

Offices Business Review: Ciudad de México 1Q 2024



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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 15 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

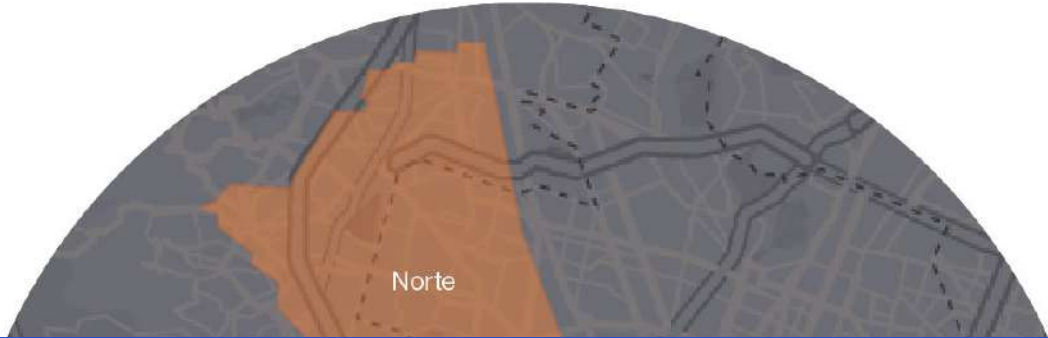
Market



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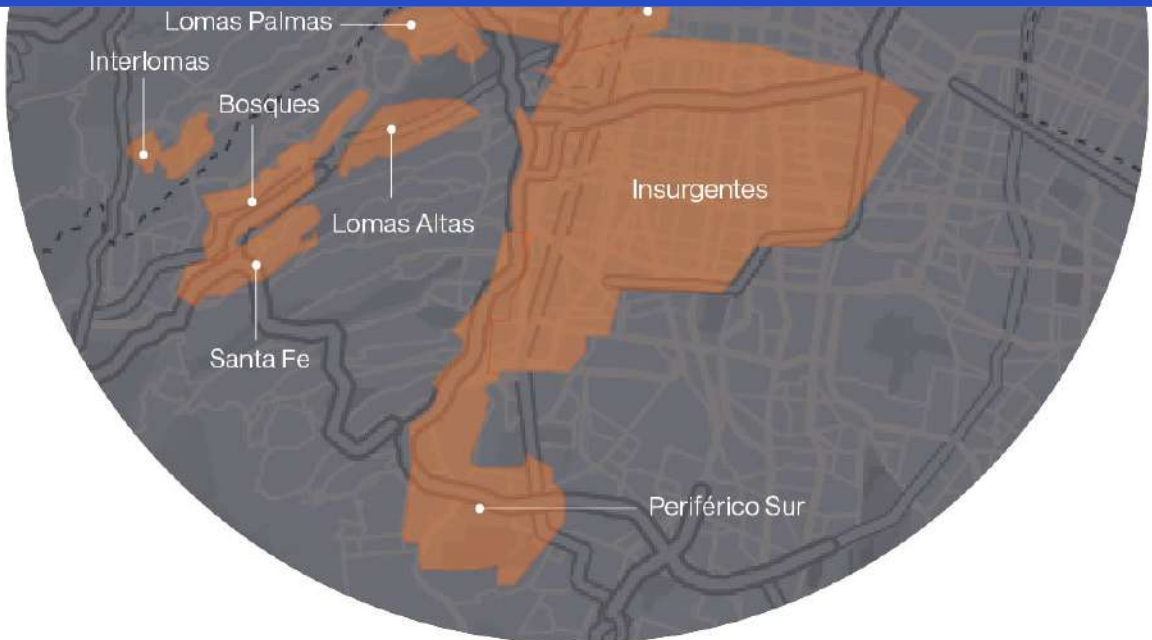
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Submarkets



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Economic outlook

In January 2024, industrial production in Mexico grew 1.9% annually, driven by the construction sector, which increased by 7.9% compared to the same month in 2023. Manufacturing industry saw a decrease of 1.4%, according to the National Institute of Statistics and Geography (INEGI).

Employment in the manufacturing industry declined by 1.0% annually during January 2024. The chemical industry was the sector with a 2% increase in employment, but clothing manufacturing contracted by 1.8%.

By the end of 2023, Foreign Direct Investment (FDI) in Mexico reached \$26.158 billion, 27% higher than in 2022, marking a historical peak, according to the Secretariat of Economy.

In January 2024, private consumption experienced an annual growth of 1.3%, driven by imported goods, which increased by 14.2%, according to INEGI.

