

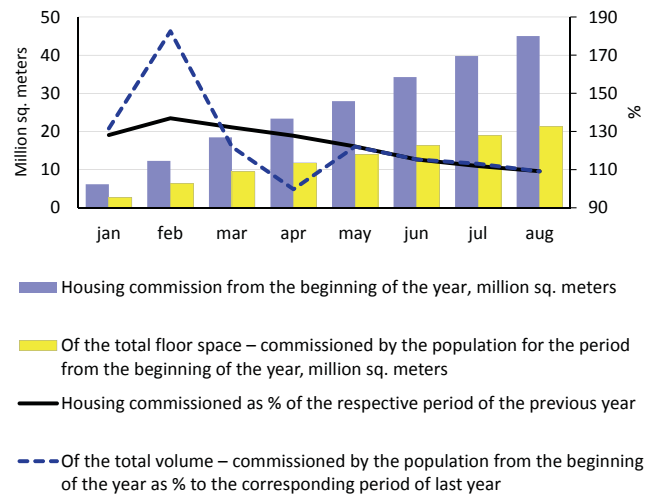
MORTGAGE IN THE RUSSIAN FEDERATION IN H1 2015

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In January–August 2015, 40.01 million m sq. of housing was constructed up 9.25% compared to the corresponding period of the previous year. Average actual construction cost of a square meter of residential housing in H1 2015 down 9.83% against H2 2014 and amounted to Rb39.44 and ratio on between the cost of a square meter of floor area on the primary housing market and the construction cost of a square meter up 6.48% for the same period and came to 132.35%. In January–July 2015, 3338,569 housing mortgage loans (HML) totaling Rb557461bn were originated which was 60.12% lower in monetary terms against the same period of 2014. The ruble stale debt on HML as of 1 August 2015 amounted to Rb34.86bn. At the same time, its share in the residual debt up 0.1 p.p. against 1 August 2014. According to CBR, in July 2015, HML average rate extended over a month in rubles fell against its maximum value of 1 March 2015 by 1.27 p.p. to 13.44%.

In H1 2015, entities of all the patterns of ownership built 445,600 apartments with total floor space 34.3 million square meters up 15.3% by square meters (less Crimea and Sevastopol) in comparison with the corresponding period last year. Individual developers built 16.4 million square meters of housing or 47.8% of the total volume of housing commissioned in H1 2015. In July 2015, 74.7 thousand apartments were built totaling 5.5 million square meters, and in August – 5.25 million square meters. Overall, from the beginning of 2015, 45.01 million square meters were commissioned up 9.25% against the corresponding period of 2014. In 2015, the population built 21.28 million square meters or 47.2% of the overall floor space (Fig. 1).

In H1 2015, on average over the Russian Federation 234.3 m sq. of housing per 1,000 of population were commissioned up 14.45% than in H1 2014. The highest volume of housing per 1,000 of population (319.1 m



Source: Rosstat data.

Fig. 1. Dynamics of commissioning of housing in 2015

Table 1

VOLUME OF COMMISSIONED IN JANUARY–JUNE 2015 HOUSING FLOOR SPACE PER 1,000 OF POPULATION ACROSS RF FEDERAL OKRUGS

Federal okrug	Place			Total housing floor space in H1 2015			
	2015	2014	2013	Msq. Per 1,000 persons	as % to H1 2014	Msq by population per 1,000 persons	By population as % to H1 2014
Sothern	1	1	1	319.1	116.0	171.7	113.6
North-Western	2	2	6	317.3	126.2	99.6	116.4
Urals	3	4	5	281.6	137.8	141.9	145.7
Russian Federation	4	5	4	234.3	115.3	112.1	115.3
Central	5	3	3	225.6	104.3	93.6	114.2
Volga	6	6	2	223.8	111.5	130.4	112.6
Сибирский	7	8	8	192.5	125.0	84.2	119.1
North-Caucasus	8	7	7	184.1	116.4	124.6	104.2
Far Eastern	9	9	9	129.2	140.6	64.1	141.2
Crimea	10	10		55.4	30.5	20.6	17.7

Source: Rosstat data.

sq.) were commissioned in the South federal district and the lowest (129.2 m sq., except Crimea) – in the Far Eastern okrug (Table 1). Among subjects of the Federation, Leningrad oblast is the leader (762.4 m sq. per 1000 persons), and Murmansk oblast (6.4 m sq.) is the last in the list. Moscow takes 69th place with 150.5 m sq. per 1,000 persons.

