

Mexico Real Estate Flash

Mortgage market: two versions of the same story

If we were to judge how the situation is unfolding in the Mexican mortgage market purely by the information provided by Infonavit, we would have to say that the drivers of the mortgage lending are beginning to run out of steam. If, on the other hand, we use the data from banks and Fovissste, we would conclude that the mortgage market still has plenty of growth potential. How can two sources tell such different stories? Really it is the same story, we just need to take into account the differentiation in the market and diversification of financing products.

- **Banking and Fovissste, favored by the economic setting**

In a year in which economic output and employment are reporting growth of close to 4%, mortgage lending by commercial banks has posted double-digit growth for the second successive year. In October, annual growth in mortgage lending was 10.6%, while annual growth in total loans was up 17.8%, measured in real terms; during the January-October period, there was a rise of 9.8% in the number of loans and of 16.8% in the amount. This increase is due to two factors; first, the volume of loans and second, the average amount of each individual mortgage. There has been significant growth in the latter in recent years, in fact over the last two years this amount has increased by 30% in real terms.

For Fovissste, whose resources for granting funding largely depend on recovery of the portfolio, conditions have been better this year than in previous years, due to the prompter payment it receives from federal authorities and agencies of the amounts charged from employees who have been awarded credit. Fovissste now has better instruments at its disposal to guarantee that these payments are made in suitable form. Thus, growth in the Fovissste (15.2% per annum in number of loans during the January-October period) is not due to greater activity but simply to statistical factors: while in former years most of the credit was granted at year end, in 2012 the activity has been spread out more evenly. Going on this same principle, we would expect the figures to show a negative annual variation in the last months of the year. And looking ahead to 2013, growth should be very timid, given that according to Fovissste estimates, the number of loans to be granted will not change (or the change will be very small) compared to 2012, a year which will remain at levels close to 2011, of between 70 thousand and 75 thousand loans.

- **In Infonavit, it is important to consider the diversification of loan products... and what else?**

To October, Infonavit recorded annual growth of a mere 1.5%, and less than 1% in the number of loans, in real terms. The explanation is simple: in its yearly financing program, refurbishment loans have begun to play a more important role, to the point that in 2012 they actually account for one out of every five loans granted by the institute. Another reason is the availability of homes - and this is something that is worth looking at in more detail. At national level, existing homes account for 35%, but in some banks, the figure rises to near or above 50% - banks such as Baja California Sur, Campeche, Coahuila, Durango, Guerrero y Oaxaca - while for Mexico City the figure reaches 80%. People who are hoping to buy a new home with a loan from this institute may be starting to have trouble in choosing one. In year-on-year terms, housing starts remain in the region of 370,000, which measured as a proportion of total mortgages being awarded (590,000) represents 63%. These could possibly be the first signs to show - or anticipate - a rebound in home building; but this hypothesis would have to be confirmed.

- **Outlook points to a continued growth on the market**

There is not really any contradiction in the mortgage loan placement figures. In Infonavit, the results are due to the diversification in the lending options offered to members and the fact that it has been well received (which suggests that there is plenty of room for development in this market, both in Fovissste and in the banks), and possibly some kind of restriction on increasing credit for a new home. In banks, the figures point to a favorable setting in economic and financing conditions. Both suggest that the mortgage market still has room to grow, although, as we have said, through the development of new products.

