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Trends in the housing market and housing construction in Russian regions in 2022

This paper provides a qualitative and quantitative analysis of current development trends, along with a price analysis of the housing market and the housing construction market against the background of serious geopolitical changes in the socio-economic situation in Russia in 2022. In the course of the research, the author used the methodology of discrete spatial-parametric modelling of the real estate market. In addition to the study of market price indices, the article reviews the pace and structure of housing commissioning in the regions of the Russian Federation, assesses the specifics of the current situation in the housing construction sector, examines the impact of state support measures for the industry and identifies factors that have the most significant impact on the prospects for the development of the industry in 2023. Based on the author's research, the key features of the domestic residential real estate and housing construction markets in 2022 are stated. The relevance of this study is determined by the significant demand for the scientific method of analyzing existing risks and the impact of the uncertainty factor for the industry development forecast alongside with the assessment of the possibilities and scope of the state support measures.

Keywords: *housing market, price indices, housing construction market, mortgage lending, state support measures, preferential mortgage programmes*

INTRODUCTION

Last year, the Russian real estate market was fully impacted by the shocks to the domestic economy and went through several stages.

The first months were characterized by continued price growth with a shortage of supply. The mechanism of state mortgage support stimulated demand, ensuring the prevalence of mortgage lending transactions in the total volume of transactions in Russian cities.

In early spring, a change in the socio-economic situation due to escalating geopolitical tensions caused panic in the housing market and resulted in a significant drop in transaction volume. The Central Bank's sharp increase in the key interest rate to 20 % led to a collapse in mortgage lending by banks. The rapid buying up of the "cheap" supply was done more by withdrawing cash from people's bank accounts.

After a certain stabilization of the key interest rate level in September 2022, it was back to its pre-crisis level. Demand for mortgages, following the decline in the key interest rate, was recovering at a slower pace and did not reach the level of winter 2022. Households began to incline towards a savings model of consumer behavior, refraining from investing in the purchase of real estate or financial assets. Investment transactions, which had been an important catalyst for the primary residential property market in 2020–2021, fell.

With a decrease in GDP by 2.1 % and real disposable incomes of the population by 1 %, the volume of housing construction increased. The industry started facing the problem of selling built housing. At the same time, the supply volume in the secondary market increased, resulting in

satisfied demand in this segment by the autumn in most cities. The growth of bid prices slowed down, and in some places stopped, but prices crash happened. In general, in 2022 the housing market demonstrated volume of sales decrease by about a third and even the traditional demand increase on the New Year's eve was very downsized, indicating the onset of a stagnation.

THE MARKET PRICE INDICES

Preceding the analysis of the price situation, we point out that the dynamics of prices for housing real estate can be valued both by the official reports of Rosstat and by the data of real estate agencies.

To begin with, let us look at the Rosstat data. As stated on the departmental portal [1], Rosstat experts calculate price indices in the primary and secondary housing markets based on the registered prices for newly built apartments and for existing privately owned housing stock if it is the subject of market transactions. Monitoring is performed on a selective range of companies performing real estate transactions in territorial centers and separate cities of the constituent subjects of the Russian Federation. The quantitative and qualitative characteristics of the apartments are considered for prices record. Average prices in Russia are based on the average prices prevailing in the regions. Cumulative data on the total area of apartments sold in one year with breakdown by the primary and secondary housing markets are used as weights.

Let us consider the Rosstat data for the past year in more detail, starting with the quarterly price dynamics for the country as a whole (Table 1).

Table 1. Housing market price indices in 2022 (at the quarter end, % against the previous quarter, all types of apartments)

Period	Secondary market	Primary market
I quarter	106.5	108.0
II quarter	102.0	106.5
III quarter	101.4	104.3
IV quarter	101.6	100.9

Source: housing market price indices by the constituent subjects of the Russian Federation in 2022, primary market data¹; secondary market data².

Prices grew at the highest rate in the first quarter of 2022, when the market experienced the impact of a shock resulting from the drastic change in the economic and political situation. In the future, there was a quarterly slowdown in the growth rates of both market segments.

For most of the year, the primary market outpaced the secondary one in terms of price growth, most noticeably in the second quarter. A small exception was the final IV quarter, when growth in the primary market was less than 1 %, which did not dramatically affect the yearly results (Table 2).

The price increase in the primary segment turned out to be about 1.8 times more than in the secondary. Such a picture was observed for all categories of apartments, to the most extent — for standard apartments, while for elite housing the rates of price growth were comparable. For the secondary market, the main pattern was an increase in the rate of price growth with an increase in the quality of housing, whereas in the primary market there were moderate discrepancies in housing categories with premium quality apartments leading.

A detailed analysis of the dynamics in the territorial context at the level of the constituent subjects of the Russian Federation confirms the prevailing outperformance of the secondary market by the primary one in terms of price growth (Table 3).

