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## **Housing market in the Republic of Kazakhstan: current state and development prospects**

There is a tendency of transition to socially oriented market economy at the present stage of development of the Kazakhstan society. At the same time, an important value is occupied by the problems of development of socially oriented industries. In the long term, housing market, as it promotes the solution of many social and economic tasks, can become one of socially -oriented branches in the Republic of Kazakhstan. The article deals with the problem of the housing market in the Republic of Kazakhstan. The main issues that emerged in the housing market, which are considered as an integral part of the real economy, were studied. In the course of the study, the main indicators of the industry such as finance, housing affordability ratio, housing price per square meter were analyzed. The main factors affecting housing prices were analyzed. At the same time, attention is paid to the policy of state regulation of the housing sector. The role and place of the housing market in the modern economy of the Republic of Kazakhstan is shown, as well as the steps the steps undertaken by the government to solve those problems, law acts and those fulfillment is being under consideration. Within the State Program of Regional Development till 2020, the prospects for further development of the housing market are shown. All the possible ways for solving housing problems in Kazakhstan are discussed in this article. All the possible ways for solving housing problems in Kazakhstan are discussed in this article.

*Keywords:* housing, competitiveness, construction, investment, price, demand, economics, housing affordability index.

In the period of the modern socio-economic development of Kazakhstan, the modernization of all sectors of the national economy is an important strategic direction. Housing, as it influences all aspects of peoples' life in society, is considered as important and complex of the national economy. The accessibility to housing activities and its quality are main factors determining the standard of living of the population. Therefore, the basis of the state policy in the Republic of Kazakhstan is provision of housing for citizens, creation of safe and high quality environment. The development of social infrastructure in the state, becoming one of the strategic tasks for today.

In connection with the implementation of the strategy of Kazakhstan's joining top 30 the most competitive countries in the world, increasing competitiveness of the national economy involves firstly the need to provide housing for citizens. Moreover, it is known that the sphere of housing and communal services is in the list of factors determining the competitiveness of countries.

Improving the scientific-methodical bases of organization and effective management of the housing market gives opportunity to speed up the process of dramatically increasing state's economy competitiveness of as a whole. The effective functioning of housing and communal services contributes to creation of favorable living conditions of the population and the development of human capital in the country, and improving competitiveness.

Housing construction is one of the priority directions of the state policy that is one of the important tasks of the national development Strategy «Kazakhstan-2030» [1].

Kazakhstan as an independent unitary state during 25 years of self-formation is carrying out fundamental reforms in the economy. The main problem in the country economy according to President of the Republic of Kazakhstan N.A. Nazarbayev's annual address to the Nation, in the improvement of social situation of the population most important is the housing development. It is a major factor in the solving the social problems in the country. Identifying the natural resources for housing development, the formation of construction cluster based on innovative technology-based production in our country the building materials imported from abroad became the main goal. Economic efficiency of development such production is to achieve reduction of the houses universal distribution price to due to the cheaper cost of housing.

The development of construction industry promotes for state the development of several economic infrastructure associated with it. For example, the labor market, raw materials market, the market of industrial goods, etc. are developing with the housing market. We should not forget that the house itself is structure-

generating value, and a new house requires providing with new furniture, household appliances, etc. According to many economists, housing is a tool that encourages the development of industries and a broad range of benefits than others. Increasing in the housing construction order means that the economy out of the crisis and its decreasing is the sign of economic stagnation.

Consequently, the large-scale measures of the state policy directed to construction industry characterizes the priority of the industry. The pace of development of housing construction in the Republic of Kazakhstan is formed through population seek to change, replace, and reconstruct their houses as a result of economic situation in the country. Currently, the problem of housing is very relevant among the population. The service sector for population needs appear at the level of the Republic.

If to consider quantitative indicators for the industry analysis of the current state of the domestic housing market, in 2015, there are 340,6 million square meters of housing fund for 17670,6 thousand residents of the Republic, that is, 1 person has about 20 square meters [2]. This is a positive thing; however, if to do comprehensive analysis, internal weaknesses is performing. If count 264 thousands family's needs housing, about two million old housing areas we need to carry out construction of 3-3,5 million square meters of new housing in the Republic.