Table 1

Mortgage lending: Number and amount of loans, January-October aggregate

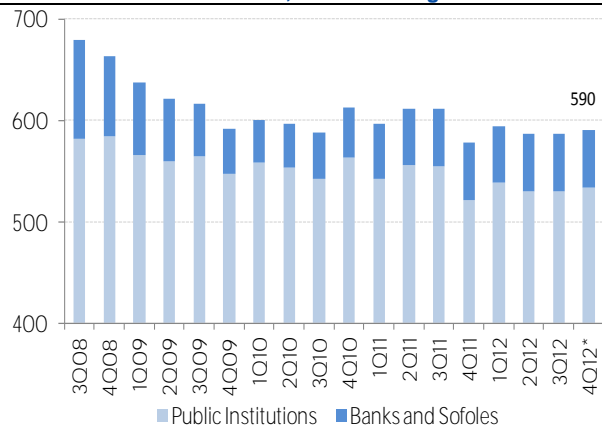
Agency	Number of loans (thousands)			Amount of lending (Billion pesos)		
	2011	2012	% change y/y	2011	2012	Real annual % change
Public institutions	403.6	416.1	3.1	115.2	126.2	4.8
Infonavit	355.3	360.4	1.5	93.3	98.2	0.6
Fovissste	48.3	55.7	15.2	21.9	28.0	22.4
Private intermediaries	65.9	71.7	8.7	56.1	67.9	15.7
Banks	63.5	69.7	9.8	55.0	67.2	16.8
Sofoles	2.5	1.9	-21.0	1.1	0.7	-37.2
Subtotal	469.5	487.7	3.9	171.3	194.2	8.3
Total co-financing (-)	48.7	45.4	-6.8	-	-	---
Infonavit total (-)	30.4	23.3	-23.5	-	-	---
Other co-financing (-)	18.3	22.1	20.9	-	-	---
Total	420.8	442.4	5.1	171.3	194.2	8.3

