

Real Estate Flash Mexico

Twice seven

Building construction grows by 7% in March, the same figure as the previous month.

- **Housing reflects the trend in building, but as a mirror image.**

As was the case in previous months, the good performance of building has been sustained by considerable growth in its commercial, industrial and office sub-categories, with growth rates of 15.9%, 43.2% and 9.3% respectively in March. The growth rate in housing was the mirror image of building, at a negative 7.1%, thus maintaining the trend of recent months.

- **Our forecast growth in building went up in smoke, like Canek's sacrifice to the gods.**

The month before we had stated that the 7.1% rise was atypical, and extremely unlikely to be repeated. But just like Canek's sacrifice of his captured game when he was twice seven years old, our expectations of moderation in building construction went up in smoke. This is because of stronger growth in the building of schools and hospitals (up 18.6% and 5.1% respectively).

- **Building output will continue to be focused on the productive sector.**

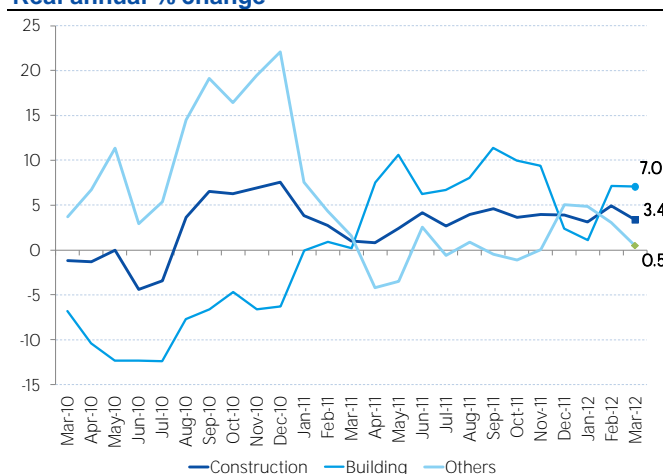
Despite the excellent start, we maintain our expectations that building will post a moderate growth. Productive-sector building (commercial, industrial and offices) will continue to be the biggest contributor to growth for the rest of the year. However, some glimmers of light in service-sector building could raise expectations.

Table 1
Construction by project category
Real annual % change

Work types	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
Building	10.0	9.4	2.4	1.1	7.1	7.0
Transport	-5.2	-6.8	0.3	3.9	-2.1	-5.3
Oil	-15.8	-13.4	-6.8	-3.7	-1.3	10.4
Water & Purification	14.2	17.5	18.6	8.9	7.5	0.9
Electricity & Communications	13.1	19.1	20.5	29.6	38.1	35.9
Others	20.2	34.3	19.6	-1.1	2.4	-7.4
Construction	3.7	4.0	3.9	3.1	4.9	3.4

Source: BBVA Research with ENEC and INEGI data

Chart 1
Growth by project category
Real annual % change



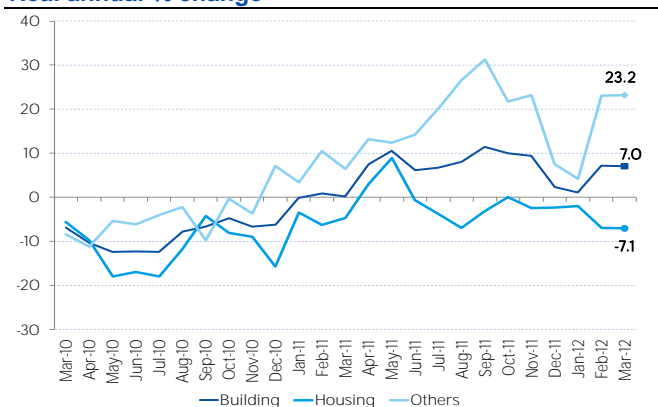
Note: "Others" includes transport, oil, water and sanitation, electricity and communications, and other construction
Source: BBVA Research with ENEC and INEGI data

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

Work sub-categories	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
Building	10.0	9.4	2.4	1.1	7.1	7.0
Commerce	68.4	53.6	42.7	-3.0	27.5	23.1
Industry	36.5	49.9	47.0	16.7	52.5	60.3
Offices	10.7	8.2	12.7	2.0	22.1	3.8
Leisure	-16.1	1.9	-21.7	9.2	45.2	110.3
Schools	-8.2	14.2	-0.3	24.6	10.4	20.9
Hospitals	-7.1	5.1	-35.3	31.3	-7.1	-9.0
Auxiliary buildings	-14.2	-27.8	-31.0	-34.7	-8.8	-18.9
Multi-family housing	-2.6	-24.9	-21.3	-13.6	-23.0	-12.8
Single-family housing	0.4	2.8	1.7	0.8	-2.8	-5.8