In the primary housing market, the group of leading regions in terms of price growth (over 30 %) included the Leningrad, Chelyabinsk and Omsk regions, as well as Bashkortostan. Outsiders by

Table 2. Housing market price indices and average housing prices in 2022 by category (at the IV quarter end)³

Apartment category	Secondary market		Primary market	
	Percent against IV quarter 2021	Thousand rubles/sq. m total area	Percent against IV quarter 2021	Thousand rubles/sq. m total 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
Premium quality	113.3	102.9	122.1	112.4
Elite apartments	118.3	162.8	119.4	262.7

Table 3. Housing market price indices in 2022 broken down by region (at the end of the fourth quarter in % against the fourth quarter of 2021, for all types of apartments)

Federal district/region	Secondary market	Primary market
Russia	111.8	121.0
<i>Central Federal District</i>	111.1	120.8
Moscow	107.1	115.9
Moscow region	117.4	119.6
Voronezh region	127.6	125.8
<i>Northwestern Federal District</i>	103.4	120.9
St. Petersburg	95.7	120.6
Leningrad region	106.9	157.8
<i>Southern Federal District</i>	111.5	114.1
Krasnodar region	106.2	107.7
Volgograd region	114.6	126.2
Rostov region	116.1	129.9
<i>North Caucasion</i>	107.0	116.6
Dagestan	112.7	125.8
Stavropol region	121.1	116.2
<i>Volga Federal District</i>	118.0	127.6
Bashkortostan	115.9	134.3
Tatarstan	120.0	128.0
Perm region	111.4	124.8
Nizhny Novgorod region	114.3	129.6
Samara region	110.1	126.6
Ural Federal District	112.7	118.7
Sverdlovsk region	113.4	119.8
Tuymen region*	105.8	114.2
Chelyabinsk region	138.6	131.5
<i>Siberian Federal District</i>	118.0	124.0
Krasnoyarsk region	113.5	115.7
Novosibirsk region	113.2	121.2
Omsk region	123.2	131.5
<i>Far East Federal District</i>	106.3	114.7
Primorsky region	106.5	113.2
Khabarovsk region	102.1	107.1

* — autonomous area included.

Source: housing market price indices broken down by the constituent subjects of the Russian Federation in 2022, primary market data¹; secondary market data².

1 Price indices in the primary housing market by subjects of the Russian Federation in 2022. URL: torage/mediabank/ind_perv_4kv-2022.xlsx

2 Price indices in the secondary housing market by subjects of the Russian Federation in 2022. URL: torage/mediabank/ind_vtor_4kv-2022.xlsx

3 Socio-economic situation of Russia. 2022; 132. URL: https://gks.ru/bgd/regl/b22_01/Main.htm

► this indicator (under 15 %) were the Tyumen Region, Primorsky, Krasnodar and Khabarovsk region. In St. Petersburg, Moscow and Moscow region, the price growth dynamics also turned out to be lower than the average for the country.

In the secondary segment, the group of leading regions in terms of price growth (over 20 %) included Chelyabinsk, Voronezh and Omsk regions, Stavropol region, Tatarstan. At the opposite pole were Moscow, Leningrad and Tyumen regions, Primorsky, Krasnodar and Khabarovsk region, as well as St. Petersburg, where prices fell by 4.3 %.

The price growth in the primary market in most regions exceeded that of the secondary market. It is noteworthy that the Leningrad

Region, Dagestan, Bashkortostan, Perm region, Nizhny Novgorod, Samara, Tyumen Region (including autonomous areas), Primorsky region stand out in terms of price growth in the primary market outpaced the same value in the secondary market by more than twofold. In the Leningrad region, the gap is sevenfold. As an exception to the general trend of the primary market price growth rates leadership, the Stavropol Territory, Voronezh, and Chelyabinsk regions should be noted.

Now, to describe the price level in absolute terms, let us consider the data of professional market analysts from several well-known companies united by the Russian Guild of Realtors (RGR) (Table 4).

Table 4. Multi-apartment housing market prices broken down by the cities of Russia at the end of 2022⁴

Federal district/city	Secondary market	Primary market	Markets price gap, %
	Thousand rubles/sq. m	Thousand rubles/sq. m	
<i>Central Federal District</i>			
Moscow	266.6*	305.3	14.5 in favour of new buildings
Zhukovsky (MR)	130.0	120.0	8.3 in favour of secondary market
Voronezh**	100.0**	90.0**	11.1 in favour of secondary market
Ryazan	80.0	94.0	17.5 in favour of new buildings
Tambov	80.0	80.0	Approximate equality
Kostroma	72.0	81.0	12.5 in favour of new buildings
<i>Northwestern Federal District</i>			
St. Petersburg	172.0	214.0	24.4 in favour of new buildings
Kaliningrad	95.0	106.0	11.6 in favour of new buildings
<i>Southern Federal District</i>			
Novorossiysk	107.0	115.0	7.5 in favour of new buildings
Yalta (Crimea)	100.0	150.0	50.0 in favour of new buildings
Krasnodar	87.0	110.0	26.4 in favour of new buildings
Volgograd	80.0	80.0	Approximate equality
<i>Volga Federal District</i>			
Samara	140.0	120.0	16.7 in favour of secondary market
Nizhnyi Novgorod	103.0	130.0	26.2 in favour of new buildings
Perm	84.4	105.5	25.0 in favour of new buildings
Tolyatti (Samara region)	65.0	80.0	23.1 in favour of new buildings
<i>Ural Federal District</i>			
Tyumen***	110.0***	120.0***	9.1 in favour of new buildings
Ekaterinburg	102.0	120.0	17.6 in favour of new buildings
Chelyabinsk	75.0	90.0	20.0 in favour of new buildings
Magnitogorsk	55.3	60.5	9.1 in favour of new buildings
Chebarcul	46.0	56.0	21.7 in favour of new buildings

4 Analytical statement. Preliminary 2022 residential real estate market performance according to the experts from the Russian Guild of Realtors (RGR). 2022; 5, 11-13, 15. URL: <https://cms.rgr.ru/files/images/8bcb13fe84fe11ed8547b4b52f561288.pdf> (other companies and experts mentioned above, authors' calculations).

