Teleconference Results of TIN 2024 – 3Q

Introduction

2023 was a year of challenges for investment in Colombia. Uncertainty hindered some decisions and reduced confidence. Meanwhile, an investment vehicle continued to strengthen, capitalizing on the support and solidity it was born with five years ago, carving its path thanks to a team of experts who have led its dynamics, results, and evolutions throughout this time. An investment vehicle that has never stopped growing, strengthening, and advancing with a positive present to invest in the future. Our performance indicators have surpassed any uncertainty, reaffirming that the experience, professionalism, and transparency of our team strengthen investment in Colombia.

- Economic vacancy: 2.30%
- Portfolio indicator: 0.04%
- Average dividends (last 12 months): 3.99%
- Return (last 12 months): 12.90% Annual effective
- IPC +6.39% Annual effective
- Year-to-date return: 15.72% Annual effective
- Return since inception: 13.01% Annual effective

A positive present to invest in the future.

Andres Lozano

Good morning everyone. My name is Andrés Lozano, President of La Titularizadora Colombiana. It is a pleasure for me to welcome you to our results presentation conference for the Team corresponding to the third quarter of 2024. Today, we are joined by Carolina Martínez, Real Estate Manager; La Titularizadora Ana María Salcedo, Director of Investments and Market Development; La Titularizadora, and Gaby Flores, Sales Manager, who is our portfolio structurer and manager.

They will assist with the presentation and help answer any questions we may have. It is a pleasure for me to start this results presentation by confirming very strong and solid indicators. For the 4th consecutive year, we have achieved the highest return on the fund among comparable vehicles, and we also maintained the best dividend in the market for the 4th consecutive year. This has been achieved in the midst of a highly challenging environment, with high interest rates, political uncertainty, and an inflation cycle that is still decreasing.

The agenda for today includes the presentation of the main management results, the financial outcomes achieved, an overview of the real estate market in Colombia, and the portfolio projections. I will now review the key differentiating factors of our vehicle, which have been fundamental in generating the outstanding results. First, a very notable return in the last 12 months, corresponding to 12.85% annual effective, equivalent to IPC plus 6.65% as of September 2024. This result positions the vehicle as one of the real estate investment vehicles with the highest profitability in terms of operational performance for the 4th consecutive year.

It is important to highlight the close and ongoing management, working hand in hand with our tenants, who see us as a strategic ally. This has allowed us to deliver strong indicators, such as an economic vacancy rate of 2.99%, a physical vacancy rate of 3.03%, and a portfolio indicator of 0.07% as of September 30, 2024. It is worth noting that structurally, in the processes of acquisition and operation of the vehicle, portfolio and vacancy taxes are modeled at 5%, confirming that the vehicle's performance far exceeds its objectives.

Thirdly, we have a commission structure that is better aligned with the interests of the investors to ensure positive portfolio management and profitability. We remind you that in January of this year, we implemented an 8% discount, which has had a favorable impact of 20 basis points on the performance of investors, on average, over the first nine months of 2024.

We remind you that this discount will be valid for 12 months or until a monthly annualized dividend of 5.5% is reached. This indicator has shown significant growth, achieving a dividend of 5.07% for October and 5.5% in November. We continue working to offer our investors a dividend close to 6% as our target for 2025.

Fourth, solid corporate governance has ensured a rigorous acquisition process and proper management of the vehicle, led by La Titularizadora Colombiana, who coordinates the expert and independent agents involved in the securitization process.

Fifth, a high standard of information disclosure, along with the recognition and award granted by the Bolsa de Valores de Colombia in October 2022, renewed in November 2023 and again in 2024, certifies the adoption of the best practices in information regulation and investor relations for participatory securities, making us one of the first issuers to receive this recognition.

And finally, an active debt management strategy that has allowed us to reduce financial expenses by 408 basis points since September 2023, optimizing the vehicle's dividend thanks to the preferential borrowing conditions granted by the solidity and institutional support of La Titularizadora Colombiana. We invite you to send your questions via Webcast for the final Q&A session, where we will be available to address your concerns.

Now, I will hand it over to Carolina Martínez, who will present the summary of the management indicators and the report as of September 2024. Thank you for your attention and for joining us this morning.

Carolina Martinez

Thank you very much, Andrés. Good morning, everyone. Thank you for joining us for this third teleconference of 2024. We will now present a summary of the third quarter of this year. Below, I will present the performance indicators. Here, we have 540,501,000,000 pesos under management, covering a total area of 84,300 square meters. As you can see, compared to the previous quarter, we had a reduction in area due to the divestment of an asset.

This asset was located in Ocaña, and the proceeds from this divestment were allocated to paying down debt capital in order to improve the dividend for our investors. The economic occupancy remains very high, at 97.71%. This is one of the most notable success indicators for this vehicle. We have maintained a very low economic and physical vacancy rate throughout the history of this vehicle.

Like the portfolio, the portfolio has always remained at 0%. Currently, we have overdue portfolio at 0.07%. Throughout the history of the vehicle, we have kept this very low, which has allowed us to guarantee a good return and dividend for all our investors. Regarding the secondary market, as of September 2024, we had zero transactions and a weighted average price valuation of 100% over the last 12 months, with a cutoff in September 2024. This indicator is provided by Precia and PIP.

