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Corporacion Inmobiliaria Vesta SAB de CV

Q2 2025 Earnings Call

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PRESENTATION:

Operator
Greetings, ladies and gentlemen. Welcome to Vesta's second quarter 2025 Earnings Conference Call. (Operator Instructions) And as a reminder this call is being recorded. It is now my pleasure to introduce your host, Fernanda Bettinger, Vesta's Investor Relations Officer. Please go ahead.

Fernanda Bettinger

Good morning, Welcome to our review of Vesta's second quarter earnings results. Presenting here with me is Lorenzo Dominique Berho, Chief Executive Officer and Juan Sottil, our Chief Financial Officer. The earnings release detailing our second quarter 2025 results was released yesterday after market close and is available on Vesta's IR website along with our supplemental package.

It's important to note that on today's call management remarks and answers to your questions may contain forward-looking statements. Forward-looking statements address matters that are subject to risks and uncertainties that may cause actual results to differ. For more information on these risk factors, please review our public filings. This assumes no obligation to update any forward-looking statements in the future. Additionally, note that all the figures were prepared in accordance with IFRS, which differs in certain significant respect from U.S. DAC.

All information should be read in conjunction with and is qualified in its entirety by reference to our financial statements including the notes thereto and are stated in U.S. dollars unless otherwise noted. I will now turn the call over to Lorenzo Berho.

Lorenzo Dominique Berho

Good morning. Thank you for joining today's call. Speaking to you now at the midpoint of 2025, the macro volatility and related uncertainty that I have described in prior quarters has continued, defined by shifting trade dynamics tariff vagueness and muted investment decisions made by global corporations. The landscape we're navigating has been one of caution with softened new leasing momentum and tentative client decisions.

Despite these pressures, Vesta's operating results again delivered resilient performance for the second quarter, grounded in disciplined execution that's tied to our long-term growth strategy. The current environment enables us to focus on extracting value from our core operations, noting that Vesta's portfolio ended the quarter at 95.5% stabilized occupancy with rents indexed to inflation and the sustained growth, recurring income and long-term maturity profile of Vesta's high-quality portfolio.

Corporacion Inmobiliaria Vesta SAB de CV

Q2 2025 Earnings Call

Let me walk you through some highlights for the second quarter. New leasing activity continues at a slower pace for our overall industry. Nevertheless, we ended the quarter with 1.8 million square feet of total leasing activity including 411,000 square feet in new contracts with both existing and new tenants for Vesta.

While this number is below Vesta's average as tenants remain in a wait-and-see mode, particularly those in export-linked markets, it reflects a sequential increase from the first quarter's new leasing activity. Renewals and re-leasing activity was among the highest we have experienced in the first half of the year, which confirms the resilience of this portfolio despite current economic dynamics.

In the second quarter 2025, we closed 1.4 million square feet with an average lease term of approximately five years. Our strong retention rates of 84% are a testament to Vesta's close tenant relationships and our team's proactive management. Importantly, we successfully continued to increase rents with some mark-to-market rent adjustments in the range of 20% to 30% as we bring legacy rents in line with current market levels.

Our tracking 12-month spread for the second quarter reached 13.7%, another very important increase in our mark-to-market portfolio strategy. This uplift reflects not only the quality of our portfolio, but also again underscores the long-standing relationships we have built with our tenants who continue to choose Vesta as a long-term partner.

To provide some additional color, during the second quarter, we completed Vesta Park Apodaca building 6 and 7, which will enter the lease-up period, while Apodaca 8 remains under construction. We expect these premium buildings- both located in Monterrey- to be well positioned in this highly desirable location. Vesta's exposure to domestic consumption and global manufacturing is also a source of strength.

We are focusing on completing existing projects and strategically expanding our land bank in line with Route 2030. Specifically, we acquired 128.4 acres in Guadalajara with a buildable area of 2.3 million square feet, strengthening our position in one of Mexico's key corridors.

We also finalized the 20.2 acre acquisition in Monterrey, which we announced last quarter, adding another 450,000 square feet of buildable capacity in this critical northern Our approach, therefore, remains clear: we're focused on our long-term vision, managing our assets with discipline and executing a strategy led by tenant retention strategic positioning and intrinsic value of our existing operating portfolio, which today is at 95.5% stabilized occupancy with rents indexed to inflation.

