

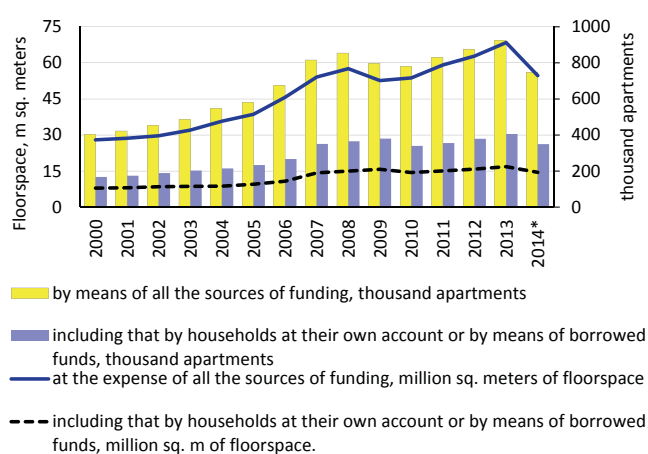
RUSSIA'S REAL PROPERTY MARKET IN JANUARY–NOVEMBER 2014

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In January–October 2014, entities of all the forms of ownership built 729,400 apartments with the total floorspace of 56.1m sq. m. which is equal to 123.7% on the respective period of 2013. Despite the macroeconomic situation, in 2014 in the country the ratio between the price of housing and households' income points to higher affordability of housing both on the primary and the secondary market. In 2014, the weighted average rate on MHL in rubles extended within a month rose from the minimum value of 11.97% in March to 12.84% in October. As of October 1, 2014, the debt on MHL amounted to 6.19% of the respective GDP which value is 1.21 p.p. higher than that as of October 1, 2013.

According to the data of the Rosstat, in January–October 2014 entities of all the forms of ownership built 729,400 apartments with the total floorspace of 56.1m sq. m (Fig. 1) which is equal to 123.7% on the respective period of 2013. Individual developers built 193,400 residential houses with the total floorspace of 26.2m sq. m. (Fig. 1) or 46.7% of the total floorspace of housing commissioned in 2014 against 43.8% in 2013.

As of November 1, 2014, in the Russian Federation 390.5 sq. m of housing per 1,000 persons were commissioned on average against 316.6 sq. m per 1,000 persons as of November 1, 2013. As regards the volume of housing built per 1,000 persons, the leader is the Southern Federal District with 511.5 sq. m per 1,000 persons (Table 1). As regards the volume of housing commissioned per 1,000 persons (that is, 700 sq. m), the highest indices among regions were registered with the Tyumen Region (without Khanty-Mansiisk-Yugra Autonomous Region and the Yamalo-Nenets Autonomous Region) (1013.5 sq. m), the Kaliningrad Region (855.6 sq. m), the



* January–October 2014;
 **the data on the number of apartments commissioned by households at their own account or by means of borrowed funds in January–October 2014 is approximate.

Source: the data of the Rosstat.

Fig. 1. Commissioning of new residential houses

Table 1

BUILDING OF RESIDENTIAL HOUSES BY FEDERAL DISTRICTS OF THE RF IN JANUARY–OCTOBER 2014

Federal district	Thousand sq. meters of housing commissioned		Housing commissioned by households out of the total volume of housing, thousand sq. meters			Sq. meters of housing per 1,000 persons	The place as regards the number of sq. meters of housing per 1,000 persons	
	In the period from the beginning of the year	% of the respective period of the previous year	In the period from the beginning of the year	% of the respective period of the previous year	% of the total housing		2014	2013
Southern	7142.5	127.1	3873.5	108.7	54.23	511.5	I	I
Urals	5297.4	136.8	2279.1	150.2	43.02	433.0	II	II
North-Western	5878.9	126.4	2001.2	187.7	34.04	426.0	III	VI
Central	15655.9	122.5	5786.6	108.5	36.96	403.3	IV	IV
Privolzhsky	11711.7	119.3	6535.0	106.5	55.80	393.8	V	III
The Russian Federation	56098.5	123.7	26191.6	117.6	46.69	390.5	VI	V
North-Caucasian	3292.9	125.7	2536.0	139.7	77.01	343.4	VII	VIII
Siberian	5638.4	117.7	2575.1	114.4	45.67	292.3	VIII	VII
Far Eastern	1440.8	137.7	605.1	133.8	42.00	231.4	IX	IX

