



# FIG Working Week 2016

CHRISTCHURCH, NEW ZEALAND 2-6 MAY 2016

Recovery

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## The Real Estate and Land Market of Russia: Factors of the Sustainable Development

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## ? & ! and ! & ?

There is no definite answer in the macroeconomic theory to a question that the real estate market develops cyclically, and long cycles in its development coincide with the economic cycles.

There is an opinion that the decline in the real estate market precedes the recession of economy in general, and consequently the rise also comes earlier. It is indisputable fact that it becomes possible to estimate the character and tendencies in the national and world economy according to the condition of the real estate market. **If the situation in the real estate market gets worse, we observe the decline in economy and, vice versa, if the growth of real estate market takes place, as a rule, the rise in economy follows.**



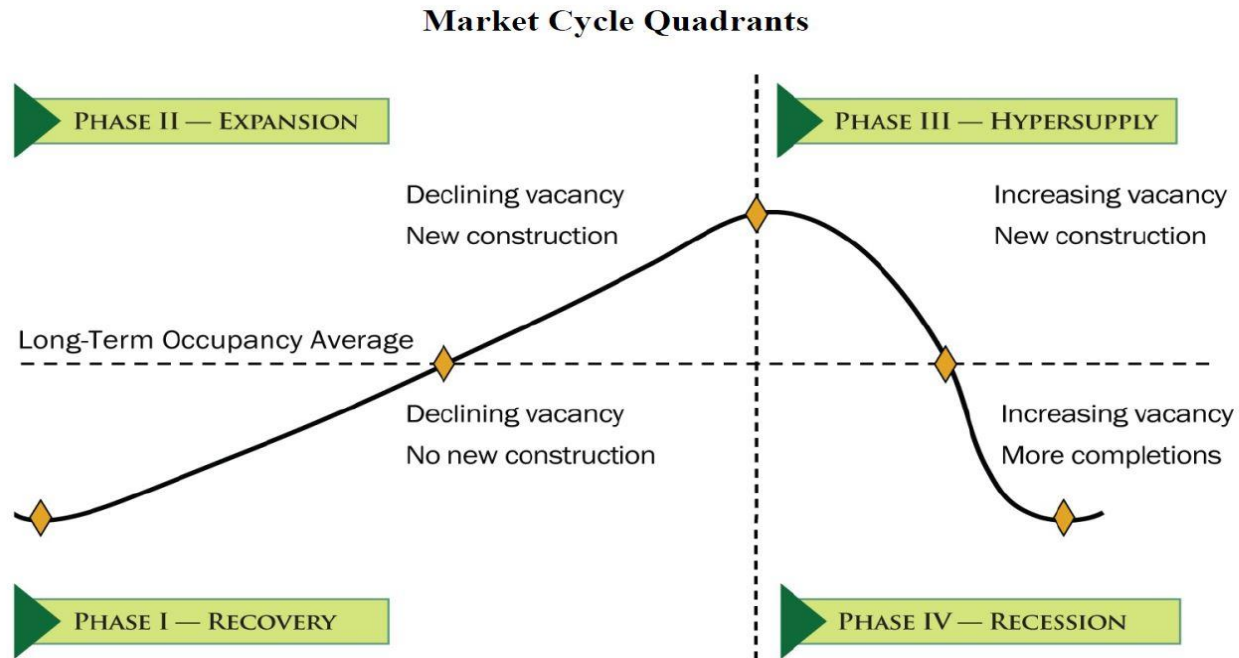
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REAL  
ESTATE  
MARKET  
CYCLES



Source: Mueller, Real Estate Finance, 1995.

**What Phase is the Market In Now? What Market Cycles is Coming Next?**

***“...most experts agree that we are in the middle of an expansion phase”***



## Global Real Estate Transaction Volumes: Good and Bad News

### Americas: Canadian market showed resilience

Volumes in the Americas are 16% lower than a year ago at US\$61 billion (€53.5 billion). The U.S. mirrored the wider regional decline with a 16% fall but the **Canadian market bucked the trend slightly with a more moderate 3% decline**. The Latin American markets suffered most with falls of 81% in Brazil and 57% in Mexico.

