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“Perspectives on the need for innovative financing approaches and potential ERSO opportunities in Latin America”

Mexican Housing Overview 2008

Stockholm, April 2008



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National Housing Commission (CONAVI)

Housing Law

Artículo 18.- “The Commission has been created as a decentralized agency, engaged in activities of public convenience and necessity, and as a social benefit, not aimed to any particular sector, with a legal capacity and a patrimony of its own”.

The National Housing System stems from the Act of Housing (Article 14) as a coordinating mechanism, that helps follow-up the national housing policy, under the responsibility of the National Housing Commission.

Integrated by:

- I. National Housing Council;
- II. Intersecretariat Commission (Group composed by 12 Ministries);



- IV.  nstance that coordinates and,

- V. The goverment of the states and municipalities, social and private sector, in terms of the agreements that will be reached .



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National Housing Council

Housing Act

Article 28.- “The Council shall be the authority that provides and gives advisory services to the Federal Executive Branch,... proposing the measures to plan, prepare, implement, execute and supervise the National Housing Policy”.



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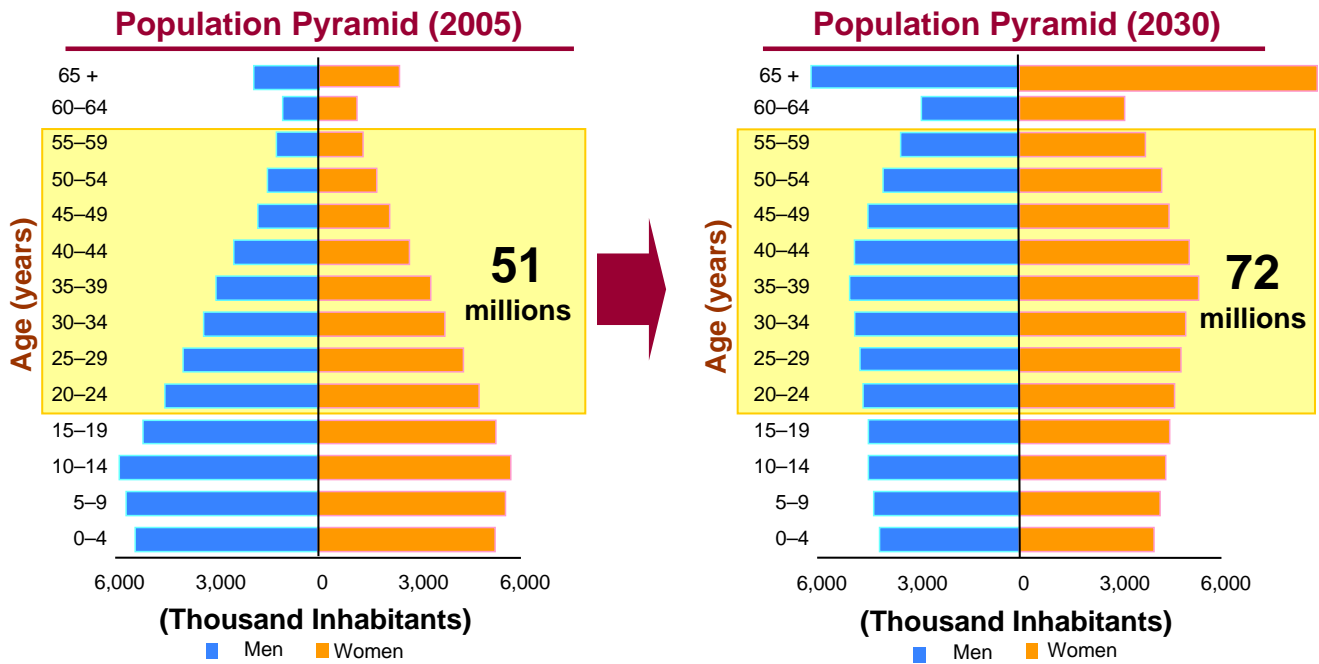
The Challenge ...



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The groups who are old enough to buy a house, will increase...



...in the next 25 years, we will have the largest group prone to buy a house....

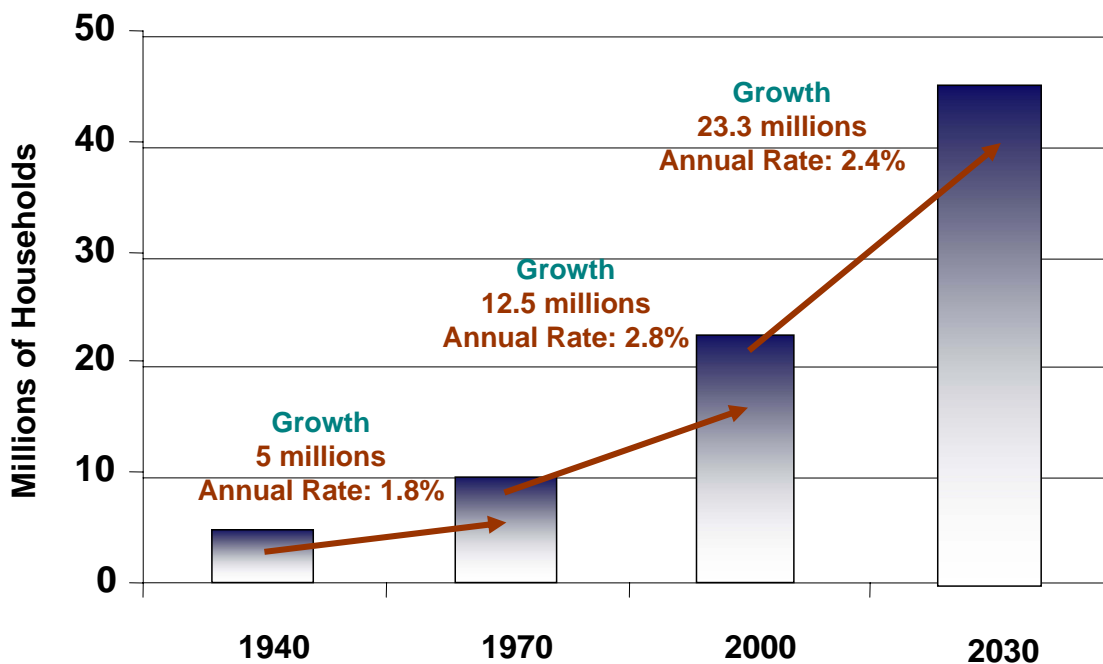
The Challenge ...



