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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 44th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 5 big sections that highlight different aspects of Russia’s economic development, which allow to monitor all angles of ongoing events over a prolonged period: the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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The housing market in Russian cities and housing construction in 2022¹

Last year, the Russian real estate market was fully affected by the shocks that hit the domestic economy, passing through several phases.

The first months were marked by the continued growth of real estate prices with a shortage of supply. The mechanism of government mortgage support worked out in the previous years stimulated the demand ensuring the prevalence of mortgage transactions in the total volume of deals in Russian cities.

The changes in socio-economic situation that took place at the turn of winter and spring amid the aggravation of geopolitical tensions caused panic among buyers and sellers on the real estate market and a significant drop in the volume of transactions. A sharp increase of the key rate by the central bank to 20% led to a collapse of mortgage lending by the banks. The rapid buying up of “cheap” supply was carried out by means of withdrawal of cash from bank accounts by the population.

Having passed several stages, the level of the key rate in September 2022 returned to its pre-crisis value. Demand by reducing mortgage rates, following the dynamics of the key rate, was recovering at a slower pace and did not reach indicators of the winter of 2022. Households began to lean toward the savings model of consumer behavior, refraining from investing in real estate or financial assets, which, however, did not apply to the construction of individual houses. Investment deals, which had been an important catalyst for the primary residential real estate market in 2020—2021, declined.

With a slight decline in GDP and real disposable incomes of the population, the volume of housing construction, including the commissioning of apartment buildings, increased. The industry began to face the problem of selling finished

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housing. In parallel, the volume of supply on the secondary market went up, so that by autumn there was no shortage of proposals in this segment in most cities. The growth of supply prices slowed down and in some places even stopped. However, in most towns there was no decline. Overall, at year-end 2022 the volume of sales on the housing market fell by about a third, and, unlike in previous years, the traditional growth in demand in the pre-New Year period was very curtailed, which may indicate the onset of stagnation.

4.7.1. Housing market prices

Before analyzing the price situation, we should note that there are various sources of information on the movement of prices for residential real estate. On the one hand, these are the official reports of the Federal State Statistics Service, and on the other hand, data from real estate agencies.

To begin with, let us turn to the Rosstat data. As stated on the departmental portal,¹ price indices on the primary and secondary housing markets are calculated by Rosstat experts on the basis of registered prices for newly built apartments and for apartments of the functioning housing stock in ownership, if they are the objects of market transactions. Observations are made on a sample of organizations engaged in real estate transactions in territorial centers and individual cities of the subjects of the Russian Federation. When registering prices for apartments their quantitative and qualitative characteristics are taken into account. Average prices in Russia are calculated on the basis of average prices prevailing in the regions. Data on the size of the total area of apartments sold separately on the primary and secondary housing markets accumulated over the previous year are used as scales.

Let us consider the Rosstat data for the past year in more detail starting with the quarterly dynamics of prices in the country as a whole (*Table 8*).

Table 8

**Price indexes on the housing market in 2022 г. (at quarter-end
in % to the end of the previous quarter, across all types of apartments)**

Period	Secondary market	Primary market
Q1	106.5	108.0
Q2	102.0	106.5
Q3	101.4	104.3
Q4	101.6	100.9

Sources: Price indices on the housing market by subjects of the Russian Federation in 2022, data on the primary market: URL: https://rosstat.gov.ru/storage/mediabank/ind_perv_4kv-2022.xlsx; data on the secondary market: URL: https://rosstat.gov.ru/storage/mediabank/ind_vtor_4kv-2022.xlsx

Prices grew most strongly in Q1 2022, when the market was affected by the shock associated with changes in the economic and political environment. Later there was a quarterly fading of growth rates, which, in principle, was typical of

¹ URL: https://rosstat.gov.ru/storage/mediabank/pr_572_12082022.pdf.

both segments of the market, not counting Q4 on the secondary market, according to the results of which prices rose slightly more than in Q3.

Throughout most of the year, the primary market outpaced the secondary market in terms of price growth rate, most noticeably in Q2. The only exception was Q4, when the growth of prices on the primary market was less than 1%. However, this could not cardinaly affect the results of the year as a whole (*Table 9*).

Table 9

**Price indexes on the market and average prices of living quarters
in 2022 across categories of facilities (Q4-end)**

Category of facility	Secondary market		Primary market	
	in % to Q4 2021	Rb thousand per 1 sq. m of floor area	in % to Q4 2021	Rb thousand per 1 sq. m of floor area
All types of apartments	111.8	94.4	121.0	122.3
Low quality	107.4	72.3	—	—
Average quality (standard)	110.4	86.8	120.0	122.9
Better quality	113.3	102.9	122.1	112.4
Elite apartment	118.3	162.8	119.4	262.7

Source: Socio-economic situation of Russia – 2022. P. 132. URL: <http://rosstat.gov.ru/>.

The rise in prices on the primary segment (21%) was approximately 1.8 times higher than on the secondary segment (less than 12%). Such a picture was observed for all categories of apartments, to the greatest extent for standard apartments, while for elite housing the rates of price growth were comparable. For the secondary market the main regularity was a higher rate of price growth while the primary market showed moderate variations by the housing categories with some leadership in apartments of better quality. That said, it should be noted that the data on the primary market raise questions about their reliability, as, unlike on the secondary segment, when differentiating the dwelling by the three main categories, the standard apartments appear to be more expensive than the improved ones. However, this fact probably reflects the increased demand for housing of average quality on the part of the population.

An overview of the dynamics of prices in the territorial context confirms that the primary market is everywhere ahead of the secondary market in terms of the price growth rate (*Table 10*). It is most clearly manifested in the North-Western and Far Eastern Federal Districts, where the growth of prices on the primary segment exceeded the same value on the secondary segment by more than 6 and 2 times, respectively.

Housing prices in the Volga, Urals and Siberian federal districts grew at a higher pace than the national average. The Volga region became a leader in the price movement on the primary (27.6%) and secondary (18%) segments. The North-Western (3.4% on the secondary market) and Southern (14.1% on the primary market) districts are at the other end of the spectrum, while the Far East (14.7%) is close to them.

Table 10

**Price indexes on the housing market in 2022 across federal districts
(at Q4-end relative to Q4 2021, across all types of apartments), %**

	Secondary market	Primary market
Russia	111.8	121.0
Federal district (FD)		
Central	111.1	120.8
North-Western	103.4	120.9
Southern	111.5	114.1
North-Caucasus	107.0	116.6
Volga	118.0	127.6
Urals	112.7	118.7
Siberian	118.0	124.0
Far Eastern	106.3	114.7

Sources: Price indices on the housing market by subjects of the Russian Federation in 2022, data on the primary market: URL: https://rosstat.gov.ru/storage/mediabank/ind_perv_4kv-2022.xlsx; data on the secondary market: URL: https://rosstat.gov.ru/storage/mediabank/ind_vtor_4kv-2022.xlsx.

If we examine the price movement in more detail at the level of regions of the Federation,¹ we will see a picture presented in *Table 11*.

Table 11

**Price indexes on the housing market in 2022 across regions
(at Q4-end relative to Q4 2021, across all types of apartment), %**

	Secondary market	Primary market
Russia	111.8	121.0
Federal district / region		
<i>Central FD</i>	<i>111.1</i>	<i>120.8</i>
Moscow	107.1	115.9
Moscow region	117.4	119.6
Voronezh region	127.6	125.8
<i>North-Western FD</i>	<i>103.4</i>	<i>120.9</i>
St Petersburg	95.7	120.6
Leningrad region	106.9	157.8
<i>Southern FD</i>	<i>111.5</i>	<i>114.1</i>
Krasnodar krai	106.2	107.7
Volgograd region	114.6	126.2
Rostov region	116.1	129.9
<i>North-Caucasus FD</i>	<i>107.0</i>	<i>116.6</i>
Dagestan	112.7	125.8
Stavropol krai	121.1	116.2
<i>Volga FD</i>	<i>118.0</i>	<i>127.6</i>
Bashkortostan	115.9	134.3

¹ The sample was drawn from regions with the largest populations in their respective federal districts, including all regions that have cities with populations of more than 1 million.