As for the return since the inception of the vehicle in 2018, we have achieved a 13.01% annual effective return, and over the last 12 months, a return of 12.85%, composed of IPC plus 6.65%. I would like to highlight that our return has always been above 6%, and we have faced very tough moments, including rate hikes and challenges in leasing. Despite these challenges, we have maintained our profitability. The average return over the last 12 months has been 4.03%, and we promised our investors a 5.5% return by the end of the year.

I'm happy to share that we are on track to reach this goal. We already have a 5.5% average for November, but for now, we report the 4.03% for the quarter. As for financial debt, we've managed to reduce it. Currently, we have 135,532,000,000 pesos in debt, which we were able to decrease thanks to the divestment I mentioned in Ocaña. This divestment amounted to approximately 1,600,000,000 pesos, which we allocated to paying down debt capital.

With this, we also had a successful debt management this quarter, where we were able to close September with an average cost of 11%. Today, we are below 11%. Our financial debt limit, as established in the prospectus, is 40%, and as of September, we were at 25.39%.

Regarding the distribution of the real estate portfolio as of this quarter, we have practically stabilized the vehicle. We have reduced the concentration by tenant, and this is the only indicator that we have outside the limits established in the prospectus, with Davivienda at 39%. Additionally, the divestment we had was an asset leased to Davivienda, which also helped lower this concentration.

As for the value of the share, the share value continues to grow. We have seen an 8.37% increase in the share value over the last 12 months. The share value as of October 1, 2023, was 7,000,072, and today it is 7,000,006. We also perform regular appraisals, and as a reminder, we conduct an annual update of appraisals on a monthly basis.

We updated a package of asset appraisals, and this year's exercise, with a cutoff in the third quarter, has shown excellent results. Compared to the third quarter of 2023, we had an increase of 7.40%, rising from 423 billion pesos to 455 billion pesos. We have 87 appraisals scheduled, and 88% of them have already been completed with the four independent appraisers that we rotate biannually for the properties, ensuring a much more transparent process.

Finally, regarding debt management, we have a very disciplined, rigorous, and in-depth approach that has allowed us to guarantee a very good dividend for our investors. This year, when comparing it to last year, we see that in September 2023, our debt was mostly fixed rate. Today, it is focused on variable rates. This shift is due to the fact that, at that time, fixed rates were protecting us. The dividend did not allow us to manage debt replacement on a quarterly basis, but now we see that variable rates are decreasing, and we have concentrated our debt in variable rates. As you can see, the indicator has reversed compared to last year, with 71.9% of it now being variable rate.

In September 2023, we had 28.8% of our debt at fixed rate, and today, 74.2% is at variable rate. We have seen an increase in debt, which is natural because every year we take out a short-term loan for one year to pay the property taxes (prediales), which we pay monthly. This increase in debt of 1,350,000,000 pesos corresponds to the property taxes we took out this year.

As for the average cost of debt, you can see that it has decreased significantly, which is reflected in the dividend. We reduced it to 438 basis points, a 28.5% reduction compared to the September 2023 cutoff. We also managed to lower our debt limit thanks to the divestment I mentioned earlier. So, we reduced our debt limit from 26.68% to 25.39%.

Well, now I'll hand it over to Ana María Salcedo, who will present the financial results for the quarter.

Ana María Salcedo

Thank you very much. Thank you, Carolina. Good morning, everyone, and I remind you that you can submit your questions via the webcast to be addressed at the end of the call. Now, let's move on to the second part of the presentation, where we will discuss the financial results for the third quarter of 2024. Let's start by talking a bit about the margins and the different items on the financial statements.

The first thing to note is on the operational side, where we saw a slight decrease in economic occupancy. The portfolio index also showed a decrease. However, despite this decrease in economic occupancy, we see that it has not impacted our operational indicators. Looking at the operational revenues, we observed an 8.3% increase during this period, from the third quarter of 2023 to the third quarter of 2024, a growth rate above inflation.

Basically, this is also because many of the contracts are indexed to the inflation rate at the end of 2023, which was higher than the inflation rate for this annual period. So, we see a positive impact on the financial revenue performance. The second margin, when we look at EBITDA, also shows favorable behavior, increasing from 89% to 90% as of the third quarter.

This improvement in the margin is driven by operational efficiencies in areas such as maintenance and insurance. We can highlight that this is a very healthy and quite high margin for the third line, when we talk about EBITDA, it reflects the good performance of operational revenues, as well as expenses and operational management, which allowed us to increase the margin from 71% to 75%. It is also important to note that this reflects the impact of the discount in administration fees, which has a favorable impact and further helps to improve the EBITDA margin.

Now, let's move to the second part of this slide, where we discuss the financial aspects. Here, we see a favorable trend in the weighted average cost of debt, which decreased from 15.39% to 11.01%.

Obviously, this is happening in the context of decreasing interest rates, and additionally, due to the favorable access that the Titularizadora has and the very favorable financing conditions with banking partners. In this regard, we can see how the interest payments also decreased during the period, which is linked to this drop in interest rates, ultimately resulting in a higher dividend for investors. This is reflected in the next slide.

