

YoY Chg 12-Mo. Forecast



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

YoY Chg 12-Mo. Forecast



Source: INEGI

ECONOMY

The Mexican economy began the year 2024 with sluggish activity, but in a stable position. The phenomenon of “nearshoring” relocation of productive chains has continued to dominate the conversation, without there being a strong effect yet, or any large-scale event to support it. Concerns associated with a high inflation environment appear to be diminishing and the Bank of Mexico has made a first cut to its reference interest rate, which nevertheless remains close to its historical maximum level. In general, the Mexican economy continues to show stable behavior and moderately expansive activity, despite a complex global economic environment.

DEMAND

In line with the moderate progress in general economic activity, the office market in Mexico City has had a small expansion. It continues in a stable position at a new level of balance, after the shock of the Covid pandemic. At the end of the first quarter of 2024, the total volume of net demand (absorption) for class A offices amounted to 60,365 square meters, while the general market, which includes buildings of all classes, had an absorption of 43,112 square meters, which means that there was negative absorption (tenant exit) in class B and C buildings. This behavior testifies to the migration to higher quality buildings that continues to take place in a market that is still predominantly tenant-friendly. The magnitude of net demand for class A buildings is now at 75% of its pre-pandemic level. The general availability rate stood at 18.7% at the end of the first quarter, a decrease of one percentage point compared to its level at the end of the same quarter in 2023.

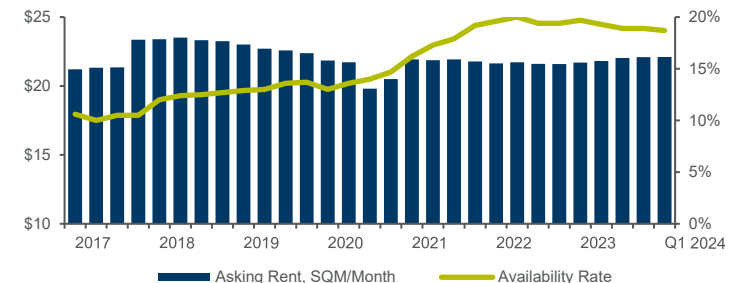
The recovery in demand remains widespread but uneven among the city's different office submarkets. Some, such as Polanco or Insurgentes, show volumes in line with their pre-pandemic levels. Others, like Santa Fe, continue to face challenges. However, in these cases it is expected that some transactions soon to be closed, including important conversions to new land uses, will allow troubled submarkets to resume positive expansion. In any case, it is clear that the highest profile buildings continue to perform well, taking advantage of the desire that many tenants have to relocate to higher quality properties.

By type of industry, demand is quite heterogeneous, but in the first quarter, technology companies and contact centers had a relevant presence.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MEXICO CITY

Office Q1 2024

SUPPLY

The volume of projects with active construction work continues to decline. It is currently located slightly above 350,000 square meters. This is less than a third of the average volume that existed before 2019. If we contrast this with the average demand, which is lower than what it was in that period, we can see that developers have paid attention to the important challenge that has offered the economic environment of recent years. In absolute terms this is leading us to an inflection point, where demand exceeds new supply. Both at levels lower than their recent historical volumes, but already in a balance where the market presents good opportunities for new buildings that have just been built.

At the same time, the conversion of some office buildings to residential, medical and educational use continues to evolve. To date, a dozen conversions are already underway, which will total just over 200,000 m²; 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.

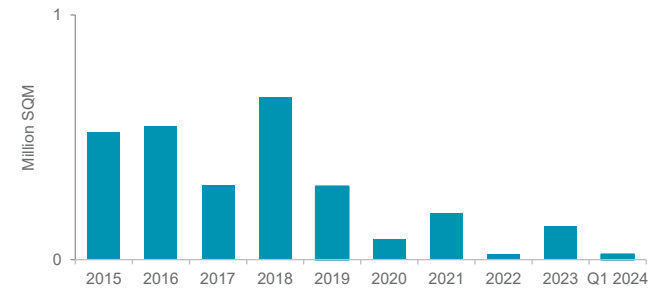
PRICES. The new balance

At this time, a more stable asking price level is already taking place. The decline observed in previous years stopped in 2023 and there is already a small upward adjustment in prices. Specifically for class A buildings, the adjustment has been 1.3% compared to the prices observed at the end of the first quarter of 2023 and they are quoting on average \$23.33 dollars per square meter per month. There continues to be an important contrast between different properties; For the highest profile ones in the Lomas area, there are already cases where the asking rent price is above \$40 dollars per square meter per month.

