

MEXICO CITY OFFICE MARKET

SOLID START OF THE YEAR FOR MEXICO CITY OFFICE MARKET

The office market started the year very solidly with a higher quarter in activity compared to the already good fourth quarter of 2019. This indicator reported close to 2.5M sqf of activity for the period, a figure that exceeded all quarters over the last three years.

In the balance between activity and unemployment, known as net absorption, it tripled the mark of the previous quarter, which had not been higher since 1Q18. This excellent figure is the result of the intense activity of direct activity that far exceeded the entry of new empty buildings and vacancies, despite the fact that close to 968,000 sqf entered the inventory this quarter, something that did not happen since 2Q19.

Considering this, the positive performance of the Insurgentes sector is remarkable. This submarket has increased its inventory at an average rate of 3.0% during the last twelve months to become the third largest submarket of the city (only after Santa Fe and Polanco), which includes 15% of the inventory of the entire market of the CDMX with 11,527,566 sqf. Despite this accelerated growth, today we see that this submarket is healthy, as it has a stable vacancy rate of 12.74% (the lowest of the three sectors with more than 10 million square feet), and its activity during this period (634,564sqf) was the largest on the entire market.

Vacancy stood at 14.80%, a figure that remains within the range reported in recent periods, since the entry of new inventory space has been sustained. In this sense, we can say that the real estate paralysis suffered at the beginning of this administration has allowed the market to maintain relatively healthy vacancy rates, since the delay in the delivery of projects as a result of the closings has led to a more moderate inventory growth and to prevent concentrated income in a short period of time.

This growth during the quarter occurred within only four sectors (Insurgentes, Interlomas, Polanco and Reforma) and has been practically equitable.

We hope that the growth engines between now and 2022 will be Polanco, Insurgentes and Reforma, since they include around 68% of the 13,242,159 sqf of office space under construction.

CURRENT CONDITIONS

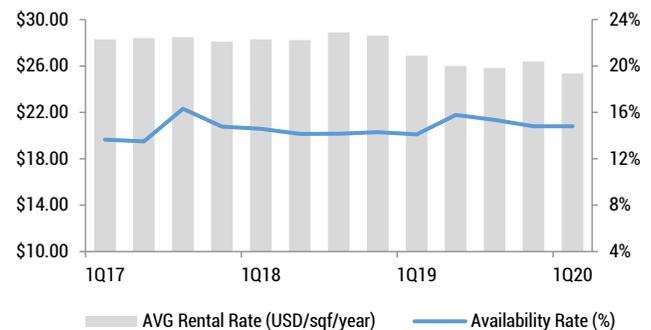
Quarter activity surpassed every recent marks by reporting 2,409,659 sqf

Availability rate remains in acceptable ranges (14.8%) despite the consistent growth of the inventory.

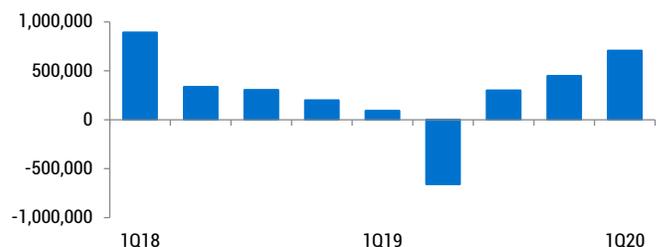
Average rental rate keeps adjusting due to the competition that represent the new buildings in the market.

MARKET ANALYSIS

Rental Rate and Availability (USD/sqf/Year/



Net Absorption (sqf)



MARKET SUMMARY (sqf)

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	78,231,856	77,110,878	72,974,910	↑
Availability Rate	14.80%	14.73%	14.10%	↑
Quarter absorption	705,714	448,188	91,988	↑
Average Rental Rate	\$25.35	\$26.40	\$26.89	↓
Under Construction	13,242,159	14,163,691	15,886,283	↓
Deliveries	921,519	571,940	1,601,110	↑

