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Real Estate in the Russian Federation

In July 2012, entities of all the forms of ownership built 52,600 new apartments with the total floorspace of 4.21m sq. meters which is 13.8% more than in July 2011. In the 2nd quarter of 2012, the ratio between the price of a sq. meter of housing on the primary market and the cost of building of a sq. meter of housing amounted to 147.42% against 138.9% in the 1st quarter of 2012. The growth in the outstanding debt on MHL in rubles continued, and as of August 1, 2012 it amounted to Rb 1,572,685bn which is 41.28% more than in August 1, 2011. As regards loans in foreign currency, as of August 1, 2012 the debt on MHL amounted to Rb 137,728bn which is 11.7% less than that as of August 1, 2011.

According to the Rosstat's data, in the first six months of 2012 entities of all the forms of ownership built 242,800 apartments with the total floorspace of 21.04m sq. meters which figure was equal to 101.9% on the respective period of last year. Individual developers built 11.1m sq. meters of housing or 53% of the total volume of housing commissioned in the first six months of 2012.

In July 2012, entities of all the forms of ownership built 52,600 new apartments with the total floorspace of 4,21m sq. meters which is 13.8% more than in July 2011, while in January-July, 295,400 apartments with the total floorspace of 25.25m sq. meters which is 3.5% more than in the respective period of 2011.

In the first six months of 2012 and 2011, the largest volume of housing per thousand persons (347.9 sq. meters) was commissioned in Krasnodar Territory (*Table 1*). Among federal districts, as in the first six months of 2011 the highest result (221.0 sq. meters per thousand persons) was registered with the Southern Federal District, while the lowest one (85.2 sq. meters per thousand persons), with the Far East Federal District (*Table. 1*). As regards that index, Moscow was downgraded to the 85th place. As regards the volume of housing commissioned by individual developers per thousand persons of the population, the top three leaders have consistently been the Belgorod Region, the Lipetsk Region and the Tambov Region.

Table 1

Distribution of the regions of the Russian Federation as regards the volume of housing commissioned in January-June 2012 per thousand persons of the population

| Region | Total housing commissioned | | Housing commissioned by individual developers | | |
|--------|----------------------------|---------------------------------|---|---------------------------------|--|
| | % of H1 2011 | Sq. meters per thousand persons | % of H1 2011 | Sq. meters per thousand persons | |
| | | | | | |

