



RESEARCH 3Q 2021

Mexico City Office Market

Close to Stabilization

By the end of the third quarter of 2021, the Office Market in Mexico City experienced an interesting recovery with respect to all the pandemic period. The net market activity recorded peak growth since the first quarter of 2020, the last quarter that saw a “healthy” market. However, net absorption was still negative, mainly as a result of an increase in the inventory of more than 100,000 square meters of rentable space in three of the main submarkets in Mexico City.

In this vein, the vacancy rate recorded an increase for the seventh consecutive quarter to 23.3%. This translates into more than 1.75 million square meters of available space across the city. But the reactivation of the economy in the country is expected to bring about the stabilization of the office market in Mexico City with positive net absorption and a reduction of the vacancy rate.

Current Conditions

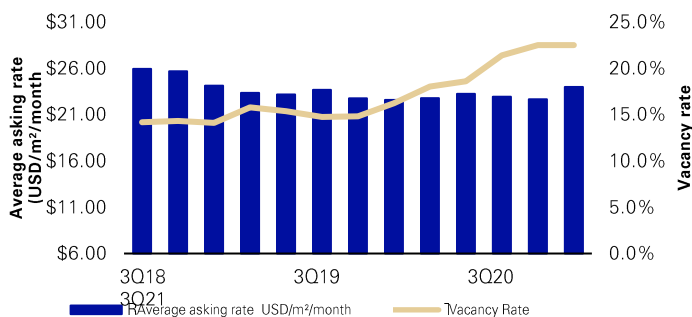
- The availability rate of the office market reached a new high and closed at 23.3%.
- Market activity showed a significant recovery and reported 101,833 m².
- The inventory grew for the 19th consecutive quarter, and it currently stands at 7.64 million square meters.

Market Summary

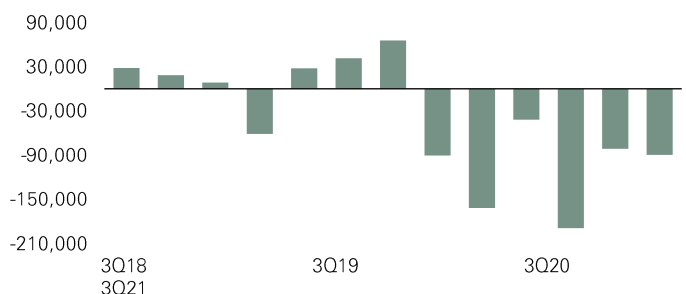
	Current Quarter	Prior Quarter	One year ago	12-month forecast
Total inventory (m ²)	7,644,626	7,537,638	7,416,750	↑
Vacancy Rate	23.3%	22.5%	18.0%	↑
Quarter absorption (m ²)	-89,553	-81,354	-161,632	↑
Avg. asking rent (USD/m ² /month)	\$23.91	\$22.65	\$22.77	↑
Under construction (m ²)	1,059,889	1,181,677	1,237,834	↓

Market Analysis

AVERAGE LEASE RATE AND VACANCY RATE



NET ABSORPTION (M²)



New Inventory Growth

The Class A office market in Mexico City recorded inventory growth for the 19th consecutive quarter, and it currently stands at 7.64 million square meters. Five new buildings started operations in the Periferico Sur, Polanco and Santa Fe submarkets for a total of 106,988 square meters of net rentable space for a 1.42% growth.

The largest of these five buildings is the Summit, located in the Santa Fe submarket which reached 1.4 million square meters of rentable space. The submarket recorded an increase in the vacancy rate for the seventh quarter in a row to 27.8%, equivalent to nearly 400,000 square meters of rentable area. In turn, the Santa Fe submarket recorded the highest vacancy in the city.

Additionally, the Polanco submarket added 3 new buildings for 46,000 square meters of new inventory, while the Periferico Sur submarket added a new corporate building of 5,000 square meters of rentable space.

Market Activity Shows Recovery

Despite the market activity—absorbed space within a quarter—has shown steep decline over the last 5 quarters, the close of the third quarter of 2021 saw major recovery for the highest activity since 1Q20, the last quarter with a “healthy” market. Market activity in 3Q21 was even greater than in 3Q19.

Most of the activity was recorded in the Polanco, Reforma and Santa Fe submarkets with gross absorption of 25,863, 17,490 and 12,934 square meters, respectively. These three submarkets combined for 55.0% of the occupied area in the Mexico City

office market. Note that this is the first quarter in more than a year that all submarkets in the city recorded activity.

