

Queretaro Industrial Market Report

Q1 2020

Economic Outlook

In March, there was an imbalance in crude oil prices, leading to a decrease in the average price per barrel of OPEC from US \$ 66.4 to US \$ 38.2 in the last four months.

Due to the Covid-19 pandemic, on March 12, Wall Street suffered its worst performance since Black Monday in 1987, with a drop in the Dow Jones of 10%, the S&P 500 with 9.5% and the Nasdaq with 9.2%.

The T-MEC was approved by its three members, this after the fact that in the months of January and March respectively, the USA. and Canada will ratify it. The revision of the treaty will take place every six years.

As a measure to boost credit and consumption in the US economy. USA before the effects of the pandemic. The Federal Reserve of (FED) cut the interest rate on March 15, placing it in a range of 0% to 0.25%.

For its part, Banxico also made a new adjustment to the reference rate, placing it at 6.5%, after having reduced it to 7.0% in February.

INEGI confirmed a contraction of 0.1% of Mexican GDP during 2019. Likewise, the construction industry fell 1.8% last year. On the other hand, in January 2020 the Global Economic Activity Index (IGAE) had a decrease of 0.7%. In this context, it would be necessary

to add the uncertainty that is being generated in the national economy by Covid-19.

During the last two weeks of March, the exchange rate averaged \$ 24.00 pesos per dollar, after the effects of the Covid-19. From its lowest price in the quarter (February 14) at \$ 18.57 pesos per dollar, to its highest point (March 24) at \$ 25.11, it has depreciated 35%.

Sources
1.- Banxico
2.- INEGI
3.- Expansion

Aspects to highlight

Industrial Outlook

- During the first quarter of 2020, the surface was increased of class A industrial warehouses increased by more than 73 thousand square meters due to the incorporation of 7 new properties.
- Currently, more than 125 thousand SM are under construction in class A construction. These properties are expected to be incorporated during 2020
- The availability rate registered during Q1 2020 for class A ships decreased compared to that reported in Q1 2019 (3.2%), closing at 3.1%.
- The weighted average rental price for class A during Q1 2020 was US \$ 3.99 per SM, lower than that reported in Q1 2019 (US \$ 4.01 per SM)

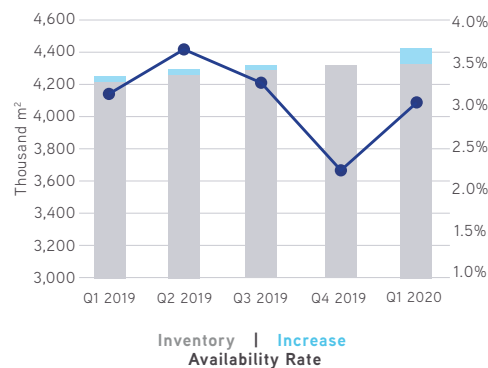
Market Indicators		
	Q1 2019	Q1 2020
Availability Rate	3.2%	3.1%
Building	288,000 SM	125,000 SM
Average Rent Price US / Month / S ^M	US \$4.01	US\$ 3.99
GPD Projected Annual	-0.1%	0.7%
Unemployment Rate	3.5%	3.7%
Inflation	4.1%	3.4%
Exchange Rate (USD)	\$19.8	\$19.7**

