

Real Estate

In February the number of loans stands at a rate of over 15%

Fernando Balbuena / Samuel Vázquez

Introduction

After the first two months of 2015, the number of mortgage loans had risen by 15.5% compared to the same period in 2014. On the other hand, the sum funded in such loans had grown by 21% over the same time in real terms. Infonavit noted increased activity among the low income segments, where, up until last month, it had recorded a lower number of mortgages. The chance to take out peso-based loans with the agency, with longer terms and larger amounts of funding is boosting demand in this respect.

State workers borrowing through Fovissste have an increasingly large presence in the medium-range housing market and have reached an average loan sum of around MXN 600,000 per mortgage, which represents a real increase of 6.4% over the previous year. Greater demand for peso-based loans and the option of taking out loans of up to a value of MXN1.5mn are beginning to be reflected in increased purchases of new housing units.

Housing construction continues to be more vigorous in those states with the largest metropolitan zones, where existing homes are more scarce and the demand for new housing units is reviving.

Table 1

Mortgage activity: number and amount of loans, as of February

Mortgage Origination	Number of loans (thousands)			Amount of credit (billions Ps)			Average mortgage (thousands Ps)		
	Feb-14	Feb-15	y/y, % change	Feb-14	Feb-15	Real y/y, % change	Feb-14	Feb-15	Real y/y, % change
Public Institutions	51.7	59.9	15.7	17.4	21.3	22.6	336	356	5.9
Infonavit	43.2	50.4	16.8	12.5	15.6	24.5	290	309	6.6
Fovissste	8.5	9.5	10.6	4.8	5.7	17.7	566	603	6.4
Private Sector	12.9	14.6	12.6	14.5	16.4	13.2	1,118	1,124	0.5
Banks ^{1/}	12.9	14.6	12.6	14.5	16.4	13.2	1,118	1,124	0.5
Otros									
Subtotal	64.7	74.4	15.1	31.8	37.7	18.3	492	506	2.8
Co-financing ^{2/} (-)	3.5	3.7	7.7						
Total	61.2	70.7	15.5	31.8	37.7	18.3	520	533	2.4
Information figures									
Total co-financing (-)	6.7	5.6	-16.0	4.3	3.9	-8.7	637	692	8.6
Infonavit Total	3.2	1.9	-41.3	1.4	0.7	-52.0	447	365	-18.3
Other	3.5	3.7	7.7	2.8	3.2	13.5	815	859	5.3

1/ The "banks" heading includes loans granted to employees by the financing agencies.

2/ Ex Infonavit Total and Apoyo Infonavit (new and second-hand homes). Does not include products for renovation work.

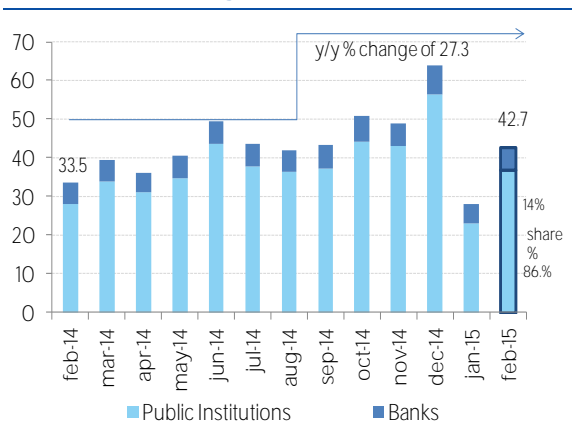
Source: BBVA Research with data from Infonavit, Fovissste ABM, AHM, the central bank and the CNBV

Housing agency loan numbers are growing at double-digit rates

As of February 2015, Infonavit and Fovissste saw a major upturn in the number of loans arranged, after several months where growth had been expressed to a greater extent in terms of the loan amount. A larger selection on offer for peso-based products and bigger loan amounts are translating into substantial growth in the average mortgage sum. Likewise, loans for extensions to existing homes in the cities where there is a bigger shortage also pushed up the loan amount required in the case of Infonavit, principally in the Federal District.

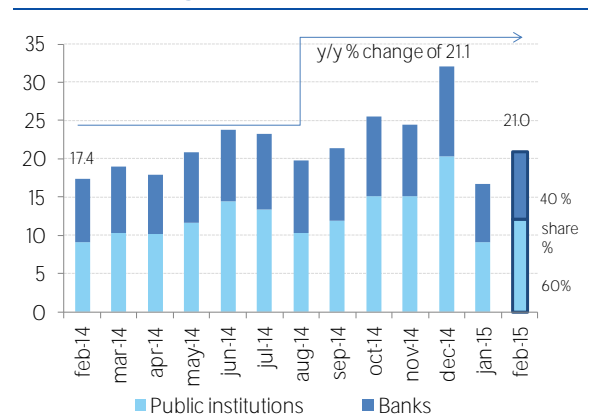
Nationwide, new housing placed by Infonavit just in February represented 74% of overall loans arranged by the agency, whereas the share of existing homes dropped from 35% in January to 26% in February. It should be noted that most of the new housing which was placed was in the states of Nuevo León, Jalisco, Guanajuato, the State of Mexico and Tamaulipas, where 50% of loans for new housing in the whole country was concentrated. In the case of the Federal District, most demand was for extension and renovation loans, because the shortage of existing housing in this particular state is more acute than in the rest of the country.

