

MEXICO

Part one

EMPOWERING OWNERSHIP

Mexico has found a way to open up its housing market to low-income families. It's an approach that many of the country's neighbors have begun to take a serious look at



Bright lights, Mexico City A decade-long program of construction has transformed the capital. At the same time, new housing stock has made life better for its residents

In the introduction to Mexico's National Housing Program 2007-2012, President Felipe Calderon Hinojosa says, "Having their own home is the dream of every Mexican family. The home is the base of the family's material wealth and the center of social cohabitation." The ambitious national housing program aims to finance a million new mortgages a year. This approach is converting housing strategy into an international model of social development.

Based on a range of mortgage options with the full participation of the private sector, the program is simple yet astute. It addresses a shortfall of six million houses by using market capitalization.

It is also comprehensive in its reach — mortgage financing tools are available for all, including the poor, who are able to access new housing for just \$600.

The government is not building the houses; it is creating the environment for financing them. It has restructured mortgage laws, created a mortgage securities market and overhauled Infonavit (the National Fund for Workers' Housing), the government body that now grants

more than half of the country's mortgages, and which is funded by a 5 percent payroll tax. In the past few years, the federal government, along with the country's Sofols, or niche mortgage lenders, have provided credit for 500,000 mortgages per year. The Federal Mortgage Society is helping to mitigate risk, providing important liquidity to maintain market stability.

Creating the tools to empower ownership via the private sector has created a thriving real estate sector and growing levels of employment (the sector today takes in more than \$16 billion each year and employs almost four million people). The plan is also addressing regional income disparity and creating new economic hubs. Marcelo Ebrard Casaubon, head of the Government of the Federal District, says, "We want to show that government can push social equality and at the same time be competitive globally."

The thriving housing industry in Mexico today is a far cry from the 1990s when inflation ravaged the sector. Today, the Mexican housing model is gaining acclaim internationally. Infonavit's director gen-

eral Victor Borrás Setien says, "I have spoken at the World Bank because they want to apply our experience in other emerging countries and to see how to transform an institution that in 2000 the World Bank itself said should disappear."

Other agencies that are supporting pillars of the National Housing Program are the National Housing Commission (Conavi), which acts as a liaison with private-sector constructors, and the InterAmerican Housing Union (Uniapravi), a non-profit agency that promotes sustainable urban development. Conavi Director General Carlos Gutierrez Ruiz says, "The collaboration with the private sector is very important because the Mexican government doesn't build houses; all houses are developed by the private sector. What we've done is construct platforms for a development bank, the Federal Mortgage Society, dedicated exclusively to promoting housing construction, like Infonavit does with buyers."

Former Uniapravi President Manuel Zepeda Payeras says that detailed planning forms an essential part of the

National Housing Program. "There are now developments with 30,000 to 40,000 homes. One of the main issues is to keep these large developments in good shape. The authorities have to establish more stringent conditions regarding legal and planning questions, and on the administration of the developments so that they grow in value with time." ■

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MEXICO

A BOOM THAT'S IMMUNE?

Pent-up demand is driving a sector that has resisted the effects of the crisis up north

Mexico's publicly-listed property developers are today building between 30,000 and 50,000 houses a year, making them the biggest companies in the world in housing construction, according to David Arelle Sergent, director general of construction group Condak, which has 35 years of experience in the sector. Although a recession north of the border will slow the real estate boom, industry experts are not worried. They say a stable economy and growing middle class, including Mexicans in the United States who are buying houses back home, are combining with a severe shortfall in housing in the country to fuel growth.

"We have not seen such a prolonged period of stability in 30 years," says Jorge Gamboa de Buen, general director of Grupo Danhos, one of the country's largest developers, and the name behind most of Mexico City's most recent large-scale developments. For 13 years exchange rates, inflation, and interest rates have been stable. The truth is that we are in a very comfortable situation," he adds.

Arturo Sánchez Carbajal, CEO of Sare Holding, which builds the popular Galaxias brand of low-income housing, adds, "The



Taking off Mexico's housing market is still growing, despite the global credit crunch

middle class that disappeared in 1985 has returned. The middle-class demands services, houses, and consumer products. Their resurgence is fundamental for the economy."

At the same time increasing numbers of U.S. citizens and Canadians are looking to Mexico for their retirement homes, while the 11 million Mexicans living in the U.S.

now have access to cross-border mortgages to finance homes in Mexico.

Faced with a national shortfall of six million houses in Mexico, the government, rather than build public housing, has restructured mortgage laws, set stricter credit guidelines, and urged lenders to raise cash on the financial markets. This has unleashed a fresh supply of loans in the country. According to experts, easier access to credit and a flurry of building have not led to a housing bubble, as demand for housing is so high. In addition, in comparison with the U.S., Mexicans are meeting their mortgage payments, since risky mortgages are mostly avoided, and they have less overall debt. Mexicans tend not to refinance mortgages or flip homes. These factors make the possibility of a sub-prime crisis similar to that of the U.S. unlikely, say the experts.

That is not to say there will be no effect from a U.S. recession on Mexico's housing boom. Prices in high-end developments have begun to level off, and developers are feeling the increase in the cost of construction materials. Mr. Gamboa de Buen says that the industry is now "optimistic in contrast with the euphoria of two or three years ago."

