



NEWMARK

Tijuana:
Industrial Market

2Q26

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Market Analysis



Economy

- At the state level, Baja California remains among the top states in the country for attracting foreign direct investment, with flows primarily focused on manufacturing (automotive, electronics, and medical devices). The state's profile is dominated by reinvestment from existing companies over new projects, reflecting confidence in the existing production platform but also a more cautious approach from investors following the projected decline in FDI in 2025.
- This performance coincides with the net closure of 880 companies in 2025, which brought the number of employers registered with the Mexican Social Security Institute (IMSS) to its lowest level since 2018. This highlights an environment of high business mortality and a widening gap between large exporting corporations and a network of micro and small businesses that is more vulnerable to cost and regulatory shocks.



Major Transactions

- Lease agreements finalized in the second quarter of 2026 were concentrated among a few key tenants, led by Daikin Applied Americas, which secured 704,816 square feet of new leased space. This volume is supplemented by 105,523 square feet leased by Tamura, 88,000 square feet occupied by Turbotec, and 245,244 square feet taken by an electronics company.
- Collectively, these transactions define a demand profile dominated by advanced manufacturing and electronics.



Leasing Market Fundamentals

	Current Quarter	Prior Quarter	One Year Ago	12-month Forecast
Total Inventory (SF)	92.5 M	90.6 M	86.6 M	↑
Vacancy Rate	11.3%	10.7%	6.8%	↓
Gross Absorption (SF)	1,677,094	755,006	245,853	↑
Net Absorption (SF)	-215,335	-1,125,624	-459,959	↓
Asking Rate (USD/SF/year)	\$9.45	\$9.42	\$9.32	↑
Construction (SF)	4,351,952	4,100,001	5,878,150	↑

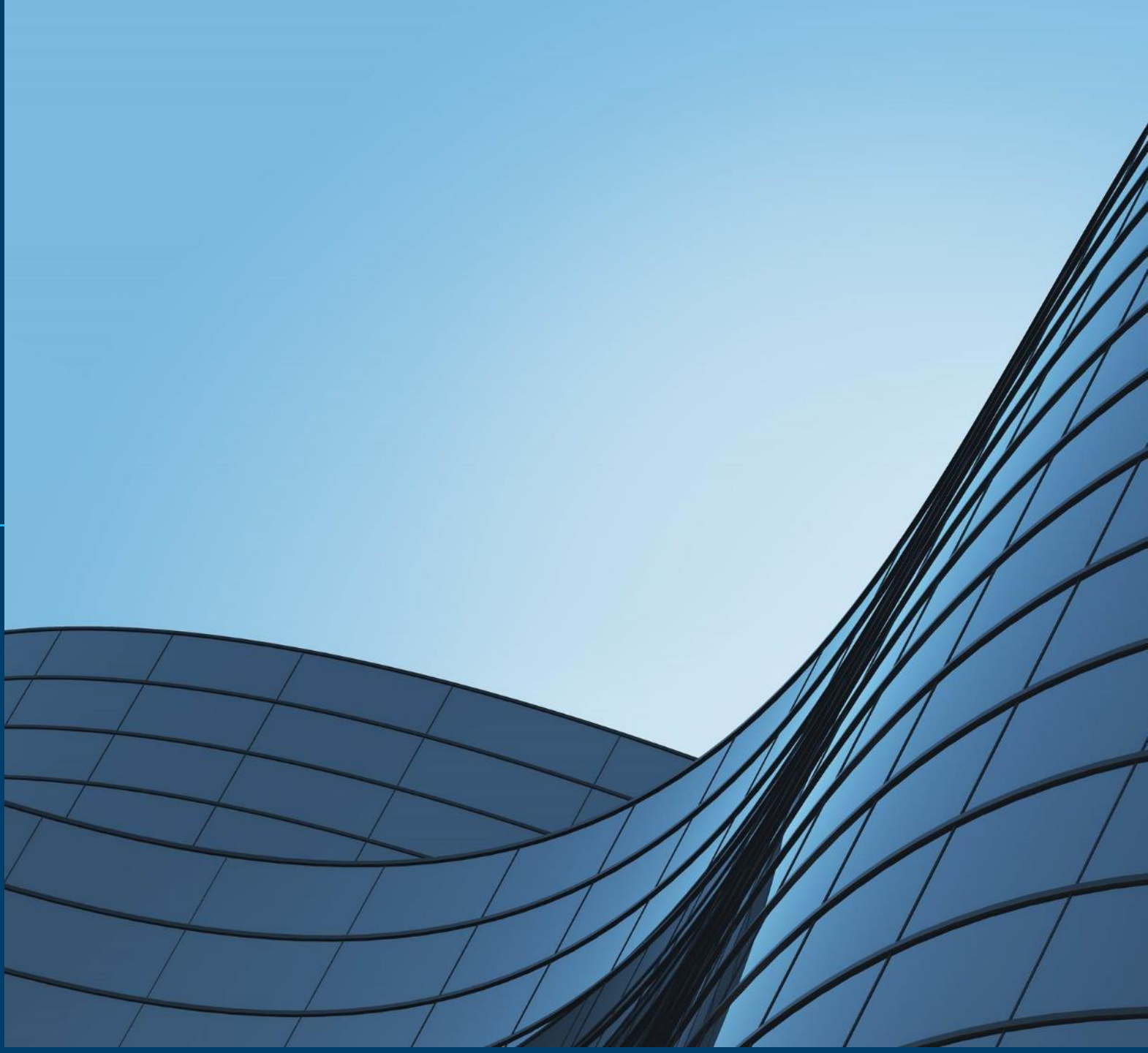


Outlook

- Tijuana's outlook for the coming months points to moderate and more selective growth, where the city combines a solid industrial sector with macroeconomic conditions and confidence that temper the pace of expansion. In the first months of 2026, Baja California once again ranked among the top four states in the country in generating new formal jobs and maintained a high level of foreign direct investment, while Tijuana is reported to have sufficient energy capacity to absorb approximately \$1.35 billion in new industrial developments already identified for 2026 and 2027.
- However, the current economic and industrial environment necessitates a slower adjustment in the labor market and consumption. The combination of already committed industrial expansion projects, a more active public-private agenda regarding security and regulatory improvement, and the wave of nearshoring projects nationwide puts Tijuana in a position of opportunity to trigger a new growth cycle.

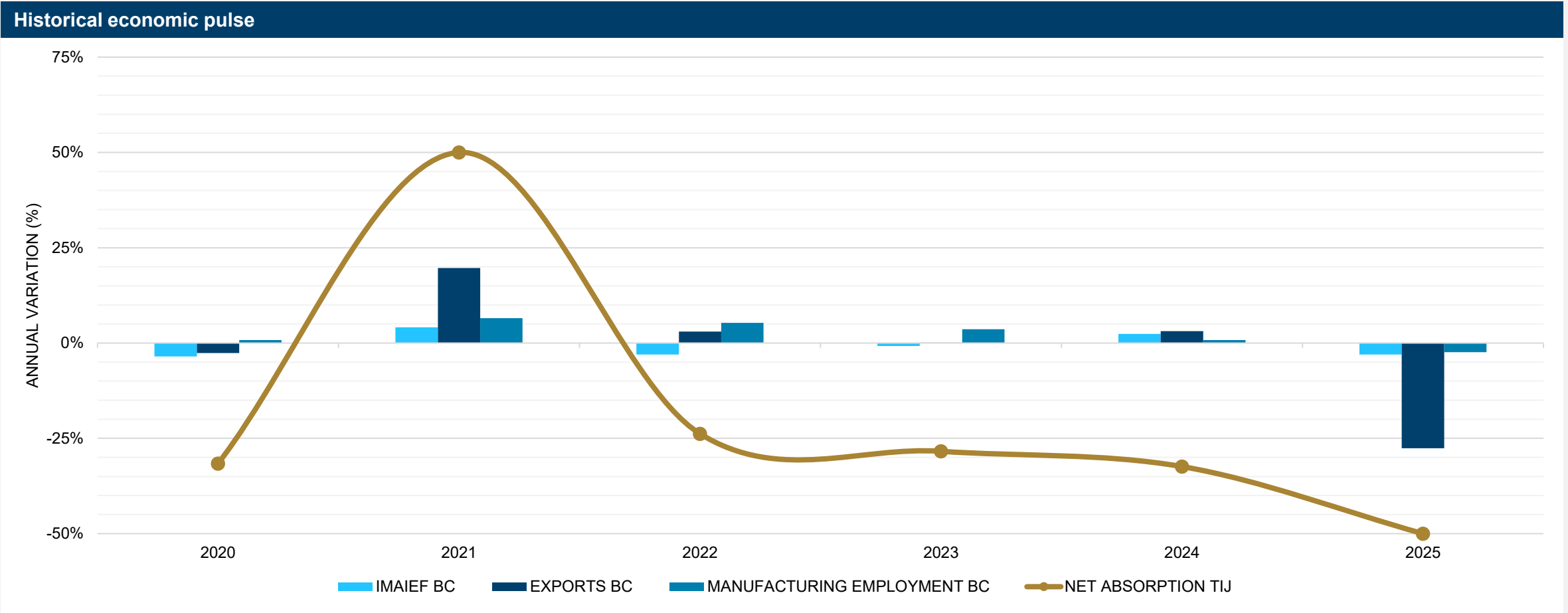
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Economy



