

Mexico Real Estate Flash

Mortgage banking grew 18.7% to the end of the first quarter

The total number of mortgages signed to the end of March fell by 7.3% in accumulated figures, over the same period for 2013. Co-financing rose by 12.6%, driven mainly by Fovissste credits, which keep the total sums borrowed going upwards and the average mortgage being taken out at around MXN500,000. The share of middle- and high-income segments in mortgage contracts continues to grow. Infonavit progressed in line with its budget in the first quarter in several sectors. The *Infonavit Total* product grew spectacularly, allocating more than twice the loans granted over the same period in 2013, while loans for refurbishments overshot the target.

Commercial banking continues to increase mortgage origination, recording growth of 14.2% in the number of loans and of 18.7% in the total amount borrowed in real terms. The size of the average mortgage grew by 4.0% in real terms and banks' portfolio balance also increased, pushing the non-performing loan rate downwards. The 12.6% increase in the number of co-financing operations is supporting growth in the banks' mortgage portfolio, which rose 8.2% to March over the same month in 2013. The rate of non-performing loans, in consequence, fell to 3.75%.

• Origination has grown more than expected in several segments

Infonavit bettered all its targets set for the first quarter of the year, in financing designed for higher income workers. In the 2 to 4 xMMW¹ and 4 to 11 xMMW income segments, virtually all targets have been met. However, in the segments up to 2 xMMW at the end of March allocations were 15% below the goals of the annual operations programme (POA in the Spanish acronym). Given that this population group qualifies for social housing, this could partly account for the contraction in this market, which would in its turn explain the 13.2% drop in the number of loans and the 13.0% fall in financing in real terms. For their part, loans used for refurbishing (Mejoravit) exceeded the programme's goal by 19% to the end of the quarter. This credit operates with a guarantee for initial losses underwritten by the federal mortgage company (up to 15% of the portfolio's value) and not through the worker's housing sub-account.

The number of credits granted by Fovissste rose by 8.6%; meanwhile, the sum borrowed went up by 6.2% in real terms. Increasingly high total sums borrowed are keeping the average amount at MXN500,000, mainly with the Alia2 product, which represents 95% of credits granted in conjunction with the banks.

• Supply resuscitates, partly as a result of lower inventory and higher subsidies

During March this year, new housing registrations were 16% higher than in March 2013. This could be the first signal that housing construction is stabilising. If this progress is sustained in the next quarter, there will be proof of a recovery. Nevertheless, caution is still advisable, since new housing purchasing competes with both existing housing stock and other residential solutions. As we have seen, loans to buy a house have performed badly, compared to loans to refurbish in Infonavit, the biggest industry player.² A lower inventory of finished homes also favours the view that supply is still adapting to effective demand. This would indicate that the adjustment period will come to an end in the next few months.

The annual subsidy programme shows a gain of 22.1% in the case of Infonavit. Although this sum includes all housing solutions, the provision of mortgages has been conducted in line with the POA forecast, so construction is expected to remain stable in the next few months, at around 300,000 homes (annualised figures), in order to meet this target. However, sustained increase will depend on higher demand for single-family homes. This will not be easy in view of the increase in alternative living products. The light at the end of the tunnel may be the ambitious national infrastructure programme for 2014-18, which earmarks MXN1.8bn for urban development and housing. The challenge of allocating these resources is huge, but if they materialise, we will see recovery by the end of the six-year term.

¹ Times the Monthly Minimum Wage (x MMW)

² Furthermore, the proportion of existing housing stock in the operations that Infonavit originated in March was 33.7%

