Industrial Trends & Statistics

4th Quarter 2017

TIJUANA, BAJA CALIFORNIA

Prepared by:

Rich Kwasny, SIOR
Senior Vice President
License No. 00803677
Dir +1 858 677 5326
rich.kwasny@colliers.com

Alex Lacy
Associate
License No. 02006886
Dir +1 858 677 5328
alex.lacy@colliers.com

Colliers International
4350 La Jolla Village Drive, Suite 500 | San Diego, CA 92122

Market Information

4th Quarter 2017

Tijuana finished 2018 with a great fourth quarter. Net absorption for the quarter increased significantly over 1MSF. This drove Class A vacancy down to 1.4% and the overall vacancy rate to 2.9%. The class A vacancy rate is at an all time low. We still have over 1.0MSF of spec development under construction but with demand still very strong vacancy rates should stay low and lease rates will remain steady and/or climb.

A significant amount of the overall construction (1.76MSF) is owner user or BTS which is an important indicator of how healthy the market is, and also reflects the limited availability of good quality space for a growing market. Large transactions, over 50,000SF seem to be dominating the market. However, the small users will continue to have a hard time finding Class A multi-tenant space as the 5-20,000SF size range has even more limited options.

Colliers INTERNATIONAL

Market Information

4th Quarter 2017

TIJUANA AND MEXICO TRENDS

	TIJUANA	MEXICO
Unemployment Rate*	2.4%	3.4%
Maquiladora Employment*	.02%	.006%
Number of Maquiladoras*	.02%	1.30%
Inflation Rate 2nd Qtr 2017*	3.62%	3.18%

TIJUANA QUICK FACTS

POPULATION		1.9M
2016 GDP*	$2.73 Billion	1.1%
Maquiladora Employment*		218,811
Number of Maquiladoras*		606
Operator Wage/Hr. (fully loaded)	$3.40	
Turnover/ Month	5.1%	

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Q4 2017
New Construction	1,808,000	2,237,000	390,000	310,000	640,000	0	130,000	421,000	610,000	1,736,664	1.98 M	1.76 M
Industrial Supply	47,813,408	50,802,408	53,633,978	54,586,673	57,362,781	57,673,855	58,372,000	58,786,901	61,313,362	63,411,407	64,284,598	64,510,598
Industrial Vacancy	4.6%	12.7%	13.9%	12.9%	11.7%	10.5%	9.6%	7.0%	4.8%	3.1%	3.1%	3.1%
Class A Vacancy	N/A	N/A	11.8%	10.2%	8.1%	7.8%	7.6%	4.9%	3.8%	3.4%	1.8%	1.8%
Lease Rate - Annual Asking Rate for a 50,000 sq. ft. Class “A” Industrial Space	$5.76	$5.52	$4.32 - $4.68	$4.32 - $4.68	$4.32 - $4.80	$4.68 - $4.92	$4.80 - $5.16	$5.04- $5.40	$5.04 - $5.40	$5.16 - $5.76	$5.16 - $5.88	$5.18- $5.76
Land Sale Price - Average Asking Price for Improved Land in Industrial Parks $US/SF	$10.22	$7.50 - $9.75	$6.50 - $7.40	$6.50 - $7.50	$6.00 - $9.00	$7.50 - $9.00	$7.50 - $9.00	$8.50 - $12.00	$8.50 - $12.00	$8.50 - $12.00	$8.50 - $12.50	$8.50- $12.50

* Sourced from Inegi and Despacho Ruiz Moraces and Asociados

Market Information

4th Quarter 2017

SIGNIFICANT TRANSACTIONS

Tenant/Buyer	Size SF	Details
Imperial Toy	194,500	New lease with Vesta in Pacifico
Benchmark	194,000	New lease in CPA Business Park along Blvd 2000
Sayer	38,000	BTS lease with FRISA along Blvd Insurgentes
Motor Car Parts	400,000	Moving into their new building in the CPA Business Park along Blvd 2000.
Foxconn	71,000	New lease in El Lago
OPA	41,000	Expansion with Vesta in El Florido

TRENDS

As mentioned in our 3rd quarter report The medical assembly and supply industry continues to grow offering steady employee income and good working conditions. Baja California now employs over 40,000 people in this industry, the largest in Mexico.