For Vesta, this year's emphasis is reinforcing the strength of our foundation so we can scale confidently when the environment normalizes. That includes accelerating energy infrastructure planning, streamlining permitting and ensuring our parks are positioned to meet the evolving tenant demand.

Being ahead of the curve operationally is how we differentiate, especially in slower cycles. These principles have guided us through past cycles and they continue to anchor our strategy as we position the company for future growth.

Along these lines, as Juan will discuss shortly, we maintained discipline related to costs, achieving efficiencies in both operating and administrative expenses, which supported our margin performance and help preserve capital strength.

Our financial position remains solid with strong liquidity and conservative leverage. That gives us the optionality to move when the time is right. To reiterate, despite the volatility, we view the current slowdown in leasing as a temporary deceleration, not a structural change. Companies are exercising caution, not canceling plans. Importantly, our portfolio and operational model represent an important competitive advantage, tenant diversification, strong market presence and the flexibility we have based on our C-Corp structure.

Critically, being a C-Corp enables us to be uniquely agile, both when returning money to shareholders and reinvesting into the business without the rigidity of external distribution mandates. This flexibility has become a key advantage in an environment where patient strategic capital matters most. Recent deliveries of income-producing properties and pre-leased buildings are expected to contribute to revenues in the second half of 2025- also with continued operating efficiencies, which should support full year margins. Vesta therefore expects to achieve its stated 2025 guidance and remains focused on the company’s Route 2030 long-term strategy while navigating on the current uncertainty.

In closing, 2025 is proving to be a transitional year for the sector marked by caution and extended decision. But Vesta remains focused, grounded and forward-looking. We have navigated through multiple cycles. What has always set Vesta apart is our ability to stay disciplined, remain close to our tenants and make smart long-term decisions even in the face of short-term uncertainty. Trade policy stabilization and continued manufacturing resilience all point to a more constructive environment for the years ahead and future negotiations will maintain Mexico in a solid position.

Mexico is increasingly well positioned to benefit from industrial realignment and Vesta intends to lead in that process. Let me turn our conversation over to Juan to review Vesta’s financial results in more detail. Juan?

Juan Sottil

Thank you, Lorenzo. Good day everyone. Let me walk you through our second quarter results, starting with our top line. Total revenues were up 6.8% year-over-year, reaching $67 million, primarily driven by rental income from new leases and inflationary adjustments across our rental portfolio.

In terms of the current mix, 89.4% of our second quarter rental revenues were denominated in U.S. dollars, an increase from 88% in the second quarter of 2024.

On the profitability front, adjusted net operating income increased 7.2% to $61.8 million. Our adjusted NOI margin remained strong at 94.5%, down just seven basis points from the prior year, reflecting a slight increase in costs related to rental income-generating properties including real estate taxes, insurance and other property-related expenses.

Adjusted EBITDA came in at $55 million, a 9% increase year-over-year with a margin expansion of 137 basis points to 84.1%, this was largely due to tighter control over administrative expenses, underscoring our continuing focus on cost discipline.

We closed the quarter with a pretax income of $54.5 million compared to $131.8 million in 2024. This decrease was mainly due to lower gains on revaluation of investment properties as well as a reduced interest income due to a lower average cash position during the period. Vesta's FFO, excluding current tax increased to $43.1 million this quarter from $38.2 million in the second quarter 2024, a 12.9% increase year-over-year.

Turning to our capital structure, we ended the quarter with $65.2 million in cash and cash equivalents. Total debt increased to $900 million as of June 30, 2025, primarily reflecting the $100 million drawdown in April from the $345 million syndicated loan secured in December 2024.

Our net debt to EBITDA stood at 4x and our loan-to-value ratio was 22.4%, maintaining a healthy leverage.

On capital allocation, as Lorenzo mentioned, we prioritized deploying capital towards completing ongoing development and acquiring land investors core market.

During the quarter, we acquired 128.4 acres of land in Guadalajara, and we finalized the acquisition of 20.2 acres in Monterrey. These investments reflect our long-term vision, enhancing our strategic footprint and preparing us to meet future demand, as Lorenzo has mentioned.

Finally, and also subsequent to quarter's end, on July 15, 2025, we paid a cash dividend for the second quarter, equivalent to $0.38 per ordinary shares. This concludes our second quarter 2025

Operator, could you please open the floor for questions.

Operator (Operator Instructions)
Your first question comes from the line of Juan Ponce with Bradesco BBI.

