UDC 338.24.021.8

Belkina T.D.

New instruments of housing construction financing in the Russian Federation: first results and prospects

The article addresses the defining role of multi-apartment housing construction in improving the living conditions of the population of the Russian Federation. This role requires solving the problems of choosing rational construction, architectural and economic solutions. The article analyzes problems of transition from shared equity construction, associated with high risks accompanying this mechanism of organization of housing construction financing, to project financing. The author demonstrates objective transition difficulties for the population, banks and developers. At the first stage, these fundamental transformations led to a significant reduction in construction, a slowdown in housing construction, and a decrease in the number of construction permits issued. The operational statistical information presented in the article indicates that in the second half of 2021, that is, two years after the entry into force of the legal documents on transition to project financing, the situation began to change. The number of project financing applications received by banks has increased markedly compared to the same period of the last year. A number of indisputable advantages of project financing over shared equity construction, formulated in the article, allow assuming a significant increase in the amount of construction of apartment buildings and housing construction in general. It is noted that transition to project financing has ensured the stability of the housing market during the economic crisis caused by the pandemic. Largely thanks to credit lines, developers managed to meet the challenges of the spring of 2020, when demand dropped sharply due to the pandemic.

Keywords: *housing stock, multi-apartment housing construction, project financing, shared equity construction, pandemic*

Belkina Tatiana Dmitrievna,
Doctor of Economics, Associate Professor, leading researcher;
Institute of National Economic Forecasting of the Russian Academy of Sciences; 47 Nahimovsky Prospect, Moscow, 117418, Russian Federation,
tbelkina0105@yandex.ru

Improving the living conditions of the population is one of the main tasks set by the world community, having fixed it in the system of the Millennium Goals[1] and in the Sustainable Development Agenda[2], aimed at ensuring access for all to adequate, safe housing, basic services and landscaping by 2030.

For Russia, the severity of the housing problem has not weakened for many years, although the task of improving the housing stock is one of the central ones in almost all program documents adopted by the government.

In a study by the Organization for Economic Co-operation and Development (OECD), which evaluates the achievements of countries in the world in terms of the well-being of their population, housing conditions are measured by three complex indicators: the number of rooms per person (the average number of rooms per person in a house (apartment), housing with basic utilities, housing costs (the ratio of housing costs and net adjusted family income after taxes). Russia ranks last among the forty leading countries of the world in the first indicator, 37 in the second, and fifth in the last[3]. However, taking into account the absolute indicators of household expenditures, we can say that the share of housing and communal services in them is correspondingly very insignificant. The share of housing construction costs in the total gross fixed capital accumulation in 2019 in Russia was 13.2 %, which cannot be considered sufficient, especially in comparison with developed economies, where the value of this indicator is significantly higher (30.5 % in Germany, 30.25 % in Italy, 27.8 % in the USA) [1].

One of the most important directions of reforming the housing sector and the formation of a civilized housing market is the transition in 2019 to a new system of financing multi-apartment housing construction (project financing). In the process of improving the living conditions of the population, the role of multi — apartment housing construction is very high. Over the past 10 years, the share of apartments in apartment buildings in the total volume of commissioning of residential units, including individual residential buildings, has been at least 73 % annually (Table 1). Out of 67.5 million there are more than 62 million residential units forming the housing stock of Russia — these are apartments in apartment buildings [2]. And although the volume of construction of individual residential buildings continues to grow actively, the importance of multi-apartment housing stock and housing construction does not weaken, and requires the search for rational construction, architectural and economic solutions.

One of the acute problems of multi-apartment housing construction in the post-perestroika period was the organization of construction financing.

In world practice, housing construction is usually financed by banks, that is, the mechanism of bank project financing is used. In Russia, with the actual withdrawal of the state from the industry, the main tool for solving the housing problem has become the mechanism of shared-equity construction, that is, direct attraction of citizens' investments in construction, which

1 The Millennium Goals. URL: https://www.un.org/ru/millenniumgoals/ (Accessed: October 15, 2021).

2 The Sustainable Development Agenda. URL: https://www.un.org/sustainabledevelopment/ru/progress-report/ (Accessed: 15.10.2021).

3 The better life index. (The OECD Better Life Index). URL: https://oecdru.org/betlife.html (Accessed: November 27, 2021).

