THE HOUSING SHORTAGE

Mexico faces a housing shortage of crisis proportions. According to official government estimates, at least three million additional homes are needed to adequately house the current population. Independent experts put the shortfall closer to seven million units. Unless the rate of new construction is greatly increased, the gap will continue to grow. According to the World Bank, more than 800,000 new houses are needed every year to keep up with the demand, but only 600,000 are built.

In his final report, former President Carlos Salinas said that Mexico would build 625,000 homes in 1994, a 37 percent increase over the year before. But industry observers say that a large proportion were not completed by the end of the year. Estimates for 1995 are that 380,000 new homes will be completed, of which 118,000 will be built from scratch and the rest will be renovations. Spending on housing for 1994 was estimated at US $10 billion, but this estimate excludes considerable informal housing activity.

It is estimated that roughly half of all new homes are constructed by the informal housing sector, usually the owner. Typically, homes are owner-built without access to formal financing and often without title to the land. The other half are built by the formal construction sector, either through government-assisted programs for low-income housing or for direct sale to middle- and upper-income buyers.

THE HOUSING MARKET

Although reliable housing statistics are scarce, it is estimated that almost half of the current annual demand is for homes valued at less than US $15,000, while only 10 percent of the requirement is for homes exceeding US $40,000. This pattern of demand suggests a total housing market of about US $17 billion, including the informal sector.

HOUSING CLASSIFICATION, 1994

Category	Approximate Equivalents in US $
Low-income	up to $18,000
Mass market	$18,000 to $22,000
Middle class	$22,000 to $112,000
Upper class	more than $112,000

Source: United States Department of Commerce.