

# Industrial Business Review:

Northwest  
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.

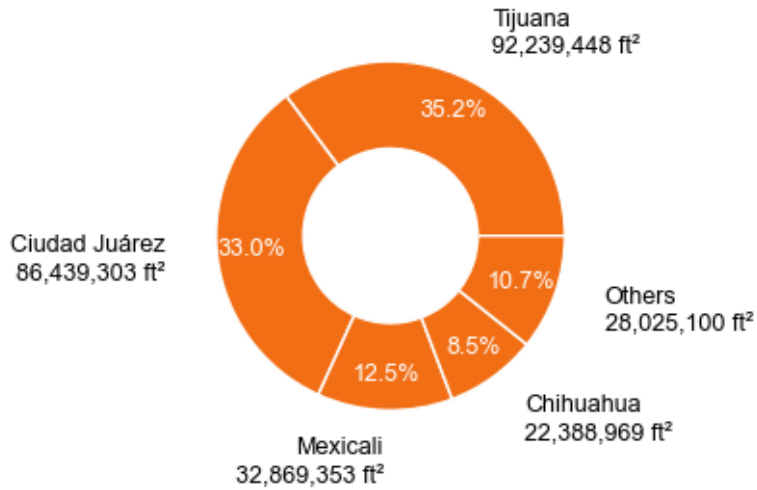
In December 2023, the National Consumer Price Index or the inflation rate recorded an annual growth of 4.66%, according to INEGI.

## Summary

1. The northwest region closed 4Q 2023 with a total inventory of 261.9 million ft<sup>2</sup>.
2. From January to December 2023, the region accumulated construction starts of 13.9 million ft<sup>2</sup>, with notable activity in Ciudad Juárez reaching 5,869,835 ft<sup>2</sup>.
3. By the end of 4Q 2023, the region added 12.5 million ft<sup>2</sup> of new spaces, including vacancies and speculative buildings.
4. Throughout 2023, the region accumulated a gross absorption of 10.9 million ft<sup>2</sup>.
5. The net cumulative absorption for the region at the end of 4Q 2023 was -5,929,758 ft<sup>2</sup>.
6. The northwest region recorded a total availability rate of 5.14%.
7. At the end of 4Q 2023, the average asking price for the region was \$0.60 USD/ft<sup>2</sup>/month.

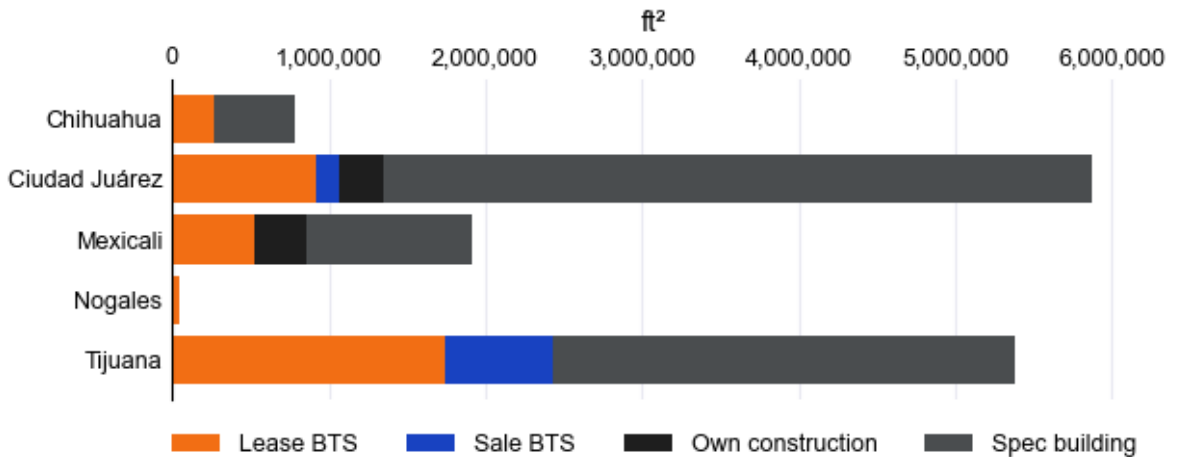
## Inventory

The northwest region concluded 4Q 2023 with a total inventory of 261.9 million ft<sup>2</sup> of net leasable area (NLA). Tijuana and Ciudad Juárez remain the largest markets in the region, accounting for 68% of the inventory. Tijuana reached 92.2 million ft<sup>2</sup>, while Ciudad Juárez closed the quarter with 86.4 million ft<sup>2</sup>. The inventory of both markets experienced an annual growth of over 6%.