In H1 2015, according to Rosstat, average actual construction cost of a sq. meter of total floor space of detached houses (apartment type without extensions, superstructures and built-in facilities and without housing commissioned by individual developers) declined by 9.83% compared to H2 2014 and by 2.52% against H1 2014 and amounted to Rb 39,440 (Fig. 2). According to Rosstat, the highest construction costs by 1.5 times exceeding nationwide average level in H 1 2015 was observed in Yamal-Nenets autonomous okrug (Rb 62,615), Kamchatka krai (Rb 60,233) and Skhalin oblast (Rb 58,176). In 61 constituents of the Russian Federation construction costs are below nationwide average level. The lowest is registered in the Republic of Crimea (Rb 16,973), Republic of Dagestan (Rb 20, 862) and Saratov oblast (Rb 23, 266).

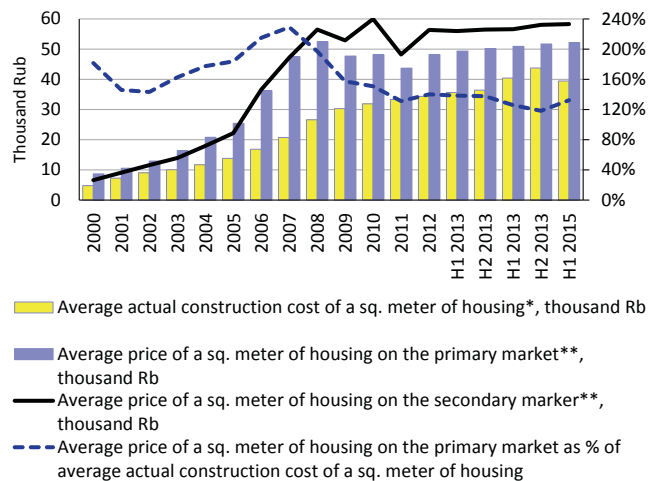
In Q1 2015, average price of a sq. meter of housing on the primary market (Rb 52.19) up by 2.5% against Q1 2014. Average price of a housing sq. meter in Q1 2015 on the primary market constituted 89.5% of the average price for a sq. meter on the secondary market. In H1 2015, correlation between price for a sq. meter on the primary market and construction costs of a sq. meter reached 132.35% (Fig. 2) up 6.48 p.p. to H1 2014.

According to Rosreestr, the number of registrations of individuals' titles to plots of land in H1 2015 (2,884,078 acts) up 3.13% compared to H1 2014, and the number of registrations of legal entities' titles declined by 11.63% and constituted 114,377 acts. Lease of plots of land by individuals (40,338) in H1 2015 up 4.27% compared to H1 2014, and lease by legal entities (9,349 acts) down 65.72% for the same period.

In H1 2015, the number of registered land mortgages for individuals (250,701 acts) down 19.04% and for legal entities (61,798 acts) down 14.55% compared to H1 2014.

According to Rosreestr, the number of the simplified procedure registrations according to "dacha amnesty" of individual titles to plots of land granted prior to effect of the Land Code of the Russian Federation for farming, individual house construction continues growing (Fig. 3) and in H1 2015 constituted 170,163 acts up 11.57% against H1 2014.

According to the Central Bank of Russia (CBR) in January–July 2015, credit institutions issued 347,517 residential loans totaling Rb 568.72bn of which

