

MARKET REPORT

INDUSTRIAL | TIJUANA | 2Q 2017

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ECONOMIC OVERVIEW 2Q 2017

Throughout the second quarter of the year the country experienced a slightly higher growth than the expected. Altogether, this growth helps the expansion of the GDP for 2017. Moreover, the Central Bank foresees an economic growth between 1.5 – 2.5 percent, unlike of the range that was estimated of the 1.3 – 2.3 percent. The Finance Department also elevated their forecast to a 1.5 -2.5 percent growth range and the Bank of Mexico sustained the percentage in a 1.7 – 2.7 range.

Although the performance of the economic activity has been positive, a certain deceleration could be expected in the productive activity for the next quarter due to the uncertainty factors like the upcoming presidential elections in 2018, the renegotiation of the North America Free Trade Agreement (NAFTA) and the future relation between Mexico and the United States of America. These might slow down the gross fixed investment, especially related to the expansion of the activities associated with the manufacturing industry commerce.

As to the inflation, it is expected that it will still have its temporary repercussions due to the instability on the Mexican currency and the liberation on the gas rate. It is expected that throughout 2017 the inflation will be located above the range of variation settled by the Bank of Mexico, waiting for it to be even higher than 5 % generating adjustments in the interest rate, same that has been the target of the bank in several occasions, going from a 5.75% to a 6.75%, in the period from January to May of the current year. Likewise, it is anticipated that on the year closure and throughout 2018 it could return to abreast the objective of 3%.

Despite de uncertainty factors in the country, they do not reflect a malfunction on the monetary policy, and faraway from a crisis, there are favorable symptoms that require the necessary attention to stabilize the system of confidence in external investors according to a macroeconomic discipline. This is reflected in growth and checks with IMEF forecasts.

The generation of 431,000 jobs compared with the 373,000 employments generated last year, the current price of the peso against the dollar with an appreciation related to the levels reported at the beginning of 2017; and the availability of a flexible line of credit provided through the IMF, these all confirm that México is fulfilling all the criteria for the necessary qualification to access the contingent resources and that they generate important incentives to continue maintaining the solidity in the economic basics.

MARKET INDICATORS

	1Q2016	2Q2017
VACANCY RATE		
NET ABSORPTION		
CONSTRUCTION		
AVERAGE LEASE PRICE		
GDP		
UNEMPLOYMENT RATE		
EXCHANGE RATE		

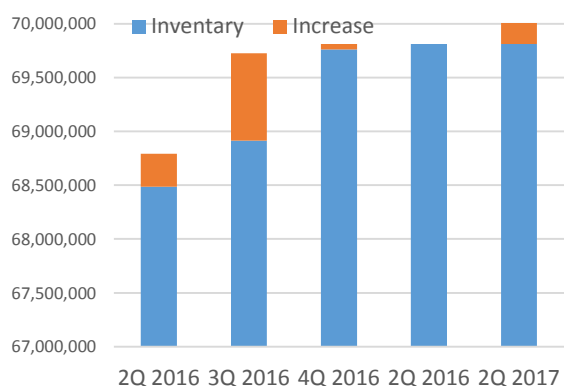
INDUSTRIAL OVERVIEW

During the second quarter of 2017, the vacancy rate in Class A and B buildings closed at 1.5%. Regarding the Class A properties, there are six industrial buildings under construction, which sum 935,550 square feet, which will be incorporated into the inventory during the year.

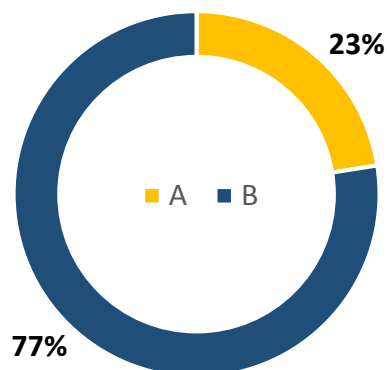
SUPPLY INVENTORY

At the end of the second quarter of 2017, Tijuana's real estate market, which consists of ten industrial submarkets, we have monitored 872 industrial properties (over 21,500 sf.). Totaling 70'057,281 square feet. Based on the inventory, class A buildings represent 23% and class B ships 77%.