Table 1

Mortgage activity: credit numbers and amounts, March

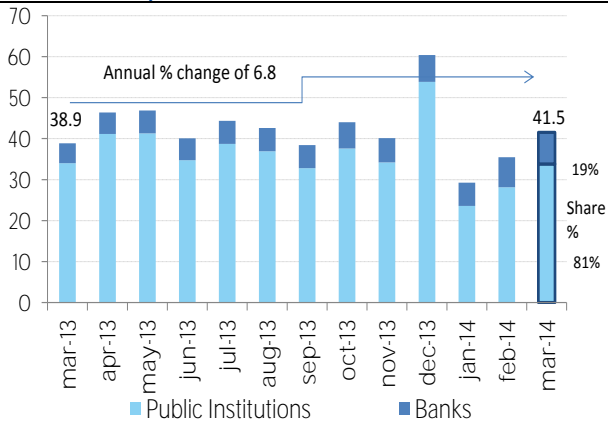
	Number of credits (thousands)			Amount of lending (Bn pesos)			Average amount per mortgage (thousands, pesos)		
	March			March			March		
	2013	2014	y/y, % change	2013	2014	Real y/y, % change	2013	2014	Real y/y, % change
Public Institutions	95.4	85.6	-10.3	28.8	26.3	-8.7	301.4	306.9	1.8
Infonavit	82.7	71.8	-13.2	22.3	19.4	-13.0	269.4	270.1	0.3
Fovissste	12.7	13.8	8.6	6.5	6.9	6.2	509.8	498.5	-2.2
Private intermediaries	18.1	20.6	14.2	19.0	22.6	18.7	1,054.2	1,096.0	4.0
Banks	18.1	20.6	14.2	19.0	22.6	18.7	1,054.2	1,096.0	4.0
Subtotal	113.5	106.2	-6.4	47.8	48.9	2.2	421.2	460.2	9.3
Co-financing* (-)	5.0	5.6	12.6						
Total	108.5	100.6	-7.3	47.8	48.9	2.2	440.4	485.7	10.3
Information figures									
Total co-financing (-)	10.8	25.1	131.8	6.3	10.4	63.6	584.8	412.8	-29.4
<i>Infonavit Total</i>	5.9	19.5	232.5	2.4	5.9	148.8	404.7	302.8	-25.2
<i>Other</i>	5.0	5.6	12.6	4.0	4.4	12.5	797.6	796.8	-0.1

NB: The Banks section includes loans made to employees of financial institutions

*excluding Infonavit total

Source: BBVA Research based on Infonavit, Fovissste ABM, AHM, Bank of Mexico and CNBV data

Figure 1

Number of credits by institution ('000s, monthly % var. and % of total)

Source: BBVA Research based on ABM, Infonavit and Fovissste data

Figure 2

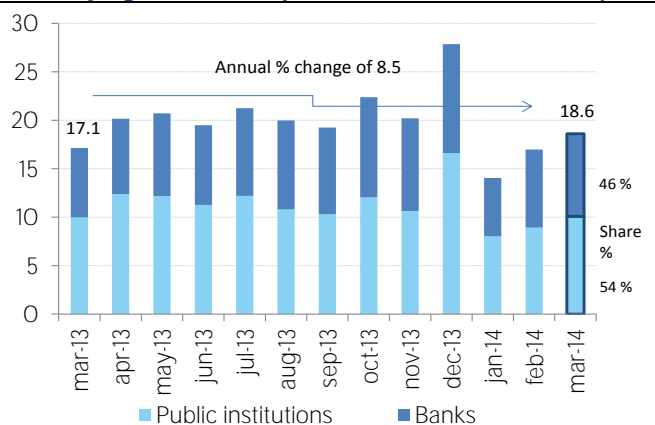
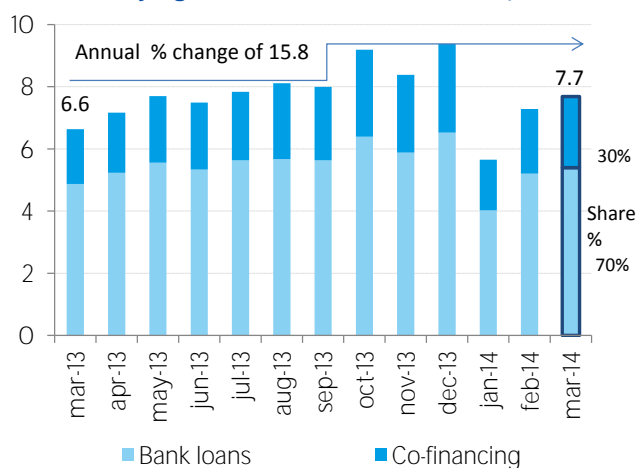
Amount of credit outstanding by institution (MXN mn, monthly figures at 2014 prices, % var. and % of total)

