

## Office Q2 2022

YoY Chg      12-Mo. Forecast



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q2 2022

YoY Chg      12-Mo. Forecast



Source: INEGI

### ECONOMY

The recovery of economic activity observed in the first half of the year has been uneven. Export-oriented sectors of the economy have shown the clearest recovery, while other sectors have shown a mixed performance. The momentum due to the reopening of business activities after the pandemic appeared more clearly in the first quarter of the year and in the second there seems to be a moderation in activity in many industries. Inflationary pressures, which have been talked about so much recently, have also affected the real estate sector and have had a significant component exogenous to the Mexican economy. In this line, the Mexican monetary authorities have aligned their policy with that of the United States; the level of interest rates has increased.

### DEMAND

The space free for occupation continued to grow in Mexico City. The general availability rate for class A buildings stood at 23.4% at the end of the second quarter. In some submarkets, the office market reached a record volume of supply. Almost all corridors presented availability levels close to, or higher than, 20%.

Given the great variety and quantity of spaces available in high-quality buildings, a considerable number of tenants renovated their spaces on favorable terms, either by obtaining concessions from the owners, or by migrating to more central areas or higher-profile buildings. Related to this, the net demand in the Polanco and Insurgentes submarkets had positive numbers at the end of the first half of the year; in the first case the absorption was 36,400 sqm in class A buildings, and in the second it was 21,650 sqm. In the other office corridors of the city negative absorption persisted, although showing signs of stabilization in most cases.

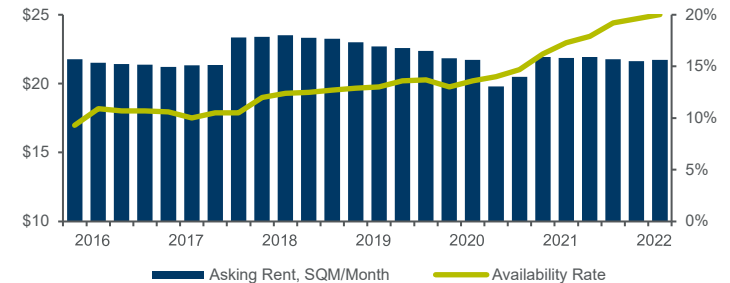
It is important to put into perspective the volume of negative absorption that the city had in the first half of 2022: it equals 0.5% of the total built inventory. This is a better figure than the contraction observed in the same period of 2021, which represented 1.7% of total inventory and a favorable number when compared to other cities of a similar scale to Mexico City.

In the current scenario, the variation in the indicators shows that, although the magnitude of the changes in demand is not yet clear, the activity of the market is back.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# MEXICO CITY

Office Q2 2022

## SUPPLY: A redimensioned construction pipeline

Since the start of the Covid-19 pandemic, a slowdown in construction activity has been present. Owners and developers have promptly monitored changes in the behavior of demand and have taken measures to adjust the supply of corporate spaces. In this way, the construction pipeline has experienced a significant decrease in its volume. At the end of the first half of the year, active construction works totaled 511,300 sqm. At the same time, the conversion of some office buildings to residential use is beginning to gain visibility. To date, a dozen reconversions have already been announced, which will add just under 150,000 sqm; this is still a small amount, as a proportion of the total built inventory, but it is already beginning to have relevance as an absolute volume of space. Almost all of these reconversions correspond to class B buildings.

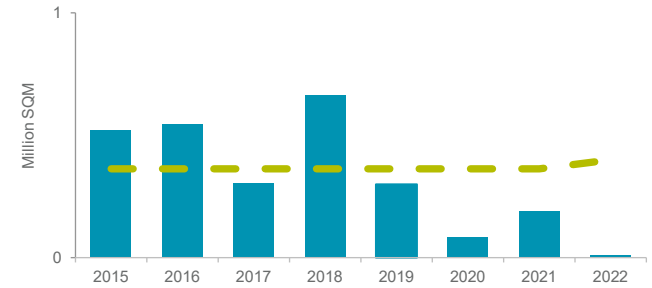
## PRICES: The fall is stopping

The level that asking prices are reaching continues to reflect a moment of stabilization. The fall observed in the previous quarters has practically stopped and only a small year-over-year downward adjustment is present. Specifically for class A buildings, the adjustment has been 0.6% with respect to the prices quoted at the end of the second quarter of 2021 and they are quoting on average \$22.91 dollars per square meter per month.

