

# **Crisis of real estate market in Russia. What next?**

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# The main segments of Russian real estate market

- residential and non-residential (selling, rent and using, multi houses, cottages, offices, new and second hand),
- land (federal, regional and municipal properties),
- Security market (housing certificate)

# Market's Participants

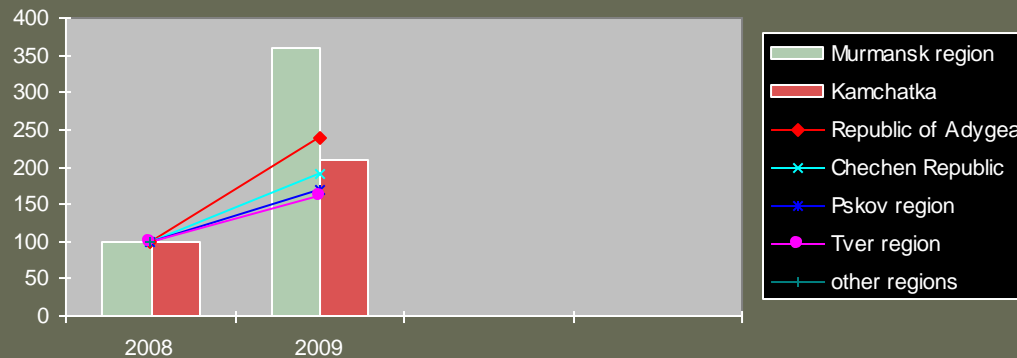
- ◎ *direct* participants : state committee, construction companies, bays (physical and juristically persons);
- ◎ *mediators* - developers, banks, ensures company, state regulations committee, self regulations organization (SRO), investors.

# The Problem is *changes of* :

1. *price and volume of trade in different segments*
  - residential and nonresidential (commerce) real estate (selling-baying, rent and investments),
  - geographical (Moscow, Saint Petersburg, Novosibirsk, Kaliningrad)
2. *investment demand* (meddle exchange rate Euro / Ruble for 2009 is 1/44)

# Market situation 2009

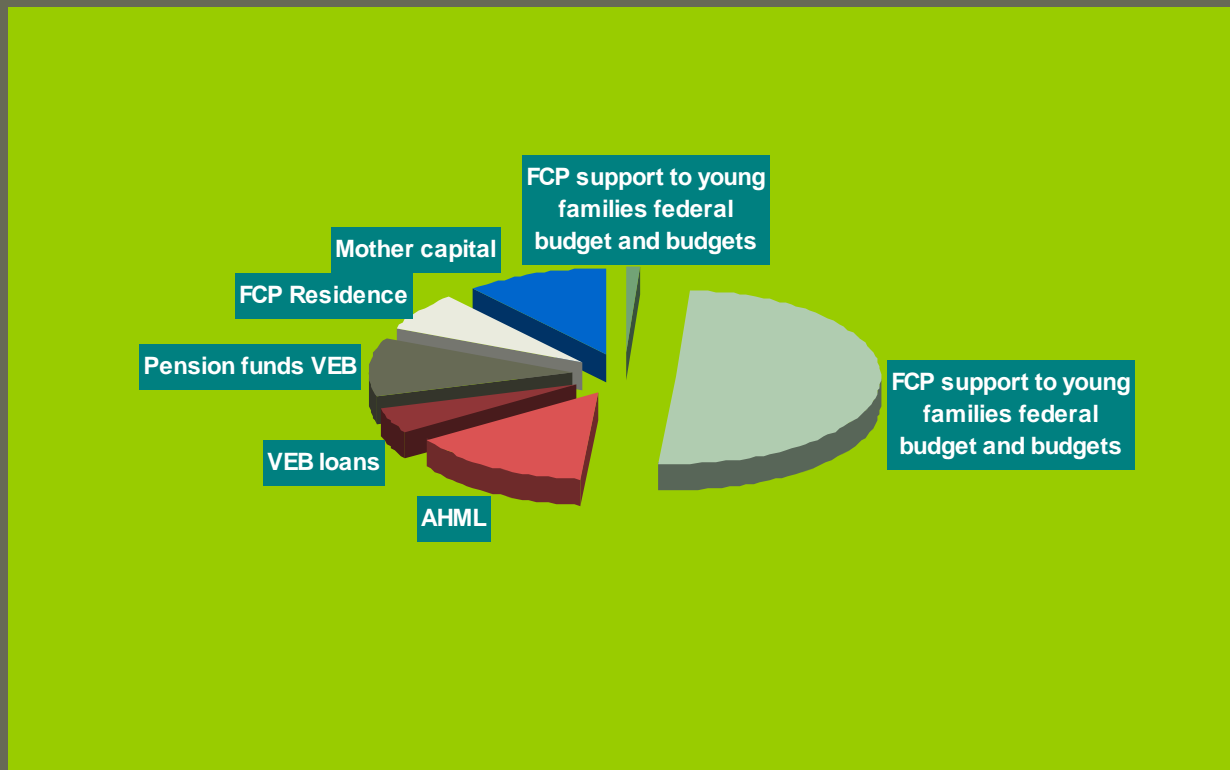
- Demand decrease
- Hypothec credit disappeared
- Price decrease,
- Region stratification (table 1 - Regions – gainers on the volume of introduced shelter, %%)



