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**TRENDS AND OUTLOOKS**

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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 41<sup>th</sup> issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: global economic and political challenges and national responses, economic growth and economic crisis; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

By contrast to the previous publications the present issue includes also a short analysis of the first three months of 2020 from the perspective of the COVID-19 pandemic impact on the Russian economy development.

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### **5.9. The housing market in Russia's cities in 2019<sup>1</sup>**

In 2019, the macroeconomic indicators directly affecting the housing market were the following.

The consumer price index stood at 3 percent, households' income movement which is important for the housing market in the course of the major part of the year (after a plunge in Q1) posted positive. Over 2019 as a whole, the real disposable cash income of the population gained less than 1 percent.

The RF Central Bank repeatedly reduced its key rate over the course of last year hitting 6.25 percent in December 2019. Nevertheless, borrowers' activity and the amount of housing mortgage lending (HML) was below that seen last year.

According to the Bank of Russia, in 2019 Russia saw a total of 1.27 million extended mortgages to the tune of RUB 2.85 trillion against 1.47 million totaling RUB 3.01 trillion in 2018, in other words the decline came to 13.6 percent in loans-terms and 5.3 percent in volume-terms. The share of mortgage loans originated for shared-equity construction in the total volume of extended loans of all types constituted in 2019 6.6 percent against 7 percent in 2018. That said, the share of mortgages issued for shared-equity construction in the aggregate volume of solely mortgage loans went up from 28.8 to 32.4 percent.

According to experts of Metrium company<sup>2</sup>, Russia's mortgage market failed to repeat in 2019 successes achieved last year due to the short-term rise of credit rates on the cusp of 2018-2019 and due to a notable growth of the housing price in the course of 2019. In H2 2019, the number of mortgage deals declined monthly by 10-30 percent year-on-year. Having said that, the monthly weighted average rate on mortgage loans exceeded 10 percent from February to August and from September gradually slid to 9 percent at the year-end. In other words, demand for mortgages in December 2019 was lower than a year earlier when rates were above 9.66 percent. Decline of mortgage rates posted in H2 2019 not so much boosted demand as prevented its 10 percent further decline. Positive effect of declined rates has been leveled by housing price growth against the backdrop of ongoing stagnation of incomes.

Preferential mortgage loans extended to households with two children and more have not played a major role. According to estimates of Metrium Group experts made on the basis of the data released by the Finance Ministry of Russia, 38.6 thousand loans were originated under this program totaling RUB 94.9 billion which came to 3.3 percent of the overall HML. If from February (the launch of the program) through December 2019 monthly average origination came to around 400 preferential bank loans, then in 2019 (including November) banks extended 3,500 such loans.

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<sup>1</sup> This section was written by: *Malginov G.N.*, Candidate of Sciences (Economics), Head of Ownership Issues and Corporate Governance Department, Gaidar Institute; leading researcher, Analysis of Institutes and Financial Markets, IAES RANEP; *Sternik S.G.*, Doctor of Sciences (Economics), Professor, Financial Institute under the RF Government, Chairman of the Committee on Analysis and Consulting of Moscow Association of Realtors.

<sup>2</sup> URL: [www.metrium.ru/research](http://www.metrium.ru/research) (according to data released by the Bank of Russia).

Outstanding mortgage debt has remained small. According to data released by Rosstat as on January 1, 2020 it amounted to RUB 72.6 billion (1.0 percent of the total housing mortgage debt outstanding) and declined year-on-year by 0.4 percent.

### 5.9.1. The movement of housing market prices

The main indices describing the movement patterns of prices on the secondary housing market across Russia's cities can be seen in *Table 6*.<sup>1</sup>

The study sample consists of 23 cities, including 17 capitals of RF subjects, with the total population of over 33 million.

If this index is to be applied as a classification criterion, the sample appears to be as follows:

- the city of Москва (12.6 million);
- the city of St. Petersburg (5.4 million);
- 7 cities with the population of more than 1 million (Novosibirsk, Yekaterinburg, Omsk, Samara, Krasnoyarsk, Perm, Voronezh) with over 8.6 million in total;
- 8 cities with the population between 500 thousand and 1 million (Tyumen Togliatti, Barnaul, Irkutsk, Khabarovsk, Yaroslavl, Vladivostok, and Kemerovo) with over 5.1 million in total;
- 2 cities with the population between 200,000 and 500,000 (Stavropol, Surgut) (more than 1.0 million in total);
- 4 cities with the population of less than 200,000 (Syzran, Pervouralsk, Novy Urengoy, Tobolsk) (more than 0.5 million in total).

*Table 6*

**Prices on the secondary housing market in Russian cities in 2017–2019**

City (region)	Average per unit asking price, thousands of rubles per m <sup>2</sup>			Price index in December 2019 relative to December 2018		Price index in December 2019 relative to December 2018	
				in nominal terms	in real terms (IGS)	in nominal terms	in real terms (IGS)
	December 2017	December 2018	December 2019				
1	2	3	4	5	6	7	8
Moscow	210.2	222.0	232.0	1.056	1.013	1.045	1.015
St. Petersburg	107.4	114.0	127.7	1.061	1.017	1.120	1.087
Vladivostok	95.9	109.6	121.8	1.143	1.096	1.111	1.079
Novy Urengoy (Tyumen Region)	89.2	93.5	102.9	1.048	1.005	1.101	1.069
Khabarovsk	82.2	82.8	85.5	1.007	0.965	1.033	1.003
Surgut (Tyumen Region)	69.8	75.5	78.6	1.082	1.037	1.041	1.011
Yekaterinburg	67.3	71.0	72.5	1.055	1.012	1.021	0.991
Samara	59.6	60.4	60.3	1.013	0.971	0.998	0.969
Tyumen	59.3	63.2	68.0	1.066	1.022	1.076	1.045
Novosibirsk	58.5	63.4	70.0	1.084	1.039	1.104	1.072
Irkutsk	56.4	61.0	63.6	1.082	1.037	1.043	1.013
Krasnoyarsk	52.6	56.2	60.4	1.068	1.024	1.075	1.044
Perm	49.3	53.3	57.3	1.081	1.036	1.075	1.044

<sup>1</sup> The sources of secondary market data are the companies included in the Public Graph of Secondary Realty Market Prices Dynamics in Russia's Cities (<http://realtymarket.ru/Publi-nii-grafik-cen-vtori-noi-nedvijimosti-gorodo/>); the sources of primary market data are listed in the Note to *Table 7*.

