



Mexico City Office Market

Constant Recovery

In the last four quarters, the Mexico City Office market has yielded positive results in terms of absorption, a constant vacancy rate, and a small increase in lease prices, thereby demonstrating a clear recovery in this sector.

Over 18,000 square meters entered the inventory in the Periférico Sur and Insurgentes submarkets, closing Q1 2023 with an inventory of over 7.88 million square meters of class A and A+ areas for lease. The vacancy rate remains constant, staying at 23%, which means there are 1.84 million square meters of vacant office spaces in Mexico City. As mentioned, we can see a constant recovery in the office market, which is expected to reach stability by the end of 2024.

We can still observe the reconversion of spaces in whole buildings into doctors' offices, hospitals, and residences. Most such buildings were under construction. This is the case of Chapultepec 264, San Jerónimo 428, Acora Universidad, among others.

Current Conditions

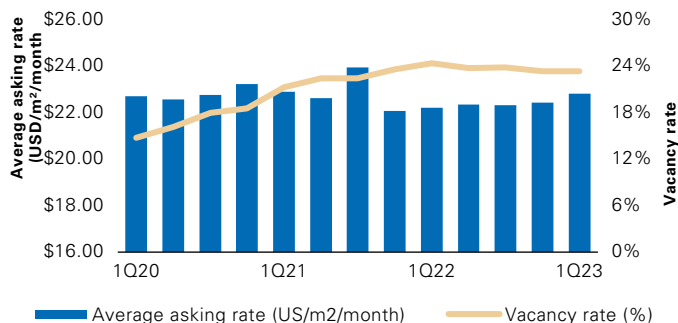
- Over 18,000 meters entered the inventory, closing the quarter with 7.88 million square meters.
- The vacancy rate remained constant, reaching 23.4% by the end of Q1 2023.
- Surfaces under construction increased due to the entry of two new projects. Today, there are 949,000 square meters under construction.

Market Summary

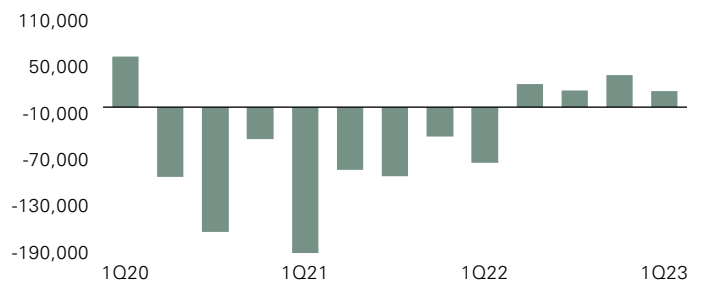
	Current Quarter	Prior Quarter	One Year Ago	12 Month Forecast
Total Inventory (sqm)	7,885,610	7,865,916	7,752,257	↑
Vacancy Rate	23.4%	23.4%	24.5%	↓
Gross Absorption (sqm)	84,461	155,746	72,502	↓
Net Quarterly Absorption (sqm)	21,003	41,109	-38,141	↓
Avg. Asking Price (USD/sqm/month)	\$22.84	\$22.44	\$22.23	↑
U. Construction (sqm)	949,493	930,158	1,407,931	↑

