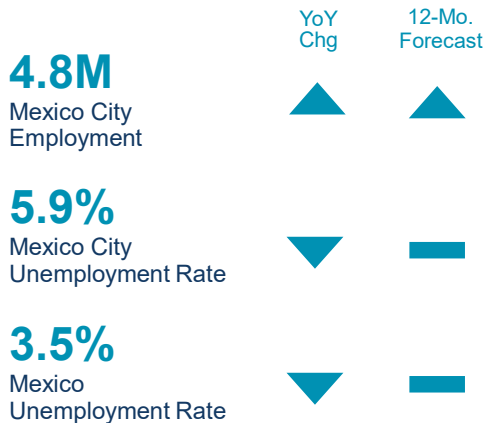


(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2022



Source: INEGI

## ECONOMY

The recovery of economic activity that took place in the first half of the year has persisted in the third quarter. Export-oriented sectors of the economy have shown the clearest recovery, while other sectors have shown a mixed performance. The boost due to the reopening of business activities after the pandemic allows favorable comparisons to be made against the figures for the same period in 2021. The inflationary pressures, which have been talked about so much recently, have also affected the real estate sector and have had an important 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.

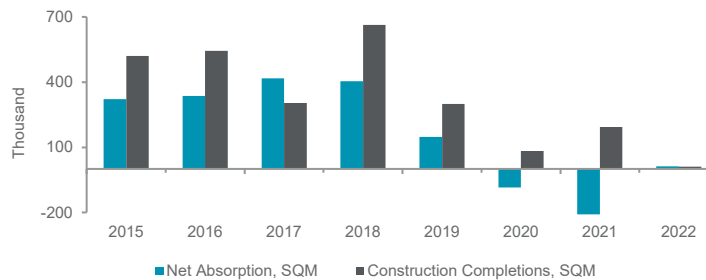
## DEMAND

The space free for occupation had a reduction in Mexico City. The general availability rate for class A buildings stood at 22.5% at the end of the third quarter. This reflects the drop of vacancy rates at most submarkets. Finally, after more than two years with an imbalance favorable to tenants, the demand for office space exceeded the growth in supply and the available space experienced a reduction.

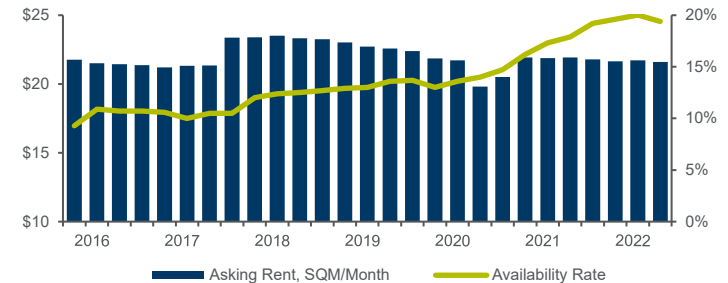
This moment of stabilization shows that given the great variety and quantity of spaces available at high-quality buildings, a considerable number of tenants have continued to renew their leases on favorable terms or have migrated to more central areas or higher-profile buildings. Related to this, the net demand in the Polanco and Insurgentes submarkets maintains its positive numbers at the end of the third quarter; in the first case the absorption was 34,880 sqm in class A buildings, and in the second it was 38,320 sqm. The Interlomas, Reforma and Lomas Altas submarkets joined these positive levels of net demand. In the latter case, thanks to a transaction that fully absorbed the office complex at Constituyentes 1100, with 29,000 sqm, albeit to convert it to educational use.

It is encouraging to note that the city's office market is once again showing positive net demand, after eight consecutive quarters of contraction. However, it is still far from the levels it presented before 2019.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



# MEXICO CITY

Office Q3 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 third quarter 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.

