

Expert Group Meeting on Housing Policy

UCLG Wave of Action on *The Right to Housing*
GOLD V Report – Policy focus on Housing
2-3 November 2017 Barcelona

Session IV: Financial mechanisms for adequate housing for all

HOUSING IN RUSSIA: CURRENT POLICY AND CHALLENGES

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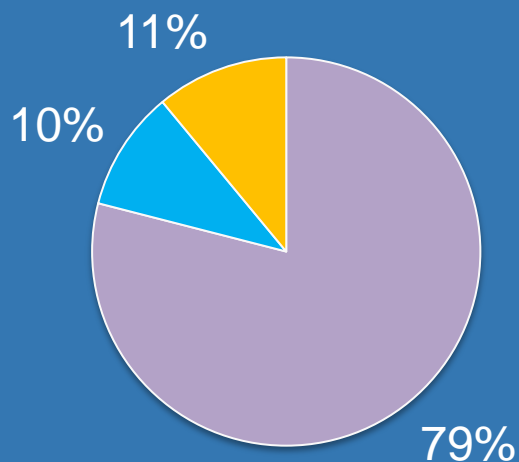
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Russian Housing Stock: property and tenure status

- Housing Stock: 64.9 million dwelling units with the total floor space of 3.6 bn sq. m.
- Housing Conditions: 440 dwelling units per 1000 persons, 25 sq. m. per capita

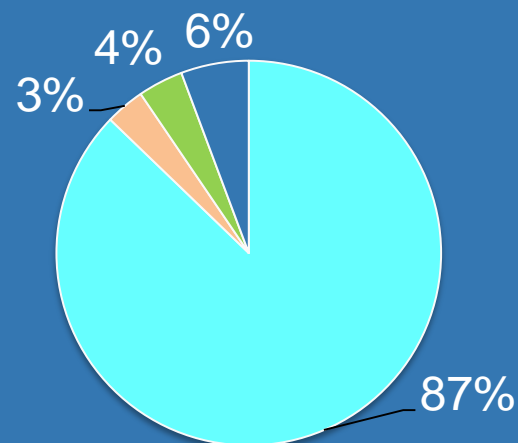
Distribution of housing stock by tenure, 2015



- Home ownership
- Market rent
- Regulated social rent

70% of housing stock – condominiums as a result of free of charge unit-based housing privatization

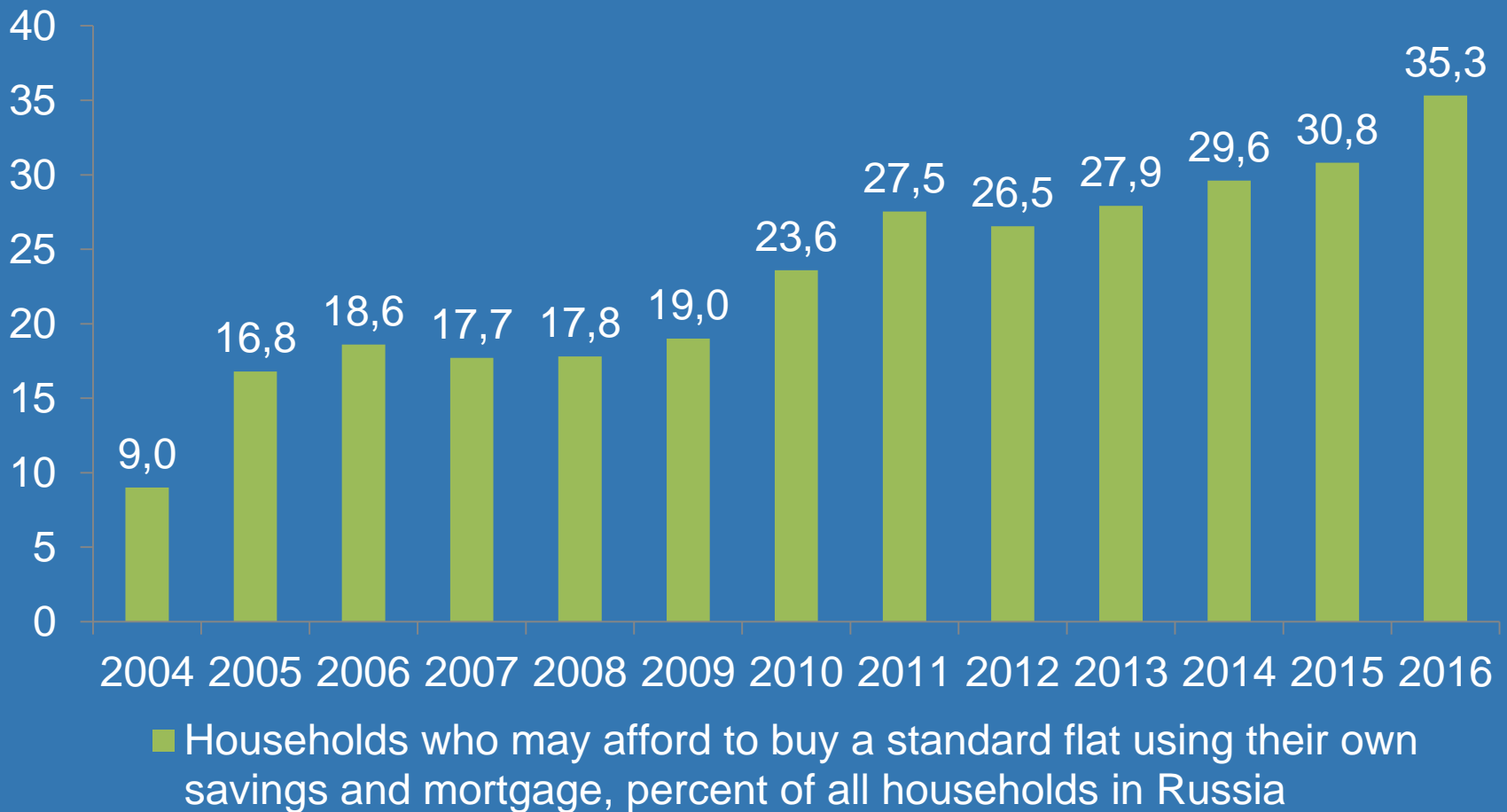
Distribution of housing stock by ownership, 2015



