

Features and factors of regional market development

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Abstract. The article is devoted to the study of the specific features of the functioning of the regional market on the example of the residential real estate market. The features of the development of the regional housing market as the most important component of the territorial economy and its types are considered. Modern and topical market problems that hinder regional growth are identified. All the most significant factors influencing the state of the regional housing market are systematized and grouped into supply and demand factors. The competitive environment in the regional market is being transformed under the influence of an increase in supply and the desire of manufacturers to reduce costs, as well as the development and improvement of alternative financing mechanisms. The trend of promoting the improvement of the living conditions of citizens for the development of regional socio-economic systems and raising the standard of living of the population is determined.

1 Introduction

In modern conditions, radical economic transformations are associated with solving problems at the regional level. The region is the territorial substance in which problems are focused, as well as traditional and new emerging trends that reflect the development process.

The most important problem that requires theoretical substantiation and in-depth research is the problem of the development of local markets.

The complexity of solving this issue lies in the insufficient study of the theoretical provisions of the functioning, formation and development of local markets. The need to study local markets, to identify the main patterns of their formation is determined by the development of market relations.

The economy of any territory and the life of its citizens is impossible without functioning markets. The level of development and factors influencing the markets determine the attractiveness, competitiveness and sustainability of the region.

We will consider the features and factors of development of the territorial market using the example of the regional residential real estate market, which is conceptually a complex set of habitats and people's lives, which is of paramount importance for the territorial system.

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The regional residential real estate market is a set of housing objects, transactions with them, elements of the market infrastructure and market conditions, localized in the territory of a certain region. The regional residential real estate market creates a property frame in the territorial organizational system, creates conditions for the integration of industries and improving the quality of life.

The significance of the housing market for the regional economy determines the relevance of studying the fundamentals of functioning and assessing the state of the territorial residential real estate market in modern conditions.

2 Results

2.1 Features of the formation and development of the regional residential real estate market

The development of cities and districts is the most important task of modern society [1, 2], dictated by the trend towards migration from rural areas to urban agglomerations [3], and therefore there is a need to meet the housing needs of the population, which are provided by the real estate market.

The housing market largely, or even decisively, depends on regional conditions and has a pronounced local character [4]. Therefore, the specifics of the functioning of cities and regional features determine the features of housing construction and the level of development of the housing market.

The formation and development of residential real estate markets in the regions of Russia is the process of formation of the basic elements of the anthropogenic nature of the territories.

The real estate market in the regions of Russia began to take shape and develop as a result of the emergence of private property. In market conditions, real estate objects are built, bought, sold, rented, mortgaged, exchanged, etc. [5]

In recent decades, the Russian housing market has undergone changes related to the market distribution of housing, including the use of mortgage mechanisms. At the same time, the provision of housing is one of the significant indicators of the socio-economic development of the country. The study of the differentiation of regional residential real estate markets based on modern economic and mathematical methods helps to effectively manage market processes. These circumstances determine the relevance of this work [6].

The dynamics and transformational processes in the territorial markets for residential real estate are due to the significant heterogeneity of regional development, which is expressed in significant gaps in a number of its quantitative characteristics. This became the starting point for revising the applied concept of a unified universal state approach to selective state management of regional housing markets [7].

At the same time, the development of residential real estate markets in the regions of the country is influenced by the prevailing conditions, such as: insufficiently high level of standardization and interchangeability of items for sale (real estate objects), imbalance of the “seller’s market” and “buyer’s market”, incomplete transparency of information about the product, low exchange rate information, a relatively small number of sellers and buyers.

As a result of the past stages of formation and development of residential real estate markets in the regions, the following features have become characteristic of them:

- 1) localization, since its goods are immobile, and their value depends to a large extent on the external environment;
- 2) a significant level of state regulation through legislation, as well as through the zoning of territories;
- 3) a smaller number of purchase and sale transactions;

4) imperfection of the mechanisms of interaction between market entities and their weak legal support.

The genesis of regional residential real estate markets has determined the role of real estate as the most important component of the territorial economy, significantly influencing the economic, social and political development of the territorial system. It is real estate as a material good that has a material character that forms the basis of the well-being of both society as a whole and its citizens in particular, being a category of wealth.

At present, the sphere of real estate in the regions of Russia is multifaceted, it is a vast area of objects and social relations related to property, government regulation, and many areas of human activity. At the same time, the defining characteristic of real estate is its connection with the land, which cannot be broken without disproportionate losses for the object.

