



German
Economic
Team

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POLICY BRIEFING
MOLDOVA

Real estate market development in Chisinau 2019-2024

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Structure

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1. Motivation

Background

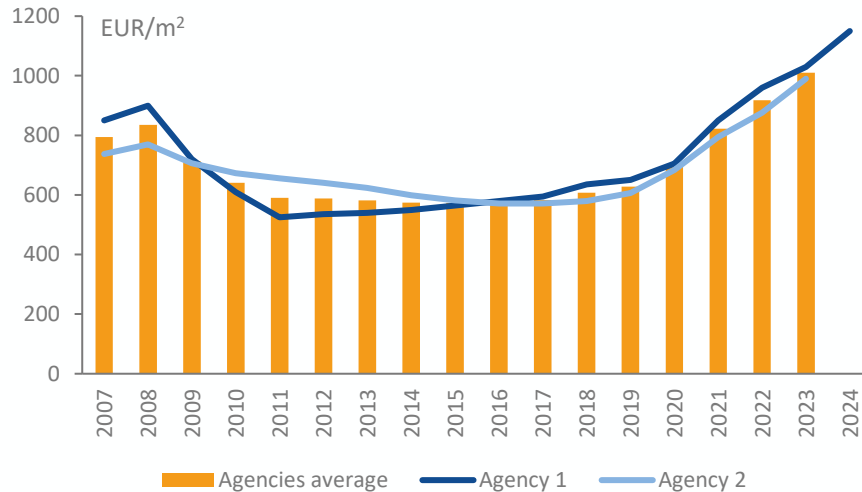
- » Real estate prices in Chisinau surged since 2019 raising concerns of a potential housing bubble
- » This happened amid difficult economic, social and security circumstances, raising questions on the underlying factors driving the market
- » Various factors may influence real estate prices, though isolating their individual impacts is difficult:
 - **Demand side:** Interest rates, UKR refugees, Diaspora investment, Emigration, Prima Casa program, int. organisations, COVID-19
 - **Supply side:** Price for construction material, labour costs
- » Defining a housing bubble: increase in housing prices is higher than the rise in rents and unsustainable growth in demand

Purpose of this Policy Briefing

- » To assess whether current trends in Chisinau's real estate market indicate a potential housing bubble
- » To do so, we examine indicators that help identify potential bubbles:
 - **Growth in real estate prices vs. rents:** rapid asset price growth, significantly above rent increases, may indicate speculative demand and potential overvaluation
 - **Gross yield:** low gross yield indicates property prices may be inflated relative to rental income, signalling that the market may be driven by speculation rather than fundamental value
 - **Affordability** (Price-to-income ratio): higher ratios reflect affordability challenges, potentially unsustainable in the long term
 - **Accessibility** (volume of new housing loan and default rate): high loans coupled with rising defaults may indicate over-leverage

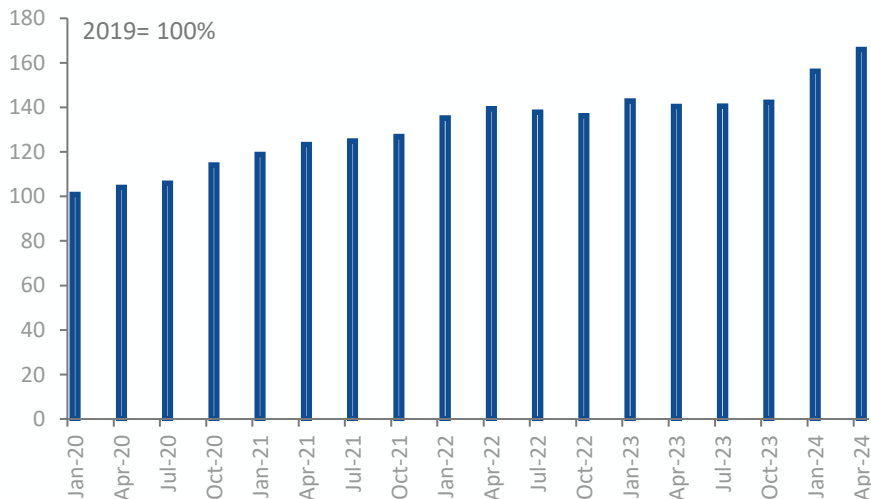
2. Evolution of residential real estate prices

