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Vesta Industrial Real Estate

Fourth Quarter and Full Year 2019 Earnings

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CORPORATE PARTICIPANTS

Fernanda Bettinger, *Investor Relations ICR*

Lorenzo Berho, *Chief Executive Officer*

Juan Scottil *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Alan Macias, *Bank of America*

Eduardo Alvizouri, *GBM*

Adrian Huerta *J.P. Morgan*

Javier Gayol *GBM*

Vanessa Quiroga *Credit Suisse*

Andre Mazini *Citi*

Armando Rodriguez *Signum Research*

PRESENTATION

Operator

Good morning, my name is Melissa and I'll be your conference operator today.

At this time I would like to welcome everyone to Vesta's Fourth Quarter and Full Year 2019 Earnings Conference Call. All participants are currently in a listen-only mode. As a reminder, this call is being recorded.

I would now like to turn the call over to your host Ms. Fernanda Bettinger, Vesta's Investor Relations Officer. Please go ahead.

Fernanda Bettinger

Thanks Melissa and thanks to everyone for joining our call to discuss Vesta's Fourth Quarter and Full Year 2019 financial and operating results.

With us today from Vesta are Lorenzo Dominique Berho, Chief Executive Officer, and Juan Sottil, Chief Financial Officer. Following their prepared remarks there will be a Q&A session, during which time we will answer your questions.

Yesterday we issued our earnings press release after market close. This release is also available via the Investors section of Vesta's IR website.

Before turning the call over to Management, I'd like to remind you that this conference call includes forward-looking statements based on currently available information. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such forward-looking statements. Statements made on this conference call should be considered together with cautionary statements and other information contained within the Vesta earnings press release dated February 20, 2019 and within the most recent regulatory filings for a discussion of those risks. All figures included herein were prepared in accordance with IFRS and are stated in nominal U.S. dollars unless otherwise noted.

I will now turn the call over to Mr. Berho. Please go ahead.

Lorenzo Berho

Thank you, Fernanda. Good day, everyone, and thank you for joining us.

On our fourth quarter 2019, results mark the successful conclusion of our Vesta Vision 2020 Plan, under which we drove substantial shareholder value over the last five years and built a solid foundation for the next stage of growth to our new Level 3 strategy.

With Mexico's new trade agreements with the U.S. now still in place, the outlook for our industry is more secure. Granted the economic rules under the new agreement will have to be fully understood and challenges to exceed on the global trade front. However, some of the remaining trade friction could be in Mexico's favor.

Foreign direct investment increased another 4.2% last year to $33 billion, and Mexico has now displaced China as the United States' top trading partner. We believe that Chinese companies, among others in the world, will increasingly view Mexico more favorably as a manufacturing and logistic hub that can mitigate geopolitical risks in addition to the other distinct competitive advantages that our country has long provided. In fact, we have a number of Chinese companies in our pipeline that could sign with us as soon as this year.

As you can see, we're looking ahead with cautious optimism. This is also due to the early progress of our Level 3 strategy, such as penetrating new growth markets like Guadalajara and Monterrey as well as new economic sectors, such as e-commerce, launching new industrial parks, making investor's balance sheet stronger and more efficient and selectively selling property portfolios to secure alternative sources of capital and generate higher returns on investment.

As a reminder, strategic private market transactions can help establish a more accurate valuation level for Vesta's property portfolio than the more than 20% net asset value discount that is reflected in the price of Vesta's stock to date.

That said, we are pleased with a 10.6% increase in net asset value per share, resulting from a combination of accretive investments, mostly through development as well as the share repurchases we made throughout the year. A healthy dividend is also contributed to a 37% total shareholder return in 2019, in dollar terms. We purchased another $22.7 million of shares during the year, bringing the total to $68.8 million since initiating investors buyback program back in 2016, all of which will be canceled.

Driving net asset value per share, in addition to FFO per share, is among our 2024 targets for the Level 3 strategy. So, we plan to submit for both approval and new buyback program to follow the existing one, we hope to announce the details by the end of the month.

