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# Texas border markets boom, uncertainty looms

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**\$540B**

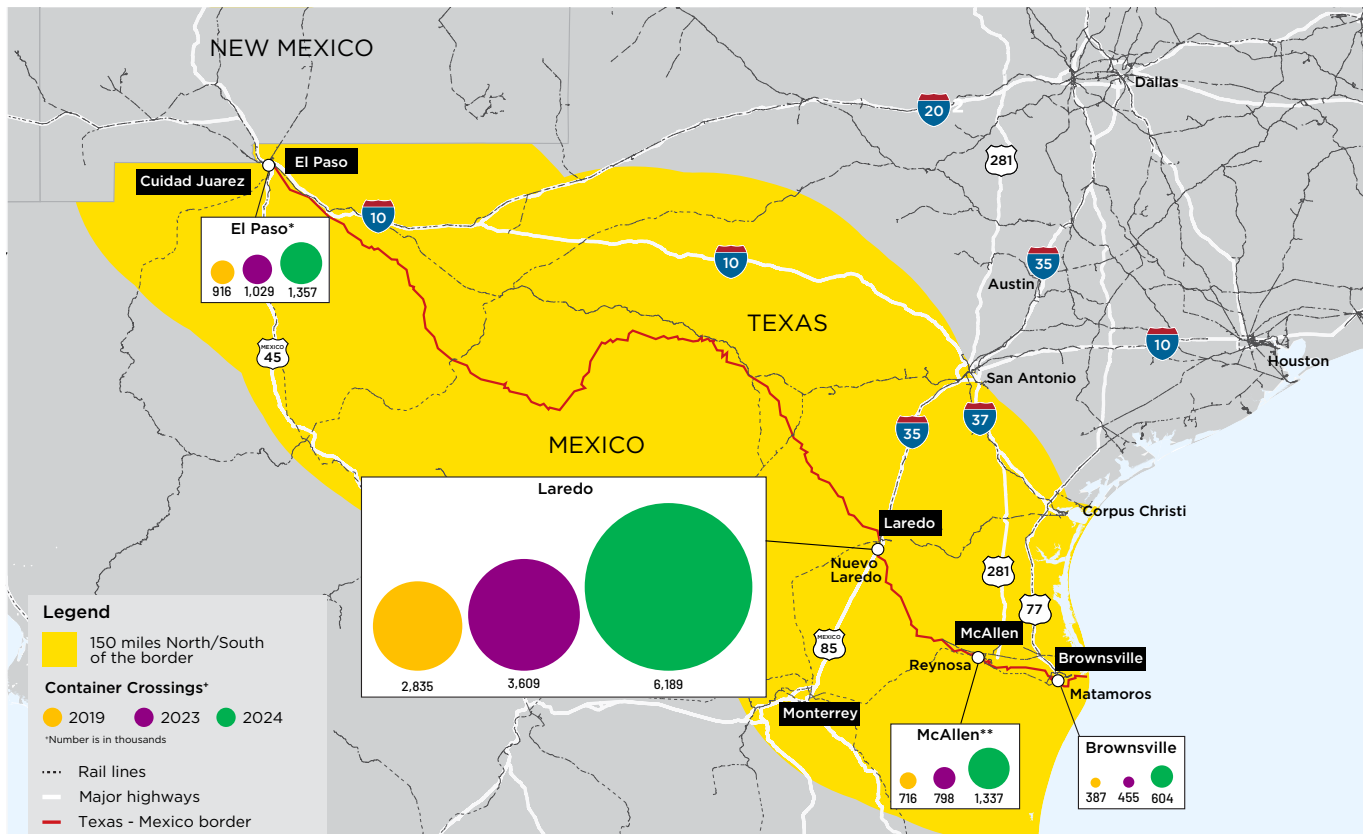
import/export  
value in 2024

## With shifting trade policies, border markets face an inflection point.

The Texas-Mexico border spans 1,254 miles, four metropolitan statistical areas (MSAs) and various ports of entry.

The gateways that make up the burgeoning Texas border markets — El Paso, Ysleta, Tornillo, Laredo, Hidalgo, Progresso and Brownsville — accounted for \$540.0 billion in import/export value in 2024, a 40.0% increase from just five years ago. This exponential growth in trade is driving an expansion of the local industrial property markets, with a pipeline of speculative construction rivaling the nation's fastest growing hubs. However, with shifting trade policies, the region faces an inflection point that could alter its near-term trajectory.

