

# Mexico Industrial Activity

## 2020 National Statistics



During 2020, Mexico's national industrial market grew by 3.24%. 26 million s.f. of new space was added to the national inventory, reflecting a decrease from 5.08% during 2019. Temporary uncertainty and construction halts caused by the pandemic between March–July contributed to the decrease.

Historically, real estate cycles lag behind economic trends. In spite of supply chain and labor disruption, construction continued during 2020. The “Top 5 Growth Markets” included Monterrey and Mexico City, both exceeding an additional 5 million s.f. However, Guanajuato state and San Luis Potosi each delivered more than 5% increases to inventory, leading analysts to question whether those locations may revert to become tenant's markets during 2021.

Tijuana was the only Tier One market to see a vacancy decrease. Rates fell from 2.91% to 1.71%, by Q4 2020; other markets experiencing decreased inventory availabilities included Guanajuato, Matamoros and Mexicali.

Asking lease rates vary widely across Mexico by location and asset class. But during 2020 industrial lease rates remained relatively stable, with rates averaging \$0.41/s.f per month—across the nation.

By the end of 2020 there were more than 400 class A/B industrial buildings available across Mexico's 13 principal destination markets.

### Mexico's Top 5 Industrial Growth Markets 2020

	MARKET	GROWTH	DIF %
1	<b>MONTERREY</b>	5.12 M	3.39%
2	<b>MEXICO CITY</b>	5.07 M	3.06%
3	<b>CD. JUAREZ</b>	3.22 M	4.59%
4	<b>GUANAJUATO</b>	2.97 M	5.80%
5	<b>SAN LUIS POTOSI</b>	1.79 M	5.45%

\*All measurements are in square feet

The year ended with only a minor increase in national vacancies, with rates rising from 4.2% to 4.6%. Availability increased to 37.54 million s.f., from 33.2 million s.f. at the end of 2019.

### 2020 National Industrial Indicators

<b>MARKET SIZE</b>	<b>AVAILABILITY</b>				
▲ 816.06 M	▲ 37.54 M				
<b>VACANCY</b>	<b>LEASE RATE (US \$ / SF / MONTH)</b>				
▲ 4.60%	= .41				
<b>FREE MONTHS RENT</b>	<b>UNDER CONSTRUCTION</b>				
= 1 - 2	▼ 23.12 M				
<b>TI ALLOWANCE</b>					
= Low					
	<table border="1"> <thead> <tr> <th>SPEC</th> <th>BTS</th> </tr> </thead> <tbody> <tr> <td>16.22 M</td> <td>6.9 M</td> </tr> </tbody> </table>	SPEC	BTS	16.22 M	6.9 M
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16.22 M	6.9 M				

Rental concessions and tenant improvement allowances vary by geography and landlord. In most markets there is no free rent on renewals, and only nominal free rent for new leases.

## Northwest Region

Despite significant setbacks during the summer, Tijuana and Juarez attracted both expansions and significant new projects during 2020. From the Pacific Rim, Ergomotion from Jixiang China launched a 242K s.f. furniture plant in Juarez. TCL from Taiwan secured a 200K s.f. warehouse facility for its displays. Tijuana scored the largest transaction for the year, in Northern Mexico, with its 611K s.f. fulfillment center.

## Northeast Region

Northeast Mexico markets continue to enjoy construction and leasing activity. Monterrey regional developers continue to defy construction trends. While Monterrey's industrial base remains 20% smaller than CDMX, Monterrey hosts 26 available facilities > than 100K s.f., compared to Mexico City, with 25. Reynosa is again experiencing strong interest from both US and Korean markets. Caterpillar signed a 258K s.f. lease during Q3, in Nuevo Laredo.

## Bajio Region

Due to heavy reliance on the automotive sector, the 6 state Bajio Region experienced significant supply chain disruption from March-August 2020.

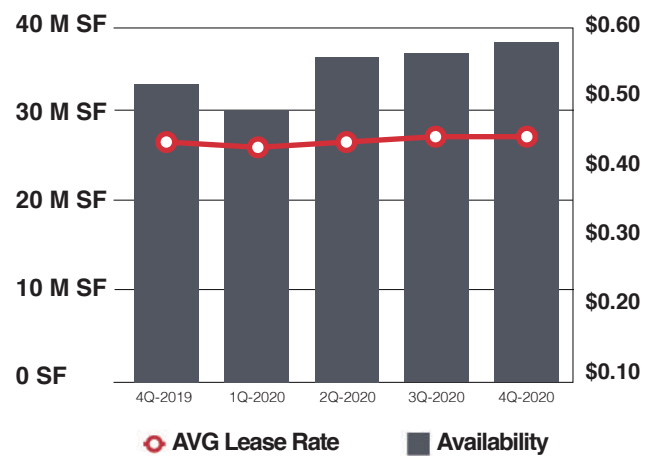
By Q3-Q4, the production stabilized and exports increased. Due to ongoing

construction both San Luis Potosi and Queretaro reached more than 6% vacancy rates, and Guanajuato reflected the highest overall vacancy, at 8%. By December 2020, most of these areas had switched to "tenant's markets."

## Central - Mexico City Region

As the largest market in Mexico, CDMX has historically been shielded from the fluctuations in other national markets. The 5 year trend toward logistics and e-commerce providers maintained 60% of the activity in this market during 2020. Even with more than 23 available buildings > 100K s.f. in the market, the vacancy rate was still a healthy 4.2% at the end of 2020. New development continues slowly northward through Cuautitlan, Tultitlan, and Tepotzotlan (CTT).

