

RUSSIAN REAL ESTATE MARKET IN JANUARY–OCTOBER 2013

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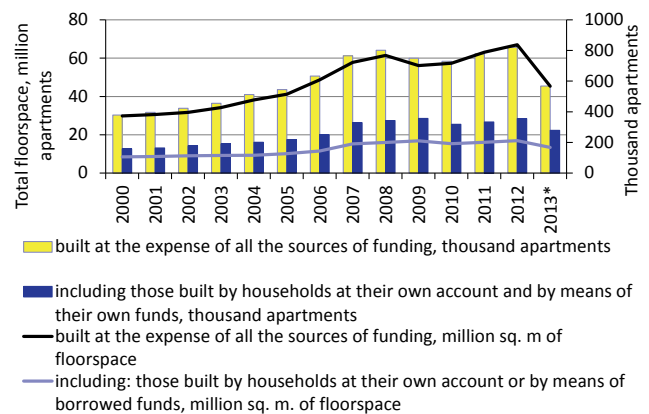
In January–October 2013, entities of all the forms of ownership built 566,800 apartments with floorspace of 45.4m sq. m which is equal to 113.3% on the respective period of 2012. In 2013, the correlation between the price of housing and households' income points to higher affordability of housing both on the primary market and the secondary market. The weighted average rate on MHL in rubles extended within a month fell from 12.9% in March 2013 to 12.3% as of November 1, 2013. As of October 1, 2012, the debt on MHL in shares of GDP increased to 4.89% which is 2.3 p.p. higher than the largest pre-crisis value in 2008.

According to the data of the Rosstat, in January–October 2013 entities of all the forms of ownership built 566,800 apartments with floorspace of 45.4m sq. m. (Fig. 1) which was equal to 113.3% on the respective period of 2012, including 81,500 new apartments with the floorspace of 6.7m sq. m in October 2013. Individual developers built 22.3m sq. m. of housing (Fig. 1) or 49.1% of the total volume of housing commissioned in January–October 2013 against 51.1% in 2012.

As of October 1, 2013, in the Russian Federation 270.2 sq. m. of housing per 1,000 persons were commissioned which figure is 12% higher than in the respective period of 2012. The largest volume of floorspace per 1,000 persons was commissioned (Table 1) in the Belgorod region where 552.4 sq. m. of floorspace per 1,000 people were built. The level of 400 sq. m. per 1,000 persons was surpassed by the Moscow Region, the Krasnodar Territory, the Leningrad region, Tatarstan, the Tyumen Region, the Kaliningrad Region, the Lipetsk Region and Bashkortan. Moscow holds the 66th place with 170.6 sq. m. of housing per 1,000 persons. Among the regions, the Chukot Autonomous Region and the Magadan Region are at the bottom of the list.

In 2013, the correlation of the average price of 1 sq. m of new housing of the all the apartments category to the actual cost of building of 1 sq. m. decreased by 2.46 p.p. to 137.73% against the respective value in 2012 (Fig. 2).

According to the data of the Rosstat, in January–September 2013 the highest cost of building which exceeded by 50% and more the average national level was observed in the Nenets Autonomous Region (Rb 54,099), the Khabarovsk Territory (Rb 54,984), the Sakhalin Region (Rb 56,279), the Yamalo-Nenets Autonomous Region (Rb 57,699), the Magadan Region (Rb 76,473) and the Chukot Autonomous Region (Rb 80,000). In 57 constituent entities of the Russian Federation, that cost is lower than the nationwide average; it is to be noted the lowest cost was registered in

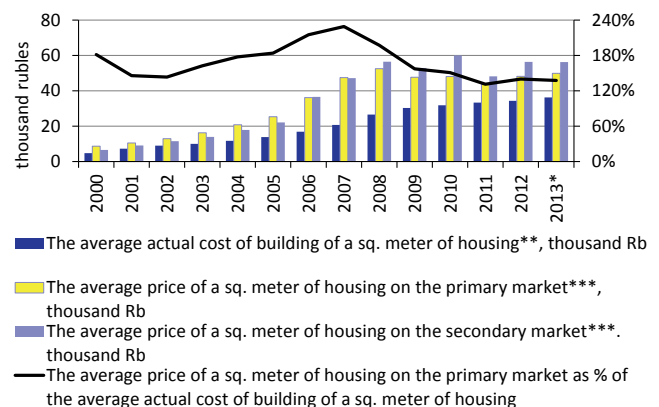


* January–October 2013

** the statistical data on the number of apartments commissioned by households at their own account and by means of borrowed funds in January–October 2013 is not available; the values provided are of an evaluating nature only.

