

# Offices Business Review: Monterrey 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

## Monterrey 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).

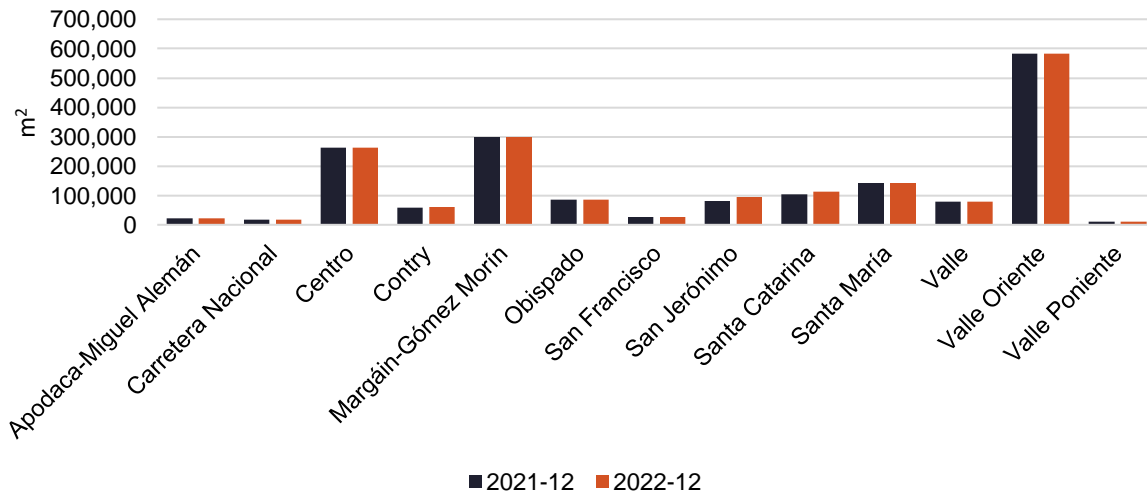
From the 1Q-2022 to 3Q-2022, foreign direct investment (FDI) in Mexico reached \$32.1 billion dollars, according to the Ministry of Economy. The largest share comes from the United States, with 46.2%.

## Summary

1. Monterrey's corporate market closed the fourth quarter of 2022 with 1.8 million m<sup>2</sup> of delivered GLA, a year-to-date growth of 1.43%.
2. The market registered an availability rate of 17.93%. Around 322,479 m<sup>2</sup> belonged to delivered space while 39,913 m<sup>2</sup> was still under construction.
3. As of 4Q 2022, Monterrey accumulated 65,805 m<sup>2</sup> of gross absorption.
4. The weighted average asking price for office space in Monterrey stood at \$16.41 USD/m<sup>2</sup>/month by the end of the fourth quarter.
5. From January to December, Monterrey registered 16,793 m<sup>2</sup> of new space.