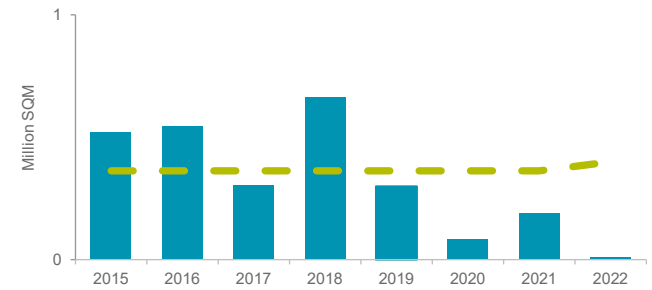
## PRICES: The fall is stopping

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 1.2% with respect to the prices quoted at the end of the third quarter of 2021 and they are quoting on average \$22.86 dollars per square meter per month.

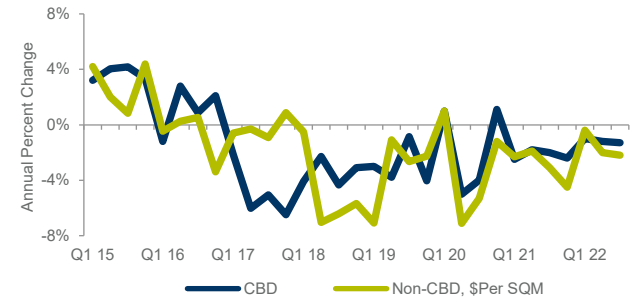
## Perspective

- 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.

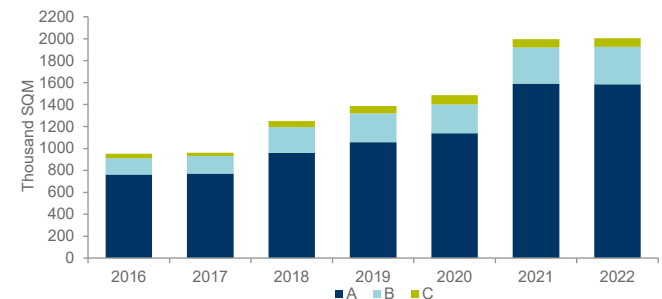
## NEW SUPPLY



## 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	257,122	17.7%	19.0%	21,517	34,883	89,620	\$24.11	\$25.72
Lomas	786,858	630,962	124,749	17.2%	19.8%	-378	-501	16,204	\$28.04	\$28.71
Reforma	1,320,127	873,879	143,180	14.7%	16.4%	16,556	-4,576	157,057	\$23.99	\$26.25
<b>CBD TOTALS</b>	<b>4,049,758</b>	<b>2,855,642</b>	<b>525,051</b>	<b>16.6%</b>	<b>18.4%</b>	<b>37,695</b>	<b>29,806</b>	<b>262,881</b>	<b>\$24.87</b>	<b>\$26.58</b>
Insurgentes	2,272,438	1,110,707	164,955	12.7%	14.9%	27,735	38,329	124,684	\$20.66	\$23.63
Santa Fe	1,404,753	1,356,636	469,068	33.6%	34.6%	-31,122	-31,122	39,303	\$22.03	\$22.05
Bosques	502,042	326,699	56,393	14.5%	17.3%	-12,812	-9,163	57,835	\$24.60	\$26.36
Periférico Sur	688,906	478,493	51,964	11.5%	10.9%	-19,737	-24,206	0	\$20.68	\$20.99
Norte	814,395	577,028	245,384	34.9%	42.5%	-16,011	-11,867	10,141	\$15.81	\$16.60
Lomas Altas	133,456	112,162	25,038	18.8%	22.3%	27,485	27,485	0	\$21.03	\$21.03
Interlomas	169,154	152,445	25,840	15.7%	17.0%	2,364	2,364	16,462	\$18.14	\$18.19
Fuera de corredor	312,086	72,291	21,470	27.1%	29.7%	-2,482	0	0	\$16.17	\$18.10
<b>NON-CBD TOTALS</b>	<b>6,297,230</b>	<b>4,186,461</b>	<b>1,060,112</b>	<b>21.2%</b>	<b>25.3%</b>	<b>-24,580</b>	<b>-8,180</b>	<b>248,425</b>	<b>\$19.97</b>	<b>\$21.01</b>
<b>MEXICO CITY TOTALS</b>	<b>10,346,988</b>	<b>7,042,103</b>	<b>1,585,163</b>	<b>19.4%</b>	<b>22.5%</b>	<b>13,115</b>	<b>21,626</b>	<b>511,306</b>	<b>\$21.61</b>	<b>\$22.86</b>

