

# Macquarie Mexican REIT Announces Third Quarter 2013 Earnings and Distribution

Written by Australian Business

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MEXICO CITY--( [BUSINESS WIRE](#) )--Macquarie Mexican REIT (MMREIT) (BMV:FIBRAMQ) today announced its financial results for the quarter and nine months ended September 30, 2013.

## Third Quarter 2013 Financial Results

MMREIT reported total revenue of Ps.413.5 million for the third quarter of 2013 and Ps.1.23 billion for the nine month period ended September 30, 2013. Base rental revenues totaled Ps.377.6 million, including one-time lease termination revenue of Ps.25.7 million, for the quarter. There were 567,166,126 MMREIT real estate trust certificates (*Certificados Bursátiles Fiduciarios Inmobiliarios* or CBFIs) outstanding as of September 30, 2013.

**Quarter Ended**                      **September 30,**                      **2013**

**Third Quarter**                      **per CBFi**

**Nine Months**                      **Ended**                                      **September 30,**                      **2013**

**Nine Months**                      **per CBFi\***

**Net Operating**                      **Income (NOI)**

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Ps.1.11 billion

**Net Profit**

Ps.1.85

**Funds from Operations (FFO)**

\*Based on 567,166,126 total outstanding CBFIs as of September 2013

## Property Operating Results and Leasing Activity

As of September 30, 2013, MMREIT owned 244 industrial properties located in 21 cities across 15 states in Mexico, with approximately 26.8 million square feet (2.5 million square meters) of gross leasable area. Operating highlights as of the quarter ended September 30, 2013 include the following.

### Metric

Occupancy Rate

Rolling Occupancy Rate(YTD Average)

Avg. Monthly Rent per Leased m

Rolling Av. Lease Rate per Leased m (YTD Average)

Customer Retention Rate

Weighted Average Lease Term

Occupancy was 89.6% at the end of the third quarter, slightly down from 89.9% as of June 30, 2013. This reduction in occupancy was mainly due to the early termination of a lease in Monterrey. Excluding the impact of the early termination, occupancy rates would have increased to 90.1% in the third quarter of 2013. The customer terminating the Monterrey lease paid MMREIT a US\$1.9 million early termination fee. This amount represents 85% of the outstanding financial obligations under the lease and is reflected in this quarter's operating results. MMREIT considers Monterrey to be a favorable submarket given its attractive location and is working to fill the vacated space. The portfolio's weighted average remaining lease term (based on annualized base rent) as of September 30, 2013 was 3.1 years, flat with the previous quarter.

“Our portfolio performed in line with our expectations for the quarter,” said Jaime Lara, CEO of MMREIT. “Towards the end of the quarter there were some indications of customers opting to wait and see how reforms in Mexico and the political events in the US would unfold. However, that was accompanied by an uptick in interest from foreign multinationals considering Mexico for their operations. We believe that this interest will be reflected in both increased occupancy and average rental rates in the year ahead.”

### Leasing Activity Highlights

New and renewed leases totaling 618,855 square feet (57,493 square meters) were commenced during the quarter. Leasing highlights include:

- 7-year lease agreement for a 114,030 square foot (10,594 square meter) lease expansion in Puebla
- 5-year lease agreement for a 98,328 square foot (9,135 square meter) expansion of a previously leased space in Ciudad Juarez
- 4-year lease agreement for a 100,000 square foot (9,290 square meter) lease in Nogales

Rental rates on renewals were down in certain markets resulting in a slight reduction in the average rent per leased square foot per month to US\$4.53 in the third quarter compared with US\$4.55 in the second quarter of 2013. MMREIT’s customer retention rate was 65% in the third quarter of 2013 based on leased area.

“Over the quarter we were able to increase rental rates in key cities including Puebla and Tijuana. We continue to believe that occupancy in flat markets such as Ciudad Juarez will revert to historic norms and that rents will follow. MMREIT’s portfolio in the northern markets is strongly correlated with the health of the US economy and any uptick in the US is likely to have a meaningful, positive impact,” said Lara. “We are confident that we are well positioned to capitalize on positive medium and long term trends in the region.”

### Update on Internal Property Administration Platform

On September 30, 2013, MMREIT provided an update on the progress it has made towards the establishment of an internal property administration platform. That platform will perform property management, leasing and accounting services for MMREIT's properties once the respective transitional third-party property administration arrangements end. MMREIT expects to derive economies of scale through this platform as it expands its portfolio of properties across Mexico. The platform is expected to formally launch early in January 2014.

"The establishment of an internal property administration platform is an important milestone for us," said Lara. "Not only will this translate into lower unit costs as our portfolio grows but, more importantly, it removes an intermediary and brings us closer to our customers. Controlling all of the touch-points with our customers will allow us to improve customer satisfaction and better enable us to achieve our occupancy and financial performance objectives."

