
2Q2024

Mexico City Office Market



NEWMARK

Market Analysis

Economy

- On the eve of the elections in the United States, the International Monetary Fund revised the economic outlook for 2024, estimating it to be from 2.1% to 2.7%, which means a better strategy should be considered with this trading partner.
- Recently, the rating agency Fitch Ratings affirmed Mexico City with a stable credit rating, having an economic growth outlook for 2024 of 1.8 to 2.4%, with nearshoring being the main factor.
- Although the economy in Mexico had experienced a slowdown in recent years, it is estimated that for this first semester, it will be at 4.3% above the level reached before the pandemic.

Transactions

- The Polanco corridor showed the highest gross absorption, exceeding 23,000 sqm, with the largest concentration of transactions occurring within the Polanco Granadas sub-corridor, with more than 12,000 sqm occupied.
- The Insurgentes corridor was the second to show the highest gross absorption at the end of this quarter, representing 23% of the total transactions conducted in Mexico City, in Class A and A+ office buildings.

Market fundamentals

	Current Quarter	Prior Quarter	A year ago	12-month Forecast
Inventory (sqm)	8,078,333	8,075,699	7,941,333	↑
Vacancy rate	23.10%	23.50%	23.59%	↓
Gross Absorption (sqm)	24,387	-22,421	-26,727	↑
Net Absorption (sqm)	76,656	136,812	91,989	↓
Asking Price (USD/sqm/month)	\$23.53	\$23.50	\$23.52	↑
Under Construction (sqm)	580,963	580,963	792,765	↓

Outlook

- Despite a recovery in the first months, corporate space inventory will remain at 8.07 million sqm, to some extent due to the delay shown by most spaces under construction, which are expected to be completed by the first half of 2025.
- Net absorption for this quarter remained positive, favored by the rethinking and strategies for the occupation of spaces, also showing a 1.7% decrease in the availability rate.
- Even with the fluctuations that the peso has had against the dollar, closing at 18 pesos, it has remained stable and is expected to continue this way in the next semester of the year.

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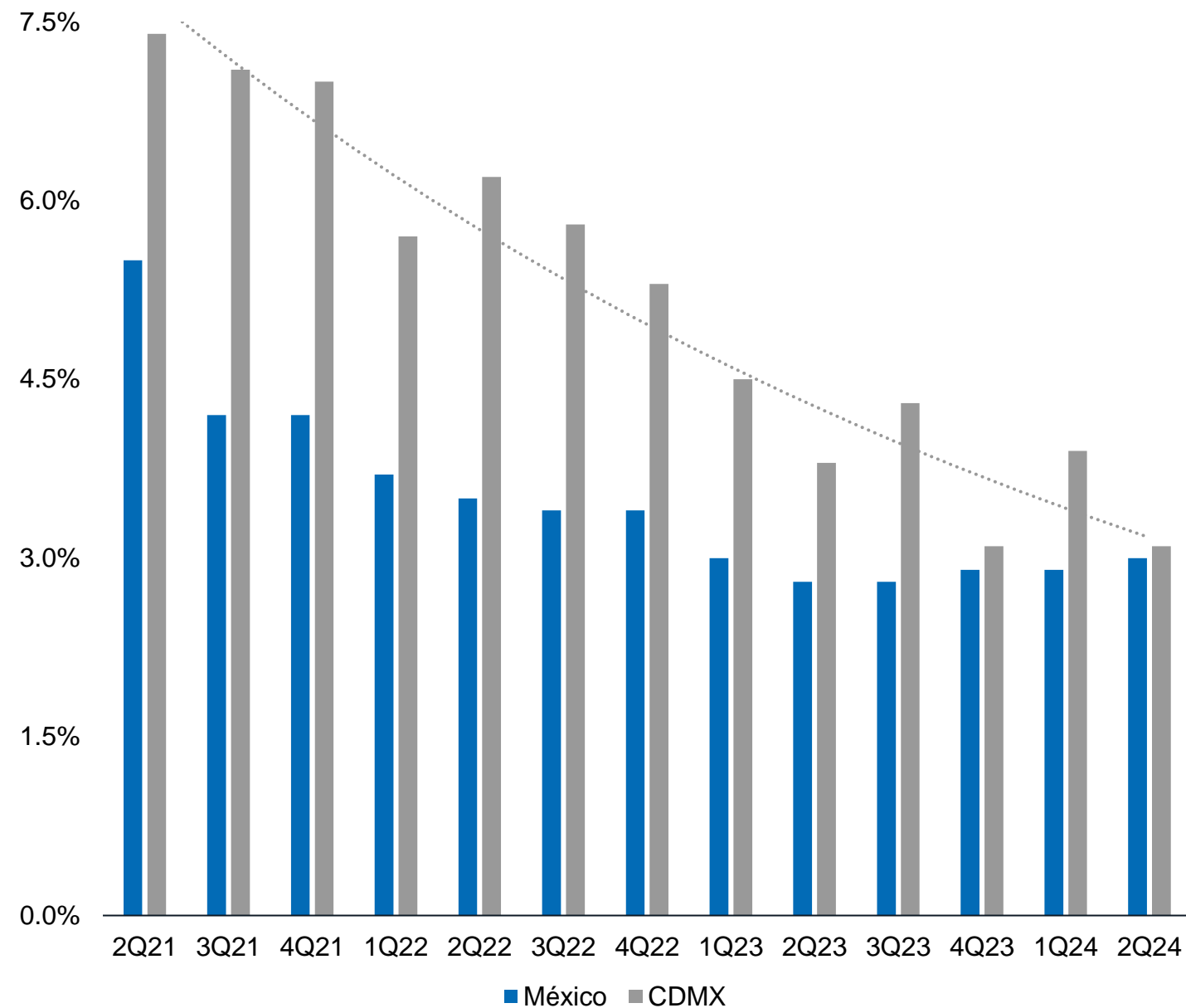
Economy



