

Mexico Real Estate Flash

Mortgage market: two versions of the same story

If we were to judge how the situation is unfolding in the Mexican mortgage market purely by the information provided by Infonavit, we would have to say that the drivers of the mortgage lending are beginning to run out of steam. If, on the other hand, we use the data from banks and Fovissste, we would conclude that the mortgage market still has plenty of growth potential. How can two sources tell such different stories? Really it is the same story, we just need to take into account the differentiation in the market and diversification of financing products.

- **Banking and Fovissste, favored by the economic setting**

In a year in which economic output and employment are reporting growth of close to 4%, mortgage lending by commercial banks has posted double-digit growth for the second successive year. In October, annual growth in mortgage lending was 10.6%, while annual growth in total loans was up 17.8%, measured in real terms; during the January-October period, there was a rise of 9.8% in the number of loans and of 16.8% in the amount. This increase is due to two factors; first, the volume of loans and second, the average amount of each individual mortgage. There has been significant growth in the latter in recent years, in fact over the last two years this amount has increased by 30% in real terms.

For Fovissste, whose resources for granting funding largely depend on recovery of the portfolio, conditions have been better this year than in previous years, due to the prompter payment it receives from federal authorities and agencies of the amounts charged from employees who have been awarded credit. Fovissste now has better instruments at its disposal to guarantee that these payments are made in suitable form. Thus, growth in the Fovissste (15.2% per annum in number of loans during the January-October period) is not due to greater activity but simply to statistical factors: while in former years most of the credit was granted at year end, in 2012 the activity has been spread out more evenly. Going on this same principle, we would expect the figures to show a negative annual variation in the last months of the year. And looking ahead to 2013, growth should be very timid, given that according to Fovissste estimates, the number of loans to be granted will not change (or the change will be very small) compared to 2012, a year which will remain at levels close to 2011, of between 70 thousand and 75 thousand loans.

- **In Infonavit, it is important to consider the diversification of loan products... and what else?**

To October, Infonavit recorded annual growth of a mere 1.5%, and less than 1% in the number of loans, in real terms. The explanation is simple: in its yearly financing program, refurbishment loans have begun to play a more important role, to the point that in 2012 they actually account for one out of every five loans granted by the institute. Another reason is the availability of homes - and this is something that is worth looking at in more detail. At national level, existing homes account for 35%, but in some banks, the figure rises to near or above 50% - banks such as Baja California Sur, Campeche, Coahuila, Durango, Guerrero y Oaxaca - while for Mexico City the figure reaches 80%. People who are hoping to buy a new home with a loan from this institute may be starting to have trouble in choosing one. In year-on-year terms, housing starts remain in the region of 370,000, which measured as a proportion of total mortgages being awarded (590,000) represents 63%. These could possibly be the first signs to show - or anticipate - a rebound in home building; but this hypothesis would have to be confirmed.

- **Outlook points to a continued growth on the market**

There is not really any contradiction in the mortgage loan placement figures. In Infonavit, the results are due to the diversification in the lending options offered to members and the fact that it has been well received (which suggests that there is plenty of room for development in this market, both in Fovissste and in the banks), and possibly some kind of restriction on increasing credit for a new home. In banks, the figures point to a favorable setting in economic and financing conditions. Both suggest that the mortgage market still has room to grow, although, as we have said, through the development of new products.

Table 1

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

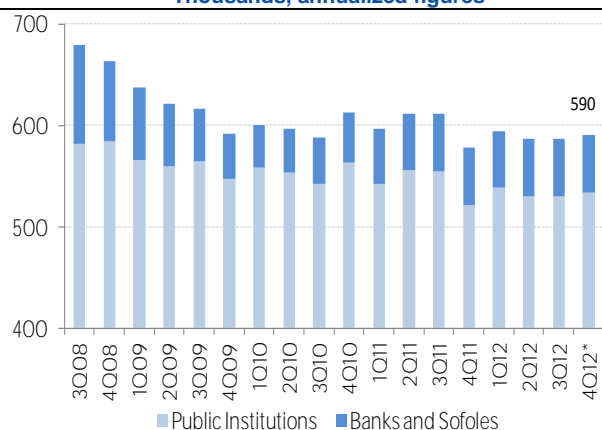
| Agency | Number of loans (thousands) | | | Amount of lending (Billion pesos) | | |
|------------------------|-----------------------------|--------------|--------------|-----------------------------------|--------------|----------------------|
| | 2011 | 2012 | % change y/y | 2011 | 2012 | Real annual % change |
| Public institutions | 403.6 | 416.1 | 3.1 | 115.2 | 126.2 | 4.8 |
| Infonavit | 355.3 | 360.4 | 1.5 | 93.3 | 98.2 | 0.6 |
| Fovissste | 48.3 | 55.7 | 15.2 | 21.9 | 28.0 | 22.4 |
| Private intermediaries | 65.9 | 71.7 | 8.7 | 56.1 | 67.9 | 15.7 |
| Banks | 63.5 | 69.7 | 9.8 | 55.0 | 67.2 | 16.8 |
| Sofoles | 2.5 | 1.9 | -21.0 | 1.1 | 0.7 | -37.2 |
| Subtotal | 469.5 | 487.7 | 3.9 | 171.3 | 194.2 | 8.3 |
| Total co-financing (-) | 48.7 | 45.4 | -6.8 | - | - | --- |
| Infonavit total (-) | 30.4 | 23.3 | -23.5 | - | - | --- |
| Other co-financing (-) | 18.3 | 22.1 | 20.9 | - | - | --- |
| Total | 420.8 | 442.4 | 5.1 | 171.3 | 194.2 | 8.3 |

