

Mexico Real Estate Flash

The rules arrive at last

- **The Federal government has announced its housing subsidy rules for 2014**
- **No surprises in the criteria for exploiting registered regional reserves**
- **New programs from the SHF to boost finance for construction**

No surprises in the subsidy rules

As President Peña Nieto promised in February, the Federal Government announced the 2014 operating rules for its “Ésta es tu casa” (This is your house) housing subsidy program at the end of June. Despite the heavy speculation about what these might contain, in the end there were no surprises, with the general outline of the program remaining similar to what has been revealed in recent weeks by both the Urban Development and Town and Country Planning (Sedatu) Minister, Jorge Carlos Ramírez Marín, and the under-secretary, Alejandro Nieto.

A points system will be used as the criteria for granting subsidies in 2014, as at present. However, the program aims to differentiate the amount of the subsidy more clearly depending on the location of the housing. The subsidy program budget has been increased by 1.5 billion pesos, up around 25% on this year.

Almost a third of the land reserve will not be eligible for government support

68% of registered regional land reserves may be eligible for subsidies from the federal government, whether because of being within defined urban development areas (intra-urban zones and U1 and U2 peripheral areas), or because, whilst not in these areas, building is already under way in the location or because they are part of Certified Developments.

Land reserves outside these areas will require a certification process to provide the infrastructure and services needed for development, before they can receive support from the federal government. Whilst developers will be able to build and sell housing in these areas through Infonavit and Fovissste in 2014, there will be no subsidies for this. From 2015, lending from these bodies will also be restricted for housing built outside authorized areas

Thus, 32% of the land reserve will not be eligible for government support. This figure is very close to the one we quoted in the January issue of Real Estate Outlook, where we stated that 30% of the housing registered with the Single Housing Register (Registro Único de Vivienda - RUV) would have no access to subsidies (see [Real Estate Outlook Mexico – January 2013](#)).

Increased financing support

Together with the announcement of the subsidy operating rules, two schemes have also been announced through which the federal government will support finance for housing construction through the Sociedad Hipotecaria Federal (SHF - Federal Mortgage Society); these are separate from the building guarantee program announced in March. The first of these involves the issue of senior bonds (known as “cebures”) for the issue of stock-market debt backed by the federal government. This is planned to be ready in two to three months. The Government will assign 5 billion pesos to this program.

The second program involves a syndicated loan working with the banks, also for 5 billion pesos. This is planned to come into operation in two to three weeks. This second option will involve setting up a trust to administer the funds through a specialist fund manager. In both cases, the structure will be a traditional bridging loan so as to keep control over use of the funds.

Conclusions: the structure remains the same, with nobody receiving preferential treatment

Despite the speculation, in the end the Government has remained within the general structure expected since the start of the year for organizing urban growth. A number of issues have yet to be defined in terms of the strategy for keeping urban growth under control. These include coordinating government bodies, long-term planning, how to extend the programs to cover people with no access to housing loans and how to avoid unauthorized development. However, the program that has received the most attention (and resources) to date is starting to be organized, and that can only be a good sign.

Eduardo Torres
e.torres@bbva.com



| Avenida Universidad 1200, Colonia Xoco, México DF, CP 03339 | www.bbvaresearch.com

Disclaimer

This document has been prepared by the BBVA Research department of Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) and by BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, on its own behalf and is provided for information purposes only. The opinions, estimates, predictions, and recommendations appearing in this document refer to the date shown herein, and therefore may change as a result of market fluctuations. The opinions, estimates, forecasts and recommendations included herein are based on information obtained from reliable sources; however, BBVA gives no guarantee, whether express or implicit, about the accuracy, completeness or correctness of such information. This document is not an offer, an invitation, or an incitement to subscribe or buy shares.