The main reason for the slow development of housing construction: such economic factors that influence on deceleration of this industry as limited budgetary funds; instability inflation rate; increased risk of long-term loans, higher interest rates. The amount of funds spent on housing construction increases moderate during 2010–2015 (Fig. 1).

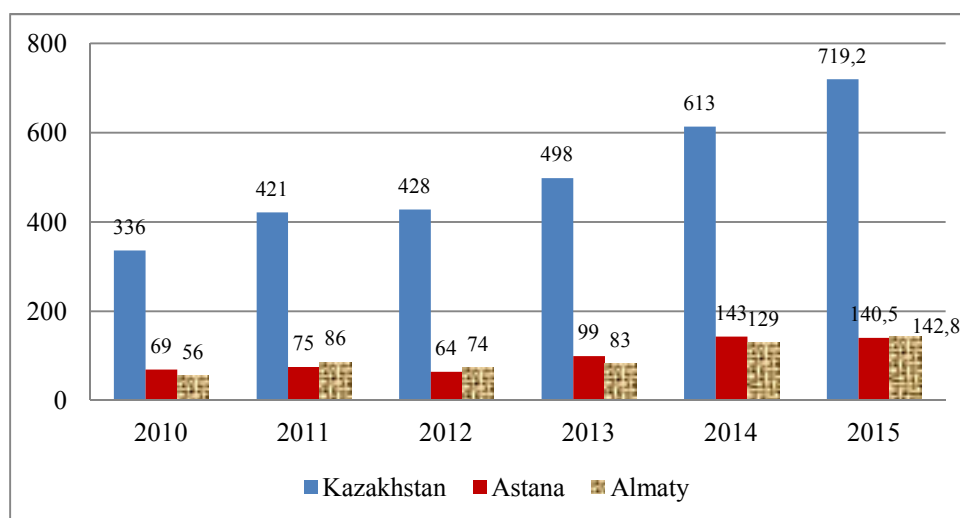


Figure 1. The amount of investments for Housing construction, mln tenge

The amount of investments into housing construction of Kazakhstan for 2010–2015 and its funding sources changes totally. The amount of investment directed to housing construction in 2015 amounted to 719,2 million tenge, it is on 17 %, 44 % and 114 % or 2,1 times more compared to 2014, 2013, and 2010 accordingly. The amount of investment in construction increased over obtained in the study years. By results of the conducted construction works in the Republic for the period 2010-2015 total volume of commissioned residential buildings amounted to 42983 square meters.

The largest volume of work in the total volume of construction works in the Republic accounts for individual construction companies — 62,2 %, foreign companies — 37,6 %, and public companies — 0,2 %. The volume of construction works in all the regions has increased mostly in 4 regions. The highest growth has been recorded in the following regions: Atyrau (2.3 times), Pavlodar (1.5 times), West Kazakhstan region (1.1 times) and Astana (1.3 times).

The main source of investment in the housing market are funds of the construction companies and private residents. Funds for housing allocated from the budget in the structure of funding sources is reducing during the obtained in the study years. Investment in the housing sector in the Republic consisted of the funds allocated from the budget — 27 %, own funds — 45 %, borrowed funds — 25 % in 2010; after 5 years, in 2015, 17 % from the total investment is the state budget; the expense of individual constructors — 61 %, from Bank loans — 9 % and 14 % — other borrowings. According to this information, it can be seen

that the share of private sector in investing housing construction is increasing. It shows that economy is becoming stable and there are money funds in the private sector.

Quantitative analysis of information about the size of the investment and the area of residential houses built shows that 6408 square meters of housing put into operation in 2010 and 8940 square meters in 2015. The index of housing has been rising during the years (Fig. 2).

