
1Q2024

Mexico City Office Market



NEWMARK

Market Analysis

Economy

- The economy is expected to undergo a slowdown in productive activity in 2024, due to the electoral period to take place in the middle of the year.
- Macroeconomic aspects such as fiscal matters and monetary policies should focus on price stability, thus having a healthy financial system, a well-capitalized banking sector, and a flexible exchange rate will be essential for resilience throughout the year.

Transactions

- The Periferico Sur corridor showed the highest gross and net absorptions of over 26,000 sqm, this due to the occupancy of a building of more than 21,000 sqm.
- The Insurgentes corridor was the second to show the highest gross absorption at the end of this quarter, representing 20% of the total transactions made in Mexico City.

Market fundamentals

	Current Quarter	Prior Quarter	One year Ago	12-month Forecast
Inventory (sqm)	8,075,699	7,983,799	7,885,610	↑
Vacancy Rate	23.5%	23.2%	23.4%	↑
Gross Absorption (sqm)	-22,421	91,985	21,003	↑
Net Absorption (sqm)	136,812	20,978	84,461	↑
Avg. Asking Price (USD/sqm/month)	\$23.50	\$23.87	\$22.84	↓
U. Construction (sqm)	580,963	652,082	949,493	↓

Perspectives

- The inventory surpassed 8 million sqm, despite the office market being in a process of adaptability due to labor transformation and the demand for flexible corporate spaces.
- One of the most notable aspects to consider is the rental price, which showed a fall of 1.6% compared to the previous quarter. Although this may be due to the exchange rate reaching historical lows in these months, additional adjustments are anticipated during the first half of 2024.
- Gross absorption for the quarter has remained positive, which means that strategic planning is necessary to capitalize on the opportunities in the corporate market.

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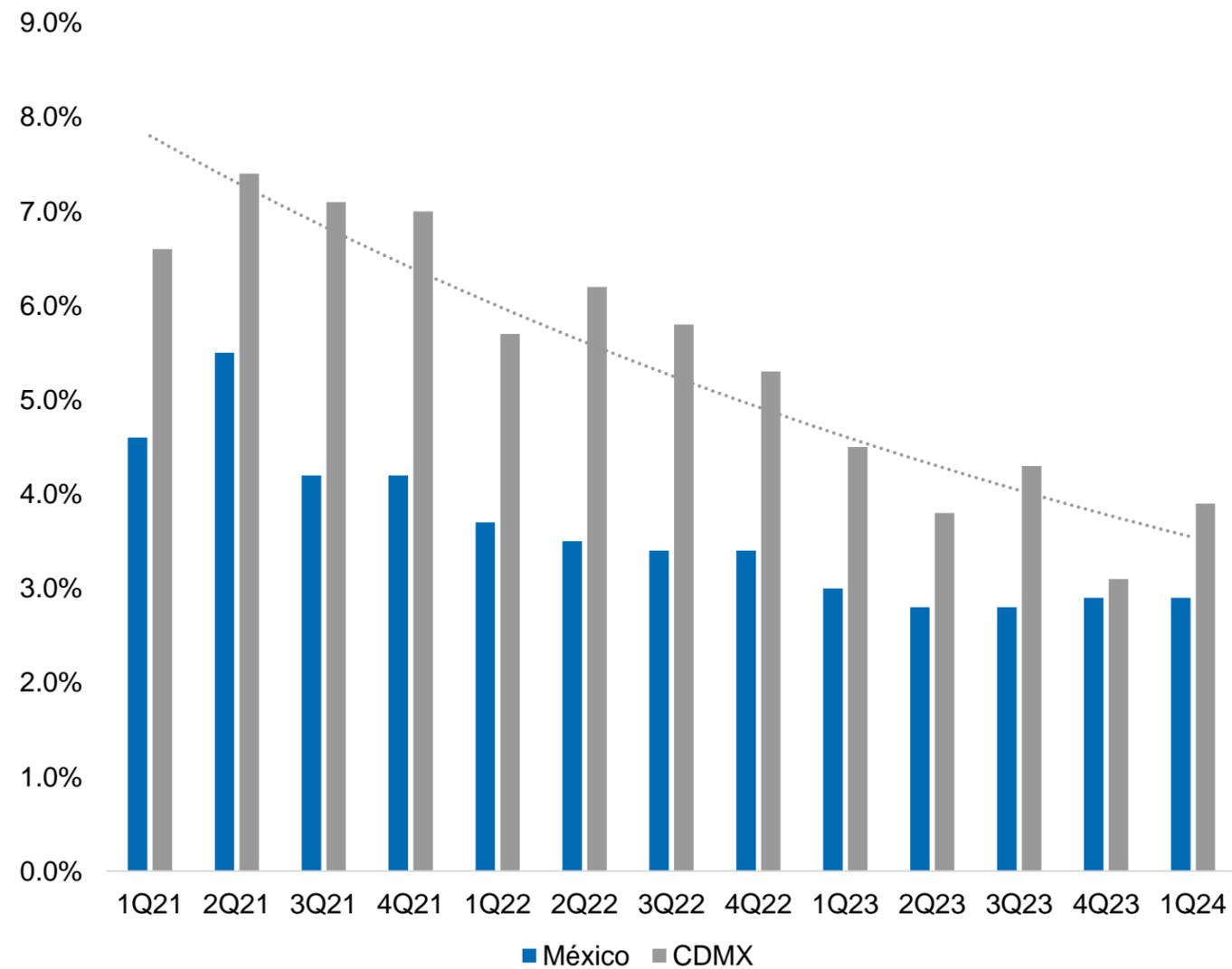
Economy



