



Monterrey Office Market

Stabilized Market, New Outlooks

During the first quarter of the year, it was clear that the trend of recovery continues. In 2023, it is expected that construction projects over the city (SOHL, LoLa, BH Lifework) will reactivate. It is estimated there will be an increase of over 100,000 m² in the inventory over the following years.

The vacancy rate continues in the contraction rate that was observed throughout 2022. The year starts with a reported vacancy rate of 20.8%. Even though the rate continues contracting, the pace in which it is doing so has slowed down. It is expected to stabilize at a constant decrease of 1.0% per quarter.

Gross absorption in the quarter closed at 13,419 m², a total inferior to totals in the last two quarters. The displaced surface continues to be within the absorption range observed in the last 5 quarters (13,000 m² to 21,000m² per quarter).

All the signs seem to indicate that the trend of recovery will continue successfully throughout 2023.

Current Conditions

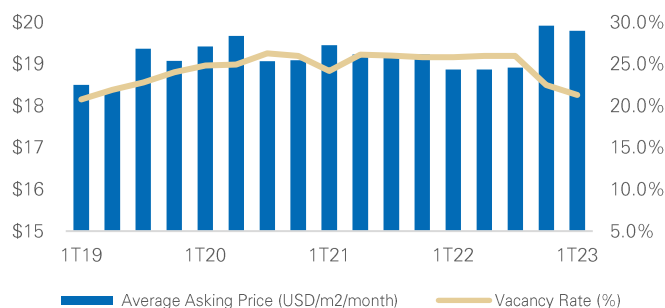
- Office inventory totaled 1,375,575 sq. m. as of the first quarter of 2023.
- Gross absorption amounted to 13,419 sq. m.
- The office market availability rate reached 20.8%, equivalent to 285,814 sq. m. vacant.

Market Summary

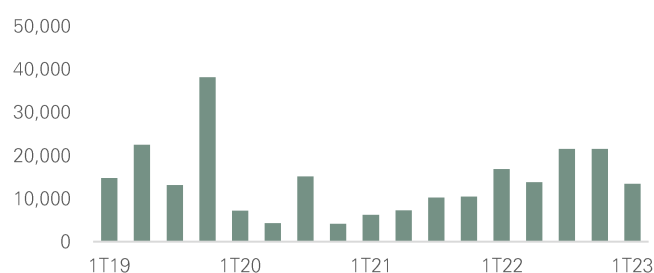
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total inventory (m ²)	1,375,575	1,375,575	1,326,543	↑
Vacancy rate	20.8%	21.3%	26.1%	↓
Quarter absorption (m ²)	13,419	21,563	15,143	↑
Average asking rent (USD/m ² /month)	\$370.88	\$373.19	\$372.18	→
Under construction (m ²)	264,492	264,492	229,750	↑

Market Analysis

AVERAGE LEASE RATE AND VACANCY RATE



GROSS ABSORPTION (M²)



Tesla Comes to Monterrey

In March, there was an official announcement that Tesla will make an estimated investment of USD \$5,000 million for its new Gigafactory. The plant is expected to produce up to one million electric vehicles per year. The site will cover a surface of approximately 1,600 hectares. It is expected to be operational by the beginning of 2024.

Tesla's plant will be built in Santa Catarina municipality. It will be the first of its type in Latin America and the fifth in the world, although it will be larger than the other four in existence. It is estimated that the project will create approximately 6,000 direct jobs and 30,000 indirect jobs, which could potentially increase average salaries by 25% in the area.

This investment has raised considerable speculation and expectations in all the branches of real estate. But how will it affect the office market?

Proximity and access to the location of the future plant becomes the main factor to determine the impact on the corporate market.

The initial attention falls on the Santa Catarina submarket, which currently has a total inventory of 25,628 m², including 75% that remains vacant. Historically, Santa Catarina has been one of the submarkets with the least activity in the market. Therefore, it will be the submarket with the most obvious impact due to its considerable vacancy rate, prices, and construction.