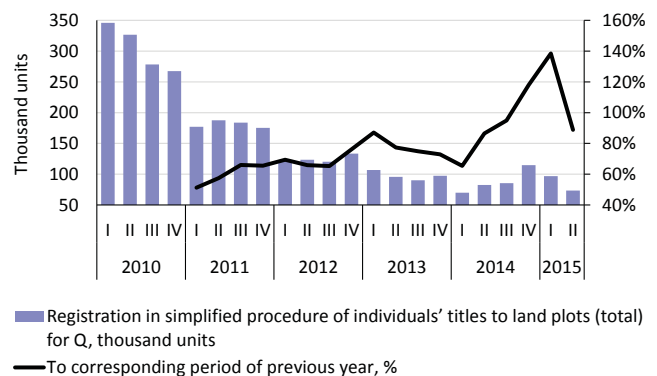


* average actual construction cost of a sq. meter of housing of detached houses (all apartments) without extensions, superstructures and built-in facilities in RF (minus houses built by households as their own expense and borrowed funds);

** all apartments.

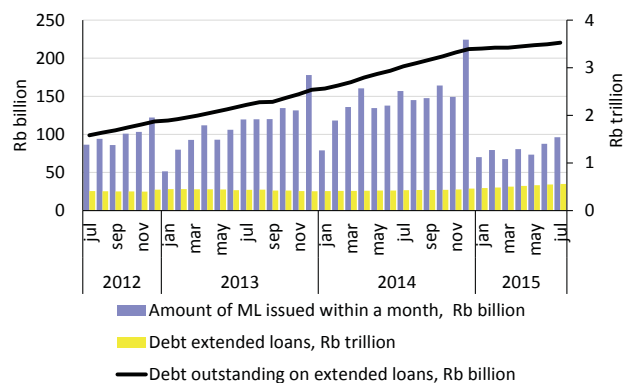
Source: Rosstat Data.

Fig. 2. Dynamic of construction cost of a sq. meter of housing and price of a sq. meter of housing on the primary and secondary markets in RF



Source: Rosstat.

Fig. 3. Dynamic of simplified procedure registration of individual plot land titles



Source: Central Bank of Russia.

Fig. 4. Dynamics of ruble mortgage loans origination for a month

338,569 were mortgages totaling Rb 557.46bn down 60.12% of mortgages volume in monetary terms and down 62.87% in terms of number of mortgages originated in January–July 2014. In July 2015, ruble mortgages totaling Rb 96.33bn were originated down 61.42% than in July 2014 (Fig. 4) and foreign currency mortgages were extended to the tune of Rb 467.0bn down 66.51% than in July 2014.

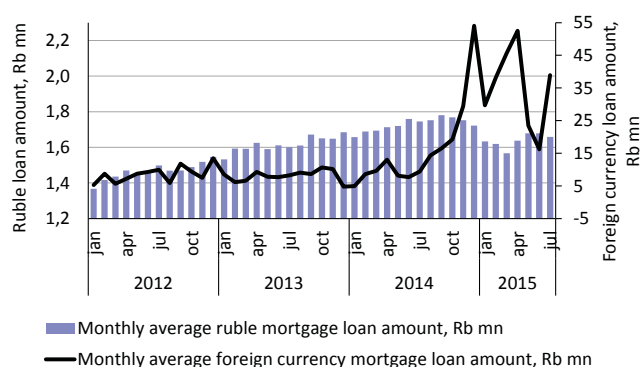
In 2015, the amount of the residual debt on ruble mortgages continued growing and as of 1 August constituted Rb 3,526.44bn up 16.4% than as of 1 August 2014 (Fig. 4). As of 1 August 2015, the amount of the residual debt on foreign currency mortgages constituted Rb 119.39bn up 13.32% than as of 1 August 2014.

Debt outstanding on ruble mortgages on 1 August 2015 came to Rb 34.86 (Fig. 4), and its share in the residual debt went up to 0.99% which is up 0.10 p.p. than on 1 August 2014. Debt outstanding on foreign currency mortgages on 1 August constituted Rb 20,233bn or 16.94% of the residual debt which is up 2.84 p.p. compared to 1 August 2014.

For July 2015, average ruble mortgage loans amount declined in comparison with July 2014 by 4.94% and constituted Rb 1.66bn (Fig. 5). For July 2015, average foreign currency mortgage loans amount (Rb 38.92mn) 23.5 times exceeded corresponding amount of mortgage loans denominated in rubles.