Moreover, Mr. Arelle Sergent says that the slow down is coinciding with a change of vision in the sector towards more quality-focused development.

"There was a time when this was a seller's market; there was little housing and few loans. Now, more than being focused on volume, we're focused on quality of life, attention to the client, and the post-sale because a certain professionalism has developed. Companies are increasingly better, along with their products, houses, and housing estates," he says, adding that the focus has shifted from quantity to quality. "At the same time the housing market has won, there are no losers: there are enough loans and there are enough houses." ■



Carlos Gutierrez Ruiz
Director General,
Conavi



Victor Borrás Setien
Director General,
Infonavit



Manuel Zepeda Payeras
Ex-president,
Uniapravi



Arturo Sánchez Carbajal
CEO, Sare
Holding



David Arelle Sergent
General Director,
Condak



David Arelle Caraveo
Operations
Director, Condak



Jorge Gamboa de Buen
General Director,
Grupo Danhos



Jose Manuel Agudo Roldan
President,
Su Casita

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MEXICO

MEETING THE NEEDS OF LOW-INCOME HOME BUYERS

Sub-prime? No way, says Su Casita, many of whose clients are migrants working in the U.S., and who never fault on payments

One of the forces behind Mexico's decade-long growth in real estate has been a mortgage market now accessible to low-income homebuyers. Until the mid-1990s, Mexico's mortgage market was closed to migrants working in the United States, but niche players called Sofols have proved that this sector is both reliable and profitable.

"We might lend to someone in Chicago who doesn't have papers or proof of income because he cuts grass for a living," explains Jose Manuel Agudo Roldan, president of Su Casita, the country's second-largest Sofol. "He buys a house here in Mexico for his family. In spite of his informal status, the number of overdue loans for this type of client is zero."

Mr. Agudo Roldan says that the mortgage sector was overlooked between 1985 and 1995 due to high inflation and the low buying power of families. An economic crisis in 1995 nearly finished it off. The country's banks literally washed their hands of the market, leaving it to the new niche mortgage lenders, the Sofols.

Mr. Agudo Roldan says his visits to other Latin American countries to compare housing industries surprised him. "We visited Chile and saw that they had social housing stock. They were much more serious, and their financial and mortgage sectors were supported by a series of regulations."

Determined to find mortgage models that would fit the Mexican market, Mr. Agudo Roldan created the UDIS mortgage, a finan-

cial tool that managed to create a mortgage market in the mid-90s while inflation was running above 90 percent. A UDIS loan was based on a repayment rate of 25 percent of a borrower's salary. At the same time, Mr. Agudo Roldan made another important move – he began to quote Su Casita debt securities on the market.

When Mexico's banks returned to the market in 2004, the Sofols had a significant lead. Banks offered lower interest rates, but the Sofols had more flexible products, lower associated fees, and an unmatched ability to work with the informal market. Sofols can also grant credits to Mexicans living in the United States through a program financed by the Federal Mortgage Society (SHF). The SHF will end its funding in 2009, but most Sofols have already turned to the markets for their financing needs.

Furthermore, the Mexican mortgage sector's conditions are different to those in the United States, and which led to problems there. Mr. Agudo Roldan says: "We are a market which, seen from the outside is sub-prime, as we lend to people who normally don't have credit because they cannot verify their income. We lend them 90 percent



Mexican model A new generation of home buyers is entering the housing market

of the value of their real estate." He says that focusing on the lower income sector where there is more volatility or vulnerability does not mean that the banks' customers fall into the sub-prime category.

"There are major differences," says Mr. Agudo Roldan: "In the United States, houses were significantly overvalued, unlike in Mexico. What's more, here all our mortgages have a loan insurance provided by large international insurance companies, like ING, and we are able to insure 25 percent of the loan, independent of the property." ■

ARGO: THE BEST IS YET TO COME

Argo Construction has more than 25 years of experience in the building industry, and according to its Administrative Director, Gerardo Bocard, the best is yet to come for Mexican construction.

"There are going to be new ports, and we have logistics, a very strong transportation system and an efficient border-crossing system with the United States."

Argo is taking on some of these projects, using its experience in industrial and commercial fields. The company is dedicated to design, construction and project engineering, providing comprehensive solutions with both private and public partners. One of Argo's most recent constructions was the Toyota Training Center, the first of its kind in Mexico.

"We maintain life-long relationships with our clients, and our strong currency will help us in bringing new companies to establish them-

selves in Mexico," says Mr. Bocard.

He expects domestic and international clients alike to be drawn to Argo's new Millennium Industrial Park, located in the Industrial Zone of San Luis Potosi just 500 meters from the NAFTA highway. A variety of industries do business in the 80-acre space, thanks to affordable land, an inland customs service and convenient inter-modal port. Argo has plans to expand the park in two stages, bringing its total size to over 185 acres.

Mr. Bocard believes that the Millennium Industrial Park puts Argo ahead of its international competition. "San Luis Potosi is considered a small city in Mexico," he explains, adding, "But we can provide all services including energy, water, sewage, telecommunications, road infrastructure and most of all, people that will provide the technology needed for the product."

