

Mexico Real Estate Flash

2013, a year of transition for the housing market

The housing market is undergoing an adjustment process. In the mortgage market, public institutions have seen lower activity, which does not mean lower demand, since bank lending is on the increase. Supply needs to change its strategies in order to grow in more dynamic markets and rely less on subsidies. This will be particularly important, because the National Housing Policy announcement makes it clear that the subsidies program will undergo major changes in terms of its current design and structure.

- **Mortgage activity decreased in 2012, but not for all**

The closing figures for 2012 show a reduction in the number of mortgage loans granted by public institutions. Infonavit placed 426,000 loans, compared with 446,000 in 2011. The diversification of its credit products no doubt had an influence, since loans for remodeling exceeded 150,000 (in 2011 the figure was around 50,000). However, the relative shortage of new homes in the medium-income housing segments may have also had an influence, since the annual credit program was insufficient in wage levels of between 4 and 11 minimum wages. Fovissste closed the year with nearly 64,000 loans, while in 2011 it placed 75,000, which was its target for 2012.

In any event, the slowdown in the mortgage activity of public institutions should not be interpreted as a decline in the demand for housing. We should take into account the figures from banks, which increased by 8% in the number of loans granted, and 17% in the amount of finance in real terms. The economic environment has been favorable, with sustained growth in employment levels, which boosted consumer confidence, and financial stability, which offers favorable conditions in credit conditions. The ongoing reduction in mortgage interest rates is one example.

- **Supply should change its strategies**

There is uncertainty among house builders about the amount of finance that could be granted this year for the subsidies program. A strong reduction is expected in the budget for this program (from around 8 billion pesos in 2012 to nearly 5.5 billion in 2013). The budget for 2012 was exceptionally high because a special item had been included for the non-affiliated families program promoted by the government, which in the end had little impact. Excluding this item, the funds are not very different from those allocated in previous years.

According to the Single Housing Register (RUV), the volume of housing currently under construction (completed or underway) that will seek the subsidy could be around 60,000 homes, which will use up the annual budget earmarked for this program. In other words, excess construction should be avoided, since financing might not be available. Home builders should adjust their product, relying less on support programs and paying more attention to what the market demands. There are segments in medium-income and residential housing which are not fully served. Even in low-income housing, more attention should be paid to the customers; there is undoubtedly a significant market to be served there, but customers have become more selective.

- **Although some details have not been made public, the government seems to be determined to change the policy**

The National Housing Plan announcement only offered general guidelines. There are still many unanswered questions, but the message was very clear: a major shift will be sought in the approach to the housing policy and support programs. From better institutional coordination among the relevant institutions, greater involvement by the federation in urban development and, above all, a redeployment of the subsidies toward urban areas, remodeling and support for segments of the population which are not served by the public housing institutions. In general, the new approach will result in more orderly urban growth and a more effective policy. In any event, the roadmap has been laid out and, apart from specific matters that need to be clarified, the industry players should tailor their strategies in order to adapt to the new times. The housing market will continue to grow and the industry must be prepared to make the most of the opportunities that arise.

Table 1

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

Body	Number of loans (thousands)			Amount of lending (Bn p)		
	2011	2012	% change y/y	2011	2012	Real % change y/y
Public institutions	520.7	490.0	-5.9	152.9	141.6	-9.3
Infonavit*	445.5	425.7	-4.4	118.5	109.1	-9.8
Fovissste	75.2	64.3	-14.5	34.4	32.5	-7.6
Private intermediaries	80.2	86.0	7.3	69.7	83	16.7
Banks	78.6	84.8	7.9	69	82.6	17.2
Sofoles	1.6	1.3	-20.7	0.7	0.5	-31.3
Subtotal	600.9	576.0	-4.1	222.6	224.6	-1.2
Co-financing** (-)	24.4	27.9	14.4	-	-	-
Total	576.5	548.1	-4.9	222.6	224.6	-1.2
Information figures						
Total co-financing (-)	60.9	59.6	-2.1	-	-	-
Other co-financing (-)	24.4	27.9	14.4	-	-	-
Infonavit total (-)	37.5	32.8	-12.5	-	-	-

