

Offices Business Review: Monterrey 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

Monterrey 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.

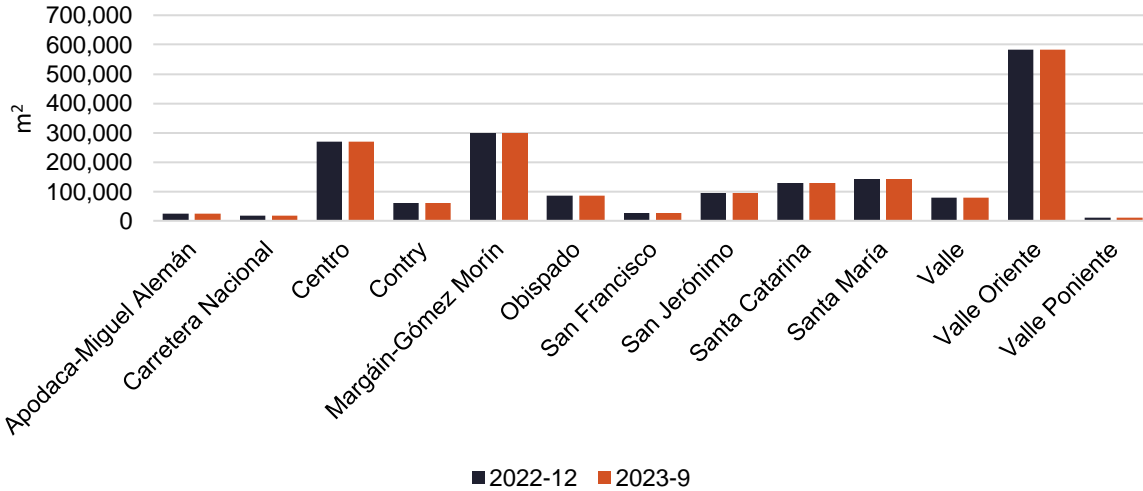
The National Consumer Price Index registered an annual growth of 4.64% as of August 2023, according to INEGI.

Summary

1. The corporate market in Monterrey ended 3Q 2023 with a total existing inventory of 1.8 million m² of Gross Leasable Area (GLA).
2. Monterrey had an availability rate of 16.20%, with 295,695 m² of existing space and 32,798 m² under construction.
3. By the end of 3Q 2023, Monterrey accumulated 65,356 m² of gross absorption.
4. The average asking price in the market was \$333.34 MXN/m²/month. Margáin-Gómez Morín had the highest price, at \$449 MXN/m²/month.
5. From January to September, Monterrey recorded a total of 2,909 m² of new spaces.

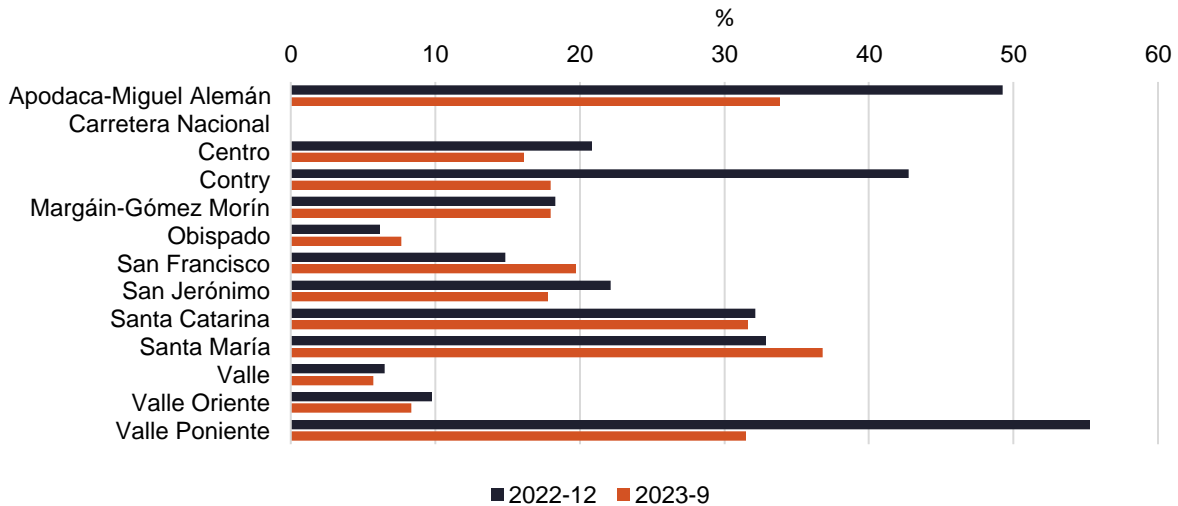
Inventory

Monterrey closed 3Q 2023 with an existing inventory of 1.8 million m². Valle Oriente is the largest corridor, concentrating 32% of the inventory, which is equivalent to 583,237 m². The inventory under construction was 236,506 m².



