



The Institute
for Urban
Economics

Session B.3

‘New Developments in Post-socialist Housing Regimes’

EVOLUTION OF THE STATE HOUSING POLICY IN RUSSIA

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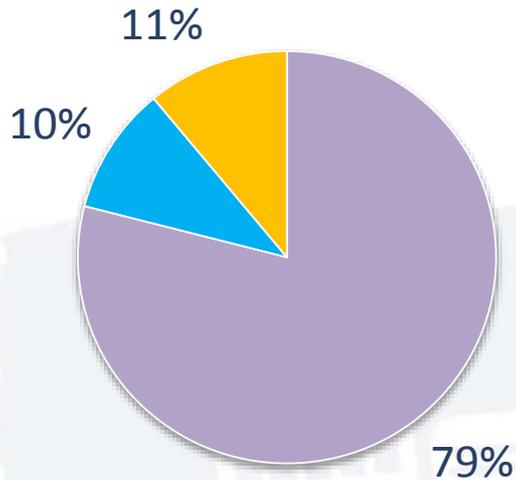
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Russian Housing Stock: property and tenure status

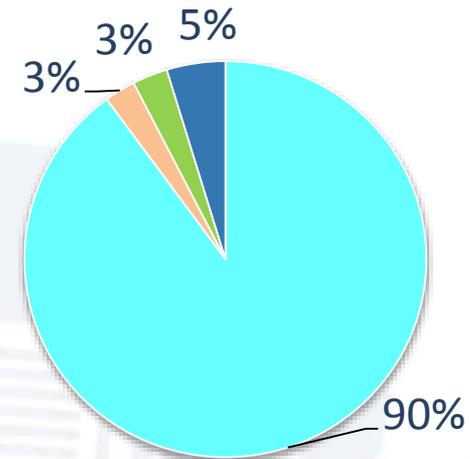
- Housing Stock: 65.9 mn dwelling units with the total floor space of 3.8 bn sq. m
- Housing Conditions: 449 units per 1000 persons, 25 sq. m per capita

Distribution of housing stock by tenure type, 2018



■ Home ownership ■ Market rent
■ Regulated rent

Distribution of housing stock by property type, 2018



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

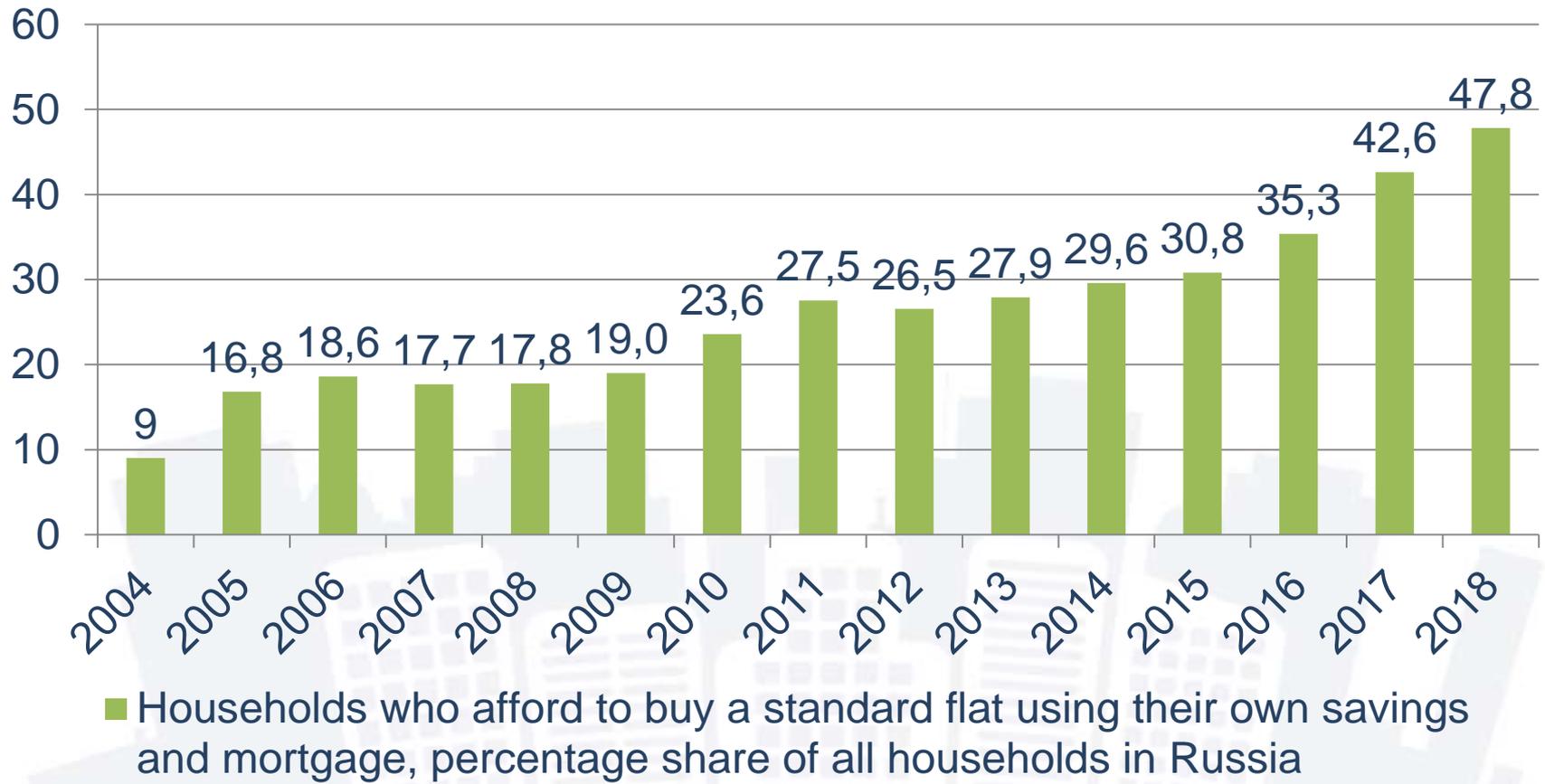
2/3 of housing stock – condominiums as a result of free unit-based housing privatization



