

Mexico Real Estate Flash

Banking loans for mortgages grew 9.7% in January, 2014

The total number of mortgages granted in January dropped 29.1% over the same month the previous year. There are two reasons for this fall. First, the beginning of 2014 has been compared with an atypical January in 2013, since at that point the number of loans was higher because of underperformance at the end of 2012. Second, public bodies faced a greater demand for alternative solutions to complete housing, which will continue to reflect structural changes from last year, which have resulted in diversification of the use of funds of the housing saver-account¹. Similarly, total borrowing fell 11.3% in real terms over the same period. Commercial banking, however, enjoyed favourable conditions for increasingly expensive loans. As a result, banking loans increased 9.7% in the number of mortgages and a 12.0% in the amount financed in real terms.

• More options for the use of funds from housing saver account and price stability

The housing institutes attest less demand for social housing which, when added to inventory levels, kept housing prices in this segment at moderate growth levels. When it comes to middle-income and residential housing, the average total increased throughout 2013. However, in January of this year there was a slight slowdown in growth, caused by a seasonal effect, which was a combination of less demand and a slight drop in housing prices in these segments, as has happened in the last few years.²

In January, the number of Infonavit mortgages fell by 37.9% and the borrowing total in real terms by 30.9% compared to the same month in 2013. More destinations of the funds from the housing saver-account is a sign not only that workers are spending their savings on other residential solutions, but also of a preference for higher value housing, which continue to generate more capital gain compared to lower economic segments. This was demonstrated in an increase in products co-financed with commercial banks, which increased 5.6%.

Fovissste also plans to continue increasing its credit issuance for alternative products, by a little more than 40% of the total of 100,000 it intends to issue this year, using its *Respaldados M* product. In January, the fund recorded practically no growth in the number of mortgages but an increase of 4.3% in total real borrowing, which also indicates a trend of financing increasingly expensive loans.

More options for using workers' housing saver-account resources might be more plentiful if the social reforms are rolled out. As well as being able to use this account for loans covering items other than buying properties, from next year onwards part of these resources can be used to pay for unemployment insurance. We will need to look closely at this reform to understand its impact on the sector.

• The first month of 2014 is atypical; we will have to wait before we see the trend for the year

Our outlook is that the mortgage market will stabilise in the second half of 2014 and that we will have to wait even longer for recovery in the sense of a return to an upward trend. Housing supply may have already completed its adjustment in view of the fact that the decline in the number of new projects being recorded has stopped. While total credit for residential construction remains tilted to the downside, bridging loans granted by the bank are already growing. Furthermore, the sector has a new source of funding in the form of the SHF syndicated loan. Nevertheless, efforts need to be made both in the public and private sector to reactivate the demand for home sales, a necessary condition for the mortgage market recovery. January 2014 results from public institutions cannot be taken as a trend, due to the biased comparison with 2013. We will need to see quarterly results before we have a more complete perspective.

¹ The housing saver account consists of a quote of 5% of the worker salary automatically, discounted every month to be managed by the public housing institutions

² According to CNBV data, the average value of housing fell from MXN2.175bn in December 2013 to MXN2bn in January 2014

Chart 1

Mortgage activity: credit numbers and amounts, January

Body	Number of loans (thousands)			Amount of lending (Bn pesos)			Average amount per mortgage (thousands, pesos)		
	2013 (january)	2014 (january)	y/y % change	2013 (january)	2014 (january)	Real y/y % change	2013	2014	Real y/y % change
Public institutions	35.2	23.6	-32.9	10.3	8.0	-22.6	292.8	338.0	15.4
Infonavit	30.5	18.9	-37.9	7.9	5.4	-30.9	257.6	286.8	11.3
Fovissste	4.7	4.6	-0.2	2.4	2.5	4.3	523.5	546.9	4.5
Private intermediaries	5.4	5.7	5.4	5.4	6.0	10.0	1014.2	1058.4	4.4
Banks	5.2	5.7	9.7	5.3	6.0	12.0	1038.2	1059.7	2.1
Other 1/	0.2	0.0	0.2	0.1	0.0	-94.9	448.1	413.2	-7.8
Subtotal	40.5	29.3	-27.8	15.7	14.0	-11.3	388.4	477.4	22.9
Co-financing* (-)	1.5	1.6	5.6						
Total	39.0	27.6	-29.1	15.7	14.0	-11.3	388.4	477.4	22.9

