

# No siesta in Mexico

Burgeoning market has developers, retailers, and brands seeking pesos *By Jo Rossman*

**To** Mexicans, “Camarón que se duerme se lo lleva la corriente.” (The shrimp that falls asleep is swept away by the current.)

Retailers and brands might want to think twice about ignoring that proverb. For those that “sleep on” current opportunities in Mexico, the potential market share could be swept away as others gain footholds in the land.

## Maturing market

The nation accounts for the greatest increase in retail development today, according to a recent report from CBRE. Shopping center completions in the Americas rose by 43.6% in 2016,

with 1.3 million sq. m. of that retail space in Mexico, the report notes.

“Mexico’s retail sector is maturing and in full expansion,” CBRE states. “Competition among retailers both established and new is ever increasing, and investment in the development of new commercial projects is growing.”

And with good reason. Retail sales in Mexico grew 7% in 2016, and nearly half of Mexican households are now considered middle class. Online publisher Investopedia points to continued growth, citing forecasts for 3.8 million more households to move into the middle class range by 2030 and for the Mexican economy to become the world’s fifth largest by 2050.

*GICSA’s Explanada concept is designed to converge retail with entertainment and community living. The first will open this September in Puebla, with openings to follow in 2018 in León, Querétaro, Cancún, and Pachuca.*





Photo: courtesy of Apple

Nearly 200 employees celebrated the opening this past September of Apple Vía Santa Fe in Mexico City, the brand's first store in the country. Crowds lined up overnight before the opening. Apple plans at least one more store in Mexico.



Rendering: courtesy of Grupo GICSA

Other factors affecting the retail boom, according to CBRE and research firm KPMG:

- Retail mergers and acquisitions.
- Excess liquidity in real estate funds.
- Structural reforms.
- Greater sophistication among Mexican developers.

### Vibrant new space

The nation's new retail space for 2016 included 65 centers across three cities, with the lion's share in Mexico City, CBRE adds.

And more development is underway. For instance, GICSA will open the first of 14 Explanada shopping centers this September in Puebla. Embracing the retailtainment idea (see page 28), GICSA dubs the new retail concepts "malltainment." The Puebla project, for instance, will include an amusement park, movie theaters, a bowling alley, restaurants with 10 culinary offerings, and live event spaces. Other services will include a medical center, banks, supermarkets, gyms, outdoor green spaces, a hotel, and more. Explanada centers under development in León, Querétaro, Cancún, and Pachuca will open in 2018.

Another project under development is City Park Shopping Center in León. With a fall 2019 anticipated opening, the mixed-use space is expected to become the largest mall in the Bajío region with 75,000 sq. m. of Commercial Gross Prof Area along with 20,000 sq. m. for offices. The site will also house residential space.

Well-established homegrown luxury department store chain El Palacio de Hierro builds huge mega-stores like this one in Queretaro.

The emporiums have introduced some global brands, including Tesla, to Mexican consumers. More luxury brands are entering the country, while some existing brands are expanding their presence.



Photo: Hector Armando Herrera

### International brands

City Park Shopping Center reportedly will host the second Mexican store for Apple, which opened its first in the country in September 2016 in Mexico City. Other recent entrants into the Mexican market include Tesla, AllSaints, Exxon-Mobil, BP, Victoria's Secret, and David's Bridal, to name a few.

Hamleys plans to expand its Mexican presence to five stores over the next several years, while H&M will add 12 more to its existing 14 stores in Mexico.

Chilean retailer S.A.C.I. Falabella plans to invest in the market with Mexico's second-largest grocer, Organización

Soriana SAB, according to a Bloomberg report. The joint venture will see 20 do-it-yourself format stores known as Sodimac in Mexico within four years.

Betting even more on the Mexican economy is Japanese retailer Miniso. The chain plans to grow its two Mexican outposts to 100 in just five years, according to a report in *Mexico News Daily*.

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Mexican consumers are frequenting well-designed spaces from native chains like these two designed by Watt International, Coppel in Tijuana (left) and The Home Store in Mexico City (right).