
2Q2024

Monterrey Office Market



NEWMARK

Market Analysis

Economy

- From October 2021 to April of the current year, out of the 253 (confirmed) foreign investment projects, 130 are new investments and 123 are expansions of already established companies, stated Ivan Rivas, the Secretary of Economy of Nuevo Leon.
- The Ministry of Economy announced that, so far in 2024, Nuevo Leon has maintained its leadership in national employment generation, reaching almost the levels generated throughout the last year (58,892). From January to May of the current year, companies in Nuevo Leon registered a total of 52,911 jobs, according to employment data from the Mexican Social Security Institute (IMSS).

Transactions

- During the second quarter of 2024, transactional activity was low compared to the same quarter of the previous year. However, there is an upward trend and the expectation is that it will continue to increase in the next two quarters of the year.
- The corridors with the highest absorption were: Valle Oriente with 4,270 sqm., Santa María with 1,800 sqm. and Margain-Gómez with 1,659 sqm. of placed inventory.
- The sectors that absorbed the most space were Technology (2,373 sqm.), Education (1,800 sqm.) and Insurance (1,225 sqm.). Significant absorption was from businesses reported as confidential (1,800 sqm.). Translated with DeepL.com (free version).

Market fundamentals

	Current Quarter	Prior Quarter	A year ago	12-month Forecast
Inventory (sqm)	1,477,028	1,477,028	1,372,575	↗
Vacancy rate	18.99%	18.02%	21.35%	↘
Gross absorption (sqm)	11,864	10,582	18,843	↗
Asking price (MXN/m ² /month)	\$347	\$387	\$366	↗
Under construction (m ²)	120,563	120,563	262,492	↘

Perspectives

- Inventory remained stable with no new deliveries of A and A+ office space to the market.
- The availability rate increased slightly due to higher vacancy than absorption, resulting in a negative net absorption.
- Gross absorption increased slightly compared to the previous quarter and is expected to continue to increase in the coming quarters.
- The exit price decreased versus the previous quarter, as absorptions continue to be primarily of conditioned space in high-value corridors.

