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Strategic directions and development prospects of the individual housing construction market in Russia

The relevance of the issues discussed in this paper is due to the significant growth in demand for individual residential houses, which necessitates the creation of attractive and favourable conditions for all market participants. Major construction companies are actively developing the segment of individual housing construction (IHC), while small enterprises, due to the relatively low entry threshold, are rapidly entering this market. However, the lack of clear rules and regulatory mechanisms complicates long-term planning and the implementation of IHC projects. This paper examines the key aspects and prospects for the development of the individual housing construction market in Russia. Special attention is given to the legislative framework, particularly the draft federal law No. 471420–8 "Construction of Residential Houses under Construction Contracts Using Escrow Accounts", which aims to create a legal foundation for the development of the IHC market, as well as GOST R 71392–2024 "Green" Standards. "Green" Individual Housing Construction. Methodology of Assessment and Criteria for Design, Construction, and Operation".

Keywords: *individual housing construction (IHC), escrow accounts, planning, government regulation, green standards, environmental sustainability and energy efficiency*

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At the current stage of development of the construction sector in Russia, the market for individual housing construction (IHC) is gaining increasing importance. With the growing demand from citizens, large developers are actively exploring this segment. Due to the relatively low entry threshold (compared to the construction of apartment buildings), small companies both new and those not yet established in the market rapidly appear.

Among the key issues facing the IHC market at the current stage of development are the following: first, how to create a transparent and predictable IHC market that meets the requirements of all market participants (including the state, business, and consumers); and second, how to develop an effective financial model for the sustainable development of the sector, which will allow for medium and long-term planning[1]. Solving these issues has not only practical but also scientific significance, as it contributes to the formation of theoretical foundations for the further development and optimization of mechanisms for regulating and financing the IHC market[2]. While the second issue, concerning the development of a financial model, is natural for market economy conditions and will likely find its solution in the course of natural development, the first issue requires active participation and regulation by the state.

By "transparency and predictability" of the IHC market, it is primarily understood as the ability to forecast the volumes of individual housing construction and analyze the market growth potential. This includes forecasting the number of square meters built annually and assessing how much ready housing can be constructed in the future (for a planning period of 5–10 years or more).

For example, by the end of 2023, the volume of private house construction exceeded the volume of apartment construction by 13 %. However, despite this growth, the supply still does not fully meet the demand in the market[3]. According to analysts from M2 agency, the potential demand is 14 million houses, while only 440 thousand houses are built annually. This significant gap between supply and demand underscores the need to develop and implement strategies aimed at stimulating construction and meeting the population's needs.

The leading regions in the commissioning of individual housing construction projects in 2023 continue to hold their positions in 2024. Last year, growth in individual house construction was recorded in the North Caucasus, Siberian, Ural, Southern, and Far Eastern federal districts. A slight decline in construction rates was observed in the Central, North-Western, and Volga federal districts. Nevertheless, these regions remain leaders in terms of square meters commissioned. Specifically, the Central Federal District accounted for over 28 % of all areas commissioned in Russia in 2023[4].

Analysts' forecasts indicate that in 2024, the territorial dynamics of private house commissioning will contribute to increased demand for country houses, which will be facilitated by the development of local tourism and increased interest in living outside large cities.

Meanwhile, the share of IHC in the mortgage portfolio is increasing due to outstripping growth

1 Official website of the Federation of Individual Housing Construction. URL: https://federationigs.ru/ (Accessed: 21 July 2024).

2 Housing in Russia. 2022 : statistical collection, Rosstat. Moscow, 2023; 83. URL: torage/mediabank/Jil_hoz_2022.pdf

3 Official website of the Ministry of Construction, Housing, and Utilities of the Russian Federation. URL: http://www.minstroyrf.ru/ (Accessed: 14 April 2024).

