

REAL ESTATE MARKET IN THE RUSSIAN FEDERATION IN JANUARY–FEBRUARY 2014

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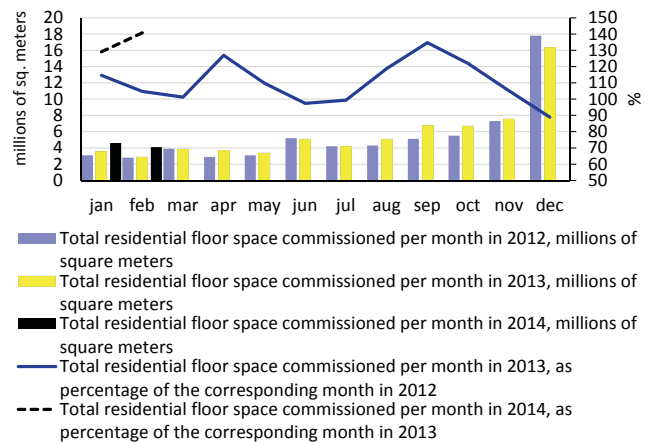
116,300 residential apartments were built in the period of January 2014 thru February 2014, with a total residential floor space measuring 8.7m sq. meters, an increase 34.3% year-on-year. According to the Federal Service for State Registration, Cadastre and Cartography (Rosregister), in 2013 the volume of registered title to land pots (6623502 registered title deeds) including individuals, overtook by 4.16% the results achieved in 2012. Comparing with January 2013, the volume of HMLs issued in January 2014 (47724 loans of Rb 79,294bn) increased 41.8% in quantity and 51.8% in monetary terms. As of February 1, 2014, overdue debt on ruble-denominated HMLs as percentage of the residual debt slid down by 0.49 p.p. against February 1, 2013 and stood at 1.0%. The weighted average interest rate on ruble-denominated HMLs was 12.3% in January 2014, being 0.4 p.p. higher than the lowest value in 2013.

In the period of January 2014 thru February 2014 organizations with different types of ownership built 116,300 residential apartments with a total floor space of 8,7m sq. meters, or 134.3% of those built in the corresponding period in 2013. These apartments include 62,900 residential apartments with a total residential floor space 4,6m sq. meters, or 129.1% of those built in January 2013, which were built in January 2014 (Fig. 1). In January 2014, individual housing developers built 1,9m sq. meters of total residential floor space, or 41.0% of the total number of residential buildings commissioned in January 2014.

In 2013, average floor space (76.1 sq. meters) of new residential apartments declined by 7.74% of 82.5 sq. meters, the biggest one to date. The floor space of the residential buildings built in the period of January thru February 2014 averaged 74.8 sq. meters, seeing a decrease of 8.85% against the average floor space of the residential apartments built in the period of January thru February 2013 (Fig. 2).

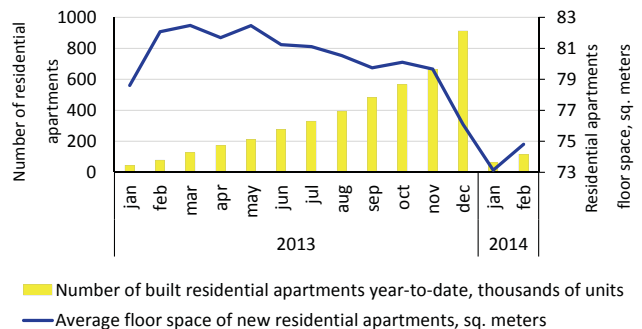
In 2013, total floor space of newly commissioned residential buildings measured 484 sq. meters per 1000 persons, seeing an increase of 16% over the values recorded in 1990. Additionally, the slum and failing housing stock per 1000 persons increased 3.2 times by 2012 against 1990, seeing a 1.5-fold increase over newly commissioned residential buildings. The failing housing stock increased by 7 times over the same period, making up 19th part of the newly commissioned buildings in 1990, whereas one third of those constructed in 2012 (Fig. 3).