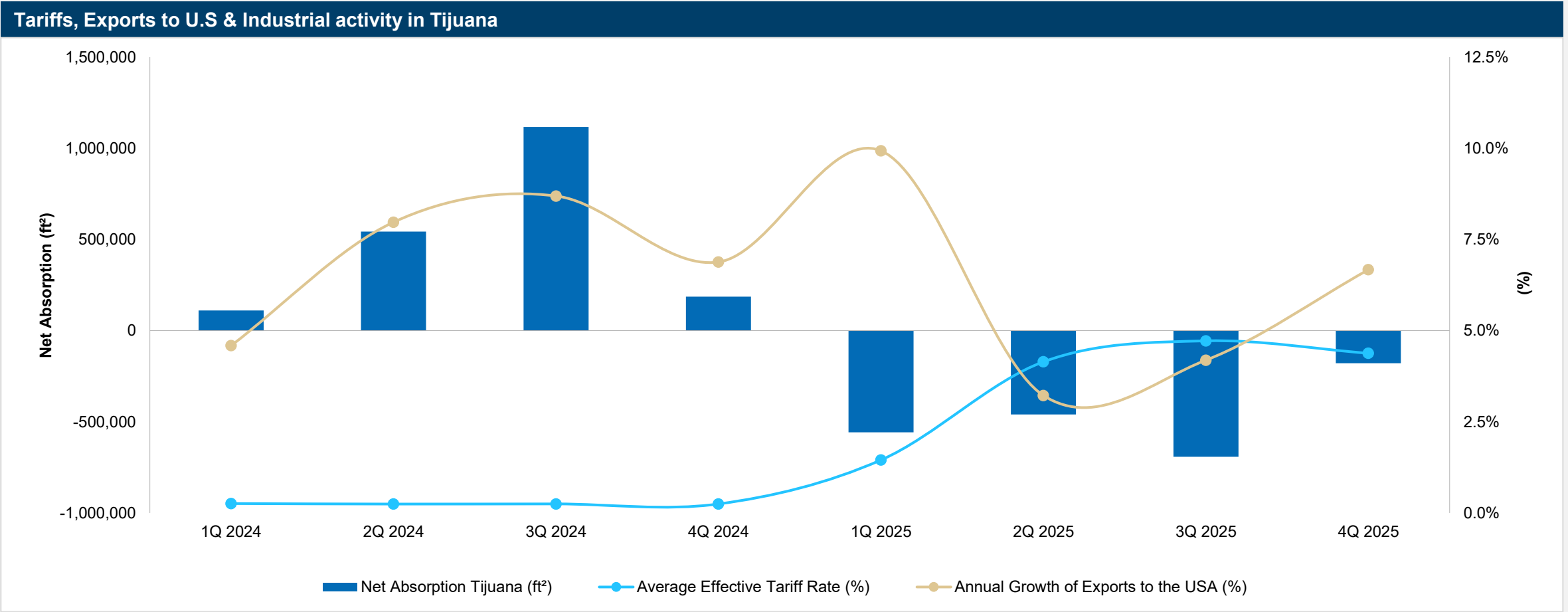
Economic and Industrial Slowdown

As the IMAIEF slows, the need for new lines and ships decreases; the contraction of exports limits contracts and volumes directed abroad, leading many companies to consolidate operations and return space; and the stagnation or adjustment of manufacturing employment indicates that a smaller proportion of installed capacity is in use, so companies concentrate activities on the already installed surface instead of expanding, which translates into fewer expansions, more vacancies and, finally, a negative net absorption in the Tijuana market.