Residential development in regional real estate markets is ranked by density. In small towns, these are low- and medium-density quarters of individual and multi-apartment buildings. In large cities, zones of high-density high-rise buildings and blocks of maximum density are added. In addition, as part of the residential development zone, "nodal centers" are distinguished near transport hubs and "mixed zones" in the historical part of the city. To concentrate development and increase density in individual cities, the following standards and rules are additionally established: the minimum allowed density, reduced indentation from the red lines, measures to stimulate the blocking of houses.

For the purposes of statistical accounting in the regions of Russia, housing is classified according to the following characteristics: finished and unfinished, number of rooms (one-room, two-room, three-room, four or more rooms), type of housing (low quality, medium quality (typical), improved planning, elite), type of house (large-panel and large-block, brick, monolithic, including monolithic-brick, wooden frame low-rise houses, block houses with a reinforced concrete frame).

Depending on the characteristics of the objects, the regional residential real estate market is divided into the primary housing market (primary market) and the secondary housing market (secondary market). And although these terms do not appear in the current Russian legislation, business customs determine their practical use.

The primary housing market involves the implementation of transactions with new housing, passing legally from the developer (developer, investor) to the buyer. Such objects are finished products of housing construction and are part of the total supply in the housing market. Thanks to the commissioning of new housing, the housing provision of citizens increases, jobs are created, tax revenues are received in the relevant budgets and the growth of the region's GRP and the country's GDP is ensured. In addition, the development of housing construction also stimulates related industries, such as the building materials industry, the household appliances and electronics industry, and the woodworking complex. We can say that for the regional economy, the activation of construction companies is the key to the growth of the well-being of the territory.

The secondary housing market is a mechanism for the redistribution of already functioning housing stock among citizens without its increment. If the volume of supply in the primary housing market is subject to direct assessment, then in the secondary market the supply is latent, the extent of which can be found out by contacting the relevant authorities for state registration of rights to real estate and transactions with it.

2.2 Problems and factors of the regional residential real estate market

A separate problem for modern markets for primary and secondary housing in the regions of Russia is the division of demand, satisfied as a result of transactions with residential premises, into consumer and investment. The housing market, like many other markets, is subject to

cyclical fluctuations depending on the general economic environment. At the same time, in some sections of the wave trajectories of the real estate market, so-called price bubbles can form, one of the reasons for which is a bias in the structure of demand towards the investment component. Thus, the analysis of demand allows us to provide additional evidence of the existence of a price bubble, the stage of its development, and, possibly, to predict the moment of its rupture.

A bubble in the real estate market is a kind of economic bubble and can be formed due to a systemic failure in the structure of demand and its disproportionate excess over supply. Let's consider these effects in more detail.

Among the factors that increase the demand for housing, first, we note a significant increase in real incomes of the population. As a result of economic growth, the wealthier segments of the population begin to invest in real estate. It is believed that this reason is one of the factors of the explosive price growth in the regions. Secondly, the development of the institution of mortgage lending leads to an increase in the availability of housing for large segments of the population. Third, the demand for residential real estate may be fueled by the shift of investors' funds from the capital market to the housing market, caused by a decrease in profitability in the financial market. Finally, demand can also inflate the human factor, which generates inadequate, economically unjustified hype.

From the point of view of economic theory, growing demand is the key to increasing business activity. However, practice shows that the validity of this statement largely depends on the context, namely, whether the supply volumes correspond to the requirements dictated by the market. Thus, the accumulated error in demand for housing (usually investment) together with disruptions in housing construction create an imbalance in the housing market. The inflexibility of the volume of new housing construction and compensation for excess demand are caused by various development restrictions: independent, legislative and natural.

Intentional limitation of the volume of housing construction takes place with the collusion of developers or a monopoly. It is believed that this reason is one of the factors behind the explosion in prices in Moscow, although a recent investigation by the Federal Antimonopoly Service did not confirm this version.

If the law restricts the size of construction, there is a decrease in supply on the market and a decrease in the liquidity of the real estate market. For example, in some locations there is a restriction on the number of storeys of a building, called zoning. Each zone allows a certain height of buildings, which limits the density of living in the zone. Natural (territorial) development restrictions are a frequent cause of price increases, especially in the centers of large cities. For the Moscow housing market, this foaming factor is one of the main.

The supply on the housing market may be limited due to the psychological factor. It is expressed in the fact that potential sellers expect an increase in the market value of their residential real estate.

Overheating in the housing market and the formation of a price bubble is traditionally diagnosed using the following indicators:

- 1) the ratio of the capitalization of the housing market of the region (country) to the value of GRP (GDP). Additionally, the level of housing affordability by territory can be assessed as the cost of real estate to the income of the population;
- 2) the share of mortgage payments in the income of the population;
- 3) the ratio of rental payments to the cost of housing;
- 4) profitability of construction.