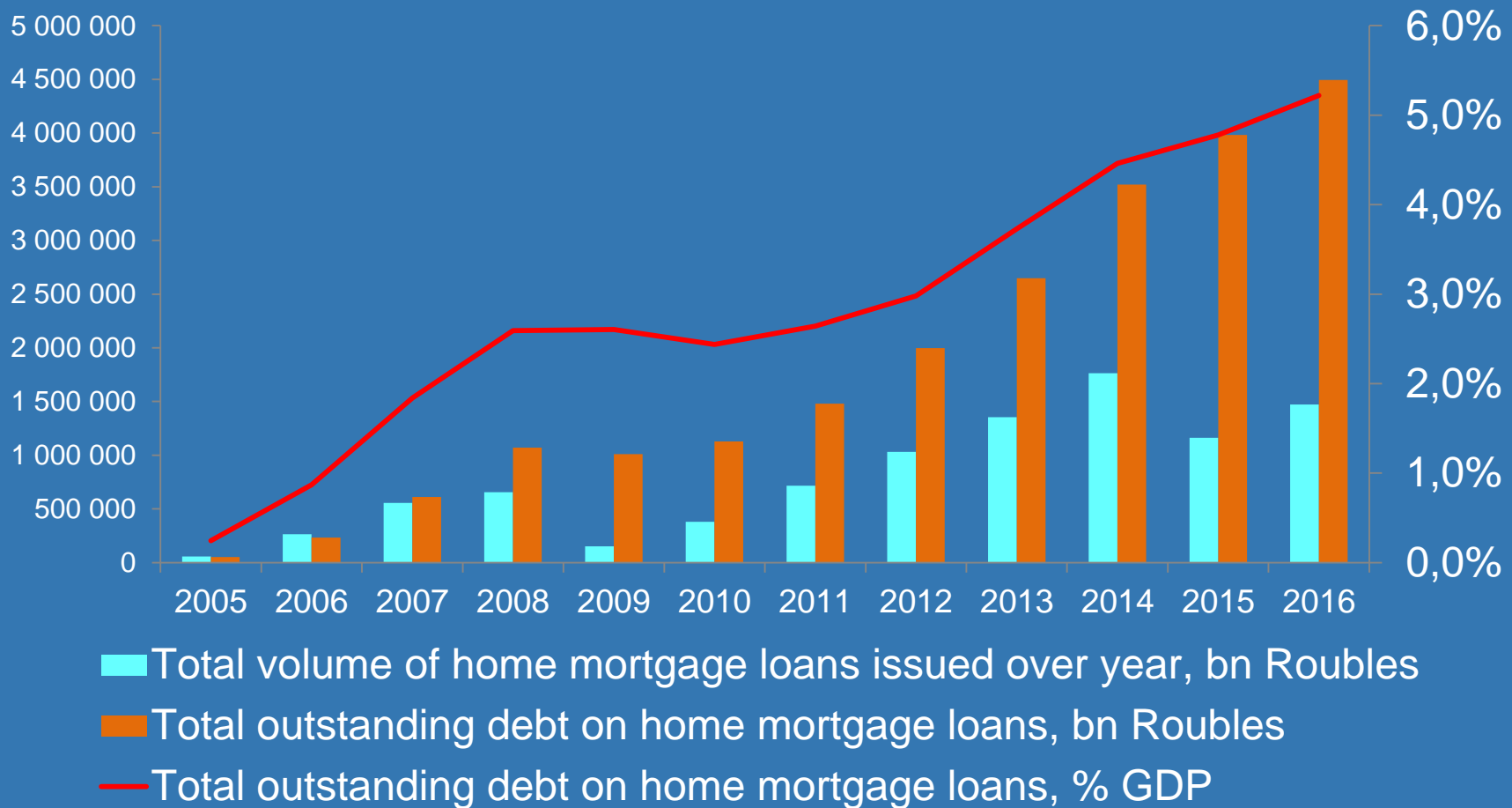
- Private (individuals)
- Private (legal entities)
- State
- Municipal



