

Mexico Real Estate Flash

Mortgage market: seeking new sources of growth

2011 and 2012 have been years of sharp growth in the mortgage market, particularly in commercial banking. This has been achieved by diversifying the range of products and making them more appealing to buyers. From now on, growth will be based above all on developments for segments which have not been so strongly targeted so far.

- **To September, seven quarters with double-digit growth**

Aggregate figures to September show an 17.1% annual growth in mortgage lending granted by commercial banks in the amount lent and 9.7% in the number of loans, in real terms. Measured only in terms of the amount lent, lending has reported positive rates since the third quarter of 2010, and double-digit growth since the first quarter of 2011; over the last seven quarters, average growth in lending has been 19.5% y/y in real terms.

Mortgage lending for public institutions has reported a more modest performance in 2012. To September, the number of loans has increased 2.4% in annual terms, while the amount lent rose by 1.8% in real terms. Considering that both institutions reduced their annual targets of complete home financing - Infonavit from 448 to 440 thousand, and Fovissste from 75 to 70 thousand - the positive figures actually reflect a more uniform monthly distribution in Fovissste's lending than in previous years.

- **A good deal of the growth in mortgage lending is due to improved access**

The sharp growth in mortgage lending in recent years is partly due to the improved conditions of mortgage loans: by granting the general population easier access to lending, and making the mortgage product more appealing. For example, mortgage interest rates have fallen from levels of around 13% in 2009 to 10% in 2012, due to higher competition between banks, but also to the improved economic conditions, particularly the fall in inflation levels and Mexico's risk premium. Another key factor is the increased demand, largely fuelled by the growth in employment and income levels. Since the second half of 2010, employment has risen at higher rates than the economy as a whole (4.6% vs. 4.4% respectively).

The increased average amount lent in mortgages is the result of these two factors, of higher access and greater demand. The average amount lent in bank loans rose from 918 to 1,056 thousand pesos at constant prices, an increase of 15% in real terms, between the third quarter of 2010 and the third quarter of 2012.

- **There is still a good deal of room for growth, though new products are required**

Although banks still have a margin to grow using the products which have shaped their lending so far - given the lag in meeting housing needs for mid and high income population segments - from now on growth will be driven by other sources. Much has been said about the potential of the population who are not registered at public institutions, and also rented homes. Appropriate products need to be developed for both these segments, to cover the latent demand and also to ensure that risks are handled prudently.

There is also, however, a good deal of potential to be found in the population of workers registered with the public institutions. In Infonavit's case, second loans already exist, and will help to drive demand for homes. And as for Fovissste, there is also an important market which could be targeted. There are 1.8 million people registered with this institution who have still not used their mortgage loan, and who to do so demand on the results of a draw (in other words, it is not guaranteed). Their income level and job stability (in both cases, higher than in the private sector), and also the fact that they are paid electronically, make this population a very attractive target. Mortgage lending by banks in the years to come could be boosted by strengthening co-financing programs for these workers or by designing new products for them (such as using the housing sub-account as guarantee to pay rent). Fovissste in fact is planning to launch a refurbishment loan - similar to Infonavit's "Renew your home" ("Renueva tu hogar"), which has been very well received by its members. This could be one of many initiatives which could help boost home loan products amongst public sector workers.

Table 1:

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

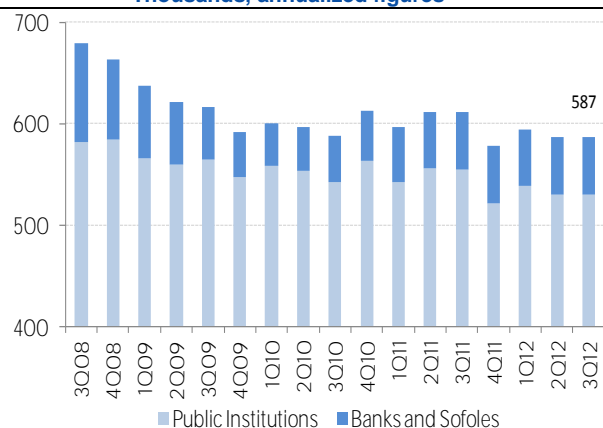
Body	Number of loans			Amount of lending		
	2011	2012	% change y/y	2011	2012	Real annual % change
Public institutions	365.3	374.2	2.4	105.3	112.3	1.8
Infonavit	322.0	326.2	1.3	85.7	88.3	-1.6
Fovissste	43.3	48	10.9	19.6	24	16.9
Private intermediaries	57.6	62.9	9.2	49.1	59.9	16.6
Banks	56.5	62	9.7	48.5	59.6	17.1
Sofoles	1.1	0.9	-18.2	0.5	0.4	-33.7
Subtotal	422.9	437.1	3.4	154.4	172.2	6.5
Total co-financing (-)	43.0	40.8	-5.1			
Infonavit total (-)	27.1	21		-	-	
Other co-financing (-)	15.9	19.8		-	-	---
Total	379.9	396.3	4.3	154.4	172.2	6.5

