



# Monterrey Office Market

## Recovery of pre-pandemic performance

Entering the final stretch of 2022, there is still an upward trend in the surface displaced per quarter. This third quarter has had the most activity since late 2019, adding a total of 21,521 sq. m. Due to the market performance, the availability rate surpassed the 26% barrier –which was a constant since late 2020– reaching a 22.4% rate. This result had not been seen in the city since early 2019.

The Santa María submarket was the only one with surface delivered during this quarter, adding a total of 9,707 sq. m. from the Balzac project. Simultaneous to the introduction of this project into the market, another project started, the tallest mixed-use project in Mexico and Latin America, “Rise”. Extending over 450 meters in height and 95 stories, there will be 34 stories dedicated for office use (44,449 sq. m.). Rise would be the second project with the highest concentration of offices in the city, surpassed only by its neighbor T.OP (50,319 sq. m.). The skyscraper is set to be completed by the end of 2026.

### Current Conditions

- The Class A/A+ office stock reached a total of 1,374,527 sq. m. by the end of the third quarter of 2022.
- The gross absorption reached a total of 21,521 sq. m.
- The availability rate in the office market reached 22.4%, which is equivalent to 308,343 vacant square meters.

### Market Summary

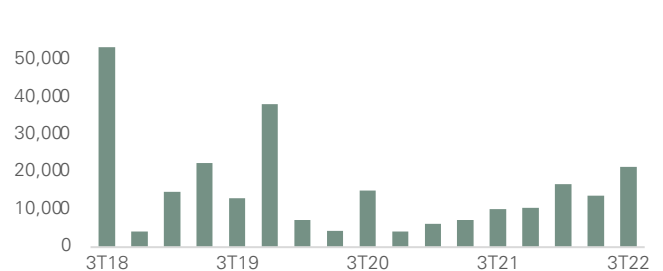
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total inventory (m <sup>2</sup> )	1,375,575	1,366,852	1,326,543	→
Vacancy rate	22.4%	25.9%	25.8%	↓
Quarter absorption (m <sup>2</sup> )	21,521	15,143	10,236	→
Average asking rent (USD/m <sup>2</sup> /month)	\$373.36	\$372.18	\$378.26	→
Under construction (m <sup>2</sup> )	264,492	229,750	316,289	→

### Market Analysis

AVERAGE LEASE RATE AND VACANCY RATE



GROSS ABSORPTION (M<sup>2</sup>)



### Need for more space

The surface per transaction increased considerably during the last quarter. When comparing the performance in Q3 2022 versus the two previous quarters, we can see that with half of the operations (25), it was possible to market 80% of what was displaced during the first quarter.

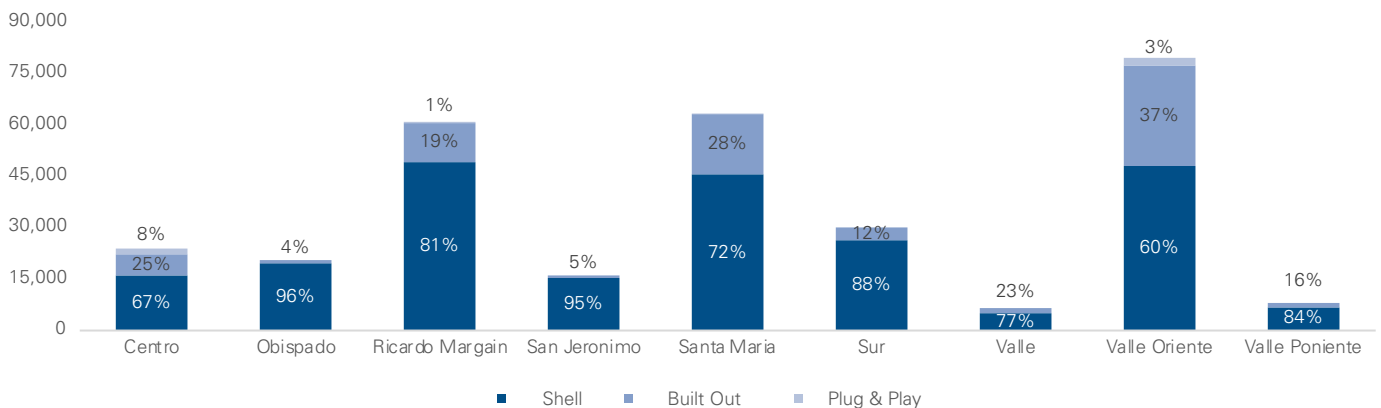
The number of executed agreements in the shell and core stage doubled, with 12 during the first two quarters versus 15 in the third quarter. The surface average per closing reached 1,209 sq. m. The maximum displaced surface was 6,175 sq. m. in the Puntacero project in the downtown submarket, followed by 4,637 sq. m. in the T.OP project in the Obispado submarket.