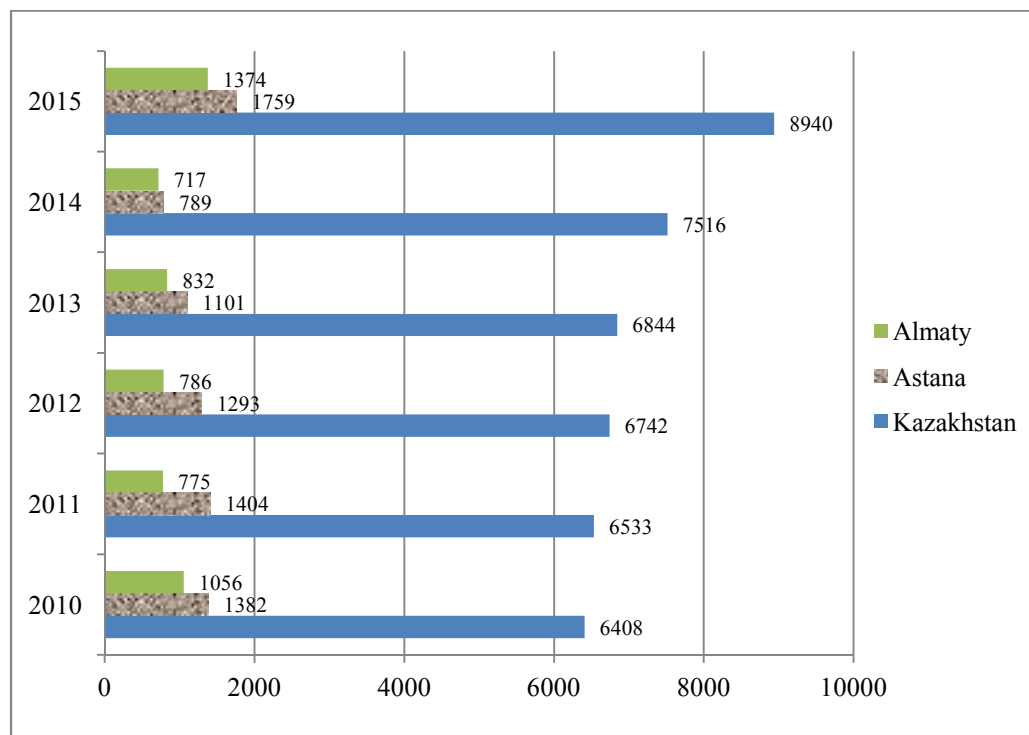


Figure 2. The total area of commissioned residential buildings, sq. m.

6408 sq meters of housing put into using in 2010 in the Republic of Kazakhstan, in 2015 this figure increased by 39.5 %, or 2532 sq. meters. The study noted positive dynamics in the housing sector in the cities of Republican values in Astana and Almaty during the years of intensive construction work. If 1382 sq meters of housing construction was carried out in 2010 in Astana, in 2015, this number increased to 377 square meters, and conducted 1759 sq. meters. Likewise, 1056 square meters of housing was constructed in Almaty in 2010, in 2015 it rose 1374 square meters.

The volume of commissioning of housing increased in thirteen regions of the country. In South Kazakhstan (2.3 times), Aktobe (2,2), Akmola (1,9), North Kazakhstan (1,3) regions and in Astana, the capital (1.5 times) increase in the volume of commissioning of residential houses [3].

Another important factor in residential sector is dynamics of change of price movements. The price index in the construction sector amounted for 103,1 % in comparison with January 2016 and January-March 2015. The cost of construction and installation works increased by 3,45 %, machinery and equipment — by 1,2 %, other works and costs — by 5,0 %. In the first quarter of 2016, the average actual cost of 1 square meter of housing in apartment buildings was 126,3 thousand tenge and in residential buildings of the people amounted to 75.1 thousand tenge.

The price of new housing has kept rising trend in 2016. The average price in the republic for 1 square meter of new housing in March of current year constitute 253,5 thousand tenge, it is lower by 1.2 % compared with December 2015. And the price for the sale of housing draw up 194,1 thousand tenge, this indicator raised by 2.12 % compared with Dec 2015 (Fig. 3).

