



# Monterrey Industrial Market

## Dynamic market

In the third quarter of this year, the dynamism observed in previous quarters continued, and it even intensified. So far this year, over 8.8 million square feet have been put under contract. Compared to the accumulated gross absorption from the year prior, this is greater than the 8.6 million square feet recorded by 3Q 2021.

Even though gross absorption this quarter was a little over 3.6 million square feet, it is worth noticing that the submarkets with the strongest demand were Apodaca and Salinas Victoria, with 35.6% and 19.6% respectively.

It is interesting that, in this quarter, there was an increase in space under construction, reaching now a total of over 9.6 million square feet. Out of this figure, 35.8% are speculative spaces, and approximately 50% of those spaces are leased.

The new supply was 1.1 million square feet, so that Class A stock reached a new high of 81.7 million square feet.

### Current Conditions

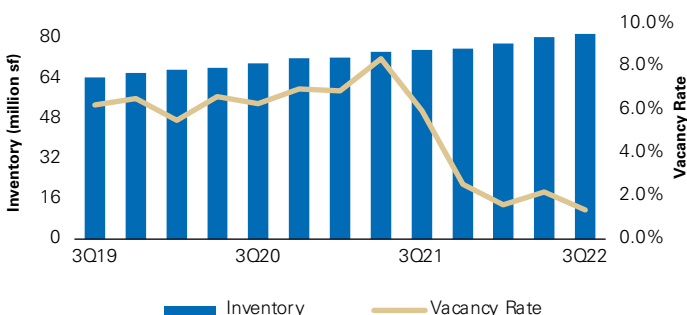
- Class A vacancy was more than 1.1 million square feet.
- Asking rent recorded US\$5.36 per square feet per year.
- Space under construction registered over 9.6 million square feet.
- Accumulative gross absorption recorded more than 8.8 million square feet.

### Market Summary (Class A)

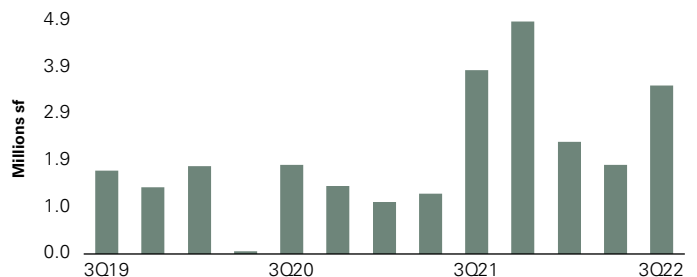
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	81.7M	80.5M	75.3M	↑
Vacancy Rate	1.4%	2.2%	6.0%	↓
Quarterly Net Absorption (SF)	3.5M	1.8M	3.9M	↑
Avg. Asking Rent (SF/Year)	\$5.36	\$5.28	\$4.70	↑
Under Construction (SF)	9.6M	7.6M	5.4M	↓

### Market Analysis

#### INVENTORY & VACANCY RATE



#### NET ABSORPTION



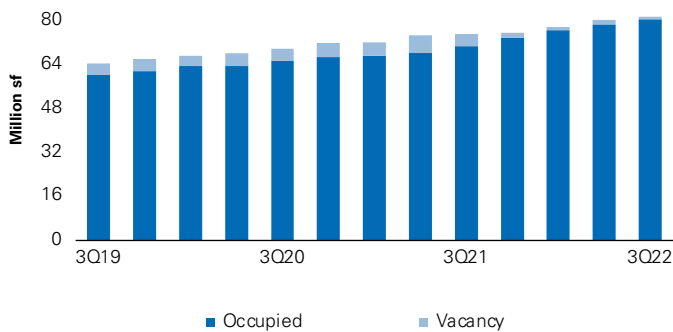
**Vacancy continues decreasing**

Industrial Class A vacancy reached 1.1 million square feet, which is inferior to the total from last year (4.4 million square feet). Therefore, the observed vacancy rate was 1.4%. This is expected to continue decreasing this year. The submarkets with the highest availability rate are Pesqueria and Cienega de Flores, representing 4.2% and 2.4% respectively. The submarkets with the greatest space available to put under contract are Apodaca and Cienega de Flores, with 471,000 square feet and 324,000 square feet, respectively.

