

INTRODUCTION

Monterrey has emerged as an industrial and logistical hub not only in Mexico but across the Americas. The city boasts a robust transportation infrastructure and is strategically located near the US border, facilitating trade and exports to the world's largest consumer market.

A key driver of growth in the industrial and logistics sectors is the nearshoring phenomenon, where foreign companies, particularly from Asia, relocate their operations to Monterrey due to favorable tariff conditions, commercial advantages, and a skilled workforce. Companies are also drawn to Monterrey's advanced logistical infrastructure, which includes extensive rail networks.



With substantial investments pouring into the industrial sector, it is crucial to discuss the next steps in its development and address the challenges posed by high demand. In this context, GRI Club Latam hosted an online meeting for its members, moderated by Sofia Flores, Director of the Industrial Division at Terra Regia, featuring contributions from Claudio Chamorro Carrizo, CEO of Red Megacentro, and Salomón Noble, CEO of Intermex.

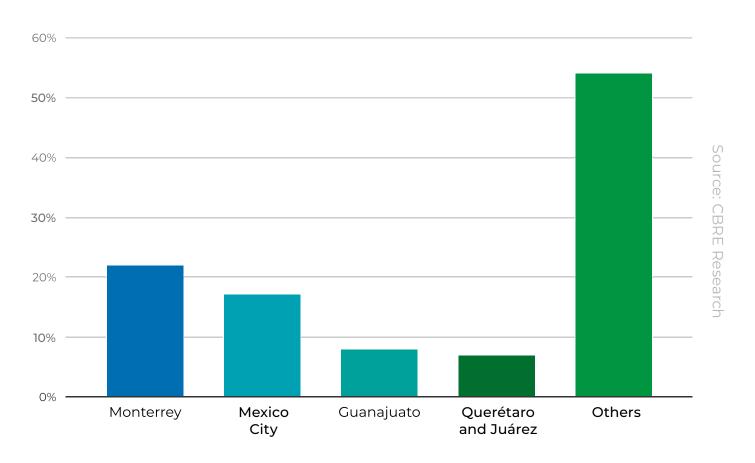


INDUSTRIAL 'BOOM' IN MONTERREY

The discussion took place against a backdrop from which Monterrey stands out for having the highest industrial demand in the country during the first five months of 2024, with 724,000 square meters occupied. Additionally, 43% of new projects are speculative, reflecting investors' confidence in the market. The construction of new warehouses already exceeds 925,000 square meters.

This favorable performance mirrors 2023, when Monterrey led the total inventory of industrial and logistics spaces among the 13 main markets in Mexico, accounting for 22% of the total, according to CBRE data.

DISTRIBUTION OF INDUSTRIAL AND LOGISTICS SPACES IN MEXICO



During this period, annual net absorption reached a record high, exceeding 1.7 million square meters, marking a 40% year-on-year growth compared to 2022. This surge was driven by the delivery of pre-leased or built-to-suit properties, which continue to be the primary driver of construction activity in the city.

Executives attribute the exponential growth of the industrial sector to free trade agreements that provide Mexico access to approximately 60% of the global economy. These agreements include the USMCA (United States-Mexico-Canada Agreement) and the Trade Agreement with the European Union (EU). Mexico shines as the leading exporter to the United States and the second-largest trading partner of the EU in Latin America and the Caribbean.

This network of agreements offers significant advantages for companies looking to expand their operations and enter new markets: "Not many countries can offer this, along with access to both oceans," notes an industry insider.

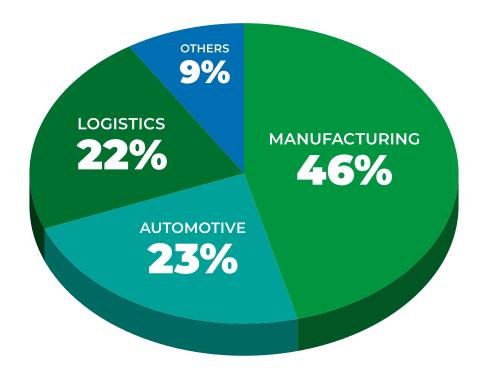
Monterrey is a major hub for various industries, particularly the automotive sector. The city hosts three major manufacturers: Kia, Navistar, and, more recently, Tesla. The presence of these companies attracts a broad range of suppliers, benefiting the entire supply chain.



Tesla, for instance, has already begun to make an impact even before starting its operations, attracting suppliers like the Chinese company Jin Lun, which manufactures high-efficiency radiators for electric vehicles: "This trend of attracting suppliers from China is quite intriguing," observes an executive.

