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REAL ESTATE CHARTPACK

MEXICO



November 2026

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MEXICO

Nearshoring remains a structural demand driver, with Mexico now the largest source of U.S. imports.

Supply pressure is fading as construction falls and trade-policy uncertainty eases, setting up a rebound in rent growth.

Manufacturing hubs, border markets and urban logistics tied to domestic consumption offer the strongest opportunities.

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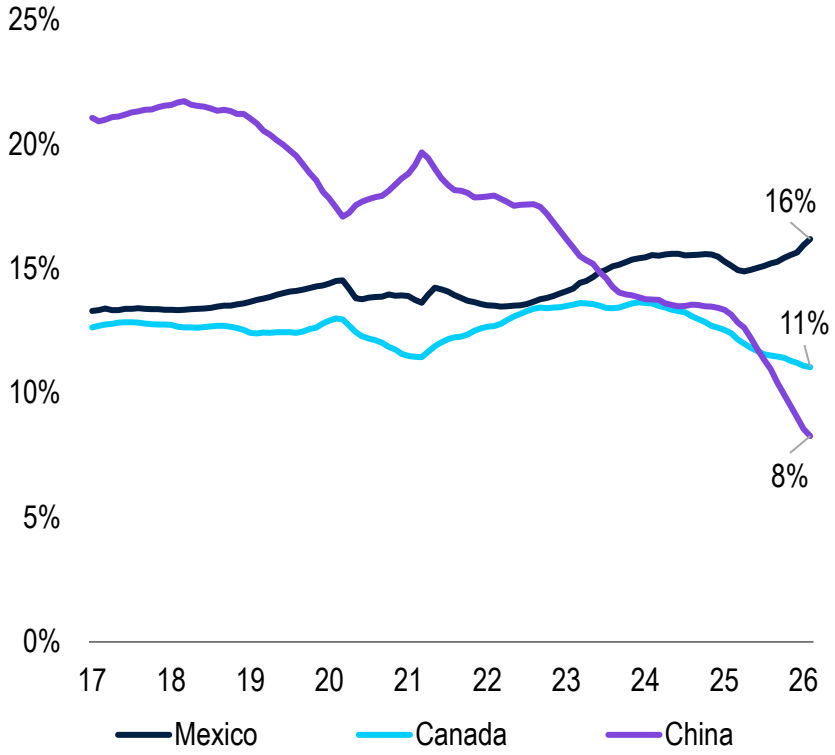
MARKET OUTLOOK

Mexico industrial remains an attractive opportunity. Nearshoring demand is highly resilient, the construction pipeline is the smallest since 2019 and trade-policy uncertainty is easing, positioning landlords to potentially regain pricing power as vacancies trend down.

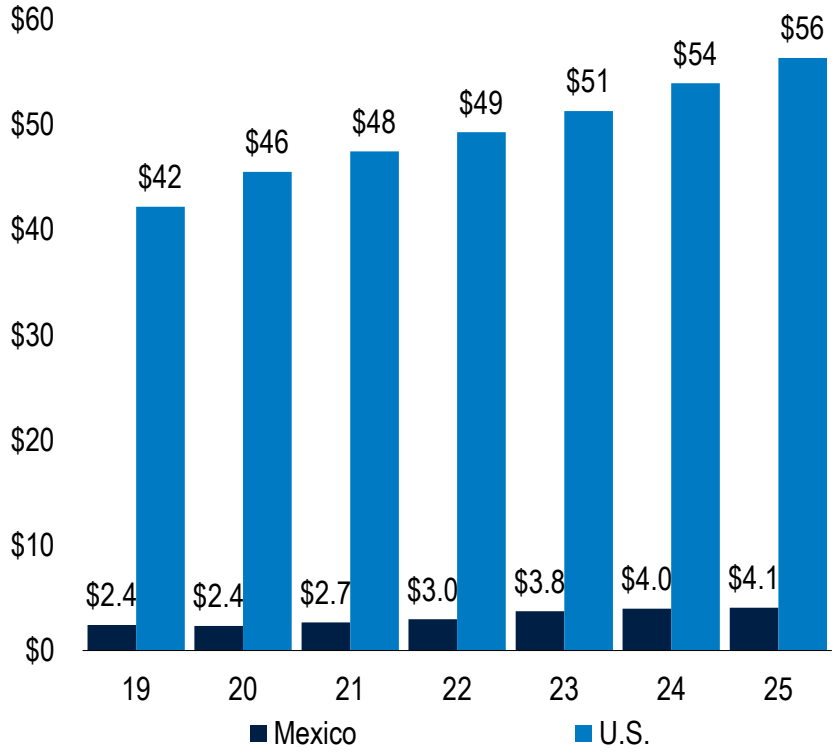
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Resilient Structural Demand From Nearshoring…

