

Queretaro Industrial Market

Favorable Early Year

At the beginning of this period, indicators show an encouraging outlook for the industrial sector in Querétaro. The trend seems positive with the appearance of new projects and investments in this Bajío territory

The growing national demand has established new challenges for the industrial sector. In recent periods, the entities that make up the Bajío region have been known for the expansion of companies that decide to invest driven by the push for nearshoring.

Recovery of Demand

Indicators early in the year show a trend towards the recovery in absorptions, which used to cause uncertainty on the industrial market in previous periods. This quarter, there were operations that resulted in a positive effect in the totals.

The submarket with the strongest dynamism was Aeropuerto, which represents 48% of net absorption, followed by El Marqués, with 40%. For the larger part, the most representative transactions were associated with the automotive industry.

Current Conditions

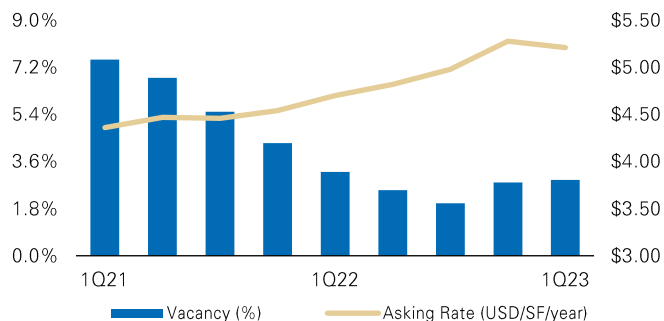
- Class A industrial inventory increased from 71.5 to 73 million as of the closing of the first quarter of 2023.
- There was an increase in the construction surface in this period, closing with slightly over 3.2 sf.
- The vacancy rate increased slightly, closing at 2.9%.
- The average lease price was reported at \$5.22 USD/sf/year, slightly below the previous quarter.

Market Summary

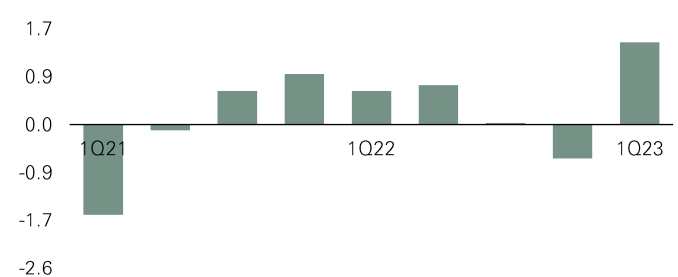
| | Current Quarter | Prior Quarter | One year ago | 12-month forecast |
|-----------------------------------|-----------------|---------------|--------------|-------------------|
| Total inventory (SF) | 73.0 M | 71.5M | 67.3 M | ↑ |
| Vacancy rate | 2.9% | 2.8% | 3.2% | → |
| Quarterly absorption (SF) | 1.5 M | -0.7M | 0.6 M | → |
| Average asking rent (USD/SF/year) | \$5.22 | \$5.28 | \$4.70 | ↑ |
| Under construction (SF) | 3.2 M | 2.8M | 1.7 M | ↑ |

Market Analysis

AVERAGE LEASE RATE AND VACANCY RATE



NET ABSORPTION (Millions SF)



RESEARCH 4Q 2022

Larges Projects on the Planning Phase

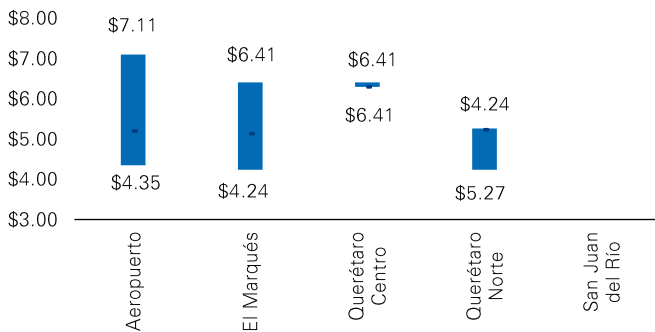
The construction of industrial spaces remained constant throughout the previous year. Currently, the submarkets with the highest levels of construction correspond to the El Marqués submarket, with slightly over 1.6 million sf. Aeropuerto came in second place, with nearly 1.0 million sf.

