

MEXICO CITY OFFICE

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Mexico City Employment	4.60M	4.50M	■
Mexico City Unemployment	4.3%	4.9%	■
Mexico Unemployment	3.4%	3.8%	■

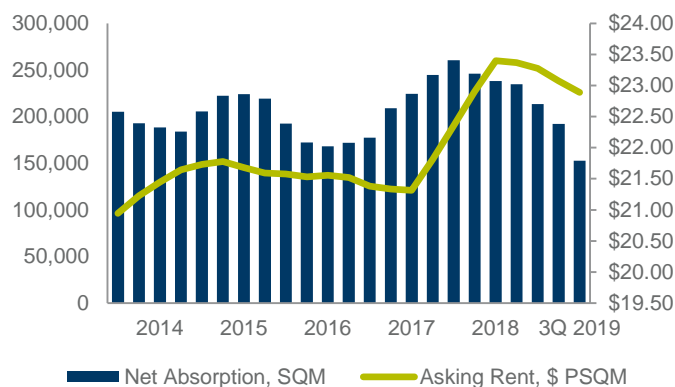
Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	12.5%	13.6%	▲
Net Absorption (sqm)	237.2k	79.1k	■
Under Construction (sqm)	1.05M	0.63M	■
Average Asking Rent*	\$23.33	\$22.58	■

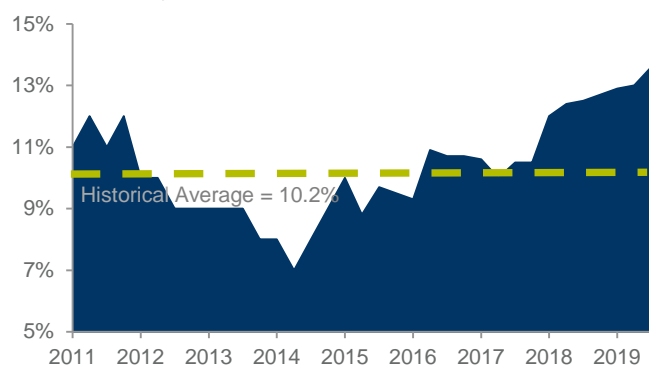
*Rental rates reflect net asking \$psqm/month

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Investor's sentiment has changed this year in Mexico. New investments have been delayed in many industries, including real estate. A recent survey across economic experts conducted by the central bank¹ showed that 100% of them consider the state of the economy is worse than it was one year ago. GDP expansion has decelerated, its growth rate is now below 1% year-over-year and unemployment had a moderate increase. Nevertheless, monetary indicators continued following a stable path. The inflation rate was below 5% and the exchange rate showed a moderate 2.1% appreciation in the first half of the year. Interest rates sustain 10-year highs. The central banks' reference rate is at 7.75%. In spite of the increased caution observed by investors, the inertia of business fundamentals led to a mediocre performance for many industries up to the end of the third quarter.

Market Overview

Mexico City's office real estate joined the list of markets where activity declined during the third quarter. Compared with the average for the same period in the previous five years, absorption was 65.8% weaker. However, this was still a positive expansion of 79 thousand square meters. The overall vacancy rate increased 110 basis points to 13.6% year-over-year. This is still not an alarming increase, taking into account that a significant portion of the construction pipeline was completed in the period, 422 thousand square meters, or 4.3% of the total inventory at the end of Q3 2018.

The current tenant's market suggested by the aforementioned figures will soon meet a swift adjustment of supply. The construction pipeline is now 40.1% below its level one year ago, and proposed projects stay on hold, aligned with the overall economy's sentiment.

Demand continued its diversification, supported by activity from financial services, technology and manufacturing tenants. These occupants leaned on the CBD and Insurgentes submarkets to land their real estate decisions. Contrasting, the Santa Fe submarket deepened a historically poor performance.

Price levels clearly mirror the overall economy's hesitations. The average asking rent had a 3.3% year-over-year downward adjustment, to \$22.58 per square meter per month.

Outlook

The market must accept that a larger volatility is here to stay. Whether it will surge or be contained is still to be seen for local real estate. Office demand fundamentals persist and the growing sophistication of the supply-side will be able to support an upside in case the current sentiment moderates.

