



Mexico City Metropolitan Area Industrial Market

Industrial Market: Stable and Attractive

The industrial market has become one of the most attractive markets in recent times as a result of the strategies that landlords have developed to streamline supply chain processes. Additionally, note that the central location of the industrial submarkets in the Metropolitan Area of Mexico City is privileged due to its connectivity and infrastructure.

The main industrial sectors are: manufacturing, logistics and distribution. The Tepotzotlán, Tlalnepantla and Tultitlán submarkets recorded the highest activity during the first quarter of the 2021.

The quarterly absorption increased over the last quarter of 2020 from 5635,270 SF to nearly 1.1 millions square feet. In general, market activity showed dynamism as new supply was added to the existing inventory.

Current Conditions

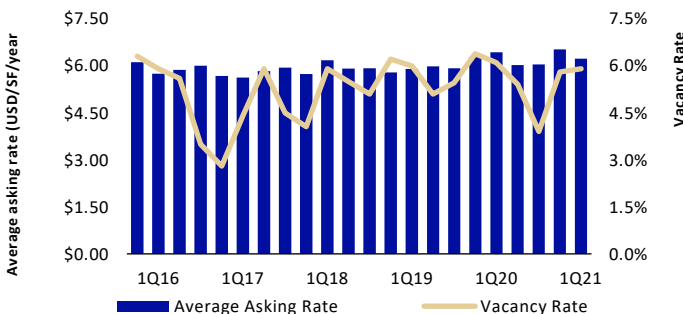
- The Class A inventory reached 134.6 million square feet in the first quarter of 2021.
- Construction activity declined over 4Q20 to nearly 9.3 square feet.
- The vacancy rate in Mexico City increased from 5.8% in 4Q20 to 5.9% in the first quarter of 2021.

Market Summary

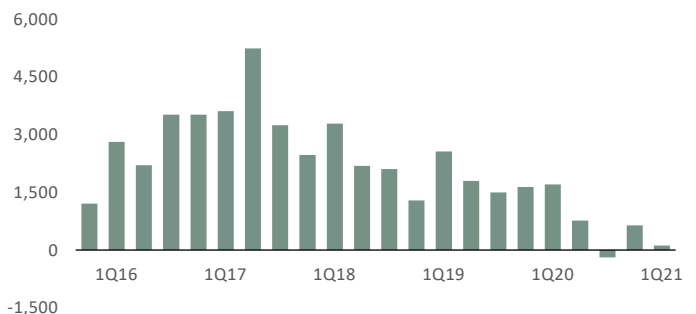
	Current Quarter	Prior Quarter	One year ago	12-month forecast
Total inventory (SF)	134.6M	132.4M	122.7M	↑
Vacancy rate	5.9%	5.8%	6.10%	→
Quarterly absorption (SF)	1,1 M	635,270	1,7 M	↑
Avg asking rent (USD/SF/year)	\$6.24	\$6.48	\$6.48	→
Under construction (SF)	9.3 M	10.3 M	5.8 M	↑

Market Analysis

AVERAGE LEASE RATE AND VACANCY RATE



NET ABSORPTION (Thousand SF)



Planning and Construction of Industrial Facilities on the Rise

Current construction activity across the main industrial markets in the country reached the 9.3 million square feet mark, 47% of which is located in the Mexico City Metro Area. Even though construction activity declined slightly over the prior quarter, the number of facilities in the planning states is still quite high and some are expected to hit the market in 2022.

