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Housing finance reform in Mexico: the impact of housing vacancy on property crime

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Abstract

Since 2000, the numbers of vacant housing units have increased dramatically in many parts of Mexico. Much of this has been tied to the liberalisation of the housing market where private homebuilders play an important role in the production of housing and the role of public sector is limited to the support of housing finance. Public debates concerning the regulation of private sector homebuilders as well as the practices and policies of government lending agencies have hinged on housing overproduction and vacancy rates in recent years, with the latter associated with social problems in many cities. This paper explicitly examines the relationship between vacancy rate and levels of property crime (burglaries) in Ciudad Juárez, Chihuahua, Mexico. Along with data

from the Population and Housing Census, the State Public Security Office data for the 2008–2009 period on property crimes (burglary), were geocoded, mapped and aggregated to the census-tract level. The ordinary least square regression results show that there are significant local variations in the relationships between the risk of property crimes and the percentage of vacant housing units, commercial and service land use and residents who are male aged 15–24. The findings strongly link housing overproduction with vacancy rates and crime, and suggest that private sector homebuilders and the mortgage allocation system should be more strongly regulated in Mexico.

Keywords:

vacant housing units | burglaries | ordinary least regression | Ciudad Juárez | Mexico

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Notes

1. The INFONAVIT is the most important institution in the Mexican housing finance system, it is a tripartite organization governed by worker, business and government representatives.

2. FOVISSSTE is other large government lender which provides loans to government employees, it operates in a manner similar to INFONAVIT, using funds from a 5% contribution for each salaried employee of the government (Monkkonen, 2011).

3. Fovi is a trust fund of the Central Bank of Mexico.

4. Fund for Popular Housing (FONHAPO) provides subsidised loans for low-income people.

5. FOVI was taken over by a newly created agency, the Federal Mortgage Society (SHF) was a newly created agency a. Although the SHF manages the housing fund of the central bank, it was created with the primary goal of developing a secondary mortgage market by extending the guarantee programme and standardising initiation and the administration of mortgages across agencies that originate loans (Babatz, 2004).

6. Limited Financial Societies (SOFOLES) is a recently created institution, a group of non-depository lenders known as Limited Financial Societies, or SOFOLES. The SOFOLES were created as part of NAFTA with funds from the Central Bank of Mexico, the World Bank, and the United States, with the goal of enabling U.S. non-bank financial institutions and Canadian investment societies to participate in the Mexican mortgage market (Pickering, 2000).

7. In Mexico the Federal Housing Law (2010) defines ‘social interest housing’ as those which the value of the construction do not exceed fifteen times the minimum wage at year. Social housing can also corresponds to housing types defined by floor area: basic housing (<30 m^2) and social housing (up to 45 m^2). Some authors such as Coulomb et al. (2009) define social interest housing as those homes financed by different government lending agencies through subsidised mortgage loans.

8. In Mexico, small houses are defined by their surface area: basic housing (<30 m^2) and social housing (31 to 45 m^2).

9. Ciudad Juárez is the largest city in the northern Mexican state of Chihuahua. It is a metropolitan area located along the U.S.-Mexico border and is the twin city of El Paso, Texas. It was the home of 1,332,131 residents in 2010 (39% of Chihuahua's population). The population quadrupled between 1960 and 2010, increasing from 276,995 to 1332,131 inhabitants (Fuentes & Peña, 2010).

10. A maquiladora is a labour-intensive assembly operation. In its simplest organizational form, a Mexican maquiladora plant imports inputs from a foreign country —typically, the United States—processes these inputs and ships them back to the country of origin for finishing and sale.

11. Many high-income families fled to El Paso, Texas because of the high level of violence and abandoned their houses. According to the El Paso Police Department, more than 13,000 residents of Juárez moved to El Paso.

12. The consequences of spatial autocorrelation are the same as those of time series autocorrelation; the OLS estimators are unbiased but inefficient, and the estimates of the variance of the estimators are biased (Dubin, 1998).

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