

# MARKET REPORT

## INDUSTRIAL | TIJUANA | 1Q 2017

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# INDUSTRIAL MARKET

## ECONOMIC OVERVIEW 1Q 2017

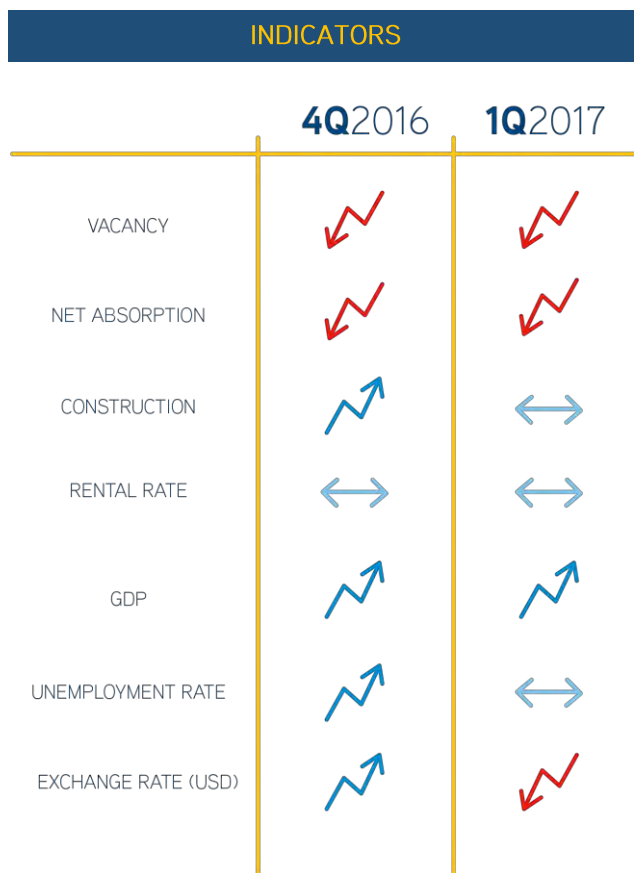
The year 2017 has started with one of the most important event within the international politics; The swearing-in of Donald J. Trump as president of the United States.

Within the first executive actions taken that affects Mexico are the North American Free Trade Agreement (NAFTA) renegotiation and the Signature of the two executive orders on border security and migration, which involves the construction of a wall dividing both regions.

By the end of the first quarter of 2017, negative feelings in Mexico over the Trump effect have been steadily reduced thanks to situations such as the recovery of the mexican peso against the US dollar by a 10% since the highest value of 22,0385 MXN/USD and its' stability in its quotation. Although it is important to keep track of some realities, as the fourth consecutive straight of the forecast by the Central Bank for the growth of the country. It is now estimated within the range of 1.3% and 2.3% which place it by far, below the Initial range from 3.0% to 4.0%.

Finally, adding value to a positive outlook, Ildefonso Guajardo, Minister of Economy, suggests to capitalize the negotiations made for the TPP, in order to close agreements with Asian countries, such as India which has shown a strong growth of 7.0% since the last quarter of 2016; and China, which presented a 9.5% growth in retail sales

during the first months of this year.



## INDUSTRIAL OVERVIEW

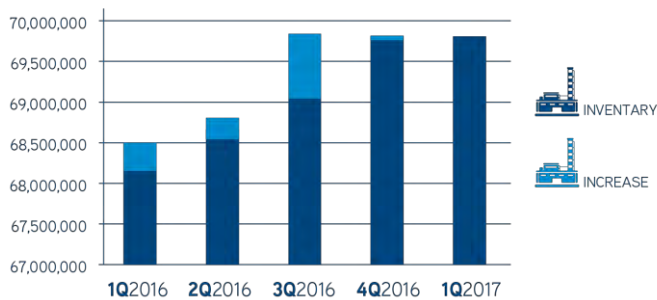
During the first quarter of 2017, the vacancy rate in Class A and B buildings closed at 4.1%.

