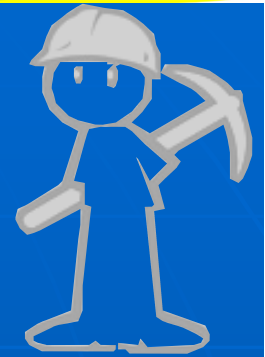


Construction and Building Products markets in Mexico



August 2006

What brings you here?



Need to expand to new markets



Consolidate presence in Mexico



Explore opportunities in the Mexican market

Who's Mexico?



- 104 Mexicans
- 10th largest economy in the World – 2nd in Latin America
- 800,000 homes needed annually towards 2010
- Commercial partner in NAFTA



CONSTRUCTION - Market overview



Government

(INFONAVIT, FOVISSSTE, SHF, FONHAPO – Housing
FONATUR - Tourism)

Housing

Basic
Social interest
Residential

Industry-Commerce-
Tourism

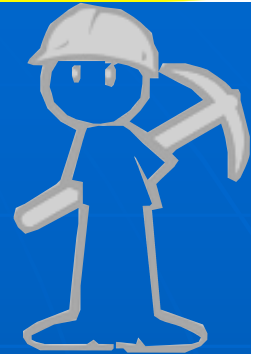
Energy



Developers

(ARA, Urbi, GEO, SARE,
etc.)

CONSTRUCTION - Market overview



2004 Investments

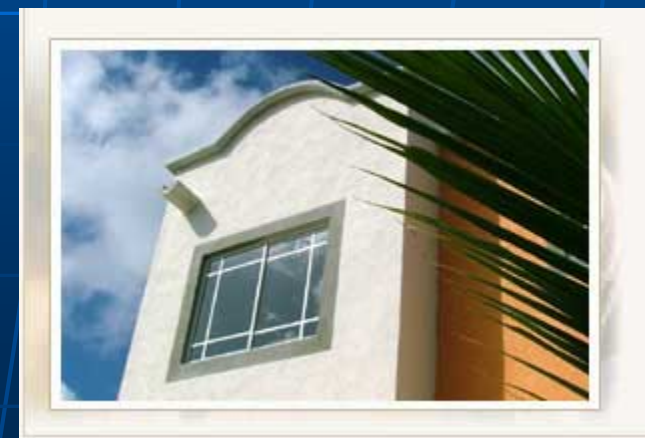
Housing Basic Social interest Residential	46%
Industry-Commerce- Tourism	14%
Energy	24%
Others	16%



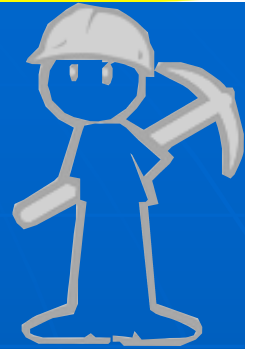
Housing



- Growth in medium sized cities (pop. of 100,000 – 500,000)
- 8 million homes deficit for the upcoming years
- Limited mortgage access
- Building materials like bricks and cement are preferred
- Wood is perceived as poor quality and not resistant to the local elements



Housing



Basic and Social Interest (Social and Economic)

- Less or equal to US\$ 15,000. Income of 1 or 2 times min. wage
- Between US\$15,000 and 30,000. Income of 3 or 4 times min. wage
- 2.4 million homes need to be replaced
- 3.5 million need major renovations
- Very price sensitive
- 80% Informal building and self-construction

Housing

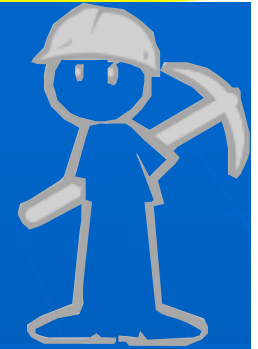


Residential

- Homes valued US\$ 30,000 and more. Income of 5 times the min. wage or more
- Less price sensitive – more concerned on quality
- Developed taste for North American building products
- Focus of recent Canadian efforts (CHMC & Gov of Quebec)



