

Mexico Real Estate Flash

In the year to November, banking mortgage lending grew 6.1%

The total number of mortgages granted in the year to November fell 9.9% vs. the same period in 2012. The contraction in the market at the end of the year continues to reflect the reduced demand for low income housing. The substitution effect of new housing for other residential solutions, such as existing housing stock and loans for home improvement and self-build continues.

Meanwhile, increased demand in middle-income and residential segments continues to expand the average loan size granted by the banking sector, which in real terms increased by 5.5% in the same period. This confirms that people using banking services are borrowing ever larger amounts as a reflection of the present credit conditions, which being ideal, have expanded the market into a broader segment of the population.

- **The contraction in the social housing segment was offset by alternative solutions**

The public housing institutions closed the year with double-digit falls in both the number of loans and in the total amount granted. In November, the number of mortgages granted by Infonavit and Fovissste fell 12.8%, while the amount provided fell 14.8% in real terms.

In the case of Infonavit, an increased preference for home improvement loans explains the drop in activity for low income housing mortgage. In November, the loans granted and the amount financed fell 13.8% and 16.3% respectively. Credits for home improvement accounted for slightly more than 40% of the institution's loans granted to November, while existing housing stock represented approximately 50% and 34% of the credits for the traditional and middle segments in the same period. As a consequence, the average amount per credit contracted 2.9% in real terms.

At Fovissste, the contractions were 6.8% and 10.2% respectively. In this case, the average mortgage loan size fell 3.6% in real terms. Note that although the average mortgage loan is considerably larger than at Infonavit, the contraction has also started to reflect an increased preference for credit products for refurbishments, recently launched by the institution.

- **Conditions for taking out a mortgage have never been better**

The medium and residential segments continued to be the main drivers of mortgage activity at the end of 2013. Interest rates at historically low levels, terms of close to 20 years and lower deposit requirements have generated optimum and attractive combinations for customers who approach the banking sector. This is even reflected in the mortgages granted by Infonavit, which although seeing practically zero growth via co-financings, increased the number of loans granted by 4.7%, and by 2.0% for the medium and residential segments.

Meanwhile, the banking industry posted a sharp recovery in the medium segment, which saw double-digit accumulated growth in the year to November (+12.1%), and even growth of 1.7% in the social housing segment, which had posted zero growth in the year to October. This reflects that even in the low-value segments, where inventories already reflect a downwards adjustment, the sector can continue to generate products appropriate to the consumer profile. As a consequence, the portfolio increased in value by 4.8% in real terms, which helped to stabilise the level of non-performing loans, which stood at 3.5%.

- **The banking sector will continue to grow**

The extraordinarily favourable conditions for mortgage lending offered by the sector have improved the accessibility of both credit and access to higher-value housing. We expect 2013 to have closed with growth of close to 7%, with slightly more than 91,000 credits. We expect these conditions to be maintained going forward, which will sustain growth in the sector in the coming months. Nonetheless, the sector will have to create appropriate products for a broader segment of the population, with different characteristics and needs from those of the traditional mortgage borrower.

Table 1

Mortgage lending: number and value of loans, November

Body	Number of loans (thousands)			Amount of lending (Bn pesos)			Average amount per mortgage (thousands, pesos)		
	2012 (jan-nov)	2013 (jan-nov)	Var % anual	2012 (jan-nov)	2013 (jan-nov)	Real y/y % change	2012	2013	Real y/y % change
Public institutions	451.8	393.8	-12.8	139.0	118.4	-14.8	307.6	300.6	-2.3
Infonavit	389.0	335.2	-13.8	105.4	88.2	-16.3	271.0	263.2	-2.9
Fovissste	62.9	58.6	-6.8	33.6	30.1	-10.2	534.2	514.8	-3.6
Private intermediaries	78.3	85.1	8.7	79.1	90.3	14.2	1010.6	1061.3	5.0
Banks	77.2	81.9	6.1	78.7	88.1	12.0	1019.4	1075.3	5.5
Sofoles	1.1	3.2	187.7	0.4	2.2	412.0	393.7	700.6	78.0
Subtotal	530.1	478.9	-9.7	218.1	208.7	-4.3	411.4	435.8	5.9
Co-financing* (-)	24.4	23.3	-4.4						
Total	505.7	455.6	-9.9	218.1	208.7	-4.3	411.4	435.8	5.9
Information figures									
Total co-financing (-)	49.3	50.5	2.6	30.1	29.9	-0.6	610.8	591.7	-3.1
Infonavit total (-)	24.9	27.2	9.4	10.2	10.7	5.5	408.3	393.5	-3.6
Other	24.4	23.3	-4.4	19.9	19.2	0.0	817.5	823.1	0.7

