

# Mexico Real Estate Flash

## Bank mortgage loans up 3.9%

The number of mortgage loans this year through September fell by 11.6% on the same period in 2012. Demand for bank loans comes mainly from the middle and high-income population, and is reflected in a significant increase in origination in residential segments. This has boosted the average amount of a mortgage to a million pesos, unlike what is reflected by public institutions, which have recorded falls through September, mainly due to the reduction in the amount of finance in real terms.

The growth recorded for banks continues to reflect the creation of formal jobs over the last year, which have increased by an average of 4%. As a result, the number of loans has increased by 3.9% and the total financed by 8.8% in real terms for the period January-September.

- **The market for social housing continues to contract**

Public institutions recorded double-digit falls in the amount financed. This has continued to put downward pressure on the average amount per mortgage in real terms, which fell by 0.3% through September. The number of loans granted by the housing institutions fell by 14.5%, and their volume financed by 14.8% in real terms.

Social housing continues its downward trend. In the case of Infonavit, mortgage origination fell by 15.8% while the amount financed fell by 16.7% in real terms. As 90% of loans granted by the institution are for this segment, it is no surprise that the increase of 2.1% in the medium-income segment is not reflected in its aggregate figures. In contrast, it can be seen in the performance of the banks, where this segment accounts for around a third of the loans originated.

In Fovissste, where the average amount lent is around half a million pesos (double the figure for Infonavit), the trend is similar, as only 10% of loans granted are financed through a product co-financed with a bank. The number of loans granted in the period January-September by the institution fell by 6.0%, while the amount financed fell by 8.5% in real terms on the same period last year.

- **The banks' customers benefit from better credit conditions**

In September there was an upturn in the residential segments. The fact that the banks have diversified the allocation of their funds for finance more evenly has enabled them to take better advantage of an environment of lower interest rates. This time, conditions have directly favored people who approached banks. As rates fell, demand for mortgages on high-value homes increased, while demand for loans for cheaper housing fell.

The Social Interest segments remained practically unchanged on the same period in 2012. The middle-income segment continued to be most steady and recorded growth of 7.4% in the period. However, the residential segment recorded an upturn of nearly 11% in the period January-September on the same period last year. This has benefited the balance of the portfolio of private intermediaries, with an annual increase of 4.1% and a stabilization in default levels.

- **A boost in an unfavorable environment**

As it is the factor with the biggest multiplier effect on demand for housing, the fall in interest rates boosted the sector. However, we expect growth will moderate at the start of 2014, due to seasonal effects early in the year and the lower levels of economic activity.

Table 1

**Mortgage lending: number and volume of loans, September**

Body	Number of loans (thousands)			Amount of lending (Bn pesos)			Average amount per mortgage (thousands, pesos)		
	2012 (jan-jul)	2013 (jan-jul)	Var % anual	2012 (jan-jul)	2013 (jan-jul)	Real y/y % change	2012	2013	Real y/y % change
Public institutions	376.3	321.8	-14.5	112.4	95.7	-14.8	298.6	297.6	-0.3
Infonavit	326.2	274.6	-15.8	86.2	71.8	-16.7	264.2	261.4	-1.0
Fovissste	50.1	47.1	-6.0	26.2	24.0	-8.5	522.6	508.2	-2.8
Private intermediaries	62.8	67.0	6.7	62.6	68.9	10.1	995.6	1027.3	3.2
Banks	62.0	64.4	3.9	62.2	67.7	8.8	1004.1	1051.4	4.7
Sofoles	0.9	2.7	209.1	0.3	1.2	253.6	392.1	448.5	14.4
<b>Subtotal</b>	<b>439.1</b>	<b>388.8</b>	<b>-11.5</b>	<b>174.9</b>	<b>164.6</b>	<b>-5.9</b>	<b>398.3</b>	<b>423.4</b>	<b>6.3</b>
Co-financing* (-)	19.6	18.0	-8.2	15.8	14.3	-11.6	804.7	794.9	-1.2
<b>Total</b>	<b>419.5</b>	<b>370.8</b>	<b>-11.6</b>	<b>159.1</b>	<b>150.3</b>	<b>-5.5</b>	<b>379.3</b>	<b>405.4</b>	<b>6.9</b>

