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, constriction 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, %)

![Graph showing market situation]

- Murmansk region
- Kamchatka
- Republic of Adygea
- Chechen Republic
- Pskov region
- Tver region
- Other regions
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

Dynamics of average interest rates on mortgage loans, %

The share of loans in the price, %
Commercial real estate market in Novosibirsk - 1

- Average offer price per 1 sq. m
- Quarterly growth, %
Commercial real estate market in Novosibirsk - 2

![Graph showing average rental rate for retail space and quarterly growth over four quarters.]

- **Average rental rate for retail space**
- **Quarterly growth**
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. м
  from 435 to 570 rubles for sq. m

- More than 50 sq. м
  from 400 to 535 rubles for sq. m
Rent commercial property Kaliningrad - 2

- Central Distr up to 50 sq. m.
- Central Distr above 50 sq. m.
- Subur. Disrt up to 50 sq. m.
- Subur. Distr above 50 sq. m.

Chart showing rent by quarter and area distribution.

- Quarter 1
- Quarter 3
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 the creation of 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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