

THE REAL ESTATE MARKET IN THE RUSSIAN FEDERATION IN H1 2013

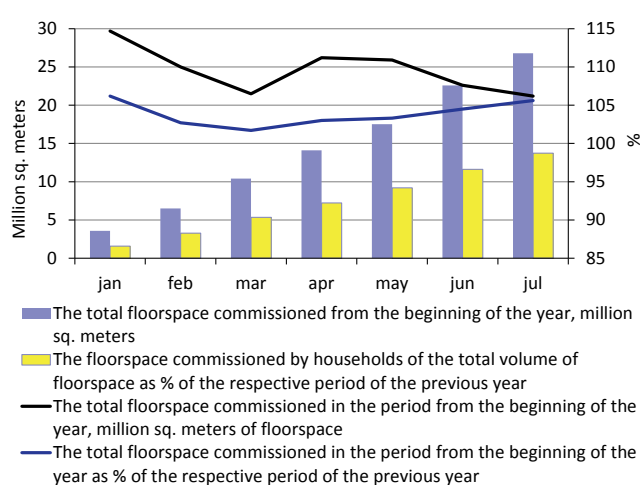
G.Zadonsky

In the first six months of 2013, 278,200 apartments with the total floorspace of 22.6m sq. meters were built. The average actual cost of building of 1 sq. meter rose by 11.8% in the first six months of 2013 as compared to the same period of 2012 and amounted to Rb 35,628, while the ratio between the price of 1 sq. meter of housing on the primary market and the cost of building of 1 sq. meter decreased within the same period by 7.0 p.p. and amounted to 138.5%. In the first six months of 2013, the volume of registration of individuals' titles to land plots increased by 5.9% as compared to the first six months of 2012. In January-July 2013, 410,880 mortgage housing loans (MHL) worth Rb 663.6bn were extended which figure exceeds by 28.1% the monetary volume of MHL extended in January-July 2012. In July 2013, the average weighted monthly rate on MHL in rubles fell to 12.5%.

According to the Rosstat's data, in the first six months of 2013, entities of all the forms of ownership built 278.200 apartments with total floorspace of 22.6m sq. meters which is equal to 107.6% on the respective period of the previous year. Individual developers built 11.6 m sq. meters of housing or 51.5% of the total volume of housing commissioned in the first six months of 2013. In July 2013, entities of all the forms of ownership built 52,200 new apartments with the total floorspace of 4.2m sq. meters which is 0.42% lower as regards the volume of floorspace than in July 2012, while in January–July they built 330,400 apartments with the total floorspace of 26.8m sq. meters which is 6.2% higher as regards the volume of floorspace than in the respective period of 2012 (Fig. 1). According to the data of Rosstat, in August 2013 65,700 new apartments with the total floorspace of 5.1m sq. meters were built, while from the beginning of the year – 396,100 apartments with the total floorspace of 31.9m sq. meters which figure is 8.1% higher as regards the volume of floorspace than in the respective period of 2012.

In the first six months of 2013, the largest volume of housing per 1,000 persons – over 300 sq meters – was commissioned in the Belgorod Region, the Moscow Region, the Krasnodar Territory, the Leningrad Region and the Republic of Tatarstan (Table 1). In the Belgorod Region – the leader of housing development – 80.9% of housing was commissioned by individual developers. As in the first six months of 2012, among federal districts the highest result (216.1 sq. meters per 1,000 persons) was registered with the Southern Federal District, while the lowest one – 74.8 sq. meters per 1,000 persons of the population – with the Far Eastern Federal District (Table 1). As regards that index, Moscow was rated the 61st.

In the first six months of 2013, all the housing – 100% – was commissioned by individual developers



Source: on the basis of the data of Rosstat.

Fig. 1. The dynamics of commissioning of housing in 2013

in the Jewish Autonomous Region, (the 45th place) – 125.1 sq. meters per 1,000 persons, in the Republic of Ingushetia (the 83rd place) – 56.7 sq. meters and in the Chechen Republic (the 89th place) – 30.2 sq. meters.

