



Mexico City Industrial Market

More Developments, More Demand

The industrial sector, particularly logistics, is keeping a vibrant and dynamic market in the Mexico City Metro Area, thus attracting national and international investments.

The largest industrial market in the country continues growing with the development of projects in 8 out of 10 submarkets, seeking to address the demand for class A industrial spaces. Despite the market’s continuous growth, vacancy closed at a rate lower than the previous period, with 4.5%.

The greatest absorption was in the Cuautitlán sub-market, exceeding 750,000 square feet, distributed in four projects. Slightly over 530,000 square feet entered the inventory without vacancy.

The submarket with the greatest vacancies was Vallejo-Azcapotzalco, with a vacancy rate of 3.58%, while Cuautitlán, Huehuetoca-Zumpango, and Naucalpan reported no vacancy.

Current Conditions Mexico City

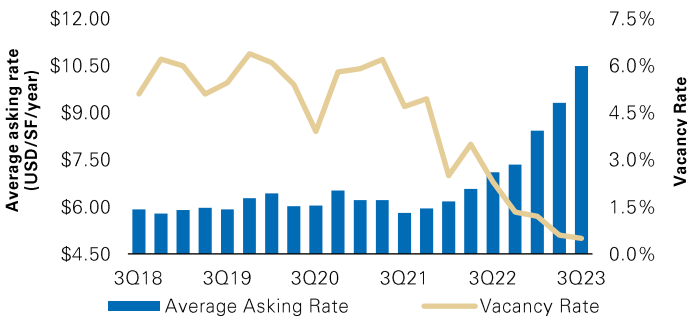
- Class A industrial inventory continues growing, reaching a total of 126.2 million square feet.
- The area under construction increased versus the previous period, representing a total of 5.8 million square feet.
- The vacancy rate in Mexico City contracted, going from 0.6% in Q2 2023 to 0.5% in Q3 2023.

Market Summary

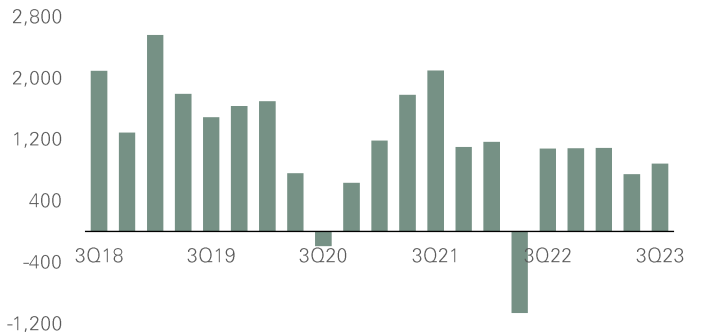
	Current Quarter	Prior Quarter	One year ago	12-month forecast
Total inventory (SF)	126.2 M	124.9 M	121.7 M	↑
Vacancy Rate	0.5%	0.6%	1.8%	→
Quarterly absorption (SF)	0.9 M	0.7 M	1.5 M	→
Average asking rent (USD/SF/year)	\$10.49	\$9.32	\$7.10	↑
Under construction (SF)	5.8 M	5.3 M	3.6 M	↑

Market Analysis Mexico City

AVERAGE LEASE RATE AND VACANCY RATE



NET ABSORPTION (Thousand SF)



Outstanding Indicators for the Market

Net Absorption. As opposed to the previous period, the net absorption represents a clear uptick, largely due to the constant expansion of the total inventory.

Even though the figures seen in the first quarter of the year are yet to be matched, there was a net absorption of 884,169 square feet, with an accumulated absorption of 2.76 million square feet.

Price. There was a significant increase in average prices, especially when comparing the \$10.49 USD/sf/year reported by the closing of Q3 2023 versus the same period of last year, which stood at \$7.10 USD/sf/year .

The submarket with the highest price is Vallejo-Azcapotzalco, which closed at \$12.04 USD/sf/year , followed by Tlalnepantla, where there was an average price of \$8.92 USD/sf/year .

