PGIM

2026 REAL ESTATE OUTLOOK

MEXICO

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Structural demand drivers of industrial leasing remain intact, despite trade policy uncertainty.

Capital markets continue to mature, providing an institutional buyer base for core properties. However, those buyers are proceeding cautiously now.

Export-driven demand should boost leasing in manufacturing centers near the U.S. border. Meanwhile, e-commerce tailwinds are stoking logistics leasing in large population centers.

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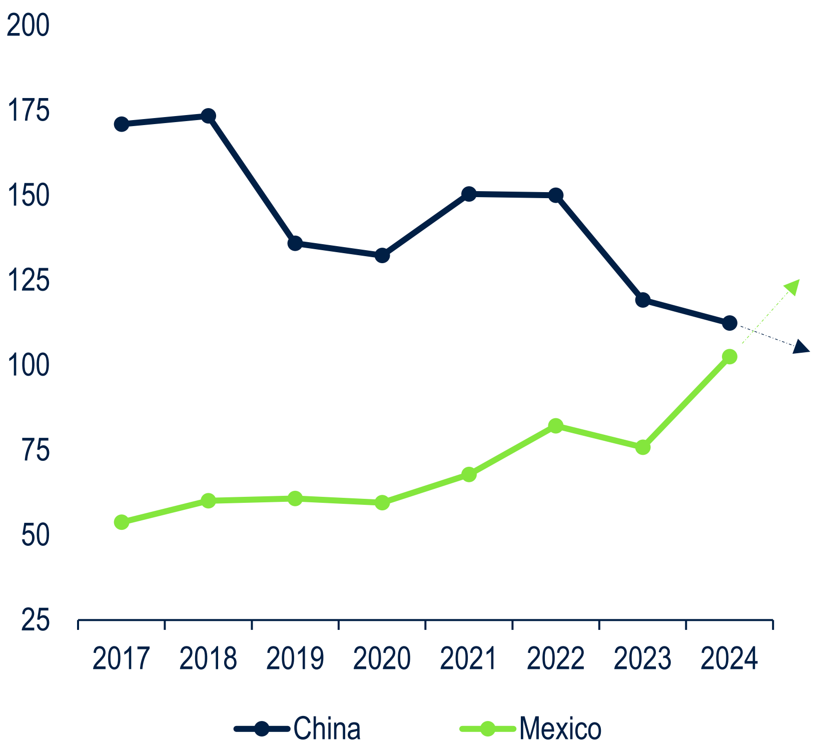
MARKET OUTLOOK

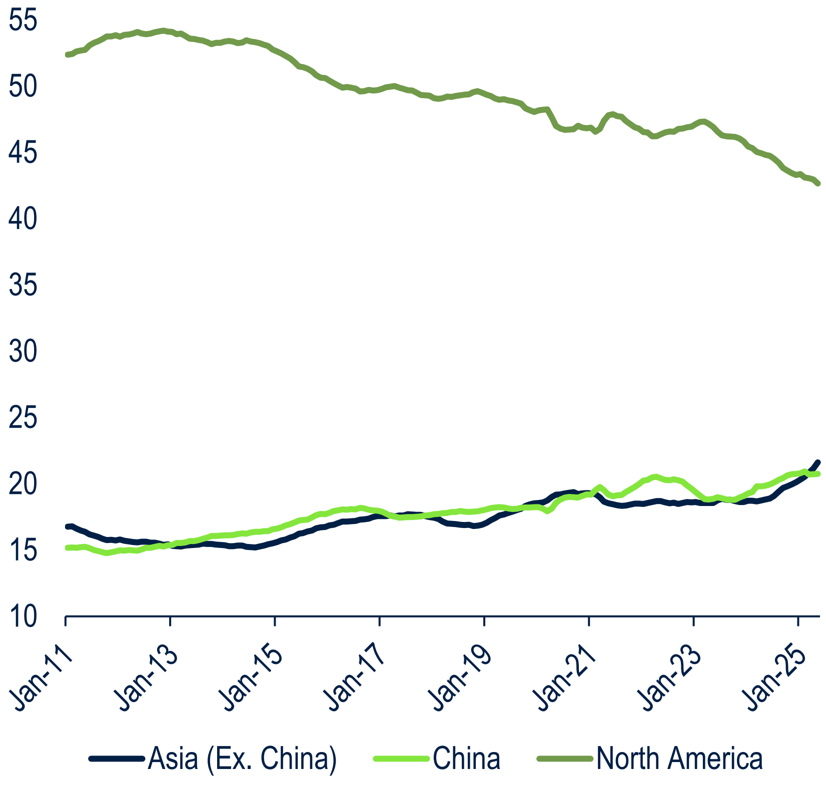
The structural demand drivers for Mexico industrial remain intact. We expect both improving occupancies and investor demand next year.

