

Industrial Business Review:

Central
4Q 2023



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We are Datoz

We combine continuous commercial real estate research with cutting edge software to provide transparency to the industry through impartial and constantly updated market intelligence.

Our research team monitors and records real estate activity throughout México, covering 24 markets in the industrial segment, 5 markets in the corporate segment and 15 markets in the retail segment.

Research efforts include field verification activities that reinforce our data precision and provide our researchers with physical evidence to support our monthly market updates. Datoz proprietary software allows users to connect online any time and from anywhere. Our suite of products offers the possibility to browse verified available spaces, download property brochures, view details from thousands of lease and sale transactions, customize data-sets, download statistics and indicators in friendly and customizable formats, among many other features.

Methodology

We work with an extensive network of market participants and maintain constant contact to update information on a monthly basis. In this manner, we ensure that key market data comes directly from the professionals involved in diverse activities that affect commercial real estate in each and every market.

Our researchers verify all collected data and visit markets regularly to corroborate information that can only be validated through physical surveys and on-site inspections.

We continuously work to standardize number formats, calculations and ratios in order to present our results in a simple and comprehensible manner. Once data has been thoroughly verified and meets quality standards, it is merged and loaded unto our database, which in turn compares it against other entries pertaining to the same property and market to validate its place in a building's historic timeline.

Furthermore, our analysts continually review our data-sets in order to proactively amend anomalies and in doing so help maintain the highest standards of quality for real estate data in Mexico

Region



Markets



Economic outlook

October de 2023, industrial production in Mexico grew by 5.2% annually, driven by the construction sector, which increased by 27.5% compared to 2022. Meanwhile, the manufacturing industry experienced a modest growth of only 0.5%, according to the National Institute of Statistics and Geography (INEGI).

Employment in the manufacturing industry declined by -0.9% annually in October 2023. The textile manufacturing sector had the greatest contraction in employment, followed by the wood industry.

From January to September 2023, Foreign Direct Investment (FDI) in Mexico reached \$32.926 billion, a 30% increase compared to the same period in 2022, according to the Ministry of Economy.

In September 2023, private consumption experienced an annual growth of 5%, driven by imported goods, which increased by 24.3%, according to INEGI.

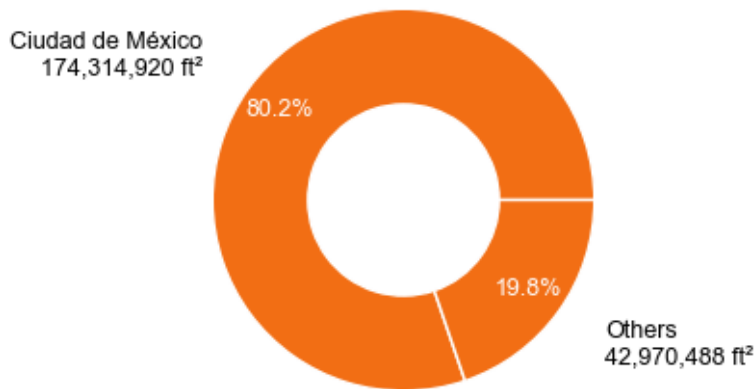
In December 2023, the National Consumer Price Index or the inflation rate recorded an annual growth of 4.66%, according to INEGI.

Summary

1. The central region concluded 4Q 2023 with a total inventory of 217.2 million ft².
2. From January to December 2023, only Mexico City had construction starts, totaling 7.7 million ft².
3. At the end of 4Q 2023, the central region recorded new availability of 12.1 million ft² between vacancies and spaces under construction, with 93% concentrated in Mexico City.
4. From January to December 2023, the central region accumulated gross absorption of 13.4 million ft².
5. The net cumulative absorption for the central region, excluding new spaces and vacancies, was 1.1 million ft².
6. The region reported an availability rate of 2.63%, equivalent to 8.2 million ft² available. The availability rate for Mexico City was 4.25%.
7. The asking price in the central region was \$0.59 USD/ft²/month.

Inventory

The central region concluded 4Q 2023 with a total inventory of 217.2 million ft² of net leasable area. Mexico City market experienced an annual growth of 4.67%, reaching an inventory of 174.3 million ft². Meanwhile, Hidalgo and Puebla maintained unchanged inventories throughout the year.



