

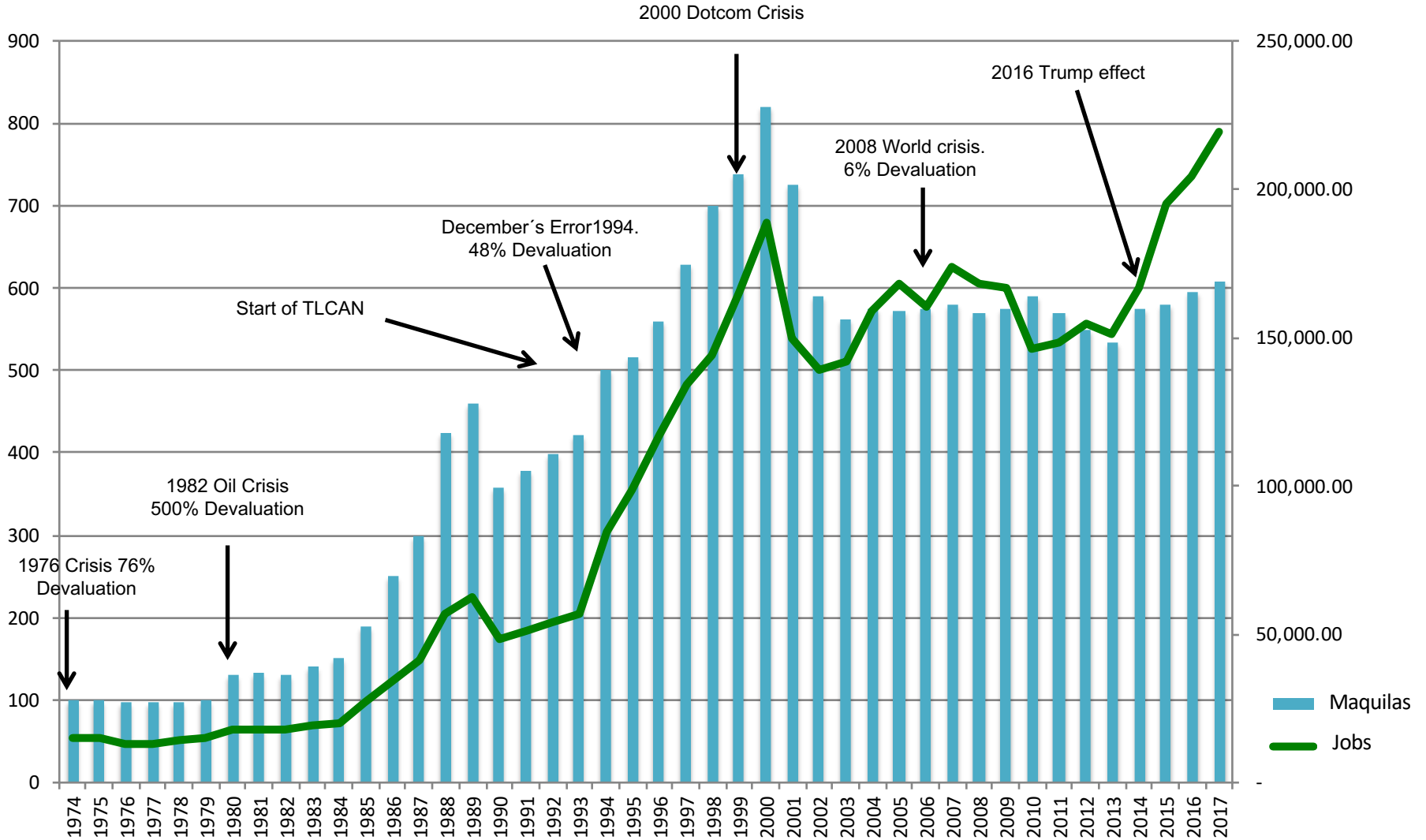
**Borders
Committee**

Overview of Economic Development in Tijuana:

**Tijuana's Industrial Real
Estate market statistics:**

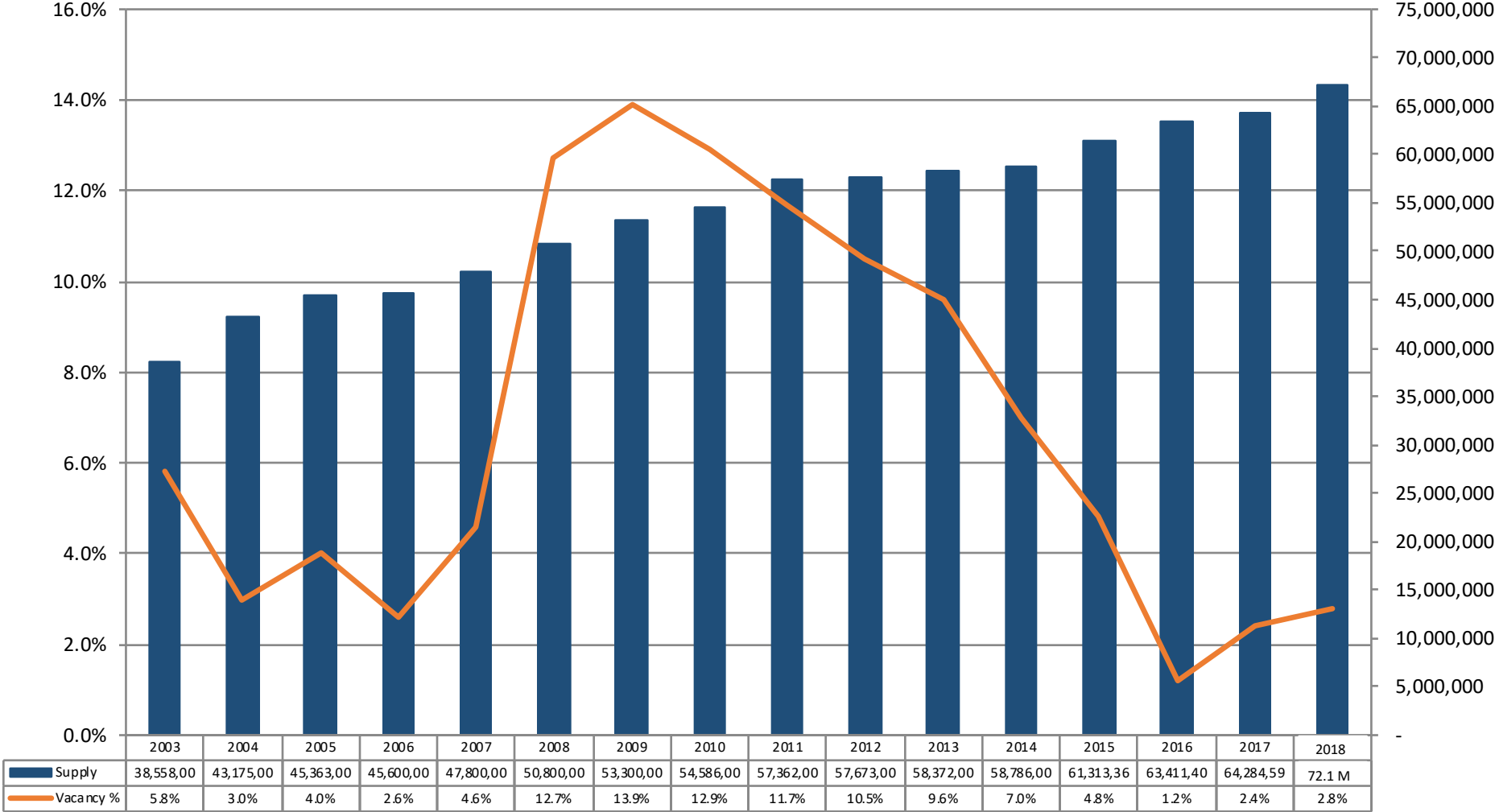
**Adriana Eguia
January 24, 2019**

Number of Maquilas vs Jobs (In Tijuana)

