530)	$ (115,641,120)

13.5 The benefits of restated tax loss carryforwards for which the deferred ISR asset has been recognized can be recovered subject to certain conditions. Restated amounts as of December 31, 2016 and expiration dates are:

Expiration date	Fiscal losses
2023	$ 7,231,663
2024	5,067,399
2025	16,228,645
2026	18,823,251
	$ 47,350,958

14. Financial instruments

14.1 Capital management

The Entity manages its capital to ensure that the Entity will be able to continue as a going concern while maximizing the return to partners through the optimization of the debt and equity balance.

The capital structure of the Entity consists of net debt (total borrowings, including the current portion, as detailed in Note 9 offset by cash and bank balances) and equity of the Entity (comprising issued capital, additional paid-in capital, retained earnings and other comprehensive income as detailed in Note 10). The Entity is not subject to any externally imposed capital requirements.

14.2 Leverage ratio

The Board reviews the capital structure of the Entity on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.
The leverage ratio at end of following reporting periods was as follows:

	31/12/2016	31/12/2015	31/12/2014
Debt	$ 340,871,417	$ 344,759,009	$ 306,739,068
Cash, cash equivalents and restricted cash	(50,720,751)	(28,442,365)	(10,674,770)
Financial assets held for trading	(613,015)	(203,563,025)	(95,025,988)
Net debt	289,537,651	112,735,619	201,038,310
Equity	959,384,899	974,786,984	797,735,864
Net debt to equity ratio	30%	12%	25%

14.3 Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the consolidated financial statements.

The Entity's principal financial assets are bank balances, cash equivalents and restricted cash as disclosed in Note 4, recoverable taxes and operating lease receivables as disclosed in Notes 6 and 7, respectively and financial assets held for trading in Note 5. The Entity's principal financial liability is long-term debt as disclosed in Note 9.

14.4 Financial risk management objectives

The Entity seeks to minimize the effects of market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk (although currently the Entity only has fixed rate debt instruments with varying maturity profiles). No significant interest rate hedges or trading financial instruments were entered into during the period of the accompanying consolidated financial statements.

14.5 Market risk

The Entity's activities expose it primarily to the financial risks of changes in interest rates (see 14.7 below) and foreign currency exchange rates (see 14.6 below). The Entity may enter into derivative financial instruments to manage its exposure to foreign currency risk. There has been no change to the Entity's exposure to market risks or the manner in which these risks are managed and measured.

14.6 Foreign currency risk management

The Entity is exposed to foreign exchange risk, primarily with respect to the Mexican peso and to the US dollar in respect of one of its subsidiaries whose functional currency is the Mexican peso. Foreign exchange risk arises from future commercial transactions and recognized monetary assets and liabilities.

The carrying amounts of the Entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period as well as the relevant exchange rates are as follows:

		2016		2015		2014
Exchange rates:						
Mexican pesos per US dollar at the end of the period		20.6640		17.2065		14.7180
Mexican pesos per US dollar average during the year		18.6567		15.8546		13.2996
Monetary assets						
Mexican pesos		515,823,400		3,982,261,268		1,592,246,030
US dollars	$	361,656	$	361,656	$	229,640
Monetary liabilities						
Mexican pesos		22,097,747		11,669,674		22,085,067
US dollars	$	38,691,165	$	38,691,165	$	39,820,378

Sensitivity foreign exchange rate analysis
The following table details the Entity's sensitivity to a 10% appreciation or depreciation in the US dollar against the Mexican peso. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel, and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency exchange rates. A positive number below indicates an increase in profit or equity where the US dollar appreciates 10% against the relevant currency. For a 10% depreciation of the US dollar against the Mexican peso, there would be a comparable impact on the profit or equity, and the balances below would be negative:

		2016		2015		2014
Profit or loss impact						
Mexican peso - 10% appreciation - gain	$	(2,654,782)	$	(20,978,286)	$	(9,698,458)
Mexican peso - 10% depreciation - loss		2,172,094		25,640,127		11,853,671
U.S. dollar - 10% appreciation - loss		(3,932,951)		3,832,950		4,381,318
U.S. dollar - 10% depreciation - gain		3,932,951		(3,832,950)		(4,381,318)

14.7 Interest rate risk management

The Entity minimizes its exposure to interest rate risk by borrowing funds at fixed rates, because investment properties owned by the Entity generate a fixed income in the form of rental income which is indexed to inflation.

