Institutional rental housing market – new approaches and formats

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Abstract. Russia needs to create an institutional, civilized commercial rental market. Its practical absence today limits the territorial mobility of the population and significantly reduces the flexibility of the labor market. To accelerate the mechanisms of economic development by attracting the best specialists and retaining their own human capital, it is possible that this will make commercial rental housing available in the largest cities with full legal protection of the tenant and owner from fraud. The development of the rental market is influenced by many factors: demand and preferences from potential consumers, availability of financial resources, technical and technological capabilities, population structure, etc. All this determines the requirements for new rental housing formats and makes it necessary to develop new investment mechanisms. The article discusses the current state of the rental housing segment in Russia. Most attention is paid to the developing formats of rental housing such as apartments, coliving and retirement homes. Their characteristics, classifications and prospects for the development of construction of such projects in Russia are presented. The rental segment of the residential real estate market creates new prospects for the spatial development of cities and regions, improving the situation related to personnel problems at large enterprises and increasing the mobility of the population.

1. Introduction

On average, in Russia, the provision of comfortable housing is no more than 16 m²/person, this figure is significantly lower than in developed countries. Some of the implemented tasks aimed at solving the housing problem within the framework of the national project “Affordable housing” allowed us to slightly improve the situation. The project resulted in the formation of the housing market for private ownership of citizens, as well as significant development of the Institute of mortgage lending.

The country's housing industry has developed significantly over the period from 2005 to 2016. Thanks to the mortgage lending system, 6 million families have improved their housing conditions in almost 11 years, the volume of loans in real terms has increased 29 times, and the volume of mortgage debt has reached 5% of GDP. The volume of housing construction increased by 2 times, which is a record in recent decades. The population's need to improve housing conditions has decreased by 1.4 times (from 61 to 45% of families), however, there are still a number of important unresolved problems: poor quality of the housing stock (33% of the 3.6 billion square meters of existing housing was built before 1970 and does not meet modern requirements) and low housing availability (only 35% of families are able to service a mortgage loan, there is no institutional rental market).

Currently, most households belong to the poor category of the population, mortgage loans are not available to them, and many are forced to live in dilapidated and dilapidated housing (about 100 million
square meters of residential premises). Unfortunately, the construction of housing, which will be the property of public authorities and is intended to be provided to citizens under social employment contracts, is limited by the country's budget system (waiting in queues lasts for many years). The existing institution of “social hiring” in Russia is provided for by the current legislation, but it is not particularly developed and civilized. An effective tool for solving the housing issue is - rental housing (serves as an alternative to mortgages). The formation of a civilized rental market is one of the main goals of the housing development Strategy of the Russian Federation for the period up to 2025.

At the same time, the share of housing tenants abroad is significantly higher. In Germany, one in six rents a house, in France and Austria – about half of the population. According to some experts, the lack of their own housing in Russia is associated with an unsuccessful life. The attachment of Russians to property is easily explained. After all, for 70 years, people did not have anything in their property until it was possible to privatize housing. Today in the RF, 86% of housing is privately owned, but this property arose from privatization, not from purchase. As a result, people were tied to housing. Russians work where they live, not the other way around.

In Russia, young people are more likely to rent an apartment- 19%, pensioners are much less likely-1%. Half of the tenants consider this housing option as temporary. A third plan to continue renting housing only for one year, and another third-2-3 years.

At the moment, the rental housing market in the RF is almost non-existent, since the main consumers of housing were the generation that grew up in the USSR, accustomed to thinking that housing should be owned. But, at the moment, the situation is changing and a new generation is becoming consumers - the millennial generation (or generation Y), which has other priorities and other preferences, which is aimed at remote operation, is not as tied to property as the previous generation, and which needs other housing formats, such as rental housing. Changing social preferences of consumers leads to the fact that the development of the rental housing market in the future is inevitable and is an integral part of the further development of the country's economy [1,2].

2. Current aspects of rental housing
Due to the current situation in Russia and around the world due to the coronavirus pandemic, digitalization technologies will only develop in 2020. People switched to remote work and not all return to normal mode. The population will be less tied to jobs and their cities, they will begin to change cities and housing (without purchasing it as property), and use the rental housing market for this purpose.

It can be concluded that the development of the rental housing market is relevant not only for a specific region, but also for the country as a whole, as the investment attractiveness increases in terms of the comfort of living of this category of consumers.

For many Russians, “apartment buildings” can serve as an effective solution to the housing issue. This option helps to eliminate the risks inherent in the removal of housing from individuals. Thus, when entering into a formal contract, you can specify in advance the impossibility of arbitrary rent increases or evictions earlier than the specified period. The development of the rental housing market will also have a positive impact on the economic situation, as it increases the mobility of labor resources. The rental housing market in Russia does not exceed 10%, while in the world the average figure is about 50%, and in a number of developed countries where housing is expensive, even 70-80%.

