



Tijuana Industrial Market

Market Growing Once More

With most of the city’s population returning to their normal day-to-day and many world-class companies in Tijuana vaccinating their employees, the re-opening of manufacturing operations has led to one of the most active quarters in the last 5 years

The Florido-Blvd 2000 submarket continues its growth with over 6 projects under construction, most of which are under LOI and will most likely be leased by the next quarter’s close.

Otay-Alamar had one of the most important leases with Amazon opening its first major operation in the state inside the E4 building of RMSG Alamar. This world-class company will bring more interest in logistic-based operations to a city which already sees a fair share of distribution due to its proximity to California and easy access to the rest of Mexico.

With most of the upcoming constructions being under LOIs and the market ramping up with new operations, next quarter we’ll most likely see one of the biggest absorption rates in recent years.

Current Conditions

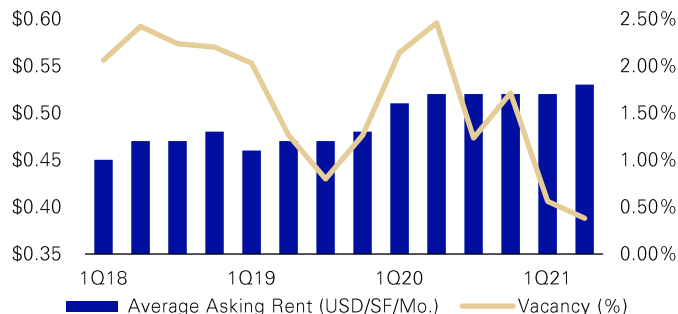
- Class A industrial inventory currently has 33.5 million SF and increasing due to construction.
- Asking lease rates started to increase steadily again, reaching the \$0.65 USD/SF/Mo. mark in the Florido area.
- Vacancy rate for Tijuana is at one of the lowest points in recent years at only 0.38%.

Market Summary

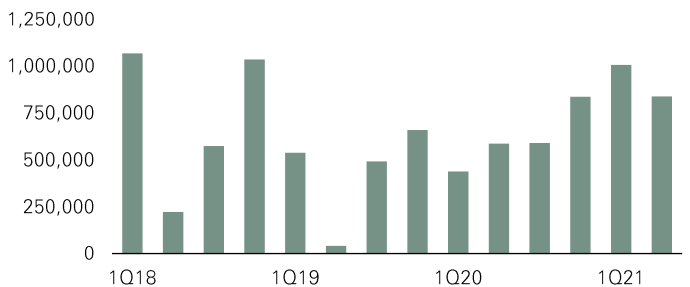
| | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|-------------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory (SF) | 65.9M | 65.7M | 64.3M | ↑ |
| Vacancy Rate | 0.4% | 0.6% | 2.4% | → |
| Quarterly Net Absorption (SF) | 837,418 | 1.0M | 585,673 | ↑ |
| Average Asking Rent/SF | \$0.53 | \$0.52 | \$0.52 | → |
| Under Construction (SF) | 2.18M | 1.71M | 964,678 | ↓ |

Market Analysis

ASKING LEASE RATE AND VACANCY RATE



NET ABSORPTION



Available Space and Under Construction

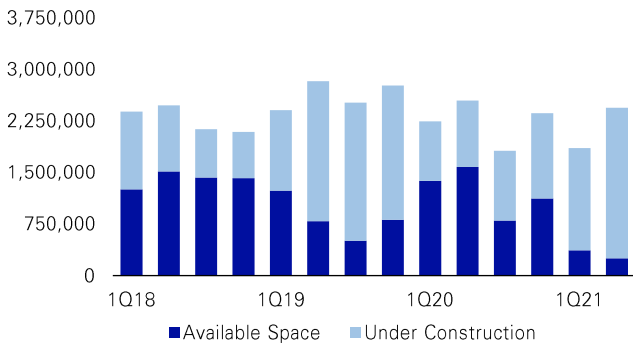
Industrial inventory in absolute terms shows the Otay - Alamar submarket as the city's largest square footage with more than 21.9 million SF and a vacancy rate of only 0.04%. The highest vacancy rate is in the Libramiento industrial area at 1.14% of the total 12.4 million SF inventory, of which only a third is Class A. Construction is starting to increase once more with new developments by non-conventional players beginning in the Nordika (Libramiento) and Blvd 2000 (Florida - Blvd 2000) industrial zones.

Lease Rates

Asking lease rates for the second quarter saw a small increase, reaching \$0.53 USD/SF/Mo. Asking rates in some submarkets continued to increase. This was clear in the Otay – Alamar and Florida-Blvd 2000 submarkets, as these have the most focus on new operations to the city. The Florida-Blvd 2000 has had the most responsibility in this raise due to some leases reaching \$0.70 USD/SF/Mo and one of the only available buildings reaching the \$0.65 USD/SF/Mo mark.