	Secondary market	Primary market
Tatarstan	120.0	128.0
Perm krai	111.4	124.8
Nizhniy Novgorod region	114.3	129.6
Samara region	110.1	126.6
Urals FD	112.7	118.7
Sverdlovsk region	113.4	119.8
Tyumen region*	105.8	114.2
Chelyabinsk region	138.6	131.5
Siberian FD	118.0	124.0
Krasnoyarsk krai	113.5	115.7
Novosibirsk region	113.2	121.2
Omsk region	123.2	131.5
Far-Eastern FD	106.3	114.7
Primorsky krai	106.5	113.2
Khabarovsk krai	102.1	107.1

* Including autonomous okrugs.

Sources: Price indices on the housing market by subjects of the Russian Federation in 2022, data on the primary market: URL: https://rosstat.gov.ru/storage/mediabank/ind_perv_4kv-2022.xlsx; data on the secondary market: URL: https://rosstat.gov.ru/storage/mediabank/ind_vtor_4kv-2022.xlsx

On the primary housing market, the group of regions with the highest price growth (over 30%) included the Leningrad region (57.8%), Bashkortostan (34.3%), Chelyabinsk region (31.5%), and Omsk region (31.5%). The outsiders by this indicator (less than 15%) were the Tyumen region (including autonomous okrugs) (14.2%), Primorsky krai (13.2%), Krasnodar (7.7%), and Khabarovsk (7.1%). In St. Petersburg (20.6%), Moscow region (19.6%) and Moscow (15.9%) price growth rates were also lower than the national average.

On the secondary market, the group of regions with the highest price growth (over 20%) includes Chelyabinsk (38.6%), Voronezh (27.6%), Omsk (23.2%), Stavropol krai (21.1%), Tatarstan (20%). At the opposite pole were Moscow (7.1%), the Leningrad region (6.9%), Primorsky krai (6.5%), Krasnodar (6.2%) and Khabarovsk (2.1%), Tyumen region (including autonomous okrugs) (5.8%), as well as St. Petersburg, where a 4.3% drop in prices was registered. Apart from the northern capital, such a rare phenomenon was observed only in Adygea and Tyumen region (without autonomous okrugs), as well as in Chechnya (on the primary market).¹

Price growth on the primary market in most regions exceeded the same value in the secondary market. Leningrad region, Dagestan, Bashkortostan, Perm krai, Nizhny Novgorod, Samara, Tyumen regions (including autonomous okrugs) and Primorsky krai stand out in this respect, where price growth on the primary market exceeded the same value in the secondary market by more than 2 times. In the Leningrad region the difference was 7-fold. The Stavropol krai, Voronezh and Chelyabinsk regions are an exception to the general rule that the primary market is leading over the secondary one in terms of price growth rates.

¹ Of the regions missing from the sample.

To characterize the price level in absolute terms, let us consider the data of professional market analysts from a number of well-known companies, united by the Russian Guild of Realtors (RGR) (Table 12).

Table 12

Prices on apartment buildings in Russian cities at year-end 2022

Federal district/city	Secondary market	Primary market	Price difference, %
	thousand Rb/m ²	thousand Rb/m ²	
<i>Central FD</i>			
Moscow	266.6*	305.3	14.5 in favor of new buildings
Ramenskoe (Moscow region)	136.0	No data	
Zhukovsky (Moscow region)	130.0	120.0	8.3 in favor of secondary market
Istra (Moscow region)	125.0	No data	
Sergiev Posad (Moscow region)	117.0	Absent	
Voronezh**	100.0**	90.0**	11.1 in favor of secondary market
Staryi Oskol (Belgorod region)	86.0	No data	
Ryazan	80.0	94.0	17.5 in favor of new buildings
Tambov	80.0	80.0	Close case
Kostroma	72.0	81.0	12.5 in favor of new buildings
<i>North-Western FD</i>			
Saint Petersburg	172.0	214.0	24.4 in favor of new buildings
Kaliningrad	95.0	106.0	11.6 in favor of new buildings
<i>Southern FD</i>			
Novorossiysk	107.0	115.0	7.5 in favor of new buildings
Yalta (Crimea)	100.0	150.0	50.0 in favor of new buildings
Krasnodar	87.0	110.0	26.4 in favor of new buildings
Volgograd	80.0	80.0	Close case
<i>Privolzhsky FD</i>			
Samara	140.0	120.0	16.7 in favor of secondary market
Nizhniy Novgorod	103.0	130.0	26.2 in favor of new buildings
Perm	84.4	105.5	25.0 in favor of new buildings
Tolyatti (Samara region)	65.0	80.0	23.1 in favor of new buildings

Federal district/city	Secondary market	Primary market	Price difference, %
	thousand Rb/m ²	thousand Rb/m ²	
Orsk (Orenburg region)	28.0	No data	
<i>Urals FD</i>			
Tyumen***	110.0***	120.0***	9.1 in favor of new buildings
Ekaterinburg	102.0	120.0	17.6 in favor of new buildings
Chelyabinsk	75.0	90.0	20.0 in favor of new buildings
Magnitogorsk (Chelyabinsk region)	55.3	60.5	9.1 in favor of new buildings
Chebarkul (Chelyabinsk region)	46.0	56.0	21.7 in favor of new buildings
<i>Siberian FD</i>			
Novosibirsk	100.0	110.0	10.0 in favor of new buildings
Krasnoyarsk	95.0	109.0	14.7 in favor of new buildings
Tomsk	85.0	98.0	15.3 in favor of new buildings
Abakan	80.0	90.0	12.5 in favor of new buildings
<i>Far-Eastern FD</i>			
Yuzhno-Sakhalinsk	160.0	170.0	6.25 in favor of new buildings
Khabarovsk****	112.3	130.9	16.6 in favor of new buildings

* According to data of the statistics and analytics committee of Moscow Guild of Realtors (GRM), the average offer price on the secondary market on December, 30 2022 amounted to 264,800 Rb/sq. m.

** According to AKG “InvestOtsenka”, the weighted average price of housing (apartments) in the city at the end of December was Rb82,300 per square meter on the secondary market and Rb89,900 per square meter on the primary market.

*** According to certified analyst and real estate market consultant A.A. Ryaposova, in December the average bid price was Rb106,100 per sq. m on the secondary market and RB108,100 per sq. m on the primary one.

**** According to the Property Law Center LLC at the end of December.

Sources: Analytical report. Preliminary results of 2022 on the residential real estate market from the experts of the Russian Guild of Realtors (RGR). 2022. P. 11-13; other above-mentioned organizations and experts; own calculations.

In terms of absolute price level in both segments Moscow was followed by St. Petersburg and Yuzhno-Sakhalinsk (over 150,000 Rb/sq. m). Beyond the first three segments (in the price range between Rb100,000 and Rb150,000 per sq. m.) one could observe differences. In the secondary segment Samara, cities near Moscow (Ramenskoe, Zhukovsky, Istra, Sergiev Posad), Tyumen, Novorossiysk, Nizhny Novgorod, and Yekaterinburg followed the first three. In the primary segment — Yalta, Nizhny Novgorod, Zhukovsky (Moscow region), Samara, Tyumen, Yekaterinburg, Novorossiysk, Krasnodar, Novosibirsk, Krasnoyarsk, Perm.