Data processing and interpretation was done in accordance with the guidelines described in: *Sternik G.M., Sternik S.G. Real Estate Market Analysis for Professionals. Moscow: Ekonomika, 2009; Sternik G.M., Sternik S.G. Methodology of Housing Market Modeling and Projection. Moscow: RG-Press, 2018.*

## RUSSIAN ECONOMY IN 2019

### trends and outlooks

Tobolsk (Tyumen Region)	49.3	43.3	45.3	0.878	0.842	1.046	1.016
Yaroslavl	48.6	51.6	54.0	1.062	1.018	1.047	1.017
Kemerovo	44.3	43.9	46.4	0.991	0.950	1.057	1.026

*Cont'd*

1	2	3	4	5	6	7	8
Barnaul	44.0	45.4	47.5	1.032	0.989	1.046	1.016
Voronezh	43.6	46.3	48.6	1.062	1.018	1.050	1.019
Omsk	43.2	45.6	47.5	1.056	1.012	1.042	1.012
Stavropol	39.5	42.9	44.8	1.086	1.041	1.044	1.014
Togliatti (Samara region)	39.3	40.1	40.5	1.020	0.978	1.010	0.981
Syzran (Samara Region)	36.7	35.7	34.6	0.973	0.933	0.969	0.941
Pervouralsk (Sverdlovsk Region)	36.1	36.3	36.8	1.006	0.965	1.014	0.984

Source: calculation based on sample data.

The year 2019 was marked, practically everywhere, by rising prices on the secondary housing market. The highest growth indices (by 10–12 percent) were observed in St. Petersburg, Vladivostok, Novosibirsk, and Novy Urengoy. In Tyumen, Krasnoyarsk, Perm, Kemerovo, and Voronezh prices gained more than 5–7 percent. The most numerous group of the “average range” posting 4–5 percent alongside Moscow (3.5 percent) included Yaroslavl, Tobolsk, Stavropol, Irkutsk, Omsk, and Surgut. Just barely Khabarovsk with 3.3 percent can be part of the latter. A significantly lower growth rate (within the range of 1–2 percent) was noted in Ekaterinburg, Pervouralsk and Togliatti, and clear outsiders were Samara (stagnation) and Syzran (decline in absolute terms).

Compared to 2019, the major part of the sample demonstrated a slowdown in price dynamics, although in many cities (St. Petersburg, Novy Urengoy, Khabarovsk, Tyumen, Novosibirsk, Krasnoyarsk, Kemerovo, Barnaul, Tobolsk, and Pervouralsk) an opposite situation was observed including trend change from decline to growth.

At the same time, in the majority of cities included in the sample, housing prices increased in real terms (excluding inflation on the consumer market) (IGS-index).<sup>1</sup>

In St. Petersburg, their growth came to 8.7 percent, in Vladivostok, Novosibirsk and Novy Urengoy, it was 7–8 percent, in Tyumen, Krasnoyarsk, and Perm, it was approximately 4.5 percent, in Kemerovo and Voronezh – around 2–2.5 percent. In the group of cities in the “average range”, the growth index was in the range of 1–1.7, including Moscow with its growth index of 1.5 percent. In all the other cities across our sample stagnation was observed (Khabarovsk) or a decline in real housing prices was most notably observed in Samara and Syzran (by 3 and 6 percent, respectively). In the major part of our sample (except Vladivostok, Surgut, Ekaterinburg, Samara, Irkutsk, Yaroslavl, Omsk, and Stavropol) the dynamic of the real housing prices was better than in 2018.

Data on primary housing market prices is available for 8 cities and Moscow Oblast (*Table 7*).

The primary housing market was demonstrating continuing growth almost in every city.

An absolute leader was Ekaterinburg, where housing prices gained approximately 15 percent. In Tyumen and Novosibirsk its value exceeded 7–8 percent, and in Moscow, St. Petersburg and Tobolsk it stayed in the range of 5–6 percent. In Yaroslavl and Stavropol,

<sup>1</sup> The IGS-index was calculated by applying the formula  $IGS = HPI/CPI$ , where HPI is the housing price index in rubles, and CPI is the consumer price index.

the prices were increasing at a slower pace (by 3–4 percent). Price comparison with those in 2018 demonstrate that in one half of sample (Moscow, Novosibirsk, Tyumen, and Stavropol) price growth slowed down and in the other half (St. Petersburg, Ekaterinburg, and Tobolsk) there was a trend change from decline to growth (Yaroslavl).

Table 7

**Prices on the primary housing market in Russian cities  
in 2017–2019**

City (region)	Mean unit asking price, thousands of rubles per m <sup>2</sup>			Price index in December 2018 relative to December 2017		Price index in December 2019 relative to December 2018	
				in nominal terms	in real terms (IGS)	in nominal terms	in real terms (IGS)
	December 2017	December 2018	December 2019				
Moscow	179.9	202.0	212.0	1.123	1.077	1.050	1.019
St. Petersburg	100.6	106.0	112.0	1.054	1.011	1.057	1.026
Ekaterinburg	63.3	63.3	72.6	1.000	0.959	1.147	1.114
Novosibirsk	59.9	66.3	71.3	1.107	1.061	1.075	1.044
Tyumen	56.6	62.1	67.5	1.097	1.052	1.087	1.055
Yaroslavl	50.6	49.7	51.9	0.982	0.942	1.044	1.014
Tobolsk (Tyumen region)	49.3	50.2	53.1	1.018	0.976	1.058	1.027
Stavropol	36.3	40.7	42.1	1.121	1.075	1.034	1.004

Source: for Moscow – Moscow Association of Realtors Committee on Analysis and Consulting (data released by Miel Group, Miel ‘Novostroiki’; JSC Sterniks Consulting); for the city of St. Petersburg – Group of Companies ‘Real Estate Bulletin’; for Ekaterinburg – IRTS UPN; for Novosibirsk – RID Analytics; for Tobolsk – Federal Real Estate Agency ‘Etazhi’; for Tyumen – ‘UPCConsAllt’lt, Federal Real Estate Agency ‘Etazhi’; for Yaroslavl – LLC ‘Metro-Otsenka’; and for Stavropol – LLC ‘Small Enterprises Development Center ‘Ilekta’.

Indexes of the real housing price (IGS-index) went up in all cities in 2019.

Ekaterinburg posted the highest growth (above 11 percent), Novosibirsk and Tyumen registered growth of more than 4 and 5 percent, respectively. Moscow, St. Petersburg, and Tobolsk reported IGS-index growth in the range of 2–3 percent, and in Yaroslavl and Stavropol it was even less. Dynamic of the real housing price in the majority of cities (except Moscow, Novosibirsk, and Stavropol) was better in 2018, whereby in Ekaterinburg, Yaroslavl, and Tobolsk there was a trend change from decline to growth.

