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R95 **Russian Economy in 2012. Trends and Outlooks.**
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The review provides a detailed analysis of main trends in Russia's economy in 2012. The paper contains 6 big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit spheres; financial sphere; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

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The Land Plots Market and Housing Mortgage Lening in Russia in 2012

According to the RF Federal Service for State Registration, Cadastre and Cartography (*Rosreestr*), the land area in the ownership of RF individuals continues to decrease. As of 1 January 2012, it amounted to 119.6 million hectares (m ha) (7% of the total land surface) vs. 121.4 m ha (7.1%) in 2011 (*Table 15*). By contrast, the land area in state or municipal ownership and in the ownership of legal entities is on the rise. Over the course of last year, the area of land plots in the ownership of legal entities increased by 1.5 m ha, to 13.5 m ha, or to 0.8% of the total land surface, which represented a 0.3 pp. increase on 2009. In the main, these changes resulted from transfers of the ownership of participatory shares in the right of common ownership to land plots of agricultural designation.

Table 15

The Structure of the Russian Federation’s Land Area by Form of Ownership

Form of ownership	1 January 2009		1 January 2010		1 January 2011		1 January 2012	
	m ha	%	m ha	%	m ha	%	m ha	%
In state and municipal ownership	1,576.9	92.2	1,576.3	92.2	1,576.4	92.2	1,576.7	92.2
In the ownership of individuals, including:	124.3	7.3	123.2	7.2	121.4	7.1	119.6	7.0
Land shares of individuals	107.4	6.4	104.3	6.1	100.8	5.9	97.6	5.7
In the ownership of legal entities	8.6	0.5	10.3	0.6	12.1	0.7	13.5	0.8
In private ownership	132.9	7.8	133.5	7.8	133.4	7.8	133.1	7.8

Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

As of 1 January 2012, most of Russia’s privatized land remained in common share ownership, including 72.8%, or 96.873.3 thousand ha in unclaimed land shares (*Table 16*), vs 75.04%, or 100,136.8 thousand ha as of 1 January 2011.

Table 16

The Distribution of Russia’s Privatized Land by Form of Ownership and Owner

	1 January 2011		1 January 2012	
	thousands of ha	%	thousands of ha	%
Total share ownership (land shares in the ownership of individuals)	76,131.3	57.05	75,077.4	56.42
Land in the ownership of individuals (peasant (farmer) households, personal subsidiary plots, individual housing construction, gardening, <i>dacha</i> construction, etc.).	20,546.5	15.40	21,994.4	16.53
Total joint ownership	698.7	0.52	681.6	0.51
Land in the ownership of legal entities	12,064.1	9.04	13,526.6	10.16
Unclaimed land shares in the ownership of individuals	24,005.5	17.99	21,795.7	16.38
Total	133,446.1	100.00	133,075.7	100.00

Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

According to the State (National) Report ‘On the State and Use of Land in the Russian Federation in 2011’, one of the tasks of the ongoing land reform is privatization, by individuals owning land plots by right of permanent (or infinite) use or by right of inheritable possession for life, of these land plots, with the right of ownership thereto being formalized in accordance with existing legislation.

Apart from privatizing land plots free of charge, individuals also buy land plots on the land market. According to available incomplete data, ownership rights have been formalized with regard to 12 million land plots with the total area of 44.5 m ha. Out of that amount, 24.3 m ha have been registered as participatory shares in the right of common ownership to land plots of agricultural designation.

According to *Rosstat* (the RF Federal State Statistics Service), as of 1 January 2012, out of the total land area owned by individuals (21,994.4 thousand ha), 463.6 thousand, or 2.11%, had been granted to them for individual housing construction (*Table 17*), which is more than the figure recorded one year earlier (434.1 thousand ha).

Table 17

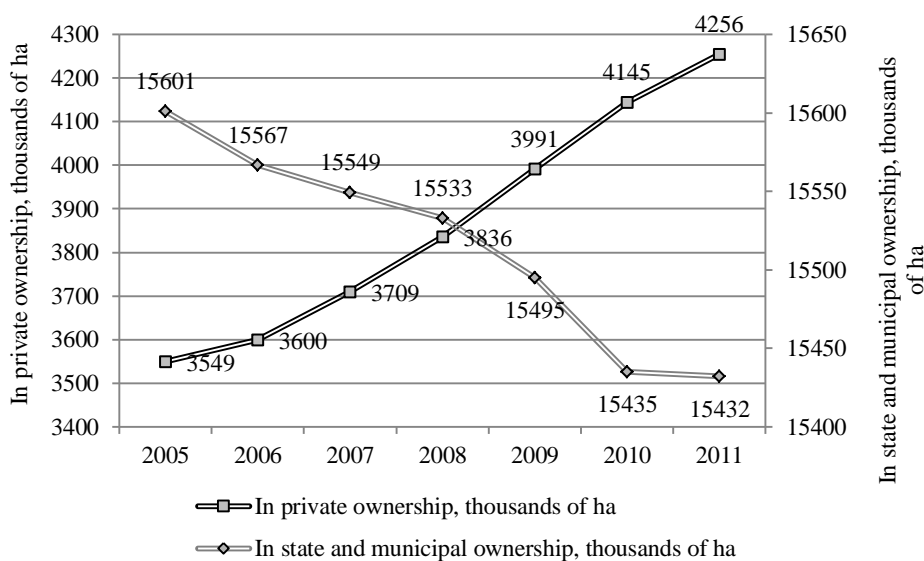
The Distribution of Russia's Land Owned by Individuals

	1 January 2012		1 January 2011	
	thousands of ha	%	thousands of ha	%
Owners of land plots	9,407.6	42.77	8,374.5	40.80
Personal subsidiary plots	5,534.7	25.16	5,414.6	26.30
Peasant (farmer) households	4,942.6	22.47	4,809.1	23.40
Gardening	807.7	3.67	797.9	3.90
Individual housing construction	463.6	2.11	434.1	2.10
Individual entrepreneurs engaged in agricultural production	642.8	2.92	532.8	2.60
For other purposes	195.4	0.89	183.5	0.90
Total	21994.4	100.00	20546.5	100.00

Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

Privately owned land in inhabited localities steadily increases both quantitatively and as a percentage of the total land area of inhabited localities. As of 1 January 2012, it amounted to 4,256 thousand ha, or 21.62% of the total land area of inhabited localities (*Fig. 8*).

In 2011, the largest amount of land owned by individuals per 1,000 people was recorded in the Republic of Kalmykia (4.8 ha per person), where the share of privately owned land in the total land area amounted to 18.25% (*Table 18*). As regards the federal districts, first place in this index is held by the Siberian Federal District with 1.6 ha per person, while the North-Western Federal District with 0.31 ha per person is in the last place.



Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

Fig. 8. The Dynamics of the Distribution of the Land Area of Inhabited Localities in the Russian Federation, by Form of Ownership, 2005-2011

Table 18

The Distribution of Land, by Form of Ownership, by RF Federal District, HA per 1,000 People (as of 1 January 2012)

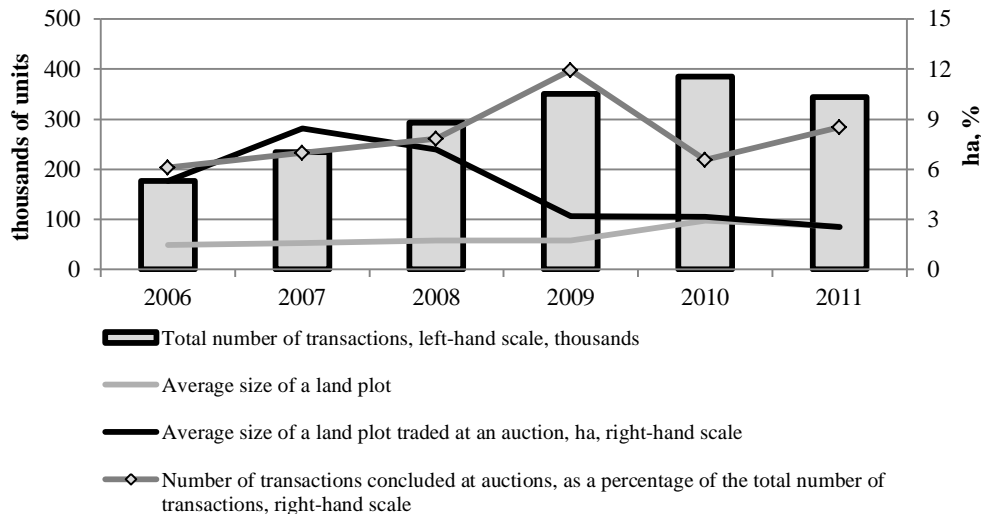
RF subjects and RF federal districts	Total land area, ha per 1,000 people	Land owned by individuals, ha per 1,000 people	Land owned by people, as percentage of total land area	Land owned by legal entities, as percentage of total land area	Place with regard to amount of land owned by individuals per 1,000 people and to total area in ha per 1,000 people
1	2	3	4	5	6
Republic of Kalmykia	26,066.92	4,756.72	18.25	0.05	1; 22
Trans-Baikal Krai	39,284.48	3,859.94	9.83	0.17	2; 14
Kurgan Oblast	7,976.22	3,408.37	42.73	2.92	3; 37
Republic of Altai	44,573.83	2,918.56	6.55	1.56	4; 12
Altai Krai	6,978.81	2,643.20	37.87	1.55	5; 39
Volgograd Oblast	4,350.08	2,447.26	56.26	2.90	6; 48
Omsk Oblast	7,146.98	2,305.12	32.25	3.77	7; 38
Pskov Oblast	8,306.64	2,259.48	27.20	1.99	8; 36
Nizhny Novgorod Oblast	3,752.02	2,203.58	58.73	2.30	9; 50
Saratov Oblast	4,035.47	2,200.97	54.54	7.59	10; 49
Novosibirsk Oblast	6,615.74	2,042.16	30.87	0.72	11; 40
Orel Oblast	3,155.33	1,733.31	54.93	5.87	12; 58
Tambov Oblast	3,183.42	1,663.21	52.25	10.37	13; 56
Republic of Khakassia	11,570.18	1,628.16	14.07	0.12	14; 32
<i>Siberian Federal District</i>	<i>26,711.85</i>	<i>1,557.68</i>	<i>5.83</i>	<i>0.31</i>	<i>15; 21</i>
Kirov Oblast	5,770.25	1,473.36	25.53	5.19	16; 42
Rostov Oblast	2,369.76	1,447.46	61.08	4.61	17; 69
Republic of Buryatia	36,168.13	1,440.51	3.98	0.17	18; 15
Stavropol Krai	2,373.85	1,426.86	60.11	5.93	19; 68
Kursk Oblast	2,674.57	1,419.18	53.06	10.38	20; 66
<i>Southern Federal District</i>	<i>3,031.36</i>	<i>1,302.60</i>	<i>42.97</i>	<i>3.21</i>	<i>24; 59</i>
<i>Volga Federal District</i>	<i>3,478.44</i>	<i>1,055.32</i>	<i>30.34</i>	<i>4.13</i>	<i>30; 53</i>
Russian Federation	11,952.10	835.68	6.99	0.79	37; 29
<i>Urals Federal District</i>	<i>14,975.14</i>	<i>749.17</i>	<i>5.00</i>	<i>0.37</i>	<i>44; 26</i>
<i>Central Federal District</i>	<i>1,687.20</i>	<i>523.78</i>	<i>31.04</i>	<i>6.78</i>	<i>57; 80</i>
<i>North Caucasian Federal District</i>	<i>1,795.43</i>	<i>448.62</i>	<i>24.99</i>	<i>2.37</i>	<i>64; 75</i>

cont'd

1	2	3	4	5	6
<i>Far Eastern Federal District</i>	<i>98,459.84</i>	<i>345.62</i>	<i>0.35</i>	<i>0.04</i>	<i>68; 07</i>
<i>North Western Federal District</i>	<i>12,349.60</i>	<i>314.32</i>	<i>2.55</i>	<i>0.35</i>	<i>69; 27</i>
Moscow Oblast	636.21	103.59	16.28	11.55	74; 90
City of St. Petersburg	28.33	1.39	4.92	13.33	90; 91
City of Moscow	9.39	0.04	0.46	1.83	92; 92

Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

In 2011, the number of sales of state and municipal lands dropped by 10.6% on 2010 - to 343.81 thousand, while the land area sold dwindled by 21.53% (to 882.52 thousand ha), and the average size of a sold lot – by 12.23% (to 2.57 ha) (Fig. 9). In Russia as a whole, the number of transactions involving land sales at auctions increased on 2010 by 16.51% - from 25,185 to 29,343 land plots, while the amount of sold land dropped by 6.17% (from 79,044.77 ha to 74,166.91 ha), which resulted in the average area of a land lot sold at an auction shrinking by 19.46% (to 2.57 ha). As a result, the average size of sold state and municipal land plots became practically equal to that of land plots sold at auctions (Fig. 9).

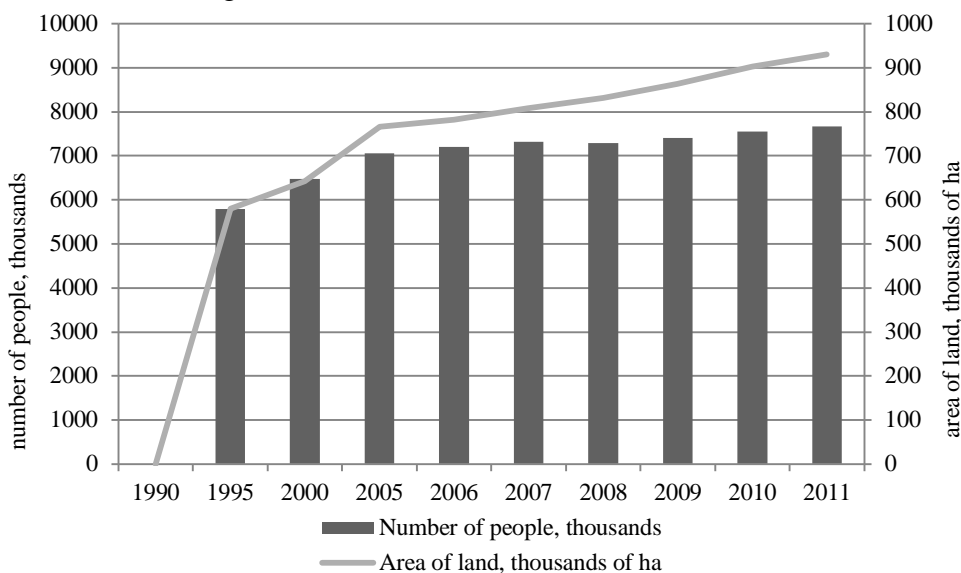


Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

Fig. 9. The Dynamics of Sales of State and Municipal Lands, 2006-2011

According to the State (National) Report ‘On the State and Use of Land in the Russian Federation in 2011’, Russia’s individuals bought 227,928 land plots with the total area of 64.96 thousand ha, to be used by them for individual housing and *dacha* construction, gardening, vegetable gardening and animal husbandry or for conducting personal subsidiary economy. 214,498 land plots with the total area of 60.63 thousand ha were bought in inhabited localities. The number of land plots sold in 2011 was 40,808 less than in 2010, while the average size of a sold land plot rose from 0.18 ha to 0.29 ha.

