



Monterrey Office Market

Stable market, new demand

During the second quarter, the steady recovery observed since Q1 2022 was reaffirmed. The demand for corporate spaces in the city, driven by the nearshoring phenomenon, is yet to translate into absorption figures. Even though the industrial sector is the first to be benefitted by this, it is also expected there will be an increase in the demand for office spaces due to the presence of new companies entering the state.

The vacancy rate continues shrinking. On Q2, this reached a record of 19.8%, a level not seen in the city since late 2018. Despite the continuous decrease in this rate, the pace in which it decreases has slowed down. The reduction rate of 1% per quarter previously assessed was thus confirmed.

The gross absorption continues for the quarter closed at 18,843 sq. m. The displaced surface is still within the absorption range per period as observed in the last six quarters (13,000 m² - 21,000m² per quarter). This is more than twice the total on the same quarter of last year.

Current Conditions

- The office inventory reached a total of 1,375,575 m² on the second quarter of 2023.
- There was a total of gross absorption of 18,843 m².
- The vacancy rate in the office market totaled 19.8%, representing 272,334 m² of vacant spaces.

Market Summary

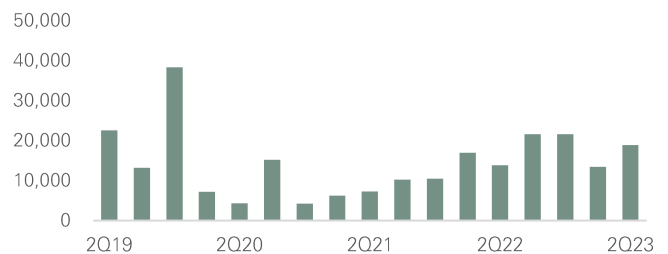
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total inventory (m ²)	1,375,575	1,375,575	1,366,852	↑
Vacancy rate	19.8%	20.8%	25.9%	↓
Gross Absorption (m ²)	18,843	13,419	15,143	↑
Avg. Asking rent (USD/m ² /month)	\$21.87	\$22.13	\$22.21	→
Under Construct. (m ²)	264,492	264,492	229,750	→

Market Analysis

AVERAGE LEASE RATE AND VACANCY RATE



GROSS ABSORPTION (M²)



Monterrey, the leading player of Nearshoring

First, what is nearshoring? Experts defines it as a strategy used by businesses to relocate some of their production to other countries or regions located near target markets with similar features.

In general terms, the main purpose of nearshoring is to make it easier to integrate supply chains and concentrate production in a location that is closer to the area where final consumption is expected. Unlike offshoring, which sought to transfer business, production, and technology processes to distant locations to reduce costs, nearshoring promotes relocating activities to regions and countries that are closer to the consumption niche.

Although nearshoring is not something new, considering there have been such investments in Mexico since 2012-2013, this practice has exploded and accelerated the pace in which it reaches the country. Transition from offshoring to nearshoring responds to various factors: 1) An increase in production costs and wages among businesses operating in Asian; 2) Interruption of supply chains due to geopolitical tensions between major economies, such as the United States and China; and 3) The effects of the global COVID-19 pandemic, including its impacts on the global economy and supply chains.

Then, why is Monterrey so appealing to foreign companies? First, its location near the United States makes it considerably more efficient to produce than in most other countries, with an average of 1.5 hours of land transportation to major US cities

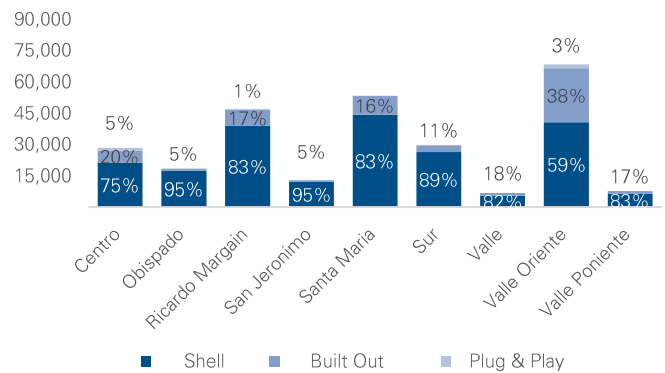
Additionally, it shares the same time zone, which is beneficial for the relation between customers and suppliers. Second, there is a pool of competitive and qualified labor for various of the more developed and diversified industrial concerns.

This are some of the factors that are helping Monterrey take over 50% of transactions in Mexico associated with nearshoring. As of the beginning of this year, it was calculated that nearly 100 companies had entered the country, with investments of approximately USD 10,000 million.

