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Olena GALUSHKO ©
M.Sc. (Economics),
Senior Lecturer (*Prydneprovska
State Academy of Civil Engineering
and Architecture*), Ukraine



Ghenadie CIOBANU ©
D.Sc. in Economics
(*National Institute for Scientific
Research in the field of labor and
social protection, Bucuresti Artifex
University of Bucharest*), Romania

ACTUAL ISSUES OF REAL ESTATE DEVELOPMENT

Abstract. Construction is one of the most important sectors of the national economy, providing a stimulating effect for the development of other sectors. Many technical, technological, socio-economic and environmental issues are related to the efficiency of the construction industry development. The task of improving the development of construction organizations has led to the expansion of research in the development and implementation of new forms, methods and systems for managing construction projects in order to increase their efficiency and competitiveness.

Real estate development is a modern stage in the development of the construction industry, allowing more active implementation of marketing and management approaches to improve the efficiency of individual projects and the industry as a whole. The development of real estate objects is characterized by a variety of types, complexity and complexity of the tasks facing the development company in the implementation of development projects.

The article discusses the concepts of real estate development and development activities, as well as the main types of development. To disclose the content and features of real estate development and development activities, the following are systematized: classification of types of real estate development, characteristics of the stages of development activity, its participants and results, characteristics of the most common types of real estate development. The article analyzes the real estate markets of the two largest world economies – the USA and China. Market trends and features of development in these countries are revealed. The article also discusses the prospects for real estate development in Ukraine in the post-war period.

Keywords: *construction, real estate, development activity, marketing, project management, risk, trend.*

Introduction. Development of real estate is an activity that involves qualitative transformations in a real estate object, ensuring its transformation into another object, which has a value greater than the value of the original object.

© Galushko O., 2022
ORCID ID: <https://orcid.org/0000-0002-4578-5820>
olena_galushko@ukr.net

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universitate@artifex.org.ro

The main feature of development as a type of activity is a complete, comprehensive organization of the investment process, which implies the organization of financing and implementation of a certain project by the developer within the specified time frame and within the appropriate budgetary constraints in order to extract commercial benefits.

Development activity includes:

- Choosing a cost-effective project;
- Obtaining all necessary permits for its implementation from relevant authorities;
- Determining the conditions for attracting investments, developing the mechanism and forms of their return/payback;
- Search and attraction of investors;
- Selection of contractors, financing of their activities and monitoring of their work;
- Realization of the created real estate object or transfer of it into operation to the customer.

The result of the developer's activity is a physical change in the real estate object (construction, reconstruction, renovation, restoration), but at the same time, the main content of his activity is not in a specific change, but in the organization of these changes. Distinctive characteristics of projects in the field of real estate development are high capital intensity and duration of implementation, which makes them quite risky in case of unfavorable dynamics of the market situation or the adoption of inefficient decisions at the stages of design and construction (Peizer & Frey, 2004; Levchenko, Galushko et al., 2008). But allocation of development as a special type of professional activity is one of the ways to reduce risks arising in the field of real estate development.

The purpose of this article is to discuss features of real estate development, to structure its types and to analyze the real estate market.

Analysis of recent research and publications. Scientific research of real estate development is closely related to research and development of project management methodology, because development is based on the principles of project management. Also, the research is devoted to the definition of concepts and terms of development, scientific substantiation of the types of development projects and stages of projects. The works of such scientists as A. Asaul, R. Peizer, D. Hamilton, V. Rach, O. Sharov, S. Maksimov, V. Alekseev, I. Mazur, V. Shapiro, N. Trukhina, O. Gladka and others (Gladka, 2013). The high risk of real estate development projects, as well as their most important role in the development of regions and local communities, require further analysis and improvement of management methods.

Formulation of the main material. Real estate development can be defined as an entrepreneurial activity aimed at the creation of a property, its reconstruction or other change to an existing building or land, leading to an increase its value.

In world practice, there are 3 main types of development:

- Fee-development;
- Speculative development;
- BTS-development (Built-to-Suit).

In the “fee-development” scheme, the developer does not bear financial risks and carries out his activities for a certain fee. For example, an investor may

enter into an agreement with a developer for the construction of a property on a selected land plot.

The developer manages the project and for its implementation attracts its own specialists or external contractors who carry out the design, draw up permits for the project, carry out the construction and commissioning of the premises. All these works are financed by the customer, but the developer is responsible for the implementation of the project. Also, the developer may be entrusted with the functions of marketing and promoting the object, searching for tenants and buyers. The “speculative development” scheme is more complex. In it, the developer performs all the same functions, but also develops and implements the financial model of the project and assumes financial risks. BTS-development (Built-to-Suit): the developer solves a complex of tasks to create a real estate object for the purposes of a specific customer (Peizer & Frey, 2004).