We will also seek shareholder approval to extend Vesta's existing long-term compensation program to 2025, and to also encompass more key managers, including middle management. We believe this will incentivize more decision-making that is long-term oriented and past strengthen alignment with our shareholders. It will also help us continue attracting as well as retaining the best talent within our industry, in order to keep organization strong and remain the sector benchmark.

Before I turn the call over to Juan to discuss the details of Vesta's fourth quarter financial and operating results, I would like to highlight some of our full year performance.

Leasing activity reached 4.4 million square feet in 2019, in line with overall market dynamics. While activity in the Northern Region was solid throughout the year, the pace slowed in the Bajio Region. However, now that the USMCA agreement has been signed, we're cautiously optimistic that absorption levels will recover in this region.

This market fundamentals remain sound, as other suppliers have also been disciplined and because our properties are best-in-class, we have a fully integrated management team, and market-leading commercial efforts in each region, we are fairly confident we can lease them up in 2020.

Renewals represented 70% of total leases, continue to be strong and bode well with regard to Vesta's maturity profile, while new leases were below our forecast due to historically low levels in Bajio.

At year-end, occupancy investors stabilized portfolios decreased to 94.6%. With regard to portfolio development in this region, our strong local presence allows us to carefully keep the pulse of the market, which along with our Level 3 strategy, allows us to increase or decrease our supply in accordance with demand levels.

Unlike Bajio, Tijuana where there is strong demand and fundamentals and where we acquired 34 hectares of land in the fourth quarter and Ciudad Juárez are both doing well. While market conditions in the Central Region are good, also the pace of growth is a bit slower. We also acquired land for a redevelopment project in Monterrey, where market dynamics are promising, too, given a greater focus towards e-commerce and last-mile logistic operations, particularly in these types of locations.

Despite the challenging market conditions, revenues increased 9% last year to $144 million, aided by a nearly 7% increase in rent per square foot and above the upper end of our guidance range, with net operating income and EBITDA increasing 7.3% and 7.6%, respectively. Both of the corresponding margins were also in line with our guidance. Importantly, 2019 pre-tax FFO rose 6% to $82 million, an increase 8.3% on a per share basis to $0.14.

Lastly, I would like to note that Latin America's business *Expansión Magazine* ranked Vesta Mexico's most sustainable company. We're quite proud to be the leader in our country, but we will endeavor to further enhance Vesta's ESG performance over the next decade as achieving global best practices is among the key goals of our Level 3 strategy. We intend to remain a component of the Dow Jones Sustainability MILA Pacific Alliance Index, and we will soon unveil a long-term strategy for Vesta's ESG program in accordance with our Level 3 strategy.

That concludes my prepared remarks for now. Juan, please go ahead.

Juan Sottil

Thank you, Lorenzo. Thank you, everyone, for being on this conference.

Fourth quarter pre-tax income was $48.6 million. Income tax expenses were under $1 million versus $12 million in the comparable—I'm sorry, let me start again.

Our fourth quarter rental income increased 3.5% year-over-year to $36.3 million on a 3.2% increase in rent per square foot as well as the renting of new space that had been vacant in the prior year's quarter. There were a number of revenue offsets, primarily $1.72 million or 4.9% decrease related to the divestment of eight properties last year, per the revised guidance, we gave our previous earnings call.

Of the fourth quarter revenue, 84.7% was denominated in U.S. dollars, down from just over 86% in the same quarter of 2018.

During the quarter, we leased 863,000 square feet, of which 210,000 square feet was new leases with existing clients and 653,000 square feet was lease renewal.

As Lorenzo noted, new leases were lower-than-expected due to the continued demand weakness in the Bajio Region. Maturing GLA for 2020 now stands at 5.3%. Our weighted average lease maturity profile was almost five years at year-end and remains the highest amongst our peers.

