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STATE REGULATION OF THE FIRST MARKET OF REAL ESTATE IN UKRAINE: REQUEST AND OFFER

Abstract. The analysis of the preconditions for the emergence, stages of formation and development of state regulation of the primary real estate market in Ukraine was carried out. It is noted that in order to determine the main factors and trends of the state development of the primary real estate market in Ukraine, it is important to take into account the Soviet legacy of its formation, which is based on the experience of the country with many years of market traditions. Identification of cyclic phenomena in the primary housing market and structural government reforms directly related to the housing sector. The main features characterizing the domestic housing market at the present stage of its development are substantiated.

Keywords: housing market, primary market, demand, supply, price dynamics, tendency of development.

ДЕРЖАВНЕ РЕГУЛЮВАННЯ ПЕРВИННИМ РИНКОМ НЕРУХОМОСТІ В УКРАЇНІ: ПОПИТ І ПРОПОЗИЦІЯ

Анотація. Проаналізовано передумови виникнення, етапи становлення та розвитку державного регулювання первинного ринку нерухомості в

Україні. Зазначено, що для визначення основних факторів та тенденцій державного розвитку первинного ринку нерухомості в Україні важливо врахувати радянську спадщину його формування, що спирався на досвід країни із багаторічними ринковими традиціями. Ідентифіковано циклічність на ринку первинного житла та структурні державні реформи, безпосередньо пов'язаних з житловим сектором. Обґрунтовано головні ознаки, що характеризують вітчизняний ринок первинного житла, на сучасному етапі його розвитку.

Ключові слова: ринок житла, первинний ринок, попит, пропозиція, цінова динаміка, тенденція розвитку.

ГОСУДАРСТВЕННОЕ РЕГУЛИРОВАНИЕ ПЕРВИЧНЫМ РЫНКОМ НЕДВИЖИМОСТИ В УКРАИНЕ: СПРОС И ПРЕДЛОЖЕНИЕ

Аннотация. Проанализированы предпосылки возникновения, этапы становления и развития государственного регулирования рынка первичной недвижимости в Украине. Отмечено, что для определения основных факторов и тенденций государственного развития первичного рынка недвижимости в Украине важно учитывать советское наследие его формирования, что опиралось на опыт стран с многолетними рыночными традициями. Идентифицированы цикличность на рынке первичного жилья и структурные государственные реформы, непосредственно связанных с жилищным сектором. Обоснованы основные признаки, характеризующие отечественный рынок первичного жилья, на современном этапе его развития.

Ключевые слова: рынок жилья, первичный рынок, спрос, предложение, ценовая динамика, тенденция развития.

Statement of the problem. The primary real estate market is one of the most important components of the gross domestic product (hereinafter – GDP) of the state and has a cyclical nature, due to the low elasticity of supply, changes in the financial system in the country and the unstable behavior of consumers.

Today, according to actual indicators of the real estate market, there is a problem of excess housing, which poses a serious threat to the construction market and the economy of Ukraine. This in turn requires constant moni-

toring and analysis of the primary real estate market, both for corporate interests and for conducting of valuation and market research in the country as a whole [1].

Analysis of recent research and publications. Taking into account the fact that the state paid a little attention to the regulation of the primary real estate market in Ukraine at present, arise the task to provide to the business entities and the population, in general, the necessary level of knowledge and complex competences on this issue. The research of the issues of the forma-

tion, development and analysis of state regulation of the primary real estate market were engaged by many domestic and foreign scientists. Among them are: A. Asaul, V. Pavlov, I. Balabanov, V. Haiduk, V. Goreymkin, V. Grigoriev, A. Grytsenko, A. Mochenkov, A. Mukhin, A. Nepomnyaschy, I. Pylypenko, Yu. Prav, Ye. Romanenko, I. Tarasevich, R. Drake, J. Friedman, N. Ordway, G. Harrison, G. Zuckerman, J. Vlevis and others.

While paying tribute to the research carried out, it should be noted that, today, the systematization of the tendencies of state regulation of the primary real estate market in Ukraine remains unnoticed, which is one of the decisive factors during making investment decisions by both external and internal investors.