4 Unified Information System in Construction. Housing input in 2023. URL: https://наш.дом.рф//аналитика/ввод_жилья

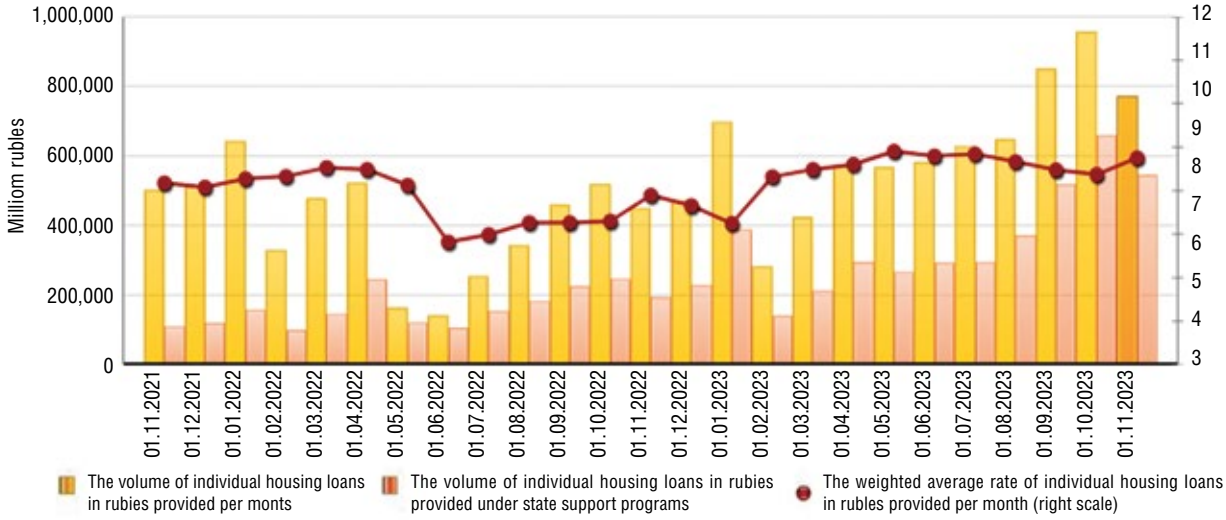

Fig. 1. Overview of the mortgage housing lending market 2022–2024

rates of lending in this segment. According to the Bank of Russia, in 2023, the total mortgage portfolio grew by 53 % in terms of the number of loans and 62 % in terms of the amount of funds issued, while the IHC segment grew 2 and 2.3 times, respectively, over the same period (Fig. 1).

The median age of a borrower in the IHC segment is 38 years (Fig. 2). As a rule, suburban real estate is purchased by families with an income level not lower than average. At the same time, the population's solvency improved in 2023 (according to Rosstat, the growth of real disposable monetary incomes of the country's population was 5.4 %).

According to analytical data from DOM.RF, more than 16 % of the total volume of mortgage financing was directed to the purchase and construction of IHC facilities in 2023 (5 percentage points more compared to 2022). The average transaction cost in Moscow and the Moscow region increased by 8 % in the new building segment, 12 % in the secondary market, and 18 % in the IHC segment (data for 2023). The analysis of current trends and statistical data in the real estate market indicates high investment attractiveness and development prospects of the individual construction market[5].

The most important aspect of state regulation of the individual housing construction market is adherence to the principle of "do no harm to business while maximally protecting the consumer". This involves implementing a soft control system whose main task is preventive control to prevent unfinished construction and the erection of low-quality houses that do not meet current standards and regulations (SNiP, CP, etc.). The scientific significance of this approach lies in the development and improvement of regulatory mechanisms capable of ensuring a balance between stimulating economic activity in the construction sector and protecting the interests of end consumers.

From a business perspective, the clarity and predictability of the IHC market can be expressed by the phrase: "Explain the rules to us, and we will find ways to develop". Large companies capable of investing significant funds cannot do so due to the lack of clear

