

FIGURES | LAREDO INDUSTRIAL | Q1 2024

# Vacancy ticks upward with new speculative deliveries, remains well below statewide average

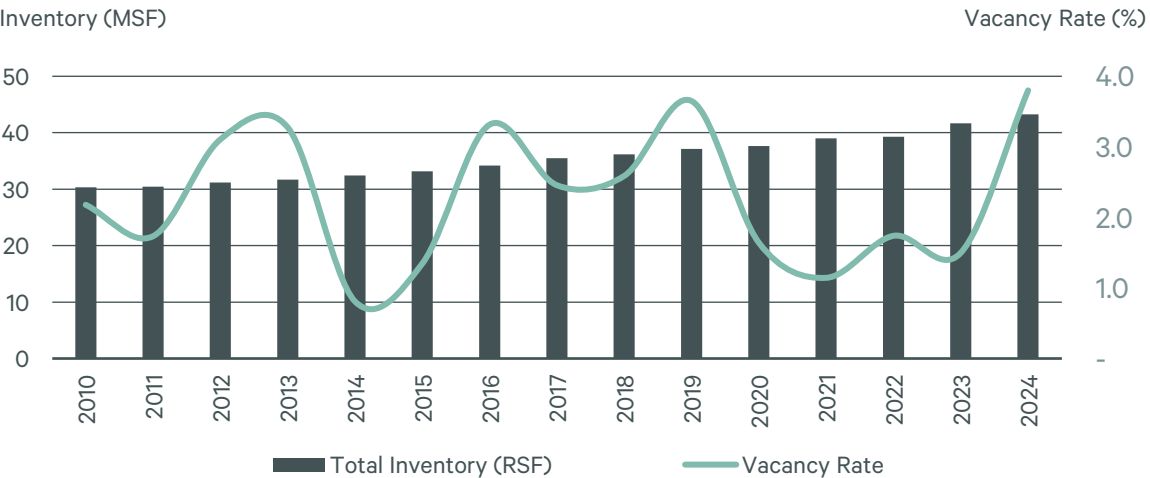


Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- Industrial vacancy climbed to 3.8% in the first quarter, driven almost entirely by three speculative developments in the Northwest submarket delivering unleased; vacancy remains significantly below the statewide rate of 8.1%.
- Laredo recorded 704,774 sq. ft. of positive net absorption in Q1 2023.
- Asking rates continued to rise steadily, increasing by 2.0% to a marketwide average of \$9.80 per sq. ft.
- Eight projects totaling 1,563,418 SF delivered in Q1; deliveries were 61.0% pre-leased.
- Laredo remains the No. 1 port in the nation after surpassing the Port of Los Angeles in November 2023, responsible for 6.3% (\$26 Billion USD) of U.S. trade, according to U.S. Census Data.

FIGURE 1: Industrial Inventory and Vacancy



Source: CBRE Research, Q1 2024.

FIGURE 2: Laredo Industrial Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Asking Rate, NNN Warehouse Avg. Annual (\$/SF)	Under Construction (SF)	Q1 2024 Deliveries (SF)	Q1 2024 Net Absorption
CBD	1,099,007	-	-	8.84	-	-	-
Class A	0	-	-	N/A	-	-	-
Class B	521,733	-	-	8.84	-	-	-
Class C	577,274	-	-	-	-	-	-
Central	6,699,292	1.2	2.0	9.50	-	-	(65,143)
Class A	32,000	-	-	9.74	-	-	-
Class B	2,042,015	0.7	4.0	9.26	-	-	-
Class C	4,625,277	1.4	1.1	-	-	-	(65,143)
East	900,307	1.5	1.5	9.69	-	-	-
Class A	33,327	-	-	10.11	-	-	-
Class B	367,710	-	-	9.26	-	-	-
Class C	499,270	2.7	2.7	-	-	-	-
Far Northwest	336,154	-	-	10.11	-	-	-
Class A	0	-	-	10.49	-	-	-
Class B	278,731	-	-	9.74	-	-	-
Class C	57,423	-	-	-	-	-	-
North	8,158,974	3.2	3.2	10.11	741,503	544,323	606,095
Class A	3,659,226	5.0	5.0	10.49	741,503	473,395	574,589
Class B	1,280,473	3.1	3.1	9.74	-	70,928	31,506
Class C	3,219,275	1.1	1.1	-	-	-	-

Source: CBRE Research, Q1 2024..