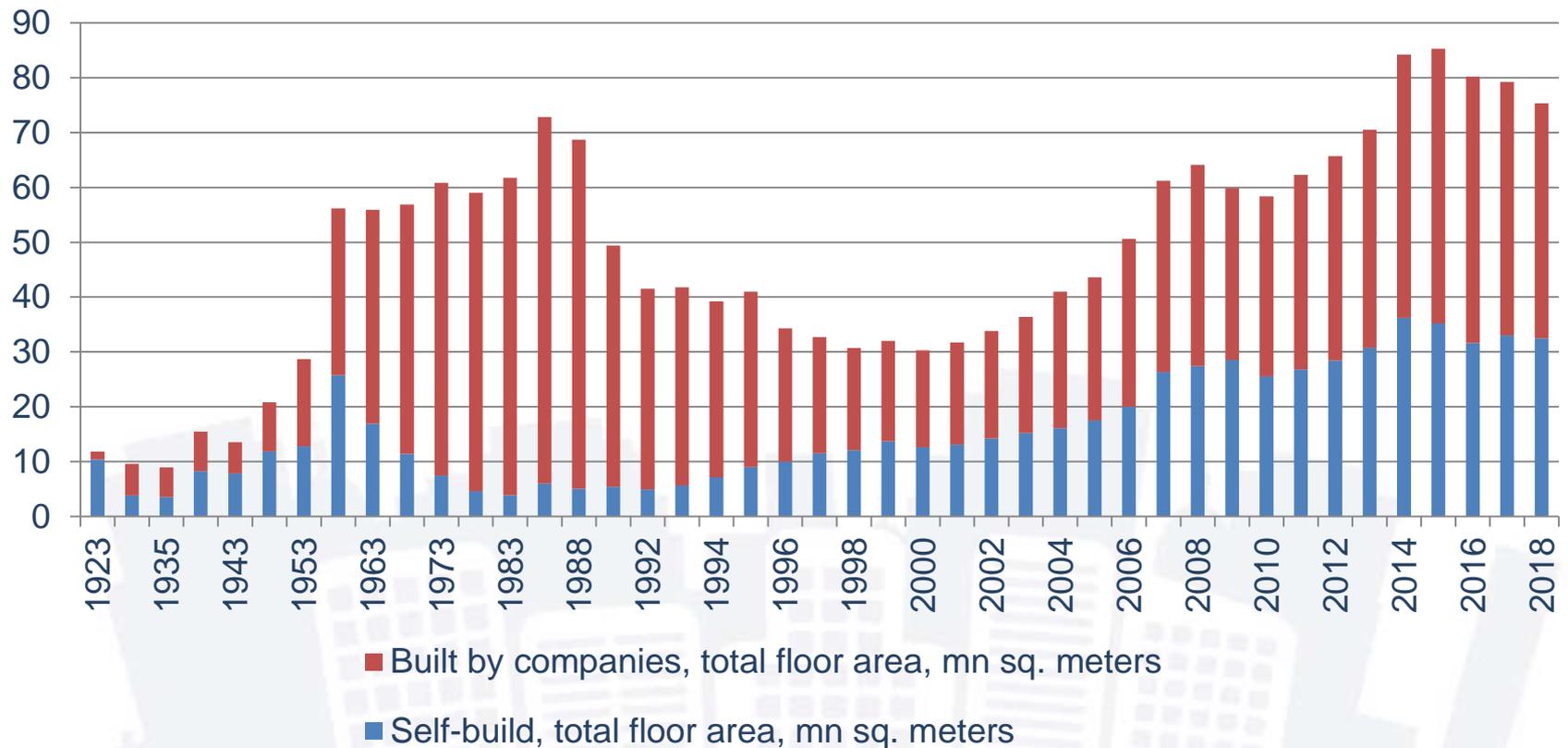
Housing price to income ratio: housing affordability is rising



