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Moscow Expansion Spurs Residential Market

By Irina Filatova

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Housing sales rose 6 percent year-on-year in 2012 as Moscow's expansion southwest boosted supply. **Vladimir Filonov**

Growing housing stock caused by Moscow's territorial expansion resulted in the city seeing an increase in the number of deals involving existing residential properties last year, analysts said Monday.

The number of sold and purchased properties increased by 6 percent in 2012 year-on-year to 96,600 items, according to the Federal Service for State Registration, Cadaster and Cartography. This growth rate is likely to continue this year unless there's a negative effect from the volatility on external markets facing the debt crisis, analysts said.

The "natural demand for Moscow housing" boosted growth in the number of deals in the first half of 2012 by 5.1 percent from the same period a year earlier, according to MIEL. But the 6.7 percent growth in the second half resulted primarily from the increase in the capital's

housing stock after its area more than doubled in size, the company said in a statement.

The number of deals is likely to remain at the same level this year, said Alexei Shlenov, chief executive of MIEL's real estate brokerage unit.

This year's growth is expected to be primarily of a technical nature, as the housing stock on the recently annexed territories expanded the supply, said Dmitry Taganov, head of INKOM's research department.

As a result of the Kremlin's initiative, 148,000 hectares of Moscow region land to the south and southwest of the city were added to Moscow on July 1 last year.

There was a slight surge in buyers' activity ahead of the presidential elections last spring, but this year is unlikely to bring any surprises on the market for existing housing, as no significant political or economic changes are anticipated, Taganov said.

"Our forecast has remained unchanged over the last three years: the market is in stable stagnation and isn't facing any sharp fluctuations," he said, adding that the market has yet to fully recover after the 2008 economic crisis.

However, the growing affordability of mortgages might stimulate buyers' activity this year if mortgage rates remain unchanged, Shlenov said. Mortgage rates averaged 12.5 percent as of the end of last year.

The number of mortgage deals has been steadily growing after the 2008 crisis, Shlenov said. He added that it had increased from 7 percent to 8 percent of all housing deals in 2009 to about 30 percent last year.

But increasing buyers' activity is unlikely to affect prices significantly, with analysts expecting a moderate growth of about 6 percent this year.

Prices for existing housing in Moscow increased by 3.8 percent in 2012 to average 173,200 rubles ($5,248) per square meter, Taganov said. The overall volume of housing for sale in the capital stood at 42,800 items as of the end of last year, he said.

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