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

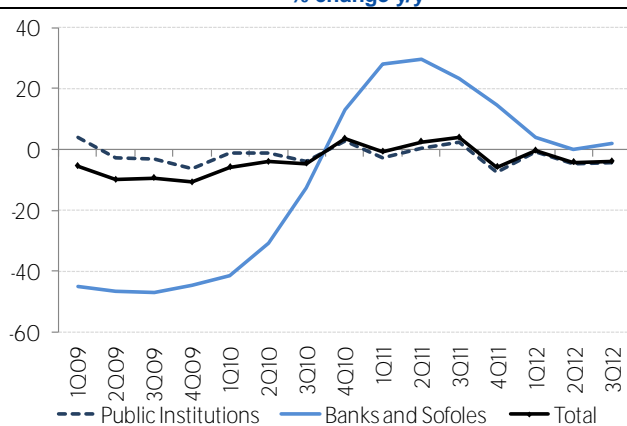
Chart 1 and 2

Number of loans by institution

Thousands, annualized figures



% change y/y

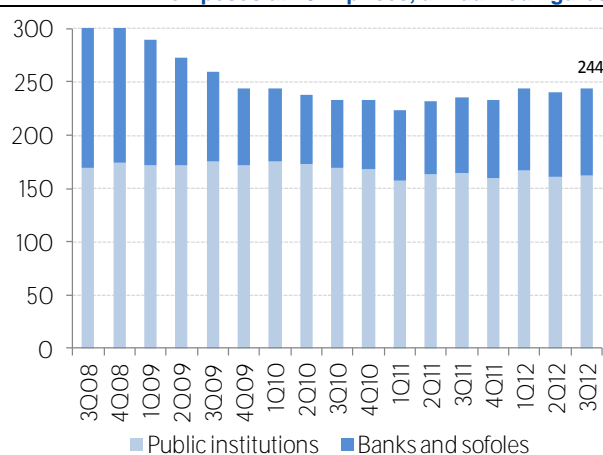


Source: BBVA Research with ABM, Infonavit and Fovissste data

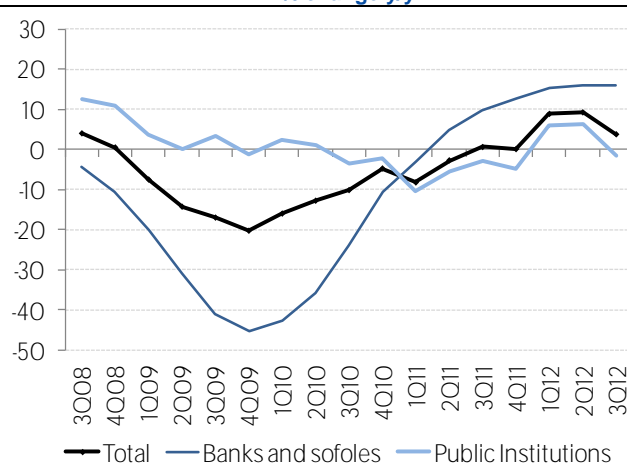
Chart 3 and 4

Amount of lending by institution

Billion pesos at 2012 prices, annualized figures



% change y/y

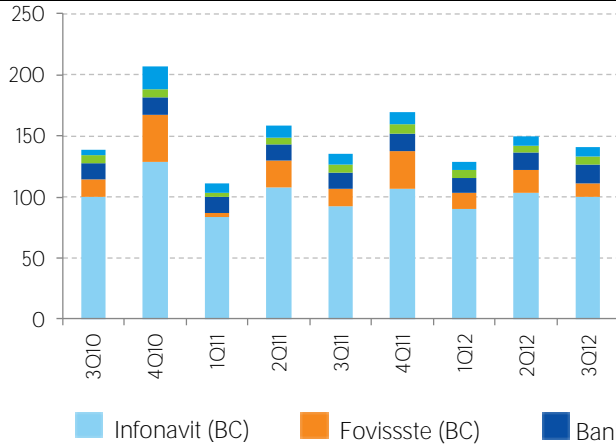


Source: BBVA Research with ABM, Infonavit and Fovissste data

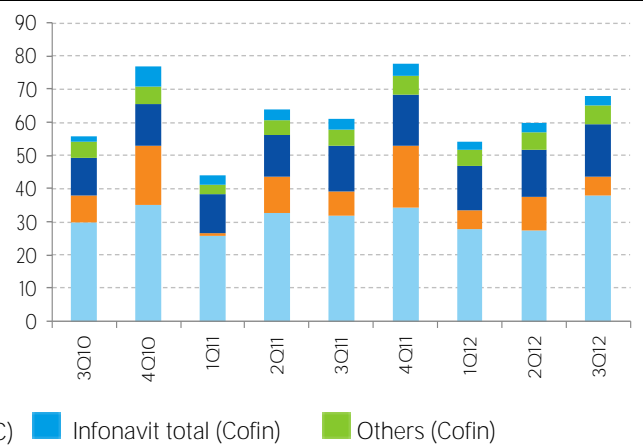
Chart 5 and 6

Mortgage loans by institution

Thousands of loans



Billion pesos, at 2012 prices



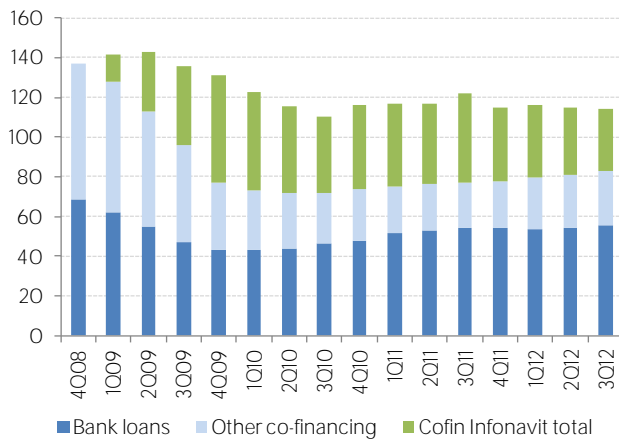
(BC) Bank capital. (Cofin) Co-financing

Source: BBVA Research with Infonavit, Fovissste and ABM data

