

New Strategy of Housing Policy in Russia

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The key achievements of the housing policy in 1991-2014

- The basic housing market institutions have been formed
- Housing affordability increased threefold since 2004 (27% of households can afford to buy housing with the mortgage loan)
- Housing mortgage lending market shows rapid growth rate (housing mortgage loans originated in 2014 was 1 mln and housing mortgage outstanding debt attained 5% of GDP)
- Housing construction volume is increasing (83,6 mln sq. meters in 2014 г. – twofold in comparison with 2004)

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20 YEARS

The main challenges for housing sector development

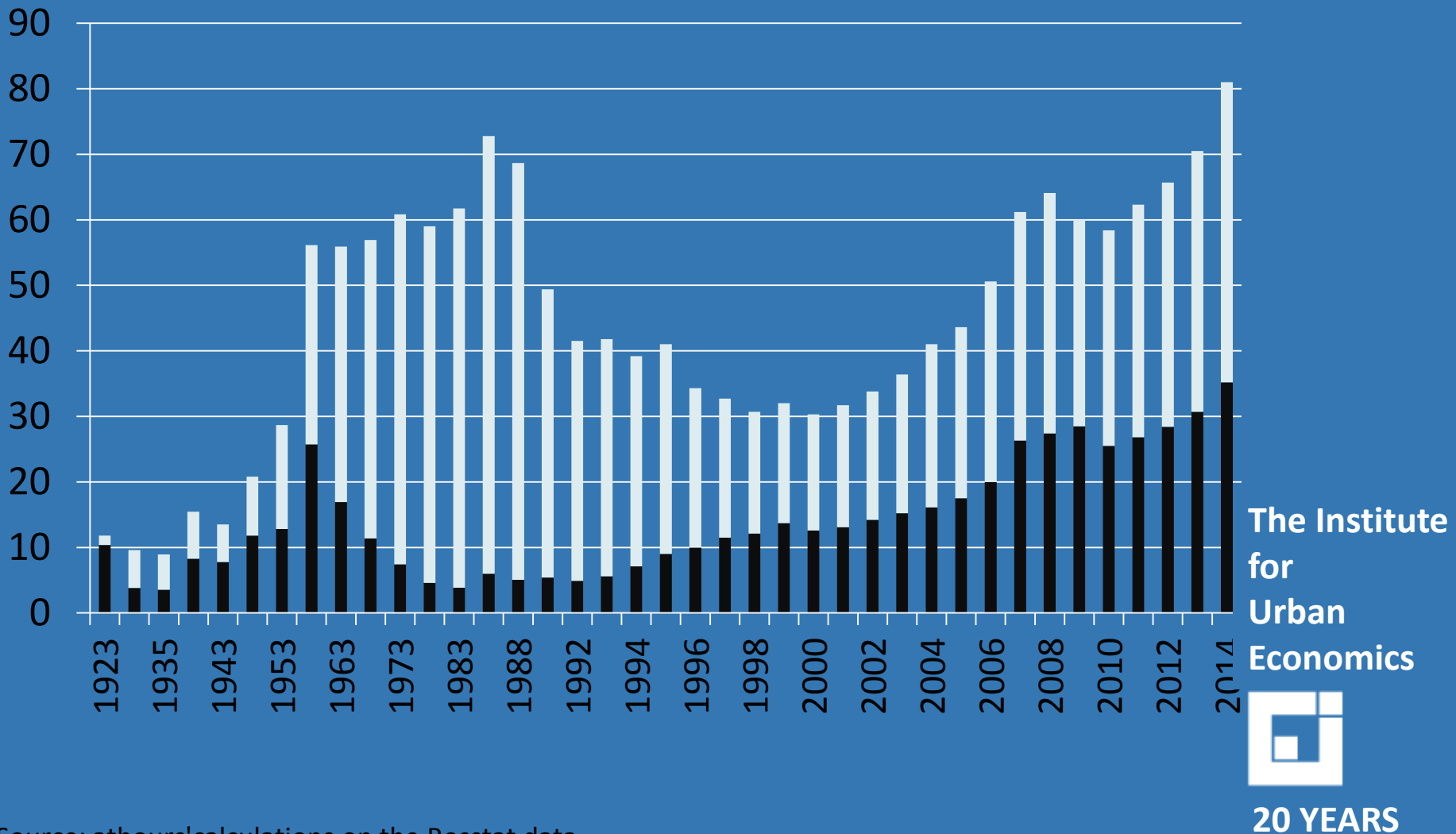
- Increasing of economic disbalances in the investment structure in housing and utilities sectors
- Restricted opportunities of housing conditions improvement for households with different needs and incomes
- Evolution of consumer preferences & requirements concerning housing and urban environment
- Weak competition in housing construction
- Deep crisis in the sphere of apartment buildings management

