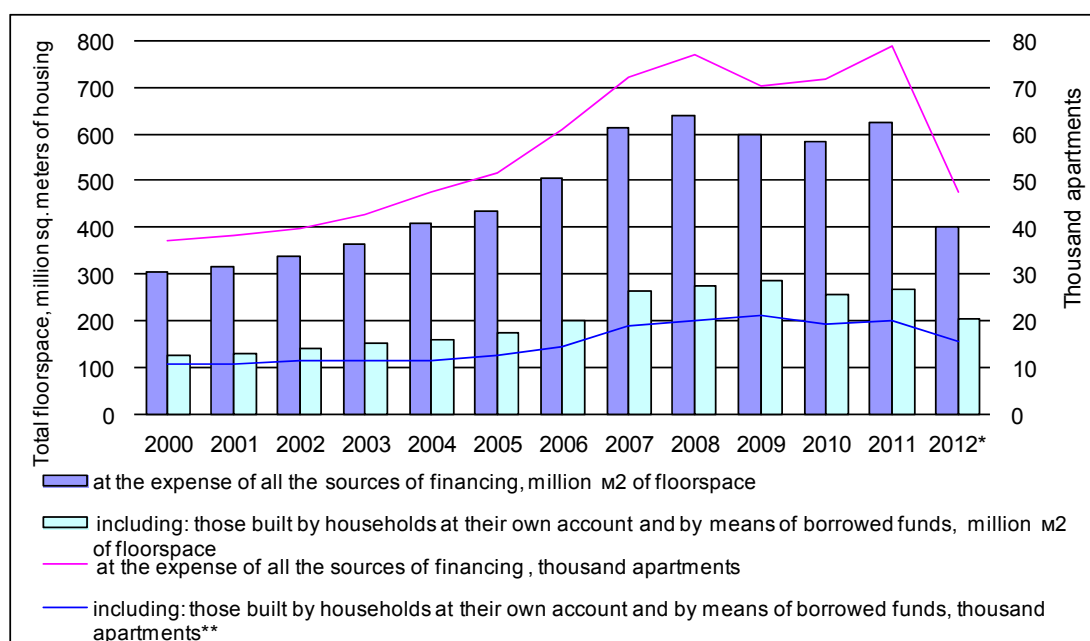


Georgy Zadonsky

The Real Estate Market in the Russian Federation

In January-October 2012, entities of all the forms of ownership built 476,500 apartments with the total floorspace of 40.1m sq. meters which amounts to 103.8% on the respective period of 2011. The ratio between the price of housing and households' income in 2012 points to the fact that housing became less affordable both on the primary and secondary markets. The weighted average interest rate on mortgage housing loans (MHL) in rubles increased within a month from 11.4% as of December 1, 2011 to 12.4% as of November 1, 2012. The debt on MHL as a share of GDP increased to 4.11% as of October 1, 2012 which figure exceeds by 1.51 p.p. the highest pre-crisis value of the year 2008.

According to the data of the Rosstat, in January-October 2012 entities of all the forms of ownership built 476,500 apartments with the total floorspace of 40.1m sq. meters (Fig. 1) which amounted to 103.8% on the respective period of 2011. Of the above number, 67,900 new apartments with floospace of 5.5m sq. meters were built in October 2012. In January-October 2012, individual developers built 20.5m sq. meters of housing (Fig. 1) or 51.1% of the total volume of housing commissioned in January-October 2012 against 50.3% in the same period of 2011.



*) January-October 2012;

**) the statistical data on the number of apartments commissioned by households at their own account and by means of borrowed funds within the specified period is unavailable; the values stated are approximate ones.

Source: the data of the Rosstat.

Fig. 1. Commissioning of apartment houses

As a result of realization of state housing certificates issued to persons who were dismissed from military service and law enforcement agencies, as well as persons made equal to them, 734 apartments were bought in 2012. The total floorspace of housing bought amounted to

40,200 sq. meters, and Rb 1,455.4 m was spent on that including Rb 1,399.2m worth of subsidies which amounted to 96.14% of the utilized funds.