Juan Ponce

If you can give us a sense of how you're seeing the development pipeline progress ahead of the USMCA review which we believe could unlock some pent-up demand in the issuing. If you can, tie your comment with what we're seeing per CBRE regarding rising vacancies in these northern markets but stable rent levels.

Lorenzo Dominique Berho
Thank you very much for your questions. We have seen that even though there has been an uptick in vacancies in some markets such as Monterrey, we are positively surprised at how while rents have maintained.

And actually, in some cases, rents have increased in the high single digits in some of these markets, which means that there is still pent-up demand that we believe that as long as we start seeing more clarity on those negotiations, we will continue to have better momentum on lease-up stage.

In that regard, I think that Vesta has carefully selected the markets where we want to develop and anticipate for that pent-up demand, which will eventually get back. We look for the best locations, the best assets, and we believe that Vesta parks are incredibly well located.

We have energy, which is very important as a key advantage. That's why we think that markets such as Tijuana, Juarez and even Monterrey will be a huge support of the lease on property portfolio of Vesta.

We currently have approximately 2 million square feet on a lease-up stage in different regions, and we see a pipeline building up. We have been cautious about new starts in development. And as we have always said, we like to accelerate when needed, use the brakes when needed and drive carefully under short-term uncertainties and we'll benefit in the longer term.

Operator
Your next question comes from the line of Pablo Monsivais with Barclays.

Pablo Monsivais
If I'm doing my numbers correctly, perhaps by the third quarter of this year, you will have a little bit more than 1 million square feet to lease in Monterrey.

However, this market has had the weakest net absorption early 2024 compared to all main markets in Mexico. How confident are you that you can lease-up these properties quickly? And how do you see Monterrey's competitive environment going forward?

Lorenzo Dominique Berho

Pablo, first of all, regarding revenues, one of the interesting things about this year is that we have delivered several buildings in this quarter and last quarters that will start generating an important part of income in the second half of the year.

We're talking about 1.8 million square feet approximately in places like Mexico City, places like Monterrey and Aguascalientes and that's going to be a lot of income coming due -- or starting to be generated in the second half. That's going to be very important for full year revenues for the company.

And to your point on Monterrey, Monterrey actually had one of the strongest net absorptions throughout 2025, according to CBRE numbers they had more than 4 million square feet in the first half. This is definitely lower than other than previous years.

But if we continue to see some positive net absorption in these markets. And right now, when we are finishing new buildings, we think that we eventually are going to have some good companies taking up best space, which, again, we think is really the best parks in the region, in the best locations and we will benefit from having the best assets. Remember that in Monterrey Vesta has zero vacancies but the only ones that we have available are the ones that we have recently developed and have recently delivered or soon to be delivered.

So we are very confident that Monterrey, being the largest market, we have the best presence will be a good asset to be marketed and lease up soon.

Operator
Your next question comes from the line of Piero Trotta with Citibank.

Piero Trotta
I would like to know about the yield on cost on projects under construction. This yield on cost expanded 20 bps quarter-over-quarter to 10.8%. Can we expect this yield on cost to get higher going into the third quarter? And how do you see the construction cost scenario in Mexico?

Lorenzo Dominique Berho
I'm sorry, I didn't understand the question. Which type of costs are you mentioning?

Piero Trotta
The yield on cost on projects under construction, development. The yield on cost of the second quarter was 10.8. I would like to know if it could get higher going forward. And just to update what you think about the construction costs in Mexico.

Lorenzo Dominique Berho
Okay. It's the yield on cost. So frankly, we have very attractive yield on costs, which are above 10%. That's a very important spread to stabilize assets. So even if sometimes, depending on the project or the region, it could vary a little bit, but it's still in the double digits. And actually, in many of these markets, our objective is to get dollar leases.

I think that what has been very remarkable is that recent transactions, and what I mean by recent is this week we have seen cap rates are still at very low levels with recent pricing of a new Fibra pricing in the 7.5% range Fibra generates mostly pesos.

So if you think about it, being able to yield above 10% when stabilized assets in U.S. dollars are up 7% and we believe that spread investment is still going to be key for developers like ours and strategic for Vesta. So we think that those deals on costs will remain high and that will eventually benefit from our development strategy vis-a-vis acquisition strategy in lower cap rates.

Secondly, we think that construction costs have somewhat ended up at the same levels. There have been some minor adjustments on cement and steel. What is also important is the FX. But still, with our estimated yield on cost, we believe that there is a lot of value to be generated from the development approach.

