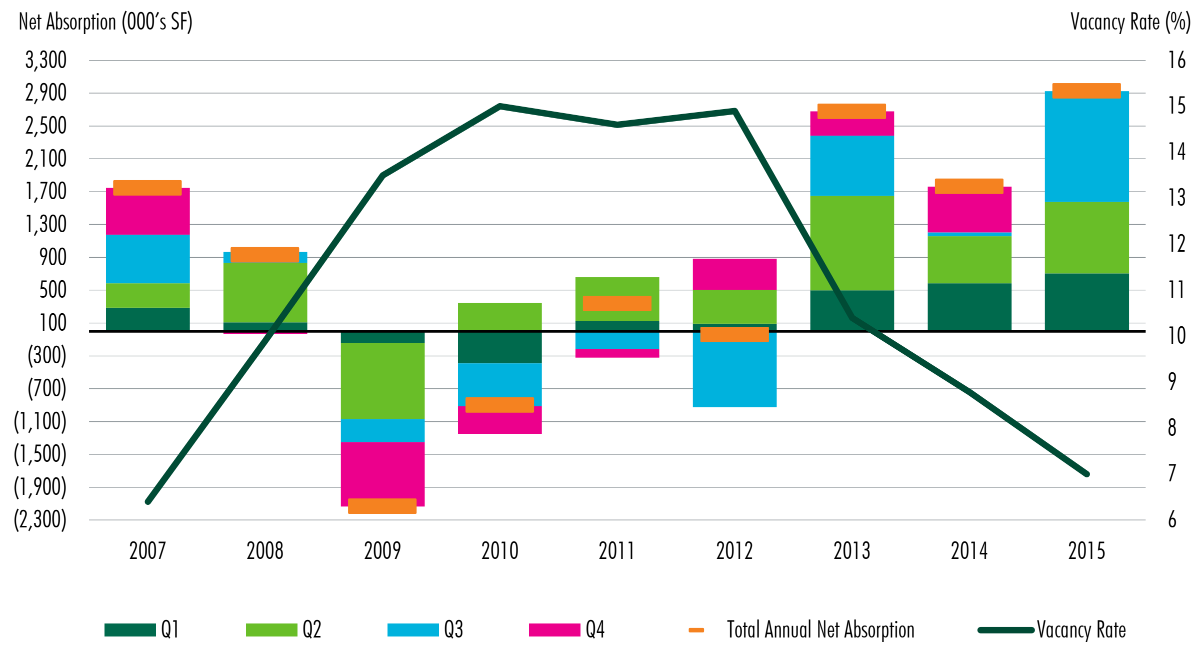
Ciudad Juárez Industrial, Q3 2015

Expanding market brings vacancy to near record low

Vacancy Rate 7.1%
Avg. Asking Rate $4.39 /SF
Net Absorption 1,351,922 SF
Construction 1,409,197 SF
Completions 989,217 SF

*Arrows indicate change from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q3 2015.

- Vacancy for Class A product sustained declines well below the market overall rate to 3.7%.
- High occupier demand and limited space options triggered the start of additional speculative construction.
- Manufacturing output in Mexico surging past 15.5% pre-recession output.
- The Regional Manufacturing Orders Index (IRPM) signaled upcoming expansion in manufacturing specific to the Northern region of Mexico.

A TWELFTH CONSECUTIVE POSITIVE QUARTER

The local industrial market began to deliver new construction projects boosting net absorption to 1.35 million sq. ft. this quarter, the largest quarterly net gain in the current market cycle. Along with occupied deliveries, new tenant demand continued compressing vacancy well near pre-recessionary levels of 7.1%.

MACROECONOMIC INDICATORS

Macroeconomic data related to the region's industrial sector show a general increase in year-over-year levels between August 2014 and August 2015. These figures include the seasonally adjusted U.S. industrial production, as reported by the Federal Reserve's Board of Governors - which did see a preliminary monthly decrease of 0.4% in August - but year-over-year total production increased by 0.9%, while manufacturing increased by 1.2% during the same period. Further, the Institute for Supply Management (ISM) recently reported that the Purchasing Manager's Index (PMI), a short-term leading indicator for production, signaled the 75th consecutive month of growth in the overall U.S. economy during August, and the 32nd month of growth for the manufacturing sector. Meanwhile, the most recent data from INEGI, Mexico's government agency that collects census information, show seasonally adjusted industrial production increased 0.2% in July, and saw gains of 0.7% year-over-year. Manufacturing fell slightly by 0.5% in July but posted a sturdy expansion of 1.3% year-over-year.

Mexico's rapidly expanding automotive industry continues to be an integral driver of occupier demand in Cd. Juárez. The local market has a strong density of automotive component manufacturing and other automotive supply chain operations with an approximate market industry concentration of 40%. The local market also continues to be an important part of the Northeast Mexico region which is home to over 200 tier-1 automotive supplier plants. As of August 2015, Mexico's total automotive production soared to a year-to-date total of 2.3 million, up 6.8% from the same time last year.

U.S. - MEXICO TRADE

The nominal and unadjusted value of import trade to Mexico through the El Paso-Santa Teresa ports of entry escalated to $19.6 billion year-to-date in June. However, this is 4.5% below the same period last year. In terms of exports from Mexico, the year-to-date value increased to $24 billion. This figure is 11.6% above the same period in 2014. Trade contraction earlier this year continued to drag on annual totals, however, trade saw an upright correction in the second quarter with June trade reaching year-highs in both directions. Further export growth is likely, given the considerable appreciation of the U.S. dollar which has shown to boost both exports from and investment into Mexico's export-oriented operations.

Northbound freight traffic from Mexico through the El Paso Santa Teresa ports also shows growth year-to-date in June compared to the same time last year. Truck crossings saw an increase of 1.6% to 422,900 while loaded truck containers grew also by 1.6% to 242,800. Loaded rail container crossings experienced a growth of 18.6% to 24,200 during the same period.

REGIONAL INDICATORS

Similar to the Institute for Supply Management's PIM, the Banco de México's August 2015 Regional Manufacturing Orders Index (IRPM) displayed expansion in manufacturing specific to Northern Mexico for the upcoming three months. The measure summarizes conditions of new orders, production, employment, supplier deliveries, and inventories. Within the Cd. Juárez industrial market, activity registered another solid quarter with 10 new transactions aside the six delivered construction projects. New leases recorded six signatures at an average size of 46,000 sq. ft. and an average term of 50 months. Also during this quarter, a portfolio traded hands as Macquarie REIT purchased 10 buildings in Northern Mexico, two of which are in Cd. Juárez and sum past 353,000 sq. ft.

Overall market fundamentals continued to improve significantly for the largest industrial market along the Mexico/ U.S. border. Newly introduced projects kept new construction active despite delivering nearly one million q. ft. this quarter alone. In terms of outlook, total active users in the market remained healthy with space requirements above 2.6 million sq. ft. by the end of Q3 2015 which will likely accelerate the local market past pre-recessionary performance measures through 2015.

Figure 2: Market Statistics

Market	Rentable Area (SF)	Vacant (SF)	Vacancy Rate (%)	Available (SF)	Availability Rate (%)	Net Absorption (SF)	Delivered Construction (SF)	Under Construction (SF)	Asking Rates Net Avg. Annual ($/SF/Yr)
North	14,039,006	613,536	4.4	667,700	4.8	483,745	238,217	40,000	4.39
West	10,280,268	1,028,842	10.0	1,075,533	10.5	164,229	135,000	-	4.05
Central	5,174,195	459,022	8.9	611,019	11.8	81,058	-	140,000	4.18
Southwest	6,219,621	622,937	10.0	918,862	14.8	206,217	190,000	0	4.11
Southeast	22,818,352	1,718,903	7.5	1,912,791	8.4	416,673	426,000	1,229,197	4.81
South / Electrolux	3,625,244	58,748	1.6	58,748	1.6	-	-	-	5.00
San Jeronimo	1,642,000	0	0.0	0	0.0	-	-	-	-
Totals	63,798,686	4,501,988	7.1	5,244,653	8.2	1,478,649	989,217	1,409,197	4.39

Source: CBRE Research, Q3 2015.

ABSORPTION AND VACANCY

The largest quarterly net absorption during the current market cycle decreased overall industrial vacancy by 30 basis points (bps) to 7.1% this quarter – and for now three years, the local market has seen a positive streak resulting in more than 7.7 million sq. ft. of total net occupier demand slashing vacancy in two from a prior high of 15.4%. While the market remains active in new lease activity, only 41% of gross absorption this quarter was attributed to tenant move-in's occurring within existing inventory. The larger bulk of space absorption was through pre-leased deliveries which improve occupancy rates at a lesser extent.

Class A inventory repeatedly led activity across the market capturing 67% of total space net absorbed ultimately keeping the sector as the tightest with a vacancy of 3.7%. This segment remains well below pre-recession vacancy and, it goes without saying, far below the overall market.

All active submarkets saw vacancy dive this quarter. The Southeast logged a non-market-driven increase in vacancy of 100 bps by the end of the quarter due to a record adjustment which added 243,740 sq. ft. of vacant space previously unnoticed. The North recorded the largest net absorption after an active 90 days and a significantly large re-occupancy by a tenant previously seeking a sublease. The Southeast nearly matched the high net absorption through several large occupied deliveries, including a single 426,000 sq. ft. project for BRP.

Two of the seven submarkets saw landlords successfully push average asking lease rates this quarter. The recently active North saw the largest net gain of $0.35 per sq. ft. (or 8.6%). The Southeast followed with an increase of $0.10 per sq. ft., (or 2.1%). The remaining four either remained unchanged due to no availability or experienced slight decreases no greater than $0.02 per sq. ft. mainly due to space availability calibration: strong absorption of Class A space reallocated a larger average weight on available Class B and Class C asking rents.

Of note: the largest new lease this quarter was by a Korean company which took 109,000 sq. ft. in the North submarket.

MAQUILADORA EMPLOYMENT

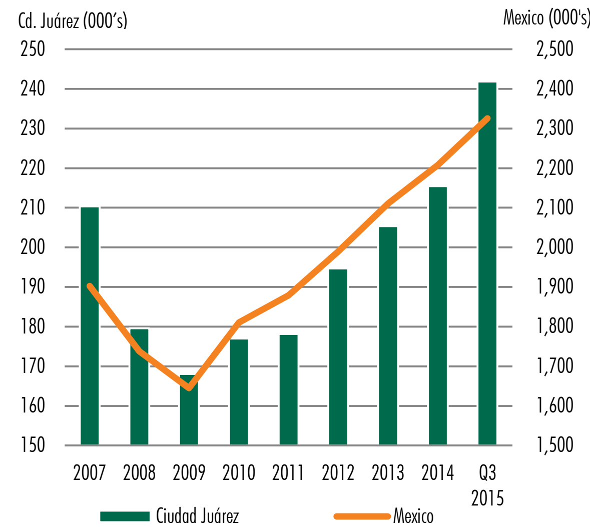
CBRE Research persistently tracks maquiladora, or IMMEX, employment as a key indicator of manufacturing sector performance. As of June 2015, INEGI reported 241,867 IMMEX employees in Ciudad Juárez. Employment expanded by 26,991 payrolls, a leap of 12.5% year-over-year and is now well above the 2007 level of 217,000, another metric that weighs heavily for 2015 being the year of Ciudad Juárez expansion. Consider this: when compared to national performance, analysis also shows that Ciudad Juárez had registered larger jobs gains year-over-year than any other city in all of Mexico. The IMMEX national figure of 2.3 million added 138,135 jobs year-over-year in June 2015.

INDUSTRIAL RENTS

The market-wide industrial average asking lease rate underwent the largest quarterly escalation of the year of $0.08 per sq. ft. This also contributed to the year-to-date gain of $0.24, or 5.2%, so far in 2015. It is important to note current Class B and Class C vacancies combine for 66% of all vacant space and are acting as a drag to the go-go Class A sector which is fast approaching $5.00 per sq. ft.

Slicing the data further, Class A asking rents are anchoring the market's overall rents, where the sector's rents expanded 2.5% this quarter and lurched 5.23% year-to-date. The Class B asking rate registered a slight decrease 0.5% while the lower tier Class C remained the only class category south of $4.00 per sq. ft., but registered a quarter growth of 2.7%.

Figure 3: Maquiladora Employment



Source: Instituto Nacional de Estadística y Geografía, September 2015.

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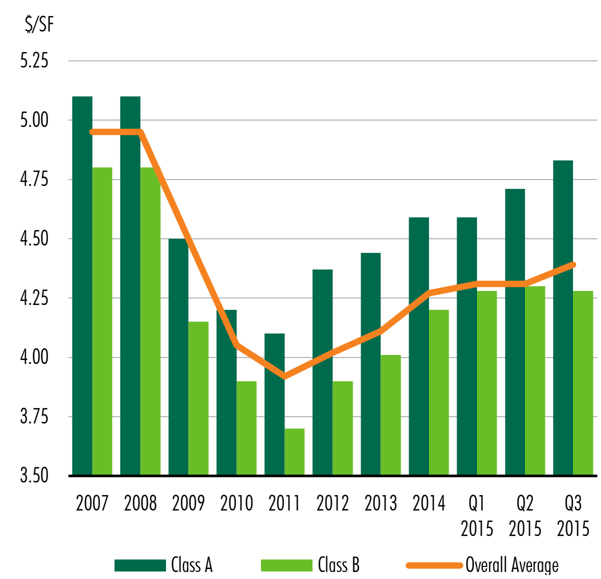
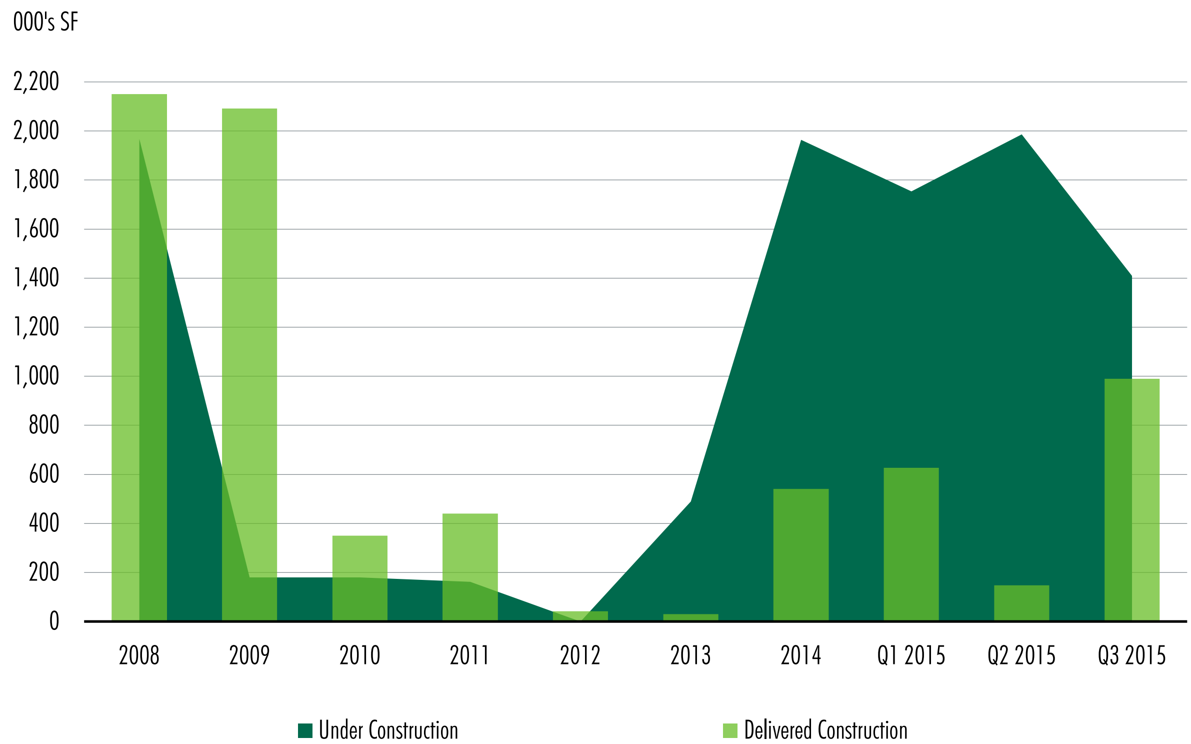
Figure 4: Asking Rates, NNN Avg. Annual



Source: CBRE Research, Q3 2015.