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The number of households in the country will double in the next 25 years

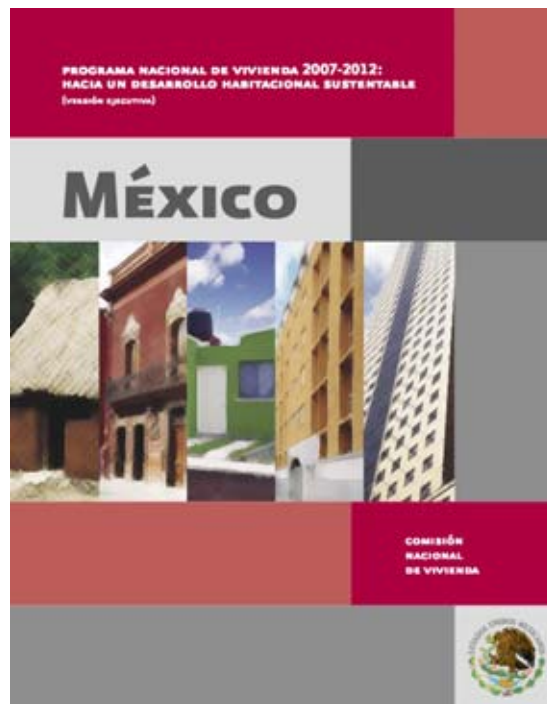


Growth in Housing 2000 – 2005: 2.1%

Population Growth 2000 – 2005: 1.0%

NATIONAL HOUSING PROGRAM 2007-2012:

Towards Sustainable Housing Development



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FOUR CHALLENGES IN HOUSING DEVELOPMENT

- ▶ **COVERAGE**
- ▶ **QUALITY AND SUSTAINABILITY**
- ▶ **INTEGRAL SECTOR**
- ▶ **GOVERNMENT SUPPORT**



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1. Financing Coverage



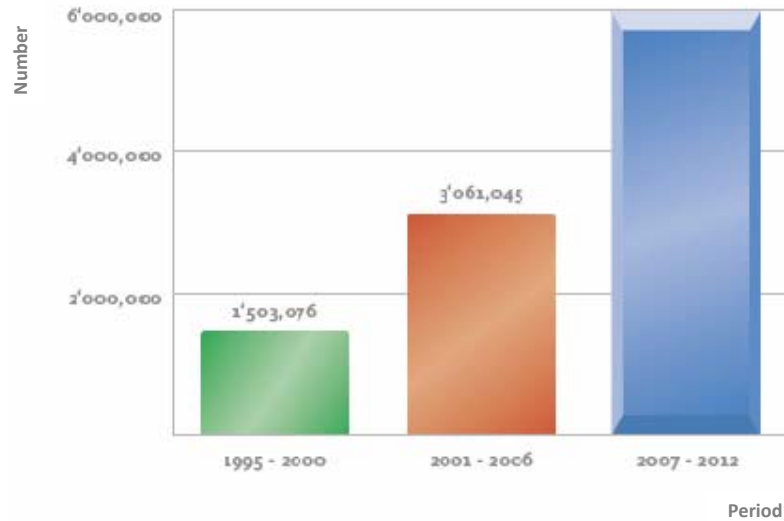
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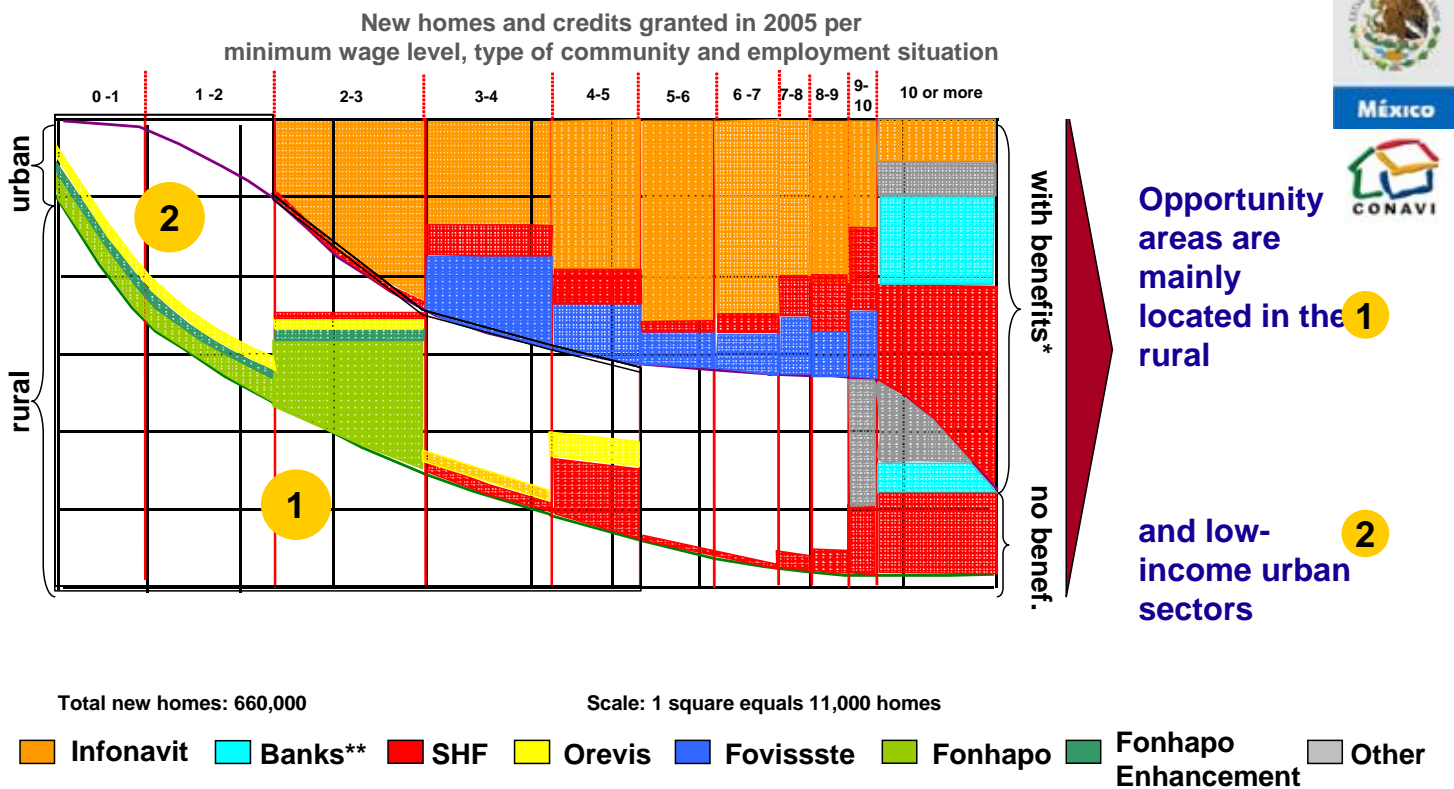
**GOAL 2012
6 MILLION
CREDITS**

Strategies:

