
3Q24

Monterrey Industrial Market Report



NEWMARK

Market Analysis

Economy

- Among the main investment announcements coming to the state of Nuevo Leon, Volvo Group will build a heavy truck manufacturing plant in the Cienega de Flores submarket. This investment is estimated at US\$700 million, and its inauguration is expected in 2026.
- In a report, the state's Secretary of Economy, Ivan Rivas, indicated that 60 suppliers are producing auto parts for General Motors in Ramos Arizpe and Tesla in Austin, Texas. Additionally, he emphasized that the entity is becoming a hub for electromobility.

Major Transactions

| Tenant | Submarket | Type | Square Feet |
|--------------|-------------------|-------|-------------|
| Confidential | Apodaca | Lease | 476,800 |
| Amazon | Cienega de Flores | BTS | 383,100 |
| GEPP | Apodaca | Lease | 291,700 |

Leasing Market Fundamentals

| | Current Quarter | Prior Quarter | One Year Ago | 12-Month Forecast |
|---------------------------|-----------------|---------------|--------------|-------------------|
| Total Inventory (SF) | 107.0M | 103.5M | 91.1M | ↑ |
| Vacancy Rate | 3.2% | 1.8% | 0.4% | ↑ |
| Gross Absorption (SF) | 3.0M | 2.3M | 3.1M | → |
| Net Absorption (SF) | 0.9M | 0.8M | 2.9M | → |
| Asking Rent (USD/SF/Year) | \$7.81 | \$7.66 | \$6.93 | ↑ |
| U. Construction (SF) | 12.0M | 11.5M | 12.1M | ↓ |

Outlook

- Given the addition of new speculative Class A spaces, the asking price is expected to continue rising and close the year at US\$7.94 per square feet per year.
- By the end of the year, the market is expected to exceed 107.6 million square feet of industrial inventory, due to the completion of just over 6.1 million square feet.
- If demand in the market remains stable and, on the rise, a gross absorption of between 9.6 and 10.7 million square feet is expected by the end of 2024.

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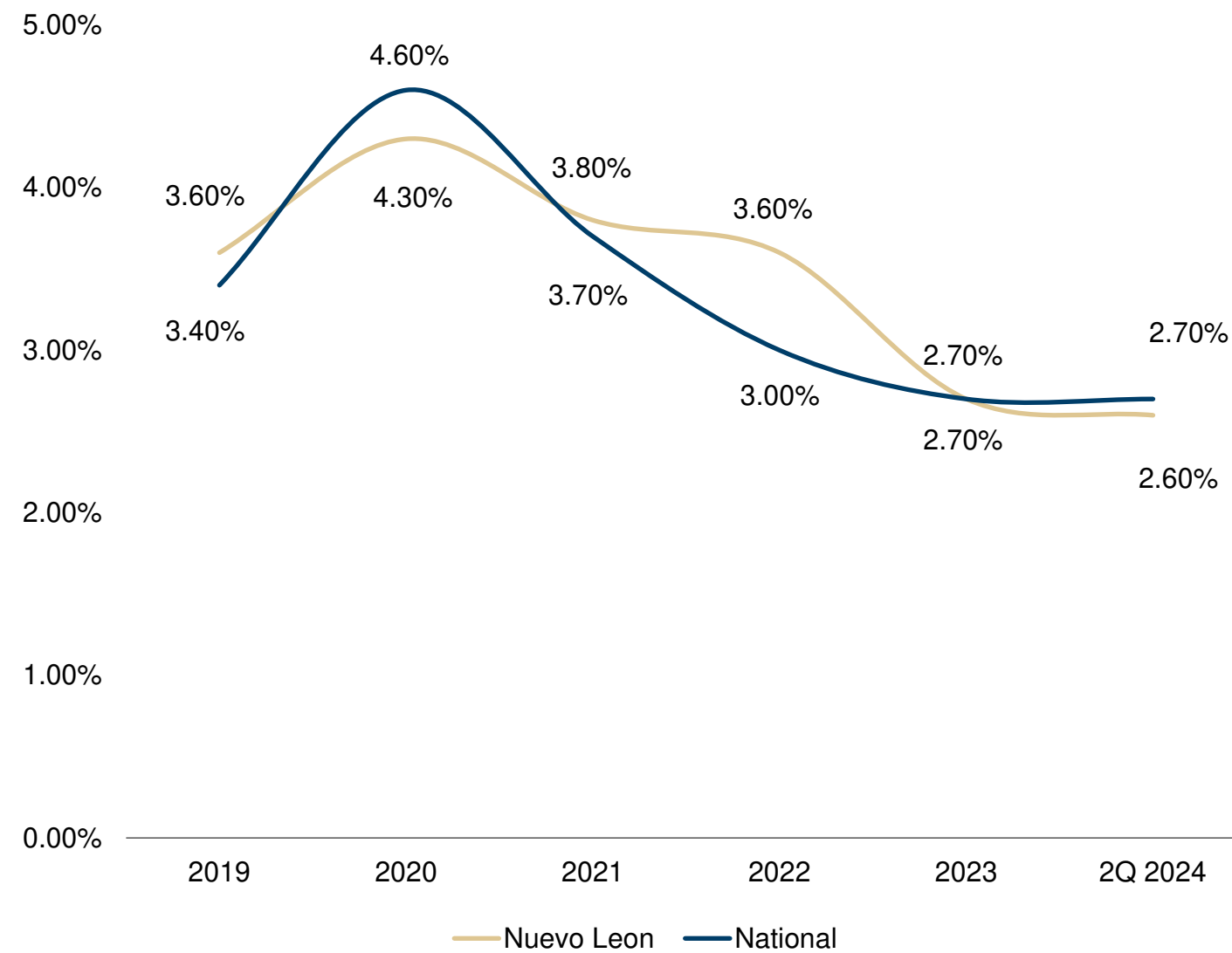
Economy