According to the data of Rosstat, in the 2nd quarter of 2013 the average actual cost of building of 1 sq. meter of floorspace of detached houses (apartment houses without additions, overstory and built-in premises and without dwelling houses built by individual developers) increased by 3.7% as compared to the 1st quarter of 2013 and amounted to Rb 36,216, while in the 1st half-year of 2013 it rose by 11.8% as compared to the 1st quarter of 2012 and amounted to Rb 35,628 (Fig. 2). According to the data of Rosstat, in the first six months of 2013 the highest cost of development which exceeded by 50% or more the average national level was observed in the Nenetsk Autonomous Region (Rb 52,333), the Sakhalin Region (Rb 54,070), the Yamalo-Nenets Autonomous Region (Rb 54,627), the Magadan Region (Rb 54,869), the Khabarov Ter-

Table 1

DISTRIBUTION OF REGIONS OF THE RUSSIAN FEDERATION BY THE VOLUME OF HOUSING COMMISSIONED IN JANUARY–JUNE 2013 PER 1,000 PERSONS OF THE POPULATION

Region	The place of the region in the 1st half-year				Total floorspace commissioned in H1 2013		Floorspace commissioned by individual developers	
	2013	2012	2011	2010	as % of H1 2012	Sq. Meters per 1,000 persons	% of the total floorspace commissioned	Place of the region
Belgorod Region	1	3	5	8	119.1	357.76	80.9	15
Moscow Region*	2	5	4	1	125.5	321.52	33.2	78
Krasnodar Territory	3	1	1	2	92.4	318.38	55.8	46
Leningrad Region	4	7	7	3	136.3	317.85	23.7	85
The Republic of Tatarstan	5	4	2	5	109.5	313.92	61.4	40
Tyumen Region	6	2	3	4	96.8	288.12	28.3	81
Lipetsk Region	7	8	8	15	107.1	249.35	66.8	29
The Republic of Bashkortostan	8	13	12	17	118.1	248.64	82.8	11
The Republic of Karachaevo-Cherkessia	9	64	75	78	266.1	245.42	93.9	5
The Republic of Altai	10	6	20	11	97.6	238.66	62.2	37
Kaliningrad Region	11	10	6	6	100.7	227.49	34.7	74
Southern Federal District	12	11	9	10	98	216.11	63.5	34
The Republic of Mariy-El	13	14	11	16	103.5	214.82	64.8	33
Ulyanovsk Region	14	15	25	39	101.3	205.65	66.7	31
Tambov region	15	16	17	19	102.9	204.23	91.0	6
Kursk Region	16	41	46	53	167.1	203.71	39.2	67
St. Petersburg	19	53	14	12	175	188.44	4.0	91
Privolzhsky Federal District	25	26	21	26	104.6	167.61	67.6	28
Central Federal District	28	37	34	22	118.5	164.17	43.0	63
The Russian Federation	29	33	30	25	107.6	157.60	51.5	51
Urals Federal District	30	22	27	28	92.9	156.80	39.0	68
North-Western Federal District	31	44	38	23	131.8	155.78	21.8	87
North-Caucasian Federal District	41	35	49	33	92,3	130,02	62,9	35
Siberian Federal District	48	48	41	44	107,6	123,17	54,6	48
Moscow*	61	85	68	70	143,4	99,09	8,7	90
Far Eastern Federal District	76	71	74	77	87,6	74,80	46,7	60

* The data on the city of federal importance Moscow and the Moscow Region is provided with taking into account changes in their borders from July 1, 2012.

Source: on the basis of the data of Rosstat.

ritory (Rb 57,396) and Chukot Autonomous Area (Rb 80,000). In 51 constituent entities of the Russian Federation, that cost was below the average national level with the lowest one registered in the Republic of Tyva (Rb 11,331), Dagestan (Rb 17,457) and the Kursk Region (Rb 21,851).

