

MOLDOVAN RESIDENTIAL SECTOR DURING COVID-19 CRISIS²²

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Abstract. *This paper contains an analysis of the trends of development of residential sector in the Republic of Moldova during COVID-19 crisis, covering the first three quarters of 2020. It shows a reduction of dwellings put into operation, a small change in the dwellings' prices and an expense increase for house reconstruction and renovation, real estate or mortgage acquisition for a small share of people.*

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JEL Classification: *O18, R21, R31*

Restrictions imposed in many countries to counteract the rapid spread of COVID-19 coronavirus have led to the reduction of economic activities or change in the way they are organized. Among other economic branches, construction was affected as well. According to some estimates (GlobalData, 2020), in 2020 this economic branch will undergo a reduction of 1.4% of its production at global scale. During 2020 Republic of Moldova has imposed, too, a series of restrictions against COVID-19 spread. While some economic branches, e.g. HORECA sector, had suffered a strong impact (American Chamber, 2020), the sector of constructions has been affected as well, but in a lesser degree. In particular, this paper aims to point out the changes in the dwelling sector in the Republic Moldova in the first three quarters of 2020, during which the SARS-CoV-2 coronavirus has spread until now. In order to achieve this purpose was done a statistical analysis of the data from National Bureau of Statistics of Moldova, LARA real estate exchange, a survey from American Chamber of Commerce in Moldova and preliminary results of a survey elaborated by the authors.

According to the data of National Bureau of Statistics of Moldova (NBS, 2020) in the 1st quarter of 2020 1011 dwellings were put into operation or 89.5% from the number of dwellings put into operation in the 1st quarter 2019 (1212 dwellings), while in the 1st semester of 2020 were put into operation 2791 dwellings, which is 80.9% from the 1st semester of 2019 (3676 units). If in the second quarter of 2020 the number of dwellings put into operation grew by 1780 units or by 76% compared to 1st quarter of 2020, while the growth of the number of dwellings put into operation in the similar period of last year was much bigger - by 2464 units or by 2 times from the 1st quarter of 2019 to the second quarter of 2019. The share of apartments in the total number of dwellings was 78.3% in the 1st semester of 2020 (80.6% in 1st semester of 2019), while in the 1st quarter in 2020 the share was 66.3% (72.2% in 1st quarter in 2019). This shows that the decreases and the reductions in the growth rates took place mostly due to the reduction of the apartments put into operation (-780 units or by 26.3% in the 1st semester of 2020 compared to 1st semester of 2019 and -205 units or by 23.4% in the 1st quarter of 2020 compared to 1st quarter of 2019). Also, the number of apartments put into operation in the second quarter of 2020 compared to the 1st quarter of the same year grew by 1314 units or by 2.6 times, while in the second quarter of 2019 compared to the 1st quarter of the same year grew by 2087 units or by 3.4 times.

With regard to dwelling prices there weren't significant changes. For example, in Chisinau, the prices for apartments were around 506 EUR/m² in August 2020 and didn't change from May 2020 (LARA, 2020).

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According to the survey conducted by the American Chamber of Commerce in Moldova (American Chamber, 2020) on the reality, expectations and actions of Moldovan companies as a result of the COVID-19 impact on their activity that was done from 30 March 2020 until 6 April 2020, in which 315 companies participated, most of the construction companies estimated a decrease of revenues by 35% or more in 2020 as a result of decreased demand of their products and services, lower employee productivity, lack of working capital in the following 2-5 months. The companies also estimated delays in collection of issued invoices in the next months. To mitigate the associated costs the construction companies plan to reduce personnel costs (mainly using unpaid holidays and work stay regime), postpone current and strategic investments and reduce the work/production program.

The State Program "Prima Casă" (Prima Casă, 2020) is a program which has the aim of facilitating the access of individuals to the purchase of a home by contracting mortgages partially guaranteed by the state. At January 30, 2020 the number of beneficiaries of the "Prima Casă" state program was 3945 people. At April 14, 2020 this number has grown by 360 persons or to 4305 people. At September 1, 2020 the number has increased by another 497 people, i.e. to 4802. The growth rate during this period has reduced - from around 146 beneficiaries per month from 30 January 2020 to 14 April 2020 to circa 107 beneficiaries per month from 14 April 2020 to 1 September 2020.

The authors elaborated a survey on the assessment of changes in consumer spending of the population of the Republic of Moldova during the pandemic that began in September 2020 and continues currently. A number of questions refers directly to housing expenses. The preliminary results from 106 respondents from all regions of the country show that the majority of the respondents mentioned that during the COVID-19 pandemic period the expenses related to the dwelling didn't change (47.2% of respondents - in the case of expenses for the reconstruction and renovation of the house; 61.3% - for the expenses on acquisition of real estate; 71.7% - for the expenses on mortgage). For the reconstruction and renovation of the house for 15.1% of respondents the expenses reduced insignificantly, for 18.9% they decreased significantly and for 18.9% - they increased. For the acquisition of real estate for 6.6% of respondents the expenses reduced insignificantly, for 19.8% they decreased significantly and for 12.3% - they increased. For mortgage for 8.5% of respondents the expenses reduced insignificantly, for 15.1% they decreased significantly and for 4.7% - they increased.

Overall, the construction sector, at least in the short-term period is expected to show a decrease in production and in the work regime of personnel and in unpaid leaves. As a result of this and due to other delays related to COVID-19 restrictions, the number of dwellings put into operation has reduced in the first half of 2020, the growth rate of the number of houses bought within the program "Prima casă" has reduced, while the price of dwellings didn't change significantly. Also, a small number of people increased their expenses for reconstruction and renovation of the house, acquisition of real estate or mortgage.

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