NEWMARK

Mexicali:

Industrial Market

1H26

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Market Analysis

Economy

- Mexicali took exports to a record 75,354.9 million pesos at the close of 2025 (9.8% annually), after accumulating 68,830 million pesos between January and November (19.4% annually), while foreign direct investment reached 662 million dollars in 2025 and international sales in February 2026 totaled 1,172 million dollars. This dynamism is reflected in a robust labor market, with 274,790 formal jobs as of March 31, 2026 —109,626 linked to the transformation industry and more than 80,000 in IMMEX manufacturing—, and more than 33 continuous months of unemployment reduction.
- Although the 2026 Urban Competitiveness Index shows five consecutive years of deterioration by placing the city in position 13 among the large cities, with strengths in educational coverage, and connectivity, but lags in security, health and innovation, elements that force the postponement of new long-term industrial projects.

Leasing Market Fundamentals

	Current Semester	Prior Semester	One Year Ago	12-month Forecast
Total Inventory (SF)	36.9M	36.6M	34.5M	↓
Vacancy Rate	9.5%	9.6%	8.3%	↓
Gross Absorption (SF)	796,578	624,463	287,181	↑
Net Absorption (SF)	71,922	-191,862	-488,466	↓
Asking Rate (USD/SF/year)	$7.32	$7.80	$7.28	↑
Construction (SF)	822,723	1,132,715	1,902,003	↓

Major Transactions

- New industrial occupancies and expansions were recorded: Baumann occupied 14,467 sq ft and Valtrek 21,000 sq ft; LG Electronics expanded its operations with 65,389 sq ft in a Grupo Nelson development and 118,000 sq ft in a PIMSA park; Innova Plastics added 2,151 sq ft in a Grupo Metalco project; Worldwide Products International took an additional 32,712 sq ft with Grupo Nelson.
- Dongwon occupied 174,013 sq ft in a Grupo Hermosillo development; Power Exchange Solutions expanded by 48,089 sq ft; Sonaca added 38,920 sq ft in Calafia, and SM Sourcing incorporated an additional 5,818 sq ft in a Grupo Nelson building.

Outlook

- Mexicali presents positive prospects precisely because it combines something uncommon in other border markets; the city is beginning to leverage its status as a political capital not only to secure infrastructure projects but also to attract the specific types of industries it seeks. Instead of relying solely on traditional assembly plants, public discourse and decisions point toward a transition to projects with greater technological content and better urban integration (industrial parks closer to housing, services, and amenities), opening the door to a more diversified industrial profile that is less vulnerable to single-sector cycles.
- This pursuit of a balance between export orientation, quality of life, and resource sustainability (energy and water) is still novel, but if it takes hold, it could transform Mexicali into a regional benchmark for how industrial cities are reconfiguring themselves in the face of nearshoring, going beyond simply increasing square footage.

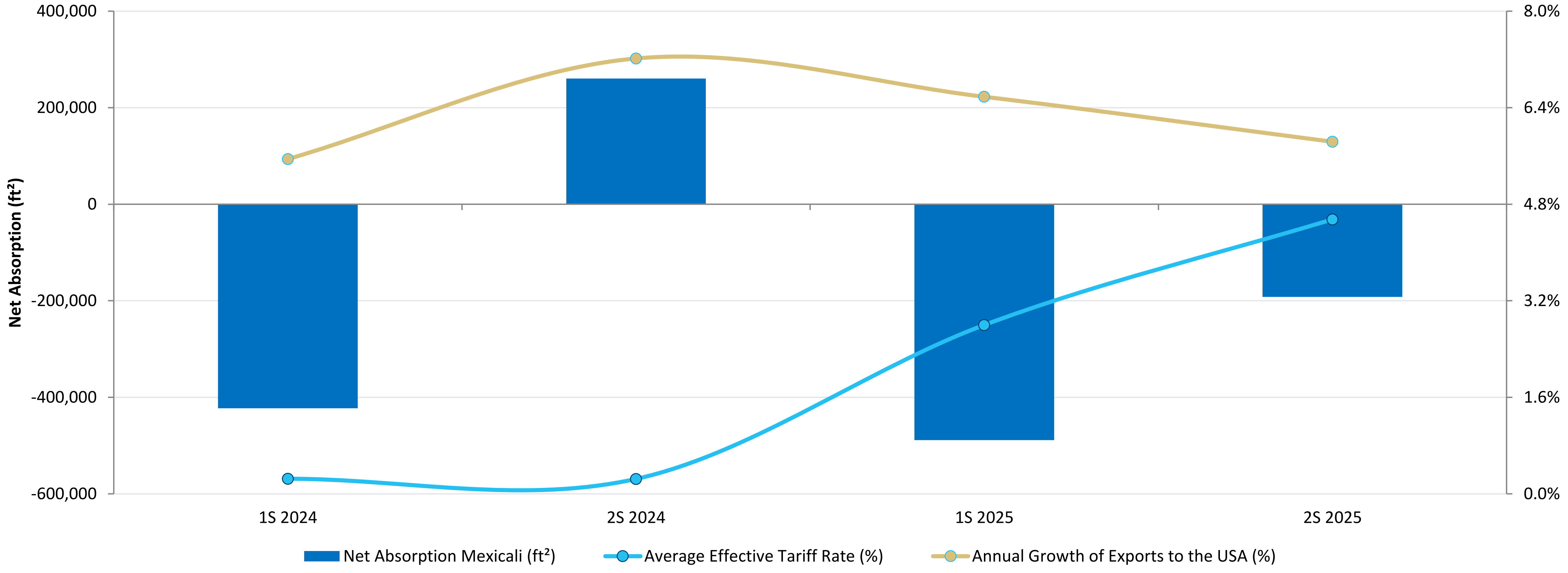
01

Economy

Foreign Trade

Net absorption remained negative between the first half of 2024 and the second half of 2025, with a brief rebound in the second half of 2024 and a subsequent contraction in the first half of 2025, reflecting that companies prioritize the use of existing installed capacity over expanding space; this behavior occurs in a context of a gradual increase in the effective rate of tariffs on exports to the United States and export growth that remains positive but is slowing, indicating that export dynamism persists, although under greater uncertainty and with more cautious occupancy decisions by entrepreneurs.

