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Russian Housing Construction Rises 30%, But Drop Is Coming

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The housing market isn't expected to grow for much longer.

Residential construction in Russia has yet to be visibly hit by the country's economic turmoil, with nearly 30 percent more housing delivered in the first four months of this year than in the same period in 2014, a news report said Monday.

A total of 295,000 apartments entered the market from January to April, up 28.4 percent from last year, news website Gazeta.ru reported, citing data from the state-run Agency for Housing Mortgage Lending.

This boom comes even as the Russian economy heads into a contraction expected to hit around 3 percent this year, the result of steep falls in the price of oil — Russia's chief export — and Western sanctions over the Ukraine crisis.

The housing market isn't expected to grow for much longer, however.

The construction projects that will be completed in the first half of this year received their financing before the crisis, the report cited analysts at the Agency for Housing Mortgage Lending as saying.

Projects slated for the second half of the year, meanwhile, have not nailed down their financing and are facing trouble thanks to high interest rates and low investor confidence.

A state program to subsidize mortgage lending may help support the industry, but it is likely to be exhausted by the second half of the year, Gazeta.ru cited the agency as saying.

Gonzague de Pirey, head of multinational construction materials producer Saint-Gobain in Russia, told The Moscow Times previously that the number of new construction projects in Russia could drop by between 50 and 70 percent in the current crisis.

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