

Industrial Business Review:

Northwest
1Q 2024



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	8
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



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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 1.8%, 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 5.8%.

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 14.3%, according to INEGI.

In March 2024, the National Commission for the Defense of the Consumer (CNAD) reported that the average price of a new home in Mexico was \$1,100,000, a 1.5% increase from the same month in 2023.

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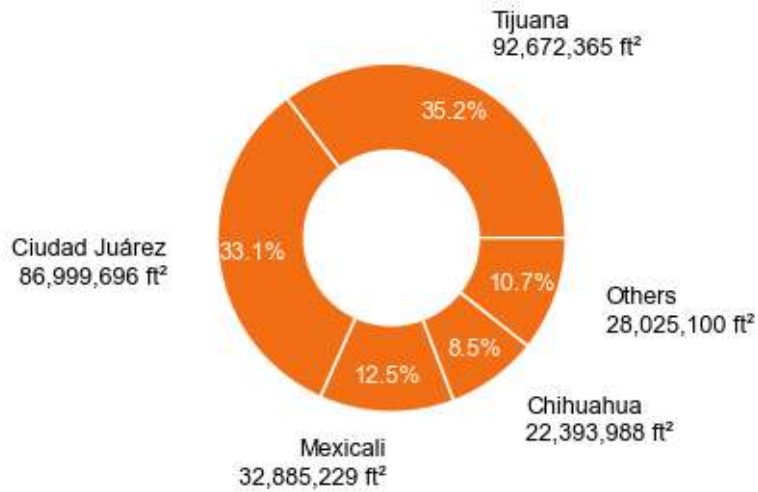
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Summary

1. The northwest region closed 1Q 2024 with a total inventory of 24.5 million square meters (m²).
2. From January to March 2024, the region accumulated construction starts totaling 55,878 square meters (m²), with activity particularly notable in Tijuana.
3. By the end of 1Q 2024, the region added 66,200 square meters (m²) of new spaces, including vacancies and speculative buildings.
4. From January to March 2024, the northwest region recorded a gross absorption of 14,703 square meters (m²).
5. The net absorption accumulated by the region by the end of 1Q 2024 was -15,527 square meters (m²).
6. The northwest region recorded a total availability rate of 5.12%.
7. By the end of 1Q 2024, the average listing price in the region was \$6.51 (USD) per square meter per month.

Inventory

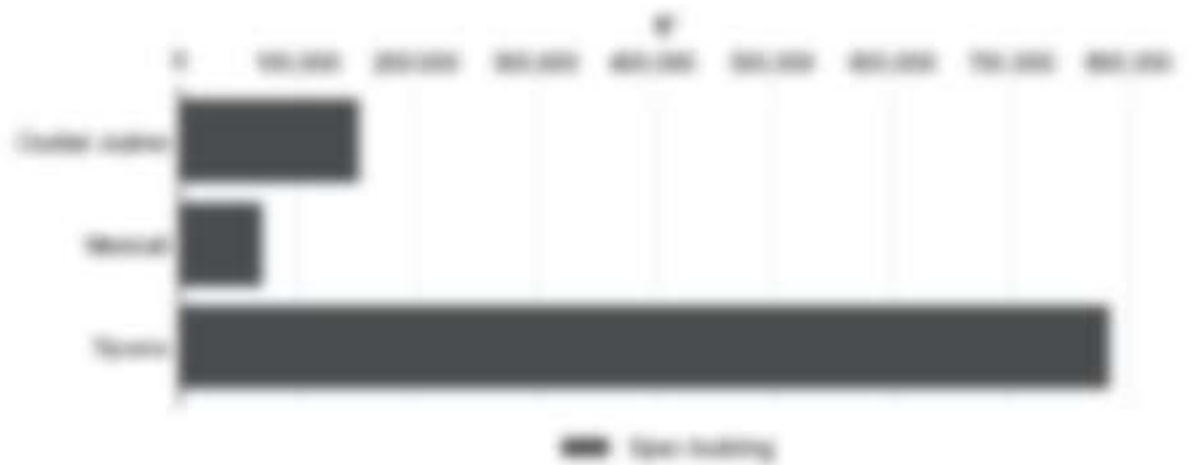
The northwest region ended 1Q 2024 with a total inventory of 263 million ft². Tijuana and Ciudad Juárez, the largest markets in the region, accounted for 68% of the inventory. Tijuana reached 92.9 million ft², while Ciudad Juárez closed the quarter with 86.9 million ft².



