

# Vinte

## COMPANY BACKGROUND

Founded in 2001, Vinte is a homebuilder specializing in affordable, sustainable housing for low- and middle-income families in Mexico. As a vertically integrated company, Vinte's operations span land acquisition, housing design, housing development planning, construction, marketing, and sales. Vinte's shareholders have a collective vision to raise housing standards in Mexico while providing innovative, value-added affordable housing.

Vinte Viviendas Integrales S.A.P.I. de C.V. is the holding company that consolidates all of Vinte's operations. The holding company is comprised of Vinte and its six operating subsidiaries.

Country: Mexico

Sector: Housing

IFC's Investment: \$33 million in loan financing and \$10 million in equity

## DRIVERS FOR VINTE'S INCLUSIVE BUSINESS MODEL

- 40% of housing demand is concentrated in central Mexico, a significant market opportunity for a niche player
- Stable supply of government-backed mortgages for low-and middle-income housing customers

Mexico has 26.7 million households, of which 17.8 million own homes considered to be in adequate condition. Around 75% of the estimated shortage of 8.9 million houses is concentrated in the affordable housing segment. By 2030, Mexico's population is expected to reach 121 million people, creating demand for 11 million additional new houses. This market opportunity is a key driver of Vinte's business model. In particular, Vinte as a niche player is focusing on the central region of Mexico where 40% of housing demand is concentrated. Unlike some other regions, which experienced a reduction in demand for affordable housing during the financial crisis as a result of unemployment and

other factors, the central region experienced stable demand and is viewed as a high growth region.

In addition, the government of Mexico's support for housing finance is incentivizing homebuilders to target the affordable housing segment given the availability of mortgages through Infonavit and Fovissste. The government sees the housing sector as an instrument for social and economic development, and has set a target of six million mortgage credits under its 2007 to 2012 national development plan. Most of this plan's measures focus on families earning less than \$920 per month.

## VINTE'S INCLUSIVE BUSINESS MODEL

Vinte is a niche player in the low-and middle-income housing market, with a customer offering that is differentiated by the use of innovative technology and modern infrastructure services. Its research and development in cutting-edge technologies is helping the company to introduce innovations that save homebuyers on ongoing home maintenance costs.

For example, homes are designed to reduce gas bills by 75%, and in 2011 Vinte added the option of rooftop solar cells for energy generation, thus significantly reducing electricity bills. Individual wall meters to measure electricity, gas, and water consumption enable homeowners to both save money and reduce their environmental footprint. Vinte also provides modern infrastructure services that are not offered by other affordable housing builders. Homes are equipped with a computer and Internet, facilitating access to security cameras in each housing cluster as well as a housing development website that provides information about energy management and community affairs.

Another key aspect of Vinte's differentiated offering is its focus on enabling homeowners to manage the housing developments, particularly maintaining communal areas and putting in place measures to increase security. Following the sale of a housing development, Vinte has a year-long transition period during which it manages the development, teaching residents basic property

management skills and community values. The end result is that Vinte's housing developments stand out from the competition in terms of both design and maintenance. After-sales services such as home maintenance and re-sale assistance are other important elements of Vinte's offering.

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Currently, Vinte designs, constructs, and sells eight types of homes, from entry-level to middle-income. A typical entry-level home is about 450 square feet, and consists of a kitchen, living-dining area, two bedrooms and one bathroom. A middle-income home consists of a kitchen, dining room, living room, three bedrooms and two bathrooms. Vinte's housing developments also feature gated courtyards, schools, water treatment plants, playgrounds,



and recreational areas. Similar to condominium fees, residents pay community fees for maintenance of these communal facilities.

Vinte targets customers who are planning to live in the housing development—not those who want to buy a home to rent to other tenants. Customers are generally salaried workers such as schoolteachers, bus drivers, factory and office workers with annual household incomes ranging from \$84,000 to \$378,000 MXN pesos (or \$6,400 to \$27,000). Most are young working adults, and many are first-time homebuyers who grew up in Mexico City's informal housing settlements with marginal access to clean water, electricity, sanitation, roads, schools, and parks. Home prices start at \$23,000 and reach \$74,000, with more than 50% of homes between \$23,000 and \$39,000.

