

Mexico Real Estate Flash

The banking mortgage shows signs of slowdown and grows by 2.7% only

At the end of July, the number of mortgage loans granted decreased by 12.3% compared with the same period the previous year. The activity of public institutions has declined in the public housing segment, while the banks that mostly serve the medium-income and residential housing segment continued to expand, although at a slower rate. As a result, the average amount per mortgage in the banking sector grew by 3.4% in real terms.

The creation of new products could reconfigure the market, increasing the share of other housing solutions. The possibility of accessing higher-value housing through co-financing explains the lower demand for public housing, which as of July declined to double-digit rates compared with the same period in 2012. This also combined with a greater proportion of existing housing in the low-income segment, since the operating mechanics of Infonavit now enables loans to be obtained for this type of housing.

- **The demand for public housing continues to decline.**

In the case of Infonavit, the number of loans as of July decreased by 15.9%, with a 15.2% decline in the amount of finance in real terms compared with 2012. Meanwhile, the Fovissste saw a decrease of 7.9% in the number of mortgages and 10.8% in finance, respectively. The higher number of loans for existing housing and remodeling credits explain to a great extent this adjustment process that is becoming widespread, especially in the medium-income and residential segments. According to Infonavit figures, at the end of July the percentage of existing housing in the traditional segment was 50%, while in the medium-income segment it was 36%. The "popular" segment has accounted for around 20% in recent years, with origination being more directly linked to home construction companies. This explains that the average amount of the loans granted by public institutions has practically remained at the same levels registered the previous year in real terms. However, lower demand for completed homes has slightly increased Infonavit's NPA ratio due to a slower rate of origination, which is around 7%.

- **Banks continue committed to the mortgage market**

Growth in the banking sector, which has posted three straight years of growth rates, has continued despite the slowing economy,¹ due mainly to the favorable lending conditions offered by the banks, such as lower interest rates and longer repayment periods. In parallel, the total amount of finance also grew, with its share remaining at levels close to 30% of the total. It is therefore not surprising that the medium-income segment registered an annual increase of 1.8% at the end of July. The banks' current portfolio balance for residential building, although still in negative territory, seems to have bottomed out and could benefit from products for remodeling and self-construction in the medium term.

- **The stark contrasts in activity seem to wane**

A couple of months ago, the mortgage market continued to show the strong contrast between activity by banks and the public housing institutions. However, at the end of the first half of the year it seems obvious that the expansion cycle that benefited the banking sector is starting to moderate. With lower demand for home purchase, housing starts also confirm this trend in terms of annualized figures (-16%). However, contrary to the trend seen in recent months, a 2.7% growth in RUV registrations has been observed in July this year compared to July 2012.

In this adaptation process, a greater number of alternative lending products such as rented, intra-urban and vertical housing should become more important in the medium term. As for public institutions, subsidies for home purchase will become increasingly more important given that this type of lending has a greater supply share. However, Infonavit already has in place a rental program that expands its offering of products to include this new housing solution demanded by the market. This range of products should take into consideration regional needs.

¹ The slowdown process started in the second half of 2012, but became more evident in the first quarter of 2013.

Table 1

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

Body	Number of loans (thousands)			Amount of lending (Bn pesos)			Average amount per mortgage (thousands, pesos)		
	2012 (jan-jul)	2013 (jan-jul)	Var % annual	2012 (jan-jul)	2013 (jan-jul)	Real y/y % change	2012	2013	Real y/y % change
Public institutions	295.9	252.1	-14.8	87.3	74.9	-14.2	295.0	297.2	0.4
Infonavit	256.0	215.3	-15.9	66.6	56.4	-15.2	260.1	262.2	0.8
Fovissste	39.9	36.8	-7.9	20.7	18.5	-10.8	518.5	501.9	-3.3
Private intermediaries	47.5	50.1	5.4	47.0	50.9	8.3	989.3	1,016.7	3.4
Banks	47.0	48.3	2.7	46.8	50.1	7.1	995.6	1,038.0	3.4
Sofoles	0.5	1.8	230.0	0.2	0.8	296.3	400.0	444.4	11.1
Subtotal	343.4	302.1	-12.0	134.3	125.8	-6.3	391.0	416.4	6.5
Co-financing* (-)	15.0	14.0	-6.3	11.5	11.3	-5.8	768.6	803.4	4.5
Total	328.5	288.1	-12.3	134.3	125.8	-6.8	408.8	436.7	6.8

