

MarketView

Mexico City Industrial Market

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Third Quarter 2010

Quick Stats

	Current	Yr.	Qtr.
Vacancy Rate	9.3%	↓	↓
Rent	\$4.52*	↓	↓
Absorption	68**	↓	↑
Construction	62**	↓	↑

*US/sqm/month.

**Thousand square meters

Hot Topics

- The asking price continues with a downward tendency, placing itself at \$4.52 /sqm/month
- The vacancy rate considerably decreased due to the registered commercialization.
- The construction of an 18,000 sqm building in the Cuautitlan sector was completed.
- 93% of the commercialization registered during the quarter was carried out in the northern corridor

New Developments



San Martin Obispo / Cuautitlan Submarket

In October 2010, the Mexican government raised its GDP growth estimate for this year, from 4.5% to 4.8%. This reflects an economic recovery that continues to gather momentum, based on growing external demand for non-oil products, employment, and domestic demand. The latest economic data is stronger than expected, including retail sales that grew 4.4% in August from a year ago. The increase in retail sales was double market expectations, and the fastest year-on-year growth since May. Mexico's GDP grew 5.9% in the first half of this year, led by export manufacturing.¹

More good news -- in August 2010, non-oil exports increased 39% percent, which means a return to pre-crisis levels. Industrial production grew at an annual rate of 5.4% in July 2010; likewise, manufacturing grew 15.8% percent. Automotive production registered an annual increase rate of 53% in August. Furthermore, the employment rate for the period January-September 2010 is the highest it has been in the last 10 years.²

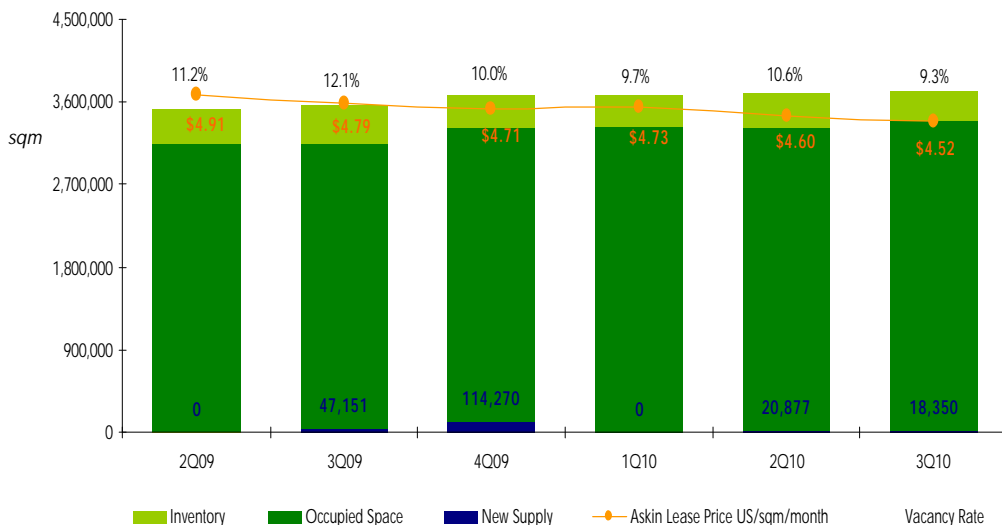
The Mexico City Class A industrial market remains highly competitive. Developers continue to lower their asking prices and further price depreciation is expected in the coming months. However, this on-going strategy again yielded big dividends during Q3, as absorption was even higher than Q2's strong result, and the vacancy rate dropped to 9.3% -- its lowest level since 2008. Demand remains strongest in the northern corridor, as its three submarkets were home to 93% of Q3's market activity.

Construction activity increased slightly in comparison to the previous quarter, registering 62,000 sqm, all of which are located in the northern corridor. This space is scheduled to come on-line in Q4. As only 18,000 sqm came on-line in Q3, we are not expecting much change in vacancy in Q4, as competitive prices will continue to drive absorption of the new supply.

