

THE REAL ESTATE MARKET IN THE RUSSIAN FEDERATION IN H1 2014

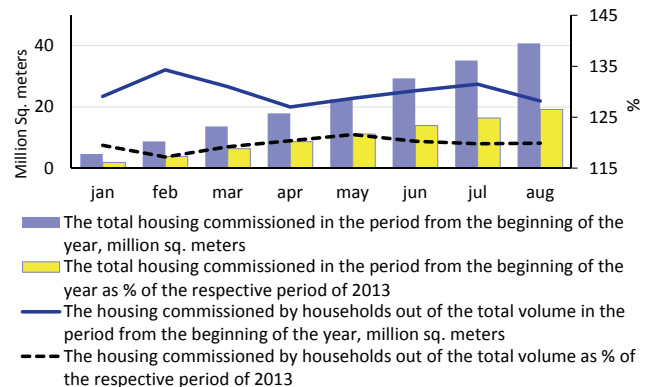
G.Zadonsky

In H1 2014, 375,800 apartments with the total floorspace of 29.4m sq. m. were built which value amounted to 130.2% on the respective period of the previous year. In Q2 2014, the average actual cost of building of 1sq m of housing increased by 13.55% as compared to Q2 2013 and amounted to Rb 40,456, while the ratio between the price of 1 sq. m of housing on the primary housing market decreased within the same period by 12.6% and amounted to 125.86%. In H1 2014, the volume of registration of individuals' titles of ownership (2,796,474 certificates) to land plots increased by 1.69% as compared to H1 2013. In January–July 2014, 538,482 MHL for the total amount of Rb 927,038bn were extended which value exceeds the volume of MHL extended in January–July 2013 by 39.67% and 31.01% in monetary terms and as regards the number of loans, respectively. In July 2014, the weighted average rate on MHL extended in rubles within a month fell by 0.02 p.p. to 12.21% as compared to July.

According to the data of the Rosstat, in H1 2014 entities of all the forms of ownership built 375,800 apartments with the total floorspace of 29.4m sq. m which is 30.2% more than in the respective period of the previous year. Individual developers built 13.9m sq. m of residential housing or 47.4% of the total volume of housing commissioned in H1 2014.

In July 2014, entities of all the forms of ownership built 78,300 new apartments with the total floorspace of 5.8m sq. m, while in January–July 2014, 454,200 apartments with the total floorspace of 35.2m sq. m. Individual developers built 16.4m sq. m of housing or 46.6% of the total volume of housing commissioned in January–July 2014. In August 2014, entities of all the forms of ownership built 71,900 new apartments with the total floorspace of 5.6m sq. m, while from the beginning of the year, 526,100 apartments with the total floorspace of 40.8m sq. m which is 28.2% more than in the respective period of the previous year (Fig. 1).

In H1 2014, in the Russian Federation 204.6 sq. m of housing were commissioned on average per 1,000 people; the above value is 30% higher than in H1 2013. The largest volume of housing per 1,000 persons (275.8 sq. m) was commissioned in the Southern Federal District, while the lowest one (91.6 sq. m), in the Far Eastern District (Table 1). Among constituent entities of the Russian Federation, the leader is the Leningrad Region (484.4 sq. ms of housing per 1,000 persons), while the Murmansk Region (3.9 sq. m) and the Magadan Region (3.3 sq. m) are at the very bottom of the list. Moscow is rated the 60th with 129 sq. m per 1,000 persons. The data on the Chukot Autonomous Region for H1 2014 is not available. The most remarkable result was demonstrated by the Chechen Republic, that is, a six-fold growth in commissioning of housing in H1 2014 (Table 1).



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

Fig.1. Dynamics of commissioning of housing in 2014

As regards the housing volume commissioned by individual developers in H1 2014, the leaders are the Chechen Republic (328 sq. m per 1,000 persons), the Belgorod Region (297 sq. m) and the Leningrad Region (243 sq. m).

