

Mexico Real Estate Flash

Bank lending for housing construction is contracting: True or False?

- **Bridging loans have tended to decline over the last few years**

Between the third quarter of 2010 and the first of 2013 (figures as of January), the balance of this portfolio fell by 15% in real terms (from 113.3 billion pesos to 96.2 billion, at 2013 constant prices). Traditionally, this has been the way of measuring the finance provided by banks to housing constructors, as it is a loan that is specifically designed for this activity.

- **However, other forms of bank finance are even more important**

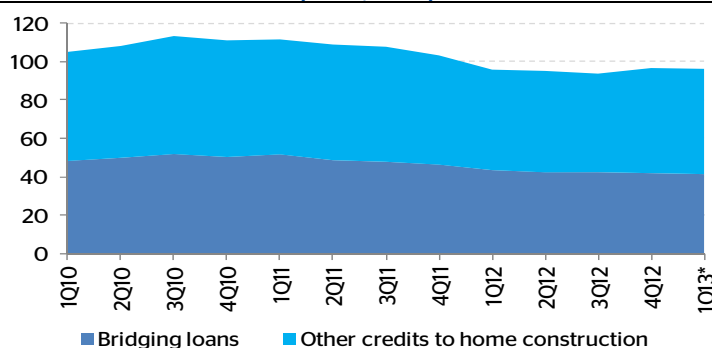
Bridging loans are not the only form of finance offered by banks. There are others that are not recorded under this label, such as simple loans or unsecured loans. As they are not consolidated in a single account, it is difficult to trace them. The good news is that the CNBV has managed to integrate the different schemes available and now has a more complete view of bank financing. It shows, first, that bridging loans account for less than half of total bank financing, which amounts to around 100 billion pesos. Second, thanks to these alternative sources of finance, total bank lending is beginning to rebound: in the first quarter, it posted a real annual growth of 0.4%.

- **More detailed information helps us to understand the industry better**

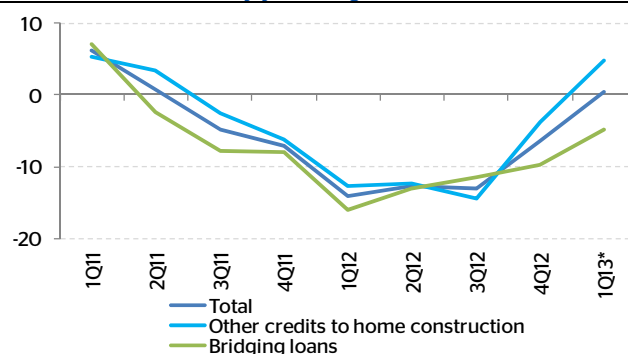
There is no doubt that the efforts made by the CNBV to extend the details and scope of bank finance are very valuable. This case in particular offers a good example, as it modifies the perception of the level of finance that housing construction has been receiving and how it is changing.

Charts 1 and 2

Total balance of bank lending for housing construction
Billion pesos, 2013 prices



real y/y %change



* To January

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

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