

Mexico Real Estate Flash

Yearly accumulated mortgage banking financing has registered four-month of increases with the latest figure at 12.8% to April.

At the end of April, the number of mortgages signed had dropped by 12.2% compared to the same month in 2013. Co-financing went up by 7.1%, with the leading promoter being Fovissste, growing by 11.3% in terms of the sum financed, and continuing to drive the average amount towards MXN600,000. However, Infonavit fell 17.6% in terms of the number of loans, despite a higher number of originations using its “Infonavit Total” product.

Commercial banking origination grew by 12.8% in accumulated figures to April. The share of the existing housing sales increased to 36% at the end of the period, compared to 29% in 2013. Middle and high income segments continued to increase their participation, mainly in the country's central states. The IMSS programme to bring more workers into the formal economy has made a positive contribution to demand in these sectors. Nevertheless, lower origination in social housing is still damping down housing construction, and the balance of the bridging loans portfolio remains in negative growth.

- **Social housing is moving more slowly than planned**

New mortgage signings to April 2014 through Infonavit fell by 17.6% and total borrowings by 16.3% in real terms. However, the average amount per mortgage edged up by 1.6%, driven mainly by the “Infonavit Total” product, which was responsible for nearly twice the amount of financing in real terms as in the same period in 2013. Loans signed by the Institute to workers earning less than 2x MMW (minimum monthly wage) fell 20% short of the annual operations programme for April, which was reflected in a 20.6% reduction in the number of mortgages for social housing. In terms of origination for segments between 2 and 4x MMW and between 4 and 11x MMW, the number of mortgages signed reached 96% of the objective, while those higher than 11x MMW beat expectations (106%). A slower rate of credit origination on the part of the Institute has contributed to the non-performing loan rate rising to 8.0% to April, and a 3.8% reduction in the portfolio balance.

Fovissste continues to provide loans for higher amounts, so the value of the average mortgage grew by 9.6% to MXN558,000. This is due, on the whole, to the volume of resources, which jumped by 11.3% in real terms to the end of the period, while the number of loans grew 1.6%. Loans for existing housing make up 20% of total financing up to April, while 24% is represented by loans for home improvements and other purposes.

- **Despite growth in some segments, construction is still sluggish**

Growth in the number of co-financings, driven by both Infonavit and Fovissste and also by employment growth, which has risen by an average of 2.7% in the first four months of the year, contributed to the 8.3% increase in commercial banking's mortgage portfolio and has kept the non-performing loan index at healthy levels (3.7%). However, employment grew less than in the same period of 2013 (4.1%). Meanwhile, the proportion of permanently employed has not grown, so this, combined with lowered expectations for economic growth for the year, leads us to believe that demand for social housing will not recover in the short term and thus neither will housing construction.

It is important to point out that, although in accumulated figures for the first four months of the year the banking sector showed significant growth, the flow for April fell by 5.8% when compared with April 2013. Likewise, registrations for housing construction dropped by 9% during the month, even though inventories are even lower. The recovery of the bridging loan will depend to a large degree on consumers' reaction to lowered economic growth expectations, since GDP grew 0.3% QoQ in the first quarter against the 0.6% expected. Permanence in formal employment will also be an issue. These are the most important factors, particularly for the lower-income segments of the population who need a social housing solution.