Consequently, following the 2017 stabilization, the asking prices on the housing market were on the rise to a second year in a row. This was especially true for the primary market in 2019 despite that fact that the temporary mortgage rate rise against the backdrop of implementation of the cost sharing construction reform resulted in the reduction in the number of apartment purchase deals under co-investment agreements by 1.6 percent to 783,000 (approximately by 8 percent below the peak level seen in 2014).

Let us analyze in further detail the situation in this segment in Moscow.<sup>1</sup>

According to data for Q4 2019, the supply volume within the previously established city borders amounted to 33,200 apartments of which around 51 percent belonged to mass housing, 42.6 percent belonged to the business class, 4.6 percent – to the premium class, and 2 percent – to elite housing (Table 8).

Year-on-year, the number of supply has gone up by 2.1 percent, however with respect to the total floor area (2.3 million m<sup>2</sup>) the supply growth has constituted barely 0.6 percent which

<sup>1</sup> According to data released by the Committee on Analysis and Consulting of the Moscow Association of Realtors (MAR).

demonstrates a severe reduction in the average apartment floor area in the 2019 supply. Notable growth in the number of offers was related to mass housing (up by 12.5 percent) and elite class (by more than one third) amid the collapse in the average price range, especially in the premium class (by more than 38 percent). The business class supply has dropped by 2 percentage points against 3 percentage points drop reported in the premium class housing.

*Table 8*

**Dynamic of apartments supply on the primary market of Old Moscow in 2018–2019, units**

Period	Total		Mass housing		Business class		Premium class		Elite class	
	unit	%	unit	%	unit	%	unit	%	unit	%
Q4 2018	32525	100.0	14990	46.1	14550	44.7	2485	7.65	500	1.55
Q1 2019	33620	100.0	16760	49.9	14230	42.3	2090	6.2	540	1.6
Q2 2019	32845	100.0	16550	50.4	13850	42.2	1920	5.8	525	1.6
Q3 2019	33155	100.0	16950	51.1	13905	41.9	1635	4.9	665	2.0
Q4 2019	33195	100.0	16860	50.8	14140	42.6	1535	4.6	660	2.0

Source: Committee on Analysis and Consulting MAR.

Precisely there the asking prices have gone up (by around 21 percent) the most over the year amid the spike in Q4 (by around 11 percent) (*Table 9*).

*Table 9*

**Dynamic of average per unit asking prices on the primary market of Old Moscow in 2018–2019**

Period	Mass class			Business class			Premium class			Elite class		
	RUB/ m <sup>2</sup>	% to		RUB/ m <sup>2</sup>	% to		RUB/ m <sup>2</sup>	% to		RUB/ m <sup>2</sup>	% to	
		Q-o-Q	Q4 2018		Q-o-Q	Q4 2018		Q-o-Q	Q4 2018		Q-o-Q	Q4 2018
Q4 2018	162 090	...	100	228 100	...	100	459 395	...	100	1 032 895	...	100
Q1 2019	165 700	102.2	102.2	230 390	101.0	101.0	479 100	104.3	104.3	1 016 070	98.4	98.4
Q2 2019	167 820	101.3	103.5	235805	102.4	103.4	488 805	102.0	106.4	1 062 165	104.5	102.8
Q3 2019	171 555	102.2	105.8	237 925	100.9	104.3	501 265	102.5	109.1	1 080 700	101.7	104.6
Q4 2019	174 760	101.9	107.8	241 745	101.6	106.0	554 375	110.6	120.7	1 007 130	93.2	97.5

Source: Committee on Analysis and Consulting MAR.

Dynamic of housing prices in elite class has also stayed within the corridor of classical patterns. The spike in supply was accompanied by negative growth in Q1 (by 1.6 percent) and Q4 (by 6.8 percent) as well as end-of-year period as a whole (by 2.5 percent). Housing price movement in lower price bracket (mass class and business class) which accounted for over 90 percent of supply was similar (growth by 6–8 percent for entire period) despite differently directed trends in the change in its absolute volume. If in mass class the supply has notably increased (by 12.5 percent) then in business class – moderately declined (by approximately 3 percent).

In respect to demand, Moscow within the previously established city borders (also less Zelenograd administrative okrug) registered 47,600 co-investment agreements with individuals up by 6 percent against the 2018 indicator. Nekrasovka reported record high number of co-investment agreements (1,926). Regarding floor area, the demand constituted in 2019 2.7 million m<sup>2</sup> up by 3.7 percent against 2018 which once more attests to the downward trend in the average apartment floor area supply. The share of mortgage deals in mass class housing

accounted for 56 percent, in business class – 45 percent, in premium class – 29 percent, and in elite class – 16 percent.

Quarter-over-quarter dynamic of satisfied demand is of interest (registered co-investment agreements) (*Table 10*).

*Table 10*

**Comparable quarter-over-quarter dynamic of co-investment agreements registration for apartments in Old Moscow in 2018–2019, thousand units**

Period	Q1			Q2			Q3			Q4		
	Total	% to		Total	% to		Total	% to		Total	% to	
		Q-o-Q	Y-o-Y		Q-o-Q	Y-o-Y		Q-o-Q	Y-o-Y		Q-o-Q	Y-o-Y
2018	8.8	...	...	10.1	114.8	...	11.2	110.9	...	14.8	132.1	...
2019	11.7	79.1	133.0	12.0	102.6	118.8	11.1	92.5	99.1	12.8	115.3	86.5

Source: Committee on Analysis and Consulting MAR.

In 2018, the demand was gradually growing due to a gradual reduction in the mortgage rates except December 2018,<sup>1</sup> when they went up. The latter resulted in the registered demand decline in Q1 2019 by 21 percent. Two more peaks were observed in the course of 2019.

One of them (in Q4) was a normal reaction of the market to the reduction in mortgage rates. The other happened earlier in Q1–Q2 when developers carried out accelerated purchase of apartments for sale to the name of top managers and trustees in order to mark sales at above 10 percent of the total floor area of the housing under construction to obtain the right not to switchover from July 1 to escrow accounts and have the right to continue financing through co-investment agreements.

Let’s brief on the situation in the territory within the previously established city borders (Old Moscow) whereas on late 2019 twenty-seven tenement building complexes totaling 182 blocks were under construction, which amounts to supply of 9,753 apartments with total floor area of 541,358 m<sup>2</sup>.

At end-of-year the average price in mass class housing stood at RUB 121,000 per m<sup>2</sup>, in business class – RUB 174,500 m<sup>2</sup>, down by about 30 percent compared to the same indexes seen in Old Moscow. It is worth noting that till July 2019 asking price growth in business class housing was steady and flat, and in July the average price came to RUB 135,500 per m<sup>2</sup>. However, August 2019 saw a spike in the average asking price in business class by 36 percent (up to RUB 184,200 per m<sup>2</sup>) due to purchases by developers seen in July. Already in September it declined by around 7 percent (down to RUB 172,000 per m<sup>2</sup> and did not return to H1 level.