## Texas-Mexico border truck and rail crossings by major trade hubs

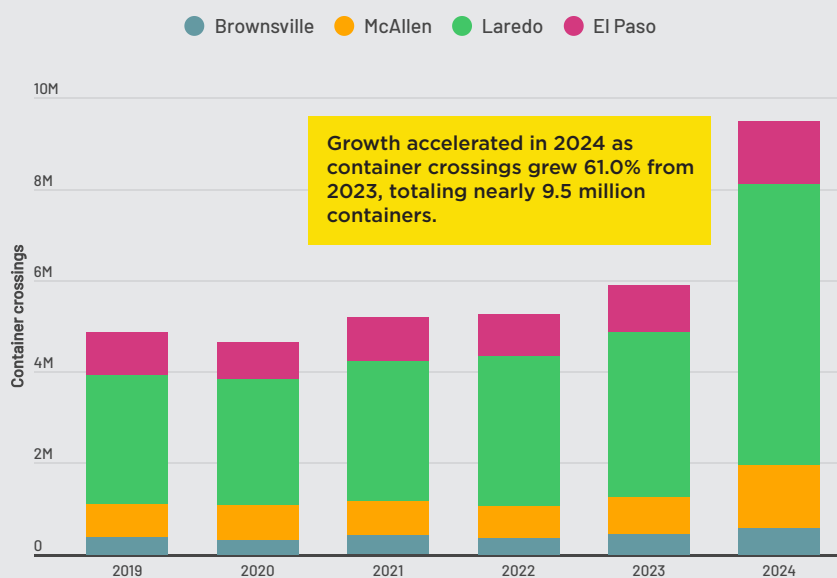


\*El Paso Cluster = El Paso, Ysleta and Tornillo Ports of Entry  
 \*\*McAllen Cluster = Hidalgo and Progreso Ports of Entry

## I-35 drives Texas border trade growth

The introduction of the North American Free Trade Agreement (NAFTA) in 1994 and its replacement in 2020 by the United States-Mexico-Canada Agreement (USMCA) established a relatively seamless North American trade conglomerate. These accords coined the unofficial term “NAFTA Superhighway,” describing trade routes centered on I-35, which runs from Laredo to Duluth, Minnesota. The vital importance of I-35 provides the backdrop for the growth and maturation of the Texas border markets of El Paso, Laredo, McAllen and Brownsville as manufacturing and logistics hubs.

### Texas border inbound & outbound container crossings



Note: Includes loaded and empty truck and train containers  
 Source: U.S. Department of Transportation: Bureau of Transportation Statistics



## Texas border trade surges to \$540.0 billion in 2024

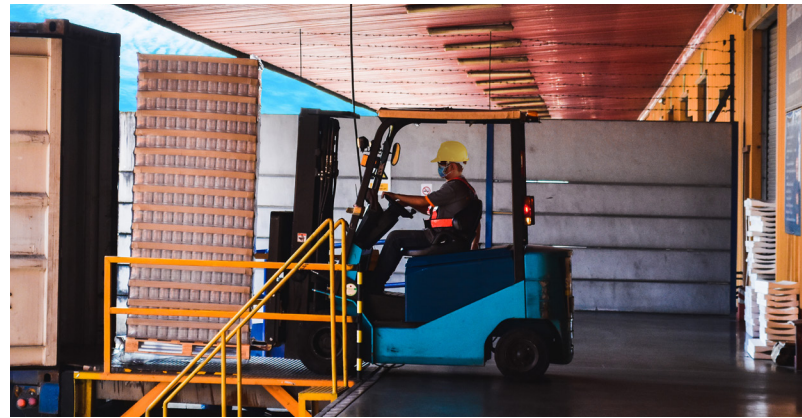
The primary commodities, making up 60.0% of the total yearly import/export value, were computer-related machinery and parts, electrical machinery and equipment and parts, and vehicles (other than railway). These top three commodities are leading imports and exports numerically and empirically, evidenced by the litany of new and existing occupier facilities.