According to the data of the Rosstat, in H1 2014 the average actual cost of building of 1 sq. m of housing of detached dwelling houses (apartment houses without extensions, overstory and built-in premises and without residential houses built by individual developers) increased by 13.55% as compared to H1 2013 and amounted to Rb 40,456 (Fig. 2). According to the data of the Rosstat, in H1 2014 the highest cost of building which exceeded by 50% and more the average nationwide level was observed with the Kamchatka Territory (Rb 64,515), the Chechen Republic (Rb 62,316) and the Sakhalin Region (Rb 59,647). In 62 constituent entities of the Russian Federation that cost is below the nationwide average with the lowest one in the Republic of Dagestan (Rb 17,372), the Republic of Kalmykia (Rb 21,736) and the Kursk Region (Rb 2,678).

Table 1

**DISTRIBUTION OF REGIONS OF THE RUSSIAN FEDERATION BY THE VOLUME OF HOUSING COMMISSIONED
IN JANUARY–JUNE 2014 PER 1,000 PERSONS**

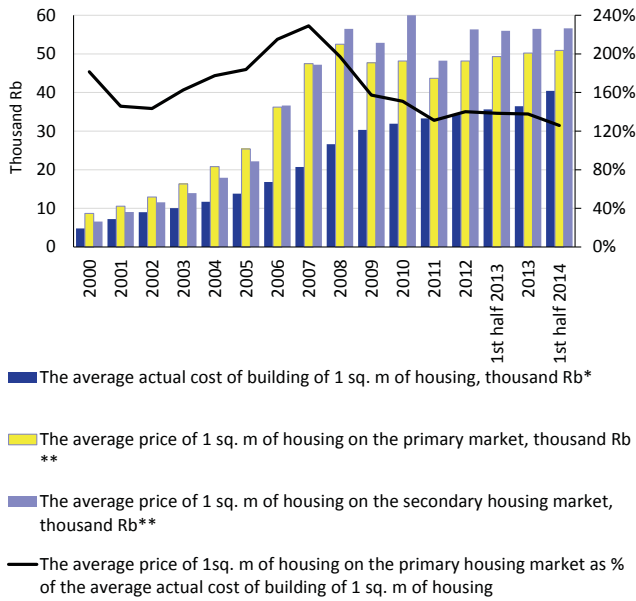
Region	Place of the region in H1 of				Housing commissioned in H1 2014			
					Residential housing		Including that built by individual developers	
	2014	2013	2012	2011	Sq. m per 1,000 persons	As % of H1 2013	As % of the total housing	Place of the region
Federal districts								
Southern	1	1	1	1	275.8	128.5	54.96	1
North-Western	2	6	7	6	253.1	158.7	33.94	6
Central	3	3	6	5	218.5	134.8	37.66	7
Urals	4	5	2	3	205.1	131.3	47.66	4
The Russian Federation	5	4	4	4	204.6	130.2	47.45	5
Privolzhsky	6	2	3	2	200.7	119.4	57.70	3
North-Caucasian	7	7	5	8	159.4	127.6	75.57	2
Siberian	8	8	8	7	154.8	126.6	45.97	8
Far Eastern	9	9	9	9	91.6	121.7	49.30	9
Constituent entities of the Federation								
Leningrad Region	1	4	7	7	482.4	152.3	50.28	3
Kaliningrad Region	2	11	10	6	472.7	209.7	45.46	5
Moscow Region	3	2	5	4	422.5	133	22.34	34
Krasnodar Territory	4	3	1	1	390.7	124.4	48.80	8
Belgorod Region	5	1	3	5	366.8	102.7	81.09	2
Chechen Republic	6	80	33	78	364.1	605.9	89.98	1
Lipetsk Region	7	7	8	8	318.6	127.5	64.76	6
Republic of Tatarstan	8	5	4	2	316.7	101.3	45.67	13
Novosibirsk Region	9	21	26	26	296.6	170.7	31.09	36
Tyumen Region	10	6	2	3	288.1	101	34.39	29
St. Petersburg	11	18	45	13	275.0	148.9	8.99	76
Vologda Region	12	56	46	49	270.2	188.8	55.57	11
Republic of Bashkortostan	13	8	12	11	267.4	107.8	76.78	7
Kaluga Region	14	30	21	27	263.3	187	72.29	9
Republic of Altai	15	10	6	19	258.0	125.3	83.33	4
Moscow	60	53	76	60	129.0	131.6	15.43	80
Zabaikalye Territory	74	76	78	73	77.8	169.6	52.59	72
Maritime Territory	75	72	59	61	74.1	112.1	63.65	67
Khabarovsk Territory	76	73	73	70	67.8	106.8	46.20	74
Amur Region	77	52	30	54	64.2	63.6	35.32	78
Ivanovo Region	78	78	71	68	60.1	139.6	71.77	68
Republic of Komi	79	77	77	74	56.5	123.6	37.12	79
Kamchatka Territory	80	75	75	82	41.6	85.5	78.20	73
Murmansk Region	81	82	82	81	3.9	144.2	20.00	82
Magadan Region	82	81	79	80	3.3	20.6	100.00	81

