



Industrial Trends & Statistics

1st Quarter 2018

TIJUANA, BAJA CALIFORNIA



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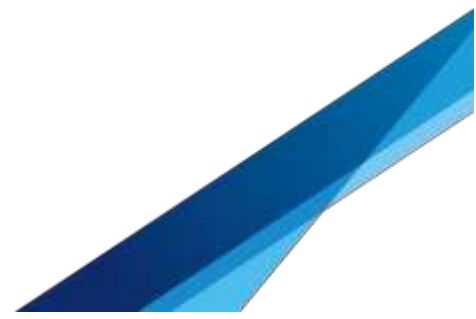
Market Information

1st Quarter 2018



2018 started out with a very good 1st Quarter. Gross absorption was 1.09MSF and net absorption for the quarter was also over 1MSF at 1.04MSF. Class A vacancy is now at 2.6% and the overall vacancy rate is 3.4%. These increased slightly because of a huge increase in the supply of space brought to the market during the last quarter of 2017. However, we now have 951,000SF under construction, (only 1.4% of the total inventory) well below the 1.76MSF under construction at the end of the year and with demand still very strong, vacancy rates should stay low, or go lower, and lease rates will remain steady and/or climb.

If full scale global trade wars can be avoided and a mutually agreed upon revised NAFTA agreement can be finalized, the Tijuana market, and for Mexico in general the outlook for 2018 will be very bright.





Market Information

1st Quarter 2018

TIJUANA AND MEXICO TRENDS

		TIJUANA		MEXICO
Unemployment Rate*		3.1%		3.4%
Maquiladora Employment*		.051%		.004%
Number of Maquiladoras*		.019%		.035%
Inflation Rate 1st Qtr 2018*		7.5%		5.9%

TIJUANA QUICK FACTS

POPULATION		1.9M
2017 GDP*	\$2.73 Billion	1.1%
Maquiladora Employment*		230.600
Number of Maquiladoras*		618
Operator Wage/Hr. (fully loaded)	\$3.40	
Turnover/ Month	4.6%	

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Q1 2018
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	951,000
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	65,587,506
Industrial Vacancy	4.6%	12.7%	13.9%	12.9%	11.7%	10.5%	9.6%	7.0%	4.8%	3.1%	3.1%	3.4%
Class A Vacancy	N/A	N/A	11.8%	10.2%	8.1%	7.8%	7.6%	4.9%	3.8%	3.4%	2.6%	2.6%
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 - \$5.40	\$5.16 - \$5.52	\$5.28 - \$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	\$8.00 - \$12.00	\$8.50 - \$12.00	\$8.50 - \$12.00	\$8.50 - \$12.50	\$9.50 - \$12.50

* Sourced from Inegi and Despacho Ruiz Moraces and Asociados



Market Information

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SIGNIFICANT TRANSACTIONS

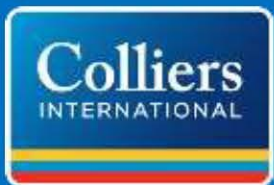
Tenant/Buyer	Size SF	Details
Global Logistics	146,000	Expansion in Valle Bonito
Smurfitt Kappa	143,000	New lease with VESTA in Alamar
Prime Wheel	61,000	Expansion in Ciudad Industrial
Mam de la Frontera	126,345	Expansion along Blvd Benitez
Benson	89,000	New lease in El Florido
Avery	49,310	Expansion in Pacifico
Tacna/ Markwins	183,000	Expansion in TAE Park

TRENDS

Absorption continues on a strong course, better than most forecasters predicted. This should continue and with very little under construction now, we will see an uptick in rental rates and less incentives for tenants looking to move.

As mentioned before, if we can avoid trade wars and achieve a reasonable revision with NAFTA, 2018 could be one of the best years for Tijuana.

The only negative for Tijuana is that is a dollar denominated economy and inflation there is one of the highest in the Country. Wages will need to rise so Employees' standard of living is not compromised. Look for employers to greatly expand their search for employees and increase benefits and incentives.