Figure 5: Construction



Source: CBRE Research, Q3 2015.

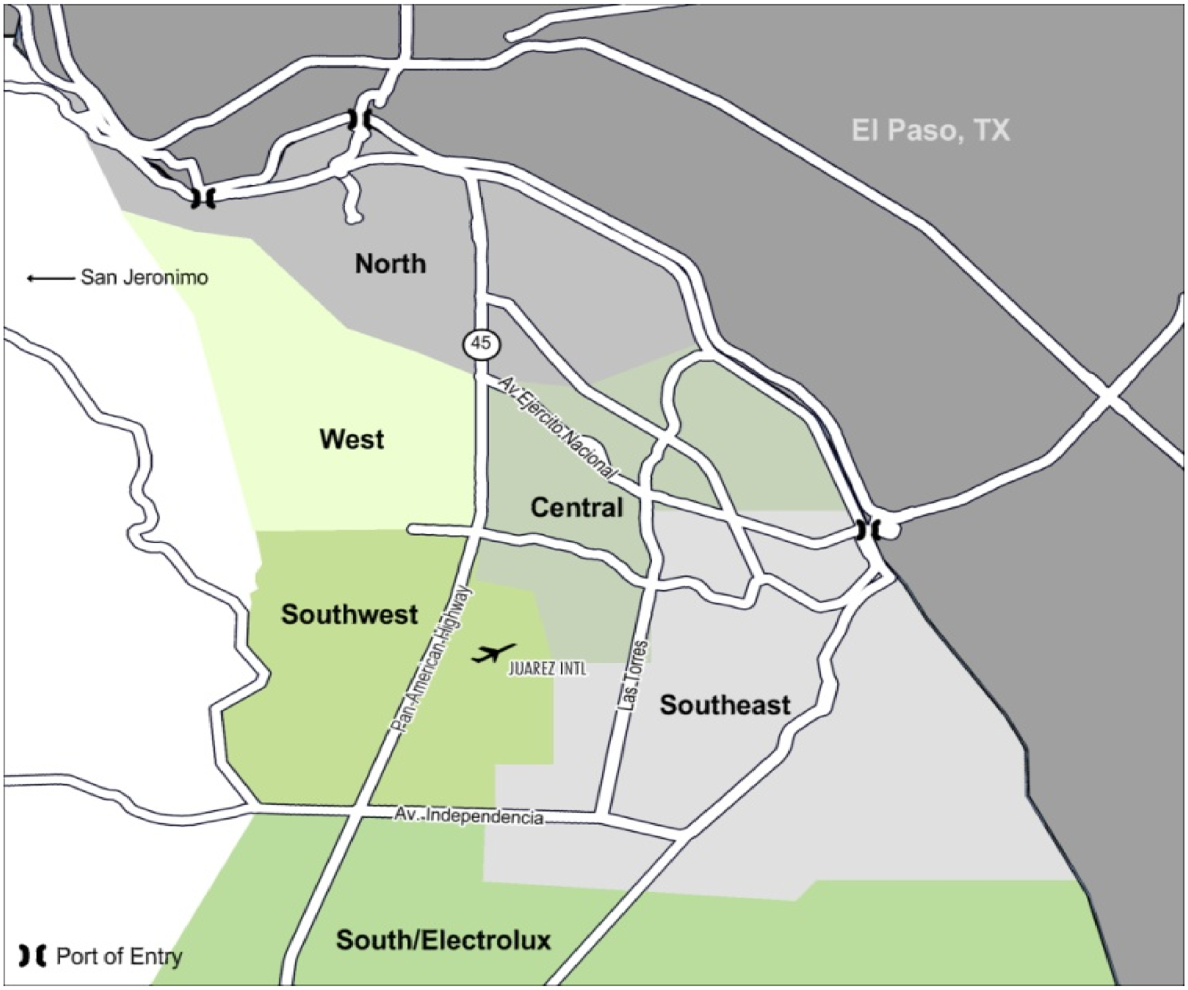
INDUSTRIAL PRODUCT

CBRE Research reports the total Ciudad Juárez industrial total competitive inventory expanded due to six construction projects being delivered in the past 90 days. The projects feature three new buildings and three expansions to existing properties. In addition, our internal property database was revised by an enhancement that more closely matches building specifications. The combined inventory net size adjustment saw an addition of 135,720 sq. ft. to our tracked inventory.

By the close of Q3 2015, there was approximately 1.4 million sq. ft. of industrial space under construction, of which 40% is expected to be delivered pre-leased. Fresh construction starts totaled just over of 508,000 sq. ft. and includes two built-to-suits, one in the North and another in the Southeast, and three new speculative projects, in the Southeast submarket, as available options for Class A space remain scarce.

Formerly existing construction projects include two expansions, one for Robert Bosch and another for Avon Automotive. Work also continued on three spec projects in the Southeast.

CBRE Research is tracking additional projects that will likely deploy in the coming months and include both built-to-suit and speculative construction and as such CBRE expects further announcements given the sheer dearth of space options for Class A industrial occupiers.



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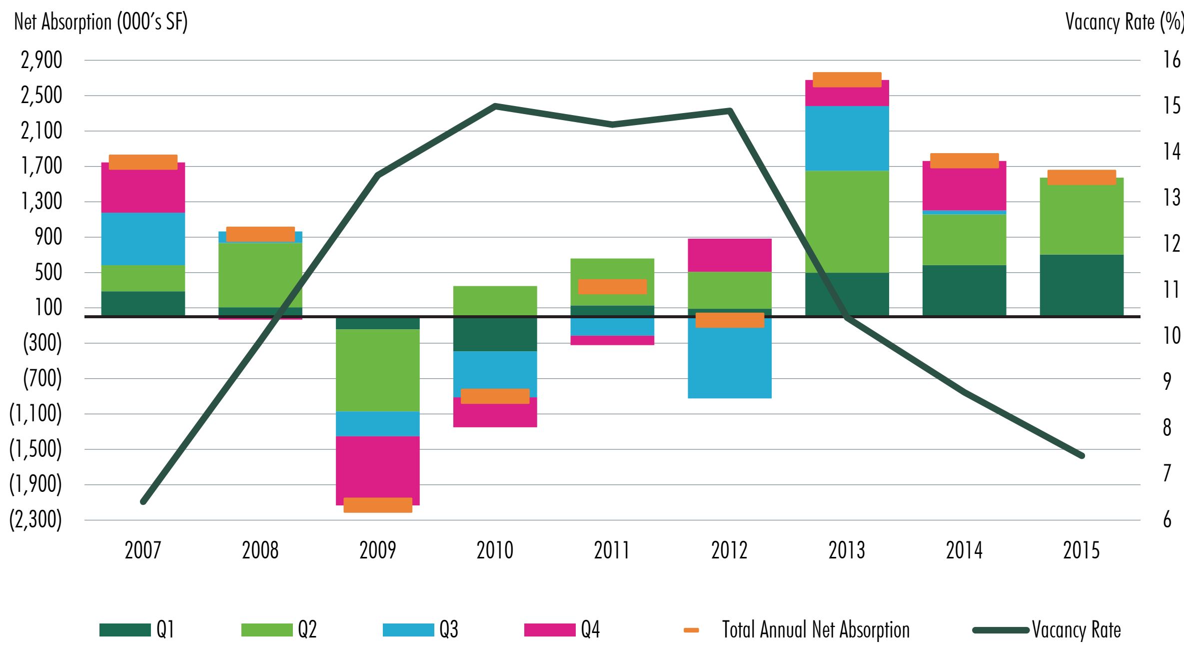
Ciudad Juárez Industrial, Q2 2015

Vacancy steering towards full pre-recession recovery

Vacancy Rate 7.4%
Avg. Asking Rate 4.31 $/SF
Net Absorption 869,991 SF
Construction 1,896,081 SF
Completions 148,250 SF

*Arrows indicate change from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q2 2015.

- Vacancy for Class A product sustained declines well below the market overall rate to 3.3%.
- High occupier demand and limited space options are triggering new speculative construction.
- Manufacturing output in Mexico surging past 17.2% pre-recession output.
- Mexico approved legislation that will allow U.S. Customs agents into Mexico to pre-clear cargo on-site, ultimately boosting trade through the expedition process.

AN ELEVENTH CONSECUTIVE POSITIVE QUARTER

Ciudad Juárez's industrial market staked nearly 870,00 sq. ft. of net positive net absorption, the largest quarterly net gain in two years and second largest in more than seven. Relentless tenant demand is compressing vacancy well near to pre-recessionary levels of 7.4%.

Macroeconomic data related to the region's industrial sector show a general increase in year-over-year levels between May 2014 and 2015. The most recent data from the INEGI, Mexico's government agency that collects census information, show seasonally-adjusted industrial production decreased 0.1% in April, yet saw gains of 1.1% year-over-year. Manufacturing grew as a result by 2.0% in April and posted a strong expansion of 3.8% year-over-year.

Meanwhile, the seasonally-adjusted U.S. industrial production, as reported by the Federal Reserve's Board of Governors - which did see a preliminary monthly decrease of 0.2% in May - but year-over-year total production leapt past that to 1.4%, while manufacturing improved by 1.8% during the same period. Further, the Institute for Supply Management (ISM) recently reported that the Purchasing Manager's Index (PMI), a short-term leading indicator for regional production, signaled the 72nd consecutive month of growth in the overall U.S. economy during May, and the 29th month of growth for the manufacturing sector.

In terms of trade, the nominal and unadjusted value of import trade from the U.S. through the El Paso-Southern New Mexico ports of entry escalated to $12.7 billion year-to-date in April. However, this is 5.6% below the same period last year. The relative lessening may be a result of slight contraction in U.S. Gross Domestic Product during Q1 2015 and a "hangover" of last year's similar negative GDP growth which also dislocated trade flows. In terms of exports to the U.S., the year-to-date value increased to $15.4 billion. This figure is 9.4% above the same period in 2014. Further export growth is likely, given the considerable appreciation of the U.S. dollar which has shown to boost both exports from and investment into Mexico export-oriented operations.

Mexico has approved legislation that, in effect , will allow U.S. Customs to physically locate inside Mexican operations in order to pre-clear loaded trucks headed to the U.S., slicing border cross time and boosting trade volumes as result. Foxconn in San Jeronimo, in the western region of the municipality of Ciudad Juárez border with Santa Teresa, New Mexico is scheduled to begin the initial pilot customs program soon.

Mexico is currently the seventh largest vehicle manufacturer in the world after surpassing Brazil in 2014, Spain in 2011 and France in 2010. As of May, Mexico produced 1.4 million vehicles in 2015 which is 8.4% above the same period last year. Mexico's fabrication output should continue to grow given investments by many major automotive manufacturers. Fore example, since 2010 more than 36 new and expanding projects have been completed or announced at a total $23.3 billion. These projects will enhance Mexico's already considerable momentum to an even more elevated position amongst top global automotive manufacturers. Regionally, Ciudad Juárez will benefit albeit indirectly: although no direct investment is planned for Ciudad Juárez proper, at a concentration of 40%, the local market has a strong density of automotive component manufacturing and other automotive supply chain operations.

Within the Ciudad Juárez's industrial market, enriched leasing fundamentals and heavy-duty occupier demand is igniting new construction to a total of 2.0 million sq. ft., with 71% pre-lease occupancy by the end of Q2 2015 and this, coupled with the 3.4 million sq. ft. of active users in the market, will likely accelerate the local market past pre-recessionary performance measures and thus, see Ciudad Juárez cross the line into a full recovery consequently earmarking 2015 as the year of new industrial market expansion.

MARKET OVERVIEW

Ciudad Juárez, Mexico is the largest industrial real estate market along the U.S./Mexico border employing 10% of all national manufacturing employment. The city continues to be a vital part of North America's manufacturing sector due to competitive labor costs, transportation infrastructure and access to the U.S. consumer market.

Figure 2: Market Statistics

Market	Rentable Area (SF)	Vacant (SF)	Vacancy Rate (%)	Available (SF)	Availability Rate (%)	Net Absorption (SF)	Delivered Construction (SF)	Under Construction (SF)	Asking Rates Net Avg. Annual ($/SF/Yr)
North	13,773,888	849,064	6.2	920,665	6.7	309,318	-	238,217	4.04
West	10,145,268	1,058,071	10.4	1,104,762	10.9	275,254	-	140,000	4.06
Central	5,174,195	540,080	10.4	692,077	13.4	16,000	-	140,000	4.20
Southwest	6,039,621	649,154	10.7	945,079	15.6	189,243	98,250	180,000	4.13
Southeast	22,273,533	1,455,836	6.5	1,499,391	6.7	80,176	50,000	1,197,864	4.71
South / Electrolux	3,625,244	58,748	1.6	58,748	1.6	0	-	-	5.00
San Jeronimo	1,642,000	0	0.0	0	0.0	0	-	-	-
Totals	**62,673,749**	**4,610,953**	**7.4**	**5,220,722**	**8.3**	**869,991**	**148,250**	**1,896,081**	**4.31**

Source: CBRE Research, Q2 2015.