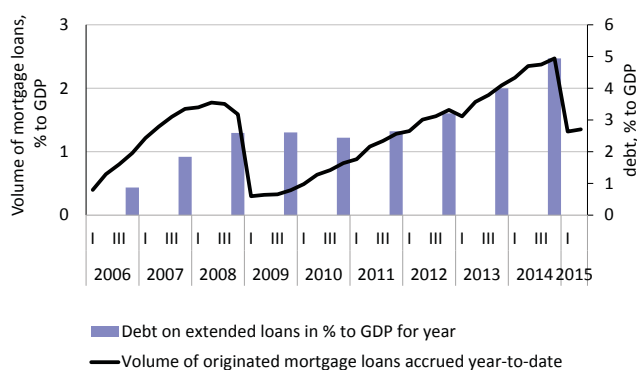
As of 1 August 2015, the share of foreign currency mortgage loans in terms of their number extended from the beginning of the year came to 0.02% and in monetary terms – 0.39% against 0.09% and 0.47% as of 1 August 2014. Regarding residual debt over the same period – 3.27% against 3.33%, respectively. Regarding the share of stale debt on foreign currency loans from the total stale debt amount, then it constitutes 36.71%.

In H1 2015, the volume of mortgage loans originated from the turn of the year in percent of GDP in



Source: Central Bank of Russia.

Fig. 5. Dynamics of monthly average mortgage loan amount



Источник: Rosstat data.

Fig. 6. Volume and debt on mortgage loans originated, as % of GDP in current prices

current prices declined and constituted 1.35% (Fig. 6). Corresponding indicator for 2014 was equal 4.94%

According to CBR as of 1 August 2015, debt on default mortgage loans (180 days past due) amounted to Rb 79.84 bn or 2.1% of the total debt up 0.47 p.p. than on 1 August 2014 (Table 2). The share of overdue payment-free debt on mortgage loans over July 2015 increased in monetary terms (Rb 3.43 trillion)

Table 2

DEBT ON MORTGAGE LOANS GROUPED BY PAYMENT DELAY TERMS FOR 2015

	Total debt amount on mortgage loans, Rb mn	В том числе							
		Overdue payment-free		1 to 90 days past due		91 to 180 days past due		180+ days past due	
		Rb mn	%	Rb mn	%	Rb mn.	%	Rb mn	%
01.январь	3528379	3369955	95.51	83270	2.36	13055	0.37	62099	1.76
01.февраль	3566643	3367625	94.42	115559	3.24	15693	0.44	67766	1.90
01.март	3564417	3379780	94.82	102299	2.87	16396	0.46	65942	1.85
01.апрель	3559016	3358999	94.38	111753	3.14	23134	0.65	65130	1.83
01.май	3562762	3364673	94.44	111514	3.13	22445	0.63	64130	1.8
01.июнь	3586318	3399830	94.80	90375	2.52	26180	0.73	69933	1.95
01.июль	3608410	3392627	94.02	117634	3.26	23094	0.64	75055	2.08
01.август	3645824	3428168	94.03	116666	3.20	21146	0.58	79844	2.19

* in % to total debt amount.

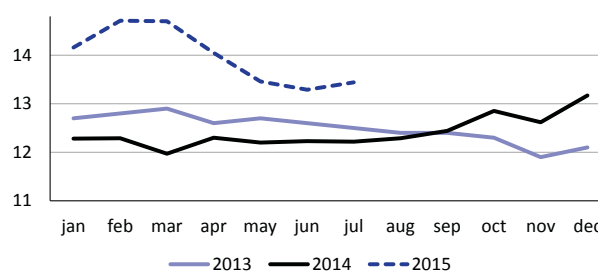
Source: Central bank of Russia.

and constituted 94.3% in percent of the total debt amount.

According to the CBR in July 2015, the weighted average interest rate on mortgage loans extended in rubles during the month declined against the maximum indicator registered on 1 March 2015 by 1.27 p.p. to 13.44% (Fig. 7). The same reduction happened against the maximum indicator of ruble mortgage loans as of 1 April 2015 by 1.27 p.p. to 13.46%. The weighted average interest rate on foreign currency mortgage loans originated from the turn of the year as of 1 August declined against the maximum indicator as of March 2015 by 1.72 p.p. to 10.08% and on residential loans by 1.83 p.p. to 10.36%. The weighted average loan periods on mortgage loans and residential loans denominated in rubles originated during the month over July 2015 exceeded indicator for June 2015 and constituted 14.5 and 14.4 years, respectively. The weighted average loan period on foreign currency mortgage loans originated from the turn of the year, as of 1 August 2015 constituted 4.4 years and on foreign currency residential loan – 3.7 years.