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

Moscow Region (768.7 sq. m), the Krasnodar Territory (738.9 sq. m), the Belgorod Region (713.2 sq. m) and the Leningrad Region (708.6 sq. m). Less than 100 sq. m per 1,000 persons were built in the Kamchatka Territory (80 sq. m), the Magadan Region (32.6 sq. m) and the Murmansk Region (14.3 sq. m).

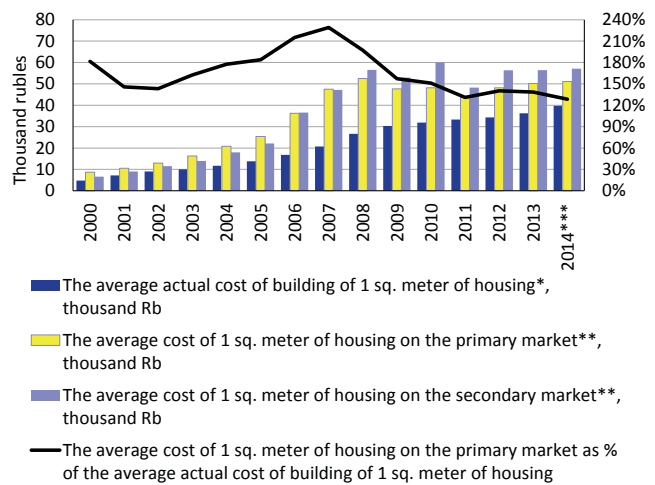
In a situation of the growing rate of inflation, as of October 1, 2014 the average price of 1 sq. meter of housing of the “all the apartments” category on the primary market increased by 2.31% on the respective period of 2013 and amounted to Rb 51,116, while that on the secondary market rose by 1.55% to Rb 57,119. Along with that, in 2014 the average cost of building of 1 sq. meter of such housing rose by 9.72% to Rb 39,773 (Fig. 2). Accordingly, as of October 1, 2014 the ratio of the average price of 1 sq. meter of new housing of the “all the apartments” category to the actual cost of building of 1 sq. meter of housing fell by 10.0 p.p. to 128.48% against the value of the respective period of 2013 (Fig. 2).

According to the data of the Rosstat, in January–September 2014 the highest cost of building which exceeds by over 50% the average national level was observed in the Kamchatka Territory (Rb 61,640), the Chechen Republic (Rb 62,316) and the Sakhalin Region (Rb 66,125). That value is below the national average in 62 constituent entities of the Russian Federation with the lowest one registered with the Republic of Dagestan (Rb 17,957), the Republic of Kalmykia (Rb 21,908) and the Republic of Ingushetia (Rb 22,864).

The ratio of housing affordability (RHA)¹ provides an integrated assessment of availability of housing to Russian nationals. As of October 1, 2014, on the primary market and the secondary market RHA amounted to 2.81 years and 3.01 years, respectively, which values are 10.69% and 7.05% lower, respectively than those as of October 1, 2013 (Fig. 3). The latter is evidence of higher affordability of housing both on the primary and secondary markets.

According to the data of the Rosreestr, as of October 1, 2014 the volume of registration of individuals’ titles to land plots (4,373,751 certificates) increased by 0.46% as compared to October 1, 2013. As of October 1, 2014, the number of legal entities’ registered titles to land plots rose by 5.1% to 204,538 certificates. As of October 1, 2014, leasing of land plots by individuals (56,574 certificates) decreased by 3.84%

¹ In accordance with the Zhilische (Housing) federal purpose program, RHA is calculated as a ratio of the cost of a standard 54 sq. m apartment to the annual income of a family of three members (on the basis of values of the following indices: the average price of 1 sq. meter of housing, the average per capita cash income multiplied by three (a family of three members) and a social standard of housing (54 sq. meters) which corresponds to that size of a family).