Higher costs for both occupied and vacant property result in a 66.4% increase in total operating costs, which were $3 million in the fourth quarter. Costs related to investment properties that generate rental income increased 57% to $2.5 million. This increase was primarily attributable to an increase in property taxes, maintenance and payments in the fourth quarter, which were not borne during the year and to an increase in the allowance for accounts receivable.

While net operating income increased 1% to $33.8 million, the corresponding margin contracted 237 basis points to 93%, as a result of higher cost and property generating rental income.

Fourth quarter administrative expenses increased 9.4% to $5 million, mostly due to statutory profit sharing and bonuses. This, combined with the lost revenue from the property divestments, resulted in a 326 basis points decrease in our EBITDA margin, which was just over 80% for the quarter. As our costs are mostly in Mexican peso, the appreciation of the peso during the period also impacted the margin.

Total EBITDA decreased slightly to $29 million. A gain of $27.7 million from the revaluation of Vesta's investment properties resulted in total other income of $20.6 million compared to another expense of $10.8 million in the fourth quarter of 2018.

Other expenses were largely unchanged at $9.7 million, while we reported a foreign exchange gain of $1.7 million versus a loss of $3.3 million in the last quarter. For details of these year-over-year change, please refer to our earnings release.

Fourth quarter pre-tax income was $48.6 million. Income tax expenses were under $1 million versus $12 million in the comparable 2018 quarter, with Deferred Tax nearly offsetting Current Tax in this year's quarter. The delta in the Current Tax versus last year was due to the appreciation of the peso. Please refer to our earnings release for an explanation of the year-over-year change in Deferred Tax.

That brought fourth quarter profits to $48.4 million compared with $5.8 million in the last quarter for the same period, respectively.

Total comprehensive income was $47.5 million versus a loss of $8 million, primarily due to higher gains in the revaluation of investment property and the positive effect of deferred taxes.

Pre-tax FFO decreased 1% to $19.4 million, while increasing 4.6% on a per share basis.

Turning to capex, investments in the quarter totaled $32.4 million, primarily due to the construction of new buildings in the North, Central and Bajio Regions. For the year, the total value of Vesta's investment portfolio increased 5.5% to nearly $2 billion.

Vesta's total debt at the end of 2019 was $714 million, of which less than $1 million was short-term liability, and all of which is fixed and denominated in U.S. dollars. Importantly, no major debt is due until 2024.

We maintained a healthy balance sheet in 2019. At year-end, our loan-to-value was 35%, while net debt-to-EBITDA was 5.3 times.

In addition to the increase in Pre-Tax per share during the fourth quarter, NAV per share increased 10.4% to $2.34 and represents a three-year CAGR of 9.5% in dollar terms.

With regard to occupancy, Vesta's stabilized portfolio decreased 250 basis points year-over-year to 94.7%, as noted earlier, while occupancy in our Same Store portfolio decreased 30 basis points.

Sequentially, Vesta's total portfolio grew roughly 456,000 square feet to 29.8 million square feet, comprised of 184 high-quality industrial buildings at the end of 2019.

Total vacancy was 8.3%, up from 7.4% in the third quarter.

At year-end, we had nearly 800,000 square feet of inventory buildings under construction in Ciudad Juárez, Guadalajara and Puebla for a total expected investment of almost $37 million.

Our Land Reserves totaled 44 million square feet for 2019. As Lorenzo noted, during the fourth quarter, we acquired land in Monterrey, where we plan to construct two buildings for a total investment of $22 million. We also purchased 34 hectares of land in Tijuana, where we were planning to build seven buildings for a total investment of $62 billion.

Looking ahead, for our earnings press release, we expect to increase rental revenue between 4% and 5% in 2020, with an NOI margin of 94% and an EBITDA margin of 83%. This guidance reflects last year's sale of property portfolio. As Lorenzo noted, asset recycling is a key element of our Level 3 strategy as it serves to strengthen our balance sheet as well as provide greater financial flexibility to fund higher returning property investment. Therefore, please keep in mind that future divestments will have a bearing on our 2020 guidance.