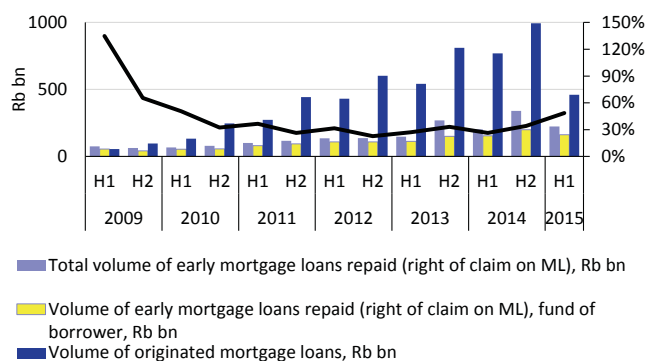
By the period-end results for H1 2015 given in Table 3 major mortgage banks reduced the volume of extended loans against H1 2014.

According to the CBR in H1 2015, out of 572 credit organizations 419 organizations extended mortgage loans on the primary housing market, and 153 organizations serviced previously issued loans. In H1 2015, 88 credit organizations refinanced mortgage loans by sale pool of mortgage loans (right of claim on mortgage loans) to the tune of Rb 28.51bn (Fig. 9). Over the same period of 2014, 118 credit organizations refinanced mortgage loans to the tune of Rb 52.78bn. As of 1 July 2015, the share of refinanced mortgage loans came to 6.1% of the total amount of originated mortgage loans (Fig. 9) against 6.86% in H1 2014.



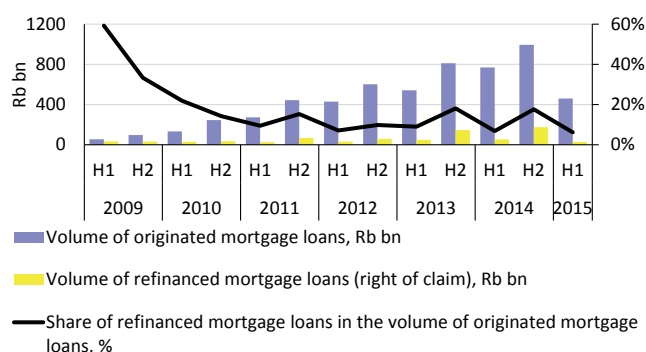
Source: Central Bank of Russia.

Fig. 7. Weighted average interest rates on ruble mortgage loans originated within month



Source: Central bank of Russia.

Fig. 8. Dynamics of early mortgage loans repayment (right of claim)



Source: Central Bank of Russia.

Fig. 9. Dynamics of mortgage loans refinancing (right of claim) by sale to other organization

Table 3

RESULTS OF MAJOR MORTGAGE BANKS IN H1 2015

	Bank	Volume of originated mortgage loans, Rb mn	Number of originated mortgage loans, units	Growth of originated loans against H1 2014, %
1	Sberbank	304302	197731	-24
2	VTB24	72409	38326	-53
3	DeltaCredit	12243	4221	-13
4	Bank Moscow	10244	5335	-15
5	Rosselkhozbank	9256	7015	-38
6	Gazprombank	8001	3375	-73
7	Bank St. Petersburg	4070	2249	-47
8	Bank Zhilfinance	3800	1896	-23
9	Vozrozhdenie	2970	1256	-43
10	Absolut Bank	2565	1242	-56

Source: Rusipoteka.

The State program on interest rates subsidization for newly constructed building mortgage loans provides significant support to the mortgage loans. In the framework of the state program the rate for the borrower should not exceed 12% per annum. According

to the Finance Ministry of Russia, for April-May 2015 in the framework of the state program nearly 78,000 mortgage loans were extended to the tune of over Rb 136.4bn which constitutes more than 40% of the loans amount originated over this period. ●