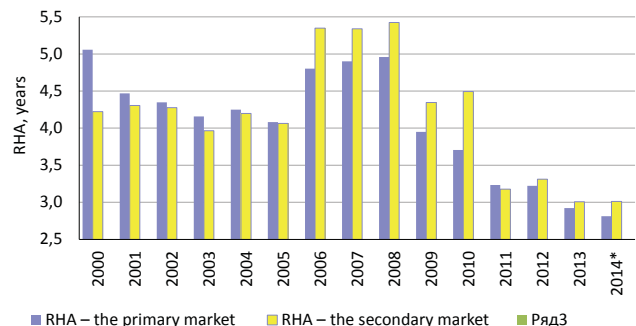
*January–September 2014;

**the average actual cost of building of 1 sq. meter of housing of detached residential houses (all the apartments) without extensions, overstory and built-in premises in the Russian Federation (without that 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 of 1 sq. meter of housing and prices of 1 sq. meter of housing on the primary and secondary markets of the Russian Federation



* for three quarters of 2014.

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

Fig.3. The ratio of housing affordability (a standard apartment)

as compared to October 1, 2013, while that by legal entities (34,902 certificates), by 41.89%.

As of October 1, 2014 the number of registered mortgages on land plots for individuals (496,070 certificates) rose by 30.63%, while that for legal entities (108,611 certificates) fell by 4.22% as compared to October 1, 2013.

By the beginning of 2014, 7,882,600 families were provided with land plots with the total area of 987,500 ha for individual housing development; the above values are 1.37% and 2.46% higher as regards the number of families and the area of land plots, respectively, than in 2012.

In 2013, the share of settlements’ land plots in private ownership amounted to 128.15 m ha which is

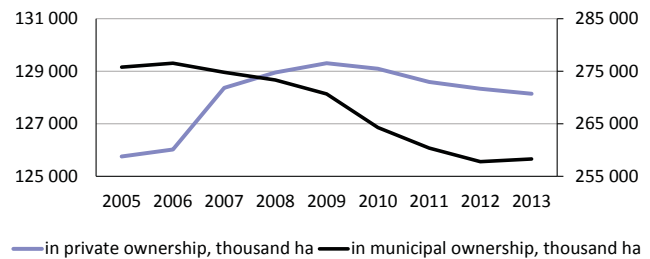
0.15% lower than in 2012. During that period, the area of the land in state and municipal ownership rose by 0.2% and amounted to 258.32ha (Fig. 4). So, the share of private land plots decreased by 0.17 p.p. In 2013, the share of land in private ownership in Moscow and St. Petersburg amounted to 18.04% and 23.3%, respectively.

According to the data of the Rosreestr, efficiency of the cottage amnesty – that is, registration in accordance with a simplified procedure of individuals' titles to land plots provided prior to introduction of the Land Code of the Russian Federation for personal subsidiary husbandry, gardening, orcharding, individual garage building and individual housing development – is decreasing (Fig. 5). Over nine months of 2014, under the cottage amnesty 237,924 certificates were registered which value is 18.65% lower than in 2013.

According to the data of the Central Bank of the Russian Federation, as of November 1, 2014, 631 credit institutions provided 797,181 mortgage housing loans (MHL) for the total amount of Rb 1,386.64bn which exceeds the volume of MHL extended within the same period of 2013 by 24.71% and 33.03% in quantitative terms and monetary terms, respectively. The quarterly dynamics of consumer lending (Fig. 6) points to termination of growth in consumer lending in 2014. As of October 1, 2014, the volume of accrued consumer lending from the beginning of the year (Rb 7.13 trillion) exceeds by the mere 0.29% the respective result of 2013 (Rb 7.11 trillion). Along with that, in the same period the volume of mortgage housing lending rose by 34.85%. The share of MHL extended in Q3 in the volume of consumer lending rose by 4.58 p.p. as compared to Q3 2013 and amounted to 20.25%, having exceeded by 1.75 p.p. the pre-crisis value of Q4 2008.