Commercial institutional rentals do not belong to the category of social non-commercial housing. This format of rental houses is created primarily for profit and is perceived by investors as a profitable asset. Rental homes are created at the expense of investors in order to make a profit from the lease. This is the main difference between a rental house and a hired one, which is designed to solve the housing problem of low-income citizens.

Real estate investment has always been considered one of the safest and most reliable assets at all stages of the economic cycle. The “build for rent” model is successfully operating in developed countries. The investor invests in rental real estate, which can be sold to citizens as property (sold) in the event of negative events in the economy or a change in the business model.
During the crisis, the developed rental housing market reduces risks for both individual investors and the state. Medium-term economic cycles with a duration of 15-25 years show it. The higher the share of rental housing in the real estate market, the less the impact of structural cycles on the average cost of real estate and (as a result) on the dynamic decline in GDP.

Currently, residential premises for rent are being built only in a few regions of the RF: Belgorod region, Kaluga region, Lipetsk region, Kursk region, Orel region, Riazan region, Moscow and Saint Petersburg.

In our country, there is almost no developed civilized rental housing market, and long payback periods for construction projects make them not attractive enough for investors. For legal entities, it is economically unprofitable to own and build rental housing, and strict tax regulation only contributes to the acquisition of real estate in the property. Rental housing appears, but at a very low rate and mainly in the cities of millions (St. Petersburg and Moscow) due to the presence of demand there.

Nevertheless, there is a demand for rental housing (see picture 1.6): 7.8 million families admitted that they are ready to consider rental housing as an alternative to acquiring property, and 2.5 million of them are ready to consider this option as a long-term solution to the housing issue. This trend is explained by the relatively low level of rental rates.

A number of successful studies were conducted to find out whether the Russian economy is ready for the western model, and our country fully meets all the requirements. The legislative and regulatory framework has already been brought to the possibility of using rental housing tools and building rental houses.

Currently, consumer demands for modern housing are changing due to high demand. People are no longer chasing the number of square meters, now they have a high-quality and comfortable living environment as a priority. There is a growing demand for the format of multifunctional complexes that combine residential and commercial functions, where you can live, work, shop and have fun in one place. Many experts agree that the rental market should be presented in different formats.

3. Developing rental housing formats

At the moment, the developing formats of rental housing in Russia include: multifunctional centers or complexes (universal houses) with apartments, coliving [3] and homes for pensioners.

In Europe, an apartment is usually called a room that includes one or more rooms for rent or purchase. In Russia, apartments (according to the housing code of the RF) are non-residential premises that do not belong to the housing stock, that is, they are commercial objects, but have the necessary conditions for permanent residence. The apartment market is legally regulated by the civil code of the RF and has a number of differences from the apartment market (for example, apartments are subject to less stringent requirements for social security of the complex, landscaping and the number of parking spaces). At the current legislative level, the concept of “apartments” is not fixed and is not defined in the housing code, but is used in design and construction documentation [4,5].

Apartments are sold in administrative buildings, as well as in buildings that have the status of a hotel. One of the main differences between apartments and apartments is that it is not possible to register at the place of residence. Another difference is the cost of operating expenses. Since apartments do not formally belong to housing, utility rates will be calculated as for commercial premises.

Since there is currently no official classification of apartments they can be divided into 4 types:

- service (with CC),
- non-service,
- recreational (in the resort area),
- elite (in historical areas).

According to the structure of the offer of apartments by segment in Russia in 2012-2015, developers expect both a business audience and families with children.

The unified classification identifies 4 main classes of housing by comfort level and divides all housing into:

- mass: economy class and comfort class;
• superior comfort: business and elite.

The mass segment of apartments is represented by economy class and comfort class.

In order to attract low-income segments of the population, developers save on building materials to ensure an affordable cost per square meter of housing. The area of e-class apartments is small (from 26 m² - one-room apartment), and the kitchen area, as a rule, does not exceed 8 m². The ceiling height from 2.6 to 2.75 m allows the developer to save on building materials.

The developer uses standard projects (another name for this class is “standard class”) for the construction of panel houses. Apartment areas cover more than 75% of the house area, and public areas make up about 20-25%.

The most popular segment - comfort class housing is intended for people with average incomes. In this class, the infrastructure requirements are more stringent than in the economy class (clinics, kindergartens, schools must be within walking distance from the house). The location is closer to the center (not the most prestigious areas) or closer to eco-friendly places (park, river, etc.). in order to save money, Developers pull up houses above the economy class according to some criteria and keep an affordable price for consumers. The area of the apartments is larger (28-45 m² - one-room apartment), and the kitchen area is 8-12 m². Ceilings are 2.7-2.9 m high.

The main differences between comfort class and economy class housing cover the surrounding area and common areas: parking with a large number of places, a reliable playground, better landscaping, ground-level entrance, the presence of an intercom and concierge.

Business class apartments are designed for a wealthy audience, in order to maximize the quality of their life during the construction of this type of real estate, they do not save on building materials, so the cost per square meter of such real estate is higher than the cost of housing in the mass segment.

