

Mexico Real Estate Flash

Changes in the mortgage market will support activity in 2012

Lending continues to increase, especially by commercial banks. Public institutions are slightly more active than they were in 2011, but remain within annual financing targets.

- **Mortgage activity is increasing, but with new drivers**

In August, mortgage activity recorded a 6.3% annual increase in the number of loans, and a 6.2% increase in the amount lent, measured in real terms. Commercial banking continues to lead the way, with the number of loans up 10.8% and the amount lent up 25% in real terms.

Funding by public institutions is in line with their annual spending plans. In both cases, these programs, or annual targets, have been decreasing recently. Infonavit granted 490 thousand loans in 2008, but the number has been falling ever since. Its annual housing loan target began to decrease from 2011 (450 thousand in 2011 and 440 thousand in 2012). Fovissste is in a similar situation: whilst it granted 100 thousand loans in 2009, its 2012 target is 70 thousand (although its own forecasts are for 75 thousand).

As a result, the driver of mortgage activity has mainly been lending from commercial banks, which has been growing robustly since 2010. In annualized terms measured at current prices, the value of loans recorded to August 2012 is 38.2 billion pesos of bank capital, 50% up on the 26 billion pesos in 2009.

- **Increased activity means development of new markets**

As the largest volume of mortgages is with public housing institutions, it is evident that returning to levels of activity seen in previous years will be achieved either by increasing the targets for these public institutions or by serving new markets. Both will probably occur, but not necessarily in the short term. It will be up to the rights holders to determine the volume of loans they require annually, for both housing and other purposes.

However, the appearance of new products, such as Infonavit's second loan, may also boost the market in the relatively short term (once they have been consolidated). It is said that the annual volume of such loan products could be around 50 thousand. If this is achieved, we will quickly return to 2008 levels. Fovissste also has ample space to increase activity with its rights holders: for example, by developing co-financing arrangements. Co-financing represents just 6% of its loans, compared to 45% for Infonavit. The rental market is also important, and this will receive a major boost once an appropriate financing instrument is developed.

- **The housing market continues to offer attractive potential for its participants**

Mortgage lending figures clearly show that the market is continuing to expand. And whilst the volume of houses being built has been falling (with some signs of stabilization), it is also true that the medium and residential housing segments -mainly served by the banks- have significant potential, with fewer homes, but of higher value. The housing model has been changing, and house builders have been adapting to this, with smaller, more vertical developments, synchronizing construction to the pace of sales (avoiding any stock build up). In summary, the outlook for the mortgage and housing markets in general continues to be favorable, offering increased opportunities to those who can adjust most rapidly to the changes required by the industry.

Table 1:

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

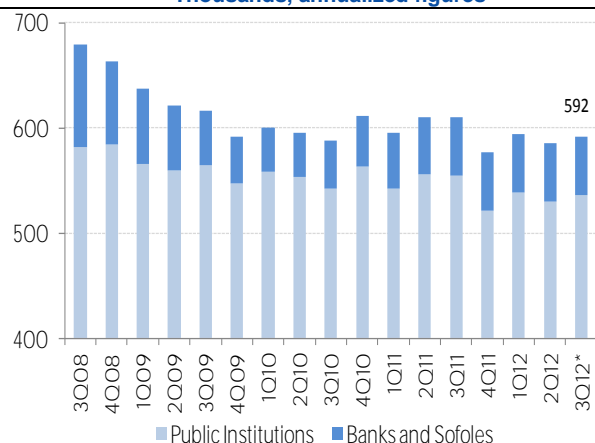
Body	Number of loans			Amount of lending		
	2011	2012	% change y/y	2011	2012	Real annual % change
Public institutions	321.6	336.3	4.6	95.9	101.4	5.8
Infonavit	285.1	292.9	2.7	79.4	79.7	0.4
Fovissste	36.5	43.4	19.1	16.5	21.7	31.7
Private intermediaries	49.7	54.9	10.3	41.9	52.1	24.5
Banks	48.8	54	10.8	41.4	51.8	25
Sofoles	1	0.8	-14.5	0.5	0.3	-28.8
Subtotal	371.3	391.2	5.3	137.7	153.5	11.5
Total co-financing (-)	37.7	36.6	-2.9			
Infonavit total (-)	24.1	19.1	-20.9	-	-	
Other co-financing (-)	13.6	17.5	28.6	-	-	---
Total	333.6	354.6	6.3	137.7	153.5	6.2