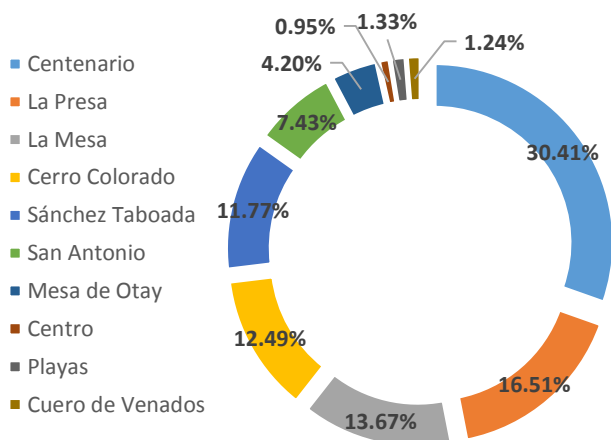
INVENTORY AND HISTORICAL GROWTH
2Q 2016 – 2Q 2017 (SF.)



INVENTORY (SF.) PER CLASS, 2Q 2017
TOTAL: 70'057,280 SF.



DISTRIBUTION OF BUILDINGS BY CORREDOR

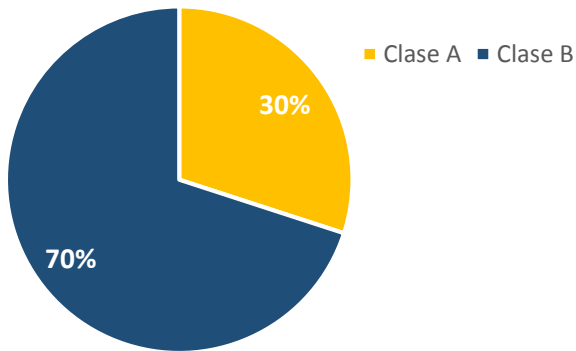


The total inventory of industrial buildings class A and B, is distributed as follows in the ten industrial corridors of the city of Tijuana.

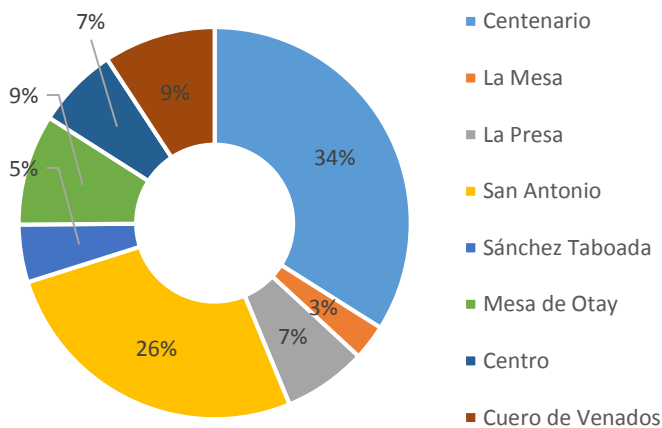
VACANCY

VACANCY PER CLASE "A" Y "B" 1.5 %.
TOTAL: 1'037,435 SF.

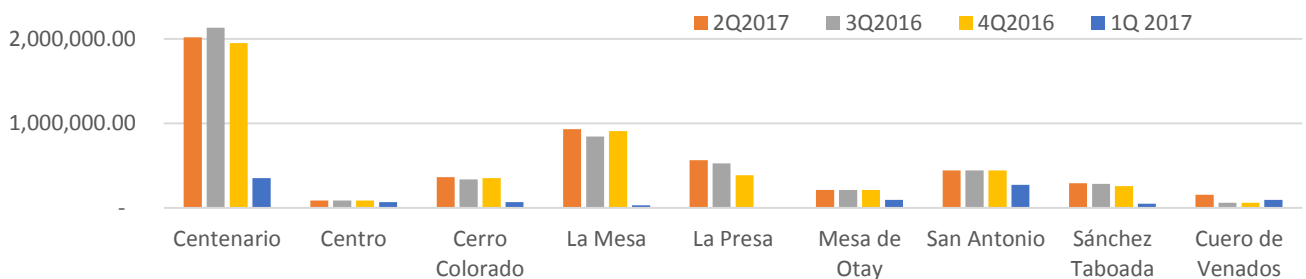
For the second quarter 2017, vacancy closed at 1.5%. From the total available space, 30% corresponds to class A buildings and 70% to class B. Giving a total of 1'037,435 square feet of available space.



