

Offices Business Review: Mexico City 4Q 2022

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We are Datoz

We combine continuous commercial real estate research with cutting edge software to provide transparency to the industry through impartial and constantly updated market intelligence.

Our research team monitors and records real estate activity throughout México, covering 24 markets in the industrial segment, 5 markets in the corporate segment and 14 markets in the retail segment.

Research efforts include field verification activities that reinforce our data precision and provide our researchers with physical evidence to support our monthly market updates. Datoz proprietary software allows users to connect online any time and from anywhere. Our suite of products offers the possibility to browse verified available spaces, download property brochures, view details from thousands of lease and sale transactions, customize data-sets, download statistics and indicators in friendly and customizable formats, among many other features.

Methodology

We work with an extensive network of market participants and maintain constant contact to update information on a monthly basis. In this manner, we ensure that key market data comes directly from the professionals involved in diverse activities that affect commercial real estate in each and every market.

Our researchers verify all collected data and visit markets regularly to corroborate information that can only be validated through physical surveys and on-site inspections.

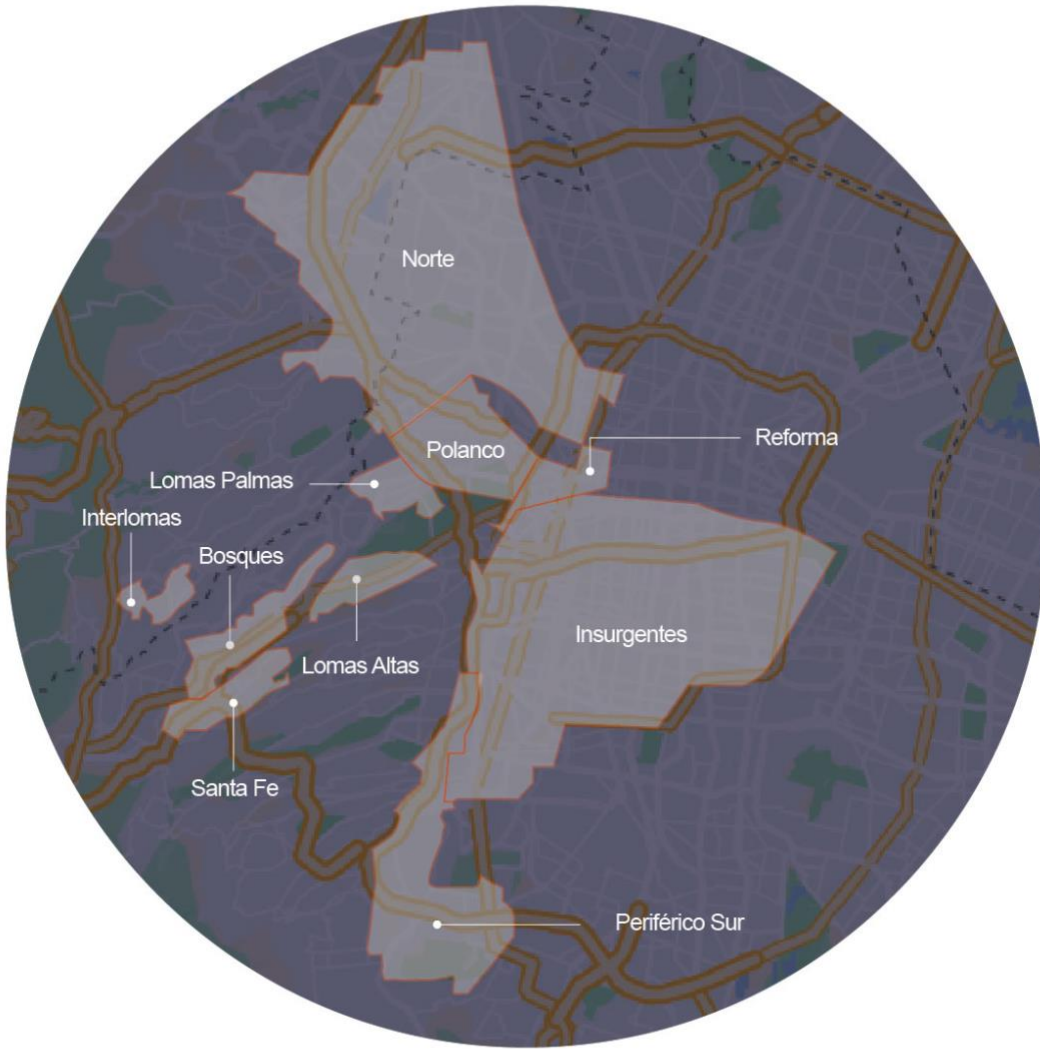
We continuously work to standardize number formats, calculations and ratios in order to present our results in a simple and comprehensible manner. Once data has been thoroughly verified and meets quality standards, it is merged and loaded unto our database, which in turn compares it against other entries pertaining to the same property and market to validate its place in a building's historic timeline.

