



Mexico City Office Market

Complicated semester closing

At the end of the first semester of the year, Mexico City corporate market is still suffering the consequences of the pandemic and once again presented negative indicators during the second quarter of 2021.

Although the inventory increased marginally during the period (0.53%), the availability rate reached its historical maximum (22.49%) to reach almost 1.7 million square meters unoccupied in the market. This means that vacancies and the low level of absorption once again had a significant impact on the market and led to net absorption of -81,354 m².

Despite the negative signals sent by the market through its indicators, we see a corporate market that is beginning its recovery. The vaccination process against COVID-19 continues to progress positively and working and living conditions are gradually returning to normal, so the uncertainty is beginning to dissipate. In the not too distant future we will begin an accelerated return to the offices and the new conditions in the work centers.

Current Conditions

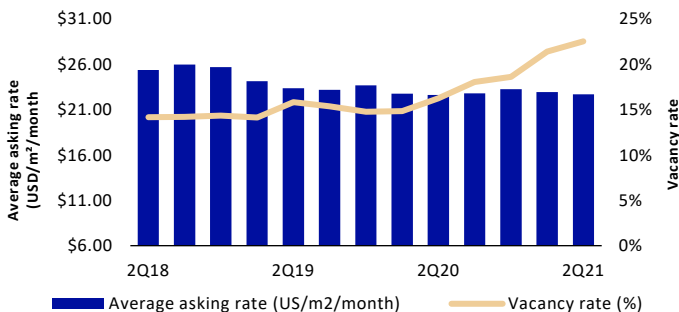
- The availability rate of the office market continues with an upward trend and closed at 22.5%.
- Net absorption had an improvement compared to the previous quarter and ended the period at -81,354m².
- Rental prices remained relatively stable and the indicator closed the quarter at \$22.65 usd/m²/month.

Market Summary

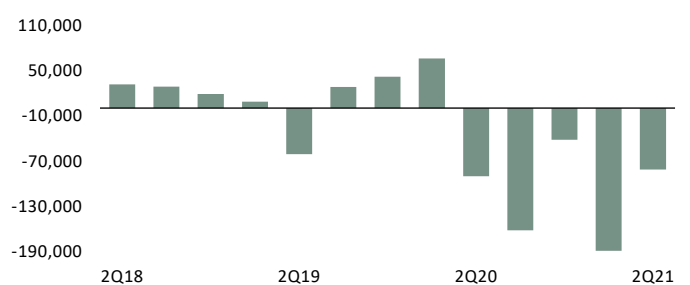
	Current Quarter	Prior Quarter	One year ago	12-month forecast
Total inventory (m ²)	7.54M	7.49M	7.36M	↑
Vacancy rate	22.5%	21.4%	16.2%	→
Quarter absorption (m ²)	-81.354	-188,972	-90,339	↓
Average asking rent (USD/m ² /month)	\$22.65	\$22.92	\$22.58	→
Under construction (m ²)	1.19M	1.21M	1.34M	↓

Market Analysis

AVERAGE LEASE RATE AND VACANCY RATE



NET ABSORPTION (M²)



Vacancy continues

Undeniably, vacancies has hurt corporate markets significantly during the pandemic and, in the case of Mexico City, this abandonment of workspaces is much more notable given that it is the largest office market in Latin America.

It is important to be clear that vacancy is not an exclusive phenomenon of the pandemic period, but it has reached higher levels since the beginning of the contingency. In the semester prior to the start of the lockdown (3Q19 and 4Q19), the unoccupied area was almost 140,000m², a figure that is already high. In the initial quarters of the health emergency (1Q20 and 2Q20), vacancy rose to more than 173,000m², a number that represented an increase of 23.5% compared to the previous semester. For the second half of 2020 and the first half of 2021, the vacancy figures increased to 198,657m² and 320,116m², respectively. This last figure represents a 128% increase compared to the last "healthy" quarter that saw the Mexico City corporate market.

Modest Occupancy Level

Just as important as the vacancies, has been the decrease in gross absorptions throughout this extraordinary period for offices. Although we have seen that in a "healthy" time for the market vacancies are considerable, they are mimicked by the natural cycle of absorption of these spaces, because in a healthy economy and under normal conditions, the economy grows quarter after quarter and with it, new companies need these spaces or already consolidated companies seek to expand their operations.

This dynamic was abruptly interrupted when companies were unable to occupy their office spaces, a condition that lasted for many months. Later, there was a significant distrust of returning to traditional work spaces that still prevails, while for many companies the implementation of remote work had a positive outcome. We will begin to see the permanent consequences of all these changes by the end of this year, when vaccination is much more advanced and companies can make medium and long-term decisions.