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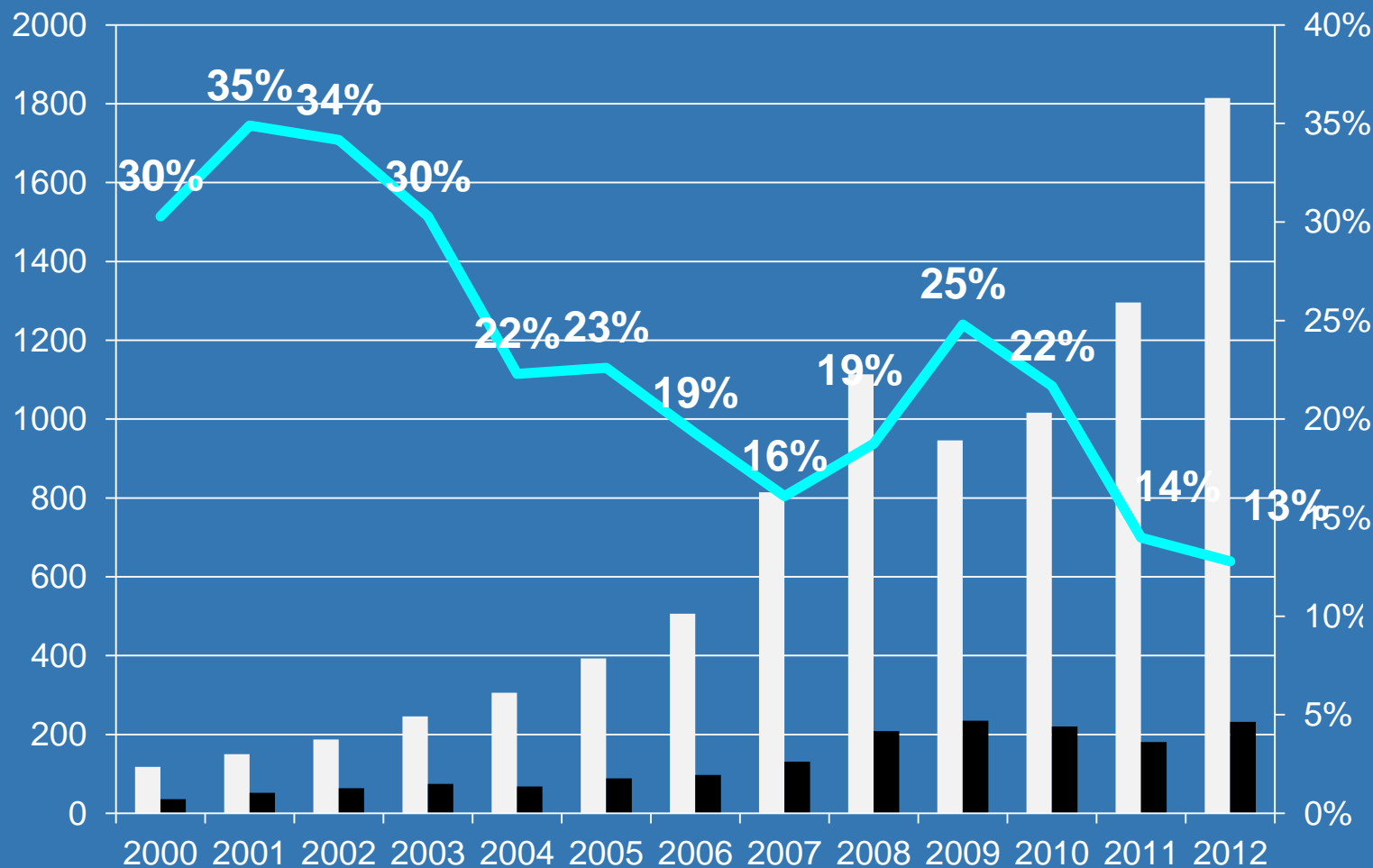