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QUARTER

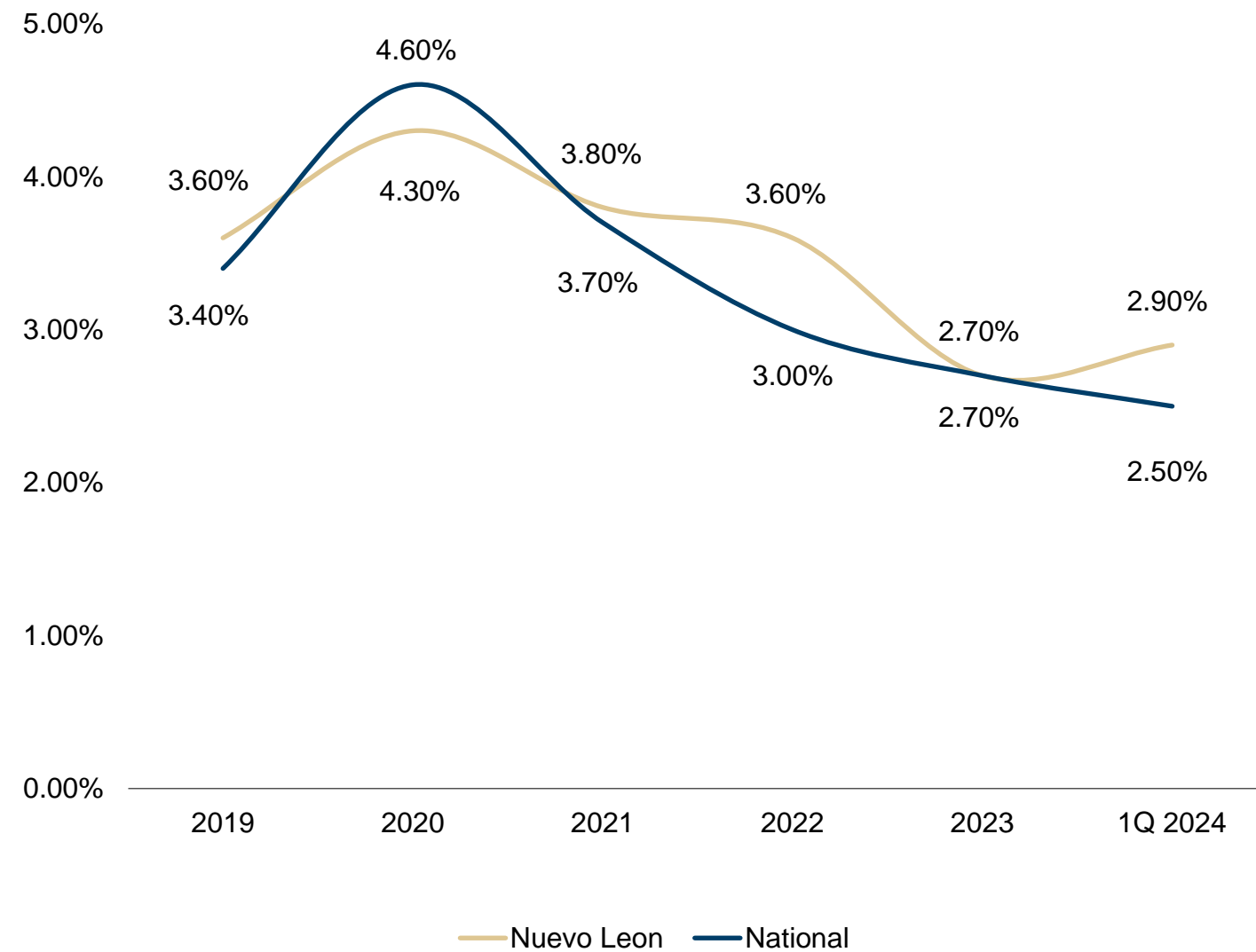
Economy



Economics

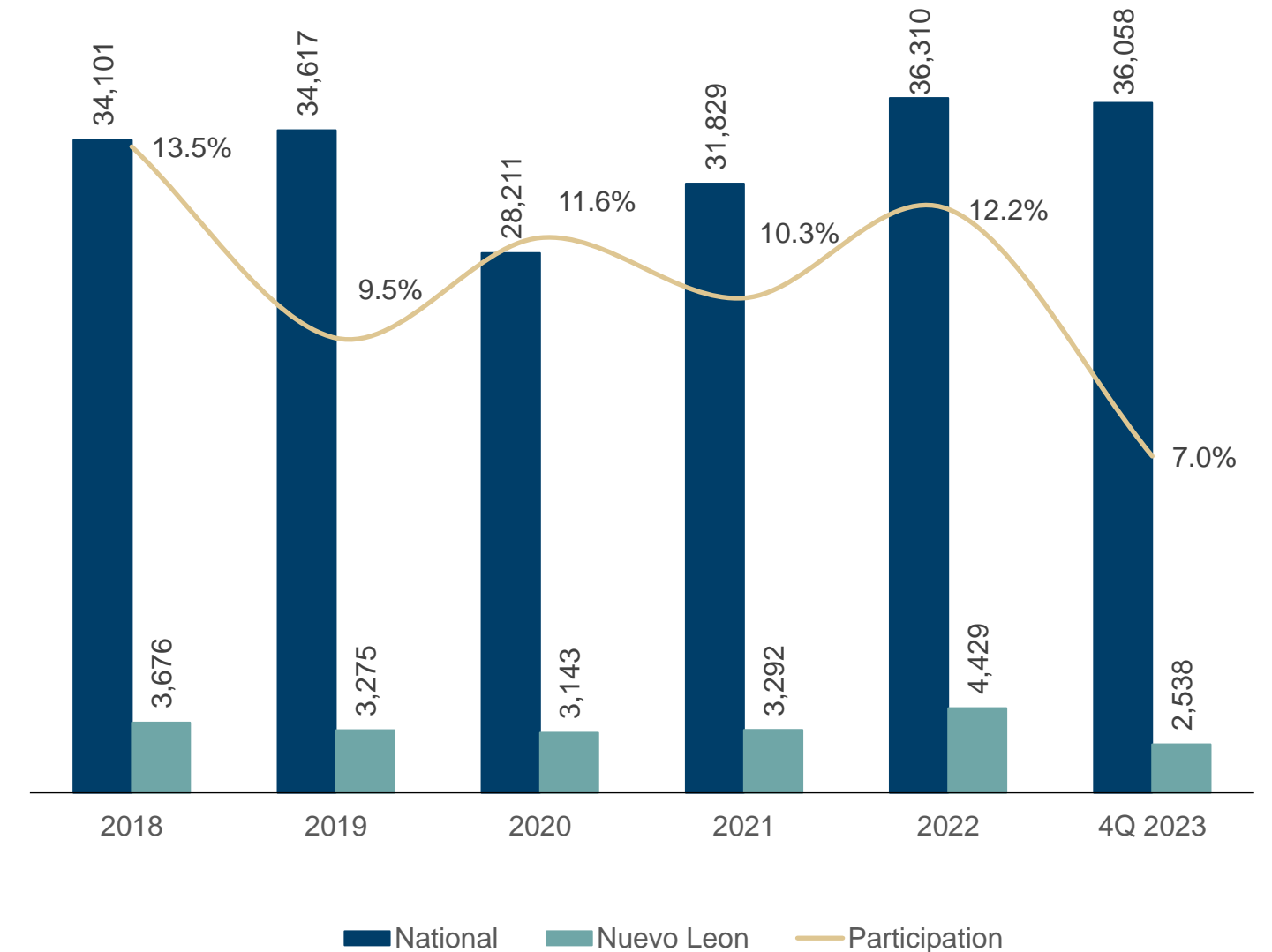
In the first quarter of 2024, a national unemployment rate of 2.50% was observed, while the rate recorded in the state of Nuevo Leon was 2.9%. Regarding Foreign Direct Investment (FDI) in Mexico by federal entity with information from 4Q 2023, recorded 36,058 million dollars, where the state of Nuevo Leon accounts for 7% of the investment.