The distribution of earnings shows an increase of nearly 12%, reflecting not only the good operational performance of the vehicle but also a reduction in financial costs. This led to an increase in the dividend margin, from 34% to 36% of operational revenues. We have a dividend of 3.92% in 2023, which rises to 3.99%. Essentially, we are observing a growing trend in the dividend, which is in line with the value promise we made to investors. Looking ahead, we expect to close the year with a fourth quarter dividend above 5%, which will allow us to achieve an average dividend projection for the year of 4.17%. For next year, we even anticipate this increasing to an average of 6% for the year.

In the next slide, we see the financial operation results as of the third quarter. Here, we can observe the balance of assets, liabilities, and equity. As you can see, the majority of the assets are real estate properties, which are investment properties. Liabilities account for 25.4%, representing financial obligations of 136 billion pesos, as previously discussed, and equity, represented by the outstanding shares, makes up 74.6% of the balance.

Moving on, we'll talk a bit more about profitability. On the left, we have the accumulated profitability since the start of the vehicle in 2018 up to today, which stands at 13% effective annual. We can also see the composition between capital appreciation and cash flow, with 56% coming from capital appreciation and 44% from cash flow.

For the most recent 12-month period, the effective annual return is 12.85%. In this period, the composition has shifted to 62% from appreciation and 38% from cash flow. While capital appreciation still represents a significant portion of the profitability, as the dividend continues to grow, the cash flow portion is gradually increasing, contributing more to the overall profitability. On the right, we see the real profitability.

Here, we see a real return of CPI plus 6.65% as of September 2024, which corresponds to a total return of 12.85%. We are observing a decrease compared to the previous period in this real return by 2.15%, considering that inflation has decreased much more rapidly than the interest rates and cost of debt.

This lag in the real return, compared to other key macroeconomic indicators like inflation, reflects the slower adjustment in the vehicle's profitability to these changes.

In the following slide, we have a closer look at how these returns have behaved over the last 12 months. For this period, the return is 15.47%, year-to-date return is 13.01%, and for the last 12 months, it is 2.85%.

The next slide also delves into the total return and real return. We've seen an increase in real return compared to the second quarter of 2024, and as of September, the real return stands at 6.65%. In the following slide, we focus on one of the most important measures for the vehicle and investor returns, which is independent.

Here, we can see how this index has consistently increased due to the positive operational performance, the good management of debt, and the active debt reduction strategy, which has translated into higher dividends for investors. As of September, we closed with a dividend of 4.67%, which corresponds to an average of 4.03% over the last 12 months. This brings us closer to our value promise of increasing profitability through the dividend.

As I mentioned earlier, this trend is expected to continue positively in the coming months and into next year, reaching average levels around 6%, which are much more aligned with the historical levels we had at the beginning of the vehicle's operation.

Now, let's talk about the second part of this chapter, the title market, specifically the secondary market, which is also equally relevant in this regard. Here we have some graphs for the third quarter of 2024, i.e., as of September 30th, where we can see the amounts traded and the transaction prices. We have data from 2018, when the vehicle was launched, and it is clear that there has been much lower liquidity in recent years due to all the effects in the title market, where we have seen much lower liquidity and significant discounts in the prices of real estate vehicles.

In this sense, we saw a market with no transactions in 2023, and in 2024, we saw a reactivation of operations with low amounts, but they regained some momentum. As of September 30th, we saw two operations. The valuation price remained at 100%, and at the bottom right, we see the negotiation price for these operations from May, which marked a price of around 55.30%.

Next, we would like to show you a bit of the market dynamics for the month of October. We are outside the period covered by today's results presentation, which ends in September, but we find it relevant to discuss here. In October, we saw two transactions: one for 19 million at 50% of the net asset value, and another at the end of the month for 76 million at 99%.

These two transactions raise the total amount traded for the year to 153 million, resulting in a weighted average trading price of 89.10 for the year. Likewise, by October 31, we see that these two operations passed the amount filters and marked the valuation price, meaning the valuation for last month closed at 98.96.

In the next slide, we would like to recap the valuation methodologies to understand how these changes, and the transactions in the secondary market, also impact the valuation of the titles, and in turn, the investors. In this context, we should remember that there are two independent entities providing prices, each with developed valuation methodologies that are common for all titles in the category, in this case, real estate participatory titles. Currently, with these two price providers, 13 IP, we find common elements in the methodologies. If a registered price is valid and exceeds the marking thresholds, that price will be used as the valuation price. Additionally, if we encounter a period without transactions or there is no valid registered price, the valuation price gradually incorporates and increases towards the net asset value, converging to the net asset value and thus migrating towards it, which serves as the best proxy in the absence of secondary market transactions.

Additionally, the two providers define groups or classifications with specific price marking thresholds to take into account a secondary market operation. To highlight the differences between the two methodologies: for one price provider, we are part of Group 1, where the price marking threshold is 10 million pesos, valid for six months. The convergence towards the net asset value occurs within 180 days, at which point the title starts increasing in value until it reaches the net asset value as a valuation input. Both providers take into account reported operations from the stock exchange as well as the unit value reported by the title administrator. For PEP, the group we belong to is Group 2, with a filter threshold of 25 million pesos, valid for one year. Normally, the convergence towards the net asset value occurs within 150 days after having been at the trading value for 30 days.

This helps us understand how secondary market transactions also impact the valuation of titles, which in turn affects the portfolios of investors and their profitability. Moving on to the next slide, we see the composition of the investors. There have been no substantial changes; we still have a 70-30 split, with 70% institutional investors (defined as regulated entities) and 30% non-regulated entities, mainly natural persons (12%) and other legal entities (18%). In total, there are 489 investors in the fund as of the third quarter of 2024.

