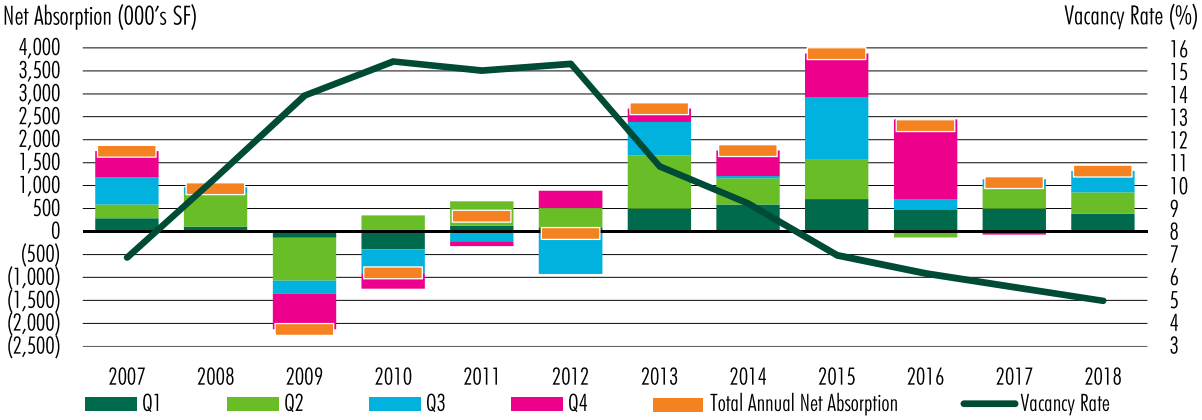
Ciudad Juárez Industrial, Q3 2018

Class A rent at high; 2018 YTD absorption tops 2017 total

Vacancy	Avg. Asking Rate	Net Absorption	Under Construction	Completions
4.5%	$4.70 PSF	465,151 SF	960,053 SF	477,500 SF

*Arrows indicate change from previous quarter. Asking rents are weighted based on available square feet.

Figure 1: Historical Net Absorption and Vacancy Rate



Source: CBRE Research, Q3 2018.

ACTIVITY BOOSTS ABSORPTON, VACANCY FLAT

Q3 2018 net absorption was nearly equal to that of Q2 2018, surpassing it by only 16 sq. ft. Year-over-year, absorption grew by more than 297,000 sq. ft. Class A product made up 80% of all activity and all of net absorption. Class B saw negative absorption due to a single large vacancy of 400,000 sq. ft. Q3 2018 registered 14 transactions and 1.3 million sq. ft. of activity, outpacing the two previous quarters. Year-to-date, net absorption exceeded 2017 total annual net absorption by almost 250,000 sq. ft.

Market-wide vacancy rates remained flat quarter-over-quarter and increased by 10 basis points (bps) annually, remaining near the Q3 2017 record low of 4.4%. Only Class A product saw vacancy decline, by a substantial 140 bps, compared to Q2 2018.

MARKET RENTS SLIP, CLASS A RETURNS TO HIGH

Market-wide average asking rents decreased by $0.06 per sq. ft. since last quarter but increased by $0.06 per sq. ft. compared to Q3 2017. The quarterly decline was the result of strong Class A absorption and Class B vacancies. Class B now accounts for 58% of available space in the market while Class A makes up 30%. Class A rents rose by $0.01 per sq. ft. since last quarter which placed rents at the pre-recession high of $5.10 per sq. ft.

DEMAND STRENGTHENS, SUPPLY REMAINS LIMITED

CBRE tracks user demand for space in the Juarez Industrial Market, which dipped slightly compared to Q2 2018 but remained above the 30-quarter trailing average and 262,000 sq. ft. above Q3 2017. The quarter closed with users seeking 2.7 million sq. ft. of space. This is only 336,000 less than total vacant sq. ft. in the market. New construction and deliveries during 2018 and early 2019 will help offset scarcity of desirable space. A new 227,500 sq. ft. speculative (spec) building was delivered to the Southeast submarket in Q3 2018. Two new spec projects, totaling 328,000 sq. ft., began moving dirt in the Southeast submarket during the quarter.

Figure 2: Ciudad Juárez Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Net Avg. Asking Lease Rate ($/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q3 2018 Net Absorption	Q2 2018 Net Absorption
North	14,041,840	2.2	3.0	4.56	215,000	150,000	263,683	0
Class A	2,326,365	1	0.7	4.95	215,000	150,000	263,683	0
Class B	9,758,850	2.5	3.7	4.63	-	-	0	0
West	10,352,100	5.6	5.9	4.19	-	-	106,584	91,527
Class A	1,013,766	0	0.0	N/A	-	-	106,584	0
Class B	7,017,856	3.9	3.9	4.21	-	-	0	0
Central	5,512,265	12.7	14.2	4.57	-	-	(403,916)	0
Class A	1,050,868	9.6	9.6	4.50	-	-	0	0
Class B	3,710,109	13.1	15.4	4.64	-	-	(403,916)	0
Southwest	6,322,209	3.1	13.6	4.70	-	-	0	0
Class A	2,579,285	7.6	7.6	4.70	-	-	0	0
Class B	3,321,900	0	20.1	4.70	-	-	0	0
Southeast	26,931,848	4.8	5.1	5.08	745,053	327,500	498,800	169,022
Class A	21,387,390	4.2	4.2	5.26	745,053	327,500	559,317	95,049
Class B	5,235,251	7.8	9.1	4.29	-	-	(60,517)	73,973
South/Elux	3,797,830	0	0	N/A	-	-	0	204,586
Class A	3,797,830	0	0	N/A	-	-	0	204,586
Class B	0	0	0	N/A	-	-	0	0
San Jeronimo	1,642,000	0	0	N/A	-	-	0	0
Class A	1,642,000	0	0	N/A	-	-	0	0
Class B	0	0	0	N/A	-	-	0	0
Cd. Juárez Total	**68,600,092**	**4.5**	**5.9**	**4.70**	**960,053**	**477,500**	**465,151**	**465,135**
Class A	**33,797,504**	**3.6**	**3.6**	**5.10**	**960,053**	**477,500**	**929,584**	**299,635**
Class B	**29,043,966**	**4.9**	**8.1**	**4.56**	**0**	**0**	**(464,433)**	**73,973**

Although Class C is not listed, totals are inclusive of all classes of data.

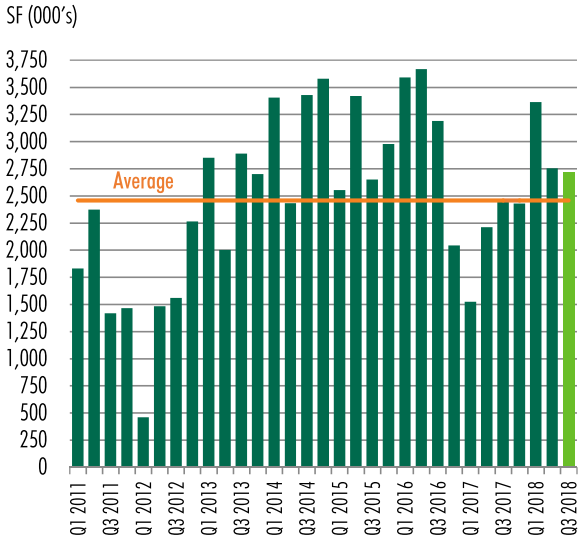
Source: CBRE Research, Q3 2018.

Figure 3: Top Market Transactions

Type	Submarket	Industry	Total SF
Lease	North	Motor Vehicles & Parts MFG	257,000
Renewal	Southeast	Paper, Pulp, Packaging & Printing	180,000
Lease	Southeast	Motor Vehicles & Parts MFG	121,030
Lease	North	Motor Vehicles & Parts MFG	113,683
Lease	West	Appliances MFG	106,584
Lease	Southeast	Unknown	98,000
Lease	Southeast	Plastics MFG	77,865
Renewal	Southeast	Transportation/Distribution-Logistics-3PL	73,150
Lease	Southeast	Transportation/Distribution-Logistics-3PL	72,025

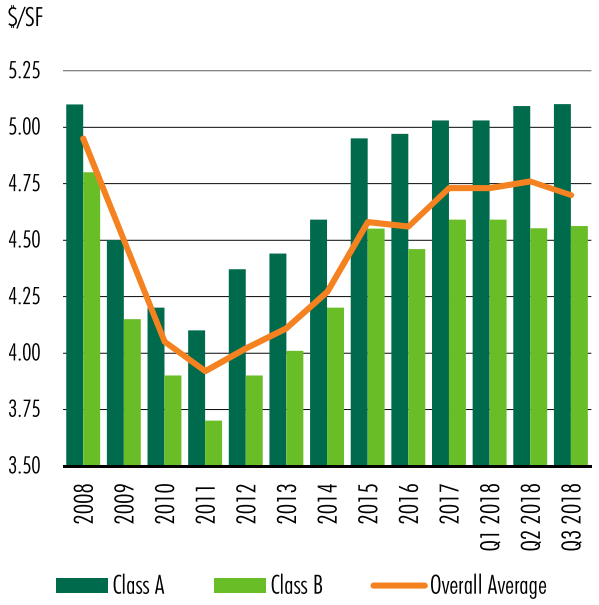
Source: CBRE Research, Q3 2018.

Figure 4: Active Users in the Market



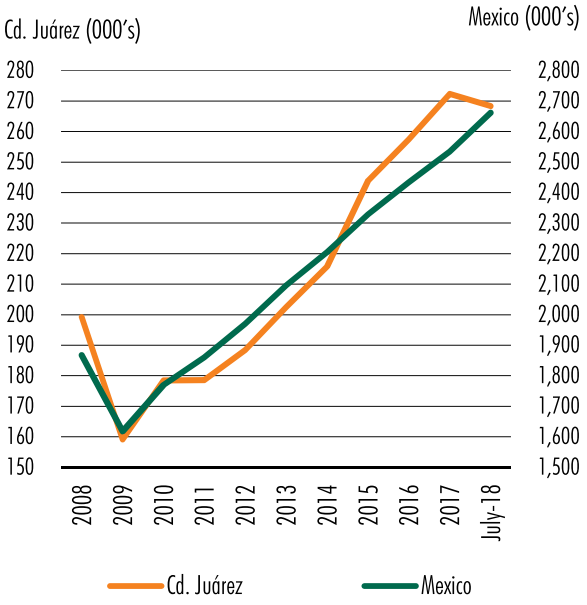
Source: CBRE Research, Q3 2018.

Figure 5: Asking Rates, NNN Avg. Annual



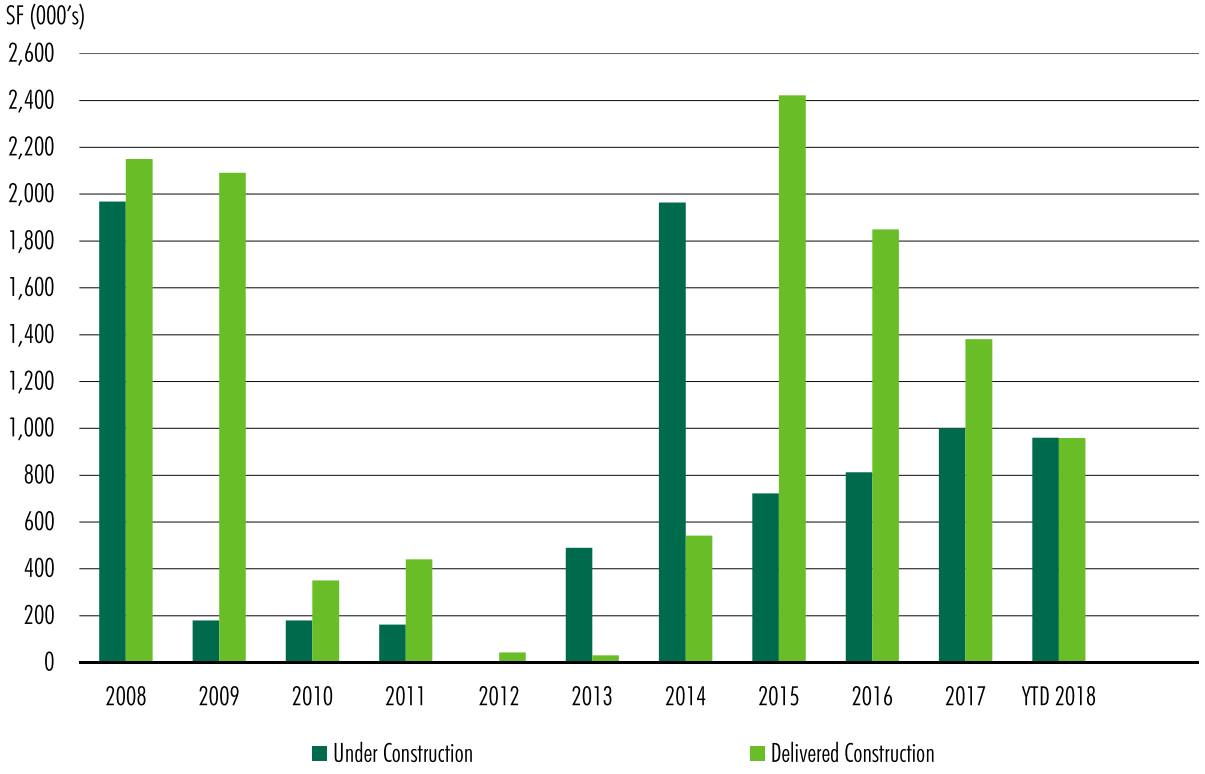
Source: CBRE Research, Q3 2018.

Figure 6: Maquiladora Employment

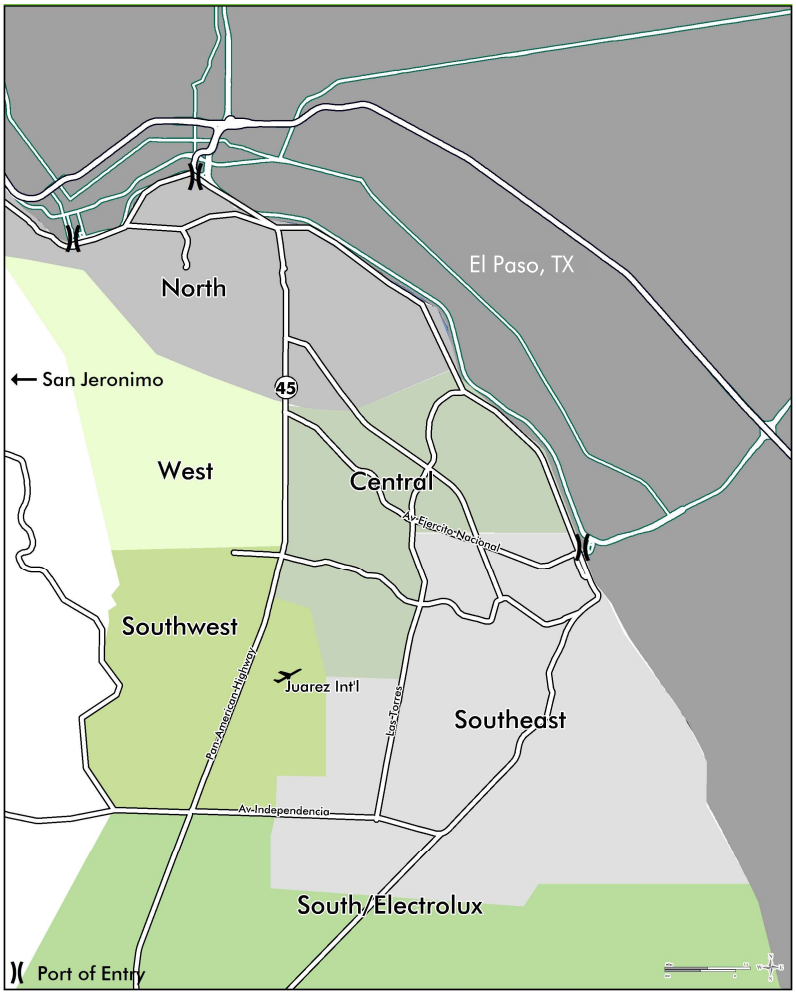


Source: Instituto Nacional de Estadística y Geografía, September 2018.

Figure 7: Construction



Source: CBRE Research, Q3 2018.



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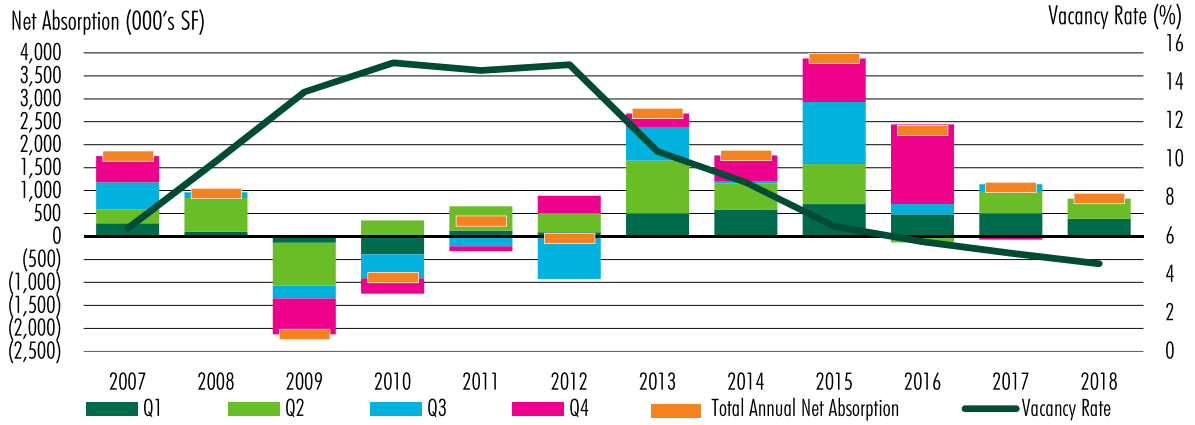
Ciudad Juárez Industrial, Q2 2018

2018 mid-year net absorption nears 2017 total

Vacancy	Avg. Asking Rate	Net Absorption	Under Construction	Completions
4.5%	$4.76 PSF	465,135 SF	962,500 SF	210,223 SF

*Arrows indicate change from previous quarter. Asking rents are weighted based on available square feet.

Figure 1: Historical Net Absorption and Vacancy Rate



Source: CBRE Research, Q2 2018.

ACTIVITY BOOSTS ABSORPTON, VACANCY DIPS

Total net absorption for Q2 2018 exceeded that of Q1 2018 by 80,000 sq. ft. and was just 5,000 sq. ft. shy of Q2 2017 absorption. Class A product made up 70% of all activity and absorption but all classes saw positive absorption during the quarter. Market-wide vacancy rates fell by 50 basis points (bps) quarterly and by 60 bps annually, nearing the Q3 2017 record low of 4.4%. Vacancy declined across all classes with Class C experiencing the largest quarterly decline of 167 bps.

RENTS SEE UPWARD PRESSURE

Market-wide average asking rents increased by $0.02 per sq. ft. since last quarter and by $0.17 per sq. ft. compared to Q2 2017. Class A rents rose by $0.06 per sq. ft. since last quarter and by $0.10 per sq. ft. since Q2 2017, finishing the quarter $0.01 per sq. ft. short of the previous 2008 high of $5.10 per sq. ft. Class A rents have grown due to strong demand and decreasing supply, despite the more than 6.2 million sq. ft. of Class A space delivered since development began to recover in 2013. Although it is the only class with significant inventory growth, Class A vacancy rates have continuously trended down at the same pace, and at times faster, than other classes.

DEMAND STRENGTHENS, SUPPLY REMAINS LIMITED

CBRE tracks user demand for space in the Juarez Industrial Market, which declined compared to Q1 2018 but remained above the 29-quarter trailing average and 550,000 sq. ft. above Q2 2017. The quarter closed with users seeking 2.75 million sq. ft. of space. This is only 350,000 less than total vacant sq. ft. in the Juarez Industrial Market. New construction and deliveries during 2018 will help offset scarcity of desirable space. A new 210,000 sq. ft. speculative (spec) building was delivered to the Southeast submarket in Q2 2018. Two new spec projects, totaling 270,000 sq. ft., began moving dirt in the Southeast submarket during the quarter.

Figure 2: Ciudad Juárez Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Net Avg. Asking Lease Rate ($/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q2 2018 Net Absorption	Q1 2018 Net Absorption
North	13,891,840	3.0	5.7	4.60	365,000	-	0	(128,946)
Class A	2,176,365	6	5.9	4.73	365,000	-	0	(128,946)
Class B	9,758,850	2.5	6.3	4.63	-	-	0	0
West	10,352,100	6.7	7.0	4.37	-	-	91,527	83,182
Class A	1,013,766	11	10.5	5.35	-	-	0	0
Class B	7,017,856	3.9	3.9	4.21	-	-	0	83,182
Central	5,512,265	5.3	7.6	4.38	-	-	0	100,000
Class A	1,050,868	9.6	9.6	4.50	-	-	0	100,000
Class B	3,710,109	2.2	4.6	4.36	-	-	0	0
Southwest	6,322,209	3.1	13.6	4.70	-	-	0	76,033
Class A	2,579,285	7.6	7.6	4.70	-	-	0	76,033
Class B	3,321,900	0	20.1	4.70	-	-	0	0
Southeast	26,597,537	5.5	5.9	5.16	597,500	210,223	169,022	287,466
Class A	21,059,588	5.4	5.5	5.23	597,500	210,223	95,049	287,466
Class B	5,228,742	6.6	8.0	4.59	-	-	73,973	0
South/Elux	3,797,830	0.0	0.0	N/A	-	-	204,586	(32,000)
Class A	3,797,830	0.0	0.0	N/A	-	-	204,586	(32,000)
Class B	0	0	0	N/A	-	-	0	0
San Jeronimo	1,642,000	0	0	N/A	-	-	0	0
Class A	1,642,000	0	0	N/A	-	-	0	0
Class B	0	0	0	N/A	-	-	0	0
Cd. Juárez Total	**68,115,781**	**4.5**	**6.4**	**4.76**	**962,500**	**210,223**	**465,135**	**385,735**
Class A	**33,319,702**	**5.0**	**5.1**	**5.09**	**962,500**	**210,223**	**299,635**	**302,553**
Class B	**29,037,457**	**3.3**	**7.4**	**4.55**	**0**	**0**	**73,973**	**83,182**

Although Class C is not listed, totals are inclusive of all classes of data.

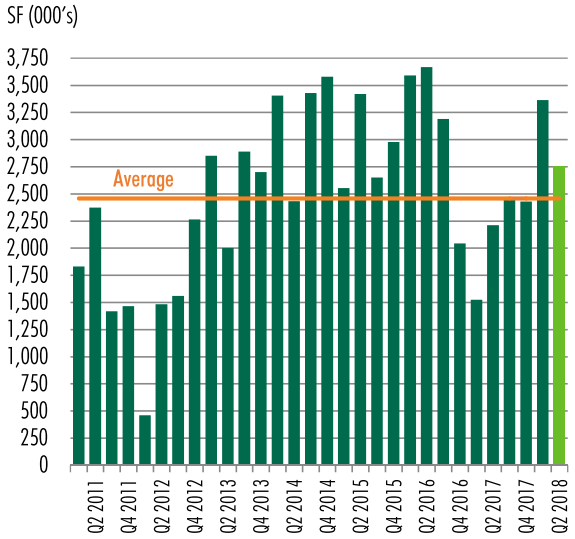
Source: CBRE Research, Q2 2018.

Figure 3: Top Market Transactions

Type	Submarket	Industry	Total SF
Renewal	Southeast	High-tech MFG	277,424
User Sale	South/Elux	Motor Vehicles & Parts MFG	172,586
Lease	Southeast	Motor Vehicles & Parts MFG	121,025
Lease	South/Elux	Plastics MFG	105,123
Lease	Southeast	Goods MFG	104,801
Lease	Southeast	Other-Services	73,973
Renewal	Southeast	Motor Vehicles & Parts MFG	70,223
Lease	West	Motor Vehicles & Parts MFG	53,802
User Sale	North	Goods MFG	45,402

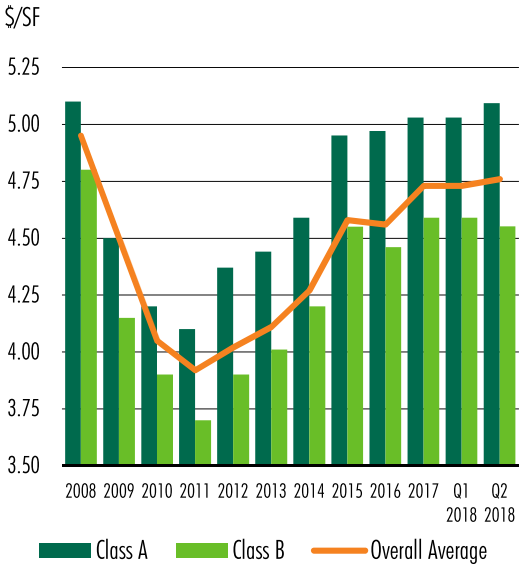
Source: CBRE Research, Q2 2018.

Figure 4: Active Users in the Market



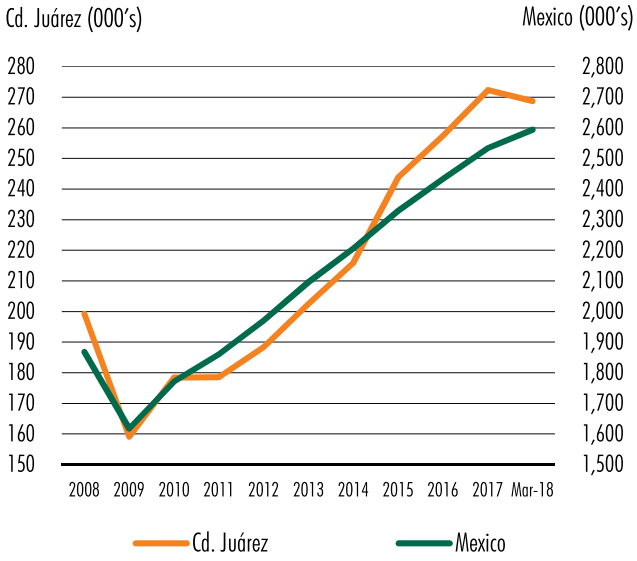
Source: CBRE Research, Q2 2018.

Figure 5: Asking Rates, NNN Avg. Annual



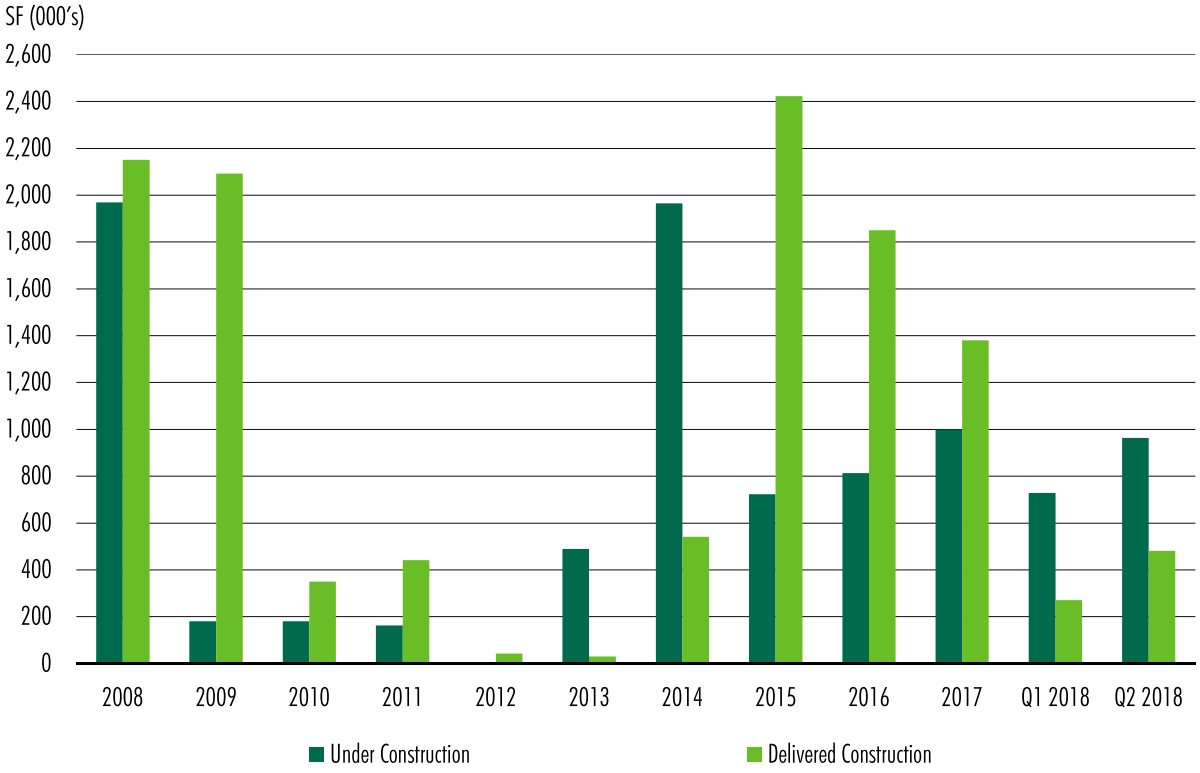
Source: CBRE Research, Q2 2018.

