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Logistic Properties of the Americas

LPA 2Q26 Conference Call

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CORPORATE SPEAKERS:

Esteban Saldarriaga
Logistic Properties of the Americas; Chief Executive Officer

Paul Smith
Logistic Properties of the Americas; Chief Financial Officer

Camilo Ulloa
Logistic Properties of the Americas; Investor Relations

PARTICIPANTS:

Brendan Michael McCarthy
Sidoti & Company, LLC

Eric L. Goldstein
Water Tower Research LLC

Gordon Lee
BTG Pactual

Hector Cruz
Private Investor

PRESENTATION:

Operator
Good morning, and welcome to LPA's Second Quarter 2026 Earnings Conference Call. My name is Jade, and I will be the operator for today's call. At this time all participants are in listen-only mode. Please note that this call is being recorded. There will be an opportunity for you to ask questions at the end of today's presentation. Now I would like to turn the call over to Mr. Camilo Ulloa, Investor Relations. Please go ahead, sir.

Camilo Ulloa
Welcome to LPA's Second Quarter 2026 earnings conference call. My name is Camilo Ulloa, with LPA's investor relations team. Joining me on today's call are Esteban Saldarriaga, our Chief Executive Officer, and Paul Smith, Chief Financial Officer.

Before we proceed with our review of LPA's financial and operating results, please note that the information presented during this call is intended for informational purposes only and does not constitute an offer to buy or sell any securities.

Forward-looking statements made during this call are subject to a number of risks and uncertainties, which are discussed in LPA's filings with the SEC. Our actual results, performance and prospective opportunities may differ materially from those expressed or implied in these statements. We undertake no obligation to update or revise any forward-looking statements after this call. We have prepared supplemental materials that we may reference during the call. We encourage you to visit our website ir.lpamericas.com, to download these materials.

Please also note that all comparisons that we will discuss during today's call are year-over-year, unless we note otherwise.

Esteban will begin today's review. Esteban, please go ahead.

Esteban Saldarriaga
Good morning and welcome, everyone. Thank you for joining us.

This was a breakthrough quarter for LPA, in terms of both our financial results and the strategic steps we took to crystallize value and position our platform to build an exciting growth pipeline for 2027 and beyond.

I am pleased to report that we extended our strong momentum in the second quarter, while once again outperforming our peers on occupancy, which held at 100% across our regional logistics platform.

Revenues materially accelerated again, increasing 26.1% year-over-year, led by Peru and Colombia, where rental revenues increased 50.4% and 29.3%, respectively. In Costa Rica, revenue grew 5.6%, reflecting a fully stabilized operation within LPA's portfolio. Our additional progress was driven by strong leasing activity and occupancy at our newest facilities, together with rising market rents that we captured through renewals, expansions, and re-leasing.

NOI growth was equally strong, increasing 27%, with same-property NOI up 14.5%. The sustained growth in our profitability was thanks to the exceptional customer service we provide and the pricing power that our advantageous market position and strong brand afford us, both reflected in still rising average rent per square foot, which increased 10%. Also driving profitability was our operating leverage, which is gradually improving as we scale our platform across the four countries we operate in.

In addition to our strong financial and operating results, the second quarter marked a major strategic milestone, with the divestment of our Lima Sur park in Peru for one hundred and forty-five million dollars, representing an in-place cap rate of approximately seven percent. In line with our strategy and the repositioning of our business, we will allocate almost all of this transaction's net proceeds into the expansion of LPA's footprint in Mexico. That's roughly $65 million after repaying approximately $60 million of debt and paying capital gains taxes.

Selectively taking profits from stabilized, seasoned assets like Lima Sur and allocating the resulting capital into properties that generate higher returns is a distinct advantage of being a multinational, vertically integrated real estate company. It enables LPA to capture the strategic benefits of a balanced and diversified portfolio while also opportunistically capitalizing on different phases of each country's real estate cycle, rather than being beholden to a single set of economic events in one geography.