Source: BBVA Research with Infonavit, Fovissste, ABM and CNBV data

Chart 1 and 2

Number of loans by institution

Thousands, annualized figures



* To August

Source: BBVA Research with ABM, Infonavit and Fovissste data

% change y/y

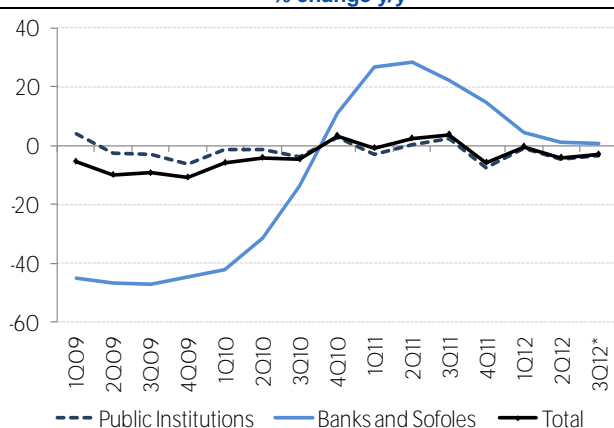
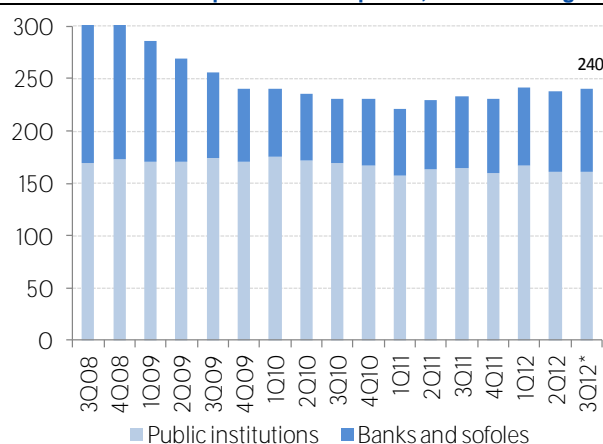


Chart 3 and 4

Amount of lending by institution

Billion pesos at 2012 prices, annualized figures



* To August

Source: BBVA Research with ABM, Infonavit and Fovissste data

% change y/y

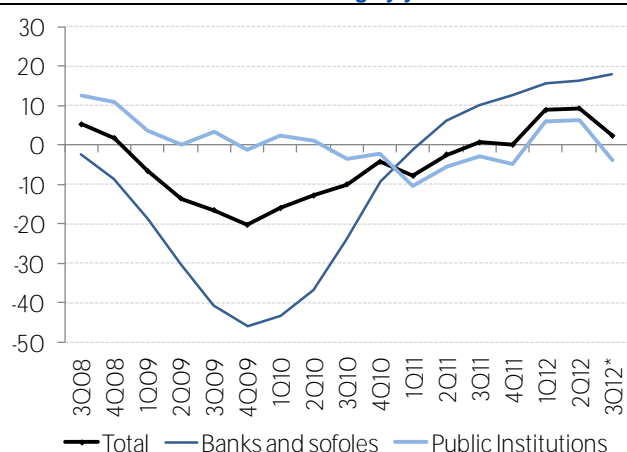
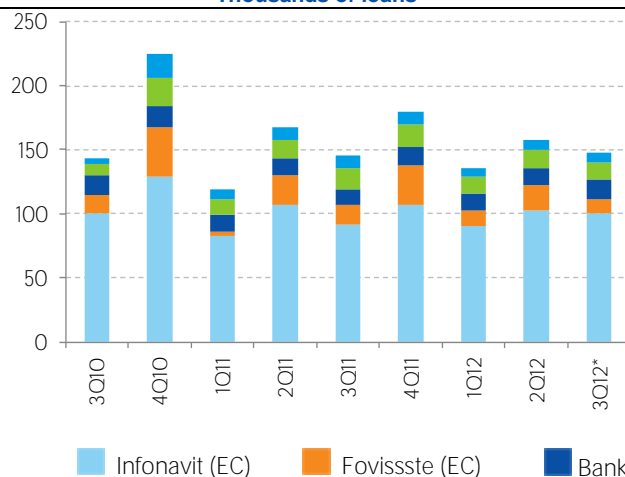


