

MEXICO *NOW*

Mexico's Industrial & Logistics Location Summit

Manufacturing - Logistics - Real State

Mexico City
August 6-7, 2014



Site Selection Do's & Don'ts in Mexico

Mexico's industrial Location Summit

August 7, 2014



THE IMPORTANCE OF SITE LOCATION



Why It's important:

- Site / facility Location decisions are part of the company's strategy.
- Requires large investment that cannot be recovered.
- Location decisions affect the competitive capacity of the company.
- For a service business, market proximity is critical to determine the capacity to attract customers.
- For a manufacturing business, facility location affects product delivery time and level of customer service, which affects sales.

Site Location Alternatives:

- **New Facility**
 - Start a new facility in a new location.
 - Facility relocation (moving operations from one site to other).
- **Expansion of current operations**
 - Expansion in reserve land or next door bldg. (lower cost)
- **Consolidation**



Data: SIO, NOAA, U.S. Navy, NGA, GEBCO
Image: Landsat

28°10'56.09" N 71°23'12.33" O elevación: 4853 m'

SITE SELECTION KEY FACTORS

- 1 Availability of skilled labor
- 2 Highway accessibility
- 3 Labor costs
- 4 Occupancy or construction costs
- 5 Availability of advanced IT Services
- 6 Available & cost of Buildings
- 7 Corporate tax rate
- 8 Federal, State & local incentives
- 9 Low union profile
- 10 Utilities availability and costs
- 11 Tax exemptions
- 12 Availability & cost of land
- 13 Expedited or “fast-track” permitting
- 14 Proximity to major markets
- 15 Availability of long-term financing
- 16 Environmental regulations
- 17 Inbound/outbound shipping costs
- 18 Proximity to suppliers
- 19 Raw materials availability
- 20 Accesibility to major airport

LOCATION LOCATION LOCATION

LOGISTICS LOGISTICS LOGISTICS



SITE LOCATION STRATEGIC QUESTIONS



Business Needs Assessment

“What are your stress points?”

Business Climate Profiles

“How do locations compare?”

Real Estate Implementation

“What is our best real estate solution?”

Location Screening

“Where are our best location options?”

Incentives Procurement

“Can we improve our bottom line?”



SITE SELECTION PROCESS





SITE SELECTION PROCESS





SITE SELECTION PROCESS

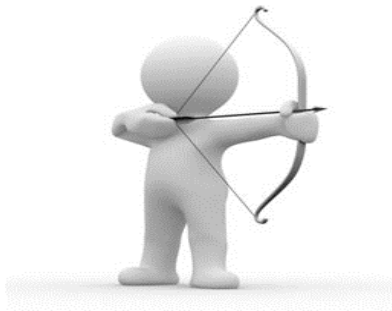


SITE SELECTION

Do's & Don'ts



“Ready aim fire”



“Ready fire aim”



SITE SELECTION

TEAM Do's & Don'ts



“Put together a multidisciplinary team”



“One single person in charge of the project”



SITE SELECTION PROJECT SPECS Do's & Don'ts



“Define priorities, specifications and scope of work at the **beginning** of the project”



		PROJECT TIMETABLE													
No.	Activity	Month	Month	Month	Month	Month	Month	Month	Month	Month	Month	Month	Month	Month	Month
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Preliminary Site Tour														
2	Request for Proposal Preparation														
3	Request for Proposal														
4	Proposal Preparation by Developers														
5	Proposals Summary by Owners														
6	Decision of the Two Finalists														
7	Technical Specifications Negotiations														
8	Commercial Terms Negotiations														
9	Legal Terms Negotiation														
10	Agreements Execution														
11	Building Construction														
12	Beneficial Occupancy														
13	Final Occupation														



“Multiple changes to scope of work and specifications throughout the Project”