ABSORPTION AND VACANCY

The largest quarterly net absorption in two years decreased overall industrial vacancy by 120 basis points (bps) to 7.4% this quarter – and for nearly three years, the local market has seen a positive streak resulting in more than 6.3 million sq. ft. of total net occupier demand carving vacancy in two from a prior high 15.4%. While the market continues active in new construction, only 21% of gross absorption this quarter was attributed to pre-leased deliveries with the majority attributed to tenant move-ins occurring within existing inventory.

Class A inventory repeatedly led activity across the market capturing 66.3% of total space absorbed ultimately condensing the sector's vacancy by 150 bps to 3.3%. This segment's constant tightening is now well below pre-recession vacancy and, it goes without saying, far below the overall market.

All active submarkets saw vacancy dive this quarter. The North recorded the largest net absorption of 309,318 sq. ft. which shrink its vacancy 260 bps.

South/Electrolux and San Jeronimo remained unchanged – and that's no surprise since each are essentially fully occupied. However, in early June the Municipality of Ciudad Juárez approved close to 1,300 acres of land for industrial and commercial development as well as green space in the South/Electrolux region opening additional construction opportunity. Expect developers to get active here in the months ahead.

Four of the seven submarkets saw landlords successfully push average asking lease rates this quarter. The dynamic Southeast saw the lion's share of area rent gains with a rise of $0.12 per sq. ft. (or 2.6%). The North felt the only decrease of $0.26 per sq. ft., (or 6.4%), mainly due to space availability calibration: strong absorption of Class A space reallocated a larger average weight on available Class B and Class C asking rents.

Of note: the largest tenant absorption this quarter was through a new lease of 207,914 sq. ft. by a furniture manufacturing plant in the West submarket.

MAQUILADORA EMPLOYMENT

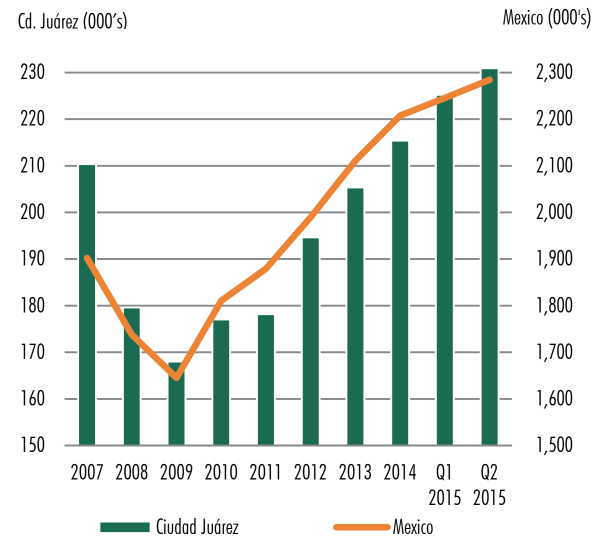
CBRE Research persistently tracks *maquiladora*, or IMMEX, employment as a key indicator of manufacturing sector performance. As of March 2015, INEGI reported 230,908 IMMEX employees in Ciudad Juárez. Employment expanded by 23,377 payrolls, a leap of 11.3% year-over-year and is now above the 2007 level of 217,000, another metric that weighs heavily for 2015 being the year of Ciudad Juárez expansion. Consider this: when compared to national and state performance, analysis also shows that Ciudad Juárez had registered larger jobs gains, relative to its base, so far this year in March. The IMMEX national figure of 2.3 million added 129,965 jobs year-over-year in March 2015.

INDUSTRIAL RENTS

The market-wide industrial average asking lease rate remained level at $4.31 per sq. ft. this quarter. Although rents are expected to rise in line with subsiding vacancy, it is important to note current Class B and Class C vacancies combine for 80% of all vacant space and are acting as a drag to the go-go Class A sector.

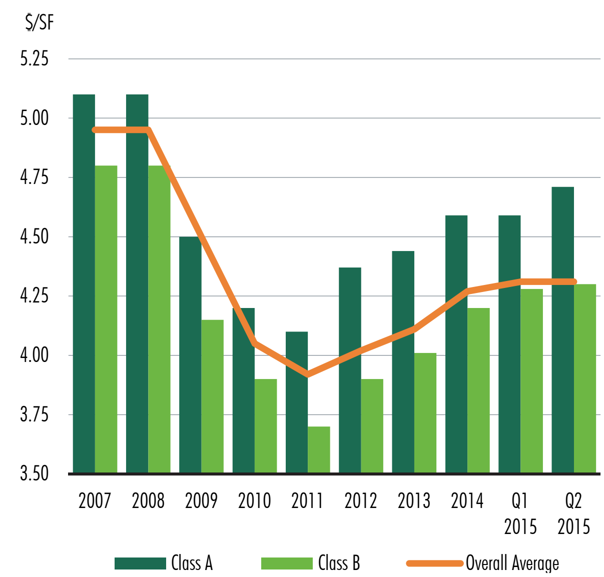
Slicing the data further, Class A asking rents are anchoring the market's overall rents, where the sector's rents expanded 2.6% this quarter and lurched 4.2% year-over-year. The Class B asking rate registered an increase of 0.5% while the lower tier Class C was unchanged and remained the only class category south of $4.00 per sq. ft.

Figure 3: Maquiladora Employment



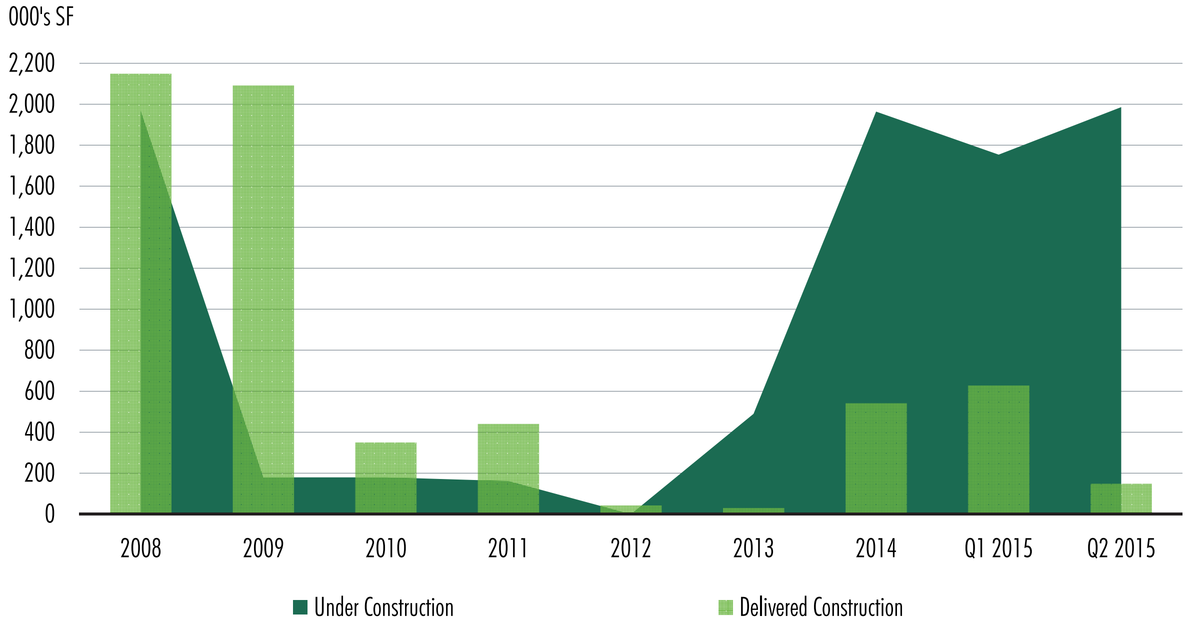
Source: INEGI, June 2015.

Figure 4: Asking Rates, NNN Avg. Annual



Source: CBRE, Q2 2015.

Figure 5: Construction



Source: CBRE Research, Q2 2015

INDUSTRIAL PRODUCT

CBRE Research reports the total Ciudad Juárez industrial total competitive inventory expanded due three construction projects being delivered in the past 90 days. The projects feature one new building and two expansions to existing properties. In addition, our internal property database was revised by an enhancement that more closely matches building specifications. The combined inventory net size adjustment was and addition of 3,496 sq. ft. to our tracked inventory.

By the close of Q2 2015, there was approximately 1.9 million sq. ft. of industrial space under construction of which 71% is expected to be delivered pre-leased. Fresh construction starts totaled just short of 365,000 sq. ft. and includes a built-to-suit for Avon-Cadimex automotive in Central and a new speculative project in the Southeast submarket.

Formerly existing construction projects include phase one of BRP's built-to-suit, an expansion for Robert Bosch, and two spec projects in the Southeast. Davol has an ongoing built-to-suit project in the Southwest. South Shore also continues work on an expansion in the West submarket. In the North, work carries on the expansion for Auto-Kabel and the Fuentes speculative building. The latter is now expected to be delivered occupied in the final half of the year. The existing construction project begun in 2008, at the height of the economic recession, but became dormant soon after.

CBRE Research is tracking additional projects that will likely deploy in the coming months and include both built-to-suit and speculative construction and as such CBRE expects further announcements given the sheer dearth of space options for Class A industrial occupiers.

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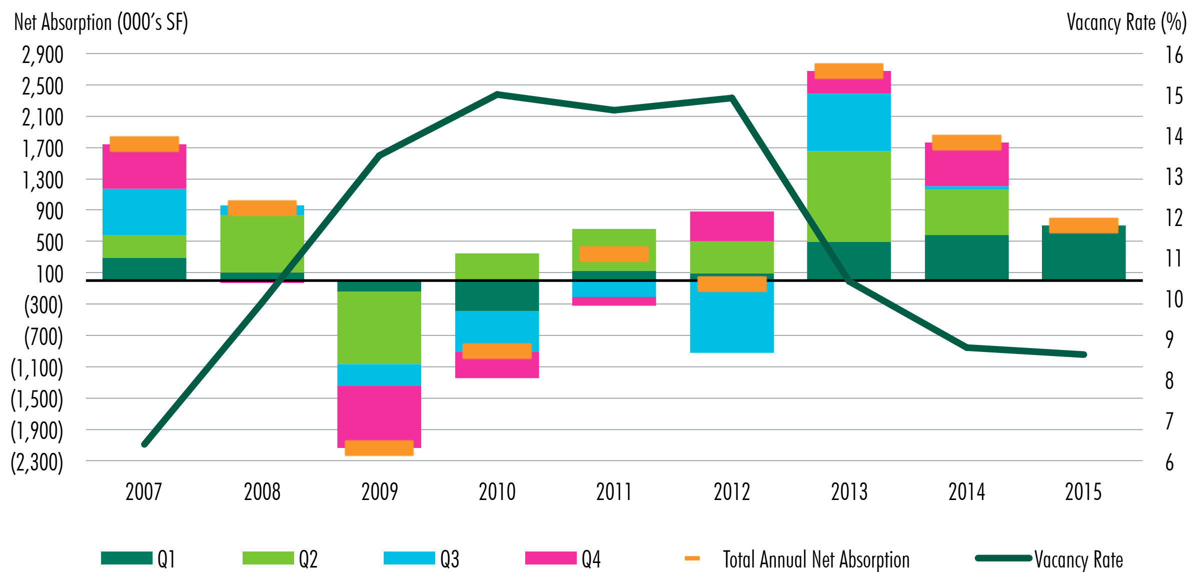
Ciudad Juárez Industrial, Q1 2015

Large net absorption sets a positive tone for 2015

Vacancy Rate	Avg. Asking Rate	Net Absorption	Construction	Completions
8.6%	4.31 $/SF	703,084 SF	1,753,692 SF	627,344 SF

*Arrows indicate change from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q1 2015.

- Since 2007, Q1 2015 recorded the largest net absorption in a first quarter signaling a strong start to 2015.
- The Class A vacancy rate continued to decline to 4.8%. This segment is now below pre-recession vacancy.
- Q1 2015 saw the commencement of 317,225 sq. ft. of new construction and the delivery of 627,000 sq. ft. at occupancy of 92%.
- Manufacturing output in Mexico continued to lead growth in industrial production at 15% above pre-recession output levels.

A TENTH CONSECUTIVE POSITIVE QUARTER

Since Q3 2012, the Ciudad Juárez industrial market has managed to produce ten consecutive quarters of positive net absorption. During this ten quarter period, more than 5.5 million sq. ft. have been net absorbed, this is after subtracting all new vacancies. Also since 2012, the vacancy rate has much improved from a cycle-high 14.9% to 8.6% at the end of Q1 2015. This year is off to a strong start as Q1 2015 reported a net absorption of 703,084 sq. ft. This sets a new first-quarter-high based on the dataset presented back to 2007. This positions Ciudad Juárez on track to another strong year.

Macroeconomic indicators for Mexico are as follows. According to INEGI, seasonally adjusted industrial production decreased 0.3% in December, however saw a firm increase of 2.1% year-over-year. The manufacturing sector had similar results. Manufacturing decreased by 1.9% in December, but posted a strong gain of 4.6% year-over-year. Data for the U.S. show that seasonally adjusted industrial production, as reported by the Board of Governors of the Federal Reserve, saw an increase of 0.2% in January after a decrease of 0.3% in December. Furthermore, the reported January figure is up 4.8% year-over-year. The data also show that of the major industry groups, manufacturing output rose by 5.6% year-over-year in January. The Institute for Supply Management also recently reported that the Purchasing Manager's Index (PMI) in November signaled the 69rd consecutive month of growth in the overall U.S. economy, and the 26th month of growth for the manufacturing sector.

In terms of trade, the inflation adjusted, dollar value of export and import trade with the U.S. through the El Paso-Santa Teresa ports of entry continued to fluctuate in January as movements seem to have reversed. During the first half of 2014, there was negative growth in year-over-year export totals while import growth remained small, but positive. January of 2015 registered an increase of 6.2% in exports to the U.S. year-over-year. Imports from the U.S. decreased 12% during the same period. This brings the year-to-date face value of export and import trade with the U.S. to $3.5 billion and $3.0 billion, respectively.