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

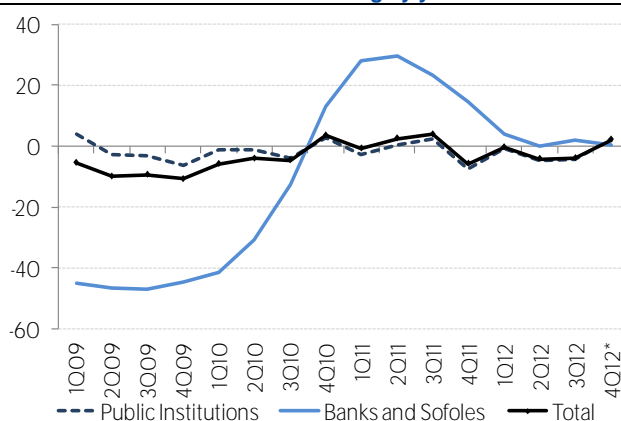
Chart 1 and 2

Number of loans by institution

Thousands, annualized figures



% change y/y



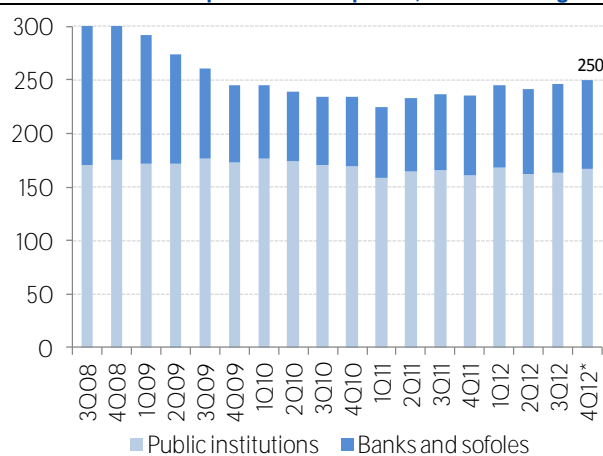
* To October

Source: BBVA Research with ABM, Infonavit and Fovissste data

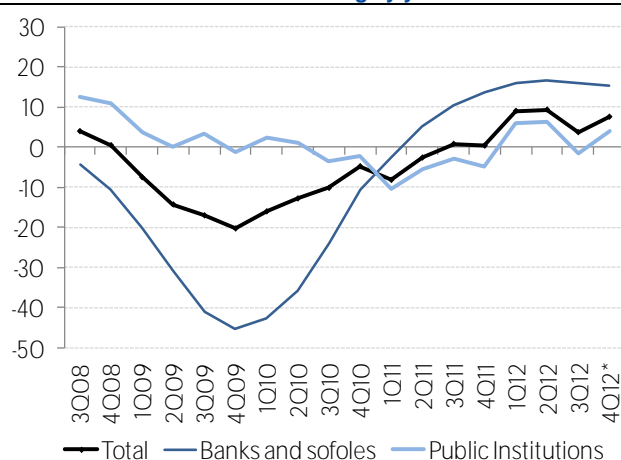
Chart 3 and 4

Amount of lending by institution

Billion pesos at 2012 prices, annualized figures



% change y/y



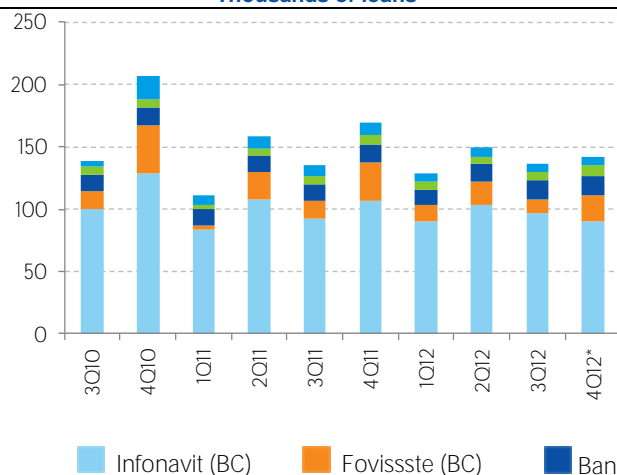
* To October

Source: BBVA Research with ABM, Infonavit and Fovissste data