*Annual estimate, Citibanamex survey
 **Quarterly average figure

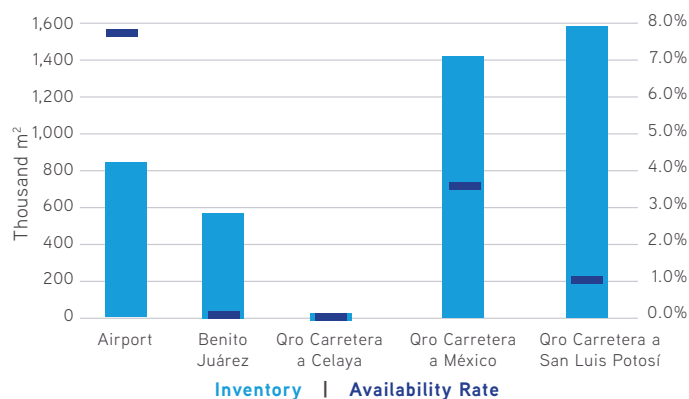
Offer Inventory

The industrial market in the State of Querétaro continues with the development of first-class industrial warehouses. Currently, the industrial real estate market has a class A inventory of more than 4.4 million SM in 366 industrial properties. Additionally, 701 class B properties totaling more than 4.4 million SM (properties greater than 2,000 SM) have been monitored. The ending inventory for the first quarter of 2020 class A and B is 8.8 million SM.

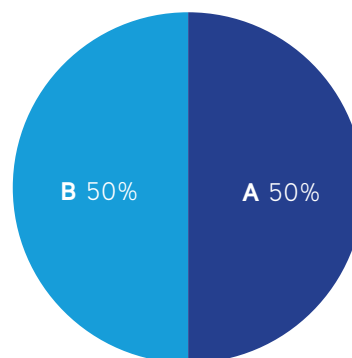
01 Inventory, Increase and Availability Rate Class A Industrial Buildings Q1 2019 – Q1 2020



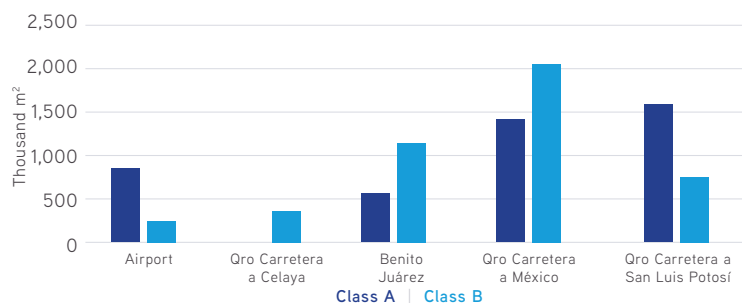
02 Inventory and Availability Rate per Corridor Class A | Q1 2020



03 Inventory (SM) per Class Q1 2020 | Total: 8,884,797 SM



04 Distribution of the total inventory (SM) by Corridor and by Class Q1 2020



Buildings in construction

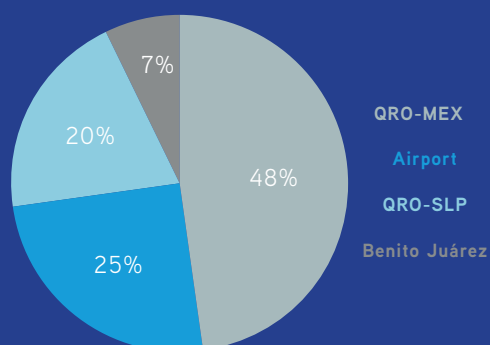
The class A industrial market, during Q1 2020 had an increase in the inventory of class A warehouses of 73 thousand SM, a figure higher than that reported in Q1 2019 (59 thousand SM). During the period from January to March 2020, 7 new Class A industrial warehouses were incorporated into the inventory. Likewise, 14 new Class B industrial warehouses were incorporated, which incorporate more than 102 thousand SM into the inventory.

The new developments were incorporated in the period from January to March 2020 and were located in the corridors of the Airport, Querétaro Carretera a San Luis Potosí and Querétaro Carretera a México mainly.

New Buildings Class A Q1 2020

Trimester	Parque Industrial	Corridor	Clase	Superficie (SM)
Q1 2020	Vesta La Aurora	Airport	A	30,138
Q1 2020	Querétaro Park II	QRO-SLP	A	17,474
Q1 2020	Querétaro Park II	QRO-SLP	A	17,474
Q1 2020	La Bomba II	QRO-MEX	A	18,200
Q1 2020	Europark II	QRO-MEX	B	11,088

05 New Buildings Q1 2020 Total: 176,870 SM



Availability

The availability rate of the industrial market in Querétaro class A was registered at 3.1%, which reflected a decrease compared to Q1 2019 (3.2%). Currently, the industrial real estate market has a class A availability of more than 135 thousand SM, additionally the market has class B properties that add up to more than 129 thousand SM (properties greater than 2,000 SM). Total availability at the end of Q1 2020 for class A and B is 264 thousand SM.

