

## REAL ESTATE MARKET IN THE RF IN JANUARY–APRIL 2014

G.Zadonsky

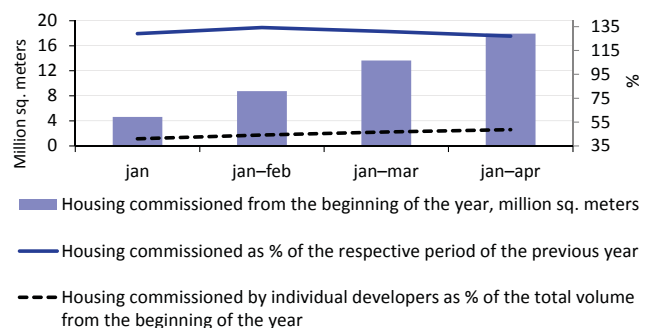
In January–April 2014, 231,100 apartments with floorspace of 17.9m sq. meters which amounts to 127% on the respective period of 2013. In Q1 2014, the average actual cost of building of 1 sq. meter of residential housing rose by 12.52% as compared to Q1 2013 and amounted to Rb 39,290. The ratio between the price of 1 sq. meter of housing on the primary market and the cost of building of 1 sq meter of housing decreased within the same period by 12.64 p.p. and amounted to 127.09%. In Q 1 2014, the volume of registration of titles of individuals to land plots (1.26m certificates) rose by 0.87% as compared to Q1 2013. In January–April 2014, Rb 496.2bn worth of 291824 mortgage housing loans (MHL) was extended which values exceeded the number and the monetary value of MHL extended in the respective period of 2013 by 37.92% and 45.47%, respectively. A drop in the monthly average rate on MHL in rubles in March 2014 changed for a 0.3 p.p. increase to 12.3% in April.

In January–April 2014, the entities of all the forms of incorporation built 231,100 apartments with floor-space of 17.9m sq. meters which is equal to 127% on the respective period of 2013. It is to be noted that in April 2014 of the above number of apartments 53,100 new apartments with floorspace of 4.3m sq. meters which is equal to 115.8% as compared to April 2013 were built. Individual developers built 8.7m sq. meters of residential housing or 48.6% of the volume of housing commissioned in January–April 2014 (Fig. 1).

In Q1 2014, the average actual cost of building of 1 sq. meter of housing amounted to Rb 39,290 (Fig. 2) having increased by 12.52% as compared to Q1 2013 (Rb 34,920). In Q1 2014, the average price of 1 sq. m of housing on the primary housing market (Rb 49,939) rose by 2.34% as compared to Q1 2013 with the inflation rate of 6.5% and 7.6% in 2013 and H1 2014, respectively, remaining below the average price of 1 sq. meter of housing on the secondary housing market (Rb 55,930) which price appreciated too as compared to Q1 2013. It is to be noted that in Q1 2014 the ratio between the price of 1 sq. meter of housing on the primary market as a percentage of the cost of building of 1 sq. meter of housing decreased by 12.64 p.p, as compared to Q1 2013 and amounted to 127.09% (Fig. 2).

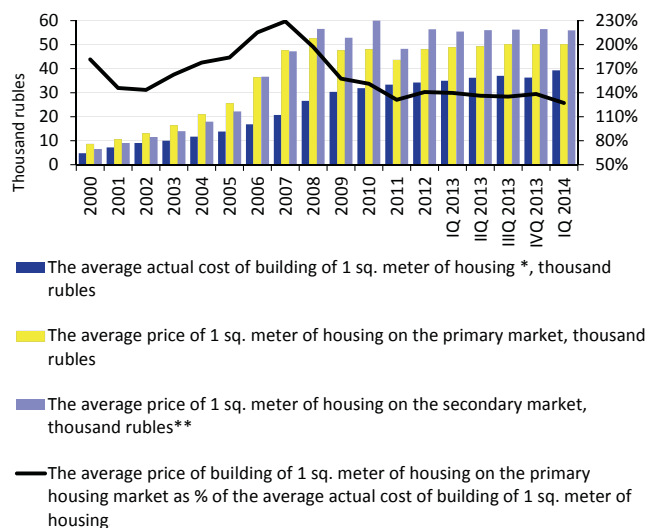
According to the Rosstat's data, in Q1 2014 the highest cost of building which exceeded by 50% and more the average nationwide level was observed in the Yamal-Nenets Autonomous Region (Rb 58,295). In 61 constituent entities of the Russian Federation, that cost was lower than the average nationwide level; the lowest one was registered in the Republic of Dagestan (Rb 20,104), the Republic of Kalmykia (Rb 21,294) and the Saratov Region (Rb 22,418).

