



# Mexico City Office Market

## Market Stability

The Mexico City office market continued yielding positive results by the first semester of 2023. Office spaces have presented different adaptations to make them more attractive to users, combined with the hybrid model that is being implemented by more companies.

Class A inventory has increased again for this quarter. More than 55 thousand square meters were added to the market, approaching to the 8 million square meter mark. However, this new addition of office space has caused net absorption to interrupt its upward trend and present a fall after four positive periods. The constant increase in the vacancy rate has stopped, remaining within 23% since 2Q2022, less than 1% below the previous period. We are still in the process of achieving stability in the office market.

The change of use in office buildings continues, so we will have to see if the 792,000 square meters under construction go on the market as corporate spaces.

### Current Conditions

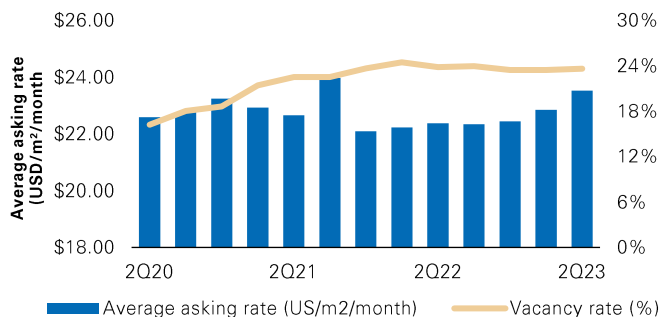
- A total of 55,000 meters entered the inventory, closing the second quarter with over 7.9 million square meters.
- The vacancy rate remained constant, reaching 23.6% by the end of 2Q2023.
- There was a decrease in area under construction. Today, there are 792,000 square meters under construction.

### Market Summary

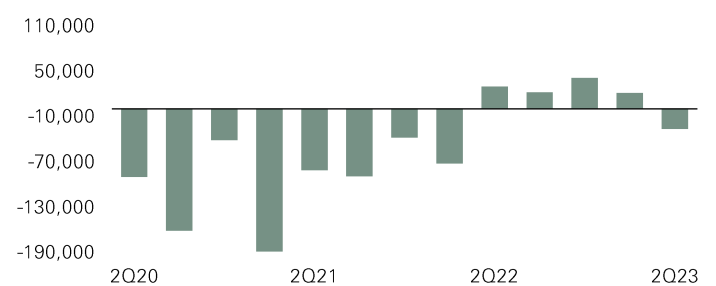
	Current Quarter	Prior Quarter	One Year Ago	12 Month Forecast
Total Inventory (sqm)	7,941,333	7,885,610	7,826,536	↑
Vacancy Rate	23.6%	23.4%	23.8%	↓
Gross Absorption (sqm)	91,989	84,461	148,259	↓
Quarterly Net Absorption (sqm)	-26,727	21,003	29,720	↑
Avg. Asking Price (USD/sqm/month)	\$23.52	\$22.84	\$22.37	↑
U. Construction (sqm)	792,765	949,493	1,274,086	↓