Tariffs, Exports to U.S & Industrial activity in Mexicali

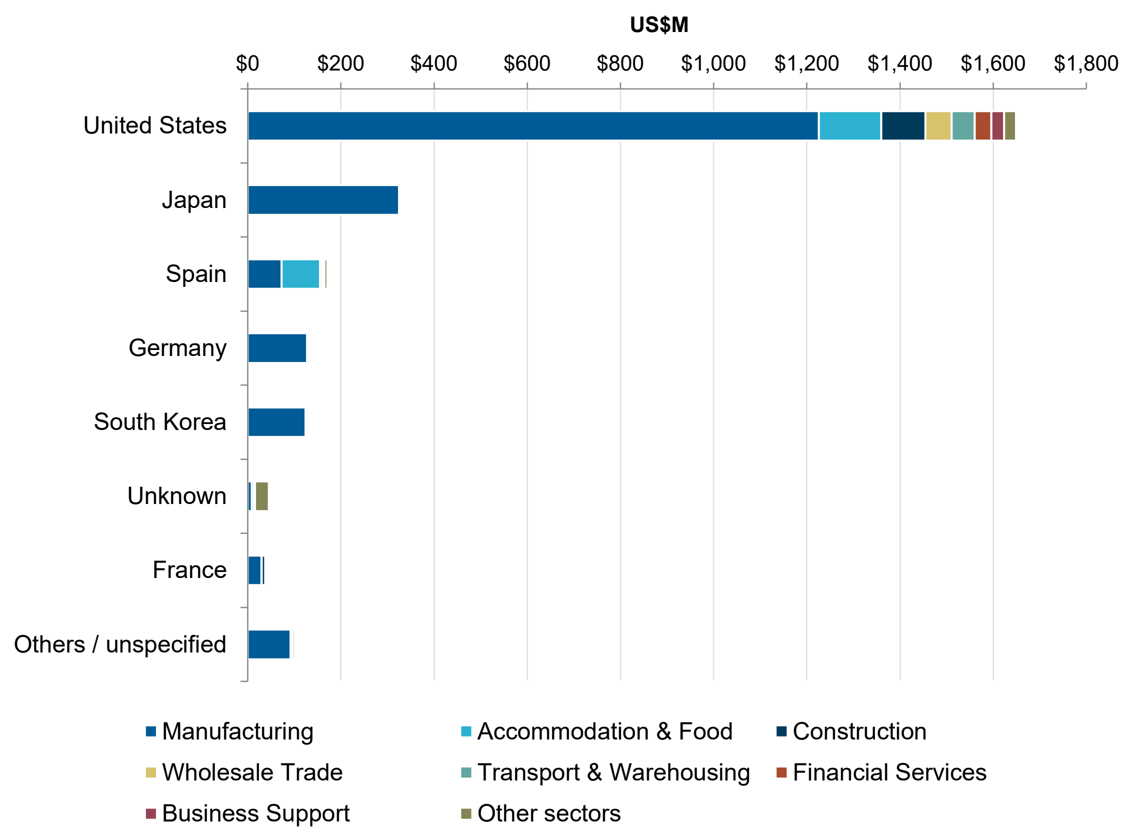


Source: Newmark Research

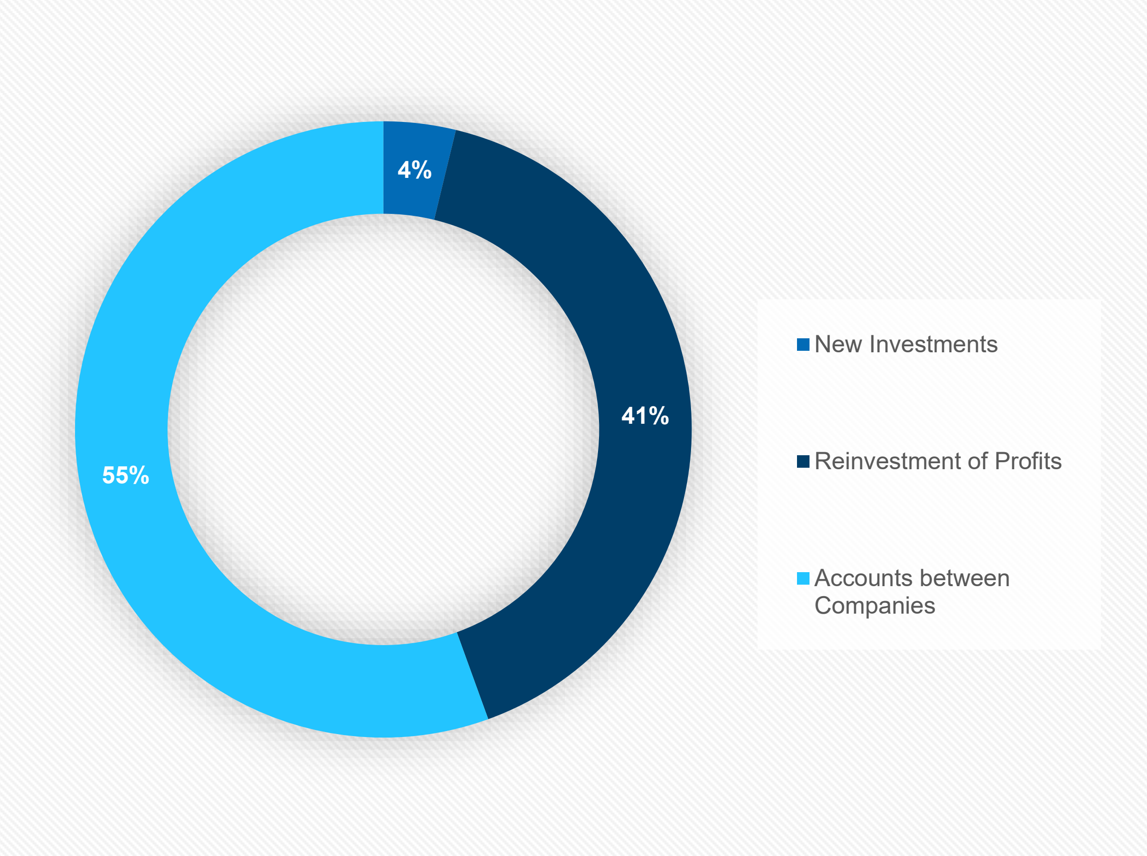
Foreign Direct Investment

Baja California is consolidating its position as the 4th largest recipient of FDI in the country, with a structure heavily concentrated in US and Japanese capital focused on manufacturing industries, where reinvestment of profits and intercompany accounts predominate over new investment, with long-term operations and incremental expansion processes rather than greenfield projects.

FDI by country grouped by main sectors | Baja California - 4th place nationally



Components of registered FDI

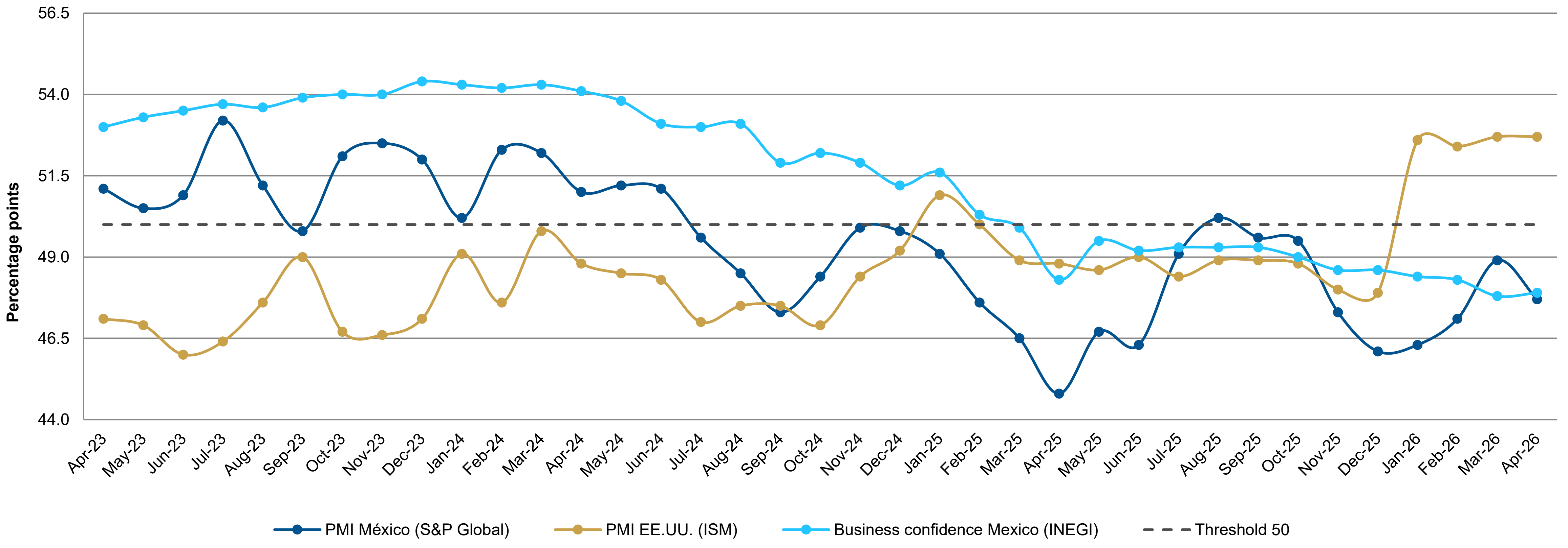


Source: Newmark Research & Bureau of Labor Statistics (BLS).

Manufacturing Sector & Business Confidence

The trajectory of the manufacturing PMIs for Mexico and the United States, which remain around the 50-point threshold, along with the gradual decline in business confidence in Mexico, suggests an environment of still relevant but less vigorous external demand and a more cautious business sector; this combination tends to moderate capacity expansion plans, delay investment decisions in new facilities, and limit net absorption, so that the market moves from a phase of strong growth driven by orders and nearshoring to a more selective stage, where only a few projects manage to materialize and sustain occupancy levels.

