

Offices Business Review: Mexico City 3Q 2023

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We are Datoz

We combine continuous commercial real estate research with cutting edge software to provide transparency to the industry through impartial and constantly updated market intelligence.

Our research team monitors and records real estate activity throughout México, covering 24 markets in the industrial segment, 5 markets in the corporate segment and 14 markets in the retail segment.

Research efforts include field verification activities that reinforce our data precision and provide our researchers with physical evidence to support our monthly market updates. Datoz proprietary software allows users to connect online any time and from anywhere. Our suite of products offers the possibility to browse verified available spaces, download property brochures, view details from thousands of lease and sale transactions, customize data-sets, download statistics and indicators in friendly and customizable formats, among many other features.

Methodology

We work with an extensive network of market participants and maintain constant contact to update information on a monthly basis. In this manner, we ensure that key market data comes directly from the professionals involved in diverse activities that affect commercial real estate in each and every market.

Our researchers verify all collected data and visit markets regularly to corroborate information that can only be validated through physical surveys and on-site inspections.

We continuously work to standardize number formats, calculations and ratios in order to present our results in a simple and comprehensible manner. Once data has been thoroughly verified and meets quality standards, it is merged and loaded unto our database, which in turn compares it against other entries pertaining to the same property and market to validate its place in a building's historic timeline.

Furthermore, our analysts continually review our data-sets in order to proactively amend anomalies and in doing so help maintain the highest standards of quality for real estate data in Mexico

Mexico City market



Submarkets



Economic outlook

In July 2023, industrial production in Mexico grew annually by 4.9%, driven by construction, which increased by 24.7%. Meanwhile, the manufacturing industry saw a rise of 1.1%, as reported by the National Institute of Statistics and Geography (INEGI).

As of July 2023, employment in the manufacturing industry experienced a slight increase of 0.3% compared to the same month in 2022, according to figures from INEGI.

During the first semester of 2023, Foreign Direct Investment (FDI) in Mexico reached \$29.041 billion, a 41% increase compared to the same period in 2022, according to data from the Ministry of Economy.

In July 2023, private consumption recorded an annual increase of 4.3%, driven by imported goods, which increased by 19.1%, according to INEGI.

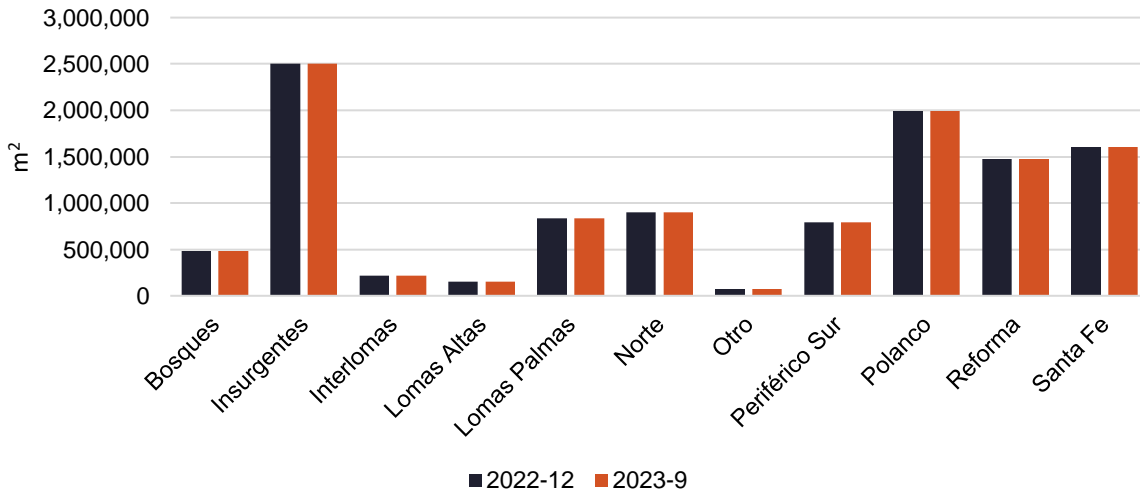
The National Consumer Price Index registered an annual growth of 4.64% as of August 2023, according to INEGI.