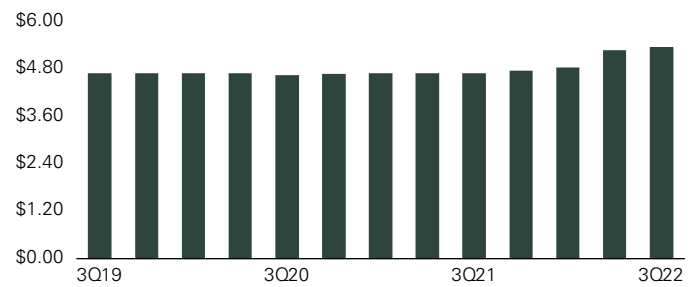
**Increasing price**

Regarding the weighted lease price, there was change resulting in an upward trend compared to the previous quarter, going from US\$5.28 per square feet per year to US\$5.36 per square feet per year. Similarly, the yearly compared performance displayed similar trends versus the price on 3Q 2021, which was US\$4.70 per square feet per year. We expect the price to continue increasing due to new supply of speculative spaces due to be finished in the last quarter of the year. The Guadalupe submarket showed the highest leasing price with US\$6.96 per square feet per year.

**OCCUPIED SPACE & VACANT SPACE**



**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	28.6	1.7	0.4	1.6%	\$5.19	
Cienega de Flores	13.7	2.2	0.3	2.4%	\$5.76	
Escobedo	7.7	1.2	0.02	0.4%	\$4.92	
Guadalupe	13.0	1.1	0.04	0.4%	\$6.96	
Monterrey	0.9	0.2	0	0.0%	-	
Pesqueria	2.4	0.2	0.1	4.2%	\$5.28	
Salinas Victoria	3.7	1.6	0	0.0%	-	
San Nicolas	0.7	0	0	0.0%	-	
Santa Catarina	10.5	1.1	0.1	1.2%	\$4.56	
<b>Market</b>	<b>81.7</b>	<b>9.6</b>	<b>1.1</b>	<b>1.4%</b>	<b>\$5.36</b>	

## RESEARCH 3Q 2022

### Stability in Class A demand

Gross absorption in 3Q 2022 was 3.6 million square feet, which was inferior to what was put into contract one year ago, 4.3 million square feet. Regarding the type of operations recorded in this quarter, 47.7% pertain to lease operations, 46.7% to Build-To-Suit operations, and 5.6% for operations involving expansions of existing buildings. With an accumulated gross absorption reaching 8.8 million square feet, there is slightly over 1.1 million square feet in the process of closing for the next quarter, as well as other projects yet to be completed.

### Construction continues expanding

Space under construction maintains an expanding pace, with a total of slightly over 9.6 million square feet, build-to-suit constructions represent 56.6%, while speculative developments and expansions of existing spaces represent 35.8% and 7.5%, respectively. The Cienega de Flores and Apodaca submarkets are identified as having the most space under construction, with 22.9% and 17.8%, respectively. Regarding new supply, it is expected that approximately 3.2 million square feet will be completed by 4Q 2022.

### Main Operations

Tenant	Submarket	Type	SF
Bosch	Salinas Victoria	BTS	708,200
CF Moto	Apodaca	Lease	395,000
Aspen	Apodaca	Lease	199,600

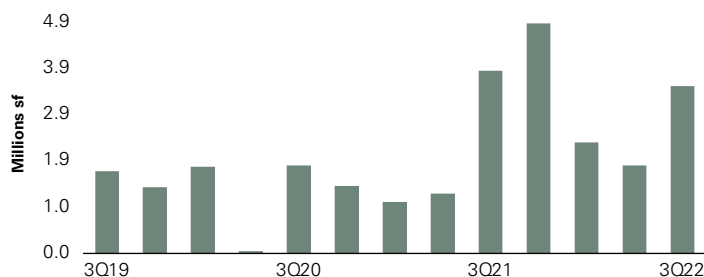
### New Supply

Building	Submarket	Type	SF
AGP	Santa Catarina	BTS	1,000,000
M02	Apodaca	Spec	153,500
-	-	-	-

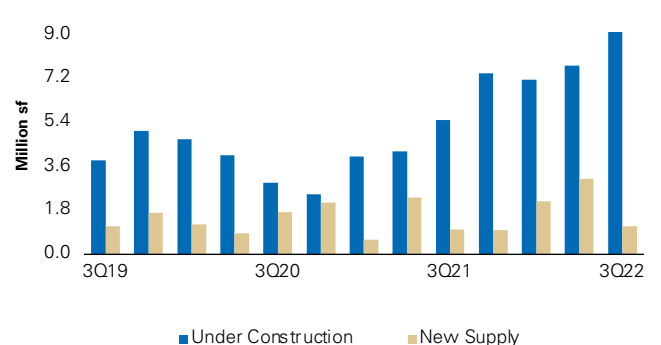
### Under Construction

Building	Submarket	Type	SF
Hengli America	Santa Catarina	BTS	708,200
Bosch	Salinas Victoria	BTS	730,800
Kuka	Salinas Victoria	BTS	625,600

