

Mexico Real Estate Flash

Mortgage lending continues at a steady rate

Double digit growth rates in 2012 are mainly driven by increased lending at commercial banks supported by solid bases and with favorable conditions to maintain growth for the rest of 2012 and 2013.

- **Lending by the banks gains ever higher share**

Mortgage loans granted by the financial system grew a real 9.7% in terms of financed amounts and 7.3% in the number of loans granted to July. Nonetheless, the highest lending was seen at commercial banks where the volume of lending expanded by an annual 21.1% in real terms for the period. Meanwhile, growth in lending at public institutions came in at a real annual rate of 4.7% for the period.

In this way, the share of banking in mortgage lending is ever more important. For example, just taking loans with bank capital, while the lending volume at banks was 36% of that at public institutions in 2009 (Infonavit and Fovissste taken together), in the third quarter of 2012 their share already stood at near 50%.

This becomes more important if we consider that public institutions and banking serve different markets. While Infonavit, the top lender, mainly focuses on middle- and low-income sectors (just over 60% of its business, measured in number of loans and amount, is focused on social housing for the middle- and low-income bracket), banks aim almost 90% of their capital at the middle- and high-income sectors. This means the growth in activity was mainly centered on housing for middle- and high-income earners. This is important as it points to a change in the trend seen in previous years.

- **Activity at public institutions remains within annual targets**

At public institutions, Infonavit's activity stabilized, especially due to a higher share in remodeling products (now representing one in every five loans granted), with strictly mortgage lending volume falling, as it set out in its annual financing program. As for Fovissste, although figures show a major upturn in its business, they actually reflect a more standardized monthly loan distribution than in previous years, where most financing was granted in the last part of the year. It should be stated that the loan targets at this institution are below those recorded in 2011 (70,000 vs. 75,000 loans) as well as in comparison to levels in 2009 and 2010 (95,000 loans on average).

- **House building lag not set to reverse in the short-term**

Despite the push in mortgage activity, home building remains sluggish, partly due to the higher competition from existing housing stock, partly to the lower targets in annual financing at public institutions and partly to the housing awarded at Infonavit which, in a way, competes (or will begin to) with new housing.

We believe the economic and financial context, linked with competition at banks, will continue to drive housing demand for the rest of this year and in 2013. On the supply side, however, the adjustment process could continue for some time meaning the house building rate could remain stable before again seeing any upturn.

Based on these figures, we have added new indicators that expand the housing market overview, such as loan distribution by segment, a higher breakdown in loans granted by each institution, as well as the banking loan portfolio performance for the housing segment. These indicators will be supplemented with a new report to be published in coming weeks and containing detailed information on loans granted by commercial banking.

Table 1

Mortgage lending: Number and amount of loans, January-July aggregate

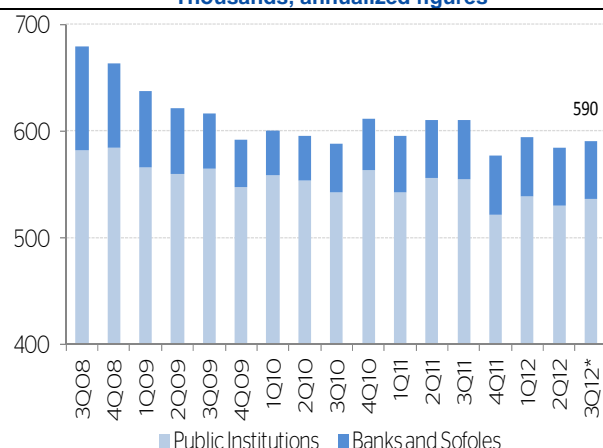
	Number of loans			Amount of lending		
	2011	2012	Annual % change	2011	2012	Real annual % change
Public	278.0	293.7	5.6	78.1	84.9	4.7
Infonavit	247.0	256.0	3.6	64.1	66.1	-0.7
Fovissste	31.0	37.7	21.6	14.0	18.8	29.5
Private institutions	42.6	46.9	10.0	35.6	44.6	20.5
Banks	41.8	46.3	10.8	35.2	44.3	21.1
Sofoles	0.8	0.6	-27.8	0.4	0.2	-39.9
Subtotal	320.7	340.6	6.2	113.7	129.5	9.7
Co-finance (-)	7.4	9.8	33.1	---	---	---
Infonavit total (-)	20.6	16.8	-18.3	---	---	---
Total	292.8	314.0	7.3	113.7	129.5	9.7

Source: BBVA Research with Infonavit, Fovissste and ABM data

Chart 1 and 2

Number of loans by institution

Thousands, annualized figures



* To July

Source: BBVA Research with ABM, Infonavit and Fovissste data

% change y/y

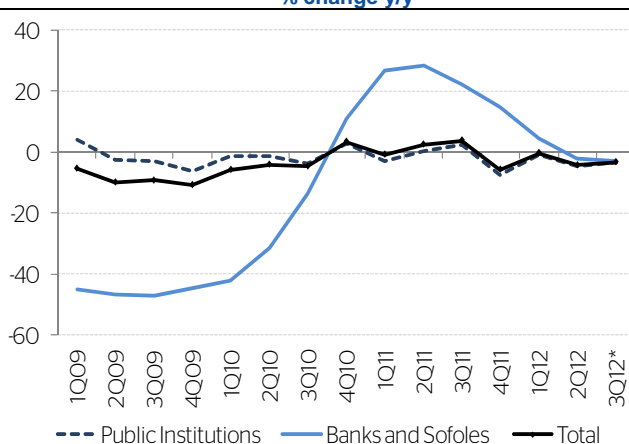
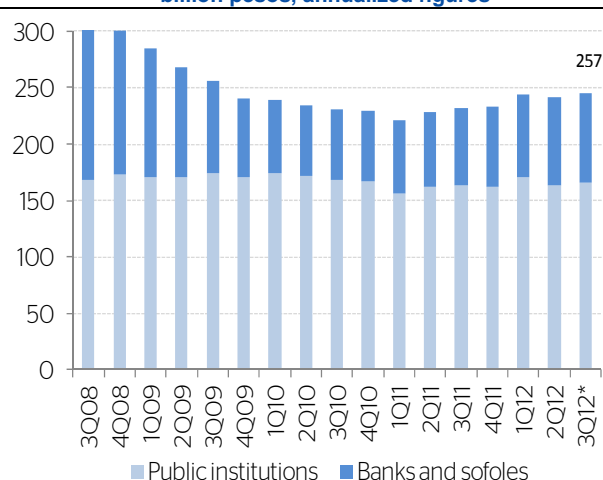


Chart 3 and 4

Amount of loans by institution

billion pesos, annualized figures



* To July

Source: BBVA Research with ABM, Infonavit and Fovissste data

% change y/y

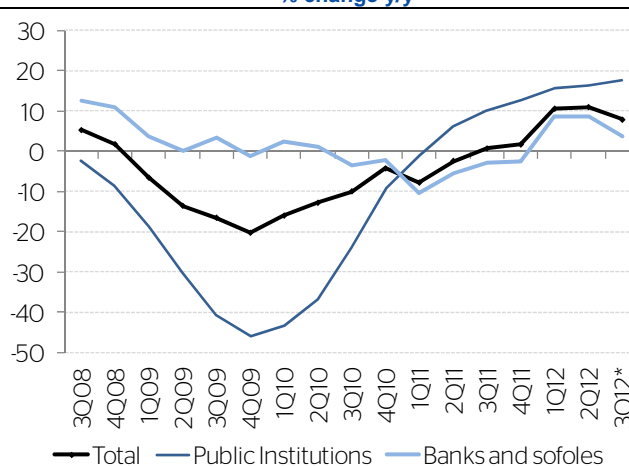
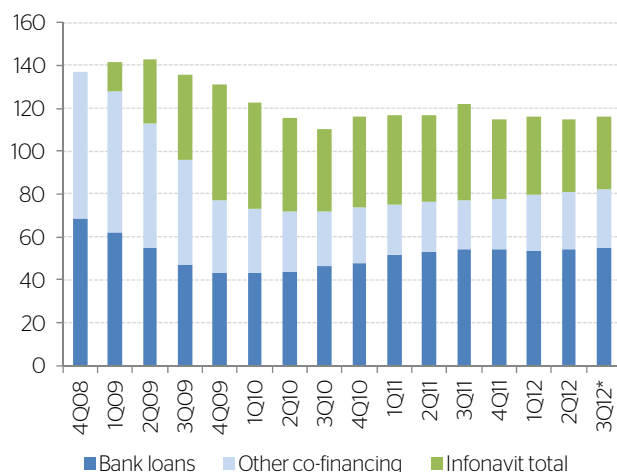


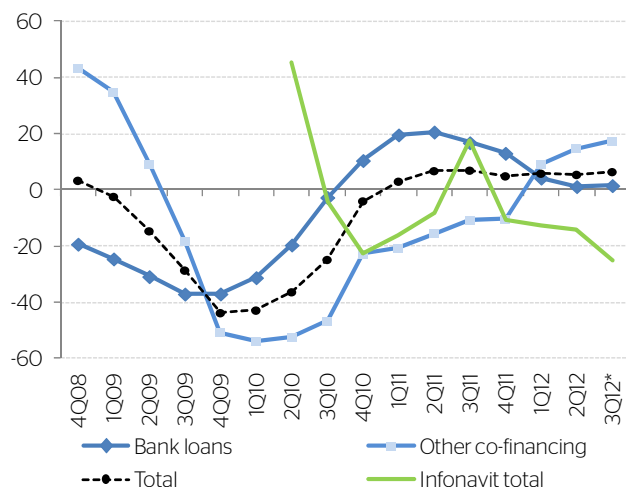
Chart 5 and 6

Number of loans granted by commercial banks

Thousands, annualized figures



% change y/y



NB: From this issue we include the Infonavit Total product in banking products meaning the figures do not coincide with previous ones.

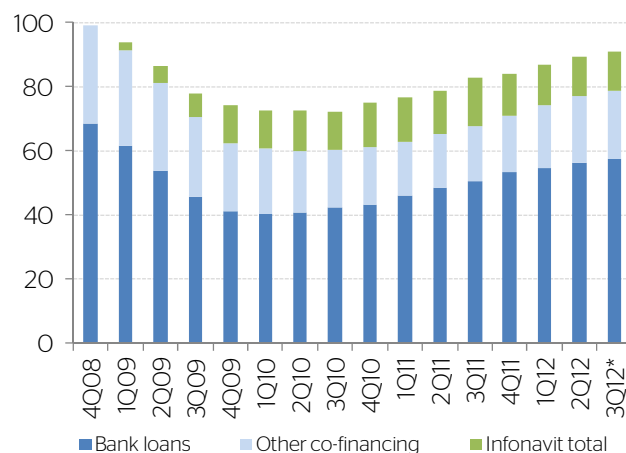
*To July

Source: BBVA Research with ABM, Infonavit and Fovissste data

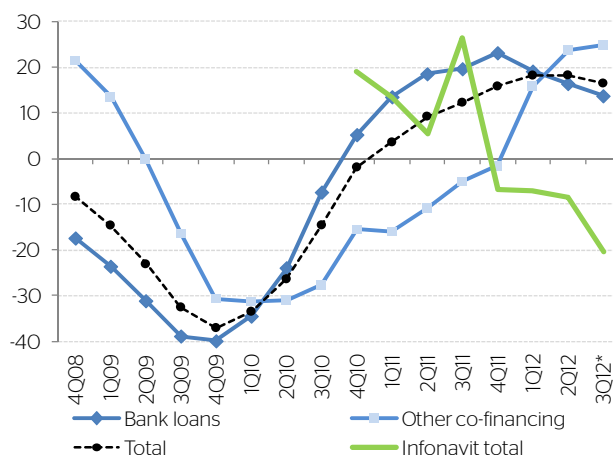
Chart 7 and 8

Amount of finance granted by commercial banks

Billion pesos, 2012 prices, annualized figures



% change y/y



NB: From this issue we include the Infonavit Total product in banking products meaning the figures do not coincide with previous ones.