In 2013, average prices of 1 sq. meter of total residential floor grew at a slower rate than inflation. The price of 1 sq. meter of residential floor space in the “all apartments” category increased 4.25% to Rb 50208 in the primary market and 0.19% to Rb 56478 in the secondary market. The cost of construction of 1 sq. meter of such residential floor space averaged Rb 36258



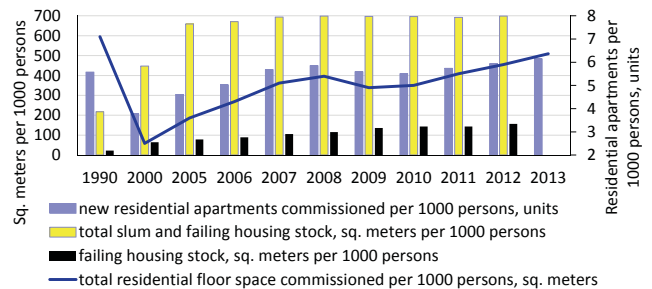
Source: the Federal State Statistics Service of Russia (Rosstat).

Fig. 1. Dynamics of housing construction



Source: Rosstat.

Fig. 2. New residential apartments' average floor space



Source: Rosstat.

Fig. 3. Residential apartments and total residential floor space commissioned per 1000 persons

in 2013, seeing faster growth than that of the price of residential floor space itself (5.54%). Personal cash income (average per capita) in 2013 reached Rb 25522, seeing a growth of 10.7% over the corresponding income recorded in 2012. Faster growth in personal cash income (average per capita) in 2013 against prices of residential apartments is indicative of that residential buildings became more affordable.

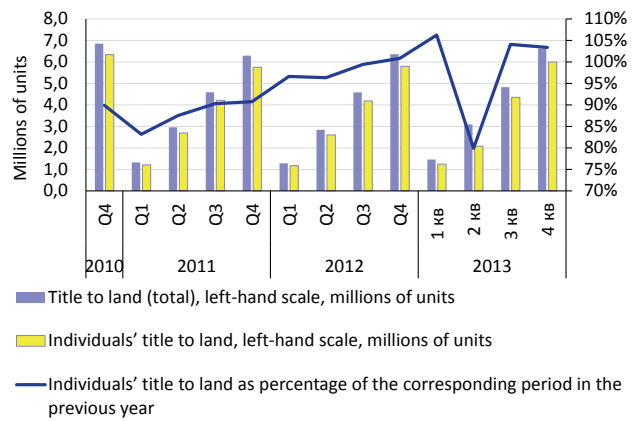
Based on the data supplied by the Federal Service for State Registration, Cadastre and Cartography (Rosregister), in 2013, the volume registered title to land plots (6623502 registered title deeds) including individual titleholders, exceeded by 4.16% the results recorded in 2012 (Fig. 4). Additionally, individual titleholder deeds accounted for 90.47% of the total volume of registrations or 5992002 title deeds. Growth in the number of title deeds recognizing changes to the title to land plots is indicative of their turnover growth. According to the data available in the *National Report on the Status and Utilization of the Land in the Russian Federation in 2012*, private land turnover exceeded the volume of transactions with public and municipal land and accounted for 64.6% of total transaction volume in terms of size and 70.5% in terms of quantity of land plots.

The number of registrations of land mortgages by individuals kept growing in 2013 as growth rates declined. In 2013, the volume of registrations of land mortgages exceeded by 29.57% the volume recorded in 2012 and accounted for 72.92% of the total number of land plot mortgages or 550842 registration deeds (Fig. 5).

In 2013, the volume of registered individual titles using the simplified procedure (“country house amnesty”) to specific immovable property items amounted to 842574 title deeds, 15.52% less than in 2012 and 37.98% less than in 2011.