U.S. Imports by Country of Origin (% of Total)



Average Hourly Wages (U.S. $)



Mexico has been the largest source of U.S. imports since mid-2023, and its share has climbed to about 16% as China's has fallen below 9%.

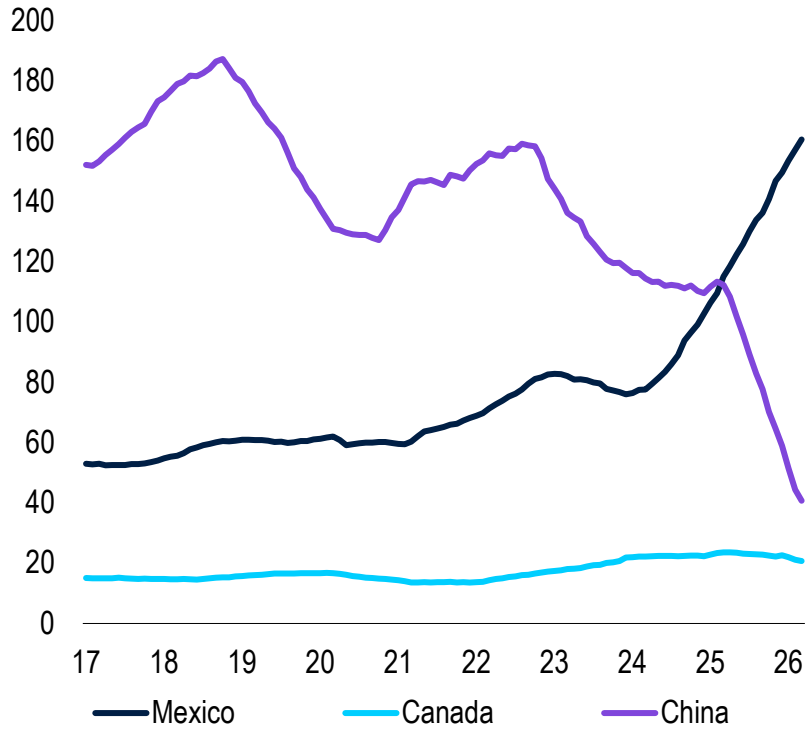
Hourly wages in Mexico average about $4 an hour, compared with more than $56 in the U.S.

The USMCA adds tariff-free access for qualifying goods and legal protections that reduce political and regulatory risk.

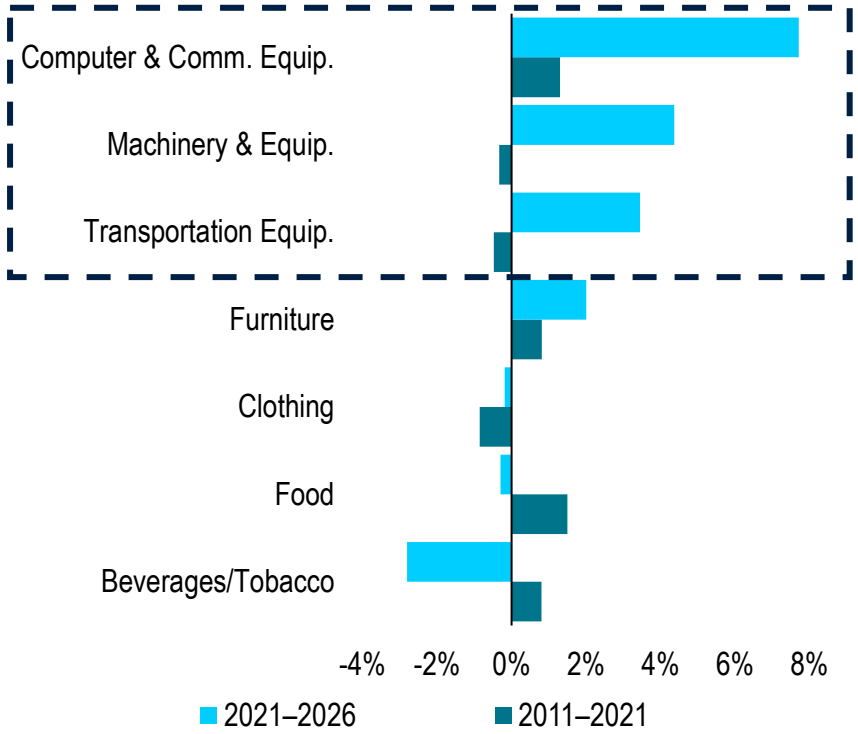
Sources: U.S. Census Bureau, Oxford Economics, PGIM. As of November 2026.

