

## Sales of New-Build Homes Plummet in Russia as Mortgage Subsidy Ends

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Sales of newly built homes in Russia tumbled in the first half of 2025 as the end of a popular mortgage subsidy program and high borrowing costs pushed many buyers out of the market.

According to a <u>report</u> published Tuesday by the state-owned financial institution Dom.RF, sales of new residential developments fell 26% year-on-year between January and June, totaling just 10.4 million square meters sold.

The downturn coincides with the July 2024 closure of Russia's flagship state-supported mortgage program, which had allowed buyers to secure loans at 8%.

Analysts at Dom.RF also <u>reported</u> a staggering 66% drop in mortgage issuance in June compared to the same month last year, though they predicted that figure represented a low point, with the pace of decline expected to ease starting in July.

The southern Krasnodar region posted the sharpest drop in new home sales, plunging 46% in

the first half of the year. Declines were less severe around Moscow and St. Petersburg, with sales down 14% in both the capital region and the Leningrad region.

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Sales declines were also uneven across housing segments.

Standard and comfort-class apartments, typically the most dependent on subsidized mortgages, saw sales fall 28%, while sales of higher-end business and luxury properties, which rely less on government-backed loans, declined by 14%.

Amid tighter credit conditions, more buyers are turning to cash and installment payment plans.

In the first half of the year, the share of mortgage-financed sales dropped to about 60%, down from previous years. Installment transactions <u>surged</u> to an estimated 1.4 trillion rubles (\$17.9 billion) by the end of May.

Russia's Central Bank <u>reports</u> that nearly nine out of 10 mortgages issued this spring were backed by government subsidy programs.

The "family mortgage" program offered to families with children accounted for 88% of subsidized loans issued in June.

Developers are scaling back in response to weakening demand, with new project launches dropping 22% year-on-year in the first half of 2025. Total launches are expected to reach between 35 and 38 million square meters by year-end.

Dom.RF analysts warn that this slowdown could lead to tighter housing supply starting in 2027, a concern <u>echoed</u> by Deputy Prime Minister Marat Khusnullin.

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