Finally, we want to show the performance compared to other comparable funds. Although these funds are not 100% comparable due to differing risk profiles and investment policies, they are among the closest in the market. For the fourth consecutive year, TIM has the highest returns, both total and real, generating returns above inflation for investors, while also focusing on dividend growth, as previously mentioned. When compared to the industry, TIM continues to show remarkable results. With this, I will pass the floor to Gabriel Flores, Sales Manager, to talk about the next chapter on the real estate market.

Gabriel Flores

Thank you, Ana. Good morning, dear investors. Now, we will give you a brief overview of the real estate market. All the projections we will review next do not have 100% of the data published by the respective entities, as these have not been published yet, and are projections made by us in some cases.

The first thing we will look at is the evolution of the area approved by region, where we can see that the third quarter of 2024 shows growth compared to the second quarter of 2024, which tends to be relatively common, as cyclically the third and fourth quarters are usually better than the first two quarters of the year.

If we isolate the third quarters of the last ten years, we see that although the third quarter of 2024 has nearly 400,000 approved square meters, and if we take the average of the last five years, we have 100,000 fewer approved square meters than in the last five years, or approximately 200,000 fewer approved square meters if we take the average of the last ten years.

In other words, this is a relatively low quarter, but we do not consider it negative because, given all the political, economic, and global conditions, we believe we should be at the bottom of the curve and starting to see improvements in all these indicators.

Now, let's look at the differences in approvals by sector. We can see that commerce and offices have been the main drivers of these indicators, at least in the last quarter. As we will see later, the industrial sector has very good numbers but with very low construction activity.

If we isolate the commerce sector, to focus on one of the sectors, we can see that it has been growing in its third quarters over the last three years. On average, it has been licensing about 190,000 square meters in the third quarters of the past three years. For practical purposes, if we think in terms of large shopping malls, we are talking about roughly 3 to 4 large shopping malls being licensed each third quarter.

The reality is that none of these projects have come to fruition. Remember, these are approved licenses, not necessarily built projects. So, it is likely that some projects will be moving forward. But, generally speaking, if we refer to the commerce sector, there has not been any significant construction in this sector.

Now, let's move on to specific sectors and start with the office sector.

believe there are several positive aspects. On one hand, the national vacancy rate is below 10%, and it has been maintained below this threshold for over a year now. This is a level that we only saw under the pandemic, meaning that it is a sector that has gradually started to control its numbers.

Obviously, we believe and know that it is still in a transition process, but we have also seen many new projects coming to market that are projected to be built in the coming years. If we focus only on the Chico area, we are talking about 30,000 to 60,000 square meters that should be constructed over the next 3 to 4 years, where the square meter is being sold for between 15 and 20 million pesos, and the rent should be between 120,000 and 130,000 pesos per square meter.

This means, on one hand, that we should see a relatively important increase in inventory in the coming years, because developers have already begun to plan new projects, believing that, as the lower part of the curve starts to ease, it is important to start planning new developments. Additionally, we would see the price range, both nationally and in Bogotá, grow very significantly. In this sense, we believe that the upcoming years will be very interesting for the office sector. We believe that it is an interesting sector that still holds a lot of uncertainty in terms of how offices are being used, since we know that virtuality is here to stay. However, we believe it is a sector that will experience significant growth in areas with demand today.

So, we think there are interesting opportunities, especially in parts of the city where the offer is low, the demand is high, and prices are very good, as we have already mentioned. Not only in Bogotá, but in those areas.

Now, moving on to the warehouse sector, it is important to mention that, as we can see in the lower circles, both nationally and in Bogotá, absorption has been positive in the last four years. If we look at it historically, we see that only in 2018 did we have negative absorption, and since then, we have had positive absorption, which in some way means that there is still a significant demand and need for warehouse space.

Looking at the evolution of square meters and especially the lower price range, we can see how the lower price range has been rising. That is, it went from 8,000 to 10,733 pesos in the last four years, and in Bogotá, it also increased from 8,000 to 10,733, with a slightly higher price in 2023. This difference and this drop in the lower range from 12,000 to 10,733 suggests that there are no warehouses available for rent, and that, in some way, people are no longer willing to rent what is currently available. In this sense, we see a vacancy rate today that is below 3%, which is not a market vacancy, but a structural vacancy. This can only be corrected once new warehouses start being built.

We believe that, given all the changing conditions over the next two years, we should see significant growth in the warehouse sector. Therefore, we expect a boom in this sector, which will also be accompanied by growth in rents. Currently, in new, high-quality warehouses, we are seeing average prices above 27,000 pesos per square meter, which is much higher than the 20,000 pesos per square meter average we are seeing today, both nationally and in Bogotá.

Now, if we focus on the commercial retail sector, I would like to highlight a couple of considerations. The first is that the Gross Leasable Area (GLA) per 100 inhabitants nationwide has decreased in the last five years from 19.5 square meters per 100 inhabitants to 19.1. The average in Latin American countries, such as Chile or Mexico, where there are more shopping centers, is above 30, between 30 and 45 square meters per 100 inhabitants.