CLASS A & B BUILDINGS
VACANCY BY SUBMARKET



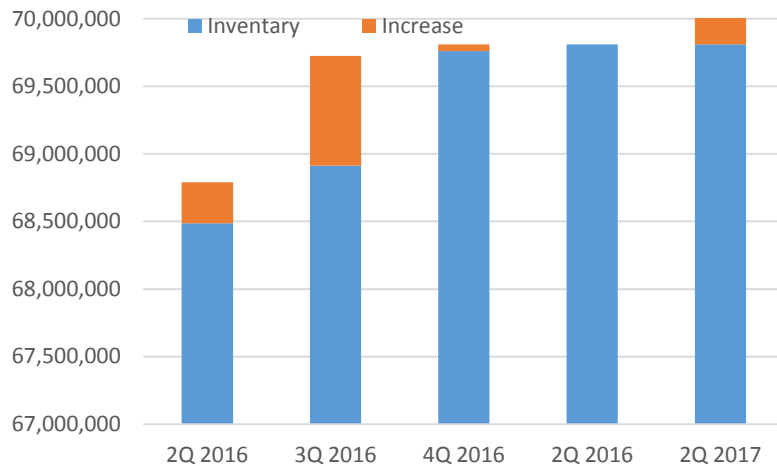
CLASS AVAILABLE BUILDINGS "A" Y "B" 2Q 2016 – 2Q 2017



NEW PROJECTS

Up the end of the second quarter of 2017 there were detected six Class A industrial properties under construction. This will increase approximately 935,550 square feet to the existing industrial inventory.

CLASS "A" BUILDINGS INVENTORY (SF.) 2Q2016 – 2Q 2017



2Q 2017 INDUSTRIAL DEVELOPMENTS IN CONSTRUCTION

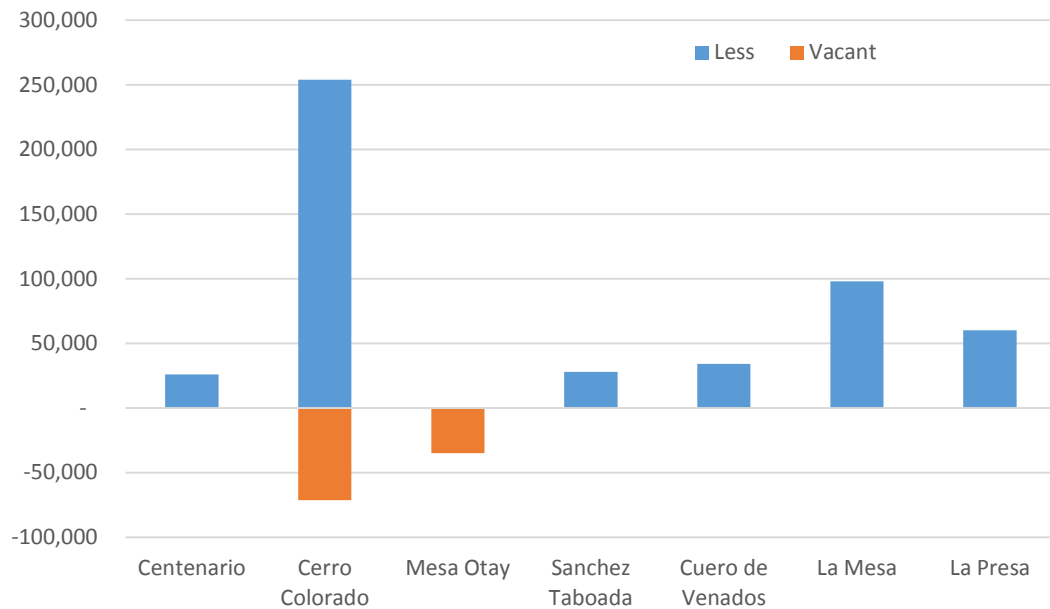
LOCATION	CLASS	SUBMARKET	DEVELOPMENT	SF AREA	FINISH	PROJECT TYPE
Centro Industrial Girasol II	A	Cerro Colorado	FIMHER	34,832	September 2017	Speculative
CPA Buinesses Center	A	La PreSa	CPAmericas	410,000	September 2017	BTS
Parque Industrial Pacifico	A	San Antonio de los Buenos	ATISA	63,162	September 2017	Speculative
Parque Industrial El Realito II	A	La Presa	Grupo T&G	90,000	September 2017	Speculative
Parque Industrial Valle Bonito	A	La Presa	IAMSA	146,389	September 2017	Speculative
Parque Industrial Pacifico	A	San Antonio de los Buenos	Vesta	191,167	October 2017	Speculative
TOTAL				935,550		

