The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Russian Residential Construction to Drop Up to 15%

By The Moscow Times

February 23, 2015

Russian house buyers are also being pressured by an increasingly worse economy.

Russian residential real estate construction is set to fall 10-15 percent this year and mortgage lending by half, an official for the Construction, Housing and Utilities Ministry told news agency Interfax late last week.

Mortgage lending could plummet even further compared to last year if Russia does not provide 400 billion rubles ($12 billion) in subsidies to builders and banks, Gayan Kizaryants, director of the construction ministry's department of residential policy, told Interfax. Last year Russia's mortgage lending stood at 1.7 trillion rubles ($268 billion).

Mortgage lending has already fallen steeply this year, rocked by the Central Bank's decision to hold the key interest rate at a steep 15 percent in January. January lending dropped by 35 to 40 percent compared to last year's figures, news agency RIA Novosti reported Investorgbank head Vladimir Gudkov as saying earlier this month.

Russian house buyers are also being pressured by an increasingly worse economy, which is expected to contract by as much as 5 percent this year amid low oil prices and punishing Western sanctions over Moscow's role in the Ukraine crisis.

According to data from state statistics agency Rosstat, residential construction grew by 34 percent in January compared to last year for a total of 6.2 million square meters built. However, construction growth is likely to slow, Kizaryants said, as flagging demand eats away at developers' plans.

Original url:
https://www.themoscowtimes.com/2015/02/23/russian-residential-construction-to-drop-up-to-15-a44142