In the 2nd quarter of 2013, the average price of 1 sq. meter of housing (Rb 49,331) increased by 1.1% against the 1st quarter of 2013 (Fig. 2) having exceeded by 6.4% the average price of 1 sq. meter of housing in the 2nd quarter of 2012. In the 2nd quarter of 2013, the average price of 1 sq. meter of housing on the pri-

mary housing market amounted to 88.1% of the average price of 1 sq. meter of housing on the secondary market; the above value is 1.2 p.p. higher than in the 2nd quarter of 2012. In the 2nd quarter of 2013, the ratio between the price of 1 sq. meter of housing on the primary market and the cost of building of 1 sq. meter of housing amounted to 138.5% against 139.7% in the 1st quarter of 2013 (Fig. 2).

According to the data of Rosreestr provided to the OAO Agency for Housing Mortgage Lending (OAO AHML) (Fig. 3), in the 2nd quarter of 2013 the share of mortgaged real estate property in the total number of

the real estate units registered in housing transactions increased by 2.9 p.p. on the 2nd quarter of 2012 and amounted to 24.3%.

According to the data of Rosreestr, in the first six months of 2013 the volume of registration of individuals' titles to land plots (2,749,875 certificates) increased by 5.9% as compared to the first six months of 2012. On the contrary, the number of legal entities' registered titles to land plots fell by 7.1% and amounted to 126,281 certificates in the first six months of 2012. In the first six months of 2013, individuals' leasehold of land plots (38,457 certificates) decreased by 1.84% as compared to the first six months of 2012, while leasehold by legal entities increased by 130%.

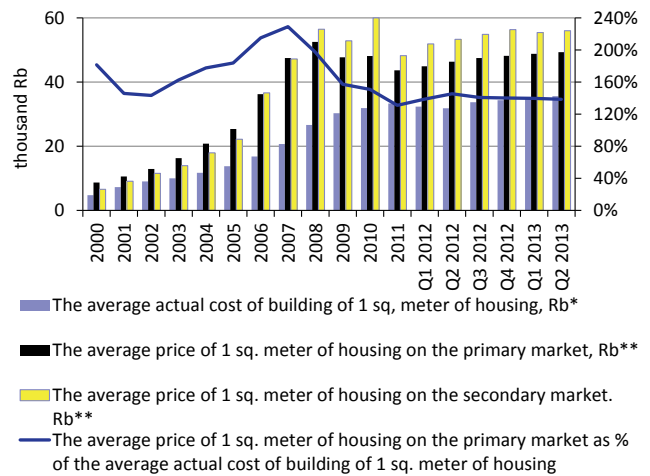
As compared to the first six months of 2012, in the first six months of 2013 the number of registered mortgaged land plots rose by 19.7% (227,784 certificates) and 11.9% (70,301 registered certificates) for individuals and legal entities, respectively.

According to the data of Rosreestr, the volume of registration in accordance with a simplified procedure (the summer cottage amnesty) of individuals' titles to land plots which were granted before the Land Code of the Russian Federation came into effect for personal husbandry, gardening, summer cottage building and individual garage or housing development keeps decreasing (Fig. 4) and amounted to 202,464 certificates in the first six months of 2013 which is 17.8% lower than in the first six months of 2012.

According to the data of the Central Bank of the Russian Federation, in January–July 2013 Rb 438.1bn worth of 438,099 housing loans were extended, including Rb 663.6bn worth of 410880 mortgage housing loans (MHL) which exceeds by 28.1% the monetary volume of MHL extended in January–July 2012. In July 2013, Rb 121.1bn worth of ruble MHL was extended which is 38.1% more than in July 2012 (Fig. 5) and Rb 8,496m worth of MHL in foreign currency which is 17.2% more than in July 2012.

In the period from April till July 2013, growth in the outstanding debt on MHL in rubles continued and as of August 1, 2013 the debt amounted to Rb 2,221.1bn which is 40.5% more than that as of August 1, 2012 (Fig. 5). As regards loans in foreign currency, as of August 1, 2012 the debt on MHL amounted to Rb 120.2bn which is 17.7% more than that as of August 1, 2012.