…While Mexico Moves Up the Value Chain

U.S. Advanced Technology Product Imports (12-Month Total, U.S. $ billions)



Mexico Manufacturing Labor Productivity Growth by Product Segment (% p.a.)



Sources: Moody's Analytics, U.S. Census Bureau, Haver Analytics, PGIM. As of November 2026.

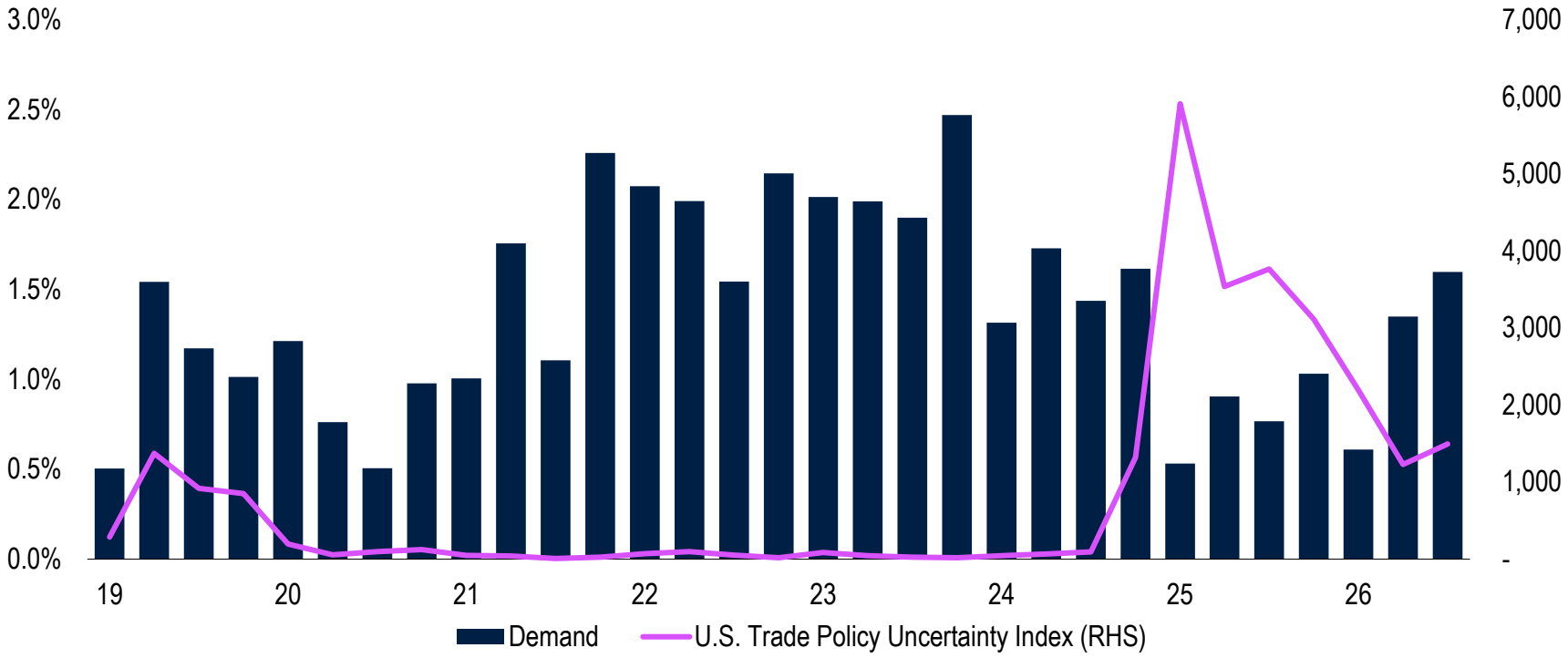
Mexico is also moving up the value chain: U.S. imports of advanced technology products from Mexico have doubled in two years, to about $160 billion.

