



Mexico City Overview

- Mexico City, the capital of Mexico, is the most important economic, political, commercial, financial, industrial, entertainment, and cultural center in the country. With a city population of 8.75 million people and a metropolitan area population of 19.5 million, Mexico City is one of the most populous cities in the world.
- The city is home to hundreds of national and international firms, the Mexican Stock Exchange, and several landmarks such as Xochimilco, Zocalo, Angel of Independence, the National Palace, and the Castle of Chapultepec. In addition, the city has around 160 museums, over 100 art galleries, and about 30 concert halls.
- Mexico City is also the Federal District (Distrito Federal or D.F.), two entities that since 1993, have been unified under a central institution.

Climate & Geography

- Mexico City is located in central-south Mexico, bounded by the State of Mexico on the west, north, and east, and the State of Morelos on the south.
- It has an altitude of 7,349 feet above sea level, a city area of 571 square miles, and a metropolitan area of 3,691 square miles that extends over the state of Mexico.

- The city is surrounded by mountains on all four sides and it has two volcanoes in close proximity, the Iztaccihuatl and the Popocatepetl.



Teotihuacan was the largest Pre-Columbian City in the Americas

- The average annual temperature is around 64 °F, with January and February the coldest (28 °F – 23 °F) and May and June the warmest (70 – 90 °F).
- The average annual rainfall for Mexico City is about 25 inches, with most falling in the summer, the wettest month is July and the driest month is February. The lower, northern region typically gets less precipitation than the higher southern parts.

History

- The city was founded as Tenochtitlan in 1325 by the Aztecs, and it was located in a small island in the middle of Lake Texcoco. The Aztecs soon created more artificial islands that made the city bigger.
- Hernán Cortés, a Spanish conquistador, conquered



Mexico City is one of the world's most populous cities

- the city in 1921 after 79 days of fighting that destroyed the Aztec empire.
- In 1810, Mexicans started fighting Spanish forces for independence

and eleven years later Mexico became a sovereign nation.

- In 1824, the Mexican Federal District was created at Mexico City, established by a constitution the government fashioned from the American one.
- In 1847, US General Winfield Scott invaded Mexico City, which obligated Mexico to cede the States of California, Arizona, Nevada, Colorado, and New Mexico.

Labor Force & Education

- The economic base of the city has shifted in the last two decades, from manufacturing and industrial base to service base. Mexico’s national labor force is at 38.1 million people, with 58% of them in the service sector, 24% in the industrial sector, and 18% in agriculture. Mexico City’s labor force contributes the most towards the country’s service (25.3%) and industrial (15.8%) sectors, but the least in the agriculture sector.
- Mexico’s literacy rate is 92.2%. The country’s unemployment rate in urban areas is around 3.2%. The Human Development Index in Mexico City is the highest in the country at 0.883. About 58% of the habitants in the city own a cell phone, 50% have internet access, and 15% live below the poverty line, compared to the national mark of 17%.
- Mexico City is the education center of the country. It has hundreds of primary and secondary schools as well as dozens of higher education schools.
- Some of the many universities in the city include the National Autonomous University of Mexico, National Polytechnic Institute, Metropolitan Autonomous University, and Anahuac University.
- The UNAM is North America’s oldest and largest university, and it is responsible for 50% of Mexico’s scientific research. It ranks 74th among the world, and is the highest ranked Spanish-speaking University.

Economy

- Mexico City is one of the economic hubs in Latin America. The metropolitan area generates over \$315 billion, or over 25% of the nation’s GDP, which makes it one of the wealthiest urban areas in Latin America. With \$17,700, its GDP per capita is also the highest in Latin America.
- Its urban agglomeration GDP ranks as the eighth in the world, and it is predicted to be the seventh by 2020 with \$608 billion, surpassing Osaka/Kobe, Japan.
- The majority of the national firms have operations in the city and a large percentage of the foreign companies operating in Mexico are headquartered in the city (most of them in the Santa Fe business district). The Mexican Stock Exchange and the majority of banks and insurers are also headquartered in Mexico City.
- Mexico is normally seen as a top investment opportunity for those looking at Latin America, and Mexico City is the first Mexican choice.



The Library of the UNAM

Transportation

- The city has an extensive and reliable transportation system; it has a very active international airport, the metro, an extensive network of busses and taxis, the Light Rail, and over four million of private vehicles.
- Major traffic congestions are a well known problem in the city, and often it takes hours to get from one point to another.
- Mexico City’s air travel needs are met by the Mexico City International Airport, which is the most active airport in Mexico and one of the largest in Latin America, serving 25 million travelers per year.
- The metro system is the 4th busiest in the world, serving 4 million passengers per day, and the largest in Latin America with 129 miles of track.
- In addition to the metro, the city also runs a system of large buses, trolleybuses, the Xochimilco light rail line, and a large fleet of taxis.
- All of Mexico City’s public transportation is heavily subsidized, with rates among the lowest in the world.