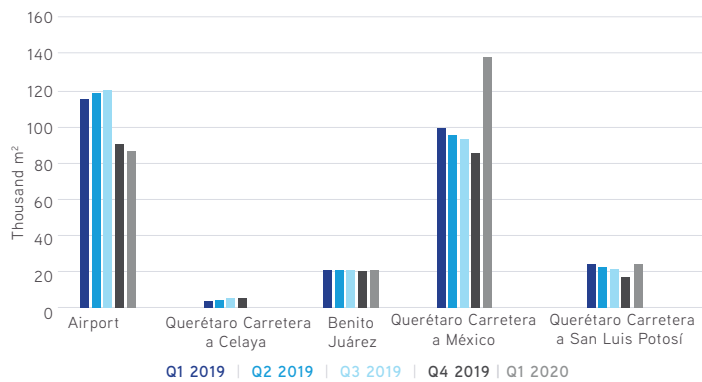
The corridors that presented the highest availability of class A ships were: Airport with: 64 thousand SM (48%), Qro - Mex, with: 54 thousand SM (40%) and Qro - SLP with 16 thousand SM (12%).

The availability rate recorded for class A and B industrial buildings in all Industrial corridors in Q1 2020 was 3%, with a downward adjustment compared to that reported at the end of the same quarter of 2019 (3.1%).

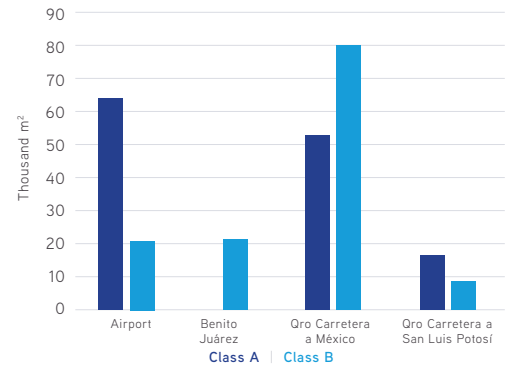
Corridors With Higher Availability

Corridor	Q1 2019	Q1 2020	% Difference
QRO-SLP	26,952	24,169	-10.33%
QRO-MEX	98,935	134,331	35.78%
Airport	11,981	84,902	608.64%
Benito Juarez	20,661	21,356	3.36%
QRO-CEL	4,840	-	-100.00%

07 Availability In Industrial Buildings. Class A & B Q1 2019 – Q2 2020



06 Available space of Class A and B industrial buildings by submarket Q1 2020 | Total: 264,000 SM



08 Available per Class Total: 264,758 SM



09 Class A Industrial Buildings Offer Available per Corridor Total: 135,203 SM



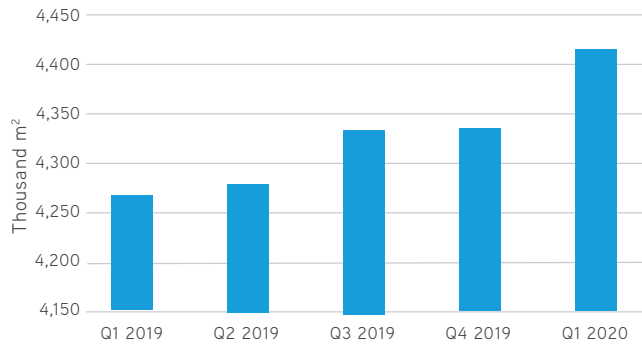
New Projects

As of March of 2020, 7 Class A properties under construction have been monitored. More than 125 thousand SM will be incorporated into the existing industrial inventory.