And so we will be careful and cautious on one to develop and where because now more than the cost what is important is that lease-up periods are still in place so that we can be able to meet those If possible, when markets where we've seen rents increasing, of course try to take that benefit on that slide to and be able to increase returns as much as possible.

Operator
Your next question comes from the line of Pablo Ricalde with Itau.

Pablo Ricalde
I have a question on your balance sheet regarding your acquisitions. I believe you will continue doing acquisitions in the second half. How should we think of leverage by year-end thinking of a lower EBITDA in 2025? How should we think of leverage as net debt-to-EBITDA target by year-end?

Lorenzo Dominique Berho
Okay. So net debt to EBITDA. Thank you, Pablo. So we have made very important land acquisitions in the past. More recently, the land acquisition in Guadalajara and the one that we did in Monterrey.

So we have in the last, let's say, 12 months, we have been able to land to buy land in Mexico City, Juarez, Monterrey and Guadalajara. This is going to be very helpful for our 2030 strategy.

We still might make a few more acquisitions in the second half. However, we think that we are lining up very well to the development that we will start having eventually from 2026 onwards for our route 2030.

Our net debt to EBITDA, I don't have the exact number, but we are currently at very healthy levels in terms of leverage, loan-to-value, net debt to EBITDA, and we are very careful that even with the high capacity of leverage that the company has we will be very mindful on the net debt-to-EBITDA ratios as well as loan to values so that they are not compromised.

But I think that we are in a very attractive range. Maybe Juan or Fernanda, you have the exact numbers with you, but I don't think there will be a major increase.

Juan Sottil
We have a very strong balance sheet. Currently, we have a net debt-to-EBITDA of 4x, 22% -- 22.4% leverage ratio, strong balance sheet.

We can easily sustain the land acquisition strategy that Loren has just pointed out. I know particularly where we have ample credit lines in our markets. So we can sustain the strategy set forth by Lorenzo at this point in time.

Operator
Your next question comes from the line of Antonio Hernandez with Actinver.

Antonio Hernandez
Just a quick one regarding what you mentioned in the press release that you're seeing an increase in leasing activity pipelines expecting an acceleration towards year end. If you could provide more color on which markets are you seeing this and how it compared to your previous expectations?

Lorenzo Dominique Berho
Thank you. Well, first of all, I think that we all know that the start of the year was very slow when President Trump was elected also with volatility that has been lower in the recent months, particularly maybe right after "Liberation Day".

And as long as we continue to see more agreements in terms of tariffs between different countries with the U.S., we think that will trigger more companies to eventually look back into their plans for investment in manufacturing facilities in the right places, and that's where Mexico might benefit.

We have seen a spike in number of visits to industrial parks in different regions, particularly Bajio and also the request for proposals. We have seen a spike in number of visits of industrial parks in different regions, Tijuana, Monterrey, particularly Bajio and also the request for So that's how we monitor how much more pipeline or how much more activity we see.

And that's how eventually decisions are made based on an analysis, and this is a very and it's a process. This is a very important sign that companies are now looking back into their plans- some of them were, let's say, paused.

But now we are seeing a material number of visits, and we hope that that will be helpful to be materialized in the next quarters -- I'm sorry, in the next half of the year.

But we are very close with the broker community as well as government authorities, our own tenants and trying to keep a very tight communication and try to understand what their challenges are, what the opportunities and with the information that we have been gathering from having that local presence, we feel confident that second half of the year we'll have more activity in terms of leasing and things will somehow level up.

Operator
Your next question comes from the line of Jorel Guilloty with Goldman Sachs.

Jorel Guilloty
I have two quick ones. One is on your leasing spreads. So, we saw that there was a meaningful acceleration on a train-to basis, I believe it was above 13%. It's at least the highest we've seen since you started publishing those numbers.

I was wondering if you can comment on what are your expectations for leasing spreads going forward. Then the second question is around your development pipeline. I apologize if you answered this earlier, but it remained unchanged, so no new starts were added. So, I wanted to understand a little bit about your framework and how you think about development starts.

So is the view here that development starts should remain muted until you see a meaningful increase in the lease-up of your existing properties. In other words, I just want to understand what a trigger would be to start launching starts again? Those are my questions.