Unemployment Rate



Source: Secretariat of Labor and Social Welfare (Nuevo Leon), 1Q 2024

Foreign Direct Investment (Million Dollars)

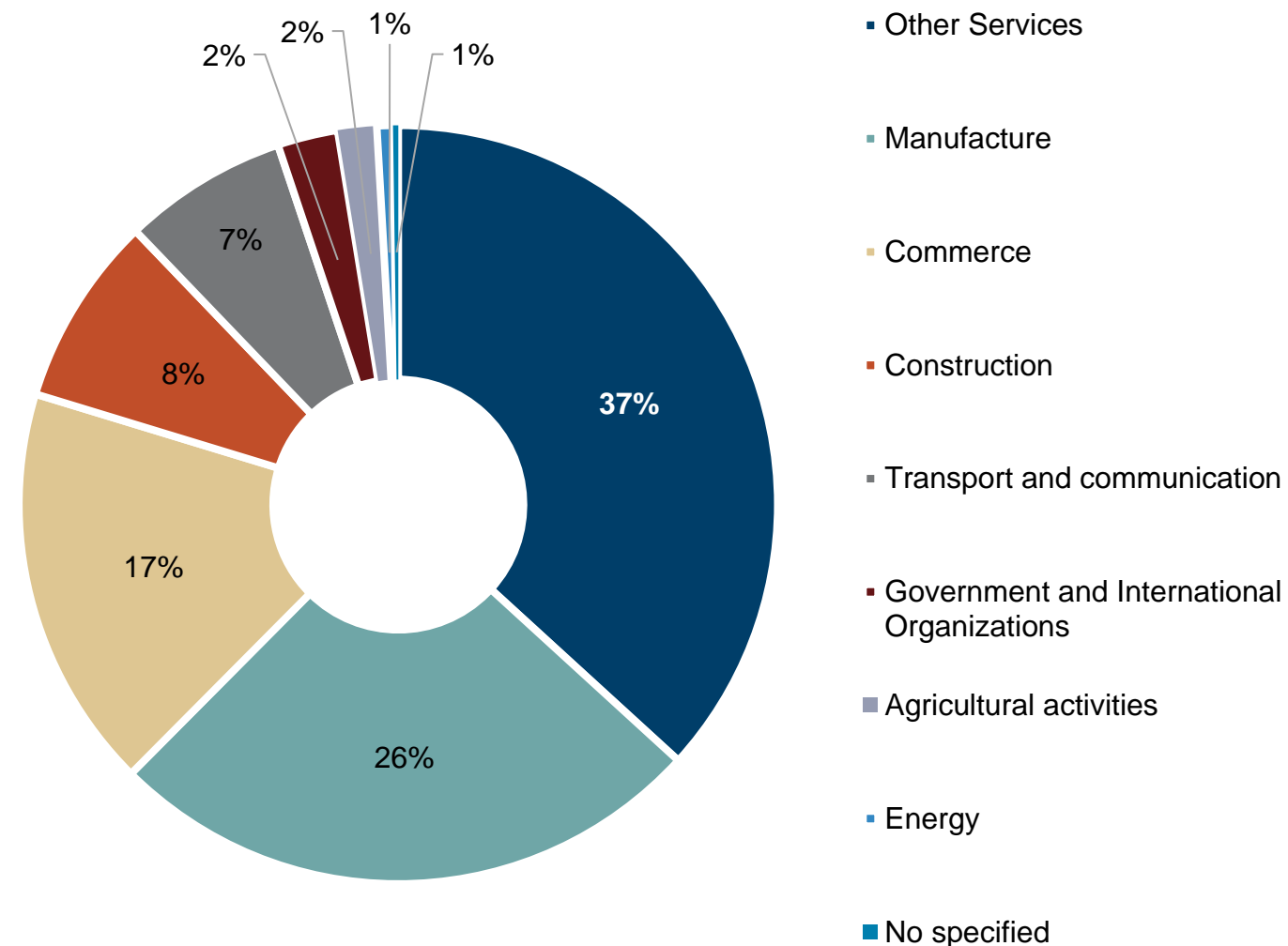


Source: Ministry of Economy, 4Q 2023

Employment by Sector and Economic Position in Nuevo Leon

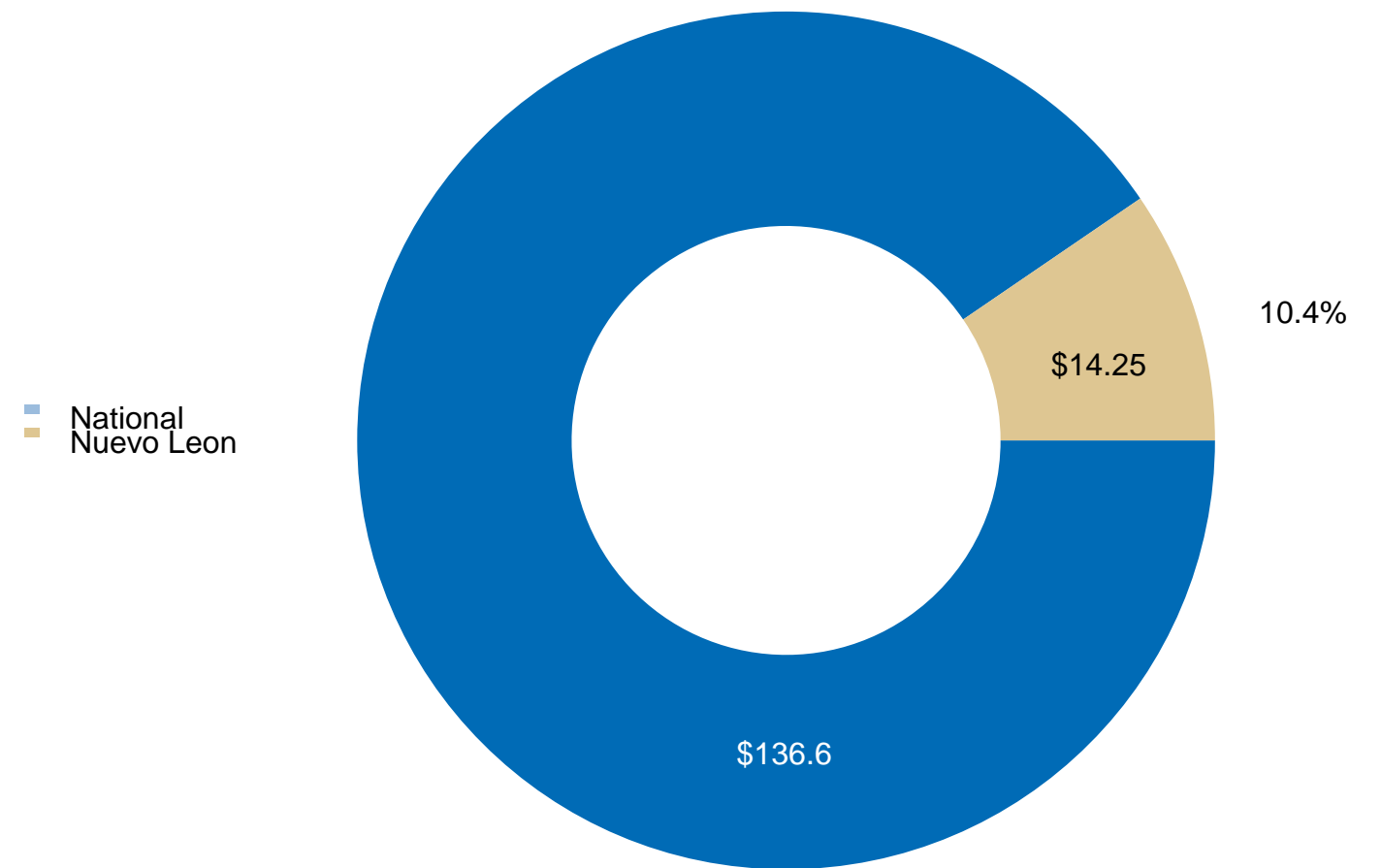
The Secretariat of Labor and Social Welfare of Nuevo Leon reported in its Labor Information document for the month of June of this year that the economic activity by sector with information from 1Q 2024 registered the following data: 37% other services, 26% manufacturing industry, 17% commerce, among others. Likewise, the Quarterly Exports by Federal Entity (QEFE) report, with information from 4Q 2023, indicated that Nuevo León had a participation of 10.4% out of a level of 136.6 billion dollars.

