

2.2 Improving real estate management mechanism to unlock opportunities to attract private investment

Introduction

Improving the real estate management mechanism is an important factor in unlocking opportunities to attract private investment. Real estate is one of the key sectors of the economy that can attract significant investment and contribute to its development. However, in order to attract investment in real estate, it is necessary to have an effective management mechanism that will ensure stability and transparency in the investment process.

Increasing the transparency and efficiency of real estate management processes, creating a favorable investment climate and developing infrastructure and services can lead to an increase in real estate value and an increase in sales proceeds, which will be beneficial both for investors and for the economy as a whole.

Conceptual apparatus in the study of investment activity

Investment is an investment of capital with the aim of its further increase [24, p. 10]. In some cases, investment is understood as a rejection of today's consumption of goods in order to better meet the needs in subsequent periods [25, p. 9]. From an economic point of view, these definitions characterize investments as a process of capital accumulation; from a social position - as an increase in goods for consumption.

Financial definition of investments - assets, funds invested in economic activities in order to generate income; economic definition of investment - as the cost of creating, expanding, reconstructing and technical re-equipment of fixed and working capital [26, p.6].

Some scientists-economists, in addition to the costly one, also highlight the resource approach to the definition of investments. Analyzing the cost method through the imbalance between costs and available material and monetary values, it can be noted that real investments as financial resources intended for expanded reproduction of fixed assets [27, p. 6]. At its core, the resources themselves cannot be considered as

investments, they can only be invested resources. At the same time, the available financial or material resources play an important role in the scale and structure of real investment, they are the main link for changing the value in order to accumulate capital, which can be represented by the following transformation: Resources → Investments → Result.

In most interpretations of the concept of "investment" there is a relationship between two sides of one process: spending resources and getting results. The result should be sufficient to reimburse the investment subject for the costs incurred and ensure capital gains, other benefits or benefits.

In addition, the process of investing capital and obtaining a result from the investments made takes place with a certain lag in time. In economic theory, this phenomenon is interpreted as an investment lag - a period of time from the moment of investing capital to the moment the results are obtained. The duration of the investment lag can be different depending on the forms of investment, the specific features of an investment project.

It is worth noting that the result of the investments made should reward the investor for a certain risk, primarily economic, related to inflation and other economic factors, as well as social, political, environmental, etc. The longer the investment lag, the more be risk reward.

International Accounting Standards (IAS) state that investments are part of the assets required by an enterprise to accumulate wealth (capital) through investment, depreciation of fixed assets and other benefits. Thus, it is recognized that investment is the withdrawal of funds for the purpose of accumulating capital or obtaining other benefits.

The subjects of investment activity are investors. Investors are individuals and legal entities, associations of legal entities created on the basis of a joint activity agreement and not having the status of a legal entity, state bodies, local governments, as well as foreign business entities that make capital investments using their own and (or) attracted funds [28].

The investment process is a sequence of steps and actions that are carried out when making investment decisions in order to achieve financial growth or other benefits. The investment process includes the following steps:

1. **Analysis and Evaluation:** In this phase, the market is analyzed and investment opportunities are identified. The investor examines various assets, companies or projects, and also analyzes their financial performance, growth potential, risks and expected returns.

2. **Planning and strategy:** The investor develops an investment plan and defines his strategy, including goals, investment timing, risk level and asset allocation. It also determines the sources of funding and the amount of investment.

3. **Decision making:** Based on the analysis carried out and the goals set, the investor makes a decision on a particular investment. He selects the assets or projects in which he is going to invest and concludes the corresponding transactions.

4. **Implementation:** At this stage, the investor purchases assets or finances the selected project. This may include paperwork, agreements, and funds transfers.

5. **Monitoring and management:** The investor monitors his investments and manages the portfolio. He evaluates and monitors the performance of investments, makes necessary adjustments to the strategy, and makes decisions to sell or buy assets.

6. **Evaluation of results:** After a certain period of time, the investor evaluates the results of his investment. He analyzes the achieved profitability, risks, fulfillment of the set goals and makes decisions on further actions.

