

The agreement also promises to create wholesale markets to increase access to building materials of competitive quality and price. It seeks to develop used and rental housing markets, and improve access to affordable land.

RENTAL HOUSING

Until recently, rent control laws in some states kept the supply of rental housing at only 14 percent of the total housing stock in Mexico. This compares with about 50 percent rental housing in the United States.

In order to attract investors, the federal government, together with local authorities, is modernizing the legal environment affecting the rental market. The reforms are intended to increase the supply of rental housing by providing market conditions that will allow favourable rates of return for investors. This will be achieved by balancing the rights and responsibilities of both parties, and by simplifying legal disputes. Rent control laws have already been revoked in Mexico City and the state of Nuevo León, and rental housing stocks have increased substantially as a result.

AGRARIAN REFORM

Recent amendments to Article 27 of the Mexican Constitution provided for a sweeping series of agrarian reforms. They will substantially increase the supply of urban land by allowing, among other things, community land transfers for the construction of affordable housing projects. The amendment also provides a legal framework for orderly urban development.

FOREIGN OWNERSHIP

Currently, the Mexican government has the right to screen all investments that would increase the foreign ownership of construction firms beyond 49 percent. Under the North American Free Trade Agreement (NAFTA), this requirement will be relaxed after January 1, 1999. Canadian and American investors will be able to acquire full ownership of an existing construction firm if the value of the gross assets of the firm do not exceed the NAFTA-specified thresholds of US \$50 million in 1999 and US \$75 million in the year 2000.

The government has also introduced legislation allowing more foreign investment in the "restricted zone" which extends 50 kilometres from Mexico's shoreline and 100 kilometres from its border with the United States. These laws have frequently been circumvented by *prestanombres*, "name-lenders" who front for foreign investors.