

# Real Estate, a market of opportunities in Mexico

The boom in the infrastructure sector, as well as the growth of domestic and foreign investments, are factors that are driving the Real Estate industry in Mexico.

## Why to invest in Real Estate?

The Real Estate industry in Mexico is currently in a period of maturity, characterized by the boom of the infrastructure sector and the growth of both domestic and foreign investments, which represent a source of development for the enterprises. Currently, the integration of Real Estate investments in portfolios is a common practice, from the diversification of assets to obtaining funding resources. This is a new market with a fertile ground for development and investment, and can turn into many opportunities for companies that understand the new market schemes.

The projected housing demand for the next years will be driven by people under 30 years old, representing 55% of the population. Bajío region, formed

by Aguascalientes, San Luis Potosi, Guanajuato and Queretaro, as well as the northern region of Mexico, are areas of special interest, because the real estate industry has experienced a continuous growth supported by investments from various sectors, the most notable, the automotive one.

The same performance and sophistication exists in Mexico, Guadalajara and Monterrey. The commercial and residential markets are also projected as areas of investment opportunities in the Real Estate sector due to the incentive of the government reforms and the interest rates.

## Market tendencies

In the last decade, we have seen a transformation in the way Real

Estate developments in Mexico are visualized. With this market transformation, we have evidence of three different tendencies:

### 1. Small and medium enterprises

The rise of small and medium developers in strategic regions of the country, that search higher profits for the company, not only in the sale of the property, but also in the development of the real estate asset, and even its subsequent disposal in order to maximize profitability

### 2. Mixed-use developments

The tendency to integrate different spaces for different purposes, such as residential, commercial and industrial in the same building is getting more and more common. Ten years ago, only 15% of the developments were mixed-use; today is almost the double, which represents a business opportunity for investors

### 3. CKDs and FIBRAs, investment instruments

The funding mechanisms are enhancing the real estate industry because they offer an option to diversify the real estate portfolio, which allows to minimize risks and facilitate the integration of domestic and foreign investors. Two of these instruments are



55% of the population in Mexico are under 30 years old, and they are expected to drive the housing demand growth in the next years



the real estate investment trusts (Fibra, for its acronym in Spanish) and the certificates of capital development (CKDs).

### Dynamism and expansion

Taking into account the speed in which real estate market in Mexico moves: How can a company excel in the real estate industry? Where is this sector moving? What decisions should be taken in account to have a better profit? The answers are complex, and require the active

35% is the expected increase of the real estate market in square meters by 2025

and absolute participation of top management of the company, and also the attention the real estate investors put in the expansion of the market.

Factors such as the growth of mixed-use developments, the appearance of small and median real estate developers in strategic regions of the country and the rise of financial investment instruments such as FIBRAs and CKDs, show the opportunities the market is offering, and how innovative approaches are necessary to leverage the growth of organizations.

## How can we help you?

A proper consulting allows corporations to obtain as much as they can from their resources and their capital. KPMG offers its clients an extensive range of services in three areas:

- 1. Advisory** services, focused on helping our clients to improve profitability, reduce and transform risks into opportunities, learn about financing methods that are aligned with the company, along with investments and divestments of real estate and to overcome financial and operational challenges that may arise from the development of strategies
- 2. Audit**, provides an independent opinion on the financial information of the company, always following the best practices that involve proven methodologies and tools such as Data & Analytics, as well as attestation services regarding the compliance of financial ratios calculations and contractual compliance
- 3. Tax & Legal**, allows companies to properly achieve the tax obligations and to make more efficient its tax load for decision making. At the same time, the legal area makes reviews of the legal and real estate asset situation as well as the administrative procedures and judicial reviews

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