Housing Affordability in Russia: substantial growth for 10 years



Housing Mortgage Market Development: rapid growth over 10 years*

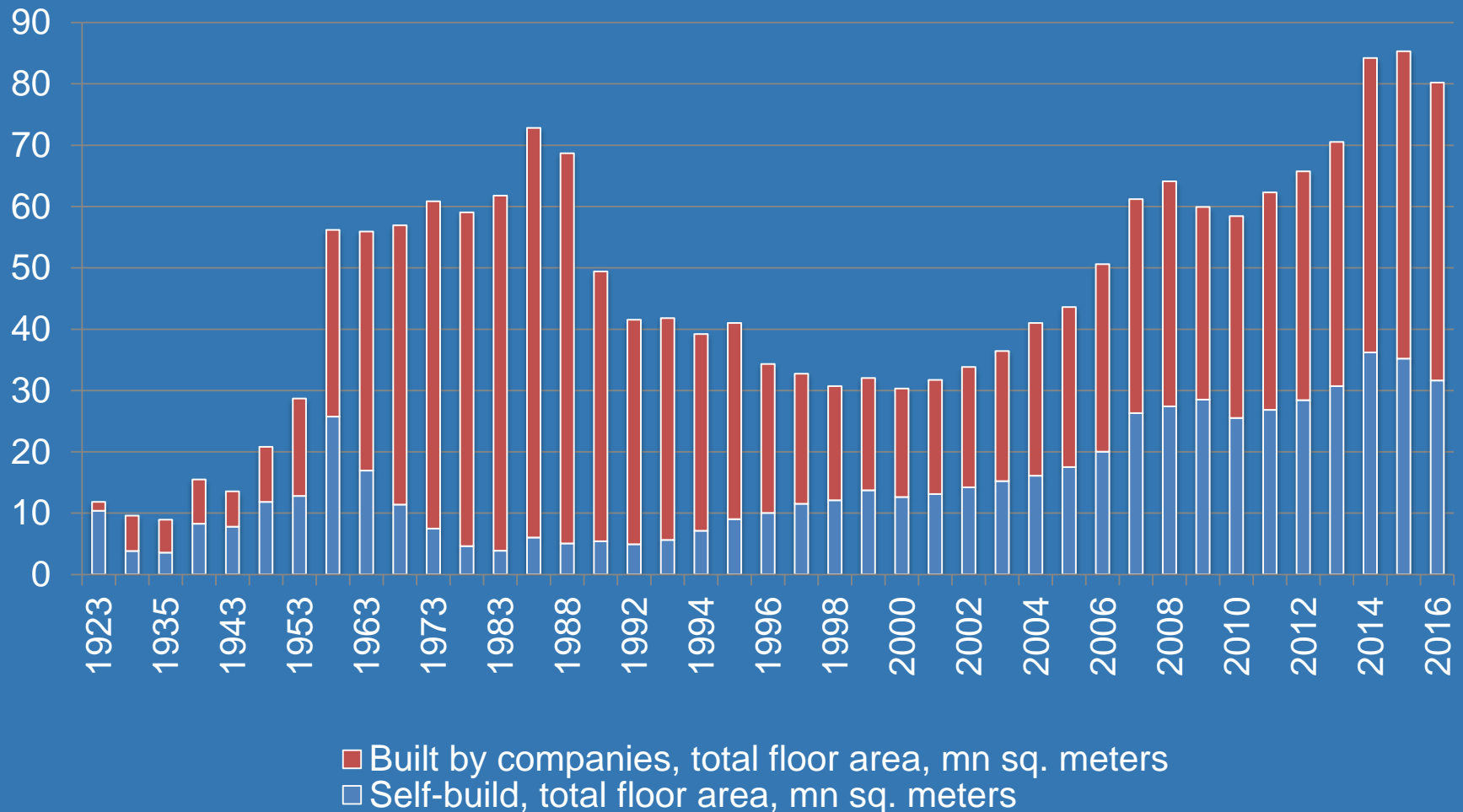


Source: Bank of Russia