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MEXICO

MEXICO STATE, THE COUNTRY'S ECONOMIC HUB

Centrally located, with excellent infrastructure, the state has proved a magnet for foreign investors

With a population of just over 14 million people, the centrally located State of Mexico is the country's fastest growing and wealthiest state. Surrounding the Mexican Federal District and the national capital, Mexico City, on three sides, the State of Mexico, with its thriving manufacturing industry, has become in recent years a drain-off for the capital's overflowing population. Nearly 60 percent of the state's new migration comes

from Mexico City these days. As Governor Enrique Peña Nieto says, the new families in Mexico City don't live there. They come to the State of Mexico.

Much of this has to do with the state's economic growth. Mexico State is the fastest growing of the country's larger states in economic terms, surpassing national growth in 2006 by roughly 1.5 percent. Today, it contributes over 10 percent of the country's total GDP, pro-

duces 18 percent of Mexico's manufactured goods, and exports nearly 70 percent of its production to the U.S. Boasting the country's largest automobile manufacturing hub, the state is home to U.S. giants Chrysler, General Motors and Ford. The state is also a leader in metal products, food, clothes, and the chemical products industry, and has more than 20 industrial parks. Other multinational companies based there include Bacardi, BMW, Nestle, Nextel, Panasonic and Robert Bosch.

Taking into account the population of the greater Metropolitan area of the Valley of Mexico, which totals some 20 million people, Mexico State also represents one of the most important consumer markets in the country. "This has been a great advantage for the companies which have settled here. This market is almost the size of Canada, and it has a very high demographic density, making it very attractive for those offering their products," says Mr. Peña

Nieto. "We are a well-communicated state and continue growing in our communications infrastructure, which gives us a competitive condition in the consolidation of logistic nodes."



Enrique Peña Nieto
Governor,
Mexico State

Mexico State is 10 hours from the U.S. border, has two international airports, and has good links with ports on both the Gulf and Pacific coasts. It also boasts a skilled workforce thanks to the large presence of multinational companies in the state and its strong educational system (Mexico State boasts 33 universities). The governor says the state has been working to reduce paperwork for companies through unique win-

dows for the investor.

He concludes, "We are a state with great options and expectations; a state with a growing economic development, a strategic geographic position and government endorsement for the investments that arrive here. And in terms of tourism, if you haven't seen the State of Mexico, you haven't seen Mexico." ■

Toluca
The state capital retains its colonial charm despite soaring economic growth over the last decade that has seen it become a manufacturing and investment hub



WHERE HAVE ALL THE BABY BOOMERS GONE?

Look south. An increasing number of Americans and Canadians are choosing Mexico as their year-round home

So far, neither the U.S. sub-prime crisis nor the recession has significantly dampened the cross-border flow of American and Canadian baby boomers who are putting their savings into second homes in Mexico. Typical 'foreign' property markets such as Cancun, Puerto Vallarta, Acapulco and the Baja California Peninsula continue to see investment in new developments, and now, instead of re-mortgaging their homes for equity, buyers are using Mexican-based banks to finance their purchases, thanks to the introduction of mortgage financing for foreigners in Mexico around five years ago.

A stable economic environment and low inflation have established Mexico as a solid investment destination. And without a doubt, Mexico gives more bang for the buck than destinations north of the border. Real estate taxes are about a tenth

of the average in the States, and although Mexico's popularity has pushed prices up, real estate agents say that they are now leveling off.

Also, as more baby boomers in Canada and the United States reach retirement age, second homes bought for seasonal occupancy are losing ground to the number of properties being purchased for year-round living. The U.S.-based National Law Center says that the number of American and Canadian property owners, who make up 90 percent of foreign buyers, has more than doubled in the past decade in the most popular areas, and is still growing by more than 10 percent a year.

Over the same period, the number of retirees buying property in active-lifestyle communities in Mexico increased from 200,000 to between 600,000 and a million people.

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ECONOMY AND
LOW INFLATION
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MEXICO

TOURISM: MEXICO STATE'S ENDURING RESOURCE

Diversity is the word: from the pyramids of Teotihuacan to camping in the hills, the state offers something for everyone

Mexico State is a region of varying landscapes, from fertile green valleys, forests and lakes, to the volcano of Xinantecatli and the Nevado de Toluca. Toluca's historic downtown retains a colonial feel with its narrow side streets and stone houses leading to Los Portales, the central point of the city, and its cultural hub. Just 41 miles from Toluca, the state capital, Ixtapan del Oro lies wrapped in the green of its mountains and exuberant vegetation, and the bluish fog characteristic of this area. Ideal for camping, the region surrounding the city (famous for its red mole sauce) boasts waterfalls, beaches, thermal springs, and natural pools.

The whitewashed town of Ixtapan de la Sal (not to be confused with Ixtapa, on the Pacific coast) is known for its thermal mud baths - this is an original spa town, with generations of healing traditions.

The mountain-rimmed lakes of Valle de Bravo offer ample opportunities for water sports, while golfing and other activities such as hang gliding (the 2009 World Hang Gliding Championship will be held here) and paragliding can be found close by.