To develop regional socio-economic systems and improve the living standards of the population in Russia, a number of projects and programs in the field of housing provision are being implemented. Their basic priority and goal is to promote the improvement of the living conditions of citizens through:

- ensuring high rates of construction of high-quality, comfortable and affordable housing, including through the involvement in housing construction of inefficiently used federal, regional and municipal lands in cities, including industrial zones, as well as financing the construction of infrastructure facilities as part of the implementation of projects for the integrated development of the territory;

- increasing the availability of mortgage loans for citizens and reducing financial risks through the formation of a liquid market for mortgage-backed securities, the introduction of electronic mortgages, the best world practices for information disclosure and other measures;

- implementation of "pilot" projects for the construction of specialized rental housing, including the use of collective investment mechanisms and the development on this basis of proposals for the further development of the rental housing market.

The residential real estate market, like other local markets, is controlled by the state through the legislative, executive and judicial powers. State regulation of the construction complex and the residential real estate market is carried out by influencing the management bodies of the construction complex and controlling the exercise of their powers by the latter, as well as budgetary financing of the construction of state-owned objects, control over the timing of their commissioning.

A variety of factors can influence the efficiency of the modern housing market. It is very difficult to identify and study their action. The task is to establish the most significant factors that have a decisive influence on a particular indicator. Thus, a prerequisite for adequately reflecting the reality of the analysis is an economically justified classification of factors that fundamentally affect the efficiency of the segment under study [8].

Scientists most often present a classification of factors affecting regional residential real estate markets, grouping the determinants into external and internal. In our opinion, housing market factors should be presented in the form of blocks: demand factors and supply factors (Figure 1).

Emelyanova E. E., Chapargina A. N. believe that the main factors that can change the state of regional housing markets and significantly affect the dynamics of their development are the solvency and demand of the population [9].

Taranukha N.L., Grakhov V.P., Mokhnachev S.A., Pushkarev V.O. note that development is the economic basis for the development of the domestic residential real estate market, creates a competitive environment in the residential real estate market and ensures effective management of residential real estate in the region [8].

Kataeva Yu. V. highlights the development of the construction industry as a key factor in the development of the residential real estate market and sustainable economic growth in the region. Attracting resources to the construction industry allows you to get a socio-economic multiplier effect of the development of the region as a whole: improving the living conditions of the population, creating additional jobs and reducing unemployment, creating additional effective demand of the population for goods and services from other industries, developing the market for building materials and technologies, increasing tax revenues to the budget, expanding the tax base, improving the quality and standard of living [9]. It is known that construction is one of the most costly sectors of the economy. Significant administrative barriers contribute to the unjustified increase in costs.

The delay in construction time associated with the lengthy documentation approval procedure significantly increases the duration of the construction cycle, which entails an increase in the cost of renting construction equipment, land plots, wages for employees, and costs associated with changes in urban planning requirements. The construction cycle lasts 2-2.5 years on average. It takes about a year to obtain a land plot, design and obtain a building permit, and a year and a half directly for construction and installation work. Although the Town Planning Code establishes a unified procedure for issuing permits for construction and

putting objects into operation, a number of sub-federal and local authorities have not yet brought their regulations in line with it [10].

Panchenko G.L. notes that the state and dynamics of the main indicators of the housing market (prices and sales volumes) are determined by the peculiarities of the response of its various segments to changes in the macroeconomic situation in the country, the level of income and savings of people, as well as their expectations and moods. Demographic processes and characteristics of the state-led housing policy have a significant impact on the residential real estate market [11]