Also, depending on the type of real estate, there are next different types of development:

- multifamily residential development;
- office development;
- industrial estate development;
- retail development;
- land plots development.

There are also such types of real estate development, as redevelopment and land development. Redevelopment is understood as re-profiling (change of purpose) of real estate objects to solve the problem of their undemanding or irrational use. An example is the repurposing of old industrial sites located in the centers of American and European cities into residential real estate, which led to the appearance of the popular loft style.

Also popular is redevelopment as a transfer of a real estate object from a residential stock to a non-residential one, i.e. to a commercial real estate object. An example is the purchase of apartments on the first floors of central streets for subsequent repurposing for offices and stores. Land development involves the process of subdividing the land into individual land plots and consists of a set of legal and technical operations aimed at preparing the land for the subsequent implementation of development projects.

Each of the types of real estate development differs not only in the list and content of the tasks to be solved within each stage of the development project, the list of participants in each stage and its results, but also in the specifics of preparation for its implementation, control of the implementation process, a set of indicators, principles and assessment tools. Taking into account the peculiarities of the implemented type of real estate development within the framework of the development process will significantly reduce potential and real risks and, accordingly, increase the level of profitability of the development project (Fedorkina et al., 2018).

Development covers a variety of activities, from the renovation and leasing of existing buildings to the purchase of uncultivated land and the sale of improved land. The full cycle of development includes: selection and purchase of a plot of land, determination of the target market, development of a project and a construction program, obtaining the necessary initial permits, project financing, construction, facility management and leasing or selling a property.

The essence of development is also reflected in its stages. R. Peizer and

A. Frey propose to distinguish 6 stages of real estate development:

- 1) Economic feasibility analysis and land acquisition;
- 2) Project development;
- 3) Project financing;
- 4) Construction;
- 5) Sale and lease;
- 6) Facility operation and management.

The financial schemes of large development projects are a complex combination of the developer's own funds, attracted investments, bank loans and pre-rental payments from future tenants. The high profitability of speculative development operations is explained by the high risks of project failure that the developer bears. In this regard, development of this kind is the most complex of operations in the real estate market, since real estate, construction, and architectural complex financial operations are combined in one project (Peizer & Frey, 2004). In modern conditions, development has become one of the most common operations in the real estate market in the segment of construction, reconstruction and renovation.

The real estate market plays an important role in the development of the regional and national economy. Real estate can be called a component of national wealth, because it has a market value and is an asset, and also accumulates the resources of previous generations and provides for the needs of subsequent generations. According to various estimates, real estate in all its forms in monetary terms accounts for about half of all accumulated world wealth. The real estate market is also a generator economic growth of the country, because investment in construction has a multiplier effect and leads to growth in other industries – in the production of building materials, housing and communal services, production of durable consumer goods, etc., ultimately increasing the gross product and employment in the country. For example, studies conducted in Germany at the end of the 20th century showed that the value of the multiplier connecting investment in housing construction with the volume of the country's gross domestic product (GDP) was about 2.5, i.e., each mark invested in housing construction, gave 2.5 marks of GDP growth.

Despite the pandemic and other circumstances that took place in the world, in 2021 the real estate market was on the rise. The pent-up demand at the start of the pandemic has led to strong demand in 2021 and higher prices. In 2021, the amount of global investment in real estate has increased significantly and amounted to 1 trillion dollars. Global real estate market was affected by 2 trends. They were opposite, but each regulated this sphere in its own way. The government of a number of countries stimulated the market with benefits. This practice was used by Greece, Indonesia. Great Britain, however, acted differently. The government decided to introduce a stamp duty tax holiday, which made luxury housing more affordable. Some countries, on the contrary, introduced taxes, raised rates in order to reduce activity in the market. This was done in order to send money to fight the coronavirus infection. These countries include Cyprus, Iran. By the end of 2022, inflation-adjusted home prices are expected to rise by the end of 2022, according to the Global Property Guide: in Montenegro by 32.4 %; in Sweden by 17.97 %; in Australia by 16.08 %; in the Netherlands by 15.33 %; in Puerto Rico by 14.5 %. The real estate market in the United States is noticeably sagging and this is already a trend (Fig. 1).

From January, 2022 to November, 2022, existing home sales plummeted from 6.5 million a year to 4.09 million a year (minus 37 %) with sustained momentum to renew the low of the COVID crisis (about 4 million sales in mid-2020). In monetary terms, current sales are approximately \$ 320-330 billion per year compared to \$ 530-550 billion in 2021 (volumes are falling and prices are falling). Nearly 200 billion revenue cut-off and only one segment – new single-family homes (Katsenelson, 2022).



