

Industrial Business Review:

Central
1Q 2024



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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



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Markets

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Economic outlook

In January 2024, industrial production in Mexico grew 1.9% annually, driven by the construction sector, which increased by 17.9% compared to the same month in 2023. Manufacturing industry saw a decrease of 1.6%, according to the National Institute of Statistics and Geography (INEGI).

Employment in the manufacturing industry declined by 1.0% annually during January 2024. The chemical industry was the sector with a 2% increase in employment, but clothing manufacturing contracted by 5.6%.

By the end of 2023, Foreign Direct Investment (FDI) in Mexico reached \$26.028 billion, 27% higher than in 2022, marking a historical peak, according to the Secretariat of Economy.

In January 2024, private consumption experienced an annual growth of 1.3%, driven by imported goods, which increased by 14.2%, according to INEGI.

In March 2024, the National Consumer Price Index or the inflation rate

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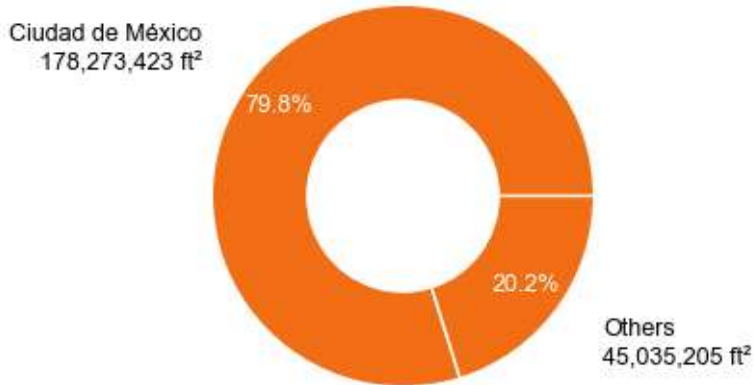
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Summary

1. The central region ended 1Q 2024 with a total inventory of 223 million m².
2. From January to March 2024, the region recorded construction starts totaling 4.7 million m².
3. By the end of 1Q 2024, the central region registered new availability of 2.2 million m² between vacancies and spaces under construction, with 100% concentrated in Mexico City.
4. During 1Q 2024, the region accumulated a gross absorption of 4.4 million m².
5. The net absorption accumulated by the central region, excluding new spaces and vacancies, was 44,000 m².
6. The region recorded a availability rate of 2.34%. The availability rate for Mexico City was 2.66%.
7. The asking price in the central region was \$2.60 USD/m²/month.

Inventory

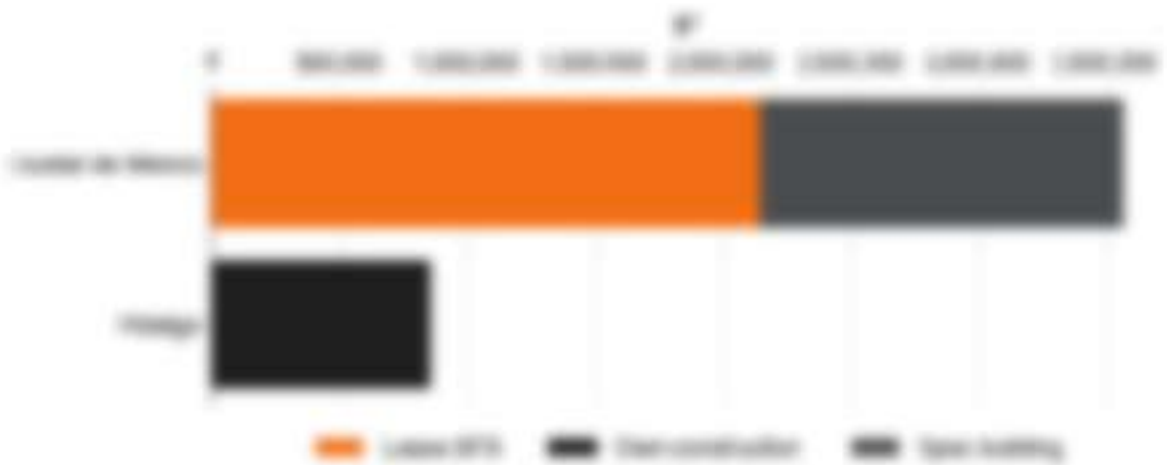
The central region closed 1Q 2024 with a total inventory of 223 million ft². Mexico City market saw an annual growth of 6.12%, reaching an inventory of 178 million ft². Meanwhile, Hidalgo recorded an inventory of 14.5 million ft², a 6.32% annual growth, and Puebla maintained its inventory unchanged throughout the year, with 30.6 million ft².



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During 1Q 2024, the region saw construction starts totaling 8.1 million ft². Mexico City was the market with the most construction starts in the region, totaling 3.8 million ft², of which 71% were located in the southern - Zumpango submarket. Hidalgo followed with 26,110 ft² of new construction.