Housing Affordability in Russia: substantial growth for 10 years

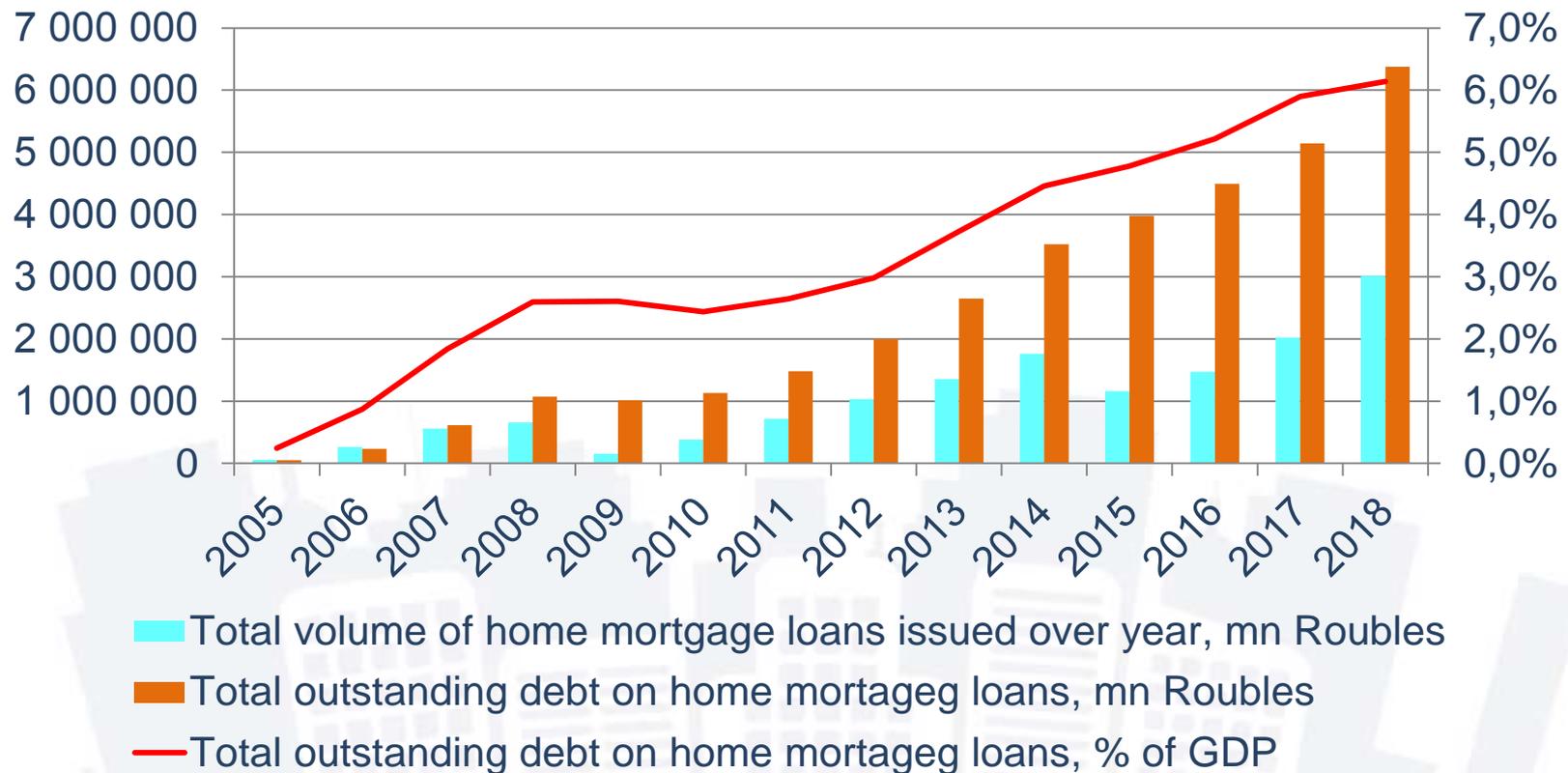


Housing Construction in Russia: increase in volumes after the economic recovery of 2000th

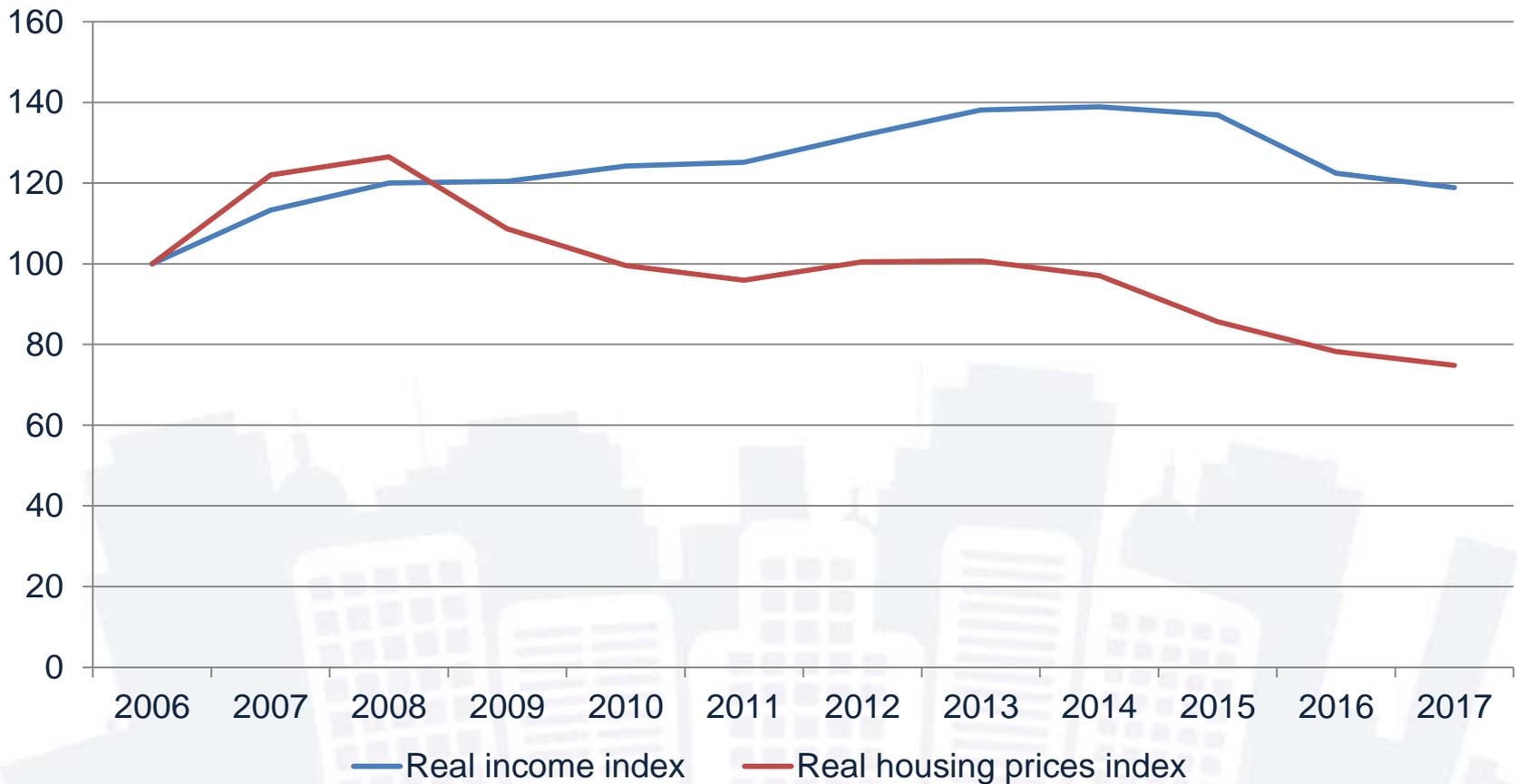


Self-built housing – housing constructed by people for their own use on their own land plots

Housing Mortgage Market Development: rapid growth over 10 years



Increase in affordability can be attributed to reduced housing prices, which declined faster than per capita income



Source: authors' calculations based on Rosstat data.