It is also a new and proven lever of value creation within our core business. Put another way, the monetization of our Lima Sur park represents a successful round-trip across the entire real estate value chain: from greenfield development to leasing, stabilization of a meaningful part of our portfolio. It is the first of several potential transactions and partnerships to come in the years ahead, followed by reinvestment to create a virtuous cycle of value creation for our fellow shareholders. This will also make LPA more capital-light in our foundational markets, as we realign our balance sheet more towards Mexico, while keeping the vast majority of our assets USD-denominated and transitioning to a more capital-efficient business model.

It’s important to note that we sold Lima Sur at roughly 18% above its independently appraised carrying value in our books. That premium, and the cap rate behind it, are hard and clear evidence of our ability to execute on what we have set out to do with discipline and resolve, keenly aware of the verifiable underlying value of our assets and our operating platform that has just begun to bear fruit.

We trust this evidence will not be lost on the market, and that it sheds more light on the considerable dislocation between our current public share price and the hard-asset value of our company on a book value per share basis. For reference, at the end of the second quarter, that intrinsic value, net of capital gains tax, stood at $8.62 per share, an increase of 16% year-over-year and 8.2% sequentially. Moreover, in our view this figure excludes the value of the operating platform itself, which we think should sit on top of any fair appraisal of the hard assets underpinning LPA’s business.

The Lima Sur transaction also reflects the attractiveness of our facilities to institutional third parties, such as FIBRA Prime, the preeminent REIT in this geography. Furthermore, our agreement with FIBRA Prime gives LPA the option to repurchase the park four years after closing the current sale. Optionality like this is yet another way that we are creating long-term shareholder value.

The monetization of Lima Sur has also served as a springboard for the strategic alliance that we have formed with Prime, which owns a diversified and stabilized portfolio of commercial real estate in Peru. Our alliance contemplates similar transactions that strategically combine LPA's strong development and operational capabilities with Prime's local and institutional capital base to further exploit Lima’s underpenetrated logistics property market. As a reminder, through the alliance, LPA will manage and operate Lima Sur on behalf of Prime, generating ongoing fee income in the process. As the park’s operator, we retain control and will continue maintaining tenant relationships and delivering service excellence.

As we have emphasized in prior calls, shifting our portfolio’s center of mass towards Mexico is a key component of our strategy, enabling us to tap this substantially larger and dynamic industrial real estate market; to further diversify and rebalance our property portfolio and tenant base; and to strengthen LPA’s unique cross-border offering to global and regional companies. More specifically, our goal in Mexico is to earn higher risk-adjusted returns and further capitalize on our platform’s underlying value.

We will redeploy capital from the divestment of Lima Sur into our acquisition pipeline, starting with the programmatic purchase agreement for Central Park 57, Class A facilities, which are located in a key logistics corridor of the greater Mexico City area. As we've highlighted in the past, the properties that we are set to acquire from Fortem Capital over the next 12 to 18 months, under that $200 million agreement, will comprise stabilized assets, effectively eliminating the risks associated with developing and leasing up facilities. The remainder of the financing will come from local debt and equity partners. Several prospective partners have already expressed interest, and we still have equity allocations available for additional third parties who want to participate in this park. By way of an update, we recently appointed a leasing manager to further accelerate the stabilization of the park's facilities. He previously held senior roles in real estate advisory and brokerage, brings over 30 years of experience in the Mexican market, and has deep relationships with Blue Chip companies across the country.

To give context to the Central Park 57 purchase program, the 2.1 million square feet represents approximately 34% of our current GLA. And within two to three years, we anticipate Mexico will be home to more than 50% of LPA's property portfolio, based on our current opportunity set, which is about $1 billion dollars of facilities located in key logistics corridors surrounding major metropolitan areas and those along Federal Highway 57-D. There we intend to deploy capital at cap rates of 8% to 9%, depending on the quality of tenants and lease agreements in place.