Productivity growth has risen quickly over the past five years in several more advanced manufacturing industries producing higher value outputs.

Tenants producing higher-value goods earn higher margins, supporting their ability to pay higher rents.

Demand Headwinds Receding…

Mexico Industrial Demand Growth and U.S. Trade Policy Uncertainty (RHS, Index)



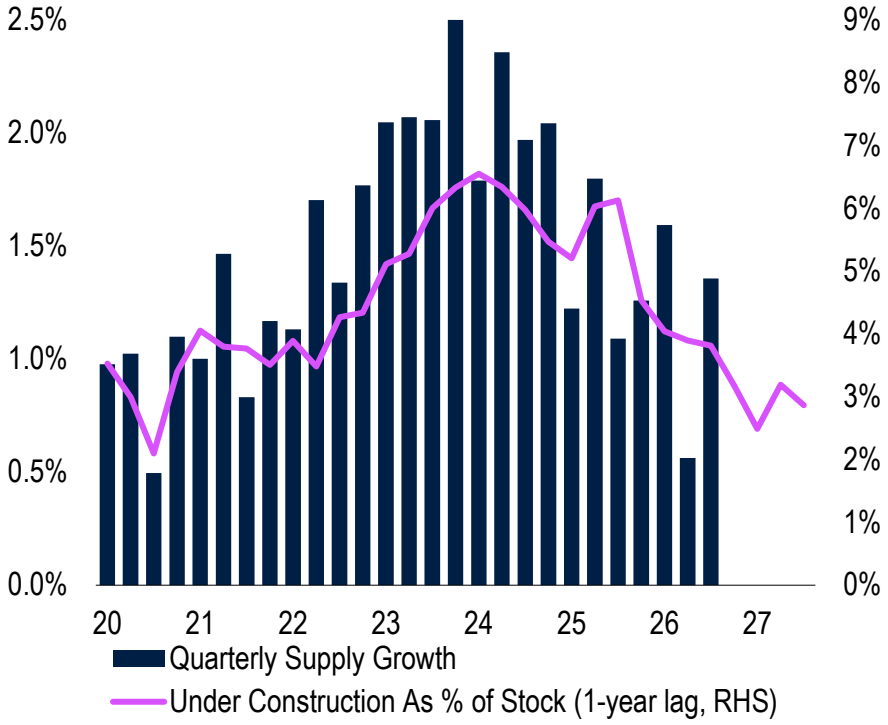
Sources: CBRE, Economic Policy Uncertainty, PGIM. As of November 2026.

Leasing slowed sharply in 2025 as U.S. trade-policy uncertainty spiked, with demand averaging under 1% of stock a quarter, versus about 2% in 2021–2024.

