

MARKET REPORT

INDUSTRIAL | TIJUANA | 4Q 2016

CONTENT

INTRODUCTION

Economic Overview	3
Industrial Overview	3

OFFER

Inventory	5
Vacancy	6
New Projects	7

DEMAND

Industrial Building Transactions	8
Net Absorption	9

PRICES

Prices Rent for Buildings Class A	10
Prices Rent for Buildings Class B	10

INDUSTRIAL MARKET ACTIVITY 4Q 2016	11
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GLOSSARY	12
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INDUSTRIAL MARKET ECONOMIC OVERVIEW 2016

The fourth quarter of 2016 concludes with a climate of uncertainty for the Mexican economy due to recent international political events. An economic deceleration is expected in the country due to three main reasons: Less demand for Mexican products by foreign countries such as the United States, less government expenditure and a tighter monetary policy.

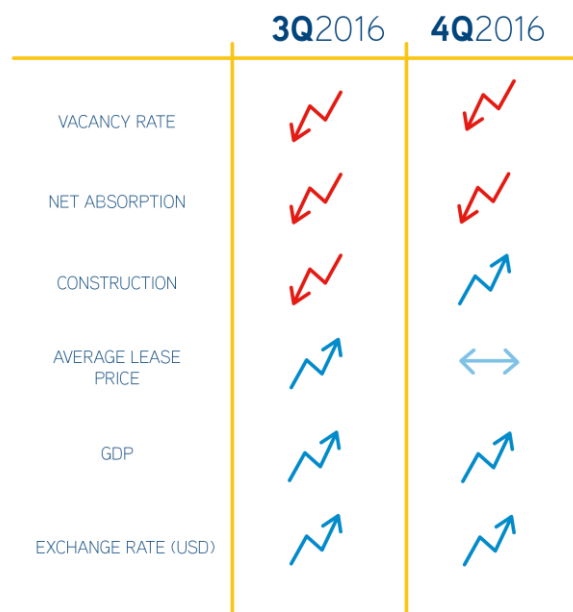
The recent victory for the American presidential elections by the republican candidate Donald Trump has generated negative effects for the Mexican economy due to his public stand on re-negotiating the way that Mexico has been doing business with the United States in past years. The businessman turned politician stated during his campaign that he plans to Lift export duties on US companies operating in Mexico in order to incentivize local production. This affects Mexico because there will be fewer investment by American companies in the country.

Another factor that has affected Mexican economy is the recent drop in oil prices. Specialist at Bank of America projected a growth of a mere 1.7% for Mexican economy, the lowest rate of expansion since 2013. It is estimated that the rise of the Mexican peso for next year will be of 22 by the dollar.

On the other hand, the inflation estimated for next year is of 4.01% and the monetary policies will under come variations due to an increase of the interest rates which will we fixed in 6% by the Central Bank.

It is also expected that in 2017 there will be an increase in de Gross Domestic Product (GDP) of 0.8% in comparison to last year. This increase is due to the rent taxes (ISR) and the special taxes for production and services (IEPS).

