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1Q24

# Mexico City Industrial Market



**NEWMARK**

# Market observations

## Economy

- The exchange rate reaches \$17.00 MXN for each US Dollar (USD). This value is similar to that recorded in the third quarter of 2023.
- Unemployment is close to a percentage point in relation to the previous period; in contrast with the national outlook, where there isn't a significant difference between quarters.
- Together, manufacturing and logistics account for more than 35% of foreign direct investment.

## Major Transactions

- The activity in the Tlalnepantla submarket stands out, with an operation exceeding 170,000 SF.
- Operations in the Cuautitlán and Tultitlán submarkets (belonging to the CTT industrial corridor) total a net absorption of over 160,000 SF.

## Leasing Market Fundamentals

	Current Quarter	Prior Quarter	One Year Ago	12-month Forecast
Inventory (SF)	127.6 M	126.2 M	124.2 M	↑
Vacancy Rate	0.2%	0.5%	1.2%	→
Quarterly Net Absorption (SF)	1.8 M	0.3 M	1.1 M	→
Average Asking Rent (USD/SF/Year)	\$8.33	\$8.32	\$8.44	↑
Under Construction (SF)	4.5 M	6.3 M	4.7 M	→

## Outlook

- It is expected that developments in the submarkets forming the CTT will be added to the total inventory. However, it is unlikely that the availability rate will be affected since most of these spaces are occupied before their construction is completed. Se prevé que el precio de renta continúe al alza de manera generalizada, pese a desocupaciones puntuales que afectan el promedio de submercados aislados.
- It is possible to suggest that developments based on the Last Mile model continue their diversification in industrial spaces located within Mexico City.

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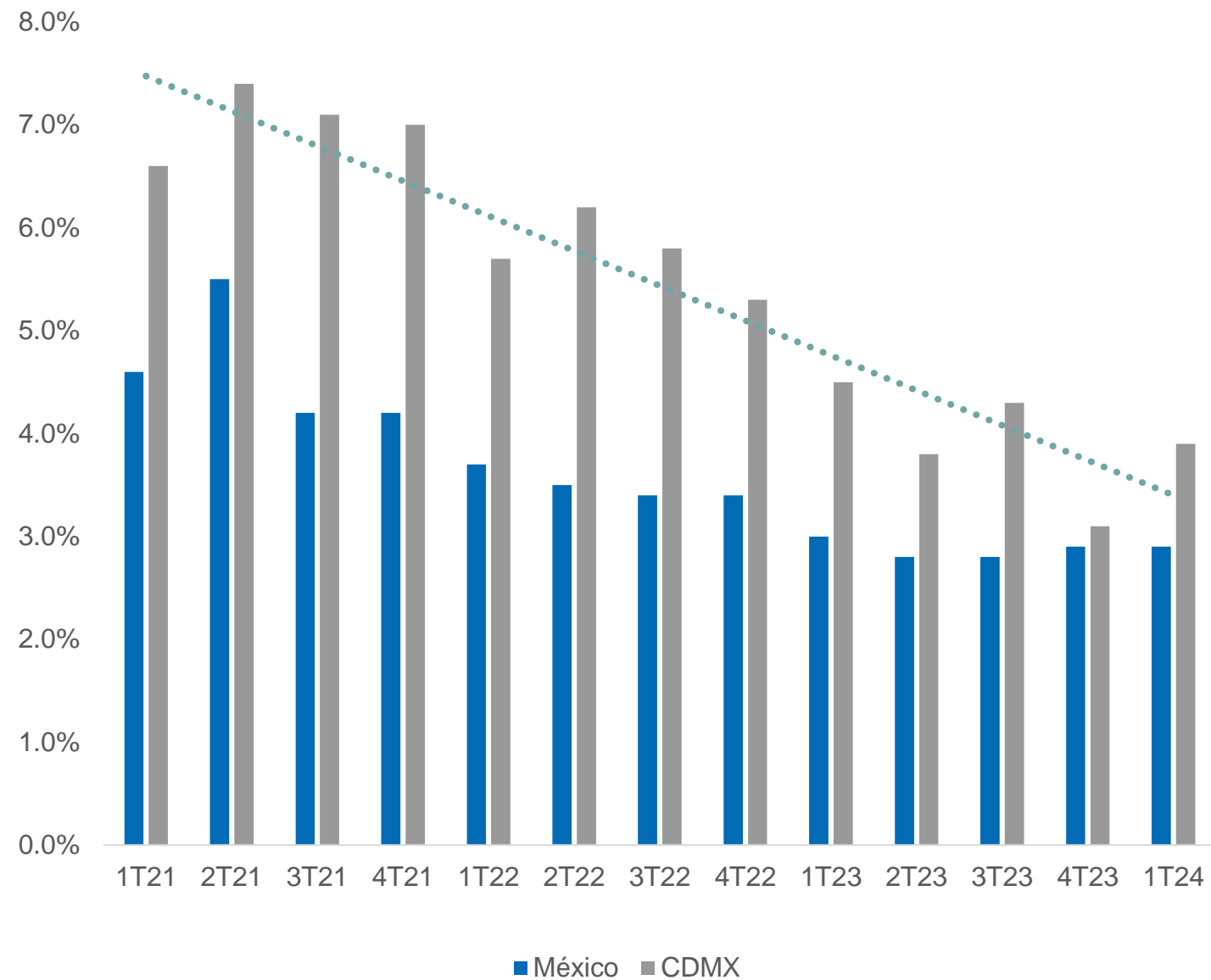
# Economy