Mexico City At A Glance	
City Population	8.75 million
Metropolitan Population	19.5 million
City Area	571 mi ²
Metropolitan Area	3,691 mi ²
Altitude	7,349
Average Annual Temperature	64 °F
Average Annual Rainfall	25 inches
Foundation	1325



Mexico City's Metro transports about 5 million people per day

Government

- Mexico City, or the Federal District, is the political center of the country. It is home to the national palace, the legislative assembly, and the Supreme Court. Since 1997 the resident of the city can directly elect the head of government of the Federal District.
- Mexico City is divided into sixteen delegations, which have significant autonomy. The delegations are composed by hundreds of neighborhoods.
- The sixteen delegations of the Federal District are:
 - Alvaro Obregon - Azcapotzalco
 - Benito Juarez - Coyoacan
 - Cuajimalpa - Cuauhtemoc
 - Gustavo A. Madero - Iztacalco
 - Iztapalapa - Magdalena Contreras
 - Miguel Hidalgo - Milpa Alta
 - Tlahuac - Tlalpan
 - Venustiano Carranza - Xochimilco

Incentives

- FIBRAS is a set of fiscal incentives and tax treatment, created with the intention to spark new demand and supply within the real estate investment market.
- The system makes corporations exempt from both capital gains taxes and local property sales taxes within the secondary market.
- FIBRAS increases liquidity within the market, rising demand for existing facilities, and increasing the appeal to new developers to begin new projects.

Mexico's Economic Indicators	
GDP – Purchasing PP	\$1.149 trillion
Real GDP Growth	3.7%
Interest Rate	7.2%
Inflation Rate	3.4%
Urban Unemployment Rate	3.2%
Labor Force	38 million
Literacy Rate	92.2%
Exchange Rate (per 1 USD)	11.07 MXN

Some Multinationals in Mexico City



Real Estate Market Overview

- The commercial real estate market in Mexico City is on the rise. The office market is experiencing high demand and an increase in rental and capital prices. Available space has decreased in most business districts; total space is about 4.7 million square feet and average vacancy rate of class A+, A, B, and C is 8.31%. The majority of the space available is class B, with 2.05 million square feet.
- In the last five years, real estate investors have made substantial industrial and office investments, with new firms such as DIFA, Merrill Lynch and J.P. Morgan joining the group.
- Returns on office investments are normally varying between 9%-14%, with the industrial sector showing a similar return between 9%-11%, and retail, showing a slightly better rate at 10%-14%, and reflecting higher risk.
- Currently, the retail sector is booming, with Wal-Mart and others seeing incredible growth, and large fast food chains planning hundreds of new sites late in the year.
- Falling vacancy rates in the office, industrial, and retail sectors have caused developers to take action, and currently there are over 10 million square feet under construction.

Office Market

- The office market is experiencing growth in most of the business districts. Demand and supply in the first half of the year were high.
- The office market in Mexico City is composed of nine business districts. The Santa Fe district is the most important business and financial district, Roma is one of the oldest in the city, and Polanco is a very important commercial center. Polanco and Insurgentes are the districts with the most available space, with 1.2 million square feet and 912,000 square feet respectively.
- Currently there are 4.7 million square feet of available space for class A+, A, B, and C. Overall vacancy rate is 8.3%. The majority of available space is class B, with 44% of the space, or 2.05 million square feet. The vacancy rate for class B is 13.8%.
- Overall absorption in the first months of the year was 1,179,735 square feet. Of the total transactions registered, 75% of them were for rent and 25% for sale. Of the total transactions, 56% were done by foreign firms and 44% by national firms.
- Rental prices have increased in recent months in all of the business districts in the city. Lomas Palmas and Reforma registered the highest rental rates while Interlomas registered the lowest rental rates.
- Overall rental rates for class A ranges from \$1.67 to \$3.25 per square feet per month.
- Overall class A+ space for sale ranges from \$167 to \$325 per square feet. The capital value for space A ranges from \$167 to \$232 per square feet per month.

Retail Market

- With discount retailers seeing amazing growth, fast food chains expanding in terms of hundreds of new sites every year, and the economy continuing its climb, the retail sector continues to gain ground, and is currently seeing a boom.
- Discount retailers are reporting incredible growth, both within the metropolitan area of Mexico City, as well as throughout the entire nation.
- Chains such as McDonalds, Burger King, etc, are each planning over 100 new sites through the year, in order to keep up with the booming economic demand.
- Rents have jumped high since 2004, due to a vast increase in retailers and a lack of available space.
- Submarkets are generating 10-14% returns with terms peaking at 15 year intervals.
- Retail real estate is primarily owned by occupiers, but foreign investment is growing as more international corporations team with local developers to inject a presence into the marketplace.