Information figures									
Total co-financing (-)	2.8	3.1	9.4	1.8	1.9	4.8	640.5	613.8	-4.2
Infonavit total (-)	1.3	1.5	13.8	0.6	0.6	9.7	430.6	414.9	-3.6
Other	1.5	1.6	5.6	1.3	1.3	2.6	816.8	793.9	-2.8

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

*excluding Infonavit total

1/ Financial intermediaries affiliated to the Mexican Mortgage Association, AHM

Source: BBVA Research based on Infonavit, Fovissste ABM, AHM, Bank of Mexico and CNBV data

Figure 1
Number of credits by institution ('000s, monthly % var. and % of total)

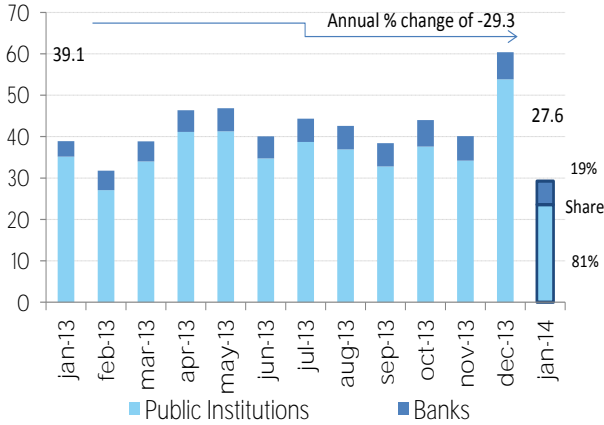
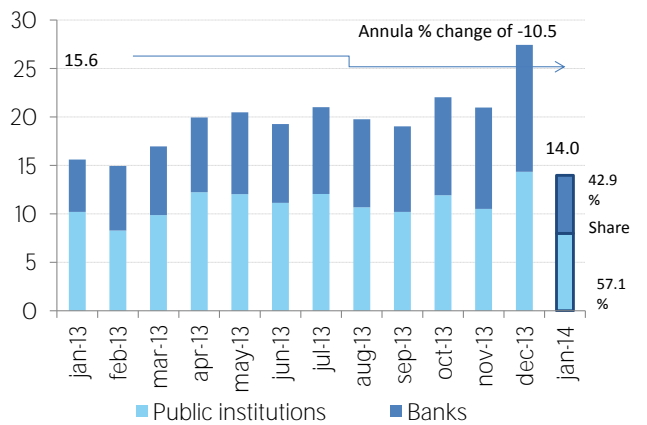


Figure 2
Amount of credit outstanding by institution (MXN mn, monthly figures at 2014 prices, % var. and % of total)



Source: BBVA Research based on ABM, Infonavit and Fovissste data

Figure 3
Commercial banks: number of credits by product ('000, monthly figures, % Var. YoY and % of total)

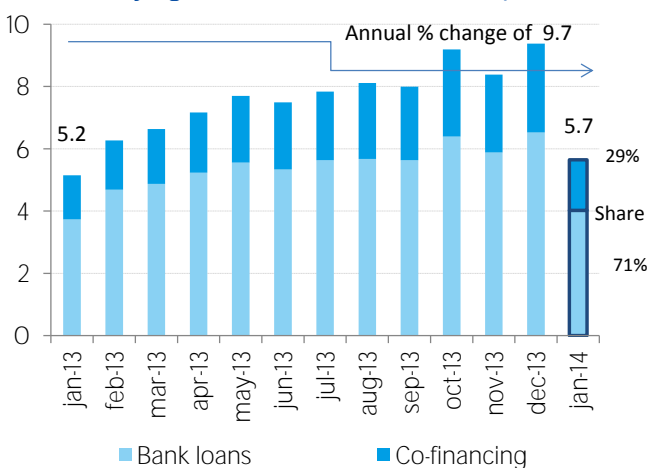
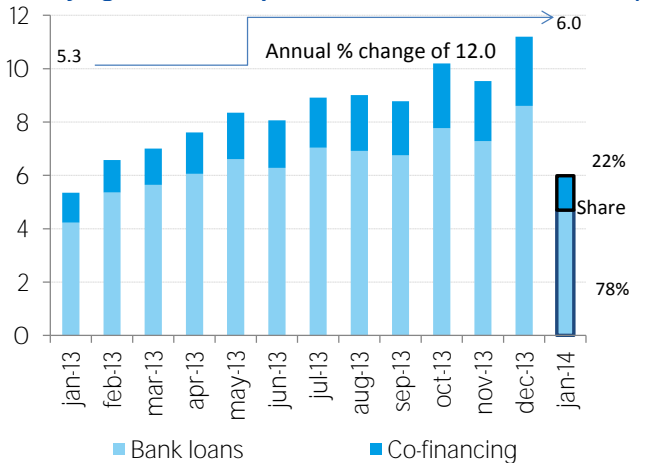
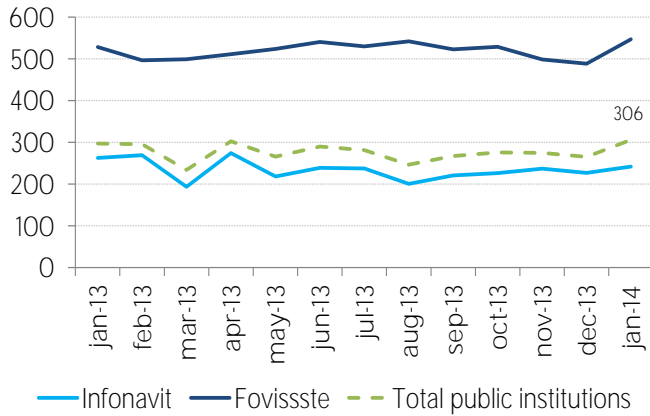