MMREIT also announced that it has brought forward the expiry date of its transitional property administration agreement with GE Capital Real Estate Mexico (GECREM) to December 31, 2013, a year earlier than provided under the original agreement. Certain transitional accounting and related services are expected to continue into 1Q14. MMREIT has agreed to pay GECREM US\$9 million to discharge in full GECREM's earn-out entitlement under the terms of the December 2012 industrial portfolio acquisition. The payment will be made in five equal quarterly installments through March 31, 2015. The original acquisition terms provided for a maximum earn-out of approximately US\$18 million, payable incrementally upon reaching certain occupancy hurdles as well as upon early termination of GECREM's property administration agreement.

MMREIT's existing property administration agreements with Corporate Properties of the Americas (CPA) is expected to expire December 31, 2013.

### Acquisitions

MMREIT entered into agreements to acquire 23 properties for a total of approximately Ps.5.9 billion in the third quarter. The properties, in three portfolios, include six retail properties, one mixed-use property (retail, office and hotel), one office building and 15

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industrial properties. The retail, office and mixed-use properties have a gross leasable area of 2,689,382 square feet (249,852 square meters) and were 96.4% occupied at the time of signing. The industrial properties have a gross leasable area of 1,652,847 square feet (153,555 square meters) and were 100% occupied at the time of signing.

MMREIT announced the financial close of the portfolio of 15 industrial properties early in the fourth quarter of 2013 and anticipates the other two portfolios will close during the fourth quarter of 2013, subject to customary closing conditions.

The acquisition of 15 industrial properties is expected to generate approximately Ps.0.11 (approximately US\$0.009) per CBFi of incremental FFO in 2014. MMREIT expects that the three transactions together will generate incremental funds from operations in a range of between Ps.0.48 and Ps.0.52 (approximately US\$0.037 and US\$0.040) per CBFi and an incremental FFO of approximately US\$24.0 million (approximately Ps.313.2 million) on an annualized basis when closed.

“We are excited to have completed the first of the three acquisitions announced during the quarter,” stated Lara. “These acquisitions are expected to be accretive to earnings going forward and to generate strong cash flow boosting our performance in the coming quarters. Additionally, we continue to review a number of other acquisition opportunities that would help to further diversify and build upon our current portfolio.”

### Distribution for Third Quarter 2013

On October 24, 2013, MMREIT declared a distribution for the quarter ended September 30, 2013 of Ps.0.50 per CBFi. The distribution includes an ordinary distribution of Ps.0.38 per CBFi and an extraordinary distribution of Ps.0.12 per CBFi corresponding to 25% of the Founder’s Grant reinvestment on closing of the global offering. MMREIT’s current distribution policy is to pay quarterly cash distributions.

MMREIT reaffirmed its full year 2013 distribution guidance range of Ps.1.80 to Ps.2.00 and intends to provide guidance for 2014 in its reporting of FY2013 results.

## Webcast and Conference Call

Macquarie Mexican REIT will host an earnings conference call on Friday, October 25, 2013 at 7:30 a.m. CT / 8:30 a.m. ET. The conference call, which will also be webcast, can be accessed by dialing toll free +1-877-303-6152 or online at [www.macquarie.com/mmreit](http://www.macquarie.com/mmreit).

Callers from outside the United States may dial +1-678-809-1066. Please ask for the Macquarie Mexican REIT Third Quarter 2013 Earnings Conference Call.

An audio replay of the call will be available through October 29, 2013, by dialing +1-855-859-2056 or +1-404-537-3406 for callers outside the United States. The passcode for the replay is 80664418. A webcast archive of the conference call and a copy of MMREIT's financial information for the third quarter 2013 will also be available on MMREIT's website, [www.macquarie.com/mmreit](http://www.macquarie.com/mmreit).

## About Macquarie Mexican REIT

Macquarie Mexican REIT (MMREIT) (BMV: FIBRAMQ) is a real estate investment trust (*fideicomiso de inversión en bienes raíces*), or FIBRA, listed on the Mexican Stock Exchange (*Bolsa Mexicana de Valores*) targeting industrial, retail and office real estate opportunities in Mexico, with a primary focus on stabilized income-producing properties. MMREIT's portfolio consists of 259 industrial properties located in 21 cities across 15 Mexican states (as of October 17, 2013). MMREIT is managed by Macquarie México Real Estate Management, S.A. de C.V. which operates within the Macquarie Infrastructure and Real Assets division of Macquarie Group. For additional information about MMREIT, please visit [www.macquarie.com/mmreit](http://www.macquarie.com/mmreit).