By the beginning of 2012, the number of persons who owned land plots for individual housing construction had increased to 7,671.5 thousand, while the total land area allotted to them for that purpose had risen to 930.8 thousand ha. On the whole, both these indices were steadily on the rise: over the course of 2011, more than 120 thousand persons acquired land plots for individual housing construction, with the total area of 28.6 thousand ha (Fig. 10).



Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

Fig. 10. Changes in the Number of Persons Who Owned Land Plots for Individual Housing Construction and in Total Land Area Granted to Them for That Purpose, 1990-2011

Out of the total amount of land plots granted for individual housing construction, 55.3% are in individual ownership; 44.7% are in the ownership of state, and are held by individuals by right of inheritable possession for life, by right of permanent (or infinite) use, by right of lease and right of temporary use (Table 19).

Table 19

The Structure of the Ownership of Lands Granted for Individual Housing Construction, 2011

Lands granted for individual housing construction	Thousands of ha	%
In private ownership	514.3	55.3
In state and municipal ownership, including:		
in permanent (or infinite) use	206.2	22.2
under lease	110.8	11.9
in free-of-charge temporary use (or temporary use)	2.2	0.2
in inheritable possession for life	56.2	6
without right to land being formalized	41.1	4.4

Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

In 64 RF subjects alone, land plots for *dacha* construction, with the total area of 75.1 thousand ha, were granted to 189.8 thousand families. According to the RF Federal Service for State Registration, Cadastre and Cartography, the highest number of newly-granted ‘*dacha* plots’ was registered in Moscow Oblast, Novgorod Oblast, Rostov Oblast, Irkutsk Oblast, Leningrad Oblast, Yaroslavl Oblast, and the republics of Sakha and Buryatia. In 2011, the number of families engaged in *dacha* construction increased by 17.4 thousand, while the total area of *dacha* plots rose by 11.3 thousand ha.

In 2011, the average price of land plots in inhabited localities, designated for individual housing or *dacha* construction, dropped by 5.34% on 2010, while that of land plots outside of inhabited localities rose 1.5 times (Table 20). In this respect, differences among federal districts are considerable: in the North Western Federal District, the prices of land plots in inhabited localities rose by 210.9%, while in the Southern Federal District they dwindled by 59.4% (Table 20).

Table 20

The Average Per Square Meter Prices, in Rubles, of State and Municipal Land Plots Sold to Individuals and Legal Entities in the Russian Federation in 2011, and Their Change on 2010, %

	To individuals and their associations, for the purposes of:				To legal entities, in order to be used for industrial or other special purposes		To peasant (or farmer) households and agricultural organizations	
	individual housing or <i>dacha</i> construction		conducting personal subsidiary economy, gardening, vegetable gardening, and animal husbandry					
	in inhabited localities	outside of inhabited localities	in inhabited localities	outside of inhabited localities	in inhabited localities	outside of inhabited localities	in inhabited localities	outside of inhabited localities
Russian Federation	54.95	4.31	12.15	8.17	126.02	65.1	19.15	3.74
percent change	-5.34	48.62	-14.07	34.15	68.52	434.48	73.62	-21.43

Central	82.04	2.11	20.9	15.7	192.89	172.56	73.17	2.56
<i>percent change</i>	-13.24	–	3.11	4.11	-24.53	884.37	-2.21	113.33
North Western	66.93	9.48	16.57	12.84	99.37	31.27	2.78	0.61
<i>percent change</i>	210.87	12.46	109.48	32.64	159.38	38.36	227.06	-62.11
Southern	10.77	0	5.98	0.9	82.83	67.77	3.00	1.05
<i>percent change</i>	-59.36	100.0	-51.26	-29.69	102.02	558.60	1.35	-11.02
North Caucasian	93.72	0.22	2.48	0.29	72.57	25.26	1.82	1.06
<i>percent change</i>	-7.74	–	-86.90	107.14	-47.73	137.85	127.50	-17.19
Volga	46.29	18.95	12.18	8.81	171.71	77.13	2.72	1.96
<i>percent change</i>	62.82	112.4	-0.08	31.30	461.51	326.37	34.65	-83.46
Urals	23.95	2.38	15.12	4.32	191.5	75.09	0.51	0.61
<i>percent change</i>	21.82	480.5	249.19	64.89	309.01	677.33	-90.78	-76.54
Siberian	48.35	1.36	7.84	10.28	142.08	41.49	46.01	21.45
<i>percent change</i>	10.09	62.12	35.41	27.86	499.75	497.84	3522.83	210.87
Far Eastern	67.53	0.01	16.12	12.25	55.22	30.2	23.2	0.64
<i>percent change</i>	-47.34	99.25	-48.76	137.86	136.08	1676.47	116000	-94.43

Sources: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011 and The State (National) Report On the State and Use of Lands in the Russian Federation in 2010.

According to the RF Federal Service for State Registration, Cadastre and Cartography, as of 1 January 2012, the total leased land area amounted to 159,420.52 thousand ha, including 20,526.43 thousand ha leased out in 2011. Over the course of that year, the authorities sold leases on 5,938.50 thousand ha of land in state and municipal ownership. Leases on state and municipal land account for 62.0% of transactions concluded on Russia's land market and for 82.7% of the land area covered by those transactions.

In 2011, the average lease payment for state and municipal land plots for housing and *dacha* construction, situated in inhabited localities, dropped by 22.18% on 2010, to Rb 13.44 per square meter. At the same time, the average lease payment for such land plots situated outside of inhabited localities declined by 11.63%, to Rb 0.76 per square meter (*Table 21*).

In the main, lease payments are determined on the basis of the cadastral value of relevant land plots, multiplied by a number of coefficients, depending on the economic importance of one or other territory, the targeted use of land, and the category of lease-holder.

Table 21

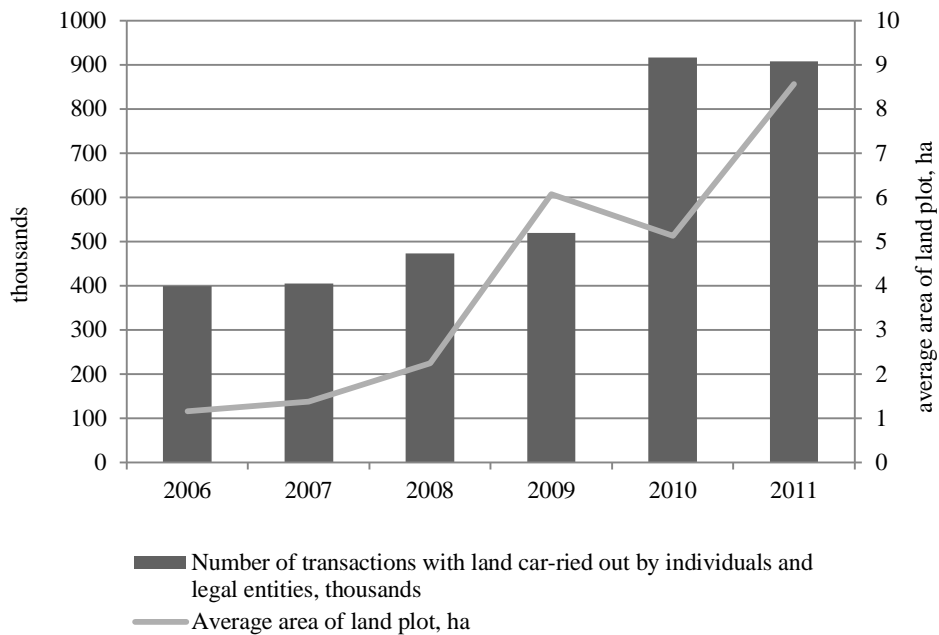
**The Average per Square Meter Lease Payments, In Rubles,
for the Use of State and Municipal Lands
in the Russian Federation in 2011**

Individual leasers and their associations using leased land plots for the purposes of:	2008		2009		2010		2011	
	in inhabited localities	outside of inhabited localities	in inhabited localities	outside of inhabited localities	in inhabited localities	outside of inhabited localities	in inhabited localities	outside of inhabited localities
housing and <i>dacha</i> construction	7.47	5.95	13.43	1.27	17.27	0.86	13.44	0.76
conducting personal subsidiary economy, gardening, and vegetable gardening	0.66	0.07	1.49	0.17	2.02	1.07	2.26	1.04

Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

In 2011, the turnover of privately owned lands amounted to 908,867 transactions (*Fig. 11*), while the total area of land subject to those transactions was 7,787,561 ha. By comparison with 2010, the number of transaction slightly decreased - by 0.93%, while the total area of

land subject to those transactions rose by 65.45%. The average area of a land plot grew by 67.0%, to 8.57 ha (Fig. 11).



Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

Fig. 11. The Dynamics of Sale and Purchase Transactions with Privately Owned Land Plots Concluded by Individuals and Legal Entities, 2006-2011

Land mortgages accounted for 6.74% of the 1,617,090 transactions with privately owned land plots concluded in 2011, which represented a 1.18 pp. rise on 2010 (Table 22).

Table 22

The Number of Transactions with Privately Owned Land Plots Concluded in the Russian Federation in 2011

RF Federal Districts	Land sale	Gift	Inheritance	Pledge	Total number of transactions	Pledge transactions, as a percentage of the total number of transactions, %	
						2011	2010
Russian Federation	908,867	189,043	410,125	109,055	1617,090	6.74	5.56
Central	283,423	63,291	148,223	25,959	520,896	4.98	3.54
North Western	57,345	16,386	39,879	6,628	120,238	5.51	6.08
Southern	86,760	8,349	15,690	7,160	117,959	6.07	3.64
North Caucasian	41,602	8,272	17,687	8,249	75,810	10.88	2.29
Volga	206,271	50,662	116,624	33,541	407,098	8.24	7.68
Urals	113,235	14,055	33,759	4,320	165,369	2.61	4.60
Siberian	96,721	23,580	27,110	21,222	168,633	12.58	12.31
Far Eastern	23,510	4,448	11,153	1,976	41,087	4.81	5.64

Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

The ratio between the total area of pledged land plots and the total area of land in the ownership of individuals and organizations fluctuated from 0.26% in the North Caucasian Federal District to 10.01% in the Central Federal District. In 2011, this index for the Russian Federation as a whole amounted to 2.67%, which represented a two-fold rise on 2010 (Table 23).

Most of the pledged land plots were land plots designated for agricultural use. In 2011, the proportion of mortgaged land designated for agricultural use to the total area of pledged land decreased by 33.44 pp. - to 46.1%.

Table 23

A General Characteristic of Pledges of Land in the Russian Federation

RF Federal Districts	In private ownership, thousands of ha	Of which in the state of being pledged, %		Including mortgages of land designated for agricultural use, %	
	2011	2011	2010	2011	2010
Russian Federation	133,075.7	2.67	1.33	46.10	79.54
Central	24,593.0	10.01	2.44	30.22	96.37
North Western	4,883.4	0.77	0.63	63.36	53.41
Southern	19,435.6	0.43	0.40	95.67	59.79
North Caucasian	4,662.0	0.26	0.54	57.10	88.06
Volga	35,745.0	1.66	1.55	93.93	95.90
Urals	9,775.6	0.83	2.07	92.20	18.39
Siberian	31,589.2	0.84	0.91	51.06	64.26
Far Eastern	2,391.9	0.77	0.24	85.50	61.09

Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

The year 2011 saw 109,055 pledge transactions with land plots (or mortgages), which represented a 30.23% rise on 2010 (Fig. 12). At the same time, the total area of pledged land rose to 3,553,568 ha, which was twice as much as in 2010. In 2011, the average area of a pledged land plot amounted to 32.59 ha, which represented a 52.78% rise on 2010 (Fig. 12).

On 1 February 2012, in accordance with the joint Order of the RF Federal Tax Service and the RF Federal Service for State Property Management (*Rosnedvizhimost*), of 13 September 2007, No. P/0235/MM-3-13/529, and Order of the RF Ministry of Finance, of 20 June 2005, No. 75n, the territorial bodies of the RF Federal Service for State Registration, Cadastre and Cartography (*Rosreestr*) prepared electronic data on all land plots subject to taxation and transferred them to the territorial bodies of the RF Federal Tax Service. The actual amount of land tax due should be established as a percentage of the tax base (cadastral value), which must not exceed the upper limit stipulated in the RF Tax Code, by the corresponding normative legal acts of the representative bodies of a municipal formation.



Source: The State (National) Report On the State and Use of Lands in the Russian Federation in 2011.

Fig. 12. The Dynamics of Pledges of Land Plots by Individuals and Legal Entities in 2006-2011

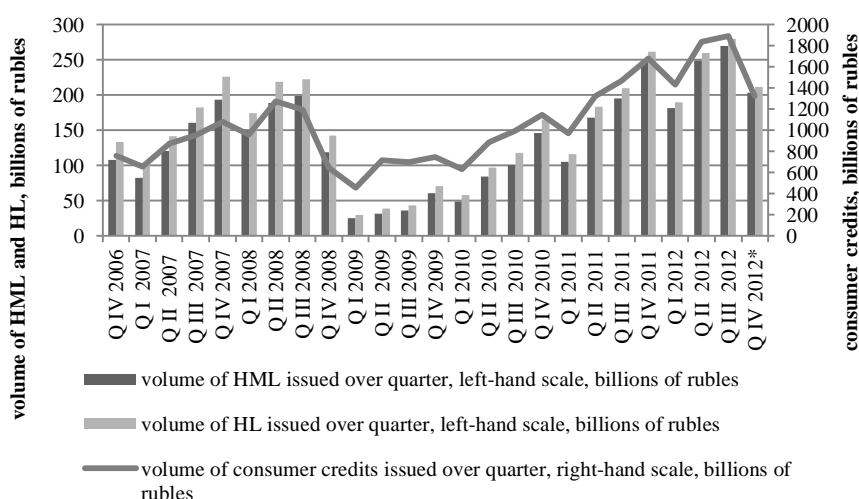
Most of the representative bodies of municipal formations have decided that the maximum possible land tax rates based on the cadastral value of land plots should be introduced within their respective territorial jurisdictions. However, according to *Rosreestr*, the representative bodies of municipal formations in a number of RF subjects have used their right to take decisions more favorable to taxpayers. For example, the land tax rate

- for the land plots occupied by residential buildings is set at 0.01% of the cadastral value of a land plot in the municipal formations of Sverdlovsk Oblast; at 0.03% of the cadastral value of a land plot in the municipal formations of Stavropol Krai; and at 0.06% of the cadastral value of a land plot in the municipal formations of Tyumen Oblast;
- for the land plots occupied by garages is set at 0.023% of the cadastral value of a land plot in the municipal formations of Smolensk Oblast;
- for the land plots granted to individuals for conducting personal subsidiary economy is set at 0.026% of the cadastral value of a land plot in the municipal formations of Tyumen Oblast, and at 0.08% of the cadastral value of a land plot in the municipal formations of Perm Krai;
- for the land plots occupied by trade outlets is set at 0.037% of the cadastral value of a land plot in the municipal formations of Smolensk Oblast.

According to RF Federal Tax Service data for 2011, land tax levied on the basis of the cadastral value of land plots yielded Rb 122.193bn, which represents an 11.7% rise on 2010 (Rb 109.414bn).