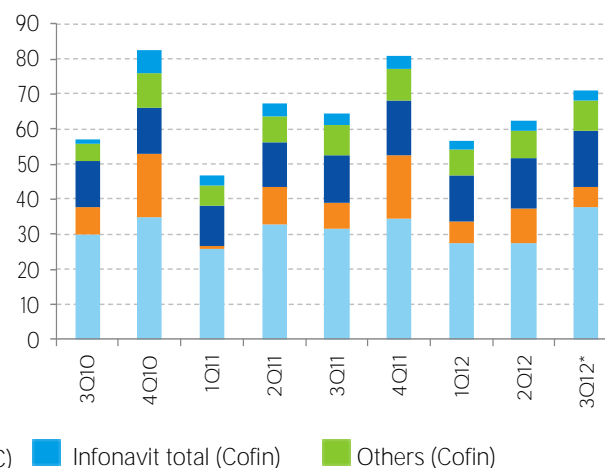
Chart 5 and 6

Mortgage loans by institution

Thousands of loans



Billion pesos, at 2012 prices



(EC) Equity capital. (Cofin) Co-financing (-)

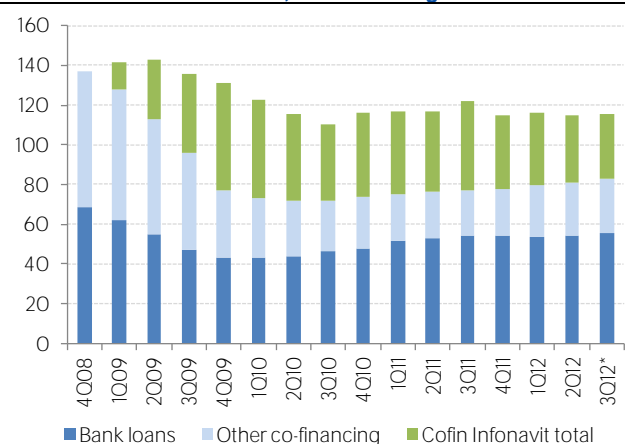
* To August

Source: BBVA Research with Infonavit, Fovissste and ABM data

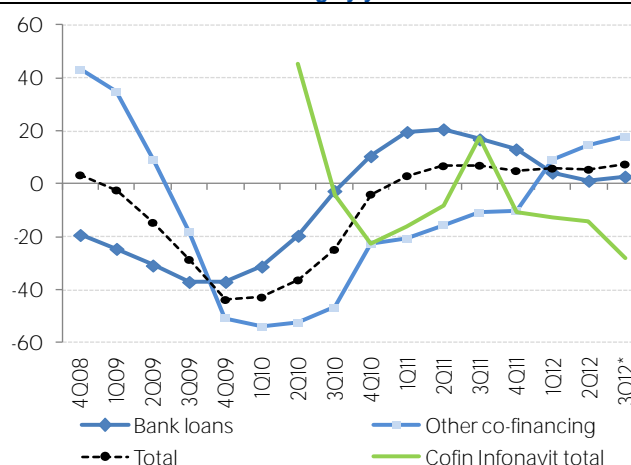
Chart 7 and 8

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.

