

SPECIAL REPORT

Cross-Border Trade Outlook

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Evolving Trade Policies: Will Cross-Border Traffic and Industrial Space Demand Falter?

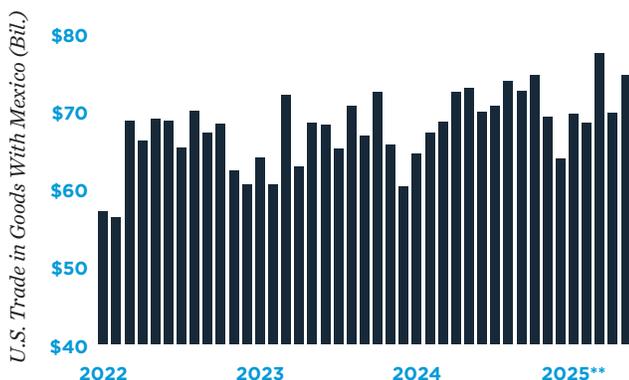
Exporters lean on trade agreement amid shifting environment. The Trump administration's fluid tariff policies are causing shifts in global trade; however, the outlook for cross-border commerce with Mexico and Canada remains optimistic. Although some goods from both countries are subject to higher tariffs, where exact duties end up remains a moving target. Additionally, many of the products these countries export to the U.S. qualify for duty-free treatment under the United States-Mexico-Canada Agreement (USMCA), which will remain in place. Specifically, nearly half of all Canadian and Mexican exports – a combined \$180 billion – that entered the U.S. through May of this year did so under USMCA. Moving forward, a more intensive use of USMCA by exporters is expected as companies attempt to sidestep potentially new tariffs. This dynamic should prevent significant shifts in U.S. trade with Mexico and Canada from occurring, which has positive implications for industrial demand in border towns and larger metros further along the supply chain.

North American manufacturing poised to rise. Despite uncertainty surrounding tariffs, many companies remain committed to reorganizing their global supply chains by establishing or expanding manufacturing operations in Mexico. These efforts, highlighted by recent announcements from LEGO and Japanese manufacturer Tokai Kogyo, will serve as a long-term demand tailwind for U.S. industrial space used to store imported products. The U.S. microcircuit pipeline will also aid cross-border trading volumes. In the United States, roughly 100 projects linked to the semiconductor supply chain were underway as of June. Facilities in Arizona and Texas together account for one-third of these properties, generating demand among suppliers and logistics providers for industrial space in both states.

Investors position themselves ahead of potential user demand. The favorable outlook for cross-border trade, along with ongoing infrastructure improvements at many major points of entry, bode well for investment. Border-proximate industrial listings and similar properties in metros most reliant on trade with Mexico or Canada stand to gain investor appeal. This trend may in fact already be materializing. Detroit recorded a 35 percent year-over-year rise in industrial trading during the 12-month period ended in June, while El Paso concurrently registered a 70 percent spike. Investors targeting border towns may also pursue additional types of commercial real estate, as an increase in truck crossings would aid the performance of nearby restaurants, fast food establishments and convenience stores. In addition to stopping for necessities and gas, commercial vehicles entering and exiting the U.S. could boost demand for lodging, stoking buyer interest for economy and midscale hotels along major interstates.

Niche segments garner attention. Investors may expand their criteria beyond last-mile warehouses and distribution centers, targeting properties essential to the transportation of agriculture. Areas surrounding the Port of Laredo are likely to represent attractive areas for cold storage investment, as the crossing handles more than 1,000 refrigerated truckloads per month. This activity should extend demand for similar assets north along Interstate 35 to San Antonio. The 7.5 percent annual rise in the value of agricultural products imported from Mexico during 2024 should facilitate buyer interest for cold-storage facilities across smaller Texas border markets, including El Paso, McAllen and Pharr. Investor demand should also exist for outdoor storage yards across the Southwest, Pacific Northwest and Detroit, as a severe shortage of commercial truck parking exists.

Mexico Remains Top Trade Partner



Trade With Canada Still Historically High



* Through May
** 2000-2024

Border-Proximate Markets (U.S.-Mexico)



Busiest Commercial Truck Crossings (2024 Volume)

- **Laredo** - 3.026 million (+3.1% Y-O-Y)
- **Otay Mesa** - 1.060 million (+2.5% Y-O-Y)
- **Hidalgo (McAllen)** - 721,000 (+1.8% Y-O-Y)
- **Ysleta (El Paso)** - 671,000 (+4.7% Y-O-Y)
- **Nogales** - 405,000 (+5.9% Y-O-Y)

More than **3 million** commercial truck crossings were recorded at the Port of Laredo in 2024 — the highest mark nationally.