Furthermore, our analysts continually review our data-sets in order to proactively amend anomalies and in doing so help maintain the highest standards of quality for real estate data in Mexico

Mexico City market



Submarkets



Economic outlook

During 2022, 752,000 jobs were created, with an annual growth of 3.7%. This was the third largest annual increase on record, according to the Mexican Social Security Institute (IMSS).

Consumer spending registered a year-over-year increase of 7.1% from January to October 2022, driven by purchases of imported products, which rose 15.7%.

2022 closed with annual inflation of 7.8%, according to INEGI. Food, non-alcoholic beverages and services continued to drive the nation's prices.

From January to November 2022, industrial activity in Mexico increased 3.2% year-over-year, boosted by manufacturing, which had an increase of 5.5%, driven by the manufacture of computer equipment, electronic components and accessories with a growth of 15.8%. Meanwhile, construction activity had a slight drop of 0.3%, according to Instituto Nacional de Estadística y Geografía (INEGI).

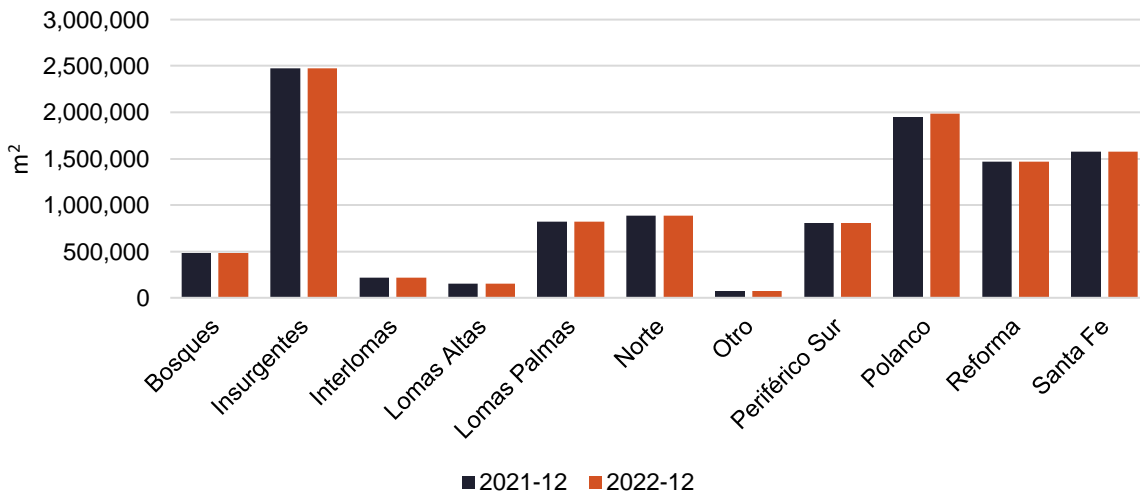
From the 1Q-2022 to 3Q-2022, foreign direct investment (FDI) in Mexico reached \$32.1 billion dollars, according to the Ministry of Economy. The largest share comes from the United States, with 46.2%.

Summary

1. Mexico City's corporate market closed the fourth quarter of 2022 with 10.9 million m² of delivered GLA.
2. The market recorded an availability rate of 22.37%, around 2.4 million m² was delivered space and 284,592 m² remained under construction.
3. As of 4Q 2022, Mexico City accumulated 213,400 m² of gross absorption.
4. The weighted average asking price for office space in Mexico City stood at \$22.15 USD/m²/month.
5. From January to December, Mexico City has delivered 144,164 m² of new space.