Summary

1. The corporate market in CDMX closed 3Q 2023 with a total existing inventory of 11 million m² of Gross Leasable Area (GLA).
2. The market had an availability rate of 21.34%, with 2.3 million m² of existing space and 259,574 m² under construction.
3. At the end of 3Q 2023, CDMX accumulated a gross absorption of 240,227 m².
4. The average market asking price was \$23.76 USD/m²/month. Lomas Palmas had the highest price at \$27.63 USD/m²/month.
5. From January to September, CDMX recorded 46,474 m² of new spaces.

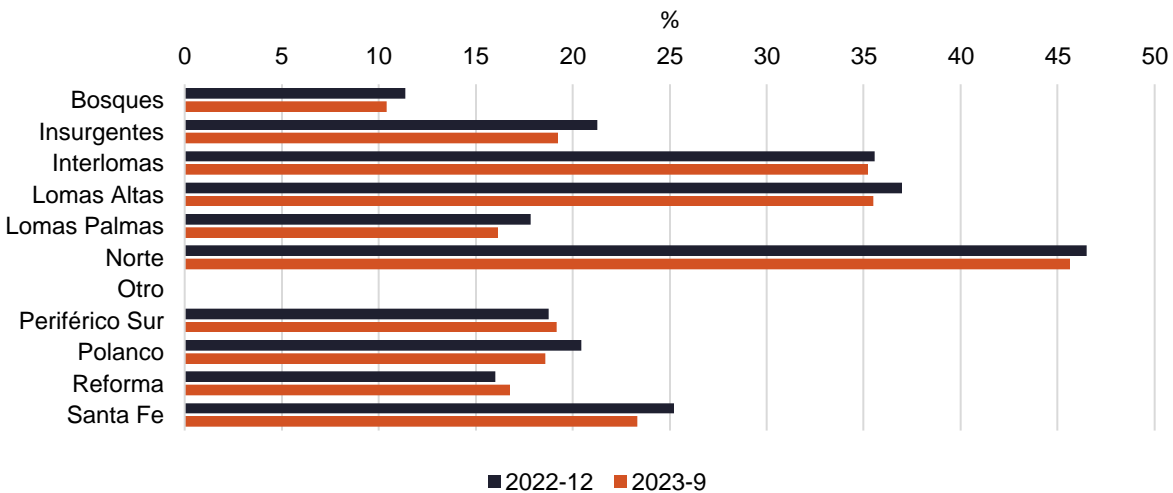
Inventory

CDMX closed 3Q 2023 with an existing inventory of 11 million m² of GLA. Insurgentes, Polanco, and Santa Fe are the corridors with the largest inventory, with 2.5 million m², 2.0 million m², and 1.6 million m², respectively. This market had 858,547 m² under construction.