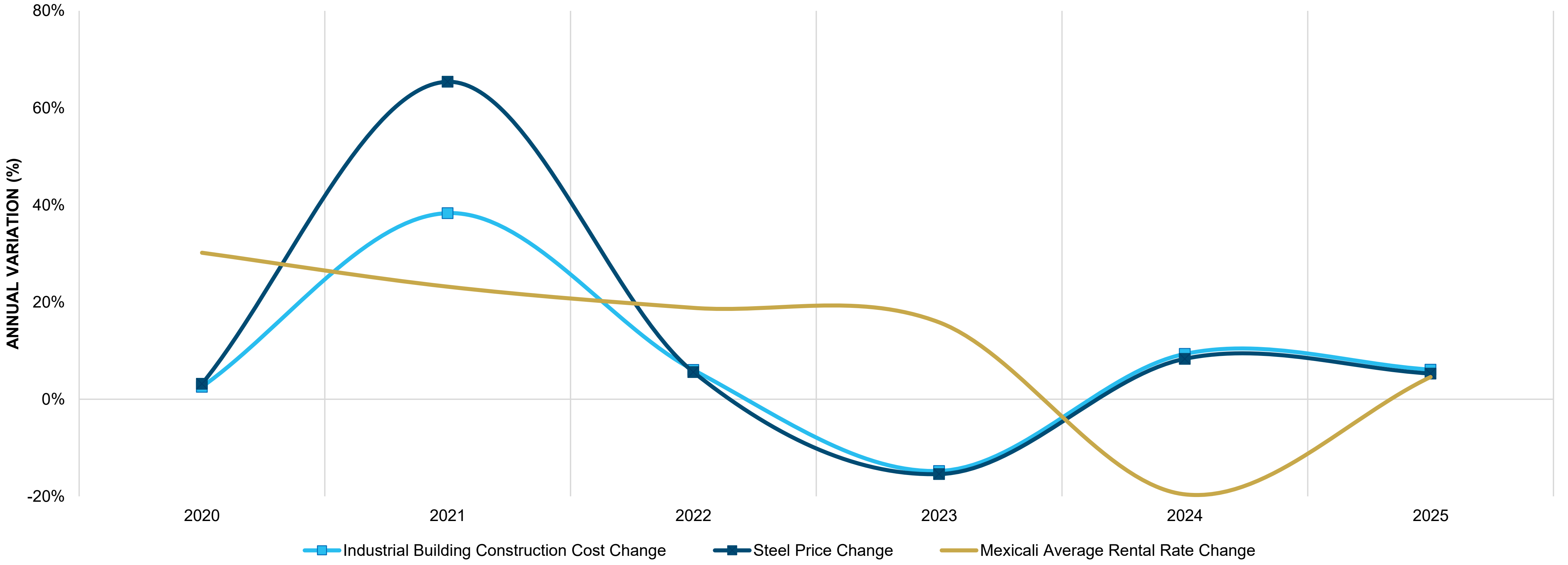
Manufacturing indicators: Mexico vs. the U.S.



Construction Cost Cycles and Industrial Rents

Between 2020 and 2025, the construction costs of industrial buildings show a very marked cycle; they skyrocket along with the price of steel in 2021, correct sharply to negative numbers in 2023, and grow moderately again in 2024-2025, while rents follow a much smoother and lagging pattern, with moderate increases at the beginning of the period, a drop between 2023 and 2024, and an incipient recovery in 2025. This indicates that developers have faced high-cost volatility that they have not always been able to pass on immediately to rental prices, putting pressure on margins and forcing a more selective strategy in new projects.

