

Commercial Real Estate In Mexico - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2020 - 2029

Market Report | 2024-02-17 | 150 pages | Mordor Intelligence

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Report description:

The Commercial Real Estate Market In Mexico Market size in terms of transaction value is expected to grow from USD 53.60 billion in 2024 to USD 75.99 billion by 2029, at a CAGR of 7.23% during the forecast period (2024-2029).

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 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 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 high real estate investment primarily due to multiple industries in this area. Similarly, Merida is ranked sixth overall and the most competitive city in the southeast by the Mexican Institute of Competitiveness (IMCO). The market, driven by the increase in tourists and huge investments in industrial real estate, creates 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 experiencing instability due to geopolitics, inflation, and rising interest rates. The real estate industry faces many challenges, including shifting monetary policy,

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labor shortages, trade and transportation impediments, and demand pressures from businesses 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 is expected to do well in the future. The industry is estimated to reach almost USD 17 billion in two years.

According to World Tourism Organization (WTO) data, Mexico has secured ninth place in the world in foreign exchange earnings per international visitor for 2022. According to the forecasts for 2023, Mexico will capture USD 31.3 Billion from international visitors, which is 11.4% more than in 2022. In 2022, 38.4 billion international tourists arrived in Mexico, representing a growth rate of 21.2% compared to that observed in 2021.

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

Mexico also offers a charismatic lifestyle for foreigners. The country boasts a rich heritage, beautiful beaches, warm weather for most of the year, and delicious cuisine. Hence, Mexico has become a world-famous destination for both vacationing and living. Therefore, investors usually rent out their property as a source of income.

Increase in demand for industrial real estate driving the market

The macroeconomic situation may have lost impetus, but the fundamentals of the industrial sector still stayed strong as 2022's third quarter finished. 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 resilient, with 134.3 million square feet in the 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. 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 directly influence commercial property values by reducing investment in the industry. They might also indirectly affect the industry by slowing down economic growth and lowering demand for commercial real estate like stores, eateries, and factories.

Mexico Commercial Real Estate Industry Overview

Mexico's commercial real estate market is fragmented due to the presence of a large number of players. Speculators do not drive the Mexican housing market. 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- and small-sized real estate developers are arising in strategic regions of the country, and there is a boom in the use of financial investment instruments, such as Fibras and CKDs.

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Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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