

MarketView

Mexico City Office Market

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Third Quarter 2010

Quick Stats

	Curr.	Yr.	Qrt.
Vacancy Rate	9.59%	↑	↑
Rent	\$22.73	↓	↓
Under construction	951*	↑	↑
Absorption	63**	↑	↓

*US/sqm/month

**Thousands of sqm

Hot Topics

- The average sublease space price registered US\$26.41/sqm/month at the closing of the quarter. Only 2.8% of the available space corresponds to sublease space.
- Vacancy increased slightly from Q2, registering 9.6%.
- Close to 92,000 sqm will be added to the Class A + /A inventory by year's end.

New Developments



The "Samara" construction was completed, adding nearly 84,000 sqm to the Class A office inventory, of which 65,000 sqm are currently available.

In October 2010, the Mexican government raised its GDP growth estimate for this year, from 4.5% to 4.8%. This reflects an economic recovery that continues to gather momentum, based on growing external demand for non-oil products, employment, and domestic demand. The latest economic data is stronger than expected, including retail sales that grew 4.4% in August from a year ago. The increase in retail sales was double market expectations, and the fastest year-on-year growth since May. Mexico's GDP grew 5.9% in the first half of this year, led by export manufacturing.¹

More good news -- in August 2010, non-oil exports increased 39% percent, which means a return to pre-crisis levels. Industrial production grew at an annual rate of 5.4% in July 2010; likewise, manufacturing grew 15.8% percent. Automotive production registered an annual increase rate of 53% in August. Furthermore, the employment rate for the period January-September 2010 is the highest it has been in the last 10 years.²

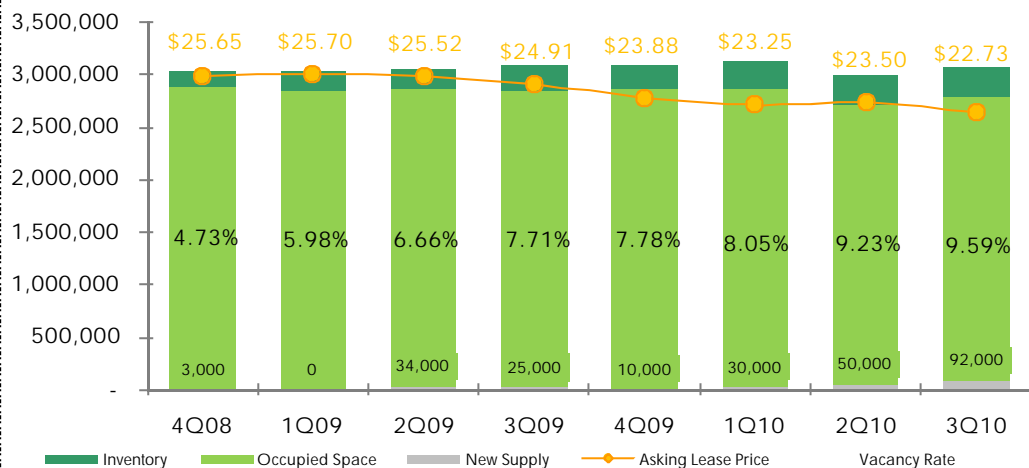
The Class A/A+ office market is experiencing a construction boom. More than 950,000 sqm of [mostly office, some mixed used] space are currently registered under construction. Year-to-date more than 170,000 sqm of office space have been delivered, and an additional 92,000 sqm are scheduled to come online in Q4. New construction is primarily located in the Polanco, Reforma Centro and Santa Fe submarkets, with 45%, 28% and 17% respectively.

Given this level of supply (84,000 sqm in Q3 alone), the vacancy rate increased, though not by much, as absorption was quite strong. The market average price did fall, but again, not by much -- and Class A+ product posted lower vacancy and higher prices than in Q2. Though demand is strong, it isn't matching the supply, so we expect vacancy rates to rise and prices to fall a bit further this year as more of that product comes online.