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

In H2 2014, the average cost of 1 sq. m of housing on the primary housing market (Rb 50,919) increased by 3.22% as compared to H2 2013 (Fig.2) exceeding by 9.83% the average price of 1 sq. m of housing in Q2 2012. In H2 2014, the average price of 1 sq. m of housing on the primary housing market amounted to 89.92% of the average price of 1 sq. m of housing on the secondary market; the above value is 1.82 p.p. higher than in Q2 2013. In H1 2014, the ratio between

the price of 1 sq. m of housing on the primary housing market and the cost of building of 1 sq. m of housing amounted to 125.86% against 138.46% in H1 2013 (Fig. 2).

According to the Rosreestr's data provided by the OAO AHML (Fig. 3), in Q2 2014 the share of mortgaged real estate units in the total number of real estate units registered in transactions with housing increased by 2.6 p.p. as compared to Q2 2013 and amounted to 26.9%.



* the average actual cost of building of 1 sq. m of housing of detached dwelling houses (all the apartments) without extensions, 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: on the basis of the data of the Rosstat.

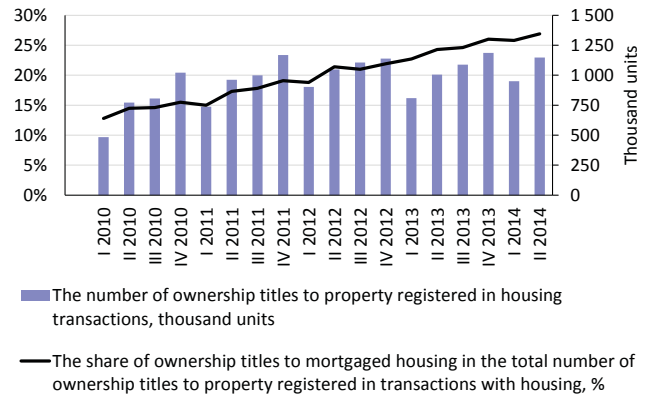
Fig. 2. Dynamics of building of 1 sq. m of housing and prices of 1 sq. m of housing on the primary and secondary housing markets in the Russian Federation

According to the data of the Rosreestr, in H1 2014 the volume of registration of individuals' ownership titles to land plots (2,796,474 certificates) increased by 1.69% as compared to H1 2013, while that of registration of legal entities' titles to land plots, by 2.49% amounting to 129,423 certificates in H1 2014. In H1 2014, leasehold by individuals of land plots (38,687 certificates) increased by 0.6% as compared to H1 2013, while that by legal entities (27,273 certificates) decreased within the same period by 43.4%.

