

MARKET REPORT

INDUSTRIAL | TIJUANA | 3Q 2016

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INDUSTRIAL MARKET

ECONOMIC OVERVIEW 2016

The second quarter of 2016 closed with a rise in the interest rate which will impact on economic activity in Mexico, leaving as a result a market with less dynamic, as well as definitions of Mexico's GDP below 0.2 percent this year .

The Board of Governors of Banco de Mexico, yielded to the pressure of the volatile market and decided to increase its target rate to 4.25%, a level half percentage point higher than that previously was 3.75%.

Banxico relates this rise to increased risk of inflation to increase to the extent that the dollar has appreciated against the Mexican peso, having risen from \$ 15,481 in June 2015 to \$ 18,658 in the same month this year, which represents a 20.5 percent increase.

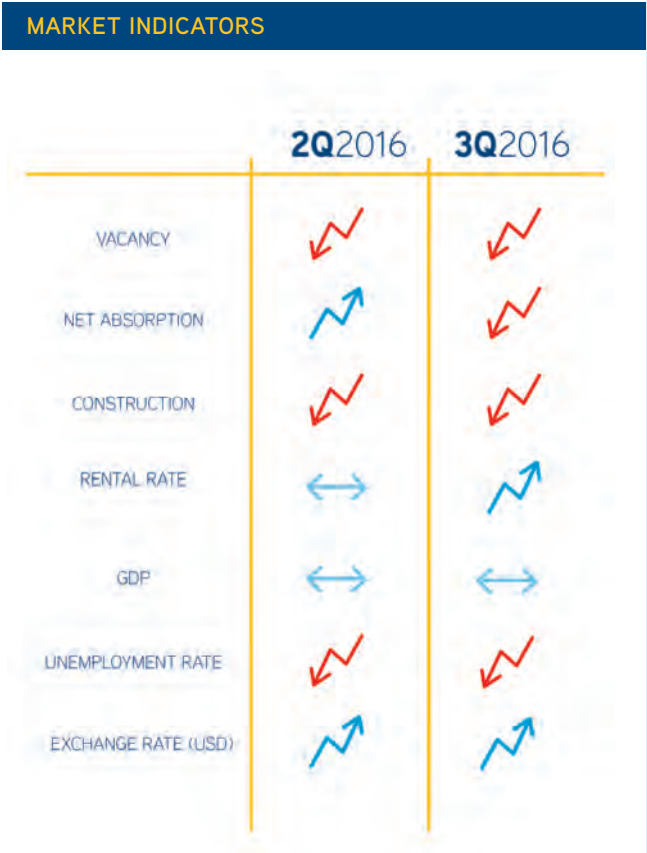
Moreover, the uncertainty generated by the Brexit, current US presidential election and the economic crisis in China would increase the volatility of the markets with an impact adverse change in financial assets, including Latin America and Mexico

In the external sector and productive investment they showed weakness during the first quarter due to a deficit in the oil balance and also an unfavorable performance of manufacturing exports was generated. In 2016, the public sector oil revenues decline by about 29.3% over 2015.

Despite the oil balance deficit and the global economic uncertainty, the information for the first quarter shows that private consumption remains the main driver of economic growth. Consumption reported an advance of 3.53 percent in January compared to the same month of 2015, while industrial production in the country grew just 1.80 percent.

In real estate is stable without generating significant at the end of

the second quarter changes, the city of Monterrey leads the supply of industrial space in the property sector among the major markets in the country, mostly due to the large number of spaces available for this sector and the arrival of foreign investment plants installed in the state.



INDUSTRIAL OVERVIEW

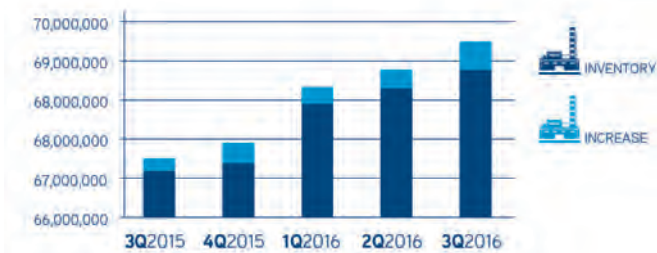
During the third quarter, six new class A industrial building, were constructed which added 747,863 square feet to the inventory. The vacancy rate in Class A and B buildings closed at 7.1 % which represented a decrease of 0.3 % at the end of the quarter compared to the previous.

