

# Monterrey Industrial Market

## Stable gross absorption at the start of the year

In the first quarter of the year, industrial activity featured the gross absorption in Class A buildings, reporting slightly over 1.8 million square feet. Likewise, the conclusion of new speculative space (slightly over 1.0 million square feet) has created a new vacancy rate of 1.6%.

One of the highlights in this first quarter was the increase in the weighted lease price, pointing to an average US\$6.47 per square feet per year. We expect that, in the coming months, with the conclusion of new industrial supply, the price will stay on the rise.

Regarding space under construction, we again observed an increase in this indicator, reaching over 13.9 million square feet. Compared to the previous figures, it stands out that the build-to-suit project account for 50.8%. Currently, the institutional and investment developers are preparing for the demand in this market of 2023 with nearly 31 speculative projects in the panning phases.

The Class A inventory reached a new record of 85.1 million square feet.

### Current Conditions

- At the beginning of the year the industrial Class A vacancy reached 1.3 million square feet.
- The average asking rent showed an expansion trend never before seen. The new average is US\$6.47 per square feet per year.
- The space under construction created a new record of more than 13.9 million square feet.

### Market Summary (Class A)

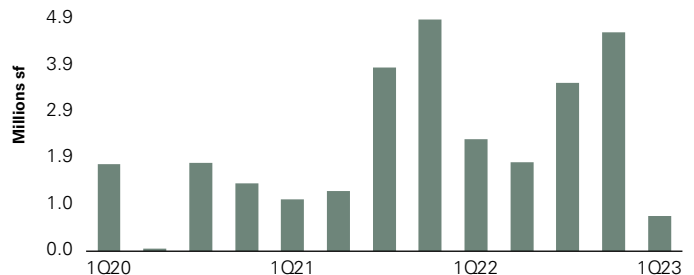
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	85.1M	84.0M	78.0M	↑
Vacancy Rate	1.6%	0.5%	1.6%	↑
Quarterly Net Absorption (SF)	0.7M	4.5M	2.3M	↑
Avg. Asking Rent (SF/Year)	\$6.47	\$6.05	\$4.85	↑
Under Construction (SF)	13.9M	12.5M	7.1M	↓

### Market Analysis

#### INVENTORY & VACANCY RATE



#### NET ABSORPTION



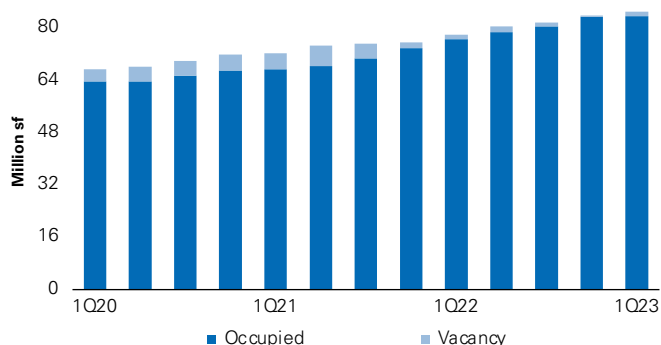
### Vacancy on the rise

Vacancy in Class A industrial space reached slightly over 1.3 million square feet. This is above the vacancy reported one year ago, when it reached 1.2 million square feet. Similarly, when comparing versus the previous quarter, which reached 444,000 square feet, the overall behavior shows a considerable increase. The conclusion of new speculative buildings caused the vacancy rate to increase to 1.6%. Compared to the same period from one year ago, the result is similar. Cienega de Flores was the submarket with the highest vacancy rate, at 7.2%.

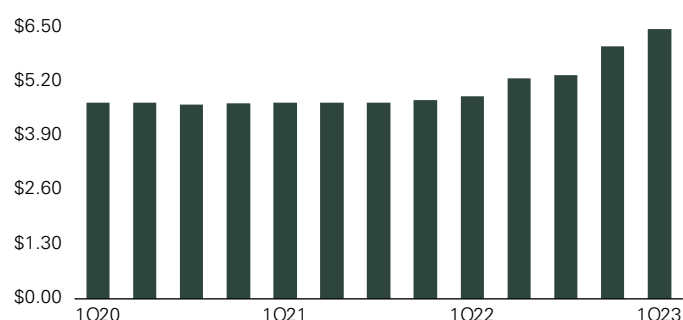
### Prices continue increasing

Regarding the weighted lease price, the results represented an increase versus the previous quarter, going from US\$6.05 to US\$6.47 per square feet per year. Pertaining to the year-over-year comparison, there was a relevant increase versus the price in Q1 2022, which stood at US\$4.85 per square feet per year. Average asking rent in spaces under construction nearing completion reached an average of US\$6.18 per square feet per year.

