



Mexico City Metro Area Industrial Market

The largest market in constant growth

Due to high demand in the Valley of Mexico Metropolitan Area, developers continue pushing industrial projects in the city's most dynamic submarkets.

It is possible to observe an active expansion of the market, with inventory increasing moderately but constantly.

This is the case in Cuautitlán, where there was new supply for slightly over 1 million square feet, distributed in two projects. Both entered the inventory without any vacancy. By the end of Q2 2023, there were 125.3 million square feet. This figure represents a yearly growth of 5.82%.

Vacancy has stood at record lows. As of the closing of Q2 2023, there was a record high by occupations, reporting a vacancy rate of 0.7%. This represents nearly 700,000 square feet of vacant spaces in all the city.

The submarket with the most vacant spaces is Vallejo-Azcapotzalco, where vacancy is 5.7%. Cuautitlán is the submarket with the lowest vacancy.

Current Conditions Mexico City

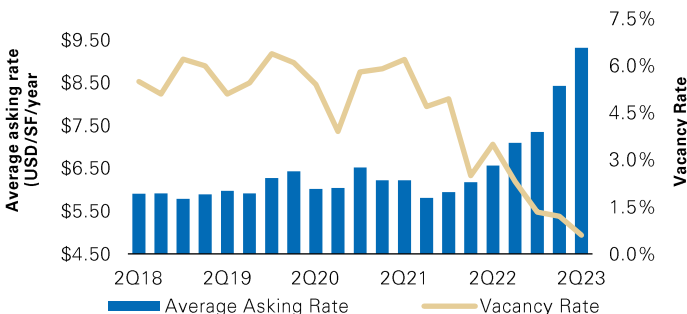
- Inventory kept growing, closing at 125.3 million square feet.
- The vacancy rate continued shrinking, reported at 0.6% by the end of Q2 2023.
- Area under construction increased versus the previous quarter, reaching a total of 5.3 million square feet.

Market Summary

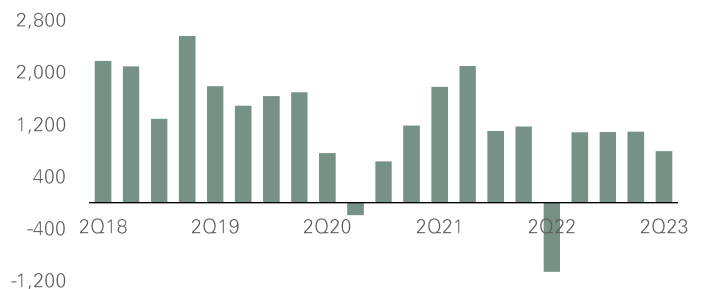
	Current Quarter	Prior Quarter	One year ago	12-month forecast
Total inventory (SF)	125.3 M	124.2 M	118.3 M	↑
Vacancy rate	0.6%	1.2%	2.4%	→
Quarterly Net Absorption (SF)	790,359	1.1 M	-749,056	→
Average asking rent (USD/SF/year)	\$9.32	\$8.44	\$6.57	↑
Under construction (SF)	5.3 M	4.7 M	4.7 M	↑

Market Analysis Mexico City

AVERAGE LEASE RATE AND VACANCY RATE



NET ABSORPTION (Thousand SF)



Outstanding indicators in the market

Net Absorption: By the closing of this period, net absorption was moderate versus the year prior. This is caused by the limited availability in the metropolitan area.

The reported net absorption is 790,000 square feet, with a YTD absorption of 1.8M square feet by the end of the second quarter.

Price: Average prices displayed record-setting indicators throughout the city. As of the closing of Q2 2023, the average price was \$9.32 USD/SF/year, increasing \$0.79 dollars versus the previous quarter. Regarding the year-to-year comparison, the increase is considerable when compared to the price on Q2 2022, which stood at \$6.57 USD/SF/year.

The submarket with the highest price is Vallejo-Azcapotzalco. It closed at \$10.62 USD/SF/year, followed by the submarkets that host the CTT, which had an average price of \$8.95.