Developments for last mile services and the incursion of mini-warehouses

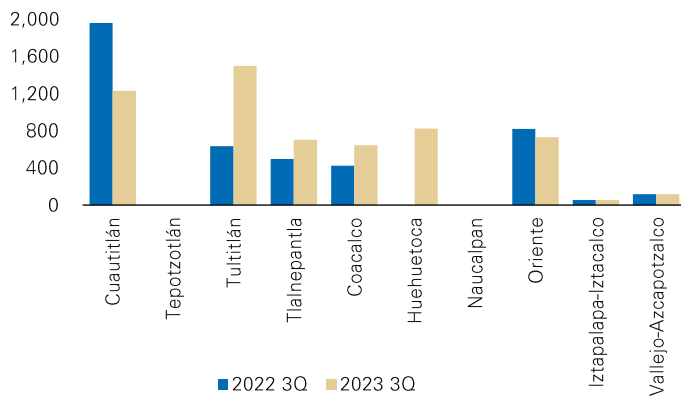
Regarding the configuration of these developments, it is increasingly common to find projects focused on last mile services. These spaces are focused on the advantages provided by the strategic location and access to main thoroughfares.

It is worth noticing that the clear proclivity to logistics in the Mexico City industrial market leads developers to create real estate projects that maximize accessibility and communication with the Metropolitan even if the size of the space is thereby limited.

Some examples of this trend are the O’Donnell Tlalpan complex (located on the eponymous avenue), Tultepec MicroParks, and Minibodegas PlaneParkII, the latter two developed by Parks.

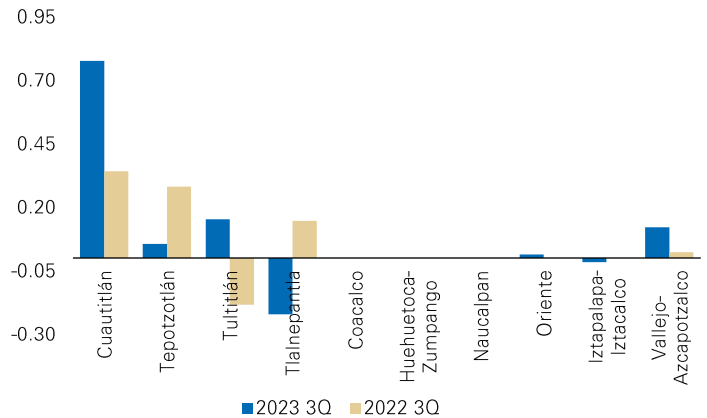
Under Construction

3Q 2022 – 3Q 2023 (THOUSANDS SF)



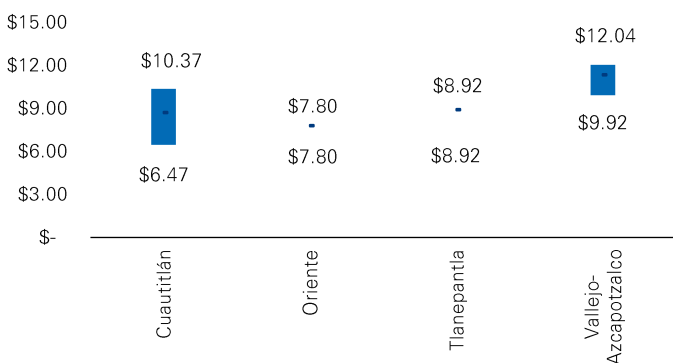
Net Absorption

3Q 2022 – 3Q 2023 (MILLIONS SF)