In January-October 2012, 280.5 sq. meters of housing per thousand persons was commissioned on average in the Russian Federation which figure is 2.71% higher than in the respective period of 2011. The largest amount of floorspace was commissioned (*Table 1*) in the Krasnodar Territory where they built 633.6 sq. meters per thousand persons. The benchmark of 400 sq. meters per thousand persons was surpassed as well by the Belgorod Region, the Republic of Tatarstan, the Tyumen Region, the Leningrad Region, the Lipetsk Region, the Chuvash Republic, the Southern Federal District as a whole and the Kaliningrad Region. Moscow is rated the 86th with the index of 103 sq. meters per thousand persons.

Table 1

Building of apartment houses by constituent entities of the Russian Federation in January-October 2012, sq. meters per thousand persons

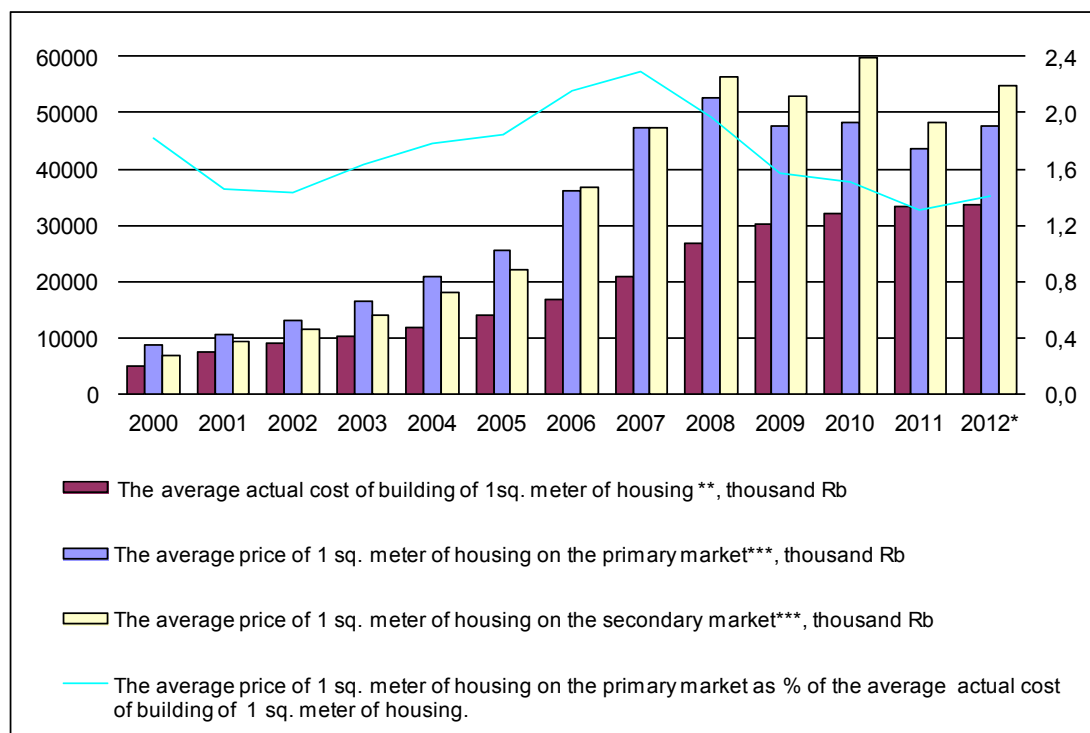
2012*	Regions of the Russian Federation	Commissioned in 2012			Position as regards the number of sq. meters per thousand persons in 2009, 2010 and 2011, respectively
		In the period from the beginning of the year, thousand sq. meters	as % of the respective period of the previous year	Sq. meters of floorspace per thousand persons	
1	The Krasnodar Territory	3,348.5	118.1	633.6	5,4,3
2	The Belgorod Region	887.2	119	577.6	3,3,2
3	The Moscow Region	3,804.5	96.5	528.5	1,1,1
4	The Republic of Tatarstan	1,852.2	97.5	487.0	13,10,8
5	The Tyumen Region	1,544.6	109.5	446.5	9,12,9
6	The Leningrad Region	760.8	109.6	438.8	7,6,6
7	The Lipetsk Region	486.9	105.4	417.6	8,7,7
8	The Chuvash Republic	520.4	95.4	417.3	4,5,4
9	The Southern District (from 2010)	5711	111.6	411.3	17,16
10	The Kaliningrad Region	386.1	104.8	407.8	6,9,12
26	The Privolzhsky District	9,143.1	101.4	306.7	28,27,25
29	The Urals District	3,570.1	110.8	294.0	23,35,31
32	The Russian Federation	40,127.8	103.8	280.5	27,28,30
38	The North-Western District	3,639.6	105.8	266.4	26,26,33
39	The Central District	10,255.7	100.2	266.1	15,19,19
40	The North-Caucasian District	2,374.5	119.3	250.1	52,49,50
46	The Siberian District	4,394.5	95.4	228.2	49,44,44
75	The Far Eastern District	991	97.3	158.2	79,70,62
86	The City of Moscow	1,195.8	83.2	103.0	70,84,84

