



CEOCFO

Interviews & News!

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MerueloMaddux Properties Is Focused On Urban Development And Redevelopment, With Industrial And Multifamily Apartment Properties In The Downtown Los Angeles, California Area



Real Estate

Property Development and Ownership
(MMPI-NASDAQ)

MerueloMaddux Properties Inc.

761 Terminal Street
Building 1, 2nd Floor
Los Angeles, CA 90021
Phone: 213-291-2800



Andrew Murray
Chief Financial Officer

BIO:

Andrew Murray began his real estate career at Salomon Brothers Inc. in 1989

in real estate equity and debt investment banking. At that time, he lived and worked in downtown Los Angeles. He has been involved in all major classes of real estate assets and all phases of capital markets activities for over eighteen years. Mr. Murray most recently led the West Coast real estate investment banking activities for FBR Capital Markets, where he held the position of Senior Vice President. He is a graduate of the Wharton School of Business of the University of Pennsylvania.

Company Profile:

Meruelo Maddux Properties is a self-managed, full-service real estate company that develops, redevelops and owns commercial and residential properties in downtown Los Angeles and other densely populated urban areas in California that are undergoing demographic or economic changes. Meruelo Maddux Properties is committed to socially responsible investment. Through its predecessor business, Meruelo Maddux Properties has been investing in urban real estate since 1972.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Murray, you have been with the company a relatively short time, what attracted you?

Mr. Murray: "In my prior life as an investment banker, I took the company public in January 2007, so I have known the company and all of its people and real estate since the middle of 2006. I liked the quality of the people and the type of real estate they owned and the real estate opportunity. Obviously today is a much more trying time, but the real estate itself is doing well. I personally thought that I

could add a lot to the team in terms of bringing much needed capital markets experience to the company—both on the debt and equity side of the financing equation."

CEOCFO: What is the focus of the company today?

Mr. Murray: "We are focused on urban development and redevelopment primarily in downtown Los Angeles, both in the industrial and multifamily apartment space."

CEOCFO: What are the particular challenges in that arena?

Mr. Murray: "Not unlike many companies, the primary challenge that we face today is in securing development debt or construction debt. Commercial banks are temporarily closing the spigot of capital, so it takes a lot longer to a secure capital to help develop properties. If you have existing stabilized properties it is not an issue, but if you have a property to be developed, it's a lot harder to get off the ground."

CEOCFO: What are you looking for in properties, and how do you go about your projects?

Mr. Murray: "We have 53 separate projects. We have a very large development pipeline. Typically whether it is something that has a building on it or not or simply just land or a parking lot, we look for large contiguous areas that are strategically located. If you look at an aerial map of downtown Los Angeles, you would see several large open areas of land; we own a good percentage of these large development parcels. We are the largest land owner in downtown Los Angeles. Richard Meruelo, the Chairman

and CEO of the Company, has been investing in downtown Los Angeles real estate throughout his entire adult career and he learned many real estate lessons from members of his family who were also in the real estate business. We look for “Main and Main” real estate where the physical improvements that are already on the site can be removed and replaced with a much more valuable real estate asset through either a change of use or just a modernization of the existing property.”

CEOCFO: Is there much redevelopment in your target area?

Mr. Murray: “There’s a lot of redevelopment that is currently taking place in downtown Los Angeles. There has to be because Los Angeles City and County are essentially fully built-out and landlocked. For the City to continue to grow and prosper there has to be redevelopment where you take an obsolete and inefficient piece of real estate and change it to something that is more appropriate for the current needs of the community. This is going to be something that will be an ongoing requirement in Los Angeles.”

CEOCFO: Do you look for a particular mix in the properties that you have, whether it is positioning or type of buildings; is there a grand plan or is it opportunistic?

Mr. Murray: “It is opportunistic and along two very simple lines. Firstly, we are focused on industrial space, which is located in the non-Bunker Hill section of downtown Los Angeles. The bread and butter of the company is in these stabilized industrial properties. Secondly, we also own a number of development sites near the Staples Center and the LA Live projects. These real estate assets are currently either parking lots or in the process of being developed into high-rise class A apartments.

CEOCFO: What would surprise people about the redevelopment process today?