According to the data of the Rosreestr, in Q1 2014 the number of registered titles of individuals to housing (2,065,982 certificates) decreased by 4.33% as



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

Fig. 1. Dynamics of commissioning of housing on an accrual basis from the beginning of 2014



\* average actual cost of building of 1 sq. meter of housing of detached houses (all the apartments) without adjacent accommodation, overstory and in-built premises in the Russian Federation (without taking into account those built by households at the expense of own and borrowed funds);

\*\* all the apartments.

Source: on the basis of the data of Rosstat.

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

compared to Q1 2013 (Fig. 3), while the number of registered titles of legal entities to housing (46,540 certificates) increased by 9.52%.

According to the data of the Rosreestr, in Q1 2014 the volume of registration of individuals' titles to land plots (1,254,679 certificates) increased by 0.87% as compared to Q1 2013 (Fig. 4). The number of the registered titles of legal entities to land plots decreased by 5.7% to amount to 56,717 certificates in Q1 2014. In Q1 2014, leasehold of land plots by individuals (16,237 certificates) fell by 0.52% as compared to Q1 2013, while that by legal entities (17,019 certificates), by 59.47%.

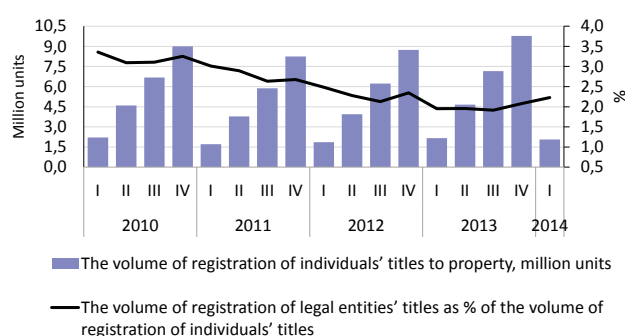
According to the data of the Rosreestr, the volume of state registration in accordance with a simplified procedure – that is, the summer cottage amnesty – of individuals' titles to real property units the main portion of which is a land plot provided (prior to approval of the Land Code of the Russian Federation) for personal subsidiary husbandry, suburban husbandry, horticulture, gardening and individual housing development tends to decline (Fig. 4). In Q1 2014, the volume of registration of titles to real property units in accordance with the simplified procedure amounted to 164,064 certificates which is 21.98% lower than in Q1 2013. The simplified registration of land plots out of that number amounted to 69,921 certificates which is 34.61% lower than in Q1 2013.

As compared to Q1 2013, in Q1 2014 the number of registered mortgages of land plots for individuals (146,862 certificates) rose by 53.46%, while that for legal entities (31,233 certificates) decreased by 5.45%.

In Q1 2014, the number of housing mortgages increased by 23.05% (289,521 certificates) as compared to Q1 2013. It is to be noted that in Q1 2014 the number of mortgages of residential premises owned by individuals and bought (built) by means of borrowed funds or a purpose loan (226,080 mortgages) increased by 33.78% as compared to Q1 2013 (Fig. 5).

