

MONTERREY OFFICE MARKET

MODERATE START

The beginning of this year was marked by a decrease in the absorption in the Monterrey office market and its Metropolitan Area, the decrease in quarterly absorption of the 1Q was very important compared to the 2 previous years. In 1Q2018 264,250.84 ft² were covered, in 1Q2019 the market absorbed 159,276.98 ft² and in the current quarter 77,372.96 ft².

Increasing inventory and availability

The inventory of class A + and A offices of the MMA is currently 13,850,224 ft², compared to the closing of inventory of the previous year (2019), an increase of 3% has been noted, given the incorporation of 7 scattered buildings into the office market throughout the MMA. The corridor that received the highest number of ft², with the incorporation of 2 buildings, is Valle Oriente with 131,588.80 ft², followed by the Centro corridor (which was divided into the following 3 corridors: Obispado, Centro and San Nicolas) with 86,724.83 ft², San Jerónimo with 81,375.16 ft² and Valle with 27,437.21 ft².

Availability during this beginning of the year was 3,453,274.29 ft², presenting only an increase of 105,389.45 ft² compared to the previous quarter (4Q2019), even with the incorporation of new buildings. This happened, due to previously pre-leased spaces inside the buildings that entered the market.

Absorption

During this first quarter of the year, an absorption of 77,372.96 ft² was registered, representing a decrease of 51% compared to the previous year (1Q2019). Within this quarter (1Q2020), the sectors that had the greatest presence were technology and financial, these representing 24% and 21% respectively. The corridors that stood out were Valle Oriente with 42,502.59 ft², followed by the Obispado corridor with 12,902.81 ft².

Market overview

In the next 12 months, the incorporation of multiple new office buildings into the MMA market is projected, adding 2,067,770.01 ft² to the current inventory. Therefore, it is considered that the availability rate will continue to increase given the decrease in gross absorption compared to previous quarters. With which the starting price should increase since there will be more available space with a higher price in addition to what you already have.

Even though the market has decreased its absorption compared to previous years, an increase in construction inventory is expected in the coming months. Currently there are several projects in the planning stage which will incorporate 2,498,012.98 ft² in the next 5 years.

ACTUAL CONDITIONS

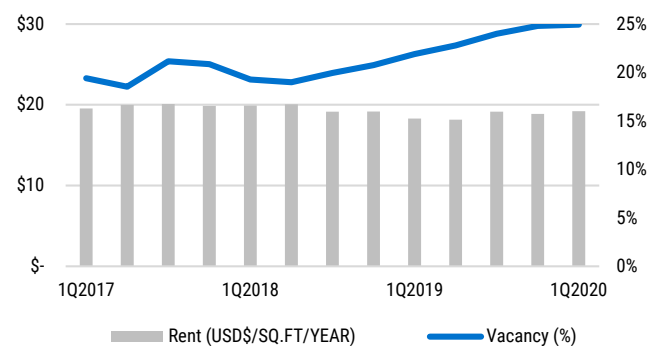
The availability with which the quarter closed was 24.93%; This represents an increase of 0.13 points with respect to the previous quarter.

The new offer added 278,462.36 ft² during the quarter, decreasing 89,193.85 ft² unlike the previous year (1Q2019).

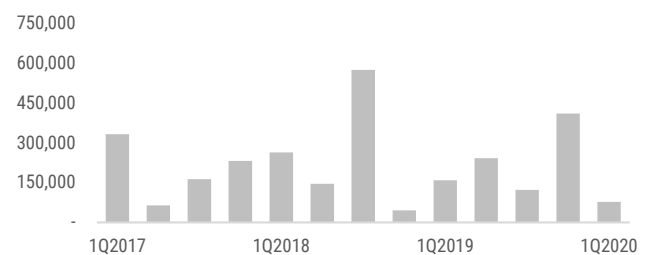
Absorption was 77,372.96 ft², which when compared to 4Q2019 decreased 333,584.35 ft² and as of 1Q2019, it also registered a decrease of 81,902.59 ft².

