

Mexico Real Estate Flash

Mortgage lending by banks grew 17.4% in February

At the end of the first two months of the year, the number of mortgages had dropped 13.3% over the same period in 2013. In contrast with the atypical effect recorded the month before, this month we have a more stable base for comparison. So we can see more clearly how the mortgage market has contracted, in particular the social housing segment; this has impacted in higher levels of activity in middle-income and residential markets.

Commercial banking, which during January did not grow in the more expensive segments as a result of the atypical effect mentioned in our earlier report, has already recovered its growth path in the middle-income and residential segments; this is not so with social housing, which fell back slightly. In February 2014, banks approved 13.3 % more credits and the total sum borrowed increased by 17.4% in real terms over the same period in 2013. Existing housing stock in the middle- and high-income segments is increasingly important.

- **Existing housing stock also reflects greater demand in the middle and residential segments**

Infonavit, which has diversified the use of the housing sub-account into purposes other than purchasing single-occupancy housing, reduced the number of mortgages it approved by 20.3% and the amount borrowed by 16.4% in real terms. However, the average amount per mortgage has remained stable, with one-digit growth in real terms (4.9% more in February than the year before), while borrowing for middle and residential segments increased in double digits in the first two months of the year. Likewise, existing housing in these segments contributed nearly 14% to total mortgages granted over these two months, compared to a share of 9.9% in the same period during 2013. Some states in the centre of the country expanded their purchasing of existing housing from last year's level, amongst them Hidalgo, Mexico, Morelos and Puebla.

Fovissste recorded growth of 6.5% in the number of mortgages and of 13.9% in total real borrowing. The average amount per mortgage grew by 6.9%, reaching MXN550,000. This trend also confirms a higher preference for middle- and residential housing, principally through some of their co-borrowing products, making it possible to combine couples' housing sub-accounts, making it increasingly more viable to buy more expensive housing.

The increasing preference for high-value housing has sustained the growth of co-borrowing with banks, which by the end of February had increased 11.8% over the year before. This coincides with the increase in commercial banking's mortgage portfolio balance, which went up by 7.2% in real terms.

- **New housing construction may gather momentum, but at levels appropriate to demand**

Records of housing construction have stopped their downward trend, as inventories have reached minimal levels. In December 2013, when the number of finished houses reached its lowest level in the last two years, there was a major uptick in the number of new projects registered. In February the number of registrations for housing construction grew 10%, which is in line with the growth in bridging loans, up 4.2% in February of this year.

As we forecast in our previous report, the seasonal effect which had marginally curbed commercial banking's performance will be dispelled. As of February, growth in the number of mortgages approved was in the double digits, with the more expensive segments being the ones with greater coverage. In terms of social housing, the banking sector recorded a drop of 1.4% to February.¹

We expect that, to the end of the first quarter, the trending reactivation in construction will be strengthened by the drop in inventories. However, the increasing preference for existing housing with smaller projects make it unlikely that levels of new housing in 2014 will breach the 250-300,000 level. It is essential that jobs are kept in the formal economy and that real wages are driven upwards in order to maintain growth.

¹ This figure does not factor in the reduction as a result of co-borrowing

Table 1

Mortgage activity: credit numbers and amounts, February

	Number of loans (thousands)			Amount of lending (Bn pesos) (Bn pesos)			Average amount per mortgage (thousands, pesos)		
	feb-13	feb-14	Var. % annual	feb-13	feb-14	Var. % annual real	feb-13	feb-14	Var. % annual real
Public institutions	62.2	51.7	-16.9	18.7	16.9	-9.7	300.3	326.2	8.6
Infonavit	54.2	43.2	-20.3	14.6	12.2	-16.4	268.6	281.9	4.9
Fovissste	8.0	8.6	6.5	4.1	4.7	13.9	514.2	549.8	6.9
Private intermediaries	11.4	12.9	13.3	12.0	14.0	17.4	1,047.0	1,085.4	3.7
Banks	11.4	12.9	13.3	12.0	14.0	17.4	1,047.0	1,085.4	3.7
Subtotal	73.7	64.7	-12.2	30.7	30.9	0.9	416.1	478.0	14.9
Co-financing* (-)	3.3	3.7	11.8						
Total	70.4	61.0	-13.3	30.7	30.9	0.9	435.7	507.1	16.4
Information figures									
Total co-financing (-)	6.4	6.9	8.6	4.0	4.5	12.1	624.8	644.8	3.2
Infonavit total (-)	3.1	3.2	5.1	1.3	1.4	9.0	418.2	433.7	3.7
Other	3.3	3.7	11.8	2.7	3.1	13.5	816.4	828.9	1.5

