

Mexico City Office Market

Stability in the Market

The corporate market in Mexico City has remained virtually static compared to the previous quarter, which represents good news after more than 24 months of instability and negative figures.

The inventory has increased marginally due to the addition of two new buildings into the market. This, in addition to the balance between occupations and vacancies, pushed up the availability rate barely 0.1 percent compared to the previous period. This means that there are more than 1.8 million vacant square meters in the market as of today, a number that has remained relatively stable throughout the year.

The quarterly net absorption and gross absorption kept very near to the levels of the previous period, as there were 21,954 sqm and 171,894 sqm, respectively. It is worth mentioning that the gross absorption has been the highest since the onset of the pandemic.

It is a good sign that the net absorption has remained positive, even though vacancies increased noticeably compared to the previous period.

Current Conditions

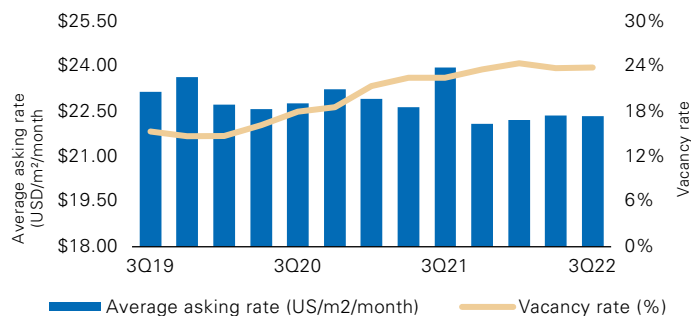
- Gross absorption continued its recovery and reached its highest level in the last two years, with 171,894 sqm.
- Net absorption had a slight decrease but remained stable at 21,954 sqm. We expect it to improve by the end of the year.
- The inventory, availability rate and asking price remained practically unaltered, which gives stability to the market.

Market Summary

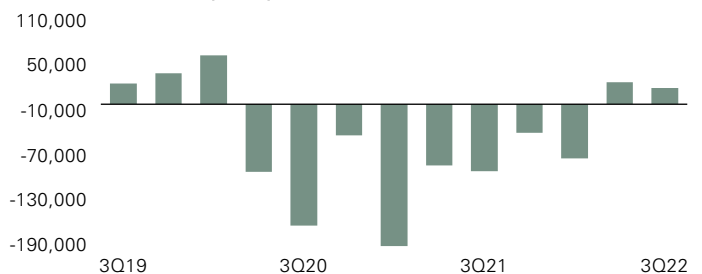
	Current Quarter	Prior Quarter	One Year Ago	12 Month Forecast
Total Inventory (sqm)	7,834,916	7,826,536	7,644,626	↑
Vacancy Rate	23.9%	23.8%	23.34%	↑
Quarter Absorption (sqm)	171,894	148,259	101,833	↓
Avg. Asking Price (USD/sqm/month)	\$22.34	\$22.37	\$23.91	↑
U. Construction (sqm)	1,225,707	1,274,086	1,059,889	↓

Market Analysis

AVG. ASKING PRICE VS VACANCY RATE



NET ABSORPTION (SQM)



RESEARCH 3Q 2022

The market activity increased compared to the previous quarter. As it was previously mentioned, this was the highest activity level since the first quarter of 2020. These movements were mainly concentrated around the Polanco, Insurgentes, and Santa Fe submarkets, which together contributed 57% of the total market activity.

On the other hand, vacancies also increased noticeable in this third quarter, reaching their highest point during last year. The Santa Fe, Insurgentes, and Bosques submarkets underwent the highest number of lost tenants. Together, these submarkets represented a total of 52% of vacancies in the whole city.