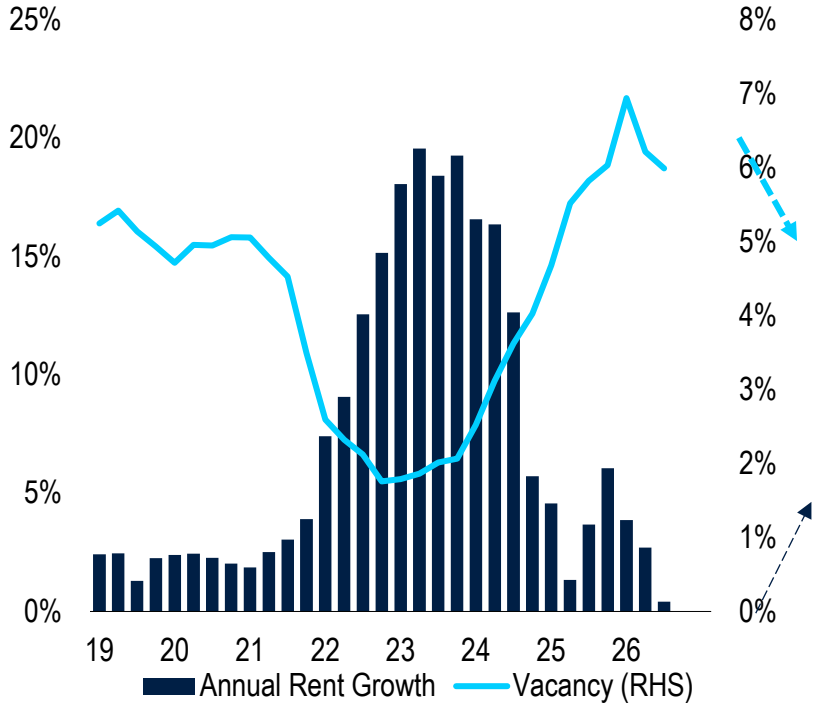
That headwind is fading, however. The uncertainty index has fallen significantly from its early-2025 peak, and demand rebounded to 1.3% of stock in 2Q26, the strongest quarter since late 2024.

…As Construction Moderates, Supporting Recovery

Mexico Industrial Construction Activity



Mexico Industrial Rent Growth and Vacancy



Record deliveries pushed vacancy to rise from under 2% in 2022 to nearly 7% by early 2026.

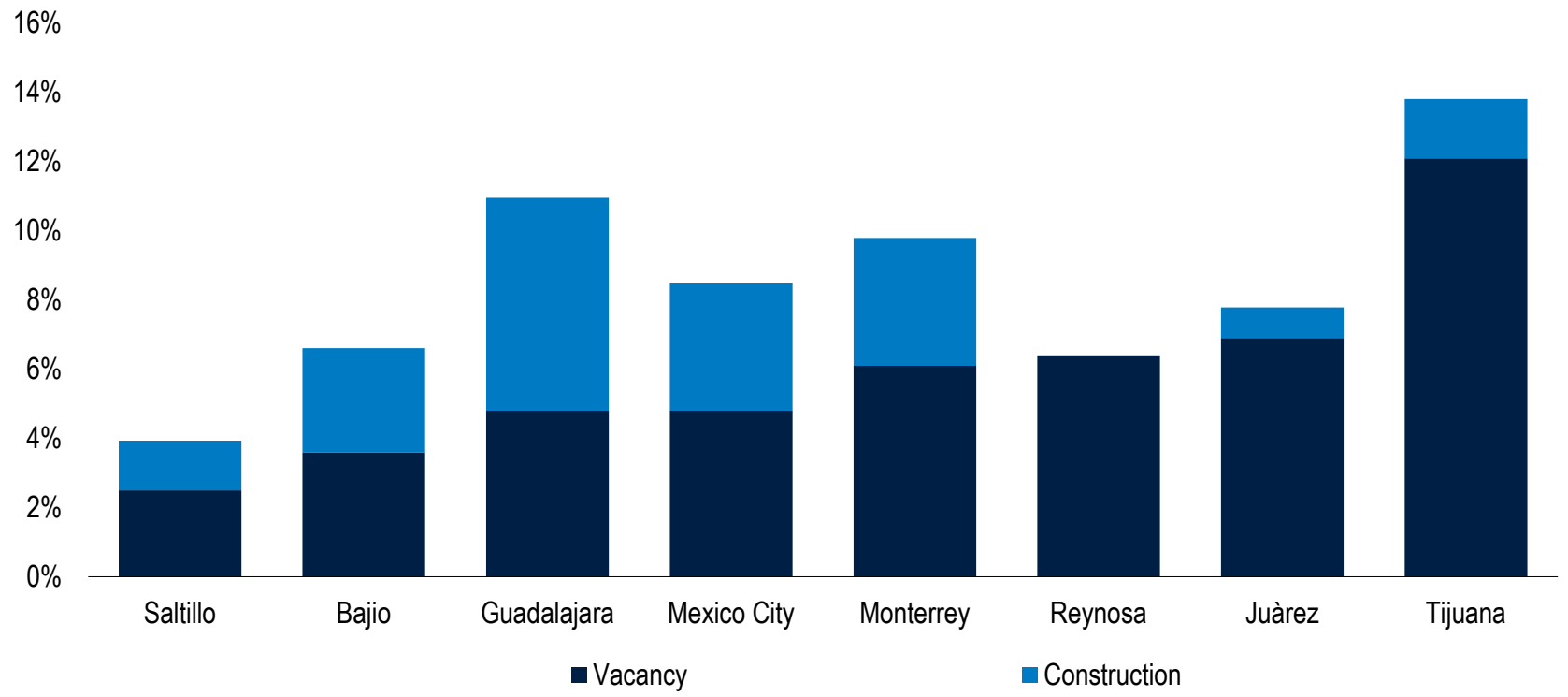
The pipeline has since shrunk, with space under construction falling from a peak of 6.6% of stock in 2023 to about 3%, and quarterly supply growth slowing notably.

