

MORTGAGE IN THE RUSSIAN FEDERATION IN NOVEMBER 2015

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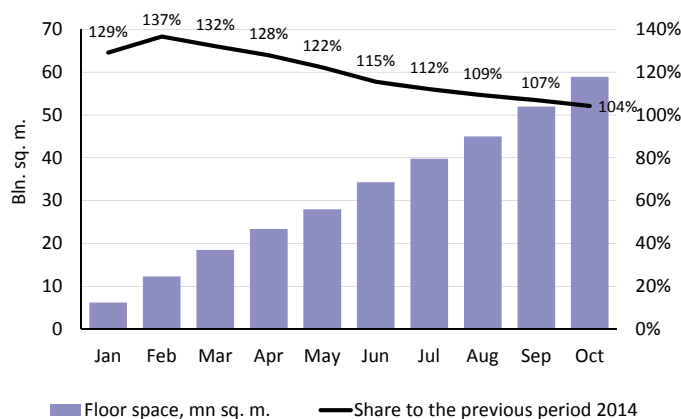
Over 10 months of 2015, entities of all patterns of ownership have built 792,000 flats with total floor space of 58.9 million sq. m., which climbed to 104.2% of floor area commissioned as of 1 November 2014. For the category "all flats" the rate of accessibility decreased in 2015 on the primary and secondary housing markets to 2.49 and 2.54 years, respectively. Compared to 9 months of 2014, the number of registered plots of land by individuals for the same period of 2015 (429,157 certificates) down 12.61%. In comparison with last year, the number of housing mortgage loans (HML) for 10 months 2015 fell by 33.93% in quantitative terms (526,757 mortgages) and down 37.07% in value terms (Rb 872.82bn). As of 1 November 2015, the HML quality portfolio denominated in roubles has deteriorated: outstanding debt in percent to residual debt has moved up by 0.17 p.p. to 1.02%. Nevertheless, from March 2015, average weighted rate on rouble loans down 1.82 p.p. to 12.89%.

Housing market and construction

According to Rosstat, over 10 months of 2015, entities of all patterns of ownership built 792,000 flats with total floor space of 58.9 million sq. m., which constituted 104.2% against the floor space commissioned over ten months of 2014 (Fig. 1). The individual developers together with cooperative construction commissioned 27.0 million sq. m. of the total volume of housing, which came to 45.7% of the total housing commissioned in 2015.

In January–October 2015, 402.7 sq. m. of housing per 1,000 persons on average were commissioned across the Russian Federation. Judging by the highest volume of new housing commissioned per 1,000 of population (499.1 sq. m.) the Southern federal district took the first place (Table 1). The highest levels regarding the overall floorage commissioned per 1,000 of population over 900 sq. m. belong to Tyumen region (less Khanty-Mansiysk-Yugra and Yamal-Nenets autonomous okrug) with 1,179.0 sq. m., Leningrad region – 1,144.9 sq. m., and Kaliningrad region with 1,003.4 sq. m.

As of 1 October 2015, the average price per 1 square meter of overall floorage of the category "all flats" on the primary market went up by 1.18% on 1 October 2014 and amounted to Rb 51,720 and on the secondary market moved up by 0.2% and constituted Rb 57,233. In 2015, the average construction cost of 1 square meter of such housing declined by 1.65% to Rb 39,116. Consequently, in 2015 the ratio of the average price of 1 square meter in



Source: Rosstat data.

Fig. 1. Commissioning of housing in 2015

Table 1

HOUSING CONSTRUCTION IN RF FEDERAL DISTRICTS

Federal district	Overall floorage sq. m. per 1,000 persons	Commissioned thousand sq. m. of overall floorage		Of total volume – commissioned by population, thousand sq. m. of overall floorage			Place according to number sq. m. Per 1,000 persons	
		Since start of year	% to corresponding period last year	Since start of year	% to corresponding period last year	% to total floor space	2015*	2014
Sothern	499.1	6988.9	98	3729.9	96.5	53.37	I	I
North-Western	496.8	6877.8	117.4	2045.9	102.2	29.75	II	III
Urals	462.9	5682.8	107.3	2451.7	107.6	43.14	III	II
Volga	403.4	11986.3	102.4	6464.4	99	53.93	IV	V
Russian Federation	402.7	58904.3	104.2	26955.7	101.5	45.76	V	VI
Central	400.7	15607.5	100.1	6566	113.5	42.07	VI	IV
Siberian	345.9	6680.1	118.8	2587	100.8	38.73	VII	VIII
North-Caucasus	337.8	3262.5	99.1	2282.1	90	69.95	VIII	VII
Far Eastern	232.5	1444	100.4	644.3	106.7	44.62	IX	IX
Crimea	108.2	248.3	43.2	108.2	29.4	43.58	X	–