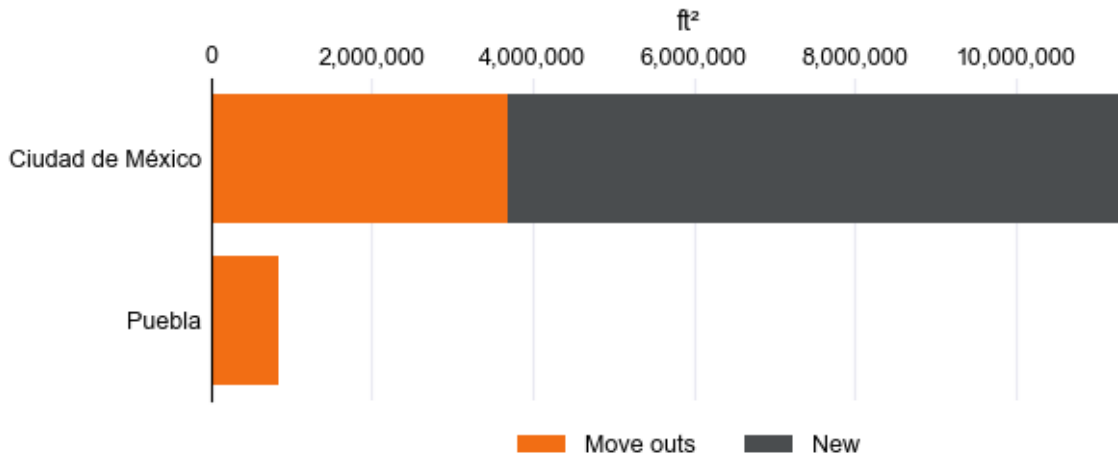
Construction starts (YTD)

Throughout 2023, only Mexico City recorded construction starts in the region; this occurred in 25 buildings, totaling a net leasable area of 7.7 million ft². 73% of the leasable area under construction was located in Cuautitlán, Tultitlán, and Tepotzotlán submarkets, forming the main industrial corridor of Mexico City.



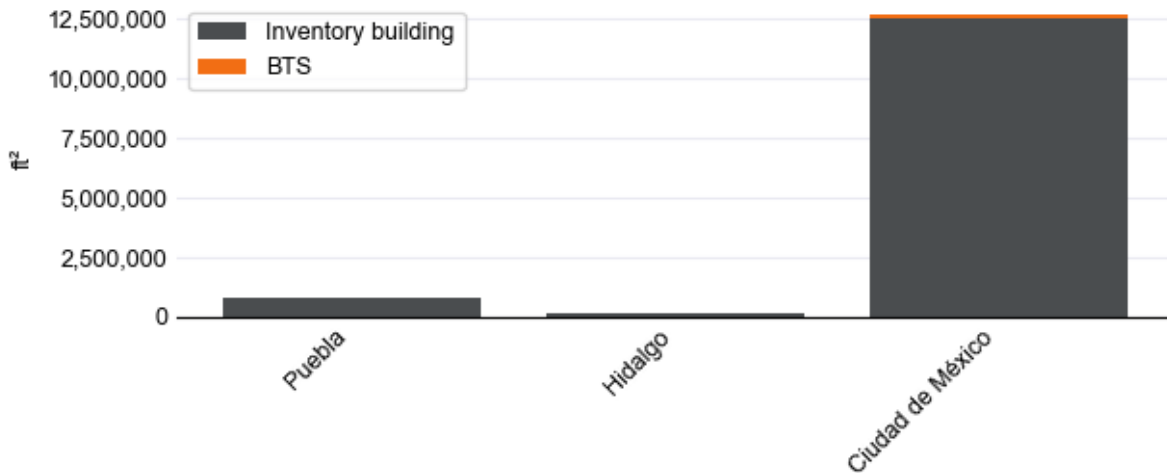
New spaces (YTD)

Throughout the year, new availability in the region reached 12.1 million ft²; Mexico City concentrated 93%, with 11.3 million ft² of available spaces, of which 3.6 million ft² correspond to vacancies and 7.6 million ft² to spaces under construction. Meanwhile, Puebla recorded 838,313 ft² of vacancies. Hidalgo had no new availability.