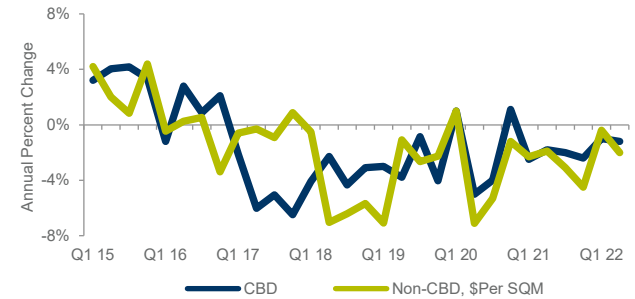
## Perspective

- Corporations are already making decisions about what will be the pattern of office use that they will follow. It is clear that greater flexibility is present in the use of space and that "mobile" jobs - those that combine different locations: offices, 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.
- There is a growing number of studies that confirm the need for corporate workspaces, albeit of a more flexible nature. As organizations land their decisions to structure their work teams under a new environment, it will become clear what the new equilibrium is for the office market. The need for places where collaboration and corporate identity are encouraged will continue to play a significant role in cities. The evolution of the market is underway.

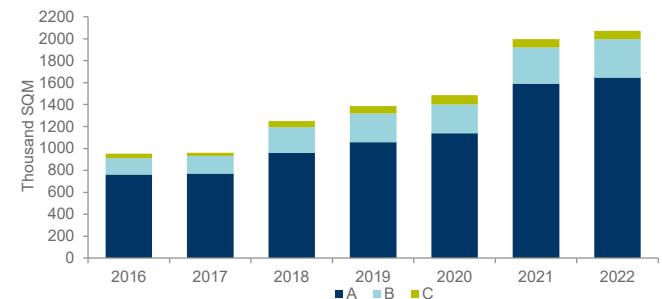
## NEW SUPPLY



## 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	1,942,773	1,350,801	255,598	17.7%	18.9%	21,629	36,407	89,620	\$24.19	\$25.88
Lomas	786,858	630,962	129,112	17.7%	20.5%	-3,966	-4,864	16,204	\$28.34	\$28.97
Reforma	1,320,127	873,879	159,448	17.0%	18.2%	-14,264	-20,844	157,057	\$24.49	\$27.18
<b>CBD TOTALS</b>	<b>4,049,758</b>	<b>2,855,642</b>	<b>544,158</b>	<b>17.5%</b>	<b>19.1%</b>	<b>3,399</b>	<b>10,699</b>	<b>262,881</b>	<b>\$25.10</b>	<b>\$26.99</b>
Insurgentes	2,271,264	1,110,707	181,628	13.0%	16.4%	19,958	21,656	124,684	\$21.17	\$23.88
Santa Fe	1,404,753	1,356,636	459,392	32.9%	33.9%	-21,446	-21,446	39,303	\$22.01	\$22.02
Bosques	502,042	326,699	55,919	14.5%	17.1%	-13,060	-8,689	57,835	\$24.61	\$26.52
Periférico Sur	688,906	478,493	44,803	10.5%	9.4%	-12,576	-17,045	0	\$20.69	\$20.89
Norte	814,395	577,028	254,728	36.0%	44.1%	-25,361	-21,211	10,141	\$15.70	\$16.44
Lomas Altas	133,456	112,162	54,115	40.5%	48.2%	-1,592	-1,592	0	\$19.63	\$19.65
Interlomas	169,154	152,445	29,604	18.0%	19.4%	-1,400	-1,400	16,462	\$17.99	\$18.04
Fuera de corredor	312,086	72,291	21,470	27.1%	29.7%	-2,482	0	0	\$16.15	\$18.11
<b>NON-CBD TOTALS</b>	<b>6,296,056</b>	<b>4,186,461</b>	<b>1,101,659</b>	<b>21.7%</b>	<b>26.3%</b>	<b>-57,959</b>	<b>-49,727</b>	<b>248,425</b>	<b>\$19.96</b>	<b>\$20.92</b>
<b>MEXICO CITY TOTALS</b>	<b>10,345,814</b>	<b>7,042,103</b>	<b>1,645,817</b>	<b>20.0%</b>	<b>23.4%</b>	<b>-54,560</b>	<b>-39,028</b>	<b>511,306</b>	<b>\$21.72</b>	<b>\$22.91</b>