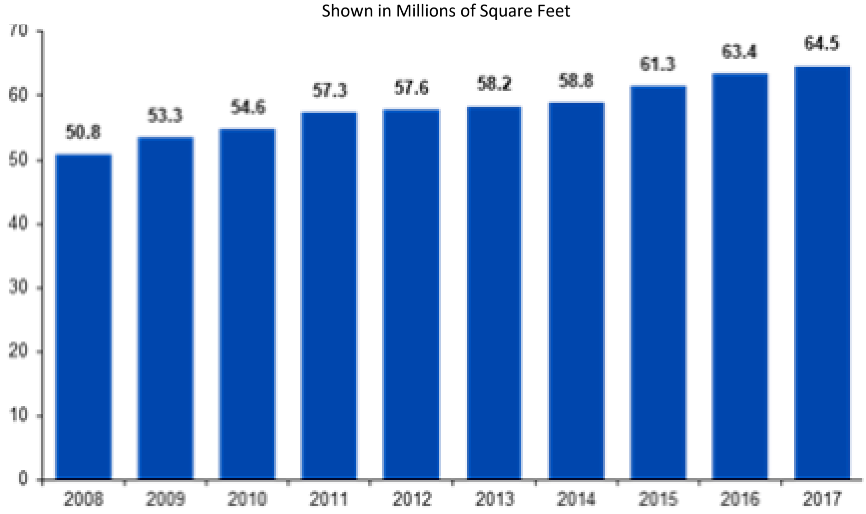
In our view, the market will remain active and healthy unless there is a dramatic change and effect a result of a renegotiated NAFTA agreement. However, most of the impact would hit the Auto Industry with an increased US content for each vehicle. While there are several related businesses in Tijuana most of the significant operations are in other parts of the country.

