



# Monterrey Industrial Market

## Industrial Activity On The Rise

The industrial market presented a great demand for Class A space in this quarter. It is worth highlighting the good performance of some indicators such as gross absorption, net absorption, space under construction and number of transactions. The submarkets that registered the highest amount of commercialized space were Apodaca and Santa Catarina with 38.1% and 35.6%, respectively. The net absorption presented an upward trend compared to the same quarter of a year ago, it was more than 1.2 million square feet in this period.

The gross absorption registered in the quarter was just over 2.7 million square feet of Class A type, where transactions of companies such as Celestica, ZF Group, Benteng, among others, stand out. The space under construction continues to rise, registering a figure of just over 4.1 million square feet, higher than that registered in the previous quarter (3.9 million square feet) and the same quarter a year ago (4.0 million square feet); while the new offer is more than 2 million square feet. The new Class A industrial inventory is over 74.7 million square feet.

### Current Conditions

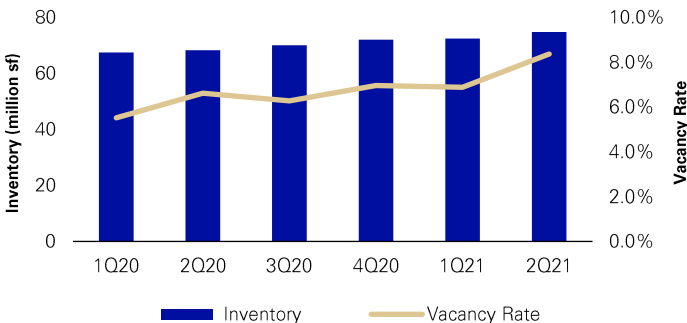
- Vacancy registered more than 6.2 million square feet
- Spaces in development on the rise. More than 4.1 million square feet were registered
- Stable rental price, it closed the quarter in US\$4.70 per square feet per year
- New offer of more than 2 million square feet

### Market Summary (Class A)

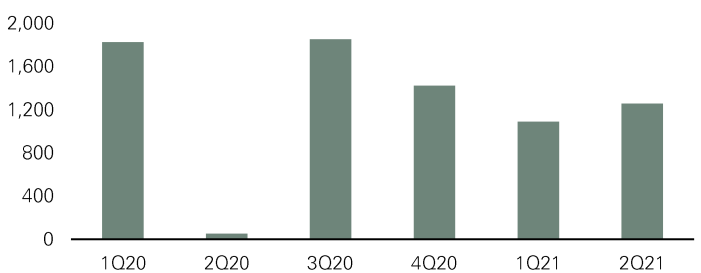
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	74.7M	72.4M	68.2M	↑
Vacancy Rate	8.4%	6.9%	6.6%	↓
Quarterly Net Absorption (SF)	1.2M	1.0M	52,000	→
Average Asking Rent (SF/Year)	\$4.70	\$4.70	\$4.69	→
Under Construction (SF)	4.1M	3.9M	4.0M	→

### Market Analysis

#### INVENTORY & VACANCY RATE



#### NET ABSORPTION (000'S SF)



### Rising Offer

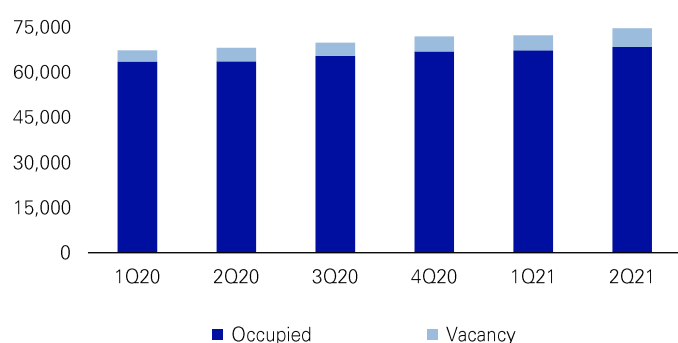
Vacancy in the quarter was 6.2 million square feet. This increase in available space is due to the vacating of existing buildings and the completion of speculative buildings under construction. With this, 2Q21 registered a vacancy rate of 8.4%, a figure that had not been seen since 1Q19 whose rate was 8.6%. Although there was an increase in vacancy, there is currently a stable supply due to the good performance of the market in terms of gross absorption, exceeding 2.8 million square feet.

