

# The Weekly Take

## Closer: Nearshoring has inspired a boom in Mexico's industrial real estate

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### **Spencer Levy**

Mexico and its cross-border relationship with the United States has been the focus of a lot of attention lately, much of it highly politicized and controversial. A part of this story that generates substantially less mainstream coverage is about nearshoring, the role of our southern neighbor in the global supply chain and the business of American manufacturing. So we're going to talk about the story within the story. On this episode, a roundtable on Mexico industrial real estate and the rising tide of nearshoring.

### **Enrique Lavin**

I think it's pretty evident that these are not going to slow down anytime soon.

### **Spencer scratch**

That's Enrique Lavin, a Managing Director for PGIM Real Estate and Head of Latin America. He's based in Mexico City and responsible for the firm's business across the region. PGIM has been doing business across sectors in Mexico for 20 years with industrial real estate, Enrique says, as its bread and butter.

### **Guillermo Espinoza**

The most important thing is to have as flexible as possible supply chains. We're seeing an influx of investment. We're seeing the influx of demand.

### **Spencer Levy**

And that's Guillermo Espinoza, Head of Development for DHL Supply Chain, the world's number one contract logistics provider with operations in more than 50 countries, including Mexico and others in Latin America. Guillermo describes it as a full blown development platform, and his work across the LatAm region covers everything from buying land to building facilities and operating or flipping real estate to investors, and more. We also welcome the perspective of CBRE's top researcher in Mexico to tie it all together.

### **Yadira Torres-Romero**

A lot of people in Mexico know that there is plenty of land, that of course we need more infrastructure but it's something that is developing.

### **Spencer Levy**

That's Yadira Torres-Romero, Director of Research for CBRE Mexico, a post she's held since 2012, and Director of Sales Management, which she's added in 2017. Coming up, the story, the trends, and the impact of nearshoring. I'm Spencer Levy, and that's right now on The Weekly Take.

### **Spencer Levy**

Welcome to The Weekly Take taped from Mexico City, Mexico. And we have three terrific guests. First, we have Enrique Lavin. Enrique, welcome.

**Enrique Lavin**

Thank you.

**Spencer Levy**

Then we have Guillermo Espinoza. Welcome.

**Guillermo Espinoza**

Happy to be here, Spencer.

**Spencer Levy**

Great to have you. And then one of my oldest friends, Yadira Torres-Romero.

**Yadira Torres-Romero**

Thank you for having me, Spencer.

**Spencer Levy**

So, folks, we're here today to talk about nearshoring. We're first going to talk about the big picture. Why don't you define what nearshoring is?

**Yadira Torres-Romero**

Yeah. What we are seeing here is the relocation of companies that they weren't before in Mexico, but also companies that were already in Mexico bringing new lines of production to Mexico. Now, we have been talking about the expansion cycle that is following the first wave of nurturing in Mexico, that it was all about the relocation. Now we're starting to see how these companies are doing very well in Mexico.

**Spencer Levy**

From PGM's perspective, a big investor in industrial. How would you define your story and why it's important for the Mexican economy?

**Enrique Lavin**

We define nearshoring as the opportunity to capture the relocation based on, reducing the dependency on the Chinese manufacturing facilities coming to North America, with Mexico being the main beneficiary. And as Yadira mentioned, it's not only the opportunity to bring new facilities, but to expand existing facilities and to expand production in Mexico. And that translates into demand for industrial estate, particularly the institutional industrial estate. So, that's how we see the opportunity. We've been pretty much active over the – I would say 20 years that the firm has been here, but I would say that these past two years has been probably the ones with more shine for industrial estate in Mexico, in the country.

**Spencer Levy**

And then, Guillermo, since you are in the logistics business, I guess nearshoring is probably closer to your heart than anyone's, because from our perspective, we have the real estate perspective, but you have both the real estate perspective and then your core business of delivering goods. How do you see nearshoring here in Mexico?

**Guillermo Espinoza**

We're seeing nearshoring as the rearrangement of the supply chains. Basically, the most important thing is to have as flexible as possible supply chains. We're seeing an influx of

investment. We're seeing an influx of demand not only from our own business, from our clients and third parties.