* Preliminary

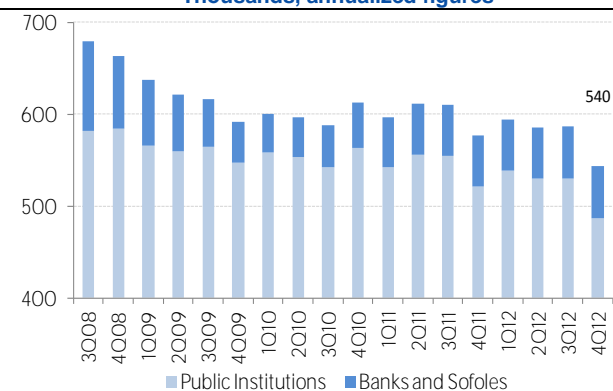
** Total excluding Infonavit

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

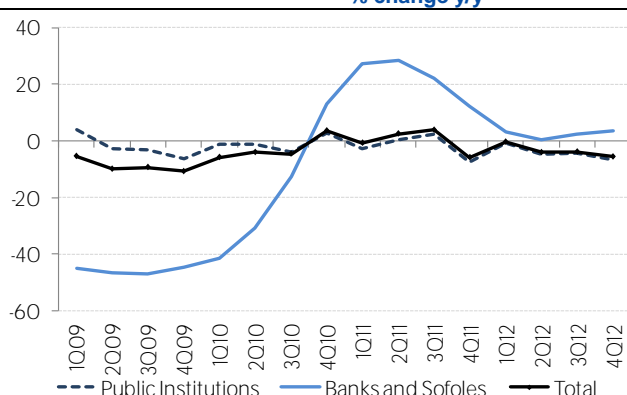
Chart 1 and 2

Number of loans by institution

Thousands, annualized figures



% change y/y

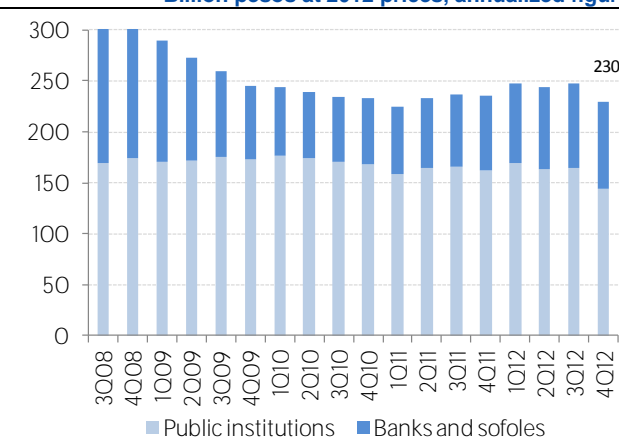


Source: BBVA Research with ABM, Infonavit and Fovissste data

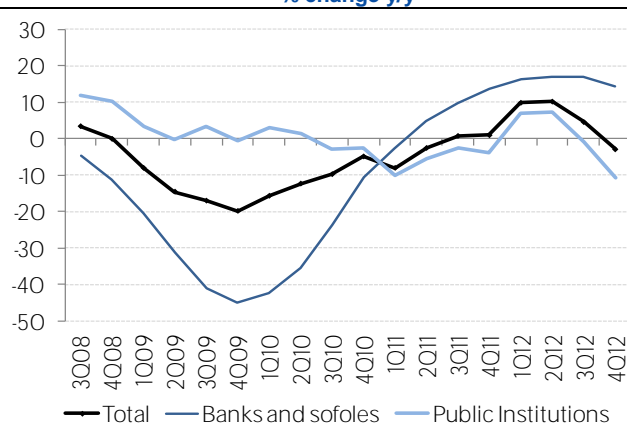
Chart 3 and 4