Figure 1
Number of loans per organization
thousands, % change and % share



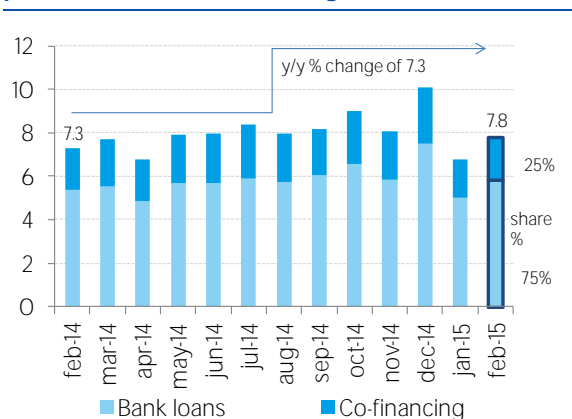
Source: BBVA Research with ABM, Infonavit, Fovissste data

Figure 2
Loan amount by organization, MXN bn at 2015 prices, % change and share



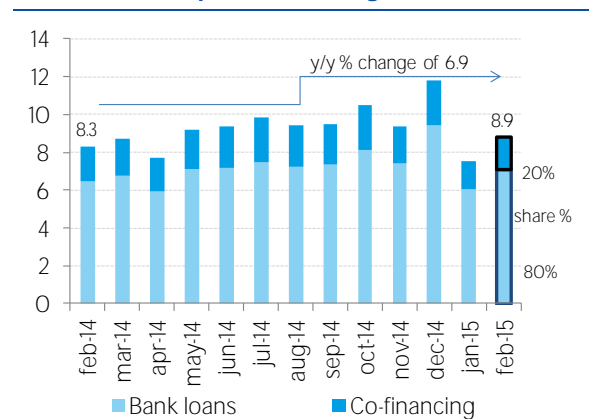
Source: BBVA Research with ABM, Infonavit, Fovissste data

Figure 3
Commercial banking: number of loans per product, thousands, % change and % share



Source: BBVA Research with ABM data

Figure 4
Commercial banking: loan amount per product MXN bn at 2015 prices, % change and % share



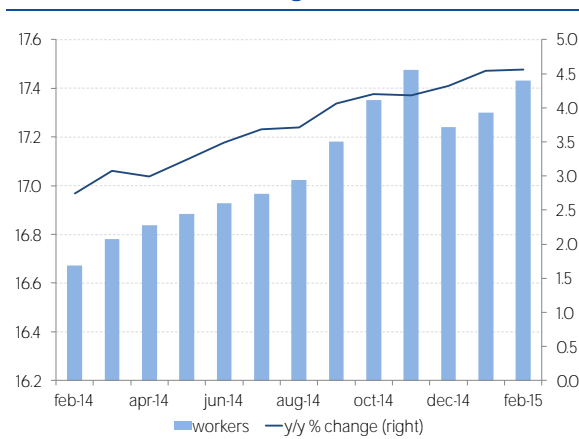
Source: BBVA Research with ABM data

On the other hand, Fovissste has also placed a larger number of loans for new housing. As of February, 77% of loans for home-purchased involved newly built housing; whereas 23% was for existing homes. In this case the states where there was most demand for new housing units were the State of Mexico, Hidalgo, Morelos, Querétaro, Quintana Roo, Puebla and Nuevo León, and in fact a little over 50% of loans for new housing from the Fund was concentrated in these states. In the Federal District, where the average loan amount is MXN 800,000, the medium-range and high-end segments are those most in demand, as regards both new and existing homes.

Turning to the commercial banks, lending growth was most pronounced in loans to raise cash, though this was mainly in loans designed to pay off debts in the case of two banks in particular, which no doubt benefits those borrowing from banks but does not mean a greater volume of sales of new units.