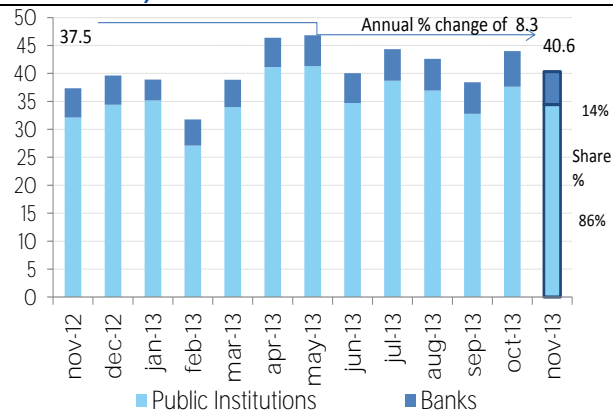
NB: The Banks line includes loans made to employees of the financial institutions.

*excluding Infonavit total

1/ Financial intermediaries affiliated to the AHM (Mexican Mortgage Association)

Source: BBVA Research based on Infonavit, Fovissste ABM, AHM, Banco de México 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

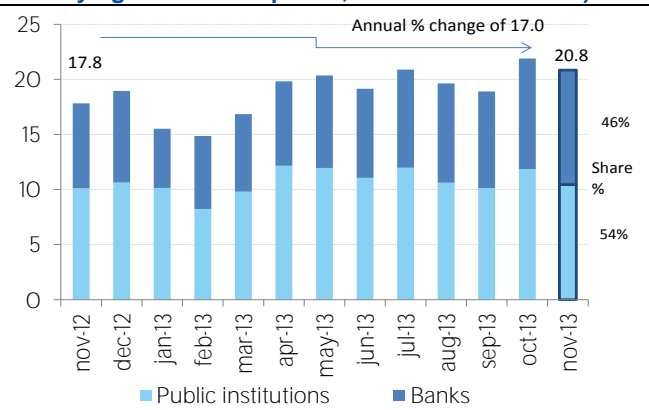
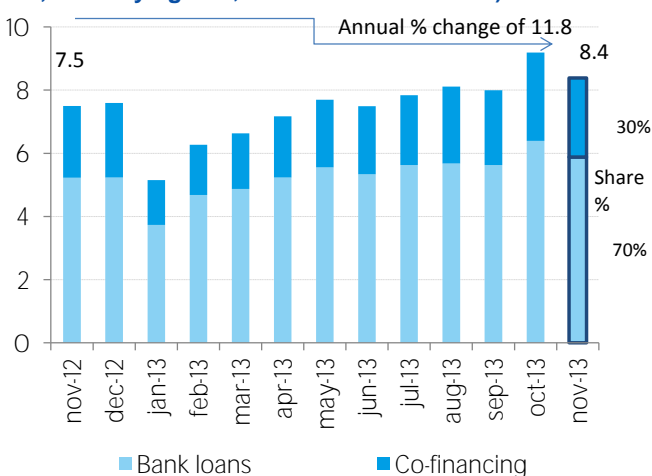
Amount of credit outstanding by institution (MXN mn, monthly figures at 2013 prices, % var and % of total)

