Developments of Russian mortgage and housing markets

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Abstract

The article is devoted to the role of the state in the housing market in Russia. The main role of the Government is to develop a sustainable and efficient housing market and to ensure the access of households to affordable decent housing. To achieve this goal by developing mortgage market the Government established in 1997 special agency - The Agency for Housing Mortgage Lending.

The main objective of the Agency is to implement governmental programs for providing affordable housing and ensuring improvement of housing conditions for the population in compliance with the priority national project Affordable and Comfortable Housing for Russian Citizens.

The goal of the Agency for Housing Mortgage Lending is to establish conditions so that all Russian citizens had equal opportunities for getting a mortgage loan, regardless of their social status, education, family composition, income, occupation, religion, place of residence or registration. A residential mortgage loan provided in accordance with AHML’s standards is available for all categories of people, is good value for money and easy to arrange.

AHML pays particular attention to fostering the mortgage market in the regions where the level of per capita income is lower than the national average, and the housing and financial markets are underdeveloped.

The main goals, tasks, principles of activities will be outlined in the article. We will provide a brief history of mortgage lending sector in Russia and investigate the role of AHML in development of mortgage market.

In addition we will look at the connections between housing and mortgage markets outlining the effects of changes in legislation and the strategy of development of mortgage lending in Russia, including AHML Group Strategy.

Finally, we will describe the current approaches to construction of house price indexes and analyze its main drawbacks.

1. Housing sector before transition to market economy

For the whole time of the USSR’s existence, the soviet state was implementing a centralized housing policy that included the following:

- State property prevailed in construction, housing stock and the management of utility facilities;
- Housing construction was mostly planned and financed from a single center;
- State apartments were distributed free of charge among the people who were considered in need of improving their living conditions (they were included in special waiting lists);
- It was not allowed to sell state housing but it was possible to exchange it (in most cases, with an illegal additional payment);
- People were allowed to build their own private houses only in rural areas and in towns with a population of less than 100 thousand;
- Cooperative housing construction was relatively well developed only in the largest cities, and there was a dedicated waiting list for people who wanted to join cooperative housing construction, as their living conditions did not exceed 5-7 sq. m per person;
- State banks seldom originated housing mortgages and only for cooperative and owner-built housing, provided the private savings amounted to 40% (the interest rate was 2% for individual
construction under the credit facility, whereas it was 0.5% for housing construction cooperative companies compared to 3% per annum for deposits at the banks).

Housing finance system during the Soviet time was consistent with the housing policy pursued and consisted in centralized distribution of budget resources for the construction of state-owned housing, followed by free-of-charge distribution among the people in the waiting lists, who wanted to improve their living conditions. In 1987, the state capital investment into housing construction exceeded 80%, whereas the population invested 14.6% only (including the funds of private developers and members of housing construction cooperative companies).

When the market reforms started, the housing-related issue was still one of the most important for Russian families: in 1990, the average rate of housing per capita was 16.4 sq. m per person, which is 2-3 times lower than in Europe. At that time, the absence of market mechanisms for purchasing and building housing was a great impediment for the households wishing to improve their living conditions. According to experts, about 40% of the population had an obvious need to improve their living conditions but was no longer able to receive housing from the state. With the first shift toward the market economy, a gap opened up between the households who could afford to buy housing on the market and those who had no chance in the short-term or long-term to resolve their housing issues on their own.

2. AHML Role on housing market

*Establishment of the Agency and development of a two-level refinancing system*

In 1997 – 1998 the legal framework was established for organizing and financing the real estate market, laws were adopted enabling the development of mortgage financing (the Law on Mortgages (Pledging Immovable Property) adopted in 1998) and the state Agency for Housing Mortgage Lending (AHML) was established.

Fig. 1. Structure of AHML

![Structure of AHML Group](image)

The main objective of the Agency is to pursue the state policy to make housing more affordable for Russian population and provide equal mortgage opportunities for all Russian citizens. The Agency pays special attention to establishing a mortgage market in the regions where the housing and mortgage markets are least developed.