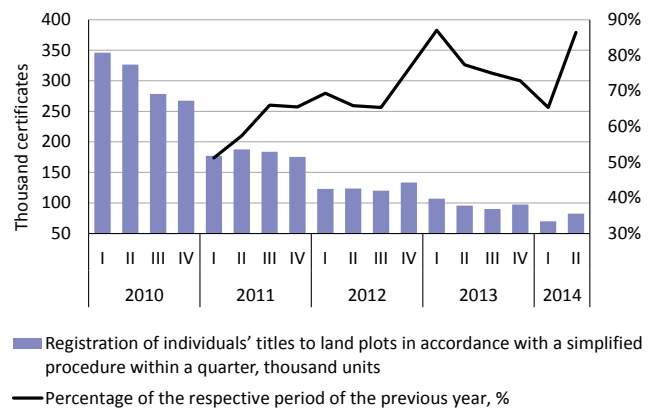
As compared to H1 2013, in H1 2014 the number of registered land plot mortgages for individuals (309,672 certificates) and legal entities (72,321 certificates) rose by 35.95% and 2.87%, respectively.

According to the data of the Rosreestr, the volume of registration in accordance with the simplified procedure – the summer cottage amnesty – of individuals' titles to land plots provided before the new Land Code of the Russian Federation became effective for carrying out subsidiary husbandry, summer cottage husbandry, gardening, individual garage and housing development keeps decreasing (Fig. 4) and in H1 2014 amounted to 152,506 certificates which is 24.68% lower than in H1 2013.

According to the data of the Central Bank of the Russian Federation, in January–July 2014 Rb



Source: the OAO AHML on the basis of the data of the Rosreestr.
Fig. 3. Dynamics of the number of real estate units registered in housing transactions and the share of mortgaged real estate units in the total number of real estate units registered in transactions with housing



Source: on the basis of the data of the Rosreestr.
Fig. 4. Dynamics of registration in accordance with a simplified procedure for registration of individuals' titles to land plots

956,183bn worth of 566,049 housing loans (HL), including Rb 927,038bn worth of 538,482 MHL were extended which value exceeds the volume of MHL extended in January–July 2013 by 39.67% and 31.01% in monetary terms and as regards the number of loans, respectively. In July 2014, Rb 156,806bn worth of MHL in rubles which is 31.13% more than in July 2013 (Fig. 5) and Rb 706m worth of MHL in foreign currency which is 47.0% more than in July 2013 were extended.

In 2014, growth in the outstanding debt on MHL in rubles continued and as of August 1, 2014 that debt amounted to Rb 3,028.0bn which is 36.3% more than that as of August 1, 2013 (Fig. 5). As of August 1, 2014, the debt on MHL in foreign currency amounted to Rb 104,289bn which is 13.32% more than that as of August 1, 2013.

As of August 1, 2014, the overdue debt on MHL in rubles amounted to Rb 26,854bn (Fig. 5); it is to be

noted that its share in the outstanding debt keeps decreasing and as of August 1 it amounted to 0.89%, which is 0.34 p.p. lower than that as of August 1 2013. As of August 2014, the overdue debt on MHL in foreign currency amounted to Rb 14,708bn or 14.1% of the outstanding debt which is 153 p.p. lower than that as of August 1, 2013.

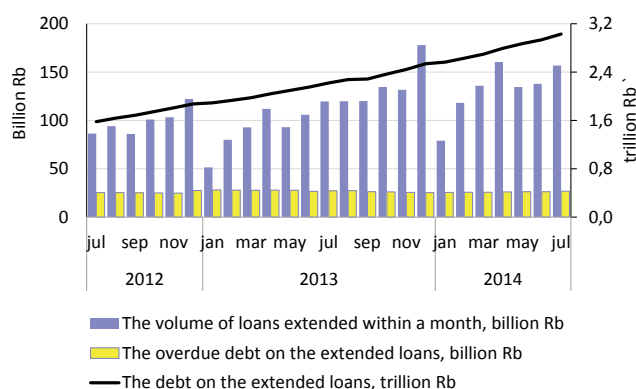
In July 2014, the average value of MHL in rubles increased by 8.96% and amounted to Rb 1,745m (Fig. 6). In July 2014, the average value of MHL in foreign currency (Rb 9,413m) exceeded more than 5 times over the respective value of MHL in rubles.