Regarding to Class A properties, there are eight industrial buildings under construction, which sums 1,060,191 square feet, which will be incorporated into the inventory along this year.

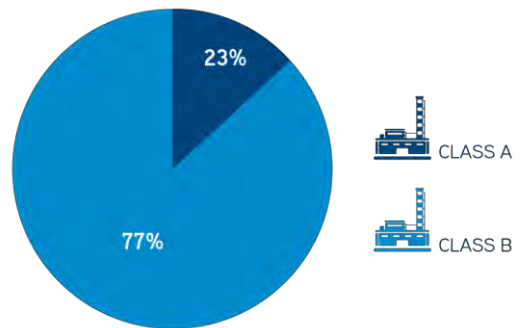
# Supply INVENTORY

At the end of the first quarter of 2017, Tijuana real estate market, which consists of ten industrial submarkets, 868 industrial properties (over 21,500 sf. were monitored). Giving a total of 69,967,213 square feet. Based on the inventory, class A buildings represent 23% and class B 77%.

## INVENTORY AND HISTORICAL GROWTH 1Q 2016 – 1Q 2017 (SF.)

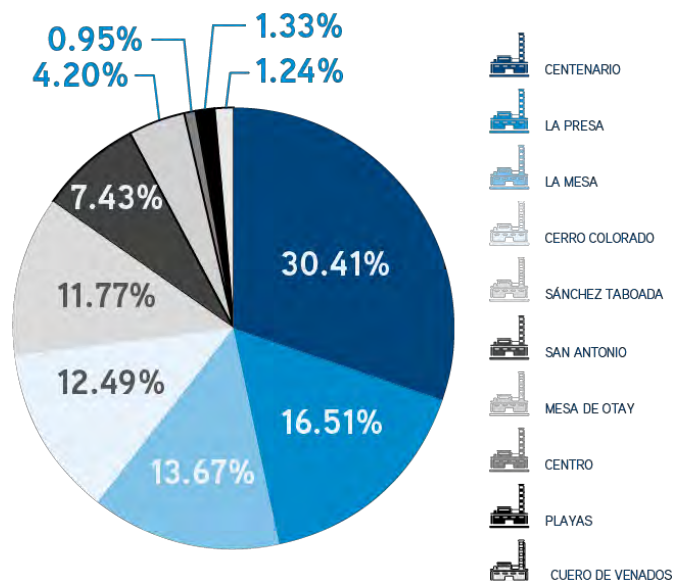


## INVENTORY (SF.) PER CLASS, 1Q 2017 TOTAL: 69'967,213 SF.



## Distribution of Buildings by Submarket

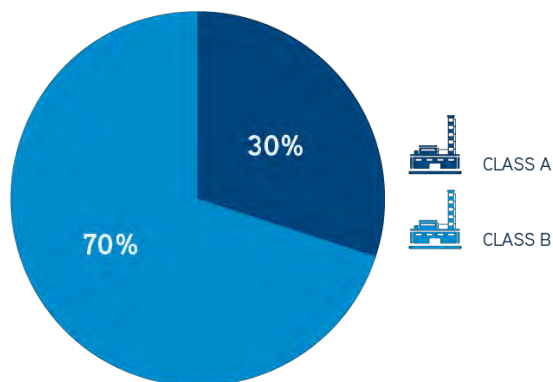
The total inventory of industrial buildings class A and B, is distributed as follows within the ten industrial submarkets of the city.



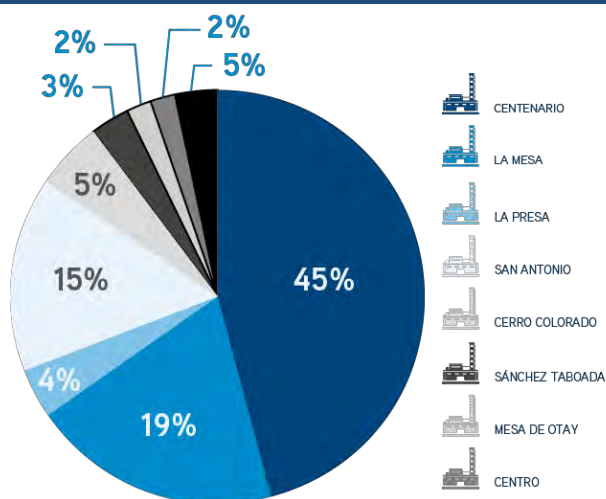
# VACANCY

For the first quarter 2017, vacancy rate closed at 4.1%. From the total available space, 30% belongs to class A buildings and 70% to class B. Giving a total of 2,861,346 square feet of available space.