Asking Rates Increase

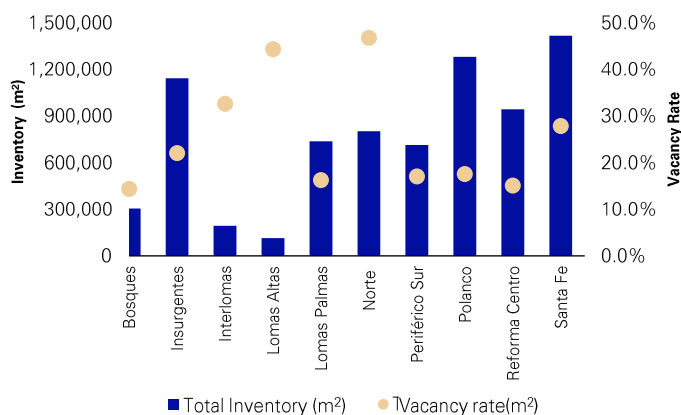
Asking rates averaged \$23.91 USD per square meter per month, the highest since 1Q19. This increase is deemed the result of the addition of the new spaces to the inventory and to the exchange rate volatility. The Lomas Palmas, Bosques and Reforma submarkets recorded the highest asking rates in the markets. In contrast, the lowest asking rates, by far, were recorded in the Norte submarket, followed by the Lomas Altas and Santa Fe submarkets.

Oversupply

Despite the good signs shown by the office market during the quarter, note that the vacancy rate peaked again at 23.3%. This means that the rentable area also hit a record high of 1.78 square meters. The highest vacancy was detected in the Santa Fe and Norte submarkets which combined for 43.0% of the vacant space in the market, equivalent to 750,000 square meters.

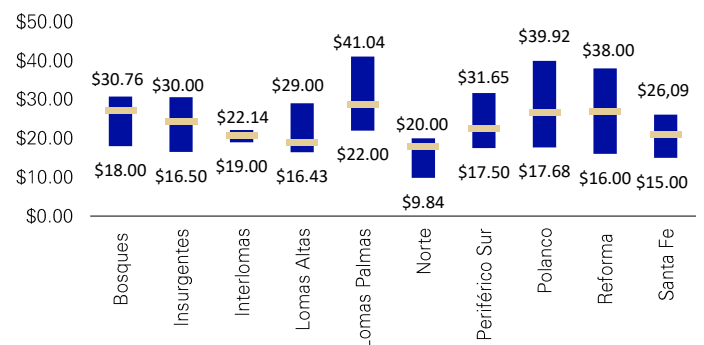
Vacancy per Submarket

TOTAL VACANCY: : 1,784,372 m²



Average Asking Rates Range

MINIMUM AND MAXIMUM ASKING RATES



Submarket Stats

	Total Inventory (m ²)	Deliveries (m ²)	Total Vacancy (m ²)	Vacancy Rate (%)	Total Activity (m ²)	Net Absorption (m ²)	Average Asking Rate (USD/m ² /month)
Bosques	304,343		43,657	14.3%	1,830	-2,800	\$27.13
Insurgentes	1,142,183		251,398	22.0%	6,768	-2,654	\$24.64
Avenida Insurgentes Principal	612,354		159,499	26.0%	3,839	-2,824	\$24.83
Insurgentes Oriente	126,381		23,498	18.6%	0	-314	\$23.40
Insurgentes Revolución	174,834		23,717	13.6%	202	190	\$21.99
Insurgentes Roma-Condesa	77,986		20,468	26.3%	642	-160	\$25.26
Insurgentes San Ángel	150,628		24,216	16.1%	2,085	454	\$24.79
Interlomas	194,070		63,252	32.6%	5,410	5,410	\$21.66
Lomas Altas	114,461		50,681	44.3%	591	591	\$19.04
Lomas Palmas	736,756		119,649	16.2%	10,967	-9,159	\$28.49
Norte	801,318		374,171	46.7%	7,412	-2,495	\$14.05
Norte Atizapan	37,524		14,822	39.5%	0	-34	\$10.49
Norte Azcapotzalco	233,666		88,121	37.7%	3,743	667	\$16.00
Norte Naucalpan	332,193		165,239	49.7%	1,375	-5,421	\$14.76
Norte Tlalnepantla	197,935		105,989	53.56%	2,294	2,294	\$16.00
Periférico Sur	713,507	5,000	121,482	17.0%	12,567	3,875	\$22.96
Polanco	1,280,338	46,519	224,501	17.5%	40,560	-33,588	\$24.87
Polanco Anzures	83,146		26,522	31.9%	0	-1,631	\$23.76
Polanco Granadas	617,121	13,556	90,479	14.7%	19,925	3,242	\$24.93
Polanco Lagos	202,614	32,963	41,579	20.5%	5,676	-27,776	\$21.06
Polanco Tradicional	377,457		65,921	17.45%	262	-7,423	\$27.73
Reforma Centro	942,117		141,867	15.1%	17,490	9,363	\$27.55
Santa Fe	1,415,534	55,469	393,713	27.8%	12,934	-58,077	\$21.54
Total	7,644,626	106,988	1,784,372	23.3%	101,833	-89,533	\$23.91