Figure 3

Commercial banks: number of credits by product ('000, monthly figures, % Var. YoY and % of total)

Source: BBVA Research based on ABM, Infonavit and Fovissste data

Figure 4

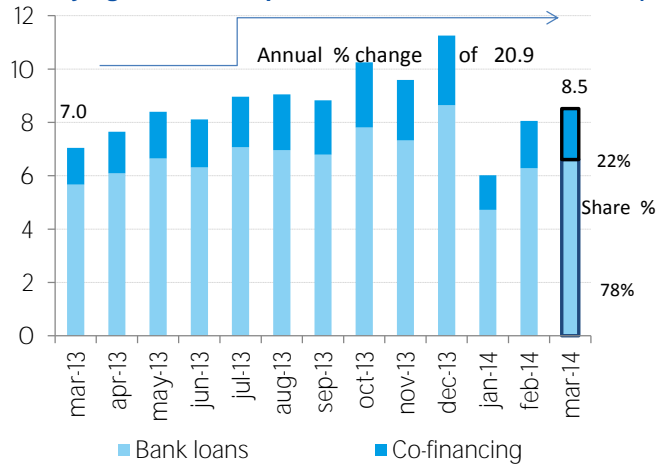
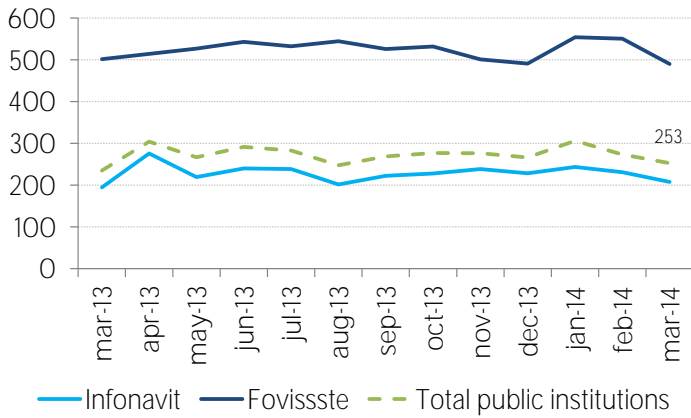
Commercial banks: value of credits by product (MXN bn, monthly figures at 2014 prices, % Var. YoY and % of total)

Figure 5
Average amount of mortgage loan by institution
(MXN '000 at 2014 prices)



Source: BBVA Research with data from ABM, Infonavit, Fovissste

Figure 6
Commercial banks: average amount of mortgage loan
(MXN '000 at 2014 prices)

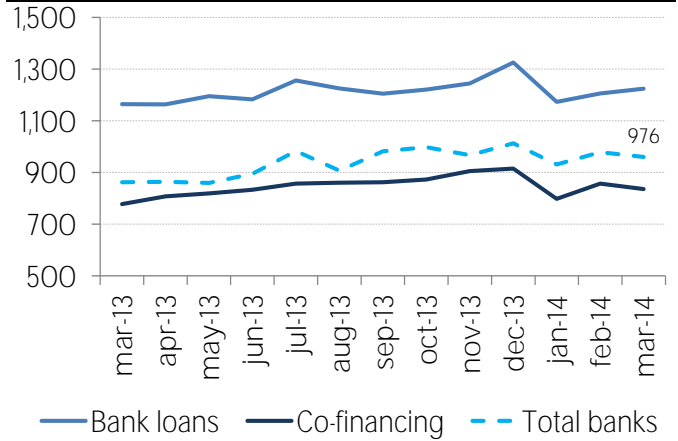
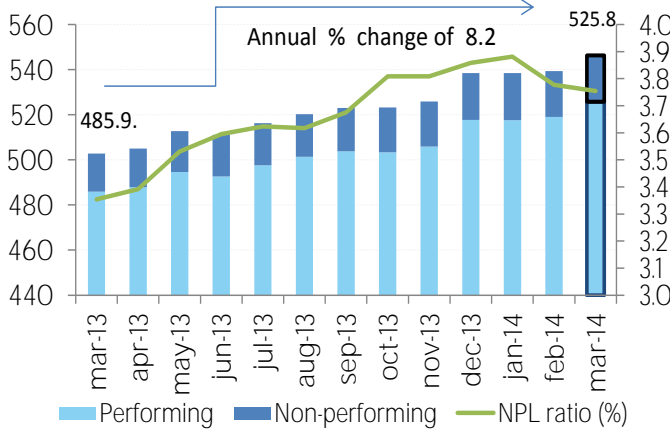