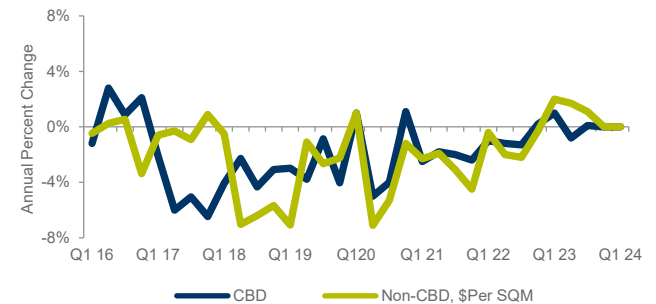
Perspective

- The behavior of the market in the time since the end of the Covid pandemic has made it clear that the use of offices is back, although under new organizational schemes and different intensity of use; this will continue to evolve. Supply today offers the best office buildings that have ever existed in the city. Technological and design advances lead one to expect the construction of even better buildings.
- Clearly there is greater flexibility in the use of spaces and “mobile” jobs – those that combine various locations: offices, home and coworking spaces – are increasing their participation. Office spaces will continue to play an important role in the organization of work.

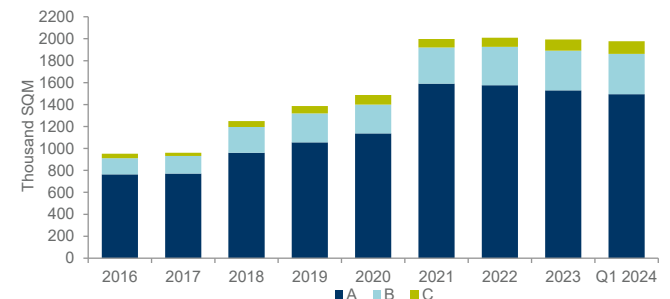
NEW SUPPLY



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	2024 OVERALL* NET ABSORPT. (SQM)	2024 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	262,580	16.9%	18.4%	2,041	9,401	18,795	\$24.48	\$25.86
Lomas	786,983	631,087	114,373	15.6%	18.1%	-1,163	-937	16,204	\$28.45	\$28.80
Reforma	1,365,154	917,925	126,092	13.4%	13.7%	8,184	18,016	114,739	\$23.30	\$25.51
CBD TOTALS	4,169,972	2,974,875	503,045	15.5%	16.9%	9,062	26,480	149,738	\$24.90	\$26.44
Insurgentes	2,339,583	1,176,426	179,940	13.7%	15.3%	29,392	25,924	93,405	\$22.35	\$24.99
Santa Fe	1,406,753	1,358,636	402,911	29.0%	29.7%	-11,872	-11,872	39,303	\$22.05	\$22.06
Bosques	522,253	342,610	61,862	18.0%	18.1%	-434	1,567	41,385	\$23.14	\$24.96
Periférico Sur	689,758	478,493	55,056	11.7%	11.5%	-5,520	-2,824	0	\$20.83	\$21.40
Norte	815,009	577,642	227,948	32.8%	39.5%	11,317	10,987	10,141	\$16.93	\$17.88
Lomas Altas	131,206	112,162	22,744	17.3%	20.3%	58	58	0	\$23.58	\$23.58
Interlomas	169,154	152,445	25,477	15.5%	16.7%	1,046	1,046	16,462	\$20.12	\$20.24
Fuera de corredor	342,301	72,291	15,230	32.4%	21.1%	10,063	8,998	0	\$16.64	\$18.71
NON-CBD TOTALS	6,416,017	4,270,705	991,168	20.7%	23.2%	34,050	33,884	200,696	\$20.74	\$21.75
MEXICO CITY TOTALS	10,585,989	7,245,580	1,494,213	18.7%	20.6%	43,112	60,365	350,434	\$22.10	\$23.33

