

Mexico Real Estate Flash

In 2013, mortgage banking grew, at a rate of 14%

2013 was a year of important changes in mortgage market. First, the change in demand towards new alternative housing products; and second, better banks lending conditions attracted workers in the formal economy, whose numbers have increased.

The total number of mortgages approved in 2013 went down by 5.5% over 2012. Public housing institutions saw less demand for social housing, as the number of mortgages fell 8.0%, while the principal financed slumped by 9.9 % in real terms. Figures for existing housing credits participate with more than 30% of the total lending and total loans for housing refurbishments overpassing Infonavit's target for double in the 2013.

As far as the banking sector growth, more diversity in lending products and greater competition between banks have helped customers wanting to take out a mortgage. So the number of loans approved went up by 7.7%, while the principal financed grew 14% in real terms over 2012. The fact that those segments of the population approaching a bank are taking out bigger mortgages continues to drive up the average principal amount, which is now over MXN1mn.

- **New alternative housing products beat expectations**

The fact that social housing institutions ended 2012 with significant contractions reveals the new importance of home improvement loans. *Infonavit* closed the year with around 290,000 financings in this category, which represents over 40% of the total loans signed in the entire year. This is significantly higher than the 90,000 loans that it had budgeted for 2013. As a result, by the end of the year institution recorded a drop of 9.8% in the number of mortgages and of 13.3% in the principal being financed. Similarly, of the total of 380,000 loans, 33.8% were destined for existing housing credits.

In the case of *Fovissste*, the number of loans increased by 3.9% and 1.2% in the principal financed. The raise in the principal in real terms drove the average mortgage loan to drop by 2.6 over 2012. From September 2013, the institution launched its financing product for home improvements called *Respaldados M*, which it calculated had a potential market of 18,000 loans last year. By 2014 it expects to grant 45,000 of its forecast total of 100,000 loans.

- **More competition between banks is improving borrowing conditions**

The banking sector recorded an increase in the number of mortgages, being the principal financing higher than expected. In December 2013, the number of mortgages approved increased by 7.7%, while the principal financed went up by 14.0% in real terms. Even in a context of weaker economic growth, the drivers in 2013 were lower rates of interest and more competition between banks with a range of financial products. Over the last two years a higher number of workers in the formal economy has combined with better borrowing conditions to encourage consumers to buy higher-value housing.

Thus the middle income housing and residential segments were those which expanded the most in 2013, by 11.5% and 16.1% respectively. This offset the losses the banking sector that may have incurred by co-financing with social housing institutions, where financing declined by 11.6% in 2013.

- **The banking sector may carry on growing**

In 2013 the housing market adapted efficiently to changes in the demand profile. The main challenges for 2014 on the financing side will be improving the flexibility of products to suit demand, as well as adapt credit conditions to the segments of the population in order to maintain a healthy portfolio.

Chart 1

Mortgage activity: number of loans & amount of lending, December

Body	Number of loans (thousands)			Amount of lending (Bn pesos)			Average amount per mortgage (thousands, pesos)		
	2012 (jan-dec)	2013 (jan-dec)	Var % anual	2012 (jan-dec)	2013 (jan-dec)	Real y/y % change	2012	2013	Real y/y % change
Public institutions	486.2	447.4	-8.0	150.5	135.5	-9.9	309.4	302.8	-2.1
Infonavit	421.9	380.6	-9.8	116.0	100.6	-13.3	274.9	264.4	-3.8
Fovissste (a)	64.3	66.8	3.9	34.5	34.9	1.2	535.9	521.9	-2.6
Private intermediaries	86.0	94.3	9.5	88.0	101.1	14.9	1022.2	1072.1	4.9
Banks	84.8	91.3	7.7	87.4	99.7	14.0	1031.3	1091.9	5.9
Other 1/	1.3	2.9	134.9	0.5	1.3	164.8	404.4	455.9	12.7
Subtotal	572.3	541.7	-5.3	238.4	236.5	-0.8	416.6	436.7	4.8
Co-financing* (-)	26.7	26.2	-2.2						
Total	545.5	515.5	-5.5	238.4	236.5	-0.8	416.6	436.7	4.8
Information figures									
Total co-financing (-)	59.6	56.4	-5.4	35.3	25.2	-28.8	592.9	446.5	-24.7
Infonavit total (-)	32.8	30.2	-8.1	13.3	12.0	-9.6	404.3	397.6	-1.7
Other	26.7	26.2	-2.2	22.0	13.2	-40.3	824.5	502.9	-39.0