The relevance of Santa Fe

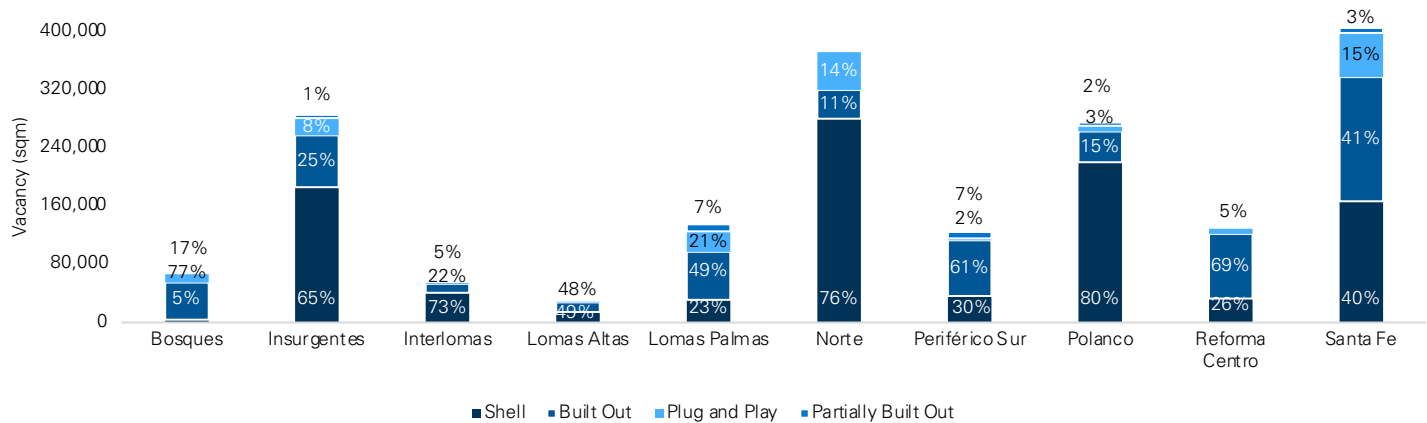
Santa Fe is the largest submarket in the whole city. Even before 2020, it was one of the submarkets with the strongest growth rate. There are 1.4 million square meters of rentable area, which means that 18% of the Class A office inventory in the Mexico City

Metro Area is concentrated around a single submarket. Therefore, it is important to monitor the performance of this submarket, as the movements here have a relevant impact on the market in the whole city.

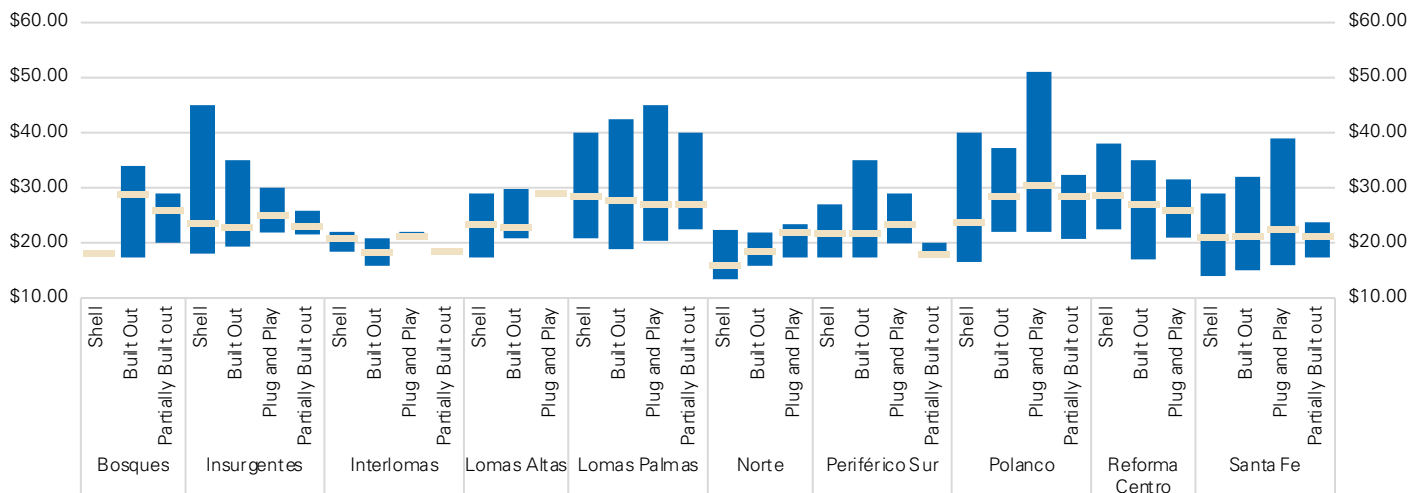
This zone on the western side of Mexico City comprises the 22% of the total vacancy in the corporate market, and it is the third submarket with the lowest asking prices in the market, only behind Interlomas and Norte. This means that based on the vacancy volume, prices in Santa Fe tend to lower the average leasing price for the corporate market in Mexico City.