### Stable Prices

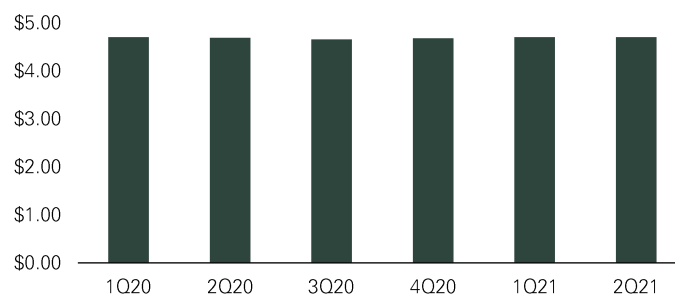
In this second quarter, the rental price remained stable compared to the previous quarter, registering US\$4.70 per square feet per year and a slight increase compared to the same period a year ago, which was US\$4.69 per square feet per year. Pesqueria, Apodaca and Guadalupe are the submarkets with the highest rental prices, which are US\$4.87, US\$4.86 and US\$4.71 respectively; while the submarket with the lowest rental price is San Nicolas with US\$4.32 per square feet per year.

#### Occupied Space & Vacant Space

000's SF



#### Average Asking Rent (USD/SF/Year)



#### Market Indicators

	Total Inventory (million SF)	Under Construction (million SF)	Total Vacancy (million SF)	Total Vacancy Rate	Total Asking Rent (USD/SF/Year)
Apodaca	25.7	0.6	2.4	9.3%	\$4.86
Cienega de Flores	12.6	0.8	1.5	11.9%	\$4.64
Escobedo	7.2	0.4	0.9	12.7%	\$4.49
Guadalupe	12.4	0.5	0.2	1.8%	\$4.71
Monterrey	0.9	0	0	0.0%	-
Pesqueria	2.4	0.2	0.2	11.5%	\$4.87
Salinas Victoria	3.4	0.2	0	0.0%	-
San Nicolas	0.7	0	0.05	7.4%	\$4.32
Santa Catarina	8.9	1.0	0.8	9.5%	\$4.59
<b>Market</b>	<b>74.7</b>	<b>4.1</b>	<b>6.2</b>	<b>8.4%</b>	<b>\$4.70</b>

### Growing Demand

The market had a good amount of activity, since the gross absorption was more than 2.8 million square feet in 18 confirmed operations and, so far this year, it has accumulated 4.2 million square feet. The Apodaca and Santa Catarina submarkets had the highest demand for space with 38.1% and 35.6% respectively. Likewise, operations in BTS projects concentrated 66.1%, rental operations 31.0%, and existing building expansions 2.8%. We expect this stable rhythm to be maintained in 3Q21 and the accumulated gross absorption will exceed 5.3 million square feet.

### Space Under Construction Rising

The space under construction again registered an increase, compared to the previous quarter (3.9 million square feet) and the same quarter of a year ago (4.0 million square feet), of more than 4.1 million square feet. Santa Catarina and Cienega de Flores are the submarkets with the largest amount of space under construction, concentrating 23.8% and 20.6% respectively. BTS-type projects were registered with 58.0%, followed by speculative spaces with 40.1% and expansion of existing warehouses with 1.9%.

#### Main Operations

Tenant	Submarket	Type	SF
Confidential	Santa Catarina	BTS	1,000,000
ZF Group	Guadalupe	BTS	117,600
Celestica	Apodaca	Lease	119,500

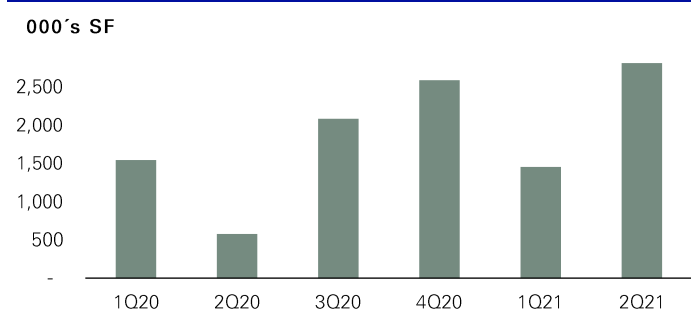
#### New Supply

Building	Submarket	Type	SF
Spec VI	Cienega de Flores	Spec	282,000
Spec VI	Apodaca	Spec	145,000
INV 03	Apodaca	Spec	140,000

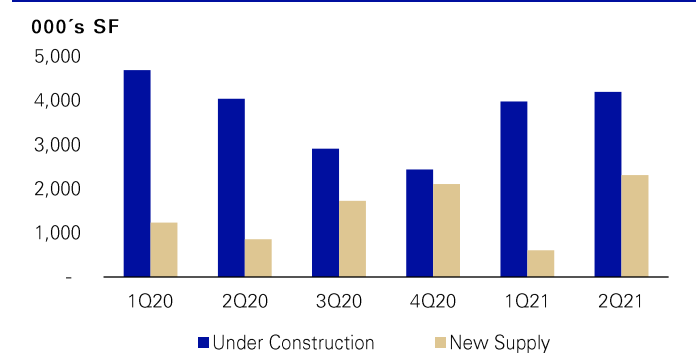
#### Under Construction

Building	Submarket	Type	SF
Confidential	Santa Catarina	BTS	1,000,000
B5	Cienega de Flores	Spec	287,600
CPA B013	Cienega de Flores	Spec	254,200