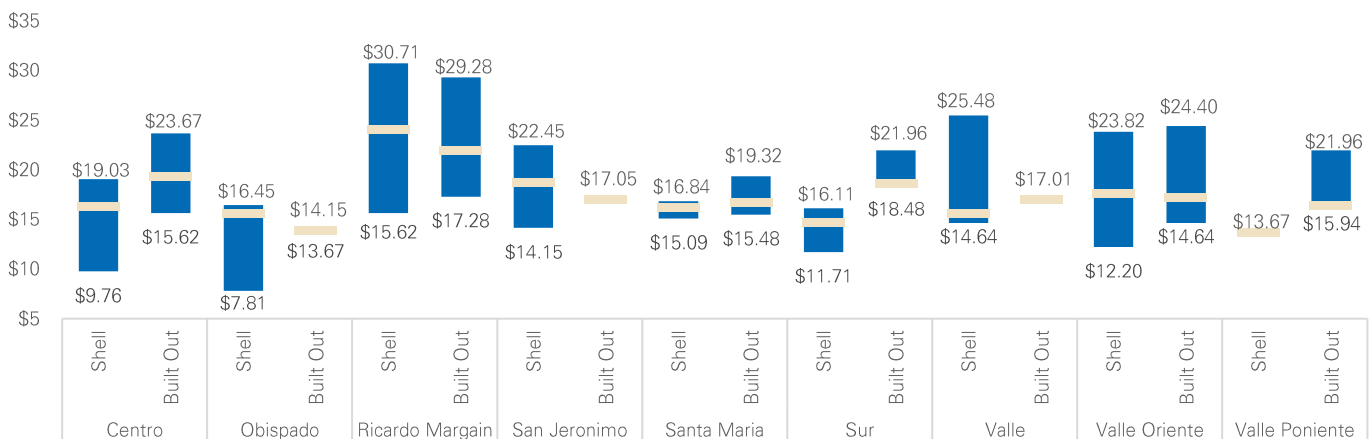
Even though the impact in the industrial market is very clear, taking the vacancy rate to figures under 1%, the impact on the corporate market is yet to be defined.

What we can expect is an increase in demand, not only due to the need for business offices among the new incoming companies, but also for the businesses that offer supplementary services to the industrial sector.

Vacant Space by Condition

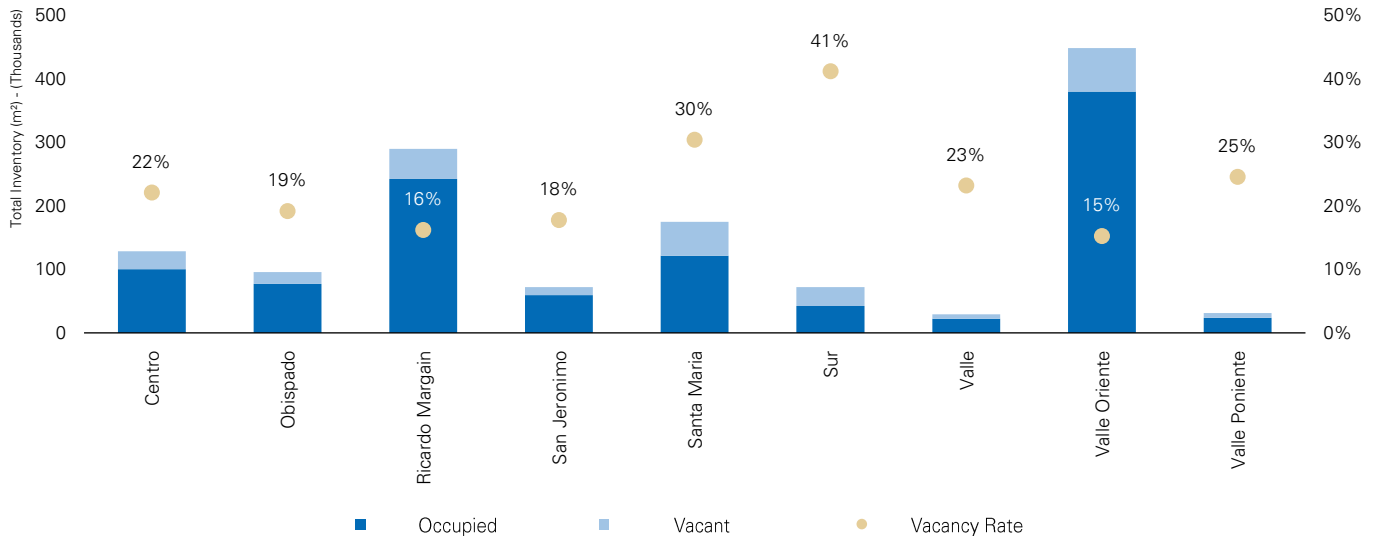


Price Range and Average Rents



Inventory bu Sub,arket

TOTAL VACANCY: 272,334 m²



Submarket Stats

	Inventory (sqm)	Deliveries (sqm)	Under Construction (sqm)	Vacancy (sqm)	Vacancy Rate	Gross Absorption (sqm)	YTD Gross absorption (sqm)	Avg. Asking Price (USD/sqm/month)
Centro	128,472		21,728	28,386	22.1%	934	1,288	\$ 21.35
Obispado	95,640		44,449	18,367	19.2%	0	0	\$ 19.05
Ricardo Margáin – Gómez Morín	289,634		4,352	47,054	16.2%	4,074	5,988	\$ 26.38
San Jerónimo	71,962		96,158	12,809	17.8%	2,084	2,897	\$ 24.02
Santa María	174,800		53,804	53,215	30.4%	7,042	8,879	\$ 20.85
Sur	71,891		12,211	29,638	41.2%	649	3,559	\$ 18.58
Valle	28,904			6,711	23.2%	134	2,784	\$ 20.97
Valle Oriente	448,336		31,790	68,455	15.3%	3,926	6,732	\$ 22.14
Valle Poniente	31,319			7,701	24.6%	0	136	\$ 17.42
Total	1,375,576		264,492	272,334	19.8%	18,843	32,262	\$ 21.87