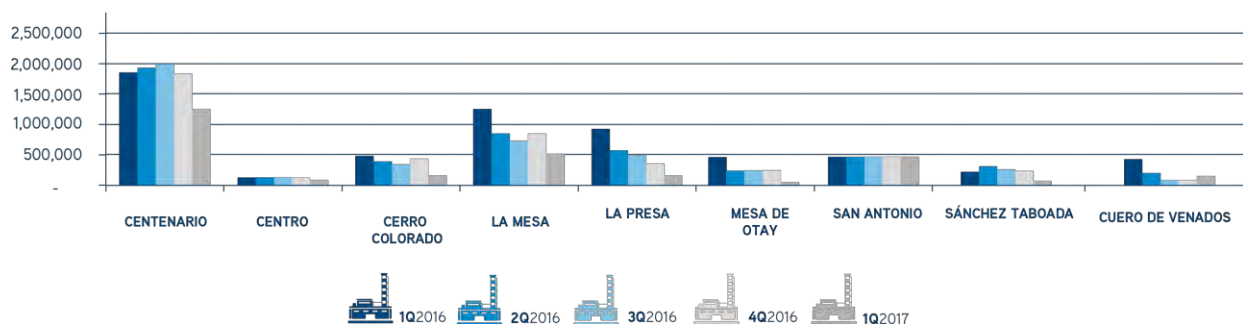
**VACANCY PER CLASE "A" Y "B" 4.1%. TOTAL: 2,861,346 SF.**



## CLASS A & B BUILDINGS VACANCY BY SUBMARKET



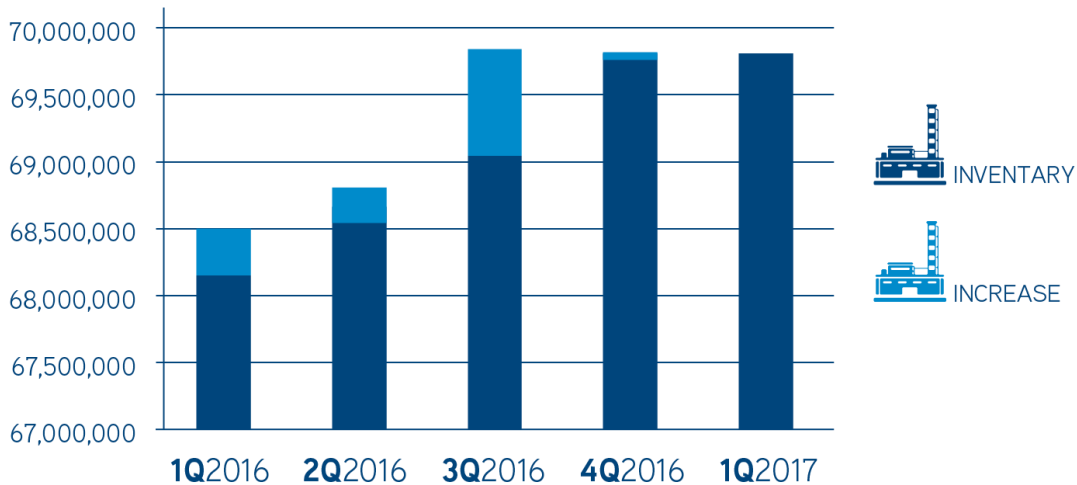
## AVAILABLE BUILDINGS CLASS "A" & "B" 1Q 2016 – 1Q 2017



# NEW PROJECTS

By the eNA of the first quarter of 2017 there were detected eight industrial properties Class A under construction. This will increase approximately 1,060,193 square feet to the current industrial inventory. It is worth mentioning, that during this quarter the construction of six industrial buildings began.