#### Gross Absorption



#### Under Construction & New Supply



### Economic Conditions

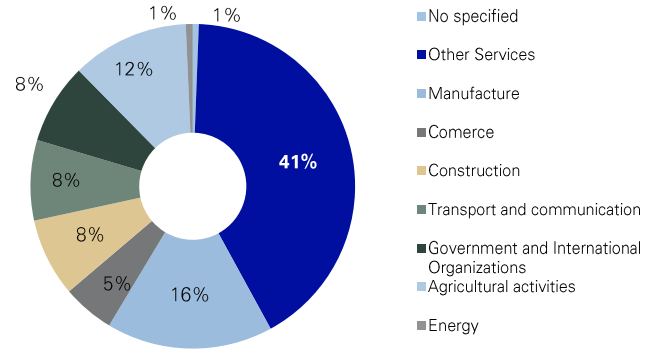
As of June, the branch of economic activity registered other services, manufacturing industry and agricultural activities with 41%, 17% and 12% respectively.

The Mexico Labor Department, with respect to the state of Nuevo León, indicated that by the end of 1Q21 the unemployment rate at the national and state level was 4.9% and 4.4% respectively, registering increases compared to 4Q20.

The Economic Department indicated in its 1Q21 report that at the national level, Direct Foreign Investment reported 11,864 million dollars while the state of Nuevo León registered 1,015 million dollars, this being a participation of 9%.

### Employment by Sector, Nuevo Leon

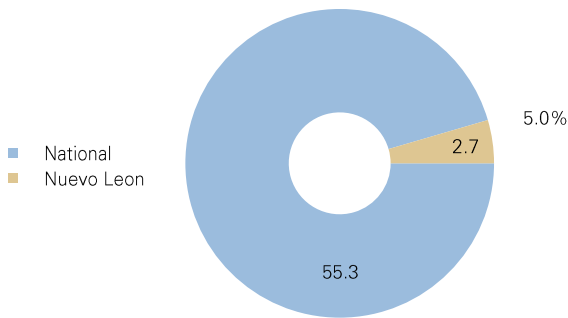
#### ECONOMIC ACTIVITY



Source: Secretaria del Trabajo y Prevision Social (Nuevo Leon), June 2021

### Economically Active Population

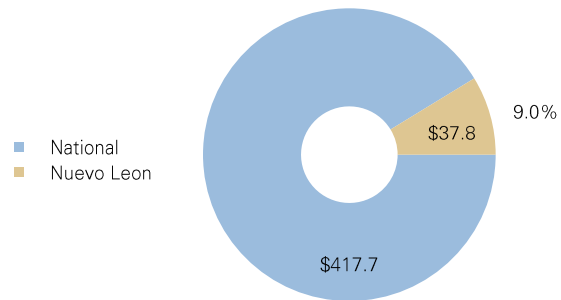
#### MILLION INHABITANTS



Source: Secretaria de Economia y Trabajo (Nuevo Leon), June 2021

### Economic Position, Nuevo Leon

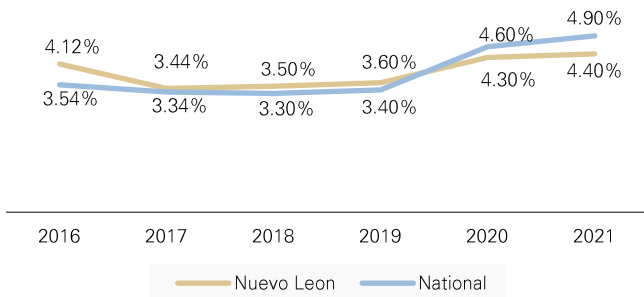
#### EXPORTS, BILLION DOLLAR



Source: Secretaria de Economia y Trabajo (Nuevo Leon), April 2021

### Unemployment Rate

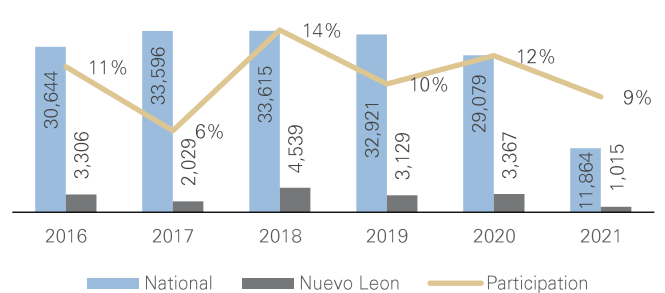
#### INDICATOR



Source: Secretaria del Trabajo y Prevision Social (Nuevo Leon), June 2021

### Foreign Direct Investment

#### USD MILLION



Source: Secretaria de Economia, 1Q 2021

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