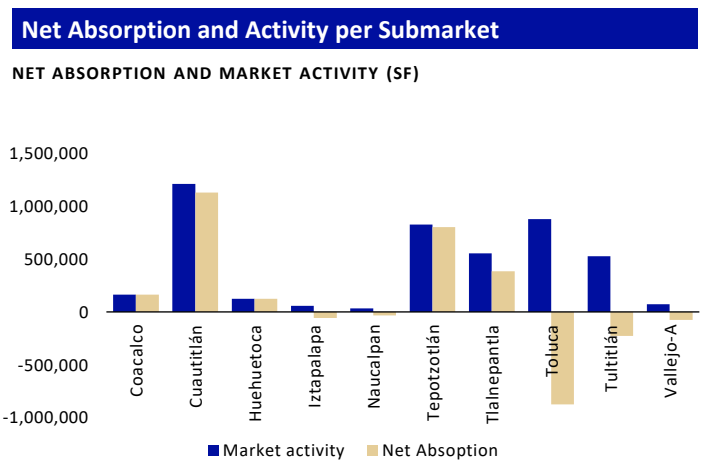
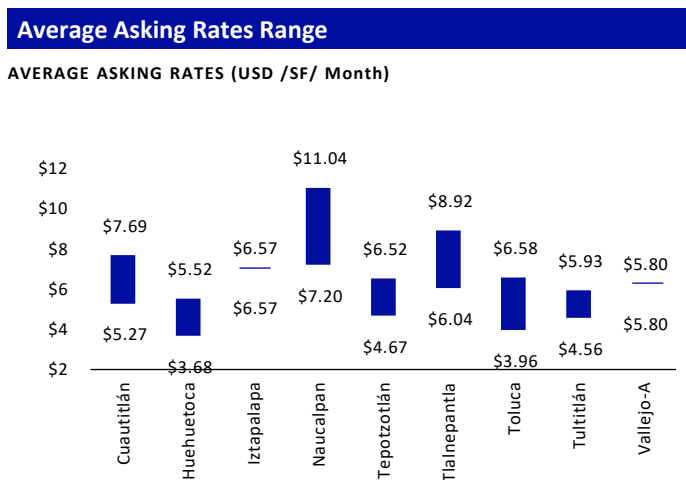
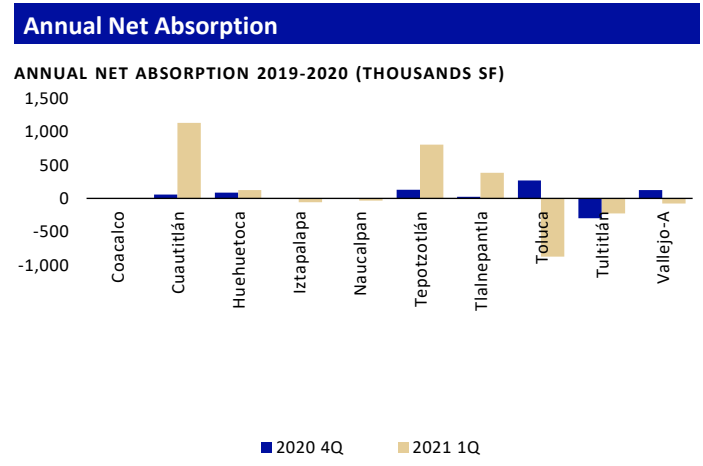
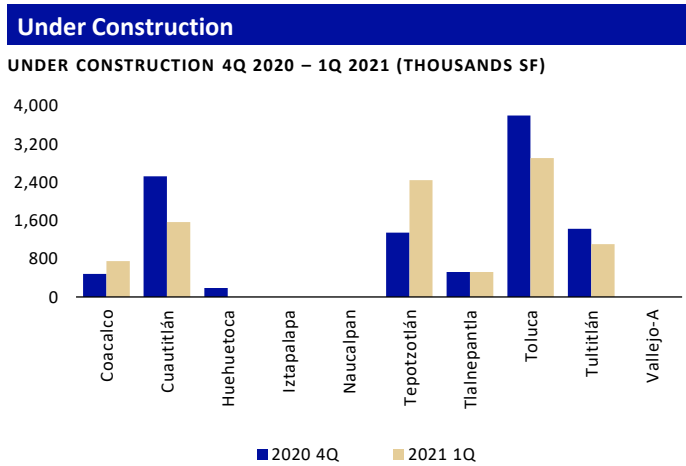
Storage and logistics companies were, clearly, the key players of the industrial market as ecommerce sales climbed 40%. This led to a growing demand for industrial space and the rearrangement of the industrial submarkets.

