

# Real Estate Flash Mexico

## Construction expands 7%. Is this a transient effect?

Building astonishingly recorded annual growth of 7.1% in February 2012. As we had previously discussed, the strong performance of building is based primarily on productive construction.

- Surprising 7%, but the driving force remains unchanged.**

Commercial, industrial and office construction presented annual growth rates of 22.4%, 38.7% and 12.3%, respectively. Moreover, it increased its share of the total value of building-associated production from 31% to 34%, and is gaining on housing construction. Housing construction is down again, this time by an annual rate of 7%; mainly in its multi-family component.

- One swallow does not a summer make.**

Even though 7% growth is relevant, we believe that this instance is specific to this month and will not necessarily be maintained throughout the rest of the year. This is due to the fact that the value of the output for the same month last year is low in comparison with the rest (February and March presented the lowest level of the value of building-associated output in 2011). After considering this statistical effect, the rise of productive building and the fall of housing construction, we maintain our forecast for moderate growth in 2012.

Table 1:

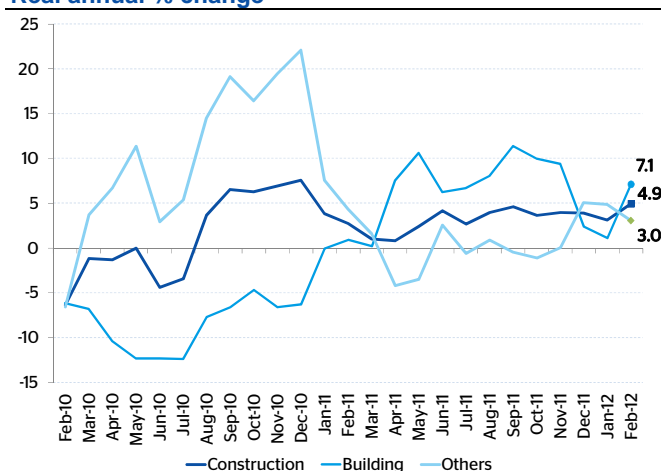
**Construction by building type**  
Real quarterly % share

Work types	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12
Building	45.6	45.7	44.2	43.9	46.1	47.5
Transport	28.1	27.5	27.5	26.3	24.8	26.3
Oil	8.7	8.6	9.8	9.5	9.0	7.0
Water & Purification	5.8	5.6	5.5	6.0	6.9	6.5
Electricity & Communications	5.7	6.1	6.3	7.4	6.2	5.8
Others	6.0	6.5	6.8	6.9	7.0	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: "Others" includes transport, oil, water and sanitation, electricity and communications, and other construction

Source: BBVA Research with ENEC and INEGI data

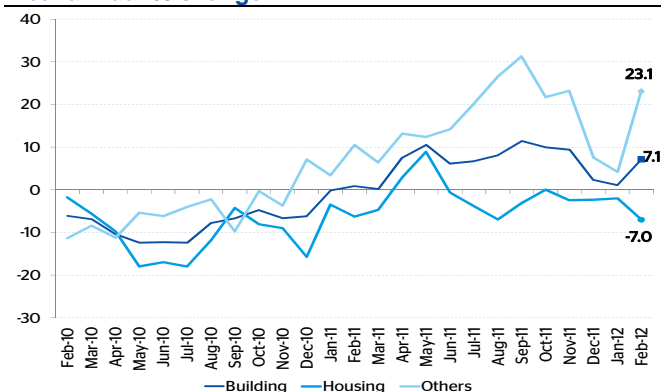
Table 2

**Building: growth by sub-categories**  
**Real annual % change**

Work sub-categories	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12
<b>Building</b>	<b>11.4</b>	<b>10.0</b>	<b>9.4</b>	<b>2.4</b>	<b>1.1</b>	<b>7.1</b>
Commerce	104.0	68.4	53.6	42.7	-3.0	27.5
Industry	34.2	36.5	49.9	47.0	16.7	52.5
Offices	1.8	10.7	8.2	12.7	2.0	22.1
Recreation	-8.3	-16.1	1.9	-21.7	9.2	45.2
Schools	24.1	-8.2	14.2	-0.3	24.6	10.4
Hospitals	-13.9	-7.1	5.1	-35.3	31.3	-7.1
Auxiliary buildings	-0.1	-14.2	-27.8	-31.0	-34.7	-8.8
Multi-family housing	7.3	-2.6	-24.9	-21.3	-13.6	-23.0
Single-family housing	-4.7	0.4	2.8	1.7	0.8	-2.8

