

FINANCIAL INSTRUMENTS OF THE AVAILABILITY OF ACCOMODATION FOR THE POPULATION OF SAMARA REGION

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Keywords: the availability of accommodation, the coefficient of accommodation availability, effective demand, profit per person, mortgage crediting.

The article gives the definition to the category “accommodation availability”, the factors influencing the index of accommodation availability in Samara region are considered. The conclusion is made about the possibility to increase the effective demand for accommodation among the population with the help of developing accommodation crediting and increasing the volume of housing construction.

Though there are high rates of developing the national financial market, both population and economic subjects as well as the country in general do not consider its institutes as the main mechanisms of investing in housing sector. The main resource of investments in housing construction is still the main monetary assets of the citizens or loans. The national financial market suffers from the lack of liquidity on qualitative assets, and long-term investment resources of the created obligatory accumulating systems are not placed efficiently in financial market.

The participants of accommodation market: both buyers and developers suffer from the lack of financial assets for investing in housing construction.

Such tendency of developing the market of housing construction creates serious obstacles for solving the problems defined by the prior national project “Available and comfortable accommodation for the citizens of Russia”.

The state mission is supporting the demand of population in accommodation market by creating the conditions for developing market mechanisms of mobilizing the off-budget resources of society and sending them into credit and financial sphere by developing the system of long-term accommodation mortgage crediting, transfer from the practice of building accommodation at the cost of budget means and its future free distribution to acquiring the ready-made accommodation by population in free market at the cost of own or credit means.

The possibility to improve housing conditions is a complex category where it is possible to observe the correlation of social and eco-

nomical characteristics of the current level of population welfare, the parameters of budget-normative and credit - financial system, price formation in the sphere of housing construction.

In international practice the term “accommodation availability” means the possibility to acquire accommodation by consumers and is evaluated with the help of the coefficient of accommodation availability. It is calculated in the process of comparing the incomes of population with the prices in the market of a certain region and is measured as the ratio of the average cost of a standard flat (total area 54 sq. meters) to the average yearly income of the family of three. The coefficient of availability shows how many years the family needs for buying a flat at the existing profit level.

This coefficient is calculated by the formula:

$$K_{ac} = (C \cdot S) / (D \cdot M),$$

where K_{ac} - coefficient of accommodation availability; S - the area of a flat, sq. meters; C - average cost of a flat square meter, in rubles; D - family's income per person, rubles/person a year; M - a number of people in a family.

The dynamics of the change of the index of accommodation availability for the population of Samara region for the period 2000 - 2007 is represented in fig. 1.

The analysis of diagram makes it possible to make a conclusion about the change of the index of accommodation availability in Samara region.

1. In the period 2000 - 2005 there is a decrease of the index from 4,52 to 2,73. This dynamics means that if an average Samara family spends all the earned money only for buying a flat, it will need not less than four and a half

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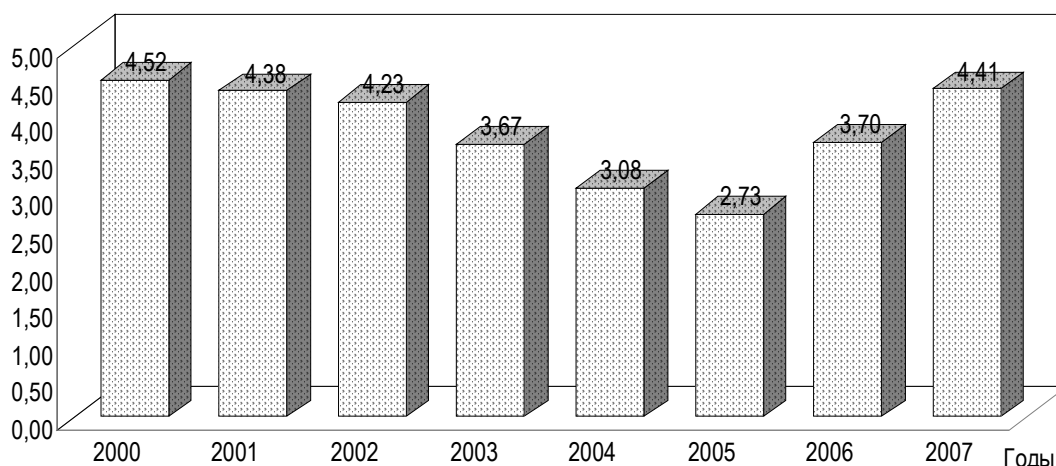


Fig. 1. The coefficient of accommodation availability in Samara region*

* Income, expenditures and consumption of economies. 2007: statistical bulletin /Rosstat. M., 2008.

years in 2000 and two years and nine months in 2005 to pay in whole cost.

2. After the year 2005 we can observe the growth of the index of accommodation availability from 2,73 to 4,41 and consequently can speak about the worsening of the situation in accommodation market.