End of the Table 4

Federal district/city	Secondary market	Primary market	Markets price gap, %
	Thousand rubles/sq. m	Thousand rubles/sq. m	
<i>Siberian Federal District</i>			
Novosibirsk	100.0	110.0	10.0 in favour of new buildings
Krasnoyarsk	95.0	109.0	14.7 in favour of new buildings
Tomsk	85.0	98.0	15.3 in favour of new buildings
Abakan	80.0	90.0	12.5 in favour of new buildings
<i>Far East Federal District</i>			
Yuzhno-Sakhalinsk	160.0	170.0	6.25 in favour of new buildings
Khabarovsk****	112.3	130.9	16.6 in favour of new buildings

* — according to the Committee on Statistics and Analytics of the Guild of Realtors of Moscow (GRM), the average bid price on the secondary market on 30.12.22 amounted to 264.8 thousand rubles;

** — according to the Analytical Consulting Group "InvestOcenka", the weighted average bid price of housing (apartments) in the city at the end of December amounted to 82.3 thousand rubles/sq. m in the secondary market and 89.9 thousand rubles/sq. m in the primary one;

*** — according to the certified real estate analyst-consultant A.A. Ryaposova in December, the average bid price was 106.1 thousand rubles/sq. m in the secondary market and 108.1 thousand rubles/sq. m in the primary one;

**** — according to LLC "Center of Property Rights" at the end of December.

According to the absolute price level in both markets, Moscow was followed by St. Petersburg and Yuzhno-Sakhalinsk, and outside the top three, in the price range from 100 thousand to 150 thousand rubles per sq. m there were notable differences. In the secondary segment, it was followed by Samara, the cities of the Moscow region, Tyumen, Novorossiysk, Nizhny Novgorod, Ekaterinburg. In the primary segment — Yalta, Nizhny Novgorod, Zhukovsky (Moscow region), Samara, Tyumen, Ekaterinburg, Novorossiysk, Krasnodar, Novosibirsk, Krasnoyarsk, Perm.

In the most cities, prices for new buildings were 10 to 20 % higher than those of the secondary market.

CONSTRUCTION AND COMMISSIONING OF NEW HOUSING

According to preliminary Rosstat data, 2022 witnessed a record 102.7 million sq. m of housing being commissioned in Russia, which became the highest absolute indicator in the entire period of statistical monitoring in Russia (Table 5).

A positive trend of commissioning was demonstrated by most of territories, including almost all regions, with a total volume of housing commissioning exceeding 1 million sq. m (Table 6), if we consider the dynamics of housing construction against the regional background.

As follows from Table 6, the increase in housing commissioning of more than 20 % took place in Chechnya, Moscow and Vladimir regions, Perm and Krasnodar region, Udmurtia. In the Tyumen, Leningrad and Novosibirsk regions, Primorsky and Stavropol region, this indicator ranged from 11 to 20 %, i.e., it exceeded or approximately corresponded to the average country's figures. Another

Table 5. Housing commissioning in the Russian regions in 1999–2022^{5, 6, 7, 8}

Year	Million sq. m of total area	Growth rates, %	
		Against the previous year	Against 2000 year
1999	32.0	104.2	105.6
2009	59.9	93.4	197.7
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*
2021	92.6	112.7	305.6
2022	102.7	111.0	338.9

* — excluding the commissioning of garden cottages, the number of which is provided according to the Rosstat initial data (2019 — 1.0 million sq. m, 2020 — 5.1 million sq. m, no data available for 2021–2022).

12 regions gained a positive momentum of housing commissioning, and only three of them, including Moscow, showed a reduction.

Against the previous year, there were noticeable changes within the traditional group of leading regions, due to reduced housing construction in Moscow and its real stagnation in St. Petersburg. The Moscow region has asserted its leadership in terms of the absolute volume of commissioning, and Moscow, due to a 13 % drop, closed the top three, having let the Krasnodar region go ahead. The top five leading regions also included the Leningrad Region and St. Petersburg, and for the first time the northern capital lagged the neighboring region⁹.

General commissioning data combine both multi-apartment housing (MAH) built by professional developers, and the results of

5 Russian Statistical Yearbook. 2010: Statistical Collection. Moscow, Rosstat Publ., 2010; 477. URL: [torage/mediabank/Ejegodnik_2021.pdf](https://rosstat.gov.ru/storage/mediabank/Ejegodnik_2021.pdf)

6 Socio-economic situation of Russia. 2022; 43, 56–57, 58–59, 66, 94–95, 142–143, 283–286. URL: https://gks.ru/bgd/regl/b22_01/Main.htm

7 Russian Statistical Yearbook. 2021: Statistical Collection. Moscow, Rosstat, 2021; 418–419. URL: https://rosstat.gov.ru/storage/mediabank/Ejegodnik_2021.pdf

8 Socio-economic situation of Russia. 2022; 43, 56–57, 58–59, 66, 94–95, 142–143, 283–286. URL: https://gks.ru/bgd/regl/b22_01/Main.htm

9 Besides, more than 3 million sq. m yearly was commissioned in the Tyumen region (including autonomous areas), Tatarstan and Bashkortostan.

