

CANADIAN PRESENCE

There is very little information in Mexico about Canadian products, and even less about Canadian companies. 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 are therefore unlikely to make major inroads in the market. Some observers also suggest that the political connections needed to secure contracts in Mexico, at least in the short term, are beyond the capabilities of most Canadian companies.

The highest-profile housing project led by Canadians in Mexico is a joint venture between Reichmann International, investor George Soros, and *Grupo ICA*, one of the largest construction companies in Mexico. The group is carrying out three development projects in Mexico City, worth US \$1.5 billion, that will include housing, offices, shopping centres, a hotel and a hospital. Ground has been broken for the housing complex in the suburban area of Santa Fe. This is part of a US \$480 to \$600 million residential and commercial centre built on top of an old garbage dump. Following the December 1994 devaluation of the peso, a heavy reliance on local financing caused a dramatic increase in the cost of capital. Financing was renegotiated and the timetable for completion was extended, but the projects are expected to continue. The group is planning further projects in Monterrey and the Bajío region of central Mexico.

TRENDS AND OPPORTUNITIES

Two-thirds of the 380,000 housing projects projected for 1995 will be renovations. A market for do-it-yourself products is emerging, and major foreign retailers are now moving into it.

The Mexican home building industry is expected to remain in a slump for the short term. 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 reestablished. This is a difficult market for Canadian builders to penetrate. They generally lack experience with low-cost masonry construction and tend to be ill-equipped to deal with the political factors involved. Nonetheless, 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.