**Spencer Levy**

Yadira, just talk very briefly about the industries that you're seeing the greatest amount of nearshoring.

**Yadira Torres-Romero**

Yeah, that has been a very interesting story. In the beginning with the pandemic hit, we starting to see a lot of Asian companies coming to Mexico to produce furniture, and everybody was like, what kind of furniture is that? Oh, it's office furniture. But why is everybody working from home? Because Americans need office furniture to work from home. And that was the first wave that we saw. Then in 2021, we're starting to see automotive suppliers. And we thought, oh, it's going to be more combustion and production of vehicles. And at the end of 2021, we're starting to see EV production happening in Mexico. All the electric vehicles production that we were expected to have in Mexico in the next maybe five years starting to come in 2021.

**Spencer Levy**

So, it was an acceleration of what you might have seen because of the pandemic.

**Yadira Torres-Romero**

Very interesting story.

**Spencer Levy**

This is not just a manufacturing story. So, talk about how nearshoring is important for the other real estate sectors as well, from PGIM's perspective.

**Enrique Lavin**

Well, of course that brings first and foremost employment opportunities. And with that you're talking about housing needs. You're talking about schooling. You're talking about infrastructure, railroads, highways, health services, which is also highly important. And I also see that there's a very healthy and natural connection between these multinationals and the community that they reside in because they provide health services, they provide training, they provide English lessons, they provide scholarships. Right. So, there's a natural connection in doing not only the manufacturing part of it, but also building an entire holistic approach of community to these nearshoring moment.

**Spencer Levy**

I like that word holistic, but that word scares most of our occupiers. It's like I'm in the logistics development business. That's it. That's what I know. See you later. What do you think?

**Guillermo Espinoza**

No, I totally agree with Enrique. We need to provide a holistic solution to our operations team. It's not only the real estate, you know, finding the right piece of land – let's say at the right location. You need to add the additional components. The whole equation needs to work in order for our ops team – say yes, we'll go there. And this is where we're going to put our feet and build our next campus, which happens in, for example, in Monterrey.

**Spencer Levy**

Let's go to the big picture now, Yadira, nearshoring. I read about Chinese manufacturing coming here, not just for the relatively low cost of labor, even if it's not available, but proximity to the United States. Give us the big picture on nearshoring, Yadira.

### **Yadira Torres-Romero**

Totally, nearshoring in Mexico – when all the big analysts and the economy, they said, no, no, no, that doesn't exist; we don't see it in the official stats; there is no foreign direct investment that is linked to nearshoring – all of us in the real estate industry, of course, we were seeing nearshoring. We saw not only Asian investment, but also European, mainly Germans. Eighty percent of the total investment that has been made in Mexico has come from three countries: the US, China and Germany. So, we have a very special component here where nearshoring has been all these relocation from different companies where Mexico has these are factors that are not easily to be replicated anywhere in the world. We are here as part of a region and we are concentrating most of this relocation if we want to keep producing cheap goods in the NAFTA region. So, that's the first part of the cycle that we saw from 2019 to 2023. There is not only the relocation, but also the expansion of the companies that started to come in 2020 and 2019. They have been doing so well that they need to expand. So, we are in the presence of a new cycle in the market with all these expansions. Monterrey, that has been the king of nearshoring for the last four years, now receives 70% expansions and 30% is actually new companies or new lines of production coming to this market. While we have San Luis Potosi in the Bajia region, that all of us here, and I think a lot of people in Mexico know that there is plenty of land, that of course we need more infrastructure, but it's something that is developing and it's something that is happening because we have been receiving a 25% increase in demand in Mexico from nearshoring and this is at that general level. If you go to Juarez, to Monterrey, this is 50% more of what they used to receive.