*Including home loans secured on shared-financing contract rights



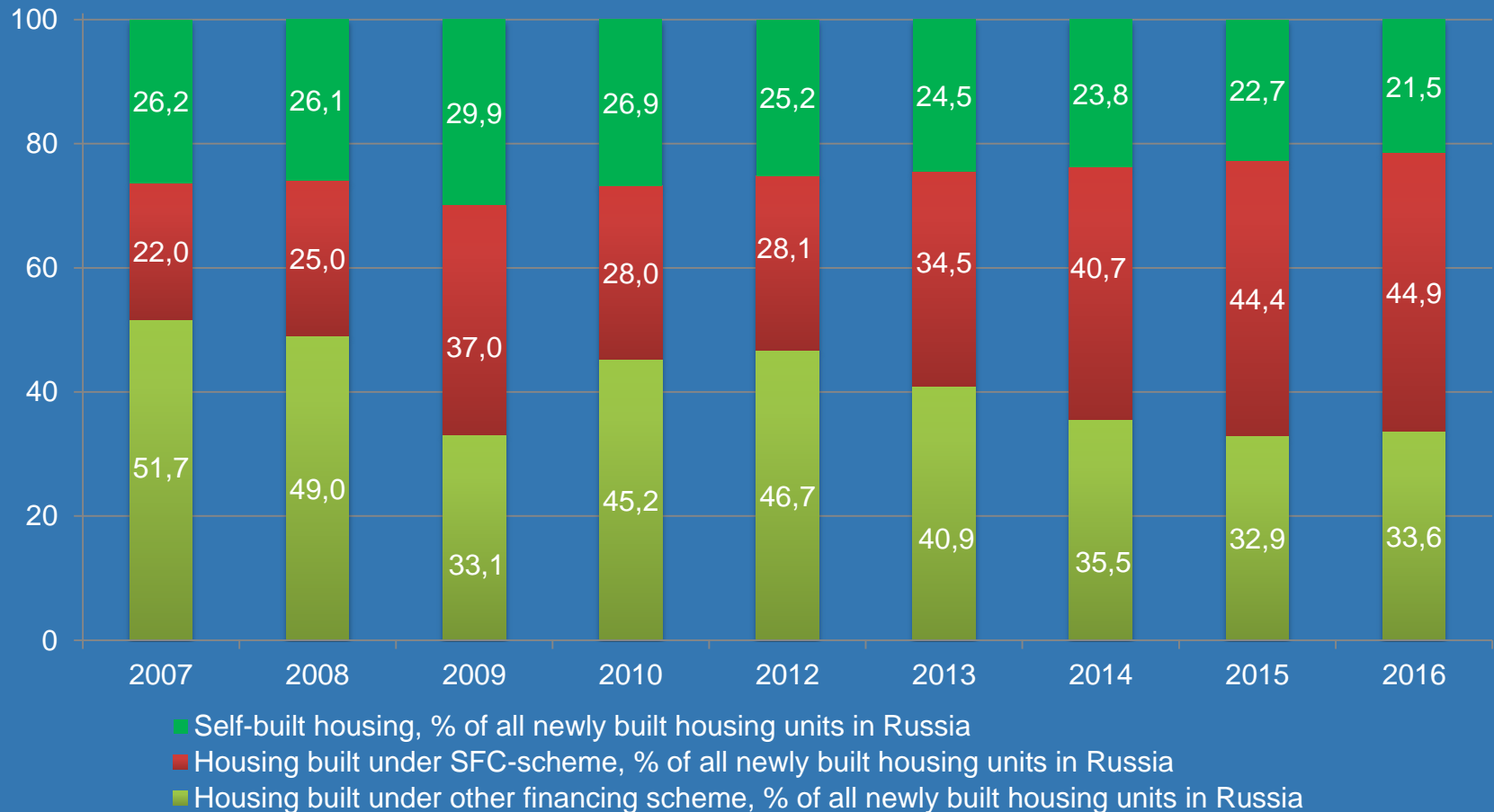
Housing Construction in Russia: increase in volumes after the economic recovery of 2000th



