



Monterrey Industrial Market

Leased spaces in 2022 higher than 2021

As of the end of the last quarter of 2022, the market showed dynamism, whereby demand for Class A space was superior to 2021 figures. The 2022 accumulated gross absorption was 13.7 million square feet, which is above the 13.5 million square feet recorded the year prior. This behavior resulted in one of the lowest vacancy rates ever recorded, reaching a total of 0.5%.

The gross absorption on Q4 2022 was 4.8 million square feet, whereby the submarkets with the highest demand were Apodaca and Santa Catarina, with 47.4% and 16.7%, respectively.

Pertaining to the space under construction in this quarter, there was also an increase, and the final figure was above 12.5 million square feet. 49.2% corresponds to the speculative space under development, out of which 52.9% are leased.

Class A inventory reached a new total of 84.0 million square feet.

Current Conditions

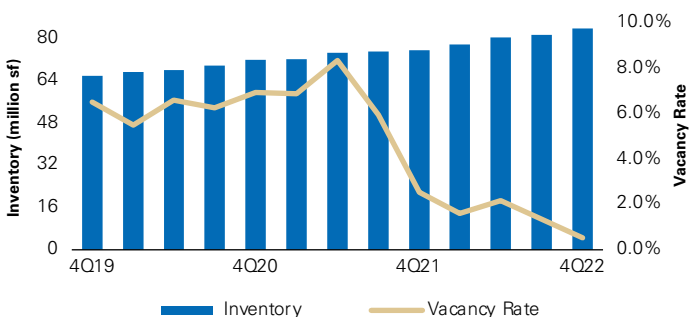
- Industrial Class A vacancy in the quarter reached 444,000 square feet.
- Asking rent recorded US\$6.05 per square feet per year.
- The space under construction resulted in a total of over 12.5 million square feet.

Market Summary (Class A)

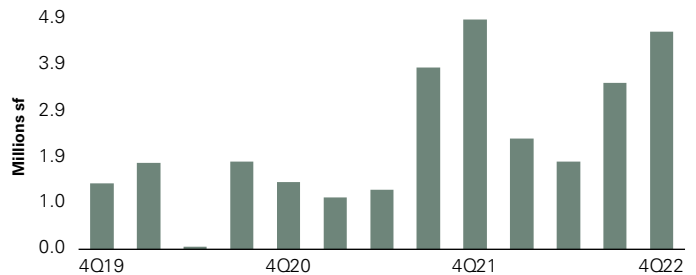
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	84.0M	81.7M	75.8M	↑
Vacancy Rate	0.5%	1.4%	2.5%	↑
Quarterly Net Absorption (SF)	4.5M	3.5M	4.8M	↓
Avg. Asking Rent (SF/Year)	\$6.05	\$5.36	\$4.76	↑
Under Construction (SF)	12.5	9.6M	7.3M	↓

Market Analysis

INVENTORY & VACANCY RATE



NET ABSORPTION

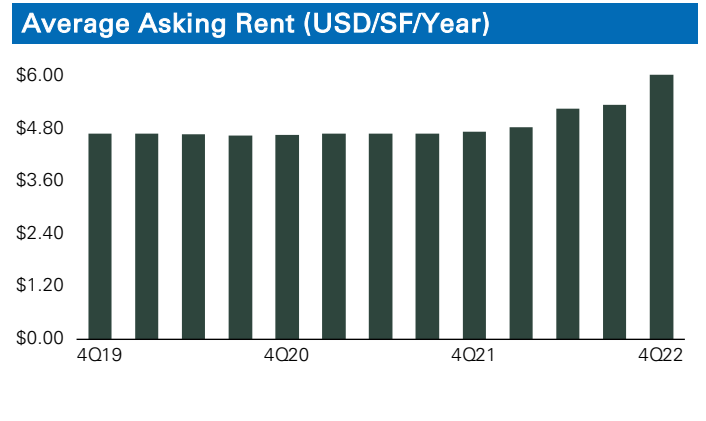
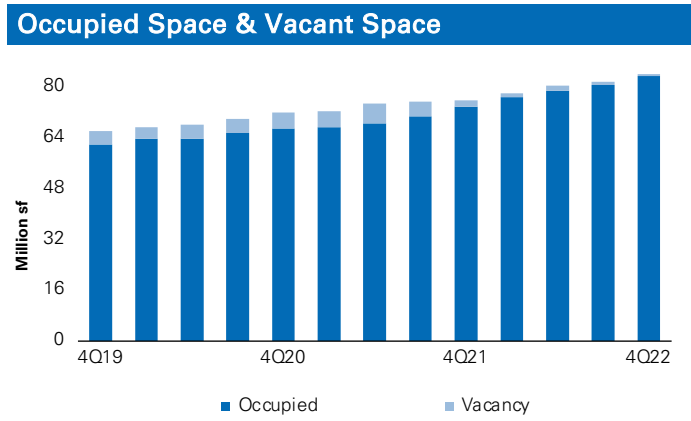


