

# Mexico City Office Market

## A year of clear recovery

Once again, the Mexico City office market yielded positive results and closed 2022 with a quarter that boosted a year in patent recovery.

The inventory had a slight increase in the Reforma submarket (building), which pushed Class A and A+ net area for lease in CDMX to a total of 7.86 million square meters.

For the third consecutive quarter, the vacancy rate in the general market decreased, closing at 23.4%, which means there is a total of 1.84 million square meters of vacant office spaces in the city. This figure is still high. However, the decreasing trend here is very much welcome for a market that sorely needs signs of stability.

It is important to mention that net absorption remained positive for the third time in a row. However, it is even more relevant to point out that this has been its best period yet since the health emergency. This means that, despite not reaching pre-pandemic levels yet, we can certainly say that the corporate market stabilized in 2022 and continues in frank recovery. We are certain that this trend will continue in 2023.

### Current Conditions

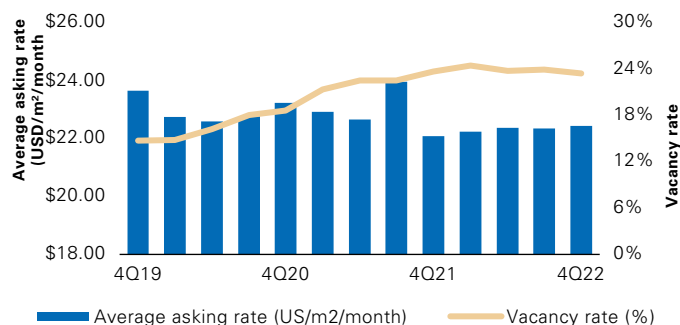
- The inventory displayed a new increase and closed the year with 7.85 million square meters.
- The vacancy rate decreased for the third consecutive quarter, reaching 23.4% by the end of 2022.
- The surface under construction decreased during the last three months of the year. Today, there are 930 thousand square meters under construction.

### Market Summary

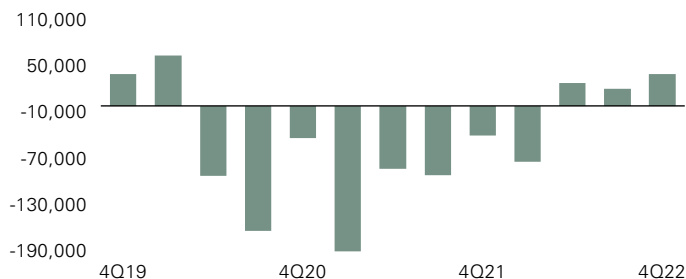
	Current Quarter	Prior Quarter	One Year Ago	12 Month Forecast
Total Inventory (sqm)	7,865,916	7,834,916	7,707,152	↑
Vacancy Rate	23.4%	23.9%	23.7%	↓
Quarter Absorption (sqm)	155,746	171,894	78,758	↓
Avg. Asking Price (USD/sqm/month)	\$22.44	\$22.34	\$22.09	↑
U. Construction (sqm)	930,158	1,225,707	997,363	↓