14.8 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Entity's exposure and the credit ratings of its counterparties are monitored, and the transactions consummated are entered into with approved counterparties. The Entity's maximum credit risk is the total of its financial assets included in its statement of financial position.

The Entity's clients operate in a variety of industries. Its real estate portfolio is primarily concentrated in the food and beverage, automotive, aerospace, medical, logistics and plastics industries. The Entity's exposure to these industries subjects it to the risk of economic downturns in such industrial sectors to a greater extent than if its properties were more diversified across other industries.

The Entity currently leases two distribution facilities to a single customer, which represent 9% of its total portfolio's gross leasable area (unaudited), and 42%, 20% and 75% of its operating lease receivable balance and 11%, 12% and 17% of its annualized rents as of and for the years ended December 31, 2016, 2015 and 2014, respectively. If this customer were to terminate its lease agreements with the Entity, the Entity may experience a material loss with respect to future rental income.

14.9 Liquidity risk management

If the Entity is unable to raise additional debt or equity, its results of operations could suffer. The Entity closely monitors the maturity of its liabilities and the cash needs of its operations. It prepares and provides a detailed cash flow analysis on a quarterly basis and presents it to its board of directors. Decisions are made to obtain new financing or limit cash investments in order to maintain a healthy projected cash balance.

The maturity of the long-term, its current portion and the accrued interest at December 31, 2016 is as follows:

	Weighted average interest rate	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	%					
Long-term debt	3.7	$ -	$ -	$150,000,000	$197,500,000	$347,500,000
Accrued interest		3,303,562	13,397,781	57,817,780	22,618,372	97,137,496
		$3,303,562	$13,397,781	$207,817,780	$220,118,372	$444,637,496

14.10 Fair value of financial instruments

14.10.1 Fair value of financial assets that are measured at fair value on a recurring basis

The Entity's financial assets held for trading are classified as level 1 in the IFRS 13 fair value hierarchy since they are traded in an active market.

14.10.2 Fair value of financial instruments carried at amortized cost

The fair value of long-term debt and its related current portion as of December, 31, 2016, 2015 and 2014 is $347,500,000, $357,219,742 and $328,637,868, respectively. This measurement is classified as level 2, since management uses an adjusted observable discount rate to determine fair value of debt.

Management considers that the carrying amounts of financial assets and other financial liabilities recognized in the consolidated financial statements approximate their fair values.

15. Transactions and balances with related parties

15.1 Compensation of key management personnel

The remuneration of Entity's management and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. The remuneration of members of key management personnel during the year was as follows:

	2016	2015	2014
Short-term benefits	$ 4,244,235	$ 3,932,214	$ 3,386,779
Share-based compensation expense	860,125	1,067,316	323,764
	$ 5,104,450	$ 4,999,530	$ 3,710,543

16. Share-based payments

16.1 Details of the share-based plans of the Entity

The Entity has granted shares to its executives and employees under two different plans as follows:

i. Under the Vesta 20/20 Long-term Incentive Plan (the Vesta 20/20 Incentive Plan), as approved by the Board of Directors, the Entity will use a "Relative Total Return" methodology to calculate the total number of shares to be granted. The shares granted each year will vest over the three years following the grant date.
The total number of shares to be granted during the six year period is 10,428,222 shares. The shares to be used to settle this plan were issued by the Entity during January 2015; no awards will be paid in cash.

ii. The total number of shares to be granted in each of the six years ranges from 695,215 to 1,738,037 shares, at the expected performance level, to a maximum of 2,607,055 shares, if the Entity's shares perform at peak performance compared to other publicly traded entities in each year.