MARKET INDICATORS

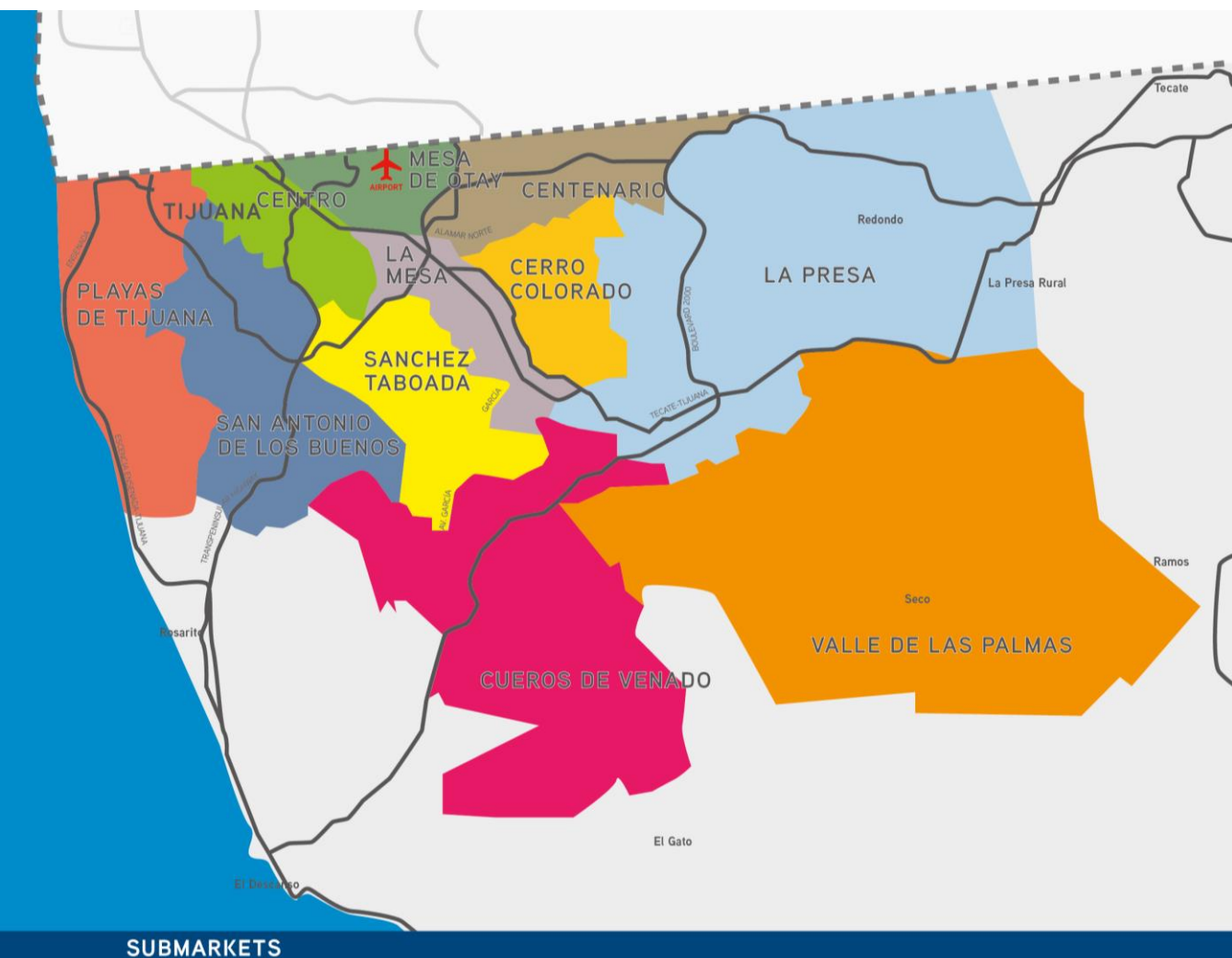


INDUSTRIAL OVERVIEW

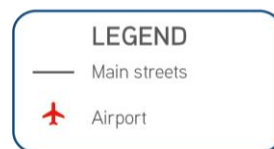
During the fourth quarter of 2016, a new Class A industrial building was incorporated, increasing the inventory by 35,672 square feet. The vacancy rate in Class A and B buildings closed at 6.7%, which represented a decrease of 0.4% at the end of the quarter compared to the previous.

Regarding the Class A properties, there are two industrial buildings under construction, both sum 469,995 square feet, which is expected to be incorporated for the second quarter of 2017.

TIJUANA INDUSTRIAL MAP



- PLAYAS DE TIJUANA
- CENTRO
- SAN ANTONIO DE LOS BUENOS
- MESA DE OTAY
- LA MESA
- CENTENARIO
- SANCHEZ TABOADA
- CERRO COLORADO
- VALLE DE LAS PALMAS
- LA PRESA
- CUEROS DE VENADO

