



# Mexico City Industrial Market

## The market in 2024

With a clear focus on logistics, Mexico City’s industrial market maintains a more modest growth than what was recorded in previous quarters.

Even though the inventory expanded by 92 thousand square feet, versus the 538 thousand recorded in the previous quarter, the difference is clear. This phenomenon is likely related to speculation by developers for 2024, whereby the expectation is that inventory will grow considerably. For the first half of the year, it is expected that large-scale projects, such as Panorama Coacalco and World Park Tlalnepantla, will be finished. This is in addition to other developments that, despite being still under construction, are reporting major occupations.

The submarket with the most substantial change was Vallejo, with slightly over 178 thousand square feet of net absorption. This submarket offers a convenient location for the logistics market.

The greatest vacancy rates were reported in the Tlalnepantla and Huehuetoca submarkets, reaching 1.4% and 1.6%, respectively. In both cases, this fact is directly associated with the partial vacancy of some industrial spaces.

### Current Conditions Mexico City

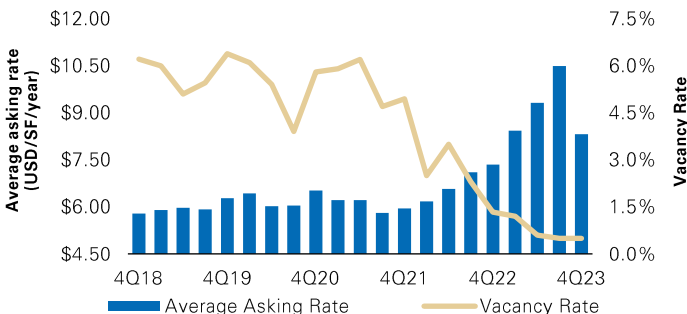
- Class A industrial inventory remains at 126.2 million square feet, waiting on the completion of developments due in 2024.
- The area under construction increased versus the previous period, reaching a total of 6.3 million square feet.
- The vacancy rate in Mexico City remains at a historic low of 0.5%, a sharp contrast versus the 1.3% in Q4 2022.

### Market Summary

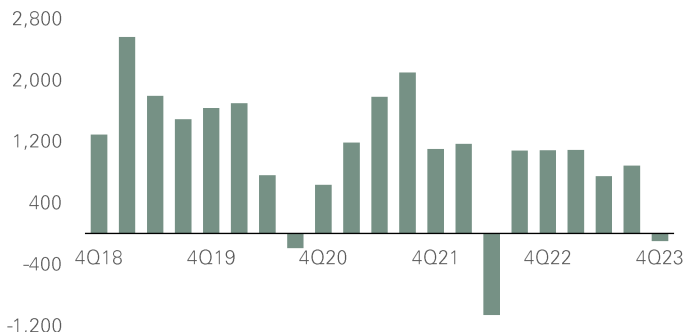
	Current Quarter	Prior Quarter	One year ago	12-month forecast
Total inventory (SF)	126.2 M	126.2 M	122.08 M	↑
Vacancy Rate	0.5%	0.5%	0.90%	→
Quarter Net Absorption (SF)	0.3 M	0.9 M	0.7 M	→
Average asking rent (USD/SF/year)	\$8.32	\$10.49	\$7.85	↑
Under construction (SF)	6.3 M	5.8 M	4.2 M	↑

### Market Analysis Mexico City

#### AVERAGE LEASE RATE AND VACANCY RATE



#### NET ABSORPTION (Thousand SF)



**Outstanding Indicators**

**Net Absorption.** This indicator continues with a trend toward reduction due to the vacancies in various submarkets. These stand in contrast with the reported closings to result in an availability rate that is nearly identical to what was recorded in the previous quarter.

**Price.** There is a constant increase in average prices, as reported in previous periods. This is noticeable in the particular average for each submarket. However, it also stands out on an average of \$8.32 USD/SF/year, which is affected by the vacancies in Huehuetoca, a submarket where the average price was \$5.35 USD/SF/year.

