

Housing Market Financing: Asian Experience and Adaptation Opportunities in Russia

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Abstract. The article presents a comparative analysis of financing housing markets in India, China and Japan. Criteria have been identified by which a comparison can be made: the purpose of acquiring housing, sources of financing the housing market, the role of the state, measures of financial support by the state, measures to prevent the growth of the “bubble”, problems of financing the market, especially financing. The results of the analysis made it possible to identify those elements in Asian housing markets that can be adapted in Russian practice to increase the efficiency of financing the domestic market. It is assumed that it is advisable to create conditions for the formation of a consortium of developers, which will control the quality of housing being built. In addition, an increase in the useful life of residential real estate can be achieved. The author sees prospects in launching a renovation program in a larger number of regions, following the example of China. The implementation of such a program will help resolve issues with an increasing annual share of dilapidated and dilapidated housing in the constituent entities of the Russian Federation. In Russia, improving the methodology for evaluating mortgage borrowers is required. The regulatory framework developed in Russia allows us to create the most favorable conditions for the development of the rental housing market and the construction of a larger number of apartment buildings in order to increase the share of affordable housing for the population.

1. Introduction

Asian countries are increasingly showing the active development of all sectors of their economies, including the construction sector and the housing market. Over the past decade, there has been an increase in the number of effective instruments and mechanisms for financing Asian housing markets that make housing affordable for the population.

In China, the largest amount of investment by investors falls on the construction of residential real estate, approximately 72% of the total investment. However, the high cost of land leads to an increase in property prices. At the same time, the state actively supports the housing market and contributes to its development and the solution of emerging problems.

The Indian market is another fairly attractive object in terms of analysis of the development of the housing market. A growing number of experts are predicting the country's emergence as a leader in the global economy. The leading role in the housing market is played by the state, which plans to provide citizens with affordable housing as much as possible by 2022. These results are expected to be achieved through the development of the mortgage market.

Japan is a country with a high standard of living. The housing market is one of the most developing segments of the economy. Despite the implementation of the Abenomics policy of combating deflation, demand in the housing market is stable, and even insufficient supply of housing is periodically observed. As in China and India, in Japan the housing market is supported by the state. Particular attention is paid to families with children, since the country's population is declining annually. The main tool for financing the acquisition of housing is a cheap mortgage.

A sufficiently effective development of financing housing markets in Asian countries makes it possible to consider adaptation options for individual elements in Russian practice.

The aim of the study is, based on an analysis, the experience of financing Asian housing markets to identify elements that can be implemented in Russia.

To achieve this goal, you must:

- analyze the experience of each of the presented countries;
- summarize the experience of Asian countries according to the selected criteria;
- determine the list of elements that can be adapted in Russia.

The significant role of the state in the activities and financing of Asian housing markets and the similarity with the Russian market in this may indicate the possibility of effective adaptation of individual practices in Russia.

2. Literature review

An analysis of the development of housing markets in Asia is devoted to a number of works by both Russian and foreign researchers.

R Reddy analyzes the housing market in India, examines the main companies that provide housing finance. The author says that the housing market is an essential segment of the economy that links more than 600 industries in the country. The study identifies the risks that accompany transactions and formulates measures to reduce their impact (Reddy, 2018).

A Bandyopadhyay and A Saha considers the housing market in terms of financing it with credit funds. The author speaks of the need to assess credit risks that affect credit defaults or a decrease in housing demand (Bandyopadhyay, Saha, 2011).

M Kobayashi studied mortgage markets in Asian countries. The author investigated the development of mortgage market instruments in different Asian countries from the beginning of the 1990s until the first decade of the 21st century (Kobayashi, 2012). Further, M Kobayashi expanded his research to an analysis of housing policy in Japan. The author talks about the need to strike a balance between new construction and the modernization of constructed housing. Attention is also paid to how the “abenomics” policy in the country affects the housing market and, in particular, it’s financing (Kobayashi, 2016). His other study, M Kobayashi, together with S Konishi and T Takeishi, is devoted to an analysis of the development of reverse mortgages in Japan. This is mainly due to the annual substantial increase in the share of the elderly population in the country; therefore, such a tool for financing the housing market may be one of the main sources of its financial support (Kobayashi, Konishi, Takeishi, 2017).

T Korosteleva, in her study, analyzed mortgage lending as a source of housing finance in India, China and Russia. The author conducted a comparative analysis of indicators of the housing and mortgage markets. The emphasis in the study was on studying the features of the organization of housing finance systems in these countries with a greater emphasis on mortgage lending (Korosteleva, 2017).

C Jing, D Chao, Ch Xuejun investigated the interaction between the state and the market and how this affects the development of the housing system. A significant result was the identification of problems that impede the effective development of housing finance and the attempt to formulate measures to solve these problems (Jing, Chao, Xuejun, 2015).