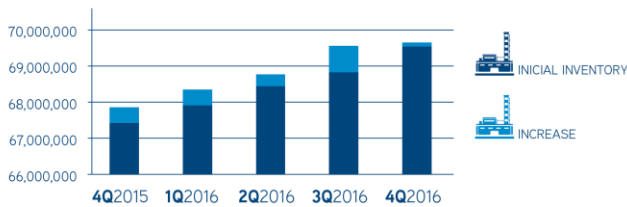


SUPPLY INVENTORY

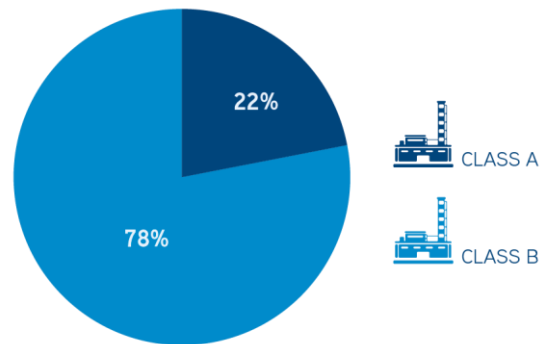
At the end of the fourth quarter of 2016, Tijuana's real estate market, which consists of ten industrial submarkets, we have monitored 867 industrial properties (over 21,500 sf.). Totalling 69'796,523 square feet.

Based on the inventory, class A buildings represent 22% and class B ships 78%.

INVENTORY AND INCREASE IN BUILDINGS CLASS A 4Q 2015 - 4Q 2016



INVENTORY (SF.) PER CLASS, 4Q 2016 TOTAL: 69'796,523 SF.



COMPLETED DEVELOPMENTS

INDUSTRIAL DEVELOPMENTS COMPLETED 4Q 2016

Location	Submarket	Class	Project Type	Total Developed Area (SF)	Developer
Pacific Industrial Park	Sanchez Taboada	A	Spec	35,672	ATISA
Total				35,672	

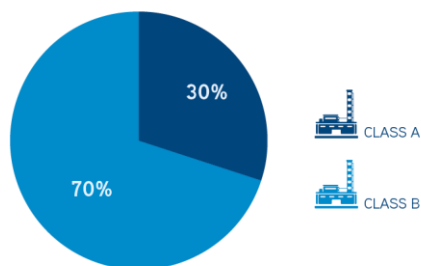
During the fourth quarter, the class A inventory increased 0.02%. This represents the construction of one building totaling 35,672 SF.

VACANCY

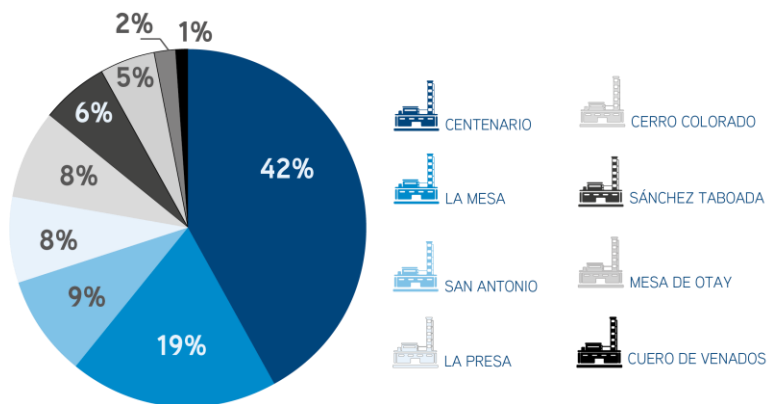
For the fourth quarter, vacancy closed at 6.7%. From the total available space, 30% correspond to class A buildings and 70% to class B. Giving a total of 4'674,799 square feet of available space.