Source: BBVA Research with Infonavit, Fovissste, ABM and CNBV data

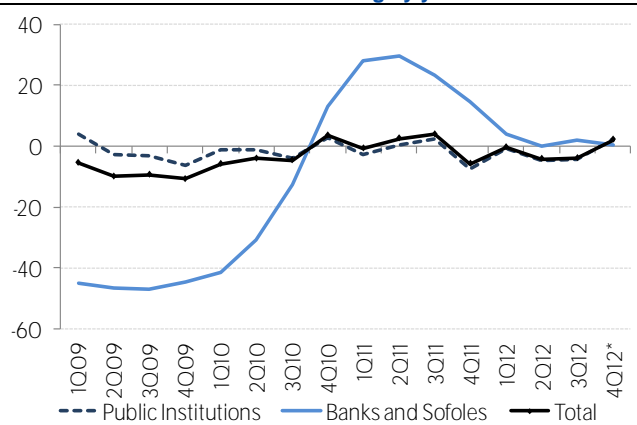
Chart 1 and 2

Number of loans by institution

Thousands, annualized figures



% change y/y



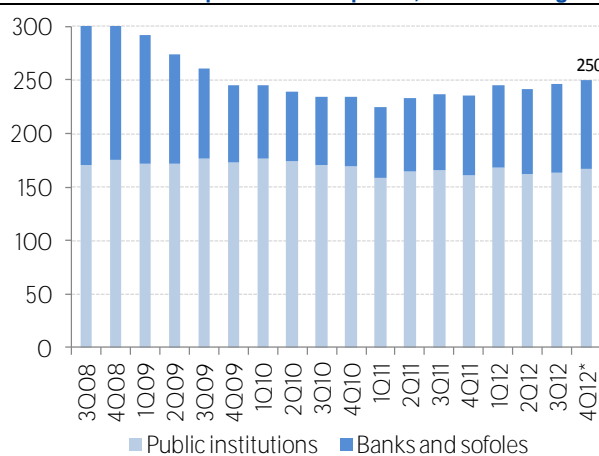
* To October

Source: BBVA Research with ABM, Infonavit and Fovissste data

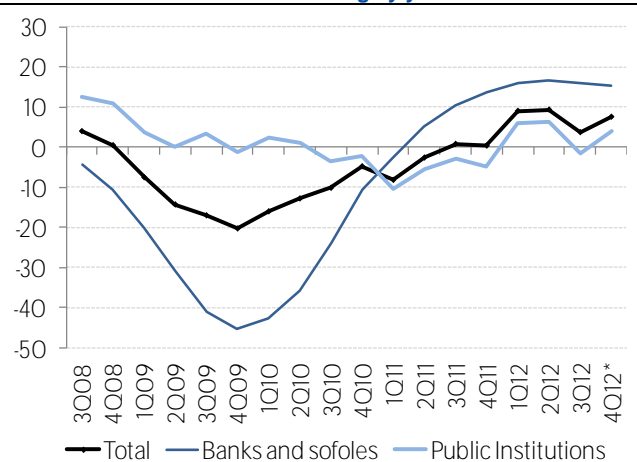
Chart 3 and 4

Amount of lending by institution

Billion pesos at 2012 prices, annualized figures



% change y/y



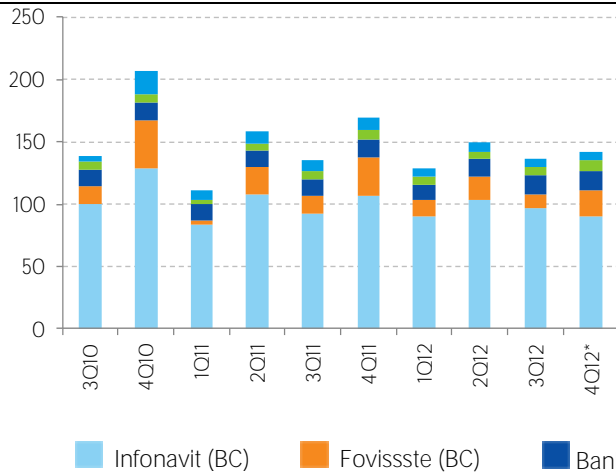
* To October

Source: BBVA Research with ABM, Infonavit and Fovissste data

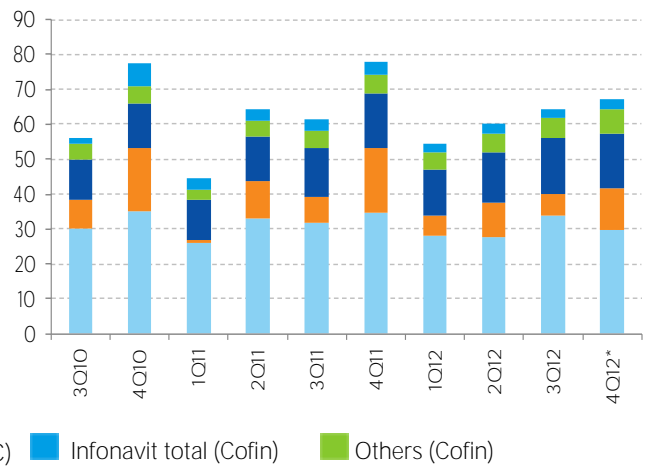
Chart 5 and 6

Mortgage loans by institution

Thousands of loans



Billion pesos, at 2012 prices



(BC) Bank capital. (Cofin) Co-financing (-)

