

FEAUTERS OF INVESTMENT ACTIVITY IN HOUSING CONSTRUCTION

Usmanov Mirumar Abdulla Ugli

Tashkent Financial Institute Master's Degree Student

E-mail: mirumar1990@gmail.com

Abstract:

In this article the definition of investment in the field of housing construction is given, and the features are revealed stages of the investment process in this area. The main groups of factors affecting the housing industry are also listed.

Keywords: investment, construction, risks, demand, supply, housing, investment project.

Introduction

Economic growth in the long term is determined primarily by the level of investment that is directed at increasing the production apparatus, its modernization and reconstruction, research and development work.

Investment in a broad sense is an investment of capital in a particular project in order to make a profit.

In business, investments take the form of acquisition, capital creation: construction, real estate, equipment, machinery, tools, and project products. However, capital investment is not always an investment. To do this, they must be implemented within the framework of an investment project that meets the standards, as well as includes a business plan, implementation dates, and expected profitability.

Financing of investment projects depends on the willingness of the economic agent to abandon consumption now for the sake of the flow of payments in the future. At the same time, there is a "price of capital" — an interest rate that reflects the degree of preference for current incomes over future ones.

In the housing market, the consumer also faces the need to make decisions about how to invest funds, choosing between buying an apartment in the property and renting it. Relative prices are formally determined by comparing the costs of the tenant and the owner - annual and monthly. The costs of a household renting an apartment include rent payments, taxes, and the cost of paying for additional services in agreement with the owner of the apartment. The costs of the apartment owner can include interest payments on the loan for its purchase, maintenance costs, taxes, as well as losses from potential profits from the alternative use of funds spent on the purchase of housing.

Investments in housing construction have its own features that distinguish this object from other areas of investment (Table 1).

Table 1. Features of investment in housing construction.

№	Characteristics of investment	Description of characteristics
1	The security of the right of ownership	After completion of all work, the investor receives a certificate of ownership, thereby reducing the risks
2	Safety	The property is not subject to theft or loss. Loss of ownership of an object is possible only with the consent of the owner
3	Resistance to inflation	As a rule, real estate prices (sales and rentals) correlate with inflation in terms of growth rate
4	Perpetuity	Useful life of the property (buildings, land)
5	Tax benefits	Housing construction is supported by the state, for example, the sale of apartments in new buildings is not subject to value-added tax
6	Inelasticity	The timing of the housing project does not allow promptly respond to changes in the level of demand in the market, macroeconomic factors
7	Low liquidity	Relatively low liquidity when choosing an investment object, it takes time to generate income
8	Need for management	The need for continuous management at all stages of the project implementation — maintaining a significant administrative staff
9	Undiversifiable risks	Investment in construction involves risks that are not possible fully minimize: project delays, constructive errors, poor quality of work, physical wear and tear, unreliability contractors
10	Need for large investments	The implementation of a housing project requires a relatively large amount of funds in a short time interval
11	Administrative barrier	Large-scale construction involves overcoming many administrative barriers and requires a lot of permits and approvals, which increases the risks of increasing costs and delaying project implementation

Thus, investment in housing construction has both advantages and disadvantages. The disadvantages are mainly related to risks, while the advantages are the reliability and durability of the investment object. The above characteristics reduce the participation of private and institutional investors in construction projects.

Investment in construction is considered to be a promising direction in the field of capital investment. With a competent approach, they guarantee the investor from 20 to 70% of the return, with a payback period of 3 years. The most profitable and risky option is considered to be an investment at the initial stage of construction of a building or structure and the purchase of commercial real estate.

There are many options for investing in real estate, each of them has its own degree of reliability, level of risk, level of profitability and the amount of capital investment required. Investment in construction projects is a profitable alternative to Bank deposits and direct investment in securities.

Investment in housing construction is a popular trend in 2018-2019 among private investors. The risk is minimized due to the liquidity of the purchased property.

Investing in residential real estate is a promising business direction, but with a competent approach. The maximum benefit can be derived from the purchase of an apartment at the zero stage of construction of the house. Despite the high risk of freezing the project, the yield

reaches 50%. Investing in commercial real estate is suitable for more experienced investors. When selling retail premises, the yield reaches 30%, and when renting out, it increases to 50%. With a competent approach to investing and minimizing risks, you can get passive income from real estate, with a payback period of up to 5 years.

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