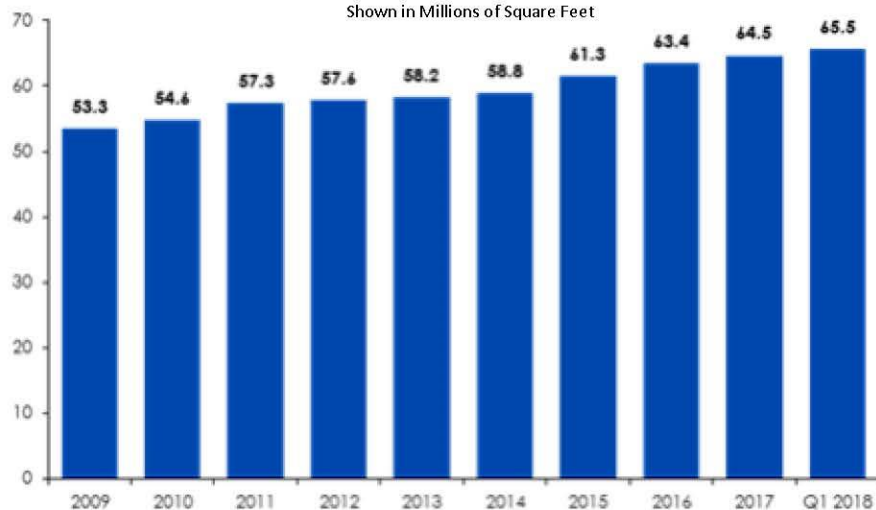
Market Information

1st Quarter 2018



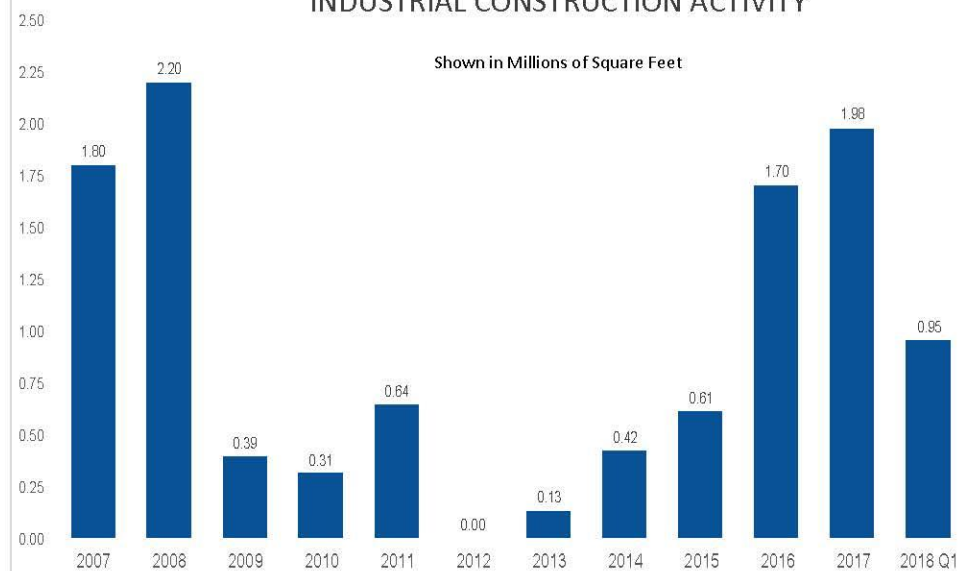
INDUSTRIAL SUPPLY

Shown in Millions of Square Feet



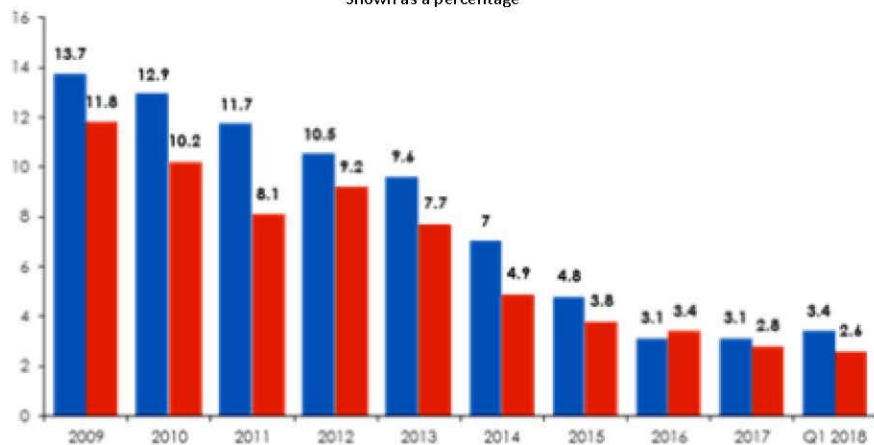
INDUSTRIAL CONSTRUCTION ACTIVITY

Shown in Millions of Square Feet



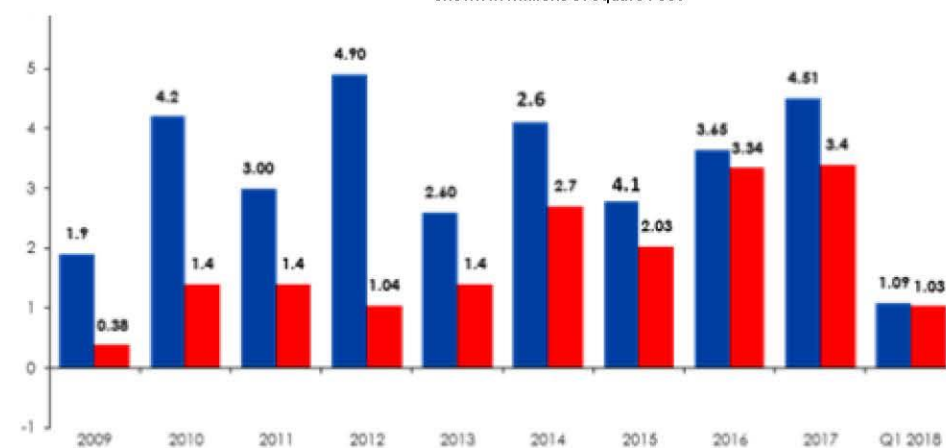
OVERALL VACANCY vs CLASS A VACANCY

Shown as a percentage



GROSS ABSORPTION vs NET ABSORPTION

Shown in Millions of Square Feet





Market Information

1st Quarter 2018



Average Land Sale Price

US Dollars PSF



Average Industrial Lease Rate—Class A Space

US Dollars PSF, Annually





Market Information

1st Quarter 2018



LARGEST SUBMARKETS	TOTAL SUPPLY SF	AVAILABLE SPACE SF	MARKET SHARE	VACANCY	UNDER CONSTRUCTION
Pacífico	7.24 M	85,799	11.1%	1.2%	220,300
Ciudad Industrial	8.17M	53,000	12.5%	0.7%	145,100
Sección Dorada	2.79 M	27,700	4.2%	1%	230,000
Chilpancingo	4.44M	0	6.75%	0%	0
El Florido	8.55M	332,000	13%	3.9%	0
Terán Alamar	3.09M	292,000	4.7%	9.4%	130,000
El Aguila	2.79M	144,836	4.4%	5.2%	0
Los Pinos	2.43M	8,800	3.7%	0.4%	0



Market Information

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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)

		AVAILABLE SPACE (SF)	
Total Inventory	65,587,283		
Manufacturing	48,130,360		
Warehouse/Logistics	17,457,146		
"A" Buildings: 40% of Inventory	27,267,889	Vacancy: 2.6%	714,914
"B" Buildings: 42% of Inventory	26,774,120	Vacancy: 2.4%	646,221
"C" Buildings: 18% of Inventory	11,545,497	Vacancy: 7.6%	882,500

NUMBER OF BUILDINGS

Total number of buildings	828
Owned	112
Leased	681
Vacant	35
Manufacturing	521
Warehousing/Logistics	307



Large Users 100,000 SF and above

1st Quarter 2018

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



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

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Prime Wheel	879,000	3 facilities	True Blue	117,000
Rogers Form	162,000	2 facilities	Watkins	150,000
RSI	465,000	2 facilities	Welch Allyn	159,000
Samsung	1,338,000	Campus	Zodiac	332,000 2 facilities
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			
Tacna / Markwins	183,000			
Thomson	155,000			
TPV	195,000			
Toyota	490,000			
TE Connectivity	145,000			



