

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
18.2% Vacancy Rate	▼	▼
131 K YTD Net Absorption, SQM	▲	▲
\$21.97 Asking Rent, PSQM <i>(Overall, All Property Classes)</i>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
10.3 M Mexico City Employment	▲	▼
2.7% Mexico City Unemployment Rate	▲	▲
2.3% Mexico Unemployment Rate	▲	▲

Source:INEGI

ECONOMY

The challenging economic environment present in recent years has been weathered by Mexico taking a continued stand with the stability of its economy’s fundamentals. The last available data show that GDP expansion is still in positive grounds; inflation remains a challenge but the floating-exchange rate regime continues providing adequate adjustment to the ups and downs of international business. By 2024’s third quarter, Mexico City’s central role in the national service-oriented industries continues supporting real estate activity; unemployment rate stands at 2.7%.

DEMAND: A COMPETITIVE MARKET

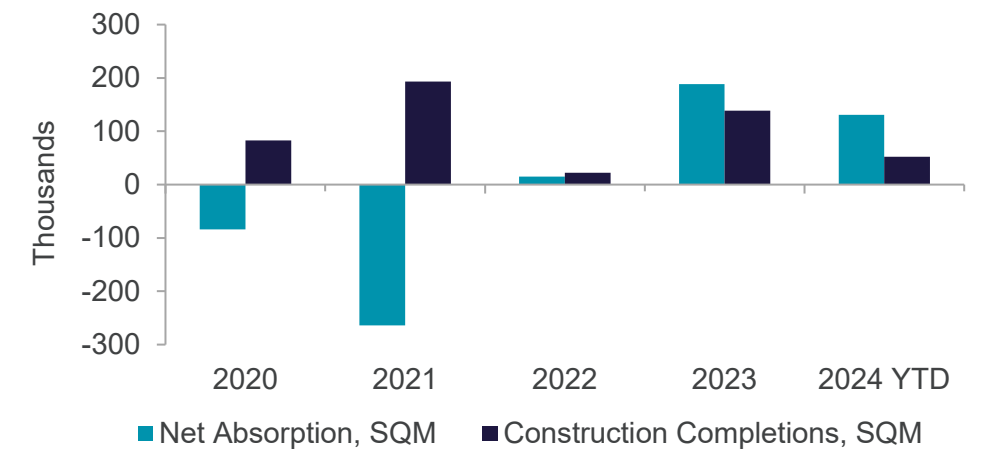
Today’s office market is full of contrasts, reflecting the corporations’ more focused attention on the diverse opportunities brought by a more competitive real estate market. For the third quarter in a row, contact-center and technology-firm tenants are significant performers, but the source of activity proceeds from a very diverse base of industries; also, the relocation to higher quality premises trend (B to A+/A and C to B) continues.

At the end of the third quarter, the volume of space absorbed (net demand) accumulated in the year totals 131,090 m2 for the city overall, where the submarkets of Insurgentes and Polanco stand out, both with more than 55,000 m2 of absorption, which reflects they are reaching a level of activity similar to that existing before the pandemic.

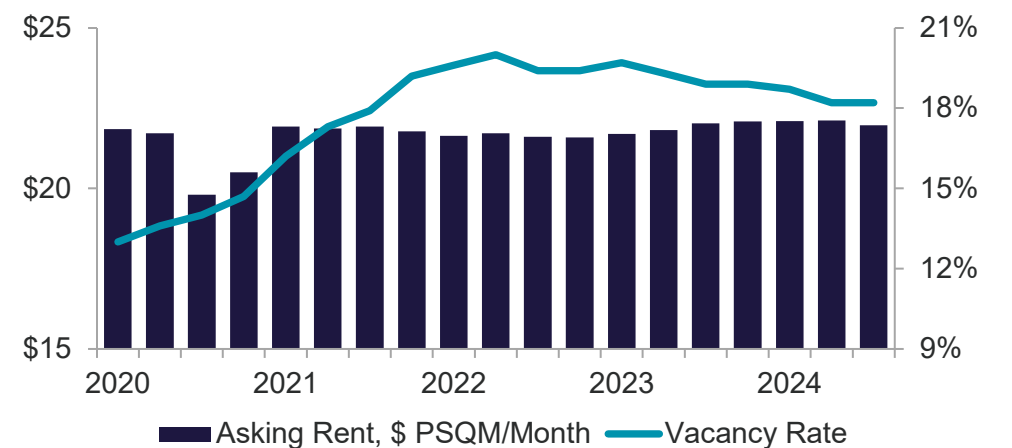
SUPPLY: SLOWING DOWN

The market realignment that has taken place after the pandemic has made it clear that the volume of new inventory in development needed to be adjusted downward. In this way, the buildings with active construction works total 337,282 m2, a volume that represents a third of what was under construction seven years ago.