*) January–September 2012

Source: on the basis of the Rosstat's data

In 2012, the ratio of the average price of a square meter of new housing of the “all apartments” category to the actual cost of building of a sq. meter increased by 9.74 p.p. to 140.85% against the previous lowest value of 131.1% in 2011 (*Fig. 2*). According to the data of the Rosstat, in January–September 2012 the highest cost of development which exceeded by 50% the national average level was observed in the Sakhalin Region (Rb 59,065), Moscow (Rb 53,406), the Yamalo-Nenetsk Autonomous Region (Rb 50,133), the Chechen Republic (Rb 49,580) and the Republic of Sakha (Yakutia) (Rb 49,572). The cost of development is below the

national average level in 52 constituent entities of the Russian Federation with the lowest one registered in the Republic of Adygeia (Rb 18,862), the Republic of Karachaevo-Cherkessia (Rb 21,907) and the Lipetsk Region (Rb 21,957).



*) January–September 2012 .

**) Average actual cost of building of a sq. meter of housing of detached houses (all the apartments) without additional buildings, overstories and built-in premises in the Russian Federation (without those built by people at their own account and by means of borrowed funds);

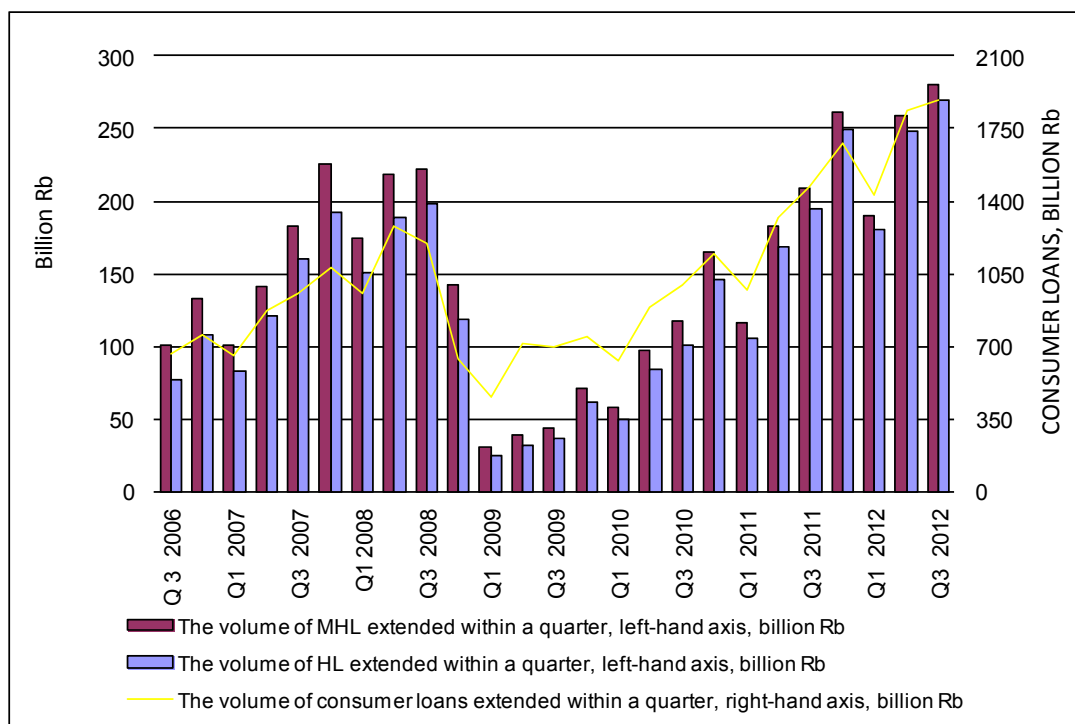
***) all the apartments.

Source: the Rosstat's data.

Fig. 2. The cost of building of a sq. meter of housing and prices of a sq. meter of housing on the primary and secondary markets of the Russian Federation

The housing affordability ratio (HAR) as relation of the cost of a standard 54 sq. meter apartment to the annual income of a family of three members amounted as of October 1, 2012 to 3.47 years and 3.53 years on the primary market and the secondary market, respectively, which figures are 7.07% and 10.74% higher than the respective HAR values as of January 1, 2012.