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

*excluding Infonavit total

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

Figure 1

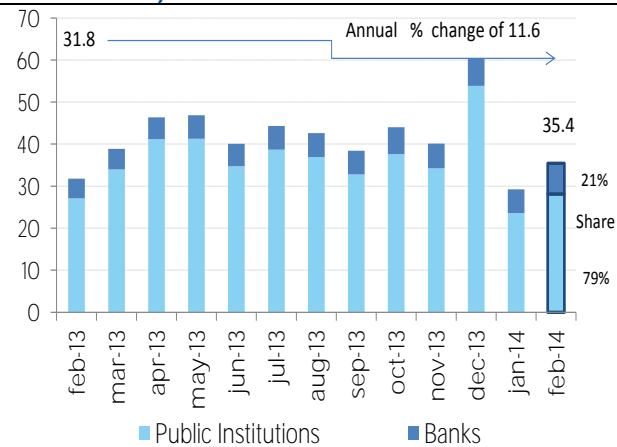
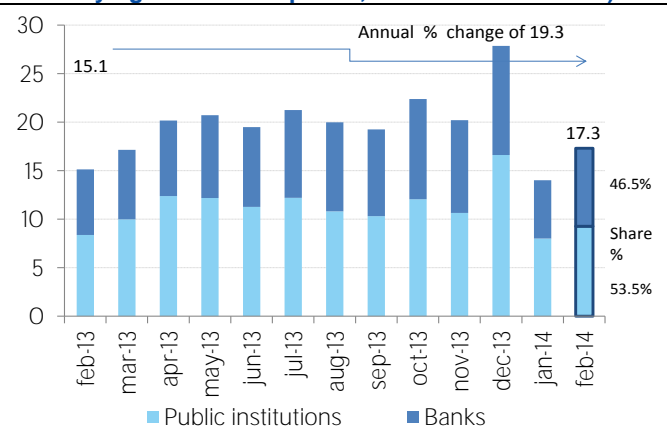
Number of credits by institution ('000s, monthly % var. and % of total)

Figure 2

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

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

Figure 3

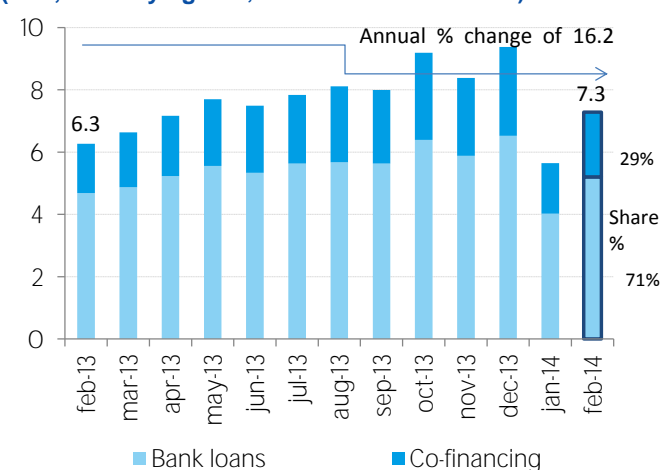
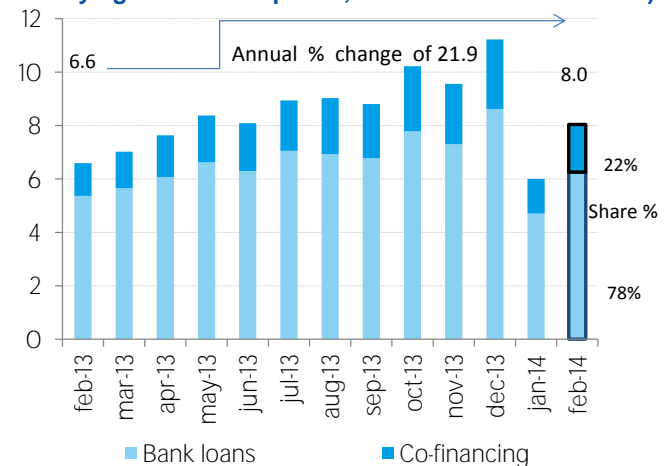
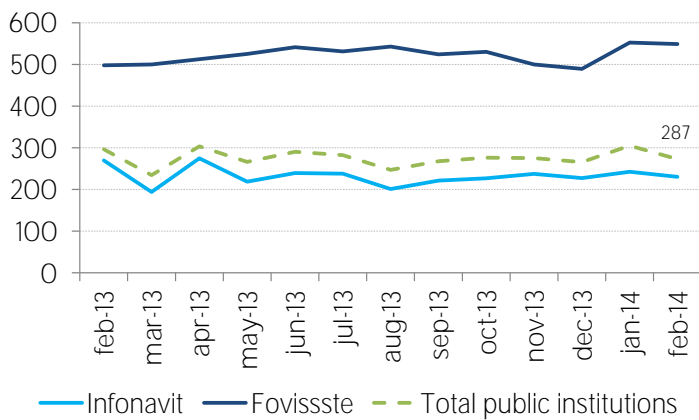
Commercial banks: number of credits by product ('000, monthly figures, % Var. YoY and % of total)