### **Guillermo Espinoza**

Let me just add, the trend obviously, as Yadira mentioned, is, is an upward trend. We're growing, our organization is growing, our clients are growing. So we need to find more space in order to accommodate the needs of our clients. Remember, we provide a service. Adding to that means that we need to find the next development that DHL will do in the next couple of years. Second of all, you mentioned something very important, Yadira. I call it the "inland nearshoring" – meaning that not only the border, but we're now seeing the SLPs, the Guanajuatos and the Queretaros in particular. So, as the border becomes more land constrained, more labor constrained, the nearshoring starts to cascade into the central part of Mexico, particularly, as I mentioned, the Bajia region. So, those markets are the tier two or the next nearshoring again, inland.

### **Enrique Lavin**

I concur with you, Guillermo. There's already a spillover effect, if you will, from markets. Primary markets are sold out into Bajia, into secondary markets. And that's where we, of course, are very keen on following because while the risk profile may be different, obviously the return profile is also more attractive. So, we're looking at markets like Saltillo. Saltillo is a market that I very much like. Saltillo is becoming a cluster of EVs in Mexico – electric vehicle. Saltillo is becoming – this is a submarket that is an hour away from Monterrey, which again is the main recipient of nearshoring. So, that's an interesting market that we're following. Other markets, of course, Chihuahua, Capital City, which is two hours south of Juarez, is also spillover market that is a recipient of the semiconductor relocation and also a beneficiary of the cluster that is being built in Arizona, right, to do semiconductors in North America. Those are markets that we're looking based on fundamentals on the one hand. And on the other hand – if I may go back to Yadira's

question – I think you raise a great point about we're going through the next stage of nearshoring. Why do I say this? Because oftentimes people ask, investors ask the question, what could make the music stop? Right. And that's something of interest. How long is this a structural shift, a structural trend, or is it short lived. Right. And of course, we all have our answers and our views. But, based on your data, on your research, I think it's pretty evident that this is not going to slow down anytime soon. This is here to stay.

### **Yadira Torres-Romero**

Let me add something. Spencer, now that finally the official stats are everywhere saying, oh, finally we are seeing. Yeah, manufacturing and yeah, Asian and U.S. and investment and European is coming and we are seeing yeah nearshoring is a reality. Now we are moving into the second cycle.

### **Guillermo Espinoza**

One thing, a very interesting thing. Manufacturers are getting rid of their warehouse space in order to grow and to put more machinery in, to do more manufacturing. That's the type of business that we're also seeing. So, we're getting new deals and having a lot of interaction with the manufacturing companies, from all sectors. Again, they're getting out of that and that will provide more need for space. That's, that's a real fact.

### **Spencer Levy**

We had a Weekly Take episode on this with Treehouse Foods where we had a manufacturing episode. We had an actual manufacturer of food here. And what came out of that episode was that large institutional investors, while they love logistics, they do not like manufacturing sites because it has so much infrastructure inside – it's so expensive. Does PGIM buy manufacturing sites? And if not, why not?

### **Enrique Lavin**

No, we do. We basically play in all stages of a risk return profile. Right. Development, stabilize, reconversion. So, yes, I would say, it's kind of a replication, a replication of the Mexican market. I would say that our exposure is pretty much 70% manufacturing, 30% logistics. Right. And geographically, accordingly, when you talk about logistics, you need to talk about the state of Mexico mainly. Right. And maybe Monterrey or the big metropolitan areas. Right. But yes, we play in the manufacturing. We like it. We know how to do it. And we think that that's a main engine of growth besides the initial momentum.

### **Spencer Levy**

I agree, I also think we should see that in the U.S. but I will tell you that it's an area that maybe PGIM has an advantage because many of my institutional clients are afraid of manufacturing.

### **Enrique Lavin**

Well, in that regards, and speaking of PGIM, we get the benefit to see what's going on on both sides of the border. You know, we talk with our peers north of the border and get a feel of what's going on in El Paso. Arizona, of course. California. Right. And sometimes we find that we have tenants on both sides of the border. So that allows us to approach to them. We have a one stop shop solution, if you will, in doing both place, right, manufacturing of course, south of the border and logistics in the U.S..