There have been negative net absorptions consistently, which means a reduction of spaces occupied by companies and the migration of these to other places around the city given there are market conditions favorable for tenants.

Available Space by Condition



Asking Price Range by Condition



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Submarket Stats						
	Total Inventory (sqm)	Deliveries (sqm)	Vacancy (m²)	Vacancy Rate	Gross Absorption (sqm)	Avg. Asking Price (USD/sqm/month)
Bosques	304,343		66,702	21.9%	1,251	\$27.65
Insurgentes	1,190,992	6,790	279,743	23.5%	33,706	\$23.62
Avenida Insurgentes Principal	631,977		165,904	26.3%	11,968	\$23.68
Insurgentes Oriente	140,839		31,411	22.3%	576	\$24.86
Insurgentes Revolución	182,772		17,999	9.8%	15,196	\$22.78
Insurgentes Roma-Condesa	84,776	6,790	35,591	42.0%	4,014	\$24.38
Insurgentes San Ángel	150,628		28,837	19.1%	1,952	\$21.55
Interlomas	194,070		54,865	28.3%	4,661	\$20.07
Lomas Altas	120,586		28,052	23.3%	875	\$21.98
Lomas Palmas	748,279	1,589	133,285	17.8%	11,024	\$27.98
Norte	801,937		370,568	46.2%	12,700	\$16.85
Norte Atizapan	37,529		15,259	40.7%	2,682	\$14.67
Norte Azcapotzalco	233,666		85,787	36.7%	210	\$16.82
Norte Naucalpan	332,807		169,141	50.8%	3,504	\$17.92
Norte Tlalnepantla	197,935		100,380	50.7%	6,305	\$15.42
Periférico Sur	719,021		126,757	17.6%	21,291	\$21.35
Polanco	1,397,801		274,431	19.6%	40,228	\$25.05
Polanco Anzures	83,147		35,244	42.4%	7	\$24.10
Polanco Granadas	703,080		135,886	19.3%	19,383	\$26.81
Polanco Lagos	205,505		43,995	21.4%	1,047	\$18.45
Polanco Tradicional	406,069		59,306	14.6%	19,792	\$26.96
Reforma Centro	942,117		125,253	13.3%	21,952	\$27.35
Santa Fe	1,415,770		410,571	29.0%	24,206	\$21.17
Totals	7,834,916	8,379	1,870,227	23.9%	171,894	\$22.34

Economic Outlook

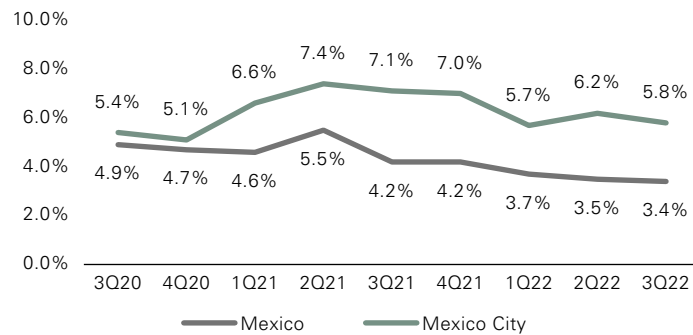
During this third quarter, there was a mild decrease in the unemployment rate, both at the national and Mexico City levels, versus the previous quarter.