Beyond redeploying the capital freed by asset divestitures, we will fund our broader expansion with a similar mix of conventional bank debt and local equity capital, as we have done successfully in the past. Where we source equity capital from insurers and family offices, LPA would, in some instances, hold a minority but significant stake in an asset's equity while also retaining control provisions over the financing, leasing, and day-to-day operations of the asset, given our core expertise. We have steadily built and institutionalized this capability, cultivating local alliances while earning market- and incentive-aligned fees for value-added services along the way.

A few words about the current macro picture: Although the USMCA trade agreement remains unresolved, our conviction on Mexico is steadfast. As companies increasingly reconfigure their global supply chains to be strategically closer to North America in response to the trade frictions between the US and China, we expect Mexico to be a net beneficiary, in spite of the recently announced annual agreement review framework, and that its importance within the global production and distribution ecosystem will become even greater, further strengthening the country's position as a highly desirable nearshoring destination. Interestingly, the recent increase in the US trade deficit with Mexico is a consequence of companies shifting more of their supply chains to Mexico in response of the US tariffs placed on Chinese imports. More importantly, though, strong prevailing ecommerce trends and resilient domestic consumption remain significant structural drivers of long-term demand for modern logistics facilities in key submarkets of Mexico where we will focus additional expansion investments. A newer and increasingly powerful tailwind is the build-out of artificial intelligence and data center infrastructure across the United States. While attention is often focused on the data centers themselves, the more relevant dynamic for our platform is the substantial logistics demand this activity generates across the supply chain, with industry estimates suggesting that each $1 trillion dollars of data center investment can drive 30 million to 40 million square feet of incremental logistics space. This is an additive, multi-year source of demand that complements the ecommerce and domestic consumption trends I've described, and it reinforces the appeal of the logistics corridors we are targeting for investment.

Recent market data is also encouraging. New construction in Mexico's industrial real estate sector is close to the 2023 peak, and this follows the 47 million square feet of space that was absorbed last year, although demand levels are lower thus far in 2026.

Demand for facilities remains strongest in Mexico City and Guadalajara, while it varies across northern industrial markets like Tijuana and Monterrey, due to the uncertainty surrounding USMCA. In Guadalajara in particular, this strength is increasingly reinforced by demand tied to electronics and the data center supply chain, as manufacturers serving hyperscale customers expand their footprint in the region. Crucially, demand for logistics space, our sweet spot, is higher than manufacturing space for the first time in Mexico in many years. This is not surprising, as ecommerce continues to grow rapidly and has only reached around 20% of retail sales in Mexico, while the need for just-in-time redundancy among some online retailers also fuels demand for modern warehouses like ours. The trend also reflects a long-term positive evolution in domestic consumption, as the country's middle class continues expanding and as household incomes continue rising. In other words, demand for distribution infrastructure to serve an expanding consumer-driven economy will be sustained for the foreseeable future.

As we've communicated in the past, the consolidation underway among Mexico's large industrial real estate companies is expected to create additional opportunities for us to acquire midsized property portfolios in the range of $70 million to $150 million, as acquirers eventually prune their newly acquired portfolios. For LPA, these properties would be located in key submarkets that are also attractive to the global and regional companies that we serve and target, but not property sizes or areas that are typically the focus of our larger competitors. Select high-quality assets, such as those in Central Park 57, also present many opportunities for us to expand in Mexico.

Avoiding highly competitive auction processes, we continue prioritizing off-market and proprietary acquisitions, leveraging our local team and relationships and, if needed, using partnership structures like the one we have with Fortem. We favor properties that are home to high-quality tenants focused on logistics or light manufacturing that is domestically oriented, while generally pushing out investments that are vulnerable to the near-term volatility of rapidly changing trade policy, such as those located in Mexico's northern markets.

Although we are evaluating different alliances to selectively monetize certain mature assets, with the aim of geographically tilting LPA's portfolio towards Mexico - we remain fully committed to Costa Rica, Colombia and Peru, where we are a market leader. This is essential to providing seamless multi-market warehouse solutions to current and future customers, as we are the only public industrial real estate company that operates across these countries' borders. Accordingly, our platform will remain invested in Peru, anchored by Parque Logístico Callao, which is a cornerstone of our ongoing operations and future growth in the country.