1. nasdaq.com "Mexico Raises 2010 GDP Growth Estimate" October 21, 2010

2. Mexican Embassy press release "Mexico's Economic Recovery Strengthens" October 7, 2010

Inventory / Occupied Space / New Supply / Asking Lease Price / Vacancy Rate



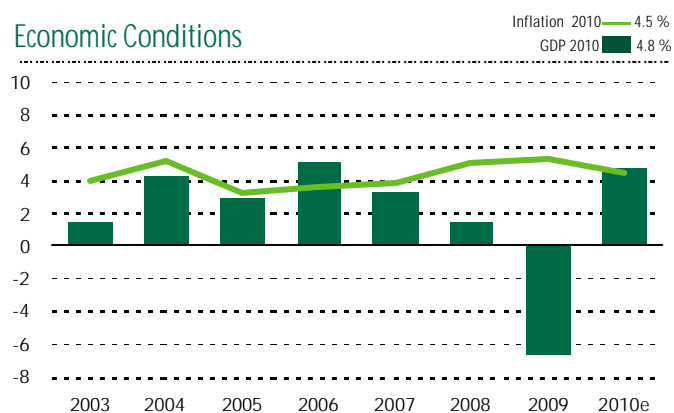
*Reclassification of Class A + /A buildings during 2010

Total Inventory Office Market Class A+ / A

Total Inventory Office Market Class A+ / A					
Submarket	Number of Buildings	Total Inventory sqm	Availability Sqm	Vacancy Rate	Average Asking Lease Price Us\$/sqm/month
Bosques	22	320,976	35,450	11.04%	\$ 25.30
Insurgentes	21	292,726	47,449	16.21%	\$ 24.24
Interomas	8	56,229	4,577	8.14%	\$ 19.51
Lomas Altas	6	72,711	5,878	8.08%	\$ 22.53
Lomas Palmas	55	484,004	16,952	3.50%	\$ 30.17
Periférico Sur	30	342,664	29,362	8.57%	\$ 23.21
Perinorte	5	37,435	14,225	38.00%	\$ 18.19
Polanco	22	334,353	1,758	0.53%	\$ 25.55
Reforma Centro	8	237,321	9,473	3.99%	\$ 30.34
Santa Fe	64	902,519	130,348	14.44%	\$ 21.64
Total	241	3,080,938	295,472	9.59%	\$ 22.73

* During 3Q10, 5 buildings were added to the Class A+ / A inventory: "Samara" in Santa Fe and "Torres Humboldt" in Perinorte.

Economic Conditions

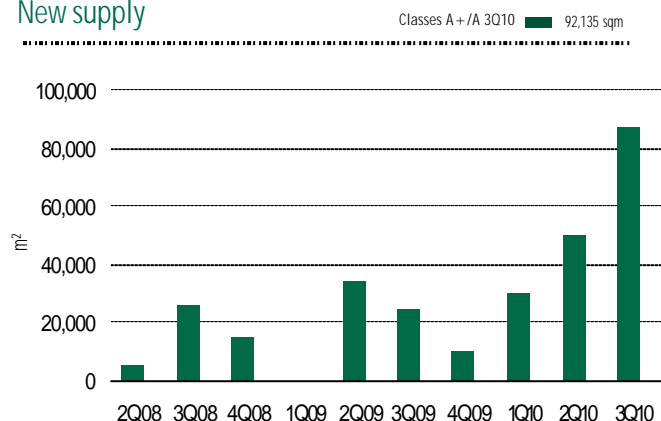


Sources:
 - Instituto Nacional de Estadística y Geografía (INEGI)
 - BBVA Bancomer, Economic Studies Service

The government just announced an upwards revision for the 2010 GDP estimate, now at 4.8%. Inflation is expected to close the year at 4.5%. Mexico's budget deficit should shrink from 0.7% of GDP in 2010 to less than 0.5% of GDP in 2011, with the goal of returning to balanced budget in 2012.

In the financial markets, the short term bonds (28-day CETES) should finish the year at 4.5%, the TIIE is expected to close at 4.9%, and the 10 year bond is positioned at 7.1%.