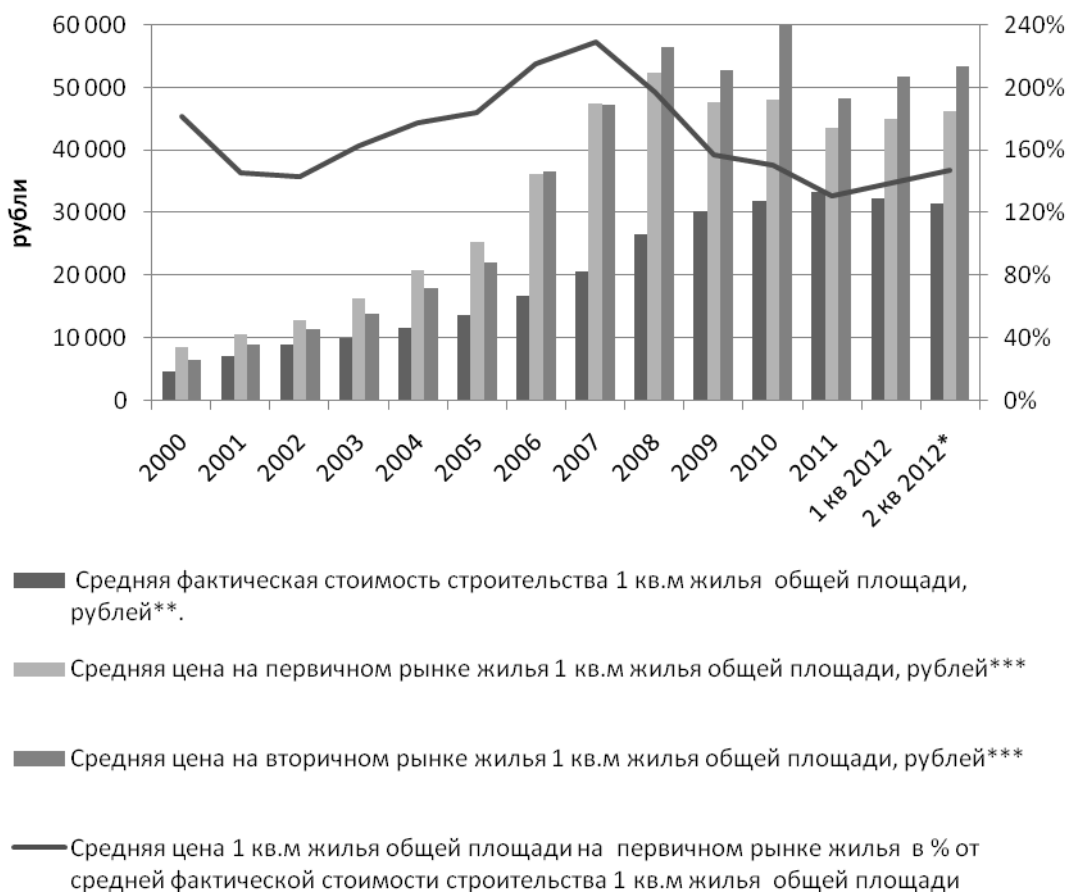
| | | | | | |
|--|--------------|--------------|--------------|-------|--|
| The Russian Federation | 101,9 | 147,1 | 106,1 | 77,9 | |
| Krasnodar Territory | 113.3 | 347.9 | 97.8 | 157.0 | |
| Tyumen Region | 111.5 | 302.1 | 69.3 | 64.8 | |
| Belgorod Region | 131.1 | 301.5 | 122.8 | 249.1 | |
| Republic of Tatarstan | 93.6 | 288.2 | 103.6 | 132.3 | |
| Moscow Region | 113.0 | 279.3 | 94.4 | 148.2 | |
| Republic of Altai | 145.2 | 247.1 | 88.3 | 146.3 | |
| Leningrad Region | 112.1 | 235.5 | 122.3 | 141.4 | |
| Lipetsk Region | 110.2 | 232.0 | 146.0 | 204.7 | |
| Including Nenetsk Autonomous Region | 128.0 | 228.6 | 227.2 | 122.5 | |
| Kaliningrad Region | 101.3 | 227.8 | 119.7 | 62.6 | |
| Republic of Chuvashia | 105.1 | 219.2 | 102.4 | 171.6 | |
| Republic of Bashkortostan | 109.4 | 210.4 | 108.1 | 163.6 | |
| Republic of Mariy El | 106.0 | 207.0 | 102.9 | 137.2 | |
| Ulyanov Region | 129.0 | 202.2 | 140.7 | 164.7 | |
| Tambov Region | 106.9 | 197.2 | 145.4 | 174.0 | |
| City of St. Petersburg | 62.1 | 109.3 | 117.8 | 8.1 | |
| City of Moscow | 66.4 | 53.9 | 34.8 | 0.4 | |
| | | | | | |
| Southern Federal District | 107.7 | 221.0 | 97.6 | 125.4 | |
| Ural Federal District | 110.8 | 169.5 | 85.3 | 55.6 | |
| Privolzhsky Federal District | 98.9 | 161.4 | 106.9 | 104.5 | |
| North Caucasian Federal District | 131.8 | 141.6 | 123.4 | 81.7 | |
| Central Federal District | 102.8 | 139.3 | 112.0 | 74.7 | |
| North Western Federal District | 86.6 | 118.5 | 118.0 | 43.2 | |
| Siberian Federal District | 89.3 | 114.6 | 102.0 | 57.0 | |
| Far East Federal District | 113.5 | 85.2 | 122.9 | 44.1 | |

Source: on the basis of the data of Rosstat.