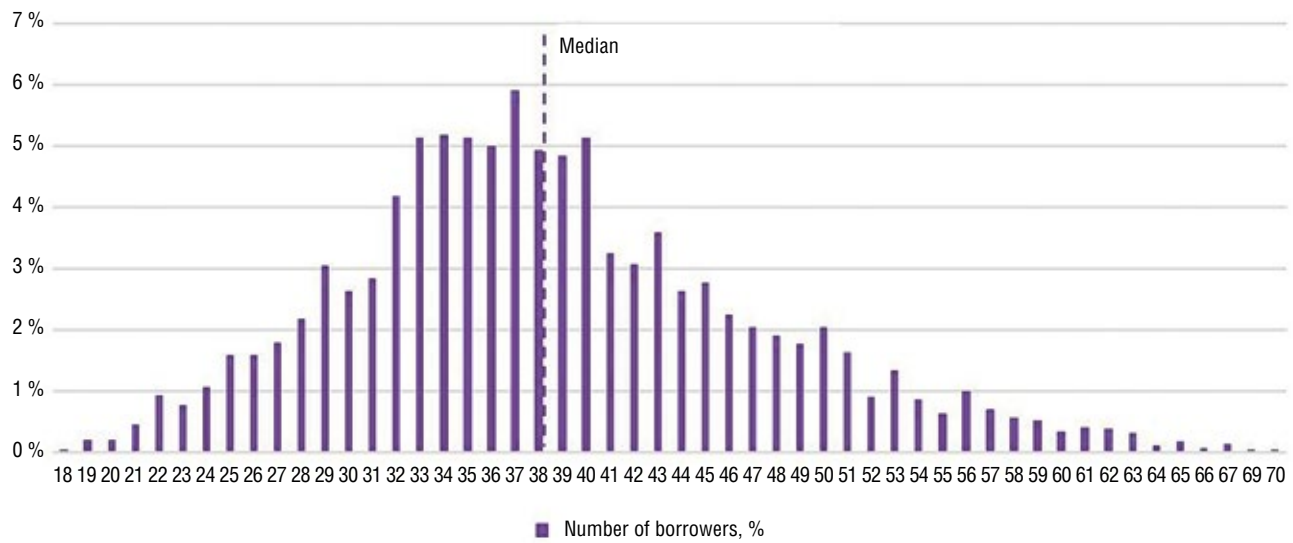

Fig. 2. Median age of a borrower in the IHC segment

5 Unified Resource of Developers. URL: https://erzrf.ru/news/

and transparent rules. Consequently, the sooner these rules are established, the faster the market will grow and develop.

One of the most promising tools for solving these problems is the use of escrow accounts in the construction of individual houses. Currently, the use of escrow accounts is being implemented in a pilot mode, relying on the experience of multi-apartment housing construction [1]. This mechanism ensures transaction security and guarantees that houses will be completed and meet standards.

Currently, the draft federal law No. 471420–8 "Construction of residential houses under construction contracts using escrow accounts" is actively being discussed and has been adopted in the first reading[6]. This law has a framework character and provides market participants with the opportunity to adapt to new rules. However, for successful implementation, additional measures are needed, such as including the concept of "IHC project documentation" along with "house kits" and "standard project documentation" for the transition period. This will avoid legal uncertainty and simplify the law's application. Conducting a large-scale information campaign aimed at explaining the processes and benefits of introducing escrow accounts is necessary to increase potential consumers' awareness of the security and reliability of this mechanism. Informing citizens about the benefits of using escrow accounts strengthens confidence in the individual housing construction market, which in turn stimulates demand and investment in this sector [2]. Additionally, conducting information campaigns helps reduce risks associated with misunderstandings and underestimation of the importance of escrow accounts, which is essential for preventing possible negative consequences in the implementation of construction projects. The analysis and evaluation of the effectiveness of such companies provide valuable information for further research in the field of marketing communications and project management in the construction industry [3]. Ultimately, successful information support is an integral element of a comprehensive approach to the development of the IHC market, integrating scientific achievements and practical solutions for the sector's sustainable growth.

Another significant step in the development of the individual housing construction market in Russia was the approval of the green standard for the construction of private houses — GOST R 71392–2024[7]. This standard, introduced on August 1, 2024, is developed considering international systems like LEED and BREEAM, as well as the green GOAST R 70346–2022[8] for apartment buildings and the comprehensive territorial development standard "DOM.RF"[9].

The new GOST R[7] for IHC provides developers with an assessment methodology and criteria for designing, constructing, and operating environmentally sustainable private houses. The standard aims to improve the energy efficiency and sustainability of the buildings, enhance living quality, and reduce the negative impact on the environment [4]. The application of this standard by developers is already possible, which will accelerate the introduction of environmentally sustainable practices in individual house construction. The "green" standard includes eight assessment categories covering various aspects of environmental sustainability and comfort, namely:

- architecture;
- environmental safety and site organization;
- infrastructure;
- construction organization and management;
- comfort and quality of the indoor environment;
- energy efficiency and atmosphere;
- building engineering support;
- material quality and resource efficiency;
- waste production and consumption.

Depending on the number of criteria met, an IHC project will receive one of three ratings: "gold", "silver", or "bronze". A project can score a maximum of 90 points. To achieve the highest "gold" rating, at least 63 points are required; "silver" is awarded for 54 points, and "bronze" for meeting the basic criteria. A key criterion for meeting the minimum "bronze" rating is the ability for year-round living in an individual house, requiring connection to water supply, sewage, gas supply, and electrical networks.

The introduction of the "green" standard GOST R 71392–2024[7], focused on environmental sustainability and energy efficiency, opens new opportunities for improving construction quality and living conditions. This standard, developed based on best international practices, contributes not only to reducing the negative impact on the environment but also to increasing consumer confidence in the IHC market.

Additionally, DOM.RF[9] has proactively developed a methodology for determining the energy efficiency class of IHC objects. This methodology considers the thermal energy consumption for heating, heat supply, ventilation, hot water supply, and the electrical energy consumption of household appliances, and also promotes the determination of necessary measures to improve the energy efficiency of a residential house. The system can also account for renewable energy generation in the building's energy balance (if available).

The development and approval of the green standard GOST R 71392–2024[7] are crucial for the development of the IHC market in Russia. Firstly, it promotes a higher level of environmental responsibility among developers and encourages the use of innovative technologies and materials. Secondly, the standardization of green construction increases consumer confidence in new housing, boosting demand for environmentally sustainable houses. Finally, it improves the quality of life for residents, reducing utility costs and providing healthier living conditions.