VACANCY BY CLASS 4Q 2016

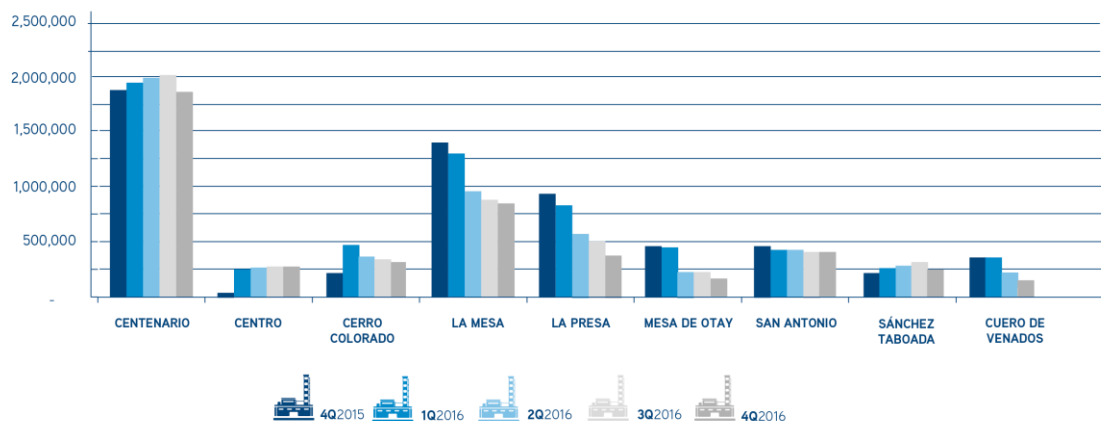
TOTAL: 4'674,799 SF



VACANCY BY SUBMARKET 4Q 2016



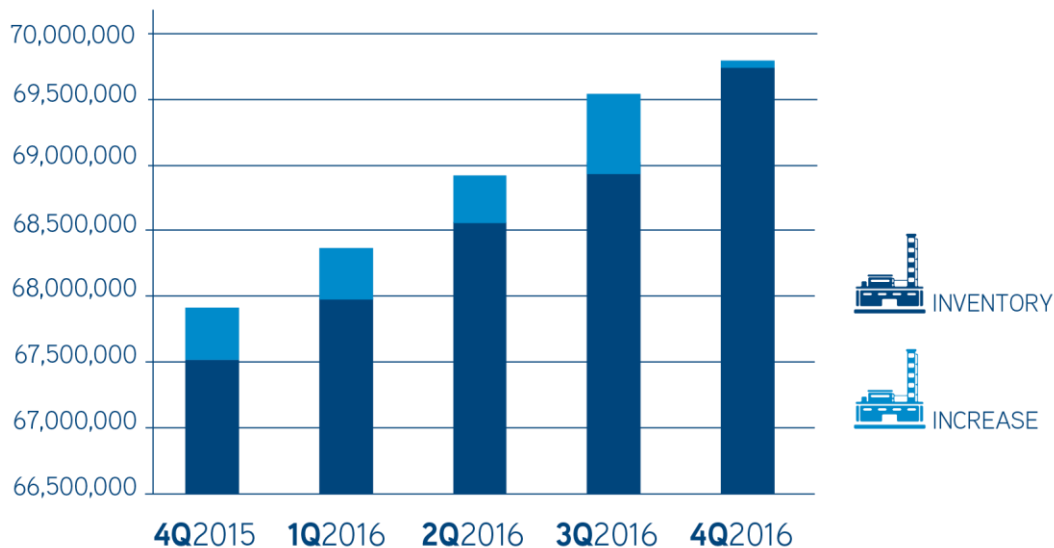
CLASS AVAILABLE BUILDINGS A AND B 4Q 2015 – 4Q 2016



NEW PROJECTS

Up to the end of the fourth quarter of 2016 there were detected two Class A industrial properties under construction. This will increase approximately 470,000 square feet to the existing industrial inventory. The developer groups are planning to start new constructions for the start of the first quarter of 2017.

CLASS A AND B BUILDINGS INVENTORY (SF) 4Q 2015 – 4Q 2016



INDUSTRIAL DEVELOPMENTS CURRENTLY UNDER CONSTRUCTION 4Q2016

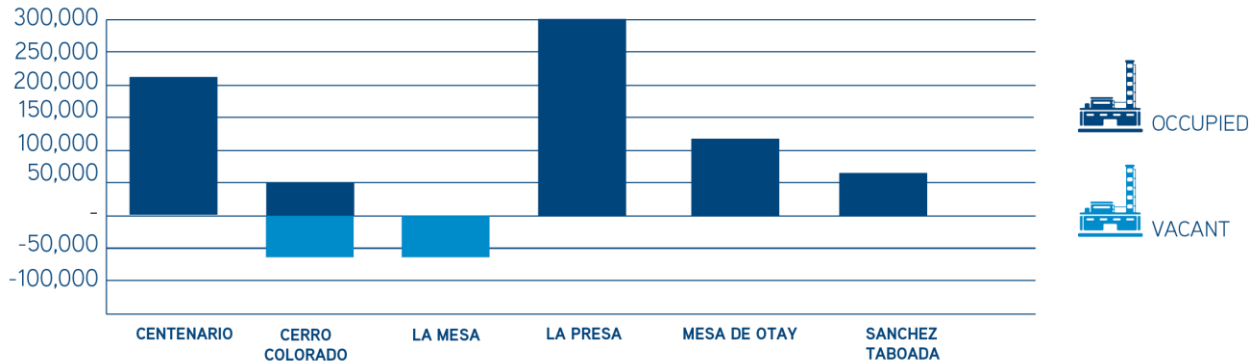
Location	Class	Corredor	Year	Development	SF Area
CPA Buinesses Center I	A	La Prsea	2016	CPAmericas	410,000
CPA Buinesses Center II	A	La Prsea	2016	CPAmericas	60,000
Total					470,000