FIGURE 2: Laredo Industrial Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Asking Rate, NNN Warehouse Avg. Annual (\$/SF)	Under Construction (SF)	Q1 2024 Deliveries (SF)	Q1 2024 Net Absorption
North Central	20,025,493	2.7	2.1	10.42	574,230	67,066	(164,576)
Class A	2,789,500	3.2	3.2	10.61	574,230	-	-
Class B	11,701,208	3.9	2.8	10.24	-	67,066	(164,576)
Class C	5,534,785	-	-	-	-	-	-
Northwest	5,724,692	12.7	14.2	10.11	1,218,321	952,029	328,398
Class A	1,772,850	36.5	36.5	10.49	1,114,451	891,212	328,398
Class B	1,974,161	4.1	4.1	9.74	103,870	60,817	-
Class C	1,977,681	-	4.4	-	-	-	-
Southeast	290,957	-	-	9.62	-	-	-
Class A	-	-	-	10.11	-	-	-
Class B	131,007	-	-	9.13	-	-	-
Class C	159,950	-	-	-	-	-	-
Laredo Total	43,234,876	3.8	3.8	9.80	2,534,054	1,563,418	704,774
Class A	8,286,903	11.1	11.1	10.29	2,430,184	1,364,607	902,987
Class B	18,297,038	3.2	2.9	9.49	103,870	198,811	(133,070)
Class C	16,650,935	0.7	1.1	-	-	-	(65,143)

Source: CBRE Research, Q1 2024..

MARKET OVERVIEW

Laredo remains the No. 1 port in the nation after surpassing the Port of Los Angeles in Q4 2023. During the first two months of 2024, Port Laredo facilitated 6.3% (\$27 billion) of U.S. trade and 39% of all U.S.-Mexico trade per month. Over 14,000 trucks entered the United States each day via the World Trade Bridge and the Colombia Bridge combined.

Located in the heart of the Texas-Mexico Automotive Supercluster along the Interstate 35 corridor, Laredo has historically served as a funnel for product traveling northbound into the United States via Monterrey. A large majority of imports originate further south in the Bajio, Mexico's primary automotive and aerospace manufacturing region and a major engine of Mexico's economy. In recent years, Laredo has benefited from U.S. nearshoring of manufacturing operations to northern Mexico, which has necessitated major infrastructure initiatives including the proposed expansion of the World Trade Bridge from eight to 18 lanes and the construction of a new, high-capacity international rail bridge. As original equipment manufacturer (OEM) suppliers continue to flock to the region, Laredo will see a persistent need for large-footprint warehousing and distribution space to facilitate the quick movement of products across the border from trucks originating in Mexico onto trucks and rail bound for U.S. destinations.