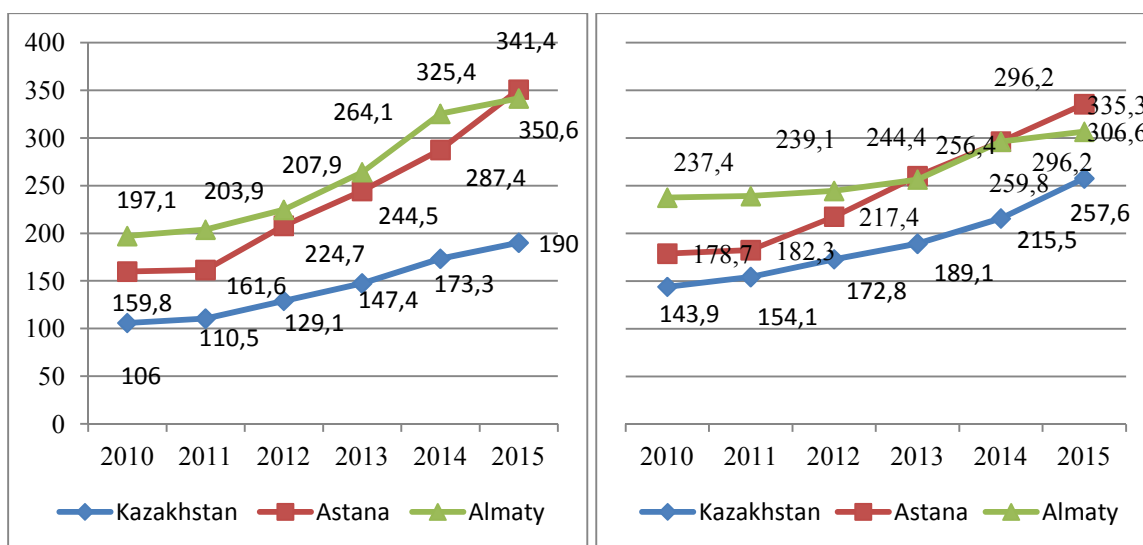


Figure 3. The sale price of 1 sq. m. of new housing

The sale price of 1 sq. meter of new housing was 106 thousand tenge in 2010 year, after 5 years it increased to 190,0 thousand tenge, by 84 thousand tenge in 2015. It is also noticed the rise in prices of housing sales. If 1sq. m. comfortable apartment costed 143,9 thousand tenge in 2010, this figure increased to 257,6 thousand tenge in 2015.

According to results of the research about the level of prices in the housing market, the trend of increasing in cost of the original and secondary market housing continues at the level prevailing in the Republic. The types of houses, the materials of walls of houses located in the regions, depending on the area, the level of prices difference between the minimum and maximum is 7-11 times. The level and trends in prices on the housing markets in the regions has arisen in connection with the acquisition of the abilities and competitiveness of the population. Population with the high level of income according to their needs has opportunity to meet the demand for any type of housing.

Another economic indicator considered in housing accessibility is housing affordability ratio. The housing affordability ratio is calculated as ratio of house prices to average annual income. The housing affordability ratio in the market of domestic houses remains at a high level that characterizes the low availability for most residents. According to the data of 2007, average one family need 5,9 years for purchase apartments, in some countries, for example, this figure is slightly below 3,3 and 3,6 years in England and Japan respectively.

According to estimates of «Samruk-Kazyna» real estate Fund, it is observed the increase in housing affordability from 2007 to 2012 in the whole of Kazakhstan. However, there was a decrease of housing affordability in comparison with 2011–2012, transition to the category «Really affordable housing» and «average affordable housing» in 2013, this figure reached a value of 4,6 year in 2015. It connects with decline in real salary to 2,7 % rate and raising of new housing sales prices rate to 15,1 %.