Market Analysis

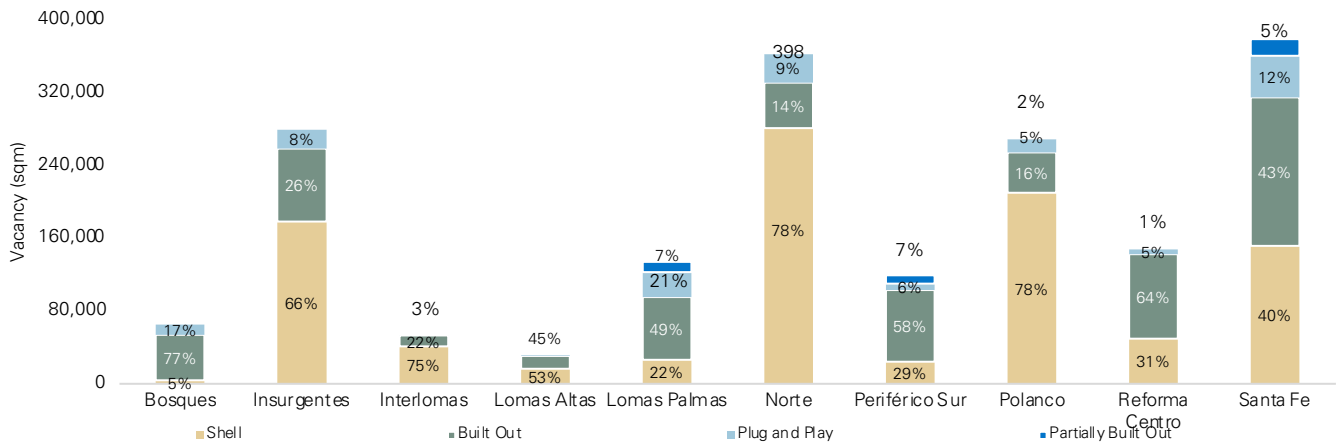
AVG. ASKING PRICE VS VACANCY RATE



NET ABSORPTION (SQM)



Available Space by Condition



Lease prices have not demonstrated major variations, considering that the average has not exceeded USD \$23.00 since Q1 2022. During this last quarter, the price was USD \$22.84.

Gross absorption did not reach the same levels as the previous quarter, because the reported closings within buildings were only small surfaces, ranging from 30 to 6,000 square meters, compared to the closings in that quarter.

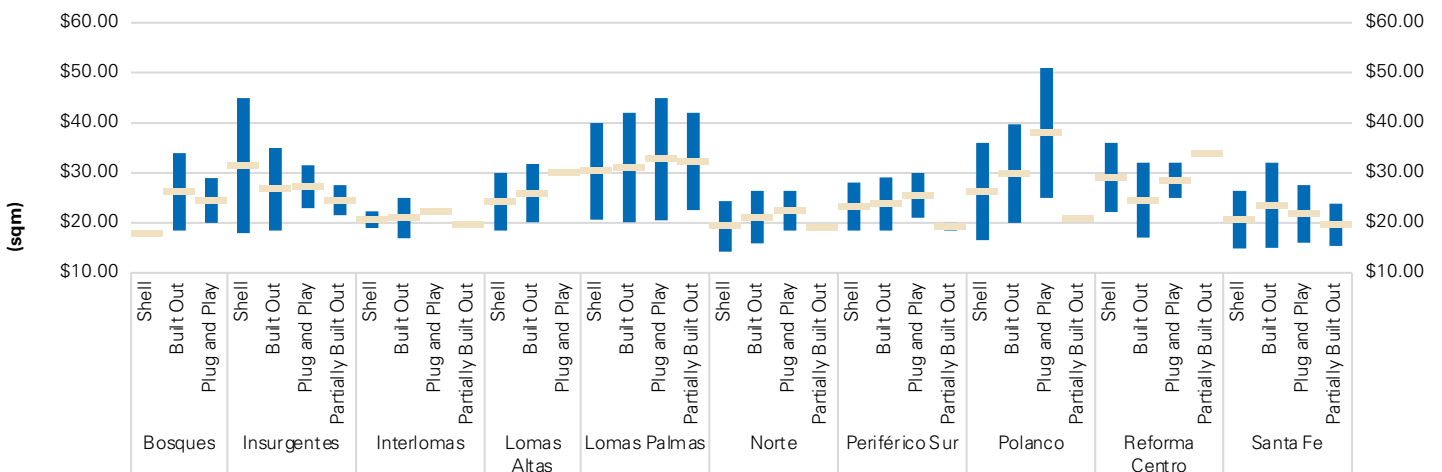
The most important occupations during this quarter took place in the Insurgentes, Norte, and Reforma Centro submarkets. Together, they represented 23% of the total of absorbed square meters throughout the city. Vacancies follow a downward trend, being 38% lower than the previous quarter. The submarkets most affected by this trend were Polanco, Reforma Centro, and Santa Fe, with a total of 32,000 vacant square meters.