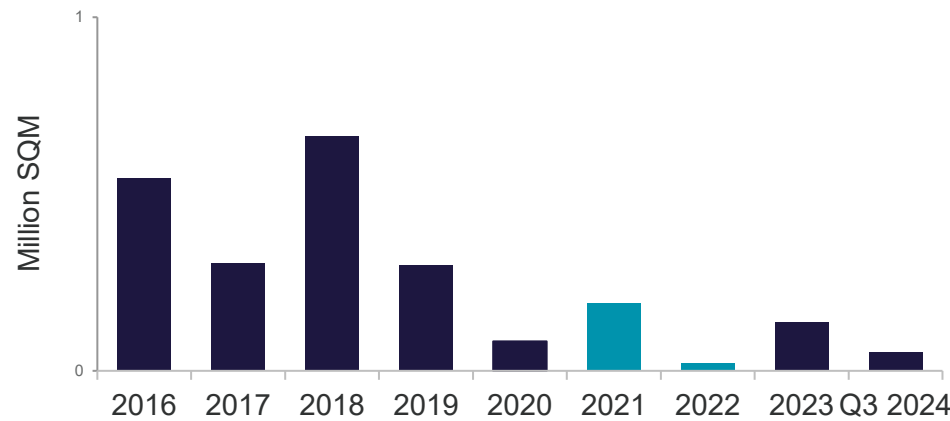
SPACE DEMAND / DELIVERIES



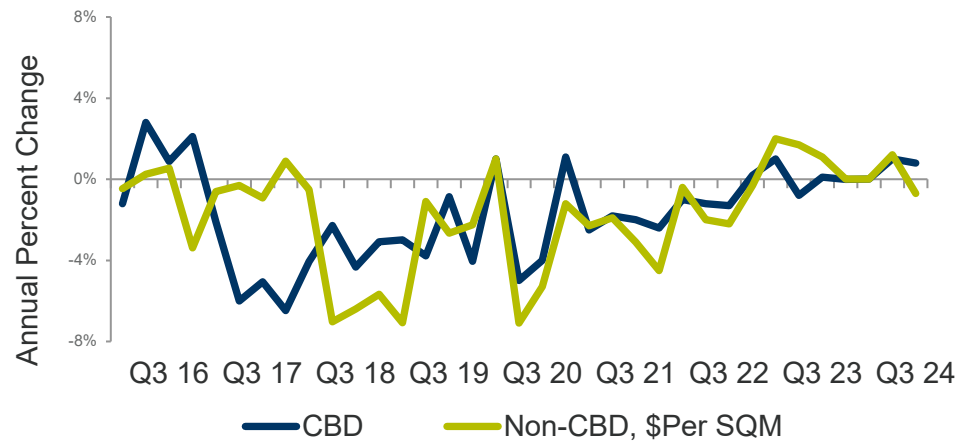
OVERALL VACANCY & ASKING RENT



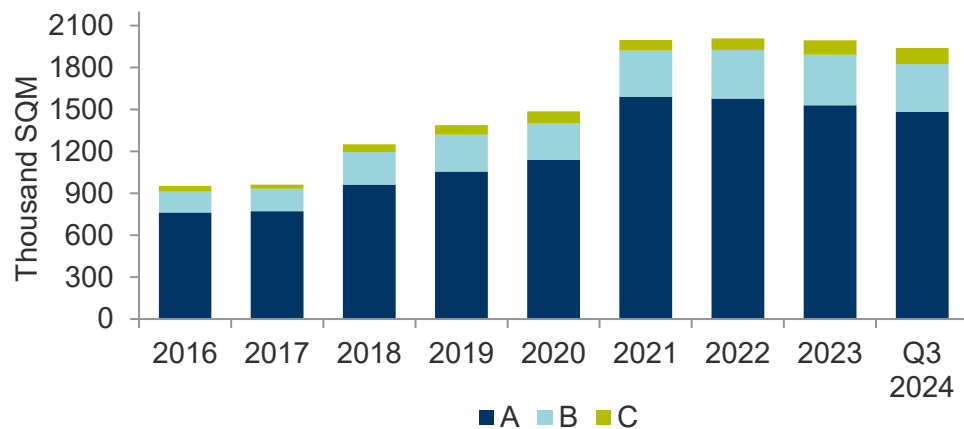
NEW SUPPLY



CLASS A ASKING RATE VARIATION



AVAILABLE SPACE BY CLASS



PRICING: TOWARD STABILITY

At this time, a more stable behavior is already taking place in the asking price levels. The decline observed in previous years stopped in 2023 and there is already a small upward adjustment in prices in some submarkets. Specifically for class A buildings, the adjustment has been 1.7% compared to the prices observed at the end of the third quarter of 2023 and they are quoting \$23.15 dollars per square meter per month on average. There continues to be an important contrast between different buildings. For example, for the highest profile ones located in the central area of the city there are already cases where the asking price is above \$30 dollars per square meter per month.

CHANGES IN THE PROFILE OF DEMAND

The evolution of the office market in Mexico City has been highly influenced by changes in the way companies of all types are organized. And these changes have been marked by technological advance.

It is estimated that the combination of in-person work with teleworking has decreased the intensity of use of office space per employee, which has resulted in 30% less absorption than that observed ten years ago for the same number of employees. At the same time, companies that constitute potential tenants have become more demanding in selecting buildings; It is now of primary importance that the energy consumption and efficiency of the plants are high profile, and that the location of the buildings is convenient for all who will use the premises.