The submarket with the highest price was Vallejo-Azcapotzalco, closing at \$13.94 USD/SF/year, followed by Tepotzotlán, where the average price was \$9.70 USD/SF/year.

**Recycling industrial spaces**

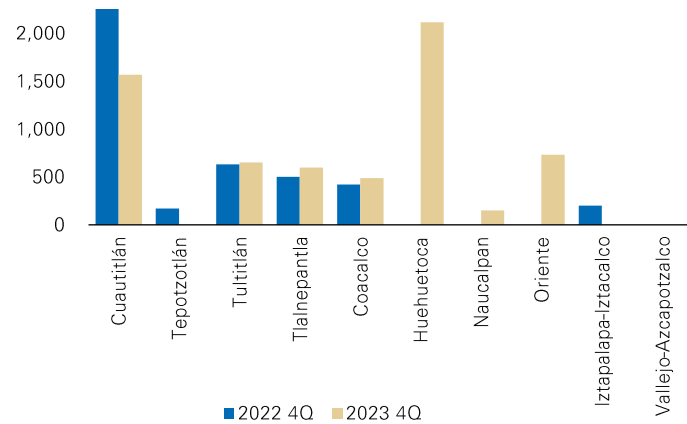
Regarding the configuration of the industrial market in Mexico City, it is possible to identify a clear focus on logistics. This is an industrial branch for which it is indispensable to be close to major population centers. This is a characteristic it has in common with the model for last-mile developments.

The demand for spaces with a convenient location in the urban area makes some industrial areas particularly appealing. Some of these developed in previous periods, resulting in the recycling of industrial spaces to offer new real estate products.

Demand for industrial use land in Mexico City has become a constant. There is interest in land within the city, in areas where industry is not one of the dominant actors.

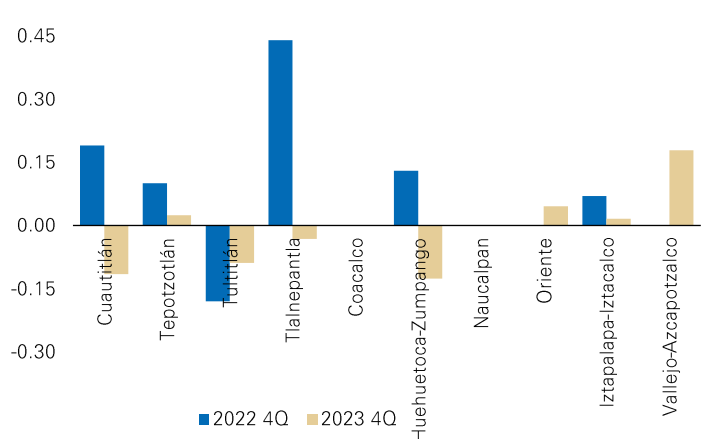
**Under Construction**

4Q 2022 – 4Q 2023 (THOUSANDS SF)



**Net Absorption**

4Q 2022 – 4Q 2023 (MILLIONS SF)

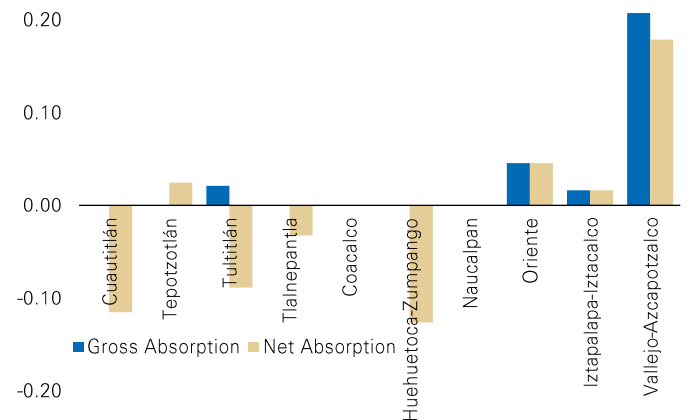


**Average Asking Rates Range**

AVERAGE ASKING RATES (USD /SF / Year)



**Net and Gross Absorption by Submarket**



### Innovation in the Mexico City industrial market

Due to the shortage of land for industrial use, some developers seek to replicate real estate products tailored for the logistics market. Thus, it is more common to observe the development of mini-warehouses and other spaces designed for applications other than manufacturing.