Regarding the Class A properties, there is 1 industrial building currently under construction, totaling 34,998 square feet. These buildings are expected to be incorporated to the fourth quarter of 2016.

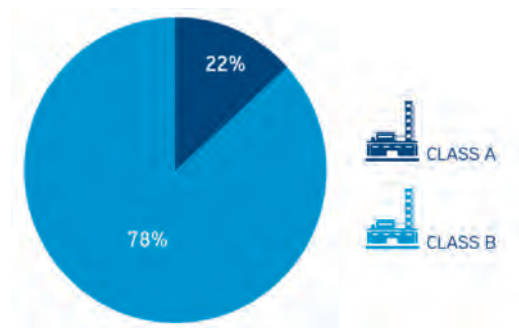
OFFER INVENTORY

At the end of the third quarter of Tijuana's real estate market, which consists of ten industrial submarkets, we have monitored 865 industrial properties (over 21,500 sf.). Totaling 69,555,258 square feet . Based on the inventory, class A buildings represent 22% and Class B buildings 78%.

**INVENTORY AND HISTORICAL GROWTH
3Q 2015 - 3Q 2016 (SF.)**



**INVENTORY (SF) PER CLASS, 3Q 2016
TOTAL: 69,555,258 SF.**



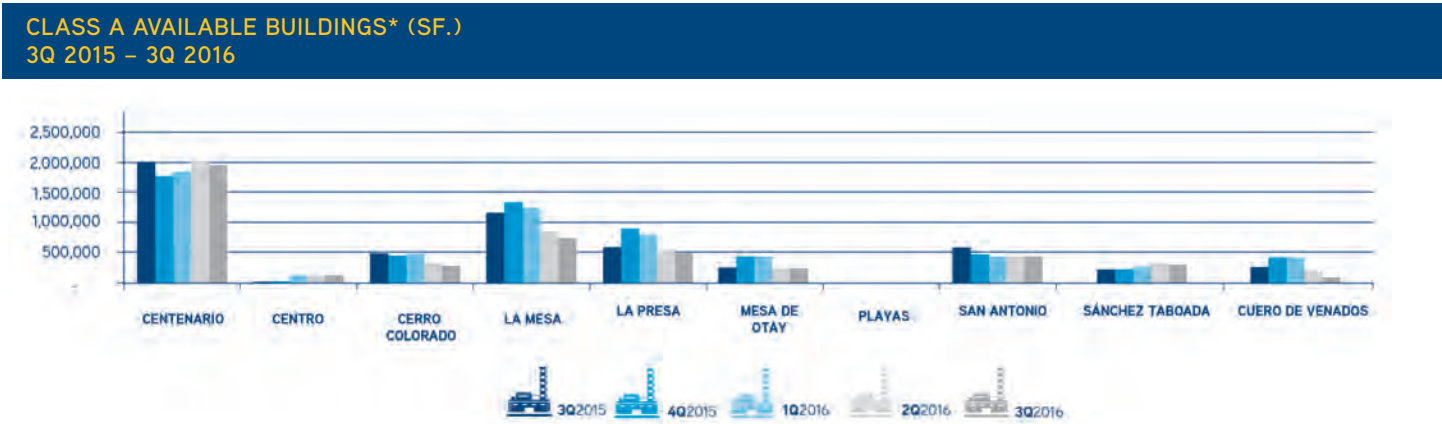
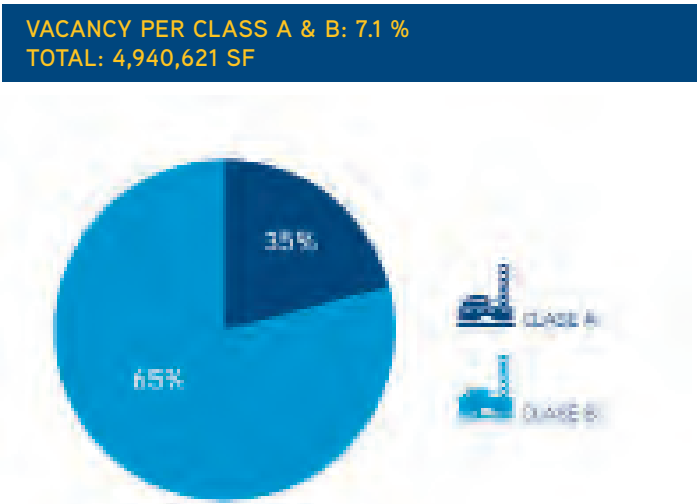
COMPLETED DEVELOPMENTS

