

Chapter 7

Financing at the Housing Market: Analysis of Best Practices in the Selected Countries

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ABSTRACT

Instruments of financing at the housing market allow increasing the efficiency of branch operation, accumulating more money resources, and redistributing them among the segments of this market. The chapter is based on the analysis of the housing markets' functioning in different countries, taking into account the possibilities of their financing. Recommendations have been formulated on the use of the foreign countries' experience in Russian practice in order to improve the efficiency of financing for the housing market in Russia. It is determined that the main instrument of financing at the majority of national housing markets is mortgage lending. The author has analyzed single-level and two-level models of mortgage lending to determine the advantages and disadvantages each of them has. In the German model, such a mechanism is implemented as a system of "building saving," which involves gradual accumulation of the initial contribution.

INTRODUCTION

At present, housing market plays an important role for any state and its population. An important task for the state is not only to develop the housing market in the whole country, but also to provide citizens with affordable housing by means of using various financing instruments. The main problem is the choice of the most optimal financing instrument from the citizens' standpoint. In this regard, it is important to analyze experiences of different countries with the aim of identifying the most successful practices that can be adapted to less efficient housing markets. The above confirms that the topic of this study is relevant for many countries worldwide.

The object of the study is the process of financing at the housing market.

DOI: 10.4018/978-1-5225-7760-7.ch007

The purpose of the study is to formulate an approach to determining the financing at the housing market, as well as to identify, on the basis of foreign experience analysis, the tools that can be adapted in Russian practice.

To achieve this goal, it is necessary to solve the following tasks:

- To analyze the theoretical basis of the housing market financing with the goal of formulating one's own vision;
- To review foreign experience and identify the key trends;
- To determine the list of instruments appropriate for housing market financing.

The following hypotheses have been put forward in this regard:

- Development of housing markets depends on the possibilities of its financing;
- Foreign markets use mainly mortgage lending to finance the residential real estate market;
- An important role in the development and financing of the housing market is played by the state;
- Adapting the foreign experience of implementing various financing mechanisms will increase the availability of housing options for Russian population.

LITERATURE REVIEW

Analysis of housing markets in terms of their tools and financing mechanisms has attracted the attention of quite a wide range of both Russian and foreign researchers.

Klevtsov V.V. under the housing market understands the aggregate of national, municipal and local housing markets, related to each other via socioeconomic, political, cultural integration and unification; socioeconomic and political relations that mediate production, distribution, exchange and consumption of residential property with the appropriate financial and credit support.

In the opinion of Lazarova L.B and Murieva M.V. (2012) housing market is a complex system of interacting markets. Housing market, above all, is connected with the financial market, which includes the money market, the foreign exchange market, the capital market, the securities market and the credit market.

From the viewpoint of Sazhin Yu.V. and Inchina T.V. (2010) housing market is a complex system of interacting markets: housing land market, financial housing market, construction housing market, and also, there are primary and secondary housing markets.

Reed and Wu (2010) consider the model of real estate market development to be based on the implementation of the principle of cyclicity and risk factor accounting.

Features of financial analysis for the real estate investment were reviewed by William J. Poorvu (2003). The following assumptions were made that complicate the process of financial analysis with respect to real estate investment: an excessively long planning horizon, the impact of ever-changing environment, and also liquidity problems. In this regard, we can distinguish the following elements of the analysis:

- Cash flow,
- Tax effect, and;
- Future benefits.

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