**Information figures**

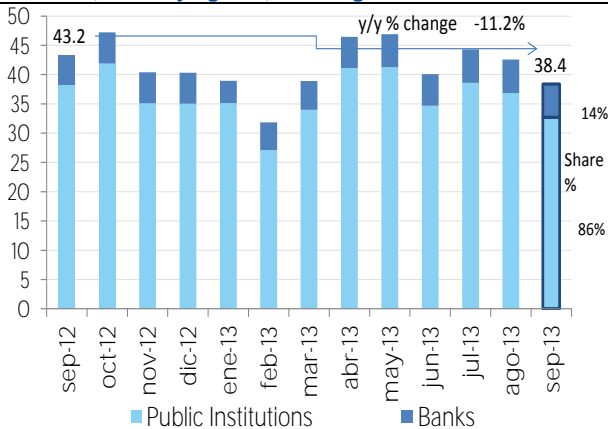
Total co-financing (-)	40.7	41.1	1.2	23.4	22.1	-5.5	574.9	537.2	-6.6
Infonavit total (-)	21.0	23.1	9.9	7.6	7.8	2.5	360.9	336.5	-6.7
Other	19.6	18.0	-8.2	15.8	14.3	-11.6	804.7	794.9	-1.2

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

\*Total excluding Infonavit

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

Chart 1

**Number of loans by institution**  
Thousands, monthly figures, % change and % share

Source: BBVA Research with ABM, Infonavit and Fovissste data

Chart 2

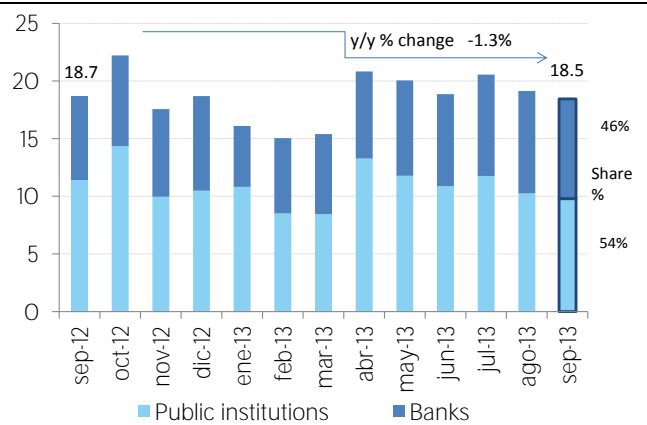
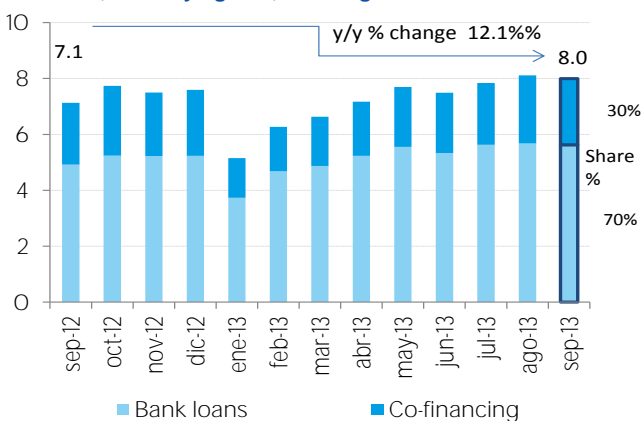
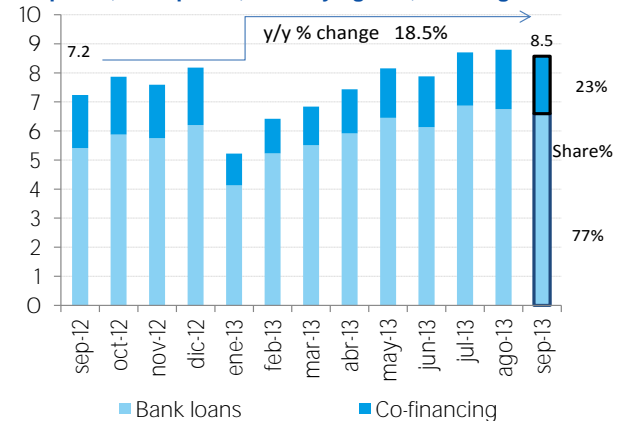
**Volume of lending by institution**  
Billion pesos, 2013 prices, monthly figures, % change and % share

