

PROTEXA has entered into a joint venture with the macro-urban developer, RTKL from Dallas, Texas. Reportedly, RTKL has successfully adapted to Mexican building customs and achieved moderate success.

According to industry observers, European and Asian construction firms are now beginning to enter Mexico. They are offering special financing, and more flexible arrangements and longer payback periods than their American counterparts.

### Canadian Presence

There is very little knowledge of Canadian products in Mexico. There is a general perception that Canadian products are reliable. But the consensus in the industry is that Canadians are unfamiliar with Mexican building styles, and therefore unlikely to make major inroads in the market. Some observers also note that the political connections needed to secure contracts in Mexico, at least in the short term, are beyond the capabilities of most Canadian companies, unless they partner with local firms.

## TRENDS AND OPPORTUNITIES

Very little construction of high-income housing is expected in 1995. Most construction will be projects initiated in late 1994 to be completed by early 1996. The demand for middle-income housing is shrinking as the economic crisis forces many middle-class Mexicans to seek lower-end housing or to live with relatives.

The low-income housing market will be the first to recover, as government housing programs are re-established. Recent changes in government housing policy are expected to stimulate this market in the short run, leading to significant opportunities, especially for firms with Mexican partners.

### Renovation Materials

Of the 380,000 homes expected to be built in Mexico in 1995, more than two-thirds will be renovations. The *Secretaría de Desarrollo Social (SEDESOL)*, Secretariat of Social Development, has initiated a new program for home improvement. It combines technical advice from universities with subsidized construction materials in an effort to promote do-it-yourself (DIY) remodeling. Some American-based retailers are moving into Mexico to sell DIY materials directly.

### Wood Building Materials

Industry observers believe that wood-frame construction will be slow to gain acceptance in Mexico. Nonetheless, some of those interviewed believe that middle-class buyers are ripe for acceptance of wood-frame houses, provided that they are cheaper than masonry alternatives. Many middle-class families are now being forced to accept lower-class homes and they may well prefer wood-frame houses to the alternatives. Wood is also in demand for flooring, wall-panelling and other finishing applications.

There is a small market for imported prefabricated housing components and other value-added products for middle- to upper-income customers. Products in demand include kitchen cabinets, doors and double-glazed windows. Heating systems, carpeting, plumbing and electrical systems, and wall coverings will also find small niche markets in Mexico.

### New Building Techniques and Materials

The tremendous need for housing coupled with the shortage of capital is forcing Mexican builders to consider any technology that can reduce construction costs. Builders are investigating a range of prefabricated materials and building techniques.

Regardless of the materials used, however, the final appearance of the house must be compatible with Mexican culture and tastes. For the most part, Mexican builders are more interested in speeding up the construction of concrete buildings, than moving to alternative materials.

There is a small but promising market for prefabricated vacation homes, in the 160 to 250 square metre range. According to U.S. Department of Commerce estimates, imports of prefabricated houses rose dramatically from US \$13.8 million in 1993 to US \$88 million in 1994.

## THE REGULATORY FRAMEWORK

### New Government Housing Policies

In early 1995, the government introduced a series of programs designed to re-stabilize the economy. One of these programs, *Programa Especial para la Vivienda (PEV)* concerns the housing sector. Its main objective is to support families that are unable to pay for housing loans taken out before the devaluation. In addition, the government will try to reactivate the construction industry by channelling funds to developers.

### Taxes and Fees

Until recently, the cost of government-imposed regulations added as much as 25 percent to the cost of new housing. This includes land transfer taxes, registration fees, and charges by public notaries and lawyers. In October 1992, the Government of Mexico launched the *Acuerdo de Desregularización y Fomento a la Vivienda, Agreement to Deregulate and Promote Housing*, in cooperation with a number of professional associations. As a result of this program, average indirect costs have already dropped from 12.4 percent in 1992 to 8.6 percent

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