In the same vein, we find the planning and development of projects involving industrial spaces with more than one level by Interlogix. This greatly enhances the potential of properties with smaller dimensions, while also exploiting the conditions of the real supply in terms of zoning in Mexico City. In this manner, properties that would be otherwise used for commercial or residential applications are instead used for light industry.

Another notable example is OD Tlalpan, a multi-level property where O'Donnell includes office spaces along with spaces focused on the last-mile logistics model.

### Parks Under Construction and Planned

Industrial Parks	Sub-Market
Panorama Coacalco	Coacalco
CPA HTCA-B001	Huehuetoca
Blue Industrial Park	Cuautitlán
TultePark	Tultitlán
La Presa	Tlalnepantla

### Market Summary Mexico City

	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)	U. Construction Asking Rent (USD/SF/Year)
<b>CTT</b>	<b>91.2</b>	<b>2.2</b>	<b>0.3</b>	<b>0.3%</b>	<b>1.1</b>	<b>0.1</b>	<b>2.6</b>	<b>\$9.31</b>	<b>\$9.88</b>
Cuautitlan	46.4	1.6	0.2	0.3%	0.8	-	1.7	\$9.23	\$9.94
Tepetzotlan	23.6	-	0.0	0.1%	0.1	-	0.5	\$9.70	-
Tultitlan	21.2	0.7	0.1	0.6%	0.2	0.1	0.4	\$9.35	\$9.70
Tlalnepantla	13.0	0.6	0.2	1.6%	-	-	-0.3	\$8.92	\$8.90
Coacalco	1.6	0.5	-	0.5%	-	-	-	-	\$8.43
Huehuetoca- Zumpango	9.1	2.1	0.1	1.4%	-	-	-0.1	\$5.35	\$8.92
Naucalpan	1.0	0.2	-	-	-	-	-	-	\$13.56
Oriente	1.6	0.7	-	-	0.1	-	0.2	-	-
Iztapalapa- Iztacalco	2.9	-	-	-	-	-	-	-	-
Vallejo- Azcapotzalco	5.8	-	-	0.5%	0.1	0.2	0.3	\$13.94	-
<b>Total</b>	<b>126.2</b>	<b>6.31</b>	<b>0.6</b>	<b>0.5%</b>	<b>1.3</b>	<b>0.3</b>	<b>2.7</b>	<b>\$8.32</b>	<b>\$9.32</b>

### A city in constant progress

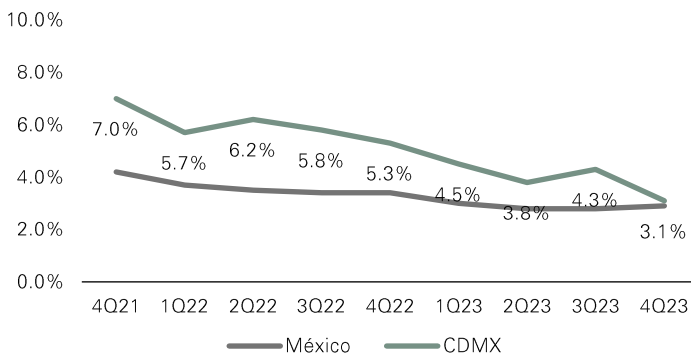
It is expected that Mexico City's corporate market will continue with a solid growth in 2024, concentrating 32% of the FDI and showing positive indicators in most aspects. New business openings were recorded, as well as the relocation of productive processes from major companies based in the United States, Spain, Canada, Germany, and China.