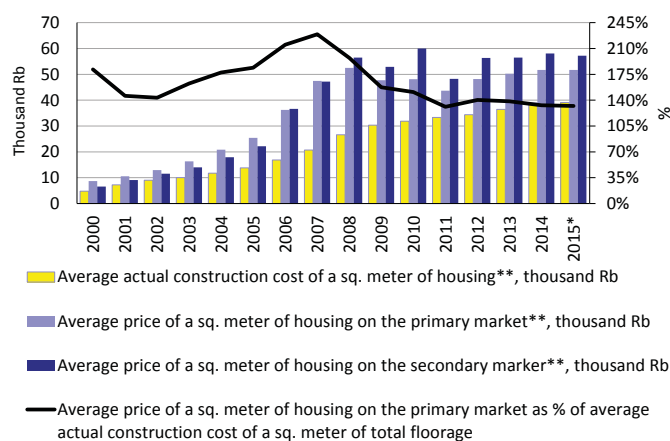
* January–October 2015.

Source: Rosstat.

the new housing development areas to real construction cost of 1 square meter climbed to 132% (Fig. 2).

As of 1 October 2015, according to Rosstat, the highest level of construction costs by 1.5 times exceeding nationwide average level was observed in Yamal-Nenets autonomous district (Rb 63,347) and Sakhalin region (Rb 61,011). In 61 subjects of the Russian Federation construction costs are below nationwide average level. The lowest is registered in Kabardino-Balkar Republic (Rb 24,019), Republic of Dagestan (Rb 21,260) and Republic of Crimea (Rb 16,973).

The housing affordability ratio (HAR) is a tool to assess feasibility to purchase housing by the RF citizens¹.



*January–September 2015.

** all flats.

Source: Rosstat.

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

1 According to federal target programme "Zhilische" methodology, HAR is calculated as a ratio of cost of a conventional flat of 54 sq. m. to an annual household (3 persons) income (on the basis of values of the following indicators: average price of 1 sq. m., average per capita income multiplied by 3 (family of three persons) and corresponding to this family size social housing norm of 54 sq. m.).

As of 1 October 2015, HAR came on the primary and secondary markets to 2.49 and 2.54 years, respectively, which is by 6.35% and 10.97% below the HAR level as of 1 October 2014 (Fig. 3).

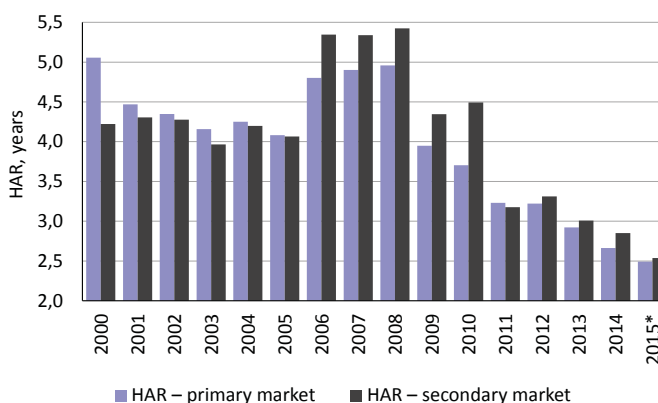
Land plots market

As of 1 January 2015, the share of privatized land fund in 14 subjects of the Russian Federation exceeded 40% of the subject's land fund. They are predominantly southern and south-western regions. There are 12 RF subjects where less than 0.40% of the land fund has been privatized.

Sothern federal district boasts of the highest level of 43.11% and Far-eastern federal district has the lowest – 0.32%. The RF average is 6.75%. In Moscow, citizens own 6.99% of land and in St. Petersburg – 6.41% (Table 2).