Housing Mortgage Lending

According to the RF Central Bank, as of 1 December 2012, 664 credit institutions had issued, since the beginning of 2012, 611,487 housing mortgage loans (HML) in the amount of Rb 904.56bn, which represents a 47.3% rise on the amount of HML issued as of 1 December 2011, and a 37.93% rise on the amount of HML issued throughout the pre-crisis year 2008. In Q3 2012, the HML issued by credit institutions amounted to Rb 203.6bn, which represents a 35.76% rise on Q3 2008 (*Fig. 14*).

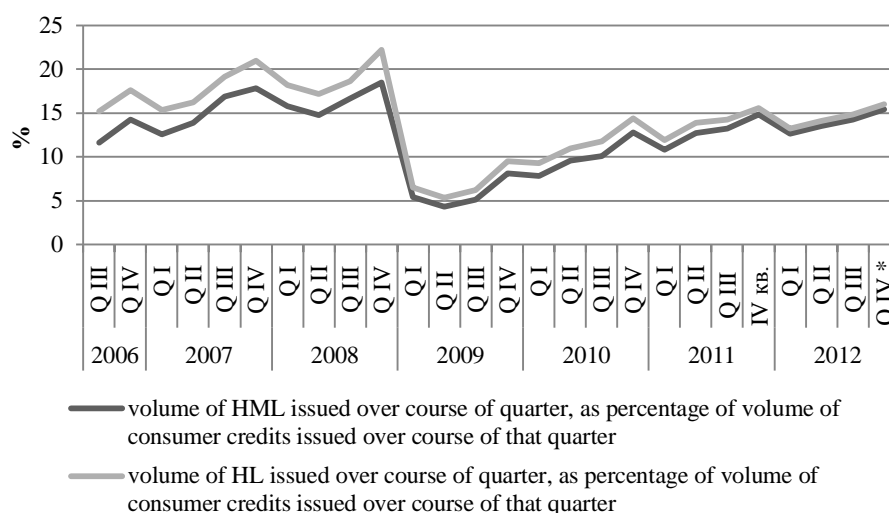


* October–November.

Source: RF CB data.

Fig. 14. The Dynamics of Loans Issued to Individuals over the Course of a Quarter, 2006-2012

In Q3 2012, the share of HML in the volume of consumer lending grew by 0.98 p.p. on Q3 2011 - to 14.25% (*Fig. 15*). The volume of consumer lending in Q3 2012 (Rb 1,889.5bn) rose by 48.14% on its pre-crisis record high registered in Q2 2008.



*) – October-November 2012.

Source: RF CB data.

Fig. 15. The Dynamics of the Volume of HML Issued to Individuals over the Course of a Quarter, as a Percentage of the Volume of Consumer Credits Issued Over the Course of that Quarter, 2006-2012

According to *Rosreestr*, the share of mortgaged real estate objects in the total number of real estate objects registered in housing transactions has been on the rise since 2009. In 2012, one in five housing transactions was a residential mortgage transaction (*Table 30*).

Table 30

The Share of Mortgaged Real Property Objects in the Total Number of Real Property Objects Registered in Housing Transactions, %

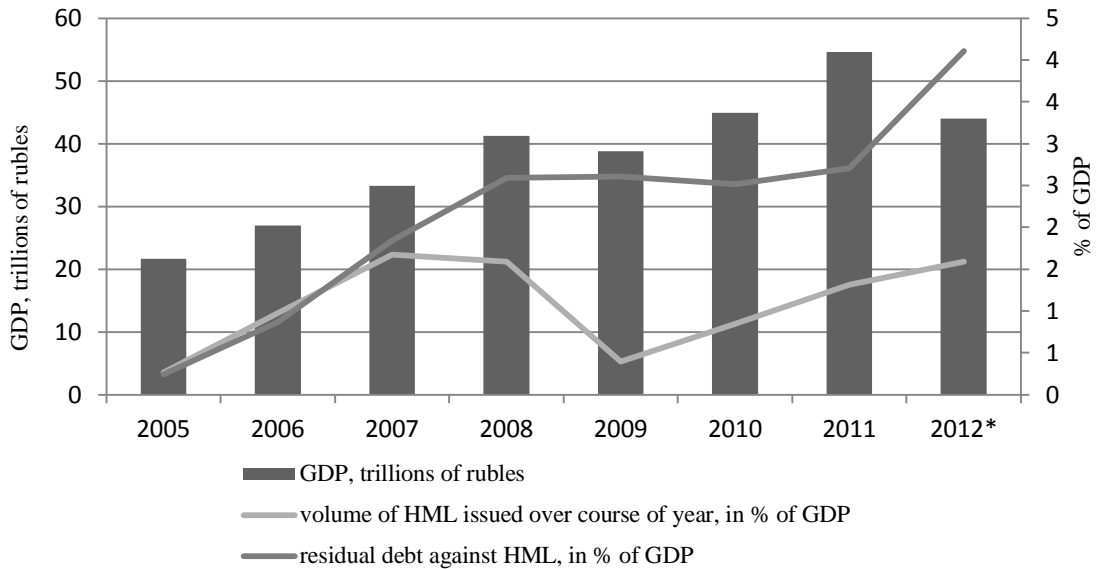
2005	2006	2007	2008	2009	2010	2011	January –November 2012
4.2	9.5	15.6	16.9	11.9	14.6	17.6	20.5

Source: OJSC Agency for Housing Mortgage Lending, on the basis of *Rosreestr* data.

As of 1 October 2012, the volume of issued HML as a share of GDP amounted to 1.59% vs. 1.31% as of the end of 2011. Expressed as a percentage of GDP, this index rose to its record high in 2007 (1.67% of GDP) (*Fig. 16*). As of 1 October 2012, the amount of debt outstanding against HML, expressed as a percentage of GDP, was 4.11%, which represented a 1.4 p.p. rise on that index as of the end of 2011 and a 1.51 p.p. rise on its pre-crisis record high registered in 2008 (*Fig. 16*).

The year 2012 saw a continuation of the rise in the amount of residual debt against ruble-denominated HML, and also a continuation of the drop in the ratio of the amount of stale debt against ruble-denominated HML to the amount of residual debt (*Fig. 17*). As of 1 December 2012, the amount of debt against ruble-denominated HML rose by 42.41% on 1 December

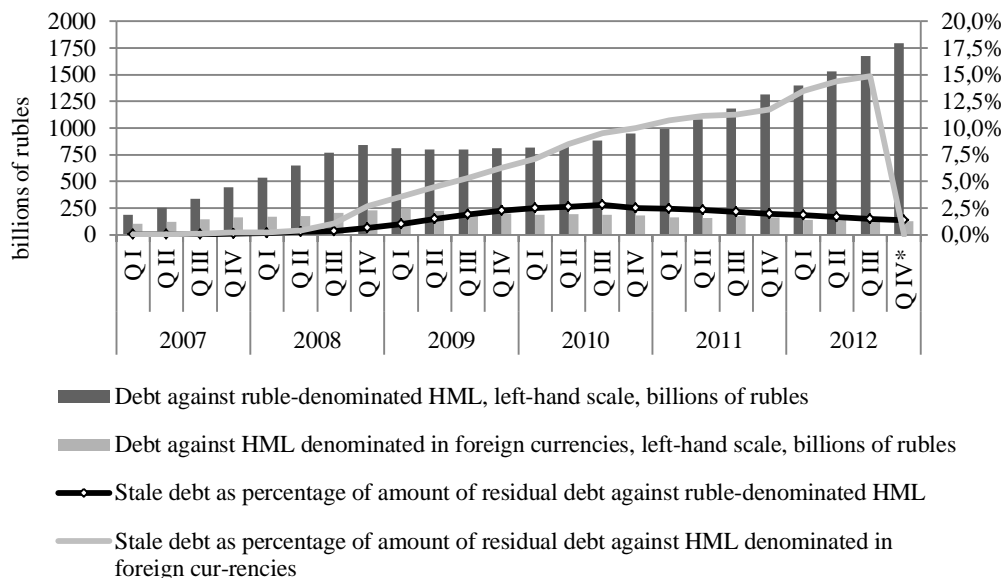
2011 - to Rb 1,797.73bn, while the amount of stale debt dropped by 4.65%, to Rb 24.8bn, or 1.38% of the amount of residual debt. At the same time, the amount of residual debt against HML denominated in foreign currencies shrank by 23.22% - to Rb 125.73bn, while the amount of stale debt against such HML grew by 0.75% - to Rb 19.3bn, or 15.35% of the amount of residual debt (Fig. 17). The share of effective stale debt in effective residual debt declined to 2.29% as of 1 December 2012 (Fig. 17).