Self-built housing – housing constructed by people for their own use on their own land plots



Housing Construction Finance: significant role of direct risky investment of people and lack of banking projects financing

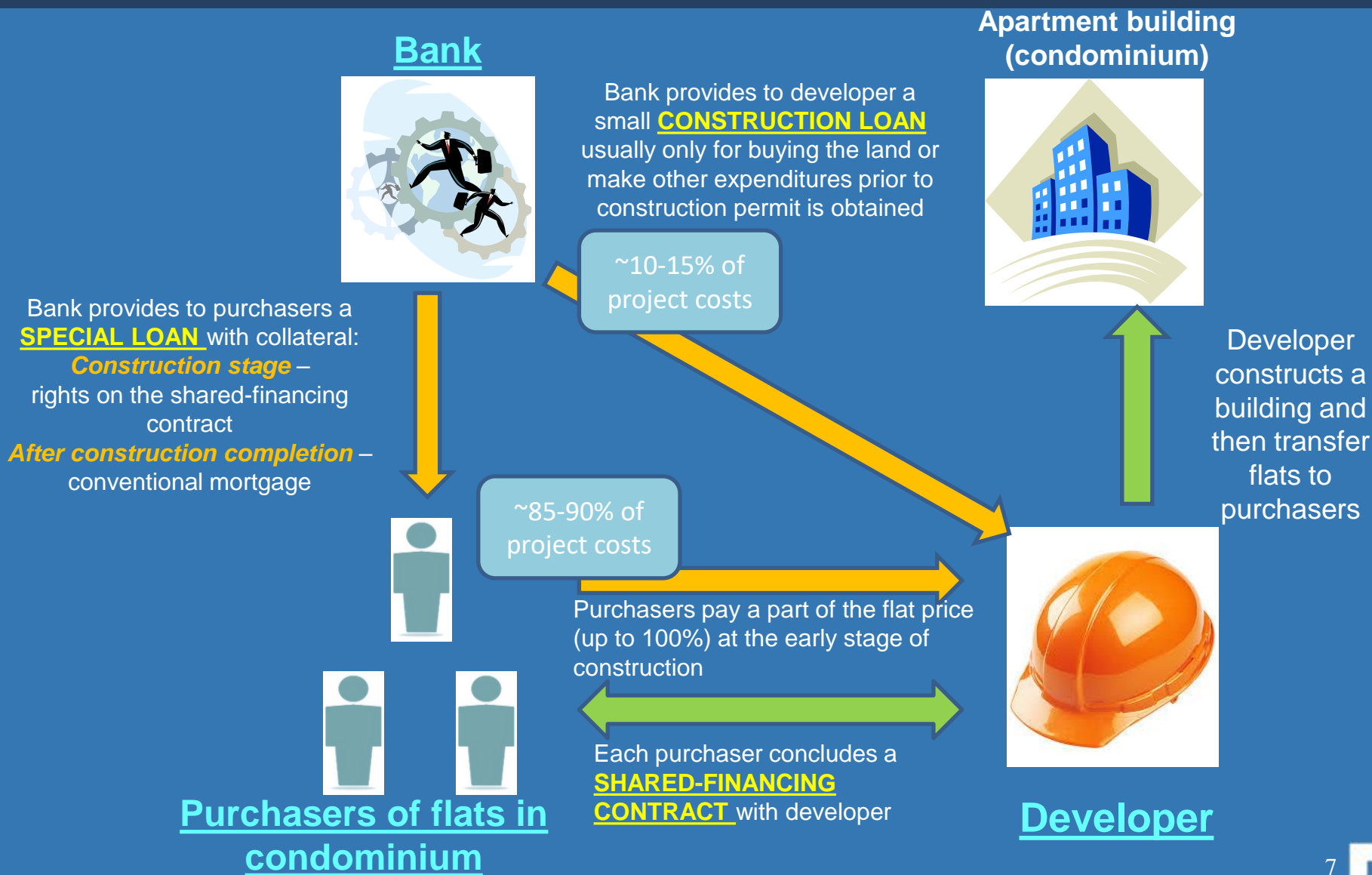


Self-built housing – housing constructed by people for their own use on their own land plots
SFC-scheme – shared-financing contract scheme

