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Academy of Sciences Reform to Boost Apartment Supply

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The large-scale reform of the Russian Academy of Sciences, announced by the Cabinet late last month, is likely to influence Moscow's real estate market significantly by flooding it with tens of millions of dollars worth of apartments, experts said.

The reform, which is strongly opposed by scientific circles, is designed to reorganize the academy's structure and transfer its property and community facilities to a range of state agencies.

Education Minister Dmitry Livanov said all the academy's property would be divided into three groups depending on its economic and research effectiveness.

Property housing the most effective of the academy's institutions will be governed by the newly-formed Agency of Scientific Institutes; a second, less economically viable group will be given to other state agencies; while a third group of financially unsound institutions will be

abolished, and their property will be written off the academy's books and slated for redevelopment.

The overall value of the academy's real estate assets in Moscow alone is 47 billion rubles ($1.4 billion), according to a report by Metrium Group, a real estate company. In addition to dozens of buildings in Moscow and the Moscow region, it owns facilities in other parts of the country.

“One of the main reasons for the reform is ... another property redistribution,” said Maria Litinetskaya, head of Metrium Group. “The reform will involve hundreds of thousands, or even millions of square meters of property.”

Much of the academy's property will likely be sold to companies affiliated with the Agency of Scientific Institutes, which would then reorganize it into apartment buildings, Litinetskaya added.

Industry players say the buildings are likely to be in demand because many of them are located in prestigious central or south-west districts of Moscow.

Much of the property is well maintained and, depending on its location, is in the business-class or luxury category.

“If there is no restrictions on use of the academy's real estate outside its current designation, the Moscow real estate market will see at least 10 new major residential facilities added in the next 3-5 years, which is good news, as the additional supply will not allow prices to rise significantly and will help to satisfy consistently high demand,” Litinetskaya said.

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