To be clear, we expect our foundational markets to remain consistent sources of value, particularly because the structural supply of modern logistics space is still quite low in them. Moreover, we're encouraged by the recent presidential elections in Peru and Colombia, where new business-friendly administrations are now governing these countries. The change in business sentiment has been immediate and palpable, with pent up demand and general activity rushing in. Further, domestic consumption trends remain solid; the penetration levels of ecommerce remain relatively low, despite the sector's rapid rollout; and our foundational markets are also expected to benefit, like Mexico, from the regionalization of supply chains that has been underway. For all these reasons, we are firmly committed to Peru, Colombia and Costa Rica, which are integral to LPA's seamless, cross-border offering.

Turning over to the development front, which is focused on Peru currently, we remain on budget and on schedule with the two facilities that will add a total of 440,000 square feet of GLA at Parque Logístico Callao, which is located in one of Peru's most supply-constrained logistics submarkets. Together they are now 92% preleased, reflecting continued strong levels of demand for institutional-quality facilities. Building 200 is nearing completion and will contribute $1.3 million of annual NOI, beginning in the third quarter, while Building 400 will contribute $1.6 million, beginning later in the fourth quarter. It's important to note that in addition to the incremental growth that these facilities will generate, their NOI levels equate to development yields of roughly 13%. Further ahead is the remaining shovel-ready pad where we will develop a fifth building in the same park, and which we intend to pre-lease this year.

Adding to the new building deliveries, we have a sustained tailwind of mark-to-market rental updates that are embedded across our existing portfolio, which will help drive additional organic revenue and NOI growth. Contributing to this will be the fee income that we receive for managing the Lima Sur park that we sold to FIBRA Prime. This is a new capital-light revenue stream going forward, with more to come as we divest other mature assets in the future.

Beyond the new fee income, we expect any future asset sales to make the big difference between LPA's book value and share price even clearer to investors, as I noted earlier. In the meantime, to help close the current valuation gap, we have increased our investor outreach, stepped up our participation at industry and investor conferences, and enhanced our digital presence, with the aim of bringing LPA to the attention of a wider audience of market participants who could help drive additional demand and liquidity for our shares. That effort is starting to pay off, as LPA's improved trading activity indicates.

One final comment before I turn the call over to Paul: Three firms have recently initiated equity coverage on LPA. BTG Pactual, one of the region's most relevant investment banks, initiated coverage, which broadens our reach to institutional investors across the region and in key US and European capital markets. Water Tower, an equity research and investor engagement firm, also initiated equity research coverage, along with Sidoti, a broker-dealer, which recently launched sponsored research as well. You can find their reports on each firm's website. We view this as an important step in explaining our equity story and our business as well as in raising LPA's market visibility. We hope the new coverage helps improve the market's understanding of our platform and its relative value.

Paul, please go ahead.

Paul Smith
Thank you, Esteban, and good morning, everyone.

I'll start by providing some detail about the accelerated growth of our platform's Peruvian and Colombian operations during the second quarter.

PepsiCo's occupancy of our new LEED Gold facility in Parque Logistico Callao near the end of last year primarily drove the 50.4% increase in Peru's rental revenue. Other drivers were the rapid leasing up of vacated space in the same park and the addition of a new tenant there. In both cases, significantly higher market rates drove positive lease spreads.

In Colombia, the 29.3% increase in revenue was primarily due to higher rent for Calle 80 space that was re-leased in late 2025 to US retailer PriceSmart, which is one of our multi-market tenants. That park also benefited from contractual inflation adjustments. It's important to note the appreciation of the Colombian peso during the quarter, which resulted in a positive translation effect in accounting terms. When excluding it, the revenues of our Colombia operations increased approximately 11%. As a reminder, LPA's leases in Colombia are in local currency, as opposed to the other markets where our leases are largely in US-dollars.