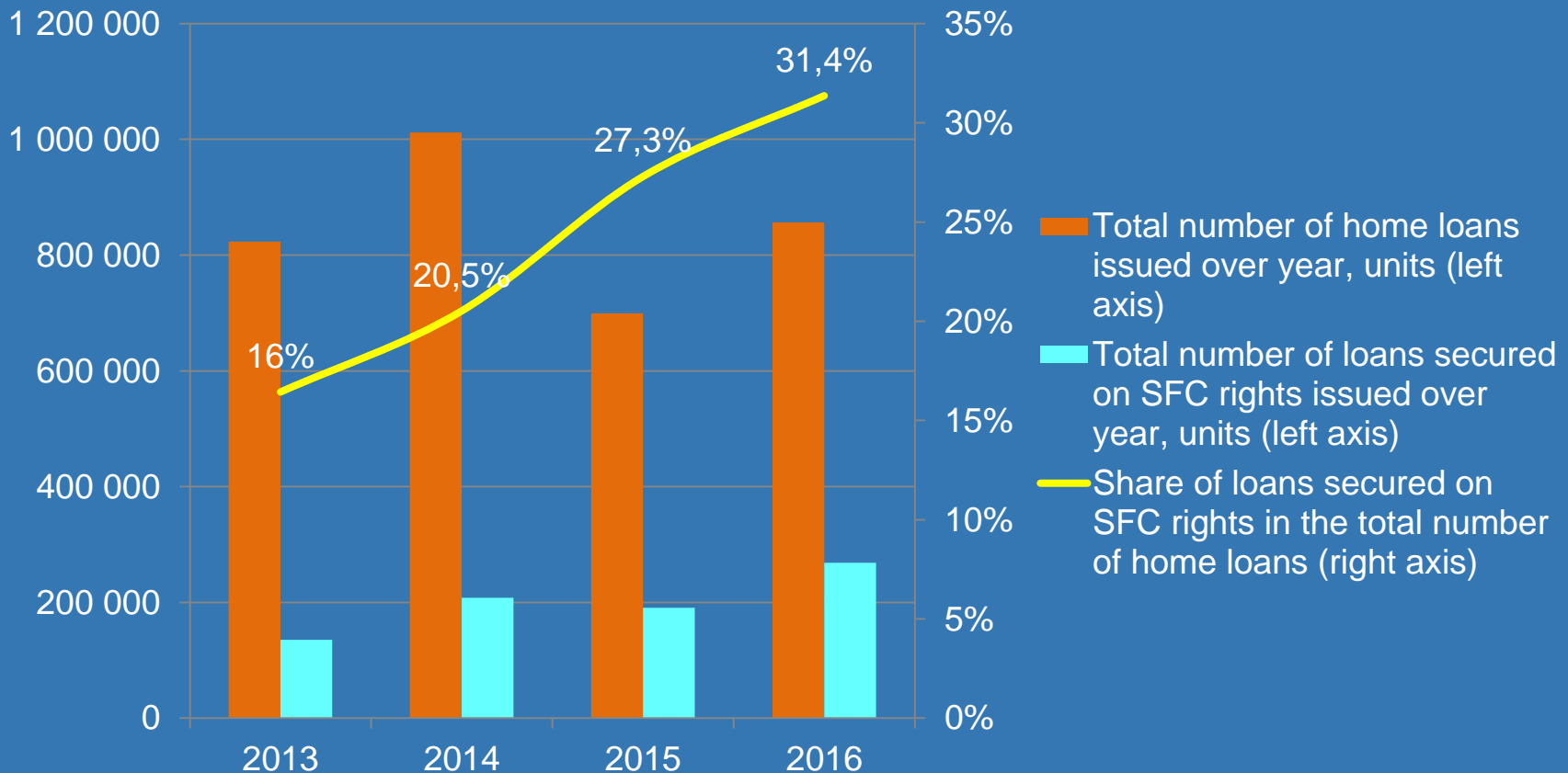
Source: Rosstat, Rosreestr (State Cadastral and Registration Office)



Housing Construction Finance: domination of a direct consumer financing model in professional development (shared-financing contract scheme)



Home Loans Development: the share of non-conventional loans secured on shared- financing contract rights doubled only for 4 years



SFC – shared-financing contract

Source: Bank of Russia, Rosreestr (State Cadastral and Registration Office)



Different Forms of Housing Provision

Support Schemes and Budget Subsidies in Russia

- ❖ Social municipal housing provision through waiting lists
- ❖ Up-front subsidies and housing vouchers within federal/subnational support programs (young families, war veteran, etc.)
- ❖ Housing provision for those living in dilapidated housing
- ❖ Budget subsidies for supporting housing maintenance and utilities services (means-tested and others)
- ❖ Personal income tax deduction for housing purchase and mortgage interest rate payment
- ❖ Temporary program for mortgage interest rates subsidies (2015 – 2016)

*Total direct public expenditures and tax losses in housing sector amounts to 2.3% GDP**