7. **Diversification and risk management:** The investor seeks to diversify his portfolio by spreading investments across different assets, asset classes or markets. This helps reduce risks and increase potential returns. The investor also manages risk by using various strategies such as hedging or using stop-loss orders.

8. **Learning and learning:** The investor is constantly improving his knowledge and skills in the field of investment. He studies the markets, follows news and trends, participates in training events and consults with financial experts. This helps him make more informed decisions and achieve better results.

The investment process is dynamic and requires constant monitoring and analysis. It is also individual for each investor, as everyone has their own goals, financial capabilities and preferences.

Investors are classified according to various criteria [29]:

According to the institutional basis, investors are divided into:

- institutional - banks, funds;
- private individuals - individuals participating in investment processes;
- foreign investors.

Classify investors depending on the effect of investments:

- one-time income;
- constant;
- non-material effect – social, marketing, ecological.

Investors are divided according to their investment behavior:

- conservative investors (follows proven investment strategies with lower risks but lower returns);
- moderate investors (maintains a balance between reliability and return on investment);
- aggressive investors (inclined to transactions with a high level of investment risk and income).

To date, the number of people wishing to carry out their activities in the form of investment has increased in society. This investment is private.

Private investment is an investment made by individuals or private companies in various assets or projects for the purpose of making a profit [30]. They are different from public investments, which take place in financial markets and are available to the general public through exchanges.

Main features of private investment:

- Limited access. Private investment is often intended for a limited number of investors, such as large institutional investors, wealthy individuals or specialized funds. This creates an opportunity for investors to access exclusive opportunities and investment strategies.

- Long term. Private investment is often focused on a long-term investment horizon. Investors are willing to invest for the long term, sometimes years or decades, to realize growth potential and earn significant returns.

- Diversity of assets. Private investment can include various types of assets such as real estate, venture capital projects, infrastructure projects, private equity in companies and other non-standard investment opportunities. This allows investors to diversify their portfolio and earn returns in different sectors of the economy.

- High level of risk. Private investment is usually associated with a high level of risk, as it often relates to new or non-established projects or companies. This can lead to possible losses or unpredictable results. However, if successful, private investment can also provide high returns.

- Limited liquidity. Unlike public investments, private investments usually do not provide such high liquidity.

Currently, a private investor can carry out investment activities in various forms:

- invest in foreign currency, incl. crypto currency;
- invest in securities;
- invest in the banking sector through deposits;
- invest in startup, ie. buy a share in a business or be its sole owner;
- invest in real estate;
- invest abroad through the above instruments.

However, statistics show that citizens prefer to invest in real estate.

Private investment in real estate is the investment of capital by individuals or companies in various types of real estate for the purpose of making a profit. This type of investment may include the acquisition of residential or commercial properties, land, apartments, shopping centers and other real estate assets.

Features of private investment in real estate:

1. Income generation. One of the main goals of private real estate investors is to generate income from the rental or leasing of objects. The rent or lease payments provide a regular source of cash for the investor.

2. Capital gain. In addition to rental income, private investment in real estate can also generate capital appreciation as a result of the increase in the value of properties. With a successful investment and an increase in the market value of real estate, the investor can make a profit when it is subsequently sold.

3. Portfolio diversification. Investing in real estate allows investors to diversify their portfolio by spreading risk across different asset classes. Real estate can complement other investments such as stocks and bonds and help improve overall portfolio stability.

4. Long-term investments. Private real estate investment is often focused on long-term asset ownership. This is because the real estate market can experience cyclical fluctuations and takes time to realize potential growth in value.

5. Asset management. Real estate investors can independently manage their assets or entrust it to professional management companies. Management includes the search and attraction of tenants, maintenance and repair of facilities, financial planning and accounting processes.

Private investment in real estate is associated with several factors:

1. Profitability and growth potential. Investors are attracted by the high returns and growth potential associated with real estate. Rents and lease payments can provide a stable source of income, and rising property values can lead to capital gains on subsequent sales.

2. Portfolio diversity. Investing in real estate allows investors to diversify their portfolio by spreading risk across different asset classes. This helps to reduce the impact of fluctuations in the stock and bond markets, since real estate has a different dynamics and separate factors that affect its value.

