



Mexico City Metropolitan Area Industrial Market

The Industrial Transformation

The industrial sector has become the most attractive in recent years, not only as a consequence of the current pandemic; but also, a product of the transformations of the market, the city and society itself.

One of the most dynamic submarkets not only in Mexico, but in Latin America, corresponds to Cuautitlán, Tepotzotlán and Tultitlán (CTT). This corridor makes up more than 50% of the industrial inventory of the Metropolitan Area of Mexico City, in addition to presenting the highest levels of activity recorded in recent years. However, despite the large amount of movement in this area, the areas of land available in the CTT are decreasing, generating a need to deconcentrate certain activities in the area.

The solution to this condition has been the process of transformation of the supply chains to be able to evaluate the movements of the last mile, as well as to begin to expand the industrial market towards the Huehuetoca - Nextlalpan area.

Current Conditions

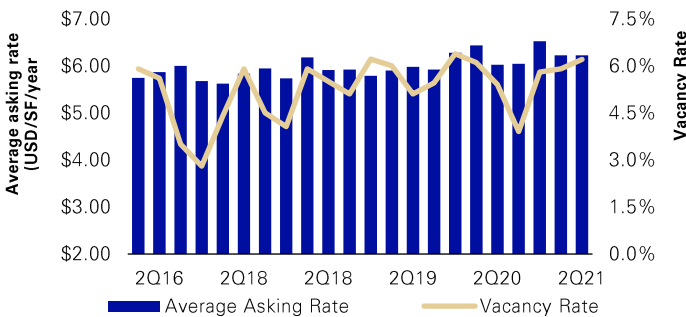
- Class A industrial inventory closed the quarter at nearly 136.8 million SF.
- Construction activity reached 7.3 million SF in the second quarter of 2021.
- The vacancy rate in the Mexico City Metropolitan Area increased from 5.9% in 1Q21 to 6.2% in 2Q21.

Market Summary

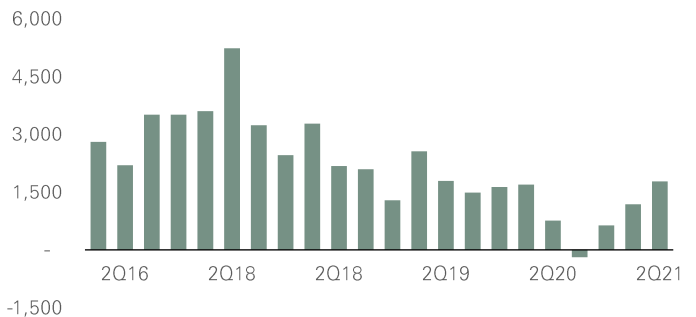
	Current Quarter	Prior Quarter	One year ago	12-month forecast
Total inventory (m ²)	136.8 M	134.6 M	127.2 M	↑
Vacancy rate	6.2%	5.9%	5.4%	→
Quarterly absorption (m ²)	1.8 M	1.1 M	0.7 M	↑
Average asking rent(USD/SF/year)	\$5.58	\$5.58	\$5.49	→
Under construction (m ²)	7.3 M	9.3 M	10.7 M	↑

Market Analysis

AVERAGE LEASE RATE AND VACANCY RATE



NET ABSORPTION (Thousand SF)



The Need for Industrial Expansion

Despite the ups and downs that have occurred during the pandemic, there are at least 10 planned industrial parks in the Metropolitan Area of Mexico City. This implies - at least - the forecast of half a million square meters to be built, independent of the 2.7 SF currently under development.

