

# Economy Apartments Fetch More

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The supply of apartments in Khrushchev-era buildings is dwindling, while demand remains high and prices rise. **Igor Tabakov**

Rental rates for economy-class apartments in Moscow surged 15 percent to 25 percent in the first quarter of 2011 as compared with the first three months of last year, fueled by dwindling supply and stable demand, a real estate agency said Monday.

Average rental rates for a one-room apartment stood at 35,000 to 40,000 rubles (\$1,250 to \$1,428) per month and at 70,000 to 75,000 rubles for a two-room apartment, Penny Lane Realty said.

Demand in the segment grew 7 percent from last year, with some tenants migrating to more expensive business-class apartments because of increasing incomes, said Penny Lane chief executive Georgy Dzagurov.

"The economic situation has improved in 2011. Consequently, some tenants who preferred economy-class lodgings during the crisis have now returned to the business-class segment,"

he said in e-mailed comments.

According to Penny Lane Realty, economy-class apartments are primarily located in pre-fab buildings or *khrushchyovki* — the ubiquitous five-story concrete housing blocks constructed during the premiership of Nikita Khrushchev.

Business-class apartments are located in brick buildings with more developed infrastructure or in Stalin-era buildings.

Though demand for economy-class rentals remains high because of the large number of potential tenants from the lower-income segment, the number of affordable apartments is declining, said Maria Zhukova, first deputy director at MIEL-Arenda.

The number of requests in the price range of up to \$750 per month was 4.2 times more in late March than the number of apartments offered, she said in e-mailed comments.

She added that there was a similar trend in other price ranges as well, including the one with the highest demand — from \$1,000 to \$3,000 per apartment per month — which accounted for 52 percent of all requests.

The tenants, most of which are Russians and citizens of the former Soviet Union countries, prefer one- or two-room apartments located within walking distance of a metro station, Dzagurov said, adding that the desirability of the district usually depends on the proximity to the tenant's office.

Moscow's center, as well as the west and southwest parts of the city, is among the most sought-after areas for tenants, but the biggest number of economy-class apartments on offer are located in the south and southeast of Moscow, Zhukova said.

An average monthly rental rate for a one-room apartment in the southeast is now 26,100 rubles, while the rate in the center is 34,500 rubles.

Zhukova expects rental rates to grow 10 percent to 15 percent in May through October, compared with April, due to a seasonal increase of demand.

At the same time the total number of apartments available is likely to grow up to 20 percent compared with the first quarter, Dzagurov said, due to a seasonal increase of short-term rental offerings.

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