



# Monterrey Industrial Market

## Market Stability

The Monterrey Metro Area started 2022 with major industrial activity which brought about stability to the demand for Class A industrial space. During the first quarter of 2022, the gross absorption was recorded at more than 2.5 million square feet, 55.7% of which derived from lease transactions. The Apodaca and Cienega de Flores submarkets recorded the highest absorption of Class A space in the city with 49.3% and 23.7%, respectively for a total net absorption of more than 2.3 million square feet.

Construction activity increased to 7.1 million square feet from 3.9 million square feet over the year-ago period with the development of speculative buildings, BTS buildings and the expansion of existing buildings. New supply accounted for 2.1 million square feet for a total Class A inventory of 78 million square feet.

### Current Conditions

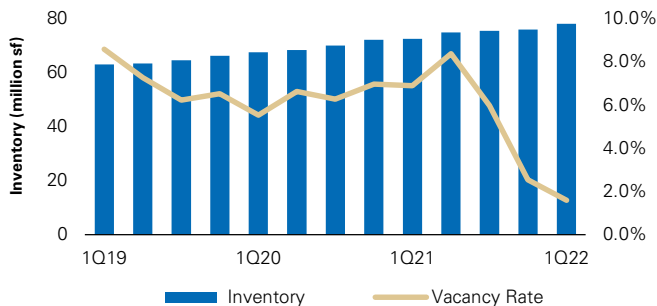
- Class A vacancy recorded more than 1.2 million square feet.
- Asking rent recorded US\$4.85 per square feet per year.
- Space under construction recorded over 7.1 million square feet.
- Gross absorption registered over 2.5 million square feet.

### Market Summary (Class A)

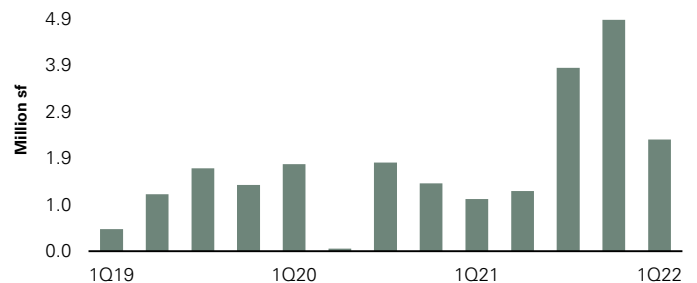
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	78.0M	75.8M	72.4M	↑
Vacancy Rate	1.6%	2.5%	6.9%	→
Quarterly Net Absorption (SF)	2.3M	4.8M	1.0M	↓
Avg. Asking Rent (SF/Year)	\$4.85	\$4.76	\$4.70	→
Under Construction (SF)	7.1M	7.3M	3.9M	↓

### Market Analysis

#### INVENTORY & VACANCY RATE



#### NET ABSORPTION



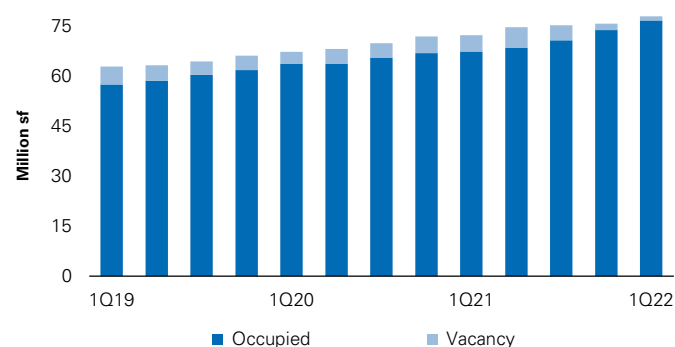
### Vacancy Rate Declines

During the first quarter of the year, the vacancy rate was recorded at 1.6%, down from 6.9% over the year-ago period and equivalent to 1.2 million square feet. This decline in the vacancy rate stems from the positive dynamism in the industrial market and the new, pre-leased space. The highest vacancy rates were recorded in the Apodaca, San Nicolas and Escobedo submarkets at 3.1%, 2.9% and 2.7%, respectively.

