

Experts Say Subsidized Housing Sector Weak

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The World Bank, the United Nations and the Economic Development Ministry emphasized the potential for developing state subsidized home construction, also known as “social housing,” in Russia at a round table.

The quantity and scope of state provided housing in Russia is very limited compared with many other countries, particularly in Europe, and families in Moscow can wait up to 10 years for apartments, according to city officials.

There are 414 apartments per 1,000 people in Russia, which is significantly below the European Union figure of 450 per 1,000 people, said Wolfgang Amann, a member of the Real Estate Market Advisory Group of the United Nations Economic Commission for Europe, at the round table last week. On average, Russians have 22.4 square meters of living space versus 38 square meters in the EU.

Although incomes tripled between 2004 and 2010, the development of mortgage financing in Russia has been slow. Outstanding housing loans are only 2.7 percent of GDP, compared with 52.4 percent in the European Union.

State subsidized housing cannot only address poverty and be a shock absorber for the construction industry in times of crisis, but it can be a social engineering tool by fostering the growth of the middle class, Amann said. According to UN figures there are about 54.3 million households in Russia.

Currently about 86 percent of housing in Russia is privately owned, said Nadezhda Kosareva, the president of the Institute for Urban Economics. Of the remaining 14 percent, about 4 percent is held directly by the state and 10 percent by municipal authorities.

One of the main problems in stimulating investment in social housing is the shadow economy that the property market often falls prey to, Kosareva said. Tax avoidance means purely commercial development is more lucrative.

The World Bank is supporting the real estate market in Russia as a key catalyst of economic development, according to Anna Georgieva, the World Bank's Russia Environmentally and Socially Sustainable Sector coordinator. In developed economies the real estate sector accounts for 20 percent of GDP, she said.

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