iii. The shares to be granted in each of the six years will be contributed to a trust and delivered in three equal settlement dates to the executives after 24, 36 and 48 months from the grant date, provided that the eligible executives remain in the employment of the Entity.

iv. Under the 2014 Long-term Incentive Plan (the 2014 Incentive Plan), the Entity has a share-based plan for 12 top executives of the Entity. In accordance with the terms of the plan, as approved by the Board of Directors, based on certain performance metrics, the Entity executed a long-term incentive plan that will be settled by the Entity with its own shares which have been repurchased in the market. Under this plan, eligible executives will receive compensation, based on their performance during 2014, settled in shares and delivered over a three-year period. For this plan shares are kept in treasury and may be placed in a trust; they will be delivered to the executives in three equal settlement dates to the executives after 24, 36 and 48 months from the grant date, provided that the eligible executives remain in the employment of the Entity.

16.2 Fair value of share options granted in the year

i. Vesta 20/20 Incentive plan - Based on the performance of the Entity's shares for the year ended December 31, 2016, the shares granted were 993,678. For the year ended December 31, 2015, there were no shares granted during the year under this plan; however, a share-based payment expense of $773,382 was recognized. This expense was calculated as the grant date fair value of the awards as determined using the Monte Carlo model which took into consideration the probability of the performance of the Entity's shares during the year. As this performance is considered a market vesting condition in accordance with IFRS 2, Share-based Payments, the compensation expense, as determined on grant date, is not revised even if no awards are ultimately granted. This expense has no effect in the cash position of the Entity.

ii. 2014 Incentive Plan - The fair value of the share awards granted under the 2014 Plan was determined based on a fixed amount of cash determined as per the Entity's plan. It is assumed that executives will receive the awards after vesting date. The expense under this plan affects the cash position of the Entity.

16.3 Compensation expense recognized

The long-term incentive expense for the years ended December 31, 2016, 2015 and 2014 was as follows:

Vesta 20/20 Incentive Plan	$	840,985	$	773,382	$	-
2014 Incentive Plan		19,140		293,934		323,764
Total long-term incentive expense	$	860,125	$	1,067,316	$	323,764

Compensation expense related to these plans will continue to be accrued through the end of the service period.

16.4 Share awards outstanding at the end of the year

As of December 31, 2016, there are 1,219,837 shares outstanding with a weighted average remaining contractual life of 32 months.

17. Litigation, other contingencies and commitments

Litigation

In the ordinary course of business, the Entity is party to various legal proceedings. The Entity is not involved in any litigation or arbitration proceeding for which the Entity believes it is not adequately insured or indemnified, or which, if determined adversely, would have a material adverse effect on the Entity or its financial position, results of operations or cash flows.

Commitments

As mentioned in Note 8, all rights to construction, improvements and infrastructure built by the Entity in the Queretaro Aerospace Park and in the DSP Park automatically revert back to the government of the State of Queretaro and to Nissan at the end of the concessions, which is approximately in 42 and 36 years, respectively.

18. Financial statements issuance authorization

On February 14, 2017, the issuance of the consolidated financial statements was authorized by the Board of Directors, consequently, they do not reflect events occurred after that date. These consolidated financial statements are subject to approval at the General Ordinary Shareholders' Meeting, where the stockholders may decide to modify such consolidated financial statements according to the Mexican General Corporate Law.

