

Industrial Business Review:

Northeast
4Q 2023



Index

We are Datoz	2
Methodology	2
Market	3
Submarkets	4
Economic perspective	5
Summary	5
Inventory	6
Construction starts (YTD)	6
New spaces (YTD)	7
Gross absorption (YTD)	7
Net absorption (YTD)	8
Availability rate	9
Asking prices	9
Looking forward	10
Glossary	11
Legal notice	12
Contact	12

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.

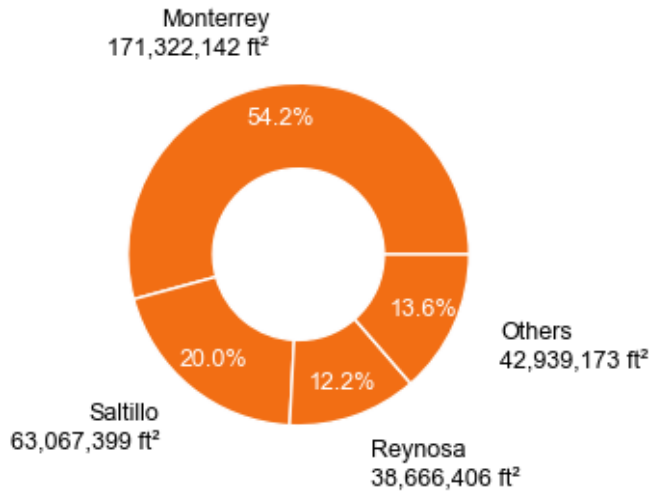
In December 2023, the National Consumer Price Index or the inflation rate recorded an annual growth of 4.66%, according to INEGI.

Summary

1. At the end of 4Q 2023, the Northeast region ended with an inventory of 315.9 million ft².
2. From January to December 2023, the region saw the commencement of construction for 22 million ft². 74% of these construction starts were in Monterrey.
3. By the end of 4Q 2023, new availability recorded in the Northeast region was 27.4 million ft², with 80% concentrated in Monterrey.
4. Throughout January to December 2023, the region accumulated gross absorption of 22.7 million ft², with 70% absorbed in Monterrey.
5. The cumulative net absorption of the Northeast region was negative, registering -2.4 million ft².
6. The region reported a total availability rate of 2.82%, with 12.6 million ft² of available space. Monterrey had the highest availability rate.
7. At the end of 4Q 2023, the average starting price in the region was \$0.50 USD/ft²/month.

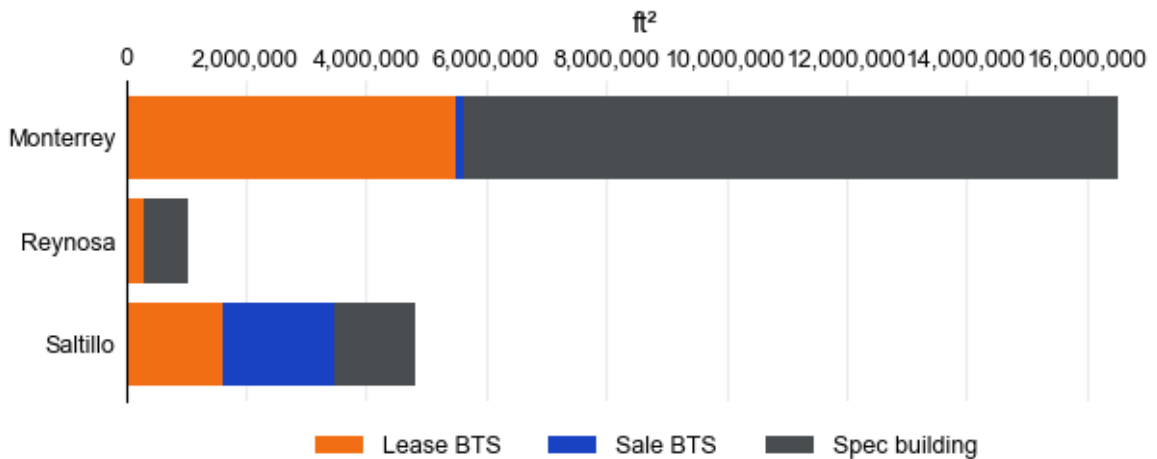
Inventory

The Northeast region concluded 4Q 2023 with a total inventory of 315.9 million ft², reflecting a growth of 7.62% compared to 4Q 2022. By the year's end, Monterrey, the largest market in the region and second-largest nationwide, reached an inventory of 171.3 million ft², showing an annual growth of 10.67%. Saltillo follows with 63 million ft².