Information figures

Total co-financing (-)	31.8	31.2	-1.7	17.9	17.6	-1.6	562.1	563.1	0.2
Infonavit total (-)	16.8	17.2	2.4	6.4	6.3	-0.7	378.4	367.3	-2.9
Other	15.0	14.0	-6.3	11.5	11.3	-5.8	768.6	803.4	4.5

Note: The "Banks" heading includes loans granted to financial institution employees.

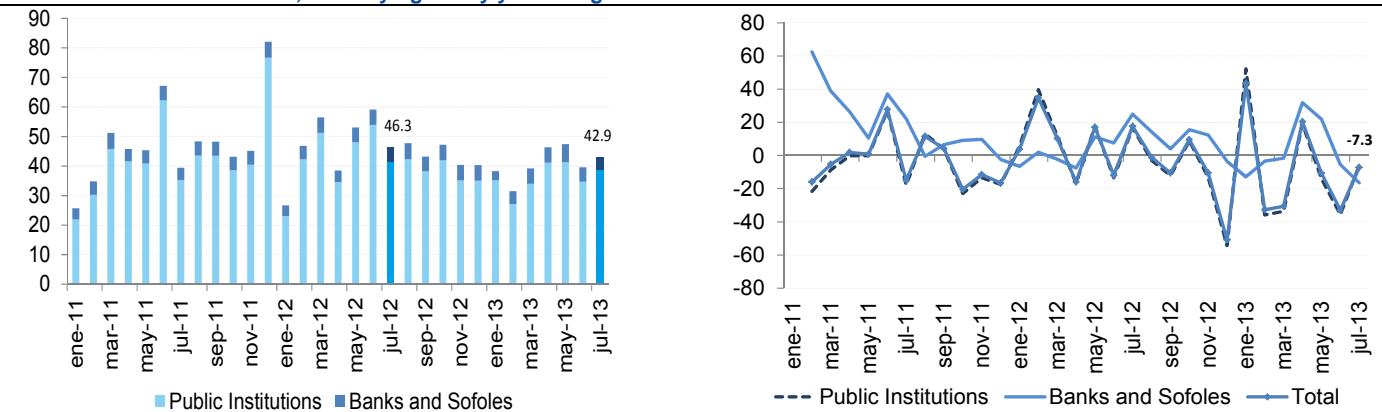
*Excluding "Infonavit Total" loans

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

Charts 1 and 2

Number of loans by institution

Thousands, monthly figures y/y % change



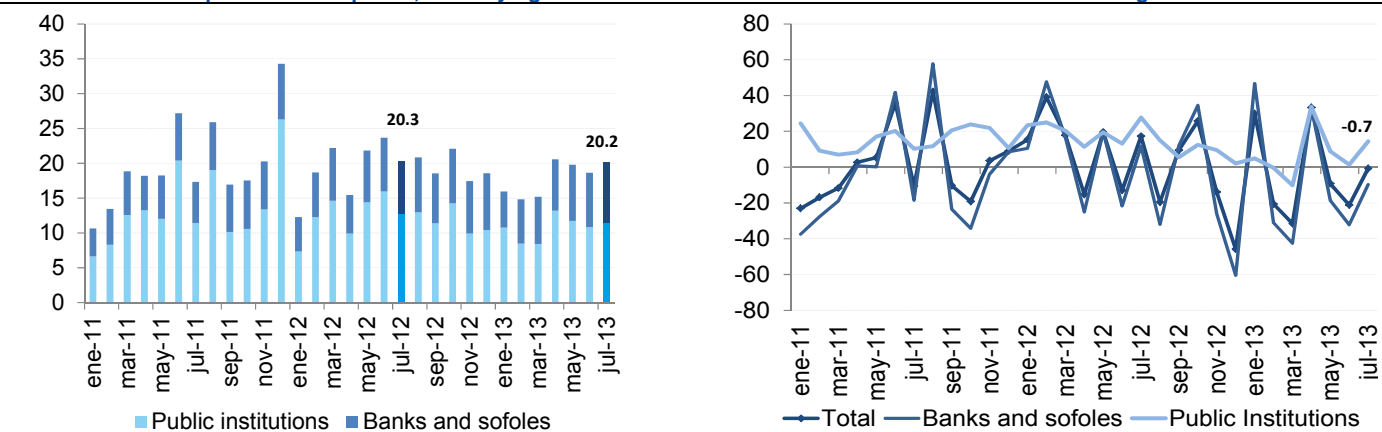
Source: BBVA Research with ABM, Infonavit and Fovissste data

