

Industrial Business Review: 4Q 2022 Northeast

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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 9 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

Northeast region



Markets



Economic outlook

From January to November 2022, industrial activity in Mexico increased 3.2% year-over-year, boosted by manufacturing, which had an increase of 5.5%, driven by the manufacture of computer equipment, electronic components and accessories with a growth of 15.8%. Meanwhile, construction activity had a slight drop of 0.3%, according to Instituto Nacional de Estadística y Geografía (INEGI).

In October 2022, employment in the manufacturing industry grew by 1.7% year-over-year. Overall employment increased 7.9% due to the rise in the manufacturing of computer components and electronic accessories, according to INEGI.

From the first to the third quarter of 2022, foreign direct investment (FDI) in Mexico reached \$32.1 billion dollars, according to the Ministry of Economy. The largest share comes from the United States, with 46.2%.

Consumer spending registered a year-over-year increase of 7.1% from January to October 2022, driven by purchases of imported products, which rose 15.7%.

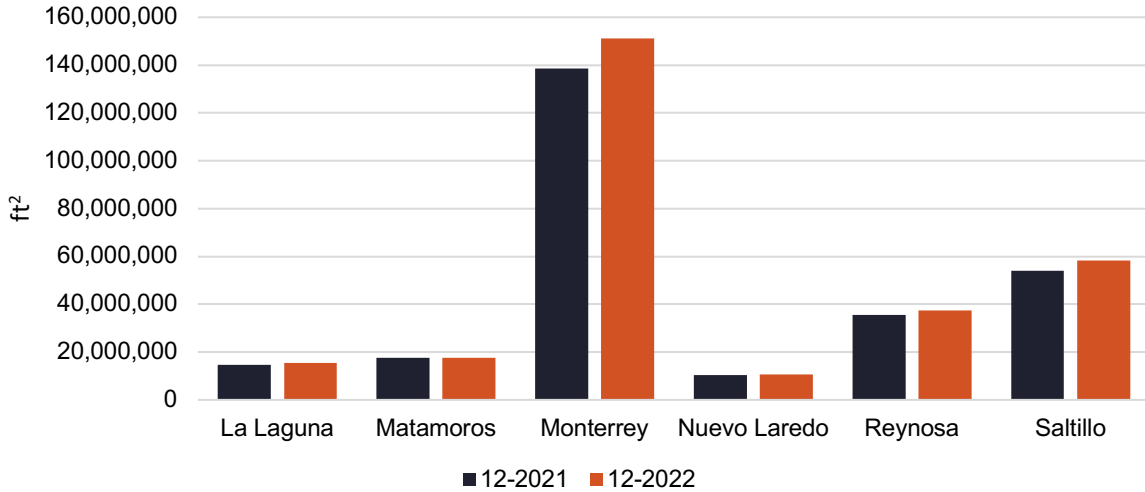
2022 closed with annual inflation of 7.8%, according to INEGI. Food, non-alcoholic beverages and services continued to drive the nation's prices.

Summary

1. The northeast region's markets closed the 4Q 2022 with a total inventory of 290.7 million ft².
2. The region registered an availability rate of 4.11%, equivalent to 10.4 million ft². Monterrey's availability rate stood at 3.95%.
3. The weighted average asking price for industrial space in the northeast region stood at \$0.43 USD/ft²/month.
4. As of 4Q 2022, the region accumulated 21.5 million ft² of gross absorption.
5. From January to December 2022, construction starts in the region recorded 19.7 million ft².
6. At the end of the year, the region's cumulative net absorption, excluding new spec spaces, amounted to 9.5 million ft².
7. Including new spec space, net absorption reached 844,022 ft² by the end of 4Q 2022.