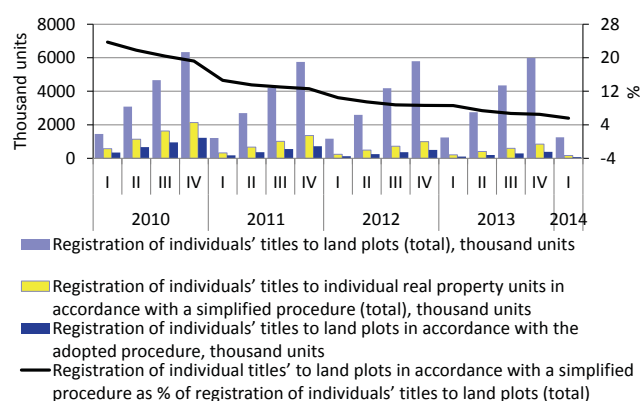
According to the data of the Central Bank of the Russian Federation, in January–April 2014 Rb 513,02bn worth of 307,352 housing loans (HL) was extended, including Rb 496.2bn worth of 29,1824 MHL which value exceeded by 37.92% and 45.47% the volume of MHL extended in January–April 2013 in terms of the number of loans and the monetary value, respectively.

In April 2014, Rb 160.46bn worth of 93,659 MHL in rubles (35.97% and 43.32% higher than in April 2013 as regards the number of loans and the monetary value, respectively) (Fig. 6) and Rb 1.02bn worth of MHL in foreign currency (51.55% lower than in April 2013) (Fig. 7) were extended. In April 2014, the outstanding debt on MHL in rubles rose by 3.61% to Rb 2.80 trillion,



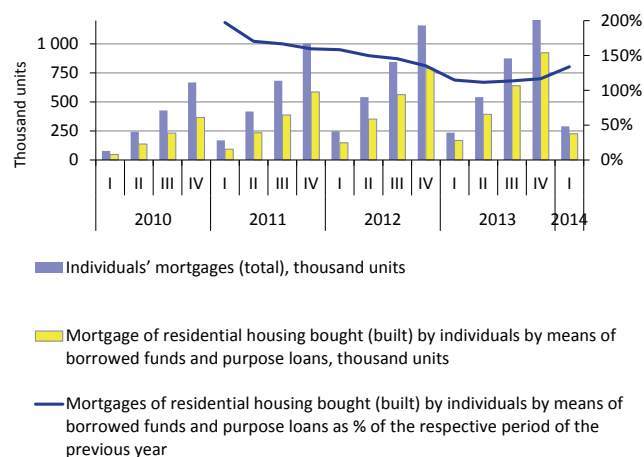
Source: on the basis of the data of the Rosreestr.

Fig. 3. Dynamics of state registration of titles to housing



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

Fig. 4. Dynamics of state registration of individuals' titles to land plots

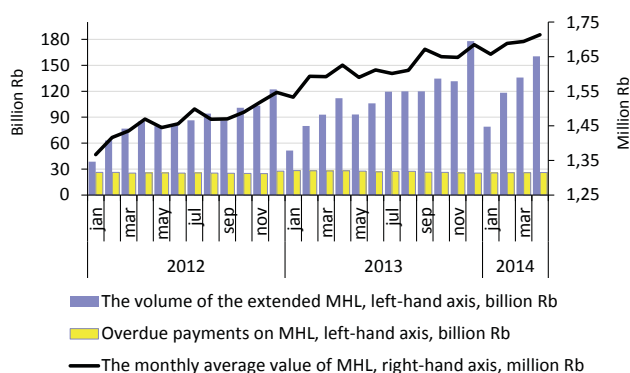


Source: on the basis of the data of Rosreestr.

Fig. 5. Dynamics of state registration of housing mortgages

while that on loans in foreign currency decreased by 1.71% to Rb 110.3bn.

From April 2013, the average monthly value of MHL in rubles rose by 5.4% and amounted in April 2014 to Rb 1,713m. (Fig. 6). In April 2014, the monthly average value of MHL in foreign currency amounted to Rb 13,051m which is 2.7 times higher than in December 2013 (Fig. 7).



