

# Mexico Real Estate Flash

## Stark contrasts continue in mortgage activity

Mortgage activity has slowed down compared with 2012, due mainly to the lower number of loans granted by Infonavit. The diversification of its financial products has had an impact. In contrast, commercial banking continued to grow, despite the slowing economy in the first half of the year. On the supply side, construction continues to lag behind, although this is partly a temporary situation due to the subsidy rules definition process, which slowed down registration by some developers.

- **Lending, mainly by public institutions, has slowed down**

In 2013, the mortgage market has shown weak performance as a whole, although with strong disparity between housing institutions and commercial banks. The figures as of May show a 15% contraction for the former, both in the number of loans and in finance granted in real terms. In contrast, the loans granted by commercial banks using bank capital show changes of 4.8% and 4.1% in real terms in both indicators.

In the case of the housing institutions, the lower rate of activity can be associated, on the one hand, with the limited availability of housing in the low-income segments, as a result of the situation of public construction companies, which are focused mainly on this segment, and on the other hand with the diversification of financial products promoted by Infonavit. The share of the loans granted by this institution for remodeling was 41% of the total at the end of the first half of the year. This figure is significantly higher than the share registered at the end of 2012, which was 25% (almost 144,000 loans out of a total of 578,000 granted).

- **In banking, competition among banks partially offsets the slowdown**

In commercial banking, the results reflect the combined effect of the downturn in economic activity, which has resulted in a lower number of loans granted, and the improvement in financing conditions for the loans as a result of increased competition among banking institutions. In addition, the average amount of the loans granted has grown significantly since 2010, thanks to the strategy aimed at providing better service to the medium-income and residential housing segments. The result has been a higher share for banks in total financing: from 28% of the funds in 2010 to 38% in 2013.

In the case of banks, the effect of the slowdown has been felt in a lower number of loans granted, but not in financing. In addition, competition among banks to increase their share in the mortgage market has not relaxed the loan granting standards. The loan-to-value ratio stands at nearly 65% and the NPA ratio continues to be under control, at around 3.5%.

- **Supply continues to lag behind and will take some time to recover**

On the supply side, according to RUV, registered housing has reached levels of around 300,000 units in annualized terms, while at the end of 2012 it stood at 341,000. This contraction is largely due to the lower activity of public companies, although there are other factors that have also had an impact, such as the reduction in this year's budget for subsidies compared to 2012 (7.6 bnp in 2012 vs 5.8 bnp in 2013, before the 1.5 bnp increase announced at the end of June), as well as the diversification of the financing solutions offered by the housing institutions, which tend to reduce the potential for placing new housing. The registrations are likely to pick up following the announcement of the increase in this year's budget for the subsidies program.

To sum up, the market is undergoing an adjustment process which is being affected, on the demand side, by the slowing economy and greater diversification of the alternatives offered to buyers in terms of financing schemes, particularly through remodeling. On the supply side, the market is being affected by lower construction activity, associated mainly with public developer companies. It will take some time for non-public medium-sized or large companies to move into the market that has been left underserved, while the housing model itself is changing. For the remainder of this year and part of 2014, housing supply will remain sluggish, even with the support programs driven by the federal government. For the housing institutions, the alternative housing solutions will become more important.