### Market Analysis

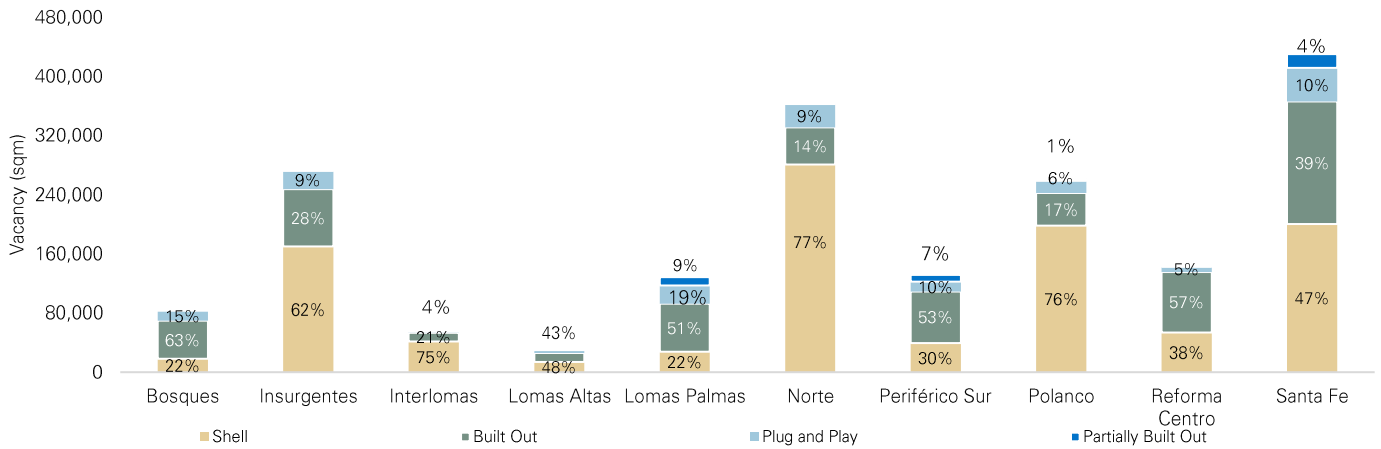
AVG. ASKING PRICE VS VACANCY RATE



NET ABSORPTION (SQM)



### Available Space by Condition



Activity in the office market remains constant. The leases took place mainly in the Santa Fe, Insurgentes, and Bosques submarkets, which, together, represented 70% of the 92,000 square meters occupied during this period.

Thus, the accumulated occupation as of the closing of the first half of 2023 was over 176,000 square meters, which is equivalent to 16% more compared to the same period of 2022. Without a doubt, this is a considerable improvement for the office market.

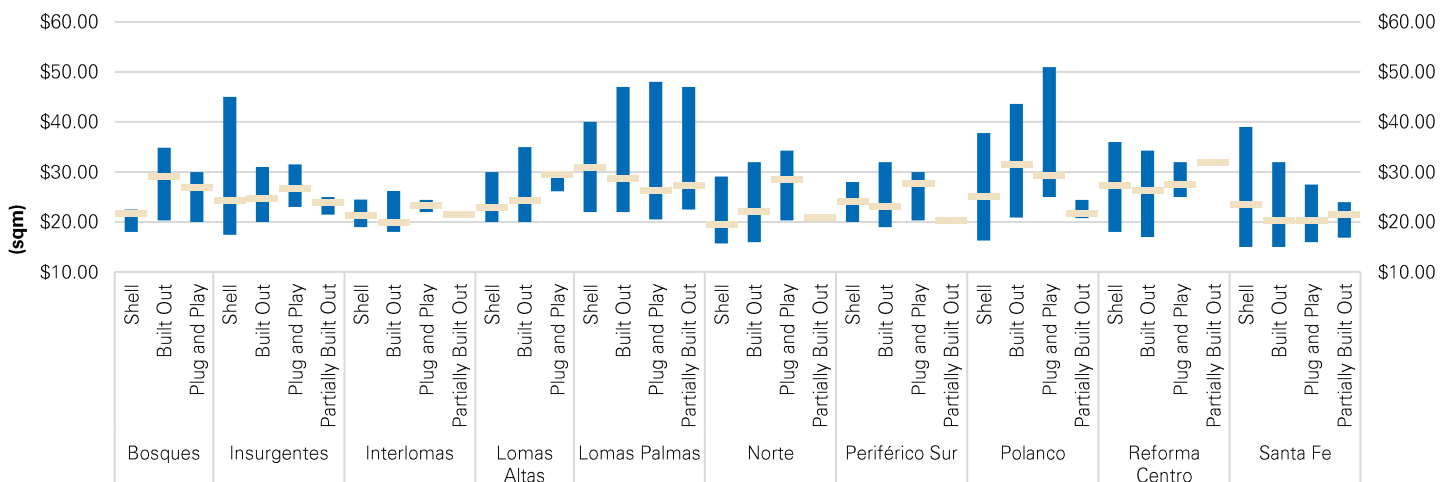
Vacancies were also observed to decrease by 25% compared to the prior half. During the first half of 2023, nearly 62,000 square meters of Class A and A+ buildings were reported as vacant.

Lease prices increase by 3% compared to the previous half, reaching USD\$23.52, 1.5% more than during the last period before the pandemic. This is a clear sign of recovery in this

indicator. Compared to the year prior, this is also a 5.4% increase. Projects that are still under construction continue the process in a rather reserved manner, as there are projects that have not started all their operations, delaying them from quarter to quarter.