SITE SELECTION

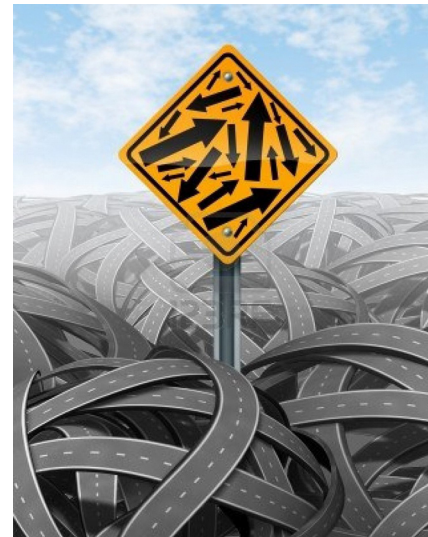
LONG LIST Do's & Don'ts



“Long list, NO more than 10 to 12 options ”



“Long list more than 20 alternatives”



SITE SELECTION

SHORT LIST Do's & Don'ts



“Short list, 3 options”
(best options selection)



“Only one alternative”



SITE SELECTION INCENTIVES Do's & Don'ts



“Allow 18 months
incentives negotiation”



“Expect incentives
package
in 3-6 months”



LOCATION TRENDS

- The accelerated changes in the economic environment are impacting the frequency of Facility Location decisions.
- International level competition among corporations.
- Appearance of new markets and unification of others. Regionalization
- Increase of competition pressure.
- Logistics factors are more important and complex.
- Companies are reviewing their facility locations in order not to lose competitiveness.
- Mergers & Acquisitions

LOCATION TRENDS

- Productivity & education level: Labor costs become less important.
- Labor qualification, flexibility and mobility become more important factors.
- However, labor costs are still a main factor in some industries and in certain manufacturing processes

COLLIERS INTERNATIONAL

COMMERCIAL REAL ESTATE CONSULTANTS

Industrial - Office - Retail

485 Offices in
63 Countries

5,800
Specialized Advisors

15,800 Professionals

In Mexico 10
offices with
Nationwide Coverage

Our services:

- Tenant Representation
- Landlord Representation
- Site Selection & Logistics Advisory
- Built-to-Suit & Facility Disposition
- Sale & Lease Back
- Real Estate Management Services (REMS)
- Project Management
- Appraisal & Valuation
- Investment Services
- Market Research