Within the Ciudad Juárez industrial market, investment shows no sign of deceleration. Q1 2015 saw the commencement of two new speculative projects totaling more than 317,000 sq. ft. It is worth noting that new investments are being made by both a local and an institutional owners. This comes with little surprise as Ciudad Juárez is seeing demand outpace new construction. There have been a several recent construction projects that deploy as speculative development only to become leased while still under construction or soon after delivery.

Reports indicate that Mexico set a production record of more than 3.2 million vehicles in 2014. This figure is up approximately 10% from 2013. Moving forward, it is likely that Mexico continues a growth in production trend given the multi-billion-dollar investment plans by at least seven major automotive manufacturers. It is also likely that Ciudad Juárez will benefit from such, indirectly. Although no direct investment is planned for Ciudad Juárez, the local market has a strong, approximately 30-40%, concentration of automotive component manufacturing and other automotive supply chain operations. In fact, a direct supplier to a major automaker is already considering establishing operations in Ciudad Juárez. The Korean company plans to invest $23 million while creating 600 new jobs. The local market also continued to diversify with increased demand by medical-related manufacturing companies. Such operations are showing up on existing market deals, new construction projects, and as potential users in the market. In the submarket of San Jeronimo where availability is zero, efforts continue to urbanize a multi-phase project that will include developing industrial, commercial and residential properties.

Overall, Ciudad Juárez continued on a progressive path in Q1 2015. Investment from developers, positive industrial related indicators, along with the current 2.6 million sq. ft. of active users in the market, should continue the local market on a healthy path.

MARKET OVERVIEW

Ciudad Juárez, Mexico is the largest industrial real estate market along the U.S./Mexico border employing 10% of all national manufacturing employment. Since 1969, Ciudad Juárez has been home to major manufacturing companies from around the world, with a strong presence of automotive, medical, appliance and electronics companies. The city continues to be an important part of North America's manufacturing sector due to competitive labor costs, transportation infrastructure and access to the U.S. consumer market.

Figure 2: Market Statistics

Market	Rentable Area (SF)	Vacant (SF)	Vacancy Rate (%)	Available (SF)	Availability Rate (%)	Net Absorption (SF)	Delivered Construction (SF)	Under Construction (SF)	Asking Rates Net Avg. Annual ($/SF/Yr)
North	13,773,657	1,200,690	8.7	1,229,752	8.9	170,261	-	338,217	4.27
West	10,145,268	1,333,325	13.1	1,380,016	13.6	(67,031)	-	140,000	4.05
Central	5,171,162	556,080	10.8	642,966	12.4	243,278	210,000	-	4.13
Southwest	5,940,239	738,589	12.4	1,034,514	17.4	0	-	328,250	4.17
Southeast	22,224,433	1,486,829	6.7	1,830,276	8.4	356,576	417,344	947,225	4.59
South / Electrolux	3,625,244	58,748	1.6	58,748	1.6	0	-	-	5.00
San Jeronimo	1,642,000	0	0.0	0	0.0	0	-	-	-
Totals	62,522,003	5,374,261	8.6	6,176,272	9.9	703,084	627,334	1,753,692	4.31

Source: CBRE Research, Q1 2015.

ABSORPTION AND VACANCY

As result of a 10th consecutive quarter with positive net absorption, the overall industrial vacancy rate in Ciudad Juárez continued to decrease. The Q1 2015 net absorption of 703,084 sq. ft. reduced the overall vacancy by 20 basis points (bps) to 8.6%. While a greater decrease in vacancy rate is expected with such magnitude of net absorption, 82% of net absorption this quarter was attributed to delivered construction as opposed to the absorption of existing vacant space.

Class A inventory continued to lead activity across the market. In fact, 95% percent of new space absorbed in Q1 2015 was that of existing and newly delivered Class A product. Further examined, the vacancy rate for highly competitive Class A space continued to decline to 4.8%. This segment is now below pre-recession vacancy. As result of overall increased activity, the market average asking lease rate continued to appreciate by $0.04 to $4.31 per sq. ft.

Three of the seven submarkets saw decreased vacancy rates this quarter. The North, Central, and Southwest all saw a decline in vacancy in response to positive net absorption. The very active Southeast submarket recorded the largest net absorption of 356,576 sq. ft. However, the submarket underwent a map realignment through which it inherited the Aerojuarez Industrial Park. The move reallocated 1.8 million sq. ft. of inventory along with close to 300,000 sq. ft. of vacancy. The West submarket recorded the only negative absorption after a single vacancy and no new space absorption.

Four of the seven submarkets experienced escalations in average asking lease rates in Q1 2015. The South / Electrolux saw the largest increase of $0.20 to $5.00 per sq. ft. based on a single available property in that submarket. The West submarket experienced the only decline of $0.02 per sq. ft.

Of the 1.1 million sq. ft. of gross absorption, the largest absorption was through a purchase as General Foam Plastics purchased 235,261 sq. ft. of vacant manufacturing space in the North submarket.

MAQUILADORA EMPLOYMENT

CBRE Research continues to track maquiladora, or IMMEX, employment as a key indicator of manufacturing sector performance. Since 2009, IMMEX employment at the national and local level have narrowed the gap with pre-recession levels. As of November 2014, INEGI reports 223,231 maquiladora employees in Ciudad Juárez. This figure expanded by 17,077 employees year-over-year and is now above the 2007 level of 217,000.

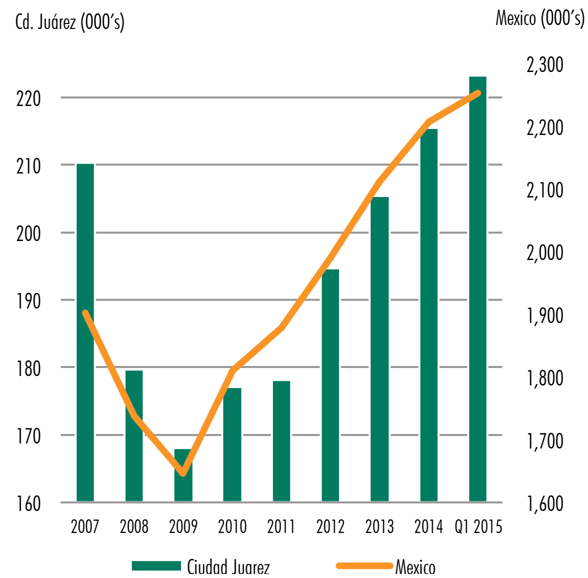
The IMMEX national figure of 2.3 million increased by 137,431 year-over-year, also in November 2014.

INDUSTRIAL RENTS

Q1 2015 saw an escalation of $0.04 to $4.31 per sq. ft. The reported rate is also $0.15 per sq. ft. above the same time last year. Further broken down, Class B space saw a per sq. ft. increment of $0.08. Although Class A remained unchanged this quarter, the asset class continues to anchor rates at $4.59 in response to a low vacancy. The lower tier Class C saw a growth of $0.12 to $3.75 per sq. ft.; however, it remains as the only class below $4.00.

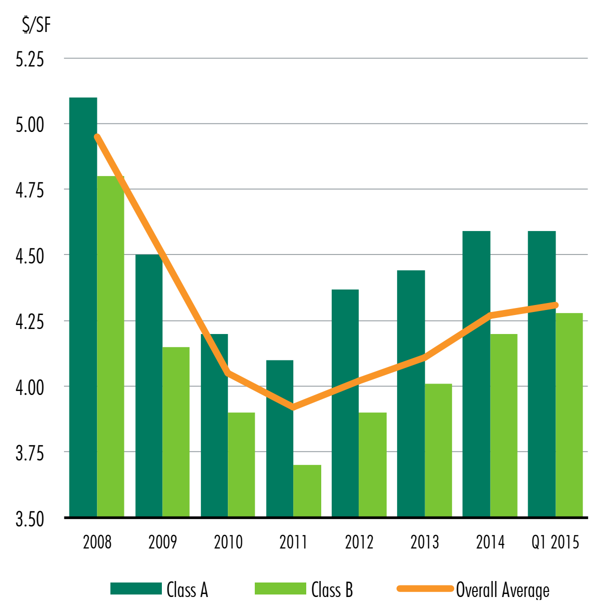
Although the increase in rental rates is expected and in line with the decrease in vacancy, the average asking rate continues to remain below historical levels in Ciudad Juárez. It is important to note that Class B and Class C current vacancies combine for nearly 70% of all market vacant space. This places a larger restraining weight on growth of the overall average asking rate as landlords remain aggressive in pursuing new tenants. However, anticipated activity in 2015 should put further upward pressure on asking rates.

Figure 3: Maquiladora Employment



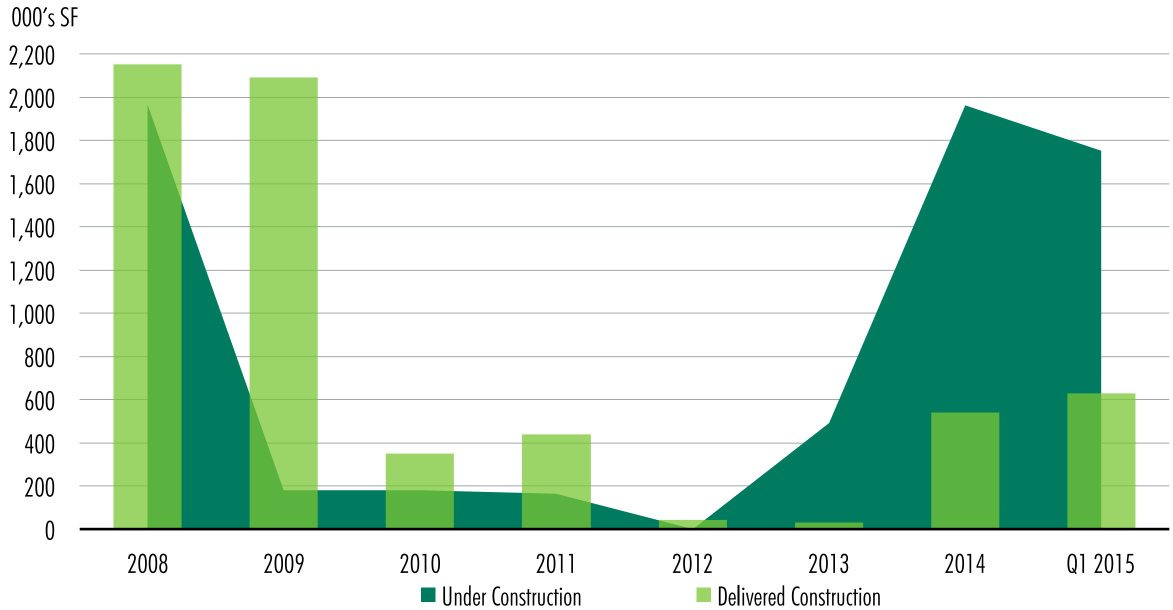
Source: INEGI, March 2015.

Figure 4: Asking Rates, NNN Avg. Annual



Source: CBRE, Q1 2015.

Figure 5: Construction



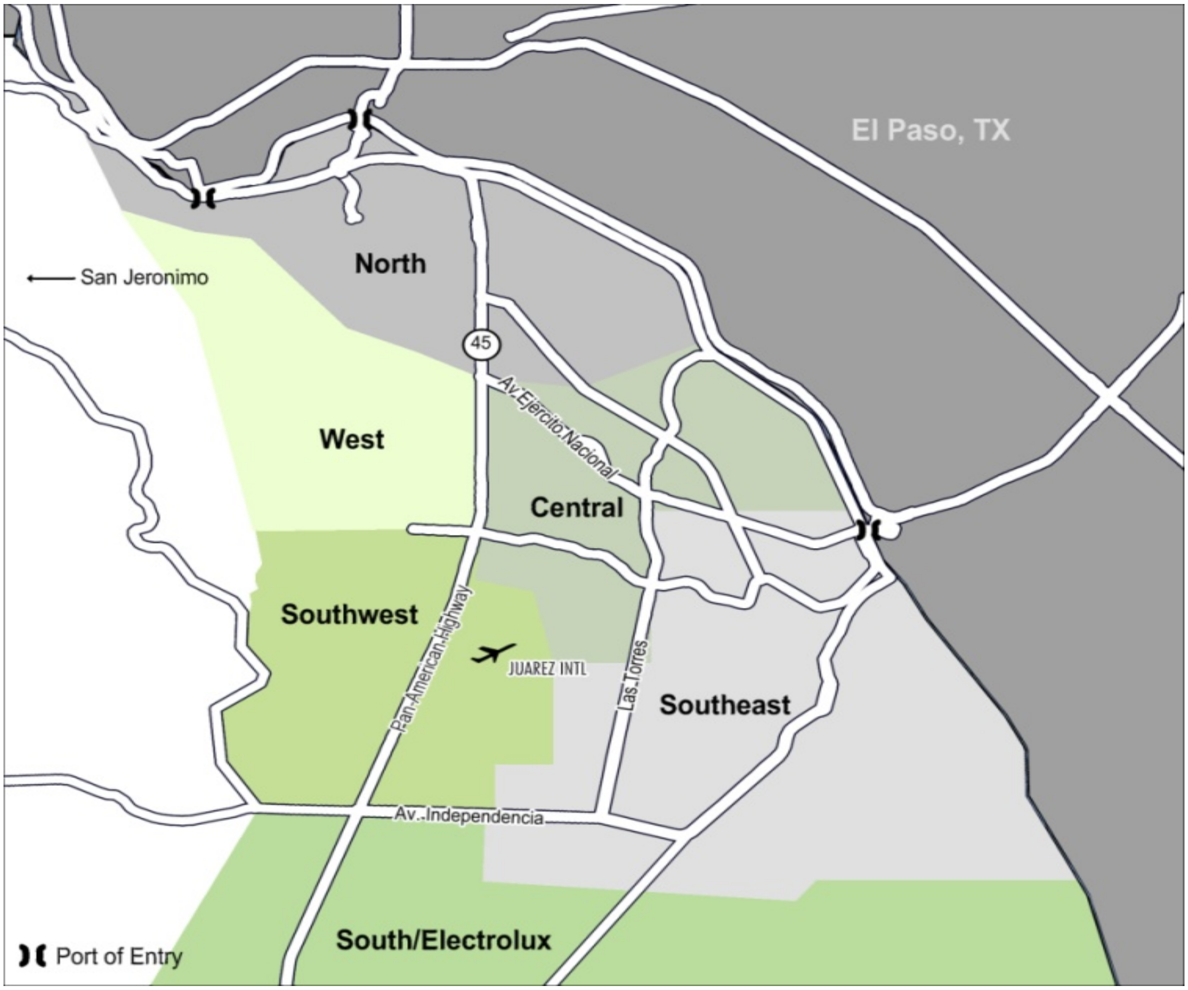
Source: CBRE Research, Q1 2015.

