

Mexico Real Estate Flash

Mortgage loans in the banking system continue to grow

The number of mortgages originated in the first eight months of the year fell by 11.8% on the total for January-August 2012. The medium-income segments continue to be the driving force maintaining banks with positive growth rates, both in number of loans and volume of finance. Lending by public institutions continues to decline, with double-digit falls in the case of Infonavit. The average volume of loans by the public institutions is practically unchanged on the figure for the previous year in real terms.

In contrast, banks recorded an increase of 2.8% in the period. Although the rising trend has slowed, it remains in line with the figures for new formal jobs registered by the IMSS, which rose by 3.1% on the same month in 2012. This has boosted the average size of the mortgage, which increased by 4.7% in real terms over the period. The fall in the interest rate announced by Banxico at the end of the previous week is news that could boost the mortgage market and lessen the effect of a more sluggish economy.

- **The public institutions continue to decline**

The number of loans granted by Infonavit and Fovissste together fell by 14.6%, and their volume by 15.0% in real terms. In the case of Infonavit, mortgage origination fell by 15.5% while the amount financed fell by 16.2% in real terms. Thus the average volume is practically unchanged, but the lower level of origination is beginning to put slight pressure on the Institute's NPA ratio, which stood at 7.4% at the close of the second quarter, not including the portfolio of extended loans.

In Fovissste, the number of loans fell by 8.6% and the volume financed by 11.3% in real terms. However, the average amount per loan fell by 2.9% in real terms, and it has now posted negative rates for the last six months.

- **The banks continue to focus on the more expensive segments**

At the level of segments, the Inexpensive and Popular categories continue to register the biggest declines, in part due to demand transferring to more expensive homes, and greater diversification toward existing vertical and intra-urban housing. The Medium-Income segment is maintaining a growth of 5.9% for the period. It is worth noting that although mortgage originations by Infonavit fell in the Residential and Residential Plus segments (down 2.8% in the period January-August), the banks continue to record increases.

The fact that banks are still originating at positive rates has allowed them to maintain their NPA ratio at levels of 3.5% without putting portfolio quality at risk. The outstanding balance of banking loans for residential building fell by 19.4%, while the number of registrations for housing construction fell by 1.0% on the figure for the same month in 2012.

- **Encouraging news for the sector**

The position of maintaining housing transactions and real mortgage interest rates VAT-free is a signal that could maintain housing demand for lower and middle-class buyers, which had been the most affected. In addition to this, the announcement of a quarter-point cut in the overnight interbank interest rate to 3.5% is a signal that could lessen the slowdown in the Medium-Income segments, where demand has been highly sensitive to this indicator.

On October 9, Infonavit also made a Cedevis issue for more than MXN 5 billion. The market considers that its capital adequacy levels are acceptable and will even improve in the short term. They estimate growth of its on-balance-sheet portfolio of 8.5% by the close of the year. At the same time, the strength of real income and formal employment will be key for recovering strength.

Table 1

Mortgage lending: number and volume of loans, August

Organismo	Número de créditos (miles)			Monto de crédito (mmp)			Monto promedio (mp)		
	2012 (ene-ago)	2013 (ene-ago)	Var % anual	2012 (ene-ago)	2013 (ene-ago)	Var % anual real	2012	2013	Var % anual
Institutos Públicos	338.0	288.7	-14.6	100.2	85.2	-15.0	296.5	295.0	-0.5
Infonavit	292.5	247.1	-15.5	76.6	64.2	-16.2	261.8	259.7	-0.8
Fovissste	45.5	41.6	-8.6	23.7	21.0	-11.3	519.7	504.5	-2.9
Intermediarios Privados	55.6	58.8	5.7	54.9	59.9	9.0	988.3	1,019.0	3.1
Bancos	54.8	56.4	2.8	54.6	58.8	7.6	996.8	1,043.3	4.7
Sofoles/Sofomes	0.8	2.4	209.0	0.3	1.1	257.3	388.6	449.4	15.6
Subtotal	393.6	347.5	-11.7	155.2	145.1	-6.5	394.3	417.4	5.9
Cofinanciamientos* (-)	17.4	15.6	-10.0	14.0	12.4	-11.6	803.3	789.6	-1.7
Total	376.2	331.9	-11.8	141.2	132.7	-6.0	375.3	399.9	6.5

