



# Mexico City Office Market

## Back to black

Mexico City's office market had to wait just over two years to finally see net absorption emerge from the negative numbers caused by the labor paradigm shift brought about as a result of the pandemic since the beginning of 2020.

Along with this new positive net absorption, the upward trend in the availability rate has ceased, something that has not happened since the fourth period of 2019. This indicator closed the quarter at 23.8%, barely 0.7% below the previous period. However, we are still far from achieving stability in the office market.

As has been customary for several years, the city's class A office inventory has increased again for this quarter. On this occasion, about 75 thousand square meters of office spaces were added, which brings us significantly closer to the mark of 8 million square meters of net rentable area. However, due to the market conditions, there is a strong trend of change of use in the office buildings, so it may be possible that the 1.2 million square meters under construction will not hit the market as corporate buildings.

### Current Conditions

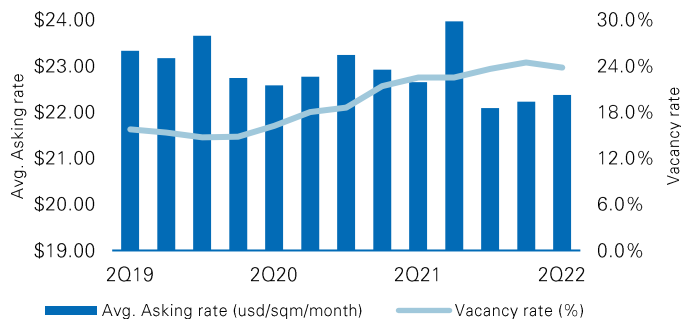
- Net absorption emerged out of negative levels and closed the period with 29,720 square meters.
- The availability rate finally broke the upward trend it had been seeing for more than two years and ended the quarter at 23.8%.
- The inventory has increased again and closed the first half of the year with 7.8 million square meters.

### Market Summary

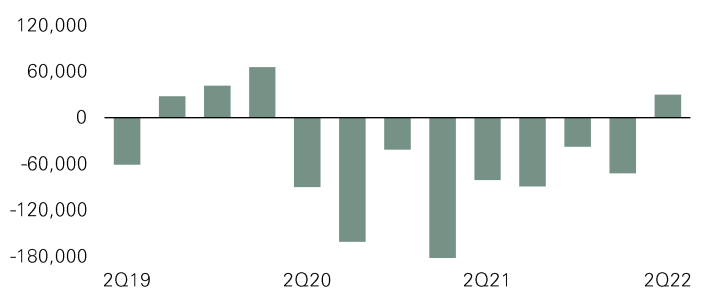
	Current Quarter	Prior Quarter	One year ago	12/month forecast
Total inventory (m <sup>2</sup> )	7,826,536	7,752,257	7,537,638	↑
Vacancy rate	23.8%	24.5%	22.5%	↓
Quarter absorption (m <sup>2</sup> )	29,720	-72,502	-81,354	↑
Avg. asking rent (USD/m <sup>2</sup> /month)	\$22.37	\$22.23	\$22.65	↑
Under construction (m <sup>2</sup> )	1,274,086	1,407,931	1,181,677	↓

### Análisis de Mercado

#### AVERAGE LEASE RATE AND VACANCY RATE



#### NET ABSORPTION (M<sup>2</sup>)



Market activity levels finally returned to pre-pandemic levels. These occupations took place mainly in the Polanco, Insurgentes and Norte corridors, which together accounted for 60% of the 148 thousand square meters occupied during the period.

In addition to the previous occupations, it is important to highlight that within the Lomas Altas corridor, one of the most important sale operations in recent years was completed. This sale of a more than 29,000 square meters office space occurred in the newest building in this submarket and has changed the outlook for a submarket that had a significant oversupply.

