

2010

THIRD QUARTER MARKET REPORT

EL PASO, TEXAS / CD. JUAREZ, MEXICO



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15 years of expert corporate real estate services along the U.S. / Mexico border

MARKET SUMMARY

EL PASO, TEXAS

- Total Industrial Market Size: 52,584,000 SF
- 3Q Total Activity: 590,000 SF
- 3Q Gross Absorption: 260,000 SF
- 3Q Net Absorption: 131,000 SF
- 3Q New Construction: 32,000 SF
- 3Q Industrial Vacancy: 15.6%

El Paso's industrial real estate market continues to be sluggish. Overall market activity (building sales, new leases and lease renewals) in the 3rd quarter was less than half of the activity in the 2nd quarter. Activity during this period was largely comprised of 30,000 to 50,000 SF lease renewals. The market saw only one transaction over the 100,000 SF mark; Federal Mogul's 150,000 SF renewal with Five Star Development in the Vista Del Sol Industrial Park. We also recorded the ongoing demolition of the 1.0MM SF Farah building in central El Paso, reducing the total industrial supply.

As with Cd. Juarez, we believe that El Paso's industrial real estate market has reached the bottom of the current cycle. However, the medium term prospects for El Paso remain weak while we expect activity in Juarez to rebound quickly once the security situation becomes more stable. Historically, El Paso's industrial market has trailed industrial activity in Cd. Juarez by eighteen to twenty-four months and there is no reason to believe that this cycle will be any different.

We expect the final three months of 2010 to be comparable to the 3rd quarter, with a focus on lease renewals and relatively small, short-term lease transactions. 2011 will start to show a slow improvement in market conditions and decreasing industrial vacancy levels. Rental rates will remain low as landlords continue to aggressively pursue any new deals in the market.

GROWING 3PL ACTIVITY IN CD. JUAREZ

One of the key trends we have been tracking recently is the relocation of warehouse and logistics centers from El Paso to Juarez. During the last market growth cycle there was over 750,000 SF of warehouse leasing activity in Cd. Juarez that would have previously located in El Paso. This evolving logistics model, with a focus on proximity to manufacturing plants, will continue to pose significant problems for the El Paso market.

As manufacturing activity in Cd. Juarez continues to rebound, companies will put internal space back into production and outsource warehouse operations to 3PL firms. This type of activity has already produced close to 300,000 SF of absorption within the 3PL sector and we anticipate that trend to accelerate in 2011.



CD. JUAREZ, MEXICO

- Total Industrial Market Size: 59,793,000 SF
- 3Q Total Activity: 1,868,000 SF
- 3Q Gross Absorption: 643,000 SF
- 3Q Net Absorption: -655,000 SF
- 3Q New Construction: 630,000 SF
- 3Q Industrial Vacancy: 14.2%

Industrial real estate activity (building sales, new leases and lease renewals) has increased six out of the last seven quarters (exception was 4th quarter of 2009) and that trend has again continued over the last three months. However, this activity is not generating any net absorption as new leases and sales are being

more than offset by new vacancies. In the 3rd quarter TeamNAFTA tracked 643,000 SF of industrial absorption and 1.2MM SF of new vacancies.

A large portion of the total market activity resulted from new growth with Electrolux and Foxconn. Both manufacturing campuses have new supplier buildings under construction totaling 630,000 SF with delivery scheduled at the end of this year or first quarter of 2011. The 3rd quarter's market absorption was evenly split between relocations, consolidations and the expansion of existing operations. Only 55,000 SF resulted from a new company, Transfreight, Inc. moving into Cd. Juarez.

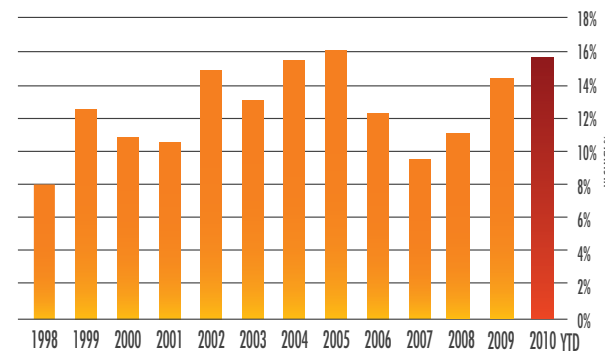
With the new developments at Foxconn and Electrolux aside, the industrial real estate market continues to be weak. As has been the case over the last two years, the majority of activity continues to be with existing companies taking advantage of the poor market conditions by purchasing a building or implementing cost-savings strategies such as a relocation into a higher quality but less expensive facility and/or the consolidation of multiple buildings.

Overall, we expect the final three months of 2010 to be steady but slow. We have not seen any indications that the market fundamentals will change in the near future as there is a 3 year supply of existing industrial buildings currently in the market.