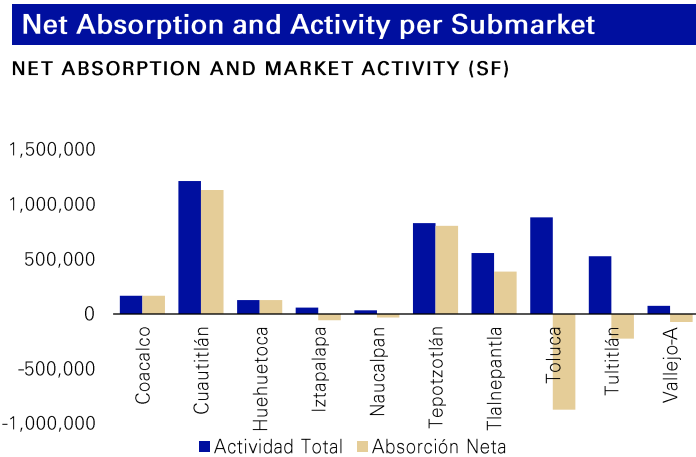
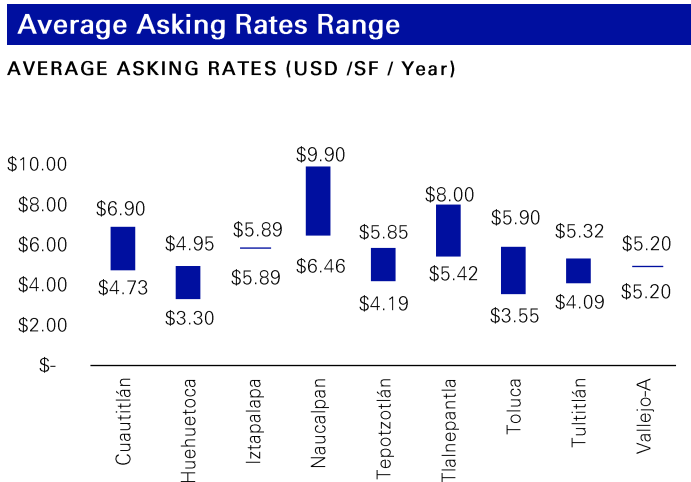
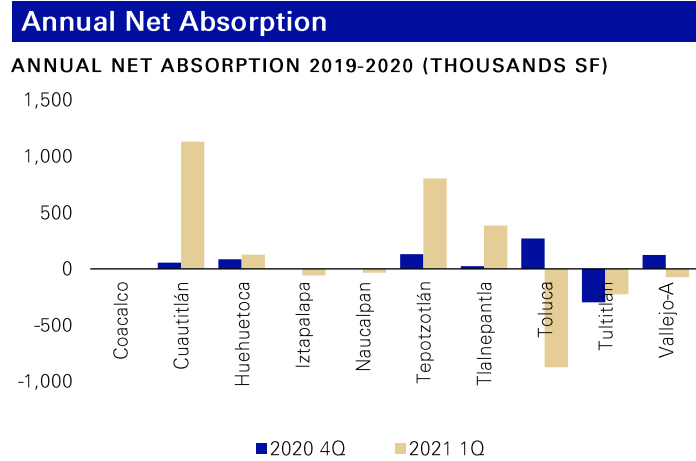
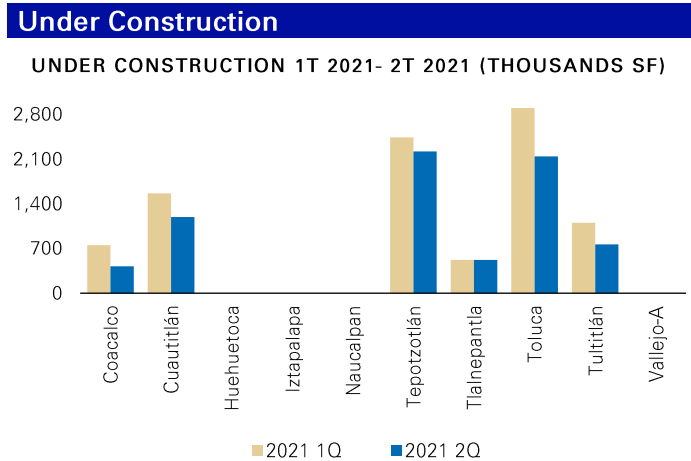
This need to satisfy the industrial demand in the central zone of the country, has generated that they begin to acquire real estate in the periphery of the city. This is the case of the Vallejo-Azcapotzalco corridor, with a new industrial supply within the area, as well as the Huehuetoca area and even towards the state of Hidalgo. In addition, it should not be overlooked that the Toluca market is also in the process of expansion and has several parks under construction and planned. The State of Mexico is one of the states with the greatest impulse to the industrial sector

today.