Due to its economic essence the coefficient of accommodation availability character-

izes only one of the factors of accommodation availability - the correlation of prices in accommodation market and the level of the income of population. From this point of view in world practice it is usual when the coefficient of accommodation availability does not exceed 3-5 years. Samara region meets these international standards during all the examined period. In the year 2005 the family of three should

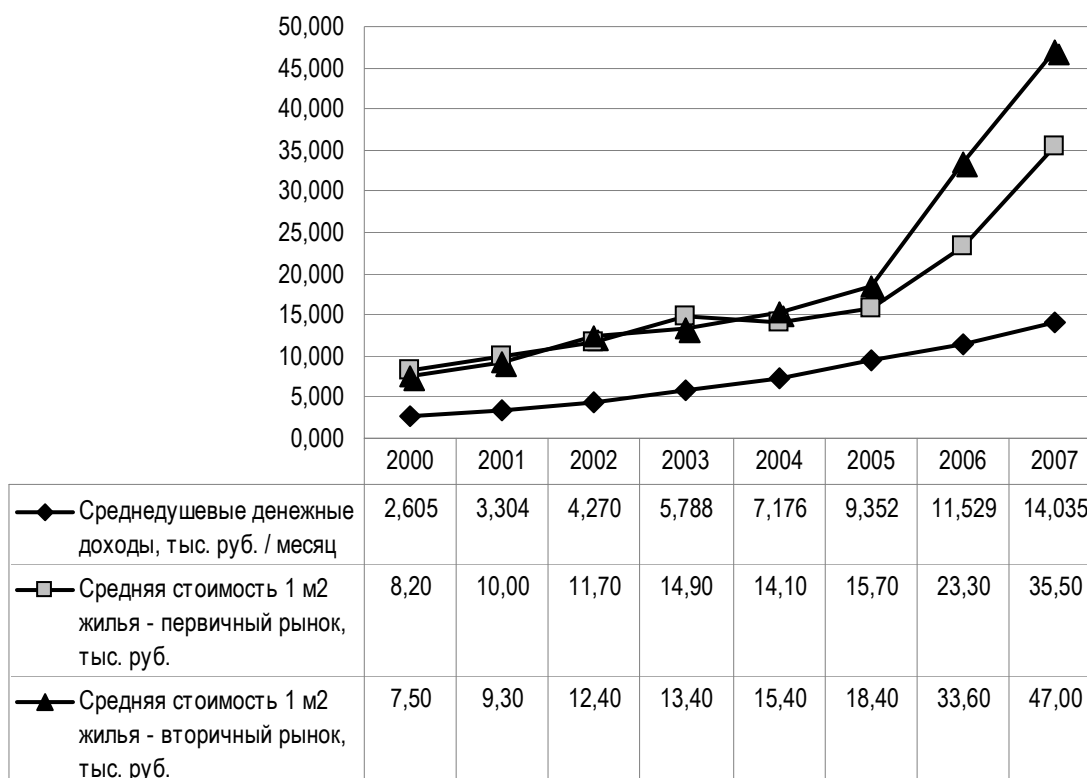


Fig. 2. The change of price level for accommodation and the average income per person of the population of Samara region*

* The regions of Russia. Social and economic indices. 2006 : statistical journal / Rosstat. M., 2007.

save money for less than three years in order to buy a flat.

Of course, the main factor that influenced the increase of availability coefficient is higher growth rate of prices in accommodation market in comparison to the growth rate of population income starting from 2005 year.

In the examined period till the end of 2005, firstly, we can observe a relatively low (20% a year) growth of prices for accommodation, at the growth of real profit per person by 15%.

Smooth growth of prices for accommodation that can be compared with the growth of income per person should be treated as a favorable tendency that help population to satisfy their housing needs and developers to increase the quantity of constructions. Thus the balance of demand and supply for accommodation is achieved, the index of accommodation availability is decreasing.

Since 2006 the opposite situation is observed. Firstly, we observe sudden increase of prices in accommodation market by 1,5 times during a year.

At the same time the growth rate for accommodation considerably exceeds the growth rate of the population income. The growth rates of prices for accommodation were 148% a year, the growth rates of the real profit of population were at the same level of 112,0%. Thus, in the period 2006 - 2007 in the conditions of yearly growth of prices the index of accommodation availability decreased to the level of the year 2000 (from 2,73 to 4,41).

conditions for effective development of accommodation crediting (including mortgage accommodation crediting, crediting of individual housing construction, various accumulating systems), as well as take measures targeted at the growth of the income of population.

The income of population is an important factor influencing the availability of buying accommodation, as families with high income can not only accumulate money for buying accommodation faster, but also get a credit easier. The information about the prices for accommodation and population income in Samara region proves the existence of this dependence.

If current and forecasted incomes influence their future solvency, i.e. the possibility to serve credit and be responsible for future payments, the savings mainly define the possibility of families to pay the nonrecurrent cost of accommodation, pay the primary payment or make additional payments while getting social accommodation. The structure of the use of monetary incomes of population is represented in table 1.

According to the represented structure of monetary expenses of population we admit that during the last six years the tendency of growth of monetary savings remains: there is an increase in deposits and securities. The average monthly consumption expenses per person were 8,9 thousand rubles in 2006, exceeding the level of the year 2005 by 18,6 %.

