The investment process features in housing construction of municipalities

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Abstract. Investment activity has many aspects and is determined by the goals, objectives, investors’ interests, its potential opportunities for investing funds, as well as the type and expected return of the invested object. Investments are the financial basis for housing construction. The essence of the investment process in housing is to find the financial resources and carry out the practical actions with them in order to make a profit and achieve another useful effect through the housing construction and its implementation on the market. Based on the economic feasibility principles, the investment process has a certain volume and terms of financial investments, which in the case of housing construction come in the form of capital investments. Ensuring the specific construction projects’ implementation, investments are of particular importance for municipalities, contributing to the expansion of their housing stock and improving the living conditions of the population through the new built housing acquisition. The investment process in housing has a number of specific features associated with the buildings’ construction long duration. At the same time, investments in housing construction are more reliable and less risky in comparison with other types of financial investments, since they can provide the investor with a greater profit in the implementation of constructed residential real estate. Due to the dynamism of the housing market, its conjuncture significantly affects the structure transformation, the investment level and the construction activities of municipalities. This study is dedicated to the investment process features’ consideration in the housing construction of municipalities.

1. Introduction
Investments are crucial in the development of the national economy as a whole, as well as of the individual regions and settlements. The magnitude of investments and the effectiveness of their use are the main determinants of economic growth. At the same time, the investments’ volume and the directions of their use are determined by many factors that act comprehensively and are the subject to significant risks, which determines the difficulty in studying them.

The intensity and range of investment activity depends on the scope of their application, which largely determines the competitiveness of sectors of the economy, acts as the main means of filling budgets at various levels, and ultimately affects the socio-economic development of regions and municipalities. Investment in housing is of particular importance. Investments in this area come in the form of placement of funds, have a longer period of use and release from the economic circulation, but at the same time they are the main source of housing construction. Without investment, the
construction process is not possible at all, because they ensure the implementation of all stages of construction work - from the development of a building project to its commissioning and transfer to the owner.

The investment process in the housing sector of the municipality has its own specifics. On the one hand, municipalities are the centers of interest for the investors due to the various sectors enterprises concentration on their territory and the economy spheres, housing and population. But on the other hand, municipal administrations are limited in resources to support and manage the investment process. Therefore, the administrative activities are aimed at choosing the most profitable investment projects, searching and attracting relevant investors and assisting them in making financial investments through the development and implementation of competent and effective organizational and management decisions. In turn, investment activity is one of the municipality socio-economic development drivers, as the ongoing investment projects contribute to the strengthening of their material and technical base, the deployment of new social, infrastructural and production facilities on their territory, which ultimately affects the growth of living standards and life population quality, improving the investment climate for business.

The mechanism of the investment process and the implementation of the investment projects was studied by such scientists as E.O. Mirgorodskaya, G.A. Buryakov, O.V. Andreeva, A.S. Orobinsky [1], A.G. Sapozhnikova [2] et al., S.G. Sheina [3], N.A. Osadchaya and E.E. Torgayan [4], S.Yu. Eroshkin and N.D. Koryagin [5], L.B. Zelentsov [6], E.K. Chirkunova and E.E. Kireeva [7]. The investments issues in housing construction of municipalities are presented in the works of such scientists as S.V. Domnina, E.V. Savoskina, N.V. Shekhova [8], O.I. Guzenko [9]. These works served as the theoretical basis for our study.

The purpose of this article is to analyze the organizational and economic characteristics of the investment activity in the field of housing at the municipal level.

The objectives of the study were the following:

- To analyze the existing research in the field of investment in the construction sector;
- To identify the nature, structure and characteristics of the investment process in housing at the municipal level;
- To consider the investing practice in housing construction and determine its specificity using the example of the city of Rostov-on-Don, as the largest in the south of Russia.

2. Results

Investment activity is an investment of financial resources in the implementation of practical actions in order to make a profit and achieve another useful effect. Investment activity is diverse and is determined by the goals, objectives, interests of business entities, their opportunities to participate in the investment project’s implementation [10].

Investing in the construction sector is considered by us as a process of converting the investment resources into capital investments that are used to carry out the construction of buildings and structures. Due to investments, necessary construction materials and equipment are purchased, labor is hired, land for a construction object is bought, a construction project is developed and approved, construction and installation works are carried out, landscaping is completed after their completion. Therefore, investments are a necessary element of production activity in the construction sector, constituting a capital factor.

