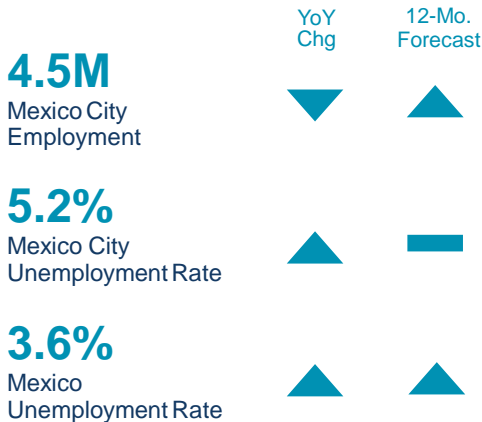


Overall, Net Asking Rent

### ECONOMIC INDICATORS Q4 2019



Source: INEGI

### ECONOMY: Stagnant Investment Amid Financial Stability

Not surprisingly, 2019 was a lackluster year for the Mexican economy. The learning curve was particularly steep for the new federal government in terms of defining, communicating and beginning to implement its policies. The business environment's reaction ranged from indifference to deep skepticism. As a result there was a serious reduction of investment across many industries. Construction and real estate services were particularly affected, experiencing a double digit contraction of production. The decline of private investment went along with a contraction in government spending and a stagnant private consumption. Only international trade had a relevant growth, following the sustained expansion of exports. This added up to the other components of aggregate demand to result in a close to 0% GDP expansion for the overall economy. Looking on the bright side, the stagnant economy helped to further ease inflation, which was below 3% and prompted the central bank to begin a tax rate easing cycle. Together with a stable exchange rate, this was reflected in a stable financial environment.

### DEMAND: Stable Performance

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 2.8% vacancy rate, one of the lowest levels ever recorded.

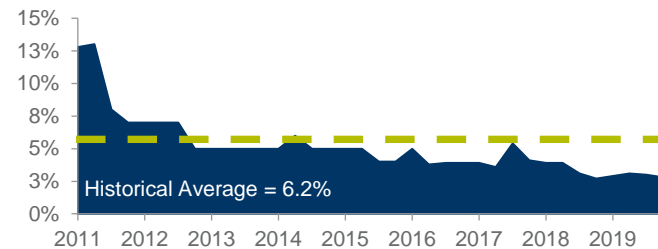
Tepotzotlán submarket sustained its role as the most dynamic area today for industrial real estate in Mexico City; this region has caught up with Cuautitlán, the submarket with the largest inventory, in terms of lease activity.

Despite the healthy performance of demand, the overall construction pipeline was practically unchanged, showing a moderate 10% year-over-year contraction, pointing to a growing awareness among developers about the challenges that the local economy could find in the middle run.

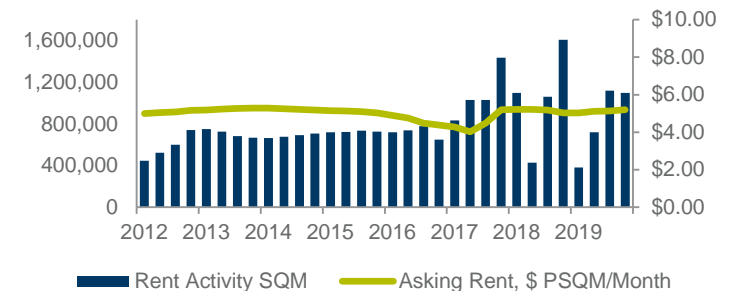
### PRICING: Asking Rents Remain Stagnant

Class A asking rent, at US\$5.41 per square meter per month, experienced a small 3% year-over-year downward adjustment. This price adjustment was also present in Class B buildings.

### OVERALL VACANCY



### LEASE ACTIVITY/ASKING RENT



| SUBMARKET                 | INVENTORY (SQM)   | OVERALL VACANT (SQM) | OVERALL VACANCY RATE | 2019 LEASING ACTIVITY (SQM) | 2019 SALES ACTIVITY (SQM) | UNDER CONSTRUCTION (SQM) | DIRECT WEIGHTED AVG NET RENT CLASS A | DIRECT WEIGHTED AVG NET RENT CLASS B |
|---------------------------|-------------------|----------------------|----------------------|-----------------------------|---------------------------|--------------------------|--------------------------------------|--------------------------------------|
| Cuautitlán                | 3,913,784         | 90,100               | 2.3%                 | 327,850                     | 33,450                    | 79,450                   | \$5.50                               | \$5.07                               |
| Tultitlán                 | 1,395,621         | 23,480               | 1.6%                 | 82,720                      | 9,910                     | 69,700                   | \$4.77                               | \$4.05                               |
| Vallejo-Azcapotzalco      | 1,347,811         | 2,685                | 0.2%                 | 36,825                      | 29,110                    | 0                        | \$6.38                               | \$5.95                               |
| Naucalpan                 | 907,516           | 40,840               | 4.5%                 | 11,710                      | 4,500                     | 0                        | \$7.10                               | \$6.20                               |
| Tepotzotlán               | 1,949,608         | 124,775              | 6.4%                 | 356,450                     | 15,520                    | 5,200                    | \$4.95                               | \$3.88                               |
| Tlalnepantla              | 1,869,518         | 59,500               | 3.2%                 | 74,200                      | 20,790                    | 9,400                    | \$5.97                               | \$4.90                               |
| Toluca-Lerma              | 3,604,872         | 46,860               | 1.3%                 | 162,250                     | 35,135                    | 140,025                  | \$4.38                               | \$4.13                               |
| Iztapalapa                | 940,300           | 38,550               | 4.1%                 | 25,060                      | 30,450                    | 0                        | \$5.30                               | \$4.46                               |
| Huehuetoca-Teoloyucan     | 635,467           | 36,220               | 5.7%                 | 21,480                      | 3,200                     | 0                        | \$3.71                               | \$3.50                               |
| <b>MEXICO CITY TOTALS</b> | <b>16,564,497</b> | <b>463,010</b>       | <b>2.8%</b>          | <b>1,098,545</b>            | <b>182,065</b>            | <b>303,775</b>           | <b>\$5.41</b>                        | <b>\$4.47</b>                        |

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

### KEY LEASE TRANSACTIONS 2019

| PROPERTY                      | SUBMARKET   | TENANT             | SQM    | TYPE |
|-------------------------------|-------------|--------------------|--------|------|
| Parque Industrial Tepotzotlán | Tepotzotlán | Logistics firm     | 50,499 | B    |
| Prologis Cedros               | Cuautitlán  | Logistics firm     | 41,807 | A    |
| El Peral                      | Cuautitlán  | Personal care firm | 38,260 | A    |
| CPA San Martín Obispo         | Cuautitlán  | E-commerce firm    | 28,113 | A    |
| CPA San Martín Obispo         | Cuautitlán  | Logistics firm     | 27,870 | A    |

\*Renewals not included in leasing statistics

### KEY SALES TRANSACTIONS 2019

| PROPERTY           | SUBMARKET    | BUYER            | SQM    | CLASS |
|--------------------|--------------|------------------|--------|-------|
| Michoacán 105      | Iztapalapa   | Beverages firm   | 28,768 | B     |
| Poniente 146-725   | Azcapotzalco | Private investor | 28,079 | B     |
| Cinematógrafos 316 | Iztapalapa   | Retail firm      | 23,982 | B     |

### JOSE LUIS RUBI

Market Research Director

5255 8525 8258 / [joseluis.rubi@cushwake.com](mailto:joseluis.rubi@cushwake.com)

### A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©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.

[cushmanwakefield.com](http://cushmanwakefield.com)