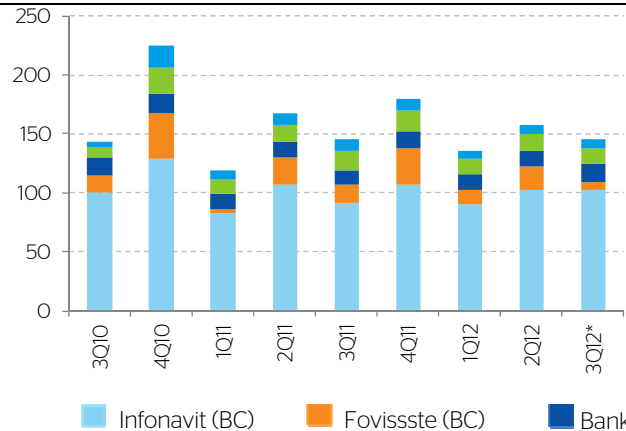
*To July

Source: BBVA Research with ABM, Infonavit and Fovissste data

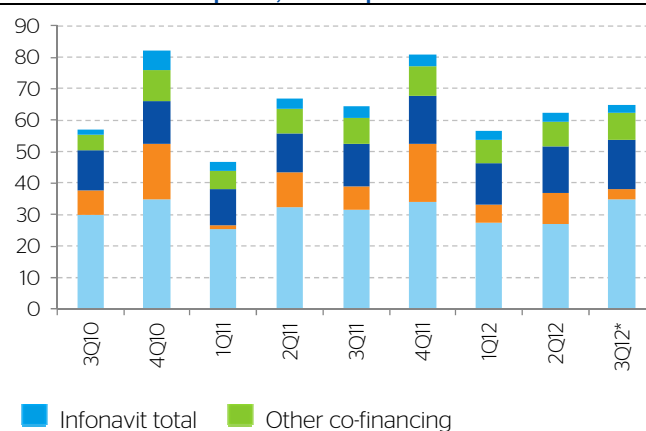
Chart 9 and 10

Mortgage loans by institution

Thousands of loans



Billion pesos, at 2012 prices



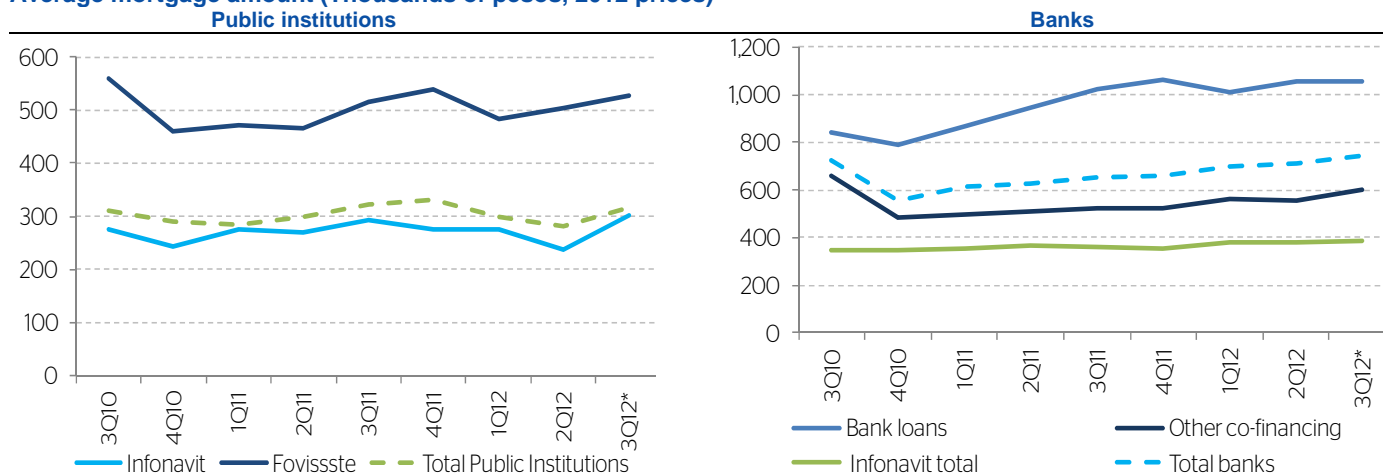
(BC) Bank loans

* To July

Source: BBVA Research with Infonavit, Fovissste and ABM data

Chart 11 and 12

Average mortgage amount (Thousands of pesos, 2012 prices)