NB: The Banks line includes loans made to employees of the financial institutions.

(a) Preliminary data

*excluding Infonavit total

1/ Financial intermediaries affiliated to the AHM (Mexican Mortgage Association)

Source: BBVA Research based on Infonavit, Fovissste ABM, AHM, Banco de México and CNBV data

Figure 1

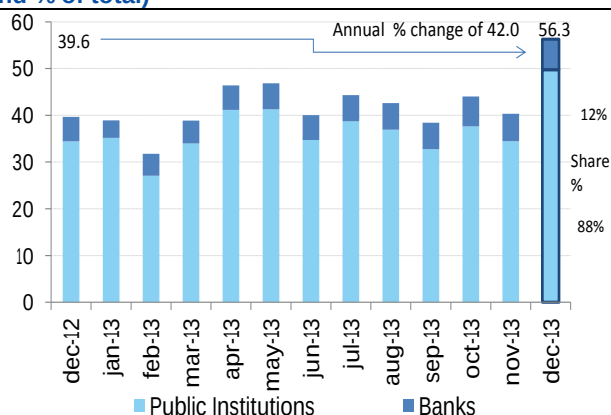
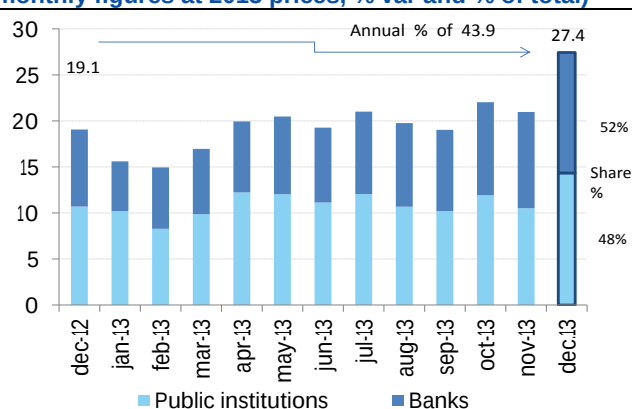
Number of credits by institution ('000s, monthly % var and % of total)

Figure 2

Amount of credit outstanding by institution (MXN mn, monthly figures at 2013 prices, % var and % of total)