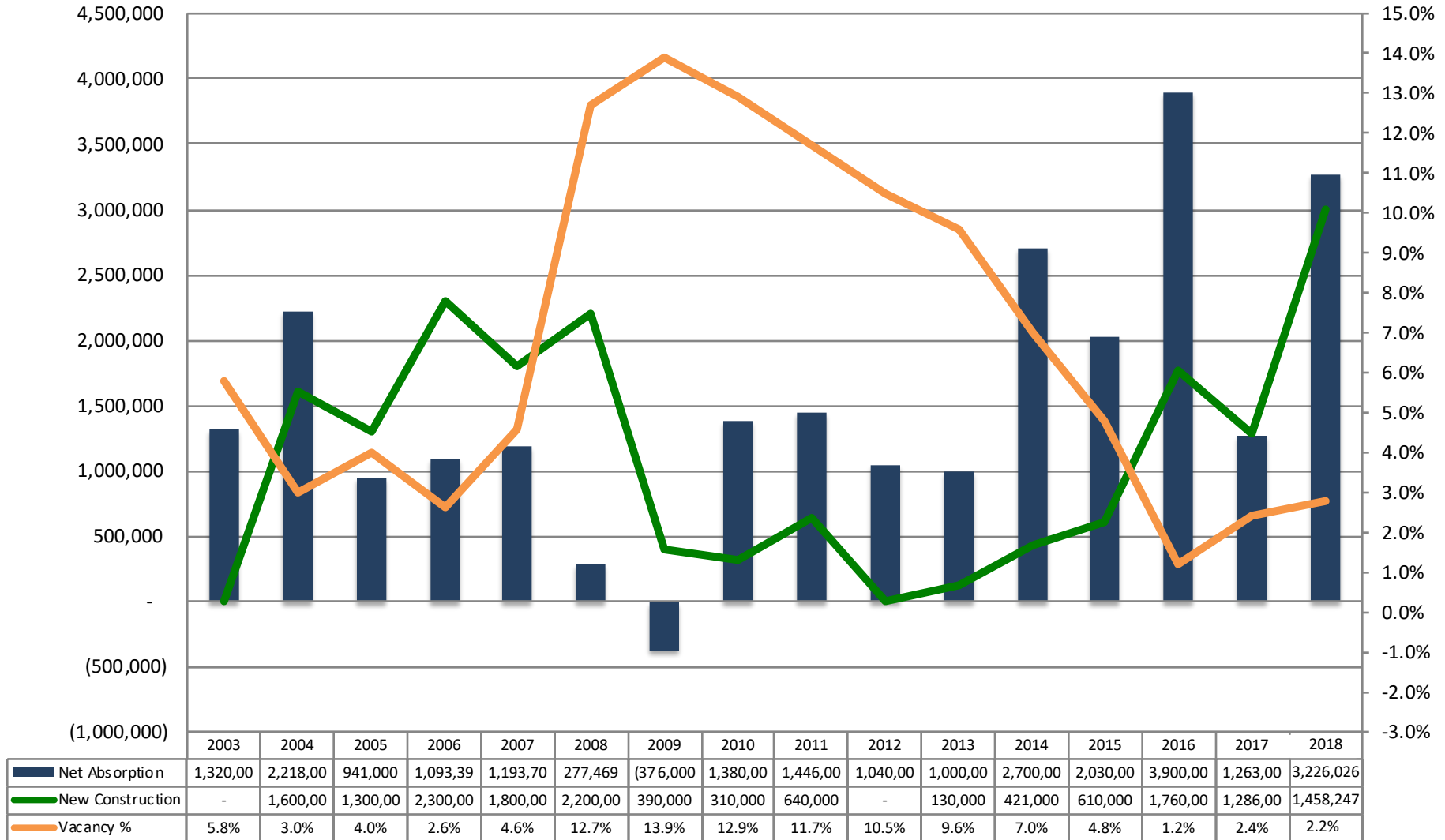


Supply (SF) vs Vacancy (%)