Economic outlook

Mexico City has seen a surge in tourism during the first few months of 2024, which has kept 747,380 formal and informal jobs active and had a positive impact on the city's services and activities.

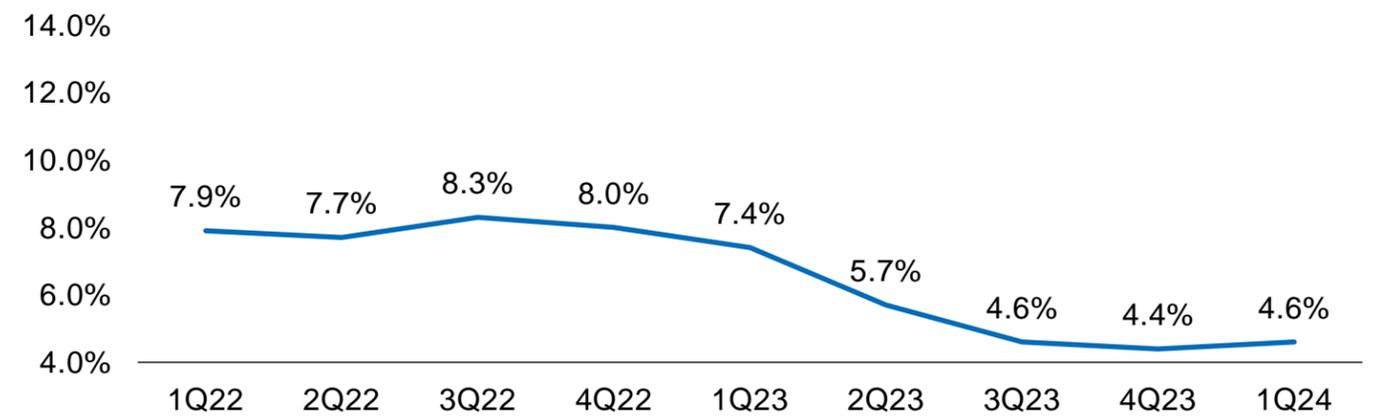
Unemployment Rate



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



Consumer Price Index (INPC)