In the overwhelming majority of cities, the prices of new buildings were higher than on the secondary market. The opposite ratio was observed only in

Samara, Voronezh¹ and Zhukovsky. Approximate equality of prices was observed in Volgograd and Tambov.

The prices of new buildings were more than 20% higher than those on the secondary market in Yalta, Krasnodar, Nizhny Novgorod, Perm, St. Petersburg, Togliatti, Chebarkul (Chelyabinsk oblast), and Chelyabinsk. In Yuzhno-Sakhalinsk, Novorossiysk, Tyumen, and Magnitogorsk, the advance was less than 10%.

4.7.2. Construction and commissioning of new housing

According to Rosstat preliminary data, 102.7 mn sq. m. of housing was commissioned in Russia in 2022, 11% more than in 2021, when the previous maximum was recorded (*Table 13*). This value was a record in the entire national history.

Table 13

Commissioning of residential buildings in 1999–2022

Year	Million sq. m of total area	Growth rates, %	
		to the previous year	to 2000
1999	32.0	104.2	105.6
2000	30.3	94.7	100.0
2001	31.7	104.6	104.6
2002	33.8	106.6	111.5
2003	36.4	107.7	120.1
2004	41.0	112.6	135.3
2005	43.6	106.3	143.9
2006	50.6	116.0	167.0
2007	61.2	120.9	202.0
2008	64.1	104.7	211.5
2009	59.9	93.4	197.7
2010	58.4	97.5	192.7
2011	62.3	106.6	205.6
2012	65.7	104.7	216.8
2013	70.5	107.3	232.7
2014	84.2	119.4	277.9
2015	85.3	101.3	281.5
2016	80.2	94.0	264.7
2017	79.2	98.8	261.4
2018	75.7	95.1	248.5
2019	82.0/81.0*	108.3/107.0*	270.6/267.3*
2020	82.2/77.1*	100.2/95.2*	271.3/254.5*

1 According to AKG “InvestOtsenka”, weighted average offer price of housing (apartments) in the city at the end of December was 82,300 rubles per sq. m on the secondary market, and 89,900 rubles per sq. m on the primary market. Calculation of average prices per 1 sq. m of total floor area was carried out without taking into account elite objects in accordance with the methodology of the chief analyst of RGR (before 2014) G. M. Sternik (Voronezh. Residential Property Review for December 2022, p. 1). Thus, with this data in Voronezh, as in most cities, prices for new buildings are 9.2% higher than prices on the secondary market.

Year	Million sq. m of total area	Growth rates, %	
		to the previous year	to 2000
2021	92.6	112.7	305.6
2022	102.7	111.0	338.9

* Excluding the commissioning of houses on garden plots, the volume of which is given according to the original Rosstat data (2019 — 1.0 mn sq. m., 2020 — 5.1 mn sq. m., there is no such data for 2021—2022).

Sources: Rosstat; own calculations.

Positive dynamics of commissioning was observed in the vast majority of territories, including almost all the regions with a total volume of housing more than 1 mn sq. m. (Table 14).

Table 14

**Dynamics of housing commissioning in Russian regions in 2022
(graded along commissioning rates)**

Region	Housing commissioning rates, in % to 2021
Chechnya*	196.8
Moscow region*	153.9
Perm krai*	150.9
Vladimir region	142.8
Udmurtia	139.8
Krasnodar krai*	120.8
Tyumen region (with autonomous okrugs)*	119.3
Primorsky krai	117.9
Leningrad region*	117.2
Novosibirsk region	111.9
Stavropol krai*	110.9
Chelyabinsk region*	108.3
Nizhniy Novgorod region*	107.0
Bashkortostan*	105.4
Samara region*	104.4
Irkutsk region	104.0
Krasnoyarsk krai	103.8
Kaliningrad region	103.7
Voronezh region	103.1
Tatarstan*	102.7
Sverdlovsk region*	101.9
Rostov region*	100.7
Saint Petersburg	100.3
Dagestan	97.5
Moscow	87.1
Saratov region	85.6

* Regions with housing commissioning over 1 mn sq. m

Source: Rosstat.

The increase in housing commissioning was noted in Chechnya, the Moscow and Vladimir regions, the Perm and Krasnodar krai, and Udmurtia. In the Tyumen region, Primorsky krai, Leningrad and Novosibirsk regions and Stavropol krai, the value of this indicator was in the range from 11 to 20%, i.e., it exceeded the average Russian figure or approximately matched it (Stavropol krai). Twelve other regions displayed positive dynamics of housing commissioning, but less than the aforesaid value. Three regions, including Moscow, saw a slump in housing commissioning.

Compared to the previous year, there were noticeable changes within the traditional group of leading regions caused by the reduction of housing construction in Moscow and its actual stagnation in St. Petersburg. The Moscow region with the second highest growth rate in the country (around 54%) enhanced its leadership in the absolute volume of commissioned living space (14.1 mn sq. m). Due to a drop by 13% Moscow is the third leading region (6.8 mn sq. m), leaving behind Krasnodar krai (around 7.6 mn sq. m). The five leading regions also include the Leningrad region (around 4.0 mn sq. m) and Saint Petersburg (around 3.5 mn sq. m), and for the first time the northern capital was behind the neighboring region. The share of the metropolitan region in the total volume of housing construction in the country amounted to 20.3% (including Moscow region — 13.7% and Moscow — 6.6%) going up by 2 p.p. in comparison with 2021 due to the Moscow region (in 2021 — around 10%).

Total housing commissioning data include both apartment block construction by professional developers and the results of individual housing construction (residential housing, i.e. built by private individuals themselves on their own plots of land).

For the second year in a row, the share of housing built by households at their own expense or with the help of borrowed funds exceeded half of the total amount (55.7%). Accordingly, the share of apartment blocks, which steadily decreased after 2016, amounted to 44.3% (*Table 15*).

Table 15

**Structure of housing commissioning in the Russian Federation
in 2010–2022**

Year	Total, Mn sq. m	Apartment block construction		Individual housing construction from own and borrowed funds	
		Mn sq. m.	Share in total commissioning, %	Mn sq. m	Share in total commissioning, %
2010	58.4	32.9	56.3	25.5	43.7
2011	62.3	35.5	57.0	26.8	43.0
2012	65.7	37.3	56.8	28.4	43.2
2013	70.5	39.8	56.5	30.7	43.5
2014	84.2	48.0	57.0	36.2	43.0
2015	85.3	50.1	58.7	35.2	41.3
2016	80.2	48.4	60.3	31.8	39.7

Year	Total, Mn sq. m	Apartment block construction		Individual housing construction from own and borrowed funds	
		Mn sq. m.	Share in total commissioning, %	Mn sq. m	Share in total commissioning, %
2017	79.2	46.2	58.3	33.0	41.7
2018	75.7	43.3	57.2	32.4	42.8
2019	82.0	43.5	53.0	38.5	47.0
2020	82.2	42.4	51.6	39.8	48.4
2021	92.6	43.5	47.0	49.1	53.0
2022	102.7	45.5	44.3	57.2	55.7

Source: Rosstat; own calculations.

According to Rosstat, the area of individual housing construction projects commissioned in Russia at the end of 2022 was 57.2 mn sq. m, which is 16.5% more than in the previous year. The five leading regions by the absolute value of commissioned housing were the Moscow region (around 9.5 mn sq. m), the Krasnodar krai (around 4.5 mn sq. m), the Leningrad region (around 2.6 mn sq. m), Tatarstan (2.2 mn sq. m), and Bashkortostan (1.9 mn sq. m).