The Metropolitan Area as a logistics hub

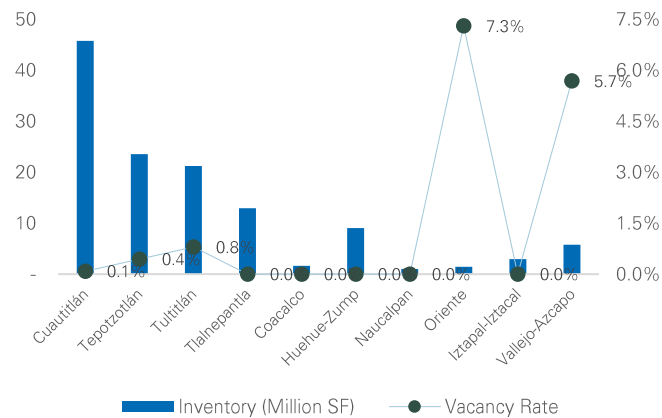
The Metropolitan Area, as the largest market in Mexico, has consolidated as the favorite player to satisfy the needs of storage and supply of goods for local consumption. This is a consequence of the expanding e-commerce after the pandemic.

Companies such as Amazon, Mercado Libre, among others, have played a major role as key players of e-commerce. In addition to these, large courier companies such as FedEx and DHL are also joining for the transportation of products sold online.

Under these conditions, the share of logistics as a part of the total had a positive impact on the acquisition of Class A industrial spaces throughout the city. These represent 89% of the leases throughout this quarter.

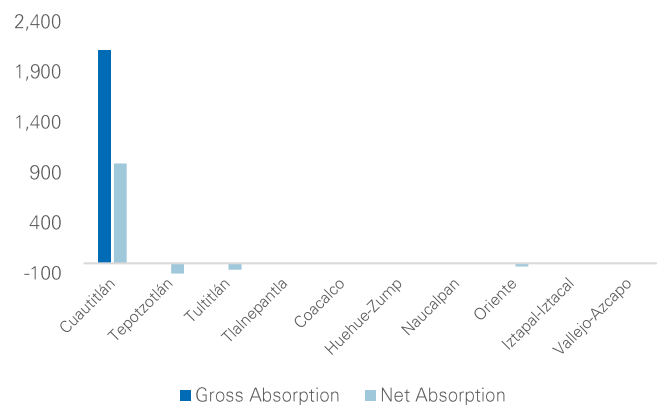
Inventory vs Vacancy Rate

(SF MILLIONS)



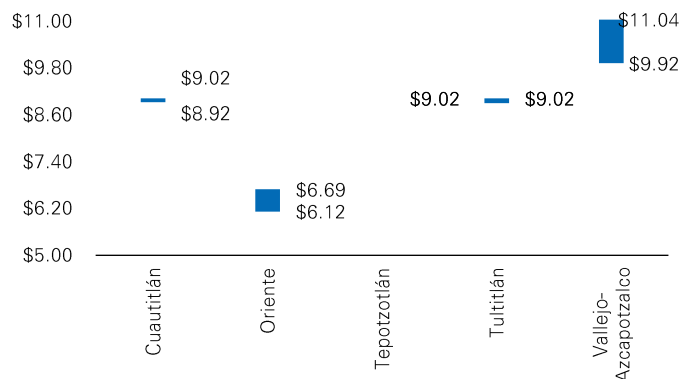
Gross and Net Absorption by Submarket

(SF THOUSANDS)

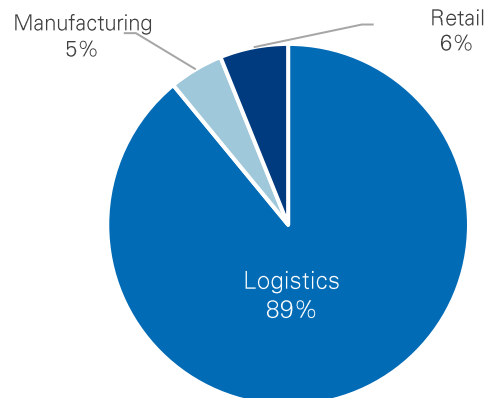


Average Asking Rates Range

AVERAGE ASKING RATES (USD /SF / Year)



Occupations by Economic Sector



PLANNED INDUSTRIAL PARKS

The Metropolitan Area, a target for investment

The Class A industrial inventory grew substantially in the preceding year. The area under construction remained constant based on the spaces that have been absorbed.