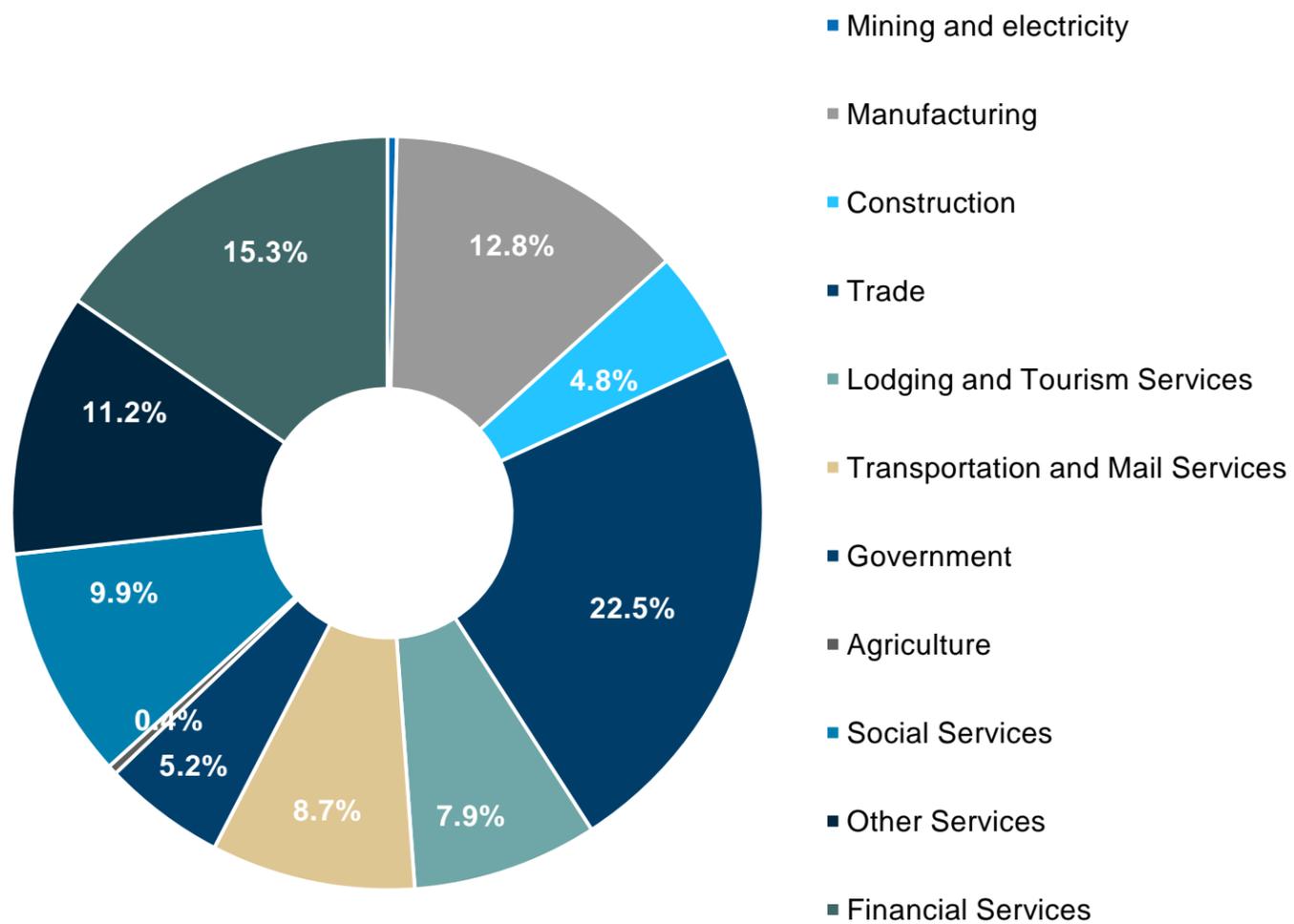


Fuente: Inegi, Banxico

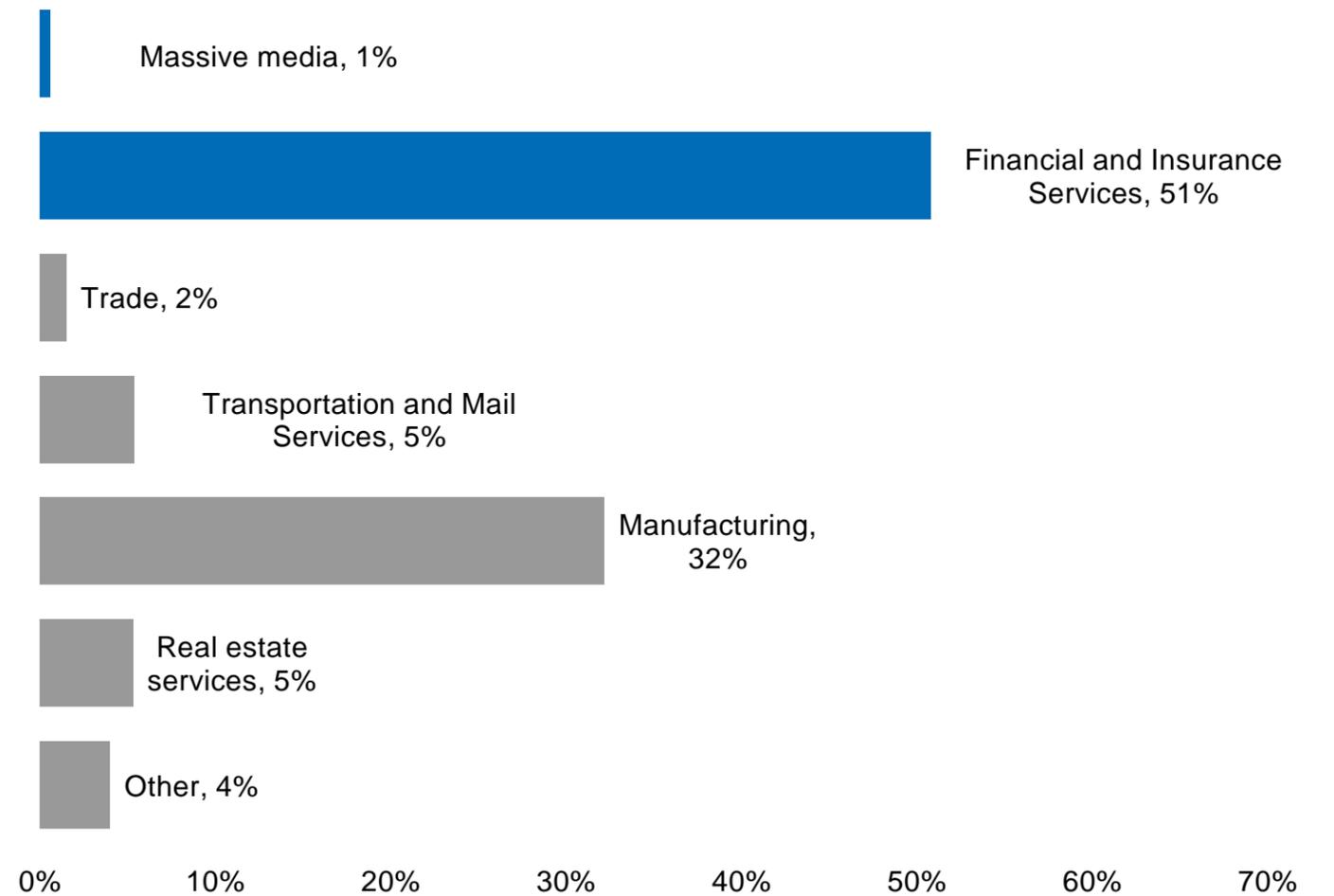
Economic sectors

An investment of nearly 9,050 million dollars is projected for 2024 to install production lines, plants, and factories in Mexico. Although the relocation mainly comes from Asia, Mexico takes