



# Monterrey Industrial Market

## Demand for Class A spaces expands

During the third quarter of this year, demand for Class A industrial space continued expanding, whereby slightly over 3.1 million square feet have been absorbed. Likewise, the accumulated gross absorption was nearly 7.4 million square feet. Regarding the accumulated net absorption, the figure reached slightly over 5.4 million square feet.

Considering the demand in the market, in addition to a new supply of over 2.0 million square feet during this quarter (100% occupied), the vacancy rate reached a new total in the market of 0.4%.

The average lease price recorded a new increase, topping at \$6.93 USD/sf/year. This price is expected to continue rising with the new Class A speculative supply scheduled to be finished by Q4 2023.

Because of the demand for new industrial space, space under construction and speculative space in the planning stage have increased, reaching totals of 12.1 and 16.7 million square feet, respectively.

### Current Conditions

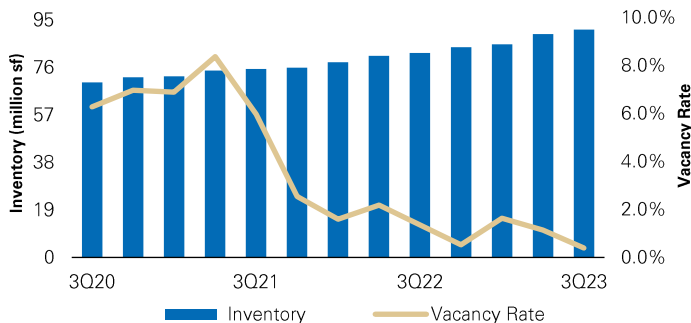
- Vacant Class A industrial space was 360,700 square feet.
- The average lease price reached \$6.93 USD/sf/year.
- Over 12.1 million square feet under construction.
- Speculative warehouse area in the planning phase was 16.7 million square feet.

### Market Summary (Class A)

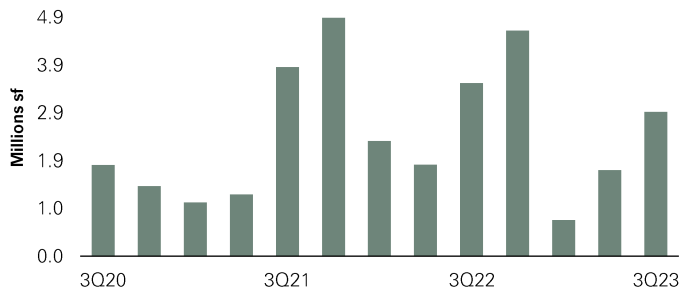
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	91.1M	89.2M	80.5M	↑
Vacancy Rate	0.4%	1.1%	1.4%	→
Quarterly Net Absorption (SF)	2.9M	1.7M	3.5M	↑
Avg. Asking Rent (SF/Year)	\$6.93	\$6.57	\$5.36	↑
Under Construction (SF)	12.1M	10.7M	9.6M	↓

### Market Analysis

#### INVENTORY & VACANCY RATE



#### NET ABSORPTION

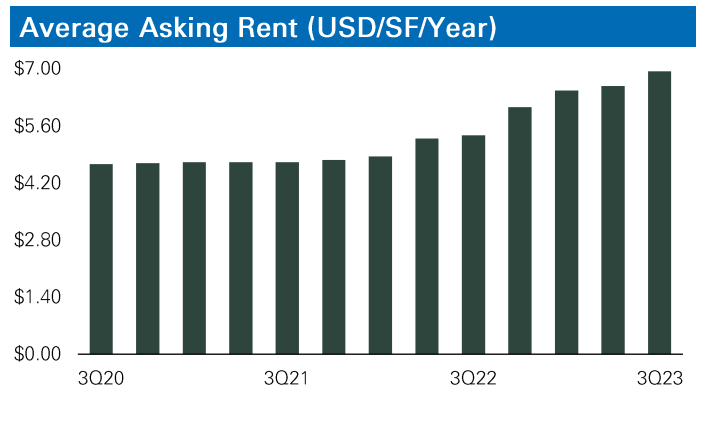
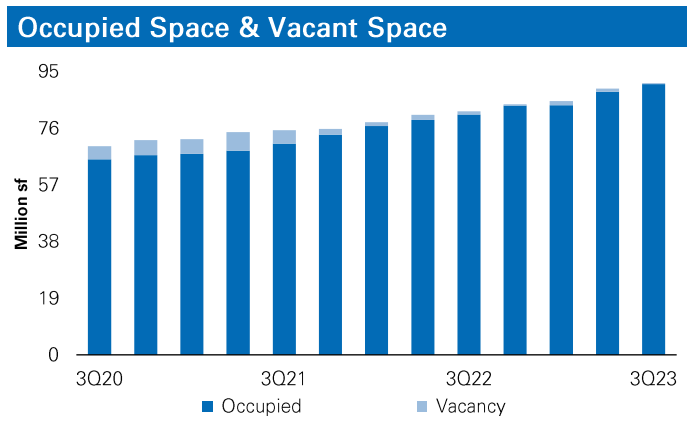


**Vacancy on the rise**

Industrial demand maintains a stable behavior, with a trend toward expansion compared to previous quarters. Likewise, because of the Class A industrial vacancy, it closed the quarter with slightly over 360,700 square feet, a figure never see before in this market. We expect that, by the end of the year, vacancy will increase due to the finishing of various speculative spaces.

