

Real Estate Flash

Mexico

March 5, 2012

Economic Analysis

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Building Growth Slows Monthly Situation Report

- In the last month of 2011, output in building work increased 2.4% in annual terms.
- Output associated with productive construction again constitutes the driving force in building.
- Based on the construction cycle, we expect building growth to continue to slow.

Building closed 2011 growing.

Building remains the primary component of construction, with a share of nearly 44%. In December, building began to slow its growth with a 2.4% rate in annual terms. For the first time in the year, building grew at a rate lower than that of construction. Nevertheless, December marked the eleventh consecutive month with positive rates.

Commerce, industry and offices are key in the building trajectory.

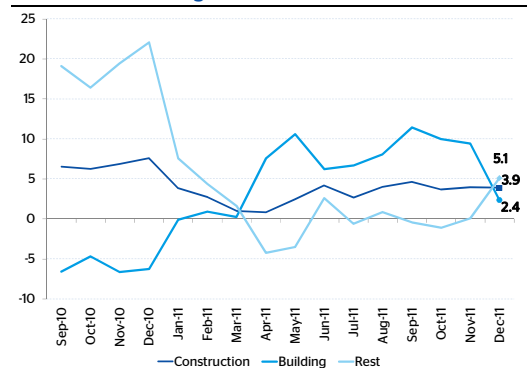
Even though housing production output grew 8% in December with respect to the previous month, enabling it to recover its 50% share within building, it was not sufficient to prevent the annual rate of this sub-category from falling 2.3%. Specifically, multi-family housing was down in recent months, while single-family homes remain favorable. Furthermore, commercial and industrial building continue to grow at annual rates over 40%, as the construction of offices was up 12.7% in annual terms. Therefore, those sub-categories head the performance of building. With these data, we expect the output to continue to grow in 2012, but at a lower rate than that observed in 2011.

Table 1
Construction by building type
Real quarterly % share

Work types	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Building	46.6	45.1	45.6	45.7	44.2	43.9
Transport	29.0	28.8	28.1	27.5	27.5	26.3
Oil	8.5	8.3	8.7	8.6	9.8	9.5
Water & Purification	5.6	5.6	5.8	5.6	5.5	6.0
Electricity & Communications	4.1	5.3	5.7	6.1	6.3	7.4
Others	6.3	6.9	6.0	6.5	6.8	6.9
Construction	100	100	100	100	100	100

Source: BBVA Research with ENEC and INEGI data

Chart 1
Growth by building type
Real annual % change



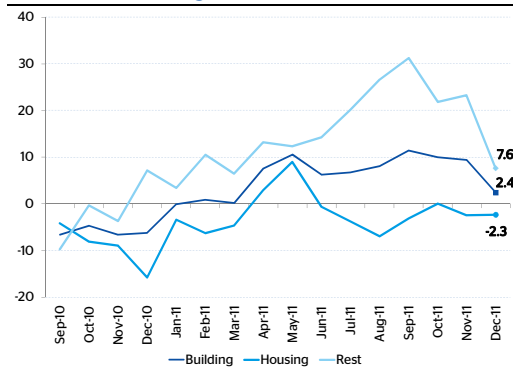
*Rest: transport, oil, electricity and communications, water and purification, and others

Table 2
Building: growth by sub-categories
Real annual % change

Work sub-categories	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Building	6.7	8.1	11.4	10.0	9.4	2.4
Commerce	24.8	69.3	104.0	68.4	53.6	42.7
Industry	23.8	55.2	34.2	36.5	49.9	47.0
Offices	50.8	12.2	1.8	10.7	8.2	12.7
Recreation	-25.8	-13.6	-8.3	-16.1	1.9	-21.7
Schools	18.6	38.0	24.1	-8.2	14.2	-0.3
Hospitals	22.6	-5.7	-13.9	-7.1	5.1	-35.3
Auxiliary buildings	14.2	-23.0	-0.1	-14.2	-27.8	-31.0
Multi-family housing	4.7	-0.7	7.3	-2.6	-24.9	-21.3
Single-family housing	-4.9	-8.0	-4.7	0.4	2.8	1.7

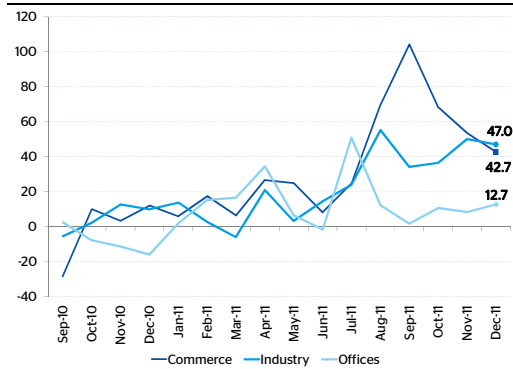
Source: BBVA Research with ENEC and INEGI data

Chart 3
Building production: housing versus rest
Real annual % change



*Rest: transport, oil, electricity and communications, water and purification, and others

Chart 5
Building production: commercial and industrial
Real annual % change



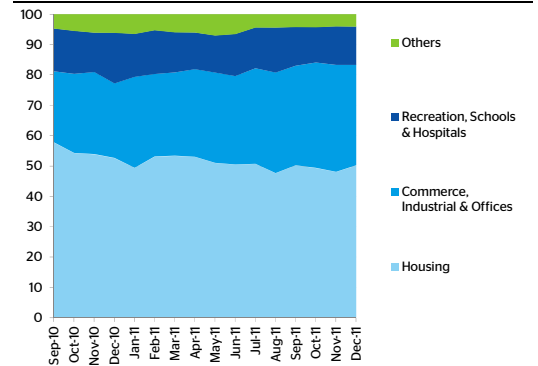
Source: BBVA Research with ENEC and INEGI data

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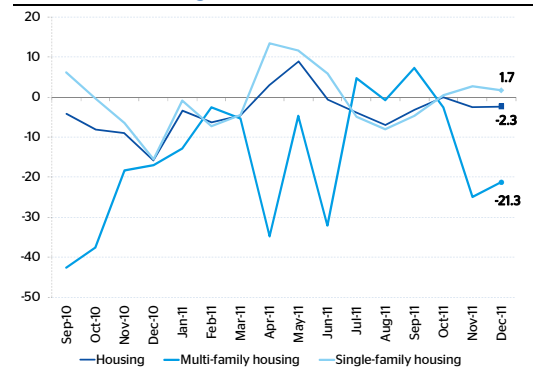
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Chart 2
Building: share of total by sub-category
Real quarterly % change



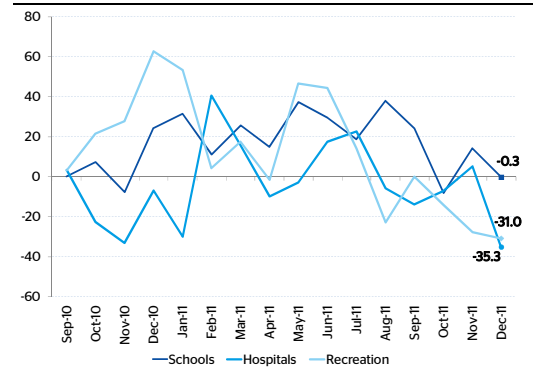
* Housing includes single-family and multi-family homes

Chart 4
Building production: housing
Real annual % change



* Housing includes single-family and multi-family homes

Chart 6
Building production: services
Real annual % change



Source: BBVA Research with ENEC and INEGI data