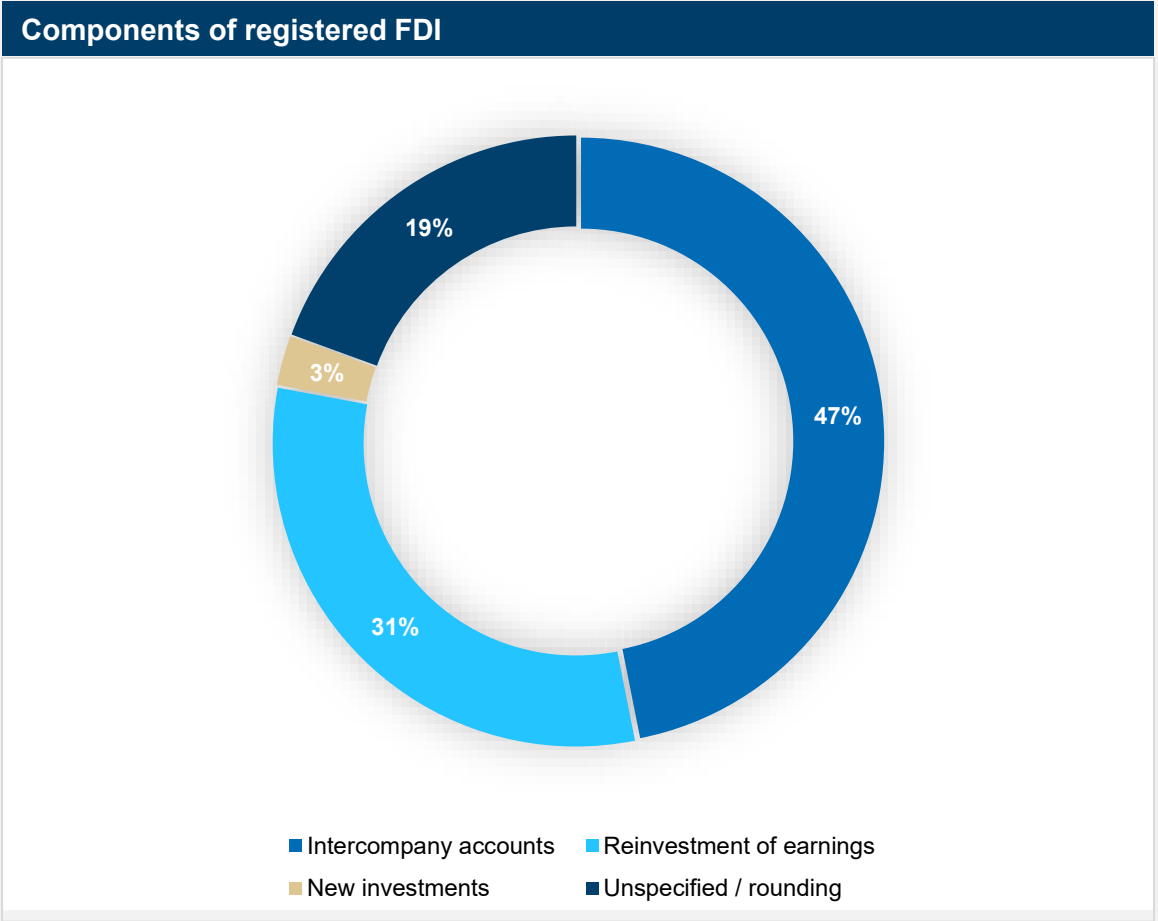
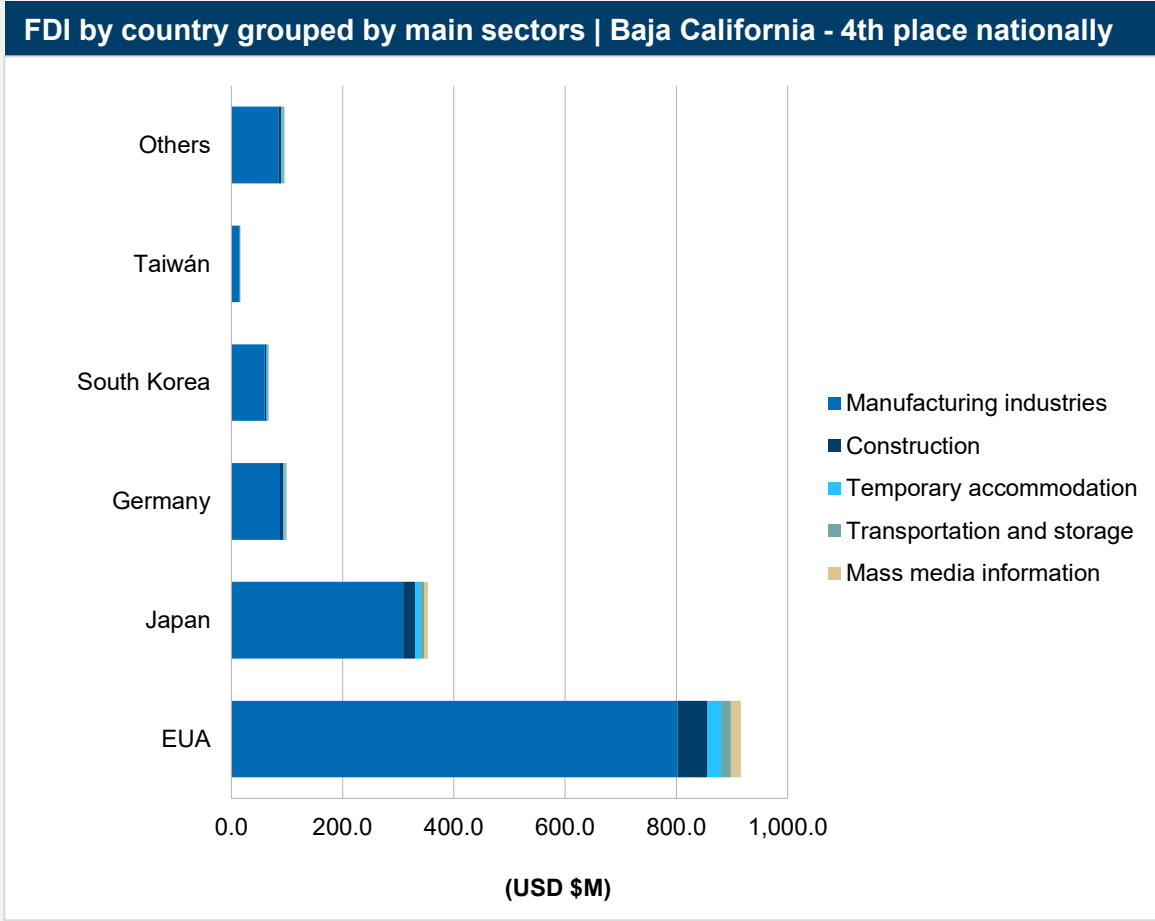
Foreign Trade

In 2024, positive net absorption is supported by a context of strong expansion of Mexican exports to the United States and a still low effective tariff rate, which reinforces the region's competitiveness and sustains the entry of new tenants and expansions; however, from 2025 onwards, the abrupt drop in net absorption, along with a higher average tariff burden on trade and a moderation of export growth, indicates that the initial impetus of nearshoring is normalizing, so the industrial market becomes more demanding: Demand decreases, spaces become free, and companies moderate their expansion plans, either because some leave the market or because they opt to sublet part of their facilities.



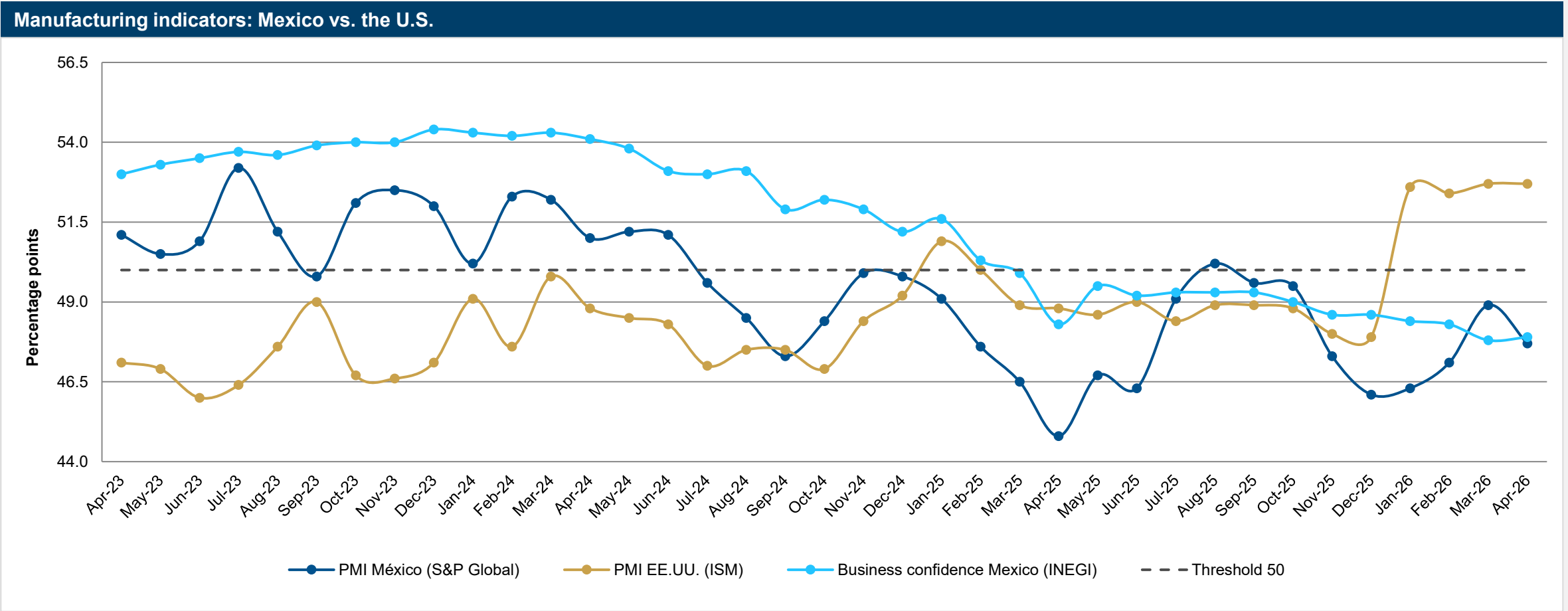
Foreign Direct Investment

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.