### Market Analysis

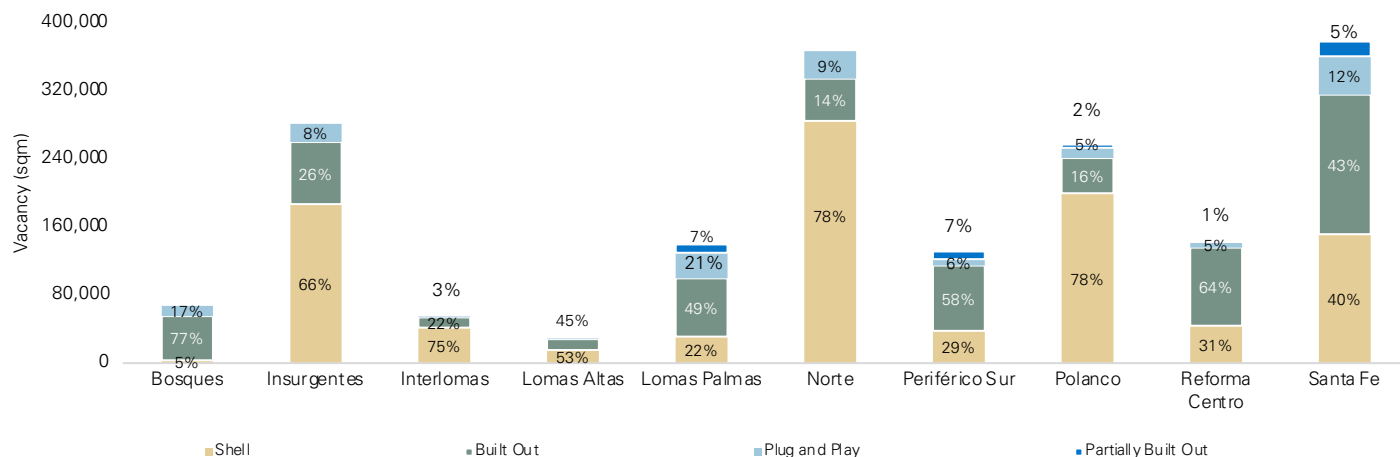
#### AVG. ASKING PRICE VS VACANCY RATE



#### NET ABSORPTION (SQM)



## Available Space by Condition



## Undeniable improvement

One of the primary indicators to measure the condition of real estate markets is gross absorption. This concept is simply about expressing the amount of vacant space that was occupied during the a given period.

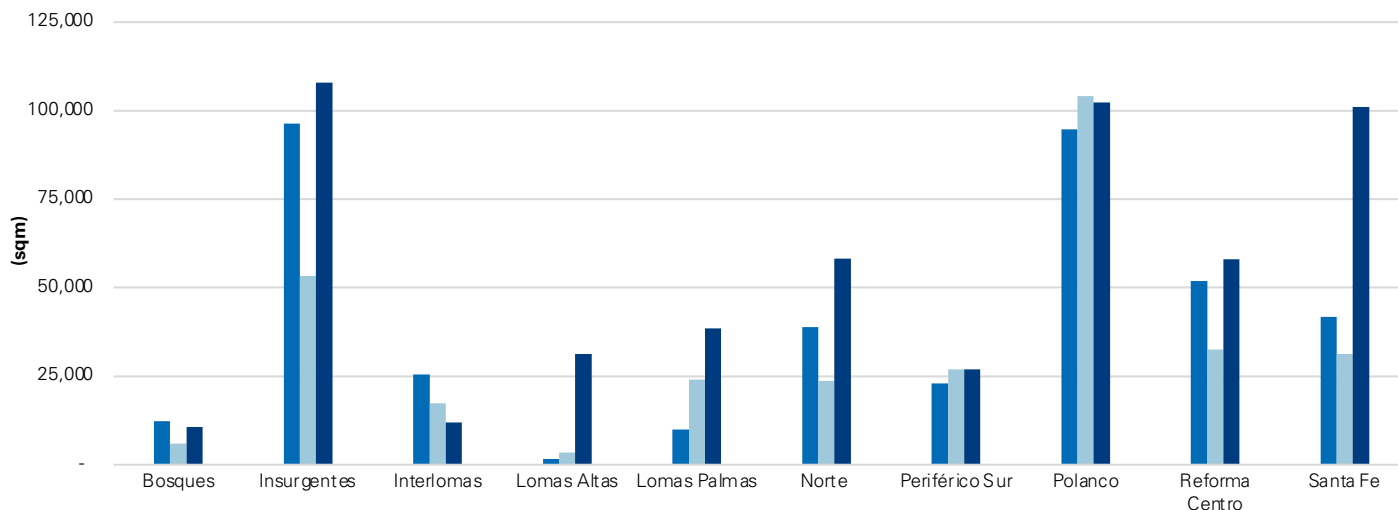
In the case of Mexico City offices, the gross absorption in the fourth quarter of the year was slightly over 155 thousand square meters, the second period with the most occupied space during the whole year. The most important occupations during this quarter took place in the Santa Fe, Polanco, and Insurgentes submarkets. Together, these submarkets represented 69% of the total of square meters occupied in the whole city. In this sense, the largest movements took place in Santa Fe, where two financial institutions carried out movements that added a total of over 30 thousand square meters.

It is interesting to set those 155 thousand square meters in perspective. In 2022, the accumulated gross absorption was 547 thousand square meters, a figure 38% above than in 2020, but also 70% above the results

from 2021. For observers who remain somewhat sceptic about the recovery of the office market, these figures are undeniable proof.