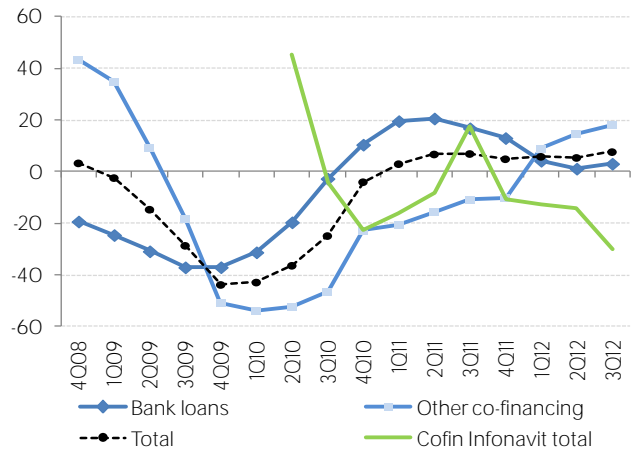
Chart 7 and 8

Number of loans granted by commercial banks

Thousands, annualized figures



% change y/y



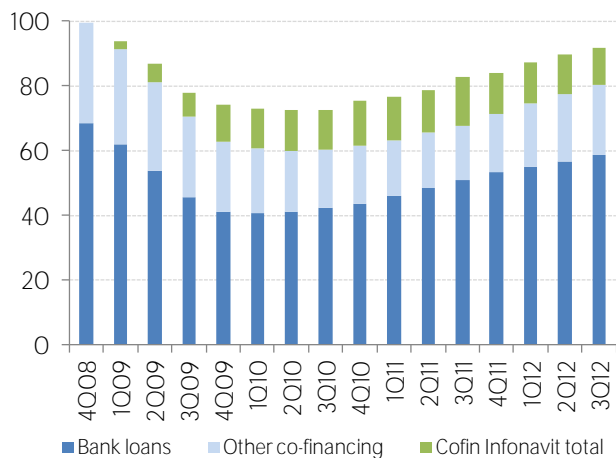
NB: From this issue we include the Infonavit Total product in banking products meaning the figures do not coincide with previous ones.

Source: BBVA Research with ABM, Infonavit and Fovissste data

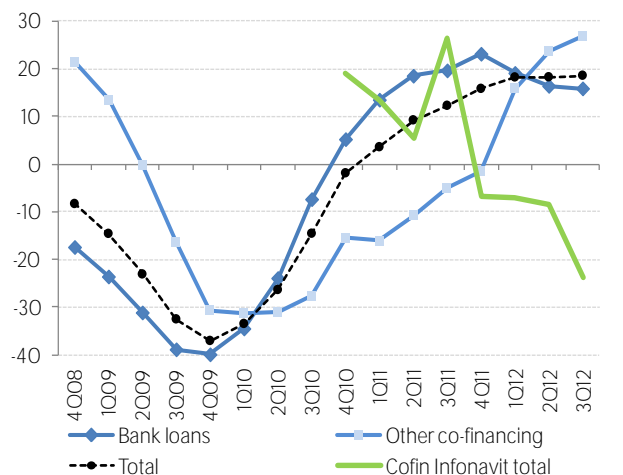
Chart 9 and 10

Amount of finance granted by commercial banks

Billion pesos, 2012 prices, annualized figure



% change y/y

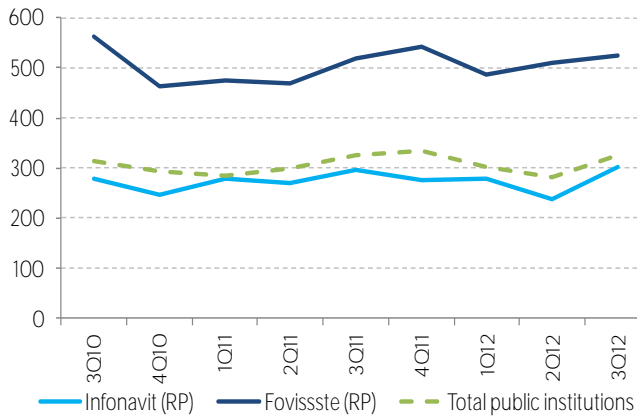


NB: From this issue we include the Infonavit Total product in banking products meaning the figures do not coincide with previous ones.

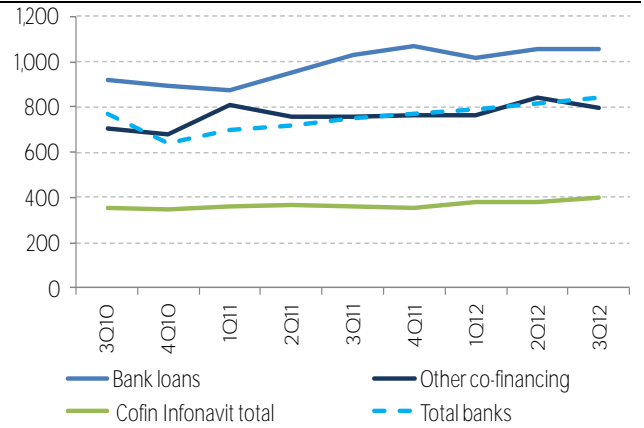
Source: BBVA Research with ABM, Infonavit and Fovissste data

