

THE REAL ESTATE MARKET IN THE RUSSIAN FEDERATION IN JANUARY–FEBRUARY 2015

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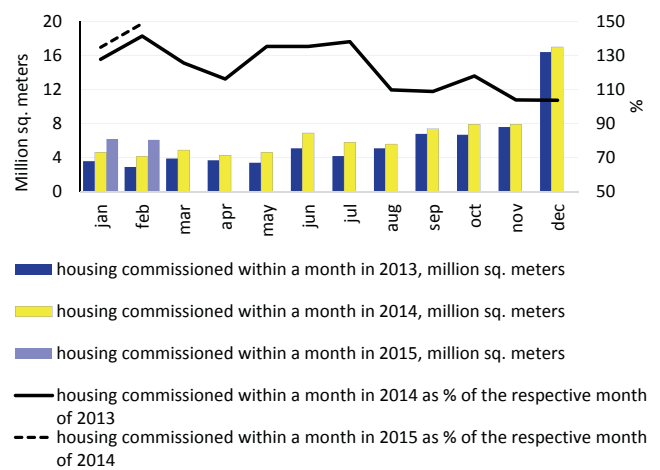
In January–February 2015, 155,900 apartments were commissioned and their total floorspace of 12.3m sq. meters exceeded by 40.6% the result of January–February 2014. According to the data of the Rosreestr, in 2014 the volume of registered titles to land plots (6735253 registration certificates), including the individuals' titles exceeded by 1.69% the result of 2013. For the first time since 2010, growth in mortgage housing lending gave way in 2015 to a decrease: 43025 loans for the total amount of Rb 70.52bn extended in January 2015 were 9.85% and 11.07% lower in quantitative and monetary terms, respectively, than in January 2014. As of 1 February 2015, the overdue debt on MHL in rubles as percentage of the outstanding debt fell 0.12 p.p. as compared to 1 February 2014 and amounted to 0.87%. In January 2015, the weighted average rate on MHL in rubles amounted to 14.16%, which is 2.19 p.p. higher than the lowest value of the rate in 2014.

In January–February 2015, entities of all the forms of ownership commissioned 155,900 apartments with the total floorspace of 12.3m sq. meters or 140.6% against the floorspace in January–February 2014. In January 2015, 72,200 apartments with the total floorspace of 6.2m sq. meters were built out of the above number of apartments or 134.0% against January 2014 (Fig. 1). In January–February 2015 individual developers built 6.34 m sq. meters of housing or 51.6% of the total volume of housing commissioned in January–February 2015. In January 2015, individual developers built 2.7m sq. meters of housing or 43.7% of the total volume of housing commissioned in January 2015.

In 2014, the average floorspace of new apartments (75.0 sq. meters) fell by 1.46% against 2013. The average floorspace of apartments built in January–February 2015 amounted to 78.9 sq. meters which is 5.46% higher than the average floorspace of apartments built in January–February 2014 (Fig. 2).

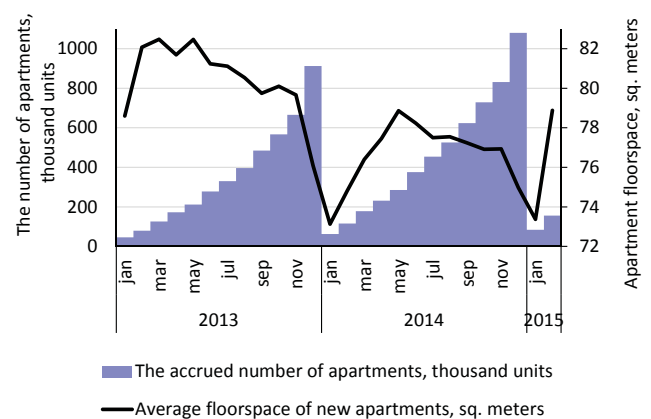
In 2014, the total floorspace of new housing per 1,000 people amounted to 564 sq. meters having exceeded by 35.17% the 1990 data. Along with that, the dilapidated and failing housing stock per 1,000 persons exceeded 3 times over and 1.33 times over the data on that stock in 1990 and that on new housing commissioned in 2013, respectively. In 2013, the failing housing stock exceeded 7.5 times over the index of 1990 and if in 1990 the failing housing stock amounted to 1/19 of the new housing, in 2013 it was equal to 1/3 (Fig. 3).

