

## MEXICO CITY OFFICE A & A+ MARKET OVERVIEW

Q2 2018

Historical absorption in the past eight years has fluctuated marginally, showing a healthy and robust activity. Vacancy rates in 2014 diminished, driven by a strong demand which is reflected in its absorption.

In spite of the strong demand, vacancy rates have reached for the third year the highest registered rates due to the new supply being added every year.

2018 has been a watershed in Mexico, led by July's electoral race, won by a landslide by leftist Lopez Obrador, running for the Movimiento de Regeneración Nacional party. We suspect investors will remain

more cautious due to the latent uncertainty about the impact of this transition in the country and the NAFTA renegotiation, that will permeate the different sectors of the Mexican economy, including real estate.

Due to prevalent conditions, the current snapshot aims to analyze the past eight years of Office Class A and A+ market behavior.

This framework is expected to additionally provide a forecast of the following 3-year net absorption in the Mexico Office A and A+ market, a term in which the majority of the under-construction pipeline is expected to be completed.

↓  
1988 PRI Salinas de Gortari  
1994 PRI Zedillo  
2000 PAN Vicente Fox  
2006 PAN Calderón  
2012 PRI Peña Nieto  
2018 MORENA Lopez Obrador

Q2 2018 market Highlights

**408 Existing A+ & A Buildings**  
**69%+ than in 2010**

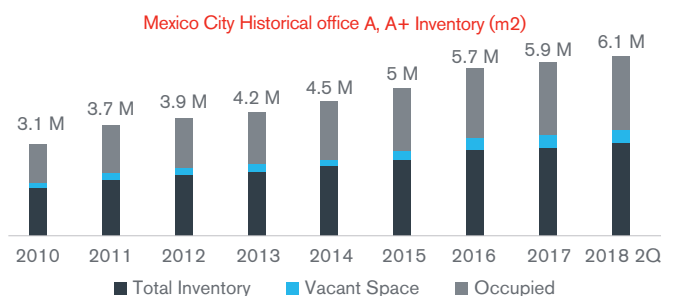
Source: Cushman 2Q2018.

**More than 1.5 M SQM under Construction**  
**58%+ than in 2010**

Sources: Average from Avison Young, Cushman and Real Estate Market.

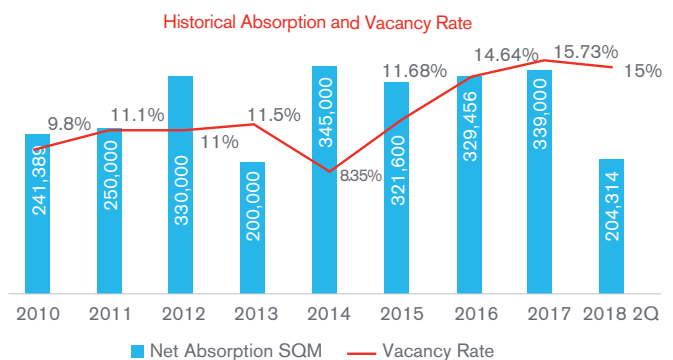
Key Lease 2018 Transactions		
Building	Tenant	Size (SQM)
Torre Aleph	Nissan	16,933
Insurgents 810	CONEVAL	9,090
Tecnoparque C	American Express	6,698
Miyana	Reckitt Benckiser	5,347
Punto Polanco	Du Pont	5,316
Artz Torre 111	Santander	5,200

Sources: El Financiero, Realestatemarket.com, Obrasweb and building's main website.



Sources: CBRE (2010, 2011, 2012, 2014), El Financiero (2013), Avison Young (2015, 2016, 2017) and Cushman (2Q2018).

Within the last eight years, the overall Mexico City inventory growth average for the Office A, A+ market, has been situated at around 8%. From the total inventory reported in Mexico City, 84% is occupied, showing a strong and stable market.



Absorption Sources: Alles Group (2010), CBRE (2011, 2013), JLL (2012), Cushman (2014, 2015, 2016 & 2Q2018) and E&Y (2017).

Vacancy Rate Sources: CBRE (2010, 2011, 2014, 2017), JLL (2012, 2013), Coldwell (2015) El economista (2016) and Cushman (2Q2018).

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## 10 Iconic Buildings Under Construction (SQM)

	Carracci 44,380 Insurgentes		R432 83,770 Reforma
	Aleph San Angel 42,700 Insurgentes		Espacio Condesa 52,500 Insurgentes
	Skala 51,000 Norte		Centro Insurgentes Reforma 44,834 Reforma
	Mitikha 60,300 Insurgentes		Neuchatel 100,000 Nuevo Polanco
	Distrito Santa Fe 53,873 Santa Fe		Distrito Polanco 42,105 Polanco

**These are the 10 iconic buildings that will be added to the Mexico City Office A, A+ inventory within the next 2 years.**

Sources: El Financiero, Realestatemarket.com, Obrasweb and building's main website.

## CONTACTS

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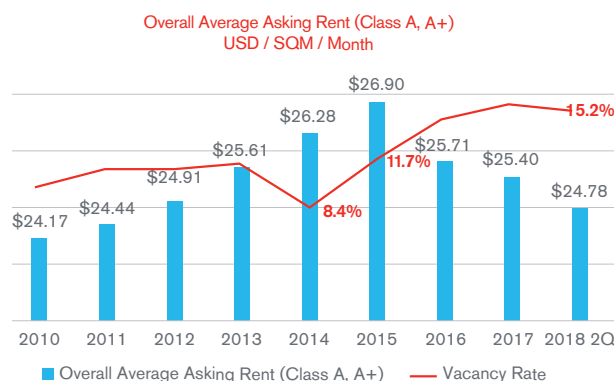
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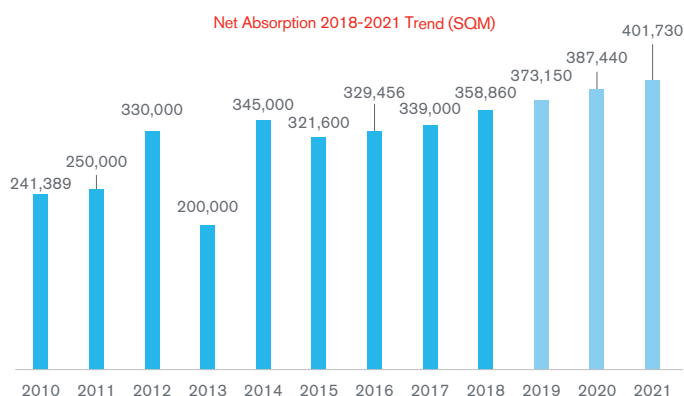
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Sources: CBRE (2010, 2011, 2012, 2013, 2014), Avison Young (2015, 2016, 2017), Cushman (2Q2018).



Sources: Alles Group (2010), CBRE (2011, 2013), JLL (2012), Cushman (2014, 2015, 2016 & 2Q2018) and E&Y (2017).

Trends for 2018, 2019, 2020 and 2021 estimated by Duff & Phelps based on historical Net Absorption.

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