Table 6. Housing commissioning in the Russian regions in 2022 (in the order of the commissioning pace)⁹

Region	Hosing commissioning pace, % by 2021
Chechnya*	196.8
Moscow region*	153.9
Perm region*	150.9
Vladimir region	142.8
Udmurtia	139.8
Krasnodar region*	120.8
Tyumen region (with autonomous areas) *	119.3
Primorsky region	117.9
Leningrad region*	117.2
Novosibirsk region	111.9
Stabropol region*	110.9
Chelyabinsk region*	108.3
Nizhny Novgorod region *	107.0
Bashkortostan*	105.4
Samara region*	104.4
Irkutsk region	104.0
Krasnoyarsk region	103.8
Kaliningrad region	103.7
Voronezh region	103.1
Tatarstan*	102.7
Sverdlovsk region*	101.9
Rostov region*	100.7
St. Petersburg	100.3
Dagestan	97.5
Moscow	87.1
Saratov region	85.6

* — regions where commissioning of private housing exceeded 1 million sq. m.

individual housing construction (IHC), i.e. built by individuals independently on their land plots.

For the second year in a row, the percentage of individual housing built by the population at their own expenses or with the borrowed funds exceeded half of the total commissioning (55.7 %). Accordingly, the share of multi-apartment housing, which has been steadily declining since 2016, amounted to 44.3 % (Table 7).

According to Rosstat, the area of residential housing facilities commissioned in Russia by the end of 2022 amounted to

Table 7. The breakdown of commissioned residential buildings in the Russian Federation in 2010–2022⁶

Year	Total, million sq. m	Multi-apartment housing construction		Individual housing construction at the expense of owner's cash / borrowed funds	
		million sq. m	Share in total commissioning, %	million sq. m	Share in total commissioning, %
2010	58.4	32.9	56.3	25.5	43.7
2015	85.3	50.1	58.7	35.2	41.3
2020	82.2	42.4	51.6	39.8	48.4
2021	92.6	43.5	47.0	49.1	53.0

57.2 million sq. m, which is 16.5 % increase against the previous year. The five leading regions in terms of the absolute value of housing commissioning included the Moscow region (about 9.5 million sq. m), the Krasnodar region (about 4.5 million sq. m), the Leningrad Region (about 2.6 million sq. m), Tatarstan (2.2 million sq. m) and Bashkortostan (1.9 million sq. m).

A comprehensive study of all regions with a total volume of housing commissioning exceeding 1 million sq. m is a very motley picture. IHC accounted for over 90 % of the commissioning volumes in Chechnya, over 70 % — in Tatarstan, from 60 to 70 % — in Moscow, Irkutsk, Leningrad, Nizhny Novgorod, Samara and Vladimir regions, Udmurtia, Bashkortostan, Stavropol and Perm region, from 50 to 60 % — in Krasnodar region, Chelyabinsk, Saratov and Rostov regions, Dagestan.

Moscow and St. Petersburg were expected to be at the other pole, where the contribution of IHC was 11.7 and 7.5 %, respectively¹⁰. The Primorsky region, Voronezh, Kaliningrad and Sverdlovsk regions held an intermediate position, with IHC accounting for 40–50 % of the commissioning volumes, as well as the Krasnoyarsk region, Tyumen Region (with autonomous area) and Novosibirsk Region, where the contribution of the IHC amounted to 37–39 %.

The volume of MAH commissioned by developers in 2022 increased by 4.6 % compared to 2021, surpassing the pre-pandemic levels of 2018–2019, but still falling short of the indices of the previous four years. More than half (57 %) of the housing construction volume (excluding that built by the population)¹¹ was accounted for by 10 regions (each with a construction volume of at least 1 million sq. m), and the share of the top five regions (Moscow and Moscow region, St. Petersburg, Krasnodar region, and Tyumen region with autonomous areas) amounted to about 42 % of the total volume of multi-apartment housing construction⁸.

¹⁰ For comparison: in another city of federal significance, Sevastopol, the share of housing commissioned by the population amounted to 76.3 % with a total volume of about 0.56 million sq. m.

¹¹ In the official Rosstat reports such an indicator is not available, but it can be calculated as the difference between the total volume of housing commissioning and housing commissioning by the population at the expense of own and borrowed funds.

ANALYSIS OF THE CURRENT SITUATION IN THE CONSTRUCTION INDUSTRY

According to a survey conducted by the ERZ.RF portal¹² in collaboration with the School of Developers¹³, GMK¹⁴ и RRG¹⁵, the key trend of the past year identified by developers was the beginning of developers expanding beyond local markets. The top five trends also included the emergence of developers of multi-apartment buildings in the segment of IHC, an increase in the share of online sales, a growing importance of developer's reputation, and a reduction in the size of apartments [2].