Economics

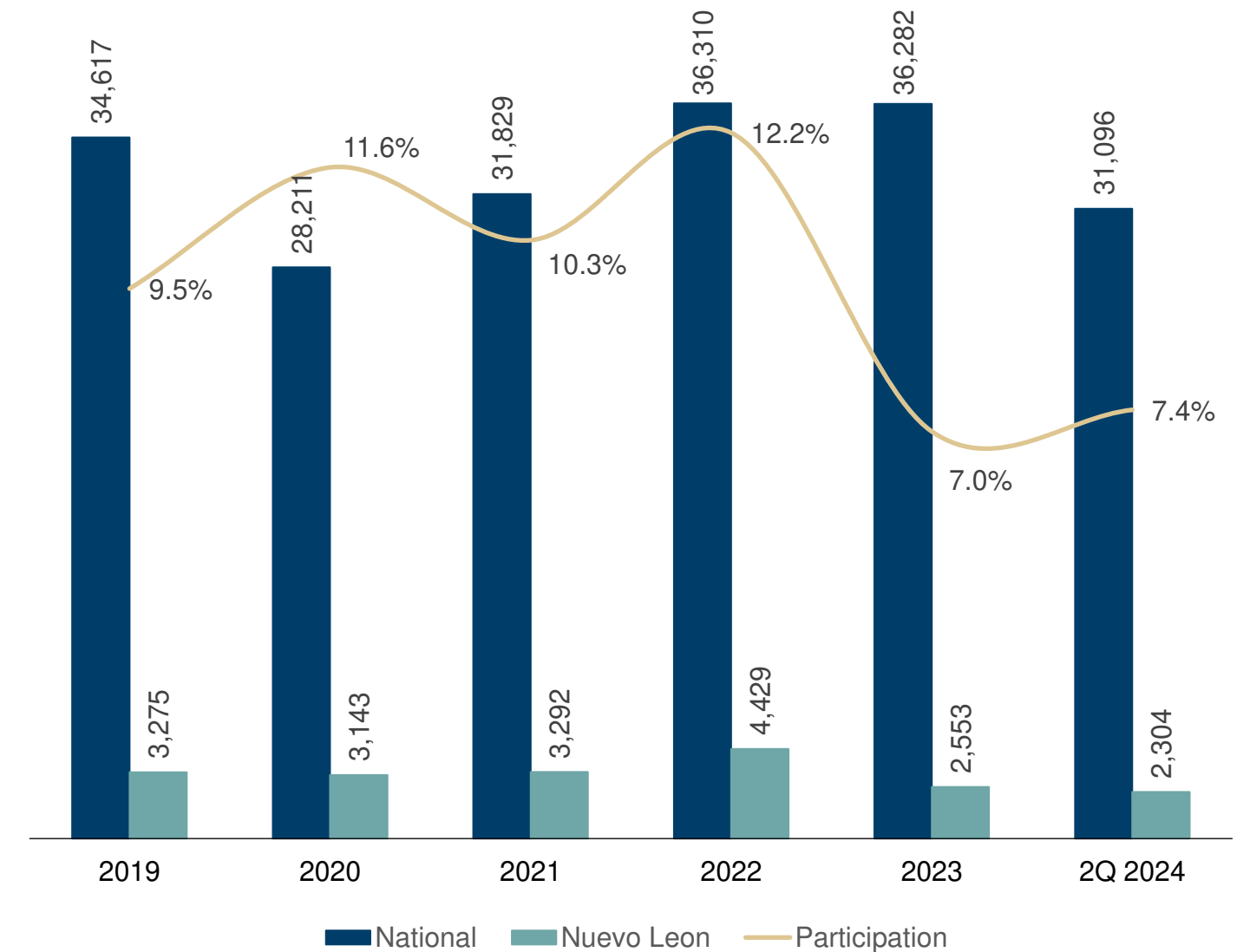
In the second quarter of 2024, the national unemployment rate was observed at 2.70%, while the rate in Nuevo Leon was 2.6%. Furthermore, regarding Foreign Direct Investment (FDI) in Mexico by federal entity, with information from the second quarter of 2024, the country recorded 31,096 million dollars, with the state of Nuevo Leon accounting for 7.4% of this amount.

Unemployment Rate



Source: Secretariat of Labor and Social Welfare (Nuevo Leon), 2Q 2024

Foreign Direct Investment (Million Dollars)