## CLASS "A" BUILDINGS INVENTORY (SF.) 1Q2016 – 1Q 2017



## 1Q 2017 INDUSTRIAL DEVELOPMENTS UNDER CONSTRUCTION

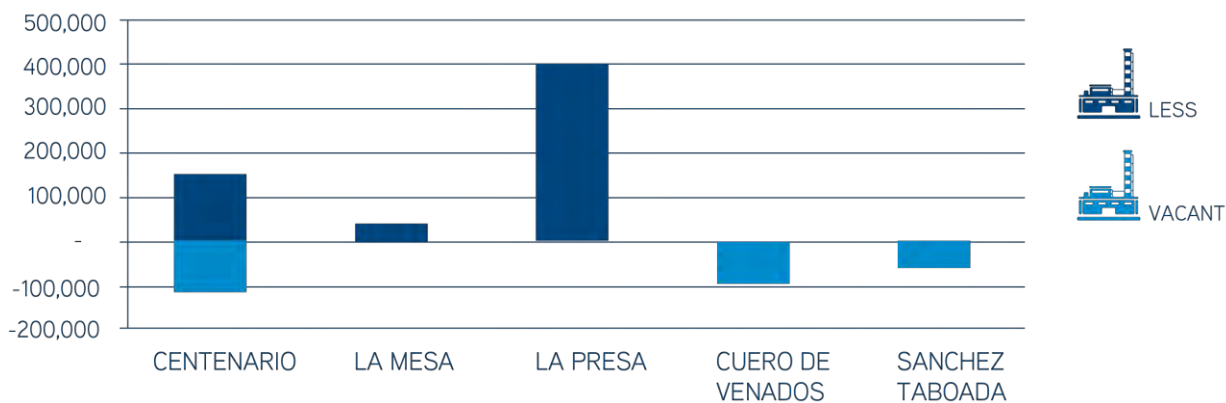
Year	#	Location	Class	Corredor	Development	SF Area	Date	Project Type
2017	1	CPA Buinesses Center	A	La Presa	CPAmericas	41,0000	June 2017	BTS (MPA Motorcar Parts de México)
	2	CPA Buinesses Center	A	La Prea	CPAmericas	60,000	June 2017	Expansion (OXXO)
	3	Pacifico INAustrial Park	A	San Antonio de los Buenos	ATISA	63,162	June 2017	Speculative
	4	El Realito II INAustrial Park	A	La Presa	Grupo T&G	90,000	June 2017	Speculative
	5	El Lago INAustrial Park	A	Cerro Colorado	Private	60,000	June 2017	Speculative
	6	Valle Bonito INAustrial Park	A	La Presa	IAMSA	146,389	August 2017	Speculative
	7	El Florido INAustrial Park	A	La Presa	Private	48,000	August 2017	Speculative
	8	Pacifico INAustrial Park	A	San Antonio de los Buenos	Vesta	182,642	October 2017	Speculative
Total						1,060,193		

