Gentrification: causes and consequences for the regional housing market in Russia

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Abstract. Many researchers deal with the rental housing market in Russia. All of them consider organizational and economic mechanisms of its development. The present article discusses the need to study social aspects of the real estate market for its deeper understanding and formation of effective development mechanisms. Particular attention is paid to gentrification caused by changes in the economic and political situation and causing changes in the social structure which modify the residential real estate market and its individual segments. The article studies the nature of gentrification and its consequences. The article emphasizes the need for studying economic and social laws of the real estate market.

1 Introduction

In current economic conditions, the real estate market and the construction industry is a complex self-regulating system developing according to investment laws. It is characterized by new forms of capital organization aimed at deriving incomes from the real estate property: management companies, real estate investment funds, real estate developers, credit, financial, consulting, intermediary and construction organizations investing in real estate objects. Various forms of interaction of these subjects increase the efficiency of the tools aimed at developing the real estate market and its segments.

Analysis of the successful experience of other countries allows for conclusion that the housing market as a segment of the real estate market cannot function efficiently, and the housing situation in the country cannot be favorable if there are no efficient rental housing mechanisms.
2 Problem statement

For the current Russian economy, the real estate market is disorganized, spontaneous, uncontrolled by the government and does not follow the economic laws. It complicates the process of housing policy implementation. Most of the data needed to analyze and improve the program for housing system development, data on transactions and their volumes are hidden. The effective development of the rental housing market is discussed by economists and sociologists in Russia and abroad. Advantages of legal rental markets were discussed by many researchers. It is quite obvious that it is necessary to continue the search for ways to develop rental mechanisms in the national economy [1-4].

Rental market development management cannot be reduced to the use of standard mechanisms for enhancing demand and supply, increasing investment attractiveness and applying other general economic methods. There is an urgent need to strengthen the regulatory impact of the government structures. One of the main reasons is the impact of the existing level of housing conditions on the social and economic situation. The real estate market depends on existing social conditions in the country. They have a significant impact on each other depending on the level and degree of development.

3 Purpose

The level of housing conditions is one of the main factors determining the social and economic stability of modern society. Given the significant interdependence of the housing market (in particular the rental market) and existing social conditions in the region (country), the study aims at developing tools for real estate market legalization and development taking into account sociological aspects.

4 Houses as social products

P. Bourdieu considers the housing market as a central element of the social, economic and symbolic structure. “Houses are tangible products that have monitored over a long period. This property reflects real or imaginary social positions of its owners, their taste, the value system that guides them in purchasing and choosing houses.” Just as family houses were a central element of the cultural order, the housing market was a central element of the economic order, and the purchase of a house was “the most important family” as well as “economic and social investment.”

P. Bourdieu described the housing market as a form of social relations and viewed it as a sphere involving various subjects and organizations, as an opposition to static or substantial “things” [4-7]. For P. Bourdieu, the housing market is neither free – if “freedom” means independence from the government - nor government-regulated. The government affects the housing market by creating and
increasing purchasing power, regulating access to land, acting as a lender and a financial intermediary. P. Bourdieu defined economic activities as a social action involving the government and market participants, in-kind exchange and currency circulation.

The specificity of houses as products is associated with high consumer involvement in the decision-making process. Each consumer has unique needs, depending on various social and economic factors. Since the supply distributed by segments is not uniform, the consumer needs extensive information to make a decision. Alternatives differ by many criteria; it is not enough to compare the prices. It is necessary to use more abstract evaluation criteria [8,9].

The determinants of consumer behavior can be internal and external. The main internal determinant is motivation based on utilitarian and hedonistic needs. In search of a rental house, the consumer may try to satisfy both utilitarian and hedonistic needs. For example, an increase in the number of rooms may be the most important motive for renting a house. The choice of a house reflects the social status. The social status influences the choice of neighborhood, neighbors belonging to the same social class, external architectural design. Emotions can also play an important role when choosing a house. The final decision can be based on shared feelings of family members that are difficult to articulate or explain. A lifestyle can also affect consumer behavior in the residential real estate market; consumers choose houses that match their lifestyles.

The determinants of consumer behavior should be considered when forecasting the demand for rental housing. At the first stage, key housing components are selected. They are spatial characteristics, infrastructure (shops, cinemas, sports centers), educational institutions, transport, safety and security. At the second stage, additional housing parameters are analyzed: a type of housing (a house, an apartment), a number of rooms, an age of a house, construction materials, parking facilities.