Cifras informativas

Total Cofinanciamientos	36.5	36.4	-0.3	21.6	20.1	-6.6	591.2	553.6	-6.4
Infonavit total	19.1	20.7	8.6	7.6	7.8	2.5	397.9	375.4	-5.6
Otros	17.4	15.6	-10.0	14.0	12.4	-11.6	803.3	789.6	-1.7

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

*Total excluding Infonavit

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

Chart 1

Number of loans by institution

Thousands, monthly figures, % change and % share

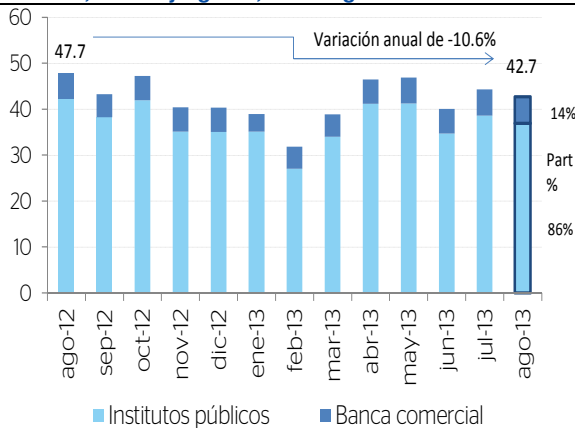
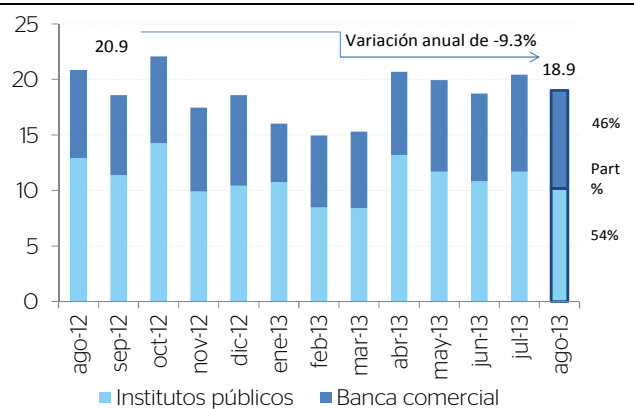