Diversification of Logistics Providers

Although the industrial sector did not stop despite the pandemic and changes regarding its own nature have occurred gradually, the diversification of activities by logistics actors has undergone transformations. This is mainly reflected around electronic commerce.

Five of the tools that currently function as a strategy in the logistics sector are the following: marketplace, omnichannel strategy, last mile, artificial intelligence and Live Stream Commerce. These tools seek to integrate all the processes of the supply chains to streamline the processes from their initial planning stage to the final stage with the returns process.



RESEARCH 2Q 2021

Market behavior

Prices for the second quarter of 2021 remained constant compared to the previous quarter. The corridor with the lowest price corresponds to Huehuetoca with \$ 3.68 USD/SF/year and the highest price in the market is Vallejo-Azcapotzalco, with a value of \$ 3.68 USD/SF/year.

On the other hand, the availability rate increased slightly due to the incorporation of industrial buildings under construction to the inventory. With this, it went from 5.8% in the first quarter of the year to 6.2% in the second quarter of 2021.

Market absorption has shown signs of recovery compared to previous quarters, since despite the addition of new warehouses, it went from having 1.2 SF to 1.8 SF at the end of the first half of the year.

Industrial Parks Under Construction

Toluca Park II	TepozPark IV
O'Donnell Puente México	Frontier Toluca
Panorama Industrial Coacalco	La Laguna Industrial Park
Convento CityPark	Parque Industrial Arco 57
Megapark	T-MEC Park
Prologis Park Ladero	Parque industrial Alfredo del Mazo
Prologis Park Grande	Premium Park Tultepec

Submarket Stats

	Total Inventory (SF)	Under construction (SF)	Total Vacancy (SF)	Vacancy Rate	Total Activity (SF)	Quarterly Net Absorption (SF)	Average Asking Rate (USD/SF/year)
Coacalco	1.5	0.42	-	-	-	-	-
Cuautitlán	40.1	1.19	1.54	3.80%	-	0.7	\$6.51
Huehuetoca	9.0	-	0.55	6.10%	-	0.3	\$4.37
Iztapalapa	2.9	-	-	-	0.1	0.1	-
Naucalpan	1.0	-	0.06	5.70%	0.0	0.0	\$8.26
Tepotzotlán	21.0	2.22	1.73	8.20%	1.4	1.2	\$6.13
Tlalnepantla	12.6	0.52	0.92	7.30%	0.5	0.5	\$7.09
Toluca	22.4	2.14	2.35	10.50%	0.9	0.6	\$5.27
Tultitlán	20.5	0.77	0.95	4.60%	0.2	0.2	\$5.21
Vallejo-Azcapotzalco	5.8	-	0.37	6.40%	0.1	0.0	\$5.83
Total	136.8	7.27	8.47	6.20%	4.0	1.8	\$6.22

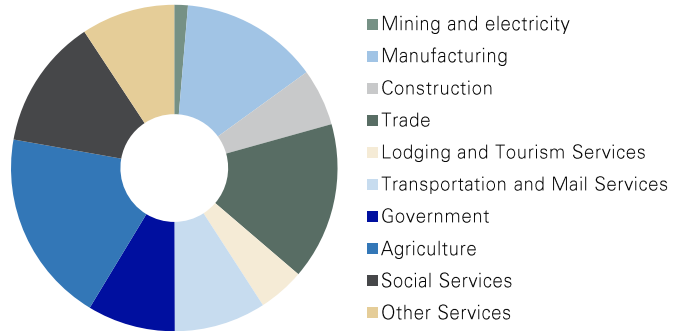
Encouraging outlook

Throughout the second quarter of the year, economic indicators have managed to show clear signs of recovery. The attraction of foreign investment registered in recent months showed an increase of almost 15%, these results have been supported by the T-MEC.

