

# Monterrey, Industrial MarketView

Q2 2013

CBRE Global Research and Consulting



VEHICLE PRODUCTION Q2 2013  
(AMIA) 760,591 ANNUAL VAR. 8.2%



VEHICLE EXPORTS Q2 2013  
(AMIA) 602,506 ANNUAL VAR. 1.4%



AVG EXCHANGE RATE Q2 2013  
\$12.45 PESOS PER DOLLAR

## “GROSS ABSORPTION OF THE FIRST HALF OF 2013 REPRESENTS 75% OF TOTAL ABSORPTION IN 2012”

### Quick Stats

Q2 2013		QoQ	YoY
Vacancy Rate	9.24%	↓	↑
Rent (US\$/sqm/month)	\$3.82	↓	↑
Net Absorption (sqm)	59,861	↓	↑
Under Construction (sqm)	287,940	↑	↑

### Hot Topics

- Francisco Navarro, CFO of Terrafina REIT (real estate trust), announced that in the medium term, it is expected that the portfolio of industrial properties will be duplicated to achieve an area of nearly 2.3 million sqm, within which there is particular interest in the Northern market, contemplating an investment of \$1 billion dollars.
- LEGO, the Danish company that operates in Monterrey since 2008, announced an investment of \$125 million dollars to expand their packing operations to 51,000 sqm, which will generate 1,000 direct jobs and 300 indirect jobs.
- Embraco, the Brazilian company will invest \$ 60 million dollars in high-tech machinery at its plant in Apodaca to triple its production of compressors for refrigeration equipment by 2015.

At the end of the first half of the year, Monterrey industrial market, recorded an increase in the inventory of almost 49 thousand square meters, i.e. a 4.57% increase over that reported in the same period last year. Thus, Class “A” industrial inventory in Monterrey, reaches 6.24 million sqm.

For this quarter about 288,000 sqm of construction were recorded, ranging from build-to-suit constructions, expansions and industrial buildings, the majority of which is expected to be incorporated to the inventory during 2013. The development of new buildings reflects the market recovery, coupled with a slight decrease in the vacancy rate, which reflects the healthy activity achieved during the first six months of 2013 as compared to the year 2012.

Regarding the activity of new industrial buildings under construction, 51% are build-to-suit projects, 39% corresponds to speculative industrial buildings and the rest to expansions, and once again the Apodaca corridor had the highest quantity of projects with 33%,

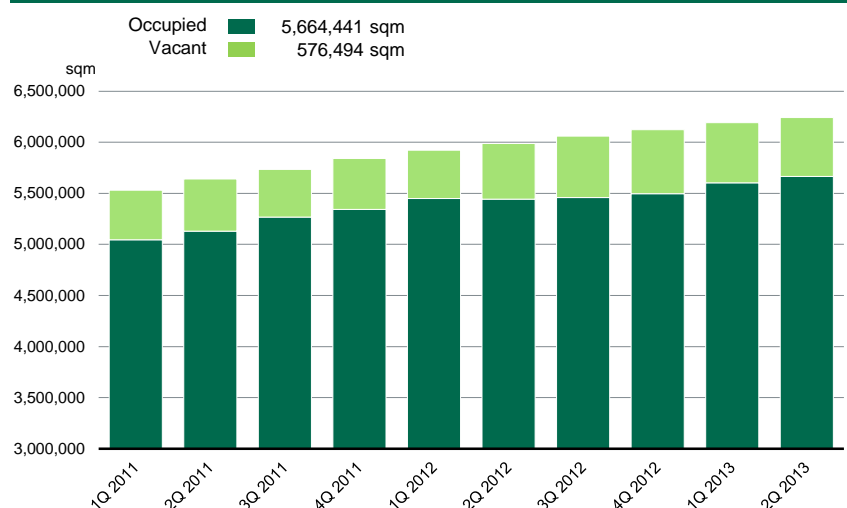
followed by Guadalupe and Cienega de Flores with 33 and 29 percent, respectively.