When designing a house, an individual architectural project is created. Special attention is paid to the prestige of the location of the house and the developed infrastructure (availability of schools, fitness clubs, beauty salons, restaurants, etc.), distance from transport arteries and industrial enterprises.

Monolithic or monolithic-brick buildings with no internal load-bearing walls leave a free choice of layout. Therefore, there are many non-standard apartments in this class: 2-level, with a winter garden or a second light. Designer interior decoration and ceiling height from 3 m. In public areas that make up at least 30% of the area of the house, there may be:

• reception,
• lounge,
• children's room, etc.

The number of parking spaces in the underground parking is not less than the number of apartments in the building. A secure courtyard that only residents have access to, and guests can visit by invitation. 24-hour security, video surveillance in public places, concierge service. Experienced landscape designers are engaged in landscaping and landscaping of the house territory. Children's towns with zones for children of different ages.

Luxury apartments are not all classified in a separate class, because they have almost the same requirements as the business segment, but they must be slightly better. Luxury apartments are built according to the author's projects of famous architects with a free layout in prestigious areas of the city, with a gorgeous view (on the water, attractions, etc.).

Common areas, with individual and exclusive design projects, make up more than 35% of the area of the house, and may include: fitness center, swimming pool, SPA, library, etc. House territory with author's landscape design, art objects, fountains. In the underground parking, the number of parking spaces is 1.5 times more than the number of apartments in the building.

In this segment, you will hardly find one-room apartments, instead of them-spacious studios. The number of rooms in the apartment is not limited. The kitchen area of 20 m² ceiling height of 3-5 m. The houses are equipped with emergency power supply and an autonomous boiler room. Climate control in each apartment. Air and water are pre-additionally cleaned from various contaminants.

Coliving (from the English coliving - cohabitation) — a type of community that provides a format for people to live together; in common areas or common areas, they hold joint events, cook, eat, and
communicate, and if there is a joint working space (coworking), they work [6,7,8]. Coliving, as a modern format of housing, has become popular recently due to:

- high cost of real estate and lack of opportunities to buy your own home;
- modern dynamic lifestyle (frequent change of residence).

In coliving there is a separation of the living area like a communal apartment. Coliving provides:

- a separate room for each resident in an apartment or building with or without a bathroom (at low prices there are dormitories similar to dorm rooms),
- collective space (kitchen, work area, recreation area, etc.)

Depending on the size of your budget, you can choose different types of space. However, all shared living areas are expected to have a shared kitchen and living room. Unlike conventional apartments, coliving better equipped furniture, special attention is paid to the creation of shared facilities rather than individual spaces. In some colivings there are:

- coworking spaces - shared work areas with computer equipment and office furniture;
- creative studios and workshops (for example, for drawing or woodworking);
- cafes, gyms, cinemas, etc.

Residents of colivings are people between the ages of 19 and 40, employees of start-UPS, entrepreneurs or students (not hipsters), but rather yuppie youth (young urban professionals), generation Y, millennials. These are young professionals and managers of large international and domestic corporations, they have a decent salary, a busy work schedule, a lot of plans and ideas, they have no time to deal with economic issues. They don't want to burden themselves with buying an apartment — they don't even know what country they will live in. Coliving attracts millennials because of rising prices in the real estate market. According to statistics, the average age of millennials at the time of marriage is approaching 33 years, but before that, they want to have close-minded people around [9,10].

Rental period is distinguished by coliving from conventional apartments. As a rule, long-term contracts provide more affordable prices, since such contracts provide a more reliable income for the landlord. Short-term rentals can be daily or monthly, which allows you to adjust to the needs of residents, but due to the instability of space utilization, prices may be equal to the cost of a hotel room.

Retirement homes adapt to the special needs of the elderly, have a medical unit and public facilities, and provide services (supervision and care).

Retirement homes can be divided into 2 categories:

- independent living is a boarding house where older people live together and receive hotel-type services.
- nursing care, more suitable for seniors who need medical health monitoring. In Russia, homes for independent living pensioners are not in demand due to lack of demand, but nursing homes are very promising for mass implementation and are already being implemented by the state and private companies.

4. Conclusion

The Institute of rental housing is being created and developed in order to improve the state policy on providing housing to vulnerable categories of citizens, as well as to develop the economic system and increase the mobility of labor resources. There are various forms of implementation of such projects: completely at the expense of budget funds, using public-private partnerships, or in the form of commercial projects. For the full-scale development of this segment of the real estate market, you can not do without the mass distribution of commercial objects, which requires the development of modern tools to attract investment in similar investment projects. One of the most promising tools is the development of mutual funds [11,12].

Russia needs to create an institutional, civilized commercial rental market, its practical absence today limits the territorial mobility of the population and significantly reduces the flexibility of the labor market. Accelerate the mechanisms of economic development by attracting the best specialists and retaining their own human capital. this will make it possible to make commercial housing rentals available in major cities with full legal protection of the tenant and owner from fraud [13,14,15].
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