Operator, that concludes our prepared remarks. Please open the call for questions.

Operator

Thank you. We will now be conducting a question and answer session. If you'd like to ask a question please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key.

Our first question comes from the line of Alan Macias from the Bank of America. Please proceed with your question.

Alan Macias

Hi. Good morning. Thank you for the call. Just one question, and thank you for the guidance you provided, very helpful. How should we be thinking about pre-tax FFO per share growth for this year? Should we think about that management target is to grow at the same level as rental revenue, would that be correct? Thank you.

Juan Sottil

Yes. Alan, thank you for the question. Let me answer by reminding the audience that during the Vesta Day, we set a goal of where we want to take FFO per share over the next five years. In that regard, we will have $0.20 per share at the end of this Level 3 strategy, and that's what we're aiming for. Let me also remind that we plan to have NAV per share of $3. We firmly believe that this plan is achievable. We believe that demand for industrial properties will continue to happen in Mexico, and we're setting up the Company to do that.

FFO next year would be—I believe that FFO next year will be growing towards that end. But that objective we're setting ourselves on the long-term. As you know, Alan, we do not give guidance on FFO numbers on a year-to-year basis, basically.

Alan Macias

Thank you.

Operator

Our next question comes from the line of Eduardo Alvizouri with GBM. Please proceed with your question.

Eduardo Alvizouri

Hi. Thank you for the call. My question is regarding your portfolio location. We have seen the Bajio Region underperforming in the last few quarters. Are you worried that nearly half of your portfolio is in this region? How the performance of this portfolio is expected in the long run? You even have three properties that will be accounted for as stabilized in the first quarter of 2020, which are still not listed up? Thank you.

Lorenzo Berho

Thank you Eduardo for being on the call. Definitely, we saw that the Bajio Region during 2019 had a weaker demand than other years. We know this market very well. We know that sometimes these things happen. Nevertheless, we still believe we have the best properties in the region. In each of the markets, in the submarkets in the Bajio, we think the best of parts are one of its kind and therefore, we think, and that together with a pipeline that we have been close to, we think that some of these buildings are going to be leased up as early as the beginning of this year.

We think that the market dynamics are strong for existing companies. It was probably more of these newer companies that have taken longer to make decisions to establish themselves. So, we're confident that there is still demand for companies to expand, and we are confident that there is also some other companies looking for space. Hopefully, the new signing of the USMCA will give them the confidence to keep investing in the region and keep expanding operations.

Nevertheless, I'd like to remind you and everybody that Vesta has always a cautious stance to that. We rather have a good company and a long-term lease rather than a large client with short-term leases that could be break at some point. So that's why sometimes we prefer to have the empty buildings and really wait for good companies. So, thank you Eduardo.

Eduardo Alvizouri

Great. Thank you.

Operator

Our next question comes from the line of Adrian Huerta with J.P. Morgan.

Adrian Huerta

Hi Juan and Loren. Thank you for taking my question.

One is how much of new construction are you expecting to start this year and how much of that could come from new land that was purchased in Tijuana, Monterrey and Guadalajara? If you can give us an idea in these three markets. I believe, you started construction already in Guadalajara last year, but Monterrey and Tijuana, could we see new construction starting there this year? The second question is on the land bank. I believe it represents closer to 7% of your total assets. Do you think that's a little bit high and could we see some land sales this year to reduce this number more towards somewhere around 5%?

Lorenzo Berho

Adrian, and thank you for your questions and for being on the call.

I will start with a question regarding land. Definitely, for us, it has been strategic to acquire good, well-located parcels of land. We think that today having over $2 billion of assets that can give us some capacity to acquire land, develop over time and create value for our shareholders.