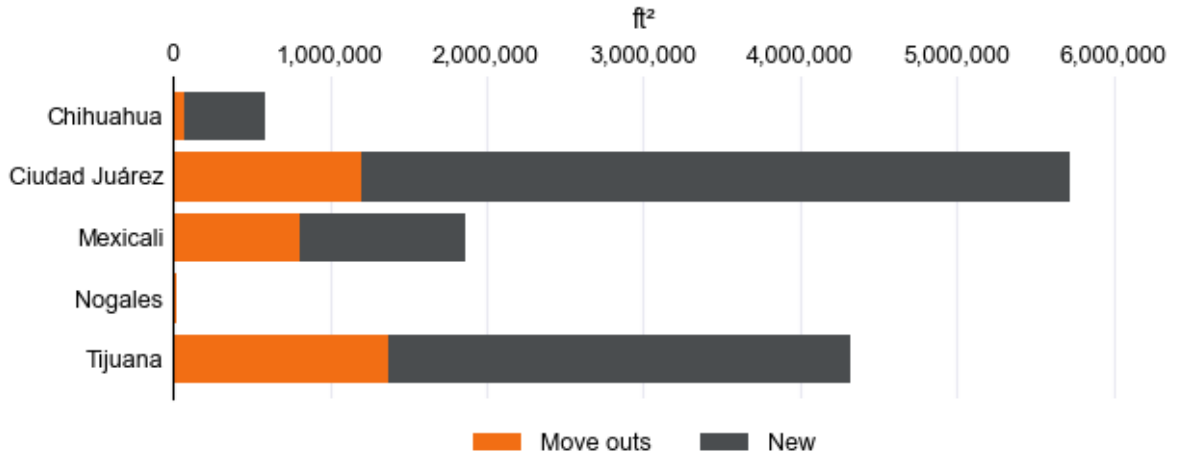
## Construction starts (YTD)

From January to December 2023, the northwest region had construction starts totaling 13.9 million ft<sup>2</sup>. Ciudad Juárez had the highest activity, with 5.8 million ft<sup>2</sup>. Tijuana also reached 5.3 million ft<sup>2</sup> in construction starts, followed by Mexicali with 1.9 million ft<sup>2</sup>; both markets had speculative, BTS, and self-owned constructions.



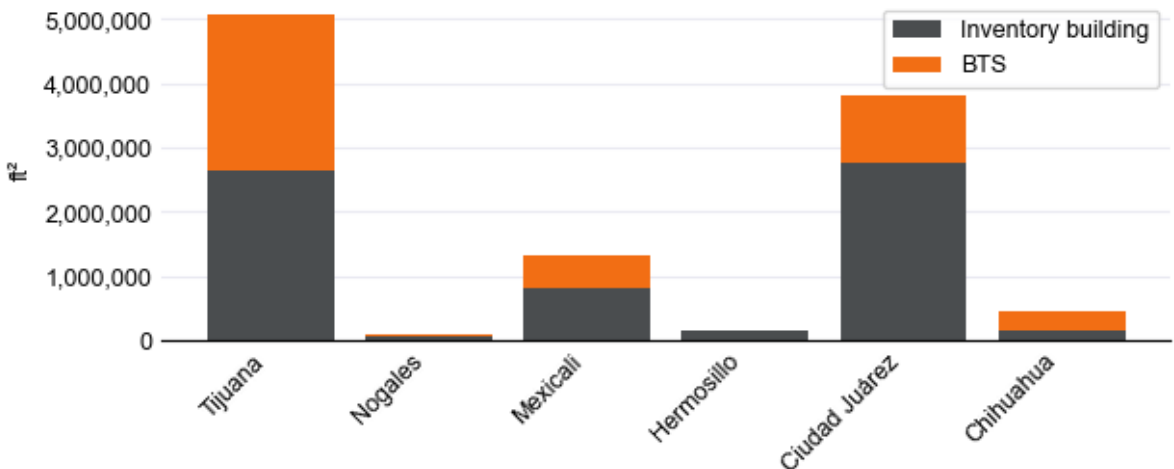
## New spaces (YTD)

The northwest region concluded 4Q 2023 with new availability totaling 12.5 million ft<sup>2</sup> of net leasable area (NLA) between vacancies and speculative spaces. Ciudad Juárez had the largest new space, with a total of 5.7 million ft<sup>2</sup>, of which 4.5 million ft<sup>2</sup> were speculative spaces. Tijuana recorded 4.3 million ft<sup>2</sup> of new availability, also driven by speculative spaces.