## About Macquarie Group

Macquarie Group (Macquarie) is a global provider of banking, financial, advisory, investment and funds management services. Macquarie's main business focus is making returns by providing a diversified range of services to clients. Macquarie acts on behalf of institutional, corporate and retail clients and counterparties around the world. Founded



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in 1969, Macquarie operates in more than 69 office locations in 28 countries. Macquarie employs approximately 13,600 people and has assets under management of over US\$362 billion (as of March 31, 2013).

Macquarie Infrastructure and Real Assets, a division of Macquarie, is a leading global alternative asset manager specializing in investments across infrastructure, real estate, agriculture and energy. Macquarie Infrastructure and Real Assets manages 49 funds with US\$101 billion of assets under management across 25 countries (as of March 31, 2013).

**Cautionary Note Regarding Forward-Looking Statements:** This release may contain forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ significantly from these forward-looking statements.

**THIS RELEASE IS NOT AN OFFER FOR SALE OF SECURITIES IN THE UNITED STATES, AND SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED .**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS

3 months ended Sep 30 2013

## Macquarie Mexican REIT Announces Third Quarter 2013 Earnings and Distribution

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**9 months ended**      **Sep 30 2013**

Property rental income	4(a)	413,489
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Property expenses

Net property income

Management fees	14	(40,228)
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Transaction related expenses	4(c)	(54,446)
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Professional fees, legal fees and insurance expense

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Total expenses

Finance costs (127,116)

Interest income 55,467

Other income 66,009

Foreign exchange loss 4(d) (79,492)

Net unrealized foreign exchange gain on foreigncurrency denominated investment prop

4(e) 175,409

Revaluation of investment property measured at fair value

**Profit for the period**

## Other comprehensive income

Other comprehensive income for the period

## Total comprehensive profit for the period

Earnings per CBF1

Basic earnings per CBF1 (pesos)

8

0.44

Diluted earnings per CBF1 (pesos)

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS

### **Current assets**

Cash and cash equivalents	4,221,601
Restricted cash	92,468
Trade receivables	46,671
Value added tax receivable	-

## Macquarie Mexican REIT Announces Third Quarter 2013 Earnings and Distribution

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Other assets		45,133	
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Total current assets		4,405,873	
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### **Non-current assets**

Restricted cash		92,601	
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Other assets		9,438	
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Investment properties	9		19,024,1
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Total non-current assets			
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### **Total assets**

### **Current liabilities**

Trade and other payables		152,820	
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Interest-bearing liabilities	10		9,528
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Total current liabilities		162,348	
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# Macquarie Mexican REIT Announces Third Quarter 2013 Earnings and Distribution

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## Non-current liabilities

Other liabilities

333,162

Interest-bearing liabilities

10

9,788,66

Total non-current liabilities

## Total liabilities

## Net assets

## Equity

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Contributed equity	11	12,921,1
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Retained earnings/(accumulated losses)

**Total equity**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS

**Contributed equity**

**Retained earnings/ (accumulated**



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losses)

**Total**

Total equity at January 1, 2013

12,121,923

Issued CBFIs, net of issue costs

11

1,349,41

Distribution to CBFi Holders

11

(550,151

Total comprehensive profit for the period

**Total equity at September 30, 2013**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS

9 months ended Sep 30 2013

\$'000

**Operating activities:**

Profit for the period 1,051,757

Adjustments for:

Net unrealized foreign exchange gain on foreign currency denominated investment prop

4(e) (548,689)

Revaluation of investment property measured at fair value 112,088

Straight line rental income adjustment (7,510)

Leasing commissions amortization 3,751

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Net foreign exchange loss	4(d)		56,490
Finance costs recognized in profit for the period		397,989	
Other income		(110,312)	
<b>Movements in working capital:</b>			
Decrease in receivables		2,462,963	
Increase in payables		88,429	
<b>Net cash flows from operating activities</b>		<b>3,506,956</b>	
<b>Investing activities:</b>			
Investment property capital expenditure		(107,239)	
<b>Net cash flows from investing activities</b>		<b>(107,239)</b>	
<b>Financing activities:</b>			
Repayment of interest-bearing liabilities		(893,942)	
Interest paid		(316,956)	
Proceeds from issue of CBFIs, net of capital raising costs			1,349,411
Distribution to CBFIs holders	11		(550,151)
<b>Net cash flows from financing activities</b>		<b>(411,638)</b>	
Net increase in cash and cash equivalents		2,988,079	
Cash, cash equivalents and restricted cash at the beginning of the period		1,400,762	
Effect of exchange rate changes on cash and cash equivalents			

**Cash, cash equivalents and restricted cash at the end of the period**