



Mexico City Office Market

2021 Retains Last Year's Momentum.

During the first quarter of 2021, the Office Market in Mexico City saw a similar trend to the previous year as it once again recorded modest figures. Over the last few years, the Class A and A+ inventory in the city has increased at a constant pace, reaching nearly 7.5 million square meters in this quarter. This increase in the inventory combined with a vacancy rate of 21.4%, equivalent to more than 1.6 million square meters of available Class A space. Despite market activity being considerably better than in previous quarters with a gross absorption of 77,870 square meters, the vacated spaces overshadowed this recovery. In this vein, the vacated spaces and the deliveries contributed to a net absorption of negative 188,972 square meters.

Current Conditions

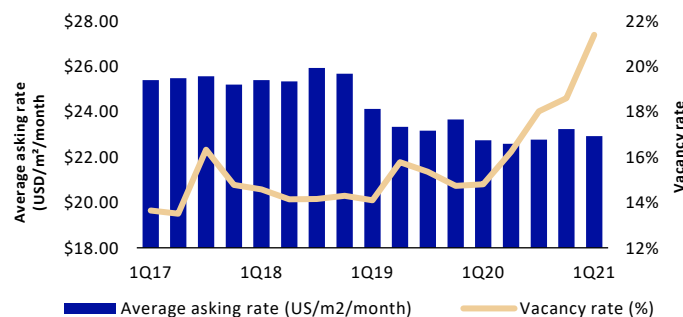
- The vacancy rate was recorded at 18.6%, equivalent to 1.38 million square meters.
- The inventory keeps increasing and it currently stands at 7.44 million square meters.
- Absorption recorded a historic low in 4Q20 at only 24,862 square meters.

Market Summary

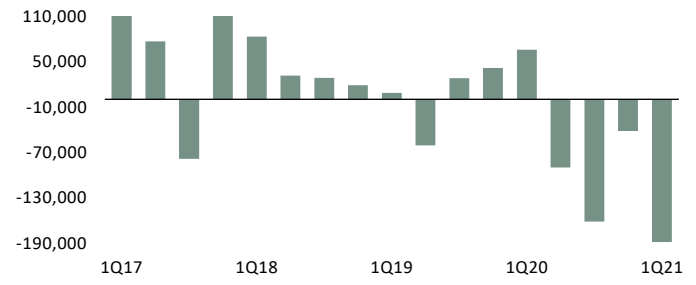
	Current Quarter	Prior Quarter	One year ago	12-month forecast
Total inventory (m ²)	7.49M	7.44M	7.26M	↑
Vacancy rate	21.4%	18.6%	15.0%	↑
Quarterly absorption (m ²)	-188,972	-41,726	35,224	↑
Average asking rent (USD/m ² /month)	\$22.92	\$23.24	\$22.62	↓
Under construction (m ²)	1.21M	1.25M	1.23M	↓

Market Analysis

AVERAGE LEASE RATE AND VACANCY RATE



NET ABSORPTION (M²)



The Vacancy Rate is on the Rise.

By the end of the first quarter of 2021, all the office submarkets in Mexico City saw oversupply, except for the Bosques and Lomas Palmas submarkets. Clearly, the size of the submarkets may vary, as well as their vacancy rates, but the submarkets that most contribute to this oversupply are Norte, Santa Fe and Insurgentes Sur. These submarkets account for nearly 55% (880,303 square meters) of the total available space in the office market. Other large submarkets like Polanco, Reforma and Periferico Sur account for 30.0% of the vacant area in the market. In total, the vacancy rate in the city stands at 21.4%, above the acceptable level of stability for the office market.

Completed Buildings

Over the last few years, the office inventory in Mexico City has grown at constant pace quarter in and quarter out. This last quarter was no exception. The new supply reached 53,824 square meters with 9 new buildings added to the inventory. These new buildings are mainly located in the Insurgentes, Polanco and Periferico submarkets. The Lomas Palmas and Norte submarkets also recorded activity in this field. At this pace, the inventory is closing in on 8.0 million square meters of net rentable Class A space which will likely be reached by the end of 2021.

An interesting phenomenon that has become more evident during the pandemic is the completion of buildings which have not started operations. This might be mainly due to the scarce occupancy of office spaces has led developers and property managers to complete the building without putting them up for rent due to overhead expense. A partially occupied building would still incur in expenses associated to security, reception, maintenance and infrastructure system that make the building operational. Consequently, the fewer tenants a building has the higher the overhead expense for developers and property managers.

