

Residential Construction in Moscow Rises in Q1 Despite Slump Warnings

By [The Moscow Times](#)

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New residential construction in Moscow rose slightly in the first quarter, defying expectations of a slump in building activity as Russia's economy heads for a contraction of up to 5 percent this year.

Around 2.1 million square meters of real estate came onto the market in the three months of 2015, including 825,700 square meters of residential housing, city construction officials said. Around the same quantity — 823,000 square meters — was built last year.

The Construction Ministry said in March that residential construction in Russia as a whole would fall by 6 percent this year, dipping to 76 million from 81 million square meters last year.

Developers are struggling with high loan rates after the Central Bank more than doubled

interest rates over the past year to 14 percent to deal with surging inflation and currency collapse. Demand for mortgages, a key driver of property sales, has fallen sharply in recent months as Russia's economic situation worsens.

Much of the new residential construction this year will be focused in New Moscow, a huge territory added to the city in 2012. More than 600,000 square meters of residential real estate was added to New Moscow in the first quarter of this year, compared to 475,000 square meters last year, according to city officials.

The Moscow government has little interest in encouraging residential construction on Moscow's historic borders, sources in City Hall said. Mayor Sergei Sobyenin is focused on unclogging central Moscow's traffic-jammed streets by building up the city's outskirts, it added.

Moscow Deputy Mayor Marat Khusnullin said he did not expect a significant reduction in residential real estate construction this year. Others disagree — deputy chairman of the Moscow Region government German Yelyanyushkin said a drop of around 15 percent was possible.

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