**5.9.2. The construction, commissioning, and supply of new housing units**

According to preliminary data for 2019, the total volume of housing stock put into operation amounted to 79.4 million m<sup>2</sup>, which is 4.9 more than in 2018 (*Table 11*)<sup>2</sup>.

<sup>1</sup> End-of-Q4 as a whole increment came just short of 1/3.

<sup>2</sup> The 2019 data also provides the amount of housing commissioning to the tune of 80.3 million m<sup>2</sup> (including commissioning of residential buildings on land plots provided for gardening). Prior to August 2019 such buildings were not taken into account. Changes in the accounting were due to fact that provisions of the Federal Law dated July 29, 2017 No. 217-FZ “On gardening for private needs and introduction of amendments into certain legislative acts of the Russian Federation” fully entered into force.

For comparison with data for the previous periods, it is proper to use the amount of commissioning of residential buildings without those commissioned on the land plots for gardening. Moreover, so far this category represents a



*Table 11*

**The rate of commissioning of residential buildings across Russia in 1999–2019**

Year	Total area, millions of meters <sup>2</sup>	Growth rate, percent	
		Year-on-year	To 2000
1999	32.0	104.2	105.6
2000	30.3	94.7	100.0
2001	31.7	104.6	104.6
2002	33.8	106.6	111.5
2003	36.4	107.7	120.1
2004	41.0	112.6	135.3
2005	43.6	106.3	143.9
2006	50.6	116.0	167.0
2007	61.2	120.9	202.0
2008	64.1	104.7	211.5
2009	59.9	93.4	197.7
2010	58.4	97.5	192.7
2011	62.3	106.6	205.6
2012	65.7	104.7	216.8
2013	70.5	107.3	232.7
2014	84.2	119.4	277.9
2015	85.3	101.3	281.5
2016	80.2	94.0	264.7
2017	79.2	98.8	261.4
2018	75.7	95.1	248.5
2019	80.3/79.4*	106.1/104.9*	265/262.0*

\* Less building commissioned on garden plots.

Sources: Rosstat; own calculations.

Interim results for the past year have demonstrated that transition to the new financing mechanism deployed in housing construction (from co-investment agreements to the project-tied bank lending through escrow accounts for accumulating of buyers’ funds) went on better than expected.

Contrary to concerns, volumes of housing commissioning countrywide moved up compared to 2018 by around 5 percent which is due to the permission to finish construction of part of facilities according to former rules and concentration of developers’ efforts to complete construction of buildings with high degree of completion and successes of individual housing construction. In doing so, they managed to terminate a three-year-long period of decline (2016–2018) in housing construction.

A less bright situation has been observed with regard to developer projects involving multi-apartment residential buildings.<sup>1</sup> The volume of housing stock put into operation in this segment has also been on decline for a third year in a row, at an accelerated rate (2016 – 3.4 percent, in 2017 – 4.5 percent, and in 2018 – 7.3 percent). Its volume (43.5 million m<sup>2</sup>) stabilized practically at the previous year level when in 2019 individual developers put into operation houses totaling 36.8 m<sup>2</sup> up by 10.7 percent against 2018. Their share in the total volume of housing commissioning came to about 46 percent.

Positive movement patterns in the housing construction sector were observed in the majority of regions (*Table 12*).

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small rderpart of proportion of aggregate commissioning of residential housing as of end-of-year 2019: 0.9 million m<sup>2</sup> (or around 1percent). When we take such residential buildings into account growth comes to 6.1 percent against 2018.

<sup>1</sup> The official Rosstat reporting this index. However, it can be calculated as a difference between total volume of housing commissioning and housing commissioning by population carried out at their own and raised funds.

Table 12

**The dynamic of commissioning of residential housing in Russia's regions  
in 2019 (ranked in descending order)**

Region	Housing stock put into operation, percent relative to 2018
Moscow	141.8
Lipetsk region	139.1
Stavropol krai	123.0
Sverdlovsk region	114.2
Tyumen region (with autonomous districts)	114.2
Tatarstan	111.0
Voronezh region	110.2
Rostov region	109.5
Nizhny Novgorod region	104.3
Ulyanovsk region	103.9
Krasnoyarsk krai	103.4
Bashkortostan	103.2
Perm krai	102.8
Belgorod region	101.5
Krasnodar krai	101.0
Novosibirsk region	100.4
Saratov region	98.9
Samara region	95.6
Moscow region	95.2
Chelyabinsk region	94.9
Leningrad region	92.2
St. Petersburg	87.9

Source: Rosstat.

As follows from *Table 12*, the movement pattern displayed by the index of the total volume of housing stock put into operation, which considerably exceeded Russia's average (by more than 5 percent), was noted in Moscow, Lipetsk region, Stavropol krai, Sverdlovsk and Tyumen regions, Tatarstan, Voronezh and Rostov regions. Another 8 regions demonstrated positive movement patterns of that index, but its actual value was less than average across the country.

At the same time, shrinking volumes of housing stock put into operation were seen in 6 regions, including Saratov region, Samara region, Moscow, Chelyabinsk, Leningrad regions and St. Petersburg. Half of this group included regions which in 2018 were among 5 leaders (outer Moscow, St. Petersburg, and Leningrad region). That said, the deepest plunge (over 12 percent) was reported in St. Petersburg.

Moscow region demonstrated a decline (around 5%), although it retained its leading position among Russian regions on the back of the total volume of housing stock put into operation in absolute terms (over 8.4 million m<sup>2</sup>). The city of Moscow demonstrated novel growth rates (around 42 percent) overtaking St. Petersburg (about 3.5 million m<sup>2</sup>). However, by its total volume of housing stock put into operation in absolute terms, which was above 3.5 million m<sup>2</sup>, it still fell behind the city of St. Petersburg (about 4.0 million m<sup>2</sup>), where the rate of housing stock put into operation was the highest (11.7 percent). The group of top five leaders was also joined by Krasnodar krai (approximately 4.5 million m<sup>2</sup>) and Tatarstan (around 2.7 million m<sup>2</sup>). The share of the capital region in the total volume of housing construction in the country amounted to around 17 percent (including Moscow region – 10.6 percent and Moscow – 6.3 percent) exceeding the value of the index seen in 2017–2018.