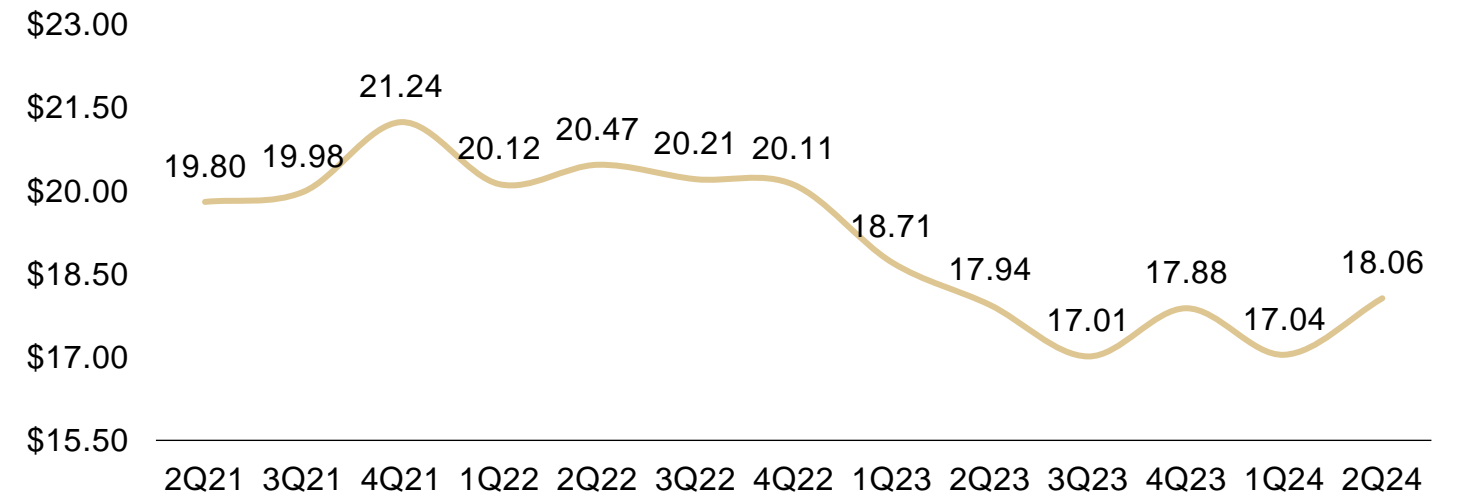
Economic outlook

– Mexico City is established as the most important economic center of the country. According to the latest figures, it ranks as the entity with the highest creation of formal jobs, being almost 23 thousand for this first semester, and with the highest base salary of contribution in the country, averaging 725.46 pesos.