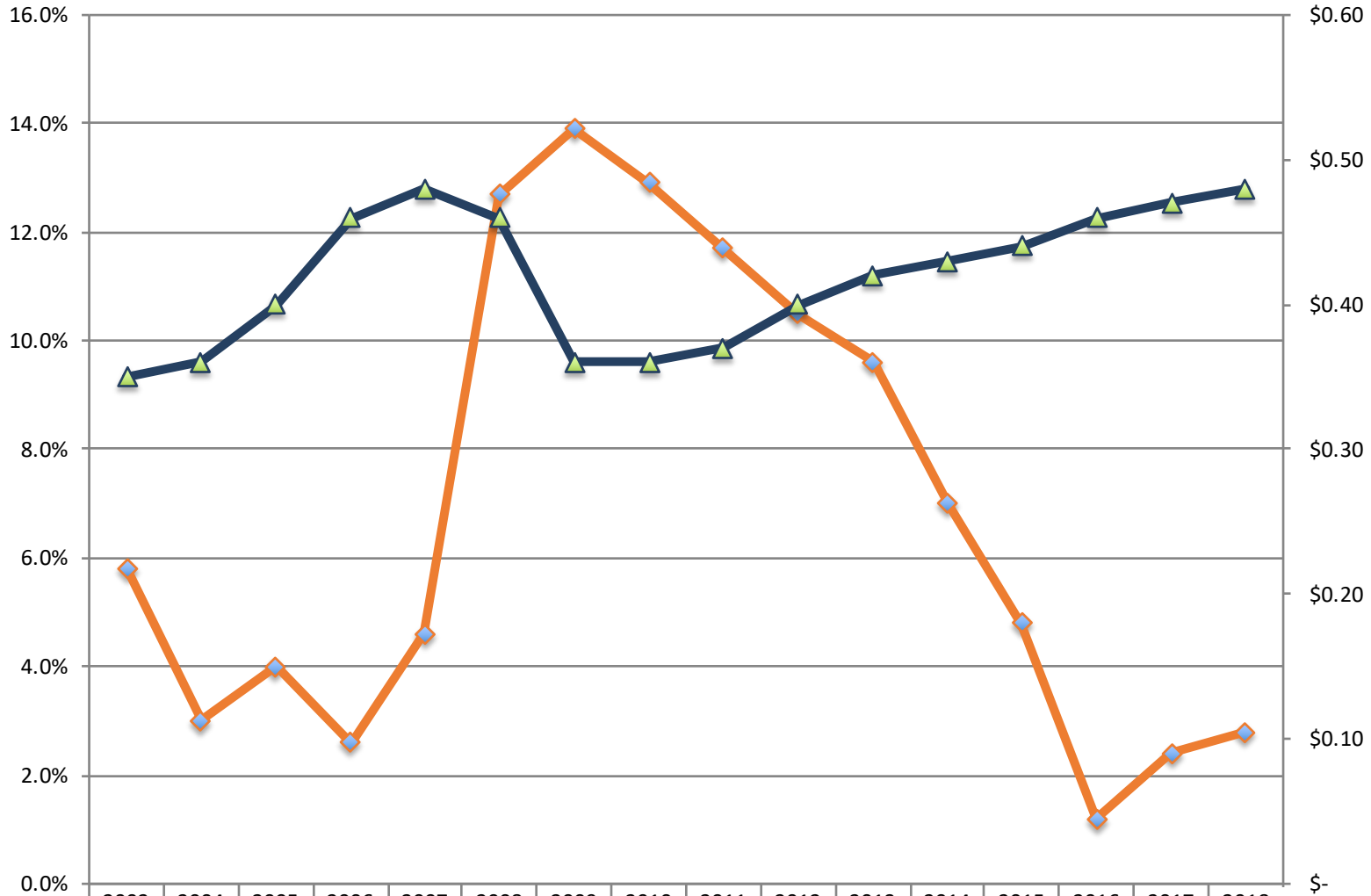
Supply (SF) vs Vacancy (%)



Net Absorption (SF) vs Vacancy (%) vs New construction(SF)

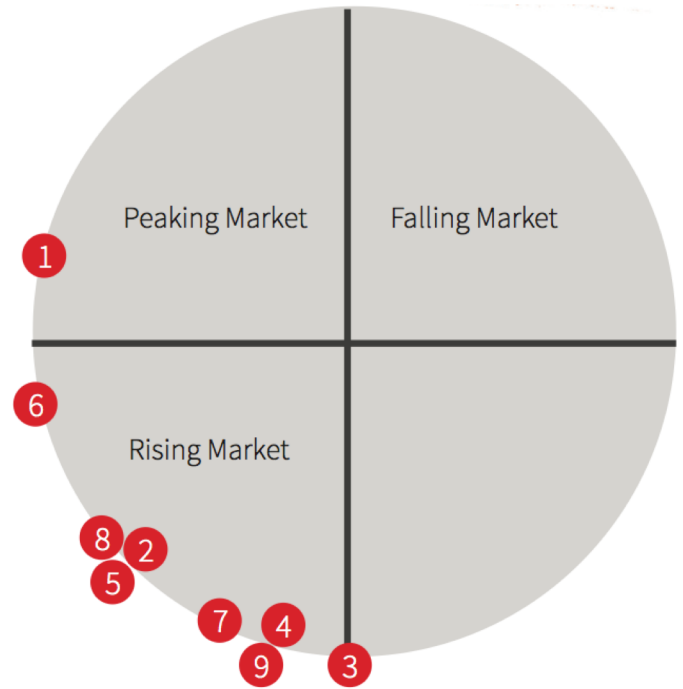


Vacancy (%) vs Average lease rate (\$USD/SF/mo)