advantage of its geographical location strengths, its agreements and trade treaties, among others.

Employed per Economic Sector



Foreign Direct Investment



Fuente: Inegi, Banxico, Secretaría de Economía

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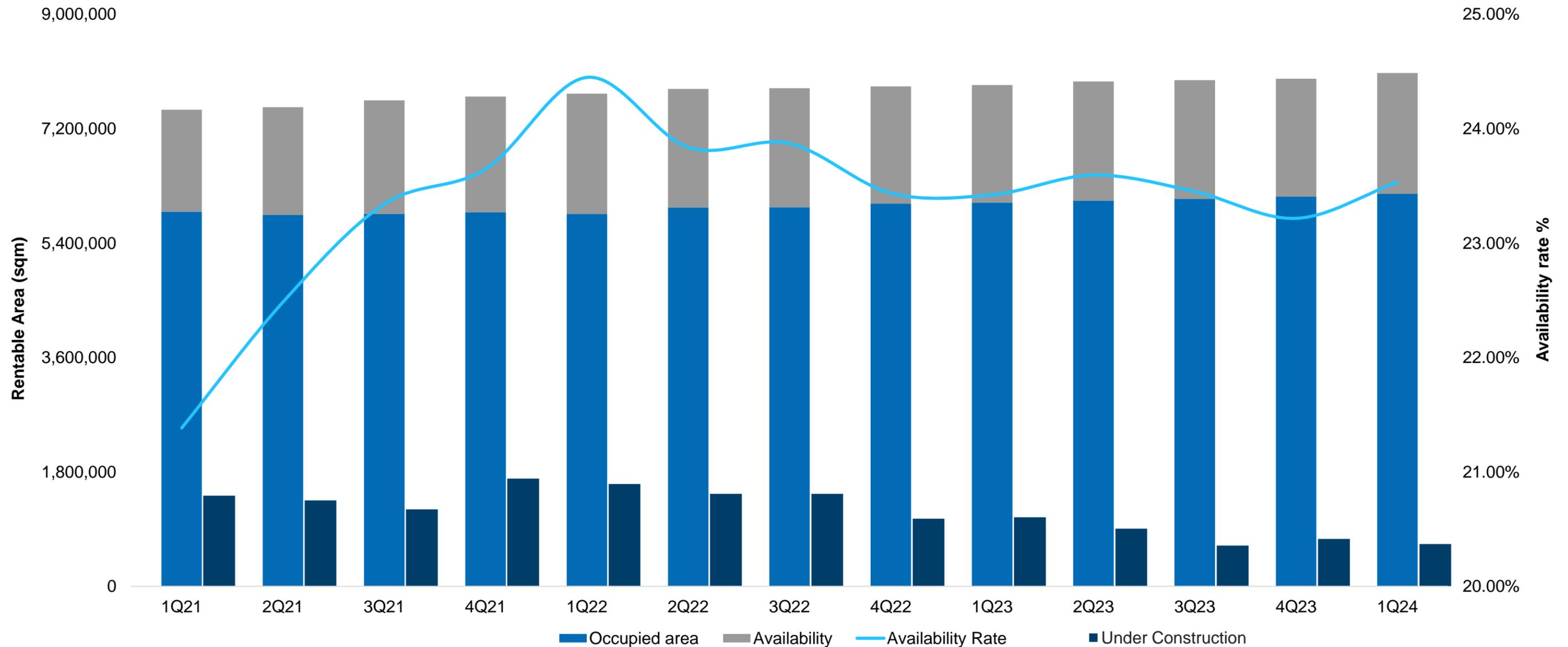
Market Fundamentals