Nonetheless, there are large projects in the works for 2023. This will add to the total of new inventory. These complexes will be located in the Aeropuerto, El Marqués, and Querétaro Norte submarkets. Their design is meant to promote the notion of developing a new generation of spaces with sustainable design.

In the case of Finsa III, it is expected that the new industrial spaces will mostly host large companies in the automotive industry. Querétaro belongs to the most important cluster in the region. However, businesses in the logistics and metal-mechanical industries will also be added to the new complexes.

Average Asking Rates Range

AVERAGE ASKING RATES (USD /SF / Year)



Approximately 38% of this surface is already sold, even some months before breaking ground.

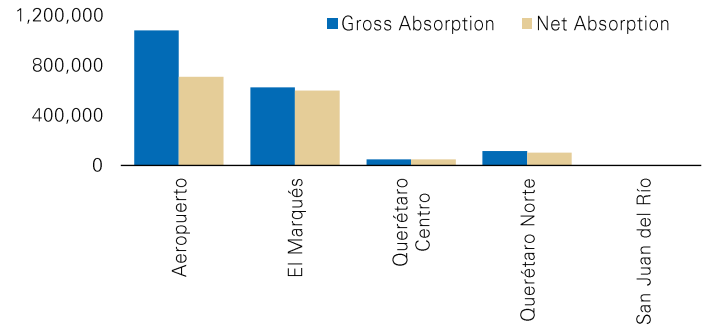
Bajo Joins the Expansion of Nearshoring

Mexico is currently undergoing a prosperous period for its industrial market due to the arrival of companies attracted by nearshoring. Mexico is seen as an enabler in their supply chain that can decrease costs in contract manufacturing and increase their productivity.

The announcement of a Tesla mega factory and the expansion of BMW are attracting companies in the automotive and technology sectors. With this trend, the challenge for the government is to act together with investors to provide more infrastructure for the development of these projects.

Net and Gross Absorption per Submarket

NET ABSORPTION AND MARKET ACTIVITY (SF)



Market Summary

| | Total Inventory (Millions SF) | Under Construction (Millions SF) | Total Vacancy (Millions SF) | Vacancy Rate | Gross Absorption (Millions SF) | New Inventory (Millions SF) | Net Absorption (Millions SF) | Asking Rate (USD/SF/year) |
|------------------|-------------------------------|----------------------------------|-----------------------------|--------------|--------------------------------|-----------------------------|------------------------------|---------------------------|
| Aeropuerto | 16.3 | 1.0 | 1.4 | 8.8% | 1.1 | 0.3 | 0.7 | \$5.19 |
| El Marqués | 21.0 | 1.7 | 0.5 | 2.3% | 0.6 | - | 0.60 | \$5.14 |
| Querétaro Centro | 3.4 | 0.4 | 0.1 | 1.9% | - | - | 0.05 | \$6.41 |
| Querétaro Norte | 23.5 | - | 0.1 | 0.6% | 0.1 | - | 0.10 | \$5.23 |
| San Juan del Río | 8.8 | - | - | - | - | - | - | - |
| Total | 73.0 | 3.2 | 2.1 | 2.9% | 1.8 | 0.3 | 1.5 | \$5.22 |

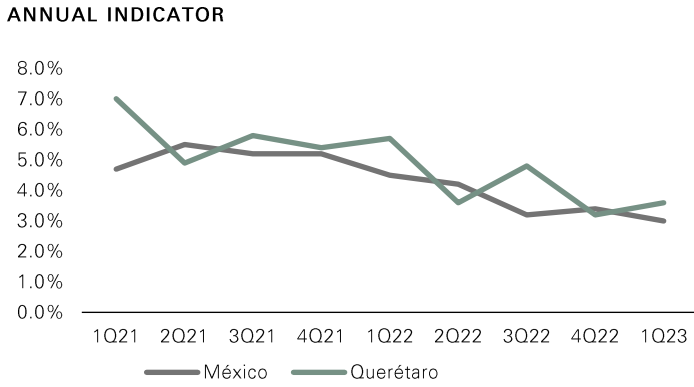
Querétaro as an Investment Magnet

Querétaro’s strategy for economic policy will hinge on exploiting the effect of foreign investment in Mexico. Querétaro is one of the states that stand out as candidates to host European investments.