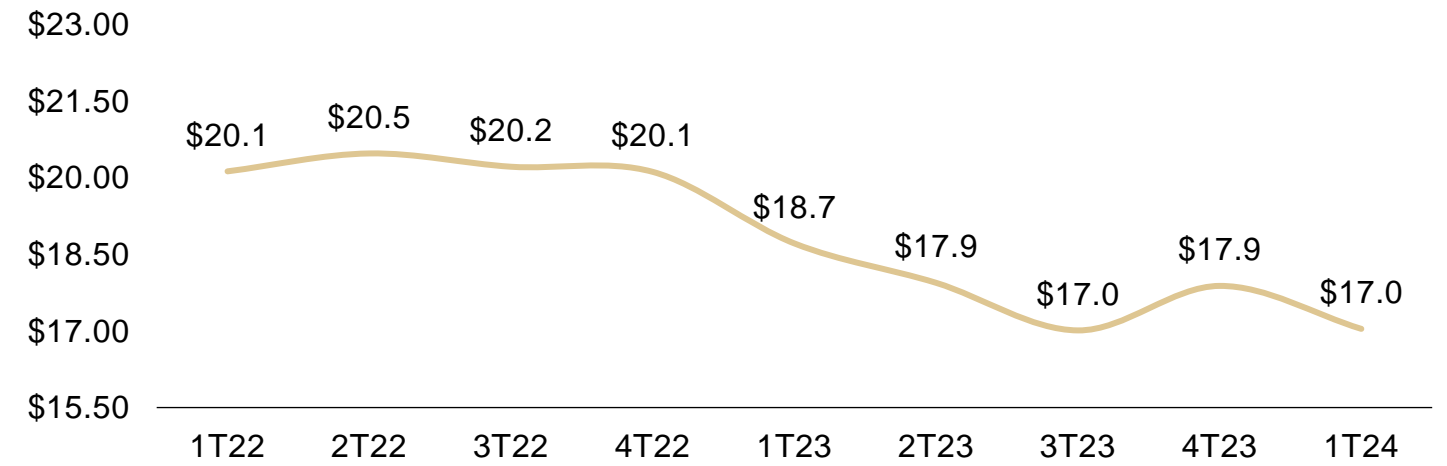
# Economic outlook

The exchange rate continues to decline, reaching below \$17 Mexican Pesos (MXN) per US Dollar (USD) at some points during this quarter.