Figure 6: Maquiladora Employment

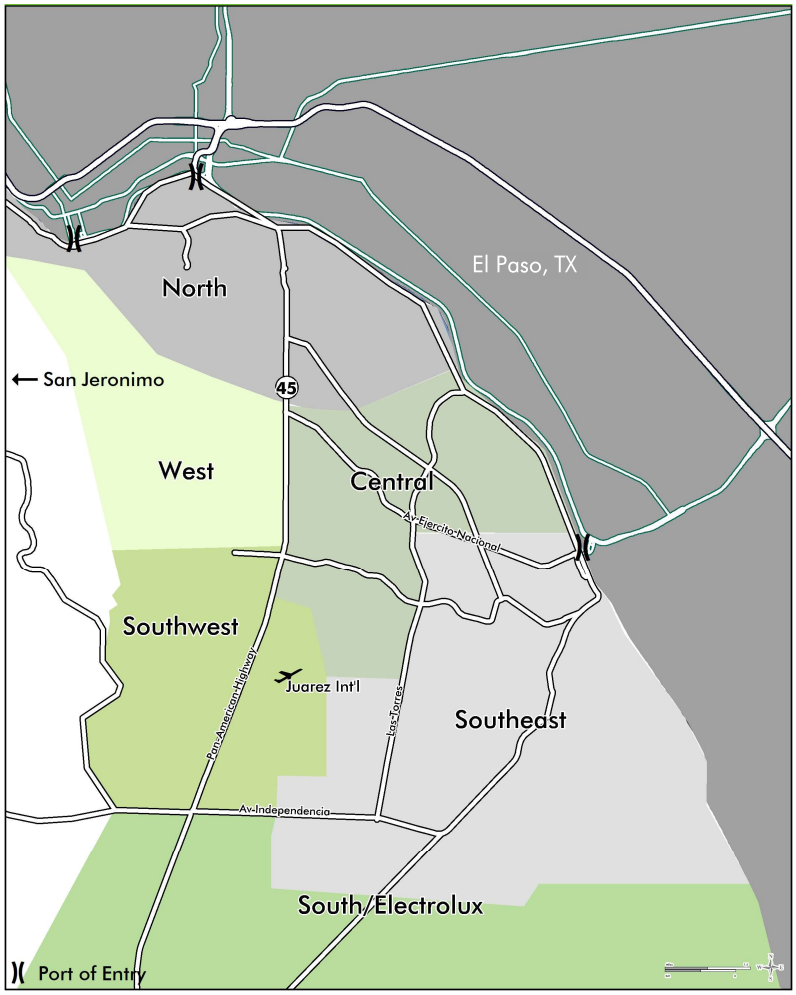


Source: Instituto Nacional de Estadística y Geografía, June 2018.

Figure 7: Construction



Source: CBRE Research, Q2 2018.



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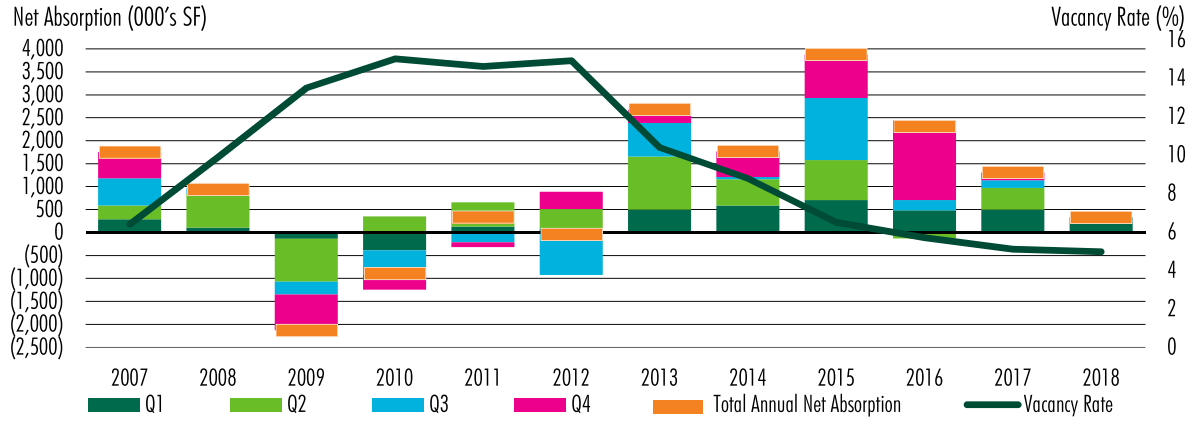
Ciudad Juárez Industrial, Q1 2018

Net absorption back in black, strong start to 2018

Vacancy	Avg. Asking Rate	Net Absorption	Under Construction	Completions
5.0%	$4.74 PSF	385,735 SF	727,723 SF	270,858 SF

*Arrows indicate change from previous quarter. Asking rents are weighted based on available square feet.

Figure 1: Historical Net Absorption and Vacancy Rate



Source: CBRE Research, Q1 2018.

ABSORPTION IN POSITIVE TERRITORY

Following a soft Q4 2017 that recorded negative net absorption, the Juárez industrial market began 2018 on better footing. There were three separate new leases over 100,000 sq. ft. and overall net absorption was 385,735 sq. ft. This net absorption was lower than the same quarter last year but the pipeline of active users in the market is well above average at the start of 2018, which should boost net absorption figures in coming quarters and help absorb the new speculative (spec) construction recently delivered and underway.

VACANCY REMAINS LOW

The healthy net absorption during the quarter pushed the market-wide vacancy rate down, by 10 basis points (bps), compared to the previous quarter. Year-over-year, the vacancy rate declined from 6.2% to 5.0%. This rate is significantly lower than the current cycle average of just under 10.0%.

ASKING RATES SEE FLAT QUARTERLY GROWTH

Market-wide asking rates increased by $0.01 per sq. ft. compared to Q4 2017 while Class A rates were unchanged. Only Class B saw a decline, by $0.01 per sq. ft., due to changes in asking rates for two available properties. Annual growth was stronger. The market-wide rate grew by $0.20 per sq. ft., Class A increased by $0.06 per sq. ft., and Class B increased by $0.12 per sq. ft.

CONSTRUCTION STILL ACTIVE

With the delivery of a 216,000 sq. ft. spec project in the Southeast submarket and a 55,000 sq. ft. build-to-suit (BTS) in the Southwest, space under construction declined since Q4 2017. However, it remained at a high level with 727,723 sq. ft. under construction. This includes two spec projects in the Southeast submarket, totaling 438,000 sq. ft. Also under construction were three BTS projects, two of which are expansions of existing properties.

Figure 2: Ciudad Juárez Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Net Avg. Asking Lease Rate ($/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q1 2018 Net Absorption	Q4 2017 Net Absorption
North	13,890,578	3.0	6.0	4.59	190,000	-	(128,946)	(109,963)
Class A	2,176,365	6	5.9	4.73	190,000	-	(128,946)	0
Class B	9,758,850	2.5	6.3	4.63	-	-	0	(109,963)
West	10,494,355	7.4	7.7	4.32	-	-	83,182	110,725
Class A	1,013,766	11	10.5	5.35	-	-	0	0
Class B	7,160,111	3.9	3.9	4.21	-	-	83,182	148,450
Central	5,514,301	5.4	7.6	4.38	-	-	100,000	(80,082)
Class A	1,050,868	9.6	9.6	4.50	-	-	100,000	0
Class B	3,710,109	2.2	4.6	4.36	-	-	0	(80,082)
Southwest	6,322,209	3.1	13.6	4.68	-	55,000	76,033	0
Class A	2,579,285	7.6	7.6	4.60	-	55,000	76,033	0
Class B	3,321,900	0	20.1	4.70	-	-	0	0
Southeast	26,387,442	5.6	6.1	5.11	537,723	215,858	287,466	12,135
Class A	20,849,493	4.9	5.5	5.17	537,723	215,858	287,466	(57,865)
Class B	5,228,742	9.0	9.0	4.77	-	-	0	70,000
South/Elux	3,797,830	5.4	7.3	4.97	-	-	(32,000)	0
Class A	3,797,830	5.4	7.3	4.97	-	-	(32,000)	0
Class B	0	0	0	N/A	-	-	0	0
San Jeronimo	1,642,000	0	0	N/A	-	-	0	0
Class A	1,642,000	0	0	N/A	-	-	0	0
Class B	0	0	0	N/A	-	-	0	0
Cd. Juárez Total	**68,048,715**	**5.0**	**7.1**	**4.74**	**727,723**	**270,858**	**385,735**	**(67,185)**
Class A	**33,109,607**	**5.3**	**5.9**	**5.03**	**727,723**	**270,858**	**302,553**	**(57,865)**
Class B	**29,179,712**	**3.7**	**7.5**	**4.58**	**0**	**0**	**83,182**	**28,405**

Although Class C is not listed, totals are inclusive of all classes of data.

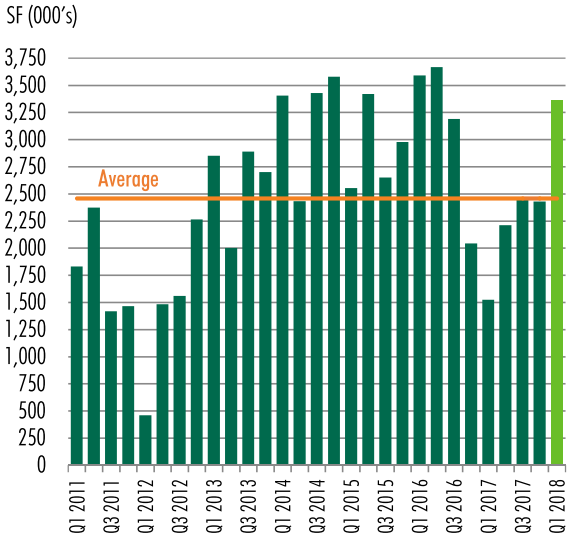
Source: CBRE Research, Q1 2018.

Figure 3: Top Market Transactions

Type	Submarket	Industry	Total SF
Renewal	West	Electrical Equiptment MFG	161,115
Lease	Southeast	Goods MFG	161,094
Renewal	Southeast	High-tech Electronics Manufacturing	128,000
Sublease	Southeast	Transport/Distribution-Logistics-3PL	126,372
Lease	Central	Appliances MFG	100,000
Lease	West	Materials MFG	83,182
Renewal	Southeast	High-tech Electronics Manufacturing	60,000
Lease	Southwest	Plastics MFG	21,033

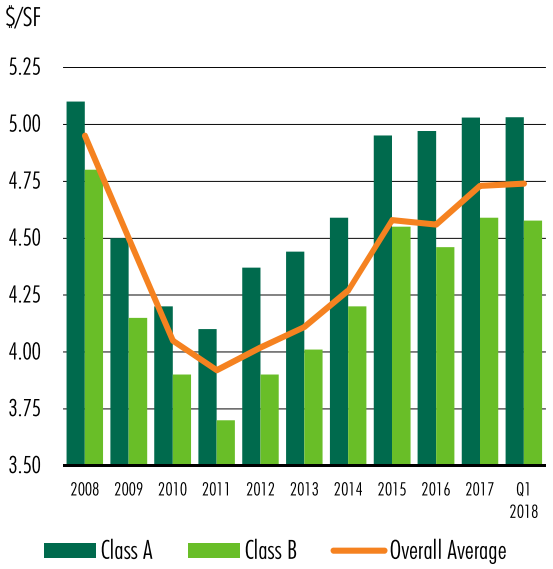
Source: CBRE Research, Q1 2018.

Figure 4: Active Users in the Market



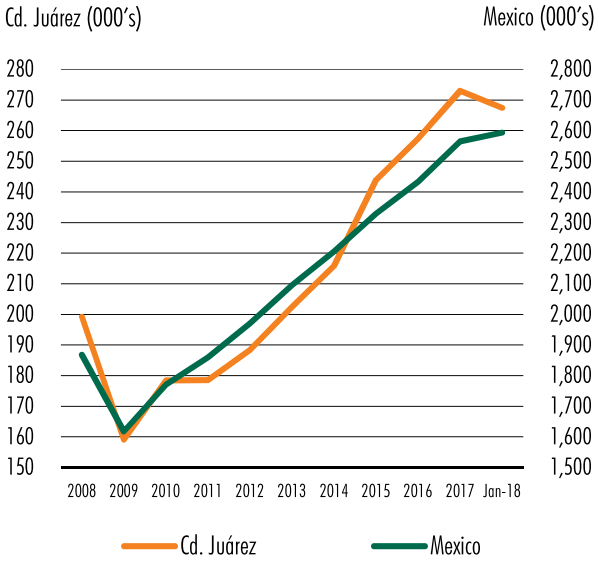
Source: CBRE Research, Q1 2018.

Figure 5: Asking Rates, NNN Avg. Annual



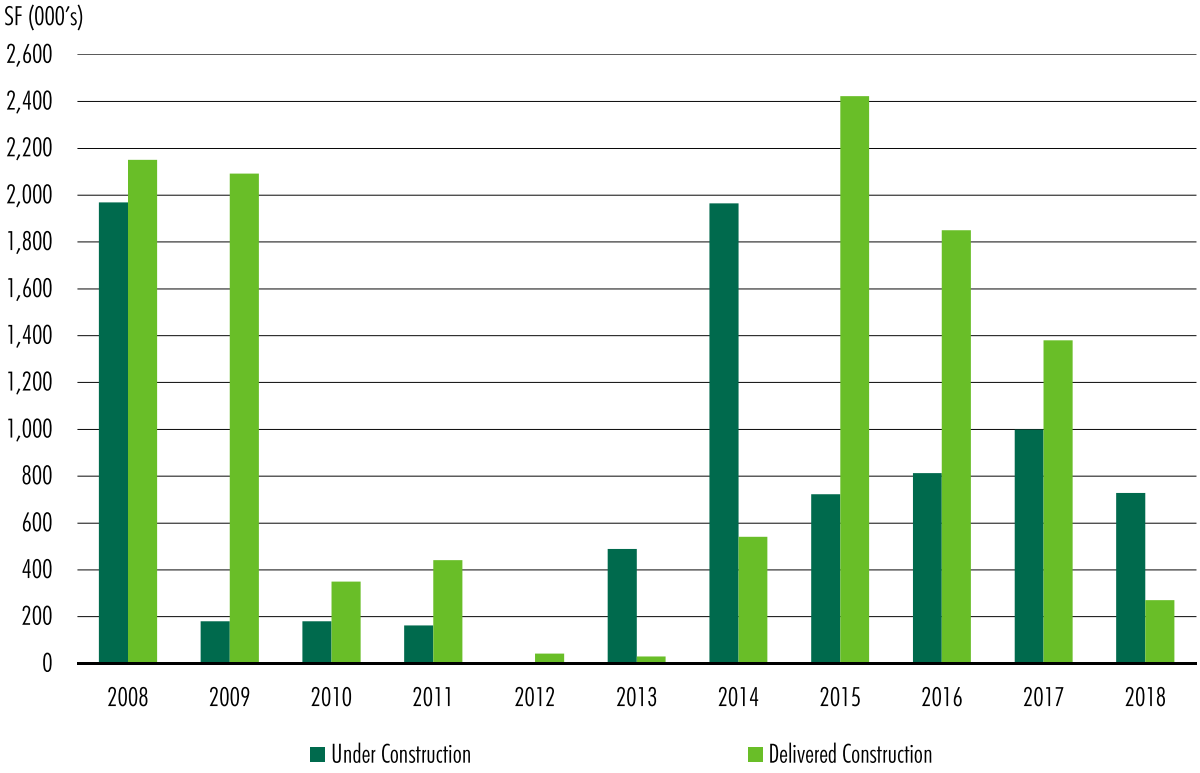
Source: CBRE Research, Q1 2018.

Figure 6: Maquiladora Employment

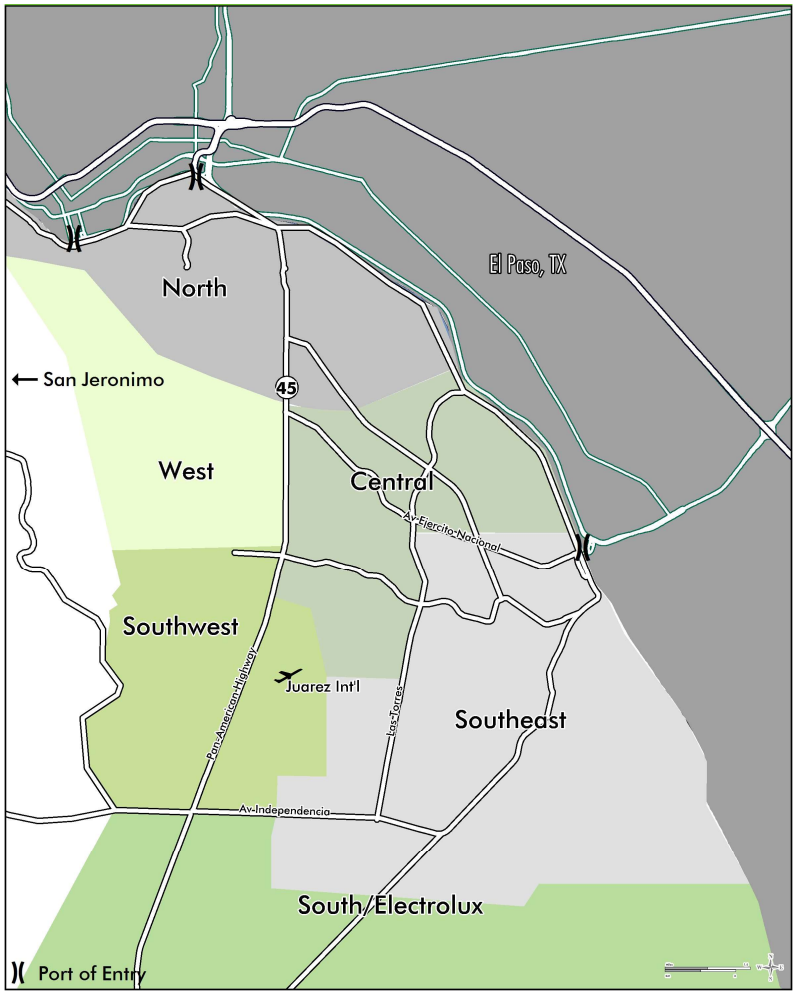


Source: Instituto Nacional de Estadística y Geografía, March 2018.

Figure 7: Construction



Source: CBRE Research, Q1 2018.



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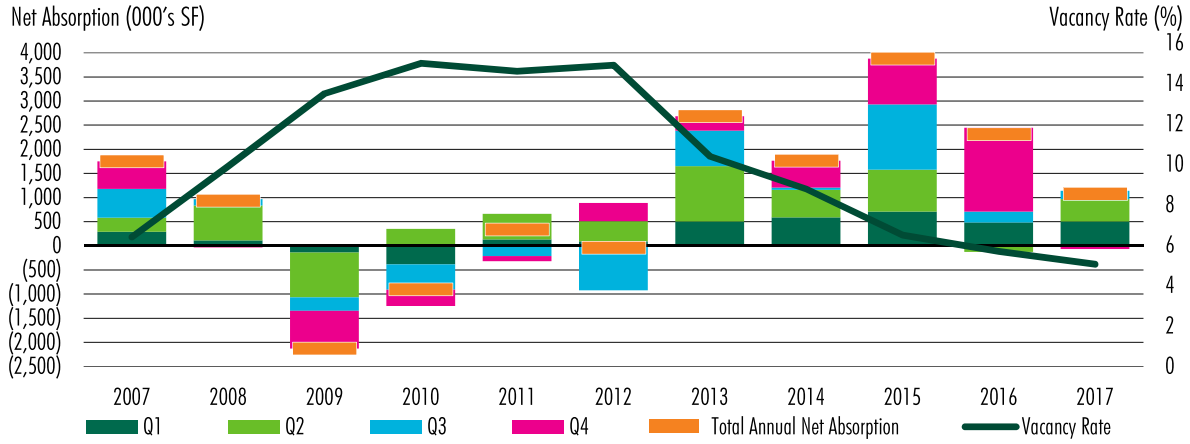
Ciudad Juárez Industrial, Q4 2017

Activity slows but 2017 ends with favorable trends

Vacancy	Avg. Asking Rate	Net Absorption	Under Construction	Completions
5.1%	$4.73 PSF	(67,187) SF	998,746 SF	438,061 SF

*Arrows indicate change from previous quarter. Asking rents are weighted based on available square feet.

Figure 1: Historical Net Absorption and Vacancy Rate



Source: CBRE Research, Q4 2017.

ABSORPTION DIPS BUT VACANCY REMAINS LOW

Net absorption in Q4 2017 fell into negative territory, making it only the second negative quarter in the past five years. However, with over one million sq. ft. of annual net absorption in 2017 and long-term positive trends, vacancy remains below historical averages. Compared to Q4 2016, vacancy fell from 7.4% to 5.1%, continuing the downward trend that began in 2013.

ASKING RATES INCREASE AS CONSTRUCTION IS COMPLETED, SPEC TAKES CENTER STAGE

Market-wide asking rates increased by $0.09 per sq. ft. compared to Q3 2017. This was due mainly to the delivery of three new vacant speculative (spec) projects totaling 368,000 sq. ft., which accounted for $0.06 of the increase. Year-over-year, asking rates increased by $0.17 per sq. ft. Class A asking rates also increased by $0.02 per sq. ft. quarter-over-quarter and $0.06 per sq. ft. since Q4 2016.

At the end of 2017, almost one million sq. ft. of space was under construction. About 654,000 sq. ft. of that space was spec developement with the largest project of 227,500 sq. ft. breaking ground in Q4 2017. In 2017, 1.5 million sq. ft. of spec was delivered or was still under construction at the end of Q4 2017, the largest amount for this type of development in the current cycle.

LOOKING AHEAD TO 2018

While uncertainty due to continuing NAFTA negotiations and upcoming presidential elections in Mexico undoubtedly contributed to sluggish market activity, 2018 may open on more stable footing. Roughly 400,000 sq. ft. of new transactions are expected to close in Q1 2018 and while demand fell slightly below average, users in the market remain at a healthy level. The completion of spec space will also offer the market flexibility and may lead to more competitive pricing on existing space.

Figure 2: Ciudad Juárez Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Net Avg. Asking Lease Rate ($/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q4 2017 Net Absorption	Total 2017 Net Absorption
North	13,868,066	2.1	3.2	4.52	190,000	-	(109,963)	(154,963)
Class A	2,176,365	0	0.0	N/A	190,000	-	0	0
Class B	9,737,111	2.5	3.7	4.63	-	-	(109,963)	(109,963)
West	10,444,048	8.3	8.3	4.36	-	106,584	110,725	85,384
Class A	1,013,766	11	10.5	5.35	-	106,584	0	0
Class B	7,161,807	5.0	5.0	4.36	-	-	148,450	123,109
Central	5,513,433	7.1	9.4	4.59	-	-	(80,082)	94,115
Class A	1,050,000	19.0	19.0	4.95	-	-	0	0
Class B	3,710,109	2.2	4.5	4.36	-	-	(80,082)	122,918
Southwest	6,267,209	3.5	14.1	4.73	55,000	-	0	148,350
Class A	2,524,285	8.6	8.6	4.80	55,000	-	0	40,000
Class B	3,321,900	0	20.1	4.70	-	-	0	108,350
Southeast	26,171,939	5.7	6.2	4.99	753,746	191,030	12,135	894,988
Class A	20,633,990	4.9	5.5	5.03	753,746	191,030	(57,865)	878,688
Class B	5,228,742	9.1	9.1	4.77	-	-	70,000	16,300
South/Elux	3,797,830	4.5	4.5	5.25	-	140,447	0	0
Class A	3,797,830	4.5	4.5	5.25	-	140,447	0	0
Class B	0	0	0	N/A	-	-	0	0
San Jeronimo	1,642,000	0	0	N/A	-	-	0	0
Class A	1,642,000	0	0	N/A	-	-	0	0
Class B	0	0	0	N/A	-	-	0	0
Cd. Juárez Total	**67,704,525**	**5.1**	**6.7**	**4.73**	**998,746**	**438,061**	**(67,185)**	**1,067,874**
Class A	**32,838,236**	**5.2**	**5.6**	**5.03**	**998,746**	**438,061**	**(57,865)**	**918,688**
Class B	**29,159,669**	**4.0**	**7.0**	**4.59**	**0**	**0**	**28,405**	**260,714**

Although Class C is not listed, totals are inclusive of all classes of data.

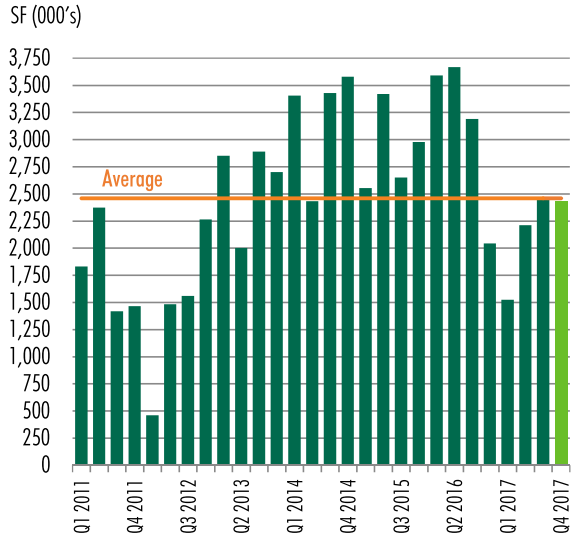
Source: CBRE Research, Q4 2017.

Figure 3: Top Market Transactions

Type	Submarket	Industry	Total SF
Lease	North	Home Goods MFG	235,261
Lease	West	Paper, Pulp, Packaging & Printing	84,924
Delivered BTS	Southeast	Motor Vehicles & Parts MFG	70,000
Lease	West	Furniture MFG	63,526
Lease	North	Business Services	48,661
Re-Occupancy	North	Home Goods MFG	38,235
Lease	Southeast	Paper, Pulp, Packaging & Printing	20,000

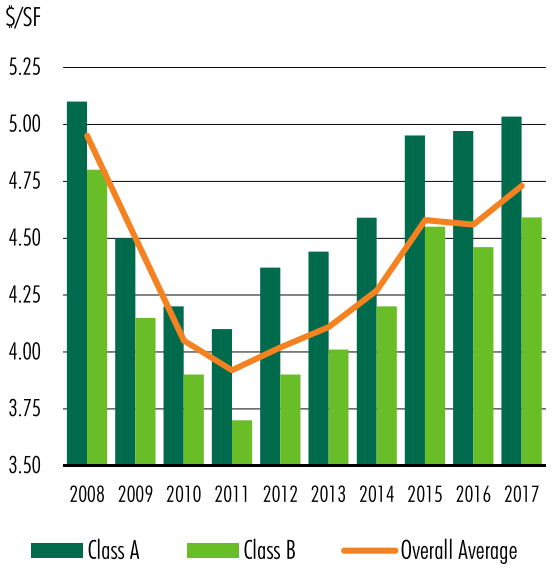
Source: CBRE Research, Q4 2017.

Figure 4: Active Users in the Market



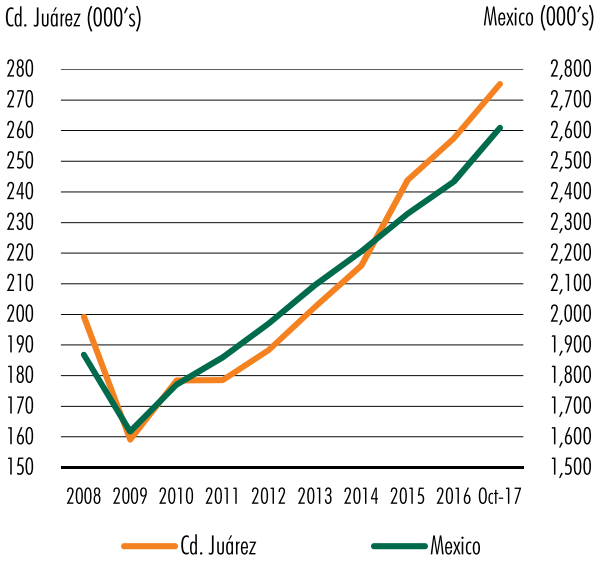
Source: CBRE Research, Q4 2017.

Figure 5: Asking Rates, NNN Avg. Annual



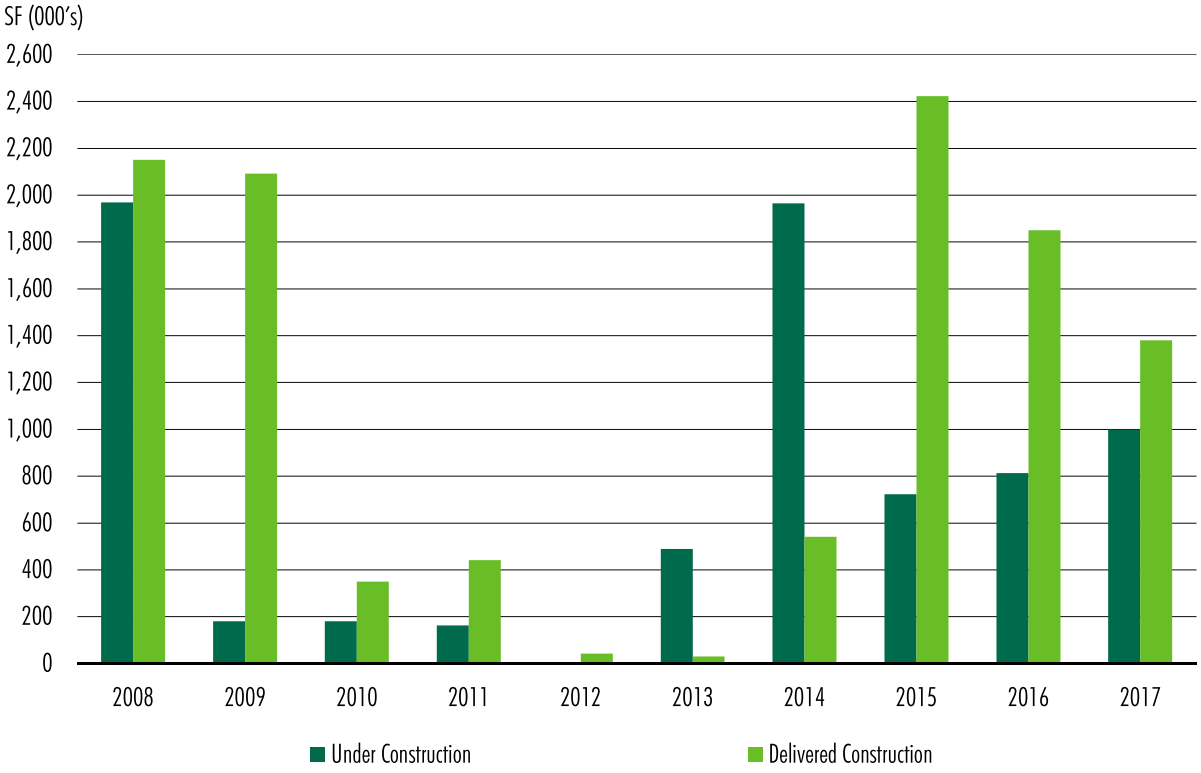
Source: CBRE Research, Q4 2017.