1

Structural Demand Drivers Remain Intact

U.S. Imports of Advanced Technology Products (USD$ Billions, Left) vs. Imports to Mexico by Value (% of Total, Right)





Sources: U.S. Census Bureau, PGIM. As of November 2025.

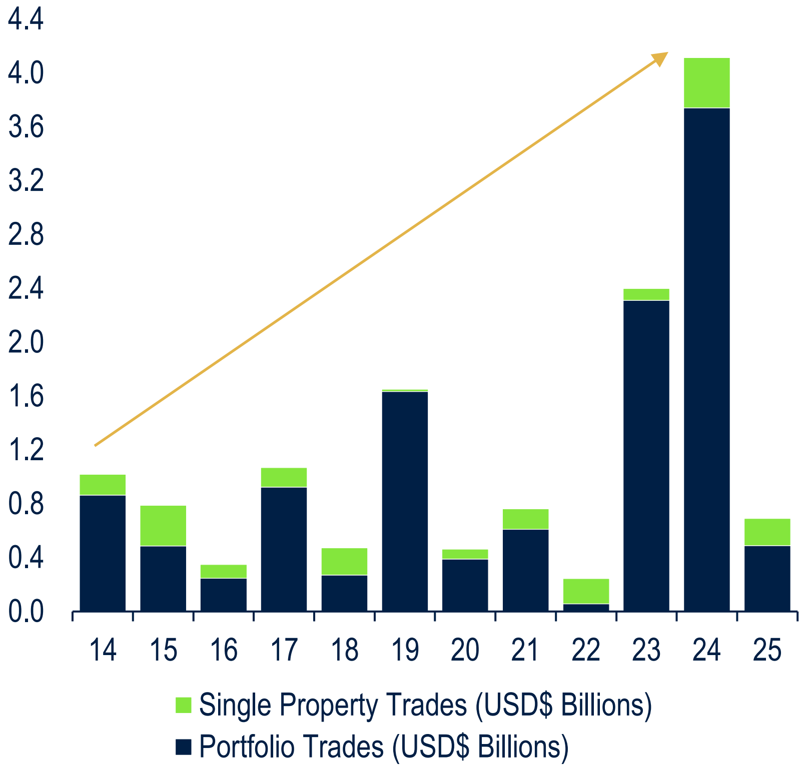
Mexico continues to migrate up on the value-add chain, with increasing capacity to produce higher-value goods. As a result, manufacturing tenants will likely pay higher rents.