Social Housing

- ❖ *Social housing in Russia* - housing provided by local public authorities under a social rental agreement and allocated through waiting lists
- ❖ Public authorities regulate admission to waiting lists by setting 'low-income' criteria (since 2005) and intake housing norms
- ❖ Currently 5% Russian households are on local waiting lists (2.6 mn households)
- ❖ Annually only about 5% of them acquire housing and improve their housing conditions (130 thousand households) – average stay in a waiting list is close to 20 years
- ❖ Up to 60 percent of households from waiting list acquire not social housing but housing in ownership under various federal/regional support programs
- ❖ The tenant of social housing has the right to privatize it free of charge (the main challenge for local budgets to provide social housing)

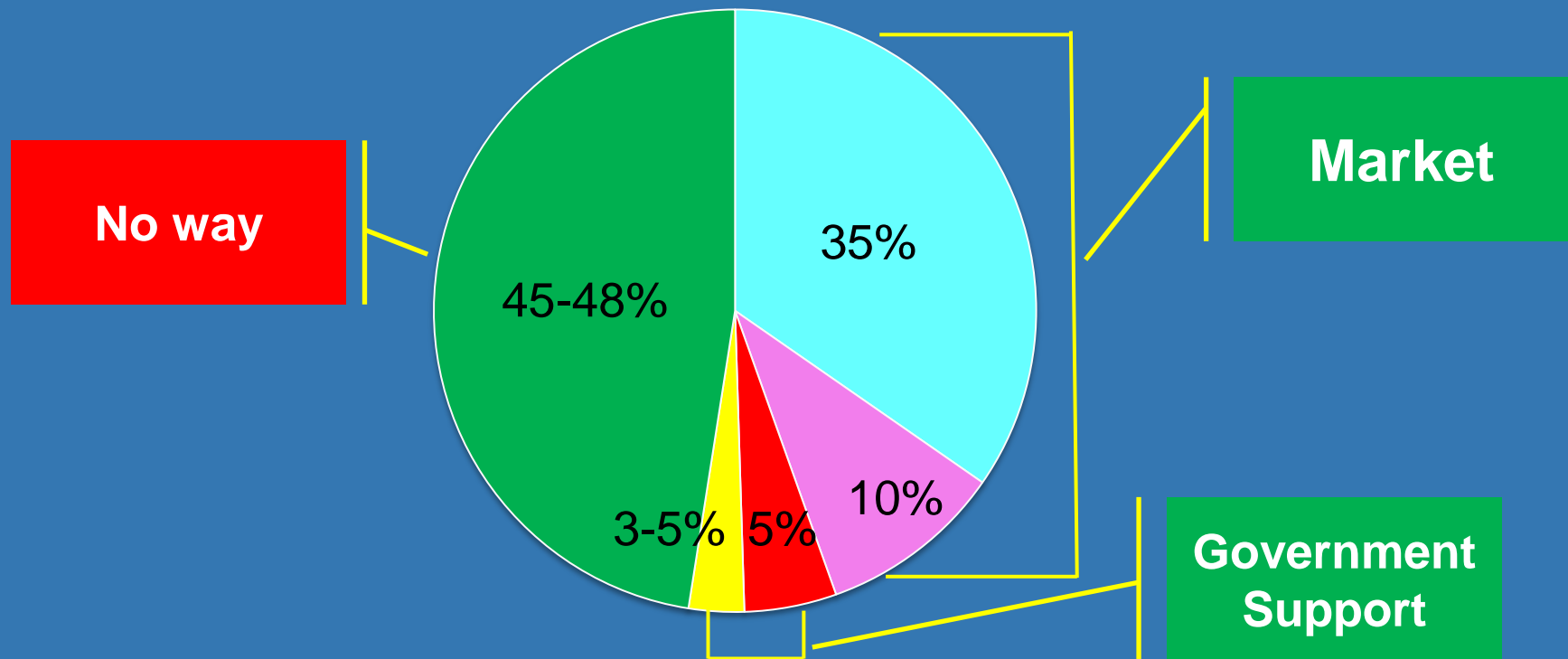


Program on Resettlement from Dilapidated Housing

- ❖ Goal of the Program –resettlement of 690 thousand people during 2014 – 2017 from dilapidated apartment blocks with total housing floor area about 11 m sq. meters (60% of total urban dilapidated housing stock)
- ❖ The Program is financed from the budgetary system
- ❖ Coordinator of the Program - Support Fund for the Reform of the Housing and Utilities Sector (established by a special federal law)
- ❖ Homeowners of dilapidated housing are provided with new housing in ownership, tenants of social housing – with other social housing (as a rule, in the same settlement)
- ❖ Currently the concept and tools for the next phase of the Program are under discussion