Amount of lending by institution

Billion pesos at 2012 prices, annualized figures



% change y/y

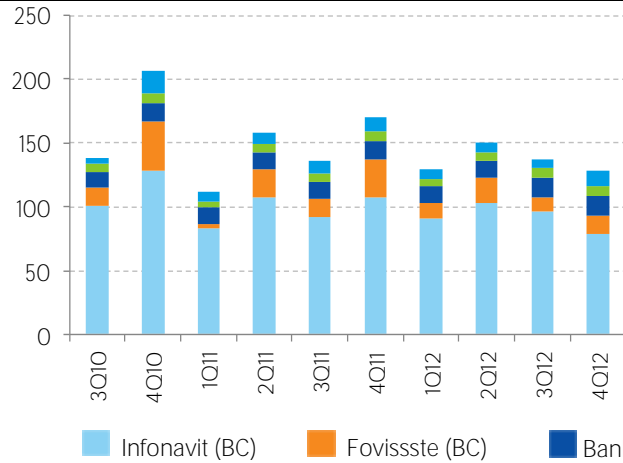


Source: BBVA Research with ABM, Infonavit and Fovissste data

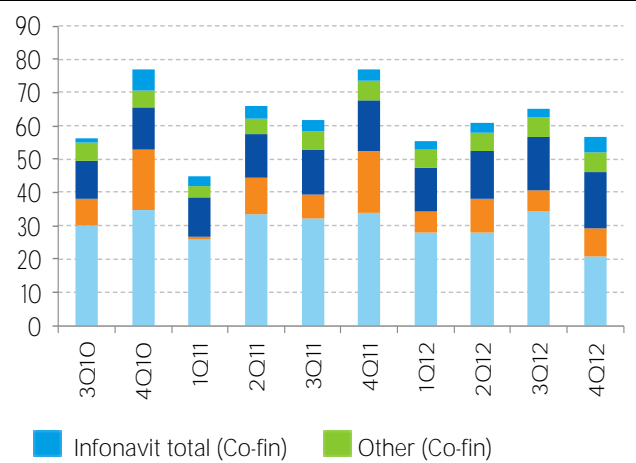
Chart 5 and 6

Mortgage loans by institution

Thousands of loans



Billion pesos, at 2012 prices



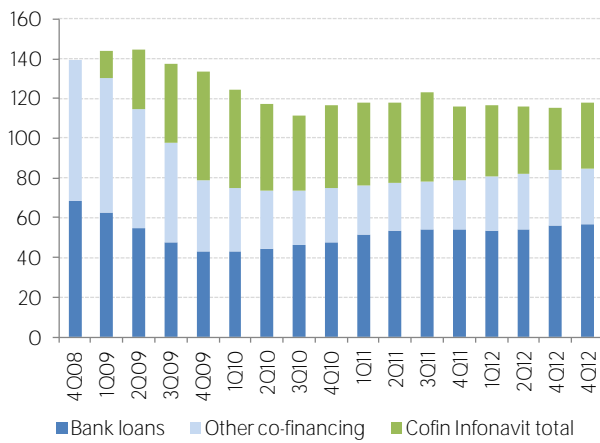
(BC) Bank capital. (Co-fin) Co-financing