Branch by Economic Activity



Source: Secretariat of Labor and Social Welfare (Nuevo Leon), 1Q 2024

Export Value (Billion Dollars)



Source: QEFE INEGI, 4Q 2023

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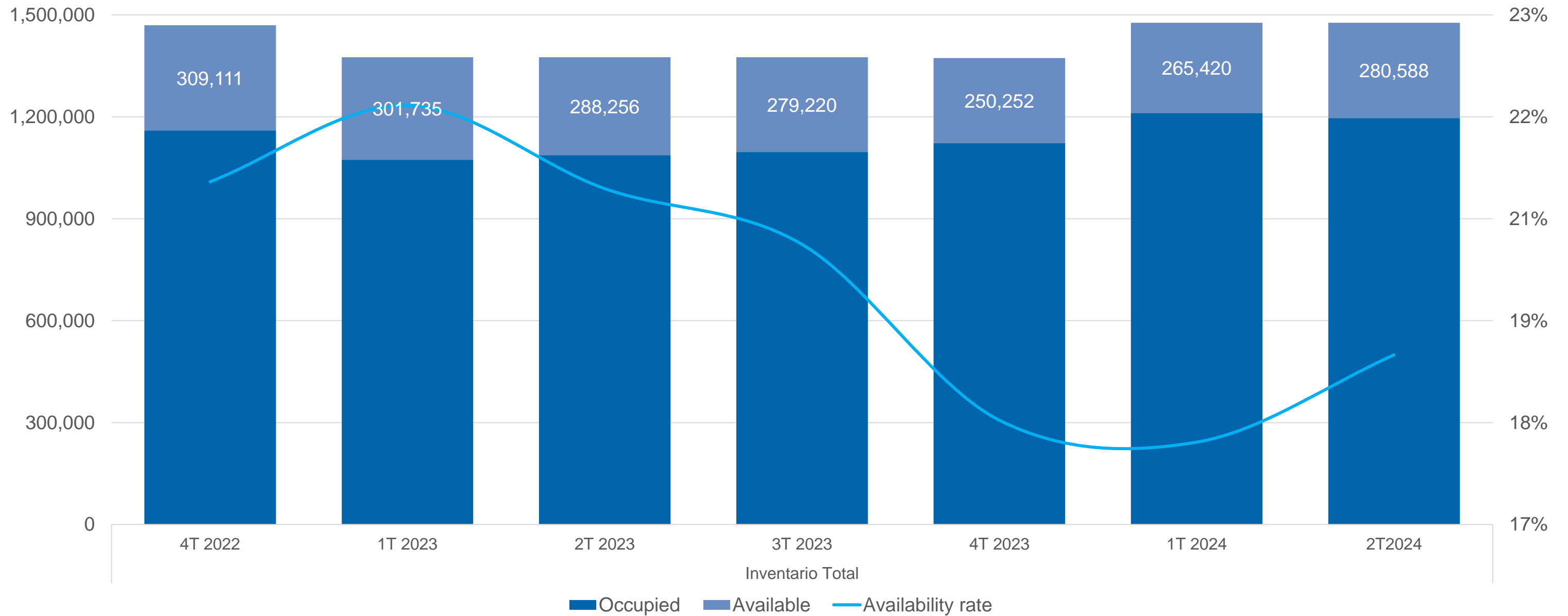
Market Fundamentals