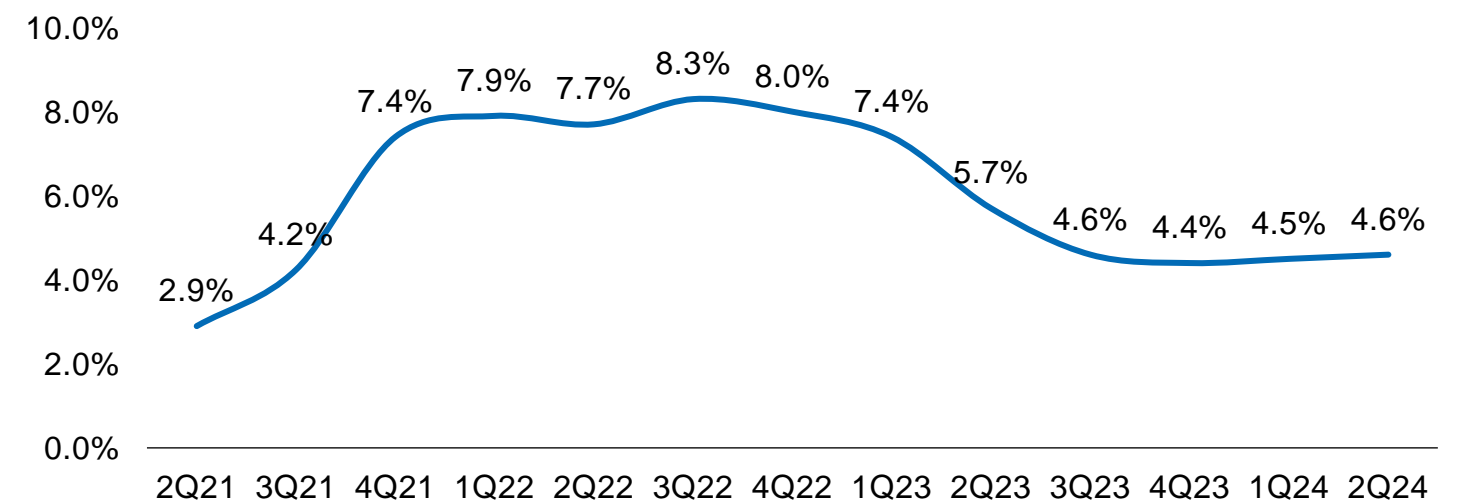
Unemployment Rate



Exchange Rate. Mexican pesos (MXN) per U.S. Dollar(USD)



Consumer Price Index (INPC)