There are major mixed-use projects which are due to enter the market by the end of 2023, such as Miyana 2 and Espacio Condesa. During this quarter, there were still changes in use for various projects under construction, such as Espacio Santa Fe II and Gama 309, which had over 20,000 square meters of office space to lease, but this was changed to health use.

### Average Asking Rates and Ranges



## RESEARCH 2Q 2023

Submarket Stats								
	Inventory (sqm)	Deliveries (sqm)	Vacancy (m <sup>2</sup> )	Vacancy Rate	Gross Absorption (sqm)	Quarter Net Absorption (sqm)	YTD Net Absorption (sqm)	Avg. Asking Price (USD/sqm/month)
<b>Bosques</b>	<b>319,133</b>	<b>14,790</b>	<b>82,020</b>	<b>25.7%</b>	<b>1,954</b>	<b>-16,808</b>	<b>-14,976</b>	<b>\$27.01</b>
<b>Insurgentes</b>	<b>1,197,068</b>		<b>267,945</b>	<b>22.4%</b>	<b>32,191</b>	<b>8,236</b>	<b>16,844</b>	<b>\$24.66</b>
Avenida Insurgentes Principal	631,977		155,605	24.6%	15,782	5,712	12,333	\$24.62
Insurgentes Oriente	140,839		40,867	29.0%	11,184	663	398	\$25.69
Insurgentes Revolución	182,772		12,887	7.1%	1,816	695	2,599	\$22.38
Insurgentes Roma-Condessa	90,852		29,817	32.8%	1,210	26	-1,629	\$24.64
Insurgentes San Ángel	150,628		28,769	19.1%	2,199	1,140	3,143	\$24.42
<b>Interlomas</b>	<b>194,965</b>		<b>55,251</b>	<b>28.3%</b>	<b>0</b>	<b>-1,694</b>	<b>573</b>	<b>\$20.97</b>
<b>Lomas Altas</b>	<b>120,586</b>		<b>27,568</b>	<b>22.9%</b>	<b>2,571</b>	<b>2,511</b>	<b>598</b>	<b>\$23.93</b>
<b>Lomas Palmas</b>	<b>748,279</b>		<b>125,962</b>	<b>16.8%</b>	<b>9,810</b>	<b>6,571</b>	<b>11,628</b>	<b>\$28.57</b>
<b>Norte</b>	<b>801,937</b>		<b>362,604</b>	<b>45.2%</b>	<b>2,341</b>	<b>415</b>	<b>9,364</b>	<b>\$20.64</b>
Norte Atizapan	37,529		17,205	45.8%	0	0	0	\$17.76
Norte Azcapotzalco	233,666		90,905	38.9%	769	-502	-502	\$19.68
Norte Naucalpan	332,807		159,342	47.9%	1,044	1,042	6,043	\$22.97
Norte Tlalnepantla	197,935		95,151	48.1%	528	-125	3,823	\$18.18
<b>Periférico Sur</b>	<b>731,419</b>		<b>131,201</b>	<b>17.9%</b>	<b>4,830</b>	<b>762</b>	<b>2,971</b>	<b>\$23.01</b>
<b>Polanco</b>	<b>1,397,801</b>		<b>260,254</b>	<b>18.6%</b>	<b>19,141</b>	<b>10,225</b>	<b>4,581</b>	<b>\$25.76</b>
Polanco Anzures	83,147		25,772	31.0%	6,511	6,511	6,408	\$23.16
Polanco Granadas	703,080		140,150	19.9%	5,217	-657	-3,003	\$27.47
Polanco Lagos	205,505		37,716	18.4%	0	-1,259	-5,712	\$19.31
Polanco Tradicional	406,069		56,616	13.9%	7,413	5,630	6,889	\$26.87
<b>Reforma Centro</b>	<b>973,442</b>		<b>141,644</b>	<b>14.6%</b>	<b>12,431</b>	<b>6,617</b>	<b>7,652</b>	<b>\$26.29</b>
<b>Santa Fe</b>	<b>1,456,703</b>	<b>40,933</b>	<b>419,267</b>	<b>28.8%</b>	<b>6,720</b>	<b>-43,563</b>	<b>-44,959</b>	<b>\$21.51</b>
<b>Total</b>	<b>7,941,333</b>	<b>55,723</b>	<b>1,873,716</b>	<b>23.6%</b>	<b>91,989</b>	<b>-26,727</b>	<b>-5,724</b>	<b>\$23.52</b>