Source: BBVA Research with Infonavit, Fovissste and ABM data

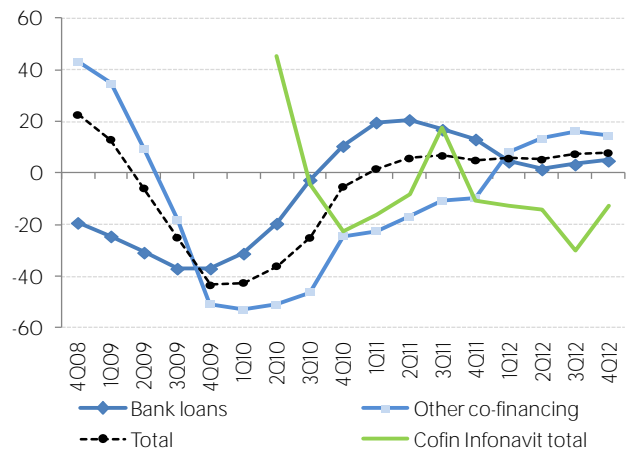
Chart 7 and 8

Number of loans granted by commercial banks

Thousands, annualized figures



% change y/y

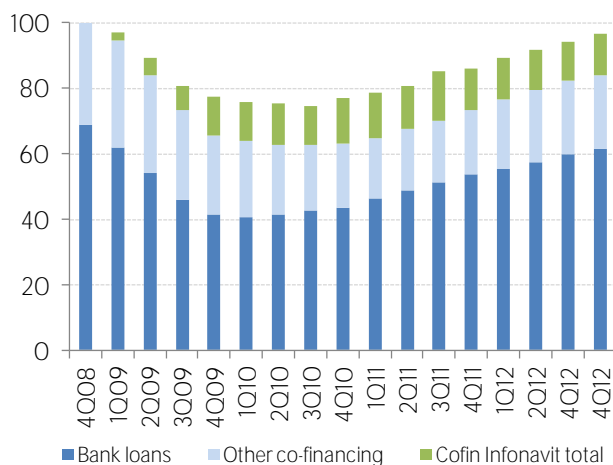


Source: BBVA Research with ABM, Infonavit and Fovissste data

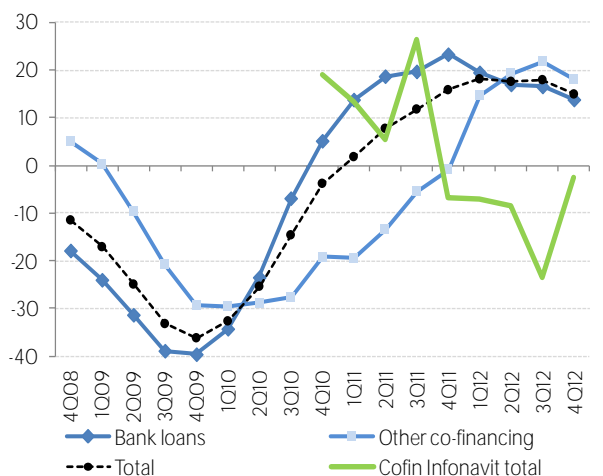
Chart 9 and 10

Amount of finance granted by commercial banks

Billion pesos, 2012 prices, annualized figure



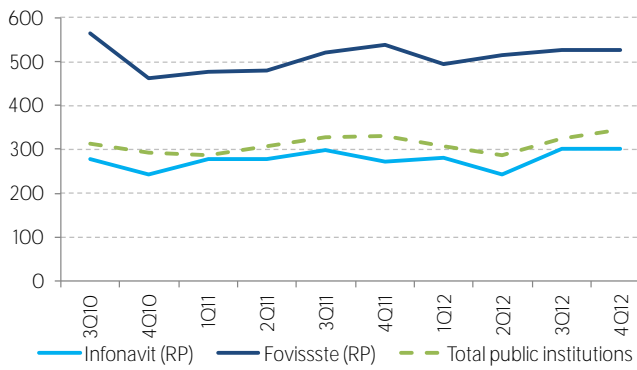
% change y/y



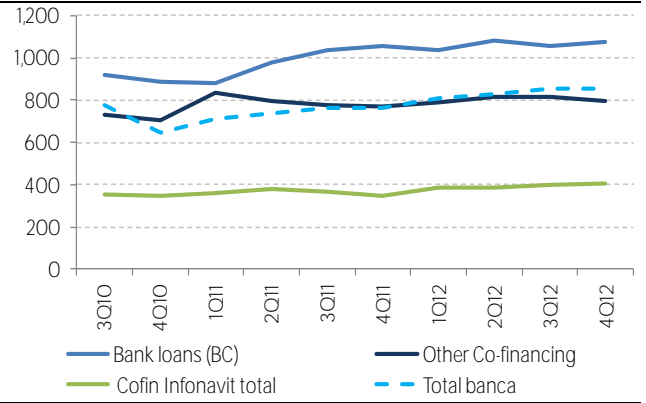
Source: BBVA Research with ABM, Infonavit and Fovissste data