Price for residential real estate



Source: data provided by two real estate agencies and our calculations

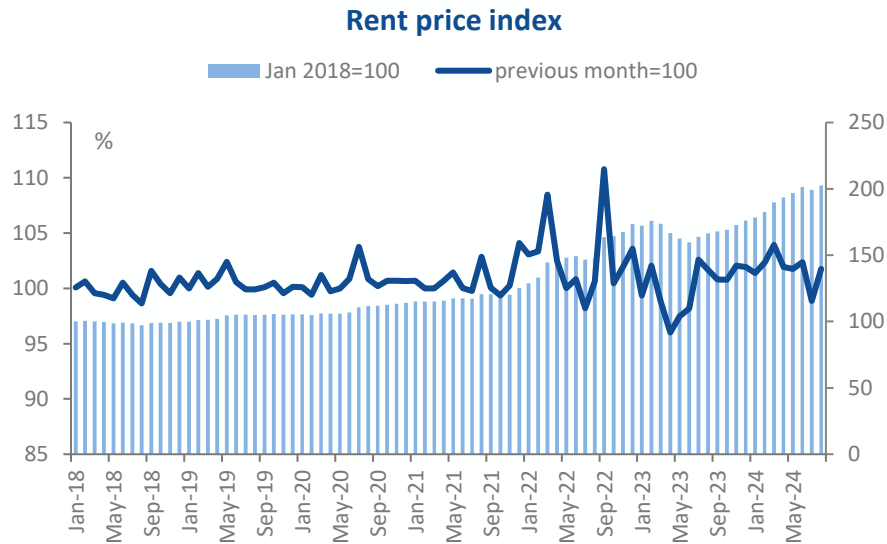
NBM Residential Property Price index



Source: NBM

- » 2012- 2019: stable prices with 628 EUR/m² in 2019
- » 2020: pandemic triggered a spike in real estate demand leading to 10% price hike
 - Mortgage credits and the Prima Casa program may have contributed to growth
- » 2021: prices grew by 18-20%; due to even stronger demand and limited supply (due to higher construction material costs and workers emigration)
- » 2022: prices grew by 12%; many Ukrainian refugees further raising the demand-side pressures, offsetting the impact of rising loan interest rates and emigration
- » Prices continued growing in 2023 (10%) and 2024 (12%)
- » NBM RPP index denominated in MDL shows lower rate of growth, due to appreciation of the MDL against the EUR
- As of mid-2024, real estate prices average about 1200-1300 EUR/m², doubling from 2019 level.

3. Evolution of rent price



Source: NBS data, own calculations for Jan 2018=100 series

Average rent by flat class and rooms, EUR/month

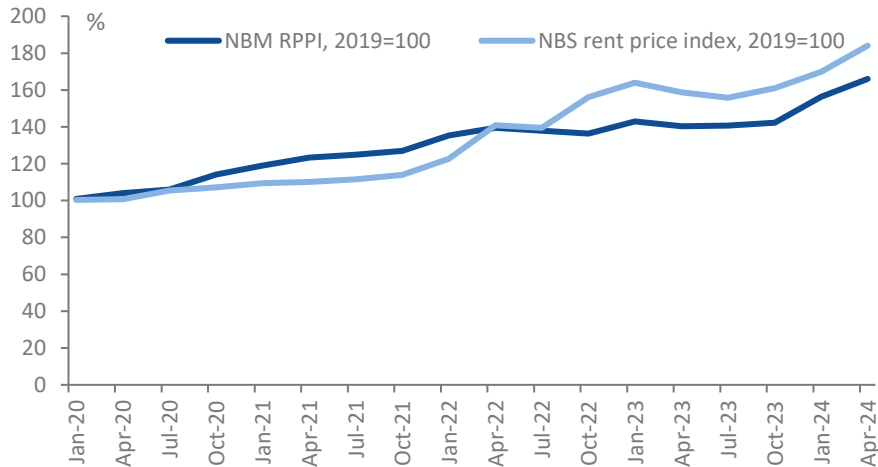
	2019	2021	2023
“Economy” class (about 70% of the stock)			
1 room	135	160	250
2 rooms	175	200	275
3 rooms	210	240	325
“Comfort” class (about 15% of the stock)			
1 room	210	240	350
2 rooms	250	300	450
“Business” class (about 15% of the stock)			
2 rooms	375	440	550
3 rooms	550	600	700