Inventory

The inventory of Class A and A+ offices broke the 8 million square meter barrier, as it showed a 1.2% increase compared to the end of 2023. This quarter, 91,900 sqm were added in 7 buildings, located in the Insurgentes, Lomas Palmas, Reforma Centro, and Polanco corridors. The availability rate has remained constant, standing at 23.5% at the end of the quarter.

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

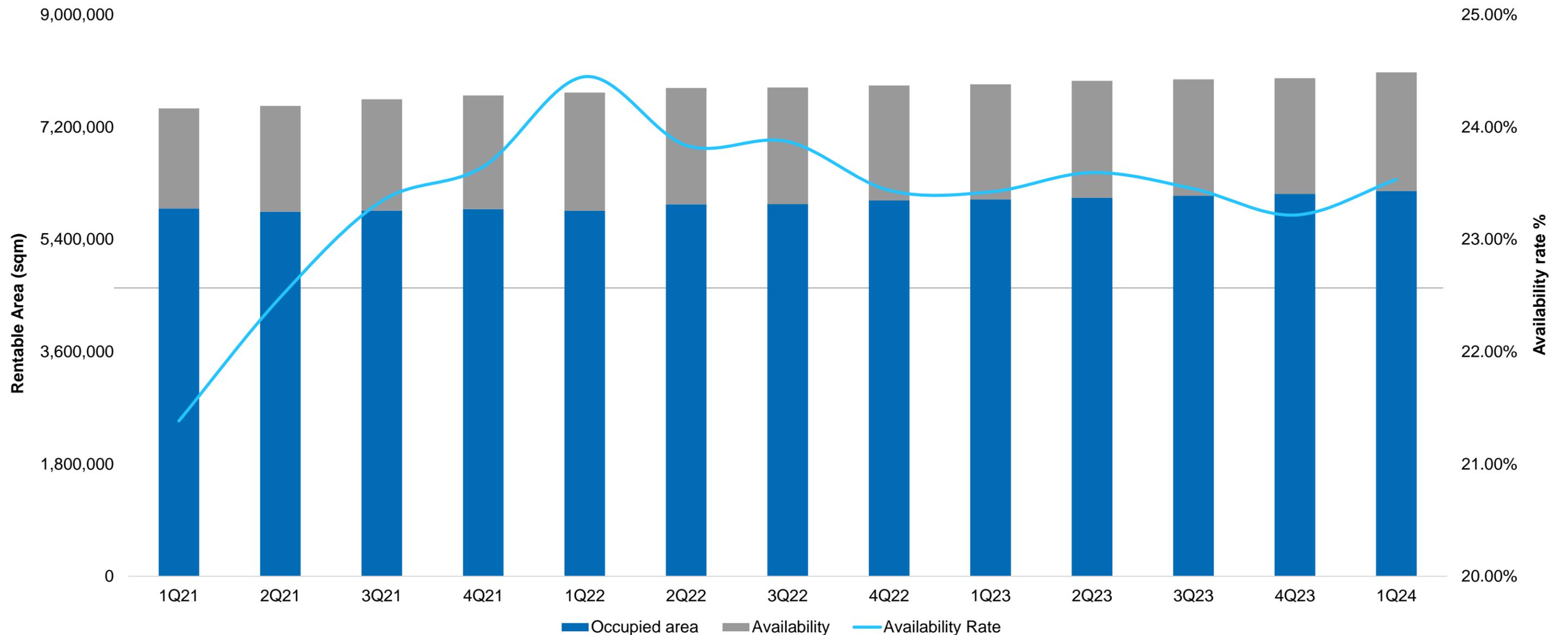


Fuente: Newmark Research

Occupation and Vacancy

The average asking price showed a slight decrease, directly related to the exchange rate. The market's gross absorption recorded 136,812 sqm, a 49% increase from what was presented at the end of the previous quarter. However, the net absorption was negative, being -22,421 sqm, due to the entry of new buildings.