As of August 1, 2013, the overdue debt on MHL in rubles amounted to Rb 27.3bn (Fig. 5); it is to be noted that its share in the outstanding debt keeps falling and as of August 1, 2013 amounted to 1.2% which is 0.4 p.p. lower than that as of August 1, 2012. As of August 1, 2012, the overdue debt on MHL in foreign currency amounted to Rb 15.0bn or 12.5% of the out-

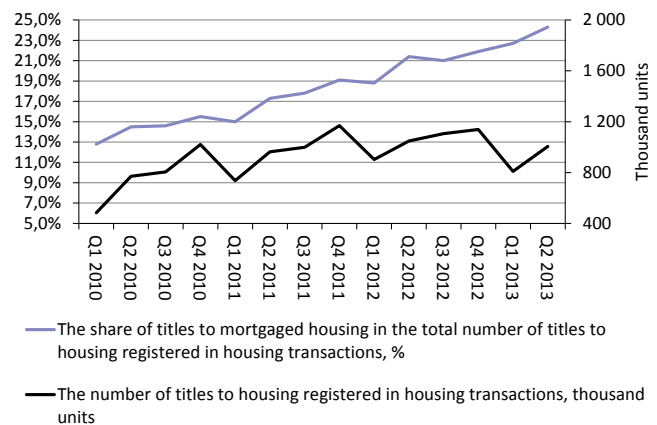


* The average actual cost of building of 1 sq. meter of floor-space in detached dwelling houses (all the apartments) without additions, overstorey and built-in premises in the Russian Federation (without those built by households at their own account and by means of borrowed funds);

** all the apartments.

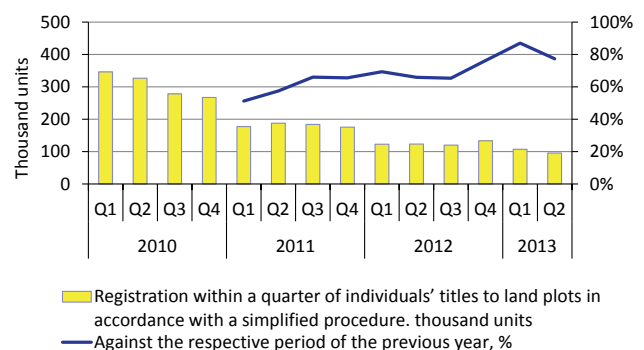
Source: on the basis of the data of Rosstat.

Fig. 2. The dynamics of building of 1 sq. meter of housing and prices of 1 sq. meter of housing on the primary and secondary markets in the Russian Federation



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

Fig. 3. Dynamics of the number of real estate units registered in housing transactions and the shares of mortgaged real-estate units in the total number of real-estate units registered in housing transactions



Source: on the basis of the data of Rosreestr.

Fig. 4. Dynamics of registration of individuals' titles to land plots in accordance with a simplified procedure

standing debt which is 1.6 p.p. lower as compared to that as of August 1, 2012.

The average value of MHL in rubles in July 2013 increased by 6.9% as compared to July 2012 and amounted to Rb 1.6m (Fig. 6). The average value of MHL in foreign currency in July 2013 (Rb 8.3m) exceeded more than five times over the respective value of MHL in rubles.

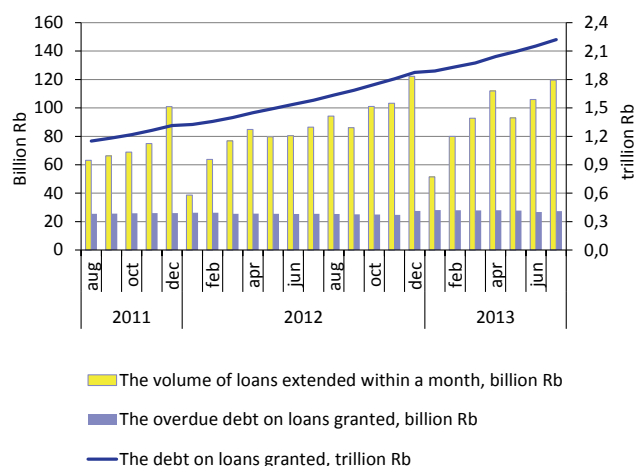
In 2013, the role of foreign currency in mortgage housing lending keeps going down. As of August 1, 2013 the share of MHL in foreign currency as regards the number of loans amounted to 0.3%, while that as regards the volume and the outstanding debt, to 1.4% against 1.5% as of August 1, 2012 and 5.1% against 8.3%, respectively. Though the share of the overdue debt on loans in foreign currency as a percentage of the total overdue debt has been decreasing, the value of the share remains quite a significant one and exceeds 35% as of August 1, 2013.