During these three periods, Mexico's economic outlook has been adjusted upwards considering the results from the gross domestic product (GDP), tourism, investment, and employment. However, there is still uncertainty about a potential economic recession and inflationary pressures that continue increasing. For this reason, investors continue behaving cautiously, as they look for financial and economic stability.

The exchange rate of the US dollar remains stable because it has not exceeded \$20.50 throughout the year.

Unemployment Rate

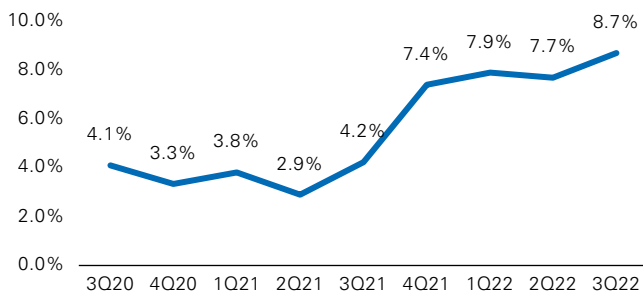
ANNUAL INDICATOR



Source: INEGI, ENOE

Consumer Price Index

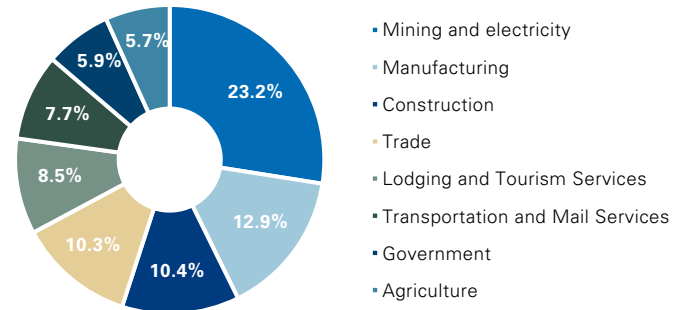
ANNUAL INDICATOR



Source: Banxico

Employment per Economic Sector

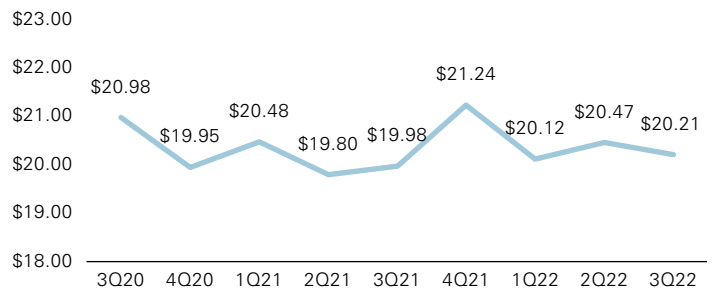
MEXICO CITY METRO AREA



Source: INEGI, ENOE

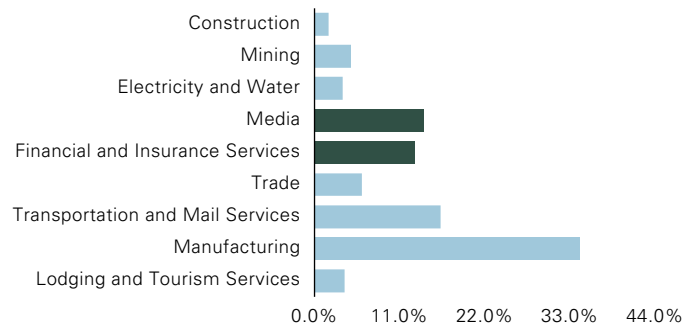
Exchange Rate

MEXICAN PESO (MXN) PER US DOLLAR (USD)