Fuente: BBVA Research con datos de ABM, Infonavit, Fovissste

Figure 3

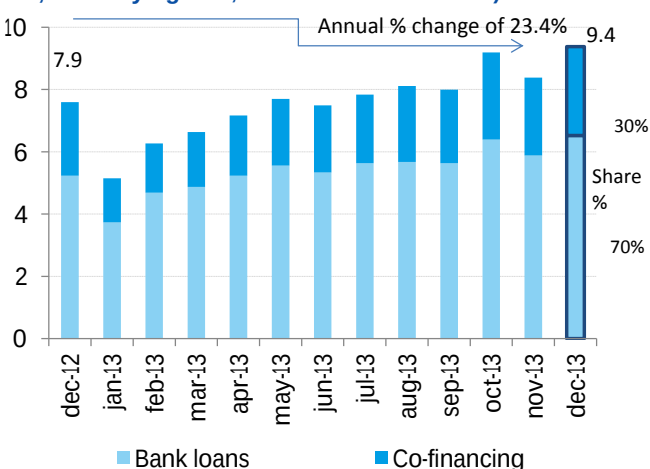
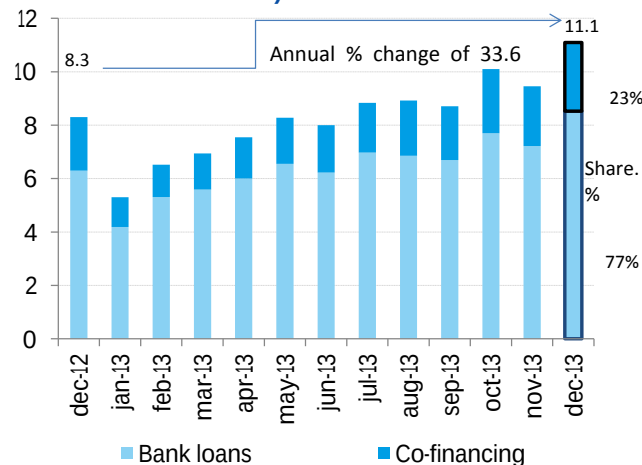
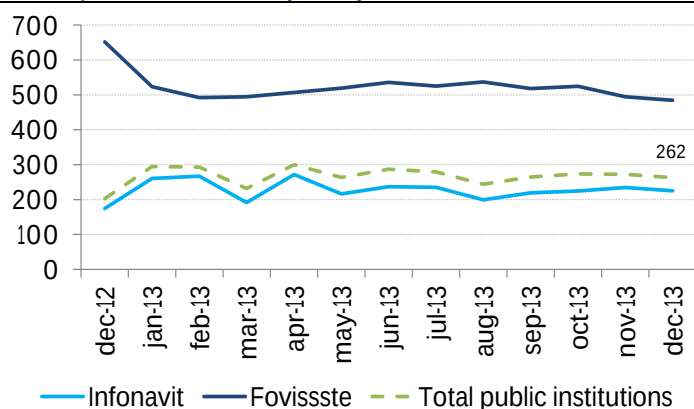
Commercial banks: number of credits by product ('000, monthly figures, % var YoY and % of total)

Figure 4

Commercial banks: value of credits by product (MXN bn, % var YoY and % of total)

Fuente: BBVA Research con datos de ABM, Infonavit, Fovissste

Figure 5
Average amount of mortgage loan by institution
(MXN '000 at 2013 prices)



Source: BBVA Research with ABM, Infonavit and Fovissste data

Figure 6
Commercial banks: average amount of mortgage loan
(MXN '000 at 2013 prices)

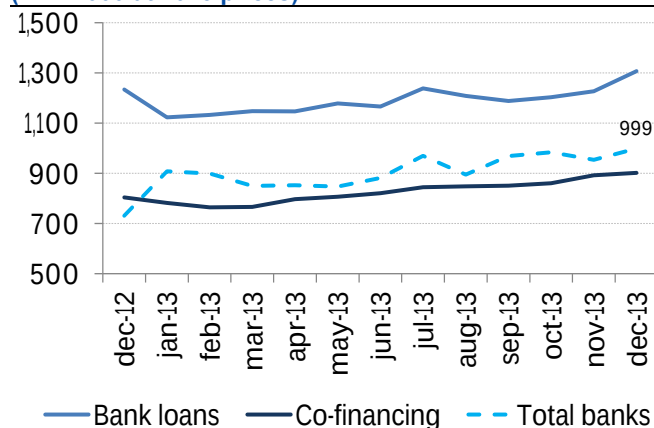
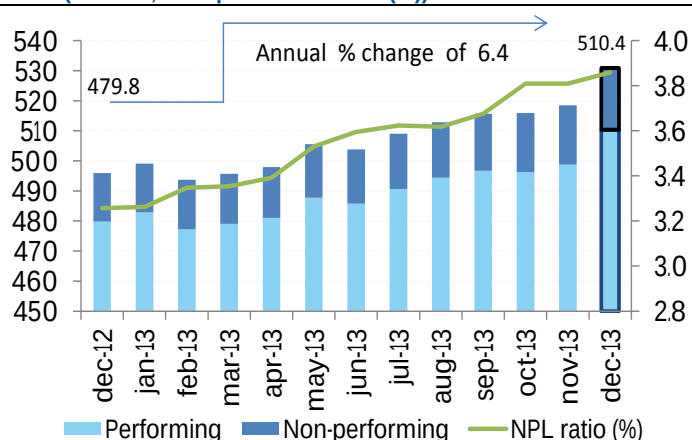
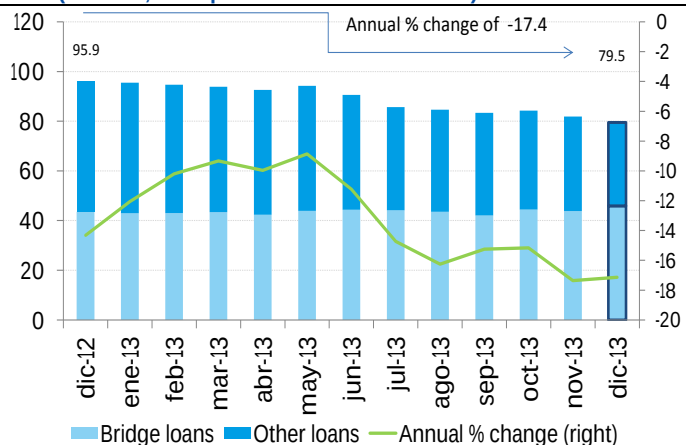