New spaces (YTD)

By the end of 1Q 2024, new availability in the region reached 2.2 million SF between vacancies and new buildings. The total new availability was concentrated in Mexico City, therefore, Puebla and Hidalgo had no new availability.

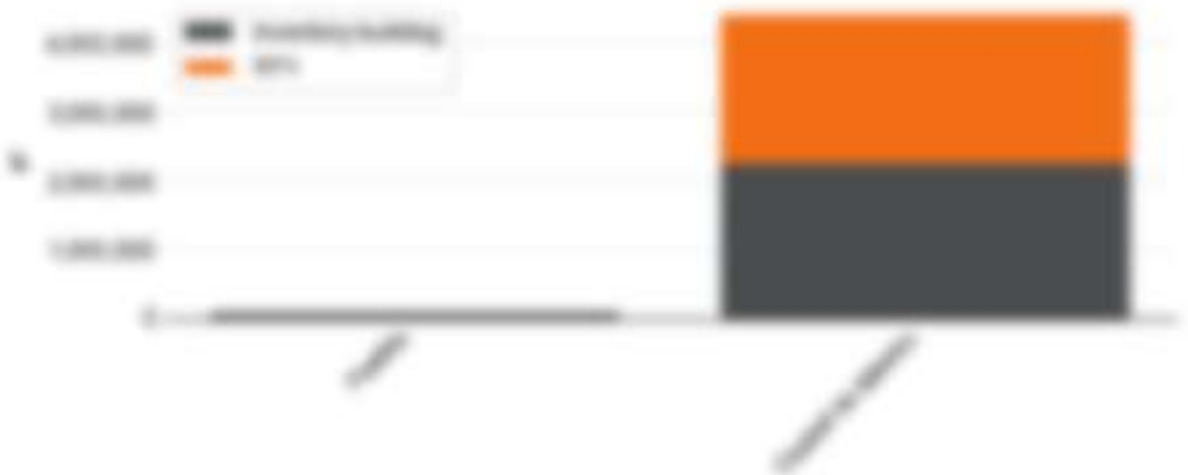


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Gross absorption (YTD)

From January to March 2024, the central region accumulated a gross absorption of 4.4 million SF. Mexico City had a gross absorption of 4.2 million SF, which represents 95% of the total absorption. 60% of this absorption was concentrated in B2B operations and 40% in inventory buildings. Puebla recorded a gross absorption of 0.2 million SF of inventory buildings.



Net absorption (YTD)

The net absorption accumulated by the central region, excluding vacancies, RTA, and new spaces, was 49,224 sq. Feet. Puebla recorded a positive net absorption of 67,346 sq. Ft, while Mexico City's net absorption was negative at -28,124 sq. Ft.



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Availability rate

The central region ended 1Q 2024 with a total availability rate of 2.24%, equivalent to 1.2 million sq. Ft available. The availability rate in the three markets of the region decreased compared to the previous quarter. In Mexico City, the total rate was 2.88%, composed of 0.82% for existing buildings and 2.06% for buildings under construction. Puebla's total rate was 2.24%, and Hidalgo's was 1.24%.



Asking prices

The average asking price for industrial buildings in the region was \$1.02 million. Dallas, Texas, and Chicago were the highest of asking prices. Dallas, Texas, recorded the highest price in the country, at \$1.22 million. Chicago's asking price was \$1.05 million, while Phoenix was \$1.01 million.



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Looking forward

Mexico City is the most developed industrial real estate market in the central region and the country. The inventory of this market grew by 6.02% over the last year, indicating that developers continue to introduce projects to meet current demand. CTT corridor (Cuautitlán-Toluca-Tepic corridor) has driven this growth, and gradually, Huahuatla-Zumpango area has also joined in with new projects, as there is limited supply in CTT corridor, making other corridors begin to take center stage.

In this regard, during Q3 2024, the most significant construction starts were located in Huahuatla-Zumpango submarket, especially a build-to-suit BTO project for the shipping company DHL, of 2.1 million M², which will be located in T-Mex Park Industrial Park, near Felipe Angeles International Airport. This will be a catalyst for more companies to settle in the area.

Also notable are projects in Toluca submarket such as Las Flores II by Constructores Industriales and Zona Park II by Finsa Construcción, which are

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80% of the total absorption in the region and saw a 62% annual increase. The sectors that absorbed the most industrial space in the region were logistics, e-commerce, and consumer goods and services, with companies such as DHL, M & B, and Ferras.

For the rest of the year, it is estimated that listing prices will continue to trend upward due to the new supply entering the market, specifically in Mexico City market. In the last year, the average price of industrial buildings in the region increased by 11%, and in Mexico City, it grew by 16%.

Glossary

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