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INDEPENDENT NEWS FROM RUSSIA

Moscow Builds Record Number of New Apartments

The city's renovation drive and tumbling mortgage rates helped deliver a construction boom in 2019.

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Mortgage rates have fallen below 9% at major lenders. **Moskva News Agency**

Moscow's construction boom reached new heights last year, with more new living space opening up than in any single year since 1965.

In 2019, construction was completed on almost 5 million extra square meters of apartment space in the Russian capital — equivalent to around 100,000 average-sized apartments. That represents a 40% jump from 2018, and passes the previous post-Soviet record of 4.82 million square meters, set in 2007.

"The impressive results were driven by robust demand in 2017-19, which was supported by clients looking for housing given the impending legislative changes and declining mortgage rates," said analysts at state-owned investment bank VTB Capital.

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Chief among those legislative changes were new rules which came into force in July 2019 prohibiting developers from using the proceeds of sales on unfinished apartments to pay for construction costs. Now, when a buyer purchases an apartment which is still under construction, the funds must be placed in a ring-fenced escrow account and are transferred to the developer only once construction is complete.

A quarter of the new living space which was completed last year was part of the government's renovation drive to improve the condition of the 1960s-era *khrushchevki* apartment blocks which dominate the Moscow skyline. Analysts expect this program, which is scheduled to significantly pick-up this year, to compensate for the squeeze on construction which would otherwise result from the tighter financing rules.

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