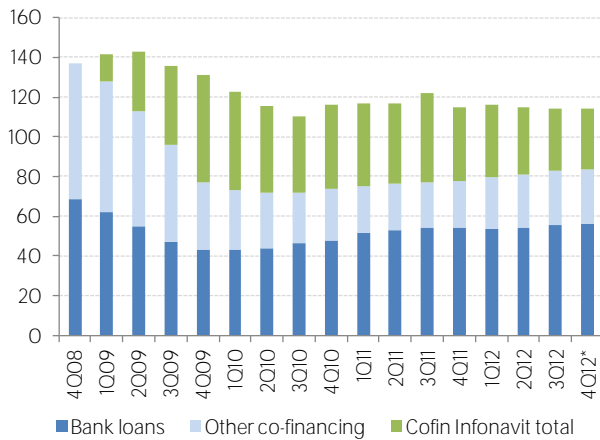
* October

Source: BBVA Research with Infonavit, Fovissste and ABM data

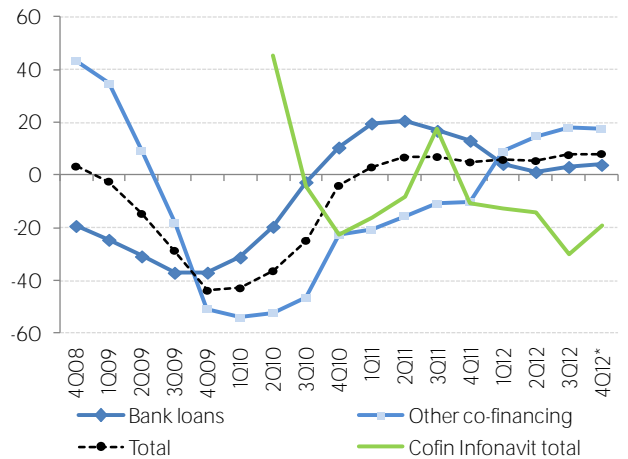
Chart 7 and 8

Number of loans granted by commercial banks

Thousands, annualized figures



% change y/y



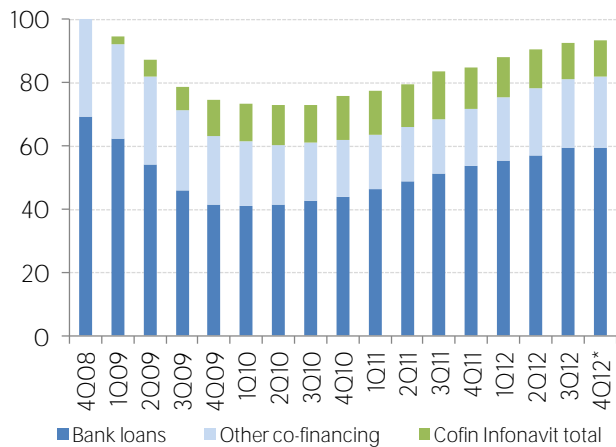
* October

Source: BBVA Research with ABM, Infonavit and Fovissste data

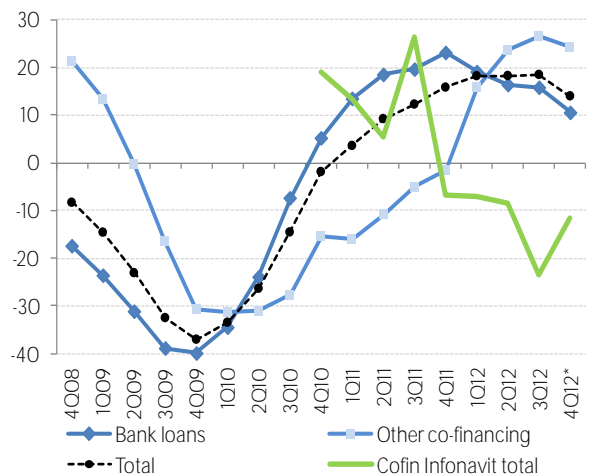
Chart 9 and 10

Amount of finance granted by commercial banks

Billion pesos, 2012 prices, annualized figures



% change y/y

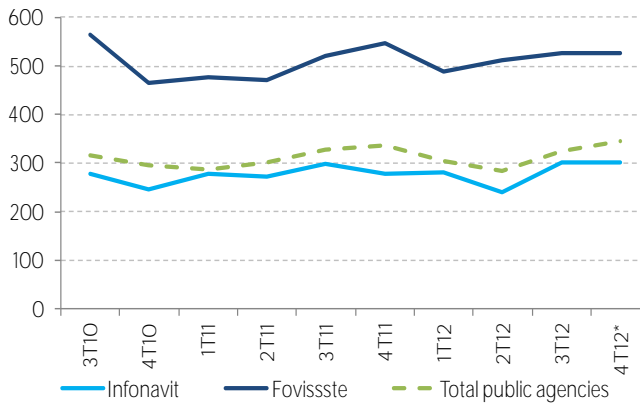


* October

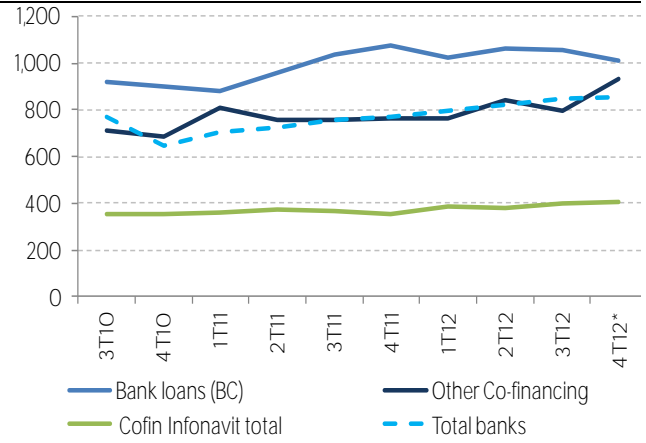
Source: BBVA Research with ABM, Infonavit and Fovissste data