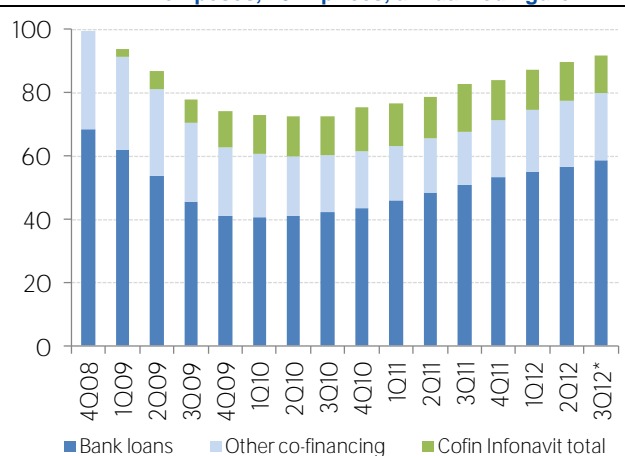
* To August

Source: BBVA Research with ABM, Infonavit and Fovissste data

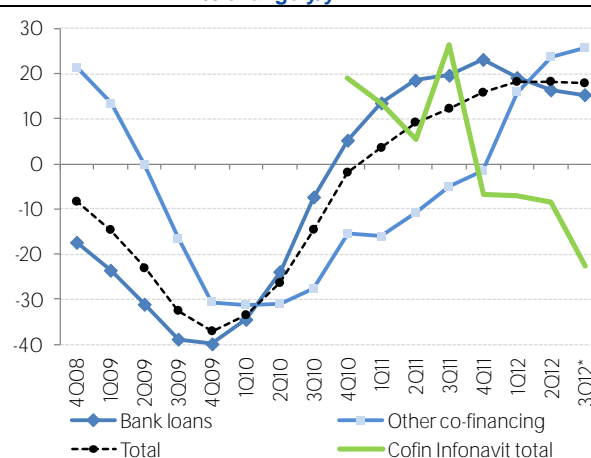
Chart 9 and 10

Amount of finance granted by commercial banks

Billion pesos, 2012 prices, annualized figure



% change y/y



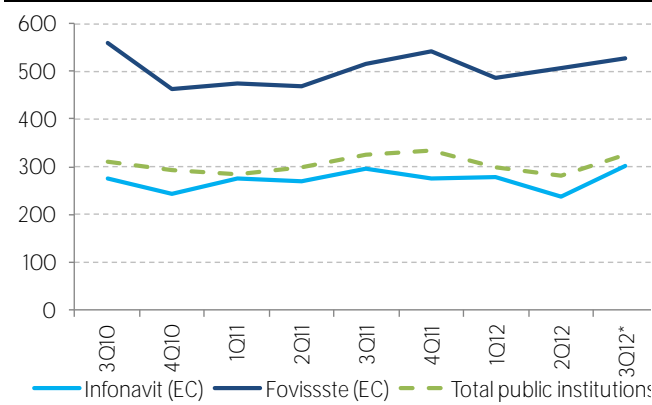
NB: From this issue we include the Infonavit Total product in banking products meaning the figures do not coincide with previous ones.

* To August

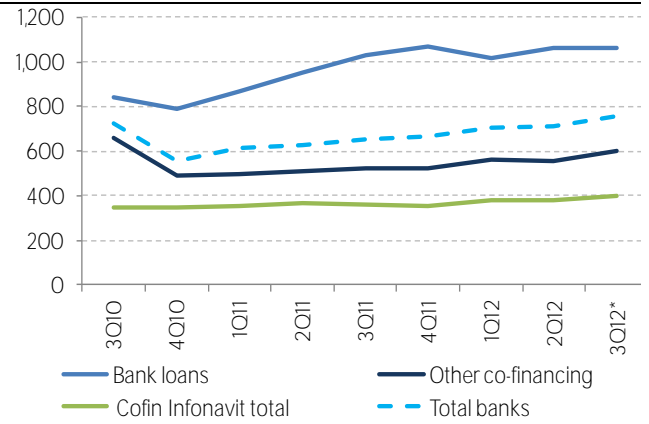
Source: BBVA Research with ABM, Infonavit and Fovissste data