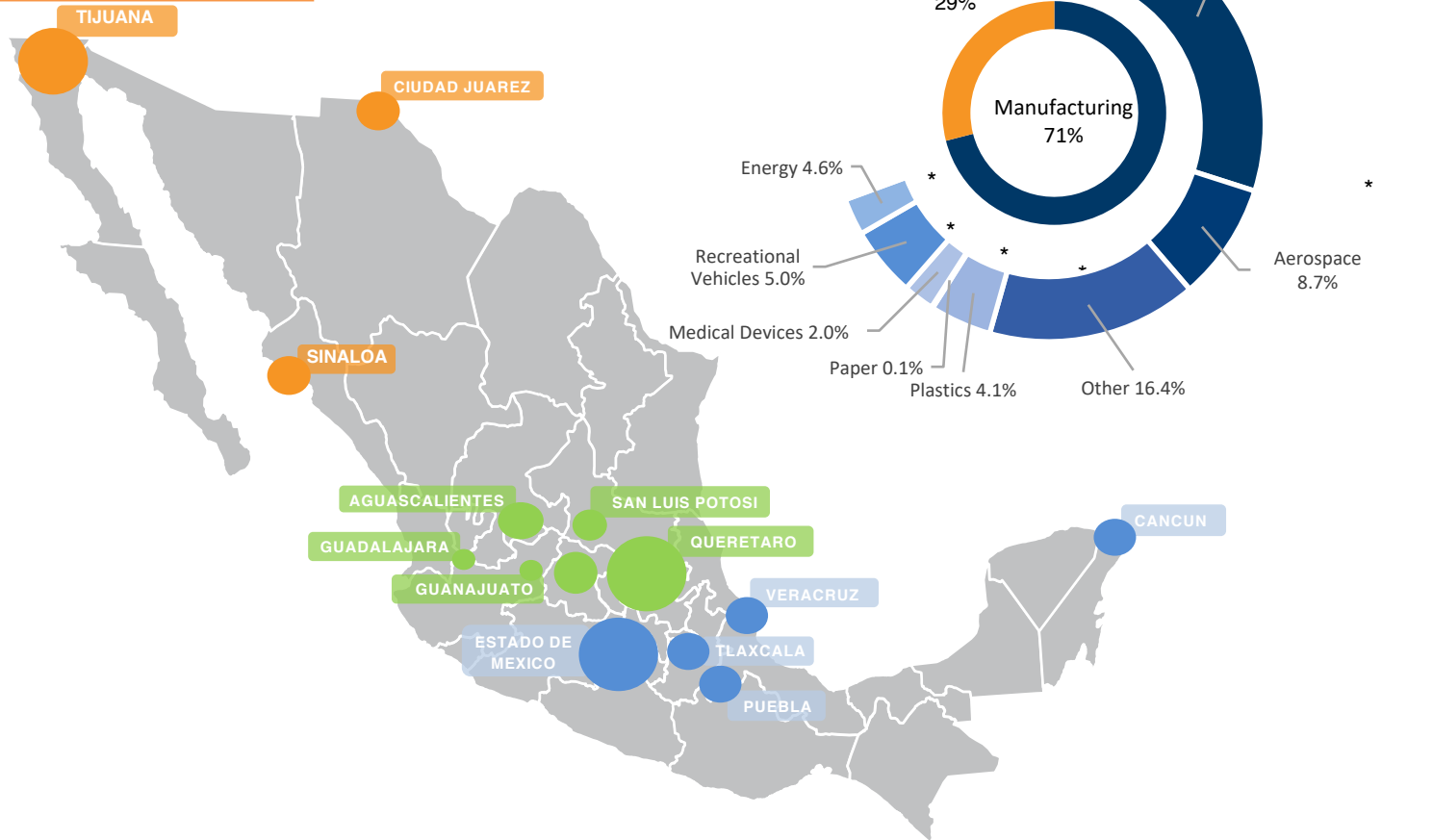
◆ Vacancy %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
▲ Average rent (SF/Mo.) Class A	\$0.35	\$0.36	\$0.40	\$0.46	\$0.48	\$0.46	\$0.36	\$0.36	\$0.37	\$0.40	\$0.42	\$0.43	\$0.44	\$0.46	\$0.47	\$0.48

Industrial market watch



*Source: JLL 2018

How the market is distributed for us



North (28%):

Surface area sf: 7,996,798
 Number of buildings: 66
 Number of clients: 61

Bajío (49%):

Surface area sf: 13,777,670
 Number of buildings: 80
 Number of clients: 78

Central (24%):