This being said, it is worth noting that the dynamic of mortgage lending by no means always was the key factor in housing construction regions-wise. Against the background of practically across-the-board reduction in the number of mortgage contracts (down by 10–15 percent) even the outstripping contraction of demand for mortgages (down by 20–24 percent according to

data released by Metrium Group<sup>1</sup>) did not stop Tatarstan and Ulyanovsk region not only to stay in the group of regions with housing commissioning over 1 million m<sup>2</sup> but also demonstrate an upward dynamic (especially Tatarstan). Even greater growth (over 22 percent) amid deep decline of mortgage volumes was observed in Khanty-Mansi autonomous okrug, although the absolute value of housing commissioning in that region was below 1 million m<sup>2</sup>.

At the same time, significant growth in the number of mortgage deals compared to 2018 was reported in Chechnya and Dagestan (by 26 and 16 percent, respectively) where in light of the existence of great number of families with many children the government expanded to the utmost accessibility of mortgage lending through mortgage interest rates subsidization. However, neither housing commissioning in absolute terms nor its growth did not impress much. Similar picture was observed in Crimea with its growing tourist attraction.

In relation to the reform of the financing mechanism employed in housing construction then from July 1, 2019 the use of escrow accounts had to be mandatory for all projects. However, authorities in dialogue with the professional community developed a number of criteria which allowed developers to work according to old rules even after that date. According to the adopted version of the RF government resolution dated April 22, 2019 No. 480,<sup>2</sup> such projects should correspond the following criteria:

- the building is completed by more than 30 percent (on criterion of accrued costs), there are decreasing coefficients for complex construction projects (0.5x) and companies on the list of systemic organizations (0.2x);
- construction facilities with co-investment agreements totaling no less than 10 percent of their aggregate floor area.

The government was boosting early transition to the mechanism of escrow accounts in return of lifting part of requirements for developers, for example, contribute 1.2 percent of price from every shared construction agreement to the Fund for protections of rights of citizens participating in shared-equity construction. Having said that, application of IFSR accounting standards was expected which would ease a number of restrictions in relation to indirect costs.

Despite those measures, developers were in no hurry to switchover to the new mechanism of dealing with the participants' funds. Factors hampering the process are the following:

- low level of financial competences with developers which on many occasions does not allow to stand up the project before banks;
- inadequacy of the major part of small size developers to banks' requirements presented to the quality of borrowers;
- insufficient number of bank specialists who are competent in the construction segment;
- unwillingness of banks to deal with lending to developers due to reputation of developers as a “shady” business.

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<sup>1</sup> URL: [www.metrium.ru/research](http://www.metrium.ru/research).

<sup>2</sup> This document has approved (1) criteria which determine the grade of completion of an apartment block and (or) other real estate construction facility (construction project) and the number of co-investment agreements on condition of the correspondence the developer receives the right to raise funds from participants in shared-equity construction without using accounts envisaged by Art 15.4 of the Federal law “On participation in shared-equity construction of apartment blocks and other real estate facilities and on the introduction of amendments in certain legislative acts of the Russian Federation”, on co-investment construction agreements submitted for the state registration after July 1, 2019 (2) methodology to determine conformity of apartment block and (or) other real estate facility (construction project) to indicated criteria, and (3) list of accompanied documents submitted by developer.

As on late 2019, projects implemented via escrow accounts account for 24 percent of the total construction through raising the equity construction investors' funds. The regions with the highest share of such projects are Kalmykia (76 percent), Kurgan region (68 percent) and Chelyabinsk region (59 percent). It is worth noting that the latter belonging to the group of regions with the housing commission above 1 million m<sup>2</sup> demonstrated at year-end of 2019 a decline by around 5 percent. As for the other two regions, amid positive dynamic related to the absolute value of housing commissioning, they belonged to the group of outsiders.

According to data released by the Bank of Russia as of early 2020:

- signed within project-tied lending total number of 778 loan agreements to the tune of RUB 921.82 billion.;
- total number of opened escrow accounts 44,180;
- escrow accounts balance totaled RUB 147.74 billion;
- closed escrow accounts (in operation to putting into operation of financed facilities) totaling 2,547;
- the sum of transferred funds from those accounts totaled RUB 5.43 billion.

So far developers boast of a large backlog of projects which correspond to the criteria of the decree of the RF government for continuing construction on former rules. However, as far as this resource is running out and the developer is getting higher affordability, the volume of funds raised from the co-investment agreements will be declining for construction financing. Gradually, they will be phased out by more conventional sources of debt capital. Meanwhile, major market stakeholders raised loan-based funding cheaper over recent years than the funds generated by the co-investment agreements. The reasons for that lie in the interaction of institutional lease factors (affiliation with system companies) and business features (large scale and vertical integration) which have opened access to bank lending on preferential terms and issuance of bonded debt on the basis of credit ratings (for instance, “PIK”, “LSR”, and “ETALON”).

Main challenge for business model developers when the new rules are in force becomes growing debt burden because the funds generated from housing sales at the construction stage will be frozen on escrow accounts till the completion of construction. In return a company will receive project-tied financing on preferential bank rate. That said, developers with diversified project portfolio and considerable amount of own capital boast of a larger safety cushion. Nevertheless, the share of debt servicing payments in the structure of operational income is spiking (EBIT to Interest rate).

In the course of last decades, the main investment attractiveness of the housing construction was the implementation of rather large projects at the expense of funds raised from equity construction investors on the back of small own investments.

In order to restore return on invested capital (in the context of a need for raising the share of own funds after the reform) price growth was required which was observed on the market last year, especially in Q3 2019. The point is that the price growth reported over that period resulted from a spike in volumes of absorption of co-investment agreements in late Q2 by large and medium-sized developers in large cities. As noted above, they set a goal to mark the sale of more than 10 percent of the total floor area in project-tied housing construction in order to receive the right not to switchover to escrow accounts from July 1 and have a chance to proceed with financing according to the co-investment agreements mechanism. With that in mind, they exercised purchase of apartments for sale in the name of top managers and trustees of developers.

On the whole, complete risk elimination for equity construction investors regarding the loss of their funds as proclaimed target for the introduction of the new mechanism is paid by rising developers' price both due to price growth on completed housing and to the discount reduction at the construction stage because of the introduction of additional link (banks) in redistribution of income generated by construction.

Speaking about sector's prospects as they were seen before the outbreak of the crisis in February-March 2020, the following should be noted.

Quarter-on-quarter dynamic of housing construction volumes compared to 2018 after the collapse seen in Q1 and advance growth rates (12–15 percent) posted in subsequent two quarters, in the closing Q4 demonstrated slight uptick (around 2 percent if not taking into account commissioning of the houses built on garden land plots). And in December when Russia boasts of a spike in housing commissioning, a decline was observed even with the account of this new factor. Having said that, sector's management expressed concerns in late 2019 with respect to big complications the sector can face in 2021–2022. For instance, the Minister of construction, housing and utilities of the Russian Federation, Vladimir Yakushev, underlined at the forum “Digital Transformation in the Construction Industry Aimed at Sustainable Development” held in St. Petersburg that this was due to a small number of issued permits for housing construction.<sup>1</sup>

It is worth noting that obtained increment at year-end 2019 missed targets set forth by the National project “Housing and urban environment”. Growth in housing construction volumes posted in 2019 made provisions for return to the 2016–2017 indicators (80.2 million and 79.2 million m<sup>2</sup>, respectively). Nevertheless, not only targeted index envisaged by the National project (88million m<sup>2</sup>) was missed but the previous peak values of 2014–2015 (84.2 million and 85.5 million m<sup>2</sup>) as well.