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

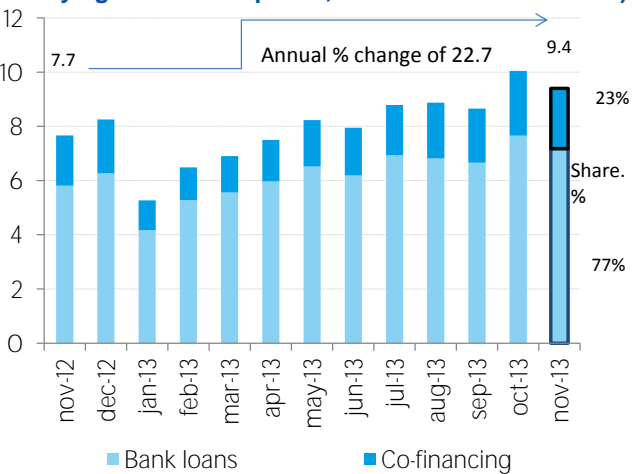
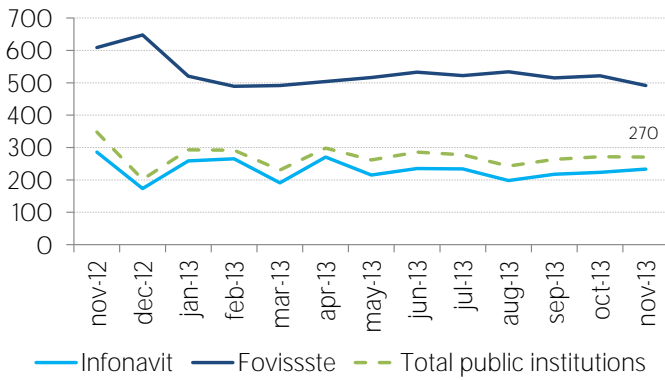
Commercial banks: value of credits by product (MXN bn, monthly figures at 2013 prices, % var YoY and % of total)

Figure 5
Average amount of mortgage loan by institution
(MXN '000 at 2013 prices)



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

Figure 6
Commercial banks: average amount of mortgage loan
(MXN '000 at 2013 prices)

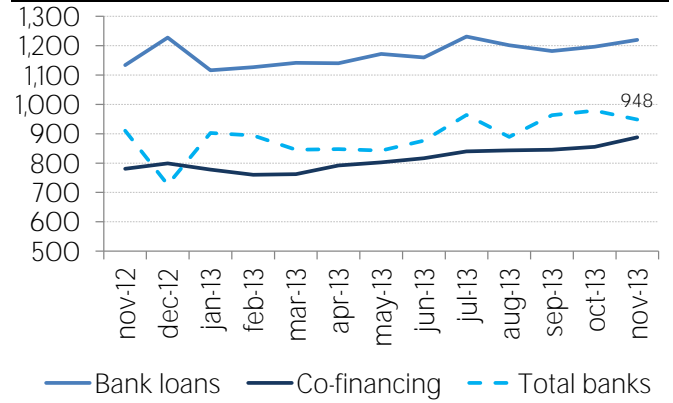


Figure 7
Mortgage lending: total portfolio
(MXN bn, 2013 prices and NPLs (%))