Chart 11 and 12

Average mortgage amount. Thousand pesos, 2012 prices
Public institutions



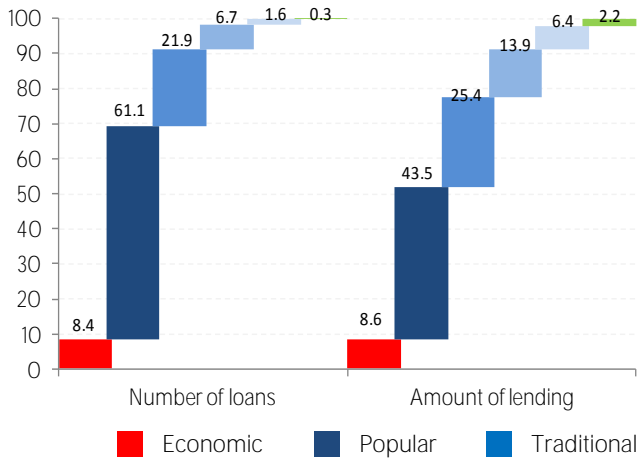
Banks



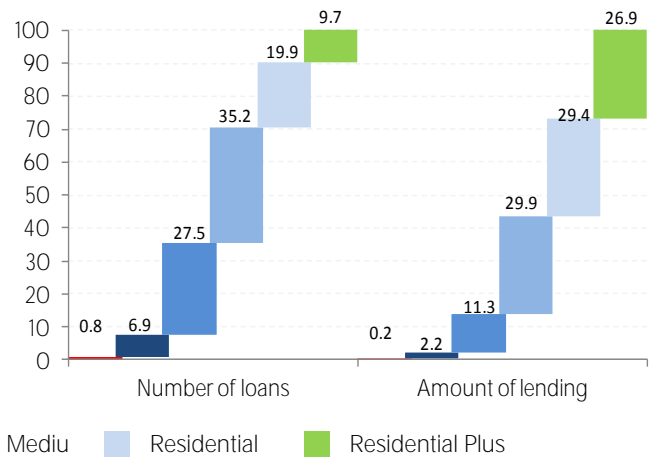
(BC) Bank capital. (Co-fin) Co-financing
Source: BBVA Research with Infonavit, Fovissste and ABM data

Chart 13 and 14

Housing sales by segment. % share, 2012*
Infonavit



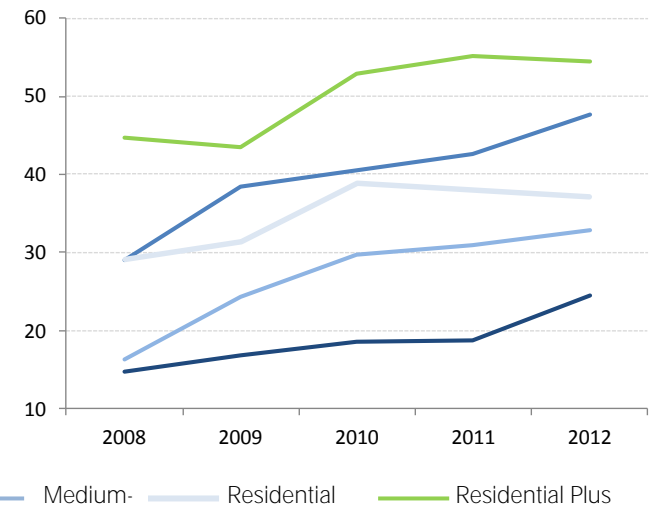
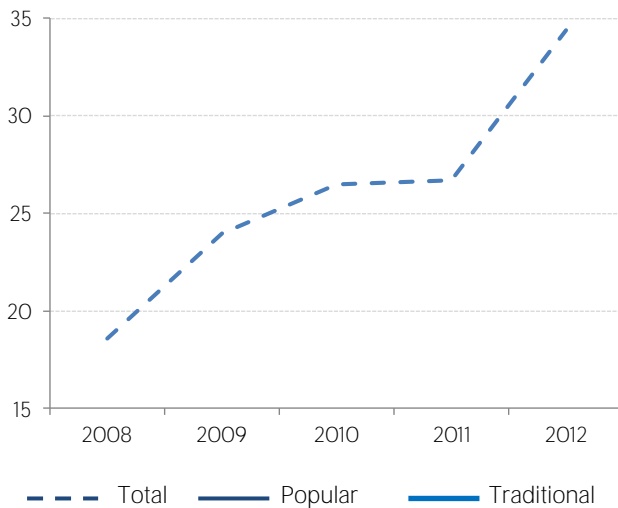
Commercial banks