Source: own calculations based on <https://www.nikaimobil.md/ru/analytcs>

- » According to NBS, the real estate rent index (in MDL) was stable until May-21, growing on average by 0.4%/month
- » 2024: Index is twice above the average level of 2019
- » Peaks: May-21 to Feb-22: 1.42%/month; Mar-22 to Dec-22: 2.74%/month, due to demand from Ukrainian refugees
- » Real estate agency data is less reliable, as market is informal, and rent-related services are secondary for agencies in Chisinau
- » However, in 2023 also real estate agencies reported rent prices (in EUR) were 27% to 85% higher than in 2019 depending on class and type of apartment
- » 2-rooms flats saw the highest demand and the largest rent increases, with prices doubling in ‘good’ regions since 2019
- Rent prices have doubled in MDL and increased by about 80% in EUR.
- The most significant rises were in 2-room apartments and 'good' regions.

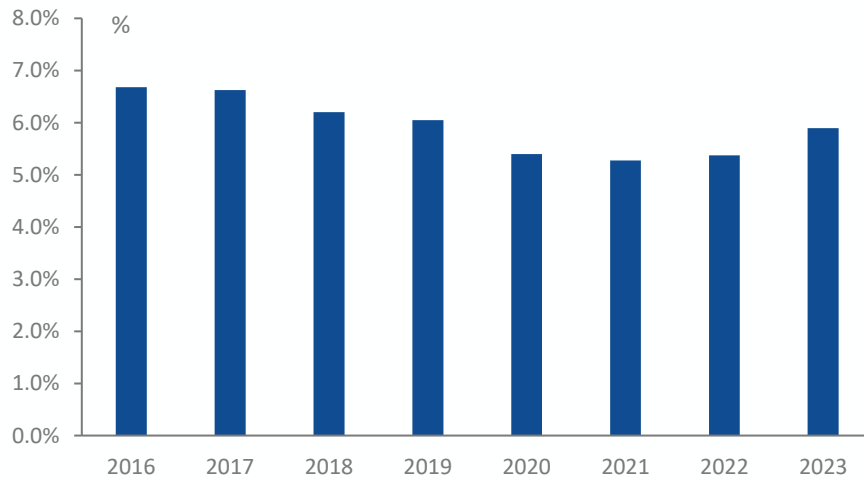
4. Market bubble?

Evolution of real estate price index and rent price index



Source: NBM and own calculations for NBS index using NBS data

Gross yield of residential real estate



Source: own calculations based on information provided by real estate agencies

- » With real estate prices growing so fast in the recent years, a relevant question is if there is a bubble on the real estate market?
- » Bubble: increase in housing prices is significantly higher than the rise in rents and unsustainable growth in demand

Growth in real estate prices vs. rents

- » NBM's and NBS data indicate that rents appear to grow more than prices in 2020-2024, especially after Q1-22
- » Suggests no signs of housing bubble

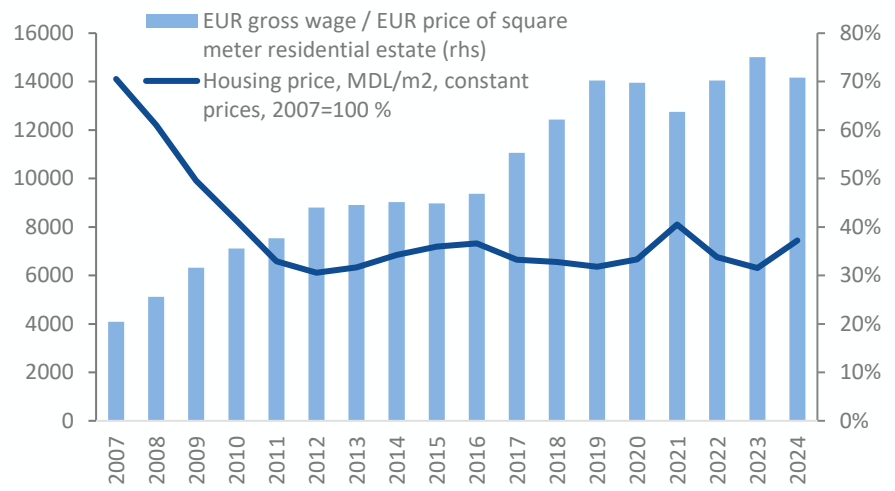
Gross yield

- » Increased from 5.4% in 2020 to 5.9% in 2023, indicating healthy market returns
- » Signs that the yield may have decreased by mid-24, as rent level receded a bit
- » Risks: Unclear impact from potential outflow of Ukrainian refugees or tighter credit conditions

- No evidence on presence of a bubble on the real estate market in Chisinau.