Charts 3 and 4

Amount of lending by institution

Billion pesos at 2013 prices, monthly figures

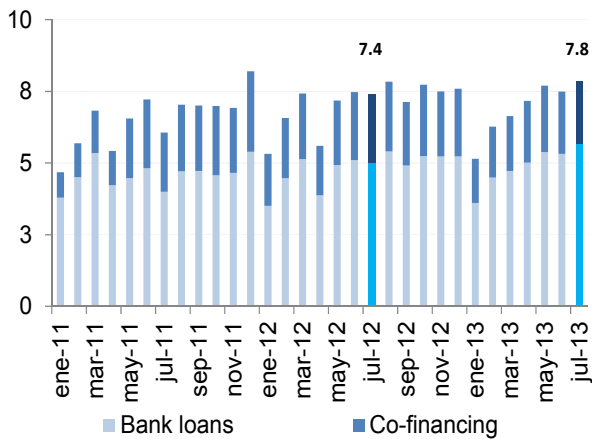
Annual % change



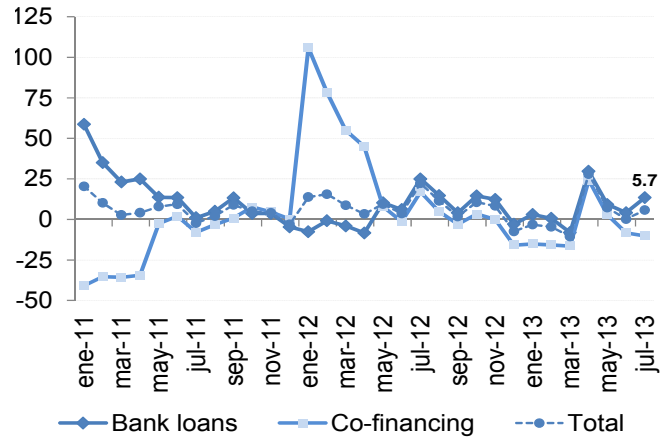
Source: BBVA Research with ABM, Infonavit and Fovissste data