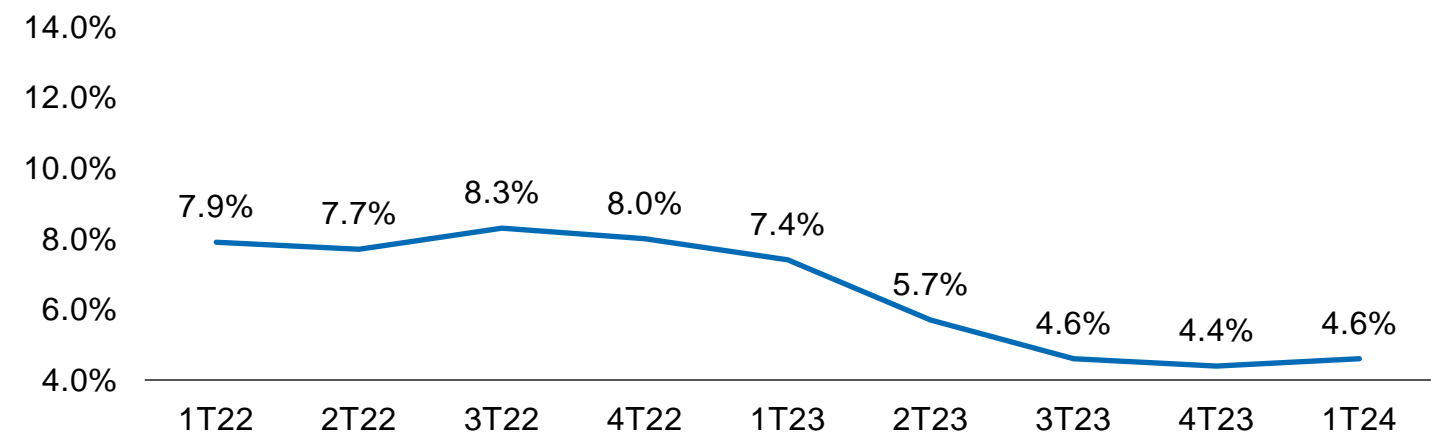
## Unemployment Rate



## Exchange Rate: Mexican Peso (MXN) to US Dollar (USD)



## Consumer Price Index (CPI)

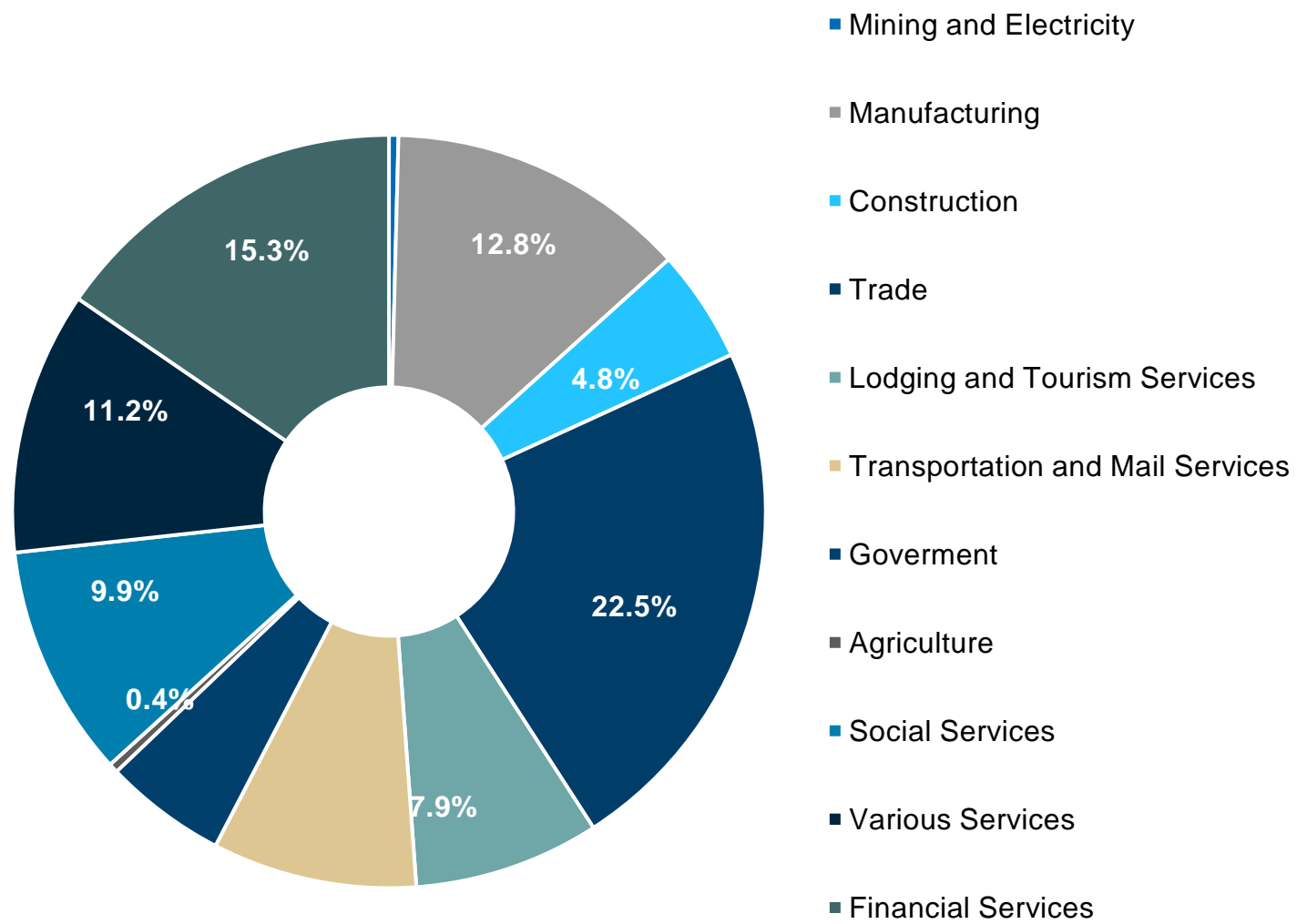


Source: Inegi, Banxico

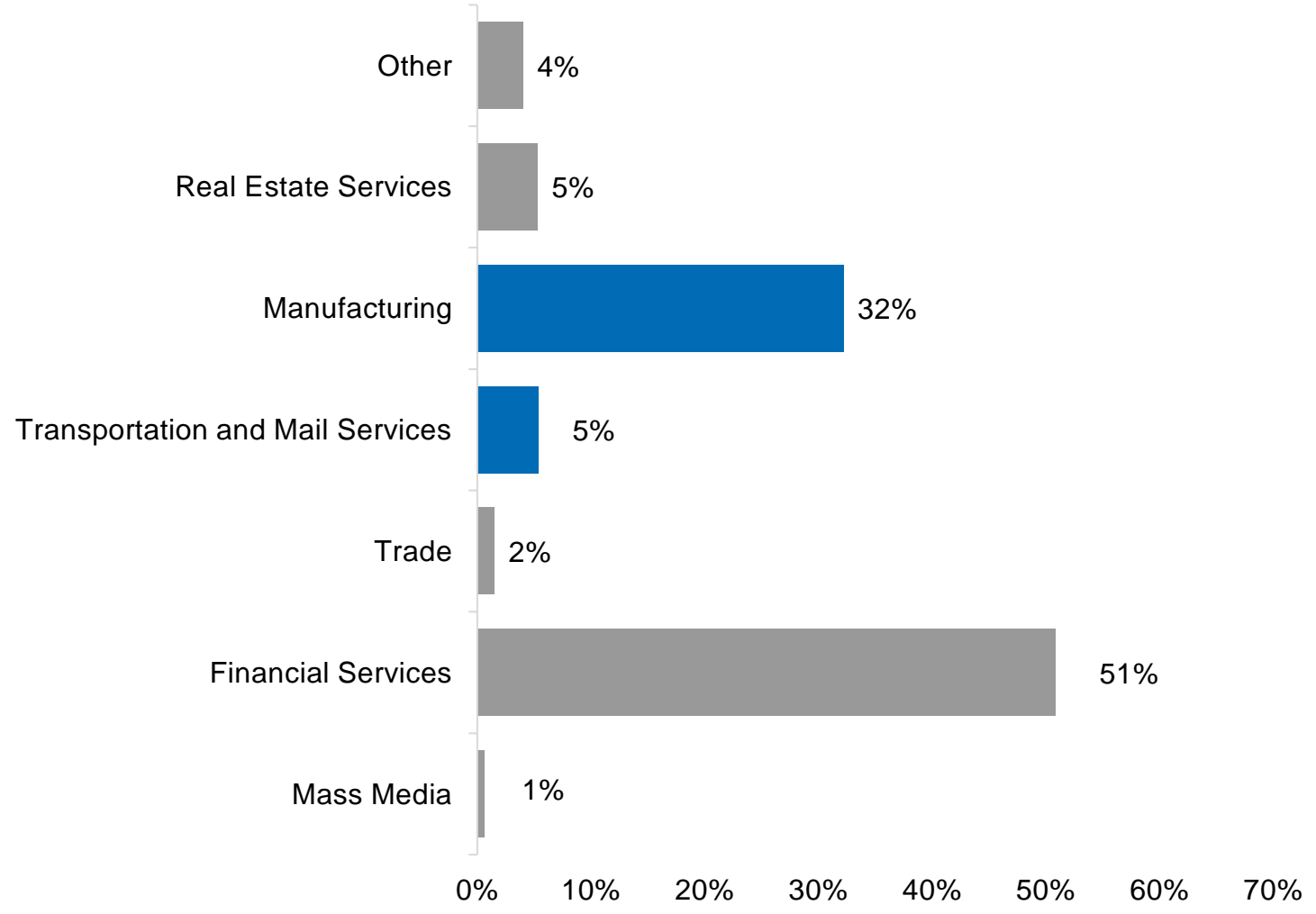
# Economic sectors

The manufacturing industry remains one of the most representative sectors in formal employment in Mexico City, only behind commerce and financial services. This is a noteworthy fact considering the city's economic complexity and its role in relation to the Republic.

