

MEXICO CITY INDUSTRIAL MARKET

COVID-19 BOOSTS E-COMMERCE IN MEXICO

Due to measures the government is taking to contain and prevent the spread of COVID-19, sales from digital channels have increased in recent weeks. The absorption of basic necessities, as well as other products for domestic or leisure use, have shown an upward trend, according to data from the Mexican Association of Online Sales (AMVO).

THE LOGISTICS SECTOR AND THE E-COMMERCE IN THE FACE OF PANDEMIC

The opportunity for Electronic Commerce in Mexico to position itself as one of the most relevant exchange channels in the country is imminent. The transformation that the industry is undergoing as a result of the pandemic present an opportunity to increase in demand of E-Commerce considering the fact that only three out of 10 SMEs have implemented a digital strategy, which translates into an opportunity for the incursion of companies in the new era of 4.0 technologies.

From 2009 to 2018 the value of E-Commerce in Mexico has shown an average annual growth of 40.1%. According to the latest data reported by the Internet Association in its Study on Electronic Commerce in Mexico for 2019, which referenced the fact that activity in the country reached more than 491 billion pesos and it is expected to show a significant increase in 2020.

MARKET OVERVIEW

As the world goes through the conflicts of the pandemic, the industrial market continues with positive advances during the first quarter of the year. The increase in inventory compared to the last months of 2019 was more than 2.3 millions sq.f., with a vacancy rate of 6.6%.

The industrial market is showing constant activity in the construction sector, with the CTT and Toluca markets being the busiest. These markets total roughly 5.4 millions sq.f. of construction in parks such as Megapark Puente México, Megapark and Toluca Park II.

Projects that are under construction in Mexico City will remain constant, as more than 6.5 millions sq.f. planned for this year in parks such as Frontier Toluca, Megapark and Niknelia.

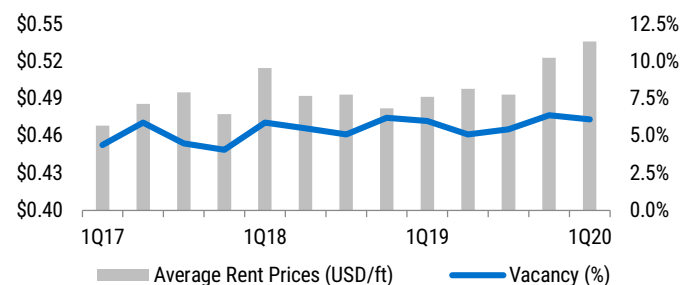
The main operations of 1Q 2020 fall to the Cuautitlán sector, specifically for logistics business. These operations took place in the Tres Ríos and O'Donnell Puente México parks; these activities correspond to Geodis Wilson (295,000 sq.f.) and Logistorage (131,300 sq.f.).

ACTUAL CONDITIONS

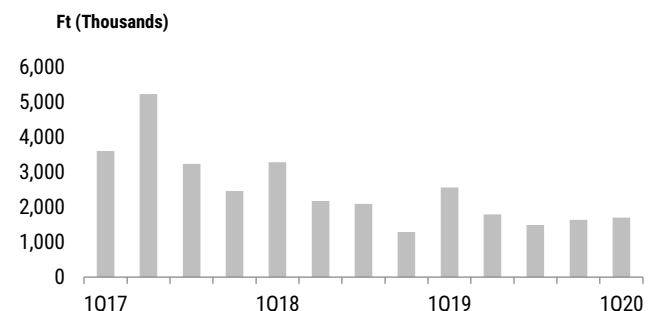
- Class A industrial inventory incorporated 2,317,931 sqf to the 122.94 million sqf 4Q19.
- Construction decreased due to 508,190 sqf under construction compared to 6.28 sqf in the previous quarter.
- The vacancy rate in Mexico City decreased from 6.6% to 6.1%.