On the other hand, in order to stabilize prices and due to inflationary pressure, Banco de México decided to increase the interest rate by 25 basis points, that is, 4.25%. Based on this decision, the rate is expected to reach 5.5% by the end of the year, promoted by monetary policy decisions and the pressure to raise economic growth indicators in the country. GDP expectations are expected to be between 5 and 7% for the subsequent quarters of the current year.

Employment per Economic Sector

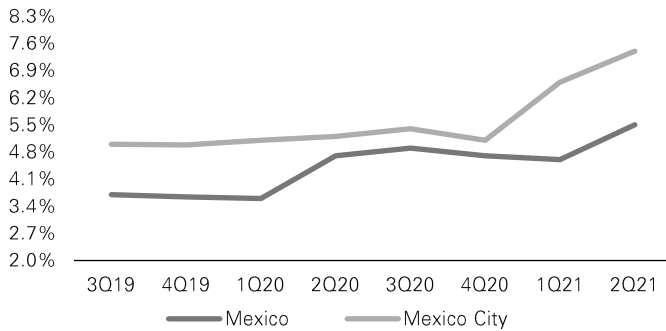
MEXICO CITY AND METROPOLITAN AREA, JUNE 2021



Source: INEGI, ENOE

Unemployment Rate

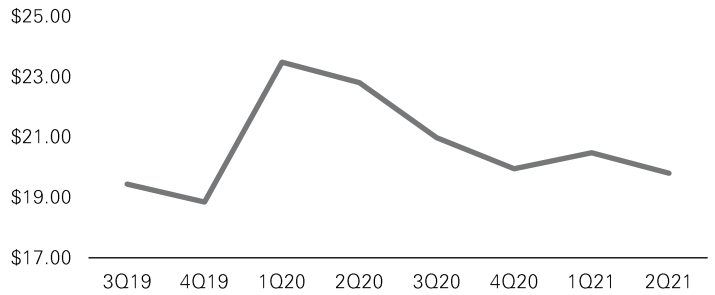
ANNUAL INDICATOR



Source: INEGI, ENOE

Exchange Rate

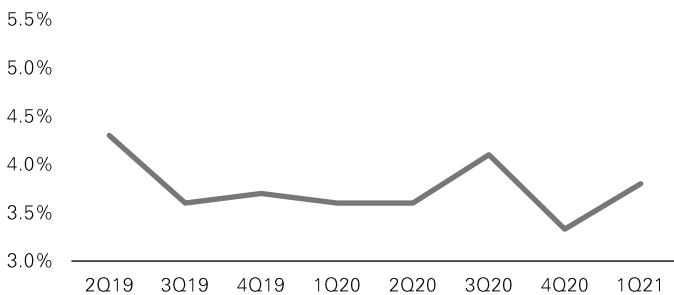
MEXICAN PESOS (MXN) PER U.S DOLLAR (USD)



Source : Banxico

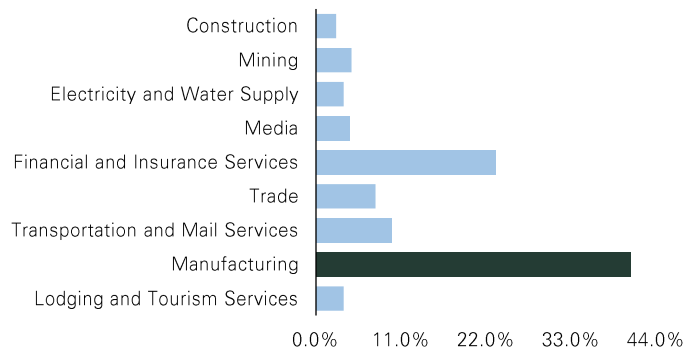
Consumer Price Index (CPI)

ANNUAL INDICATOR



Source: Banxico

Foreign Direct Investment



Source: INEGI, ENOE

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