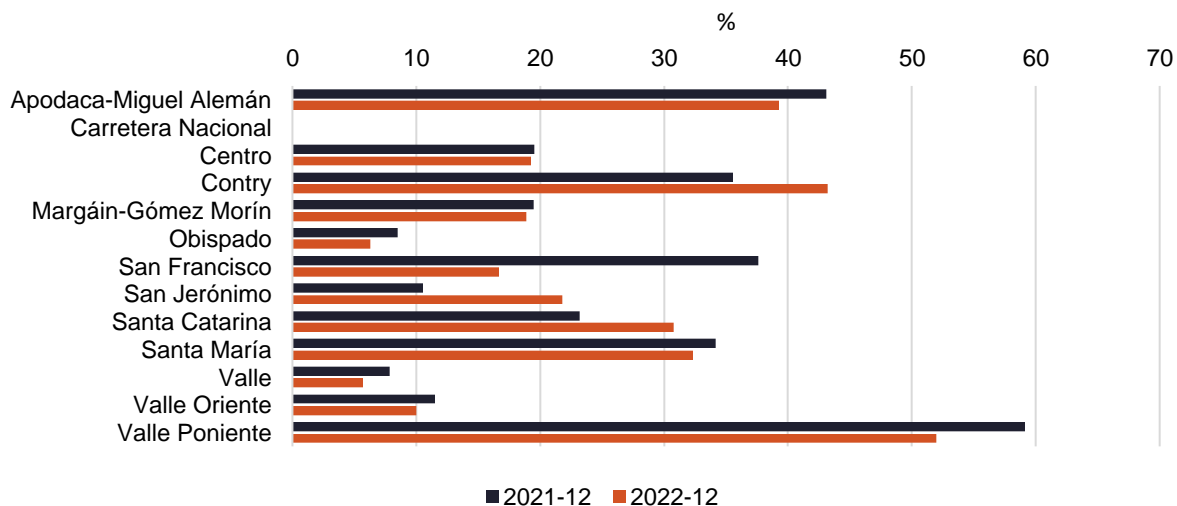
## Inventory

Monterrey's delivered inventory closed 4Q 2022 with a total of 1.8 million m<sup>2</sup> of GLA, a year-to-date growth of 1.43%. Valle Oriente, concentrated 32% of Monterrey's inventory, with a total GLA of 583,237 m<sup>2</sup>, followed by Margáin-Gómez Morín with 299,465 m<sup>2</sup>.



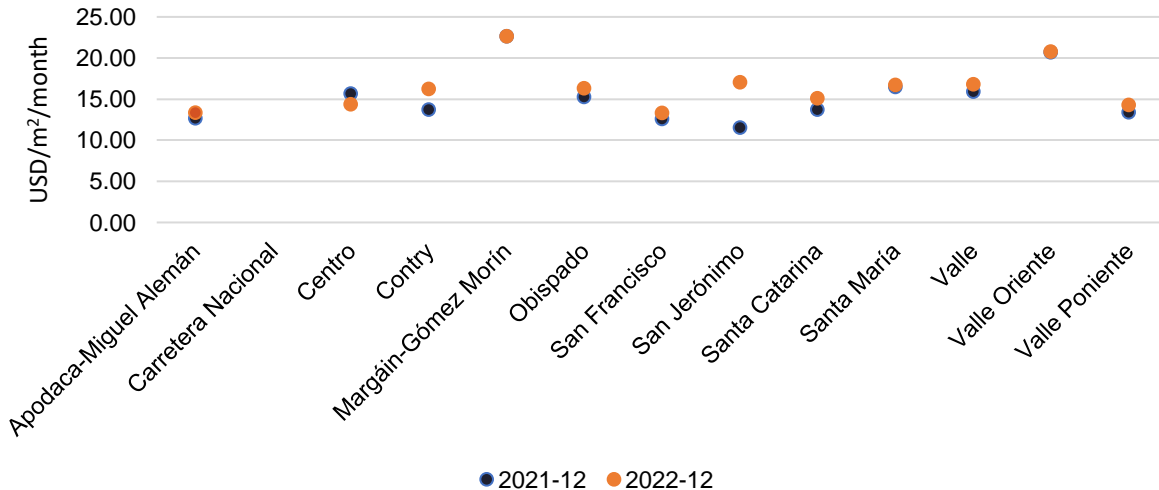
## Availability rate

Monterrey's availability rate was 17.93% at the end of the quarter. Roughly 322,479 m<sup>2</sup> of available area belonged to delivered space and 39,913 m<sup>2</sup> was still under construction. Valle Oriente has the highest vacancy in terms of available space with over 58,300 m<sup>2</sup>, however its vacancy rate of 10.00% ranks 10<sup>th</sup> out of 13 corridors.



