CURRENT STATE OF REAL ESTATE INVESTMENT IN UKRAINE

The investment in real estate is a long-term investment of capital. Real estate has its own characteristics, which significantly affect the environment of real estate portfolio management. The real estate market is a mechanism that provides the
interaction of individuals or legal entities in order to exchange existing rights to real estate for money or other assets. The real estate market is an integral part of the investment market and represents its real sector, operating parallel with the financial investment sector. Unlike real estate investment, stocks, bonds and other paper investments are purchased merely for investment purposes; whereas investors purchase real estate for an operational purpose including for capital appreciation.

It should be mentioned that the real estate is considered as one of the ways of capital placement, which ensures the growth of the value of capital and the receipt of a positive value of current income. Real estate transactions contain all elements of the investment process and require the definition of the term investment, its size, form and level of risk, with which it is connected. Capital investment in real estate is based on a market price that would balance the interests of sellers and buyers.

We can affirm that investing in real estate is one of the most effective ways of obtaining a stable income, even during a crisis. It is worth remembering that this type of investment is popular not only among entrepreneurs, but also among ordinary people who have a certain capital and want to substantially increase it.

To contribute to the research of our topic let us identify the main goals of investment in real estate:

1. Personal use.
2. Lease.
3. Economic (industrial) use.
4. Speculation (purchase for resale).
5. Acquisitions for further development.

Construction of residential and commercial real estate is one of the indicators of the development of the real estate market. Developers and related financial institutions do not have the necessary funds to implement construction projects. The population is one of the main consumers of buildings, but only a small part of the population can afford to buy real estate. The part of consumers who have money was reoriented to save money and invest them in currency. There is a big probability of stopping the construction, if the sales stopped.
The real estate market in Ukraine has considerably changed during the recent years. While making investment in an apartment you could earn much more or lose almost everything. If we take the 1919 year, the two-room apartment cost about $1,000 in Kyiv. By the end of 1997, the cost of a square meter apartment in the center reached $1,100. After that point started the first crisis in our real estate market. It was till 2001, and then began to fell down the price of a square meter apartment decreased to $500-700. In 2001, was the rapid rise in real estate prices in all segments. In 2008, the average cost per square meter apartment in the center reached the pick of $10,000.

Nowadays, currently in Ukrainian market exist the variety of real estate that does not sale. For example, according to City Development Solutions (CDS), in January-June 2017 in Kyiv and the region, 20 700 new apartments were exhibited for sale. And if we compare this amount with 2016, it is twice as much as in the first six months of last year.

The attention should be also paid attention to the fact that over the recent years, not all apartments have been sold. CDS is data provide us the information that the builders haven't managed to sell approximately 30 000 apartments in new buildings.

According to expert statement, the number of investments in residential primary real estate in 2017 was reduced to 20%, which means that their payback decreased by 25-30%. Therefore, in such a situation, the potential investors’ behavior is uncertain possible and study the objects for investment very carefully. The investors look not only at price and savings, but also pay attention to the reliability and possibilities of potential price increases, the attractiveness of construction, etc.

The main reason for the overabundance of the market is the lack of the market analysis. The developers do not analyze demand, purchasing power, increase of unemployed, the number of competitors and many other factors. Besides, the issue of demand for large apartments remains without attention. More and more people are looking for "smart" apartments with a small quadrature. For example, according to the CDS research by the end of the first half of 2017, the share of requests for
apartments worth up to $ 30,000 reached 92% of the total. But in the structure of the offer for such housing equals only 49%.

Coming to the conclusion it should be stressed that the current situation in the real estate market in Ukraine is unstable and intense. Summarises the main point there are no obvious reasons to expect a significant rise in rental rates or sale prices in 2018. As the result, we should not expect an increase in investment income in this sector. The hryvnia exchange rate could influence the situation at the real estate market. The Ukrainian real estate market is not particularly attractive right now, but there are reasons to be optimistic about the prospects for the coming year.

List of literature:


