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Housing market in rural areas of Russia: developmental factors and problems of study

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Abstract. The rural housing market traditionally performs important socio-economic functions by meeting the demand of population for housing. The level of housing affordability for the population and the level of housing improvement are indirect factors for the development of agricultural production, as they contribute to creating comfortable conditions for everyday life in rural areas. The authors of this article analyzed main problems associated with the study of the rural housing market in Russia, and concluded that the informational base that is formed in the public statistical system deemed is insufficient. The authors also conducted an analysis of scientific publications in relation to the topic and identified factors that can be considered as the basis of the development of rural housing market in Russia.

1. Introduction

The state of the housing market is one of the foundations for creating a favorable living environment and for satisfying the need for housing as one of the primary human needs. That is why the study of the housing market occupies an important place in scientific reviews all around the world. Changes of economic conditions and demographical structure cause the necessity of periodically reconsider the role of the housing market in a country's economy and the importance of living conditions for the development of public relations. Practically speaking, rapid urbanization rate levels frequently cause conflicts of interest of land users (farmers and rural population), municipalities, and builders. The government is, therefore, being forced to solve the following problem: how to ensure the food security of the country, to develop agriculture and to satisfy the needs in comfortable living conditions for the urban population. Scientists of different countries also note the mentioned problems, at the same time bringing attention to national characteristics of reviewed regions.

For example, P De Jong and A Brouwer [1] analyzed the factors of growth of the housing demand in suburban-rural territories with developed infrastructure in the Netherlands and came to the conclusion that the main source of demand growth is demographical aging. Elderly people of this region prefer to buy the so-called “nultreden woningen”, single-level dwellings. The mentioned scientists claim that characteristics of housing and local conditions cause increased mobility of the elderly population.



Another significant problem observed in Western Europe is migration: the migration outflow of the native population from rural territories causes an increase in unused rural property, yet this does not cover the deficit in housing for migrants entitled to asylum. At this moment this category of migrants is not generally considered to be a target group in the housing market, yet they can contribute to the development of rural areas. T Fischer and D Osterreicher [2] suggest utilizing mechanisms of effective interactions between refugees and construction companies on the basis of creating appropriate legal acts.

It is important to note that the EU has the Programme Infrastructure and Environment 2014-2020, which is currently active. According to this programme, municipalities that received financing according to this programme will be able to bring changes into the local plans of settlements, as well as to develop the technical infrastructure (water supply and sewerage). These measures, according to the opinion of specialists can increase the incomes of municipalities and make rural settlements more attractive for living. Yet, as Jasińska E. claims [3], the adequate study of the housing market is essential for predicting financial flows that rural settlements may be received.

The transformation of rural land use and the removal of lands from economic turnover constitute an actual problem for many countries.

This problem is especially visible in China. Since 1978, the People's Republic of China has been experiencing intensive urbanization. The government support housing construction for peasants and rural infrastructure. Qu Yanbo, Jiang Guang-hui, Li Zitong and other [4] reported that the noted processes worsen the conditions of local farmers. Land use structure changes unevenly, with the land being removed from agricultural use more rapidly than it being renovated. The modern situation creates the need for developing a multipurpose system according to the regional features of population density and agricultural production. The authors claim that this can facilitate the coordinated evolution of agricultural use in China. A similar problem is observed in New Zealand: local governments often have to make a choice between the interests of farmers and the financial interests of builders. The consequence of this may be the emergence of a threat to the food security of the country [5].

We can now say that our brief review of publications allowed us to discover that the analysis of problems of rural housing market development is reflected in international scientific literature. This topic is extremely relevant for many countries since it is closely related to such matters as farm efficiency, demographics, life quality not only of rural but of the urban population as well.

The development of the rural housing market in the Russian Federation is closely related to the necessity of improving the life quality of the rural population and controlling the migration outflow from rural regions.

In agricultural areas of Russia, the rural housing market (on a par with the labor market and land usage conditions) performs functions related to the maintenance of agricultural production and indirectly affects its efficiency. According to Rosstat, in the period from 2005 to 2017, the rural housing stock in Russia increased from 826 to 1000 million m². By the end of the noted period, the commissioning of residential housing in rural areas amounted to 22 million m², which equals to 26.6 m² per capita, experiencing an increase of more than 21.5%. The rates of creating public service objects also increased significantly. Particularly speaking, 58% of the rural housing stock received water supply, 47% - sewage, 74% of residential buildings are gasified [6].