In Costa Rica, higher mark-to-market rental rates associated with re-leasing, tenant expansion and lease renewal were behind the 5.6% increase in our revenue in this market.

The quarter's higher rental rates across our regional platform resulted in a 10.0% increase in average rent per square foot, which was $8.88 in the period. Full occupancy and the large lease spreads that we continue to secure reflect sustained demand for modern Class A facilities that still remain scarce in key logistics corridors of our foundational markets.

Lastly on revenue, rent from the facilities that we acquired in Mexico in the latter half of last year also contributed to our strong top-line growth in the second quarter.

Turning to costs, our operating expenses increased 27.0% to $2.6 million in the quarter. This was primarily due to commencing operations at newly leased facilities in Peru, resulting in higher ground lease payments and direct expenses, and also to maintenance activities in the country. Higher real estate taxes following a tax reassessment of the value of our La Verbena park in Costa Rica also contributed to the increase in the quarter's operating expenses. Another factor was the reversal of an arbitration cost that benefited last year's quarter.

The 27% increase in our net operating income, which was $12.2 million in the second quarter, was driven by embedded rental growth associated with the positive mark-to-market leasing spreads that I'd referenced earlier, and by operating leverage related to the scaling of LPA's regional platform. When excluding the positive effect of the accounting translation related to the appreciation of the Colombian peso, NOI would have increased 23% to $11.8 million. Regarding same-property NOI, it increased 15% to $9.6 million in the quarter.

Our general and administrative expenses decreased 8.7% to $4.2 million due to reduced reporting and legal expenses. As we continue scaling our platform, particularly in Mexico, and expand rental revenues in the process, we anticipate generating significant operating leverage relative to G&A, which we expect to remain relatively flat going forward. On the immediate horizon, is the approximately 440,000 square feet of development GLA that will be completed this year and which is already largely pre-leased.

Operating GLA at the end of the second quarter was 5.8 million square feet, a 9.7% increase versus last year's quarter, while leased GLA increased 10.8% to 6.2 million square feet.

For the quarter, we reported an investment property gain of $20.0 million versus a valuation loss of $257,400 in the same period last year. The quarter's gain was primarily due to a $16.3 million gain related to the sale of our Lima Sur park. In addition to this, was a $3.2 million valuation gain that accounted for additional development incurred at our park in Callao.

Our financing costs increased 1.8% to $4.8 million in the second quarter, mainly reflecting a higher debt balance and interest rates related to our development pipeline in Peru and Colombia. I'd like to highlight that the bulk of LPA's debt is at the property level; it does not mature significantly until 2031 and thereafter; and we service it through contracted and largely dollar-denominated revenues from our diverse base of blue-chip tenants.

That concludes our review of the second quarter. Operator, please open the call for questions.

Operator
Thank you. At this time, we will open the floor for your questions. If you would like to ask a question, please press star one on your telephone keypad. To withdraw your question, press star one again. We ask that you pick up your handset when asking a question. And if you're muted locally, please remember to unmute your device. As a reminder, you can also submit your questions online by using the Q&A function of the webcast platform. Please hold while we compile the Q&A roster.

Your first question comes from the line of Eric Goldstein from Water Tower Research.

QUESTIONS:

Eric Goldstein
A lot of great information. I just had a couple of questions. So the average rental per square foot rose about 10% on a constant currency in the second quarter. I guess how should we think about that for the back half of the year? Do you expect a similar type of increase in the third and fourth quarters compared with the year ago?

Esteban Saldarriaga
Hi Eric, Esteban here. Thank you for joining our call. It's a wonderful question. Yes, the rental rate on a constant currency basis did increase 10%. For the second half of the year, we don't expect that as much trying to eliminate the FX component, because we don't have that many leases or re-leases going on in the back half of the year. So we should expect that to pretty much stay on similar levels.

Eric Goldstein
Okay. And I just had a couple of other questions. Just timing. So from the asset sale, you're going to take in $65 million net of debt repayment and the taxes that you have to pay. Can you just talk about the timing of receiving that cash? Do you expect that to come in in the second half of the year?