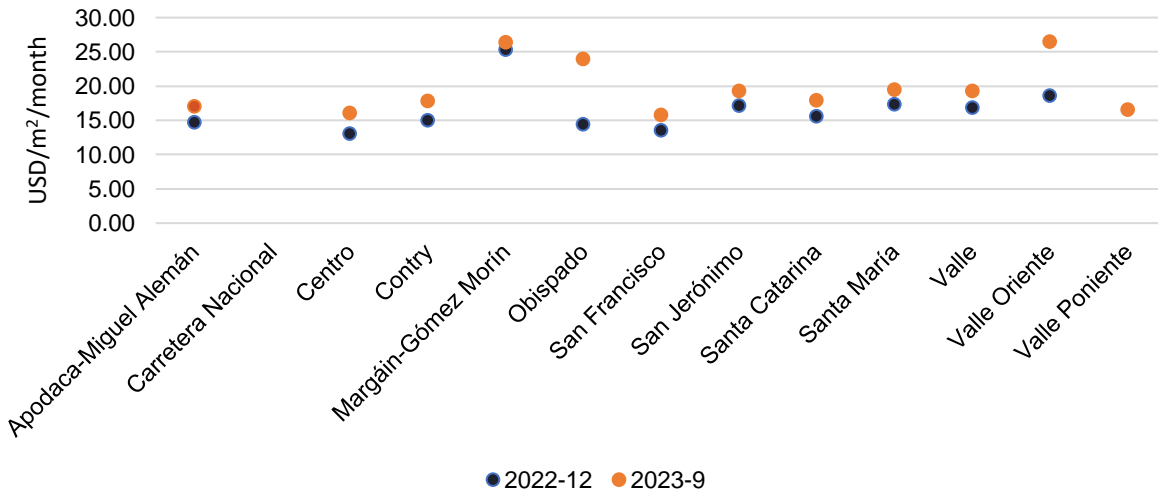
Availability rate

The market ended 3Q 2023 with an availability rate of 16.20%, with 295,695 m² available from the existing inventory and 32,798 m² under construction. Santa María was the corridor with the highest availability rate, standing at 36.78%. Meanwhile, the availability rate of Apodaca-Miguel Alemán was 33.85%.



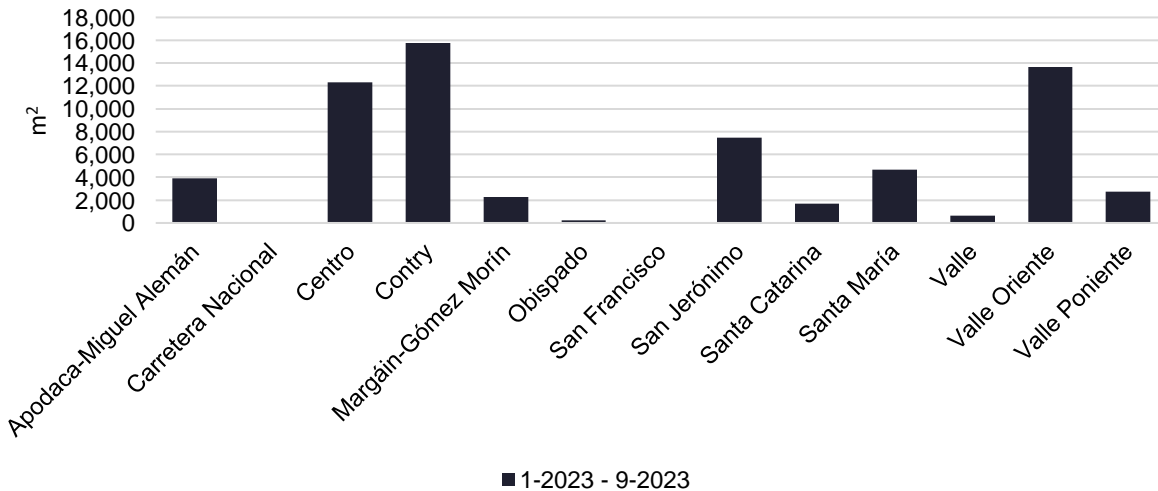
Asking prices

At the end of 3Q 2023, Monterrey registered an average asking price of \$333.34 MXN/m²/month. Valle Oriente corridor had the highest asking price in the market, being priced at \$449.28 MXN/m²/month, while San Francisco corridor had the lowest price at \$267.35 MXN/m²/month.



