

BBVA Research Real Estate Flash

Mexico

Commercial banking continues at the top of lending

- In August, mortgage lending granted by commercial banks recorded a 5.7% annual increase while the amount lent rose by 14.4% in real terms
- Construction start-ups increased 1.4% y/y in August and started to reverse the declining trend seen in the first half of the year.
- Mortgage figures generally allow forecasts on bank lending continuing to grow for the remainder of 2011 to be maintained and this boost could run into 2012, albeit at a lower rate.

Commercial banking loans and Infonavit are contributing to co-finance recovery

In the end of August, the trend in mortgage lending granted by banks continued to see good performance with a 5.7% in the number of loans and a real 14.4% increase in loan amounts. Among public institutions, at least regarding Infonavit, we can expect to see the annual target being easily met for lending (an annual change of -1.2% in the number of loans and a real 4.5% increase in loan amounts to August)

With regard to house building, the start of work indicator saw a 1.4% increase in August (although -4.3% over the quarter) and seems to have reached a floor. It could start to see recovery in the coming months. At its current rate, around 420,000 homes per year, it is clearly lower than mortgage lending (around 600,000 loans per year) and this gap is offset by existing homes and loans for remodeling. Although home building is likely to start an upswing, it is also clear that the performance of the secondary existing homes market will become ever more important. The emergence of new segments will be linked to this. Regarding the latter, the fact that of the 30,000 loans for remodeling Infonavit had included in its lending targets for 2011 practically all had been granted (98%) to September is revealing.

With regard to housing construction finance, figures continue to show a downward trend (a 29% decline in real terms in July-August). We can expect a gradual recovery in this type of finance as the start of works recovers, although the trend also partially shows a move towards other types of finance, such as corporate debt and unsecured loans, among others.

Industry results allow us to maintain recovery forecasts for mortgage loans from banks in 2011, with a gradual slowdown in 2012 based on the employment trend and economic activity. In any event, some of the boost will remain given the federal government support programs and public institutions' targets, set out since the start of the year. The launch of the program for non-salaried workers should be taken into account as part of the support programs, which the federal government will be promoting in 2012 and, according to its calculations, could lead to 20,000 new loans being granted by commercial banking in 2012.

Table 1:
Mortgage lending: Number and amount of loans, annual aggregate

	Number of loans (thousands)			Amount of lending (billion Pesos)		
	aug-10	aug-11	% annual change	aug-10	aug-11	% annual real change
Public	331.3	321.6	-2.9	92.3	90.8	-4.3
Infonavit	288.5	285.1	-1.2	69.2	74.3	4.5
Fovissste	42.8	36.5	-14.8	23.1	16.5	-30.5
Private	50.2	50.9	1.4	36.4	42.5	13.8
Banks	46.2	48.8	5.7	35.2	41.4	14.4
Sofoles	4.1	2.2	-46.8	1.1	1.1	-5.5
Subtotal	381.6	372.5	-2.4	128.7	133.3	0.8
Co-finance	20.6	16.5	-20.1	---	---	---
Total	361.0	356.1	-1.4	128.7	133.3	0.8

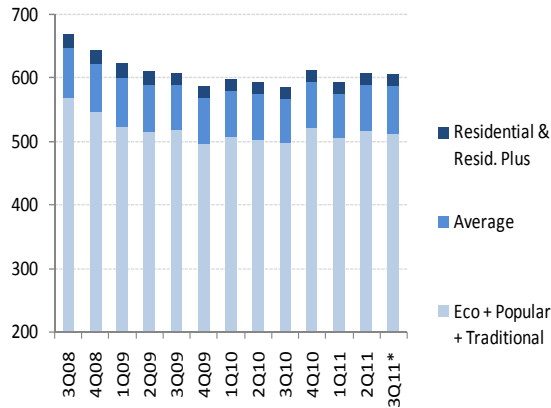
Source: BBVA Research with data from ABM, AHM and AMFE

