

MALL DEVELOPMENT IN MEXICO

One of the major mall developers in Mexico is the Simon Property Group of Indianapolis. In partnership with Sid Uberman, a Texas-based real estate developer, it has established a joint venture with *FRISA*, a major Mexican real estate developer. This group will build three regional malls in suburban Mexico City. The malls will include J.C. Penney and Dillard's as anchor tenants and will feature other department stores as well as U.S. and Mexican specialty stores.

These malls are scheduled to open in 1996, and they will add to the ten regional malls already in Mexico City. One of them, the 284-store *Centro Santa Fe*, is the largest in Latin America.

Simon and Uberman will open another mall in Guadalajara in partnership with *Opción* and *ICA*, also anchored by Dillard's and J.C. Penney.

Dillard's and J.C. Penney are also involved with other developers in Mexico. J.C. Penney alone plans to open a total of eleven stores in major centres in Mexico. Both are participants in a new 533,000 square metre shopping center at the World Trade Centre in Mexico City. This project is being built by The Hahn Co. of San Diego in association with *Grupo Galsa*.

Another U.S. company, Forest City Development of Cleveland, has announced a partnership with *Grupo Protexa* to build regional malls in major Mexican cities.

EMERGENCE OF SHOPPING MALLS

In spite of these modernization trends, Mexico is still regarded as an underdeveloped retail environment. New American-style mall developments are springing up all over the country. Most of the large chains are pursuing joint ventures with foreign retailers.

The rapid expansion of malls is outpacing the growth of the relatively up-scale market they will serve. This reflects a desire by operators to capture key locations, with the expectation that rising disposable income will stimulate sales at the high end of the market in the longer term. The building boom is also being sustained by a rising demand from retailers who want to keep up with developing trends and capture market share.

The availability of construction financing is also having an impact. The Mexican government's market-oriented policies and liberalized trade strategies are attracting investments from Europe and Japan as well as the United States.

Some of these new developments have been slow to prosper. This is partly due to the recent recession. Even the most established retailers have seen flat or even declining sales. *Grupo Cifra*, for example, managed only 1 percent growth (excluding new store openings) in sales volume in the first quarter of 1994 compared with a year earlier. *Las Galas* store, which was the anchor tenant for the *Interlomas* shopping centre in Mexico City, closed its doors after less than two years in business.

The recession does not fully explain this sluggish performance. Most industry observers agree that even though Mexico as a whole has an underdeveloped retail sector, the three big urban markets are saturated. This includes Mexico City, Monterrey and Guadalajara. Some experts believe that only the largest firms will have the staying power to earn a profit on new investments in those markets.

EXPANSION OF NATIONAL CHAINS

Retailers are now seriously looking at the smaller and less affluent centres in Mexico. *Sears de México* and *El Puerto de Liverpool* have been leaders in building smaller stores in provincial towns. Also three top supermarket chains, *Grupo Cifra*, *Gigante* and *Comercial Mexicana*, are wooing customers in rural areas with discount operations.

All of these companies have been expanding, mostly through joint ventures. Some examples include:

- *El Puerto de Liverpool*, a large Mexican department store chain has joined forces with K mart. This joint venture is developing *supermercados* which will carry both food items and lower-end apparel. *El Puerto de Liverpool* plans to invest over US \$300 million in this and other ventures.