### **Spencer Levy**

In terms of limiting factors. We're here in Mexico City today and I'm a huge Mexico City fan. I don't have to tell anybody that. But, I do know I've been reading about the water

shortage here in the U.S. we have water shortages in the southwest. We have electrical shortages everywhere. So, when you're advising clients on site selection, how much are those two factors? Water, electric coming into play?

**Yadira Torres-Romero**

Actually, Spencer, that's something that is very important to concentrate when, when you are talking about site selection with clients because of course it's a main concern. Last year it was Monterrey that has the bright season. Now it was Mexico City. And I think we have to get very used to this because it's part of the climate change now that we are seeing everywhere. The important thing is that we know Mexico City has to start looking for a Veracruz, Michoacan, and all that and start developing infrastructure projects. Let me tell you something. This is not from CBRE, it is from the Mexico Central Bank information that they develop this survey and collect the data and they find out that for relocation and for expansion of the industrial business in Mexico. The main concern was the lack of infrastructure. This is something that has to do with the investment that we can get and we can develop in the following years.

**Spencer Levy**

Guillermo, I'm going to follow up with you on the same question, but I'm going to expand infrastructure to include water, to include electric, but also roads. And so – and I say this just matter of fact – I have been in Mexico City, very hard to get around this city. But you know where it's even harder when I'm one hour outside of the city. So, tell me about those three factors – water, electric and simply roadways. Where does Mexico need to go?

**Guillermo Espinoza**

Mexico needs to invest in, as you mentioned, in the fundamental infrastructures. Power is also a very, very hot topic particularly for Mexico. The roads need to be there. The road needs to be there on a state level, on the federal level, or on a private joint level. But, that is a very, very specific factor that impacts our cost of delivering the goods to our clients. So, the better roads, the better conditions, the safer roads also that we can go buy it. Our clients and our numbers are going to look better because we are going to be able to provide that benefit to our clients. But roads are fundamentals also.

**Yadira Torres-Romero**

But, something very important that I would like to add to that issue, is that in Mexico, 80% of the cargo is moved by trucks. So, we need to invest more. And, of course, also invest in other ways to move cargo – trains. We really need to move on that issue because it is 80% it's, it's a lot.

**Guillermo Espinoza**

We are convinced that nearshoring is happening and there's a lot of demand from companies that want to move down to Mexico. If the country had just a slight more infrastructure, I think that the wave of nearshoring and how that impacts the Mexican GDP will be like, you know, a couple of points.

**Yadira Torres-Romero**

Yeah.

**Guillermo Espinoza**

That is so, so, so important.

**Spencer Levy**

Very briefly, the geographic areas, we have the traditional areas and you could just name some of the cities, but also given the challenges of infrastructure, maybe coastal cities are going to have a brighter future.

### **Guillermo Espinoza**

The border markets are the one who are benefiting the most from nearshoring – the closeness to the US, the increase in demand from companies wanting to move down to Mexico. But as I mentioned before, we're seeing inland nearshoring in central markets. And that is also spilling out into very specific parts of the country. Coastal areas, more likely towards the Pacific, the Tijuana market and maybe some other markets in the southern part of Mexico.

### **Spencer Levy**

A lot of people come to Mexico because labor is cheaper. The skill set is moving up, but now it seems like there's a scarcity. Tell us what the labor situation is here in Mexico, Yadira.

### **Yadira Torres-Romero**

Totally, it's one of the most important part of the equation right now. Yes, there is availability of labor, as our guests know. But actually, what we have in the labor market is that we have the different regions behaving very different and with different training capacities everywhere. And you have the tight market in the northern part of Mexico because obvious reasons, we have nearshoring over there. We have migration over there. We have people in the northern borders that can go to the US and work for three months a year and make what they would make in Mexico in two years. So, that's one of the challenges that we have over there. So, we have very tight markets in the northern region, but also we have very high availability in the central part of Mexico. Not always well-trained, not always the high skilled type of labor that you could search, but you can make these kind of positions very attractive for the labor market in Mexico. That is very different from the US, where everybody is specifically trained for a position. Here in Mexico, companies know that they have to invest in labor. So, that's why site selection, labor and incentives in Mexico is actually very important.