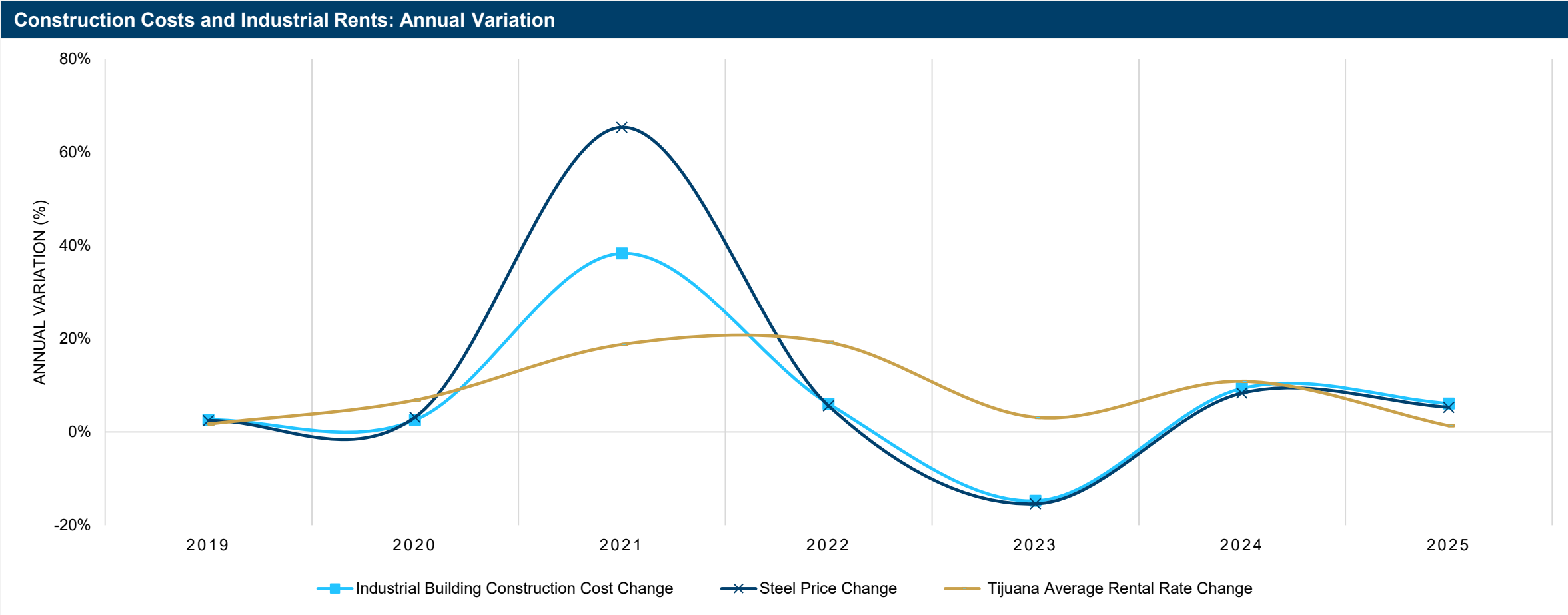
Manufacturing Sector & Business Confidence

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.



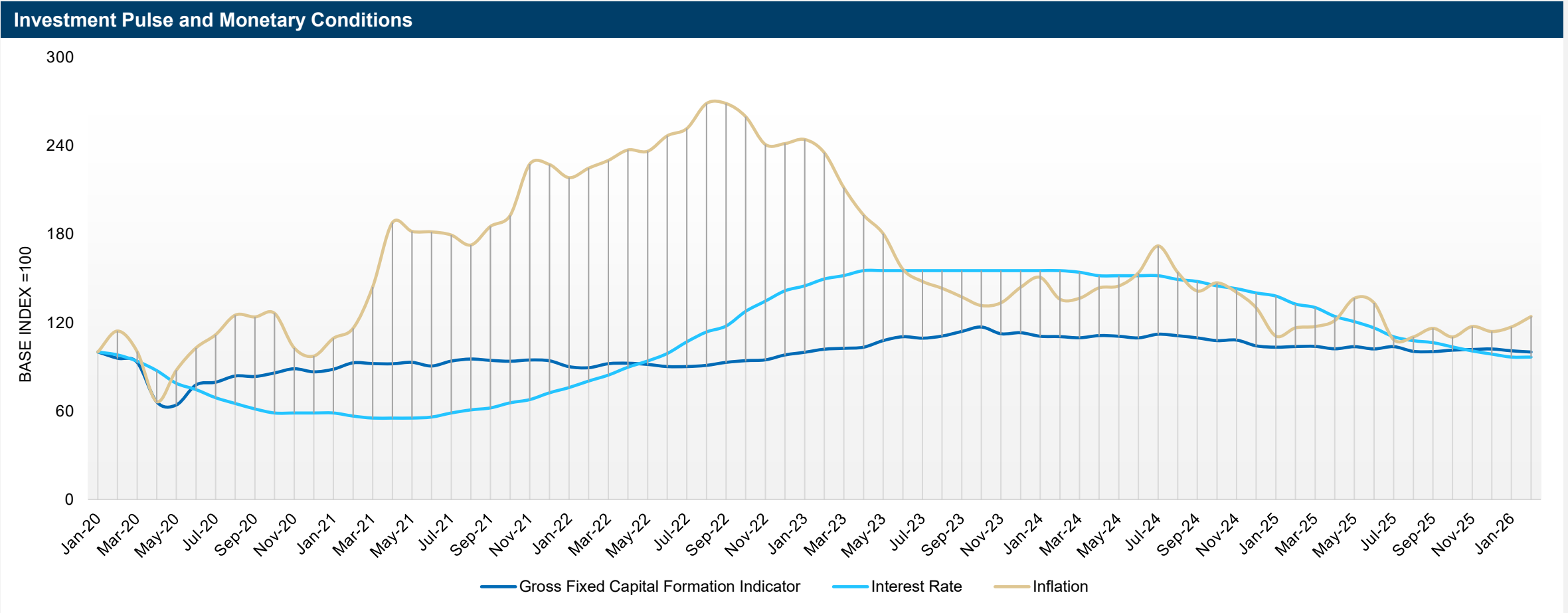
Construction Cost Cycles and Industrial Rents

The high volatility of construction and steel costs, with a very marked peak in 2021 and a subsequent decline, contrasts with the more gradual adjustment of industrial rents at the national level and in Tijuana; this shows that the main challenge for developers has been the timing of their project starts, since projects launched at peak costs saw their profitability pressured, while later projects benefit from more contained costs and rising rents.



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.