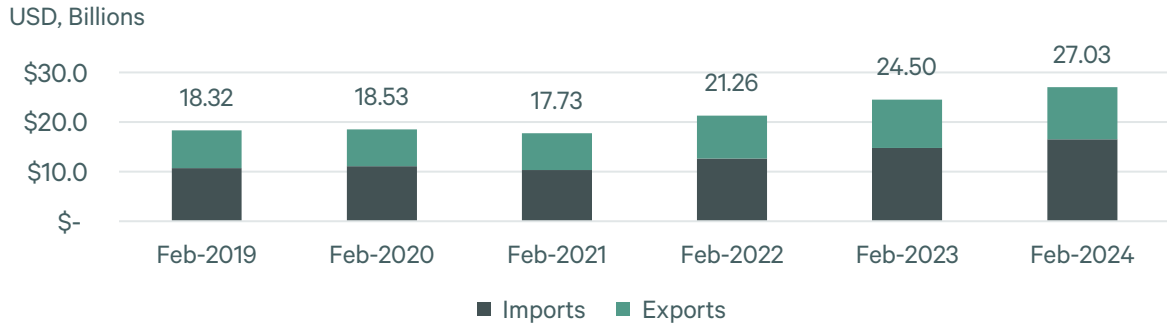
ASKING RATES AND VACANCY

Demand for industrial space in Laredo continues to significantly outstrip supply. Vacancy climbed to 3.8% in the first quarter, driven almost entirely by three speculative developments in the Northwest submarket delivering unleased; vacancy remains well below the statewide rate of 8.1%. Asking rates continued to rise steadily, increasing by 2.0% to a marketwide average of \$9.80 per sq. ft.

DEVELOPMENT PIPELINE

Laredo's industrial real estate supply (buildings of 10,000 sq. ft. or more) comprises 43.2 million sq. ft, including 3.2 million sq. ft. of new industrial product that delivered in 2023. Roughly 1.6 million sq. ft. delivered in Q1 2024, which was 61.0% pre-leased upon delivery. An additional 2.5 million sq. ft. of construction is currently underway, which is 18.5% pre-leased. By square footage, just over a third of Laredo's total industrial inventory is made up of facilities in the 100,000 to 249,999-sq.-ft. range, and 14.5% of its total inventory is made up of facilities in the 250,000 to 500,000-sq.-ft. range.

FIGURE 4: Port of Laredo Historical Trade Volume



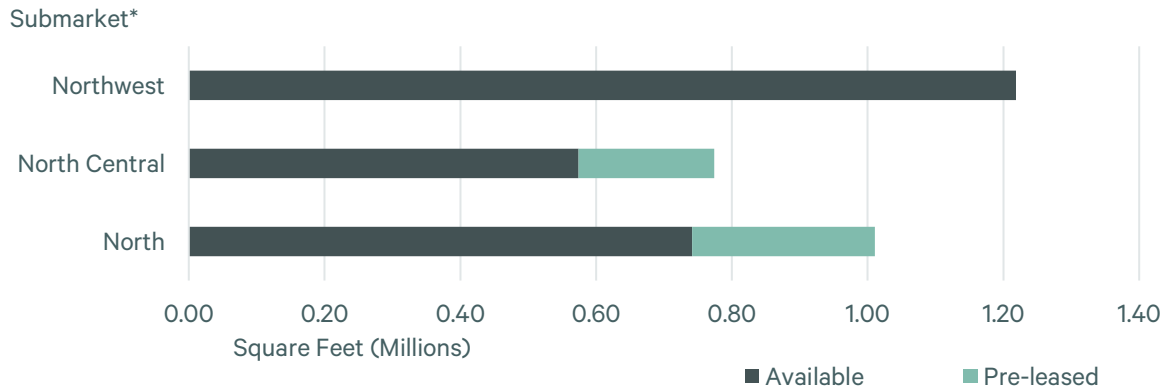
Source: U.S. Census Bureau, February 2024.

FIGURE 5: Top U.S. Ports by Trade Volume

Port	Share of U.S. Trade (%)	Monthly Trade Volume, USD (Billions)
Port of Laredo	6.3	27.0
Port of Los Angeles	6.0	24.6
John F. Kennedy Int'l Airport	4.8	19.5

Source: U.S. Census Bureau, February 2024.

FIGURE 6: Construction Pipeline Q1 2024.



\*Excludes submarkets where no construction is underway.  
Source: CBRE Research, Q1 2024.