Surface area sf: 7,123,121
 Number of buildings: 34
 Number of clients: 33

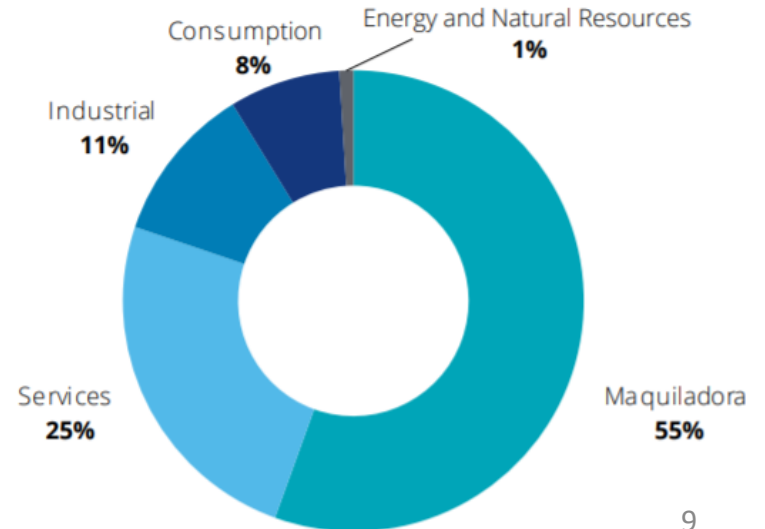
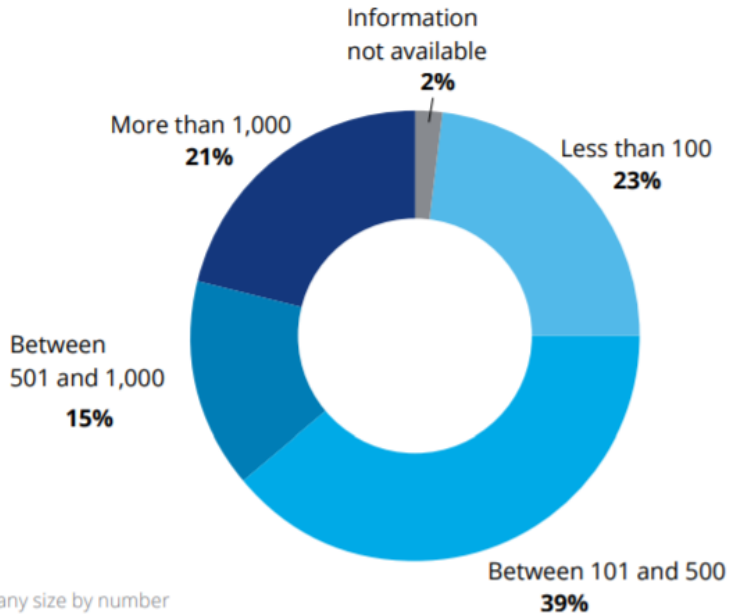
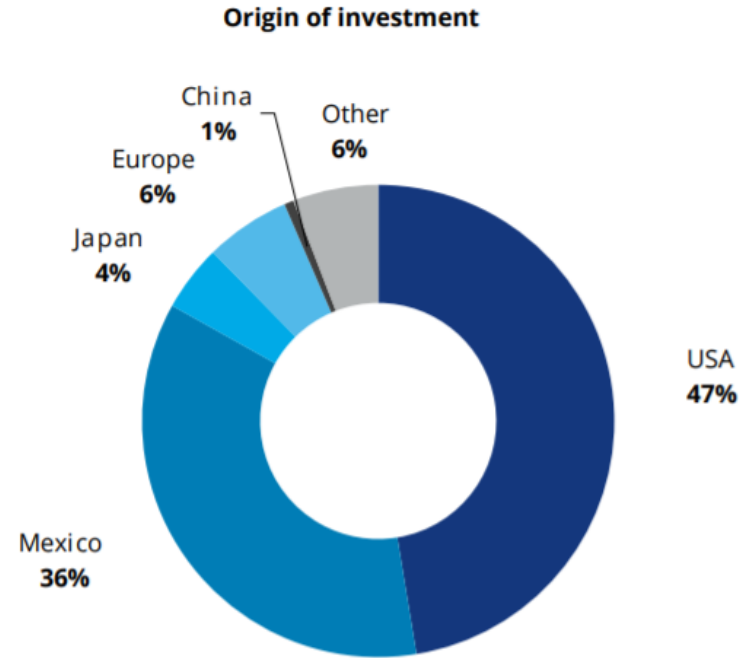
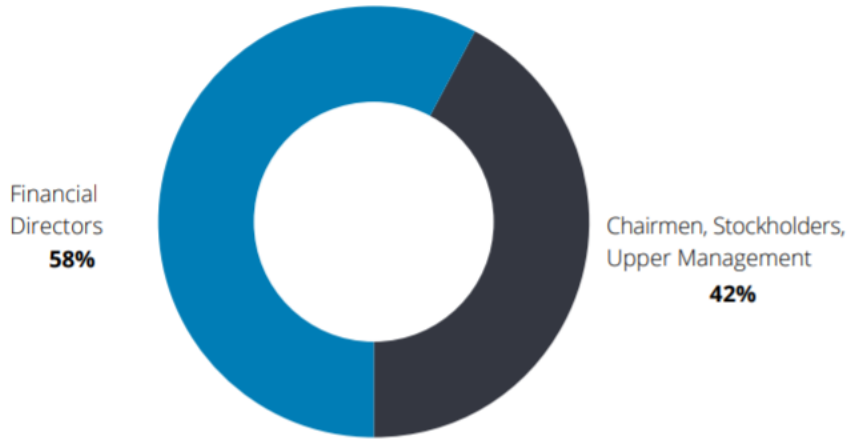
**Borders
Committee**