Chart 3

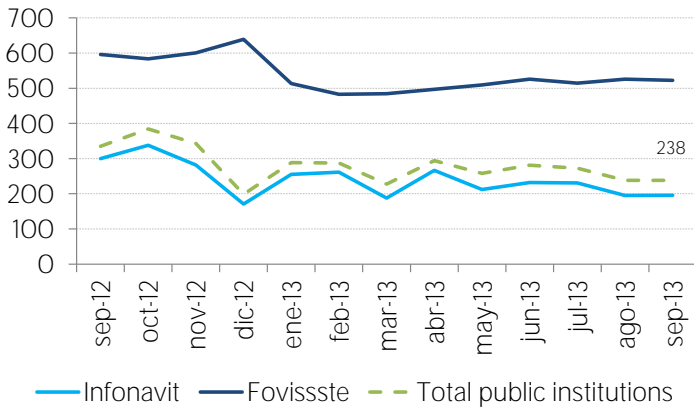
**Commercial banking: number of loans per product**  
Thousands, monthly figures, % change and % share

Source: BBVA Research with ABM, Infonavit and Fovissste data

Chart 4

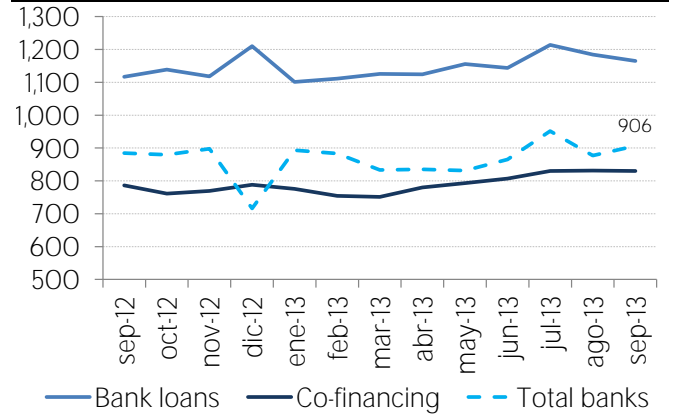
**Commercial banking: volume of loans per product**  
Billion pesos, 2013 prices, monthly figures, % change and % share