3. Protection against inflation. Real estate is usually a good hedge against inflation, as rental payments and property values can rise over time. This allows you to maintain and increase the real value of investments in the face of rising prices for goods and services.

4. Tax benefits. In some countries there are tax breaks and incentives for investing in real estate. This may include a reduction in the tax base or tax relief on rental income.

5. Regional and local factors. Private real estate investment is often linked to regional and local factors such as economic growth, infrastructure projects, business development and tourism. Investors are looking for promising markets and locations with the potential to increase property values and increase rents.

Features of real estate management to unlock opportunities to attract private investment

Property management plays an important role in attracting private investment. Here are some real estate management strategies and measures that can be applied to attract private investors:

- Professional management. Engaging experienced and qualified property management companies or property management professionals can increase the confidence of potential investors. This includes the effective management of tenants, operating expenses, maintenance and repair of facilities.
- Purposeful marketing planning. Development and implementation of marketing strategies aimed at attracting private investors. This may include creating compelling presentations, information brochures, websites and events to present real estate investment opportunities.
- Transparency and information. Providing transparent and accurate information about real estate and its yield potential. This may include providing documentation related to the legal and financial status of the facilities, analytical reports, forecasts and examples of past success.
- Variety of investment opportunities. Providing a wide range of real estate investment opportunities to suit the different needs and preferences of private investors. This can be represented by different types of properties (residential, commercial, industrial, etc.), regions or investment strategies (lease, development, renovation).
- Management of risks. Active risk management and provision of information about the potential risks associated with real estate investments. This includes assessing

and analyzing risks, developing risk mitigation plans, and informing investors of the potential impact of their investment.

- Flexible investment conditions. Providing flexible investment conditions, which may include various financing options, investment sizes, terms and conditions for exiting the investment. This allows investors to choose the most suitable option according to their financial capabilities and strategy.

- Access to information and reporting. Providing investors with access to regular reporting and information on the progress of investments, rental activities, financial performance and other relevant data. This promotes transparency and trust on the part of investors.

- Accounting for legislation and regulation. Compliance with laws and regulations related to real estate investment. This includes compliance with rules and regulations related to the purchase, ownership and management of real estate, as well as long-term planning in the context of changes in legislation.

- Involvement of external experts and consultants. Collaboration with experienced consultants and experts in real estate, finance and management who can provide professional advice and assistance in all aspects of property management and investment attraction.

- Reputation and success story. Building and maintaining a good reputation and success story in property management. Successful investments, stable returns and satisfied investors create a positive impression and attract new private investors.

- Property management based on these strategies and measures allows attracting private investment, creating long-term partnerships and ensuring the successful development of investment projects.

Conclusions

Improving the real estate management mechanism is an important factor in unlocking opportunities to attract private investment. By improving transparency, accountability and the use of modern technologies, a favorable investment environment can be created and the attractiveness of real estate for investors can be increased. The development of professional management, risk management, operational optimization

and compliance with legal requirements also play an important role. Through the implementation of these measures, investors will have greater confidence in the long-term profitability and stability of investments in real estate, which will lead to an increase in the inflow of private investment in this area.

Establishing an effective management mechanism has a number of important advantages and significance for attracting private investment in real estate:

1. Transparency and trust. The management mechanism ensures transparency in activities and decision-making, which contributes to the confidence of potential investors. Clear procedures and reporting help to provide investors with reliable information about the activities and performance of projects.

2. Risk minimization. The management mechanism allows you to actively manage the risks associated with real estate investments. This includes the analysis and assessment of risks, the development of strategies and measures to reduce them, as well as the constant monitoring and control of the implementation of established policies and procedures.

3. Optimization of operations. A well-designed and implemented management mechanism allows you to optimize the operational activities of real estate objects. This includes effective tenant management, maintenance and repair, capital investment planning, cost control and profit maximization.

4. Cost and profitability management. The management mechanism allows you to actively manage the value and profitability of real estate. Strategies for managing rental rates, attracting reliable tenants, analyzing the market and trends can increase the return on investment and increase the value of objects.

5. Compliance with laws and regulations. The governance mechanism ensures compliance with laws and regulations related to real estate investment. This includes compliance with financial reporting, legal and regulatory requirements, as well as ethical standards and best management practices.