Economic Conditions

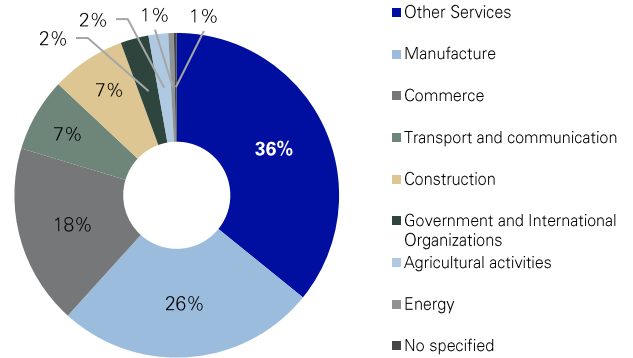
The Nuevo Leon Secretariat of Labor and Welfare stated that economic activity by sector, based on data from the first quarter of 2023, was as following: 36% other services, 24% manufacturing industry, 19% trade, among others.

The unemployment rate on the first quarter of 2023 was 2.70% at the national level and 3.10% at the state level.

The most recent press release on Quarterly Exports by Federal Entity (EETF), issued by INEGI on March 31, 2023, states that, based on data from Q4 2022, Nuevo Leon contributed with 9.5% of all exports, with a total of 133.95 billion dollars.

Employment by Sector, Nuevo Leon

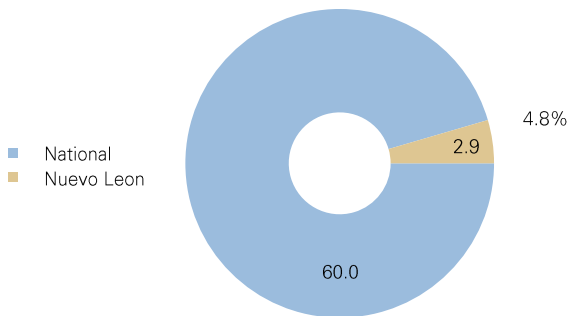
ECONOMIC ACTIVITY



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 1Q 2023

Economically Active Population

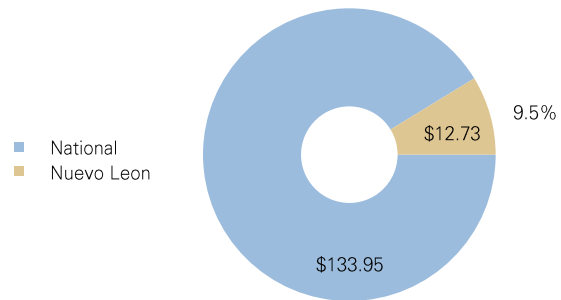
MILLION INHABITANTS



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 1Q 2023

Economic Position, Nuevo Leon

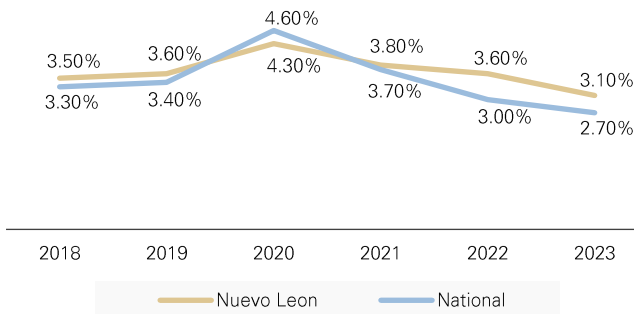
EXPORT VALUE, BILLION DOLLAR



Source: EETF, INEGI, 4Q 2022

Unemployment Rate

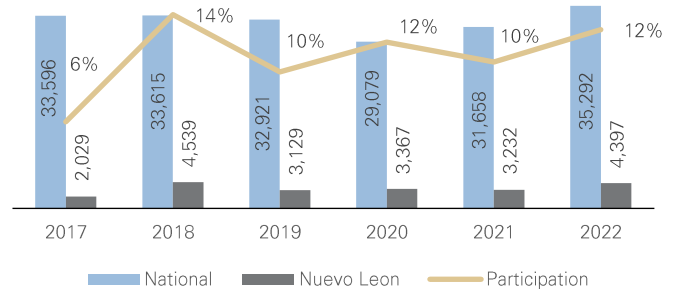
INDICATOR



Source: Secretaría del Trabajo y Prevision Social (Nuevo Leon), 1Q 2023

Foreign Direct Investment

USD MILLION



Source: Secretaría de Economía, 4Q 2022

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