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G4-EN24	95	Number and volume of significant spills.	
G4-EN25	95	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally.	
CRE5	94	Need for remediation and remediation of land for current and potential use of the land, according to the relevant legal framework.	
G4-EN26	94	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	
Products and services			
G4-EN27	84	Extent of impact mitigation of environmental impacts of products and services.	
G4-EN28	-	Percentage of products sold and their packaging materials that are reclaimed by category.	Does not apply. Due the nature of our business we do not package our products and they are not reclaimed at the end of its useful life.
Compliance			
G4-EN29	94, 95	Fines and non-monetary sanctions for non-compliance with environmental law.	
Transport			
G4-EN30	-	Environmental impacts of transporting products and other goods for the organization's operations, and transporting employees.	Information not available for transportation of personnel, we are carrying out the necessary management to measure this indicator, we estimate to be able to report it in our 2018 Annual Report. The impacts on products and materials do not apply to our business.
Overall			
G4-EN31	84	Environmental protection expenditures and investments.	
Supplier environmental assessment			
G4-EN32	20	Percentage of new suppliers that were examined using environmental criteria.	
G4-EN33	-	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	Information not available. We are carrying out the necessary management to measure this indicator, we estimate to report it in our 2018 Annual Report.
Environmental grievance mechanisms			
G4-EN34	94	Number of grievances about environmental impacts filed, addressed and resolved.	

SOCIAL DEVELOPMENT			
Labor Practices and Decent Work			
Employment			
G4-LA1	54	Total number and rates of new employee hires and turnover by age group, gender and region.	
G4-LA2	54	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	
G4-LA3	54	Return to work and retention rates after parental leave, by gender.	
Labor/management relations			
G4-LA4	-	Minimum notice periods regarding operational changes and specifications in collective agreements.	Does not apply. Due to the nature of the business, 100% of the employees are trustworthy.
Occupational health and safety			
G4-LA5	62	Percentage of workers represented in formal health and safety committees.	
G4-LA6	62	Type and rates of injury, occupational diseases, lost days, absenteeism and fatalities related to work by region and gender.	
G4-LA7	62	Workers with high incidence or risk of disease related to their occupation.	
CRE6	62	Percentage of the organization that operates under an international recognized and verifiable health and safety system.	
G4-LA8	-	Health and safety topics covered in formal agreements with trade unions.	Does not apply. Due to the nature of the business, 100% of the employees are trustworthy.
Training and education			
G4-LA9	62	Average hours of training per year per employee, by gender and employment category.	
G4-LA10	62	Programs for skills management and lifelong learning.	
G4-LA11	62	Percentage of employees receiving regular performance and career development reviews, by gender and employee category.	

Diversity and equal opportunity			
G4-LA12	46, 54	Composition of governance bodies and breakdown of employees by category according to gender, age group, minorities and other indicators of diversity.	
Equal remuneration for women and men			
G4-LA13	54	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	
Supplier assessment for labor practices			
G4-LA14	20	Percentage of new suppliers that were examined in terms of labor practice.	
G4-LA15	-	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	It is a requirement for construction companies working in our developments to hire legally constituted companies, with employer registration at the IMSS and with security programs for works. Most of our general contractors have security supervisors, some are ISO 18000 certified, or have participated in official Safe Industry programs.
Labor practices grievance mechanisms			
G4-LA16	52	Number of grievances about labor practices filed, addressed, and resolved through formal mechanisms.	
Human Rights			
Investment			
G4-HR1	52	Investment agreements and contracts that include human rights clauses.	
G4-HR2	52	Training on human rights, including the percentage of employees trained.	
Non-discrimination			
G4-HR3	52	Total number of incidents of discrimination and corrective actions taken.	
Freedom of association and collective bargaining			
G4-HR4	52	Operations and suppliers identified in which freedom of association and collective bargaining may be at significant risk, and measures taken to support these rights.	
Child labor			
G4-HR5	52	Measures taken to contribute to the effective abolition of child labor.	
Forced or compulsory labor			
G4-HR6	52	Measures taken to contribute to the elimination of all forms of forced labor.	
Security practices			
G4-HR7	-	Percentage of security personnel trained in policies and procedures of the organization regarding human rights.	Information not available. We are carrying out the necessary management to measure this indicator, we estimate to report it in our 2018 Annual Report.
Indigenous rights			
G4-HR8	52	Number of incidents of violations involving rights of indigenous people and actions taken.	
Assessment			
G4-HR9	52	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	
Supplier human rights assessment			
G4-HR10	20	Percentage of new suppliers examined using human rights criteria.	
G4-HR11	52	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	
Human rights grievance mechanisms			
G4-HR12	52	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms.	