| INDUSTRIAL DEVELOPMENTS COMPLETED 3Q 2016 | | | | | |
|---|-----------------|-------|--------------|---------------------------|-----------|
| Namecl | Corredor | Class | Project type | Total developed area (sf) | Developer |
| Parque Industrial FINSA Alamar | Centenario | A | Spec | 211,338.61 | FINSA |
| Parque Industrial Pacifico | Sanchez Taboada | A | Spec | 110,739.11 | ATISA |
| Parque Industrial Valle Bonito | La Presa | A | Spec | 123,999.92 | IAMSA |
| Parque Industrial Vesta Florido | La Presa | A | Spec | 164,986.95 | Vesta |
| Centro Industrial Arboledas | La Mesa | B | Spec | 30,795.55 | ICAL/AFAL |
| Parque Industrial El Lago | Cerro Colorado | A | BTS | 106,002.99 | ND |
| Total | | | | 747,863.12 | |

During the third quarter, the class A inventory increased 4.8%. This represents the construction of six buildings totaling 747,863 square feet.

VACANCY

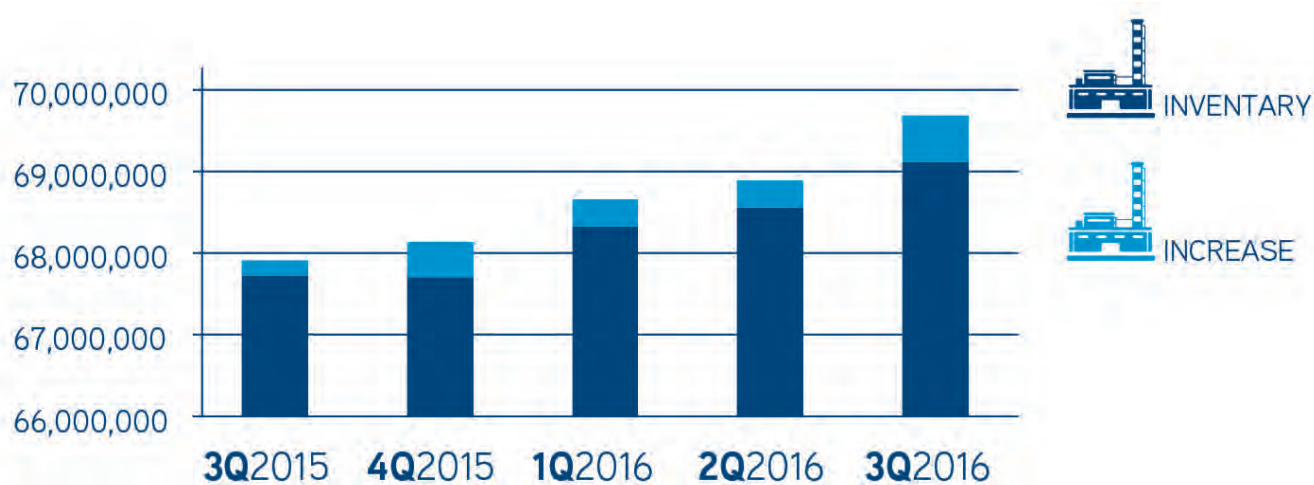
For the third quarter, vacancy rate closed at 7.1%. From the total available space, 35% corresponds to class A buildings and 65% to class B. Giving a total of 4,940,621 square feet of available space.



NEW PROJECTS

Up to the end of the third quarter of 2016 there was detected one class A building under construction. This will increase approximately 34,998 square feet to the existing industrial inventory. The buildings are SPECS and will be added to the fourth quarter 2016 inventory.