SEDECO and the city government execute agreements to contribute to the productivity, competitiveness, and profitability of SMEs. The most recent instrument involved DHL, whereby they seek to expand the logistic operations of companies by improving the cost of shipments.

The dollar remained stable, gravitating near \$17.9 pesos, waiting on the expected announcements of monetary policies by the Federal Reserve and the Bank of Mexico.

### Unemployment Rate

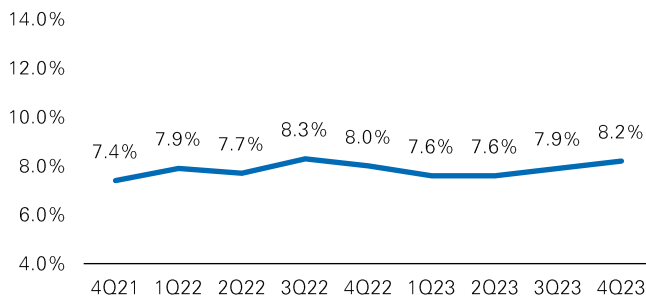
#### ANNUAL INDICATOR



Source: INEGI, ENOE

### Consumer Price Index (CPI)

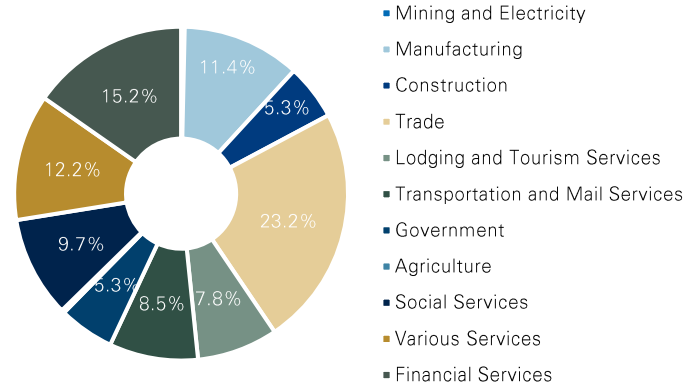
#### ANNUAL INDICATOR



Source: Banxico

### Employment per Economic Sector

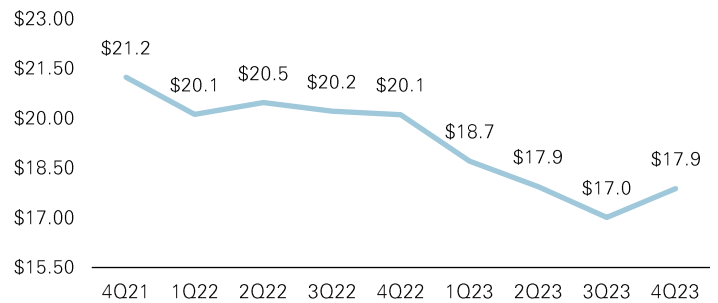
#### MEXICO CITY AND METROPOLITAN AREA, NOVEMBER 2023