Inventory

No new office space was added to the Class A and A+ office inventory this quarter. The vacancy rate is perceived to be on the rise: even though there was no new inventory, the vacancy rate was higher than the absorption rate during the quarter. The vacancy rate increased from 18% to 19% at the end of the quarter.

Occupied, Available and Vacancy Rate

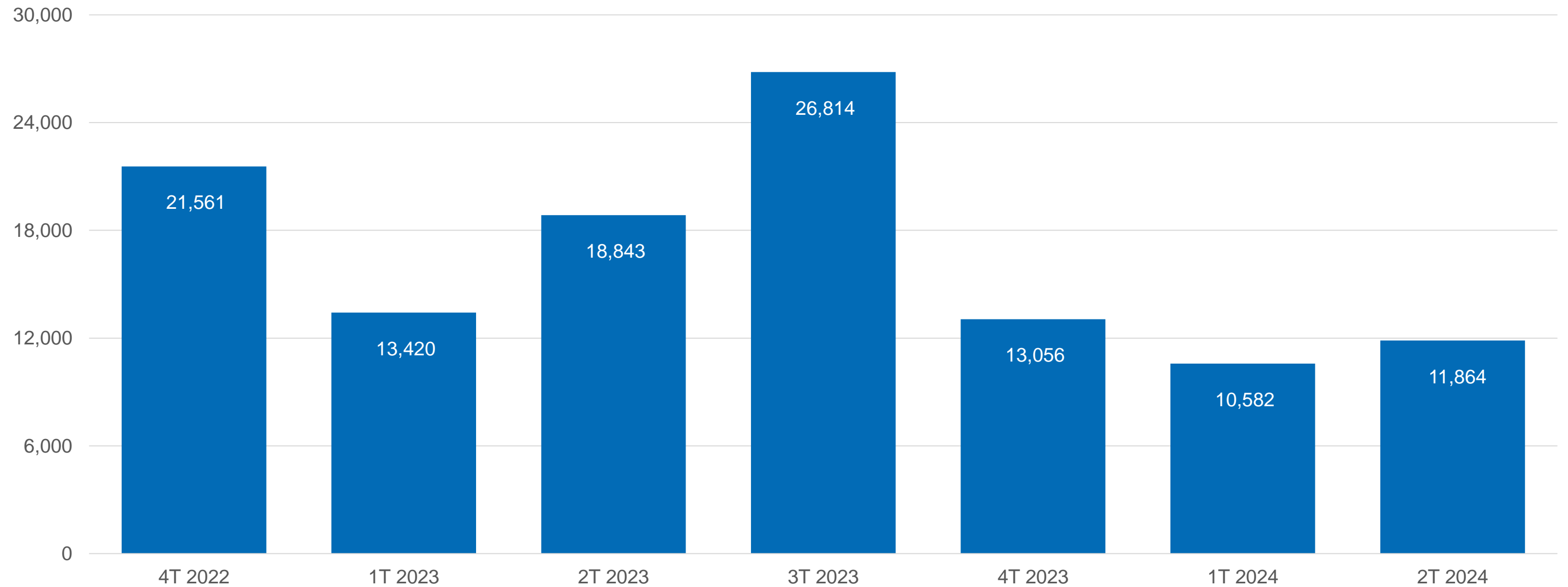


Source: Newmark Research

Gross absorptions

Gross market absorption was 11,864 m², up 12% from the previous quarter. Although the market has remained low in the last three quarters, this quarter shows an upward trend. The expectation is that absorption in the second half of the year will continue to grow.