Vacancy in Class A decreasing

Industrial Class A vacancy again showed decreasing results with 444,000 square feet. This is inferior compared to the vacancy one year ago, which stood at 1.9 million square feet. As previously mentioned, the high demand in the market caused a decrease in vacancy rate, going from 2.5% at the end of 2021 to 0.5%. The submarkets that still have vacant space are Cienega de Flores and Apodaca, reporting a vacancy rate of 1.7% and 0.7%, respectively.

Prices continue rising

The weighted leasing price reported a shift towards increasing compared to the previous quarter, going from US\$5.36 per square feet per month to US\$6.05 per square feet per month. In the yearly comparison, a similar pattern was observed versus the Q4 2021 price, which was US\$4.76 per square feet per month. Given the limited existing vacant space, the leasing price for spaces under construction, but near completion, was revised. The Santa Catarina submarket had the highest leasing price with US\$6.60 per square feet per month.



Market Indicators								
	Total Inventory (million SF)	Under Construction (million SF)	Total Vacancy (million SF)	Total Vacancy Rate	Gross Absorption (million SF)	Net Absorption (million SF)	Total Asking Rent (USD/SF/Year)	Under Construction Asking Rent (USD/SF/Year)
Apodaca	29.3	4.5	0.1	0.7%	2.2	2.2	\$5.35	\$6.19
Cienega de Flores	14.6	2.0	0.2	1.7%	0.7	0.4	\$6.60	\$6.00
Escobedo	8.0	1.1	0	0.0%	0.7	0.7	-	\$5.88
Guadalupe	13.0	1.1	0	0.0%	0.04	0.04	-	-
Monterrey	0.9	0.3	0	0.0%	0.08	0.08	-	-
Pesqueria	2.9	0	0	0.0%	0.1	0.1	-	-
Salinas Victoria	3.7	1.3	0	0.0%	0	0	-	-
San Nicolas	0.7	0	0	0.0%	0	0	-	-
Santa Catarina	10.5	1.9	0	0.0%	0.8	0.8	-	\$6.60
Market	84.0	12.5	0.4	0.5%	4.8	4.5	\$6.05	\$6.13

RESEARCH 4Q 2022

Demand increases

Gross absorption in Q4 2022 was 4.8 million square feet, being inferior to the leased space from a year prior, which was 4.9 million square feet. The type of operations recorded during the quarter were: 64.0% in leasing operations, 33.9% in build-to-suit operations, and 2.1% in operations for the expansion of existing spaces. Regarding the higher demand for industrial spaces, this could be broken down by sub-industry as follows: automotive, electronics, and logistics, with 35.1%, 22.0%, and 20.6%, respectively.

Construction continues increasing

The space under construction remains dynamic, reaching a historic total of over 12.5 million square feet in the Monterrey metropolitan area. The speculative buildings represented 49.2% of the total, while the build-to-suit and expansions of existing spaces represented 48.6% and 2.2%, respectively. The Apodaca and Cienega de Flores submarkets reported the most spaces under construction with 36.4% and 16.6%, respectively.

Main Operations

Tenant	Submarket	Type	SF
Parker	Apodaca	BTS	364,900
Yinlun	Cienega de Flores	Spec	334,600
American Woodmark	Cienega de Flores	BTS	279,900

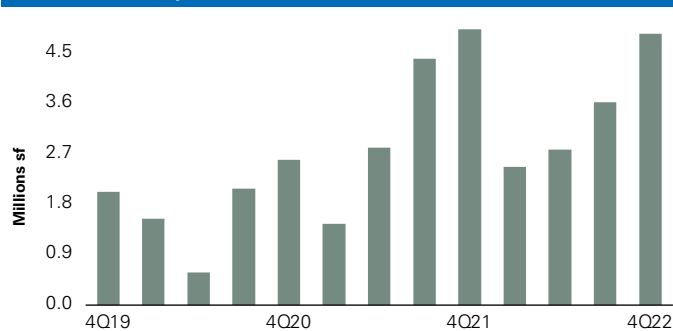
New Supply

Building	Submarket	Type	SF
Benteng	Pesqueria	BTS	484,370
Maxon	Cienega de Flores	BTS	462,850
Terex	Cienega de Flores	BTS	430,500