Source: INEGI, ENOE

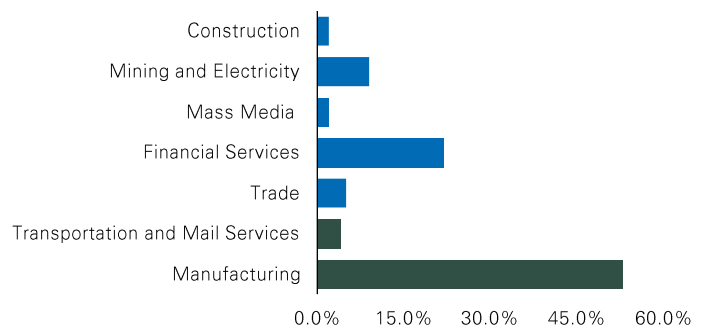
### Exchange Rate

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



Source: Banxico

### Foreign Direct Investment



Source: CEFPI

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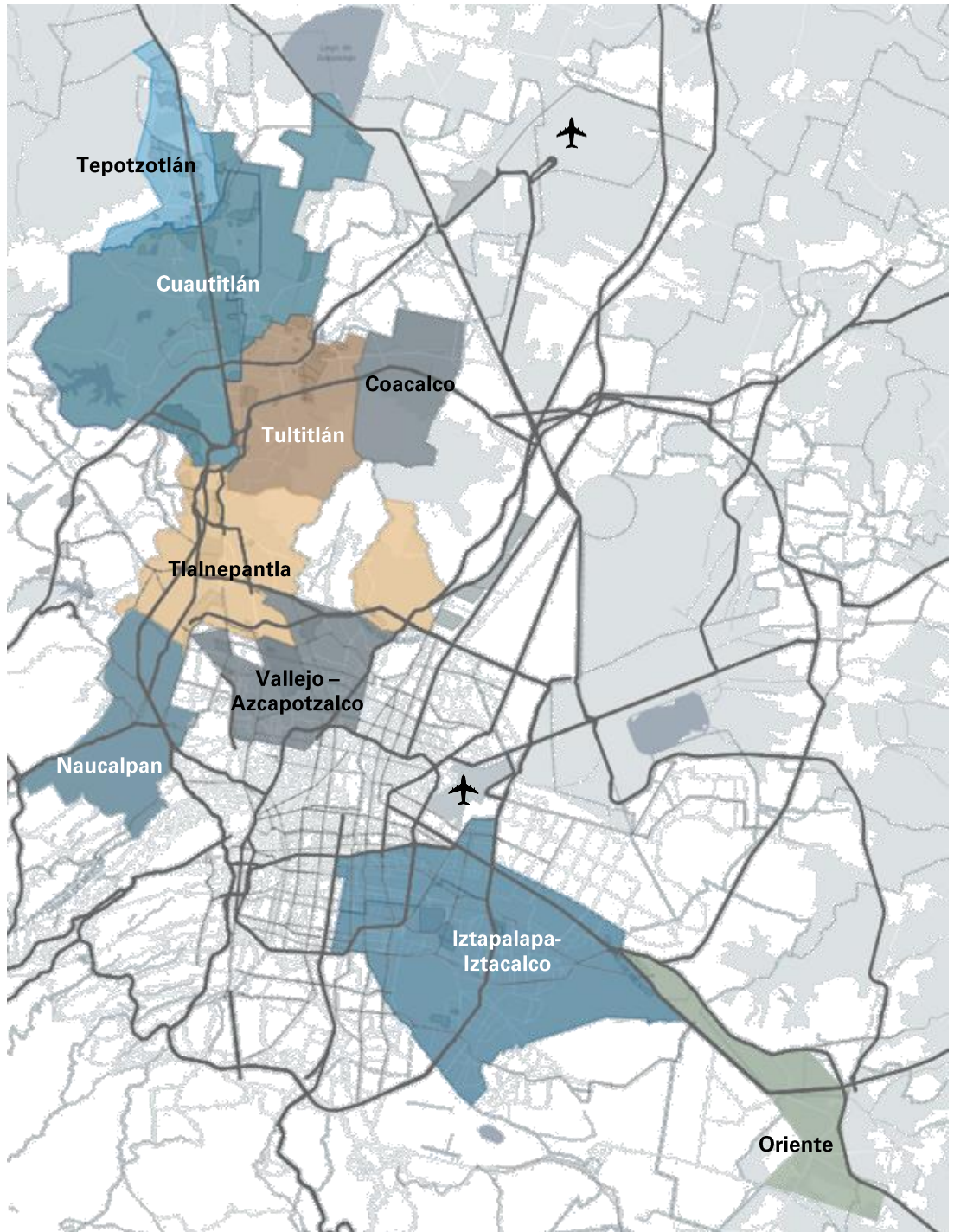
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