At the end of the quarter, the sale of nearly 125,000 sqm was recorded, similar figure to that reported in the previous quarter, and which means that the accumulated data so far, reaches 250,000 sqm; this represents 75% of all the footage leased in 2012. Guadalupe was the submarket with the largest activity with 36% of the leased space, followed by Escobedo with 20%, so both accounted for more than half of the total.

We expect that Nuevo Leon industrial market will continue moving towards higher levels of activity, which will encourage its growth in the real estate cycle.

Average asking lease price recorded a minimum decrease, closing the quarter at \$ 3.82 dollars per square meter. We expect these price levels will remain stable during the second half of the year.

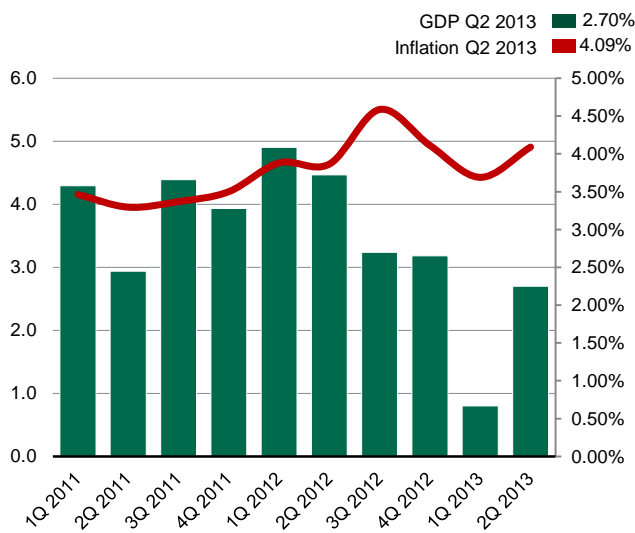
### Historical Industrial Inventory, Class A



Submarket	Inventory (sqm)	Vacancy (sqm)	Vacancy Rate	Avg Asking Lease Price (US\$/sqm/month)
Apodaca	3,071,810	257,472	8.38 %	\$ 3.93
Ciénega de Flores	612,741	40,175	6.56 %	\$ 3.58
Escobedo	426,220	50,427	11.83 %	\$ 3.94
Guadalupe	1,010,922	125,431	12.41 %	\$ 3.77
Monterrey	42,890	8,443	19.69 %	n.d*
San Nicolás	371,600	16,724	4.5 %	\$ 2.8
Santa Catarina	704,751	77,823	11.04 %	\$ 3.86
<b>Total</b>	<b>6,240,934</b>	<b>576,494</b>	<b>9.24 %</b>	<b>\$ 3.82</b>

Note: \* Data considered as confidential by the developer.

### Macroeconomic Conditions



Source: INEGI, and for 2Q 13 GDP data forecasted by Bancomer Research.

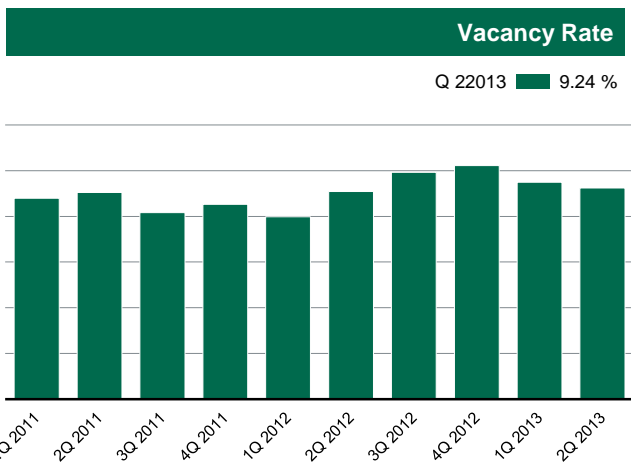
At the end of the first half of the year, global economic indicators showed a downturn that has been exacerbated by the announcement from the Federal Reserve Chairman, Ben Bernanke, about the possible end of monetary incentives provided by that country, which would result in lower capital flows, especially to emerging economies, thereby affecting their growth. So it is important to remember, that in recent years, the engine of the world economy has been emerging economies, a few years ago, the BRICs (Brazil, Russia, India and China) and today also the MISTs (Mexico, Indonesia, South Korea and Turkey) are expected to take that place.