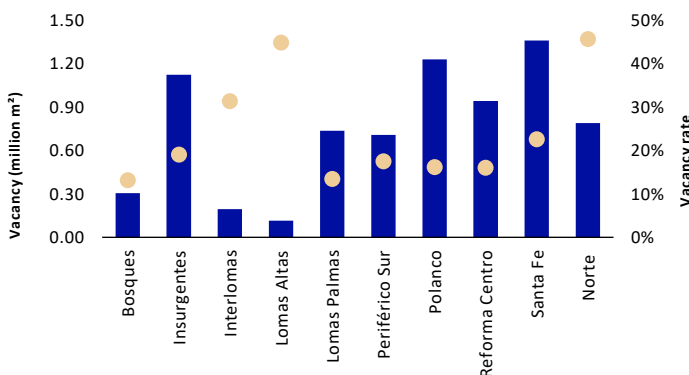
Absorption vs. Vacated Spaces

The office market showed some good signs of recovery during the quarter since mainly all the submarkets recorded activity for a gross absorption of nearly 80,000 square meters. Most of this absorption was detected in the Polanco and Insurgentes submarkets, followed by the Periferico Sur submarket at a distant third. However, the number of vacated spaces hit a record high and accounted for more than 200,000 square meters. These vacated spaces were mainly seen in the Insurgentes, Reforma and Norte submarkets, but also in the Santa Fe and Polanco submarkets.

Asking rates continue to show variations given the constant fluctuations in the exchange rate over the last few quarters. By the end of March, asking rates for Class A and A+ space in Mexico City was down \$0.32 USD per square meter per month over the prior quarter. This trend is expected to continue as fluctuations in the exchange rate are also expected for the rest of the year and also to oversupply within the next quarters.

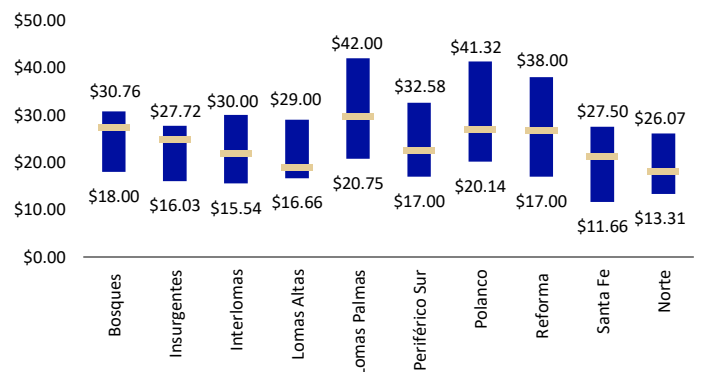
Vacancy per Submarket

TOTAL VACANCY: 1,603,256 m²



Average Asking Rates Range

MINIMUM AND MAXIMUM ASKING RATES



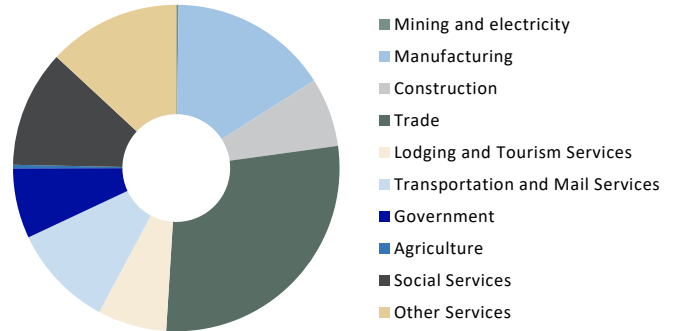
Submarket Stats							
	Total Inventory (m ²)	Deliveries (m ²)	Total Vacancy (m ²)	Vacancy Rate (%)	Total Activity (m ²)	Net Quarterly Absorption (m ²)	Average Asking Rate (USD/m ² /month)
Bosques	304,343		39,956	13.13%	3,474	2,176	\$27.32
Insurgentes	1,122,700	25,737	213,492	19.02%	18,260	-34,736	\$24.84
Avenida Insurgentes Principal	596,354	15,527	141,518	23.73%	17,530	-21,085	\$25.04
Insurgentes San Ángel	122,898	3,318	17,325	14.10%	569	-3,334	\$25.40
Insurgentes Revolución	174,834	6,892	12,110	6.93%	0	-9,439	\$21.83
Insurgentes Roma-Condesa	77,986		20,610	26.43%	0	-1,039	\$24.75
Insurgentes Oriente	150,628		21,929	14.56%	161	161	\$24.83
Interlomas	194,070		60,834	31.35%	0	-6,970	\$21.82
Lomas Altas	114,461		51,272	44.79%	2,775	2,775	\$18.95
Lomas Palmas	735,146	4,765	98,505	13.40%	6,687	-10,809	\$28.24
Periférico Sur	707,201	10,210	123,719	17.49%	11,220	-18,741	\$21.90
Polanco	1,228,190	10,722	197,805	16.11%	24,298	-7,042	\$26.84
Polanco Tradicional	83,146		23,296	28.02%	0	0	\$24.34
Polanco Granadas	603,565	5,590	99,309	16.45%	15,034	2,611	\$27.09
Polanco Anzures	169,651		16,328	9.62%	1,673	1,673	\$22.22
Polanco Lagos	371,828	5,132	58,872	15.83%	7,591	-11,326	\$28.70
Reforma Centro	942,117		150,862	16.01%	1,241	-51,619	\$26.67
Santa Fe	1,360,065		306,737	22.55%	6,943	-27,580	\$21.24
Norte	789,282	2,390	360,073	45.62%	2,973	-36,426	\$18.15
Norte Azcapotzalco	37,524		14,788	39.41%	0	-347	\$17.57
Norte Naucalpan	233,666		88,838	38.02%	0	-33,708	\$18.18
Norte Atizapán	332,193	2,390	160,489	48.31%	2,973	583	\$20.25
Norte Tlalnepantla	185,899		95,958	51.62%	0	-2,954	\$14.68
Total Mercado	7,497,574	53,824	1,603,256	21.38%	77,870	-188,972	\$22.92