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

Chart 15 and 16

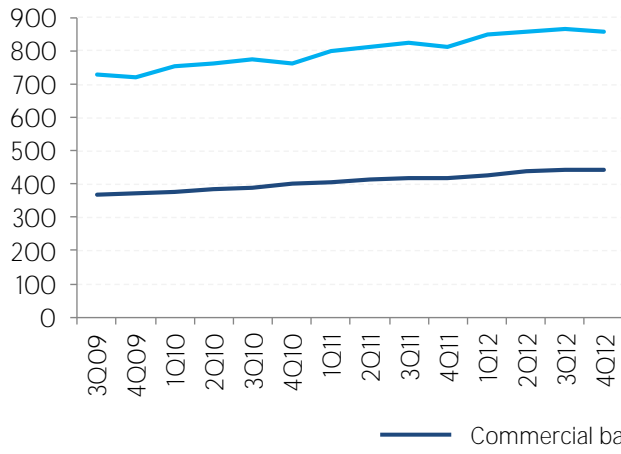
Used dwellings: Market participation % in mortgage loans from Infonavit



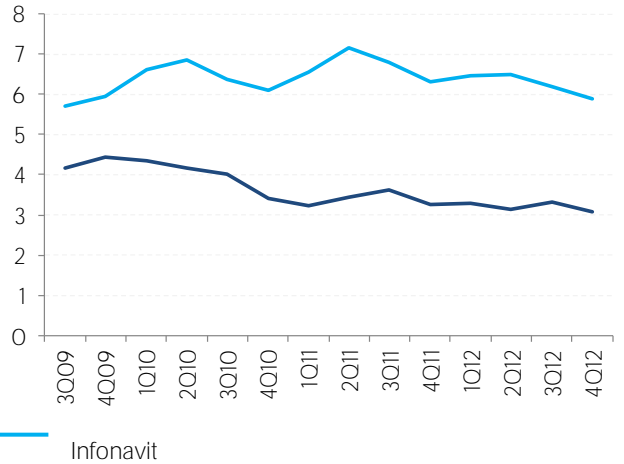
*January-December
Source: BBVA Research with Infonavit data

Chart 17 and 18

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



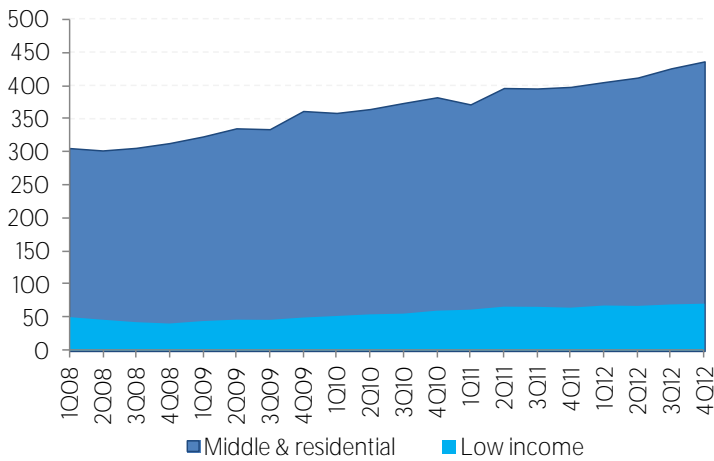
NPL ratio (%)