Table 2:
Mortgage lending by segment
Number of loans, annual aggregate

	Loans (thousands)		% annual change
	aug-10	aug-11	
Total	361.0	356.3	-1.3
Economy + Popular (up to 350.000)	198.5	208.5	5.0
Traditional (up to 610.000)	110.8	93.0	-16.1
Average (up to 1.3 million)	40.6	42.4	4.4
Residential (up to 2.6 million)	9.1	10.0	9.7
Residential Plus (over 2.6 million)	2.0	2.3	17.7

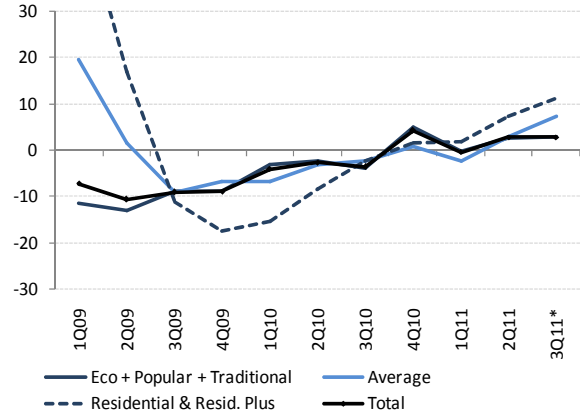
Note: Figures for 2011 are estimates

Chart 1
Number of loans by segment
 Thousands, annualized figures



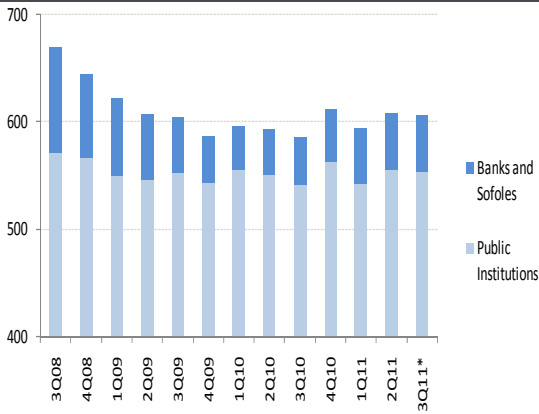
*With figures to August
 Source: BBVA Research with Infonavit data

Chart 2
Number of loans by segment
 annual % change



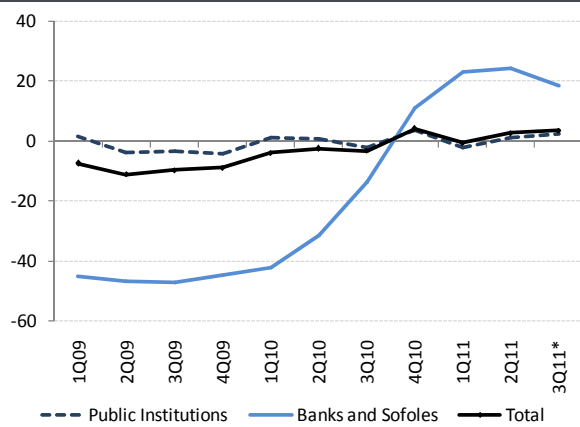
*With figures to August
 Source: BBVA Research

Chart 3
Number of loans by institution
 Thousands, annualized figures



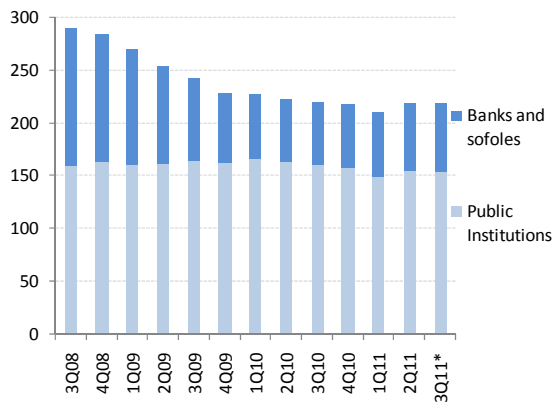
Note: the private sector only includes the open market
 *With figures to August
 Source: BBVA Research with ABM and AHM data