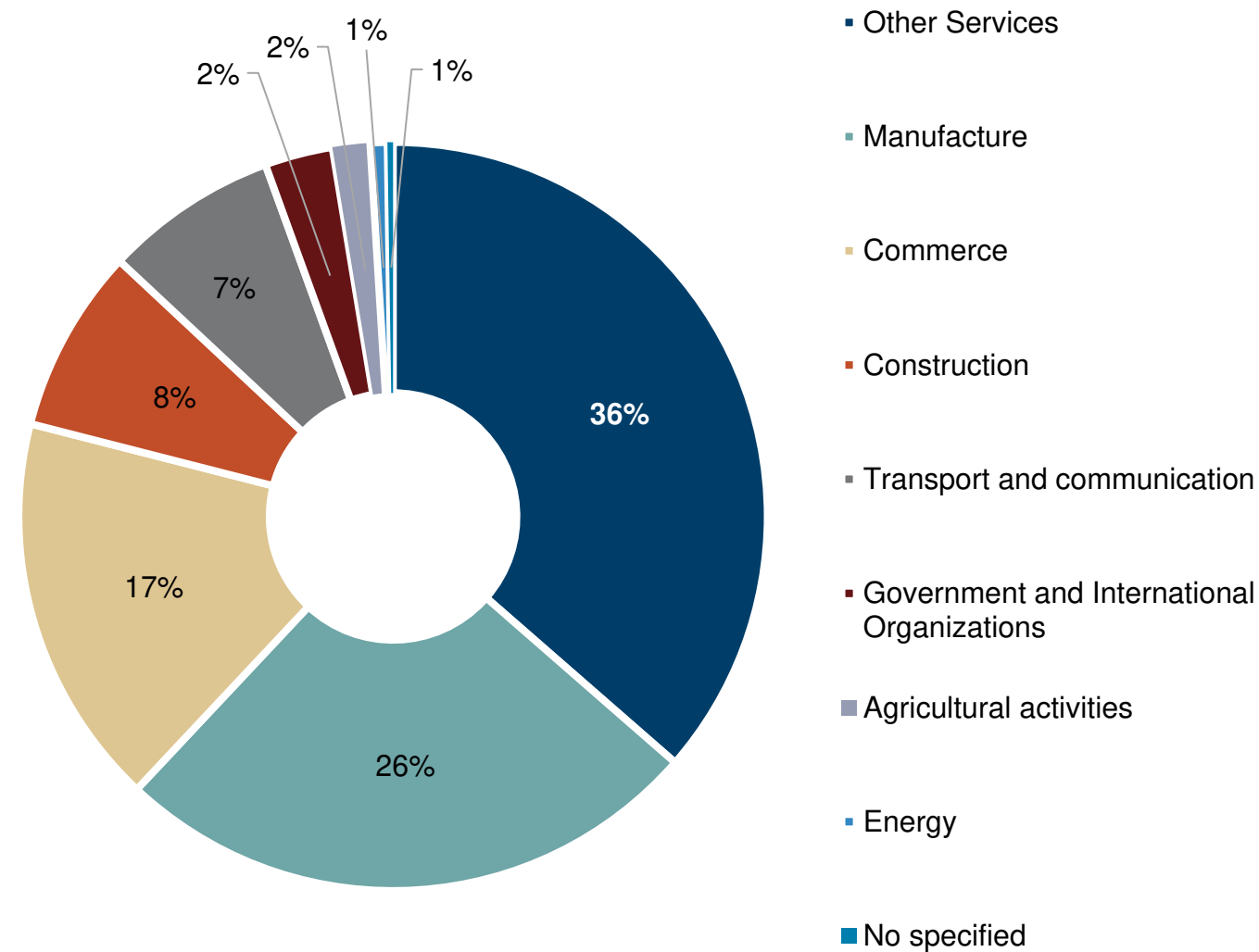


Source: Ministry of Economy, 2Q 2024

Employment by Sector and Economic Position in Nuevo Leon

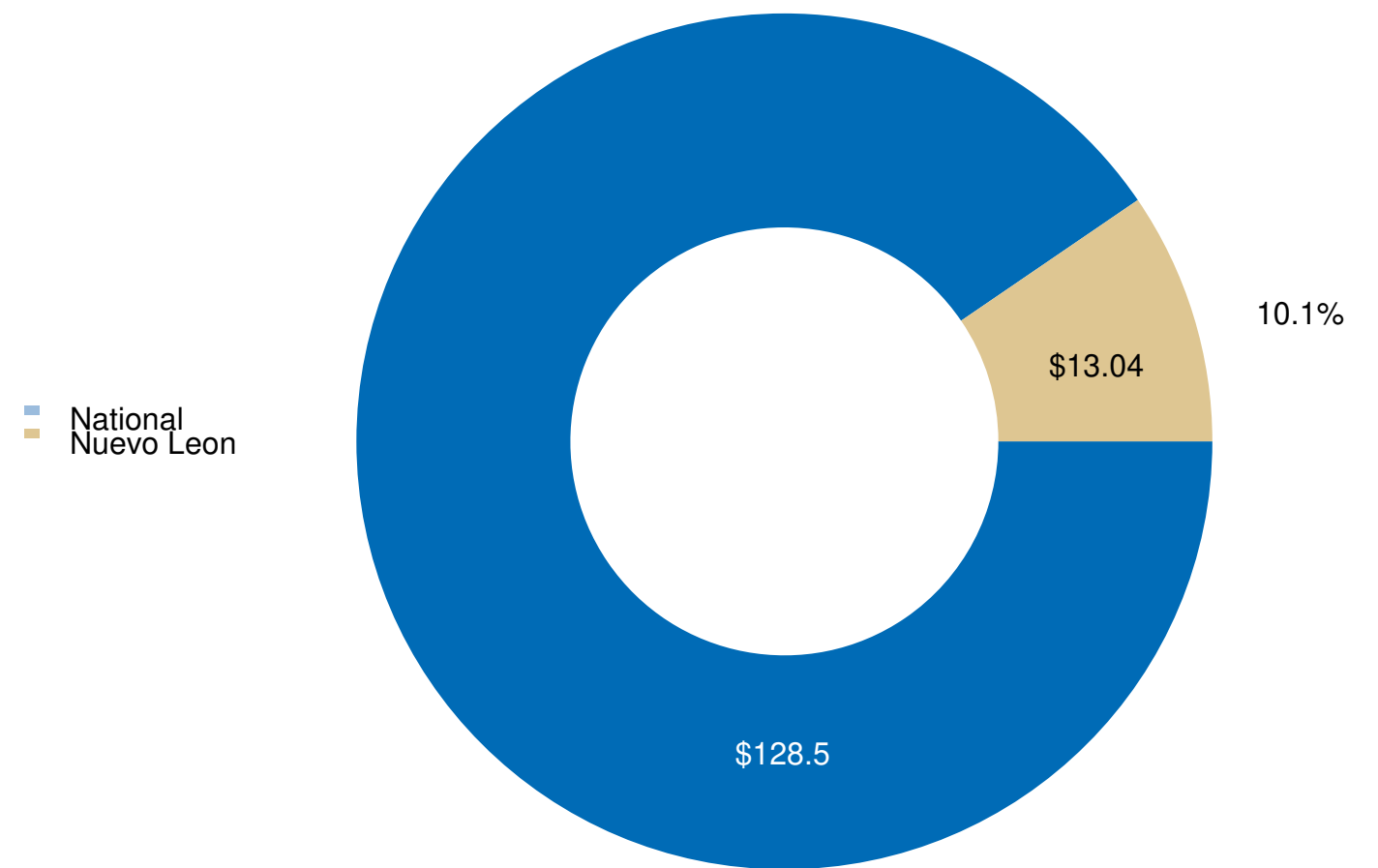
The September Labor Information document from the Ministry of Labor and Social Welfare of Nuevo Leon reported that the economic activity by sector in the second quarter of 2024 registered the following data: 36% in other services, 26% in manufacturing industry, 17% in commerce, among others. Additionally, the Quarterly Exports by Federal Entity (QEFE) report, with information from the first quarter of 2024, indicated that Nuevo Leon had a 10.1% share of a level of 128.5 billion dollars.