Chart 2

Volume of lending by institution

Billion pesos, 2013 prices, monthly figures, % change and % share



Source: BBVA Research with ABM, Infonavit and Fovissste data

Chart 3

Commercial banking: number of loans per product

Thousands, monthly figures, % change and % share

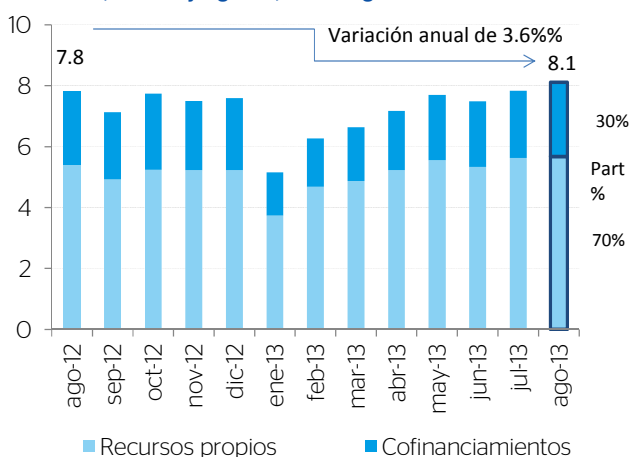


Chart 4

Commercial banking: volume of loans per product

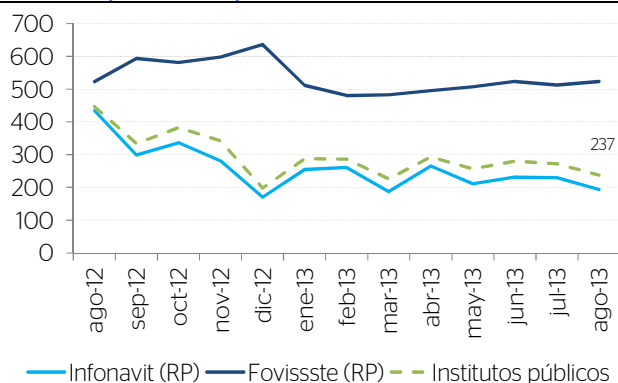
Billion pesos, 2013 prices, monthly figures, % change and % share



Source: BBVA Research with ABM, Infonavit and Fovissste data

Chart 5

Average amount of mortgage loan per institution Thousand pesos, 2013 prices



Source: BBVA Research with ABM, Infonavit and Fovissste data

Chart 6

Commercial banks: average amount of loan Thousand pesos, 2013 prices

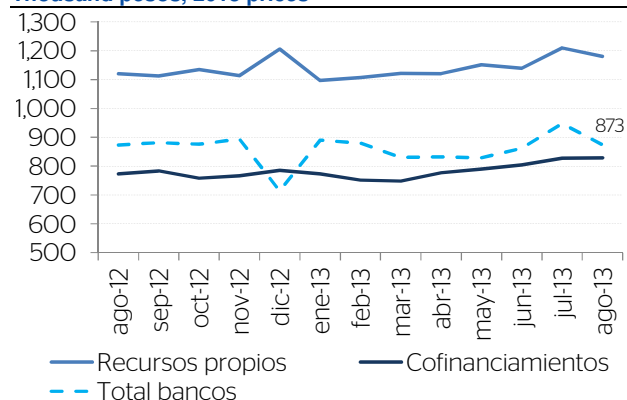
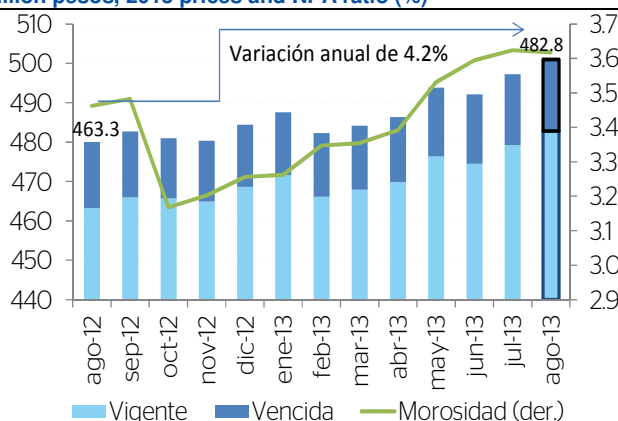


Chart 7

Mortgage loans: total portfolio balance Billion pesos, 2013 prices and NPA ratio (%)



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

Chart 8

Infonavit: portfolio balance Billion pesos, 2013 prices and NPA ratio (%)

