

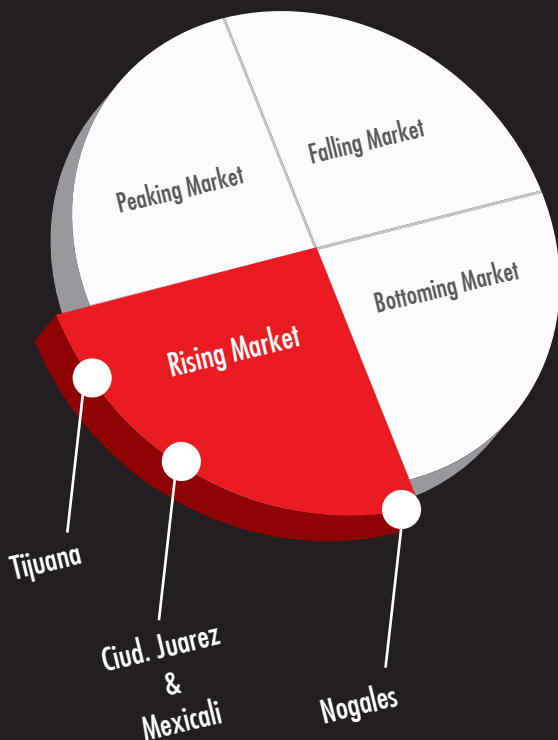
NORTHWEST MEXICO INDUSTRIAL MARKET SNAPSHOT

1Q 2015



Quick Stats

Market Conditions



The city of Tijuana is the second largest industrial corridor at 59 million SF along the entire border region and most active in terms of movement in recent years within this same region. Tijuana is situated along the international border sharing it with the city to San Diego (U.S.) and consistently reporting a rising trend in activity since the early 4th quarter of 2014 and throughout the 1st quarter of 2015. Tijuana has been the solution for many operations seeking to establish manufacturing along the border region within Mexico. As evidenced by the statistics reporting Tijuana as the highest in net absorption and lowest vacancy consistently since 2013 for the entire border region.






The demand for industrially zoned land due to a decreasing amount of available buildings and lack thereof of developable land has Tijuana as the most desired investment sector by many of the investment fund managers today. Especially in the areas close to the U.S. truck border crossing such as in the case of the industrial corridors of Chilpancingo, Otay Mesa, and Alamar. In addition, well positioned speculative development continues and for the first time since 2005 the strong return of the BTS options grow as the operational models of manufacturing demand more specific designs for production efficiency. Those developers that do indeed retain land banks will likely seek to offer in the coming month only Build-to-Suits (BTS) scenarios at their industrial parks such as El Florido, CPA, La Salle Investment and FINSA.

Looking forward to the 2nd quarter of 2015 and remainder of year land prices shall likely increase as will speculative development projects with several larger projects for BTS. Current user activity is estimated at over 1.1 million SF in demand of which conservatively nearly 55% shall be dedicated to BTS and 30% of this activity being sought by the medical device industry. An increase in rental rates is likely to match the demand and of course the increased land values by year's end 2015.






Tijuana is a major component of what is more commonly known as the Cali Baja Binational Mega Region consisting of the cities such as San Diego, Imperial Valley and Baja California forming a stronghold for highly skilled labor focused on primarily Biomedical, Aerospace, Electronics and Automotive. This Mega-Region has more than 800 companies operating within the biotech industry alone with Tijuana representing the foundation for the medical device production with corporate offices just north of the border within San Diego. Longstanding and successful representations of such medical device focused corporations such as DJO Orthopedics, Smiths Medical, Greatbatch, Welch Allyn, Medtronic and CareFusion.

Forecast Stats






Tijuana Key Indicators

	1Q 2015	12 Month Forecast
Total Stock	59M	
Availability SF	4.1M	
Average Asking Rent SF	\$0.46/MO	
Vacancy Rate	7%	
Total Absorption SF	0.49M	

Juarez Key Indicators

	1Q 2015	12 Month Forecast
Total Stock	62.6M	
Availability SF	5.8M	
Average Asking Rent SF	\$0.37/MO	
Vacancy Rate	9%	
Total Absorption SF	0.8M	

Mexicali Key Indicators

	1Q 2015	12 Month Forecast
Total Stock	19.1M	
Availability SF	1.9M	
Average Asking Rent SF	\$0.38/MO	
Vacancy Rate	10%	
Total Absorption SF	0.92M	

Market Conditions

Tijuana-

Rising market. New speculative construction is occurring consistently. Construction began at CPA Business Center for a 194,913 SF speculative building. There is very limited availability of class "A" & "B" buildings above +/- 200,000 SF. Significant transaction: Benson Global 276,000 SF - leasing existing building from CPA at the Chilpancingo sector of city.

Cd. Juarez-

As the largest industrial corridor along the border region Ciudad Juarez is continuing to recover each quarter in positive net absorption and falling vacancy. Significant transactions occurring during the 1st quarter this year indicate a promising trend such as the acquisitions by General Foam Plastics of a 235,261 SF building and Arboles Navedenos of 256,900 SF both of which were vacant previously. NAPS having leased 280,000 from Macquarie and speculative development returning with the new construction underway by Prologis and Intermex for approximately 390,000 SF total between both.

Nogales-

Currently there is 11M SF of industrial stock and the vacancy rate is at 4%. Nogales is not considered the largest industrial corridor along border but has retained corporate confidence from companies with long history operationally in Nogales that continue to expand operations such as Carlisle for 180,000 SF and Kimberly Clark for 244,112 SF. Its proximity to the US and connectivity to the Port of Guaymas enables it to secure further investment from mainly user based but also institutional investment.

Mexicali-

The majority of the 1st quarter has shown most activity being driven by existing companies expanding operations such as Technicolor for 130,000 SF with IAMS. Notably the largest transaction of this period and a build to suit for the company U-Line of 300,000 SF at the Nicoya Industrial Park. Local developer PIMSA has acquired 32 hectares at the entrance of the truck border crossing and will break ground this fall for the new development to be named PIMSA 8.

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