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The Agency set up a system of two-level refinancing of mortgages, and the participants of such systems are primary lender banks, regional operators and service agents.

The 1998 crisis significantly slowed down the implementation of the state housing policy: new political decisions were not made and the reform that had been started was happening at a slower pace. The activity on the housing market became considerably lower and the construction of housing almost stopped. However, in 2000, the targets for housing mortgage development in Russia were documented in the Housing Mortgage Development Concept in Russia.

In 2002, AHML refinanced first mortgage loans, which was a meaningful signal for the market to brisk growth. In 2005, a new revision was approved for the Concept of the Unified Housing Mortgage Development System in Russia, and as of the end 2006, the total debt under credit loans amounted to 0.9% of GDP.

It is worth noting that though the housing mortgage lending market was based on the American two-level model (banks – Fannie Mae-type of a refinancing organization (AHML) – investors into mortgage-backed securities), the law provided for the parallel development of the European one-level model (banks issuing covered bonds from their balance sheets). The laws also allowed setting up loan-and-savings societies (similar to German Bausparkasse, but excluding state subsidy since 2004). When the law on housing building and housing savings associations was adopted, the people started using that form of housing organizations, however, without the state subsidies to the savings, the funds in such associations depreciated very quickly due to high consumer and housing inflation.

Major achievements of the pre-crisis period and measures to support the system during the crisis

Against the background of the growing economy in general, the housing mortgage market demonstrated high growth rates. The market's dynamic development period was supported by the loan origination growth. Particularly, in 2005 the loan origination amounted to 56 bn roubles, whereas in 2007 it increased up to 557 bn roubles. The market developed competition, which resulted in lower interest rates on credits (from 14.9% as of the end of 2005 down to 12.6% at 2007 yearend), high-risk products offered (with low down payment, in exotic foreign currencies).
Deepening recession in international markets brought about deterioration of the economic situation in the Russian financial market in 2008. Average mortgage interest rates grew from 12.9% in 2009 to 14.3% in 2009 and the loan term reduced from 18 to 16.5 years respectively. The market of housing mortgage lending felt the full impact of liquidity shortages already in the second half of 2008. While in 2007 volumes of originated housing mortgage loans increased by 87 percent (y-o-y) to the level of 556 billion Rubles, the rate of growth in 2008 dropped: loans worth 633.8 billion Rubles were issued (14 percent more than in 2007). As the overall financial and economic situation in Russia deteriorated the delinquency rate on all loans extended to the population, including mortgage loans, grew up.

The crisis influenced not only mortgage, but housing market as well. In 2009, the number of transactions in the housing market declined by 13.3 percent y-o-y. Housing price trends underwent changes: not only real prices of housing started to drop in 2009, but nominal prices as well. The recession also affected the housing construction sector.

Anti-crisis housing policy became an integral part of the overall anti-crisis government package of measures in the banking and housing construction sectors. The necessary measures were taken both within the implementation of the anti-crisis package of the Government of the Russian Federation during 2009 – 2010, and as part of the activities carried out by Government-sponsored organizations, including those in the housing sector (the Agency for Housing Mortgage Lending, Fund for the Promotion of the Housing and Utility Sector Reform, Russian Housing Development Foundation and Vnesheconombank). The main common idea behind the housing anti-crisis package was to support the development of the primary housing market and housing construction market. The measures included the following:

- Additional contribution was made by the government to the authorized capital of the AHML in the amount of 60 billion Rubles for the purposes of refinancing mortgage loans and rescheduling mortgage loans for those borrowers who found themselves in a dire situation as a result of the crisis;
- Introduction of possibilities to purchase apartments using government funds at the stage of construction to provide housing to certain categories of Russian citizens within government housing provision program;
- Allocation of 250 million Rubles to support household demand for newly built housing by providing facilities to banks to issue mortgages at maximum 11 percent interest rates;
- Foundation of Agency for Restructuring of Housing Mortgage Loans—ARHML (a subsidiary of AHML) for the rescheduling of mortgage loans for those borrowers who either became unemployed or whose wages were cut down. Later the program of ARHML was extended to assist specific categories borrowers who failed to restore their ability to pay;.