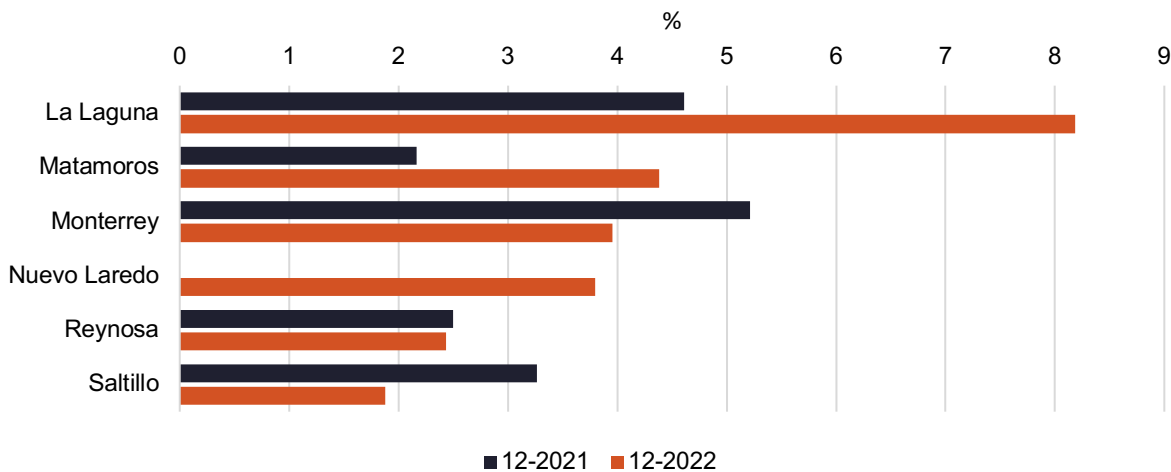
Inventory

The northeast region closed 4Q 2022 with a total inventory of 290.7 million ft² of GLA, a year-to-date growth of 7.31%. Monterrey, the region's largest market and the second largest on a national scale, closed the quarter with an inventory of 151.2 million ft².



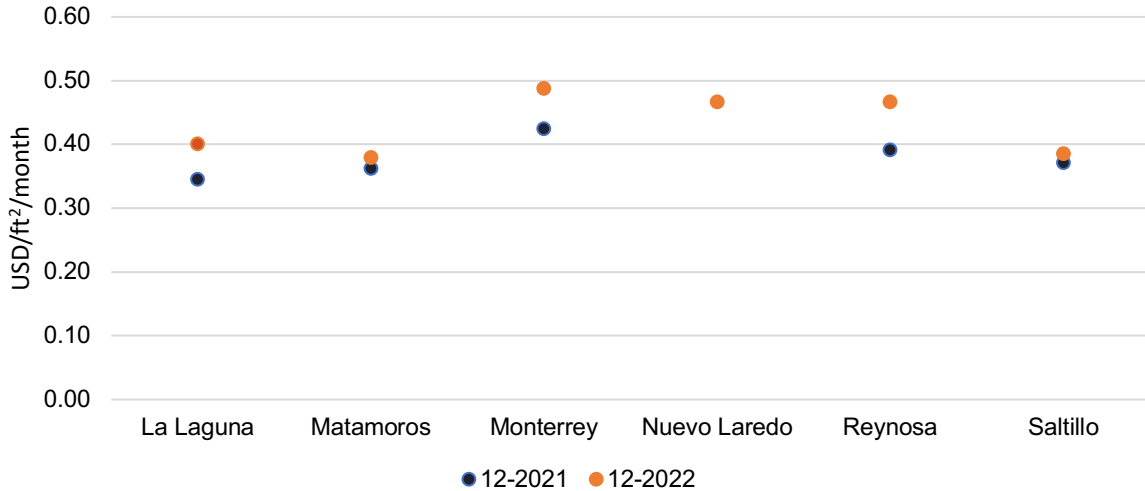
Availability rate

By the end of 4Q 2022, the region's availability rate stood at 4.11%, this is equivalent to 10.4 million ft². This rate increased 55 basis points during the past twelve months. Monterrey's available rate stood at 3.95%, with 5.9 million ft² of available space.