According to experts from the Russian Guild of Realtors (RGR), there has been an active review of residential projects in terms of their quality class. The volume of projects in the "standard" class has increased, including the subclass of small-sized housing, while the share of small-format housing has increased in higher quality class projects⁴.

Speaking about the mechanism of financing the housing industry, it can be noted that the transition to a new system using project financing tools has been completed overall. As of the beginning of 2023, almost 89 % of the constructed multi-apartment housing was built using escrow accounts, compared to 51.5 and 76.8 % at the end of 2020 and 2021, respectively. This is confirmed by a stable increase in the volume of loans provided using corresponding tools. The amount of approved credit lines increased by 84 % to 12.1 trillion rubles. A negative factor is the lag in filling escrow accounts (an increase of one-third to 4.1 trillion rubles at the beginning of 2023) from the dynamics of bank lending to developers¹⁶.

The following indices characterize the real construction activity in the housing sector and the industry's prospects.

Against a favorable background, the fading quarterly dynamics of housing construction volumes is a negative factor by the end of 2022. If in the first and second quarters they exceeded the amount for the same period in 2021 by almost 65 and 25 % respectively, then in the fourth quarter there was already a decrease of more than 21 %.

According to the Unified Information System of Housing Construction (UISHC), the total area of housing under construction, considering all financing mechanisms, amounted to 100.8 million sq. m as of December 22, 2022. The majority of this is accounted for by housing being built in accordance with Law No. 214-FZ and exceeds the value of this indicator from the previous year by more than one fifth⁴.

As of the beginning of 2023, 98.7 million square meters of multi-apartment housing were under construction, the volume of which, accounting for about 92 % of the value at the beginning of 2020, increased by 2.4 % over the year. At the same time, the volume of unsold housing is growing: by the beginning of 2023, it exceeded two-thirds of the total volume of housing under construction throughout the country. This is the highest indicator in recent years, exceeding the minimum at the end of 2020 by 41.5 %. The growth in unsold housing in new buildings over the year exceeded 16 %, compared to 21.6 % in 2021. Another more than 27 million sq. m of

housing under construction are accounted for by projects whose sales have not yet opened (no equity participation agreements (EPAs) signed)¹⁷.

According to the research conducted by VCIOM "Administrative Barriers in Construction: Survey of Moscow Developers" [3], the most important factors limiting the growth of current construction volumes were identified:

- high cost of materials, structures, and products (84 %);
- difficulties in obtaining permits and approvals (78 %);
- constant changes i.rules and legislation (71 %);
- shortage of skilled workers (62 %);
- crisis phenomena due to the pandemic (58 %);
- increase in production costs (51 %).

Due to the shortage of approximately 1/4 of the necessary workers in the industry, the production of several key construction products has decreased by the end of the year.

The excavators, glass, and elevators became the leaders of the fall. Production of ceramic tiles, ceramic sanitary ware, silicate wall blocks, roll roofing, waterproofing, and other materials decreased by up to 15 %. However, production of cement, bricks, and concrete increased. Despite the ambiguous situation with production, prices for construction materials increased for the vast majority of items⁸. The decrease in production coupled with rising prices has a negative impact on the profitability of development for various classes of housing.

Sanction restrictions also seriously affect the development of the construction industry. According to a survey by Sberbank [4] among bank clients, up to 70 % of respondents believe that changes in logistics supply chains for imported materials and equipment can increase the implementation time of current projects by up to six months and raise their cost. At the same time, it is noted that the greatest risks are associated not so much with construction materials for typical housing, but with more high-tech equipment and solutions (for example, BIM technology, elevator equipment, spare parts for certain types of equipment, electrical equipment, electrical panels, ventilation systems) demanded in the elite housing sector, where the share of such costs can exceed 50 % of the cost. Since import substitution of the most technologically complex solutions can be a fairly lengthy process requiring not only additional investments but also competencies that take a long time to form, it is expected that this factor will have a negative impact on construction timelines and costs, primarily in the elite segment.

Another trend of the last year was the departure of some foreign players from the multi-apartment housing construction market, which in the future may be offset by a more active expansion of development companies from China.

MORTGAGE LENDING DYNAMICS AND STATE SUPPORT MEASURES

To overcome the difficulties that arose, the state implemented programmers to support the construction industry. The main role in this was played by the extension of various preferential mortgage

12 The main trends in development in 2022. With the participation of GMK, Developer's School and RRG. URL: <https://profi.erzrf.ru/poll/trands-2022-development/>

13 A specialized center of competence and educational platform for developers and building contractors in Russia and the CIS.

14 The consulting agency GMK is among the top 100 largest consulting groups and companies in Russia, and holds the first place in the marketing and PR segment (according to RAEX rating).

15 The company RRG is a major professional player in the commercial real estate market since 2005.

16 Review of multi-apartment housing construction in the Russian Federation. 2022. DOM.RF. March 2023; 2-5, 6. URL: <https://дом.рф/upload/iblock/8a2/hboqccub5re4hmoac9c9s3206fp5pq1.pdf> (authors' calculations).