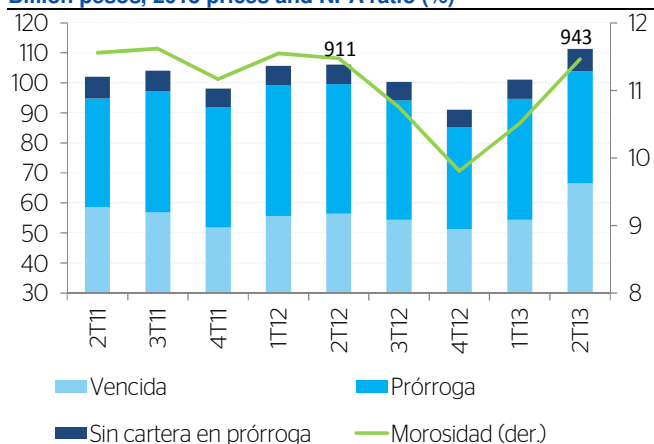
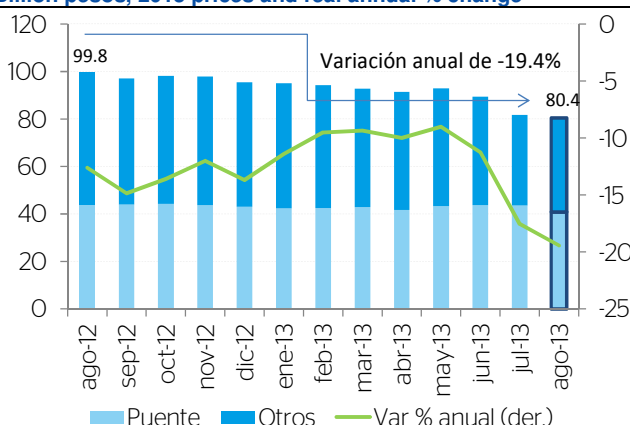


Chart 9

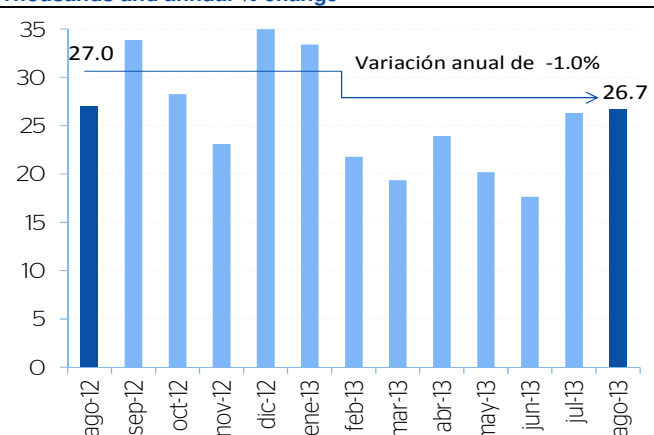
Loans for residential building, total portfolio Billion pesos, 2013 prices and real annual % change



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 10

Registrations for new housing construction Thousands and annual % change



Note: Includes total RUV registrations (homes not started, in progress and 100% constructed)
Source: BBVA Research with Bank of Mexico data

Table 2

Number of mortgage loans by segment Homes, January-August

Acumulado	Infonavit					Banca				
	2012		2013		Var %	2012		2013		Var %
Segmento	Viviendas	Part %	Viviendas	Part %		Viviendas	Part %	Viviendas	Part %	
Interés social*	269,543	92.1	224,102	90.7	-16.9	25,162	37.2	29,276	39.4	16.4
Media	17,933	6.1	18,146	7.3	1.2	26,563	39.2	28,132	37.9	5.9
Residencial y plus	5,039	1.7	4,899	2.0	-2.8	15,958	23.6	16,892	22.7	5.9
Total	292,515	100	247,147	100	-15.5	67,683	100.0	74,300	100.0	9.8

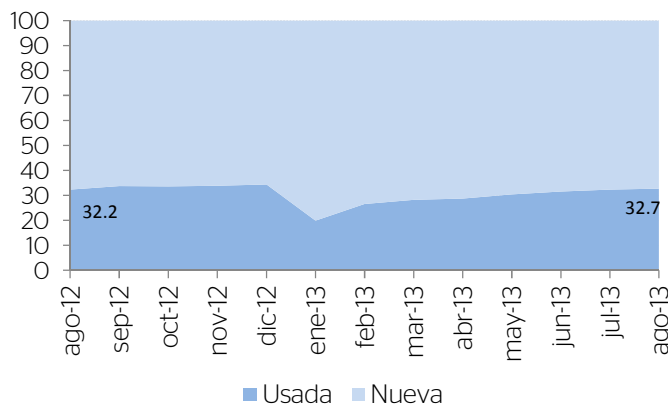
* Inexpensive, Popular and Traditional

Note: Includes new and existing homes. Banks loans do not take into account the reduction through co-finance, so the data do not coincide with those reported in Table 1.

