

Commercial Real Estate Market In Mexico - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Mexico Commercial Real Estate Market is anticipated to register a CAGR of more than 6% over the forecast period.

Key Highlights

Investors overcame pandemic limitations, resulting in the year's busiest start ever for commercial real estate. According to data from JLL, a top global provider of real estate and investment management services, investment in the first three months of 2022 hit its highest first-quarter level on record, totaling USD 292 billion. This growth was primarily due to the recovery of industries that were hit by the COVID-19 pandemic. Moreover, the quarterly investment figures in the development of offices, hotels, and retail all increased year over year.

Due to its safety, culture, tourist attractions, and standard of living, Yucatan is one of the most sought-after places to live in Mexico. The industrial sector has also seen an exponential rise in public and private investment, which has boosted trade, services, housing, and tourism. The exceptional geographic setting of Yucatan provides a desirable balance between the city and the beach. Since more than 80% of the country's real estate is concentrated in just 15 states, the peninsular entity is currently one of those states. Numerous corporate, land, residential, commercial, and industrial developments are being done in this area to capitalize on the Yucatan real estate boom.

Mexico City district is witnessing a high level of real estate investment primarily due to the presence of multiple industries in this area. Similarly, Merida is ranked sixth overall and the most competitive city in the entire southeast by the Mexican Institute of Competitiveness (IMCO). The market driven by the increase in tourism, and huge investment in industrial real estate is creating opportunities for many cities to flourish and contribute to the country's economy.

The real estate investment mood has improved, but there is still cause for caution. The market is currently experiencing instability due to geopolitics, inflation, and rising interest rates. The real estate industry currently faces many challenges, including shifting monetary policy, labor shortages, trade and transportation impediments, and demand pressures brought on by businesses

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wishing to expand or restart operations.

Mexico Commercial Real Estate Market Trends

Growth in Tourism is Fostering Developments in Commercial Real Estate

Tourism accounts for nearly 10% of Mexico's GDP, and it is expected to do well in the future. Before the pandemic, the Mexican tourism industry was expected to grow by about 15% to exceed USD 9 billion in 2021. It is now estimated that the industry could reach almost USD 17 billion by 2025.

According to the Ministry of Tourism of Mexico, the country welcomed 31 million international tourists in 2021, representing an increase of 28.1% compared to 2020. Foreign exchange income from international visitors reached USD 18.43 billion in 2021, an increase of 67.6% against 2020. In addition, average annual hotel occupancy was 45.9%, 19.9 percentage points above 2020, when the sector's activity plummeted due to the COVID-19 pandemic.

Traveler confidence improved because of the application of vaccines against COVID-19 in various regions and countries. The tourism sector's GDP reached a 7.1% share of the economy by 2021, and by 2022, the indicator is expected to increase to 8.3%. Real estate and tourism are large contributors to the Mexican economy. The tourism industry is one of the greatest growth drivers for the country and has a significant impact on the real estate sector.

Mexico City, Tulum, and Merida regions are becoming the preferred destinations for real estate investors due to the growth of tourism sector in this region. Further, these regions are currently experiencing a rise in urban growth and investment in eco-tourism. This boom has led to the development of many real estates projects, such as museums, shopping malls, and even concert halls.

Increase in demand for industrial real estate driving the market

The macroeconomic situation may have lost impetus, but the fundamentals of the industrial sector were still strong as 2022's third quarter drew to a finish. Due to a robust leasing market in 2021, tenants moved in this quarter and occupied almost 123 million square feet of manufacturing area. Despite a minor decline in leasing activity quarter over quarter, the market appeared to be resilient with 134.3 million square feet area leased in Q3 2022.

The overall vacancy rate in industrial markets decreased for the eighth consecutive quarter, reaching an all-time low of 3.3% in Q3 2022. Development rates are currently in pace with demand as vacancy rates continue to decline. Currently, 633.8 million square feet of commercial real estate have been built, an increase from the previous quarter.

It costs more for investors to fund new agreements or refinance current loans, and tighter financial conditions typically have a direct influence on commercial property values by reducing investment in the industry. They might also have an indirect effect on the industry by slowing down economic growth and lowering demand for commercial real estate like stores, eateries, and factories.

Mexico Commercial Real Estate Market Competitor Analysis

Mexico's commercial real estate market is fragmented due to the presence of a large number of players in the market. The Mexican housing market is not driven by speculators. The major players include NAI Mexico, Hines, Onni Contracting Ltd, Grupo Sordo Madaleno, Grupo Posadas, and many others. There are many developers, and it is highly competitive. Medium-sized and

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small-sized real estate developers arise in strategic regions of the country, and there is a boom in the use of financial investment instruments, such as Fibras and CKDs.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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