17 Mortgage lending market Overview in 2022. DOM.RF. February 2023; 3-5. URL: <https://дом.рф/upload/iblock/1bb/716iii5p6t82cjbuthywdk85aid7q0k.pdf> (authors' calculations).

▶ programmers, which make up an increasing share of financing when purchasing housing. Events related to sanction shocks and the geopolitical situation served as a catalyst for the growth of the share of preferential mortgages in the financing structure and, as a result, the role of government support in developing the housing market financing system.

The past year began with an active growth of the mortgage portfolio. So, according to DOM.Russia¹⁷ in the first quarter of 2022, a total of 393 thousand mortgage loans were issued for a total amount of 1.325 trillion rubles against 418 thousand loans for 1.164 trillion rubles in the first quarter of 2021, which meant an increase in the amount of issuance by almost 14 %.

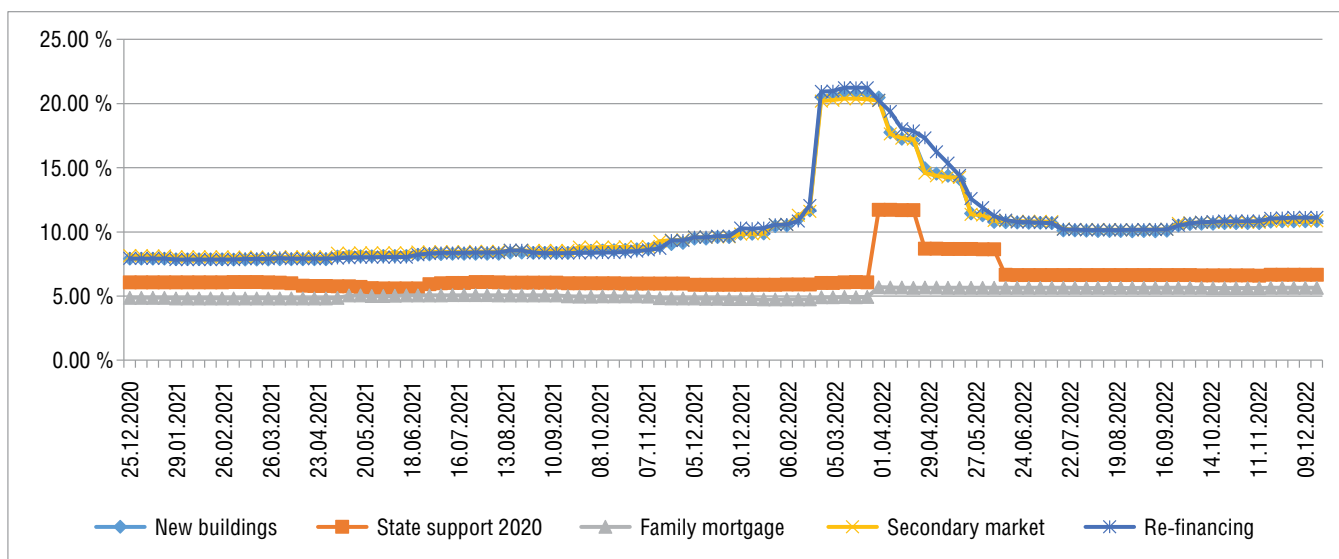
However, in the second quarter, active growth was replaced by a sharp decline due to overall uncertainty and a sharp rise in the key rate, which naturally led to a sharp increase in the weighted average rates for various categories of mortgage loans (Fig.).

Gradual normalization of the key rate and extension of preferential financing programmes allowed for stabilization, and by the end of the third quarter of 2022, the amount of preferential financing almost equaled that of the same period in 2021, reaching 1.317 trillion rubles, although the number of loans decreased by almost 25 %.

Overall, after record levels in 2021, there was an obvious decline in mortgage lending. According to reports from DOM.RF and the Central Bank of Russia, mortgage lending in 2022 decreased by more than 30 % in terms of the number of loans and more than 15 % in terms of volume (Table 8).

In fact, the IHC was thrown 2–3 years back, since the number of loans issued turned out to be comparable to the pre-pandemic 2019 (1,312 thousand units), and their volume was only 8 % higher than in 2020 (4.45 trillion rubles). However, the cardinal difference from 2019 is that then the role of preferential programmes was hardly noticeable (3–4 % in terms of the number of issues and their volume), in 2020 they have already had a significant impact on the housing market, but not to the same extent as two years later.

The main shift in the IHC structure was the increase in the share of primary market loans secured by equity participation agreements (EPAs). In terms of amount, this category of loans approached new loans on the secondary market (about 44 %). However, despite a decrease in its share in the total amount of loans issued by almost 7 percentage points, this category maintained a position close to the previous one in terms of the share in their number (55 %). In terms of absolute values, new lending on the secondary market lagged behind the 2021 figures, i.e., it



Dynamics of the weighted average rate for the main types of mortgage loans of the top 20 largest banks in 2020–2022¹⁸

Table 8. Mortgage lending 2021–2022 (Rural mortgage excluded)¹⁷

Loan category	Loans				Total amount			
	Thousand items		%		Billion rubles		%	
	2021	2022	2021	2022	2021	2022	2021	2021
Mortgage loans, total	1,909	1,327	100	100	5,700	4,813	100	100
Secondary market (new loans)	1,075	730	56.3	55.0	2,904	2,126	50.95	44.2
Primary market (secured by equity participation agreement (EPA))	476	410	24.9	30.9	1,881	2,063	33.0	42.85
Secondary market (refinancing)	211	28	11.1	2.1	506	85	8.9	1.75
IHC and built houses*	147	160	7.7	12.05	408	539	7.15	11.2

* — top-30 banks' data.