# DEMAND

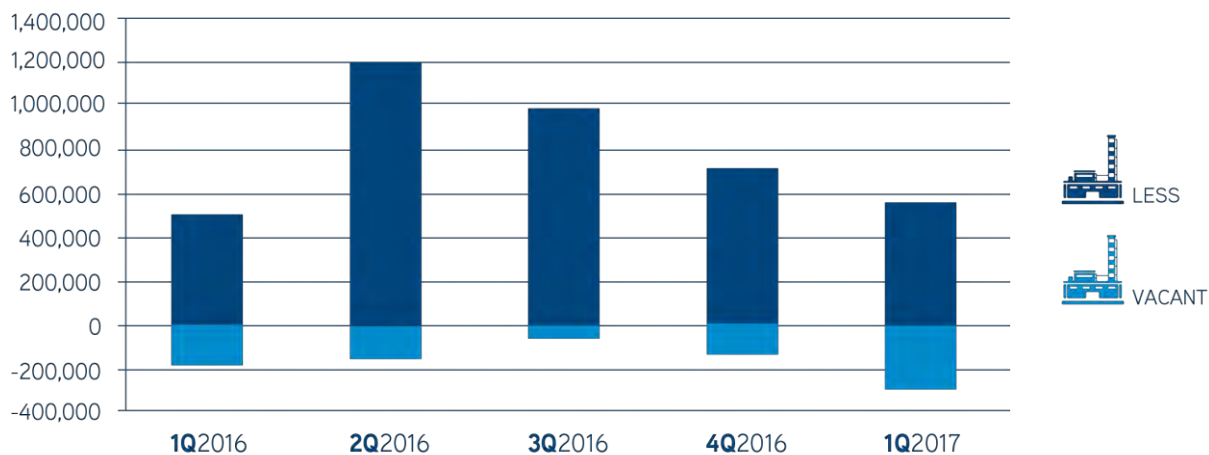
## INDUSTRIAL BUILDING TRANSACTIONS

The largest market activity by submarket during the first quarter of 2017 was monitored in La Presa, followed by Centenario and La Mesa. Cuero de Venados and Sánchez Taboada got negative activity among its market.

### ACTIVITY BY SUBMARKET (SF.) 1Q 2017



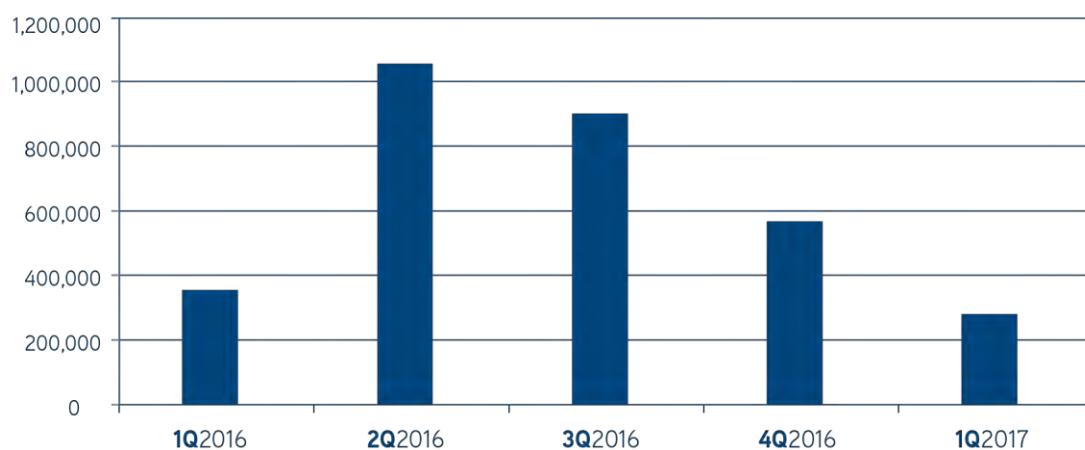
### OCCUPANCY VS. VACANCY CLASS "A" & "B" 1Q 2017 – 1Q 2017



# ABSORPTION

Net absorption for the first quarter 2017 was 319,107 squared feet. 613,563 square feet occupied and (-)264,456 square feet vacant.