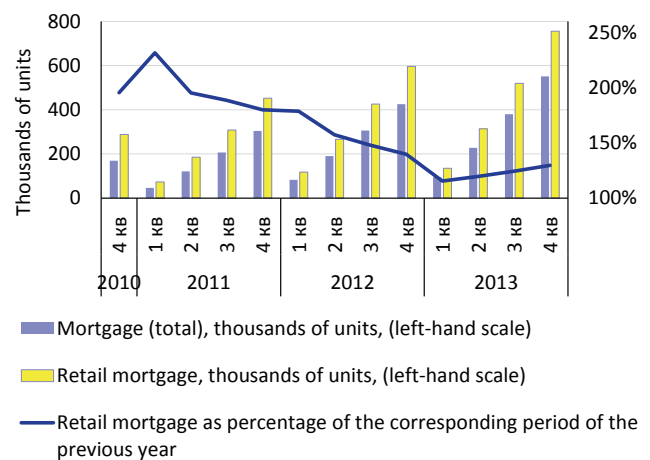
In January 2014, according to the data from the Central Bank of Russia, 50451 housing loans (HLs) at Rb 81,818bn, of which 47724 housing mortgage loans (HMLs) were Rb 79,294bn worth. The number of issued HMLs kept growing. HMLs saw an increase of 41.82% in terms of quantity and 51.79% in monetary terms as compared to January 2013. As of February 1, 2014, the residual debt on ruble-denominated HMLs increased by 35.51% to Rb 2,56 trillion while that on loans denominated in foreign exchange declined by 1.35% to Rb 118,507bn vs. the values recorded as of February 1, 2013.

Overdue debt on HMLs as of February 1, 2014 amounted to Rb 40,426bn (Rb 25,560bn on ruble-denominated loans and Rb 14,866bn on loans denominated in foreign exchange). As of February 1, 2014, overdue debt on HMLs denominated in foreign ex-



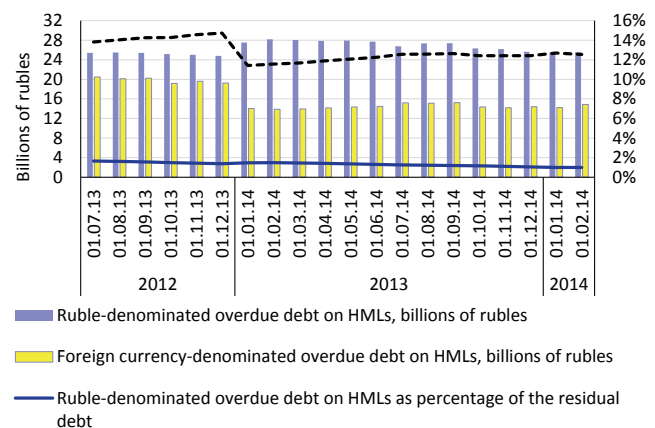
Source: Rosstat.

Fig. 4. Dynamics of title to land plots (year-to-date)



Source: the Rosregister.

Fig. 5. Dynamics of registration of land plot mortgage (year-to-date)



Source: the Central Bank of Russia.

Fig. 6. Dynamics of overdue debt

change as percentage of the residual debt gained 0.98 p.p. against February 1, 2013 to 12.54%, while the share of overdue debt on ruble-denominated HMLs decreased 0.49 p.p. and accounted for 1.0% during the same period (Fig. 6). Total overdue debt on HMLs as

of February 1, 2014 accounted for 1.51% of the total debt, by 0.58 p.p. less than that recorded as of February 1, 2013.

As of February 1, 2014, the indebtedness on defaulted HMLs (with a loan term more than 180 days), according to the data from the Central Bank of Russia, amounted to Rb 47,985bn or accounted for 1.79% of the total indebtedness, by 0.01 p.p. more than that recorded as of January 1, 2014 and 0.46 p.p. less than that recorded as of February 1, 2013. The share of indebtedness on HMLs without overdue payments declined by 0.65 p.p. against January 1, 2014 to 95.4% and increased 0.25 p.p. against February 1, 2013.