Rate Sheet

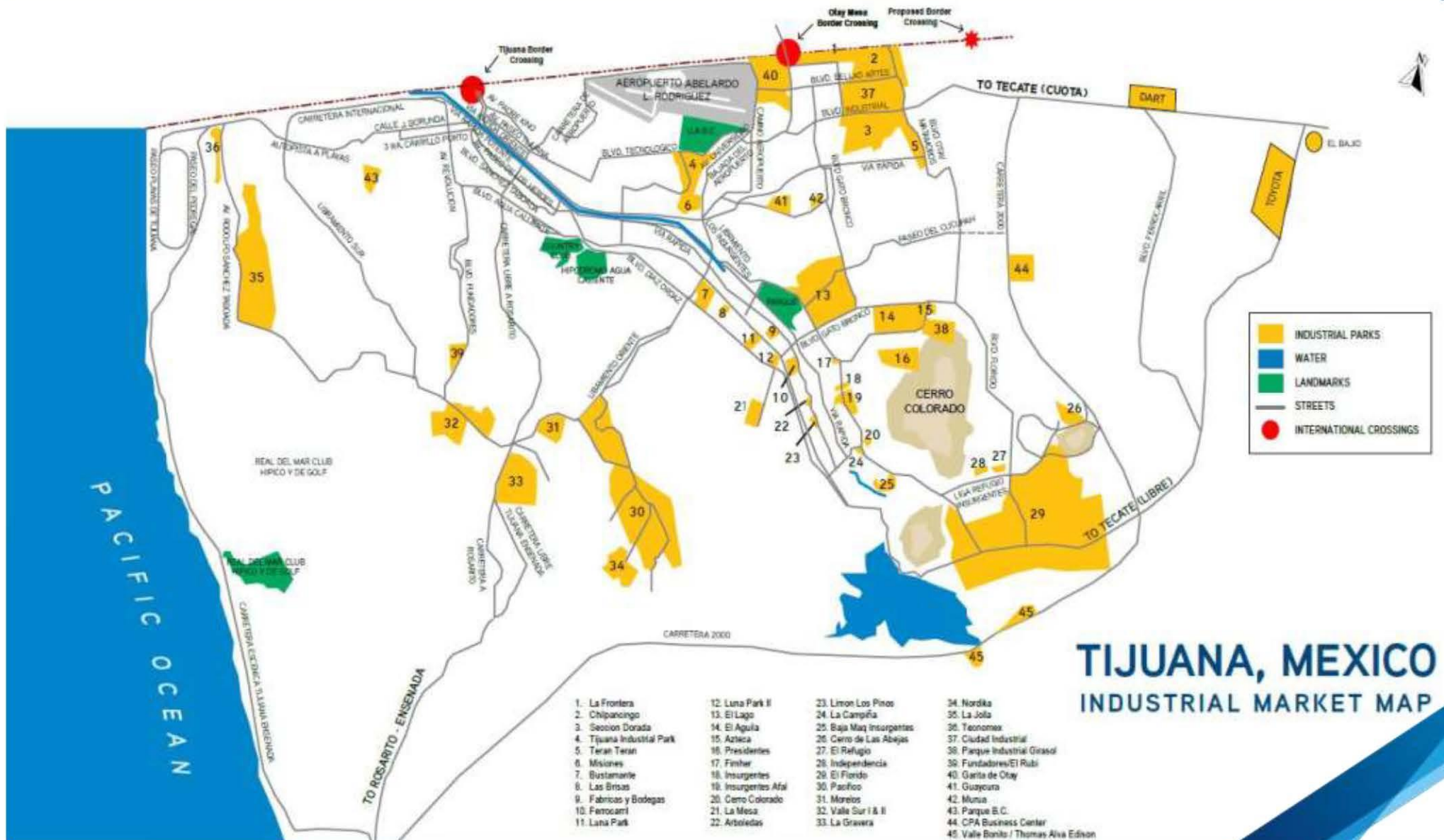
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	LEASE RATE SF/ YEAR	CAP RATE		PURCHASE PRICE/SF
	5 YEAR	CREDIT	NON-CREDIT	
Class A—Tijuana	\$5.28—\$5.76	8%—10%	11%—12%	\$38—\$49
Class A—Mexicali	\$4.44—\$5.04	9.5% - 11%	11.5% - 13.5%	\$31—\$36
Class B—Tijuana	\$4.46—\$4.68	11% - 13%	12% - 14%	\$20—\$28
Class B—Mexicali	\$3.96—\$4.20	11% - 14%	12% - 15%	\$15—\$25

Tijuana Industrial Market Map

1st Quarter 2018



TIJUANA, MEXICO
INDUSTRIAL MARKET MAP



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