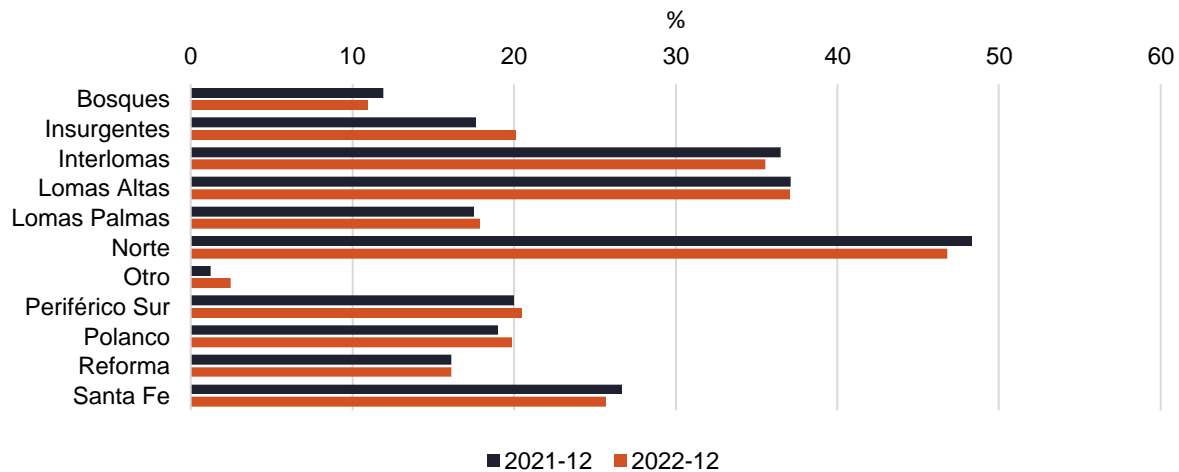
Inventory

Mexico City's delivered inventory closed 4Q 2022 with 10.9 million m² of GLA. Insurgentes, Polanco and Santa Fe have the largest concentration of inventory with 2.5 million m², 2.0 million m² y 1.6 million m², respectively. There were 871,613 m² under construction at the end of the period.



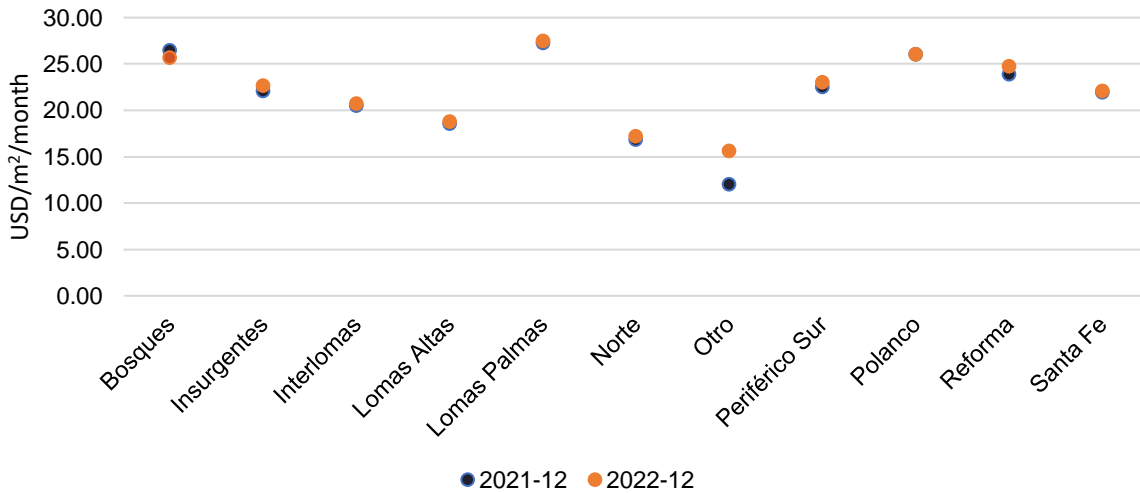
Availability rate

Mexico City's availability rate was 22.37% at the end of the quarter. Roughly 2.5 million m² of availability belonged to delivered space and 284,592 m² was still under construction. Norte corridor continues to have the highest vacancy rate at 46.80%, roughly 415,725 m² of delivered and under construction space.