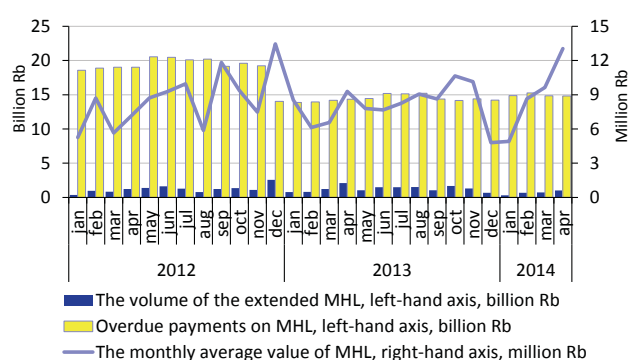
Source: on the basis of the data of the Central Bank of the Russian Federation.

Fig. 6. Dynamics of mortgage housing lending in rubles

The share of MHL in foreign currency has kept decreasing. As regards the number of loans extended on an accrual basis as of May 1, 2014, it amounted to 0.1% and 0.55% of the total number of loans (0.2 p.p. less than in the respective period of 2013) and in monetary terms (0.89 p.p. less than in the respective period of 2013), respectively.

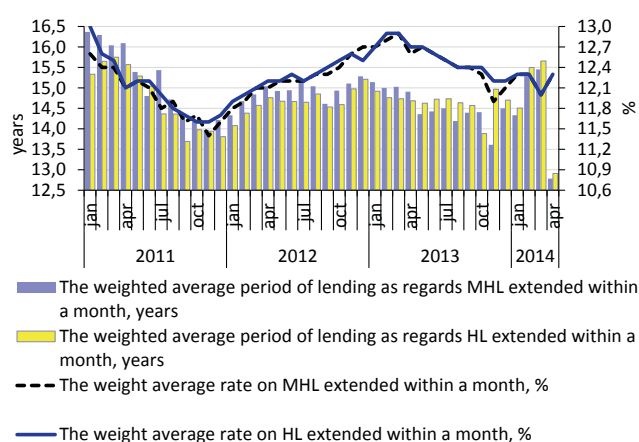
As of May 2014, overdue payments on MHL amounted to Rb 40.88bn – Rb 26,069bn as regards loans in rubles (Fig.6) and Rb 14,815bn as regards loans in foreign currency (Fig.7) – which is 3.35% lower than as of May 1, 2013. Despite low volumes of lending in foreign currency, as of May 1, 2014 the overdue debt on MHL accounted for a larger portion of the total overdue debt (36.24%) with the outstanding debt in foreign currency being equal to 3.8% of the total debt.

According to the data of the Central Bank of the Russian Federation, as of May 2014 the debt on defaulted MHL (with a period of delay of over 180 days) amounted to Rb 52.29bn and is equal to 1.80% of the total debt, that is, 0.08 p.p. lower than in the previous month (Table 1). As of May 1, 2014, the share of the debt on MHL without overdue payments increased by 0.04 p.p. as compared to April 1, 2014 and amounted to 95.29% (Table 1).



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

Fig.7. Dynamics of mortgage housing lending in foreign currency



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

Fig. 8. The weighted average periods of lending and the weighted average interest rates on loans in rubles extended within a month

In April 2014, the weighted average rates on MHL and HL extended within a month increased simultaneously by 0.3 p.p. to 12.3% (Fig.8). In April, the weighted average rates on HL and MHL extended from the beginning of the year in foreign currency increased by 0.2 p.p. to 9.6% and 9.5% on HL and MHL, respectively.

Table 1

#### GROUPING OF THE DEBT ON MORTGAGE HOUSING LOANS BY THE PERIOD OF DELAY IN PAYMENTS

2014	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	%*	
01.01	2 648 859	2 544 229	96.05	50 593	1.91	6 887	0.26	47 150	1.78
01.02	2 682 172	2 558 792	95.40	67 591	2.52	7 778	0.29	48 011	1.79
01.03	2 745 744	2 613 673	95.19	75 508	2.75	7 963	0.29	48 600	1.77
01.04	2 809 483	2 676 033	95.25	72 204	2.57	8 428	0.30	52 818	1.88
01.05	2 904 929	2 768 106	95.29	76 110	2.62	8 424	0.29	52 289	1.80