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

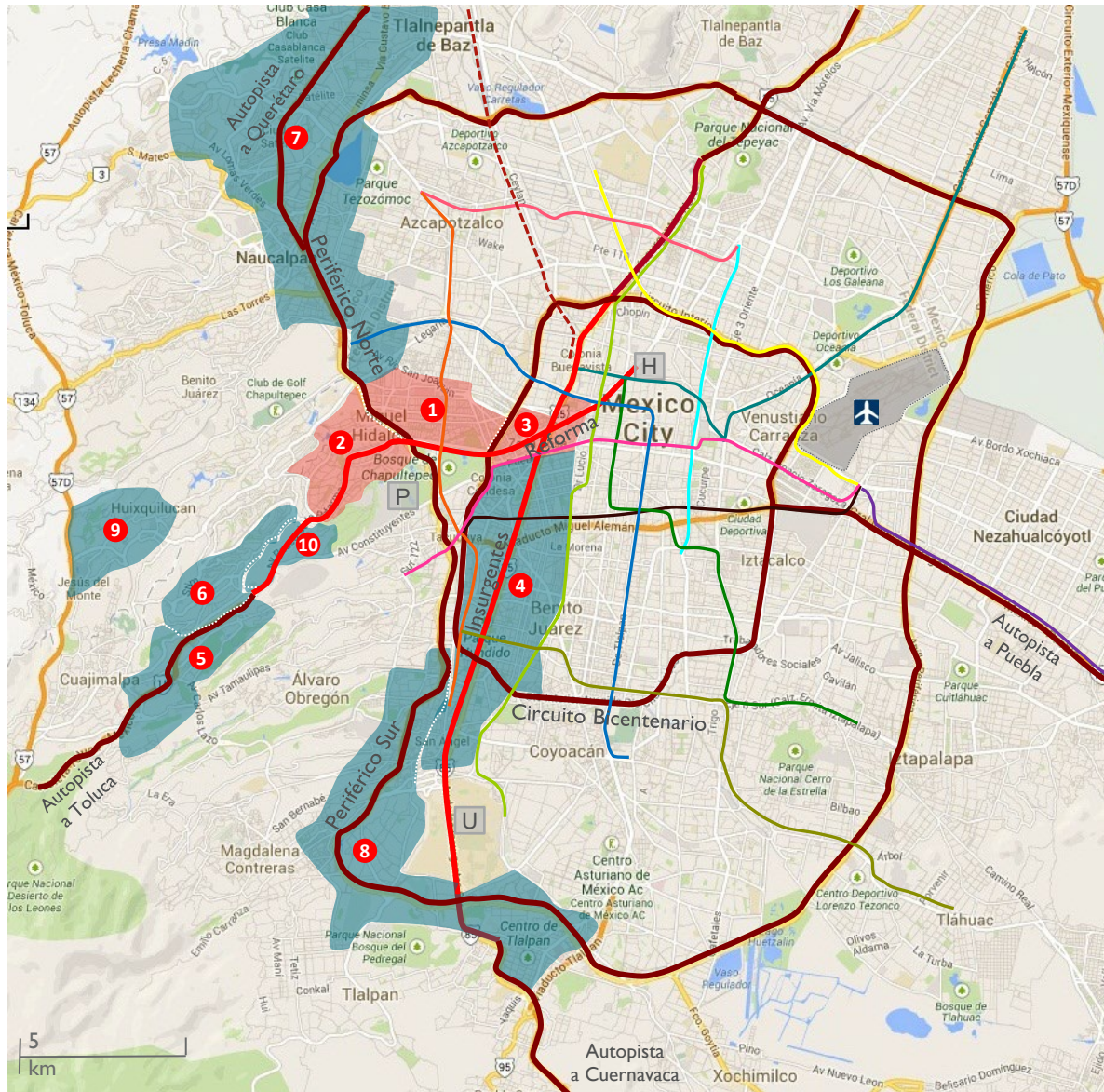
\*\*Rental rates reflect net asking US\$ per square meter/month

## SIGNIFICANT TRANSACTIONS 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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