According to the data of the Rosreestr, in 2014 the volume of registered titles to land plots (6735253 registration certificates), including individuals' titles exceeded by 1.69% the results of 2013 (Fig. 4). It is to be noted that individuals' registration certificates amounted to 91.32% of the total volume of registration or 6150952 certificates. Growth in the number of



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

Fig.1. Dynamics of housing development

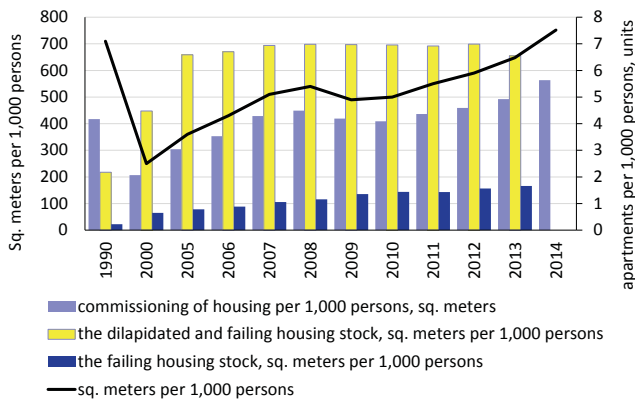


Source: on the basis of the data of the Rosstat.

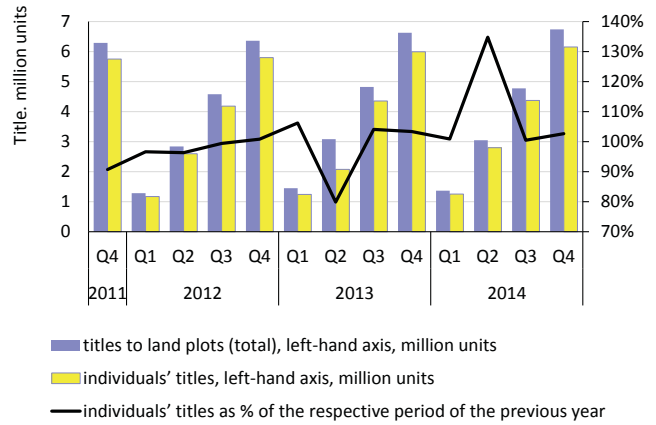
Fig. 2. The average floorspace of new apartments

registration certificates which record changes in titles to land plots point to growth in the turnover.

In 2014, growth in the number of registration of land mortgages by individuals continued with reduction of



Source: on the basis of the data of the Rosstat
 Fig. 3. Commissioning of apartments and floorspace per 1,000 persons



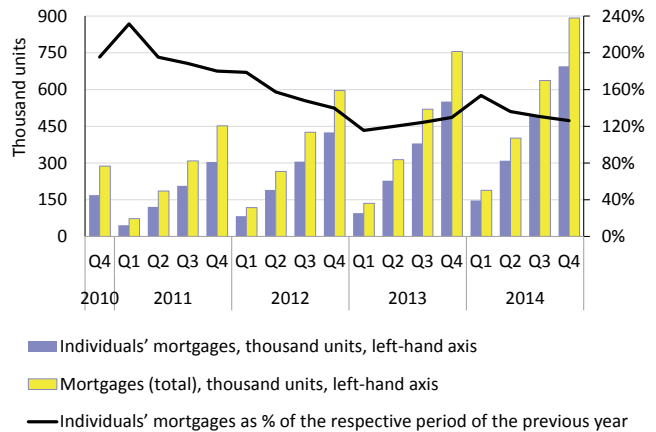
Source: the data of the Rosreestr.
 Fig. 4. Dynamics of registration of titles to land plots (accrued from the beginning of the year)

growth rates. In 2014, the volume of registration of land mortgages by individuals exceeded by 26.11% the volume of 2013 and amounted to 77.88% of the total number of land mortgages or 891940 registration certificates (Fig. 5).