Clearly, if we compare this gross absorption versus the results in pre-pandemic years, we can see that 2022 was 28% lower than in 2019. These results were limited by market conditions that are very unlikely to repeat. The year 2020 represented a change in paradigms. The office market, among many others, will have to adjust to this new reality and be measured against these emerging conditions.

## Gross Absorption by year and by Submarket



## Balanced market

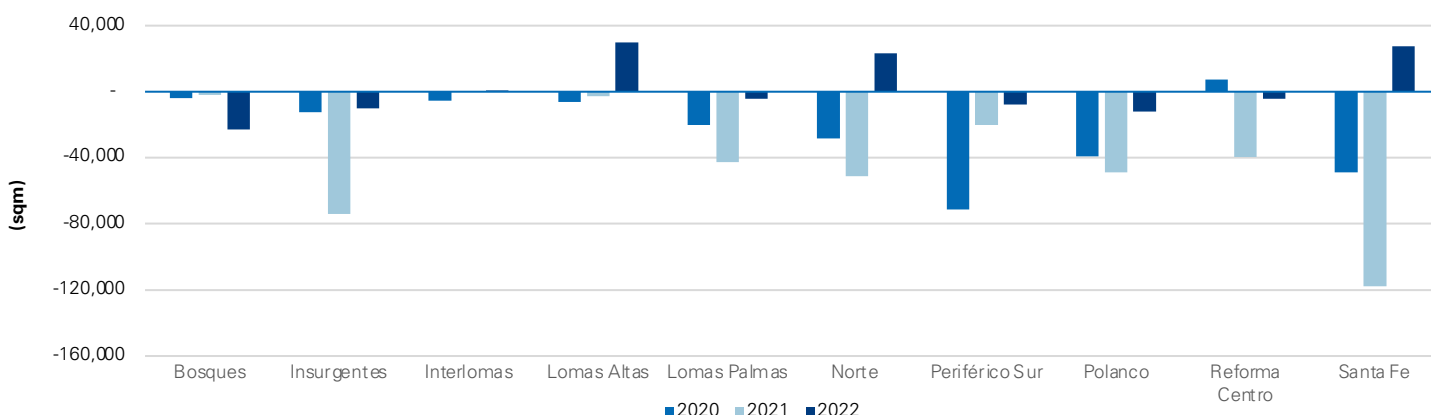
Net absorption is a more complex concept. It includes the occupations, vacancies, and the entry of new buildings into the existing inventory during a given time period. In this manner, it is possible to have a clearer vision of the true market behavior. This indicator better reflects the negative and positive movements in the market.

As opposed to what happened during most of 2020 and all of 2021, in 2022, this figure remained positive throughout the second half of the year. Better yet, the year closed in the black. This consistent improvement is a clear signal that, despite the continuous growth of inventory and natural vacancies of corporate spaces, the Mexico City office market today appears to be balanced.

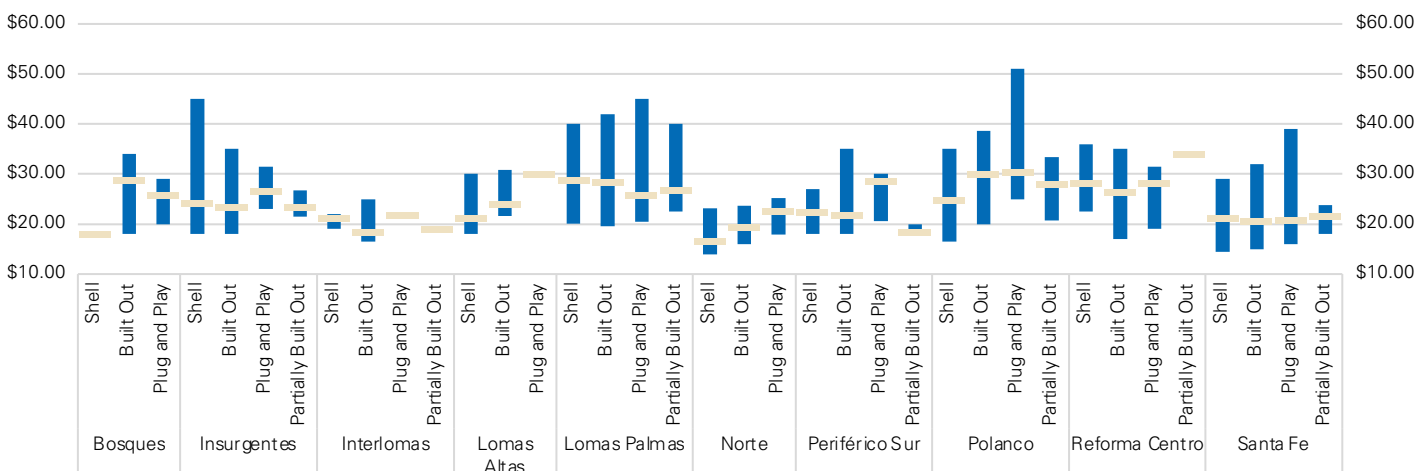
Undoubtedly, 2020 and 2021 were the years with the worst behaviors in these terms, as each of them closed with -228 thousand and -398 thousand square meters, respectively. The submarkets that underwent the most dramatic losses in 2020 were Periférico, Santa Fe, and Polanco, and Santa Fe, Insurgentes, and Norte in 2021.