Market Information

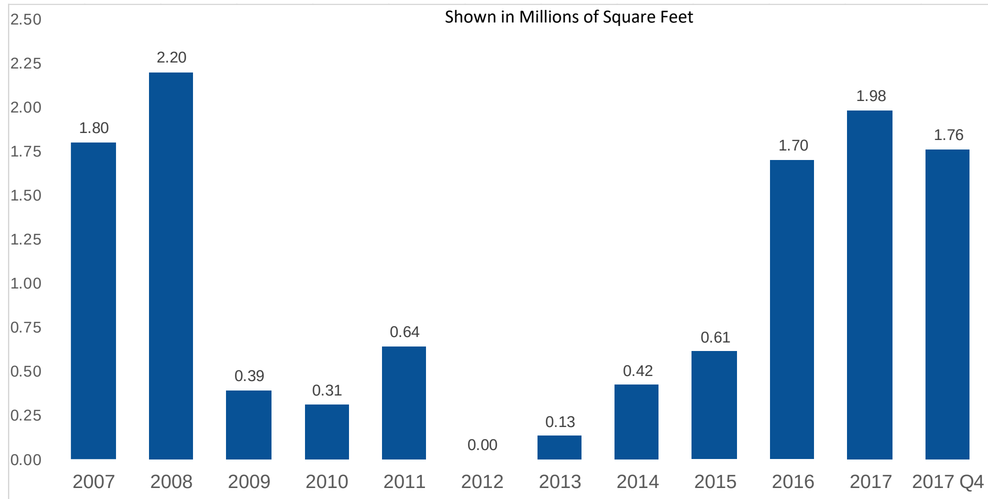
4th Quarter 2017

INDUSTRIAL SUPPLY

Shown in Millions of Square Feet

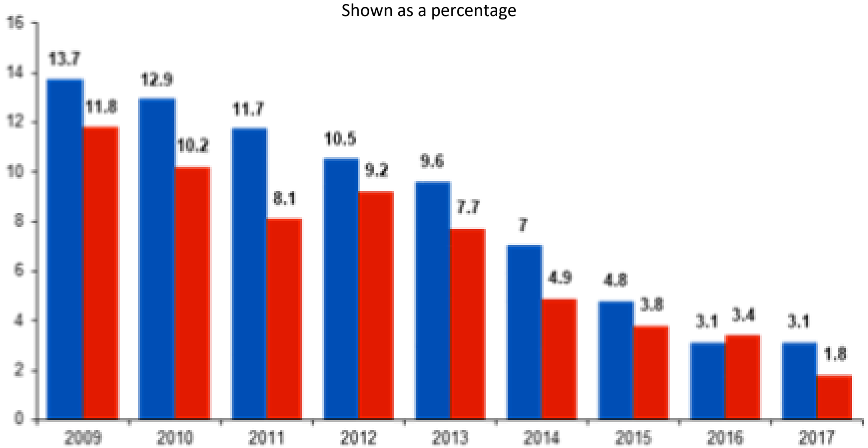


INDUSTRIAL CONSTRUCTION ACTIVITY



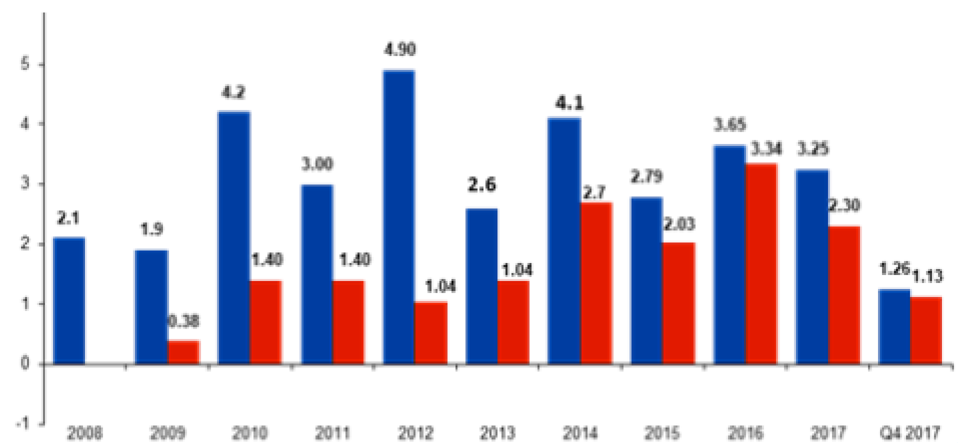
OVERALL VACANCY vs CLASS A VACANCY

Shown as a percentage



GROSS ABSORPTION vs NET ABSORPTION

Shown in Millions of Square Feet



Market Information

4th Quarter 2017

Average Land Sale Price

US Dollars PSF

Average Industrial Lease Rate—Class A Space

US Dollars PSF, Annually

Market Information

4th Quarter 2017

LARGEST SUBMARKETS	TOTAL SUPPLY SF	AVAILABLE SPACE SF	MARKET SHARE	VACANCY	UNDER CONSTRUCTION
Pacifico	6.88 M	26,121	10.9%	0.4%	249,678
Ciudad Industrial	8.15M	114,800	12.9%	1.4%	183,100
Sección Dorada	2.79 M	27,700	4.4%	1%	230,000
Chilpancingo	4.33M	0	6.85%	0%	0
El Florido	7.87M	92,000	12.5%	1.2%	199,000
Terán Alamar	2.62M	284,000	4.1%	10.8%	265,000
El Aguila	2.79M	202,786	4.4%	7.3%	0
Los Pinos	2.43M	18,800	3.8%	0.8%	0

Market Information

4th Quarter 2017

STATISTICS	
Tijuana Population	1,900,000
San Ysidro, Otay Mesa crossings northbound annually	57,931,000
Otay truck crossings northbound daily	2,113

TIJUANA INDUSTRIAL MARKET SUMMARY (SF)			
Total Inventory	64,510,283	AVAILABLE SPACE (SF)	
Manufacturing	47,999,378		
Warehouse/Logistics	16,225,009		
“A” Buildings: 40% of Inventory	25,999,873	Vacancy: 1.8%	462,492
“B” Buildings: 42% of Inventory	26,792,916	Vacancy: 2.2%	575,355
“C” Buildings: 18% of Inventory	11,663,997	Vacancy: 7.1%	813,500

NUMBER OF BUILDINGS	
Total number of buildings	813
Owned	114
Leased	676
Vacant	30
Manufacturing	521
Warehousing/Logistics	292