However, in the last year, the Mexico City office market displayed positive absorptions that went from 20,000 to 40,000 square meters. There were only negative results in the Lomas Altas, Polanco, and Santa Fe submarkets. These figures show how, little by little, this market has stabilized and continues recovering.

Projects that are under construction continue advancing, albeit modestly, as there are projects that have not deployed their operations in full, being delayed from quarter to quarter. This is directly related to the suspensions and revisions of construction licenses by the government.

We have identified large mixed-use projects due to enter before the end of 2023, such as Distrito Santa Fe South Tower, Miyana 2, Espacio Condesa, among others.

Average Asking Rates Range



Flexible Spaces

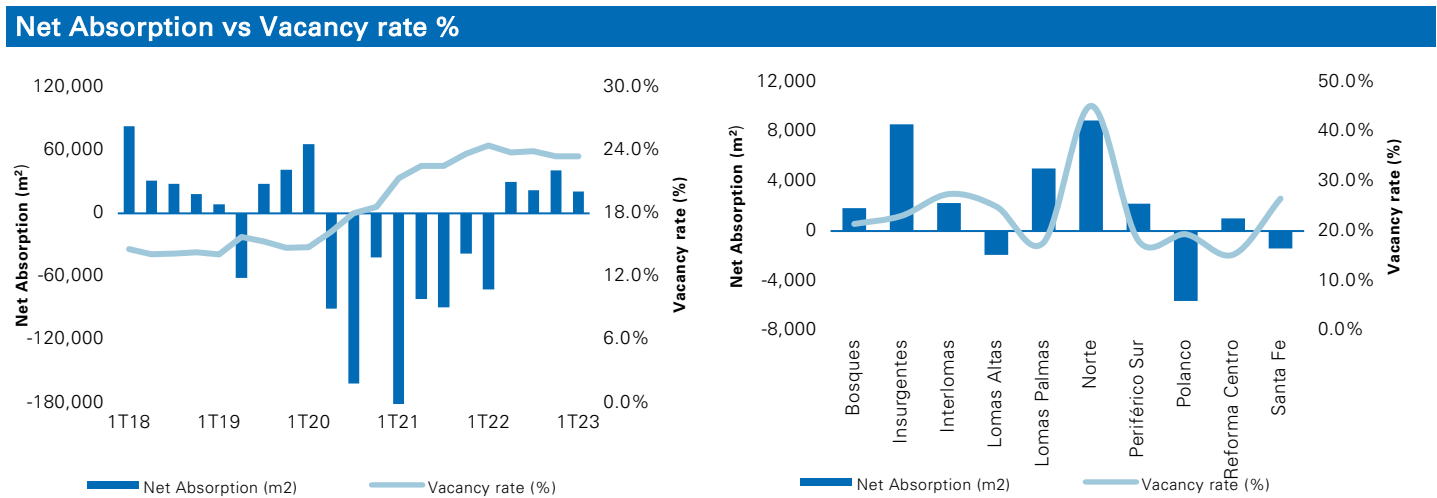
During the last quarters, the market had better positioning. However, with the new work modes, some companies seek to return their employees in a more useful and practical manner. Thus, flexible spaces are a workplace strategy in the corporate market.

Coworking spaces entered Mexico in the year 2009. They became a trend, especially among SMEs, freelancers, and entrepreneurs that required some corporate presence.

Even though it is expected that home office will impact the occupation in these centers, their adaptability to the market allowed them to have various advantages, namely: completely furnished office spaces, flexible lease periods, and diversity in the offered services, which entail a reduction on the invested cost versus a traditional office.

Their versatility has allowed them to occupy areas other than corporate buildings, as they also offer ad hoc spaces in each of their locations. Nowadays, there are over 100 business center spaces in the Mexico City metropolitan area, mainly in the Polanco, Reforma, and Insurgentes submarkets. Further, there are new companies offering this service.

