

Offices Business Review: Monterrey 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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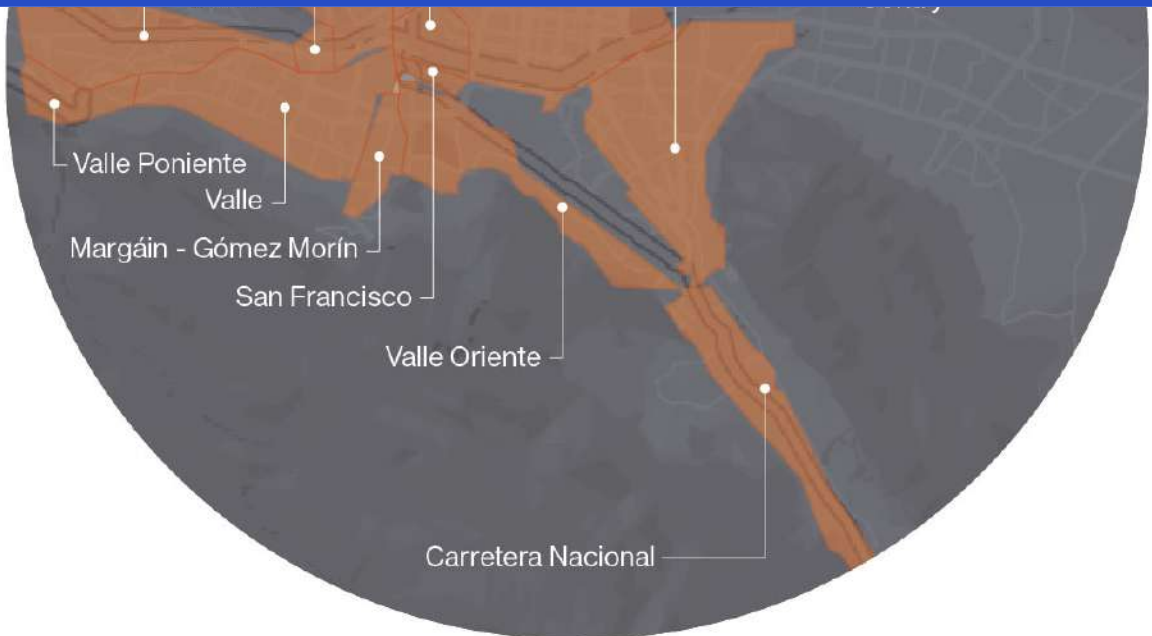


Submarkets



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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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Summary

1. The northwest region closed Q3 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 Q3 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 Q3 2024 was -15,571 square meters (m²).
6. The northwest region recorded a total availability rate of 5.12%.
7. By the end of Q3 2024, the average listing price in the region was \$6.51 (USD) per square meter per month.

Inventory

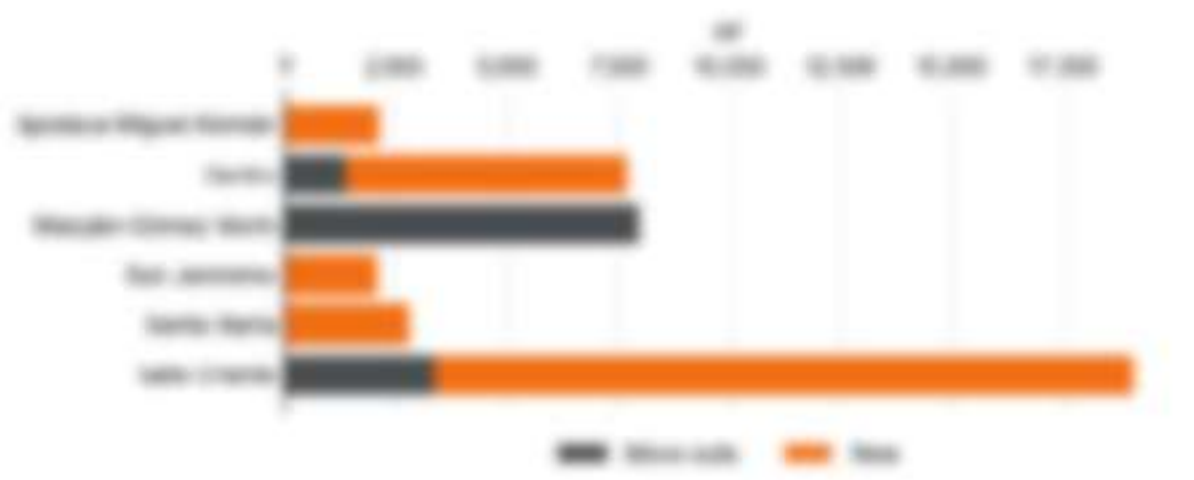
The office real estate market in Monterrey, which includes 14 corridors, ended 1Q 2024 with a total inventory of 2.1 million m². Valle Oriente is the largest corridor in the market, with 626,156 m², accounting for 30% of the total inventory. It is followed by Margáin-Gómez Morín, with 313,965 m² and a 15% share.