Gross quarterly absorptions (sqm)

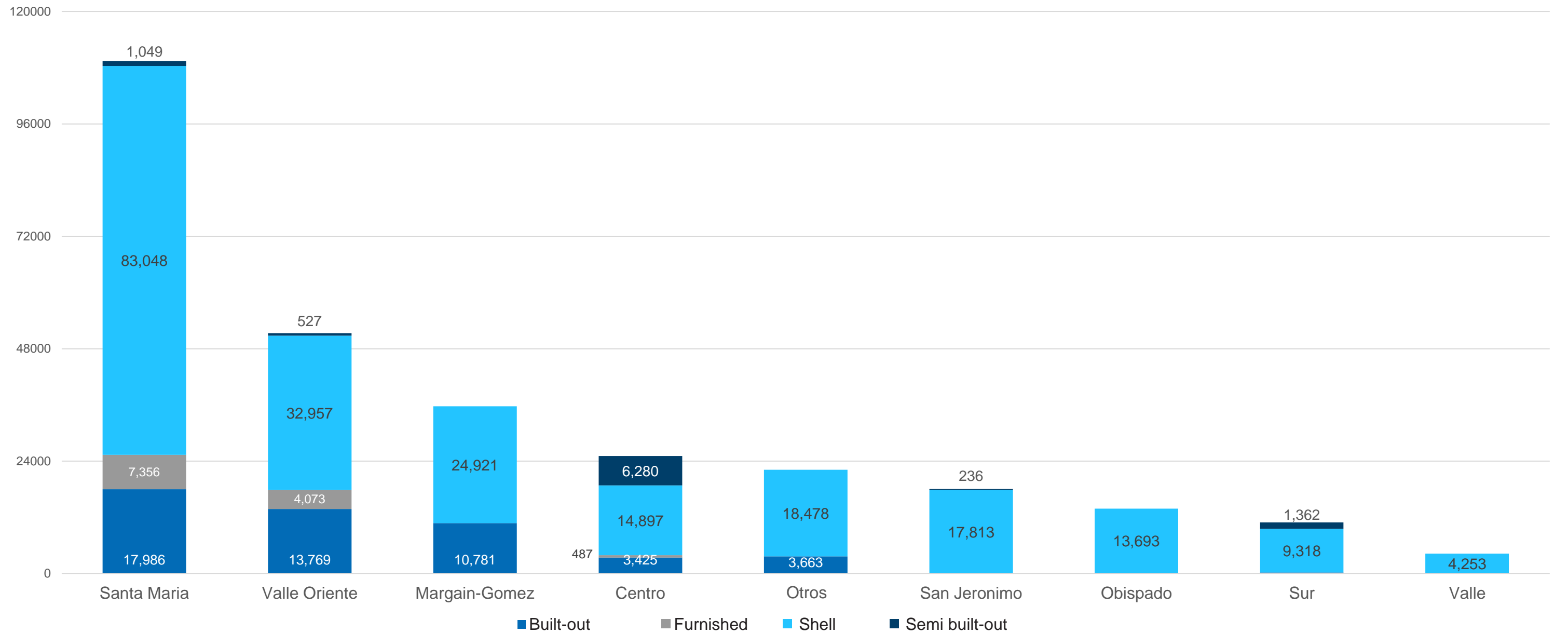


Source: Newmark Research

Delivery Condition by corridor

75% of the available rentable office area is delivered as shell space. 17% are delivered conditioned, 4% furnished and 3% semi-furnished. The Santa María, Valle Oriente and Margain-Gomez corridors account for 85% of the conditioned spaces. Furnished spaces for rent are found in only three corridors: Santa Maria and Valle Oriente account for 95% of these spaces, and Centro for the remaining 5%.

Available Space by Condition.