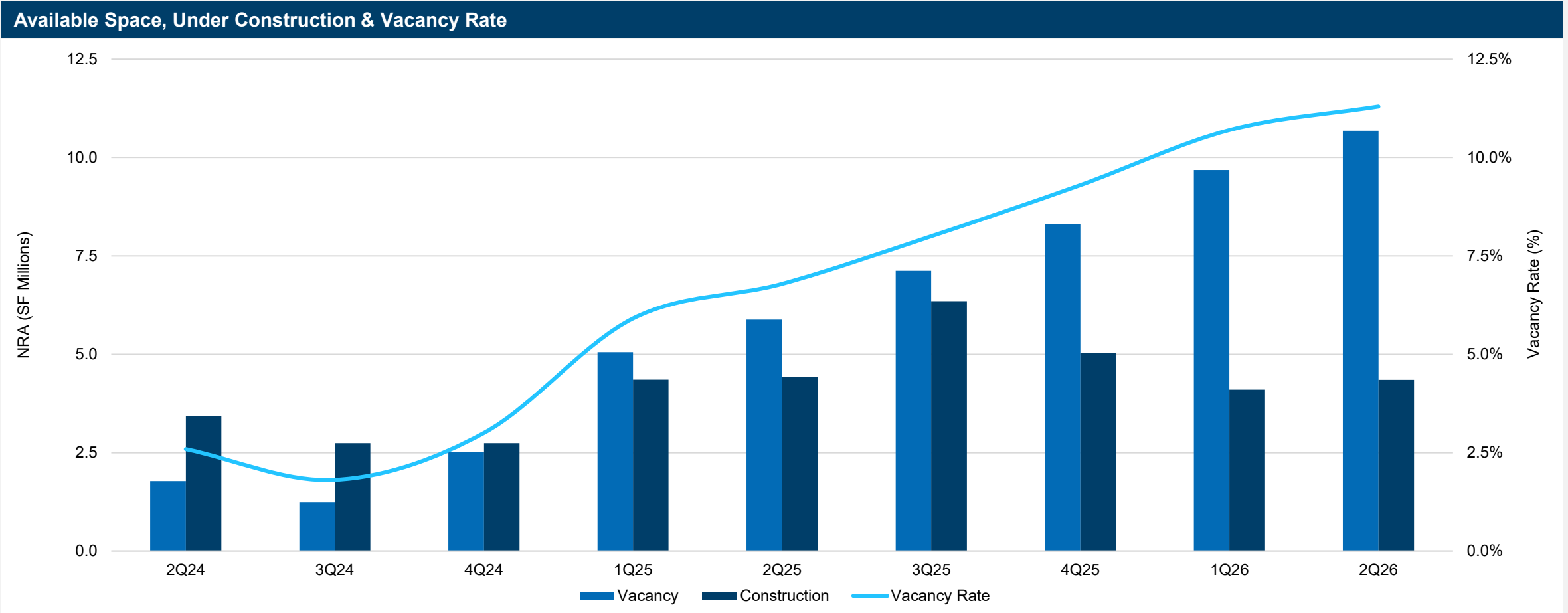
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Leasing Market Fundamentals

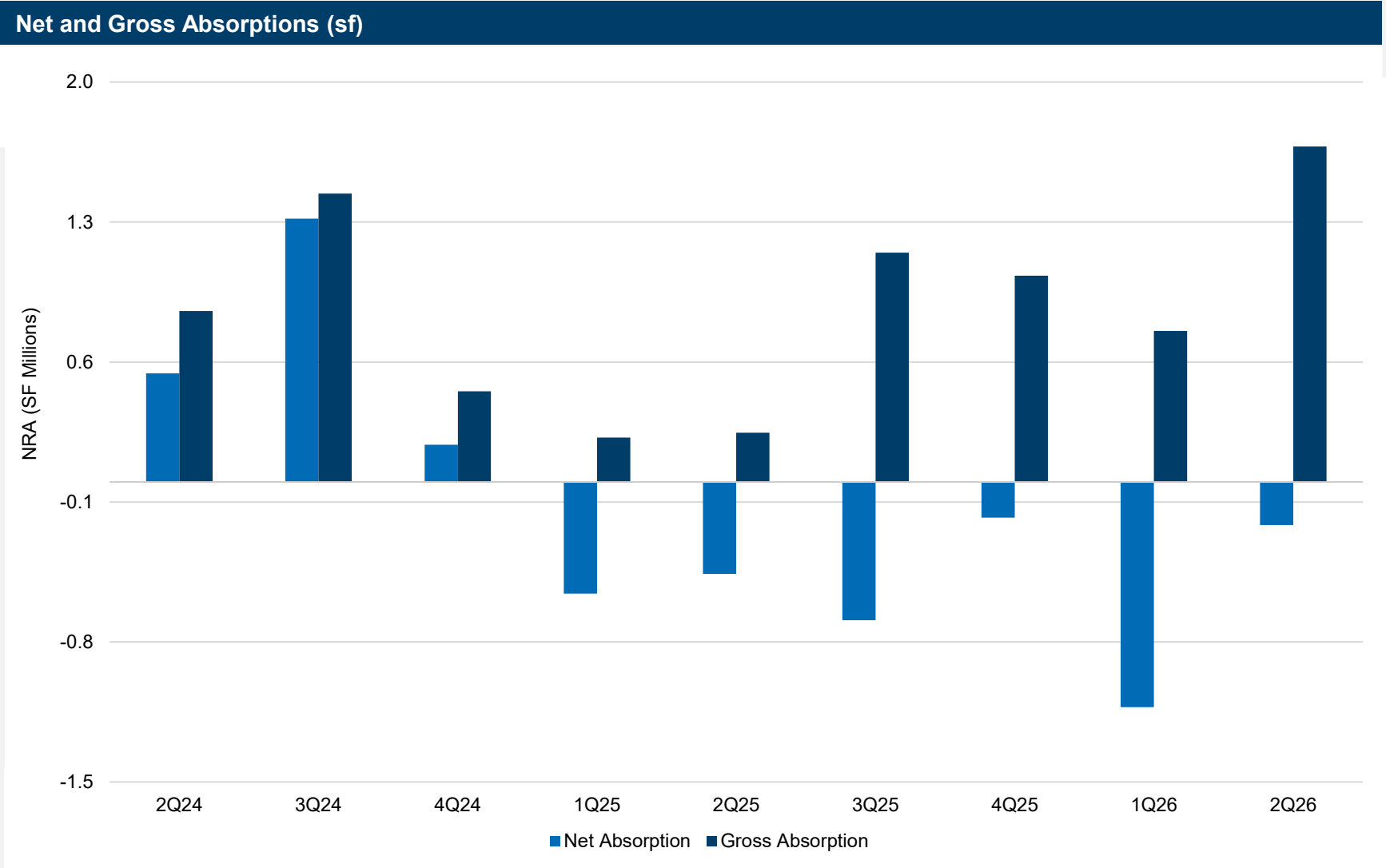
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Available Capacity in Industrial Transition

The increase in vacancy rates and construction activity reflects the market's absorption of companies' strategic shifts; they are moving from growth in space to growth in productivity. The new supply of vacant space comes from decisions made at the peak of nearshoring; while subletting and the release of space respond to adjustments in supply chains and relocation between markets. In this environment, the upward pressure on availability rates does not imply a drop in demand, but rather a more demanding filter: peripheral locations are penalized, while projects with better logistical access, infrastructure, and the capacity to adapt to more automated processes are favored.