The purpose of the article is to investigate the processes of state regulation of the primary real estate market in Ukraine and to identify the main trends of its development in the near future.

Presentation of the main research material. The process of state regulation of the primary real estate market, in most countries, is characterized by the wide involvement of the government in this process. Such involvement can be in the form of direct subsidies (for example, housing, social housing), tax incentives (eg mortgage housing loans) and legislative regulation of the housing market (eg, land law protection legislation) and other government instruments.

There are exist a logical explanation to this. Firstly, the markets for primary real estate require a permanent legislative “balance” from the state authorities to achieve the effectiveness of their

functioning. Secondly, as stated in Art. 47 of the Constitution of Ukraine, the undisputed claim is that everyone has the right on own housing and the state must provide them with housing if one can not afford it. [2] Thirdly, support to the purchasing of primary housing and investment serves as an effective mechanism for the redistribution of national income and wealth in the country.

In order to determine the main factors and trends of the state development of the primary real estate market in Ukraine, it is important to take into account the Soviet legacy of its formation, which is based on the experience of the country with many years of market traditions [3, p. 540].

The Ukrainian primary real estate market began to form in the early 90's of the twentieth century as a component of the transition from a planned to a market economy model [4]. Its appearance became possible due to the massive state privatization in the residential sector, aimed on the combating with the lack of proposals on apartments for the meeting of the demand on housing for the population, stimulated by urbanization.

In general, the pace of the formation of the primary real estate market was low due to the lack of adoption of a number of necessary legislative acts, as well as the complex economic and political situation in the country, which was conditioned by violations of the economic system of the former Soviet Union. The consequences of the latter manifested in reducing the volume of GDP and a significant drop in the population's incomes, as a result of latent unemployment and the development of inflation [5, p. 9]. During

2000–2007, the Ukrainian economy grew on 8 % per annum. During this period, the growth rate of demand in the real estate market in Ukraine began to increase. Representatives of the domestic housing stock tried to meet this demand, however, Ukrainian state regulation did not contribute to the ease and speed of construction. Moreover, the concern of people about the stability of the world economy and the course of dollar has caused a significant overflow of capital to the real estate market.

In the period 2002–2005, other factors began to operate: economic growth, increasing of solvent demand, and, as well, an increasing of the number of mortgage lending, the legal basis for implementation of which was the Law of Ukraine “On Mortgage” of 19.06.2003 [6].

In 2008, the inflow of domestic and private investment slowed down, which led to an increasing in housing prices in Ukraine. Although Ukraine managed to avoid a recession, which allowed reducing domestic and external debt, in the period from 2008 to 2013, the hryvnia’s price dropped at an alarming level. The National Bank of Ukraine introduced several initiatives in order to restructure debts in the residential sector, by the preferential currency values.

Despite this, the actual solvency of citizens has fallen by 30 %, which significantly reduced the public’s ability to purchase housing. There was a sharp decline in demand and, above all, on objects of primary real estate that were under construction [5].

In 2013, state regulation of the primary real estate market, including social housing in Ukraine, was not enough to meet housing needs. At the

local level, funding for such initiatives was limited. In 2013, at least 1.39 million people were in the queue for social housing, which characterizes uncertainty in the primary housing market.

In 2014, the situation in Ukraine on the primary real estate market was somewhat worse than expected. So, a number of problems related to real estate, in particular, the housing problem in Ukraine always existed, however, during this period, it was particularly acute. “The global consulting company Knight Frank has published the rating of the worst real estate markets in the world, in which Ukraine took the third place. According to the company’s research, the decline in prices in the real estate market in Ukraine amounted to 7,8 % in 2014 [8, p. 154].

I believe that such a situation was provoked by the growth of inflation and the fall in business activity in the country. Also, at this stage, it is necessary to note the new changes in the state financial regulation of the industry, which significantly influenced on the market of primary housing, namely: introduction by the National Bank of Ukraine from September 1, 2013 limit on cash operations in the amount of 150 thousand UAH, Also, the entry into force of the procedure for conducting an assessment for tax purposes and the calculation and payment of other mandatory payments, which are enforced in accordance with the law of November 1, 2013 [9].

