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Shortage of Building Materials Drags Down Residential Construction

By The Moscow Times

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Half of Russia's regions are not meeting housing construction targets due to a lack of building materials, Kommersant reported Monday.

The country needs more than 20 new cement factories, according the government, but companies are refusing to build new plants due to a lack of potential returns on investment.

"[Building factories from scratch] doesn't break even. It is more feasible to modernize existing plants," said Mikhail Skorokhod, president of Euro Cement Group Holding, which opened a new 395 million euros ($524 million) cement plant in Voronezh last November.

More than 30 enterprises for the production of nonmetallic materials and 15 for insulation materials are also needed, said Sergei Vakhrukov, the deputy regional development minister, while about 200 existing cement factories require reconstruction.

The state plans to build 0.45 square meters of new housing per person per year, a figure that is out of reach for most regions, investment consultants SMPRO said.

The regional development ministry is trying to stimulate production with particular focus on Siberia and the Far East, where subsidies on interest rates, tax rebates and state guarantees will be made available, Vakhrukov said.

Last year, 65.7 million square meters of new housing were built, compared with 62.3 million in 2011, according to the State Statistics Service.

Eventually, the authorities want at least 1 meter of housing to be built per person every year.

Last year, 0.98 square meters per person were built in Moscow, the country's leading performer, compared with 0.8 square meters in the Krasnodar region.

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