**CLASS A BUILDINGS INVENTORY (SF.),
3Q 2015 – 3Q 2016**



INDUSTRIAL DEVELOPMENTS CURRENTLY UNDER CONSTRUCTION 3Q 2016

| # | Park | Class | Submarket | Developer | Rentable sf. |
|-------|--------------------------|-------|-----------------|-----------|--------------|
| 1 | Pacifico Industrial Park | A | Sanchez Taboada | ATISA | 34,998 |
| TOTAL | | | | | 34,998 |

DEMAND

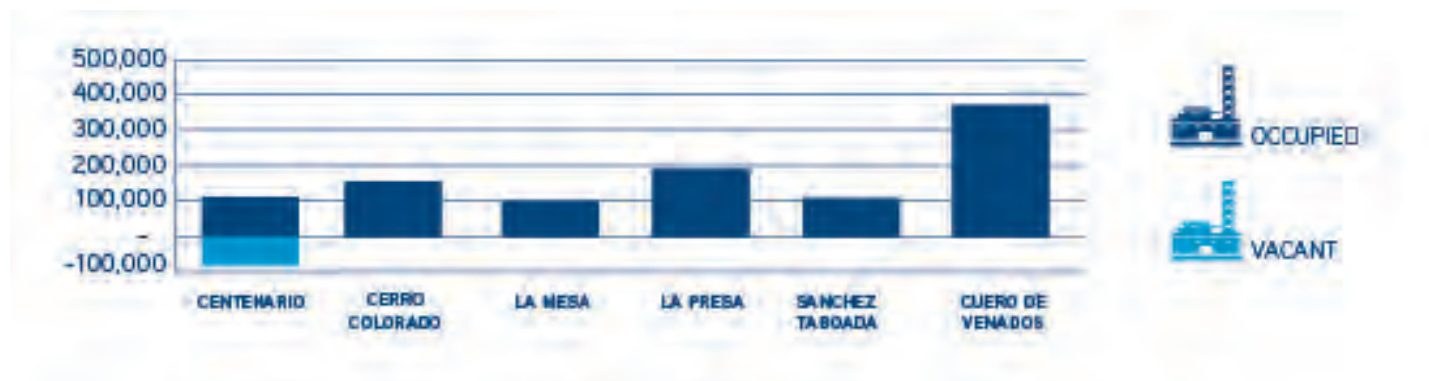
INDUSTRIAL BUILDING TRANSACTIONS

Cuero de Venados submarket was the most active during the first quarter of 2016, with 399,996 square feet of space rented, followed by La Presa with 183,962 square feet, Cerro Colorado with 132,528, Sanchez Taboada with 112,250, La Mesa with 105,854 and Centenario with 48,018 square feet.

ACTIVITY BY SUBMARKET (SF.) 3Q 2016



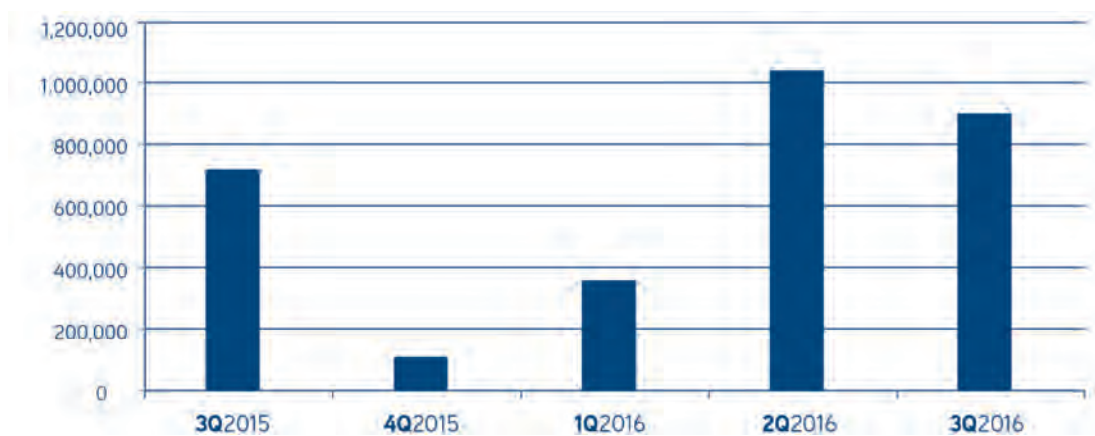
HISTORICAL VACANCY VS RENTS CLASS A AND B BUILDINGS (SF.) 3Q 2015 – 3Q 2016



NET ABSORPTION

Net absorption of the third quarter was 982,608 square feet, broken out into 1,045,830 square feet rented and (-) 63,222 square feet vacant.