With fewer deliveries, vacancy is starting to ease, slipping to 6.2% in 2Q26, its first decline since 2022. We expect vacancy declines to reinvigorate rental growth in the coming years.

Forecasts are not guaranteed and may not be a reliable indicator of future results.
Sources: MSCI / Real Capital Analytics, PGIM. As of November 2026.

Low-Vacancy Markets to Regain Pricing Power

Vacancy and Under Construction (% of Stock) by Market



Forecasts are not guaranteed and may not be a reliable indicator of future results.

Sources: CBRE, PGIM. As of November 2026.

Landlords should regain pricing power as fundamentals improve, most quickly in markets where vacancy is already low.

Saltillo and the Bajío have vacancy below 4%.

Tijuana and Juárez have higher vacancy but limited new construction, which should help them recover as trade volumes pick up.

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INVESTMENT OPPORTUNITIES

Manufacturing Hub

production growth and nearshoring drive demand in Monterrey, Guadalajara and the Bajío.

Boarder Markets

Rising Mexico-U.S. goods movement supports space near major ports of entry.

Urban Logistic

E-commerce growth creates demand beyond nearshoring in large population centers.

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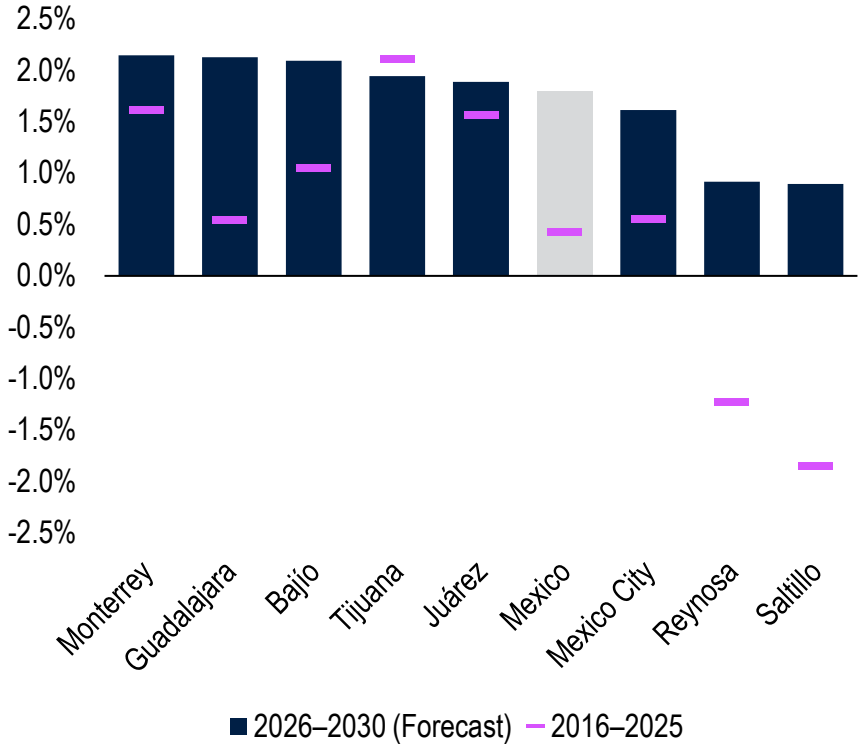
Summary of Mexico Investment Opportunities