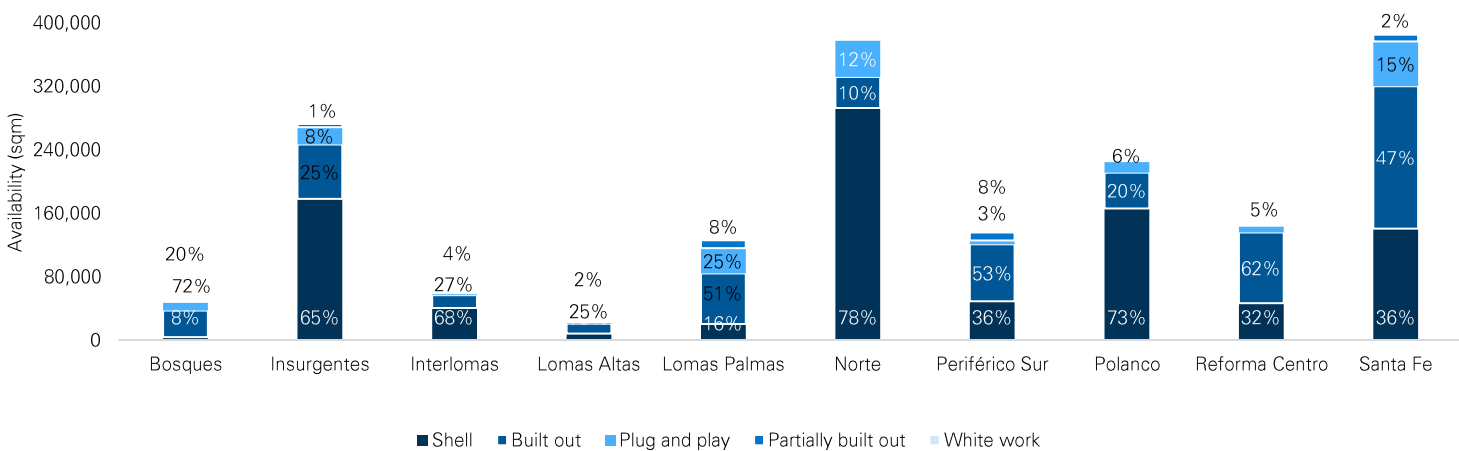
Thus, the accumulated occupancy at the end of the first half of the year was more than 219 thousand square meters, which represented an increase of 54% compared to the same period last year. Undoubtedly, this is a considerable improvement for

the office market. However, the figure that has completely changed the face of the office market is that of vacancies.

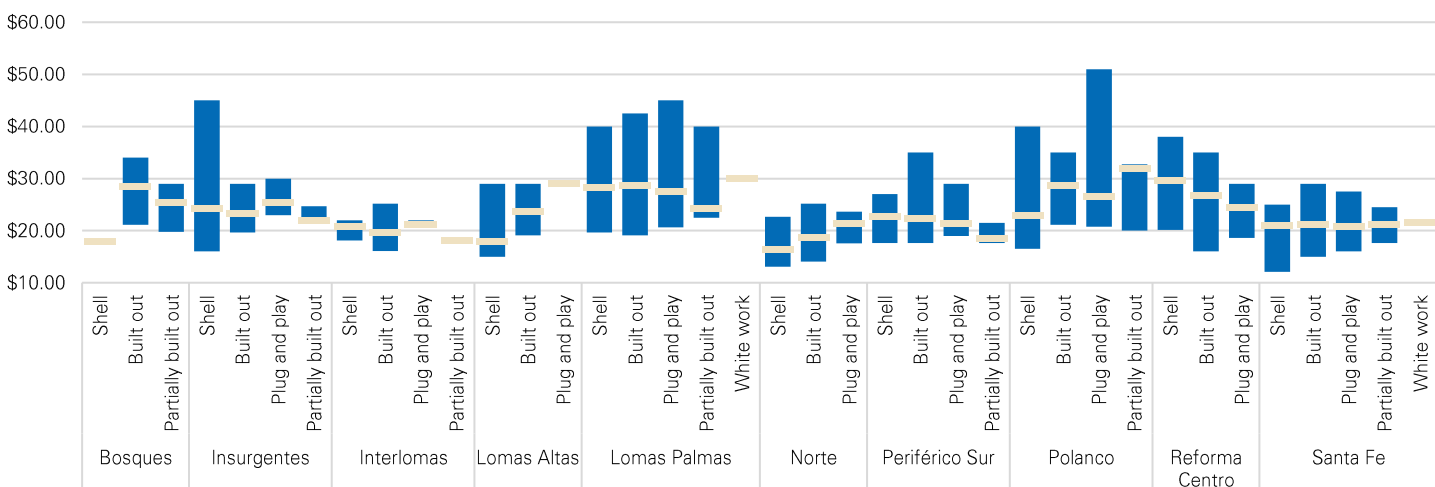
During the first half of 2022, about 155 thousand square meters were registered vacant in class A and A+ buildings, which represented a reduction of 52% compared to the same period of 2021.