Figure 6: Maquiladora Employment

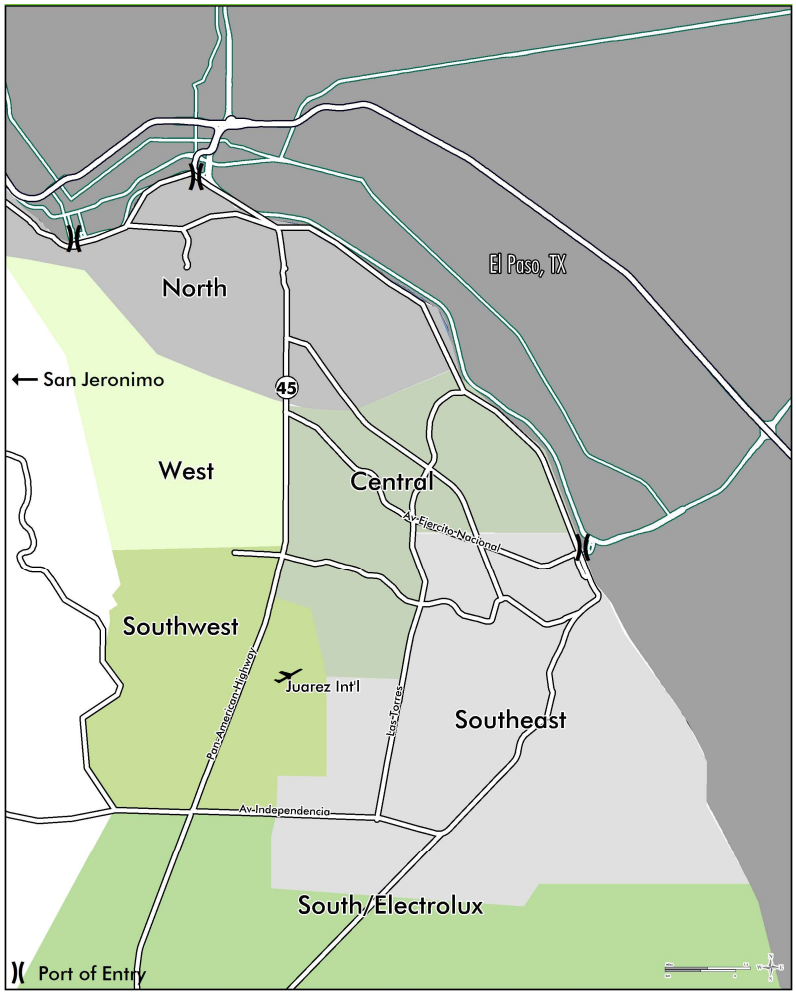


Source: Instituto Nacional de Estadística y Geografía, December 2017.

Figure 7: Construction



Source: CBRE Research, Q4 2017.



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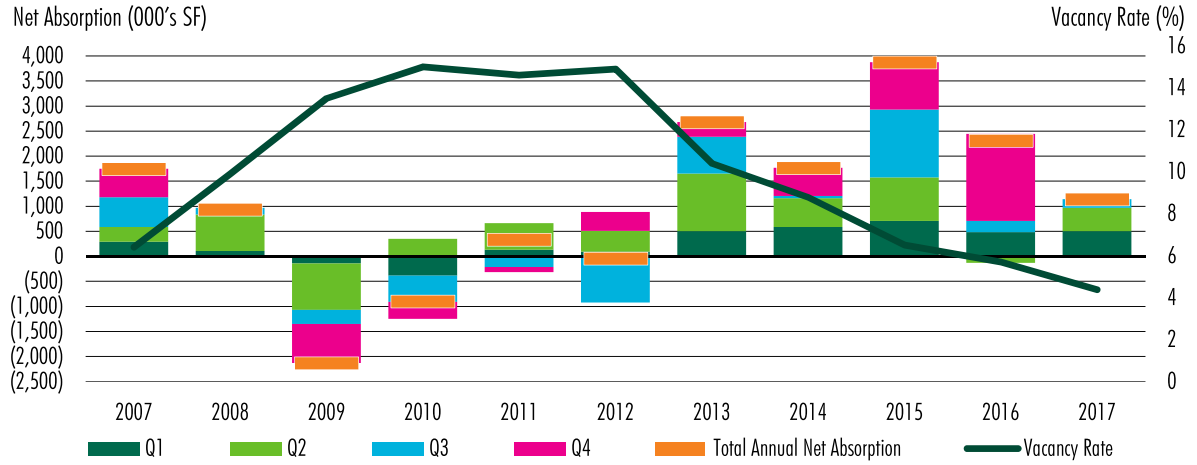
Ciudad Juárez Industrial, Q3 2017

Record low vacancy, limited spec push rents upward

Vacancy	Avg. Asking Rate	Net Absorption	Under Construction	Completions
4.4%	$4.64 PSF	167,627 SF	977,368 SF	100,000 SF

*Arrows indicate change from previous quarter. Asking rents are weighted based on available square feet.

Figure 1: Historical Net Absorption and Vacancy Rate



Source: CBRE Research, Q3 2017.

Fundamentals remained strong in the Cd. Juárez industrial market as the nearly uninterupted 23-quarter streak of positive net absorption continued. The industrial vacancy rate remained on a persistent downward trend, reaching an all-time low at the end of Q3 2017. Net absorption was below average in the traditionally slow third quarter but, overall, new supply has not kept up with demand, putting pressure on asking rates, as investors remained cautious with limited speculative construction.

The market vacancy rate decreased by 20 basis points quarter-over-quarter to 4.4%, the lowest rate seen since CBRE began tracking the market. There has also been almost no space coming back on to the market due to tenant relocations, plant closures or delivery of speculative projects.

Looking forward, active users in the market was 2.4 million sq. ft., which is slightly below the lagging 25-quarter average, but has seen growth during the year. Additionally, the close rate of projects on CBRE's active users report remained high. This demand metric, when benchmarked against the vacancy rate and new speculative construction, points to further drops in the vacancy rate through the end of the year and into 2018.

Asking rents for Class A space have seen upward pressure and reached $5.01 per sq. ft., a level not seen since before the recession. Rates increased quarterly by $0.02 per sq. ft. and annually by $0.06 per sq. ft. There were three new construction projects started in Q3 2017, including two speculative projects totaling 426,000 sq. ft. and one build-to-suit expansion of 100,000 sq. ft.

Figure 2: Ciudad Juárez Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Net Avg. Asking Lease Rate ($/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q2 2017 Net Absorption	Q3 2017 Net Absorption
North	13,868,580	1.3	3.3	4.45	70,000	-	(45,000)	0
Class A	2,176,365	0	0.0	N/A	70,000	-	0	0
Class B	9,737,257	1.4	4.1	4.58	-	-	0	0
West	10,329,827	8.6	9.4	4.19	106,584	-	0	24,625
Class A	907,182	0	0.0	N/A	106,584	-	0	0
Class B	7,161,922	7.1	7.1	4.34	-	-	0	24,625
Central	5,613,472	5.6	8.5	4.62	-	100,000	(28,803)	106,000
Class A	1,035,999	19.3	27.0	5.02	-	100,000	0	0
Class B	3,824,110	0.0	2.3	4.00	-	-	0	106000
Southwest	6,267,209	3.5	14.1	4.73	55,000	-	148,350	0
Class A	2,736,011	7.9	15.7	4.75	55,000	-	40,000	0
Class B	3,110,174	0	14.6	4.71	-	-	108,350	0
Southeast	25,981,557	5.0	5.8	5.00	647,276	-	395,352	37,002
Class A	20,443,608	4.1	5.1	5.08	647,276	-	502,752	-16,698
Class B	5,228,742	9.1	9.1	4.62	-	-	(107,400)	53,700
South/Elux	3,657,383	0.9	0.9	5.20	98,508	-	0	0
Class A	3,657,383	0.9	0.9	5.20	98,508	-	0	0
Class B	0	0	0	N/A	-	-	0	0
San Jeronimo	1,642,000	0	0	N/A	-	-	0	0
Class A	1,642,000	0	0	N/A	-	-	0	0
Class B	0	0	0	N/A	-	-	0	0
Cd. Juárez Total	**67,360,028**	**4.4**	**6.4**	**4.64**	**977,368**	**100,000**	**469,899**	**167,627**
Class A	**32,598,548**	**3.9**	**5.5**	**5.01**	**977,368**	**100,000**	**542,752**	**(16,698)**
Class B	**29,062,205**	**3.8**	**6.6**	**4.51**	**0**	**0**	**950**	**184,325**

Although Class C is not listed, totals are inclusive of all classes of data.

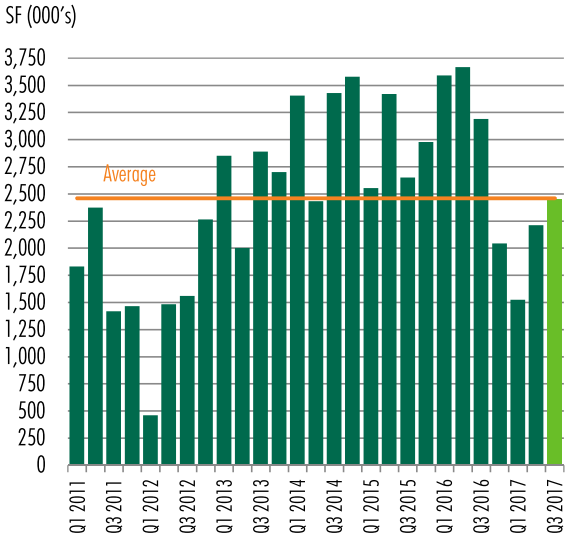
Source: CBRE Research, Q3 2017.

Figure 3: Top Market Transactions

Type	Submarket	Industry	Total SF
Renewal	Southeast	High-Technology MFG-Electronics	205,200
Lease	Central	Motor Vehicles & Parts MFG	106,000
Renewal	Southeast	Paper, Pulp, Packaging & Printing	68,030
Lease	Southeast	High-Technology MFG	53,700
Lease	Southeast	Transportation/Distribution/Logistics-3PL	51,860
Renewal	Southeast	Transportation/Distribution/Logistics-3PL	47,600
Renewal	North	Motor Vehicles & Parts MFG	45,380
Renewal	Southeast	Life Sciences-Medical Device MFG	43,555
Lease	West	Paper, Pulp, Packaging & Printing	24,625

Source: CBRE Research, Q3 2017.

Figure 4: Active Users in the Market

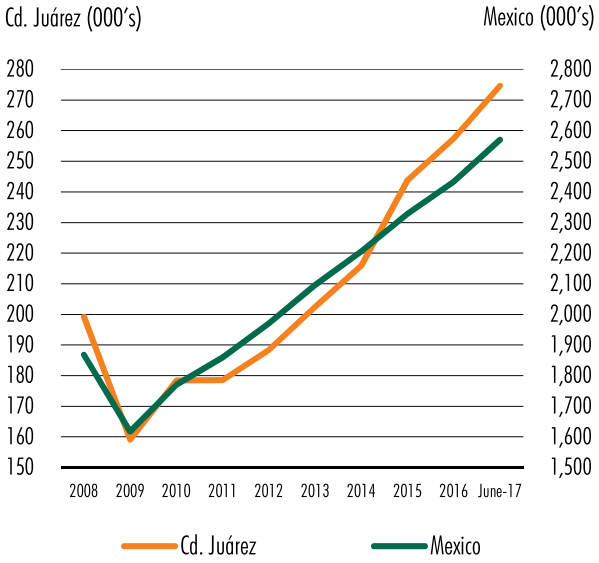


Source: CBRE Research, Q3 2017.

Figure 5: Asking Rates, NNN Avg. Annual

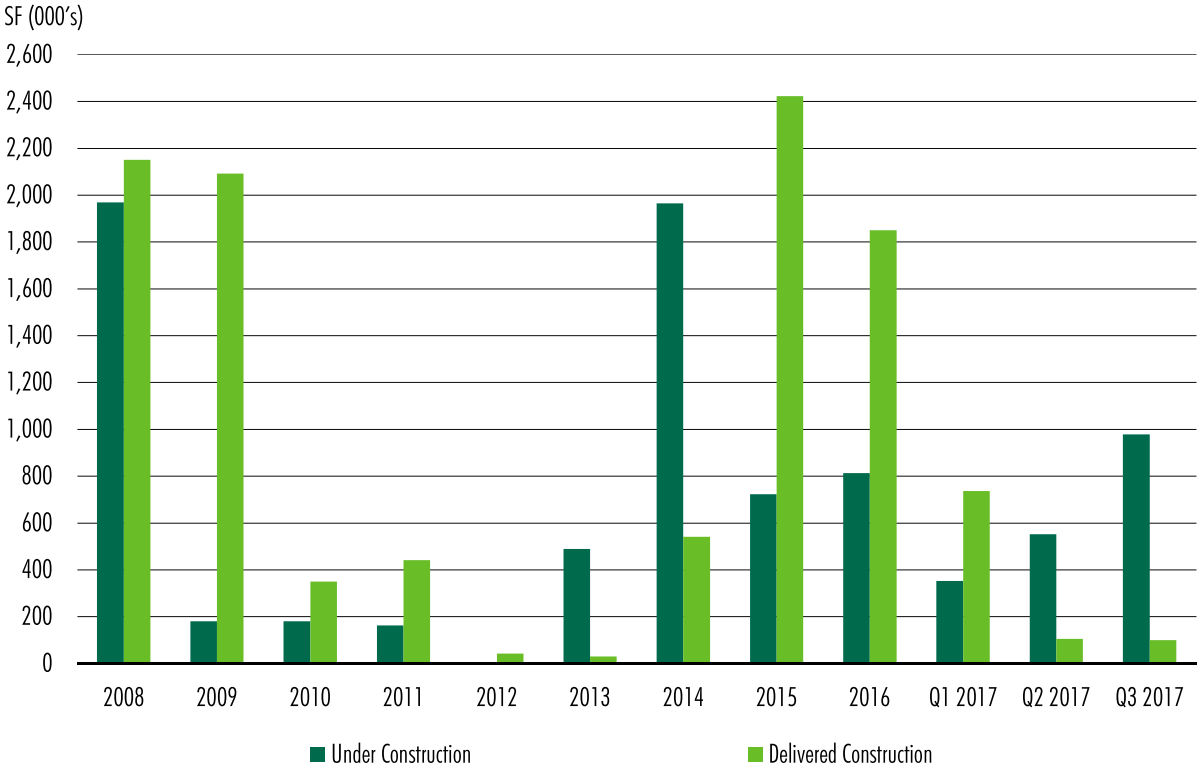
Source: CBRE Research, Q3 2017.

Figure 6: Maquiladora Employment

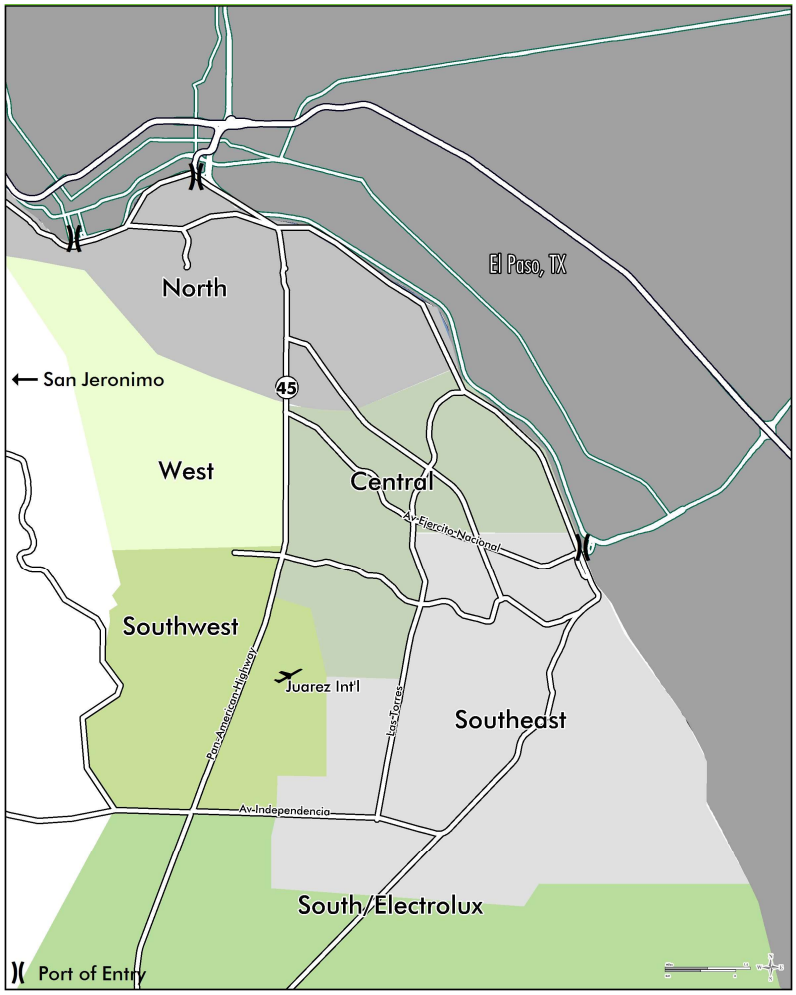


Source: Instituto Nacional de Estadística y Geografía, September 2017.

Figure 7: Construction



Source: CBRE Research, Q3 2017.



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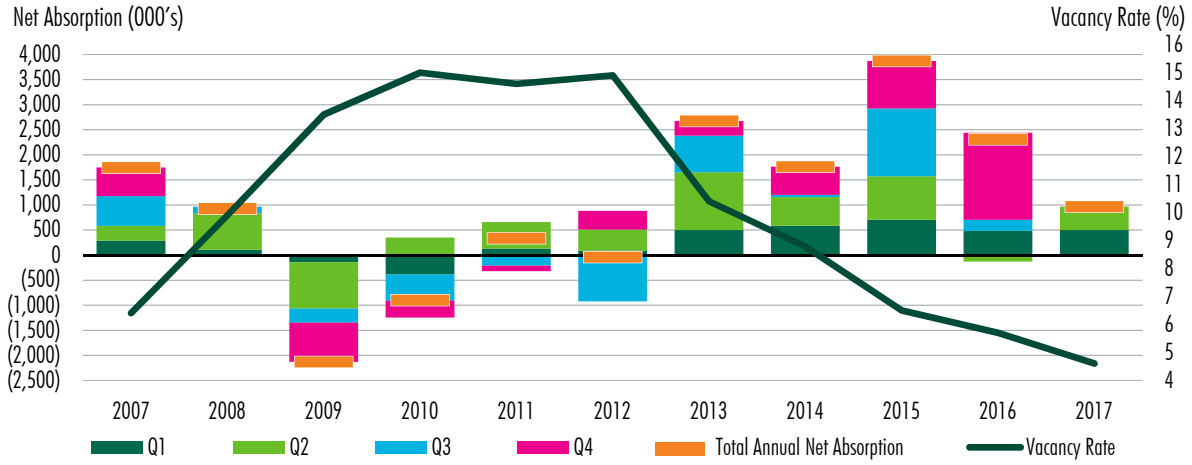
Ciudad Juárez Industrial, Q2 2017

Active construction, record low vacancy strengthen market

Vacancy	Avg. Asking Rate	Net Absorption	Under Construction	Completions
4.6%	$4.64 PSF	469,899 SF	551,122 SF	104,877 SF

*Arrows indicate change from previous quarter. Asking rents are weighted based on available square feet.

Figure 1: Historical Net Absorption and Vacancy Rate



Source: CBRE Research, Q2 2017.

The Cd. Juárez industrial market continued to show favorable market conditions. Q2 2017 adds to the nearly uninterupted 22-quarter streak of positive net absorption. The year-to-date net absorption at the end of Q2 2017 exceeded mid-2016 net absorption by more than 600,000 sq. ft.

The market vacancy rate decreased by 25.8% quarter-over-quarter to 4.6%, the lowest quarterly rate seen since CBRE began tracking the market. Some of this decline was due to database adjustments, which affected the North and Southwest submarkets. However, the Q2 2017 rate would have been 50 basis points (bps) below the previous low of 5.8% without these adjustments. The largest decrease was in the Southeast submarket where rates fell by 1% quarter-over-quarter and 4.3% annually. Class A space in the Southeast submarket accounted for 77% of gross absorption, showing a sustained demand for Class A space in this submarket.

The consistent trend of Class A positive net absorption and relatively few vacancies pushed vacancy rates down to 3.6%, just above the market low of 3.3% seen in Q2 2015. As the stock of Class A space tightens, asking rents have seen upward pressure and have inched toward pre-recession levels of $5.00 per sq. ft. Rates increased quarterly by $0.02 per sq. ft. and annually by $0.04 per sq. ft.

Three new construction projects started in Q2 2017, two speculative projects totaling 221,000 sq. ft. and one build-to-suit of 55,000 sq. ft. Three additional developments have been announced and are likely to begin moving dirt later in 2017.

Figure 2: Ciudad Juárez Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Net Avg. Asking Lease Rate ($/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q1 2017 Net Absorption	Q2 2017 Net Absorption
North	14,107,039	1.3	3.1	4.21	70,000	-	0	(45,000)
Class A	2,176,365	0	0	NA	70,000	-	0	0
Class B	9,837,214	1.4	2.5	4.58	-	-	0	0
West	10,299,827	8.9	9.8	4.20	106,584	-	(49,966)	0
Class A	907,182	0	0	NA	106,584	-	0	0
Class B	7,321,500	9.5	9.5	4.35	-	-	(49,966)	0
Central	5,413,472	7.1	10.9	4.60	100,000	-	97,000	(28,803)
Class A	935,999	10.7	19.2	4.91	100,000	-	0	0
Class B	3,724,110	4.6	7.0	4.38	-	-	97,000	0
Southwest	6,267,209	3.5	14.1	4.73	55,000	-	0	148,350
Class A	2,736,011	7.9	15.7	4.75	55,000	-	0	40,000
Class B	3,110,174	0	14.6	4.71	-	-	0	108,350
Southeast	25,823,811	5.2	5.3	5.03	121,030	104,877	450,499	395,352
Class A	20,443,162	4.0	4.2	5.11	121,030	104,877	450,499	502,752
Class B	5,071,442	10.4	10.4	4.58	-	-	0	(107,400)
South / Electrolux	3,657,383	0.9	0.9	5.25	98,508	-	0	0
Class A	3,657,383	0.9	0.9	5.25	98,508	-	0	0
Class B	0	0	0	NA	-	-	0	0
San Jeronimo	1,642,000	0	0	NA	-	-	0	0
Class A	1,642,000	0	0	NA	-	-	0	0
Class B	0	0	0	NA	-	-	0	0
Cd. Juárez Total	**67,210,741**	**4.6**	**6.4**	**4.64**	**551,122**	**104,877**	**497,533**	**469,899**
Class A	**32,498,102**	**3.6**	**4.6**	**4.99**	**551,122**	**104,877**	**450,499**	**542,752**
Class B	**29,064,440**	**5.3**	**7.5**	**4.47**	**0**	**0**	**47,034**	**950**

Although Class C is not listed, totals are inclusive of all classes of data.

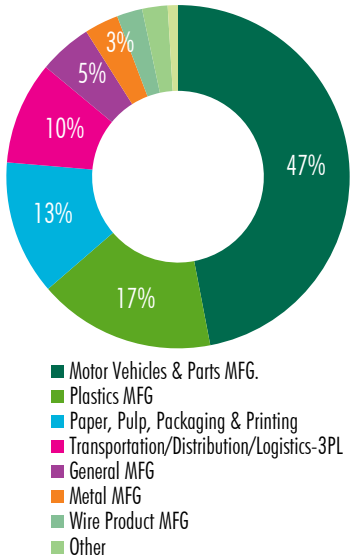
Source: CBRE Research, Q2 2017.

Figure 3: Top Market Transactions

Type	Submarket	Industry	Total SF
Renewal	North	Motor Vehicles & Parts MFG.	277,954
Renewal	Southeast	Motor Vehicles & Parts MFG.	217,865
Sale	Southeast	Plastics MFG	208,639
Lease	Southeast	Transportation/Distribution/ Logistics-3PL	121,040
Sale	Southwest	Paper, Pulp, Packaging & Printing	108,350
Renewal	North	Motor Vehicles & Parts MFG.	92,040
Lease	Southeast	General MFG	62,883
Delivered Construction	Southeast	Paper, Pulp, Packaging & Printing	50,190
Lease	Southwest	Metal MFG	40,000
Expansion	Southeast	Wire Product MFG	30,000

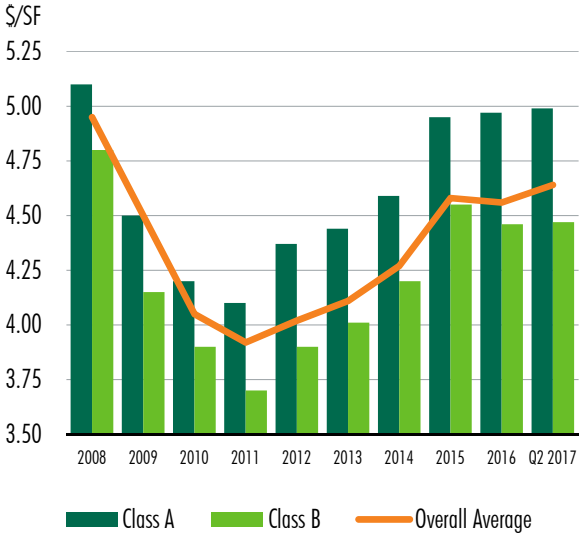
Source: CBRE Research, Q2 2017.

Figure 4: Q2 2017 Gross Absorption by Industry



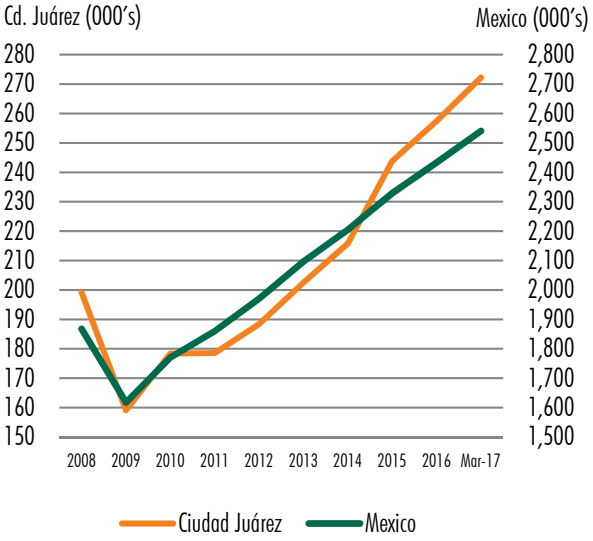
Source: CBRE Research, Q2 2017.

Figure 5: Asking Rates, NNN Avg. Annual



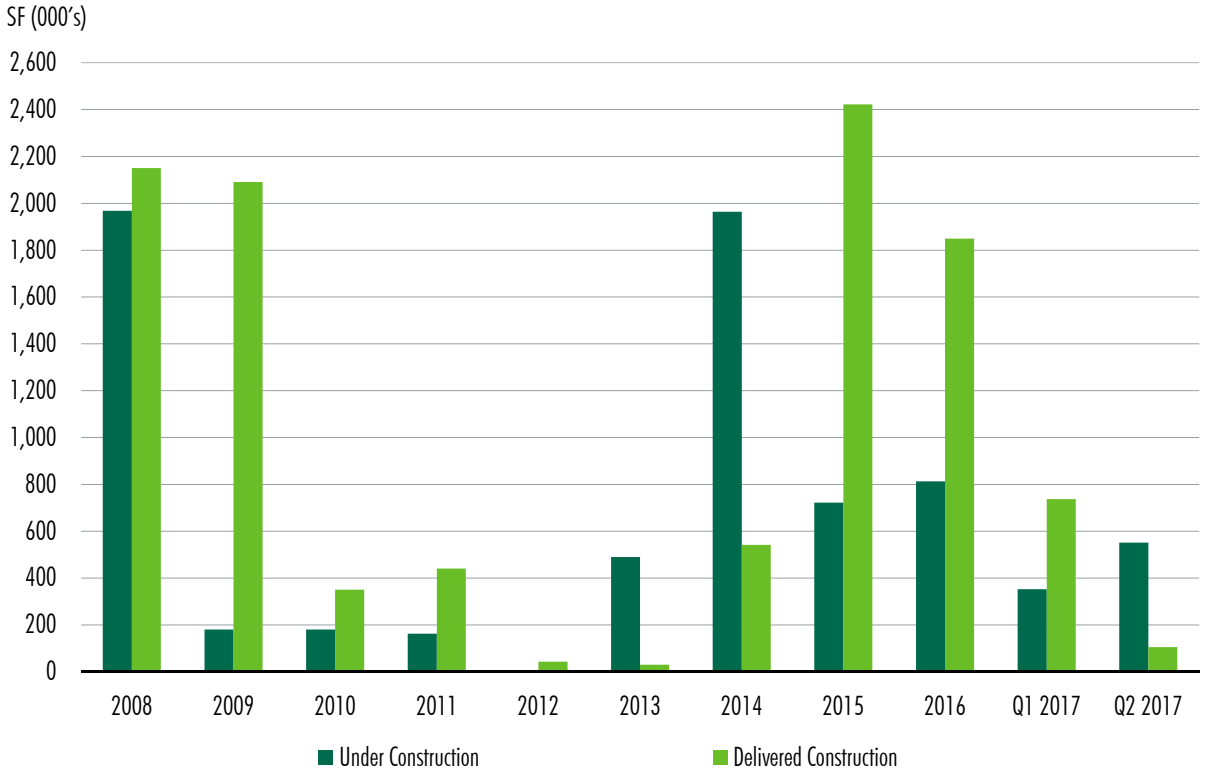
Source: CBRE Research, Q2 2017.