In 2014, the role of foreign currency in mortgage housing lending keeps decreasing. The share of MHL in foreign currency as regards the number of loans extended from the beginning of the year amounted 0.09% as of August 1, 2014, while that as regards the volume in monetary terms, to 0.47% against 0.28% and 1.35% as of August 1, 2013. The share of the outstanding debt within the same period amounted to 3.33% against 5.14%. As regards the share of the overdue debt on loans in foreign currency as a percentage of the overdue debt, it fluctuates near 36%.

In 2013 and H1 2014, the volume of MHL extended from the beginning of the year in shares of GDP in current prices grows permanently, having amounted to 2.28% as of July 1, 2014 (Fig. 7). The debt in shares of GDP on MHL extended in 2013 (3.97%) exceeded by 0.76 p.p. the respective value in 2012.

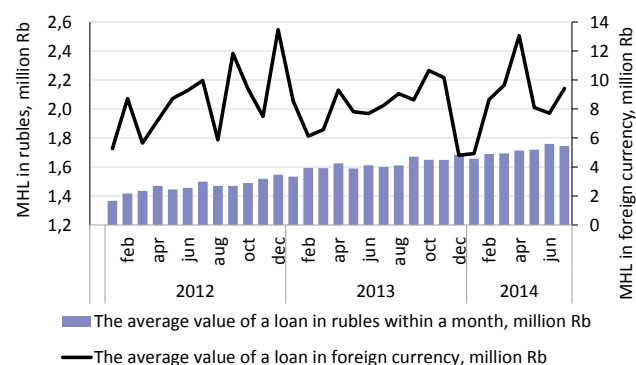
According to the data of the Central Bank of the Russian Federation, as of August 1, 2014 the debt on defaulted MHL (with a period of delay for over 180 days) amounted to Rb 53,875bn or 1.72% of the total debt which is 0.3 p.p. lower than that as of August 1, 2013 (Table 2). In July 2014, the debt on MHL without overdue payments increased both in monetary terms (Rb 2.99 trillion) and as a percentage of the total debt amount (95.47%).

According to the data of the Central Bank of the Russian Federation, the weighted average rate on MHL extended in rubles within a month fell by 0.02 p.p. as compared to June to 12.21% (Fig. 8). Such a decrease (0.02 p.p.) took place as regards housing loans in rubles to 12.24%. As of August 1, 2014, the weighted average rates on MHL and HL in foreign currency fell by 9.48% and 9.53%, respectively, as compared to June. Within July 2014, the weighted average periods of lending as regards MHL and HL in rubles extended within a month exceeded the values registered in June and amounted to 15.9 years and 15.8 years, respectively. As of August 1, 2014, the weighted average period of lending as regards MHL in foreign currency extended from the beginning of the year amounted to 12.3 years, while that as regards HL in foreign currency, to 10.7 years.



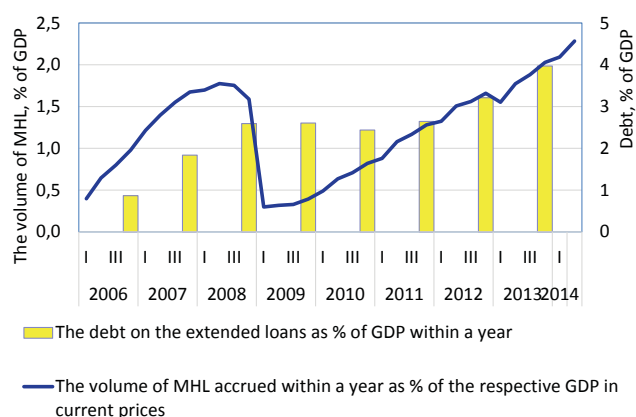
Source: on the basis of the data of the Central Bank of the Russian Federation

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 Rosstat.