Table 1. Commissioned housing

Years	2011	2015	2016	2017	2018	2019	2020
Commissioned housing, number of residential units, thousands	717	1.195	1.167	1.139	1.076	1.120	1.122
The share of residential units in apartment buildings in the total number of commissioned residential units, %	73.2	77.2	78.5	78.6	78.3	75.3	73.4

is rarely used in the world. For developers at the beginning of the perestroika period, it created a unique and unique opportunity in the conditions of an undeveloped banking system to receive an interest-free loan from an interest-holder for the entire construction period. For an equity investor (buyer) with a low income level, it was also practically the only chance to purchase housing at an early stage of construction ("pit stage") at a cost 20–40 % lower than the cost of a finished apartment. It was this circumstance that ultimately outweighed the obvious risks associated with the termination of construction, the ruin of construction companies, fraud and other problems that inevitably accompany this housing finance mechanism.

As for the legal framework for shared-equity construction, it was not sufficiently developed and home buyers often suffered significant losses of various kinds as a result.

The law designed to protect shareholders was adopted on December 30, 2004 by Federal Law No. 214 "On Participation in the Shared Construction of Apartment Buildings and Other Real Estate Objects and on Amendments to Certain Legislative Acts of the Russian Federation"[4]. However, cases of fraud, which became especially frequent after 2008, testified to the insufficiency of state regulation of this sphere, despite the adoption of the law. In the fall of 2017, the "Fund for the Protection of the Rights of Shareholders" was registered to check the financial stability of developers and monitor their work. On the basis of the Fund, a compensation fund was formed for the completion of houses for defrauded shareholders. In 2019, they began to maintain a unified register of problematic objects. The register includes all objects for which developers delayed construction or were late with the transfer of keys to shareholders for more than six months. Objects are included in the list automatically if the developer has not posted the necessary documents on the completion of construction or other stages of work in the Unified Information System of housing construction[5].

Despite all the measures taken, at the end of 2021, 2,564 houses were listed in the register of problematic objects, the living area of which amounted to almost 15.4 million square meters (Table 2)[6].

The Federal Law No. 478-FZ dated 25.12.2018 "On Amendments to the Federal Law "On Participation in the Shared Construction of Apartment Buildings and Other Real Estate Objects and on Amendments to Certain Legislative Acts of the Russian Federation", which entered into force on July 1, 2019, should finally solve the problem of deceived shareholders[7].

According to this law:

- since July 1, 2019, Russian developers have stopped attracting money from shareholders directly. Funds, since the buyers of apartments invest, it became necessary to keep on escrow accounts;

Table 2. Problematic housing construction projects (as of December 24, 2021)

Progress in solving the housing problem	Total		
	Number of houses	Number of developers	Living area, thousand sq. m
The overall result	2,564	975	15,383
Bankruptcy proceedings have been initiated in accordance with Federal Law No. 127 — "On Insolvency (Bankruptcy)"	1,777	592	10,317
And a different bankruptcy procedure has been launched in accordance with Federal Law No. 127-FZ	132	22	452
Construction completion deadlines have been violated for more than 6 months	363	205	2,237
The deadlines for the transfer of the shared-equity construction object for more than 6 months have been violated	292	156	2,377

4 On housing construction in the Russian Federation in 2020. URL: https://rosstat.gov.ru/storage/mediabank/Vlz36soX/jil-str_2020.pdf (Accessed: October 22, 2021).

5 On Participation in the Shared Construction of Apartment Buildings and Other Real Estate Objects and on Amendments to Certain Legislative Acts of the Russian Federation : Federal Law dated 30.12.2004 No. 214-FL. Information and legal base "Consultant Plus". URL: http://www.consultant.ru/document/cons_doc_LAW_51038 (Accessed: November 23, 2021).

6 The Ministry of Construction of the Russian Federation. Unified information system of housing construction. URL: наш.дом.рф

7 Problematic objects of housing construction. URL: https://www.minstroyrf.gov.ru/problem-objects (Accessed: November 23, 2021)

- housing construction must be carried out at the expense of bank loans to the developer: project support;
- developers can use the funds of shareholders only after the commissioning of the facility;

in some cases, it was allowed to finish building houses according to the old scheme of attracting citizens' funds, if they meet the criteria established in this regard by the legislation.

The housing market has adopted the new financing system with great caution. As a result, the volume of housing commissioning in 2019 turned out to be significantly lower than the targets of the national project "Housing and Urban Environment"[8]. The pandemic of a new coronavirus infection has worsened the situation. The greatest decline in business activity was noted in the second quarter of 2020. Experts drew attention to the unwillingness of all parties involved in construction to switch to a new model of financing construction projects. They believed that the developers were not ready, because it would be more expensive for them to finance (and, besides, they then need to put their accounts in order so that it becomes clear to banks and transparent). Banks are not very ready, because they do not fully understand the risks of such lending, and they do not yet have enough competencies and specialists who can control the construction process, read project documentation, and so on. And potential buyers of housing are not ready, because they are afraid that it will be more expensive for them [9].