Figure 6: Maquiladora Employment

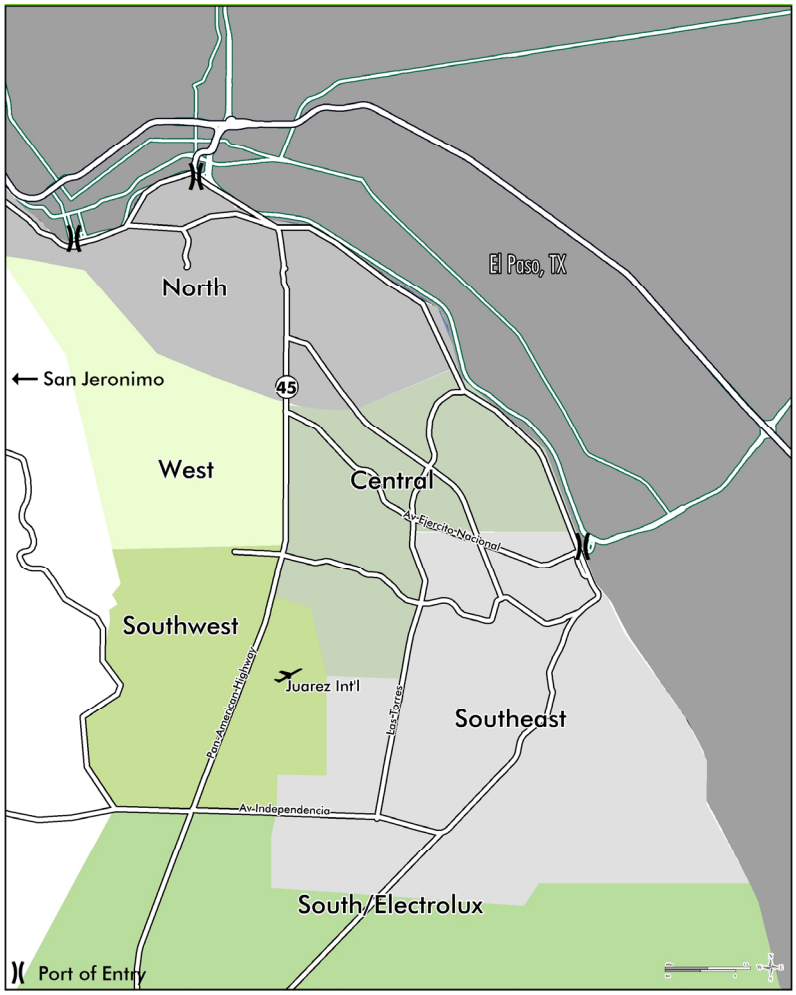


Source: Instituto Nacional de Estadística y Geografía, June 2017.

Figure 7: Construction



Source: CBRE Research, Q2 2017.



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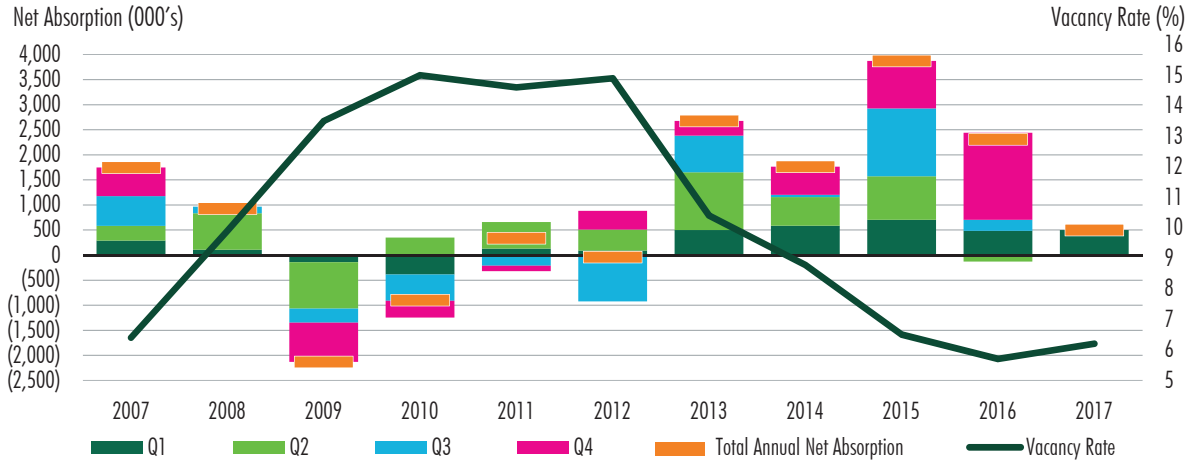
Ciudad Juárez Industrial, Q1 2017

Low vacancy; net absorption and construction stabilize

Vacancy	Avg. Asking Rate	Net Absorption	Under Construction	Completions
6.2%	$4.57 PSF	497,533 SF	351,993 SF	736,747 SF

*Arrows indicate change from previous quarter. Asking rents are weighted based on available square feet.

Figure 1: Historical Net Absorption and Vacancy Rate



Source: CBRE Research, Q1 2017.

Following a record setting previous quarter, Q1 2017 saw healthy market activity and net absorption that were in line with historical first quarter trends. The quarter continued the nearly uninterupted four-year streak of positive net absorption. Activity in the market was driven mainly by the delivery of construction projects and new leases.

Overall, fundamentals remained favorable with vacancy well into single digits and rents on a stable upbeat path. Vacancy registered an increase of 40 basis points (bps) quarter-over-quarter but dropped 33 bps year-over-year. Only two vacancies were reported for Q1 2017, the uptick in the vacancy rate was caused by the delivery of speculative construction. However, vacancy rates still remained below pre-recession levels.

Class A space in the Southeast submarket accounted for 90% of net absorption, showing a sustained demand for Class A space in this submarket. The market-wide average asking lease rate remained relatively unchanged with a small increase of $0.01 per sq. ft. compared to Q4 2016. Annually, the market average rate remained flat, decreasing by $0.02 per sq. ft.

For the second consecutive quarter, net absorption outpaced new construction starts. New construction for the quarter included two speculative projects and one build-to-suit (BTS) expansion for a total of about 275,000 sq. ft. New construction in the previous period consisted of one speculative project of approximately 77,000 sq. ft. Project deliveries for this quarter were split between BTS and speculative space.

Figure 2: Ciudad Juárez Market Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Net Avg. Asking Lease Rate ($/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q4 2016 Net Absorption	Q1 2017 Net Absorption
North	14,106,087	2.7	2.8	3.90	70,000	-	(8,107)	0
Class A	2,176,365	0	0	NA	70,000	-	0	0
Class B	9,839,262	2.5	2.5	4.43	-	-	(38,235)	0
West	10,303,404	9.1	9.9	4.11	106,584	-	86,601	(49,966)
Class A	903,639	0	0	NA	106,584	-	0	0
Class B	7,237,724	8.6	8.6	4.31	-	-	21,342	(49,966)
Central	5,414,195	6.6	8.7	4.56	-	-	113,450	97,000
Class A	935,999	10.7	10.7	5.25	-	-	0	0
Class B	3,618,110	1.9	4.3	4.43	-	-	81,450	97,000
Southwest	6,336,121	12.9	17.6	4.63	-	-	0	0
Class A	2,722,483	17.2	17.2	4.75	-	-	0	0
Class B	3,110,174	8.6	18.1	4.67	-	-	0	0
Southeast	25,794,728	6.3	6.7	4.93	76,901	736,747	1,506,432	450,499
Class A	20,359,479	6.0	6.0	4.98	79,901	736,747	1,177,123	450,499
Class B	5,177,042	8.1	10.2	4.58	-	-	329,309	0
South / Electrolux	3,625,244	0.9	0.9	5.25	98,508	-	0	0
Class A	3,657,383	0.9	0.9	5.25	98,508	-	0	0
Class B	0	0	0	NA	-	-	0	0
San Jeronimo	1,642,000	0	0	NA	-	-	0	0
Class A	1,642,000	0	0	NA	-	-	0	0
Class B	0	0	0	NA	-	-	0	0
Cd. Juárez Total	**67,221,779**	**6.2**	**7.1**	**4.57**	**351,993**	**736,747**	**1,698,376**	**497,533**
Class A	**32,397,348**	**5.6**	**5.6**	**4.97**	**351,993**	**736,747**	**1,177,123**	**450,499**
Class B	**28,982,312**	**5.6**	**7.3**	**4.46**	**0**	**0**	**393,866**	**47,034**

Although Class C is not included, totals are inclusive of all classes of data.

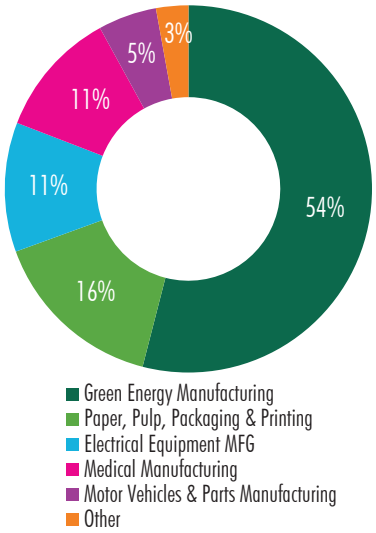
Source: CBRE Research, Q1 2017.

Figure 3: Top Market Transactions

Type	Submarket	Industry	Total SF
Delivered Construction	Southeast	Green Energy MFG.	339,389
Renewal	West	Industrial Machinery MFG.	80,317
Lease	Central	Paper, Pulp, Packaging & Printing	72,000
Lease/Delivered Construction	Southeast	Electrical Equipment MFG	71,594
Delivered Construction	Southeast	Medical MFG.	40,000
Lease	Southeast	Motor Vehicles & Parts MFG.	32,399
Delivered Construction	Southeast	Medical MFG.	30,000
Lease	Central	Paper, Pulp, Packaging & Printing	25,000
Renewal	Southwest	Transportation/Distribution/ Logistics-3PL	25,000

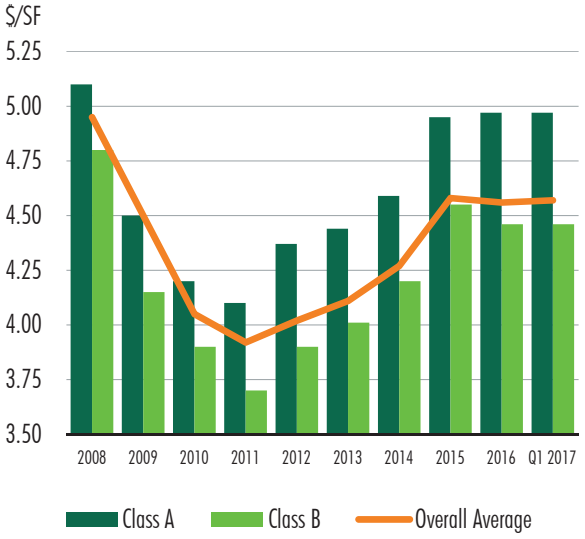
Source: CBRE Research, Q1 2017.

Figure 4: Q1 2017 Gross Absorption by Industry



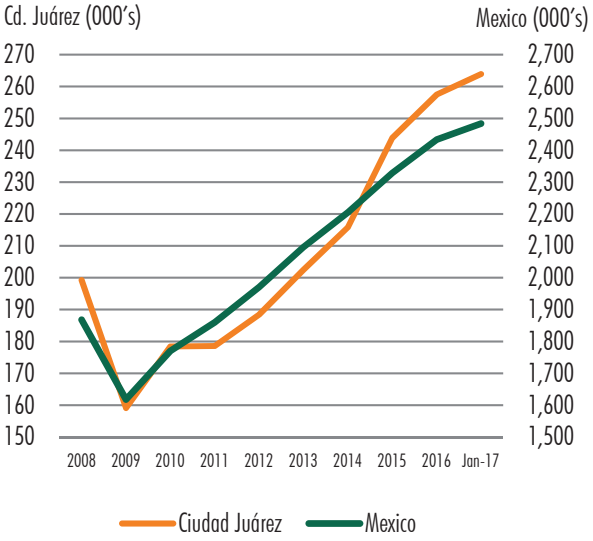
Source: CBRE Research, Q1 2017.

Figure 5: Asking Rates, NNN Avg. Annual



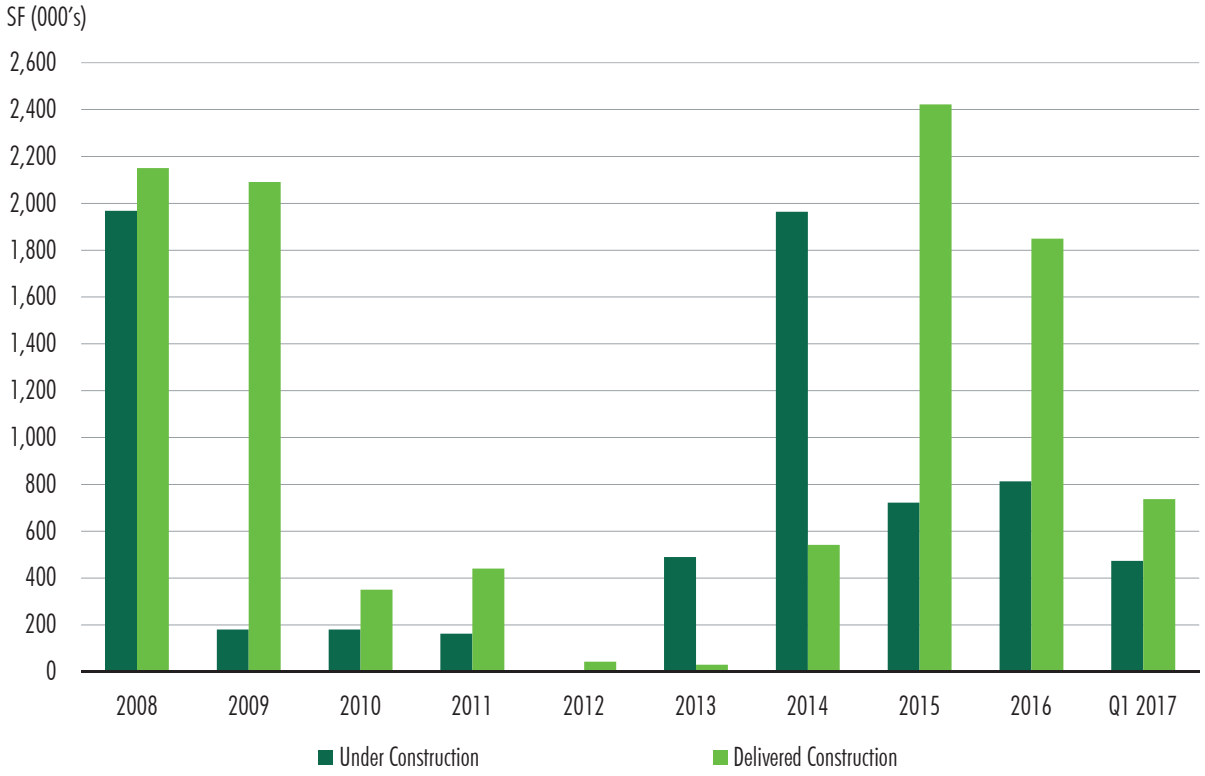
Source: CBRE Research, Q1 2017.

Figure 6: Maquiladora Employment

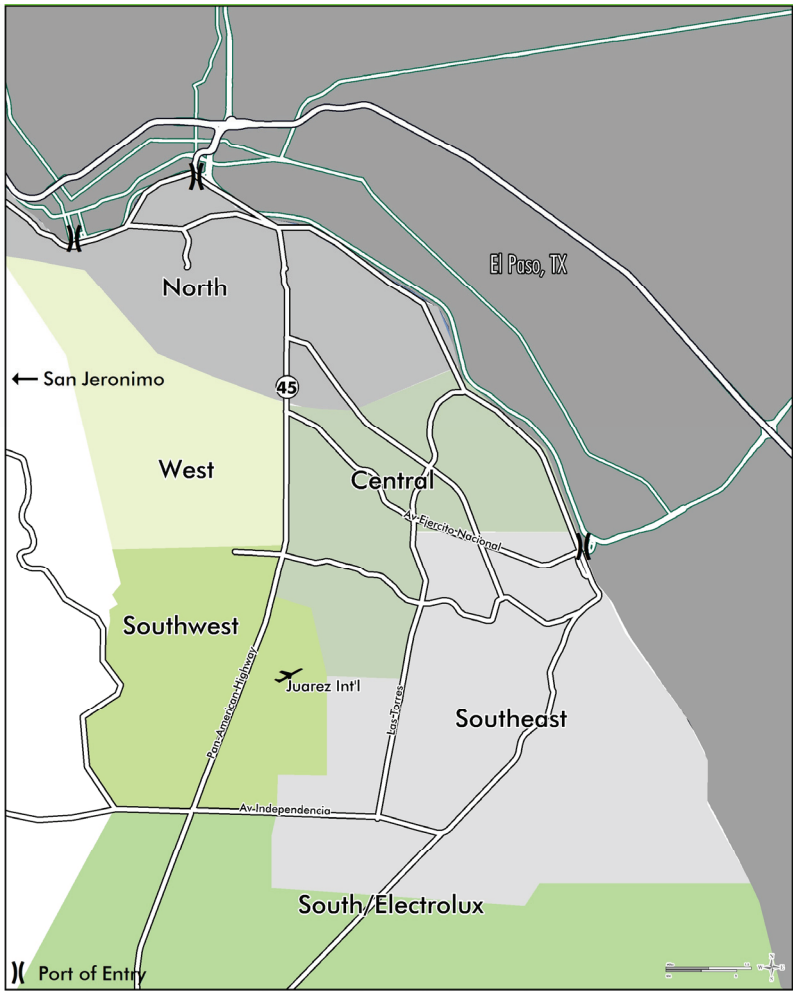


Source: Instituto Nacional de Estadística y Geografía, March 2016.

Figure 7: Construction



Source: CBRE Research, Q1 2017.



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Ciudad Juárez Industrial, Q4 2016

A record quarter for net absorption; 2016 closes strong

Vacancy Rate 5.8%

Avg. Asking Rate $4.56 /SF

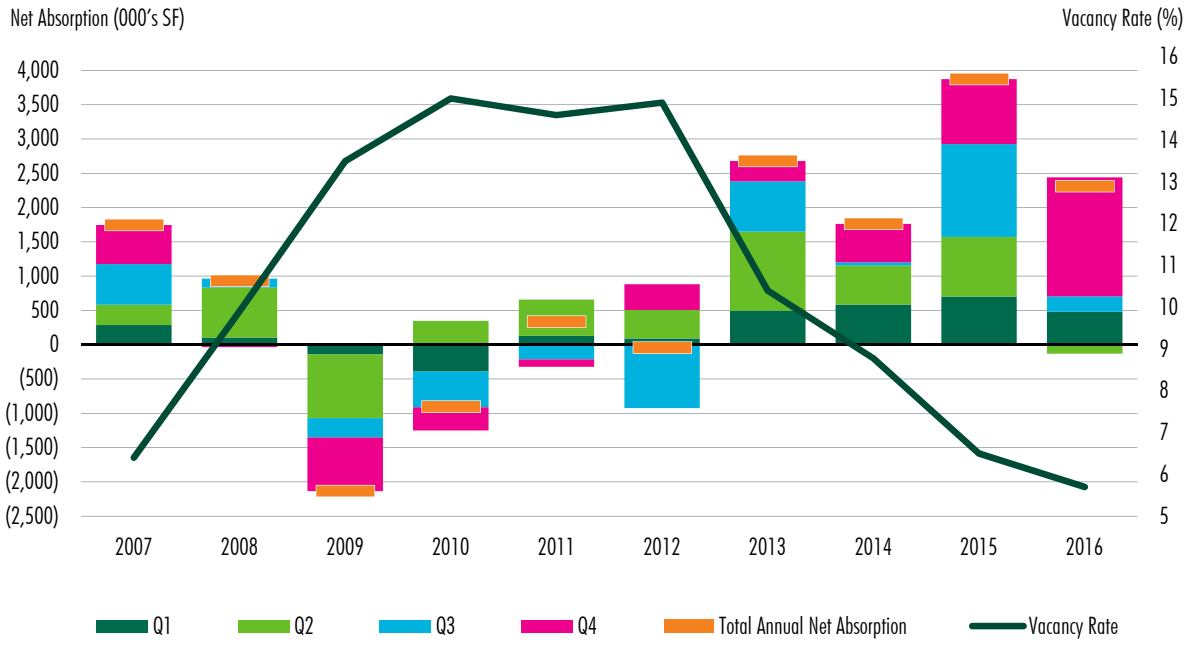
Net Absorption 1,698,376 SF

Construction 812,554 SF

Completions 732,163 SF

*Arrows indicate change from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q4 2016.

- Class A vacancy remained below the market overall rate at 4.6% despite significant speculative delivery in the previous quarter.
- Two construction projects started moving dirt in the Southeast.
- Export manufacturing employment in Cd. Juárez expanded by 5.5% September year-over-year, just below that reported for the nation.
- The Regional Manufacturing Orders Index (IRPM, in Spanish) signaled future expansion in manufacturing specific to the Northern region of Mexico.

MARKET FUNDAMENTALS FINISH STRONG

Following a soft, but positive previous quarter, Q4 2016 registered the largest quarter of net absorption since 2007. 2016 marked the third largest annual net gain for the same time period. Overall market fundamentals remained favorable with a vacancy rate below pre-recessionary levels and stable rents. The aggregate amount of space requirements was just under the trailing five year average despite strong net absorption in 2016 and 2015.

MACROECONOMIC INDICATORS MIXED; PMI PICKS UP, PRODUCTION INDICES CONTRACTS

Economic data related to the region's industrial sector show mixed movements in year-over-year levels between Q4 2015 and Q4 2016. These include U.S. industrial production, as reported by the Federal Reserve's Board of Governors - which did see a seasonally adjusted (preliminary) year-over-year reduction of 0.6% caused by significant decreases in mining and utilities. However, steady improvements to the price of energy caused positive monthly growth in the mining industry during October and November.

The Institute for Supply Management (ISM) reported for November that the Purchasing Manager's Index (PMI), a short-term leading indicator for production, showed an increase of 1.3% since October 2016 and manufacturing grew for the third consecutive month. The PMI continues at a level that indicated expansion, signaling the 90th consecutive month of growth in the overall U.S. economy. Meanwhile in Mexico, the most recent data from INEGI, Mexico's government agency that collects statistical data, show seasonally adjusted industrial production decreased by 0.5% in October 2016 compared to a year ago. Here, manufacturing has seen five years of mostly uninterrupted growth. Construction and utilities saw October year-over-year growth while mining experienced a decline.

As of October 2016, Mexico's year-to-date light auto output reached 2.9 million. This is 0.9% higher compared to the same period in the record setting year of 2015. The production statistic will likely increase going forward as Toyota brakes ground on its new $1-billion-factory in Guanajuato and several automotive component manufacturing companies announced new operations throughout Mexico. Total light vehicle sales in the U.S. reached 17.9 million year-to-date in October, down 1.1% from October 2015 which had one of the highest sales levels in the current cycle. In Mexico, light vehicle sales grew by a substantial 14.6%, more than 1.2 million, during the same period.

TRADE & REGIONAL INDICATORS WERE HEALTHY

The nominal and unadjusted value of export trade from the U.S. to Mexico through the El Paso-Santa Teresa ports of entry reached $35.0 billion year-to-date in October. This total is 2.2% above the same period last year. In terms of imports from Mexico to the U.S., the 2016 year-to-date total reached $44.0 billion, 4.4% above the same period last year. Year-over-year differences in the previous quarter were significantly large because of trade softening in early 2015 and substantiated strong growth in the first four months of 2016 that surpassed previous year performances. Trade growth at the El Paso-Santa Teresa port slowed but continued an upward trend. Further import growth is likely, given the sustained strength of the U.S. dollar relative to the Mexican Peso. This has shown to boost both imports from and investment into Mexico's export operations.

The most recent published data for northbound freight traffic from Mexico through the El Paso - Santa Teresa ports also show growth in July year-to-date totals compared to 2015. While ports in El Paso saw a minor dip, -1.0%, in the 2016 year-to-date flow of trucks, crossings in Santa Teresa grew enough, 21.7%, to off-set and produce positive increases overall. Total northbound truck crossings saw a July year-to-date increase of 1.5%, up to 505,487, compared to the equivalent period in 2015. Loaded truck crossings decreased by 1.0% while loaded rail container crossings registered a growth of 1.2%, during the same period.

Similar to the Institute for Supply Management's PIM, the Banco de México's November 2016 Regional Manufacturing Orders Index (IRPM) anticipated expansion in manufacturing specific to Northern Mexico for the upcoming three months. The index summarizes conditions of new orders, production, employment, supplier deliveries, and inventories.

Within the local industrial market, activity registered a robust 14 new leases at an average term of 65 months. Furthermore, the pipeline of active users in the market remained close to the trailing five year average at 2.04 million sq. ft. of requirements signaling a healthy outlook into 2017.

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	14,106,852	387,229	2.7	398,854	2.8	(8,107)		-	3.90
West	10,265,679	883,119	8.6	929,810	9.1	86,601	-	-	4.15
Central	5,414,195	454,008	8.4	576,894	10.7	113,450		-	4.58
Southwest	6,336,121	818,840	12.9	1,114,765	17.6	0	-	-	4.67
Southeast	25,044,616	1,309,948	5.2	1,342,347	5.4	1,506,432	732,163	812,554	4.97
South / Electrolux	3,625,244	0	0	0	0	0	-	-	-
San Jeronimo	1,642,000	0	0	0	0	0	-	-	-
Totals	66,433,942	3,853,144	5.8	4,362,670	6.6	1,698,376	732,163	812,554	4.56

Source: CBRE Research, Q4 2016.

ABSORPTION AND VACANCY ACTIVITY RECAP

Activity in Q4 2016 significantly increased the annual net absorption after a short disruption in Q2 2016. Here, Cd. Juarez was remained on a favorable path with close to 11.0 million sq. ft. of reported positive net absorption since Q4 2012. Overall, fundamentals remained favorable with vacancy well into single digits and rents on a stable upbeat path. Q4 2016 closed with more than 360,000 sq. ft. of future net absorption that will deliver as new construction in 2017. Overall vacancy registered a drop of 152 basis points (bps) quarter-over-quarter after several significant leases and dropped 73 bps year-over-year.

In trailing quarters, the lack of available Class A space turned tenants to Class B options. In Q4 2016, Class A captured the largest share of gross absorption and its vacancy fell to 4.6%, 160 bps. The Class A segment remained the tightest but Class B and C segments also saw improvements In Q4 2016. Class B saw more than 390,000 sq. ft. of net absorption and vacancy rates dropped 130 bps to 5.8%. Class C had nearly 130,000 sq. ft. of net absorption, it's highest for the year, and vacancy decreased 230 bps to 12.9%.

SUBMARKET ANALYSIS; Q4 TOP TRANSACTION

The Southeast submarket has repeatedly led in net absorption and Q4 2016 was no different. The submarket accounted for ten of the fourteen new leases in ending quarter of 2016. Four of these leases were the result of delivered new construction. Demand there is driven by its accessibility, higher grade product, and land availability for new development. The West and Central regions also reported positive net absorption through expansions and new leases. New vacancies in Q4 2016 hurt the North submarket.

Submarket asking rents remained mostly stable in Q4 2014 with some growth in the Central and Southeast regions. In annual terms, four of the seven submarkets saw increases ranging from $0.04 per sq. ft. in the North to $0.19 per sq. ft. in the Central region. The West submarket registered the only annual decrease of $0.07 per sq. ft. resulting from an active 21 months where vacancy fell from 13.6% in Q1 2015 to 9.1% in Q4 2016 and all of its remaining space is Class B or Class C product. In the Southeast, rents anchored and neared the $5.00 mark.

STRONG GROWTH IN MAQUILADORA EMPLOYMENT CONTINUED

CBRE Research actively tracks export maquiladora, or IMMEX, employment as a key indicator of manufacturing sector performance. As of September 2016, INEGI reported 264,595 IMMEX employees in Ciudad Juárez. Employment expanded by 13,841 individuals, a growth of 5.5% year-over-year and is well above the 2007 level of 217,000. When compared to national performance, analysis also shows that Ciudad Juárez registered in the top ten for gains year-over-year percentage growth and second for number of employees for all cities in all of Mexico. Year-over-year growth in Ciudad Juárez came in just below the national growth rate but accounted for more than 10% of national growth. The IMMEX national figure of 2.4 million added 132,256 jobs, or 5.6%, year-over-year in September 2016.

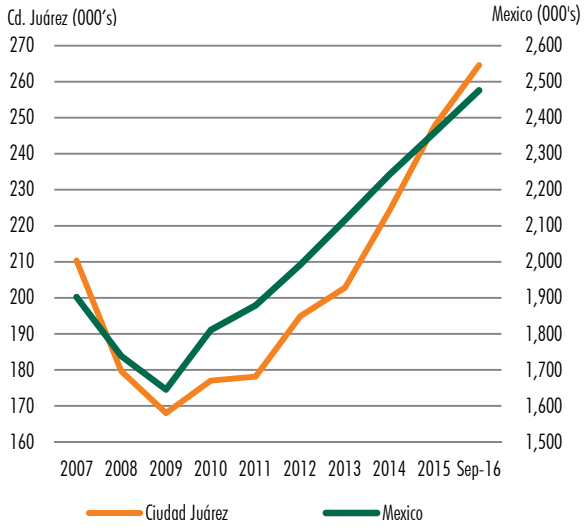
AVERAGE INDUSTRIAL RENTS FLAT IN Q4

The industrial market-wide average asking lease rate remained relatively unchanged in Q4 2016 with a small decrease of $0.03 per sq. ft compared to Q3 2016. Annually, the market average rate remained flat, decreasing by $0.02 or 0.4%. It is important to note that the combined current Class B and Class C vacancies make up 74.0% of all existing available space and are acting as a drag to the robust Class A sector which is fast approaching its previous high of $5.10 per sq. ft.

Further analysis shows Class A asking rents continued anchoring the market's overall rents. Class A rents expanded 0.4% in the last 12 months and more that 8.0% in the last two years. The Class B asking rate registered a slight contraction of 2.0% while the lower tier Class C remained the only class category south of $4.00 per sq. ft.

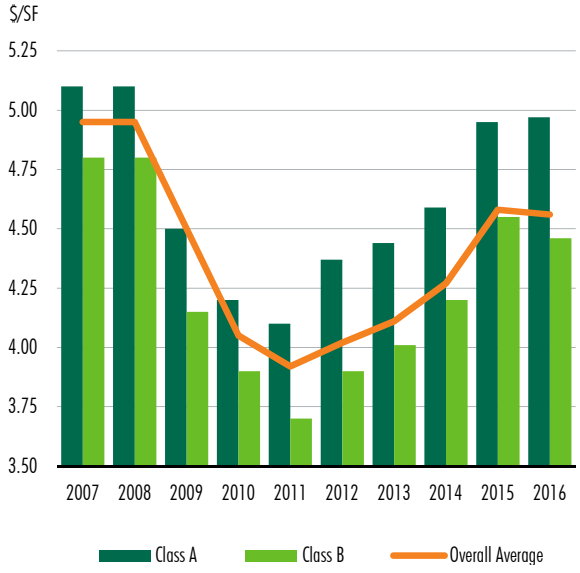
During the same 12 month period, the U.S. city average - all item - Consumer Price Index (CPI, s.a.) increased by 1.6% and by 2.2% if we exclude food and energy prices.