- Increase financing resources
- Family Savings
- Self Construction
- Legal Certainty and secondary market



MEXICAN HOUSING MARKET SEGMENTATION

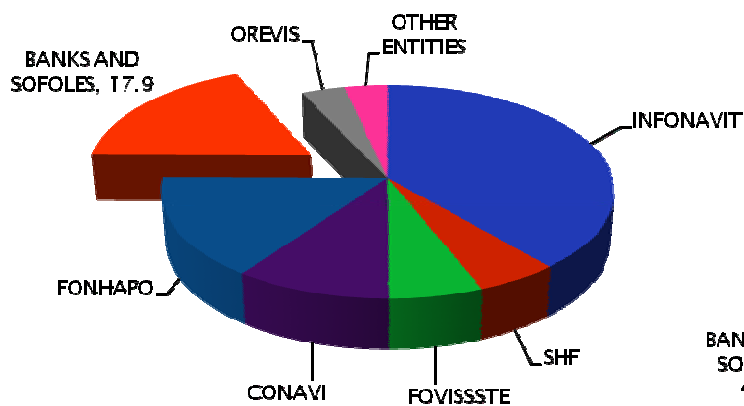


*A home is deemed to have benefits if at least one family member is recorded with the Social Security Agencies, IMSS or ISSSTE.
**15 thousand credits deemed to be second purchases were not included.

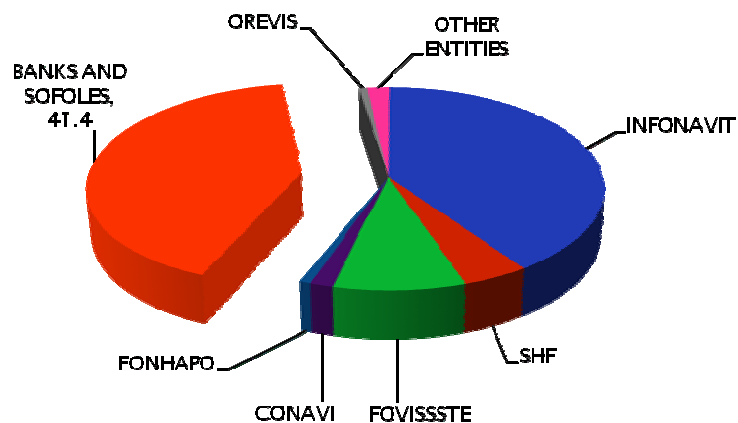
FINANCING SOURCES 2007



Number Credits and Subsidies



Investment



SECONDARY MORTGAGE MARKET



Year and number of issues	Million Dollars 2007
2003 / 1	66
2004 / 5	488
2005 / 8	603
2006 / 17	1,611
2007 / 21	2,920
Total 52	5,688

2.9 billions accumulated in 2007, are equivalent to 13.32% of nationwide resources devoted to housing financing.



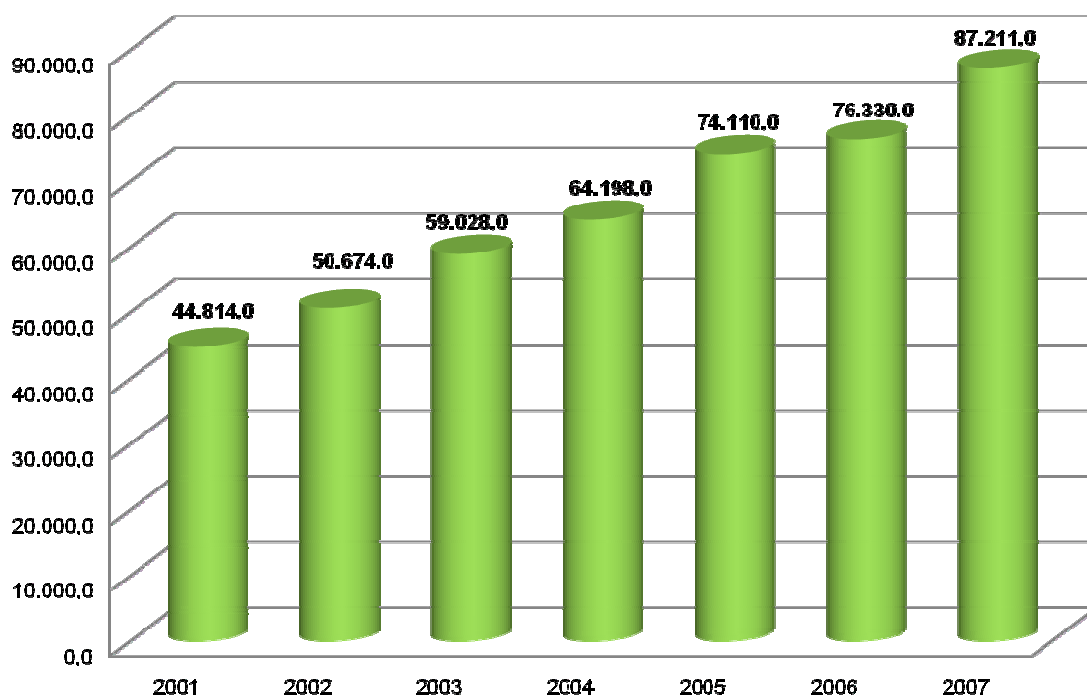
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ECONOMIC STABILITY INDICATORS

MEXICO International Reserves

(Million Dollars)



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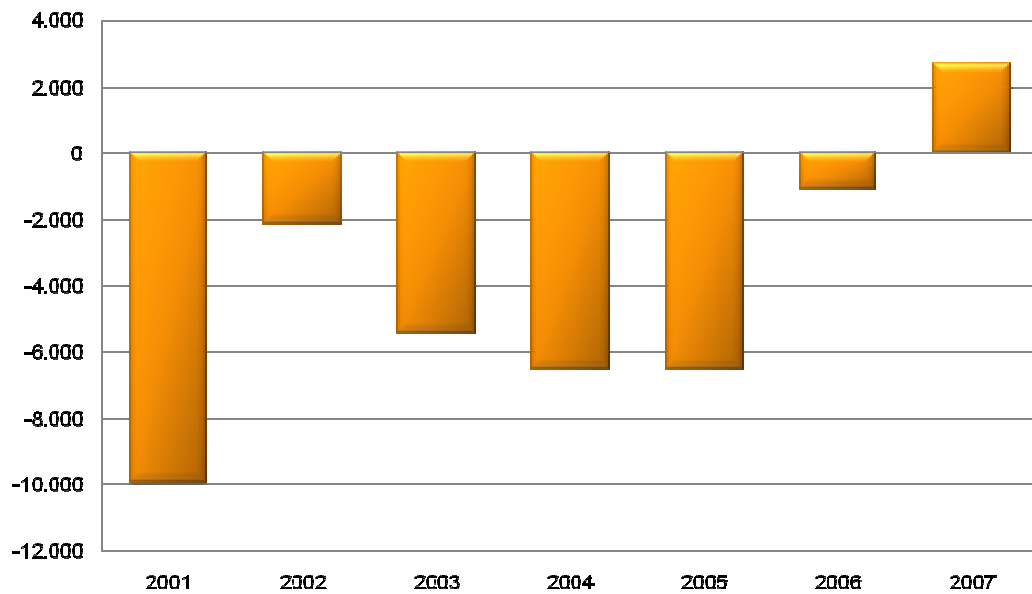
FEDERAL GOVERNMENT BUDGET INCOME AND EXPENSES