Source: Banxico

Foreign Direct Investment



Source: CEFP

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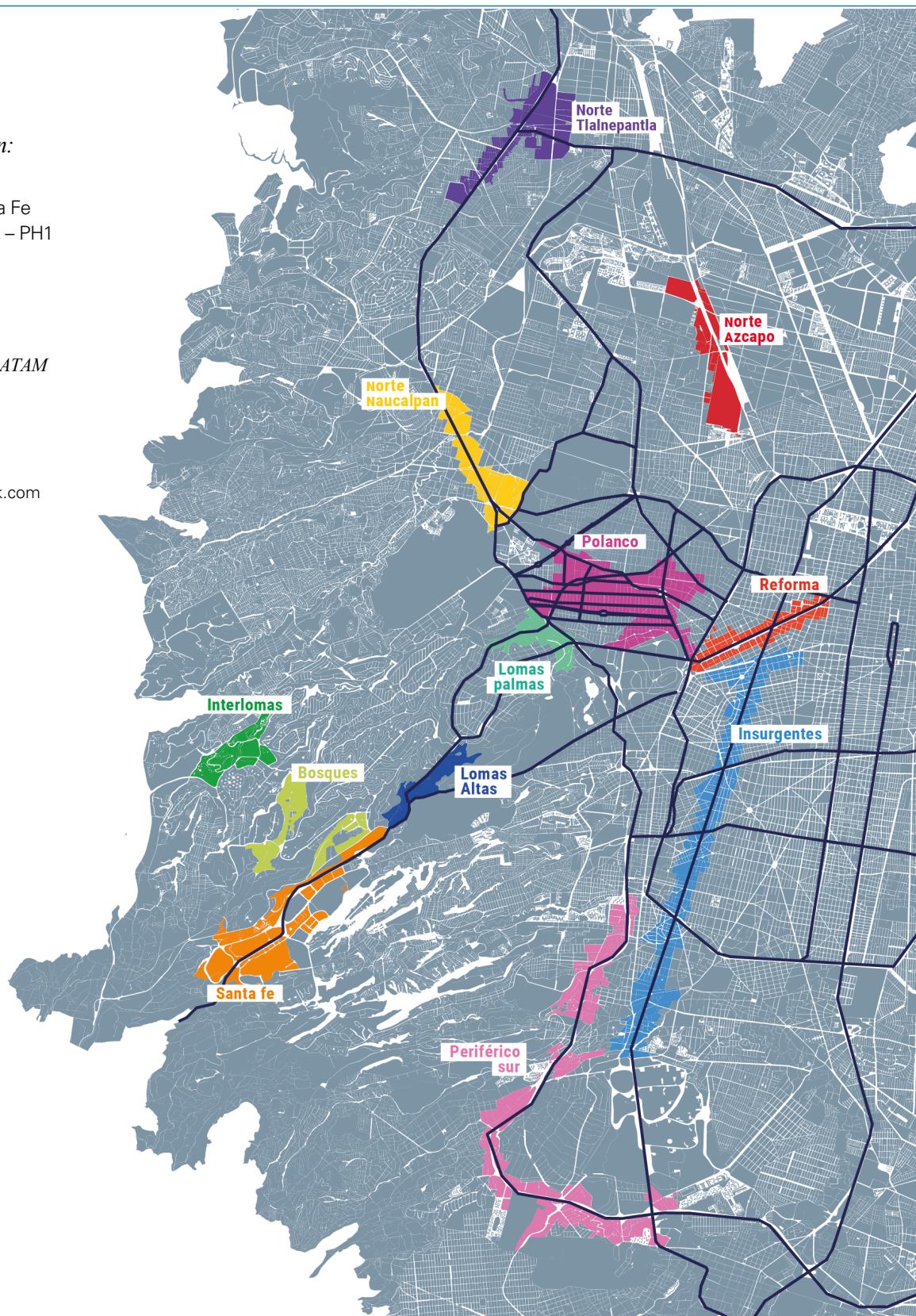
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