Overview of Economic Development in Tijuana:

Economic Border Zone

**Adriana Eguia
January 24, 2019**

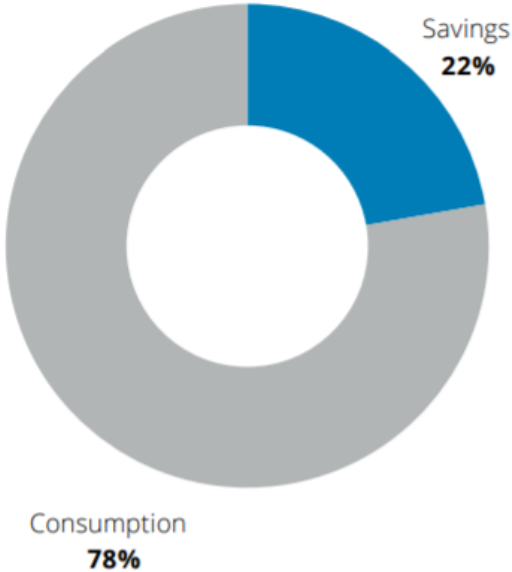
Border Survey by Deloitte



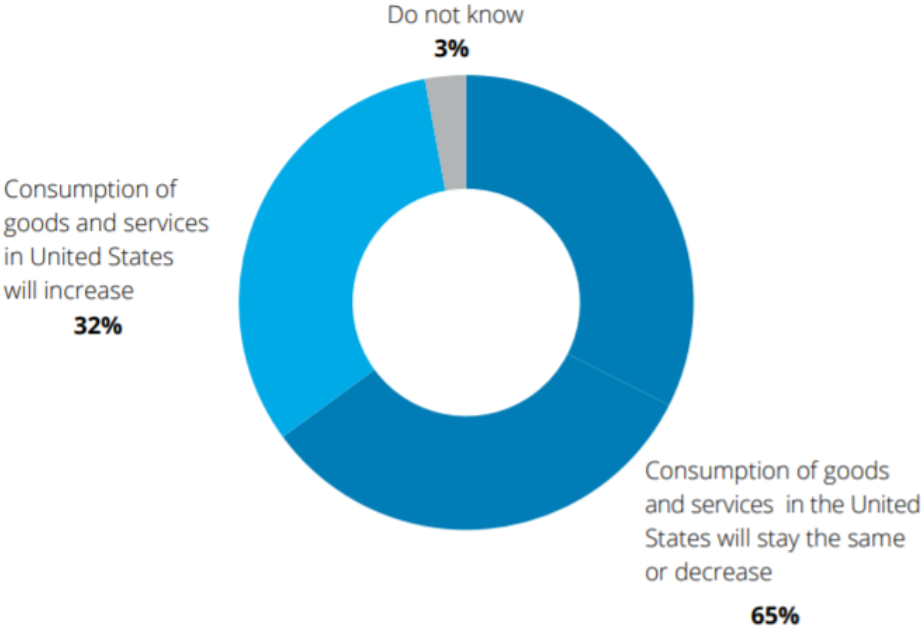
*Company size by number of employees

Border Survey by Deloitte

Expectation of Savings vs. Consumption



Expectations of Consumption in the Northern Border Region



Excercise (Payroll + Income Tax) by Deloitte

Company 1	Company 2	Company 3
payroll = 80% of deductions	payroll = 50% of deductions	payroll = 35% of deductions

Current:

Income	100.00	100.00	100.00
Payroll	64.00	40.00	28.00
Other Deductions	16.00	40.00	52.00
Taxable earnings	20.00	20.00	20.00
Income tax (30%)	6.00	6.00	6.00