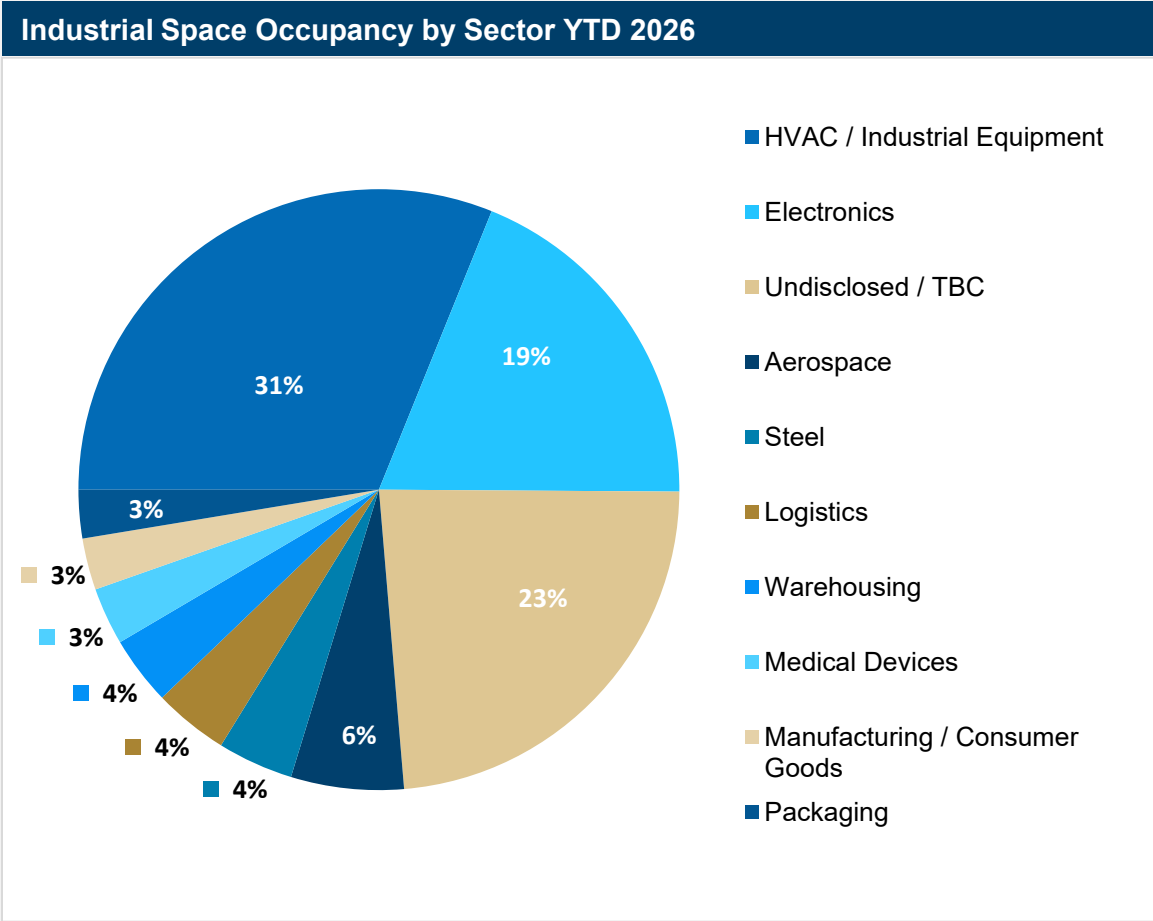
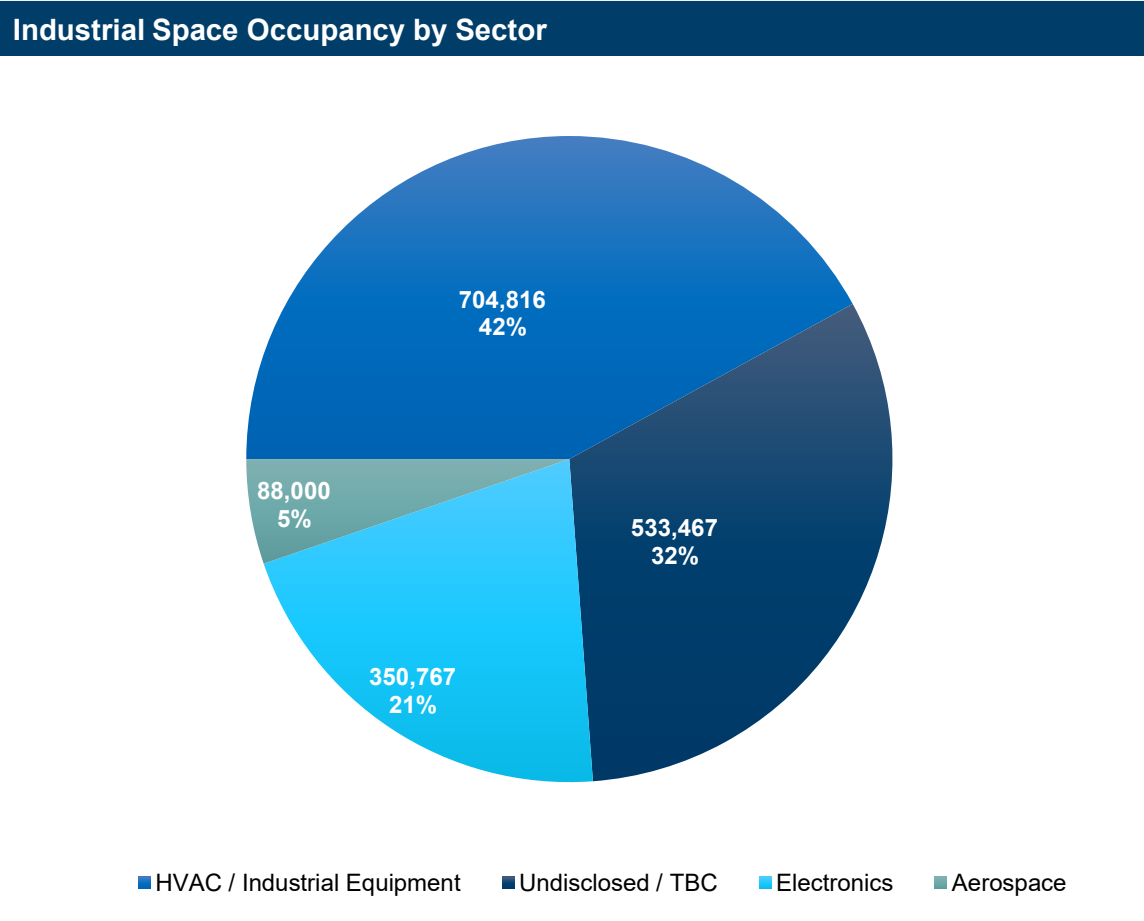
Gross and Net Absorption Trends



- A significant concentration of leased space is evident, led by two transactions involving Daikin Applied Americas; together, these total approximately 704,816 sq. ft. and drive a high level of gross absorption, reflecting expansion and consolidation decisions by major corporations. This volume is supplemented by 105,523 sq. ft. occupied by Tamura and 88,000 sq. ft. taken by Turbotec, reinforcing the prominence of advanced manufacturing and electronics within the total absorption figures and confirming the active role of large enterprises in the demand for industrial space.
- A 245,244 sq. ft. lease by an electronics sector user rounds out the quarter's absorption profile, cementing this segment as a key driver of industrial occupancy. However, net absorption is tempered by the simultaneous addition of vacant space to the inventory; this rise in availability hinders positive net absorption growth—a trend exacerbated by small and medium-sized enterprises vacating space as they downsize or reorganize operations through subleasing or the closure of production lines.