Housing



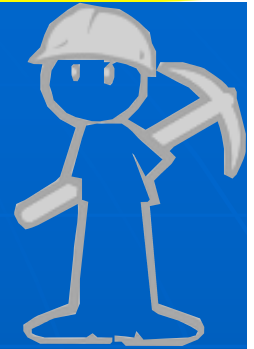
Type of housing	Distribution %	Construction m2
Basic	40.9	Up to 30
Social	22.5	31 – 45
Economic	22.2	46 – 55
Upper-middle	14.4	101 - 200

Source: SEDESOL

- Estimated demand in 2001
 - Basic – 72.5 %
 - Social – 23.4 %
 - Residential - 4.1 %



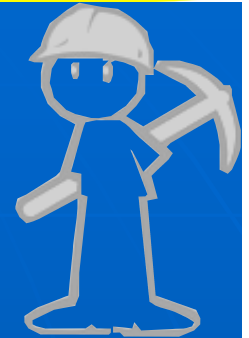
Industry-Commerce-Tourism



- Tourism
 - Hotels, marinas, golf courses
 - Real estate developments – retired Americans and Canadians
- Main competitors: US and Spain
- Join venture agreements with local firms
- Commerce – Industry
 - Retail
 - Manufacture



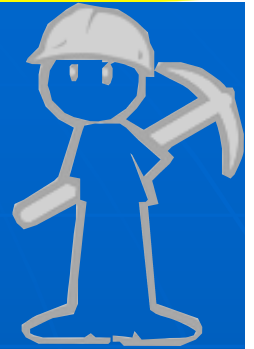
Building Products



- US\$ 12.5 billion worth (CMHC)
- Will grow at a rate of 4.5% in the next two years (CMIC)
- 2004 Import market share:
 - US – 67%
 - Italy – 10%
 - Spain – 9%
 - Korea – 6%
 - Taiwan – 4.5%
 - **Canada - 2%**
 - Others – 1.5%
- Distribution channels:
 - Large builders – developers
 - Regional wholesalers
 - Micro businesses
 - Do it yourself stores (Home Mart, Home Depot)



The players



8,500 construction companies in Mexico

- 91% Micro businesses – less US\$ 1 million/year sales
- 5.6 % - between US\$ 1 and 3 million/year sales
- 3.4 % - more than US\$ 3 million/year sales (large developers)

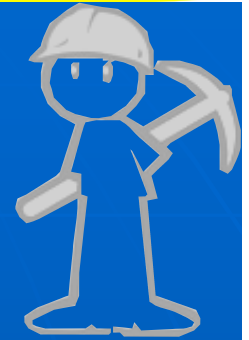




CMHC's Key success factors to penetrate the Mexican market

- Sufficient financial capacity
- Have a track record on the international scene
- Develop a long-term vision for the Mexican market
- Design/adapt products to meet the need of the Mexican market
- Technologies that speed up construction and reduce costs are highly valued
- Sufficient knowledge of market information
- Finding the appropriate Mexican partner
- Offer a reciprocal agreement

Our initiatives this year:



Construexpo Jalisco 2006



- * More than 2,000 construction companies from central-western Mexico
- * More than 4,000 construction professionals
- * 300 booths – national pavilions of Canada and EU

Sustainable Building Monterrey 2006



- * More than 2,500 attendees
- * 500 national and 250 international experts
- * Organized by the World Green Building Council and Mexico Green Building Council

5 things to remember

- 1- Growing middle class
- 2- Upper-middle and Upper-class less sensitive to price
- 3- Housing deficit
- 4- NAFTA
- 5- Need a long-term strategy

You're here



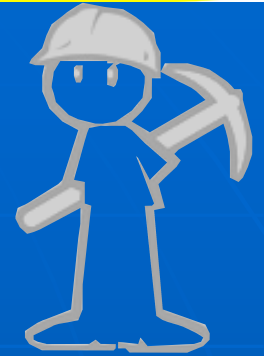
Your market is here

Sources



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- US Commercial Service Mexico, "Building and construction materials market overview"
- US Commercial Service Mexico, "Mexican Tourism Infrastructure: Opportunities for U.S. Architecture, Construction and Engineering firms"
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Contact in **Manitoba Trade and Investments:**



Alberto Velasco
International Business Development Mexico
Manitoba Trade and Investment
1100-259 Portage Avenue
Winnipeg, MB R3B 3P4
(204) 945-2917
avelasco@gov.mb.ca