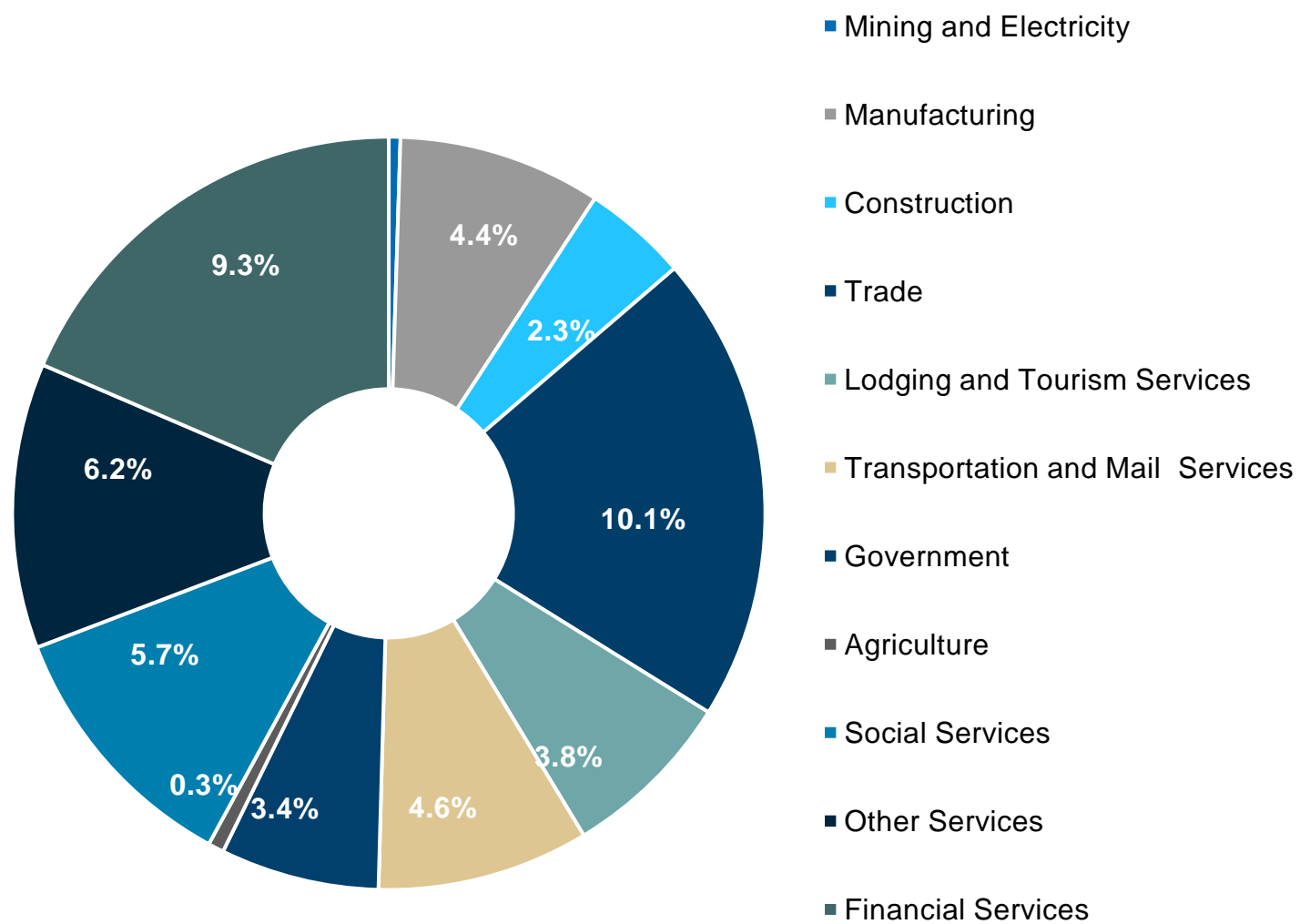


Source: Inegi, Banxico

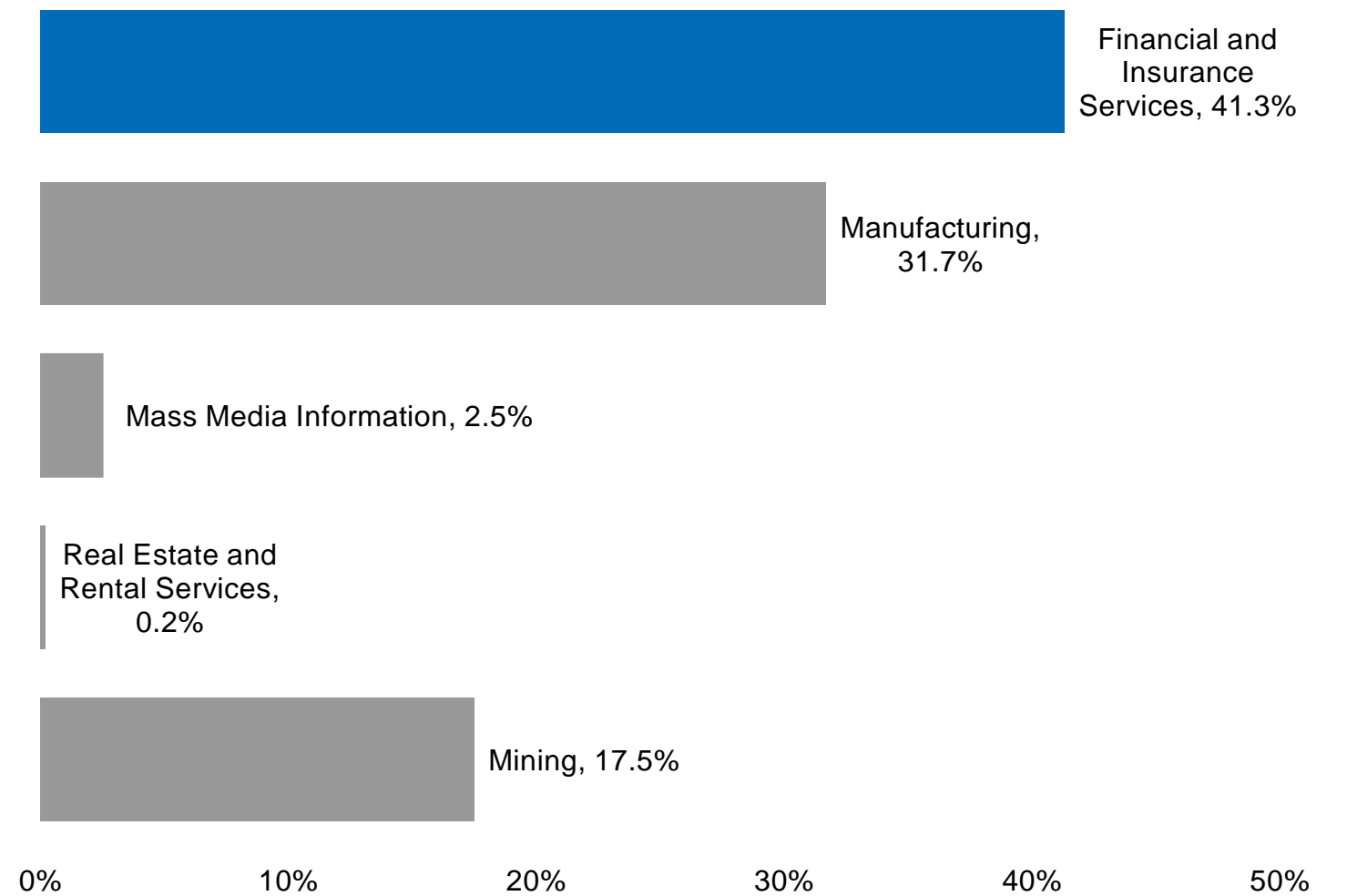
Economic sectors

Mexico City saw a 6.7% increase in GDP compared to the end of 2023, and tertiary activities grew by 0.7%, meaning that economic activities show positive data despite inflation.