Government-sponsored programs have been instrumental in enabling Vinte's customers to access housing finance. The Institute of the National Housing Fund for Workers (Infonavit)—a mutual savings and mortgage lending agency that aims to improve the quality of life for Mexican workers and their families—is the main source of housing loans. Private sector employers are required by law to register themselves and their employees with the fund. Thereafter, employers allocate 5% of their employees' monthly payroll to their individual Infonavit accounts. These registered employees, whose incomes start at the minimum wage, may then apply for a mortgage loan through Infonavit.

Once a person meets the standard eligibility criteria, he or she has the right to use the funds accumulated in his or her account and to obtain a new home mortgage loan. Infonavit qualifies prospective homebuyers based on points awarded for income, monthly contributions, age, and number of dependents, among other factors. The accumulated funds are used as a down payment or credit guarantee, and subsequent monthly installments are used as loan payments. Individuals who don't exercise the option to obtain a mortgage automatically have their contributions added to their pension fund at retirement age. Infonavit originated more than 500,000 new loans worth on the order of \$9 billion in 2011.

## Government-sponsored programs have been instrumental in enabling Vinte's customers to access housing finance

Similar to Infonavit, the Housing Fund of the Government Worker Social Security and Services Institute (Fovissste) originates more than 75,000 loans (worth approximately \$3.8 billion) annually for employees of federal and local governments, as well as public universities and local agencies. Infonavit and Fovissste, together with other federal public entities, now grant more than 80% of all mortgages in Mexico. Approximately, 75% of Vinte's customers received loans through Infonavit and Fovissste in 2011.

## RESULTS OF VINTE'S INCLUSIVE BUSINESS MODEL

- 11,000 affordable homes sold as of June 2012
- Net revenues increased by more than 105% between 2008 to 2011
- Winner of 6 national housing awards and a winner of the G20 Challenge on Inclusive Business Innovation

As of June 2012, Vinte had sold more than 11,000 homes. Due to its after-sales services and sustainable designs, each of Vinte's home models has increased in value over time, reaching up to 10% annually—becoming valuable assets for low- to middle-income families, as well as for the mortgage providers that supported Vinte's customers. Vinte's G7 Habitat or "Housing of the Seventh Generation," which encourages efficient use of water, gas, and lighting, has enabled homeowners to save money on their utility bills. The company has won six national housing awards, most recently for building environmentally-friendly communities.

Vinte is successfully competing with the largest publicly-traded Mexican homebuilding companies. Between 2008 and 2011, Vinte's net revenues increased by more than 105%

while its EBITDA more than doubled in those three years. Vinte currently has nine housing developments—three finalized and six under construction—in four different states of Mexico: six in Tecamac, Estado de Mexico; one in Pachuca, Hidalgo, one in Playa del Carmen, Quintana Roo and one in Queretaro, Queretaro. Vinte also owns land reserves in Tula, Hidalgo and in Cancun, Quintana Roo. Both sites will target low-income family homes with an average home price below \$25,000.

In addition to receiving several national housing awards, Vinte was recognized as a winner of the G20 Challenge on Inclusive Business Innovation at the G20 Leaders Summit in 2012.

## IFC'S ROLE AND VALUE-ADD

IFC's Investment: \$33 million in loan financing and \$10 million in equity

Investment Year: 2009 to 2010

- Address medium- to long-term working capital financing constraints through a 2008 revolving loan of an amount and tenure generally not available to local homebuilding companies
- Provide equity to facilitate Vinte's initial public offering process
- Help Vinte issue long-term bonds in the domestic Mexican capital markets, providing a partial credit guarantee that raised the credit rating of the issuance
- Support Vinte's growth strategy and help it build more quality and affordable entry-level housing benefiting large numbers of low- to middle-income families

(Published August 2012)

For more information, visit [ifc.org/inclusivebusiness](http://ifc.org/inclusivebusiness) and [Vinte.com.mx](http://Vinte.com.mx)