

YoY Chg 12-Mo. Forecast

19.6%
Availability Rate ▲ ▲

-24.3K
Net Absorption, SQM ▬ ▬

\$21.64
Asking Rent, PSQM ▾ ▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2022

YoY Chg 12-Mo. Forecast

4.6M
Mexico City Employment ▲ ▲

7.1%
Mexico City Unemployment Rate ▾ ▬

3.6%
Mexico Unemployment Rate ▾ ▬

Source: INEGI

ECONOMY

In the first quarter of the year a slow-paced return of face-to-face business activity has been widespread. The reopening has made it possible for the rebound in the growth of economy to continue, after the harsh shock that Covid-19 represented. However, forecasts for GDP growth have been revised downwards by most analysts*. Inflationary pressures show no signs of letting up and a cycle of growth in interest rates has begun. Despite this environment some positive developments persist, including the healthy behavior of Mexican foreign trade and a record volume in the reception of remittances. Although these factors depend essentially on the behavior of the United States economy, they have been a palliative for the challenging conditions of the domestic market.

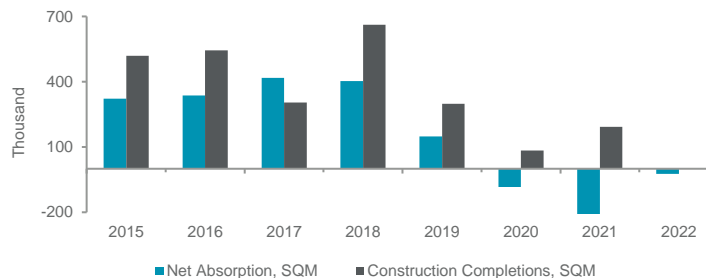
DEMAND: Stabilizing

The first signs of demand's performance in the new post-pandemic environment suggest that a stabilization is taking place in the market. Although there was a moderate negative absorption of 24,300 sqm in the first quarter, this is much less than that observed in the same period of 2021, which was a contraction of 126,900 sqm. Corporations are already making decisions about what will be the pattern of office use that they will follow. It is clear that the use of space will be more flexible and that "mobile" jobs - those that combine different locations: office, home and coworking spaces - are increasing their share. However, it is also clear that office spaces continue to play an important role in the organization of work, and the number of lease renewals is increasing. Tenants continue to take advantage of the very favorable conditions offered to them, although the stabilization observed in the market suggests that these conditions will have a limited duration.

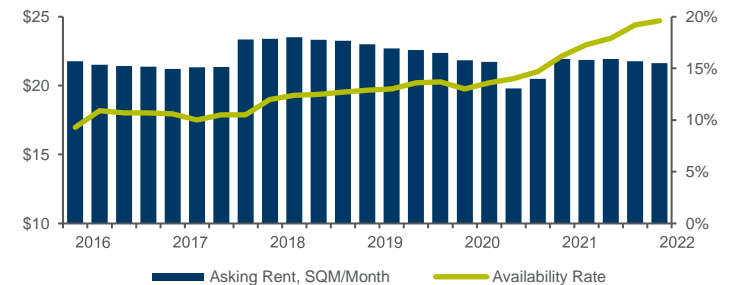
The overall availability rate stood at 19.6%. For the highest standard buildings, class A, it reached 22.9%; this represents an increase of 4.2 percentage points when compared to the rate at the end of the first quarter of 2021 (18.7%). This increase is much lower than that observed in the annual comparisons of the previous quarters, which again reflects a stabilization of the market. The smaller variation in the indicators shows that, although the magnitude of the changes in demand is not yet clear, market activity is back.

* Bank of Mexico's March 2022 Survey of Forecasts of Economy Experts, *Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado*

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MEXICO CITY

Office Q1 2022

SUPPLY: Location is key

The reactivation of office real estate activity is uneven among the different submarkets in Mexico City. In a couple of cases, the Insurgentes and Polanco submarkets, positive absorption of a certain magnitude is already taking place. Contrasting, those submarkets located farthest from the city core continue to show significant negative absorption. This reflects the migration to central locations that many of the tenants taking advantage of the current market moment are undertaking. Building developers are taking notice and are in the process of restarting construction works for several developments located in the central area of the city that had been put on hold. If we add the construction pipeline of the CBD submarkets and Insurgentes (387,565 sqm) we have 75.8% of the total inventory under construction. At the same time, the conversion of some office buildings to residential use is beginning to gain visibility. At the present time, this is still a testimonial phenomenon: less than 50,000 sqm are under conversion, most of them class B buildings. However, this type of conversion could take off as the new market balance takes its place.