Asking Price (USD/sqm/month), Net Absorption (sqm) and Gross Absorption (sqm) Quarterly

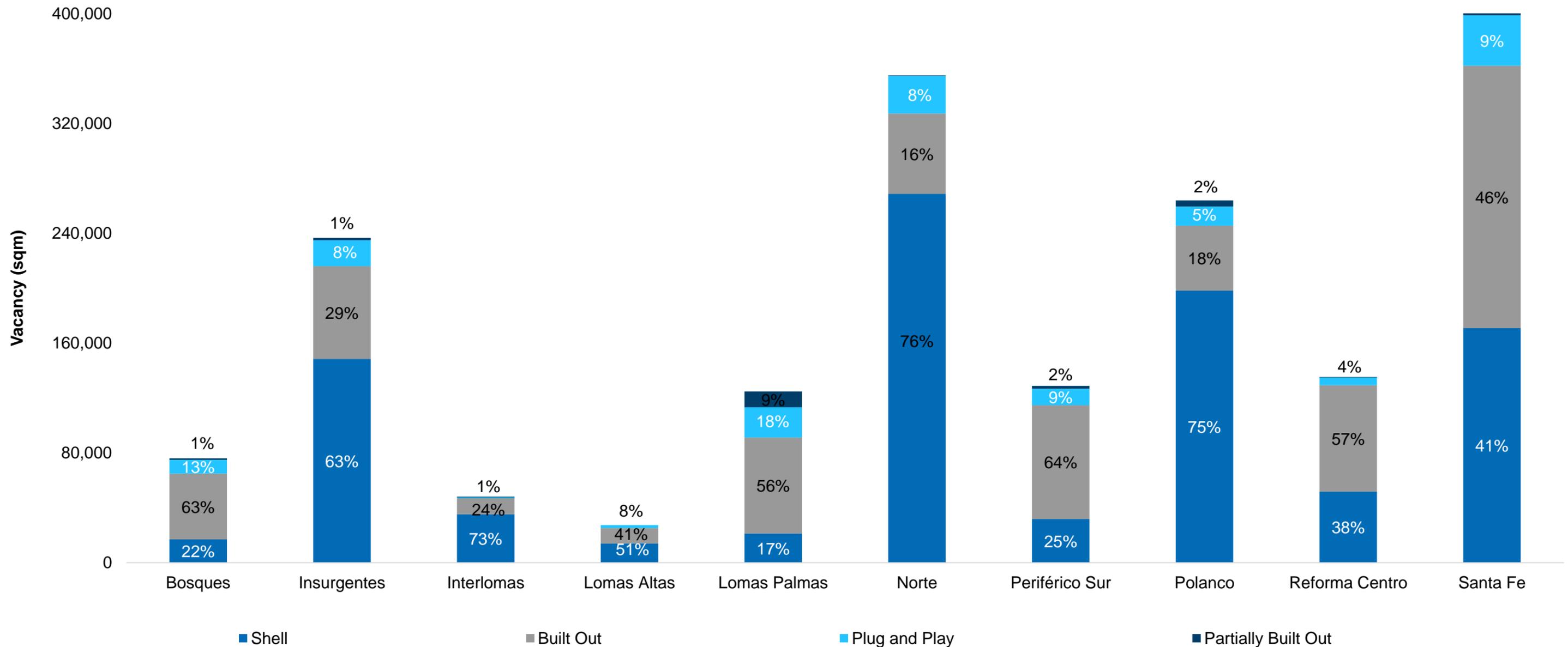


Fuente: Newmark Research

Delivery Condition

53% of the available office area is delivered in shell condition. 37% built out, and the remaining space is delivered in plud and play or partially built out conditions. Notably, in the corridors of Bosques, Lomas Altas, Lomas Palmas, Periférico Sur, Reforma Centro, and Santa Fe, more than 40% of the available square meters are delivered in built out condition.