### 5.9.3. Legal novations in the shared-equity construction system

Last year boasted of the ongoing reform of the shared-equity construction system comparable in its intensity to the changes happened in 2018.<sup>2</sup>

The Law dated June 27, 2019 No. 151-FZ introduced amendments and supplements to more than ten normative and legislative acts including the Land and Town Planning Codes of the Russian Federation, bankruptcy law, etc. However, many of them have been the result of the next widescale adjustment in the base law on shared construction of 2004 (No. 214-FZ).

First of all, we should underline regulation of relationship with defrauded homebuyers wherefore the Law No. 214-FZ received three new article at one go (Articles 21.1–21.3).

As in the case with the public law company “Fund for Protection of Rights of Citizens' Participating in Shared-Equity Construction” established in 2017 in accordance with the special law (No. 218-FZ), the scope of operation of the Law No. 214-FZ on the local level was extended to the relations related to the settlement of developer's liabilities to the participants in shared-equity construction and transfer of its property (including title thereto) and liabilities to the unitary non-profit organization (Fund) set up by RF subject with due regard for the specificities stipulated in that Law, as well as the laws regulating shared construction and bankruptcy. The new organization was granted the status of a developer company.

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<sup>1</sup> Ministry of construction projects a decline in housing commissioning in 2021–2022, November 18, 2019 URL: <https://realty.interfax.ru/ru/news/articles/112072>.

<sup>2</sup> See IEP's Annual report “Russian Economy in 2018. Trends and Perspectives”. Moscow. IEP, 2019.

RF subject sets up its Fund in accordance with the regional normative and legal acts aimed at the regulating developers' liabilities declared as bankrupts before the participants in shared construction and transfer to them property (including title thereto) and developers' commitments to complete construction of multi-apartment buildings and (or) other real estate facilities, which construction is done through attraction of homebuyers' funds according to the envisaged order, and (or) for the completion of construction of engineering and technical and social infrastructure for its subsequent compensation-free transfer to the state or municipal property.

The fact that RF subject may set up only one Fund is conditioned by the need to include information on construction facilities located on the region's territory into the Single Register of Problematic Facilities.<sup>1</sup> The latter represent multi-apartment buildings and (or) other real estate facilities where developer violated by more than 6 months the timeline for completion of construction and (or) liabilities to transfer the facility to participant in shared construction under the registered agreement or where developer is declared as bankrupt and with respect to whom bankruptcy proceedings were launched in compliance with the bankruptcy law of 2002. For the implementation of measures intended to restore the citizens' rights whose funds have been raised for the construction of those facilities included on the unified register located on the region's territory, the latter's executive authority approves a corresponding implementation roadmap for such measures.

Status, objectives and functions of RF subject's Fund and the procedure for the set up of its management bodies are determined by the RF Civil Code and by the legislation on non-commercial organizations.

Settlement of developers' liabilities can be carried out by RF subject's Fund out of funds provided by public law company "Fund for protection of rights of citizens participating in shared-equity construction" established in 2017. These funds can be allocated for financing the activities of RF subjects' Fund which can act as a developer and engage in completion of construction of multi-apartment buildings and (or) other real estate facilities and objects of infrastructure with account of non-application of a number of articles on shared-equity construction.

RF subject's Fund has the right to raise funds from individuals and legal entities on co-investment agreements with respect to the facilities under completion only on condition the funds being on escrow accounts opened with an authorized bank in the housing construction segment according to the stated order.

For the implementation of envisaged activity any operations transactions carried out by the Fund of RF subject, legal entities, which are its partners including the latter making deals with other legal entities are carried out by authorized bank in the sphere of housing construction to the stated order envisaged by the law of 2017 on public law company on protection of the rights of citizens participating in shared construction (No. 218-FZ). That said, conditions established in relation to "Fund for Protection of Right of Citizens Participating in Shared-Equity Construction", are applied to RF subject as well.

By being its founder, the subject's budget finances every day activities of the Fund. For these purposes the Fund does not use its own money.

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<sup>1</sup> Formed along with the Single Register of Developer Companies (SRDC) in electronic form in the Unified information system for housing construction (UISHC) by means envisaged by hardware and software complex of the system on the basis of data uploaded by subjects of information. Information contained in the Single Register of Problematic Facilities as well as in SRDC are in open access except information with restricted access by the law of Russia.

The Fund of RF subject when receiving developer's property and liabilities before the participants in construction according to the procedure set forth by the bankruptcy law is not responsible for developer's violations that was declared bankrupt, breach of timelines for transfer of facility to participant in shared construction which must be done not later than 3 years from the day of pronouncement of corresponding decision by the court of arbitration.

When region's normative legal act on the establishment of the Fund of RF subject envisages that financing of its activities and measures on the settlement of developer's liabilities are carried out from the fund of RF subject without the attraction of the federal budget funds and (or) funds provided by public law company "The Fund for Protection of Rights of Citizens Participating in Shared-Equity Construction" , then the Fund of RF subject carries out its activities with the account of the following factors.

The Fund is not subject to mentioned above bans and provisions with respect to conducting operations with authorized bank in the segment of housing construction. The RF subject's Fund is entitled to raise funds from citizens and legal entities through co-investment agreements with respect to facilities in the state of completion only on condition of their deposit on escrow accounts with authorized bank (regardless of requirements to deposit participants' funds on escrow accounts in the authorized bank in the segment of housing construction).<sup>1</sup>

In case the Fund of RF subject allows to commit non-execution or improper execution of its obligations on the implementation of measures intended to settle developer's commitments, the subject of the Russian Federation-founder of the Fund is subsidiary liable for its commitments.

For carrying out operations with funds received from the regional budget the Fund opens an account with the financial body of RF subject. For all other purposes the Fund of RF subject may open an account with credit institutions located on the territory in due course.

The RF subject's Fund takes decision on financing or inexpediency of financing the measures related to above indicated objectives. The RF subject's Fund informs bankruptcy commissioner and the public law company "Fund for Protection of Rights of Citizens Participating in Shared-Equity Construction" on its decision not later than 3 days following the corresponding decision.