Sources: BBVA Research with Banxico data

Chart 19 and 20

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



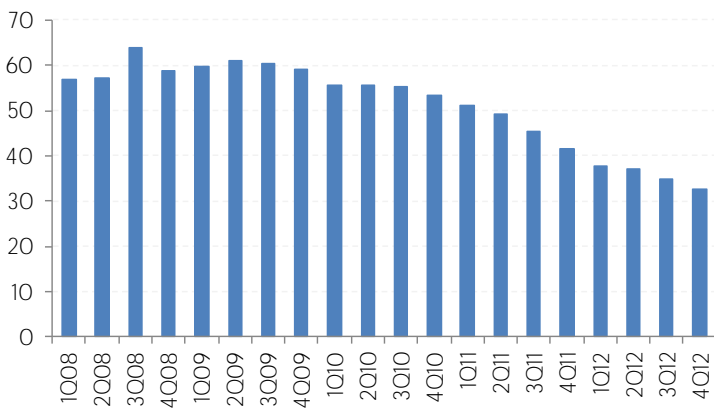
NPL ratio (%)



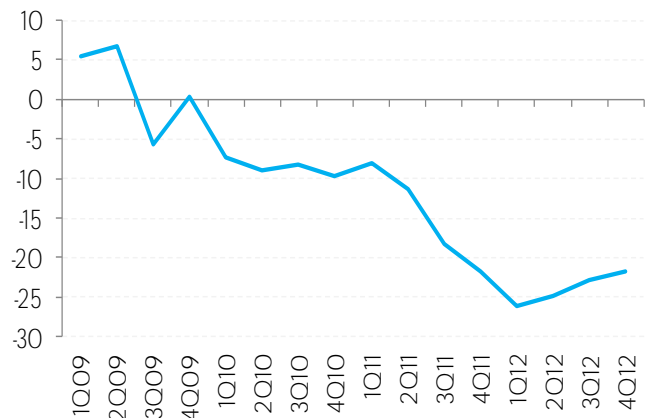
Source: BBVA Research with CNBV data

Chart 21 and 22

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



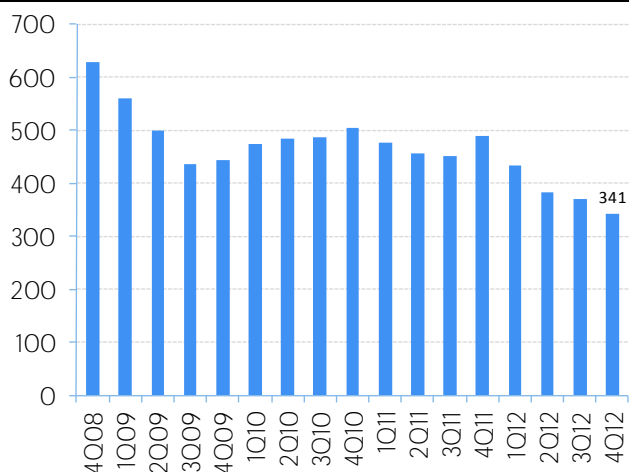
real % change y/y



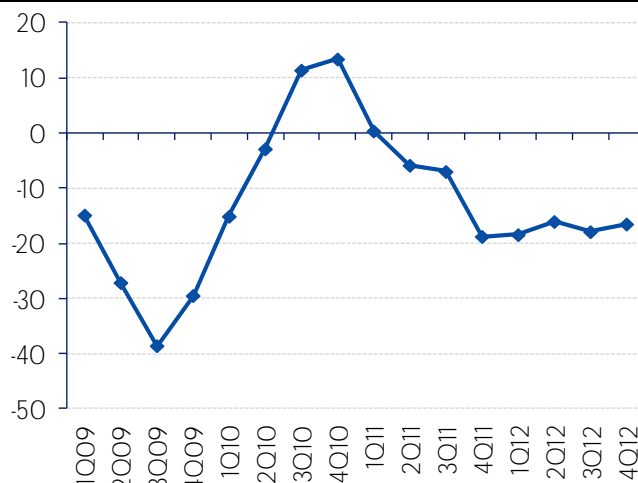
Sources: BBVA Research with Banxico data