If we take a closer look at all the regions with a total volume of commissioned housing more than 1 mn sq. m, a rather mixed picture emerges (*Table 16*).

Table 16

**Share of housing commissioned by the population in Russian regions
with a total volume of housing commissioned
over 1 mn sq. m in 2022**

Region	%
Chechnya	93.8
Tatarstan	71.3
Moscow region	67.1
Irkutsk region	67.0
Leningrad region	65.3
Udmurtia	66.0
Nizhniy Novgorod region	65.2
Stavropol Krai	64.9
Samara region	64.4
Vladimir region	63.8
Bashkortostan	62.7
Perm krai	61.0
Krasnodar krai	58.8
Chelyabinsk region	57.6
Saratov region	55.4
Rostov regions	52.9
Dagestan	51.7
Voronezh region	48.6
Kaliningrad region	46.6
Primorsky krai	44.9

Region	%
Sverdlovsk region	44.0
Krasnoyarsk krai	38.8
Tyumen region (with autonomous okrugs)	37.3
Novosibirsk region	37.2
Moscow	11.7
Saint Petersburg	7.5

Sources: Rosstat; own calculations

The individual housing construction sector accounted for over 90% of the volume of commissioned housing in Chechnya, over 70% in Tatarstan, 60—70% in Moscow, Irkutsk, Leningrad regions, Udmurtia, Nizhny Novgorod region, Stavropol krai, Samara and Vladimir regions, Bashkortostan and Perm krai, and from 50 to 60% in Krasnodar krai, Chelyabinsk, Saratov, Rostov regions and Dagestan.

As expected, Moscow and Saint Petersburg found themselves at the other pole where the contribution of housing and communal services amounted to 11.7% and 7.5%, respectively. The intermediate positions were taken by the Voronezh and Kaliningrad regions, Primorsky krai, Sverdlovsk region, where the residential housing construction accounted for 40 to 50% of the input, as well as Krasnoyarsk krai, Tyumen region (with autonomous okrugs) and Novosibirsk region, where the contribution of residential housing construction amounted to 37—39%.

Against this background, successes in the construction of apartment blocks looked more modest.

The volume of commissioned apartment blocks in 2022 moved up by 4.6% compared to 2021, surpassing the pre-pandemic level of 2018—2019, however, conceding to the indicators of the previous 4 years (2014—2017). More than half (57%) of the volume of commissioned housing (excluding housing built by the households)¹ was commissioned in 10 regions (with a commissioning volume of at least 1 mn sq. m in each of them), and the share of the top five (Moscow and the Moscow region, St Petersburg, Krasnodar krai and the Tyumen region with autonomous okrugs) was about 42% of the total volume of commissioned apartment blocks.²

Although for the first time in the national history, the total volume of commissioned housing exceeded 100 mn sq. m and approached the value envisaged in the passport of the national project (NP) “Housing and Urban Environment”, one can state that this result was achieved with obvious deviations from the planned indicators in the structure due to the outrunning dynamics of the housing construction. There is an ongoing losing momentum of the NP in the construction of apartment blocks. Despite an increase in commissioning of about 2 mn sq. m and the maximum in 5 years (2018—2022), it was about 2/3 of the envisaged level.

1 There is no such indicator in the official reports of the Federal State Statistics Service. However, it can be calculated as the difference between the total volume of housing commissioned and housing commissioned by households at the expense of their own and borrowed funds.

2 Socio-economic situation in Russia – 2022. Pp. 283–286. URL: <http://rosstat.gov.ru/>; own calculation.

4.7.3. The situation in the construction sector

According to the survey “Main trends in development in 2022”, conducted by portal EP3.PФ¹ with participation of School of Developers,² GMK³ and RBG,⁴ the key trend of the last year developers named the beginning of developers’ exit from the local markets (45%). The five main trends in the development also included: the emergence of developers of apartment blocks on the residential housing segment (38%); increase in the share of online sales (34%); growth of importance of developer’s reputation (30%); reduction in the living space of apartments (27%).⁵

According to experts of the Russian Guild of Realtors, an active revision of residential projects in terms of their quality class has started. The volume of “standard” class projects has increased, including the subclass of small-scale housing, along with the share of small-scale housing in projects of higher quality class has increased.⁶

Speaking about the mechanism of housing sector financing, we can state that the transition to the new system with the use of project financing instruments is generally completed. At the beginning of 2023, almost 89% of the apartment blocks under construction were being built using escrow accounts, versus 51.5% and 76.8% at the end of 2020 and 2021, respectively. The latter is confirmed by a steady rise in the volume of loans with the use of the relevant instruments. The amount of approved credit lines rose by 84% to Rb12.1 trillion. The negative factor is the lag between the amount of escrow accounts (a 1/3 increase to Rb4.1 trillion by the beginning of 2023) and the dynamics of bank crediting of developers.⁷ The financing system made it possible to maintain and increase the volume of construction in the context of real stress both during the COVID-19 pandemic and the subsequent shock associated with significant sanction restrictions. Subsequent development and sustainability of the housing finance system will depend not only on short-term factors of appropriate liquidity availability, but also on long-term parameters related to a stable balance of supply and demand on the market.

The real construction activity in the housing sector and the prospects of the industry are characterized by the following indicators.

1 URL: <https://profi.erzrf.ru/poll/trands-2022-development/>

2 URL: <https://www.development-school.com/about>; Specialized competence center and educational platform for developers and builders of Russia and CIS.

3 URL: <https://gmk.ru/>. GMK Consulting Agency is one of the top 100 largest consulting groups and companies in Russia, in the marketing and PR segment it ranks first (RAEX rating). The agency specializes in complex consulting in development since 2005, helping developers to create the best micro districts and residential complexes.

4 URL: <https://rrg.ru/>. RRG is a professional player on the commercial real estate market since 2005. It is a center of professional expertise in real estate with a knowledge base professional connections and expert partners, which allows to customize products and services to the client’s needs and project features.

5 URL: https://erzrf.ru/news/eksperty-reputatsiya-zastroyshchika--osnovnoy-trend-ukhodyashchegogoda-kotoryy-sokhranitsya-i-v-novom-godu?utm_tg=true

6 ITS Analytical report. Preliminary results of 2022 on the residential real estate market from the experts of the Russian Guild of Realtors. 2022. Pp. 15.

7 Review of apartment block construction in the Russian Federation. DOM.RF. March 2023. Pp. 2–3, 6.

On the whole, with the positive results of 2022 a negative factor is a waning quarter-by-quarter dynamics of the volume of housing commissioned. While in Q1 and Q2, the volumes of housing commissioned exceeded the figure of the corresponding period in 2021 by nearly 65% and 25%, respectively, in Q3 — only by 1.5%, and in Q 4 the volume was down by more than 21%.