Figure 7
Mortgage lending: total portfolio
(MXNbn, 2014 prices and NPLs %)



*To February
Note: includes commercial banking and "sofomers"
Source: BBVA Research with data from Bank of Mexico and Infonavit

Figure 8
Mortgages for residential buildings: total portfolio
(MXNbn, 2014 prices and real YoY % var.)

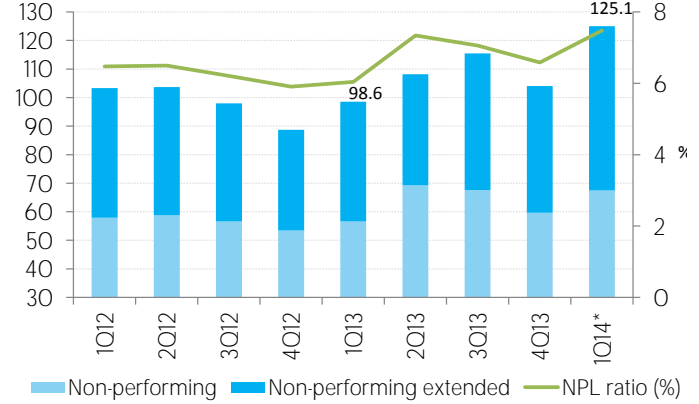
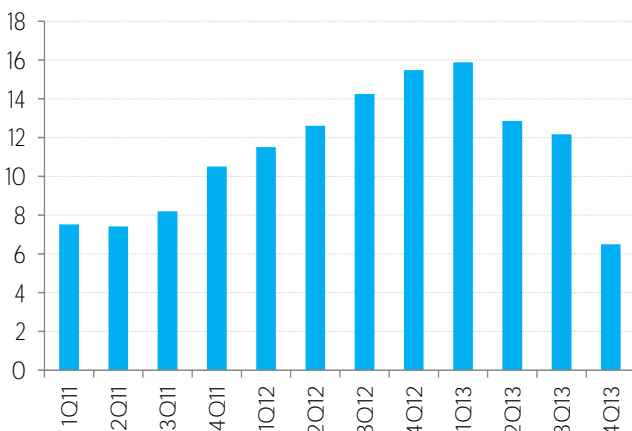
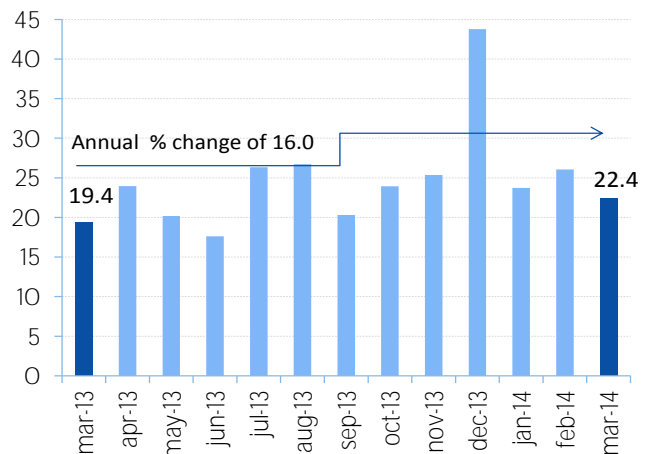