Chart 11 and 12

Average mortgage value. Thousand pesos, 2012 prices
Public institutions



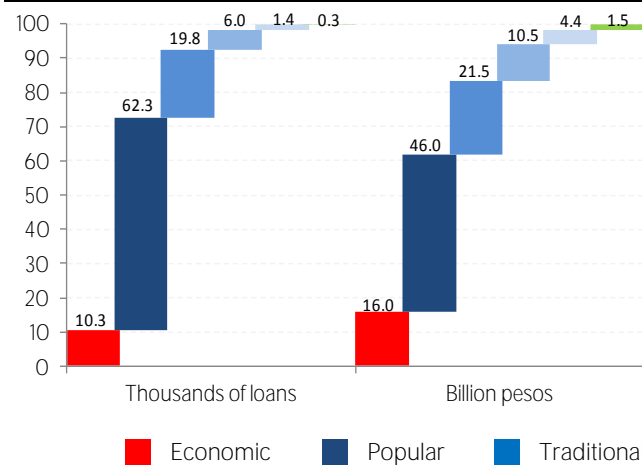
Banks



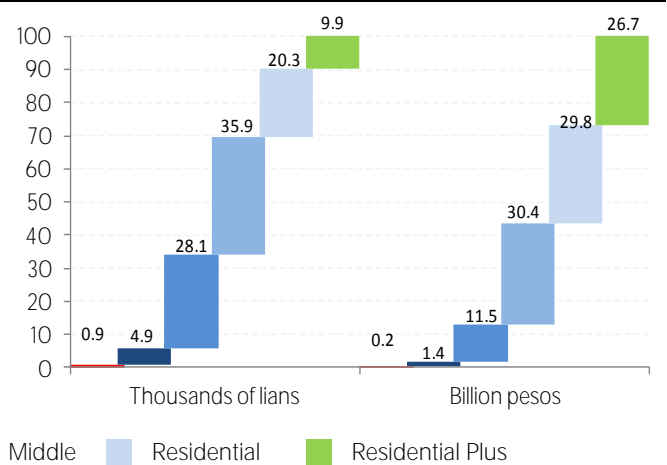
* To August
(EC) Equity capital. (Cofin) Co-financing (-)
Source: BBVA Research with Infonavit, Fovissste and ABM data