Based on the production cycle length in construction, the investment process in it can be divided into two key stages. At the first stage, there is a search for the investment resources, investment of necessary funds in the construction process, i.e. the actual investment activities are carried out. At the second stage, the return on invested funds occurs as a result of investment [7]. In this case, the return on investment, as the second station of the investment cycle, is based on the return on costs incurred in the construction sector, income generation in the amount of the established rate of return and the planned profitability level [9]. Thus, the investment process in construction characterizes the relationship between the two necessary elements of economic activity - costs and their returns.
The most important features of investment activity in construction are the following:

1. The potential ability of investments to create an economic and social effect.
2. The dependence of investment resources on demand, supply and capital prices as a factor of production, emerging in the process of construction and investment activity in economy as a whole.
3. Limited time frames for the investment funds’ development.
4. The focus of investment resources in specific construction projects.
5. Making investments by both corporate investors and individuals with goals that do not always coincide with general economic benefits;
6. The risk of capital investment when making decisions on the construction activities’ implementation in conditions of the industry market entities’ incomplete awareness [3, 4].

3. Discussion
The investment process as a system includes the following elements:

1. Investor as a subject of investment activity
2. Investment object in the construction of which financial investments will be directed.
3. The interaction between the subject and the object, i.e. the investment process itself in the interests of obtaining investment income.
4. The investment environment is a set of external and internal conditions and factors that determine the order and nature of the investment activity object and subject’s interaction.

The investment process does not exist separately from other socio-economic phenomena, but is harmoniously included in the economic system of any rank. As a result of narrowly focused specialization, the limited availability of own resources forces the investor to search for an investment object of his financial resources suitable for investment activities [10]. If the potential of the found object does not fully satisfy the interests of the investor and the requirements and criteria put forward by him, then there is a need for external participation to stimulate investment by the state or municipal authorities [11]. But the possibility of implementing the investment process is not always formed, but only if the investor has sufficient resources to provide the necessary impact of the right level on the investment object.

As the milestones of the investment process the following can be distinguished:

1. Making a decision on investing, which depends on a number of criteria and, first of all, on the object and goals of investing, specific areas of financial investments.
2. The investments’ implementation through their investment in the investment project. This stage directly depends on the management decisions in the context of identifying the possible sources of financing the investment projects, concentration of resources and increasing the efficiency of their use.

Investors or investment intermediaries in relation to the municipality are primarily the business entities located on its territory or outside it. In addition to the business structures, higher institutional structures — state and regional government bodies that provide subsidies or targeted financing for housing construction for socially vulnerable categories of the society (people with disabilities, orphans, large families, and low-income families) can act as investors in the housing sector of a municipality; citizens) [12]. Residents of the municipality themselves can also act as an investor in housing construction, since the private funds of the population are attracted for the construction of apartments in multi-storey buildings of residential complexes or their own housing in cottage villages.

As an example of the investment process in housing, let us consider the city of Rostov-on-Don. Of the 59 investment projects foreseen for implementation in the city in 2020, 30 projects are related to the construction sector, and their total cost is 138.7 billion rubles - 56% of the total investment planned to be attracted in 2020. The main investment projects of the city are related to housing construction. Being the largest city in the south of Russia with a population of 1.1 million people, Rostov-on-Don is actively developing housing construction [13]. According to the data of 2019, 24 investment projects related to housing construction were implemented in the city - this is 49% of all projects included in the City Investment Passport [14].
Investment projects in the field of housing construction in Rostov-on-Don are aimed at the integrated development of new territories allocated for this purpose to the investor by the City Administration, or the reconstruction and reconstruction of lost elements in buildings in the historical central part of the city. At the same time, the number of companies engaged in the investment and construction activities is limited due to high market requirements and administrative regulations. The rating of the investment and construction market subjects in Rostov-on-Don is constantly changing, although the number of its participants remains stable at 12 companies. So, the leaders of the city’s construction industry in 2018 included YugStroyInvest, an investor and developer of the Eco-District Veresaevo residential complex (investment in construction - 24 billion rubles), Moscow Construction Company, which is developing residential complexes “The heart of Rostov-2” (9.4 billion rubles) and the “City by the River” (6.1 billion rubles), as well as the construction company “Galaxy”, carrying out the construction of residential complexes “Falcon on Oganova” (4.3 billion rubles) and “Falcon Grad” (3.5 billion rubles). In 2019, the composition of the rating changed - according to the Analytical Center “Expert South”, the group of leaders was headed by the Moscow Construction Company, “Galaxy” and SK10 companies [15]. At the beginning of 2020, the rating leaders were the developers operating in the housing market of Rostov-on-Don for almost 10 years - this is specialized developer KKPД-INVEST, which covers the largest housing estate Leventsovsky in the West of the city and the Moscow Construction Company and the company “VKB-New buildings”, carrying out the complex development of the residential complex “Suvorovsky” in the northern part of Rostov-on-Don (Table 1) [15].

It should be noted that the subjects of the investment and construction market are not only local companies, but also the developers from other regions of the country. For their activities, they use both their own financial resources and the borrowed funds from banks as the capital investments in the construction of real estate. So, the construction company “Galaxy” is one of the oldest in the Rostov region, which was the average player in the construction market in terms of housing being built and mastered by the investments. However, the phased development of the “Sokol in Oganova” and “Sokol Grad” residential projects with a total investment of almost 8 billion rubles allowed her to become one of the leaders in housing construction in the city and the region. On the contrary, the Moscow Construction Company entered its business in Rostov-on-Don only in 2017 and started with the spot development in the central part of the city. But already in 2018, the company launched several large-scale projects and became the industry leader in the city - as of mid-2019, the total volume of housing being built by this developer was 400 thousand m² [15].

