

Real Estate Flash Mexico

Building construction begins the year with moderate growth

At the start of 2012, building construction increased its share of the total value of construction production slightly to 46%. However, its growth was below the total for the construction industry as a whole for the second month in a row (1.1% in January, 2.4% in December), with variable components between its different components.

- **Industrial and commercial building performed better, while growth in the building of schools and hospitals lagged behind.**

School building was up 12.8%, while hospitals and clinics were up 0.4% on an annualized rate. Industrial and office building rose by an annual 37.9% and 7.6% respectively, while commercial building was up by an annual 31.1%.

- **... and housing construction has still not recovered**

Housing construction fell by an annual rate of 2.0% in January 2012, mainly due to its multi-family component, which fell by 13.6%, while single-family home construction grew at an annual rate of 0.8%. The figures are consistent with indicators such as housing starts reported in the Single Housing Register (RUV), which through February still showed a slump in housing activity (down an annual 4% in the first two months).

The increase in federal government subsidies for housing of nearly 50% on the figure for 2011 (from 5.5 billion to 8.3 billion pesos) suggests that conditions are favorable for an upturn in housing construction, particularly in the first half of the year (some 70% of budget resources for the year are expected to be used during this period), although this will in the end depend on factors including the liquidity available to constructors for starting projects, and inventory levels. In all, we continue to expect that housing construction will reverse its negative trend in the coming months.

Table 1

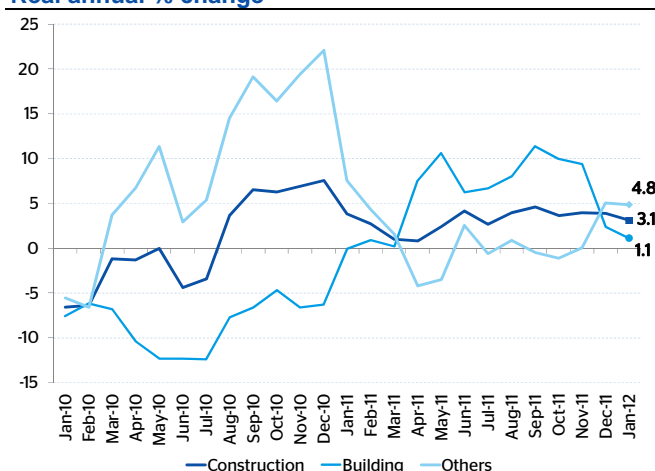
Construction by building type Real quarterly % share

| Work types | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 | Jan-12 |
|------------------------------|--------|--------|--------|--------|--------|--------|
| Building | 45.1 | 45.6 | 45.7 | 44.2 | 43.9 | 46.1 |
| Transport | 28.8 | 28.1 | 27.5 | 27.5 | 26.3 | 24.8 |
| Oil | 8.3 | 8.7 | 8.6 | 9.8 | 9.5 | 9.0 |
| Water & Purification | 5.6 | 5.8 | 5.6 | 5.5 | 6.0 | 6.9 |
| Others | 5.3 | 5.7 | 6.1 | 6.3 | 7.4 | 6.2 |
| Electricity & Communications | 6.9 | 6.0 | 6.5 | 6.8 | 6.9 | 7.0 |
| Construction | 100 | 100 | 100 | 100 | 100 | 100 |

Source: BBVA Research with ENEC and INEGI data

Chart 1

Growth by building type Real annual % change



Note: "Rest" includes transport, oil, water and sanitation, electricity and communications, and other construction
Source: BBVA Research with ENEC and INEGI data

Table 2

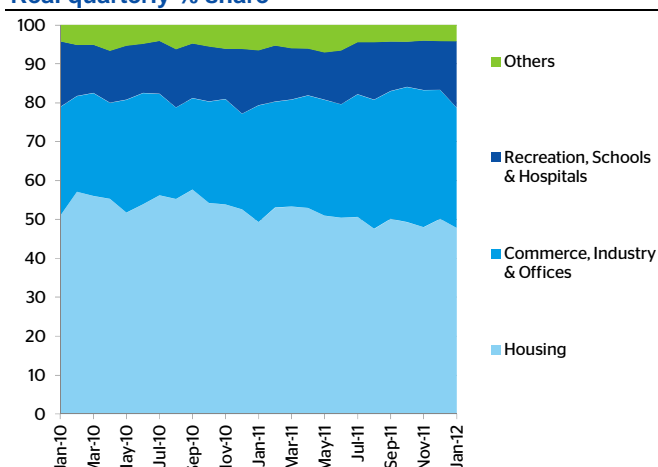
Building: growth by sub-categories % real annual change

| Work sub-categories | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 | Jan-12 |
|-----------------------|------------|-------------|-------------|------------|------------|------------|
| Building | 8.1 | 11.4 | 10.0 | 9.4 | 2.4 | 1.1 |
| Commerce | 69.3 | 104.0 | 68.4 | 53.6 | 42.7 | -3.0 |
| Industry | 55.2 | 34.2 | 36.5 | 49.9 | 47.0 | 16.7 |
| Offices | 12.2 | 1.8 | 10.7 | 8.2 | 12.7 | 2.0 |
| Recreation | -13.6 | -8.3 | -16.1 | 1.9 | -21.7 | 9.2 |
| Schools | 38.0 | 24.1 | -8.2 | 14.2 | -0.3 | 24.6 |
| Hospitals | -5.7 | -13.9 | -7.1 | 5.1 | -35.3 | 31.3 |
| Auxiliary buildings | -23.0 | -0.1 | -14.2 | -27.8 | -31.0 | -34.7 |
| Multi-family housing | -0.7 | 7.3 | -2.6 | -24.9 | -21.3 | -13.6 |
| Single-family housing | -8.0 | -4.7 | 0.4 | 2.8 | 1.7 | 0.8 |