Table 1

**Mortgage lending: Number and amount of loans, May (annual aggregate)**

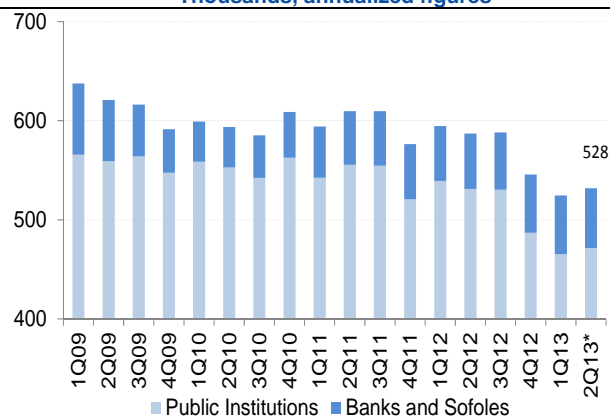
Body	Number of loans (thousands)			Amount of lending (Bn pesos)		
	2012	2013	y/y % change	2012	2013	Real y/y % change
Public institutions	198.0	178.6	-9.8	58.6	52.5	-10.4
Infonavit	170.7	153.9	-9.9	44.6	40.3	-9.6
Fovissste	27.2	24.6	-9.5	14.0	12.2	-12.7
Private intermediaries	32.6	34.0	4.2	31.9	33.1	3.8
Banks	32.1	33.6	4.8	31.7	33.0	4.1
Sofoles	0.5	0.4	-32.8	0.2	0.1	-32.5
Subtotal	230.6	212.6	-7.8	90.5	85.7	-5.4
Co-financing* (-)	10.2	9.3	-8.8	---	---	---
<b>Total</b>	<b>220.4</b>	<b>203.3</b>	<b>-7.8</b>	<b>90.5</b>	<b>85.7</b>	<b>-5.4</b>
<b>Information figures</b>						
Total co-financing (-)	22.3	21.8	-2.2	-	-	-
Infonavit total (-)	12.1	12.5	3.4	-	-	-
Other co-financing (-)	10.2	9.3	-8.8	-	-	-