In relation to this the important problem is increasing the solvency of population by the use of the mechanisms of financial market. Privilege

Table 1

The structure of the use of monetary incomes of population of Samara region (in per cent)*

Buying goods and paying for service			Obligatory payments and various dues			Buying real estate			The increase of financial assets			из него прирост, уменьшение (-) денег на руках у населения		
2000	2005	2006	2000	2005	2006	2000	2005	2006	2000	2005	2006	2000	2005	2006
95,8	80,2	77,0	5,2	7,8	9,1	1,5	2,3	1,9	-2,5	9,7	12,0	-15,8	-0,3	4,6

* Russian statistical yearbook. 2007: statistical yearbook / Rosstat. M., 2007.

It is possible to make a conclusion that the formation of the market of available accommodation will be possible only if there is a balanced stimulation of solvent demand of population for accommodation and supply in accommodation market having the stabilizing influence on prices.

In order to stimulate the demand for accommodation, firstly, it is necessary to create

and various forms of crediting (especially long-term) and subsidizing have great influence on the dynamics the availability of accommodation.

The analysis of data represented in a table helps to make a conclusion about the development of the system of crediting for buying accommodation on the territory of Samara region.

1. In general there is the acceleration of growth rate of mortgage crediting for buying

Table 2

The volumes of crediting for buying accommodation in Samara region*

Index name	Unit.	Years		
		2005	2006	2007
The volume of debts of citizens on credits submitted by credit organizations for buying accommodation	Million rubles	1269,155	7338,410	17515,200
From them: mortgage accommodation credits	Million rubles	960,309	5093,424	14761,600
The volume of mortgage credits and loans submitted in a year	Million rubles	1883,020	6255,000	12758,000
The volume of credits to the citizens submitted by credit organizations	Million rubles	801,000	4133,115	9668,176
The volumes of loans to the citizens submitted by non credit organizations	Million rubles	1082,020	2121,885	2058,000
The number of mortgage credits and loans submitted to population during a year	Pieces	4049,000	9282,000	11989,000

* The article "The availability of housing in Russian Federation as a main factor of demand for banking mortgage credits // Banking crediting. 2006. № 3 (7).

Table 3

The possibility to buy accommodation with the help of mortgage credting in Samara region*

Index name	Unit	Years		
		2005	2006	2007
The share of families that have the possibility to buy accommodation with the help owned and borrowed funds	%	20,00	21,10	45,00
Interest rate on credits (yearly)	%	14,00	13,00	12,50
The duration of mortgage credit, average	лет	20,00	25,00	21,00
The share of payment on mortgage crediting in the income of borrowers	%	30,00	30,00	25,00
Minimum family income necessary for buying accommodation	тыс. руб.	13,20	15,75	30,00

* The article "The availability of housing in Russian Federation as a main factor of demand for banking mortgage credits // Banking crediting. 2006. № 3 (7).

accommodation. Initially in 2006 the volumes of mortgage crediting increased in 5,6 times. Later the growth rates are evaluated as stable on the level of yearly increase by 2 times in comparison to the previous year. This dynamics can be characterized as a regular one. Primary growth rates are always high, but when the starting point is increasing year by year, the growth rates slow down.

2. The similar dynamics of the growth of mortgage credits shows that the structure of financial assets is getting a long-term character.

3. There is not only the increase of growth rates but of the crediting scale as well. Every year there is an increase of the absolute volumes of credits.

There is one more index reflecting the increase of the availability of accommodation for population - the share of families that have the opportunity to buy accommodation with the help of own or borrowed funds.

Let's use the index of the possibility to buy accommodation with the help of mortgage credit in order to evaluate the possibility to get a mortgage credit. The index for the period 2005-2007 is calculated as a correlation of the average income of the family of three that is necessary to have in order to buy standard accommodation (area - 54 square meters) with the help of a mortgage credit submitted under standard conditions (see table 3).

Having analyzed the represented data it is possible to observe considerable positive dynamics of the index of the possibility to buy accommodation with the help of mortgage credit that in 2007 was 45%, two times more than in 2006.

According to the data of Federal registration system the share of deals with the use of mortgage credits in the accommodation market of Samara region was about 16% - in the year 2005, 13% - in 2006, 21% - in 2007. The represented data tell us that the process of buy-

ing accommodation with the is becoming more dynamic.

The achieved result helps us to evaluate the development of mortgage crediting in Samara region as successful. The improvement of the conditions of crediting (decreasing interest rates, increasing crediting duration) correspond to this characteristics.

The analysis of data for the period 2000 - 2007 shows that it is possible to achieve the availability of accommodation by increasing the solvent demand of population and increasing the volume of accommodation construction. For this it necessary to activate the activity of credit organizations, enlarge the supply and the variety of credit products.

The overall analysis of the examined indices shows the steady increase of accommodation availability in Samara region. In the period 2005-2007 the share of families who can buy flats with the help of own or borrowed funds increased from 20 to 45%, though in 2006 the growth of prices for accommodation was before the growth of the income of population. Unfortunately, buying standard accommodation is still not available for the families with average income. The solution of this problem demands special attention to the problem of increasing the volume of housing construction that should form adequate supply of accommodation following the growth of solvent demand, real income of population and mortgage crediting development.