This combination of factors has met a market with a high volume of inventory in development, so for the last six years there has been a favorable market for demand in the city. And that has been reflected in a significant migration to more central areas and higher profile buildings. Ten years ago, 44% of closed transactions took place in the submarkets in the central area of the city and 54% in class A buildings. Today, new contracts take place 60% in the central submarkets and 68% are in class A buildings.

OUTLOOK

- 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.

MARKET STATISTICS

SUBMARKET	OVERALL INVENTORY (SQM)	CLASS A INVENTORY (SQM)	CLASS A VACANT (SQM)	OVERALL VACANCY RATE	CLASS A VACANCY RATE (SQM)	YTD OVERALL NET ABSORPTION (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	208,820	14.3%	14.6%	47,376	55,161	18,795	\$24.37	\$26.04
Lomas	786,983	631,087	88,362	11.9%	14.0%	27,678	25,074	16,204	\$27.68	\$27.93
Reforma	1,365,154	917,925	144,435	14.4%	15.7%	4,133	8,673	114,739	\$24.44	\$26.14
CBD TOTALS	4,169,972	2,974,875	441,617	13.9%	14.8%	79,187	88,908	149,738	\$24.93	\$26.45
Insurgentes	2,352,735	1,189,578	163,345	12.3%	13.7%	72,670	55,671	80,253	\$22.15	\$24.45
Santa Fe	1,416,710	1,368,593	421,267	30.1%	30.8%	-20,785	-20,271	39,303	\$21.71	\$21.72
Bosques	522,253	342,610	69,903	19.3%	20.4%	-6,921	-6,474	41,385	\$22.87	\$24.54
Periférico Sur	694,259	482,994	67,305	12.9%	13.9%	-10,215	-10,572	0	\$22.18	\$22.97
Norte	835,488	598,121	243,812	33.9%	40.8%	15,932	15,602	10,141	\$17.84	\$18.87
Lomas Altas	131,206	112,162	22,744	17.3%	20.3%	58	58	0	\$23.53	\$23.56
Interlomas	169,154	152,445	25,551	15.6%	16.8%	972	972	16,462	\$21.52	\$21.68
Other	342,301	72,291	25,101	35.3%	34.7%	192	-872	0	\$16.36	\$20.00
NON-CBD TOTALS	6,464,106	4,318,794	1,039,028	21.0%	24.1%	51,903	34,114	187,544	\$20.71	\$21.75
MEXICO CITY TOTALS	10,634,078	7,293,669	1,480,645	18.2%	20.3%	131,090	123,022	337,282	\$21.97	\$23.15