# Sources maintain demand for housing - 2009 – 890 billion rubles

- federal budget and development institutions - more than 447 billion rubles.
- Agency for Housing Mortgage Lending (AHML) - 130 billion rubles (2008 - 630 billion rubles.)
- Credit Vnesheconombank (VEB) - IF-Real Estate “ - 40 billion rubles.
- Pension funds VEB - 100 billion rubles
- The amount of maternity capital that can and should be directed to the purchase of housing increased to more than 300 thousand rubles - 102 billion rubles for 2010.
- The federal program "Housing" - 61 billion rubles.  
FCP support to young families - 10 billion rubles.
- The amount of tax deduction for the citizens of acquiring and building the housing is increased to 2 million rubles.

# Sources maintain demand for housing - 2009 – 890 billion rubles



# The real estate market in Moscow - 1

leaders - the new construction economy class  
(from 75 000 to 100 000 rub. for 1 square  
meters.)

The rise in prices due to supply reduction - on  
average by 14,2%, but by districts:

Increase: NWAD - 16,4%, WAD - by 12,7%,  
CAD - 12,3%, NEAD - 1,2%

Decrease: all others, especially CAD - 10,1%



## The real estate market in Moscow - 2

Significant reduction in prices for apartments elite and business class :

- studios - at 6,25%,
- doubles - at 17.91%,
- three-room - at 21.74%,
- Multi - at 47.19%.

# Commercial real estate market in Moscow

built 4 new modern shopping center (414 400 sq. M.), but they are filled to 70-80%, increase in the percentage of vacant space - from 7 to 10%

fall in rental rates (per sq. m/per annum excluding VAT and operating costs) - an average of 30-50%, but varies by region and grade:

## 1. outside downtown

- A - 17500-21450 rubles

## 2. CAD

- A - 19800-26400 rubles
- B+ - 11550-17500 rubles

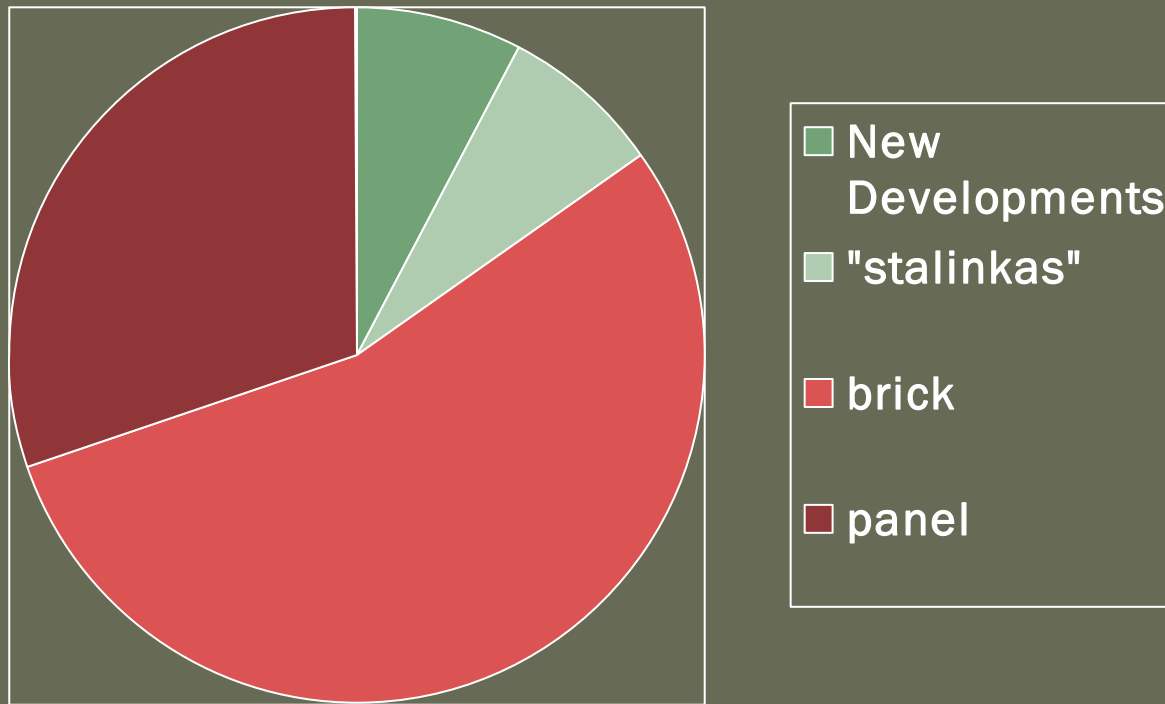
# Investment demand for real estate in Moscow