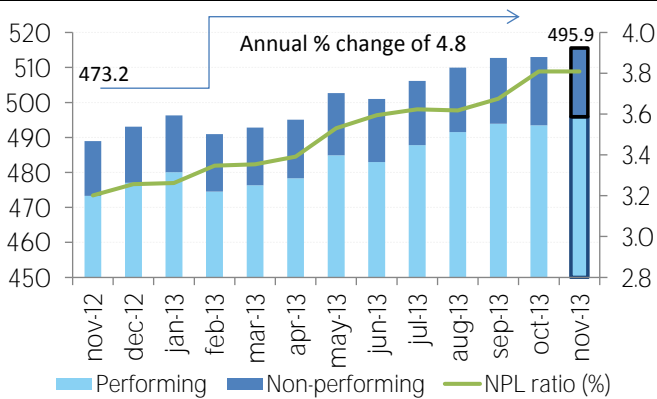
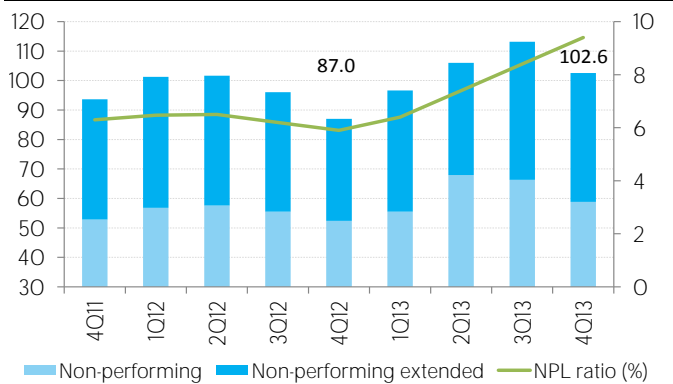


Figure 8
Infonavit: non performing loans
(MXN bn, 2013 prices and NPLs (%))



Notes:
1) Includes commercial banks, Sofoles and Sofomes
2) Infonavit NPL ratio (%) is calculated on the basis on Non-performing loans
Source: BBVA Research with Bank of Mexico and Infonavit data

Figure 9
Loans for residential construction: total portfolio
(MXN bn, 2013 prices and real % var YoY)

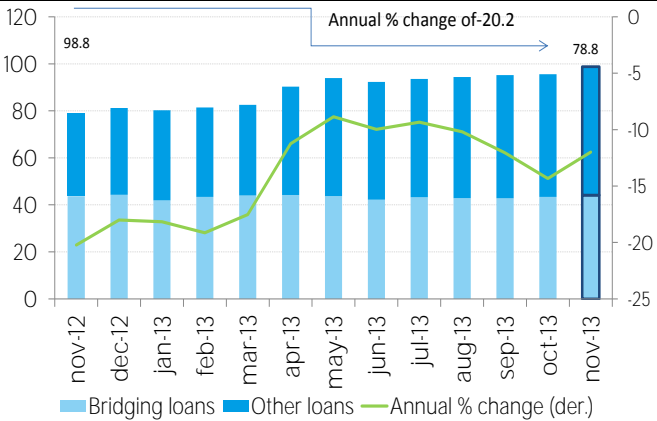
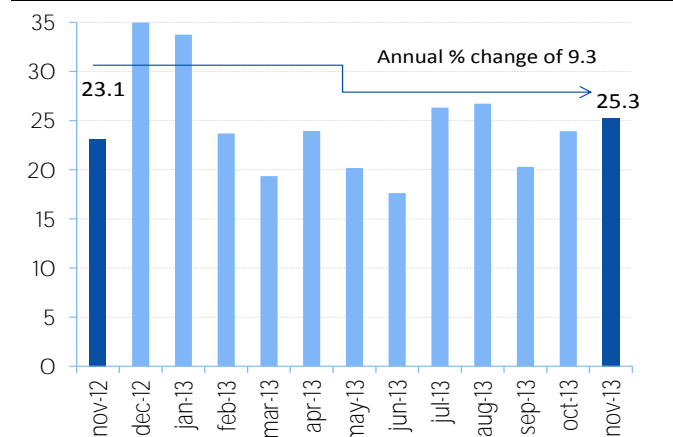


Figure 10
Registrations for new housing construction
('000 and % var YoY)



Note: The classification criteria for the Bank of Mexico bridging loan have been harmonized with those of the National Banking and Securities Commission (CNBV). These figures may therefore not match those published in Flash reports before February, 2013.