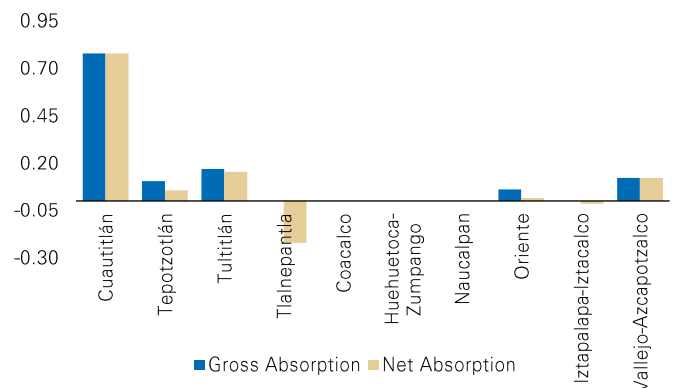
Average Asking Rates Range

AVERAGE ASKING RATES (USD /SF / Year)



Net and Gross Absorption by Submarket

NET ABSORPTION AND MARKET ACTIVITY (SF)



Revitalizing submarkets

Even though inventory growth is constant in the Mexico City industrial market, it is prudent to mention the vacancies as well. These are distributed among the Tepotzotlán, Tultitlán, Iztapalapa, and Tlalnepantla submarkets, representing 15% of the total growth in the market.

Such vacancy pertains to developments that were built and leased between years 2017 and 2019, at a time before the COVID-19 pandemic, which was known for large absorptions.

Indeed, the market in the Metropolitan Area of the Valley of Mexico is so dynamic, that this type of space remains vacant for a short time. Sometimes, they can be highly coveted due to their location, accessibility, and size.

Featured Parks Under Construction and Planned

Industrial Parks	Sub-Market
Panorama Coacalco	Coacalco
CPA HTCA-B001	Huehuetoca
Blue Industrial Park	Cuautitlán
TultePark	Tultitlán
La Presa	Tlalnepantla

Market Summary Mexico City

	Inventory (million SF)	Under Construction (million SF)	Vacancy (million SF)	Vacancy Rate	Gross Absorption (million SF)	Net Absorption (million SF)	YTD Net Absorption (million SF)	Asking Lease Rate (USD/SF/Year)	U. Construction Asking Rent (USD/SF/Year)
CTT	91.2	2.7	0.1	0.1%	1.1	1.0	2.8	\$8.78	\$9.19
Cuautitlan	46.4	1.2	-	0.0%	0.8	0.8	1.8	\$8.78	\$9.15
Tepotzotlan	23.6	-	0.1	0.2%	0.1	0.1	0.5	-	-
Tultitlan	21.2	1.5	0.1	0.1%	0.2	0.2	0.5	-	\$9.22
Tlalnepantla	13.0	0.7	0.2	1.7%	-	-0.2	-0.2	\$8.92	\$8.90
Coacalco	1.6	0.6	0.1	0.5%	-	-	-	-	\$7.11
Huehuetoca- Zumpango	9.1	0.8	-	-	-	-	-	-	\$8.92
Naucalpan	1.0	-	-	-	-	-	-	-	-
Oriente	1.6	0.7	0.1	2.8%	0.1	0.1	0.1	\$7.80	-
Iztapalapa- Iztacalco	2.9	0.1	0.1	0.5%	-	-0.1	-0.1	-	\$10.03
Vallejo- Azcapotzalco	5.8	0.1	0.2	3.6%	0.1	0.1	0.1	\$12.04	\$9.82
Total	126.2	5.81	0.6	0.5%	1.3	0.9	2.8	\$10.49	\$8.89

Boosting the economy

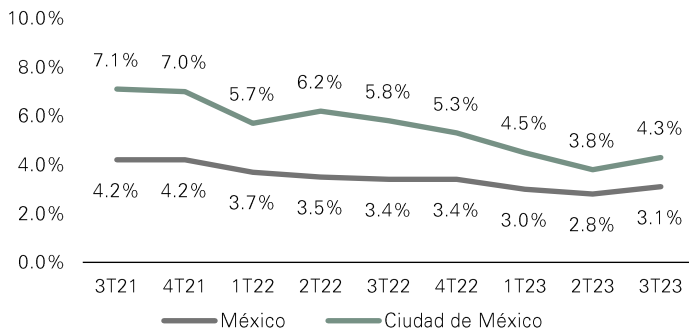
The State is setting new strategies to invest and develop businesses in Mexico City. One of the key areas is strengthening small and medium-sized companies to establish them as benchmarks in the city. This will be achieved through the expansion of FONDESOC (Social Development Fund) credits and training to improve business skills.