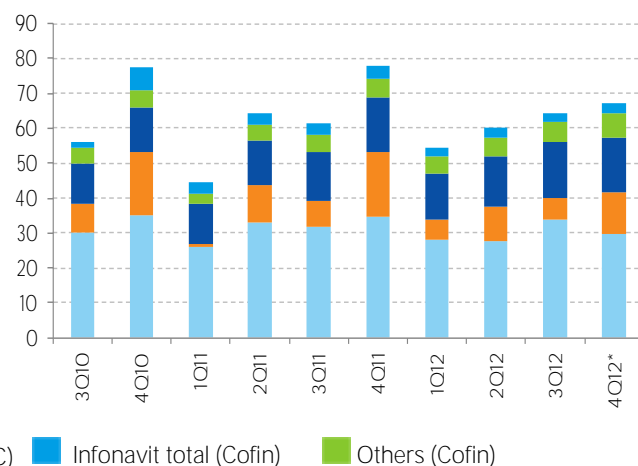
Chart 5 and 6

Mortgage loans by institution

Thousands of loans



Billion pesos, at 2012 prices



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

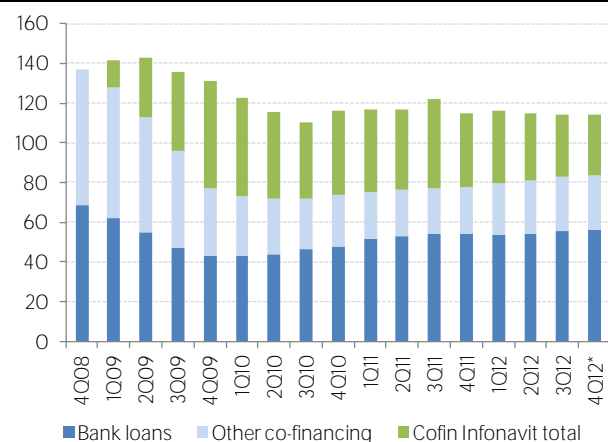
* October

Source: BBVA Research with Infonavit, Fovissste and ABM data

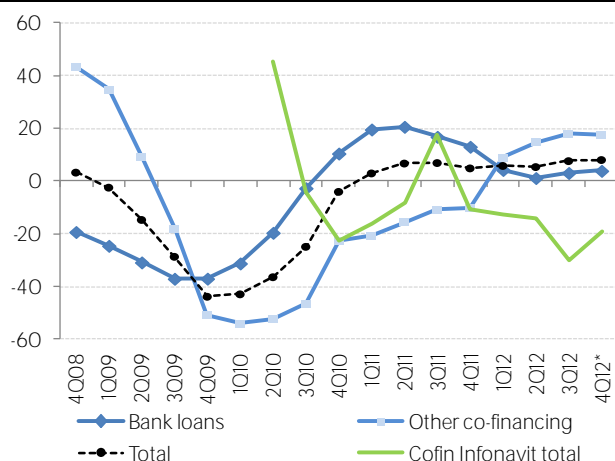
Chart 7 and 8

Number of loans granted by commercial banks

Thousands, annualized figures



% change y/y



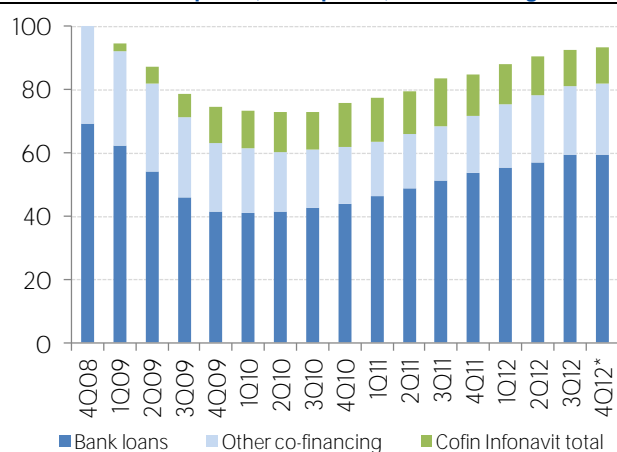
* October