DEMAND

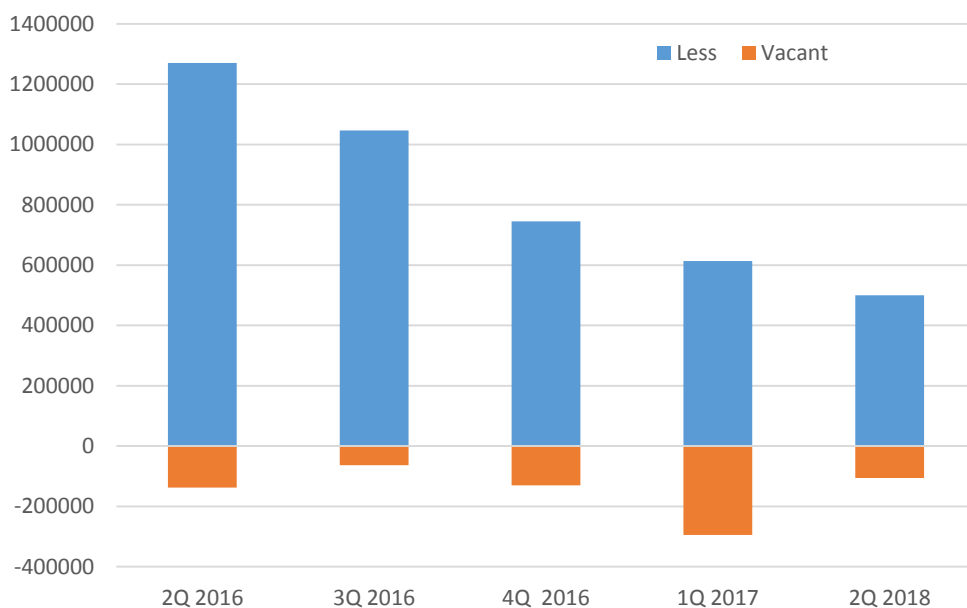
INDUSTRIAL BUILDING TRANSACTIONS

The highest market activity per corridor during the second quarter of 2017 was monitored in the Cerro Colorado corridor, followed by La Mesa, La Presa, Cueros de Venados, Sanchez Taboada and Centenario.