### EMEA: UK falls but gains in Nordics

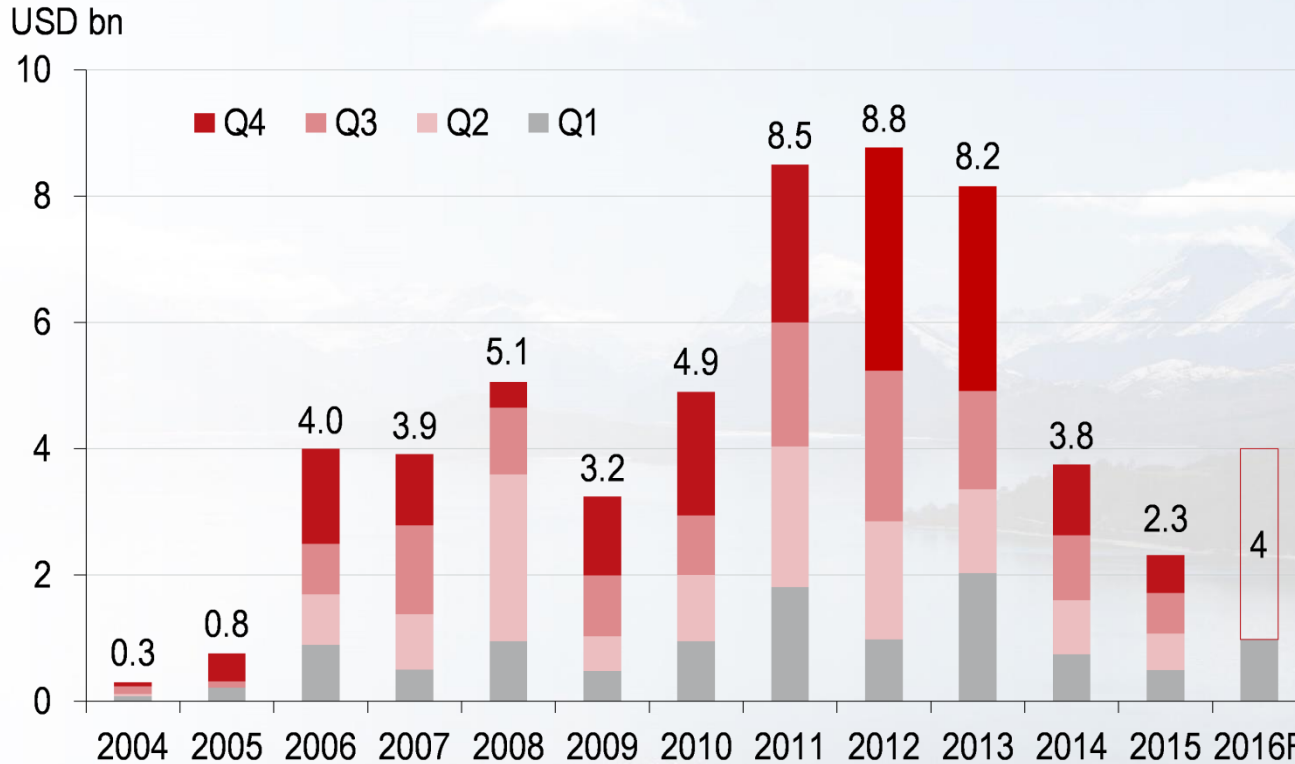
European volumes are 20% lower in U.S. dollar terms at US\$46 billion (€40 billion) with France and the UK recording the biggest falls of the major markets with 30% and 37% declines respectively. **Germany performed slightly better with a 7% drop while, elsewhere, there were gains in the Nordics, Benelux, and CEE.**

### Asia Pacific: Australia, Hong Kong, South Korea rise

Asia Pacific volumes were 16% lower at US\$21 billion (€18 billion) with activity reasonably divergent across the region. **Australia and Hong Kong came in higher than a year ago while South Korean activity also bounced back from the first quarter of 2015.** Both China and Japan registered a decline and most emerging markets were all lower than Q1 2015.



### Russia Real Estate Investment Volume Dynamics, USD bn\*



\* Investment deals, excluding land acquisitions, JVs, direct residential sales to end-users

