

Industrial Business Review:

Northeast
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 1.6%.

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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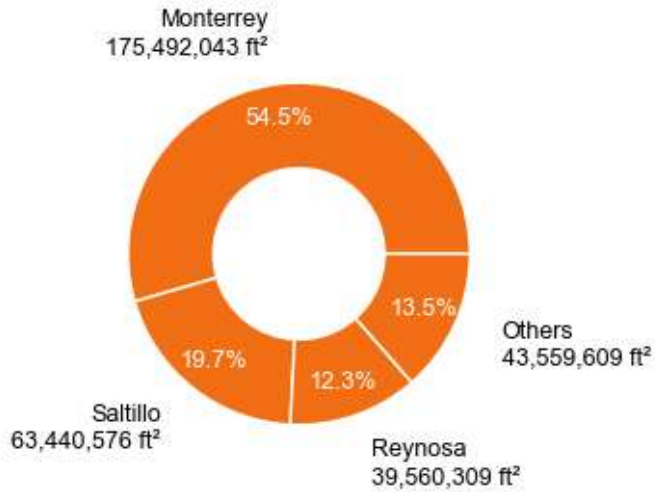
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Summary

1. The Northeast region closed 1Q 2024 with an inventory of 323 million M².
2. During 1Q 2024, the region accumulated construction starts totaling 6 million M². 71% of these construction starts were in Monterrey.
3. By the end of 1Q 2024, the new availability recorded in the Northeast region was 6.4 million M², of which 62% is concentrated in Monterrey.
4. From January to March 2024, the region saw a gross absorption of 1.7 million M², of which 66% was absorbed in Monterrey.
5. The accumulated net absorption of the Northeast region was negative, at -4.2 million M².
6. The region recorded a total availability rate of 4.64%, with 16.6 million M² available between delivered and under-construction buildings.
7. By the end of 1Q 2024, the average listing price in the region was \$2.54 USD/M²/month.

Inventory

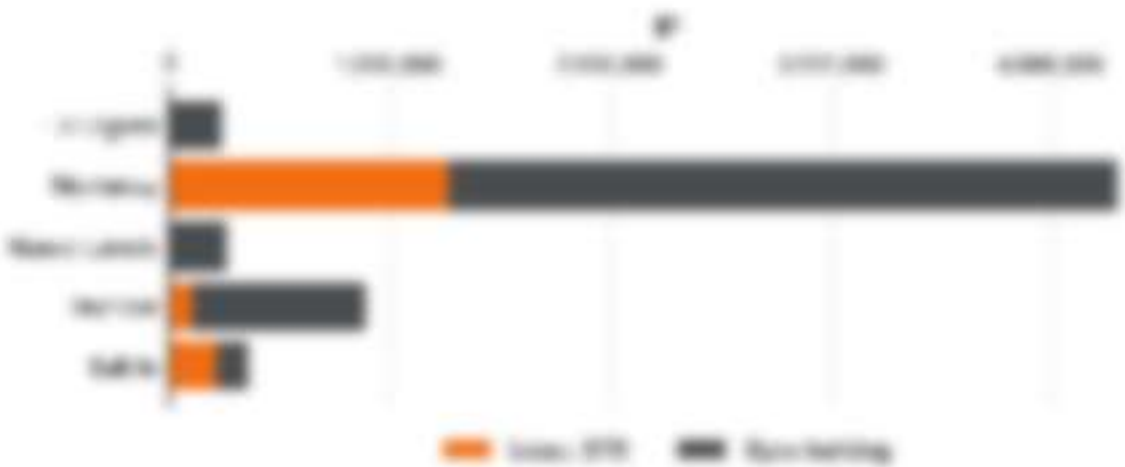
The Northeast region concluded 1Q 2024 with a total inventory of 323 million ft², marking a growth of 7.43% compared to 1Q 2023. Monterrey, the largest market in the region and second-largest nationwide, reached an inventory of 176 million ft², with an annual growth of 10.22%. It is followed by Saltillo with 63.6 million ft².



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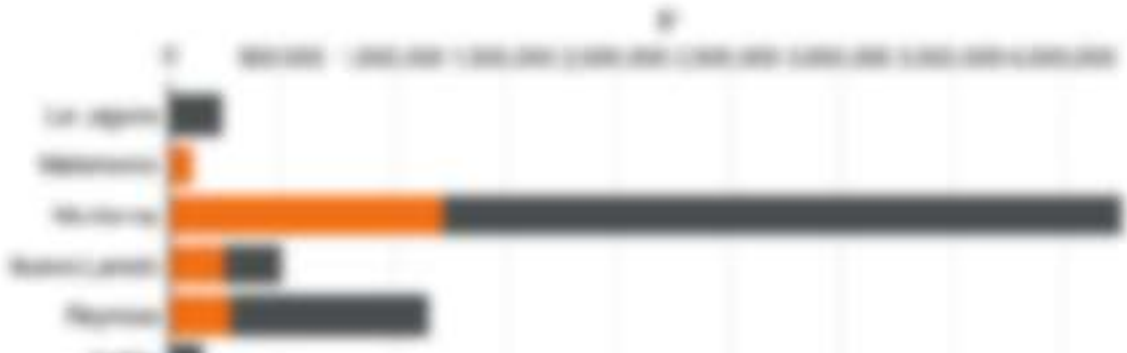
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During 1Q 2024, the region recorded construction starts totaling 8 million ft². 75% of the construction starts were speculative buildings, while 25% were built-to-let (BTL) buildings for lease and sell. Monterrey had the highest construction activity in the region and the country, adding 4.2 million ft², of which 75% corresponds to speculative spaces.



