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Canadian, U.K., Mexican Firms to Partner on Major Complex in Mexico City

by LADB Staff

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In early February, Canadian-British real estate conglomerate Reichmann International Mexico and Mexican construction and engineering company Empresas ICA Sociedad Controladora announced plans to jointly develop a large section of the huge Santa Fe retail and office complex located on the southwestern outskirts of Mexico City. The Reichmann- ICA partnership will co-invest about US\$600 million in the project, which will include construction of 30 buildings in the complex. The principal partners in Reichmann International Mexico are brothers Paul, Albert and Ralph Reichmann of Toronto, Canada, and British businessman George Soros.

According to the Toronto Globe & Mail newspaper, Reichmann International paid US\$40 million for the land the partnership will use to construct its portion of the complex. The Santa Fe development is located on the site of a former garbage dump. The Santa Fe Complex, which is targeted for completion by 1998 or 1999, will include several office and residential buildings, a large shopping mall, an entertainment complex, and university facilities. According to the New York Times, the project is considered one of the most ambitious real estate undertakings in all of Latin America.

Before the ICA-Reichmann project was announced, analysts at US financial services companies Lehman Brothers and Oppenheimer & Co. projected an increase in earnings for Empresas ICA, based on an expected jump in spending on public works projects in 1994, an election year.

Indeed, on Feb. 20, another US financial services company, New York-based Morgan Stanley, said other factors would also contribute to a boom in both commercial and residential construction in Mexico this year. These include an expected drop in interest rates and an expected recovery in the country's GDP growth to 3% during the year. Economic growth during 1993 was only 0.4%, the lowest since Salinas took office.

In addition, according to Morgan Stanley, Mexican banks have eased terms for middle income families to borrow money for new housing construction. Morgan Stanley said other companies such as Grupo Mexicano de Desarrollo (engineering and construction), and Cemex, Tolmex, and Apasco (cement) stand to benefit the most from the construction boom.

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