Nonetheless, the final net absorption recount for 2022 was 20,281 square meters, which represents an immense improvement for the corporate market.

## Net Absorption by year and by Submarket



## Average Asking Rates Range



## RESEARCH 4Q 2022

Submarket Stats						
	Total Inventory (sqm)	Deliveries (sqm)	Vacancy (m²)	Vacancy Rate	Gross Absorption (sqm)	Avg. Asking Price (USD/sqm/month)
<b>Bosques</b>	<b>304,343</b>		<b>67,044</b>	<b>22.0%</b>	<b>1,179</b>	<b>\$27.74</b>
<b>Insurgentes</b>	<b>1,190,992</b>		<b>277,052</b>	<b>23.3%</b>	<b>24,947</b>	<b>\$24.40</b>
Avenida Insurgentes Principal	631,977		160,934	25.5%	12,277	\$24.05
Insurgentes Oriente	140,839		41,266	29.3%	1,292	\$26.15
Insurgentes Revolución	182,772		15,486	8.5%	3,975	\$22.96
Insurgentes Roma-Condesa	84,776		28,188	33.2%	7,403	\$24.72
Insurgentes San Ángel	150,628		31,178	20.7%	0	\$24.25
<b>Interlomas</b>	<b>194,070</b>		<b>55,824</b>	<b>28.8%</b>	<b>1,601</b>	<b>\$20.89</b>
<b>Lomas Altas</b>	<b>120,586</b>		<b>27,947</b>	<b>23.2%</b>	<b>1,341</b>	<b>\$21.83</b>
<b>Lomas Palmas</b>	<b>748,279</b>		<b>137,878</b>	<b>18.4%</b>	<b>4,567</b>	<b>\$27.69</b>
<b>Norte</b>	<b>801,937</b>		<b>371,967</b>	<b>46.4%</b>	<b>15,188</b>	<b>\$17.56</b>
Norte Atizapan	37,529		17,205	45.8%	0	\$15.72
Norte Azcapotzalco	233,666		90,403	38.7%	11,461	\$17.11
Norte Naucalpan	332,807		165,385	49.7%	1,849	\$18.89
Norte Tlalnepantla	197,935		98,974	50.0%	1,878	\$16.00
<b>Periférico Sur</b>	<b>719,021</b>		<b>133,189</b>	<b>18.5%</b>	<b>2,356</b>	<b>\$21.78</b>
<b>Polanco</b>	<b>1,397,801</b>		<b>255,794</b>	<b>18.3%</b>	<b>27,415</b>	<b>\$23.85</b>
Polanco Anzures	83,147		32,693	39.3%	3,564	\$22.82
Polanco Granadas	703,080		131,806	18.7%	8,894	\$23.89
Polanco Lagos	205,505		30,790	15.0%	13,205	\$18.68
Polanco Tradicional	406,069		60,504	14.9%	1,752	\$26.98
<b>Reforma Centro</b>	<b>973,117</b>	<b>31,000</b>	<b>142,814</b>	<b>14.7%</b>	<b>21,861</b>	<b>\$26.88</b>
<b>Santa Fe</b>	<b>1,415,770</b>		<b>374,004</b>	<b>26.4%</b>	<b>55,291</b>	<b>\$20.65</b>
<b>Totals</b>	<b>7,865,916</b>	<b>31,000</b>	<b>1,843,512</b>	<b>23.4%</b>	<b>155,746</b>	<b>\$22.44</b>