The amount of investment - no more than  
\$ 50 million rubles

Focus on the format of street-retail - 33-  
100 million

The average capitalization rate - 12-13%  
(3% above 2008)

# The housing market St. - Petersburg (building material)



# Falling prices in the housing market St. - Petersburg (city district )

(%%) (rubles per 1 sq. m. double):

- Petrograd - 12% – 126 600
- Central – 113 800
- Vasileostrovky – 96 400,
- Admiralty – 85 800

# Reduced prices in the housing market St. - Petersburg (kind of the market)

Secondary market - by 19,5% and an average of 81,100 rubles per 1 sq. m in a double, but in

- «stalinkas» - 81 200 – 96 200 (7,5% apartment)
- breaks - 78 200 (53% apartment)
- panels – 76 300 – 76 900 (29,5% apartment)

New development - at 14,62% and amounted in average 72 900 (7,5% квартир)

.

# Dynamics offers business centers of St. - Petersburg (sq. m)

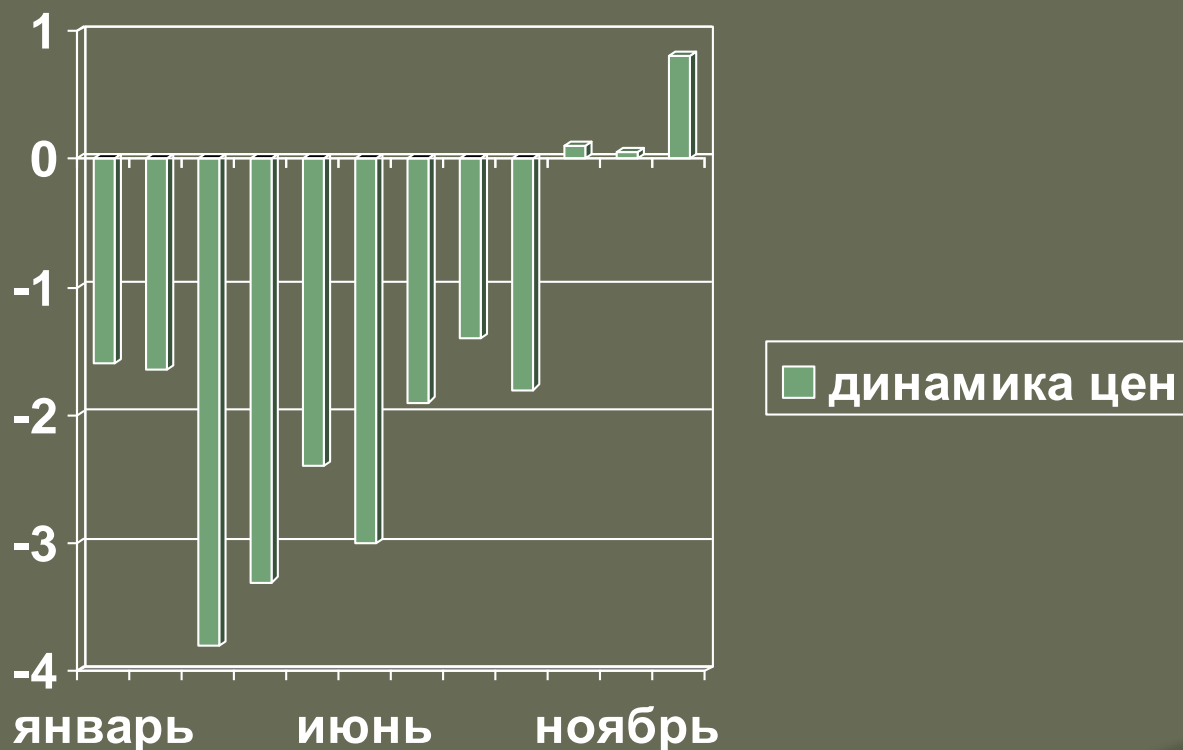


# Dynamics rent business centers of Saint - Petersburg (Rubles / sq. m. in months, 2009)

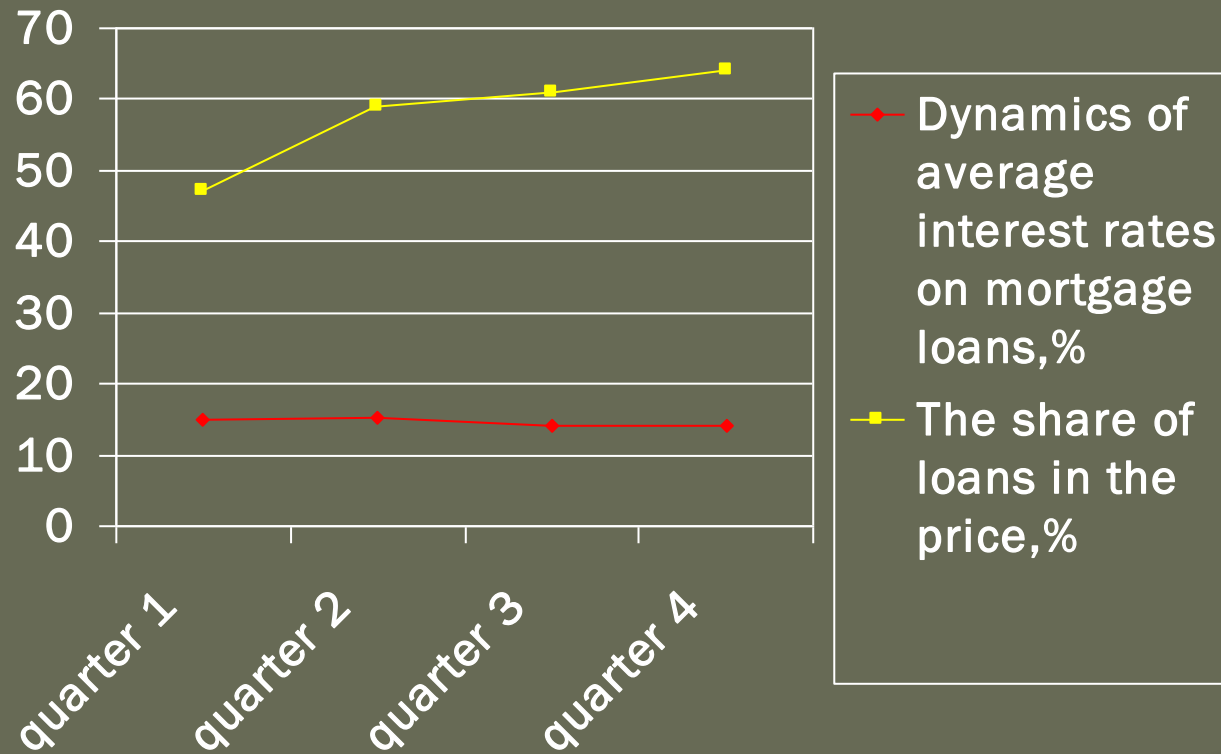




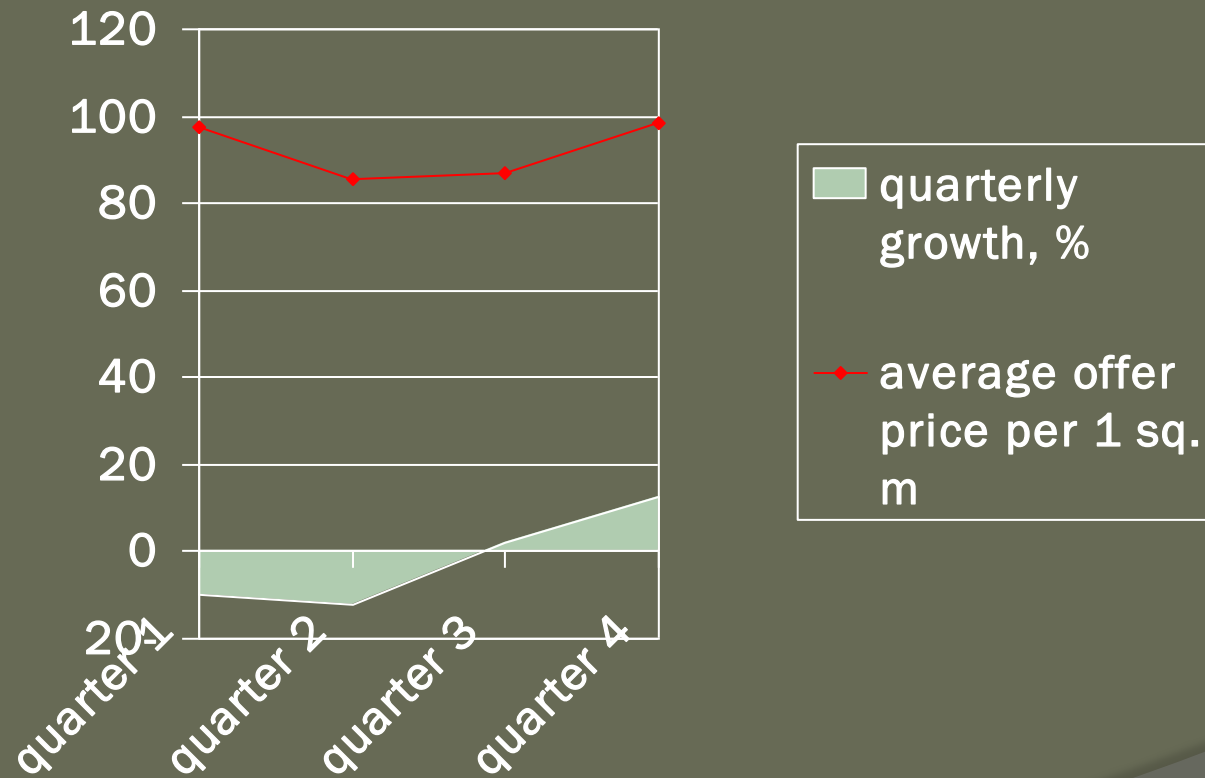
# Dynamics of prices in the secondary market of Novosibirsk 2009



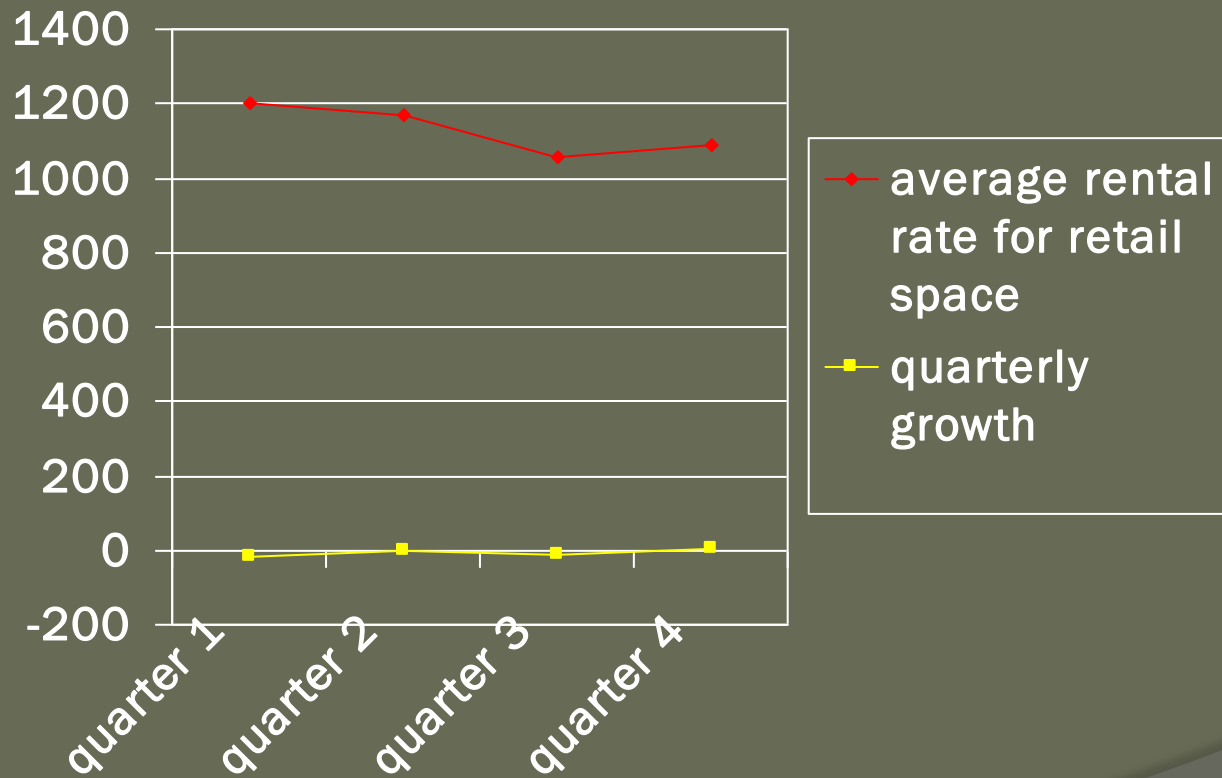
# Primary real estate market of Novosibirsk