**Chart 5**  
Average amount of mortgage loan per institution  
Thousand pesos, 2013 prices

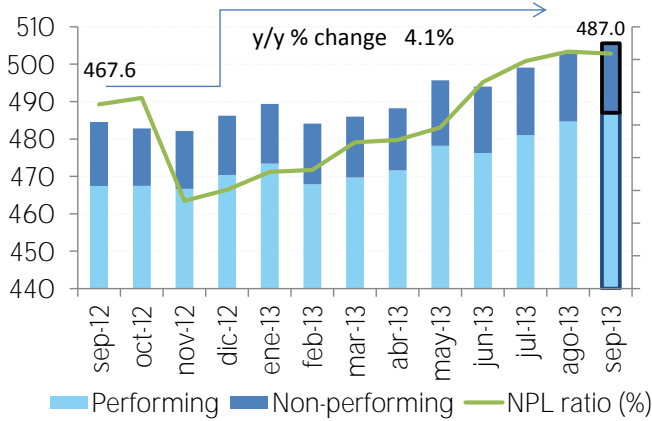


Source: BBVA Research with ABM, Infonavit and Fovissste data

**Chart 6**  
Commercial banks: average amount of loan  
Thousand pesos, 2013 prices

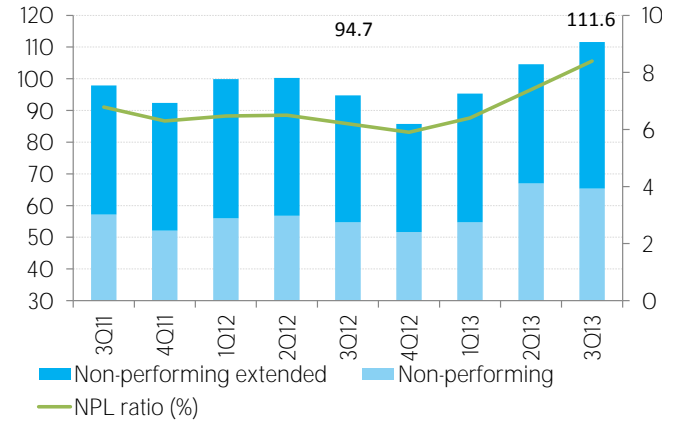


**Chart 7**  
Mortgage loans: total portfolio balance  
Billion pesos, 2013 prices and default rate (%)

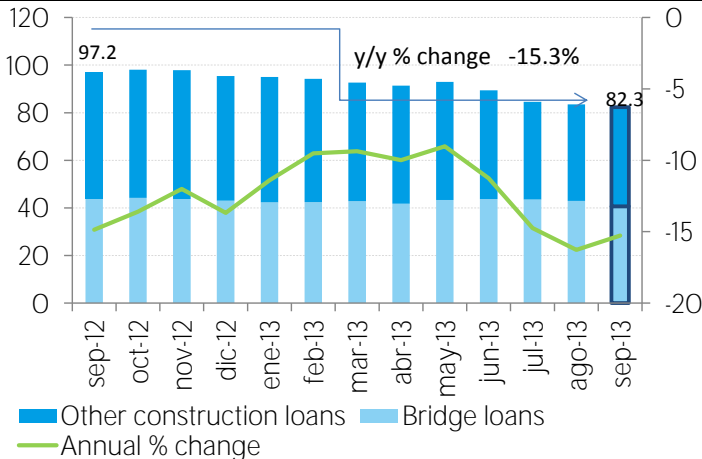


Notes:  
1) Includes commercial banks, Sofoles and Sofomes  
2) Infonavit NPL ratio (%) is calculated on the basis on Non-performing loans  
Source: BBVA Research with Bank of Mexico and Infonavit data

**Chart 8**  
Infonavit: balance of the delinquent and renegotiated portfolio  
Billion pesos, 2013 prices and default rate (%)