Chart 13 and 14

Housing sales, by segment. % Share, 2012*
Infonavit



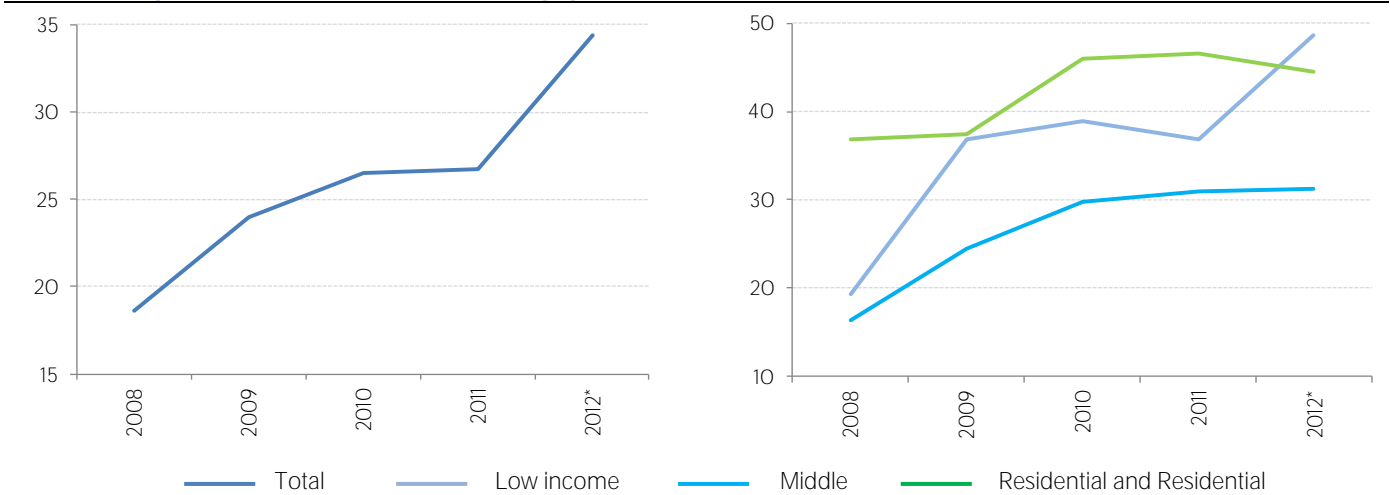
Commercial banking



*January-August
Source: BBVA Research with Infonavit and ABM data

Chart 15 and 16

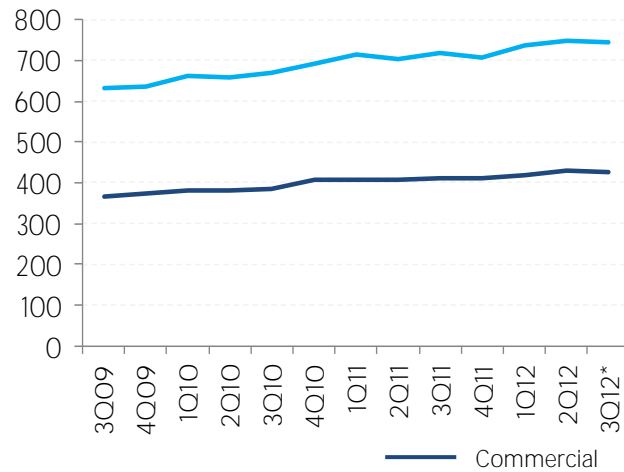
Used dwellings: Market participation % in mortgage loans from Infonavit



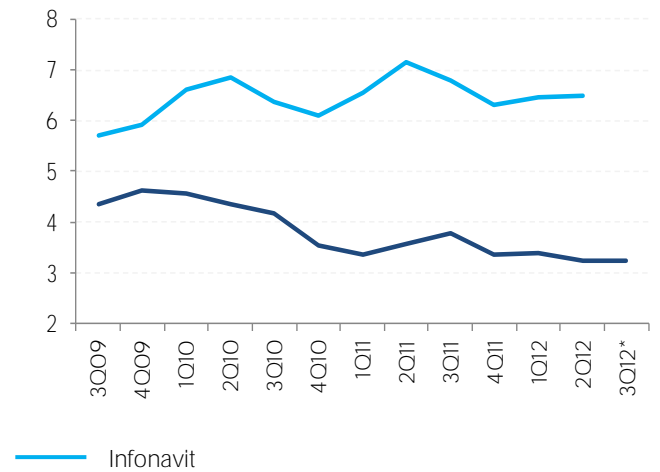
*To August
Source: BBVA Research with Infonavit data

Chart 17 and 18

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



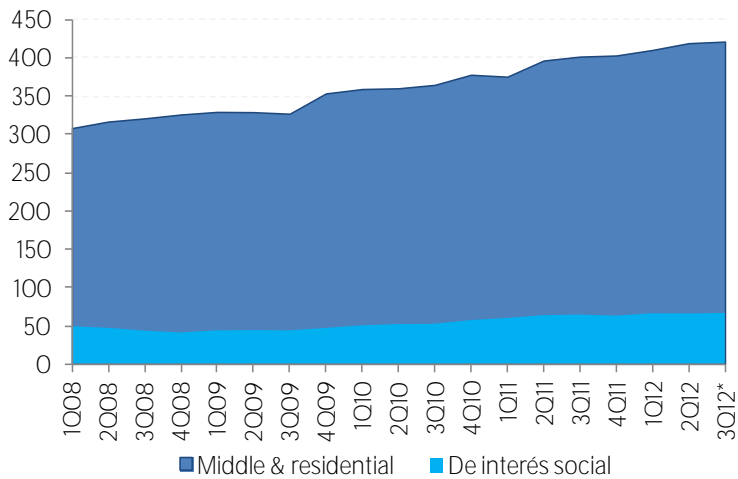
Delinquency index (%)



