

CONAVI

MEXICAN HOUSING OUTLOOK

February 2011



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Global economic crisis not only did not affect long term growth within the Mexican Housing Sector, but it helped as an accelerator to consolidate different processes:

- A. A strong and robust mortgage origination
- B. Housing production recovery, under sustainable basis
- C. Consolidation of the housing production financing, due to the banks bigger participation and the strengthening of no bank banks



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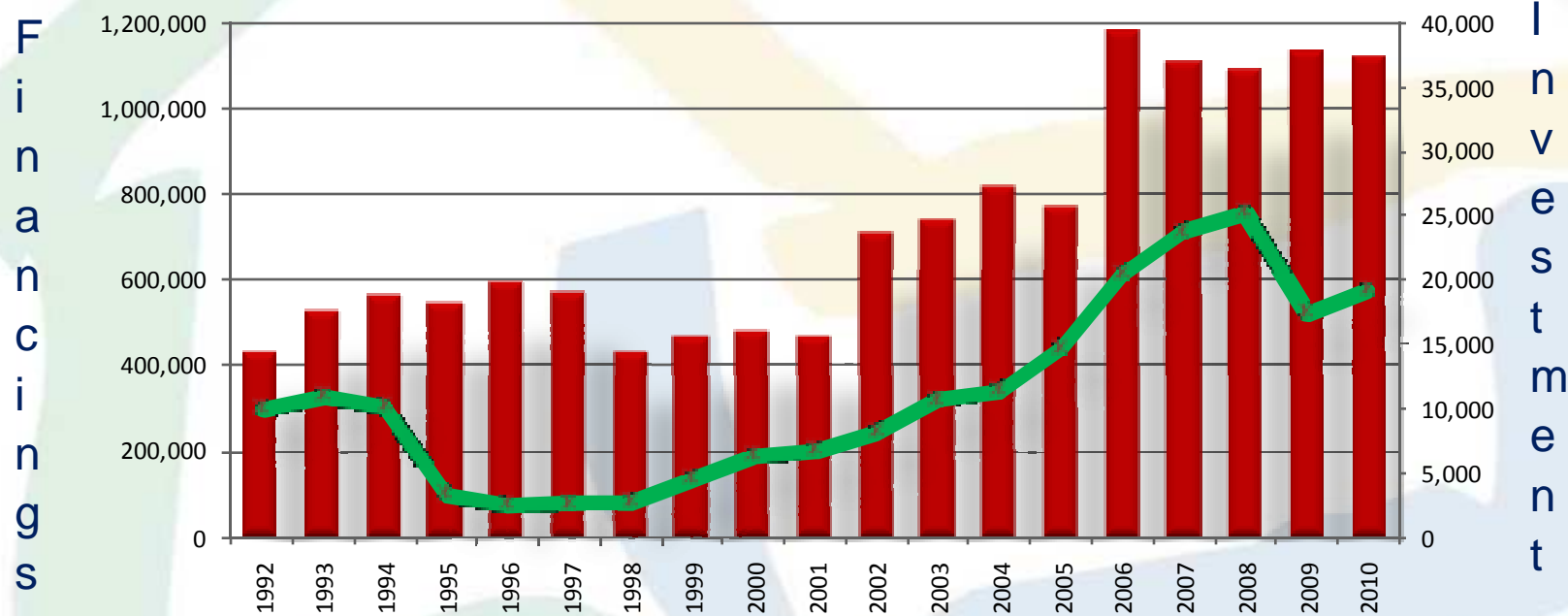
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Strong and robust mortgage origination



Even though the crisis made 2008 the best year in history, two years away, Mexican Housing Sector remains dynamic and healthy, with a market value around US\$ 20,000 million.