Generalized oversupply

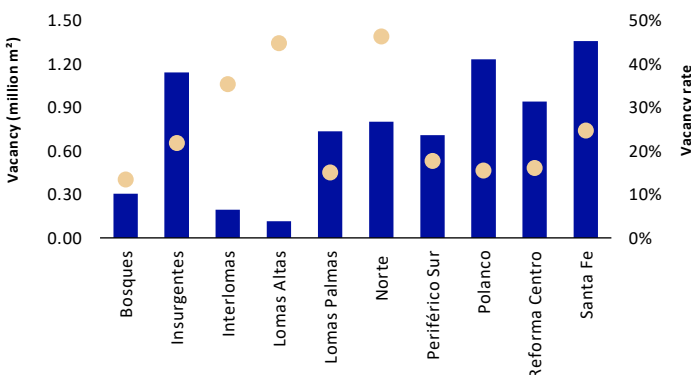
For some periods we have commented on the upward trend in the availability rate and for this quarter we can comment that the office market in Mexico City presents an oversupply in all its corridors. Of course, not all of them contribute in the same way to the almost 1.7 million square meters available in the city, a figure that represents 22.5% of the unoccupied profitable ANR.

Bosques and Lomas Palmas are the submarkets that generate the least concern, since together they only contribute 9% of the available surface of the entire market, in addition to the fact that the surface under construction within these two corridors does not reach 100,000 meters squares.

On the other side of the spectrum, we find the Norte, Santa Fe and Insurgentes corridors, which together represent more than 56% of the net rentable unoccupied area of the entire city. In addition to this, the area under construction within these three submarkets exceeds 375 thousand square meters, which represents almost 5% of the current inventory of the entire city.

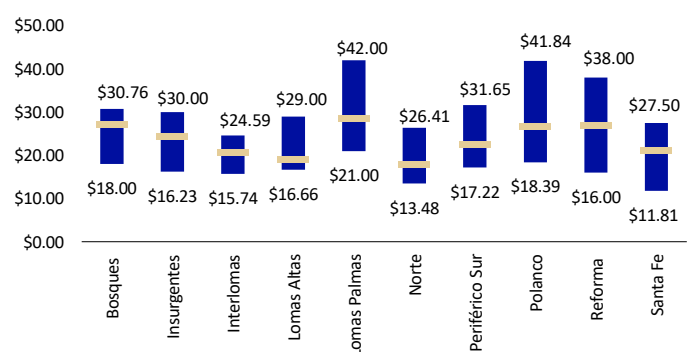
Vacancy per Submarket

TOTAL VACANCY: 1,694,838 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)	Quarter Net Absorption (m ²)	Average Asking Rate (USD/m ² /month)
Bosques	304,343		40,857	13.4%	236	-901	\$27.17
Insurgentes	1,142,183	19,483	248,744	21.8%	14,442	-29,955	\$24.32
Avenida Insurgentes Principal	612,354	16,000	156,675	25.6%	9,441	-13,063	\$24.76
Insurgentes San Ángel	126,381	3,483	23,184	18.3%	4,515	-2,656	\$23.00
Insurgentes Revolución	174,834		23,908	13.7%	184	-11,798	\$22.25
Insurgentes Roma-Condesa	77,986		20,308	26.0%	302	302	\$24.82
Insurgentes Oriente	150,628		24,669	16.4%		-2,740	\$24.33
Interlomas	194,070		68,662	35.4%	1,554	-7,828	\$20.69
Lomas Altas	114,461		51,272	44.8%			\$18.99
Lomas Palmas	736,756		110,491	15.0%	3,979	-11,986	\$28.69
Norte	801,318	12,036	371,676	46.4%	13,332	-1,897	\$17.95
Norte Atizapán	37,524		14,788	39.4%			\$17.65
Norte Azcapotzalco	233,666		88,788	38.00%	50	50	\$17.13
Norte Naucalpan	332,193		159,817	48.1%	853	672	\$20.44
Norte Tlalnepantla	197,935	12,036	108,283	54.7%	12,429	-2,619	\$15.00
Periférico Sur	708,507	1,306	125,357	17.7%	2,027	-2,040	\$22.49
Polanco	1,233,819	5,629	190,913	15.5%	11,931	2,519	\$26.61
Polanco Anzures	83,146		24,891	29.9%		-1,595	\$23.41
Polanco Granadas	603,565		93,721	15.5%	6,014	5,588	\$26.58
Polanco Lagos	169,651		13,803	8.1%	2,525	2,525	\$22.58
Polanco Tradicional	377,457	5,629	58,498	15.5%	3,392	-3,999	\$26.86
Reforma Centro	942,117		151,230	16.0%	10,129	-369	\$26.86
Santa Fe	1,360,065		335,635	24.7%	6,567	-28,898	\$21.03
Total Mercado	7,537,638	38,454	1,694,838	22.5%	64,198	-81,354	\$22.65