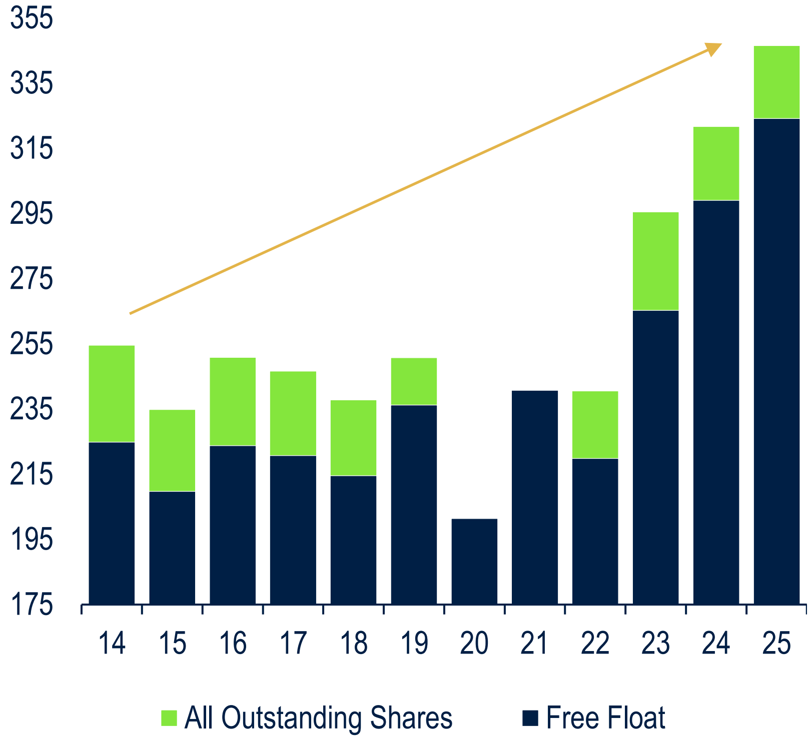
Semiconductor manufacturing is an increasingly important industrial demand driver, including suppliers needed to support production.

The increase in imports from Asia, much of which is intermediate inputs into final exports, reflects the deepening of the domestic supply chain to support higher-value goods production.

Strengthening Base of Institutional Capital

Mexico Transaction Volume (USD$ Billions, Left) vs. Market Capitalization of FIBRAs (MXN$ Billions)





Sources: Real Capital Analytics, PGIM. As of November 2025.

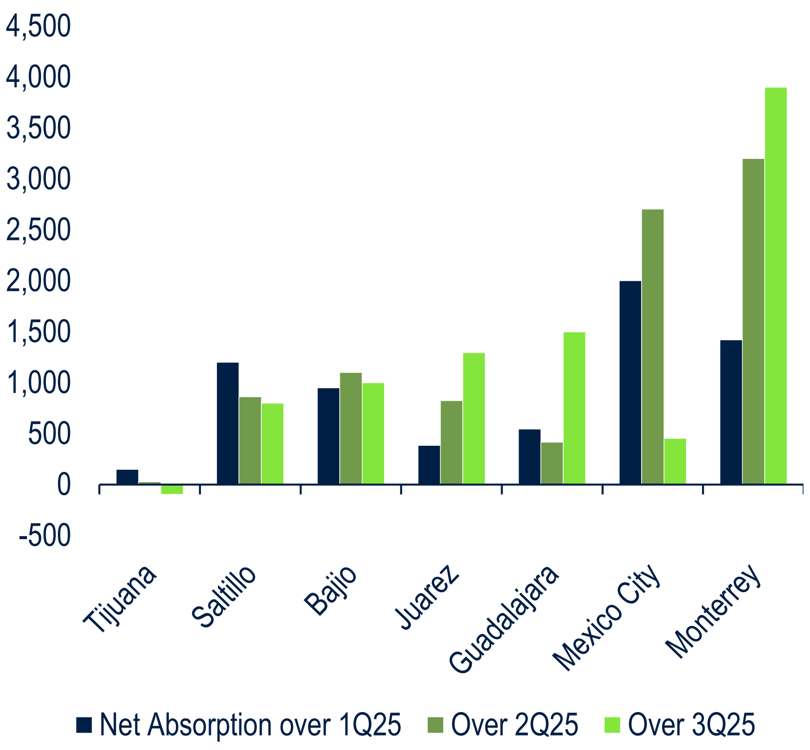
After a record year of property sales in Mexico in 2024, including multiple large portfolios, would-be buyers are taking a breather.