The current supply of conditioned spaces is severely reduced due to its popularity during the pandemic. This can be seen reflected in the number of operations during this quarter (10), compared to the 37 operations from the previous two quarters. The average surface of these closings remained stable within 360 sq. m.

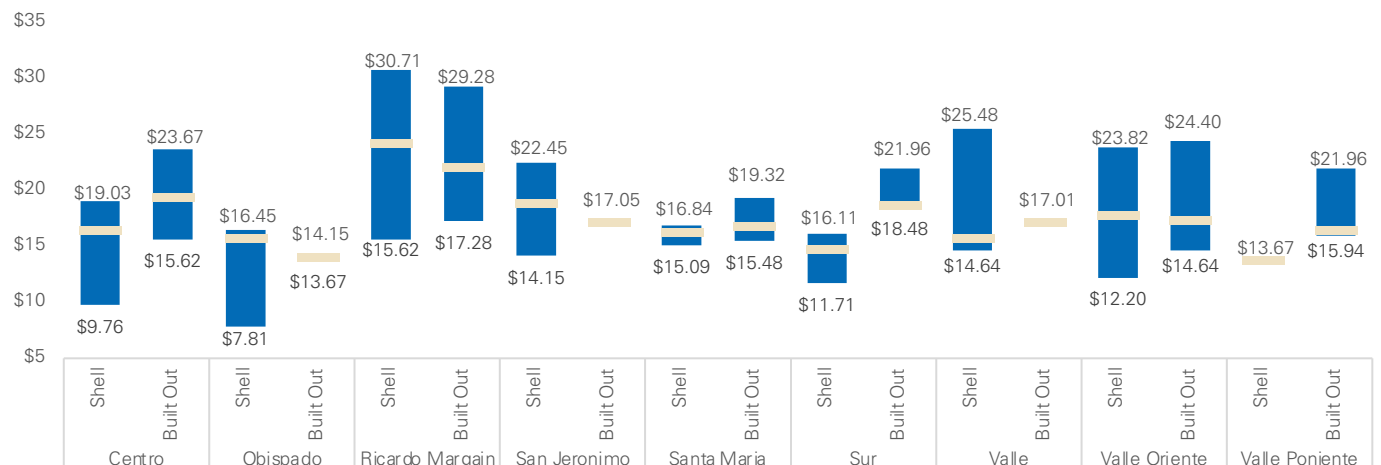
The distribution of operations between shell and core projects versus conditioned spaces was a total of 84% (18,147 sq. m.) and 16% (3,373 sq. m.), respectively. This represents a more conventional state than what was invested during the pandemic. As of the previous quarter, the proportion continued at 50% - 50%.

The asking prices remain stable. In case that the trend pertaining absorption growth continues positive as observed in the last three quarters, an increase could be expected.