Figure 7
Mortgage lending: total portfolio
(MXN bn, 2013 prices and NPLs (%))



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

Figure 9
Loans for residential construction: total portfolio
(MXN bn, 2013 prices and real % var YoY)



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, 2013.

Includes bridging loan and other sources of finance
Source: BBVA Research with CNBV data

Figure 8
Infonavit: non performing loans
(MXN bn, 2013 prices and NPLs (%))

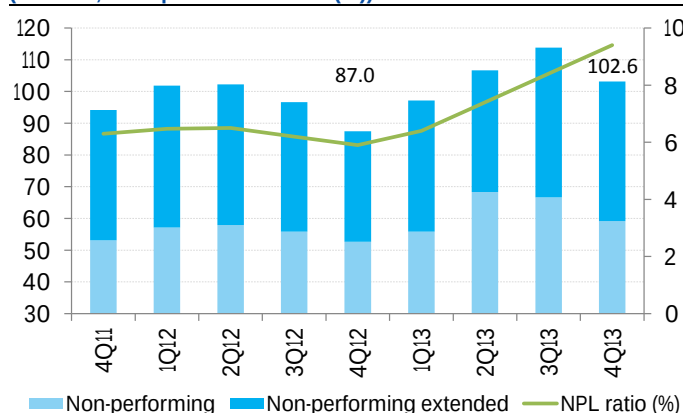
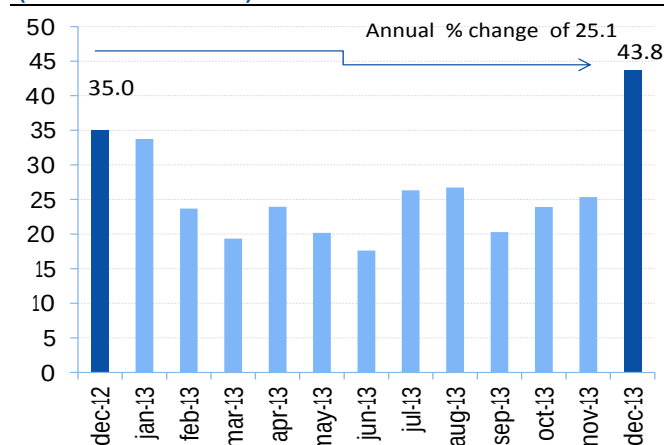


Figure 10
Registrations for new housing construction
('000 and % var YoY)



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 (January-December)