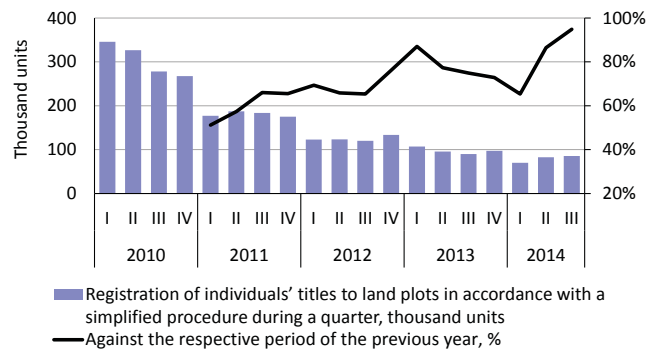
According to the data of the Rosreestr provided by the OAO AHML, in Q3 2014 the share of mortgaged real property units in the total number of real property units registered in transactions with housing increased by 3.1 p.p. as compared to Q3 2013 and amounted to 27.7%, that is, over ¼ of the apartments were purchased with use of mortgage. In the same period, the number of titles registered in transactions with housing did not virtually change (0.1% lower) and amounted to 1,086,753 certificates.

The volume of MHL extended within Q3 2014 as percentage of the respective value of GDP increased to 2.33% against 1.88% in the same period of 2013 and exceeded by 0.65 p.p. the highest value registered in 2007 (Fig. 7). As of October 1, 2014, the debt on MHL amounted to 6.19% of the respective GDP which is 1.21 p.p. higher than the value as of October 1, 2013 (Fig. 7).



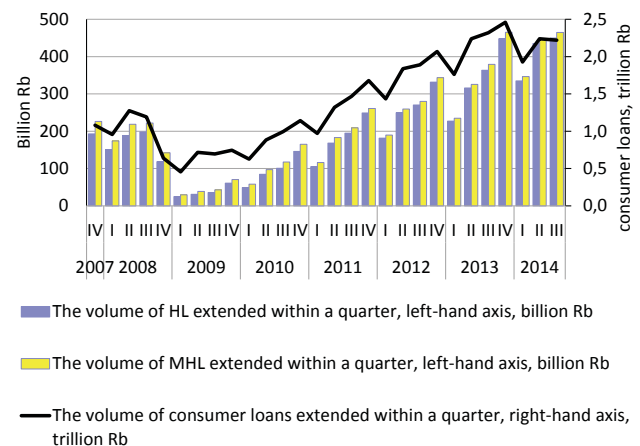
Source: the government (national) report on the State and Utilization of Land in the Russian Federation in 2013.

Fig. 4. Dynamics of distribution of settlements' land by the form of ownership



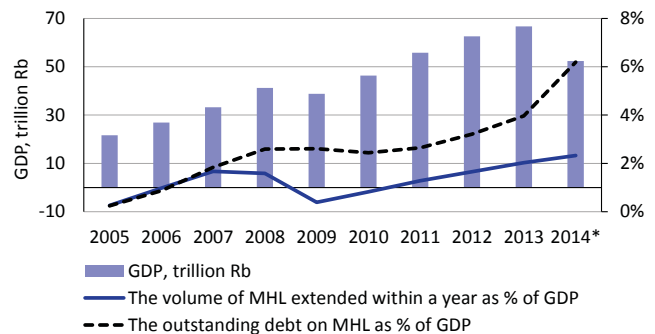
Source: on the basis of the data of the Rosreestr.

Fig. 5. Dynamics of registration in accordance with a simplified procedure of individuals' titles to land plots



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

Fig. 6. Dynamics of extension of loans to individuals within a quarter



*January–September 2014

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

As of November 1, 2014, the debt on MHL in rubles rose by 36.72% as compared to the same period of 2013 and amounted to Rb 3,236.4bn (Fig. 10). With substantial growth in the portfolio of MHL in rubles, the outstanding debt on those loans (Rb 27,205bn) increased by the mere 3.92%, while as percentage of the debt it amounted to 0.84% which is 0.3 p.p. lower than that as of November 1, 2013. The latter is evidence of higher quality of the mortgage portfolio.