Indeed, the turn to new technologies was so decisive that it led to a reduction in the so-called "construction backlog" or the ongoing construction of residential buildings. The volume of current construction in 2020 decreased by 20 million square meters of total area [3] (Table 3). At the same time, it is especially significant in the Central and North-Western Federal Districts.

The main reasons for the reduction in current construction and the slowdown in the pace of housing commissioning were as follows.

- not all developers had sufficient own funds, the availability of which was required by banks to start lending projects;
- low-margin projects, of which there are especially many in the regions, did not find credit support;
- investors showed a certain caution when concluding contracts, which was explained by the novelty of the financing mechanism;
- the competitive environment in the field of housing construction has weakened, which is due to the leaching of small and medium-sized construction business from the market, which does not always meet the requirements of banks in its characteristics.

Table 3. Apartment buildings under construction in accordance with Federal Law No. 214-FZ of December 30, 2004, (total area in sq. m)

Region	01/01/2020	01/01/2021
Russian Federation	169,784,148	149,374,263
Central Federal District	61,333,050	55,546,196
Northwest Federal District	32,763,849	25,973,446
Southern Federal District	21,287,861	18,196,547
North Caucasian Federal District	3,279,908	2,796,688
Volga Federal District	23,098,076	20,956,786
Ural Federal District	11,495,517	10,197,197
Siberian Federal District	13 072 788	11,933,339
District Far Eastern Federal District	3,453,099	3,774,064

Evidence of a clear problem in housing construction at the same time was a reduction in the total number of construction permits issued (Table 4).

This was due to the fact that despite the increase in the number of construction permits involving the use of escrow accounts, they were not issued enough to compensate for the drop in the number of construction permits without the use of escrow accounts[10]. The reason was that many developers could not get permission to erect an object within the framework of project financing due to the inability to fulfill a number of requirements, among which the following were the main ones:

- confirm the presence of at least 10 % of the total cost of the object being built;
- do not have current delinquencies on targeted loans and credits;
- have in the arsenal of the company at least one successfully implemented construction project with an area of at least 5,000 square meters and others.

Table 4. Number of construction permits issued

Construction permits	31/12/2019	30/06/2020	31/12/2020	30/06/2021	30/12/2021
All mechanisms, including	7,013	6,454	5,802	6,194	6,181
The use of escrow accounts	1,831	2,511	3,230	4,390	4,956
Payments to the compensation fund	4,110	3,261	2,089	1,446	926
Without raising citizens' funds as of 01/07/2019	1,072	682	483	358	299

8 On Amendments to the Federal Law "On Participation in the Shared Construction of Apartment Buildings and Other Real Estate Objects and on Amendments to Certain Legislative Acts of the Russian Federation" and "Certain Legislative Acts of the Russian Federation" : Federal Law dated 25.12.2018 N 478-FZ. Information and legal base "Consultant Plus". URL: http://www.consultant.ru/document/cons_doc_LAW_314260 (Accessed: November 23, 2021).

9 National project "Housing and Urban Environment". URL: https://www.minstroyrf.gov.ru/trades/natsionalnye-8proekty/natsionalnyy-proekt-zhilye-i-gorodskaya-sreda (Accessed: September 5, 2021)

10 Current construction. Unified information system of housing construction URL: наш.дом.рф/аналитика/показатели жилищного_строительства (Accessed: November 23, 2021).

Despite the difficulties of the transition, the mechanism of project financing was gradually mastered by developers and banks. Positive changes were outlined in the 2nd quarter of 2021.

In this critical situation, the state supported the construction industry and subsidized mortgage rates (up to 6.5 % per annum), rates on loans from developers, individual groups of home buyers (large families, etc.), and also allocated funds for the purchase of housing from developers by local authorities.

In the second half of 2021, the trend of reducing current construction was broken. As of November 1, 2021, housing commissioning in the territory of the Russian Federation amounted to 72.5 million square meters, which is 31.9 % higher than in the same period in 2020, of which apartment buildings — 31.8 million square meters, which is 22.6 % higher than in the same period in 2020, residential housing — 40.7 million square meters, which is 40.1 % higher than in the same period in 2020. By the end of the 3rd quarter of 2021. The number of applications for project financing received by banks has increased by 1.7 times compared to the same period last year, the number of approved applications has more than doubled[11].