Ruble-denominated HMLs averaged Rb 1,657m in January 2014, by 8.06% more than in January 2013, while loans denominated in foreign exchange averaged Rb 4,922m, by 42.36% less than in January 2013.

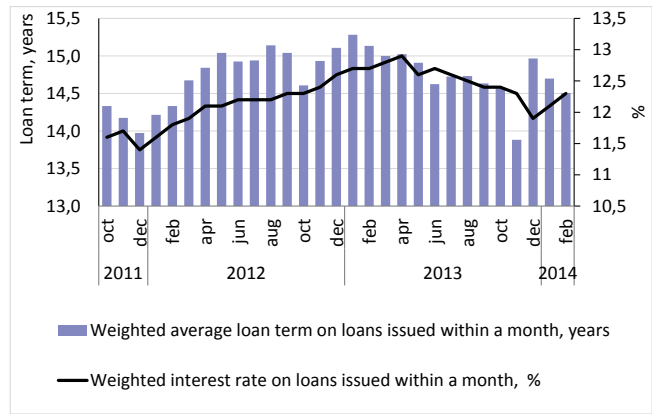
In January 2014, the average weighted interest rate on ruble-denominated HMLs issued during the month accounted for 12.3%, 0.4 p.p. more than the lowest rate in 2013, while an average weighted loan term was 14.5 years (Fig. 7). The average weighted interest rate on HMLs denominated in foreign exchange issued since the beginning of the year was 9.8% as of February 1, 2014, by 0.8 p.p. more than the rate effective as of February 1, 2013, an average weighted loan term was 16.1 years, by 6.4 years longer than that registered as of February 1, 2013.

The share of HMLs denominated in foreign exchange kept shrinking, accounting in monetary terms for 0.4% of the total volume of loans issued in January 2014 against 1.49% in January 2013. The debt on HMLs denominated in foreign currency accounted for 4.42% of the total debt on issued loans as of February 1, 2014, by 1.55 p.p. less than that as of February 1, 2013.

The volume of accelerated HMLs amounted to Rb 150,03bn in H2 2013, seeing an increase of 38.27% over the corresponding value recorded in 2012 (Fig. 8).

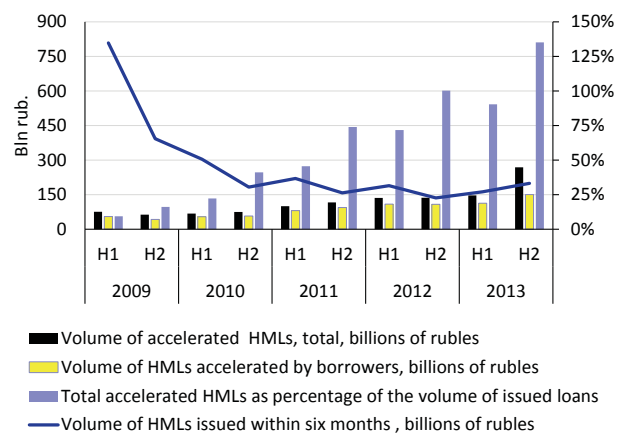
In 2013, the sum recovered from borrowers though disposal of pledged property amounted to Rb 3,313bn, by 21.7% less than the sum recorded in 2012. In H2 2013, the sum recovered from borrowers though disposal of pledged property amounted to Rb 1,633bn (Fig. 9), by 24.92% less than the sum recorded in H2 2012. The sum recovered from borrowers as percentage of the overdue debt on HMLs declined by 1.1 p.p. to 4.12% while the sum recovered from borrowers as percentage of the amount of HMLs issued shrank by 0.16 p.p. to 0.2% during the same period (Fig. 9).