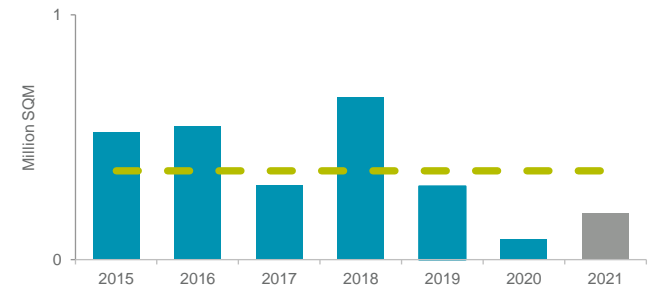
PRICES: The fall is stopping

The current asking price levels reflect a moment of stabilization. The fall suffered in previous quarters has practically stopped and only a small downward adjustment is present when year-over-year prices are compared. Specifically for class A buildings, the adjustment has been 1.3% with respect to the prices observed at the end of the first quarter of 2021 and they quote on average \$22.88 dollars per square meter per month.

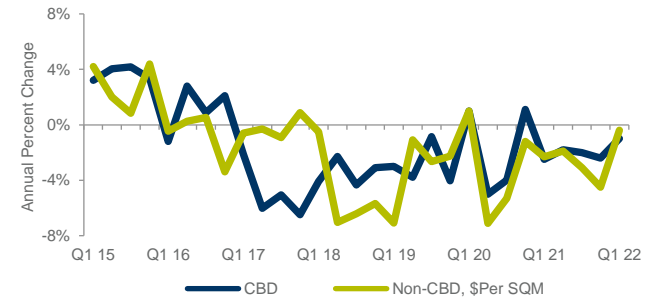
Perspective

- The recent shocks affecting demand will end, eventually. The fundamental strengths of Mexico City, including a robust demographic bonus and the growing sophistication of its business environment will continue. This will sooner or later take the office-using industries to resume growth.
- There is a growing number of studies indicating the necessity to have spaces for corporate work, however of a more flexible nature. When organizations finish their revision of the way they structure their work teams, a new balance in the office market will be set. The need to have places to foster collaboration and corporate identity will still have a significant role in cities. The recent episodes of uncertainty will be seen as events that accelerated market evolution.

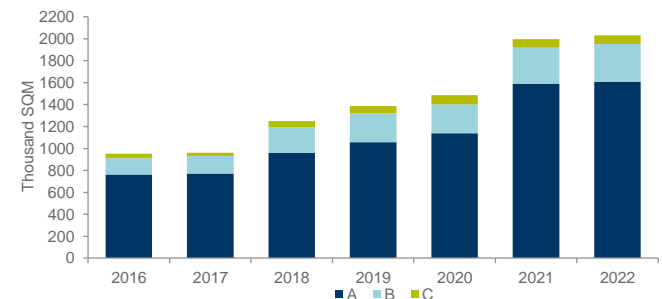
NEW SUPPLY



CLASS A ASKING RATE VARIATION



AVAILABLE SPACE BY CLASS



MARKET STATISTICS

SUBMARKET	OVERALL* (SQM)	INVENTORY CLASS A (SQM)	CLASS A VACANT (SQM)	OVERALL* VACANCY RATE	CLASS A VACANCY RATE	YTD OVERALL* NET ABSORPT. (SQM)	YTD CLASS A NET ABSORPTION (SQM)	UNDER CNSTR (SQM)	OVERALL AVG ASKING RENT (ALL CLASSES)**	OVERALL AVG ASKING RENT (CLASS A)**
Polanco	1,918,681	1,322,059	254,981	17.6%	19.3%	3,272	8,282	89,620	\$24.33	\$25.97
Lomas	789,793	633,897	127,266	17.4%	20.1%	815	-83	16,204	\$28.10	\$28.71
Reforma	1,323,255	873,879	154,619	16.6%	17.7%	-9,787	-16,015	157,057	\$24.23	\$26.93
CBD TOTALS	4,031,729	2,829,835	536,866	17.3%	19.0%	-5,700	-7,816	262,881	\$25.04	\$26.90
Insurgentes	2,304,073	1,108,247	175,139	12.7%	15.8%	25,690	25,685	124,684	\$20.81	\$23.64
Santa Fe	1,404,647	1,356,530	440,920	31.6%	32.5%	-3,080	-3,080	39,303	\$22.10	\$22.11
Bosques	506,039	330,696	56,900	14.9%	17.2%	-11,661	-5,673	57,835	\$24.51	\$26.56
Norte	817,151	577,028	251,602	35.5%	43.6%	-19,479	-18,085	10,141	\$15.63	\$16.38
Periférico Sur	702,307	489,310	42,145	9.4%	8.6%	-6,328	-3,570	0	\$20.64	\$20.68
Interlomas	169,154	152,445	29,305	17.8%	19.2%	-1,101	-1,101	16,462	\$17.62	\$17.66
Lomas Altas	133,456	112,162	52,763	39.5%	47.0%	-240	-240	0	\$19.56	\$19.56
Fuera de corredor	312,086	72,291	21,470	27.1%	29.7%	-2,482	0	0	\$16.18	\$18.13
NON-CBD TOTALS	6,348,913	4,198,709	1,070,244	21.0%	25.5%	-18,681	-6,064	248,425	\$19.87	\$20.86
MEXICO CITY TOTALS	10,380,642	7,028,544	1,607,110	19.6%	22.9%	-24,381	-13,880	511,306	\$21.64	\$22.88