Figure 9
New housing stock
'000s



Note: covers registered housing that is completely built and with basic services (water, electricity and sewerage).
Source: BBVA Research with data from RUV

Figure 10
New housing registered for construction
('000s of registers and annual % variation)



Source: BBVA Research with data from RUV

Table 2
Infonavit: credits at 31 March 2014 (by wage scale, mortgage loan and home improvements)

POA* Segment	POA Monthly Cumulative	Credits granted		Total	Progress, %
		Houses ¹	Mejoravit ²		
Less than 2 x MMW	33,677	17,384	11,199	28,583	85%
From 2 to 3.99 x MMW	43,865	24,620	19,197	43,817	100%
From 4 to 11.00 x MMW	33,011	20,343	12,640	32,983	100%
More than 11 x MMW	12,011	10,286	2,735	13,021	108%
Total	122,564	72,633	45,771	118,404	97%

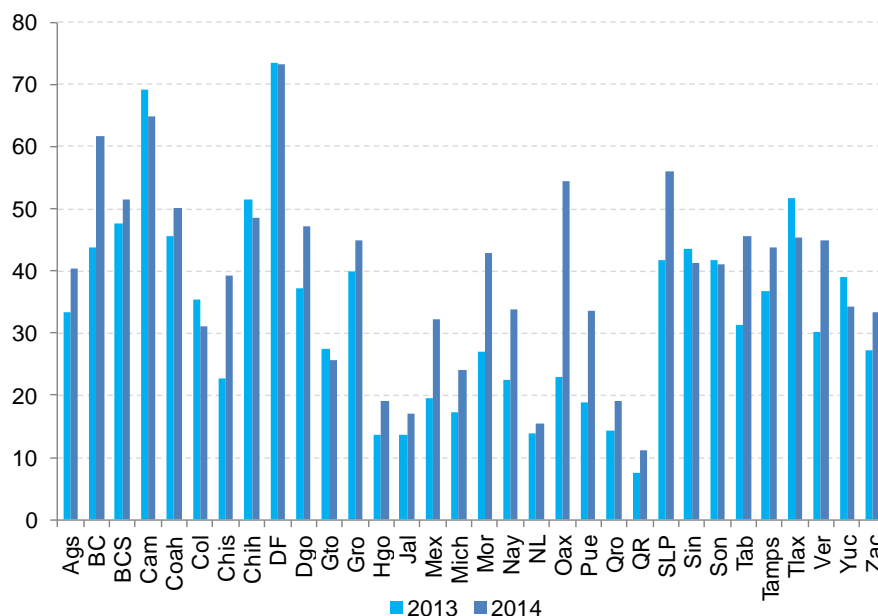
* Annual operations programme
 1 Includes new and existing housing stock
 2 Credits for home improvements
 Note: Includes "Apoyo Infonavit" programme, so the figures do not match table 1.
 Source: BBVA Research with data from Infonavit

Table 3
Gain in the subsidy programme MXNmn, figures to 31 de March 2014

Agency	Annual programme	Progress*	Available	% Avance
Infonavit	6,500	1,434	5,066	22.1
Fovissste	250	2	248	0.9
Banjército	200	21	179	10.5
Issfam	50	12	38	23.8
Banks-Orevis-SHF	3,000	72	2,928	2.4
Agriculture-related Funds	100	10	90	10.4
PSVA	100	3	97	3.4
Experimental	1,387	0	1,387	ND
Total	11,587	1,555	10,033	13.4

*Includes the amount disbursed and allocated
 Orevis: States housing institutions
 PSVA: Social production of sheltered housing
 Source: BBVA Research with data from Conavi

Figure 11
Infonavit: mortgage loans for existing housing stock (% total share, accumulated to March)



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