According to the data of Rosstat, in the 2nd quarter 2012 the average actual cost of building of a sq. meter of housing fell by 2,86% on the 1st quarter of 2012 and amounted to Rb 31,441 (*Fig. 2*). In the first six months of 2012, the average actual cost of building of a sq. meter of housing amounted to Rb 31,870 (*Fig. 2*) having decreased by 0.81% as compared to the first six months of 2011. In the first six months of 2012, the highest cost of building which exceeded by 50% and more the national average level was registered with the Khabarovsk Territory (Rb 50,557), the Chechen Republic (Rb 49,580) and the Sakhalin Region (Rb 48,265). In 51 constituent entities of the Russian Federation that cost is lower than Russia's average with the lowest one registered in the Republic of Adygeya (Rb 17,493), the Republic of Dagestan (Rb 19,213) and the Ivanovo Region (Rb 20,840).

In the 2nd quarter of 2012, the average price of a sq. meter of housing on the primary market (according to the preliminary data – Rb 46,349) increased by 3.1% as compared to the 1st

quarter of 2012 (Fig. 1) exceeding by 9.83% the average price of a sq. meter of housing in the 2nd quarter of 2011. In the 2nd quarter of 2012, the average price of a sq. meter of housing amounted to 86.86% of the average price of a sq. meter of housing on the secondary market which figure is 3.57 p.p. lower than that in the 2nd quarter of 2011. In the 2nd quarter of 2012, the ratio between the price of a sq. meter of housing on the primary housing market and the cost of building of a sq. meter of housing amounted to 147.42% against 138.9% in the 1st quarter of 2012 (Fig. 1).



*) – Preliminary prices in the 2nd quarter of 2012.

**) – Average actual cost of building of a sq. meter of housing of detached houses (all the apartments) without additional buildings, overstories and built-in premises in the Russian Federation (without those built by people at their own account and by means of borrowed funds);

***) – all the apartments.

Source: according to the data of Rosstat.

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Rubles
Q1 2012
Q2 2012

-- Average actual cost of building of a sq. meter of housing, Rb**

--Average price of a sq. meter of housing on the primary market, rubles***

--Average price of a sq. meter of housing on the secondary market***

--Average price of a sq. meter of housing on the primary market as a percentage of the average actual cost of building of a sq. meter of housing

Fig. 1. Dynamics of the cost of building of housing and housing prices on the primary and secondary markets

According to the Rosreestr' data provided by OAO AHML (Fig. 2), in the 2nd quarter of 2012 the share of mortgaged property projects in the total number of projects registered in transactions with housing increased by 4.1 p.p. on the 2nd quarter of 2011 and amounted to 21.4%.



Source: OAO AHML on the basis of the Rosreestr's data.

К рис выше

Units

Q1 2010 Q2 2010 Q3 2010 Q4 2010 Q1 2011 Q2 2011 Q3 2011 Q4 2011 Q1 2012 Q2 2012

-- The share of mortgaged property projects in the total number of projects registered in transactions with housing, %