Esteban Saldarriaga
Great. So let me point out, yes, we're expecting that transaction to close over the coming months. It's already going through the regulatory approvals that are customary in this sort of transaction. We expect to get the first payment in, let's say, the third quarter. I would expect that to be in September before the end of the third quarter. And from that, we will have that capital available to then redeploy towards Mexico.

We have some components that are deferred and that we are expecting, by the way, to really bring forward via financial measures. So, effectively, we'll have the bulk of that capital, again, in September, maybe it could slip to October, but that's the timing we're foreseeing. So we will be able to have that cash in hand.

Eric Goldstein
Okay. And then a couple of other things. You mentioned there's consolidation among real estate companies in Mexico, which you said is creating opportunity for you because as companies consolidate, I guess, they're looking to maybe sell some of their smaller properties. Is that the idea?

Esteban Saldarriaga
Yes, that is correct. Yes. Over the last 12 months, 18 months, we've seen the Prologis and Terrafina consolidation, and then FIBRA Monterrey with FIBRA Macquarie. And we do expect those FIBRAs to trim their portfolio. That is welcome. It's a healthy part of the dynamic as they reassess their fully integrated holdings. And we expect some of those assets to come into play. And we do expect LPA to be an interested, willing and able buyer in those situations.

Eric Goldstein
Okay. And just last question for you. So I know, obviously, the focus is on Mexico in terms of the growth going forward. But you mentioned more business-friendly administrations now in Peru and Colombia. So I guess, does that make you rethink growth and where you want to deploy capital going forward? Do Peru and Colombia become more attractive than maybe what they had been before? Or is it still primarily focused on Mexico?

Esteban Saldarriaga
That's a great nuance. It's still primarily focused in Mexico just because of the depth, the scale of the market, the opportunities we're seeing, the possibilities in currency denomination, which, for example, is something that we have to account for in a geography like Colombia, not in Peru. In Peru, we operate in dollars. But having business-friendly administration does improve sentiment, does improve business activity. We all know how that works. And we're starting to see that effect.

Peru has wonderful tailwinds right now. Their economy is on very steady footing. And Colombia we'll talk about it later. Despite their recent events, the natural disaster that occurred on Monday, is really on much better stance and is there is pent-up demand because there were several years in which supply was heavily constrained. So we do see activity. But again, we do want to focus on raising local domestic equity capital that can come alongside us and therefore, address that demand, but keeping the majority of our balance sheet tilted towards Mexico.

Operator
A reminder, if you would like to ask a question to please press star one on your telephone keypad. Your next question comes from the line of Brendan McCarthy from Sidoti.

Brendan McCarthy
I wanted to circle back to the Lima Sur asset sale. I know you mentioned it sold at about 18% above the recently appraised value. Can you provide some insight into some of the dynamics that supported that premium? Was that higher than expectations? And what really drove that?

Esteban Saldarriaga
Brendan, thank you for joining the call. Esteban here. Look, I would say that sale was certainly within the realm of what we thought was possible. Look, there's very, very limited Class A supply in the market. Some of you can also account for portfolio premium, for example. So when we saw that negotiation take place, we led that directly because it is very relevant. It is very material. And it is transformational for the country.

So I think it's just the first step. We always have the expectation to exceed how we're carrying our appraised value. But then again, we have to temper ourselves. So I wouldn't say it's something to be expected every time. But it does speak a lot to a couple of things.

One, the assets that LPA has built. Two, the tenancy and the mix, the quality, the dynamic that we have created in our own parks and that might warrant a portfolio premium. And there are very few of those in particularly in Peru. And in the backdrop of a rapidly growing economy, attending consumer demand, we see these types of situations to opportunistically arrive and we are a rational investor and that's what drove that.

Brendan McCarthy
Understood. I appreciate the insight there. And you mentioned there's a 4-year repurchase option in place for that asset. Under what circumstances would you exercise that option and buy back the asset in a couple of years?