Source: BBVA Research with ABM, Infonavit and Fovissste data

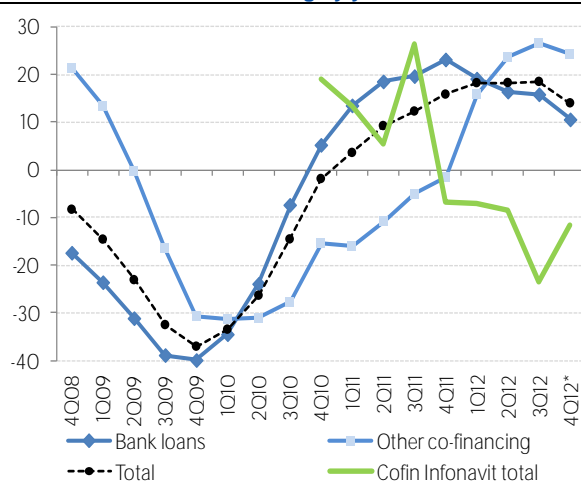
Chart 9 and 10

Amount of finance granted by commercial banks

Billion pesos, 2012 prices, annualized figures



% change y/y

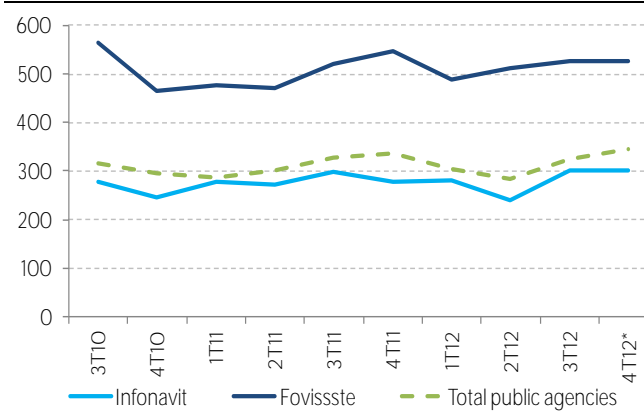


* October

Source: BBVA Research with ABM, Infonavit and Fovissste data

Chart 11 and 12

Average mortgage value. Thousand pesos, 2012 prices
Public institutions



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

Banks

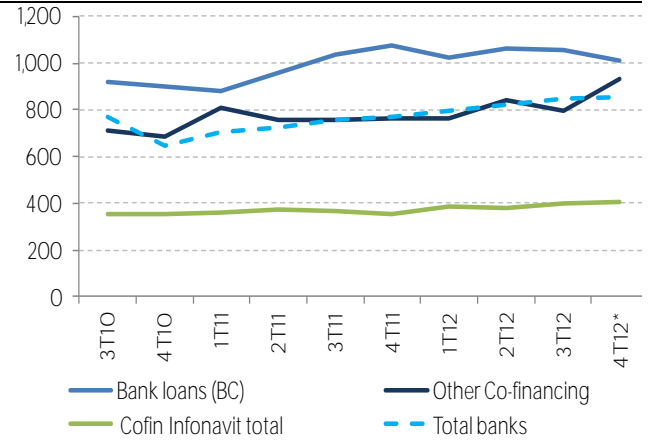
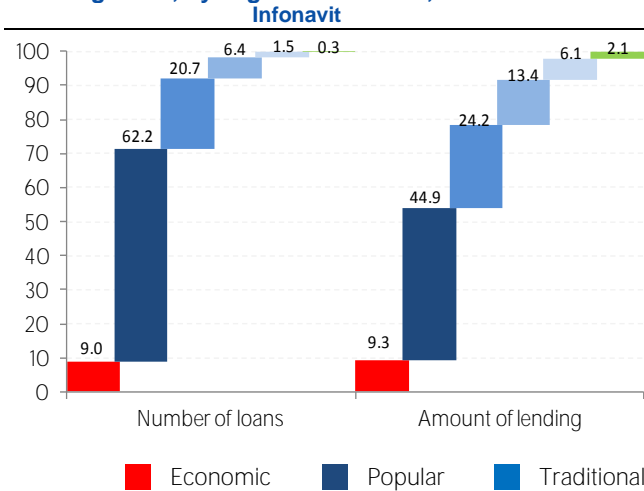