New spaces (YTD)

By the end of 1Q 2024, the Northeast registered nearly available spaces totaling 8.4 million SF. 70% of the new availability came from construction starts, with the remainder from vacancies. Maryland accounted for a total of 4.2 million SF of new availability, while New Jersey added 1.1 million SF, and Texas-Louisiana reached 512,128 SF of new availability.

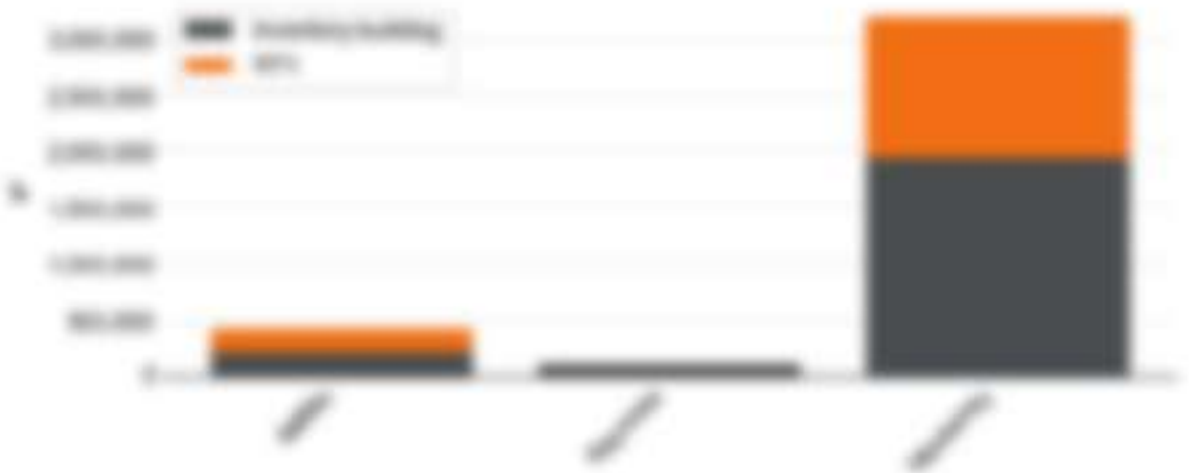


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Gross absorption (YTD)

From January to March 2024, the Northeast accumulated a gross absorption of 3.7 million SF, with 60% being inventory buildings and 40% NPI. Maryland, the most dynamic market in the region, had an absorption of 2.1 million SF, concentrating 56% of the region's total absorption. Texas followed with 468,170 SF, and New Jersey with 32,827 SF.



Net absorption (YTD)

As the end of 1Q 2024, the accumulated net absorption, after deducting vacancies and new spaces, was -4.2 million SF, due to a significant number of construction starts. Maryland had the highest negative absorption with -2.3 million SF due to speculative construction. In contrast, Seattle was the only market that recorded positive absorption.



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Availability rate

By the end of 1Q 2024, the Northeast region recorded a total availability rate of 4.88%, equivalent to 48.8 million SF available in delivered and under-construction buildings. New York had a total rate of 7.1%, primarily due to spaces under construction, of which only 3.2% corresponds to delivered spaces. Maryland's total rate was 5.8%, with delivered buildings accounting for only 1.8%.



Asking prices

At the end of 1Q 2024, the average listing price for industrial buildings in the Northeast was \$0.54 USD/ft²/month. Reynosa had the highest price in the region at \$0.64 USD/ft²/month, \$0.05 USD higher than in 1Q 2023. Monterrey also saw an increase of \$0.06 USD in the listing price, reaching \$0.62 USD/ft²/month.



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Looking forward

The Northeast region is one of the most important economic zones in the country. In this sense, the industrial real estate market in the region continues to exhibit great dynamism in terms of gross absorption and construction starts, driven by manufacturing, which has attracted a vast number of companies intending to establish or expand their operations in this region due to the competitive advantages it offers: strategic location, skilled workforce, and infrastructure. It is anticipated that the industrial market in this region will continue to grow with the arrival of Tesla, among other automotive manufacturers planning to establish themselves in the region.

By the end of 1Q 2024, the Northeast region increased its inventory by 22.2 million SF or 7.42% compared to the same quarter in 2023, demonstrating the consistent growth it has experienced, becoming one of the most important industrial regions in the country. Particularly, Monterrey, which

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The various investments announced in the last quarter of 2023 and the first quarter of 2024 materialized during 1Q 2024 with the start of construction, totaling more than 6 million SF, with speculative building construction predominating. Furthermore, the activity of developers such as Synthesis, Grupo GP, and Avante stood out, adding up to 2 million SF, 12% more than in 1Q 2023.

The demand for industrial spaces from national and international companies has not only boosted the inventory of the region but has also influenced the increase in lease rates, as well as the general increase of construction materials and land. The asking price for the region stood at \$1.24 USD/SF/month at the end of 1Q 2024, \$1.24 USD higher than in 1Q 2023. Monterrey and Reynosa were the markets with the highest listing prices and also with the greatest increases in the last year.

In conclusion, by the end of 1Q 2024, the Northeast region presented good overall results, driven by manufacturing and logistic companies that decided to invest to obtain different benefits offered by the region as mentioned above: location, workforce, and infrastructure.

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.

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