ACTIVITY BY SUBMARKET (SF.) 2Q 2017



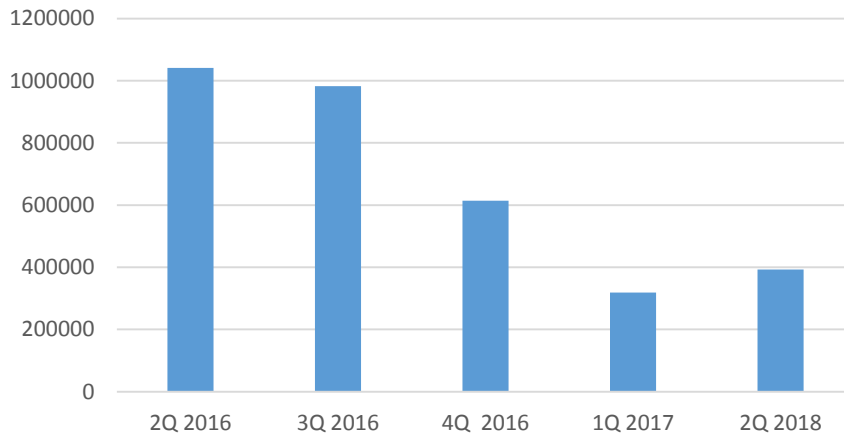
HISTORICAL VACANCY VS RENT CLASS "A" & "B" 2Q 2017 – 2Q 2017



NET ABSORPTION

Net absorption of the second quarter 2017 was 393,360 square feet, broken out into 499,664 square feet rented and (-) 106,304 square feet vacant.

NET ABSORPTION (SF.)
2Q 2016 - 2Q 2017 CLASS "A" & "B" PROPERTIES



INDUSTRIAL TRANSACTIONS 2Q 2017

COMPANY	SF.	SECTOR	TRANSACTION	INDUSTRIAL PARK
Esterline	86,111	Aerospace	Reino Unido	Parque Industrial El Aguila
Bekaert	67,676	Mattresses	USA	Ciudad Industrial
Rogers Foam	64,519	Foam	USA	Parque Industrial Baja Maq El Aguila
Grupo P.I. Mabe	60,292	Diapers	Mexico	Parque Industrial El Lago
Oxxo	60,000	Warehouse	Mexico	CPA Buinesses Center
Induspack	27,839	Corrugated Boxes	USA	Parque Industrial Pacifico
Chulabrand	25,938	Food	Mexico	Ciudad Industrial

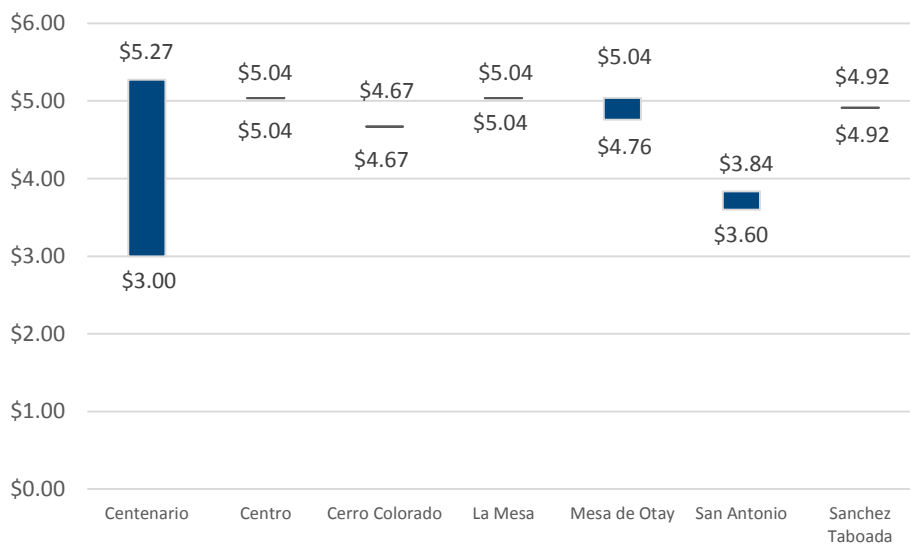
PRICES LEASE

At the end of the second quarter of 2017, Class A building asking rental rates were: \$ 5.52 to \$ 5.15 dollars per square feet per year, and for Class B asking rental rates ranged between \$ 5.27 to \$ 3.00 dollars per square feet per year, within the ten submarkets monitored.