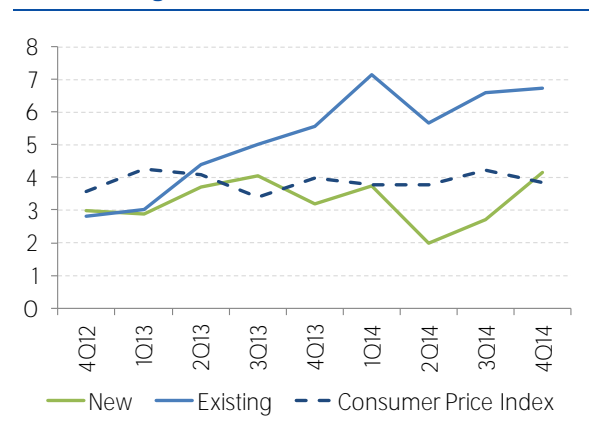
Keener competition as regards rates and terms, as well as larger loan amounts granted by the public agencies and commercial banks in peso-based loans, have been the main triggers for greater mortgage lending at the start of the year, while formal employment continues to grow. At the same time expectations of interest rate rises in Q3 could be accelerating the reviving demand for new housing, which, over the last price cycle, has grown at a slower pace than consumer prices and for existing homes.

Figure 5
IMSS: affiliated workers, Millions and YoY % change



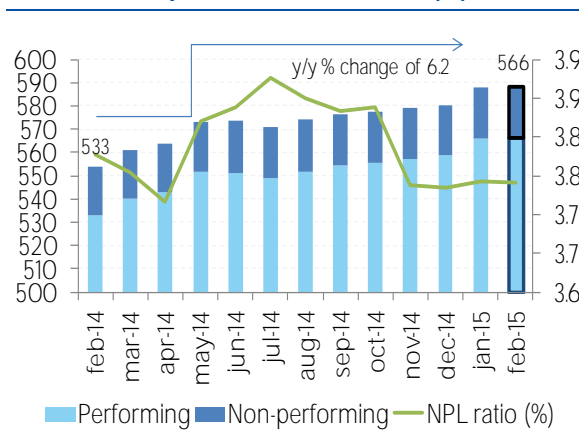
Source: BBVA Research with STPS data

Figure 6
Housing prices per segment YoY % change



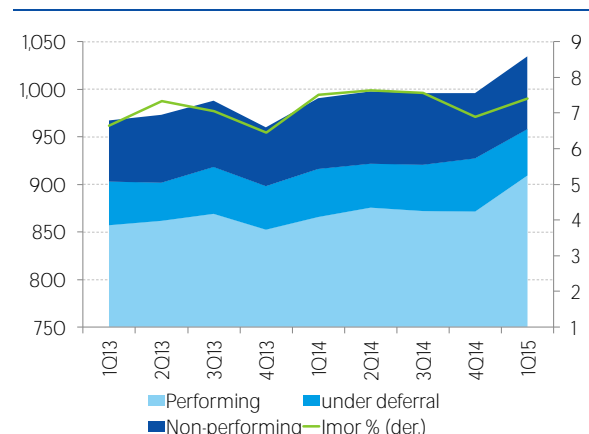
Source: BBVA Research with SHF data

Figure 7
Commercial banking: mortgage portfolio balance MXN bn, 2014 prices and default rate (%)



Source: BBVA Research with central bank data

Figure 8
Infonavit: portfolio balances and default rate MXN bn and %



As of February 2015
Source: BBVA Research with Infonavit data

As a result of the increase in mortgage origination, as of February the balance of the commercial banking mortgage portfolio grew by 6.2% in real terms, which has kept the default rate stable for the first two months of the year. As regards Infonavit, the agency's current portfolio rose 5% in real terms, the highest since 2013. Despite this, the default rate climbed to 7.4%, partly because of the larger past due portfolio, which arrived at MXN76bn as of February, compared to MXN68bn for December 2014.

New project registrations remain highly concentrated

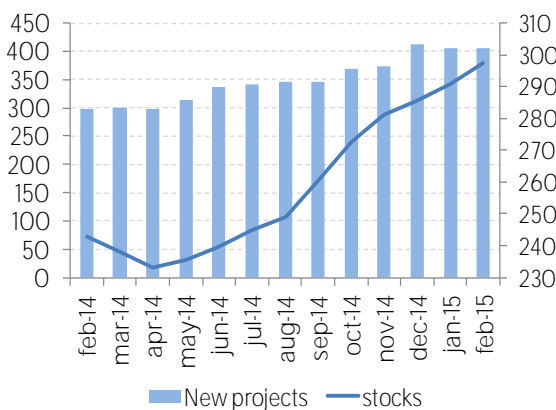
In February 2015, housing construction registrations grew 36% with respect to the same month the previous year in YoY terms. The increase in construction projects for homes is centred on certain states where Infonavit has placed a larger number of new housing units, with 52% of registrations filed by constructors in the first two months of 2015 taking place in the states of Guanajuato, Nuevo León, Jalisco, Yucatán, Hidalgo, Puebla and Morelos.

