



# Monterrey Industrial Market

## Increase of supply in planning phase

The industrial market in this second quarter kept a stable behavior, with over 2.3 million square feet commercialized. In addition to this, there were over 4.3 million square feet (86.4% of this occupied) of new supply. The vacancy rate reached 1.1%.

Regarding the weighted lease price, there was an increase again in this quarter, reporting US\$6.57 per square feet per year. We expect this price increase to continue in the coming quarters.

Space under construction decreased, with a total of 10.7 million square feet, including 4.6 million square feet for speculative space. Regardless, considering the demand for industrial space expected in the coming months, developers are preparing with speculative buildings in the planning phase, representing more than 8.1 million square feet.

The Class A inventory reached a new record of 89.2 million square feet.

### Current Conditions

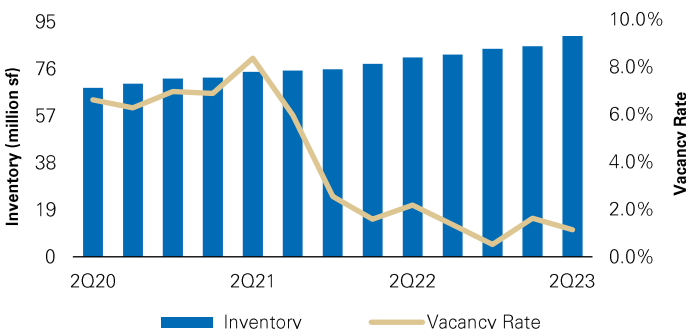
- Vacant Class A industrial space was 1.0 million square feet.
- The asking lease rent increased again, standing at US\$6.57 per square feet per year.
- More than 10.7 million square feet was under construction.
- Speculative space currently in the planning phase represents over 8.1 million square feet.

### Market Summary (Class A)

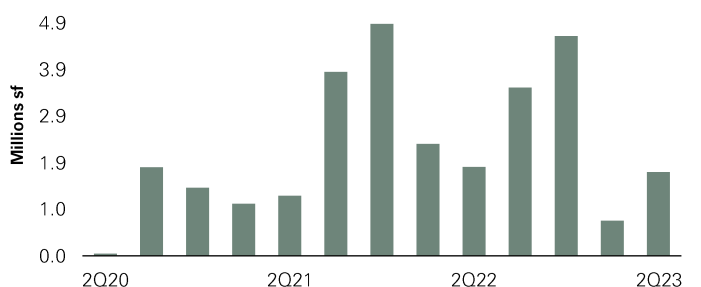
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	89.2M	85.1M	80.5M	↑
Vacancy Rate	1.1%	1.6%	2.2%	↑
Quarterly Net Absorption (SF)	1.7M	0.7M	1.8M	↑
Avg. Asking Rent (SF/Year)	\$6.57	\$6.47	\$5.28	↑
Under Construction(SF)	10.7M	13.9M	7.6M	↑

### Market Analysis

#### INVENTORY & VACANCY RATE



#### NET ABSORPTION

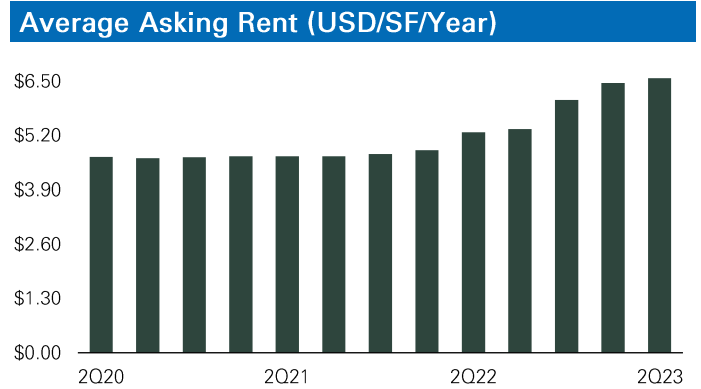
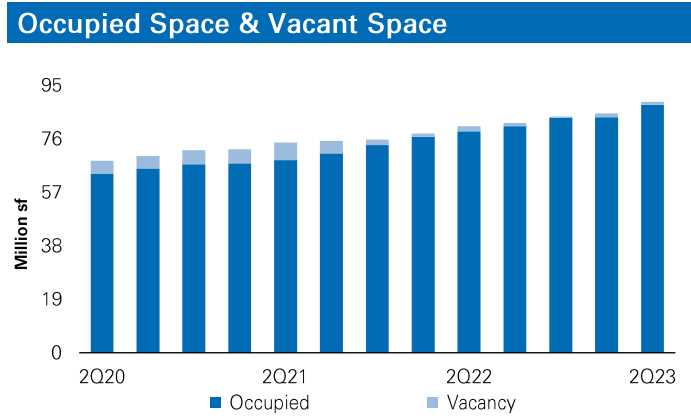