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)

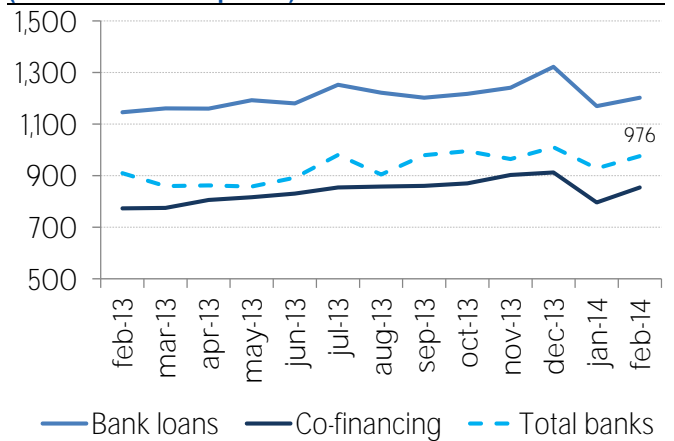
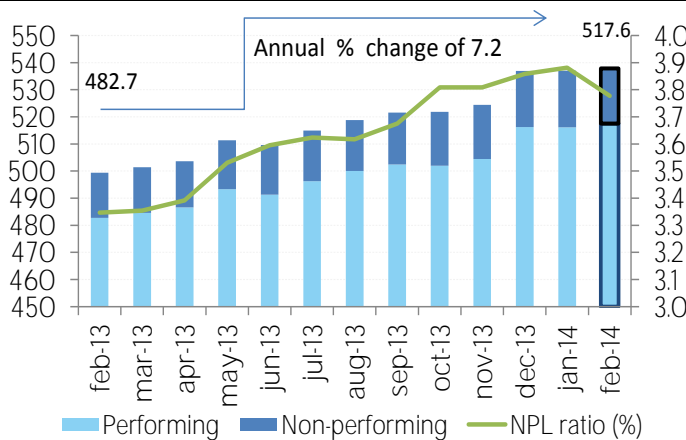


Figure 7
Mortgage lending: total portfolio
(MXNbn, 2014 prices and NPLs %)



Note: includes commercial banking and "sofomers"
Source: BBVA Research with data from Bank of Mexico and Infonavit

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

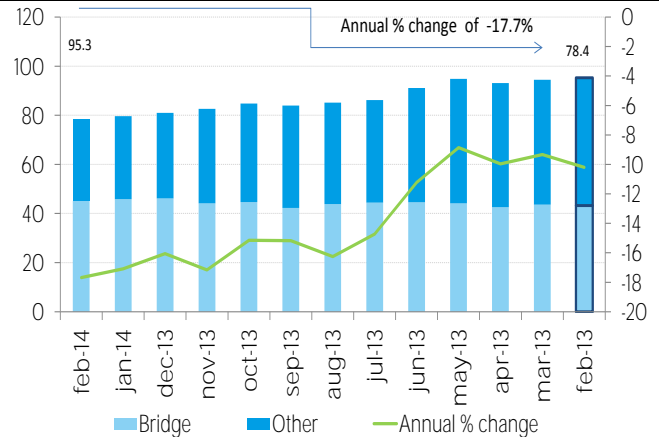
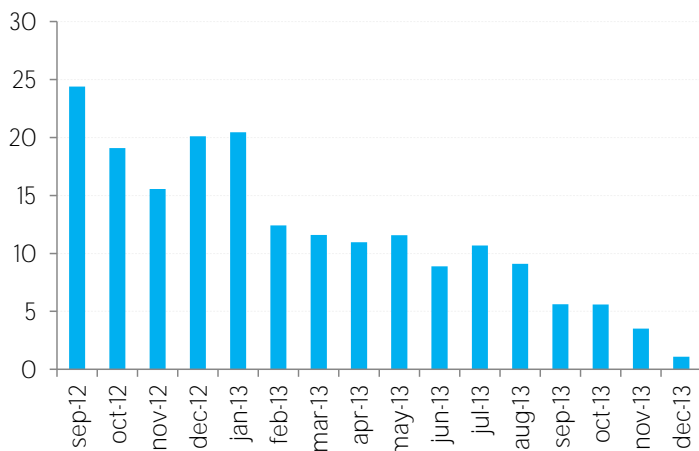
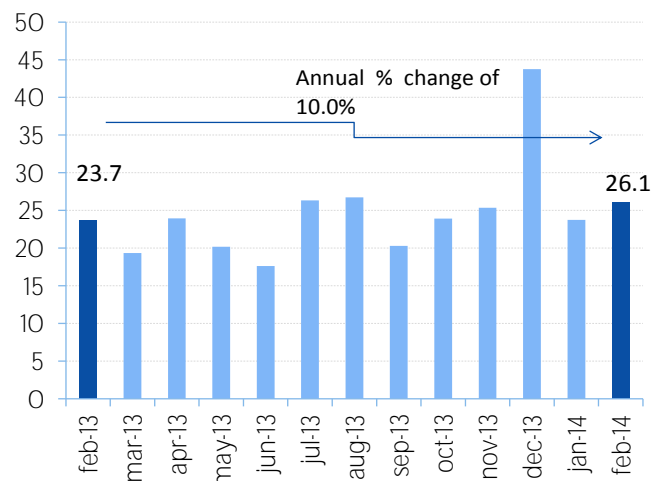