Construction Costs and Industrial Rents: Annual Variation

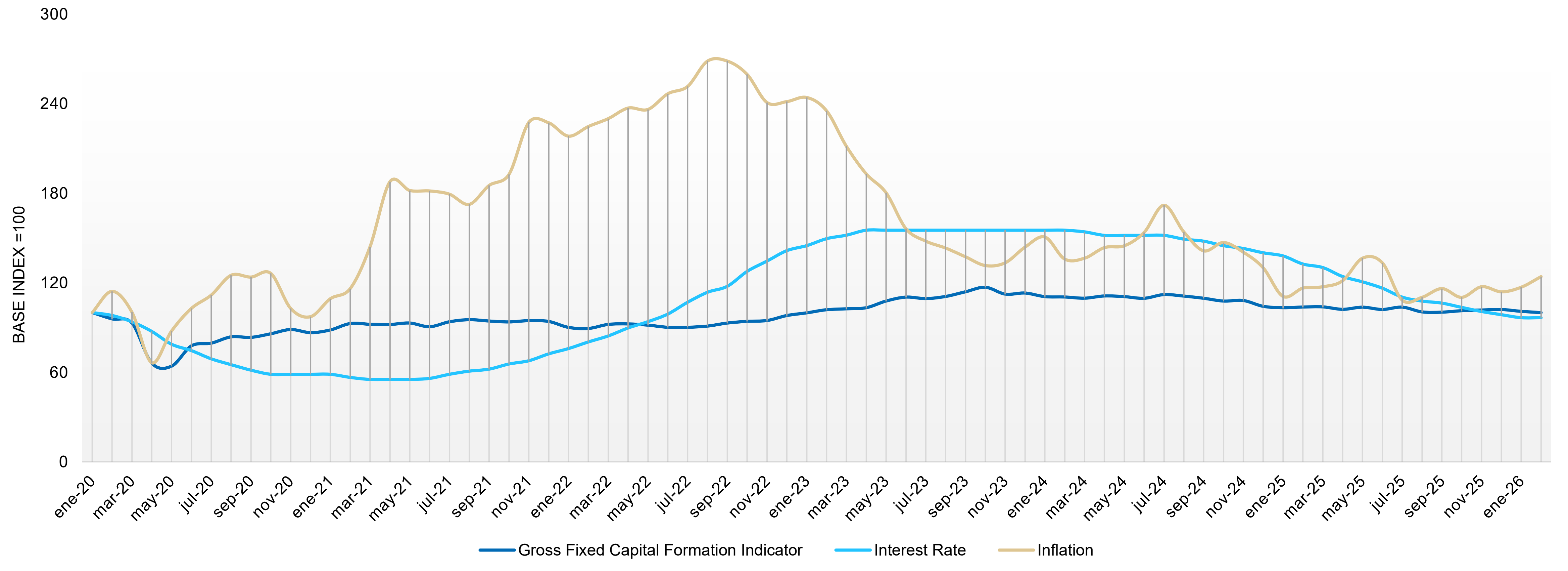


Source: Newmark Research

Investment Amid Mexico's Interest Rate and Inflation Cycle

Following the peak of inflation in 2021–2022 and the upward cycle of interest rates, fixed investment (gross fixed capital formation) lags and only begins to strengthen once inflation moderates and rates stabilize. This implies that the financial cost and price environment conditions the pace at which industrial companies are encouraged to initiate or expand capital projects. In a context of high inflation and high rates, industrial developments, plant expansions, and new buildings tend to become more expensive or be postponed, while a disinflationary scenario with more stable rates favors the financial viability of new industrial projects and, therefore, a greater flow of investment towards assets such as industrial parks and buildings.

Investment Pulse and Monetary Conditions



Source: Newmark Research

02

Leasing Market Fundamentals

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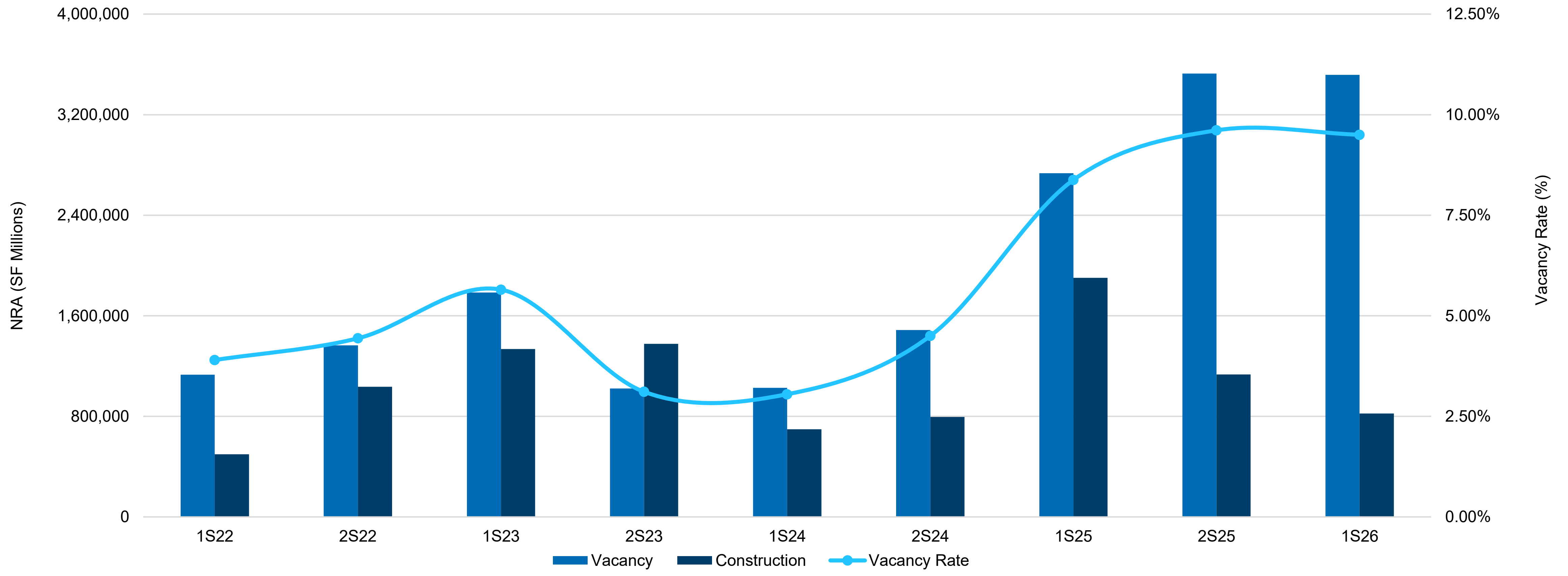
Vacancy Dynamics and New Supply

In addition to rising vacancy levels, there is a product mismatch. There is unmet demand for larger industrial facilities to consolidate operations, whereas a significant portion of available inventory consists of small- to medium-sized units that do not meet these requirements. Some of the occupied space is taken up under short-term, small-footprint lease arrangements, causing spaces to fill and empty rapidly without generating stable occupancy. Against this backdrop, the rise in vacancy reflects not only an oversupply cycle but also a functional mismatch: while built space exists, it lacks the format, size, and quality required by certain users, forcing developers to rethink their projects if they wish to capture long-term demand.