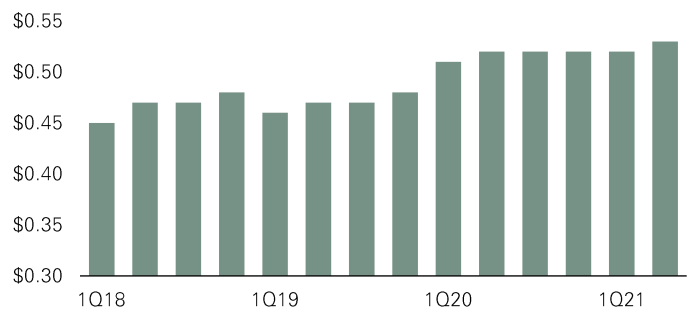
Current and Upcoming Projects 2018 - 2021

IN SF



Asking Lease Rates 2018 - 2021

USD/SF/Mo.



Submarket Statistics

| | Total Inventory (millions of SF) | Under Construction (thousands of SF) | Total Vacancy (thousands of SF) | Total Vacancy Rate | Average Asking Lease Rate (USD/SF/Mo.) |
|----------------------|----------------------------------|--------------------------------------|---------------------------------|--------------------|--|
| Central - Lago | 13.9 | 0 | 38 | 0.3% | \$0.50 |
| Florida - Blvd 2000 | 16.9 | 1275 | 64 | 0.4% | \$0.58 |
| Libramiento | 12.4 | 238 | 142 | 1.1% | \$0.52 |
| Otay – Alamar | 22.0 | 674 | 7 | 0.1% | \$0.60 |
| Playas – Oeste | 0.8 | 0 | 0 | 0.0% | \$0.00 |
| Tijuana Total | 66.0 | 2187 | 252 | 0.4% | \$0.53 |

Significant Transactions

| Company | Submarket | Type | Square Feet |
|---------|---------------|---------------|-------------|
| Amazon | Otay – Alamar | Build-To-Spec | 354,000 |
| NAPS | Libramiento | Lease | 185,000 |
| Foxconn | Central | Lease | 105,000 |

New Offer

| Building | Submarket | Type of Lease | Square Feet |
|----------|---------------|---------------|-------------|
| VID | Tecate | Lease | 162,000 |
| PC Baja | Libramiento | Lease | 99,000 |
| E2 RMSG | Otay – Alamar | Sublease | 71,000 |

Construction Ramping Up

Tijuana is set in a particular situation: with the US-Mexico border in the North and the Pacific Ocean to the West, the only place to grow is the south and east. The city's industrial construction continues to stay focused primarily in the Florida-Blvd 2000 submarket. Most new developers continue to set their investment in the construction of Class A build-to-spec buildings.

Most of the over 2 million SF that is under construction is currently off-the-market in executed LOIs or already under lease agreement negotiations and review. Spec options are limited and tend to be leased before they are finished.

New Projects and Continuing Constructions

| | |
|---|----------------------|
| FRONTIER Thomas Alva Edison Industrial Park | FIBRA Upsite |
| VestaPark Alamar | RMSG Alamar |
| VIA Capital Parque Sur | Prologis Los Nogales |
| MEOR Hubs Park | PICSA Viñedo Complex |
| PICSA InQbate | Cadena Blvd 2000 |

Submarket Statistics

| | Total Inventory (millions of SF) | Under Construction (thousands of SF) | Total Vacancy (thousands of SF) | Total Vacancy Rate | Average Asking Lease Rate (USD/SF/Mo.) |
|---------------------|-------------------------------------|---|------------------------------------|--------------------|---|
| Tijuana | 65.7 | 1486 | 367 | 0.6% | \$0.52 |
| Tecate | 4.9 | 162 | 224 | 4.6% | \$0.44 |
| Rosarito | 2.5 | 70 | 138 | 5.6% | \$0.00 |
| Market Total | 73.1 | 1718 | 729 | 1.0% | \$0.49 |

For more information:

Tijuana

Diego Rivera 2311, Suite 501
Zona Urbana Rio Tijuana,
Tijuana, BC, México
CP 22010
t 52-664-980-0480

Genaro Lopez

Market Analyst
genaro.lopez@ngkf.com

Eduardo Rojo

Executive Managing Director
erojo@ngkf.com

Oliver Rodriguez

Executive Managing Director
orodriguez@ngkf.com

Rodrigo Caballero

Associate
rodrigo.caballero@ngkf.com

Ciudad de México

Corporativo Espacio Santa Fe
Carr. México-Toluca 5420 – PH1
Santa Fe, CDMX. 05320
t 52 55-5980-2000

Juan Flores

Market Research Director LATAM
juan.flores@ngkf.com

newmark.mx

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MIDDLE EAST

Arabia Saudita
Emiratos Árabes

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