Figure 9
New housing stock
'000s



Note: covers housing registered that is completely built and having basic services (water, electricity and sewerage). Data available to December 2013
Source: BBVA Research with data from RUV

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



Note: includes all registrations made at the RUV (not-started housing, half-built and 100% built)
Source: BBVA Research with data from RUV

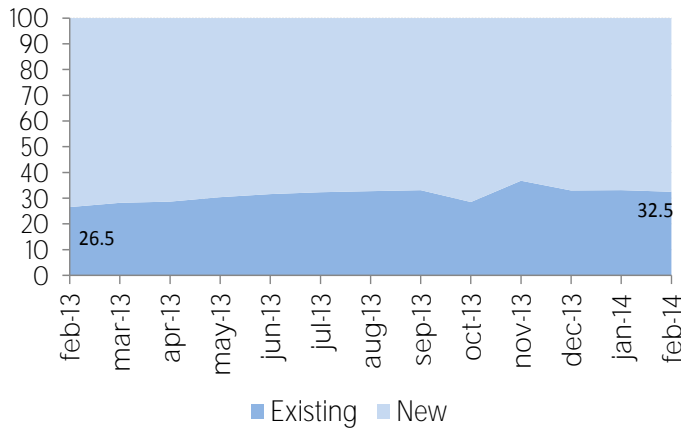
Table 2
Number of mortgage loans by segment
Housing, February 2014

Segment	Cumulative 2013		Infonavit 2014			Banks				
	Houses	Share %	Houses	Share %	Annual % change	2013 Houses	2013 Share %	2014 Houses	2014 Share %	Annual % change
Low income*	49,598	91.5	37,915	87.8	-23.6	4,874	33.0	4,804	29.0	-1.4
Middle	3,641	6.7	4,197	9.7	15.3	5,329	36.1	6,238	37.6	17.1
Residential	961	1.8	1,069	2.5	11.2	4,568	30.9	5,534	33.4	21.1
Total	54,200	100	43,181	100	-20.3	14,771	100.0	16,576	100.0	12.2

* inexpensive, popular and traditional

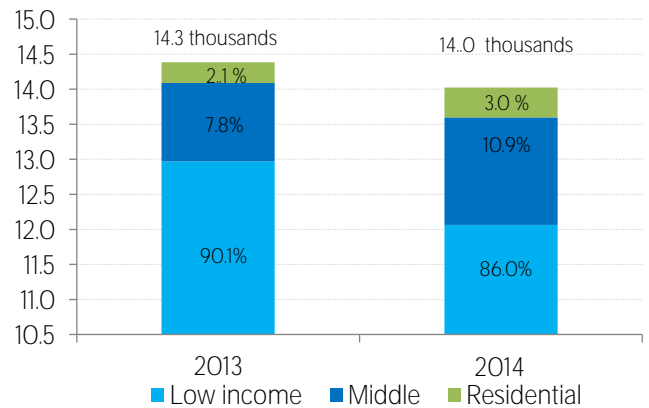
Note: Includes new housing and existing stock. Bank loans do not take into account reductions for co-borrowing, so this data does not coincide with the figures in Table 1.
 Source: BBVA Research with data from Infonavit and the ABM