Accumulated Flows December

(Million Dollars)



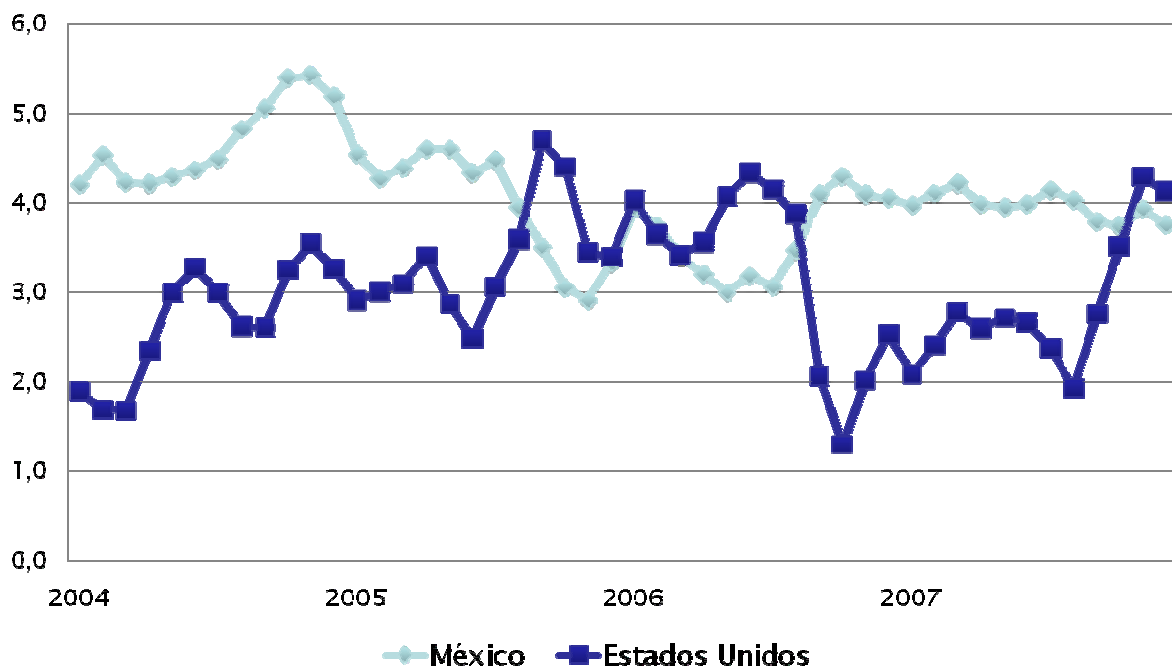
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CONSUMER PRICE INDEX



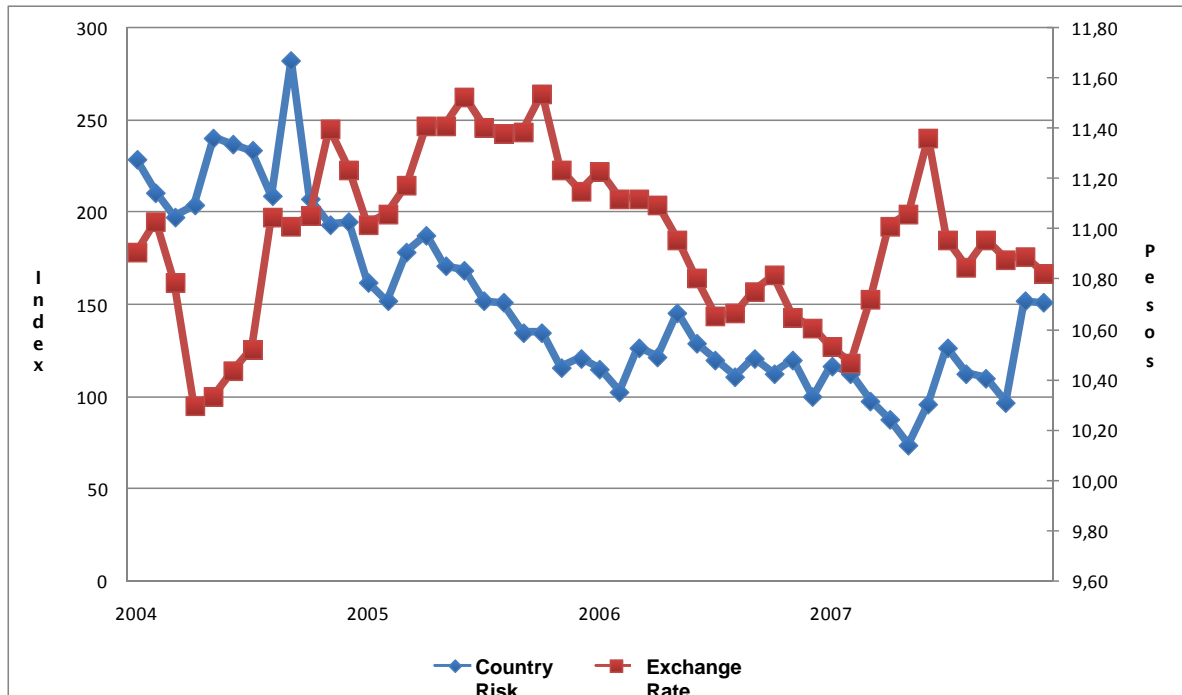
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COUNTRY RISK MEXICO AND PESO/US DOLLAR EXCHANGE RATE