Employment by Sector of Economic Activity



Foreign Direct Investment



Source: Inegi, Banxico

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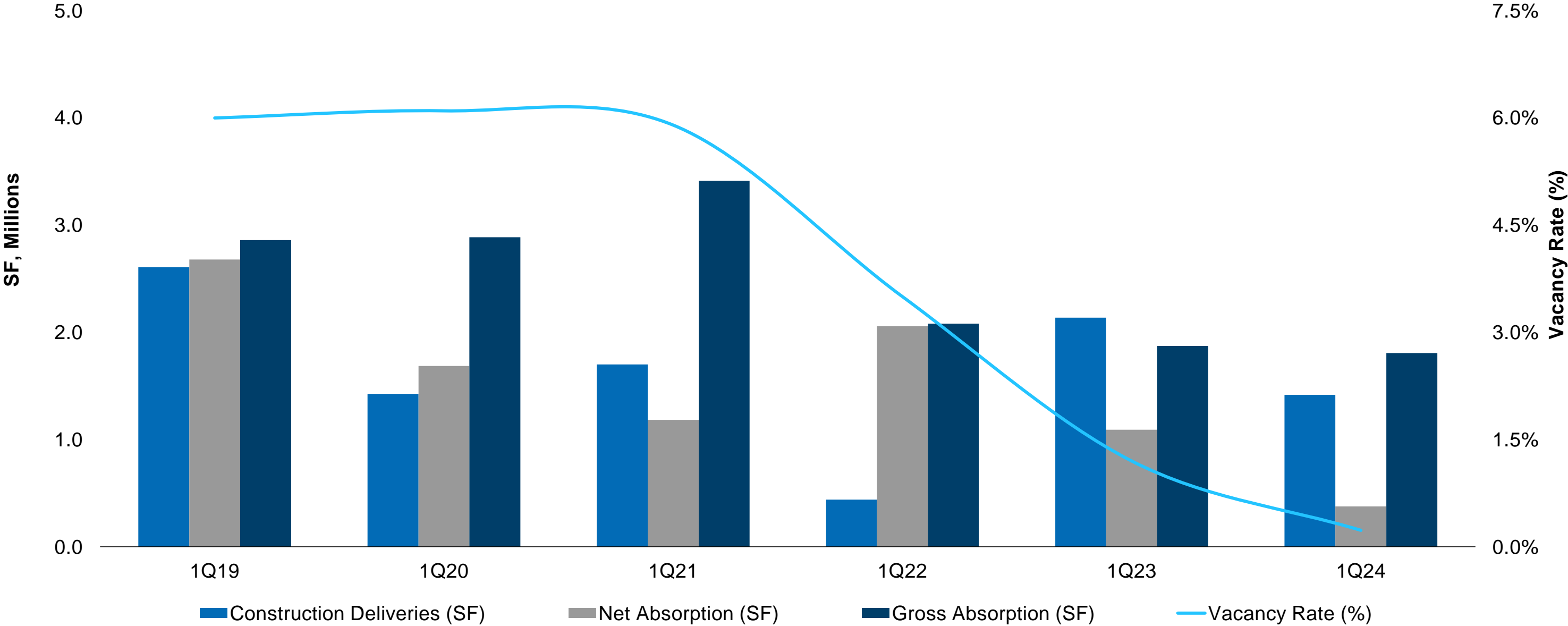
# Leasing Market Fundamentals



# Vacancy rate remains at a historical low

The vacancy rate reaches 0.23%, continuing to decrease considering the activity at the beginning of the year in different submarkets.

