

ALLY-SHORING ENABLERS

Seizing the near-shoring opportunity

The U.S.-Mexico Foundation (**USMF**) has advanced the concept and practice of **Ally-Shoring**, a strategy for **near-shoring** that brings the relocation of the supply chains to allies with shared democratic values and long-term interests.

The **USMF** introduces a series of reports on Ally-Shoring Enablers that explore five factors that play a pivotal role in advancing an **Ally-Shoring** strategy and seizing this historic opportunity.



MEXICO'S MOMENT

This series provides valuable insights to decision-makers and stakeholders into the enabling factors that make **Mexico an attractive destination** for businesses seeking to establish or expand their operations in the country.

1



**Industrial
Real Estate**

2



**Clean
Energies**

3



Logistics

4



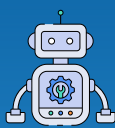
**Access to
Capital**

5



Talent

6



**Artificial
Intelligence**

Enabling the relocation of foreign companies

The **Ally-shoring enablers** are **factors, policies,** or a combination of both that facilitate, encourage, and contribute to the relocation of supply chains. They are aimed at enhancing economic integration and economic security in a particular region.

In the wake of a renewed narrative and the opportunity for **North America** to become the most dynamic region in the world, understanding the ally-shoring enablers can lead to economic growth, supply chain resilience, more competitiveness and regional security.



ENABLER **1** INDUSTRIAL REAL ESTATE



Mexico's industrial landscape has transformed into a **favoured destination for manufacturing products** serving the North American region and other markets due to its proximity and competitive manufacturing costs. The **Industrial Real State** refers to facilities for manufacturing, production, research and development, storage and distribution.

- The positive net absorption levels and the low vacancy rates indicate that **Industrial Real Estate** is an enabler for the relocation of supply chains.
- The more industrial real estate there is, the better Mexico's ability to **attract larger investments**.

MEXICO'S ADVANTAGES

Location and institutionality: as a country in the crossroads of the world, companies look to move manufacturing and logistics operations closer to the United States and Canada.

- Mexico has 13 additional Free Trade Agreements with 48 countries, including the European Union and Japan.

Government support: The Mexican government recently issued a decree of tax incentives to attract nearshoring investment.

- **Incentive I:** Accelerated deduction of investments, allowing companies in high technology and research and development sectors to reduce their taxable bases from 56% to 89% for one year.
- **Incentive II:** Additional 25% deduction that will be applied over three years to cover costs associated with staff training.

ENABLERS' HIGHLIGHTS

AVAILABLE SPACE

Industrial Real Estate availability in 2023 2Q is only 2%. The lowest in five years due to the **high demand**.



INSTALLED CAPACITY

The most dynamic areas are the **Northern region** (47.5%), the **Bajío region** (29.3%) and the **Central region** (23.3%)



USE OF INDUSTRIAL REAL ESTATE

Mexico's export industry includes high-value sectors (car production, medical devices, and aerospace) supported by robust domestic supply chains and infrastructure.

SOURCE: AMPIP (MEXICAN ASSOCIATION OF PRIVATE INDUSTRIAL PARKS)

ENABLERS' POTENTIAL

(ACCORDING TO THE EXPERTS)

It is expected that Mexico receives **227 new companies** annually between 2023 and 2025.
(AMPIP)

Mexico's market had 184 **industrial transactions** in 2023 Q2, absorbing 1.7 million square meters (1.8 square foot).
(SiILA Market Analytics)

The **automotive** sector is leading, but electronics, appliances, and green technologies are expected to play a more significant role.
(Prologis)

MAIN STAKEHOLDERS TO WATCH IN 2024

DEVELOPERS | In charge of building, operating and maintaining industrial real estate

- **PROLOGIS:** One of the world's largest logistics and industrial real estate companies, and it has a significant presence in Mexico.
- **VESTA:** Corporación Inmobiliaria Vesta (VESTA) has a portfolio of over 200 industrial properties totaling over 40 million square feet of high-quality leasable space focused on sustainability.
- **FINSA:** Company at the forefront of industrial real estate development in Mexico, managing one of the largest portfolios in Latin America.
- **Fibra Monterrey:** Manages a portfolio of first-class corporate properties with a focus on the office and industrial sectors.
- **Fibra Uno (FUNO):** The largest real estate investment trust (REIT) in Mexico and Latin America. It owns and operates a portfolio of over 1,000 industrial properties in Mexico. They are launching Fibra Next, specializing in nearshoring.
- **REi (Real Estate Investments):** Has built over 3 million square feet built in the most important cities of the market: Querétaro, Mexico City, Monterrey, and more.
- **Terrafina:** Owns and operates a portfolio of over 200 industrial properties in Mexico.

BROKERS | Provide solutions around industrial real estate (soft landing, shelter, site selection, and more)

- **CBRE Group:** They offer a range of services, including industrial property brokerage and consulting.
- **Grupo Prodensa:** Experts in manufacturing solutions, they offer start up and shelter operations to consulting and advisory insights, market intelligence, and execution of complex projects across the world.
- **IVEMSA:** Assists companies that want to reduce costs by moving their manufacturing operations to Mexico. They provide comprehensive services for foreign-owned companies.
- **Tetakawi:** Provides information, infrastructure, and services to manufacture products in Mexico from assembly production and equipment to people and customers.
- **American Industries:** Has helped over 250 international companies successfully start up and grow their manufacturing and distribution operations in Mexico through Shelter Administrative Services and Industrial Real Estate.
- **The Nearshore Company:** Helps manufacturers of all sizes transfer their manufacturing operations into Mexico through traditional and customized nearshoring arrangements.

RECOMMENDATIONS FOR MAXIMIZING THE ENABLER

According to specialists, the **window of opportunity** for nearshoring in Mexico is around 2-3 years (2023-2025).



Keep increasing the installed capacity in the most dynamic corridors



Look for alternative sites to develop expansion plans for specific industries



Improve infrastructure and security in Mexico's southern region to attract more investment



Work with the public sector to find innovative ways to meet energy demands

This series is created by the USMF with ideas emanated from its Ally-shoring Taskforce that meets periodically to discuss ways to expand the knowledge and adoption of an ally-shoring strategy for the relocation of the supply chains.



**Taskforce
members**