REMARKABLE BEHAVIOUR OF INSURGENTES SUBMARKET WITHIN A DIFFICULT CONTEXT

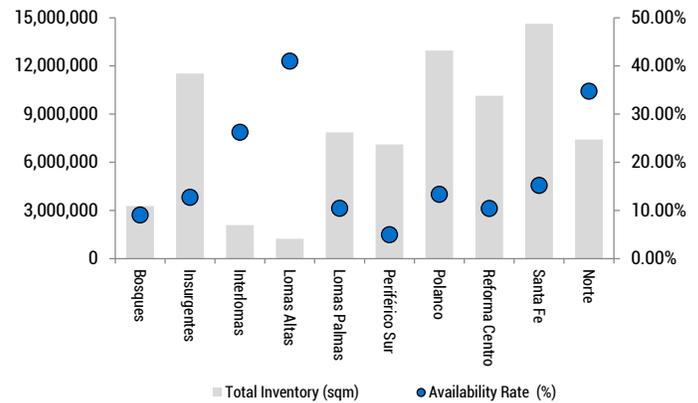
We saw another drop in exit prices from the general market. This was already expected as a result of the aforementioned inventory growth. This relationship is particularly notable in Lomas Altas, Periférico Sur and Norte, which have seen a decrease in prices of \$4.94, \$2.40 and \$2.00 USD per square foot per year, respectively. Of course, these price movements are explained for different reasons: Lomas Altas recently added nearly 300,000 sqf to its inventory with the Lomas Altas Corporate Building, which has brought down prices to the submarket four quarters.

Other sectors that suffer the effects of intense price competition are Periférico Sur, due to the enormous number of new constructions and the number of amenities that the insurgent sector has, which means that it cannot compete in any other way with the quality and prestige of Avenida de the Insurgentes. Also, on the other hand, the North sector, has been oversupplied for quite some time and has had to face competition from the new Polanco buildings.

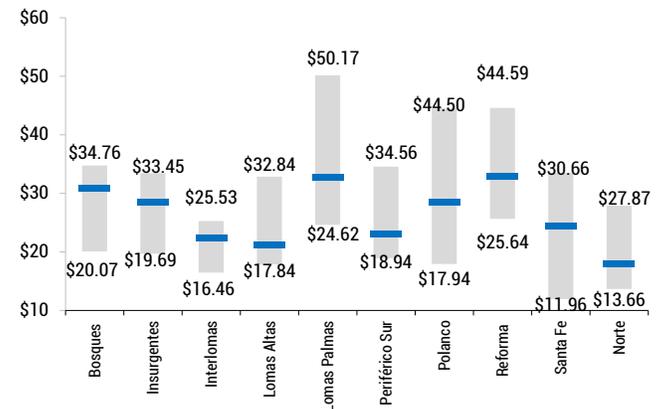
It is undeniable that the real estate markets has an uncertain outlook for the rest of the year, especially due to the recent health crisis that is causing the coronavirus in the world. However, already on several occasions, the CDMX office market has shown resilience in adverse circumstances and we are convinced that once again the drive of Mexican entrepreneurs to do business will lead to a speedy recovery in the market.

VACANCY PER SUBMARKET

Total Vacancy: 11,582,067 sqf



AVERAGE ASKING RATE/RANGE



STATISTICS

Submarket	Total Inventory (sqf)	Availability (sqf)	Availability Rate (%)	Net Absorption (sqf)	Total activity (sqf)	Deliveries (sqf)	Avg Rental Rate (usd/sqf/year)
Bosques	3,275,918	296,976	9.07%	114,437	117,667	0	\$30.94
Insurgentes	11,527,566	1,468,189	12.74%	286,547	634,565	195,203	\$28.45
Interlomas	2,088,950	548,117	26.24%	-27,556	241,929	242,188	\$22.35
Lomas Altas	1,232,048	505,086	41.00%	10,427	10,427	0	\$21.27
Lomas Palmas	7,861,744	820,983	10.44%	-119,318	60,917	0	\$32.69
Periférico Sur	7,106,059	353,160	4.97%	-320	61,557	0	\$23.10
Polanco	12,951,875	1,728,916	13.35%	113,742	495,699	241,725	\$28.52
Reforma Centro	10,140,857	1,055,584	10.41%	62,642	367,206	242,403	\$32.89
Santa Fe	14,633,680	2,227,544	15.22%	227,096	353,182	0	\$24.48
Norte	7,413,159	2,577,510	34.77%	38,016	66,510	0	\$17.92
*Norte Azcapotzalco	1,153,890	37,415	3.24%	1,109	1,109	0	\$21.18
*Norte Naucalpan	3,968,994	1,506,298	37.95%	21,119	25,564	0	\$19.65
*Norte Tlalnepantla	2,290,275	1,033,797	45.14%	15,789	39,837	0	\$15.28
Total	78,231,856	11,582,067	14.80%	705,714	2,409,659	921,519	\$25.35

* ESTOS AREAS FORMAN PARTE DEL CORREDOR, MUESTRAN DETALLES DE SU ACTIVIDAD PERO NO SE CONSIDERAN PARA LA SUMA DE TOTALES

ECONOMIC CONDITIONS

In March 2020, consumer prices had a monthly decrease of 0.05%, a figure that contrasts with the increase observed a year ago (0.39%) and lower than that estimated for that month by the private sector (0.31%), according to the Last Survey on the Expectations of Specialists in Economics of March 2020 from Banco de México (Banxico).