Mixed Demand for Industrial Space

2020 was a complicated year for all sectors. This was mainly perceived through a decline in the construction of industrial facilities which temporarily halted during the second quarter of 2020. Nevertheless,

construction has been reactivated during 2021 as a number of new industrial facilities are under construction, expansion or planning stages.

The Mexican Chamber for the Construction Industry and the Association of Real Estate Developers have sought support from the government and financial institutions to reactivate projects that remained unfinished in 2020. In this regard, mixed investments are expected for 2021 in infrastructure, including industrial facilities and logistics hubs, water supply networks, private hospitals and industrial parks.



Industrial Investment Grows

The main developers in the country have decided to continue investing in industrial parks. In the State of Mexico alone, developers such as E Group, Artha Capital and Prologis have decided to invest more than \$700 million USD in new industrial parks.

The investment in the industrial market has reached such proportions that it has driven the consolidation of the largest logistics hub in Latin America: The Arco Norte Logistics Hub operated by Puerto Liverpool. An investment of \$370 million USD is expected on a 188 hectare footprint in this area.

Industrial Parks Under Construction

Toluca Park II	TepozPark IV
O'Donnell Puente México	Parque Logístico El Peral
Panorama Industrial Coacalco	La Laguna Industrial Park
Convento CityPark	Parque Industrial Arco 57
Megapark	T-MEC Park
Prologis Park Ladero	Parque industrial Alfredo del Mazo
Prologis Park Grande	Premium Park Tultepec

Submarket Stats

	Total Inventory (million SF)	Under Construction (million SF)	Total Vacancy (million SF)	Vacancy Rate	Total Activity (million SF)	Quarterly Net Absorption (million SF)	Average Asking Rate (USD/SF/year)
Coacalco	1.2	0.8	-	-	0.2	0.2	-
Cuautitlán	39.7	1.6	1.5	3.7%	1.2	1.1	\$6.60
Huehuetoca	8.7	-	0.2	2.7%	0.1	0.1	\$4.44
Iztapalapa	2.9	-	0.06	1.9%	0.05	(0.06)	\$6.60
Naucalpan	0.9	-	0.1	10.8%	0.03	(0.03)	\$9.72
Tepotztlán	20.8	2.4	1.9	9.3%	0.8	0.8	\$6.00
Tlalnepantla	12.6	0.5	1.5	12.3%	0.5	0.3	\$8.04
Toluca	21.8	2.9	1.5	7.0%	0.8	(0.8)	\$5.28
Tultitlán	20.1	1.1	0.7	3.8%	0.5	(0.2)	\$5.28
Vallejo-Azcapotzalco	5.8	-	0.3	5.5%	0.07	0.07	\$5.76
Total	134.6	9.2	8.0	5.9%	4.3	1.3	\$6.24

Economic Conditions

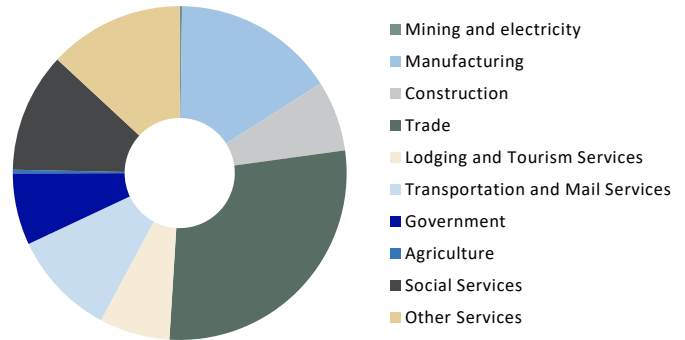
The first quarter of the year is a turning point to foresee the political, economic and social scenario in the country. The start of 2021 has seen stability in all the major economic indicators.