## Gross absorption (YTD)

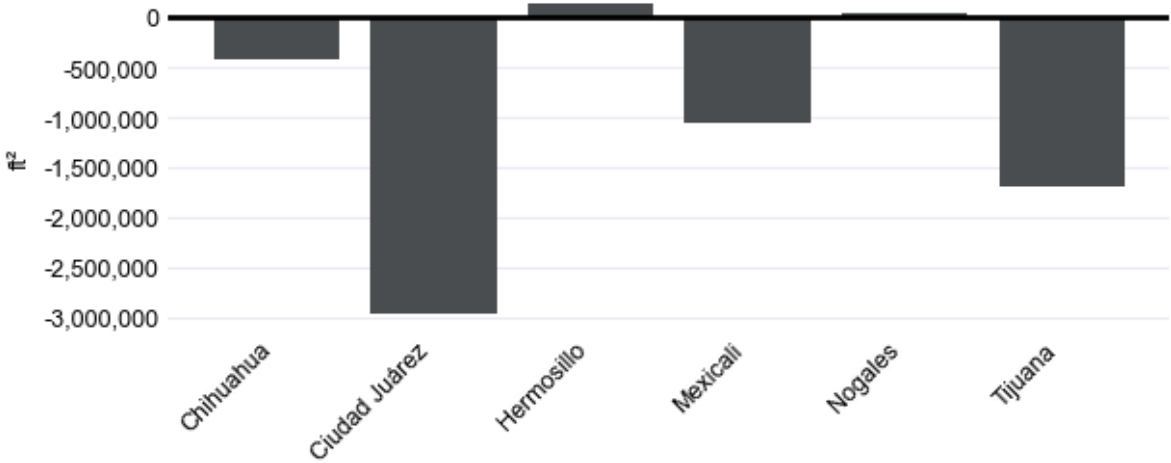
Throughout 2023, the northwest region accumulated gross absorption of 10.9 million ft<sup>2</sup>, of which 40% came from build-to-suit (BTS) buildings. Tijuana led the absorption, totaling 5 million ft<sup>2</sup>, with 52% from inventory buildings and 48% from BTS. Meanwhile, in Ciudad Juárez, 3.8 million ft<sup>2</sup> were absorbed, with 72% corresponding to inventory buildings.





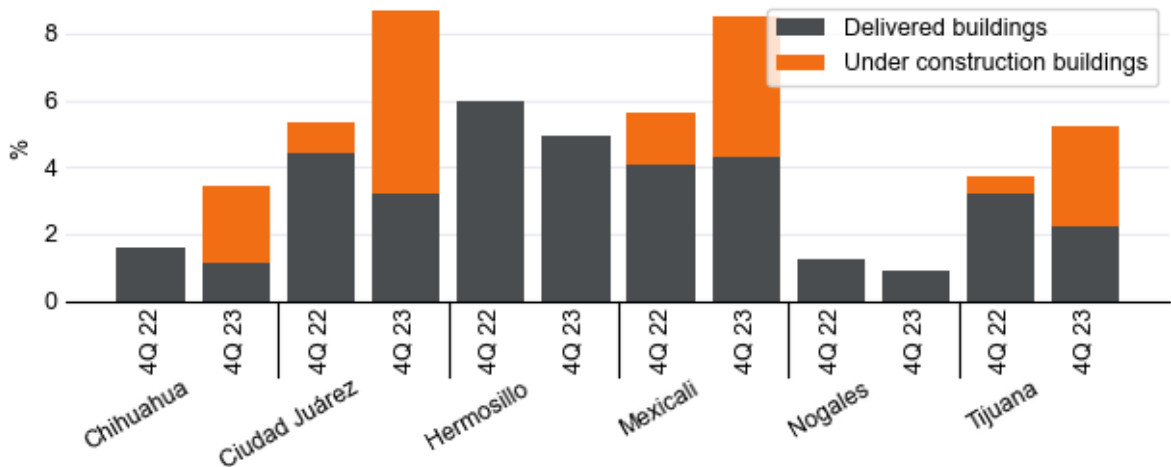
## Net absorption (YTD)

At the end of 4Q 2023, the net cumulative absorption of the northwest region, excluding vacancies, BTS, and new spaces, was -5.9 million ft<sup>2</sup>. Ciudad Juárez and Tijuana recorded negative absorption of -2.9 million ft<sup>2</sup> and -1.6 million ft<sup>2</sup>, respectively. Meanwhile, Hermosillo and Nogales showed positive net absorption of 152,769 ft<sup>2</sup> and 40,098 ft<sup>2</sup>, respectively.