Employment by Sector



Foreign Direct Investment



Source: Inegi, Banxico, Secretaría de Economía

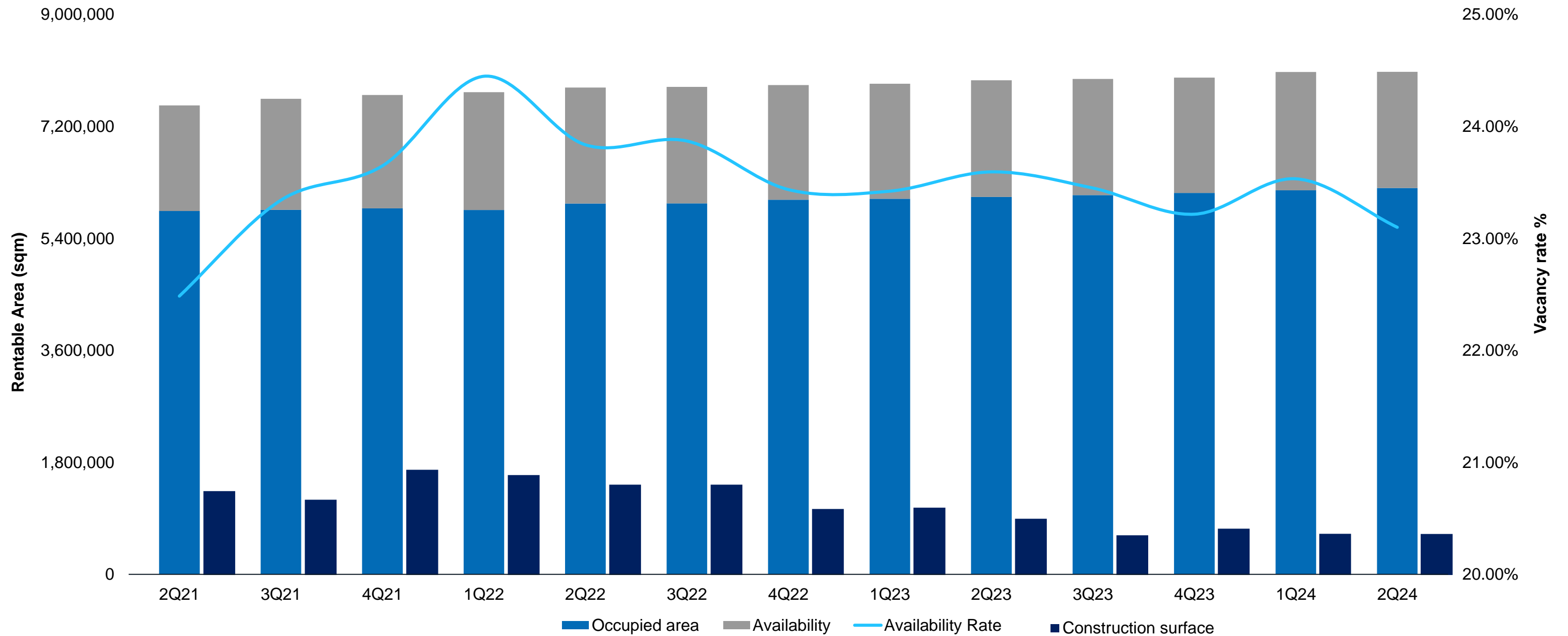
Market Fundamentals



Inventory

Only 2,634 sqm were added to the Class A, representing an increase of less than 1% compared to the previous quarter. The vacancy rate has remained constant at 23.53% at the end of the quarter. However, there is a downward trend, as no new projects are expected to enter until the end of 2024.