### Defying the economic slowdown

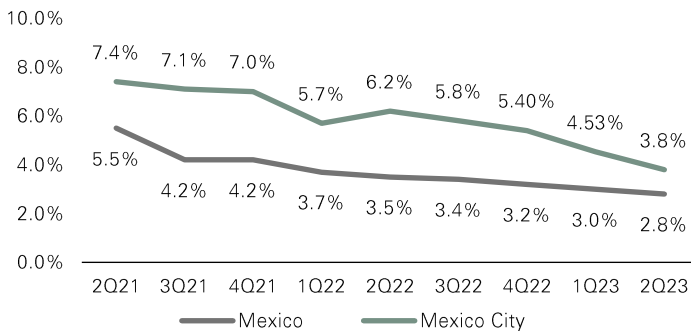
Mexico showed signs of resilience in the first half of this year. Economic activity increased through the production of goods, driven by a free trade agreement that decreases exporting costs, largely due to the Chinese commercial and industrial expansion in the country.

For this reason, the city’s authorities, jointly with the metropolitan municipalities adjoining the city, have suggested creating tax benefits for industrial areas to develop the north submarket. This seeks to nudge Asian companies to establish their offices and industrial operations in these areas.

Additionally, the national currency has gained ground and appreciated by 0.3% versus the dollar, staying at exchange rates between \$19.0 and \$15.9 pesos. Concurrently, there was a 1.0% growth of GDP in the first six months of 2023.