*) – January–September 2012.

Source: RF CB data.

Fig. 16. The Dynamics of Housing Mortgage Lending as a Percentage of GDP, 2005-2012

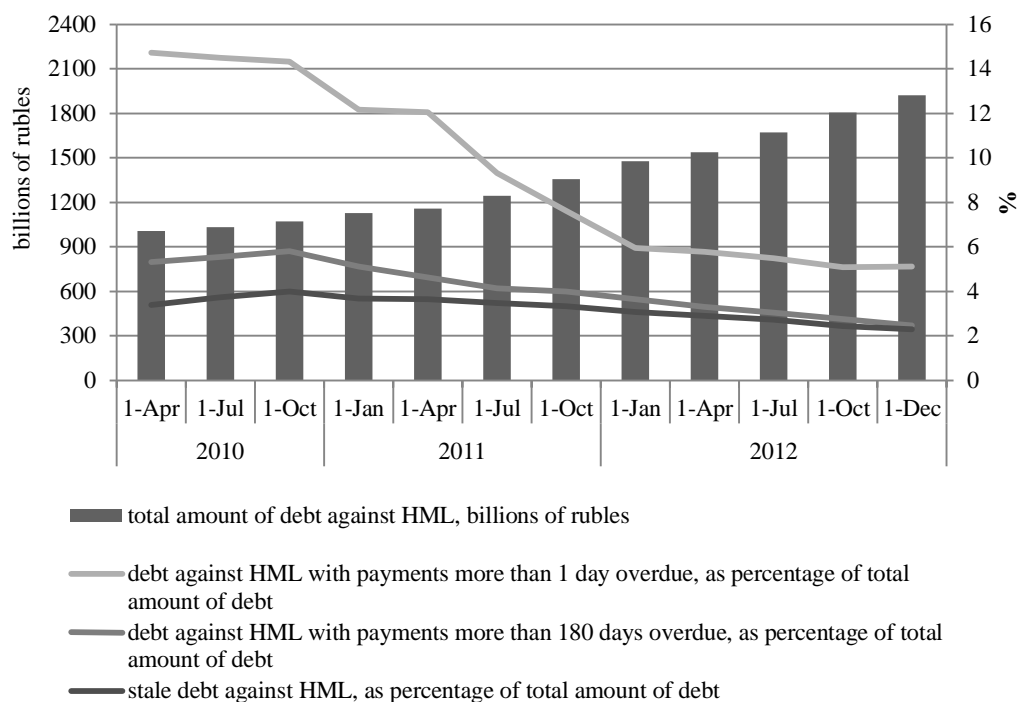


*) – as of 1 December 2012.

Source: RF CB data.

Fig. 17. The Dynamics of Residual and Stale Debt against Housing Mortgage Loans, 2007-2012

The year 2012 saw a continuation of the rise in the amount of residual debt against HML with no overdue payments and of the rise of its share in the total amount of debt (*Fig. 18*). As of 1 December 2012, residual debt against such HML amounted to Rb 1,824.8bn, while its share in the total amount of debt rose by 0.81 p.p. on 1 January 2012, to 94.87%. As of 1 December 2012, the share of debt against HML with payments more than 180 days overdue (debt against defaulted loans) in the total amount of debt dropped by 1.2 p.p. on 1 January 2012.



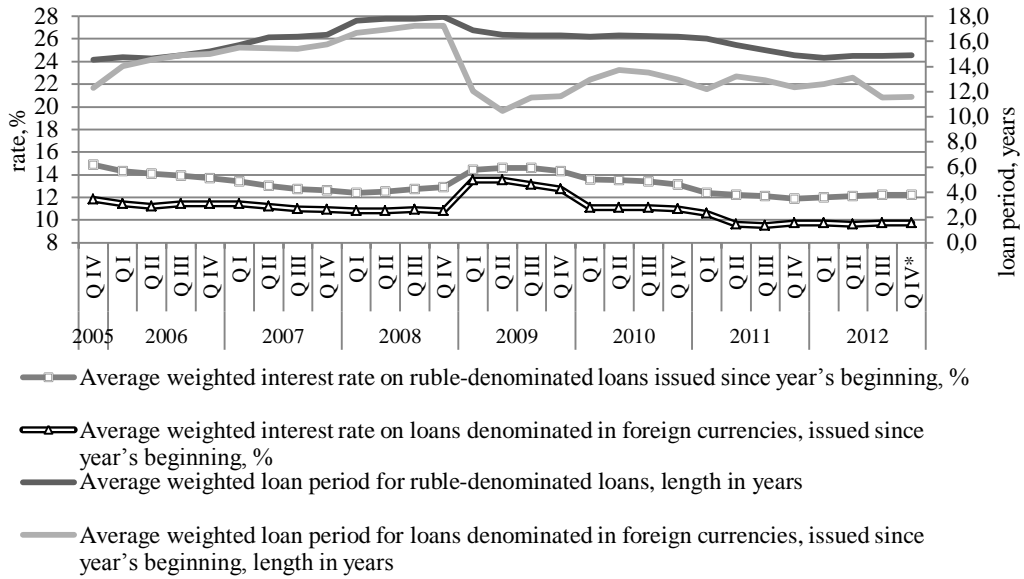
Source: RF CB data.

Fig. 18. The Dynamics of Debt against Housing Mortgage Loans and Stale Debt against Housing Mortgage Loans with Overdue Payments, 2010-2012

In 2012, the steady fall in the average weighted interest rate on ruble-denominated HML issued since the year's beginning, which had been taking place throughout 2010 and 2011, was replaced by its rising, from 11.9% as of 1 January 2012, to 12.2% as of 1 December 2012 (*Fig. 19*). The average weighted interest rate on HML denominated in foreign currencies, issued since the year's beginning, increased from 9.4% as of 1 March 2012 to 9.7% as of 1 December 2012. As of 1 December 2012, the average weighted loan period for ruble-denominated HML issued since the year's beginning amounted to 14.91 years, while that for HML denominated in foreign currencies amounted to 11.59 years (*Fig. 19*).