In this sense, Mexico is well positioned according to analysts and international investors' perception, and the proof of this is the ninth position of the country in the Foreign Direct Investment (FDI) Confidence Index, prepared by the firm AT Kearney, where Mexico is placed above countries such as Japan, Switzerland, South Korea and Chile, after not having appeared in the report drawn up in 2012.

Also, the Global Investment Perspectives Survey 2013-15 of the United Nations Conference on Trade and Development (UNCTAD), places Mexico as a seventh priority destination for global investment, that is, five spots ahead, in relation with the previous survey. Everything indicates that it is Mexico's time and structural reforms must continue.

### Main Transactions Q2 2013

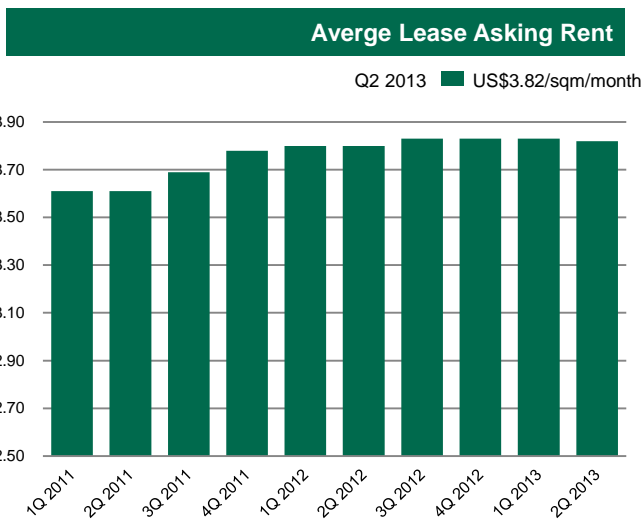
sqm	Tenant	Submarket
24,581	Nifco	Guadalupe
18,581	Ternium	Escobedo
14,047	Confidential	Guadalupe
10,000	Productos Mexicanos	Santa Catarina
8,811	Polaris	Apodaca



Source: CBRE Market Research

In the second quarter of 2013, a vacancy rate closing at 9.24% is reported, which represents a minimum change for the 1Q 2013 period, where the rate was 9.49%. New speculative industrial buildings added to the inventory did not trigger vacancy, due to the stable demand registered by these spaces.

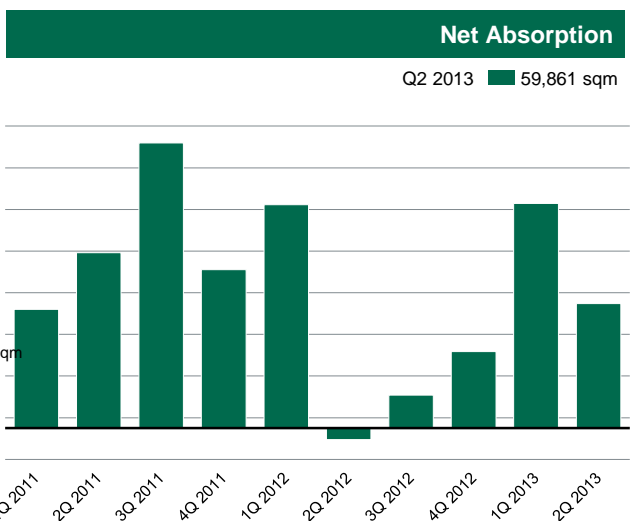
Furthermore, with the constant demand for industrial spaces in the area, and even with the addition of new supply in the next two quarters, we would be expecting a vacancy rate between 9.20% and 9.22%. Vacant space is currently 576,494 sqm, which shows a decrease of 1.9% over the previous period. At the same time, corridors with the highest vacancy rate are Monterrey and Guadalupe with 19.69% and 12.41%, respectively, while the largest footage available is in the Apodaca corridor with 257,000 sqm.



Source: CBRE Market Research

By the end of June 2013, there is an average asking price of \$3.82 dollars per square meter, which shows a small downward fluctuation compared to the first quarter. In this regard, we expect stable prices, fluctuating around the USD\$ 3.80/sqm/month throughout 2013.