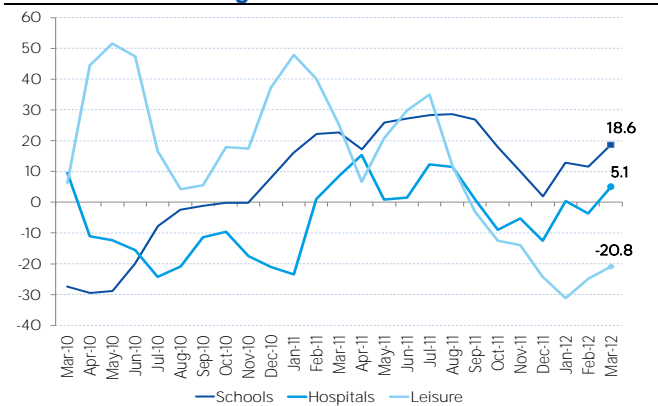
Source: BBVA Research with ENEC and INEGI data

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



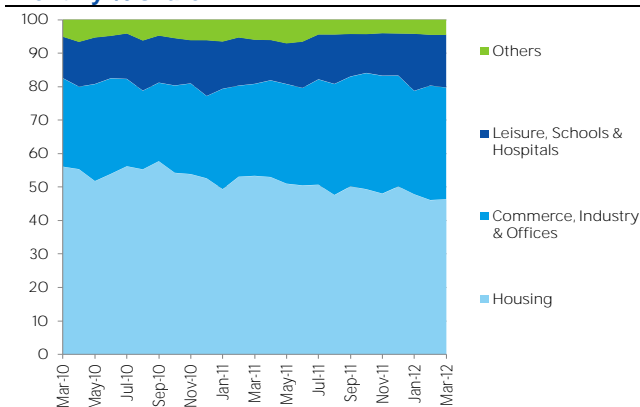
Note: "Others" includes commercial, industrial, office, leisure, schools, hospitals and auxiliary works
 Source: BBVA Research with ENEC and INEGI data

Chart 5
Building output: services
Real annual % change



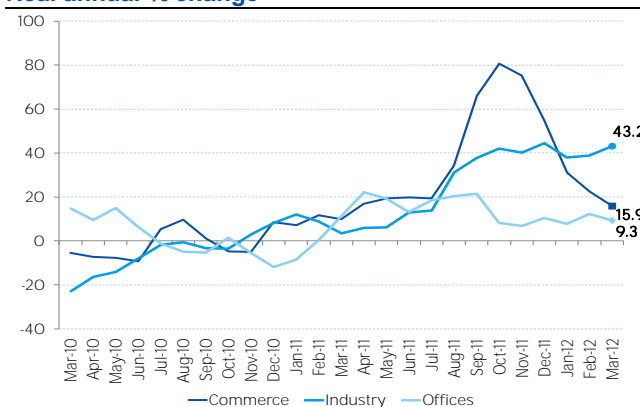
Note: 3-month moving average
 Source: BBVA Research with ENEC and INEGI data

Chart 2
Building: breakdown by sub-category
monthly % share



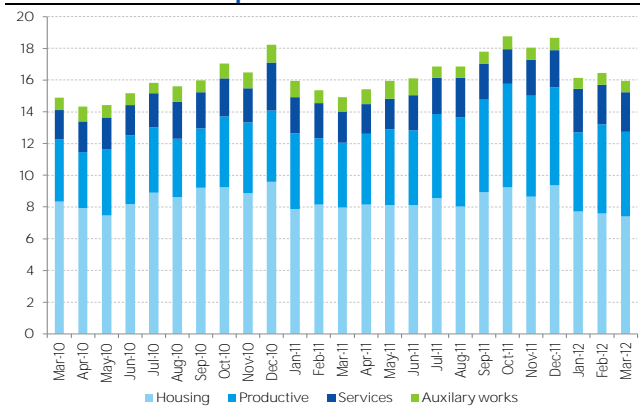
Source: BBVA Research with ENEC and INEGI data

Chart 4
Building output: commercial and industrial
Real annual % change



Note: 3-month moving average
 Source: BBVA Research with ENEC and INEGI data

Chart 6
Building output: breakdown by sub-category
Billions of constant pesos



Note: Productive building includes commercial, industrial and offices; services includes schools, hospitals and leisure.
 Source: BBVA Research with ENEC and INEGI data

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