\*Total excluding Infonavit

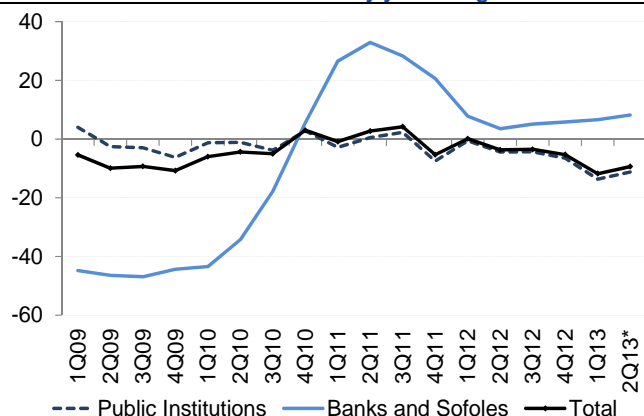
Charts 1 and 2

**Number of loans by institution**

Thousands, annualized figures



y/y % change

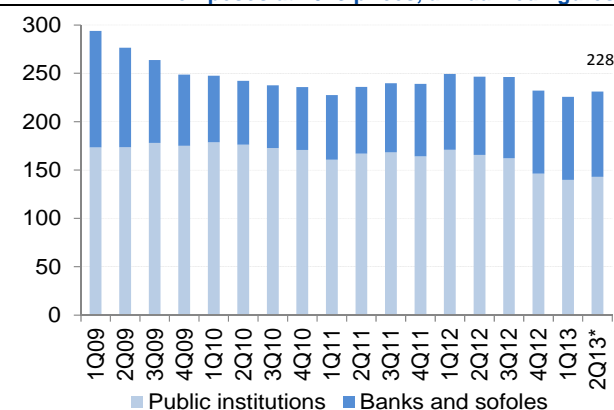


\*As of May  
Source: BBVA Research with ABM, Infonavit and Fovissste data

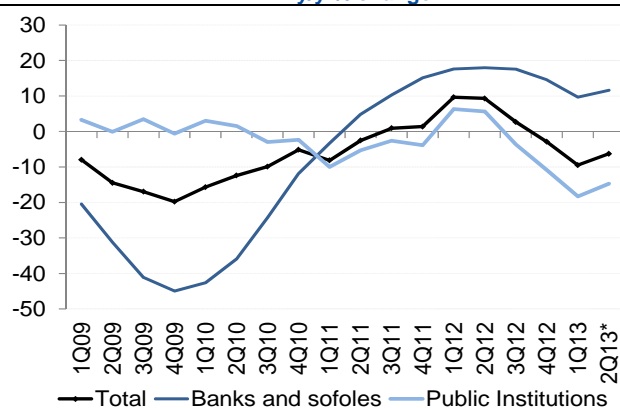
Charts 3 and 4

**Amount of lending by institution**

Billion pesos at 2013 prices, annualized figures



y/y % change

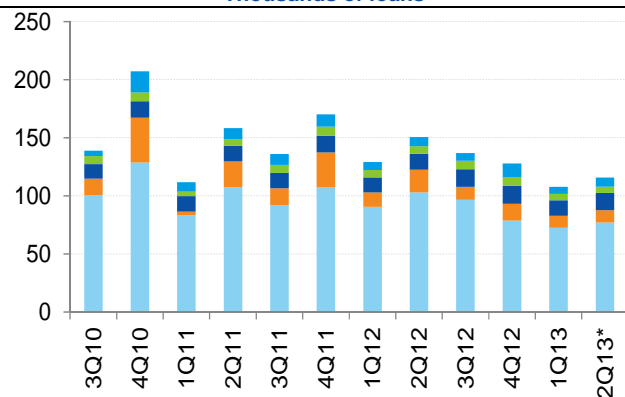


\*As of May  
Source: BBVA Research with ABM, Infonavit and Fovissste data

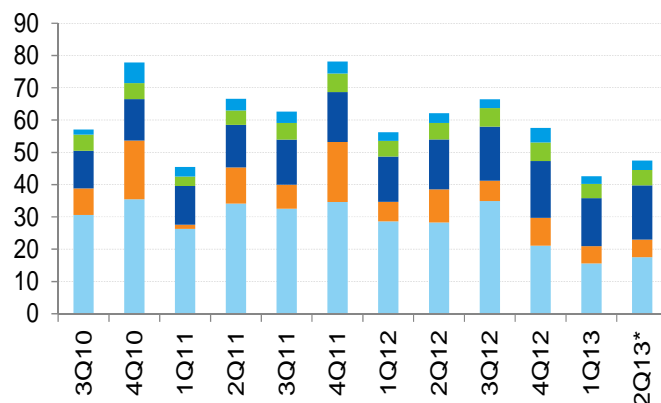
Charts 5 and 6

### Mortgage loans by institution

Thousands of loans



Billion pesos, at 2013 prices



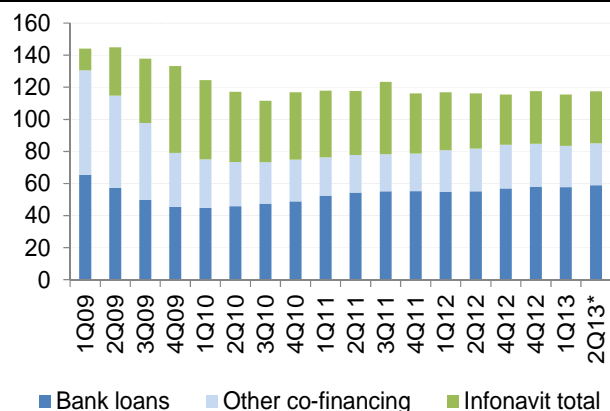
\*As of May  
(BC) Bank capital.