**Manufacturers** with existing operations in Mexico account for a handful of recent announcements and are some of the largest existing occupiers in the market:

- **Eaton Corp.:** El Paso, March 2024 — Acquired the former Helen of Troy facility in El Paso as part of a larger \$80.0 million investment earmarked for the further expansion of operations in the market.
- **Sumitomo Electric Wiring Systems:** El Paso, January 2024 — Japanese-based manufacturer of automotive electrical systems committed to 525,000 square feet (sf) in the Pellicano Industrial Park.
- **Bosch:** El Paso, February 2024 — The German auto electronics supplier took 430,000 sf in the Rancho del Rey Logistics Park and will use the facility for light manufacturing and assembly operations.
- **First Brands Group:** Brownsville — One of the largest industrial occupiers in Brownsville, the global automotive parts manufacturer also operates facilities in Matamoros, Mexico, under 20 miles from the Brownsville facility.

**Logistics and distribution/3PL** occupiers have made serious commitments to support clients moving goods across the border and throughout the region:

- **Source Logistics:** Laredo, September 2024 — The 421,000-sf commitment added to their existing presence in the region and will help customers meet the demand for consumer goods from Latin America.
- **Kuehne + Nagel:** Laredo/El Paso, May/August 2024 — In two separate transactions just months apart, the global logistics company consolidated four facilities into one in El Paso and committed to 432,000 sf in Laredo.
- **Ryder Logistics:** Laredo, February 2024 — New facility is designed to support growth in manufacturing while transporting products across the border.
- **Maersk:** El Paso, September 2024 — The facility is designed to facilitate fast and flexible cross-border trade between the United States and Mexico.



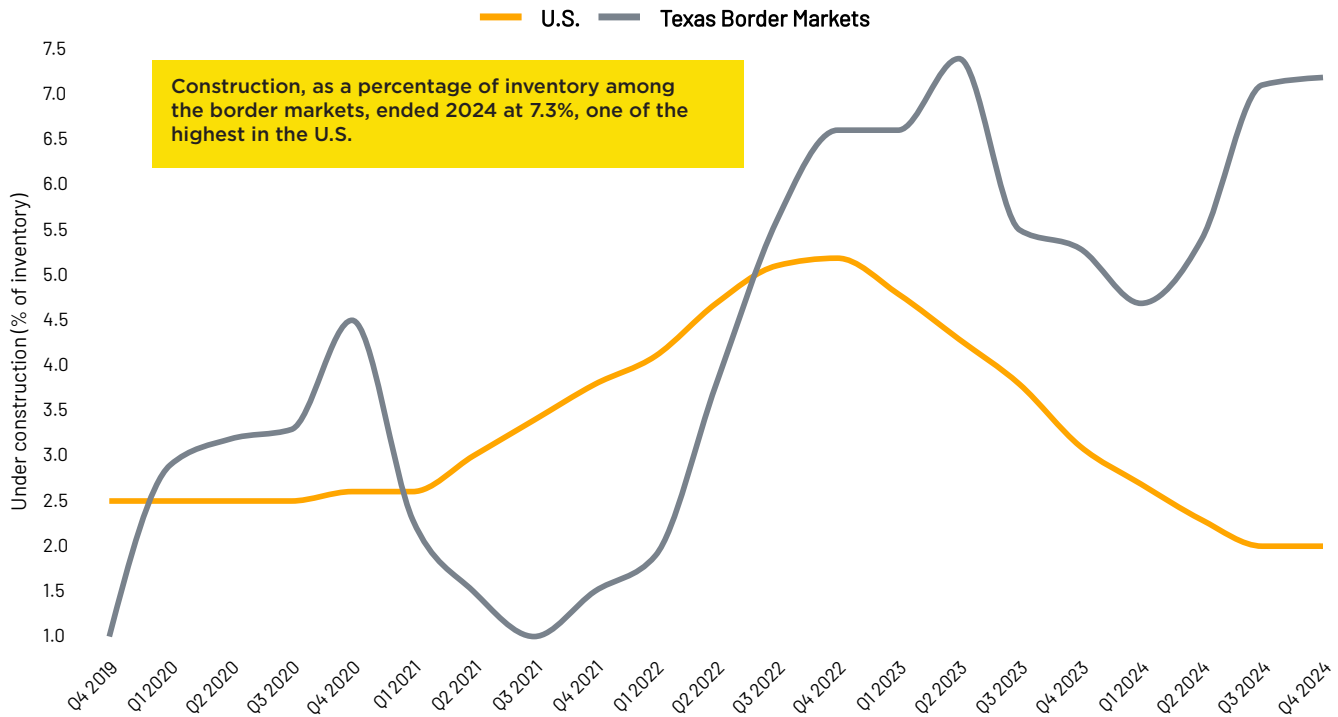
## Rising container crossings fuel industrial expansion