Border Zone Proposal

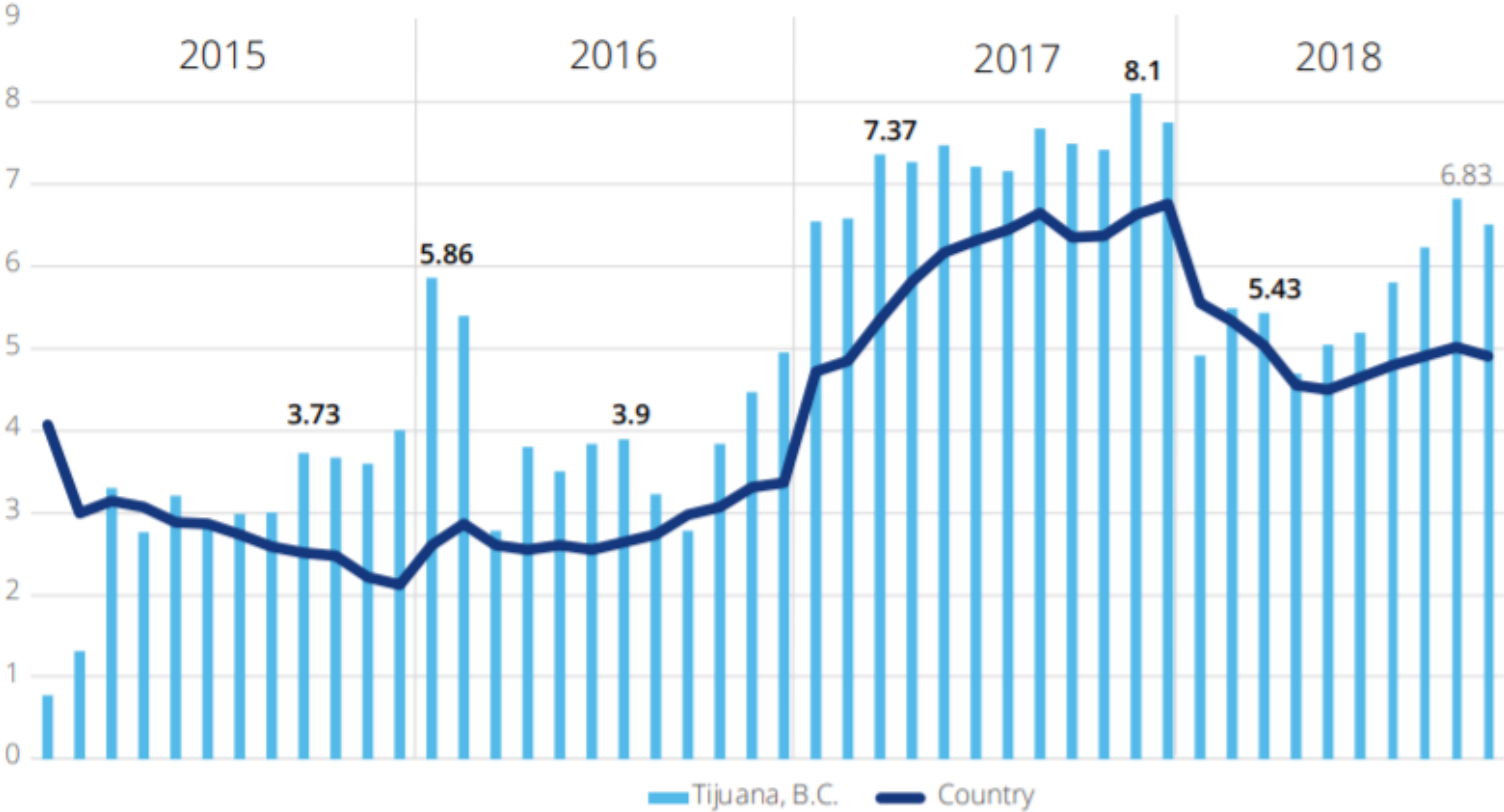
Income	100.00	100.00	100.00
Payroll (+5%)	67.20	42.00	29.40
Other Deductions	16.00	40.00	52.00
Taxable earnings	16.80	18.00	18.60
Income tax (20%)	3.36	3.60	3.72

Summary:











Added earnings from reduced income tax reduction	2.64	2.80	2.56
Decrease in profit sharing	0.32	0.20	0.14
Increase in costs (payroll)	3.20	2.00	1.40
Net effect	0.24	- 1.00	- 1.30

Inflation by Deloitte

Inflation Tijuana vs. National Average



Final thoughts by Deloitte

Favorable Factor		Challenges or matters yet to be defined	
For exporters, reduction of VAT balances to be returned.		Increase in minimum wage and increase in social security contributions (IMSS, PTU).	
Reduction of income tax rate, promotion of foreign investment with internationally competitive tax rates.		Increase in wages puts competitive pressures on manufactured goods.	
Reduction of VAT driving increased consumption and savings in local economy.		Inflation driven by inertia, general inflation, increased overhead, increased consumption.	
Reduction of VAT supports purchasing power of the population.		Opportunity for the local entrepreneur to meets the needs with competitive prices.	
Matching energy prices to those in US.		Energy prices still under pressure to increase.	

The background is a collage of three images. The top half shows a modern, multi-story building with a glass facade and a blue sky with white clouds. The bottom left shows a city street at night with a tall monument and a street sign. The bottom right shows a long-exposure photograph of a city street at night, with red and white light trails from cars.

Thank you!