Table 1

Mortgage activity: credit numbers and amounts, to April

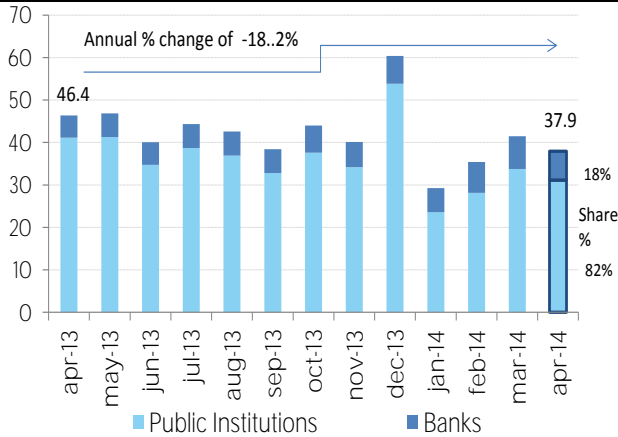
	Number of credits (thousands)			Amount of lending (Bn pesos)			Average amount per mortgage (thousands, pesos)		
	March			March			March		
	2013	2014	y/y, % change	2013	2014	Real y/y, % change	2013	2014	Real y/y, % change
Public Institutions	137.4	116.7	-15.1	41.1	36.9	-10.1	299.1	316.5	5.8
Infonavit	119.3	98.4	-17.6	31.9	26.7	-16.3	267.4	271.6	1.6
Fovissste	18.0	18.3	1.6	9.2	10.2	11.3	509.2	557.9	9.6
Private intermediaries	25.2	27.4	8.5	26.6	30.0	12.8	1,056.0	1,097.9	4.0
Banks	25.2	27.4	8.5	26.6	30.0	12.8	1,056.0	1,097.9	4.0
Subtotal	162.6	144.0	-11.4	67.7	67.0	-1.1	416.5	465.0	11.6
Co-financing* (-)	7.0	7.5	7.1						
Total	155.6	136.6	-12.2	67.7	67.0	-1.1	435.2	490.5	12.7
Information figures									
Total co-financing (-)	15.9	28.6	80.0	9.2	12.6	37.5	577.2	440.9	-23.6
Infonavit Total	8.9	21.1	137.3	3.5	6.6	87.2	396.6	312.9	-21.1
Other	7.0	7.5	7.1	5.6	6.0	6.4	806.8	801.7	-0.6

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.

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

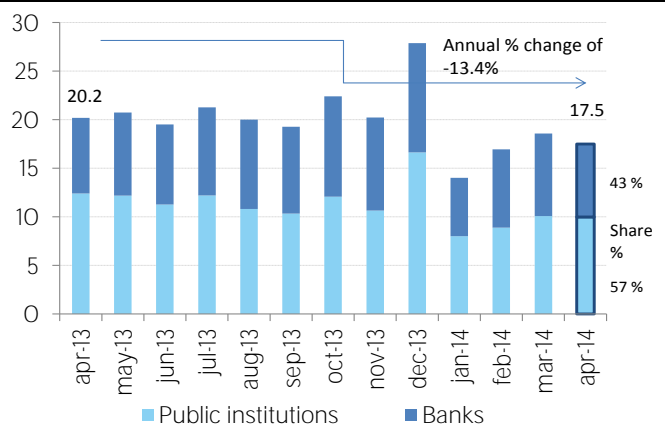
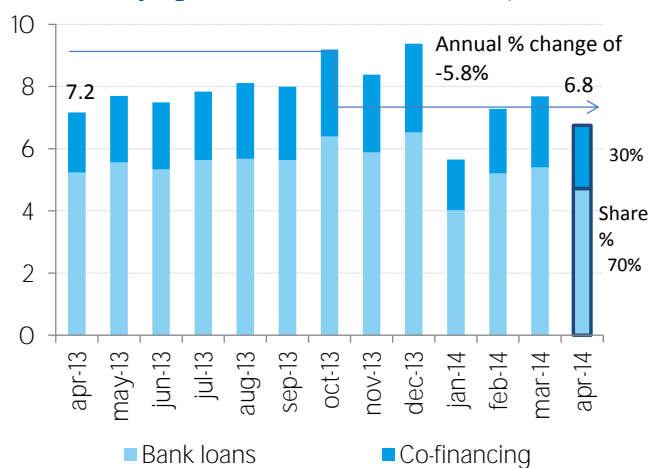
Amount of credit outstanding by institution (MXN mn, monthly figures at 2014 prices, % var. and % of total)