Figures in million US dollars









Strong and robust mortgage origination



2011

- 765,000 mortgages
- 265,000 subsidies
- Investment range between: US \$21,000 to US \$ 23,000
- Infonavit and Fovissste will provide **7** out of **10** mortgages

	Entity	Baseline Scenario		Likely Scenario	
		#	\$	#	\$
Mortgages	 INFONAVIT	480,000	8,692	515,000	9,987
	 FOVISSSTE	90,000	2,450	100,000	2,722
	 AFM	158,600	8,502	161,910	8,907
	Other Entities	36,099	318	36,099	318
	SUBTOTAL	764,699	19,962	813,009	21,934
Subsidies	 FORHPO	170,000	430	170,000	430
	 FORHPO	94,852	182	94,852	182
	SUBTOTAL	264,852	612	264,852	612
	TOTAL	1,029,551	20,574	1,077,861	22,548
	 SIF	81,575	449	81,575	449
	GRAND TOTAL	1,111,126	21,023	1,159,436	22,995

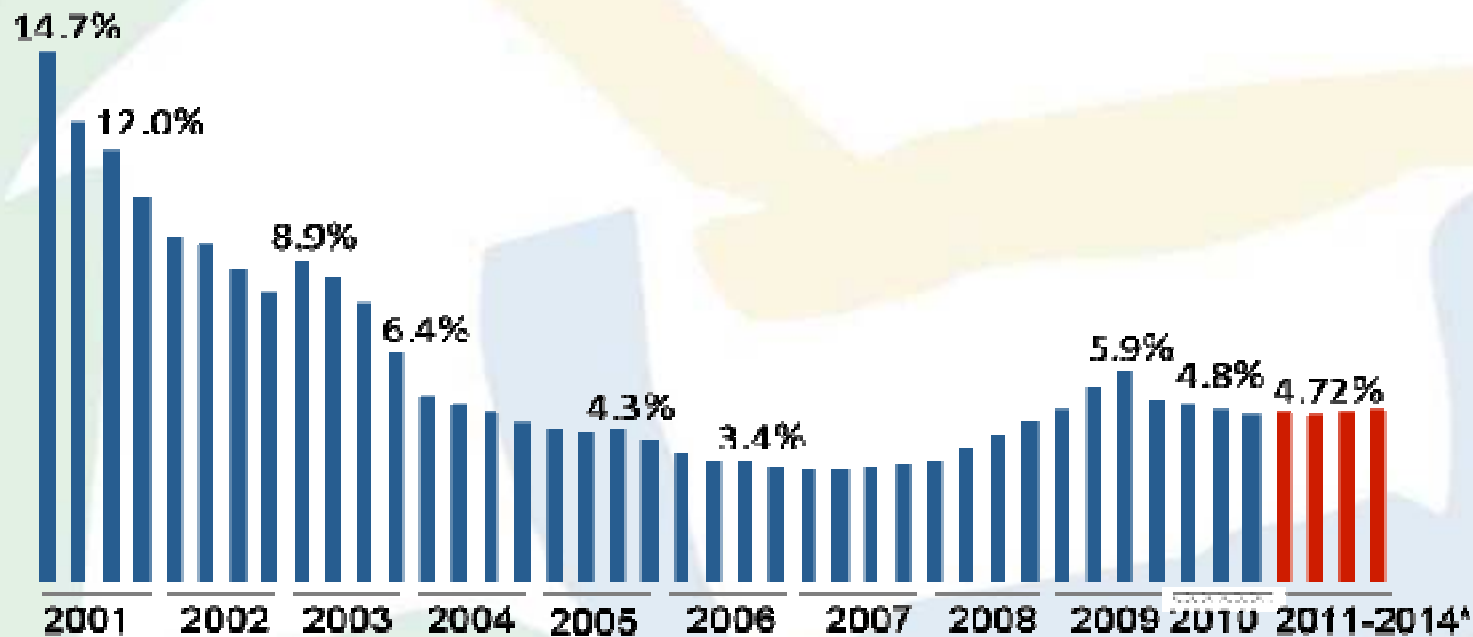
Figures in million US Dollars

Strong and robust mortgage origination



Credit risk management best practices are already in place, making portfolio quality a minor issue to deal with during the crisis period.