By the beginning of 2015, 8,041,200 families were provided with land plots for the individual construction totalling to 1,002,900 ha, which is by 2.01% more as of number of families by 1.56% more and as of land area against 2013. In 2014, over 158,600 citizens purchased land plots for individual construction totalling 15,400 ha (Table 3).

According to Rosreestr, the so-called “summer cottage” amnesty process, registration of land plots in accordance with the simplified procedure, which were provided prior to the implementation of the RF Land Code for the purposes of private subsidiary farming, gardening, horticulture, individual garage construction and individual housing construction is slowing down.



* January–September 2015

Source: Rosstat.

Fig. 3. Housing affordability ratio (standard flat)

Table 2

LEVEL OF LAND PRIVATIZATION ACROSS FEDERAL DISTRICTS AND RF SUBJECTS AS OF 1 JANUARY 2015

Federal districts, RF subjects	Privatisation by individuals, %	Privatisation by legal entities, %	Total area, ha	Individual ownership, ha	Legal entities ownership, ha	Federal district place according to level of individual privatisation
Sothern	43.11	4.60	42087.6	18143.3	1937.3	I
Volga	29.26	4.96	103697.5	30341.5	5143	II
Central	28.89	8.69	65020.5	18786.6	5651.9	III
Moscow region	16.59	12.07	4432.9	735.3	535.2	41
Moscow	6.99	12.61	256.1	17.9	32.3	53
North-Caucasus	24.60	3.06	17043.9	4192.6	520.7	IV
Russia	6.75	1.01	1709911	115385.7	17213.6	V
Siberian	5.65	0.38	514495.3	29050.7	1946.6	VI
Urals	4.85	0.49	181849.7	8822.1	887.7	VII
North-Western	2.40	0.44	168697.2	4049	740.8	VIII
St. Petersburg	6.41	17.11	140.3	9	24	55
Far-Eastern	0.32	0.06	616932.9	1989.4	384.1	IX
Crimean	–	–	–	–	–	–

Source: State (national) report “On the State of Use of Land in the Russian Federation in 2014”.

Table 3

STRUCTURE OF LAND OWNERSHIP PROVIDED FOR INDIVIDUAL HOUSING CONSTRUCTION

Ownership structure	2012		2013		2014	
	Thousand ha	%	Thousand ha	%	Thousand ha	%
In private ownership	546.2	56.7	576.9	58.4	606.5	60.5
In state and municipal ownership, of which:	417.6	43.3	410.6	41.6	396.4	39.5
In permanent perpetual use	202.7	21	197.4	20	187.9	18.7
On lease	119.1	12.3	120.4	12.2	121.4	12.1
In fixed-term use without consideration (temporary use)	3.5	0.4	2.5	0.2	1.2	0.1
Life inherited estate	54.8	5.7	54	5.5	52.4	5.2
Without registration of rights on land	37.5	3.9	36.3	3.7	33.5	3.4
Total	963.8	100	987.5	100	1002.9	100

Source: State (national) report "On the State of Use of Land in the Russian Federation in 2014".

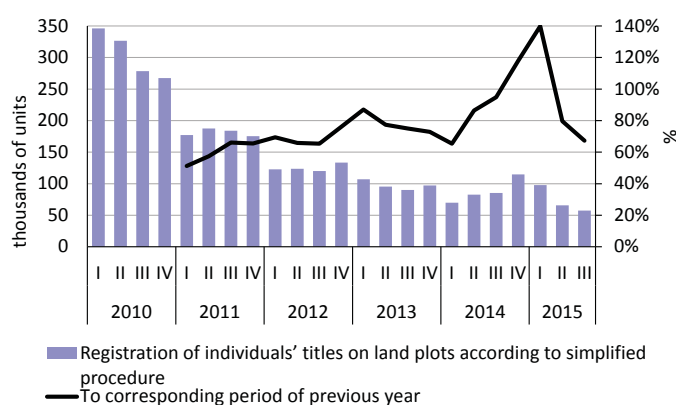
For Q3 2015 compared to Q3 2014, reduction of the number of registrations according to the "summer cottage" amnesty came to 27.64 p.p. to 67.25% (Fig. 4).