The housing issue can be studied in three rarely intersecting directions: social importance; society; social policy.

The determinants of consumer behavior and the influence of social ecology and urban planning redefined the concept “living conditions” which involves the infrastructure as a whole rather than a physical object for living. The modern trend in the research on housing and society is based on gentrification.

5 Influence of gentrification on the housing issue

Gentrification can be analyzed in terms of anthropological and socio-cultural aspects. From the economic point of view, it is a process of modification of the property system when a richer group of the population replaces poorer groups and invests in the territory. The process had a significant impact on the structure of the residential real estate market in many countries. Some signs of this phenomenon can be found in Russia which requires a more detailed analysis.

Gentrification is a state of the urban environment. The term “gentrification” often describes the process of reviving old industrial city districts founded by
the industrial economies. Unlike Western countries where old industrial buildings were rebuilt for residential purposes, in Russia, former enterprises became commercial buildings or multifunctional complexes consisting of various types of real estate property. Therefore, at its initial stages, Russian gentrification changed the business and cultural environment of the cities rather than the social identity of residents.

Gentrification, like many other processes, was exposed to globalization and became one of the city’s development strategies [10] in foreign countries and in Russia. This process cannot be regulated as it is a self-organized complex spatial phenomenon that reflects changes in economic, demographic, social, physical, and cultural landscapes [11].

Hwang defined gentrification as a choice of a place to live made by individual households and developers of territories, business representatives and other institutions in order to implement their individual investment projects which cause physical, demographic and cultural transformations of the territories where low-income residents live into attractive areas where the middle and high classes live. When analyzing gentrification, researchers focus on cultural or social contexts, argue that gentrification can have both cultural and economic interpretations [12, 13, 14, 18].

Gentrification is a complex change in the urban environment that occurs as a result of the relocation of wealthy citizens to poor urban districts or abandoned industrial zones. This process is often accompanied by reconstruction and renovation of old buildings. In Russia, demolition of old buildings and construction of new ones in already developed areas are more typical.

The main causes of gentrification are as follows: investment in the development of urban neighborhoods in order to convert them into places suitable for the "creative class"; abandoned industrial zones and economic reconstruction of the urban space; reconstruction of urban areas due to the need to expand the service and consumption sector. In order for a territory to become gentrified, a number of conditions should be fulfilled: remoteness from the financial, cultural center and other important city points; low costs of houses; development potential.

From the social point of view, gentrification can be viewed as self-organization of the population changing the social structure. Gentrification is launched by groups with a high social and cultural status that bring innovation to the urban lifestyle and urban landscape. This process is very different from the restructuring of the urban environment by developers, because it relies on self-organization of the population. Despite the fact that these two processes often have similar results, they are two different driving forces: the restructuring is of an economic nature, and the gentrification is of social and cultural one.

6 Conclusion

When creating an organizational economic mechanism contributing to the development of the real estate and rental markets, it is necessary to take into account the determinants of consumer behavior and the influence of the level of
housing development on the social and economic situation in the country. Having studied the patterns of gentrification in Western countries and determined their consequences, it is possible to predict the long-term development of the Russian housing market structure and develop appropriate management mechanisms.

Having analyzed the works of other researchers, it can be concluded that there are a lot of definitions of the term “gentrification”. Gentrification should be viewed as self-organized modification of the population structure of a district or a quarter caused by changes in investment attractiveness. The context of this definition should not be tied to any specific category of the population, since it can arise in any territory and its result is a change in the social stratum. Gentrification as a social phenomenon has a significant impact on the economic structure of the residential real estate market. It allows for conclusion that the real estate market is influenced by economic forces and general economic laws which may be a venue for further research.

Having the ability to regulate intensity of the gentrification, it is possible to influence the structure of the rental housing market. On the one hand, gentrification can become a vital tool for regional real estate markets, changing market forces, developing small businesses and increasing the circulation rate of real estate objects [16, 17]. On the other hand, some foreign authors deal with undesirable consequences of gentrification for racial minorities and low-income people living in areas affected by this process. The negative consequences include an increase in the unemployment rate, housing and rental costs, costs of communal services [18,19,20].

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