

Northern Baja Report: Demand intensifies in tight Tijuana market

▲ Vacancy Rate
3.6%

▲ Net absorption
356,500 sq. ft.

▼ Construction
1,730,126 sq. ft.

▲ Lease Rate
\$0.45 NNN

*Arrows indicate change from previous quarter. Represents Tijuana market only

TIJUANA INDUSTRIAL HIGHLIGHTS

- Leasing activity in Q2 2018 registered 516,500 sq. ft., of which 55% took place in the El Florido-Blvd 2000 submarket. Year-to-date leasing activity was 1,836,500 sq. ft. and net absorption was 1,441,500 sq. ft. up from 2017.
- Approximately 800,000 sq. ft. were added to the total inventory, bringing total market size to slightly over 72.5 million sq. ft. There was another 1.8 million sq. ft. under construction, of which 550,000 sq. ft. was preleased.
- The availability rate increased 120 basis points in Q2 2018 to 3.6%. Available space is concentrated in Pacifico-Nordika, El Florido-Boulevard 2000 and Otay-Alamar.
- Asking rates for Class A space ranged from \$0.46 - \$0.49 per sq. ft. per month NNN, depending on submarket, size and design. Tenant improvement allowances included in the base lease rate clustered in the \$2 per sq. ft. range. Free rent is rare, and with nominal rates increasing, net effective rates are up substantially from the last 18-24 months.
- In the Tijuana industrial survey conducted by Solili, 70% of participants observed increased demand during Q2 and 50% of them projected increased demand over the next six months.

MEXICALI INDUSTRIAL HIGHLIGHTS

- The Mexicali industrial market is the second largest in Baja California. The city is favored by manufacturing firms needing substantial amounts of water for their manufacturing processes.
- Asking rates range from low-to-mid \$0.30 per sq. ft. There are a number of spaces that have been vacant and available for an extended period of time.
- There were three warehouses under construction and new projects are expected to break ground as developers look to capitalize on the limited supply of space and the availability of developable land.

TECATE INDUSTRIAL HIGHLIGHTS

- As Tijuana's new industrial development sites march eastward and net effective lease rates climb, Tecate is an option for an increasing number of companies.
- Vacancy rates were high; however the vacant space was primarily in three buildings, all of which are reported to be in negotiation.
- One new build-to-suit project delivered in Tecate Centro and several projects are expected to break ground in the near future.

Figure 1: Q2 2018 North Baja Industrial Stats

Region/Class	RBA	Vacancy	Asking Rate	Construction
Tijuana	72,549,281	3.6%	\$0.45	1,730,126
Class A	29,025,195	4.8%	\$0.46	1,514,493
Class B	27,681,978	2.5%	\$0.43	215,644
Class C	15,842,107	3.3%	\$0.40	0
Mexicali	26,228,785	5.5%	\$0.38	351,905
Class A	6,462,232	5.7%	\$0.36	351,905
Class B	18,065,124	5.7%	\$0.39	0
Class C	1,701,430	2.8%	-	0
Tecate	5,520,885	9.9%	\$0.38	0
Class A	2,599,161	13.0%	\$0.41	0
Class B	1,627,309	12.2%	\$0.34	0
Class C	1,294,414	0.8%	\$0.34	0

Source: Solili, Q2 2018

Figure 2: Q2 2018 Notable Lease Transactions

Tenant/Buyer	Industry	Class	Area	Size (SF)
Peiyu	Plastics & Container MFG	A	El Florido - Blvd 2000	94,539
Transparent Container	Plastics & Container MFG	A	El Florido - Blvd 2000	87,750
Pepsi	Food & Beverage MFG	A	El Florido - Blvd 2000	79,255
Ultrasign	Signage & Lighting MFG	A	Otay - Alamar	52,836

Source: CBRE, Q2 2018

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