Source: BBVA Research with Infonavit and CNBV data

Chart 11

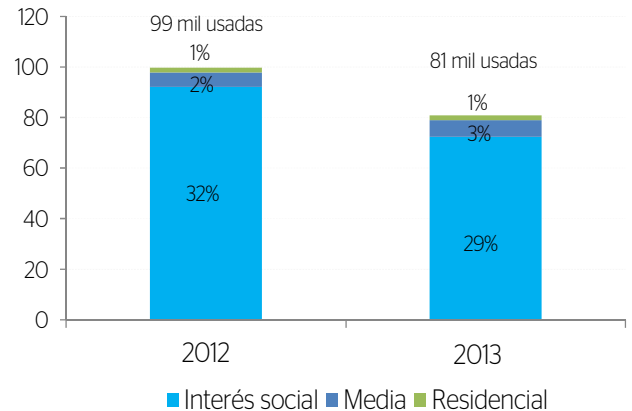
Infonavit: existing housing % share of total loans granted



Source: BBVA Research with Infonavit data

Chart 12

Infonavit: existing housing by segment Thousands and % share through August



Note: the Social Interest segment includes Inexpensive, Popular and Traditional category homes.

Source: BBVA Research with Infonavit data

Chart 13

Infonavit: mortgage loans for existing homes % share of total, January-August aggregate

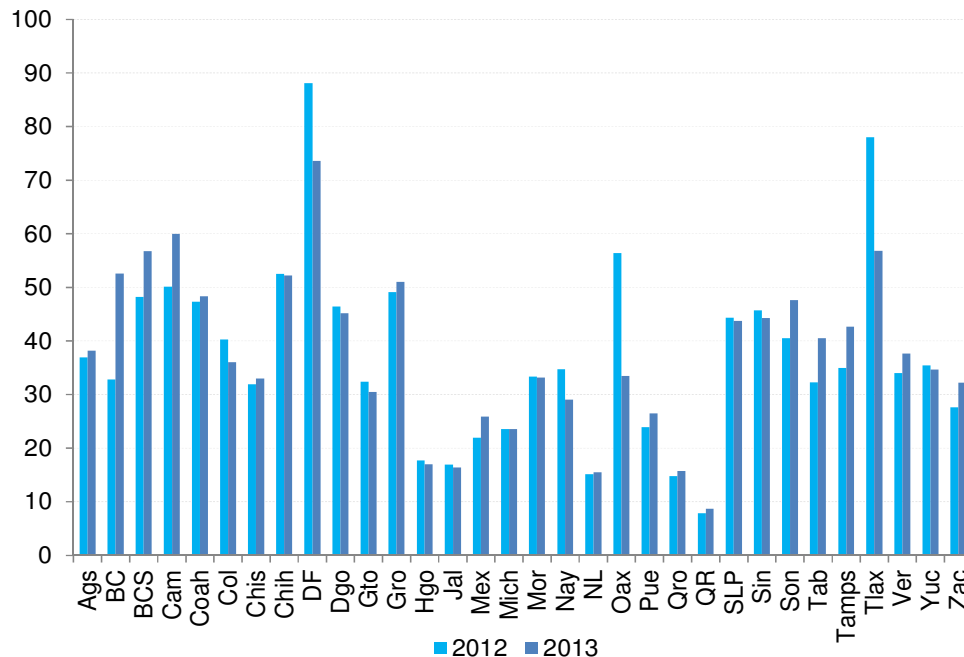


Table 3:

Infonavit: number of mortgage loans by institution and percentage of existing homes Through August 2013.