During the noted periods, the housing stocks grew in sizes across all regions of Russia (Table 1). According to the data from the Table 1, the majority of housing stocks are concentrated in Privolzhsky and in Central federal districts (24% and 23,3% accordingly), which is proportional with the population size of these regions. The surplus of the indicator during the period from the year 2005 to the year 2017 is not even. The fastest rate of increase of the indicator is observed in the South and in the North-Caucasian federal districts (35,9% and 34,3% accordingly), while the slowest growth rate is observed in the Far-eastern federal district (9,4%). The support of the state played a positive role in the amelioration of living conditions of the rural population. According to the data of the Ministry of Agriculture of the Russian Federation, in 2007

alone, more than 3,5 billion rubles were received in the form of federal funding and about 3,6 billion rubles – in the form of the funding provided by the Subjects of Russian Federation.

Table 1. Dynamics of rural housing stock in Russian Federation in general and by federal districts in millions of square meters

Federal District	2005	2010	2015	2017	2017 to 2005, %
Central	206	228	226	233	113.1
Northwest	64	69	69	74	115.6
South	103	111	138	140	135.9
North Caucasian	70	77	92	94	134.3
Privolzhsky	193	210	231	240	124.4
Ural	50	55	60	62	124.0
Siberian	109	113	119	122	111.9
Far Eastern	32	33	35	35	109.4
Russian Federation (in total)	826	898	969	1000	121.1

Sources: Regions of Russia. Socio-economic indicators. 2017: statistical digest (Rosstat, Moscow)

Despite the positive dynamics regarding the size of the housing stock in rural areas, there are little researches about the state of the housing market of rural areas and its factors of development. As a general rule, Russian scientists concentrate their attention on the housing market of large urban areas, as well as on Russian Federal Subjects and the country as a whole. There are substantially fewer publications that center on examining living conditions in rural areas. In our opinion, one of the reasons for this situation lies in the deficit of statistical information in this area. Rosstat's programs of statistical surveys do not include indicators that regard the market value of land, as well as data regarding land purchase agreements in rural areas. At the moment, it is necessary to provide an objective assessment of the effectiveness of public spending directed towards the goals of rural development. It is therefore advisable to modernize the methodology of statistical and economic research of the rural housing market.

2. Results and Discussion

National rural housing market is the object of a research conducted by Vasilenko Z.A., who formulated the following definition: ‘Housing market in rural areas is a territorially localized set of transactions that are conducted by the participants in order to achieve investment, social (providing living facilities for the disadvantaged) and private (acquisition of real estate objects for personal and family living) goals’ [7]. The author, however, believes that the list of factors that influence the development of the rural housing market, is, in practice, very similar to the list of factors that affect the development of the housing market in any location (macroeconomic factors, socio-economic factors, political factors, legal factors, etc.). Vasilenko Z.A. noticed that the low level of effective demand by Russian rural population is one of the key factors that slow down the development of the rural housing market. Theoretically, the demand can exist, yet the paying capacity of the rural population is low and there is a need for developing the state programs that can stimulate mortgage lending for different categories of the population.

Indeed, the market demand for housing in rural areas in Russia is not developed. The main reason for such a situation lies in the fact that the rural population generally has low income. In the period from 2012 to 2017, there was a steady increase in average per capita income in Russia, in both urban and rural

households (35% and 36% respectively). At the same time, the average per capita income of households in cities still stays 1.5-2 times higher than the one in rural households. According to the data collected by Rosstat, the average per capita income in urban areas in 2017 amounted to 24,589.6 rubles per month, while in the countryside the average income was 15,886.7 rubles. [8]. Klyuchnikov P.P. calculated the size of shifts that occurred in housing prices, comparing it with the level of wages. In the 1980-s, a rural worker could afford to build a house after 3 years of work. Now a rural worker can afford to build a house in about 25 years. The ratio between the housing prices and the salary of workers is becoming increasingly unfavorable [9].

Market mechanisms in Russia work ineffectively. The housing market of rural areas is often referred to as “underdeveloped” or “inactive”, and property transactions in rural areas are very rare. In this context, the only areas which experience the stable entry of new subjects (realtors, developers, insurers, appraisers and other specialists) are the suburbs. Most of the demand for private houses in rural settlements is attributed to homeowners who are not employed in rural areas and use their property only for recreational goals, and therefore, only those areas that are close to cities can experience development. It is, however, important to note that the housing market in some rural areas with a high level of employment is in many ways similar to the urban housing market since the share of the primary housing market in this sector exceeds the secondary one [10]. At the same time, in the state statistics of Russia, there is no information on the allocation of the “second housing” of urban residents in a rural settlement. Therefore, information on the scale of individual housing construction in rural areas is not fully objective.

