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Moscow Market on the Rise



James Hill for The New York Times

Peter Falatyn, an American, rents an apartment in the chic Moscow neighborhood known as Patriarch's Pond, a favorite spot for ice skaters. [More Photos >](#)

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MOSCOW — Does an apartment building originally constructed for Heroes of Socialist Labor have market cachet?

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Just ask Peter Falatyn, an American living in Moscow. Real estate prices have doubled in the last year, pushing him out of the apartment he has been renting for the last six and half years.

“I’m moving because, according to the landlord and his real estate agent, there’s been a market hiccup,” he said.

The basic brick building is one of the more reasonably priced in the chic Moscow neighborhood known as Patriarch’s Pond. Some former Heroes — an honorary title often given to Communist Party officials — still own apartments in the building and, like many owners in Moscow, have found themselves sitting on gold mines and

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decided to sell, sometimes forcing out renters like Mr. Falatyn.

Evans (www.evans.ru), a real estate agency with offices just two blocks away, says two apartments in Mr. Falatyn's building are for sale. One is the same size as his — 74 square meters, or almost 797 square feet — and is listed at \$792,000. (He initially paid \$1,200 a month, but that was increased to \$1,700 a month last year.)

According to Karina Kheifetz, one of Evans's two managing partners, listing prices in Moscow now average a little more than \$5,000 per square meter, or about \$463 per square foot. In the Patriarch's Pond neighborhood, they are a minimum of \$10,000 per square meter, or almost \$926 per square foot.

At the very top of the market, Ms. Kheifetz said, some apartments are selling for as much as \$30,000 per square meter, or almost \$2,780 per square foot.

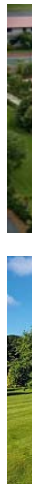
In Mr. Falatyn's building, she added, prices are \$10,700 per square meter, or \$990 per square foot. And as for rentals there, three-room apartments now range from \$3,000 to \$4,200 a month. (Real estate here usually is priced and paid for in dollars, although euros are occasionally used. And since rooms in crowded Communist-era apartments were almost always multipurpose, apartments in Russia are categorized by the total number of rooms, not the number of bedrooms.)

The unsettled political and investment climate in Russia might decrease future demand for real estate in Moscow somewhat, but there would have to be a drastic change in supply and demand to bring the prices down significantly, Ms. Kheifetz wrote by e-mail from New York, where Evans has just opened an office in SoHo.

"Even though it sounds crazy, it is a fact," she wrote. "The reasons for the hike in property prices are the rapid growth in demand (more cash and mortgage money available), lack of other trustworthy investment instruments and extremely limited supply of housing."

Muscovites generally want to trade up from their cramped Communist-era quarters, where three generations often shared one tiny apartment. And just about anyone in Russia who has profited from the booming oil and commodities market wants a piece of Moscow real estate, either as a home or an investment.

Foreigner investors, Ms. Kheifetz said, have little impact on the market. "Their number is small and is shrinking due to the growing prices which increase the barriers to entry," she said. "They do, however, exert a larger influence in special segments such as prerevolutionary buildings in the center of Moscow."



Location is everything in Moscow. So, in desirable districts, even ugly prefabricated Soviet buildings with facades that look like moldy bathroom tile can cost as much as top-of-the-line housing in neighborhoods with less cachet.

Additionally, neither price nor history is any guarantee of good maintenance, as Mr. Falatyn, a native of upstate New York, found when he traded up to his current three-room apartment less than a mile from the Kremlin.

“There was a horrible humidity and a smell in the building entryway” when he first moved in, he said as he sipped tea in the kitchen, adding that he was the only tenant to pursue the source of the stench.

It turned out to be a pool of sewage in the basement, the result of a burst pipe, he said. “I paid for the zhek,” he said, using the Russian acronym for the residential maintenance offices that serve each city neighborhood. “They had to clean it up and reseal the pipes.”

In Moscow, persistence and money are the keys to problem-solving. And for a foreigner like Mr. Falatyn, it helps to have a sense of humor about it all. He described the incident with a smile. After all, he got a good deal on the place, on the condition that he renovate the kitchen, which was dark and dreary, he recalled, with a Soviet Elektra brand stove and a hanging lamp that, at 6-foot-4, he kept walking into.

Those days are a distant memory now. The new kitchen’s yellow-and-blue color scheme is reflected in everything from the cabinets and vases to a flower motif that Mr. Falatyn recently stenciled on the wall. In the apartment, plants vie for space with photos of friends and family, and souvenirs from his travels across the former Soviet Union, like Tajik knives and Georgian goat horns used for drinking wine.

Rather than overhauling the bathroom, with its shocking green tiles that were no doubt the height of chic in the 1970s, he decided to complement their color with his choice of towels and even soap.

Lining the hallway wall are prints from his favorite Parisian shop, to remind him why he has not bought an apartment in Moscow. “In the Sixth and Seventh Districts in Paris, in Saint Michel and Saint Germain, you can buy an apartment for 10,000 to 12,000 euros a square meter,” or about \$1,200 to \$1,445 a square foot, he said. “It will be in a beautiful building, overlooking parks.

“You don’t have pools of sewage in the basement.”

A Massachusetts Institute of Technology graduate with a business degree from the

University of California at Los Angeles, Mr. Falatyn came to Russia in 1993 as an aerospace consultant, then worked for eight years for an inter-governmental agency dealing with weapons nonproliferation. By now, he knows the real estate market in Moscow, where buildings can be torn down for new developments and apartment owners left with minimal compensation. Also, the city's convoluted system of residence permits means that it is possible for an apartment's former residents to suddenly turn up and dispute a real estate transaction, potentially leaving a buyer out in the cold.

Nonetheless, Mr. Falatyn keeps returning to Moscow, whose ineffable tug that turns many expats into long-term residents. He loves the convenience and remarkable peace and quiet of his street, which is a block Moscow's noisy central thoroughfare, Ulitsa Tverskaya, and amenities like a 24-hour supermarket.

"I don't know another city in the world where you can live so close to the center and have it be so quiet," he said.

(The Patriarch's Pond neighborhood is the setting for the opening scene in Mikhail Bulgakov's mystical novel "The Master and Margarita" — and one of its main themes, along with Jesus's crucifixion, is the city's housing woes during the early Soviet era.)

But now, after nearly 14 years in the city, Mr. Falatyn is packing up and will room with a friend until he settles into a new job and decides what to do.

He is not alone, Ms. Kheifetz said. "A client of ours, who has relied on the rental income from a small Moscow apartment for a while, is considering trading it for a villa in Italy, which she can afford at the current price levels."

When Mr. Falatyn does buy a home, he said, it may very well be Stateside. "I'm very seriously considering Palm Springs," he said. "For \$300,000 to \$350,000, you can buy a house with a pool."



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