INDUSTRIAL PRODUCT

CBRE Research reports the total industrial supply in Ciudad Juárez increased after four delivered construction projects in Q1 2015. The projects included three built-to-suits, one of which was originally deployed as speculative, and an expansion to an existing building for a total 627,344 sq. ft. In addition, our internal property database did undergo a handful of adjustments to more closely match building specifications.

At the close of Q1 2015, there was 1,753,692 sq. ft. of industrial space under construction of which 82% is expected to be delivered occupied. New Q1 2015 construction starts totaled 317,225 sq. ft. and includes two new speculative projects in the Southeast submarket. Formerly existing construction projects include phase one of BRP's built-to-suit, and an expansion for Robert Bosch in the Southeast. Davol, Coppel, Warner Ladder, and La Nogalera all have ongoing built-to-suit projects in the Southwest. South Shore also continues work on an expansion in the West submarket. In the North, work has picked up a the Fuentes speculative building. The latter is now expected to be delivered occupied later this year. The existing construction project begun in 2008, at the height of the economic recession, but became dormant soon after.

Further announcements are also likely given the limited availability of Class A industrial space which is currently at a vacancy of 4.8%.



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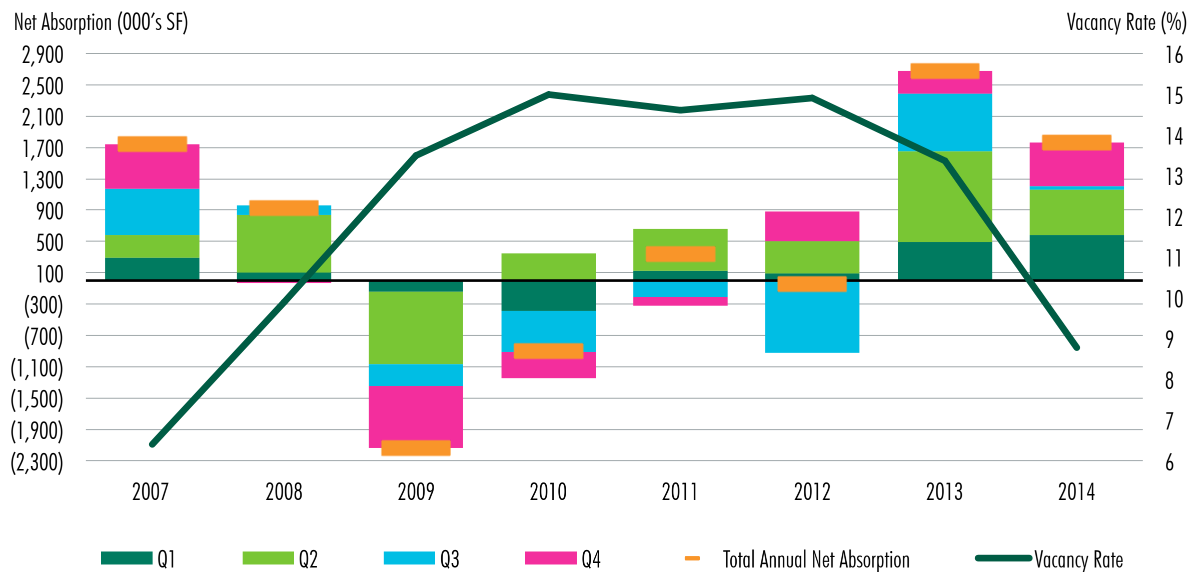
Ciudad Juarez Industrial, Q4 2014

Another solid year as vacancy continues a sharp decline

Vacancy Rate 8.8%	Avg. Asking Rate 4.27 $/SF	Net Absorption 559,592 SF	Construction 1,963,811 SF	Completions 40,000 SF

*Arrows indicate change from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE, Q4 2014.

- The Class A vacancy rate continued to decline to 5.0%. This segment has returned to pre-recession vacancy.
- Q4 2014 saw the commencement of 1.2 million sq. ft. of new construction with an additional 350,000 sq. ft. expected to start in early 2015.
- Manufacturing output in Mexico continues to lead growth in industrial production surpassing pre-recession output levels.
- Cd. Juarez has been named one of the Rockefeller Foundation's 100 Resilient Cities highlighting the significantly improved security conditions across the city.

A CONSECUTIVE YEAR OF RECOVERY

Since Q3 2012, the Cd. Juarez industrial market has managed to continue on a path marking nine consecutive quarters of positive net absorption. Also since 2012, the vacancy rate has sharply recovered from a cycle-high 14.9%. The reported Q4 2014 net absorption of 559,592 sq. ft. brings the 2014 year-to-date net absorption to over 1.7 million sq. ft. and the current vacancy rate to 8.8%. Furthermore, additional activity is in the wings as new construction starts in the past few months are expected to yield close to 1.8 million sq. ft. of absorption in 2015.

Macroeconomic indicators for Mexico portray confidence. According to INEGI, seasonally adjusted industrial production increased 0.3% in October with a solid increase of 2.3% year-over-year. The manufacturing sector had even better results. Manufacturing increased by 0.7% in October with a strong gain of 3.9% year-over-year. Data for the U.S. show that seasonally adjusted industrial production, as reported by the Board of Governors of the Federal Reserve, saw a strong increase of 1.3% in November and steady growth since August. Furthermore, the reported November figure is up 5.2% year-over-year. The data also show that of the major industry groups, manufacturing output rose by 4.8% year-over-year in November. The Institute for Supply Management also recently reported that the Purchasing Manager's Index (PMI) in November signals the 66rd consecutive month of growth in the overall U.S. economy, and the 18th month of growth for the manufacturing sector.

In terms of trade, the inflation adjusted, total dollar value of import and export trade with the U.S. through the El Paso-Santa Teresa ports of entry continued to fluctuate in the month of September, after a contraction during the first half of 2014. The U.S. weather freeze earlier this year weakened all components of U.S. gross domestic product in Q1 2014, including personal consumption, business investment, and bilateral trade. However, U.S. growth rebounded sharply in the second and third quarters. Locally, September registered an increase of imports from the U.S. of 10.9% year-over-year. Exports to the U.S. decreased 4.0% during the same period. This brings the year-to-date face value of import and export trade with the U.S. to $31.4 billion and $33.3 billion, respectively.

Within the Cd. Juarez industrial market, investment projects have more than doubled. Q4 2014 saw the commencement of eight new projects. In addition, the recorded 14 new lease and sale transactions were enough to counteract negative activity and ultimately keep the Cd. Juarez industrial market in progressive territory.

Along with improved demand for automotive vehicles, major automakers announced multi-billion-dollar investment plans in Mexico that will likely stimulate demand in the region. Although no direct investment is planned for Cd. Juarez, the local market has a strong, approximately 30%, concentration of automotive component manufacturing and other automotive supply chain operations. CBRE Research is also observing how Mexico's recent energy reform may impact industrial markets. The reform is expected to boost Mexico's GDP from increased oil and natural gas production along with increased foreign investment. The result may strengthen trade flows between Texas and Mexico while supporting industrial markets on both sides of the border. On the U.S. side, the new Union Pacific intermodal facility is stimulating activity in the form of industrial-use land sales in its surrounding. The new facility is also expected to drive up to 800 additional trucks per day of industrial traffic into the area. Directly across on the Mexico side, efforts continue to urbanize a multi-phase project in San Jeronimo that will include developing industrial, commercial and residential properties. The project is expected to continue through 2016.

Overall, Cd. Juarez appears well in recovery out of the recession. Increased investment from investors and developers, economic initiatives, improving macroeconomic indicators, along with the current 3.6 million sq. ft. of active users, should continue the local market on a healthy path in to 2015.

MARKET OVERVIEW

Cd. Juarez, Mexico is the largest industrial real estate market along the U.S./Mexico border employing 10% of all national manufacturing employment. Since 1969, Cd. Juarez has been home to major manufacturing companies from around the world, with a strong presence of automotive, medical, appliance and electronics companies. The city continues to be an important part of North America's manufacturing sector due to competitive labor costs, transportation infrastructure and access to the U.S. consumer market.

Figure 2: Market Statistics

Market	Rentable Area (SF)	Vacant (SF)	Vacancy Rate (%)	Available (SF)	Availability Rate (%)	Net Absorption (SF)	Delivered Construction (SF)	Under Construction (SF)	Asking Rates Net Avg. Annual ($/SF/Yr)
North	13,773,657	1,370,951	10.0	1,400,013	10.2	(48,725)	-	338,217	4.15
West	10,145,268	1,266,294	12.5	1,380,016	13.6	241,581	40,000	140,000	4.07
Central	4,958,768	589,358	11.9	676,244	13.6	0	-	210,000	4.07
Southwest	7,820,183	1,021,049	13.1	1,316,974	16.8	68,558	-	328,250	4.22
Southeast	19,893,194	1,123,694	5.6	1,557,814	7.8	284,695	-	947,344	4.55
South / Electrolux	3,625,244	58,748	1.6	58,748	1.6	13,483	-	-	4.80
San Jeronimo	1,642,000	0	0.0	0	0.0	0	-	-	-
Totals	61,858,314	5,430,094	8.8	6,389,809	10.3	559,592	40,000	1,963,811	4.27

Source: CBRE, Q4 2014.

ABSORPTION AND VACANCY

As result of a ninth consecutive quarter with positive net absorption, the overall industrial vacancy rate in Cd. Juarez decreased to levels not reported since early 2008. Currently at an overall vacancy of 8.8%, Q4 2014 underwent a reduction of 70 basis points (bps) from last quarter, 160 bps year-over-year, and 610 bps since 2012. Further examined, the vacancy rate for highly competitive Class A space declined by 30 bps to 5.0%. This segment has returned to pre-recession vacancy. With limited Class A inventory readily available, the market is seeing upsurge in Class B activity. Class B accounted for 73% of new space absorbed in Q4 2014. As result of increased activity, the overall net average asking lease rate continued to appreciate by $0.05 to $4.27 per sq. ft.

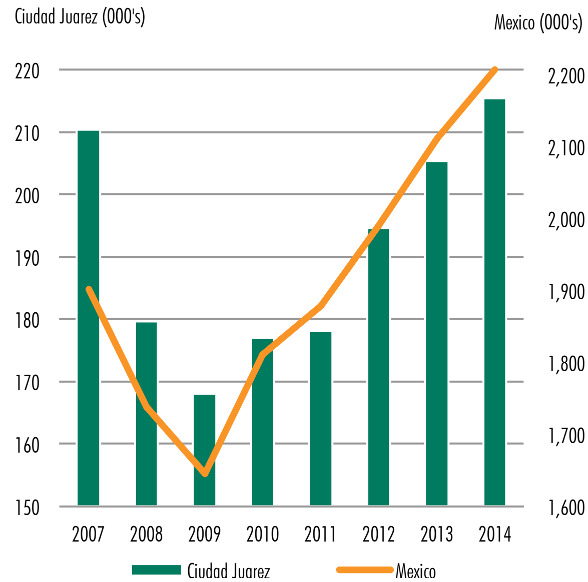
Four of the seven submarkets saw decreased vacancy rates this quarter. The West, Southeast, Central and South/Electrolux all saw a decline in vacancy in response to positive net absorption. The robust Southeast submarket recorded the largest net absorption of 284,695 sq. ft. and a decrease of 160 bps in vacancy rate. The submarket also remains highly active in new construction accounting for more than 48% of space currently under construction. The North recorded the most of the negative absorption after three substantial vacancies. Parallel to activity, five of the seven submarkets experienced escalations in average asking lease rates in Q4 2014. The Southeast saw the largest increase of $0.08 to $4.55 per sq. ft. The Central submarket saw the only decline in average asking rates of $0.05 to $4.07 per sq. ft.

Of the 673,126 sq. ft. of gross absorption, the largest absorption was through a purchase as a well-established manufacturing operation in Cd. Juarez purchased 119,571 sq. ft. of vacant manufacturing space in the West submarket.

MAQUILADORA EMPLOYMENT

CBRE Research continues to track maquiladora, or IMMEX, employment as a key indicator of manufacturing sector performance. Since 2009, IMMEX employment at the national and local level have narrowed the gap with pre-recession totals. August reports 215,407 maquiladora employees in Cd. Juarez. This figure has expanded by 10,052 employees year-to-date and by 13,799 employees year-over-year. The employment number mimics the rebound in industrial activity as it is now only 1,818 employees shy of the previous peak in 2007. Furthermore, the local maquiladora association (AMAC) reports that the Cd. Juarez maquiladora industry has added 35,330 jobs year- to-date in October. This brings their estimate total to 261,635 jobs, well surpassing the previous peak of 239,435 in 2007. The IMMEX national figure of 2.2 million increased 14,602 month-over-month in August, and by 111,752 year-over-year.

Figure 3: Maquiladora Employment

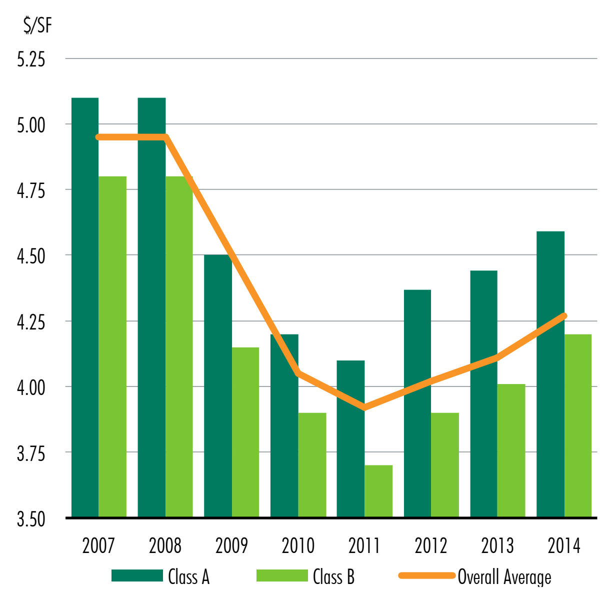


Source: INEGI, November 2014.
CBRE Research, Q4 2014.