#### Occupied Space & Vacant Space



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



#### Market Indicators

	Inventory (million SF)	Under Construction (million SF)	Vacancy (million SF)	Vacancy Rate	Gross Absorption (million SF)	Net Absorption (million SF)	Total Asking Rent (USD/SF/Year)	Under Construction Asking Rent (USD/SF/Year)
Apodaca	29.6	5.0	0.2	0.9%	1.4	1.1	\$6.35	\$6.42
Cienega de Flores	15.0	1.3	1.0	7.2%	0.1	-0.7	\$6.51	\$5.73
Escobedo	8.0	1.3	0.03	0.4%	0	-0.03	\$6.24	\$6.12
Guadalupe	13.1	1.0	0	0.0%	0.1	0.1	-	-
Monterrey	1.1	0.08	0	0.0%	0	0	-	-
Pesqueria	2.9	0	0	0.0%	0	0	-	-
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	3.7	0	0.0%	0.1	0.1	-	\$5.76
<b>Market</b>	<b>85.1</b>	<b>13.9</b>	<b>1.3</b>	<b>1.6%</b>	<b>1.8</b>	<b>0.7</b>	<b>\$6.47</b>	<b>\$6.18</b>

### Stable demand

During the first quarter of 2023, there was a gross absorption of slightly over 1.8 million square feet. This is below the 2.4 million square feet reported the year prior. It is estimated that 83.9% of the transactions were leasing operations. While the remaining 16.1% were build-to-suit operations. The submarket that showed the strongest demand for Class A speculative space was Apodaca, with 77.0%. Similarly, the industry that drove more demand was the automotive sub-industry with 30.5%.

### Construction on the rise

The Space under development remains dynamic. These first months of the year alone, there was a total of over 13.9 million square feet. Projects under construction of the build-to-suit type represented 50.8%, while speculative buildings and expansion of existing spaces accounted for 45.6% and 3.6%, respectively. The Apodaca and Santa Catarina submarkets have the largest volume of space under construction, with 36.1% and 26.7%, respectively. Currently, there are records for 31 speculative projects in the planning stage, which together amount to a total of 5.1 million square feet.

### Main Operations

Tenant	Submarket	Type	SF
Polaris	Apodaca	Spec	570,400
Confidencial	Apodaca	BTS	164,600
LG	Apodaca	Spec	146,300

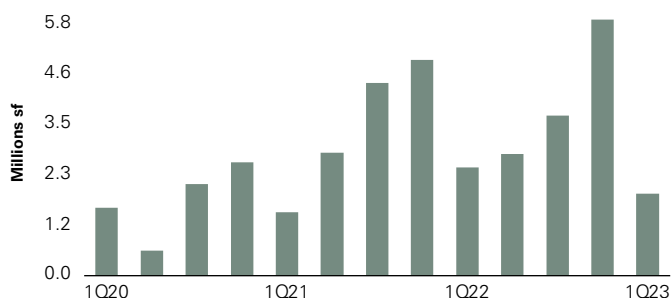
### New Supply

Building	Submarket	Type	SF
Spec 07	Ciénega de Flores	Spec	340,100
B014	Ciénega de Flores	Spec	273,400
Spec 01	Ciénega de Flores	Spec	219,500