According to RF CB data, the average weighted interest rate on ruble-denominated HML issued since the year's beginning across the Russian Federation increased from 11.4% in November 2011 to 12.5% in November 2012 (*Fig. 20*). According to the Agency for Housing

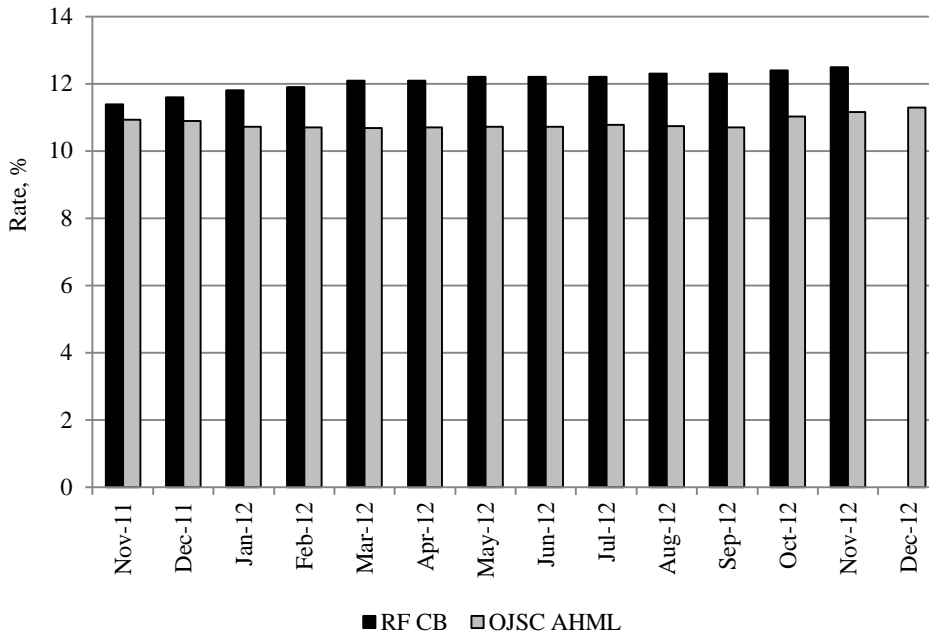
Mortgage Lending's data, the average weighted interest rate on ruble-denominated HML re-financed over the course of a month began to increase later than the aforesaid interest rate. It grew from 10.7% in April 2012 to 11.3% in December 2012 (Fig. 20).



*) – as of 1 December 2012.

Source: RF CB data.

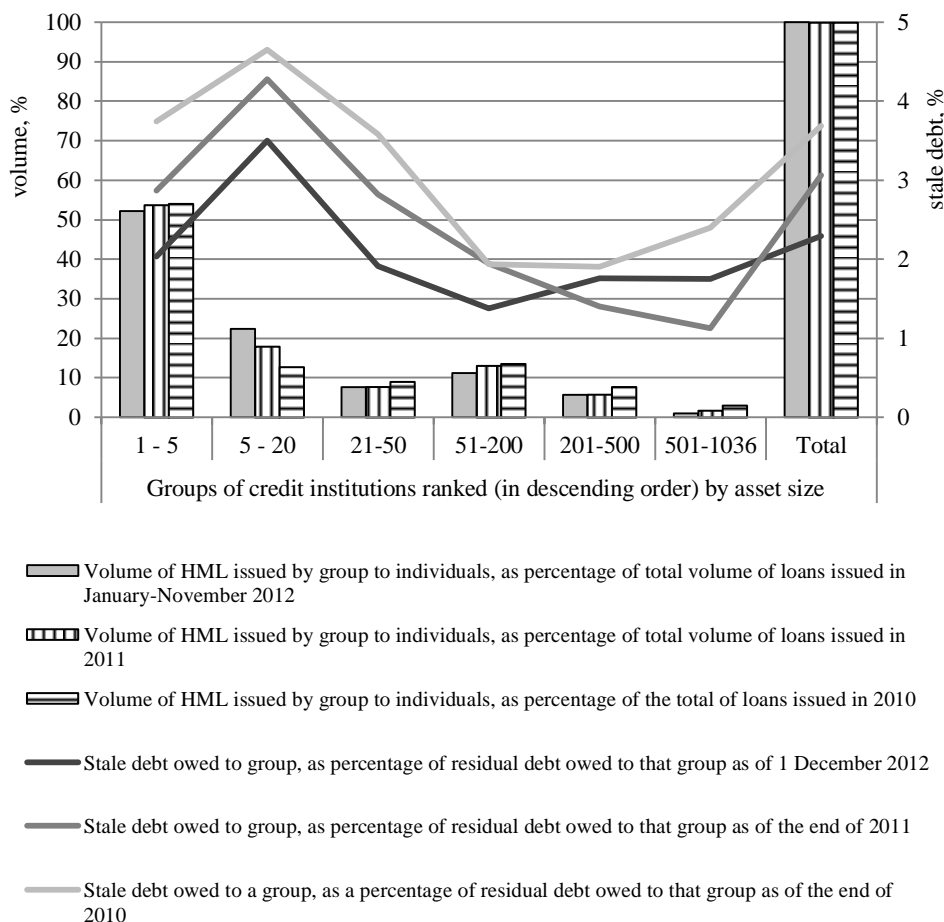
Fig. 19. Average Weighted Data on HML Denominated in Rubles and Foreign Currencies, Issued Since the Year's Beginning, 2004-2012



Source: data provided by the RF CB and the Agency for Housing Mortgage Lending (AHML).

Fig. 20. The Dynamics of the Average Weighted Interest Rate on Ruble-Denominated HML Issued Over the Course of a Month, November 2011 – December 2012

The share of the topmost group of credit institutions with the largest assets, comprising 5 such entities, in the total volume of HML issued over the course of a year dropped to 52.18% as of 1 November 2012 vs. 53.76% in 2011, and 54.2% in 2010 (Fig. 21). The share of the second group, comprising 15 credit institutions, rose to 22.39% as of 1 November 2012. Given the existing general trend towards a decline in the share of stale debt in total debt across Russia, as of 1 December 2012 the second group of credit institution continued to keep the largest share of stale debt (3.5%), which means that its HML portfolio was the most risky one. As of 1 December 2012, the first two groups of credit institutions account for three quarters of the HML market (74.58%).

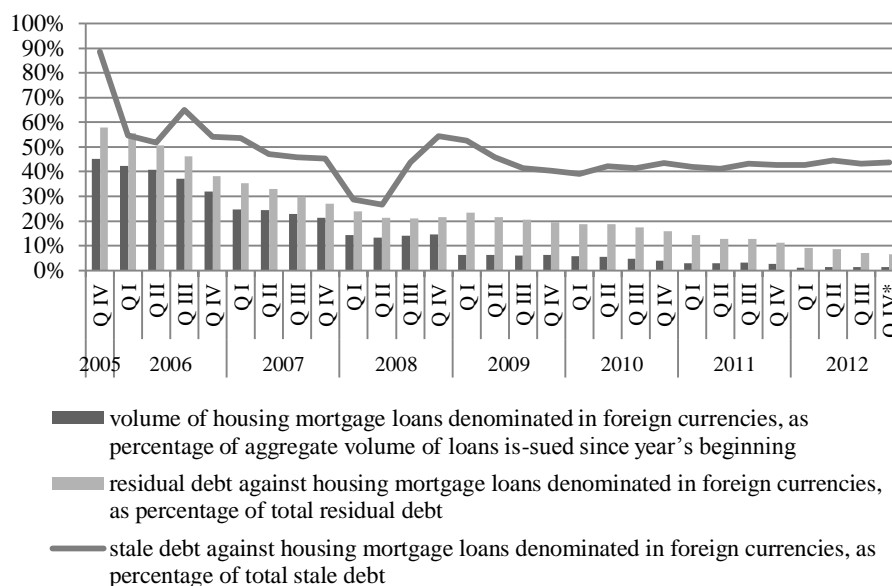


Source: RF CB data.

Fig. 21. The Dynamics of the Volumes of Issued HML and Stale Debt, by Group of Credit Institutions Ranked by Asst Size, 2010-2012

As of 1 December 2012, the share of the volume of HML denominated in foreign currencies, issued since the year's beginning, in the total volume of HML dropped to 1.33%, while the share of debt against HML denominated in foreign currencies in total debt declined to 6.54%. At the same time, the share of stale debt against HML denominated in foreign currencies in total stale debt hovered around 44% (Fig. 22).

According to the expert estimation carried out by OJSC AHML, the share of mortgage lending in the primary housing market is steadily on the rise. In January-November 2012, it amounted to 20.0% of the total volume of HML, having risen by 5.0 p.p. on 2011 (*Table 31*).