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

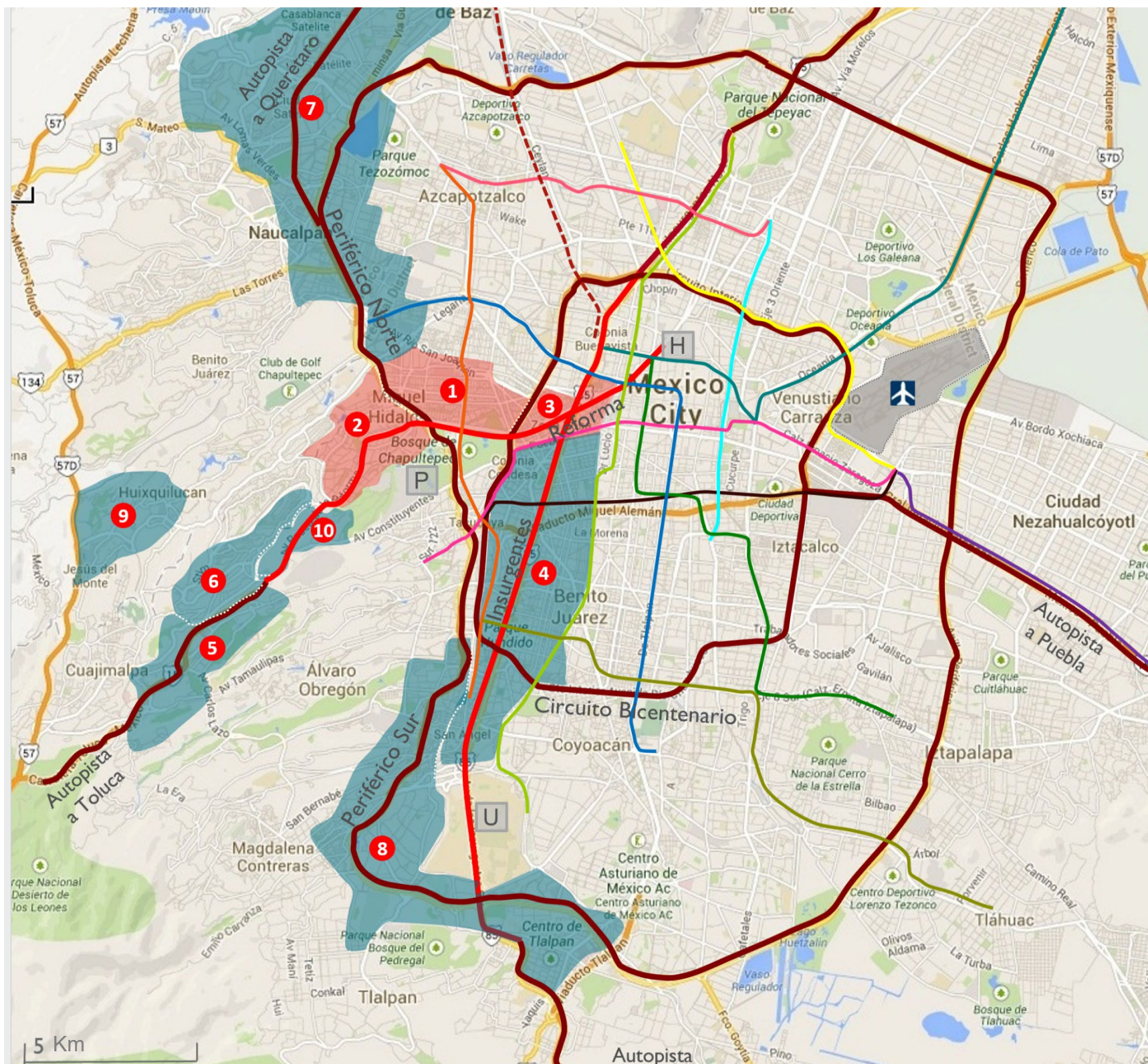
**Rental rates reflect net asking US\$ per square meter/month

SIGNIFICANT LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
Neuchatel	Polanco	TikTok	8,768	Relocation
Palmas 100	Lomas	Mota Engil	7,934	Relocation
Miyana Torre II	Polanco	Novo Nordisk	7,019	Relocation
Centera Chapultepec	Reforma	Foundever	6,179	Relocation
Reforma 180	Reforma	Stripe Payments	5,513	Relocation

*Renewals not included in leasing 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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