

Mexico's Industrial Real Estate Boom

TC LATAM'S "FIRST-MOVER"
ADVANTAGE
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MEXICAN INDUSTRIAL REAL ESTATE | A RENAISSANCE

Over the past five years, Mexico has transformed itself into a global manufacturing and logistics hub. This is due to several geopolitical factors, including Mexico's proximity to the US market and its highly skilled and inexpensive labor force. The US-Mexico-Canada Agreement (USMCA) has created one of the world's largest free trade zones, and the Mexican government uses land grants, tax incentives, and other funding to attract Foreign Direct Investment. Mexico's forward-facing economic policy has placed particular emphasis on popular value-add industries, including hybrid and electric cars and aerospace, and its rising e-commerce sector necessitates the construction of fulfillment centers in major cities. According to the Inter-American Development Bank (IDB), Mexico is on track to increase the value of its exported goods and services by as much as US\$43 billion per year.

Mexico's industrial "boom" has created a huge demand for industrial real estate, particularly along the US border. Industrial inventory has doubled since 2008 with vacancies hovering at just 7% over the last decade. Construction reached a record high at the end of 2022. The largest concentration of industrial properties in Mexico is known as the "Golden Triangle," with Monterrey in the north, Mexico City to the south, and Guadalajara to the west. The area close to the US border accounts for more than 60% of Mexico's industrial real estate inventory.

Most industrial properties in Mexico are located within private industrial parks, and areas zoned and planned for the purpose of industrial development. This simplifies the leasing process, as industrial parks offer turnkey solutions to multinationals looking for reliable, secure, and safe spaces to operate their businesses.

TC LATAM | FIRST MOVER ADVANTAGE

TC Latin America Partners ("TC") is an institutional fund manager specializing in the real estate sector across Latin America and the United States. TC has raised US\$1.0 billion of capital to date, of which ~35% is invested in the industrial space in Mexico and the US. TC established Industrial Gate, an industrial real estate investment and development platform based in Mexico, which owns a best-in-class industrial portfolio with a high-quality tenant base and strategic diversification in top industrial markets.

Industrial Gate's current portfolio includes a strategic investment in the redevelopment of an industrial facility in the Bajío region for French automotive manufacturer Forvia, a built-to-suit logistics facility in Reynosa leased for a 10-year term, two investments in Tijuana including built-to-suit projects for Foxconn and DHL, and a multi-tenant industrial park in Monterrey.

Over the last years, Industrial Gate has established itself as a leader in Mexican industrial real estate:

- **Feet on the ground** – Industrial Gate's on-the-ground team has more than 25 years of experience managing industrial portfolios, developing new assets, acquiring and disposing of properties, and stabilizing industrial portfolios across Mexico's main industrial corridors.
- **Identifying Untapped Opportunities** – Industrial Gate focuses on key regions in Mexico's main industrial sub-markets where it sees potential to acquire stabilized assets, invest in value-add opportunities, and develop new industrial facilities.
- **Proactive Land Acquisition** – Industrial Gate has acquired strategic land parcels in key areas, pre-empting competition and ensuring access to desirable sites for future contiguous development.
- **Customized Facilities** – Industrial Gate has gained a competitive advantage by understanding the needs of prospective tenants, such as e-commerce companies, manufacturers, and distributors. Many of the properties in the portfolio are built-to-suit customized industrial facilities catering to specific requirements.
- **Strong Customer Relationships** – Industrial Gate fosters strong relationships with potential tenants, understanding their business needs and building trust through open communication and responsiveness. As such, it has positioned itself as reliable partner who can provide tailored solutions to their customers' operational and logistics challenges.

TC's track record ensures that Industrial Gate captures significant market share positioning the platform as the go-to provider of modern, tailored facilities in its target regions.



WHAT TC INTENDS TO DO

Through Industrial Gate, TC is currently consolidating a portfolio of strategically located Class A industrial and logistics assets that target the needs of Mexico's thriving automotive, manufacturing, and logistics industries. The portfolio of Industrial Gate is projected to include stabilized assets, value-add opportunities, and new industrial facilities in northern Mexico:

- Acquisition of stabilized or value-add industrial assets. Industrial Gate expects to renew leases for a minimum of 5 years upon acquisition, minimizing the risk of tenant rollover and providing immediate income.
- Ground-up development of Class-A facilities. This strategy assumes leasing based on existing market conditions with initial investments utilized for funding land acquisition and asset development. TC believes there is an opportunity to generate value above replacement cost due to capital markets performance.

In conclusion



Mexico's industrial real estate market has experienced significant growth in response to escalating demand, which presents a huge opportunity for TC as a leading real estate investor and operator in Mexico, recognized for its global experience, local presence, agility, and excellence.

TC expects to generate value for investors through attractive returns while operating under the best international practices and focusing on risk management and downside protection.

With its vertically integrated platform, TC has created an efficient business model to acquire and develop high-quality industrial assets while presenting an opportunity to create long-term value for investors.

AUTHOR

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Mr. Schneider has 25+ years of experience in emerging markets, investing in both the public and private markets through a variety of assets and strategies, including debt, equity, distressed assets, and real estate.

Prior to co-founding TC Latin America Partners, Mr. Schneider was Managing Director and Head of Emerging Markets at Och Ziff Capital Management (now Sculptor Capital Management).

During his tenure at Och Ziff, Mr. Schneider was responsible for building the firm's investment portfolio in Latin America and Eastern Europe.

Mr. Schneider holds an M.B.A. from Columbia Business School and received a Bachelor of Business Administration (B.B.A.) from the Instituto Tecnológico Autónomo de México (ITAM) in Mexico City.