Chart 5 and 6

Number of loans granted by commercial banks
Thousands, monthly figures



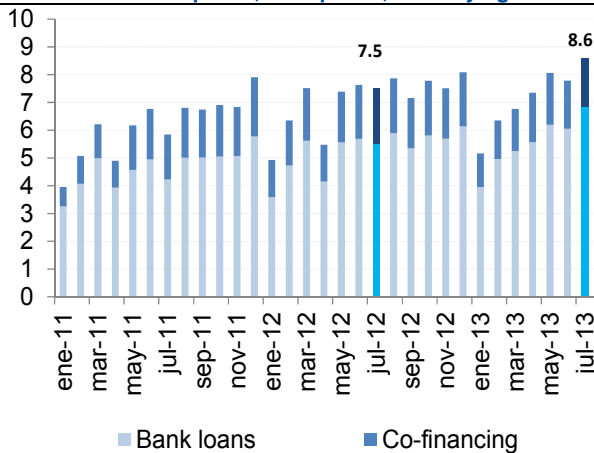
Annual % change



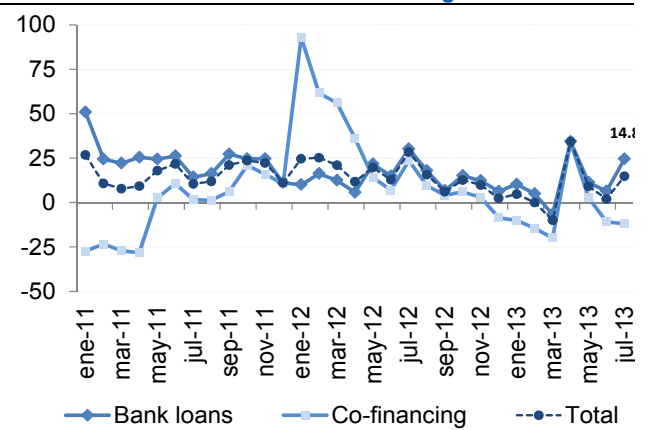
Source: BBVA Research with ABM, Infonavit and Fovissste data

Chart 7 and 8

Amount of financing granted by commercial banks
Billion pesos, 2013 prices, monthly figures



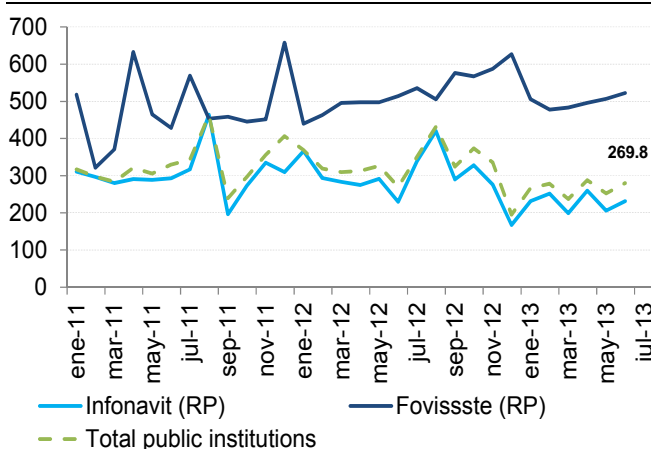
Annual % change



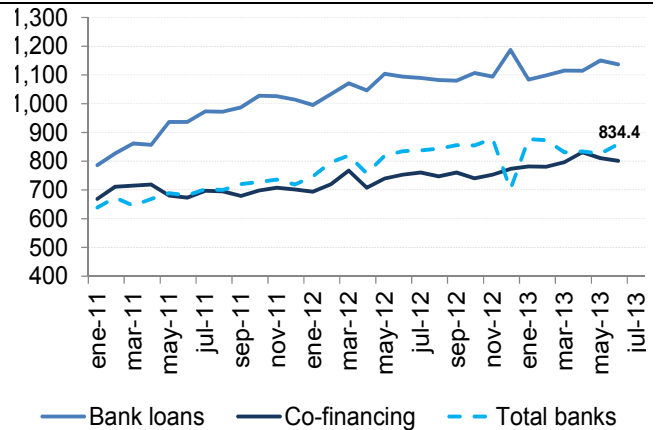
Source: BBVA Research with ABM data

Charts 9 and 10

Average mortgage value. Thousand pesos, 2013 prices
Public institutions



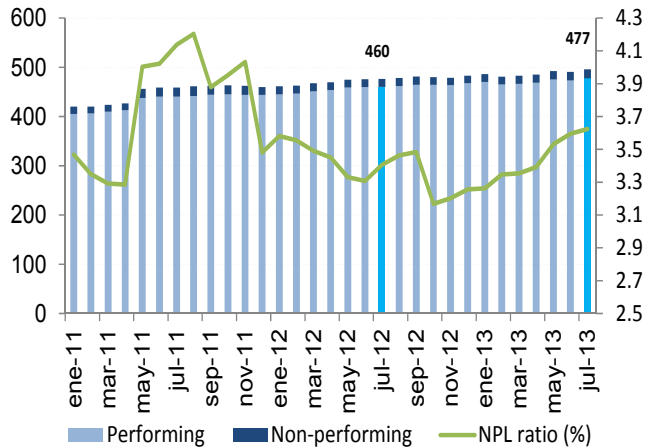
Banks



(BC) Bank capital.