Tepotzlan is one of the state's loveliest towns and its relaxed colonial charm can



World Heritage Site Teotihuacan is the state's most-visited location

be enjoyed by either a day trip from Mexico City, or better still by spending a night. Texcoco blends the colonial with Mexico's pre-Hispanic splendor, from the Texcotzingo Park that includes temples, palaces, and baths dating back to the 14th century, to the cathedral, one of the country's best-preserved. Visitors enter another era at Malinalco with its clay houses and Aztec

monoliths dedicated to the eagle and jaguar warriors. Among its many treasures, however, Mexico State's greatest and most enduring attractions are the pre-Hispanic monuments at the sacred city of Teotihuacan, a UNESCO World Heritage site.

As Governor Peña comments, "Teotihuacan is the third most visited archeological site in the world after the

Pyramids in Egypt and Machu Picchu in Peru, and it is far and away the most visited site in Mexico, receiving two million visitors a year."

Mr. Peña Nieto says the government is actively promoting tourism in the state abroad while continuing to strengthen infrastructure at home. "In terms of tourism, it is a question of promotion, which we have done widely."

The International Airport of Toluca has made great strides in modernization. It received 300,000 passengers in 2003, 3.5 million last year, and this year expects 5 million. "By 2010, we hope to see 9 million visitors annually," says the governor: "This reflects our great market, and is why air companies from around the country want to operate within our airport.

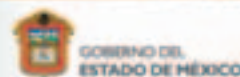
"We have improved tourist infrastructure even in the small towns. We created the Bicentenary Enchanting Towns program to promote 14 important historical towns until now largely overlooked. Even the climate favors us because it is not as extreme as in other areas," he says, adding: "Yes, we boast about it, but it's without doubt the best in the country!" ■

10 reasons to invest in the State of Mexico

1. Strategic geographical location.
2. Multimodal connections to the rest of the country.
3. The largest potential market in Mexico.
4. 365,000 industrial, commercial and service companies.
5. Excellent working conditions and a highly skilled workforce.
6. High potential for technological development.
7. Bicentenary Cities: high level of urbanism.
8. New mass public transport systems.
9. Quick company set-up and intensive deregulation.
10. Safety and legal certainty for investors.



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MEXICO

THE CAPITAL CLEANS UP ITS ACT

Under its new administration Mexico City is tackling two long-standing problems: crime and pollution

Can a city once known for its high crime levels, shanty sprawls, overflowing population, and equally overflowing contamination turn this image around on its head? Marcelo Ebrard Casaubon, head of the Federal District government, believes so.

A year after he took office in 2006, he ordered police to clear out the 15,000 street vendors from the city's historic center, relocating them to purpose-built markets. Reclaiming the cobbled heart of the city, home to baroque churches and graceful colonial buildings was an important move. The 100-block city center is a UNESCO world heritage site and restoring it to its former glory reinforces the government's message that it is committed to reinvigorating one of Latin America's major economic hubs.

The world's third-largest conurbation, with a population of nearly 24 million people, Mexico City was originally built by



Marcelo Ebrard Casaubon
Head of Government of the Federal District

the Aztecs in 1325 on an island of what was then Lake Texcoco. But modern Mexico City's population explosion began in the 1960s, doubling in 20 years to almost nine million.

The government could not keep up with the flow of villagers who poured in from the countryside, and vast, sprawling shantytowns were created on the outskirts of the capital. Then, on Thursday, 19 September 1985, an earthquake registering 8.1 on the Richter scale devastated much of the center of the city. The middle classes fled in droves. Poorly policed and deserted at night, the historic center of the capital sank into poverty, and visitors and residents alike kept away.

But after two decades of decline, new investment has begun to flow back into Mexico City. Between 2002 and 2006 more than \$600 million of public and private resources were channeled



High-rise future
A new generation of efficient skyscrapers will help reduce pollution

Since taking office, Mr. Ebrard Casaubon has also created more public spaces, built a 12th metro line, increased the use of energy-efficient public transport, and fostered new infrastructure investment in utilities and healthcare facilities. On a lighter side, and in line with his approach of reclaiming public spaces to create a safer city, he has also

trucked in sand to build into rebuilding, repairs, and refurbishment, while government offices were moved back into the center after a 30-year absence. Now Mr. Ebrard Casaubon is taking a hard line on crime and corruption. This year, he ordered 8,000 security cameras to be placed throughout the city after an earlier pilot scheme saw a cut in crime rates by 70 percent. The city's homicide levels today are relatively low on a global scale, trailing behind U.S. cities such as Miami and Chicago.

urban beaches at seven public swimming pools, as well as screening outdoor movies, and introducing bicycle Sundays, when thousands of cyclists, skaters, and pedestrians take over the main avenues. Mr. Ebrard Casaubon wants government employees to ride their bicycles to work once a month.

"The main thing is that the city is changing quickly," says Mr. Ebrard Casaubon, adding: "We are improving the quality of life, and acting on different fronts. Much remains to be done, but we are optimistic about the future of our city." ■

FERROMEX IS COMMITTED TO MEXICO'S ECONOMIC GROWTH

Mexico's largest railroad has realized \$1.35 billion in investment over the last 10 years. Thanks to constant growth and improvement, its network extends nearly 5,000 miles, linking the country's most important consumer centers and serving more than 80% of its industries. With 564 locomotives and nearly 14,000 railcars, Ferromex is the Mexican leader in both horsepower and load capacity, directly interchanging with the two largest American Class I Railroads and sharing close commercial relationships with their Canadian counterparts.