Construction Deliveries, Net Absorption, Gross Absorption, and Vacancy



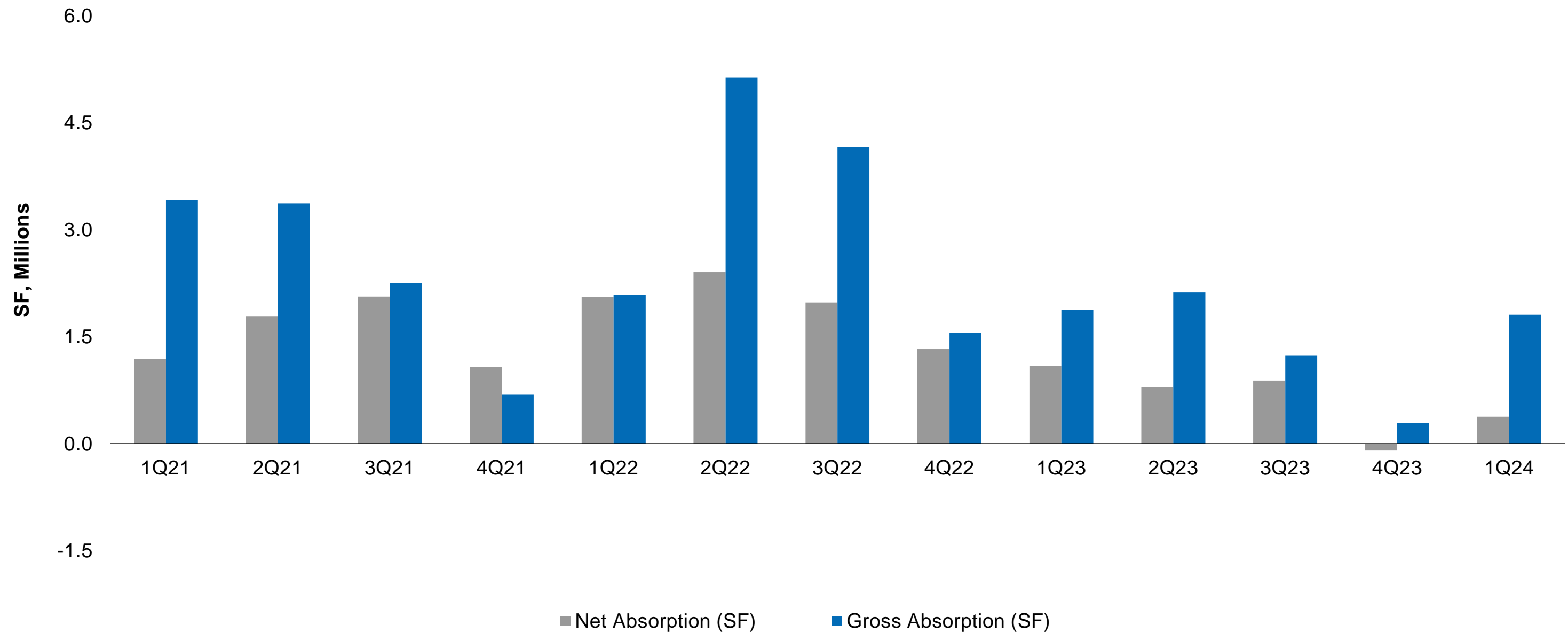
Source: Newmark Research



# Increase in gross absorption compared to previous periods

While the recorded gross absorption was 1,806,637 SF, the introduction of new developments conditions the net absorption to close at a total of 376,513 SF, a considerably smaller fraction.

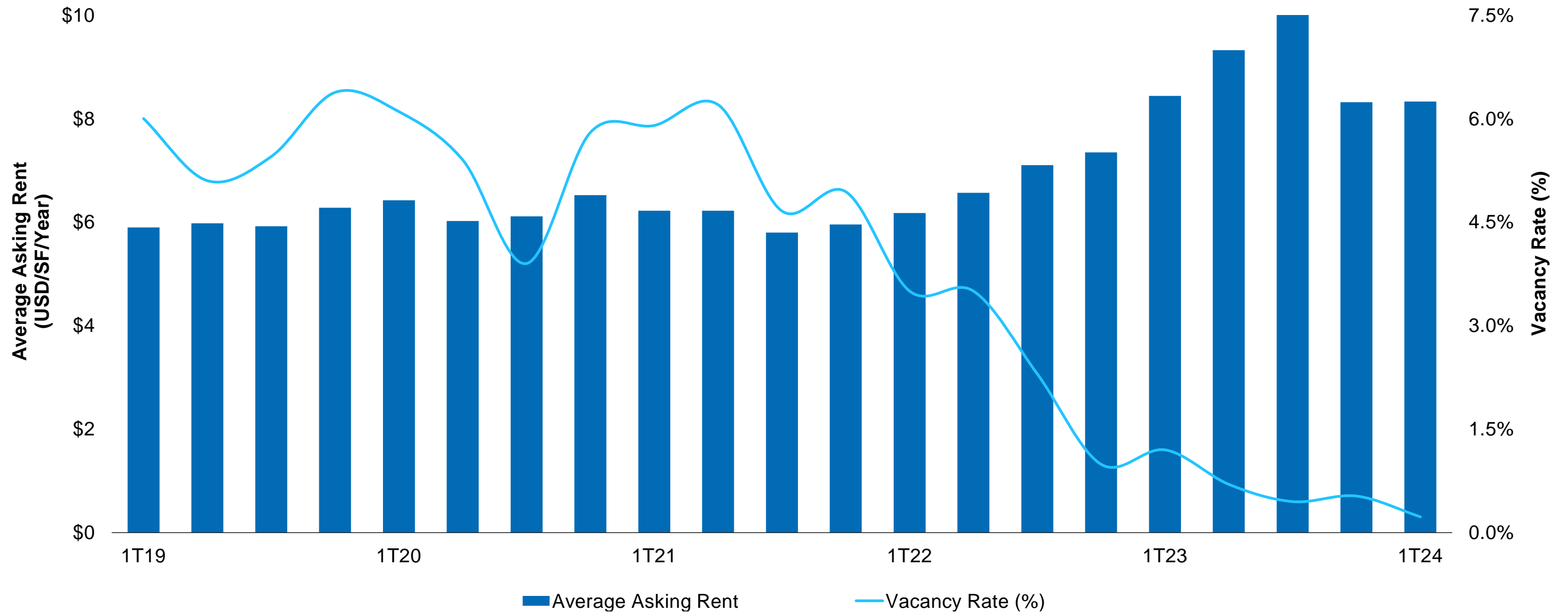
## Gross Absorption and Net Absorption



# Stable asking rent at the beginning of the year

The average asking price remains at \$8.33 USD/SF/Year. Resulting from a market with prices ranging from \$5.69 to \$13.94 USD/SF/Year. The absorption rate reaches a minimum of 0.23%, still below the 0.5% of the previous period.