Esteban Saldarriaga
Yes. We retain that option, again, because we think optionality and being able to aggregate a portfolio, in our view, scale is something that we want to achieve fast- especially to dilute G&A cost, which is important. So having that optionality will be important four years out, gives us enough time to assess the conditions at that time. And we see depending on capital availability and the resetting of real estate cycles in each market, which was one of the benefits of LPA, having that multi-geographic approach, will inform us in that time.

So right now, we don't want to get ahead of ourselves, but we think the optionality has deep value. And in four years, it could be well into the money. And it might make sense to take the asset back in. But we'll see. We'll see at that moment. We could also align local capital. And once again, it doesn't have to be full balance sheet equity for LPA, but rather some form of capital that we can manage. And with that option, we can take the asset back into the fold without sacrificing growth in other parts of our platform.

Brendan McCarthy
That makes sense. And I know you mentioned you're set to receive the proceeds in a couple of months here. But at this point, do you anticipate the need to monetize further assets to kind of fund the balance sheet transition towards Mexico? Or is that more in the long-term future of possibilities?

Esteban Saldarriaga
It's always a possibility. We have signaled that, yes. We want to grow in Mexico and grow in Mexico fast. And that might require just because of the scale that Mexico has, that might require a pruning of our own portfolio. So I cannot get ahead of myself, but yes, we are listening. We're

listening and we have fascinating properties, tenants in Costa Rica, in Colombia. So for that reason, we think that more of those could come ahead.

Brendan McCarthy
Understood. And last question for me. I know you mentioned the early read-through from the recent Colombian elections has been positive from a sentiment perspective. But I think there's some land assets that you own in Colombia. Has the development environment or the financing environment improved materially to maybe lead you to move forward with those projects? Or is that a little too early to tell?

Esteban Saldarriaga
So, from a tenant demand perspective, we're fielding plenty of requests. I think that's the equation we're trying to balance out now. The land is, by the way, adjacent and it is within our parks. So, it's not raw land. It's pad-ready, frankly. So, it has the infrastructure, the permits, everything is ready to go. I think it's an equation of tenants digesting the new market rent. In this particular market, we have plenty of embedded rental growth, meaning the in-place rent is lagging what new construction will command. And that conversation is something we're having with tenants and interest rates are relatively high in Colombia right now.

So, it is a dynamic in which we want to proceed with care. But the encouraging factor is tenants are ringing up the phones. They want space. New development did not take place over the last two, three years and that's driving up rents. So we do think that an easing of interest rates will be helpful to really get us kick started. But by the way, that might come in early. The thing is we're not really jumping into the water just yet.

Operator
Ladies and gentlemen, at this time, there are no further questions from the phone lines. We will now proceed with questions from the webcast platform.

Your first question comes from the line of Gordon Lee who asks: thank you for the call and congratulations on the strong results. Are you fully exposed in your operating metrics to the recent appreciation of COP versus USD? Or do you have any hedges in place that could reduce the translation gains but produce a financial gain?

Also, I assume the USD 600,000 FX loss is related to this and is immediate. But how long does it typically take for currency variations to be reflected in property appraisals when reported in USD?

Esteban Saldarriaga
Thank you, Gordon. We appreciate your question. Effectively, just to be addressing your point, we don't have any hedges in place. So we don't address that currency exposure directly, rather by just design. 20% of the portfolio roughly is in Colombian pesos. So that is left unhedged.

And regarding your second question, before I turn it over to Paul, regarding the FX considerations in your question, currency variation is reflected on a quarter-by-quarter basis, because our property is appraised in local currency every quarter. And, therefore, currency movements do translate on a quarter-by-quarter basis.

So just to recap before I turn it over to Paul, we don't have any hedges, 20% is denominated in pesos. And lastly, FX flows into our P&L on a quarter-by-quarter basis.

Paul, do you want to talk about the FX?

Paul Smith
Yes, sure. Thank you, Gordon, for the question. So as Esteban already mentioned, we have two effects here. One is from unrealized, which is basically the appreciation of the asset that gets recognized every quarter with the revaluation of that asset. And then to your specific question on the $600,000 loss: that is derived from the opposite effect that's coming from the debt.