NET ABSORPTION (SF.) 3Q 2015 – 3Q 2016 CLASS A & B PROPERTIES



SIGNIFICANT INDUSTRIAL TRANSACTIONS 3Q 2016

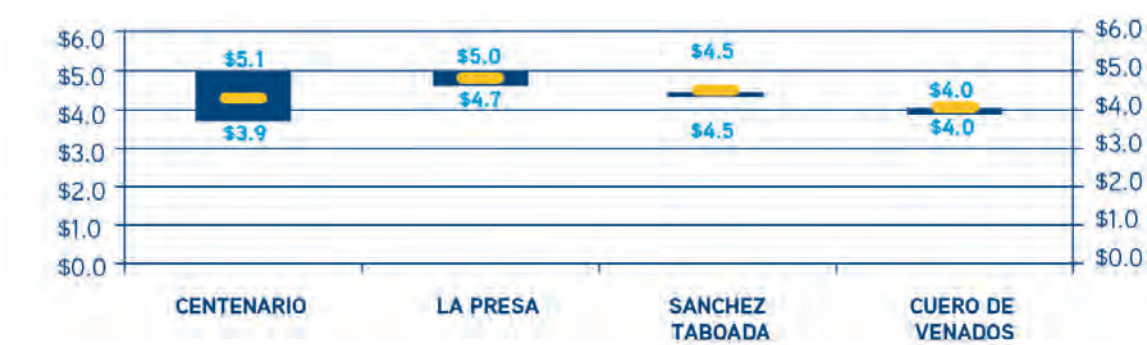
| Company | SF. | Sector | Origin | Submarket | INDUSTRIAL PARK (DEVELOPER) |
|-------------------|---------|-----------------------|----------|------------------|--------------------------------------|
| Atomic Denim | 32,508 | Textil | Corea | Sánchez Taboada | Parque Industrial Pacífico |
| Sinil | 79,732 | Papel Corrugado | Corea | Sánchez Taboada | Parque Industrial Pacífico |
| Sanko | 48,018 | Automotriz | Japón | Centenario | Parque Industrial FINSA Alamar |
| Trump Fashion | 26,528 | Textil | México | La Presa | Parque Industrial Tijuana |
| Hunter Industries | 34,154 | Sistemas de Riego | USA | La Presa | Parque Industrial La Mesa Vesta |
| Samsung | 66,962 | Electrónicos | Corea | La Presa | Parque Industrial Vesta Florido |
| Reckitt | 62,000 | Varios | Inglesa | La Presa | Parque Industrial Valle Bonito |
| Bodega Colina | 31,000 | Ensamble Electrónico | Alemania | La Presa | Parque Industrial Valle Bonito |
| Icon Aircraft | 306,000 | Aeroespacial | Alemania | Cuero de Venados | Parque Industrial Thomas ALba Edison |
| Jack Engle | 106,000 | Reciclaje | USA | Cerro Colorado | Parque Industrial El Lago |
| Hang Ju | 24,000 | Inyección de Plástico | Corea | La Presa | JMR Florido |

PRICES

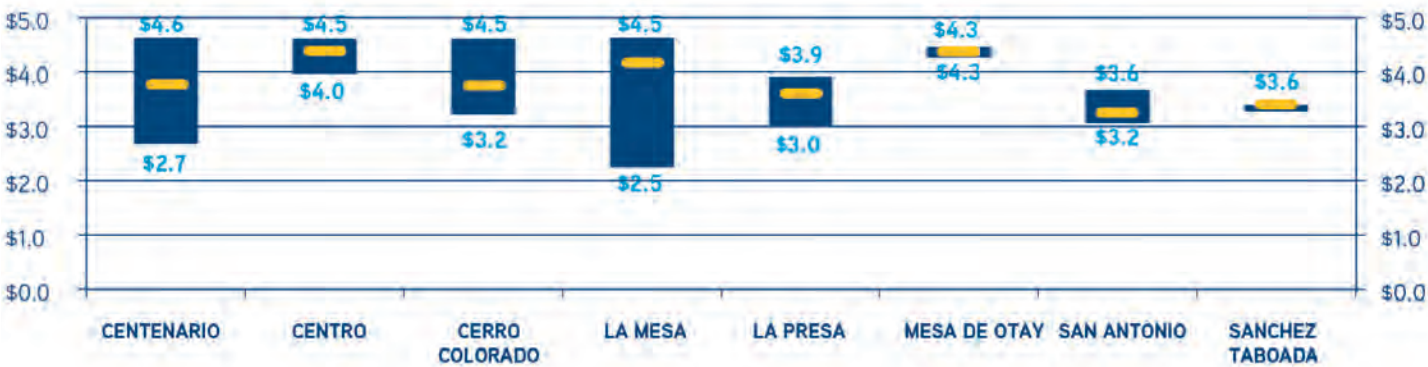
LEASE

At the end of the third quarter of 2016, Class A buildings asking rental rates were \$5.1 to \$3.9 dollars per square feet per year, and for Class B asking rental rates ranged between \$4.6 and \$2.5 per square feet per year, within the ten submarkets monitored.