DEMAND

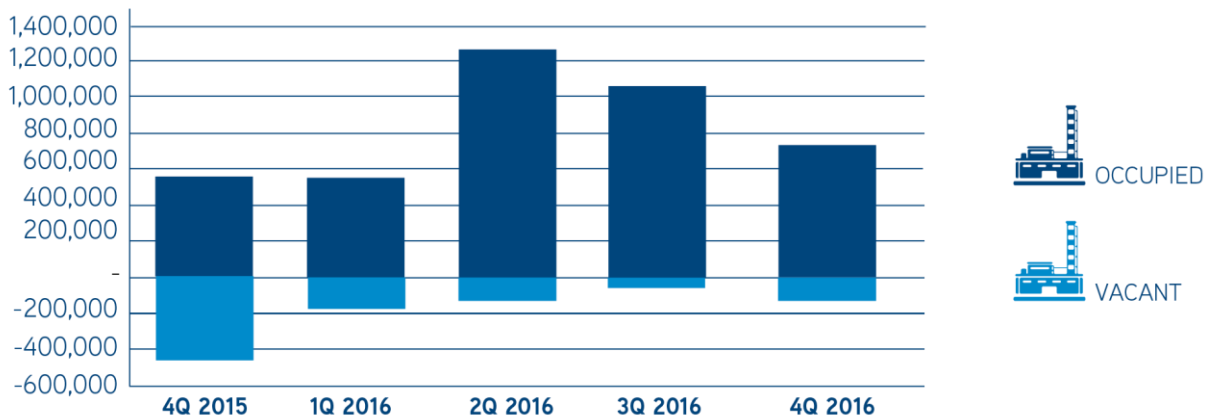
INDUSTRIAL BUILDING TRANSACTIONS

La Presa submarket was the most active during the fourth quarter of 2016, with 303,826 square feet occupied, followed by Centenario with 209,612 square feet, Mesa de Otay 114,932 square feet, Sanchez Taboada with 65,768 square feet and Cerro Colorado with 50,489 square feet.

ACTIVITY BY SUBMARKET (SF) 4Q 2016



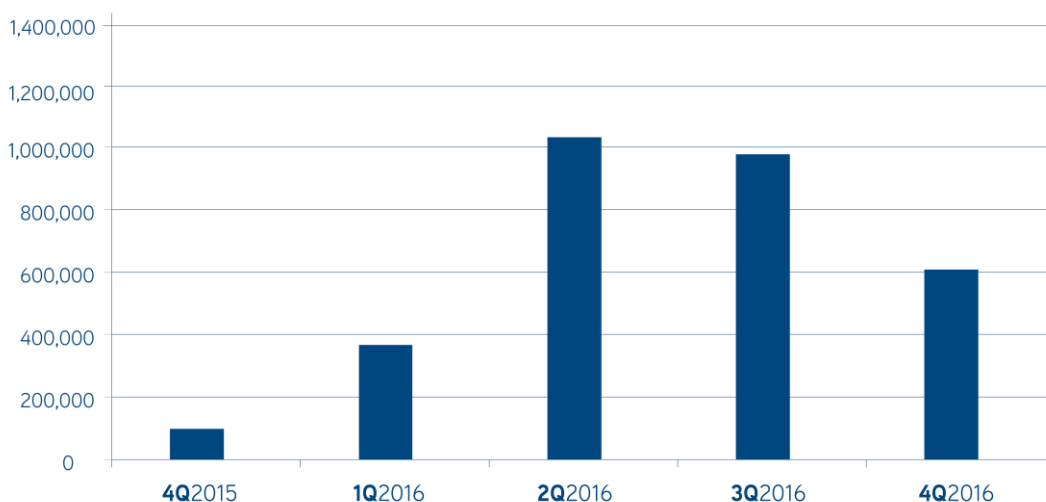
OCCUPANCY VS VACANCY IN BUILDINGS CLASS A AND B 4Q 2015 – 4Q 2016



NET ABSORPTION

Net absorption of the fourth quarter was 614,635 squared feet, broken out into 744,627 square feet rented and (-) 129,992 square feet vacant.