The ARHML’s program included three stages in support. At support level I, a borrower was granted a stabilization loan to repay twelve monthly payments, past-due payments (if any), except for sanctions and penalties, as well as insurance payments. Support level II consisted in buying out from the lenders of mortgages of the borrowers, who were not able to recover in their financial solvency through the first stage of support or who required the current loan service payments to be rescheduled due to reduced or lost income. Support level III consisted in buying out from the lenders of a pledge and keeping the borrower’s sole place to live in.

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3 Borrowers from the company towns (towns, where the larger part of the local population is in the employ of only one enterprise) or borrowers who fall into other most socially vulnerable categories of population for whom the mortgaged housing is their only housing.
• Allowing to use the money from so-called “maternal subsidy”\(^4\) towards improvement of housing conditions (including debt repayment under mortgage loans) immediately after childbirth and receipt of a relevant certificate;

• In order to strengthen the demand for mortgage loans and increase the affordability of mortgage loans, the maximum LTV on mortgage loans, which may be used to issue MBS, was increased from 70 percent to 80 percent;

• The Russian Housing Development Foundation was set up to promote housing construction, first of all, economy-class housing affordable to middle income households. The Foundation pursues the objective of involving federal land, which is either idle or inefficiently used, in business transactions, equipping it with physical infrastructure and allocating it through auctions for housing construction purposes.

_Mortgage lending market today_

The key role of the Agency before the 2008 crisis was to develop the infrastructure of the mortgage lending market and help players build up extensive experience in mortgage lending. Starting from March 2004 through October 2013, the Agency trained a total of approximately 7,000 employees of partner organisations.

The Agency was actively involved in drafting amendments aimed to eliminate flaws in the mortgage lending legislation and ensure a balance of interests between lenders and borrowers; the amendments were introduced by 2009.

The Agency’s counter-cyclical policy has been aimed at supporting the mortgage market during the economic slowdown and fostering competition among banks during the upturns.

**Fig. 3. AHML function in smoothing out cyclical fluctuations in the mortgage market**

Focusing on conservative mortgage lending practices resulted in a decrease in the share of mortgages refinanced by the Agency on the back of the growing mortgage market.

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\(^4\) Maternity capital – a one-off inflation-indexed sum of RUB 250,000 (as of 2009) paid by the state to mothers at the birth of their second or other subsequent child that could be put towards healthcare, education or improvement of housing conditions, but not earlier than three years after the birth of the child.
During 2010 – 2012 housing and mortgage sector were on recovery track. By the end of 2012 mortgage lending was fully recovered from the crisis: mortgage lending almost doubled compared to the maximum prior to the crisis (from 556 at 2007 yearend up to 1,032 bn roubles as of 01.01.2013). Past-due payments under the loans (90+ days) reduced down to 2.52% compared to the maximum of 7.29% as of 01.06.2010. The recovery rates in construction are slower, especially to the extent of lending by developers. Certain construction indicators still point to possible continuation of stagnation.

To a large degree, this was due to changes in the demand structure during the post-crisis period towards the most affordable economy-class housing. At the same time, mortgage lending started its active recovery after the crisis.

The positive trend in mortgage lending was fuelled by strong competition among market players, mainly through relaxation of their borrower requirements and loan terms and conditions. At least 500 banks issue mortgage loans, but the level of concentration remains high – three major players account for 68% of the loans; 71% were originated by the state banks.

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5 The statistics available is from 01.02.2010 only.
6 For more detailed review of the mortgage lending and housing construction markets, see the analytical reports prepared by AHML [http://www.ahml.ru/en/financ/mmo-reports/]
Fig. 5. Shares of major banks in mortgage lending

Full recovery of the primary mortgage market after the 2008–2009 crisis and its ongoing accelerating growth prompted the Agency to review its priorities and to target less developed market segments, aiming to foster and standardise the secondary mortgage market, develop and improve the market infrastructure and create risk mitigation and redistribution mechanisms of the mortgage lending system.