Table 9. Dynamics and breakdown of sales in new buildings in 2020–2022 (by the number of EPA registered for residential premises)¹⁶

Transaction type	2020		2021		2022	
	Thousand items	%	Thousand items	%	Thousand items	%
Total EPA	609	100.0	676	100.0	544	100.0
Mortgage transactions, total	484	79.5	476	70.4	410	75.4
preferential mortgage programme	355	58.3	383	56.65	360	66.2
market mortgage programme	129	21.2	93	13.75	50	9.2
Without mortgage	125	20.5	200	29.6	134	24.6

declined more deeply than residential real estate as a whole, especially in terms of amount.

The record holder in this regard was refinancing on the secondary market, the scale of which decreased by 7.5 times in terms of quantity and almost 6 times in terms of amount to a symbolic 2.1 and 1.8 % respectively, and their place was taken by loans for individual housing construction and ready-made houses. They became the only category that demonstrated growth in both the number of loans and their amount by the end of 2022. The share of loans for individual housing construction and ready-made houses reached 11–12 % compared to just over 7 % in 2021.

Overall, mortgage debt increased by 2 trillion rubles over the year, and as of the beginning of 2023, its size exceeded 14 trillion rubles (including acquired credit organization rights, excluding securitization). At the same time, mortgages accounted for 86 % of the growth in all retail loans, and their share exceeded half of the total debt of individuals for the first time. The share of overdue debt in the mortgage portfolio on banks' balance sheets at the beginning of 2023 decreased to 0.4 % compared to 0.5 % a year earlier.

The level of mortgage interest rates over the past year has fluctuated under the influence of macroeconomic dynamics and the degree of prevalence of preferential programmes. Due to them and a mortgage with a subsidy from the developer, the weighted average rates in the primary market fell to 4.3 % per annum against 5.9 % in 2021, while in the secondary market, on the contrary, increased by 1 percentage point to 9.3 %. As a result, the weighted average mortgage rate in 2022 (7.2 %) was still lower than in 2021 (7.5 %)¹⁷.

The increase in the gap between the interest rates on the primary and secondary markets by 2 times to 5.0 percentage points has made the primary segment more attractive and shifted demand towards new buildings. If in 2021, 1/4 of all mortgage loans issued were for residential properties registered under EPAs, then in 2022,

it will be almost 31 %. The total number of signed EPAs has decreased by 19.5 %, but the significance of mortgages in the sales structure of new buildings has increased (Table 9).

More than 3/4 of all concluded EPAs in 2022 were for such transactions (70.4 % in 2021 and 79.5 % in 2020). Their absolute number decreased by almost 14 % compared to 2021, including a decrease of more than 46 % under market conditions. The share of market mortgages was minimal (9.2 %), decreasing by one and a half times compared to 2021 and more than twice compared to 2020. The decreasing number of market mortgage transactions year-on-year accounted for less than 40 % of the level recorded at that time. The share of EPAs without mortgages (24.6 %) was lower than in 2021 (29.6 %), but higher than in 2020 (20.5 %).

However, the issuance of mortgages under preferential programmes decreased by only 6 %, approximately to the level of 2020. As a result, the share of preferential mortgages was the highest in 3 years (2/3). The total volume of mortgages with state support remained high: about 485 thousand loans for a total amount of more than 2.2 trillion rubles (Table 10).

The share of preferential mortgages reached its highest levels: more than 36 % of the total number of issued mortgages and more than 46 % in terms of volume. Among others, the programme for issuing loans for new buildings at rates ranging from 7–12 % dominated (57.3 % of all preferential lending). The Family Mortgage programme accounted for 35.5 %, while the Far East Mortgage programme was rather complementary (about 5 %). Overall, the volume of preferential lending increased by almost 41 %: the largest growth was demonstrated by the Family Mortgage programme (by 72 %), while the preferential mortgage programme showed the smallest growth (by 21 %).

In contrast to the volume of lending, the total number of loans decreased slightly due to a reduction in issuance by more than 16 % under the preferential mortgage programme, against the background

Table 10. Preferential mortgage lending 2021–2022 (excluding rural mortgages)¹⁷

Loan category and programme	Loans				Total amount			
	Thousand items		%		Billion rubles		%	
	2021	2022	2021	2022	2021	2022	2021	2021
Mortgage loans, total	1,909	1,327	100	100	5,700	4,813	100	100
Preferential mortgage new buildings	340	285	17.8	21.5	1,054	1,276	18.5	26.5
Family mortgage	134	169	7.0	12.7	460	792	8.1	16.5
Far East 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 for 4 programmes)	491	484.4	25.7/24*	36.5	1,584.0	2,230	27.8/27*	46.3

* — according to the DOM.RF 2023 review, excluding the supplementary agreements to existing loans under the family mortgage.