Branch by Economic Activity



Source: Secretariat of Labor and Social Welfare (Nuevo Leon), 2Q 2024

Export Value (Billion Dollars)



Source: QEFE INEGI, 1Q 2024

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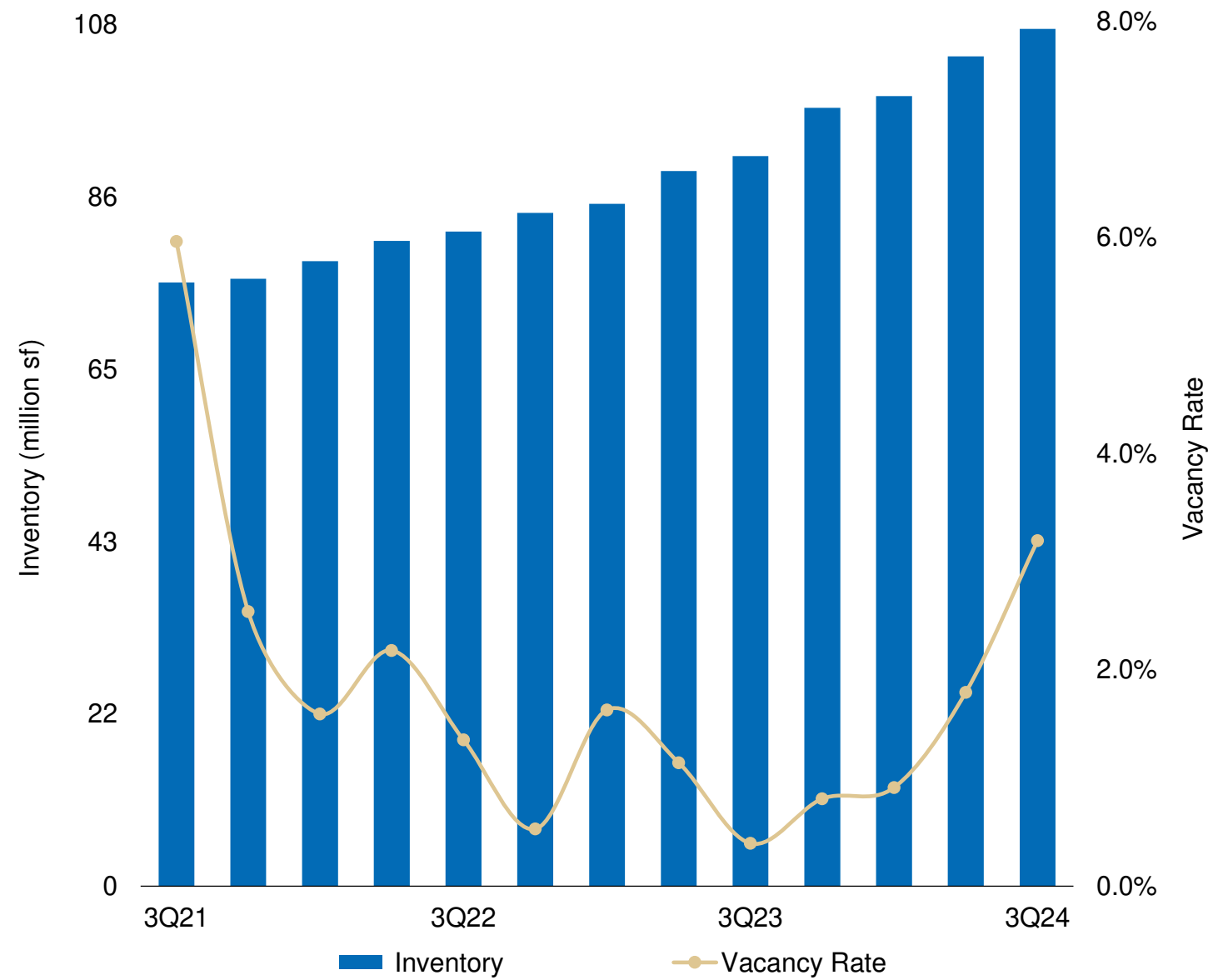
Leasing Market Fundamentals