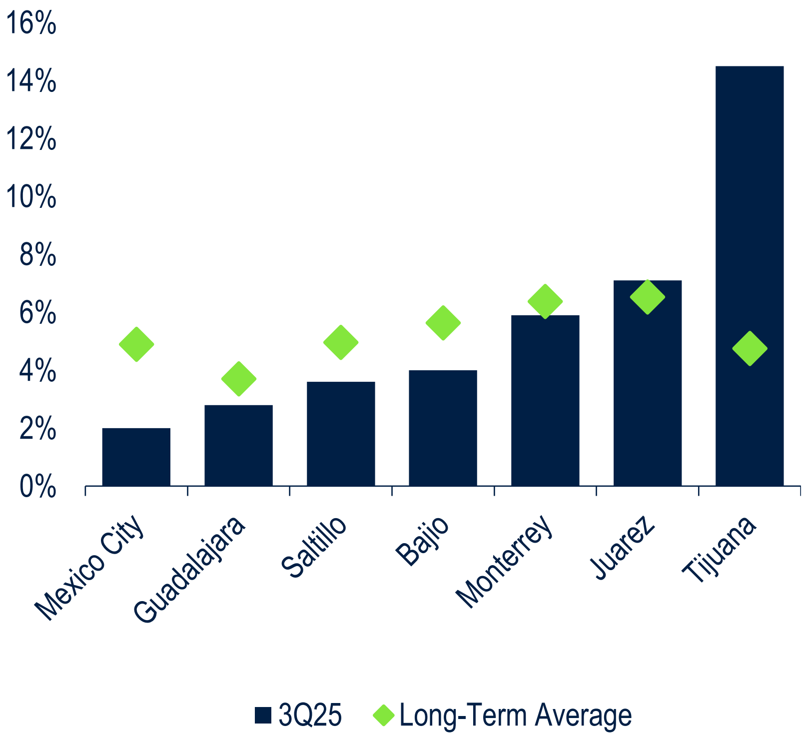
Value-add and development investment is also subdued.

Yet the pool of institutional capital continues to grow. Free-float FIBRA market capitalization is up nearly 50% since 2022. As leasing markets pick up, we expect transactions volumes to increase as well.

Positive Leasing Momentum Despite Uncertainty

Net Absorption (Left, 000 Sq Ft) vs. Vacancy Rate (Right)





Sources: Capital Economics, MSCI, NCREIF, PGIM. As of November 2025.

Post-Liberation Day (April tariff announcements in the United States) industrial leasing has been strong in most major markets. This is likely because goods from Mexico are mostly exempt from tariffs under the USMCA.

This leaves vacancies below historic averages across most of the country, including in the largest markets of Mexico City and Monterrey.

Power shortages remain a constraint on leasing. However, the recent lifting of solar installation limits should increase power capacity for manufacturers.

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INVESTMENT OPPORTUNITIES

Investment Segment

Different segments to serve export-based and direct-to-consumer tenants.

Structural Themes

Investment conviction driven by basic needs and long-term structural trends that support ongoing demand creation.

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Structural Investment Themes for 2026

1. MANUFACTURING

Export-driven demand created by nearshoring, deepening North American supply chains and the availability of low-cost skilled labor.