W W W . F E R R O M E X . C O M . M X



MAKING CONNECTIONS IN MEXICO

Ferromex, now privatized, is finally making rail transport a viable alternative to air travel

Trains without the right track cannot go far. This is why privatized rail company Ferromex works not only to connect Mexico's major cities and ports, but also to improve rail logistics and infrastructure.

"Ferromex has invested more than \$350 million into the rail line since it began operations in 1998," recalls Director General Rogelio Velez.

Ferromex currently operates more than 5,000 miles of track (more than its competitors), and has forged partnerships with American rail giants Union Pacific and Burlington Northern Santa Fe.

"The growth of our cargo volume has been significant," says Velez. Ferromex boasts up to 2,500 rail operations per day in dozens of sectors, serving cities within Mexico and along the U.S. border, from Mexico City to Guadalajara to Monterrey. It has become one of the most important commercial and industrial cargo transport services in Mexico, covering areas with the highest rates of economic growth.



Rogelio Velez
Ferromex Director General

"We have special long-distance transport services for key industries, as well as fast, direct local trains within the country," explains Mr. Velez.

With even more connections and shuttle trains on the way, Mr. Velez says Ferromex will continue to move the country's precious cargo and connect its vibrant cities for years to come.

MEXICO

SONORA: THE RIGHT PLACE AT THE RIGHT TIME

Thanks to its location on the border with the United States, Sonora state is poised to fulfill its potential

The economy of Sonora is making history. The northwestern Mexican state has become a financial leader in the last four years, thanks to competitive production industries that have generated more than 100,000 new jobs, some of the best infrastructure in the country, and a dynamic business environment.

The man who has directed this growth over the past four years is Governor Jose Eduardo Robinson Bours Castelo. Under Castelo's leadership, Sonora's 29.1 percent growth rate, averaging 5.82 percent annually.

"I consider these statistics to mean that Sonora has a dynamism that is different from the rest of the country," says Mr. Bours Castelo. The governor credits stellar public works and a focus on education within the state. "In four years, we have built seven new hospitals as well as schools and universities. We are the only state that offers higher public education to all our residents."

This level of education creates an eager, highly skilled workforce. Employment programs are taking place all over the economically active state. Sonora owes its

fiscal health to commerce, hotels, manufacturing industries, and real estate, all of which employ more than a million workers. But Mr. Bours Castelo says he is more concerned with the quality of the workforce than the quantity.

Currently, Sonora is home to the largest automotive project in Latin America. The state's Ford factory has more than doubled its production numbers in recent years, and Castelo hopes that Rolls Royce will develop its cluster of factories within the city of Guaymas in the near future.

"We have the best hands-on workers in the country," boasts Castelo, "Our people are enthusiastic about learning and performance." This work ethic has been rewarded at the Hermosillo Ford plant, which has won Ford's highest production honor, the Q1 Award, for three consecutive years.

Technological innovation is also one of Sonora's strengths, with a focus on the software sector. It is the first state in Mexico to build a software park. Located in the

city of Obregon, it has attracted several quality software development brands.

On the other side of the production spectrum, Sonora is the national leader in the farm production of shrimp and sardines, as well as a nationwide provider of wheat, cotton, watermelon, grapes and asparagus. Sonora exports several diverse products globally, such as pork, beef, oranges and kabocha pumpkins.

These goods would be impossible to export without the necessary infrastructure to distribute them. Sonora's six maritime ports, four international airports and 190 airfields have turned the state into a trade corridor between Mexico and the United States. Sonora benefits from the railroad service of Ferromex and an expansive road network.

Governor Castelo has plans to further improve infrastructure with his government's Plan Sonora Proyecta. "We will invest an additional \$400 million in the budget to minimize the deceleration of the American economy, which will likely last another one to two

years, so that we can continue our public works," he explains. "We hope to maintain our state employment levels and infrastructure until the neighboring American economy returns to its previous capacity."

Sonora maintains strong relations with its closest neighboring US states. Castelo hopes to further strengthen relations with American visitors to Mexico via FDI-attracting tourism opportunities.

Sonora's tourism sector has often been outshone by destinations such as Cancun, but Castelo hopes this will change in the coming years. "We have 1,200 kilometers of littorales and beaches and nearly 600 kilometers that border the United States. Our neighbors Arizona, New Mexico and Nevada do not have beaches, and those states have some of the highest economic growth in the U.S." This is the type of upscale visitor that Sonora tourism authorities hope to attract to the area, specifically scenic beachfront Puerto Peñasco.

If the governor's golden touch in all other sectors is any indication, tourism will soon be the next success in Sonora's growing list of competitive industries. ■



Jose Eduardo Robinson Bours Castelo
Governor,
Sonora State

Sonora leader state in Mexico

Economic
growth (2008)

