At the start of the year, Mexico’s treasury secretary predicted the nation’s economy would grow at a rate of 3.9%. In May, however, the figure for 2014 was adjusted downwards to 2.7%. The treasury department also made it known that the economy grew by 1.8% in the year’s first quarter, a percentage that is less than what Banco de México had estimated.

External factors, such as the low rate of growth in the U.S. economy and internal factors such as the fiscal reforms in Mexico, were the determining elements in the reduction of growth expectations. Although inflation and unemployment are pronounced and can be seen in the consumer confidence index. The nation’s statistical research bureau, INEGI, in its May report, noted a 4.7% decrease in retail sales compared to the same month in the previous year. Sales dropped 1.6% in March compared to the same period in 2013 and 7.6% compared to the month previous.

Economically speaking, Mexico has had a difficult year, but it’s important to emphasize that business expectations in terms of production and exports remain high for the year’s second half, factors that have been crucial for expectations of a growth rate of close to 2.7% by the end of the year.

The development of commercial space in Mexico’s City’s metropolitan zone has shown an important dynamism even though Mexico’s economic landscape hasn’t been all positive. This year, plans for important shopping malls have been hatched and have been in the planning stages for the past six months. The sector’s dynamism can best be seen in expansions, remodeling and in the construction of new projects, which are expected to be completed in the next three months. This reflects investors’ confidence in the economy’s recovery in the short term.

The Mexico City Metropolitan Zone now has an inventory of 5.2 million sq. m. of net rentable space distributed among 183 shopping malls with net rentable space of more than 10,000 sq. m.

Space available at large-format malls such as the Super Regional Mall, Regional Mall and Fashion Mall is less than 10%, a level similar to that of the previous year. Rental prices for these formats are in the range of USD$40.00 to USD$100.00/sq. m./month. Prices at medium-sized and small-format malls such as Power Center, Centros de Vecindario, etc. have availability that fluctuates between 15 and 20%, with prices in the range of MXN$200 to MXN$400/sq. m./month.

### Hot Topics

- According to a report sent to the Mexican stock exchange, the REIT Fibra Danhos has completed its acquisition of City Shops del Valle. The REIT managed eight commercial properties with a total of 253,100 sq. m. of gross rentable space in all of Mexico.

- According to first quarter results published by the REIT Fibra Danhos, it reached agreements in April and March to acquire lots in the southeast and eastern parts of the city to develop shopping malls and offices.

- Thor Urban Capital acquired the Altavista 147 shopping mall in March of this year but hasn’t released the amount it invested. The mall is in the south of Mexico City and is distinguished by the luxury businesses located there.

- Salomón Chertorivski, the city’s Secretary of Economic Development, has said that Mexico City has grown at a higher rate than the national average over the past year, and most of all in the real estate, information technology and financial sectors.
**Retail and Shopping Centers Trends**

The REITs market in Mexico is relatively new. There are eight on the Mexican stock exchange and they have performed positively in the last two years. REITs like Fibra Shop, Fibra Macquarie, Fibra Uno and Fibra Danhos have had a pronounced tendency to invest in shopping malls and thus have motivated the construction and acquisition of malls with the goal of managing and promoting this real estate sector in Mexico which before a few years ago appeared to be flat.

If we analyze the malls that are now under construction, we can see a tendency to build mixed-use spaces in the Mexico City metropolitan area, and the trend appears to be here to stay. The trend appeared as a result of the need to meet all of the needs of the market in one location, including residential, commercial, corporate and lodging. Examples of mixed-use developments currently being built are: Parques Toreo, Antara Pedregal, Miyana, VIA Vallejo, and Ciudad Medica Sur, etc.

Other trends that can be seen in the retail market today include the expansion of brands that have only recently reached wide-spread popularity for the first time in the metropolitan zone.

Brands such as Aeropostale, Forever 21, Olive Garden, American Eagle Outfitters, and California Pizza Kitchen, etc. are in an expansion phase, opening new stores at different points around the city. All of this is a result of the brand acceptance shown by consumers. As a result, brands like Hyundai, Victoria’s Secret, Shakeaway, etc. have gained wide popularity for the first time in the city, awakening interest in many others as a result of the desire to enter the Mexican market. Mexico City is the most sought-after market for these brands to gain success.

### High Street: Masaryk Avenue

<table>
<thead>
<tr>
<th>Indicator</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory (sq. m.)</td>
<td>67,990</td>
</tr>
<tr>
<td>Vacancy (sq. m.)</td>
<td>4,428</td>
</tr>
<tr>
<td>Vacancy Rate (%)</td>
<td>6.50%</td>
</tr>
<tr>
<td>Average Asking Prices (USD/sq. m./month)</td>
<td>$106.90</td>
</tr>
</tbody>
</table>

Masaryk Avenue, the “Rodeo Drive” of Mexico City with its confluence of international and national luxury brands and its recreational urban chic appeal to shoppers and tourists, is currently undergoing reconstruction. The first phase of the upgrade to the street is expected to be finished in April of next year.

The avenue is undergoing significant changes both at the market level and regarding the brands that can be found there. The development of important Fashion Malls surrounding the avenue, such as Moliere Dos22, Plaza Carso and Antara Polanco, is providing direct competition with the avenue’s offerings. One example is Burberry’s move from Masaryk to Moliere Dos22. Over time, the constant relocation of brands, including Salvatore Ferragamo now managed by Hugo Boss, reflects the brands’ desire to be strategically located in the zone with the most fashionable boutiques. The result is change all along the avenue.

A CBRE analysis observed that vacancy rates in the current quarter fell in comparison with the same quarter in 2013, from 6,454 sq. m. to 4,428, sq. m. The dip is due to the absorption of space by Plaza Republica. Masaryk’s commercial real estate inventory grew by a little more than 1,500 sq. m. as the result of the opening of several restaurants that were under construction for the past six months.

The drop in the vacancy rate and sustained demand on the avenue has pressured prices to rise considerably to an average of USD$106.9/sq. m./month, an increase of USD$10 with respect to the third quarter of 2013.

Prices, availability and inventory all indicate that Avenida Masaryk remains a highly sought-after location by luxury brands that, even with the competition that close-by fashion malls have generated, continues to see positive development. Projections continue to be favorable given the current investments in infrastructure.
CONTACT

For more information about this local MarketView, please contact:

**Mexico Research**

**Yadira Torres-Romero**  
Director  
Mexico Research  
CBRE  
Montes Urales 470, 2nd Floor  
Lomas de Chapultepec  
Mexico, D.F., 11000  
ph: + 52 (55) 5284 0000 Ext. 3014  
e: yadira.romero@cbre.com

**Pablo de J. López Gallardo**  
Analyst  
Mexico Research  
CBRE  
Montes Urales 470, 2nd Floor  
Lomas de Chapultepec  
Mexico, D.F., 11000  
ph: + 52 (55) 5284 0000 Ext. 2023  
e: pablo.lopez2@cbre.com

+ FOLLOW US:

---

**Global Research and Consulting**

This report was prepared by the CBRE Mexico Research Team which forms part of CBRE Global Research and Consulting – a network of preeminent researchers and consultants who collaborate to provide real estate market research, econometric forecasting and consulting solutions to real estate investors and occupiers around the globe.

**Disclaimer**

Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of the CBRE Global Chief Economist.