Chart 11 and 12

Average mortgage value. Thousand pesos, 2012 prices
Public institutions



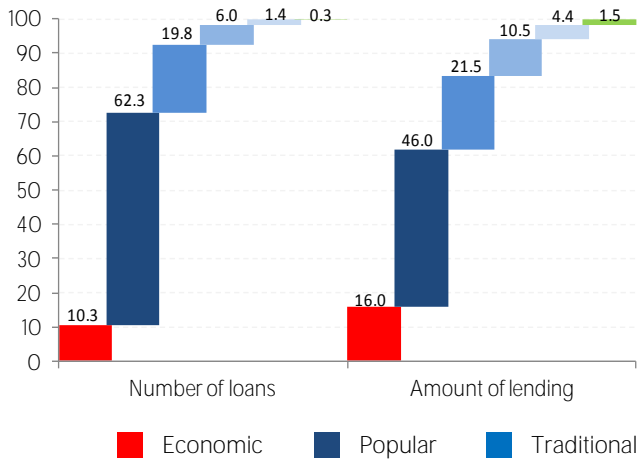
Banks



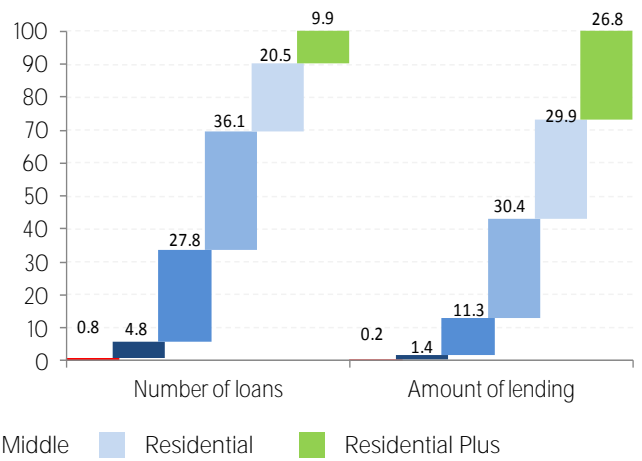
(BC) Bank capital. (Cofin) Co-financing (-)
Source: BBVA Research with Infonavit, Fovissste and ABM data

Chart 13 and 14

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



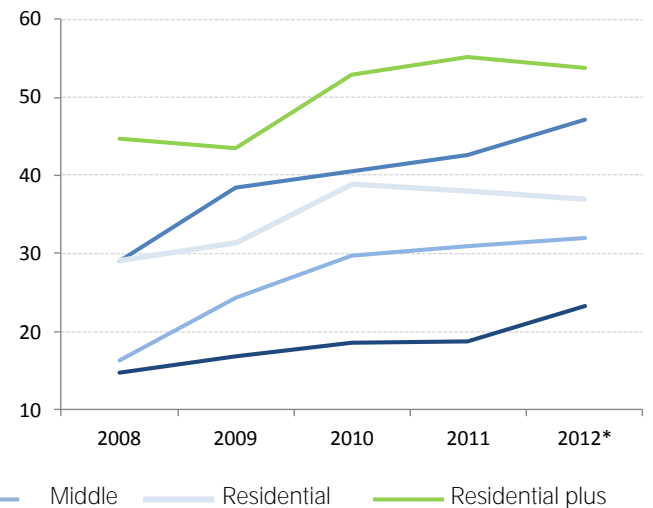
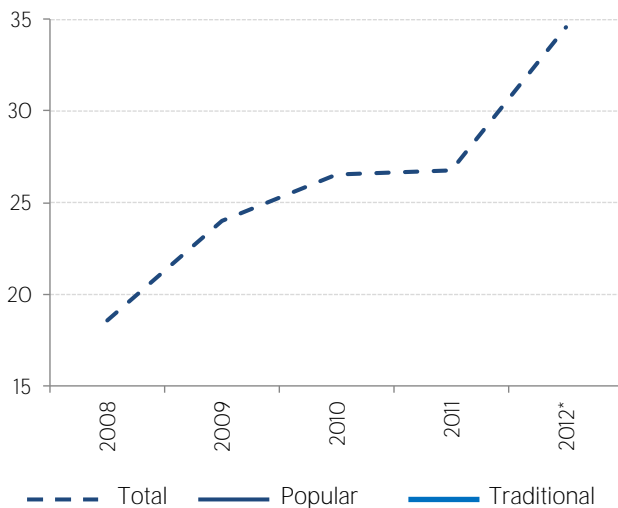
Commercial banking