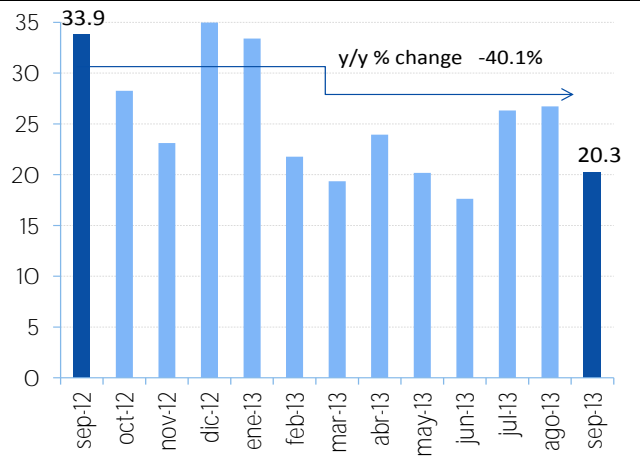


**Chart 9**  
Loans for residential building, total portfolio  
Billion pesos, 2013 prices and real annual % change



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 RUV data

Table 2

**Number of mortgage loans by segment  
Housing, January-September**

Segment	Cumulative 2012		Infonavit 2013		Annual % change	Banks 2012		Banks 2013		Annual % change
	Houses	Share %	Houses	Share %		Houses	Share %	Houses	Share %	
Low income*	300,204	92.0	248,321	90.4	-17.3	27,087	33.5	27,103	31.6	0.1
Middle	20,293	6.2	20,715	7.5	2.1	29,209	36.1	31,377	36.6	7.4
Residential	5,662	1.7	5,588	2.0	-1.3	24,596	30.4	27,192	31.7	10.6
<b>Total</b>	<b>326,159</b>	<b>100</b>	<b>274,624</b>	<b>100</b>	<b>-15.8</b>	<b>80,892</b>	<b>100.0</b>	<b>85,672</b>	<b>100.0</b>	<b>5.9</b>

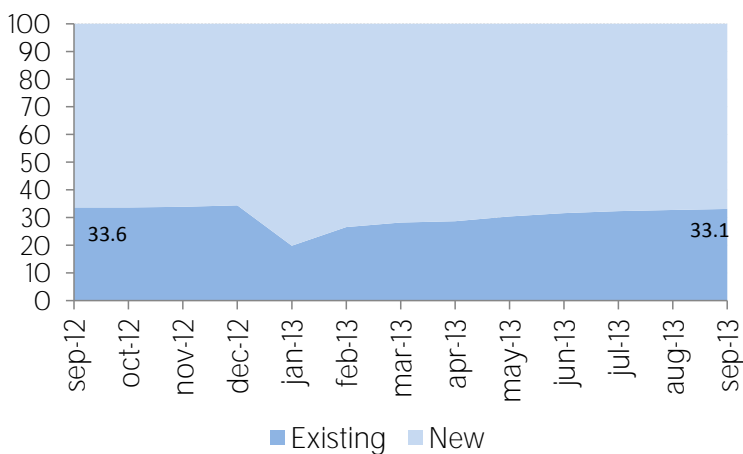
\* Inexpensive, Popular and Traditional

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 ABM data

Chart 11

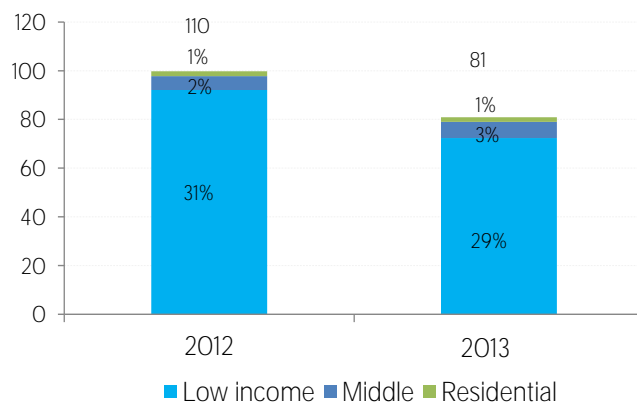
**Infonavit: existing housing  
% share of total loans granted**



Source: BBVA Research with Infonavit data

Chart 12

**Infonavit: existing housing by segment  
Thousands and % share through September**



Note: the Low income 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, cumulative January-September**