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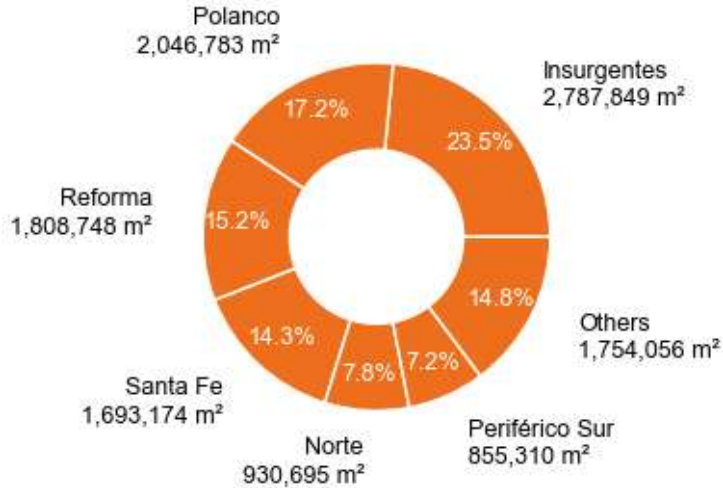
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Summary

1. The northwest region closed Q1 2024 with a total inventory of 24.9 million square meters (m²).
2. From January to March 2024, the region accumulated construction starts totaling 93,476 square meters (m²), with activity particularly notable in Tijuana.
3. By the end of Q1 2024, the region added 98,260 square meters (m²) of new spaces, including vacancies and speculative buildings.
4. From January to March 2024, the northwest region recorded a gross absorption of 74,733 square meters (m²).
5. The net absorption accumulated by the region by the end of Q1 2024 was -15,571 square meters (m²).
6. The northwest region recorded a total availability rate of 5.12%.
7. By the end of Q1 2024, the average listing price in the region was \$6.51 (USD) per square meter per month.

Inventory

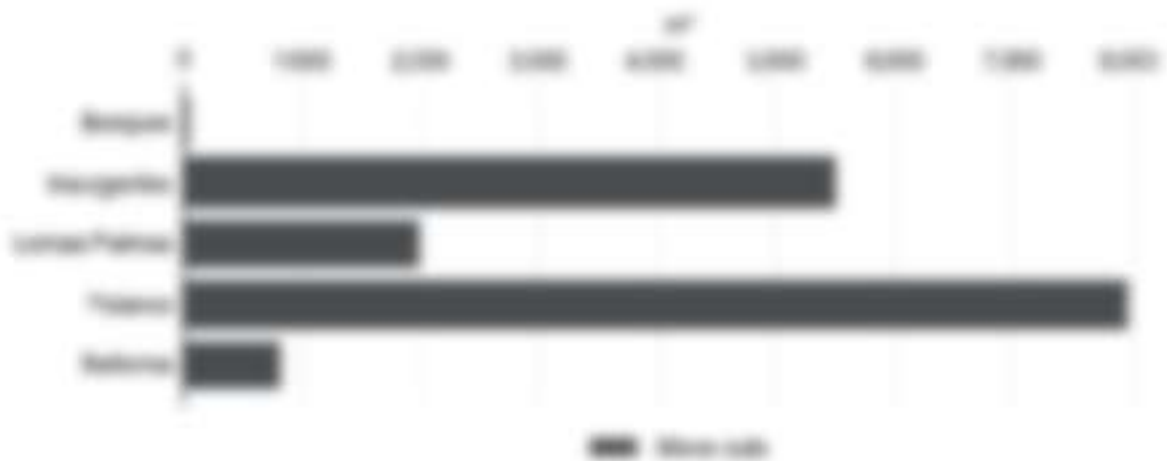
The office market in CDMX ended the 1Q 2024 with a total inventory of 11.9 million m² among existing and under-construction buildings. Insurgentes, Polanco, and Reforma were the corridors with the highest inventory, totaling 2.8 million m², 2.05 million m², and 1.8 million sq m², respectively, accumulating 55% of the total inventory.



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By the end of the 1Q 2024, CDMX recorded 16,345 m² of new availability of spaces that began their commercialization, resulting from vacancies, Polanco, Insurgentes, Lomas Periferas, Reforma, and Bosques were the corridors that experienced vacancies. Polanco led in new spaces with 7,875 m², followed by Insurgentes with 5,212 m².



Gross absorption (YTD)

From January to March 2024, CDMX accumulated a gross absorption of 24,849 m². During this quarter, almost all corridors recorded lease or sale transactions. Polanco and Reforma were the corridors with the highest activity, with 21,843 m² and 26,588 m², respectively, accounting for 52% of the total market demand.