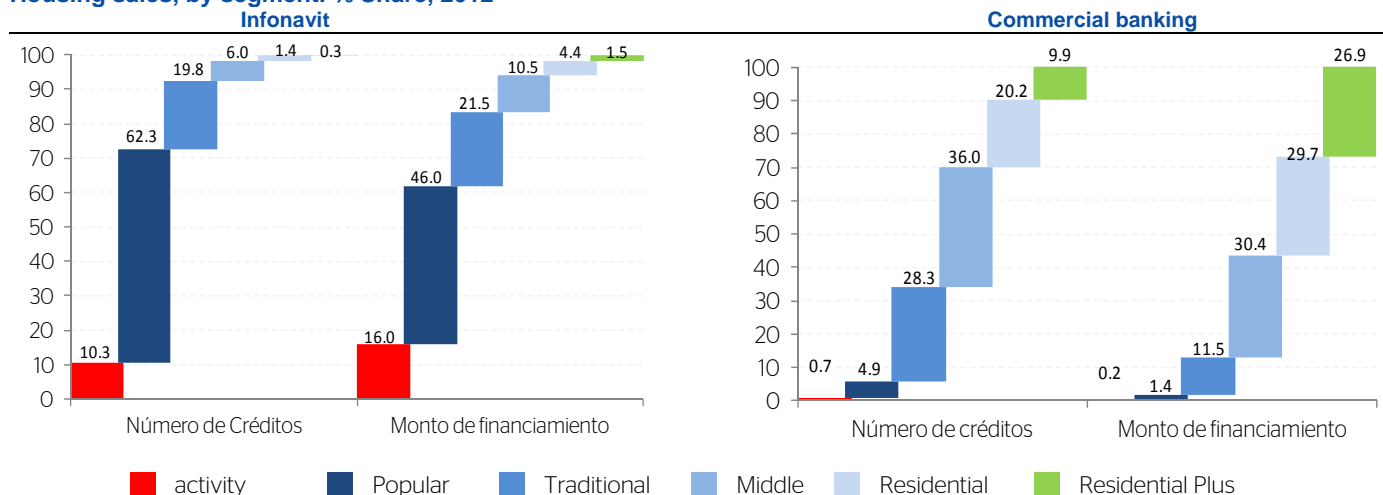


*To July

Source: BBVA Research with Infonavit, Fovissste and ABM data

Chart 13 and 14

Housing sales, by segment. % Share, 2012*

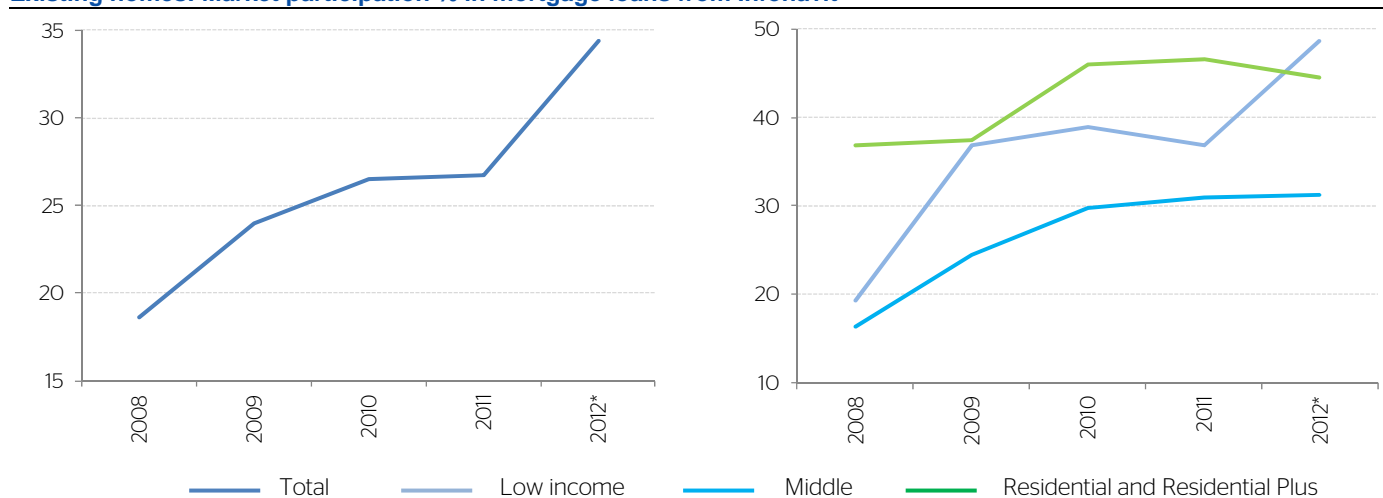


*January-July

Source: BBVA Research with Infonavit and ABM data

Chart 15 and 16

Existing homes: Market participation % in mortgage loans from Infonavit