Figure 3: Maquiladora Employment

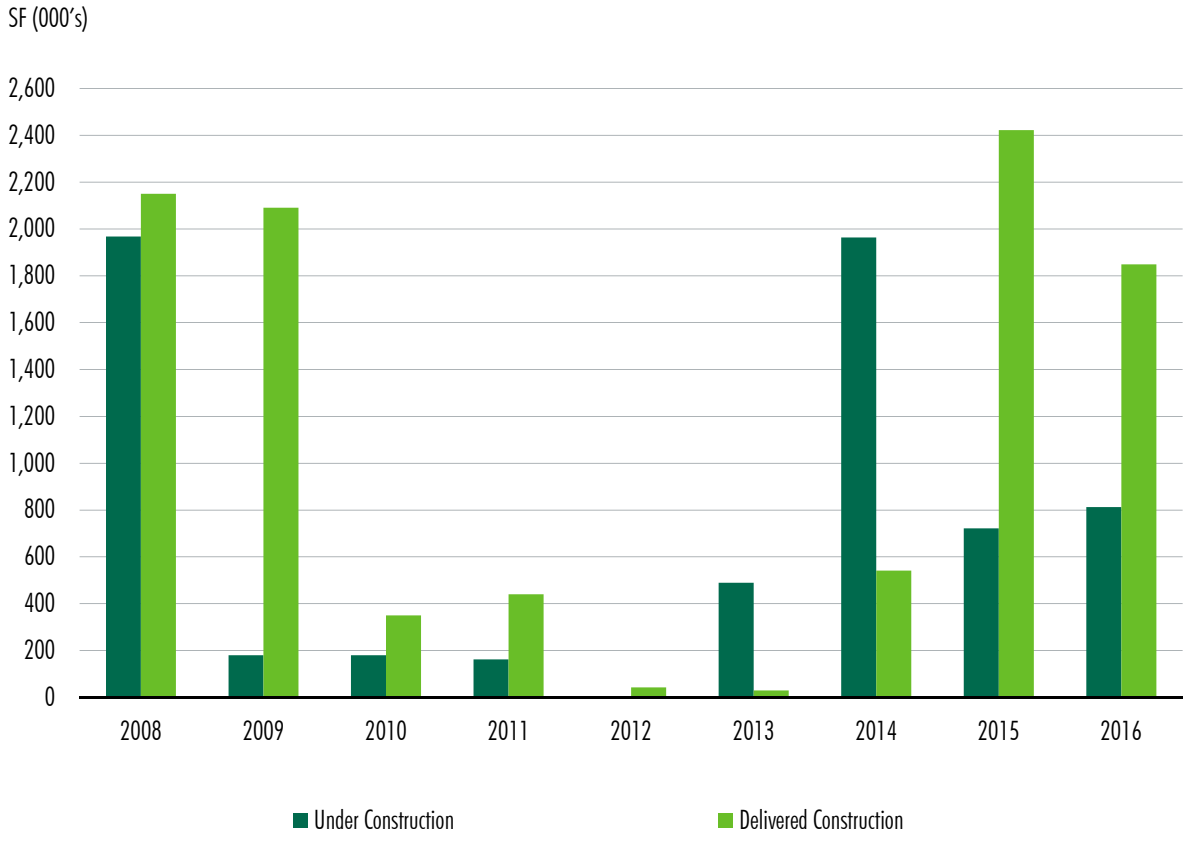


Source: INEGI, December 2016.

Figure 4: Asking Rates, NNN Avg. Annual



Source: CBRE Research, Q4 2016.



Source: CBRE Research, Q4 2016.

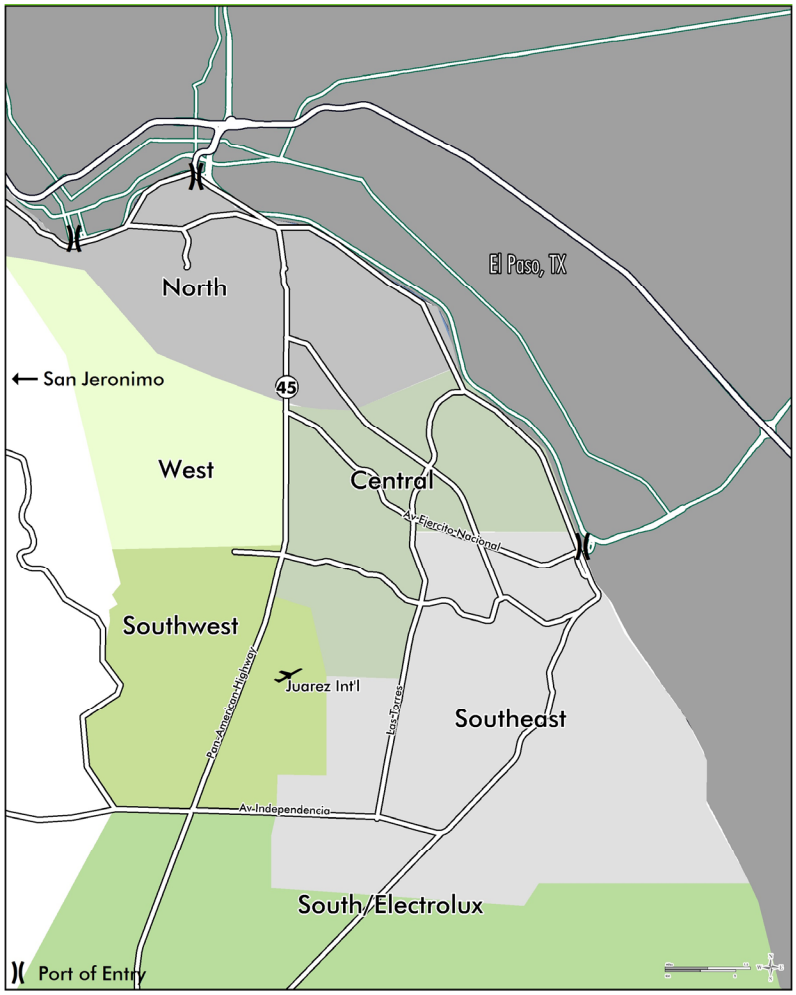
INDUSTRIAL PRODUCT & PROJECT PIPELINE

CBRE Research reports the total Ciudad Juárez industrial inventory expanded due to four construction projects delivered in the past 90 days. The projects included three spec buildings that were pre-leased and a 359,000 sq. ft. built-to-suit manufacturing space for TPI Composites. In addition, our internal property database was revised by an enhancement that more closely matches building specifications. The combined inventory net size adjustment added 23,993 sq. ft. to our tracked inventory and added a net vacancy of 3,108 sq. ft.

Given the four reported deliveries, space under construction decreased 45.0% compared to last quarter with two new project starts this quarter. By the close of Q4 2016, there was approximately 812,500 sq. ft. of industrial space under construction of which 50.0% is expected to be delivered occupied. The majority of this occupied space is part of the two building project for TPI Composites, the single largest new development in more than 12 years.

CBRE Research is also closely tracking a handful of planned projects, both build-to-suit and speculative. Some of these are expected to start by Q2 2017. Further development announcements would not seem unlikely given the sheer dearth of space options for Class A industrial occupiers. The substantial Class A net absorption in Q4 2016 may also begin to influence new development starts.

Previously started construction includes two build-to-suit projects and two speculative buildings, all in the Southeast region.



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Ciudad Juárez Industrial, Q3 2016

Quick turn around; market back in positive ground

Vacancy Rate 7.3%

Avg. Asking Rate $4.60 /SF

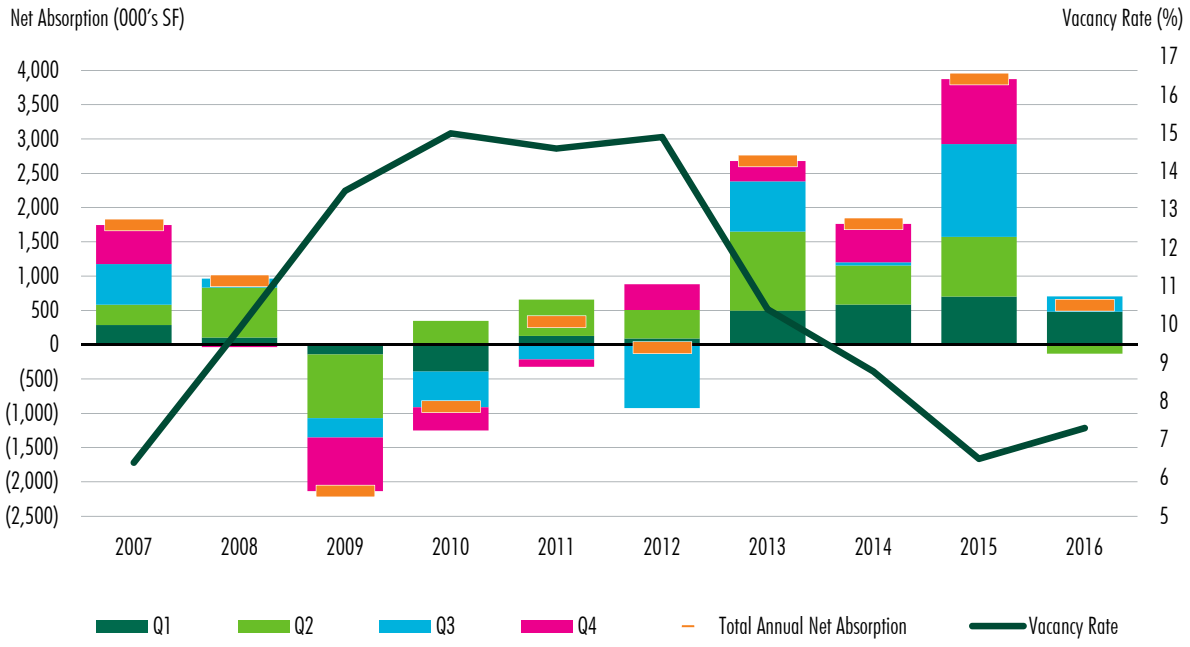
Net Absorption 223,196 SF

Construction 1,425,104 SF

Completions 251,271 SF

*Arrows indicate change from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q3 2016.

- Class A vacancy remained below the market overall rate at 6.2% despite significant speculative delivery.
- Two construction projects started moving dirt, including a large 340,000 sq. ft. build-to-suit.
- Export manufacturing employment in Cd. Juárez expanded by 5.4% June year-over-year, above that reported for the nation.
- The Regional Manufacturing Orders Index (IRPM, in Spanish) signaled future expansion in manufacturing specific to the Northern region of Mexico.

MARKET FUNDAMENTALS REMAIN STRONG

After a brief interruption in Q2 2016 to the streak of fourteen quarters and close to 9.2 million sq. ft. of positive net absorption, Q3 2016 registered a positive turn around. Overall market fundamentals remained favorable with single digit vacancy and stable rents. The aggregate amount of space requirements persisted well above the trailing five year average. This, along with several excepted construction deliveries, will likely push net absorption higher through the end of 2016.

MACROECONOMIC INDICATORS MIXED; PMI CONTRACTS, PRODUCTION INDICES PICKS UP

Economic data related to the region's industrial sector show mixed movements in year-over-year levels between Q3 2015 and Q3 2016. These include U.S. industrial production, as reported by the Federal Reserve's Board of Governors - which did see a seasonally adjusted (preliminary) year-over-year reduction of 1.1% caused by significant decreases in mining and utilities. However, recent improvements to the price of energy caused positive monthly growth in the mining industry during August.

The Institute for Supply Management (ISM) reported for August that the Purchasing Manager's Index (PMI), a short-term leading indicator for production, decreased slightly and Manufacturing contracted following a consecutive three month growth. Despite this, the PMI remains at a level that indicates expansion, signaling the 87th consecutive month of growth in the overall U.S. economy. Meanwhile in Mexico, the most recent data from INEGI, Mexico's government agency that collects statistical data, show seasonally adjusted industrial production increased by 0.3% in July 2016 compared to a year ago. Here, manufacturing has seen nearly three years of mostly uninterrupted growth.

As of August 2016, Mexico's year-to-date light auto output reached 2.3 million. This is 0.07% higher compared to the same period in the record setting year of 2015. The production statistic will likely increase going forward as Kia recently began production at its new plant in Nuevo Leon while BMW broke ground on its new $1-billion-plant in San Luis Potosi. Meanwhile total light vehicle sales in the U.S. climbed to 11.7 million year-to-date in August, up 0.6% from the same period in 2015. In Mexico, light vehicle sales grew by a whopping 18.5%, to 988,000, during the same period. The existing and expanding cluster of automotive component manufacturing in Cd. Juárez continues to benefit from increased production in Mexico through automotive component manufacturing and other automotive supply chain operations.

TRADE & REGIONAL INDICATORS WERE STEADY

The nominal and unadjusted value of import trade from the U.S. to Mexico through the El Paso-Santa Teresa ports of entry reached $24.8 billion year-to-date in July. This total is 6.3% above the same period last year. In terms of exports from Mexico to the U.S., the 2016 year-to-date total reached $33.2 billion, 10.1% above the same period last year. Year-over-year differences in the previous quarter were significantly large because of trade softening in early 2015 and the first four months of 2016 had substantiated strong growth while surpassing previous year performances. Trade growth at the El Paso-Santa Teresa port has slowed but continues an upward trend. Further import growth is likely, given the sustained strength of the U.S. dollar relative to the Mexican Peso. This has shown to boost both exports from and investment into Mexico's export operations.

The most recent published data for northbound freight traffic from Mexico through the El Paso - Santa Teresa ports also show growth in July year-to-date totals compared to the year prior. While ports in El Paso saw a minor dip, -1.0%, in the 2016 year-to-date flow of trucks, crossings in Santa Teresa grew enough, 21.7%, to off-set and produce positive increases overall. Total northbound truck crossings saw a July year-to-date increase of 1.5%, up to 505,487, compared to the equivalent period in 2015. Loaded truck crossings decreased by 1.0% while loaded rail container crossings registered a growth of 1.2%, during the same period.

Similar to the Institute for Supply Management's PIM, the Banco de México's August 2016 Regional Manufacturing Orders Index (IRPM) anticipated expansion in manufacturing specific to Northern Mexico for the upcoming three months. The index summarizes conditions of new orders, production, employment, supplier deliveries, and inventories.

Within the local industrial market, activity registered a robust six new leases at an average term of 57 months. Furthermore, the pipeline of active users in the market remained well above the trailing five year average at 3.2 million sq. ft. of requirements signaling a healthy outlook into 2017.

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)
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West	10,261,952	965,993	9.4	1,012,684	9.9	6,124	-	-	4.16
Central	5,414,195	567,458	10.5	654,344	12.1	-164,000	100,000	-	4.37
Southwest	6,336,121	818,840	12.9	1,114,765	17.6	0	-	-	4.67
Southeast	24,296,134	2,081,109	8.6	2,113,508	8.7	301,072	71,271	1,425,104	4.93
South / Electrolux	3,625,244	0	0.0	0	0.0	0	-	-	-
San Jeronimo	1,642,000	0	0.0	0	0.0	0	-	-	-
Totals	65,682,498	4,812,522	7.3	5,286,048	8.0	223,196	251,271	1,425,104	4.60

Source: CBRE Research, Q3 2016.

ABSORPTION AND VACANCY ACTIVITY RECAP

Activity in Q3 2016 positively increased the annual net absorption after a short disruption in Q2 2016. Here, Cd. Juarez was back on a favorable path with close to 9.3 million sq. ft. of reported positive net absorption since Q4 2012. Overall, fundamentals remained favorable with vacancy well into single digits and rents on a stable upbeat path. Q3 2016 closed with more than 720,000 sq. ft. of future net absorption that will soon deliver as new construction, including 388,000 sq. ft. before the end of 2016. This will increase total annual net absorption and will more than off-set the reported negative net absorption earlier this year. Overall vacancy registered a drop of 20 basis points (bps) after several significant leases and despite newly delivered space unoccupied.

Similar to several trailing quarters, the lack of available Class A space turned tenants to Class B options. Class B captured the larger share of gross absorption in Q3 2016 and saw its vacancy dip to 7.1%, down 20 bps. The Class A segment remained the tightest with a vacancy of 6.2%, but is beginning to see rising pressure due to several recent vacancies and increased spec construction.

SUBMARKET ANALYSIS; Q3 TOP TRANSACTION

The Southeast submarket has repeatedly led in net absorption and Q3 2016 was no different. The submarket accounted for five of the six new leases this quarter. Demand there is driven by its accessibility, higher grade product, and land availability for new development. The North region also reported positive net absorption through an expansion delivery, while vacancies this quarter hurt the Central submarket.

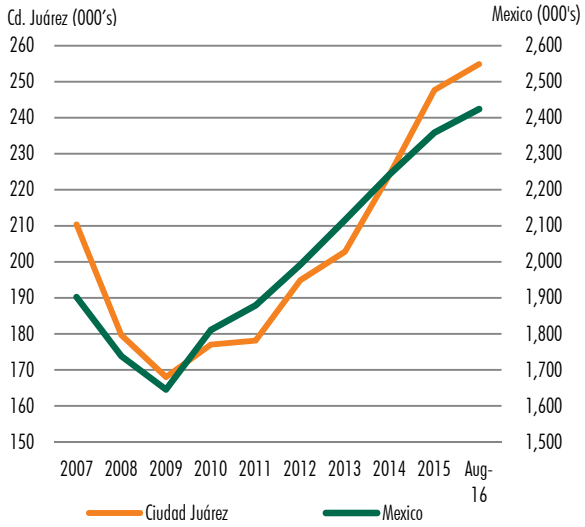
Submarket asking rents remained stable across the board this quarter as occupancy levels remained relatively unchanged. In annual terms, four of the seven submarkets saw increases ranging from $0.11 per sq. ft. in the West to $0.56 per sq. ft. in the Southwest. The North submarket registered the only annual decrease of $0.49 per sq. ft. resulting from an active 18 months where vacancy fell from 6.2% in Q1 2015 and most of its remaining space is Class C product. In the Southeast, rents anchored and neared the $5.00 mark.

Of note: The largest new lease this quarter was a 340,000 sq. ft. build-to-suit project in the Southeast by TPI Composites which manufactures wind turbine blades for the renewable energy industry.

RECORD GROWTH IN MAQUILADORA EMPLOYMENT CONTINUED

CBRE Research actively tracks export maquiladora, or IMMEX, employment as a key indicator of manufacturing sector performance. As of June 2016, INEGI reported 254,873 IMMEX employees in Ciudad Juárez. Employment expanded by 13,006 individuals, a growth of 5.4% year-over-year and is well above the 2007 level of 217,000, another metric that weighed heavily for the momentum of the local market. When compared to national performance, analysis also shows that Ciudad Juárez again registered larger job gains year-over-year than any other city in all of Mexico. The IMMEX national figure of 2.4 million added 98,852 jobs, or 4.3%, year-over-year in June 2016.

Figure 3: Maquiladora Employment



Source: Instituto Nacional de Estadística y Geografía, September 2016.

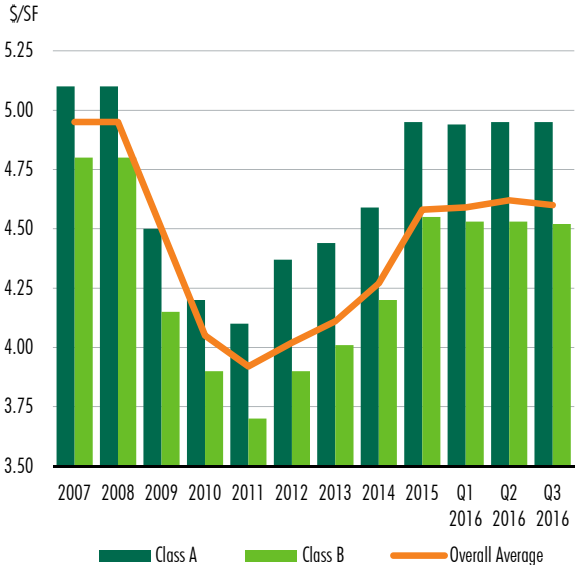
INDUSTRIAL RENTS FLAT Q3

The industrial market-wide average asking lease rate remained relatively unchanged in Q3 2016 with a small decrease of $0.02 per sq. ft. Annually, the market average rate remained 4.8% above Q3 2015. It is important to note current Class B and Class C vacancies combine for 60.0% of all existing available space and are acting as a drag to the robust Class A sector which is fast approaching its previous high of $5.10 per sq. ft.

Further analysis shows Class A asking rents continued anchoring the market's overall rents, where the sector's rents expanded 2.5% in the last 12 months. The Class B asking rate registered a sound increase of 5.6% while the lower tier Class C remained the only class category south of $4.00 per sq. ft.

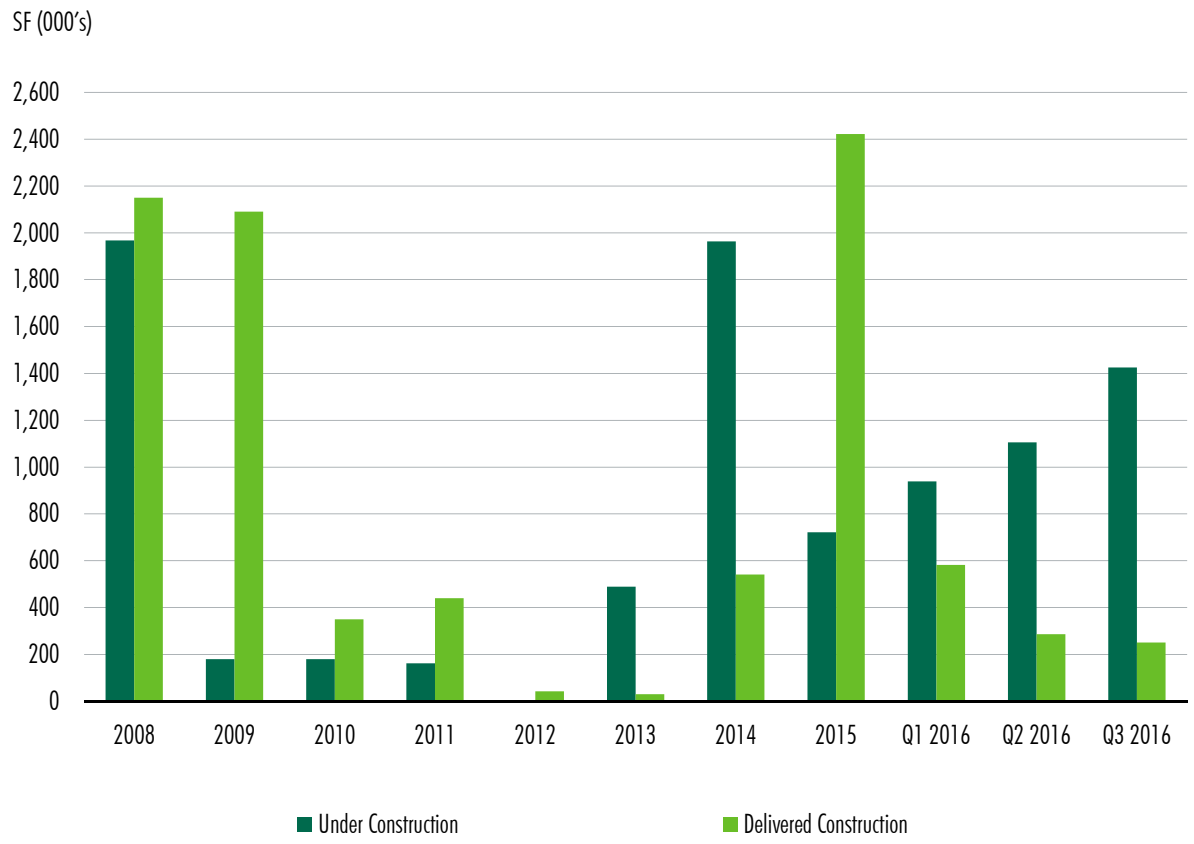
During the same 12 month period, the U.S. city average - all item - Consumer Price Index (CPI, n.s.a.) increased by 1.1% and by 2.3% if we exclude food and energy prices.

Figure 4: Asking Rates, NNN Avg. Annual



Source: CBRE Research, Q3 2016.

Figure 5: Construction



Source: CBRE Research, Q3 2016.

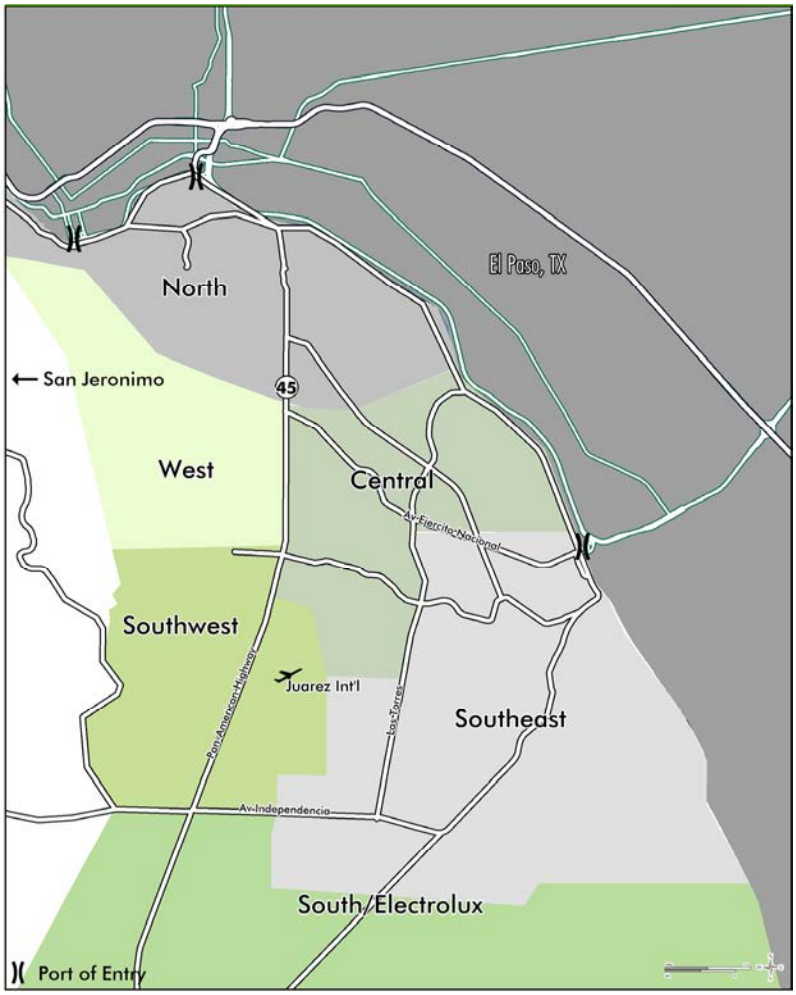
INDUSTRIAL PRODUCT & PROJECT PIPELINE

CBRE Research reports the total Ciudad Juárez industrial inventory expanded due to three construction projects being delivered in the past 90 days. The projects included two expansions to existing properties, a multi-tenant spec, and a new moderately sized speculative development. In addition, our internal property database was revised by an enhancement that more closely matches building specifications. The combined inventory net size adjustment has a neutral of zero to our tracked inventory, but did remove a net vacancy of (34,567) sq. ft.

Despite the three reported deliveries, space under construction increased 29.0% compared to last quarter resulting from two new project starts this quarter. By the close of Q3 2016, there was approximately 1.4 million sq. ft. of industrial space under construction of which 51.0% is expected to be delivered occupied. The aggregate number includes close to 700,000 sq. ft. of manufacturing space for TPI Composites. The current two building project is the single largest new development in more than 12 years.

CBRE Research is also closely tracking a handful of planned projects, both build-to-suit and speculative. Some of these are expected to start before the end of 2016. Further development announcements would not seem unlikely given the sheer dearth of space options for Class A industrial occupiers. However, recent Class A vacancies may begin to influence new development starts.

Previously started construction includes two build-to-suit projects and four speculative buildings, all in the Southeast.



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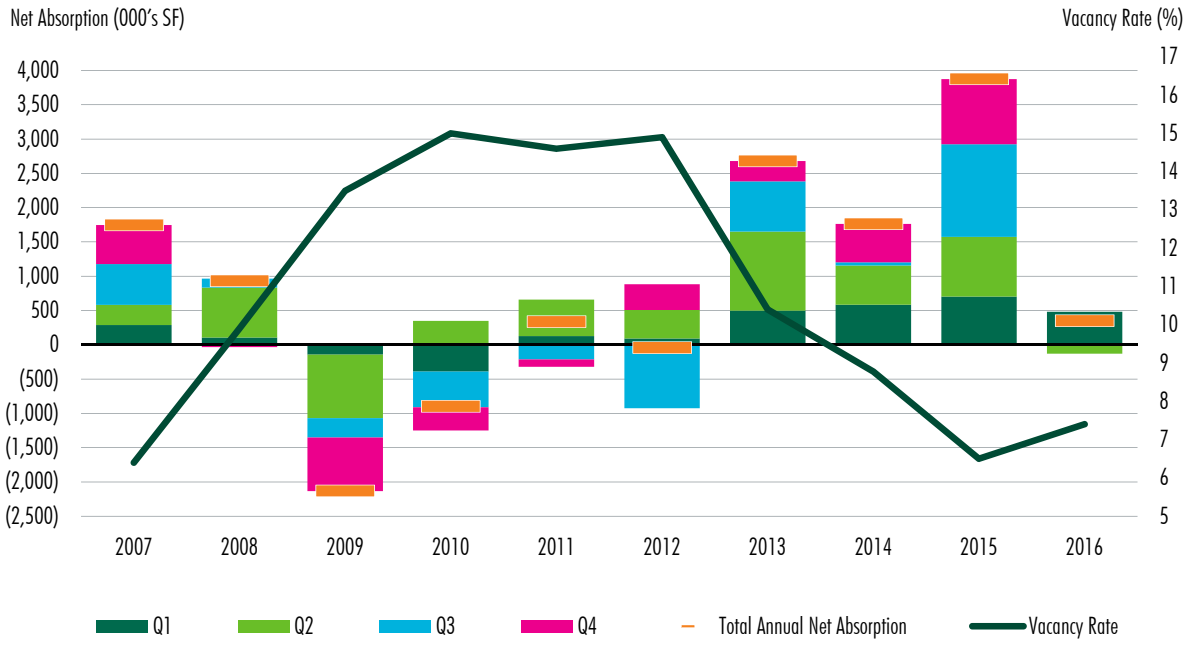
Ciudad Juárez Industrial, Q2 2016

New vacancies balance the market; user pipeline strong

Vacancy Rate	Avg. Asking Rate	Net Absorption	Construction	Completions
7.4%	$4.62 /SF	(130,854) SF	1,105,715 SF	286,440 SF

*Arrows indicate change from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q2 2016.