Includes bridging loan and other sources of finance
Source: BBVA Research with CNBV data

Note: Includes total RUV registrations (homes not started, in progress and 100% constructed)
Source: BBVA Research with RUV data

Table 2
Number of mortgage loans by segment (January-November)

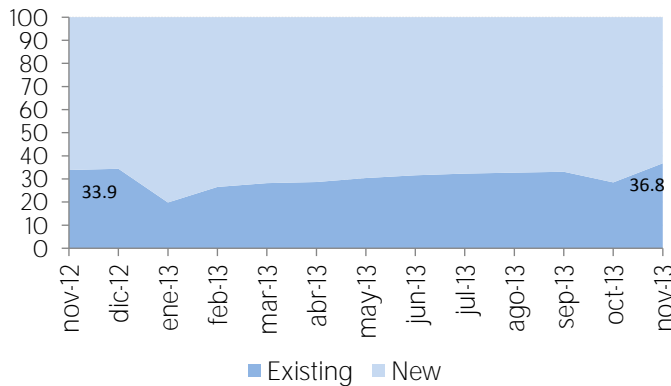
Cumulative Segment	2012		Infonavit 2013		Annual % change	2012		Banks 2013		Annual % change
	Houses	Share %	Houses	Share %		Houses	Share %	Houses	Share %	
Low income*	356,533	91.7	301,493	89.9	-15.4	32,783	33.0	33,350	30.6	1.7
Middle	25,317	6.5	26,509	7.9	4.7	36,097	36.4	40,464	37.2	12.1
Residential	7,104	1.8	7,247	2.2	2.0	30,410	30.6	35,006	32.2	15.1
Total	388,954	100	335,249	100	-13.8	99,290	100.0	108,820	100.0	9.6

* Inexpensive, Popular and Traditional

Note: Includes new and existing homes. Banks loans do not take into account the reduction through co-finance, so the data do not coincide with those reported in Table 1.

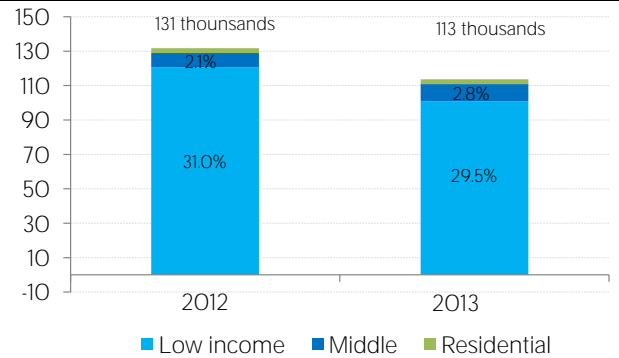
Source: BBVA Research with Infonavit and ABM data

Figure 11
Infonavit: existing housing stock (% of total loans)



Source: BBVA Research with data from Infonavit

Figure 12
Infonavit: existing stock by segment ('000 and % of total %, to November)



Note: the Low income segment includes Inexpensive, Popular and Traditional category homes.

Source: BBVA Research with Infonavit data

Figure 13
Infonavit: mortgage loans for existing housing (% total, accumulated January-November)