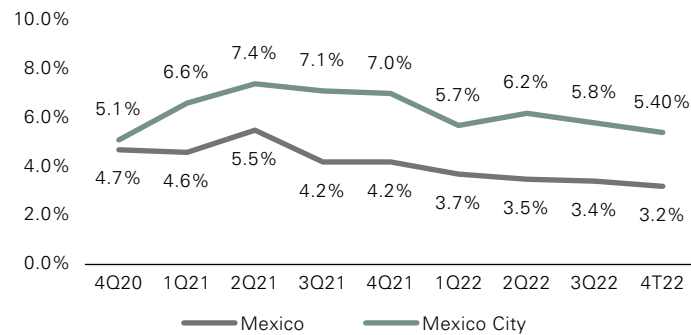
## Encouraging prospects for 2023

It is expected that by 2023 the GDP will register an annual growth of 3.5%, according to Banxico. This corresponds to increased public investment for infrastructure development, as well as private sector investment. Mexico is a country with a strategic advantage in geolocation, which allows it to take advantage of the trade agreements it has.

The growth of the Mexican economy remains positive despite the fact that high inflation is expected. It is estimated that the Bank of Mexico will continue with the upward adjustments in the interest rate to guarantee the anchoring of expectations, despite the fact that inflationary pressures will continue to reflect effects and shocks from external factors.

## Unemployment Rate

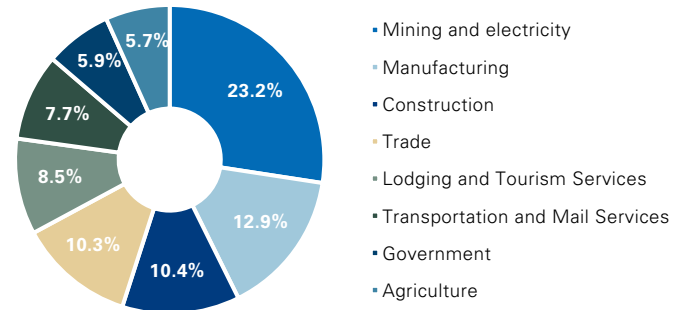
### ANNUAL INDICATOR



Source: INEGI, ENOE

## Employment per Economic Sector

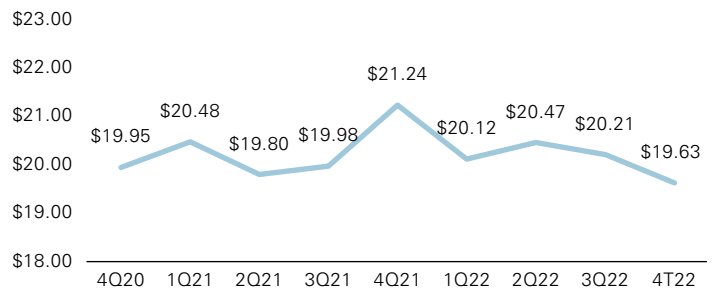
### MEXICO CITY METRO AREA 4Q2022



Source: INEGI, ENOE

## Exchange Rate

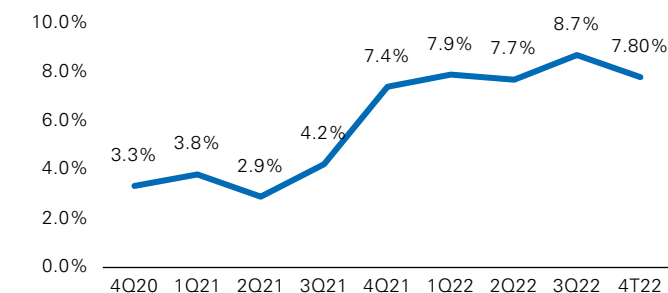
### MEXICAN PESO (MXN) PER US DOLLAR (USD)



