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Apartment Sales in Moscow Down 40 Percent as Demand Plummets

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Russia's recession has collapsed the capital's housing market, with apartment sales in Moscow falling by 38 percent over June-August compared to the same period in 2014, a survey showed.

Some 24,490 apartments were sold in Moscow over the three-month summer period, and only 7,360 apartments were bought in August — a 41 percent decline from the same month last year, the RBC newspaper reported, citing a report by the Federal Service for State Registration, Cadastre and Cartography (Rosreestr).

The slump in sales has affected the markets for both new and lived-in homes, analysts told the paper.

Russia's economy is shrinking due to a plunge in the price of oil — the country's main export — and Western sanctions imposed over Russian involvement in the Ukrainian crisis. High inflation has overtaken wage growth, leaving people with less money to spend.

Average wages were worth 9 percent less in the first 8 months of this year, compared to the same period in 2014, according to the Rosstat state statistics service.

The government has attempted to boost home sales by subsidizing mortgages for newly built flats at interest rates of 11-13 percent. But the measures, in place since March, are not enough, Vladislav Lutskov, deputy general director of realty firm Est-a-Tet, told The Moscow Times. Incomes are falling and people have no confidence in the future, so the decision to purchase an apartment is a difficult one, he said.

Mortgage lending in Russia in the first half of 2015 was down 40.1 percent year-on-year at 461 billion rubles ($7 billion), the Interfax news agency reported, citing data from the Central Bank.

Moreover, the slump in demand has done nothing to depress apartment prices. As year-on-year sales in Moscow fell by two-fifths in August, the average cost per square meter for new apartments in the capital was 208,500 rubles ($3,160), just 1.3 percent less than in August 2014, RBC reported, citing data from Rosreestr and real estate analytics firm Irn.ru.

The price of a lived-in home meanwhile was 10.7 percent higher than in August last year, reaching 199,300 rubles ($3,000) per square meter, the report said.

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