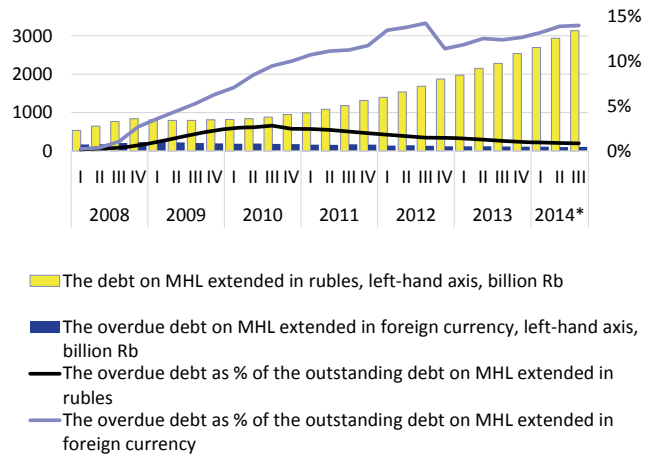
Within the same period, on the contrary, the quality of the portfolio of MHL in foreign currency got worse: the overdue debt (Rb 16.58bn) increased by 16.97% with simultaneous growth of 1.76 p.p. in the overdue debt as compared to the data as of November 1, 2013 (up to 14.17% of the outstanding debt) (Fig. 8). As of November 1, 2014, the total overdue debt as percentage of the total outstanding debt amounted to 1.31%.

As of November 1, 2014, the share of the debt without overdue payments (Rb 3,194.79 bn) in the total sum of the debt amounted to 95.27%, which is 0.03 p.p. lower than that as of November 1, 2013. As of November 1, 2014, the share of the debt on MHL with payments overdue for over 180 days (the debt on defaulted loans) in the total sum of the debt amounted to 1.68%, that is, 0.29 p.p. lower than that as of November 1, 2013.

In 2014, the weighted average rate on MHL in rubles extended within a month increased from the minimum value of 11.9% in March to 12.84% in October. In 2014, the weighted average period of lending as regards MHL in rubles extended within a month varied from 12.9 years to 15.9 years.

As of November 1, 2014, the weighted average rate on MHL in foreign currency extended from the beginning of the year fell to 9.34%, which is 0.5 p.p. lower than the highest value of the rate as of February 1, 2014. As of January 1, 2014, the weighted average period of lending as regards MHL in foreign currency extended from the beginning of the year amounted to 11.7 years.

As of November 1, 2014, 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 varied about 0.5% and 3.7%, respectively. In 2014, the share of the



*January–October 2014.

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

Fig.8. Dynamics of outstanding debt and overdue debt on mortgage housing loans

overdue debt on MHL in foreign currency as percentage of the total debt varied from 34.6% to 37.87%, which fact is evidence of a much lower quality of MHL in foreign currency as compared to loans in rubles.

According to the OAO AHML's expert estimate, in January–September 2014 the share of mortgage lending in purchasing of housing on the primary market amounted to 30% of the total volume of MHL as in 2013, in general.

As of December 1, 2014, the OAO AHML refinanced 27,275 loans for the total amount of Rb 42,496bn which is 1.12% higher and 5.2% lower in monetary terms and quantitative terms, respectively. In January–October 2014, the Agency's weighted average rate of repurchase amounted to 10.7%, while that on special products, to 10% (in particularly, 9.7% on the *Military Mortgage* program). The share of mortgage loans refinanced by the OAO AHML within the frameworks of social mortgage programs amounted to 46.7% and 55.6% of the total volume of the Agency's activities on the primary market in quantitative terms and monetary terms, respectively. As of November 1, 2014, in circulation there were Rb 157.5bn worth of 23 issues of the OAO AHML's bonds backed by state guarantees of the Russian Federation and Rb 10bn worth of two issues of the OAO AHML's exchange-traded bonds.