Default Rate %



*Conavi estimated figures for 2011 - 2014

Source : Banxico



Strong and robust mortgage origination



- Mortgage securitization was indifferent to the crisis.
- Main RMBS issuers are Fovissste (T-Fovis), Infonavit (Cedevis) and Hipotecaria Total (BonHitos).



Figures in million dollars



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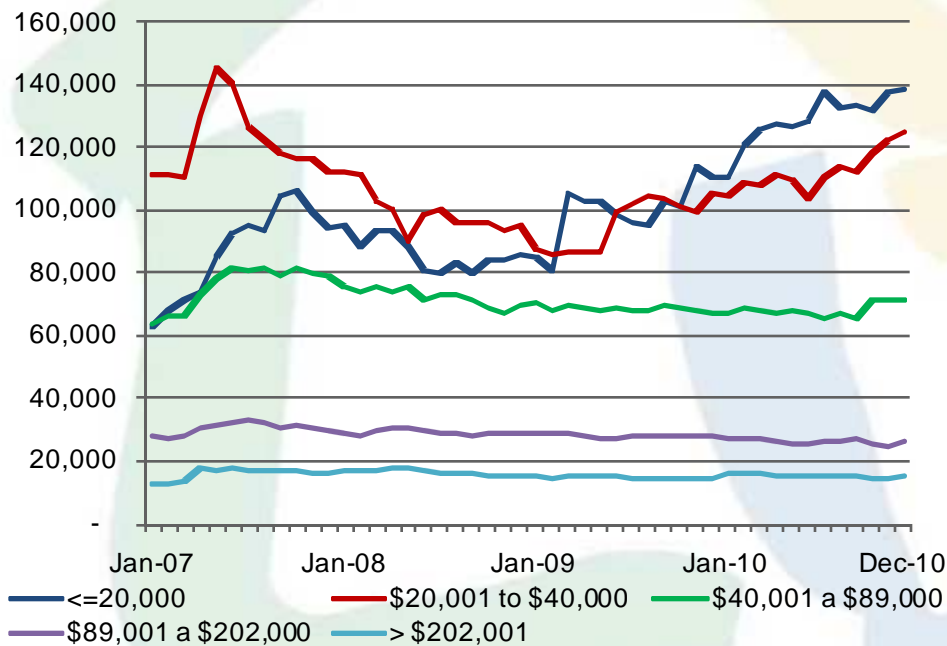
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Housing production recovery, under sustainable basis

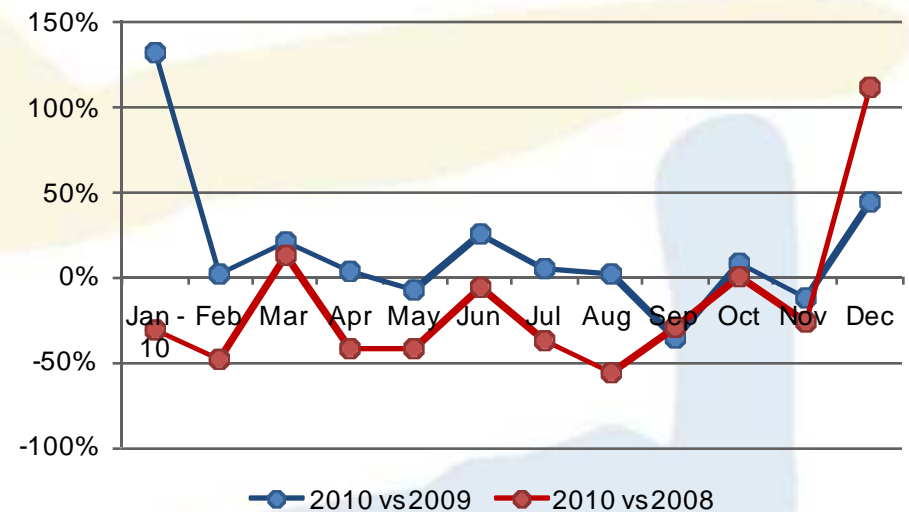


New Houses inventory and inventories replacement got recovered during 2010, supported in the low income housing segment (value below US\$40,000).

