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Regional Cities Outperform Moscow for Housing Investment

By Maria Dranishnikova

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It would be better to invest in housing in Yekaterinburg, Kazan or Tomsk than in Moscow, according to researchers at Penny Lane Realty, although other experts aren't so sure.

The leaders in Penny Lane's rating of the housing development market were Yekaterinburg, Kazan, Tomsk, Krasnodar and Rostov-on-Don.

The researchers considered a number of criteria, a spokesman for the company said.
In particular, the researchers compared how many square meters of housing were being built per resident in a city. A rate of one square meter per resident per year is considered usual.

Yekaterinburg and Kazan were the leaders by that measure.

The number of enterprises and the pace of recovery from the financial crisis were also examined to determine the financial solvency in a city. Yekaterinburg was the leader here as

well. That city's manufacturers experienced a 23.5 percent growth rate last year, compared with a national average of 5.2 percent.

Aidar Galeyev, development director of NAI Becar, said Kazan's position was overstated.

"The government is financing construction in the city and carrying out target programs, but stiff competition among developers prevents prices from rising, so the profitability of housing projects in Kazan is less than in a number of other cities," he said.

In his opinion, the order of the top five cities should be Krasnodar, Yekaterinburg, Rostov-on-Don, Tomsk and Kazan.

The population of Krasnodar and Rostov-on-Don is growing because people are moving there for the better climate. Yekaterinburg is an industrial city, a leader in economic growth that did not suffer a lot from the financial crisis, Galeyev said.

An analyst from Snegiri Development named the Krasnodar region and Rostov-on-Don as investment favorites. Housing demand in the region began to grow after it became known that Sochi was a contender for the 2014 Olympics.

Prices in the Krasnodar region have not grown substantially yet, but they will as the Olympics draw nearer, the analyst said. Increasing demand will stimulate the development of the transportation infrastructure, he added.

Moscow and St. Petersburg are conspicuously absent from the ratings. Those cities are attractive to investors who can commit $5 million to $10 million for three to five years, the Penny Lane report said.

However, the general director of Miel, Vladislav Lutskov, said through a spokesman that demand for housing is growing fastest in Moscow and the Moscow region, where finance, trade and administration are concentrated and a number of national companies are headquartered.

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