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Property Registries Thaw Out Crimea's Real Estate Market

By Delphine d'Amora

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For the first time since Crimea's annexation two months ago, property owners on the peninsula can officially register their properties with the Russian government, to the anticipation of eager buyers and a real estate market that has been frozen in legal limbo.

The first registration center under the aegis of the Russian cadastral system was opened in the republic's administrative center, Simferopol, on Friday. Similar centers are to be opened in all Crimean municipalities, and according to Deputy Economic Development Minister Pavel Korolyov, the re-registration could be mostly completed "over the course of the summer."

That deadline is ambitious. Ukraine has blocked the Russian government's access to the previous register, meaning that the new registry must essentially be built from scratch. And with a capacity of about 300 cases a day, the centers will be hard pressed to register every property on the island.

"The registration of property rights in Crimea should take more than a year," said Ilya Volodko, general director of real estate consultancy Macon Realty Group. In the meantime, the difficulties in performing real estate transactions will prove a substantial barrier to the development of business in the region, he added.

If the registration drive is successful, it could take the brakes off an expected influx of eager Russian buyers with their hearts set on a seaside property. Crimean real estate agencies noted an abrupt increase in calls from interested Russian buyers even before the referendum in March, and local prices have skyrocketed between 12 and 75 percent on expectations of a rush of cash into the sector. Even without a legal purchasing outlet, the value of a square meter of new, budget-class residential real estate in resort capital Yalta, for instance, grew from $750 in 2013 to between $1,000 and $1,600 this year, while the price of higher-quality real estate rose from $2,000 per square meter to $2,500, said Vitaly Kononov, commercial director of Crimean developer Konsol-Stroy LTD.

There were, however, other factors involved in the price increase: the cost of building materials has risen abruptly due to severed logistical connections with providers in Ukraine, while hiccups in the banking system can leave money circulating for up to five days, he added.

Nonetheless, Kononov expects to see prices continue to rise over the coming years — by up to 12 percent, he said — thanks to anticipated improvements in infrastructure and Russians' tsarist-era infatuation with the region.

Other estimates look even higher. Prices could rise between 20 and 30 percent over a short period as soon as private investors begin developing resort properties on the peninsula, said Maria Litinetskaya, general director of Metrium Group. However, this will depend a great deal on the extent to which the government invests in the region's development. "Without serious subsidies from the government, private investors are unlikely to build anything," Litinetskaya said.

The fate of the market will also depend on the international community's outlook on Crimea going forward. Until Crimea is recognized as a part of Russia by other governments, both foreign and Russian buyers will be hesitant to risk their savings on property there, Volodko said.

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