Source: BBVA Research with ENEC and INEGI data

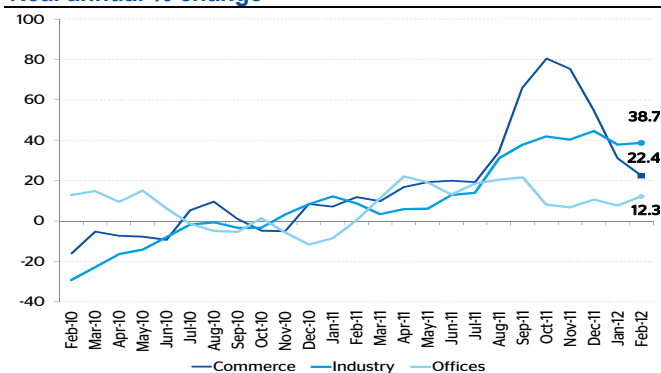
Chart 3

**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 5

**Building production: commercial and industrial**  
**Real annual % change**


Note: 3-month rolling average

Source: BBVA Research with ENEC and INEGI data

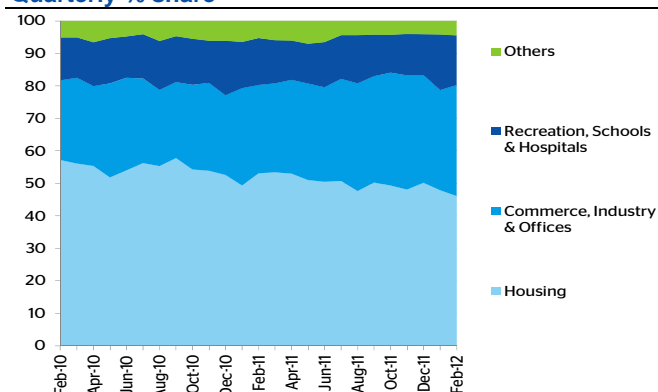
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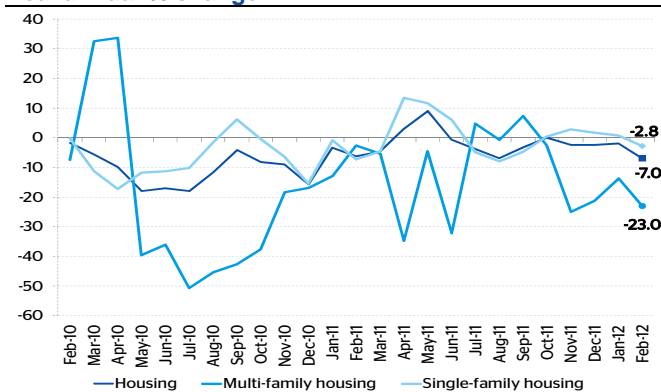
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Chart 2

**Building: share of total by sub-category**  
**Quarterly % share**


Source: BBVA Research with ENEC and INEGI data

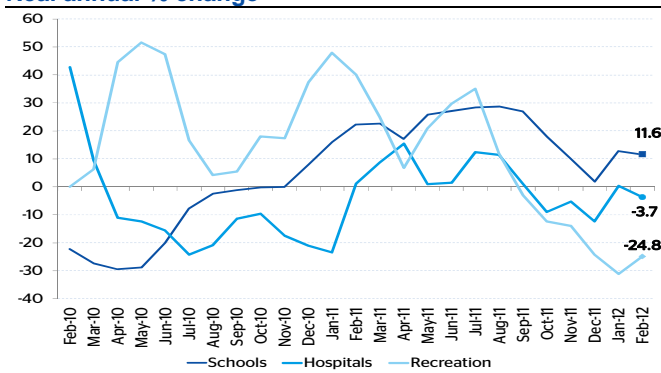
Chart 4

**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 6

**Building production: services**  
**Real annual % change**


Note: 3-month rolling average

Source: BBVA Research with ENEC and INEGI data

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