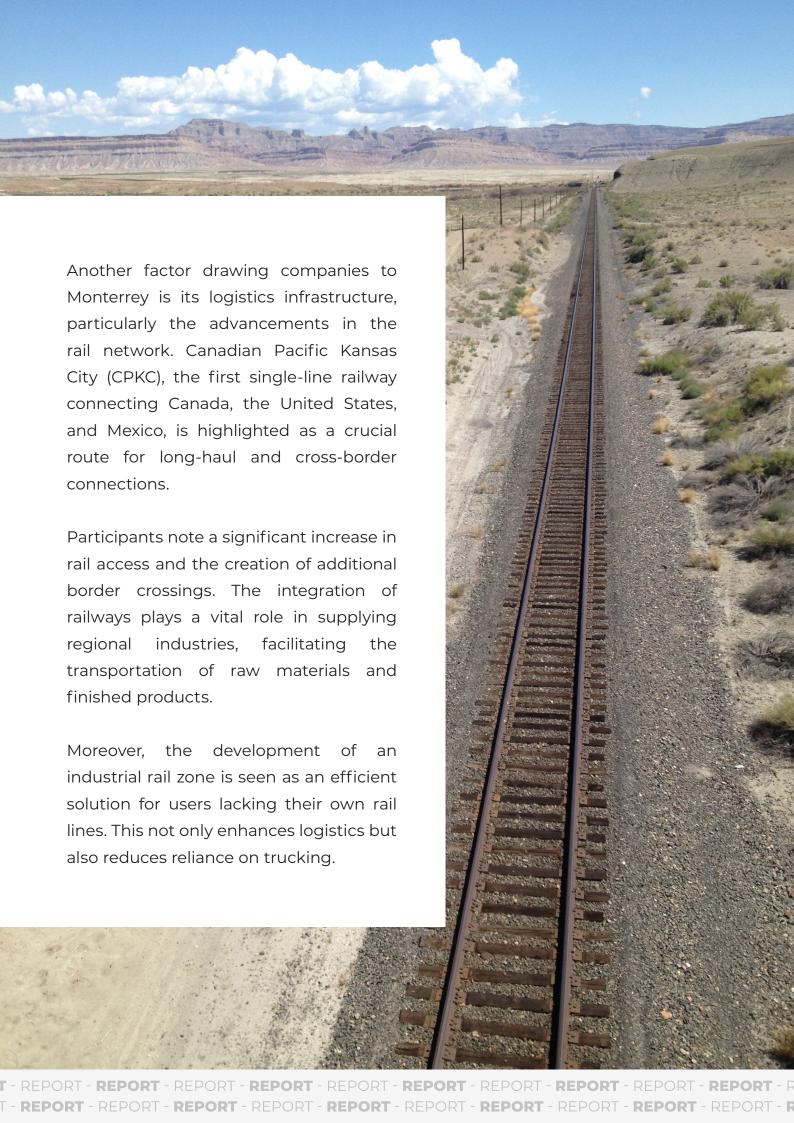
In 2023, the automotive sector was the second-largest consumer of industrial properties in Monterrey, accounting for 23% of demand, second only to manufacturing, which represented 46%.

INDUSTRIAL COMPOSITION OF MONTERREY



Participants highlight Monterrey's ability to attract companies from around the globe, extending beyond traditional trade partners. In 2023, Argentina emerged as the leading foreign partner in Nuevo León, notably through Ternium, which manufactures advanced steel products for various industries, including automotive and appliances.

In terms of foreign investment, industry players have heavily invested in the construction of Class A warehouses and storage facilities. One of the key factors attracting international capital is the availability of highly skilled labor. The Monterrey Institute of Technology is frequently mentioned for producing well-trained professionals in engineering, technology, and management.



"The availability of skilled and competitive labor is driving increased investment in logistics infrastructure, as evidenced by the development of industrial rail parks in Monterrey," one participant illustrates.

He adds, "This strategic move is enhancing the efficiency and competitiveness of the industrial sector in the region, paving the way for sustainable growth and greater integration with global supply chains."

From a financial perspective, institutions in Monterrey are well-established. It is noted that banks are well-equipped to support projects, offering financing and essential services for the development of new businesses.





ENERGY CHALLENGES

Energy infrastructure poses a significant challenge. According to one participant, the growing demand for electricity, driven by technologies like artificial intelligence and data centers, necessitates ongoing dialogue between the public and private sectors to ensure the necessary infrastructure is in place.

It's worth noting that Mexico is the second-largest data center market in Latin America, trailing only Brazil. Traditionally, the consumption per hectare was 500 KVA, but now standards are rising to 700 KVA per hectare. With the advancement of technologies such as AI and the metaverse, energy consumption is expected to double.

One example mentioned is the servers used by companies like Amazon Web Services and Microsoft, whose processes require intensive testing that consumes large amounts of energy and generates significant heat. According to the Mexico Data Center Market report, by 2028, the country will have over 30 data center facilities operated by global players.

To meet the high projected demand from data centers and other electrical capacity challenges, major companies are investing in building substations and recalibrating high-voltage lines. Another solution highlighted is the interconnection of small generators, rather than relying on large centralized ones.

For large self-generation projects, executives emphasize the need for collaboration with the government, a challenge that remains. Sofia Flores explains that Terra Regia's contribution covers the technical aspects of projects, as well as obtaining permits and efficiently interacting with entities like the National Center for Energy Control (CENACE) and the Federal Electricity Commission (CFE) for the implementation of large-scale electrical infrastructure.

Water supply is another obstacle in Monterrey. According to one participant, this issue won't be resolved in one or two years, as it requires long-term efforts. He suggests that developers be transparent and inform clients that industrial operations requiring large amounts of potable water are not viable: "We need to be honest with our clients." He then suggests working with companies that use closed-loop water recycling systems, promoting a more sustainable and responsible vision.

In light of these challenges, the outlook for Monterrey is that public-private collaboration will be necessary in all aspects to sustain its growth as a leading logistics and industrial hub in Latin America. This includes robust initiatives in sustainability and corporate governance, recognizing that the adoption of tools — such as the use of solar panels — is still low.



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REAL ESTATE

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GRI Club's innovative discussion model allows free participation of all executives, encouraging the exchange of experiences and knowledge, networking, and business generation.

GRI Club Members also have access to our exclusive online platform to learn more about other members and their companies, correspond, schedule meetings, and receive unrestricted access to all GRI Club content.

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