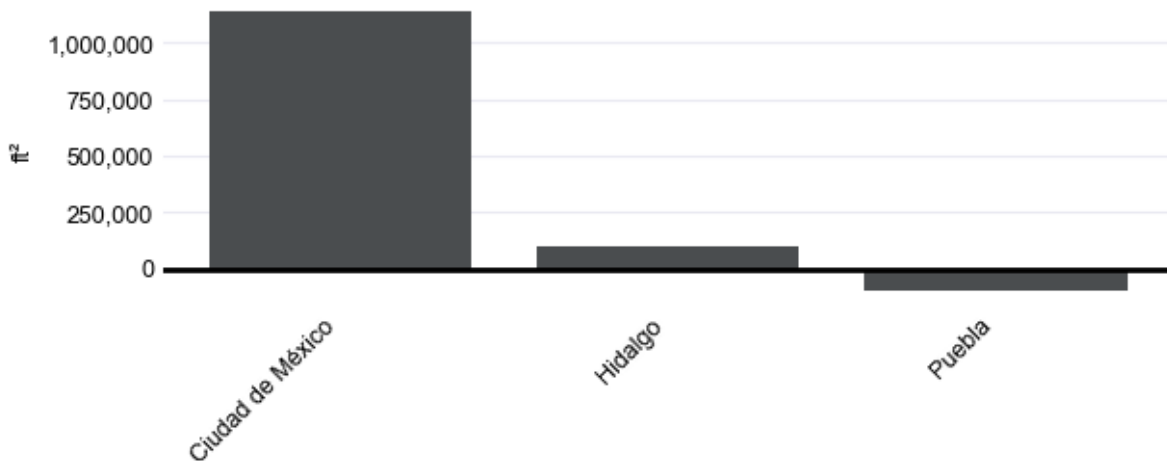
Gross absorption (YTD)

From January to December 2023, the gross absorption quantified in the region was 13.4 million ft². Mexico City had a gross absorption of 12.6 million ft² of net leasable area, equivalent to 94% of the total. Puebla recorded an absorption of 740,570 ft², while Hidalgo had a transaction for 96,876 ft².



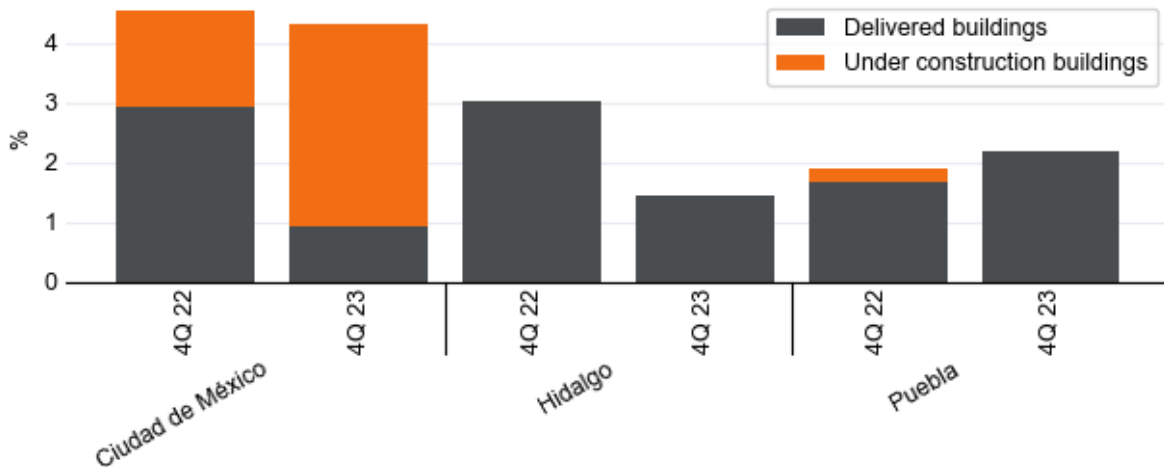
Net absorption (YTD)

The net cumulative absorption for the central region, excluding vacancies and new spaces, was 1.1 million ft². Mexico City had a net absorption of 1.1 million ft², followed by Hidalgo with 96,876 ft², while Puebla recorded -97,743 ft².