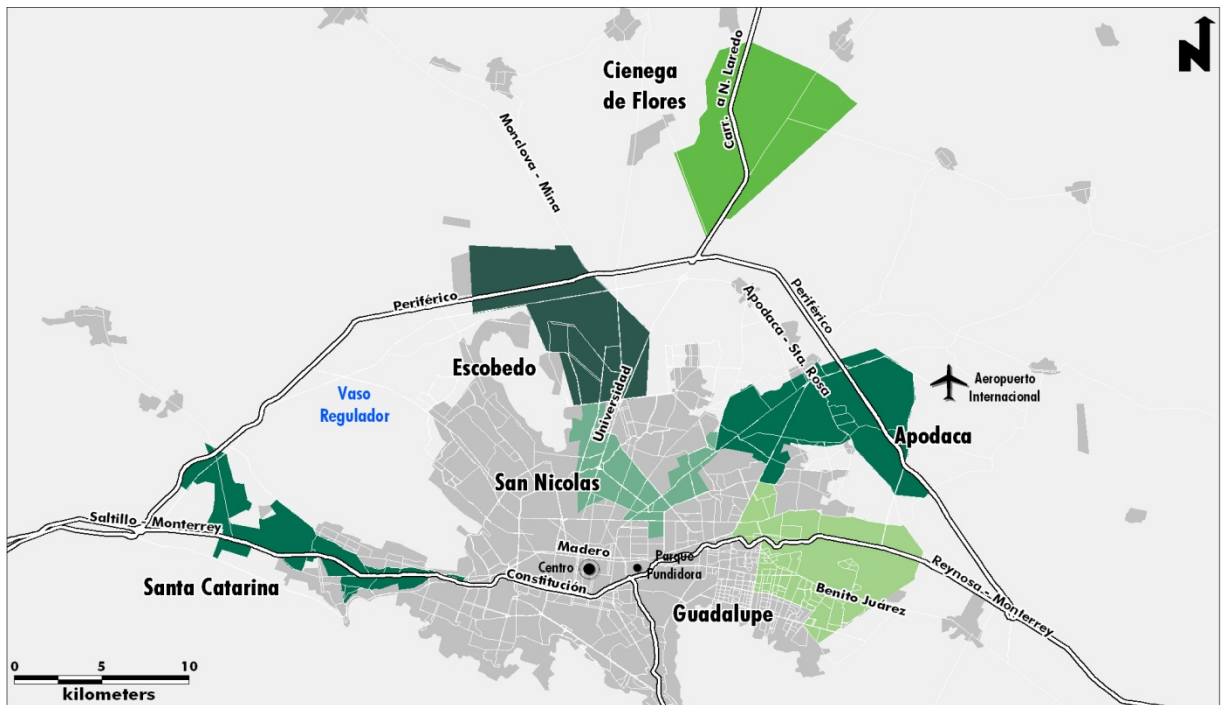
The submarkets with the highest prices recorded at the end of the quarter were: Escobedo with USD \$3.94/sqm/month, followed by Apodaca with USD \$3.93/sqm/month and Santa Catarina with USD \$3.86/sqm/month. Among corridors that showed a drop in average asking prices, the Escobedo corridor stands out by recording a drop in the price of USD \$0.29/sqm/month.



Source: CBRE Market Research

Net absorption for the quarter, i.e. the difference between the space occupied in this quarter compared to the last one, recorded almost 60,000 sqm. Regarding gross absorption or total Class "A" leasing activity, there is a record that is similar to the one obtained in the report issued earlier this year, with nearly 125,000 sqm and 250,000 sqm accumulated in the first half of the year, which generates positive expectations for the full market recovery and entry to a growth cycle towards the end of the year or early 2014.

The average transaction recorded in the first quarter, was 8,000 sqm and the most active submarkets during these three months were Guadalupe with 36% (45,000 sqm), Escobedo with 20% (25,000 sqm), Santa Catarina and Cienega de Flores with 13% (16,000 sqm) and 12% (15,000 sqm).



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