Sonora: 8.4 %
Mexico: 4.8 %

Strategic Infraestructure in Sonora

- Coast road that links Sonora with the 5th economy in the world
- Guaymas Marine. World Class touristic destination
- Come to Sonora/ Your new door to the world / 7 cruises

al estilo **Sonora**

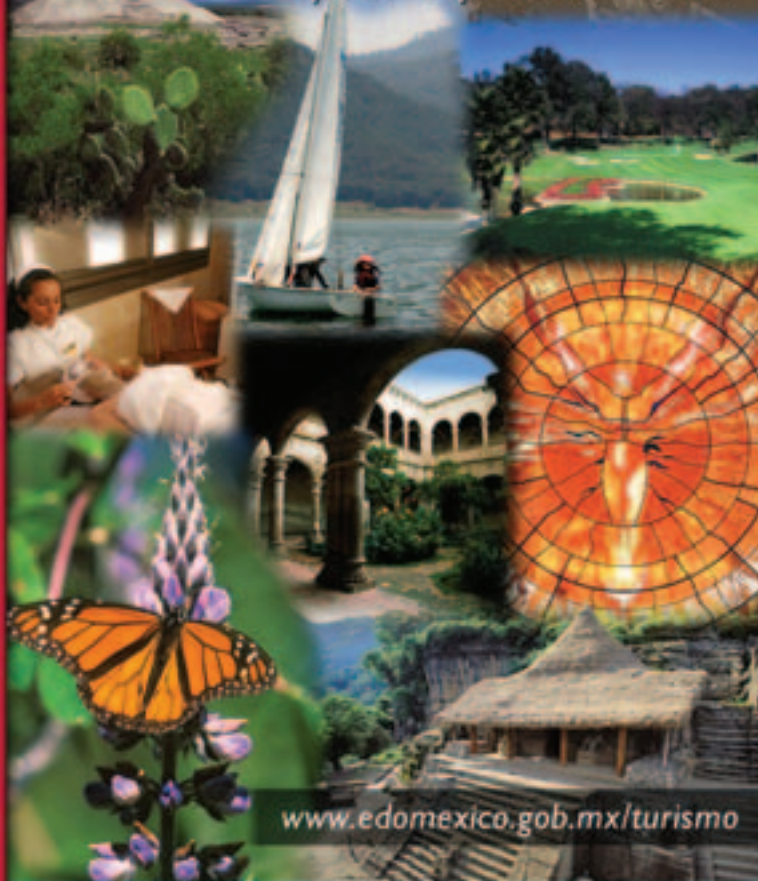
MEXICO

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GOBIERNO DEL
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PUTTING TAMAULIPAS ON THE MAP

Infrastructure, from housing to bridges, to roads and airports, has boosted economic development

The northeastern state of Tamaulipas' fast-developing infrastructure has played a key part in its economic development.

With a population of three million, the state is made up of 8,800 small communities, of which 7,500 are inhabited by fewer than 50 people. This means that the state government has to work extra hard to interconnect these communities, as well as creating important links to neighboring Texas.

State governor Eugenio Hernandez Flores is especially tuned in to the importance of infrastructure. A former engineer who has excelled in construction, building modern commercial centers and urbanizing key communities, Mr. Hernandez Flores has promoted private sector involvement in infrastructure on state government projects such as highways and international bridges, freeways for industrial traffic, railroads, and international bridges between the U.S. and Tamaulipas.

Northern Tamaulipas' economy is led by agriculture, but there is strong growth in all industrial sectors. This region is home to many of the maquiladoras, factories owned by foreign companies but worked primarily by Mexicans.

Almost 30 percent of NAFTA traffic passes through the state's, 15 frontier crossings near Laredo, Texas. This means greater import and export activity for Tamaulipas and the country as a whole.

Mr. Hernandez Flores aims to use them to promote the commercial growth of Mexico with Europe, Asia, and Latin America.

The government of Tamaulipas knows that investing in this kind of state-of-the-art infrastructure is ultimately an investment in its people. Tamaulipas has one of Mexico's highest levels of human development, according to the government's statistics office. The people of Tamaulipas also enjoy higher than average levels of education and per capita GDP than the rest of the country.

Tamaulipans have invested their education back into their tiny, inter-



Eugenio Hernandez Flores
Governor, Tamaulipas State

connected communities by setting up small businesses.

A statewide micro-credit program arrived in Tamaulipas in 2007, directing more than \$5.5 million to 14,000 small business owners. Investment activity from similar programs in the area, such as Creditam, is further aiding business development in the state.

One of the most quickly expanding sectors in recent years is agriculture, which has been further boosted by the small local farmers.

Tamaulipas' climate favors a range of agricultural activities, such as rice growing, as well as livestock rearing. This fertile land is fed by four great rivers, the Bravo, Conchos, Purificacion and the Guayalejo, that run west to east towards the Gulf of Mexico.

And this lush landscape offers more than good farmland: Tamaulipas' varied landscapes are a growing attraction for nature-loving tourists looking to avoid the crowded beaches of Cancun.

The area around state capital Ciudad Victoria is recognized for its beautiful mountains and more than 100 varieties of cactus and succulents.

The little village of La Pesca, in the municipality of Soto La Marina, about midway between Brownsville, Texas and Tampico, is a rapidly growing tourist area whose lovely beaches and excellent fishing attract growing numbers of U.S. visitors. ■

**TAMAULIPAS'
POPULATION
ENJOYS HIGHER
THAN AVERAGE
LEVELS OF
EDUCATION AND
PER CAPITA GDP
THAN THE REST
OF THE COUNTRY**

MEXICO

AMERICAN-STYLE FACILITIES SOUTH OF THE BORDER

Oradel Industrial Center offers U.S. standards with Mexican financial advantages at its Laredo location

Mexico's industrial border towns are changing fast. With the launch of Nuevo Laredo, Oradel's new industrial center, the manufacturing belt south of the border a new standard has been set for businesses and their Mexican workforce.