### Available Space Conditions Distribution

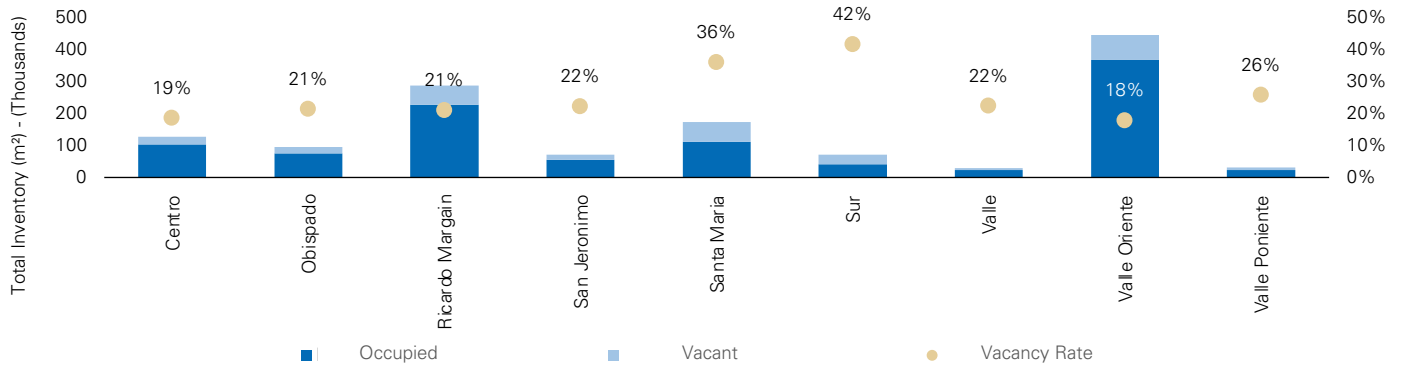


### Asking Rates Range



### Submarket vacancy

**TOTAL VACANCY: 308,343 m<sup>2</sup>**



### Submarket Stats

	Total Inventory (sq. M.)	Deliveries (sq. M.)	Under Construction (sq. M.)	Total Vacancy (sq. M.)	Vacancy Rate	Quarterly Gross Absorption (sq. M.)	Average Rent Price (MXN/sq. M./mes)
Centro	126,441		21,728	23,957.25	18.6%	6,845	\$ 358.9
Obispado	95,640		44,449	20,464.35	21.4%	4,638	\$ 332.7
Ricardo Margáin – Gómez Morín	289,634		4,352	60,826.63	21.0%	4,503	\$ 483.5
San Jerónimo	72,946		96,158	15,967.25	22.2%	2,560	\$ 383.9
Santa María	174,799	9,707	53,804	63,033.06	36.1%	96	\$ 349.6
Sur	71,891		12,211	30,045.55	41.8%	570	\$ 311.4
Valle	28,903			6,488.93	22.5%	0	\$ 327.4
Valle Oriente	448,336		31,790	79,479.09	17.7%	2,310	\$ 356.1
Valle Poniente	31,319			8,081.29	25.8%	0	\$ 291.3
Others	34,617			15,920	46.0%	0	\$ 265.0
<b>Total</b>	<b>1,375,575</b>	<b>9,707</b>	<b>264,492</b>	<b>324,263</b>	<b>22.4%</b>	<b>21,522</b>	<b>\$ 373.36</b>

### Economic Conditions

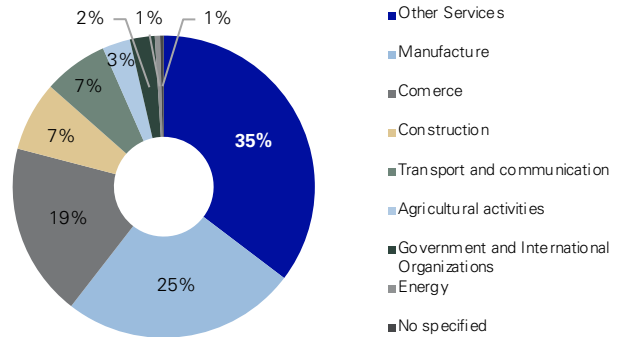
The Nuevo Leon Ministry of Labor and Social Welfare reported the following data of the second quarter of 2022 pertaining to revenue as segmented by economic sector: 35% other services, 25% manufacturing industry, 19% commerce, among others.