Average Asking Rent and Vacancy Rate

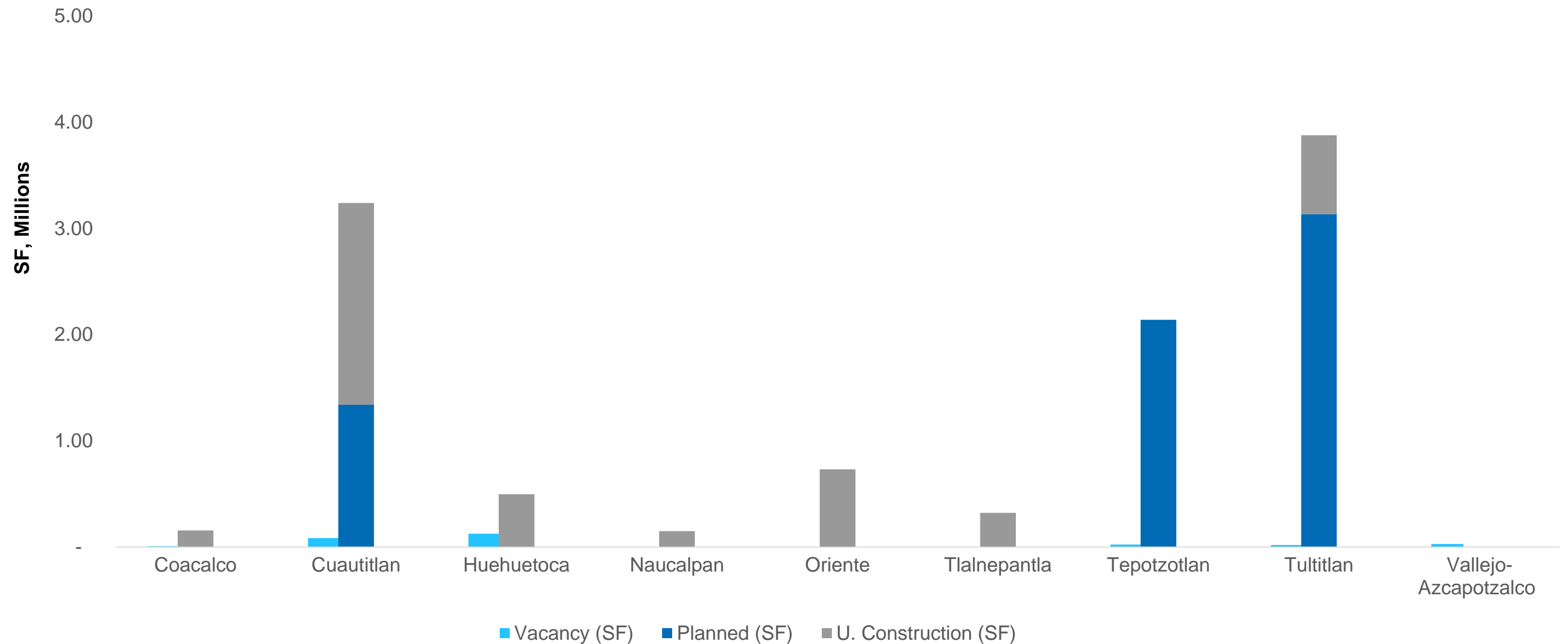


Source: Newmark Research

# Construction volume remains in anticipation of major projects

Despite the speculation typical of an election year, Mexico City's industrial market has a reserve of developments focused on the submarkets that make up the CTT area. Projects that plan to start construction in 2024. In accordance, the current availability is represented in these submarkets (Cuautitlán, Tepotzotlán, and Tultitlán), also adding to available spaces in Vallejo and Coacalco.

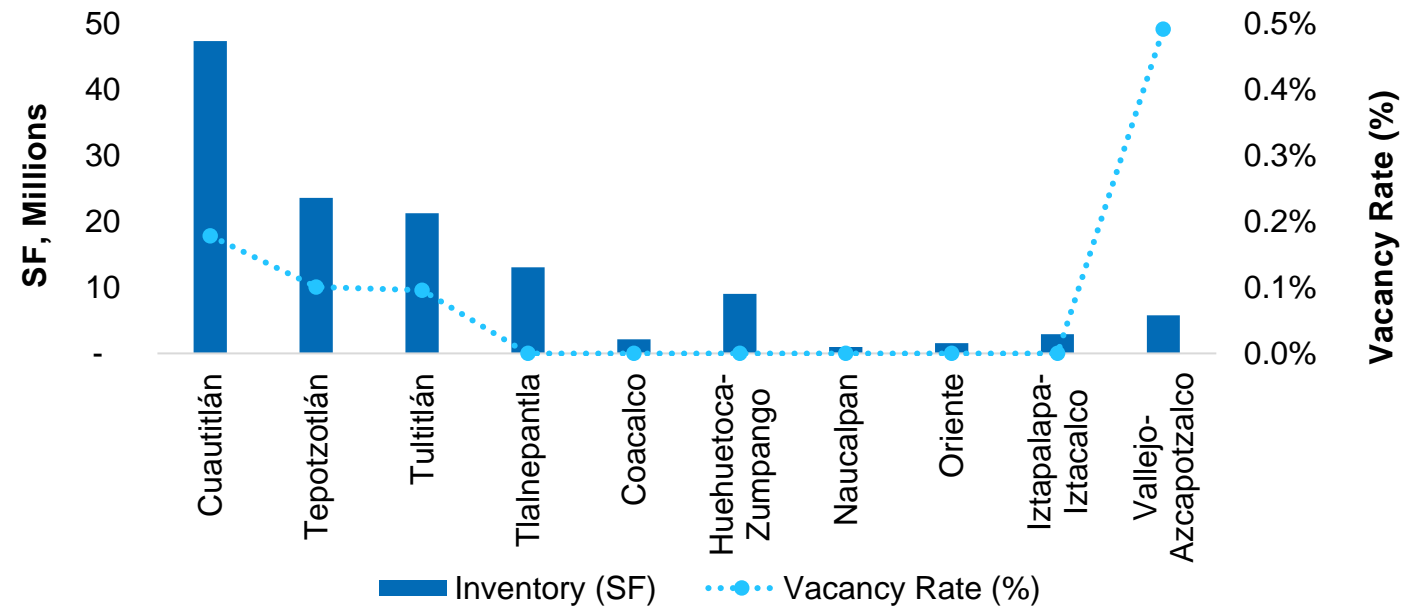
## Planeado vs En Construcción Por Submercado



