



Yardi Matrix

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Firms Look to Mexico for Nearshoring

- As firms look for ways to reduce risk by adding redundancy, resilience and diversification to their supply chains, nearshoring to Mexico has emerged as a solution many companies have embraced.
- China's zero-covid policy, which would periodically shut down part of the country, helped fuel many of the shipping backlogs and supply chain bottlenecks that persisted in 2021 and 2022. Yet nearshoring is not solely a response to problems caused by the coronavirus; it has been building for years due to mounting tensions between the U.S. and China, tariffs imposed by the Trump administration, and the simple need to get products faster.
- Nearshoring of manufacturing and supply chains to Mexico has also been brewing for a while, and Mexico—not China—is the most active importer into the U.S. so far this year. Through April, more than \$153 billion in goods were imported from Mexico, while China (\$133 billion) was the third-largest importer behind No. 2 Canada (\$139 billion). Last year, imports from China totaled \$536 billion, ahead of Mexico (\$455 billion) and Canada (\$437 billion). While Canada is also a nearshoring partner with U.S. firms, multinational corporations have shown a preference for Mexico due to low labor costs, abundant land and closer proximity to major U.S. population centers.
- According to data from the Bureau of Transportation Statistics, the Laredo, TX border gateway is by far the busiest for goods shipments. In 2021, Laredo accounted for 37% of truck container border crossings and 46% of rail containers. The movement of goods through this border port, along with other entry points scattered along southeastern Texas, has driven demand for industrial space along the central Texas corridor that runs through San Antonio, Austin and Dallas. El Paso, across the border from Juarez, also has seen a spike in industrial demand due to nearshoring. The under-construction supply in the market represents more than 10% of stock, including multiple large logistics parks and a 2.2 million-square-foot distribution center for TJ Maxx.
- We anticipate the nearshoring movement to continue apace as firms look for ways to mitigate the fragility in supply chains that was exposed during the last few years. Auto manufacturing has long accounted for a major share of Mexico's exports—an estimated 9 out of 10 cars built in the country are exported, and many cars assembled in the U.S. rely on parts made in Mexico—but in the coming years, the type of manufacturers in Northern Mexico will become more diverse.

