

**Rating Action: Moody's upgrades MI Developments to Baa3; outlook stable**

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Global Credit Research - 21 Nov 2011

**Approximately \$250 million in securities affected.**

New York, November 21, 2011 -- Moody's Investors Service upgraded MI Development Inc.'s senior unsecured debenture ratings to Baa3, from Ba1. The rating outlook is stable. This rating action concludes Moody's review.

This rating action reflects MI Development's (MID) resolution of its strategic restructuring plan such that MID is now a pure play real estate owner and operator with no ties to racing and gaming. The company now owns, develops and manages industrial and commercial real estate properties located in North America and Europe. The stable outlook reflects Moody's expectation that MID will maintain its solid operational performance as a triple net lease company together with a prudently managed balance sheet.

The following ratings were upgraded to Baa3 with a stable outlook:

MI Developments Inc. -- Senior unsecured debt to Baa3, from Ba1; senior unsecured shelf to (P) Baa3 from (P) Ba1.

**RATINGS RATIONALE**

The Baa3 rating reflects consistent cash flows from long-term triple-net leases, substantially all of them to MID's former parent, Magna International, Inc. (Baa2 rated), from which MID was spun off in 2003. The company recently eliminated its dual-class share structure in a reorganization process that completely removed all racing and gaming assets (and related liabilities) from its balance sheet. In addition, in October 2011 the company announced a strategic plan that includes the conversion to a Canadian REIT and is expected to provide long-term costs savings as well as greater transparency to all of MID's constituents.

MID's debt metrics are well-situated with good liquidity coverage reflecting more than enough internal liquidity to cover its cash needs over the next eighteen months. MID's main source of liquidity is net cash flows from its real estate operations, which are fairly stable given the triple-net lease structure. The company also has a \$50 million revolver (100% available at 3Q11) that is mainly used for working capital purposes, which expires in December 2011 and \$69 million cash on balance sheet. Liquidity needs will increase somewhat, with the recent announcement of a planned increase in the dividend to \$2.00/share on an annual basis. The only major debt maturity the company has is approximately CAD\$265 million of senior unsecured debentures, due 2016. The majority of the company's assets are unencumbered, a plus; however, alternative uses for these types of assets may be limited. Fixed charge coverage is strong at 7.8x YTD. MID's leverage (debt/gross assets of 14.5% at 3Q11 YTD) and net debt/EBITDA (1.4x at 3Q11 YTD) are also very strong. The company currently has no secured debt and is expected to maintain a mostly unsecured capital strategy going forward. Although MID has some unhedged FX exposure, its revenues are diversified, with approximately 33% Canadian dollar, 24% US dollar and 42% Euro (1% other currencies).

These credit strengths are counterbalanced by MID's acute concentration with Magna and its reliance on the health of the auto industry, which is a very cyclical business.

MID has a strong franchise in owning and operating 105 triple-net industrial assets located in nine countries. MID has 27.6 million square feet of leaseable area in the core real estate business, which is concentrated in terms of property type -- a credit challenge, with approximately 97% (based on square footage) manufacturing plants and warehouses and 3% office buildings. These properties are comprised predominantly of industrial plants strategically located and used by Magna to provide automotive parts and modules to the world's manufacturers of cars and light trucks for their assembly plants throughout North America and Europe. The portfolio also includes several office buildings, including the head offices of Magna in Canada and Austria. On a book value basis at September 30, 2011, the properties are distributed in Canada (35%), Austria (28%), USA (18%), Germany (11%), Mexico (6%) and other countries (2%). The total amount of development and redevelopment has historically been low, and Moody's anticipates it remaining minimal in the intermediate term.

Moody's stated that further rating improvement would be contingent upon the current management team's ability to effectively run the company's core real estate operations and the successful execution of their strategic plan, as well as greater tenant diversification with Magna providing less than its current 97% of revenues. The rating would come under pressure should MID experience a substantive weakening in its credit metrics likely resulting from a significant deterioration in the automotive industry that forces Magna International to close a substantial number of its properties leased from MID. A rating downgrade could also be triggered by significant changes in growth strategy or increased leveraging by the new CEO/management team or any liquidity issues.

Moody's last rating action with respect to MI Developments was on October 6, 2010 when Moody's placed MI Developments' ratings under review direction uncertain.

The principal methodology used in this rating was the Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

MI Developments, Inc. (TSX/NYSE:MIM) is a Canadian-based real estate company engaged primarily in the acquisition, development, construction, leasing, management and ownership of a predominantly industrial rental portfolio of properties in North America and Europe. As of September 30, 2011, MID had total assets of US\$1.3 billion and common equity of US\$927 million.

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