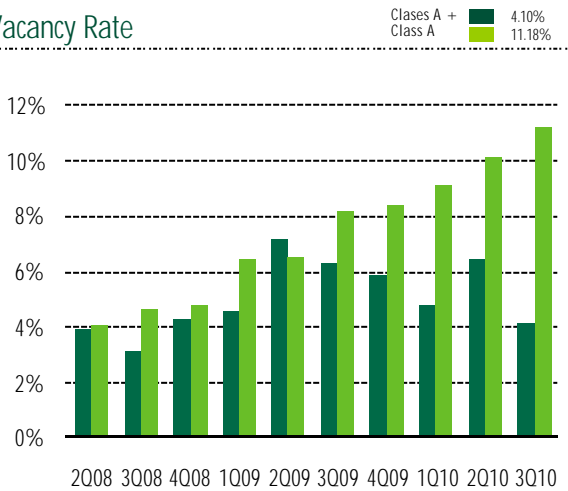
New supply



At Q3's end, 92,000 sqm were added to the Class A/A+ inventory due the construction completion of the "Samara" buildings in Santa Fe (3 towers) and the "Torres Humboldt" buildings in Perinorte (2 towers). Mexico City's inventory is now more than 3 million sqm.

In Q3 an additional 950,000 sqm were registered under construction, of which 29% will be delivered in the 4Q10.

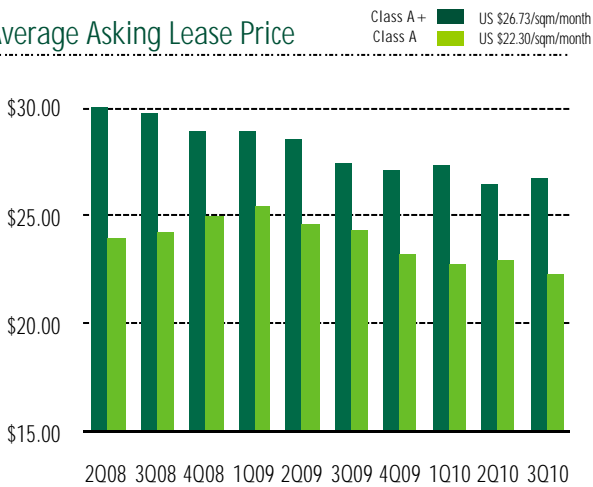
Vacancy Rate



In Q3 the vacancy rate increased slightly, from 9.2% to 9.6%. Though absorption was strong, new supply in the Santa Fe and Perinote submarkets exceeded market activity.

The submarkets that registered the highest vacancy rates were: Perinote, Insurgentes, Santa Fe and Bosques, at 38.0%, 16.2%, 14.4% and 11.0% respectively. Perinote's extremely high rate was influenced by the entrance of the Torres Humboldt, which currently have 7,000 sqm available.

Average Asking Lease Price

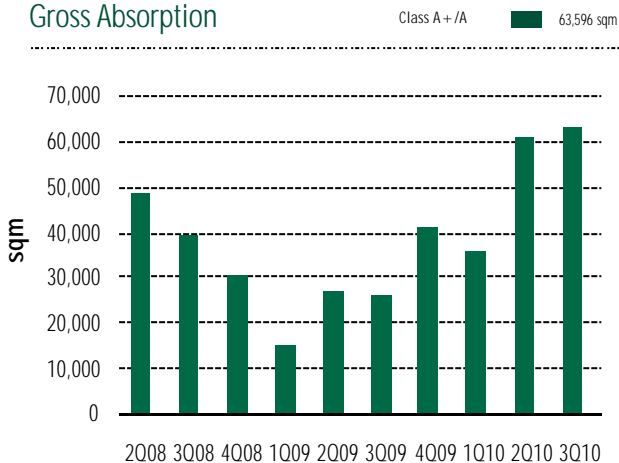


The average rental price fell 77 cents during Q3, and now stand at US\$ 22.73/sqm/per month. The huge amount of supply, especially in the Class A market, is responsible for the decline, as one project was priced at only US\$ 19.00/sqm/month, which is very low for buildings of this caliber.