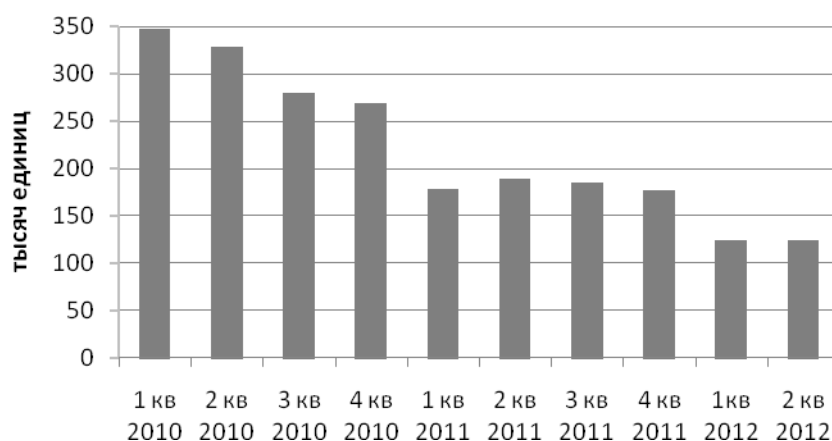
--The number of property projects registered in transactions with housing, units.

Fig. 2. Dynamics of transactions with housing

According to the data of the Rosreestr, in the first six months of 2012 the volume of registration of individuals' titles to land plots (2,597,274 certificates) decreased by 3.77% as compared to the first six months of 2011. The number of legal entities' registered titles to land plots rose by 11.82% and in the first six months of 2012 amounted to 135,922 certificates. In the first six months of 2012, leasing by individuals of land plots (37,761 certificates) decreased by 52.24% as compared to the first six months of 2011, while that by legal entities (14,715 certificates), by 5.21%.

As compared to the first six months of 2011, in the first six months of 2012 the number of registered land mortgages for individuals (190,283 certificates) rose by 57.43%, while that for legal entities (62,813 registered certificates), by 8.15%.

According to the Rosreestr, the volume of registration in accordance with a simplified procedure ("summer cottage amnesty") of individuals' titles to land plots provided prior to approval of the Land Code of the Russian Federation for personal subsidiary husbandry, summer house, orcharding, gardening and garage or individual housing building keeps decreasing and in the first six months of 2012 amounted to 246,323 certificates which is 32.44% lower than in the first six months of 2011 (Fig. 3).



Source: on the basis of the data of the Rosreestr.

К рис выше

Thousand units

Q1 2010 Q2 2010 Q3 2010 Q4 2010 Q1 2011 Q2 2011 Q3 2011 Q4 2011 Q1 2012 Q2 2012

Fig. 3. Dynamics of registration of individuals' titles to land plots in accordance with a simplified procedure

According to the data of the Central Bank of the Russian Federation, in January-July 2012 382,571 housing loans (HL) for the total amount of Rb 540.41bn were provided, including

353,252 mortgage housing loans (MHL) for the amount of Rb 516.89bn which exceeded by 55% the monetary volume of MHL extended in January-July 2011. Extended in July 2012 were Rb 86,102m worth of MHL which figure is 48% higher than in July 2011 (Fig. 4) and Rb 1,281m worth of MHL in foreign currency which is 12.32% lower than in July 2011.

In the 2nd quarter and July 2012, the outstanding debt on MHL in rubles kept growing and as of August 1, 2012 amounted to Rb 1,572,685bn which is 41.28% more than that as of August 1, 2011. As regards loans in foreign currency, as of August 1, 2012 the debt on MHL amounted to Rb 137,728bn which is 11.7% lower than that as of August 1, 2011.

As of August 1, 2012, the overdue debt on MHL in rubles grew to Rb 25.5bn, while its share in the debt kept falling and as of August 1 amounted to 1.62% which is 0.66 p.p. lower than that as of August 1, 2011 (Fig. 4). As of August 1, 2012, the overdue debt on MHL in foreign currency amounted to Rb 20.1bn or 14.6% of the outstanding debt which figure is 3.45 p.p. higher as compared to that as of August 1, 2011. As compared to the minimum value of October 2011, the average value of MHL in rubles increased by 15.58% and amounted to Rb 1.49m (Fig. 4).



Source: on the basis of the data of the Central Bank of the Russian Federation.

К рис выше

Million Rb Million Rb
Jan. Mar. May Jul. Sep. Nov.