ASKING PRICE (USD/SF/PER YEAR) CLASS "A" BUILDING 2Q 2017



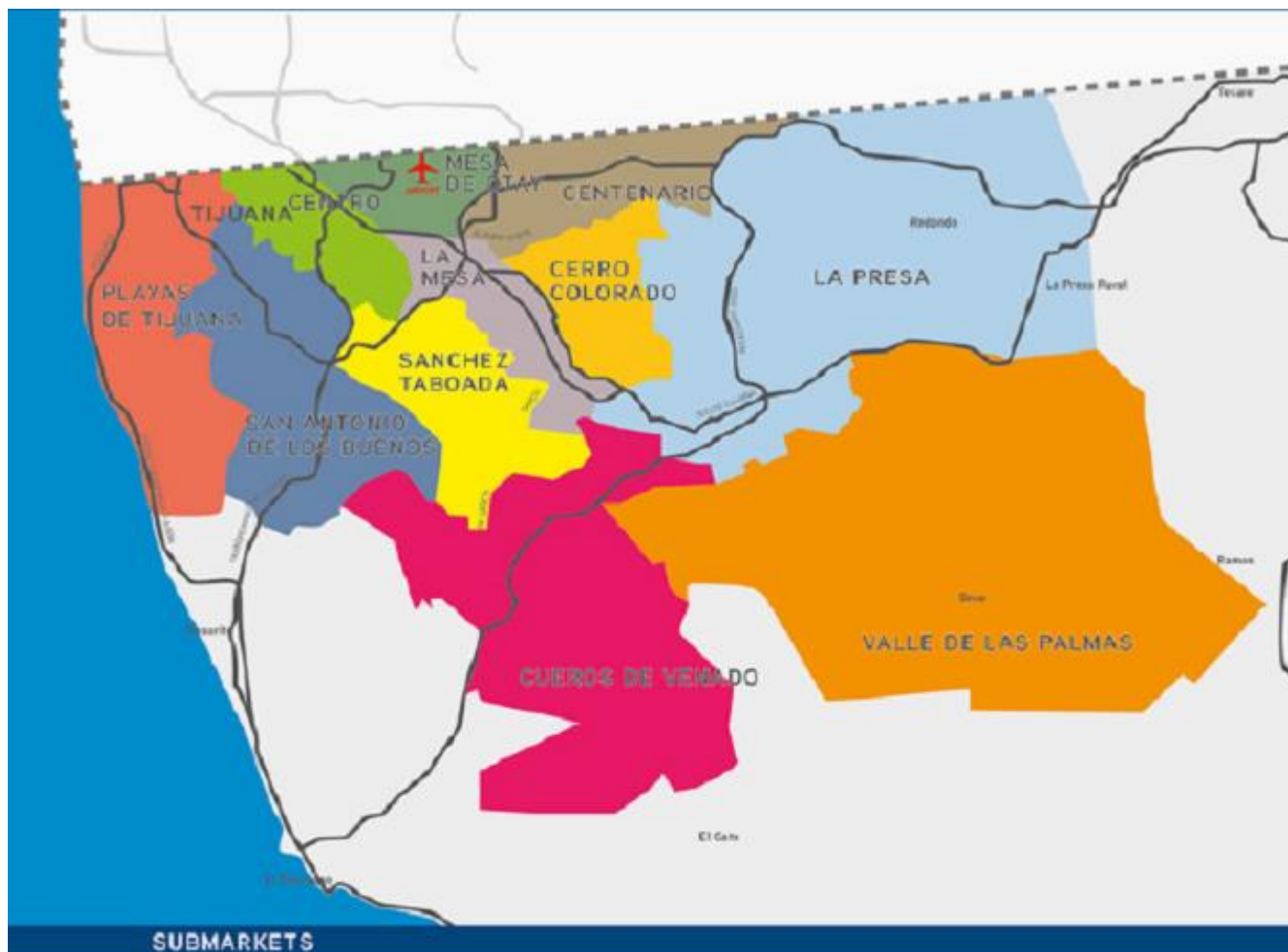
ASKING PRICE (USD/SF/PER YEAR) CLASS "B" BUILDING 2Q 2017