Source: JLL



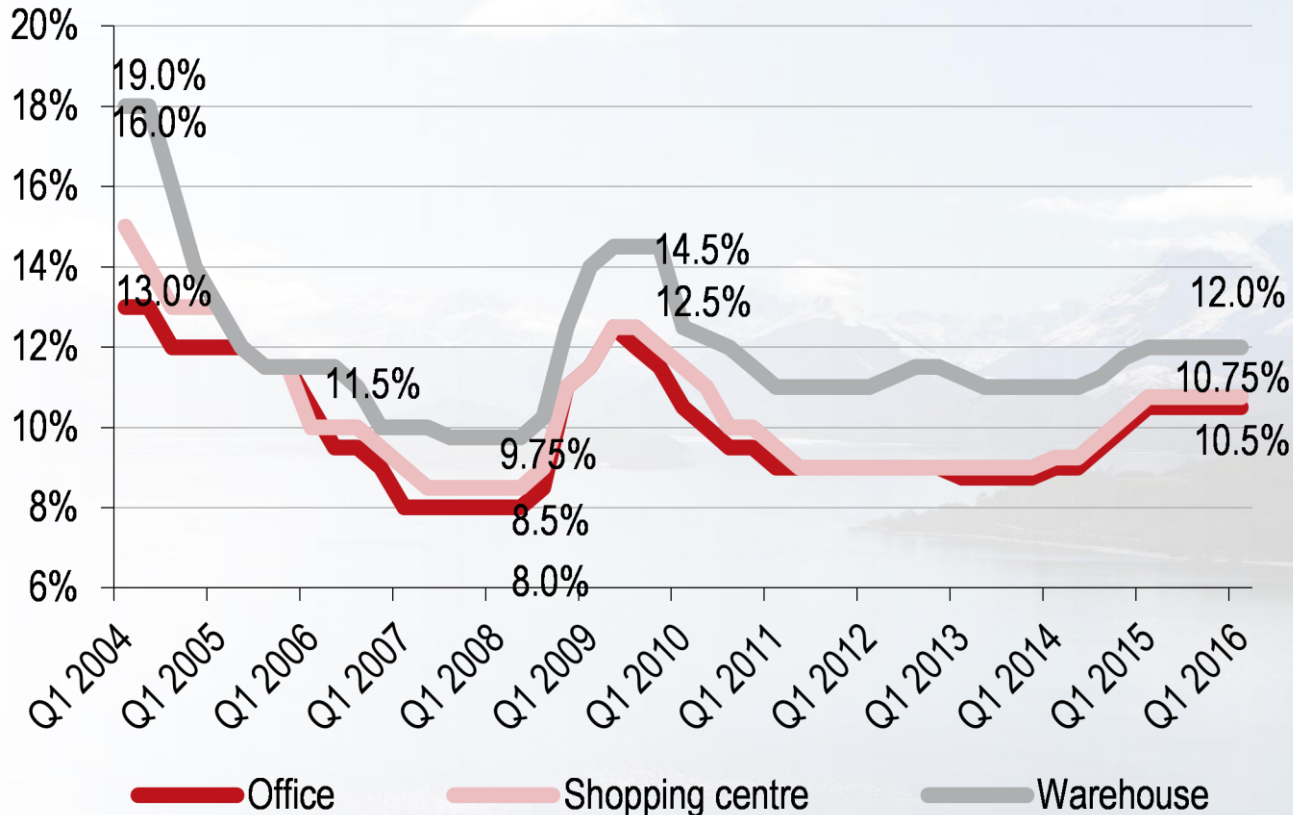
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## Prime Yield Dynamics in Moscow



Source: JLL



## The Situation of the Russia Real Estate Market

Investors continued to focus on assets in **Moscow**, which accounted for **93%** of all investments in Q1 2016 compared to 98% a year ago.

The share of **foreign investments** came to **12%**.

One of the illustrates the attractiveness of Russian assets to foreign investors is the logistic centres PNK-Chekhov-3 and PNK-Severnoye Sheremetyevo to a consortium including the RDIF and **Mubadala**, a UAE sovereign wealth fund, which closed its first deal on the Russian real estate market.