It is obvious that macroeconomic factors have a direct impact on the situation on the real estate market. According to experts, political and economic stability in the state, boosted economic growth positively affects the real estate market [4]. The housing construction industry is one of the main sectors financed by banks of the second level. In 2016 the share of construction in the credit portfolio of the second level banks is about 8 % or 999,3 billion tenge. In the first quarter of 2015, this figure amounted to 9.5 % or 1155,8 billion tenge. The share of construction in the loan portfolio of second level banks, according to the study, is low. This situation occurs in the state under the impact of the economic crisis.

Second level banks are performing functions lending to individuals loans for construction and real assets. Loans to physical persons for selling and purchasing housing is 1093,6 billion tenge, including mortgage loans-1009,4 billion tenge. The average interest rate on mortgage loans is 8.1 %.

Currently, 3 mortgage organizations function the financial market in the country. The largest share in the aggregate loan portfolio belongs to «Kazakhstan mortgage company» JSC.

The investments in the country's banking sector from attracted foreign investments into the industries during these years is 24 % [5]. The size of funds attracted to the banking sector, in this case as the scope of

income spent on lending to the construction industry. At the microeconomic level it is determined by the ratio of supply and demand on the price of housing. It is obvious that at the present time, the demand in the housing market increased the demand. Because, to some extent the new construction takes time. Moreover, side factors influencing on price changes in the housing market can be inflation processes, mortgage-lending system, and conditions of urban growth.

Social differentiation on the housing market is observed in statistics (various evaluation of the same types houses), dynamics (the presence of different prices in different housing markets) and inter-regional aspects. The life of population in various regions of the republic in different socio-ecological conditions, the development of industry and construction in different regions form different changes in housing prices in the regions. The demand for housing did not arise in all regions of the Republic, only industry focused centers and regional centers with high level of wages, and in Almaty and Astana. Prices in the housing market depends on cost growth of construction enterprises. In recent years, there was an increase in construction prices at the same level and it was noticed in all technological structures of investments in construction.

According to the crisis of the financial market, the current domestic housing market had been regulated since the difficulties appeared for the first time. Based on information about the rate of change of demand for housing of the Ministry of National economy and Statistics Committee, 166045 transactions of purchase and sale of housing was in 2015 and the same indicator in 2010 represented 39203 units.

The real estate market is inert structure; even a very complex market crisis the growing and decreasing process is very slow. Based on each of the above analyses, factors influencing the growth of prices for housing were analyzed:

- dynamic development of the economy;
- construction companies, dependence on foreign raw materials;
- change migration processes in the state;
- house location;
- type of materials used in construction;
- the housing shortage (in urban areas);
- demand is higher than supply;
- increased cost of construction of new housing;

The overall volatility of prices in the housing market, including in the secondary housing market is formed in accordance with location and socio-cultural objects in that area (kindergarten; school; hospital; road network; stop; educational institutions, recreational facilities), infrastructure. In addition, in primary housing market it is depending of construction companies on foreign source of construction materials, Bank lending rates and type of accommodation (luxury, economy). All of above-mentioned factors increase the cost of 1 sq. meter area.

The prospects of further development of the domestic sector is showed in the program of regional development up to 2020. In accordance with the programme the following priorities of development of the industry are defined [6]:

- housing waiting list in local Executive bodies;
- housing construction through the system of House Construction Savings Bank of Kazakhstan for young families and all categories of the population;
- providing housing through «Kazakhstan mortgage company» JSC;
- providing housing through «Samruk-Kazyna» real estate Fund» JSC;
- to continue the construction of private houses.

In conclusion, in solving specific issues emerging in the housing market conditions for normal functioning of this market should be created along with particular actions of state in regions. To summarize, the study of price changes as a further development of the housing market concluded the following deals:

- to identify ways for favorable housing financing;
- to consider methods to reduce houses cost, 1 sq. meter area cost, and construction costs;
- to prepare the regional program of development of housing construction;
- to revitalize the work of enterprises producing building materials;
- to accelerate the construction of rental housing to low-value houses;
- to identify the mechanisms of state influence on change of prices in the housing market;
- to consider the mechanisms of providing subsidies from the state budget to purchase housing for young families with children, military and government personnel.