MARKET ANALYSIS

Average Asking Rent and Vacancy



Net Absorption (ft²)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year ago Period	12 Month Forecast
Total Inventory	13,850,224	13,496,936	11,574,777	↑
Vacancy Rate	24.93%	24.80%	21.89%	↑
Quarterly Net Absorption	77,373	410,955	159,273	↓
Avering Asking Rent	\$19.20	\$19.53	\$18.29	↑
Under Construction	4,279,996	3,809,732	3,729,702	↑
Deliveries	278,462	1,099,737	367,652	↑

Average price increase

The average price of the MMA closed at USD \$19.20, presenting an increase of USD \$0.34 compared to the previous quarter. The corridor with the highest weighted average price is Ricardo Margáin - Gómez Morín with a weighted average price of USD \$25.01, followed by Valle Oriente with USD \$20.83. The San Nicolás and Santa Catarina corridors are presented with the lowest weighted average price in the MMA with USD \$12.53 and USD \$12.47 respectively. The price compared to the previous year (1Q2019), increased 4.73%; from USD \$18.29 to USD \$19.20; This was due, as in this quarter, to the delivery of new projects during 2019 with a price lower than the market price.

Expansion of office corridors

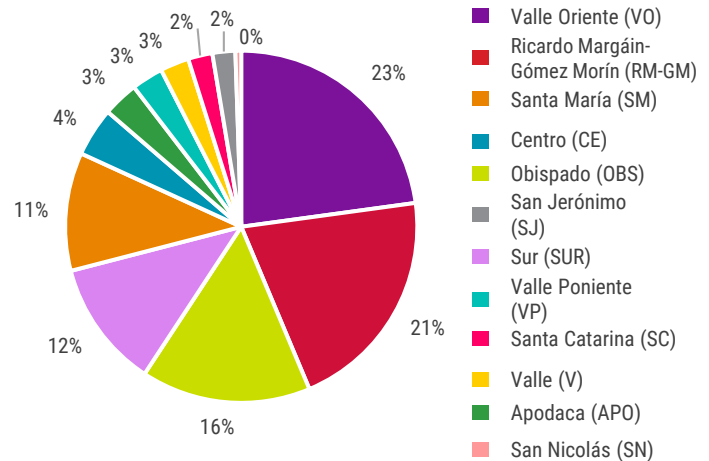
With the upcoming need for office spaces in different parts of the city, new real estate corridors were created, such as Obispado, Santa Catarina, San Nicolás. Due to the increased requirements of office space in the area and the absorption that was registered in the existing buildings in these corridors. The incorporation of other corridors is foreseen in the future, given the interest in the different areas and the creation of multiple buildings. Tenants are looking for spaces that are better interconnected, with greater amenities and high-quality spaces to be rented.

Modification of workspaces: Home office

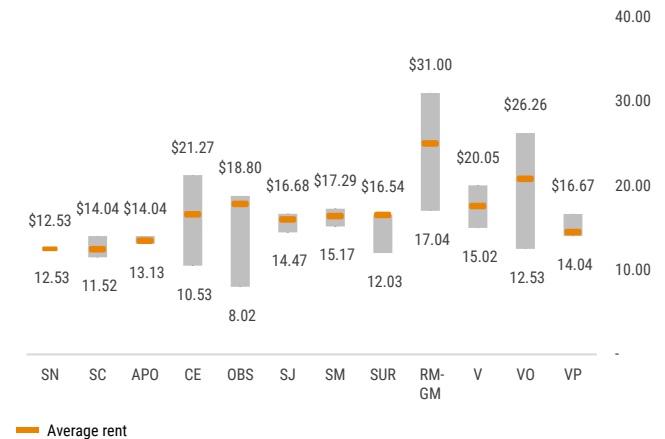
Given what happened regarding the COVID-19 pandemic, the home office has been taken as a preventive measure. Office spaces have been replaced by spaces within homes to carry out professional tasks. This opens the opportunity for companies to consider implementing the tool of home office in the future; with this it is intended to be productive regardless of where the tasks are performed and take advantage of technological platforms for their development.