- Despite several new vacancies, Class A vacancy remained below the market overall rate at 6.2%.
- Four construction projects started moving dirt with a mix of expansions and new spec development. Additional projects are planned in the coming months.
- Export manufacturing employment in Cd. Juárez expanded by 9.0% March year-over-year, double that reported for the nation.
- The Regional Manufacturing Orders Index (IRPM, in Spanish) signaled future expansion in manufacturing specific to the Northern region of Mexico.

MARKET FUNDAMENTALS REMAIN STRONG

After fourteen quarters and close to 9.2 million sq. ft. of positive net absorption, Q2 2016 registered a negative net absorption for the first time in more than 3.5 years. However, market fundamentals remained favorable with more than 700,000 sq. ft. of gross absorption and a record number of users looking for space. There was also more than 500,000 sq. ft. of future net absorption that will soon deliver as new construction.

MACROECONOMIC INDICATORS MIXED; PMI ORDERS GROW, PRODUCTION INDICES SLIP

Economic data related to the region's industrial sector show mixed movements in year-over-year levels between Q2 2015 and Q2 2016. These include U.S. industrial production, as reported by the Federal Reserve's Board of Governors. Production did see a seasonally adjusted (preliminary) year-over-year reduction of 1.4% caused by significant decreases in mining and utilities. However, recent improvements to the price of energy caused positive monthly growth in the mining industry during May. Furthermore, the Institute for Supply Management (ISM) recently reported that the May 2016 Purchasing Manager's Index (PMI), a short-term leading indicator for production, signaled the 84th consecutive month of growth in the overall U.S. economy and a third consecutive positive month in Manufacturing. The most recent report also cites some optimism with growth in new orders for five consecutive months. Meanwhile in Mexico, the most recent data from INEGI, Mexico's government agency that collects statistical data, show seasonally adjusted industrial production fell by 0.9% in April 2016 compared to a year ago. Here, manufacturing saw its first year-over-year contraction in three years.

In 2015, Mexico's auto production soared to near 3.6 million units, or 1 out of every 20 vehicles produced globally. As of May 2016, Mexico's year-to-date auto output reached 1,354,848. This is somewhat lower compared to the same period in 2015 due primarily to contractions from Fiat Chrysler and Volkswagen. Honda and Toyota saw the largest increases during the same period. Kia also began production at its new plant in Nuevo Leon while BMW broke ground on its new $1-billion-plant in San Luis Potosi. Meanwhile total light vehicle sales in the U.S. climbed to 7.1 million year-to-date in May, up 1.2% from the same period in 2015. The existing and expanding cluster of automotive component manufacturing in Cd. Juárez continues to benefit from increased production in Mexico through automotive component manufacturing and other automotive supply chain operations.

TRADE & REGIONAL INDICATORS ROBUST

The nominal and unadjusted value of import trade from the U.S. to Mexico through the El Paso-Santa Teresa ports of entry reached $14.8 billion year-to-date in April. This total is 16.2% above the same period last year. In terms of exports from Mexico to the U.S., the 2016 year-to-date total reached $19.0 billion, 16.6% above the same period last year. The first four months of 2016 have substantiated strong growth while setting new dollar-volume-highs. Further export growth is likely, given the sustained strength of the U.S. dollar relative to the Mexican Peso. This has shown to boost both exports from, and investment into, Mexico's export manufacturing operations.

The most recent published data for northbound freight traffic from Mexico through the El Paso - Santa Teresa ports also show growth in March year-to-date totals compared to the year prior. While ports in El Paso saw a minor dip, 1.4%, in the 2016 year-to-date flow of trucks, crossings in Santa Teresa grew enough, 32.4%, to off-set and produce positive increases overall. Total northbound truck crossings saw a March year-to-date increase of 2.0%, up to 209,784, compared to the equivalent period in 2015. Loaded truck and loaded rail container crossings registered growths of 7.8% and 10.0% respectively, during the same period.

Similar to the Institute for Supply Management's PIM, the Banco de México's February 2016 Regional Manufacturing Orders Index (IRPM) anticipated expansion in manufacturing specific to Northern Mexico for the upcoming three months. The index summarizes conditions of new orders, production, employment, supplier deliveries, and inventories.

Within the Cd. Juárez industrial market, activity registered a sound eight new leases at an average size of 60,000 sq. ft. and an average term of 48 months. In terms of outlook, the pipeline of active users in the market reached 3.7 million sq. ft. of requirements. This is a record high number that will likely continue the market on a healthy path through 2016.

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	14,026,852	379,122	2.7	390,747	2.8	86,249	-	80,000	3.95
West	10,261,952	972,117	9.5	1,018,808	9.9	(33,907)	-	-	4.21
Central	5,314,195	337,458	6.4	424,344	8.0	28,803	-	100,000	4.28
Southwest	6,336,121	818,840	12.9	1,114,765	17.6	(128,903)	-	-	4.65
Southeast	24,224,863	2,311,477	9.5	2,311,477	9.5	(83,096)	286,440	925,715	4.92
South / Electrolux	3,625,244	0	0.0	0	0.0	0	-	-	-
San Jeronimo	1,642,000	0	0.0	0	0.0	0	-	-	-
Totals	65,431,227	4,819,014	7.4	5,260,141	8.0	(130,854)	286,440	1,105,715	4.62

Source: CBRE Research, Q2 2016.

ABSORPTION AND VACANCY ACTIVITY RECAP

After 3.5 years and 9.2 million sq. ft. of total net occupier demand, Cd. Juarez registered its first negative quarterly net absorption since Q3 2012. This was the result of a few large vacancies which off-set a robust quarter with 700,000 sq. ft. of leasing activity. Overall, fundamentals remain favorable with vacancy well into single digits and rents on a stable upbeat path. Q2 2016 closed with more than 500,000 sq. ft. of future net absorption that will soon deliver as new construction. This will increase total annual net absorption and will more than off-set the reported negative net absorption this quarter. Q2 2016 saw an uptick of 70 basis points (bps) in overall vacancy due to three significantly sized vacancies and one newly delivered space unoccupied.

Like in the quarter prior, Class B captured the most, 44.0%, of newly occupied space in Q2 2016. Class B vacancy fell to 7.3%, down 20 bps. The Class A segment remained as the tightest with a vacancy of 6.2, but is beginning to see some rising pressure due to several new vacancies and increased new spec development.

SUBMARKET ANALYSIS; Q2 TOP TRANSACTION

The North submarket reported the largest positive net absorption in response to two new occupancies. Nevertheless, the Southeast continued to be the most active submarket driven by its competitive inventory and land availability for new development. The Southeast recorded the largest gross absorption this quarter. This was untimely offset by new Class A vacancies coming to market.

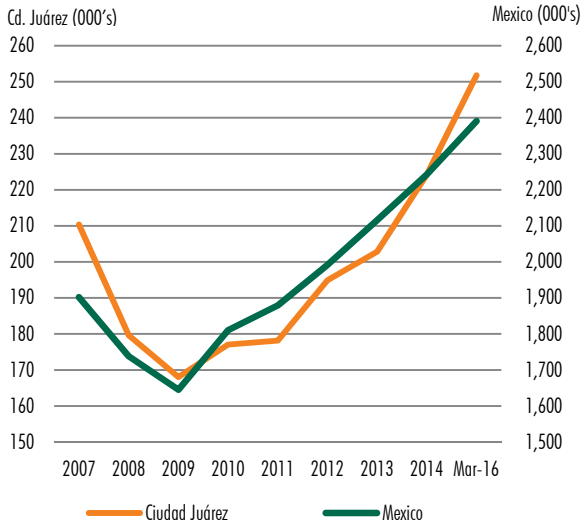
Submarket asking rents remained stable across the board this quarter as occupancy levels remained relatively unchanged. In annual terms, four of the seven submarkets saw increases ranging from $0.08 per sq. ft. in Central to $0.52 per sq. ft. in the Southwest. The North submarket registered the only decrease of $0.09 per sq. ft. compared to a year ago. This was result of an active 12 months for the submarket where its vacancy fell from 6.2% in Q1 2015 and most its remaining space is Class C product. In the Southeast, rents neared the $5.00 mark.

Of note: the largest new lease this quarter was by a packaging company that manufactures plastic liners for many industries. The manufacturer leased 113,000 sq. ft. in the West submarket.

RECORD GROWTH IN MAQUILADORA EMPLOYMENT CONTINUED

CBRE Research actively tracks export maquiladora, or IMMEX, employment as a key indicator of manufacturing sector performance. As of March 2016, INEGI reported 251,778 IMMEX employees in Ciudad Juárez. Employment expanded by 20,870 individuals, a leap of 9.0% year-over-year and is now well above the 2007 level of 217,000, another metric that weighed heavily for the momentum of the local market. When compared to national performance, analysis also shows that Ciudad Juárez again registered larger job gains year-over-year than any other city in all of Mexico. The IMMEX national figure of 2.4 million added 106,278 jobs, or 4.7%, year-over-year in March 2016.

Figure 3: Maquiladora Employment



Source: Instituto Nacional de Estadística y Geografía, June 2016.

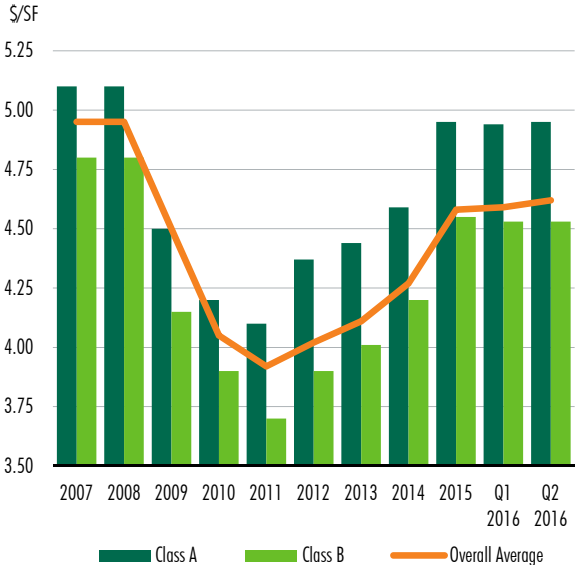
INDUSTRIAL RENTS FLAT Q2

The industrial market-wide average asking lease rate remained relatively unchanged in Q2 2016 with a small increase of $0.03 per sq. ft. Annually, the market average rate remained 7.2% above Q2 2015. It is important to note current Class B and Class C vacancies combine for 64.0% of all existing available space and are acting as a drag to the energetic Class A sector which is fast approaching its previous high of $5.10 per sq. ft.

Further analysis shows Class A asking rents continued anchoring the market's overall rents, where the sector's rents expanded 5.1% in the last 12 months. The Class B asking rate registered a sound increase of 5.3% while the lower tier Class C remained the only class category south of $4.00 per sq. ft., but registered year-over-year growth of 4.0%.

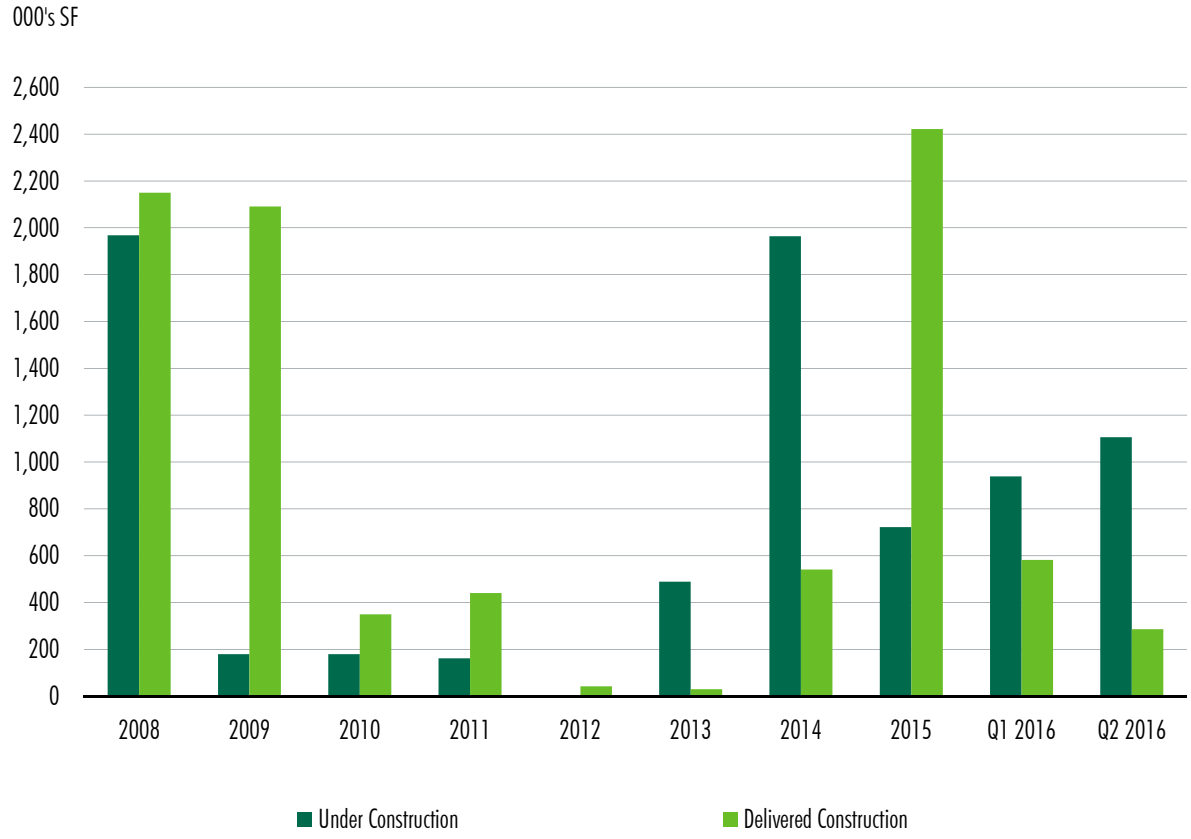
During the same 12 month period, the U.S. city average - all item - Consumer Price Index (CPI, n.s.a.) increased by 1.0% and by 2.2% if we exclude food and energy prices.

Figure 4: Asking Rates, NNN Avg. Annual



Source: CBRE Research, Q2 2016.

Figure 5: Construction



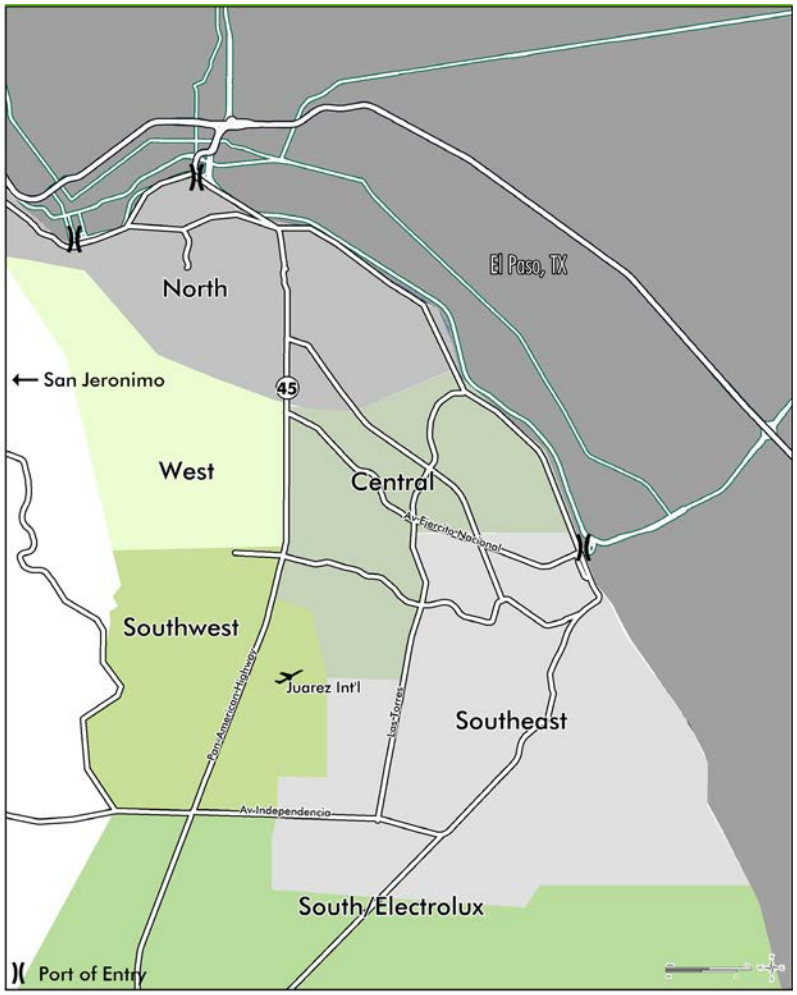
Source: CBRE Research, Q2 2016.

INDUSTRIAL PRODUCT & PROJECT PIPELINE

CBRE Research reports the total Ciudad Juárez industrial inventory expanded due to four construction projects being delivered in the past 90 days. The projects include three expansions to existing properties and one significantly sized speculative development. In addition, our internal property database was revised by an enhancement that more closely matches building specifications. The combined inventory net size adjustment was an addition of 1,184 sq. ft. to our tracked inventory which carried a net vacancy of (18,316) sq. ft.

Space under construction increased 18.0% compared to last quarter resulting from four new project starts this quarter. By the close of Q2 2016, there was approximately 1,105,715 sq. ft. of industrial space under construction of which 42.0% is expected to be delivered occupied, the lowest share in the current cycle. CBRE Research is also closely tracking four planned projects, both built-to-suit and speculative, for a combined 607,000 sq. ft. Some of these are expected to start as early as Q3 2016. Further development announcements would not seem unlikely given the sheer dearth of space options for Class A industrial occupiers. However, recent Class A vacancies may begin to influence new development starts.

Previously started construction includes one built-to-suit project for TPI Composites, an expansion to an existing operation in the North, and two speculative buildings in the Southeast.



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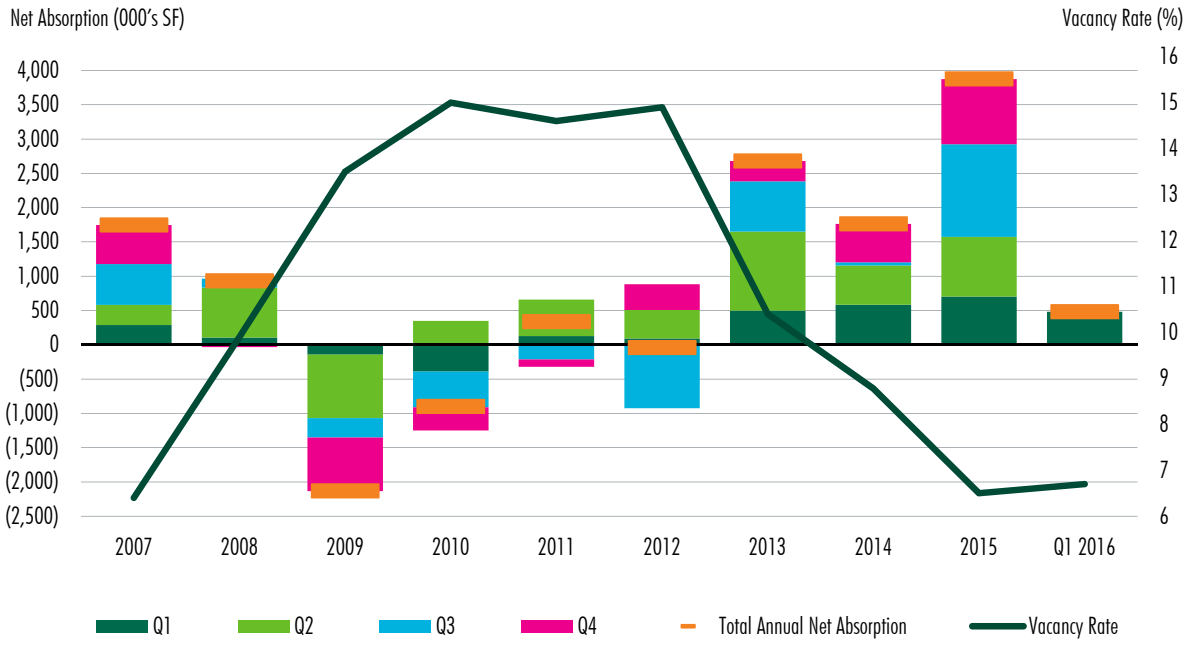
Ciudad Juárez Industrial, Q1 2016

Demand, vacancy both up: spec construction beneath both

Vacancy Rate	Avg. Asking Rate	Net Absorption	Construction	Completions
6.7%	$4.59 /SF	480,872 SF	938,615 SF	581,942 SF

*Arrows indicate change from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q1 2016.

- Vacancy for Class A product remained below the market overall rate at 4.4%.
- Construction starts picked up steam this quarter, seven projects started moving dirt with a mix of expansions and new spec development.
- Export manufacturing employment in Cd. Juárez expanded by 10.4% in 2015, more than double that reported for the nation.
- The Regional Manufacturing Orders Index (IRPM) signaled upcoming expansion in manufacturing specific to the Northern region of Mexico.

A FOURTEENTH CONSECUTIVE POSITIVE QUARTER

The local industrial market started 2016 with positive net absorption, however somewhat softer compared to 2015. This was result of new activity materializing as new construction, which typically takes several months to deliver and off-sets net absorption until completed. The net absorption in Q1 2016 of 480,872 sq. ft. raised the fourteen quarter positive streak to over 9.1 million sq. ft.

MACROECONOMIC INDICATORS; AUTOMOTIVE PRODUCTION EXPANDS

Economic data related to the region's industrial sector show mixed movements in year-over-year levels between 2015 and 2016. 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 year-over-year reduction of 1.0% caused by significant decreases in mining and utilities. Within the three major groups, manufacturing saw the only increase of 1.8% during the same annual 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 81st consecutive month of growth in the overall U.S. economy during February. However, manufacturing signaled contraction for the fifth consecutive month. The most recent report also cites some optimism with growth in new orders for two consecutive months in February. Meanwhile in Mexico, the most recent data from INEGI, Mexico's government agency that collects census data , show seasonally adjusted industrial production grew by 1.8% January 2016 compared to a year ago. Here, manufacturing also led the upsurge which grew by 2.2% year-over-year in January 2016.

In 2015, Mexico's auto production soared to near 3.6 million- or 1 out of every 20 vehicles produced globally. As of February 2016, Mexico's year-to-date auto output reached 538,776. This figure is slightly lower compared to the same period in 2015 due to primarily to contractions from Volkswagen. Ford and Honda saw the largest increases during the same period. Meanwhile total light vehicle sales in the U.S. climbed to 2.5 million year-to-date in February, up 3.5% from the same period in 2015. The existing cluster of automotive component manufacturing in Cd. Juárez continues to benefit from increased production in central Mexico along with strong automotive demand in the U.S. 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%.

TRADE & REGIONAL INDICATORS ROBUST

The nominal and unadjusted value of import trade from The U.S. to Mexico through the El Paso-Santa Teresa ports of entry closed 2015 at $41.3 billion for the year. January 2016 reported imports valued $3.5 billion, this is 15.3% above January of last year. In terms of exports from Mexico to the U.S., the 2015 annual total reached $54.1 billion. January 2016 reported exports valued $4.4 billion, this is 21% above January of last year. It is important to note that year-over-year differences are significantly large because of trade softening in early 2015, which saw a bounce back in the latter half of 2015 and into the first month of 2016. Further import growth is likely, given the continued strength of the U.S. dollar which has shown to boost both imports from and investment into Mexico's export-oriented operations. The most recent and preliminary data for northbound freight traffic from Mexico through the El Paso Santa Teresa ports also show growth in 2015 annual totals compared to the year prior. While ports in El Paso saw a slight dip, -1.5%, in the 2015 flow of trucks, crossings in Santa Teresa grew enough, 16.8%, to off-set and produce positive increases overall. Total northbound truck crossings saw a year-over-year increase of 0.4% to 850,017 in 2015. Loaded rail container crossings experienced a growth of 18.5% to 51,380 during the same annual period.

Similar to the Institute for Supply Management's PIM, the Banco de México's February 2016 Regional Manufacturing Orders Index (IRPM) displayed expansion in manufacturing specific to Northern Mexico for the upcoming three months. The index summarizes conditions of new orders, production, employment, supplier deliveries, and inventories.

Within the Cd. Juárez industrial market, activity registered 10 new transactions and three new deliveries. New leases recorded 10 signatures at an average size of 105,000 sq. ft. and an average term of 67 months, including a built-to-suit project just above 350,000 sq. ft. In terms of outlook, total active users in the market increased to 3.5 million sq. ft. of requirements. This will likely continue the market on a healthy path in 2016.

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	14,026,852	465,371	3.3	476,996	3.4	57,165	21,000	80,000	3.86
West	10,280,268	956,526	9.3	1,087,217	10.6	0	-	-	4.22
Central	5,314,195	366,261	6.9	453,147	8.5	92,761	-	40,000	4.28
Southwest	6,249,621	622,937	10.0	1,114,765	17.8	0	-	-	4.68
Southeast	24,005,423	1,951,298	8.1	2,377,331	9.9	272,198	560,942	818,615	4.91
South / Electrolux	3,625,244	0	0.0	58,748	1.6	58,748	-	-	5.10
San Jeronimo	1,642,000	0	0.0	0	0.0	0	-	-	-
Totals	65,143,603	4,362,393	6.7	5,568,204	8.5	480,872	581,942	938,615	4.59

Source: CBRE Research, Q1 2016.

ABSORPTION AND VACANCY ACTIVITY RECAP

2016 started with a net absorption of 480,872 sq. ft.– and for now 14 quarters, the local market has seen a streak resulting in more than 9.1 million sq. ft. of total net occupier demand. However, this quarter saw a small uptick of 20 basis points (bps) in overall vacancy due to newly delivered space unoccupied. Nonetheless, the market vacancy of 6.7% remained below that a year ago which was 8.6%. Within leasing activity, only 67% of gross absorption this quarter was attributed to tenant move-in's occurring within existing inventory. The rest was new construction. Space absorption through pre-leased construction deliveries improve vacancy rates at a lesser extent. This is a trend that continued into Q1 2016 from 2015.

Class A absorption took a breather as Class B captured 60% of newly occupied space in Q1 2016. Class B vacancy fell to 7.5%, down 100 bps. The Class A segment remained as the tightest with a vacancy of 4.4%. Although its vacancy rate is it is beginning to see some rising pressure, it remains to be seen how this metric will be affected by the increased new spec development.

SUBMARKET ANALYSIS; Q1 TOP TRANSACTION

The Southeast continued to be the most active submarket driven by its competitive inventory and land availability for new development. This quarter, the Southeast recorded the largest net absorption, including the delivery of 150,000 sq. ft. expansion for user DB Schenker.

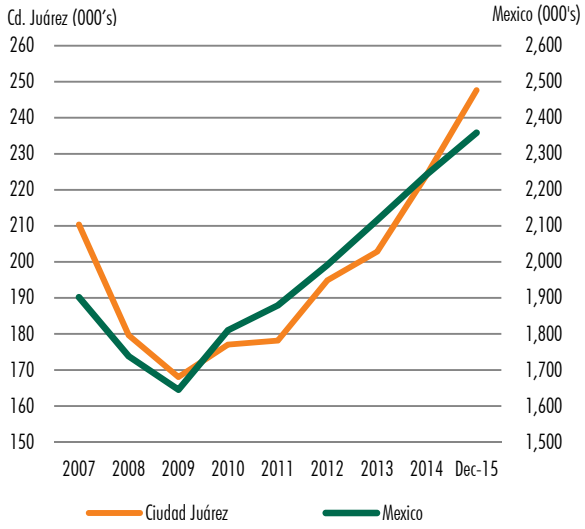
Submarket asking rents remained stable across the board this quarter as occupancy levels remained relatively unchanged. In annual terms, five of the seven submarkets saw increases above $0.10 per sq. ft. The Southwest led increases with an annual gain of $0.51 and the Southeast followed at $0.32 per sq. ft. The North submarket registered the only decrease of $0.41 per sq. ft. compared to a year ago. This was result of an active 12 months for the submarket where its vacancy fell from 8.7% in Q1 2015 and most its remaining space is Class C product.

Of note: the largest new lease this quarter was by TPI Composites which manufactures wind turbine blades for the renewable energy industry. The manufacturer leased 358,000 sq. ft. through a built-to-suit project in the Southeast submarket.

RECORD GROWTH IN MAQUILADORA EMPLOYMENT

CBRE Research persistently tracks export maquiladora, or IMMEX, employment as a key indicator of manufacturing sector performance. As of December 2015, INEGI reported 247,675 IMMEX employees in Ciudad Juárez. Employment expanded by 23,381 individuals, a leap of 10.4% year-over-year and is now well above the 2007 level of 217,000, another metric that weighed heavily for 2015 being the year of Ciudad Juárez expansion. When compared to national performance, analysis also shows that Ciudad Juárez again registered larger jobs gains year-over-year than any other city in all of Mexico. The IMMEX national figure of 2.3 million added 115,667 jobs, or 5.2%, year-over-year in December 2015.

Figure 3: Maquiladora Employment



Source: Instituto Nacional de Estadística y Geografía, March 2016.

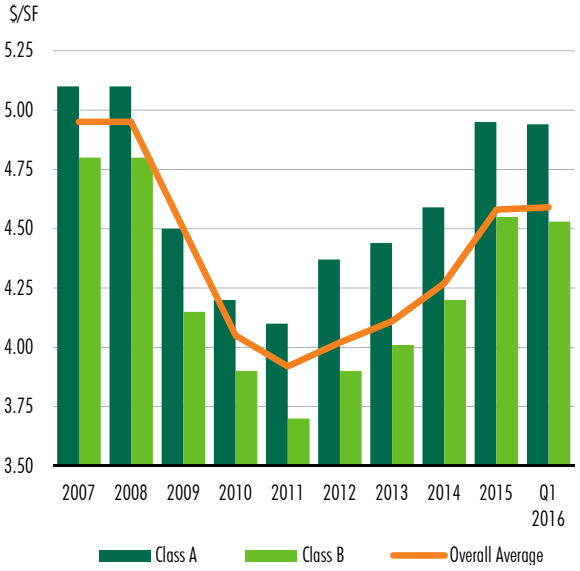
INDUSTRIAL RENTS FLAT Q1

The industrial market-wide average asking lease rate remained relatively unchanged in Q1 2016 with a small increase of $0.01 per sq. ft. Annually, the market average rate remained 6.5% above Q1 2015. It is important to note current Class B and Class C vacancies combine for 63.4% of all existing available space and are acting as a drag to the energetic Class A sector which is fast approaching its previous high of $5.10 per sq. ft.