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

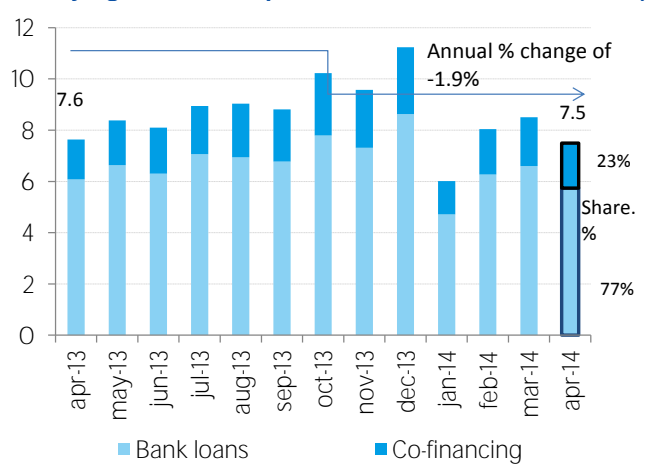
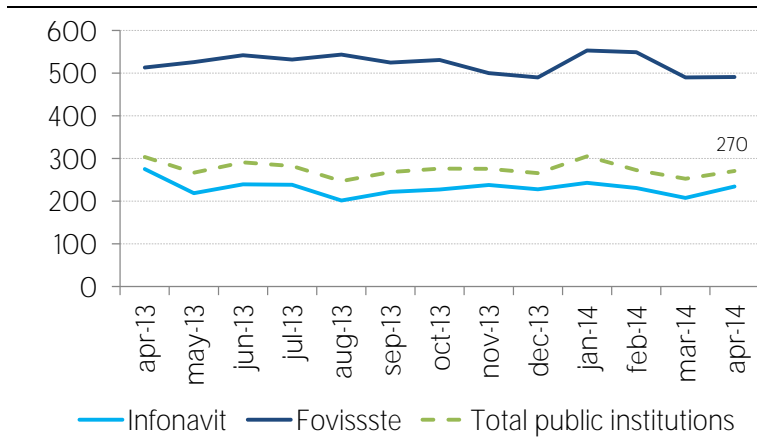
Commercial banks: value of credits by product (MXN bn, monthly figures at 2014 prices, % Var. YoY and % of total)

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



*Only includes own resources

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

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

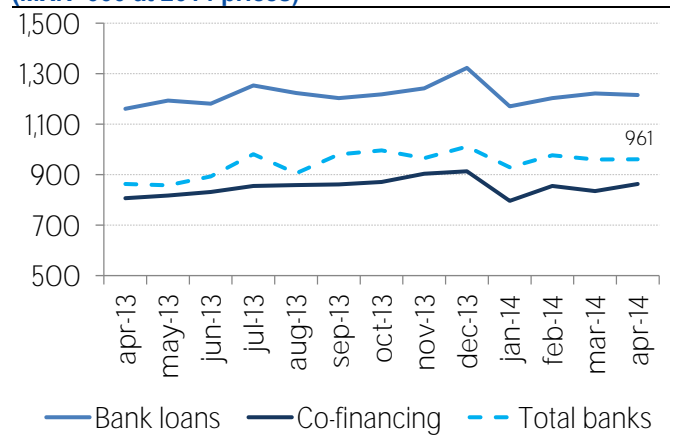
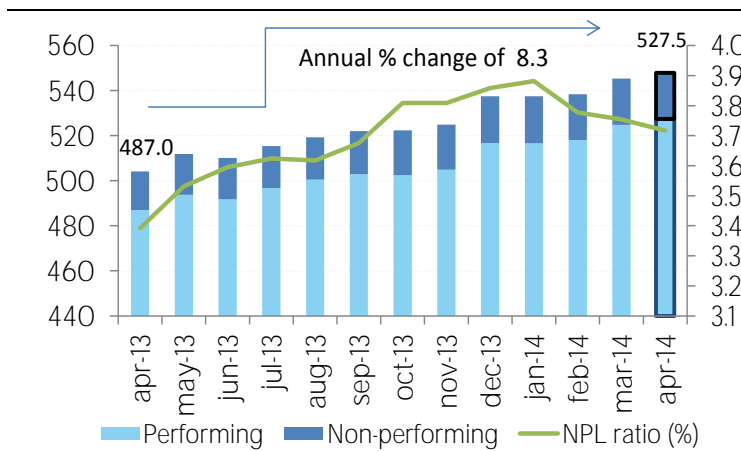