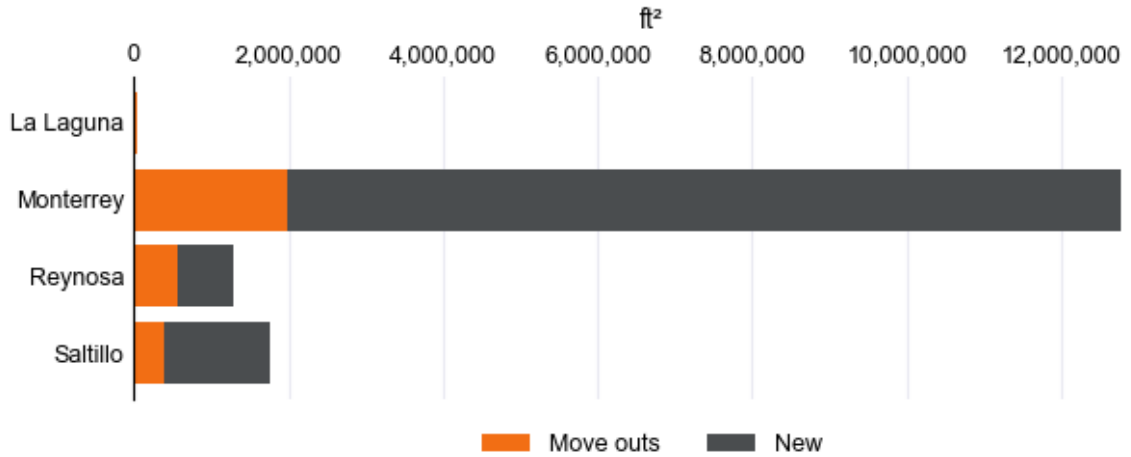
Construction starts (YTD)

From January to December 2023, the region recorded construction starts totaling 22 million ft². Of this construction, 58% comprised speculative buildings, and 42% were build-to-suit (BTS) for rent and sale. Monterrey led in construction activity within the region and the country, adding 16.5 million ft², of which 66% corresponds to speculative spaces.



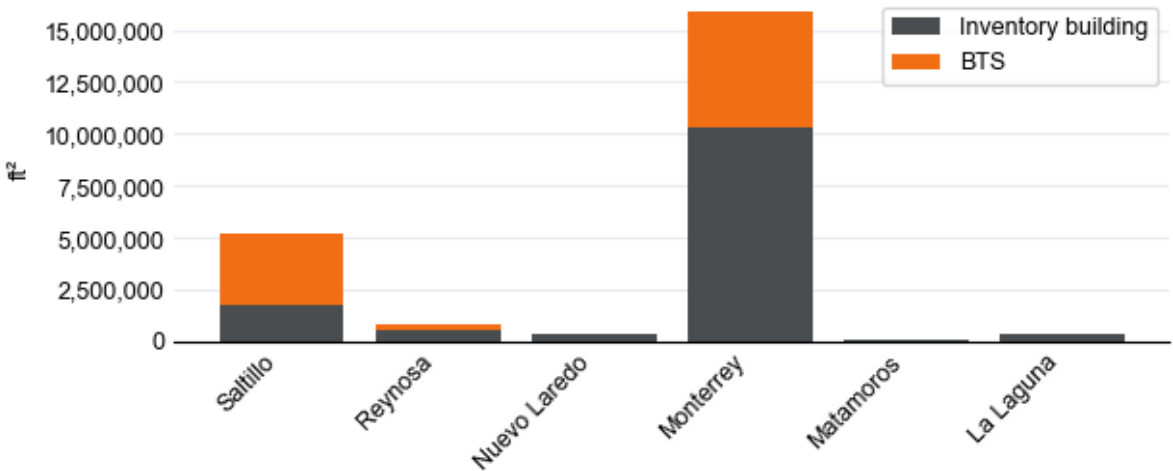
New spaces (YTD)

Throughout 2023, the Northeast region recorded new available spaces totaling 27.4 million ft². Eighty-one percent of this new availability resulted from construction starts, with the remainder from vacancies. Monterrey contributed a total of 12.7 million ft² of new availability, while Saltillo added 1.7 million ft², and Reynosa reached 1.2 million ft² of new availability.