These coworking spaces provide the opportunity for users to interact with its environment, while also adapting to new work models.



Important operations

Submarket		(m ²)
Insurgentes	Call Center	11,424
	Financial	22,530
	Logistic	1,641
	Telecommunication	1,909
Interlomas	Energetic	1,353
	Economic	3,218
Norte	Ecommerce	3,322
	Logistic	5,851
Polanco	Technology	4,540

RESEARCH 1Q 2023

Submarket Stats							
	Total Inventory (sqm)	Deliveries (sqm)	Vacancy (m ²)	Vacancy Rate	Gross Absorption (sqm)	Net Quarterly Absorption (sqm)	Avg. Asking Price (USD/sqm/month)
Bosques	304,343		65,212	21.4%	4,222	1,832	\$27.60
Insurgentes	1,197,068	6,076	276,181	23.1%	21,942	8,608	\$24.52
Avenida Insurgentes Principal	631,977		161,317	25.5%	11,392	6,621	\$24.28
Insurgentes Oriente	140,839		41,530	29.5%	692	-265	\$26.24
Insurgentes Revolución	182,772		13,582	7.4%	3,434	1,904	\$22.03
Insurgentes Roma-Condesa	90,852	6,076	29,843	32.8%	4,421	-1,655	\$24.53
Insurgentes San Ángel	150,628		29,909	19.9%	2,003	2,003	\$24.57
Interlomas	194,965		53,557	27.5%	2,267	2,267	\$20.45
Lomas Altas	120,586		30,079	24.9%	0	-1,913	\$22.45
Lomas Palmas	748,279		132,534	17.7%	8,714	5,056	\$28.00
Norte	801,937		363,019	45.3%	11,059	8,949	\$18.22
Norte Atizapan	37,529		17,205	45.8%	0	0	\$16.17
Norte Azcapotzalco	233,666		90,403	38.7%	0	0	\$17.98
Norte Naucalpan	332,807		160,384	48.2%	6,731	5,001	\$19.65
Norte Tlalnepantla	197,935		95,026	48.0%	4,328	3,948	\$16.41
Periférico Sur	731,419	12,000	131,963	18.0%	15,747	2,209	\$21.95
Polanco	1,397,801		270,479	19.4%	6,989	-5,644	\$25.73
Polanco Anzures	83,147		32,283	38.8%	3,673	-103	\$24.58
Polanco Granadas	703,080		139,493	19.8%	0	-2,346	\$27.10
Polanco Lagos	205,505		36,457	17.7%	0	-4,453	\$19.22
Polanco Tradicional	406,069		62,246	15.3%	3,316	1,258	\$26.93
Reforma Centro	973,442		148,260	15.2%	4,695	1,035	\$26.51
Santa Fe	1,415,770		375,704	26.5%	8,827	-1,395	\$20.56
Totals	7,885,610	18,076	1,846,989	23.4%	84,461	21,003	\$22.84

Mexico with Positive Figures

The start of this year has been favorable in Mexico. It grew at least 2.8% during January, per the IOAE indicator. This will foster national development, considering that CDMX contributes with 15.3% of the national Gross Domestic Product.

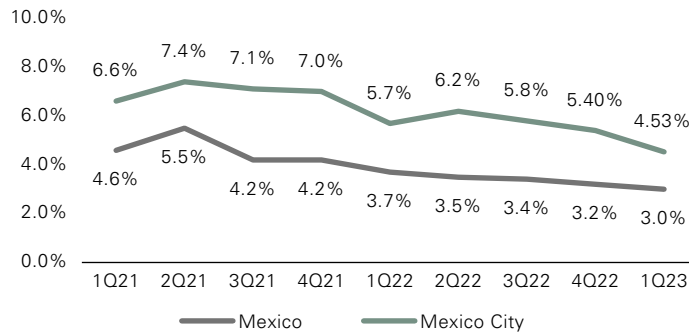
On the other hand, the inflation rate slowed down to stabilize at a yearly rate of 7.6% , a decrease that was observed in February.