The Agency retains its position at the primary mortgage market via the network of partner organisations with the footprint covering almost all regions of the Russian Federation.

Fig. 6. AHML footprint

The network of AHML comprises over 337 partner organisations acting in various capacities (some organisations act in more than one capacity).
AHML’s partners are Russian companies, which meet AHML’s criteria for partners accreditation, such as:

- Relevant experience in the mortgage market
- Availability of certificates, confirming relevant expertise of the staff
- Absence of tax claims or claims from other regulatory bodies (i.e. Central Bank, Federal Service for Financial Markets etc), no material court proceedings (ongoing or filed in the past 12 months)
- Ability to meet technical and organisational standards of AHML

Sophisticated 6-grade ranking system is applied to mortgage certificate suppliers of AHML. The system is aimed at increasing the motivation and loyalty of partners as well as at mitigating risks.

**Outlook**

As part of its new strategy (adopted in 2013) the Agency intends to create an environment supporting sustainable qualitative growth in the market, particularly its economy-class segment, through a set of measures below:

- Establishing mechanisms of liquidity provision to market players and release of capital;
- Expanding infrastructure services aimed at improved competition and reduced bank margins;
- Establishing financing mechanisms promoting economy-class housing supply;
- Introducing an effective mortgage insurance tool to make mortgage insurance more affordable and redistribute risks;
- Developing mortgage standards for investors to be able to classify mortgage loans by quality.
To give momentum to the secondary mortgage market and increase the issuance of mortgage-backed securities issues, AHML will focus on promoting mortgage asset securitisation.

Under the three Programs for Purchasing Mortgage-Backed Bonds developed by the Agency, AHML purchases senior mortgage-backed bonds from market players and enables them to pre-agree the volume and parameters of the mortgage bonds to be purchased by AHML when issued. In December 2012, the first contracting terms were announced with a total value of RUB 20bn for purchase during 2014. In July 2013, the Agency decided to purchase the mezzanine tranches of mortgage-backed securities.

AHML also provides bridge financing (special-purpose loans) to market players to build mortgage pools and complete securitisation deals, and guarantees for third-party mortgage-backed securities.

AHML is going to provide infrastructure services to secure regular issues based on the multi-originator platform to regional small and medium-size banks unable to generate a mortgage pool sufficient for securitisation within a short period. This will reduce the price and timing of securitisation deals.
To facilitate the government housing programs to provide affordable housing for specific groups of population, AHML, beside standard loan products, develops special mortgage lending offers with interest rates far below the market average.
To implement the Russian Government’s resolutions seeking to improve living conditions of young teachers, the Agency launched *Mortgage Loans for Young Teachers*, a social program financed by the Agency. The program based on the Agency’s standard loan refinancing operations features issuance of mortgage loans with an annual interest rate of 8.25% and is primarily targeted at young teachers eligible to government support coming as subsidies to compensate a portion of their mortgage expenses.

The *Military Mortgage* program targets servicemen participating in the Mortgage Savings System developed to provide the military with housing. The lending terms of the program enable servicemen to buy housing in the primary or secondary market with minimum own funds requirements.

The Maternal Subsidy product takes account of the state benefits in the form of maternity (family) capital certificates to offer a higher loan amount under the same borrower requirements and grant an additional 0.25 pp discount to the interest rate.

For young scientists – researchers of Russian academies of sciences and universities AHML offers *Young Scientists*, a special product with a low interest rate (10%+), special payment schedule with due regard to the young specialist’s future income growth, possibility to take account of the benefits available at the origination stage and potential decrease of the monthly payment if a child is born (for a period of up to 1.5 years).