The challenge is having an innovative government that, along with investors, develop the appropriate infrastructure to satisfy the needs demanded by industrial spaces.

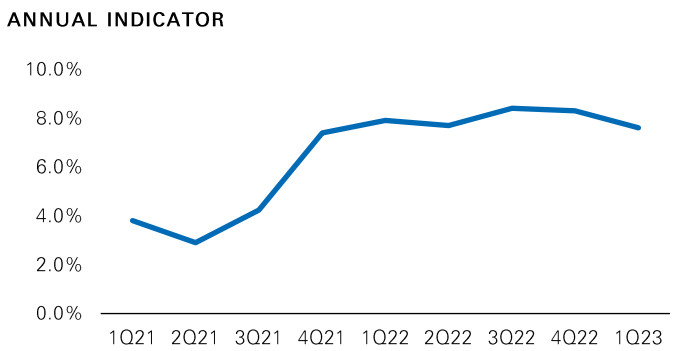
Querétaro’s unemployment rate shows signs of recovery. The latest figures show that 21.7% of the active population in Querétaro is employed in the manufacturing industry, followed by commerce (17.4%), and construction (10.9%). These results are encouraging and suggest that these three sectors are soaring after the crisis caused by the pandemic.

Unemployment Rate



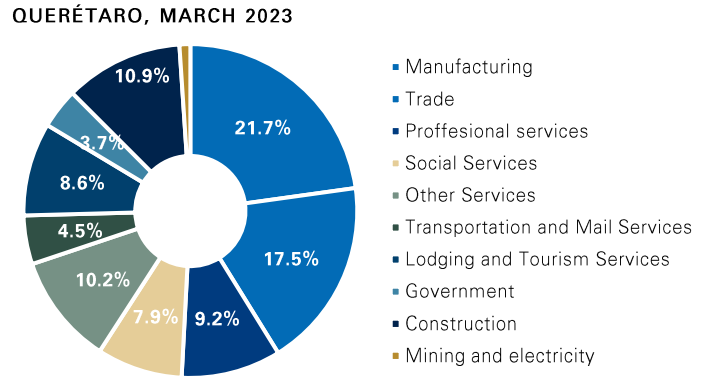
Source: INEGI, ENOE

Consumer Price Index (CPI)