The unemployment rate continues with a decreasing rate. By the end of March 2023, the rate reached 3.0% in CDMX and 4.5% nationwide.

During the most recent weeks, the Mexican peso has benefited from the global optimism driven by positive results coming from China. Considering this, the currency has become one of the best faring versus the dollar.

Unemployment Rate

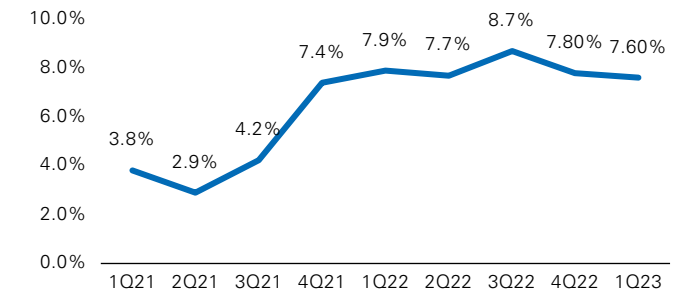
ANNUAL INDICATOR



Source: INEGI, ENOE

Consumer Price Index

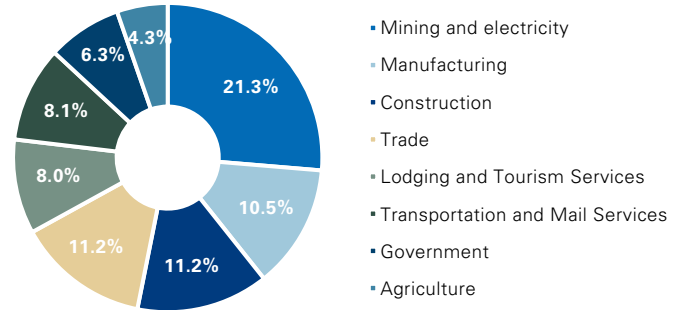
ANNUAL INDICATOR



Source: Banxico

Employment per Economic Sector

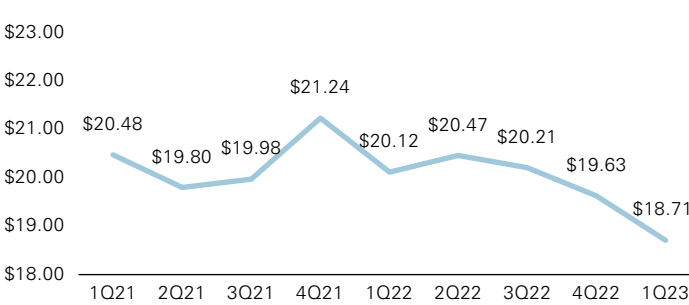
MEXICO CITY METRO AREA 1Q2023



Source: INEGI, ENOE

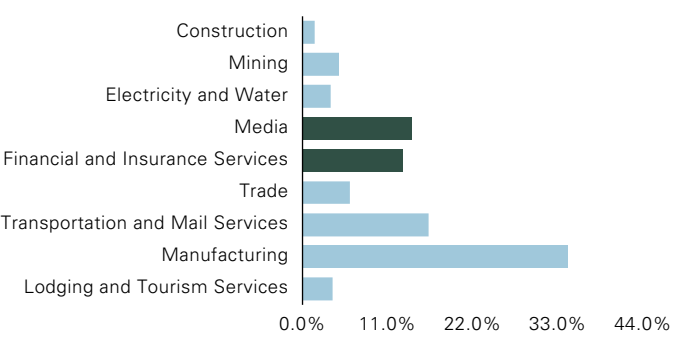
Exchange Rate

MEXICAN PESO (MXN) PER US DOLLAR (USD)



Source: Banxico

Foreign Direct Investment



Source: CEFP

For further information:

Mexico City

Corporativo Espacio Santa Fe
Carr. México-Toluca 5420 – PH1
Santa Fe, CDMX. 05320
t 52 55-5980-2000