**Increase in lease prices**

Again, the average lease price recorded an increase compared to the same period from the year prior, going from \$5.36 to \$6.93 USD/sf/year. The submarket with the highest price is Apodaca, at \$7.26 USD/sf/year. Regarding the asking lease price for Class A speculative spaces under construction, it stood at \$6.69 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)	YTD Net Absorption (million SF)	Total Asking Rent (USD/SF/Year)	Under Construction Asking Rent (USD/SF/Year)	
Apodaca	31.9	5.7	0.2	0.8%	2.0	1.9	3.2	\$7.26	\$6.85	
Cienega de Flores	15.8	0.7	0	0.0%	0.8	0.8	0.9	-	\$6.41	
Escobedo	9.0	0.4	0.1	1.2%	0.06	-0.007	0.1	\$6.18	\$6.60	
Guadalupe	14.2	0.4	0	0.0%	0.1	0.1	0.3	-	\$6.65	
Monterrey	1.2	0.06	0	0.0%	0	0	0.06	-	-	
Pesqueria	2.9	0.1	0	0.0%	0	0	0.09	-	\$6.00	
Salinas Victoria	3.7	1.5	0	0.0%	0	0	0	-	\$6.96	
San Nicolas	0.7	0	0	0.0%	0	0	0	-	-	
Santa Catarina	11.3	3.1	0	0.0%	0.04	0.04	0.6	-	\$6.23	
<b>Market</b>	<b>91.1</b>	<b>12.1</b>	<b>0.3</b>	<b>0.4%</b>	<b>3.1</b>	<b>2.9</b>	<b>5.4</b>	<b>\$6.93</b>	<b>\$6.69</b>	

**Gradual increase in transactions**

Gross absorption during the quarter was 3.1 million square feet, which has increased steadily since the beginning of the year. It now shows an accumulated gross absorption of over 7.4 million square feet. The submarket that showed the greatest demand for industrial space during this quarter was Apodaca, with 63.1%. Likewise, the sub-industry drawing the most marketed space was automotive, with 33.0%. The observed operations involved leasing, expansion of existing space, and build-to-suit, with 85.6%, 8.7%, and 5.7%, respectively.

**Construction expanding**

Buildings under construction totaled 12.1 million square feet, whereby 56.1% were speculative buildings, 38.7% were build-to-suit, and 5.2% were expansions of existing buildings. Out of these spaces, 65.2% was occupied. It must be noted that speculative buildings in the planning stage represented 16.7 million square feet, 61.9% of these buildings are planned for the Apodaca submarket.

**Main Operations**

Tenant	Submarket	Type	SF
Confidencial	Cienega de Flores	Expansion	277,700
Confidencial	Apodaca	Spec	266,900
XCMG	Cienega de Flores	Spec	219,500

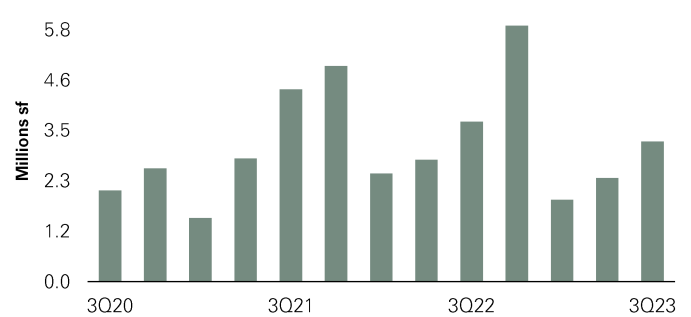
**New Supply**

Building	Submarket	Type	SF
Spec 3	Cienega de Flores	Spec	310,000
VPA 02	Apodaca	Spec	273,400
INV 06	Apodaca	Spec	266,900