Source: BBVA Research with Infonavit, Fovissste and ABM data

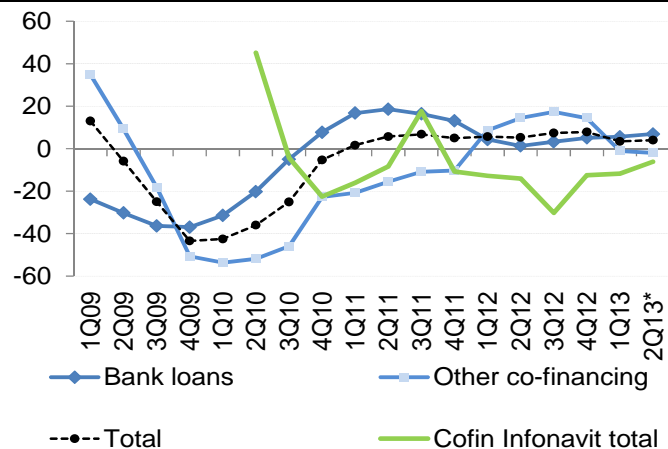
Charts 7 and 8

### Number of loans granted by commercial banks

Thousands, annualized figures



y/y % change



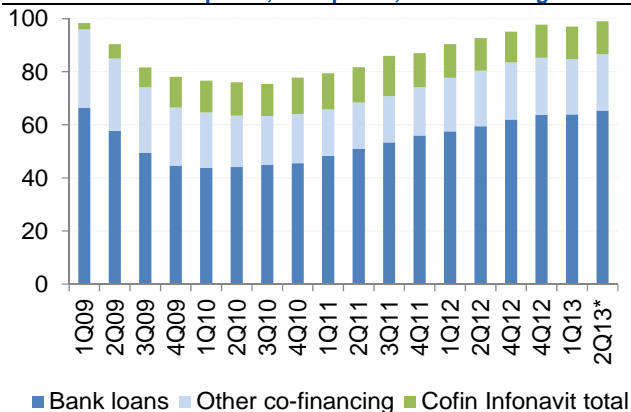
\*As of May

Source: BBVA Research with ABM, Infonavit and Fovissste data

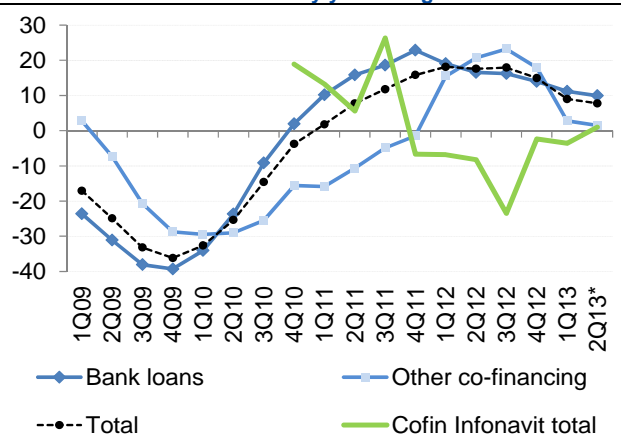
Charts 9 and 10

### Amount of financing granted by commercial banks

Billion pesos, 2013 prices, annualized figures