--The volume of loans extended within a month, million Rb, left-hand axis

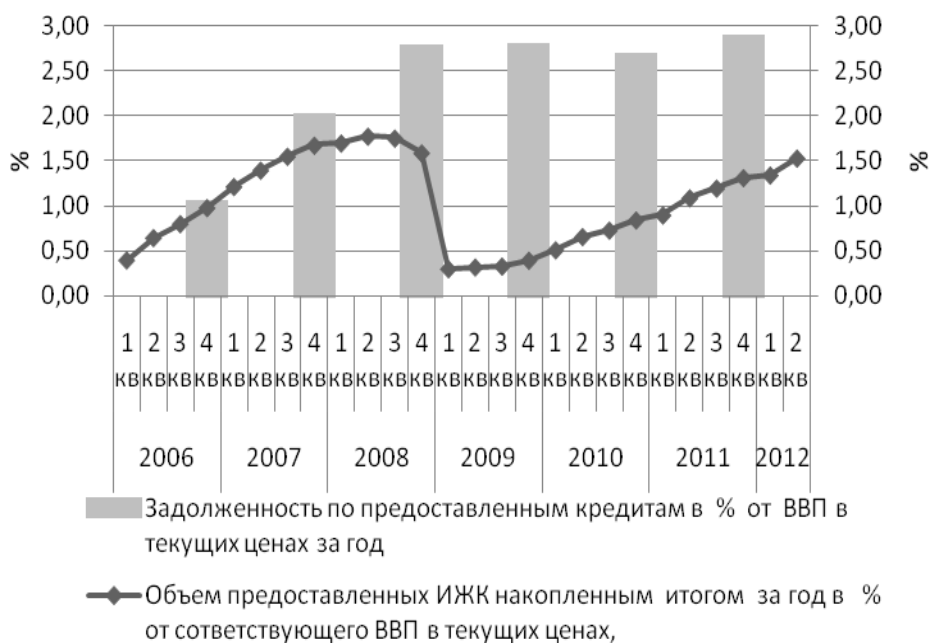
--The overdue debt, million Rb, left-hand axis

--The average monthly value of a loan, million Rb, right-hand axis

Fig. 4. Dynamics of mortgage housing loans

In 2012, the role of MHL in foreign currency in housing lending keeps decreasing. As of August 1, the share of MHL in foreign currency as regards the number of loans, the volume of loans and the debt amounted to 0.27%, 1.47% and 8.05%, respectively. At the same time, the share of the overdue debt on loans in foreign currency in the total outstanding debt remains substantial and exceeds 40%.

In 2011 and the first six months of 2012, the volume of the extended MHL as a share of GDP in current prices kept growing (Fig. 5). However, the volume of MHL extended in the first six months of 2012 (1.53% of GDP) was 0.24 p.p. lower than the maximum value of the first six months of 2008.



Source: on the basis of the data of the Rosstat.

К рис выше

Q1 Q2 Q3 Q4

-The debt on the extended loans as % of the GDP in current prices during the year

-The volume of the extended MHL with the accrued result during the year as % of the respective GDP in current prices

Fig. 5. The volume of and the debt on the extended MHL as a share of GDP in current prices

According to the data of the Central Bank of the Russian Federation, as of August 1, 2012 the debt on defaulted mortgage housing loans (with an overdue period of over 180 days) amounted to Rb 50,457bn or 2.95% of the total amount of the debt which figure is 0.11 p.p.

lower than in the previous month. As of August 1, 2012, the share of debt on MHL without overdue payments increased in money terms, but diminished as a percentage of the total amount of the debt by 0.25 p.p. during the month (*Table 2*).