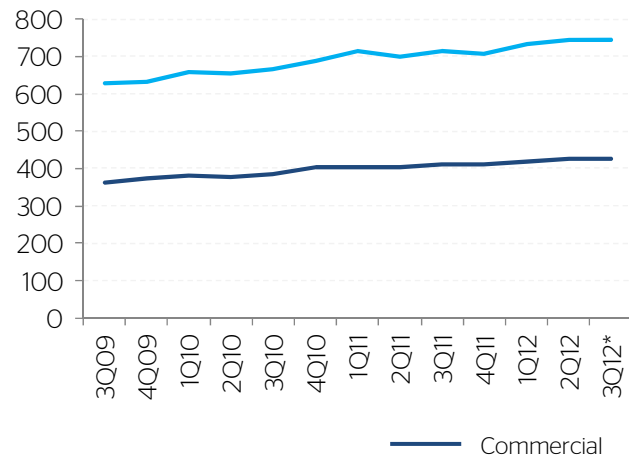


*As of July

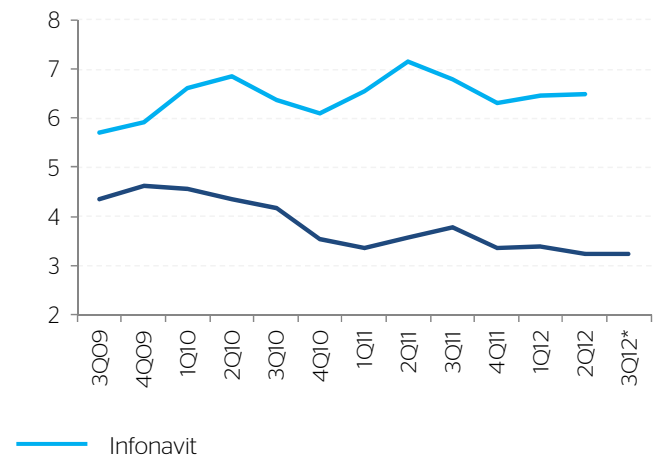
Source: BBVA Research with Infonavit data

Chart 17 and 18

Mortgage lending, portfolio balance
Current, Billion pesos, 2012 prices



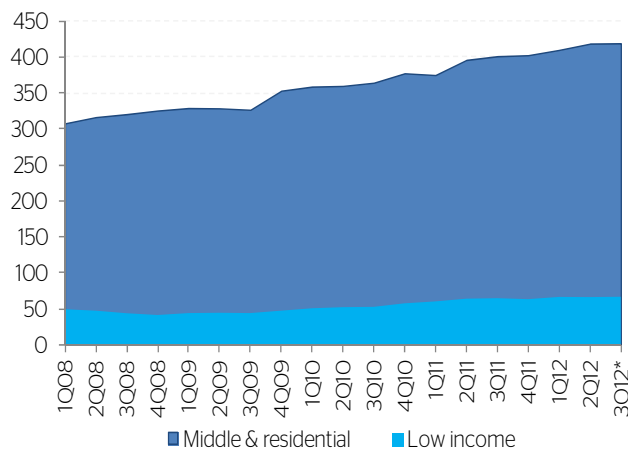
Delinquency rate (%)



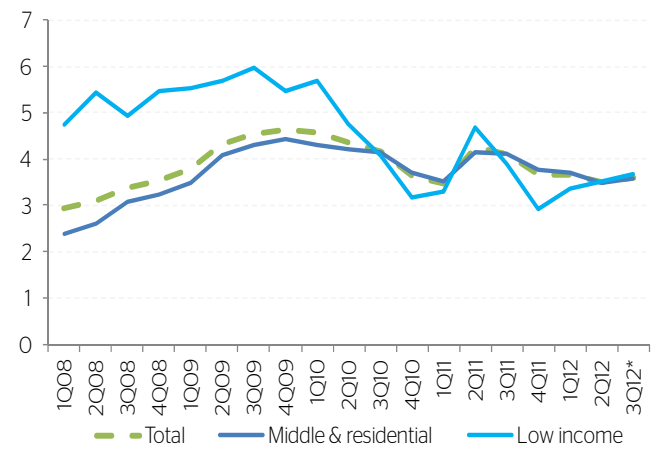
Sources: BBVA Research with Banxico data
*As of July