Further analysis shows Class A asking rents continued anchoring the market's overall rents, where the sector's rents expanded 7.6% in the last 12 months. The Class B asking rate registered a sound increase of 5.8% while the lower tier Class C remained the only class category south of $4.00 per sq. ft., but registered year-over-year growth of 2.4%.

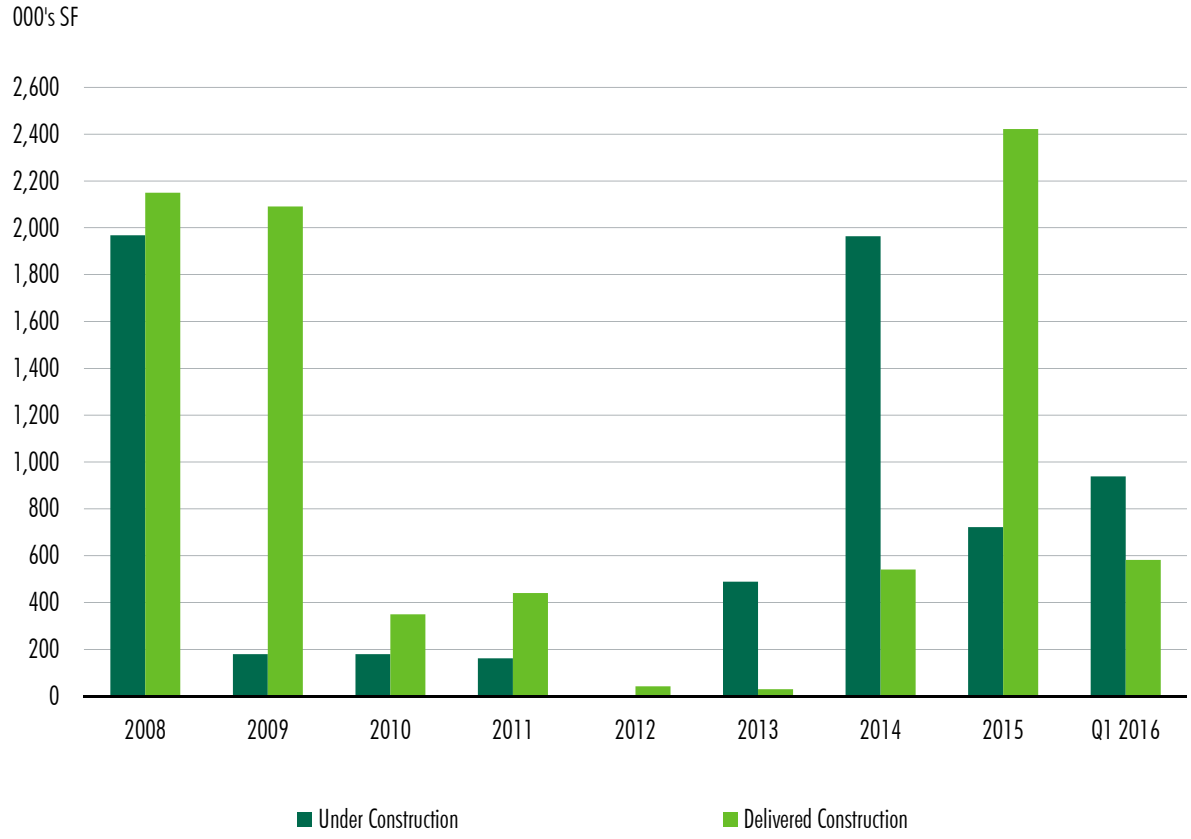
During the same 12 month period, the U.S. city average - all item - Consumer Price Index (CPI, n.s.a.) increased by 1.4% and by 2.2% if we exclude food and energy prices.

Figure 4: Asking Rates, NNN Avg. Annual



Source: CBRE Research, Q1 2016.

Figure 5: Construction



Source: CBRE Research, Q1 2016.

INDUSTRIAL PRODUCT & PROJECT PIPELINE

CBRE Research reports the total Ciudad Juárez industrial inventory expanded due five construction projects being delivered in the past 90 days. The projects feature one built-to-suit, two expansions to existing properties, and two significantly sized speculative developments. In addition, our internal property database was revised by an enhancement that more closely matches building specifications. The combined inventory net size adjustment was an addition of 37,803 sq. ft. to our tracked inventory which carried a net vacancy of 49,612 sq. ft.

Space under construction increased 29.6% compared to last quarter resulting from seven new project starts this quarter. By the close of Q1 2016, there was approximately 938,615 sq. ft. of industrial space under construction of which 64% is expected to be delivered occupied. CBRE Research is also closely tracking four planned projects, both built-to-suit and speculative, for a combined 730,000 sq. ft. Some of these are expected to start as early as Q2 2016. Further development announcements would not seem unlikely given the sheer dearth of space options for Class A industrial occupiers.

Formerly existing construction includes a single yet-to-be- leased speculative construction project in the Southeast.

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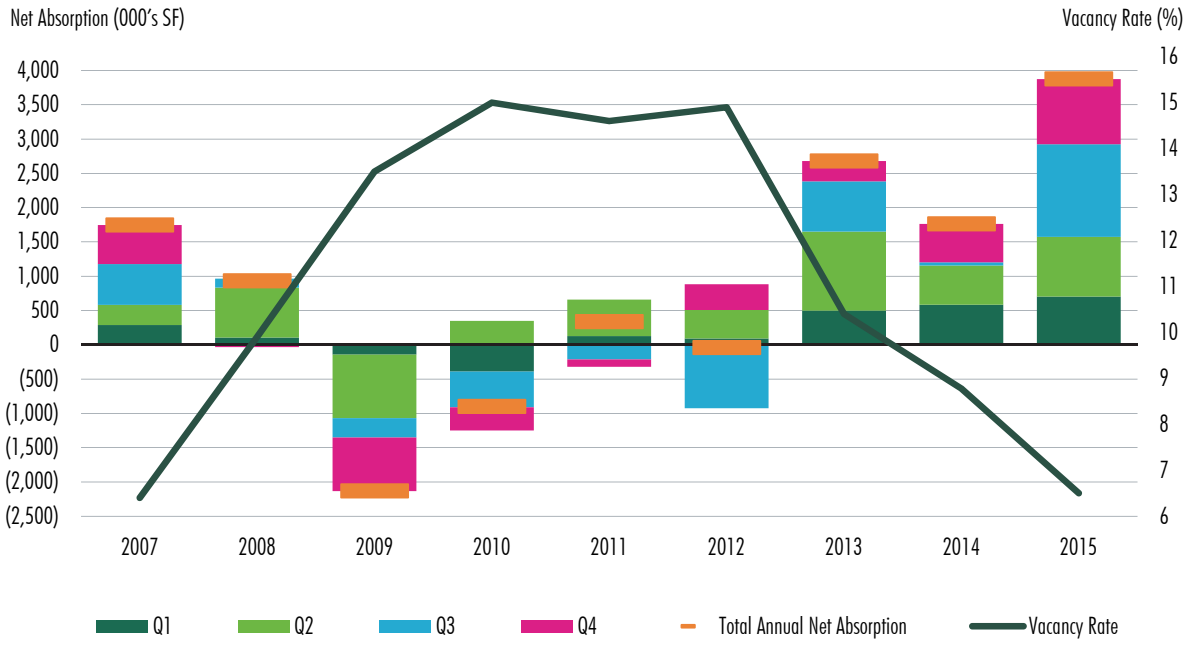
Ciudad Juárez Industrial, Q4 2015

Market hits a soprano top-c: 2015 ends on high note

Vacancy Rate	Avg. Asking Rate	Net Absorption	Construction	Completions
6.5%	$4.58 /SF	949,109 SF	721,972 SF	657,225 SF

*Arrows indicate change from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



Source: CBRE Research, Q4 2015.

- Vacancy for Class A product sustained declines well below the market overall rate to 3.4%.
- Although construction starts cooled off this quarter, there are multiple projects in the pipeline for early 2016.
- Manufacturing output in Mexico surged past 17.9% pre-recession (2008) output.
- The Regional Manufacturing Orders Index (IRPM) signaled upcoming expansion in manufacturing specific to the Northern region of Mexico.

A THIRTEENTH CONSECUTIVE POSITIVE QUARTER

The local industrial market ended the year on a strong note with a net absorption just over 949,000 sq. ft. this quarter, and the largest annual net gain in the current market cycle of 3.9 million sq. ft. Along with occupied deliveries, new tenant demand continued compressing vacancy well near to pre-recessionary levels of 6.5%.

MACROECONOMIC INDICATORS

Economic data related to the region's industrial sector show mixed movements in year-over-year levels between 2014 and 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 0.6% in November and a year-over-year reduction of 1.2% largely caused by decreases in mining and utilities. Within the index, manufacturing increased by 0.9% during the same annual 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 78th consecutive month of growth in the overall U.S. economy during November. However, manufacturing signaled contraction for the first time in 36 months driven by lessened new orders and production. Meanwhile, the most recent data from INEGI, Mexico's government agency that collects census information, show seasonally adjusted industrial production decreased 0.1% in October, but saw a gain of 1.0% year-over-year. Manufacturing grew by 0.1% in October and posted a strong expansion of 2.3% year-over-year.

As of November 2015, Mexico's total automotive production soared to a year-to-date total of 3.2 million, up 5.5% from the same time last year despite a reduction of 5.3% from Volkswagen. Meanwhile total light vehicle sales in the U.S. climbed to 15.8 million year-to-date in November, up 5.4% from the same period in 2014. The existing cluster of automotive component manufacturing in Cd. Juárez continues to benefit from increased investment and production in central Mexico along with strong automotive demand in the U.S. 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%. In 2015, motor vehicle part manufacturing operations topped industry ranks after accounting more than 25% of all local market activity.

TRADE & REGIONAL INDICATORS

The nominal and unadjusted value of import trade from The U.S. to Mexico through the El Paso-Santa Teresa ports of entry escalated to $30.4 billion year-to-date in September. However, this is 2.3% below the same period last year. In terms of exports from Mexico to the U.S., the year-to-date value increased to $37.2 billion. This figure is 12.4% above the same period in 2014. Trade contraction earlier this year continued to drag on annual totals, however, the year-over-year differences continue to shrink where negative and grow where positive signaling a gradual upright correction since second quarter. 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.

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 16 new transactions aside the three delivered construction projects. New leases recorded 10 signatures at an average size of 73,000 sq. ft. and an average term of 54 months. As market fundamentals continued to improve for the largest industrial market along the Mexico/ U.S. border, both new and existing users and investors continue expressing interest in the market. In terms of outlook, total active users in the market endured healthy levels above 2.9 million sq. ft. of requirements. This will likely translate to a healthy start in 2016.

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	14,106,953	501,536	3.6	513,161	3.6	113,607	-	40,000	3.86
West	10,280,268	932,526	9.1	979,217	9.5	96,316	-	-	4.22
Central	5,314,195	459,022	8.6	611,019	11.5	140,000	140,000	-	4.39
Southwest	6,219,621	622,937	10.0	918,862	14.8	-	-	-	4.61
Southeast	23,335,577	1,636,942	7.0	1,895,983	8.1	599,186	517,225	681,972	4.91
South / Electrolux	3,625,244	58,748	1.6	58,748	1.6	-	-	-	5.10
San Jeronimo	1,642,000	0	0.0	0	0.0	-	-	-	-
Totals	64,523,858	4,211,711	6.5	4,976,990	7.7	949,109	657,225	721,972	4.58

Source: CBRE Research, Q4 2015.

ABSORPTION AND VACANCY

The largest registered Q4 net absorption during the current market cycle boosted the 2015 annual sum to near 3.9 million sq. ft. As result, overall industrial vacancy fell by 60 basis points (bps) to 6.5% this quarter – and for now 13 quarters, the local market has seen a positive streak resulting in more than 8.6 million sq. ft. of total net occupier demand slashing vacancy by 60% from a prior high of 15.4%. While the market remains active in new lease activity, only 61% 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 construction deliveries which improve vacancy rates at a lesser extent.

Class A inventory repeatedly led activity across the market capturing 72% of total space net absorbed in 2015. This ultimately kept the sector as the tightest with a vacancy of 3.4%. This segment remains well below pre-recession vacancy and, it goes without saying, far below the overall market. It remains to be seen how this metric will be affected by the increased new spec construction once delivered in 2016.

The Southeast recorded the largest net absorption after an active 90 days driven in large part by occupied construction deliveries, including a single 200,000 sq. ft. project by Robert Bosch. The Southeast also accounted for the most annual net absorption with close to 1.5 million sq. ft. in 2015. The North submarket followed not far behind at 1.1 million.

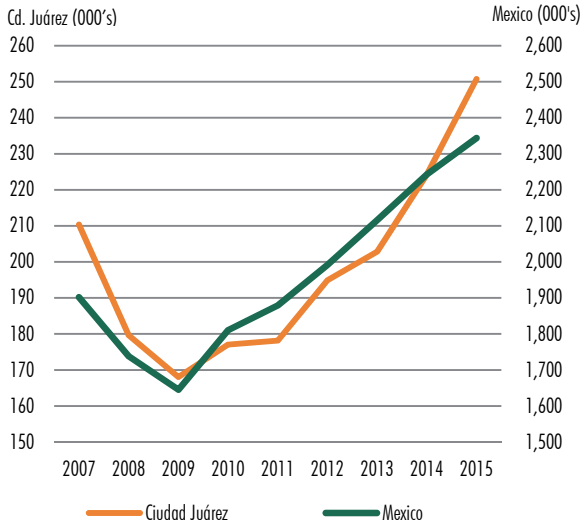
Five of the seven submarkets saw landlords successfully push average asking lease rates this quarter. The recently active North saw the only decrease of $0.53 per sq. ft. (or 12.1%) as result of space availability calibration: strong absorption of competitive space reallocated a larger average weight on available Class B and Class C asking rents. In annual terms, five of the seven submarkets saw increases above $0.30 per sq. ft. The Southwest led increases with an annual gain of 9.2% while the Southeast followed at 7.9%.

Of note: the largest new lease this quarter was by an automotive component manufacturer which leased 210,000 sq. ft. of newly constructed space in the Southeast submarket.

MAQUILADORA EMPLOYMENT

CBRE Research persistently tracks maquiladora, or IMMEX, employment as a key indicator of manufacturing sector performance. As of September 2015, INEGI reported 250,754 IMMEX employees in Ciudad Juárez. Employment expanded by 32,883 payrolls, a leap of 15.1% 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 again registered larger jobs gains year-over-year than any other city, and or state, in all of Mexico. The IMMEX national figure of 2.3 million added 122,357 jobs year-over-year in September 2015.

Figure 3: Maquiladora Employment



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

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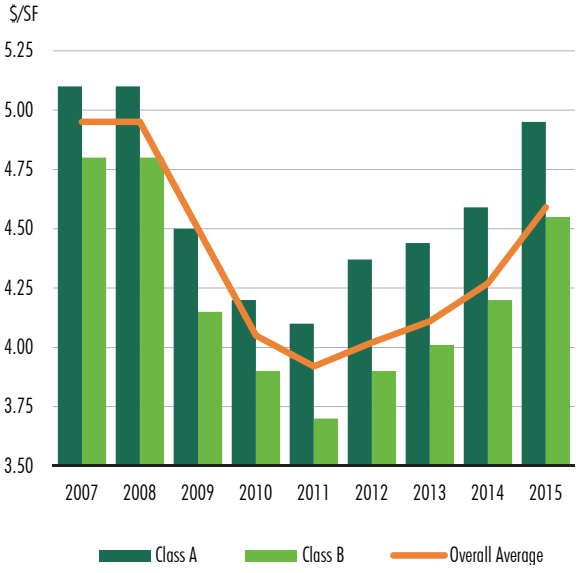
INDUSTRIAL RENTS

The market-wide industrial average asking lease rate underwent the largest annual escalation in 2015 of 7.5%, or $0.08 per sq. ft. It is important to note current Class B and Class C vacancies combine for 74% of all existing available space and are acting as a drag to the go-go Class A sector which is fast approaching its previous high of $5.10 per sq. ft.

Further analysis, Class A asking rents are anchoring the market's overall rents, where the sector's rents expanded 7.8% in the last 12 months. The Class B asking rate registered a solid increase of 8.3% while the lower tier Class C remained the only class category south of $4.00 per sq. ft., but registered an annual growth of 5.5%.

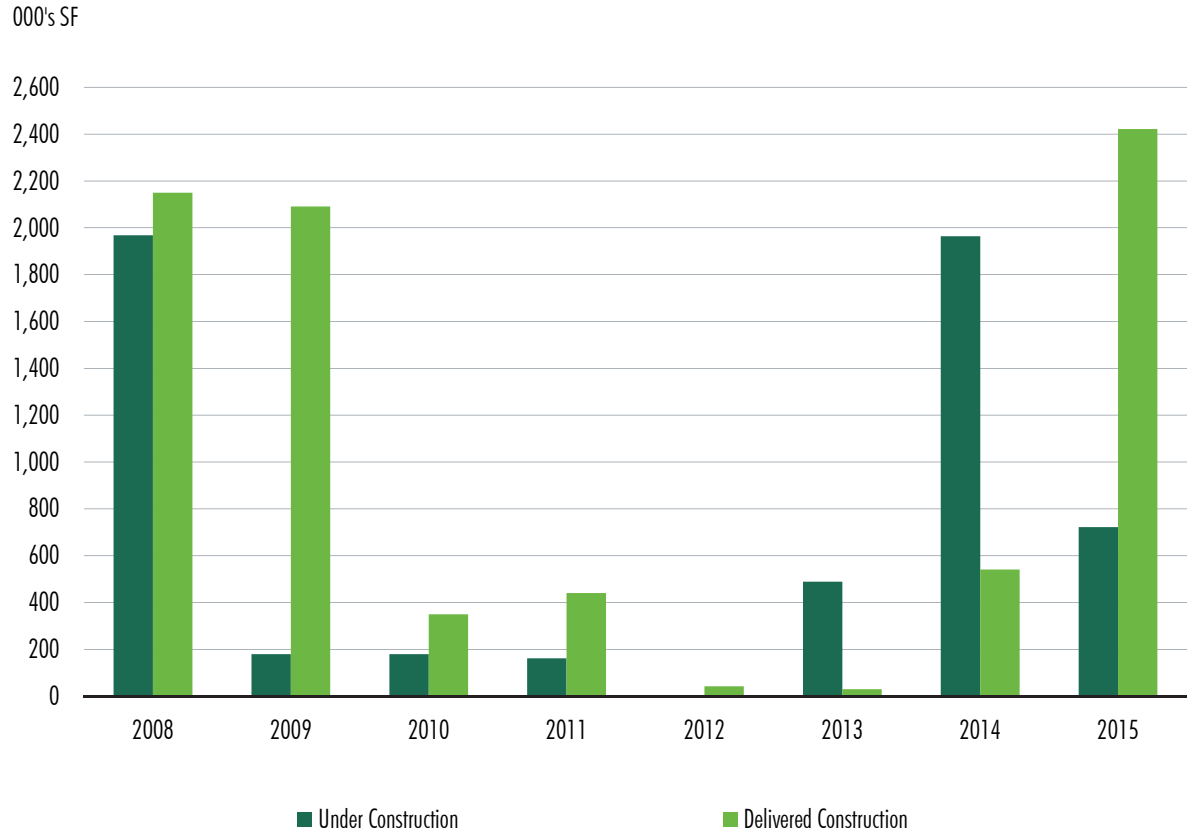
The market annual gains are the largest reported in our dataset back to 2007 and well out gained the U.S. city average - all item - Consumer Price Index (CPI) of 0.5%.

Figure 4: Asking Rates, NNN Avg. Annual



Source: CBRE Research, Q4 2015.

Figure 5: Construction



Source: CBRE Research, Q4 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 two new buildings, and one expansions to an existing property. 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 67,947 sq. ft. to our tracked inventory.

By the close of Q4 2015, there was approximately 721,972 sq. ft. of industrial space under construction of which 27% is expected to be delivered occupied. Space under construction fell 50% compared to last quarter resulting from new deliveries with an absence of additional starts in Q4 2015. However, CBRE Research is closely tracking five anticipated projects, both built-to-suit and speculative, for a combined 1.1 million sq. ft. Some of these are expected to start as early as January 2016. Further development announcements would not seem unlikely given the sheer dearth of space options for Class A industrial occupiers.

Formerly existing construction projects include two expansions, one built-to-suit, and three yet-to-be- leased speculative projects.

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Ciudad Juárez Industrial, Q3 2015

Expanding market brings vacancy to near record low

Vacancy Rate 7.1%

Avg. Asking Rate $4.39 /SF

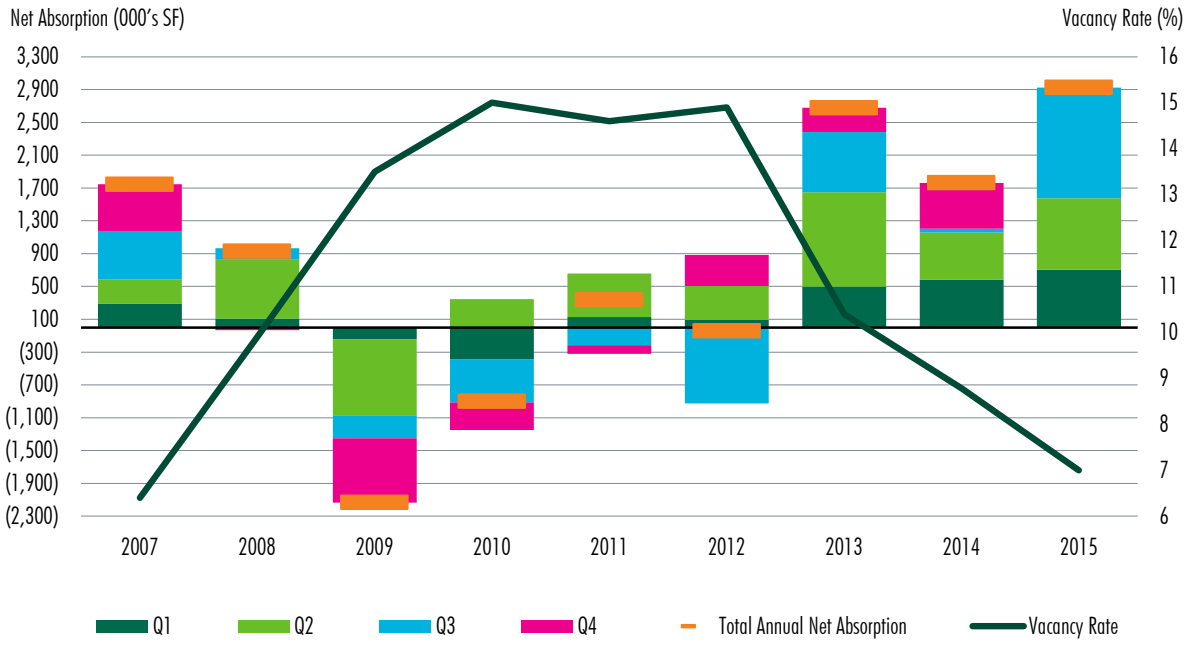
Net Absorption 1,351,922 SF

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.

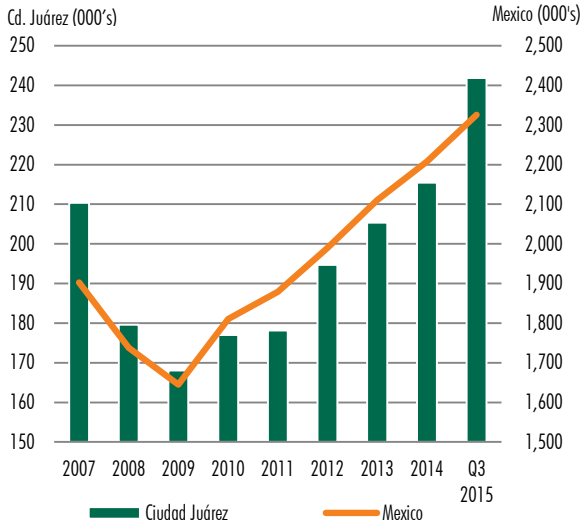
Two of the seven submarkets saw landlords successfully push average asking lease rates this quarter. The recently active North saw the largest net gain of $0.35 per sq. ft. (or 8.6%). The Southeast followed with an increase of $0.10 per sq. ft., (or 2.1%). The remaining four either remained unchanged 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.

Figure 3: Maquiladora Employment



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

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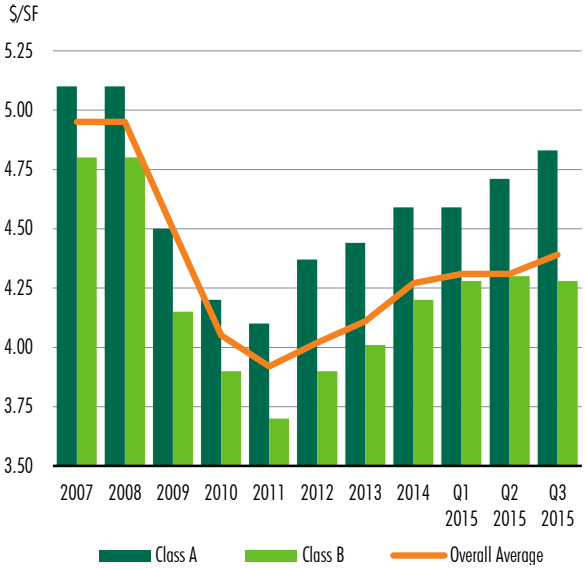
INDUSTRIAL RENTS

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.

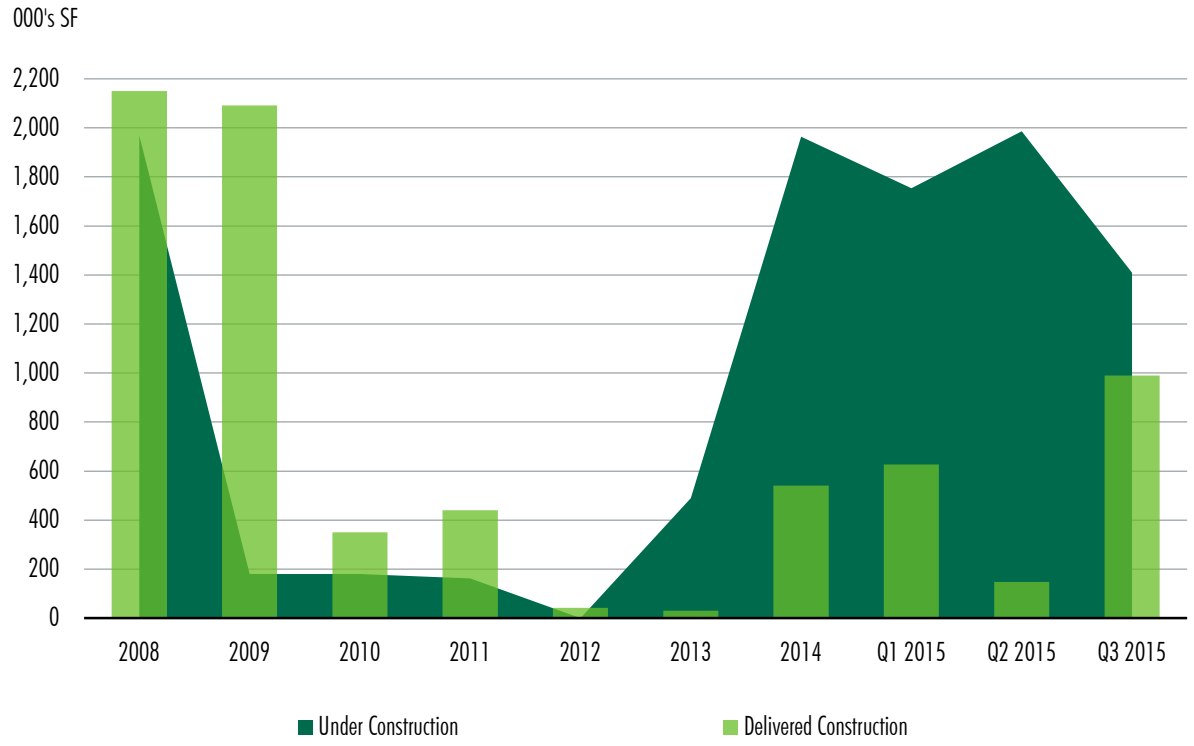
Slicing the data further, Class A asking rents are anchoring the market's overall rents, where the sector's rents expanded 2.5% this quarter and lurched 5.23% year-to-date. The Class B asking rate registered a slight decrease 0.5% while the lower tier Class C remained the only class category south of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

Figure 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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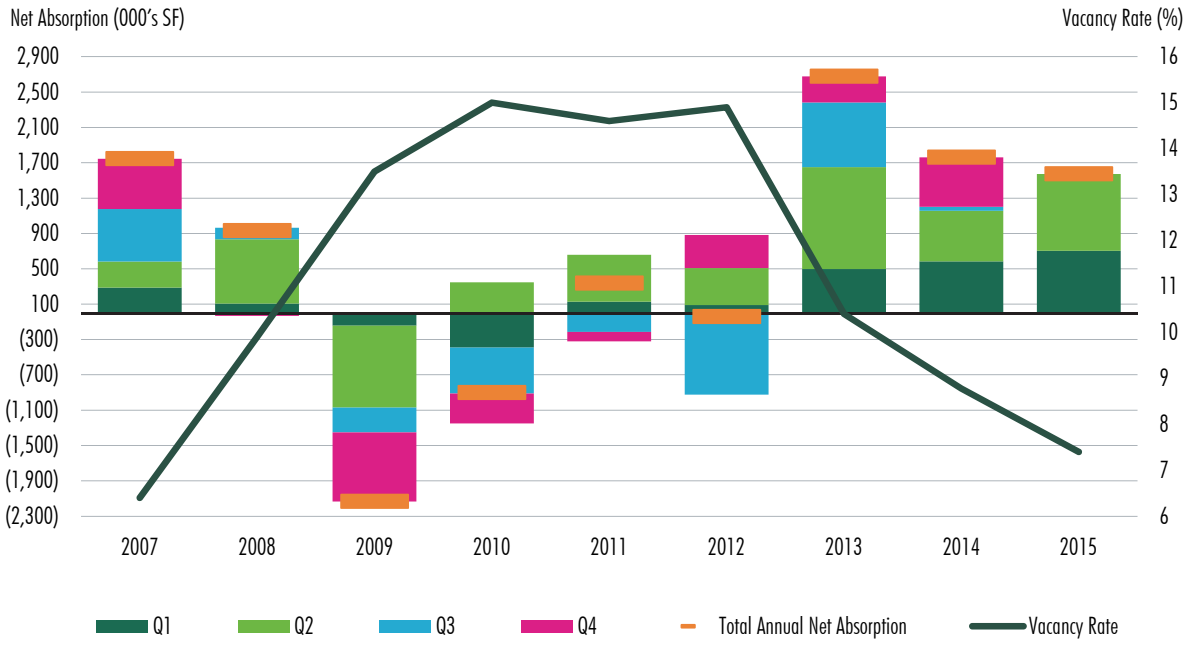
Ciudad Juárez Industrial, Q2 2015

Vacancy steering towards full pre-recession recovery

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

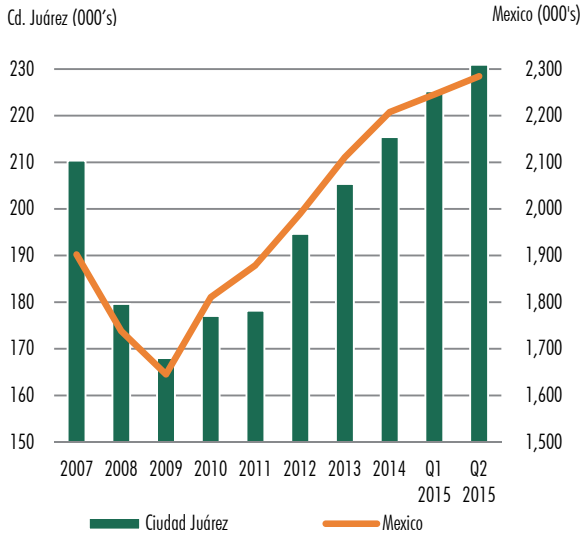
Four of the seven submarkets saw landlords successfully push average asking lease rates this quarter. The dynamic Southeast saw the lion's share of area rent gains with a rise of $0.12 per sq. ft. (or 2.6%). The North felt the only decrease of $0.26 per sq. ft., (or 6.4%), mainly due to space availability 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.