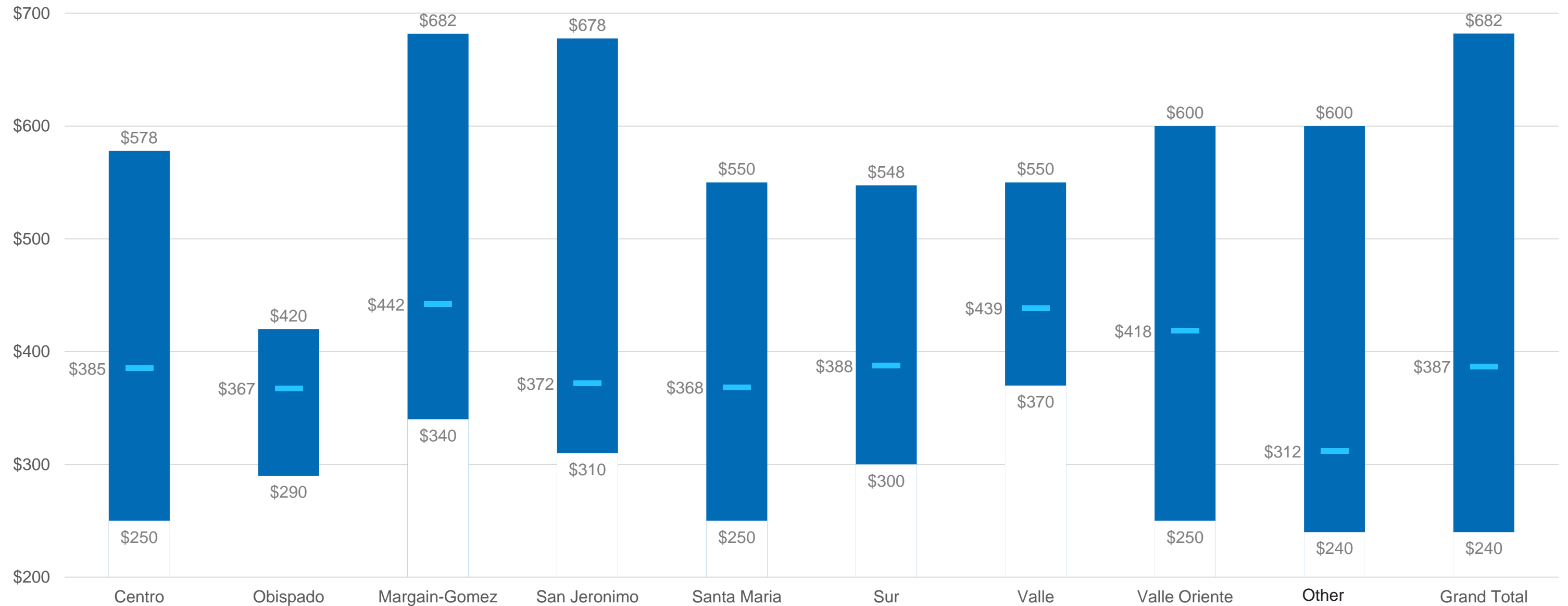
Source: Newmark Research.

Note: Inventories below 200 sqm. are not shown.

Asking prices by submarket

The market price range in 2Q 2024 is from \$240 to \$682 MXN/m². The average market rental price in this quarter was \$387 MXN/m². The corridors with the highest prices are Valle Oriente; Margain-Gomez and San Jeronimo respectively. The corridors with the lowest rental prices (in gray construction) are those grouped as Others, which include the peripheral markets and include Santa Catarina, Valle Poniente, Sur, San Nicolás and Apodaca.

Asking Price range and average.



Source: Newmark Research

Statistics by submarket

Market summary

	Inventory (sqm)	Vacancy (sqm)	Vacancy rate (sqm)	Gross absorption (sqm)	Gross Absorption YTD (sqm)	Avg. Asking Price (MXN/sqm/month)
Centro	89,882	25,089	28%	178	2,564	\$323
Margain-Gomez	293,601	38,485	13%	1,659	4,336	\$410
Obispado	93,950	18,387	20%	-	-	\$299
San Jeronimo	84,533	21,525	25%	1,544	4,166	\$320
Santa Maria	241,252	109,439	45%	1,801	2,001	\$339
Sur	116,891	12,050	10%	361	964	\$296
Valle	26,776	4,301	16%	1,800	2,011	\$377
Valle Oriente	487,903	52,795	11%	4,270	5,936	\$357
Other	42,241	16,577	39%	250	466	\$287
Totals	1,477,028	280,588	19%	11,863	22,445	\$347

Fuente: Newmark Research

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