20 YEARS

Construction of apartment buildings (white) vs. self-build housing construction (black): Soviet period and nowadays (mln sq. meters of total floor space)



Investment in new housing construction (white) vs. investment in reconstruction, redevelopment & capital repair of existing housing stock (black) in 2000-2012 (bln rubles) and its relation in % (green line)



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New strategy of housing policy: goal and priorities

- **The key goal** – improvement of the quality of housing conditions for households with different needs and incomes
- **The main strategic priorities:**
 - Creation of social perspectives of improving housing conditions for households with different needs and incomes, extension and differentiation of various forms of housing provision **vs. only one form - the housing purchase**
 - Upgrading the quality of urban environment that allows to improve housing conditions and quality of people life as well **vs. the priorities of housing construction growth (mostly based on the green-field development projects) and increase of housing floor space per person**

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The main strategic directions

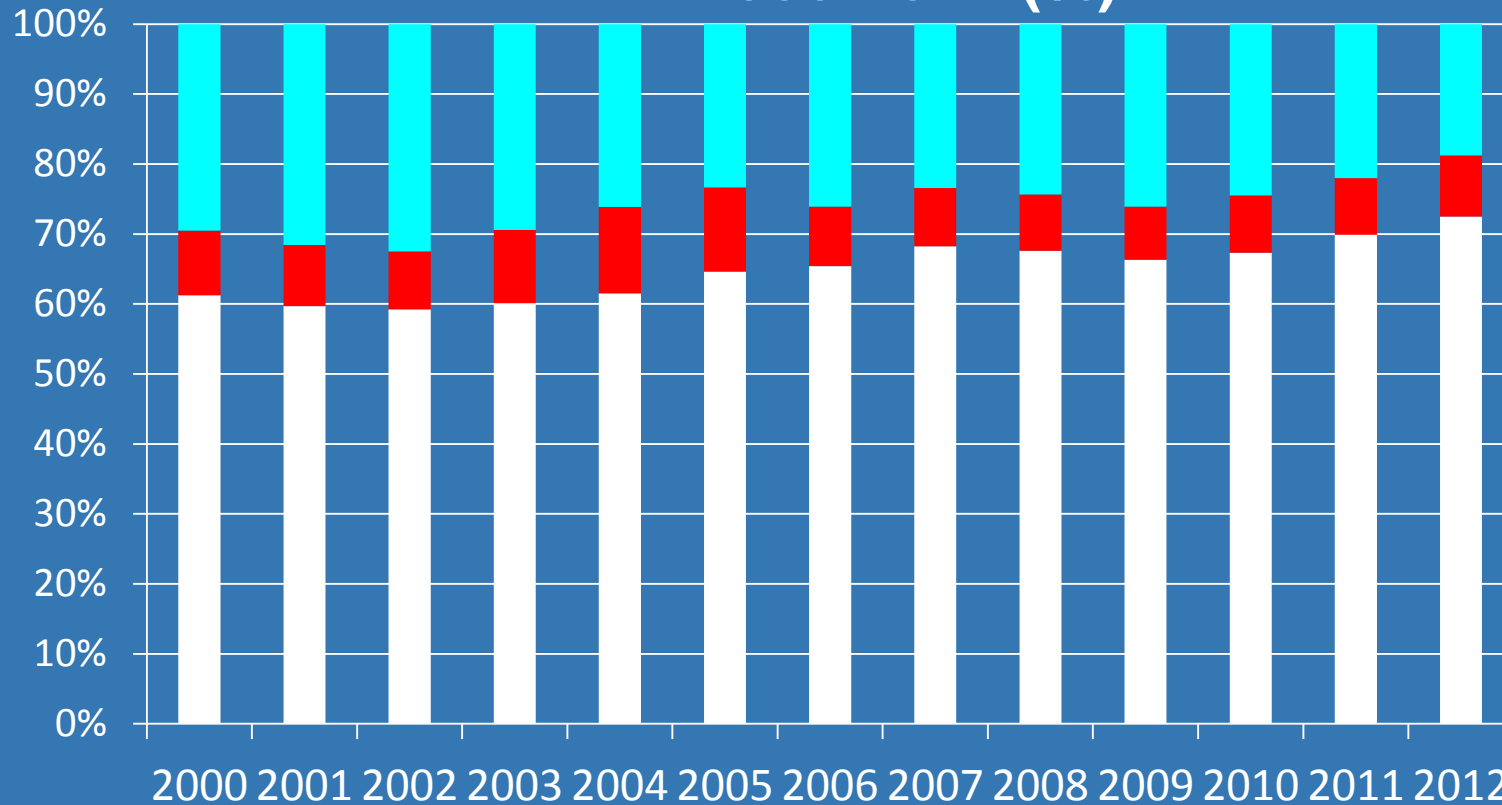
- Supporting of the housing rental market development based on long-term landlord-tenant contracts
- Stimulating stronger competition in housing construction (eliminating corruption and excessive regulatory restrictions)
- Redevelopment of built-up areas (liquidation of dilapidated housing stock, complex redevelopment of industrial zones etc.)
- Capital repair of apartment buildings constructed in 1960-1980s
- Improvement of apartment buildings management
- Territorial differentiation and decentralization of housing policy
- Increasing efficiency of private and public expenditures in housing and utilities sectors

