

MARKETBEAT

Mexico City

Industrial Q2 2019



MEXICO CITY INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Mexico City Employment	4.60M	4.56M	■
Mexico City Unemployment	3.9%	4.7%	■
Mexico Unemployment	3.2%	3.6%	■

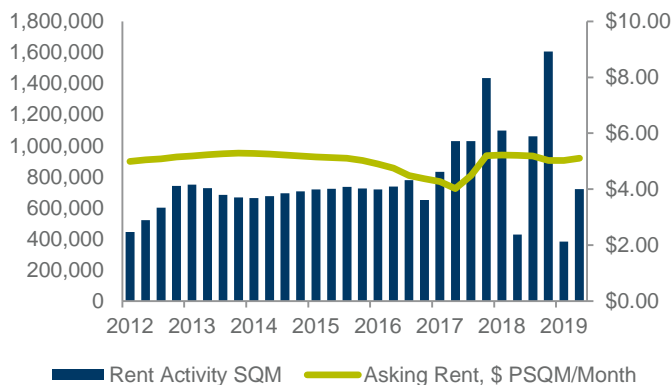
Market Indicators (Overall, All Property Types)

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	3.4%	3.1%	■
Lease Activity	714 K	721 K	▲
Under Construction	433 K	382 K	■
Class A Average Asking Rent	\$5.25	\$5.18	▲

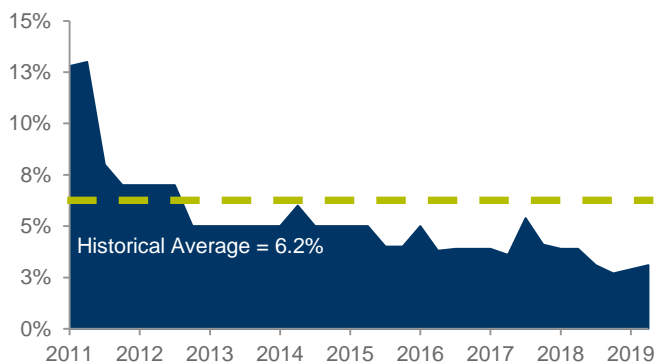
K=Thousand square meters

Overall Lease Activity/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

This year a new federal administration took office in Mexico. Normally this is associated with changes that result in a delay for investment. The latest figures available for gross fixed investment show a year-over-year decrease of -2.4%. Also, private consumption had a -0.8 annual decline. These indicators were aligned with an investor's sentiment that was increasingly cautious. However, international trade kept growing, as was evidenced by a 6.6% growth in exports¹. In the first half of this year, Mexico became the largest trade partner of the United States.

Market Overview

The stable performance of international trade and some inertia of the local business fundamentals helped the industrial real estate market to stay in good shape. Within Mexico City's industrial real estate submarkets there was a healthy amount of activity, driven mainly by logistics demand, supported by large retailers and the continued ascent of e-commerce. This resulted in a 3.1% vacancy rate, a 300-basis point year-over-year decrease.

Tepotztlán submarket sustained its role as the most dynamic area today for industrial real estate in Mexico City; this region has caught up with Cuautitlán, the submarket with the largest inventory, in terms of lease activity.

Despite the healthy performance of demand, the overall construction pipeline had a 11.8% year-over-year contraction, pointing to a growing awareness among developers about the challenges that the local economy could find in the middle run.

Class A asking rent, at US\$5.18 per square meter per month, experienced a small 1.4% year-over-year downward adjustment. This price reduction was also present in Class B buildings.

Outlook

The perception that headwinds are increasingly strong for Mexico is growing among market participants. A decent performance of industrial real estate markets is to be expected, as long as the engagement of the Mexican economy with international supply-chains keeps its standing, together with the continuity of a strong demographic bonus.

1. Year over year to May 2019. Source: INEGI

MARKETBEAT

Mexico City

Industrial Q2 2019



SUBMARKET	INVENTORY (SQM)	YTD 2019 LEASING ACTIVITY	YTD 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	232,590	26,340	2.3%	205,450	\$5.47	\$5.26
Tultitlán	1,380,621	34,086	7,805	2.1%	100,900	\$4.78	\$3.68
Vallejo-Azcapotzalco	1,342,811	17,018	22,925	0.3%	5,000	\$6.32	\$5.98
Naucalpan	907,516	8,365	0	4.6%	0	\$7.13	\$6.21
Tepotztlán	1,949,608	233,894	4,354	6.4%	0	\$4.97	\$3.85
Tlalnepantla	1,859,518	53,050	16,373	2.9%	21,657	\$5.95	\$4.90
Toluca-Lerma	3,604,872	108,749	11,918	1.5%	49,325	\$4.36	\$4.02
Iztapalapa	940,300	17,905	23,982	4.3%	0	\$5.30	\$4.50
Huehuetoca-Teloyucan	635,467	15,346	0	5.5%	0	\$3.68	\$3.50
MEXICO CITY TOTALS	16,514,497	721,003	105,900	3.1%	382,332	\$5.18	\$4.52

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

Key Lease Transactions Q2 2019

PROPERTY	SQM	TENANT	CLASS	SUBMARKET
CPA San Martín Obispo	28,113	Amazon	A	Cuautitlán
San Martín Obispo Park	27,870	Neovia Logistics	A	Cuautitlán
Prologis Park Izcalli	15,236	Newell Brands	A	Cuautitlán
Prologis Park Cedros	6,120	Koblenz Eléctrica	A	Cuautitlán

Key Sales Transactions Q2 2019

PROPERTY	SQM	BUYER	CLASS	SUBMARKET
Tlahuac 4615	23,982	Home Depot	B	Iztapalapa
Poniente 148-962	9,120	Apla México	B	Vallejo-Azcapotzalco

Cushman & Wakefield
 Paseo de los Tamarindos No. 60
 Col. Bosques de las Lomas,
 05120 Mexico, D.F.
cushmanwakefield.com

For more information, contact:
 José Luis Rubí,
 Market Research Director
 Tel: +52 (55) 8525 8258
Joseluis.rubi@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.