**Table 1.** The largest investment projects in the field of housing in the city of Rostov-on-Don, 2020.

| Project | Volume of investments, billion rubles | Construction company-developer | Construction volume | Construction period, years |
|---------|--------------------------------------|---------------------------------|---------------------|--------------------------|
| 5, 6 and 8 microdistricts of the Leventsovsky housing estate | 33.9 | SZ KKPД-INVEST | 699 thousand m² housing and 9 thousand m² non-residential premises | 2012-2025 |
| Residential complex “Suvorovsky” | 32.0 | “VKB-New buildings” | 320 thousand m² economy housing | 2012-2022 |
| Residential complex “Ecoregion Veresaevo” Microdistrict “Red Aksai” | 24.0 | YugStroyInvest | 540 thousand m² housing | 2018-2026 |
| Residential complex “Heart of Rostov-2” | 15.0 | YugStroyInvest | 395 thousand m² housing | 2016-2021 |
| Residential complex | 9.4 | Moscow Construction | 200 thousand m² comfort housing | 2018-2022 |
The dynamism and activity of investment and construction activities.

In the first half of 2019, a peak in construction volumes was observed in the housing market of the city, due to the fact that many developers tried to start the maximum possible number of projects before the amendments to Federal Law No. 214-FL, which prohibit building at the expense of money holders, enter into force [11]. In the second half of 2019, the volume of multi-unit housing construction slowed down, due to the fact that the developers sought to complete the already started projects. According to the forecasts for 2020, the volume of investment and construction activities will decrease. If initially it was believed that the adjustment of the construction market would be compensated by the low-rise housing segment, then the decline in business activity due to the COVID-19 coronavirus pandemic would negatively affect the decrease in the volume of the entire construction industry, despite the support measures from the Government of the Russian Federation.

The structural feature of investment and construction activities in Rostov-on-Don is the predominance of housing projects in the comfort class category. Moreover, only one project - the company “YugStroyInvest” among the largest in the region refers to the economy-class housing. All the rest is the comfort class. Until the beginning of 2020, experts have believed that comfort class housing is a market requirement. Its dominance was explained by the fact that many real estate buyers sought to purchase apartments at their own expense, putting forward more substantial requirements for the housing quality and the urban environment as a place of its localization. Therefore, the number of potential buyers willing to purchase the primitive residential projects of a small area decreased [12]. However, the crisis in the economy caused by the pandemic of the coronavirus infection COVID-19 can change the market structure and cause the opposite process - growth in the construction of the economy-class housing sector.

4. Summary

Investments in housing construction are one of the municipalities’ socio-economic development areas and are a process of involving the financial resources of business structures and budgets of various levels in the residential facilities’ construction. The investment sources for the investment and construction activities’ development in the territory of the municipality are:

- funds of business entities, including the construction organizations;
- the savings of the population used to solve their housing problem by purchasing finished housing or investing in its construction of their own housing;
- Local, regional and federal budget funds allocated for the purchase of land for the construction of residential facilities, bringing the necessary communications to the complex development area and financing housing construction for socially vulnerable categories of the population;
- capitals of private investment funds [7].

A coordinating role in the development of investments in housing construction in municipalities is played by their administrations, which are called upon to create and regulate the conditions for attracting and retaining investments, and can also act as the investors themselves in the most important housing projects of significant public importance.

The investment process in housing is sensitive to the socio-economic situation in the country as a whole, in its individual regions and municipalities. The changes in the housing market and finance markets are the direct determinants that affect the dynamics and structure of the investments in housing construction [9]. The main factors determining the level of investment and construction activities in municipalities are the ratio of supply and demand in the housing market, the level of housing prices, the amount of temporarily free cash funds from the investors of various types and rank. In this regard, the formation of a favorable investment climate conducive to the active attraction of

| Residential complex | Company | Number of units | Total area | Start and end year |
|---------------------|---------|-----------------|------------|-------------------|
| “Falcon in Oganova” | “Galaxy”| 4.3             | 203 thousand m² | 2018-2023 |


investment in priority construction projects of the housing sector is the most important task of strategic development and operational management of the municipality.

The highest investment activity is characterized by the multi-story housing construction, which in recent years has been characterized by the dominance of the comfort class housing sector. At the same time, the negative economic consequences of the COVID-19 coronavirus infection pandemic can slow down the industry development, reduce the investment activity and change the structure of housing being built in the direction of increasing the share of economy-class housing, including the low-rise housing segment. Moreover, the implementation of investment and construction projects in the municipality results not only in economic benefits, but also in obtaining the non-economic effects - social, labor, demographic, image-building, which helps to improve the municipality position in the national socio-economic system.

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