	NATURE OF OPPORTUNITY	REAL ESTATE APPROACH
MANUFACTURING	• Export demand from the U.S. • Deepening domestic supply chains • Competitive, skilled labor	• For-rent apartments • Microliving • Senior housing
LOGISTICS	• E-commerce growth • Rising household incomes • Urban infill supply constraints	• Hyperscale / colocation • Self storage • Infill logistics

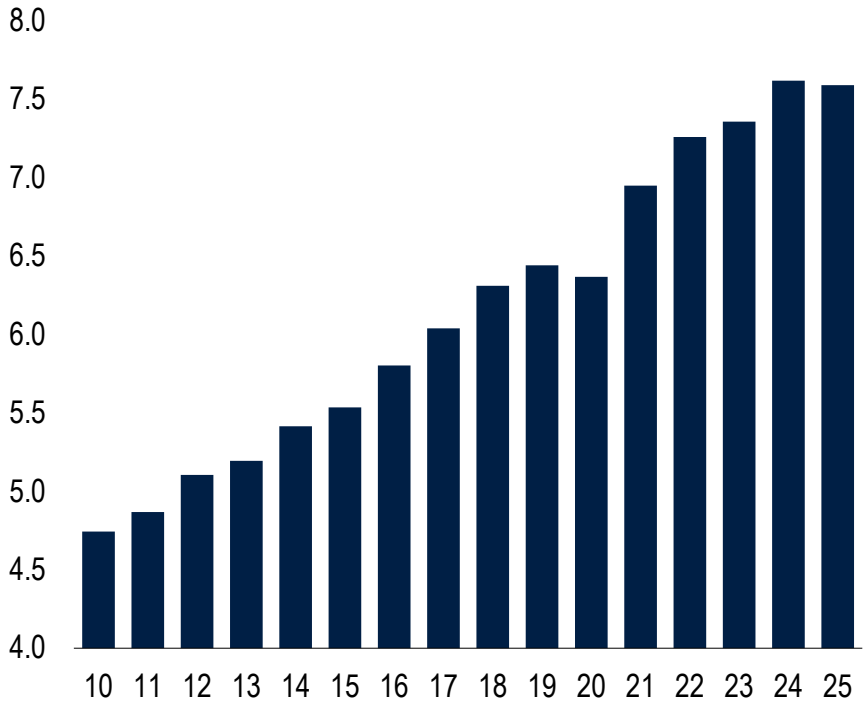
Source: PGIM. As of November 2206.

Manufacturing: Hubs and Border Markets

Manufacturing, Utilities and Construction Real GDP Growth (% p.a.)



Mexico-to-U.S. Truck Border Crossings (millions)



Forecasts are not guaranteed and may not be a reliable indicator of future results.

Sources: Oxford Economics, U.S. Department of Transportation, PGIM. As of November 2026.