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Ineffective distribution of aggregate expenditures in housing and utilities sectors between public budgets (blue), corporations (red) and households (white) in 2000-2012 (%)



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Financial support of new housing strategy: redistribution of expenditures from households and public budgets to financial and non-financial corporations

Institutional sector	2012		2030	
	Bln. RUB	%	Bln. RUB (in 2012 prices)	%
Households	2865	72%	3342	54%
Financial and non-financial corporations	367	9%	1923	31%
Public budgets	745	19%	915	15%
Total	3977	100%	6180	100%

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Financial support of new housing strategy: shifting expenditures from investment in green-field development and current consumption to investment in redevelopment, reconstruction and capital repair of housing stock and utilities infrastructure

Indicator	2012	2030
Investments in redevelopment, reconstruction and capital repair of housing stock and utilities infrastructure	8%	39%
Investments in green-field housing and utilities infrastructure development	46%	28%
Current expenditures for housing maintenance and utilities services	46%	34%
Total	100%	100%

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Optimization of public expenditures (in 2012 prices)

Indicator	2012		2030	
	Bln. RUB	%	Bln. RUB	%
Investment expenditures	335	28%	705	37%
Expenditures on supporting housing demand	453	38%	953	49%
Expenditures on supporting housing maintenance and utilities services	411	34%	210	11%
<i>Total direct public expenditures</i>	<i>1199</i>	<i>100%</i>	<i>1926</i>	<i>100%</i>
Tax losses (income tax deduction for housing purchase and mortgage interest rate payment)	212	-	0	-
<i>Total direct public expenditures and tax losses</i>	<i>1411</i>	<i>-</i>	<i>1926</i>	<i>-</i>
Total direct public expenditures and tax losses as percentage of GDP	-	2,3%	-	2,2%

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