Going over the whole real estate cycle, as you remember, we sold a portfolio in the last year, and I think it was a great sale. But reminding everybody that most of these projects, it was land that was acquired many years ago. So sometimes you have to take that position to acquire good land to develop, lease up, and then at some point find an exit. So I think that on that result, we're confident that we're going to find great results from the land that we have acquired. Guadalajara is a fantastic location in the Tlaquepaque, El Salto region, very close to the Periferico Sur. The same with Monterrey, the new land that we acquired is in Guadalupe. It is a redevelopment project. It's not very large. Nevertheless, I think that will position us well in a in the largest industrial market in Mexico. And Tijuana, I mean the dynamics of Tijuana which is so good that we need to have land, and this is going to help us to support the growth strategy for the Company over a long term. So I think that it was great decisions, and we're going to see results over time.

Regarding your question on development, I think that we have a stronger pipeline this year, probably than last year. So I think that the pipeline could be around 1.5 million to 2.5 million square feet of development starts throughout the year. I think that the next quarter, we will have some new starts and hopefully, that can be well done in the different markets where we have presence. But we are bit more optimistic on that.

Adrian Huerta

Thank you Loren.

Lorenzo Berho

Gracias.

Operator

Our next question comes from the line of Javier Gayol with GBM.

Javier Gayol

Hi Lorenzo, Juan. Thank you for taking my question and congratulations on a great 2019. I have two questions. One of them is, you guys mentioned about the asset recycling process and that's part of your next plan, but I wanted to understand, are the dividends and the share buybacks dependent on asset recycling or the dividends and the share buybacks that you guys are planning already set? Then the asset recycling will come for capex or something else? That will be my first question.

My second question is: with the rates coming down, do you guys see more competitive landscape on some of the markets like Tijuana and Monterrey, which you guys are entering with new projects? Thank you.

Juan Sottil

Javier, thank you for the question. Look, we review recycling properties as a way to finance the Company. This is a normal procedure for any real estate company. Given our plan of asset divestitures that we're working on, I don't foresee that we will use the asset recycling to do any dividend or to do any dividend increase.

Now as we have mentioned in the past, management views our share buyback as an integral part of our investment proposition. We basically analyze each and every month, the field of opportunities of new projects and the returns that we could have on share buyback. That's a dynamic process. We analyze the return of both strategies, so we will invest the financial flexibility that we have on the balance sheet towards these two ends, either investment in new properties or share buybacks. That's the reason why we're increasing our proposals to the shareholders and increasing on our share buyback program. You will have the details as soon as we call the shareholders meeting for next month.

Lorenzo Berho

Probably, Javier, on the market front I think that they are not necessarily many new players in the market. I think that some markets are having very dynamic as Tijuana, that you mentioned. There has been some activity towards development, but it's pretty much these same players that have been in the market for a while. And I think that can be the same for the rest of the country and for most of the markets. It's pretty much these same players. Not everybody has been very aggressive on development. I think that developers are way more disciplined than in the past cycle. So that's why we still see very low vacancy rates, even in the Bajio Region, which we just mentioned, that was slower throughout the year. We think that the vacancy rates are still pretty low, and that will provide certainty that there could be opportunities for leasing that part of the inventory buildings that we have developed.

So in that regard, as always, we're going to keep track on how much inventory or how much there is under construction. Nevertheless, I think that that's what our investment community is one of the I think that analyzes very carefully. Now that we're developing in markets which have a lot of vacancy, we develop in markets where we believe we can have a competitive advantage.

Javier Gayol

Great. Thank you for the clarity. Thank you.

Operator

Our next question comes from the line of Vanessa Quiroga with Credit Suisse. Please proceed with your question.

Vanessa Quiroga

Thank you. My question is regarding the logistics exposure that you want to have going forward. Can you remind us what type of clients who are seeking for those type of properties and what are the markets that you are seeing for logistics kind of properties? Do you think that Monterrey could be largely logistics as well? Any opportunity in Tijuana? Thank you.

Lorenzo Berho

Thank you, Vanessa, it's a very good question. I think that clearly Vesta has an interest to have a very well-diversified portfolio, and I think that's what we have been doing in the past years. Part of our Level 3 strategy was also to have a more diversified base of industry. We still think the auto industry is the one that will provide lots of growth in the mid-term and long-term, as it has done in the past. Nevertheless, we think that having a portfolio with a non-industry should go over 30% of the total composition. As we noted in the Investor Day, it will keep us having a very healthy balanced portfolio.