### GROSS ABSORPTION



### UNDER CONSTRUCTION & NEW SUPPLY



### Economic Conditions

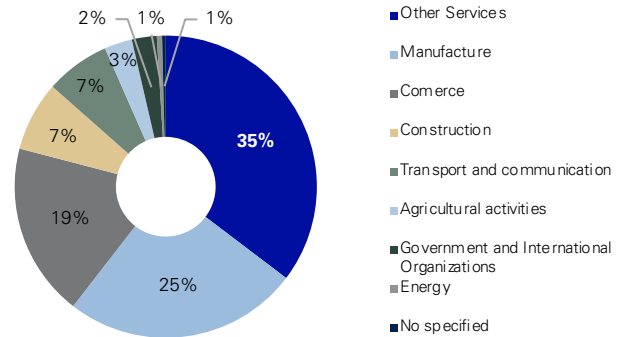
The Nuevo Leon Ministry of Labor and Social Welfare reported the following data of the second quarter of 2022 pertaining to revenue as segmented by economic sector: 35% other services, 25% manufacturing industry, 19% commerce, among others.

The unemployment rate reached a national and state rate of 3.2% and 3.7%, respectively.

The report by the Ministry of Economy for the second quarter of 2022 states that, at the national level, the Direct Foreign Investment was 27,512 million dollars, while the state of Nuevo Leon reached a total of 2,661 million dollars, representing 10% of the total.

### Employment by Sector, Nuevo Leon

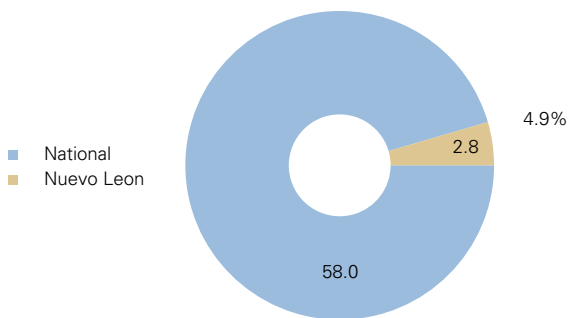
#### ECONOMIC ACTIVITY



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 2Q 2022

### Economically Active Population

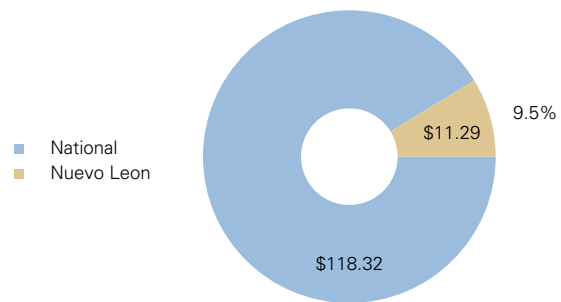
#### MILLION INHABITANTS



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 2Q 2022

### Economic Position, Nuevo Leon

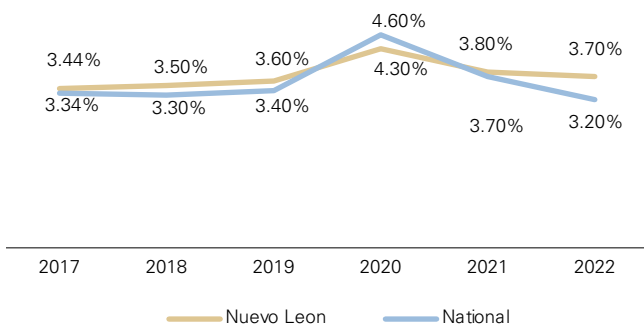
#### EXPORT VALUE, BILLION DOLLAR



Source: ETEF, INEGI, 1Q 2022

### Unemployment Rate

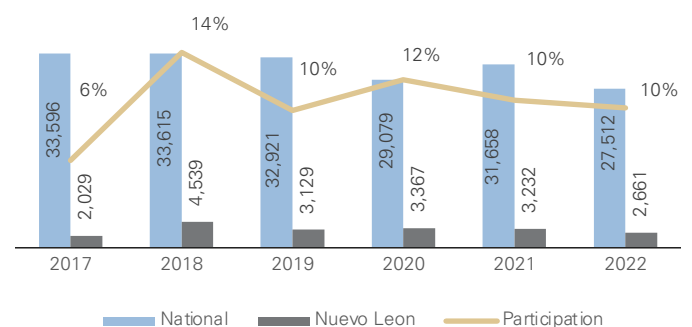
#### INDICATOR



Source: Secretaria del Trabajo y Prevision Social (Nuevo Leon), 2Q 2022

### Foreign Direct Investment

#### USD MILLION



Source: Secretaria de Economia, 2Q 2022

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at <https://nmrk.lat/reportes-de-mercado/>.

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