According to Rosreestr, as of 1 October 2015, the total volume of registration of individuals' titles to land plots (4,420,376 certificates) increased by 1.07% compared to 1 October 2014. The number of registered titles of legal entities to land plots during the same period (176,357 certificates) fell by 13.72% (against growth as of 1 October 2014 by 5.10% on 1 October 2013). As of 1 October 2015, lease of land plots by individuals (63,252 acts) up 11.8% compared to 1 October 2014 (as against of reduction as of 1 October 2014 by 3.84% on 1 October 2013). Lease of land by legal entities (15,677 acts) down 55.08% for the same period (on top of reduction by 41.89% as of 1 October 2014 against 1 October 2013).

As of 1 October 2015 compared to 1 October 2014, the number of individuals' registered land plot mortgages (429,157 acts) fell by 12.61% (compared to the same situation as of 1 October 2014, contraction came to 29.08% on 1 October 2014). Legal entities' registered mortgages decreased by 12.4%.

Housing lending

According to the Central Bank of the Russian Federation, as of 1 November 2015, lending institutions extended 526,757 housing mortgages to the tune of Rb 872.82bn down 33.93% on the number of mortgages and down 37.07% in money term against 1 November 2014. Over the same period, 540,079 housing loans were originated to the tune of Rb 888.96bn down 35.46% in the quantitative terms and down 37.6% in money terms compared to 1 November 2014.



Source: Rosreestr.

Fig. 4. Dynamics of registration of individuals' titles to land plots according to simplified procedure

As of 1 October 2015, consumer lending volume down 35.47% to Rb 4.12 trillion against 1 October 2014. Over Q3 2015, consumer lending volume fell to Rb 1.6 trillion down 27.77% on Q3 2014 (Fig. 5).

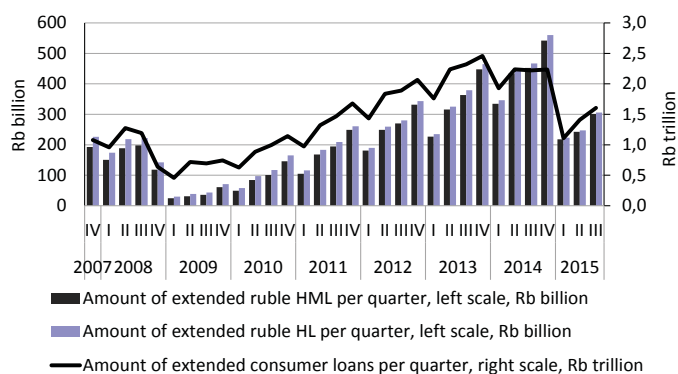
According to Rosreestr data released by JSC "AIZK", over Q3 2015, share of real property encumbered by a mortgage in the overall volume of registered real property titles and transactions fell against Q3 2014 by 2.9 p.p. and came to 24.8%, i.e. one quarter of flats are purchased for mortgages over this period.

As of 1 October 2015, the volume of extended housing mortgage loans (HML) in percent to the corresponding GDP indicator decreased to 1.43% against 2.47% as of 1 October 2014. As of 1 October 2015, debt on HML went up to 7.02% on the corresponding GDP against 4.96% as of 1 October 2014 (Fig. 6).

As of 1 October 2015, debt on HML denominated in roubles went up by 14.05% compared to 1 October 2014 and constituted Rb 3,614.66bn. Outstanding debt on HML denominated in roubles (Rb 36.92bn) already surged by 36.93% against 1 October 2014, and in percent against residual debt came to 1.02% up 0.17% as of 1 October 2014. The latter confirms deterioration of the quality portfolio of rouble mortgages for the same period compared to the previous period.

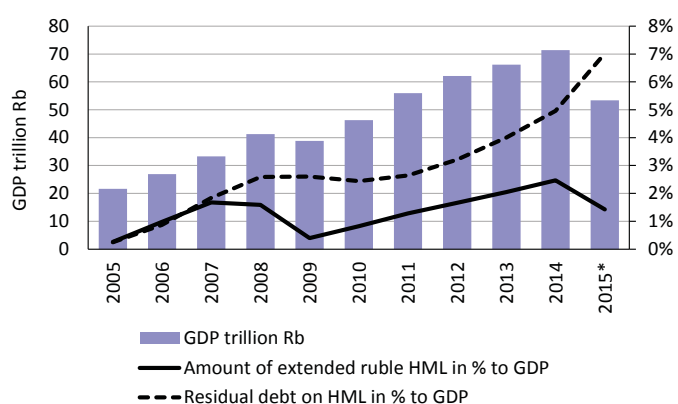
The share of debt on HML with 1 day and more past due payments in the overall debt amount as of 1 October 2015 came to 6.4% up 1.58 p.p. on 1 October 2014. Along with that, the share of debt on HML with 180 days past due payments (debt on default loans) in the total amount of debt went up and as of 1 October 2015 came to 2.38% up 0.72 p.p. on 1 October 2014.