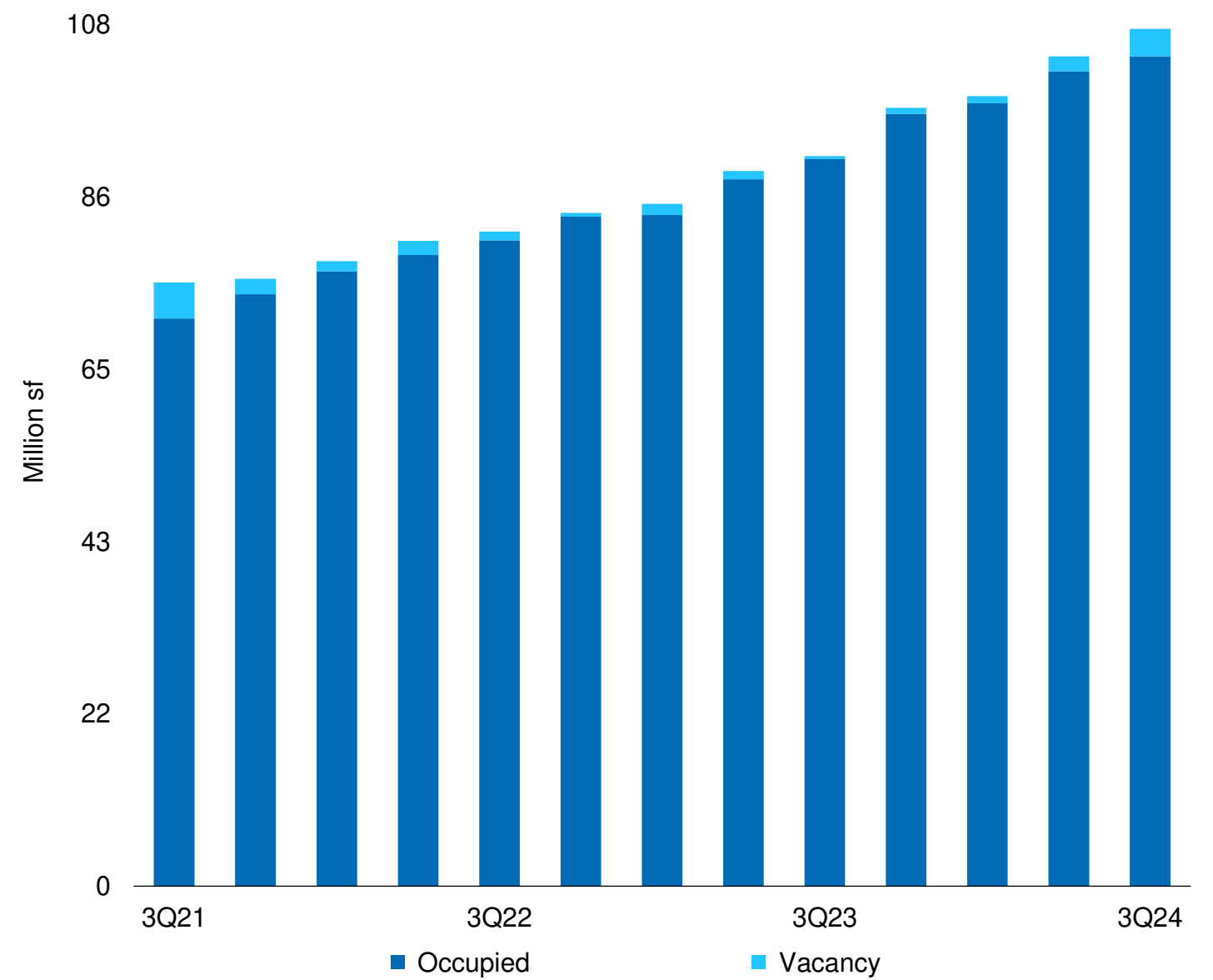
Market Demand

This quarter experienced a dynamic market, with a recorded gross absorption of just over 3.0 million square feet and a new supply of more than 3.5 million square feet. Additionally, due to space vacancy coupled with the completion of new speculative Class A buildings, a figure of just over 2.0 million square feet was observed, this is one of the reasons why there was an increase in the vacancy rate, which was 3.2%, read as an existing vacant space of 3.4 million square feet.