Inventories (houses)



Start Homes (annual variation)

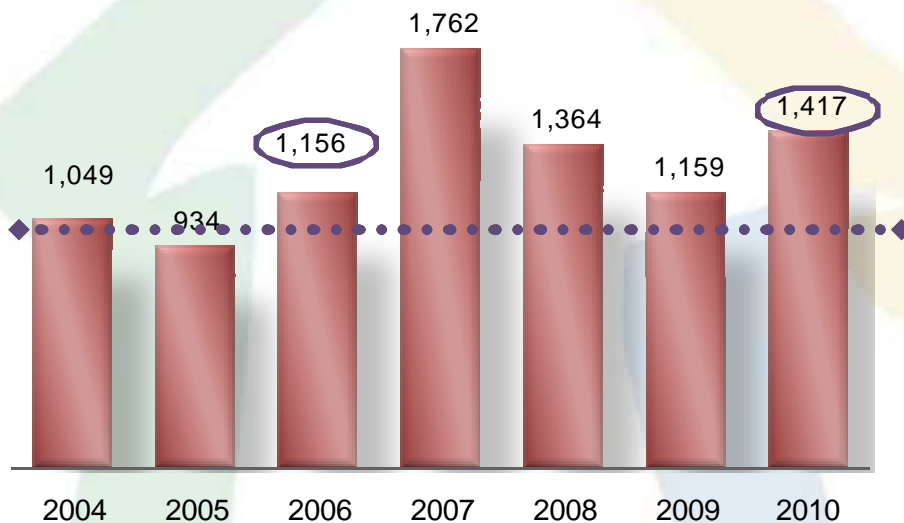


Housing production recovery, under sustainable basis

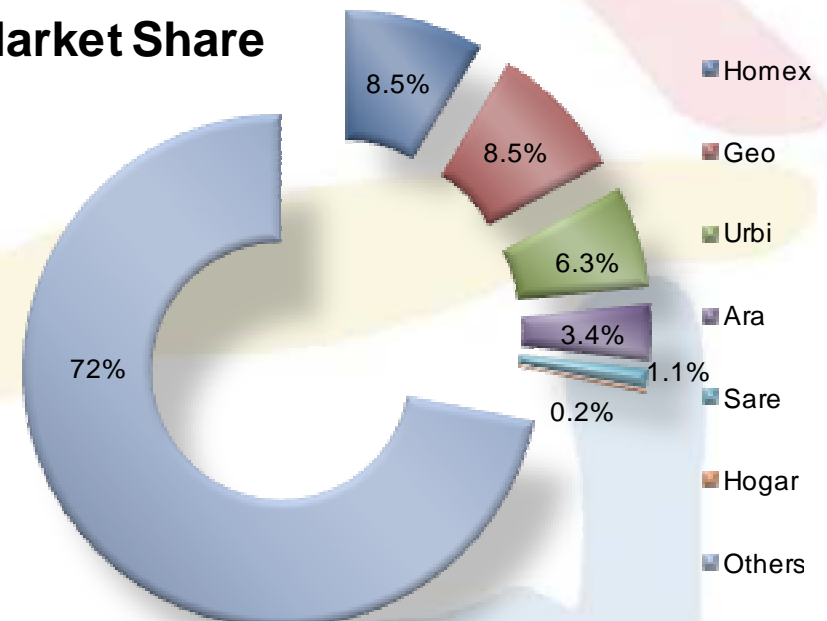


Healthy depuration in the number of housing developers after de crisis. Professional players have remained strong.