**Vacancy on the rise**

Vacancy of Class A industrial space was above 1.0 million square feet. This is lower than the 1.7 million square feet reported last year. Although the incoming supply (industrial space under construction that was finished) was more than 4.3 million square feet, 86.4% was occupied. This, in addition to the demand on this quarter, made the vacancy rate stop at 1.1%.

**Prices continue increasing**

The weighted lease price increased again as compared to the same period in 2022, going from US\$5.28 to US\$6.57 per square feet per year. The submarket with the highest price is Cienega de Flores with US\$6.81 per square feet per year. Average asking rent for Class A speculative spaces under construction was US\$6.36 per square feet per year.



Market Indicators									
	Inventory (million SF)	Under Construction (million SF)	Vacancy (million SF)	Vacancy Rate	Gross Absorption (million SF)	Net Absorption (million SF)	YTD Net Absorption (million SF)	Asking Lease Rate (USD/SF/Year)	Under Construction Asking Rate (USD/SF/Year)
Apodaca	31.2	4.3	0.6	2.1%	0.6	0.1	1.3	\$6.46	\$6.57
Cienega de Flores	15.0	1.3	0.3	2.3%	0.9	0.8	0.1	\$6.81	\$5.95
Escobedo	9.0	0.1	0.03	0.4%	0.1	0.1	0.1	\$6.24	\$5.76
Guadalupe	14.1	0.1	0	0.0%	0	0	0.1	-	-
Monterrey	1.2	0.06	0	0.0%	0.06	0.06	0.06	-	-
Pesqueria	2.9	0	0	0.0%	0.09	0.09	0.09	-	-
Salinas Victoria	3.7	1.3	0	0.0%	0	0	0	-	-
San Nicolas	0.7	0	0	0.0%	0	0	0	-	-
Santa Catarina	10.9	3.4	0	0.0%	0.3	0.3	0.5	-	\$5.40
<b>Market</b>	<b>89.2</b>	<b>10.7</b>	<b>1.0</b>	<b>1.1%</b>	<b>2.3</b>	<b>1.7</b>	<b>2.4</b>	<b>\$6.57</b>	<b>\$6.36</b>

**Stable demand**

Commercialized space during 2Q 2023 was slightly above 2.3 million square feet, below the result from one year ago, when it reached 2.7 million square feet. The submarket with the highest demand for Class A space was Cienega de Flores, with 41.4%. Similarly, out of all the industrial commercialized space, 84.8% is associated with lease operations and 15.2% are build-to-suit operations. Subindustries with the highest demand during this quarter were logistics, with 35.0%, and automotive, with 20.7%.

**Construction on the grow**

Space under construction, compared to the same period from one year ago, underwent a contraction of more than 10.7 million square feet. Regarding this trend, 53.0% were build-to-suit projects, 43.0% were speculative buildings, and 4.0% were expansions of existing buildings. In terms of speculative space in the planning phase, more than 8.1 million square feet were identified, whereby 51.0% of these were in the Apodaca submarket.

**Main Operations**

Tenant	Submarket	Type	SF
Confidential	Cienega de Flores	Spec	340,100
Oasis	Cienega de Flores	Spec	273,400
Confidential	Cienega de Flores	Spec	249,700

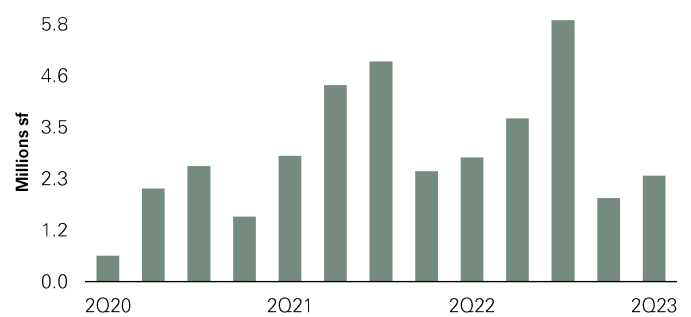
**New Supply**

Building	Submarket	Type	SF
M1	Apodaca	Spec	326,000
VPA 01	Apodaca	Spec	297,000
Amazon	Escobedo	BTS	154,300