Estado	Total				Usadas (% of total)			
	Total	Interés social	Media	Residencial	Total	Interés social	Media	Residencial
Ags	5,010	4,675	298	37	38.2	36.5	1.5	0.1
BC	11,403	10,504	759	140	52.6	48.7	3.2	0.8
BCS	1,734	1,578	145	11	56.7	52.0	4.4	0.1
Cam	957	814	135	8	60.0	51.9	7.5	0.1
Coah	12,908	11,976	789	143	48.3	46.0	2.1	0.3
Col	2,108	1,982	120	6	36.0	34.2	1.7	0.0
Chis	2,909	2,750	141	18	33.0	29.5	3.3	0.1
Chih	11,753	10,809	808	136	52.2	48.9	2.9	0.4
DF	8,255	4,203	2,419	1,633	73.6	46.5	16.0	9.2
Dgo	2,830	2,735	86	9	45.2	43.3	1.7	0.1
Gto	13,896	13,029	765	102	30.5	28.7	1.5	0.3
Gro	1,560	1,368	173	19	51.0	45.8	4.6	0.1
Hgo	5,746	5,498	224	24	17.0	15.5	1.3	0.1
Jal	25,195	23,122	1,737	336	16.4	14.1	1.9	1.3
Mex	17,315	15,053	1,688	574	25.9	21.9	3.2	1.4
Mich	5,636	5,346	254	36	23.6	21.3	2.1	0.1
Mor	2,893	2,420	405	68	33.2	27.0	4.8	0.4
Nay	2,774	2,657	97	20	29.1	27.2	1.6	0.1
NL	32,344	29,437	2,146	761	15.5	13.2	1.6	2.2
Oax	1,243	1,178	58	7	33.5	30.7	2.7	0.0
Pue	6,692	6,017	571	104	26.5	23.9	2.3	0.2
Qro	7,847	6,554	1,022	271	15.8	12.6	2.6	0.4
QR	9,213	8,740	447	26	8.7	7.7	0.8	0.1
SLP	5,949	5,329	500	120	43.8	40.6	2.5	0.4
Sin	7,010	6,674	316	20	44.3	42.9	1.4	0.0
Son	9,690	9,212	412	66	47.6	45.4	2.0	0.2
Tab	2,733	2,513	175	45	40.5	36.3	3.9	0.1
Tamps	10,463	10,005	420	38	42.7	40.4	2.1	0.2
Tlax	996	951	44	1	56.8	54.2	2.5	0.0
Ver	10,829	10,156	598	75	37.6	34.7	2.7	0.3
Yuc	5,554	5,256	259	39	34.7	32.9	1.5	0.1
Zac	1,702	1,561	135	6	32.2	29.8	2.2	0.0
Nac	247,147	224,102	18,146	4,899	32.7	29.3	2.7	19.1

Note: Price ranges expressed as factor of the monthly minimum wage (MMW). The "Social Housing" segment includes Popular and Traditional category housing. Inexpensive to 118 x MMW (232,000 pesos); Popular to 200 x MMW (394,000 pesos); Traditional to 350 x MMW (689,000 pesos); Medium-income to 750 x MMW (1,477,000 pesos) ; Residential to 1,500 x MMW (2,954,000 pesos); Residential Plus over 1,500 x MMW (Over 2,954,000 pesos).

Source: BBVA Research with Infonavit data

Fernando Balbuena
fernando.balbuena@bbva.com

Samuel Vázquez
samuel.vazquez@bbva.com



| Av. Universidad 1200, Col. Xoco, Mexico 03339 D.F. | researchmexico@bbva.bancomer.com | www.bbva.com/mx/research

Legal Notice 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 may therefore 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.