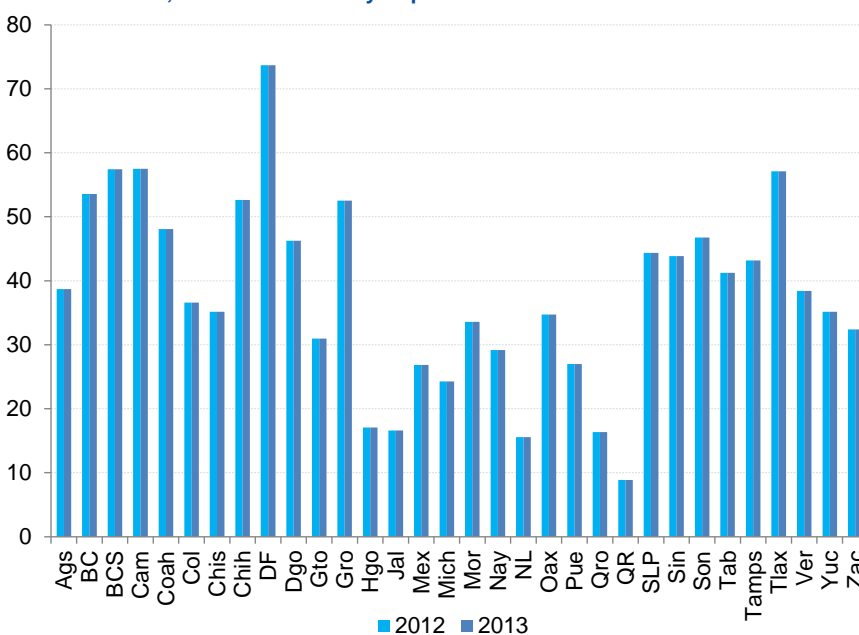


Table 3:

**Infonavit: number of mortgage loans by institution and percentage of existing homes  
Cumulative January-September 2013**

State	Total				Existing (% of total)			
	Total	Low income	Middle	Residential	Total	Low income	Middle	Residential
Ags	5,572	5,183	349	40	38.7	36.9	1.6	0.1
BC	12,548	11,539	852	157	53.6	49.6	3.3	0.9
BCS	1,923	1,752	159	12	57.4	52.6	4.5	0.1
Cam	1,153	985	160	8	57.5	50.0	7.0	0.1
Coah	14,316	13,255	898	163	48.1	45.7	2.1	0.4
Col	2,337	2,192	136	9	36.6	34.7	1.7	0.0
Chis	3,076	2,893	162	20	35.1	31.2	3.7	0.1
Chih	13,042	11,960	933	149	52.6	49.2	3.1	0.5
DF	9,323	4,697	2,765	1,861	73.7	46.3	16.2	10.5
Dgo	3,220	3,115	96	9	46.2	44.3	1.7	0.1
Gto	15,478	14,506	855	117	31.0	29.2	1.5	0.4
Gro	1,695	1,483	191	21	52.5	46.8	5.0	0.1
Hgo	6,506	6,195	285	26	17.1	15.3	1.6	0.1
Jal	28,087	25,729	1,971	387	16.6	14.2	1.9	1.4
Mex	18,843	16,272	1,911	660	26.8	22.6	3.4	1.7
Mich	6,177	5,856	280	41	24.3	21.9	2.2	0.2
Mor	3,112	2,583	452	77	33.6	27.2	5.0	0.4
Nay	3,074	2,943	108	23	29.2	27.3	1.6	0.1
NL	36,136	32,826	2,423	887	15.6	13.2	1.6	2.5
Oax	1,371	1,298	65	8	34.7	32.0	2.6	0.0
Pue	7,423	6,621	681	121	27.0	24.2	2.4	0.3
Qro	8,714	7,228	1,184	302	16.3	13.0	2.8	0.5
QR	10,264	9,714	521	29	8.9	7.9	0.8	0.1
SLP	6,637	5,924	582	131	44.3	41.1	2.6	0.4
Sin	7,916	7,541	353	22	43.9	42.4	1.5	0.0
Son	10,950	10,407	468	75	46.7	44.6	1.9	0.3
Tab	2,995	2,741	201	53	41.2	36.8	4.1	0.1
Tamps	11,592	11,068	483	41	43.2	40.8	2.3	0.2
Tlax	1,082	1,033	48	1	57.1	54.5	2.5	0.0
Ver	12,010	11,251	675	84	38.4	35.3	2.8	0.3
Yuc	6,188	5,833	310	45	35.1	33.3	1.6	0.1
Zac	1,865	1,698	158	9	32.4	29.9	2.2	0.1
<b>Nac</b>	<b>274,625</b>	<b>248,321</b>	<b>20,715</b>	<b>5,588</b>	<b>33.1</b>	<b>29.5</b>	<b>2.8</b>	<b>21.8</b>

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

Source: BBVA Research with Infonavit data

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