In 2012 and within the first six months of 2013, the volume of MHL extended from the beginning of the year in shares of GDP in current prices was growing steadily (Fig. 7). However, in the first six months of 2013 the volume of MHL in shares of GDP (1.7%) was still 0.03 p.p. lower than the maximum value in the first six months of 2008. At the same time, the debt in shares of GDP on MHL extended in 2012 (3.2%) exceeded by 0.6 p.p. the respective maximum value of the year 2009.

According to the data of the Central Bank of the Russian Federation, as of August 1, 2013 the debt on defaulted MHL (with a delay period of over 180 days) was 2.9% more than in the previous month (Rb 26.9bn), while as a percentage of the total sum of the debt amounted to 1.15% (Table 2) against 2.9% as of August 1, 2012. As of August 1, 2013, the share of the debt on MHL without overdue payments increased in money terms, but fell within a month by 0.24 p.p. as a percentage of the total sum of the debt (Table 2).

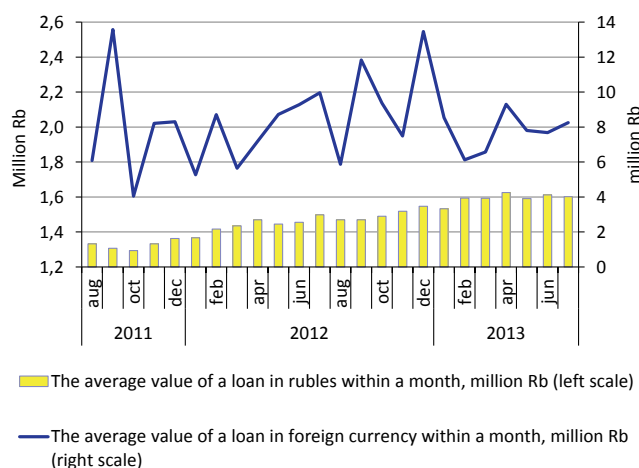
According to the data of the Central Bank of the Russian Federation, in July 2013 the average weighted rate on MHL in rubles extended within a month fell to 12.5% against the index of 2013 (Fig. 8). The respective rate on HL in rubles extended within a month decreased to the same value, as well. As of August 1, 2013, the average weighted rates on MHL and HL in foreign currency extended from the beginning of the year fell each by 0.3 p.p. against the index of May 2013 and were both equal to 9.8%.

The average weighted period of lending as regards MHL in rubles extended within a month preserved in July 2013 the same value of 14.7 years, while that as regards HL increased by 0.07 years and amounted to 14.5 years. As of August 1, 2013, the average weighted



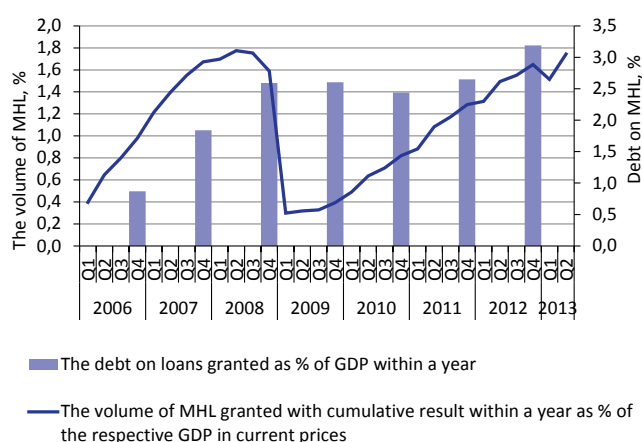
Source: on the basis of the data of the Central Bank of the Russian Federation.