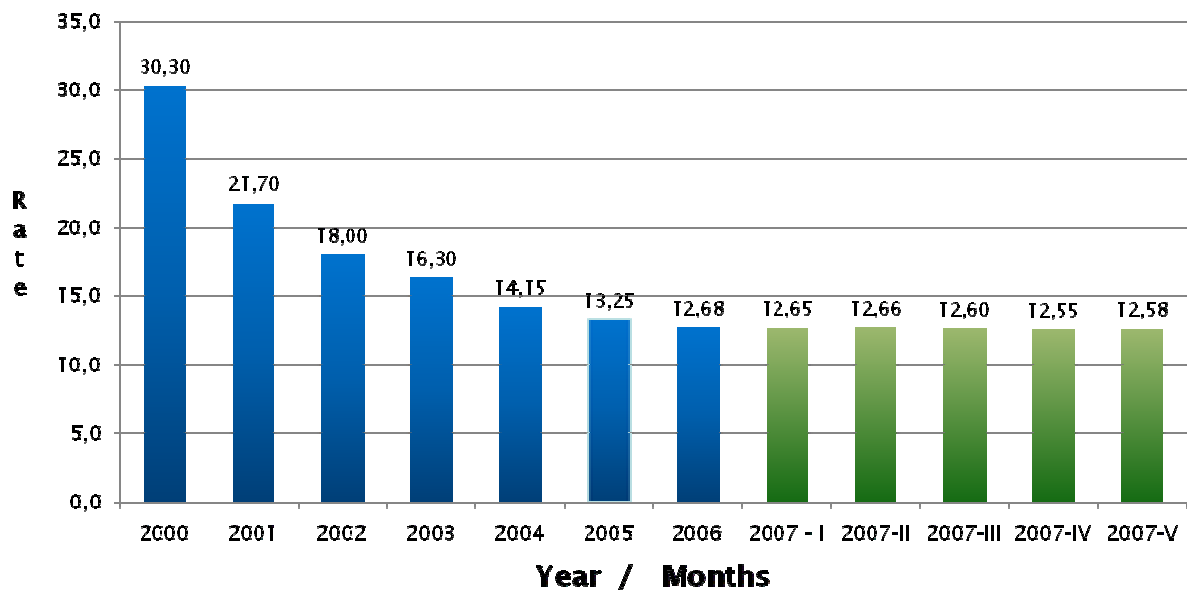
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AVERAGE COMERCIAL MORTGAGE INTEREST RATE



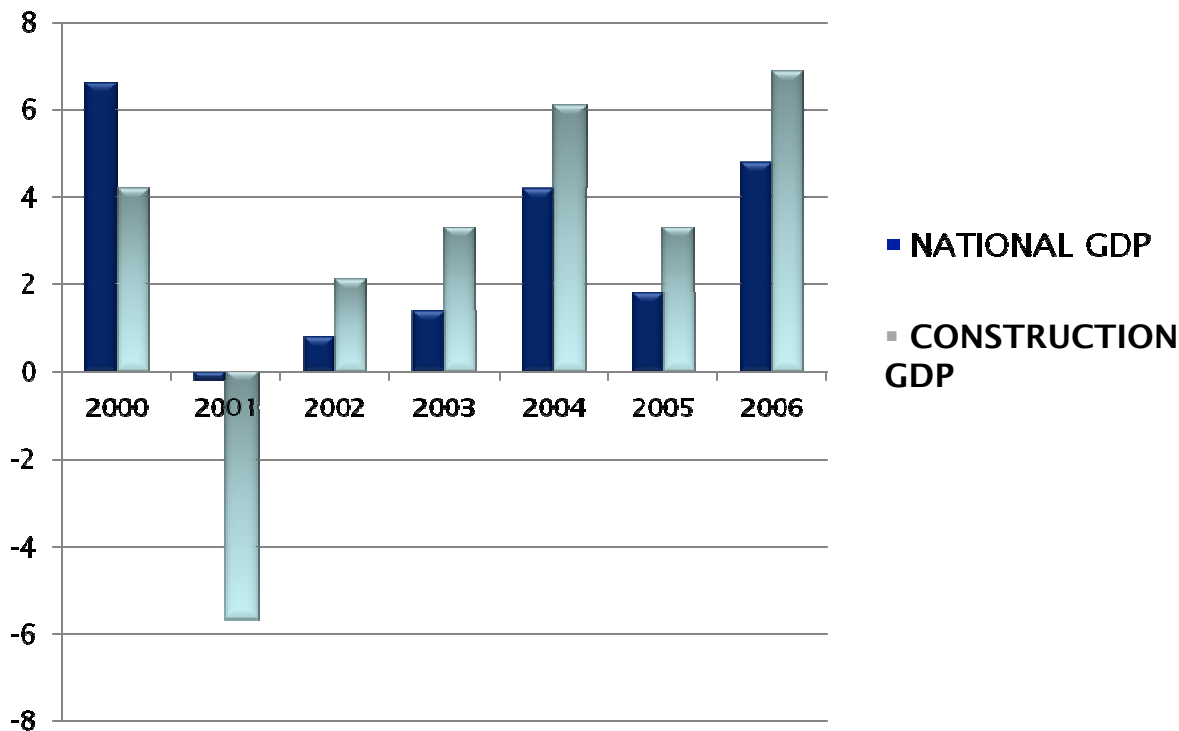
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NATIONAL AND CONSTRUCTION GDP GROWTH RATE



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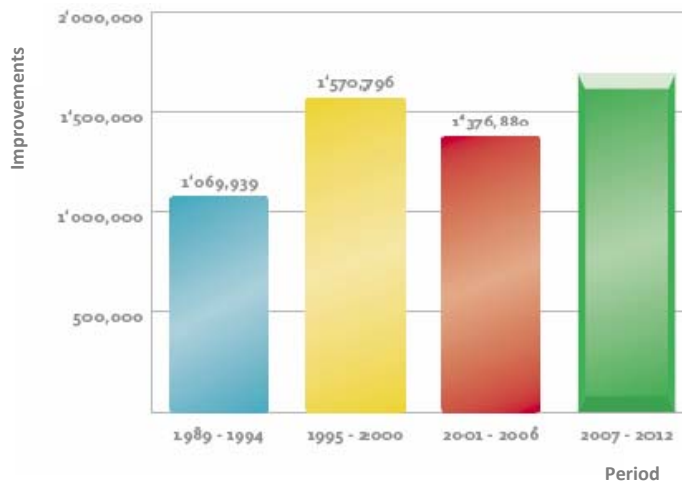
2. Sustainable Housing Development

**GOAL (1) 2012
EMBLEMATIC MODELS OF
SUSTAINABLE HOUSING DEVELOPMENT**

**GOAL (2) 2012
1.7 MILLION
IMPROVEMENTS**

Strategies:

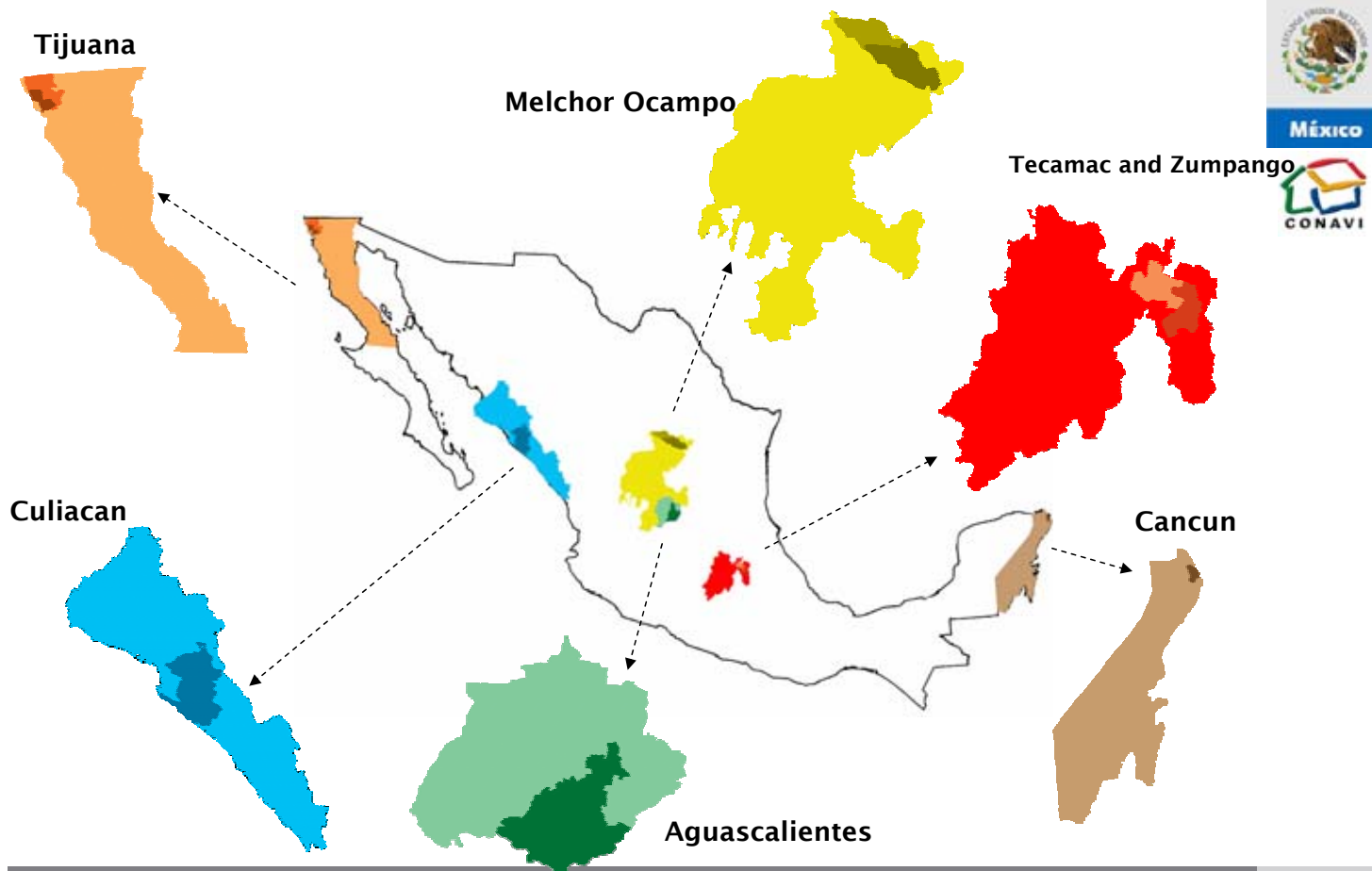
- House and environment quality
- Land availability
- Standard regulations
- House improvements



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EMBLEMATIC DWELLINGS



INFRASTRUCTURE CHALLENGES

For the construction of an average of 1 million housing units each year, it is required:

- ✓ Considering a net density of 50 houses per hectare, it is required 20,000 hectares
 - ✓ Waste water treatment
 - ✓ Water infrastructure
 - ✓ Sewage infrastructure
 - ✓ Electric energy supply infrastructure
 - ✓ Electric infrastructure

The National Infrastructure Program 2007 – 2012 foresees investment resources in three scenarios:

a. 154.5 b. 227.3 c. 309.1 (billion dollars)

3: National Housing System



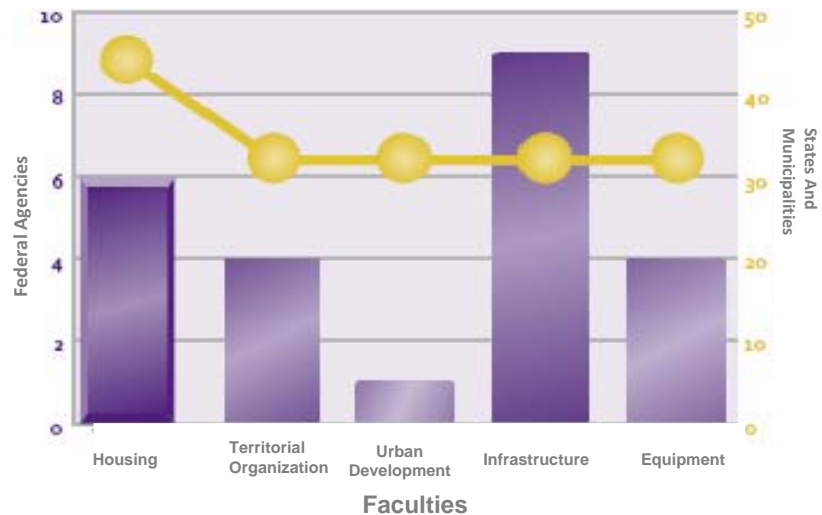
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GOAL 2012
REFORM INICIATIVE TO
STRENGTHEN GOVERNMENT
FACULTIES

Strategies:

- Government faculties
- Sector Integrity
- Inter institutional action
- National housing indicators System
- Improvements to public administration



HOUSING CONSTRUCTION CODE



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Technical, legal and administrative specifications to standardize local regulations, in order to impel a sustainable housing development



It includes:

- Groups formation.
- International Code Council advise
- Local authorities training
- Pilot programs
- Specialized agencies.
- Public, private and social sectors participation.