The Main Challenge: nearly half of Russian households have no way for improving housing conditions



- Buying a standart flat using own savings and mortgage
- Rent on the market
- Getting social housing through waiting lists
- Getting housing support withing state and municipal programs
- No way for improving housing conditions



Searching for New Models of Affordable Housing: Case of the federal program «Home for Russian Family» (2014-2017)

- ❖ Key goal of the Program - to create a new supply of affordable housing (25 million sq. m) with the price below market

Affordable housing within the Program is housing priced at no more than 80% of a market average price in the locality

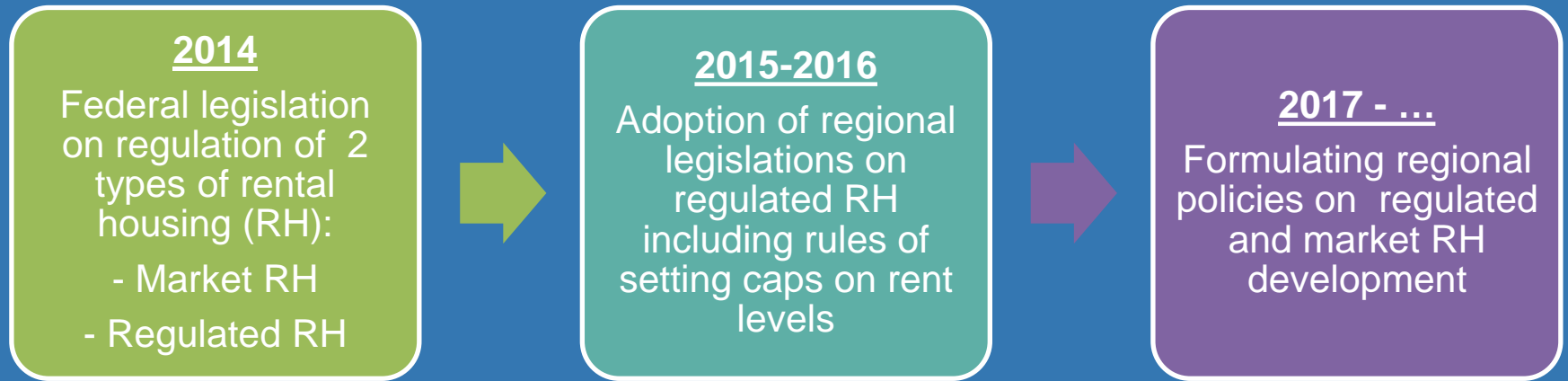
- ❖ The program was based on the public-private partnerships: developers provide affordable housing in exchange for government support

- ❖ **Negative results:**

As of the 1 of January 2017 the key performance indicator reached only 3,3% from the target value



Searching for New Models of Affordable Housing: Recent policy for inducing legal rental housing market development



- ❑ The key barriers preventing rental housing development:
 - Lack of long-term investment capital
 - Lack of bank financing (both project and mortgage)
 - Lack of public financing (both for production and consumption support)
 - Competition with the informal rental sector

The regions plan to attract to rental housing till 2024 less than 0.1% GDP, including 20% of public resources*



Searching for New Models of Affordable Housing: Housing cooperatives

- ❖ Housing cooperative (HC) – currently is a residual form of housing provision, after paying the share a member of HC acquires ownership and a building turns to condominium
- ❖ New housing construction by HCs is negligible – without state support HCs could not compete for land plots with private developers
- ❖ State support is executed by United Housing Development Institution (UHDI) - free provision of a land plot and project documentation for housing construction, assistance in connection to utilities, operational guidance
- ❖ UHDI support is targeted to certain categories:
 - ❖ young scientists, employees of state academies of science
 - ❖ families with 3+ children
 - ❖ military servants and employees of defense industries
 - ❖ federal civil servants etc.
- ❖ Currently UHDI manages 74 projects in different Russian regions, of which 10 has already been completed



The Institute for Urban Economics

IUE is a non-government and non-profit organization established in Moscow in 1995



IUE MISSION: analysis and assistance to cities and regions in social and economic development

The IUE experts contributed to development of over 100 Russian legislative and regulatory legal acts, including:

- ✓ On State Registration of Real Estate Rights and Transactions (1997)
- ✓ On Mortgage (1998)
- ✓ Land Code of the Russian Federation (2001)
- ✓ On Mortgage-Backed Securities (2003)
- ✓ Housing Code of the Russian Federation (2004)
- ✓ Town Planning Code of the Russian Federation (2004)



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