This means that we are far from that value. If we focus on Bogotá and its different sectors, we see that, for example, the northern part of Bogotá, with almost 54 square meters per 100 inhabitants, is relatively saturated, as we have mentioned earlier, while other areas still have a large capacity for growth.

However, even though we have that growth potential, we don't believe there will be significant construction of shopping centers in Bogotá in the coming years. If we look at the graph below, where we compare the evolution of GLA against sales per square meter in shopping centers, we see that since 2012, this curve, which when looking further back shows a relative correlation, starts to diverge. In other words, many more shopping centers have been built, but sales have not grown at the same pace as the square meters of commercial space. There have been years like 2015 or 2019, where the trend has corrected due to strong sales, but with the evolution of the last three years, it would take about ten years for these two curves to converge again. This indicates that, in some way, not many more shopping centers should be built.

If the construction of shopping centers follows a market logic, then what we should expect is a consolidation of the existing shopping centers. In this sense, we can see that the vacancy rate nationwide is currently 12.2%, and in Bogotá it is 11.9%. If we first look at Bogotá, we can see that since 2021, the vacancy rate has been decreasing and has come down to levels that are still somewhat high, relatively speaking, for international standards. It should perhaps be about 200 basis points above or below 10% to fall within normal ranges.

If you look independently at each shopping center in Bogotá, you'll see some have very high vacancy rates, while others have very low ones. But I insist, this should lead to a consolidation of shopping centers and significant opportunities for funds to go and buy individual units and consolidate positions in high-quality shopping centers. These centers have proven to have significant resilience, and we know that they won't face significant competition in the coming years.

Thank you very much. Now, I'd like to give you a brief overview of the real estate portfolio projection. As you have seen in previous slides, we believe it's time to start thinking ahead, to start evaluating those opportunities that we've kept on the back burner in recent years, and we believe that both the industrial and retail sectors should play a major role right now.

We are once again resuming conversations regarding several transactions we were exploring in both the industrial and retail sectors, and we believe that next year, there will be clear opportunities in the retail sector that we could potentially close, along with some opportunities in retail that we haven't presented here yet. If these retail opportunities materialize, our portfolio would not change substantially, as we would only be adding a new asset.

However, the important thing is that we would be talking about nearly 40 billion pesos in a new asset, which would bring our assets under management to approximately 570 billion pesos, an area managed of more than 100,000 square meters, about 4 billion pesos in monthly income, over 100 assets, and presence in more than 23 cities and municipalities.

Regarding the diversification of the portfolio, I think it's important to mention that the industrial and warehouse portion of the portfolio would increase from 28% to 33%, while in terms of investors, we would manage to reduce housing from 39% to 36%, aligning with the strategic plan to consolidate our position in both the industrial and retail sectors.

On an economic sector level, I think the most relevant comment is that the financial intermediation sector, which currently accounts for nearly 50%, would be reduced to 46%, while still remaining within the limits outlined in the prospectus. As for Bogotá, we would bring it down from 58% to 54%.

Thank you all for listening. I now hand the floor over to Carolina Martínez.

Carolina Martinez

Gabriel, thank you very much. Now, I will present a summary of the proposals that we will be bringing to our Extraordinary Assembly of 2024, which will take place on December 2nd of this year. We have four proposals that are innovative and aimed at improving the conditions for our investors and enhancing returns and profitability.

The first proposal is a modification to the diversification limit by asset type. Currently, we have established in the prospectus that the maximum allowed concentration by asset type can be up to 70% of the total value of real estate assets. We will lower this limit to 60%, taking into account that we have never reached such high limits and we do not want to concentrate the vehicle on a single asset with such a high percentage. Additionally, we are currently maintaining fairly stable percentages across the three asset types we manage: retail, offices, and warehouses.

The second proposal for modification is a change to the debt limit. Given that this is a vehicle in growth, and its nature is to grow through acquisitions using debt to enhance profitability, we understand that the recent rise in interest rates may have affected some investors in this asset class (though not TIN), and we want to avoid such impacts in the future. Therefore, we propose a reduction in the debt limit to protect investors' dividends and reduce debt concentration risk. This will be done in a staggered manner, reducing the debt limit from 35% to 30%, depending on the value of the assets under management.

Here, we will propose a limit of 35% debt concentration up to 1.5 billion pesos in assets under management, and once we exceed 1.5 billion pesos in assets, we will reduce the debt concentration limit to a maximum of 30% of the value of the assets.

The third modification is a change to the Administration Commission structure. Remember that we were pioneers two years ago in changing how this commission was calculated, which previously was simply based on a percentage of the assets under management. We understood that this indicator did not reflect the management performed by the administrator, but was merely calculated based on the volume of assets managed. So, we aligned our interests with those of the investors and proposed a commission calculation based on an indicator from the INEI (National Economic and Statistical Institute) that would reflect debt management and profitability.

This year, after speaking with our investors and understanding their concerns and needs, we realized that it was also important to incorporate a component of discounted cash flow. So, this year, in our proposal, we will include this discounted cash flow indicator into the commission calculation. This will be based on a percentage of discounted cash flow from the last 12 months.

By doing this, we will lower the percentages on which the commission is calculated in order to include the discounted cash flow percentage, which is 0.5%. We will also set a cap on the commission, ensuring it never exceeds 1.15% of the assets under management. This will further protect the investors, ensuring that the commission is always calculated based on the results of both debt profitability indicators and the cash flow received by the investors each month, without exceeding the 1.15% limit of assets under management.