Chart 4
Number of loans by institution
 annual % change



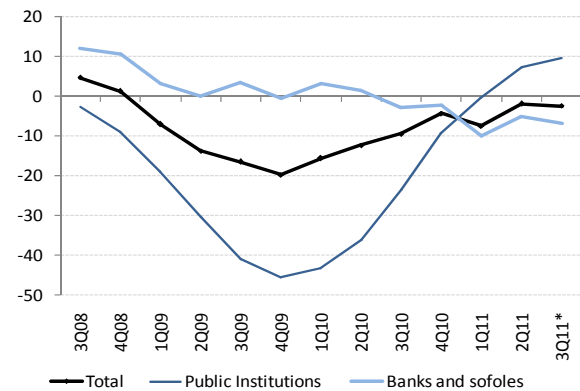
*With figures to August
 Source: BBVA Research with ABM and AHM data

Chart 5
Amount of loans by institution
 billion pesos, annualized figures



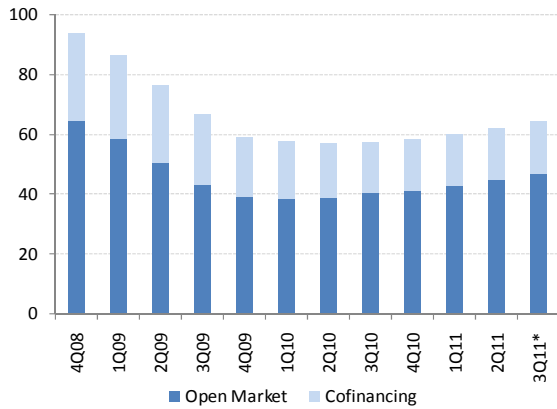
*With figures to August
 Source: BBVA Research with ABM and AHM data

Chart 6
Loan amount by institution
 annual % change



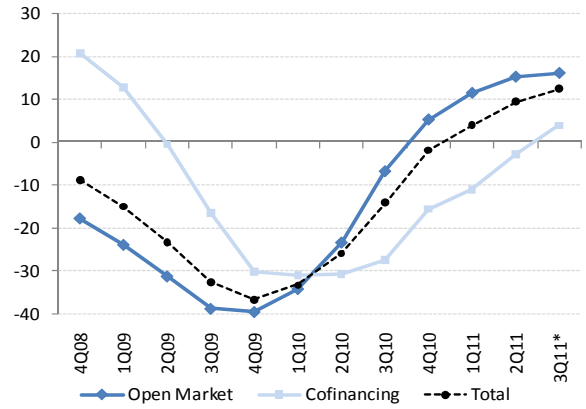
*With figures to August
 Source: BBVA Research with ABM and AHM data

Chart 7
Number of loans granted by commercial banks, year-on-year figures
 Thousands



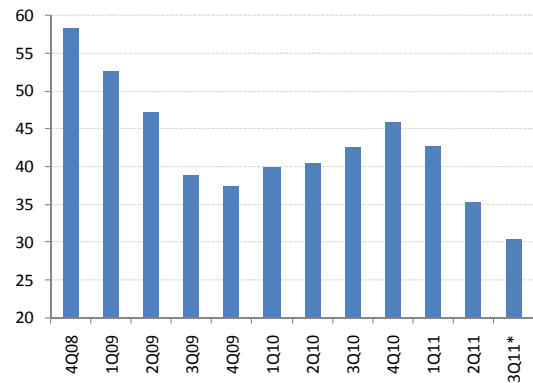
*With figures to August
 Source: BBVA Research with ABM data

Chart 8
Number of loans granted by commercial banks, year-on-year annual % change



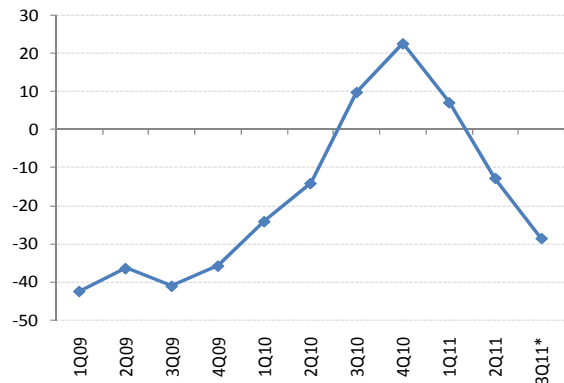
*With figures to August
 Source: BBVA Research with ABM data