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

In H1 2014, on the basis of the results of operations of the leading mortgage banks the Bank of Moscow showed a 125% growth in the volume of the extended MHL as compared to the respective period of 2013, while the Sberbank which is the leader as regards lending volumes demonstrated a 72%

Table 2

GROUPING OF THE DEBT ON MORTGAGE HOUSING LOANS BY A PERIOD OF DELAY IN PAYMENTS IN 2014

	The total sum of the debt on MHL Million Rb	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 Jan.	2648859	2544229	96.05	50593	1.91	6887	0.26	47150	1.78
01 Feb.	2682172	2558792	95.40	67591	2.52	7778	0.29	48011	1.79
01 Mar.	2745744	2613673	95.19	75508	2.75	7963	0.29	48600	1.77
01 Apr.	2809483	2676033	95.25	72204	2.57	8428	0.30	52818	1.88
01 May	2904972	2768149	95.29	76110	2.62	8424	0.29	52289	1.80
01 Jun.	2975748	2845112	95.61	67550	2.27	10415	0.35	52671	1.77
01 Jul.	3036381	2893672	95.30	80160	2.64	10020	0.33	52529	1.73
01 Aug.	3132292	2990399	95.47	77681	2.48	10337	0.33	53875	1.72

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

growth; at the same time the Gasprombank reduced by 18% the volume of lending (Table 3). In H1 2014, the Sberbank and the VTB 24 account for over 50% of the mortgage market as regards the volume of the extended MHL (73%), an increase of 11.3 p.p. as compared to H1 2013.

Table 3

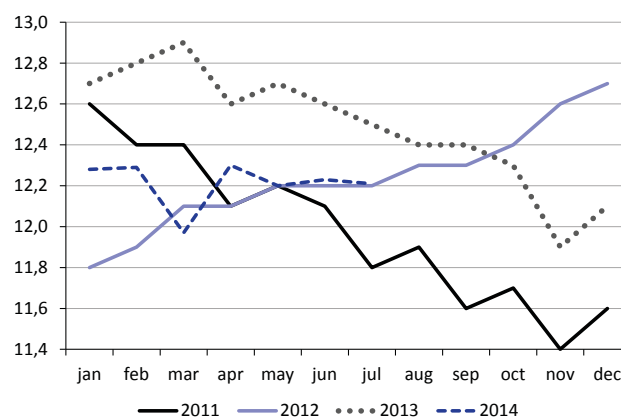
THE RESULTS OF OPERATIONS OF THE LEADING MORTGAGE BANKS IN H1 2014

Bank	The volume of the extended mortgage loans, million Rb	The number of the extended mortgage loans, units	Growth/decrease in the volume of the extended loans as compared to H1 2013, %
Sberbank	402 000	259 460	72
VTB 24	157 066	81 285	61
Gaspeombank	29 688	13 703	-18
Rosselkhozbank	14 857	11 513	45
Deltacredit	14 117	5 812	20
Bank of Moscow	12 056	5 381	125
Rosbank	9 196	4 334	9
Svyaz-Bank	8 426	4 636	1
Raiffeizenbank	7 900	-	5
Bank St. Petersburg	7 714	4 181	31

Source: The Rusipoteka's data.