Source: JLL





## Key Risk Factors

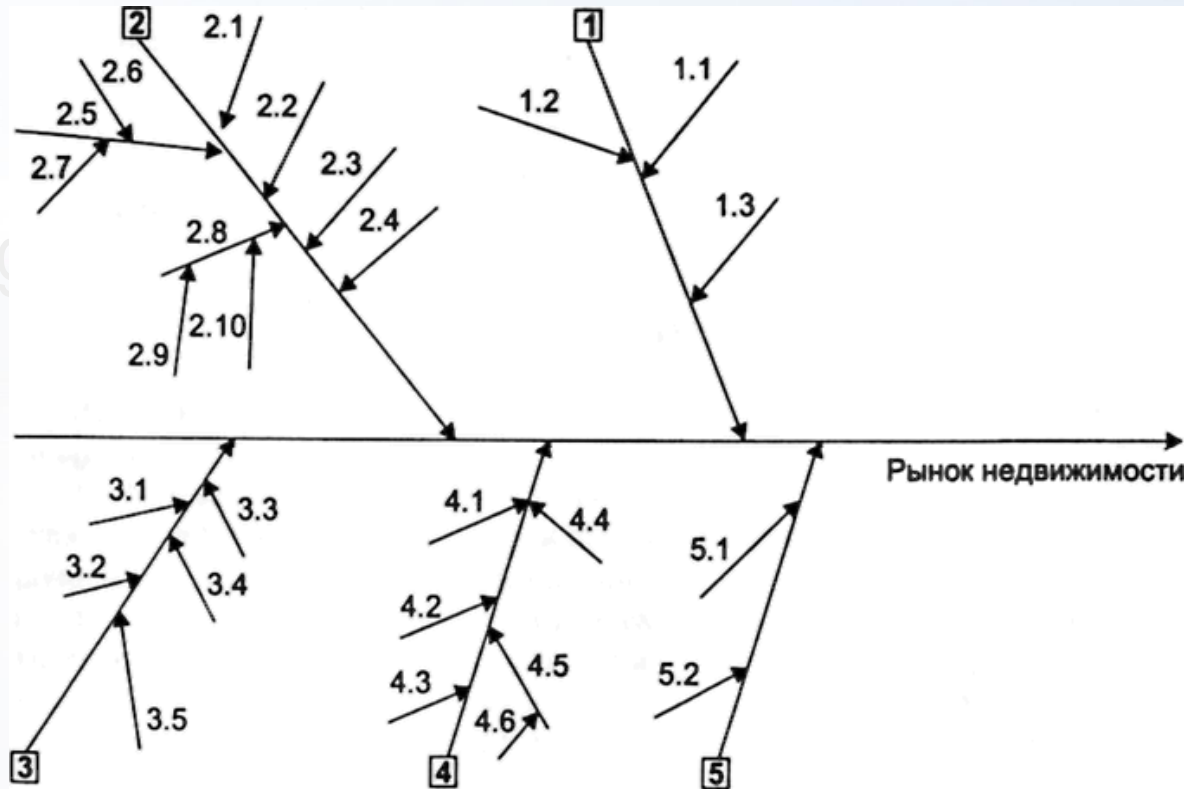
**Strategic and country-specific risks**  
**Global economic crisis risks**  
**Global real estate market risks**  
**Russian regulatory risks for the real estate market**  
**Region and market entry risks**  
**Geographical and climatic risks**  
**Customs, currency and tax regulatory risks**  
**Financial risks**  
**Foreign exchange, interest rate and inflation risks**  
**Credit and liquidity risks**  
**Market risks**  
**Operating risks**  
**Cost risk**  
**Facilities risks**  
**Vertical integration and diversification risks**  
**Land and property registration risks**  
**Environmental risks**

**HOW TO MANAGEMENT ON THE RISK LEVEL?**



### THE SKELETON OF FISH – Cause and Effect Interrelations Between Factors

Holistic  
Thinking





### Symbols of the Factors Influencing of the Real Estate Market

**1. Factors of state regulation of the real estate market :**

- 1.1. The transactions regulations of purchase and sale of real estate;
- 1.2. The tax law regulating with real estate transactions;
- 1.3. The regional level of regulations of real estate transactions.

**2. All-economic situation:**

- 2.1. Production of the national income;
- 2.2. Industrial output;
- 2.3. Employment of population;
- 2.4. Rates of profitability of financial assets;
- 2.5. Balance of payments of the country;
- 2.6. Condition of trade balance;
- 2.7. Inflows of the capital;
- 2.8. Outflows of the capital;
- 2.9. Growth of the income of the population;
- 2.10. Consumer price index.

**3. Microeconomic situation:**

- 3.1. Economic development of the region;
- 3.2. Diversification of employment of the efficient population;
- 3.3. Economic prospects of development of the region;
- 3.4. Inflows of the capital to the region;
- 3.5. Outflows of the capital from the region.

**4. A social status in the region.**

- 4.1. Possibility of the interethnic and military conflicts;
- 4.2. Relation to the private capital;
- 4.3. Relation to the foreign capital;
- 4.4. Stability of policy of the region administration;
- 4.5. Unemployment rate in the region;
- 4.6. Popularity the administration policy in the region.

**5. An environment in the region:**

- 5.1. Ecological situation in the region;
- 5.2. Existence of the developed infrastructure.



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United Nations  
Economic Commission For Europe  
(UNECE)  
Working Party on Land Administration  
(WPLA)  
Real Estate Market Advisory Group  
(REM)

## POLICY FRAMEWORK FOR SUSTAINABLE REAL ESTATE MARKETS **Principles and guidance for the development of a country's real estate sector**

Holistic  
Thinking

- PRINCIPLE 1 - INTEGRATED LEGAL FRAMEWORK**
- PRINCIPLE 2 - EFFICIENT LAND REGISTER AND CADASTRE**
- PRINCIPLE 3 - EFFICIENCY OF SERVICES**
- PRINCIPLE 4 - PREREQUISITES FOR DEVELOPMENT OF SOUND REAL ESTATE MARKETS**
- PRINCIPLE 5 - GOOD GOVERNANCE**
- PRINCIPLE 6 - SUSTAINABLE FINANCING**
- PRINCIPLE 7 - TRANSPARENCY AND ADVANCED FINANCIAL PRODUCTS**
- PRINCIPLE 8 - PROPERTY VALUATION**
- PRINCIPLE 9 - SOCIAL HOUSING**
- PRINCIPLE 10 - TRAINING AND CAPACITY-BUILDING**

Geneva, 2010



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