Chart 13 and 14

Housing sales, by segment. % Share, 2012*



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

Commercial banking

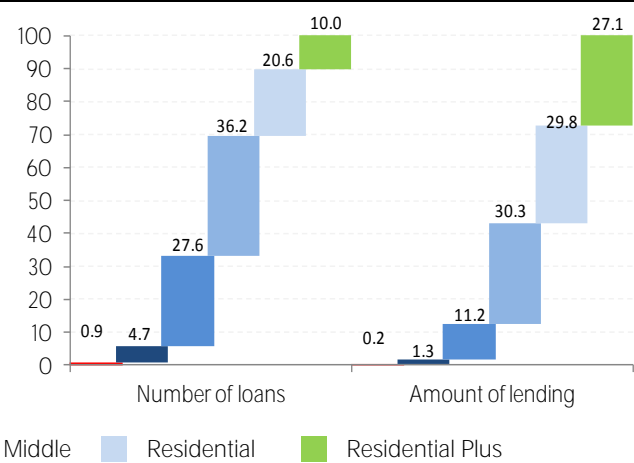
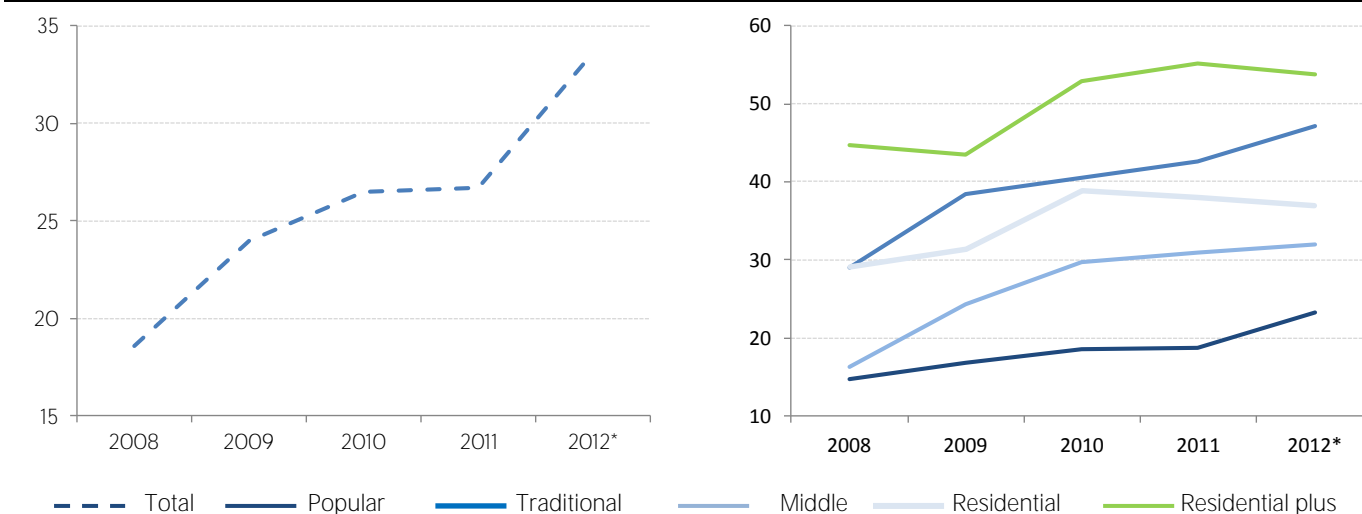


Chart 15 and 16

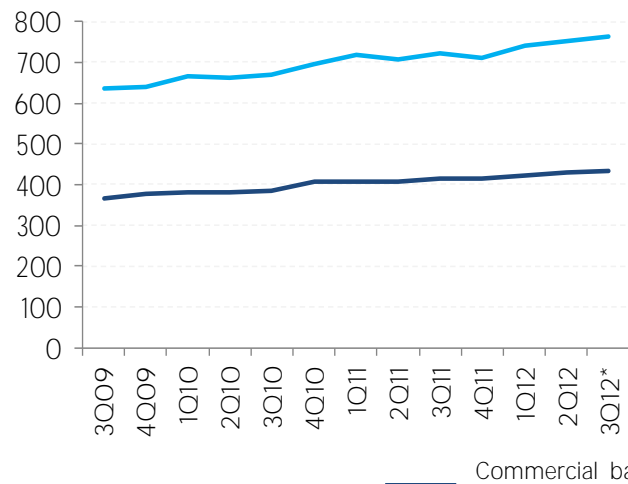
Used dwellings: Market participation % in mortgage loans from Infonavit