Chart 9
Construction loans
 Billion pesos at 2011 prices, annualized figures



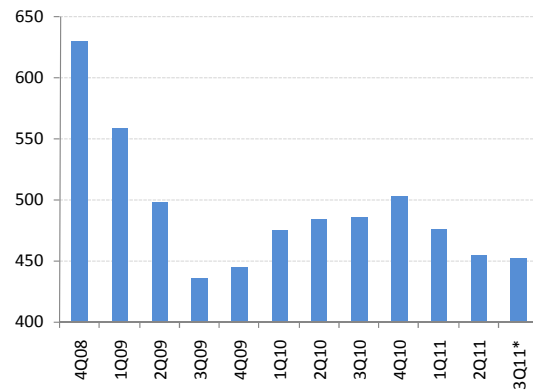
*With figures to August
 Source: BBVA Research with AHM data

Chart 10
Construction loans
 real annual % change**



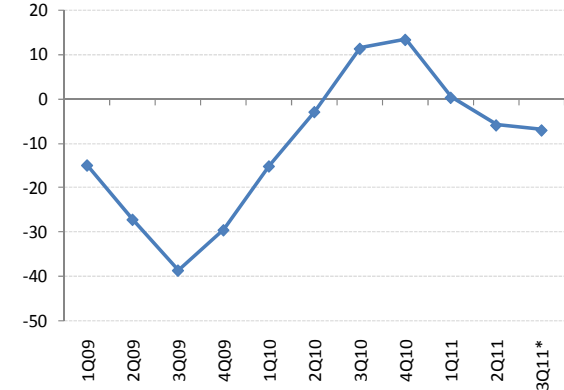
*With figures to August
 ** Based on quarterly flows
 Source: BBVA Research with AHM data

Chart 11
Housing starts: RUV
 Thousands of homes, annualized figures



*With figures to August
 Source: BBVA Research with RUV data (Infonavit)

Chart 12
Housing starts: RUV figures
 annual % change**



* With figures to July
 ** Based on quarterly flows
 Source: BBVA Research with RUV data

Table 3:

Number of mortgage loans by state

	Infonavit			Fovissste			Banks			Sofoles			Total		
	aug-10	aug-11	% annual change	aug-10	aug-11	% annual change	aug-10	aug-11	% annual change	aug-10	aug-11	% annual change	aug-10	aug-11	% annual change
	Ags	5,057	4,929	-2.5	706	768	8.8	769	928	20.7	107	45	-57.9	6,639	6,670
BC	15,911	16,480	3.6	893	593	-33.6	1,452	1,521	4.8	380	104	-72.6	18,636	18,698	0.3
BCS	2,028	2,402	18.4	677	585	-13.6	575	539	-6.3	2	0	-100.0	3,282	3,526	7.4
Cam	1,587	1,687	6.3	156	144	-7.7	278	279	0.4	5	4	-20.0	2,026	2,114	4.3
Coah	13,740	11,896	-13.4	870	740	-14.9	1,338	1,400	4.6	11	1	-90.9	15,959	14,037	-12.0
Col	2,611	2,412	-7.6	328	395	20.4	364	391	7.4	3	3	0.0	3,306	3,201	-3.2
Chis	2,382	3,395	42.5	1,270	790	-37.8	491	515	4.9	2	0	-100.0	4,145	4,700	13.4
Chih	14,351	11,810	-17.7	783	729	-6.9	1,969	1,907	-3.1	75	11	-85.3	17,178	14,457	-15.8
DF	9,677	11,069	14.4	3,528	1,894	-46.3	6,988	7,157	2.4	186	42	-77.4	20,379	20,162	-1.1
Dgo	3,618	3,254	-10.1	512	656	28.1	409	422	3.2	1	0	-100.0	4,540	4,332	-4.6
Gto	14,112	14,820	5.0	1,143	1,025	-10.3	1,991	2,366	18.8	99	75	-24.2	17,345	18,286	5.4
Gro	2,322	2,575	10.9	2,152	1,199	-44.3	499	527	5.6	1	0	-100.0	4,974	4,301	-13.5
Hgo	5,481	6,361	16.1	1,962	2,115	7.8	442	572	29.4	37	26	-29.7	7,922	9,074	14.5
Jal	22,572	25,017	10.8	1,991	1,584	-20.4	4,922	5,293	7.5	360	101	-71.9	29,845	31,995	7.2
Méx	30,392	28,289	-6.9	9,676	6,658	-31.2	2,521	2,976	18.0	650	351	-46.0	43,239	38,274	-11.5
Mich	6,400	6,708	4.8	1,223	1,092	-10.7	1,374	1,601	16.5	22	15	-31.8	9,019	9,416	4.4
Mor	3,873	4,227	9.1	3,227	2,475	-23.3	599	682	13.9	22	1	-95.5	7,721	7,385	-4.4
Nay	2,876	2,658	-7.6	914	647	-29.2	337	347	3.0	46	28	-39.1	4,173	3,680	-11.8
NL	32,882	33,033	0.5	958	1,185	23.7	4,782	5,020	5.0	789	323	-59.1	39,411	39,561	0.4
Oax	1,836	1,014	-44.8	442	405	-8.4	397	335	-15.6	0	3	---	2,675	1,757	-34.3
Pue	9,052	9,059	0.1	1,134	1,178	3.9	1,436	1,639	14.1	54	48	-11.1	11,676	11,924	2.1
Qro	8,645	8,099	-6.3	983	1,091	11.0	1,478	1,589	7.5	99	46	-53.5	11,205	10,825	-3.4
QR	8,392	9,236	10.1	1,639	1,317	-19.6	1,289	1,356	5.2	272	123	-54.8	11,592	12,032	3.8
SLP	5,438	5,770	6.1	576	619	7.5	1,290	1,334	3.5	45	16	-64.4	7,349	7,739	5.3
Sin	8,261	7,559	-8.5	1,465	916	-37.5	1,368	1,546	13.0	9	3	-66.7	11,103	10,024	-9.7
Son	12,258	13,009	6.1	878	905	3.1	976	1,142	17.0	187	55	-70.6	14,299	15,111	5.7
Tab	3,458	3,242	-6.2	279	244	-12.5	565	567	0.4	11	3	-72.7	4,313	4,056	-6.0
Tam	15,562	13,741	-11.7	758	820	8.2	1,920	1,377	-28.3	50	28	-44.0	18,290	15,966	-12.7
Tlax	1,364	1,333	-2.3	123	174	41.5	113	91	-19.5	1	1	0.0	1,601	1,599	-0.1
Ver	12,369	11,762	-4.9	3,518	2,197	-37.5	2,209	2,128	-3.7	114	64	-43.9	18,210	16,151	-11.3
Yuc	8,286	7,020	-15.3	1,069	1,085	1.5	743	927	24.8	11	3	-72.7	10,109	9,035	-10.6
Zac	1,719	2,064	20.1	250	265	6.0	259	274	5.8	2	0	-100.0	2,230	2,603	16.7
ND	0	0	---	0	0	---	0	0	---	63	649	---	63	649	---
Total	288,522	285,104	-1.2	42,808	36,490	-14.8	46,151	48,770	5.7	4,083	2,172	-46.8	381,564	372,536	-2.4

Source: BBVA Research with AHM data

Eduardo Torres
e.torres@bbva.com

Fernando Balbuena
fernando.balbuena@bbva.com

Av. Universidad 1200, Col. Xoco, México 03339 D.F. | researchmexico@bbva.bancomer.com | www.bbva.com | www.bbva.com | [Follow us in Twitter](https://www.bbva.com)

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