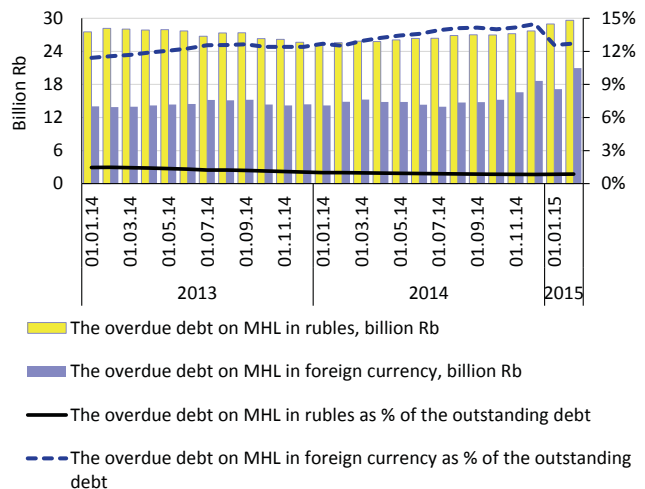
According to the data of the Central Bank of the Russian Federation, in January 2015 44937 housing loans (HL) for the total amount of Rb 70.52bn were extended. In January 2015 as compared to January 2014, for the first time since 2010 the volume of the extended MHL was 9.85% and 11.09% lower in quantitative and monetary terms, respectively. It is to be noted that MHL in rubles were 9.75% and 11.07% lower in quantitative and monetary terms, respectively. As regards MHL in foreign currency, their volume was 85.94% and 15.24% lower in quantitative and monetary terms (Rb 0.267bn), respectively. As of 1 February 2015, the outstanding debt on MHL in rubles rose by 32.38% and amounted to Rb 3.39 trillion as compared to 1 February 2014, while that on loans in foreign currency rose by 38.78% and amounted to Rb 164.95bn.

As of 1 February 2015, the overdue debt on MHL amounted to Rb 50.6bn (Rb 29,634bn on loans in rubles and Rb 20,962bn on loans in foreign currency). As of 1 February 2015, the overdue debt on MHL in foreign currency as percentage of the outstanding debt in foreign currency rose by 0.20 p.p. as compared to 1 February 2014 and amounted to 12.71%, but decreased by 1.78 p.p. as compared to 1 December 2014 (14.49%). Within the same period, the overdue debt on MHL in rubles as percentage of the outstanding debt fell by 0.12 p.p. and amounted to 0.87% (Fig. 6). As of 1 February 2015, the aggregate overdue debt on MHL amounted to 1.42% of the total debt, that is, 0.09 p.p. lower as compared to 1 February 2014.

According to the data of the Central Bank of the Russian Federation, as of 1 February 2015 the debt on defaulted MHL (with a period of delay for over



Source: the data of the Rosreestr.
 Fig. 5. Dynamics of registration of land mortgages (accrued from the beginning of the year)



Source: on the basis of the data of the Central Bank of the Russian Federation.
 Fig. 6. Dynamics of the overdue debt

180 ays) amounted to Rb 67.61bn or 1.9% of the total amount of the debt which is 0.14 p.p. and 0.11 p.p. higher as compared to 1 January 2015 and 1 February 2014, respectively. The share of the debt on MHL without overdue payments fell by 0.11 p.p. and 1.0 p.p. as compared to 1 January 2015 (95.4%) and 1 February 2014, respectively.