Different Forms of Housing Provision and Budget Subsidies: Weak Support

- ❖ *Social municipal housing provision* through waiting lists - 2.1 mn households (but most eventually acquire housing in ownership)
- ❖ *Up-front subsidies and housing vouchers* in federal/regional support programs (young families, war veterans, state and military servicemen etc.) – 1.7 mn households
- ❖ *Housing provision for those living in dilapidated housing* – 0.3 mn households
- ❖ *Temporary program for mortgage interest rates subsidies (2014–2016)*
- ❖ *Family Capital (allowance) to households with 2 children*
- ❖ *Personal income tax deduction for housing purchase and mortgage interest rate payment*

Total public expenditures and tax losses amounts to about €10 bn or 1% of GDP every year

Housing Policies Outcomes: Successes and Failures

❖ *Successes:*

- ❖ *Increasing housing affordability*
- ❖ *A system of housing mortgage lending has been developing at a fast pace*
- ❖ *Housing construction volumes demonstrated an upward trend*

❖ *Failures:*

- ❖ *Housing policy is **not pro-active**: almost 60% resources go to utility consumption support*
- ❖ ***Limited housing policy instruments** used, support of homeownership dominates*
- ❖ ***No institutional ways** to improve housing conditions for moderate income households
Unacceptable waiting terms for households eligible for state housing support*
- ❖ ***Poor targeting** and mistargeting in state housing support programs*
- ❖ *Town planning and land use system unable to facilitate the creation of either **comfortable living environment** or transparent legal framework for investors and developers*
- ❖ *Housing construction market demonstrates **anemic competition** and adherence to obsolete technologies*
- ❖ *Utilities sector remains **unattractive for private investors***
- ❖ ***Institutional trap** in organization of condominium apartment blocks management*

Affordable Housing: Recent policy for inducing institutional rental housing 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)
- Strong opposition of housing construction lobby to new form of housing (low competition in housing construction market)
- Competition from the informal rental sector

The regions plan to attract only €1 bn in rental housing till 2024, including 20% of public recourses

Emerging Housing System Features: Are They Consistent ?

❖ *Elements of liberal model:*

- ❖ *Housing provision opportunities largely depend on household's income*
- ❖ *Housing support is **declared** to be limited to low-income households*

❖ *Elements of social-democratic model:*

- ❖ *High share of budgetary housing expenditures in GDP (around 2%)*
- ❖ *Public obligations for performing capital repairs in condominium apartment blocks and relocating individual owners from unsafe housing*
- ❖ *High level of non-targeted subsidization of utility services consumption*

❖ *Elements of corporatist model:*

- ❖ *High share of self-built housing construction*
- ❖ *Significant role of intergenerational transfers in housing provision*
- ❖ *Budgetary expenditures on demand housing support are focused on professional groups and untargeted benefits (tax deductions) for purchasing one's own housing*

❖ *Path dependency of housing policies*

Vision for a New Housing Strategy

❖ **Strategic priorities:**

*Creation of social prospects for various groups of people,
expansion and differentiation of housing policy instruments
Improvement of the quality of urban environment*

❖ **Key elements:**

- ❖ *Decentralization implying the strengthened role of local governments in adopting and implementing town-planning, extension of resources of local governments*
- ❖ *Development of institutional long-term residential lease (on for-profit terms, not-for-profit terms, and social terms), amending legal regulation of social rental contracts*
- ❖ *Streamlining the state housing support of household groups*
- ❖ *Development of housing construction cooperation and other forms of housing construction by not-for-profit associations of individuals*
- ❖ *Shift from self-financing of housing construction projects by individuals to bank lending to developers, from self-built housing to industrial production of individual family houses*
- ❖ *Modernization of housing management system*

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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- ✓ Real Estate Market Department
- ✓ Urban Economy Department
- ✓ Municipal economic development Department

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