NET ABSORPTION (SF) IN CLASS A AND B BUILDINGS 4Q 2015 – 4Q 2016



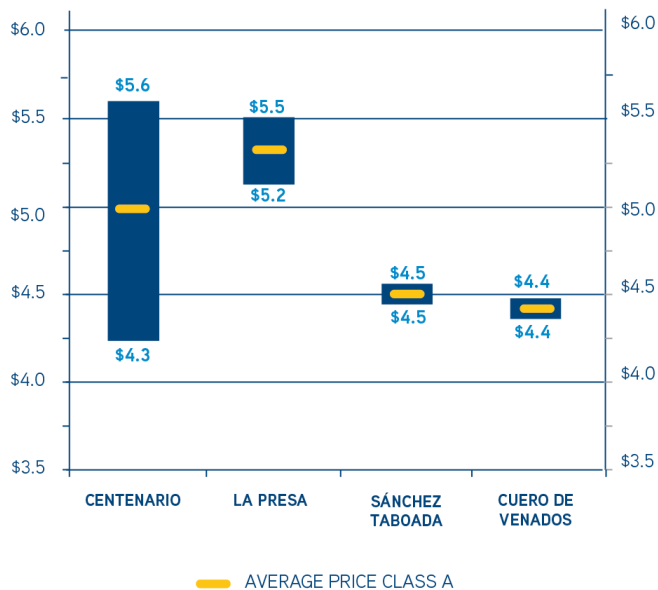
REPRESENTATIVE INDUSTRIAL TRANSACTIONS 4Q 2016

Company	SF	Sector	Transaction	Industrial Park (Developer)
Sinil	30,770	Corrugated	Lease	Pacífico Industrial Park
Atlas Trasportes	74,551	Logistic	Lease	Ciudad Industrial
Sherwin Williams	34,998	Chemicals	Lease	Pacífico Industrial Park
Trueblue Manufacturing	114,932	Blinds	Lease	TIP
Dynacast	31,000	Metal Mechanic	Lease	Valle Bonito Industrial Park
Global Trade Logistics	84,826	Logistic	Lease	Vesta Florido Industrial Park
NAPS	105,563	Aerospace	Lease	FINSA Alamar Industrial Park
Ocean Glass Tile	50,489	Glass	Lease	Baja Maq El Águila Industrial Park
Pression Plating	29,500	Metal	Lease	Ciudad Industrial