Table 2

Debt on mortgage housing loans by the period of delay in payments in 2012

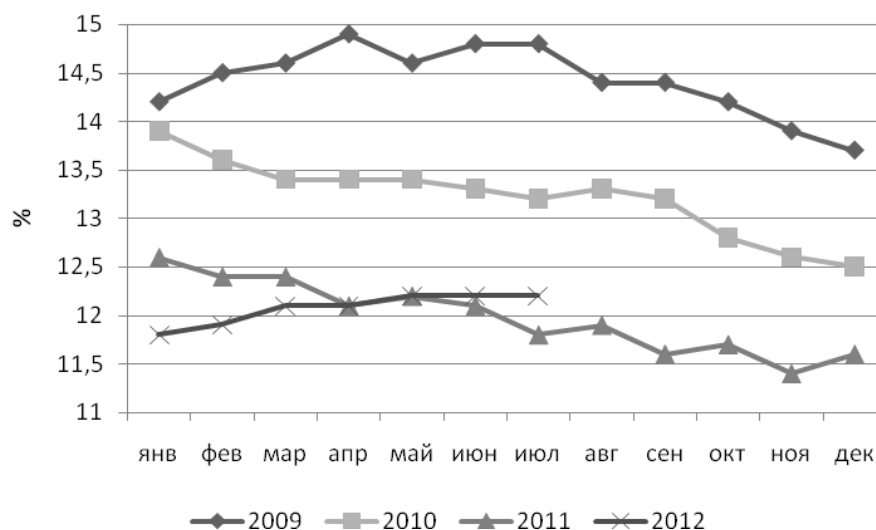
| | The total amount of the debt on MHL | Without overdue payments | | With overdue payments | | | | | |
|---------|-------------------------------------|--------------------------|-------|-----------------------|------|---------------------|------|---------------|------|
| | | | | from 1 to 30 days | | from 31 to 180 days | | over 180 days | |
| | | Million Rb. | %* | Million Rb | % * | Million Rb | %* | Million Rb | %* |
| 01.Jan. | 1 478 982 | 1 391 130 | 94.06 | 19 079 | 1.29 | 14 642 | 0.99 | 54 131 | 3.66 |
| 01 Feb | 1 477 252 | 1 377 537 | 93.25 | 30 875 | 2.09 | 16 102 | 1.09 | 52 738 | 3.57 |
| 01Mar | 1 499 657 | 1 398 579 | 93.26 | 32 693 | 2.18 | 15 147 | 1.01 | 53 238 | 3.55 |
| 01.Apr | 1 538 270 | 1 449 359 | 94.22 | 21 843 | 1.42 | 16 151 | 1.05 | 50 917 | 3.31 |
| 01May | 1 574 238 | 1 489 072 | 94.59 | 19 993 | 1.27 | 14 010 | 0.89 | 51 163 | 3.25 |
| 01Jun | 1 627 289 | 1 527 048 | 93.84 | 31 569 | 1.94 | 13 344 | 0.82 | 55 328 | 3.4 |
| 01.Jul | 1 672 968 | 1 581 289 | 94.52 | 25 764 | 1.54 | 14 722 | 0.88 | 51 193 | 3.06 |
| 01.Aug | 1 710 413 | 1 612 407 | 94.27 | 33 353 | 1.95 | 14 196 | 0.83 | 50 457 | 2.95 |

*) – % of the total amount of the debt.

Source: the data of the Central Bank of the Russian Federation.

According to the data of the Central Bank of the Russian Federation, as of August 1, 2012, the average weighted rate on MHL in rubles extended within a month remains at the level of 12.2% (*Fig. 6*), while that on HL in rubles extended within a month fell by 0.1 p.p. and amounted to 12.2%, as well. As of August 1, 2012, the average weighted rate on MHL in foreign currency extended from the beginning of the year came to a halt at the level of 9.6%, while that on HL, at the level of 9.8%.

The average weighted period of lending on MHL in rubles extended within a month increased by 0.2 years during July 2012 and amounted to 15.14 years, while that on HL, decreased by 0.03 years to 14.65 years. As of August 1, 2012, the average weighted period of lending as regards MHL in foreign currency extended from the beginning of the year amounted to 11.95 years, while that as regards HL in foreign currency, to 10.25 years.