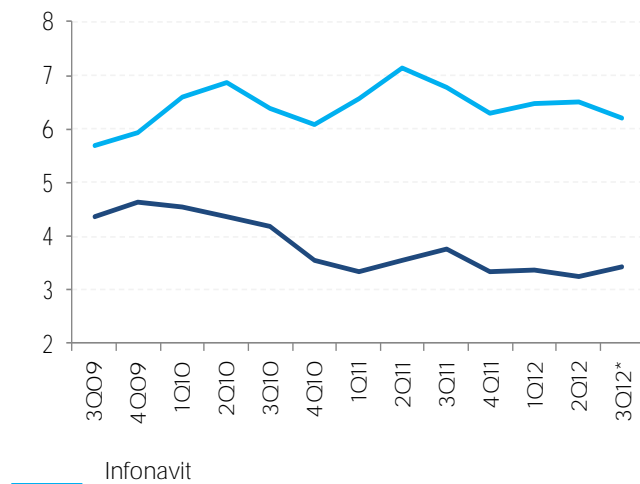
* To October
Source: BBVA Research with Infonavit data

Chart 17 and 18

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



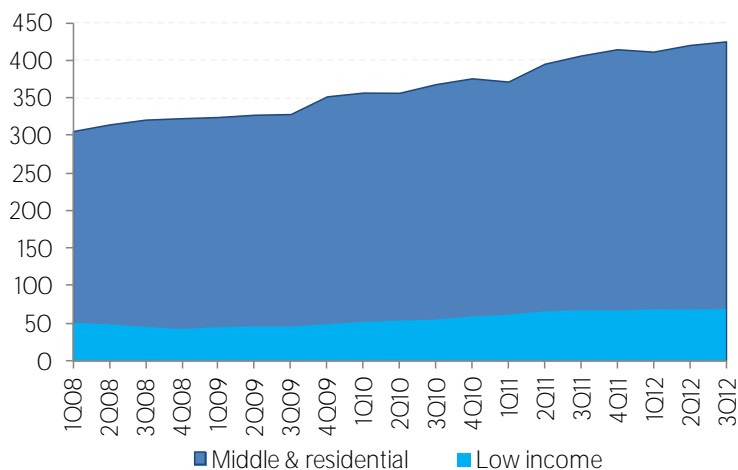
NPL ratio (%)



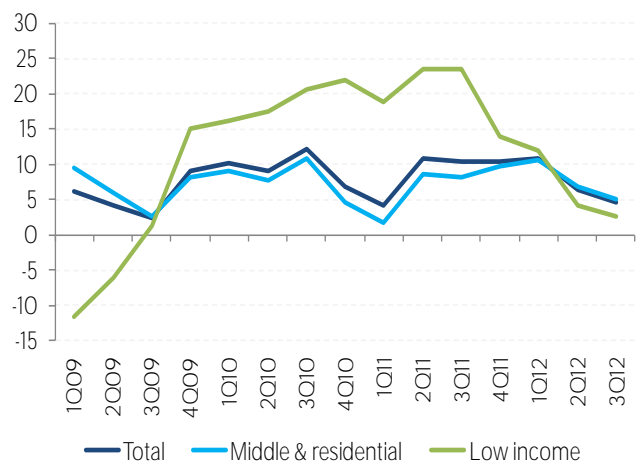
Sources: BBVA Research with Banxico data

Chart 19 and 20

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



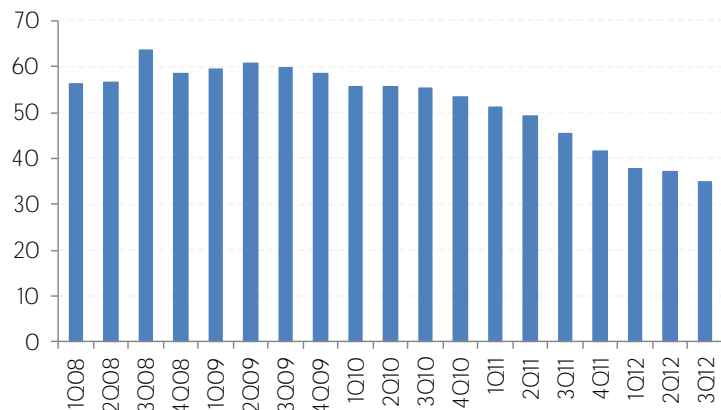
NPL ratio (%)



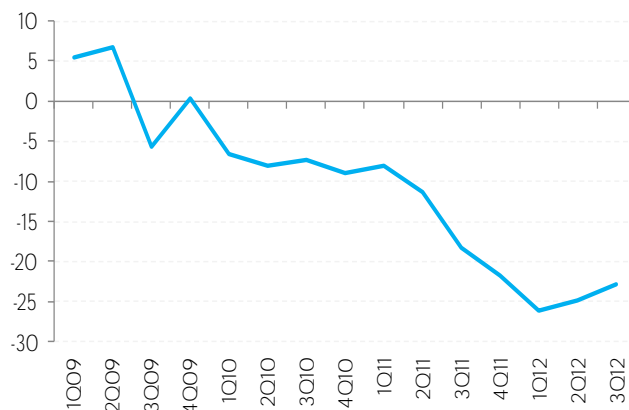
Source: BBVA Research with Federal Mortgage Society (CNBV) data