## NET ABSORPTION (SF.) 1Q 2016 – 1Q 2017 CLASS “A” & “B”



## REPRESENTATIVE TRANSACTIONS 1Q 2017

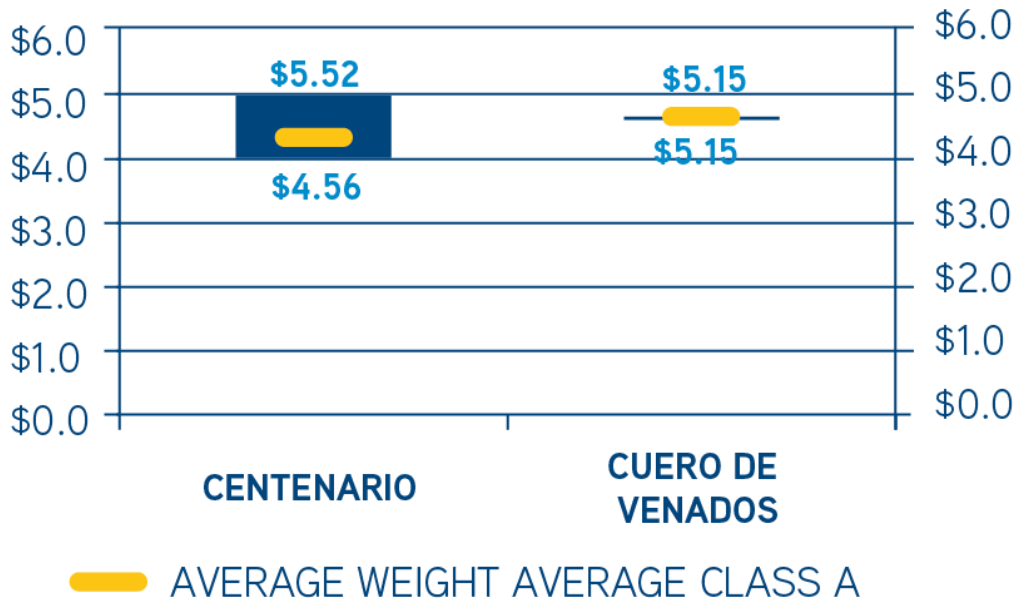
Company	SF.	Sector	Transaction	INAustrial Park
Bench Mark	194,913	Services	USA	CPA Business Center
Domcasters	105,562	Aerospace	USA	Parque INAustrial FINSA Alamar
INAio Products	84,992	Miscellaneous	USA	Parque INAustrial El Florido Vesta
Confidential	82,129	Foam	NA	Parque INAustrial El Florido Vesta
IZZl	46,005	Telecommunications	Mexico	Ciudad INAustrial
Simsa	31,000	Logistic	Mexico	Parque INAustrial Valle Bonito
TECMA	29,999	Injection de Plastic	NA	Parque INAustrial El Florido
Avent	24,423	Medic	USA	Parque Industrial La Mesa Vesta