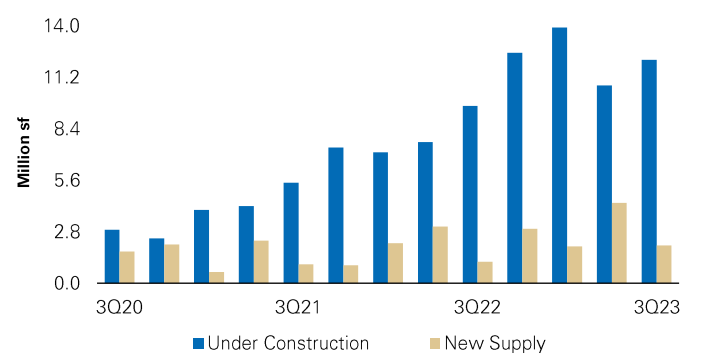
**Under Construction**

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

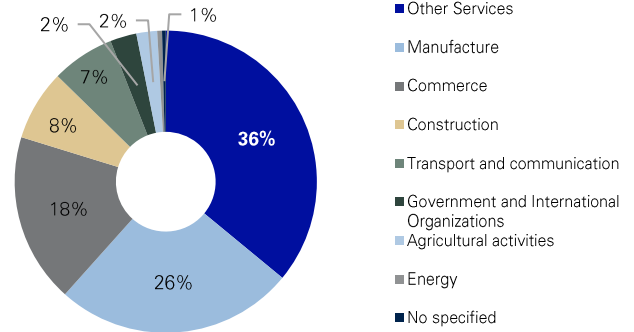
The Secretary of Labor and Welfare of Nuevo Leon reported, in its document about labor conditions for September, that economy activity by industry, with data as of the first quarter of 2023, the following figures: 36% other services, 26% manufacturing industry, 18% trade, 8% construction, among others.

Regarding the unemployment rate, in the second quarter of 2023, the national and state average were 2.80% and 3.40%, respectively.

The latest press release for Quarterly Exports by Federal Entity (EETF), published by INEGI on June 30, 2023, indicated that, as of Q1 2023, Nuevo Leon had a 12.8% share of exports with a total of 127,108.7 million dollars.

### Employment by Sector, Nuevo Leon

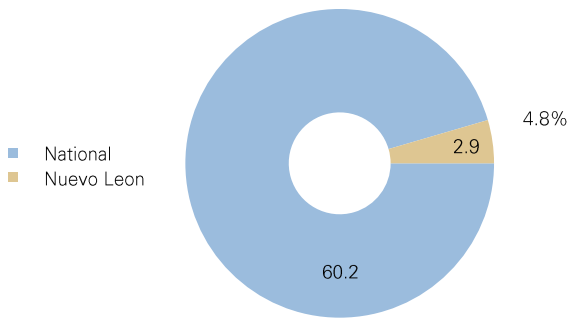
#### ECONOMIC ACTIVITY



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 2Q 2023

### Economically Active Population

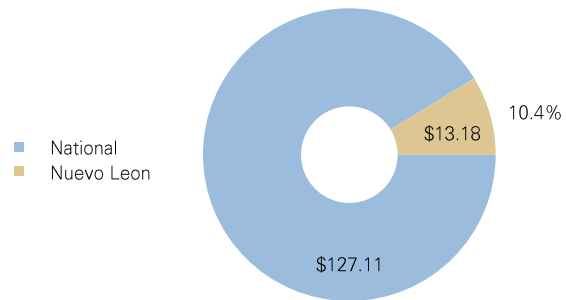
#### MILLION INHABITANTS



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 2Q 2023

### Economic Position, Nuevo Leon

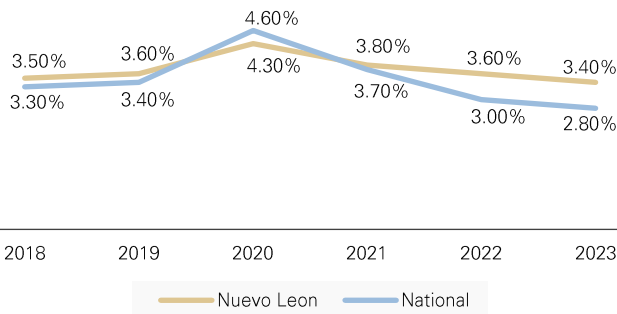
#### EXPORT VALUE, BILLION DOLLAR



Source: ETEF, INEGI, 1Q 2023

### Unemployment Rate

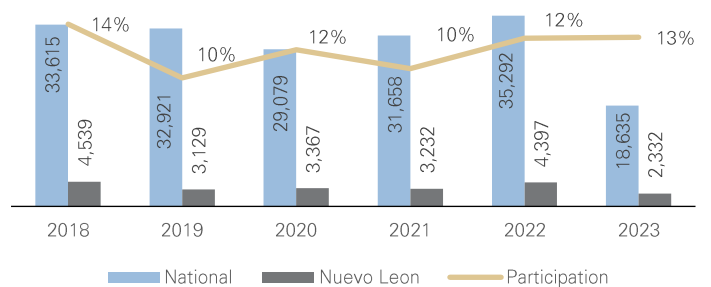
#### INDICATOR



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 2Q 2023

### Foreign Direct Investment

#### USD MILLION



Source: Secretaría de Economía, 1Q 2023

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