Through May 2025, an additional **1.24 million** crossings were registered, putting the port on pace to again eclipse the 3 million-crossings threshold this year. Recently proposed tariffs on certain Mexican goods, however, may impact commercial truck volumes here and across the Southwest and California if enacted.

The Otay Mesa Port of Entry in San Diego registered nearly **1.1 million** commercial truck crossings in 2024 — the highest tally on record. An additional **400,000** trucks entered or exited the U.S. via the crossing during the first five months of 2025.

Port Upgrades Have Positive Implications for Southwest Border Towns

- The Department of Transportation awarded a \$150 million grant to the Otay Mesa East Port of Entry project in April. The grant clears the way for a new 12-lane crossing that will compliment the existing station and likely support demand for industrial space in San Diego’s South Bay.
- The General Services Administration announced plans in May to modernize the Bridge of Americas port of entry in El Paso. The upgrade, however, will eliminate commercial cargo operations at the station, with truck traffic largely redirected south to the Ysleta-Zaragoza crossing.
- Green Corridors, a Texas-based startup, was granted a presidential permit in June to construct a commercial elevated “guideway” from Laredo to Nuevo León. While the project, which would utilize autonomous freight-carrying shuttles, is in its infancy, such proposals provide insight into the types of supply chain advancements that may emerge.

Construction Elevated Near Texas-Mexico Border

- **Expansion evident in areas surrounding largest truck crossing.** In Laredo, more than 12 million square feet of industrial space was underway as of mid-July with completion dates extending through 2026. Put in perspective, this equates to nearly 25 percent of the metro’s existing inventory. Laredo remains on pace to register a 19th straight year of positive net absorption, based on first half leasing data, but this primarily speculative supply influx will place significant upward pressure on local vacancy.
- **Foreign companies absorb new supply in West Texas.** Approximately 2.6 million square feet of industrial space is underway across El Paso, where demand for new, modern facilities is strong. Highlighting this are the Taiwanese computer hardware manufacturer Wiwynn’s commitment to 870,000 square feet this June and Yazaki North America’s move into a newly built 450,000-square-foot facility earlier this year.
- **Sizable projects highlight prioritization of border proximity.** A more than 1-million-square-foot assembly and distribution center is being constructed for MasterBrand in Pharr, a small market near the Hidalgo Port of Entry. Ranking as the largest such property in the city, the facility may attract supporting firms, including suppliers, to the area. Focused on increasing the number of products it produces domestically, Schneider Electric is constructing its fifth facility in El Paso, bolstering the market’s status as a regional manufacturing hub.

Border-Proximate Markets (U.S.-Canada)



Great Lakes

Located roughly 60 miles north of Detroit, Port Huron noted a 17 percent year-over-year increase in commercial truck crossings during 2024. In contrast, truck traffic across Detroit's Ambassador Bridge fell roughly 10 percent last year, indicating some logistics companies are re-routing trucks through Port Huron's Blue Water Bridge. The crossing's toll of \$7 per axle for commercial trucks represents a significant discount to the Ambassador Bridge's \$14 to \$20 per axle charge.

The opening of the Gordie Howe International Bridge this fall has the potential to catalyze growth in logistics and manufacturing across Detroit — which entered the second half of 2025 as one of the nation's tightest major industrial markets.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: IPA Research Services; CoStar Group, Inc.; Economic Research Service; Institute for Supply Management; Michigan Department of Transportation; Northwest Seaport Alliance; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Transportation

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Pacific Northwest

Commercial truck traffic at the Pacific Highway Port of Entry in Blaine, Washington, has moderated for three straight years. Crossing volumes through May 2025 indicate this trend could continue, which may impact near-term demand for warehouse, cold storage and truck storage in both smaller markets, including Bellingham, and the larger Seattle-Tacoma market.

Beyond this year, however, trucking volumes may increase as the port is scheduled to operate four additional lanes sometime in 2026. Should a rise in commercial crossings materialize, demand for industrial storage could strengthen down Interstate 5.

IPA Industrial

Al Pontius

Senior Vice President, National Director
Tel: (415) 963-3000
apontius@ipausa.com

Prepared and edited by:

Erik Pisor

Research Analyst II | Research & Advisory Services

For information on national commercial real estate trends, contact:

John Chang

Senior Vice President, Chief Intelligence & Analytics Officer
Tel: (602) 707-9700
jchang@ipausa.com