Source: Banxico

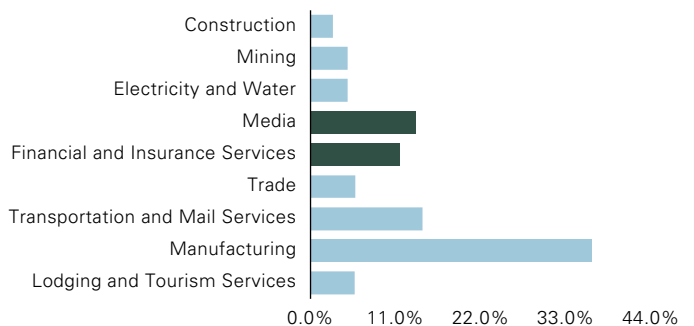
## Consumer Price Index

### ANNUAL INDICATOR



Source: Banxico

## Foreign Direct Investment



Source: CEFP



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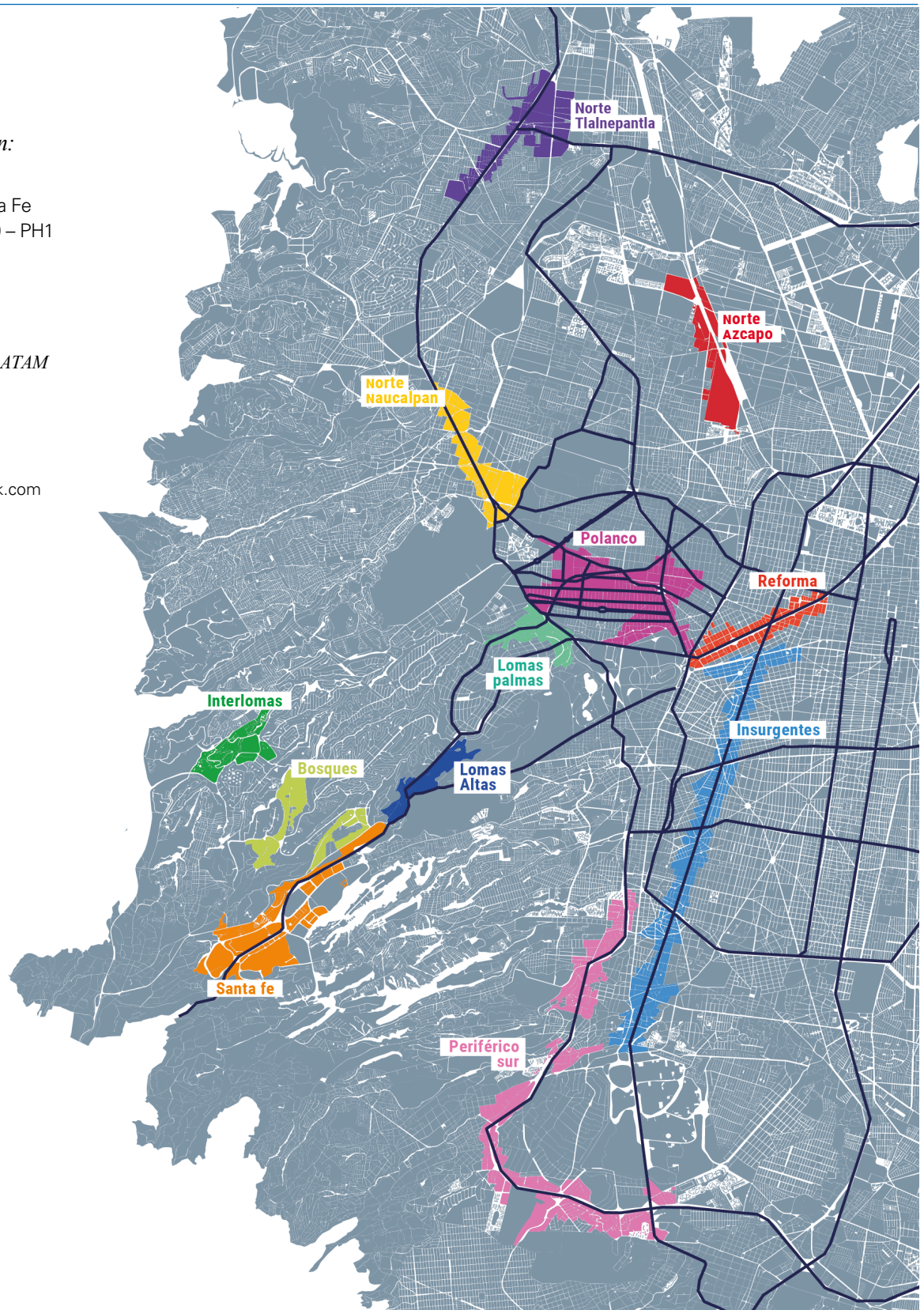
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