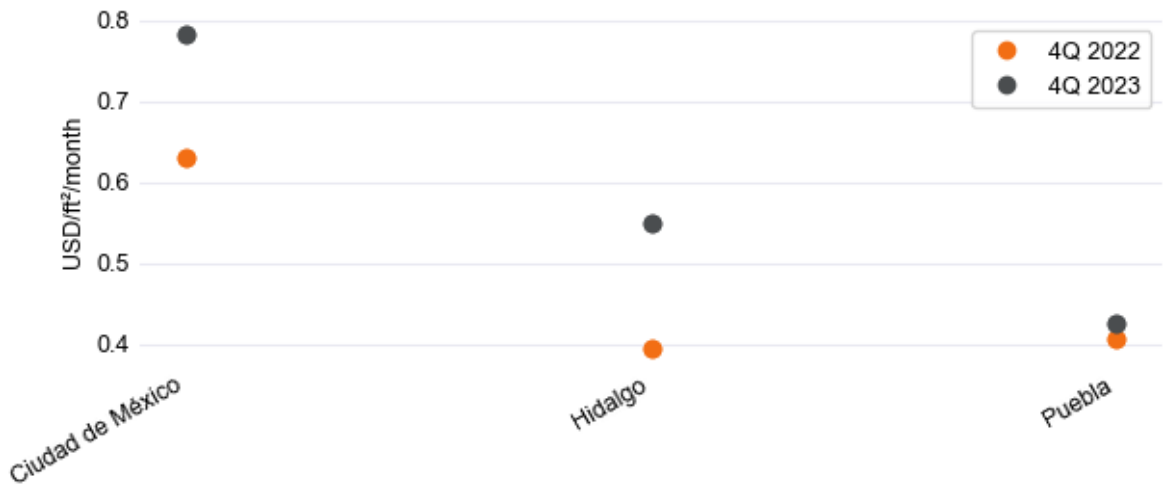
Availability rate

The region concluded 4Q 2023 with an availability rate of 2.63%, equivalent to 8.2 million ft² of net leasable area available. Availability rates in Mexico City and Hidalgo decreased, unlike Puebla, which experienced a slight increase. The availability rate in Mexico City was 4.25%, of which 33% corresponds to delivered spaces and 67% to spaces under construction.



Asking prices

The average asking price for industrial buildings in the region was \$0.59 USD/ft²/month. All three markets in the region experienced increases in asking prices. Mexico City recorded the highest price in the country, reaching \$0.78 USD/ft²/month, \$1.50 USD more than in 4Q 2022. Hidalgo's asking price was \$0.55 USD/ft²/month, while Puebla's was \$0.43 USD/ft²/month.



Looking forward

Mexico City is the most significant market in the central region and the country, boasting competitive advantages for logistics operations: 1) its central location in the country; 2) being the city with the highest density, making it the largest supply chain in the country. Additionally, Mexico City ranks first in attracting foreign direct investment (FDI) nationwide, with \$10.58 billion USD, accounting for 32% of the total country's FDI, as of the end of 3Q 2023.

This has driven inventory growth, reflecting an increase of nearly 5% compared to the previous year. For several years, CTT corridor (Cuautitlán – Tultitlán – Tepetzotlán) has propelled the growth of the industrial real estate market in Mexico City, as it provides an ideal location for logistics companies looking to operate from the center of the country.

Regarding construction starts, it is important to note that over 60% of those recorded during 2023 began construction during the last quarter of the year. Among the most attractive projects are Danhos Industrial Cuautitlán I, where Fibra Danhos will enter the industrial sector; Vesta Park Punta Norte and Panorama Nodín, the latter already having two leased industrial buildings due to its excellent location and project size.

The gross absorption in the central region from January to December 2023 was 13.4 million ft², representing a slight decrease of 2.0% compared to the end of 2022. However, this demand for spaces has continued to exceed the million ft² barrier since 2021. Industries such as logistics, e-commerce, and consumer goods and services are still absorbing large amounts of industrial space in the region.

In 2023, a significant increase in asking prices was observed throughout the region, with the average price reaching \$0.59 USD/ft²/month at the end of the year, 14.3% or \$0.80 USD higher than in 4Q 2022. Mexico City positioned itself as the market with the highest asking price in the country, at \$0.78 USD/ft²/month, showing a 22% increase or \$1.50 USD. This upward pricing trend is expected to continue in 2024 due to the new supply entering the market.

Glossary

Inventory: sum of the area of type A, B and C buildings according to most developers and institutional brokerage companies of the period.

Construction starts: sum of constructed area of the period.

New spaces: sum of space area that started promotion in the period.

Gross absorption: sum of leased, subleased and sold area during the period.

Net absorption: gross absorption minus BTS projects and new space

Availability rate: available area divided by inventory of the period.

Asking prices: weighted average asking price weighted by the available area of the period.

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