Oradel Industrial Center is a 2,400-acre development featuring industrial, residential and commercial zones, located on the outskirts of Nuevo Laredo, which sits across the border from its U.S. cousin, Laredo, Texas. Combining U.S. infrastructure and services standards with a bilingual staff, Oradel has produced the perfect combination of professionalism and convenience for U.S. companies looking to relocate close to home.

American executives of companies based there can live across the border with their families, just a half an hour's drive away, while the Mexican workers who live in the industrial park benefit from Oradel Group's 50 years of experience in quality residential, tourism, commercial, and industrial real estate development throughout Mexico. Designed according to a 'neighborhood concept' it has an integrated life-work environment that includes a professionally staffed

daycare center, primary and secondary schools, and a technical college. Employee housing, which now includes 4,000 units and rising, has been designed to allow workers to buy their own properties at affordable prices.

"We are offering a different quality of life to our people by giving them the possibility of owning their own homes. They can take pride in the fact that it belongs to them, and that they have a job they like," says Vice President Moises Mondlak.

Oradel is creating a value-added community with where workers and their families can plan for the future. While planning the community, factors such as commuting times and sports and recreational facilities were taken into consideration. The company has also ensured that teachers at the park's schools are well qualified and also see themselves making a life in the area. Among the attractions, Oradel provides end-of-year bonuses to complement teachers' state salaries.

"In many businesses one side wins only



Oradel Left to right: Marketing Director Daniel Mondlak; Vice President Moises Mondlak; and co-Vice President Joel Mondlak

if another loses. In this case, we all win," says Joel Mondlak, Co-Vice President, adding: "This approach has made our partners and collaborators proud to be involved. Some have donated land to build parks and schools, under the condition that nothing else is built there. The status we have achieved in the state and in the community for dealing with social aspects is very important to us."

For logistics and manufacturing companies, especially those targeting the eastern

United States, Oradel's industrial center offers a strategic location just off North America's most important north-south artery, with easy access to three major border-crossing points. Indeed, the Laredo-Nuevo Laredo Tradeport has gained international recognition as the single most active trade border crossing in the world. Construction has also begun on a 620-acre rail center at Oradel

Industrial Center designed to deliver all the services required for a fully equipped, multi-modal facility for the loading and unloading of containerized freight. Two railway lines are currently in operation, and two more are planned. Nuevo Laredo also has access to two international airports with freight facilities.

"Nuevo Laredo services the whole east coast of the United States," says Oradel's marketing director, Daniel Mondlak, adding that the nearby Lázaro Cárdenas Port offers further advantages for clients. "If products are destined for Atlanta or New York, for example, it is cheaper to open containers in Nuevo Laredo and ship from here." ■

A WORLD-CLASS BUSINESS ENVIRONMENT

Strategically located along the Mexican/U.S. border, Oradel Industrial Center provides solutions tailored to meet the requirements of manufacturing and distribution companies from around the world, now with our 620-acre Rail Center.



NUEVO LAREDO TAMAULIPAS, MEXICO

MEXICO

BAJA CALIFORNIA,
ON THE WAY UP

An enticing mix of desert, unspoiled beaches and incredible marine life spells success for once-deprived region

Without Hollywood, Sea World, orange groves, stadium seating movie theaters, Disneyland, Muscle Beach, manicured lawns, and white picket fences, southern California would probably look much like Baja California. Occupying the bottom half of this narrow peninsula, Baja California Sur (BCS) is about as wild as it gets and offers visitors an idea of the unspoiled California of 400 years ago, albeit with modern amenities.

This simplicity stems from the state government's commitment to attracting only top-end investments that respect local laws, communities, and the environment. The result is a state with enormous tourism potential with a few select developments. This adds up to a lot of virgin beaches that will remain so until the right developer comes along.

A case in point is La Paz, the capital of BCS, where the beach that formerly housed the old governor's mansion is now the site of Playa de la Paz, a high-end residential resort that has had minimal environmental impact and that will add value to a paradisiacal piece of coastline.

The government of BCS not only welcomes the right kind of foreign investment, it also facilitates projects, recognizing that in turn, these will create jobs and bring in tax revenue.

Narciso Agundez Montaño, the Governor of BCS, explains, "We promote the state and welcome companies that meets the legal requirements and are looking to make a responsible investment." The state has found this approach to be mutually beneficial: "The state's environment lends itself to high-end developments, because the higher the quality of the investment, the better the result will be for the investor and the local community."

Rosa Delia Cota Montaño, the head of La Paz's city administration, takes a more romantic approach to investment. "We are looking for investors who don't simply want to do business, but who will fall in love with our city," she says.

High standards perhaps, but she is convinced that the beauty of the region, coupled with its tranquility and security will bring in the right companies.

Cabo San Lucas has been on the tourist map for many years now, while



Narciso Agundez Montaño
Governor of Southern Baja California

La Paz has stayed out of the limelight. As a result she says, tourism development in the area has lagged. To catch up, more infrastructure groundwork must be installed before hotels can be built; this in turn means the city needs more FDI from developers.

Ms. Cota Montaño is confident, however, that the right kind of investment will soon arrive, enabling both infrastructure and hotels to be developed simultaneously.

