

The New Housing Strategy for Russia: An Expert Vision

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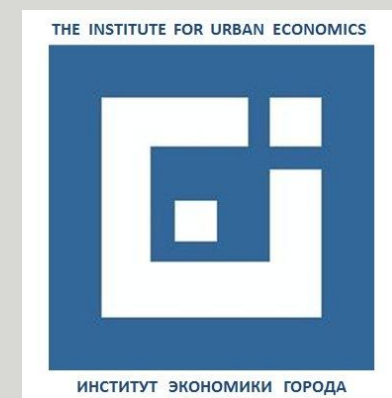
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The Key Achievements of the Housing Policy in 1991 – 2014

- Key structural elements of the housing market developed
- Housing affordability increased threefold from 2004 - 27% households can afford market purchase of housing in 2014
- Mortgage lending development (1 mln mortgages in 2014)
- Soviet record of housing construction volume surpassed (84 mln sq. m in 2014)

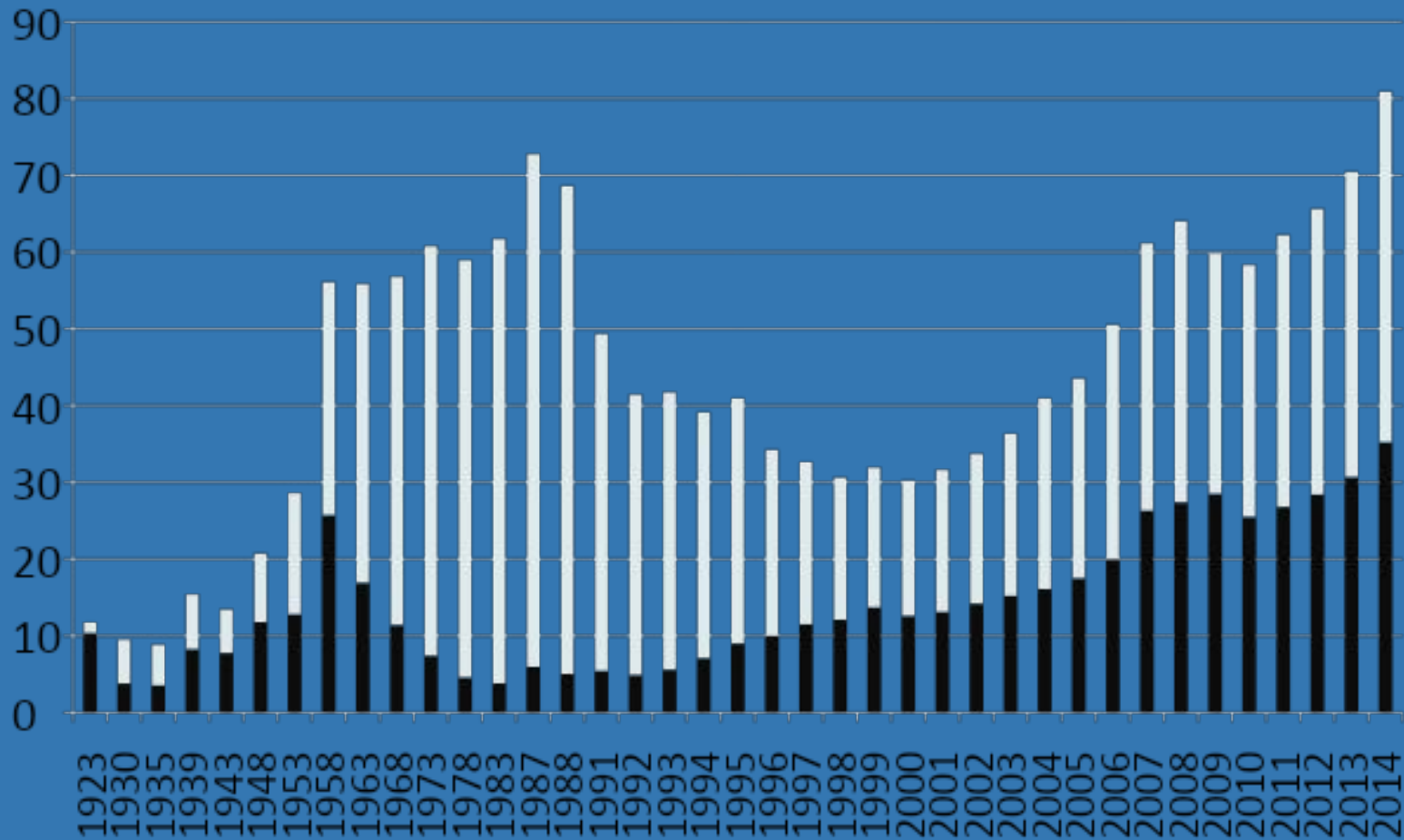


Key Challenges and Threats in the Housing Sector

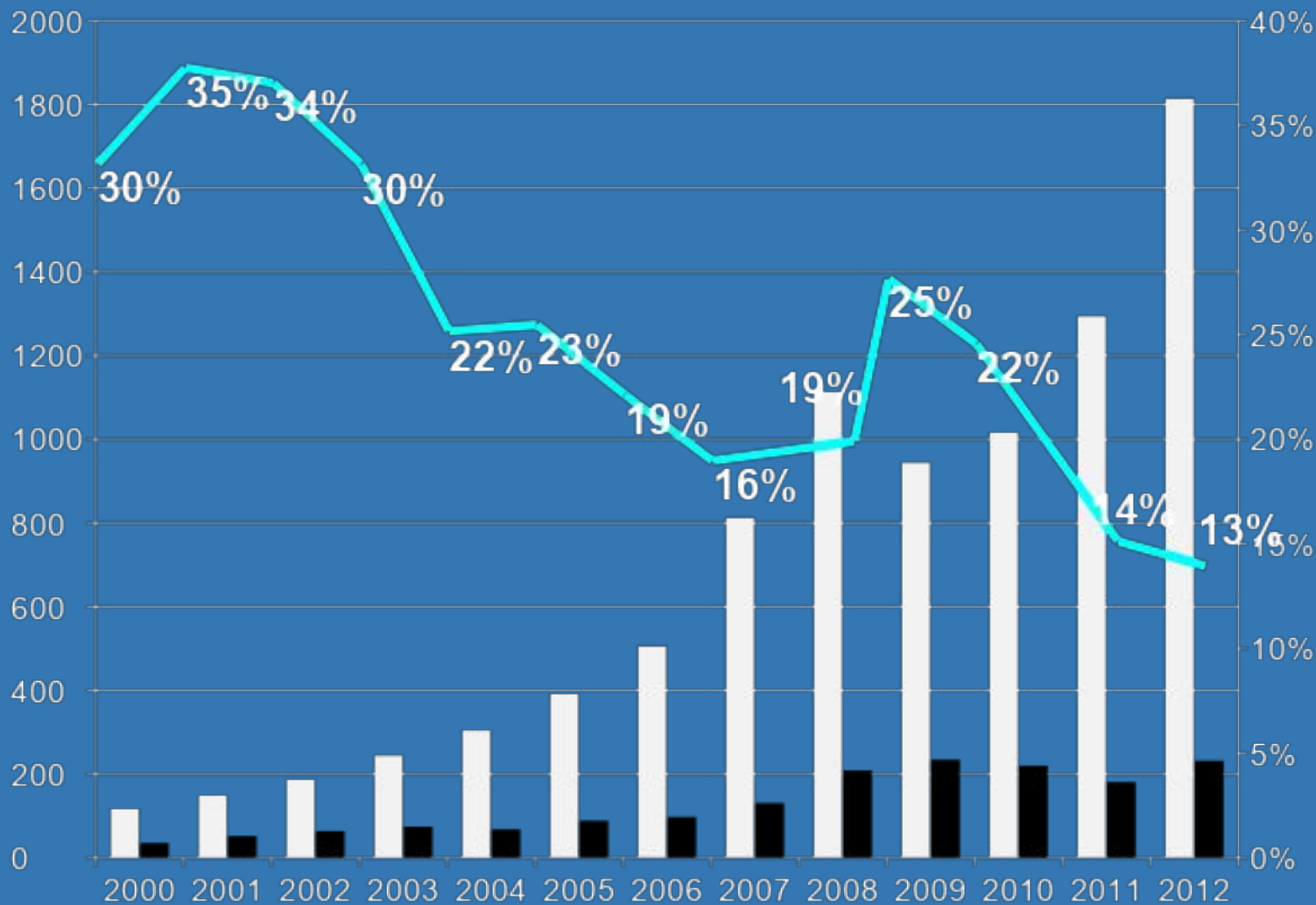
- Structure of expenditures for production of housing goods - growing economic imbalances
- Housing provision of households with different incomes and housing needs - restricted opportunities
- Evolution of consumer preferences and expectations concerning both housing and urban environment
- Housing construction market - insufficient competition
- Management of multi-apartment buildings - institutional trap