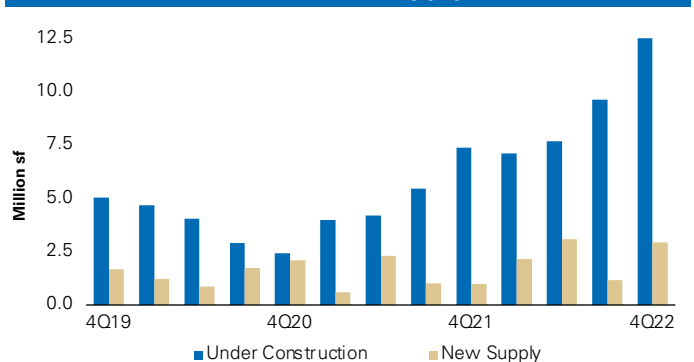
Under Construction

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

Gross Absorption



Under Construction & New Supply



Economic Conditions

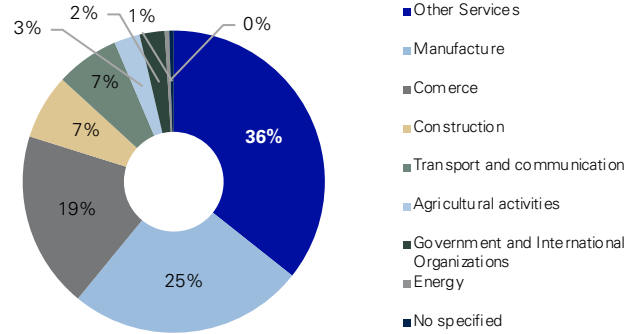
The Ministry of Labor and Social Welfare of Nuevo Leon stated that economic output in the third quarter of 2022 could be broken down by the following sectors: 36% other services, 25% manufacturing industry, 19% trade, among others.

The unemployment rate reported on the third quarter of 2022, with a national and state total of 3.4% and 4.1%, respectively.

In its third quarter 2022 report, the Ministry of Economy stated that the total of Direct Foreign Investment nationwide was 32,147 million dollars. For the state of Nuevo Leon, the total was 2,805 million dollars, with a total share of 9%.