ASKING PRICE (USD/SF/PER MONTH) CLASS A BUILDINGS 3Q - 2016



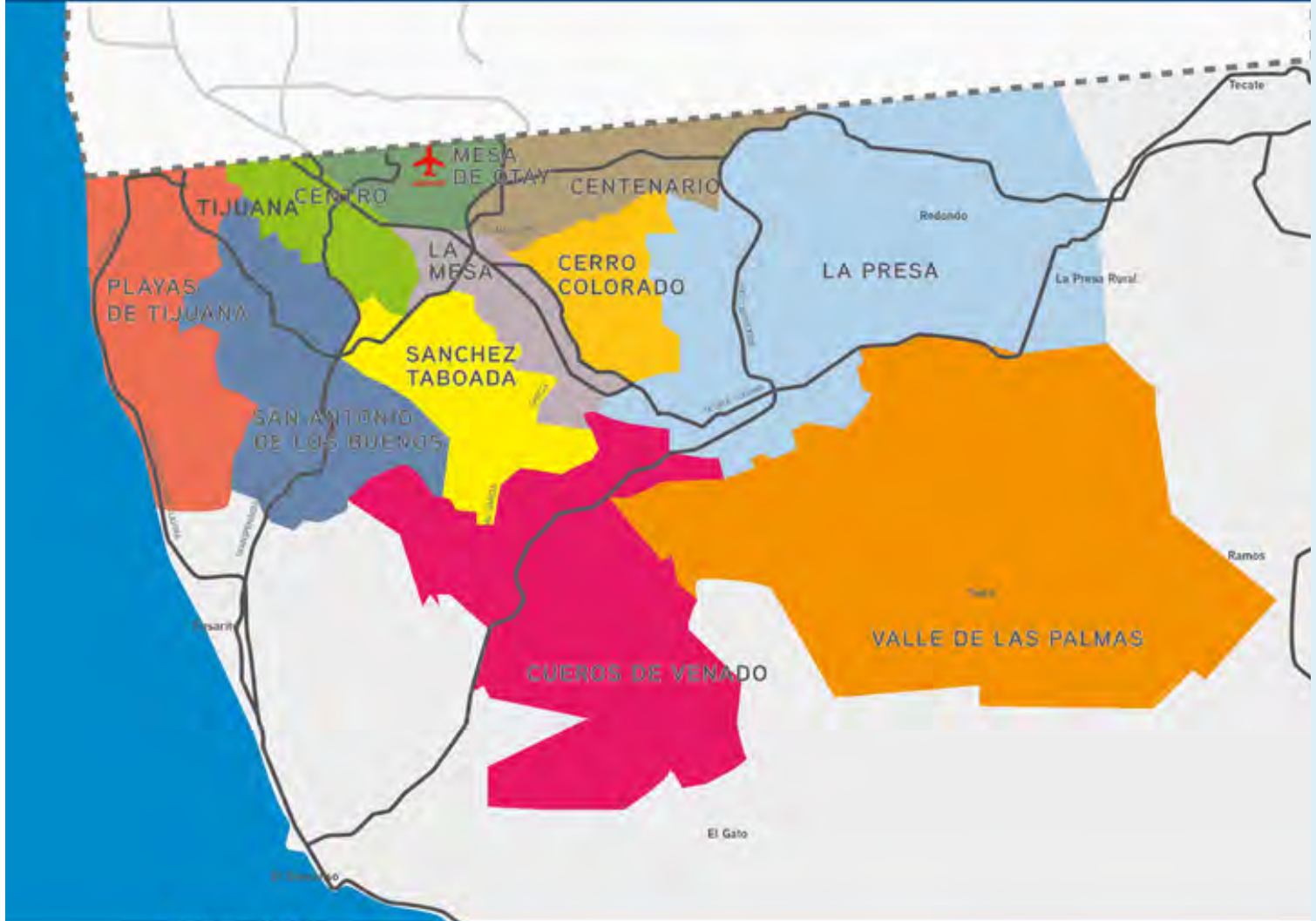
ASKING PRICE (USD/SF/PER MONTH) CLASS B BUILDINGS 3Q - 2016



INDUSTRIAL MARKET ACTIVITY 3Q - 2016

| CORREDOR | CLASS | ANALYZED PROPERTIES | TOTAL MARKET SF | AVAILABLE PROPERTIES | AVAILABLE SPACE SF | % QUARTERLY CURRENT AVAILABILITY | WEIGHTED AVERAGE PRICE | AVERAGE PRICES RANGE | |
|------------------|-------|---------------------|-----------------|----------------------|--------------------|----------------------------------|------------------------|----------------------|--------|
| | | | | | | | | Min. | Max. |
| Total | A | 101 | 15,468,530 | 16 | 1,751,454 | 11.30% | \$4.93 | \$4.32 | \$5.63 |
| | B | 764 | 54,086,728 | 58 | 3,189,168 | 5.90% | \$4.23 | \$2.76 | \$5.07 |
| | Total | 865 | 69,555,258 | 74 | 4,940,621 | 7.10% | \$4.44 | \$4.01 | \$4.81 |
| Centenario | A | 39 | 6,409,457 | 7 | 1,215,648 | 19.00% | \$4.84 | \$4.32 | \$5.63 |
| | B | 221 | 14,865,865 | 17 | 915,877 | 6.20% | \$4.25 | \$3.00 | \$5.07 |
| | Total | 260 | 21,275,322 | 24 | 2,131,525 | 10.00% | \$4.55 | \$3.66 | \$5.35 |
| Centro | A | ND | ND | ND | ND | 0% | 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% | ND | ND | ND |
| | B | 108 | 8,343,536 | 7 | 338,952 | 4.10% | \$4.19 | \$3.60 | \$5.04 |
| | Total | 111 | 8,733,361 | 7 | 338,952 | 3.90% | \$4.19 | \$3.60 | \$5.04 |
| La Mesa | A | ND | ND | ND | ND | 0% | ND | ND | ND |
| | B | 172 | 9,564,148 | 18 | 845,153 | 8.80% | \$3.93 | \$2.76 | \$5.04 |
| | Total | 172 | 9,564,148 | 18 | 845,153 | 8.80% | \$3.93 | \$2.76 | \$5.04 |