Economic Stability

The Bank of Mexico forecasts economic growth between 3.5% and 3.7% for 2021. The Corporate Perception indicator shows that the overall confidence of businesses in Mexican economy is still below the level recorded before the pandemic. Nevertheless, expectations are higher as the business climate seems to be improving for this period. This perception is mainly based on the reactivation of the economy across the country, which has enabled companies to partially resume their operations and their forecast for internal development has also improved. The future of private investment will depend on factors such as the negotiations for outsourcing regulation, the fiscal reform and reform to the energy sector.

Employment per Economic Sector

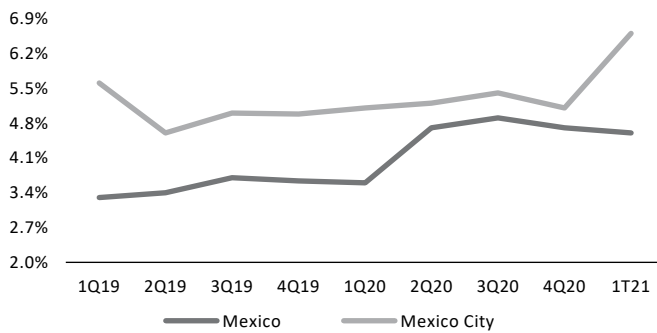
MEXICO CITY AND METROPOLITAN AREA, MARCH 2021



Source: INEGI, ENOE

Unemployment Rate

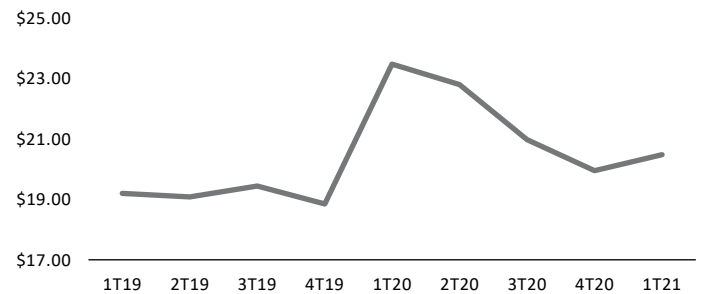
ANNUAL INDICATOR



Source: INEGI, ENOE

Exchange Rate

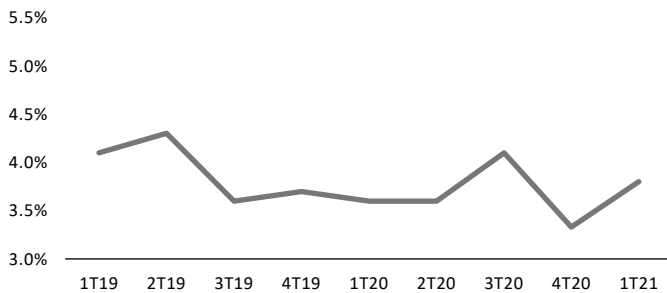
MEXICAN PESOS (MXN) PER U.S DOLLAR (USD)



Source : Banxico

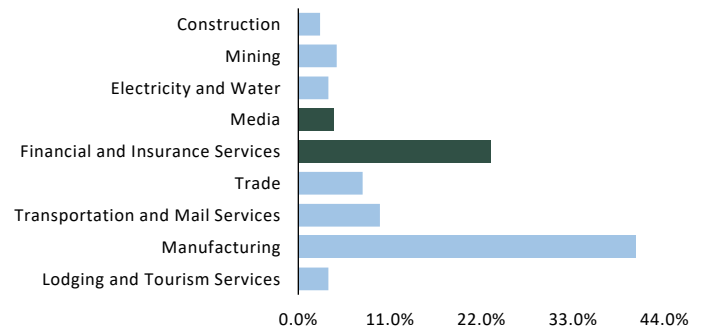
Consumer Price Index

ANNUAL INDICATOR



Source: Banxico

Foreign Direct Investment



Source : INEGI, ENOE

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