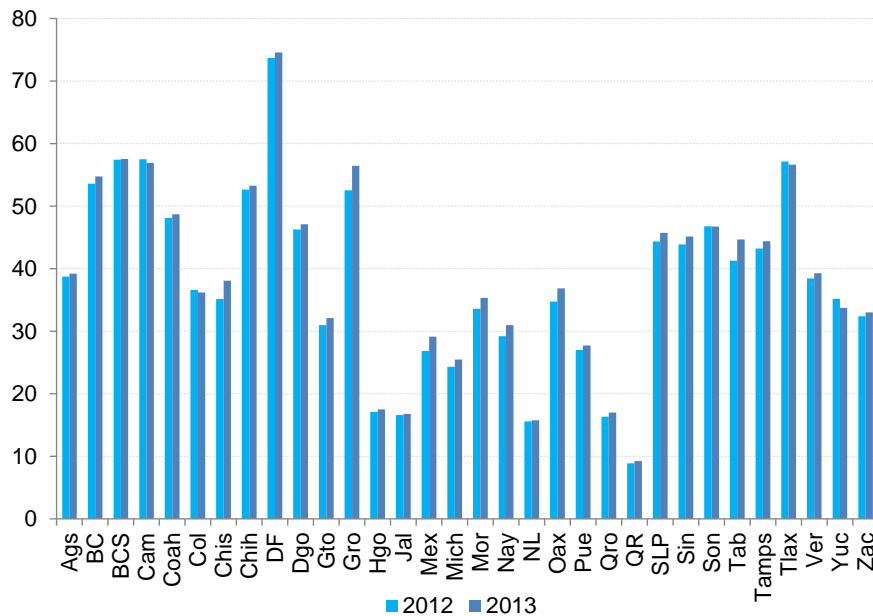


Table 3

Infonavit: number of mortgage loans by entity and % of existing housing
Cumulative January-November, 2013

State	Total				Existing homes (% of total)			
	Total	Low income	Middle	Residencial	Total	Low income	Middle	Residencial
Ags	6,489	6,012	432	45	39.2	37.4	1.6	0.1
BC	15,277	13,958	1,117	202	54.7	50.2	3.8	1.1
BCS	2,427	2,206	205	16	57.5	52.6	4.7	0.1
Cam	1,471	1,223	233	15	56.9	49.4	6.9	0.1
Coah	17,900	16,484	1,200	216	48.7	46.0	2.4	0.5
Col	2,901	2,721	170	10	36.2	34.0	2.0	0.0
Chis	3,508	3,288	196	24	38.1	33.8	4.0	0.1
Chih	15,977	14,530	1,258	189	53.2	49.5	3.3	0.6
DF	11,660	5,780	3,498	2,382	74.5	46.0	16.7	13.8
Dgo	3,978	3,849	119	10	47.1	45.3	1.6	0.1
Gto	18,902	17,663	1,093	146	32.1	30.3	1.6	0.5
Gro	1,937	1,676	234	27	56.4	49.5	6.1	0.2
Hgo	7,918	7,520	360	38	17.5	15.6	1.7	0.2
Jal	34,488	31,476	2,486	526	16.7	14.2	2.0	1.8
Mex	22,321	19,047	2,390	884	29.1	24.2	3.8	2.3
Mich	7,505	7,104	351	50	25.5	22.7	2.5	0.2
Mor	3,581	2,930	557	94	35.3	28.1	5.6	0.6
Nay	3,668	3,496	146	26	31.0	28.7	2.0	0.1
NL	44,782	40,518	3,099	1,165	15.7	13.2	1.8	3.3
Oax	1,612	1,520	81	11	36.8	34.1	2.5	0.0
Pue	8,971	7,944	871	156	27.7	24.6	2.7	0.4
Qro	10,481	8,555	1,533	393	17.0	13.3	3.1	0.6
QR	12,366	11,664	658	44	9.2	8.2	0.9	0.1
SLP	8,223	7,322	742	159	45.7	42.5	2.6	0.5
Sin	9,707	9,219	455	33	45.1	43.6	1.5	0.1
Son	13,872	13,106	666	100	46.7	44.3	2.2	0.4
Tab	3,517	3,198	259	60	44.6	39.7	4.6	0.1
Tamps	13,993	13,344	599	50	44.4	41.8	2.4	0.2
Tlax	1,318	1,262	55	1	56.6	54.2	2.4	0.0
Ver	14,495	13,552	839	104	39.3	36.0	3.0	0.4
Yuc	7,756	7,268	428	60	33.7	31.9	1.7	0.2
Zac	2,248	2,058	179	11	33.0	30.6	2.1	0.1
Nac	335,249	301,493	26,509	7,247	33.9	30.1	3.0	28.5

NB: Range of prices expressed in multiples of minimum monthly salary (x MMS). Social housing includes popular and traditional low-cost housing. Low-cost housing up to 118x MMS ((MXN232,000; Popular up to 200x MMS (MXN394,000); Traditional up to 350x MMS (MXN689,000); Medium up to 750x MMS (MXN1,477,000); Residential up to 1,500x MMS (MXN2,954,000); Residential plus more than 1,500x MMS (more than EUR2,954,000).
Source: BBVA Research based on Infonavit data.

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