Lorenzo Dominique Berho
Thank you for your questions. I think it's very important to highlight how resilient the portfolio of Vesta has been throughout these quarters. I think a strong statement is the acceleration we have seen in renewal rates, trying to be able to mark-to-market many of the rents that are either expiring or just renewing in advance. I think that number is very good. We have been increasing rents by 20%, 30% in certain areas.That trend will continue in the upcoming quarters and even in the upcoming years and that will generate and unlock a lot of value from the existing portfolio.

So we are very positive also on the amount of the high retention rate that the company still has. And maybe this is a positive scene only for Vesta but also for the sector, where we continue to see companies committing to the long-term renewing their leases and even be able to increase rents. So that will continue to be the same situation going into the upcoming quarters. We are very disciplined and very proactive in working that out with our existing tenants.

On your second question regarding development, we will definitely have starts in markets where we are fully leased like Guadalajara, where we recently acquired land just because we have a good pipeline and the market is strong. The reason why we have not started the developments because we didn't have land.

I think we are going to be benefiting from a strong momentum in that particular market in the electronics sector, ecommerce and logistics, which are key for us. Nevertheless, in other markets where we have recently developed, we have buildings to be leased up. We will be cautious before we start new buildings, we have to lease up the other ones.

I think that discipline is something that we have had and we will continue to keep it that way and we will benefit from that. We think that we can anticipate when we have identified that there could be demand coming from existing clients which remember that most of our growth comes from existing clients as well as new companies entering the market.

Operator
Your next question comes from the line of Francisco Suarez with Scotiabank.

Francisco Suarez
The questions that I have are a follow-up on your land bank. Just to understand the recent land purchases in Monterrey and Guadalajara, those are shovel-ready land. You have all the permits and everything? Because you mentioned that in markets like Guadalajara, you are more likely to start. And related to energy- why this declined sequentially year-on-year. That would be very helpful.

Lorenzo Dominique Berho
Thank you, Paco, for your questions. On your second question on energy, remember that this is a pass-through mechanism. It has to do with the usage of our tenants. However, the income that we might have, it kind of matches the cost.

So it really doesn't have a material impact if it increases or decreases because it's offset by the same amount almost. On the land acquisitions, we are very careful and selective what type of land we buy. We regularly buy land that already has the use of land and some of the permits ready. However, there's always things to be bound. There's always improvements to be done. Sometimes it's more, sometimes it's less.

But I think that these land acquisitions that we have done are similar to what we have done in the past, where we -- that we might do the whole entitlement process and permitting and then we will start with the construction.

So that's why it doesn't need to take a lot of time but it's a process to do the organization, networks, infrastructure, and -- but yes, the land that we acquired is ready to be developed soon.

So we're very happy with the acquisitions and the opportunities. One of them is adjacent. It's part of the Guadalajara project and the other one is going to be a new project.

Then the one in Monterrey is again it's urban infill where we will start -- when we kick ground, eventually, we will have to tear down an older building so that we can build the new one. But it's part of the development process, and we are very excited about these opportunities that we have been able to find in a market where we can buy land at a better cost and create more value on the development process. These are highly desirable sites.

Operator
Your next question comes from the line of Abraham Fuentes with Santander.

Abraham Fuentes
I wonder if you could give us more color about the dynamics that you are seeing in Tijuana and Juarez in terms of absorption, vacancy and rents and how these trends could affect the performance of your portfolio going forward?

Lorenzo Dominique Berho
Well Tijuana has experienced a major rent growth in the last cycles, and that's why that has triggered more development. However, there might be some major construction coming due in the next quarters. However, we still see that rents remain high. And eventually regarding the pipeline, we think that will pick up. We recently leased a couple of buildings in Tijuana with some of our existing tenants. So we see that there is activity from existing companies that are adjusting

their supply chains, they're adjusting their production. Definitely, the tariff globally has made companies also adjust their production. I think that's how we are seeing the activity in markets like Tijuana also kind of felt a stable to positive rent growth. And we saw some positive net absorption in the Juarez market. There's some buildings available.

However the ones that will benefit the most are the ones that have the energy and have the utilities ready for companies to start operation, and that's where we think that Vesta has also an important advantage. So I think that second half is going to be very important to see how all these active users materialize their decisions. We believe that Vesta is well positioned with good quality assets in the right locations. And eventually, we'll be able to close with good companies as we have done in the past.

Operator
Your next question comes from the line of Gordon Lee with BTG.

Gordon Lee
Just a couple of quick questions on thinking about your renewals over the next 18 months. I know that you mentioned in the release that roughly 5% of your leases will come due in the second half of the year.