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

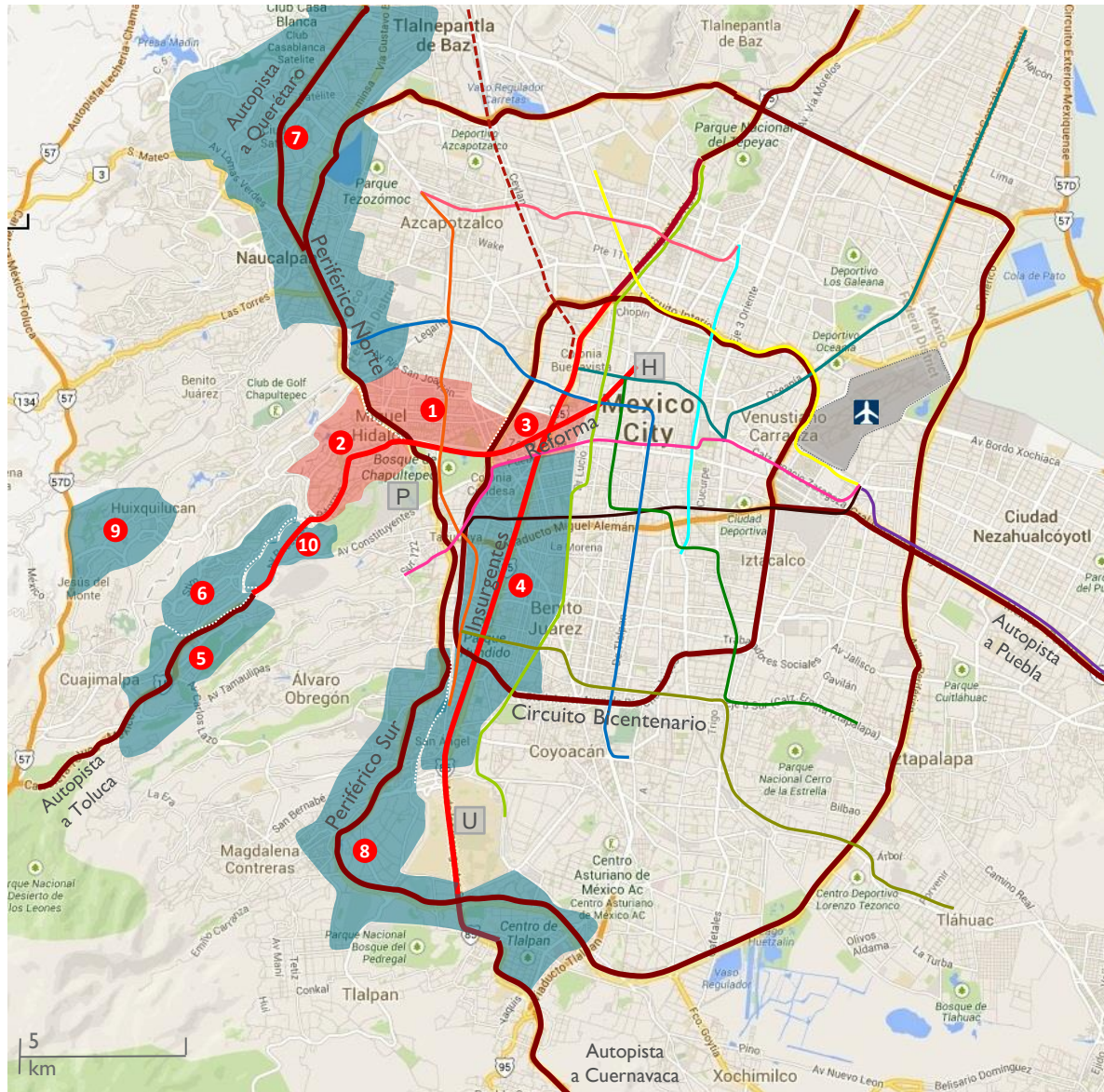
**Rental rates reflect net asking US\$ per square meter/month

SIGNIFICANT TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT/BUYER	SQM	TYPE
Corporativo Insurgentes	Insurgentes	Procuraduría Federal de Protección al Medio Ambiente	7,386	Relocation
Arcos Norte C	Bosques	Basham, Ringe y Correa	3,381	Renewal*
Punto Polanco	Polanco	Google	2,832	Expansion
Masaryk 111	Polanco	Avaya	2,826	Renewal*
Esmeralda III	Lomas	Hello Landing	2,104	Relocation
Toreo Torre A	Norte	OLX	2,092	Relocation
Torre Manacar	Insurgentes	Eastman Lar	1,932	Relocation

*Renewals and preleases are not included in leasing/absorption statistics

OFFICE SUBMARKETS



CBD SUBMARKETS

- 1 POLANCO
- 2 LOMAS
- 3 REFORMA

NON-CBD SUBMARKETS

- 4 INSURGENTES
- 5 SANTA FE
- 6 BOSQUES
- 7 NORTE
- 8 PERIFÉRICO SUR
- 9 INTERLOMAS
- 10 LOMAS ALTAS

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