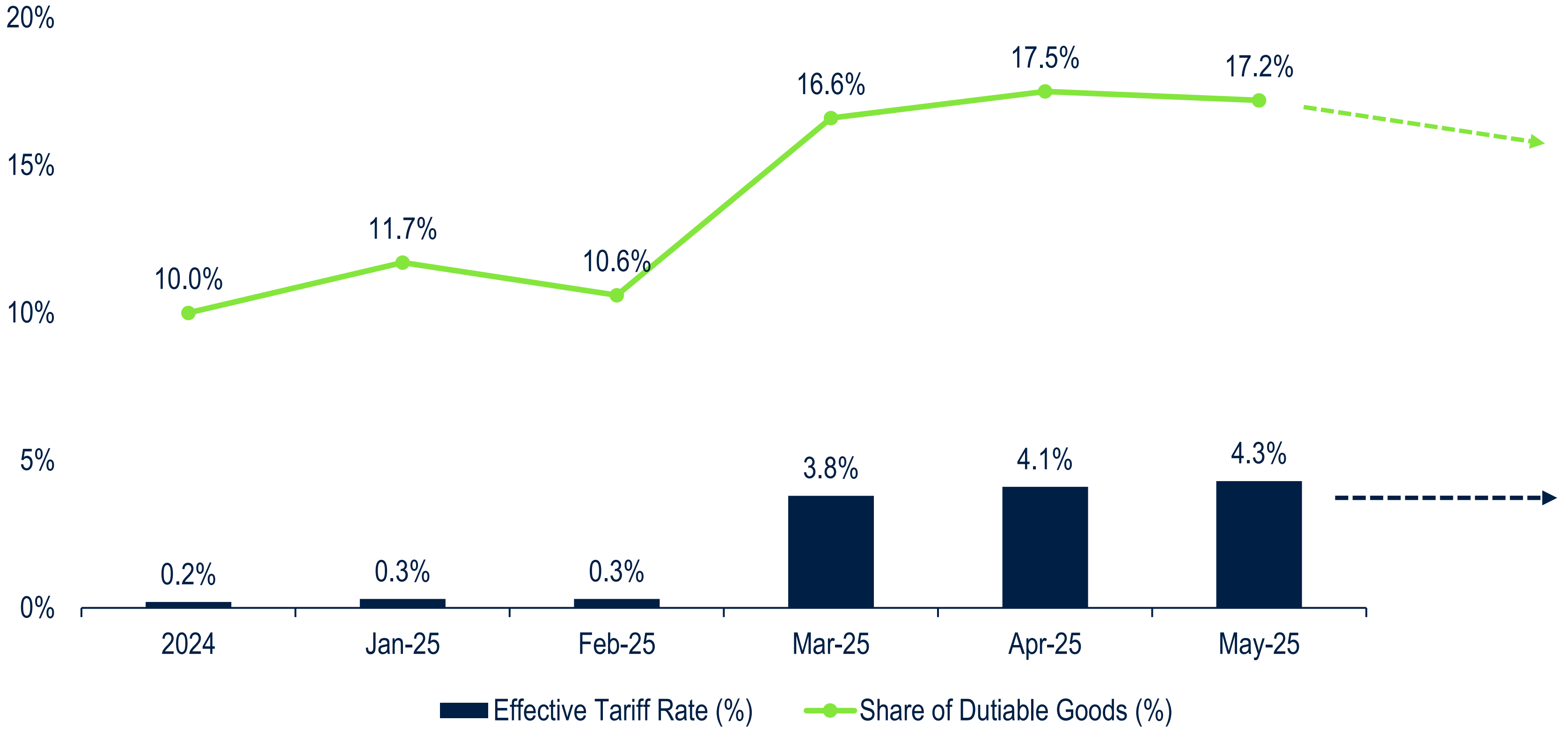
2. LOGISTICS

The rising share of e-commerce sales is fueling tenant demand logistics properties, particularly in the large population centers of Mexico City, Guadalajara and Monterrey.

Source: PGIM. As of November 2025.

Manufacturing: Expanding the Supply Chain

Tariffs for Mexico Imports to the United States



Sources: Moody's Analytics, NIC MAP, U.S. Census Bureau, Green Street, PGIM. As of November 2025.