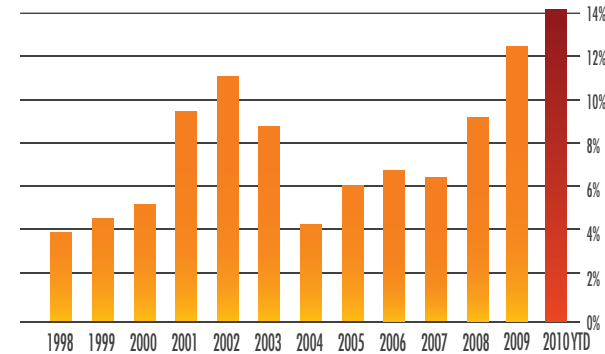
JUAREZ BUILDING SALES

One of the bright spots in Juarez this year has been the purchase of 2nd generation plants. So far in 2010 there have been over 400,000 SF of industrial building sales, 320,000 SF of which were purchased by users. Average sale prices have been near \$20.00 PSF, well below the market average of \$28.00 PSF seen between 2004 and 2007. In addition to the owner/user purchases through the 3rd quarter, there has been approximately 350,000 SF of investment sales transactions with more expected in 2011. The takeaway is that companies with long term plans for Cd. Juarez are taking advantage of the down market and purchasing industrial facilities at deeply discounted prices.

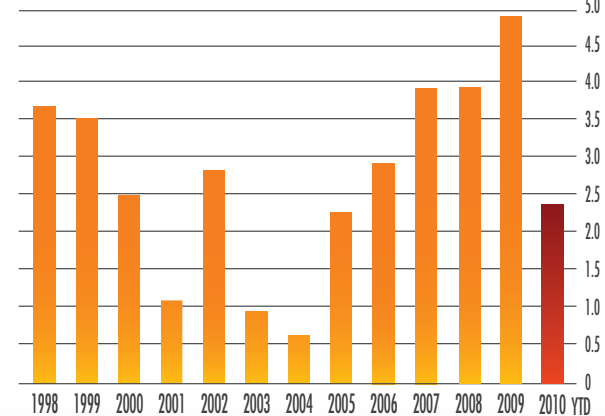
EL PASO, TEXAS - INDUSTRIAL VACANCY HISTORY



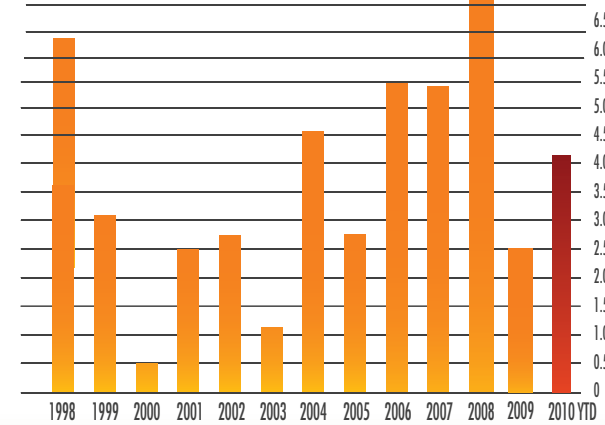
CIUDAD JUAREZ - INDUSTRIAL VACANCY HISTORY



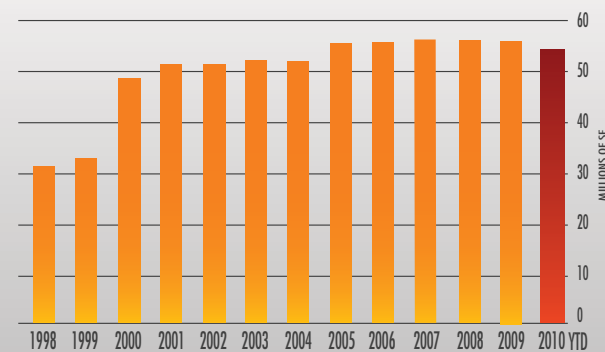
EL PASO, TEXAS - TOTAL ACTIVITY



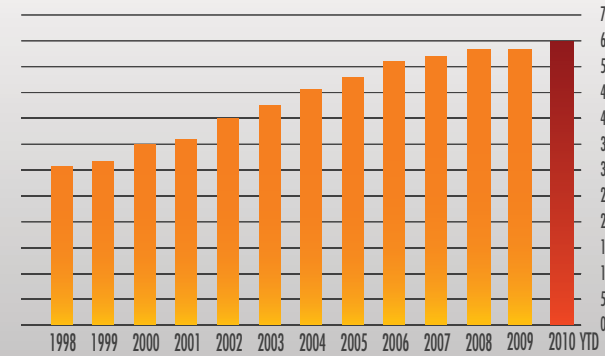
CIUDAD JUAREZ - TOTAL ACTIVITY



EL PASO, TEXAS - TOTAL INDUSTRIAL SUPPLY



CIUDAD JUAREZ - TOTAL INDUSTRIAL SUPPLY





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TeamNAFTA is the premier industrial real estate brokerage firm along the U.S./Mexico border. Over the past 15 years we have focused on corporate advisory services, providing expert support to our clients for all of their real estate needs.

We offer:

- Tenant/User representation
 - New leases
 - Lease renewal negotiations
 - Buyer representation
- Landlord representation
- Asset disposition
- Site selection consulting across Mexico and the U.S./Mexico border.

Our goal has always been to have the knowledge and expertise to advise our clients at a level unmatched in this region.

TeamNAFTA has consistently been the transaction leader in the El Paso/Cd. Juarez region by putting our clients needs first. Not only do we have excellent working knowledge of the local real estate market, but we also understand the regional and global trends influencing investment decisions in this part of the world.

KEY CLIENTS

Cardinal Health
Philips Consumer Electronics
TPI/Vientek
Epson
Inventec
Keytronic EMS

BRP
Werner Ladder
A.O. Smith
Robert Bosch
UBS Realty
Ryder Logistics

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