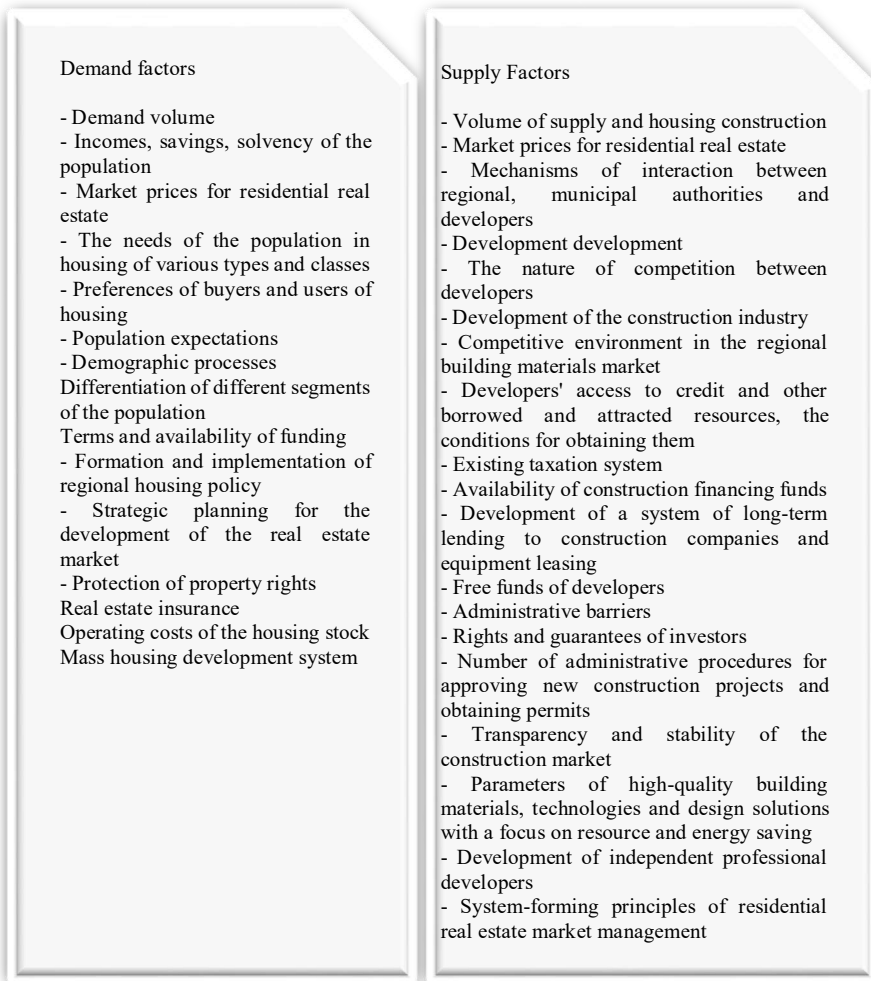


Fig. 1. Factors of regional residential real estate markets. Source: Compiled by the authors

The mechanisms of interaction between regional, municipal authorities and developers would reduce the costs associated with obtaining land plots for development.

Considering the formation and development of residential real estate markets in the regions of Russia, we note that conceptually their functioning is based on market conditions, namely, the state of supply and demand.

Demand in the residential real estate market is the number of land plots, buildings, structures, premises in civil circulation, and the rights to them that buyers are willing to

purchase at prevailing prices for a certain period of time. *Ceteris paribus*, the demand for real estate varies inversely with the price.

At any given moment in time, the total supply consists of two elements - the supply of existing and new residential real estate. The ratio of the two elements of a sentence changes over time and from place to place.

The main trend in the development of regional real estate markets in Russia is the predominance of the supply of existing real estate, which is associated with its durability.

The formation and development of residential real estate markets in the regions of Russia determined the nature of the specific competitive environment that has developed in them. In the context of creating a competitive environment, one of the priorities on the supply side is to increase housing construction and reduce costs. From the standpoint of demand, the problem of developing and improving alternative mechanisms for financing the construction and purchase of housing is being updated: mortgage lending, housing savings and housing construction schemes, mutual investment housing funds, state support for certain social categories of citizens. At the same time, the state, with the help of fiscal and monetary policy instruments, influences both the structure and volume of demand for housing and the supply of housing.

The specifics of housing construction in regional markets is such that the sphere of organizational and legal relations between construction participants includes not only investors and developers, but also specialized urban planning organizations and territorial administrations pursuing various goals. Thus, the administration of the territories is interested in receiving compensation for the provided land plot for development in the form of a share of the area in the constructed facility or in the form of a sum of money against its share, which sometimes reaches 5-10% of the cost of construction, as well as in obtaining ownership of infrastructure facilities, created during the implementation of the project. Specialized urban planning organizations are also interested in receiving certain funds. In other words, the asymmetry of interests of the subjects of the housing construction market complicates the system of their hierarchical interaction, which makes it difficult to form a competitive environment in this market.

3 Conclusion

It can be concluded that the residential real estate markets of the regions of Russia have gone through a significant development path and their formation has caused a spatial resonance in the form of strengthening the anthropogenic nature of the territories, their ecosystem development, functional and economic transformation and changes in the settlement system. The regional residential real estate market is a complex mechanism that is influenced by certain conditions, factors, and current trends.

The effectiveness of the regional socio-economic system depends on the degree of development of territorial markets, including one of the most important - the residential real estate market.

Specific features of the regional residential real estate market are: localization, a high level of state regulation, a reduction in the number of sales transactions, the need to improve market mechanisms and the legal framework.

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