Competitors such as EQT Exeter, Parks, and CPA are betting on investments for Class A industrial spaces within the metropolitan area for the purpose of meeting the needs from a strong demand that is foreseen at this time.

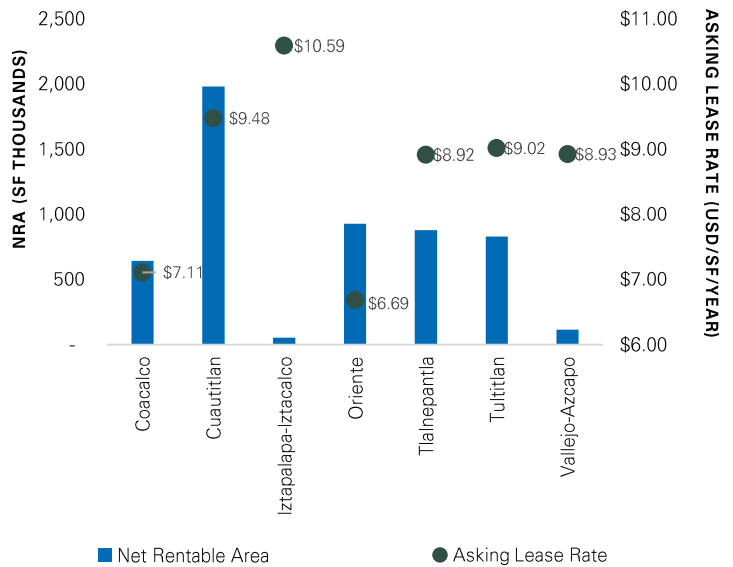
The average lease price for spaces under construction is \$8.82 USD/SF/year. However, it is expected that prices will continue increasing through the end of 2023.

The largest area under construction is in the CTT submarkets. In total, over 2.8M square feet are offered at an asking price of \$9.25 USD/SF/year.

Regarding projects in the planning phase, these represent a leasable area of nearly 7M square feet. It is expected that at least 30% of the total area will start construction in 2023.

Industrial Parks Under Construction

NRA VS LEASE RATE BY SUBMARKET



Submarket Stats

	Inventory (Million SF)	Under Construction (Thousands SF)	Vacancy (Thousands SF)	Vacancy Rate	Gross Absorption (Thousands SF)	Net Absorption (Thousands SF)	YTD Net Absorption (Thousands SF)	Asking Lease Rate (USD/SF/year)	Under Construction Asking Rate (USD/SF/year)
CTT	90.59	2,812	313	0.3%	2,118	822	1,771	\$ 8.95	\$ 9.25
Cuautitlán	45.79	1,982	40	0.1%	2,118	991	1,034	\$ 8.94	\$ 9.48
Tepotzotlán	23.56	-	104	0.4%	-	- 104	441	\$ 9.02	\$ 9.25
Tultitlán	21.23	830	169	0.8%	-	- 65	296	\$ 8.90	\$ 9.02
Tlalnepantla	12.90	879	-	-	-	-	-	-	\$ 8.92
Coacalco	1.64	644	-	-	-	-	-	-	\$ 7.11
Huehuetoca-Zumpango	9.05	-	-	-	-	-	-	-	-
Naucalpan	0.98	-	-	-	-	-	-	-	-
Oriente	1.45	821	106	7.3%	-	- 32	111	\$ 6.48	\$ 6.69
Iztapalapa-Iztacalco	2.92	56	-	-	-	-	-	-	\$ 8.92
Vallejo-Azcapotzalco	5.79	118	329	5.7%	-	-	-	\$ 10.62	\$ 11.15
Total	125.30	5,330	747	0.6%	2,118	790	1,882	\$ 9.32	\$ 8.82