Talking about logistics sector, we have seen a logistics sector increase in many markets. Last year, we signed leases with Home Depot in Tijuana, DSV Logistics in Tijuana, Schenker logistics in Juárez, we signed a lease with FedEx in Queretaro also. And we have other markets where we also have seen logistics operations, and we're going to be always pushing more towards expanding our potential—our portfolio towards this industry.

For the new projects that we are developing, we would still develop inventory buildings like Guadalajara. We believe this will cater strongly the logistics sector due to its location, and probably some of these logistic operations could also be e-commerce. It just depends on how e-commerce evolves and how many players there are in the e-commerce sector. But I clearly think that Guadalajara, Monterrey and other markets in the Bajio Region will definitely take advantage of a growing industry like e-commerce.

Vanessa Quiroga

Okay. Thank you, Loren. Just on the administrative expenses. Should we expect administrative expenses to be stable in 2020, compared to 2019? Or is the fourth quarter in 2019—should that be the reference for 2020?

Juan Sottil

Vanessa, thank you for the question. Look, on a year-on-year, 2020 is going to be basically the same and needs to be the same as 2018. There's not going to be any significant increase. In fact, I believe that we're going to be stable, if not a slight decrease. We're on top of managing the Company on accrual basis. I don't expect to have any significant increases in any particular line item of administrative expenses.

Having said that, there was a blip on the fourth quarter, and I don't think that that is going to be repeated. It happened not only in administrative expenses, but also on the cost of managing the property. On the latter one, the cost of managing the properties, which is part of NOI, it mainly has to do with some real estate factors, some maintenance expenses, which we're upgrading, our aim to have the best real estate portfolio, and that does require maintenance. So we're opening our (inaudible 34:20) for maintenance expenses on the property.

And in terms of prudency of the balance sheet, we also decreased our allowance for accounts receivable. I think that's a proper way to manage the balance sheet, the asset side of our balance sheet.

In regarding the administrative expenses, we basically had some reserves that we're not taking during the first three quarters regarding equipment bonuses and the long-term compensation for the employees. Those are basically adjustments that we have to pay in the fourth quarter. We will smooth them out this year, so that we don't have this type of blips.

Vanessa Quiroga

Thank you very much, Juan. The allowance for accounts receivable, is that something that—do you think it's a trend? Could we see more of that going forward? What the reason for increasing the allowance?

Juan Sottil

Basically, if we're taking a look at—we keep a very close watch on the growth of accounts receivable. As you can see historically that number has been quite steady. We take particular aim and not seeing any past view over 30 to 90 days on that segment. We're the only real estate company in Mexico that disclose in such a level of detail on accounts receivable. We believe that transparency help us all and if you look at accounts receivable on the different buckets, you will see that we take a very close look and not see them growing.

Having said that, I think it's proven that to (inaudible 36:15) just as a precautionary measure for looking forward. No? I think that, that's a proper way to manage accounts receivable, just to take a strong view on credit and credit reserves, nothing more than that.

Vanessa Quiroga

Okay. Great. Thank you Juan.

Operator

Our next question comes from the line of André Mazini with CitiGroup. Please proceed with your question.

André Mazini

Hi Loren, Juan and Fernanda. Thanks for the questions. So my question is on your tenants perception on the coronavirus. Do you think there's been some supply disruption for their supply chains? Of course, the manufacturing is global right now. So a lot of inputs might come from other places, Asia, et cetera. And if that's the case, if they're having any disruptions, would this imply maybe more bargaining power for discounts in the short term? On the other hand, looking more long term, of course, everyone is wanting for a quick resolution of this, but do you think this can actually increase, thinking more long term, the near shoring of manufacturing in Mexico?

Lorenzo Berho

Hello, André, and thank you for your question and for bringing over an important global item as the coronavirus, and what effects that could have over the supply chain.