But I was wondering if you could remind us what you estimate the current gap in your stabilized portfolio to be between in-place rents and market rents.

Lorenzo Dominique Berho
Thank you, Gordon, for your questions. We currently have, I think approximately 3% of GLA of total GLA, which is expiring this year, we have high expectations since we have a high retention rate that we're going to be able to renew many of these leases. We think that if the number that we saw this quarter of having rent increases in the 20%, 30% range for renewals, I think that, that will continue to be the same way in the second half.

And going into 2026, we might have approximately less than 4 million square feet that need to be renewed, and we're confident that we're going to be able to, whatever rents we have further from market to be able to close that gap and that will generate a strong value.

I don't know exactly how much it is for 2026. But I think that the trend that we have seen going upwards in the leasing and re-leasing activity will continue the same way going forward as rents continue to be high, and there's some legacy buildings that are expiring in the next years.

So that's going to be a huge benefit to unlock value on the existing portfolio.

Gordon Lee
And just to clarify, the 4 million square feet roughly that you mentioned for next year, is that GLA rolling over from your existing portfolio exclusively? Or are you also including the lease-up of new properties in that format?

Lorenzo Dominique Berho
No. These are all properties that have a lease in place that expires next year doesn't contemplate the current vehicle buildings. Vacant buildings are in the lease-up stage. That's different.

Operator
Your next question comes from the line of Alejandra Obregon with Morgan Stanley.

Alejandra Obregon
Mine is perhaps a little bit on your priorities when it comes to regional footprint. I mean as you put together all the new land that you have acquired with what you have in stock which markets do you think have more room for new starts, of course when the time is right, like -- you mentioned Guadalajara, but what are sort of your priorities as you put together all the external and internal factors, like which markets have more room, which ones will grow in the future.

Lorenzo Dominique Berho
Thank you, Alejandra. First of all, I think the priority for Vesta is to lease up vacant space because this is the one that will have an immediate impact on revenue.

And I think that we have a clear marketing strategy so that we're going to be able to lease up to good companies at attractive and higher rates in markets such as Monterrey, Juarez, Queretaro and Tijuana, which is where we have most of the development activity or recent development activity.

Eventually, the markets that we currently like are the ones where we recently acquired land, that's Mexico City, Guadalajara. And eventually, when things get better, we can get back to other strategic markets for Vesta.

But -- right now I think in order to prioritize over the next quarters, I think it's mostly on the leasing activity. And eventually, we'll get to development.

Operator
Your next question comes from the line of Armando Rodriguez with Signum Research.

Armando Rodriguez
Congratulations on the operational numbers. Well just a quick question regarding your net income, if we have a sense of how much of this adjustment net income was explained by the exchange rate. That's my question.

Lorenzo Dominique Berho
Juan, can you elaborate on that, please?

Juan Sottil
Just to clarify, on my net income, what is the effect of exchange rate.

Armando Rodriguez
Yes. If we compare the net income to '24 particularly on the earnings per share. The earnings per share, we saw a significant adjustment. So -- I don't know if this is mainly explained by the exchange rate or maybe something other factors, financial factors that are not decided.

Juan Sottil
Let's go from the top. Remember that basically, most of my properties are dollar-denominated properties, and we have actually increased that percentage on this particular quarter. Going down the income statement, most of our costs are peso related. And as the peso has appreciated we have some pressure on margins, I guess.

However on the bottom line that you're referring to, most of the impact comes from the financial numbers, in particular, the loss that we had on revaluation of properties, which is a non-cash item. However on my bottom line is to have an impact, which is why the company has also emphasized that instead of looking at earnings per share, we should focus on pretax FFO because that doesn't suffer the impacts of the revaluations, which are volatile nature.

Operator
Your next question comes from the line of Valentina Macgowan with GBM.

Valentina Macgowan
First of all, congratulations on your results. And maybe we have two questions. The first one would be with the nearly 120,000 square meters of inventory projects scheduled to deliver in August. Can you provide more color on the expected leasing activity or financial impact in the second half of the year? And another subject with the operating cost up 5.3% compared to last year, mainly from taxes and insurance. Do you see pressure in the second half of the year or some releases ahead?

Lorenzo Dominique Berho
Thank you. Maybe to the first question, and then Juan, you can elaborate on the second one. We have -- the pipeline that we have under construction, which is basically projects in Queretaro and

Monterrey that will be delivered in the next half of the year, we expect leasing activity to be between in between three months to, let's say, 12 months, and that's kind of how we do the underwriting.