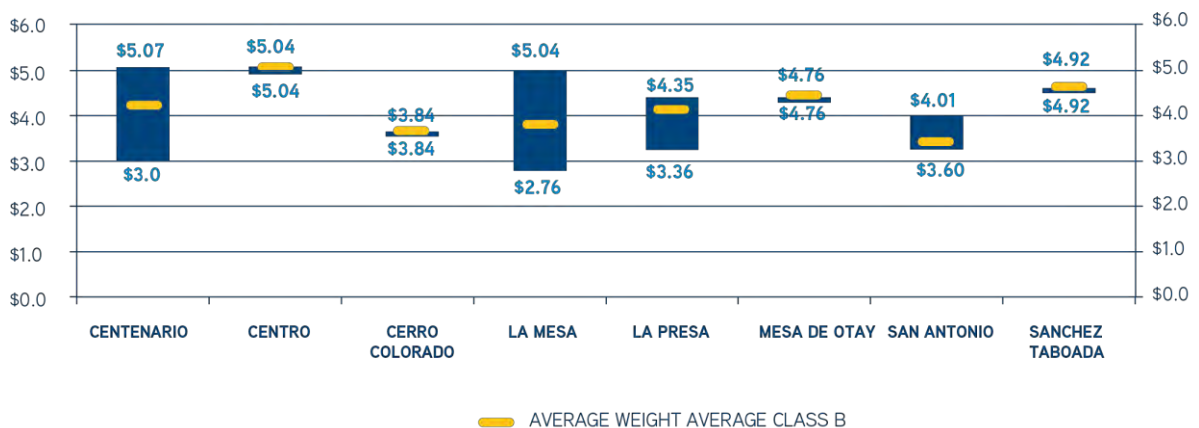
# PRICES LEASE

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

## ASKING PRICE (USD/SF/PER YEAR) CLASS "A" BUILDING 1Q 2017



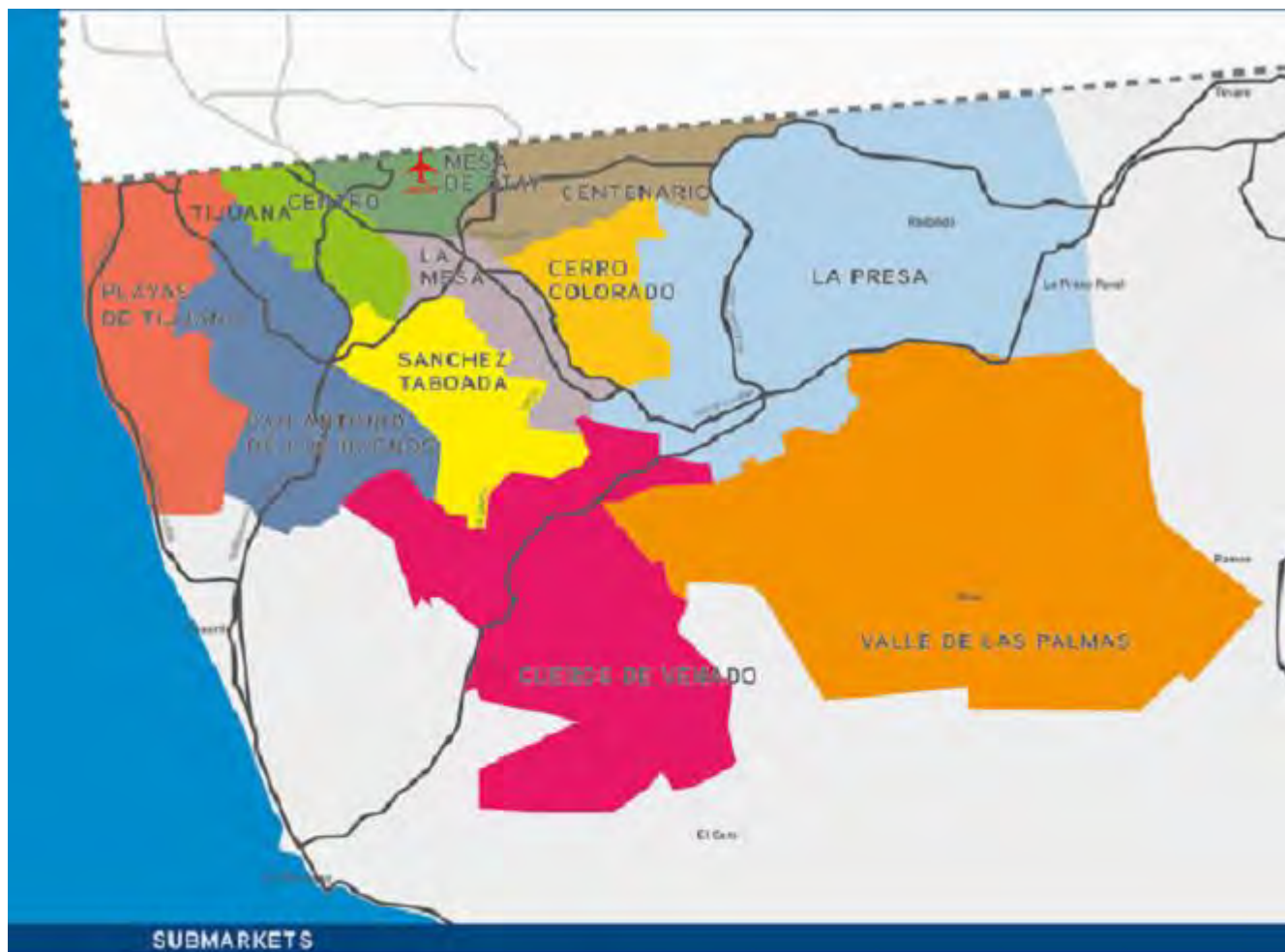
## ASKING PRICE (USD/SF/PER YEAR) CLASS "B" BUILDING 1Q 2017