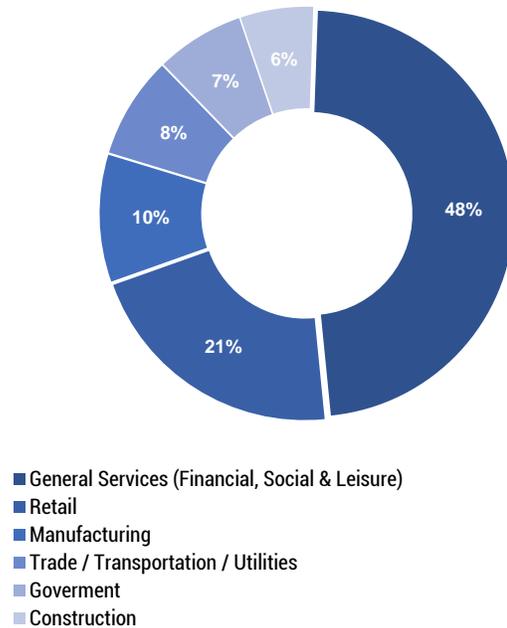
The behavior of prices in the month is explained by the decrease in the price of energy (high and low octane gasoline and natural domestic gas), which was discounted by 0.421 percentage points.

In Mexico, total household spending on consumer goods and services began to reverse its positive trend; while the trend of gross fixed investment continues downward.

On the other hand, in the last Minutes from the Banco de México (Apr 3, 20), it was pointed out that, "In the last quarter of 2019 and the first months of 2020, private consumption showed a weakness as a result of the stagnation of the consumption of goods and services of national origin and a slowdown in the consumption of imported goods."

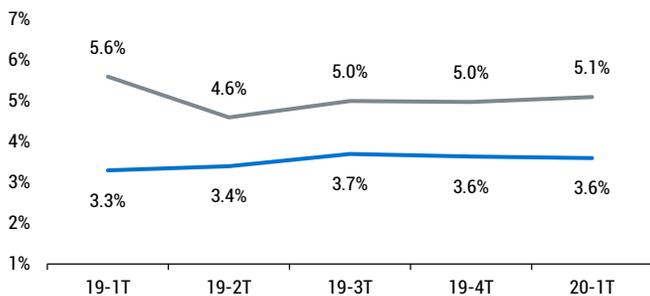
EMPLOYMENT BY SECTOR

Mexico City, March 2020



UNEMPLOYMENT RATE

Annualized



Source: INEGI

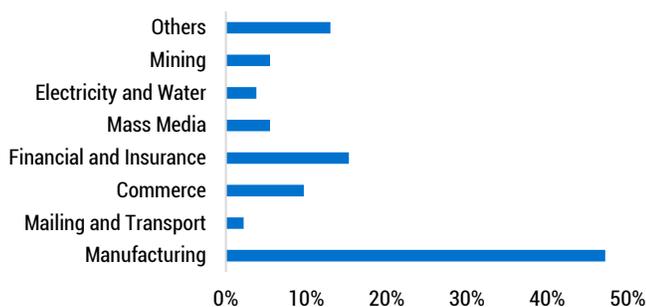
EXCHANGE RATE

Mexican Peso (MXN) vs US Dollar (USD)