According to the Unified Information System for Housing Construction, the total area of housing built taking into account all funding mechanisms, amounted to December 22, 2022, 100.8 mn sq. m. The bulk of the total area (89.3 mn sq. m) fell on the housing built in accordance with Federal Law No. 214-FZ of December 30, 2004, which envisages signing by individuals of co-investment agreements (CIA). The specified value is more than 1/5 higher than the value of this indicator a year earlier.¹

At the beginning of 2023, there were 98.7 mn sq. m of apartment blocks under construction, the volume of which was about 92% of the value by the beginning of 2020, increased for the year by 2.4%. At the same time, the volume of housing that was not sold out was growing. By the beginning of 2023, the entire country had 67.9 mn sq. m (or more than 2/3 of the total housing stock under construction), including 40.6 mn sq. m of apartments available for sale. This is the highest figure in recent years, exceeding the minimum at the end of 2020 (28.7 mn sq. m) by 41.5%. The growth of unsold housing in new buildings for the year exceeded 16% (in 2021 — 21.6%). More than 27 mn sq. m of housing under construction are accounted for by projects in which sales are not yet open (there are no co-investment agreements).²

According to the WCIOM study “Administrative barriers in construction: a survey of Moscow developers,” the most important factors limiting the growth of current construction were the following:

- High cost of materials, structures, products (84%);
- Difficulties in obtaining permits (78%);
- Constantly changing rules and legislation (71%);
- Shortage of skilled workers (62%);
- Pandemic-induced crises (58%);
- Cost increase (51%).³

Amid the shortage of about 1/4 of the workers needed by the industry at the end of the year, the output of a number of main kinds of products for construction decreased.

Excavators (more than twice as much), glass (sheet cast, rolled, drawn or blown, but not otherwise processed, around 43%) and elevators (more than 30%) were among the leaders of the drop. There was a 10-15% reduction in the production of ceramic tiles for interior wall cladding and facade, sanitary ware products made of ceramics, silicate wall blocks, roll roofing and waterproofing materials, chipboard

1 Analytical report. 2022 preliminary results on the housing market of Russian Guild of Realtors experts. 2022. P. 5.

2 Review of apartment blocks construction in the Russian Federation. 2022. DOM.RF. March 2023. Pp. 3–4.

3 URL: <https://wciom.ru/analytical-reviews/analiticheskii-obzor/moskovskaja-stroika-ehkonomicheskaja-konjunktura-i-administrativnye-barery>

and fiberboard. The output of a number of items, including cement, bricks and concrete increased. With all the ambiguity of the situation with the production of products for the construction industry, the price growth for their purchase by construction companies was observed for the vast majority of materials. A rare exception was reinforcing steel, although the output of finished steel (all types) in the country decreased by a total of 8.1%.¹ The situation when the simultaneous reduction in output and price growth has a negative impact on the margins of development of various housing classes. The decline in prices on the background of falling output of other types of construction products also introduces excessive uncertainty in the need to increase the volume of construction.

Sanction restrictions also affect the construction industry. According to Sberbank's² customer survey, up to 70% of respondents believe that changes in the supply chain of imported materials and equipment can increase the realization time of existing projects up to six months and raise their cost. It is noted that the greatest risks are associated not so much with building materials for standard housing, but with more high-tech equipment (for example, elevator equipment, spare parts for certain types of equipment, electrical equipment, switchboards, ventilation systems). Therefore, to a greater extent, this feature affects elite housing, where the share of such costs can amount to 50% of the cost price or even more. Since the import substitution of the most technologically complex solutions can be a fairly lengthy process, requiring not only additional investment, but also long-term formed competencies, we should expect a negative impact of this factor on both the construction period and on its costs, especially in the elite segment.

Another trend that developed last year was the exit of a number of foreign players from the market of apartment blocks construction. The impact of this factor had an uneven effect on local markets due to the varying degree of foreign developers' presence. To the greatest extent, it affected the regions of the North-Western Federal District, where the presence of Scandinavian companies was traditionally observed. The redistribution of the vacated market share was mainly in favor of Russian developers. For instance, YIT, a Finnish company, which was active in industrial enterprises³ during the Soviet times, sold its assets to Etalon Group, one of the leaders of the North-Western region. At the same time, due to the exit of Western companies, more active expansion of Chinese developers is possible in the future.

The sale by Bank Trust of the developer Inteko to Sminex for Rb38 bn was also a notable event on the merger-acquisition market in 2022. This fact may be regarded as rather positive for the market in general, as it confirms a rather high valuation of the asset and therefore certain prospects for the market. Trust Bank, being a non-core player in the segment of apartment blocks development, cedes the asset to the participant with considerable experience on the real estate

1 Socio-economic situation in Russia – 2022. Pp. 43, 56–59, 66, 142–143.

2 URL: <https://realty.rbc.ru/news/627ca82a9a7947e7150513b6>

3 URL: <https://www.yitgroup.com/en/news-repository/stock-exchange-releases/yit-sells-its-businesses-in-russia>

market. The purchaser is Sminex, a company specializing in construction of high price housing in Moscow, which has completed 25 projects in 15 years.

For a better understanding of the processes taking place on the housing market last year, let us consider the situation in the capital city whose housing market is a benchmark for regional markets, i.e. this situation may be typical for other major cities (possibly with a certain time lag).

4.7.4. Moscow's housing market

Primary market

In Q1 2022, the number of transactions exceeded indicators of the record year 2021. 38,500 transactions were registered in the capital that exceeded results of Q1 2021 by 21,8% and almost by 1.6-fold indicators of the same period of 2020. The rush of demand at the market of new buildings was caused by fluctuations of the ruble exchange rate, general uncertainty on the market after changes in the geopolitical situation and growth of the key rate of the Central Bank of Russia. However, sales then began to decline.

Overall, the year-end dynamics of the housing and mortgage market were the worst since 2015. In December 2022, a record volume of apartments and suites was offered for sale on the market of new buildings. According to “Metrium”, more than 70,300 lots were exposed, including about 18,100 (about 1/4) in New Moscow. Projects that were postponed due to the pandemic of 2020—2021 actively entered the market. Developers were counting on the realization of high deferred demand, but faced a noticeable decline in buying activity. Since spring, the growth rate of supply has been exceeding demand indicators on a monthly basis.

This became especially evident in H1 2022. In response, developers in October without waiting for the traditional pre-New Year's period began launching various promotions, offering customers housing with record discounts. Discounts hit unprecedented levels (up to 1/3), whereas previously the maximum discount amounted to 15% (in some projects — 20%). The share of apartments offered at discounts also increased. According to CIAN, at the end of 2022 on Moscow's primary market around 28% of all lots were offered at discount, while at the end of 2021 they accounted for only 6%. The share of such proposals in Old Moscow was about 39%, in New Moscow — 24%, in the Moscow region — 15%. In addition to discounts, developers also used loans with near-zero interest rates, tranche mortgages¹ and interest-free installment programs to stimulate demand.²

Some of these instruments (primarily loans with near-zero interest rates) were criticized by the Bank of Russia due to the fact that, according to the central bank, the sale of apartments was carried out at inflated prices. However, the

¹ Tranche mortgage is a new form of housing loan, which involves its division into several parts (tranches). As a rule, there are two (before the housing commissioning and after its delivery), and formally tranches are often different loans. The first is usually 15—30% of the total amount needed so the financial burden on the borrower at this stage is small. These loans are mortgages, while the object of pledge is different: at the early stage - the rights to the future object, after commissioning — ready-made housing.

² URL: <https://realty.rbc.ru/news/63c6ec7b9a79476978f73129>

development of additional financing instruments in the current environment may be a way not only to raise sales, but also to maintain housing affordability and sufficient flexibility in a rapidly changing environment. In this regard, the development of tranche mortgages, which are gradually replacing loans with near-zero interest rates, is a promising trend, as it involves the division of the credit load depending on the stage of construction.

In December the activity of buyers in the primary segment has increased markedly, because there were fears of the end of preferential mortgages. The number of transactions compared to November surged by 32% at once, and in New Moscow — by 68%. Nevertheless, at the end of the year, apartment sales in the capital's new buildings slumped by 15.2%.¹

The most acute imbalance manifested itself in the segment of elite housing, where the least number of transactions was concluded in 5 years (around 860 units). At the same time, the number of offers soared by 42% compared to 2021, amounting to 4,700 lots. The feature of the year is a situation when the average price of a meter grows while the average budget of a transaction decreases. The most popular were small-sized apartments. In some locations, there is a direct correlation between the purchase budget growth and the growth of the price per square meter, but this is rather an exception.