Dynamics of Multi-Apartment (White) and Individual (Black) Housing Construction (mln sq. m)



Investment in Restorative (Black) and Additional (White) Production of the Housing Stock (Bln Rub.), Share of Restorative Investment (Blue Line), %

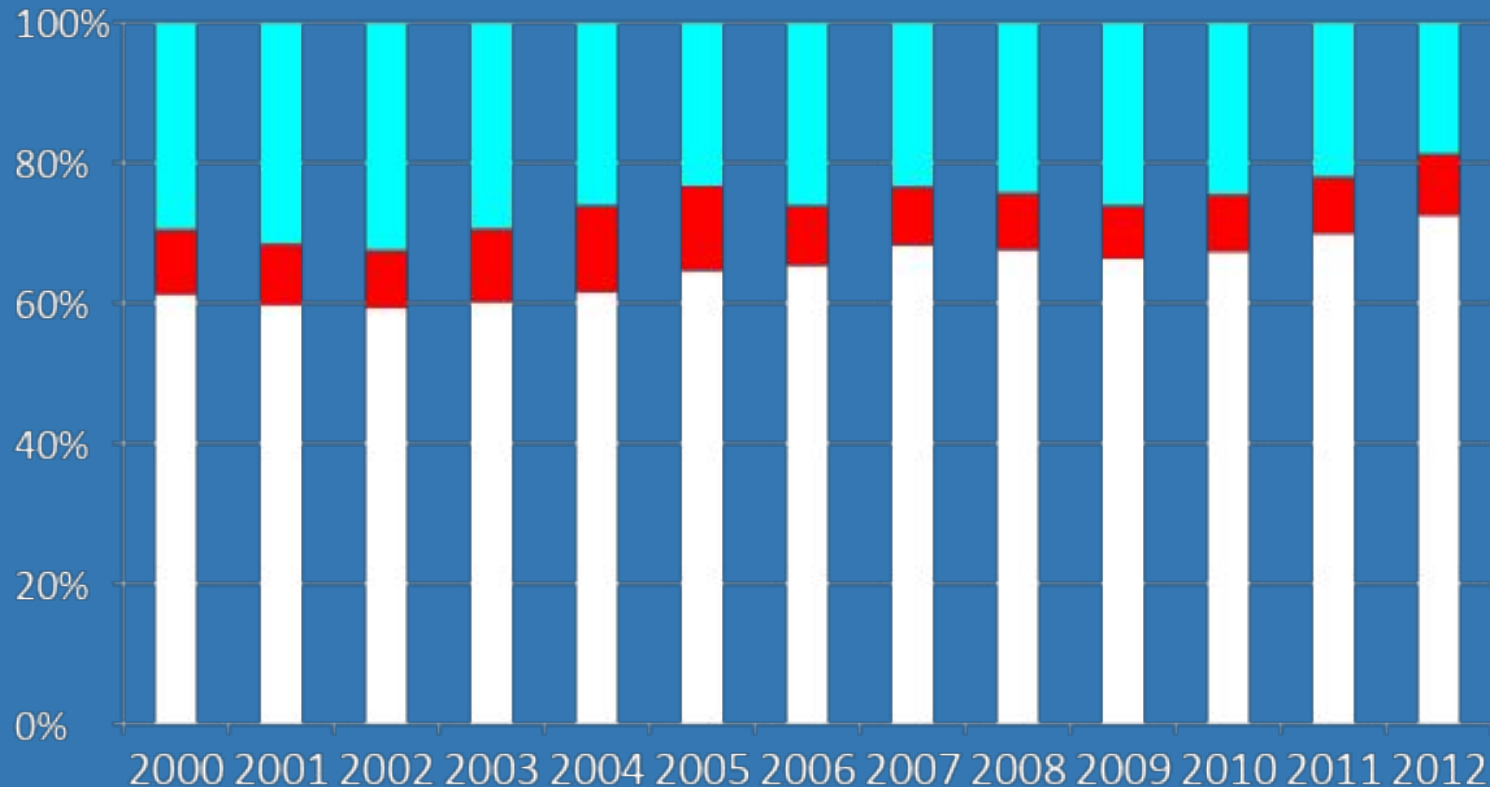


Source: authors' calculations based on Rosstat data



The Structure of Expenditures in the Housing Sector

Sources of Finance in %



- State
- Corporations
- Households



The New Housing Strategy: Objective and Priorities

- **Main Objective** – improvement of quality of housing *provision for citizens with different incomes and housing needs*