Accelerating Success

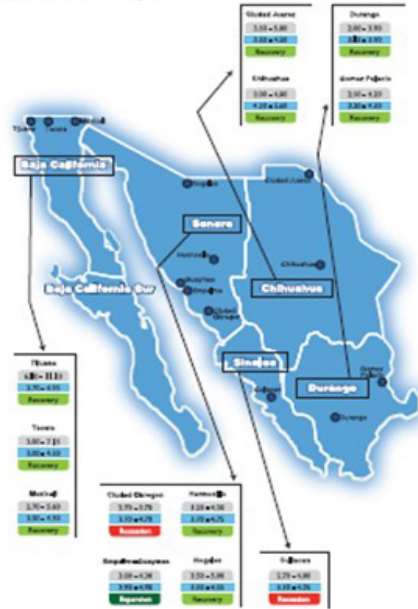
MEXICO'S INDUSTRIAL MAP 2014



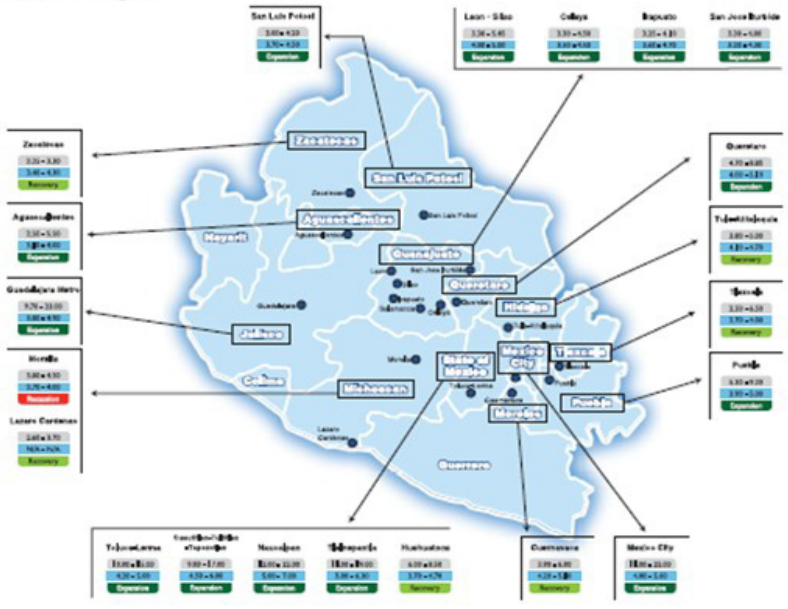
MEXICO'S INDUSTRIAL MAP 2014

Mexico's Industrial Real Estate Trends & Costs Guide 2014

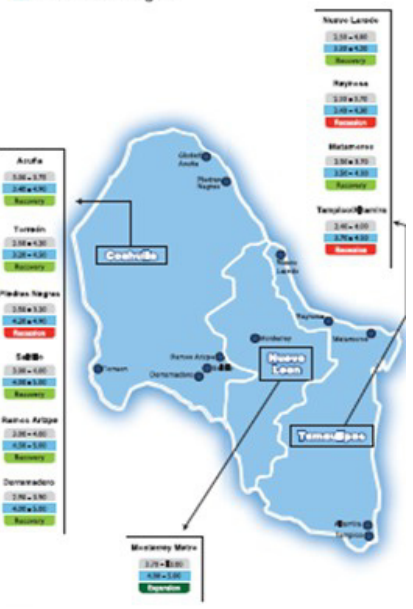
Northwest Region



Central Region



Northeast Region



COMMERCIAL REAL ESTATE CONSULTANTS
Industrial - Office - Retail

OUR SERVICES

- Tenant Representation
- Landlord Representation
- Broker/Staff & Facility Deposition
- Sale & Lease Back
- Site Selection & Logistics Advisory
- Appraisal & Valuation
- Investment Services
- Project Management
- Market Research

Colliers International

WHY MEXICO?

Strategic geographic location, Mexico's location gives it a natural proximity to serve as a link between the United States, Canada, Latin America, Europe and Asia-Pacific markets. Proximity to the North American Free Trade Zone (NAFTA) zone, major transportation infrastructure, abundant labor supply, and a growing middle class are all factors that contribute to Mexico's appeal as a manufacturing and service hub.

SELECTED SECTORS HIGHLIGHTS

- Automotive: Mexico is a major automotive hub, with a large and growing market for vehicles and components.
- Electronics: Mexico is a major electronics hub, with a large and growing market for electronic components and finished products.
- Food Processing: Mexico is a major food processing hub, with a large and growing market for food products.
- Textiles: Mexico is a major textiles hub, with a large and growing market for textiles and apparel.
- Chemicals: Mexico is a major chemicals hub, with a large and growing market for chemicals and related products.

Southeast Region

State	Price Range (USD)	Market Status
Veracruz	1.5M-3.5M	Steady
Oaxaca	1.5M-3.5M	Steady
Chiapas	1.5M-3.5M	Steady
Guerrero	1.5M-3.5M	Steady
Morelos	1.5M-3.5M	Steady
México City	1.5M-3.5M	Steady
Moravia	1.5M-3.5M	Steady
Veracruz	1.5M-3.5M	Steady

REAL ESTATE MARKET CYCLE

1. Market Growth: Strong demand for industrial space, leading to high construction activity and rising prices.

2. Market Peak: High construction activity, leading to a surplus of new supply and a decline in prices.

3. Market Correction: Excess supply, leading to a decline in construction activity and a further decline in prices.

4. Market Recovery: Stabilizing market, leading to a gradual increase in construction activity and prices.

Mexico's 2014 Industrial & Logistics Guide

Colliers International

| Q & A

Rafael McCadden, SIOR

Industrial & Logistics Director

Colliers International

Rafael.McCadden@colliers.com

MEXICO *NOW*

Mexico's Industrial & Logistics Location Summit

Manufacturing - Logistics - Real State

Mexico City
August 6-7, 2014