The city accounted for 35% of all Direct Foreign Investment in the country, representing 2% more than the total in the same period of last year.

There was an increase in job openings largely due to the start of over 78,000 new businesses dedicated to services and retail. The Mexican currency continues steady versus the US dollar, fluctuating between \$17.00 and \$17.20.

Unemployment Rate

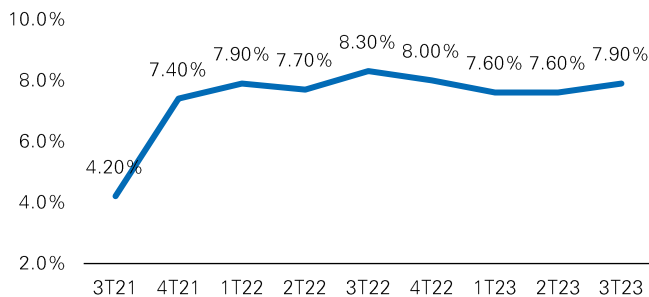
ANNUAL INDICATOR



Source: INEGI, ENOE

Consumer Price Index (CPI)

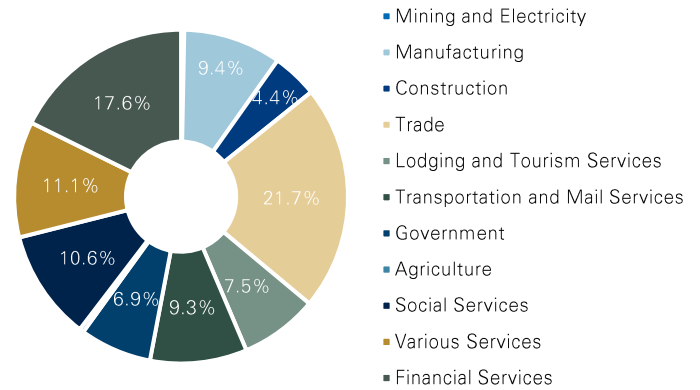
ANNUAL INDICATOR



Source: Banxico

Employment per Economic Sector

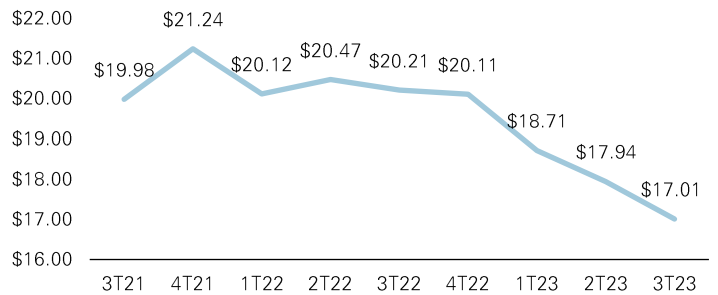
MEXICO CITY AND METROPOLITAN AREA, SEPTEMBER 2023



Source: INEGI, ENOE

Exchange Rate

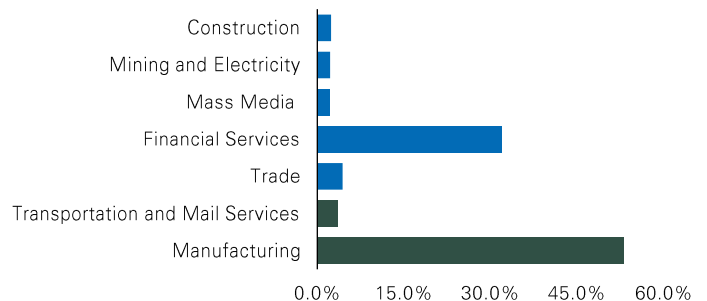
MEXICAN PESOS (MXN) PER U.S DOLLAR (USD)