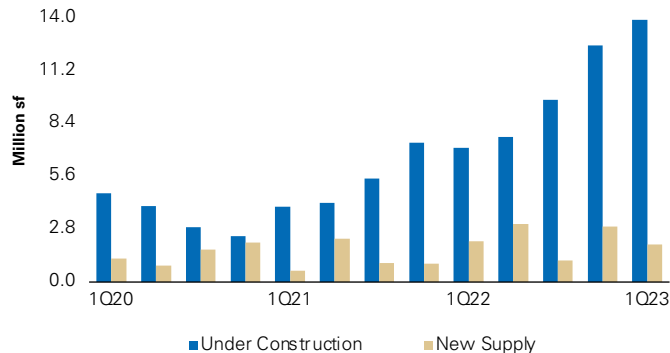
### Under Construction

Building	Submarket	Type	SF
Hengli America	Santa Catarina	BTS	958,400
Bosch	Salinas Victoria	BTS	708,200
Kuka	Salinas Victoria	BTS	628,600

### Gross Absorption



### Under Construction & New Supply



### Economic Conditions

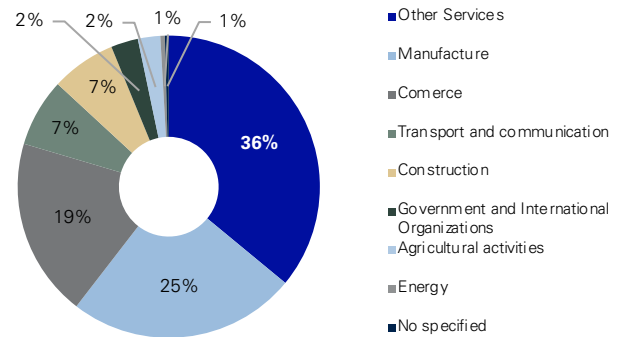
The Ministry of Labor and Welfare of Nuevo Leon indicated that economic activity per industry, as of the fourth quarter of 2022, was as follows: 36% other services, 25% manufacturing industry, 19% commerce, among others.

The unemployment rate recorded in the last quarter of 2022 was like the national and state averages, 3.0% and 3.6%, respectively.

Regarding the press release by INEGI for December 2022, regarding the Gross Domestic Product per Federal Entity in 2021, the total, weighted under basic prices, was US\$1.34 million dollar, whereby Nuevo Leon had a share of 8.3%.