| La Presa | A | 29 | 5,070,547 | 5 | 400,063 | 7.90% | \$5.39 | \$5.27 | \$5.52 |
| | B | 60 | 6,123,611 | 2 | 128,877 | 2.10% | \$4.07 | \$3.36 | \$4.35 |
| | Total | 89 | 11,194,158 | 7 | 528,940 | 4.70% | \$4.73 | \$4.31 | \$4.93 |
| Mesa de Otay | A | ND | ND | ND | ND | 0% | ND | ND | ND |
| | B | 34 | 2,927,054 | 3 | 214,270 | 7.30% | \$4.78 | \$4.76 | \$4.79 |
| | Total | 34 | 2,927,054 | 3 | 214,270 | 7.30% | \$4.78 | \$4.76 | \$4.79 |
| Playas | A | 9 | 73,815 | ND | ND | 0% | ND | ND | ND |
| | B | 3 | 139,436 | ND | ND | 0% | ND | ND | ND |
| | Total | 12 | 933,977 | ND | ND | 0% | ND | ND | ND |
| San Antonio | A | 10 | 1,146,645 | ND | ND | 0% | ND | ND | ND |
| | B | 62 | 4,052,427 | 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 | 6 | 791,201 | 2 | 6,665 | 0.00% | 5 | 5 | 5 |
| | B | 88 | 7,403,841 | 2 | 212,421 | 2.90% | \$4.01 | \$4.01 | \$4.01 |
| | Total | 94 | 8,195,042 | 4 | 284,164 | 3.50% | \$4.53 | \$4.53 | \$4.53 |
| Cerro de Venados | A | 5 | 866,312 | 2 | 64,000 | 7.40% | \$4.46 | \$4.46 | \$4.46 |
| | B | ND | ND | ND | ND | 0% | ND | ND | ND |

Tijuana Industrial Map



SUBMARKETS

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

LEGEND

- Main streets
- Industrial Park
- 18 Enterprises in the city
- ✈ Airport

OFFICE | RETAIL | INDUSTRIAL
CORPORATE SERVICES | INVESTMENTS | APPRAISALS | MARKET RESEARCH | MANAGEMENT

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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

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