Number of Developers



Market Share



*deeded units

Housing production recovery, under sustainable basis

Gobierno
Federal



Public policy succeed in bringing gradually sustainable guidelines for territorial and urban planning and enviroment friendly housingedification.

- i. DUIS as a new model for building cities, not only houses
- ii. Green Mortgage already as an industry standard
- iii. COP 16, as a benchmark for bringing international green funds for the sector



Vivió Mejor



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Sustainable Urban Developments (DUIS)



Valle San Pedro, Tijuana, B.C.

- Includes 180,000 houses to be build over the next 20 years



Puerta de Anza, Nogales, Son

- 28,700 houses

Estimated investment US\$7,531 millions



El Rehilete, Villagrán, Gto

- 11,688 houses



Villa El Cielo, Villahermosa, Tab.

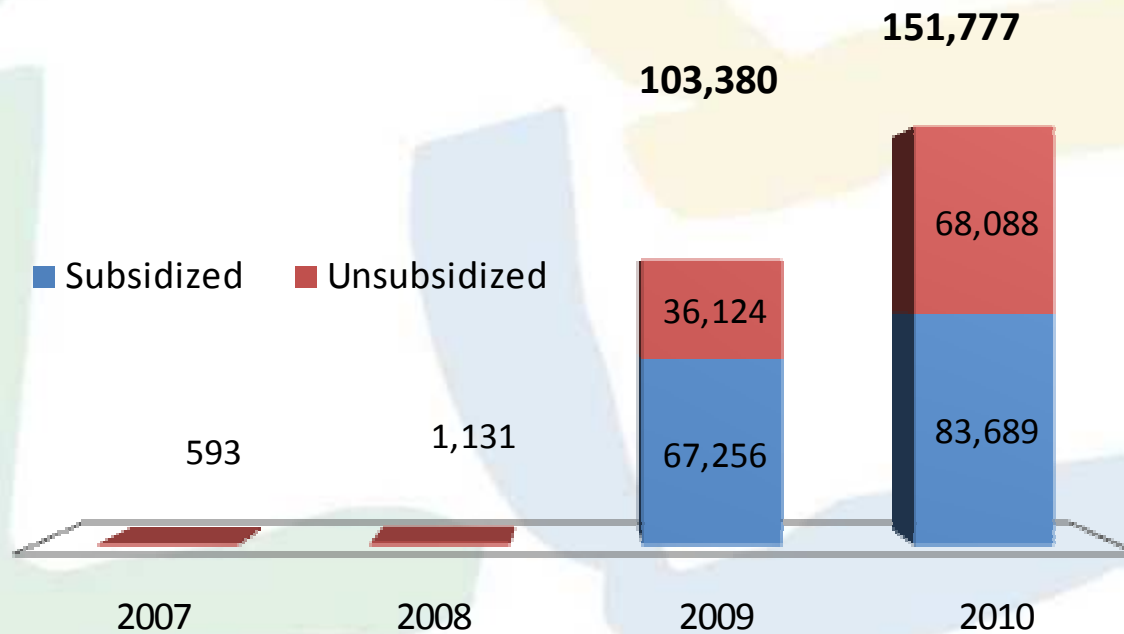
- 30,000 houses



Green mortgage



Green Mortgages 2007-2010 Total 256,881





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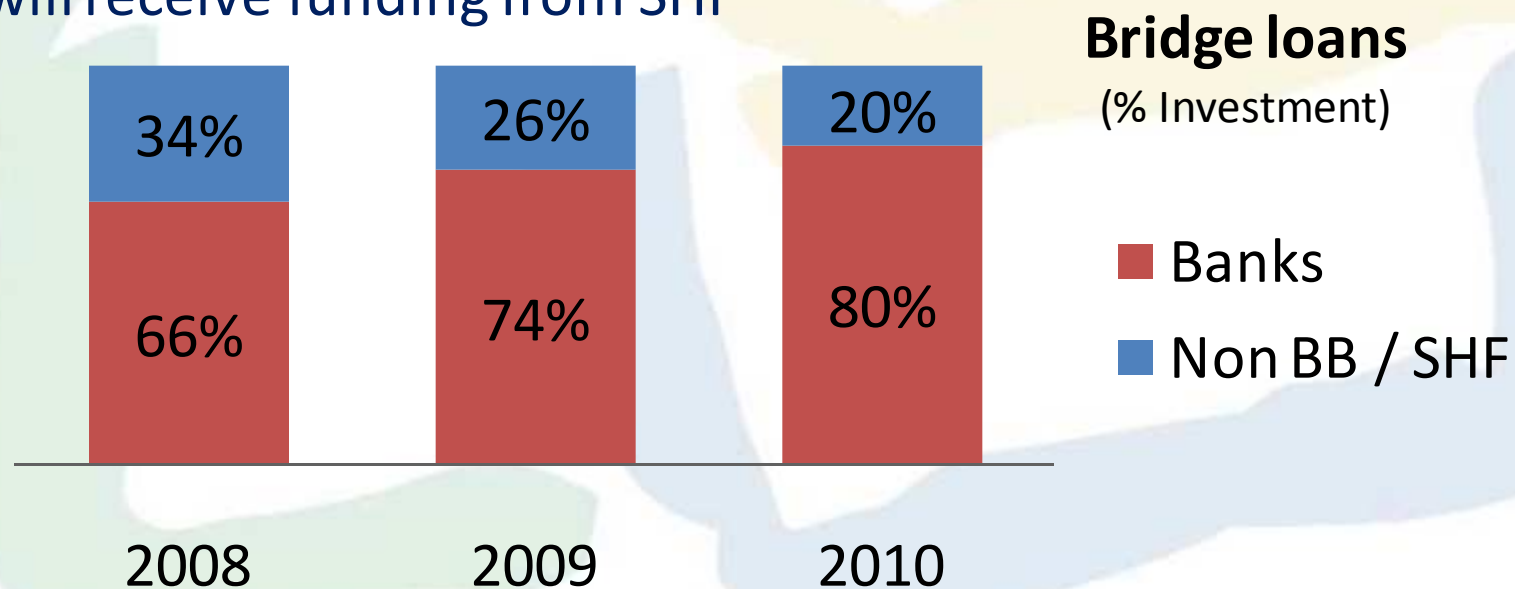


Consolidation of the housing production financing

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- Global economic crisis evidenced weak players within the housing financing, which are not anymore in the sector
- The larger Developers have accessed the Capital Markets, Banks have increase their participation and the healthy Non Bank Banks have strengthened their financial condition and will receive funding from SHF



*does not include the funding obtained from capital markets



Federal Public Policy Guidelines

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1. Develop the credit supply for the **non-wage earner , non affiliated to social security population.**
 - Saving schemes
 - New credit/subsidy products
 - New financial intermediaries
2. Facilitate proper banking schemes for the population who is not entitled to a housing program, so they can **migrate to existing programs.**
 - State and municipal government employees
 - Domestic workers
3. Develop **new alternatives** to the housing needs of low income population.
 - Housing improvement and enlargement
 - House rental
4. Finance projects that promotes and consolidates a **Sustainable Housing Public Policy:** territorial planing, urban planing and building sustainable housing.
 - DUIS
 - Ecotechnologies: Green Mortgage



Final remarks



A. Mortgage supply

STRONG

B. Housing demand

STRONG

C. Housing financing

STRONG

D. Sustainable housing production

IN PLACE

E. Federal public policy supporting market

IN PLACE

F. Credit risk best practices

IN PLACE



Investment Housing Menu



STAGES OF THE HOUSING PRODUCTION CHAIN

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Thank you...

February 2011



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