Reactivation and Recovery

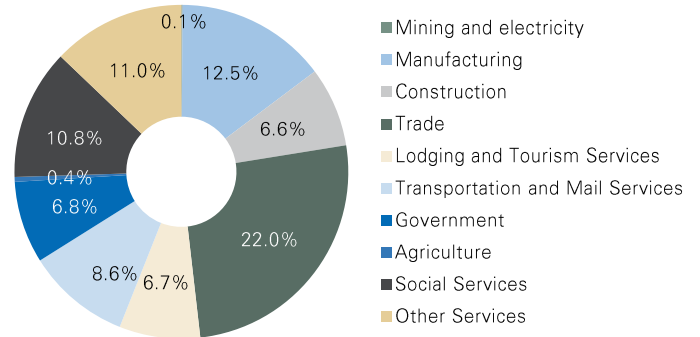
During the fourth quarter of the year, economic recovery has been driven by lifting COVID-19 pandemic restrictions. The reactivation of economic activities has led to an increase in consumer confidence and to a perceptible recovery in the employment rates.

The reactivation of the economy has brought about dynamism to the services sector and it is expected to fully recover early next year.

The GDP recorded an increase for fourth consecutive quarter by 1.5% after remaining stagnant throughout 2020. GDP growth is expected in the fourth quarter of the year, despite the price pressures expected over the next few months.

Employment per Economic Sector

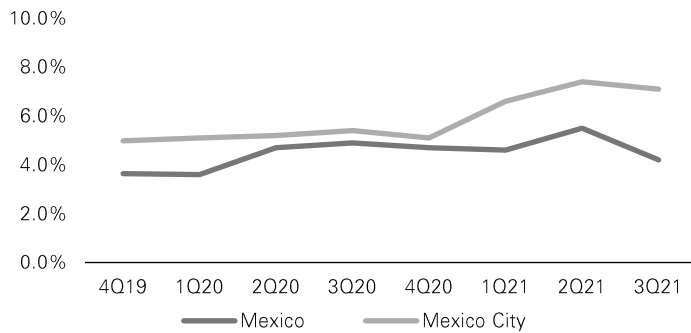
MEXICO CITY AND METROPOLITAN AREA, SEPTEMBER 2021



Source: INEGI, ENOE

Unemployment Rate

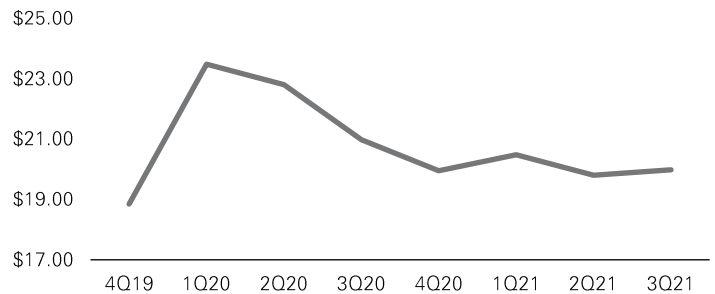
ANNUAL INDICATOR



Source: INEGI, ENOE

Exchange Rate

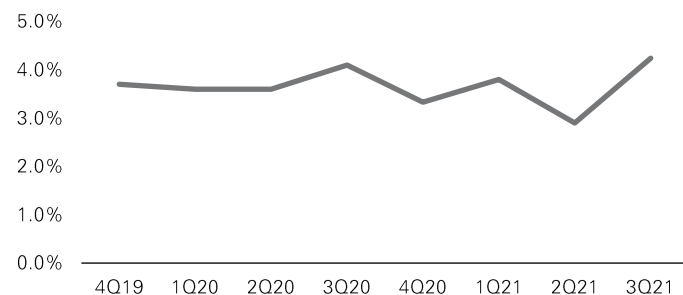
MEXICAN PESOS (MXN) PER U.S DOLLAR (USD)



Source: Banxico

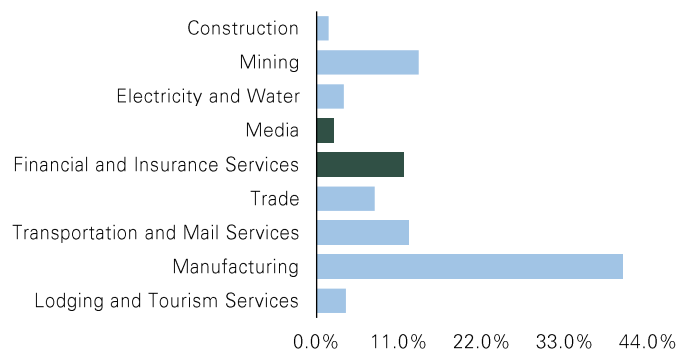
Consumer Price Index

ANNUAL INDICATOR



Source: Banxico

Foreign Direct Investment



Source: CEFPI

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