VACANCY BY CORRIDOR

Market Vacancy: 3,453,274.29 ft²



PRICE RANGE AND AVERAGE RENT



MARKET BY CORRIDOR

Market Corridors	Inventory (ft ²)	Vacancy (ft ²)	Vacancy Rate (%)	Absorption	Average Asking Price (USD\$/ft ² /YEAR)
				3Q2019 (ft ²)	
San Nicolás	53,034.32	18,281.6704	34%	0	\$ 12.53
Santa Catarina	146,690.43	77,293.84	53%	0	\$ 12.47
Apodaca Aeropuerto	172,868.23	112,730.22	65%	0	\$ 13.48
Centro	1,027,805.52	154,772.29	15%	0	\$ 16.62
Obispado	1,012,407.98	538,235.15	53%	12,902.79	\$ 17.85
Ricardo Margáin-Gómez Morín	3,140,364.27	719,440.67	23%	4,616.21	\$ 25.02
San Jerónimo	584,531.76	72,478.18	12%	1,162.50	\$ 15.99
Santa María	1,604,303.97	375,135.69	23%	9,752.09	\$ 16.40
Sur	901,916.33	404,603.48	45%	1,937.50	\$ 16.55
Valle	254,126.64	91,278.73	36%	0	\$ 17.59
Valle Oriente	4,685,006.42	788,509.93	17%	42,502.55	\$ 20.83
Valle Poniente	267,149.23	100,507.81	38%	4,499.31	\$ 14.51
Total	13,850,224.33	3,453,274.29	25%	77,372.96	\$ 19.20

ECONOMIC CONDITIONS

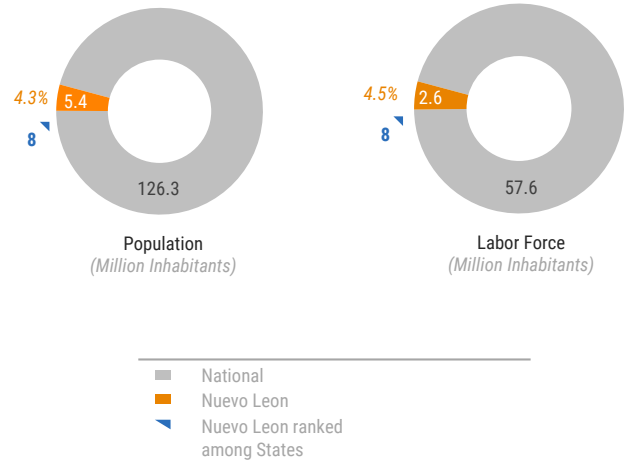
The economically active population registered just over 57.6 million people of which only 2.6 million correspond to Nuevo Leon, that is, the state registered a participation of 4.5%. Among the labor indicators related to the branch of economic activity stands out among the first 3 places: Other Services, Manufacturing Industry and Commerce.

Likewise, foreign investment at the national and state level closed the year with US \$ 32,921 and US \$ 3,129 million, respectively, with a participation of 9.5%, which when compared against the end of the year 2018, both the national and state level registered a decrease of US \$ 694 and US \$ 1,410 million, respectively.

With respect to a statement from INEGI as of February 25, 2020, it presented an annual comparison in which GDP had a real decrease of 0.4% in Q4 of 2019 compared to the same period in 2018.

PARTICIPATION OF NUEVO LEON

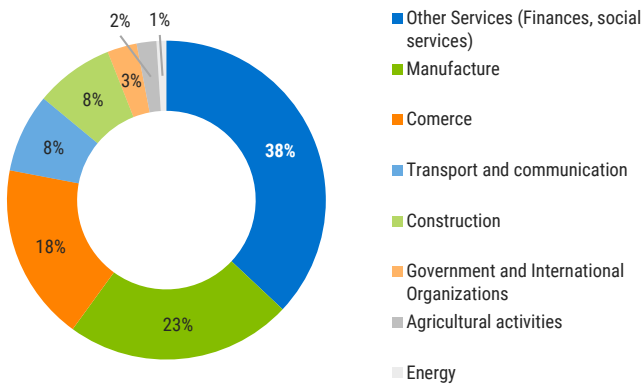
IN MEXICO



Source: INEGI. Nuevo Leon, Q4 2019.