Fig. 5. Dynamics of mortgage housing lending in rubles within a month



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

Fig. 6. Dynamics of the monthly average value of MHL



Source: on the basis of the data of Rosstat.

Fig. 7. The volume and debt on MHL granted as % of GDP in current prices

Table 2

GROUPING OF THE DEBT ON MORTGAGE HOUSING LOANS BY PERIODS OF DELAY IN PAYMENTS IN 2013

	The total amount of the debt on MHL	Including							
		Without overdue payments		With overdue payments					
				From 1 day to 90 days		From 91 days to 180 days		over 180 days	
Million Rb	Million Rb	%*	Million Rb	%*	Million Rb	%*	Million Rb	%*	
Jan. 01	1 997 204	1 915 917	95.93	30 957	1.55	5 193	0.26	45 137	2.26
Feb. 01	2 010 610	1 928 376	95.91	47 048	2.34	5 228	0.26	29 958	1.49
Mar. 01	2 052 698	1 965 048	95.73	53 165	2.59	5 542	0.27	28 943	1.41
Apr. 01	2 094 424	2 014 626	96.19	43 983	2.10	5 655	0.27	30 160	1.44
May 01	2 160 918	2 073 616	95.96	55 104	2.55	6 051	0.28	26 147	1.21
Jun 01	2 213 610	2 124 401	95.97	55 340	2.50	7 748	0.35	26 121	1.18
Jul. 01	2 274 554	2 190 851	96.32	49 585	2.18	7 961	0.35	26 157	1.15
Aug. 01	2 341 306	2 249 527	96.08	57 128	2.44	7 726	0.33	26 925	1.15

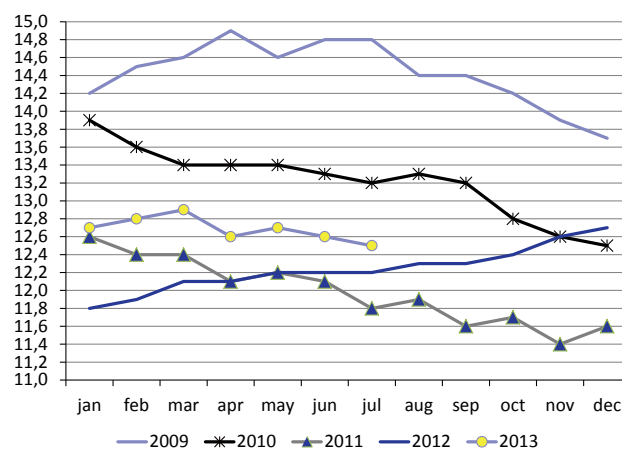
* as % of the total sum of the debt.

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

period of lending as regards MHL in foreign currency extended from the beginning of the year amounted to 12.9 years, while that as regards HL in foreign currency, to 11.0 years.

According to operation outputs of leading mortgage banks, in the first six months of 2013 the St. Petersburg Bank showed the highest threefold growth in the volume of the extended MHL as compared to the respective period of 2012 (Table 3), while Sberbank – the leader as regards the volume of lending – growth of 21.8%. In the first six months of 2013, Sberbank and VTB 24 account for over a half of the mortgage market as regards the volume of the extended MHL (61.7%) which is 3.0 p.p. more than in the respective period of 2012.