Source: BBVA Research with ENEC and INEGI data

Chart 2

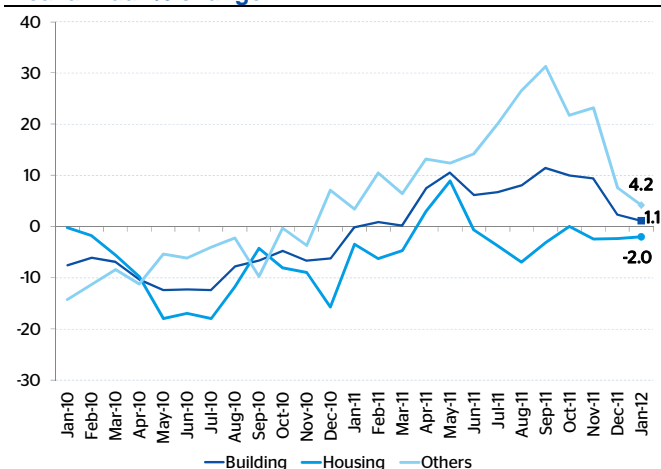
Building: share of total by sub-category Real quarterly % share



Source: BBVA Research with ENEC and INEGI data

Chart 3

Building production: housing versus rest Real annual % change

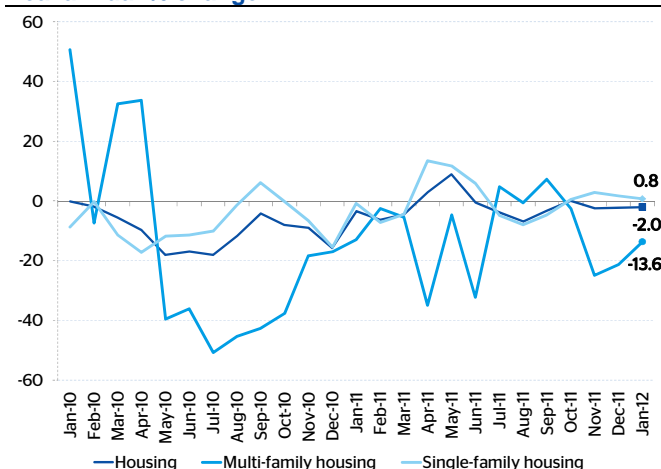


Note: "Rest" includes commercial, industrial, office, leisure, schools, hospitals and auxiliary works

Source: BBVA Research with ENEC and INEGI data

Chart 4

Building production: housing Real annual % change

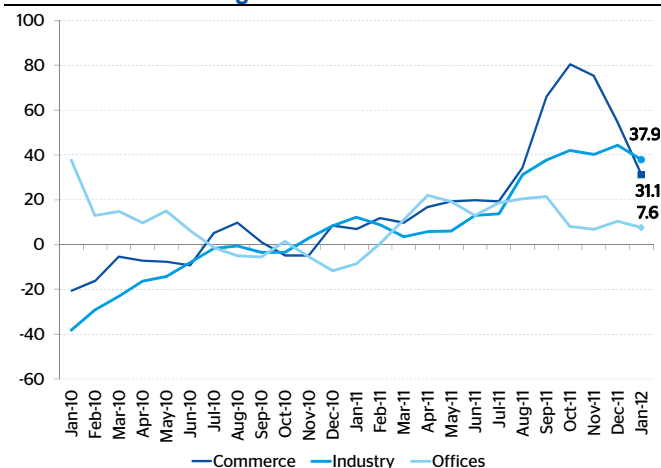


Note: "Rest" includes commercial, industrial, office, leisure, schools, hospitals and auxiliary works

Source: BBVA Research with ENEC and INEGI data

Chart 5

Building production: commercial and industrial Real annual % change

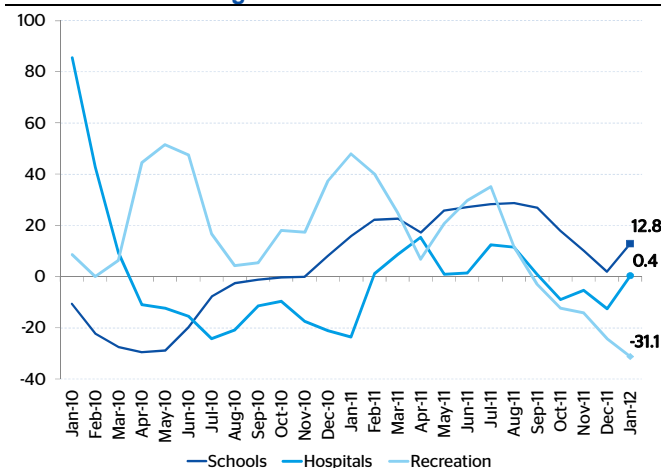


Note: 3-month rolling average

Source: BBVA Research with ENEC and INEGI data

Chart 6

Building production: services Real annual % change



Note: 3-month rolling average

Source: BBVA Research with ENEC and INEGI data

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