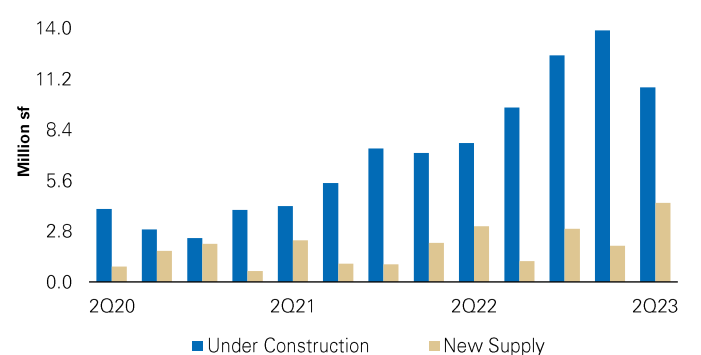
**Under Construction**

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

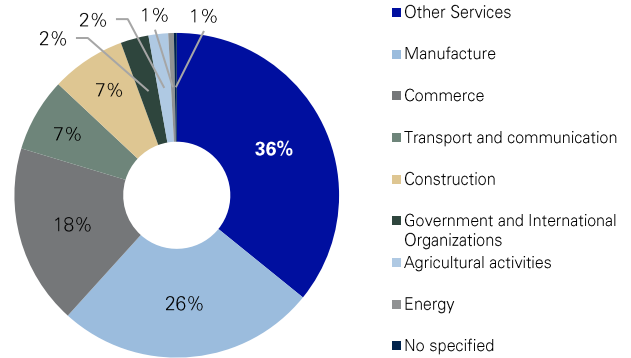
The Nuevo Leon Secretariat of Labor and Welfare stated that economic activity by sector, based on data from the first quarter of 2023, was as following: 36% other services, 24% manufacturing industry, 19% trade, among others.

The unemployment rate on the first quarter of 2023 was 2.70% at the national level and 3.10% at the state level.

The most recent press release on Quarterly Exports by Federal Entity (EETF), issued by INEGI on March 31, 2023, states that, based on data from Q4 2022, Nuevo Leon contributed with 9.5% of all exports, with a total of 133.95 billion dollars.