To promote housing construction the Agency (acting through its subsidiary, the Agency for Financing of Housing Construction) pursues housing construction lending programs for developers and corporate entities (the *Stimulus Program*), including housing to be further rent out (the *Rental Housing Program*).

3. **Relations between housing and mortgage markets**

   *Government impact on the supply-demand balance in the housing market in the 2000s: Housing bubble or not?*

   In order to solve the problem caused by the imbalance between the supply and the demand\(^7\) and to form the affordable housing market, at the end of 2004 a package of laws known as the “package of federal laws aimed to develop the affordable housing market” which defined the new direction of the housing policy was adopted.

   Since 2005, the housing policy provided for measures aiming to making it more affordable for individuals to purchase housing and to expand the opportunities for low-income households unable to buy housing to improve their living conditions by receiving social housing. In this situation, the direct financial participation by the state was intended in the form of support for establishing certain market institutes at the initial stage (for instance, the secondary market for mortgage loans) and by providing grants for certain categories of households (employees of organizations funded from budgets of various levels, young families, military servicemen and others) in order to make housing and mortgage loans more affordable. Free housing was provided by the state only to low-income households in need of better living conditions.

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\(^7\) In the beginning of 2000s, only households with high income could afford to buy housing on the market, to a large extent, due to the absence of adequate supply of new high-quality housing (the problem that has yet to be solved). Such situation was conducive to the continuous growth of housing prices. During the period from 1997 to 2005, the real housing prices grew by 40% while the real income grew by 70% during the same time.

In the middle of 2000s, data received through sociological surveys confirmed that 61% of Russian households were experiencing difficulties with housing and were to some extent dissatisfied with their living conditions. Also, one of each four households, according to them, had housing that was in a bad or very bad condition. The total housing volume that the people of Russia needed in 2004 was estimated to reach 1,570 million sq. m (46% of housing stock).
It was planned to stimulate the solvent market demand from the public, first of all, by developing mortgage financing and creating the pre-requisites for reducing interest rates on the mortgage lending market, making loans more affordable and developing other forms of personal finance (participation in shared-equity construction, housing savings programs etc.). The supply side of the housing market was supposed to be incentivised by creating the favourable conditions for expanding housing construction and bringing engineering infrastructure to land plots.

On the whole, upon adoption of the laws on affordable housing market development, the state policy was more successful as related to demand stimulation compared to housing supply. During the period from 2004 until 2008, the mortgage lending amounts grew by 35.5 times (from RUB 18.5 billion to 655.8 billion), household income – by 2.3 times while the housing construction grew by 1.6 times. This resulted in housing prices growing 21.7% faster compared to household income.

Fig. 11. New Federal housing policy in 2000s

Rapid and sustainable growth of housing prices in Russia over ten years before the crisis generated, just like in most other countries, discussions about the nature of this situation: whether it is a “bubble” or not. Sure enough, over 2001 – 2008, real housing prices in Russia increased 2.5 times. Moreover, they were on the rise both during periods of economic decline, and during economic growth periods. Only in 2009 they started to come down against the backcloth of the global economic meltdown.
According to the definition of the term “bubble”8 the growth of housing prices is not a direct indicator of a bubble. As a rule, experts refer to factors ensuing from the investment model devised by Poterba in 198410 and its later modifications, or from the model of asset pricing adapted to housing4 (such housing demand factors as real disposable income, growth of real GDP, inflation rate, real interest rates, unemployment rate, the size of the housing stock, population growth rate, and housing supply factors, such as cost of housing construction, availability of land plots and town planning legislation).

As it is clear from the surveys9, the housing price growth in Russia in the 2000s was mainly driven by high public need for residential housing that transformed into effective demand due to personal income growth and broader mortgage lending on the back of low elasticity of new housing supply10.

The other driver for demand for housing, which is often considered as important element of housing bubble – investment reason, was not very strong in Russia, although also existed, especially in the largest Russian cities.