In the conditions of market relations, considering changes in social society, there is a need to speed the construction the various types and with various priceshouses according to market segments (wealthy segment of the market, market segment with average income, and market segment with lowincome). After that state can gave positive resultsin the socio-economic sphere, and helps to ensure the constitutional rights of citizens to housing.

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### **Қазақстан Республикасындағы тұрғын үй нарығы: қазіргі жағдайы және даму болашағы**

Қазіргі кезеңдегі қазақстандық қоғамның дамуында әлеуметтік бағдарланған нарықтық экономикаға өту тенденциясын нақты байқалуда. Әлеуметтік бағдарланған салаларды дамыту мәселелерінің маңыздылығы артып отыр. Тұрғын үй нарығы Қазақстан Республикасының әлеуметтік бағдарланған басым салалардың қатарына кіре отырып, көптеген әлеуметтік және экономикалық міндеттерді шешуге ықпал етуі мүмкін. Мақалада Қазақстан Республикасындағы тұрғын үй секторының жағдайы қарастырылған. Нақты экономиканың құрамдас бөлігі ретінде есептелетін тұрғын үй нарығында қалыптасып отырған негізгі мәселелер зерттелді. Зерттеу барысында тұрғын үй құрылысын қаржыландыру тетіктері, тұрғын үйге қолжетімділік коэффициенті, 1 шаршы метр тұрғын үй бағасы сияқты саланың негізгі көрсеткіштеріне талдау жүргізілген. Тұрғын үй бағасына әсер етіп отырған негізгі факторлар сараланды. Сонымен қатар тұрғын үй саласын мемлекеттік реттеу саясатына назар аударылған. Қазіргі заманғы Қазақстан Республикасы экономикасындағы тұрғын үй нарығының орны мен ролі көрсетілген, тұрғын үй мәселелерін шешуге байланысты ел Үкіметінде қабылданып жатқан шаралар мен олардың орындалу барысы қарастырылған. Өңірлерді дамытудың 2020 жылға дейінгі мемлекеттік бағдарламасы шеңберінде тұрғын үй нарығының келешекте даму болашағы көрсетілді. Қазақстан Республикасында тұрғын үй мәселелерін шешудің жолдары ұсынылды.

*Кілт сөздер:* тұрғын үй, бәсекеге қабілеттілік, құрылыс, инвестиция, баға, сұраныс, экономика, тұрғын үйге қолжетімділік коэффициенті.

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### **Рынок жилья в Республике Казахстан: современное состояние и перспективы развития**

На современном этапе развития казахстанского общества четко прослеживается тенденция перехода к социально-ориентированной рыночной экономике. Немаловажное значение при этом занимают проблемы развития социально-ориентированных отраслей. В перспективе одной из социально-ориентированных отраслей в Республике Казахстан может стать рынок жилья, поскольку он способствует решению многих социальных и экономических задач. В статье рассмотрено состояние развития жилищного сектора Республики Казахстан. Исследованы основные проблемы функционирования рынка жилья, являющегося составным элементом реального сектора экономики. В рамках исследования проанализированы основные показатели данной сферы, а именно такие, как механизм финансирования строительства жилья, коэффициенты доступности жилья, стоимость 1 кв. метра жилой недвижимости. Рассмотрены факторы, оказывающие влияние на стоимость строительства жилья. Кроме то-

го, уделено внимание государственной политике регулирования сферы строительства жилья. Показаны роль и место рынка жилья в современной экономике Республики Казахстан, а также рассмотрены шаги, предпринимаемые правительством по решению жилищных проблем, законодательные акты и их выполнение. Определены перспективы развития рынка жилья в рамках государственной программы развития регионов до 2020 г. Изложены возможные пути решения жилищной проблемы в Республике Казахстан.

*Ключевые слова:* жилье, конкурентоспособность, строительство, инвестиции, цена, спрос, экономика, коэффициент доступности жилья.

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