The Bank of Mexico estimates growth between 3.5% and 3.7% while the monetary policy is not expected to undergo major changes regarding the reference rate or the monetary expansion.

The early months of 2021 saw an increase of construction activity and manufacturing by 1.5% and 0.5%, respectively. In contrast, despite sound foreign affairs ties, some decisions of this may hamper investments, especially in the energy sector.

Employment per Economic Sector

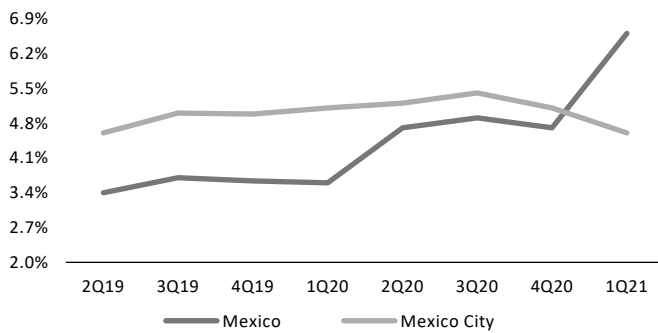
MEXICO CITY AND METROPOLITAN AREA, MARCH 2021



Source: INEGI, ENOE

Unemployment Rate

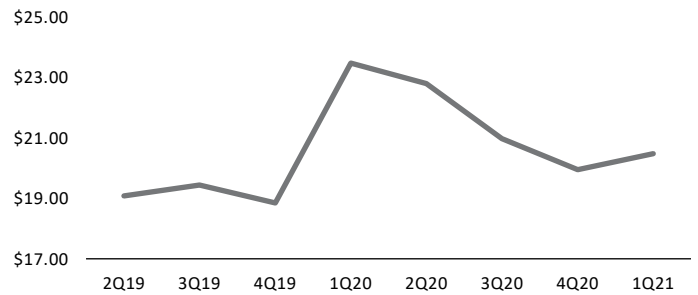
ANNUAL INDICATOR



Source: INEGI, ENOE

Exchange Rate

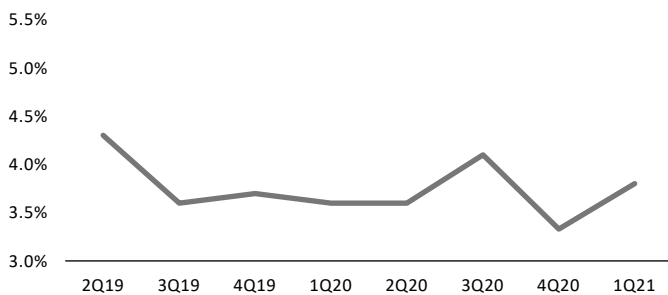
MEXICAN PESOS (MXN) PER U.S DOLLAR (USD)



Source : Banxico

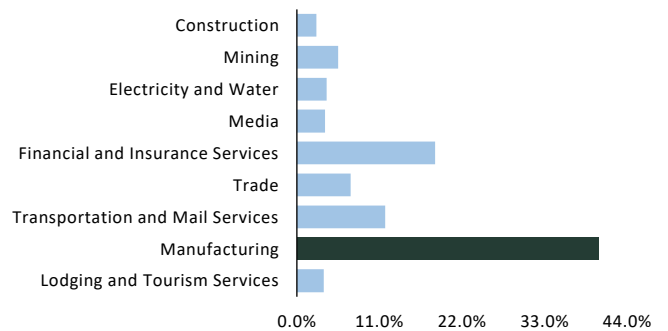
Consumer Price Index

ANNUAL INDICATOR



Source: Banxico

Foreign Direct Investment



Source : INEGI, ENOE

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