The submarket with the highest average price was Reforma Centro with US\$ 30.34 /sqm/ month, followed by Lomas Palmas with an asking price of US\$ 30.17 /sqm/ per month.

At the close of Q3, the rental price of sublease available spaces increased from US\$ 24.70/sqm/month to US\$ 26.41 /sqm/per month.

Gross Absorption



In Q3, market activity registered nearly 63,600 sqm, a figure that represents 3% more than what was reported in the previous quarter. The highest commercialization was registered in the Santa Fe, Lomas Palmas, Insurgentes, and Bosques.

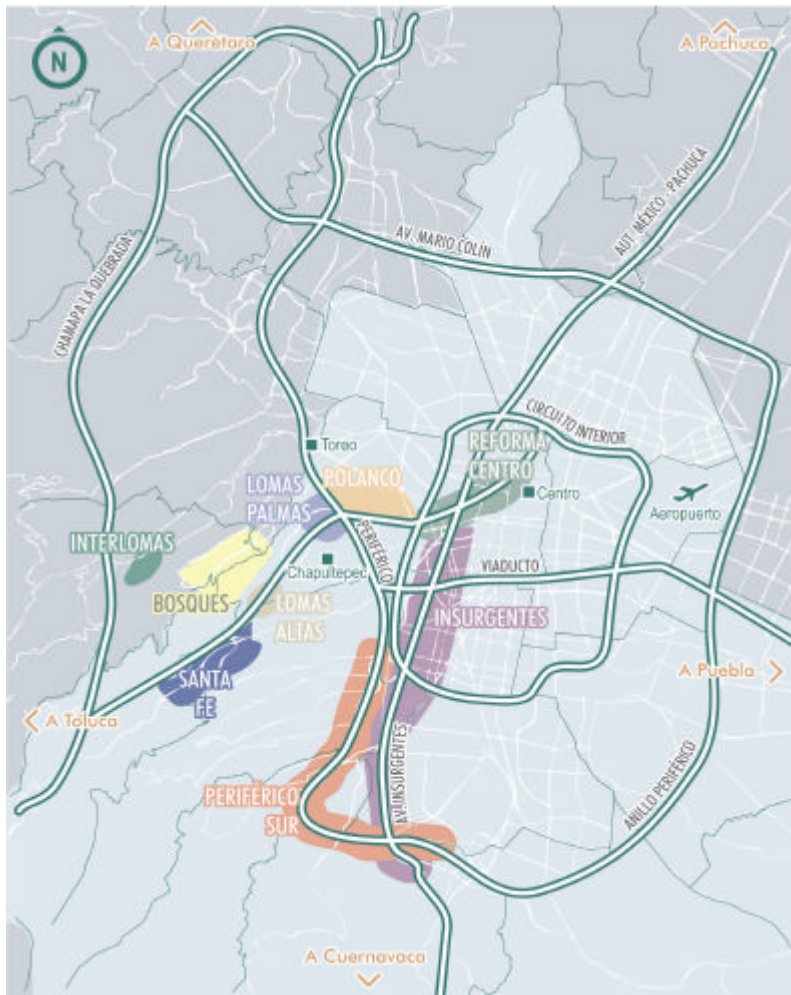
Of the total commercialized in the quarter, Class A spaces comprised 35,000 sqm, or 56%, and the remainder was Class A+ space. Given the economic growth and rising demand as evidenced by Q2 and Q3's strong numbers, we expect similar or higher absorption levels in Q4.

Mexico city Office Market

Major Transactions during 3Q10

Sqm	Tenant	Submarket
6,138	Mead-Johnson	Polanco
5,181	Canadian Embassy (Pre-lease)	Polanco
1,638	Quarksoft	Periférico Sur

Mexico City Office Submarkets



Average Asking Lease Price

Is determined by multiplying the average price of each building included in the inventory by its respective available space, the products are added and divided by the total available inventory space.

Market Coverage

All buildings classified by our company as "Class A" in the principal market areas.

Rental Surface

Refers to the surface or net rentable area, excluding common areas.

Occupied Surface

Rental surface which is not vacant.

Vacancy Rate

Vacant square meters divided by the total surface or rentable surface.

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