Chart 11 and 12

Average mortgage value. Thousand pesos, 2012 prices
Public institutions



Banks

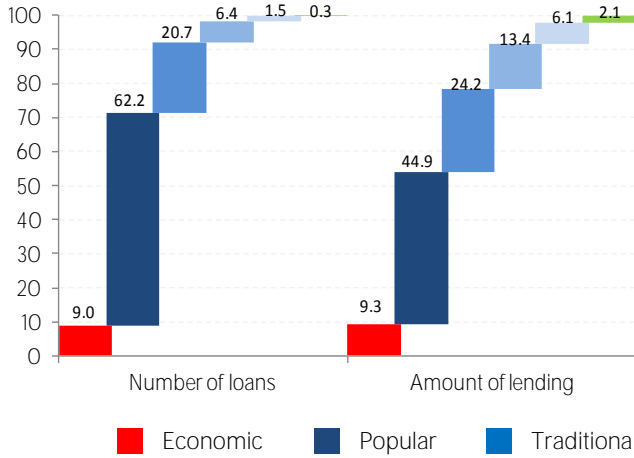


* October
(BC) Bank capital. (Cofin) Co-financing (-)
Source: BBVA Research with Infonavit, Fovissste and ABM data

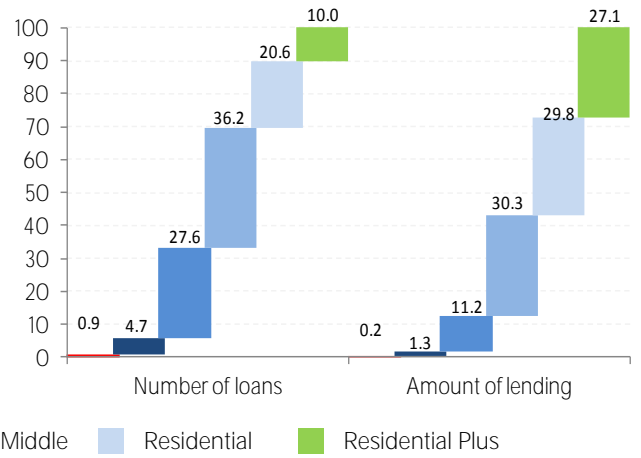
Chart 13 and 14

Housing sales, by segment. % Share, 2012*

Infonavit



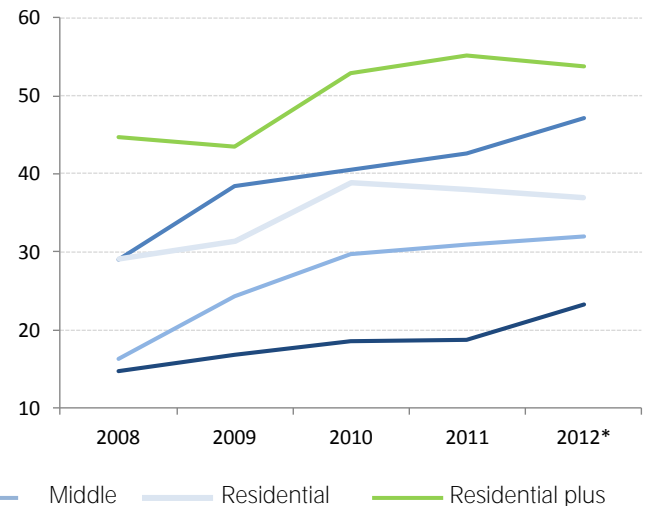
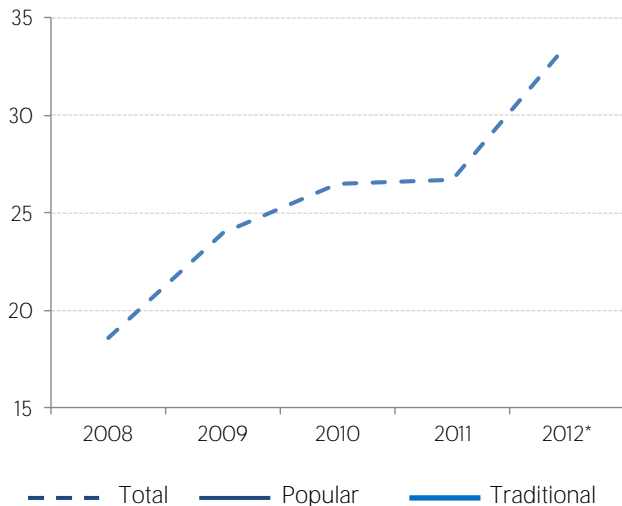
Commercial banking