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

Chart 15 and 16

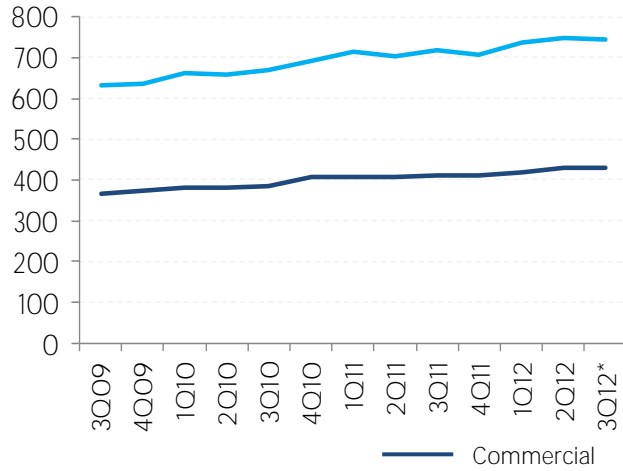
Existing homes: Market participation % in mortgage loans from Infonavit



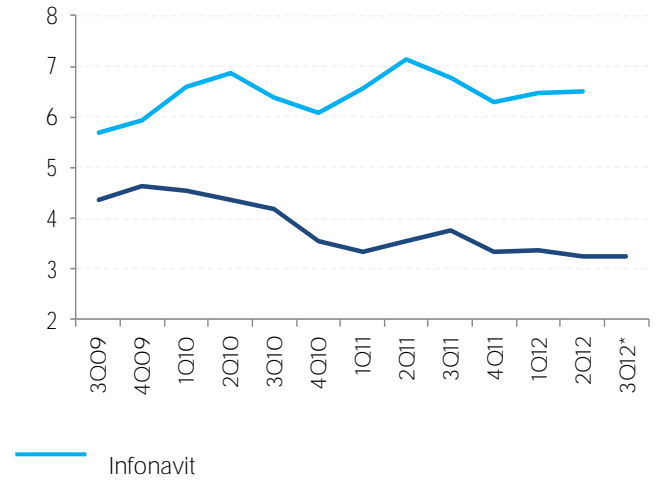
*To September
Source: BBVA Research with Infonavit data

Chart 17 and 18

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



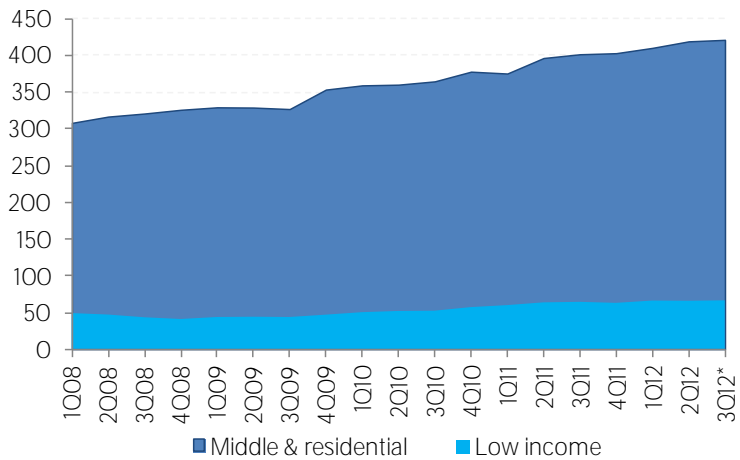
delinquency rate (%)