*) – January-November 2012.

Source: RF CB data.

Fig. 22. The Ruble / Foreign Currencies Relationship with Regard to Housing Mortgage Loans, 2005-2012

Table 31

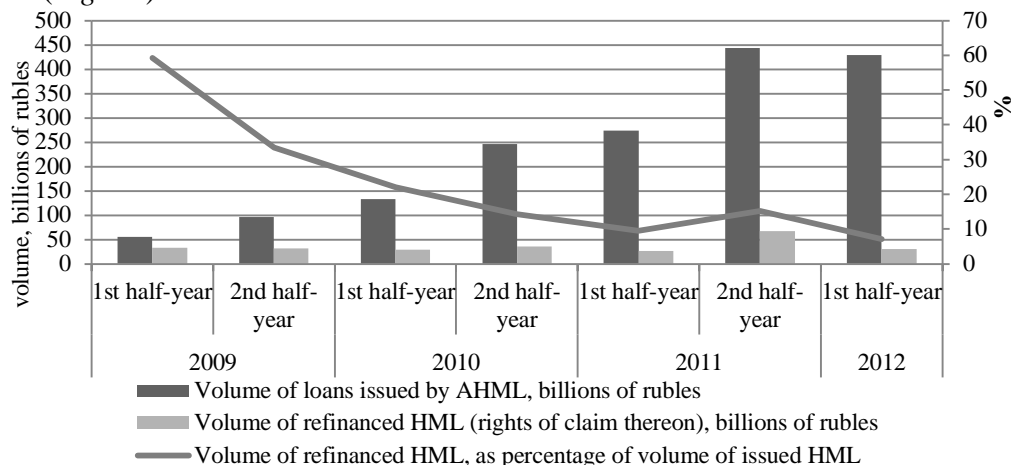
The Dynamics of HML in the Primary and Secondary Housing Markets

	2008	2009	2010	2011	January – November 2012	Forecast: 2013
Mortgage loans for housing acquisition at the secondary market						
Aggregate amount of loans, billions of rubles	534.9	136.9	340.1	609.4	723.6	760–920
Number of loans, thousands	285.1	116.7	270.2	445	489.2	507–613
Floor area, millions of sq m	13.5	3.7	8.1	16.3	18.8	21–24.3
Mortgage loans for housing acquisition at the primary market						
Aggregate amount of loans, billions of rubles	120.9	15.6	38.8	107.5	180.9	190–230
Number of loans, thousands	64.4	13.3	30.8	78.5	122.3	127–153
Floor area, millions of sq m	3.3	0.5	1.2	3.2	5.4	5.9–6.8
The volume of the HML primary market, as a percentage of the total volume of issued HML						
Aggregate amount of loans	18.4	10.2	10.2	15.0	20.0	20.0
Number of loans	18.4	10.2	10.2	15.0	20.0	20.0
Floor area	19.6	11.9	12.9	16.4	22.3	21.9

Source: the expert estimation carried out by OJSC AHML.

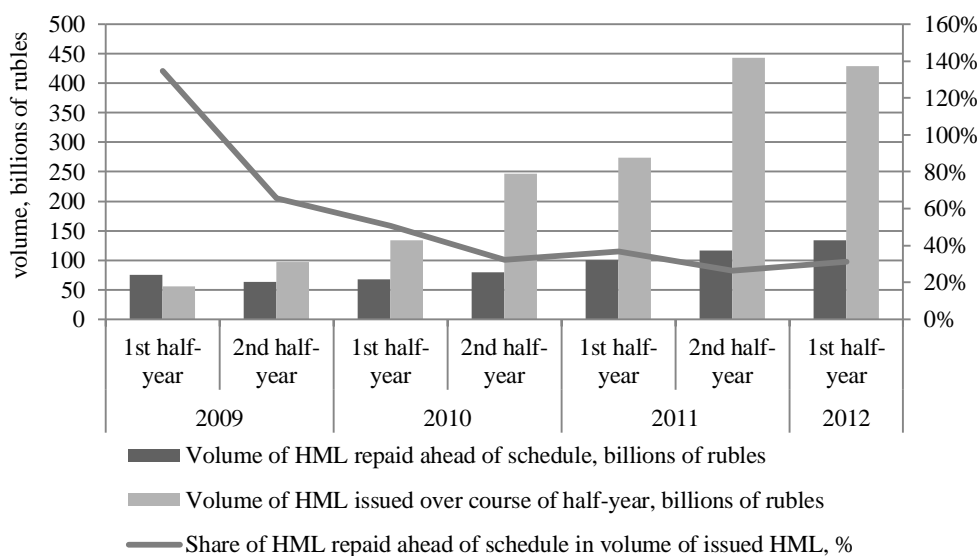
According to RF CB data, in the first half-year of 2012, 131 institutions (including 30 credit institutions) refinanced housing mortgage loans with the sale of the pool of those loans (the rights of claim thereon) in the amount of Rb 30.71bn (*Fig. 23*), which accounted for 7.15% of the volume of HML issued over the course of the first half-year of 2012. Credit institutions accounted for 29.56% of the refinancing volume, while 92 specialized institutions accounted for 65.5% of the refinancing volume.

As of 1 July 2012, housing mortgage loans in the amount of Rb 108.65bn had been repaid ahead of schedule, which represented a 35.13% rise on 1 July 2011. This amount accounted for 25% of the volume of loans issued in the first half-year of 2012. The amount of HML repaid before schedule by the money raised through the sale of mortgaged properties was Rb 2.05bn (Fig. 24).



Source: RF CB data.

Fig. 23. The Dynamics of HML (the Right of Claim Thereon) Refinancing, 2009-2012



Source: RF CB data.

Fig. 24. The Dynamics of HML Repaid Ahead of Schedule, 2009-2012

In 2012, OJSC AHML refinanced 45,489 ruble-denominated mortgage loans in the amount of Rb 61.39bn (Table 32), which was by Rb 10.14bn more than in 2011. In January - November 2012, the mortgage redemption rate set by the Agency for Housing Mortgage Lending amounted to 10.63% (for the following standard products: 'Standard', 'House Under Construction', 'Young Teachers – Standard', 'Young Scholars' and 'Military Mortgage'), which

was by 1.57 p.p. lower than Russia's average weighted rate for that period, based on RF CB data.

According to data released by OJSC AHML, over the period from 1 October 2009 through 1 December 2012, it assumed obligations under the *Stimul* [Stimulus] project in the amount of Rb 79.93bn, of which a total of Rb 17.08bn has already been invested in the project's implementation. Out of the total sum of Rb 54.26bn issued by banks to legal entities to be invested in housing construction under the *Stimul* [Stimulus] project at an average interest rate of 12,75%, the Agency refinanced a total of Rb 33.39bn at the rate of 7.71%.

Table 32

The Redemption of Mortgages by OJSC AHML in 2012 (as of 1 January 2013)

	For all products	Standard product	Military mortgage	Mother capital	House under construction	Other
Redemption of mortgages, number	45,489	27,587	8,313	4,279	5,223	87
Redemption of mortgages, thousands of rubles	61,390,454	32,505,840	16,593,420	5,913,840	6,113,801	263,553
Average value of mortgage, thousands of rubles	1,350	1,178	1,996	1,382	1,171	3,029

Source: OJSC AHML data.

As evident from data released by OJSC AHML, housing mortgage loans to young school teachers under the program put forth by the Agency in September 2012 are currently issued only in 12% of the regions. In accordance with the program's conditions, if the first contribution in the amount of 10% is paid, the borrowers may be granted joint subsidies (from the Federal Treasury and regional budgets) against their loans, while the interest rate is relatively low - 8.5%. The main obstacle to the realization of this plan, in addition to teachers' low salaries, is the difficulty associated with the actual allocation of money from regional budgets.