Finally, the fourth point we want to bring to the Extraordinary Assembly on December 2nd is the proposal to migrate TIN to the equity market wheel with a stock split. As we have discussed with you in previous rounds, this vehicle has an equity nature, and since 2021, with the circular from the Stock Exchange, we have been able to migrate to this market wheel. We have been conducting a survey of vehicles that have already migrated, and we see many benefits in this change. We see numerous opportunities, and we have market references with both pros and cons of migration. After weighing everything, we believe it is an opportunity to migrate to the equity market wheel to access international market opportunities, improve liquidity, and implement a stock split.

What are we proposing? We are proposing a divisor factor for the shares, which would bring the nominal value closer to that of stocks, lowering the share price to approximately 20,000 pesos.

These are the proposals we will bring to the Extraordinary Assembly, and we thank you for your support and participation on December 2nd.

Thank you very much. We now leave the floor open for any questions during the webcast. Thank you for joining us, and have a great day.

Ana María Salcedo

Now let's move on to our second part, which is the Questions and Answers section. As a reminder, you can submit your questions via the platform and webcast so that we can address them. Since some questions are similar, we will group them by topics.

We'll start with a question addressed to Andrés, which is about the dividend. It says: *"We've seen a significant recovery in distributable cash flow and, consequently, the dividend. What are the projections for debt costs for the end of 2024, and what dividend will be reached in the last quarter of the year?"* We will combine this with another question that says: *"Does the dividend expectation incorporate the potential issuance of the third tranche?"*

Andres Lozano

Thank you. The reduction in the cost of debt has been key to improving the dividend, and as you know, this has been one of the most important points in terms of management. We have had a very active management approach to being as efficient as possible with our debt costs.

We started the year with an annual effective interest rate of 15%, and due to our active management and the downward trend in interest rates, which, as you know, we were previously with a 100% fixed-rate fund and now we are with a debt-indexed fund, benefiting from the downward rate trend, we currently have a debt cost close to 9% effective annual rate.

This represents a reduction of 600 basis points, which ultimately translates into greater returns for our investors. The increase in distributable cash flow has also been significant. We began the year with a dividend of 3.5%, and now, as of November 2024, we have a dividend of 5.5%. This represents an increase of more than 200 basis points over the year, which, of course, is great news for our investors.

To wrap up this initial message, we maintain for the fourth consecutive year the highest dividend in the market among comparable vehicles. Projections for next year show an average dividend between 5.5% and 6% with no issuance of the third tranche under TI's current capital structure. However, if we have a successful issuance, which we expect to happen during the first quarter of next year, we should see a dividend exceeding 6%, reaching 6.15% for 2025.

Again, good news for our investors. As I mentioned, this is driven by the continuous reduction in the cost of debt, active management of that debt cost, and the fact that, as the master administrator of the securitization, we have access to very competitive debt terms, which benefit our investors. We are also focused on keeping operating expenses as efficient as possible and maximizing the vehicle's operational income.

Ana María Salcedo

Thank you, Andrés.

Carolina, a second question for you: "What is the composition of the economic and physical vacancy by asset type and geographic location, and how are the revenues distributed by asset type?

Carolina Martínez

Thank you very much, Ana María.

As of the latest report date, the economic vacancy stands at 2.29%, which represents a potential vacancy value of 85 million pesos out of a total monthly revenue of approximately 3.721 billion pesos, broken down by asset type. This vacancy is distributed as follows: 48% in commercial spaces, 52% in offices, and no vacancy in warehouses or industrial properties.

In terms of geographic location, 18% is in Bogotá and the metropolitan area, while 82% is located in Barranquilla. As for the physical vacancy, it is at 3.03%, and it differs from the economic vacancy due to the strictness of our contract exits. Remember that we have very stringent clauses for asset management, where tenants are required to pay heavy penalties, which explains the difference between economic and physical vacancy.

Many times, the physical vacancy is much higher than the economic vacancy because we continue to collect these penalties, which are then used for the dividends of our investors. We appropriate them month by month to include them in the cash flow.

Ana Maria Salcedo

Thank you, Carolina. A third question says: In the last slides of the presentation, you mentioned the possibility of a modification to the administration commission scheme. When do you plan to implement this adjustment, and what does it consist of? Andrés, we're assigning it to you now.

Andres Lozano

Thank you. As you know, a year and a half ago, we introduced an innovative proposal regarding commissions, aiming to align the interests of our investors and us as managers in the best possible way. We migrated to a variable fee, moving away from a 1% fee based on the net asset value to a variable fee based on the net operating income (NOI) of the vehicle for the last 12 months.

This, of course, aligns with the actual profitability of the vehicle. During some meetings with several investors, we received feedback on how to continue improving and aligning the commissions in the best possible way. We are now reaching the new proposal that we will submit for consideration at the extraordinary assembly in the first days of December.

This new proposal has a few additional adjustments. The variable fee, in terms of its variability, remains to seek to maximize investor returns and alignment. We will maintain a variable fee for the last 12 months, ranging from 0.79% to 1.13% as a ceiling, depending on profitability, and we are adding a 0.5% fee on the distributable cash flow for the last 12 months.

