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The Financial Stability Special Reports accompany the publication of the Financial Stability Report, providing a more detailed analysis of certain aspects and risks relevant to the stability of the Colombian financial system.

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This special report analyzes the dynamics of the real estate market and mortgage credit portfolio in Colombia for 2024, with the purpose of identifying potential vulnerability sources that could affect economic and financial stability. In particular, it studies the performance of variables associated with the sector, its financing, supply and demand levels, and property prices, among others. In a context of improved economic performance since late 2023 and a decline in inflation supporting a scenario of lower interest rates, the GDP of the construction sector continues to decline due to the contraction of both the residential and non-residential property sectors. Meanwhile, the housing loan portfolio is also contracting, except for inflation-indexed loans. Regarding the new housing supply, there has been a slowdown in available units, particularly in the Low-Income Housing (LIH) segment; also, the pace of approved construction permits remains stable, suggesting that this supply dynamics will continue. On the demand side, after experiencing high levels of contraction over the past two years, a trend reversal is observed that could lead to positive growth in new unit sales in the coming months. Finally, various price indices suggest a trend toward long-term values: while the indices for new and used housing are decreasing at a slower rate, rental prices appear to be entering a downward phase after reaching historical expansion rates at the end of 2023. Internationally, the performance of new housing prices aligns with trends observed in countries belonging to the Organization for Economic Cooperation and Development (OECD). The risk analysis suggests that the quality of the credit portfolio for housing acquisition has shown a deteriorating trend over the past two years, and further deterioration could occur, particularly in the inflation-indexed portfolio. Additionally, an analysis of the residential property construction sector found that companies with low to medium market shares that are facing difficulties in selling their projects have experienced the greatest increases in the delinquency rate over the last two years. Considering the significance of the real estate sector in the loan portfolios of credit institutions and the role of housing within household wealth, these vulnerabilities will continue to be monitored as part of the oversight of local financial stability.