We think that these will be high-quality assets -- and once the buildings are delivered, will be very attractive to be leased up and the marketing strategy is supported by bringing visits, taking clients, potential clients, and we feel comfortable on that underwriting assumption.

Juan Sottil
On the cost side, I think that Lorenzo has emphasized, we're focusing on cost control. I think that we have been particularly successful this quarter, and in fact, this first semester, controlling costs, on the quarter itself, increases in costs around 4.8%. Well look, I think that we will -- we will maintain the discipline.

We will meet our guidance in EBITDA and property cost as well we have been quite conscious of them, and we have been containing them as much as possible.

So I feel very comfortable on the cost structure of the company. We will continue to focus on savings. We will be -- in the second half of the year, I expect to have the same discipline.

Operator
Your next question comes from the line of Alan Macias with Bank of America.

Alan Macias
Just if you can remind us your exposure to manufacturing and to logistics and to ecommerce. And five years down the line, are you planning to have this breakdown change?

Lorenzo Dominique Berho
Sure. Thank you for your question. We have identified long-term strategy towards our balance between light manufacturing and logistics. We currently are at -- let's say maybe 55% manufacturing, 45% logistics. Part of logistics is ecommerce, which is expanding.

So we feel very comfortable that going forward, we will probably stay half and half just because we think that both sectors will be driving the type of facilities that we develop are very flexible to accommodate logistics ecommerce, light manufacturing. I think that is key on our portfolio strategy. And more importantly, or let's say not more important, but also very important, it's not only the sector but also the type of companies we do business with. We have long-term leases with outstanding companies. We are very disciplined in the type of global tenants that we do business with. These are companies with corporate guarantees, high credit ratings, and that's very important to have. Then another important disciplined approach that Vesta has is our high number of dollar-denominated We will continue to emphasize how important this is for Vesta.

We believe over the long term that the dollar will continue to have more value than the peso. Financing cost on the dollar is more competitive, and we can continue to have very attractive spreads.

And that's one of the main advantages on the company vis-a-vis some of our peers who have the majority of their income in pesos and does not offset with the majority of their obligations, financial applications and debt in U.S. dollars. So I think this discipline is key, and we will continue to have a well-balanced portfolio.

Operator
Your next question comes from the line of Armando Rodriguez with Signum.

Armando Rodriguez
I have two questions. The first one is, as the market evolves, are you considering more vertical integration to better serve tenants and capture more value? And have you seen any new or specific demand from tenants lately in the sector.

Lorenzo Dominique Berho
Can you elaborate more on vertical integration.

Armando Rodriguez
Yes. Yes, like in-house projects or as energy solutions for tenants.

Lorenzo Dominique Berho
Sure. I think that one of the key differentiators that we have to other vehicles is that we are vertically integrated. We have the development platform in-house we do not have external parties doing development or doing other things.

However, and that is something that we have highlighted over the years that we have a particular vertical integration infrastructure.

I think that the only other items that we are considering is some services like renewable energies or solar panels and sort of -- and those sort of things, which are very important.

But we also already have several of those features in our projects -- in the end, what we want to do is serve better our tenants and make sure that we are enablers for them in all the real estate aspects needed, energy being one of them, some of the property management that we do also for them.

And I think that that's why, in this particular situation, it's key to have a closer relationship with tenants and try to have the best service as possible. So we will continue to evaluate alternatives that help us to provide that service.

Armando Rodriguez
And my second question is with the current stabilized occupancy, is there any interest in asset recycling or diverse mature properties

Lorenzo Dominique Berho
Yes. That's a good point. We might have some asset recycling. It's part of the long-term strategy.

We'll do it now every now and then. And at the moment, I think that the key priority is to lease up the list of properties, the vacant space or the price that we have recently developed, but every now and then we will continue to do some development, some massive dispositions, too.

Operator
And it seems that we have no further questions for today. I would now like to turn the call over to Mr. Berho for his concluding remarks. Please go ahead, sir.

Lorenzo Dominique Berho
Thank you, everyone, for joining us today. As we have noted, Vesta's strategy is to focus, protect value, strengthen our base and prepare for what comes next. Our platform is healthy. Our assets are well-positioned and our team is aligned around execution. We continue to move forward with our 2030 strategy, supported by a flexible capital structure, resilient portfolio and a clear view of long-term value. Thank you, all.

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