Despite these good signs, it must be made clear that we are still talking about a market characterized by an oversupply that is very close to its highest historical level in available space (reached only last quarter). These almost 1.9 million square meters of vacant space represent a drag on the office market that it will have to carry for years. Its recovery will depend not only on the actors within the office market, but mainly on national and international economic factors that will foment or hinder growth and the emergence of companies that drive the economy and are demanding of office space.

**Available space condition by submarket**



**Asking range by condition**



Submarket Stats							
	Total Inventory (m <sup>2</sup> )	Deliveries (m <sup>2</sup> )	Vacancy (m <sup>2</sup> )	Vacancy Rate (%)	Total Activity (m <sup>2</sup> )	Net Absorption (m <sup>2</sup> )	Avg. Asking Rate (USD/m <sup>2</sup> /month)
<b>Bosques</b>	<b>304,343</b>		<b>46,731</b>	<b>15.4%</b>	<b>4,407</b>	<b>2,680</b>	<b>\$27.21</b>
<b>Insurgentes</b>	<b>1,184,202</b>		<b>273,120</b>	<b>23.1%</b>	<b>24,364</b>	<b>17,116</b>	<b>\$23.88</b>
Insurgentes Main Av.	631,977		160,310	25.4%	15,923	11,371	<b>\$23.83</b>
Insurgentes Eastern	140,839		31,837	22.6%	5,875	5,875	\$24.64
Insurgentes Revolución	182,772		30,113	16.5%	1,646	-1,050	\$23.39
Insurgentes Roma-Condesa	77,986		32,815	42.1%	0	0	\$24.09
Insurgentes San Ángel	150,628		18,045	12.0%	920	920	\$23.40
<b>Interlomas</b>	<b>194,070</b>		<b>55,002</b>	<b>28.3%</b>	<b>4,217</b>	<b>4,217</b>	<b>\$20.57</b>
<b>Lomas Altas</b>	<b>120,586</b>		<b>27,730</b>	<b>23.0%</b>	<b>29,077</b>	<b>29,077</b>	<b>\$21.75</b>
<b>Lomas Palmas</b>	<b>746,690</b>	<b>9,934</b>	<b>132,058</b>	<b>17.7%</b>	<b>11,135</b>	<b>-679</b>	<b>\$28.31</b>
<b>Norte</b>	<b>801,937</b>		<b>364,946</b>	<b>45.5%</b>	<b>21,493</b>	<b>16,607</b>	<b>\$17.09</b>
Norte Atizapán	37,529		17,941	47.8%	605	605	\$15.29
Norte Azcapotzalco	233,666		85,997	36.8%	5,133	5,133	\$17.80
Norte Naucalpan	332,807		155,307	46.7%	10,865	7,990	\$17.93
Norte Tlalnepantla	197,935		105,700	53.4%	4,890	2,879	\$15.60
<b>Periférico Sur</b>	<b>719,021</b>		<b>141,358</b>	<b>19.7%</b>	<b>1,641</b>	<b>-2,346</b>	<b>\$21.63</b>
<b>Polanco</b>	<b>1,397,801</b>	<b>58,358</b>	<b>284,872</b>	<b>20.4%</b>	<b>25,901</b>	<b>-43,175</b>	<b>\$24.89</b>
Polanco Anzures	83,147		32,341	38.9%	955	-6,957	\$23.29
Polanco Granadas	703,080	38,558	130,814	18.6%	13,811	-26,385	\$26.04
Polanco Lagos	205,505		43,642	21.2%	0	-385	\$18.66
Polanco Tradicional	406,069	19,800	78,075	19.2%	11,135	-9,448	\$27.12
<b>Reforma Centro</b>	<b>942,117</b>		<b>133,034</b>	<b>14.1%</b>	<b>10,720</b>	<b>4,543</b>	<b>\$27.08</b>
<b>Santa Fe</b>	<b>1,415,770</b>		<b>406,733</b>	<b>28.7%</b>	<b>15,304</b>	<b>1,680</b>	<b>\$20.98</b>
<b>TOTAL</b>	<b>7,826,536</b>	<b>68,292</b>	<b>1,865,584</b>	<b>23.8%</b>	<b>148,259</b>	<b>29,720</b>	<b>\$22.37</b>