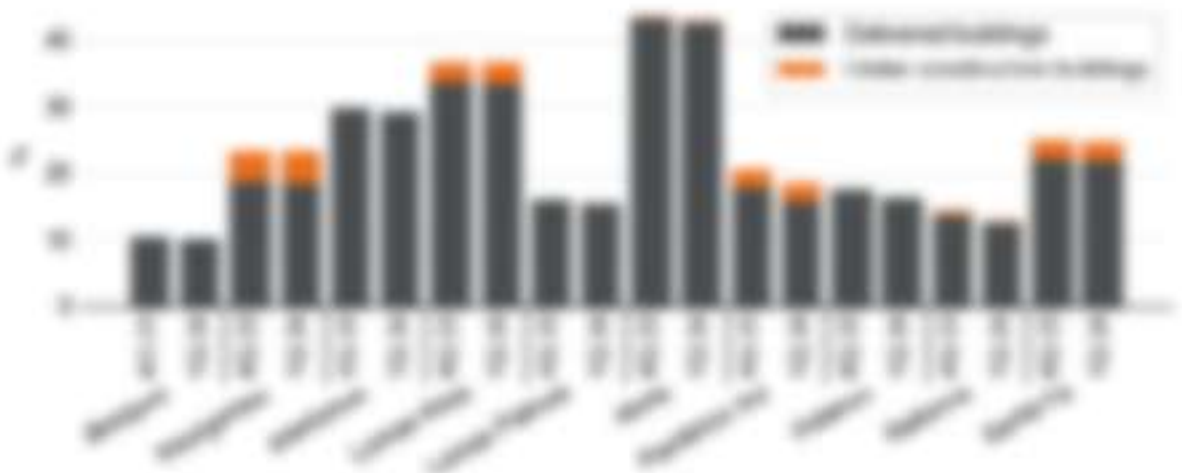


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Availability rate

By the end of the 1Q 2024, the availability rate of CDMX stood at 21.24%. This rate consisted of 2.2 million m² of existing availability and 216,395 m² under construction. Norte corridor continues to have the highest availability rate, reaching 42.81%. Even though Insurgentes has the highest amount of available space, its rate is 22.34%.



Asking prices

El cierre del 1Q 2024, la región reportó un precio de venta de \$5.77 millones, un incremento de \$0.40 millón respecto al mismo lapso de 2023. Asimismo, Guadalupe y San Luis Potosí reportaron alza importante en sus precios debido a la mayor oferta. Asimismo y Guadalupe reportaron los precios de venta más altos con \$6.28 millones y \$6.70 millones, respectivamente.



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Looking forward

The Baja region has been characterized by its automotive and logistic focus. Its geographical location has allowed major automakers such as BMW, GM, Volvo, Nissan, among others, to establish themselves in the region, leading to the attraction of automotive supply chains. Alongside the operational industry, the acquisition of land by end users has remained active, primarily by companies of Chinese origin. This is due to disruptions in supply chains caused by the manufacturing crisis.

In this sense, the automotive industry and warehousing have been the driving forces behind the demand for industrial spaces in the Baja region, which increased by 9% in just 1Q 2024 compared to the same period in 2023. Quarters led the gross absorption, with a 52% increase, driven by automotive industry suppliers such as Yafeng Automotive, dedicated to interior manufacturing.

By the end of 1Q 2024, ApaxInvest and San Luis Potosí reported

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Meanwhile, San Luis Potosí began 2024 with dynamism in land acquisition and industrial warehouse occupancy. In 1Q 2024, the market saw a 54% increase in industrial space absorption compared to the same period in 2023.

In the first three months of the year, construction activity in the region declined by 32% compared to the same period in 2023. However, speculative construction starts continue to be registered, mainly in Coahuila, with a 221% increase compared to the same period in 2023.

The addition of speculative spaces influenced the increase in available spaces in the region, which grew by 6% in 1Q 2024 compared to 1Q 2023. In terms of vacancy rate, it increased by 16 basis points over the last 12 months, reaching 5.02%.

Like in other regions, asking prices for industrial spaces in the Baja West continued to experience significant increases. In the last year, prices rose by 1%, reaching \$1.31 USD/sqm.

Finally, investments have been announced in various markets in the region that will materialize in the coming months. Despite being an election year, the region will continue with the growth and demand pace it has experienced since 2021.

Glossary

Inventory: sum of the area of type A, B and C buildings according to most developers and institutional brokerage companies, delivered and under construction of the period.

Construction starts: sum of constructed area of the period.

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

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

Net absorption: gross absorption minus BTS projects and new space

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

Asking prices: weighted average asking price weighted by the available area of the period.

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