### **Guillermo Espinoza**

If I may add, Spencer, one of the things that we do when we are looking or doing a site selection process, we have what we call our expert team – transport, HR, legal, finance. Everyone comes in and provides their input because it's not just the real estate side of things to say, hey, this is a good location, it's near these or are there. We need to take into consideration our own needs. As Yadira mentioned, where's the labor force? Where's it coming from? Cost of labor, transportation, etc. etc., etc. A lot of factors that come in. That is something that has been very good for us because a lot of people inside the organization provide their input, not only us.

### **Spencer Levy**

Yadira, you're advising, not just our friends in the room here today, but also other investors coming to the market, other occupiers coming to the market, particularly if you're going to do a big manufacturing plant. Tell us how the greenfield versus infield works for those, but also what types of incentives does Mexico have versus the United States and elsewhere to bring that manufacturing here?

### **Yadira Torres-Romero**

It is very important to analyze this region by region. I think we have very, very different approaches from the government, from the business sector as well. Let me tell you that we made this analysis about the labor, the high skilled talent that we need to bring together for these companies. We are also pouring here all the information about the different incentives that we have. And this is important to say, mainly the Baja region, because they are trying to attract these industries coming back to Mexico, but also in the northern part of Mexico, but not, for instance, in Mexico City. We don't have too much incentive in Mexico City, because Mexico City has 8 million people that is able to work there. The working population against two million in Guadalajara. That is the next important city. And then in Monterrey, another two million. So they are like, oh, what more incentive do you need that to have all the labor here? But that's the way Mexico City is highly concentrated in services.

### **Spencer Levy**

I think the higher Mexico moves in value add chain, the more complex goods the better. But, that's still not where Mexico is today. You do a lot of cars here and other types of heavy manufacturing. So, the types of incentives for Mexico today is still mostly those heavy industries – the cars, the washing machines, those types of things rather than the super high tech. And do you see Mexico moving in that high tech direction?

### **Yadira Romero**

Actually, what we see that is the most interesting, in several companies, is that they need to be to make sure that they're going to be, they want to have the, the qualified labor that they need. So that's why I think it's very, very important to work with them – strategies to attract that labor. Let me tell you, before 2010, it was very hard to – like is happening in the US that people move around the country. You cannot achieve that before 2010. But now I think there is more and more companies putting a strategy in place to bring people from all, some other regions, to work in that specific region that they are interested in.

### **Spencer Levy**

So, why don't we shift for a moment. I'm gonna do a USA versus Mexico, and it's probably unfair to do that didactic, but I know there's unbelievable trade between the two. So, I'm going to first touch it from a logistics perspective. I'm then going to touch it from a capital perspective. So from a logistics perspective you're in the delivery business. How close, how important, how do you see the relationship in the logistics business between the United States and Mexico?

### **Guillermo Espinoza**

It is fundamental. It is fundamental. As you mentioned, the amount of transactions between both countries is just outrageous. It is very important. Obviously, we as Mexico want to capitalize that. The cross-border business, that's a part that we are definitely looking at because we're seeing an influx of not only manufacturing but also the packing and co-packing business. Let me give you a quick example from the consumer sector. A company based in Texas is sending down to Monterrey a bolt product here in Mexico, they open the packages and they repackage co-package, let's say, into the variety pack. And that goes out either on Halloween season or to the Sam's Clubs or to whatever store you want to name in the States. And that type of business is booming in Mexico. We're seeing a lot of that. Why? Because the same process that is done in Texas is done in Monterrey for about 20%, 30% less most likely. And then the same products going back, let's say, to the stores in the states. So the logistics side of having better roads, better railroads between both countries and port communication, that is fundamental to us, because if we had that, I think we are able to do more and more business in other areas.



**Spencer Levy**

We had NAFTA, we have USMCA today. Just from a pure logistics perspective, how easy or hard is it to take goods going from point A in the U.S to point B in Mexico, then from point C in the U.S and back and forth? I've heard stories about different types of manufacturing, that they go back and forth across the borders three or 4 or 5 times and might include Canada. Tell us about that.