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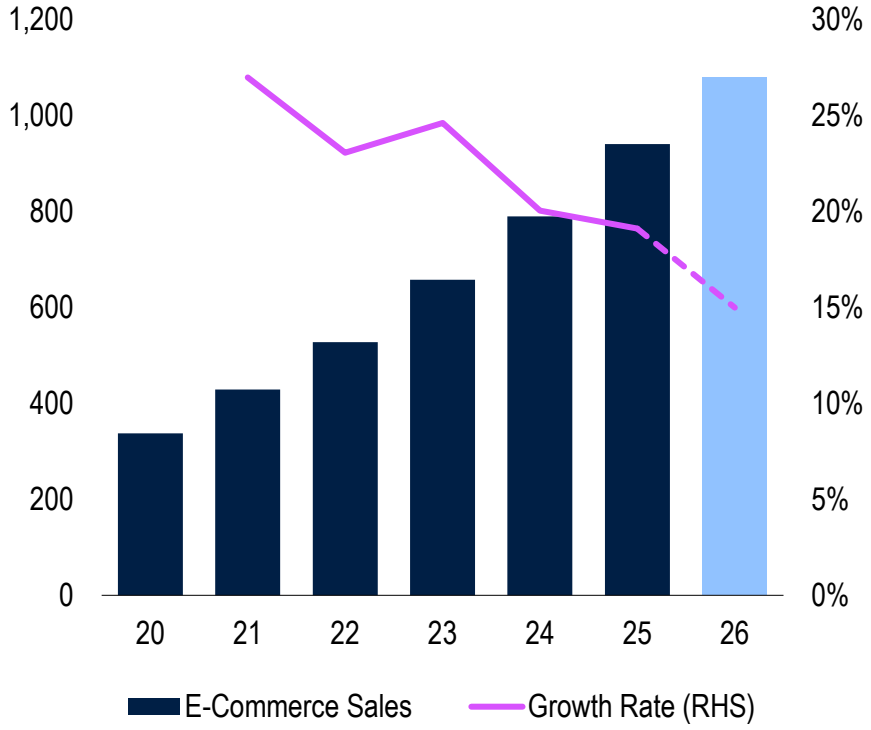
MANUFACTURING

Mexico's industry sector is projected to grow 1.8% a year from 2026 to 2030, up from 0.4% over the prior decade. Monterrey, Guadalajara and the Bajío lead, at more than 2% a year.

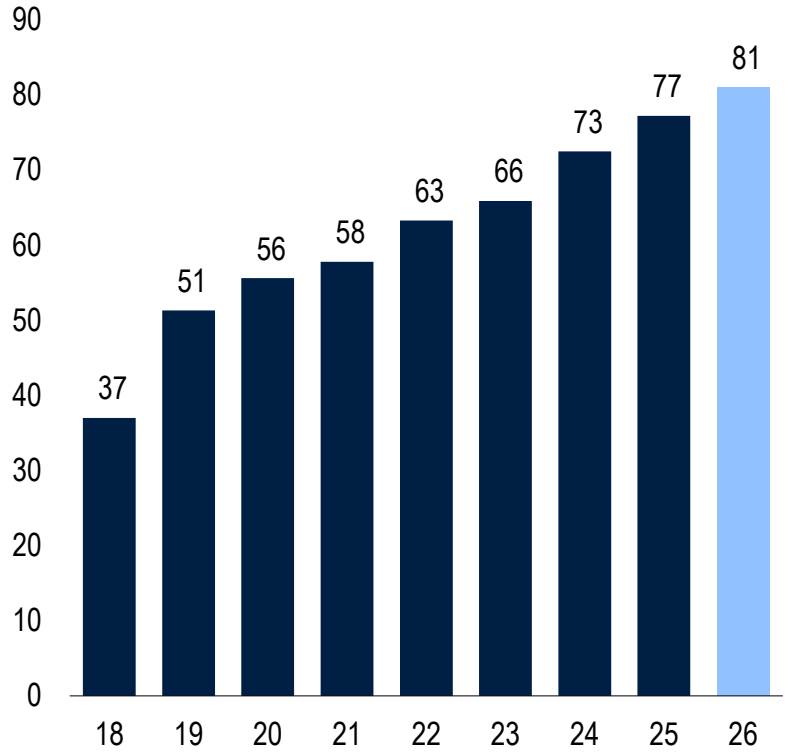
Border markets benefit as goods movement rises. Truck crossings have grown about 60% since 2010, with the volume of goods plateauing but the value of those goods rising.

Logistics: Strong Growth in E-Commerce Spending

Mexico E-Commerce Sales (MXN $ billion)



Digital Shoppers in Mexico (millions, Age 18+)



Forecasts are not guaranteed and may not be a reliable indicator of future results.

Sources: AMVO, Estudio de Venta Online 2026, PGIM. As of November 2026.

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LOGISTICS

Mexico's e-commerce market adds a demand driver that does not depend on U.S. trade. Sales nearly tripled in five years, while digital shoppers rose 38% to 77 million, so the average buyer is spending more.

Retailers and third-party logistics (3PL) tenants need more last-mile and infill space to speed delivery and cut transport costs.


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