# INDUSTRIAL MARKET ACTIVITY 1Q-2017

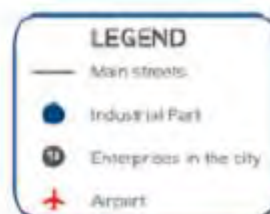
Corredor	Class	Analyzed Properties	Total Market SF	Available Properties	Available Space SF	% Quarterly Current Availability	Weighted Average Price	Average Price Range	
								Min.	Max.
Total	A	104	15,864,482.35	23	526,613.32	3.3%	\$3.34	\$0.00	\$5.52
	B	764	54,102,730.82	48	2,334,732.44	4.3%	\$4.37	\$2.76	\$5.07
	Total	868	69,967,213.18	71	2,861,345.76	4.1%	\$4.12	\$3.79	\$4.46
Centenario	A	39	6,409,241.65	2	396,813.37	6.2%	\$4.85	\$4.56	\$5.52
	B	221	14,869,433.69	16	892,035.36	6.0%	\$4.28	\$3.00	\$5.07
	Total	260	21,278,675.35	18	1,288,848.73	6.1%	\$4.57	\$3.78	\$5.30
Centro	A	NA	NA	NA	NA	0.0%	NA	NA	NA
	B	16	666,766.23	2	69,864.99	10.5%	\$5.04	\$5.04	\$5.04
	Total	16	666,766.23	2	69,864.99	10.5%	\$5.04	\$5.04	\$5.04
Cerro Colorado	A	3	389,825.19	NA	NA	0.0%	NA	NA	NA
	B	108	8,347,266.13	2	115,711.82	1.4%	\$3.84	\$3.84	\$3.84
		111	8,737,091.32	2	115,711.82	1.3%	\$3.84	\$3.84	\$3.84
La Mesa	A	NA	NA	NA	NA	0.0%	NA	NA	NA
	B	172	9,564,147.53	8	548,726.69	5.7%	\$3.82	\$2.76	\$5.04
	Total	172	9,564,147.53	8	548,726.69	5.7%	\$3.82	\$2.76	\$5.04
La Presa	A	31	5,425,668.01	19		0.0%	\$0.00	\$0.00	\$0.00
	B	60	6,123,610.80	11	128,876.94	2.1%	\$4.07	\$3.36	\$4.35
	Total	91	11,549,278.81	30	128,876.94	1.1%	\$2.03	\$1.68	\$2.17
Mesa de Otay	A	NA	NA	NA	NA	0.0%	NA	NA	NA
	B	34	2,935,756.74	1	59,932.81	2.0%	\$4.76	\$4.76	\$4.76
	Total	34	2,935,756.74	1	59,932.81	2.0%	\$4.76	\$4.76	\$4.76
Playas	A	9	73,815	NA	NA	0.0%	NA	NA	NA
	B	3	139,435.56	NA	NA	0.0%	NA	NA	NA
	Total	12	933,976.93	NA	NA	0.0%	NA	NA	NA
San Antonio	A	10	1,146,645.49	NA	NA	NA	NA	NA	NA
	B	62	4,052,472.19	6	442,927.90	10.9%	\$3.69	\$3.60	\$4.01
	Total	72	5,199,117.68	6	442,927.90	8.5%	\$3.69	\$3.60	\$4.01
Sanchez Taboada	A	7	832,248.71	NA	NA	0.0%	NA	NA	NA
	B	88	7,403,841.94	2	76,655.94	1.0%	\$4.92	\$4.92	\$4.92
	Total	95	8,236,090.65	2	76,655.94	0.9%	\$4.92	\$4.92	\$4.92
Cuero de Venados	A	5	866,311.93	2	129,799.95	15.0%	\$5.15	\$5.15	\$5.15
	B	NA	NA	NA	NA	0.0%	NA	NA	NA
	Total	5	866,311.93	2	129,799.95	15.0%	\$5.15	\$5.15	\$5.15

# 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                |                       |



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# GLOSSARY

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**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 submarket.

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