Once again, we want to reward that dividend, that cash flow we are delivering to the investors, as we have been doing during this challenging cycle with high interest rates. Finally, we will set a ceiling fee of 1.15% on the asset management fee (AM) to avoid exceeding these cap rates, which we believe are very important for all our investors.

In terms of financial impact, as you know, this year we have been navigating and rewarding that cash flow with commission discounts. The idea is that, in the event this new structure is not approved, we will still be able to maintain a normal rate, with the current rate already exceeding 5%. The key message here is that we will continue to work very closely with all our investors to optimize costs and maintain alignment of interests, always within a very transparent and flexible structure.

Ana María Salcedo

Thank you, Andrés. Let's now move on to a block of questions related to the migration of the securities to the equity market. We've received several questions on this topic, so I'll try to group them and answer them.

One question is about the potential migration to equity trading: what is your opinion on this migration, when could it happen, and what challenges or opportunities do you see? This has already been touched on in the presentation, but let's take a closer look.

Migration to equity trading is one of the five proposals we will present to our investors for consideration at the assembly on December 2nd. If you remember from previous assemblies, we've always presented this topic and discussed it for informational purposes, because we didn't think the market conditions were favorable for migration at that time. However, now we believe the market environment is more suitable. Interest rates have dropped significantly, inflation is lower, and it's a good time to migrate so that these alternative assets can perform better in both primary and secondary markets.

So, we are bringing this to the assembly for voting and decision-making this time.

What are the advantages and challenges we see with migration? The advantages are several, particularly short-term materialization. The first advantage is consistency with international practices and the nature of the securities themselves. These are equity securities, and they should be traded in this equity market.

Second, we see greater liquidity potential. This is mainly due to the inclusion in indices that have changed their methodologies and now accept these types of assets, providing better visibility, price formation, and diversification of investors, including the possibility of attracting international investors.

And what are the challenges? There will always be challenges related to the market, supply and demand, and the price at which the securities are traded. This could lead to price fluctuations, with potentially higher or lower liquidity. However, it's important to note that these risks are already present in the fixed-income market where we are currently trading. As we saw in recent months, the securities have been traded at a discount.

How long would the migration take? This depends on coordination with infrastructure providers, specifically the stock exchange, clearing houses, and brokerage firms, and how they manage their relationships with investors. We've estimated that it would take about two to three months, but another question we received is whether the migration to the equity market could happen in 2025, and if it would occur before a potential issuance.

The answer is yes. If the migration is approved in the assembly on December 2nd, it should definitely happen by early 2025, within a two-to-three-month timeframe. There is a high probability that it could happen before the third tranche issuance, which is still being discussed with the market. That would be the best time to do it.

Now, let's move on to another topic, operational aspects of the vehicle. I'll hand it over to Gabriel.

How have you seen the behavior of appraisals, given the industry's volatility?

Gabriel Florez

Ana, thank you very much. I think it's important to remember the general methodology behind the appraisals. In this regard, we have structured an appraisal schedule every year, aiming to have 100% of the appraisals completed by the end of the year, and sometimes even a little more, to maintain a maximum periodicity of one year.

As of November this year, we have updated 100% of the appraisals, where we have been recognizing not only improvements in capitalization rates but also in discount rates. This has allowed us to see, unlike last year when we saw significant drops in some appraisals, that they have remained very close to the IPC (Consumer Price Index).

To give a quick reminder, discount rates that were previously around 13.5% are now closer to 11.5% or 12%. Meanwhile, capitalization rates, which were around 8.5% last year, have seen a decrease of about 100 basis points.

Ana María Salcedo

Thank you, Gabriel. Now, there are some questions related to the secondary market, which has been quite active in recent weeks. The question is: How has the secondary market behaved in the last year? We have seen some transactions in the last quarter. Could you give us an update on the DEL (Debt to Equity Ratio) of the title in the market?

As we mentioned before, the TIN (real estate investment vehicle) has been a bit more active in the secondary market. We saw transactions in May, and in October, it has not been detached from the general dynamics of these real estate titles in the secondary market, where they have been trading at a discount compared to the net asset value (NAV), presenting significant entry opportunities for long-term investors. What we've observed are transactions being made at 50% and also 99%, which have set the price, causing changes in the valuation of the title in recent weeks.

There is another question related to this: What mechanisms have you considered to improve the liquidity of the titles in the secondary market? It's important to mention that as the master manager, we do not have the ability to directly influence the secondary market. We influence other operational variables of the vehicle, as well as debt management, which are directly under our control. The secondary market is not. However, we continuously monitor the situation, and if we identify strategies that could be implemented to improve liquidity, we will act on them.

The first one we've already mentioned, which is the migration of the titles to the equity market, because the split of the titles, in combination, gives us the possibility to have more visibility, diversify investors, and increase transaction volume. This can lead to greater liquidity, as well as access to indices that could potentially bring more liquidity.

Additionally, in the medium term, we are considering liquidity providers, which is a strategy that has been implemented in various market species to boost secondary liquidity. So, in the short term, we have the migration and split as strategies, and in the medium term, we are also evaluating liquidity providers to improve the secondary market.

Now, let's move to another area, which is acquisitions and emissions. How are you focusing your investment policy for 2025 to continue the growth of TIN? There's also a question asking if you have growth plans and strategies in place to increase your current AUM (Assets Under Management). Carolina, over to you.

