

# MARKETBEAT

# Ciudad Juárez, Mexico

Industrial Q2 2019



## CIUDAD JUÁREZ INDUSTRIAL

### Economic Indicators

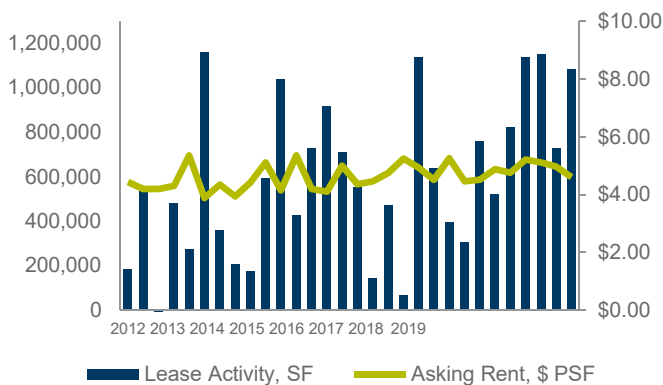
	Q2 18	Q2 19	12-Month Forecast
Ciudad Juárez Employment	14.5 k	5.5 k	■
Ciudad Juárez Unemployment	2.5%	2.4%	■
Mexico Unemployment	3.2%	3.6%	▲

### Market Indicators (Overall, All Property Types)

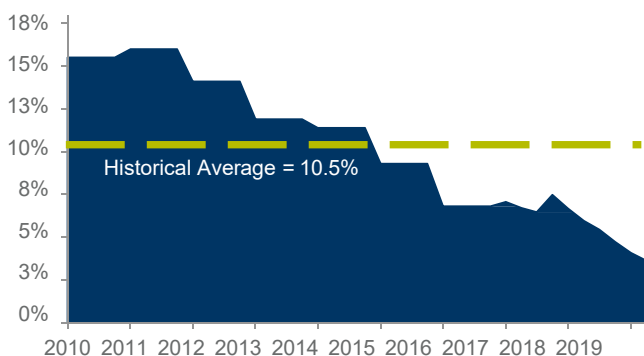
	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	6.3%	3.6%	▼
Lease Activity	824 k	1M	
Under Construction	875 k	1.8M	▼
Class A Average Asking Rent	\$5.00	\$4.90	

M=Million

### Overall Lease Activity/Overall Asking Rent QUARTERLY LEVEL



### Overall Vacancy



### Economy

Mexico's central bank has lowered its forecast for GDP growth in Mexico due to political uncertainty. Also, most analysts consider that the economy's expansion will be under 1% at the end of this year.

Although at the beginning of June the Mexican peso experienced some volatility against the U.S. dollar that was driven, mainly, by fears in the trade relationship, the Mexican currency has recovered. The consensus is that stable exchange rates remain important for manufacturing in the border region where Ciudad Juárez is a primary city.

The good news for Ciudad Juárez is that international trade continues to accelerate as evidenced by the reported 6.6% growth in exports<sup>1</sup>. In the first half of this year, Mexico became the largest trading partner of the United States of America.

### Market Overview

The industrial market experienced outstanding performance during the second quarter, with a total of 1.08 million square feet (sf) of leasing activity. This represented a 50% increase from the previous quarter.

Net absorption registered 845,000 sf, which kept the vacancy rate at its record low of 3.6%.

The main transaction was a 600,000 sf lease with FINSA which is in the Southeast sector of the city. This building was vacated only a few days prior to the new lease being signed. Another significant transaction was the lease of a 147,000 sf facility in the Intermex Park. The tenant manufactures specialized packaging material. This building is also located in the Southeast submarket which reinforces the popularity of this area of the city.

The leading industrial developers continue building new space. A total of 630,552 sf of new construction was completed this quarter in five buildings. Two of the buildings were speculative-construction, one was preleased and the remaining two were build-to-suit projects.

There are currently 1.78 million sf under construction and an additional 225,000 sf is planned for ground-breaking in August.

### Outlook

Strong demand is expected to continue in the Ciudad Juárez market, which reinforces its role as a leading export-manufacturing platform in Mexico.

With approximately 60% of the new construction stock already preleased or with strong prospects in the pipeline, the shortage of class A buildings will continue. A small increase in construction pipeline is predicted during second half of this year, particularly because some of the main developers have begun to run out of inventory.

1. Year over year to May 2019. Source: INEGI

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SUBMARKET	INVENTORY (SF)	Q2 2019 LEASING ACTIVITY	Q2 2019 USER SALES ACTIVITY	VACANCY RATE	UNDER CONSTRUCTION	DIRECT WEIGHTED AVERAGE NET RENT
Northeast	16,766,241	76,721	0	6.2%	0	\$4.15
Northwest	16,432,162	0	0	2.9%	0	-
Southeast	30,898,686	1,010,118	0	2.8%	1,783,815	\$4.60
Southwest	5,118,763	0	0	2.0%	0	-
<b>CIUDAD JUÁREZ TOTALS</b>	<b>69,215,851</b>	<b>1,086,839</b>	<b>0</b>	<b>3.6%</b>	<b>1,783,815</b>	<b>\$4.56</b>

### Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	SUBMARKET
Salvarcar I	602,297	N/A	Southeast
CJS-AJ-16	146,757	Fagerdala	Southeast
Bravos VIII	132,823	Yazaki	Southeast
CJS IS 08	88,000	Jones Plastics	Southeast
Rio Bravo II	76,721	SSPI	Northeast
Independencia VII	40,241	Specialty Bolt & Screw, INC	Southeast

### Key Sales Transactions Q2 2019

PROPERTY	SF	BUYER	SUBMARKET
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No user/investor sales reported for the quarter

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