Source: Banxico

Foreign Direct Investment

PERCENTAGE



Source: CEFPI

For further information:

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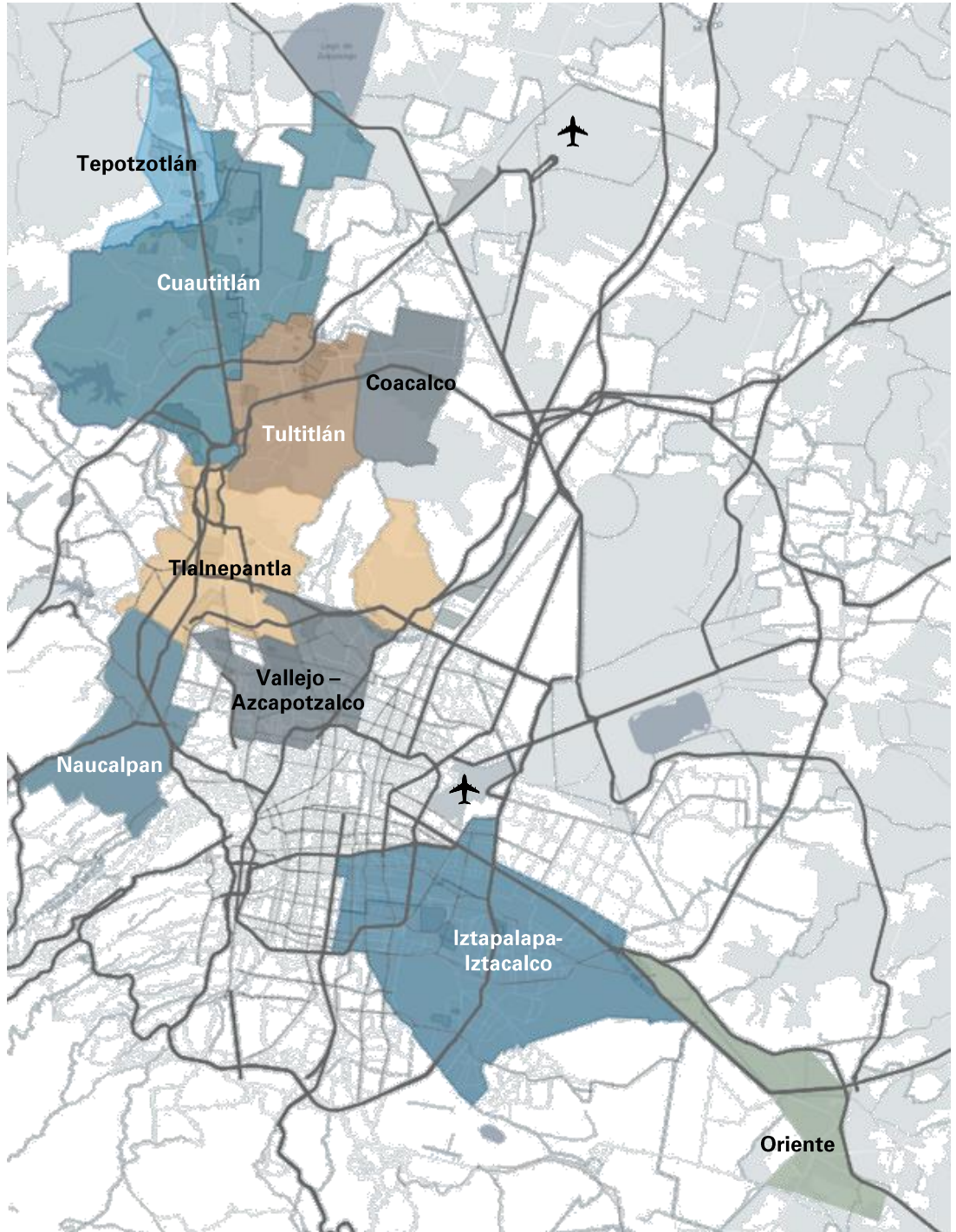
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