Moreover, its necessary not forget that it was in 2014 that the fighting in Donetsk and Luhansk oblasts began, which had a significant impact on the reduction of the purchasing power of housing for the population as a whole.

To overcome the above-mentioned factors, in 2015, the Ukrainian government is slowly trying to carry out structural reforms, and three of them are directly related to the housing sector:

- 1) State subsidies for gas and electricity;
- 2) Transfer of powers of communal ownership to tenants;
- 3) Land cadastre.

For several years, the subsidy program in Ukraine has been ineffective for power companies. In order to meet the requirements of the International Monetary Fund, Ukraine has made an attempt to reduce and optimize inefficient subsidies in order to reduce the number of low-income segments of the population. This, however, occurs, in parallel, with an increase in heating and utilities prices by almost 30%. Theoretically, energy reform has a final result that promotes the collection of indirect taxes from the middle and upper classes of the population.

As of the first year of implementation, this reform has met a considerable opposition from middle class of consumers who are unaware of the individual achievements of this reform and are faced with new bureaucratic obstacles associated with the implementation of the reform program.

Transferring of powers of communal property to tenants is the second reform, which is connected with the restoration of the property portfolio of the main institutions dealing with primary real estate. Of course, to this day, in Ukraine there are obstacles on the way of the transferring of communal property rights to tenants arising as a result of the ambiguity of the regulatory framework for property rights and relations

between owners, co-owners, operating agencies, local government bodies and utility providers.

Related to the Ministry of Social Policy, on a local level, communal institutions are responsible or provide support to communal areas in multi-apartment buildings, such as water supply, sanitation, sewerage systems, utility sites, elevators, electricity networks and heating. In the past, the Ministry of Regional Development, Construction, Housing, and Communal Services advocated for the existence of housing maintenance offices as mechanisms for directing accountability in the residential sector.

However, these associations are not legally binding and therefore can not protect the local authorities and utilities on behalf of their inhabitants. The reform, which was due by June 1, 2016, has already been postponed, as the creation of a market of service providers for the association of co-owners of multi-apartment buildings proved to be complicated in practice.

However, in the medium term, transferring of decision-making authority from municipalities to housing and communal services will be a critical component in ensuring adequate housing at the local level.

In 2011, the Verkhovna Rada adopted the Law of Ukraine "On the State Land Cadastre" as the single state geoinformation system of land information located within the state border of Ukraine, their purpose, restrictions on their use, as well as data on quantitative and qualitative characteristics lands, their assessment, the distribution of land between owners and users [10].

This important bill connected with the decentralization of public administration and allows local authorities to better know their assets and property at the local level. The key principle of managing of the city planning and development is the single cadastre — one of the key tools for the development of construction and infrastructure projects, as well as ensuring that the urban development of the primary real estate market is consistent with the dynamics of population growth. The development of this legislation was timely, because the economic crisis in 2008 led to significant demographic changes in many regions of Ukraine, the main reason for which was economic emigration.

Today, on the residential real estate market the supply continues to grow, but demand is limited and there are no significant factors to increase it in the near future. This not only generates excessive accumulation of supply, but also creates significant risks for delaying the commissioning of objects. So, according to Forbes, “in 2017, small developers increasingly offer cooperation — they do not have enough money to complete projects. If the trend grows stronger, then 2017–2018 may be a time of unfinished business, as was already the case after the 2008 financial crisis. Break-through sales can be expected only as a result of a sharp drop in the hryvnia, or the bankruptcy of another large bank” [11].

Conclusions and perspectives of further research. Consequently, summing up the abovementioned, it can be said that the state regulation of the primary housing market combines a complex socio-economic system of market elements and their management func-

tions during the creation, development and circulation of real estate in favor of public consumption. Modern state regulation of the primary housing market should be integrated and focused on the target economic, political, social, financial and legal components of the sustainable development of public administration that will be needed for the formation of the housing sector in Ukraine over the next few years.

The prospects for further research in this scientific field are the organization of such a process of analysis of the primary housing market, the result of which should be identifying the interconnection of its macroeconomic indicators with the further development of scenarios of the strategic plan for Ukraine’s economic development, in the context of the global financial and economic crisis.

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