Large Users
100,000 SF and above
4th Quarter 2017

ADI	205,000	
Allance Air	188,000	
Ana Global	278,000	3 facilities
Arauco	100,000	
Artaban	101,842	
Artissimo	173,000	
Autoliv	191,000	2 facilities
Atlas Roofing	120,000	
Avery Denison	526,000	
BAE	118,000	
Balboa Water	185,000	
Baxter Labs	115,000	
Bekaert	103,100	
Benchmark	194,000	
Benson Global	180,000	
Bokwan	139,000	2 facilities
Bose	270,000	3 facilities
Bourns	126,000	
Brady / St. John	443,000	2 facilities
Calzado Andreas	175,000	Own
Canyon Furniture	175,000	
Calimax	641,000	
Carefusion/BD	235,000	
Carl Zeiss	183,000	2 facilities
Casa Chapa	140,000	
Castores	110,000	
Caterpillar/Turbo Tech	251,000	2 facilities
Cellulosa	259,000	2 facilities
C & J	202,000	2 facilities
Coca-Cola	621, 000	6 facilities
Comex Platech	120,000	
Cooper Ind.	115,000	
Corrugados	330,000	
Medtronics/Covidien	323,000	Lease
Medtronics/Covidien	185,000	Own
CST	194,000	2 facilities
Dart Container	450,000	
Dela	124,000	
Delphi	183,000	2 facilities
Delta	185,000	
DHL	169,000	2 facilities
DJ Ortho	220,000	2 facilities
Don Casters	105,000	
Dorians	238,000	
Eaton	245,000	Own
Energy Labs	287,000	
Esterline	335,000	3 facilities
Filtec	160,000	
Fisher & Paykel	208,000	
Flanders	388,000	3 facilities
FlexMedical	491,000	
Foam Fabricators	109,000	
Formosa Prosonic | Eson	212,000	
Foxconn	790,000	3 facilities
G Box	150,000	
Global Trade Logistics	186,000	2 facilities
Great Batch Medical	287,000	2 facilities
Gruma	131,000	
Harmon	274,000	2 facilities
Honeywell	290,000	5 facilities
Hubbell	180,000	
Hunter Ind.	235,000	
Hyundai	768,000	
Hyson/Rainbird	190,000	3 facilities
Icon Aircraft	306,000	
Imperial Toys	388,000	2 facilities
International Rectifier | Infineon	190,000	
Inzi	137,000	
Jack Engle	108,000	
Jangho	268,000	
Jeld Wen	185,000	3 facilities
JNS Polymers	156,000	
Johansen / Kyocera	101,000	
Jonathon Louis Furniture	165,000	
KB Foam	212,000	3 facilities
Kyocera	187,000	
Kyomex	137,000	
Mabe	117,000	
Martin Furniture	134,000	
Mattel	461,000	2 facilities
Maxon	262,000	
McCaine	200,000	
Mecalux	300,000	
MediMexico	115,000	
Medtronics	241,000	3 facilities
Merit Medical	198,000	
Motorcar Parts	650,000	2 facilities
Munekata	220,000	
Mitek	312,000	4 facilities
National Pen	105,000	
Neximex / Space Bags	151,000	
Nypro	256,000	2 facilities
OMG Logistics	150,000	
Ossur	177,000	
OXXO	150,000	
PDC	169,000	Own
Panasonic	954,000	Own
Philips	112,000	
Plantronics	435,000	
Prime Wheel	818,000	2 facilities

Large Users 100,000 SF and above (cont.)

4th Quarter 2017

Rogers Form	162,000	2 facilities
RSI	465,000	2 facilities
Samsung	1,338,000	Campus
Sanyo/TLC	600,000	5 facilities
Sharp | Hicense	480,000	
Sinil	358,000	2 facilities
Smith Industries	250,000	2 facilities
Smurfit Kappa	401,000	4 facilities
Sohnen	453,000	3 facilities
Soriana	228,000	
Sperian / Honeywell	135,000	
Steelcase	160,000	Own
St. Goban	1280,000	
Springs Window Fashions	172,000	
SMK	166,000	
Soriana	228,000	
Sumitomo	114,000	
Sundance Spas	186,000	
Sunrise Medical	155,000	
Surgical Specialties	172,000	
Thomson	155,000	
TPV	195,000	
Toyota	490,000	
TE Connectivity	145,000	
True Blue	117,000	
Watkins	150,000	
Welch Allyn	159,000	
Zodiac	332,000	2 facilities