Figure 7
Mortgage lending: total portfolio
(MXNbn, 2014 prices and NPLs %)



Note: includes commercial banking institutions

Source: BBVA Research with data from Bank of Mexico, CNBV and Infonavit

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

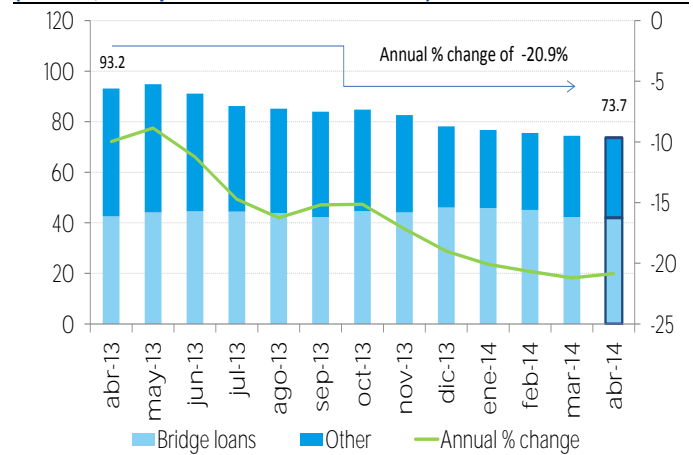
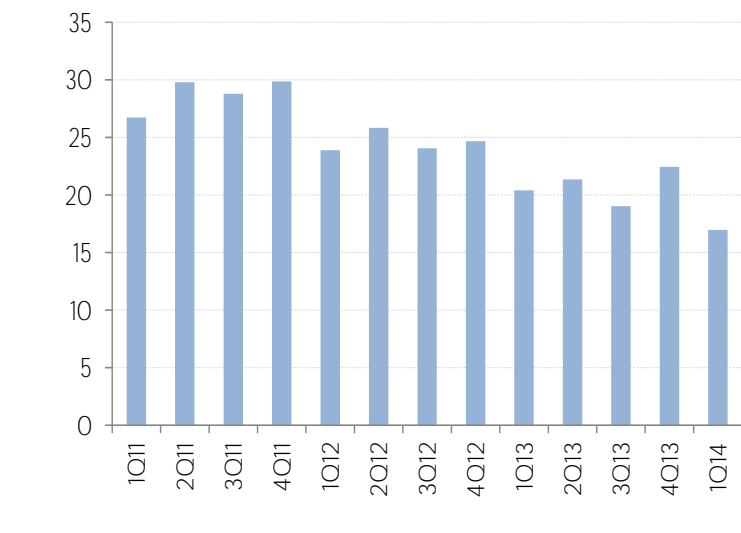


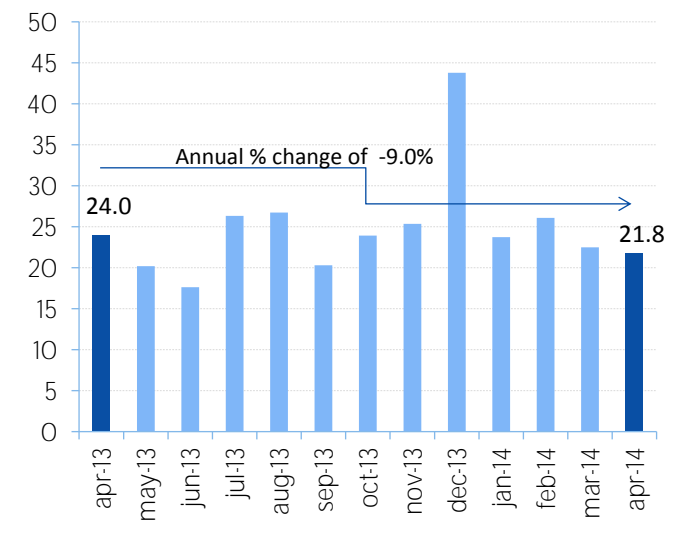
Figure 9
New housing stock
'000s



Note: covers registered housing that is completely built and with basic services (water, electricity and sewerage). Includes total stock