Figure 1 – Existing home sales dynamics in USA (Katsenelson, 2022)

The number of housing starts in the US fell less rapidly due to the effect of inertia and unrealized demand during the 2021 market boom. The decline averages 20-25 % on the 6-month moving average from the highs of 2021. There is a lag effect of 6-9 months, so the worst will happen in 2023. The number of housing starts in the US fell less rapidly due to the effect of inertia and unrealized demand during the 2021 market boom. The decline averages 20-25 % on the 6-month moving average from the highs of 2021. There is a lag effect of 6-9 months, so the worst will happen in 2023 (Katsenelson, 2022). Previous minimum was in mid-2010 after the 2009 tax credits were cancelled.

Real estate market in China, the second largest economy in the world, corresponds to global trends. As Fig. 2 shows, there was a sharp decline in real estate sales in 2020 as a result of the COVID-19 pandemic. And in 2021, the accumulated pent-up demand led to a rapid increase in the market. As Fig. 3 shows, in 2020 supply was several times more, than demand, but in 2021 both of them were increased and came to balance. However, already at the end of 2021, experts had doubts about whether the market could hold its own. This year, problems in the Chinese residential real estate market may worsen, which is determined by both economic factors and ongoing quarantine restrictions. Market experts expect house prices to fall in 2022 and are betting on a faster fall in property sales than previously predicted. New home prices are expected to fall 1.4 % in 2022, according to a Reuters survey of more than 10 analysts and economists surveyed between August, 29 and September, 2 (www.reuters.com).

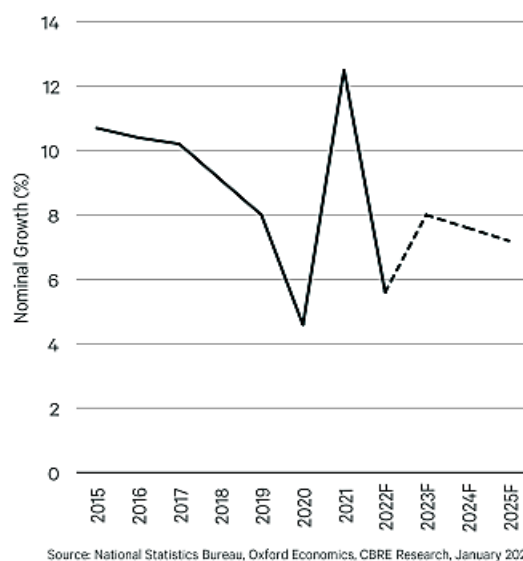


Figure 2 – China retail sales grows (<https://apacresearch.cbre.com>)

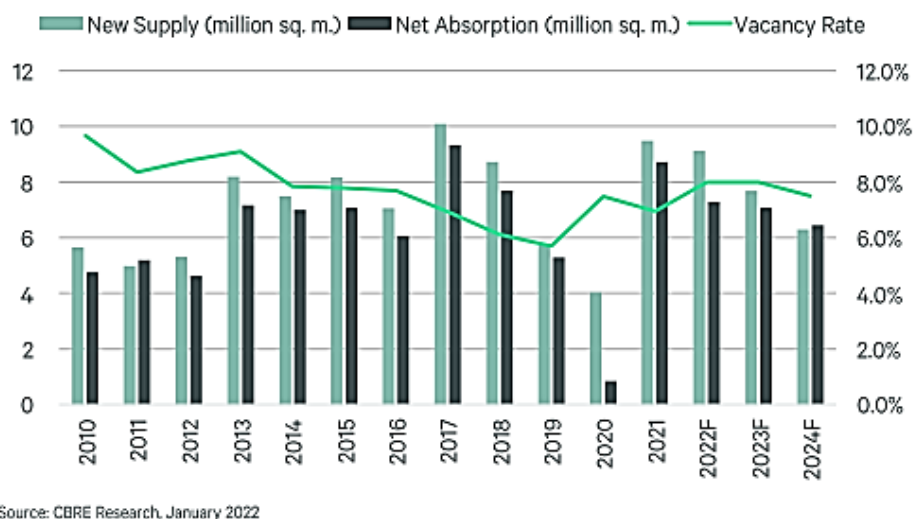


Figure 3 – China retail supply, demand (<https://apacresearch.cbre.com>)

Ukraine will surface inflation and housing shortages as the main trends of post-war period. The situation in the primary and secondary housing market may return to the state of 2010-2011. If in the pre-war period the number of transactions for the purchase and sale of housing in new buildings was at the level of 60 %, today the figure has dropped to 20 %. Most likely, the parameter will remain at the end of hostilities (<https://cripo.com.ua>). Safety would keep as key criterion. Such housing includes the following:

- Low-rise building;
- The presence of a basement with two exits and an entrance under a common staircase;
- The presence of a separate room with ventilation and an entrance located perpendicular to the outer wall (dressing room, pantry in the corridor);
- Double-glazed windows with triplex, the presence of metal protective shutters;

– The presence in the apartment of rooms that do not border on an external wall (the rule of two walls, which significantly increases security).