INDUSTRIAL RENTS

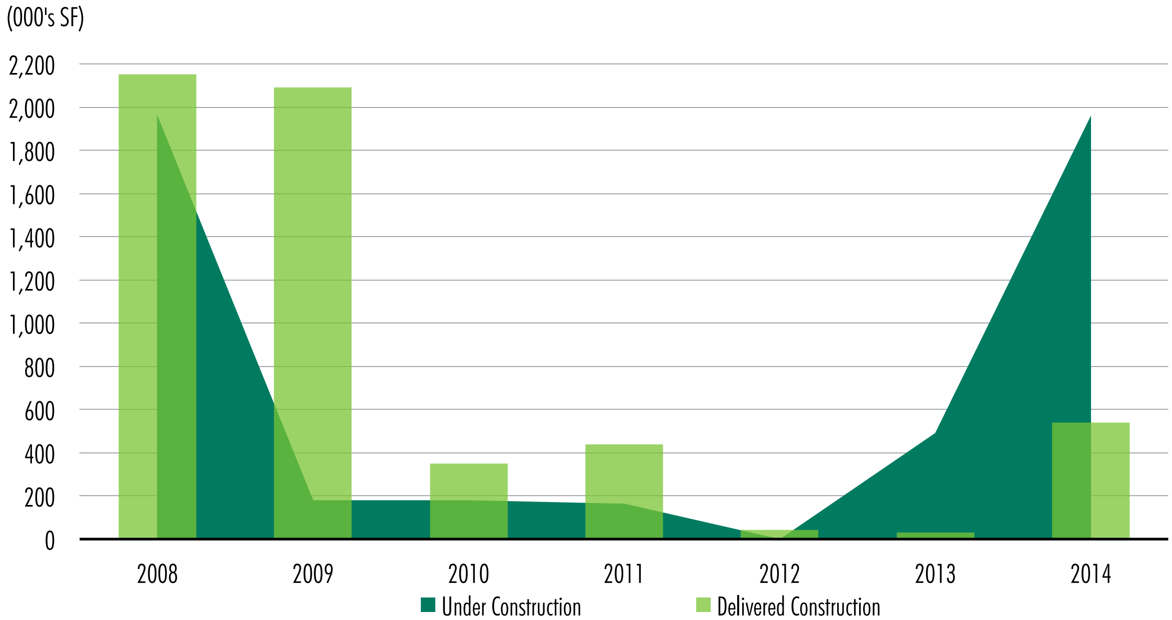
The annual average asking industrial lease rate saw an escalation of $0.05 to $4.27 per sq. ft. during Q4 2014. The reported rate is $0.16 per sq. ft. above the same time last year. This year-over-year growth of 3.9% is the largest seen since CBRE Research began tracking asking rates in 2007. Further broken down, both Class A and B space saw a per sq. ft. increment of $0.07 and $0.08, respectively. Class A continues to anchor rates at $4.59 given the low vacancy rate of 5.0%. The lower tier Class C saw a decline of $0.06 to $3.63 per sq. ft. and remains as the only class below $4.00. Although the increase in rental rates is expected and in line with the decrease in vacancy, the average asking rates continue to remain below historical levels in Cd. Juarez. Locally, landlords remain aggressive in pursuing new tenants, especially for Class B space. This aggressiveness places downward pressure on rental rates, keeping overall increases modest. However, anticipated activity in 2015 should put further upward pressure on asking rates.

Figure 4: NNN Annual Average Asking Rates



Source: CBRE, Q4 2014.

Figure 5: Construction



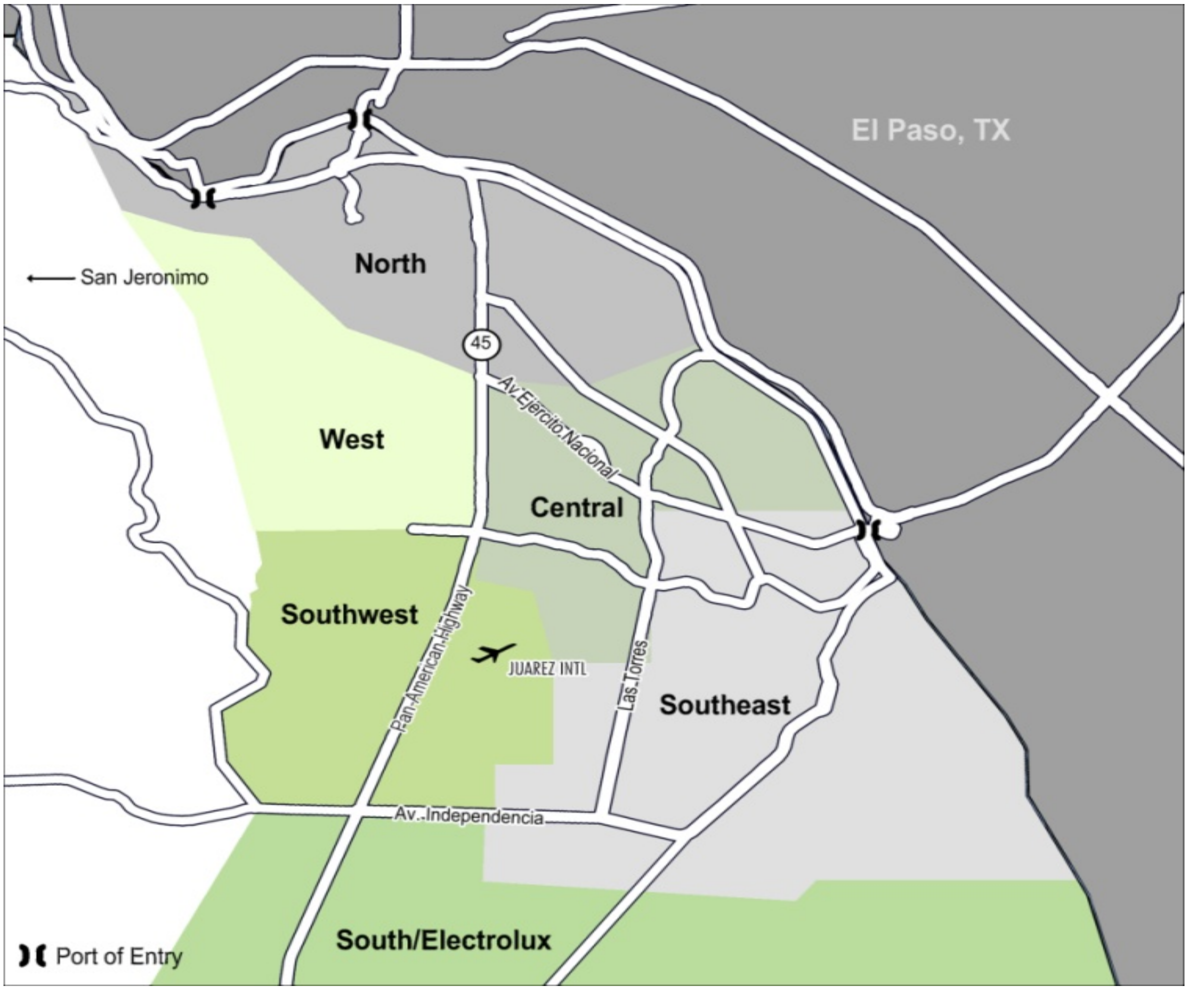
Source: CBRE, Q4 2014.

INDUSTRIAL PRODUCT

CBRE Research reports the total industrial supply in Cd. Juarez increased after an expansion delivery by Durham Manufacturing in the West submarket in Q4 2014. In addition, our internal property database did undergo a handful of adjustments to more closely match building specifications.

At the close of Q4 2014, there was 1,963,811 sq. ft. of industrial space under construction of which 91% is expected to be delivered occupied. New Q4 2014 construction totaled 1,248,250 sq. ft. and includes a built-to-suit for Auto Kabel in the North submarket. Phase one of BRP's built-to-suit and an expansion for Robert Bosch broke ground in the Southeast. Davol, Coppel, and Warner Ladder all have new built-to-suit projects in the Southwest. South Shore also began construction on an expansion in the West submarket. Formerly existing construction projects include a spec building of approximately 125,000 sq. ft. and a built-to-suit for Yazaki Corporation in the Southeast. It also includes a built-to-suit for Ruskin in the Central region and the Fuentes speculative building located in the North submarket. The latter is now expected to be delivered in 2015 fully occupied as a new tenant signed a lease. The existing construction project begun in 2008, at the height of the economic recession, but became dormant soon after.

Comparable to vacancy rates, construction has reached levels not seen since 2008. Further announcements are also likely given the limited availability of Class A industrial space and lack of new speculative development.



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Cd. Juarez, Mexico Industrial
MarketView 3Q 2014

Q3 2014 CBRE Global Research and Consulting

MARKET SIZE	AVAILABILITY	YTD GROSS ABSORPTION	MAQUILADORA EMPLOYMENT
61,319,600 Sq. Ft.	5,806,090 Sq. Ft.	1,985,575 Sq. Ft.	214,956

Directional arrows based on change from the previous quarter. Datas reflects market totals.

FLAT NET ABSORPTION AS NEW ACTIVITY IS MATERIALIZING IN THE FORM OF CONSTRUCTION AND INVESTMENT.

Figure 1: Quick Stats

	Q3 2014	Q-o-Q	Y-o-Y
Vacancy	9.5%	↑	↓
Asking Rates, NNN	$4.22 per SF	↔	↑
Net Absorption	46,649 SF	↓	↓
Under Construction	893,217 SF	↑	↑
Delivered Construction	165,000 SF	↑	↑

Hot Topics

- The Cd. Juarez industrial market continues to be solid as it posted an eighth consecutive quarter of positive net absorption.
- The industrial market vacancy rate saw a slight increase in response to a new construction that was delivered unoccupied. Otherwise, the market vacancy rate would have continued to decline.
- The Class A vacancy rate stands at 5.3%. This segment has returned to pre-recession vacancy levels.
- Q3 2014 saw the delivery of 165,000 sq. ft., the commencement of 180,000 sq. ft. of new construction with an additional 680,000 sq. ft. set to start in Q4 2014.
- The Instituto Nacional de Estadistica y Geografia (INEGI) reports that maquiladora employment topped 215,000 in Cd. Juarez at the end of June. The Asociacion de Maquiladoras A.C. (AMAC) reports more than 25,504 jobs were added year-to-date in July.
- There are several regional economic initiatives that should stimulate activity in the coming months. These include the delivery of the Union Pacific intermodal facility in Santa Teresa and the continued work on the new U.S.-MX port of entry in Tornillo, TX.

Source: CBRE Research, Q3 2014.

Construction, Construction, Construction!

CBRE Research reports an eighth consecutive quarter of positive net absorption in the Cd. Juarez industrial market. The industrial market managed to stay positive with 46,649 sq. ft. of net absorption despite two new significant vacancies in Q3 2014. This brings the 2014 year-to-date net absorption to just over 1.2 million sq. ft. Additional activity is in the wings as new construction starts in the past few months will result in absorption later this year and into 2015.

Macroeconomic indicators for Mexico depict optimism. According to INEGI, seasonally adjusted industrial production increased 0.3% in July with an increase of 2.0% year-over-year. The manufacturing sector had similar results. Manufacturing decreased by 1.4% in July with a strong gain of 3.8% year-over-year. Data for the U.S. show that seasonally adjusted industrial production, as reported by the Board of Governors of the Federal Reserve, saw a slight decline of 0.1% in August after steady growth through July. Furthermore, the reported August figure is up 4.1% year-over-year. The data also show that of the major industry groups, manufacturing output rose by 3.6% year-over-year in August. Similar to U.S. industrial production, the Institute for Supply Management recently reported that the Purchasing Manager's Index (PMI) increased by 190 bps to 59.0% from July to August. This signals the 63rd consecutive month of growth in the overall U.S. economy, and the 15th month of growth for the manufacturing sector.

In terms of trade, the inflation adjusted, total dollar value of import and export trade with the U.S. through the El Paso-Santa Teresa ports of entry saw improvement in the month of July after growth contraction during the first half of 2014. The U.S. climate freeze earlier this year induced a growth weakening in all components of U.S. gross domestic product, including personal consumption, business investment, and bilateral trade. Locally, July registered the largest monthly increase of 2014 as exports to the U.S. increased 7%. Imports from the U.S. decreased by a slim 0.8% during the same period. This brings the year-to-date face value of export and import trade with Mexico to $24.2 billion and $25.7 billion, respectively.

Within the Cd. Juarez industrial market, activity is well established to a path of recovery and investment is flourishing in the region. Q3 2014 saw two construction deliveries, the commencement of two new projects, continued work on four existing projects, and the planning of two additional projects set for Q4 2014. In addition, the recorded 14 new lease and sale transactions were enough to counteract the negative activity, including the largest new vacancy in two years, and ultimately keep the Cd. Juarez industrial market in positive terriroty. With security conditions significantly improved, Cd. Juarez has a strong position to attract more investment.

Mexico has recently received attention regarding foreign direct investment from major automotive manufacturers. There have been announcements from BMW, Kia, and speculations of Toyota on plans to establish auto assembly plants in Mexico. Capital investments will be above $1 billion for each and stimulate thousands of new jobs as Mexico is becoming a stronger force in the automotive industry. Regionally, the impact should yield increased activity as the local market is composed highly of automotive component manufacturing. The governor of the state of Chihuahua also announced plans to bring an auto assembly plant to Chihuahua. The site and details are pending, however the Chinese auto manufacturer, Chery Heavy Industry, is likely to assemble agricultural machinery, like planters, harvesters, tractors and heavy machinery like front loaders, excavators and bulldozers. Talks also included probabilities of participating in energy exploitation in Chihuahua.

As previously reported, there are other regional economic initiatives that should stimulate activity in the coming months. On the U.S. side, the new Union Pacific intermodal facility is stimulating activity in the form of industrial-use land sales in its surrounding area. This quarter recorded more than 43 acres of land sales in Santa Teresa in addition to the 70 acres recorded in the previous 9 months. The new facility is also expected to drive an additional 500 to 800 trucks per day of industrial traffic into the area. Directly across on the Mexico side of the border, efforts continue to urbanize a multi-phase project in San Jeronimo that will include developing industrial and commercial properties, as well as several thousand homes. The project is expected to continue through 2016 in two phases. Furthermore, the completion of a new port of entry between the U.S. and Mexico nears completion just outside southeast of Cd. Juarez. U.S. officials have already approved road projects that will ultimately connect the bridge to Interstate 10. On the Mexico side, construction of the port picked up speed and is expected to be fully operational by the end of 2014.

Overall, CBRE research believes Cd. Juarez nears close a full recovery out of the recession. Increased interest from investors and developers, economic initiatives, improving macroeconomic indicators, along with the current, and well above average, 3.4 million sq. ft. of active users, should continue the local market on a healthy path in to 2015.