In the first six months of 2013, the total volume of the early repaid MHL as compared to the respective period of 2012 rose by 9.0%, while early repay-



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

Fig. 8. The average weighted interest rates on MHL in rubles extended within a month

THE OPERATION OUTPUTS OF THE LEADING MORTGAGE BANKS IN THE FIRST SIX MONTHS OF 2013

Table 3

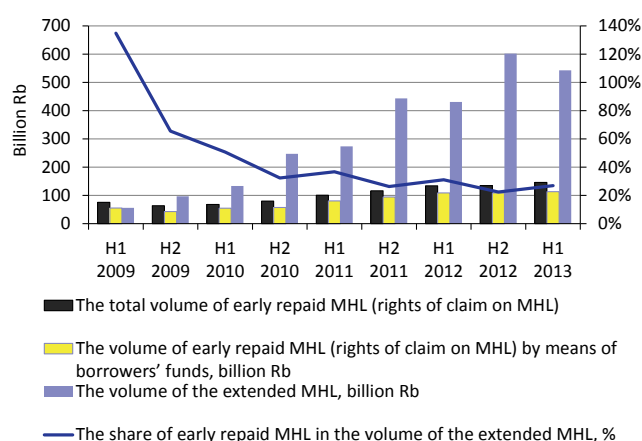
No	Bank	The volume of the extended MHL, million Rb	The number of the extended MHL	Growth in the volume of the extended loans as compared to six months of 2012, %
1	Sberbank	234 203	167 881	21.8
2	VTB 24	97 669	60 553	64
3	Gasprombank	36 032	16 742	34.8
4	DeltaCredit	11 650	4 208	14.6
5	Rosbank	8 434	3 981	16
6	Svyaz-Bank	8 338	4 242	49
7	Reiffeisenbank	7 540	2 765	130.1
8	Khanty-Mansiisky Bank	6 160	2 546	116.2
9	Absolut Bank	6 064	2 871	79
10	St. Petersburg Bank	5 875	2 862	200

Source: the data of Rosipoteka.

ment by means of the borrower's funds, by 4.1%. Along with, the share of early repaid MHL as a percentage in the volume of the extended MHL fell by 4.2 p.p. as compared to the first six months of 2012 and amounted to 26.8% (Fig. 9). The share of borrowers' own funds in the volume of early repaid MHL amounted to 77.7%.

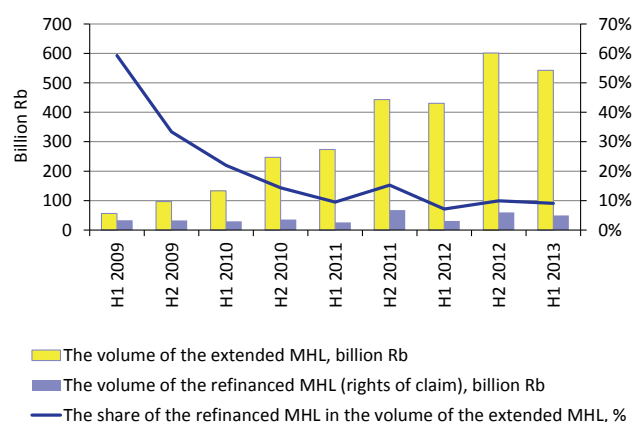
According to the data of the Central Bank of the Russian Federation, in the first six months of 2013 on the primary MHL market 505 credit institutions out of 665 ones extended MHL, while 160 credit institutions serviced the earlier extended loans. In the first six months of 2013, 129 credit institutions refinanced Rb 49.2bn worth of MHL (Fig. 10). Within the same period in 2012, 149 credit institutions refinanced Rb 30.7bn worth of MHL. As of July 1, 2013, the share of refinanced MHL amounted to 9.1% of the volume of the extended MHL (Fig. 10) against 7.1% in the first six months of 2012. As of August 1, 2013, OAO AHML bought back Rb 26.2bn worth of 18,276 mortgages which amounted to 3.9% of the primary MHL market. In the first six months of 2013, OAO AHML bought back Rb 22.3bn worth of mortgages which is equal to 45.3% of the total volume of the refinanced MHL.

According to the data of the Pension Fund of the Russian Federation, Russian families spent 94% out of Rb 645bn worth of the realized maternity capital on improvement of their housing conditions, including 66% of those funds on repayment of housing loans and credits and another 28% of funds on improvement of housing conditions without attracting loan funds. ●



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

Fig. 9. Dynamics of early repaid MHL (rights of claim)



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

Fig. 10. Dynamics of refinancing of MHL (rights of claim) through sale to other entities