The unemployment rate reached a national and state rate of 3.2% and 3.7%, respectively.

The report by the Ministry of Economy for the second quarter of 2022 states that, at the national level, the Direct Foreign Investment was 27,512 million dollars, while the state of Nuevo Leon reached a total of 2,661 million dollars, representing 10% of the total.

### Employment by Sector, Nuevo Leon

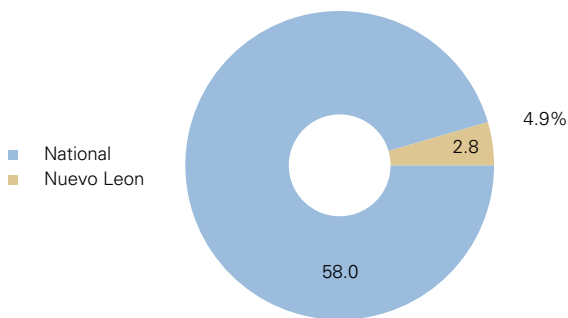
#### ECONOMIC ACTIVITY



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 2Q 2022

### Economically Active Population

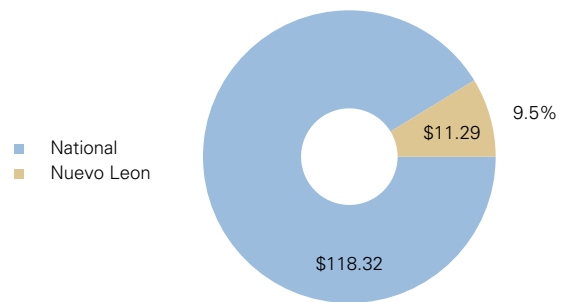
#### MILLION INHABITANTS



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 2Q 2022

### Economic Position, Nuevo Leon

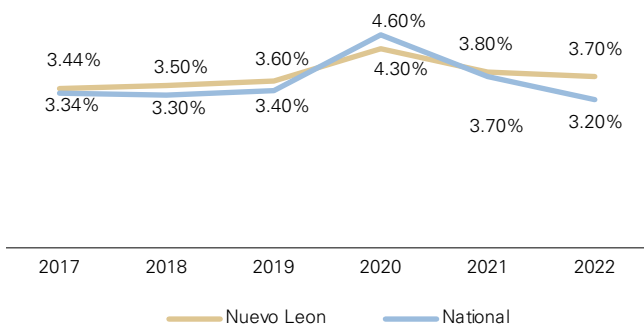
#### EXPORT VALUE, BILLION DOLLAR



Source: ETEF, INEGI, 1Q 2022

### Unemployment Rate

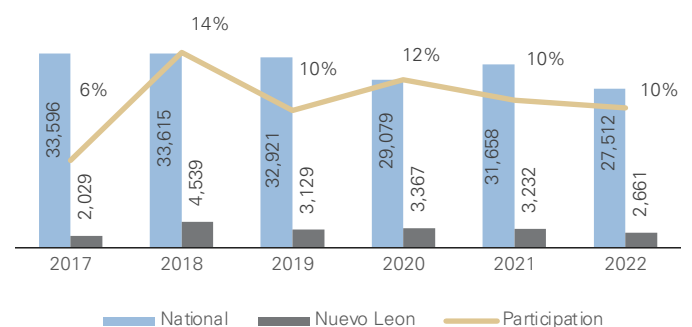
#### INDICATOR



Source: Secretaria del Trabajo y Prevision Social (Nuevo Leon), 2Q 2022

### Foreign Direct Investment

#### USD MILLION



Source: Secretaria de Economia, 2Q 2022

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