Occupied, Available, and Area Under Construction vs. Vacancy Rate

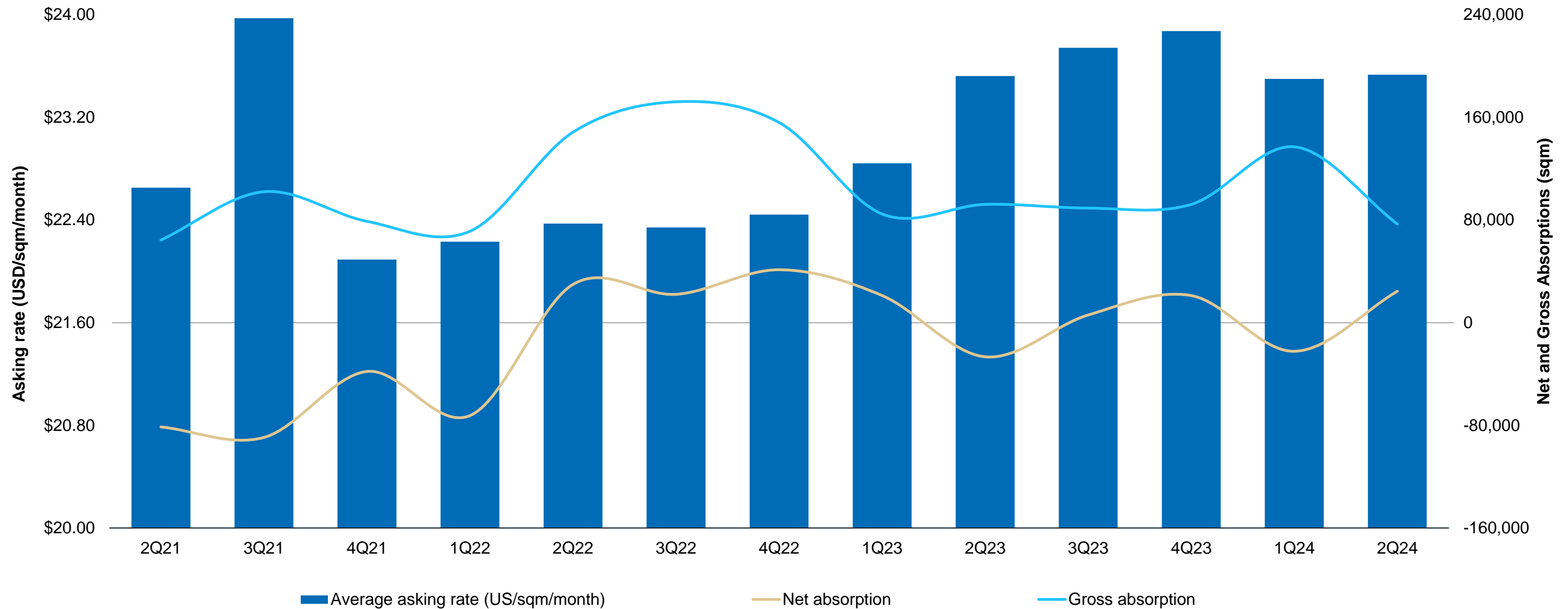


Source: Newmark Research

Occupation and Vacancy

The average asking price showed a minimal increase in its values, decreasing by 0.1% compared to the previous quarter. The market's gross absorption recorded 76,656 sqm, down 44% from what was reported at the end of the previous quarter. However, the net absorption was positive, being 24,387 meters.

Asking Price, Net Absorption and Gross Absorption

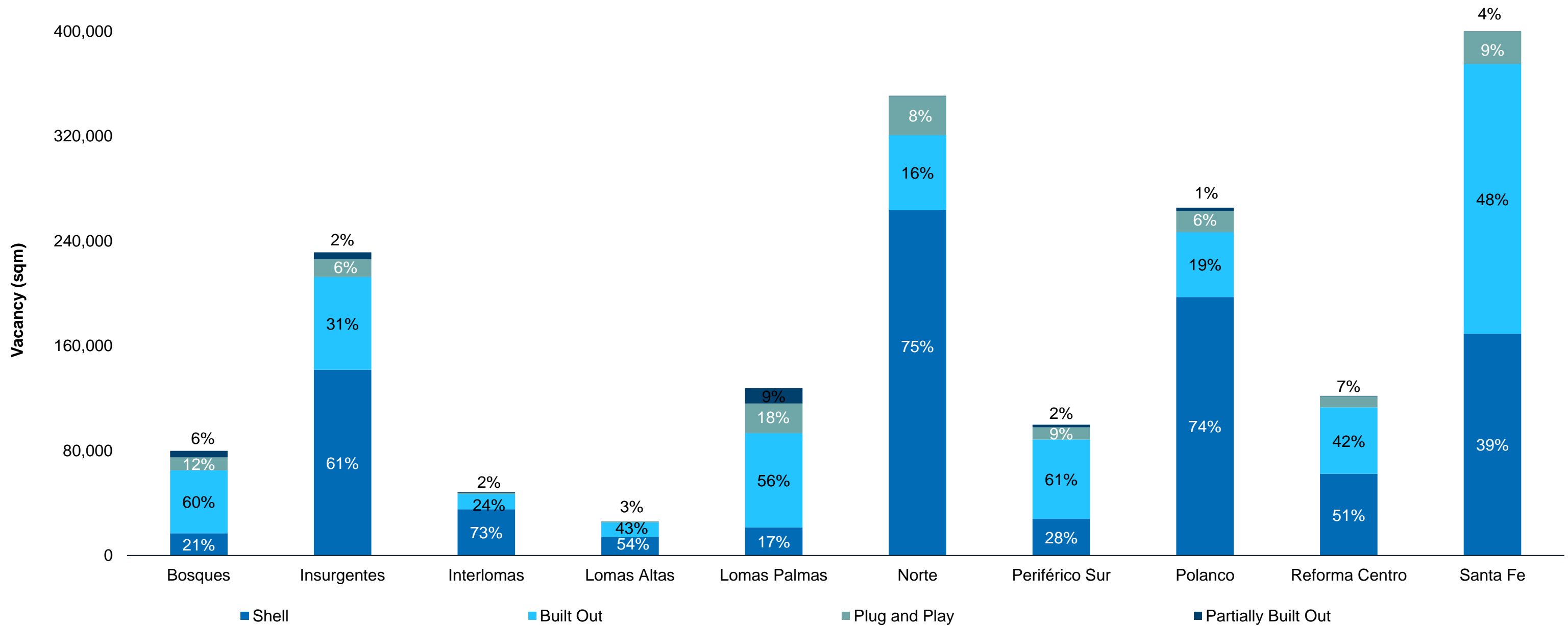


Source: Newmark Research

Delivery Condition

53% of the available office rental area is delivered as shell space. 36% deliver fitted-out spaces, and the remaining percentage are delivered furnished or semi-fitted. It stands out that in the Bosques, Lomas Altas, Lomas Palmas, Periférico Sur, Reforma Centro, and Santa Fe corridors, more than 40% of the available sqm are delivered fitted-out.

Available Space by Condition.

