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City Housing Construction Hits Record Low

By Bela Lyauv

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A boy gazing at a model. Last year's stock of newly built housing was the smallest in years. **Denis Grishkin**

Last year, a record low amount of housing construction took place in Moscow, even less than there was in the early 1990s.

State Statistics Service data indicate that 1.77 million square meters of housing were made available in Moscow in 2010, which is 34 percent less than in 2009. Since the beginning of the 1990s, there have been at least 2 million square meters produced per year.

The main reason for the drop in 2010 was the financial crisis, said Marat Khusnullin, head of the city of Moscow's construction division, but construction won't pick up in 2011 either. There are plans for about 2 million square meters, but Mayor Sergei Sobyanin has given orders to pursue quality and practicality, not production figures, Khusnullin said.

There will be "a clear reduction in volume," said Andrei Pankovsky, first deputy general director of DSK-1. That company will complete the construction of two residential buildings in the outlying areas of Solntsevo and Chertanovo-Yuzhnoye, but that is all the construction it will carry out in Moscow.

In some cases, there are no apartments for sale, and in some places prices have returned to their pre-crisis level, said Alexei Belousov, commercial director of Capital Group.

Volume is being reduced most rapidly in the public housing sector, rather than in commercially built housing, said Oleg Repchenko, head of the IRN.ru web site. In 2007, 2.5 million of 4.8 million square meters built was public housing. In 2010, 600,000 square meters of public housing was built.

Moscow city authorities are reviewing all contracts, Pankovsky said, and because of that, builders are unable to plan their future activities.

A lack of supply could lead to a sudden jump in prices, Belousov said.

Repchenko doubts that, however. He said there is always a certain amount of housing being built in Moscow.

Housing in the capital is already overpriced, said Mikhail Urinson, managing director of the Alur company.

Khusnullin said the reduction in housing construction is because of stricter requirements. "We no longer provide housing according to a schedule and we have banned rentals in unfinished conditions," he said. The city agency that lists available housing has become stricter about quality.

"Housing provided in December and January always comes with the contractor's guarantee that they will correct any deficiencies. They main thing is to provide it by deadline. That is, the numbers are artificially inflated to match the plans of city officials," said Alexei Shepel, chairman of the board of S. Holding.

Shepel said he agreed with city authorities who have said it is time to shift their priorities from housing construction to road construction.

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