On the other hand, as K. Stylin and O. Zamulin11 pointed out, public anticipations formed on an adaptive rather than on a reasonable basis have largely contributed to the bubble in the Russian housing market. Therefore, housing prices going up create extra demand that relies upon price growth anticipations. And vice versa, when housing prices decline, the demand shrinks more than it could reasonably be expected after the fundamental analysis, since people put off buying their own housing in the hope for a still further price drop.

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8 "If the reason the price is high today is only because investors believe that the selling price will be high tomorrow—when “fundamental” factors do not seem to justify such a price—then a bubble exists" - Stiglitz, J. E. “Symposium on Bubbles” Journal of Economic Perspectives 4, no. 2 (spring), 1990, p. 13-18


10 Volumes of housing construction in Russia are poorly correlated with housing demand. Low housing supply elasticity ensues from high administrative barriers impeding the process of implementation of investment-construction projects and difficulties facing those who want to have an access to land plots for housing construction purposes. (see for example, Doing Business rankings, www.doingbusiness.com)

The financial crisis has virtually halted the growth of household incomes (real disposable incomes grew by 2.9 percent in 2008 and only by 1.9 percent in 2009 y-o-y) and cut down mortgage loans supply by banks (in 2009 banks made four times fewer mortgage loans than in 2008). The immediate consequence was a housing demand contraction (number of transactions in the housing market in 2009 decreased by 13.3 percent against the level of 2008), and, accordingly, a price drop.

Fig. 13. Changes in house prices, real house hold income and mortgage origination

As mentioned above, the mortgage lending market fully recovered after the crisis by the end of 2012. Housing prices also regained their pre-crisis level (see Fig. 12). Besides, investment demand in the market has been partially back, since given the financial market volatility investment in housing appeared to be one of the few reliable long-term financial instruments. That is confirmed by the housing prices continuing their upward trend ahead of the inflation rate and higher consumer confidence that the trend is here to stay.

Noteworthy, starting from 2010, changes in housing prices has been in line with changes in personal income. That has not, however, made housing less affordable – the affordability index in the primary and secondary markets has not seen much change since early 2010.
The market situation implies that personal income is being absorbed by housing prices since the supply of new comfortable housing is limited and lacks elasticity (moreover, almost a half of the commissioned projects are owner-built housing or individual housing).

Therefore, the data in the article by N.Kosareva, A.Tumanov drive to a conclusion that the Russian housing market has not shown any principal signs of a bubble, and the price changes have been basically affected by the main factors described in the table below.

Fig. 15. Main factors, affecting housing prices in Russia

<table>
<thead>
<tr>
<th>demand factors</th>
<th>supply factors</th>
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<tbody>
<tr>
<td>• pressing household needs in improving housing conditions</td>
<td>low price elasticity of housing supply resulting from high administrative barriers in the construction sector,</td>
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<tr>
<td>• stable growth of real household incomes</td>
<td>limited access to land plots for construction purposes, including low supply of land plots equipped with necessary physical infrastructure</td>
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<tr>
<td>• enhanced affordability of mortgage loans</td>
<td>absence of real competition between developers</td>
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<td>• lack of alternative investment options that could guarantee stable positive yield</td>
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**Availability and quality of house price data**

The key assumption of the above analysis is that the housing price data adequately reflects the actual market situation. In reality, however, the price change indicators in the housing market have their limitations and their choice is extremely narrow.

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The most long-term available data series is the one updated by the Federal State Statistic Service on a quarterly basis. It is broken down by Russian regions, primary and secondary housing markets, apartments of low, medium (standard) and improved quality and elite apartments, and is available quarterly from 2000 and annually from 1996. The data available tracks both the average price per square metre based on the actual price of transactions for the quarter, and the change in housing prices within groups of properties of similar quality and other characteristics (the housing market price indices). The data is published 25 business days after the end of the respective period.

Fig. 16. Average housing prices, RUR per sq. m.