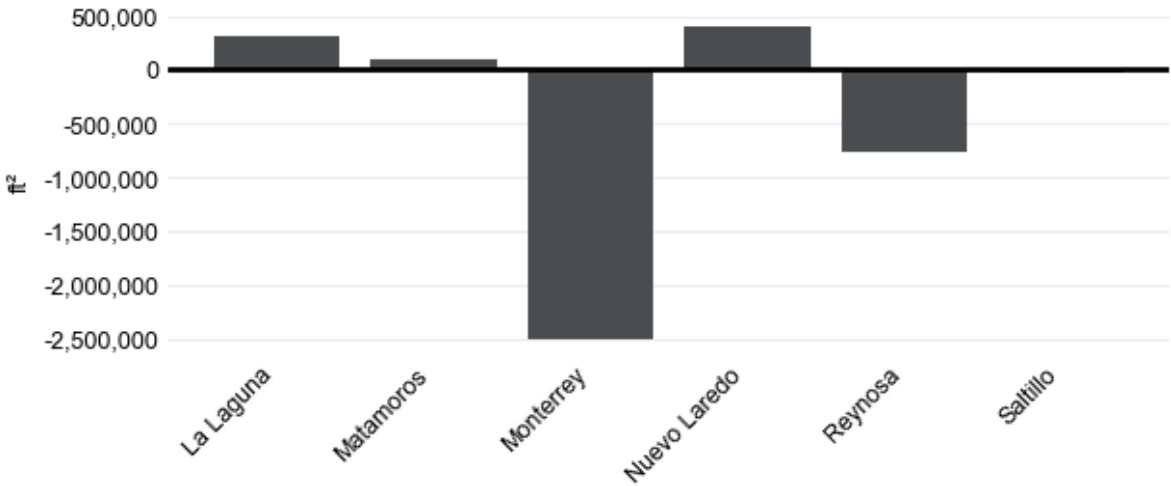
Gross absorption (YTD)

From January to December 2023, the Northeast region accumulated a gross absorption of 22.7 million ft², with 59% from inventory buildings and 41% from build-to-suit (BTS). Monterrey, the most dynamic market in the region, experienced an absorption of 15.8 million ft², followed by Saltillo with 5.1 million ft². The other markets had less than 500,000 ft² of absorption.



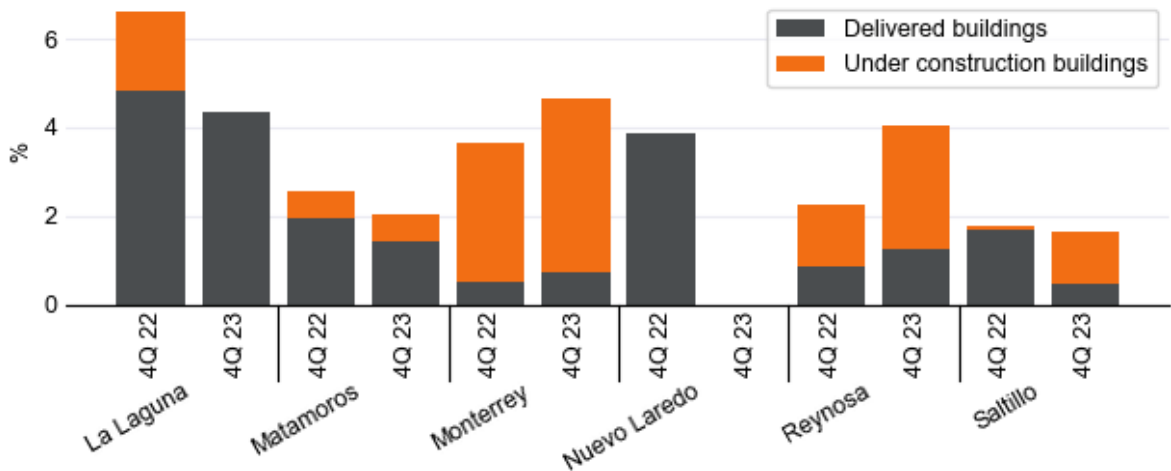
Net absorption (YTD)

At the end of 4Q 2023, the accumulated net absorption, which subtracts vacancies and new spaces, was -2.4 million ft², driven by a significant number of construction starts. Monterrey recorded the highest negative absorption with -2.4 million ft² due to speculative construction. On the other hand, Nuevo Laredo, La Laguna, and Matamoros reported positive absorptions of 402,217 ft², 315,654 ft², and 92,481 ft², respectively.