Inventory & Vacancy Rate



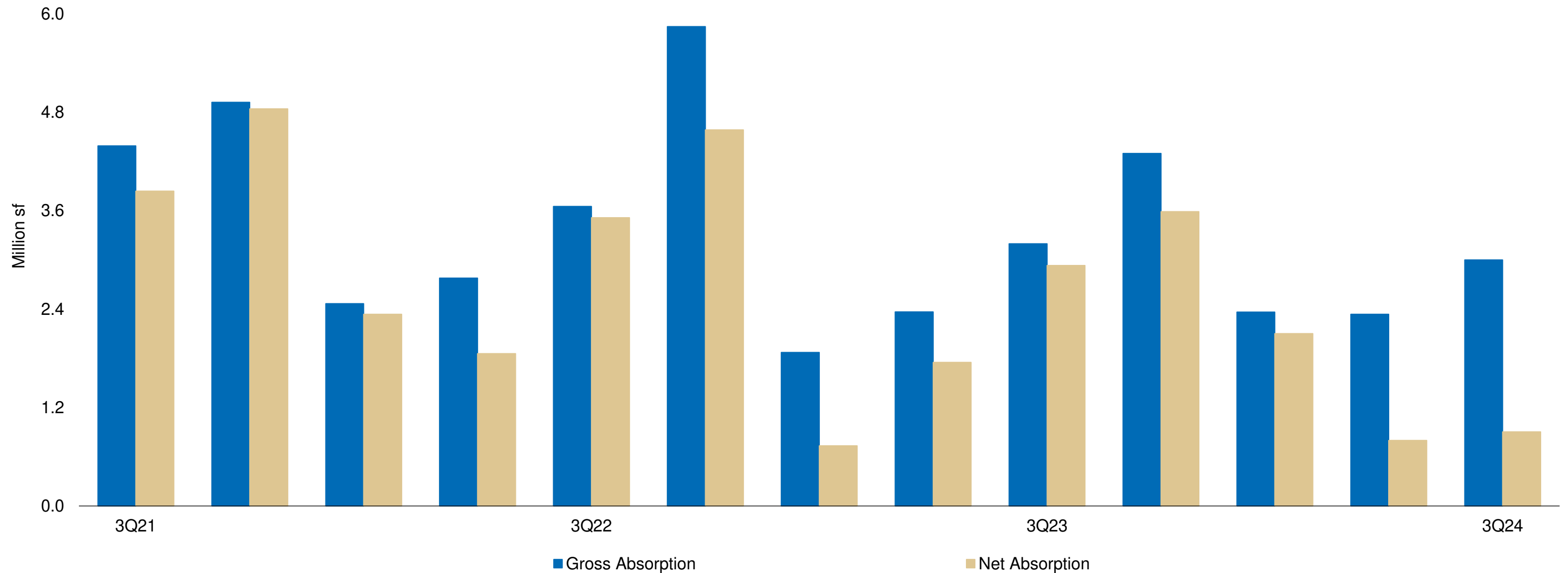
Occupied Space & Vacancy Space



Absorptions

In the quarter, more than 3.0 million square feet of Class A space was commercialized, which is lower than the 3.1 million square feet observed in the same period last year. Additionally, there are records of an accumulated gross and net absorption of 7.7 and 3.8 million square feet, respectively. The submarket that stands out with the largest space commercialized in the quarter was Apodaca with 66.3%, and the operation type that predominates in this period is lease, with 55.9%.

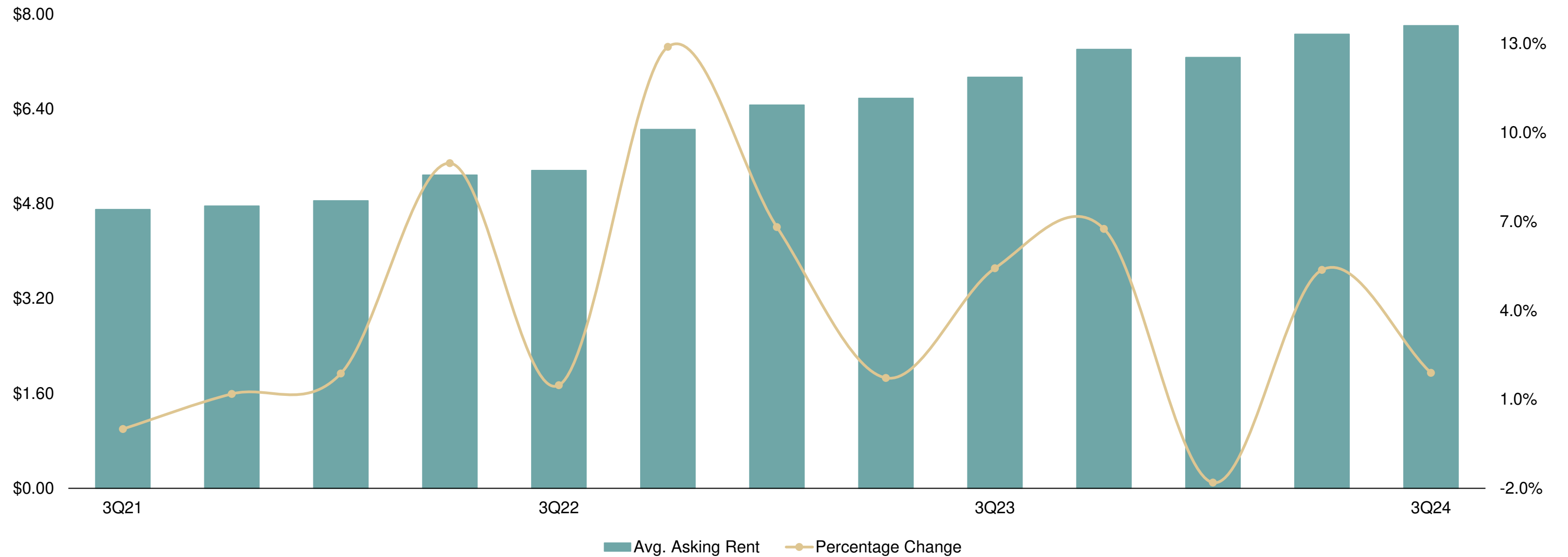
Gross Absorption vs Net Absorption



Average Asking Rent

The average asking rent once again showed an upward trend compared to the previous quarter (US\$7.66) and the same period last year (US\$6.93), closing at US\$7.80 per square feet per year. Regarding the submarkets with the highest rental prices, Apodaca and Escobedo are at the top with US\$8.18 and US\$8.16 per square feet per year, respectively. One of the main reasons for this increase is the completion of a new speculative Class A buildings.