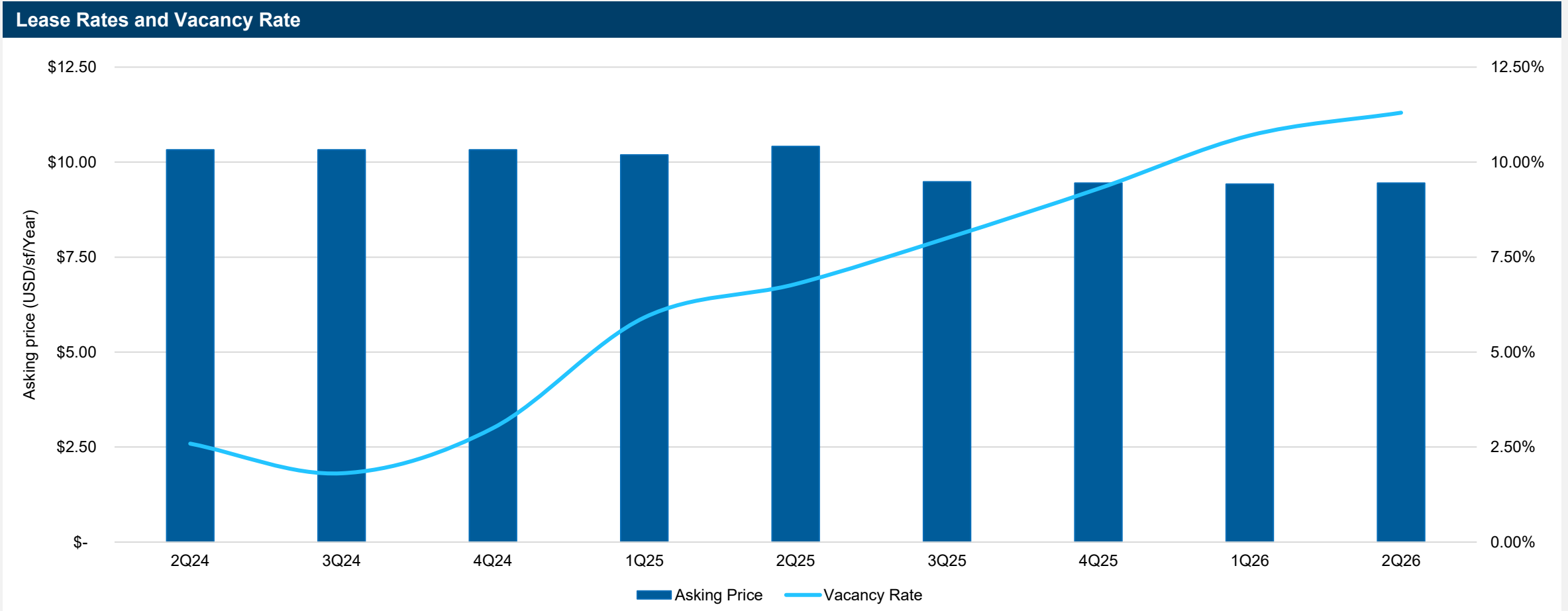
Occupancy Dynamics in the Market

Industrial occupancy remains concentrated yet is gradually shifting toward diversification. Technology equipment and electronics sectors continue to account for the largest share of space, keeping the market closely tied to capital-intensive, export-oriented manufacturing supply chains. At the same time, the entry of aerospace, medical device, logistics, consumer goods, and packaging sectors is broadening the tenant base, raising facility specification requirements, and adding a more defensive, stable source of demand that helps cushion vacancy rates when heavy manufacturing slows down.



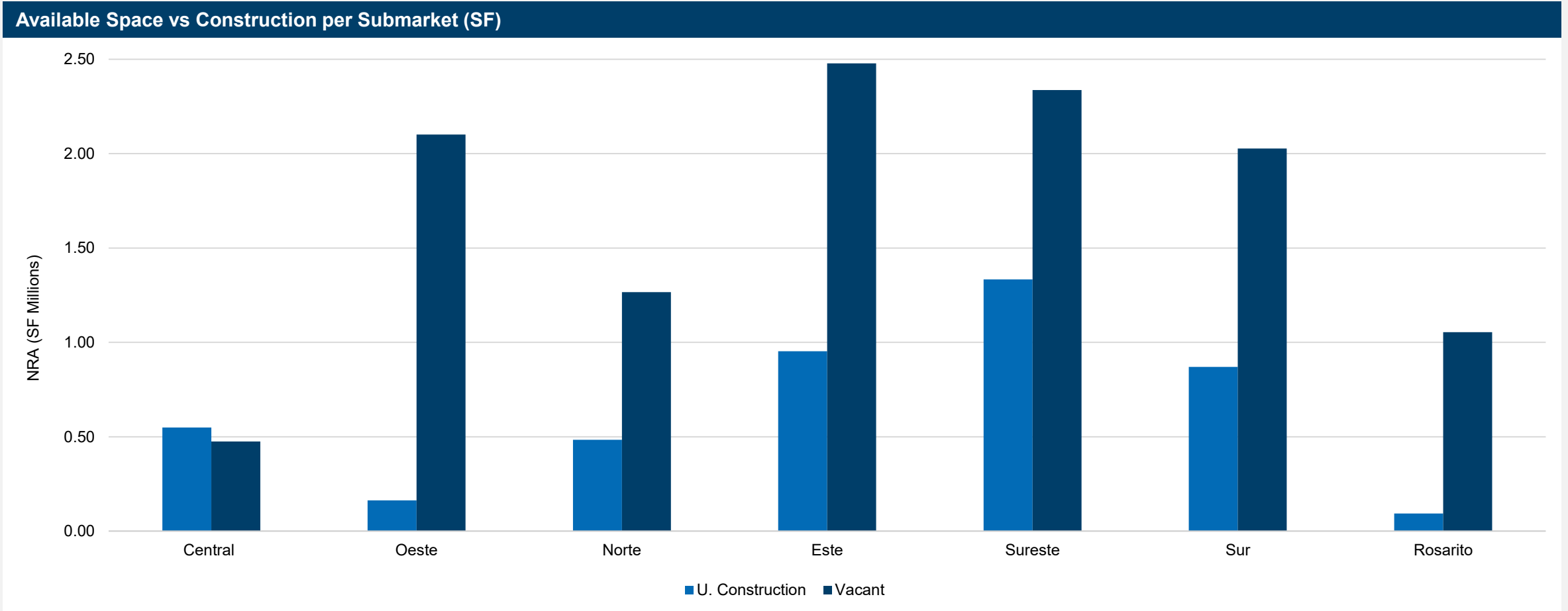
Prices Unchanged Despite Increased Availability

Even though the vacancy rate has increased since 2024, the average rental price remains firm and shows a slight upward adjustment, because a significant portion of the vacant spaces corresponds to Class A warehouses, with above-average rents and located at border crossing points; this recompositing of the available inventory creates a market in which tenants have more options, but the best-located border assets continue to set the price benchmark.