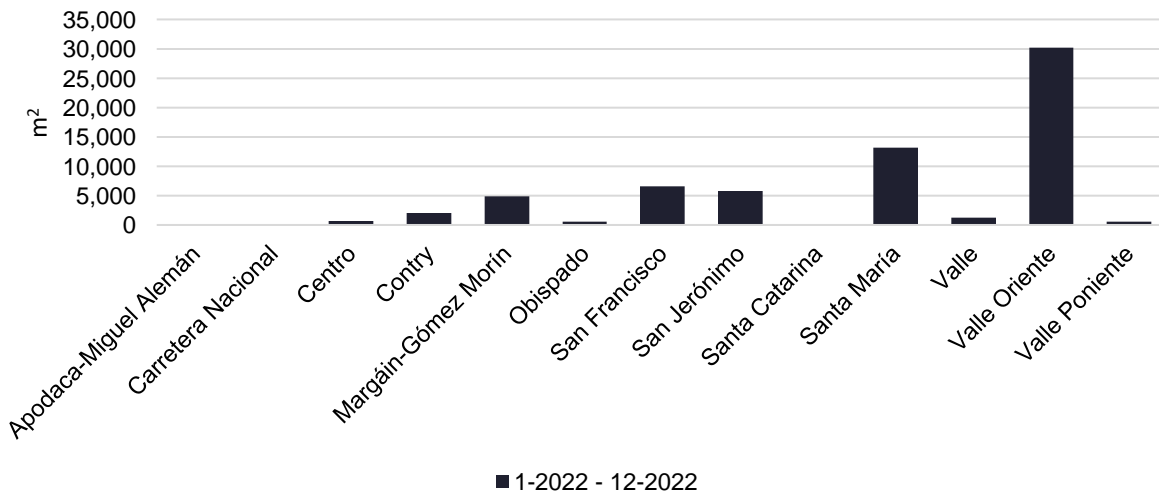
## Asking prices

At the end of the quarter, the weighted average lease asking rate for office space in Monterrey stood at \$16.41 USD/m<sup>2</sup>/month, a year-to-date increase of 6.87%. Margáin-Gómez Morín had the highest asking price in the market, currently averaging at \$22.64 USD/m<sup>2</sup>/month, while Apodaca-Miguel Alemán had the lowest price with \$13.29 USD/m<sup>2</sup>/month.



## Gross absorption

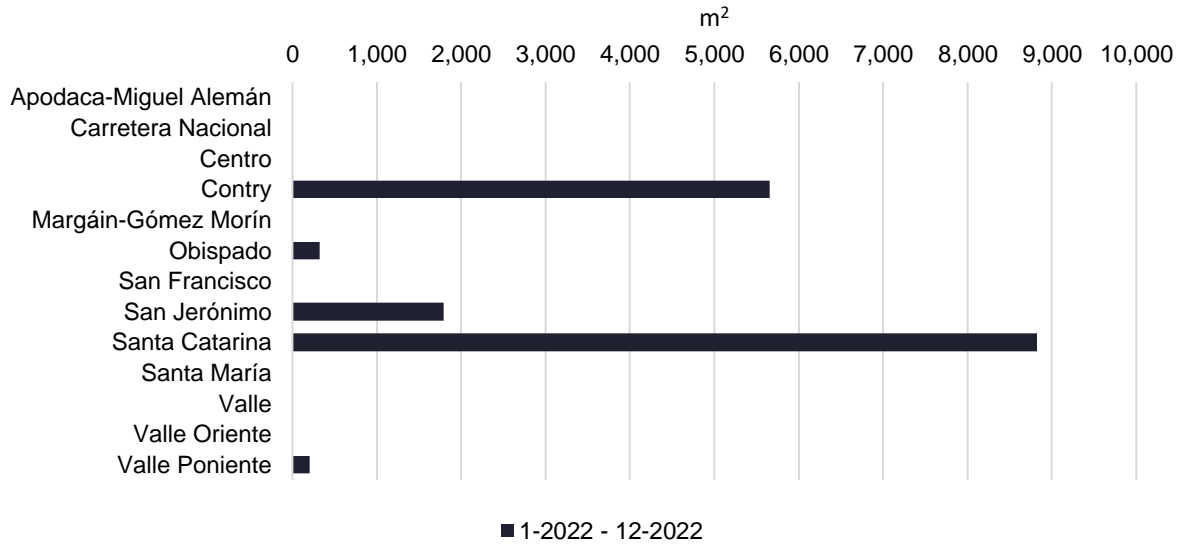
From January to December, Monterrey accumulated an estimated gross absorption of 65,805 m<sup>2</sup>. Valle Oriente drove this absorption with 45% of transactions, accumulating roughly 30,154 m<sup>2</sup>, followed by Santa María with 13,166 m<sup>2</sup>.





## New spaces

As of 4Q 2022, Monterrey registered 16,793 m<sup>2</sup> of new space, located in five corridors. Santa Catarina concentrated 52% of new spaces with 8,820 m<sup>2</sup>, followed by Contry with 5,653 m<sup>2</sup>.



## Looking forward

At the end of 2022, Monterrey's corporate market showed a visible recovery in the demand for office space, recording gross absorption of more than 65,000 m<sup>2</sup>, which represents more than double the amount of space absorbed a year earlier, when it accumulated roughly 30,000 m<sup>2</sup>. This is also the highest absorption since the pandemic. The corridors with the most demand for corporate office space were Valle Oriente and Santa María, accounting for 66% of total market activity.

The incorporation of new buildings to the inventory also reaffirms the steady recovery of corporate real estate in Monterrey with the delivery of some prominent projects such as Torre 411, located in Centro corridor, and Torre Hélice, located in San Jerónimo. Even with these deliveries, Monterrey's overall market vacancy rate remained at 17.9% due to strong absorption. However, the San Jerónimo corridor had a significant increase in availability due to inventory growth.

Demand is expected to continue at 2022 levels and may even grow during 2023 alongside strong demand for industrial real estate which may play a key role in driving demand for corporate office space as well.

## 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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