In 2015, the weighted average interest rate on extended during



Source: Bank of Russia.

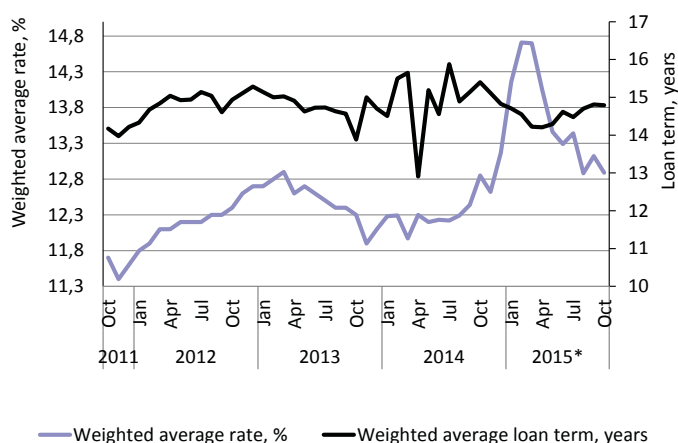
Fig. 5. Dynamics of aggregate ML origination to individuals



* January–September 2015.

Source: Bank of Russia.

Fig. 6. Dynamics of housing mortgage lending in % to GDP



* January–September 2015.

Source: Bank of Russia.

Fig. 7. Weighted average rate and loan term on rouble HML, extended during month

Table 4

HOUSING MORTGAGE LOANS (HML) ON PRIMARY AND SECONDARY HOUSING MARKETS

	2008	2009	2010	2011	2012	2013	2014	2015 January– October
Mortgage loans extended for purchase of housing on secondary market, Rb bn	535	137	340	609	826	948	1058	524
thousand	285	117	270	445	553	578	608	316
Million square meters	13.5	3.7	8.1	16.3	21.8	24.2	26	13.1
Mortgage loans extended for purchasing housing on primary market (including in construction), Rb bn.	121	16	39	108	206	406	706	349
thousand	64	13	31	79	138	248	405	211
Million square meters	3,3	0,5	1,2	3,2	6,3	11,7	19,5	9,6

Share of HML on primary and secondary housing markets is determined by experts assessment of JSC "AIZK".

Source: JSC "AIZK" experts .

the month HML denominated in roubles starting with the highest level of 14.71% in February fell to 12.89% in October. The weighted average loan term on extended during the month rouble HML in 2015 ranged from 14.2 to 14.8 years (*Fig. 7*).

The weighted average interest rate on HML denominated in foreign currency fell from the upper bound of 11.8% in March 2015 to 9.86% in October 2015. Weighted average loan term on extended from the start of the year foreign currency HML came to 4.38 years as of 1 November 2015. In Q3 2015, average amount of housing mortgage denominated in foreign currency went up to Rb 42bn exceeding rouble HML (Rb 1.66mn) almost 25.2 times.

JSC "AIZK" experts assessment of the HML market for January–October 2015 reveals that the HML volume on the secondary market came to Rb 524 bn and on the primary market –Rb 349bn (*Table 4*).

"Russian Family Housing" term of implementation has been extended by the Regulation of the Government of the Russian Federation № 404 till 31 December 2017.

In compliance with the Regulation of the Government of the Russian Federation of 20 April 2015 № 373 JSC "AIZK" is implementing a restructuring programme for HML (loans) for borrowers in financial distress. In December 2015, the programme underwent amendments aimed at increasing reimbursement amount from 200 to 600 thousand roubles. According to Russian Finance Ministry, in the framework of the programme on interest rates subsidization for purchase of newly constructed housing in October 2015 22.8 housing mortgage loans were extended to the tune of over Rb 42.3bn (38% of the total amount of extended housing mortgages). During life of the programme (April–October 2015) 148,700 HML were extended to the tune of Rb 264.5bn and 7.4 mn square meters of housing were purchased. ●