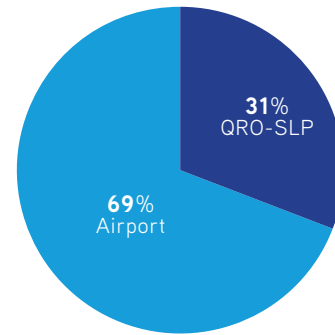
Industrial Buildings Under Construction Class A - Q1 2020

Status	Name	Class	Corridor	Date Of Delivery	SM For Lease
Construction	Q-A-PIA AM-007	A	Airport	2T 2020	66,000
Construction	Q-PIVQ-002	A	Airport	2T 2020	5,689
Construction	Q-A-PUEQ-001	A	Airport	2T 2020	5,600
Construction	Q-A-PUEQ-002	A	Airport	2T 2020	3,600
Construction	Q-PIQ-156	A	QRO-SLP	3T 2020	33,779
Construction	Q-PIQ-157	A	QRO-SLP	3T 2020	4,973
Construction	Q-PIVQ-002	A	Airport	2T 2020	5,689
Total					125,330

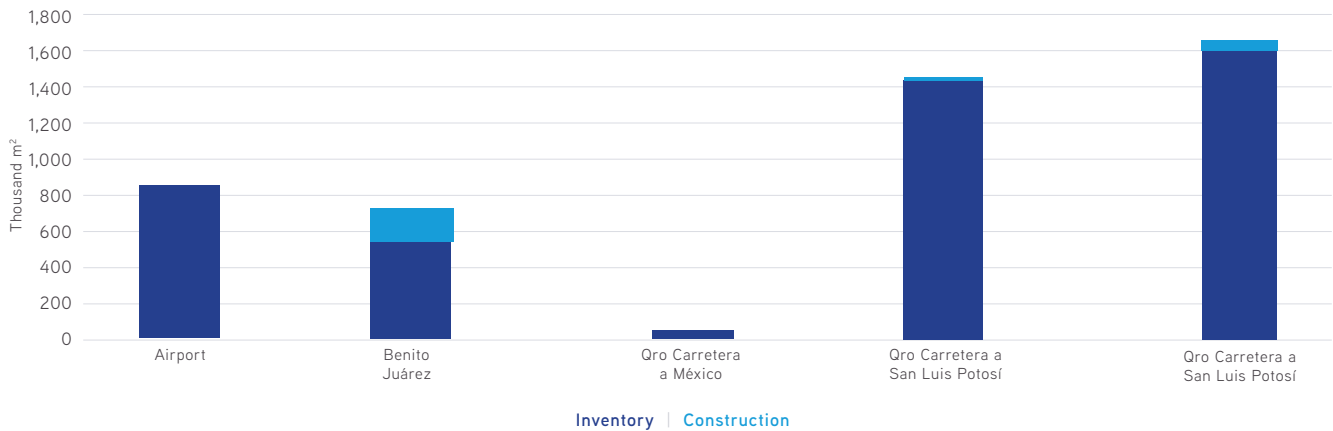
10 Inventory Industrial Buildings Class A Q1 2019 - Q1 2020



12 Class A Industrial Buildings Under Construction 1Q 2020 Total: 125,330 S^M



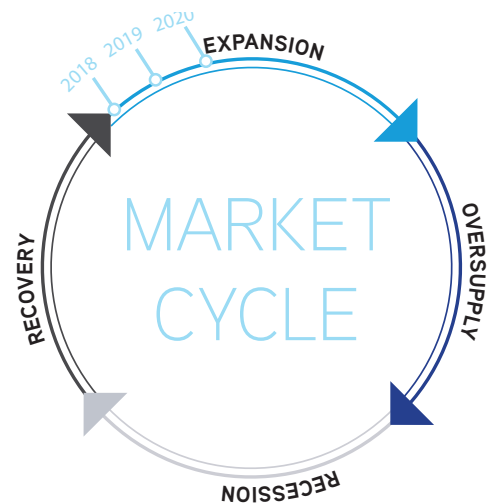
11 Inventory and Construction per Corridor Industrial Buildings Class A Q1 2020



Market Cycle

There is a great demand for industrial buildings in Queretaro, for this reason the inventory has grown considerably in recent years, mainly in Class A properties in the industrial market in Queretaro.