According to the data of the Central Bank of the Russian Federation, as of November 1, 2012 661 credit institutions extended 544,968 mortgage housing loans (MHL) for the total amount of Rb 801,304bn which exceeded by 49% the volume of MHL extended as of November 1, 2011 (Fig. 3). In the 3rd quarter of 2012, the share of MHL in the consumer lending volume rose by 0.98 p.p. as compared to the 3rd quarter of 2011 and amounted to 14.25%. In the 3rd quarter of 2012, the share of HL in the consumer lending volume exceeded by 0.55 p.p. the share of HL in the 3rd quarter of 2011. According to the Rosreestr's data, the share of mortgaged real property projects in the total number of real property projects registered in real-estate transactions kept growing and according to the January-September 2012 data every fifth transaction with real property was a mortgaged one.



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

Fig. 3. Dynamics of lending to individuals within a quarter

As of October 1, 2012, the volume of MHL amounted to 1.59% of the respective value of GDP against 1.31% in 2011 and 1.67% – the highest pre-crisis value -- in 2007 (Fig. 4). As of October 1, 2012, the debt on MHL amounted to 4.11% of the respective GDP which figure exceeds by 1.4 p.p. and 1.51 p.p. the 2011 value and the highest pre-crisis value in 2008, respectively (Fig. 4).



*) January–September 2012

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

Fig. 4. Dynamics of mortgage housing lending as % of GDP

In 2012, the outstanding debt on MHL in rubles kept growing, while the share of the overdue debt on MHL in rubles in the outstanding debt kept decreasing. As of November 1, 2012, the debt on MHL in rubles increased by 42.8% as compared to November 1, 2011 and amounted to Rb 1,737.78bn. The overdue debt decreased by 3.13% against November 1, 2011 and as of November 1, 2012 amounted to 1.44% of the outstanding debt or Rb 25.01bn. Within the same period, the outstanding debt on MHL in foreign currency decreased by 19.05% and amounted to Rb 129.64bn, while the overdue debt increased by 5.93% and as of November 1, 2012 amounted to 15.16% of the outstanding debt or Rb 19.65bn. The share of the total overdue debt in the total outstanding debt kept decreasing and amounted to 2.39% as of November 1, 2012.