MARKET ANALYSIS

Average Rent Prices and Vacancy Rate



Absorption



MARKET SUMMARY

	Actual Quarter	Last Quarter	A Year Ago	12 Month Projection
Total Inventory	122,938,346	120,620,415	110,899,361	↑
Vacancy Rate	6.10%	6.60%	6.00%	↓
Net Absorption of the Quarter	1,697,235	1,635,708	2,744,077	=
Average Rent Prices	\$0.54	\$0.52	\$0.49	↑
Construction	5,768,643	6,276,833	4,953,291	↓
Delivered	2,317,931	6,295,175	2,607,622	↓

PRICES

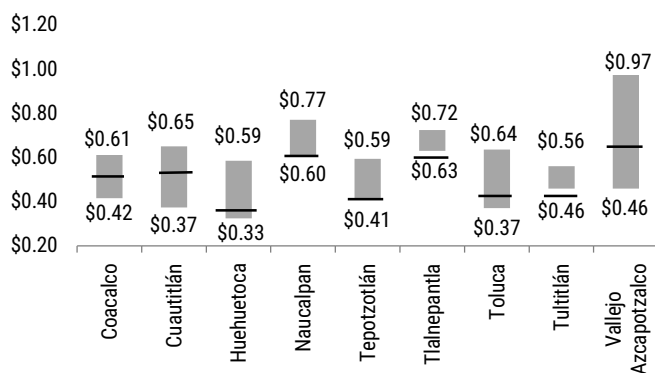
Rent prices in 1Q 2020 show an upward trend, with an average value of \$0.53 USD/sq.f. The increase in prices compared to the previous quarter was 2.49%.

The maximum price per square meter in Mexico City corresponds to the Vallejo-Azcapotzalco sector with a price of \$0.97 USD/sq.f., while the lowest being in Huehuetoca with \$0.33 USD/sq.f.

These changes in rental prices are a response to the effects of the increase in the demand for industrial warehouses, which has shown to be a result of the increase in the producer price index in the concept of transportation and logistics that are results of the COVID-19 pandemic.

RANGE OF EXIT PRICES BY SUBMARKET

Average Rent Price (USD/ft)



VACANCY

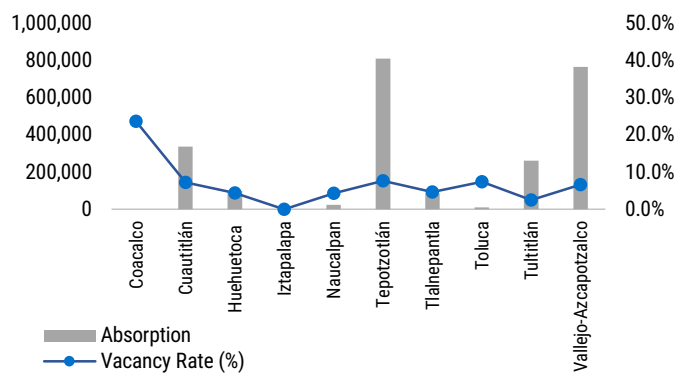
The submarket with the highest vacancy in Mexico City corresponds to Cuautitlán, with 2.6 millions sq.f, followed by Toluca with 1.6 millions sq.f. and finally Tepotzotlán with 1.5 millions sq.f. available. The total vacancy in Mexico City is 7,533,637 millions sq.f.

The availability with respect to the previous quarter decrease due to the increase of demand in distribution and the occupation of more than 688,896 sq. f. of space logistical in the CTT.

The vacancy rate in Mexico City decreased from 6.6% to 6.1% to 1Q 2020.

ABSORPTION AND VACANCY BY SUBMARKET

Absorption and Vacancy Rate



MARKET SUMMARY

Submarket	Inventory (sqf)	Construction (sqf)	Delivered (sqf)	Vacancy (sqf)	Vacancy Rate	Absorption in the Quarter (sqf)	Average Rent Prices (US\$/sqf/month)
Coacalco	1,173,599	439,290	211,588	277,195	23.6%	-	\$0.51
Cuautitlan	35,258,279	1,794,929	232,018	2,546,676	7.2%	337,161	\$0.52
Huehuetoca	7,932,411	-	307,732	351,111	4.4%	98,329	\$0.46
Iztapalapa	2,915,203	-	-	-	-	-	-
Naucalpan	769,163	-	-	33,153	4.3%	23,121	\$0.77
Tepotzotlan	19,577,133	1,003,582	266,926	1,491,115	7.6%	809,614	\$0.49
Tlalnepantla	10,240,601	-	-	466,124	4.6%	85,520	\$0.68
Toluca	20,918,822	1,182,124	603,968	1,555,473	7.4%	10,861	\$0.55
Tultitlan	19,026,629	1,348,718	174,366	476,791	2.5%	261,533	\$0.48
Vallejo-Azcapotzalco	5,126,506	-	234,429	335,998	6.6%	71,096	\$0.74
Mexico City and Metropolitan Area	122,938,346	5,768,643	2,031,027	7,533,637	6.1%	1,697,235	\$0.54

ECONOMICAL CONDITIONS

The impact of the Covid-19

The impact of the Covid-19 is just one more aggravating factor to the already troublesome factors that are currently affecting the economy not only in Mexico, but in the rest of the world.