Source: BBVA Research with data from RUV

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



Note: includes all registers with the RUV (includes housing before building starts, underway and completely built)

Source: BBVA Research with data from RUV

Table 2

**Number of mortgage loans by segment
Housing, April 2014**

Segment	Cumulative 2013		Infonavit 2014		Annual % change	Banks 2013		Banks 2014		Annual % change
	Houses	Share %	Houses	Share %		Houses	Share %	Houses	Share %	
Low income*	109,337	91.6	86,790	88.2	-20.6	11,177	33.5	10,212	29.2	-8.6
Middle	7,889	6.6	9,245	9.4	17.2	11,826	35.4	13,216	37.8	11.8
Residential	2,116	1.8	2,333	2.4	10.3	10,397	31.1	11,520	33.0	10.8
Total	119,342	100	98,368	100	-17.6	33,400	100.0	34,948	100.0	4.6

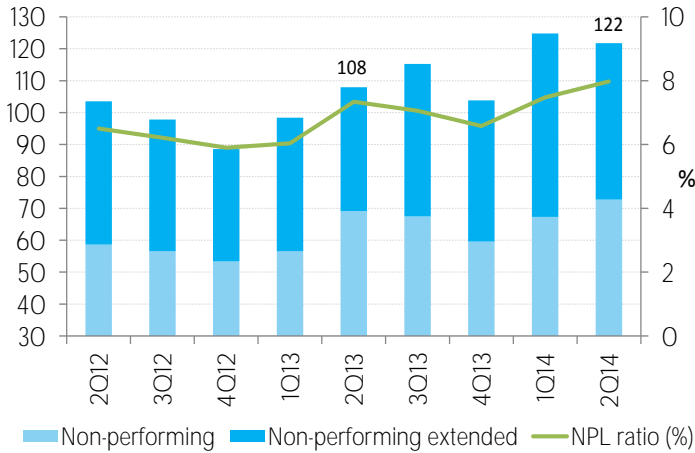
* Low cost, popular and traditional

Note: Includes new and existing. Bank mortgages do not consider reductions through co-financing, so the data do not match those in Table 1.

Source: BBVA Research with data from Infonavit and the Mexican Banking Association, ABM

Figure 11

**Infonavit: portfolio past-due and with extension
MXN bn, 2014 prices and NPLs (%)**



Source: BBVA Research with data from Infonavit

Table 3

**Infonavit: loans originated by product
By wage segment**

POA* Segment	POA Monthly Cummulative	Credits granted		Total	Progress, %
		Houses ¹	Mejoravit ²		
Less than 2 x MMW	48,032	24,379	14,364	38,743	81%
From 2 to 3.99 x MMW	60,958	33,589	24,640	58,229	96%
From 4 to 11.00 x MMW	45,382	27,517	16,176	43,693	96%
More than 11 x MMW	16,374	13,902	3,515	17,417	106%
Total	170,746	99,387	58,695	158,082	93%

*Annual operations programme

1. Includes new and existing homes

2. Refurbishing credits

Note: Includes "Apoyo Infonavit" so the figures do not match Table 1.