Average Lease Rate & Availability



TIER ONE MARKETS - MEXICO INDUSTRIAL 2020						
MARKET	UNDER CONSTRUCTION			MARKET SIZE	AVAILABLE	VACANCY
	TOTAL	BTS	SPEC			
MEXICO CITY	7.13M	.24M	6.89M	170.94M	7.30M	4.27%
MONTERREY	3.14M	.71M	2.43M	135.66M	6.94M	5.12%
TIJUANA	2.13M	.79M	1.34M	77.11M	1.31M	1.71%
CD. JUAREZ	1.10M	0.1M	1.00M	73.57M	2.49M	3.39%
GUANAJUATO	771K	75K	696K	54.38M	4.38M	8.06%

Available Buildings > 100K SF	
MONTERREY	26
MEXICO CITY	25
QUERETARO	13
GUADALAJARA	4
TIJUANA	3

\*All measurements are in square feet. All lease rates are in dollars/s.f./month.

# Market Performance by Region | Q4 2020

Tijuana	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	1.56M	2.21M	1.31M	▼
Vacancy Rate (%)	2.17	2.91	1.71	▼
Asking Lease Rates (Class A-US/SF/Mo)	\$0.48	\$0.50	\$0.52	▲
Under Construction (SF)	1.45M	2.69M	2.13M	▼

Mexicali	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	1.12M	1.05M	0.95M	▼
Vacancy Rate (%)	4.13	3.68	3.37	▼
Asking Lease Rates (Class A-US/SF/Mo)	\$0.36	\$0.36	\$0.38	▲
Under Construction (SF)	0.38M	0.51M	1.63M	▲

Cd. Juarez	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	1.80M	2.47M	2.49M	▲
Vacancy Rate (%)	2.63	3.52	3.39	▼
Asking Lease Rates (Class A-US/SF/Mo)	\$0.42	\$0.43	\$0.41	▼
Under Construction (SF)	0.59M	2.28M	1.10M	▼

Monterrey	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	7.02M	7.30M	6.94M	▼
Vacancy Rate (%)	5.66	5.60	5.12	▼
Asking Lease Rates (Class A-US/SF/Mo)	\$0.40	\$0.40	\$0.40	—
Under Construction (SF)	3.75M	5.51M	3.14M	▼

Matamoros	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	1.39M	0.97M	0.96M	▼
Vacancy Rate (%)	7.15	5.00	4.93	▼
Asking Lease Rates (Class A-US/SF/Mo)	\$0.37	\$0.38	\$0.40	▼
Under Construction (SF)	0.15M	0.15M	0.15M	—

Saltillo	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	1.67M	2.43M	2.98M	▲
Vacancy Rate (%)	4.44	5.25	6.20	▲
Asking Lease Rates (Class A-US/SF/Mo)	\$0.36	\$0.35	\$0.38	▲
Under Construction (SF)	0.30M	1.00M	2.31M	▲

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Reynosa	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	0.78M	0.77M	1.06M	▲
Vacancy Rate (%)	2.32	2.72	3.04	▲
Asking Lease Rates (Class A-US/SF/Mo)	\$0.38	\$0.40	\$0.42	▲
Under Construction (SF)	0.11M	0.40M	0.35M	▼



# Market Performance by Region | Q4 2020

San Luis Potosi	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	0.71M	1.51M	2.32M	▲
Vacancy Rate (%)	2.26	4.58	6.66	▲
Asking Lease Rates (Class A-US/SF/Mo)	\$0.40	\$0.39	\$0.40	▲
Under Construction (SF)	0.53M	0.62M	0.41M	▼

Guadalajara	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	0.79M	1.35M	1.59M	▲
Vacancy Rate (%)	2.34	3.87	4.38	▲
Asking Lease Rates (Class A-US/SF/Mo)	\$0.43	0.42	\$0.42	—
Under Construction (SF)	1.19M	1.21M	2.83M	▲

Queretaro	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	3.41M	2.00M	3.27M	▲
Vacancy Rate (%)	6.68	3.78	6.04	▲
Asking Lease Rates (Class A-US/SF/Mo)	\$0.38	\$0.38	\$0.41	▲
Under Construction (SF)	0.22M	1.53M	0.38M	▼

Guanajuato	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	2.20M	4.07M	4.38M	▲
Vacancy Rate (%)	5.08	7.92	8.06	▲
Asking Lease Rates (Class A-US/SF/Mo)	\$0.41	\$0.39	\$0.38	▼
Under Construction (SF)	0.58M	2.15M	0.77M	▼

Mexico City	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	3.15M	5.24M	7.30M	▲
Vacancy Rate (%)	1.94	3.16	4.27	▲
Asking Lease Rates (Class A-US/SF/Mo)	\$0.48	\$0.49	\$0.50	▲
Under Construction (SF)	0.45M	3.96M	7.13M	▲

Puebla	Q4 2018	Q4 2019	Q4 2020	Trend
Availability (SF)	0.82M	0.70M	1.14M	▲
Vacancy Rate (%)	3.51	2.93	4.73	▲
Asking Lease Rates (Class A-US/SF/Mo)	\$0.34	\$0.35	\$0.33	▼
Under Construction (SF)	0.21M	0.86M	0.54M	▲



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