The China-United States trade war, as well as the sharp drop in oil prices are triggers for economies in recession and crisis. The capital outflow from the country, the fall in the price against the dollar and the decrease in export earnings have been just some of the indicators that present a less than encouraging scenario.

However, despite the unfavorable scenarios, optimism continues to hold with regard to operations in the logistics sector and electronic commerce.

Price Movement

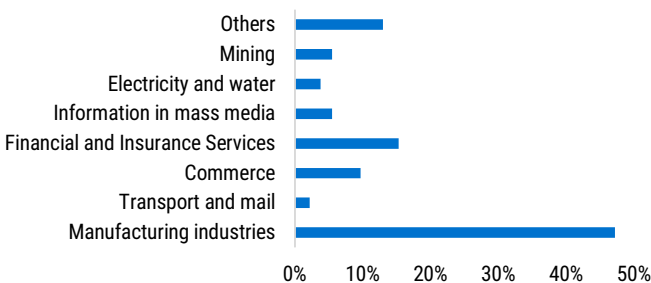
In March 2020, consumer prices had a monthly decrease of 0.05%, a figure that contrasts with the increase observed a year ago (0.39%) and lower than that estimated for that month by the private sector (0.31%), according to the Last Survey on the Expectations of Specialists in Economics of March 2020 from Banco de México (Banxico).

The behavior of prices in the month is explained by the decrease in the price of energy (high and low octane gasoline and natural domestic gas), which was discounted by 0.421 percentage points.

In Mexico, total household spending on consumer goods and services began to reverse its positive trend; while the trend of gross fixed investment continues downward.

On the other hand, in the last Minutes from the Banco de México (Apr 3, 20), it was pointed out that, "In the last quarter of 2019 and the first months of 2020, private consumption showed a weakness as a result of the stagnation of the consumption of goods and services of national origin and a slowdown in the consumption of imported goods."

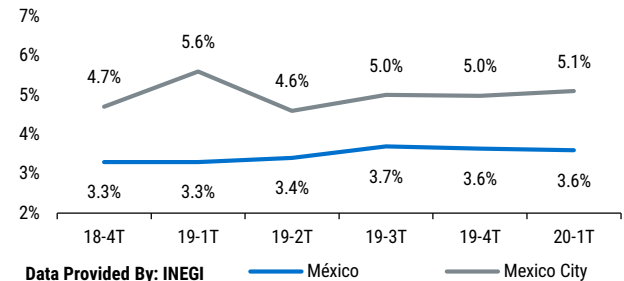
FOREIGN INVESTMENTS



Data Provided By: Secretaria Economía

UNEMPLOYMENT RATE

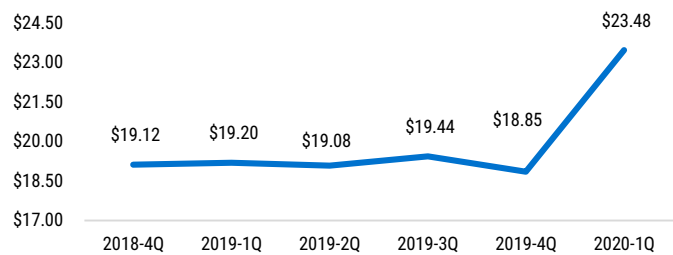
Annualized Indicator



Data Provided By: INEGI

TYPE OF CHANGE

Pesos (MXN) by Dollar (USD)