* January-October
Source: BBVA Research with Infonavit and ABM data

Chart 15 and 16

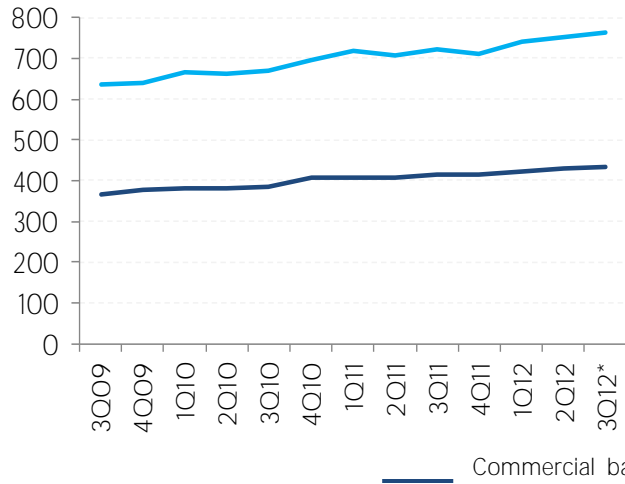
Used dwellings: Market participation % in mortgage loans from Infonavit



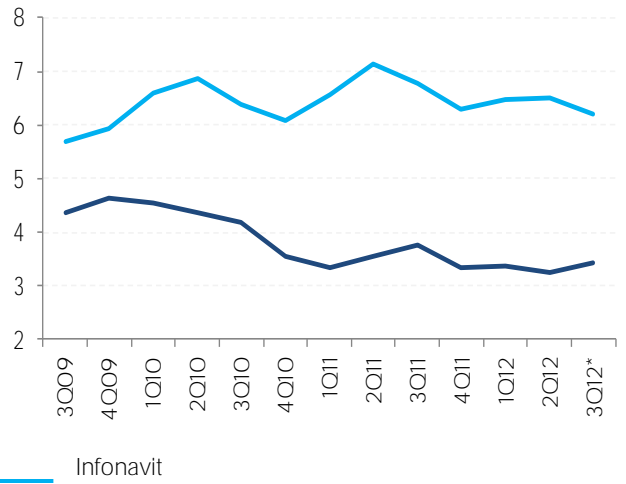
* To October
Source: BBVA Research with Infonavit data

Chart 17 and 18

Mortgage lending, portfolio balance
Current, Billion pesos, 2012 prices



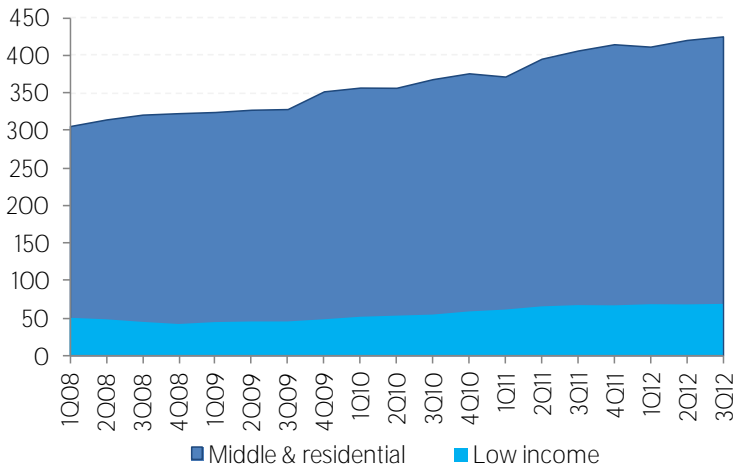
NPL ratio (%)



