

19.3%
Availability Rate



76.7K
Net Absorption, SQM



\$21.82
Asking Rent, PSQM



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

9.7M
Mexico City Employment



3.8%
Mexico City Unemployment Rate



2.7%
Mexico Unemployment Rate



Source: INEGI

ECONOMY

In the first half of 2023, the macroeconomic environment has shown contrasts. On one hand, the volume of Mexican exports has continued to grow, especially in the manufacturing sector, where some industries have even broken records. On the other hand, interest rates have remained at historically high levels, in the face of a level of inflation that is falling very slowly. In balance, the gross domestic product of Mexico had an interannual growth of 3.7% to May. Given this panorama, the role that private investment assumes in the second half of the year will be very important, in an environment where the campaigns for the renewal of the federal government that will take place in 2024 have begun.

DEMAND

The Mexico City office market continues to recover after the pandemic. However, it has been a slow-paced recovery. At the end of the first half of the year, the general vacancy rate for class A buildings was 21.5%, a decrease of almost two percentage points, compared to the 23.4% that it presented in June 2022. This improvement has occurred in almost all submarkets in the city. Demand for Class A office space has continued to outpace modest supply growth, resulting in a reduction in available space. The total volume of net demand (absorption) of class A offices amounted to 95,862 square meters in the first half of the year. This compares very favorably with the 30,574 square meters of absorption that occurred in all of 2022.

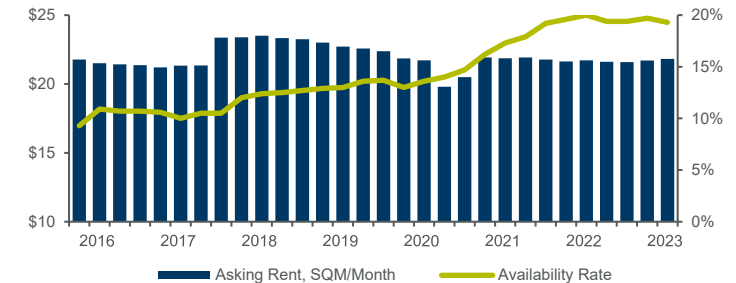
The stabilization exhibited by the city's office market shows that given the great variety and quantity of spaces available in high-quality buildings, a considerable number of tenants have continued to renew their lease contracts on favorable terms or migrated to new offices on favorable terms. Net absorption had positive growth in most of the city's submarkets; The case of the Polanco submarket stands out, where it amounted to 43,900 sqm in buildings of all classes. The Santa Fe submarket also experienced a great rebound in demand, totaling 30,326 sqm accumulated in class A buildings.

Activity in the city's office market is clearly back, after two consecutive years of contraction. However, there is still a long way to go before reaching pre-pandemic levels. Therefore, there are still good opportunities for companies seeking to reorganize their use of office space.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MEXICO CITY

Office Q2 2023

SUPPLY

Since the start of the Covid-19 pandemic, a slowdown in construction activity has been taking place. 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 inventory under development has experienced a significant decrease in its volume. At the end of the first half of 2023, active construction works totaled 434,381 sqm. At the same time, the conversion of some office buildings for residential, medical and educational use continues to grow. As of today, a dozen conversions have already been announced, which will add a little more than 200,000 sqm; This is still a small amount, as a proportion of total built inventory, but it is beginning to have relevance, as an absolute volume. Despite the foregoing, the complexities inherent to the reconversion of land uses are very likely to severely limit the extent to which these reconversions can take place.

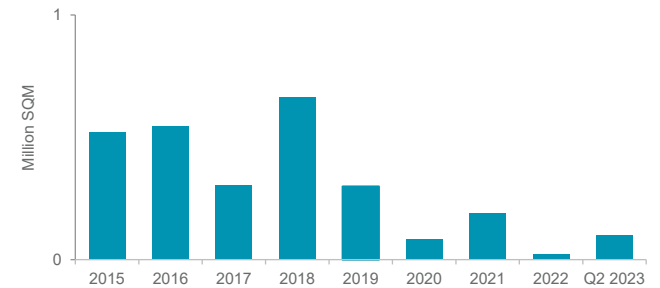
PRICES

At this time, a more stable starting price level is already emerging. The fall observed in previous years stopped in the first half of 2023 and a small upward adjustment is already observed with respect to the prices of the previous year. Specifically for class A buildings, the adjustment has been 0.8% compared to the prices observed in the first half of 2022 and they quote on average \$23.10 dollars per square meter per month. By submarkets, those located in the central area of the city have shown moderate increases, compared to the level they had the previous year. In contrast, the submarkets further away from the central area have shown a more significant rebound.

