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Russia's Coronavirus Stimulus Fuels Property Boom

The government's cheap mortgage scheme is helping to push up apartment prices.

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The Russian government introduced a preferential mortgage scheme of cheap loans for purchases of newly-built apartments. **Yaroslav Chingayev / TASS**

Government-backed mortgages designed to support the economy's post-coronavirus recovery are fueling a boom in Russia's property market.

The number of mortgages issued in July and August was up more than 40% compared to the same period last year, Central Bank data shows, and prices for new builds have jumped significantly in a number of cities.

The Russian government introduced a preferential mortgage scheme to support the construction industry and get the property market moving again, after the coronavirus lockdown, introduced at the end of March, stalled many sectors of the economy. Russians can

get mortgages at an interest rate of 6.5% for newly built homes and apartments worth up to 12 million rubles ($160,000) in Moscow, St. Petersburg and their surrounding regions, and up to 8 million rubles ($105,000) in the rest of the country.

Mortgage rates averaged more than 9% before the coronavirus pandemic. As interest rates have been cut to a record low and the government-backed program has kicked in, that fell to 7.3% in August, according to Central Bank data.

The scheme has pushed the prices of new apartments up by more than a third in some Russian regions, Sberbank said. In Moscow and St. Petersburg, prices have risen by more than 10% over the past year.

The boom has allayed earlier fears that the coronavirus outbreak could have sent property prices plunging.

Construction companies have also benefited from the program, reporting a 8.9% annual increase in income during August, Sberbank said, compared to a fall of almost 20% during the nationwide lockdown in April.

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