- **Strategic Priorities:**
 - Institutional opportunities for improving housing conditions for all groups of citizens, amplification and differentiation of instruments for meeting housing needs

 - *Upgrading the quality of urban environment for better livability environment, meeting housing needs and improving quality of life*



Strategic Priorities

- Fostering developments of housing rental and cooperative sectors
- Fostering competition in housing construction
- Redevelopment and beautification of built-up areas (elimination of not only dilapidated housing, but obsolete housing as well, redevelopment of industrial areas etc.)
- Massive capital repairs of housing built in 1960s–1980s
- Increasing quality of multi-apartment building management
- Regional differentiation and decentralization of the housing policy
- Increasing efficiency of both private and public expenditures in housing and utility sectors



Fostering Developments of Housing Rental and Cooperative sectors, First Home Buyers Support

- Enhance legislative regulation with the aim of legalizing the existing residential rental market, protecting the rights of landlords and tenants, developing the legal framework in respect of housing cooperatives and other not-for-profit associations of individuals set up for the purpose of housing construction
- Administrative support in establishment and performance of not-for-profit landlords and housing cooperatives on the part of the bodies of state and municipal governments
- Preferential access to land plots for housing construction to developers of social rental buildings, coops and other non-profit associations, access to long-term housing construction finance
- Up-front subsidies to first home buyers



Fostering competition in housing construction

- Liquidating excessive administrative barriers in the housing construction market
- Reducing basic developers' costs, primarily those related to connection of the utilities infrastructure and construction of new social facilities
- Introducing various models of implementation of PPP projects in the housing construction market for both greenfield and brownfield development projects
- Developing project financing through the issuance of loans against the pledge of land (against a leasehold estate), under-construction property and other assets of project companies
- Legislative regulation of the processes relating to organization of construction and management of low-rise housing estates



Redevelopment and beautification of built-up areas

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- Potential for housing construction under redevelopment of built-up areas projects – up to 262 million sq. m in 73 cities with population over 250 thousand
- Liquidation of both dilapidated and obsolete housing (high-rise and low-rise) under redevelopment projects
- Redevelopment of industrial areas and other urban areas with inefficient modes of use
- Attraction of private investment in utility infrastructure modernization through PPP mechanisms



Capital repairs of housing

- Mass capital repair of multi-apartment buildings built in 1960s-1980s (about 50% of urban housing stock), including modernization and energy efficiency increase
- Development of bank lending products for capital repair and modernization of multi-apartment buildings, with priority role of banks keeping special savings accounts of regional capital repair funds



Regional differentiation and decentralization of the housing policy

- Increase financial resources and powers of local government:
 - *in pursuing local urban and land development, utility tariff and housing policies*
 - *In development of municipal non-commercial housing stock, cooperative housing stock, granting allowances to tenants in private rental housing, implementation of alternative forms housing provision regarding low and moderate income households*

- Use of urban planning regulation as a real instrument influencing land use and development

- Upgrading quality of urban planning and urban zoning



Financial Support for the New Housing Strategy: Radical Change in the Structure of Financial Sources

Sectoral Source of Financing	2012		2030	
	Bln Rub.	%	Bln Rub. (in 2012 prices)	%
Households	2884	72%	3490	56%
Corporations	348	9%	1774	29%
State	745	19%	916	15%
TOTAL	3977	100%	6180	100%



Financial Support for the New Housing Strategy: The Need for Radical Change in the Structure of Expenditures

Indicator	2012	2030
Investments in redevelopment, reconstruction and capital repair of housing stock and utilities infrastructure	8%	40%
Investments in green-field housing and utilities infrastructure development	46%	29%
Current expenditures for housing maintenance and utilities services	46%	31%
Total	100%	100%



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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