Source: BBVA Research with Infonavit, Fovissste and ABM data

Chart 11
Mortgage lending: Portfolio balance
 Billion pesos, 2013 prices and NPL ratio (%)



Note: Includes commercial banks and Sofomes
 Source: BBVA Research with Bank of Mexico and Infonavit data

Chart 12
Infonavit: Portfolio balance
 Billion pesos, 2013 prices and NPL ratio (%)

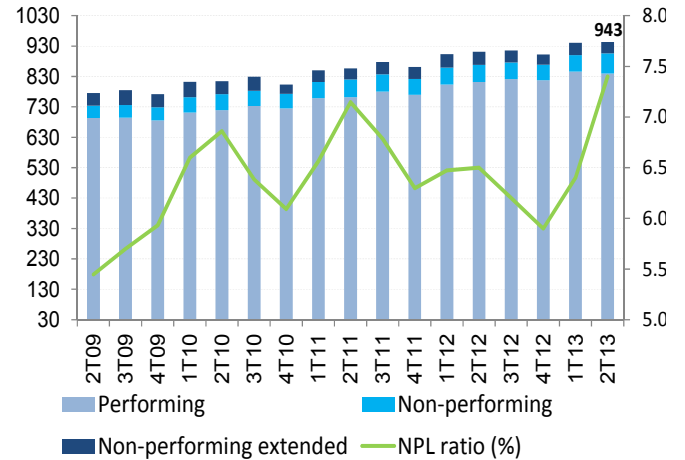
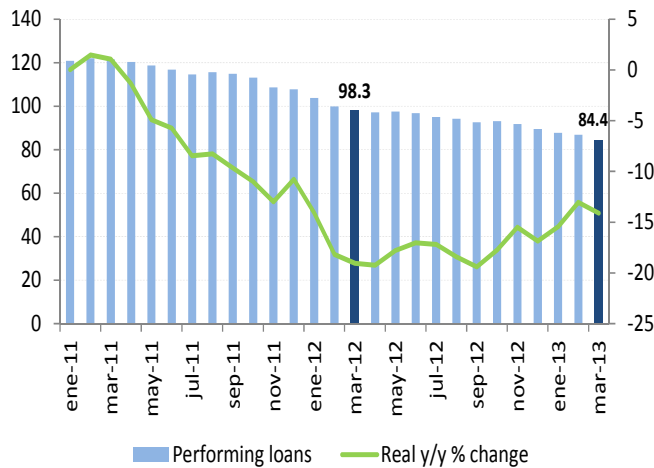
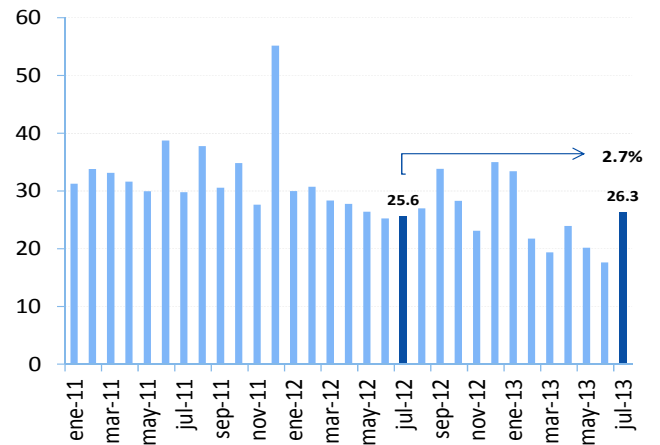


Chart 13
Loans for residential building, portfolio balance
 Billion pesos, 2013 prices and real annual % change



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

Chart 14
RUV: New housing registrations
 Monthly figures and % change



Note: Includes total RUV registrations (homes with no housing starts, in progress and with 100% of construction)
 Source: BBVA Research with Bank of Mexico data