Sources: BBVA Research with Banxico data
*To August

Chart 19 and 20

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



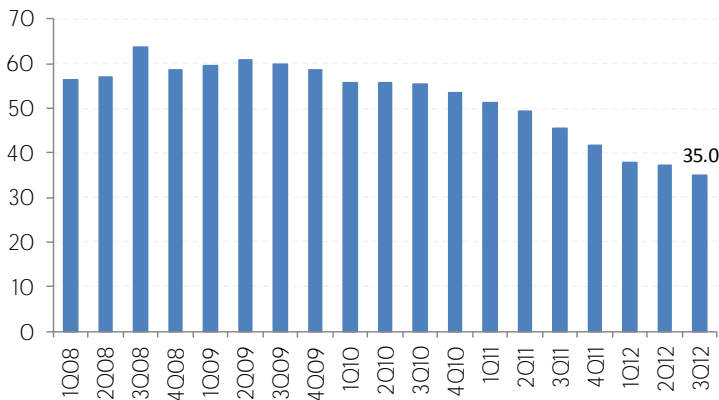
real % change y/y



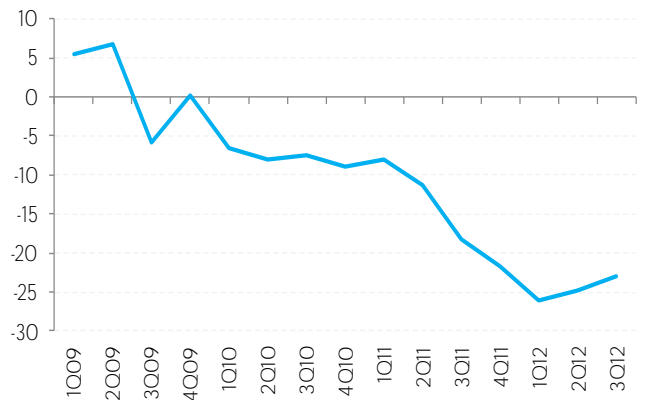
*To August
Source: BBVA Research with Federal Mortgage Society (CNBV) data

Chart 21 and 22

Construction loans, current portfolio balance
Billion pesos, 2012 prices



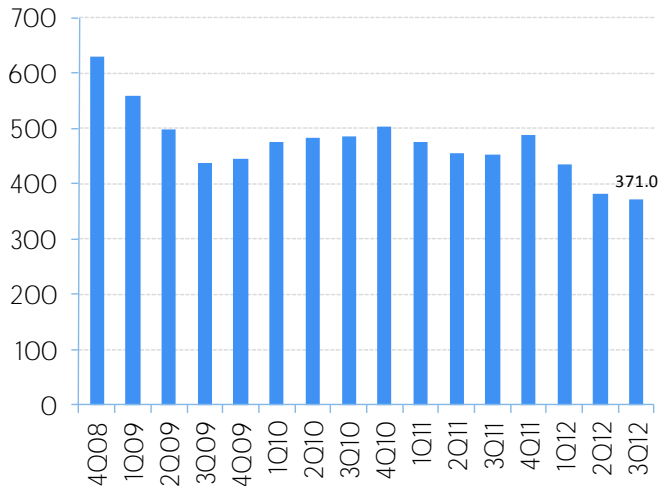
real % change y/y



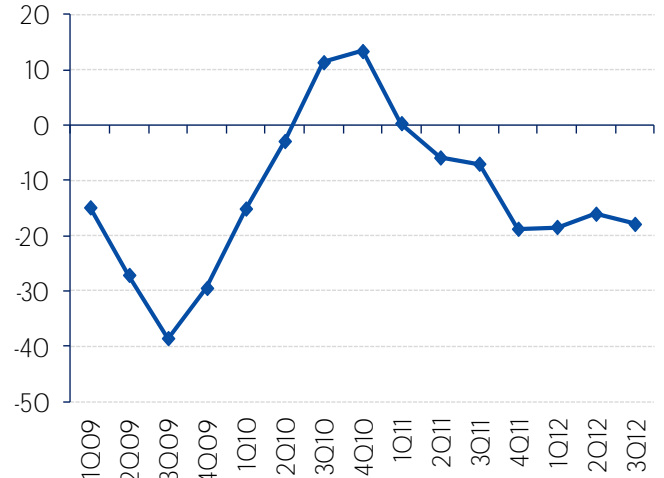
Sources: BBVA Research with Banxico data