Source: on the basis of the data of the Central Bank of the Russian Federation.

К рис выше

Jan. Feb. Mar. Apr. May Jun. Jul. Aug. Sep. Oct. Nov. Dec

Fig. 6. Average weighted interest rates on MHL in rubles extended within a month

According to the results of operations of the leading mortgage banks in the first six months of 2012 (Table 3), Sberbank, Gazprombank and Deltacredit increased by 50% the volume of mortgage loans as compared to the respective period of 2011, while VTB, by 120%. Sberbank and VTB24 account for more than a half of the mortgage market as regards the volume of mortgage loans (58.7%).

Table 3

Operation results of the leading mortgage banks

| H1 2012 | | 2011 | | H1 2011 | |
|----------------|--------------------|------------------|--------------------|------------------------|---------------------|
| Bank | Volume, million Rb | Bank | Volume, million Rb | Bank | Volume, million Rb. |
| 1.Sberbank | 192 296 | 1.Sberbank | 320 712 | 1. Sberbank | 129 000 |
| 2.VTB24 | 59 615 | 2. VTB24 | 80 382 | 2. VTB24 | 27 043 |
| 3.Gazprombank | 26 736 | 3. Gazprombank | 45 690 | 3. Gazprombank | 16 386 |
| 4.Deltacredit | 10 238 | 4. Deltacredit | 18 144 | 4. Deltacredit | 7 157 |
| 5.Rosbank | 7 288 | 5. Rosbank | 13 084 | 5. Absolut Bank | 4 292 |
| 6.Uralsib | 7 286 | 6. Uralsib | 9 619 | 6. Zapsibkombankнк | 4 092 |
| 7.Svyaz-Bank | 5 607 | 7.Raiffeizenbank | 9 612 | 7. Raiffeizenbank банк | 3 933 |
| 8.AK Bars | 5 496 | 8. Vozrozhdenie | 9 150 | 8. Vozrozhdenieие | 3 850 |
| 9.Vozrozhdenie | 5 357 | 9. Zapsibkombank | 8 792 | 9.BSGV | 3 679 |

| | | | | | |
|------------------|-------|------------------|-------|--------------------------|-------|
| 10.Zapsibkombank | 4 813 | 10. Absolut Bank | 8 581 | 10.Khanty-Mansiisky Bank | 3 375 |
|------------------|-------|------------------|-------|--------------------------|-------|

Source: the data of Rusipoteka

In the 2010-2012 period, the volume of early repaid MHL (accounts receivable on MHL) increased (Fig. 7). At the same time, after a decline in the 2009-2010 period the share of early repaid MHL in the volume of the extended MHL is at the level of 30%. In the first six months of 2012, that value amounted to 31.08% having exceeded by 4.82 p.p. the share of H2 2011.



Source: on the basis of the data of the Central Bank of the Russian Federation.

К рис выше

Million Rb

--The total volume of early repaid MHL (accounts receivable on MHL), million Rb

--The volume of early paid MHL (accounts receivable on MHL) by the borrower's funds, million Rb

--The volume of the extended MHL, million Rb

--The share of early paid MHL in the volume of the extended MHL, %

Fig. 7. Dynamics of the volume of provision and early repayment of MHL (accounts receivable)

According to the data of the Central Bank of the Russian Federation, in the first six months of 2012 149 credit institutions refinanced MHL for the amount of Rb 30.7bn which is 18.23% more than in the first six months of 2011. In the first six months of 2012, the share of OAO AHML amounted to 85.13%; generally 7.2% of the volume of loans granted was refinanced.

In the letter to the Ministry of Finance of the Russian Federation, the Central Bank of the Russian Federation formulated its position as regards establishment of a single regulator of the banking and financial markets by means of assignment to the Central Bank of the Russian Federation of a function of the Federal Financial Markets Service (FFMS).