As we also have debt denominated in U.S. dollars, that creates an effect on the opposite side, particularly in Peru and Costa Rica, where those vehicles are financed through U.S.-denominated debt. And as those currencies depreciate as well, to generate that recognized loss on our results. And we have similar effects for both the Costa Rican Colon and the Sol in Peru.

Operator
Your next question comes from the line of Hector Cruz. Hector asks: what are you doing to rationalize the G&A expenses? These are very high compared to public U.S. REITs.

Esteban Saldarriaga
Thank you, Hector, for joining the call. Yes, we want to address G&A expenses. G&A expenses decreased this quarter 8.7%. It's something that we have front and center. It is part of setting our platform to be ready for growth. So that should be expected. And it's also a function of scale. That's why we are on this constant push to particularly bring in local capital, meaning: other equity that can work alongside our balance sheet capital and, therefore, augment the breadth of operations that we have and progressively dilute that G&A expense compared to our asset base. So we're trying to address that head on.

Operator
At this time, there are no further questions. I will now turn the call over to Esteban for closing remarks.

Esteban Saldarriaga
Thank you. Before I recap the quarter, I do want to take a moment to acknowledge the earthquake that struck western Colombia on August 10. Our hearts are with everyone affected. And we extend our deepest condolences to the families who lost loved ones and to the communities who are now facing a steep recovery ahead.

I am grateful to report that all LPA and tenant personnel at our Parque Logistico Calle 80 in Bogota are safe and accounted for, and that the facility has sustained no damage and is fully operational as we shared yesterday. Colombia has been an important part of LPA's history, growth, its future. We stand with the country during this difficult time. And in the weeks and months ahead, we will explore how LPA can contribute to the recovery.

We covered a lot of ground today in this call. So I'd like to provide a brief summary of the most important points that we wanted to convey today.

First, our differentiated regional logistics platform remained 100% occupied and continues delivering consistently strong revenue and NOI acceleration, both up nearly 30% year-over-year. We expect to hold this organic momentum through the second half of the year as more embedded rental lease spreads kick in and as our newly developed facilities become operational.

Second, we completed a landmark transaction with the divestment of our Lima Sur Park, roughly 18% as discussed today, above its appraised carrying value with the capital to be reinvested in high-return assets in targeted submarkets of Mexico, which is, again, central to a regional business model and ambitious growth plans. The harvesting of this capital in this way is a new lever of long term value creation that will play a greater role with time.

Moreover, the cash consideration that we received for the park reflects the high quality that institutional investors see in LPA's assets, its customer base and ongoing partnership. This validates the underlying value of our vertically integrated platform.

Third, although structural demand for logistics space remains strong in Mexico, and we see many opportunities to acquire assets there, we remain highly selective with a focus on facilities that meet the exacting standards of the Blue Chip companies we serve and that are located in key logistics corridors that form the backbone of the country's rapidly growing e-commerce sector and promising AI-related supply chain dynamics.

With the discipline of an internally managed company and leveraging our many years of experience, we expect to deploy capital at normalized cap rates of 8% to 9%. At the same time, we continue to monitor the global macroeconomic backdrop, particularly inflation measures and the path of interest rates.

Finally, as we further scale LPA's multi-market platform to capture more value-accretive growth, we're further strengthening our competitive moat while benefiting from operating leverage. Many of our growth levers are working in concert, full occupancy, embedded rental rate growth, capital reallocation into high-returning opportunities and new streams of fee income. That is the foundation of our confidence in the months and years ahead. And as we enter the second half of the year with a stronger balance sheet and the deepest growth pipeline in LPA's history, we intend to convert it into lasting value for our fellow shareholders.

Thank you again for joining our call and for the continued confidence in LPA. We look forward to reporting on our progress next quarter. Have a good day, everyone.

Operator
This concludes today's call. Thank you all for attending. You may now disconnect.