The industrial market in Queretaro continues in the expansion stage, this is caused by the number of properties that are currently under construction. The availability rate is expected to remain stable below 4% in Class A properties.



Oversupply	Recovery
Increases availability within inventory New constructions continue	Reduces availability within inventory New constructions are absent
Recession	Expansion
Increases availability within inventory Buildings are concluded or postponed	Reduces availability within inventory New constructions begin

Demand

Queretaro's industrial real estate market continues to be dynamic in leases, sales and investments. In this first quarter, more than 199 thousand SM were monitored in transactions for the sale and rental of spaces in all property categories in the five main corridors. This reflects a higher performance than the same period in 2019 (131 thousand SM).

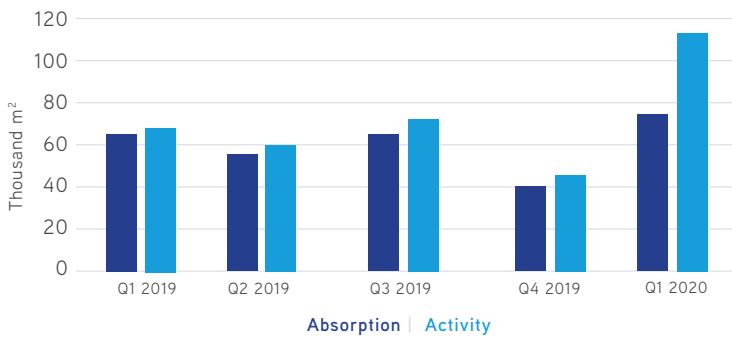
During the period from January to March 2020, in Class A industrial buildings, 85 thousand SM of activity were monitored, a figure higher than that reported in 1Q 2019 (68 thousand SM). The corridor with the highest market activity in Class A was Airport with 46 thousand SM.

Of the total transactions monitored during this first quarter of 2020, in properties larger than 2,000 SM, 57% correspond to Class A properties and 43% to Class B

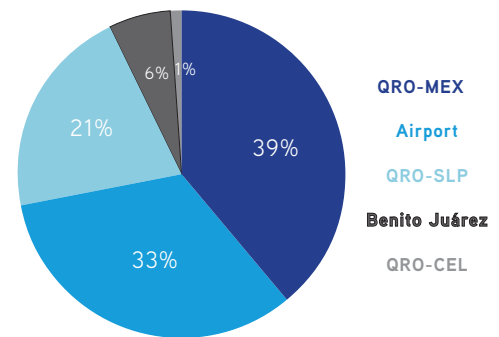
Activity vs Absorption Class A

Period	Accumulated Net Absorption	Market Activity
Q1 2019	65,400	68,335
Q1 2020	137,364	199,057

13 Absorption vs Activity Class A Q1 2019 - Q1 2020



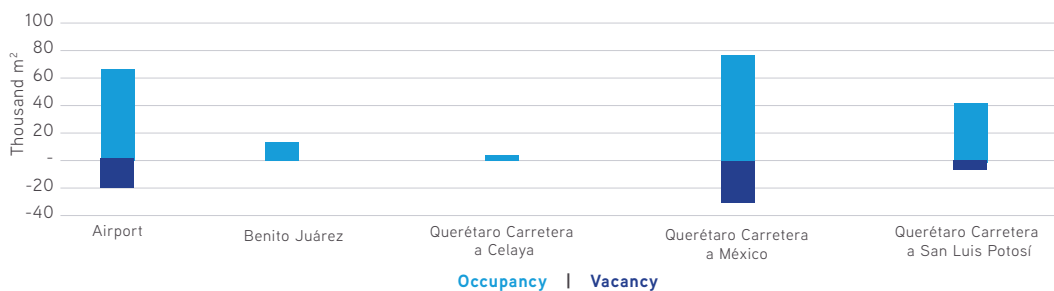
14 Segmentation of Market Activity by Industrial Corridor Q1 2020 Total: 199,000 SM