Sources: BBVA Research with Banxico data

Chart 19 and 20

Balance of the commercial bank portfolio by segment
Current, Billion pesos, 2012 prices



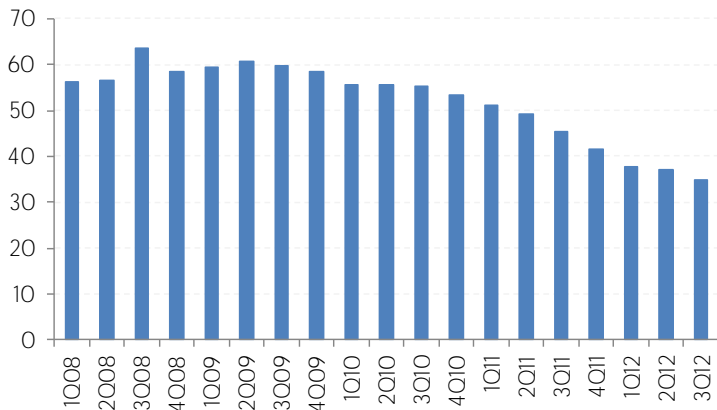
NPL ratio (%)



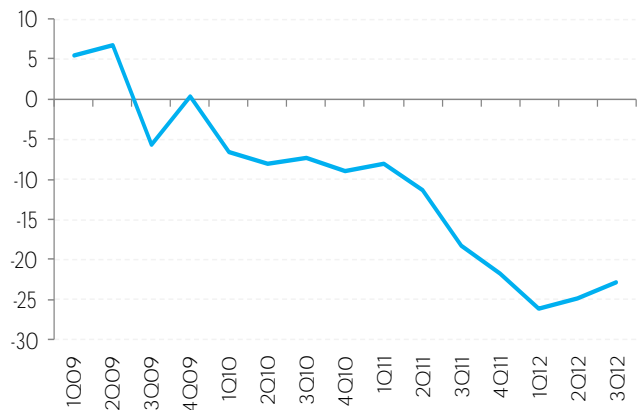
Source: BBVA Research with Federal Mortgage Society (CNBV) data

Chart 21 and 22

Construction loans, current portfolio balance.
Billion pesos, 2012 prices



real % change y/y

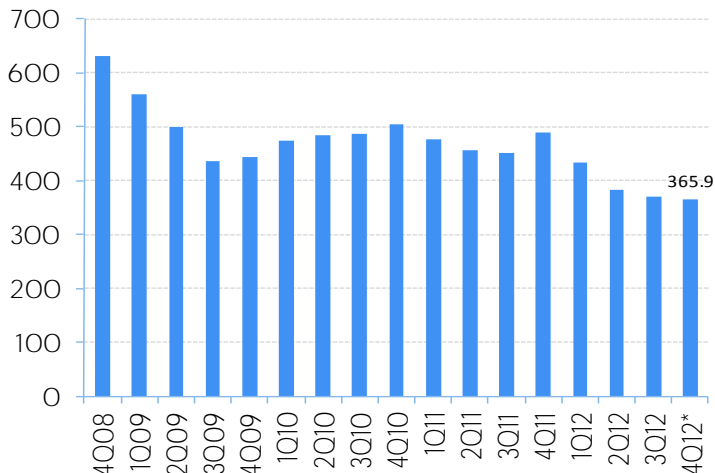


Sources: BBVA Research with Banxico data

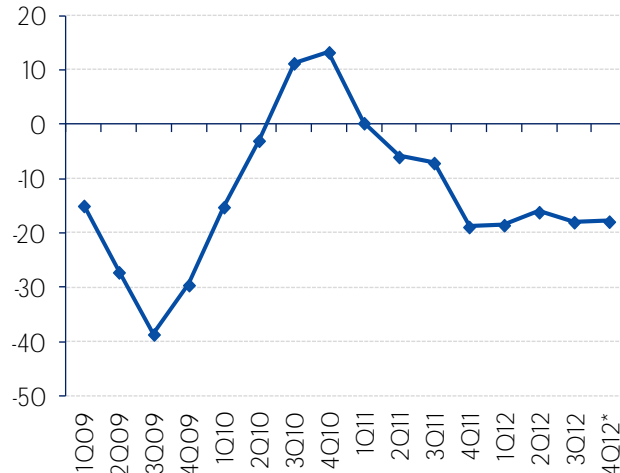
Chart 23 and 24

Housing starts: RUV

Thousands of homes, annualized figures



% change y/y



* To October
Source: BBVA Research, with RUV data

Table 2

Infonavit: Number of mortgage loans by segment and percentage of used dwellings January-October 2012