Source: the data of the Rosstat.

Fig. 1. Commissioning of housing



* January–September 2013

** Average actual cost of building of a sq. meter of housing in detached houses (all the apartments) without additional buildings, overstory 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: the data of the Rosstat.

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

Table 1

**BUILDING OF DWELLING HOUSES BY CONSTITUENT ENTITIES OF THE RUSSIAN FEDERATION
IN JANUARY–SEPTEMBER 2013**

2013* The place by the number of sq. m. Per 1,000 persons	Regions of the Russian Federation	Floorspace commissioned in 2013			The place occupied by the number of sq. m. of built housing per 1,000 persons in 2009, 2010, 2011 and 2012
		In the period from the begin- ning of the year, thousand sq. m.	As % of the respec- tive period of the pre- vious year	Sq. m. Per 1,000 persons	
1	Belgorod Region	851.3	115.4	552.4	3 3 2 3
2	Moscow Region	3724.2	119.2	528.4	1 1 1 1
3	Krasnodar Territory	2672.2	88.2	501.3	5 4 3 2
4	Leningrad Region	790.4	114.7	451.4	7 6 6 7
5	Tatarstan	1709.1	105.9	447.2	13 10 8 10
6	Nenets Autonomous Region	18.8	157.7	439.4	2 2 5 6
7	Tyumen Region	1531.6	110.0	436.3	9 12 9 4
8	Kaliningrad Region.	391.0	120.7	409.5	6 9 12 12
9	Bashkorstan	1638.1	114.1	403.4	10 15 15 15
10	Lipetsk Region	468.8	107.8	403.4	8 7 7 5
12	St. Petersburg	1937.3	136.4	385.3	11 8 10 18
14	Southern Federal District	4988.4	97.6	358.6	16 17 16 16
24	North Western Federal District	3939.1	123.3	287.2	26 26 33 40
25	Central Federal District	10847.7	122.7	280.5	15 19 19 29
27	Privolzhsky Federal District	8261.8	106.1	277.5	28 27 25 27
30	Urals Federal District	3297.8	108.7	270.4	23 35 31 19
31	The Russian Federation	38733.0	112.0	270.2	27 28 30 34
43	North Caucasian Federal District	2130.9	102.4	223.3	52 49 50 46
46	Siberian Federal District	4169.6	115.3	216.3	49 44 44 43
66	Moscow	2043.7	159.5	170.6	70 84 84 82
75	Far Eastern Federal District	905.4	105.7	144.8	79 70 62 65
90	Magadan Region	5.6	81.7	36.8	88 88 89 89
91	Chukot Autonomous Region	0.4	-	7.9	89 92 91 92
92	Murmansk Region	4.6	32.7	5.9	92 91 92 91

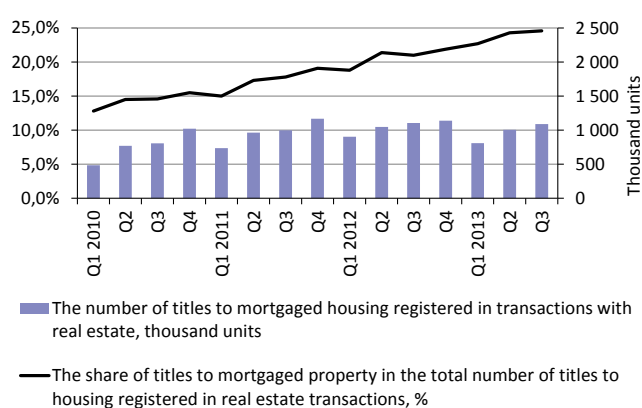
* January–September 2013

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

the Republic of Dagestan (Rb 18,241), the Chechen Republic (Rb 20,122) and the Kursk Region (Rb 21,988).