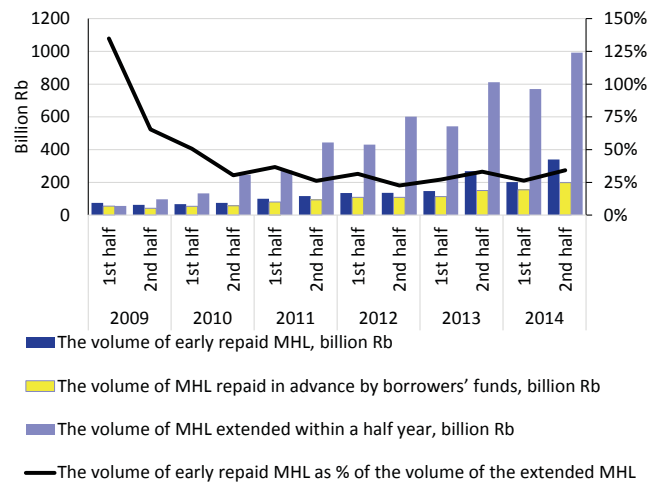
In January 2015, the average value of MHL in rubles amounted to Rb 1.63m which is 1.47% lower as compared to January 2014, while an average loan in foreign currency, to Rb 29.67m which five times more than in January 2014.

In January 2015, the average weighted rate on MHL in rubles extended within a month amounted to 14.16% which is 2.19 p.p. higher than the minimum value of the rate (11.97% in March) in 2014, while the weighted average period of lending amounted to 14.7 years (Fig. 7). As regards MHL extended from the beginning of the year in foreign currency, the weighted average rate as of 1 February 2015 amounted to 10.42%, which was 1.11 p.p. higher than the minimum value of the rate (9.31% in April) in 2014. As of 1 February 2015, the weighted average period of lending amounted to 6 years against 12.2 years as of 1 January 2015.

In January 2015, the share of MHL in foreign currency in the total volume of loans extended within a month amounted in monetary terms to 0.38% against 1.01% in December 2014. As of 1 February 2015, the debt on MHL in foreign currency as a percentage of the total debt on the extended loans amounted to 4.64%, which is 1.33 p.p. higher than the lowest value in July 2014.

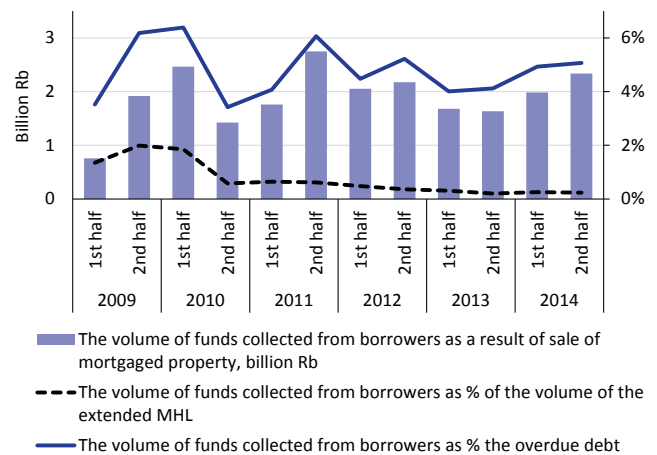
In H2 2014, the volume of MHL repaid by borrowers in advance amounted to Rb 199.13bn, having exceeded by 32.73% the respective value of 2013 (Fig. 7), while in 2014 in general the volume amounted to Rb 353.78bn, having exceeded by 34.47% the respective value of 2013. In 2014, the annual volume of MHL repaid by borrowers in advance as percentage of the extended MHL amounted to 20.07%. In 2014 the entire volume of early repaid MHL rose by 30.36% in monetary terms and amounted to Rb 542.67bn.