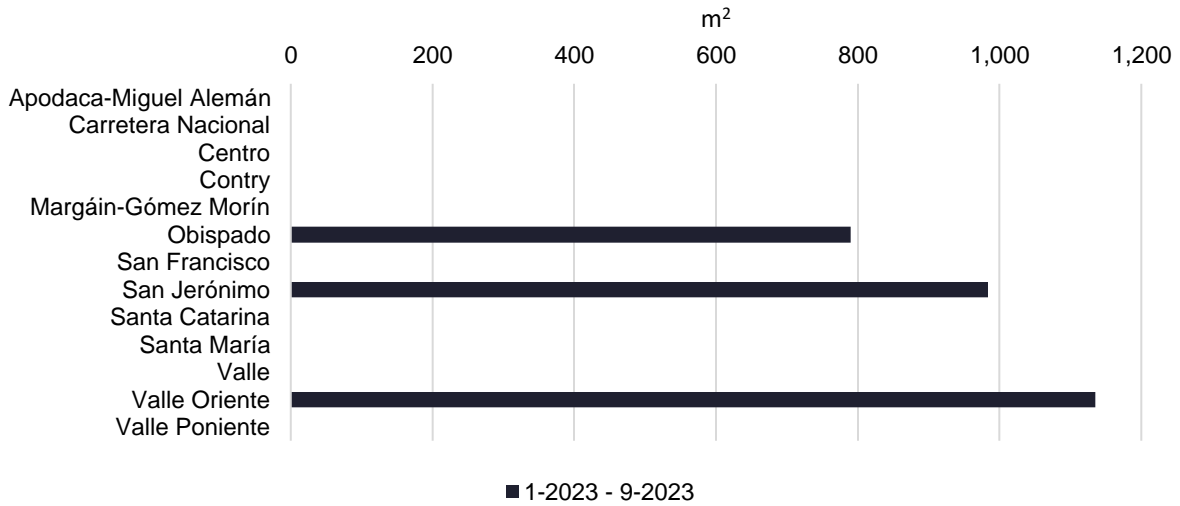
Gross absorption

From January to September 2023, Monterrey accumulated 65,356 m² of gross absorption. Contry corridor concentrated 21% of the transactions, with 15,785 m², followed by Valle corridor with 13,663 m². Almost all the corridors have experienced demand for spaces, except for Carretera Nacional and San Francisco.



New spaces

At the end of the third semester of 2023, Monterrey recorded a total of 2,909 m² of new spaces, in Obispado, San Jerónimo and Valle Oriente corridors.



Looking forward

Since the second quarter of 2023, the office real estate market in Monterrey has been showing signs of recovery in terms of gross absorption levels, as it was only 3,000 square meters away from reaching the total absorption recorded in 2022. By the end of 3Q 2023, the accumulated gross absorption is only 300 square meters short of surpassing the demand in 2022.

Similar to Mexico City market, the demand for offices in Monterrey is also closely linked to the demand for industrial spaces, as a large percentage of the absorption came from companies in the logistics and manufacturing sectors.

It's worth mentioning that the largest transaction in the market accounted for 17% of the gross absorption, totaling 11,365 square meters in Nuevo Sur III building within Country corridor.

As we mentioned in the previous quarter, in tandem with the high absorption levels, the availability of spaces managed to decrease, resulting in a availability rate reduction of over 2 percentage points.

Rental prices saw a 13% increase by the end of September compared to December 2022, driven by Obispedo and Valle Oriente corridors, where there is a higher number of furnished spaces, which in turn raises the rental price.

Furthermore, the construction of Tower Rise has commenced, which will have 94 floors, with 34 dedicated to offices. This project will be the tallest skyscraper in Latin America. It is expected to be fully completed by the year 2026.

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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