In addition to the drop in demand for luxury housing, it is also worth noting the reduction of investment demand on the capital market. In December 2022, the share of buyers of apartments in new buildings with a view to possible further sale was around 10%, which was the lowest indicator since 2017 (in 2015—2017 — 5%), especially against the background of the peak values of Q2 2021 (30—35%). Prior to 2020, the share of investment sales did not rise above 20%, increasing to 21-25% after the launch of the preferential mortgage program. The decline in the share of sales to this group of buyers is explained by: 1) a general decline in demand for housing in the capital; 2) a reduction in the potential yield from the potential resale of newly acquired housing in new buildings due to sharp rise in prices.

Secondary market

In 2022, a rush of demand commenced on the secondary housing market in Mosco. In Q1, there were registered 40,950 transactions. This was a record high for the entire history of Rosreestr's statistics. As in the market of new buildings, demand sharply decreased in Q2. As a result, Moscow secondary housing market for 2022 fell by 22.4% and 11% compared to 2021 and 2020, respectively. Moreover, at the end of the year, in contrast to the primary market, the decline was deeper than for the year as a whole. Last December, there were 14,030 transactions on the secondary market, down 31.1% from December 2021.²

At the end of 2022, there were 45,400 apartments and suites on the secondary housing market of the Old Moscow, which is 47.8% more than at the beginning

1 URL: <https://realty.ria.ru/20230216/rosreestr-1852320104.html>

2 URL: <https://rosreestr.gov.ru/press/archive/reg/rosreestr-v-dekambre-chislo-zaregistrirovannykh-prav-na-vtorichnom-rynke-zhilya-v-moskve-vyroslo-na-t/>

of the year and is a record high in the history. The number of apartments for sale increased at the expense of low realized demand. The growth in the volume of supply was based on the psychology of sellers seeking to have time to sell at a profit before the fall of the markets, while buyers are focused on buying more modern and spacious housing, especially for families with children. Additional growth in supply was provided by investment properties in newly commissioned new buildings, which are usually put up for sale shortly after the facility is commissioned.

The demand for elite apartments suffered particularly badly. At the end of 2022, a total of 324 contracts were concluded in the high-end segment, which is 55.4% lower than the year before. At the same time, buyers of high-budget real estate are less likely to attract mortgage funds: the share of contracts with mortgage encumbrance was 13%, while in 2021 at least a quarter of contracts on the primary market were concluded with the use of mortgage.

In 2022, the number of urgent sales of apartments on the secondary market hit maximum. According to the results of the last year, the share of such transactions reached 3% of the total volume, while usually it is less than 2%. Last year, there were two waves of urgent sales against the backdrop of migration and decreased demand. However, despite the record share of such listings, sellers were not ready to make big discounts.

The events of 2022 led to an adjustment in the cost of secondary housing in Moscow, contrary to the specific approach to pricing inherent in the sellers of housing in the capital. As a rule, apartment owners are extremely reluctant to reduce prices when demand drops, but respond quickly to its growth. After a spike in demand in March, the average cost of 1 sq. m in the offer, according to CIAN data, went up from Rb307,100 to Rb312,700, and in April, when the maximum nominal offer prices were fixed on the secondary market, the value of this indicator was Rb320,200.

However, the price of 1 sq. m no longer corresponded to the real demand and starting from May prices went down, demonstrating a constant fall (if we count month on month) during eight 30-day intervals until the end of the year. However, in none of the months did it exceed 1%. According to CIAN, the depth of the fall from April to December 2022 was less than 5% — from 3Rb19,000 to Rb305,000 per 1 sq. m (excluding luxury real estate). Prices of real transactions with high probability sagged even more: by 10—12% relative to spring of the previous year (according to RBC expert estimate).

Prices for apartments fell for eight months in a row and became a distinctive feature of the capital market in 2022. However, so far this statistical series cannot be called an absolute record, CIAN analysts note. In 1998—1999 and in 2008—2009, the cost of apartments on the secondary market declined longer (about 15 months after the default and 10 months against the backdrop of the global financial crisis) and more noticeable to the buyer (in both cases — by 35—40%).

So far, the market dynamic is most similar to the 2015 indicators. Back then, the length of the price decline cycle was about 15 months (from January 2015 to March 2016), and the average price of 1 sq. m in supply fell by about 15% (from

Rb225,000 to Rb188,000). It is true that there were months when the price of apartments fell by 3% with occasional periods of recovery, while now the average prices are going down all the time.¹

4.7.5. Mortgage lending dynamic and state support measures

In order to overcome the difficulties arising from the new socio-economic situation, the state implemented programs to support the construction sector.

The main role in this was played by the extension of various programs of preferential mortgages, which constitute an increasing share of financing for the purchase of housing. The events associated with the sanction shocks and the geopolitical situation acted as a catalyst for growth of the share of concessional mortgages in the structure of financing and, consequently, the role of state support in the development of the housing market financing system.

The past year commenced with active growth in the mortgage portfolio. Thus, according to DOM.RF,² in Q1 2022, there were 393,000 mortgage loans for a total amount of Rb1.325 trillion against 418,000 loans for Rb1.164 trillion in Q1 2021, which meant a growth of almost 14% (in terms of the amount of loans).

However, already in Q2 the active growth gave way to a considerable decline due to the general uncertainty and sharp increase in the key interest rate, which naturally resulted in a rapid increase in the average weighted rates for different categories of mortgage loans (*Fig. 30*).

The volume of originated loans was approximately three times less than a year earlier: only 151,000 loans worth Rb555 bn (in Q2 2021 there were 519,000 loans,

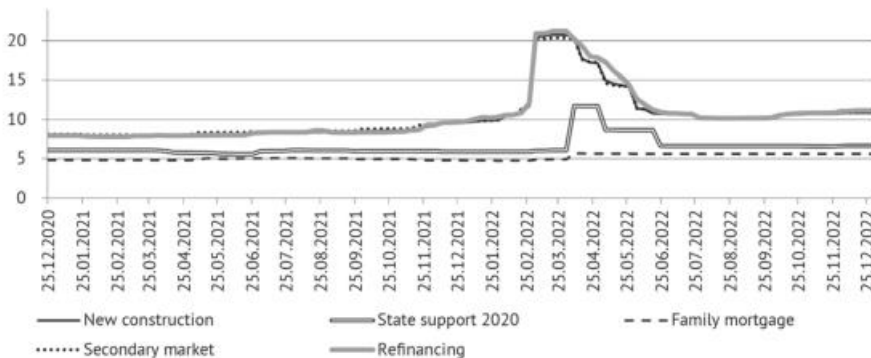


Fig. 30. Dynamics of the average weighted rate of main types of mortgage loans in top-20 banks in 2020–2022

Source: DOM.RF. URL: <https://www.xn--d1aqf.xn--p1ai/analytics/mortgage/>

1 URL: <https://realty.rbc.ru/news/63c6ec7b9a79476978f73129>

2 URL: <https://www.xn--d1aqf.xn--p1ai/upload/iblock/3ec/khrcrf6wzzbu157urm5vwk5b8oj1jo1.pdf>

or approximately Rb1.53 trillion). This situation was logical taking into account the almost two-fold growth of interest rates on loans during the quarter alone.

However, gradually, due to the normalization of the key rate and the extension of the concessional lending program, its volume also stabilized and at the end of Q3 2022, there was no sharp decline. The amount (Rb1.317 trillion) was almost equal to the amount for the same period of 2021 (Rb1.349 trillion), although the number was almost by 1/4 of a quarter lower. There were issued 350,000 loans as compared to 460,000 loans in Q3 of the previous year.