Sources: BBVA Research with Banxico data
*To August

Chart 19 and 20

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



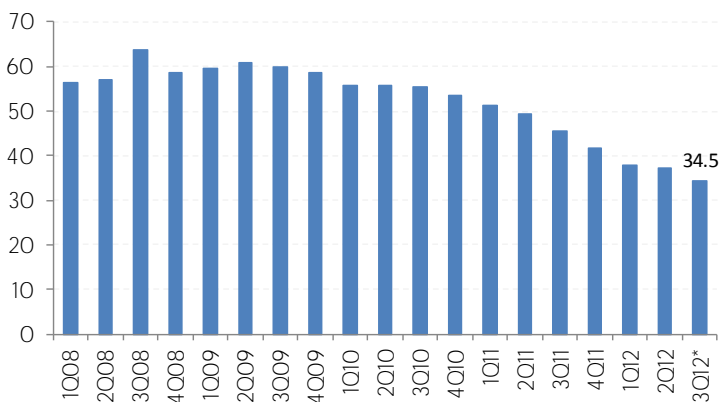
Delinquency index (%)



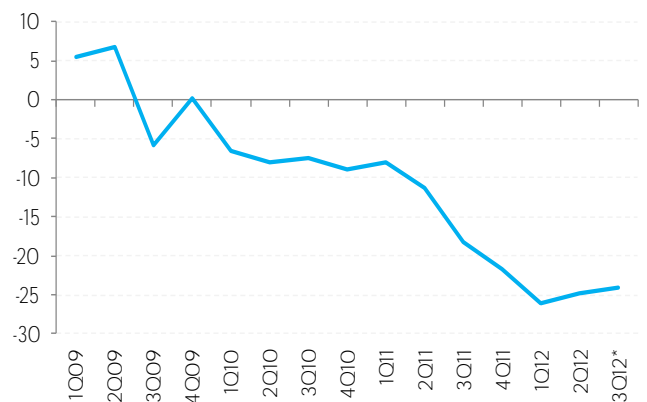
*To August
Source: BBVA Research with Federal Mortgage Society (CNBV) data