The transition to project financing turned the housing market upside down and ensured its stability during the economic crisis caused by the pandemic. Largely thanks to credit lines, developers managed to hold on in the spring of 2020, when demand sharply decreased due to the pandemic[12].

Fears about a decrease in the volume of housing commissioning and demand for it are gradually dissipating. Moreover, there are a number of indisputable advantages of project financing. They are as follows.

- due to the use of escrow accounts, the risks of home buyers at the construction stage have decreased;
- the transition to new rules in housing construction has provided developers with the opportunity to have a reliable financing channel independent of the housing market;
- the growth of citizens' funds in escrow accounts allows banks to set reduced rates on loans to developers;
- the introduction of new rules for financing construction has become one of the factors of the revival of multi-apartment construction;
- developers build faster so as not to lose the money of shareholders on escrow accounts;
- companies with financial stability and capable of ensuring the quality of construction are being formed in regional markets.

REFERENCES

1. Construction in Russia. 2020 : Rosstat. Moscow, 2020; 100-106 (rus.).
2. Investment in Russia. 2019 : Rosstat. Moscow, 2019; 222 (rus.).
3. Kosareva N.B. Further-without shares. Polit.ru. October 22, 2017. URL: https://polit.ru/article/2017/10/27/building/ (Accessed: September 5, 2021) (rus.).

11 On project financing of housing construction in the III quarter of 2021. (Bank of Russia survey data). URL: cbr.ru

12 On project financing of housing construction in the II quarter of 2021. (Bank of Russia survey data). URL: cbr.ru

Новые инструменты финансирования жилищного строительства в Российской Федерации: первые результаты и перспективы

Показана определяющая роль многоквартирного жилищного строительства в улучшении условий проживания населения Российской Федерации, что требует решения задач выбора рациональных строительных, архитектурных и экономических решений. В статье дан анализ проблем перехода от долевого строительства, связанного с высокими рисками, сопровождающими данный механизм организации финансирования жилищного строительства, к проектному финансированию. Показана объективность сложностей перехода для населения, банков и застройщиков, что привело на первом этапе этих кардинальных преобразований к существенному сокращению текущего строительства, замедлению ввода жилья, уменьшению количества выданных разрешений на строительство. Представленная в статье оперативная статистическая информация свидетельствует, что во второй половине 2021 г., то есть через два года после вступления в силу правовых документов о переходе к проектному финансированию, ситуация стала меняться. Ввод жилья на 1 ноября 2021 г., количество заявок на проектное финансирование, поступивших в банки, по сравнению с тем же периодом прошлого года заметно выросли. Ряд неоспоримых преимуществ проектного финансирования перед долевым строительством, сформулированные в статье, позволяют предполагать существенный рост объемов строительства многоквартирных жилых домов и в целом жилищного строительства. Отмечено, что переход на проектное финансирование обеспечил стабильность рынка жилья во время экономического кризиса, вызванного пандемией. Во многом благодаря кредитным линиям застройщикам удалось удержаться весной 2020 года, когда из-за пандемии спрос резко сократился.

Ключевые слова: *жилищный фонд, многоквартирное жилищное строительство, проектное финансирование, долевое строительство, пандемия*

СПИСОК ИСТОЧНИКОВ

1. Строительство в России. 2020 : Стат. сб. / Росстат. М., 2020. С. 100–106.
2. Инвестиции в России. 2019 : Стат. сб. / Росстат. М., 2019. С. 222.
3. Косарева Н.Б. Дальше — без дольщиков // Полит.ру. 27 октября 2017. URL: https://polit.ru/article/2017/10/27/building/ (дата обращения: 05.09.2021).

Об авторе: **Татьяна Дмитриевна Белкина** — доктор экономических наук, доцент, ведущий научный сотрудник; **Институт народнохозяйственного прогнозирования Российской академии наук (ИНП РАН)**; 117418, г. Москва, Нахимовский пр-т, д. 47; РИНЦ ID: 107511; tbelkina0105@yandex.ru.

For citation: Belkina T.D. New instruments of housing construction financing in the Russian federation: first results and prospects. *Real estate: economics, management*. 2022; 1:19-22.

Для цитирования: *Белкина Т.Д.* New instruments of housing construction financing in the Russian federation: first results and prospects // Недвижимость: экономика, управление. 2022. № 1. С. 19–22.