In general, there was an evident decline following the record performance in the housing mortgage lending (HML) in 2021.

According to the statements of DOM.RF and the Central Bank of Russia, the total number of mortgage loans extended in 2022 was estimated at 1,327,000 for the amount of Rb4.8 trillion. Thus, the origination of mortgages decreased by more than 30% by the number of loans and by more than 15% by value (*Table 17*).

Table 17

Mortgage lending in 2021–2022 (minus rural mortgage)

Credit category	Number of loans				Total amount			
	thousand		%		Rb bn		%	
	2021	2022	2021	2022	2021	2022	2021	2022
Mortgage loans, total	1909	1327	100	100	5700	4813	100	100
Secondary market (new loans)	1075	730	56.3	55.0	2904	2126	50.95	44.2
Primary market (collateral CSC)	476	410	24.9	30.9	1881	2063	33.0	42.85
Secondary market (refinancing)	211	28	11.1	2.1	506	85	8.9	1.75
IHC and new buildings*	147	160	7.7	12.05	408	539	7.15	11.2

* Data across top-30 banks.

Source: Review of the mortgage lending market in 2022. DOM.RF. February 2023. P. 3; own calculations.

In fact, individual housing construction (IHC) was set back by 2—3 years, as the number of loans issued was comparable to the pre-pandemic year of 2019 (1,312,000) and their volume was only 8% higher than in 2020 (Rb4.45 trillion). However, the cardinal difference from 2019 is that back then, the role of concessional programs was little noticeable (3—4% by the number of loans and their volume). In 2020, they already had a significant impact on the housing market, but not to the same extent as 2 years later.

The main shift in the structure of IHC was an increase in the share of primary market (collateral by co-investment agreements (CIA)). In terms of the amount, which increased by almost 10% compared to 2021, this category of loans came close to the new loans on the secondary market (about 43—44%). However, this category, despite the reduction of its share by the amount of loans by almost 7 p.p., has kept close to the previous position by the share in their number (55%). According to its absolute values, the new secondary market was below the figures of 2021 (by the number of loans — by 32%, by the amount — 27%), i.e. the decline was deeper than that of IHC in general (especially by the amount).

The record-breaker in this regard was refinancing on the secondary market, the scale of which decreased by 7.5-fold in number and almost 6-fold in value. As a result, the share of such loans dropped to symbolic 2.1% (in 2021 — more than 11%) and 1.8% (in 2021 — about 9%), respectively, and their place was taken by loans for IHC and ready-made houses. They were the only category, which at the end of 2022 showed an increase both in the number of loans (almost 9%), and their amount (32%). The share of loans for individual housing construction and ready-made buildings hit 11—12%, compared to just over 7% in 2021.

In general, mortgage debt for the year surged by Rb2 trillion (or more than 17%). As of the beginning of 2023, its value exceeded Rb14 trillion (taking into account the acquired by credit institutions claims, excluding securitization). Moreover, mortgages accounted for 86% of the growth in all retail loans, and their share for the first time exceeded a half of the total debt of individuals. The share of overdue debt in the mortgage portfolio on banks' balance sheets at the beginning of 2023 decreased to 0.4% vs. 0.5% a year earlier (vs. 1% at the beginning of 2020).

The level of mortgage interest rates fluctuated throughout the year under the influence of macroeconomic dynamics and the prevalence of subsidized programs. Thanks to these programs and mortgages with developer subsidies, weighted average rates on the primary market fell to 4.3% per annum compared to 5.9% in 2021, while on the secondary market, on the contrary, they rose by 1 p.p. to 9.3%. As a result, the weighted average rate on mortgages in 2022 (7.2%) was still lower than in 2021 (7.5%).¹

The growth of the difference between the rates at the primary and secondary markets by 2-fold to 5.0 p.p. made the primary segment attractive and shifted the demand towards new buildings. While in 2021 mortgage bonds registered by individuals accounted for 1/4 of all mortgage loans issued, in 2022 they accounted for almost 31%. The total number of signed CIA dropped by 19.5%, but the importance of mortgages in the structure of sales in new buildings went up (*Table 18*).

Table 18

Dynamics and structure of sales in new buildings in 2020–2022 (by the number of registered by the population CIA for housing)

Category of transaction	2020		2021		2022	
	thousand	%	thousand	%	thousand	%
CIA, total	609	100.0	676	100.0	544	100.0
Mortgage transactions, total	484	79.5	476	70.4	410	75.4
– concession mortgage programs	355	58.3	383	56.65	360	66.2
– market mortgage programs	129	21.2	93	13.75	50	9.2
Mortgage free	125	20.5	200	29.6	134	24.6

Source: Review of apartment blocks construction in the Russian Federation. 2022 г. DOM.RF. March 2023. P. 4; own calculations.

¹ Review of the mortgage lending market in 2022. DOM.RF. February 2023. Pp. 2–4.

Such transactions accounted for over 3/4 of all the CIAs concluded in 2022 (in 2021 — 70,4%, in 2020 — 79,5%). Their absolute number decreased by almost 14% as compared to 2021, including more than 46% on the market terms. The share of market mortgages was at its lowest (9.2%), being 1.5 times lower than in 2021 and more than twice as low as in 2020. The year-on-year decline in the number of market term mortgages was less than 40% of the level recorded back then. The share of mortgage-free apartments (24.6%) was lower than in 2021 (29.6%), but higher than in 2020 (20.5%). The absolute number of such transactions is also close (134,000 and 125,000, respectively).

However, the issuance of mortgages under concessional programs slumped by only 6% (approximately to the level of 2020). As a result, the share of concessional mortgages was the highest in 3 years (2/3). Concessional mortgage programs, which were used by households to buy housing through a home mortgage deed, form the core of all concessional mortgage lending. In 2022, they accounted for more than 74% of the total number of concessional loans, compared to 78% the year before (excluding rural mortgages).

The total volume of mortgage loans with state support remained high: around 485,000 loans worth more than Rb2.2 trillion (*Table 19*).

Table 19

Concessional mortgage lending in 2021–2022 (minus rural mortgage)

Category of loans and programs	Number of loans				Total amount			
	thousand		%		Rb bn		%	
	2021	2022	2021	2022	2021	2022	2021	2022
Mortgage loans, total	1909	1327	100	100	5700	4813	100	100
Concessional mortgage for new building	340	285	17.8	21.5	1054	1276	18.5	26.5
Family mortgage	134	169	7.0	12.7	460	792	8.1	16.5
Far Eastern mortgage	17	24.4	0.9	1.8	70.0	110.0	1.2	2.3
IT-mortgage	–	6.0	–	0.5	–	52.0	–	1.1
Preferential loans (total on 4 programs)	491	484.4	25.7/ 24*	36.5	1584.0	2230	27.8/ 27*	46.3

* According to review data of DOM.RF 2023 without supplement agreements to existing loans within family mortgage.

Source: Review of the mortgage lending market in 2022 DOM.RF. February 2023. Pp. 2, 5; own calculations.

The share of concessional mortgages hit its maximum values: over 36% of the total number of loans (in 2021 — less than 26%) and over 46% by volume (in 2021 — less than 28%).

Among them, the program of issuing loans for new buildings with the rates ranging from 7 to 12% (57.3% of the total volume of concessional lending against 66.5% a year earlier) dominated. The Family Mortgage program accounted for 35.5% against 29% a year earlier. The Far Eastern Mortgage program was complementary (around 5% and 4.4%, respectively). The volume of lending increased for all programs: to the greatest extent — for the Family Mortgage (by

72%), to the least extent — for Privileged Mortgage (by 21%). The growth under the Far Eastern Mortgage program amounted to more than 57%. Overall, the volume of concessional lending soared by almost 41%.