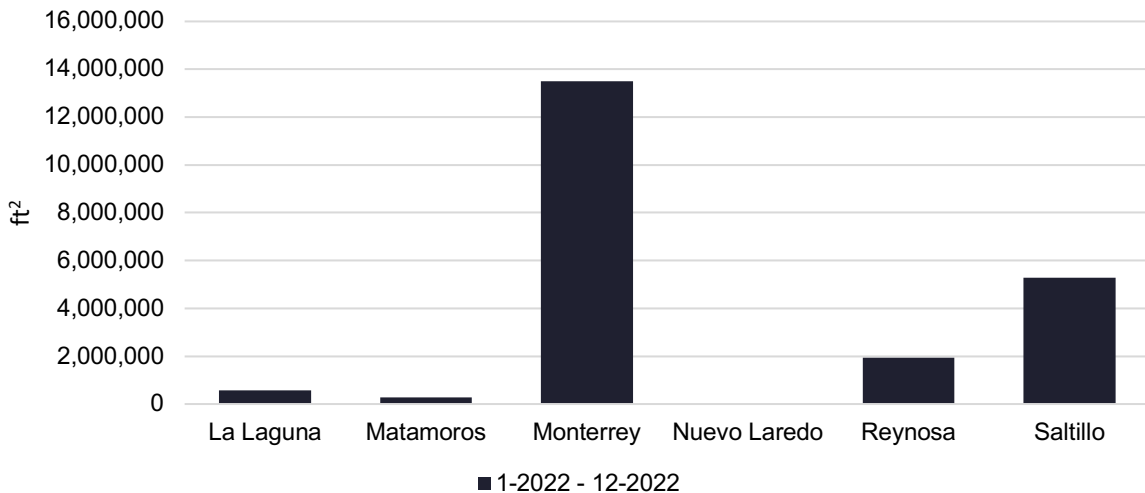
Asking prices

The weighted average lease asking rate for industrial space in the northeast region stood at \$0.43 USD/ft²/month at the end of the period. During this year, asking lease prices in all markets throughout the region have increased. Monterrey and Nuevo Laredo were the markets with the highest price in the region at roughly \$0.49 and \$0.47 USD/ft²/month, respectively.



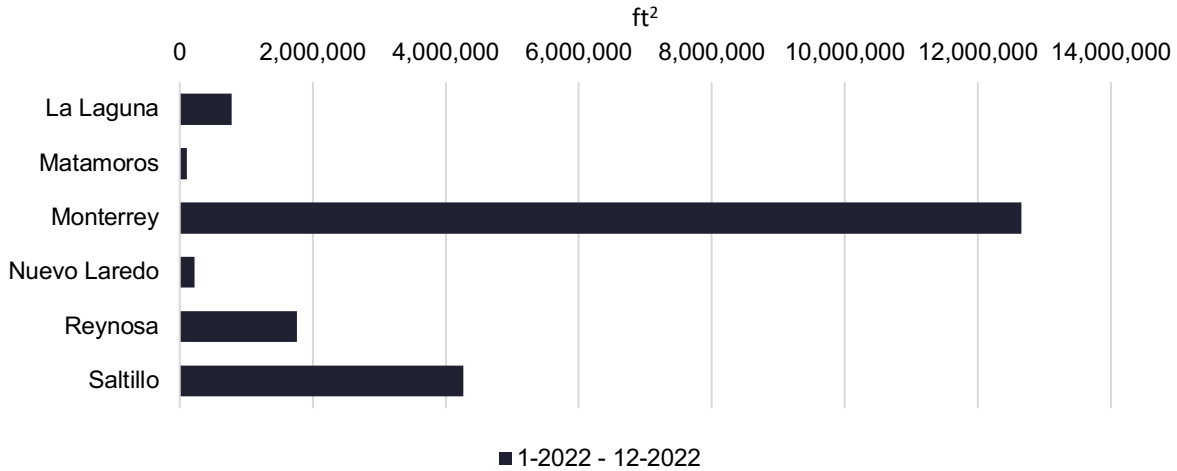
Gross absorption

Accumulated gross absorption for the year reached 21.5 million ft². Monterrey, the most dynamic market in the region, absorbed 12.6 million ft², 62% of the region's total, followed by Saltillo with 4.2 million ft².



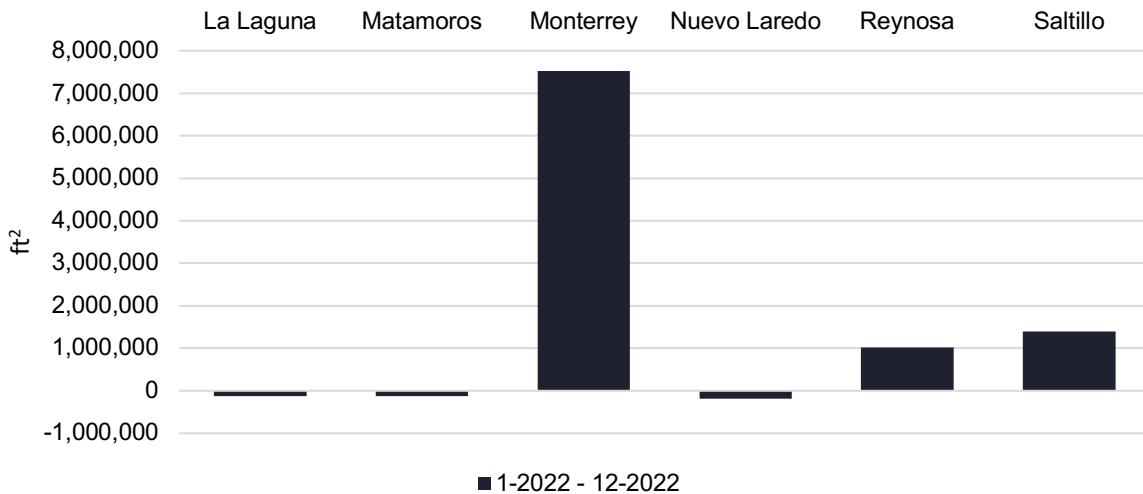
Construction

From January to December 2022, the northeast region registered construction starts totaling more than 19.7 million ft². Speculative buildings accounted for 67% of the space under construction, while 33% were build-to-suit (BTS) projects.



