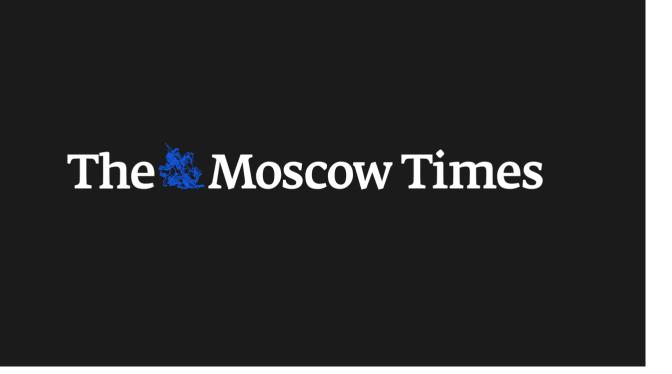


One-Room Apartments Lead Sales Nationwide

By The Moscow Times

April 07, 2013



One-room economy-class apartments are the most popular items on the real estate market across the country and are increasingly viewed as good investment properties, according to a report by SU-155 construction firm.

The firm sold 134,000 square meters of residential space in the first quarter of 2013, of which 54 percent was one-room apartments. For the same period last year, SU-155 sold 157,000 square meters of space, but only 36 percent was in the one-room category.

The percentage of one-room apartment deals involving mortgages is also growing. In the first quarter of this year, 28 percent of all deals were done using a mortgage, which was 10 percentage points more than for the same period in 2012. Of this year's mortgage based deals done by SU-155, 25 percent were done with one-room apartments. In 2012, that figure was only 20 percent.

The increasing number of small, mortgage-based purchases implies that more and more people are able to satisfy their housing needs, the company said.

The Glavstroi construction company is seeing a similar boom in demand for one-room apartments. In the fourth quarter of 2012, the share of one-room properties it sold was 21 percent, but in the first quarter of 2013 it rose to 43 percent. About half of its deals were done using mortgages. The company credits a growing number of partner programs with banks as the reason for the rise.

Other competitors of SU-155 have not experienced the same growth of sales in the one-room segment. In the first quarter of 2013 the sale of one room apartments in Moscow and the surrounding region was at about 30 percent, and roughly one-third were done using mortgages. This is the same proportion as last year, said a spokesman for PIK development company.

"We are seeing a growth in one-room apartment deals only at the start of sales of newly constructed properties. The majority of one-room properties are sold as soon as the foundations are dug, while two and three room apartments start to sell when at least 30 percent of the building is complete," said Igor Ladichuk, a spokesman for Morton development company.

A reduction in the rate of inflation in Russia will make it possible to reduce mortgage rates to 10 or 11 percent, but no one should count on them hitting 9 percent, said Sberbank president German Gref, RIA-Novosti reported.

"Hitting 10 or 11 percent is probably, but only if inflation will go down, and that's only going to happen if the Central Bank actively works on improving liquidity," Gref said.

Prime Minister Dmitry Medvedev said last week that it was necessary to reduce mortgage lending rates this year from the current 12 percent average to 9 or 10 percent.

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