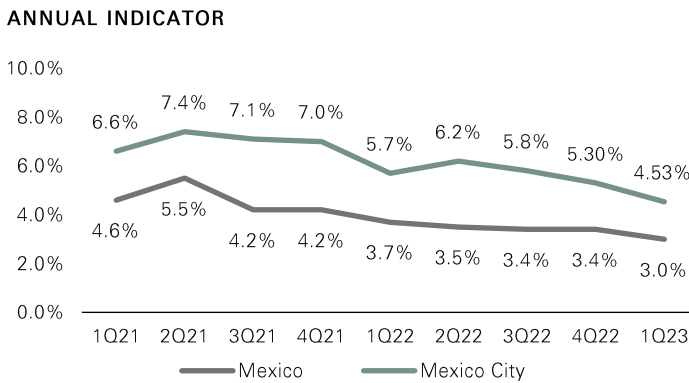
Defying the economic slowdown

Mexico showed signs of resilience in the first half of this year. Economic activity increased through the production of goods, driven by a free trade agreement that decreases exporting costs, largely due to the Chinese commercial and industrial expansion in the country.

For this reason, the city’s authorities, jointly with the metropolitan municipalities adjoining the city, have suggested creating tax benefits for industrial areas in CDMX, such as the Vallejo area, where authorities would like Asian companies to set up operations.

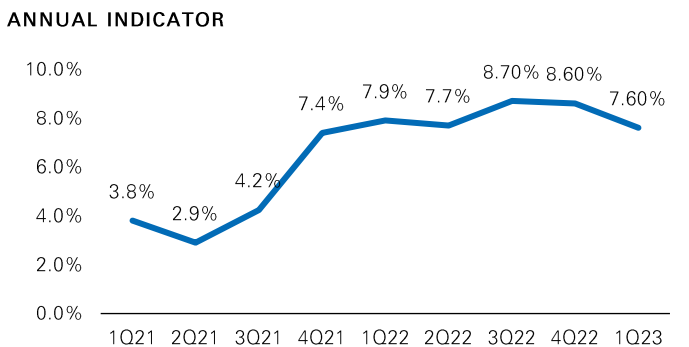
Additionally, the national currency has gained ground and appreciated by 0.3% versus the dollar, staying at exchange rates between \$19.0 and \$15.9 pesos. Concurrently, there was a 1.0% growth of GDP in the first six months of 2023.

Unemployment Rate



Source: INEGI, ENOE

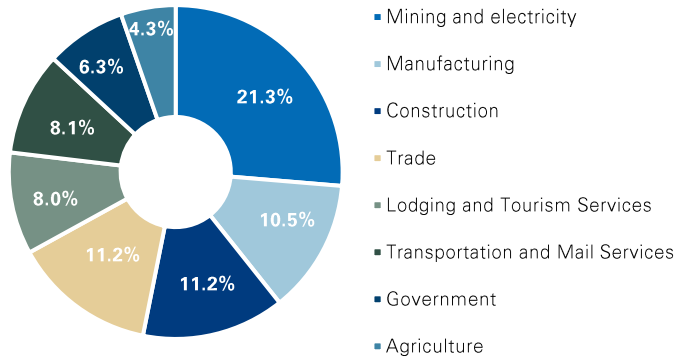
Consumer Price Index (CPI)



Source : Banxico

Employment per Economic Sector

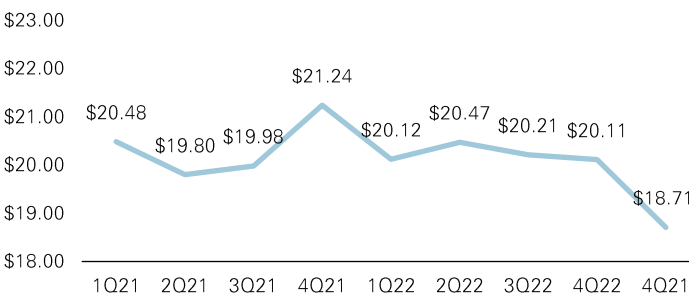
MEXICO CITY METROPOLITAN AREA, MARCH 2023



Fuente: INEGI, ENOE

Exchange Rate

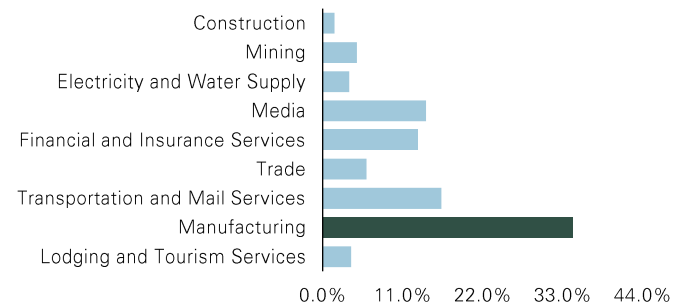
MEXICAN PESOS (MXN) PER U.S DOLLAR (USD)