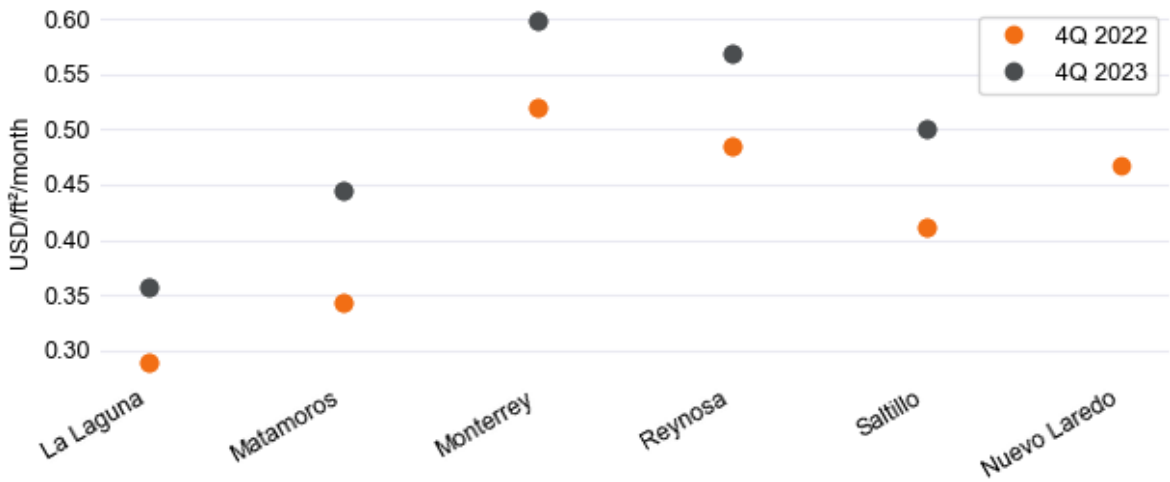
Availability rate

As of the end of 4Q 2023, the Northeast region recorded a total availability rate of 2.82%, equivalent to 12.6 million ft² available from delivered and under-construction buildings. Monterrey had a total rate of 4.95%, influenced by spaces under construction, of which only 0.71% corresponds to delivered spaces.



Asking prices

At the end of 4Q 2023, the average asking price for industrial buildings in the Northeast was \$0.50 USD/ft²/month, \$0.30 USD higher than 4Q 2022. Monterrey led the region with the highest price at \$0.60 USD/ft²/month, an increase of \$0.64 USD from 4Q 2022. Reynosa also experienced a price hike of \$0.75 USD, reaching \$0.57 USD/ft²/month.



Looking forward

The northeast region continues to experience very high levels of demand for industrial spaces and construction starts, driven by the momentum of process relocation or nearshoring. Similar to 2021 and 2022, 2023 saw almost record-breaking absorptions and managed to surpass construction start numbers, largely due to the activity taking place in Monterrey.

Monterrey is the most important industrial market in the region and the second in the country, owing to its significant economic activity, foreign direct investment (FDI) it attracts, and the consumption it generates. In 2023, its demand for industrial spaces and construction reached 22 million square feet, the highest in the country for both indicators.

Furthermore, Monterrey continues to demonstrate its leadership position in the manufacturing and logistics industrial sector, as it continues to attract strong interest from both national and foreign companies to invest and develop their businesses in this market. This is due to the advantages it offers: a highly industrialized market, skilled workforce, industrial and road infrastructure, state-of-the-art industrial buildings, and proximity to the United States border.

Similarly, the strong dynamics of Monterrey are starting to benefit nearby industrial markets, such as Saltillo, which has seen historical records in gross absorption since 2022, exceeding 5 million square feet, and construction starts also surpassing 4.8 million square feet. This growth is primarily driven by the automotive industry.

Overall, the impact and importance of nearshoring remain visible in the northeast: industrial inventory grew by 7.6% in the last year, and the availability rate is extremely low. It's worth mentioning that buildings under construction sustain the availability rate at almost 3%, as availability for delivered buildings is around 1%.

The impact on demand due to nearshoring is also reflected in the rise in asking prices, as, except for La Laguna, all markets experienced increases in their leasing prices.

For 2024, it is anticipated that the dynamics of the industrial markets in the region will continue, as nearshoring is a long-term trend, and the interest in establishing businesses in these markets will persist in the coming years.

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.

Legal notice

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