The best choice is houses with autonomous heating, with a parking lot or a basement, which is equipped with water supply, ventilation and water drainage.

Pricing after the war will largely depend on the conditions for the end of hostilities. Prices for post-war housing may fall by about 20 %. If the recovery process begins, investments in the country and security guarantees return, we can expect an increase in the cost of 5-10 % per year (<https://cripo.com.ua>; Verkhoglyadova et al., 2022). To date, it is impossible to estimate forecast supply and demand in the post-war period, as well as the potential price level. The market can expect both a fall and a rapid recovery, accompanied by an increase in prices. Everything depends on the duration and destructiveness of hostilities, as well as on the economic situation in the country and the availability of solvent demand.

Conclusions. Development performs the function of developing the real estate market, qualitative transformation of real estate objects based on the combination of economic, legal and physical processes in order to increase their investment attractiveness and market value. Each of the presented types of real estate development is a separate area, special in its essence and content. The implementation of a development project within the framework of each of these types of real estate development should be specified in terms of the content and sequence of tasks to be solved, the list of participants and expected results.

By a combination of factors, the US real estate market is entering its worst crisis since 2007. Real estate market of China is stabilizing after big fluctuation in 2020-2021, but situation may change rapidly in case of new quarantine or military conflict with Taiwan.

The post-war real estate market of Ukraine can be divided into three geographical zones:

1) Eastern and southeastern regions heavily affected by the war. In such regions, it is not the infill development that is required, but the implementation of large-scale urban development projects with the involvement of foreign investors and donors. As well as the development of new construction projects, taking into account the changed requirements for the safety of real estate and modern approaches to the use of land and landscape.

2) Central regions with a more or less stable market and the implementation of individual development projects. Here, difficulties may arise with the financing of projects, because the main financial flows will be directed to the most affected regions. The activity of development projects will depend on the general economic situation in the country and the ability of the state to apply incentives to the industry (tax cuts, government buyout of housing in favor of displaced persons who have lost their homes as a result of hostilities, etc.)

3) Western regions are currently facing a significant increase in demand and prices. The situation is similar to the dynamics of the market in China in 2021, but the market is unlikely to be able to keep up with such indicators. And in the post-war period, a decline in housing prices is expected.

Conflict of Interest and other Ethics Statements

The authors declare no conflict of interest.

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Олена ГАЛУШКО, Генадій ЧОБАНУ

АКТУАЛЬНІ ПИТАННЯ ДЕВЕЛОПМЕНТУ НЕРУХОМОСТІ

Анотація. Будівництво є однією з найважливіших галузей національної економіки, що забезпечує стимулюючий ефект для розвитку інших галузей. З ефективністю розвитку будівельної галузі пов'язано багато технічних, технологічних, соціально-економічних та екологічних проблем. Завдання удосконалення розвитку будівельних організацій зумовило розширення досліджень у сфері розробки та впровадження нових форм, методів і систем управління будівельними об'єктами з метою підвищення їх ефективності та конкурентоспроможності.

Девелопмент нерухомості – це сучасний етап у розвитку будівельної індустрії, що дозволяє більш активно впроваджувати маркетингові та управлінські підходи для підвищення ефективності окремих проектів і галузі в цілому. Девелопмент об'єктів нерухомості характеризується різноманіттям видів, комплексністю і складністю завдань, які стоять перед девелоперською компанією при реалізації девелоперських проектів.

У статті розглянуто поняття девелопменту та девелоперської діяльності, а також основні види девелопменту. Для розкриття змісту та особливостей девелопменту та девелоперської діяльності систематизовано: класифікацію видів девелопменту, характеристику етапів девелоперської діяльності, її учасників та результатів, характеристику найпоширеніших видів девелопменту. Також в статті аналізуються ринки нерухомості двох найбільших світових економік – США та Китаю.

Виявлено ринкові тенденції та особливості розвитку у цих країнах. Також розглядаються перспективи розвитку нерухомості в Україні у післявоєнний період.

Ключові слова: будівництво, нерухомість, девелоперська діяльність, маркетинг, управління проектами, ризик, тенденція.

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