

Families in Expanded Moscow Can't Sell Homes

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Selling a dacha in the Moscow region this spring has turned out to be more complicated than Lyusine Nersesyan and her husband thought it would be, as none of the potential buyers who saw the house ever came back with an offer.

“There are no real buyers. We received more phone calls last year, but this year inquiries are rare,” Nersesyan said.

The two-story brick house, which the family bought four years ago, is on Varshavskoye Shosse 12 kilometers outside the Moscow Ring Road. It sits on land that became part of the capital Sunday, when the city’s boundaries were officially expanded.

Nersesyan thinks that uncertainty arising from the Kremlin’s initiative to expand the city and relocate government to the new area might be one reason for the drop in dacha buyers’ interest, while industry experts say the apartment market is now booming.

The expansion initiative, first voiced by then-President Dmitry Medvedev at the St. Petersburg International Economic Forum in June 2011, resulted in more than three months of stalled residential property sales in areas slated to become part of the capital.

That's because "no one understood the plans for the future," said Georgy Dzagurov, chief executive of Penny Lane Realty.

Dzagurov said sales of single-family dwellings in the newly annexed areas had started to recover only at the beginning of this year, but he added that the buyers are most likely "brave people," who urgently need housing in those particular districts.

Nersesyan, who is selling her property because the family decided to move to their hometown of Yerevan, Armenia, was more optimistic.

She said the expansion of Moscow is "for the better" because it would boost the development of the territories and relieve the capital's heavy traffic.

However, she said her neighbors are worried that their houses might be demolished to make way to new roads or government offices.

On Sunday, the capital officially added 160,000 hectares in the south and southwest. Greater Moscow territories include settlements in the districts of Podolsky, Leninsky and Naro-Fominsky, but specific plans on the development of those territories have yet to be released.

City Hall's department of architecture and city construction said in April that the plan would be made public by early 2013.

Mayor Sergei Sobyenin promised last year that implementing the project wouldn't hurt the interests of owners of dachas on land annexed by the capital.

But Dzagurov said that some people might have "the happiness of countryside life" spoiled.

"If a huge skyscraper appears next to your cottage, this will affect your privacy significantly. Building a road nearby will result in worsening environment and increasing noise," he said by telephone.

He added that inconveniences arising from future construction don't give confidence to potential property buyers.

This contrasts with the situation in the market for existing and new apartments, where the Kremlin's plans resulted in a surge of demand and growing enthusiasm among developers.

The potential for infrastructure improvements in the area slated to become part of the city increased the attractiveness of economy-class apartments, Dzagurov said.

Another factor influencing this is "a clear deficit of new economy-class houses in the 'old' Moscow, given that this market segment is of the highest demand," said Anna Sokolova, head of the department for projects expertise at MIEL-Novostroiki.

"The demand ... is switching from Moscow to the Moscow region, primarily due to the 'new'

Moscow,” she said in e-mailed comments, adding that among the main drivers for this interest are extensive supply and more affordable property prices compared with the city center.

The average price per square meter of a new apartment on the territories joined to Moscow reached 84,072 rubles (\$2,600) this month, according to the estimates by MIEL–Novostroiki.

That is much lower than the Moscow average of about 165,000 rubles per square meter, according to IRN.ru.

Months after Medvedev announced the plans to expand the city boundaries, developers with apartment building projects in Greater Moscow saw sales on these territories skyrocket.

“Buyers became attracted to the idea of living in a region that will actively develop, while getting Moscow registration provides an additional impetus,” said Andrei Ryabinsky, board chairman at MITS, which is building a housing complex in Kommunarka settlement, 4 kilometers southwest of the Moscow Ring Road.

Sales in the complex surged by 35 percent in the third quarter of last year versus the three month period before the Kremlin announced its initiative, he said in e-mailed comments, adding that in the first quarter of this year sales were up 145 percent over the same period last year.

Officials are considering Kommunarka as a location for the parliament headquarters. The other option is on land near Domodedovo Airport, Vedomosti reported late last week, citing an unidentified government source.

A working group is slated to propose a list of location options for the headquarters, which will house both the Duma and the Federation Council, to Prime Minister Medvedev on July 9.

Another reason for buyers’ activity, Ryabinsky said, is people would like to purchase housing “at an attractive price” now, as housing costs Greater Moscow might rise with the development of transportation and social infrastructure.

Sokolova said she expects prices there to increase 10 to 15 percent this year over 2011. ❏

But Dzagurov said buyer interest could start decreasing soon, followed by prices, as supply in the new territories might significantly exceed demand in the future.

The land in Greater Moscow might accommodate more than 100 million square meters of property, including housing, commercial and industrial space, Konstantin Timofeyev, the head of City Hall’s committee for investment projects in construction, said last month, RIA–Novosti reported.

Encouraged by the Kremlin’s initiative, apartment developers announced the launch of several megaprojects in the area, putting the economic feasibility of the efforts in doubt.

A total of 586,300 square meters of new apartment space is being built in Greater Moscow now. More than half of that, 52.9 percent, is in Kommunarka, RBC newswire reported last month, citing the figures of BEST–Novostroi, a real estate agency.

The town of Moskovsky, 7 kilometers southwest of the capital, will have 38.7 percent of that new housing, and the Vatutinki settlement, 14 kilometers southwest of Moscow, will see 8.5 percent, the report said. Developers plan to bring online such large amounts of space that even one of them could meet the current demand, Dzagurov said.

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