4: Federal Subsidies



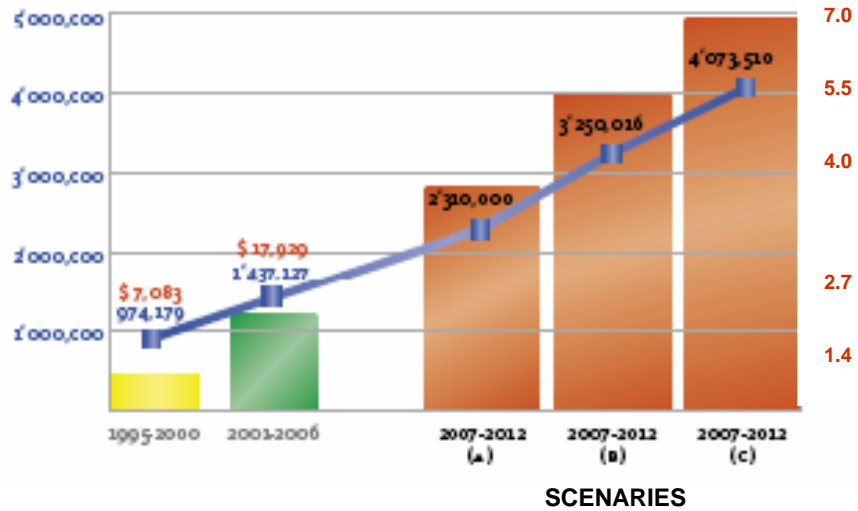
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**GOAL 2012
BILLION DOLLARS
FOR SUBSIDIES**

Strategies:

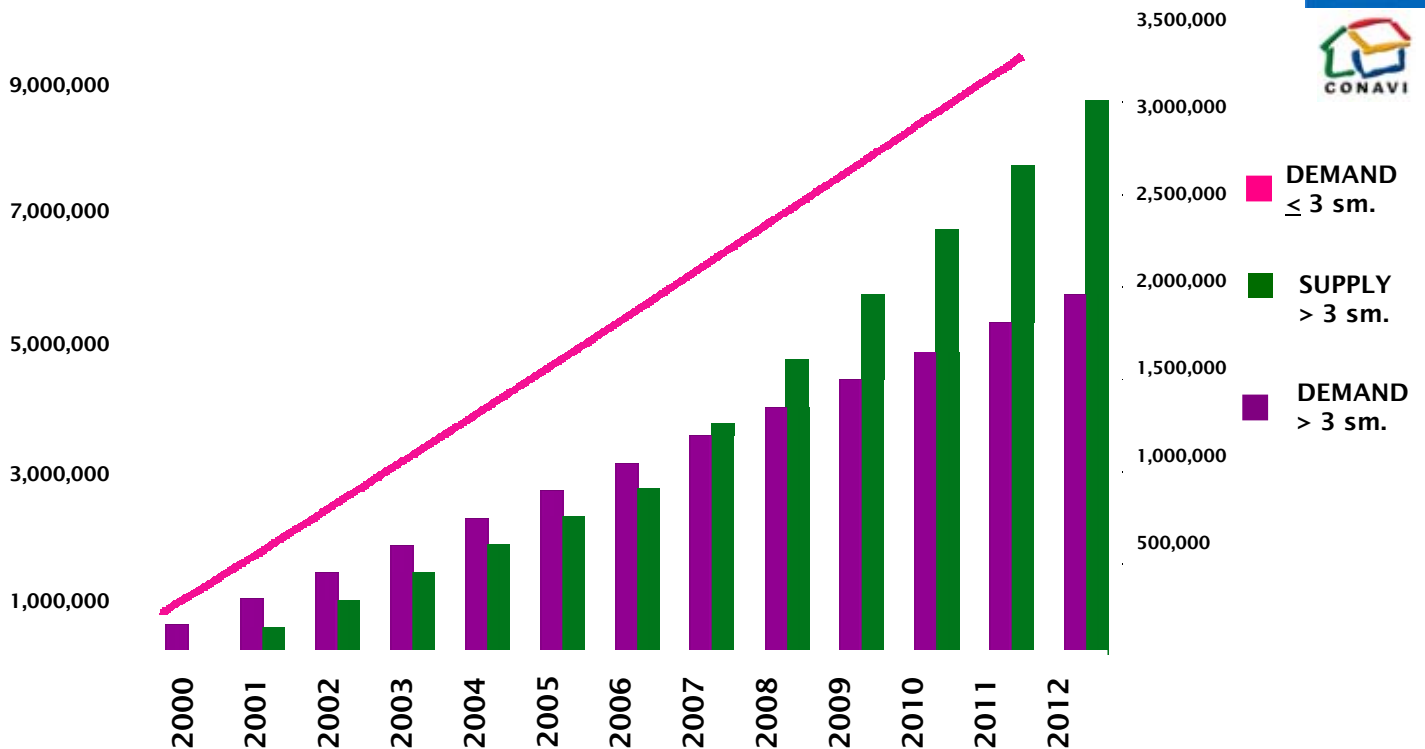
- Subsidies Program
- Zones stroke by natural phenomena



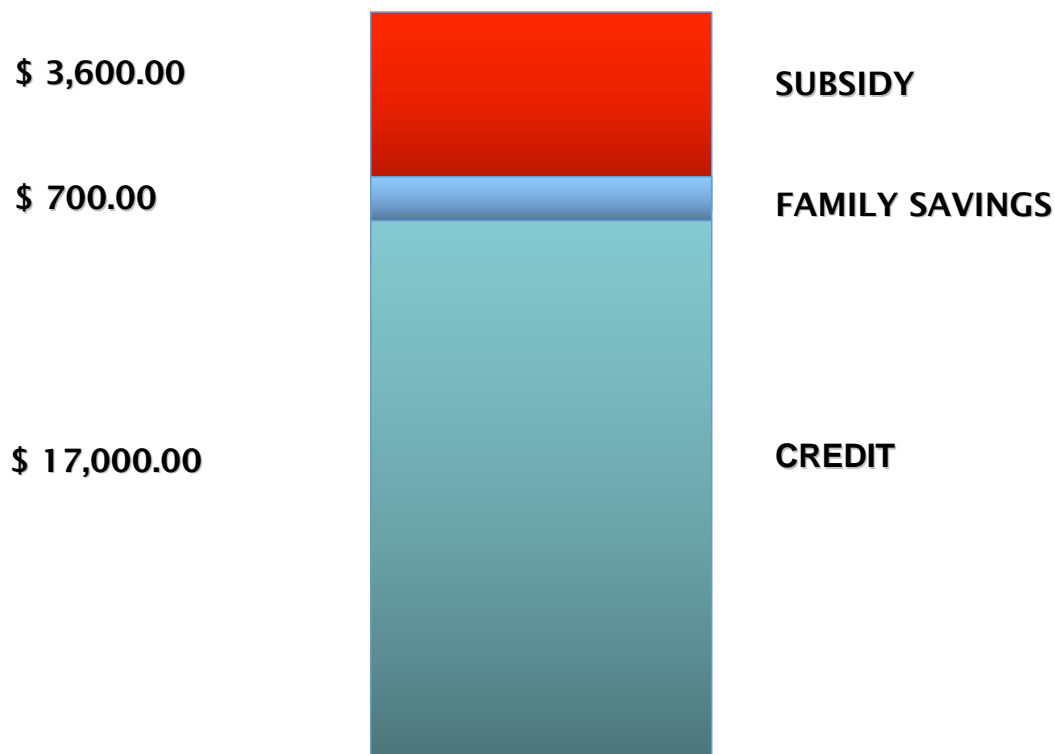
HOUSING SUPPLY AND DEMAND PER INCOME LEVEL



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EXAMPLE OF HOME FINANCING COMPOSITION



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PERSPECTIVES

The Program has three financing sources:

1. The beneficiary's own prior savings.
 2. Federal Subsidy.
 3. Financing from the Financing Actors.
- The purpose of the first two components is to strengthen the people's commitment and purchasing capacity.
 - The third one provides people with access to financing and increases their choices.