Chart 21 and 22

Construction loans, current portfolio balance.
Billion pesos, 2012 prices



real % change y/y

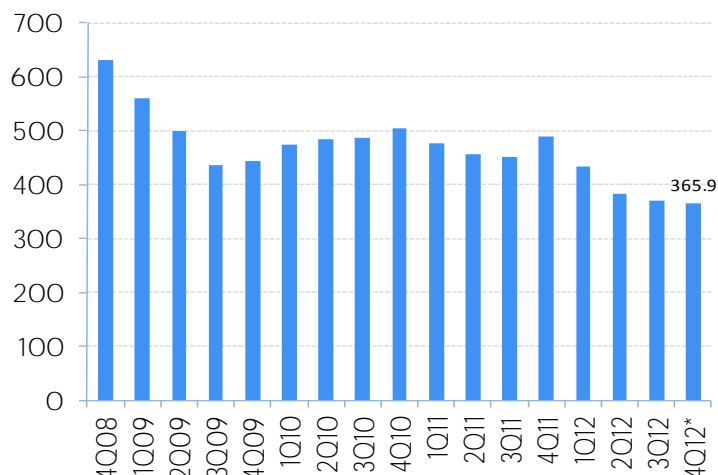


Sources: BBVA Research with Banxico data

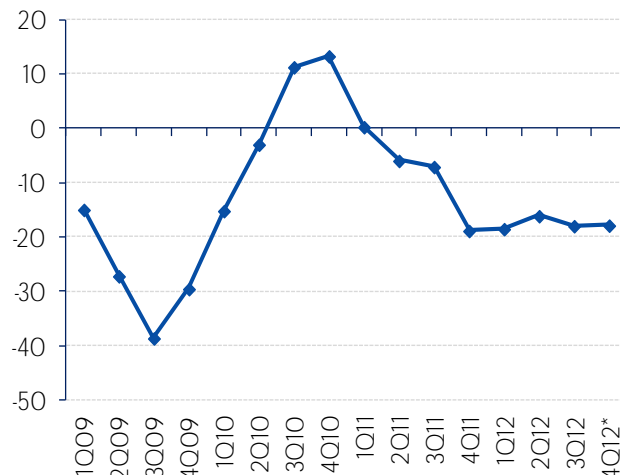
Chart 23 and 24

Housing starts: RUV

Thousands of homes, annualized figures



% change y/y



* To October

Source: BBVA Research, with RUV data

Table 2

Infonavit: Number of mortgage loans by segment and percentage of used dwellings
January-October 2012

