

MEXICO CITY INDUSTRIAL

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Mexico City Employment	4.60M	4.50M	■
Mexico City Unemployment	4.3%	4.9%	■
Mexico Unemployment	3.4%	3.8%	■

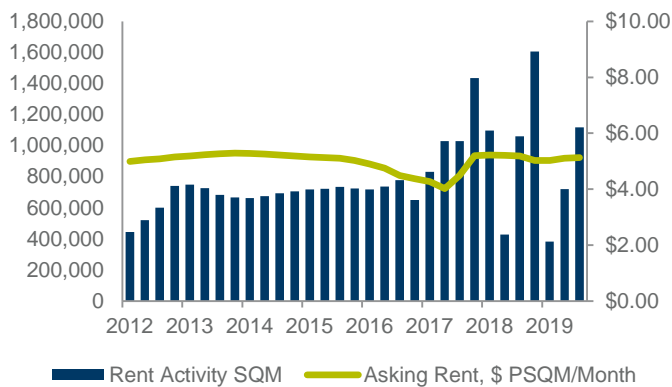
Market Indicators (Overall, All Property Types)

	Q3 18	Q3 19	12-Month Forecast
Overall Vacancy	3.1%	3.0%	■
Lease Activity	1.19 M	1.11 M	▲
Under Construction	360 K	362 K	■
Class A Average Asking Rent	\$5.19	\$5.21	▲

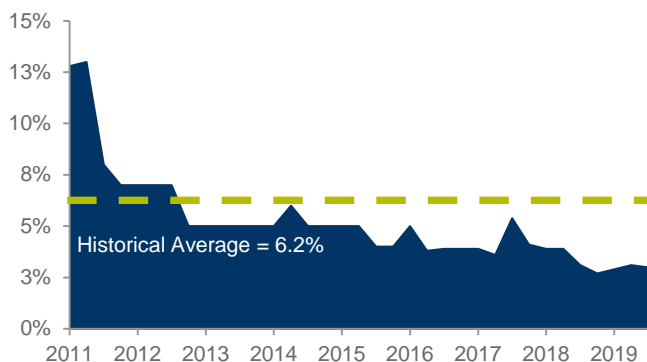
K=Thousand square meters

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 -9.1%. However, private consumption had a 0.3 annual increase. These indicators were aligned with an investor's sentiment that was increasingly cautious. On a different note, international trade kept growing, as was evidenced by a 7% 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 3.0% vacancy rate, a 10-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 was practically unchanged, showing only a 0.5% year-over-year expansion, 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\$5.21 per square meter per month, experienced a small 0.3% year-over-year upward adjustment. This price increase 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 August 2019. Source: INEGI

MARKETBEAT

Mexico City

Industrial Q3 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	3,913,784	354,932	42,776	2.4%	185,450	\$5.50	\$5.20
Tultitlán	1,380,621	50,685	11,290	2.1%	100,900	\$4.77	\$3.72
Vallejo-Azcapotzalco	1,342,811	27,630	37,760	0.3%	5,000	\$6.38	\$5.95
Naucalpan	907,516	11,685	8,500	4.3%	0	\$7.10	\$6.20
Tepotzotlán	1,949,608	385,200	5,500	5.7%	0	\$4.95	\$3.88
Tlalnepantla	1,859,518	76,770	25,934	2.8%	21,657	\$5.97	\$4.90
Toluca-Lerma	3,604,872	163,519	15,785	1.8%	49,325	\$4.38	\$4.13
Iztapalapa	940,300	22,880	35,660	4.3%	0	\$5.30	\$4.46
Huehuetoca-Teloyucan	635,467	24,308	0	5.2%	0	\$3.71	\$3.50
MEXICO CITY TOTALS	16,534,497	1,117,609	183,205	3.0%	362,332	\$5.21	\$4.50

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

Key Lease Transactions 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 Toluca	9,919	Aerobal	A	Toluca-Lerma

Key Sales Transactions Q3 2019

PROPERTY	SQM	BUYER	CLASS	SUBMARKET
Poniente 148 - 962	9,200	Alpla	B	Vallejo-Azcapotzalco
Montaña 176	7,305	N/D	B	Naucalpan

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