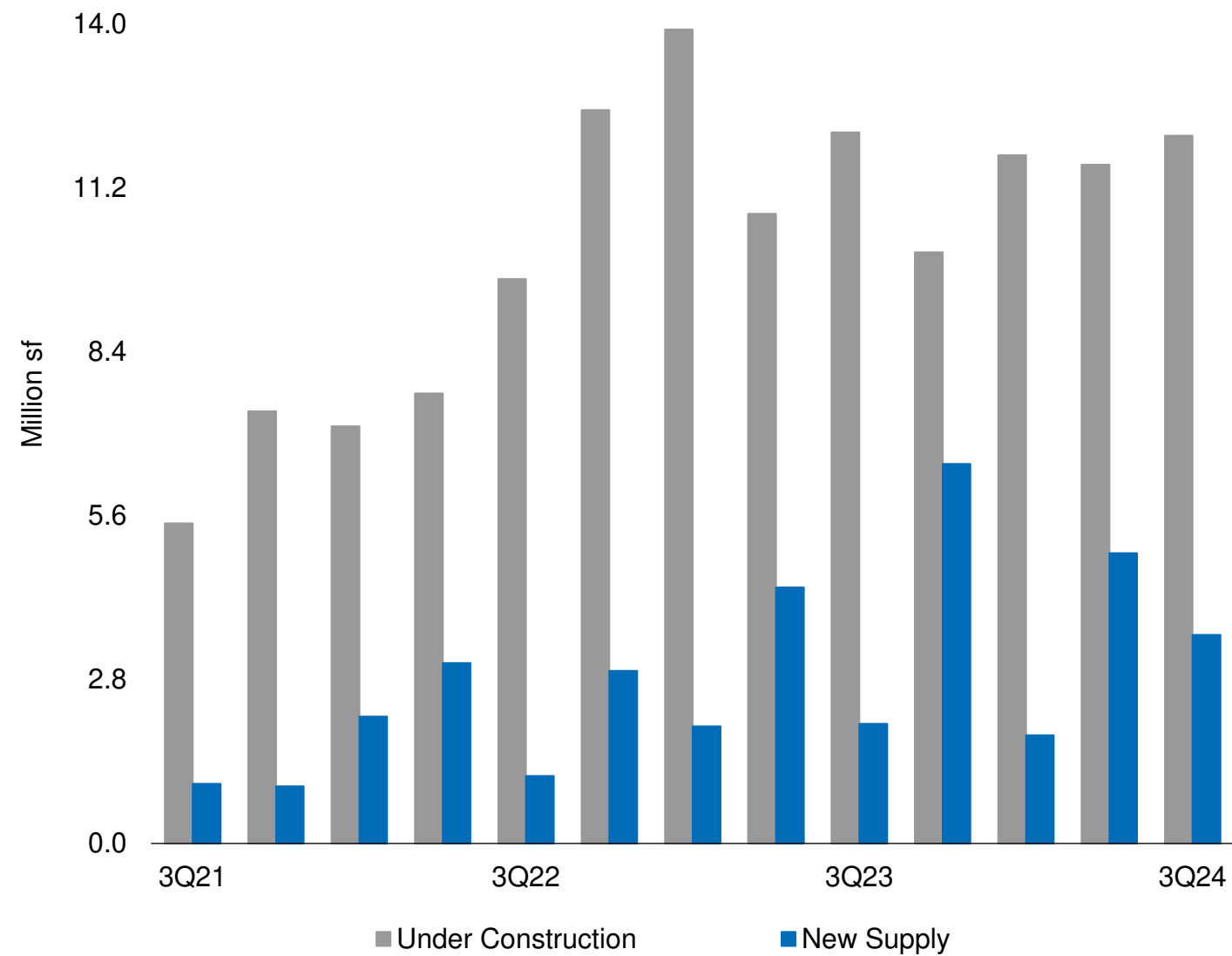
Avg. Asking Rent (USD/SF/Year) & Percentage Change