Figure 4
Commercial banks: value of credits by product (MXN bn, monthly figures at 2014 prices, % Var. YoY and % of total)



Source: BBVA Research based on ABM, Infonavit and Fovissste data

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



Source: BBVA Research based on ABM, Infonavit and Fovissste data

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

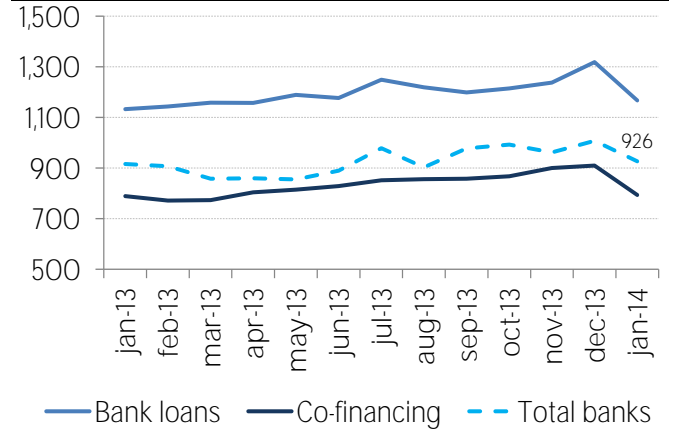
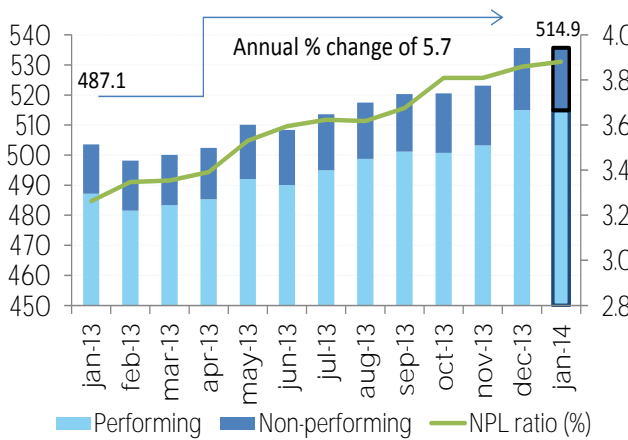


Figure 7
Mortgage lending: total portfolio
(MXN bn, 2014 prices and NPLs (%))

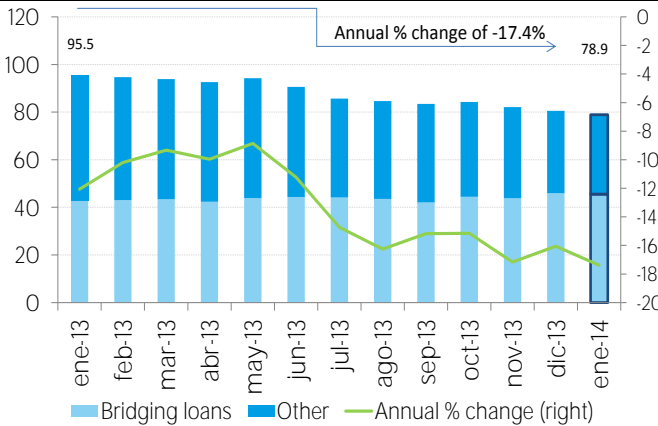


Note: includes commercial banking and other figures
Low income includes: Low cost, popular and traditional
Source: BBVA Research with data from Bank of Mexico and SHF