Sun and Gareyev in their work on the basis of analysis of China's housing policy formulate measures that can be taken into account when improving national policies on the housing market.

In general, the bulk of the work focuses on certain issues of the functioning and financing of Asian housing markets. As such, comprehensive studies and formulating conclusions on the adaptation of elements of financing mechanisms for Asian housing markets in Russia have not been fully conducted. For Russia, it is especially relevant to formulate proposals on the formation of effective mechanisms for financing the housing market, which can be achieved taking into account the analysis and application of certain foreign practices.

3. Research methodology

The housing market is one of the main links in the economic systems of different countries. By combining various industries on its field, the housing market can be an engine for many segments (for example, the production of building materials, financial institutions that carry out operations with market entities, etc.).

Asian housing markets, in which the state plays a significant role, are very similar to the Russian market in this aspect (Ermilova, Laptev, Ushakov, 2018). In this regard, it is quite reasonable to consider the possibility of adapting individual effective practices implemented in the Asian housing markets in Russia. The study is supposed to use methods of comparative analysis, induction, which will allow more reasonable conclusions.

The Chinese economy is currently the second economy in the world. An important area of public policy in China is the solution of the housing problem (Shim, Bogdanova, Shek, Subelyte, 2013). A greater amount of investment from investors is in housing construction. This is about 72% of the total invested funds. The average cost per square meter is about 5357 yuan, i.e. 863 dollars USA. At the same time, the cost differs depending on the province. Demand and supply for housing show different trends depending on the territory in which the object is located. The capital leader is Beijing, where the price per square meter is 16,852 yuan (\$ 2,714). So, the three most expensive real estate includes housing in Shanghai (14,603 yuan / sq. M) and Zhejiang (9838 yuan / sq.m).

The state is trying to provide substantial support to the housing market, including by creating conditions for increasing the affordability of housing for the population. However, in the period 2011-2017. There was an abrupt change in prices. The volatility of prices in the housing market predetermined the need for measures on the part of the state, since this helps to prevent the creation of a "bubble" in the market. To hinder the growth of the "bubble" at the municipal level, conditions were introduced to increase the down payment on housing as part of lending, as well as a ban on the purchase of residential real estate in certain regions by representatives of other regions (Zhou, Fruauf, 2014). Changes in the housing market have had a significant impact on other related sectors of the economy. One of the problems for the Chinese housing market is that mainly its objects are purchased for investment purposes, and not for personal residence. On the one hand, it does not matter to developers who will finance the purchase of housing, and on the other hand, this may indicate that the Chinese population does not have enough money to buy housing for personal residence. Chinese land is one of the most expensive assets, and therefore the prices of facilities built on it are rising. Developers must recoup their land acquisition costs, so they are raising prices for new buildings. If developers offer lower prices to buyers, negative cash flow will form. Another significant problem is that in large cities there is a shortage of land for construction, while in small cities there is enough land, but the population seeks to move to large cities.

One of the successful practices implemented in China to reduce shabby and dilapidated housing is the ubiquitous renovation program (Liqiang, Li Yingqing, 2017). If in Russia such a program is implemented in Moscow, then in China it covers a number of regions. The peculiarity is that the state buys low-liquid housing from developers and relocates citizens there. Thus, the question of the downtime of real estate by the developer is gradually being resolved.

In addition, the housing rental market is developing. The Chinese authorities are considering this segment in order to reduce the state's debt burden to banks and provide residents with the opportunity to live (Hu, 2018). Authorities sell land to developers at a reduced price for the construction of rental housing, provide tax benefits. However, the lack of ownership of housing in this case makes this type

not so attractive to the population. The state provides developers with subsidies for the construction of housing, land at reduced prices, grants, while there is no property tax, which generally contributes to the development of the housing market.

There is a mortgage with recourse on the mortgage market, the obligatory presence of a guarantor, when obtaining ownership before closing the mortgage loan, you need to take a new loan to close the previous loan. This is not so positively reflected in the development of the market, but the presence of a guarantee fund significantly improves the procedure for the continuous provision of financing in case the borrower has problems with closing the loan.

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The state focuses on the policy of providing citizens with housing and, within the framework of the Housing for All program, plans to solve the problems with housing for citizens by 2022 (Indian Real Estate Industry Report, 2019). Mortgage loan is a tool to solve this problem. The increase in housing financing through mortgages is mainly associated with an increase in the country's population, tax deductions (for loans and interest, as in Russian practice), loyal lending conditions, an increase in the share of the country's young population, and an increase in affordable housing with a developed infrastructure. Such a favorable situation in the country allows increasing demand for housing. Non-banking institutions are spreading, the growth of which reached 40% by 2017 compared to the previous period. Lending conditions were almost equal to banks. The state assisted developers in the construction of economy-class housing. When calculating the loan amount, the informal income of a citizen was also taken into account, since the informal sector in India occupies a significant share in the labor market. Affordable housing finance companies have been created that serve citizens who do not have documents on the official income level.