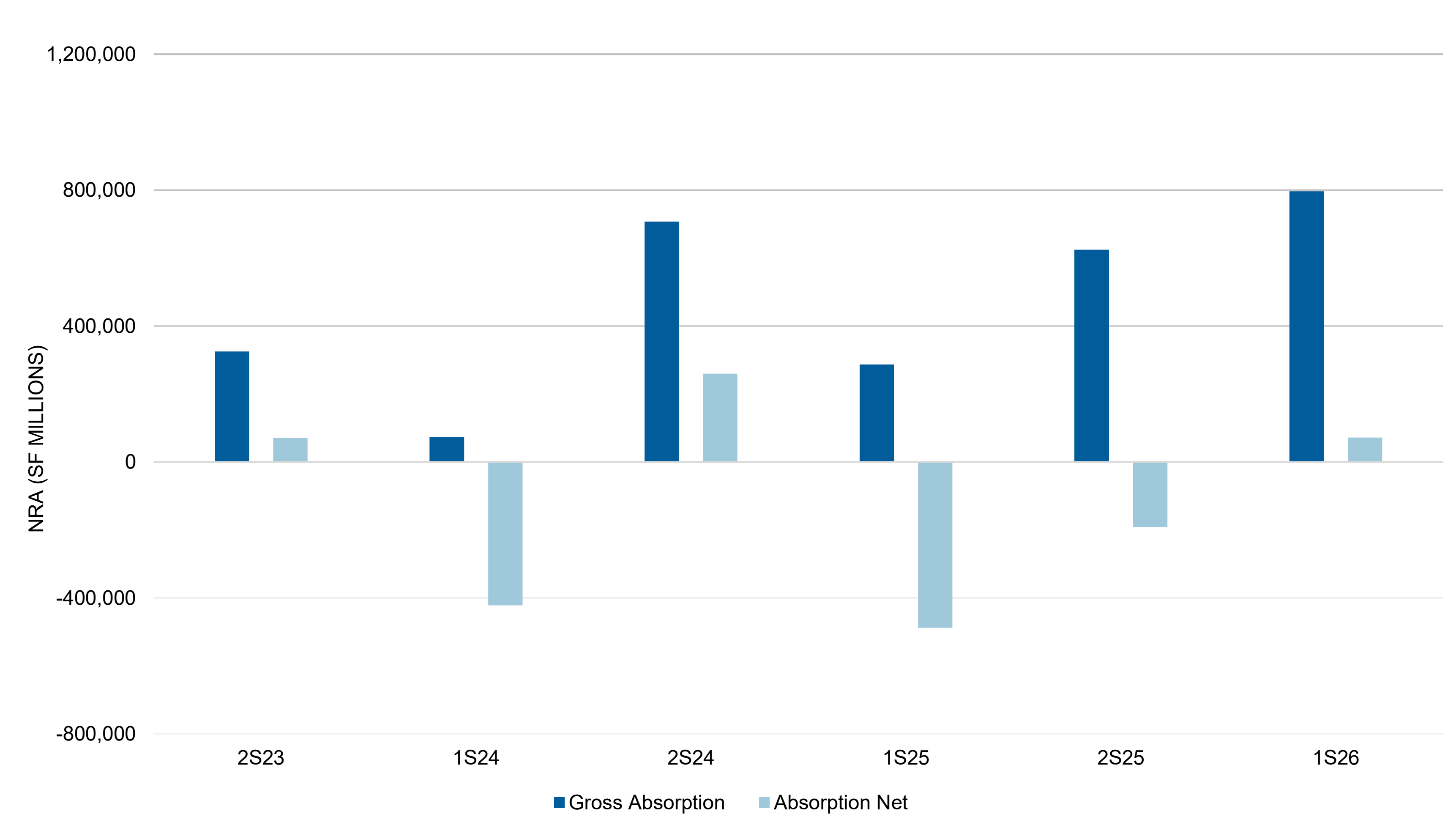
Available Space, Under Construction & Vacancy Rate



Source: Newmark Research

Contrast Between Gross & Net Absorption

Net and Gross Absorptions (sf)