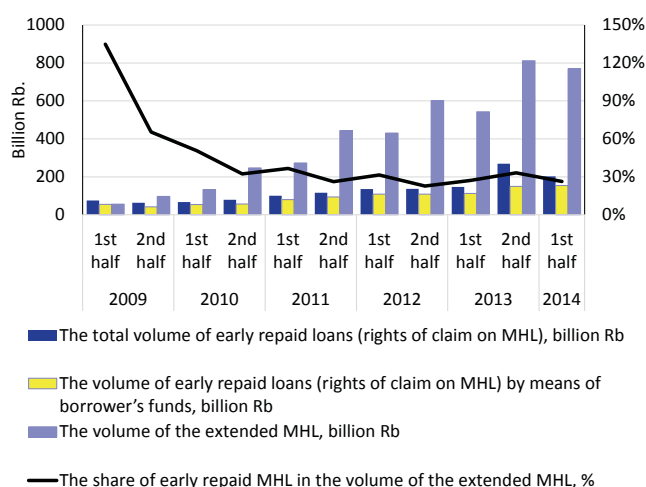
In H1 2014, as compared to H1 2013 the total volume of the early repaid MHL increased by 37.49%. Along with that, the share of the early repaid MHL in the volume of the extended MHL decreased by 0.83 p.p. as compared to H1 2013 and amounted to 26.3% (Fig. 9).

According to the data of the Central Bank of the Russian Federation, in H1 2014 on the primary mortgage market 481 credit institutions out of 635 cred-



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

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



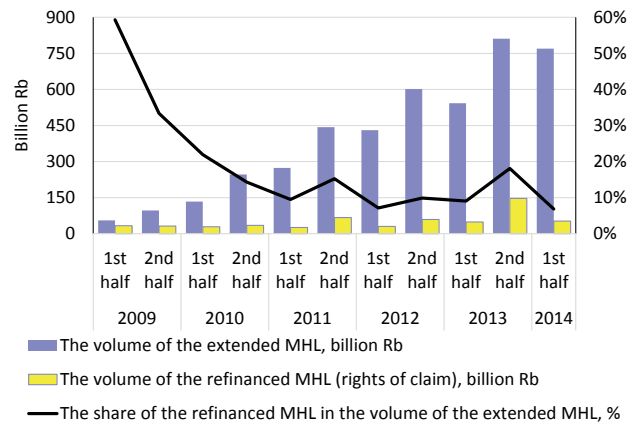
Source: On the basis of the data of the Central Bank of the Russian Federation.

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

it institutions extended MHL, while the remaining 154 credit institutions serviced the earlier extended loans. It is to be noted that on a regular basis 176 credit institutions extended MHL in rubles, while six credit institutions, in foreign currency. In H1 2014, 115 credit institutions refinanced MHL with a sale of a pool of MHL (rights of claim on MHL) for the total amount of Rb 52,776bn (Fig. 10). Within the same period in 2013, 129 credit institutions refinanced Rb 49.2bn worth of MHL. As of July 1, 2014, the share of refinanced MHL amounted to 6.86% of the volume of the extended MHL (Fig. 10) against 9.07% in H1 2013.

In January-August 2014, the OAO AHML repurchased Rb 29,010 worth of 18,909 mortgages which value amounted to 3.14% of the primary MHL market in rubles.

From the start of realization by the OAO AHML of a privileged mortgage program for young teachers, Rb 4.7bn worth of 3,350 mortgages was extended in 72 constituent entities of the Russian Federation. The average sum of a loan amounted to Rb 1.3m, while the average payment on a mortgage loan, to Rb 12,000 which is 20% lower than the average market payment on a mortgage loan. The OAO AHML allocated additionally Rb 1.5bn to grant loans in rubles to teachers at the interest rate of 8.5% per annum which was stated in Resolution No.1177 of the Government of the Russian Federation. The allocated funds will help an-



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) by means of sale to other entities

other 1200 teachers to improve their housing conditions.

The OAO AHML intends to allocate Rb 440bn in a new strategy of mortgage lending. According to that strategy, by 2018 interest rates on housing mortgages are to be reduced to the level of “the rate of inflation, plus 2.2 p.p.”. According to the calculations of the OAO AHML, Rb 1.28 trillion will be required for implementation of the above strategy from the profile state agencies. ●