Among the state's main strategies for strengthening the tourism sector are

improvements in roads, airports, health, education, and power production. A four-lane highway is being built to join La Paz and Cabo San Lucas, while the airports of Cabo and Loreto already have new terminals.

At the same time, the state's principal towns are

being given facelifts that will maintain their historical charm while modernizing infrastructure and facilities.

Much of the funding for this comes directly from President Felipe Calderon's National Development Plan, backed up by the state government and a number of private initiatives.

The idea is that these changes won't be to the detriment of the region's natural appeal, characterized by a desert landscape dotted with charming, hospitable towns and a limited number of high-end hotels. ■

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MEXICO

PLAYA DE LA PAZ: LOW KEY, HIGH END

As its name suggests, this upscale residential complex is a haven of peace, set in a unique desert-beach location



The best of both worlds Playa de la Paz offers residents an unspoiled low-key location, backed up by high-end luxury amenities

Baja California Sur has two extremes: the fiestas of Cabo San Lucas and the deserts inhabited only by a handful of sleepy towns and a flora and fauna capable of withstanding extreme conditions. Playa de la Paz offers the best of both worlds: luxury in a beautiful seaside resort that sits in perfect harmony with the wilderness of the surrounding desert.

When it comes to leisure and lifestyle, especially in retirement, most of us are looking for peace and quiet, typically somewhere warm; the kind of place that strikes a balance between unspoiled nature and modern facilities.

From the very beginning, the masterminds behind Playa de la Paz in Southern Baja California envisioned a beach resort that complemented this desert-beach location. Jeffrey Curtiss, CEO of the project's developers, United Investments, explains: "The Governor of Baja California Sur, Agundez Montaño, made it quite clear from early on that if we respected this beautiful location, we could expect to receive all the support necessary for this project."

Playa de la Paz, United Investments' signature resort, is set within walking distance from charming downtown La Paz. A pleasant meander down the malecón, or seafront, leads you to the magnificent bay

where the resort lies. The project, already under construction, was designed by visionary architect Geraldo Ulate and his team. Mr. Ulate took into account the topography of the land—mainly the mountains and the bay—to build what Mr. Curtiss says "can only be described as amazing."

The community's 63 unique luxurious condominiums, many of which have already been sold, are built with only the finest materials, such as natural stone for the floors and American steel for the structure. Each and every unit provides spectacular views from specially built terraces that look directly onto the white sand beaches of the Sea of Cortez. The resort also boasts three swimming pools, a BBQ area, tennis courts, a gym, a beach club with full amenities, and even a business center. The condos are equipped with connections for high speed Internet, satellite TV, and telephone. The 24-hour concierge service will be able to organize airport transfers, city tours and more. Everything down to the tiniest detail has been taken into account, setting the bar high for any future project in La Paz.

The city has been named by *Money* magazine, CNN, and *The New York Times*

as one of the world's top-10 retirement locations. Mr. Curtiss insists that he's not exaggerating when he says that he has created "a paradise within a paradise." In keeping with the development's environmentally conscious philosophy, he says that all food will come from locally grown organic produce.

"So, while you're relaxing at lunch in between a morning fishing expedition and an afternoon siesta on the sand, the tomatoes in your salad will really taste like tomatoes, your lettuce will be crisp and your fish, freshly caught of course," he says.

Playa de la Paz's high standards go beyond materials, amenities and elegance; the project conforms to strict environmental norms.

"Our aim is to add value to an already incredibly beautiful land," says United Investments' CEO, "so we work with the various agencies who protect the environment and can help us do the very best job." Perhaps it is because La Paz enjoys one of the highest standards of living and quality of life in the country that the locals are so aware of the importance of sustainable development. "The people here are very sensitive about nature. They want to protect

the environment, the animals and the plant life," explains Mr. Curtiss.

Together with close friends Jeffrey Heckman and John Hargreaves, Jeffrey Curtiss founded United Investments. However, he's the only one of the three that actually lives in La Paz, a fact that makes him feel richer than his partners. As a British expat who's traveled widely, Mr. Curtiss is truly appreciative of the advantages that living in La Paz affords.

In addition to the 330 days of sunshine, the organic food and the breathtaking sunsets, he considers the people to be among the friendliest he's ever met and points out how excellent the quality of life is. "I've been to other places and some of them wonderful, but nothing compares to what can be found here," he claims. And with Playa de la Paz he intends to conserve the authentic Mexican feel, shunning glamour and partying in favor of simple elegance and harmony with the surroundings.

The lifestyle afforded by a condo here coupled with the natural beauty of the location itself make it an "absolutely priceless" experience. However, a piece of this paradise comes with a price tag ranging from \$750,000 to around \$3 million: an investment in peace of mind, health and comfort, and worth every penny. ■



Jeffrey Curtiss
CEO, United Investments



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Another popular way to get to La Paz is by boat. For 437 years, people have been sailing through the Sea of Cortez to reach this fine spot.



For those prospective buyers who are concerned about legalities **PLAYA de LA PAZ** has First American Title insurance, so there will be no unnecessary worries concerning legal titles.

The western-facing oceanfront homes of **PLAYA de LA PAZ** resort have sweeping panoramic views of the Sea of Cortez, with amazing sunsets nightly.

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