Although this index is most widely used (as it is derived on the basis of the most transparent methodology as compared to all other metrics provided by Russian regions), it also has a number of limitations:

- Data is collected only by entire region and is not available by city/town.
- Data is sourced from selected legal entities and sole entrepreneurs operating in the real estate market (sampling), and the Federal State Statistic Service does not disclose information about the number of the data providers and their geographic distribution. According to the Federal State Statistic Service, in 2008, the housing market prices were monitored across 291 Russian cities (i.e. in 26.5% of all Russian cities as of 1 January, 2009), and data on prices in the primary housing market was provided by 741 organisations (i.e. by 2.5 organisations per city on average) and in the secondary housing market – by 981 organisations (i.e. by 3.4 organisations per city).
- With its limited coverage, the survey of the Federal State Statistic Service spans only the largest and the most economically developed cities in a given region.
- In early 2011, the methodology used for the average housing price index calculation was unexpectedly changed (with such change not covered in any formal sources) resulting in a drop of the weighted average market price indices both in the primary and the secondary housing markets. According to the Federal State Statistic Service, the drop was caused by introduction of a new weighting system used to aggregate regional data sets and based on the total area of the sold properties instead of the size of urban population (for the secondary housing market) and the data on the new properties brought to the market (for the primary housing market). The
methodology change resulted in increased volatility of the aggregate indices and raised requirements to the quality of sample data representation.

Another source of information about the housing prices is the Unified State Register of Rights to Real Estate and Transactions Therewith, which contains data on all rights to residential and non-residential properties registered in the Federal Service for State Registration, Cadastral Records and Cartography. In 2012, the Federal Service for State Registration, Cadastral Records and Cartography launched a special website providing access to data on the registered real estate transactions, including contract prices, key apartment parameters and location (accurate to within a street). The website also enables a user to generate summary data reports on the number of transactions and average prices by a separate regional unit (city, village, etc.) over a specific period.

Currently, the Federal Service for State Registration, Cadastral Records and Cartography does not calculate any price change indices. Another concern is that the Service’s website operates in the test mode and provides inadequate data on transaction prices. It also enables only limited generation of summary reports (covering no more than 1000 cases), and therefore cannot be relied on by the user to carry out an analysis or build a price change index.

Data on real estate for sale, usually in the secondary market, is yet another source of information about the housing prices. Such data is collected by real estate firms, with the largest of them also calculating the average asking price. But these calculations are based on those firms’ own methodologies which are not disclosed and use their own databases with unknown quality of data representation. The Russian Guild of Realtors is now taking steps to ensure consistency of the calculation methodologies as part of its real estate analyst certification program. However, such data is not aggregated country-wide, and it needs local realtors to get access to the local real estate market information. Since frequency of data publication and applicable time windows vary by the company, such data can hardly be used for comparative analysis. Another concern is that the asking price often differs from the transaction price as in the falling market properties can sell with a considerable discount and in the growing market – with a premium to the asking price.

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13 Thus, according to the Federal Service for State Registration, Cadastral Records and Cartography, the average price of housing in Moscow in 2012 varied from RUB 0.08 to 40 m per square meter. Whereas low housing prices can be somehow explained by a desire to pay less in taxes, high prices of properties in non-privileged locations in the Moscow suburbs give rise a lot of questions.
Historical Milestones

- Government approves One’s Own Home Federal Programme
- AHML begins refinancing mortgage loan establishment
- AHML adopts Mortgage Origination, Refinancing and Servicing Standards
- Debut MBS transaction
- Moody’s assigned Baa2 rating
- AHML was a partner and participant of the World Economic Forum Annual Meeting 2013
- AHML placed its debut Eurobonds
- AHML’s first government-guaranteed bond issue
- AHML is included in the list of governmentally-owned strategic enterprises
- Establishment of ARHML, a subsidiary of AHML
- AHML equity capital increased to RUB 95.6bn (US$ 3.6bn) via Government support
- First mortgage-backed bonds placed under the Programme of VEB’s Investments
- AHML’s development strategy for 2011-2020 approved
- Stimulus programme extended till 2015
- Rental housing support programme launched