Table 2
Infonavit: Number of mortgage loans by segment
 As of July 2013

		Infonavit. Mortgage loans by segment					
Agency	Segment	Price range	january-july			Annual % change	
			VMS	2011	2012	2013	2012
Infonavit	Economic & popular	< 30	173,402	185,855	152,704	7.2	-17.8
	Traditional	30-55	53,260	50,565	42,891	-5.1	-15.2
Infonavit-Banks (Co-financing)	Middle	55-120	15,431	15,265	15,533	-1.1	1.8
	Residential	120-240	3,514	3,652	3,549	3.9	-2.8
	Plus	>240	606	652	587	7.6	-10.0

Note: Includes new and existing homes. (VSM) Times minimum wage
 Source: BBVA Research with Infonavit data

Table 3:

Infonavit: Number of mortgage loans by institution and percentage of existing homes
As of July 2013

	Total								Existing homes (% of total)						
	Total	Economic	Popular	Traditional	Middle	Residential	Plus		Total	Economic	Popular	Traditional	Middle	Residential	Plus
Ags	4341	652	2726	689	244	29	1	Ags	38	43	35	49	25		
BC	9961	875	6316	1994	654	116	6	BC	51	86	41	72	47	55	
BCS	1528	58	699	635	126	9	1	BCS	56	97	51	60	54		
Cam	797	57	377	244	112	6	1	Cam	60	70	57	66	53		
Coah	11279	1130	7309	2036	684	107	13	Coah	48	61	43	66	33	22	
Col	1833	166	1196	364	101	6	0	Col	37	97	28	39	31		
Chis	2716	144	1915	514	126	16	1	Chis	31	21	15	84	67		
Chih	10121	1262	6336	1727	683	109	4	Chih	53	78	43	76	42	28	100
DF	7065	158	948	2501	2084	1040	334	DF	73	100	100	87	53	51	68
Dgo	2449	160	1831	381	72	5	0	Dgo	45	69	40	58	58		
Gto	12164	451	8718	2234	673	83	5	Gto	30	74	25	42	26	33	20
Gro	1375	18	533	664	142	17	1	Gro	51		70	36	46		
Hgo	4940	466	3224	1043	187	20	0	Hgo	17	11	11	34	35	55	
Jal	21711	1641	14887	3417	1491	256	19	Jal	16	15	9	44	26	34	58
Mex	15381	101	8698	4657	1424	455	46	Mex	25	98	15	39	33	22	39
Mich	4913	204	3642	816	219	31	1	Mich	23	42	15	49	46	35	
Mor	2582	19	1129	1028	351	51	4	Mor	33	100	23	39	36	63	
Nay	2444	66	1773	509	82	14	0	Nay	28	92	22	41	46		
NL	28168	3723	17354	4592	1855	539	105	NL	15	11	10	32	24	26	35
Oax	1048	45	791	156	49	7	0	Oax	35	89	25	67	53		
Pue	5824	195	3934	1130	484	78	3	Pue	27	43	21	43	28	23	
Qro	6924	351	3495	1976	877	207	18	Qro	16	18	9	24	21	11	
QR	8055	387	6191	1073	381	22	1	QR	8	13	5	22	16	32	
SLP	5166	298	3326	1007	434	95	6	SLP	43	86	39	53	29	31	
Sin	6079	419	4298	1095	252	14	1	Sin	45	94	41	46	31		
Son	8316	716	5745	1446	353	51	5	Son	47	91	37	66	46	37	
Tab	2426	120	1608	510	148	34	6	Tab	38	35	24	81	59		67
Tamps	8982	799	6585	1205	360	33	0	Tamps	43	80	32	73	52	45	
Tlax	857	143	509	170	34	1	0	Tlax	56	76	44	75	53	100	
Ver	9472	1061	5914	1933	503	59	2	Ver	37	39	28	61	48	34	
Yuc	4837	698	3070	807	226	33	3	Yuc	34	60	27	40	32	27	
Zac	1510	43	1001	338	122	6	0	Zac	31	93	24	46	29		
Total	215264	16626	136078	42891	15533	3549	587	Nac	32.3	47	24	50	36	35	57

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

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