Society			
Local communities			
G4-SO1	74	Percentage of operations with implemented local community engagement, impact assessments, and developed programs.	
G4-SO2	74	Operations with significant actual and potential negative impacts on local communities.	
Anti-corruption			
G4-SO3	52	Number and percentage of operations assessed for risks related to corruption and the significant risks identified.	
G4-SO4	52	Communication and training on anti-corruption policies and procedures.	
G4-SO5	52	Confirmed incidents of corruption and actions taken.	
Public Policy			
G4-SO6	-	Total value of political contributions by country and recipient.	VESTA does not make this kind of contributions.

Anti-competitive behavior			
G4-SO7	52	Number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	
Compliance			
G4-SO8	52	Monetary value of fines and number of non-monetary sanctions due to non-compliance with laws and regulations.	
Supplier assessment for impacts on society			
G4-SO9	20	Percentage of new suppliers that were examined using criteria for impacts on society.	The indicator is partially answered.
G4-SO10	-	Significant actual and potential negative impacts on society in the supply chain and actions taken.	The indicator is currently not available because we do not have documented information to give an appropriate answer. We are conscious about the importance of the indicator and we will work on the necessary management to measure it. It is estimated to be reported in our 2020 Annual Report.
Grievance mechanisms for impacts on society			
G4-SO11	52	Number of grievances on society filed, addressed and resolved through formal grievance mechanisms.	
CRE7	74	Number of voluntarily or involuntarily displaced and/or relocated persons for development, broken down by project.	

Product Responsibility			
Customer health and safety			
G4-PR1	12	Percentage of product and service categories for which health and safety impacts are assessed for improvement.	
G4-PR2	20, 52	Number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	
Product and service labelling			
G4-PR3	-	Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements.	Does not apply. Due the nature of our business, none of our products is packaged.
CRE8	12	Type and number of sustainability certification and classification method for new constructions, administration, occupation and modernization.	
G4-PR4	-	Number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling.	Does not apply. Due the nature of our business, none of our products is packaged.
G4-PR5	16, 32	Results of surveys measuring customer satisfaction.	
Marketing communications			
G4-PR6	-	Sale of banned or disputed products.	Does not apply. Due the nature of our business, none of our products is banned or disputed.
G4-PR7	-	Number of incidents of non-compliance with regulations or voluntary codes concerning marketing communications, including advertising, promotion and sponsorship.	In 2016 non-compliance with regulations related to advertising or marketing was not failed.
Customer privacy			
G4-PR8	52	Number of sustained complaints regarding breaches of customer privacy and losses of customer data.	
Compliance			
G4-PR9	94	Monetary value of fines for non-compliance with laws and regulations concerning the provision and use of products and services.	

We are plased to inform readers of the Vesta 2016 Annual Report that:

RYM servicios ambientales internacionales S.C, e3 Consultora Ambiental, has concluded an independent review of the contents that report the sustainability performance results of Corporación inmobiliaria Vesta, S.A.B. de C.V., Vesta, corresponding to the period of 2016.

Summary of Activities

e3 Consultora Ambiental reviewed disclousures of corporate government, ethics, economic impact, environmental matters, labor practices, human rights and social responsability with the stakeholders included on the report.

To validate the quality of a sample of contents from the Vesta 2016 Annual Report, the verifying team requested access to the consolidated information records shared among the Company's departments.

The Company's current *Materiality Study* was used to confirm the coverage of the indicators required by the Guides for the preparation of the sustainability reports, GRI G4 with the Essential conformity option.

Methodologies

This independent verification report was prepared based on the following standards: AA1000APS, ISAE 3000 and The External Assurance of Sustainability Reporting.

The application of the principles for the definition of the contents of the record, the review of the basic general and specific contents and the coverage of the indicators related to the material issues and the presentation of the GRI G4 Index of Contents was confirmed by taking the Guides as reference for the preparation of the G4 version sustainability reports.