Chart 23 and 24

Housing starts: RUV
Thousands of homes, annualized figures



% change y/y



Source: BBVA Research, with RUV data

Table 2

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

	Total									Used (% of total)							
	Total	Economic	Popular	Traditional	Middle	Residential	Residential Plus	Total		Economic	Popular	Traditional	Middle	Residential	Residential Plus		
Ags	6160	902	3809	1088	335	26	0	Ags	37	38	35	51	16	23			
BC	17396	800	12340	3170	891	188	7	BC	33	87	22	62	37	39	100		
BCS	2389	89	1076	1047	144	32	1	BCS	47	84	45	48	42	41	0		
Cam	1639	84	1023	356	154	21	1	Cam	50	58	42	74	49	24	100		
Coah	14645	989	9977	2835	732	107	5	Coah	48	70	42	67	30	27	100		
Col	2550	291	1697	447	105	10	0	Col	40	99	28	50	36	10			
Chis	3213	48	2422	602	129	12	0	Chis	31	44	16	86	54	67			
Chih	13482	1077	8907	2504	856	126	12	Chih	52	82	44	75	32	21	58		
DF	24460	11036	3446	4376	3473	1614	515	DF	87	100	100	91	49	53	67		
Dgo	3812	237	2980	491	90	12	2	Dgo	47	75	41	67	46	42	50		
Gto	15992	393	11843	2986	678	85	7	Gto	32	99	26	47	24	29	29		
Gro	2169	52	993	915	186	21	2	Gro	49	100	55	41	37	62	50		
Hgo	6390	247	4368	1556	197	22	0	Hgo	18	31	12	29	30	32			
Jal	29732	1528	20128	5723	1977	336	40	Jal	17	14	9	42	24	35	50		
Mex	29998	1817	15558	9873	2012	632	106	Mex	21	100	10	23	25	18	16		
Mich	6018	176	4485	1005	303	47	2	Mich	24	57	16	55	30	34	50		
Mor	4104	45	1912	1566	485	78	18	Mor	32	100	18	43	36	56	44		
Nay	2554	54	1892	489	111	8	0	Nay	34	91	27	51	42	50			
NL	37544	3685	23614	7044	2403	701	97	NL	15	12	9	32	25	32	35		
Oax	1033	85	653	229	60	6	0	Oax	54	85	46	70	43	67			
Pue	9841	215	7047	1903	576	89	11	Pue	24	52	17	45	26	26	18		
Qro	9567	79	5093	2991	1163	226	15	Qro	15	96	8	23	16	15	53		
QR	11127	350	8575	1737	418	44	3	QR	8	17	4	19	22	34	0		
SLP	7077	353	4670	1466	511	74	3	SLP	45	97	43	46	22	31	67		
Sin	8063	636	5623	1386	378	39	1	Sin	44	85	41	44	22	21			
Son	13210	1177	9662	1897	418	49	7	Son	40	75	32	63	37	41	29		
Tab	3706	86	2701	696	194	26	3	Tab	33	58	20	74	47	42	0		
Tamps	12880	865	9886	1696	391	41	1	Tamps	35	82	26	63	51	61	100		
Tlax	2095	817	1000	245	31	2	0	Tlax	77	94	63	78	74	100			
Ver	13396	1067	9232	2537	487	68	5	Ver	34	36	25	64	50	13	40		
Yuc	7595	1029	5111	1125	287	37	6	Yuc	35	66	29	40	26	30	50		
Zac	2322	74	1720	397	118	12	1	Zac	28	88	22	45	22	17	0		
Total	326159	30383	203443	66378	20293	4791	871	Nac	33.64	73	23	47	32	37	54		

Source: BBVA Research with Infonavit data

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