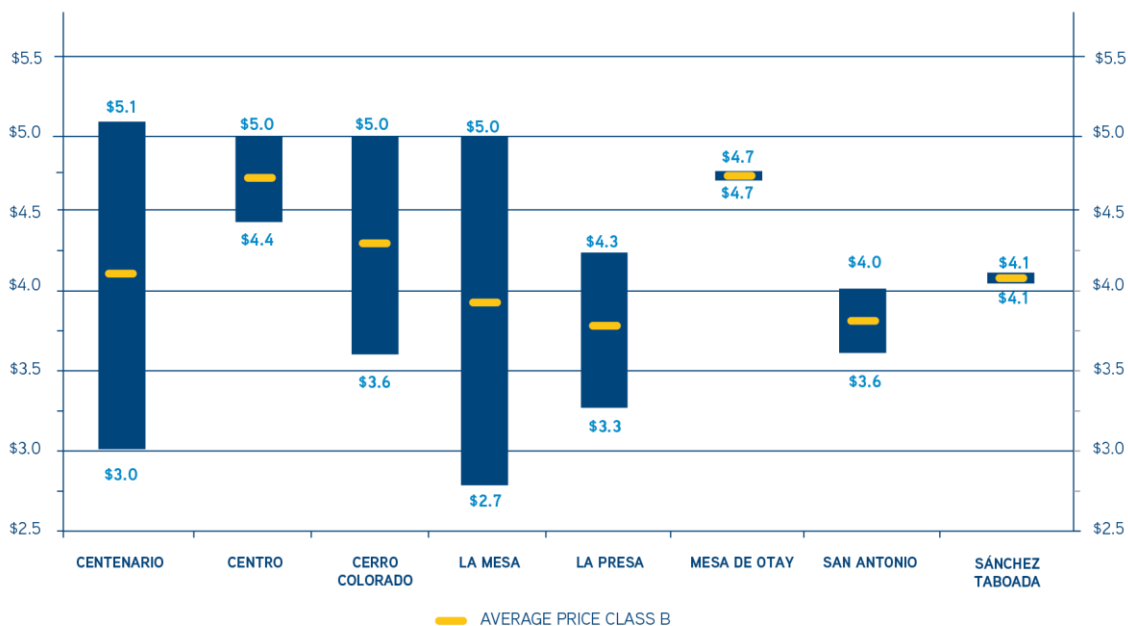
PRICE LEASE

By the end of the fourth quarter of 2016, Class A building asking rental rates were: \$ 5.63 to \$ 4.32 dollars per square feet per year, and for Class B asking rental rates ranged between \$ 5.07 to \$ 2.76 dollars per square feet per year, within the ten submarkets monitored.

ASKING PRICE (USD/SF/PER YEAR) CLASS A BUILDING 4Q 2016



ASKING PRICE (USD/SF/PER YEAR) CLASS B BUILDING 4Q 2016



INDUSTRIAL MARKET ACTIVITY 4Q-2016

CORREDOR	CLASS	ANALYZED PROPERTIES	TOTAL MARKET SF	AVAILABLE PROPERTIES	AVAILABLE SPACE SF	% QUARTERLY CURRENT AVAILABILITY	WEIGHTED AVERAGE PRICE	AVERAGE PRICE RANGE	
								MIN.	MAX.
Total	A	103	15,697,362	11	1,406,133	9.00%	\$4.92	\$4.32	\$5.63
	B	764	54,099,161	60	3,268,666	6.00%	\$4.24	\$2.76	\$5.07
	Total	867	69,796,523	71	4,674,799	6.70%	\$4.45	\$4.01	\$4.81
Centenario	A	39	6,409,242	5	1,035,314	16.20%	\$4.77	\$4.32	\$5.63
	B	221	14,865,865	17	915,877	6.20%	\$4.25	\$3.00	\$5.07
	Total	260	21,275,107	22	1,951,191	9.20%	\$4.51	\$3.66	\$5.35
Centro	A	ND	ND	ND	ND	0.00%	ND	ND	ND
	B	16	666,766	3	90,688	13.60%	\$4.90	\$4.44	\$5.04
	Total	16	666,766	3	90,688	13.60%	\$4.90	\$4.44	\$5.04
Cerro Colorado	A	3	389,825	ND	ND	0.00%	ND	ND	ND
	B	108	8,347,266	7	352,977	4.20%	\$4.07	\$3.60	\$5.04
		111	8,737,091	7	352,977	4.00%	\$4.07	\$3.60	\$5.04
La Mesa	A	ND	ND	ND	ND	0.00%	ND	ND	ND
	B	172	9,564,148	20	910,627	9.50%	\$4.01	\$2.76	\$5.04
	Total	172	9,564,148	20	910,627	9.50%	\$4.01	\$2.76	\$5.04
La Presa	A	30	5,258,547	3	259,797	4.90%	\$5.41	\$5.27	\$5.52
	B	60	6,123,611	2	128,877	2.10%	\$4.07	\$3.36	\$4.35
	Total	90	11,382,158	5	388,674	3.40%	\$4.74	\$4.31	\$4.93
Mesa de Otay	A	ND	ND	ND	ND	0.00%	ND	ND	ND
	B	34	2,935,757	3	214,270	7.30%	\$4.78	\$4.76	\$4.79
	Total	34	2,935,757	3	214,270	7.30%	\$4.78	\$4.76	\$4.79
Playas	A	9	73,815	ND	ND	0.00%	ND	ND	ND
	B	3	139,436	ND	ND	0.00%	ND	ND	ND
	Total	12	933,977	ND	ND	0.00%	ND	ND	ND
San Antonio	A	10	1,146,645	ND	ND	ND	ND	ND	ND
	B	62	4,052,472	6	442,928	10.90%	\$3.69	\$3.60	\$4.01
	Total	72	5,199,118	6	442,928	8.50%	\$3.69	\$3.60	\$4.01
Sanchez Taboada	A	7	832,249	1	4,368	0.00%	\$5.00	\$5.00	\$5.00
	B	88	7,403,841	2	212,421	2.90%	\$4.01	\$4.01	\$4.01
	Total	95	8,236,090	3	259,443	3.20%	\$4.53	\$4.53	\$4.53
Cuero de Venados	A	5	866,312	2	64,000	7.40%	\$4.46	\$4.46	\$4.46
	B	ND	ND	ND	ND	0.00%	ND	ND	ND
	Total	5	866,312	2	64,000	7.40%	\$4.46	\$4.46	\$4.46