1. nasdaq.com "Mexico Raises 2010 GDP Growth Estimate" October 21, 2010

2. Mexican Embassy press release "Mexico's Economic Recovery Strengthens" October 7, 2010

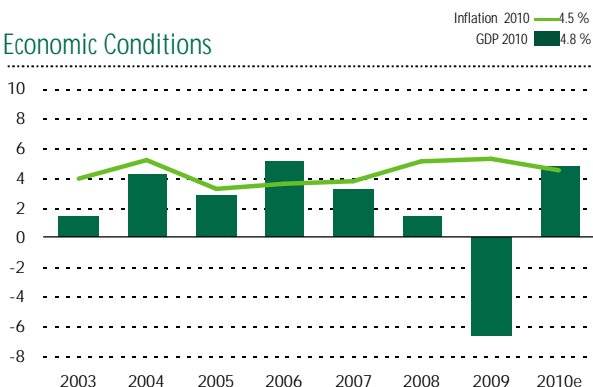
Inventory / Occupied Space / New Supply / Asking Lease Price / Vacancy Rate



Total Inventory Class A

Submarket	Total Inventory sqm	Availability sqm	Vacancy Rate	Average Lease Price US/sqm/month
Tepetzotlán	378,490	13,033	3.4%	\$4.30
Cuautitlán	1,596,447	160,836	10.1%	\$4.65
Tultitlán	716,920	86,895	12.1%	\$4.06
Tlalhepantla	382,108	40,000	10.5%	\$4.78
Naucalpan	28,000	1,830	6.5%	\$6.30
Vallejo-Azcapotzalco	240,392	-----	-----	\$0.00
Iztapalapa-Tlahuac	237,295	23,118	9.7%	\$5.20
Huehuetoca	90,699	20,877	23.0%	\$4.15
Teoloyucan	57,289	-----	-----	\$0.00
Total	3,727,640	346,589	9.3%	\$4.52

Economic Conditions

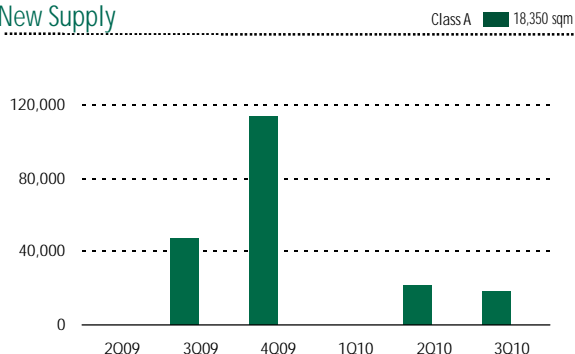


Sources:
- Instituto Nacional de Estadística y Geografía (INEGI)
- BBVA Bancomer, Economic Studies Service

The government just announced an upwards revision for the 2010 GDP estimate, now at 4.8%. Inflation is expected to close the year at 4.5%. Mexico's budget deficit should shrink from 0.7% of GDP in 2010 to less than 0.5% of GDP in 2011, with the goal of returning to balanced budget in 2012.

In the financial markets, the short term bonds (28-day CETES) should finish the year at 4.5%, the TIIE is expected to close at 4.9%, and the 10 year bond is positioned at 7.1%.

New Supply

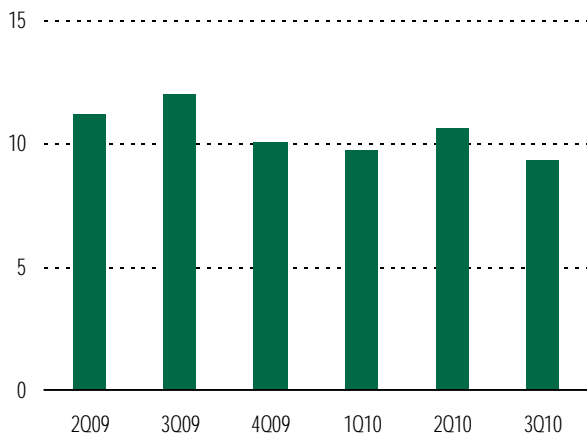


An 18,000 sqm building occupied by Waldo's Company was completed in Q3. Construction activity increased slightly over last quarter, registering 62,000 sqm, of which 35% is a built to suit project for the OXXO Company located in the San Martin Obispo Industrial Park. The remaining 65% are speculative spaces which are scheduled for completion in Q4.

The increase in the commercialization has incentivized the construction of more speculative spaces, though some developers with land reserves continue to prefer build to suit projects.

Vacancy Rate

Class A 9.3%



The lack of new supply coupled with price decreases helped fuel absorption, which lowered the vacancy rate. At 9.3%, Q3's vacancy is 1.3 percentage points lower than Q2's rate and the lowest rate in since 2008.

At a submarket level, Tlalnepantla's vacancy rate decreased the most during Q3 (from 14.5% to 10.5%) followed by Iztapalapa-Tlahuac (from 11.8% to 9.7%), due to the commercialization within their submarkets. Huehuetoca again registered the highest vacancy rate, at 23.0%.