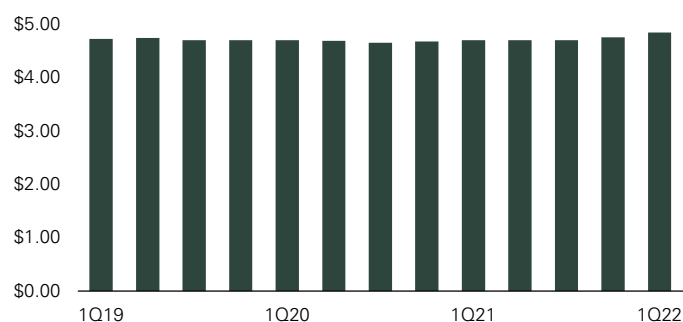
### Asking Rate on the Rise

The average asking rate was up to US\$4.85 per square feet per year from US\$4.70 per square feet per year in the year ago period. The highest asking rates were recorded in the San Nicolas and Apodaca submarkets at US\$5.04 and US\$4.96 per square feet per year. By contrast, the lowest asking rate was recorded in the Santa Catarina submarket at US\$4.56 per square feet per year.

OCCUPIED SPACE & VACANT SPACE



AVERAGE ASKING RENT (USD/SF/YEAR)



Market Indicators					
	Total Inventory (million SF)	Under Construction (million SF)	Total Vacancy (million SF)	Total Vacancy Rate	Total Asking Rent (USD/SF/Year)
Apodaca	26.8	2.4	0.8	3.1%	\$4.96
Cienega de Flores	13.4	1.3	0	0.0%	-
Escobedo	7.5	0.5	0.1	2.7%	\$4.63
Guadalupe	12.9	0.9	0.09	0.7%	\$4.74
Monterrey	0.9	0	0	0.0%	-
Pesqueria	2.4	0.2	0	0.0%	-
Salinas Victoria	3.4	0.5	0	0.0%	-
San Nicolas	0.7	0	0.02	2.9%	\$5.04
Santa Catarina	9.5	1.0	0.1	1.4%	\$4.56
<b>Market</b>	<b>78.0</b>	<b>7.1</b>	<b>1.2</b>	<b>1.6%</b>	<b>\$4.85</b>

### Stable Demand for Class A Space

Although the gross absorption continues a downward trend from previous quarter from 4.9 million square feet to 2.5 million square feet, compared to the same period in previous year increased. The lease transactions stand out with 55.7%, built-to-suit buildings registered 30.0%; expansions of existing buildings recorded 12.2% and speculative sale buildings for 2.1%. Nevertheless, the dynamism of the market is expected to trend upward within the next quarter.

### Construction Activity on the Rise

At the end of the first quarter of the year, construction activity recorded more than 7.1 million square feet and more than 2.1 million square feet to new supply. Regarding the construction space, 53.1% corresponds to built-to-suit projects, 32.1% to speculative buildings and 14.8% for expansion of existing buildings. The Apodaca, Cienega de Flores and Santa Catarina submarkets features most of the space under construction with 34.7%, 18.9% and 14.0%, respectively.

#### Main Operations

Tenant	Submarket	Type	SF
JCI	Cienega de Flores	Expansion	303,500
Confidencial	Apodaca	Lease	129,100
Dana	Escobedo	Lease	122,700

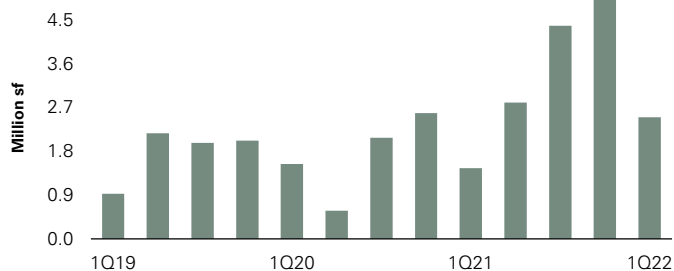
#### New Supply

Building	Submarket	Type	SF
B5	Cienega de Flores	Spec	287,600
Kronos 4	Apodaca	Spec	172,200
Lucky	Cienega de Flores	BTS	111,900

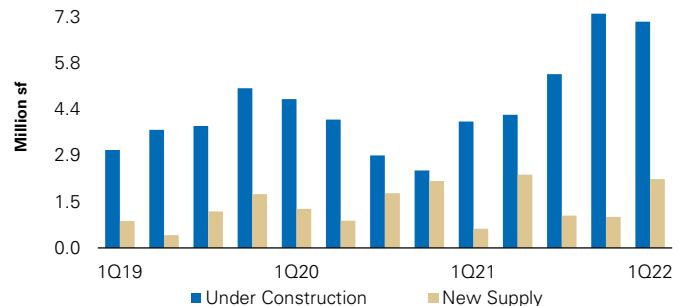
#### Under Construction

Building	Submarket	Type	SF
AGP	Santa Catarina	BTS	1,000,000
SKF	Guadalupe	BTS	497,000
Maxon	Cienega de Flores	BTS	462,000