Figure 8
SHF: Housing price index by segment
Base 2012=100, % Var. YoY



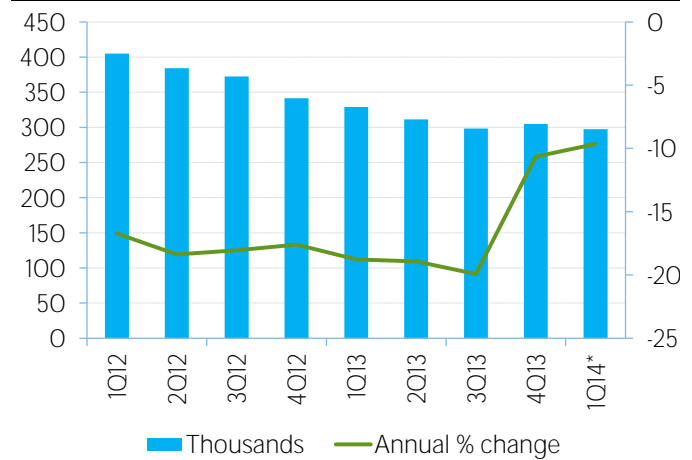
Figure 9
Loans for residential construction: total portfolio
(MXN bn, 2014 prices and real % Var. YoY)



Note: The Bank of Mexico's classification criteria for bridging loans have been standardised with those of the National Banking and Stocks Commission, so figures may not coincide with flashes before February 2013. Includes bridging loan and other borrowing sources.

Source: BBVA Research with data from CNBV

Figure 10
Records of new housing construction ('000 and % Var. YoY)



Note: includes all registrations made at the RUV (Unstarted housing, half-built and 100% built)

*To February

Source: BBVA Research with data from RUV

Chart 2

**Number of mortgage loans by segment
Housing, January**

Segment	Cumulative 2013		Infonavit 2014		Annual % change	Banks 2013		Banks 2014		Annual % change
	Houses	Share %	Houses	Share %		Houses	Share %	Houses	Share %	
Low income*	28,269	92.7	16,367	86.4	-42.1	2,297	33.7	2,518	36.1	9.6
Middle	1,756	5.8	2,050	10.8	16.7	2,459	36.1	2,441	35.0	-0.7
Residential	481	1.6	530	2.8	10.2	2,063	30.3	2,024	29.0	-1.9
Total	30,506	100	18,947	100	-37.9	6,819	100.0	6,983	100.0	2.4

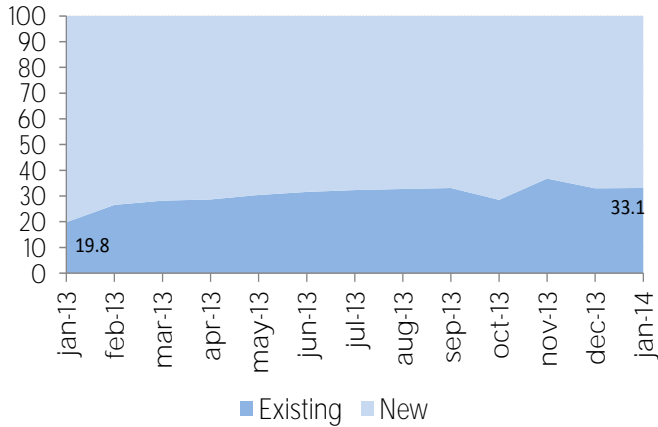
* Low cost, popular and traditional

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

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

Figure 11

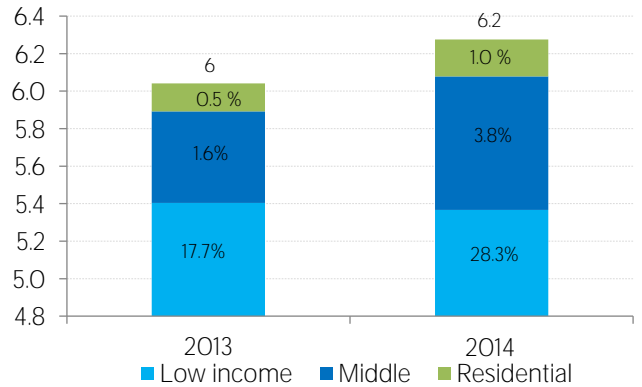
**Infonavit: existing housing stock
(% of total loans)**



Source: BBVA Research based on Infonavit

Figure 12

**Infonavit: existing stock by segment
(‘000 and % of total %, to January)**



Low income includes: Low cost, popular and traditional
Source: BBVA Research based on Infonavit