According to the data from the Central Bank of Russia, in 2013, the volume of refinanced HMLs including both disposal of the pool of loans and retaining the asset on the credit institution's balance sheet, amount-



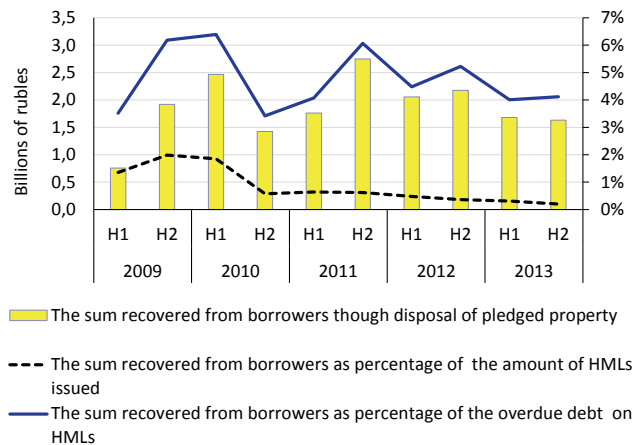
Source: the Central Bank of Russia.

Fig. 7. Weighted average term and weighted average interest rates on ruble-denominated HMLs issued within a month



Source: the Central Bank of Russia.

Fig. 8. Dynamics of accelerated HMLs



Source: the Central Bank of Russia.

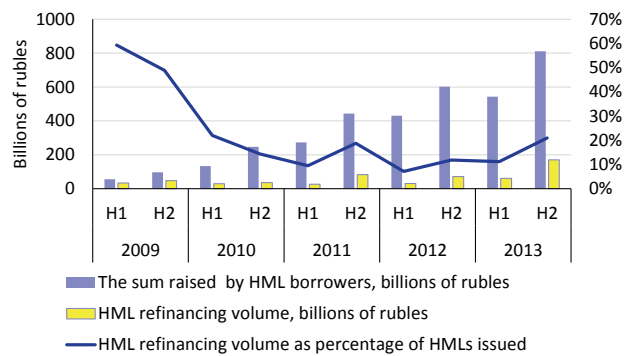
Fig. 9. Dynamics of sums recovered from borrowers through disposal of pledged property

ed to Rb 230,532bn or 17.03% of the volume of HMLs issued during the same period. In H2 2013, the volume of refinanced HMLs amounted to Rb 169,854bn or 20.94% of the volume of HMLs issued during the same period, with the volume of refinanced HMLs being 2.4 times that in H2 2012 and by 9.11 p.p. more in

percentage of the volume of HMLs issued during the same period (*Fig. 10*).

In the period of January thru February 2014, OJSC AHML, an agency for housing mortgage lending, redeemed 3525 mortgages on all products worth Rb 5,244bn, by 34.32% less than the number of mortgages and by 30.03% less than the volume of mortgage redemptions in monetary terms in the period of January thru February 2013. According to the estimates made by OJSC AHML, 20 issues of mortgage securities of Rb 140,6bn were made in 2013, in which OJSC AHML participated in one form or another in 14 transactions worth Rb 78,1bn (56%).

According to a forecast made by OJSC AHML, 907,000 to 1028,000 HMLs worth Rb 1554–1762bn will be issued in 2014, including 847,000 to 960,000 HMLs worth Rb 1500–1700bn. The volume of HMLs in the primary market, including the housing construction in progress, will be 339,000 to 384,000 loans worth Rb 600–680bn, while 508,000 to 576,000 loans worth Rb 900–1020bn in the secondary market. The floor space of the residential apartments purchased under



Source: the Central Bank of Russia.

Fig. 10. Dynamics of HML refinancing (right of claim)

HMLs will amount to 39.3 to 42.5m sq. meters including the primary market – from 16.6 to 17.9m sq. meters. The average weighted interest rate on ruble-denominated HMLs is assumed to range within 11.8% and 12.3%. Immovable property encumbered by a mortgage is expected to account for 26% to 30% of the total number of property items registered through housing transactions. ●