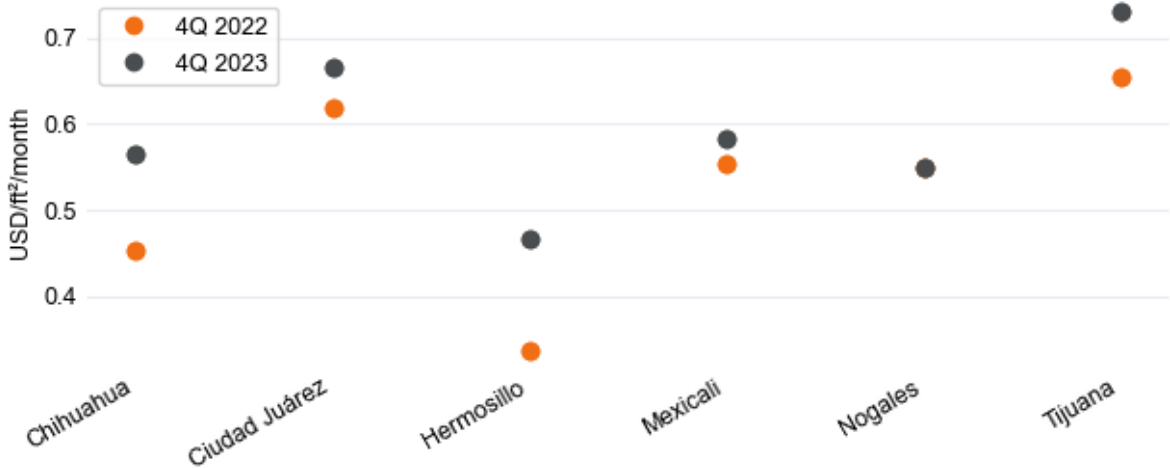
## Availability rate

The northwest region closed 4Q 2023 with a total availability rate of 5.14%, which is equivalent to an availability of 16.1 million ft<sup>2</sup>. The availability rates for Ciudad Juárez and Tijuana increased due to construction starts, but when considering only the delivered buildings, they experienced reductions, standing at 3.17% and 2.24%, respectively.



## Asking prices

The region's asking price continues to rise, reaching \$0.60 USD/ft<sup>2</sup>/month at the end of 4Q 2023, which is \$0.04 USD higher than the previous year. Tijuana emerged as the market with the highest price at \$0.73 USD/ft<sup>2</sup>/month, followed by Ciudad Juárez at \$0.67 USD/ft<sup>2</sup>/month. Both markets ranked in the top 3 with the highest prices in the country. Meanwhile, in Chihuahua, prices increased by more than \$1 USD.



## Looking forward

In the northwest region, two of the most important national border industrial markets are located: Tijuana and Ciudad Juárez. Consequently, this region continues to experience a surge in attracting investment across various sectors for manufacturing and logistics activities.

As a result of the supply chain adjustments triggered by the COVID-19 pandemic, the industrial markets in the northwest region experienced a positive impact on the demand for industrial spaces. This led to the development of new industrial corridors and increased interest in secondary markets such as Mexicali and Chihuahua.

However, 2023 was a year of increased caution and stability for this industrial region, as it did not surpass the construction starts and gross absorptions recorded during 2022, which was the year of the industrial boom in Mexico. This can be attributed to various factors: 1) the insufficient infrastructure for electricity supply in key markets of the region, such as Tijuana and Ciudad Juárez, leading investors and companies to seek alternatives in other cities; 2) the shortage of industrial land, particularly in Tijuana, where developers and investors are looking to expand their industrial complexes, among other factors.

Nevertheless, the pipeline of new speculative developments has increased. Various developers plan to start 2023 with the construction of new industrial parks, as well as the delivery of properties that began construction during 2023. Consequently, availability rates are on track to recover in markets like Tijuana and Ciudad Juárez, which maintained rates below 1% during 2021 and 2022.

There has been significant growth in companies expanding their operations within the markets where they already operate, leading to an increase in build-to-suit (BTS) buildings for expansion, as it is the best investment option.

For 2024, a stabilization in availability rates is anticipated, along with an influx of investment in secondary markets, as observed in the last quarters of 2023 with investments from companies such as BRP in Chihuahua and PACCAR in Mexicali.

## 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 move outs

**Net absorption 2:** 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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