Chart 21 and 22

Construction loans, current portfolio balance
Billion pesos, 2012 prices



real % change y/y

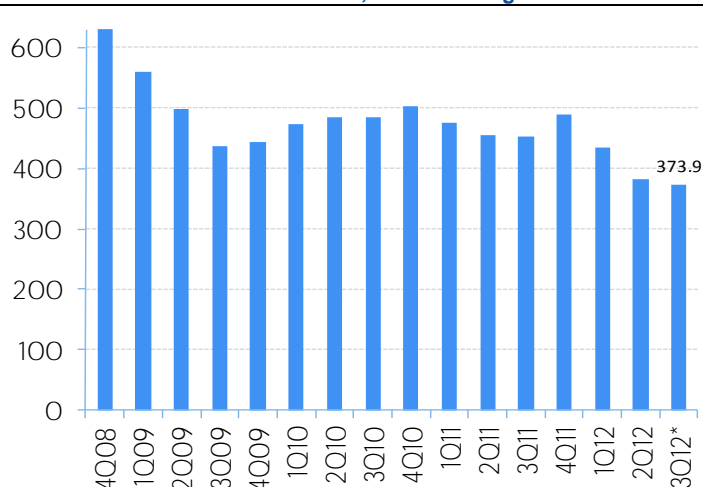


Sources: BBVA Research with Banxico data
*To August

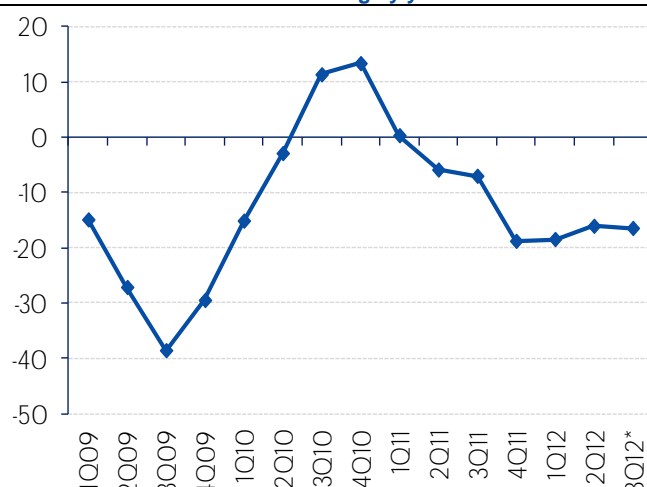
Chart 23 and 24

Housing starts: RUV

Thousands of homes, annualized figures



% change y/y



*To August

Source: BBVA Research, with RUV data

Table 2

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

	Total								Used (% of total)						
	Total	Economic	Popular	Traditional	Middle	Residential	Residential Plus		Total	Economic	Popular	Traditional	Middle	Residential	Residential Plus
Ags	5574	824	3487	952	289	22	0	Ags	37	38	34	52	16	23	
BC	15345	695	10850	2833	797	164	6	BC	33	86	22	61	36	38	100
BCS	2181	82	1002	948	125	23	1	BCS	48	83	46	49	40	43	0
Cam	1507	81	950	322	134	19	1	Cam	50	58	42	75	50	21	100
Coah	13363	907	9165	2539	650	97	5	Coah	47	68	41	67	31	27	100
Col	2338	274	1560	403	91	10	0	Col	40	99	28	50	37	10	
Chis	2780	43	2067	546	113	11	0	Chis	32	40	16	85	53	64	
Chih	11692	981	7609	2230	757	106	9	Chih	53	81	45	75	32	22	67
DF	23218	11017	3299	3968	3045	1434	455	DF	88	100	100	91	49	52	67
Dgo	3521	222	2769	441	78	9	2	Dgo	46	76	41	65	45	44	50
Gto	14112	355	10425	2643	604	81	4	Gto	32	99	27	48	25	30	25
Gro	1895	48	873	796	156	20	2	Gro	49	100	56	41	37	60	50
Hgo	5748	232	3952	1369	174	21	0	Hgo	18	30	12	30	30	29	
Jal	26757	1433	18102	5109	1789	288	36	Jal	17	13	9	42	23	35	47
Mex	26536	1807	13567	8682	1800	585	95	Mex	22	100	11	23	24	16	13
Mich	5491	155	4133	889	272	41	1	Mich	24	54	15	54	29	32	0
Mor	3521	44	1561	1402	434	64	16	Mor	33	100	20	45	35	58	44
Nay	2209	48	1641	420	93	7	0	Nay	35	90	28	52	41	43	
NL	33552	3226	21163	6349	2083	641	90	NL	15	12	9	32	25	31	34
Oax	862	77	525	201	53	6	0	Oax	56	83	48	71	42	67	
Pue	8756	201	6280	1702	493	70	10	Pue	24	50	17	44	25	29	20
Qro	8514	72	4581	2634	1011	203	13	Qro	15	96	8	23	15	17	54
QR	9826	327	7542	1554	365	35	3	QR	8	17	4	19	23	37	0
SLP	6486	315	4309	1320	476	63	3	SLP	44	98	42	47	22	35	67
Sin	7077	577	4918	1203	344	35	0	Sin	46	85	43	45	23	20	
Son	11834	1102	8638	1676	366	45	7	Son	41	74	32	62	38	40	29
Tab	3280	80	2403	612	163	19	3	Tab	32	56	20	73	47	58	0
Tamps	11636	769	8973	1494	361	38	1	Tamps	35	82	25	63	51	63	100
Tlax	1978	799	926	224	27	2	0	Tlax	78	94	63	80	78	100	
Ver	11933	950	8218	2266	435	61	3	Ver	34	35	25	64	49	15	33
Yuc	6891	932	4690	975	253	36	5	Yuc	35	67	28	42	27	31	40
Zac	2102	66	1586	336	102	11	1	Zac	28	88	22	46	23	18	0
Nac	292515	28741	181764	59038	17933	4267	772	Nac	34.10	74	24	47	32	36	53

Source: BBVA Research with Infonavit data

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