# Commercial real estate market in Novosibirsk - 1



# Commercial real estate market in Novosibirsk - 2



# Residential real estate market in Kaliningrad

*The price in the city center an average of 1  
sq. M.:*

*Primary market:*

39 000 rubles – in panel

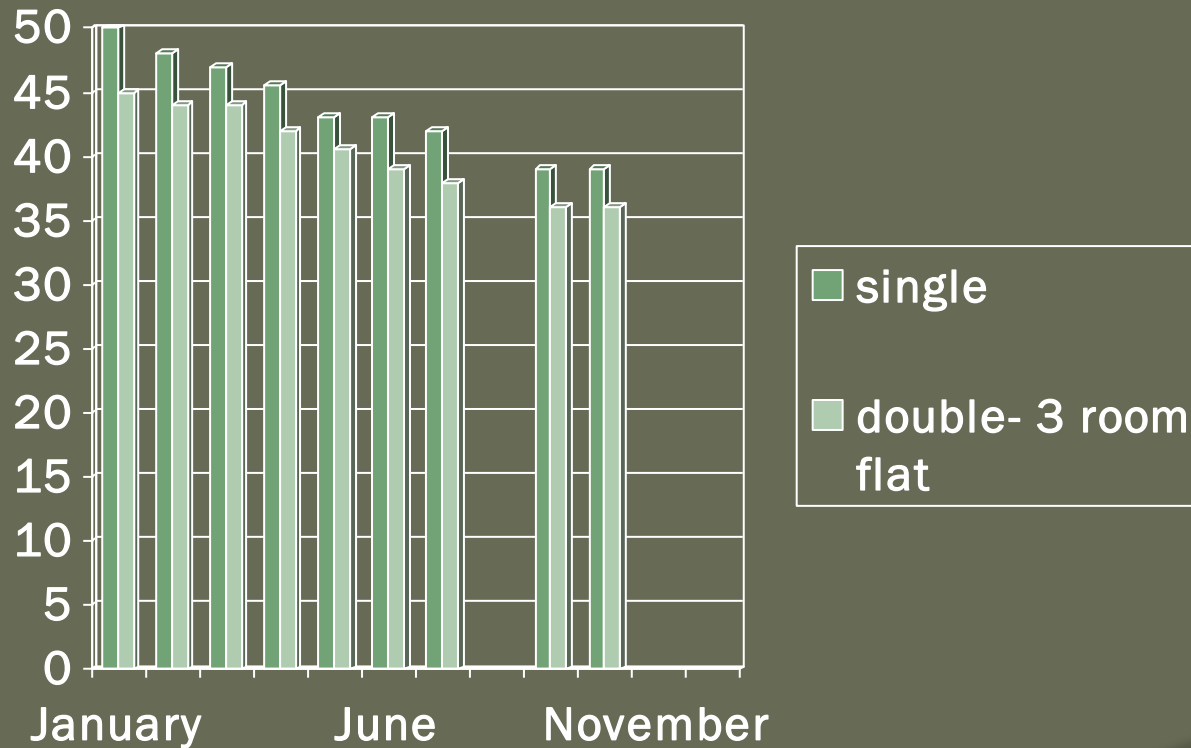
72 000 rubles – in break

*Secondary Market:*

35 619 rubles – in panel

41 956 rubles – in break

# Dynamics of the average cost of 1 square. m of housing in the secondary market of Kaliningrad



# Rent commercial property Kaliningrad

Without VAT and utility bills

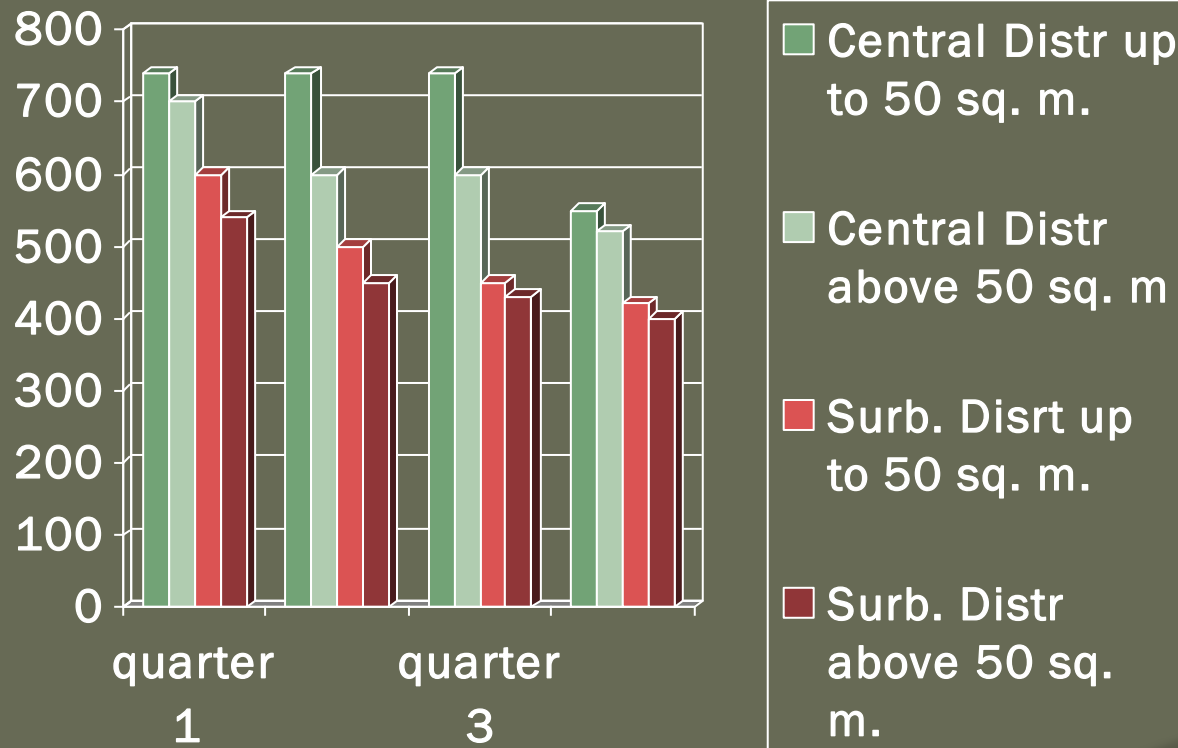
- Up to 50 sq. m

from 435 to 570 rubles for sq. m

- More than 50 sq. m

from 400 to 535 rubles for sq. m

# Rent commercial property Kaliningrad - 2





# Innovations in the construction market of Russia 2010

1. Market participants can only be self-regulating organizations (SROs)
2. Installed annual fee ranging from 50 000 to 100 000 rub.
3. Permission insurance contributions - from 0,5 up to 1 million rub
4. Required certificate of ISO 9001
5. Installed to a compensation fund:
  - construction organization - 300 000 rub.
  - project organization - 150 000 rubles.

**Of the 350 000 - 400 000 construction companies  
may remain  
only 30 000 - 40 000 (10%)**

# Conclusions:

The crisis felt all market participants, in all its segments

Volume of housing construction and commercial real estate has remained relatively high due to created a large reserve

It has become a mass phenomenon in the dissolution of preliminary agreements, and practically were new

**Thank you!**

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