Source: BBVA Research with data from Infonavit

Figure 12

**Infonavit: mortgage loans for existing housing stock
(% total share, accumulated to April)**

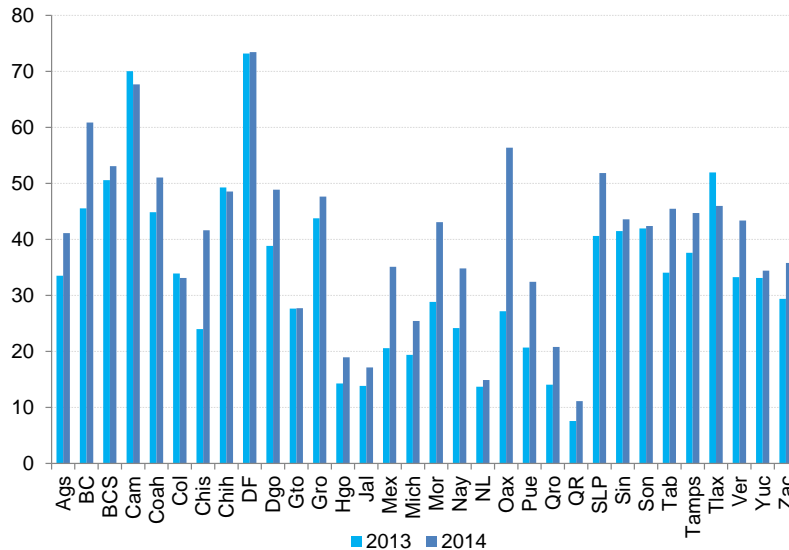


Table 4

**Infonavit: number of mortgage loans by entity and % of existing housing stock
Accumulated April, 2014**

State	Total				Existing homes (% of total)			
	Total	Low income	Middle	Residential	Total	Low income	Middle	Residential
Ags	1,601	1,419	169	13	41.1	38.1	2.6	0.1
BC	4,285	3,846	372	67	60.8	55.1	5.0	0.3
BCS	844	764	75	5	53.1	48.5	4.5	0.0
Cam	433	379	52	2	67.7	59.6	7.9	0.0
Coah	5,513	4,949	499	65	51.0	47.5	3.2	0.2
Col	873	799	66	8	33.1	30.5	2.3	0.0
Chis	923	852	66	5	41.6	35.6	6.0	0.0
Chih	4,843	4,345	456	42	48.5	44.2	4.0	0.2
DF	3,151	1,414	1,067	670	73.4	42.7	18.5	3.8
Dgo	1,238	1,176	52	10	48.9	46.1	2.7	0.0
Gto	5,654	5,247	375	32	27.7	26.1	1.4	0.1
Gro	592	535	50	7	47.6	39.7	6.9	0.1
Hgo	2,070	1,937	125	8	18.9	16.8	1.9	0.1
Jal	10,411	9,336	899	176	17.1	14.1	2.5	0.6
Mex	5,180	4,128	742	310	35.1	27.3	5.8	1.0
Mich	2,090	1,968	111	11	25.4	22.8	2.4	0.0
Mor	910	670	201	39	43.1	31.4	9.2	0.2
Nay	807	755	46	6	34.8	31.7	3.0	0.0
NL	15,750	14,178	1,136	436	14.9	11.9	2.3	1.2
Oax	330	300	29	1	56.4	52.4	3.9	0.0
Pue	2,564	2,247	255	62	32.4	29.1	3.0	0.1
Qro	3,273	2,442	685	146	20.8	16.4	3.5	0.3
QR	3,194	2,964	219	11	11.1	9.7	1.2	0.1
SLP	2,229	1,949	228	52	51.8	47.7	3.5	0.1
Sin	2,640	2,433	194	13	43.6	41.2	2.2	0.1
Son	4,279	4,021	233	25	42.4	39.8	2.4	0.1
Tab	1,032	901	96	35	45.4	38.3	6.5	0.1
Tamps	4,389	4,138	232	19	44.7	41.6	3.0	0.1
Tlax	472	455	16	1	46.0	44.1	1.7	0.0
Ver	4,022	3,691	293	38	43.3	39.2	3.9	0.1
Yuc	2,125	1,964	147	14	34.4	31.6	2.6	0.0
Zac	651	588	59	4	35.8	33.3	2.3	0.0
Nac	98,368	86,790	9,245	2,333	34.2	29.7	3.6	8.9

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

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