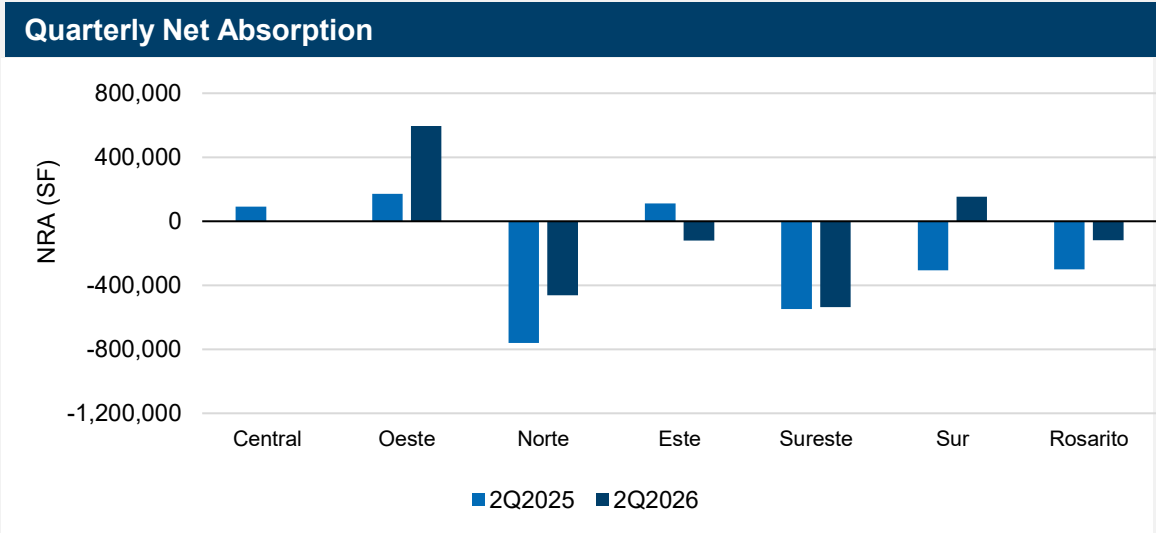
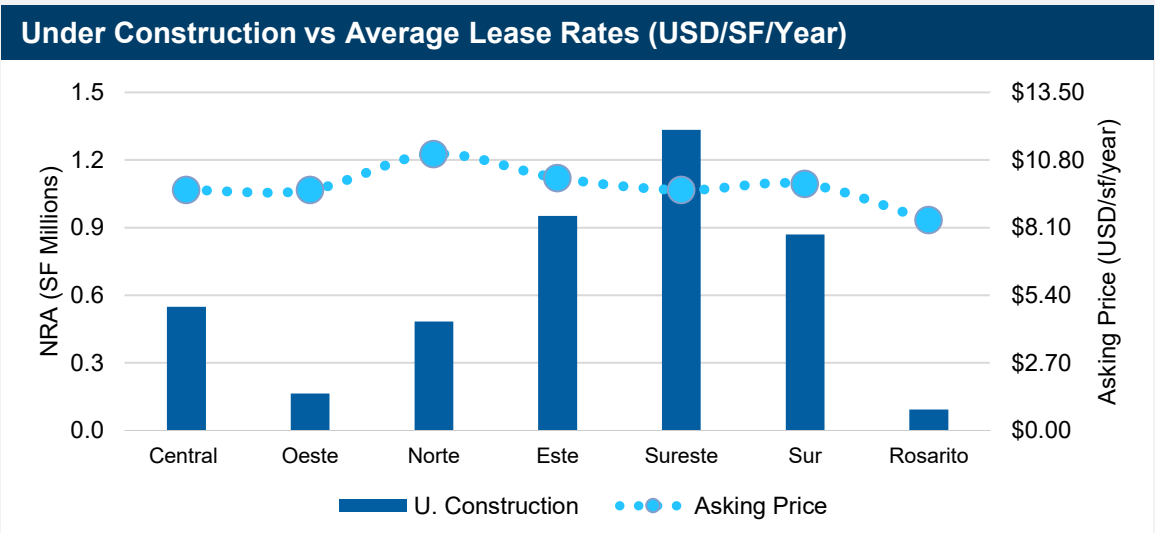
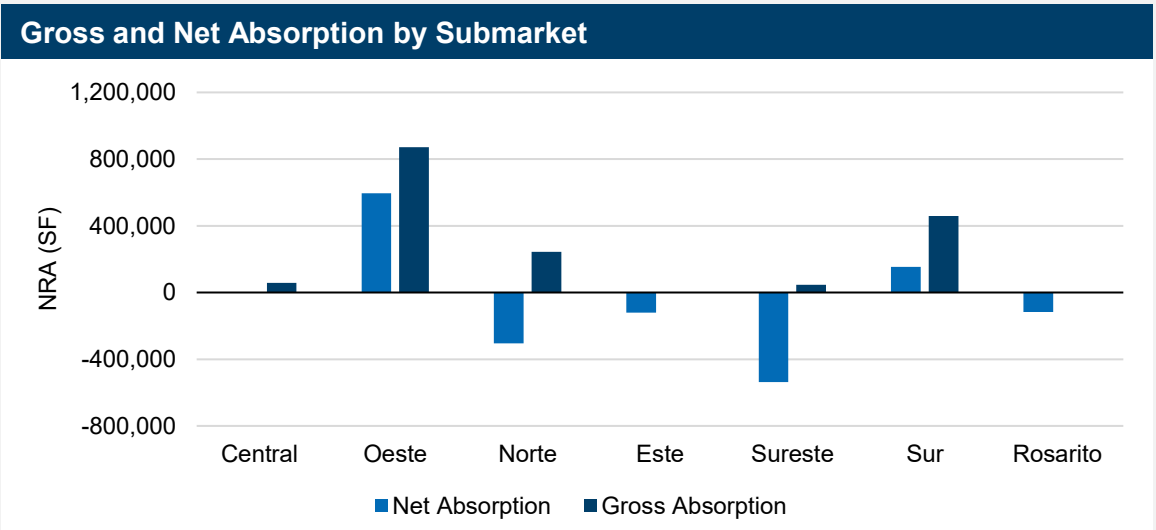
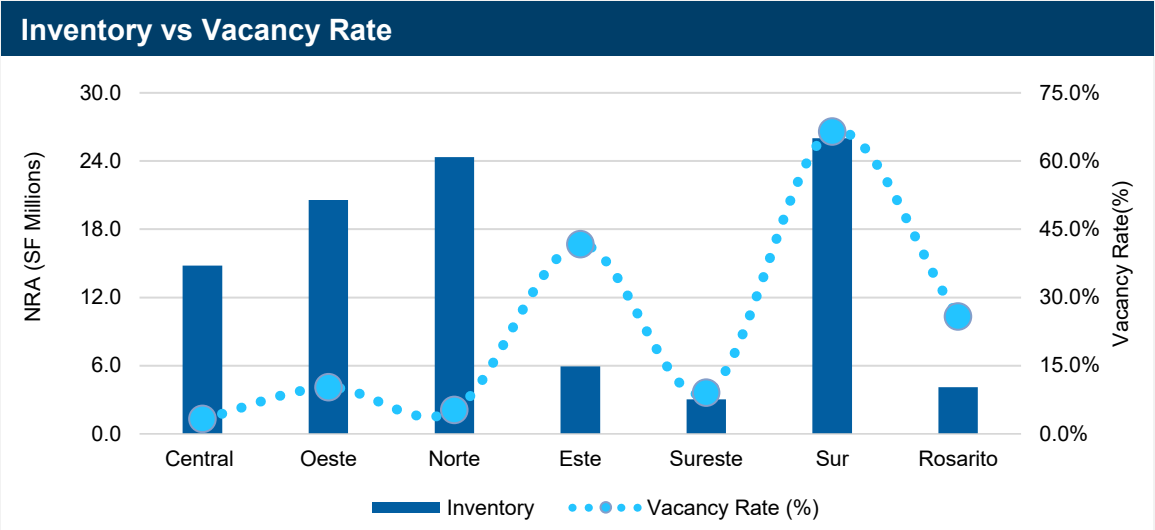


Distribution of New Supply and Vacancy

Most of the new supply has been channeled towards the South, East and Southeast corridors, which concentrate the last large-scale land at competitive prices, allowing for the development of larger industrial parks; this combination of land availability, lower barriers to entry and low occupancy costs is shifting the axis of expansion towards these submarkets, where manufacturing and logistics projects are being attracted that, in turn, will redefine the future distribution of employment, infrastructure and rents throughout the market.



Submarket Comparatives



Submarket Statistics 2Q26

Tijuana Submarket Statistics 2Q26

	Inventory (million SF)	Construction (SF)	Vacancy (SF)	Vacancy Rate	Gross Absorption (SF)	Gross Absorption (SF) YTD	Net Absorption (SF)	Net Absorption (SF) YTD	Asking Lease Rate (USD/SF/Year)	Construction Asking Rent (USD/SF/Year)
Central	14.8	548,540	474,574	3.2%	57,244	248,088	-1,020	154,221	\$8.16	\$9.60
Oeste	20.5	163,364	2,100,755	10.2%	871,566	980,629	595,024	358,680	\$9.36	\$9.60
Norte	24.3	483,759	1,265,923	5.2%	243,971	480,880	-305,635	-459,733	\$10.80	\$11.04
Este	5.9	952,617	2,478,280	41.7%			-120,895	-752,639	\$9.84	\$10.08
Sureste	24.0	1,333,635	2,337,239	9.0%	45,910	352,100	-536,757	-585,195	\$9.12	\$9.60
Sur	3.0	870,037	2,026,700	66.4%	458,403	458,403	153,948	-516,431	\$9.72	\$9.84
Total	92.5	4,351,952	10,683,471	11.3%	1,677,094	2,520,100	-215,335	-1,801,097	\$9.45	\$10.20

Statistics by Municipality

	Inventory (million SF)	Construction (SF)	Vacancy (SF)	Vacancy Rate	Gross Absorption (SF)	Gross Absorption (SF) YTD	Net Absorption (SF)	Net Absorption (SF) YTD	Asking Lease Rate (USD/SF/Year)	Construction Asking Rent (USD/SF/Year)
Tijuana	92.5	4,351,952	10,683,471	11.3%	1,677,094	2,520,100	-215,335	-1,801,097	\$9.45	\$10.20
Rosarito	4.1	93,000	1,054,208	25.74%	-	70,000	-117,758	-128,487	\$9.22	\$8.40
Total	96.6	4,444,952	11,737,679	11.9%	1,677,094	2,590,100	-333,093	-1,929,584	\$9.34	\$9.30

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