INDUSTRIAL MARKET ACTIVITY 2Q-2017

SUBMARKET	CLASS	ANALYZED PROPERTIES	TOTAL MARKET SF	AVAILABLE PROPERTIES	AVAILABLE SPACE SF	% QUARTERLY CURRENT AVAILABILITY	WEIGHTED AVERAGE PRICE	AVERAGE PRICE RANGE	
								MIN.	MAX.
Total	A	107	3	16,027,825	381,893.95	2.40%	\$5.33	\$5.15	\$5.52
	B	765	11	54,029,456	655,541.17	1.20%	\$4.57	\$3.00	\$5.27
	Total	872	14	70,057,281	1,037,435.12	1.50%	\$4.71	\$4.60	\$4.88
Centenario	A	39	2	6,409,242	286,093.96	4.50%	\$5.52	\$5.52	\$5.52
	B	221	2	14,660,739	66,238.30	0.50%	\$3.95	\$3.00	\$5.27
	Total	260	4	21,069,980	352,332.27	1.70%	\$4.73	\$4.26	\$5.40
Centro	A	ND	ND	ND	ND	0.00%	ND	ND	ND
	B	16	2	666,766	69,864.99	10.50%	\$5.04	\$5.04	\$5.04
	Total	16	2	666,766	69,864.99	10.50%	\$5.04	\$5.04	\$5.04
Cerro Colorado	A	5	ND	493,169	ND	0.00%	ND	ND	ND
	B	108	1	8,427,899	71,300.14	0.80%	\$4.67	\$4.67	\$4.67
		113	1	8,921,068	71,300.14	0.80%	\$4.67	\$4.67	\$4.67
La Mesa	A	ND	ND	ND	ND	0.00%	ND	ND	ND
	B	173	1	9,618,936	30,391.58	0.30%	\$5.04	\$5.04	\$5.04
	Total	173	1	9,618,936	30,391.58	0.30%	\$5.04	\$5.04	\$5.04
La Presa	A	32	ND	5,485,666	ND	ND	ND	ND	ND
	B	60	ND	6,123,611	ND	ND	ND	ND	ND
	Total	92	ND	11,609,277	ND	ND	ND	ND	ND
Mesa de Otay	A	ND	ND	ND	ND	0.00%	ND	ND	ND
	B	34	2	2,935,757	94,937.04	3.20%	\$4.86	\$4.76	\$5.04
	Total	34	2	2,935,757	94,937.04	3.20%	\$4.86	\$4.76	\$5.04
Playas	A	9	ND	73,815	ND	0.00%	ND	ND	ND
	B	3	ND	139,436	ND	0.00%	ND	ND	ND
	Total	12	ND	933,977	ND	0.00%	ND	ND	ND
San Antonio	A	10	ND	ND	ND	ND	ND	ND	ND
	B	62	2	4,052,472	273,457.13	6.70%	\$3.64	\$3.60	\$3.84
	Total	72	2	5,199,118	273,457.13	5.30%	\$3.64	\$3.60	\$3.84
Sanchez Taboada	A	7	ND	832,249	ND	0.00%	ND	ND	ND
	B	88	1	7,403,842	49,351.99	0.70%	\$4.92	\$4.92	\$4.92
	Total	95	1	8,236,091	49,351.99	0.60%	\$4.92	\$4.92	\$4.92
Cuero de Venados	A	5	1	866,312	95,799.98	11.10%	\$5.15	\$5.15	\$5.15
	B	ND	ND	ND	ND	0.00%	ND	ND	ND
	Total	5	1	866,312	95,799.98	11.10%	\$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

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.

LÍDERES GLOBALES EN SERVICIOS INMOBILIARIOS

MÁS DE
550
OFICINAS
EN **66** PAÍSES



9 OFICINAS
EN **MÉXICO**



MÁS DE
5,700 ASESORES
MÁS DE **16,000** PROFESIONALES

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