PPP Housing - framework conditions for implementation in Russia

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PPP Housing in Austria – a success story

- Stable housing production on a high level
- ~ 5.5 housing completions per 1,000 (= 0.6m² p.c.)
- ~ 35% of total new construction by the PPP Housing sector

Source: IIBW, Euroconstruct, Rosstat
Stable house prices in Austria

- Price development at around inflation rate for 20 years

Source: WKO, Statistik Austria, IIBW
Stable house prices in Austria (market rents)

- Direct dependence between provision of affordable apartments (PPP) and private market development

Source: WKO, Statistik Austria, IIBW
Very good performance of the housing sector

- 43m² useable floor space per capita (Russia: 22.5m²)
- 40% increase of floor space since 1990 (Russia: 28%)
- In the same period -20% CO2 emissions from the building sector
- 17.4% of disposable household incomes for housing (incl. energy)
- Only 5% of households with housing cost overburden, compared to 12% in EU average.
Housing tenure in Austria

- Ca. 23% affordable rental housing
- Important role of PPP Housing associations

Source: Statistik Austria, IIBW
Cornerstones of the Austrian housing policy model

- Strong PPP Housing sector (23% of total housing stock)
- Comprehensive housing subsidy scheme
- But only 0.9% of GDP State expenditure on housing
- Focus on supply side subsidies (on “brick and mortar”), low demand side subsidies (allowances) or tax subsidies
- Banking products for affordable housing
- Legal regulations
The Austrian PPP Housing sector

- Legal regulations: Limited Profit Housing Act
- 200 PPP HAs, the biggest with > 50,000 units
- Owners are municipalities, parties, private persons, financing sector, charity organisations etc.
- 1/3 of total new construction from PPP HAs
- PPP HA shall make profit, but profit has to be re-invested in affordable housing, low profit distribution to owners, but very substantial undisclosed reserves
- Cost coverage principle, linked with defined components of revenues
- Tie-up of assets, undisclosed reserves cannot be cashed out, but comprehensive other benefits to owners
- Strict audit and control
Spending of housing subsidies 2010

- Altogether € 2.93 bln (2010) = 0.9% of GDP for housing promotion
- 1/2 municipalities/privates, 1/3 PPP HA, 1/6 commercial developers

Source: BMF, IIBW
The Austrian PPP Housing sector

- PPP HAs have become very professional in construction, management and finance
- Financially very mature, very good rating, preferred borrower for the banking sector

PPP Housing converts non-marketable housing provision to a business case
IBW projects on implementation of PPP Housing

- **Austria**: 20 years of research and political consulting
- **UNECE/REM**: “Policy Framework for Sustainable Real Estate Markets”
- **Albania**: Feasibility study „Establishment of a PPP Housing Sector”
- **Armenia**: Assessment of the existing housing policy scheme
- **Australia**: Consultancy on the implementation of housing bonds
- **Bulgaria**: PPP Housing implementation project
- **Hungary**: Consultancy on the implementation of a PPP Housing sector
- **Kyrgyzstan**: Assessment of the existing housing policy scheme
- **Montenegro**: Implementation of PPP rental housing, legal consultancy
- **Romania**: a new Housing Law including a PPP Housing Law
- **Russia**: Getting into contact with opinion leaders
- **Switzerland**: Consultancy on a new housing research programme
Deficiencies in Russian housing provision system

• Market failures in terms of affordability:
  Immoderate house price inflation,
  Insufficient supply for young households an migrants to the cities,
  Speculative new construction of dwellings, which are sold, but not inhabited

• Market failures in terms of location:
  Insufficient supply in economically disadvantaged areas

• Market failures in terms of tenure:
  Hardly any rental housing,
  predominantly upscale market supply

• Lack of capacities for housing refurbishment
• Lack of capacities for housing management
• Underdeveloped market for housing finance
• Problematic urban development
**Rationale for PPP Housing in Russia**

- Option to satisfy demand on affordable housing
- Increase of housing production according to demand
- Strengthening the middle classes
- Option to slow down house price inflation
- Stabilizer to housing production and house prizes
- Execution of housing policy targets in terms of social issues, urban planning, environmental issues etc.
- Stakes for (private) owners, diversification of business interests
- Establishment of institutional housing finance

**PPP Housing benefits to social, economic, environmental and urban planning policy**
Feasibility of implementation in Russia?

- Top-down approach
- PPP legislation
- Rent legislation to protect the new sector from informal rental
- Audit and supervision
- Financing model and subsidy scheme
- Capacity building: private sector, municipalities, charity organizations, trade unions, international twinning partners
- Pilot projects
- Dissemination
Thank you for your attention

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