► of a 26 % increase in Family mortgages and 43.5 % — under the Far East Mortgage programme.

The significant increase in the issuance of family mortgages can be attributed to the expansion of the programme in mid-2021 to families with one child born after 2018, while maintaining a stable interest rate throughout the year. As for other government-supported programmes, it is worth noting the increase in the subsidized loan amount for preferential mortgages up to 12 million rubles in the capital regions and up to 6 million rubles in other regions when the programme is extended to self-construction of private houses (by household method). The Far East Mortgage programme was extended to teachers and doctors, as well as rural settlements with an extension until the end of 2030.

By Resolution of the Government of the Russian Federation dated December 28, 2022, No. 2485, the preferential mortgage was extended until July 1, 2024, at a rate of up to 8 %, and the same programme with a similar time horizon for family mortgages was extended to families with two children under 18 years old.

The Rural mortgage programme with a preferential loan rate of 3 % 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 in Moscow, St. Petersburg, and the Moscow region. During the programme's operation since 2020, more than 97,000 loans were issued for a total amount of 187.1 billion rubles, which is comparable to the total volume of issuance under the Far East Mortgage programme for 2021–2022.

An important innovation in the package of preferential programmes introduced last year was the mortgage for IT specialists introduced by Resolution of the Government of the Russian Federation dated April 30, 2022, No. 805. This programme, valid until the end of 2024, is designed to mitigate the consequences of their outflow from the country and contribute to solving the industry's personnel problems.

The programme has not yet become a significant segment in terms of the total mortgage portfolio, but it is promising for further growth, especially after the easing of requirements in the new version of the Government Resolution dated January 23, 2023, No. 72, which approved the expansion of the age range of potential borrowers up to 50 years old and the list of organizations where IT specialists work against the backdrop of a decrease in the salary threshold for potential borrowers.

2023 OUTLOOK

In the current economic situation, the spectrum of risks for construction and sale of housing has significantly expanded, which can be classified as follows:

- sanction-related risks (reduced transparency, which in turn makes it difficult for third-party and conditionally independent evaluation and expertise of business, for example, during IPO and placement of bonds of major developers);
- technological risks (related to critical technologies/products in case the company is heavily dependent on their continuous supply, for example, the need to replace OTIS elevators with domestically produced ones);
- risks of Russian jurisdiction (arising from the very fact of doing business in a “toxic” country for the Western world, making it likely to be deprived of access to settlement services, insurance, etc. regardless of sanctions);
- security risks (hacker attacks, data leaks, associated with additional regulatory burden, for example, Rosreestr ban on

obtaining extracts with the indication of the owner by third parties, including realtors and banks);

- market risks (reduction in demand for rental and purchase of housing as a result of the departure of some foreign businesses from Russia).

The presence of the above risks and the influence of the uncertainty factor actually reduce the forecasting of industry prospects to assessing the opportunities and scale of support measures from the state [5–8].

In the absence of new geopolitical shocks in 2023, it is expected that the industry will be supported sufficiently to provide adequate housing supply. The expansion of developers beyond their “own” regions will become widespread. After the regulatory implementation of building information modeling and construction monitoring technologies in the development process, a leap in digitalization is possible. Therefore, it is not excluded that another record for annual housing supply will be set due to extensive development in new regions and increasing contribution of individual housing.

At the same time, from the side of solvent demand, stagnation is more likely to be expected even with maintaining mortgage lending at last year's level and a high share of preferential programmes. The most significant countercyclical support to the market will be the extension of preferential mortgages and, especially, the expansion of family mortgages by extending it to families with two children under 18 years old. Thus, a sharp recovery in demand for apartments is not expected, which will lead to a decrease in sales rates at stagnant prices with subsequent reduction in the average price level of the market in all segments of multi-apartment housing, including elite.

In addition, the overall trend in the housing construction industry will be the formation of various economic models and financial mechanisms of public-private partnerships (PPP) at all levels of public authority in implementing comprehensive territorial development programmes.

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Тенденции развития жилищного рынка и жилищного строительства в регионах России в 2022 году

В работе проведены качественный и количественный анализ актуальных тенденций развития наряду с ценовым анализом жилищного рынка и рынка жилищного строительства на фоне серьезных геополитических изменений социально-экономической ситуации в России в 2022 г. В ходе исследования автор использовал методологию дискретного пространственно-параметрического моделирования рынка недвижимости. Помимо исследования ценовых показателей рынка в статье рассмотрены динамика и структура ввода жилья в регионах РФ, дана оценка специфики текущей ситуации в секторе жилищного строительства, изучено влияние мер государственной поддержки отрасли и выявлены факторы, оказывающие наибольшее влияние на перспективы развития отрасли в 2023 г. На основании проведенных авторских исследований сформулированы основные особенности отечественных рынков жилой недвижимости и жилищного строительства в 2022 г. Актуальность данной работы предопределяется значительной востребованностью научного метода анализа существующих рисков и влияния фактора неопределенности для прогнозирования перспектив развития отрасли и оценки возможностей и масштабов мер поддержки со стороны государства.

Ключевые слова: жилищный рынок, индекс цен, рынок жилищного строительства, ипотечное кредитование, меры государственной поддержки, льготные программы ипотеки

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