The decision of RF subject's Fund on financing must envisage funding of completion of construction of all located on the territory of the region-founder of the Fund multi-apartment buildings and (or) other real estate facilities and infrastructure objects of the developer in respect of which the Court of Arbitration decided to declare him bankrupt and introduce bankruptcy administration. The RF subject's Fund decides on expediency of funding (except cases if the regional executive authority decides otherwise) on the provisions introduced into the 2017 law on public law company for protection of rights of citizens participating in shared-equity construction (No. 218-FZ).

Just to name a few significant amendments introduced to the law on shared construction (No. 214-FZ).

*Firstly*, regarding the subject of regulation and conceptual framework the term "private premises in multi-apartment buildings" (in the context of attraction of funds from citizens) to replace with a wider one "premises in multi-apartment buildings and (or) other real estate facilities" hereunder are understood non-living premises and car-places.

From mid-2018, the list of permitted methods of attracting private funds of individuals no longer includes that of the issuance, by the owner or holder by right of lease of a land plot for

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<sup>1</sup> On the divergence between two categories of banks see below.

which a permit was obtained in the established procedure for the construction therein of a multi-unit residential building, of bonds of a special type (housing certificates), the direct ban has been imposed on the sale of securities to citizens, the execution of rights upon which according to the terms of issuance and terms and conditions of trust agreement on the management of mutual investment fund, a citizen has the right to claim a unit in a multi-unit residential building and (or) in another real estate facility which has not been put into operation although there was attraction of citizens fund for construction.

Alongside the term “authorized bank” brought about in 2017,<sup>1</sup> definition of an authorized bank in the segment of housing construction was designed, which is a bank established in accordance with the law of the Russian Federation and ascertained by the 2015 law on the assistance to the development and raising efficiency in the segment of housing management (No. 225-FZ). According to the amendments introduced therein in 2019, this is a joint stock company (JSC) representing the credit institution whose all shares are in ownership of a single institute of development in the housing segment. Sale or other way for alienation of those shares, pledging or other way of disposal of the shares is carried out according to the federal law. In truth, this refers to “ДОМ.РФ” which was created on the basis of the bank *Russian Capital*<sup>2</sup> after the transfer of its 100-percent stake to the charter capital of the Agency for Housing Mortgage Lending (AHML) at the very end of the year 2017, which was later reorganized into JSC “ДОМ.РФ”.

*Secondly*, there were important adjustments related to the relationship between developer and credit institutions.

In the context of determination of targeted credit or loan for construction (creation) of multi-apartment residential building and (or) other real estate facility according to the provisions of the contract concluded by a developer and a creditor (bank or founder (participant) of developer), restrictions related to the targeted use of such funds are not applied in case the developer carries out the construction (creation) of indicated facilities with raised funds from participants in shared-equity construction on condition of their deposit on the escrow accounts according to established procedure.

The bank account contract concluded with authorized bank prior to the commissioning of multi-apartment residential building can be terminated by the developer where the developer takes decision not to raise funds from participants in shared-equity construction for construction (creation) of a facility by virtue of participant agreement in the absence of obligations owed to them. However, termination is impossible if the developer becomes the plaintiff or the defender in a lawsuit which contexts are disputes on its obligations emerged after the day of opening a bank account with the authorized bank before such bank or before participants in shared-equity construction as well as where the court enforcement proceedings were not completed regarding mentioned developer’s obligations.

In the event the Bank of Russia crosses out authorized bank from the list of banks corresponding to the criteria established by the RF government, the developer terminates the bank account contract unilaterally. Then, developer, technical customer, and principal contractor executing works according to the signed contracts are obliged to open bank accounts in another authorized bank and transfer to those accounts all funds not later than 30 days from

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<sup>1</sup> Banks for work with developers which correspond to the criteria established by the RF government dated June 18, 2018 No. 697.

<sup>2</sup> Several years ago this bank was eligible for resolution SC “Agency for Deposits Insurance” (ADI).



the release by the Bank of Russia of information on crossing out such bank from the mentioned list.

Having said that, it continues monitoring the compliance of the purpose and amount of payment indicated in the developer's instruction both to the content of submitted documents which are the basis for drafting instruction and to established by law requirements for the use of developer's funds<sup>1</sup> and procedure for the execution of operations as per its account before obtaining from developer of mentioned notification about opening of the new bank account. Upon receipt from the developer of mentioned notification such bank may not execute operations on the developer's current account except those operations instruction on whose execution were received before one day or on the day of receipt of corresponding instruction on execution the operation for transfer of funds to the new bank account of the developer.

*Thirdly*, in relation to the disclosure of information, the developer determined that its major part is subject to be posted on the Unified Information System for Housing Construction (UISHC) website prior to submission for the state registration of the first participant agreement in shared-equity construction of multi-apartment residential building and (or) other real estate facility. And information on the introduction of one of the bankruptcy procedures, on opening or closure of developer's account with indication of its number, name of the authorized bank and its identifications (taxpayer identification number (TIN), main state registration number (OGRN), notification on onset of construction, conversion of the construction project posted in accordance with the law on state-planning activity are posted on UISHC's website not later than 3 working days from the date of the onset of the associated event. Developer in accordance with the law of the Russian Federation is held responsible for incomplete and (or) unauthenticity of information subject to disclosure.

*Fourthly*, the co-investment agreement in shared-equity construction now can be concluded in electronic document signed with an enhanced encrypted and certified digital signature.<sup>2</sup> This being said, it has to contain more precise terms for raising funds from participants in shared construction: (a) execution of obligation on transfer of contributions to the compensation fund or (b) deposit participants' funds on escrow accounts according to the established procedure. Agreement on the cession of rights for forfeit, penalty (fine) is not subject to state registration.

With regard to regulation for ensuring of execution of obligations on the agreement the security deposit determines that when the developer raises funds on agreements for participation in shared construction submitted for state registration after July 1, 2019, in case they were concluded prior to that date and declare developer a bankrupt with opening against him of bankruptcy proceedings, land plot as collateral upon its partition remains with respect to the new land plot where a multi-apartment residential building and (or) other real estate facility is being constructed (created) or were constructed (created) for the construction for which purpose funds from participants in shared construction are raised and terminates in relation to the altered land plot which remains as a result of its partition in the altered borders.

The partition of land plot does not require consent from the participants in shared construction (pledgeholders) and the bank unless otherwise provided for by the agreement.

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<sup>1</sup> The list of objectives that are eligible for the use of funds from developer's account was supplemented with payment for costs incurred with placing multi-unit residential building and (or) other real estate facility on state cadaster registration, for which construction funds from participants in shared construction projects were raised.