Market Overview

Cd. Juarez, Mexico is the largest industrial real estate market along the U.S./Mexico border employing 10% of all national manufacturing employment. Since 1969, Cd. Juarez has been home to major manufacturing companies from around the world, with a strong presence of automotive, medical, appliance and electronics companies. The city, along with other manufacturing locations in Northern Mexico, continue to be an important part of North America's manufacturing sector due to competitive labor costs, transportation infrastructure and access to the U.S. consumer market.

CBRE

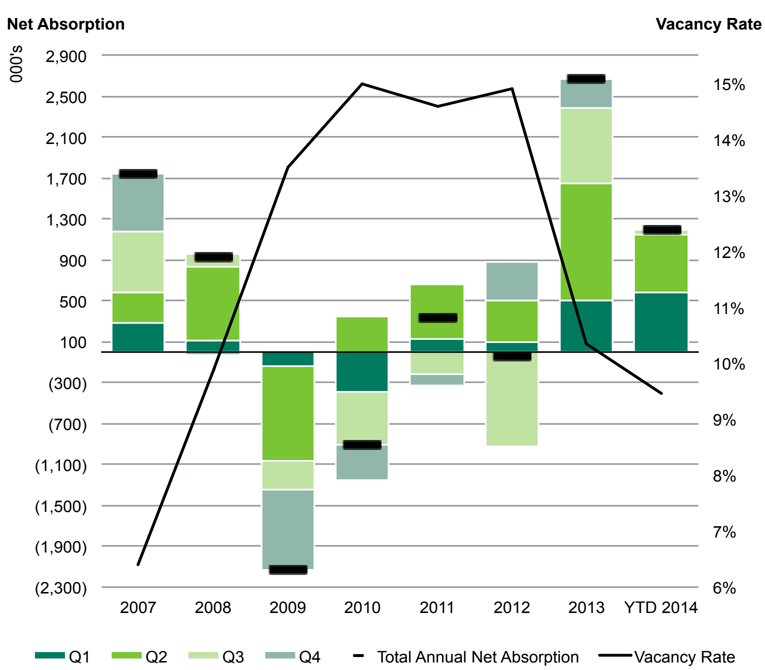
INDUSTRIAL THIRD QUARTER
MARKETVIEW

Figure 2: Market Statistics

Market	Rentable Area Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Available Sq. Ft.	Availability Rate	Net Absorption Sq. Ft.	Delivered Construction Sq. Ft.	Under Construction Sq. Ft.	Net Avg. Asking Lease Rates $/Sq. Ft. /Yr.
North	13,740,410	1,226,198	8.9%	1,307,260	9.5%	(121,461)	50,000	188,217	$4.09
West	10,070,119	1,463,619	14.5%	1,530,650	15.2%	59,659		40,000	$4.01
Central	4,740,449	589,358	12.4%	813,244	17.2%	16,000		350,000	$4.12
Southwest	7,819,184	1,028,041	13.1%	1,384,533	17.7%	(103,000)			$4.17
Southeast	19,682,194	1,426,643	7.2%	1,952,198	9.9%	146,053	115,000	315,000	$4.47
South / Electrolux	3,625,244	72,231	2.0%	72,231	2.0%	49,398			$4.74
San Jeronimo	1,642,000	0	0.0%	0	0.0%	0			$0.00
Totals	**61,319,600**	**5,806,090**	**9.5%**	**7,060,116**	**11.5%**	**46,649**	**165,000**	**893,217**	**$4.22**

Source: CBRE Research, Q3 2014.

Figure 3: Net Absorption and Vacancy Rate



Source: CBRE Research, Q3 2014.

Absorption and Vacancy

As result of an eighth consecutive quarters with positive net absorption, the overall industrial vacancy rate in Cd. Juarez remained at levels not reported since 2008. Currently at an overall vacancy of 9.5%, Q3 2014 saw a slight increase of 40 bps from last quarter in response to a new construction that was delivered unoccupied. Otherwise, the market vacancy rate would have continued to decline despite a new significantly large vacancy. Further examined, the highly competitive Class A vacancy rate stands at 5.3%. This segment has returned to pre-recession vacancy. With limited Class A inventory available, this quarter noted an upsurge in Class B and Class C space activity accounting for 76% of new space absorbed. With little change in the overall vacancy and the abundant new construction materializing, the average asking lease rate remained unchanged from the previous quarter at $4.22 per sq. ft.

Three submarkets saw decreased vacancy rates this quarter. The West, Southeast, and South/Electrolux all saw a decline in vacancy in response to positive net absorption. The resilient Southeast submarket recorded the largest net absorption of 146,053 sq. ft. and a decrease of 20 bps in vacancy rate. The submarket also remains highly active in new construction accounting for more than one-third of space under construction. The North recorded the largest negative absorption after the significant vacancy of 235,000 sq. ft. by TTI - Hoover. Parallel to activity, the Southeast and South/ Electrolux experienced escalations in average asking lease rates in Q3 2014.The Southwest, Central, and West saw a decline in average asking rates, while the North submarket remained unchanged.

Of the 532,660 sq. ft. of gross absorption, the largest absorption was through a user sale as Strattec, a lock manufacturer, purchased 76,000 sq. ft. of manufacturing space in the West submarket.

INDUSTRIAL THIRD QUARTER
MARKET STATISTICS

Maquiladora Employment

CBRE Research continues to track maquiladora, or IMMEX, employment numbers as a key indicator of manufacturing sector performance. Since the lowest point of the recession in 2009, IMMEX employment at the national and local level have been on track to close the gap with pre-recession numbers. June reports 214,956 maquiladora employees in Cd. Juarez. This figure has expanded by 9,601 employees year-to-date is up by 15,578 employees year-over-year. The employment number mimics the rebound in industrial activity as it is now only 2,200 employees shy of the previous peak in 2007.

Maquiladora employment should continue to improve given the surge in industrial investment to the region. In fact, the local maquiladora association (AMAC) reports that the Cd. Juarez maquiladora industry has added 25,504 jobs year- to-date. This brings their estimate total to 251,809 jobs, well surpassing the previous peak of 239,435 in 2007.

The IMMEX national figure of 2.2 million increased 625 month-over-month in June, and by 115,492 year-over-year.

Industrial Rents

With little change in the overall vacancy and several new spec construction projects materializing, the average asking industrial lease rate remained unchanged from the previous quarter at $4.22 per sq. ft. However, the current asking rate remains $0.16 above the same time last year as activity remains lively. Further broken down, the lower tier Class C industrial space saw the only increment of $0.02 as it registered an uptick in activity in the trailing months. Class C space also remains as the only class below $4.00, at $3.69 per sq. ft. Class A continues to anchor rates at $4.52 and further increases are likely to continue for the asset class given the low vacancy rate of 5.3%.

Further analyzed, Class A industrial asking rates vary by submarket. The very active and relatively newer Southeast submarket registers the highest Class A average asking lease rate at $4.79 per sq. ft. This is parallel with industrial space demand in the submarket as the current Southeast Class A vacancy rate is below market at 3.7%.

Although the increase in rental rates is expected and in line with the decrease in vacancy rate, the average asking rates continue to remain below historical levels in Cd. Juarez. As previously stated, with a current vacancy just below 6.0 million sq. ft., landlords remain aggressive in pursuing new tenants, especially for class B space. This aggressiveness places downward pressure on rental rates, keeping overall increases modest. However, anticipated activity in 4Q and into 2015 combined with limited availability should put further upward pressure on asking rates.

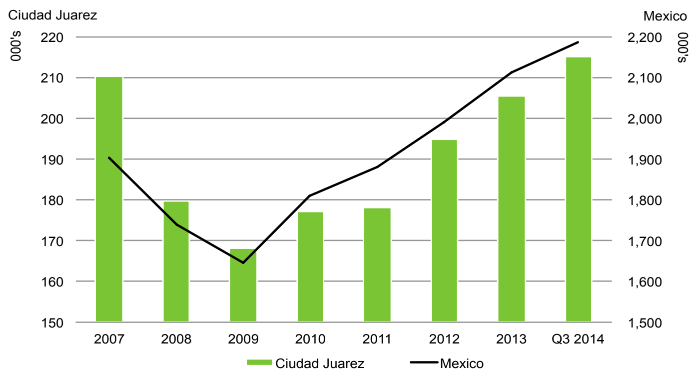
Industrial Product

CBRE Research reports the addition of 165,000 sq. ft. to the industrial inventory as two construction projects were delivered. The speculative building of approximately 115,000 sq. ft. was delivered in the Southeast and has yet to become occupied. HML delivered approximately 50,000 sq. ft. in the North region as part of an expansion to existing space. In addition to deliveries, our internal property database underwent a handful of adjustments to more closely match building specifications.

At the close of Q3 2014, there was 893,217 sq. ft. of industrial space under construction of which 86% is expected to be delivered occupied. New Q3 2014 construction includes 140,000 sq. ft. built-to-suit for Avon Automotive in Central Cd. Juarez and an expansion for Durham MFG of 40,000 sq. ft. in the West. Formerly existing construction projects include a spec building of approximately 125,000 sq. ft. and a 190,000 sq. ft. built-to-suit for Yazaki Corporation in the Southeast. It also includes a 210,000 sq. ft. built-to-suit for Ruskin in the Central region. Q3 2013 also saw new activity in the Fuentes park spec building located in the North submarket. The existing construction project begun in 2008, at the height of the economic recession, but became dormant soon after. The 188,217 sq. ft. project is now expected to be delivered in Q4 2014 fully occupied.

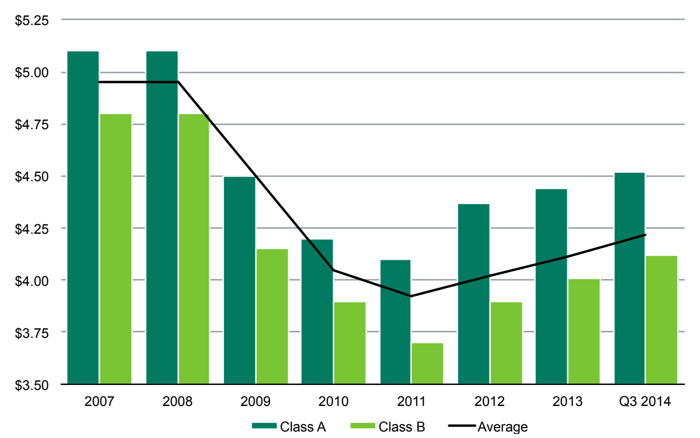
There is also an expectation of an additional 680,000 sq. ft. set to start in Q4 2014, including 500,000 sq. ft. for BRP Corp. Further announcements are also likely given the limited availability of Class A industrial space.

Figure 4: Maquiladora Employment



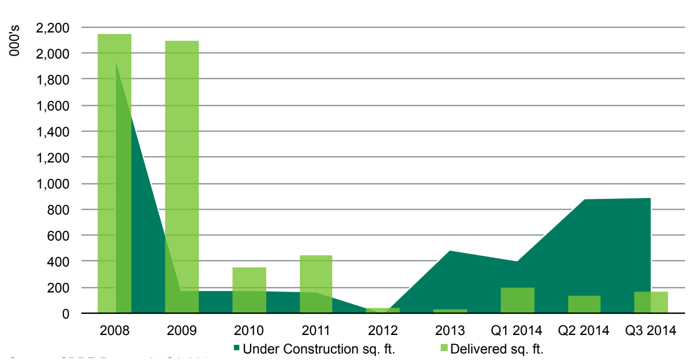
Source: INEGI, CBRE Research, Q3 2014.

Figure 5: NNN Annual Average Asking Rates, per Sq. Ft.



Source: CBRE Research, Q3 2014.

Figure 6: Construction



Source: CBRE Research, Q3 2014.

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GLOBAL RESEARCH AND CONSULTING

This report was prepared by the CBRE U.S. Research Team which forms part of CBRE Global Research and Consulting – a network of preeminent researchers and consultants who collaborate to provide real estate market research, econometric forecasting and consulting solutions to real estate investors and occupiers around the globe.

Ciudad Juarez, Mexico Industrial
MarketView 2Q 2014

Q2 2014 CBRE Global Research and Consulting

MARKET SIZE	61,004,835 Sq. Ft.
AVAILABILITY	5,539,100 Sq. Ft.
GROSS ABSORPTION	1,452,915 Sq. Ft., YTD
MAQUILADORA EMPLOYMENT	207,531

Directional arrows based on change from the previous quarter. Data reflects market totals.

CD. JUAREZ INDUSTRIAL REMAINS ON A STRONG PATH WITH INCREASED CONSTRUCTION AND INVESTMENT.

Figure 1: Quick Stats

	Q2 2014	Q-o-Q	Y-o-Y
Vacancy	9.1%	↓	↓
Asking Rates, NNN	$4.22 per sq. ft.	↑	↑
Net Absorption	570,864 sq. ft.	↓	↓
Under Construction	878,217 sq. ft.	↑	↑
Delivered Construction	135,000 sq. ft.	↓	↑

Hot Topics

- The Cd. Juarez industrial market remains on a strong path as it posted a seventh consecutive quarter of positive net absorption.
- The industrial market vacancy rate continued to fall, nearing 9.0% for the first time since 2007.
- The Class A vacancy rate fell 30 basis points (bps) to 5.1%. This segment has returned to pre-recession vacancy.
- Q2 2014 saw the commencement of 575,000 sq. ft. of new construction with an additional 820,000 sq. ft. set to start in Q3 2014.
- The Instituto Nacional de Estadistica y Geografia (INEGI) reports that maquiladora employment topped 207,000 in Cd. Juarez at the end of March and the Asociacion de Maquiladoras A.C. (AMAC) reports more than 11,372 jobs were added over the year ending March 2014.
- There are several regional economic initiatives that should stimulate activity in the coming months. These include the early delivery of the Union Pacific intermodal facility in Santa Teresa and the continued work on the new U.S.-MX port of entry in Tornillo, TX.

Source: CBRE Research, Q2 2014.

Still On Track: Strong Activity, More Investment

CBRE Research reports a seventh consecutive quarter of positive net absorption in the Cd. Juarez industrial market. Cd. Juarez has managed to stay on path for another strong year as it reports 570,864 sq. ft. of net absorption in Q2 2014 to bring the 2014 year-to-date net absorption close to 1.2 million sq. ft.

