MEXICO CITY INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Mexico City Employment	4.50M	4.60M	▬
Mexico City Unemployment	4.7%	4.3%	▬
Mexico Unemployment	3.5%	3.4%	▬

Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	3.9%	2.9%	▬
Lease Activity	297K	382K	▲
Under Construction	501K	355K	▬
Class A Average Asking Rent	$5.36	$5.03	▲

K=Thousand square meters

Overall Lease Activity/Overall Asking Rent
4-QTR TRAILING AVERAGE

Rent Activity SQM   Asking Rent, $ PSQM/Month

Overall Vacancy

Historical Average = 5.8%
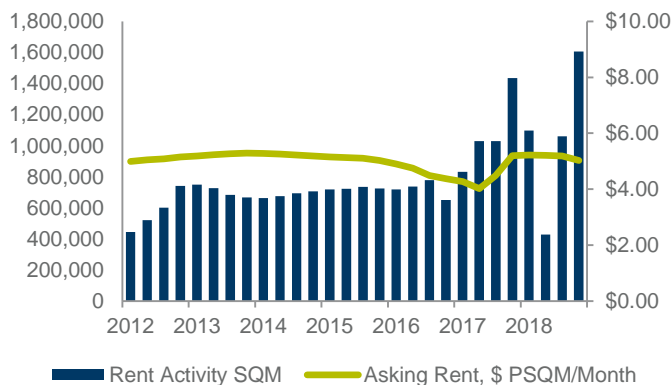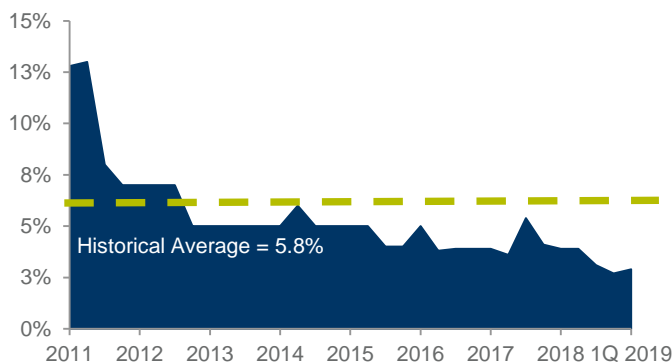
Economy

2018 was a transition year for Mexico. The federal government changed hands to a new party that is viewed with skepticism by big capital, but has pledged to sustain macroeconomic stability. The federal budged approved for 2019 lends credence to this pledge. Also, the major exogenous factor influencing the Mexican economy saw uncertainty reduced, with NAFTA transitioning to USMCA, the new trade and investment agreement.

Market Overview

Within Mexico City's industrial real estate submarkets, a moderate but constant increase in domestic consumption and regional trade are the determining factors driving the strength of demand activity; this translates into a 2.9% vacancy rate, a 100-basis point year-over-year decrease.

Tepotzotlán submarket keeps growing its role as the most dynamic area today for industrial real estate in Mexico City; the largest lease of 2018 took place there, Mercado Libre's 98,000 sqm lease at Prologis Park Grande. Tepotzotlán represents 58.2% of the total construction pipeline, highlighting its optimal proximity to the Mexico-Querétaro highway, and its substantial reserve of developable land. Across the city, land is increasingly scarce and some submarkets are experiencing an escalation in land prices, most notably those offering convenient logistics locations, such as Vallejo-Azcapotzalco.

Overall Class A asking rent, at US$5.03 per square meter per month, experienced a 6.2% year-over-year downward adjustment. This price reduction was also present in Class B buildings.

Outlook

Some analysts consider that a moderate 1.5% GDP expansion is achievable in 2019, however, growing inflation and a high interest rates environment might challenge this achievement. Regardless, we expect to see sustained enough business activity to support the continuous and healthy growth of industrial space demand.

SUBMARKET	INVENTORY (SQM)	1Q 2019 LEASING ACTIVITY	1Q 2019 USER SALES ACTIVITY	OVERALL VACANCY RATE	UNDER CONSTRUCTION	DIRECT WEIGHTED AVERAGE NET RENT CLASS A	DIRECT WEIGHTED AVERAGE NET RENT CLASS B
Cuautitlán	3,893,784	108,920	16,340	2.3%	9,856	$5.30	$4.80
Tultitlán	1,300,621	17,215	0	1.8%	46,782	$4.78	$3.68
Vallejo-Azcapotzalco	1,323,811	11,460	22,925	0.8%	19,990	$6.32	$5.98
Naucalpan	907,516	3,346	0	3.2%	0	$6.93	$6.36
Tepotzotlán	1,742,399	136,780	4,354	6.0%	207,209	$4.97	$3.86
Tlalnepantla	1,859,518	28,475	11,373	2.3%	21,657	$5.34	$4.73
Toluca-Lerma	3,604,872	54,115	35,900	1.5%	19,325	$4.36	$3.92
Iztapalapa	940,300	12,180	0	5.5%	0	$5.29	$4.53
Huehuetoca-Teloyucan	635,467	10,163	0	5.8%	30,898	$3.98	$3.50
MEXICO CITY TOTALS	**16,208,292**	**382,654**	**90,892**	**2.9%**	**355,717**	**$5.03**	**$4.41**

*Rental rates reflect asking US$ per square meter/month

Key Lease Transactions 2019

PROPERTY	SQM	TENANT	CLASS	SUBMARKET
San Martín Obispo III	10,440	Pharmaceutical distributor	A	Cuautitlán
CPA Logistics Center	9,628	T.T. Corporation	A	Cuautitlán
Prologis Cedros	5,184	Argos	A	Cuautitlán