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

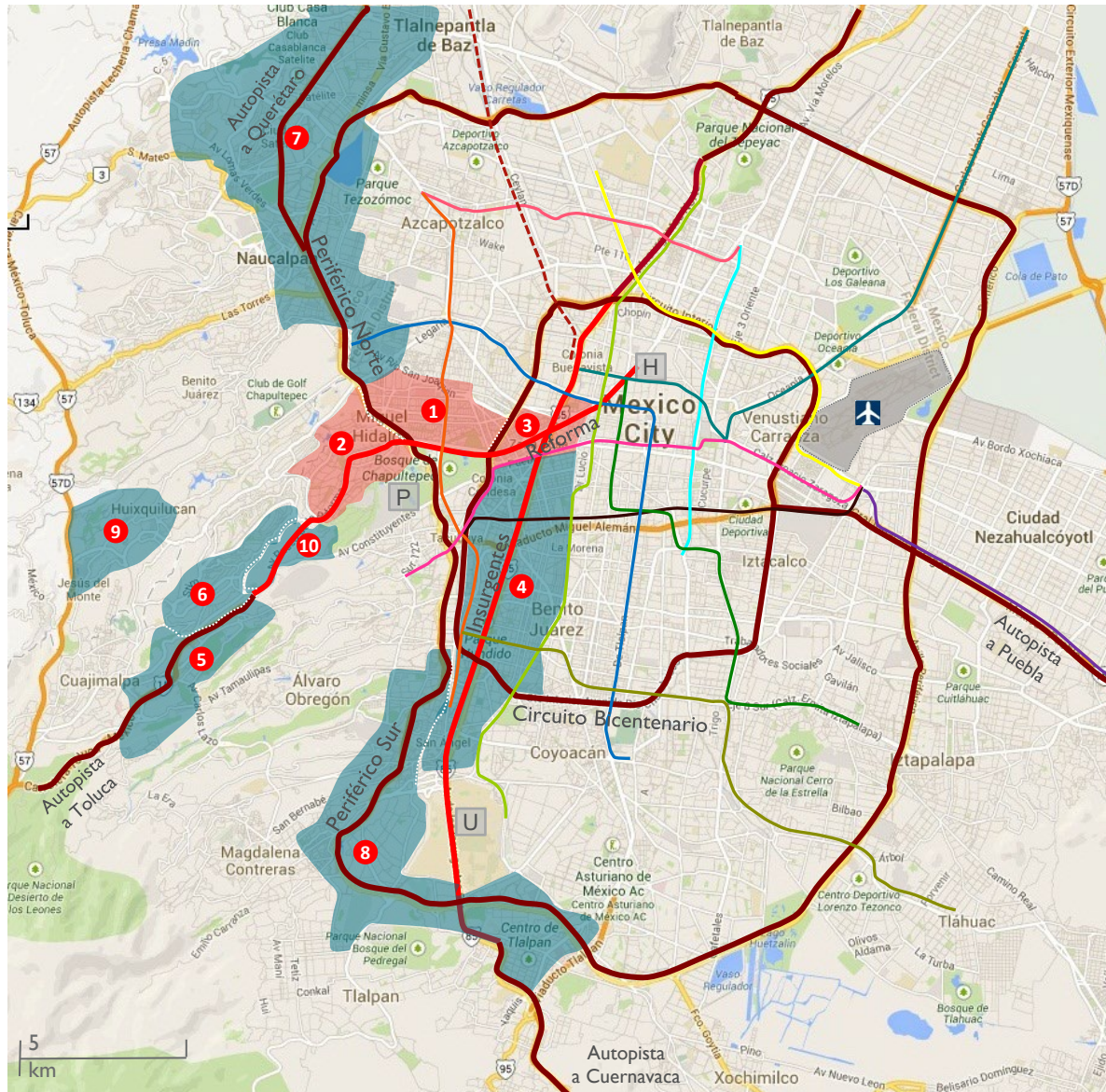
**Rental rates reflect net asking US\$ per square meter/month

SIGNIFICANT TRANSACTIONS 2024

BUILDING	SUBMARKET	TENANT	SQM	TYPE
Neuchatel	Polanco	TikTok	8,768	Relocation
Miyana II	Polanco	Novo Nordisk	7,019	Relocation
Centera	Reforma	Foundever	6,179	Relocation
Samara	Santa Fe	Honeywell	4,745	Renovation*
Torre Anseli	Insurgentes	Qualtrics	3,777	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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