Carolina Martinez

Thank you very much, Ana. Well, let's remember that since 2021, the Board of Directors, in order to protect investors, considering the rise in interest rates and inflation, stopped the vehicle's acquisitions. In 2021, we made the last purchase corresponding to the issuance of the third tranche. We halted emissions and stopped the increase in debt.

Today, we are seeing great opportunities in acquisitions. We see that interest rates are dropping. The vehicle has very low debt at a very low cost. So, we are structuring new acquisitions focused on positive debt that generates higher returns for investors. Regarding the third tranche, the idea is to make the issuance of acquisitions we made in 2021, which have appreciated and are around 185 billion pesos.

We expect to complete this issuance in the first half of 2025.

While it's true that the cost of debt and interest payments have been decreasing with our debt management, the possibility of divestments has been considered in order to prepay the current debt. And another related question is, at what price versus the net asset value was the Ocaña asset sold?

Ana María Salcedo

And now, we give the floor to Gabriel.

Gabriel Florez

Thank you very much, Ana.

The divestment, indeed, is one of the tools we have in the prospectus and that we have been using to reduce debt. We believe that the current moment is not necessarily the best time to go out and try to sell assets, because this is a buyer's market. We understand that the price at which we could sell would be heavily discounted if we decide to sell assets.

That being said, in recent years, we have managed to make some important sales. Sales such as the one in Ocaña, which took place in September of this year, where the asset was sold for 1.65 billion pesos, above its book value. That is, about 500 million pesos above its book value, which is close to 1.1 billion pesos.

Ana María Salcedo

Thank you, Gabriel. Now, a question for Carolina. I find it interesting that despite using resources from the divestment of a property to pay down debt capital, the debt has increased in 2024 compared to 2023. I would like you to tell us a bit more about this.

Carolina Martínez

Thank you, Ana. Well, one important thing to highlight is that the increase in debt in 2024 compared to 2023 is over 1,000,000,000 because it corresponds to the annual payment of property taxes. This is what is reflected in the report for this quarter. However, as Gabriel mentioned, we had a disinvestment in October, which was the Ocaña property. This property was sold for more than 1,600,000,000 pesos, and this amount was applied to reduce debt principal. Therefore, it doesn't appear in this quarter's report because October falls into the next quarter's report. As of the September report, the debt was 135,000 million, and today we have a principal debt of 133,936 million. So, in this report, you don't see the decrease in debt principal, but it will be reflected in the next quarter's report.

Ana María Salcedo

Thank you, Carolina. What is the reason for the decrease in economic occupancy? Gabriel, we give you the floor.

Gabriel Florez

Thank you very much. The decrease in economic occupancy is due, as Carolina mentioned, to some contracts where we have significant penalties that accrue over time to protect the investors' dividend. In the case of the Barranquilla building, the penalty ended last year. That's why, in the comparison you saw, there is a difference. However, it's important to mention that this asset, which has about 2,600 square meters, already has around 800 square meters leased, and we are in the process of signing a contract for approximately 150 more square meters, which means that about 33% of the vacant space has already been re-leased."

Ana María Salcedo

Thank you, Gabriel. And we continue with you with the next question, also related to appraisals. The appraisals were above inflation. There are funds that adjusted the value of their appraisals negatively due to the market conditions mentioned. What is different about TIN regarding appraisals?"

Gabriel Florez

I think it's important to remember the valuation methodology we use, which is based on 13 and takes into account three different methodologies. The first is discounted cash flow, the second is direct capitalization, and the third is market comparison. These three methodologies aim to understand the value of the asset, with each one having a specific weight, in order to provide the most accurate market value. As we have mentioned before, both the discount rates and capitalization rates in the market have generally been changing positively, which has allowed the value of the appraisals to remain stable over time. In no case have we generated significant valuations, but rather, as appraisals reflect long-term contracts, last year we saw some declines beyond inflation, and this year we have mostly maintained that value and in some cases have recovered some of the value lost last year. However, as we have mentioned, the price at which the appraisals have been updated has been very close to inflation.

Ana María Salcedo

Thank you, Gabriel. A question about the debt: What percentage of the debt is in IPC, IBR, and at a fixed rate? And here, Andrés, we give you the floor.

Andrés Lozano

It’s worth recapping what we did in Active Debt Management. When the inflation and interest rate cycle became explosive, we moved all the vehicle’s debt to a fixed rate, allowing us to navigate this high-rate cycle with fixed debt, always protecting the dividend and consistently delivering to our investors every month, which was obviously remarkable given the great market challenge.

As we saw the interest rate cycle starting to change and inflation decreasing, we began to shift the debt towards IBR indexing. As of September, 75% of the debt was indexed, and by October, 100% of the debt was indexed to IBR, highlighting the decrease in the cost of debt, from 15% at the beginning of the year to 9% currently.

Ana María Salcedo

Thank you, Andrés. We have no more questions for today, so we will conclude this session here. We appreciate everyone's active participation with questions and concerns. We remind you that on December 2, we will have the extraordinary investors' assembly, and we kindly ask those who will participate to please complete the registration, which is already available on the platform.

Also, please note that in February, we will hold our first teleconference of 2025. Starting this year, we will be conducting these teleconferences quarterly, and we invite you to consult all the documents related to this teleconference on our website, where you will find this and much more information about the titles.

Thanks again, and we look forward to seeing you at the next opportunity.