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Russia’s Housing Developers Brace for Prolonged Slump After Mortgage Rule Changes

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Denis Voronin / Moskva News Agency

Russia’s housing developers are struggling to meet sales targets after tighter rules for subsidized mortgages undermined demand, adding to concerns over a broader slowdown in one of the country’s key economic sectors.

Nearly three-quarters of residential developers (73%) failed to meet sales targets in the first quarter, according to a survey by state housing agency Dom.RF, pollster VTsIOM and the Institute for Housing Construction Development. The result marked the weakest performance in two years.

The findings add to mounting signs of strain in Russia’s construction sector after authorities tightened conditions for state-backed mortgages, long a key driver of housing demand. Developers and officials have increasingly warned that weaker sales, combined with high borrowing costs and growing financing pressures, could weigh on the sector for years.

Analysts at Dom.RF attributed the poor performance partly to inflated expectations following a record fourth quarter of 2025 and a sharp decline in subsidized mortgage issuance. By comparison, 87% of developers met or exceeded sales targets in the previous quarter.

Much of the boom-and-bust pattern stemmed from changes to Russia's flagship "family mortgage" program, which offers home loans at a subsidized rate of 6%.

Beginning in February, the Finance Ministry reduced compensation payments to banks for issuing such loans and introduced a rule limiting households to a single subsidized mortgage. Previously, both spouses in a family could separately access the program.

Related article: Russia's New-Build Home Sales to Fall in 2026, State Housing Agency Says

The changes triggered a rush among buyers seeking to secure loans before the new restrictions took effect. Mortgage issuance surged in December and January before collapsing in the following months.

Russia issued 811 billion rubles ($11.35 billion) in mortgages in December, the third-highest monthly figure on record.

January issuance reached 425 billion rubles ($5.95 billion), a record for that month, before slowing to 290 billion rubles ($4.06 billion) in February and 330 billion rubles ($4.62 billion) in March.

Despite weaker sales, developers have largely maintained construction activity. Some 88% met current construction targets in the first quarter, while 57% remained on track in launching new projects.

That strategy could create further problems if supply continues to outpace demand, analysts warned.

In the first four months of the year, developers launched around 14 million square meters of new housing projects, up 18% from a year earlier, while sales of new apartments rose only 7.5% to 7.4 million square meters.

"The market is entering a phase of demand testing," Dom.RF analysts said, warning that mistakes in pricing, location or project design had become increasingly costly for developers.

The imbalance has already started affecting prices. New-build housing prices rose an average of 2.2% in the first quarter, below inflation of 3% over January-March, implying a 0.7% decline in real terms.

Financial conditions for developers are also becoming more difficult.

Deputy Prime Minister Marat Khusnullin recently said the sector had exhausted the financial buffer accumulated before mid-2024, when Russia still offered broad-based subsidized mortgages at rates as low as 8%.

Anton Glushkov, head of the National Association of Builders (NOSTROY), has warned that

one in five developers risks failing to repay loans because of insufficient funds held in escrow accounts.

Developers have increasingly reported difficulties accessing project financing for both existing and new projects, according to the survey.

Although a majority still reported access to bank funding — 80% for existing projects and 71% for new developments — those figures fell by 14 and 11 percentage points, respectively, from the previous quarter.

Russia's central bank said project financing limits and lending volumes continued to rise, with the total project finance portfolio reaching 11.5 trillion rubles ($161 billion) as of April 1.

However, Alexander Danilov, head of banking regulation and analytics at the Central Bank, warned that lenders could be underestimating risks in loans to developers.

The survey also showed developers bracing for tougher conditions ahead. More than half expected profitability to decline and the industry outlook to worsen over the next year.

The share of companies expecting their construction portfolios to shrink rose to 37% from 33% in the previous quarter.

CMASF, an analytical center close to the government, has warned that construction risks entering a prolonged crisis that could last two to three years.

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