**Guillermo Espinoza**

I think that's part of the – let's say, part of the bright sites of the federal government and different levels of government. The IMMEX program in particular. That's a very specific program, particularly for manufacturers and for us in this particular area of the consumer sector. It is fundamental. It is very important. Those programs, which I don't know how many do we have, but the ones that ring a bell is the IMMEX. I think that is part of the few programs that are very successful in shipping goods from the States to Mexico and back and back and forth a hundred times in a month or so, that is.

**Yadira Torres-Romero**

Another important thing in the labor market, Spencer, is that in Mexico, the average age of the population is 27 years old. I think in the US it's 38, and in Japan it's like 48. And, let me tell you that for the manufacturing, the logistics business, that when you're trying to attract people, there is a lot of young people that is willing to go to a company and start a training process and it's attractive from them. You can really put in place a strategy to keep fueling people to the manufacturing industry, something that is not easy to do in some other places in the world.

**Guillermo Espinoza**

Those programs that we talked about, and again, the IMMEX is the one that I have in mind are very helpful because this type of operation that I mentioned before requires lots of labor, labor intensive. Young people who could withstand an eight hour shift, not only Monterrey but in other places. So again, that's a bright spot I think that is obviously helping Mexico.

**Enrique Lavin**

And in that regard, what I hear from tenants is that they are importing labor from the South states, which have, of course, little to no manufacturing activity where unemployment rates are very high. So they're importing employees to Monterrey, Tijuana, Juarez, etc.. And the other thing, and to your point is these employees take pride of working at a multinational in which they get training – English lessons. You know, they have, nursery for themselves, for the kids. It's a completely different, I don't know – a cultural approach vis-a-vis a manufacturing facility elsewhere, right.

**Yadira Torres-Romero**

Totally, imagine that they only have secondary schools – yes, yes.

**Enrique Lavin**

And that translates to building loyalty into the employee and reducing turnover. Right. Which is key for this, for these multinationals.

**Spencer Levy**

Got it. You know that I'm a huge Mexico fan, and my number one Mexican idea is multifamily, which was not part of today's discussion, but that's a discussion for another

day. So, but, most of the people that are listening to this show are not Mexican or Latin American experts. Yadira, why don't you speak first. Make the case for investing in nearshoring opportunities or otherwise in Mexico.

### **Yadira Torres-Romero**

Actually, it is important to say that we have heard a lot about the Chinese investment and the nearshoring and how the NAFTA review is coming in 2026. But also, let me tell you that, what we are seeing is formal investment in Mexico. We are actually seeing a formal relocation of companies that otherwise are going to move to Vietnam, for instance, to serve the Chinese market as well. That has become very, very important. But, I think the regionalization that we have achieved here in this part of the hemisphere, actually, what shows us is that we have all this investment coming from different countries for a variety of reasons, and that we have a lot of opportunities here for all these new companies to come to Mexico. Especially from China, due to the disruption of the supply chain, but also from Germany because of their war in Ukraine and all the energy issues that we have in that part of the world. And also, it is very important to say that the US companies that are in Mexico are keeping very, very active. And when you talk about nearshoring, you saw that 45% of their investment is coming from China. But when you see the market as a whole and you see all the activity that we are having, let me tell you that in the first quarter of 2024, we have almost 2,000,000m<sup>2</sup>, 20,000,000ft<sup>2</sup> of activity in the main markets and 50% of that activity, it came from American companies. So, what we are seeing is all these forces moving together because we are all part of this new dynamic that we are having in this part of the world. And we in Mexico, we are very happy to receive everybody.

### **Spencer Levy**

Great. Well, Guillermo, make the case for non-Mexican investors or people who don't understand the market. Why is this a great place to do business?

### **Guillermo Espinoza**

This is not only a good place to do business, but a good time to do business. This is a window, and hopefully the window will last long enough to be able to capitalize on the current demand. The amount of companies there are looking for either space to invest in Mexico, and it's a good time to be an industrial developer in Mexico. So, I think that all the components are here today and this window should run for years and we need to be prepared. We need to be prepared with infrastructure. We need to be agile. We need to provide the best proposals to our clients and basically to be able to connect as most as possible.