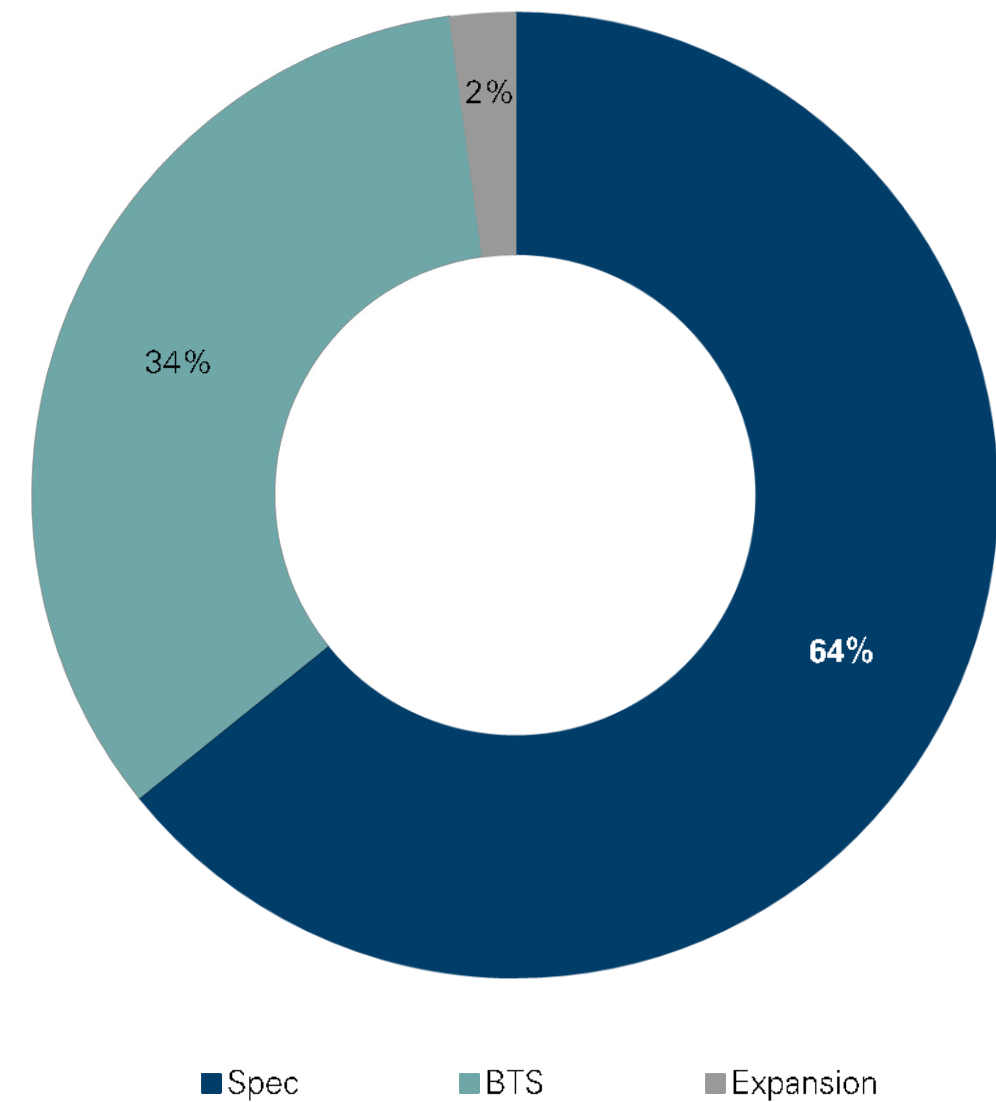
Space Under Construction

The development space showed a figure of 12.0 million square feet and recorded a new supply of 3.5 million square feet. Regarding the type of space under construction, 64.2% corresponds to speculative buildings, 33.7% to build-to-suit projects, and 2.2% to expansions of existing buildings. So far this year, 10.3 million square feet have entered the market, with 43.7% located in the Apodaca submarket. There is a record of more than 14.4 million square feet of speculative space in the planning stage.

Under Construction & New Supply



Type of Buildings (3Q24)



Market Indicators

| | Inventory (million SF) | Construction (SF) | Vacancy (SF) | Vacancy Rate | Gross (SF) Absorption | Gross Absorption YTD (SF) | Net (SF) Absorption | Net Absorption YTD (SF) | Asking Lease Rate (USD/SF/Year) | U. Construction Asking Rent (USD/SF/Year) |
|-------------------|---------------------------|----------------------|------------------|-----------------|--------------------------|---------------------------------|------------------------|-------------------------------|---------------------------------------|---|
| Apodaca | 38.5 | 5,180,000 | 1,042,700 | 2.7% | 1,990,000 | 4,390,000 | 1,506,300 | 2,856,000 | \$8.18 | \$7.90 |
| Cienega de Flores | 18.0 | 1,976,000 | 569,400 | 3.2% | 384,100 | 794,300 | 384,100 | 224,800 | \$7.55 | \$7.59 |
| Escobedo | 10.4 | 703,200 | 723,600 | 6.9% | 53,600 | 473,300 | -565,200 | -191,900 | \$8.16 | \$6.36 |
| Guadalupe | 14.6 | 1,818,000 | 304,500 | 2.1% | 526,200 | 1,240,000 | 358,200 | 935,600 | \$7.18 | \$7.20 |
| Monterrey | 1.33 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0 | - | - |
| Pesqueria | 3.11 | 0 | 0 | 0.0% | 0 | 130,000 | 0 | 130,000 | - | - |
| Salinas Victoria | 5.31 | 484,300 | 200,500 | 3.8% | 0 | 0 | -200,500 | -200,500 | \$7.08 | \$7.92 |
| San Nicolas | 0.73 | 119,000 | 0 | 0.0% | 0 | 119,000 | 0 | 119,000 | - | - |
| Santa Catarina | 14.9 | 1,800,000 | 579,300 | 3.9% | 45,900 | 556,600 | -579,300 | -68,600 | \$7.54 | \$7.38 |
| Market | 107.0 | 12,085,000 | 3,420,000 | 3.2% | 3,001,000 | 7,704,000 | 903,500 | 3,805,000 | \$7.81 | \$7.60 |

For more information:

Monterrey

Torre Citrus, Piso 11
Av. Roble 660, Valle del Campestre, San
Pedro Garza Garcia, N.L. 66265
t 52-81-8356-2020

Luis Moreno

Senior Market Research Analyst
luis.moreno@nrmk.com

Armando de la Fuente

Senior Managing Director
armando.delafuente@nrmk.com

Mexico City

Corporativo Espacio Santa Fe
Carr. Mexico-Toluca 5420 – PH1
Santa Fe, CDMX. 05320
t 52 55-5980-2000

Juan Flores

Market Research Director
Latin America
juan.flores@nrmk.com

newmark.mx



Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at <https://nrmk.lat/reportes-de-mercado/>.

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