### Employment by Sector, Nuevo Leon

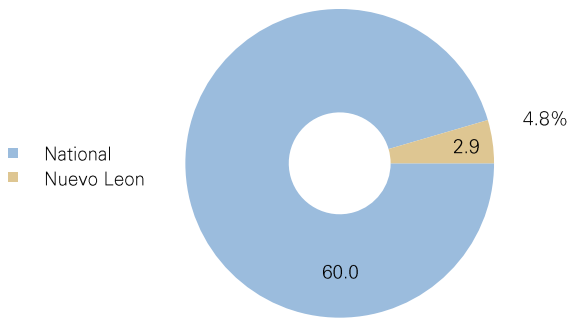
#### ECONOMIC ACTIVITY



Source: Secretaria del Trabajo y Prevision Social (Nuevo Leon), 1Q 2023

### Economically Active Population

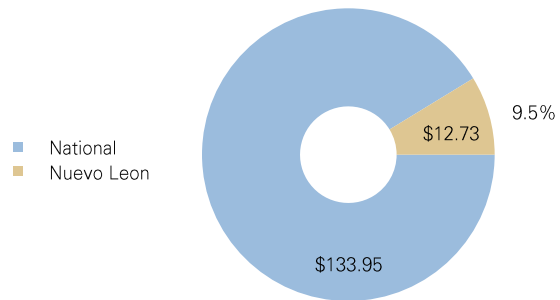
#### MILLION INHABITANTS



Source: Secretaria del Trabajo y Prevision Social (Nuevo Leon), 1Q 2023

### Economic Position, Nuevo Leon

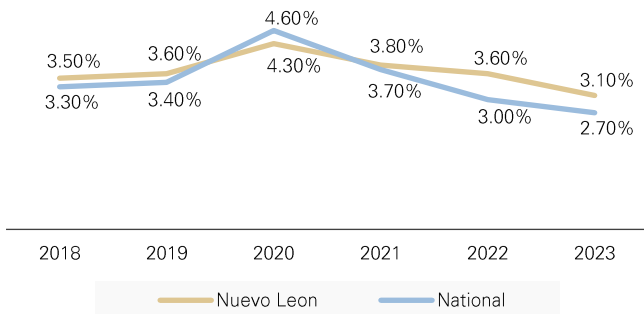
#### EXPORT VALUE, BILLION DOLLAR



Source: EETF, INEGI, 4Q 2022

### Unemployment Rate

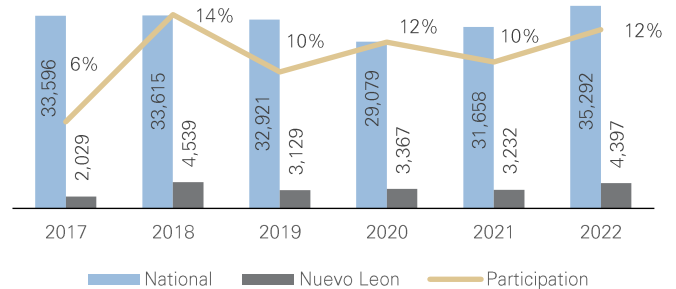
#### INDICATOR



Source: Secretaria del Trabajo y Prevision Social (Nuevo Leon), 1Q 2023

### Foreign Direct Investment

#### USD MILLION



Source: Secretaria de Economia, 4Q 2022

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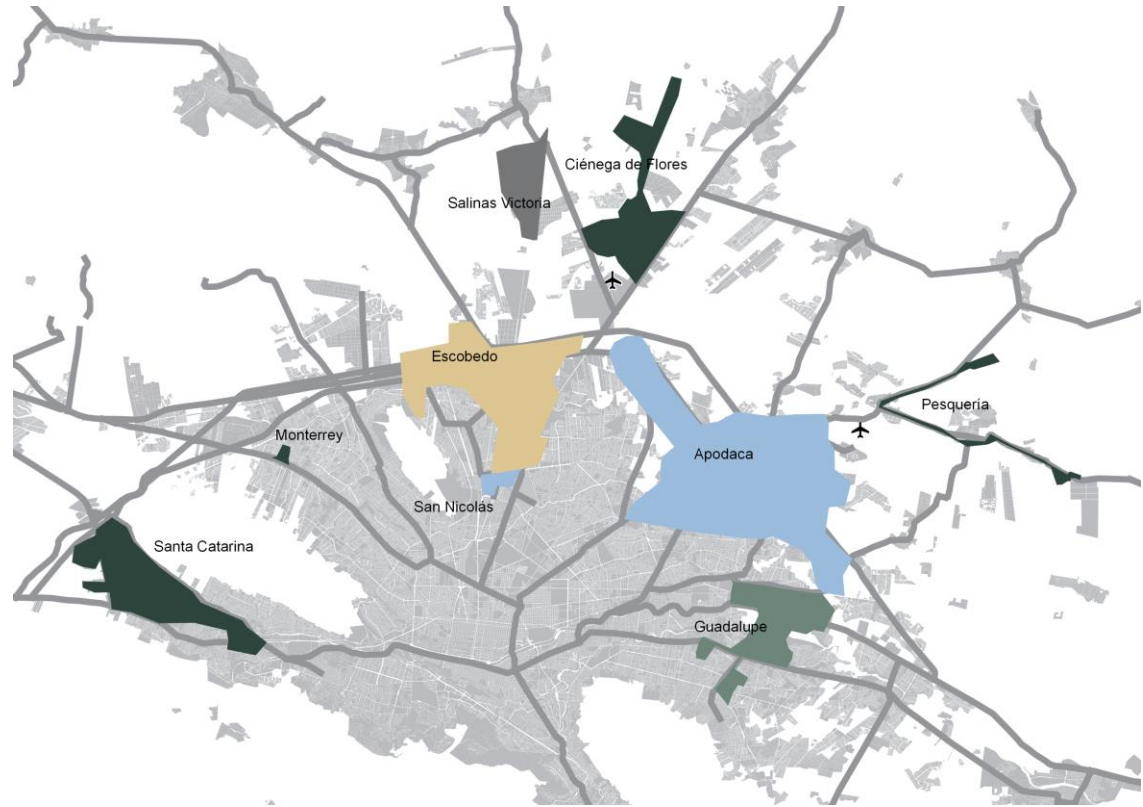
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