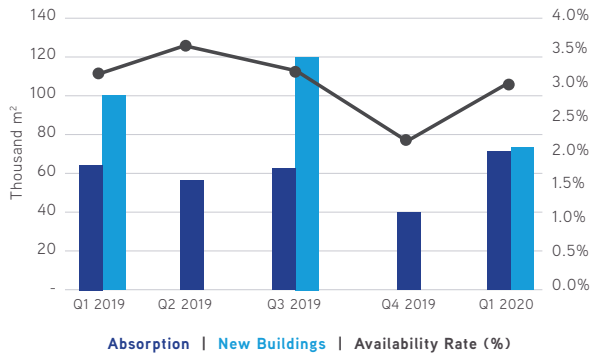
Class A Industrial Market

Period	Analyzed Properties	Industrial Inventory (SM)	Availability Rate	Accumulated Net Absorption	Market Activity
1Q 2019	355	4,274,297	3.20%	65,400	68,235
1Q 2020	366	4,416,283	3.10%	137,364	199,057

15 Occupancy vs Vacancy by Corridor Q1 2020



16 Net Absorption Quarterly Vs New Buildings And Availability Rate Class A | Q1 2019 - Q1 2020



Absorption

In the industrial market in Queretaro, the accumulated net absorption as of March 2020 in Class A properties was 73 thousand SM, additionally the market showed a cumulative net absorption in Class B of 64 thousand SM. The accumulated net absorption during this first quarter in Class A and B is 137 thousand SM.

The net absorption in Class A properties was higher compared to the same period in 2019 (65 thousand SM).

Absorption market is consistent with the requirements of tenants and development of new industrial buildings.

Representative Transactions

Quarter	Name Of The Building	Submarket	Type Of Operation	Class	SM Leaseable
Q1 2020	VPQ1	Airport	Lease	A	30,138
Q1 2020	OCCBQ (OCC Bernardo Quintana)	QRO-MEX	Lease	A	8,129
Q1 2020	Epsilon	QRO-MEX	Lease	A	15,700

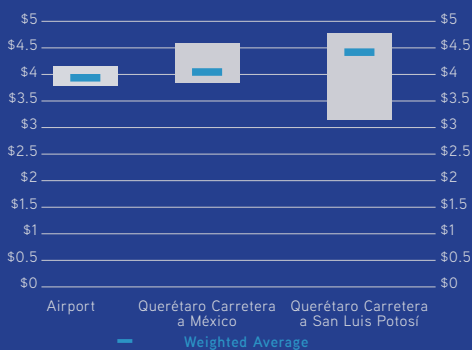
Prices

Lease

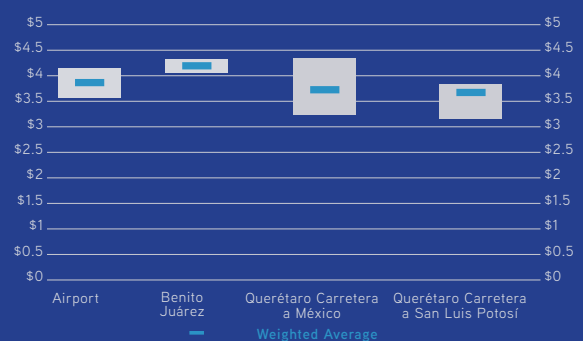
At the close of this first quarter of 2020, weighted average lease prices were U.S. \$3.99 per SM per month for Class A. And U.S. \$3.79 per SM per month for Class B.

The range monthly lease prices range from U.S \$3.14 and \$4.74 per SM for Class A. And from U.S. \$3.15 to \$4.31 per SM for Class B, within the five monitored corridors.