1. <http://www.banxico.org.mx/publicaciones-y-prensa/encuestas-sobre-las-expectativas-de-los-especialistas/%7B747A0D4E-DCEF-1665-0694-C69F86713C4B%7D.pdf>

MARKETBEAT

Mexico City

Office Q3 2019



SUBMARKET	INVENTORY (SQM)	OVERALL* VACANT (SQM)	CLASS A VACANT (SQM)	OVERALL VACANCY RATE	CLASS A VACANCY RATE	YTD 2019 OVERALL NET ABSORPTION (SQM)	YTD 2019 CLASS A NET ABSORPTION (SQM)	UNDER CONSTRUCTION (SQM)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Polanco	1,723,465	186,958	127,747	10.8%	11.3%	2,668	15,250	79,830	\$25.26	\$26.81
Lomas	789,243	86,518	77,540	11.0%	12.2%	36,776	19,759	4,716	\$32.07	\$33.02
Reforma	1,339,122	170,201	113,808	12.7%	13.3%	3,845	17,745	53,298	\$25.70	\$28.53
CBD	3,851,830	443,677	319,095	11.5%	12.2%	43,289	52,754	137,844	\$26.76	\$28.93
Insurgentes	2,286,050	210,648	136,459	9.2%	12.5%	73,118	70,083	224,014	\$23.63	\$26.29
Santa Fe	1,288,117	212,031	211,591	16.5%	17.1%	-24,968	-25,675	141,545	\$21.33	\$21.35
Bosques	504,859	47,525	34,311	9.4%	10.4%	-14,712	-18,290	15,600	\$25.48	\$27.75
Norte	828,338	253,848	222,288	30.6%	37.7%	19,934	14,025	59,249	\$17.01	\$17.96
Periférico Sur	698,432	44,220	23,972	6.3%	4.9%	-7,766	7,214	46,634	\$23.47	\$25.88
Lomas Altas	133,456	47,806	47,806	35.8%	42.6%	-1,298	-1,298	0	\$23.22	\$23.22
Interlomas	154,843	25,341	24,609	16.4%	17.8%	12,321	12,511	9,380	\$18.97	\$19.06
Other	311,506	83,637	21,470	26.8%	29.7%	-20,796	2,364	0	\$16.46	\$18.25
NON-CBD	6,205,601	925,056	722,506	14.9%	17.8%	35,833	60,934	496,422	\$20.57	\$21.65
MEXICO CITY TOTALS	10,057,431	1,368,733	1,041,601	13.6%	15.6%	79,122	113,688	634,266	\$22.58	\$23.88

*Overall figures include all building classes. A, B and C

*Rental rates reflect net asking US\$ per square meter/month

SUMMARY BY CLASS	TOTAL BUILDINGS	INVENTORY (SQM)	VACANT SPACE (SQM)	VACANCY RATE	YTD 2019 OVERALL NET ACTIVITY* (SQM)	YTD 2019 OVERALL NET ABSORPTION (SQM)	UNDER CONSTRUCTION (SQM)	YTD COMPLETED CONSTRUCTION (SQM)	AVERAGE ASKING RENT OVERALL
Class A	433	6,673,766	1,041,601	15.6%	856,470	113,688	634,266	172,066	\$23.88
Class B	448	2,673,099	263,509	9.9%	337,253	-27,265	0	0	\$18.79
Class C	151	710,566	63,623	9.0%	78,660	-7,301	0	0	\$16.17

*Includes renewals

Key Lease Transactions Q3 2019

PROPERTY	SQM	TENANT	BUILDING CLASS	SUBMARKET
Centera Chapultepec	10,029	WeWork	A	Reforma
Aleph	8,646	Novartis	A	Insurgentes
Work Lomas	8,364	WeWork	A	Lomas
Corporativo Vallarta	6,832	ISSSTE	B	Reforma
Torre Manacar	2,556	MacMillan	A	Insurgentes
Torre Carracci	2,200	Wipro Technologies	A	Insurgentes

Cushman & Wakefield
Paseo de los Tamarindos No. 60
Col. Bosques de las Lomas
cushmanwakefield.com

For more information, contact:
José Luis Rubí,
Market Research Director
Tel: +1 52(55) 8525 8258
joseluis.rubi@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.