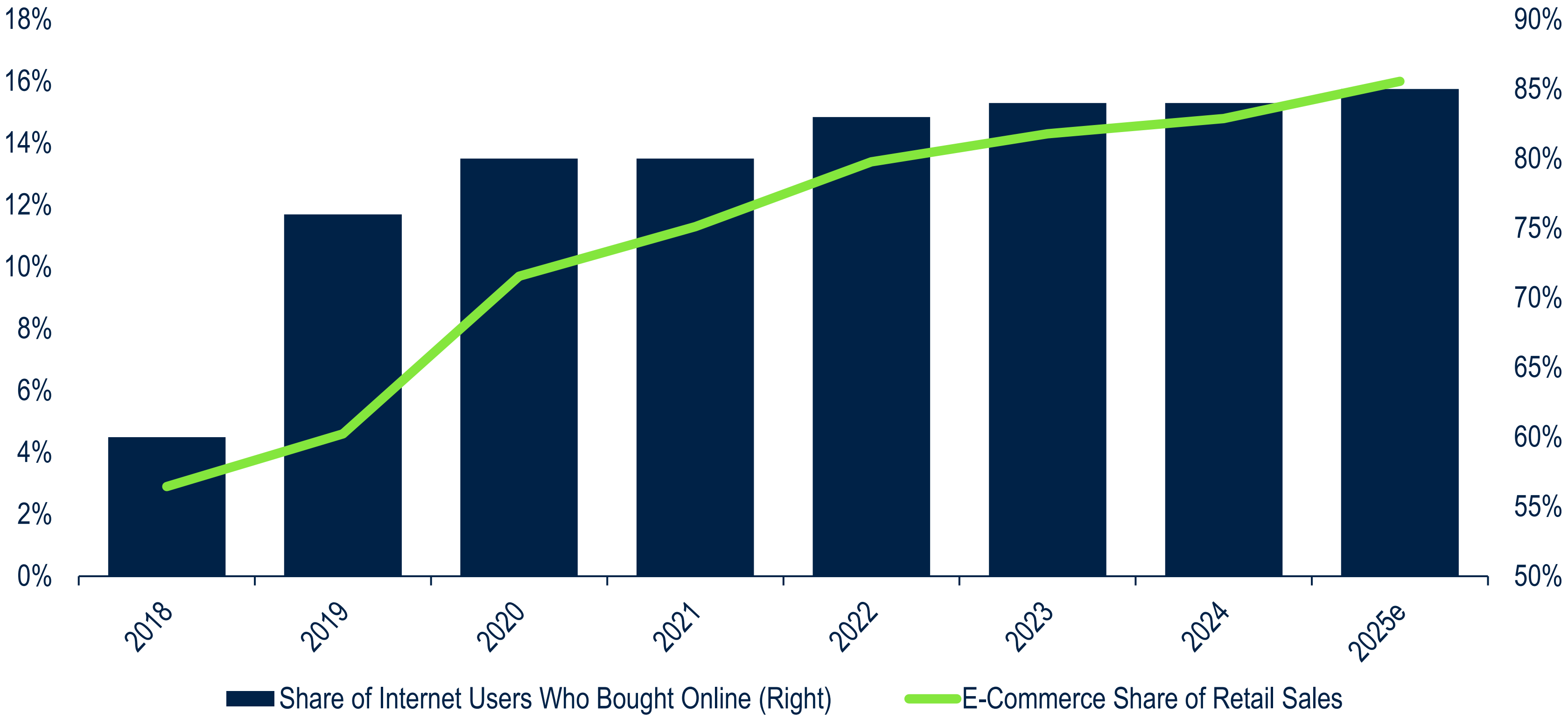
MANUFACTURING

Goods imported into the U.S. from Mexico now have higher duties than at the beginning of the year. However, the impact of 25% tariffs is offset by the large share of non-dutiable goods under the USMCA, leaving Mexico exporters better off than those in Asia and Europe.

Exporters are also re-classifying many goods to be exempt under the USMCA, further reducing tariff impacts.

Logistics: Increasing Importance of E-Commerce

Share of Households Buying Online vs. E-Commerce Share of Retail Sales



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

Sources: AMVO, PGIM. As of November 2025.

LOGISTICS

Online purchasing growth has accelerated rapidly this decade, with the share of internet users buying online rising from 60% in 2018 to an estimated 85%.

The e-commerce share of retail sales has risen even faster, with a 16% share now comparable to many countries in Asia and Europe.

The buildout of logistics infrastructure to service online purchases continues, with the highest expected demand growth in the large population centers of Mexico City, Guadalajara and Monterrey.

Summary of Mexico Investment Opportunities

	NATURE OF OPPORTUNITY	REAL ESTATE APPROACH
MANUFACTURING	Export demand from the United States Deepening domestic supply chains Availability of labor	• Border markets: assembly and distribution • Monterrey and Guadalajara: manufacturing
LOGISTICS	E-commerce growth Urban infill supply constraints	• Infill logistics • Big box / fulfillment

Source: PGIM. As of November 2025.

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