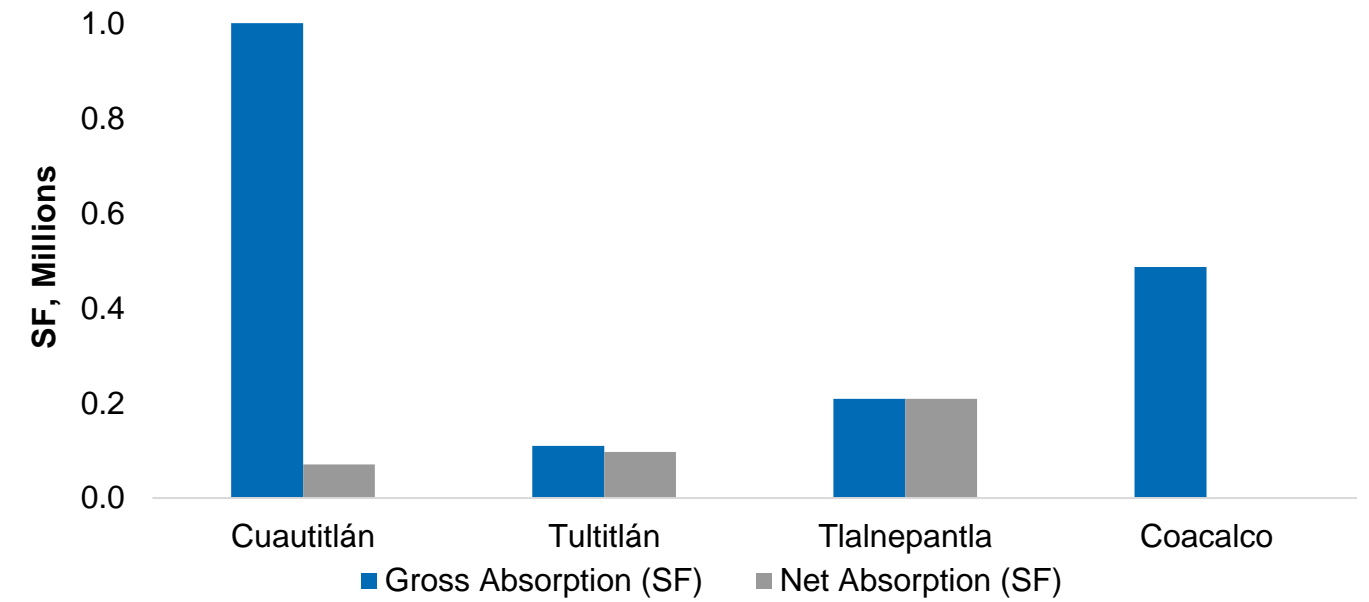
Source: Newmark Research

# Activity in most of the Mexico City's submarkets

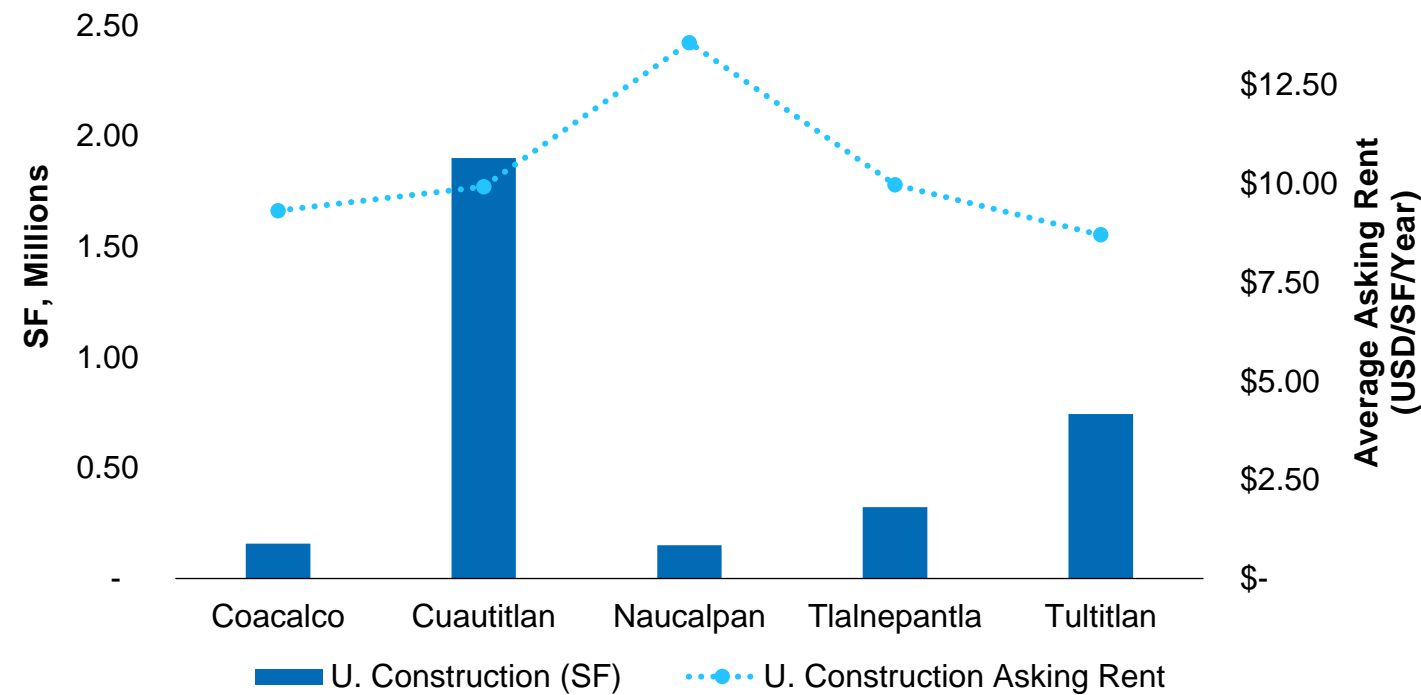
Inventory vs. Vacancy Rate



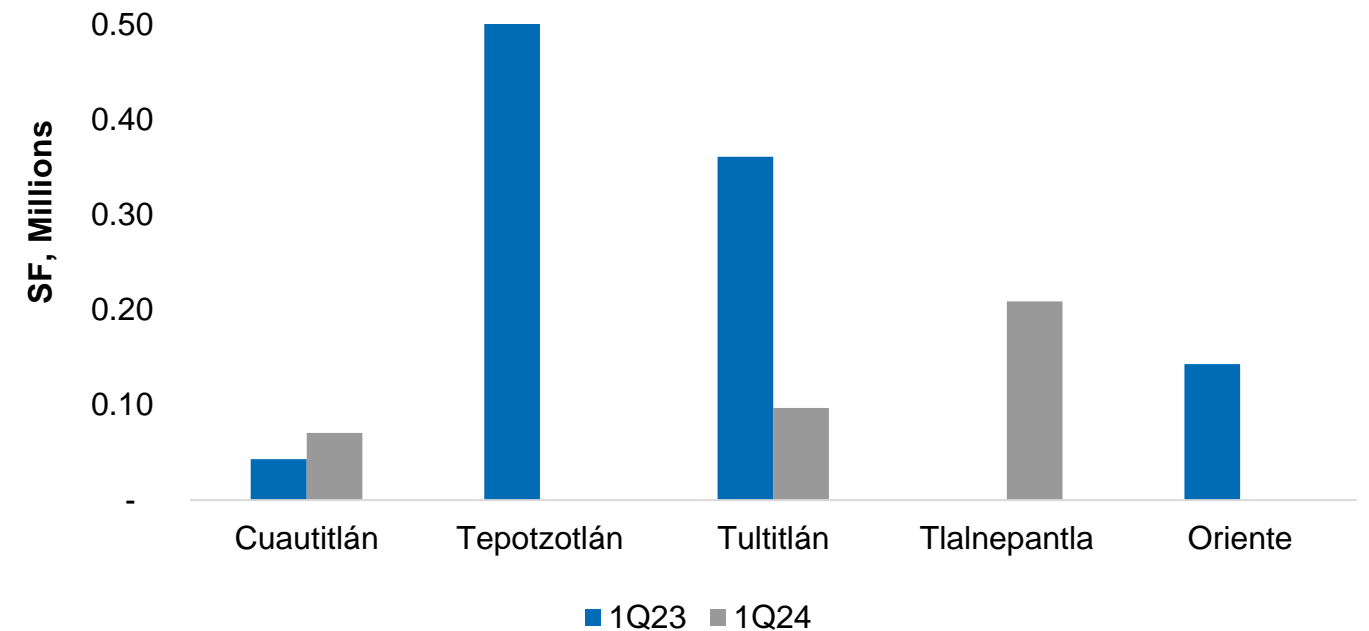
Net Absorption and Gross Absorption by Submarket



Construction vs. Asking Rent by Submarket



Net Absorption for First Quarter 2023 vs 2024



Source: Newmark Research

# Mexico City statistics 1Q24

Most of the movements are concentrated in the submarkets that make up the CTT corridor; both the development of new projects and the occupation of spaces delivered during the previous year.

	Inventory (million SF)	Under Construction (million SF)	Construction Deliveries (million SF)	Vacancy (million SF)	Vacancy Rate	Gross Absorption (million SF)	Net Absorption (million SF)	Asking Lease Rate (USD/SF/Year)	U. Construction Asking Rent (USD/SF/Year)