Mr. Murray: “People unfamiliar with our industry would be surprised by how much effort is required to successfully redevelop real estate. We have to go

through a lot of entitlement or re-entitlement or re-zoning issues, which are the key challenges of building high-rise buildings in an urban environment. It just takes a lot of hard work and coordination of many different disciplines to redevelop an obsolete property into a higher and better-use property.”

CEOCFO: Energy efficiency, green buildings, these are issues that people talk about today. How does this play into your properties and your philosophy?

Mr. Murray: “If we build something from scratch, we obviously want to apply “green” building techniques. Building “green” has typically proven to also be a good financial investment. Moreover, investment in “green” technologies pays itself back quite handsomely. From a

“MerueloMaddux is an entrepreneurial development company in downtown Los Angeles that is the largest private land owner in downtown Los Angeles and a company that has a very exciting development pipeline of apartment and industrial properties. We have a critical mass in downtown Los Angeles and know this part of the city very well. We are going to continue to build downtown Los Angeles one block at a time and enjoy the renaissance and rebirth of downtown LA as a critical part of the greater Los Angeles area.” - Andrew Murray

business point of view, we do seek out to build efficiently. Our biggest new project is our 35-story high-rise class A apartment building at the corner of 9th and Flower and it is anticipated to be LEED Silver. We’ll probably seek to have all of our new apartments to be LEED rated to some degree, within the parameters of what is possible with the development we are pursuing.”

CEOCFO: Please tell us more about how you manage these properties.

Mr. Murray: “We have a property management group and there are property managers that are allocated to our projects. The senior management team tends to focus on the larger projects. We generally develop our projects in an orderly sequence. For example, we like to have one property in the construction phase while the next sequential project is in the design phase. Once the first building is

built, we work to either lease it up or sell it. Once this is complete, we then start construction on the next building. There is a lot of phasing going on, but again there is a group of property managers and asset managers who oversee all of these projects.”

CEOCFO: What is your occupancy rate?

Mr. Murray: “The market is extremely tight in downtown Los Angeles. Industrial space has historically been 99% plus occupied on the industrial front. Currently, the downtown Los Angeles residential market is probably 95-97% occupied, but statistics there are a little harder to come by. This is because it is a new market that does not have the best and most complete analysis or exact occupancies available on each individual residential building. That said, both sectors clearly have very tight markets.”

CEOCFO: What is the financial picture at the company today?

Mr. Murray: “It is improving. We had a significant improvement in our risk profile between the 2008 first quarter and second quarter financial statements. We monitor closely what our forward 12-month cash flow or cash needs are for both development and financing needs. Essentially, we have eliminated over half of our forward needs between the first and second quarter. We feel much more optimistic today.”

CEOCFO: Why should potential investors be interested?

Mr. Murray: “At current levels, I believe our stock has significant upside. We are currently trading at around \$1.00 per share. This equates to approximately 25-30% of our GAAP book value. That is sort of like saying that you can buy real estate in downtown LA for 25 cents on the dollar by purchasing a share of our stock. Then the question becomes, has downtown Los Angeles massively changed in the last year or two? The answer is no and actually every year it gets better and better. There is a disconnect between actual real estate valuations and

the public capital market's valuation of real estate..”

CEO CFO: The role of CFO has become increasingly important over the years; how do you view your role?

Mr. Murray: “In addition to focusing on strict accounting, I focus on the capital markets and value creation for the company. I focus on creating shareholder value and finding ways to unlock shareholder value that has been previously overlooked by the capital markets. I am also focused on raising sources of capital to grow the business.”

CEO CFO: That is good because companies need everything they can get.

Mr. Murray: “The accounting staff we have now is still the same staff we had internally before I arrived and people who focus on Sarbanes-Oxley compliance issues and quarterly 10-Q filings. The largest single department inside the company is the accounting function just because all the requirements of being an SEC-reporting company.”

CEO CFO: What should people remember most about MerueloMaddux?

Mr. Murray: “MerueloMaddux is an entrepreneurial development company in

downtown Los Angeles that is the largest private land owner in downtown Los Angeles and a company that has a very exciting development pipeline of apartment and industrial properties. We have a critical mass in downtown Los Angeles and know this part of the city very well. We're going to continue to build downtown Los Angeles one block at a time and enjoy the renaissance and rebirth of downtown LA as a critical part of the greater Los Angeles area.”



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