Employment by Sector, Nuevo Leon

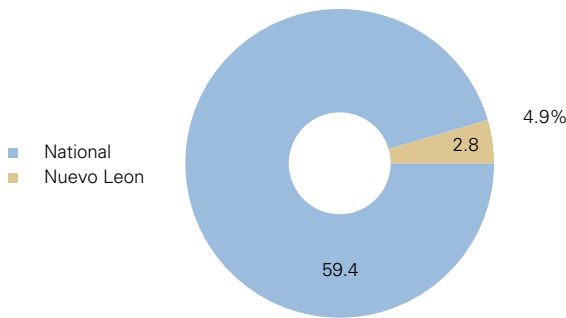
ECONOMIC ACTIVITY



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 3Q 2022

Economically Active Population

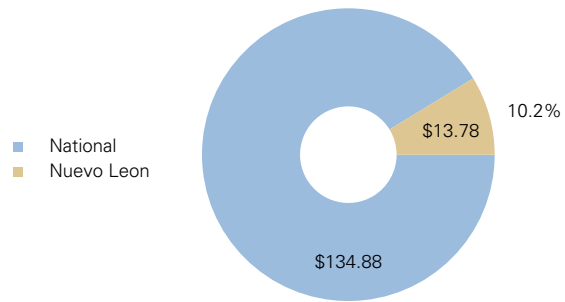
MILLION INHABITANTS



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 3Q 2022

Economic Position, Nuevo Leon

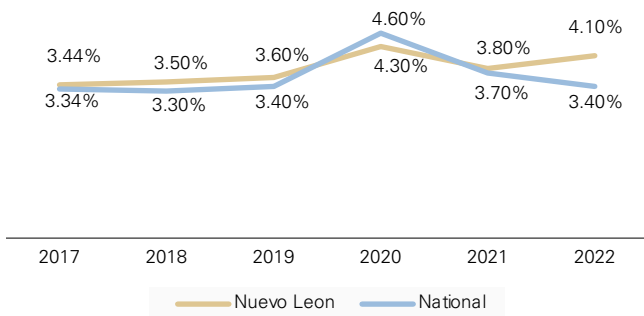
EXPORT VALUE, BILLION DOLLAR



Source: ETEF, INEGI, 3Q 2022

Unemployment Rate

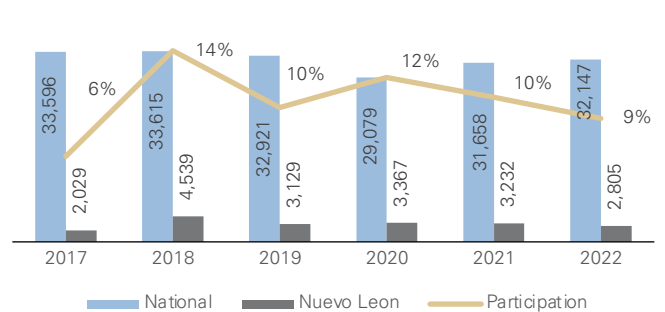
INDICATOR



Source: Secretaria del Trabajo y Prevision Social (Nuevo Leon), 3Q 2022

Foreign Direct Investment

USD MILLION



Source: Secretaria de Economia, 3Q 2022

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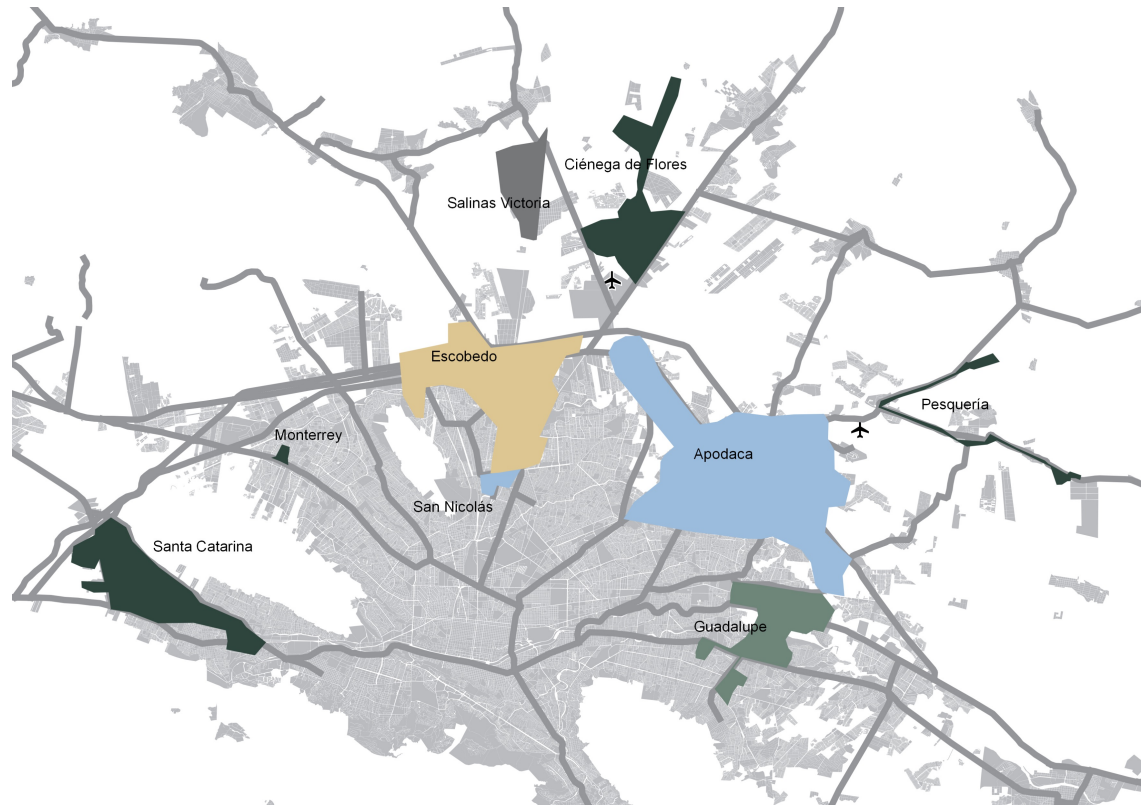
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