### Unemployment Rate

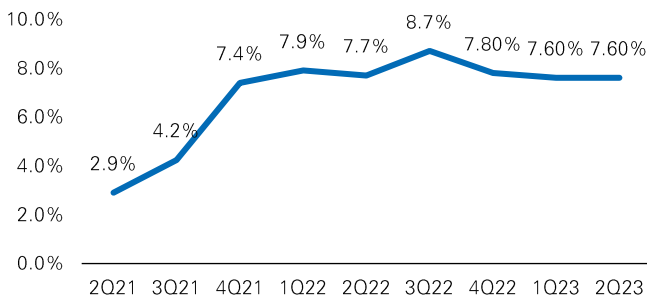
#### ANNUAL INDICATOR



Source: INEGI, ENOE

### Consumer Price Index

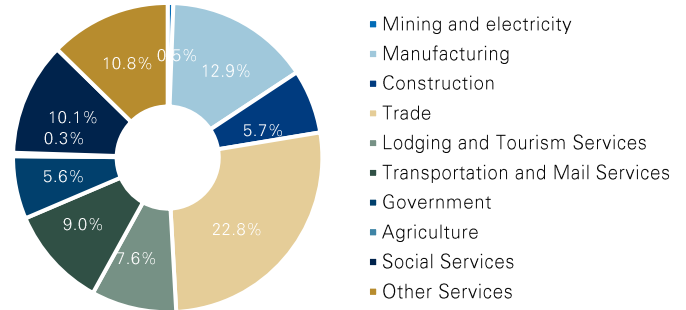
#### ANNUAL INDICATOR



Source: Banxico

### Employment per Economic Sector

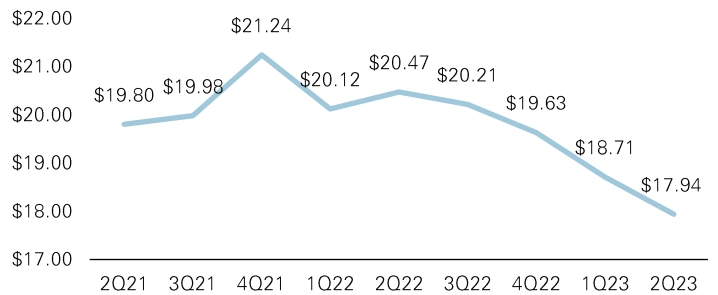
#### MEXICO CITY METRO AREA 1Q2023



Source: INEGI, ENOE

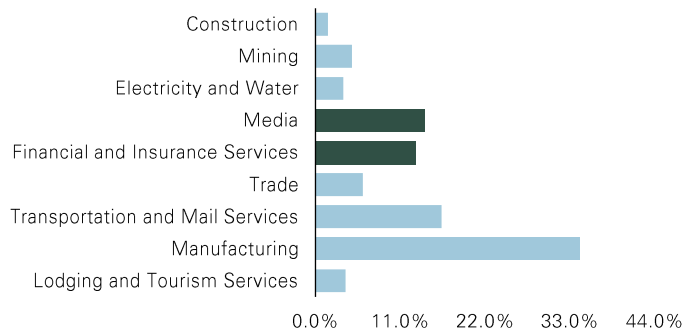
### Exchange Rate

#### MEXICAN PESO (MXN) PER US DOLLAR (USD)



Source: Banxico

### Foreign Direct Investment



Source: CEFP

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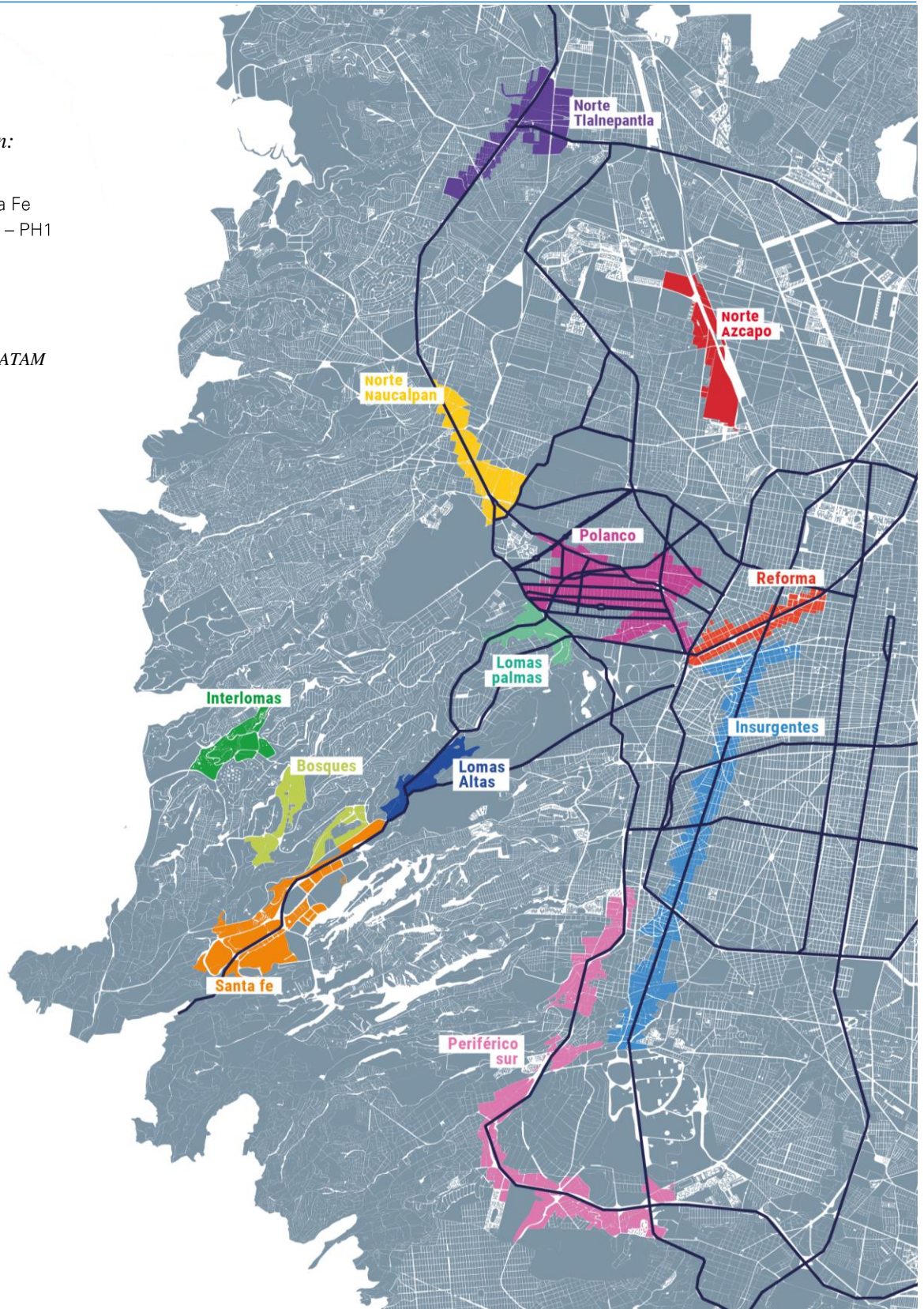
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