Available Space by Condition

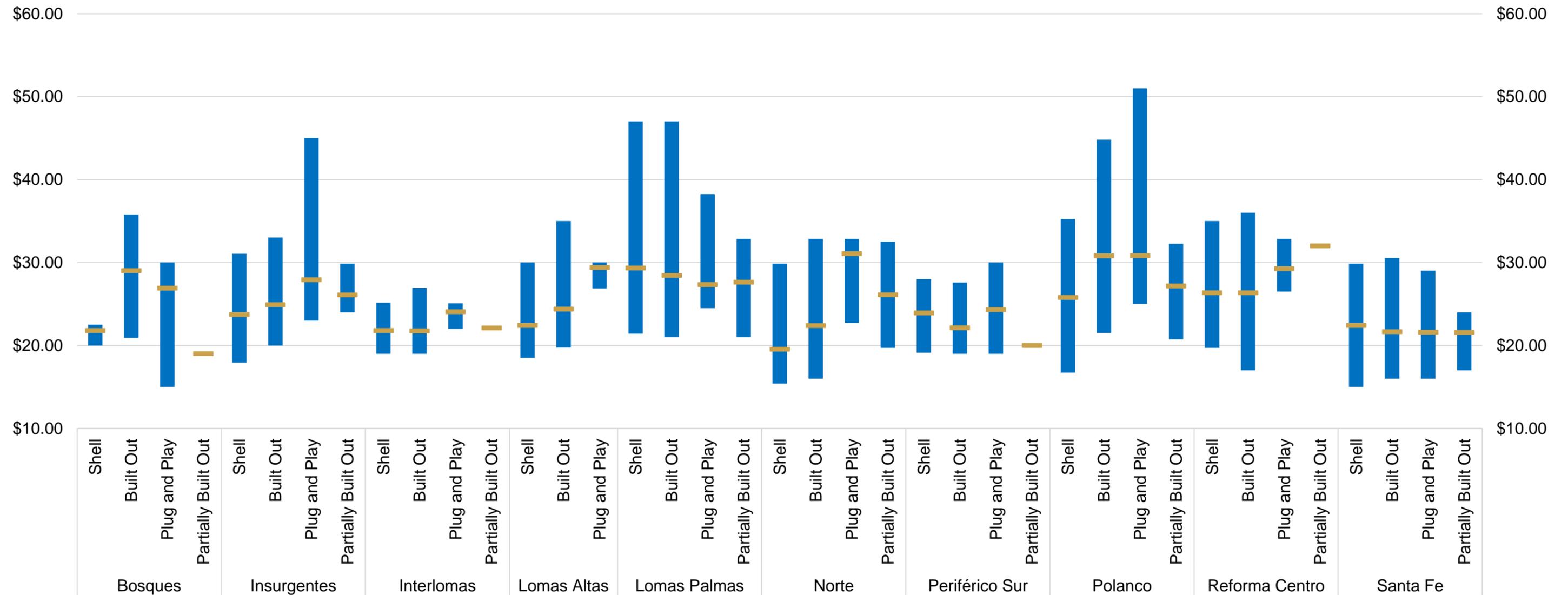


Fuente: Newmark Research

Asking Prices

The price range for different delivery conditions in some cases goes from \$22.50 to \$26.00 USD/m². Spaces delivered in shell conditions offer prices ranging from \$22.50 to \$42.00 USD/m², while for built out spaces, the prices range from \$26.94 to \$47.00 USD/m². These values depend on the location, finishes, infrastructure, included services, and the layout of the spaces.