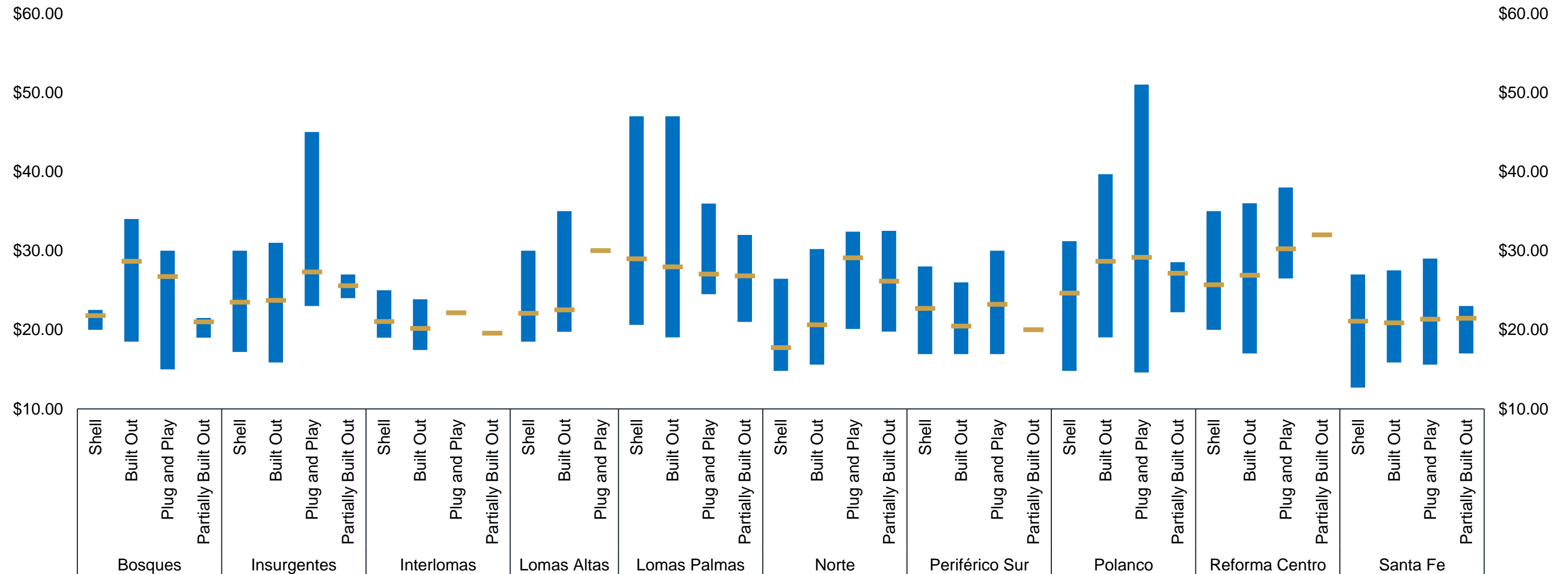


Source: Newmark Research

Asking Prices

The price range for delivery conditions in some cases ranges from \$12.69 to \$51.00 USD/sqm. Spaces delivered as shell space offer prices ranging from \$12.69 to \$47.00 USD/sqm, while for fitted-out spaces, the prices range from \$15.60 to \$47.00 USD/sqm. These values depend on the location, finishes, infrastructure, included services, and the layout of the spaces.