Mexico City's Central Business District

Office Rental Information (USD/Sq Ft/Month)

District	Rent Class A+ Low - High	Vacancy Rate	Available Space A+, A, B, & C	Space in Construction
Reforma	\$2.32 – \$3.25	8.1%	775,390 ft ²	242,188 ft ²
Polanco	\$1.95 – \$2.41	10.9%	1,177,367 ft ²	N/A
Lomas Palmas	\$2.32 – \$2.79	8.1%	535,881 ft ²	N/A
Bosques De Las Lomas	\$1.86 – \$2.42	6.0%	244,524 ft ²	435,938 ft ²
Santa Fe	\$2.14 – \$2.51	6.4%	496,432 ft ²	1,049,481 ft ²
Periferico Sur	\$2.04 – \$2.32	8.2%	406,682 ft ²	140,835 ft ²
Insurgentes	\$1.86 – \$2.23	8.1%	911,790 ft ²	782,536 ft ²
Interlomas	\$1.67 – \$2.04	7.7%	42,948 ft ²	N/A
Lomas Altas	\$1.95 – \$2.51	12.0%	82,645 ft ²	N/A



Santa Fe Business District

Retail Rental Information
(USD/Sq Ft/Month)

	Low - High
Downtown	\$1.35 – \$3.35
Neighborhood Shops	\$1.85 - \$3.13
Sub-Regional Center	\$2.32 – \$3.18
Regional Malls	\$4.50 – \$7.00



Chapultepec Castle

Industrial Market

- During the first half of the year the industrial market continued experiencing the same trend than last year; demand was high, there were good levels of supply, and rental and capital values have stayed at the same levels in some submarkets, while in others they have increased.
- With 33 million square feet, the city’s Class A industrial stock levels provide an excellent investment opportunity that is in high demand due to stock levels being roughly a third of those belonging to major US cities on a per capita basis.
- Demand continues to be high, with most projects in the last couple of years being now completely leased shortly after completion.
- About 12.2 million square feet, or 205 properties, of industrial and warehouse space are available in the metropolitan area. The submarket of Cuautitlan-Tultitlan-Tepotzotlan registered the highest level of available space, with 3.3 million square feet, or 26% of the total available space.
- Currently there is a migration of industrial users towards the northern metropolitan area, with the Cuautitlan-Tultitlan-Tepotzotlan becoming the top market for distribution in the region, in which 7.7 million square feet of industrial space will be added to the market over the rest of the year. In Tlalnepanntla over 970,215 square feet will be completed by the end of the year, and 295,340 square feet will be added to the Toluca-Lerma submarket.

Industrial Information
(USD/Sq Ft/Month)

District	Rent Class A Low - High	Rent Class B Low - High	Land Sale Rate Low - High	Available Space
Cuautitlan-Tultitlan-Tepotzotlan	\$0.44 - \$0.51	\$0.33 - \$0.45	\$8.36 – \$13.93	3,267,116 ft ²
Ecatepec - Xalostoc	\$0.37 - \$0.42	\$0.25 - \$0.42	\$9.29 - \$23.22	398,415 ft ²
Iztacalco	\$0.42 - \$0.50	\$0.25 - \$0.48	N/A	327,137 ft ²
Iztapalapa – Tlahuac	\$0.46 - \$0.55	\$0.32 - \$0.46	\$18.58 - \$23.22	1,071,267 ft ²
Naucalpan	\$0.51 - \$0.65	\$0.41 - \$0.51	\$23.22 - \$37.16	602,348 ft ²
Tlalnepanntla	\$0.46 - \$0.60	\$0.32 - \$0.46	\$18.58 - \$28.80	2,615,942 ft ²
Toluca - Lerma	\$0.30 - \$0.42	\$0.26 - \$0.31	\$6.50 - \$10.22	N/A
Vallejo - Azcapotzalco	\$0.46 - \$0.55	\$0.37 - \$0.46	\$15.79 - \$26.01	1,970,000 ft ²

12-Month Forecast

Office:

- The market is expected to continue strong, with continuing demand and rising rates fueling investments through 2010.
- Mexico City’s office market is gaining from strong economic growth, an occupier demand that’s bouncing back from previous years, and yield spreads that are continuing their trend of compression, while remaining positive.
- Many grade B buildings are being acquired by investors for renovations, so expect a stronger upward trend in rental prices for this building class.
- Over the rest of the year 1.1 million square feet of office space will be added to the market.

Retail:

- With the economy continuing its rise, retail properties are becoming very profitable and are expected to remain the same.
- Due to the increasing growth in this market, it is predicted that submarkets for investment in underground and multi-level parking facilities will continue to grow.
- As development projects continue to complete, the inability of the market to meet the new sudden demand will be abated, and the sector will continue to grow.

Industrial - Manufacturing/business parks:

- The industrial market is expected to continue growing at a good rate. Approximately 15 million square feet of industrial space are planned to be developed, with 7.9 of them finished over the next six months.
- Demand will remain high. Rental and Capital values are expected to stay at the same level due to the high volume of space that will be added to the market.



Estadio Azteca: the world’s third largest stadium

**12 –Month Forecast
Rental Rates**

Office	
Retail	
Industrial / Warehouse	



El Zocalo: the center of Mexico City

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