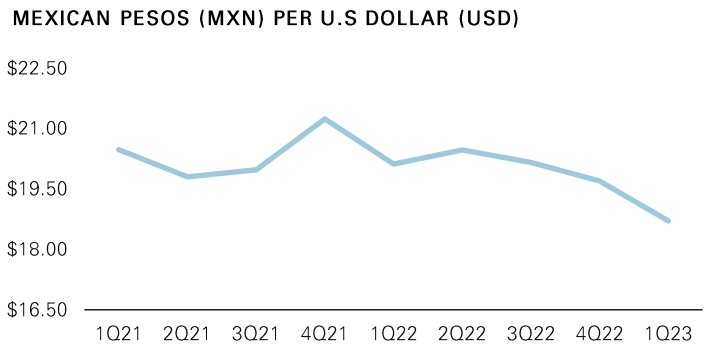
Source: Banxico

Employment per Economic Sector



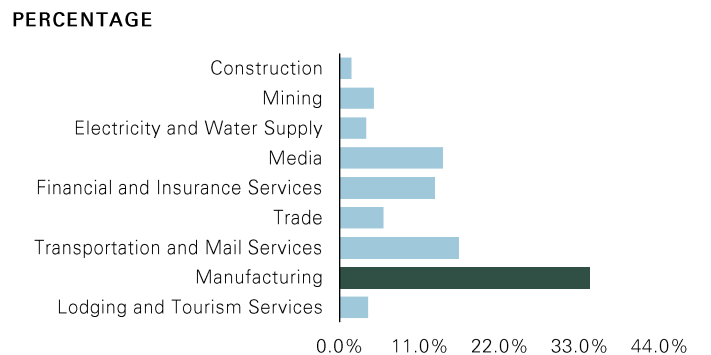
Source: INEGI, ENOE

Exchange Rate



Source: Banxico

Foreign Direct Investment



Source: CEFP

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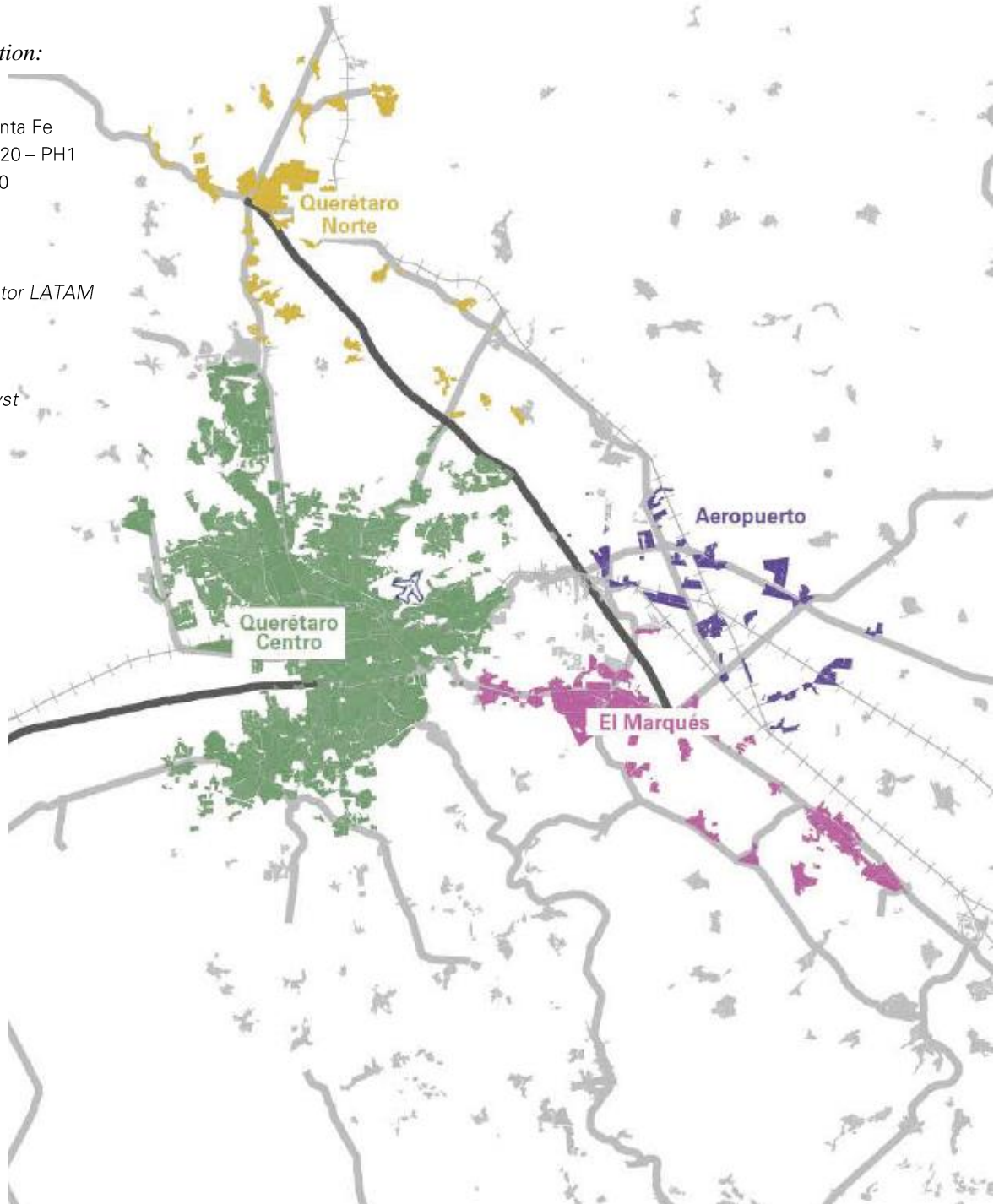
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