Average Asking Lease Price

Class A US \$4.52 /sqm/month

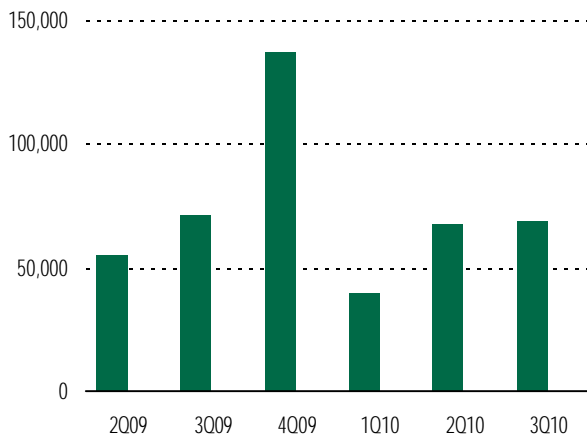


Q3's average asking lease price registered US\$4.52 /sqm/month, a US\$ 0.8 /sqm/per month from Q2's average price. The Tultitlan submarket saw the biggest price reduction, from US\$4.41 in June to US\$ 4.06 /sqm/m by September's end.

Some submarkets did maintain stable asking lease prices during Q3, though we expect them to lower their rates in the following months.

Gross Absorption

Class A 68,692m²



Market activity increased slightly in Q3, registering 68,700 sqm. Nearly all (93%) of this absorption was located in the northern corridor of Mexico City. Of the 3 submarkets that comprise the this corridor, Cuautitlan welcomed the most activity (40,000 sqm). The Iztapalapa-Tlahuac submarket accounted for the remaining 7% of absorption not located in the northern corridor. The average size space commercialized in Q3 was 9,000 sqm.

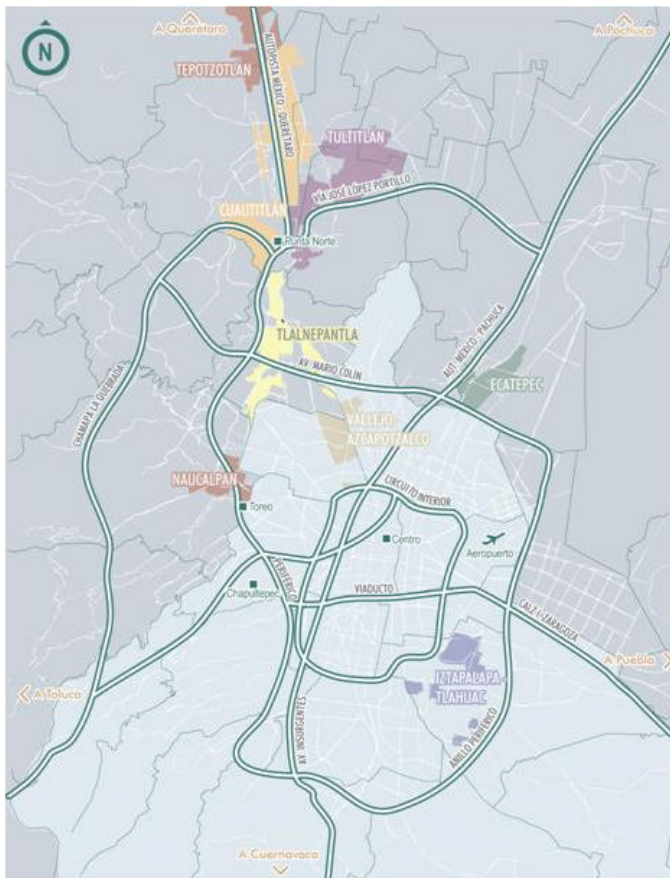
'Expansion' was a key theme for Q3, as nearly 40% of the total commercialization resulted from already installed companies that needed to grow their logistic operations.

Mexico City Industrial Market

Major Transactions During 3Q10

Sqm	Tenant	Submarket
16,000	Electrolux	Cuautitlán
12,000	Mehr	Cuautitlán
11,000	LG	Tepozotlán

Mexico City Industrial Submarkets



Average Asking Lease Rate
Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage
Includes all competitive office buildings 10,000 square meter and greater in size.

Net Absorption
The change in occupied square meter from one period to the next.

Net Rentable Area
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Square Meters
Building area not considered vacant.

Under Construction
Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Square Feet
Available Building Area which is either physically vacant or occupied.

Availability Rate
Available Square Feet divided by the Net Rentable Area.

Vacant Square Feet
Existing Building Area which is physically vacant or immediately available.

Vacancy Rate
Vacant Building Feet divided by the Net Rentable Area.

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