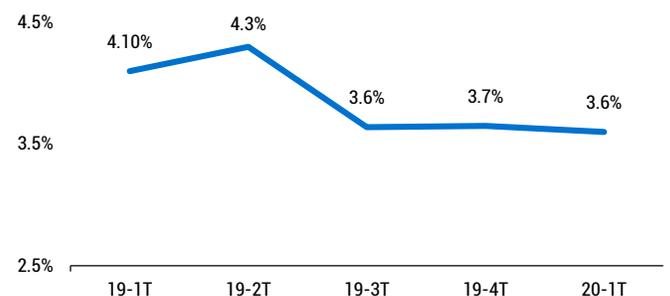
Source: Banxico

FOREIGN DIRECT INVESTMENT

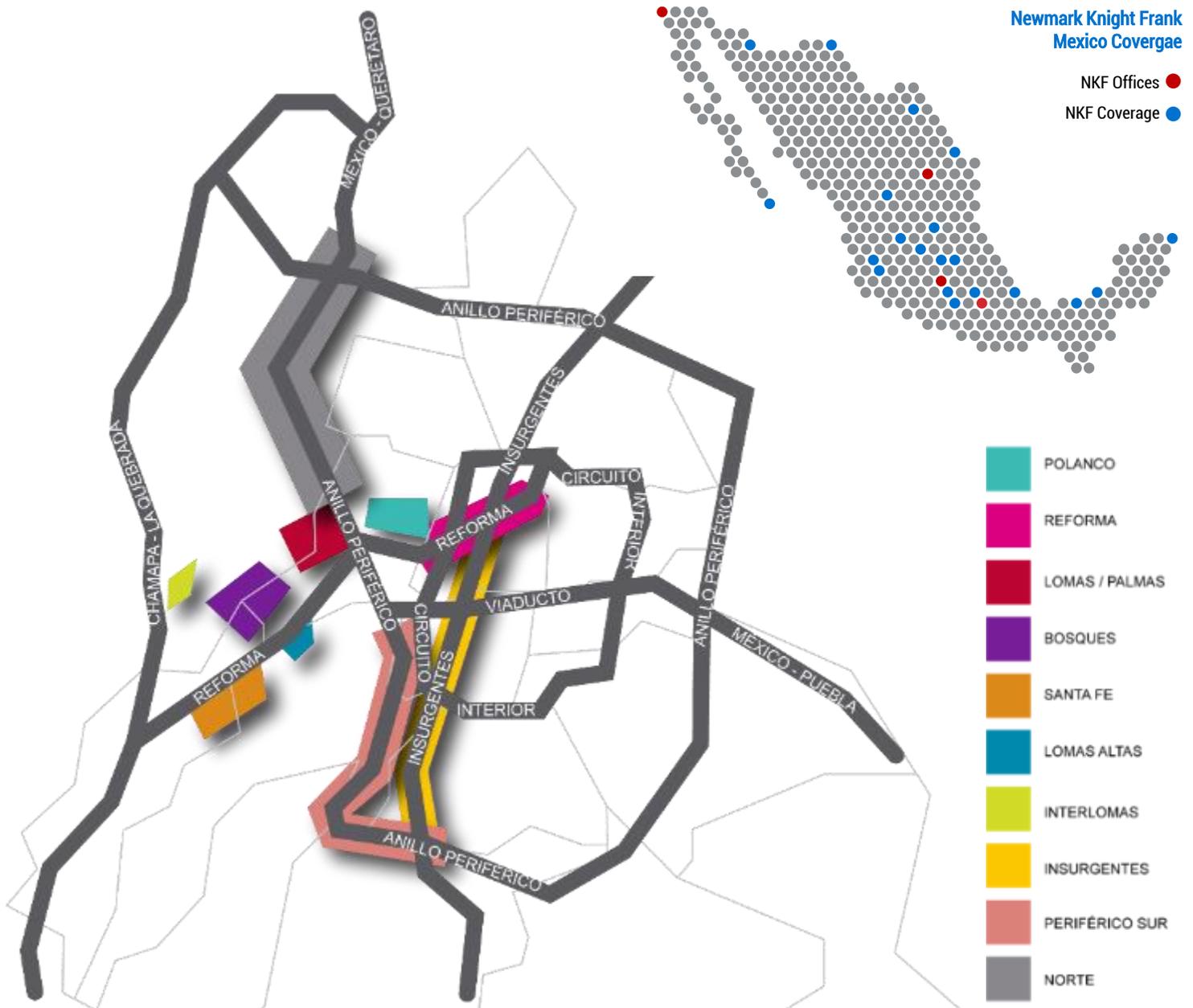


Source: Secretaria Economía

CONSUMER PRICE INDEX (CPI)



Source: Banxico, Annualizes



JUAN FLORES

Director of Research
5980.2000
juan.flores@ngkf.com

MAURICIO MONDRAGÓN

Market Research – Manager
5980.2000
mauricio.mondragon@ngkf.com

KAREN GUTIÉRREZ

Market Research - Analyst
5980.2000
karen.gutierrez@ngkf.com

DIANA MERINO

Market Research - Analyst
5980.2000
diana.merino@ngkf.com

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