Housing affordability in the major Russian metropolitan areas
3rd quarter 2020[1]

In 2020 the economy and the housing market faced a very serious external shock - the coronavirus pandemic. The crisis had a very strong impact on the whole world and in particular on Russia. In this regard, restrictive measures affected both the income level of the population and the level of housing prices which affected the housing affordability.

Table 1 contains estimates of the Median Multiple in the 17 major (population over 1 million) Russian metropolitan areas.

As shown in Table 1, by the 3 quarter of 2020 12 out of 17 housing markets in selected metropolitan areas can be classified as affordable housing markets, which enable housing to be purchased while saving all household income during less than 3 years.

In 2 other metropolitan areas the housing markets could be classified as markets with moderate housing affordability.

Only 3 out of 17 metropolitan areas are characterized as seriously unaffordable. Quite predictably, the strongest areas demonstrated the lowest housing affordability: Saint Petersburg – 4.8 years and Moscow – 4.3 years. Vladivostok agglomeration joined Moscow and St. Petersburg, Median Multiple has grown in 2020 to 4.3. The reason for such significant housing affordability decrease is an increase in the median price.

Table 1. Housing price to income ratio in the 17 major Russian metropolitan areas, 3rd quarter 2020

Rank	Metropolitan Market	Price to Income Ratio (Median Multiple)	Median Price (In Russian Rubles: ₽)	Median Household Income (Annual)	Population in Millions
RUSSIA ALL MAJOR METROPOLITAN AREA HOUSING MARKETS: 2020: Third Quarter					
From: Institute for Urban Economics (IUE)					
1	Krasnodar	1.9	₽2,569,000	₽1,339,000	1.6
2	Chelyabinsk	2.2	₽1,857,000	₽850,000	2.3
3	Rostov-on-Don	2.3	₽2,546,000	₽1,097,000	1.2
3	Voronezh	2.4	₽2,467,000	₽1,021,000	2.1
5	Saratov	2.5	₽1,943,000	₽782,000	1.6
6	Nizhny Novgorod	2.5	₽2,800,000	₽1,114,000	2.7
7	Yekaterinburg	2.5	₽2,966,000	₽1,172,000	1.6
7	Novosibirsk	2.5	₽3,066,000	₽1,203,000	2.1
9	Samara (Togliatti)	2.6	₽2,300,000	₽888,000	1.4
10	Volgograd	2.8	₽2,265,000	₽812,000	2.3
10	Perm	2.9	₽2,643,000	₽916,000	1.5
12	Ufa	3.0	₽3,214,000	₽1,074,000	1.4
13	Krasnoyarsk	3.5	₽2,873,000	₽832,000	1.5
14	Kazan	3.6	₽3,650,000	₽1,017,000	1.7
14	Vladivostok	4.3	₽5,232,000	₽1,223,000	1.1
16	Moscow	4.3	₽7,907,000	₽1,836,000	18.0
17	Saint Petersburg	4.8	₽5,872,000	₽1,215,000	6.5
	Median Market	2.6			

In 2020 the first place still belongs to Krasnodar, has a Median Multiple of 1.9. Also, the gap between Moscow and St. Petersburg has grown, St. Petersburg took first place from the end of the rating.

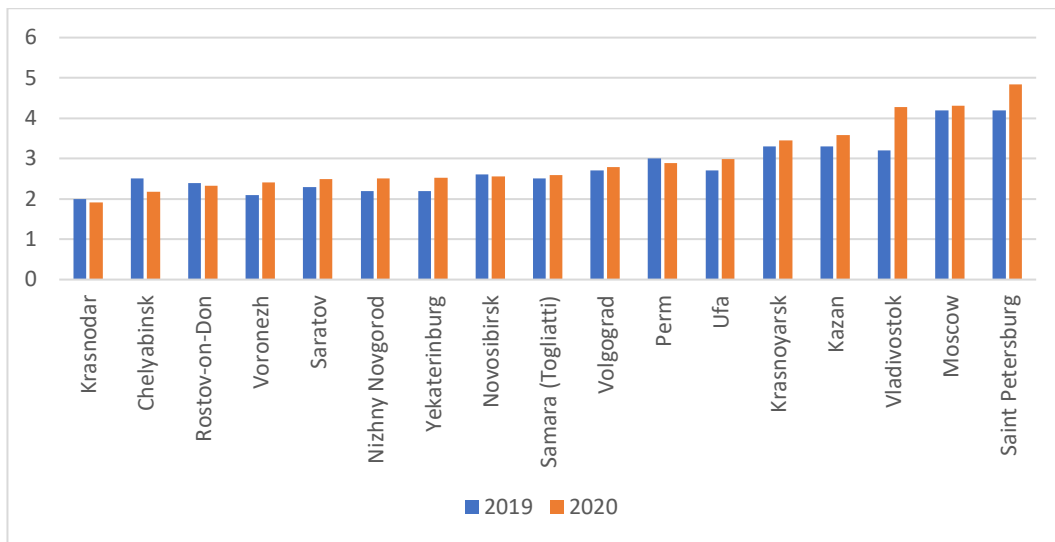Figure 1 shows a comparison between Median Multiple in 17 Russian agglomerations in 2019 and 2020.

Figure 1. Comparison of the Median Multiple in the 3rd quarter of 2019 and the 3rd quarter of 2020

Housing affordability decreased in 12 agglomerations, increased – in 5 agglomerations. Thus, it can be noted that, in general, there is a tendency of housing affordability decline.

Firstly, the lockdown policy and other restrictive measures applied by the Russian government led to the economic distress which inevitably brought about decrease in household incomes, because of layoffs and wage cuts.

Secondly, housing prices displayed a strong positive dynamic in the 3 quarter of 2020, especially across the newly built apartments market. The basic reason for such an increase is the introduction of the State Program on providing subsidized mortgage loans for buying the newly built flats. This was accompanied with the significant drop in interest rates especially in rates on savings accounts that encouraged the outflow of households savings from banking system to the housing market. Probably, this speculative process (financial optimization rather than real housing demand) induced the housing prices growth despite the incomes drop.