In contrast to lending volumes, the total number of loans slumped slightly (by less than 1.5%). This was due to the Preferential Mortgage program, the issuance of which declined by more than 16%, while the Family Mortgage program surged by more than 26% and the Far Eastern Mortgage program — by 43.5%.

A significant increase in the issuance of family mortgages can be regarded as the result of the extension of the program from the middle of 2021 to families with one child born after 2018, while the rate remained stable throughout the year (6%).

As far as other programs with state support are concerned, in addition to fluctuations in the interest rate, it should be noted that the concessional loan amount was increased to Rb12 mn in the capital regions and to Rb6 mn in other regions with the program extending to the independent construction of private houses (by self-support). The Far Eastern mortgage program was extended to teachers and medical workers, as well as to rural settlements with extension until the end of 2030.

RF Government Decree of December 28, 2022 No. 2485 extended the Preferential mortgage program till July 1, 2024 at an interest rate of 8% with the possibility of obtaining a loan for the purchase of apartment in a new building, house building or purchase of land. The Family Mortgage program, which has the same time horizon, was extended to families with two children under the age of 18. Previously, only families where at least one child was born after January 1, 2018 could participate in the program.

For both programs the maximum size of state-subsidized loan will be Rb12 mn in Moscow, St. Petersburg, Moscow and Leningrad regions and Rb6 mn in other regions. The total maximum value of such loans may not exceed Rb30 mn and Rb15 mn, respectively, while the remaining amount exceeding the threshold subsidized by the state, can be granted at market or other subsidized rate.¹

The Rural Mortgage program with a 3% interest rate on a soft loan has been extended indefinitely. It applies to all settlements with a population of no more than 30,000 people, except for urban districts and municipalities of Moscow, St. Petersburg and the Moscow region. By the time the relevant Government Decree No. 1437 of August 18, 2022 was published, over 97,000 loans worth Rb187.1 bn were originated under the program since 2020. Thanks to that, citizens were able to buy or build 5.2 mn sq. m of housing.² The main role in this process was played by Rosselkhozbank, which within two years (from the spring of 2020) extended Rb123.1 bn in rural mortgages that helped improve living conditions of over 63,000 families.³

1 URL: <https://www.banki.ru/news/lenta/?id=10978065>

2 URL: <http://government.ru/news/46282/>

3 The program resumed at the end of April 2022 after the allocation of subsidies by the Ministry of Agriculture. Rural mortgage is implemented as part of the program Comprehensive development of rural areas.

An important innovation in the package of concessional programs that appeared last year was the mortgage program for IT specialists introduced by the RF Government Decree No. 805 of April 30, 2022. This program with the validity term till the end of 2024 is aimed at mitigating the consequences of their exit from the country and facilitate the solution of the industry's staffing problems.

Its basic condition is the rate of 5% with a possibility to obtain a loan for the purchase of housing in new buildings and facilities for individual housing construction with the maximum amount of the state-subsidized loan of Rb18 mn for RF subjects with the population of over 1 mn people, and Rb9 mn for the rest.

So far this program has not become a significant segment in terms of the total size of the mortgage portfolio, however, is promising for its further growth, especially after the softening of requirements in the new edition of the RF Government Decree No. 72 of January 23, 2023. The main changes of the new edition are the following:

- Expanding the age range of potential borrowers to 50 years instead of 22 to 44 years;
- Expanding the list of organizations, places of work of IT-specialists: previously it concerned only the recipients of relevant benefits for the payment of insurance premiums, in the new version — all accredited IT-companies;
- Reducing the salary threshold for potential borrowers. It was reduced from Rb150,000 to Rb120,000 in cities with populations over 1 mn people, and from Rb100,000 to Rb70,000 in other cities. The only exception is Moscow, where in order to participate in the state program, one should get at least Rb150,000 a month.

The development institute — the company DOM.RF promoted the mortgage market in 2022:

- A record-breaking number of mortgage bonds were issued (15 placements), the volume of which (almost Rb400 bn) remained approximately at the level of the previous two years (Rb403 bn in 2021 and Rb371 bn in 2020);
- Russia's first issue of "green" mortgage loan stock secured by mortgage loans for the purchase of apartments in buildings with high energy efficiency classes from A to A++;
- A unique repo market of over Rb4 trillion¹ was created thanks to the inclusion of mortgage bonds of DOM.RF in the Lombard list of the Bank of Russia, the launch of repo transactions with the Federal Treasury on the Moscow Exchange and the reduction of stock exchange risk rates on mortgage bonds of DOM.RF.²

¹ The amount of transactions with mortgage-backed securities of DOM.RF on the Moscow Stock Exchange in 2021 amounted to slightly more than Rb1 trillion.

² URL: <https://DOM.RF>

4.7.6. Prospects for the housing market in 2023

In the current economic environment has significantly expanded *the range of risks to the construction and sale of housing*, which can be classified as follows:

- *Sanctioned* (under their impact, transparency is greatly reduced, as the disclosure of information helps in the introduction of the sanctions themselves, which in turn makes it difficult to third-party and conditionally independent evaluation and examination of business, such as IPOs and bond offerings of major developers);
- *Technological* (especially for critical technologies/goods if the company is highly dependent on their continuous supply, e.g., the need to replace OTIS elevators that have become unavailable in high-class residential complexes with domestically produced elevators);
- *Risks of Russian jurisdiction* (stemming from the very fact of doing business in a country “toxic” to the Western world, which makes it likely that access to settlement services, insurance, etc. will be denied, regardless of the existence of sanctions as such and the sources of origin of funds, this complicates market financial turnover);
- *Security risks* (cyberattacks, data leaks, the associated additional regulatory burden, etc., such as the ban by Rosreestr to obtain extracts indicating the owner by third parties, the main interested parties are realtors and banks);
- *Market risks* (the consequence of exit from Russia of a large part of foreign business was a decrease in demand for rental and purchase of housing, i.e. in 2023 the subjects of this market will have to work in significantly deteriorated environment).

The presence of the above risks and uncertainty does not allow market participants to adequately assess their prospects and count on market growth without government support. Therefore, today the forecasting of any industry comes down to the assessment of the possibilities and scale of such measures on its part.

In the absence of new geopolitical shocks in 2023, we should expect the industry to be sufficiently supported to ensure a proper supply of housing. The exit of developers outside “their” regions will take on a mass scale. After the regulatory introduction of mandatory use of building information modeling and construction monitoring technologies in the very process of development, a leap in digitalization is real. Therefore, we cannot rule out another record in the annual volume of commissioned housing due to the extensive development of the industry (taking into account the results in new regions) and the growing contribution of individual housing.

At the same time, solvent demand is more likely to stagnate even if mortgage loans remain at the 2022 level and the share of concessional programs is high (over 35% by number and 45% by volume). The strongest countercyclical support to the market will be provided by the extension of concessional mortgage lending and especially by the expansion of family mortgages through their extension to families with two children up to 18 years of age. Thus, a sharp recovery in demand for apartments is not expected, the consequence of which will be a decline in

sales rates with stagnating prices followed by a decline in the average price level of the market in all segments of apartment housing, including elite.

Furthermore, the general background in the field of housing will be the formation of a trend towards the development of various economic models and financial mechanisms of public-private partnerships at all levels of public authority in the implementation of programs for the integrated development of territories. The multiple expansion of their application will mean the weakening of the market mechanisms functioning in all regions, markets and clusters.