Average Asking Rates Range

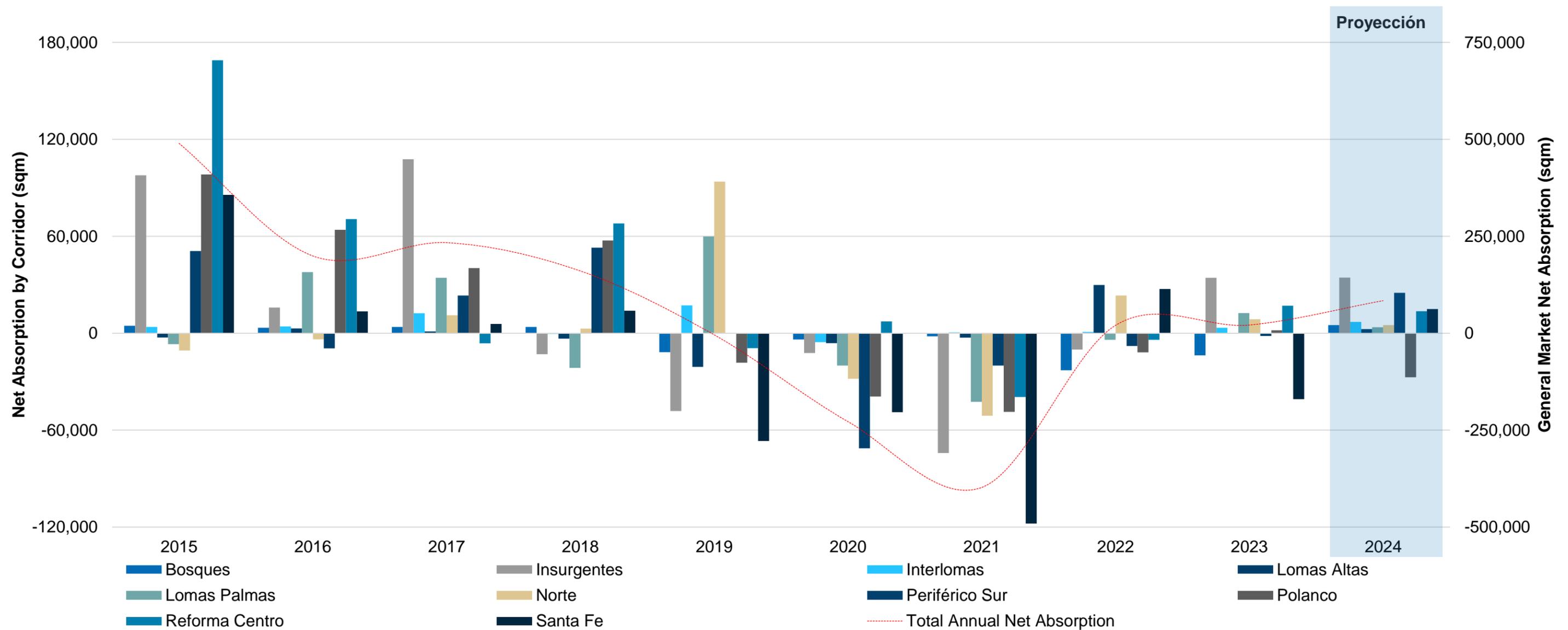


Fuente: Newmark Research

Net Absorptions by corridor

At the end of each year, net absorption had remained positive, except for 2019 to 2021. From the end of 2022 onwards, a steady improvement has been observed, expecting that by the end of 2024, it will exceed 84,000 sqm.

Annualized Net Absorptions by Corridor and total Market



Fuente: Newmark Research

Statistics by submarket

	Inventory (sqm)	Deliveries (sqm)	Vacancy (sqm)	Vacancy Rate	Gross Absorption (sqm)	Net Absorption (sqm)	Avg. Asking Price (USD/sqm/month)
Bosques	319,133		76,067	23.8%	3,010	370	\$26.84
Insurgentes	1,238,753	25,550	250,838	20.2%	27,068	-7,757	\$24.23
Avenida Insurgentes Principal	654,733	22,756	145,680	22.3%	16,116	-15,415	\$24.58
Insurgentes Oriente	154,194		40,041	26.0%	410	308	\$23.67
Insurgentes Revolución	182,772		11,679	6.4%	1,832	1,832	\$22.93
Insurgentes Roma-Condesa	93,632		20,891	22.3%	5,886	5,886	\$24.33
Insurgentes San Ángel	153,422	2,794	32,547	21.2%	2,824	-368	\$23.71
Interlomas	194,965		48,227	24.7%	5,030	4,261	\$21.02
Lomas Altas	120,586		27,492	22.8%	1,754	1,015	\$23.36
Lomas Palmas	754,651	6,372	130,521	17.3%	10,981	-5,452	\$29.28
Norte	801,937		355,121	44.3%	13,625	8,208	\$19.58
Norte Atizapán	37,529		17,205	45.8%	0	0	\$16.60
Norte Azcapotzalco	233,666		87,432	37.4%	3,197	-166	\$19.10
Norte Naucalpan	332,807		156,228	46.9%	2,622	2,251	\$21.73
Norte Tlalnepantla	197,935		94,256	47.6%	7,806	6,123	\$17.01
Periférico Sur	731,419		109,216	14.9%	31,836	26,649	\$21.63
Polanco	1,477,722	53,590	334,518	22.6%	10,755	-64,847	\$26.41
Polanco Anzures	85,680		26,687	31.1%	0	-204	\$26.13
Polanco Granadas	780,468	53,590	212,149	27.2%	6,473	-58,336	\$27.39
Polanco Lagos	205,505		40,961	19.9%	149	-1,168	\$19.17
Polanco Tradicional	406,069		54,721	13.5%	4,133	-5,139	\$28.00
Reforma Centro	979,830	6,388	124,435	12.7%	18,217	7,824	\$27.17
Santa Fe	1,456,703		443,997	30.5%	14,536	7,308	\$21.57
Totals	8,075,699	91,900	1,900,432	23.5%	136,812	-22,421	\$23.50

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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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