DEMOGRAPHICS AND ECONOMIC INDICATORS

Laredo’s industrial market straddles the U.S. border with Mexico and reaches more than eight million people within a 250-mile radius. More than 285,000 people live within 50 miles, 25% of them in the 18-to-34-year age group. The City of Laredo on the U.S. side of the border has a labor force of approximately 113,125 workers. Additionally, there is a population base of 425,058 people living in Nuevo Laredo immediately across the border to the south, contributing to thousands of additional legal workers who commute into Laredo on a daily basis.

The average hourly wage for a non-supervisory warehouse worker in Laredo was \$15.03 in Q1 2024, below the national average of \$19.12. Laredo’s unemployment rate was 4.3% as of March 2024, slightly exceeding the national average of 3.8%. Laredo’s economy is expected to grow by 3.4% in 2024; employment is expected to rise by an average of 1.3% per year over the next four years.

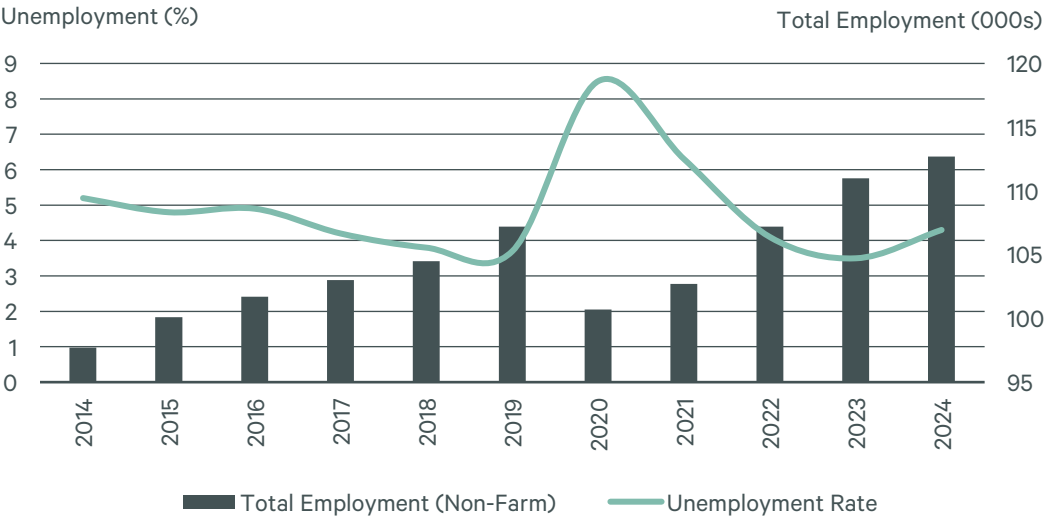
CBRE HOUSE VIEW ECONOMIC UPDATE

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

The Fed will likely make two, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is actually delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