| | Total | | | | | | | | Used (% of total) | | | | | | |
|-------|--------|----------|---------|-------------|--------|-------------|------------------|-------|-------------------|----------|---------|-------------|--------|-------------|------------------|
| | Total | Economic | Popular | Traditional | Middle | Residential | Residential Plus | | Total | Economic | Popular | Traditional | Middle | Residential | Residential Plus |
| Ags | 6812 | 975 | 4216 | 1209 | 382 | 30 | 0 | Ags | 37 | 38 | 35 | 51 | 16 | 27 | |
| BC | 19095 | 893 | 13424 | 3580 | 983 | 205 | 10 | BC | 35 | 87 | 23 | 62 | 38 | 39 | 90 |
| BCS | 2625 | 100 | 1179 | 1151 | 158 | 35 | 2 | BCS | 48 | 85 | 45 | 48 | 44 | 37 | 50 |
| Cam | 1839 | 90 | 1117 | 426 | 182 | 23 | 1 | Cam | 51 | 59 | 43 | 72 | 49 | 30 | 100 |
| Coah | 16169 | 1102 | 10893 | 3210 | 835 | 122 | 7 | Coah | 48 | 70 | 43 | 66 | 30 | 28 | 71 |
| Col | 2812 | 316 | 1867 | 504 | 114 | 11 | 0 | Col | 40 | 99 | 28 | 51 | 36 | 9 | |
| Chis | 3572 | 50 | 2668 | 694 | 145 | 15 | 0 | Chis | 31 | 46 | 16 | 85 | 56 | 53 | |
| Chih | 15447 | 1209 | 10285 | 2813 | 978 | 150 | 12 | Chih | 51 | 84 | 43 | 76 | 32 | 23 | 58 |
| DF | 25935 | 11052 | 3617 | 4832 | 4015 | 1823 | 596 | DF | 86 | 100 | 100 | 92 | 48 | 53 | 67 |
| Dgo | 4147 | 257 | 3226 | 550 | 99 | 13 | 2 | Dgo | 47 | 73 | 41 | 67 | 48 | 38 | 50 |
| Gto | 17639 | 442 | 12919 | 3404 | 762 | 105 | 7 | Gto | 32 | 99 | 27 | 47 | 24 | 30 | 29 |
| Gro | 2426 | 63 | 1080 | 1045 | 214 | 21 | 3 | Gro | 49 | 100 | 57 | 40 | 37 | 62 | 67 |
| Hgo | 7181 | 310 | 4873 | 1742 | 232 | 24 | 0 | Hgo | 17 | 28 | 12 | 29 | 30 | 33 | |
| Jal | 32550 | 1633 | 22002 | 6286 | 2205 | 382 | 42 | Jal | 18 | 15 | 9 | 43 | 24 | 35 | 50 |
| Mex | 32959 | 1825 | 17077 | 10992 | 2240 | 711 | 114 | Mex | 21 | 100 | 11 | 24 | 26 | 18 | 18 |
| Mich | 6550 | 204 | 4835 | 1119 | 333 | 57 | 2 | Mich | 25 | 59 | 16 | 55 | 30 | 33 | 50 |
| Mor | 4647 | 46 | 2168 | 1779 | 551 | 84 | 19 | Mor | 31 | 100 | 18 | 42 | 36 | 56 | 47 |
| Nay | 2958 | 64 | 2181 | 576 | 127 | 10 | 0 | Nay | 32 | 91 | 26 | 49 | 42 | 50 | |
| NL | 41882 | 4166 | 26266 | 7831 | 2711 | 801 | 107 | NL | 15 | 12 | 9 | 32 | 25 | 31 | 36 |
| Oax | 1275 | 88 | 860 | 254 | 67 | 6 | 0 | Oax | 50 | 85 | 40 | 70 | 45 | 67 | |
| Pue | 10823 | 233 | 7703 | 2134 | 641 | 99 | 13 | Pue | 25 | 54 | 18 | 45 | 27 | 27 | 23 |
| Qro | 10790 | 87 | 5692 | 3424 | 1315 | 255 | 17 | Qro | 15 | 95 | 8 | 23 | 16 | 16 | 47 |
| QR | 12420 | 367 | 9604 | 1929 | 467 | 50 | 3 | QR | 8 | 17 | 4 | 19 | 22 | 34 | 0 |
| SLP | 7797 | 390 | 5087 | 1669 | 560 | 87 | 4 | SLP | 45 | 96 | 43 | 46 | 23 | 32 | 50 |
| Sin | 9228 | 714 | 6453 | 1586 | 431 | 43 | 1 | Sin | 43 | 85 | 40 | 45 | 22 | 21 | |
| Son | 14762 | 1268 | 10864 | 2101 | 468 | 54 | 7 | Son | 40 | 77 | 32 | 63 | 38 | 39 | 29 |
| Tab | 4069 | 98 | 2927 | 794 | 211 | 36 | 3 | Tab | 33 | 62 | 20 | 75 | 48 | 36 | 0 |
| Tamps | 14078 | 972 | 10694 | 1929 | 438 | 44 | 1 | Tamps | 36 | 82 | 27 | 64 | 50 | 57 | 100 |
| Tlax | 2235 | 846 | 1087 | 266 | 34 | 2 | 0 | Tlax | 76 | 93 | 62 | 79 | 71 | 100 | |
| Ver | 14939 | 1193 | 10134 | 2988 | 541 | 77 | 6 | Ver | 34 | 38 | 25 | 62 | 50 | 13 | 50 |
| Yuc | 8211 | 1131 | 5448 | 1261 | 321 | 42 | 8 | Yuc | 36 | 67 | 30 | 40 | 27 | 26 | 50 |
| Zac | 2546 | 81 | 1847 | 470 | 131 | 15 | 2 | Zac | 28 | 89 | 22 | 45 | 23 | 20 | 50 |
| Total | 360418 | 32265 | 224293 | 74548 | 22891 | 5432 | 989 | Nac | 33.6 | 72 | 24 | 47 | 32 | 37 | 55 |

Source: BBVA Research with Infonavit data

Eduardo Torres
e.torres@bbva.comFernando Balbuena
fernando.balbuena@bbva.com

BBVA | RESEARCH



| Av. Universidad 1200, Col. Xoco, Mexico 03339 D.F. | researchmexico@bbva.bancomer.com | www.bbva.com

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