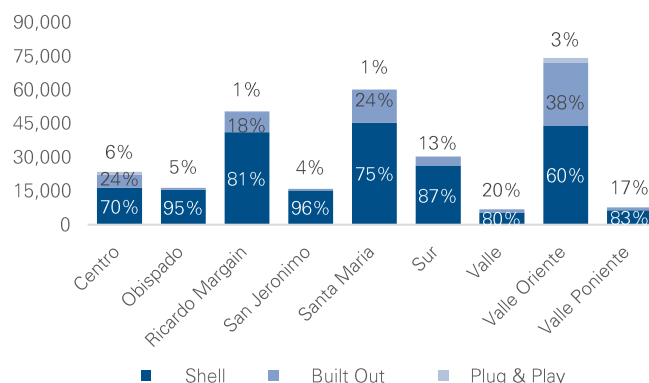
The next in the list is the Santa María submarket. Even though this is not the closest to the Gigafactory, its fast thoroughfares for access, along with the quality of its corporate products, make it one of the most appealing zones.

It has over three times the available surface (60,257 m²) and seven times the total inventory (174,568 m²) of Santa Catarina, as well as current construction for 35,000 m². For this reason, we estimate that Santa María is the submarket most likely to benefit by the arrival of Tesla.

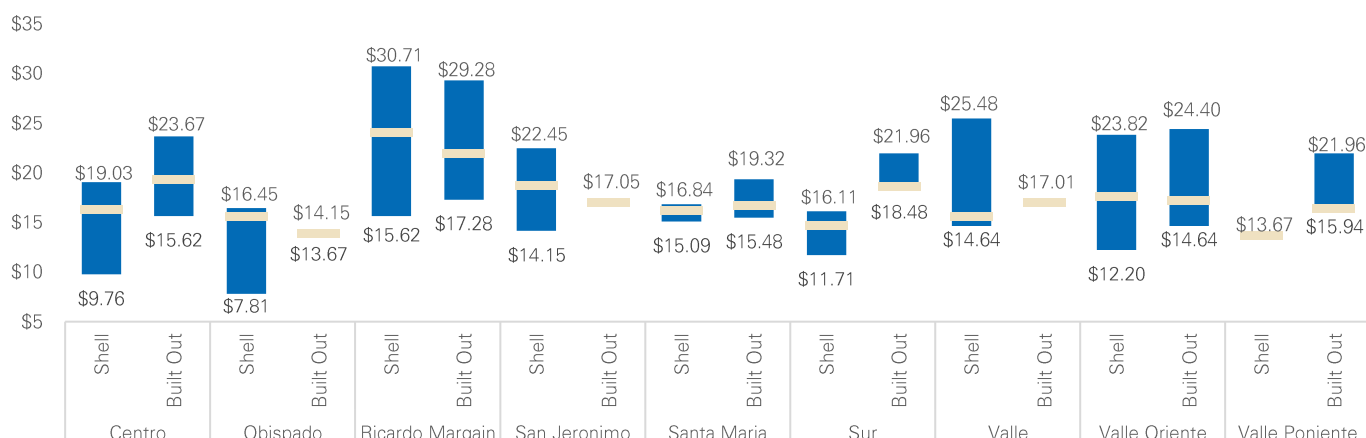
It is worth noting that, since 2021, approximately 120 suppliers for Tesla started operating in the city. Since November last year, another 30 have arrived. For this reason, we can say we are still in the initial stages of impact in the city.

The outcome of this investment goes beyond what is strictly linked to Tesla, as investment is synonymous with confidence. This will establish Mexico as the platform for the export of vehicles to North America. It is expected that this decision will instill confidence among new businesses and services to operate in Monterrey.