As of October 1, 2013, the ratio of affordability of housing (RAH) as a correlation of the price of a 54 sq. m standard apartment to the annual income of a family of three amounted to 3.15 years and 3.24 years on the primary market and the secondary market, respectively, which values were 3.95% and 3.98% lower than the respective RAH as of January 1, 2012, respectively.

According to the data of the Rosstat, the area of land owned by citizens of the Russian Federation keeps decreasing and as of January 1, 2013 amounted to 118,281,900 ha or 6.92% of the land of the Russian Federation against 119,549,100 ha (6.99%) in 2012. On the contrary, the area of land in state and municipal ownership and owned by legal entities keeps growing. Within a year, the area of land plots owned by legal entities increased by 1.2m ha and amounted to 14.72m ha or 0.86% of the land of the Russian Federation. The area



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

Fig. 3. Dynamics of registration of titles to property in transactions with real estate

of land in state and municipal ownership increased by 0.74m ha. According to the data of the Rosreestr provided by OAO AHML, (Fig. 3), in the 3rd quarter of 2013

the share of mortgaged units of property in the total number of units of property registered in transactions with real property increased on the 3rd quarter of 2012 by 3.6 p.p. and amounted to 24.6%, that is, one-fifth of apartments bought with use of mortgage. Within the same period, the number of titles of property to housing registered in transactions with real estate decreased by 1.6% and amounted to 1,088,263.

According to the data of the Rosreestr, in the 3rd quarter of 2013 the volume of registration of individuals' titles to land plots (4,353,712 certificates) increased by 4.09% on the respective period of 2012. On the contrary, the number of legal entities' registered titles to land plots decreased by 10.32% and amounted to 194,479 certificates. Within the same period, leasehold of land plots by individuals (58,835 certificates) decreased by 1.5%, while that by legal entities (60,059 certificates) increased three times over.

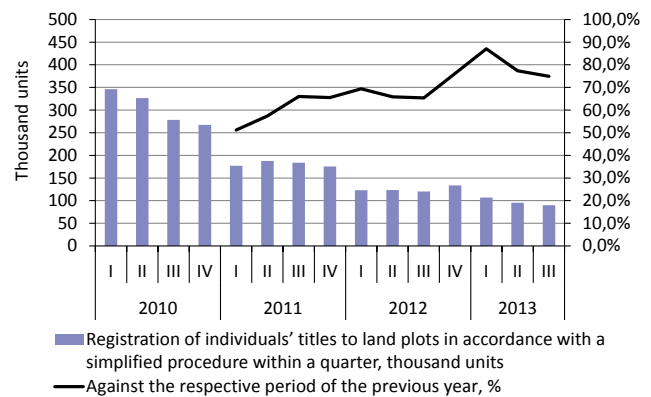
As compared to 2012, within the 3rd quarter of 2013, the number of registered mortgages of land plots for individuals (379,759 certificates) rose by 24.3%, while those for legal entities (113,401 registered certificates), by 14.66%.

According to the data of the Rosreestr, the volume of registration in accordance with a simplified procedure – the summer cottage amnesty – for registration of individuals' titles to land plots granted before the Land Code of the Russian Federation became effective for carrying out personal subsidiary and suburban husbandry, horticulture, gardening and individual garage and individual housing building keeps decreasing (Fig. 4) and as of October 1, 2013 amounted to 292,482 certificates which is 20.19% lower than in the respective period of 2012.

According to the data of the Central Bank of the Russian Federation, as of November 1, 2013 654 credit institutions extended 639,005 mortgage housing loans (MHL) for the amount of Rb 1,042.1bn which is 30% more than the volume of MHL in monetary terms extended as of November 1, 2012. In the 3rd quarter of 2013, Rb 363.4bn worth of MHL was extended which is 34.6% more than in the 3rd quarter of 2012 (Fig. 5). As compared to the 3rd quarter of 2012, the volume of consumer lending rose by 22.8%.