Source : Banxico

Foreign Direct Investment

PERCENTAGE



Source: CEFP

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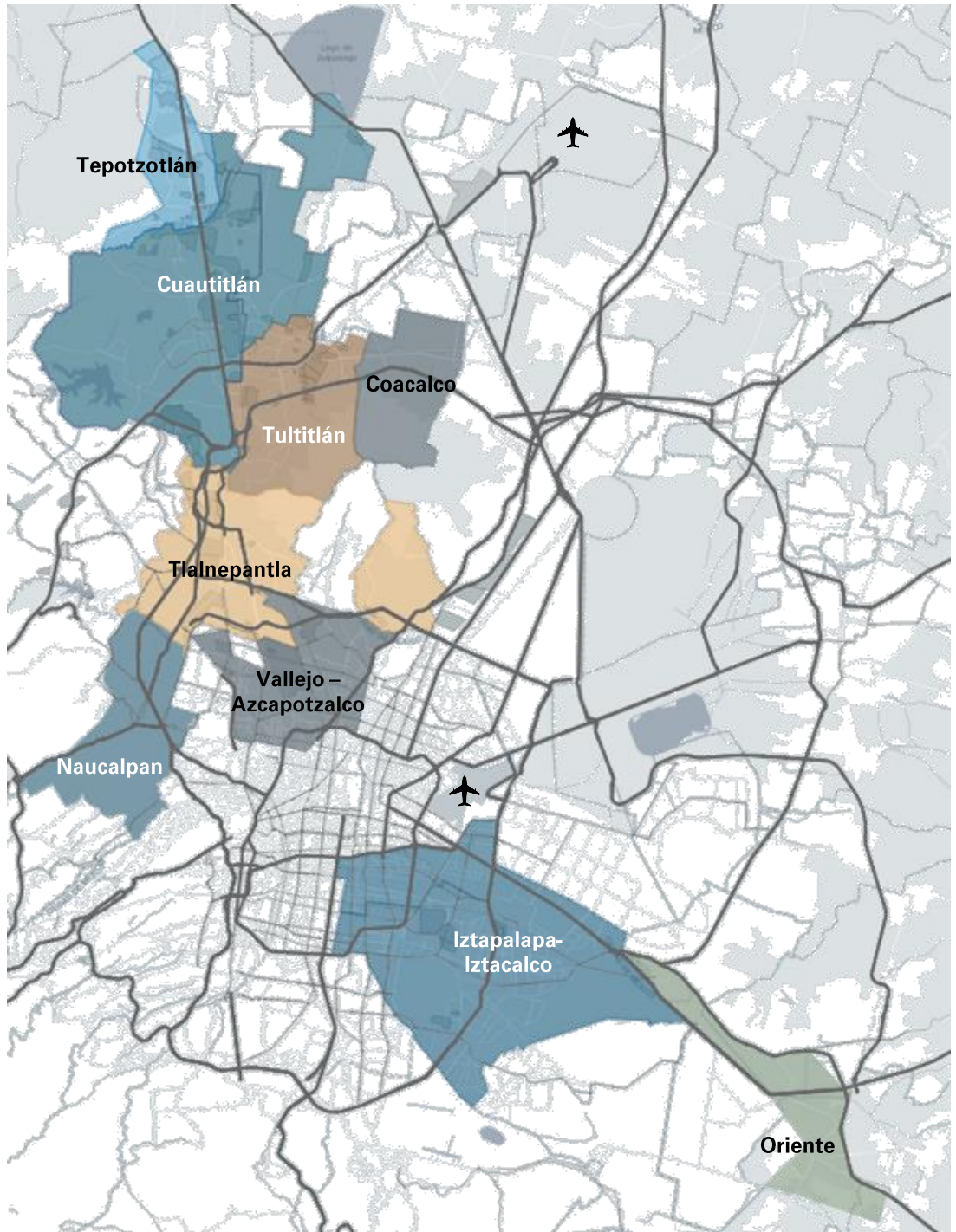
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