y/y % change

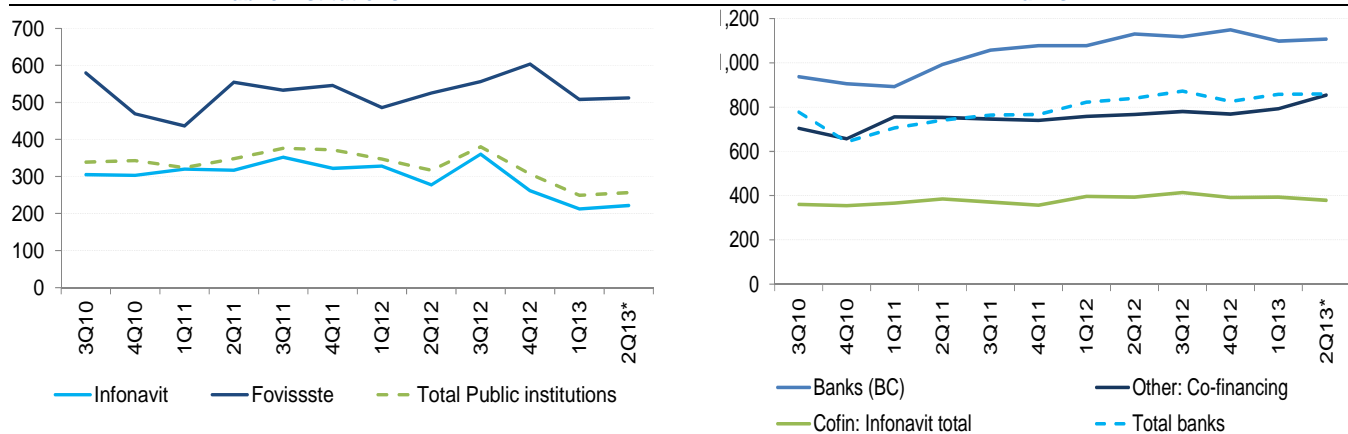


\*As of May

Source: BBVA Research with ABM, Infonavit and Fovissste data

Charts 11 and 12

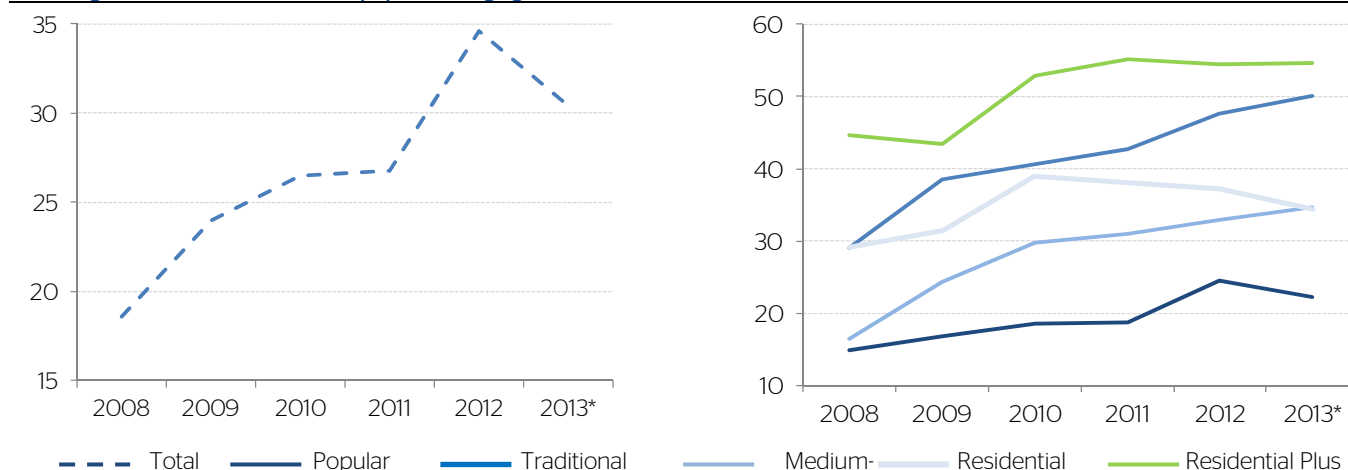
### Average mortgage value. Thousand pesos, 2013 prices



\*As of May  
(BC) Bank capital.  
Source: BBVA Research with Infonavit, Fovissste and ABM data

Chart 13 and 14

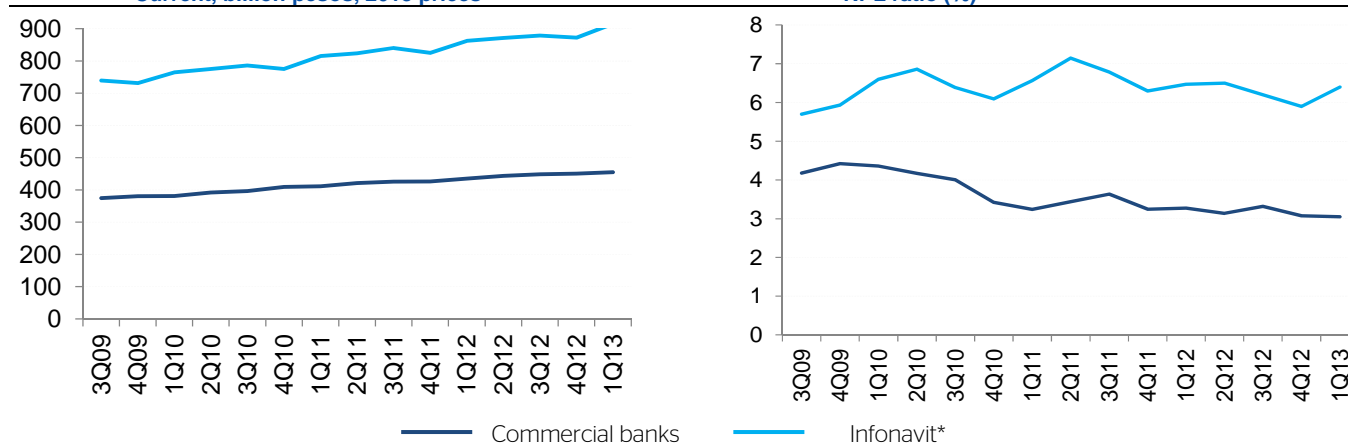
### Existing homes: Market share (%) in mortgage loans from Infonavit