GLOSSARY

MARKET.- In the specific case of the industrial real estate market are warehouses, industrial buildings and land with industrial land use.

CORRIDOR.- Area bounded by one or more colonies, as well as avenues that have one sufficient amount of industrial spaces that can be commercialized.

INVENTORY.- It is the entire completed property (measured in square meters) in the main corridors, excluding those under construction or in project stage.

VACANCY.- Total spaces in square feet that are offered on the market for sale or rent at any given time.

DEMAND.- Measured in square feet showing the total number of spaces that were marketed during a certain period.

VACANCY RATE.- It represents the percentage of available space in a market. This indicator is obtained by dividing the total available square feet between the total of the inventory.

NET ABSORPTION.- It is the change in the number of square feet of space occupied during a specific period. This indicator shows the total number of square feet which were occupied or unoccupied. If the result is negative the oversupply of spaces available in the market, due to the incorporation of new spaces or the vacating of properties it represents.

SUBLEASE.- Is a modality through which the lessee of a space is offered for rent by the end of the lease to a third party. It can offer full or partial space.

CLASS.- Classification or degree received a building based on the features that distinguishes it from others. In the industrial market are classified as A and B.

INDUSTRIAL BUILDING.- Building designed to industrial activities for manufacturing, transformation, assemble, industrial processes, storage, logistic and distribution.

WAREHOUSE.- It is a building designed and built for industrial storage and distribution activities.

INDUSTRIAL LAND.- It is an area generally bounded within a park or industrial zone designated for the installation or construction of an industrial building.

INDUSTRIAL PARK .- It is geographically bounded and surface specially designed for the settlement of various industrial properties. It has the infrastructure and features suitable for industrial processes and transport, as well as equipment and services specific to your operation.

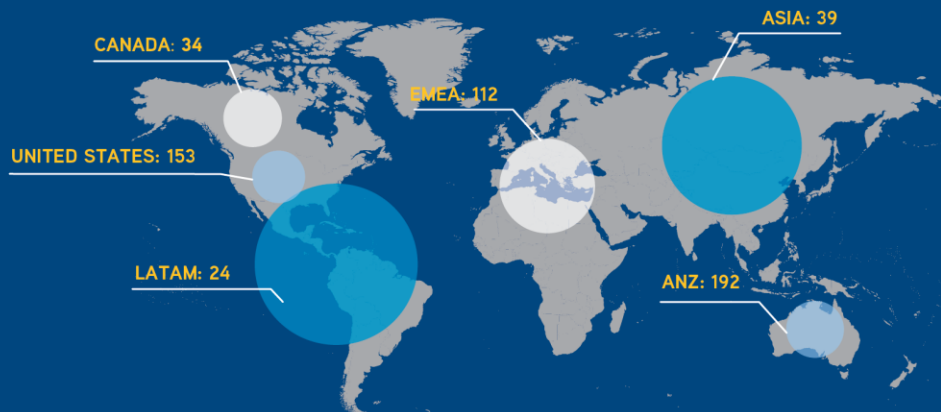
BTS (BUILT TO SUIT).- Developments made for a client specific with characteristics suitable to the needs of the same operation.

SPECULATIVE.- Industrial development built based on standard features to meet the operational needs of different customers.

WEIGHTED AVERAGE PRICE.- The number of square meters of the property by the total available meters runner splits available, obtaining the percentage of availability of the property. This percentage is multiplied by the price of the property and the weighted price is obtained. Finally the weighted prices of all properties are added, thus obtaining the weighted average price of each runner.

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