



Mexico: Housing Industry Overview 2008

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Summary

Under the Administration of President Calderon, all housing initiatives and projects throughout Mexico's 32 states are considered priorities. Federal, State and Municipal governments are working closely to strengthen the housing industry in order to solve Mexico's housing deficit of over the 5 million of units countrywide. All housing agencies, both government and private, are promoting projects and seeking private investment in order to counter the country's housing deficit.

Mexico's Federal, State and Municipal government agencies that promote housing cannot resolve the housing deficit on their own; they need the support of private sector local or foreign companies, as well as international housing foundations or institutions.

For U.S. firms interested in entering Mexico's construction industry, one of the best options is to sign a joint venture agreement with a Mexican housing developer or construction firm that is active in the housing industry. Mexican companies' knowledge of the market, labor and legal aspects involved in this industry is invaluable to U.S. firms.

Market Overview

The housing construction industry in Mexico has experienced a constant growth over the last 5 years, increasing at an average of 4.5% yearly. The housing and general construction sectors have been important for the current government due to its side effects of employment generation and stimulating the economy. The government has implemented federal, state and municipal housing projects and assigned funds to government institutions that support the development of mainly low-income, and some mid and high-income housing. The government has also supported the efforts of private companies (local and foreign) involved in this industry.

Market Trends

Due to the current world financial situation, Mexican housing expectations and development plans from the major private firms are under revision. The market will continue to grow, but not at the desired rate. Private firms are now stating that, due to rising cement and steel prices, as well as limited financing options, housing developers will be affected for the next two years. Even though, the housing/construction market is expected to grow at an average rate of 2.5% during the next two years. Mexican firms continue to search for new and rapid construction techniques and new materials (high quality, low prices, easy to use and install). U.S. products and/or services are well accepted in Mexico and U.S. firms have the additional benefit of selling most products duty free under NAFTA.

Housing Statistics at the End of August 2008

ENTITY	HOUSING ACQUISITION	IMPROVEMENTS	TOTAL	INVESTMENT IN USD MILLIONS
INFONAVIT	306,676	3,261	309,937	6,462.85
SHF	20,328	74,657	94,985	708.80
FOVISSSTE	44,707		44,707	1,406.12
CONAVI	97,314	98,834	196,148	374.30
FONHAPO	11,817	52,941	64,758	79.51
OTHER FINANCIAL INSTITUTIONS	103,333	61,226	164,559	5,013.44
OREVIS	7,854	25,264	33,118	149.45
OTHER ENTITIES	5,999	6,736	12,735	380.99
FINANCING	598,028	322,919	920,947	14,575.46
REDUCTION	-171,637	-70,478	-242,115	
EQUIVALENT	426,391	252,441	678,832	14,575.46

INFONAVIT / includes 6,073 loans from the Apoyo INFONAVIT program, 58,262 Co-Financing and 84,192 Subsidies.

FOVISSSTE / includes 8,467 mortgages from the Alia2 program, 224 mortgages from the Respalda2 program, 2,420 special subsidies for retired y 580 mortgages from the Mancomuna2 program (Fovissste-Infonavit).

Other Entities/includes: ISSFAM (573), PEMEX (3446), CFE (1,344), PEFVM (2,632), LFC (3,406), PET (673), PROVIVAH (620) and HABITAT (41) program mortgages.

REDUCTION / It refers to those mortgages granted using two or more financing institutions.

Figures were gathered from the following official sources: CMIC, CNEC, CIHAC, FOHNAPO, INFONAVIT, FOVISSSTE, SEDESOL, INEGI, CONAVI (former CONAFOVI), CANADEVI as wells as private construction and developing firms.

With substantial low-income housing development potential, and strong mid- and high-income housing demand, the housing market demand is estimated at \$14,575 million per year with growth projections at around 2.5% per year until 2010. The housing industry will continue to be one of the most attractive sectors to invest for private firms.

In addition to private sector investment, the federal and state governments receive assistance from international housing organizations and funds. For example the Carter and Clinton Foundations are working closely with the Mexican government on several projects in rural or poor areas.

Importance for U.S. Firms

Official sources estimate that at the end of year 2007, Mexico had a deficit of over 5 million homes. Major housing construction companies are planning to build over 426,000 new dwellings per year during 2009-2010. The largest homebuilders such as Grupo Inmobiliario SARE, Consorcio HOGAR, Consorcio Ara, Grupo GEO, Grupo SADASI, Grupo URBI, Homex and Vive-ICA are planning to build over 400,000 new, low to high-income homes during the same period. The combined production of all developing institutions will be roughly 700,000 homes, and will help close the demand gap, but there will still be growing need for more homes.

The geographical distribution of the proposed housing projects during the next two years will be concentrated in cities with less than 20,000 inhabitants. Projects currently planned will be implemented in the states of Mexico, Puebla, Veracruz, Queretaro, Hidalgo, Oaxaca and Chiapas. Many of these projects will receive monetary support from the Mexican Government. Companies based in those states are expected to participate actively in the construction of new low-cost, mid- and high-income projects between 2009 and 2010.