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



Source: BBVA Research with data from Infonavit

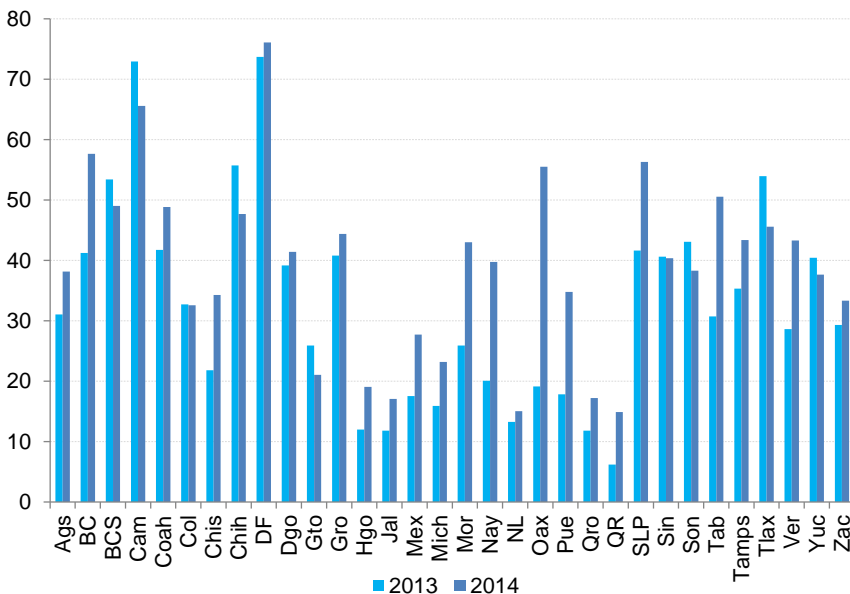
Figure 12
Infonavit: existing stock by segment
(‘000 and % of total %, to February)



Note: the social interest segment includes: inexpensive, popular and traditional.

Source: BBVA Research with data from Infonavit

Figure 13
Infonavit: mortgage loans for existing housing stock
(% total share, accumulated to February)



Source: BBVA Research with data from Infonavit

Table 3

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

State	Total				Existing homes (% of total)			
	Total	Low income	Middle	Residential	Total	Low income	Middle	Residential
Ags	637	555	74	8	38.1	33.6	3.9	0.0
BC	1,888	1,685	170	33	57.6	51.6	5.2	0.1
BCS	404	361	41	2	49.0	44.3	4.5	0.0
Cam	183	161	20	2	65.6	60.1	4.9	0.0
Coah	2,403	2,113	254	36	48.8	45.3	3.2	0.1
Col	421	384	32	5	32.5	29.5	2.6	0.0
Chis	499	461	33	5	34.3	28.9	5.4	0.0
Chih	2,091	1,855	219	17	47.7	42.5	4.8	0.1
DF	1,161	545	342	274	76.1	42.8	18.4	1.7
Dgo	580	550	26	4	41.4	39.0	2.4	0.0
Gto	3,007	2,788	203	16	21.1	19.6	1.3	0.0
Gro	275	252	21	2	44.4	37.5	6.2	0.0
Hgo	845	777	62	6	19.1	16.3	2.1	0.1
Jal	4,475	3,976	415	84	17.1	13.9	2.4	0.3
Mex	2,235	1,808	301	126	27.7	21.5	4.5	0.4
Mich	984	945	32	7	23.2	21.5	1.4	0.0
Mor	356	250	94	12	43.0	30.1	10.7	0.1
Nay	287	261	24	2	39.7	35.5	4.2	0.0
NL	7,166	6,336	586	244	15.0	11.8	2.3	0.7
Oax	155	144	11	0	55.5	52.3	3.2	0.0
Pue	1,116	980	113	23	34.8	30.4	3.9	0.1
Qro	1,472	1,077	342	53	17.2	12.6	3.5	0.2
QR	1,144	1,018	120	6	14.9	12.2	2.4	0.0
SLP	890	763	97	30	56.3	51.8	3.7	0.1
Sin	1,187	1,087	92	8	40.4	37.8	2.2	0.0
Son	1,781	1,681	93	7	38.3	36.0	2.0	0.1
Tab	390	335	41	14	50.5	41.8	7.9	0.0
Tamps	1,892	1,777	108	7	43.3	39.7	3.5	0.0
Tlax	215	208	6	1	45.6	44.2	0.9	0.0
Ver	1,767	1,610	132	25	43.3	38.4	4.3	0.1
Yuc	975	889	77	9	37.6	34.5	3.0	0.0
Zac	300	283	16	1	33.3	32.3	1.0	0.0
Nac	43,181	37,915	4,197	1,069	32.5	27.9	3.6	4.3

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

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