### **Spencer Levy**

Enrique, why Mexico? And then if you want to go more broadly through Latin America, why today?

### **Enrique Lavin**

We have this debate, right, in our internal groups. And when you look at the companies – the multinational companies, the tenants – even though we have, of course, a lot of challenges when it comes to infrastructure, to security, etc., it's hard not to look to Mexico when you are looking at an expansion, where you're looking to relocation, right. And we can also attest to the fact that this has been a very resilient asset class throughout the last 20 years. Of course, there are other alternatives, maybe Costa Rica, Vietnam, etc., etc. but the more investments are done in Mexico, the more robust the supply chains and the more attractive to incorporate into existing supply chains. So, that's from the one hand and from the other side – I mean, of course we all complain about the lack of infrastructure or

energy, but the fact is that the market is growing year over year, 60,000,000ft<sup>2</sup> incremental, which compared to the previous showing numbers of was 35 to 40 million. Right. So our job is to get a piece of that 60 million, right. And continue to be able to deploy capital and capture this opportunity.

**Spencer Levy**

Final question. The future of nearshoring. What trends should we expect?

**Enrique Lavin**

Well, we should expect further expansion of the existing supply chains. The more robust the supply chain, the more attractive it becomes to integrate into one, because the cost efficiencies and that competitiveness becomes higher. So, we should expect a continued demand. And as Guillermo highlighted, a spillover effect from primary markets into secondary markets. And of course, hopefully in the upcoming administration, a program that goes with the demands in terms of infrastructure, in terms of roads, energy, which is the elephant in the room. Hopefully, we'll see something more constructive, at least the rhetoric of the presidential candidates is there. So, we need to capture also that momentum to capture the full opportunity. It becomes a growth rate conversation.

**Spencer Levy**

Guillermo. Final thoughts. The future of nearshoring.

**Guillermo Espinoza**

We're going to see some more influx? We're going to see more demand. More need to grow in particular markets. As I mentioned, border areas and central part of Mexico. This is not going away. This is going to last for years. And this is a very interesting time to be doing industrial real estate in Mexico.

**Spencer Levy**

Yadira. Final thoughts. Future of nearshoring.

**Yadira Torres-Romero**

For me, it's diversification. I think we are seeing the origin of the investment coming from everywhere. I think we started as we talk with furniture and automotive, that is a classic in Mexico. But also, I think we are going to move forward to the electronics and cheap production in Mexico as well, because this is something that all the supply chain actually need. And I think also that we are going to start to see not only the 13 mature markets that are in Mexico are currently dominating all the transactions across the country, but also the emerging markets that in the case of the Baja region, especially San Luis Potosi, with all that land and infrastructure they have built. Actually, I think we are going to see little by little more of these emerging markets happening across the country.

**Spencer Levy**

What a great discussion about nearshoring, about Mexico. I first want to thank Enrique Lavin, Managing Director, PGIM Real Estate. Terrific job, Enrique.

**Enrique Lavin**

Thank you for having me. And thank you for, you know, sharing this with my colleagues.

**Spencer Levy**

But I want to thank Guillermo Espinoza, Head of Development, DHL Supply Chain. Terrific job.

**Guillermo Espinoza**

Thank you. Thank you. Very happy.

**Spencer Levy**

And then one of my very best friends, Yadira. Thank you so much for coming out today. What a great job.

**Yadira Torres-Romero**

Muchas gracias.

**Spencer Levy**

For an even deeper dive into nearshoring in Mexico and more, you can check out our homepage [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake). We'll post related content on emerging industrial markets and also the latest from CBRE research, a Big Box Report on the North American industrial market. Remember, The Weekly Take is available on podcasting platforms worldwide, so we hope you'll share the show and also subscribe, rate and review us wherever you listen. In the coming weeks, we'll cover the world of commercial real estate with guests such as Stephanie Dorsey, the CEO of Siemens Real Estate, economist Julia Coronado, and lots more. So stay tuned. Thanks for joining us. I'm Spencer Levy. Be smart. Be safe. Be well.