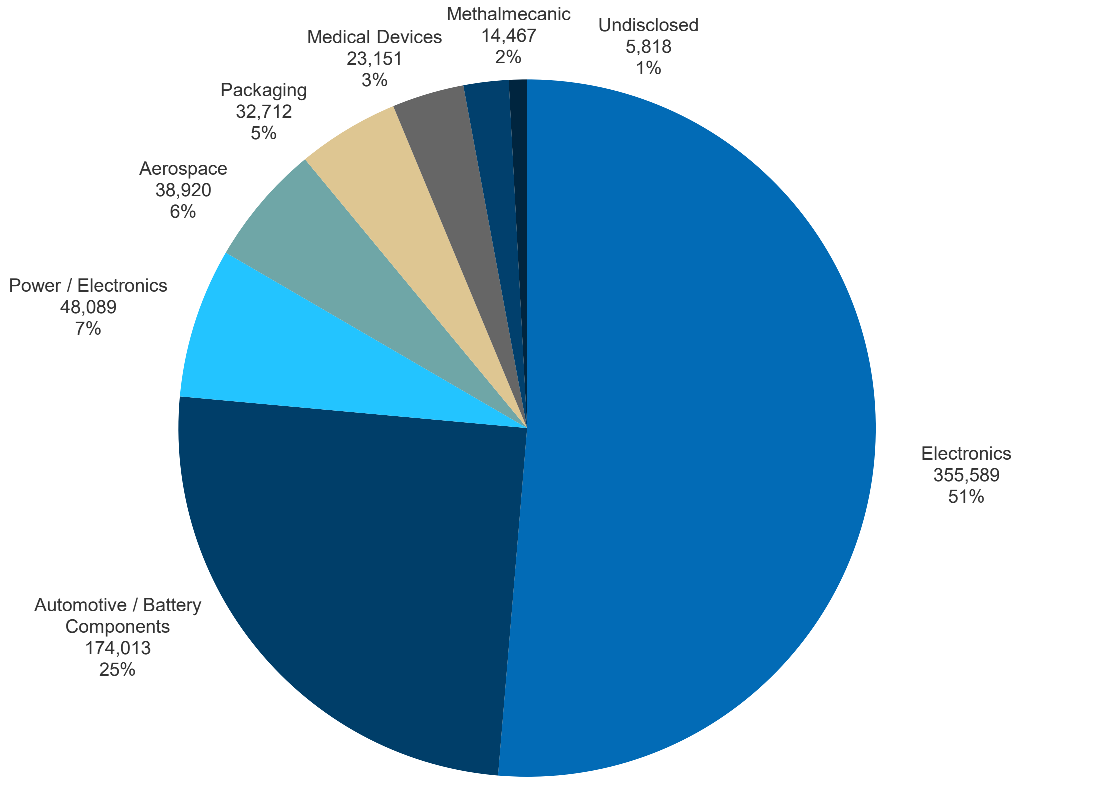
Source: Newmark Research

- Between the second half of 2023 and the first half of 2026, the industrial market showed a clear transition from a phase of strong expansion to a stabilization environment. Gross absorption remained positive, reflecting steady activity in new occupancies and expansions; however, the peak levels observed in 2022 were not repeated, indicating a normalization of the pace of demand after that year's highs.
- Net absorption shows a more pronounced adjustment: it weakened throughout 2023 and turned negative in the first half of 2024 and 2025, in line with consolidation moves and tenant exits that partially offset new entries. Closures and reductions in space, such as those by Traxion, PIMS, AE Petsche, LG Electronics, RAM Technologies, Masterwork Electronics, KLG Plastics, and Hanger, stand out, increasing available space even amidst ongoing occupancy activity.
- For 1S26, net absorption returned slightly to positive territory, suggesting the market is beginning to rebalance. The combination of still-healthy gross absorption with moderate net growth, along with new occupancies and expansions by companies such as Baumann, Valtrek, LG Electronics, Dongwon, Power Exchange Solutions, and Sonaca, points to a more selective and efficiency-oriented demand environment, where new projects continue but are subject to higher turnover.

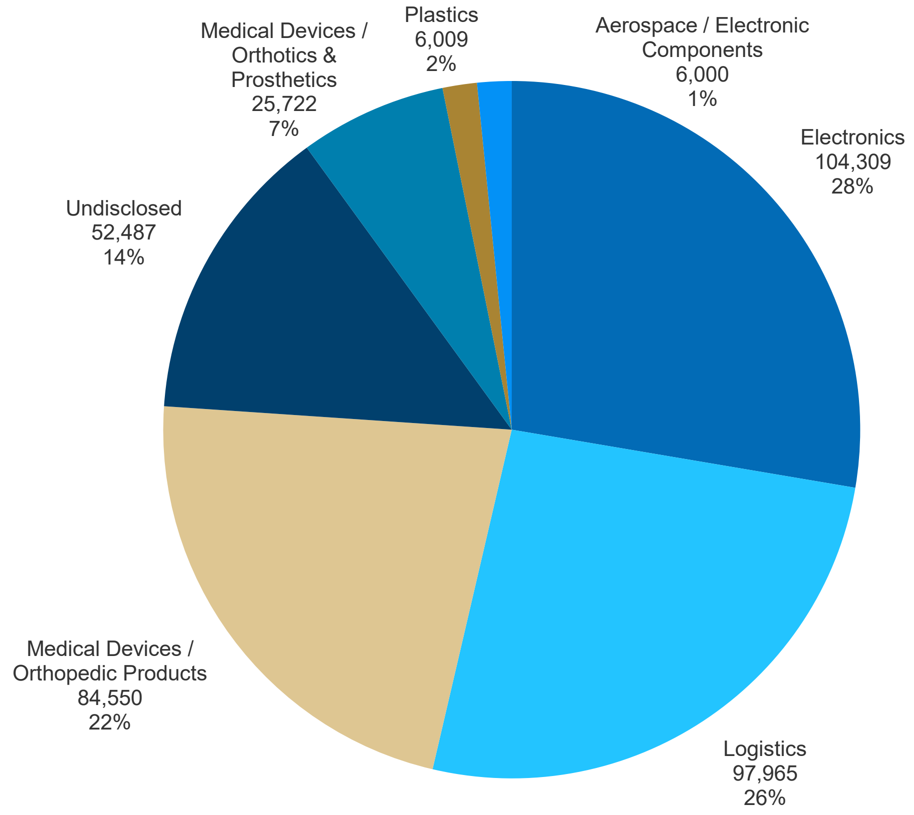
Vacancy & Occupancy Dynamics in the Market

The industrial market structure shows a strong concentration in high value-added activities, with electronics and automotive components accounting for two-thirds of the occupied space. So far this year, a significant shift in demand has been observed. While electronics maintains a substantial share, recent absorption has moved toward logistics and medical devices, which account for a significant proportion of newly leased square footage. This suggests that, although the installed base remains heavily reliant on electronics and automotive manufacturing, growth is being driven by supply chains, e-commerce, and medtech, introducing positive sectoral diversification.