<b>CTT</b>	<b>92.16</b>	<b>2.64</b>	<b>0.93</b>	<b>0.13</b>	<b>0.1%</b>	<b>1.11</b>	<b>0.17</b>	<b>\$9.60</b>	<b>\$9.57</b>
Cuautitlán	47.36	1.90	0.93	0.08	0.2%	1.00	0.07	\$9.23	\$9.91
Tepotzotlán	23.56	-	-	0.02	0.1%	-	-	\$9.70	-
Tultitlán	21.23	0.74	-	0.02	0.1%	0.11	0.09	\$9.72	\$8.70
Tlalnepantla	13.07	0.32	-	-	-	0.21	0.21	-	\$9.96
Coacalco	2.13	0.16	0.49	0.01	-	0.49	-	\$9.72	\$9.31
Huehuetoca- Zumpango	9.05	0.49	-	0.13	-	-	-	\$5.69	-
Naucalpan	0.98	0.15	-	-	-	-	-	-	\$13.56
Oriente	1.55	0.73	-	-	-	-	-	-	-
Iztapalapa-Iztacalco	2.92	-	-	-	-	-	-	-	-
Vallejo-Azcapotzalco	5.79	-	-	0.03	0.5%	-	-	\$13.94	-
<b>Total</b>	<b>127.64</b>	<b>4.50</b>	<b>1.42</b>	<b>0.29</b>	<b>0.2%</b>	<b>1.81</b>	<b>0.38</b>	<b>\$8.33</b>	<b>\$9.78</b>

Source: Newmark Research

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