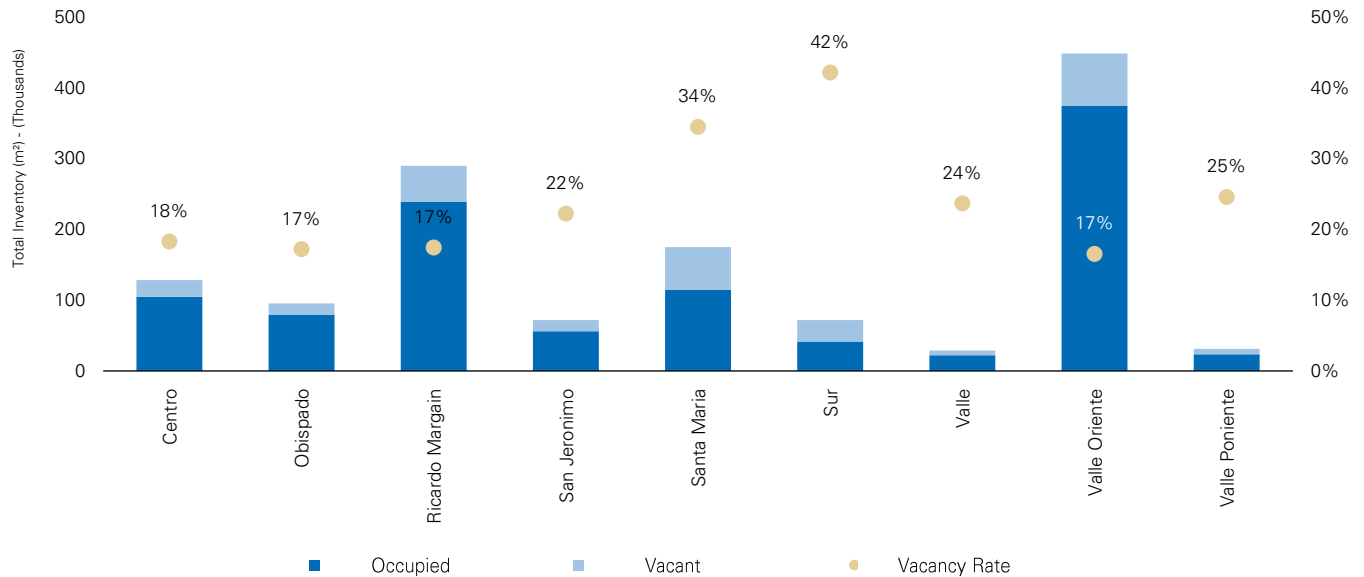
Available Space Conditions Distribution



Price Range and Average Rents



Submarket vacancy

TOTAL VACANCY: 285,833 m²

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	128,472		21,728	23,523	18.3%	354	355.0
Obispado	95,640		44,449	16,465	17.2%	0	319.1
Ricardo Margáin – Gómez Morín	289,634		4,352	50,568	17.5%	1,914	497.2
San Jerónimo	71,962		96,158	16,002	22.2%	813	384.7
Santa María	174,800		53,804	60,257	34.5%	1,837	350.4
Sur	71,891		12,211	30,287	42.1%	2,910	313.2
Valle	28,904			6,845	23.7%	2,650	351.4
Valle Oriente	448,336		31,790	74,167	16.5%	2,806	348.4
Valle Poniente	31,319			7,701	24.6%	136	291.9
Others	34,617			15,920	46.0%	0	265.0
Total	1,375,576		264,492	301,735	20.8%	13,419	370.87

Economic Conditions

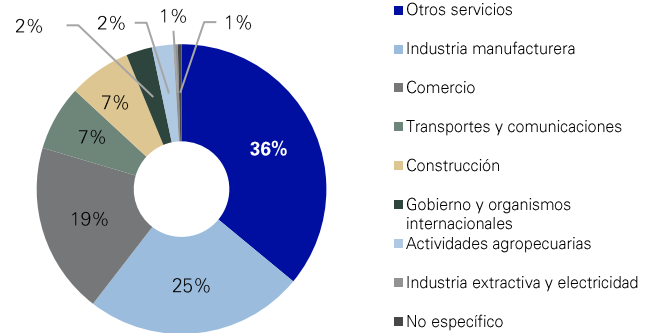
The Ministry of Labor and Welfare of Nuevo León indicated that economic activity per industry, as of the fourth quarter of 2022, was as follows: 36% other services, 25% manufacturing industry, 19% commerce, among others.

The unemployment rate recorded in the last quarter of 2022 was similar to the national and state averages, 3.0% and 3.6%, respectively.