	Total								Used (% of total)							
	Total	Economic	Popular	Traditional	Middle	Residential	Residential Plus		Total	Economic	Popular	Traditional	Middle	Residential	Residential Plus	
Ags	6812	975	4216	1209	382	30	0	Ags	37	38	35	51	16	27		
BC	19095	893	13424	3580	983	205	10	BC	35	87	23	62	38	39	90	
BCS	2625	100	1179	1151	158	35	2	BCS	48	85	45	48	44	37	50	
Cam	1839	90	1117	426	182	23	1	Cam	51	59	43	72	49	30	100	
Coah	16169	1102	10893	3210	835	122	7	Coah	48	70	43	66	30	28	71	
Col	2812	316	1867	504	114	11	0	Col	40	99	28	51	36	9		
Chis	3572	50	2668	694	145	15	0	Chis	31	46	16	85	56	53		
Chih	15447	1209	10285	2813	978	150	12	Chih	51	84	43	76	32	23	58	
DF	25935	11052	3617	4832	4015	1823	596	DF	86	100	100	92	48	53	67	
Dgo	4147	257	3226	550	99	13	2	Dgo	47	73	41	67	48	38	50	
Gto	17639	442	12919	3404	762	105	7	Gto	32	99	27	47	24	30	29	
Gro	2426	63	1080	1045	214	21	3	Gro	49	100	57	40	37	62	67	
Hgo	7181	310	4873	1742	232	24	0	Hgo	17	28	12	29	30	33		
Jal	32550	1633	22002	6286	2205	382	42	Jal	18	15	9	43	24	35	50	
Mex	32959	1825	17077	10992	2240	711	114	Mex	21	100	11	24	26	18	18	
Mich	6550	204	4835	1119	333	57	2	Mich	25	59	16	55	30	33	50	
Mor	4647	46	2168	1779	551	84	19	Mor	31	100	18	42	36	56	47	
Nay	2958	64	2181	576	127	10	0	Nay	32	91	26	49	42	50		
NL	41882	4166	26266	7831	2711	801	107	NL	15	12	9	32	25	31	36	
Oax	1275	88	860	254	67	6	0	Oax	50	85	40	70	45	67		
Pue	10823	233	7703	2134	641	99	13	Pue	25	54	18	45	27	27	23	
Qro	10790	87	5692	3424	1315	255	17	Qro	15	95	8	23	16	16	47	
QR	12420	367	9604	1929	467	50	3	QR	8	17	4	19	22	34	0	
SLP	7797	390	5087	1669	560	87	4	SLP	45	96	43	46	23	32	50	
Sin	9228	714	6453	1586	431	43	1	Sin	43	85	40	45	22	21		
Son	14762	1268	10864	2101	468	54	7	Son	40	77	32	63	38	39	29	
Tab	4069	98	2927	794	211	36	3	Tab	33	62	20	75	48	36	0	
Tamps	14078	972	10694	1929	438	44	1	Tamps	36	82	27	64	50	57	100	
Tlax	2235	846	1087	266	34	2	0	Tlax	76	93	62	79	71	100		
Ver	14939	1193	10134	2988	541	77	6	Ver	34	38	25	62	50	13	50	
Yuc	8211	1131	5448	1261	321	42	8	Yuc	36	67	30	40	27	26	50	
Zac	2546	81	1847	470	131	15	2	Zac	28	89	22	45	23	20	50	
Total	360418	32265	224293	74548	22891	5432	989	Nac	33.6	72	24	47	32	37	55	

Source: BBVA Research with Infonavit data

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