In 2014, the volume of funds collected from borrowers as a result of sale of mortgaged property amounted to Rb 4.32bn which is 30.46% more than in 2013. In H2 2014, the volume of funds collected from borrowers as a result of sale of mortgaged property amounted to Rb 2.34bn (Fig. 9), which is 43.11% more than in H2 2013. Within the same period, the volume of funds collected from borrowers as percentage of the overdue debt on MHL increased by 0.95 p.p. and amounted to 5.07%; against the volume of the extended MHL it rose by 0.04 p.p. to 0.24%. (Fig. 8).



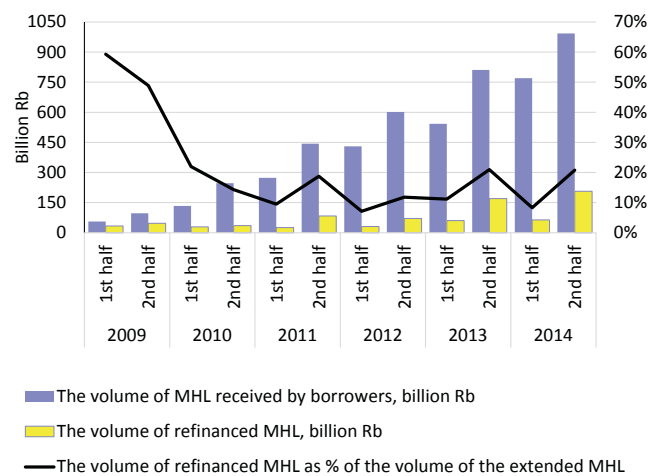
Source: on the basis of the data of the Central Bank of the Russian Federation.

Fig. 7. Dynamics of early repayment of MHL



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

Puc. 8. Dynamics of the volume of funds collected from borrowers as a result of sale of mortgaged property



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

Fig. 9. Dynamics of refinancing of MHL (rights of claim)

According to the data of the Central Bank of the Russian Federation, in 2014 the volume of refinanced MHL which included both the sale of a pool of loans and keeping of an asset on the balance of a credit institutions amounted to Rb 270.53bn or 15.35% of the volume of MHL extended within that period. In H2 2014, the volume of refinanced MHL amounted Rb 206.42bn or 20.79% of the volume of MHL extended within that period; the above value was 21.53% higher and 0.15 p.p. lower than the volume of refinanced MHL in H2 2013 and the volume of MHL extended within that period, respectively (*Fig. 9*).

In January–February 2015, five issues of mortgage-backed housing bonds for the total amount of Rb 33.86bn were carried out on the secondary market. It is to be noted that 4 issues for the total amount of Rb 31.4bn were carried out with some participation the OAO AHML.

Due to reduction by the Central Bank of the Russian Federation of the key rate from 15% to 14%, at the meeting of the government commission it was decided to reduce the rate on mortgage loans subsidized by the government to banks in the volume of Rb 20bn from 13% to 12%. Borrowers who concluded credit agreements for the period of maximum 30 years from 1 March 2015 till 1 March 2016 and paid minimum

20% of the total price of housing may still receive a ruble loan at a privileged rate. It is to be noted that the maximum amount of privileged loans is determined at Rb 8m for Moscow, St. Petersburg and the Moscow Region and up to Rb 3m for other regions.

Subsidies will be available after introduction of amendments to the Law on Budget, however, the VTB 24, the Sberbank and the Bank of Moscow have already initiated “Mortgage with State Support” programs. The VTB 24 is going to allocate Rb 100bn for that program at the interest rate of 12%, while the Sberbank plans to extend within a year Rb 200bn worth of loans at the interest rate of 11.9%.

Together with its subsidiary the OAO Agency for Housing Development Financing (AHDF), the OAO AHML launched *Rent with the Right to Buy Back*, a pilot project to assist borrowers of the OAO AHML who cannot fulfill their obligations as regards a mortgage loan, but want to keep their apartments. The OAO AHDF will buy out apartments from such borrowers at a market price, grant them and members of their family the right to stay on and use the apartment on the terms of a long-term leasehold and have an opportunity to buy back the apartment at a fixed price. The first few deals on that have already been concluded. ●