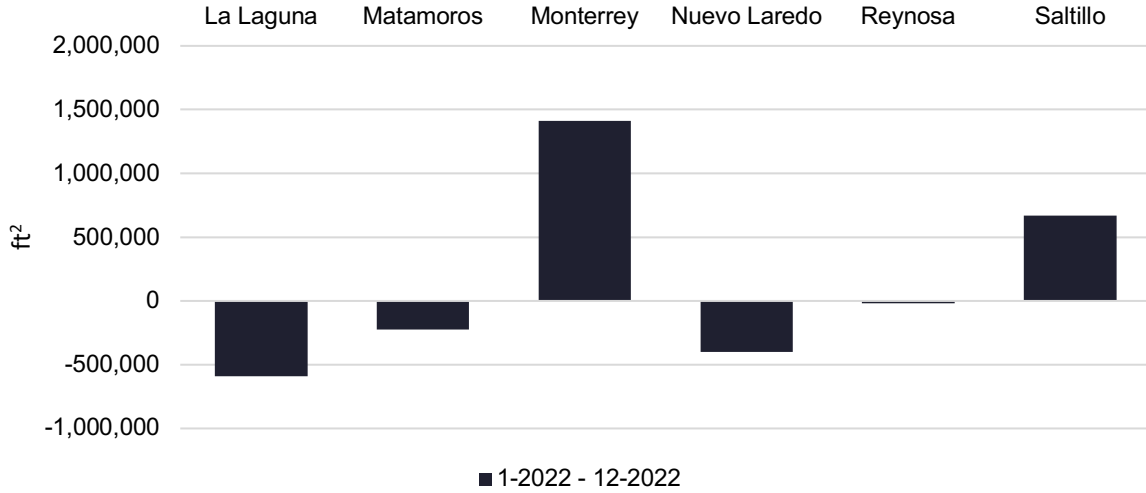
Net absorption 1 (gross abs - spec construction)

At the end of the year, net absorption in the northeast region, without taking into account new spec space, amounted to 9.5 million ft². Monterrey recorded the highest net absorption with 7.5 million ft², followed by Saltillo with 1.3 million ft². Meanwhile, Matamoros and Nuevo Laredo, recorded negative net absorption of -119,302 ft² and -178,086 ft², respectively.



Net absorption 2 (net abs 1 – spec construction)

Taking into account new spec space, cumulative net absorption for the northeast region from January to December reached 844,022 ft². La Laguna registered the most pronounced negative absorption amounting to -598,530 ft², while Monterrey and Saltillo had positive net absorption of 1.4 million ft² and 668,421 ft², respectively.



Looking forward

During 2022, the northeast region continued to consolidate its position as one of the most dynamic regions in the country, driven by strong industrial activity in Monterrey's market. The demand for space in this market continues to grow and has been the main factor for developers to be in constant search of land for development.

With this level of demand for space, available buildings are highly sought after, which has caused the rate of construction of new space to be below the market absorption rate, and as a result, the few available spaces have increased their asking prices considerably.

Developers of industrial buildings with land reserves will undoubtedly have a great advantage in 2023, as the market dynamism is expected to continue to rise and more and more companies will look to the northeast region as a location to establish their operations, driven by relocation or nearshoring.

Glossary

Inventory: sum of the area of all buildings type A, B and C according to most developers and institutional brokerage companies at the last day of the period.

Availability rate: available area divided by inventory at the last day of the period.

Asking price: weighted average asking price weighted by the available area at the last day of the period.

Gross absorption: sum of leased, subleased and sold area during the period.

Net absorption 1: gross absorption minus the sum of the following areas during the period: available area because of a move out and build-to-suit building area.

Net absorption 2: gross absorption minus the sum of the following areas during the period: available area because of a move out, new available area and build-to-suit building area.

Construction: sum of the following building areas during the period: build-to-suit, speculative and own construction.


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