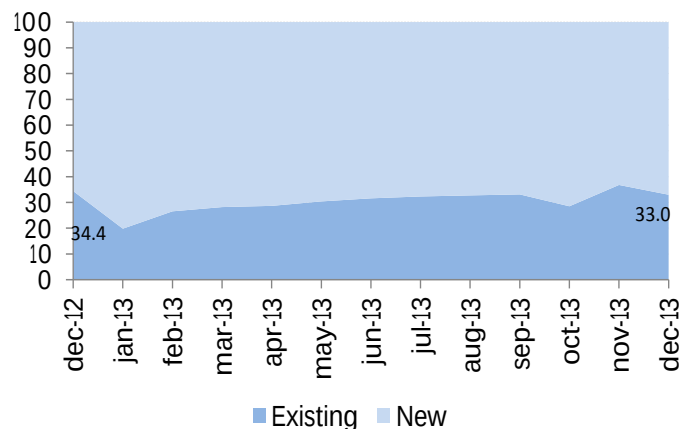
Cumulative		Infonavit				Banks				
2012		2013				2012		2013		
Segment	Houses	Share %	Houses	Share %	Annual % change	Houses	Share %	Houses	Share %	Annual % change
Low income*	385,746	91.4	342,151	89.9	-11.3	40,398	35.3	37,024	30.5	-8.4
Middle	28,254	6.7	30,152	7.9	6.7	40,327	35.2	44,963	37.1	11.5
Residential	7,929	1.9	8,335	2.2	5.1	33,840	29.5	39,292	32.4	16.1
Total	421,929	100	380,638	100	-9.8	114,564	100.0	121,279	100.0	5.9

* 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.

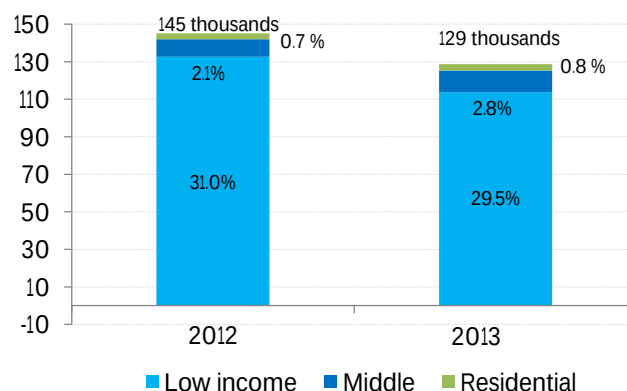
Source: BBVA Research with Infonavit and ABM data

Figure 11

**Infonavit: existing housing stock
(% of total loans)**

Source: BBVA Research with Infonavit data

Figure 12

**Infonavit: existing stock by segment
(‘000 and % of total %, to december)**

Note: the Low income segment includes Inexpensive, Popular and Traditional category homes.

Source: BBVA Research with Infonavit data

Figure 13

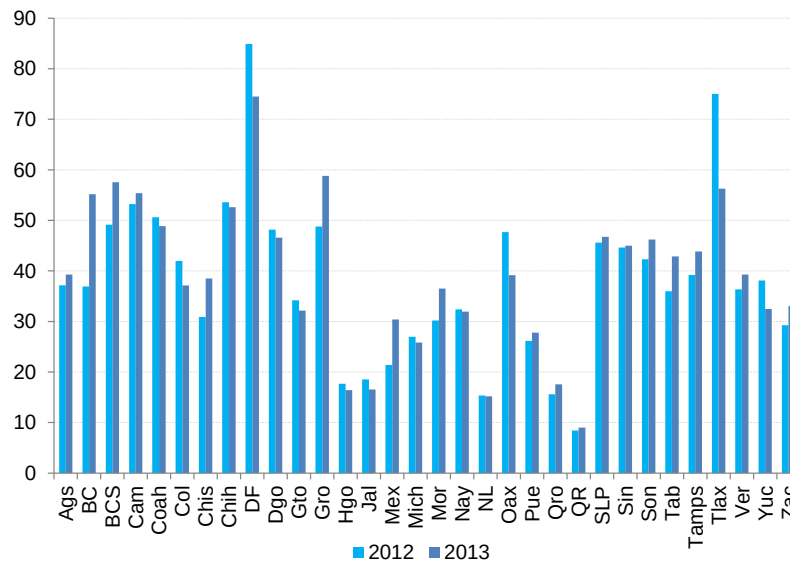
**Infonavit: mortgage loans for existing housing
(% total, accumulated January-December)**