\*As of May  
Note: Price ranges expressed in times the minimum monthly wage (TMMW). Inexpensive, to 118 TMMW (232,000 pesos); Popular, to 200 TMMW (394,000 pesos); Traditional, to 350 TMMW (689,000 pesos); Medium-income, to 750 TMMW (1,477,000 pesos); Residential, to 1,500 TMMW (2,954,000 pesos); Residential Plus, over 1,500 TMMW (Over 2,954,000 pesos). Source: BBVA Research with Infonavit data

Charts 15 and 16

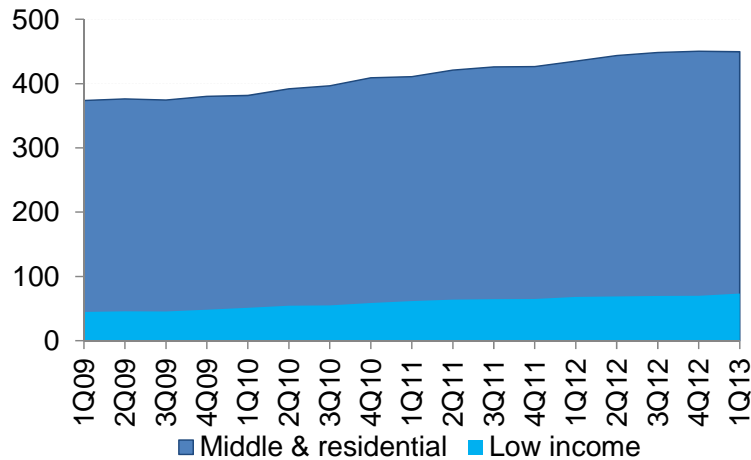
### Mortgage lending, current portfolio balance



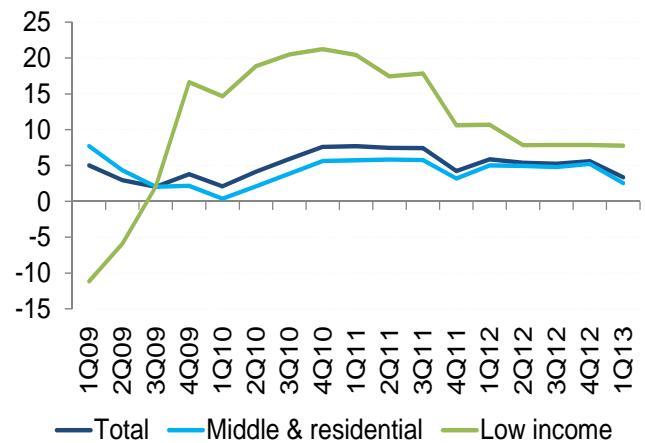
\* Corresponds to the portfolio based on the number of loans  
Sources: BBVA Research with Banxico data