Chart 19 and 20

Balance of the commercial bank portfolio by segment
Current, Billion pesos, 2012 prices



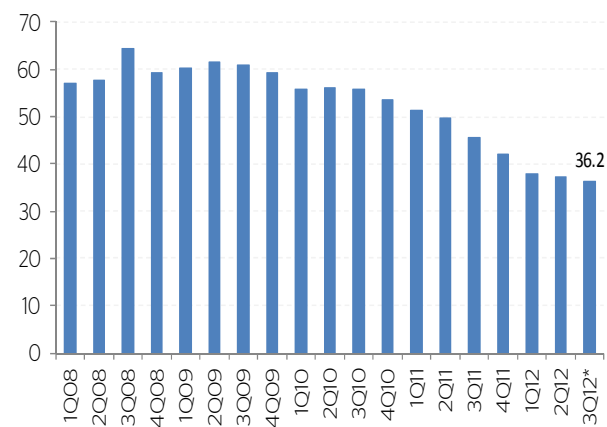
Delinquency rate (%)



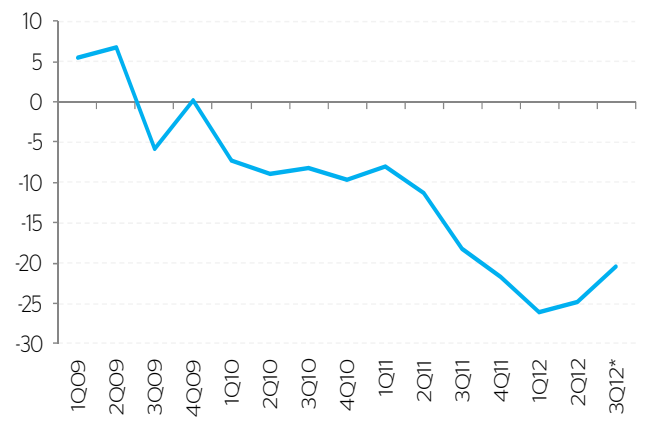
*To July
Source: BBVA Research with Federal Mortgage Society (CNBV) data