Figure 3: Maquiladora Employment



Source: INEGI, June 2015.

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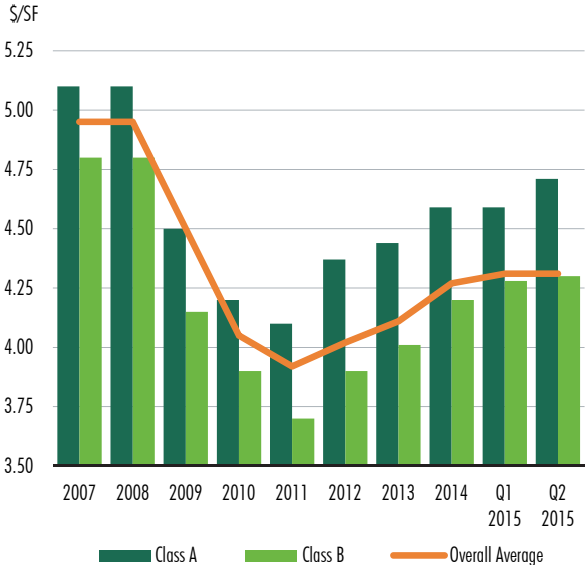
INDUSTRIAL RENTS

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.

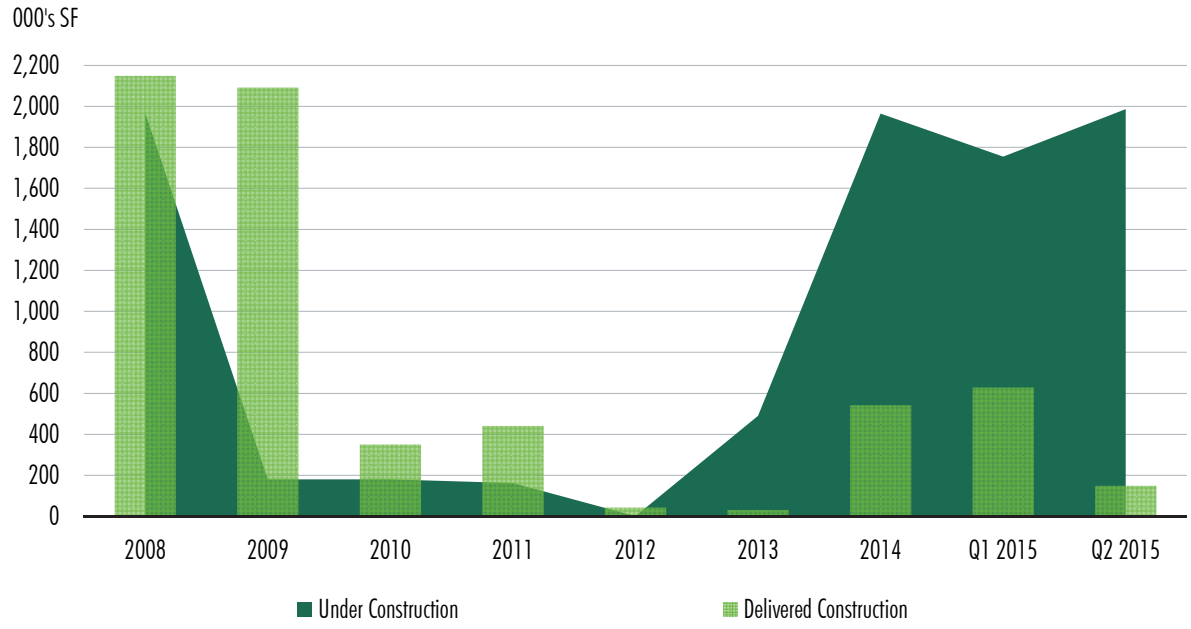
Slicing the data further, Class A asking rents are anchoring the market's overall rents, where the sector's rents expanded 2.6% this quarter and lurched 4.2% year-over-year. The Class B asking rate registered an increase of 0.5% while the lower tier Class C was unchanged and remained the only class category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

Figure 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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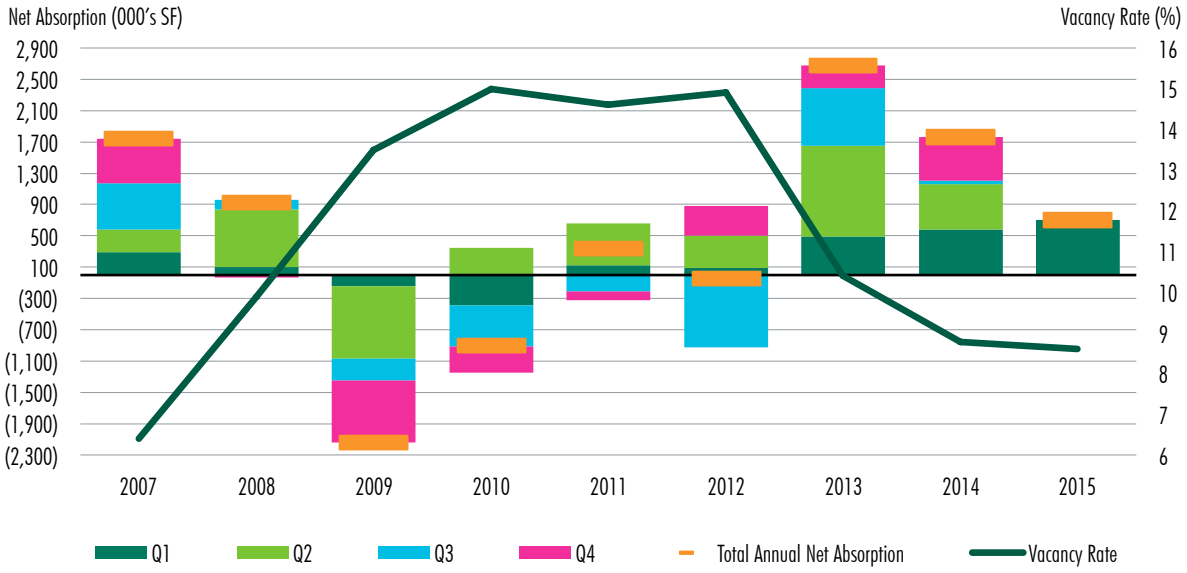
Ciudad Juárez Industrial, Q1 2015

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.

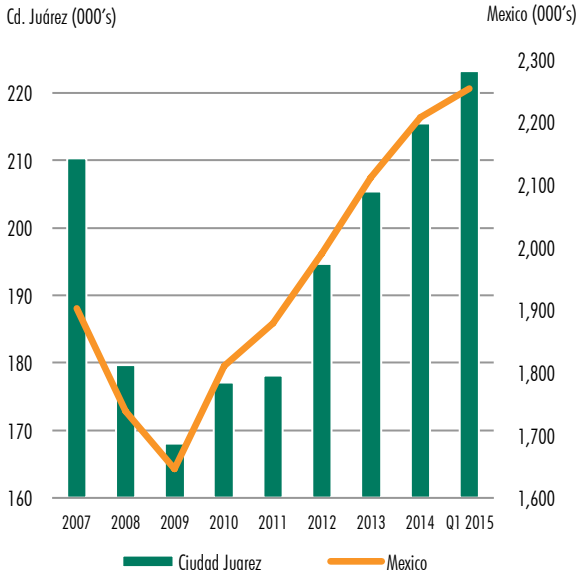
The IMMEX national figure of 2.3 million increased by 137,431 year-over-year, also in November 2014.

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.

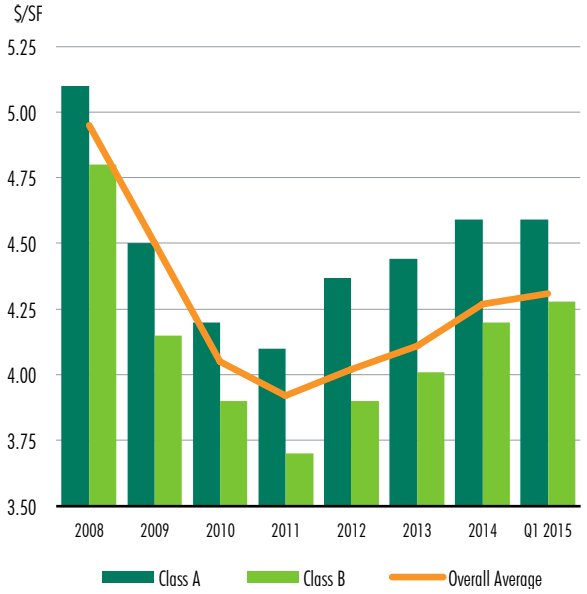
Although the increase in rental rates is expected and in line with the decrease in vacancy, the average asking rate continues to remain below historical levels in Ciudad Juárez. It is important to note that Class B and Class C current vacancies combine for nearly 70% of all market vacant space. This 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



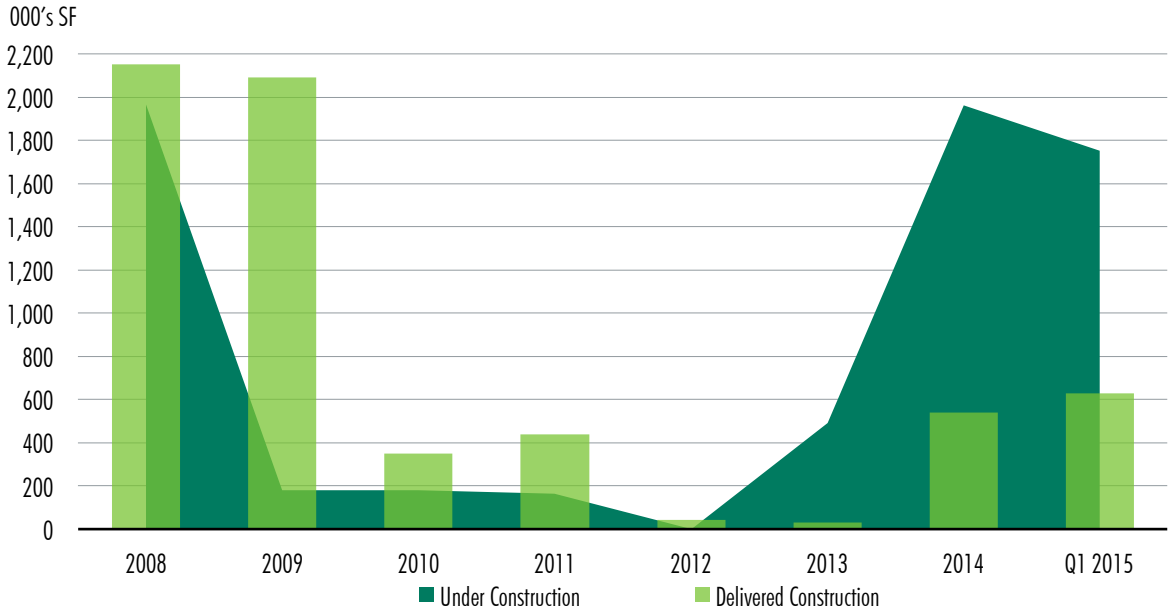
Source: INEGI, March 2015.

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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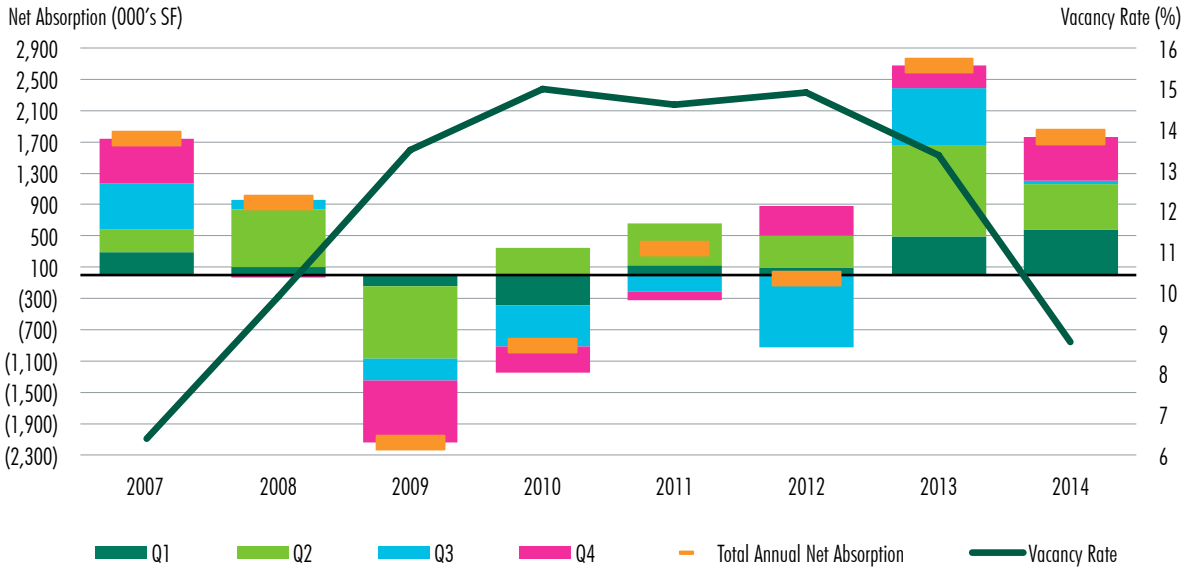
Ciudad Juarez Industrial, Q4 2014

Another solid year as vacancy continues a sharp decline

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

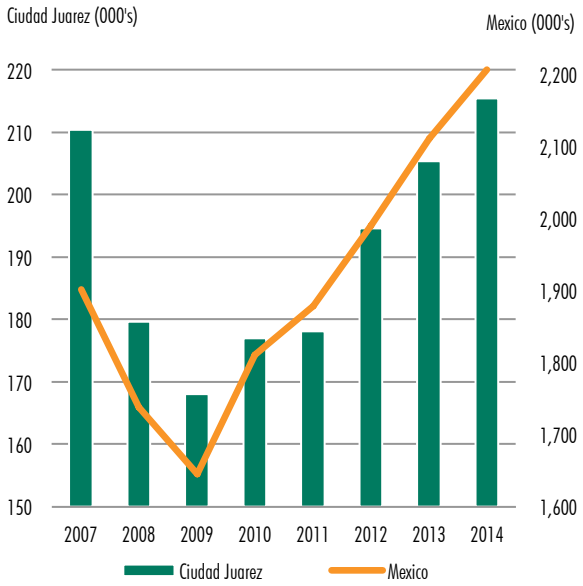
Four of the seven submarkets saw decreased vacancy rates this quarter. The West, Southeast, Central and South/Electrolux all saw a decline in vacancy in response to positive net absorption. The robust Southeast submarket recorded the largest net absorption of 284,695 sq. ft. and a decrease of 160 bps 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

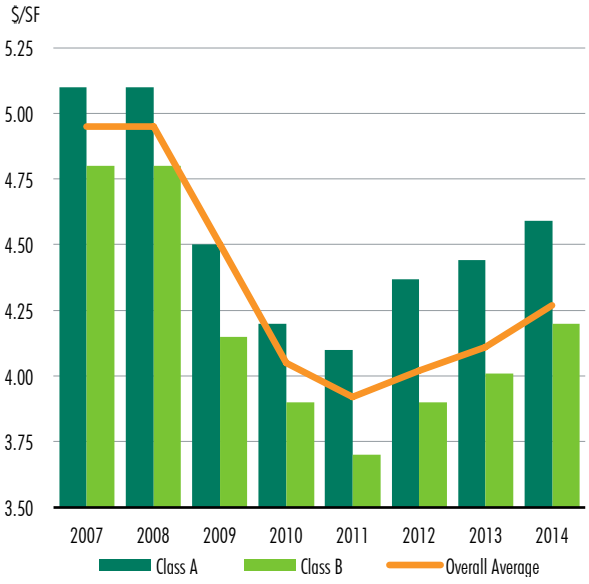


Source: INEGI, November 2014.
CBRE Research, Q4 2014.

INDUSTRIAL RENTS

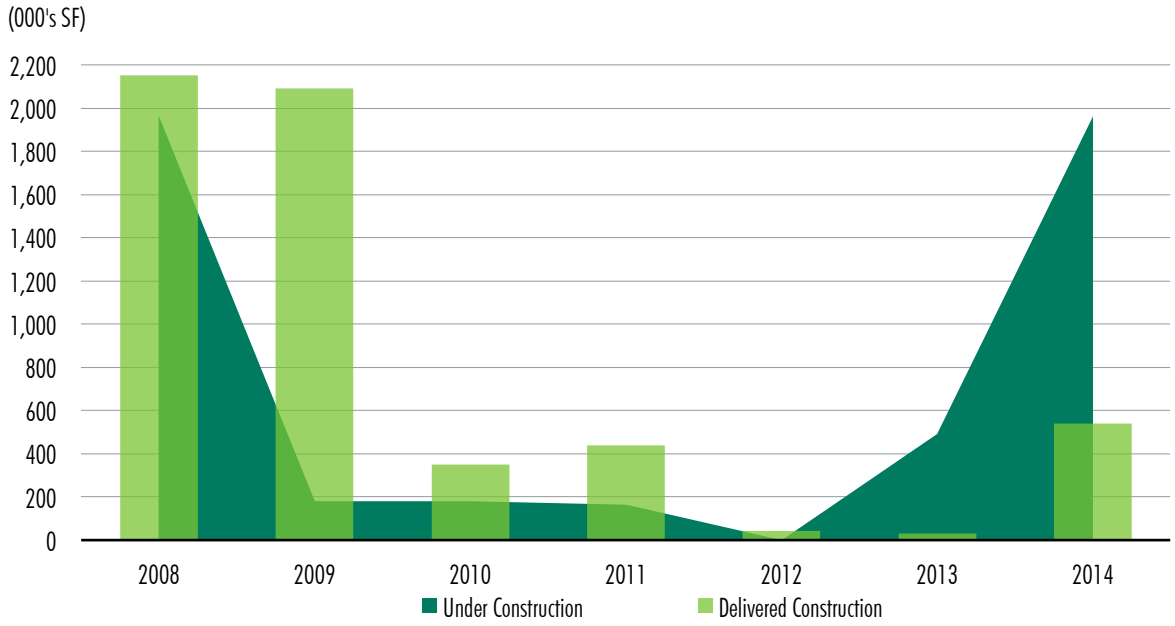
The annual average asking industrial lease rate saw an escalation of $0.05 to $4.27 per sq. ft. during Q4 2014. The reported rate is $0.16 per sq. ft. above the same time last year. This year-over-year growth of 3.9% is the largest seen since CBRE Research began tracking asking rates in 2007. Further 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

MARKET SIZE 61,319,600 Sq. Ft.

AVAILABILITY 5,806,090 Sq. Ft.

YTD GROSS ABSORPTION 1,985,575 Sq. Ft.

MAQUILADORA EMPLOYMENT 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

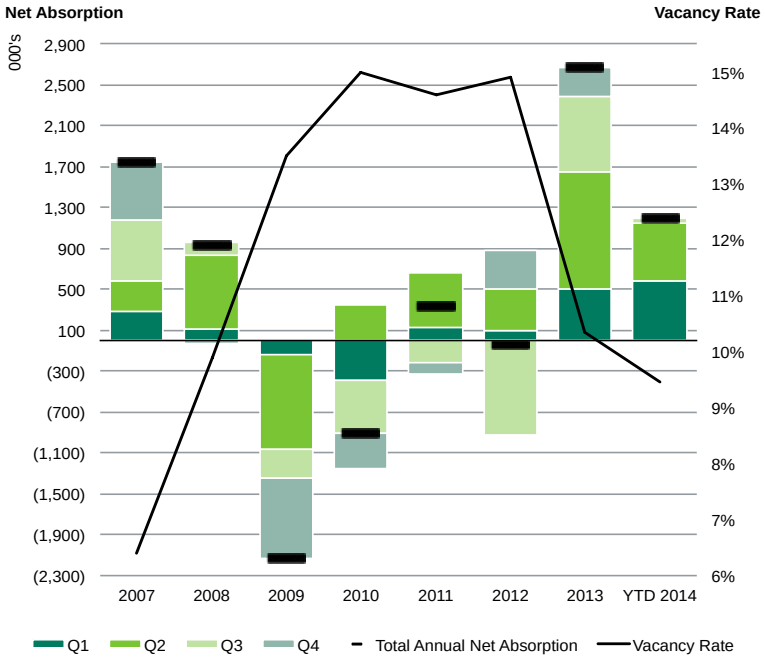
INDUSTRIAL THIRD QUARTER
MARKETVIEW

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.

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.

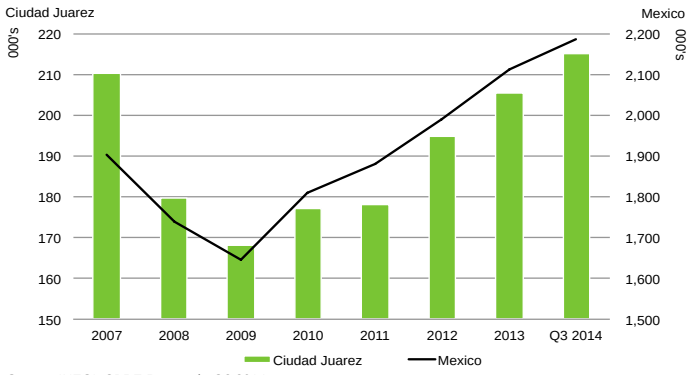
Industrial Product

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.

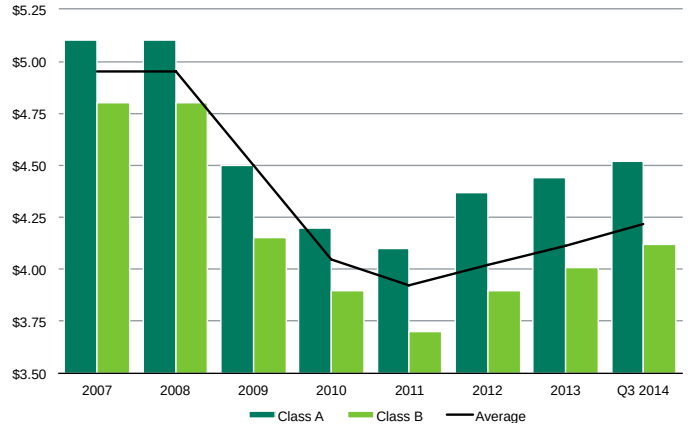
There is also an expectation of an additional 680,000 sq. ft. set to start in Q4 2014, including 500,000 sq. ft. for BRP Corp. Further announcements are also likely given the limited availability of Class A industrial space.

Figure 4: Maquiladora Employment



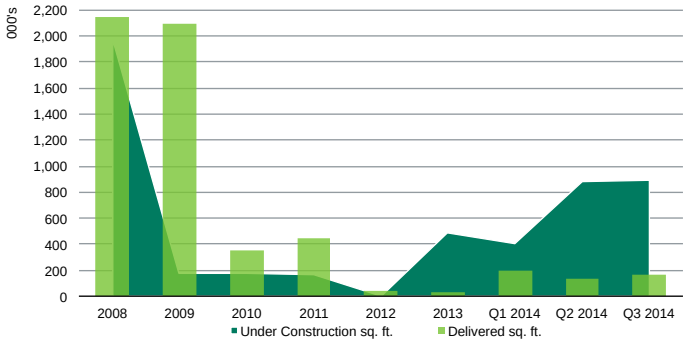
Source: INEGI, CBRE Research, Q3 2014.

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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Ciudad Juarez, Mexico Industrial
MarketView 2Q 2014


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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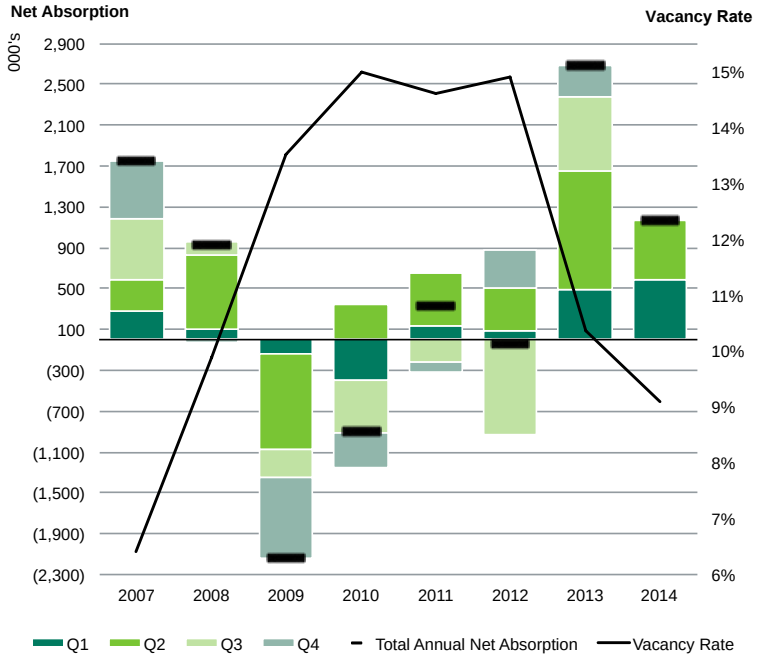
INDUSTRIAL SECOND QUARTER
MARKETVIEW

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.

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).

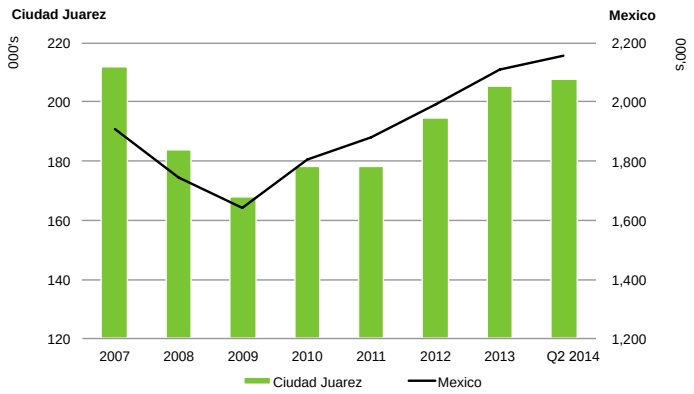
Although the increase in rental rates is expected and in line with the decrease in vacancy rate, the average asking rates remain below historical levels in Cd. Juarez. With a current vacancy just below 6.0 million sq. ft., landlords remain aggressive in pursuing new tenants. This aggressiveness places 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.

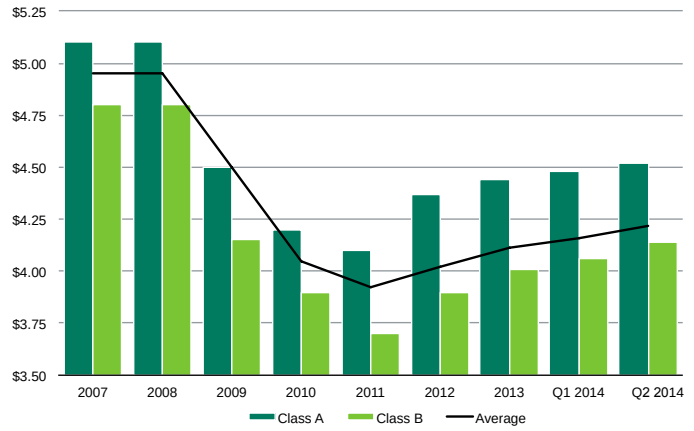
At the close of Q2 2014, there was 878,217 sq. ft. of industrial space under construction. The figure is more than double that at close Q1 2014 despite a delivery of 135,000 sq. ft. New Q2 2014 construction includes a new spec building of approximately 125,000 sq. ft. and a new 190,000 sq. ft. built-to-suit 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



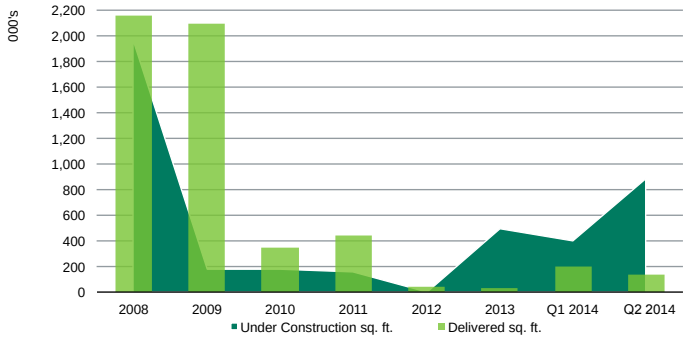
Source: INEGI, CBRE Research, Q2 2014.

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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