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Expats Shun Housing Despite Lower Costs

By Irina Filatova

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The most popular locations for foreigners to buy high-end properties are international business centers like London and New York, while Moscow has yet to deserve the reputation of an international business center. **Andrei Makhonin**

Foreigners buying high-end apartments in Moscow have to pay the lowest associated costs compared with other world capitals, according to a survey released Monday.

The obligatory one-time purchase costs for nonresident buyers stand at below $100, making Moscow the cheapest location to buy luxury properties, Knight Frank said in the survey, carried out among 15 global cities.

The obligatory fees a foreigner has to pay when buying a residential property in Moscow include a stamp duty of 1,000 rubles ($30.4) and an equal fee charged for a notarized agreement to close the deal signed by the buyer's spouse or a notarized document confirming that the buyer is not married, the consulting company said.

For the survey, Knight Frank compared costs for nonresident buyers purchasing a new-build property valued at $3 million.

Hong Kong has the highest associated costs, which reach 25 percent of the property's price that a buyer has to pay on top of the deal value, the company said.

Singapore, where purchase costs reach 19.3 percent of the property's value, ranks second, followed by London and Sydney, where a buyer will be asked to pay 7.9 percent and 7.2 percent of the deal value, respectively.

The second cheapest location in terms of associated costs after Moscow is Paris, where obligatory fees stand at 1.8 percent of the purchase price.

Notably, foreigners buying luxury homes in Moscow face the same charges as Russians, while the size and kind of fees for non-residents is different in some other cities.

However, the favorable conditions for real estate deals do not encourage foreigners to buy luxury apartments in Moscow.

"Existing legislation and market realities are not always clear enough to foreign buyers," said Yelena Yurgeneva, head of the residential property department at Knight Frank Russia and CIS. For that reason foreigners usually prefer to invest into commercial real estate in Moscow, since these properties can guarantee returns, she added.

Most foreign customers have a very weak understanding of the realities of the city's property market, said Oxana Diveyeva, head of the residential sales department at Blackwood.

Many hope to buy a centrally-located high-class property for $6,000 per square meter in Moscow, while realizing that in London it is impossible to purchase anything at that price, she said, adding that such a perception results from Russia's image as an emerging market.

The most popular locations for foreigners to buy high-end properties are international business centers like London and New York, while Moscow has yet to deserve the reputation of an international business center, Diveyeva said.

In most cases, an expensive purchase is not justified for foreigners who do not own a big business in Russia and thus have no reason to settle in Moscow, she said, adding that the handful of clients buying high-end properties are who have Russian spouses and choose to settle in the country.

But the situation is different when it comes to citizens of other ex-Soviet countries, who account for 25 percent of the total number of deals with high-end properties in Moscow, Diveyeva said. These customers consider such housing to be a status symbol, she added.

Such buyers are apparently not scared off by the high maintenance costs that the ownership of high-end housing in Moscow involves.

The owner of a luxury apartment in Moscow has to bear expenses of $17,200 a year, which include the property tax and utility and maintenance costs, according to Knight Frank, which also analyzed the annual costs associated with the ownership of a luxury property in the

surveyed cities.

This puts Moscow on the list of the cities with the highest ownership costs, preceded by Barbados, where these expenses stand at $22,500, Miami and Bahamas, where a homeowner pays $29,000 and $30,000 a year. New York tops the list, with ownership costs reaching $55,000.

Contact the author at irina.filatova@imedia.ru

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