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Throughout 2024 in Monterrey, a total of 61,760 m² of new office space were completed, including 4,000 m² of new office space, 50% of the total, 30,880 m² of new office space, 49% of the total, and 26,880 m² of new office space, 43% of the total. On the other hand, 10,000 m² of new office space were completed with the highest number of new office space, with around 8,000 m².



Gross absorption (YTD)

From January to March 2024, Monterrey accumulated a gross absorption of 25,482 sq ft. Valle Oriente corridor accounted for 30% of the transactions, with 7,645 sq ft, followed by San Antonio with 3,647 sq ft and Santa Fe with 3,290 sq ft.

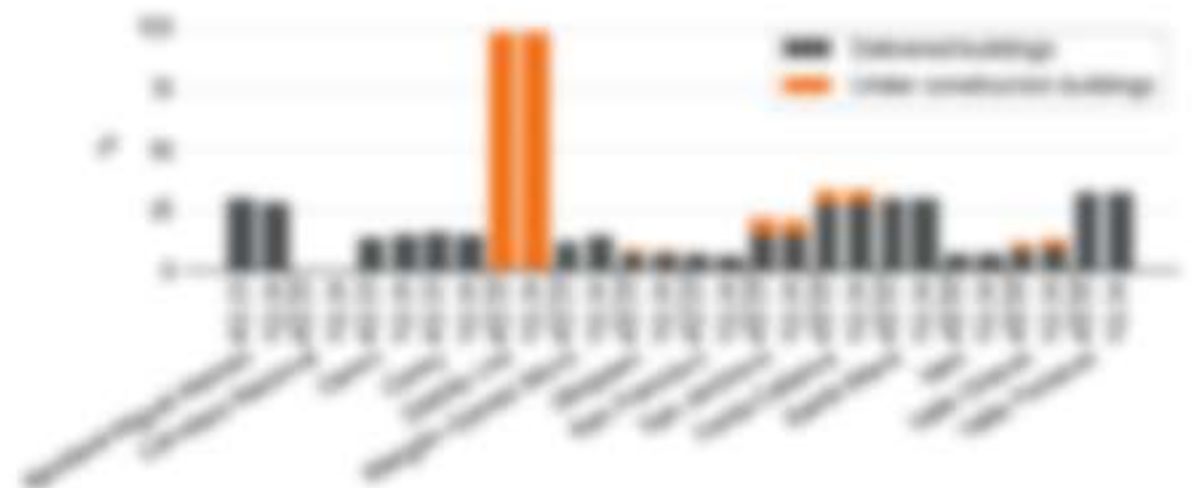


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Availability rate

The market ended 1Q 2024 with a availability rate of 15.76%, with 260,228 sq ft available from existing inventory and 27,242 sq ft under construction. Valle Perote is the corridor with the highest availability rate, at 25.49%. However, Valle Oriente is the corridor with the most available space, with 75,527 sq ft between existing and under construction buildings, placing its rate at 11.89%.



Asking prices

El cierre del 1Q 2024, la región reportó un precio de venta de \$5.77 millones, un incremento de \$0.20 millón respecto al primer trimestre de 2023. Aguascalientes, Querétaro y San Luis Potosí reportaron alza importante en sus precios debido a la menor oferta. Aguascalientes y Querétaro reportaron los precios de venta más altos con \$6.28 millones y \$6.75 millones, respectivamente.



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Looking forward

The Sino 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 real estate has remained active, primarily by companies of Chinese origin. This is due to disruptions in supply chains caused by the reworking trend.

In this sense, the automotive industry and reworking have been the driving forces behind the demand for industrial spaces in the Sino region, which increased by 9% in just 1Q 2024 compared to the same period in 2023. Quarterly 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, Agenceras 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 220% 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 Sino-West continued to experience significant increases. In the last year, prices rose by 1%, reaching \$1.31 USD/sq.m.

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 all existing buildings type A+, A and B according to most developers and institutional brokerage companies 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.

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

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

Legal notice

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Contact



Jose M. Jimenez 465, Int. P6 L602 A,
Col. San Pedro Centro, C.P. 66200
S.P.G.G., N.L.

info@datoz.com

www.datoz.com