\* of the total amount of the debt

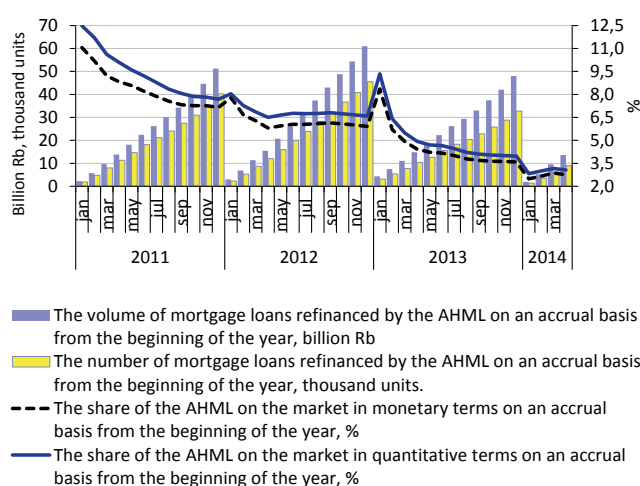
Source: the data of the Central Bank of Russia.

According to the estimates of the AHML, the lower than normal value of the monthly interest rate in November 2013 (Fig. 8) was due to inaccuracies made by some banks in filling in forms of reporting and rounding offs, while the actual interest rate amounted to about 12.1–12.2%.

In April 2014, the weighted average periods of lending as regards loans in rubles extended within a month decreased considerably as compared to March: by 17.26% to 12.8 years and 17.56% to 12.9 years as regards MHL and HL, respectively (Fig.8). In April 2014, the weighted average periods of lending as regards loans in foreign currency extended from the beginning of the year decreased as well against that in January 2014: by 23.2% to 12.4 years and 25.2% to 10.7 years as regards MHL and HL, respectively.

In 2014, as in 2013 the share of MHL in foreign currency in the outstanding debt kept decreasing and as of May 1, 2014 amounted to 3.8% which is 1.71 p.p. lower than as of May 1, 2013. As of May 1, 2014, the share of MHL in foreign currency in the volume of MHL extended from the beginning of the year amounted to 0.55% and the mere 0.1% in monetary terms (which is 0.89 p.p. lower than the index as of May 1, 2013) and in quantitative terms, respectively. In April 2014, the average monthly value of MHL in foreign currency (Rb 13.05m) exceeded 7.6 times over the average value of MHL in rubles.

According to the data of the OAO Agency for Housing Mortgage Lending (AHML), as of May 1, 2014 the Agency refinanced 8,923 MHL in rubles for the amount of Rb 13.60bn, which amounts to 3.06% and 2.76% in quantitative and monetary terms, respectively, of the volume of mortgage loans extended from the beginning of the year (Fig.9). As compared to the respective period of 2013, the volume of refinancing was 14.23%



Source: The OAO AHML.

Fig. 9. Dynamics of refinancing by the OAO AHML of mortgage loans in rubles

and 8.42% lower in quantitative and monetary terms, respectively. As of June 1, 2014, the AHML refinanced 11,318 loans for the amount of Rb 17,183bn.

According to the data of the Central Bank of Russia, in March 2014, the weighted average rate on loans refinanced by AHML amounted to 10.98% against 12.0% in March 2013.

The demand on the OAO AHML's corporate bonds placement in April with A30 series state guarantees has considerably exceeded the par value of bonds (Rb 6bn) and amounted to Rb 38bn.

According to the data of the Rusipoteka analytical center, in 2013 the Sberbank extended MHL for the amount of Rb 629.8bn, the VTB24 – Rb 243.3bn, the Gasprombank – Rb 78.2bn, the Deltacredit – Rb 28.1bn, the Svyaz-Bank – Rb 17.9bn, the Rosbank – Rb 17.6bn and the Raiffeisenbank – Rb 17.2bn. ●