Housing starts: RUV

Thousands of homes, annualized figures



% change y/y



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

Table 2

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

	Total									Usada (% del total)							
	Total	Economic	Popular	Traditional	Middle	Residential	Residential Plus			Total	Economic	Popular	Traditional	Middle	Residential	Residential Plus	
Ags	7958	1083	4906	1463	465	41	0	Ags	37	40	34	50	19	24			
BC	22124	1085	15149	4419	1212	244	15	BC	37	88	26	62	39	40	73		
BCS	3143	116	1364	1427	197	37	2	BCS	49	85	46	50	46	41	50		
Cam	2081	100	1200	522	229	29	1	Cam	53	62	45	72	50	34	100		
Coah	19449	1338	12831	4089	1028	156	7	Coah	51	72	45	67	31	31	71		
Col	3375	377	2211	622	149	16	0	Col	42	99	30	51	36	19			
Chis	4407	60	3291	848	192	16	0	Chis	31	43	15	83	59	50			
Chih	18091	1442	11831	3408	1201	195	14	Chih	54	86	46	76	34	26	64		
DF	29049	11085	3986	5931	5086	2226	735	DF	85	100	100	92	48	53	67		
Dgo	4812	288	3657	721	131	13	2	Dgo	48	74	43	65	48	38	50		
Gto	20234	527	14322	4292	953	132	8	Gto	34	99	29	47	24	30	25		
Gro	2898	68	1251	1281	266	29	3	Gro	49	97	57	40	40	45	67		
Hgo	8549	359	5621	2252	288	29	0	Hgo	18	30	12	28	30	34			
Jal	37426	1919	24911	7442	2641	464	49	Jal	19	16	10	44	25	35	55		
Mex	38404	1846	19588	13248	2699	885	138	Mex	21	100	11	25	27	19	20		
Mich	7607	246	5467	1411	409	71	3	Mich	27	63	18	55	33	31	33		
Mor	5720	49	2604	2284	657	104	22	Mor	30	100	18	40	35	54	45		
Nay	3592	82	2597	742	157	14	0	Nay	32	90	25	49	43	36			
NL	50418	4860	31139	10022	3303	956	138	NL	15	13	9	31	24	31	32		
Oax	1617	101	1115	312	79	10	0	Oax	48	86	38	71	46	50			
Pue	12395	252	8536	2680	784	128	15	Pue	26	57	20	43	28	31	27		
Qro	13190	115	6714	4346	1662	334	19	Qro	16	97	9	24	17	16	42		
QR	14720	386	11289	2425	554	63	3	QR	8	21	5	20	23	33	0		
SLP	9111	440	5785	2051	707	121	7	SLP	46	97	44	46	24	30	29		
Sin	10939	861	7539	1973	510	55	1	Sin	45	87	41	46	24	22			
Son	17089	1459	12364	2595	587	76	8	Son	42	78	34	64	40	41	38		
Tab	4808	167	3312	1023	252	48	6	Tab	36	47	22	76	48	33	0		
Tamps	16271	1151	12082	2425	558	54	1	Tamps	39	84	29	66	50	59	100		
Tlax	2486	879	1243	317	45	2	0	Tlax	75	93	62	77	62	100			
Ver	17718	1414	11643	3868	683	104	6	Ver	36	42	27	60	53	15	50		
Yuc	9275	1295	5964	1551	409	47	9	Yuc	38	70	32	40	28	30	44		
Zac	2973	93	2101	600	161	16	2	Zac	29	88	23	46	20	25	50		
Total	421929	35543	257613	92590	28254	6715	1214	Nac	34.4	71	25	48	33	37	54		

Source: BBVA Research with Infonavit data

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