Table 3

Infonavit: number of mortgage loans by entity and % of existing housing
Cumulative January-December, 2013

State	Total				Loans for existing homes (% of total)			
	Total	Low income	Middle	Residential	Total	Low income	Middle	Residential
Ags	7,103	6,557	494	52	39.3	37.4	1.7	0.1
BC	16,808	15,319	1,260	229	55.2	50.5	4.0	1.2
BCS	2,700	2,449	231	20	57.6	52.4	4.9	0.1
Cam	1,734	1,435	282	17	55.4	48.2	6.6	0.1
Coah	20,411	18,770	1,401	240	48.9	46.0	2.5	0.6
Col	3,465	3,256	197	12	37.1	34.8	2.1	0.1
Chis	4,043	3,787	230	26	38.5	34.0	4.3	0.1
Chih	18,004	16,366	1,420	218	52.6	48.8	3.4	0.7
DF	13,326	6,450	4,102	2,774	74.5	45.2	17.2	16.1
Dgo	4,558	4,410	136	12	46.6	44.7	1.6	0.1
Gto	21,123	19,740	1,214	169	32.1	30.3	1.6	0.5
Gro	2,102	1,820	251	31	58.8	51.5	6.4	0.2
Hgo	9,692	9,224	426	42	16.4	14.6	1.7	0.2
Jal	39,134	35,796	2,734	604	16.5	13.9	2.1	2.0
Mex	24,639	20,976	2,658	1,005	30.4	25.2	4.0	2.8
Mich	8,618	8,150	407	61	25.8	23.0	2.5	0.3
Mor	3,949	3,187	647	115	36.5	28.8	5.9	0.7
Nay	3,966	3,769	168	29	31.9	29.6	2.1	0.1
NL	51,537	46,756	3,451	1,330	15.2	12.7	1.8	3.7
Oax	1,754	1,645	97	12	39.2	36.0	2.9	0.1
Pue	10,078	8,899	996	183	27.8	24.6	2.8	0.4
Qro	11,665	9,453	1,762	450	17.5	13.8	3.1	0.8
QR	14,236	13,456	727	53	9.0	8.0	0.8	0.2
SLP	9,236	8,214	852	170	46.8	43.6	2.6	0.5
Sin	11,128	10,568	524	36	45.0	43.5	1.5	0.1
Son	16,087	15,174	797	116	46.2	43.7	2.2	0.4
Tab	4,175	3,807	299	69	42.9	37.9	4.6	0.1
Tamps	15,908	15,170	677	61	43.9	41.3	2.4	0.3
Tlax	1,480	1,410	69	1	56.3	53.6	2.6	0.0
Ver	16,561	15,486	961	114	39.3	36.0	3.1	0.4
Yuc	8,922	8,366	484	72	32.5	30.7	1.6	0.2
Zac	2,496	2,286	198	12	33.1	30.7	2.1	0.1
Nac	380,638	342,151	30,152	8,335	33.8	29.9	3.0	33.0

NB: Range of prices expressed in multiples of minimum monthly salary (x MMS). Social housing includes popular and traditional low-cost housing. Low-cost housing up to 118x MMS ((MXN232,000; Popular up to 200x MMS (MXN394,000); Traditional up to 350x MMS (MXN689,000); Medium up to 750x MMS (MXN1,477,000); Residential up to 1,500x MMS (MXN2,954,000); Residential plus more than 1,500x MMS (more than EUR2,954,000).

Source: BBVA Research based on Infonavit data.

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