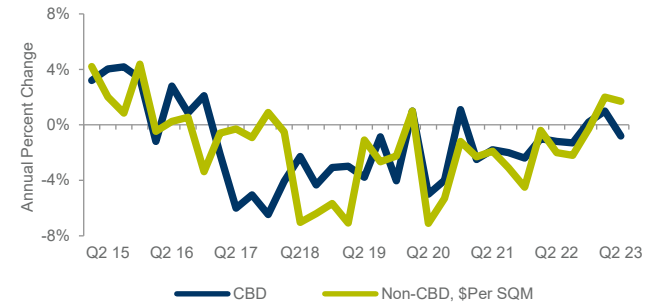
Perspective

- Office users, large and small, have already begun to define what their new strategy will be for the use and occupation of spaces. Clearly, greater flexibility is present in the use of space and "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 continues.

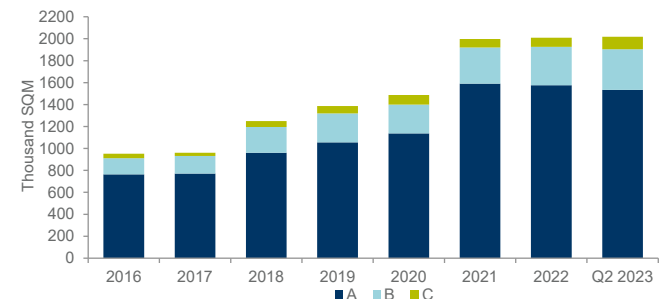
NEW SUPPLY



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 | 2,017,835 | 1,425,863 | 279,635 | 17.7% | 19.6% | 43,932 | 32,710 | 18,795 | \$24.08 | \$25.35 |
| Lomas | 786,983 | 631,087 | 120,860 | 16.7% | 19.2% | 8,925 | 8,347 | 16,204 | \$27.51 | \$28.13 |
| Reforma | 1,321,855 | 875,607 | 145,372 | 14.8% | 16.6% | 1,553 | 6,206 | 157,057 | \$24.39 | \$26.60 |
| CBD TOTALS | 4,126,673 | 2,932,557 | 545,867 | 16.6% | 18.6% | 54,410 | 47,263 | 192,056 | \$24.83 | \$26.30 |
| Insurgentes | 2,272,437 | 1,110,707 | 167,171 | 13.4% | 15.1% | 12,422 | 11,325 | 118,584 | \$21.67 | \$24.64 |
| Santa Fe | 1,406,753 | 1,358,636 | 392,647 | 28.3% | 28.9% | 27,661 | 30,326 | 39,303 | \$21.79 | \$21.79 |
| Bosques | 506,342 | 326,699 | 61,310 | 18.2% | 18.8% | -8,527 | -4,085 | 57,835 | \$24.06 | \$26.49 |
| Periférico Sur | 689,758 | 478,493 | 50,760 | 10.7% | 10.6% | 4,133 | 4,308 | 0 | \$20.63 | \$21.18 |
| Norte | 815,009 | 577,642 | 241,544 | 34.6% | 41.8% | 10,624 | 12,634 | 10,141 | \$16.53 | \$17.41 |
| Lomas Altas | 131,206 | 112,162 | 23,350 | 17.8% | 20.8% | 471 | 2,721 | 0 | \$23.14 | \$23.17 |
| Interlomas | 169,154 | 152,445 | 30,163 | 18.3% | 19.8% | -8,630 | -8,630 | 16,462 | \$19.09 | \$19.16 |
| Fuera de corredor | 341,958 | 72,291 | 21,470 | 38.1% | 29.7% | -15,769 | 0 | 0 | \$16.51 | \$18.00 |
| NON-CBD TOTALS | 6,332,617 | 4,189,075 | 988,415 | 21.1% | 23.6% | 22,385 | 48,599 | 242,325 | \$20.28 | \$21.33 |
| MEXICO CITY TOTALS | 10,459,290 | 7,121,632 | 1,534,282 | 19.3% | 21.5% | 76,795 | 95,862 | 434,381 | \$21.82 | \$23.10 |