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

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

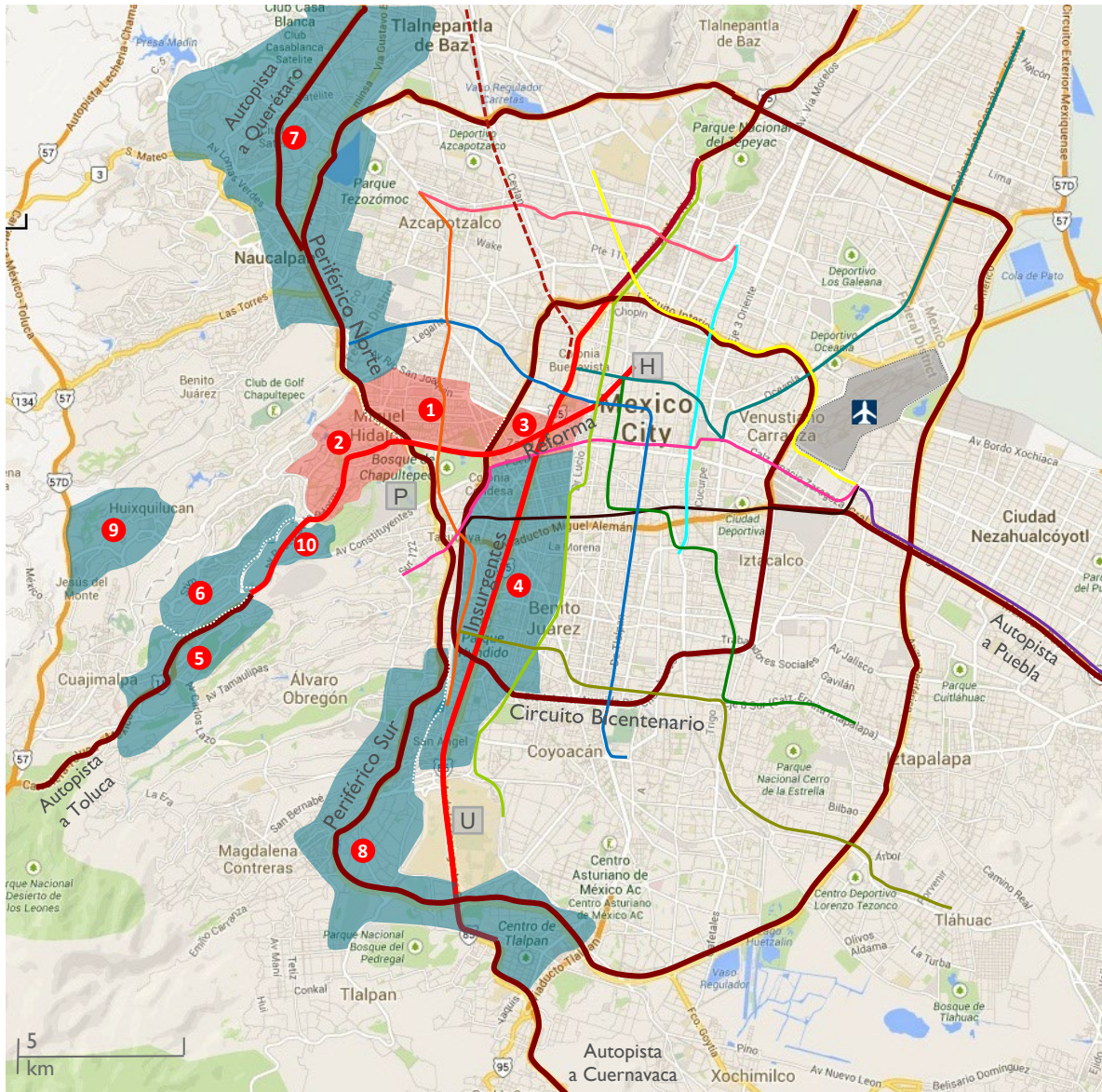
## SIGNIFICANT TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT/BUYER	SQM	TYPE
Century Plaza	Santa Fe	Huawei	7,205	Renewal*
Plaza Carso – Presa Falcón	Polanco	Huawei	5,502	Renewal*
Plaza Carso – Lago Zurich	Polanco	Metlife	3,957	Renewal*
Torre Esmeralda III	Lomas	Newell Brands	2,070	Relocation
Antara – Fase II	Polanco	IL Diagnostics	1,367	Relocation
Corporativo Nápoles	Insurgentes	Millward Brown	1,355	Renewal*
Torre Manacar	Insurgentes	Edelman	1,187	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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