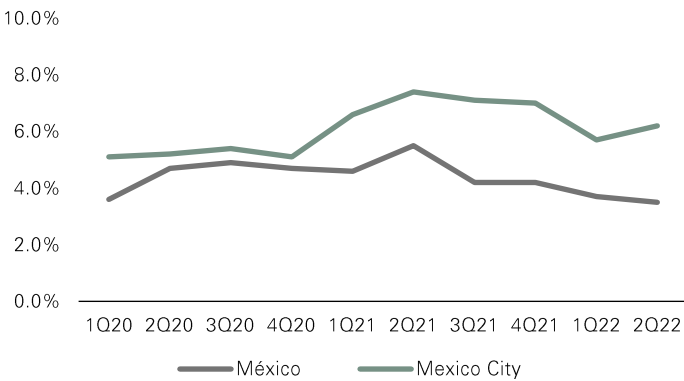
## Economic conditions

The country's economic activity is still in the process of recovery. In Mexico City, formal employment has grown for the fifth continuous month since January. Especially noteworthy is the month of June, where the figure of 24,000 accumulated formal jobs was reached, according to IMSS statistics.

On the other hand, the environment of international uncertainty and the increase in interest rates has prevented a full recovery. Some activities such as the primary sector fell by -1.3%, while the secondary sector only grew by 0.6%. However, the tertiary sector, which has the greatest impact on the office market, grew by 1.3%, which is reflected in notable occupations that came from the entertainment, technology and telecommunications sectors, among others.

## Unemployment Rate

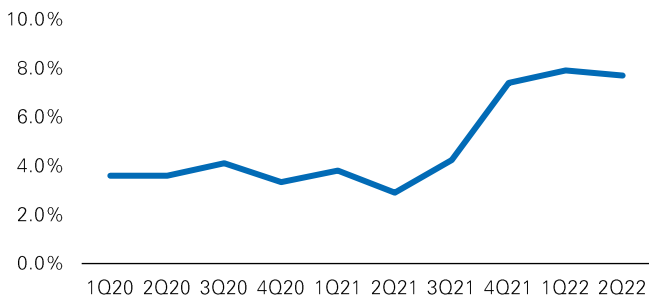
### ANNUAL INDICATOR



Source: INEGI, ENOE

## Consumer Price Index

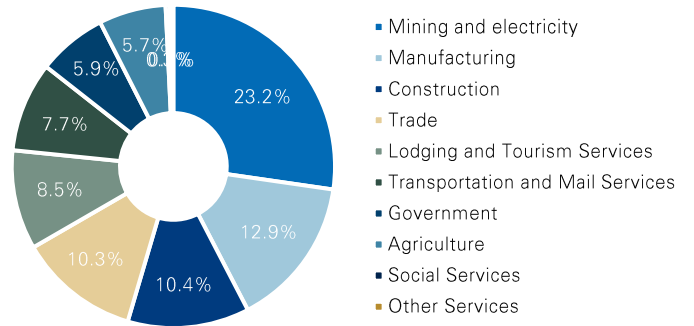
### INDICADOR ANUALIZADO



Source: Banxico

## Employment per Economic Sector

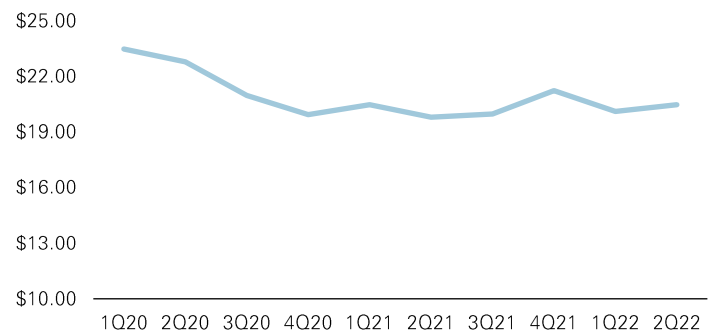
### MEXICO CITY AND METROPOLITAN AREA



Source: INEGI, ENOE

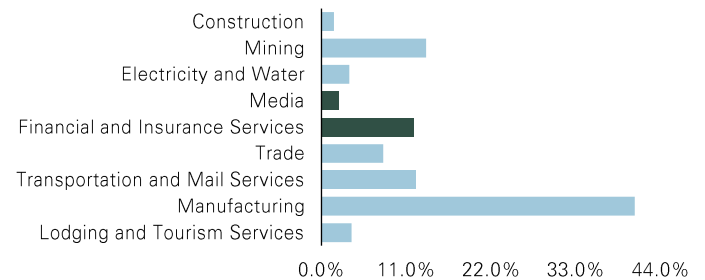
## Exchange Rate

### MEXICAN PESOS (MXN) PER U.S DOLLAR (USD)



Source: Banxico

## Inversión Extranjera Directa



Source: CEFP

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