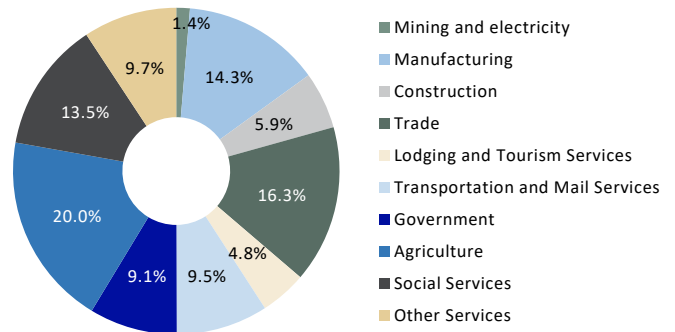
Encouraging Outlook

Throughout the second quarter of the year, economic indicators have managed to show clear signs of recovery. The attraction of foreign investment registered in recent months showed an increase of almost 15%, these results have been supported by the T-MEC.

On the other hand, in order to stabilize prices and due to inflationary pressure, Banco de México decided to increase the interest rate by 25 basis points, that is, 4.25%. Based on this decision, the rate is expected to reach 5.5% by the end of the year, promoted by monetary policy decisions and the pressure to raise economic growth indicators in the country. GDP expectations are expected to be between 5 and 7% for the subsequent quarters of the current year.

Employment per Economic Sector

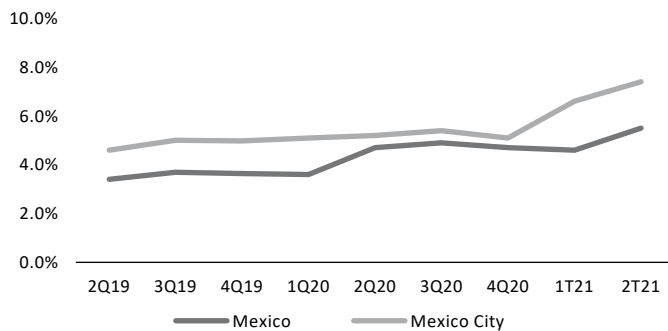
MEXICO CITY AND METROPOLITAN AREA, JUNIO 2021



Source: INEGI, ENOE

Unemployment Rate

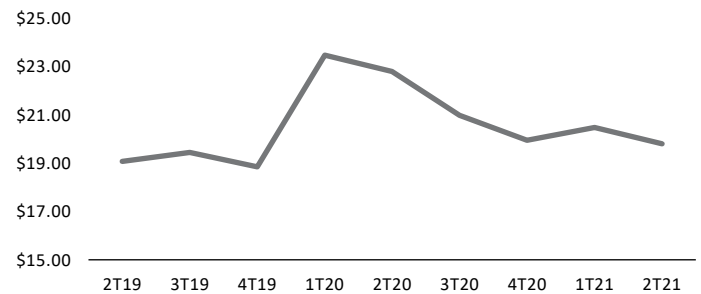
ANNUAL INDICATOR



Source: INEGI, ENOE

Exchange Rate

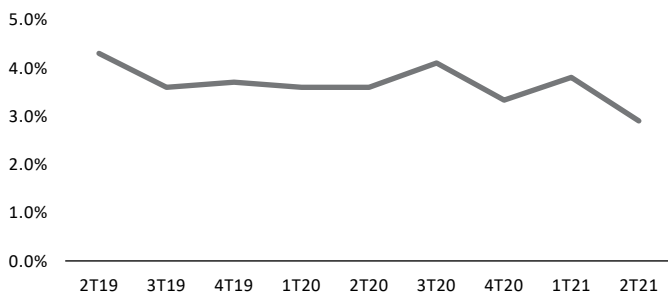
MEXICAN PESOS (MXN) PER U.S DOLLAR (USD)



Source: Banxico

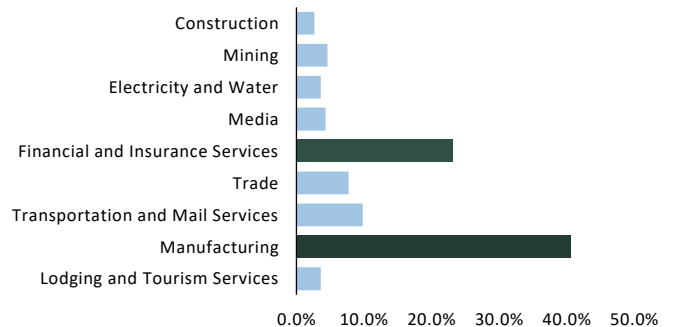
Consumer Price Index

ANNUAL INDICATOR



Source: Banxico

Foreign Direct Investment



Source: INEGI, ENOE

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