Value of the Market

Investment in the housing sector at the end of 2007 was over US\$14,575 million. The very low-end housing is the largest of these sectors and is the segment of the market that demands the most building materials. Traditionally, this segment builds do-it-yourself houses in steps (one room today, another six months later, etc). Consumers in this market purchase materials through retail outlets in very small quantities.

CONAPO (National Council for Population) estimates that Mexico will require 30.2 million dwellings by the year 2010. According to information provided by the Official Housing Agencies, Mexico had a stock of 25 million houses at the end of 2005. This means the need for an additional 5.2 million dwellings in the coming years.

Market Access / Entry

This is a good time to take advantage of the market because many restrictions on investment and construction in Mexico have been abolished due to Constitutional reforms passed over the last few years. The market is open for investors and contractors who want to take advantage of the booming construction industry in Mexico.

The best way for American firms to enter the market is to identify a potential partner to contract for, or to participate in a joint venture in Mexico. The majority of large Mexican developers and construction companies build throughout the country and these companies are also implementing or planning to implement U.S. construction and security norms and standards on their projects. This makes the experience of U.S. firms a valuable commodity.

Financing

OPIC is the primary U.S. government agency focused on supporting private sector investment in the developing world. OPIC's mission is to assist the flow of investment to developing countries and encourage the growth of emerging economies. In funding, guaranteeing, or insuring housing related projects, OPIC provides a catalyst for future growth enables host countries to meet a pressing social need and helps to unleash the power of robust housing and mortgage markets to build domestic wealth and increase local savings.

OPIC's housing programs also help U.S. small businesses in the housing sector to expand and grow through overseas investment. This includes activities such as land development, house construction, establishment of modern land title systems, development of new capacity for mortgage loans, and creation of risk-sharing mechanisms that help make loans for housing more affordable and accessible to low and middle-income families.

OPIC's website provides a wide variety of publications, application forms, press releases, OPIC's free electronic newsletter and other information, including a list of eligible countries at: www.opic.gov

Upcoming Trade Events in 2009

EXPO ESPACIOS DE LA CONSTRUCCION

Dates: February 26 – 28, 2009

Venue: World Trade Center Mexico, Mexico City

Organizer: Asociacion Promotora de la Industria de la Construccion, A.C.

Description: Exhibition directed to the construction, architecture, installations, decoration, hardware, machinery and equipment for the general construction industry.

For more information contact:

Tel: (52-55) 5255-4304 & 5255-4348 exts. 142, 170 and 153.

E-Mail: ventas@expoespacios.com, info@expoespacios.com

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EXPO DESARROLLO INMOBILIARIO: THE REAL ESTATE SHOW

Dates: March 24-25, 2009

Venue: Centro Banamex – Exhibition hall, Mexico City

Organizer: Asociacion de Desarrolladores Inmobiliarios, A.C. (Real Estate Developers Association)

Description: Expo Desarrollo Inmobiliario: The Real Estate Show pretends to become the major event on the real estate industry in Mexico. It gathers the main real estate developers in the country and offers a series of a two-day technical presentations and an exhibition area.

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EXPO TU CASA

Dates: March 20 – 22, 2009

Venue: CINTERMEX – Exhibition hall, Monterrey, Nuevo Leon

Organizer: Asociacion Promotora de Exposiciones, A.C.

Description: Exhibition that offers products and services for the housing industry.

For more information contact:

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HABITAT EXPO

Dates: May 20 – 23, 2009

Venue: World Trade Center Mexico, Mexico City

Organizer: Tradex Exposiciones, S.A. de C.V.

Description: HABITAT EXPO is the only event where you will find conferences, exhibit, and consulting all under one roof, for: Hospitality, Offices and Residential Market. Habitat Expo is a unique opportunity to promote your leadership in creativity, innovation and quality of the products and services that you offer.

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EXPO BIENES RAICES

Dates: October 9 -11, 2009

Venue: World Trade Center Mexico, Mexico City

Organizer: Tradex Exposiciones, S.A. de C.V.

Description: The only business-generating event of its kind. Real Estate Expo is devoted to the consolidation and strengthening of the real estate industry by bringing together buyers, investors, developers, construction companies, and real estate agencies from Mexico and the United States.

For more information contact:

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EXPO CIHAC 2009

Dates: October 13-17, 2009

Venue: Centro Banamex – Exhibition hall, Mexico City

Organizer: Centro Impulsor de la Habitación y la Construcción, A.C. - CIHAC

Description: Considered as the most prestigious event in Mexico for building and construction materials, it also includes technical seminars. Show comprises some sub-sectors as: building materials, machinery, equipment, building systems and prefabricated technologies, financial services, among others.

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