The sheer volume of trade — with container crossings increasing 1.5x from 2023 — and demand from manufacturing and logistics occupiers have forced the Texas border industrial markets to change. Historically, El Paso, Laredo, McAllen and Brownsville were considered relatively quiet industrial markets, especially compared with the Texas Triangle markets of Dallas-Fort Worth, Houston and Austin. However, the Texas border markets have seen industrial space inventory grow by 18.0% over the past five years, reflecting continued development in the region.





## Under construction share of inventory: Texas border markets vs. U.S.



Note: Texas Border Markets are a summation of the El Paso, Laredo, McAllen and Brownsville industrial markets  
Source: Savills Research

16%

Laredo's  
construction  
pipeline  
as a percentage  
of inventory



### Diverging development pipeline sets Texas border markets apart

Growth to date is just part of the story. Where the Texas border markets diverge is in future growth, exemplified by square footage under construction as a share of current inventory. While the overall U.S. construction pipeline has slowed significantly, the Texas border markets' pipeline is moving in the opposite direction, increasing the share of under-construction square footage. As of Q4 2024, Laredo's construction pipeline measured 16.0% of current market inventory, slightly higher than Austin's 15.0%, one of the fastest-growing industrial markets in the U.S.

### El Paso and Laredo: the epicenters of border market growth

**While the Texas border markets are comparable, some differences are stark.** El Paso and Laredo make up 99.0% of the region's under-construction total and 86.0% of deliveries over the past five years. Both benefit from their proximity to the Mexican states of Chihuahua, Tamaulipas and Nuevo León, as well as immediate access to I-35 and I-10. McAllen and Brownsville, on the other hand, offer more cost-effective warehouse options but have less modern big-box inventory for large logistics occupiers. Proximity to the SpaceX facility in Boca Chica Beach positions both markets to benefit from further successes and expansions by the space exploration firm.



## Texas border industrial market comparison: Q4 2024

		EL PASO	LAREDO	MCALLEN	BROWNSVILLE
TRANSPORTATION	Truck container crossings	1,228	5,729	1,337	503
	Rail container crossings	130	460	0	101
2024 total, thousands of crossings					
LABOR	Total jobs	38,691	17,656	26,387	12,687
	Compensation (median hourly)	\$16.63	\$17.61	\$16.36	\$16.35
Transportation and material moving occupations					
REAL ESTATE	Inventory (msf)	64.2	42.9	30.5	16.0
	Under construction (msf)	4.1	6.9	0.1	0.1
	Vacancy rate	12.1%	6.5%	5.6%	5.4%
	Asking rental rate* (\$/sf)	\$7.93	\$9.60	\$8.03	\$5.16
	Operating expenses (\$/sf)	\$2.29	\$1.76	\$2.14	\$1.88

\*NNN rate includes direct and sublet availabilities  
Source: U.S. Department of Transportation, Lightcast, Savills Research



### Evolving trade policies could reshape supply chains

The Texas border markets had a banner year for imports and exports, and the industrial real estate markets appear primed for continued growth. However, tariffs — or even the threat of tariffs — loom large. Such tariffs could disrupt trade flows and burden manufacturers with unforeseen higher input costs. There are plausible arguments that tariffs could benefit certain occupiers and markets, as some manufacturing may shift state-bound, or “safety-stocking” inventories in the U.S. could drive additional warehouse demand. At the same time, the upcoming renegotiation of the USMCA in July 2026 is creating additional uncertainty.

Most poignant is the risk of trade policy unknowns — some occupiers will likely pause decision-making and investment until more is certain. A construction pipeline reliant on speculative projects is most at risk when decision-making stops, leading to higher vacancy and downward pressure on pricing. Long term, as risks adjust and decisions resume, the Texas border markets stand to benefit from the same factors that drove their recent growth: real estate and labor affordability, strong trade relationships with Mexico and proximity to major Mexican manufacturing hubs and Texas Triangle cities.



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