

## What's Happening in ... Tijuana?



Located just 20 miles south of San Diego, the vibrant Mexican city of Tijuana is known for nightlife, beaches and a burgeoning cultural scene. With a population of over 2.2 million people, Tijuana is one of Mexico's largest cities and one of the fastest growing metropolitan areas in the country.

The city is also famous for being one of the busiest border crossings in the world. In fact, around USD 200 million worth of goods moves between southern California and the Mexican state of Baja California each day, and the region overall is estimated to produce goods and services worth around USD 250 billion per year.

### Industrial Roots

A lot of this thriving commerce is tied to Tijuana's industrial sector, which has a long-standing relationship with US manufacturers. Everything from automotive parts to consumer electronics, aerospace components and medical devices are produced in the city's factories, making it a top draw for investors and manufacturing firms alike.

Foreign manufacturers can also benefit from duty-free imports of materials and machinery, leading to a strong culture of co-production, where parts are assembled partly in the US and partly in Mexico. This strong focus on trade and collaboration resulted in the city becoming the fastest growing industrial market in Mexico in Q2, 2022, with a 2.76% growth rate.

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### CRE Trends

Naturally, all the above means that industrial real estate is big business in Tijuana. Thanks to the geography of the city (a combination of coastline and higher ground), fresh space is also in short supply, making the market especially competitive.

NAI Mexico reports in a recent analysis that during 2021-2022:

- Asking rates on industrial leases have increased steadily
- In Q3 2022 the vacancy rate dropped to 0.47%
- New industrial developments continued to gain traction, with an additional 13 construction starts in Q3 2022 alone (with 928K SF of 1.9 million SF pre-leased)

In addition to new industrial developments, there are also some innovative multifamily projects springing up in the city. Demand for living space, like industrial space, has climbed over recent years, particularly as many US citizens also look to take advantage of a lower cost of living across the border.

### Investing in Tijuana

This combination of foreign capital flowing into the city, limited supply, and burgeoning demand all stacks up to a potentially stellar investment opportunity in Tijuana. For more insight into opportunities in Tijuana, contact our local office at NAI Mexico.