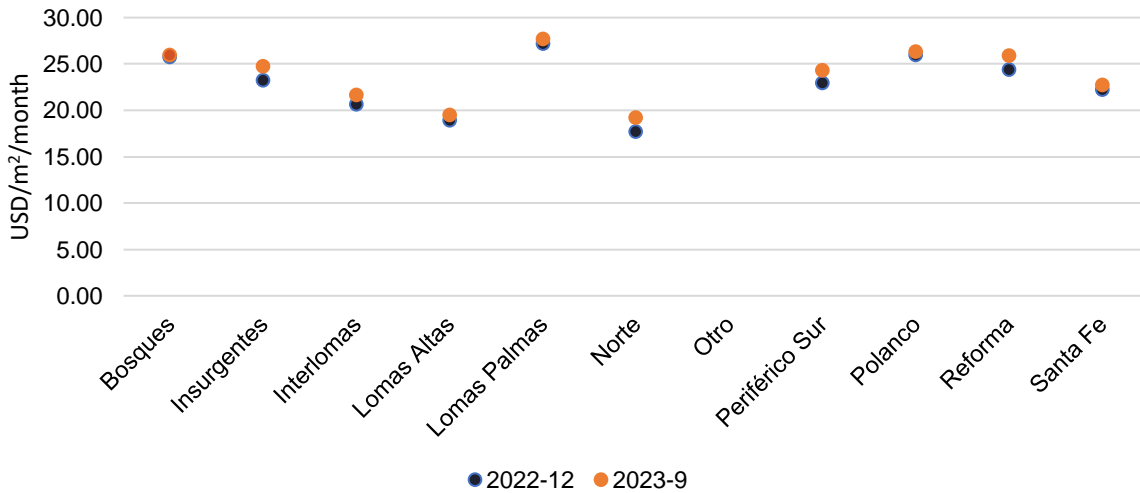
Availability rate

CDMX ended 3Q 2023 with an availability rate of 21.34%, with 2.3 million m² of existing inventory available and 259,574 m² under construction. Norte corridor maintains the highest availability rate, reaching 45.64%, with 412,299 m² of existing available space and 2,390 m² under construction.



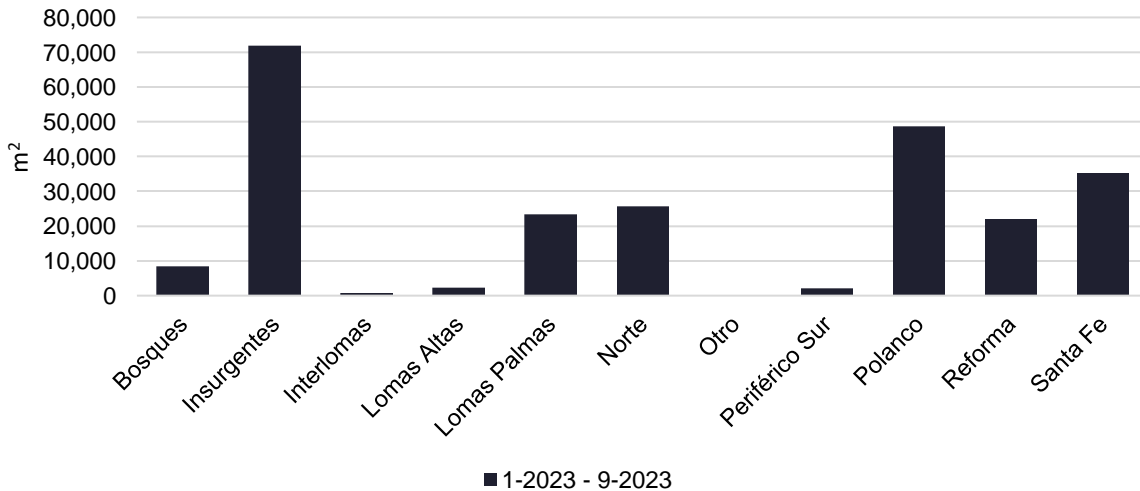
Asking prices

At the end of 3Q 2023, CDMX recorded an average asking price of \$23.76 USD/m²/month. Lomas Palmas was the corridor with the highest asking price, at \$27.63 USD/m²/month, followed by Polanco with \$26.27 USD/m²/month. On the other hand, Norte corridor had one of the lowest asking prices at \$19.19 USD/m²/month.