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FINANCING ACTORS



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1 **Financial Actors:** Sofoles, Sofomes, Popular Financing Societies, Savings and Loans Cooperatives, Banks, etc.

2 **Infonavit, Fovissste, Issfam** or similar entities

3 **SHF and Insuring Institutions.**

4 **Individuals, NGO's, and other** institutions from the social and private sectors that contribute to housing financing programs

5 **Agencies or entities** that belong to the federal, state, or **municipal** public administration sector, and that are authorized to grant and manage credits and financial support for housing

PERSPECTIVES



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The Program has been able to diversify the financing sources towards private and non-for-profit entities.

However, it is essential to increase the number of financing actors, mainly by the accreditation of the municipalities.

PERSPECTIVES



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- What does accrediting a municipality as a financing actor mean?
- It means to recognize its capacity to provide financing for people to purchase, improve, or self-construct a house, or to purchase a plot with services.

FINAL REMARKS



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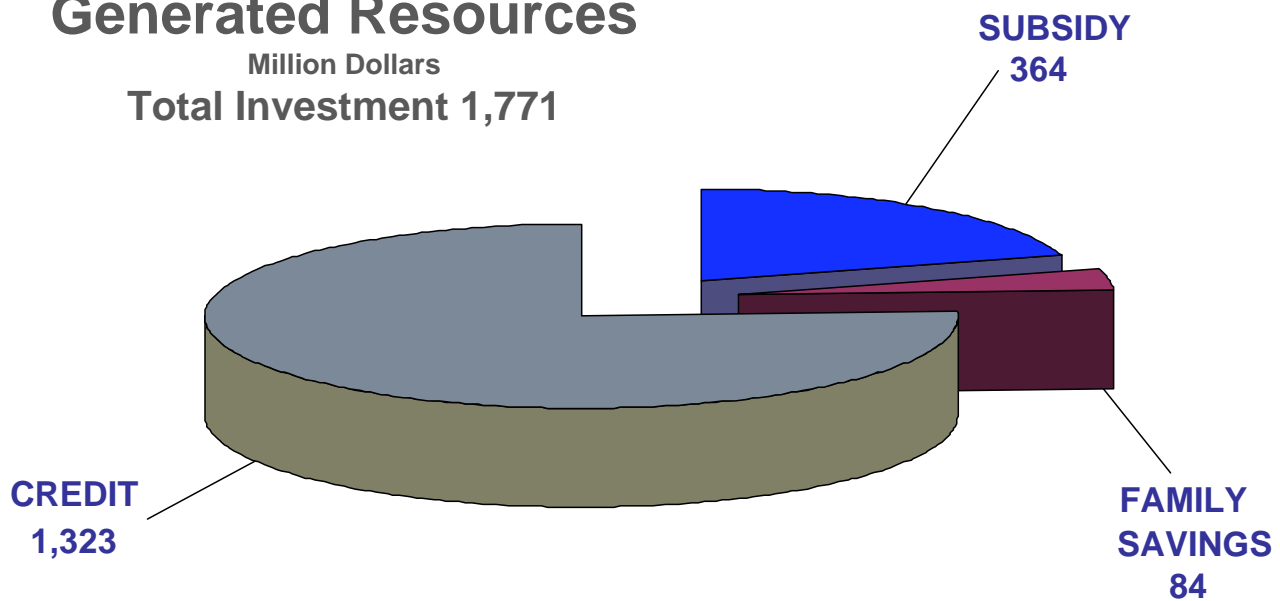


- This Program, developed by the Federal Government, intends to help families get a house.
- As a matter of fact, the resources for this and other subsidy programs are the only budgetary investment for housing.
- The rest of the investments come from the workers funds or from the financial sector.
- By themselves, the Program resources would not suffice to meet the housing needs of the population.

MULTIPLYING EFFECT OF THE SUBSIDIES PROGRAM


Generated Resources

Million Dollars
Total Investment 1,771



Federal subsidies have generated over 1.4 billion Dollars

2008 FINANCING PROGRAM

	GOAL	INVESTMENT (Million Dollars)
	540,000	10,003.9
	113,700	2,889.8
	134,000	364.8
	217,760	166.9
Financial Entities	263,000	11,589.7
Other Entities	56,000	648.7
Financing	<u>1,324,460</u>	<u>25,663.8</u>
Estimated Homes	800,000	



MORTGAGE DEBT VS. GDP

Country	Mortgage Indebtedness / GDP (Average %)
United States	67.4
England	61.5
Canada	42.9
Hong Kong	41.5
Chile	14.8
China	10.0
Colombia	10.0
Mexico	9.8



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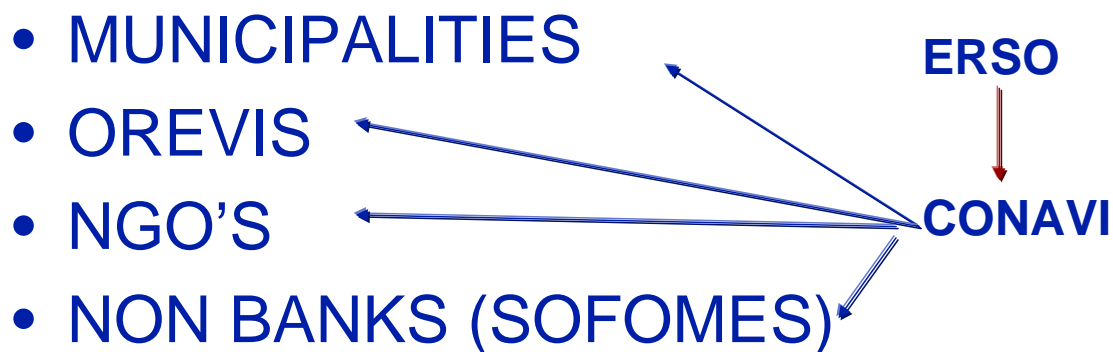


Source: Prepared for the World Bank by Veronica Caddac Warnock, Francis E. Warnock, NATIONAL BUREAU OF ECONOMIC RESEARCH, 1050 Massachusetts Avenue, Cambridge, MA 02138, May 2007

ERSO POTENTIAL SUPPORTS



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