### Employment by Sector, Nuevo Leon

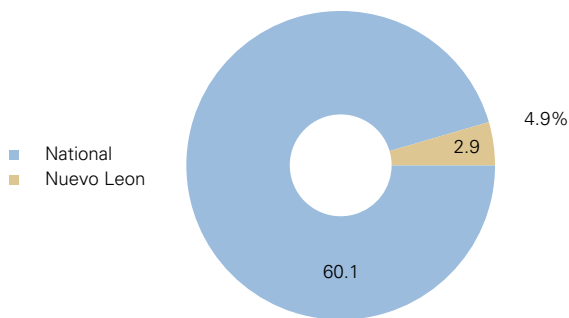
#### ECONOMIC ACTIVITY



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 4Q 2022

### Economically Active Population

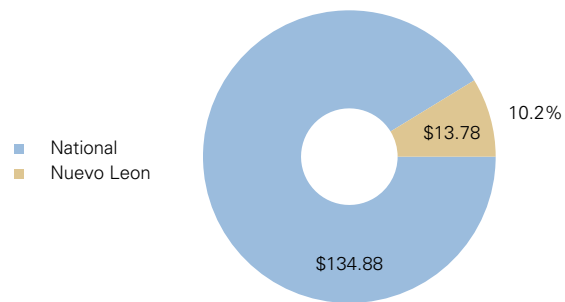
#### MILLION INHABITANTS



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 4Q 2022

### Economic Position, Nuevo Leon

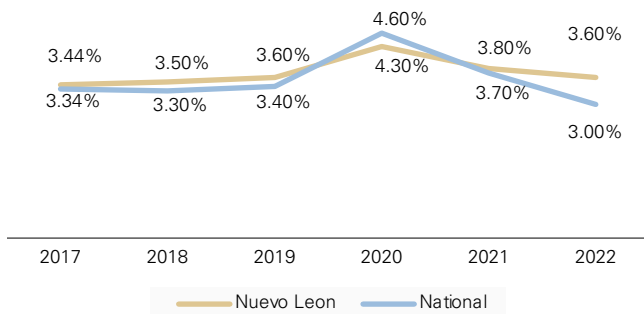
#### EXPORT VALUE, BILLION DOLLAR



Source: ETEF, INEGI, 3Q 2022

### Unemployment Rate

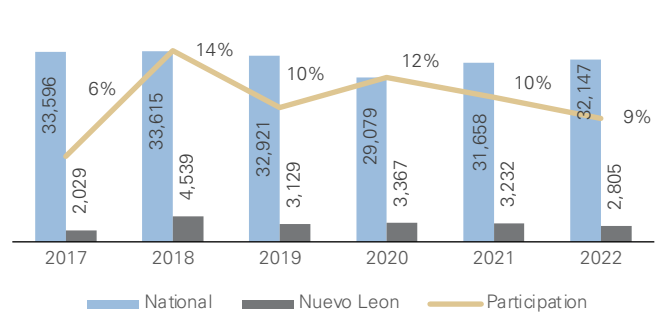
#### INDICATOR



Source: Secretaria del Trabajo y Prevision Social (Nuevo Leon), 4Q 2022

### Foreign Direct Investment

#### USD MILLION



Source: Secretaria de Economia, 3Q 2022

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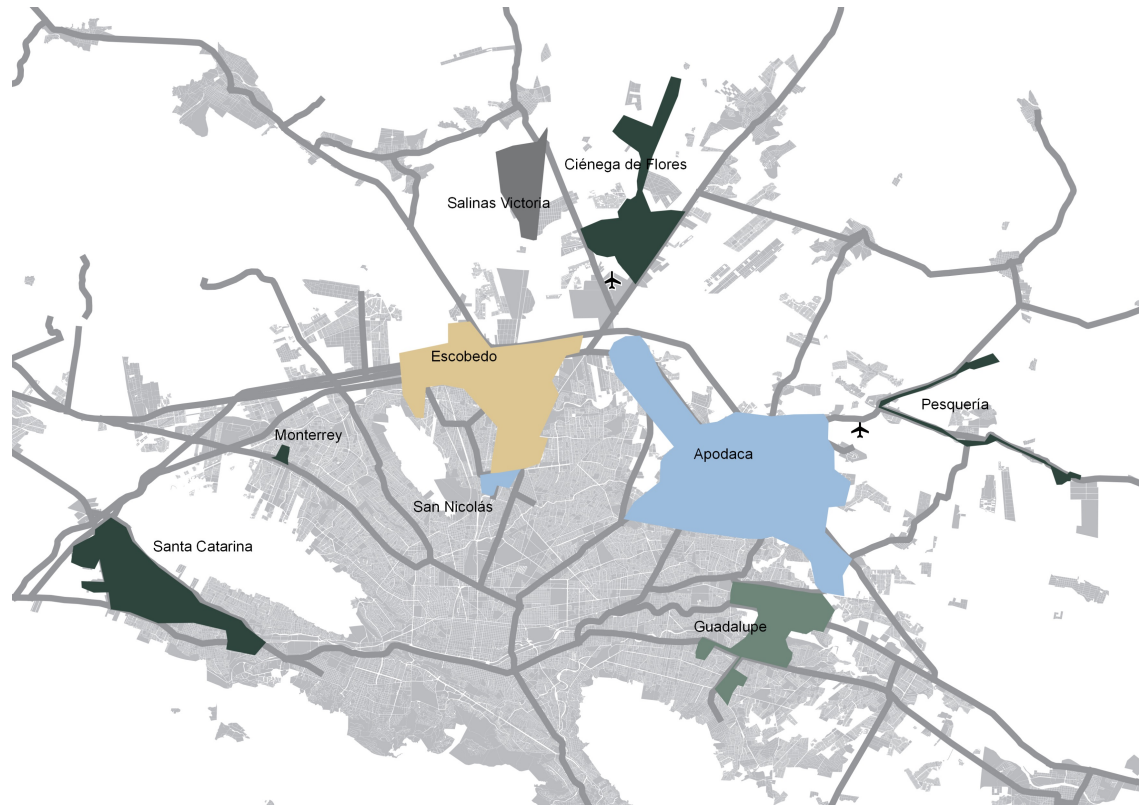
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