Charts 17 and 18

### Balance of the commercial bank portfolio by segment Current, billion pesos, 2013 prices



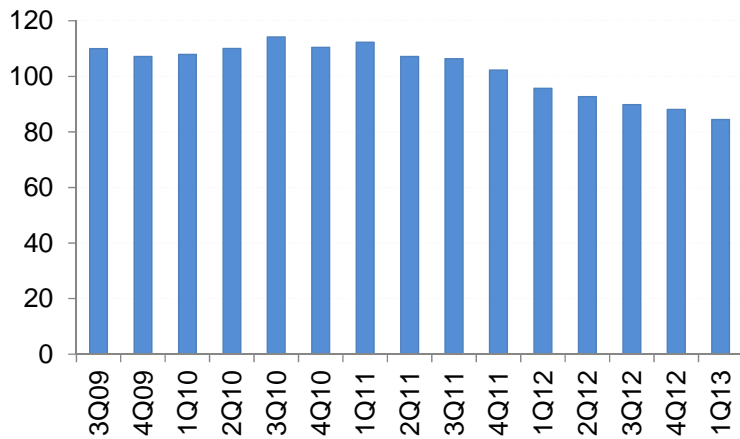
### NPL ratio (%)



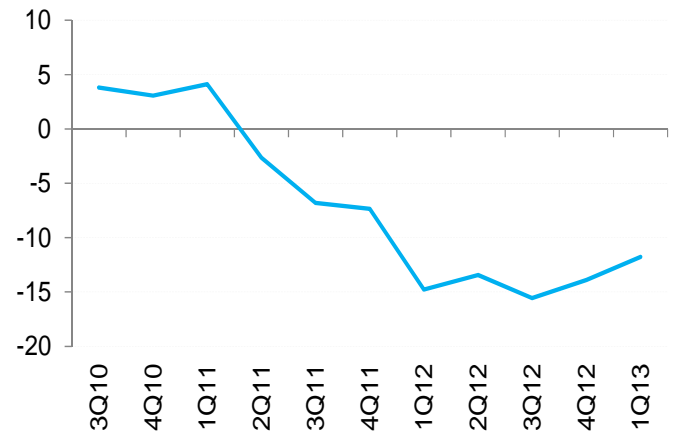
"Public Housing" includes inexpensive, popular, and traditional housing. It does not correspond to the classification by housing price, but to the amount in the balance of the banks' assets  
Source: BBVA Research with CNBV data

Charts 19 and 20

### Loans for residential building, total portfolio balance Billion pesos, 2013 prices



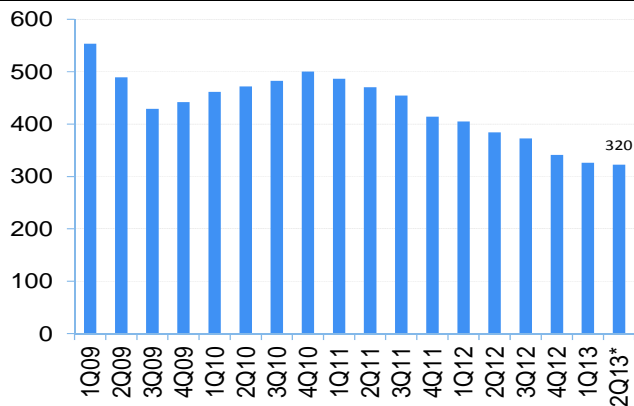
### real y/y % change



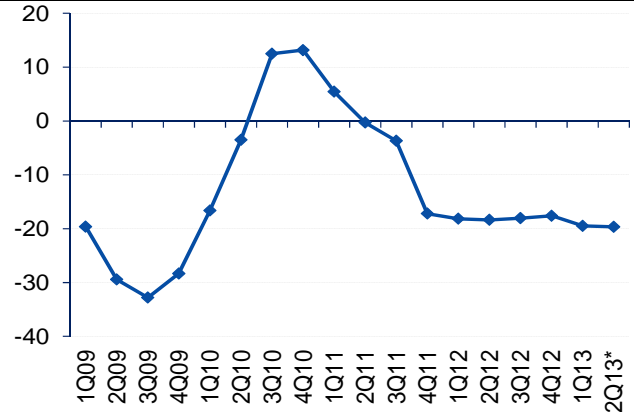
Note: The classification criteria for the Bank of Mexico bridging loan have been harmonized with those of the National Banking and Securities Commission (CNBV); these figures may therefore not match those published in Flash reports before February.  
Includes: Bridging loan and other sources of finance  
Source: BBVA Research with CNBV data

