

Russia's Primary Real Estate Market at Higher Risk of Bursting as Prices Soar, Central Bank Warns

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Moskva Agency

Russia's Central Bank <u>warned</u> Wednesday that rising home prices in early 2025 signal increased bubble risks in the country's primary real estate market.

To gauge overheating, policymakers track indicators such as mortgage lending, rental prices, household incomes and construction activity. "In the primary real estate market, all of these indicators were on the rise until the second half of 2024, increasing the risk of a bubble forming in this segment," the Central Bank said in a quarterly report.

"Following the end of the large-scale subsidized mortgage program and amid high mortgage interest rates, the growth of mortgage issuance slowed, helping to reduce bubble risk in the fourth quarter of 2024," the regulator added.

However, according to calculations based on the UBS Global Real Estate Bubble Index, the

bank said Russia's primary real estate market reached the "high risk" level in April, with the index hitting 1.6, its highest level since at least 2016.

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Russian Central Bank estimates reflect market conditions at the country level, but for comparison at the city level, UBS <u>ranked</u> 2024 residential property prices in major cities like Miami and Tokyo at around the same bubble risk level as Russia's primary real estate market.

The primary real estate market refers to the sale of newly built properties directly from developers to buyers. In contrast, the Central Bank said Russia's secondary housing market shows no signs of overheating thanks to high and unsubsidized mortgage rates.

According to the business newspaper Vedomosti, as of April, the average mortgage loan had reached a record 4.4 million rubles (\$54,900), up 10% since the start of the year. The average loan term also hit an all-time high of 310.7 months, or nearly 26 years.

Under current market conditions, a borrower taking out a 4.4 million ruble loan with a 20% down payment at a 30% annual interest rate — a rate now offered by many major banks — would pay a total of 14.6 million rubles over the loan's lifetime, Vedomosti added.

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