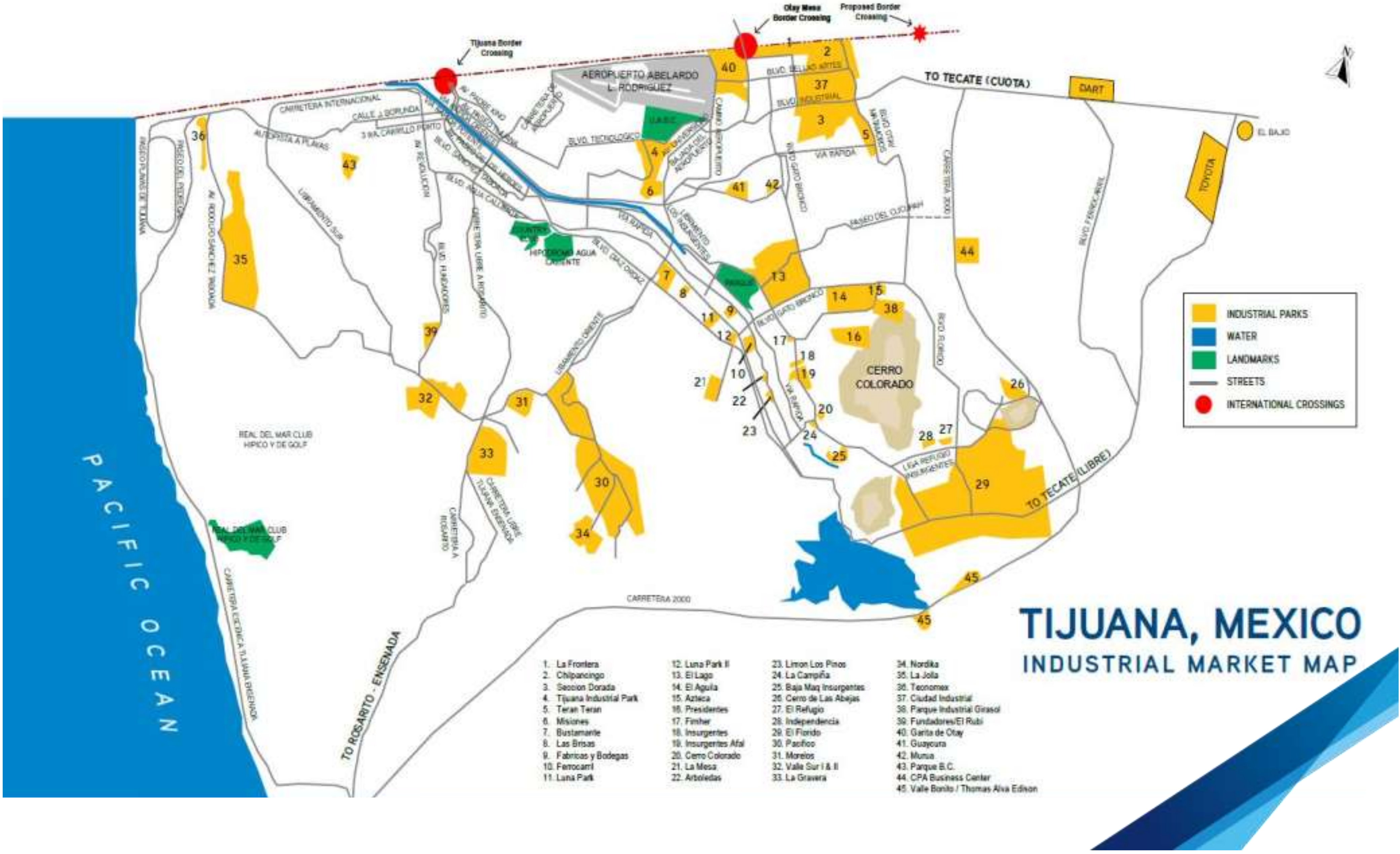
Rate Sheet

4th Quarter 2017

	LEASE RATE SF/ YEAR	CAP RATE		PURCHASE PRICE/SF
	5 YEAR	CREDIT	NON-CREDIT	
Class A—Tijuana	$5.16—$5.64	8%—10%	11%—12%	$38—$49
Class A—Mexicali	$4.44—$5.04	9.5% - 11%	11.5% - 13.5%	$31—$36
Class B—Tijuana	$4.20—$4.56	11% - 13%	12% - 14%	$20—$28
Class B—Mexicali	$3.84—$4.08	11% - 14%	12% - 15%	$15—$25

Tijuana Industrial Market Map

4th Quarter 2017



Prepared by:

Rich Kwasny, SIOR
Senior Vice President
License No. 00803677
Dir +1 858 677 5326
rich.kwasny@colliers.com

Alex Lacy
Associate
License No. 02006886
Dir +1 858 677 5328
alex.lacy@colliers.com

Colliers International
4350 La Jolla Village Drive, Suite 500
San Diego, CA 92122
www.colliers.com