As is known, most of the regions of the Russian Federation experience population decline due to migration. In 2016 alone, the loss due to migration in rural areas amounted to 36.4 thousand people, in 2015 – to 48.8 thousand people. The total decrease in the number of the rural population in 2016 amounted to 115.3 thousand people [8]. Our earlier studies revealed that the rural population is aging more rapidly than the population of urban areas. [11] This fact, in conjunction with the population’s relatively low income, causes the demand to be low, in contrast with the demand on suburban private housing. An important feature of the functioning of the rural housing market in Russia is the presence of low-rising buildings with homestead plots, on which there is a possibility for residents to maintain their personal subsidiary farming. It is important to note that subsidiary farming requires additional space for outbuildings. This implies an increase in the costs of estate renovation and, therefore, an amplification of the market prices of rural property. This situation can serve as an indicator of the dependence of the demand on the property’s distance in relation to either the regional center or any other important commercial and transport hubs and infrastructure objects (e.g. main roads).

At the same time, the existing conditions and the rate of housing construction also have a significant impact on the formation of supply in the housing market. These factors are universal, i.e. their influence is substantial for any housing market (not only for the rural one). Thus, the living conditions are an important factor in calculating demand.

Comprehensive studies conducted by V.I. Zvyagintsev and M.A. Neuvazhaeva showed that that the decisive argument that can turn a person’s opinion in favor of moving to rural areas is the provision of the living space, coupled with the availability of jobs. [12].

Factors such as housing, environmental conditions, the development of social infrastructure and the level of state support can complement the effect of the factors listed above and have the ability to both strengthen and weaken the demand for housing. The influence of all these factors, in turn, determines the change in the level of activity of subjects of the housing market (potential buyers and sellers), as well as it can initiate the change in the average property price and the price per square meter.

Local economic conditions, local ecology and the level of infrastructural development, as well as the level of state support are all considered by us as factors of general impact. A decrease in the level of employment and per capita income will negatively affect the demand, which, in turn, will affect the supply

of the housing market. The availability of a flexible mortgage lending system can give a possibility of meeting the demand in different price niches of the residential real estate markets and, therefore, can ensure the steady supply. It is also vital to improve social infrastructure in rural areas since it is an important factor in attracting young people to villages. Without such an infrastructure, it would be very difficult to expect the development of rural areas [13].

Another factor that hinders the development of the rural housing market is the complete or partial absence of market information [14]. There are numerous substantial difficulties in obtaining reliable information about the real value of the real estate property and about the prices which are published in Rosstat's official publications.

The evolution of the housing market is generally a subject of a scrupulous analysis in highly developed countries. The Organization for Economic Cooperation and Development (OECD) has developed methodological approaches for the matter of studying the housing market, and the research is conducted regularly. Particularly speaking, some publications point out that the development of the housing market in OECD member countries, as well as in the Russian Federation, is significantly influenced by such factors as real monetary incomes (housing prices increase with the growth of real income) and a decrease in structural unemployment, bank loans, etc. The tax policy (tax breaks on the costs of mortgage lending) is mentioned to be the most significant factor of all [15]. It must be said that in Western European countries, the labor force is very mobile, and there exists a tendency of "following the job" by moving into another region. In this context, we should also recognize the fact that a country's housing policy is indeed a significant factor in the employment and the distribution of human capital [16].

Australian scholars have noted that housing markets in Australian regions are often ignored by many from the scientific community and by the nation's politicians [17]. In their case, the attention is usually only centered around the capital. At the same time, some studies have shown that the factors which determine the development of housing markets can vary in different situations. In the areas which can be considered rural and/or remote, the most significant factor is the development of industry, as well as the housing policy which can form the basis for the formation of sustainable communities in different regions of the continent [18].

3. Conclusion

Both supply and demand in Russian housing market are influenced by such factors as the governmental policy in the field of housing provision, the pace of housing construction, the state of the banking sector, the demographic structure, geographical location et cetera. In scientific literature, the housing market is usually thought of as a local entity, and yet the majority of the studies in the scientific literature tend to overlook the rural housing market while concentrating the main effort on studying the situation in cities, local agglomerations, entire regions and the country as a whole. At the same time, it is obvious that the approaches towards managing the housing markets in rural areas are supposed to be different from the ones utilized when dealing with urban areas. Only by conducting objective research on the rural housing market we can ensure the fulfillment of the main socio-economic function of the rural housing market – to ensure sustainable development of rural territories.

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