A feature of the Indian housing market is the presence of most private houses - 62% of the total, rather than real estate in the form of apartments. Hindus accumulate funds to a greater extent for the purchase of land, and then they build houses on it. There is a subsidized loan, but it does not apply to all facilities. In general, an important step in India was the development of the Housing for All program, which aims to stimulate all actors in the housing market to participate in activities to achieve the goals of the program. There are a number of issues that inhibit market development (Sohlberg, 2018). However, measures are being taken to address them gradually.

Japan is a country with a high standard of living, which is actively introducing innovations. The Japanese housing market is developing steadily. Housing prices are constantly increasing, due to the strengthening of the national currency (Delmendo, 2019). For developers, there is a serious problem associated with a reduction in the population, which can lead to a sharp decrease in demand for housing. However, the state is struggling with this and supporting families with three or more children, is developing and implementing fertility programs, etc. In order not to increase the volume of unclaimed housing, the government has introduced state programs under which such housing can be provided to low-income families, families with children (in order to stimulate fertility), for resettlement from a dilapidated and emergency housing fund.

An important source of financing the housing market, as in other countries, is a mortgage loan. The key rate in Japan now has a negative value of -0.1%, which indicates that banks will pay for storing their money in the accounts of the Central Bank. Low key rate predetermined low interest rates. Currently, their level does not exceed 3%. The most commonly used rate is 1%. This applies only to citizens of the country. The lowest mortgage rate at Sumitomo Mitsui Trust Bank is 0.7%. Mortgage rates continue to decline, making financing more affordable.

In addition, housing market financing is provided by investors, including foreign investors. Investments in the Japanese housing market are made by pension funds and other institutional investors. As part of the effective financing of the housing market, a housing association of the largest

Japanese developers was created, which analyzed how these or those houses meet the requirements for quality housing. In addition, representatives of this association are ready to insure secondary housing against defects, which was built by one of the members of this organization. The term of insurance is up to 5 years, the amount of compensation for the detection of defects is up to 10 million yen. Such a program contributed to the growth in demand for such real estate.

In Japan, a rental housing market is developing. The poor help the state pay for housing. Developers to build rental homes. There is a program for the renovation of state rental houses.

Thus, after analyzing the Asian experience in financing housing markets, we can conclude that despite the existing problems, there are elements that can be considered for adaptation in Russia.

4. Research results and conclusions

After analyzing the functioning and financing of housing markets in Asia, using the example of India, China and Japan, we can conclude that there are several effective practices that can be used in Russian conditions.

The analysis showed that the state plays an important role in the markets. Many problems are solved precisely with his assistance. There are several criteria by which a comparative analysis can be carried out: the purpose of acquiring housing, sources of financing the housing market, the role of the state, measures of financial support by the state, measures to prevent the growth of the “bubble”, problems of financing the market, especially financing.

A comparative analysis showed that the main objectives of the acquisition in all countries are investment or for personal residence. The main sources are personal savings, public funds, mortgage loans, mortgage securities, private investments. In Japan, they also use housing certificates and mutual funds. The role of the state is significant in all countries analyzed. State support measures are expressed in subsidizing developers and borrowers, buying out illiquid housing, implementing renovation programs, deterring speculative transactions, pricing policies, and providing housing for low-income citizens and families with children. Measures to prevent the growth of the bubble are expressed in tight control over the activities of financial institutions, as well as tightening credit conditions.

Each country has its own financing problems, mainly related to the uneven supply and demand, not always loyal credit conditions, the presence of illiquid housing, etc. As for the features of financing, it is precisely they that can be those elements that can be adapted in Russian practice.

One of the attractive mechanisms is the creation of a consortium of developers following the example of Japan. Such measures will improve the quality of housing, and thus increase its useful life and reduce the amount of irrational market financing. In Russia, it is advisable to develop a categorical system for assessing borrowers, taking into account the possibility of allocating resources to those who cannot officially confirm their income. Strengthen the support of the rental market, which will allow to build large volumes of apartment buildings. Deployment of the renovation program can give significant results both for developers in the implementation of new buildings and illiquid housing, as well as for the population and the state.

In general, the implementation of such measures in Russia can bring a significant positive contribution to the functioning of the housing market and the activities of its entities. The necessary regulatory framework in Russia is there, there is a pool of the largest developers who have the opportunity to join forces for the development of the market. The renovation program in Moscow can be a successful example for implementation in other regions of the country.

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