



2017 WAS A TOP YEAR FOR THE MORTGAGE MARKET. OVER ONE MILLION FAMILIES HAVE IMPROVED THEIR HOUSING CONDITIONS WITH MORTGAGE LOANS. AVERAGE MORTGAGE RATES HAVE SETTLED BELOW 10%.

AHML: 2017 was the most successful year for the mortgage market, with the quality of the mortgage portfolio moving on upwards. According to the Bank of Russia, 1.09 million mortgage loans were issued in 2017 for a total of RUB 2.02 tn (up 37% y-o-y). This marked a new record in mortgage lending (as compared to RUB 1.76 tn in 2014). As a result, the banks' overall mortgage portfolio amounted to RUB 5.34 tn (up 16% as compared to 2016 year-end).

In late 1H 2017, the market saw good progress in refinancing based on the procedure of reducing the rate under the existing loan. AHML estimates that about 75–85 thousand families had their rates successfully reduced, with the refinanced amounts reaching RUB 140–150 bn.

The growing mortgage affordability came as a result of rates falling throughout 2017. The weighted average mortgage rate dropped from 12.48% to 10.64%, going down to 10% and further in the last few months of 2017. Mortgage rates are expected to keep decreasing in 2018 thanks to the Bank of Russia's decision to lower its key interest rate to 7.75% at the end of 2017. This will contribute to the growth of mortgage lending in 2018. AHML forecasts that the volume of new mortgages will continue to go up, reaching RUB 2.5–2.7 tn.

- According to the Bank of Russia, 1.09 million mortgage loans were issued in 2017 for a total of RUB 2.02 tn, up 27% y-o-y in volume terms and up 37% y-o-y in value terms. In 2017, mortgage lending exceeded the previous record of 2014 by 15%.
- In December 2017, mortgage lending hit a new monthly high of RUB 290 bn, up RUB 28 bn compared to December 2014 (RUB 226.6 bn) and nearly in line with AHML's earlier estimates (RUB 300–310 bn).
- Starting from May 2017, the y-o-y monthly growth rate in loans issued has been around 40% or higher. Such expansion came as a result of the continued fall in rates, which became equal in the primary and secondary markets by the end of 2017.
- In December, the mortgage rate for newly constructed and secondary market properties stood at 9.77% (down 1 pp y-o-y) and 9.8% (down 2.26 pp y-o-y), respectively. The average mortgage rate for all loans issued in December was 9.79%. The average mortgage rate for 2017 stood at 10.64%, down 1.84 pp y-o-y (12.48% for 2016).
- The banks' overall mortgage portfolio reached RUB 5.34 tn (up 16% y-o-y), with RUB 1.12 tn coming from secured mortgage loans issued for shared-equity construction properties in the primary market (up 21% y-o-y).
- The quality of banks' mortgage portfolios continued to pick up, showing no signs of a mortgage bubble. The share of 90+ days overdue loans went down to 2.19% as at 1 January 2018 (vs 2.65% the year before). For non-mortgage loans, this number stands at 11.6%.
- In early 2017, the Bank of Russia set higher provision ratio requirements for loans with a small down payment (under 20%). This will help prevent loan risks and further improve the mortgage portfolio quality. According to the Bank of Russia's statistical data, mortgage loans with an up to 10% down payment are more than twice as likely to become overdue within a month than those with a 20–30% down payment.

- 48% of all mortgages in Russia are issued in ten rapidly developing regions (Moscow, the Moscow Region, St Petersburg, the Tyumen Region, the Republic of Tatarstan, the Sverdlovsk Region, the Republic of Bashkortostan, the Krasnodar Territory, the Novosibirsk Region and the Krasnoyarsk Territory) with the country's largest urban agglomerations and the greatest concentration of demand for housing.