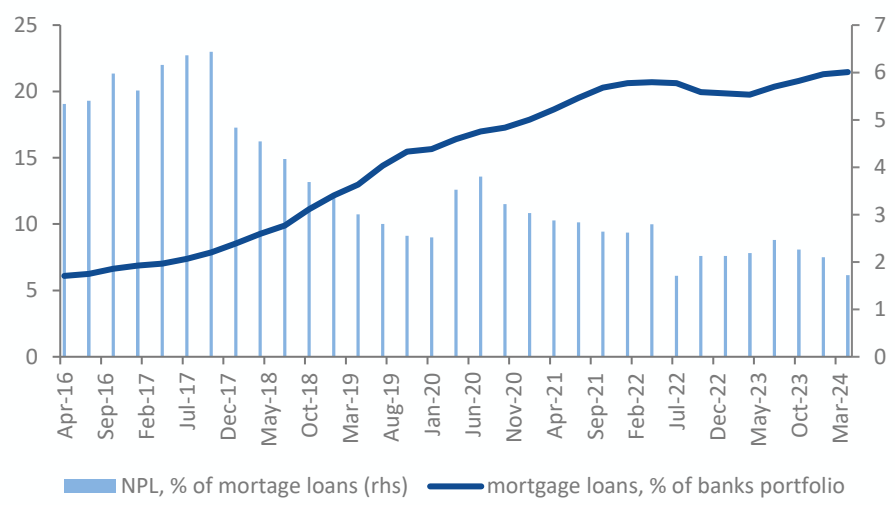
5. Affordability and accessibility

Real estate affordability indicators



Source: Own calculations based on NBM, NBS and real estate agencies data

Evolution of mortgage loans indicators



Source: NBM

Affordability

- » Long-term wage growth in Chisinau: 162 EUR/month 2007 to 891 mid-2024
- » Wage-to-m² improved: 0.65 (2018-2020) to 0.68 (2021-2024)
- » Growth in wages outpaced growth in real estate prices in 2017-2023
- » Real prices in MDL: adjusted for inflation and exchange rate has been stable since 2013!
 - Important as incomes are in MDL, while housing prices are in EUR

Accessibility

- » Bank mortgage loans increased: from MDL 2.3 bn in Q2-16 to MDL 14.9 bn in Q2-24
 - Share in banks portfolio: 6% to 21%
- » Loan quality improved: NPL share declining from 6.1% in 2017 to 2.1% in 2023/24
 - This suggests little troubles for household to pay the mortgage
- Growth in income and increase in mortgage loans suggest that real estate became more affordable.

6. Conclusion

Evolution of prices

- In mid-2024 the average prices of real estate in Chisinau is about 1200-1300 EUR/m²
- Compared to the level of 2019, EUR-denominated prices doubled

Evolution of rent

- Rent level varies greatly by class and type of apartment
- For the 2-rooms flats, which are in highest demand, by 2023 rents increased about 80% compared to 2019. In prestigious locations, the price doubled

A market bubble?

- No evidence on the presence of a bubble on the market.
- Rent and assets price evolved at par, with the gross yield increasing a bit after 2022

Affordability and accessibility

- Wages in Chisinau have increased significantly, from 422 EUR/month in 2019 to 758 EUR/month in 2023, and as of mid-2024 they are about 900 EUR
- In 2018-2020, i.e. before the beginning of price rally, the wage / estate square meter ratio was about 0.65. In 2021-2024, the ratio is about 0.68
- Proliferation of mortgage loans supported the demand and made real estate more affordable
- Share of non-performing loans in total mortgage loans is on decline, suggesting relative improvement of loan service by households

About the German Economic Team

Financed by the Federal Ministry for Economic Affairs and Climate Action, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

**Advisory activities in Belarus are currently suspended.*

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