Data Provided By: Banxico

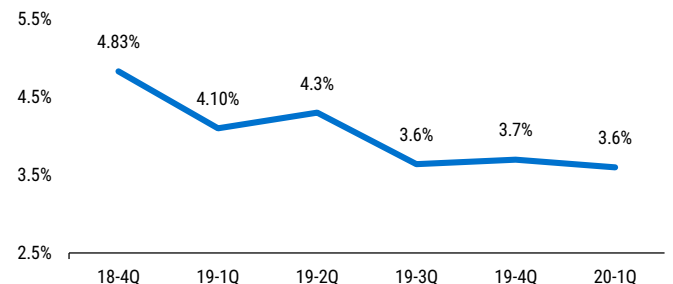
EMPLOYMENT BY THE INDUSTRY

Mexico City, March 2020



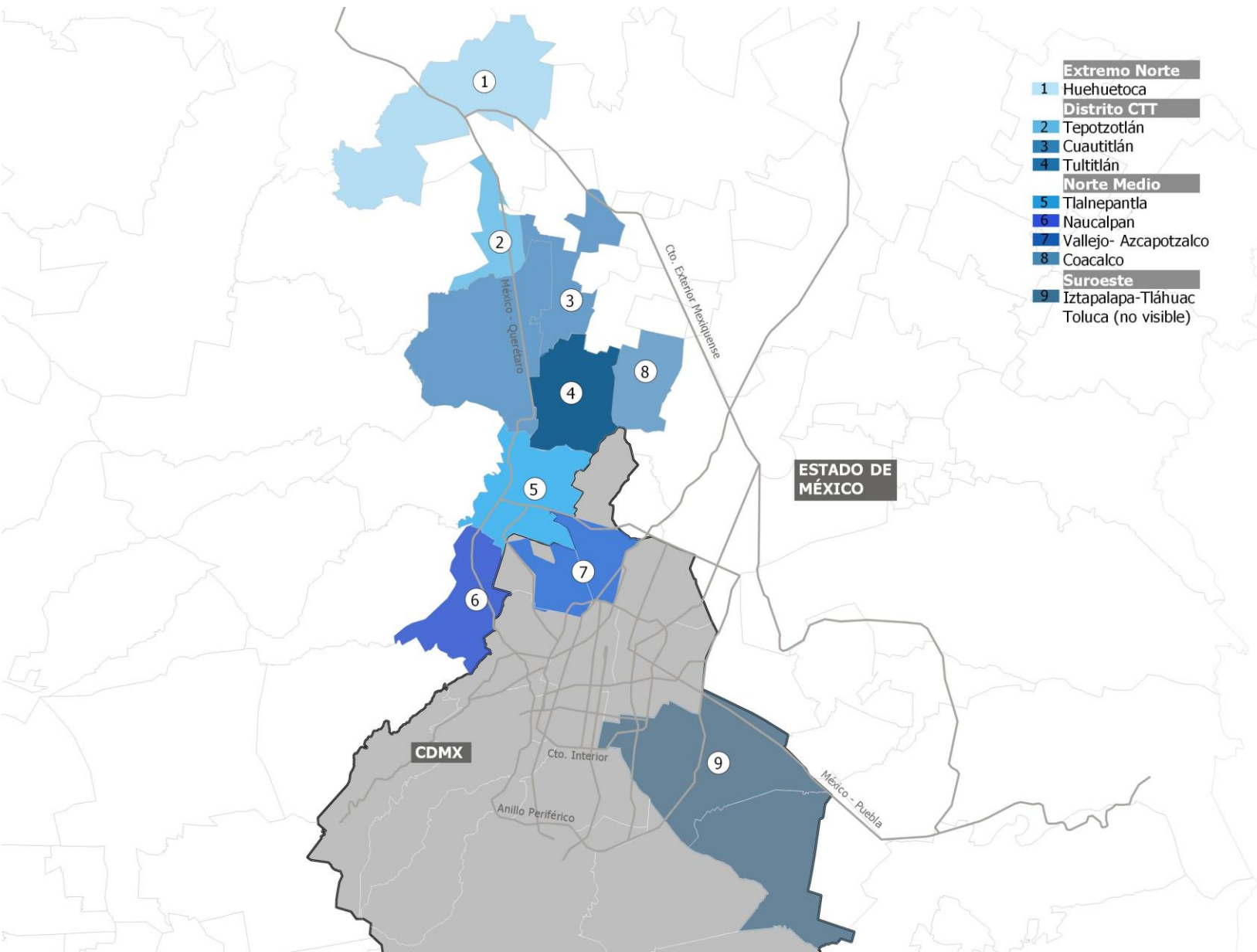
Data Provided By: Secretaria del Trabajo

CONSUMER PRICE INDEX (INPC)



Data Provided By: Banxico, Indicador Anualizado

INDUSTRIAL MARKETS MEXICO CITY AND METROPOLITAN AREA



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Newmark Knight Frank ha implementado una base de datos propia y la metodología de seguimiento ha sido revisada. Con esta expansión y refinamiento en nuestros datos, puede haber ajustes en las estadísticas históricas, incluyendo la disponibilidad, precios de renta, absorción y rentas efectivas. Newmark Knight Frank México, Nuestros reportes de mercado se encuentran disponibles en www.ngkf.com.mx/reporteslocalesMercado.html

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