As of November 1, 2012, the share of debt without overdue payments (Rb 1,769.94bn) in the total debt amounted to 94.78%, which is 0.72 p.p. higher than that as of January 1, 2012. As of November 1, 2012, the share of the debt on MHL with payments overdue for over 180 days (the debt of defaulted loans) in the total debt amounted to 2.65%, which figure is 1.01 p.p. lower than that as of January 1, 2012.

Reduction of the weighted average rate on MHL in rubles extended from the beginning of the year (it took place throughout 2010 and 2011) changed for growth from 11.9% as of January 1, 2012 to 12.2% as of November 1, 2012. The weighted average rate on MHL in rubles extended within a month increased from 11.4% as of December 1, 2011 to 12.4% as of November 1, 2012. In 2012, the weighted average rate on MHL in foreign currency extended from the beginning of the year remained unchanged and amounted to 9.7%. As of November 1, 2012, the weighted average period of lending as regards MHL in rubles amounted to 14.88 years which is 0.2 years more than that as of January 1, 2012, while that as regards MHL in foreign currency amounted to 11.63 years.

In 2012, the share of MHL extended in foreign currency from the beginning of the year in the total volume of MHL does not exceed 1.5%. While the share of debt on MHL in foreign currency in the total debt kept decreasing and amounted to 6.94% as of November 1, 2012, the share of the overdue debt on MHL in foreign currency in the total overdue debt varied at about 44%.

According to the expert evaluation of OAO AHML, the share of mortgage lending for buying of housing on the primary market kept growing and in January-September 2012 amounted to 19.16% of the total volume of MHL having exceeded by 5.12 p.p. the 2011 index (Table 2).

Table 2

MHL dynamics on the primary and secondary housing markets

2005	2006	2007	2008	2009	2010	2011	January–September 2012	Forecast: the year 2012
Mortgage loans for buying of housing on the secondary market*, billion Rb								
NA	NA	NA	534.9	136.9	340.1	609.4	558.9	640–800
Mortgage loans for buying housing on the primary market*, billion Rb								
NA	NA	NA	120.9	15.6	38.8	107.5	139.7	160–200
The volume of the primary market of MHL as % of the total volume the MHL extended								
NA	NA	NA	15.98	8.56	8.88	14.04	19.16	19.05

*) The share of loans on the primary and secondary housing markets is determined on the basis of the expert evaluation of OAO AHML.

Source: OAO AHML

In January-November 2012, OAO AHML refinanced 40,806 mortgage loans in rubles for the total amount of Rb 54.7bn (*Table 3*) which figure exceeded by Rb 3.49bn the 2011 result. It is to be noted that the Agency's mortgage redemption rate amounted to 10.93% (as regards standard products and the *Military Mortgage* product) which is 1.27 p.p. lower than the weighted average annual rate according to the data of the Central Bank of the Russian Federation.

Table 3

Redemption by OAO AHML of mortgages in 2012 (as of December 1, 2012)

	By all the products	Standard product	Military mortgage	Maternity capital	New building	Other
Redemption of mortgages, units	40806	24937	7345	3910	4578	36
Redemption of mortgages, thousand Rb.	54748 316	29244907	14635551	5373451	537036 1	124045
Average mortgage value, thousand Rb.	1342	1173	1993	1374	1173	3446

Source: the data of OAO AHML.

According to the data of AHML, in the period from October 1, 2009 till November 1, 2012 within the frameworks of the Stimul program the Agency assumed Rb 71.58bn worth of liabilities of which Rb 15.88bn was invested in fulfillment of obligations. AHML refinanced at the rate of 7.7% Rb 29.03bn out of Rb 48.45bn provided by banks to legal entities at the average rate of 12.53% for housing development purposes within the framewo