FIGURE 6: Laredo Labor Force and Unemployment



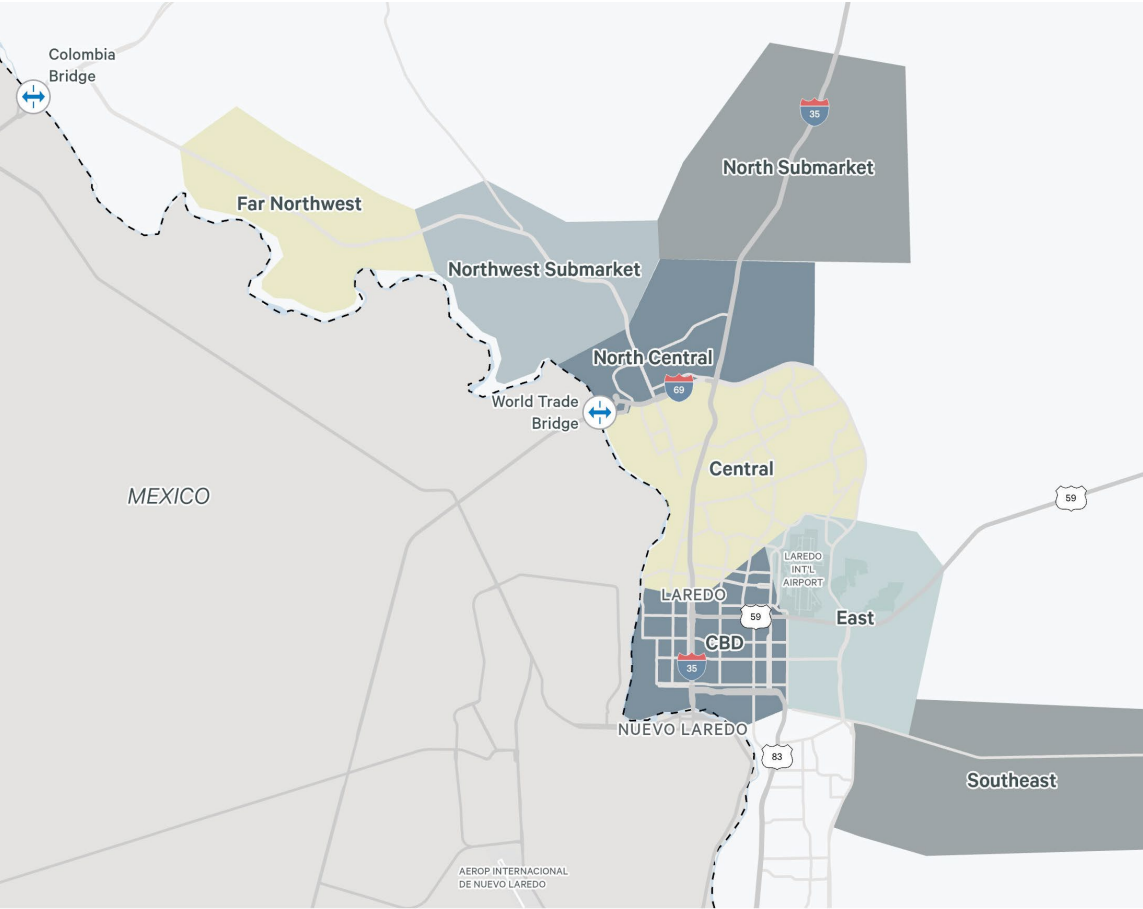
Source: Bureau of Labor Statistics, March 2024.

FIGURE 7: Largest Q1 2024 Positive Space Absorptions

Occupier	Property	Total SF
Unimex	Tailwind III Pinnacle Industrial Park	342,266
EELCO	15241 Fatima Dr North Laredo Industrial Park	250,000
Petrom Logistics	15355 Fatima Dr North Laredo Industrial Park	223,395

Source: CBRE Research, Q1 2024..

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the Total Building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes known market relevant industrial buildings 10,000 sq. ft. and greater in size in the greater metropolitan area of Laredo, TX. Buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Kim Thaker

Field Research Analyst  
Central Texas  
kim.thaker@cbre.com

Paige Suvalsky

Field Research Manager  
Central Texas  
paige.suvalsky@cbre.com

CBRE SAN ANTONIO OFFICE

1803 Broadway, Suite 825  
San Antonio, TX 78215

© 2024 CBRE, Inc. All rights reserved. This information has been obtained from sources believed reliable but has not been verified for accuracy or completeness. CBRE, Inc. makes no guarantee, representation or warranty and accepts no responsibility or liability as to the accuracy, completeness, or reliability of the information contained herein. You should conduct a careful, independent investigation of the property and verify all information. Any reliance on this information is solely at your own risk. CBRE and the CBRE logo are service marks of CBRE, Inc. All other marks displayed on this document are the property of their respective owners, and the use of such marks does not imply any affiliation with or endorsement of CBRE. Photos herein are the property of their respective owners. Use of these images without the express written consent of the owner is prohibited.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