Regarding the press release by INEGI for December 2022, regarding the Gross Domestic Product per Federal Entity in 2021, the total, weighted under basic prices, was 24.2 million current pesos, whereby Nuevo León had a share of 8.3%.

Employment by Sector, Nuevo Leon

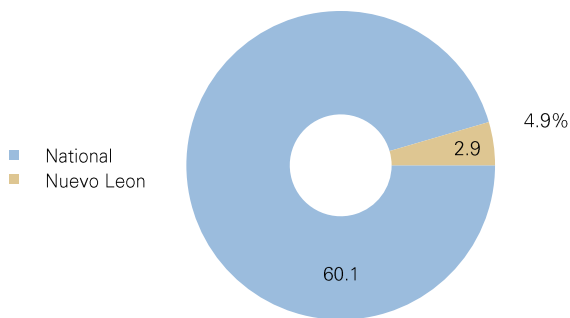
ECONOMIC ACTIVITY



Fuente: Secretaría del Trabajo y Previsión Social (Nuevo León), 4T 2022

Economically Active Population

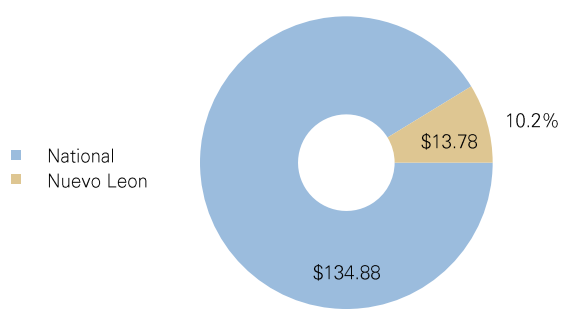
MILLION INHABITANTS



Fuente: Secretaría del Trabajo y Previsión Social (Nuevo León), 4T 2022

Economic Position, Nuevo Leon

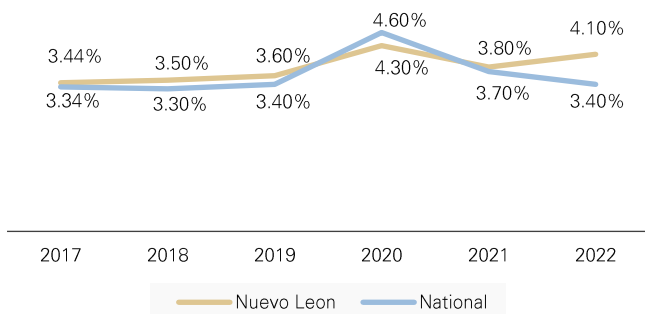
EXPORT VALUE, BILLION DOLLAR



Fuente: ETEF INEGI, 3T 2022

Unemployment Rate

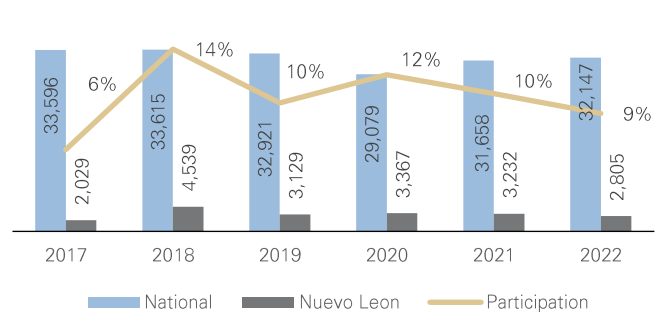
INDICATOR



Source: Secretaria del Trabajo y Prevision Social (Nuevo Leon), 3Q 2022

Foreign Direct Investment

USD MILLION



Source: Secretaria de Economia, 3Q 2022

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Newmark ha implementado una base de datos propia y la metodología de seguimiento ha sido revisada. Con esta expansión y refinamiento en nuestros datos, puede haber ajustes en las estadísticas históricas, incluyendo la disponibilidad, precios de renta, absorción y rentas efectivas. Nuestros reportes de mercado se encuentran disponibles en <https://nmrk.lat/reportes-de-mercado/>

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