Industrial Space Occupancy by Sector | 1S 2026 *(sf)*



Industrial Space Vacated by Sector | 1S 2026 *(sf)*

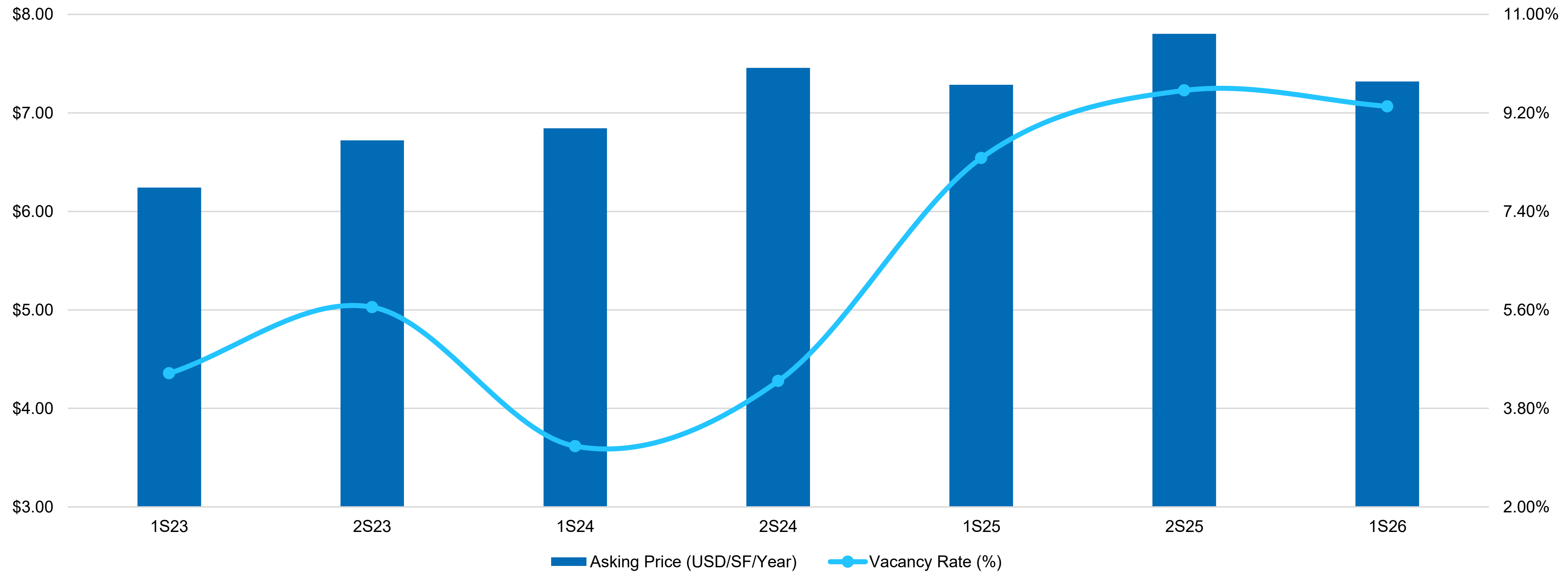


Source: Newmark Research & Bureau of Labor Statistics (BLS).

Rent Adjustment Amid Rising Vacancy

Between the first half of 2023 and the first half of 2026, asking rents in Mexicali rise to a peak around the second half of 2025 before undergoing a slight downward adjustment, coinciding with a rise in the vacancy rate from low levels to a range near 10%. This trend reflects two phases: initially, several quarters of upward pressure driven by nearshoring, high construction costs, and a shortage of Class A facilities pushed rents to high levels. Subsequently, as speculative projects are completed and vacancy rises in border markets, absorption moderates and some companies postpone expansions due to uncertainty; meanwhile, landlords begin to offer more flexible pricing and incentives to compete for tenants, causing asking rents to stop rising and show marginal declines leading into the first half of 2026.

Lease Rates and Vacancy Rate



Source: Newmark Research

Mexicali Statistics 1S26

Statistics

	Inventory (million SF)	Construction (SF)	Vacancy (SF)	Vacancy Rate	Gross Absorption (SF)	Net Absorption (SF)	Asking Lease Rate (USD/SF/Year)	Construction Asking Rent (USD/SF/Year)
Mexicali	36.9	822,723	3,517,435	9.5%	796,578	71,922	$7.32	$7.80

Upcoming Buildings in Mexicali

Building	Developer	Type	ft²
Stone Building	IAMSA Development Group	Spec	241,757
N28	Grupo Maran	BTS	119,996
Pargo Building	IAMSA Development Group	Spec	181,566
Nave II	Grupo Metalco	Spec	93,937
N3 Industrial Warehouse	Grupo Cadena	Spec	39,611
(Edificio 8/9C)	PIMSA Industrial Developers	Spec	45,284
Nave 3	PIMSA Industrial Developers	Spec	111,622
Nave 4	PIMSA Industrial Developers	Spec	111,622
Terra	IAMSA Development Group	Spec	181,555
N26	Grupo Maran	Spec	172,201
Ventus	IAMSA Development Group	Spec	119,178

Fuente: Newmark Research

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.