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

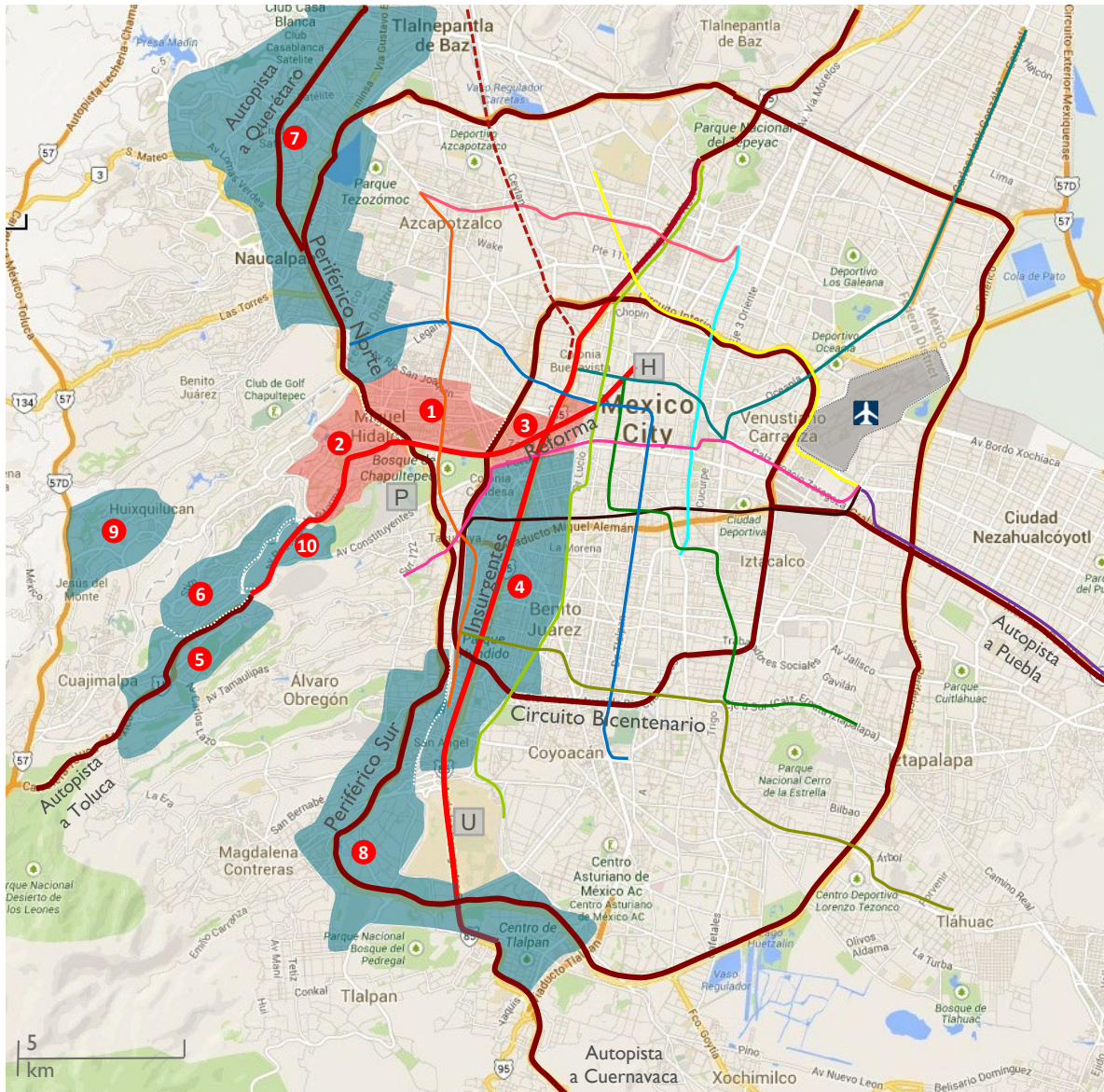
**Rental rates reflect net asking US\$ per square meter/month

SIGNIFICANT TRANSACTIONS Q2 2023

| BUILDING | SUBMARKET | TENANT | SQM | TYPE |
|---------------------------|----------------|-------------------|-------|------------|
| Adolfo Ruiz Cortines 4284 | Periférico Sur | Waldos Dólar Mart | 3,190 | Relocation |
| Torre Esmeralda III | Lomas | Maerks | 3,156 | Expansion |
| Homero 1500 | Polanco | Vitromex | 2,890 | Relocation |
| Miyana | Polanco | Richemont | 2,082 | Relocation |
| Citi Center | Insurgentes | Lockton | 1,069 | Relocation |
| Insurgentes Capital | Insurgentes | Bio Rad | 1,055 | 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

JOSE LUIS RUBI

Market Research Director

Tel: 5255 8525 8258

joseluis.rubi@cushwake.com

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