EMPLOYMENT BY SECTOR, NUEVO LEON

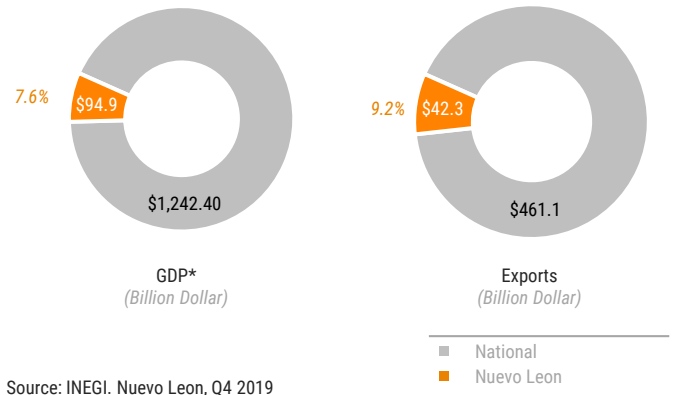
Q4 2019



Source: STPS

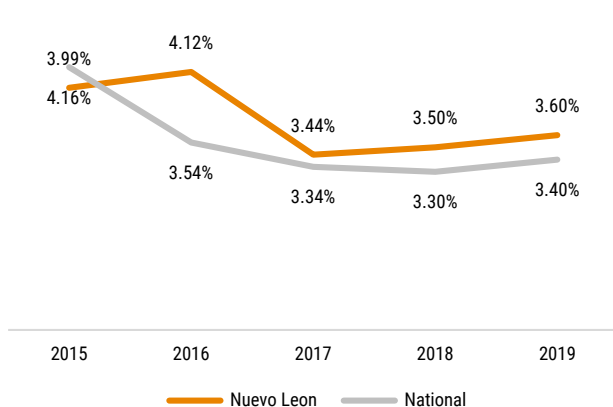
ECONOMIC POSITION, NUEVO LEON

IN MEXICO



Source: INEGI. Nuevo Leon, Q4 2019
*2018 Source data

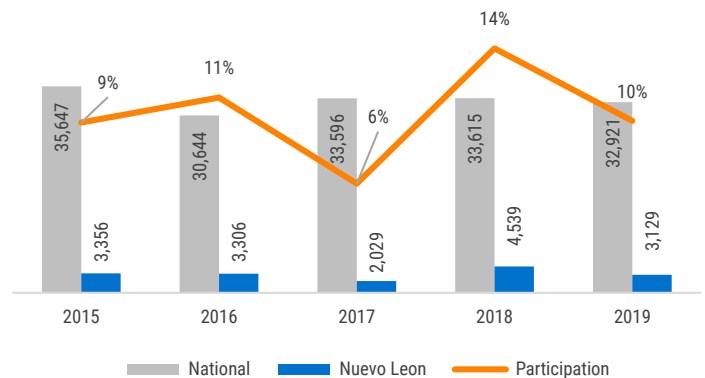
UNEMPLOYMENT RATE



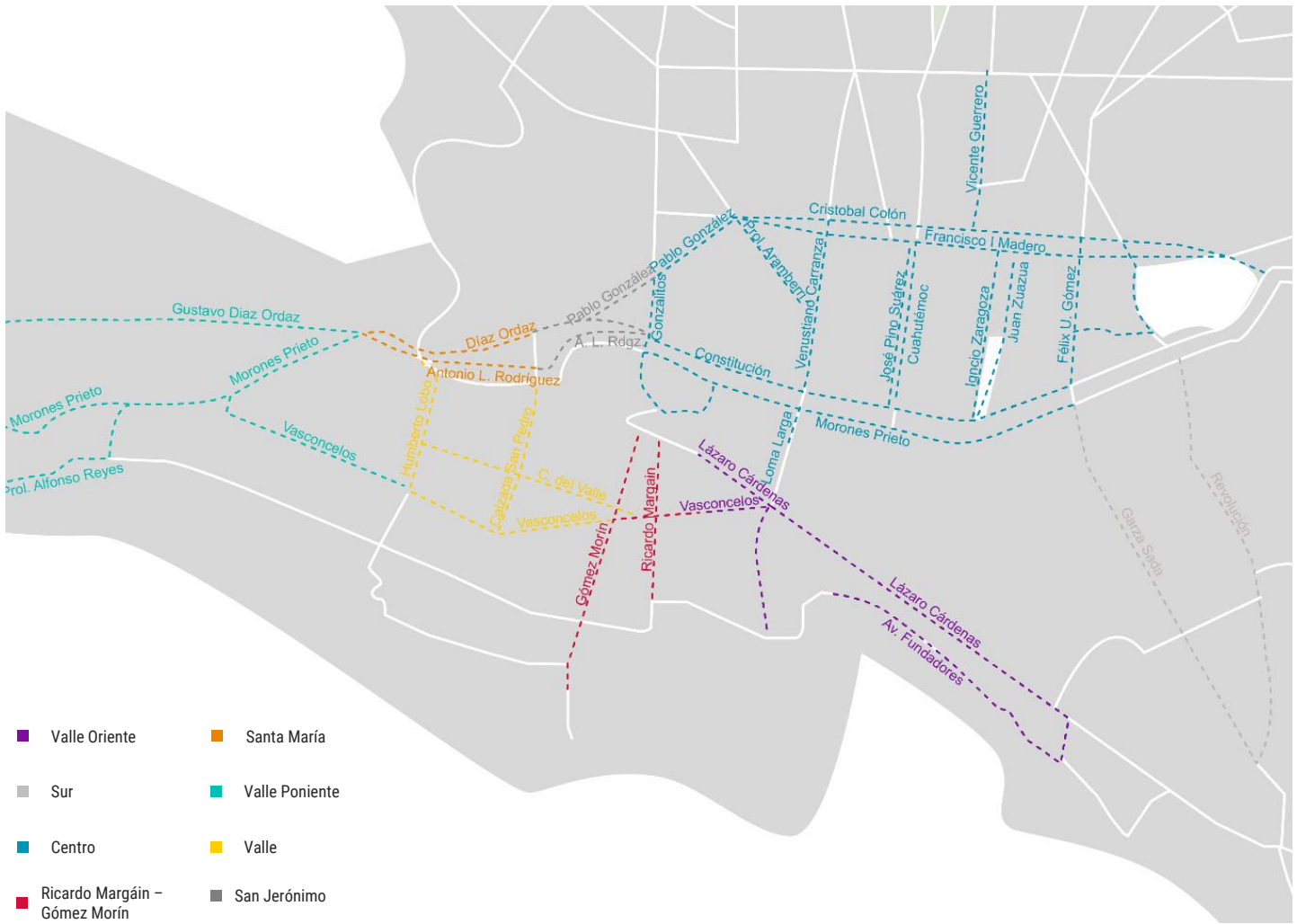
Source: STPS Q4 2019

FOREIGN DIRECT INVESTMENT

US\$ Million



Source: Secretaria de Economia Q4 2019



MONTERREY

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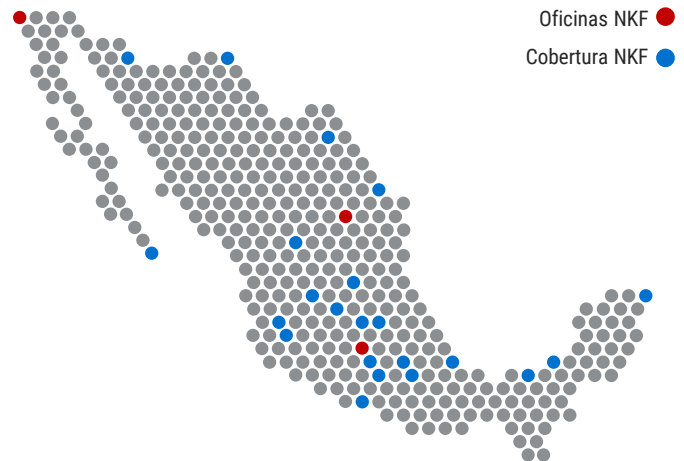
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Newmark Knight Frank ha implementado una base de datos propia y la metodología de seguimiento ha sido revisada. Con esta expansión y refinamiento en nuestros datos, puede haber ajustes en las estadísticas históricas, incluyendo la disponibilidad, precios de renta, absorción y rentas efectivas. Nuestros reportes de mercado se encuentran disponibles en www.ngkf.com.mx/reporteslocalesmercado.html

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