Juan Flores

Market Research Director LATAM
juan.flores@nrmk.com

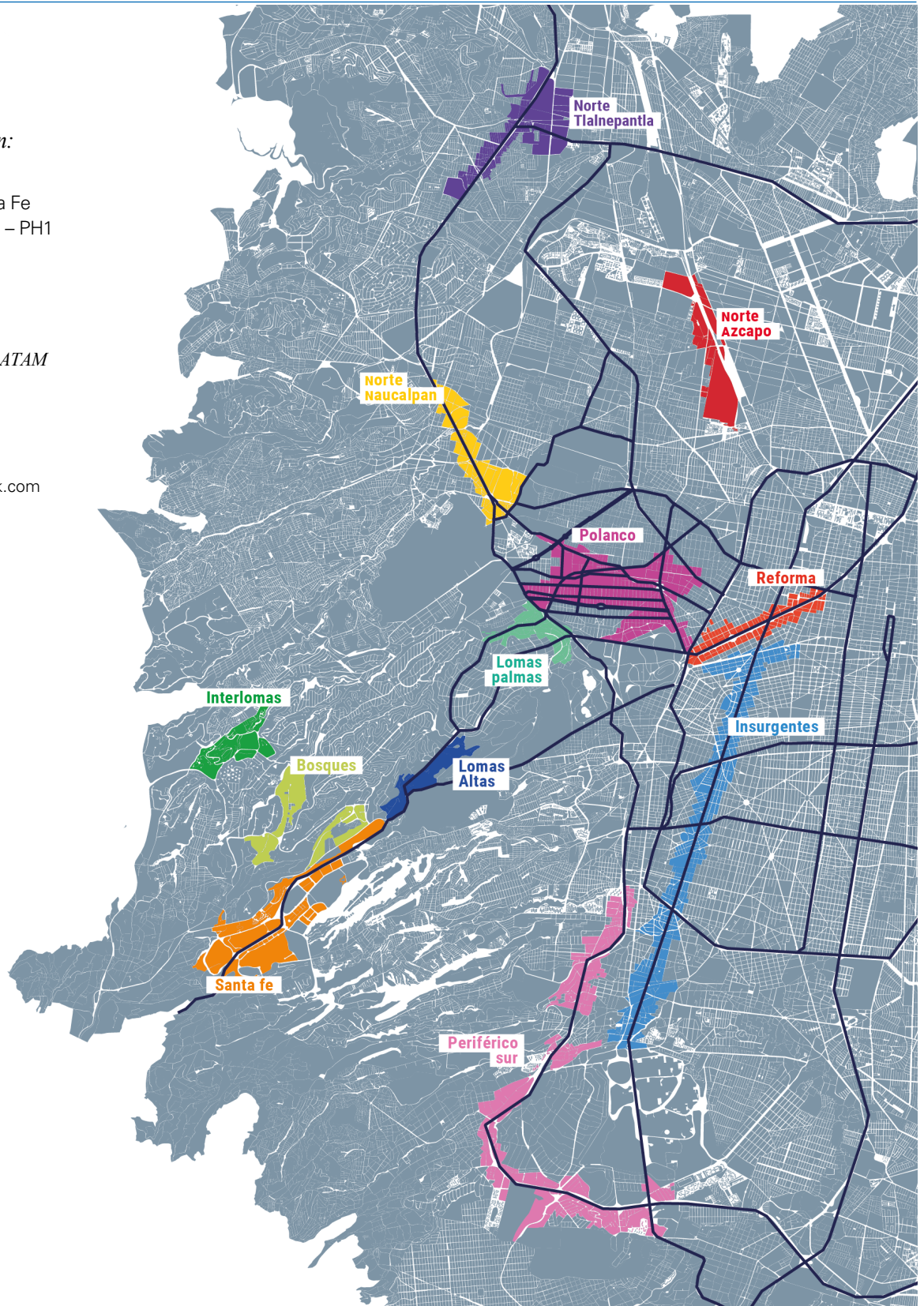
Mauricio Mondragón

Market Research Manager
mauricio.mondragon@nrmk.com

Karen Gutiérrez

Market Research Analyst
karen.gutierrez@nrmk.com

newmark.mx



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