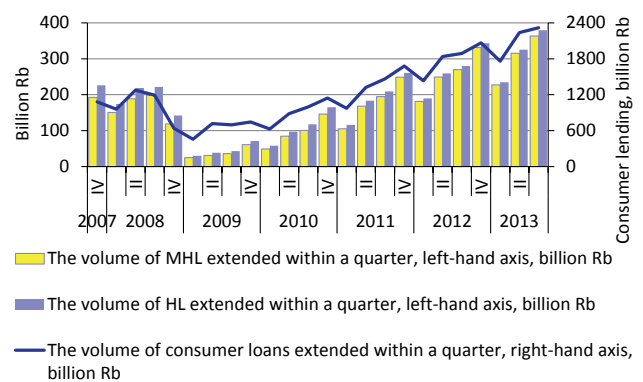
In the 3rd quarter 2013, the share of MHK in the consumer lending volume rose by 1.37 p.p. as compared to the 3rd quarter of 2012 and amounted to 15.67%. In the 3rd quarter of 2013, the share of HL in the consumer lending volume exceeded by 1.54 p.p. the share of HL in the 3rd quarter of 2012 (Fig. 6).

As of October 1, 2013, the volume of the extended MHL in shares of the respective value of GDP amounted to 1.85% of GDP against 1.65% of GDP in 2012 and the highest pre-crisis value of 1.67% of GDP



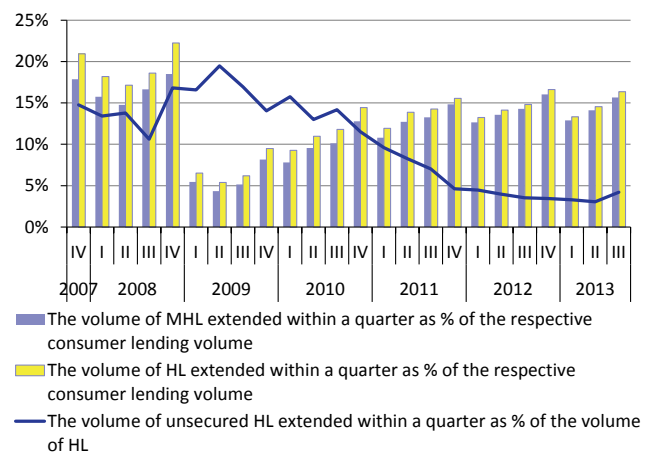
Source: on the basis of the Rosreestr's data.

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



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

Fig. 5. Quarterly dynamics of lending to individuals



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

Fig. 6. Correlation between the volumes of consumer lending and housing lending

in 2007 (Fig. 7). As of October 1, 2013, the debt on MHL amounted to 4.89% of GDP which is 1.7 p.p. and 2.3 p.p. higher than the value of 2012 and the highest pre-crisis value of 2008, respectively (Fig. 7).

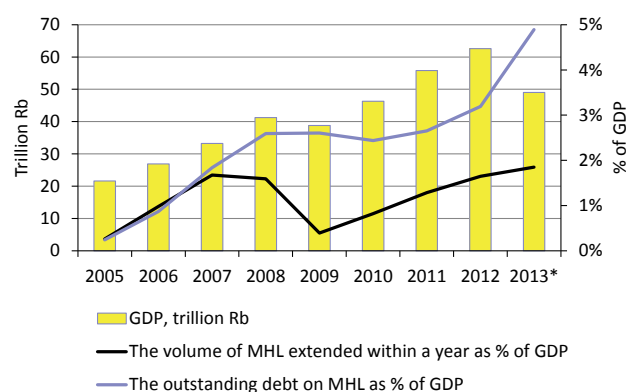
In 2013, growth in the outstanding debt on MHL in rubles continued. As of November 1, 2013, the debt on

MHL in rubles rose by 35.41% as compared to that as of November 1, 2012 and amounted to Rb 2,366.5bn. The overdue debt on loans in rubles rose by 4.69% as compared to that as of November 1, 2012 and as of November 1, 2013 amounted to 1.11% of the outstanding debt or Rb 26.2bn. Within that period, the outstanding debt on MHL in foreign currency fell by 15.28% and amounted to Rb 114.09bn, while the overdue debt fell by 28.43% and as of November 1, 2013 amounted to 12.3% of the outstanding debt or Rb 14.03bn. The share of the aggregate overdue debt as percentage of the aggregate outstanding debt kept decreasing and as of November 1, 2013 amounted to 1.62%.