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From January to March 2024, the northwest region only saw construction starts in speculative buildings totaling 1 million ft². Tijuana led the highest activity, concentrating 79% of the construction, with 793,339 ft². Ciudad Juárez reached 12,637 ft² in construction, followed by Mexicali with 71,028 ft².



New spaces (YTD)

The northwest region entered Q1 2024 with new availability of 2 million SF between vacancies and speculative spaces. Tacoma had the most new space, with a total of 1.2 million SF, of which 763,528 SF were speculative spaces. United Journal recorded 270,872 SF of new availability driven by vacancies.



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Gross absorption (YTD)

During Q1 2024, the northwest region accomplished a gross absorption of 1.6 million SF. United Journal led the absorption, adding 666,666 SF, 41% of the absorption. Whittier, in Tacoma, 520,882 SF were absorbed, followed by Meridian with 388,652 SF.



Net absorption (YTD)

By the end of Q1 2024, the net absorption recorded in the northwest region, including vacancies, RTA, and new leases, was 145,025 SF. Crutcher Jones and Colliers recorded positive absorption of 599,025 SF and 71,027 SF, respectively. Meanwhile, Tuzanski showed the highest negative net absorption.



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Availability rate

The northwest region closed Q1 2024 with a total availability rate of 5.02%, equivalent to an availability of 66 million SF. The availability rates in Crutcher Jones and Tuzanski have remained high due to construction starts, when considering city-demolished buildings. They recorded reductions, reaching 2.74% and 2.02%, respectively.



Asking prices

El cierre del 1Q 2024, la región registró un precio de venta de \$5.77 millones, un incremento de \$0.45 millón respecto al mismo lapso de 2023. Aguascalientes, Querétaro y San Luis Potosí reportaron alza importante en sus precios debido a la mayor oferta. Aguascalientes y Querétaro reportaron los precios de venta más altos con \$6.28 millones y \$6.75 millones, respectivamente.



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Looking forward

The Bajío region has been characterized by its automotive and logistic focus. Its geographical location has allowed major automakers such as GM, GM, Honda, Nissan, among others, to establish themselves in the region, leading to the attraction of automotive supply chains. Alongside the operational industry, the acquisition of land by end users has remained active, primarily by companies of Chinese origin. This is due to disruptions in supply chains caused by the manufacturing trend.

In this sense, the automotive industry and manufacturing have been the driving forces behind the demand for industrial spaces in the Bajío region, which increased by 9% in just 1Q 2024 compared to the same period in 2023. Querétaro led the gross absorption, with a 52% increase, driven by automotive industry suppliers such as Yafeng Automotive, dedicated to interior manufacturing.

By the end of 1Q 2024, Aguascalientes and San Luis Potosí recorded significant activity in land acquisition within industrial parks. Although

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Meanwhile, San Luis Potosí began 2024 with a decrease in land acquisition and industrial warehouse occupancy. In 1Q 2024, the market saw a 54% increase in industrial space absorption compared to the same period in 2023.

In the first three months of the year, construction activity in the region declined by 32% compared to the same period in 2023. However, speculative construction starts continue to be registered, mainly in Coahuila, with a 221% increase compared to the same period in 2023.

The addition of speculative spaces influenced the increase in available spaces in the region, which grew by 9% in 1Q 2024 compared to 1Q 2023. In terms of availability rate, it increased by 16 basis points over the last 12 months, reaching 5.02%.

Like in other regions, asking prices for industrial spaces in the Bajío West continued to experience significant increases. In the last year, prices rose by 17%, reaching \$1.34 USD/sq.meter.

Finally, investments have been announced in various markets in the region that will materialize in the coming months. Despite being an election year, the region will continue with the growth and demand pace it has experienced since 2021.

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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