Conclusions

There was no evidence to indicate that the definition of the content of the report was not prepared based on the principles of stakeholder participation, the context of sustainability, materiality and exhaustiveness.

Based on a review of the evidence that supports the figures presented in a sample of the indicators covered by the record, no situations arose that led us to conclude that there are any significant errors or omissions in the information disclosed in the Vesta 2016 Annual Report.

There is no evidence that led us to object to the Vesta 2016 Annual Report have been prepared with the Essential conformity option of the Guides provided for the preparation of the G4 version sustainability reports.

Ms. Mariana Martínez Valerio
Sustainability Coordinator
e3 Consultora Ambiental

Recommendations

- To consolidate the internal mechanisms to produce the annual sustainability report, according with findings and detailed recommendations provided separately in an internal report addressed to Vesta's Sustainability Department.
- To prepare the update works for the new GRI Standards, to elaborate anual sustainability reports, of the Global Reporting Initiative.

NOTES. This work covers a limited verification exercise conducted under the charge of Vesta that was completed in may 2017. Under no circumstances shall this work be understood as an audit of the figures contained in the report or an exhaustive review of the internal control mechanisms for the generation, analysis, calculation and filing of Vesta's non-financial information.
e3 Consultora Ambiental is a company independent from Vesta. The verifying team did not take part in the preparation of the Vesta 2016 Annual Integrated Report.

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ABOUT THIS REPORT

As we have done for the past five years, we communicate the information concerning our economic, social, environmental, corporate governance, and financial performance for the period between January 1st and December 31st in the 2016 Integrated Annual Report for Corporacion Inmobiliaria VESTA, S.A.B. de C.V.[1]

This document was drafted in adherence to the guidelines of the Global Reporting Initiative (GRI), G4 version, complying with the in accordance core disclosures, and it was verified by e3Consultora Ambiental. It includes information on VESTA's operations in the 13 Mexican states where we are present: Aguascalientes, Baja California, Chihuahua, Estado de Mexico, Guanajuato, Jalisco, Puebla, Queretaro, Quintana Roo, San Luis Potosi, Sinaloa, Tlaxcala, and Veracruz.

In order for our information to be transparent, true, clear, timely, and precise, and in line with the way in which we manage sustainability at VESTA, each division must compile the information for its corresponding indicators, which is subsequently consolidated and validated by the Sustainability division.

During the period covered by this report there were no significant changes in the coverage, scope, or valuation methods that would modify what we reported in 2015.

Financial Entities Included in Reporting

Corporacion Inmobiliaria Vesta, S.A.B. de C.V.

99.99%	QVC, S de R.L. de C.V.
99.99%	QVC II, S de R.L. de C.V.
99.99%	Vesta Bajio, S de R.L. de C.V.
99.99%	Vesta Baja California, S de R.L. de C.V.
99.99%	Vesta Queretaro, S de R.L. de C.V.
99.99%	Proyectos Aeroespaciales, S de R.L. de C.V.
99.99%	WTN Desarrollos Inmobiliarios de México, S de R.L. de C.V.
99.99%	CIV Infraestructura, S de R.L. de C.V.
99.99%	Vesta DSP, S de R.L. de C.V.
99.99%	Vesta Management, S de R.L. de C.V.
99.99%	Servicios de Administración y Mantenimiento Vesta, S de R.L. de C.V.

Principles of the United Nations Global Compact

Area	Principle
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights;
	2. Businesses should make sure that they are not complicit in human rights abuses.
Labor Standards	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
	4. Businesses should uphold the elimination of all forms of forced and compulsory labor.
	5. Businesses should uphold the effective abolition of child labor.
	6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	7. Businesses should support a precautionary approach to environmental challenges.
	8. Businesses should undertake initiatives to promote greater environmental responsibility.
	9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.

1 Corporacion Inmobiliaria Vesta, S.A.B. de C.V. "VESTA" is a public company listed on the Mexican Stock Exchange and under rule 144A of the US Stock Market.

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