As of November 1, 2013, the share of the debt without overdue payments (Rb 2,364,052bn) in the total amount of the debt amounted to 95.3%, which is 0.63 p.p. lower than that as of January 1, 2013. As of November 1, 2013, the share of the debt on MHL with payment overdue for over 180 days (the debt on defaulted loans) in the total amount of the debt amounted to 1.97%, which is 0.29 p.p. lower than that as of January 1, 2013.

In May 2013, growth in weighted average on MHL in rubles extended from the beginning of the year (12.8%) changed for a decrease to 12.6% as of November 1, 2013. The weighted average rate on MHL in rubles extended within a month fell from 12.9% in March 2013 to 12.3% as of November 1, 2013. As of November 1, 2013, the weighted average rate on MHL in foreign currency extended from the beginning of the year fell to 9.5% against the maximum value of 10.1% as of July 1, 2013.

In 2013, the share of MHL in foreign currency extended from the beginning of the year in the total volume of MHL and the share of the debt on MHL in foreign currency in the total debt kept decreasing and as of November 1, 2013 amounted to 1.26% and 4.60%, respectively. The share of the overdue debt on MHL in



* January-September 2013

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

Fig. 7. Dynamics of mortgage housing lending as % of GDP

foreign currency as a percentage of the total overdue debt varied from 32.81% to 36.0%, and amounted to 34.9% as of November 1, 2013.

According to the expert evaluation by the OAO AHML, the share of mortgage lending for buying of housing on the primary market keeps growing and in January–October 2013 amounted to 30% of the total volume of MHL having exceeded by 10 p.p. the value of 2012 (Table 2).

In January–November 2013, the OAO AHML refinanced Rb 42.03bn worth of 28,730 mortgage loans in rubles (Table 5) which is 22.74% and 29.59% lower in monetary terms and quantitative terms, respectively, than in the same period of 2012. It is to be noted that in January–October the rate of repurchasing by the Agency of mortgages amounted to 11.09% (as regards the following products: Standard, Novostroika, Young Teachers-Standard, Young Scientists and Military Mortgage) which is 1.51 p.p. lower than the weighted average rate within the same period,

Table 2

DYNAMICS OF MHL ON THE PRIMARY AND SECONDARY MARKETS

	2008	2009	2010	2011	2012	January–October 2013
Mortgage loans for buying of housing on the primary market, including that which is under construction						
Billion Rb	120.9	15.6	38.8	107.5	206.4	312.6
In thousand units	64.4	13.3	30.8	78.5	138.3	191.7
Million sq. m.	3.3	0.5	1.2	3.2	6.1	9.1
Mortgage loans for buying of housing on the secondary market						
Billion Rb	534.9	136.9	340.1	609.4	825.6	729.5
In thousand units	285.1	116.7	270.2	445	553.4	447.3
Million sq. m.	13.5	3.7	8.1	16.3	20.9	18.6
The volume of the primary market of MHL as % of the total volume of MHL granted						
	18.4%	10.2%	10.2%	15.0%	20.0%	30.0%

Source: OAO AHML.

Table 3

REPURCHASING BY OAO AHML OF MORTGAGES AS OF DECEMBER 1, 2013

	By all the products	Standard product	Military Mortgage	Maternity Capital	Novostroika	Other
Repurchasing of mortgages, units	28730	13541	6910	2682	4480	1257
Repurchasing of mortgages, thousand rubles	42027422	17185213	14145296	3861752	4940053	1564097
Average value of a mortgage, thousand Rb	1463	1269	2047	1440	1103	1244

Source: the data of the OAO AHML.

according to the data of the Central Bank of the Russian Federation.

According to the data of the AHML, in the period from October 1, 2009 to November 1, 2013 within the frameworks of the Stimul program the Agency assumed Rb 95.7bn worth of obligations of which Rb 37.2bn was invested in fulfillment of obligations. The AHML refinanced loans for the amount of Rb 47.9bn at the rate of refinanc-

ing of 7.84% out of Rb 48.45bn extended by banks to legal entities for building of housing within the frameworks of the Stimul program at the average rate of 13.19%. With the average market cost of a sq. m of standard housing being equal to Rb 56,130 (Q2 2013) in regions which participate in the Stimul program, the average sale price on the market declared by a Stimul program participant amounted to Rb 63, 213 for a sq. m.