GROSS ABSORPTION



UNDER CONSTRUCTION & NEW SUPPLY



### Economic Conditions

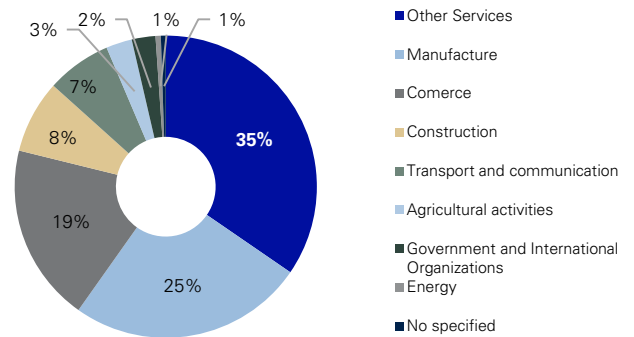
During the first quarter of 2022, the main sectors in the economic activity were: services 35.0%, manufacturing industry 25.0%, retail 19%, and construction 8.0%, among others.

By the end of 2021, the Secretary of Labor and Social Welfare of Nuevo Leon posted the national and state unemployment rates at 3.7% and 3.8%, respectively.

Based on the report released by the Ministry of Economy, the Foreign Direct Investment in the country during the fourth quarter of 2021 reached US\$31.6 billion while Foreign Direct Investment in the State of Nuevo Leon reached US\$4.0 billion for 13.0% of all the FDI.

### Employment by Sector, Nuevo Leon

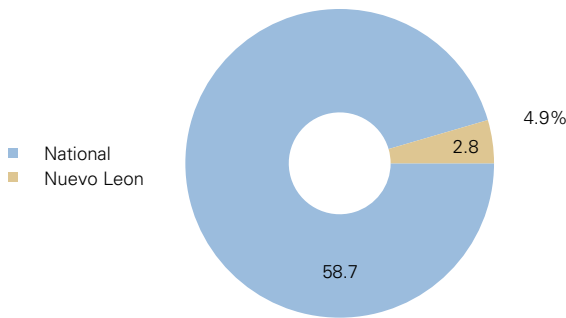
#### ECONOMIC ACTIVITY



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 4Q 2021

### Economically Active Population

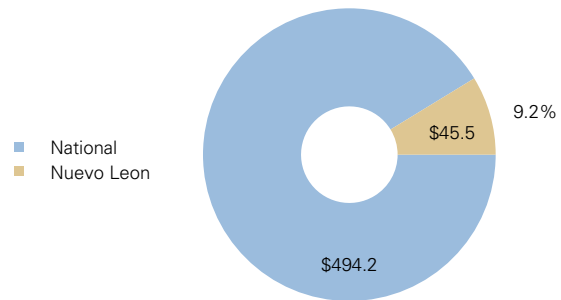
#### MILLION INHABITANTS



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), February 2022

### Economic Position, Nuevo Leon

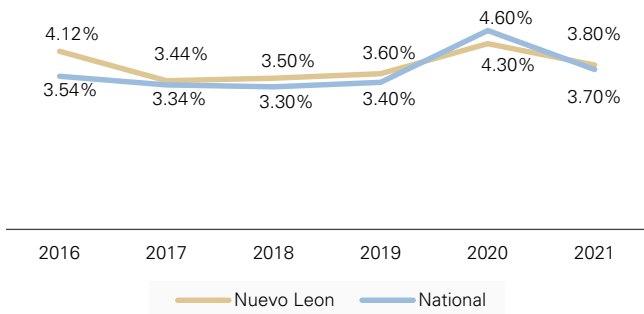
#### EXPORTS, BILLION DOLLAR



Source: Secretaria de Economia y Trabajo (Nuevo Leon), February 2022

### Unemployment Rate

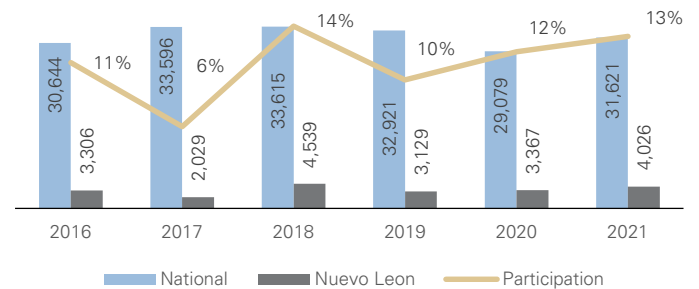
#### INDICATOR



Source: Secretaria del Trabajo y Prevision Social (Nuevo Leon), April 2022

### Foreign Direct Investment

#### USD MILLION



Source: Secretaria de Economia, 4Q 2021

*For more information :*

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