I think that Mexico is not as linked to the supply chain as, for example, the U.S. and other markets might be. Nevertheless, I think that the coronavirus will have a global impact on supply chain. We're seeing that in the U.S. And I think that it will have, at some point, a bit of an effect in some of the supply chains in Mexico. So we cannot say that it won't have an effect. Nevertheless, we believe that, that will also be temporary. I think that, that, together with the trade tensions between China and the U.S. over the last couple of years and the market share increase that Mexico has had over the U.S., I think that there's many companies that were established in Asia that clearly need to diversify their exposure on China. And I think that over the long term, that could become an opportunity for Mexico. We have seen some clients coming over, over the last year, just because of their exposure and we de-risk, their exposure towards China, and I think that would clearly be a trend over the next years.

How big is that going to be? We still have to see. But definitely, I think that Mexico represents great opportunities for global companies to diversify the risk towards Asia, and I think that now with the signature of the trade agreement together with also, with knowing exactly what the details on the tariffs between China and the U.S., I think that clearly will benefit Mexico over the long term.

André Mazini

Perfect. Thank you.

Operator

Our next question comes from the line of Armando Rodriguez with Signum Research. Please proceed with your question.

Armando Rodriguez

Thank you very much for taking my question. Well, my first question is related also to the asset recycling program. What's the exit cap rates you're seeing during this year? My second question is related to your dividend policy. Should we expect some formula changes on your dividend policy during also 2020? That's my only two questions. Thank you very much.

Juan Sottil

Armando, thank you for the questions. Look, dividend policy is basically based on last year's operating cash flow, adjusted FFO. We will not change the stance of the Company. As you recall, out of available cash, which is just another way to call adjusted FFO, we will distribute up to 75%. So that won't change. The dividend will be delivered in dollars for the shareholders in fourth quarter repayments. So that point is not going to change.
As to the percentage, the Board takes a very strong view on what is the potential capex for the following years and one of the most important things that we do is, Vesta, as we are not a fibra we'll be paying profits. That’s really an integral part of the value proposition of the Company. So we will carefully suggest a dividend policy that has been approved by the Board to the shareholders in our next month shareholder meeting, but the formula will not change.

As for the asset recycling—the asset recycling, we are keen on selling the property or doing joint ventures at the most convenient price to our existing shareholders. Last year, we did a transaction in May that was on 7%, close to that number. We believe that our properties are the topnotch quality in Mexico. And yes, we are pricey on doing divestitures, and we will continue to do so.

Lorenzo Berho

The market is still very strong and very active. There's appetite from foreign investors as well as local investors for well-located assets and good quality buildings. I think that pricing is not because of the transaction we did, but we could see during last year, other transactions and could be in the 7% range, and even in some cases, way below the 7% month mark.

Armando Rodriguez

Okay. Perfect. Juan and Lorenzo, very helpful. Thank you very much.

Operator

Ladies and gentlemen, there are no further questions. I'd now like to turn the floor back over to Mr. Berho for any closing comments. Please go ahead, sir.

Lorenzo Berho

Thank you, Melissa. Thank you, operator. In summary, we remain cautiously optimistic about Mexico's industrial real estate market despite new economic rules that have yet to be clearly defined under the USMCA trade agreement. We are anticipating market opportunities that we are confident we can exploit, given Vesta's strategic locations, the high standards, that Vesta parks offer, and the agility that our deep market intelligence affords us. At the same time, we will always take a prudent approach toward risk, never compromising on the quality of the companies with which we signed leases nor on Vesta's credit ratings.

We remain committed to achieving, by 2024, the ambitious FFO, a net asset value per share targets that Juan also mentioned of $0.20 pre-tax FFO and $3 of net asset value per share we have said under our Level 3 strategy. We will do this by setting the high standards in owning, managing, acquiring, selling, developing and redeveloping industrial properties.

Thank you, again, for joining us on today's call and we look forward to updating you on our progress during our next one.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.