Evaluating an Industrial Property as an Investment



An industrial property should not be evaluated solely on the rental income advertised. Before purchasing, review occupancy, lease agreements, expiration dates, maintenance, improvements, vacancy, and dependence on a single tenant. Your conclusion should be based on documented information and specific scenarios, not on promises of ROI, appreciation, or profitability.

First, define your purpose: Rental income or owner occupancy?

The first question changes the entire analysis. If you are purchasing the property for your own business operations, evaluate operational continuity, functionality, and control over the space; future rental income becomes secondary. If you are purchasing it to lease out, focus on lease agreements, tenants' ability to pay, occupancy, and ownership costs.

To compare available options, explore our industrial warehouses and commercial buildings for sale in Mérida. Commercial listings are a starting point for further questions, not confirmation of lease terms, utilities, or availability.

Occupancy, vacancy, and income quality

Request an occupancy report detailing floor areas, lease expiration dates, agreed rental amounts, security deposits or guarantees, outstanding balances, and incentives. Cross-check this information against lease agreements, addenda, receipts, and proof of payment. An "occupied" property does not necessarily guarantee equally secure income: an upcoming lease expiration, outstanding balance, or termination clause can change the financial outlook.

Separate three situations: current occupancy, renewals pending confirmation, and vacant space. Record which expenses would continue and what improvements would be required to make the space rentable again. Do not fill vacancy periods with generic averages or present a hypothetical scenario as a forecast.

Lease agreements, expiration dates, and responsibilities

Review the lease agreement with an attorney or legal advisor. Identify the term, renewal options, rent adjustments, guarantees, subleasing provisions, permitted use, insurance, termination, property handover, and default clauses. Distinguish written agreements from verbal commitments.

PROFECO's guidance on purchasing real estate recommends reviewing property characteristics, total price, expenses, taxes, utilities, permits, and licenses. For an industrial purchase, verify these requirements against the specific property and its lease agreement.

Prepare a responsibility matrix covering property taxes, insurance, utilities, repairs, common areas, equipment, waterproofing, structural maintenance, and improvements. Confirm who pays, who authorizes the work, and what happens when the lease ends. If the property is located in an industrial park or condominium, request the regulations, maintenance fees, reserve fund information, and any extraordinary assessments.

Maintenance and improvements: Costs not reflected in the rental price

Request maintenance logs, invoices, warranties, records of failures, and a list of pending repairs. Inspect the roof, flooring, structure, drainage, utility installations, access points, and loading yard, without treating a property visit as a professional technical assessment.

When machinery is used to store or move materials, NOM-006-STPS-2023, published in the Official Gazette of the Federation (DOF) establishes maintenance procedures and programs for structural components, racks, or platforms, as applicable. Request supporting documentation and consult the appropriate specialist.

Document tenant improvements, including offices, racking systems, utility installations, partitions, ramps, and security systems. Ask who paid for them, whether they were authorized, whether they will remain, whether they must be removed, and how much it would cost to repair any damage. An improvement may benefit a future tenant or limit the property's usability; do not assign it a value without supporting evidence.

Tenant concentration and cost scenarios

If a single tenant accounts for most of the rental income, pay particular attention to the lease

expiration date, financial capacity, business activity, and decision to renew. Request information that can legally be shared. A tenant's size or reputation does not eliminate investment risk.

For multi-tenant properties, look for clustered lease expiration dates, since several tenants leaving around the same time can put pressure on occupancy and maintenance costs.

Prepare three scenarios: **documented base case**, **vacancy or uncertain renewal**, and **extraordinary maintenance or improvement costs**. List verifiable contractual income, owner's expenses, taxes, insurance, administration, repairs, maintenance fees, improvements, and exit costs. The goal is to understand which assumptions support the purchase decision and how much additional capital may be required, not to manufacture a rate of return.

Our guide to choosing an industrial warehouse or building for rent in Mérida can help organize operational and lease-related questions.

For a commercial review of a specific property, contact Yucatan Properties with the property listing, available lease agreements, maintenance history, and intended use.

Frequently Asked Questions

Is an occupied property automatically a good investment?

No. Verify the lease agreement, payments, expiration dates, obligations, physical condition, and tenant concentration. The property may also require uncertain lease renewals or significant additional expenses.

Is it better to purchase an industrial property for rental income or for my own business?

There is no universal answer. For owner occupancy, prioritize operational compatibility and control over improvements. For rental purposes, focus on verifiable lease agreements, tenant diversification, ownership costs, and vacancy risk.

What documents should I request before making an offer?

Request an occupancy report, lease agreements, proof of payment, expiration dates, expense records, responsibility breakdowns, maintenance history, improvement records, and property documentation. The notary, attorney, and relevant specialists can determine which additional documents are necessary.

Gather the lease agreements, occupancy report, expiration dates, expenses, and maintenance records. Request a documented comparison through our industrial warehouses and buildings for sale in Mérida and send your requirements to our Contact Team. A professional review is still essential.



Author
Lic. Jorge Semerena