Chart 21 and 22

Construction loans, current portfolio balance
Billion pesos, 2012 prices



real % change y/y

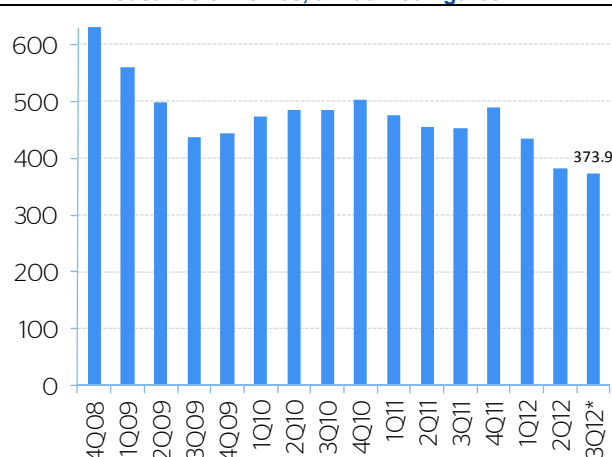


Sources: BBVA Research with Banxico data
*As of July

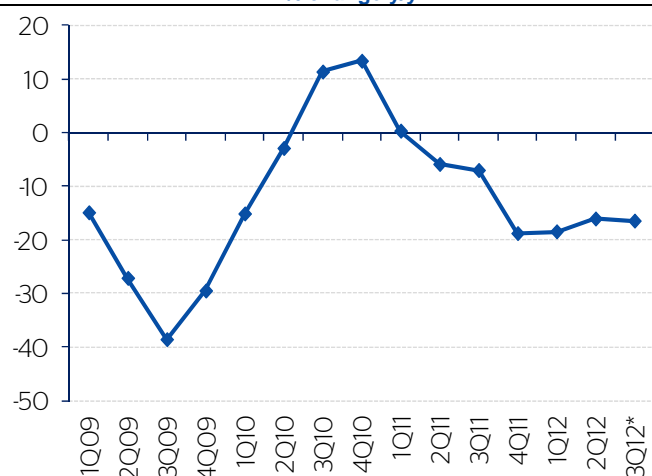
Chart 23 and 24

New constructions: RUV

Thousands of homes, annualized figures



% change y/y



*As of July
Source: BBVA Research, with RUV data

Table2

Infonavit: Number of mortgage loans by institutions and percentage of existing homes
January-July 2012

	Total								Used (% of total)						
	Total	Economic	Popular	Traditional	Average	Residential	Residential Plus		Total	Economic	Popular	Traditional	Average	Residential	Residential Plus
Ags	4973	767	3134	815	238	19	0	Ags	36	36	33	51	17	21	
BC	13468	596	9527	2480	711	148	6	BC	32	84	21	61	35	36	100
BCS	1871	75	868	802	105	20	1	BCS	49	83	47	50	36	40	0
Cam	1333	72	883	248	112	17	1	Cam	49	56	40	84	50	18	100
Coah	11886	830	8242	2178	546	85	5	Coah	47	69	41	67	31	31	100
Col	2025	238	1360	342	75	10	0	Col	41	99	28	51	43	10	
Chis	2388	40	1779	461	99	9	0	Chis	32	35	17	86	54	56	
Chih	9852	846	6379	1894	633	94	6	Chih	54	79	47	75	31	20	50
DF	21281	10513	3058	3471	2608	1243	388	DF	89	100	100	90	48	52	69
Dgo	3220	210	2566	367	67	8	2	Dgo	46	76	41	65	51	38	50
Gto	11860	306	8769	2203	513	66	3	Gto	33	99	27	48	25	27	33
Gro	1599	43	727	687	121	19	2	Gro	50	100	57	40	37	58	50
Hgo	4915	207	3422	1129	140	17	0	Hgo	18	30	12	31	29	29	
Jal	23433	1340	15901	4379	1554	234	25	Jal	17	12	9	43	23	32	48
Mex	23026	1735	11749	7411	1545	505	81	Mex	22	100	11	23	24	16	11
Mich	4880	139	3740	741	228	31	1	Mich	23	52	15	55	29	35	0
Mor	3023	44	1307	1225	378	55	14	Mor	34	100	20	45	34	53	43
Nay	1792	43	1301	360	81	7	0	Nay	37	91	30	54	41	43	
NL	29227	2810	18555	5544	1707	536	75	NL	15	12	9	31	25	29	31
Oax	783	70	481	184	43	5	0	Oax	56	83	47	70	42	60	
Pue	7607	186	5483	1455	419	55	9	Pue	24	50	17	44	23	25	22
Qro	7398	70	4017	2226	902	173	10	Qro	15	96	8	23	15	15	50
QR	8434	300	6500	1305	293	33	3	QR	8	16	4	19	21	36	0
SLP	5714	284	3859	1106	411	51	3	SLP	44	98	41	47	22	35	67
Sin	6359	524	4501	1003	298	33	0	Sin	46	84	43	46	24	18	
Son	10185	987	7422	1425	307	38	6	Son	41	74	33	63	37	29	33
Tab	2853	76	2091	524	144	16	2	Tab	32	54	20	71	47	63	0
Tamps	10424	668	8115	1313	296	31	1	Tamps	34	83	25	63	49	68	100
Tlax	1780	721	838	197	22	2	0	Tlax	78	94	64	81	82	100	
Ver	10447	823	7238	1960	374	50	2	Ver	34	33	25	63	48	16	50
Yuc	6020	836	4102	836	210	31	5	Yuc	36	68	28	43	24	26	40
Zac	1933	61	1481	294	85	11	1	Zac	26	87	21	43	20	18	0
Nac	255989	26460	159395	50565	15265	3652	652	Nac	34	75	24	47	31	36	54

Source: BBVA Research with Infonavit data

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