It is worth noting separately that the application of the green standard for individual housing construction (IHC) is intended to improve the quality of construction and living in suburban areas, as well as to reduce energy resource costs [5]. Russian Deputy Prime Minister Marat Khusnullin noted: "The application of the new national standard in the construction of individual residential houses will enhance the quality and comfort of living in private houses, reduce energy costs, and decrease the need for new generating capacities, which will positively impact the environment". Additionally, the implementation of this standard will give a new impetus to the development of transport and social infrastructure in suburban areas.

Currently, green construction in the Russian Federation is at the initial stage of its development. For example, in countries such as the USA, green projects occupy about 20 % of the market, and in Europe, this figure is approximately 15 %, while in Russia, green construction accounts for no more than 2 %. This creates a promising field for further development towards the greening of

6 List of instructions following the meeting with members of the Government. URL: http://www.kremlin.ru/acts/assignments/orders/56012 (Accessed: 20 July 2024).

7 GOST R 71392–2024. "Green" standards. "Green" individual housing construction. Methodology for assessment and criteria for design, construction, and operation.

8 GOAST R 70346–2022. "Green" standard. "Green" residential building. Assessment method and criteria for design, construction and maintenance.

9 The comprehensive territorial development standard "DOM.RF". URL: tandards/printsipy-kompleksnogo-razvitiya-territoriy/

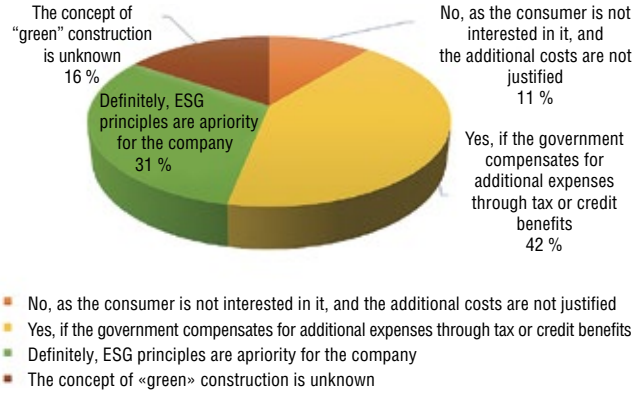

Fig. 3. Survey results on developer willingness to apply Green building standards in Russia

construction [6]. One of the main constraining factors for increasing the volume of green construction (including industrial construction) is the high cost of certification. Often, developers in Russia consider the costs of certification to be unjustified. Moreover, high-tech, environmentally friendly building materials that meet green standards significantly increase the investment cost of a project [7].

According to a sociological survey of developers, most respondents (42.2 %) expressed their willingness to implement the principles of green construction provided that the state compensates for additional costs through tax incentives or preferential credit terms. Another 31.3 % of survey participants noted that they would definitely implement environmentally sustainable practices and ESG principles, while 26.5 % of developers reported their unpreparedness to transition to green construction (Fig. 3).

At DOM.RF[9], it is believed that meeting the requirements of the green GOST for mass development will not lead to a significant increase in project costs, as confirmed by pilot projects [8]. Although green standard construction has not yet become widespread, such houses will significantly differ from many existing standards, offering improved environmental and energy characteristics [9]. Therefore, stimulating green construction and implementing the green GOST is a relevant issue for the development of the IHC market in Russia.

A comprehensive approach, including legislative and financial initiatives, as well as the adoption of green standards, will ensure the stable and sustainable development of the individual housing construction market in Russia.

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Стратегические направления и перспективы развития рынка индивидуального жилищного строительства в России

Актуальность рассмотренной в статье проблематики обусловлена значительным ростом спроса на индивидуальные жилые дома, что требует создания привлекательных и выгодных условий для всех участников рынка. Крупные строительные компании активно осваивают сегмент индивидуального жилищного строительства (ИЖС), а малые предприятия, благодаря относительно низкому порогу вхождения, стремительно выходят на этот рынок. Однако отсутствие четких правил и регуляторных механизмов затрудняет долгосрочное планирование и реализацию проектов ИЖС. В рамках данной статьи рассмотрены ключевые аспекты и перспективы развития рынка индивидуального жилищного строительства в России. Особое внимание уделено изучению законодательной базы, в частности проекту Федерального закона № 471420–8 «О строительстве жилых домов по договорам строительного подряда с использованием счетов эскроу», который призван создать правовую основу для развития рынка ИЖС, а также ГОСТ Р 71392–2024 «Зеленые» стандарты. «Зеленое» индивидуальное жилищное строительство. Методика оценки и критерии проектирования, строительства и эксплуатации».

Ключевые слова: *индивидуальное жилищное строительство (ИЖС), эскроу счета, планирование, государственное регулирование, зеленые стандарты, экологическая устойчивость и энергоэффективность*

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