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INDEPENDENT NEWS FROM RUSSIA

Developer to Spend $500M on Suburban Housing

By Anton Filatov

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Unfinished apartments waiting in Balashikha. The Moscow suburb is expected to be the site of a 5.5 billion ruble housing complex by Morton Group. **Maxim Stulov**

Morton Group will invest $500 million in new housing in two towns outside Moscow, where demand is thriving.

The developer has selected the towns of Vidnoye and Balashikha for a 9 billion ruble ($300 million), 180,000-square-meter housing complex and a 5.5 billion ruble, 120,000-square-meter complex, respectively.

The two projects will be financed with company cash as well as borrowed funds, said Anton Skorik, chief executive of Morton Invest. He declined to name the lenders.

In early March, both projects will be presented at the MIPIM international real estate expo in Cannes, France.

Morton Group is one of the biggest developers of suburban Moscow. Its current portfolio stands at 3.3 million square meters of housing.

Last year, the company began construction of four projects — Butovo Park, Solntsevo Park, Severnoye Kuchino in Zheleznodorozhnoye, and Sacramento in Balashikha — totaling 1 million square meters. It completed 560,000 square meters of housing.

The only developer that built more was SU-155, with about 800,000 square meters in the region, according to Miel-Novostroiki. Another major builder, PIK Group, produced 288,000 square meters near Moscow.

"About 70 percent of potential new housing buyers in the Moscow region consider housing in a suburb. But only 10 to 15 percent actually go through with a deal," said Dmitry Taganov, head of market surveyor Inkom.

"Basically, these are people who really need a better place to live, but aren't able to afford an apartment in the city," he added.

While Moscow faces a gradually widening deficit of new developments, major suburbs are seeing a boom in large projects of 100,000 to 150,000 square meters, said Maria Litinetskaya, chief executive of Miel-Novostroiki.

In the suburbs, low purchasing power can be remedied by a mortgage, she said. Often up to 70 percent of a new development is sold via a credit program. In Moscow, it's less than 30 percent. Suburbs near Moscow are popular among city residents and offer lower prices. Many projects go at the initial stages of development for below-market prices.

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