Figure 13

**Infonavit: mortgage loans for existing housing stock
(% total, accumulated January)**

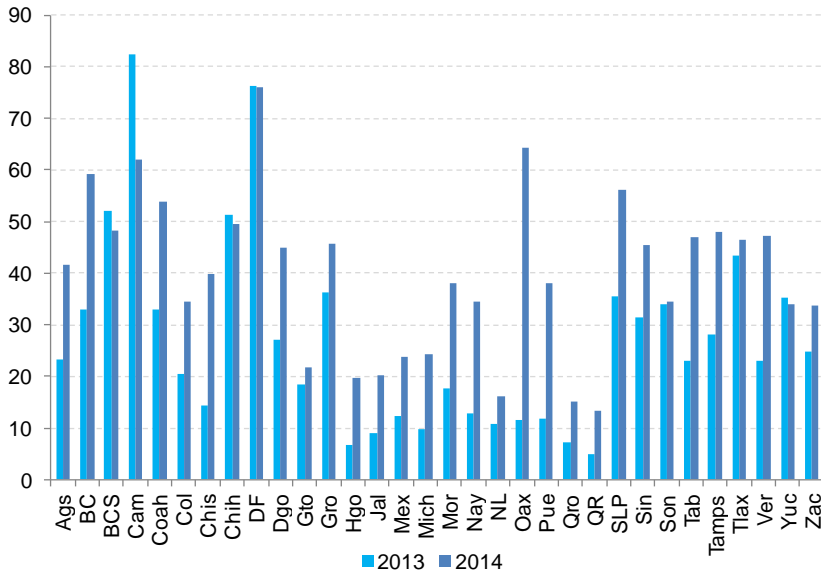


Chart 3

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

State	Total				Existing homes (% of total)			
	Total	Low income	Middle	Residential	Total	Low income	Middle	Residential
Ags	289	248	36	5	41.5	35.6	5.2	0.0
BC	921	816	84	21	59.2	53.2	5.2	0.1
BCS	201	179	22	0	48.3	43.8	4.5	0.0
Cam	71	63	8	0	62.0	54.9	7.0	0.0
Coah	988	858	117	13	53.8	50.5	3.1	0.0
Col	197	176	18	3	34.5	29.4	4.1	0.0
Chis	183	158	20	5	39.9	30.1	9.8	0.0
Chih	804	694	97	13	49.5	43.5	5.5	0.0
DF	400	167	131	102	76.0	38.5	19.0	0.7
Dgo	276	258	17	1	44.9	42.4	2.5	0.0
Gto	1,212	1,090	113	9	21.7	19.8	1.7	0.0
Gro	116	107	7	2	45.7	39.7	4.3	0.0
Hgo	310	284	26	0	19.7	16.8	2.9	0.0
Jal	1,835	1,566	227	42	20.1	16.3	2.9	0.2
Mex	1,056	842	145	69	23.9	18.8	3.7	0.1
Mich	407	388	15	4	24.3	22.1	1.7	0.0
Mor	197	143	50	4	38.1	27.9	8.6	0.0
Nay	122	109	12	1	34.4	29.5	4.9	0.0
NL	3,372	2,946	288	138	16.2	12.7	2.4	0.4
Oax	59	53	6	0	64.4	59.3	5.1	0.0
Pue	503	440	50	13	38.0	32.4	4.8	0.0
Qro	753	553	171	29	15.0	10.8	3.5	0.1
QR	605	532	69	4	13.4	10.2	2.8	0.0
SLP	419	350	53	16	56.1	50.1	5.0	0.0
Sin	512	472	37	3	45.5	42.8	2.5	0.0
Son	638	594	40	4	34.5	31.7	2.4	0.0
Tab	181	157	17	7	47.0	38.7	6.6	0.0
Tamps	725	676	46	3	48.0	44.6	3.4	0.0
Tlax	123	119	4	0	46.3	44.7	1.6	0.0
Ver	825	742	69	14	47.2	41.9	4.6	0.1
Yuc	502	453	44	5	34.1	30.7	3.2	0.0
Zac	145	134	11	0	33.8	32.4	1.4	0.0
Nac	18,947	16,367	2,050	530	33.1	28.3	3.8	2.0

NB: Range of prices expressed in multiples of minimum monthly wage (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

Fernando Balbuena
fernando.balbuena@bbva.com

Samuel Vázquez
samuel.vazquez@bbva.com



RESEARCH



| Av. Universidad 1200, Col. Xoco, México 03339 D.F. | researchmexico@bbva.bancomer.com | www.bbva.com

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