In the states of Yucatán, Guanajuato and Puebla, loans for existing housing arranged by Infonavit as of February account for 25% of the overall figure; while in Morelos, the share of existing homes is 54%. In the states of Nuevo León, Jalisco and Hidalgo, however, the share of loans of this type ranges from 12% to 15%. This shows the importance of striking a balance between the supply of new housing and the local demand profile, as this could mean that in certain regions where the average loan amount has surged upwards most the demand is for medium-range housing, where smaller quantities of this are usually required, and therefore not too much of it should be built.

As of February 2015, the balance of lending for residential building fell 11% in real terms, yet the balance for developer housing construction loans, which represents 64% of the total, held stable with respect to January, and only showed an increase of 0.1% in real terms relative to February 2014.

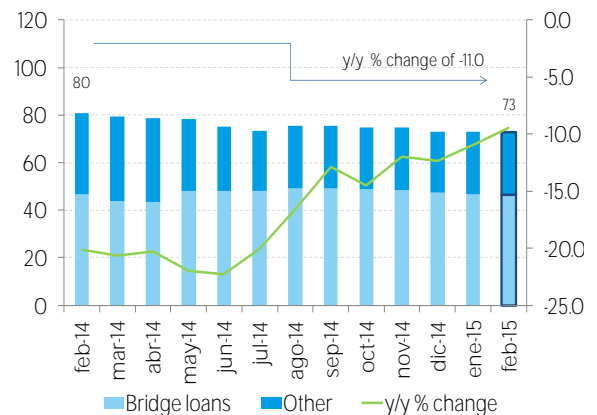
The tax incentives which we mentioned in our previous Flash have benefited constructors. On the demand side, new mortgage products has revived the market at the beginning of 2015. Fovissste has started to place loans apace and even expects to conclude its budgeted programme at the close of the first half of the year, for which reason it intends to raise the number of loans to be granted in 2015, from 69,000 to 125,000. To do this, it would apply for a line of credit with the Sociedad Hipotecaria Federal (SHF). The Fund also carried out an issue of MXN10,273mn at the end of April, in which SHF underwrote 23.2% of the unpaid balance of the certificates involved. The states with interests amounting to over 50% of the issue are: the State of Mexico, Morelos, Hidalgo and the Federal District.

Figure 9
New projects and stock of new housing, thousand units in annualised figures



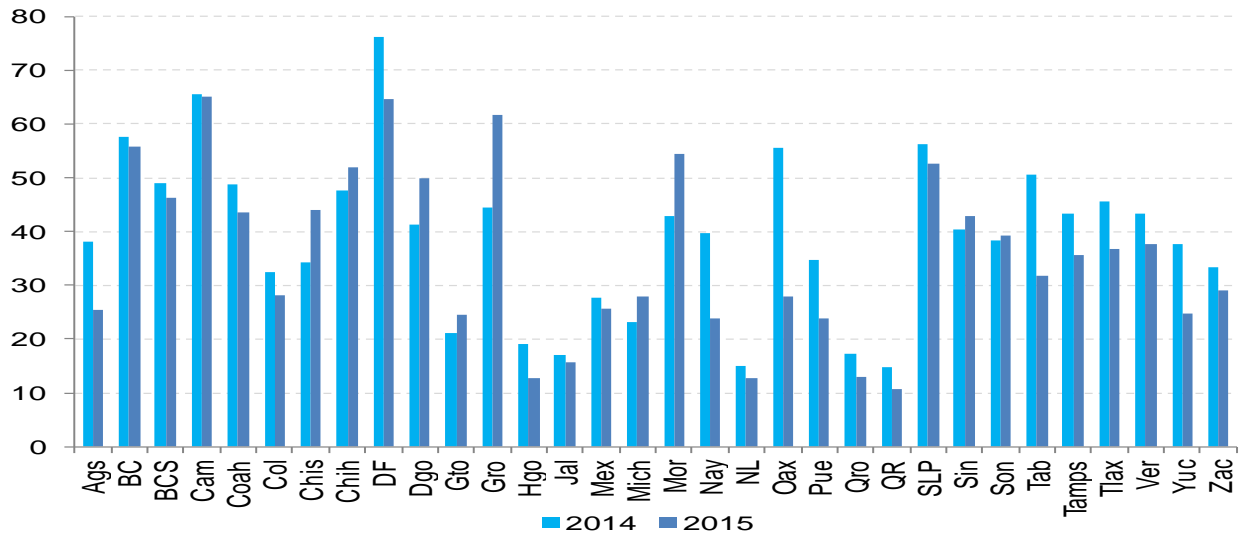
Source: BBVA Research with RUV data

Figure 10
Residential building lending: total portfolio MXN bn, 2014 prices and real YoY % change



Source: BBVA Research with CNBV data

Figure 11
Infonavit: mortgage lending for second-hand housing
% share of total, accumulated, February



Source: BBVA Research with Infonavit data

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