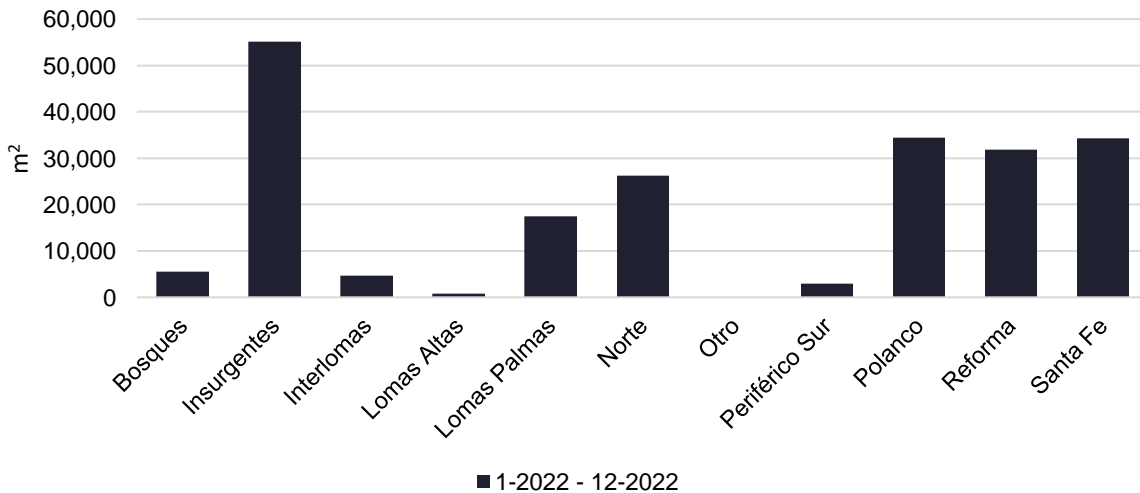
Asking prices

At the end of the quarter, the weighted average lease asking price for office space in Mexico City stood at \$22.15 USD/m²/month. Lomas Palmas had the highest asking price in the market, currently averaging at \$27.44 USD/ m²/month, followed by Polanco with \$25.98 USD/ m²/month. Meanwhile, Norte had the lowest asking price.



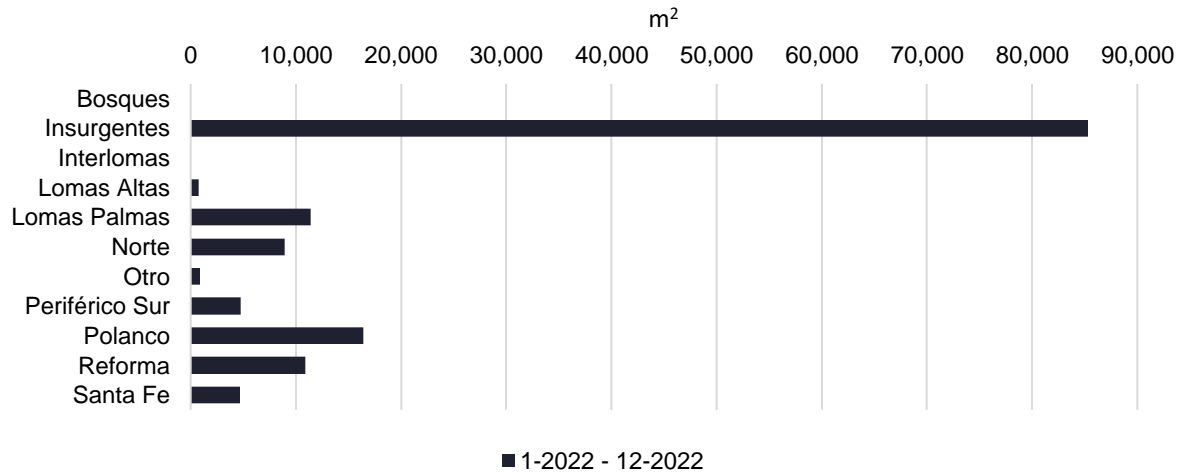
Gross absorption

From January to December 2022, Mexico City accumulated an estimated gross absorption of 213,400 m². Insurgentes, Polanco, Santa Fe y Reforma corridors drove this absorption, totaling around 155,675 m², approximately 72% of the market's total demand.



New spaces

As of 4Q 2022, Mexico City registered 144,164 m² of new space. Insurgentes concentrated most of the space with 85,336 m², followed by Polanco with 16,438 m².



Looking forward

Almost three years have passed since the onset of the pandemic in Mexico and the corporate real estate market is just beginning its recovery. Mexico City's delivered inventory has remained almost unchanged, as well as the inventory under construction, as high availability has kept developers cautious, pausing possible new projects.

With this caution in the development of new corporate buildings, it was possible to maintain availability levels, which at the end of 2022 stood at 22.4%, with a slight increase in the availability of existing space.

During the last year, demand for office space in Mexico City exceeded 200,000 m², which has been a constant absorption level during the last three years. And, although demand for office space continues, albeit a steady pace, the market still seems to be affected by vacated space registered between 2020 and 2021.

Developers and owners continue to adapt to new trends in corporate work, adopting flexibility in their lease contracts, adding coworking space, among other strategies, in order to keep office leasing in force.

It is expected that by 2023, demand will grow, which may encourage investment and construction of new office projects.

Glossary

Inventory: sum of the area of all existing buildings type A+, A and B according to most developers and institutional brokerage companies at the last day of the period.

Availability rate: available area divided by inventory at the last day of the period.

Asking price: weighted average asking price weighted by the available area at the last day of the period.

Gross absorption: sum of leased, subleased and sold area during the period.

New spaces: sum of new space area that started promotion in the period.

Legal notice

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