Charts 21 and 22

### Construction starts: RUV Thousands of homes, annualized figures



### y/y % change



\* To April

Note: Period from the registration of the home to its sale on the market.  
Source: BBVA Research with RUV data

Table 2

**Infonavit: Number of mortgage loans by institutions and percentage of existing homes****\*As of May 2013**

	Total								Used (% del total)						
	Total	Economic	Popular	Traditional	Middle	Residential	Plus		Total	Economic	Popular	Traditional	Middle	Residential	Plus
Ags	3218	472	2033	508	186	18	1	Ags	35	38	33	48	24		
BC	7118	650	4600	1362	423	80	3	BC	48	82	37	70	48	56	
BCS	1075	35	502	459	73	6	0	BCS	55	100	46	61	53		
Cam	454	32	201	151	68	1	1	Cam	67	47	68	74	54		
Coah	8117	869	5317	1382	463	77	9	Coah	46	58	40	69	34	19	
Col	1328	115	874	260	75	4	0	Col	36	98	26	40	32		
Chis	2109	112	1547	349	87	13	1	Chis	25	14	11	84	60		
Chih	6965	876	4332	1197	474	82	4	Chih	51	77	41	76	39	28	100
DF	4621	117	646	1637	1355	661	205	DF	73	100	100	88	53	52	66
Dgo	1804	113	1365	275	46	5	0	Dgo	43	68	38	55	52		
Gto	8208	307	5889	1498	462	48	4	Gto	29	69	24	41	24	33	25
Gro	955	14	364	466	99	11	1	Gro	49		68	36	38		
Hgo	3494	377	2271	704	126	16	0	Hgo	15	8	10	32	32	50	
Jal	15893	1122	11129	2457	1015	159	11	Jal	15	15	8	42	24	31	55
Mex	11162	68	6594	3234	927	300	39	Mex	23	99	13	38	33	18	36
Mich	3671	153	2795	552	150	20	1	Mich	21	37	13	49	43	20	
Mor	1853	14	856	721	224	36	2	Mor	31	100	21	37	35	67	
Nay	1740	37	1270	355	67	11	0	Nay	26	86	20	39	49		
NL	20399	2735	12737	3121	1315	409	82	NL	15	11	10	32	22	27	38
Oax	803	32	642	92	33	4	0	Oax	29	91	18	78	48		
Pue	4308	150	3041	738	321	55	3	Pue	23	32	18	42	28	22	
Qro	4821	269	2587	1232	589	131	13	Qro	15	17	8	27	21	12	
QR	5704	351	4356	738	245	14	0	QR	8	10	5	22	16	36	
SLP	3593	205	2320	714	294	56	4	SLP	43	86	38	54	28	36	
Sin	4367	301	3127	753	172	13	1	Sin	43	92	38	44	32		
Son	5934	493	4152	1019	232	35	3	Son	44	89	34	65	44	37	
Tab	1766	93	1206	347	98	18	4	Tab	34	26	20	80	55		75
Tamps	6487	575	4817	824	246	25	0	Tamps	40	80	29	70	51	44	
Tlax	620	110	356	130	23	1	0	Tlax	54	69	42	76	52	100	
Ver	6850	807	4312	1350	332	47	2	Ver	34	34	26	61	47	28	
Yuc	3409	488	2172	575	152	20	2	Yuc	33	56	26	39	29	30	
Zac	1083	26	722	249	83	3	0	Zac	29	92	22	43	25		
Total	153929	12118	99132	29449	10455	2379	396	Nac	30.4	44	22	50	35	34	55

Source: BBVA Research with Infonavit data

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RESEARCH



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