<sup>2</sup> Requirements to electronic form of contract, agreements introduction of amendments, on assignment of claims thereon, including requirements to format and filing forms of such documents are established by the federal body of executive power in the area of state regulation of ownership rights and transactions therewith.

These rules are also applied in relation to pledge of lease rights or sublease on the land plot. Executive government bodies (local self-administration) authorized for the provision of land plot owned by the central or local government are obliged not later than within 7 working days from the date of receipt from the developer of a corresponding application to carry out actions envisaged by the land legislation required for the state cadaster registration and state registration of rights for the created and altered land plots.

*Fifthly*, regulation of attraction by developer of funds from participants in shared construction in case of their deposit on escrow accounts and their use was supplemented by the following norms.

In case the construction (creation) of a multi-apartment residential building and (or) other real estate facility by a developer company is funded by a targeted loan, extended according to an agreement on syndicated credit (loan), the participants in a shared construction project make their contract price payments to escrow accounts opened with the authorized bank (authorized banks) – participant (participants) in syndicate of creditors determined by such agreement of syndicated credit (loan)

Where construction of real property facility is exercised by a developer at the expense of targeted credit funds then after the Bank of Russia crosses out authorized bank from the list of banks which correspond to criteria established by the government of the Russian Federation, participants in shared construction project deposit their funds towards the payment for participant agreement concluded in relation to such a facility on escrow accounts opened with such authorized bank. Where construction is exercised by a developer without raising funds of targeted credit, then in case of mentioned actions taken by the Bank of Russia, participants in shared construction project deposit funds towards the payment for participant agreement price concluded with respect to such facility on escrow accounts opened with another authorized bank.

Authorized bank (escrow agent) may terminate unilaterally escrow account agreement when funds were not deposited on escrow account within the timeframe of more than 3 months from the date of conclusion of such agreement. The text of the escrow account agreement in addition to bank account of participant in shared construction project (bailer) on which funds are deposited is supplemented with the information on the pledgeholder and requisites of the pledged account where escrow-agent deposit funds if participant agreement in shared construction project specifies the use by participant in borrowed funds for the payment of participant agreement price.

*Sixthly*, all developer's information is augmented with data on individuals and (or) legal entities who in accordance with RF legislation on protection of competition forming the same group with developer specifying: (a) data identifying a person (for individual – full name, citizenship and place of residence, for legal entity—organizational and legal form, OGRN and TIN), and (b) grounds for an individual to form the same group with developer. Developer's responsibility to disclose to any person a certain set of documents appears solely in case of their unavailability on UISHC's website.

All information of construction's project is augmented with the data on targeted credit (targeted loan) including data allowing to identify the creditor, on the available amount of credit (loan) with lending limit in accordance with its agreement provisions, unused balance on the credit line for the last reporting date and on the number of concluded agreements (total floor area of facilities of shared-equity construction and agreement's price) with indication of the facility's type (residential, non-residential, parking place), including number of agreements

concluded on condition of payment of mandatory contributions to the compensation fund or through using escrow accounts.

*Seventhly*, multiple novations appeared in the information provision.

Parting from the information posted on the Unified Information System for Housing Construction (UISHC) website, its operator may form analytical information, including with the account of the aggregated information's level (country-wise, RF subjects-wise, on municipalities, on separate directions in the construction segment, on other levels of aggregation). Disclosure of such information on requests from the government bodies, local governments and the Bank of Russia is exercised free of charge. Information disclosure is exercised with confidentiality and requirements of the RF legislation on commercial secret.

The list of information posted on UISHC's website by a controlling body is augmented with data obtained from the adopted by the executive authority of RF subject roadmap for the implementation of measures on restoration of the citizens' rights whose funds have been attracted for multi-apartment residential buildings and (or) other real estate facilities entered on the Register of Problematic Facilities, and with the implementation timeline of corresponding measures

The registration body posts on the UISHC's website information taken from the Single State Register of the Real Estate identified by the RF government on the land plot, on a multi-apartment residential building and (or) other real estate facility constructed with the attraction of funds from the participants in shared-equity construction as well as on the construction site. The posted information on agreements of participation in shared-equity construction separate information on additional agreements, which alter the substance and the price of an agreement, transfer timeline of the construction site by a developer as well as data on agreements, contracts on the cession of right thereto.

In accordance to the bankruptcy law, the developer being a beneficiary may get access to the documents and information on each capital construction facility, having received liabilities thereto before the participants in shared construction. The access procedure for such developer to those documents and information is determined by the operator of the system—Single institute of housing development, determined by law of 2015 (No. 225-FZ), i.e. JSC “ДОМ.РФ”.

The use of private accounts of developers and HCC has been regulated.<sup>1</sup> In case the document is posted through a personal user account belonging to the subject of information the date of its receipt by another subject is the date following the date of document's post in the personal user account of the first subject.

The controlling body may request from an authorized bank information in relation to developer required for exercising its duties on the government control (supervision) in the segment of shared-equity construction of multi-apartment residential buildings and (or) other real estate facilities in order determined by the RF government on coordination with the Central Bank of Russia.

#### 5.9.4. The housing market prospects

The immediate prospects of the housing construction are determined not so much by institutional factors as by the new socio-economic realities of early 2020 shaped by the outbreak of the coronavirus pandemic of its challenges and the absence of agreement between the major

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<sup>1</sup> The RF government established the procedure for the interaction of the subjects of information while using information resources of UISHC by its Resolution of March 26, 2019, No. 319.

crude oil producers. The subsequent plunge of the global crude oil prices has led to a notable depreciation of the ruble.

Retention of the key rate by the central bank at 6 percent has not eliminated an uncertainty for further rates movement on mortgage loans. Even in case of U-turn of the global crude oil prices the shock effect of these events makes feasible the following scenario for the housing market.

In short-term timeline the activity of consumers who have been already getting ready for purchases is boosted and augmented by impulsive actions of those who by analogy with previous crises has been trying to protect accumulated savings by investments in the real estate. In the future as this motivation disappears there comes deep recession on the back of decline of real income of the population and transition to cautious consumer behavior (an attempt to maintain the current quality of life and turn to savings amid favorable concurrence of circumstance). Partial market dollarization has not been excluded if it follows the inflation and devaluation with some lag. Government support of the housing market will be limited due to a probable federal budget deficit and obvious more acute problems to tackle (medicine, social safety net, labor market, etc.). Logically, within these priorities certain effect for the housing market is possible (for instance, mortgage holidays, support of certain groups of citizens).

However, it is obvious that in the current market situation and anyway problematic achievement of targets envisaged by the national project “Housing and urban environment” till 2024 is being postponed. Over 20 recent years there were examples of downturn in the Russian housing construction in 2009–2010 (down by 9 percent) and in 2016–2018 (down by 11 percent) can be surpassed both in depth and duration.