Average Asking Rates and Ranges

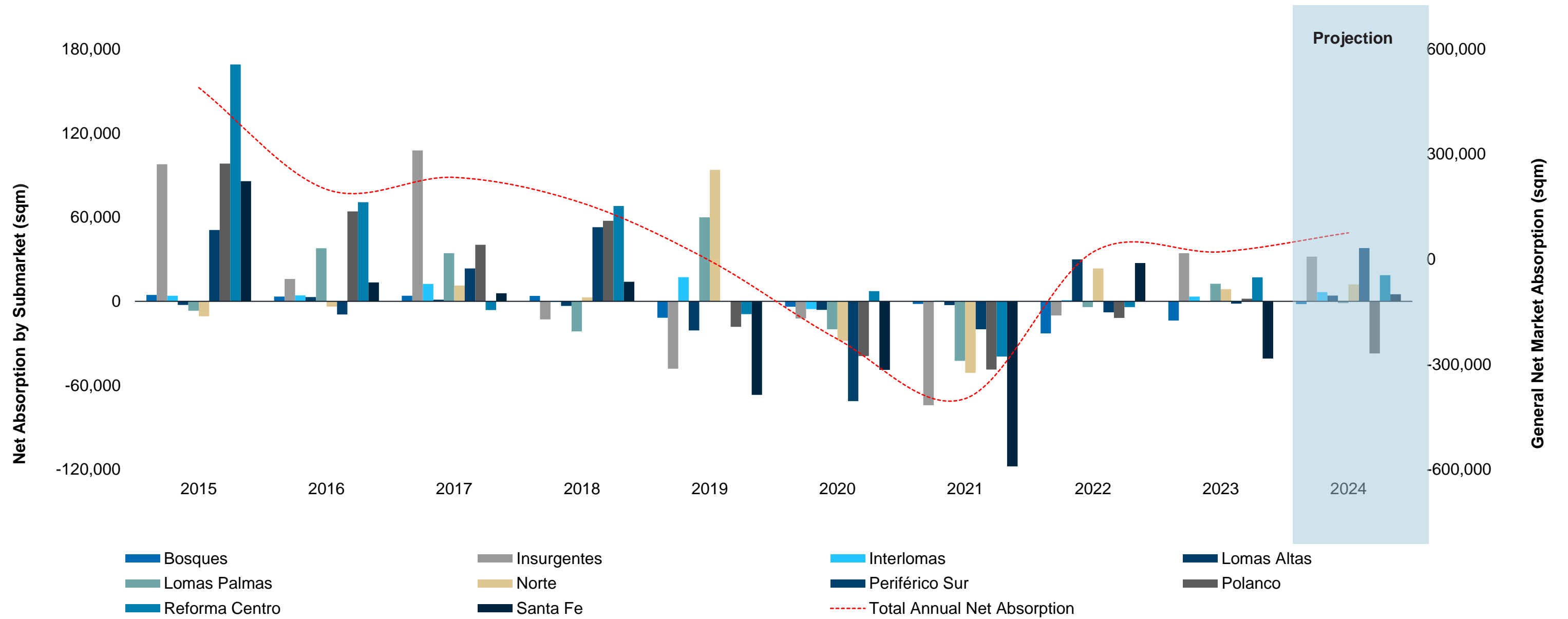


Source: Newmark Research

Net Absorptions by corridor

At the end of each year, net absorption had remained positive except from 2019 to 2021. From the end of 2022, a steady improvement has been observed, with expectations that by the end of 2024, it will exceed 75,000 sqm.

Annualized Net Absorptions by Submarket and total Market



Fuente: Newmark Research

Statistics by submarket

	Inventory (sqm)	Deliveries (sqm)	Vacancy (sqm)	Vacancy Rate (%)	Gross Absorption (sqm)	Gross Absorption YTD (sqm)	Net Absorption (sqm)	Net Absorption YTD (sqm)	Avr. Asking Price (USD/sqm/month)
Bosques	319,133		79,925	25.0%	259	3,269	-3,858	-3,488	\$25.55
Insurgentes	1,241,387	2,634	246,411	19.8%	17,590	44,658	4,427	-3,330	\$24.81
Avenida Insurgentes Principal	654,733		137,052	20.9%	13,774	29,890	8,628	-6,787	\$25.44
Insurgentes Oriente	154,194		38,798	25.2%	1,354	1,764	1,243	1,551	\$23.72
Insurgentes Revolución	182,772		12,194	6.7%	0	1,832	-515	1,317	\$23.21
Insurgentes Roma-Condesa	96,266	2,634	22,985	23.9%	2,213	8,099	-2,094	3,792	\$25.18
Insurgentes San Ángel	153,422		35,382	23.1%	249	3,073	-2,835	-3,203	\$23.83
Interlomas	194,965		48,329	24.8%	0	5,030	-102	4,159	\$20.56
Lomas Altas	120,586		26,108	21.7%	1,384	3,138	1,384	2,399	\$24.08
Lomas Palmas	754,651		133,448	17.7%	1,024	12,005	-2,927	-8,379	\$29.28
Norte	801,937		350,929	43.8%	5,787	19,412	4,192	12,400	\$18.74
Norte Atizapán	37,529		15,527	41.4%	1,678	1,678	1,678	1,678	\$16.67
Norte Azcapotzalco	233,666		87,432	37.4%	0	3,197	0	-166	\$19.02
Norte Naucalpan	332,807		156,700	47.1%	0	2,622	-472	1,779	\$19.87
Norte Tlalnepantla	197,935		91,270	46.1%	4,109	11,915	2,986	9,109	\$16.90
Periférico Sur	731,419		99,780	13.6%	9,436	41,272	9,436	36,085	\$21.82
Polanco	1,477,722		304,093	20.6%	23,458	34,213	12,891	-51,956	\$27.17
Polanco Anzures	85,680		26,792	31.3%	0	0	-105	-309	\$26.12
Polanco Granadas	780,468		188,840	24.2%	12,150	18,623	5,775	-52,561	\$28.58
Polanco Lagos	205,505		35,471	17.3%	5,490	5,639	5,490	4,322	\$18.93
Polanco Tradicional	406,069		52,990	13.0%	5,818	9,951	1,731	-3,408	\$28.01
Reforma Centro	979,830		121,448	12.4%	9,949	28,166	2,987	10,811	\$27.36
Santa Fe	1,456,703		455,597	31.3%	7,769	22,305	-4,043	3,265	\$21.82
Total	8,078,333	2,634	1,866,068	23.1%	76,656	213,468	24,387	1,966	\$23.53

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Newmark has implemented its own database, and the follow-up methodology has been revised. With this expansion and refinement in our data, there may be adjustments to historical statistics, including availability, rental prices, absorption, and effective rents. Our market reports are available at <https://nrmk.lat/reportes-de-mercado/>.

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