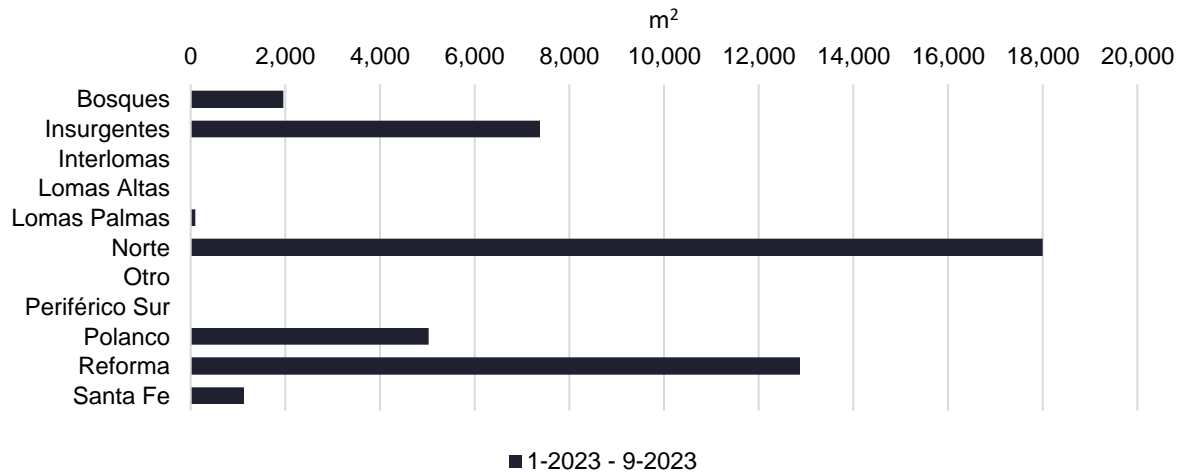
Gross absorption

From January to September 2023, CDMX accumulated a gross absorption of 240,227 m². The corridors with the highest lease or sales activity were Insurgentes, Polanco, and Santa Fe, which together accounted for approximately 155,648 m² of absorption, representing 77% of the total market demand.



New spaces

At the end of 3Q 2023, CDMX recorded 46,474 m² of new spaces. Seven corridors had new spaces: Norte, Reforma, Insurgentes, Polanco, Bosques, Santa Fe and Lomas Palmas. Norte was the corridor that led in new spaces with 17,995 m², followed by Reforma with 7,816 m².



Looking forward

The first nine months of 2023 have been extremely dynamic for the office market in Mexico City (CDMX) in terms of gross absorption. Lease and sale transactions totaled 240,000 square meters, surpassing the activity of the entire 2022 by 13%. This is a highly positive sign for CDMX market, as absorption levels exceeding 250,000 square meters hadn't been seen since 2020, and everything indicates that this year that barrier will be surpassed.

It is worth noting that, similar to Monterrey, companies linked to industrial activities have taken the lead in the demand for office spaces, with around 30,000 square meters being related to logistics and manufacturing companies. Additionally, information technology companies are also demanding significant spaces in CDMX office market.

Starting prices experienced a 4% increase compared to the last month of 2022. Markets with increases of more than 1 USD/m²/month include Norte, Insurgentes, Reforma, and Periférico Sur. However, the highest prices are still led by the Central Business District (CBD), which encompasses the corridors of Lomás Palmas, Polanco, and Bosques.

The inventory of office development remained unchanged throughout the year, due to delays in delivery times or construction starts, as a strategy by developers to try to maintain demand and utilize existing spaces. This does not include converted office spaces into apartments and/or medical offices.

The market's evolution continues, adapting to tenant demands through attractive leasing offers such as flexibility, aiming to continue stimulating demand and growth. Overall, the numbers are quite positive, and we are gradually approaching pre-pandemic figures.

Glossary

Inventory: sum of the area of all existing buildings type A+, A and B according to most developers and institutional brokerage companies at the last day of the period.

Availability rate: available area divided by inventory at the last day of the period.

Asking price: weighted average asking price weighted by the available area at the last day of the period.

Gross absorption: sum of leased, subleased and sold area during the period.

New spaces: sum of new space area that started promotion in the period.


Legal notice

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