17 List Prices (Usd/SM) Monthly Lease of Industrial Buildings Class A Q1 2020



18 List Prices (Usd/SM) Monthly Lease of Industrial Buildings Class B Q1 2020



CORRIDOR ANALYSIS

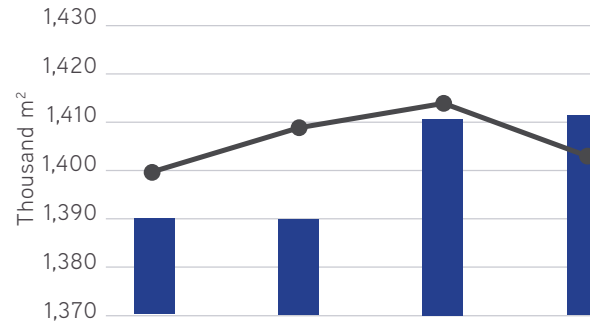
QRO-MEX

Analysis

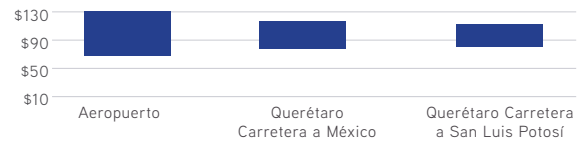
Corridor	QRO- MEX
Corridor	A
Class	161
Industrial properties analyzed	1,426,034
Inventory SM	54,521
Available space SM	\$3.14 - \$4.74
List Price Range (USD/SM/Quarter)	3.82%
Quarterly availability rate	33,424

The availability rate of Queretaro highway to Mexico Corridor, increased to what was reported in the first quarter of 2019, which was 2.3%

19 Growth (SM), Absorption (SM) and Availability (%), submarket QRO-MEX Class A Q1 2019 - Q1 2020



20 List Prices (Usd/SM) Sale Of Industrial Land Q1 2020



Industrial Land Offer

At the end of first quarter in 2020, a total of 233 lots were monitored within the industrial market in Queretaro, Which make up a total of 2.6 million of square meters. The corridor with the most available square meters is the Airport corridor, and represents 49% of the total supply.



Industrial Market Activity of Queretaro

Corridor	Class	Analyzed Buildings	Industrial Inventory (\$M)	Available Space (\$M)	Weighted Average	Leasing (USD/\$M)		% Availability Quarterly Current	Quarterly Net Absorption
						(\$M)	Max.		
Total	A	366	4,416,283	135,203	\$3.99	\$3.14	\$4.74	3.1%	73,328
	B	701	4,468,514	129,555	\$3.79	\$3.15	\$4.31	2.9%	64,036
Total		1,067	8,884,797	264,758	\$3.89	\$3.15	\$4.53	3.0%	137,364
Airport	A	59	850,424	64,271	\$3.94	\$3.81	\$4.08	7.6%	33,424
	B	36	248,372	20,631	\$3.86	\$3.55	\$4.15	8.3%	11,438
Total		95	1,098,796	84,902	\$3.90	\$3.68	\$4.12	7.7%	44,862
QRO-CEL	A	1	9,285	-	ND	ND	ND	ND	-
	B	63	353,681	-	ND	ND	ND	ND	2,049
Total		64	362,966	-	ND	ND	ND	ND	2,049
Benito Juarez	A	33	548,879	-	ND	ND	ND	ND	-
	B	186	1,124,746	21,356	\$4.17	\$4.10	\$4.31	1.9%	11,938
Total		219	1,673,625	21,356	\$4.17	\$4.10	\$4.31	1.3%	11,938
QRO-MEX	A	161	1,426,034	54,521	\$3.95	\$3.81	\$4.55	3.8%	5,525
	B	322	2,018,355	79,810	\$3.69	\$3.30	\$4.31	4.0%	39,155
Total		483	3,444,389	134,331	\$3.82	\$3.55	\$4.43	3.9%	44,680
QRO-SLP	A	112	1,581,661	16,411	\$4.30	\$3.14	\$4.74	1.0%	34,379
	B	94	723,360	7,758	\$3.66	\$3.15	\$3.81	1.1%	- 544
Total		206	2,305,021	24,169	\$3.98	\$3.15	\$4.27	1.0%	33,835



Industrial Corridor Map Queretaro

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