Cd. Juarez continues to improve despite mixed results from Macroeconomic indicators in Mexico. According to INEGI, seasonally adjusted industrial production fell 1.3% in April after a solid increase of 5.4% in March. The manufacturing sector had similar results. Manufacturing decreased by 3.5% in April after a strong gain of 7.6% in March. Both industrial and manufacturing output saw improvements year-over-year at 2.6% and 4.9% respectively. Data for the U.S. show that seasonally industrial production, as reported by the Board of Governors of the Federal Reserve, increased 0.6% in May after a slight decline in April. The data also show that manufacturing output rose 0.6% during the same period. Both industrial and manufacturing output increased by 4.3% and 3.6% respectively, year-over-year. Similar to U.S. industrial production, the Institute for Supply Management recently reported that the Purchasing Manager's Index (PMI) increased by 50 bps to 55.4% from April to May. This signals a 60th consecutive month of growth in the overall U.S. economy, and the 12th consecutive in the manufacturing sector.

In terms of trade, the nominal, total dollar value of import and export trade with the U.S. through the El Paso-Santa Teresa ports of entry continued to increase in the month of April after flows contacted in February. Exports to the U.S. increased by 4.9%, to $3.8 billion. Imports from the U.S. also increased by 4.9%, to $3.5 billion during the same period. When adjusted for inflation, exports to the U.S. declined by 9.4%, while imports declined by 3.2% year-over-year.

Within the Cd. Juarez industrial market, investment is flourishing. Q2 2014 saw the commencement of 575,000 sq. ft. of new construction with an additional 820,000 sq. ft. set to start Q3 2014. BRP Inc., a manufacturer of watercraft, snowmobiles, and all-terrain vehicles, announced a $55 million investment to build a 500,000 sq. ft. manufacturing plant in Cd. Juarez with development company Vesta. The project is expected to employ 900 people when fully operational.

Overall, the automotive sector remains a major occupier of industrial space. However, the composition of active users in the market seems to be evolving with an increased interest from the medical and electronics industries. The pipeline of active users that CBRE Research tracks closed at 2.4 million sq. ft. in Q2 2014. The reported figure remains above the latter 14-quarter-average of 2.0 million sq. ft. of users in the market despite the 800,000 sq. ft. of gross absorption Q2 2014.

On the U.S. side, the new Union Pacific intermodal facility was officially delivered in May, one year ahead of schedule. The $400 million, 2,200 acre rail facility connects the region to Houston, Chicago, and Los Angeles. The intermodal hub has an annual lift capacity of 225,000 containers as well as 1,266 container and trailer parking stalls, both of which will be expanded by the end of the year. The facility is located in Santa Teresa, NM which borders with San Jeronimo, MX located in the west region of the municipality of Juarez. On the Mexico side of the border, efforts continue to urbanize a multi-phase project in San Jeronimo. The proposed $35 million project will include developing industrial and commercial properties, as well as several thousand homes to meet the demand of in-migrating residents. The project is expected to begin later this year and continue through 2016 in two phases. Toward the Southeast region, the completion of a new port of entry between the U.S. and Mexico nears completion. U.S. officials have already approved road projects that will ultimately connect the bridge to Interstate 10. On the Mexico side, construction of the port picked up speed to be completed by the end of the summer and fully operational by the end of 2014.

Overall, CBRE research believes Cd. Juarez nears a full recovery out of the recession. Increased interest from investors and developers, economic initiatives across the city, improving macroeconomic indicators, along with the current 2.4 million sq. ft. of active users, should guide the local market on a healthy path in 2014.

Market Overview

Cd. Juarez, Mexico is the largest industrial real estate market along the U.S./Mexico border employing 10% of all national manufacturing employment. Since 1969, Cd. Juarez has been home to major manufacturing companies from around the world, with a strong presence of automotive, medical, appliance and electronics companies. The city, along with other manufacturing locations in Northern Mexico, continue to be an important part of North America's manufacturing sector due to competitive labor costs, transportation infrastructure and access to the U.S. consumer market.

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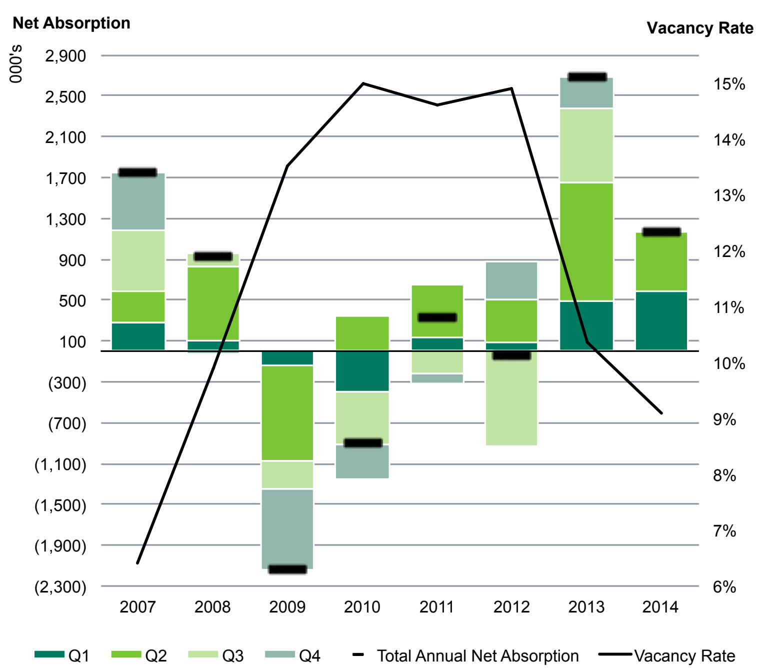
INDUSTRIAL SECOND QUARTER
MARKETVIEW

Figure 2: Market Statistics

Market	Rentable Area Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Available Sq. Ft.	Availability Rate	Net Absorption Sq. Ft.	Delivered Construction Sq. Ft.	Under Construction Sq. Ft.	Net Avg. Asking Lease Rates $/Sq. Ft. /Yr.
North	13,626,610	990,937	7.3%	1,255,260	9.2%	114,949		238,217	$4.09
West	10,098,504	1,552,789	15.4%	1,552,789	15.4%	320,051			$4.03
Central	4,634,449	499,358	10.8%	723,244	15.6%	137,000		210,000	$4.13
Southwest	7,810,834	916,691	11.7%	1,273,183	16.3%	0			$4.22
Southeast	19,567,194	1,457,696	7.4%	2,031,131	10.4%	(1,136)	135,000	430,000	$4.43
South / Electrolux	3,625,244	121,629	3.4%	121,629	3.4%	0			$4.59
San Jeronimo	1,642,000	0	0.0%	0	0.0%	0			$0.00
Totals	**61,004,835**	**5,539,100**	**9.1%**	**6,957,236**	**11.4%**	**570,864**	**135,000**	**878,217**	**$4.22**

Source: CBRE Research, Q2 2014.

Figure 3: Net Absorption Sq. Ft. and Vacancy



Source: CBRE Research, Q2 2014.

Net Absorption and Vacancy

Cd. Juarez industrial continues on a resilient path for a seventh consecutive quarter of positive net absorption. As result, the quarter-over-quarter decrease of 70 bps and year-over-year decrease of 300 bps has pushed the vacancy rate down to 9.1%, something not seen since 2008. Class A and B space continue to drive demand as they accounted for 92.3% of all gross absorbed space. Further broken down, the Class A vacancy rate fell to 5.1%, putting the Class A market at pre-recession levels. While the vacancy rate declined, the average asking lease rate increased to $4.22 per sq. ft., from $4.16 per sq. ft. in the last quarter.

This quarter saw no activity in three of the seven regions. The Southwest, South/Electrolux, and San Jeronimo submarkets were inactive in both gross absorption and vacancies. Of the active submarkets, the West reports the largest net absorption for a second consecutive quarter. The West submarket net absorption of 320,051 sq. ft. decreased its vacancy rate by 350 bps. The Central and North submarkets followed with 137,000 sq. ft. and 114,949 sq. ft., respectively.

The historically active Southeast reports a minor negative net absorption of 1,136 sq. ft. This comes after two large vacancies of a combined 227,000 sq. ft. in the submarket. It is important to note that the Southeast submarket was very active in new construction, which will result in absorption. Of the 575,000 sq. ft. of new construction announced this quarter, 315,000 sq. ft. are being built in the Southeast submarket with approximately 51% preleased.

Of the 797,673 sq. ft. of gross absorption, the largest absorption was an expansion by Sumitomo for approximately 137,000 sq. ft. in the Central region. While in the Southeast, Robert Bosch took delivery of approximately 135,000 sq. ft. of expansion space.

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INDUSTRIAL SECOND QUARTER
MARKET STATISTICS

Maquiladora Employment
CBRE Research continues to track Maquiladora, or IMMEX, employment numbers as a key indicator of manufacturing sector performance. Since the lowest point of the recession in 2009, IMMEX employment at the national and local level have been on track to close the gap with pre-recession numbers. March reports 207,531 maquiladora employees in Cd. Juarez. The figure expanded in from February by 3,191 employees. The March figure is also 5,216 employees above year-over-year and is only 5,500 employees shy of the peak since tracking began in 2007.

Maquiladora employment should continue to improve given the surge in industrial investment to the region. In fact, the AMAC reports that the Cd. Juarez maquiladora industry added 2,439 jobs in the month of April 2014 to reach a total of 237,677. The March national figure of 2.2 million increased 17,881 month-over month, and by 127,356 year-over-year.

Industrial Rents
Average asking industrial rents in Cd. Juarez saw a slight increase from last quarter. The increase to $4.22 per sq. ft. from $4.16 per sq. ft. may be, in part, a result of the continued incremental demand for industrial space as vacant space depletes. While all classes saw an increase in average asking lease rates, the major increase was that of Class B, which increased by $0.08 per sq. ft., to $4.14 per sq. ft. Class A space saw an increase of $0.04, to $4.52 per sq. ft. Class A continues to anchor rates and further increases are likely to continue for Class A space given the low vacancy rate of 5.1%.

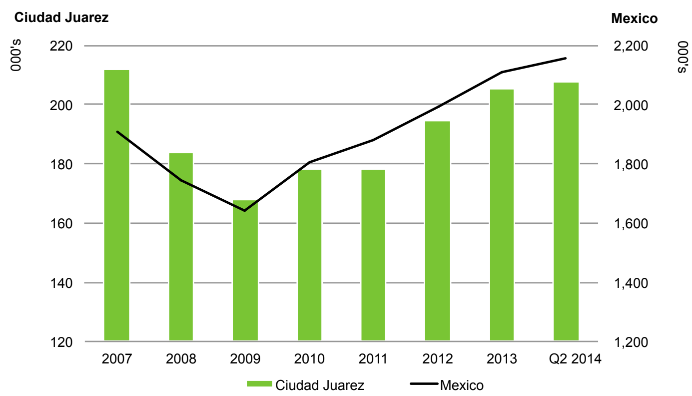
Concurrent with activity, the two of the three inactive regions saw no change in the average asking lease rate. The Central region saw the largest increase of $0.10 per sq. ft., while the Southwest saw an increase of $$0.08 per sq. ft. The North, Southeast, and West saw increases of $0.06, $0.04 and $0.04, respectively (see Figure: 2).

Although the increase in rental rates is expected and in line with the decrease in vacancy rate, the average asking rates remain below historical levels in Cd. Juarez. With a current vacancy just below 6.0 million sq. ft., landlords remain aggressive in pursuing new tenants. This aggressiveness places downward pressure on rental rates, keeping overall increases modest. However, anticipated increases in demand combined with limited availability should push asking rates further up in the second half of 2014.

Industrial Product
CBRE Research reports the addition of 135,000 sq. ft. to the industrial inventory as a construction projects was delivered for Robert Bosch in the Southeast. In addition to deliveries, our internal property database underwent a handful of adjustments to more closely match building specifications.

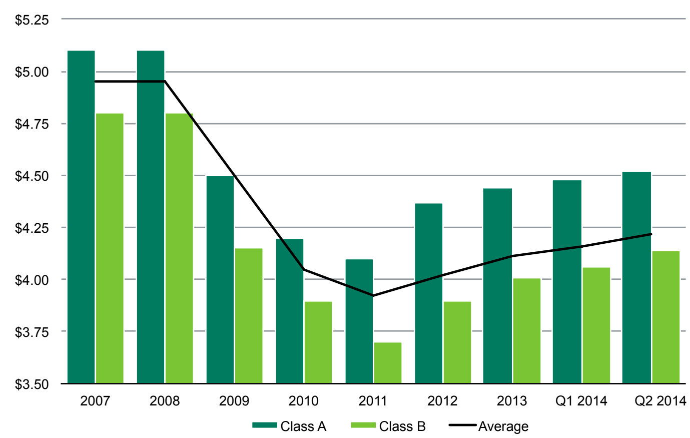
At the close of Q2 2014, there was 878,217 sq. ft. of industrial space under construction. The figure is more than double that at close Q1 2014 despite a delivery of 135,000 sq. ft. New Q2 2014 construction includes a new spec building of approximately 125,000 sq. ft. and a new 190,000 sq. ft. built-to-suit for Yazaki Corporation in the Southeast. It also includes a 210,000 sq. ft. built-to-suit for Ruskin in the Central and an expansion for Hansuh Automotive of 50,000 sq. ft. in the North. Construction also includes continued work on a spec development by Grupo Los Bravos of 115,000 sq. ft. in the Southeast submarket, and pending work on a spec building in the Fuentes park located in the North submarket. The current projects are expected to deliver in the third and fourth quarters of 2014. There is also an expectation of an additional 820,000 sq. ft. set to start in Q3 2014, including 500,000 sq. ft. for BRP Corp. Further announcements are also likely given the limited availability of Class A industrial space.

Figure 4: Maquiladora Employment



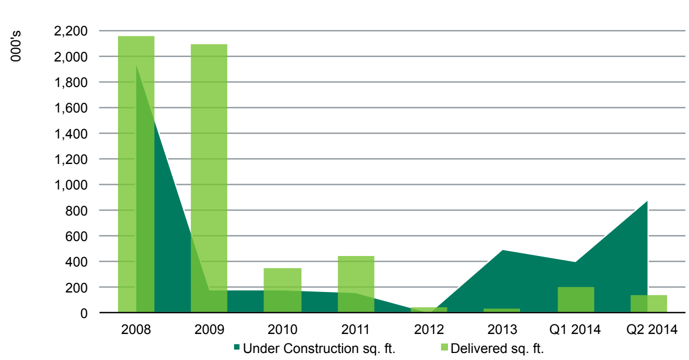
Source: INEGI, CBRE Research, Q2 2014.

Figure 5: NNN Annual Average Asking Rates, Per Sq. Ft.



Source: CBRE Research, Q2 2014.

Figure 6: Construction



Source: CBRE Research, Q2 2014.

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