



WAYS TO IMPROVE THE EFFICIENCY OF INVESTMENT IN HOUSING CONSTRUCTION AND MORTGAGE LENDING

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ABSTRACT

This article is devoted to the actual problem of attracting investment in housing construction, and also examines the current practice of evaluating the effectiveness of investment and mortgage lending in housing construction.

KEYWORDS: *housing, housing construction, real estate market, real estate, affordable housing, investment, investment and construction complex, investment climate, consumer lending, mortgage, mortgage lending, securitization of mortgage assets, housing cost.*

INTRODUCTION

Housing security and accessibility to the population is an important factor in the country's socio-economic development. This has a direct impact on the standard of living and affects the demographic situation in the country, as well as the economic culture of the population, since the purchase of housing requires significant financial investments [2].

MATERIALS AND METHODS

According to the State statistics Committee, the number of permanent residents in Uzbekistan at the beginning of 2019 amounted to 33.25 million people, increasing in 2018 by 597.4 thousand people, or 1.8 %, of which the rural population is 16.45 million people (49.5 %), and the urban population is 16.80 million people (50.5%).¹

According to preliminary data, as of 01.01.2019, 30.3% of the total permanent population in the Republic is younger than the

working age, 59.5% is of working age and 10.2% is older than the working age.²

The current stage of development of domestic housing construction is characterized by a rapid increase in large-scale volumes of residential buildings, as well as the emergence of new financial services that provide the population with the opportunity to purchase housing in newly built and constructed buildings. In terms of development rates, the construction industry has been one of the fastest developing sectors of the economy of the Republic of Uzbekistan for the past three years, defining one of the most priority areas of its development. On the other hand, the growth in the volume of housing construction projects being built makes it possible to provide the population with new high quality and modern housing, which contributes to the implementation of the most important task, set by the President of the Republic

¹ The population of Uzbekistan exceeded 33.25 million people.

<https://www.gazeta.uz/ru/2019/01/18/population>

² Demographic situation.

<https://stat.uz/uploads/docs/demog-yan-dek-ru18.pdf>



of Uzbekistan to improve the status of the socio-economic situation of society.

But, unfortunately, there are some nuances regarding the rate of growth in the cost of housing that make it impossible for everyone to purchase it for the majority of the country's population. This is not only a problem of the Republic, but also a typical situation for many countries with a developed market system of management, characterized by incomparably higher than in Uzbekistan, the standard of living of the population. The importance of solving the housing problem has not only social significance but also important economic motives, namely, to create conditions and mechanism for further financing of the investment-construction complex of the country and, as a consequence, the attainment of sustainable development of the national economy, creating new jobs, the positive development of other factors in the national economy.

The study of the dynamic series – the growth rate of commissioning of residential buildings in the state and non-state sectors shows that the construction of housing by individual developers is at a higher rate than in the public sector. This in turn entails the need for dynamic development of the wholesale market of building materials. In addition, there is a question about the need to develop mortgage lending and the allocation of preferential loans for the population. And if we continue to develop the idea, we are talking about changes in the entire legal sphere, namely legislation in the field of housing construction.

As noted in the Decree of the President of the Republic of Uzbekistan dated May 13, 2019 PF-5715 "on additional measures for the development and expansion of the mortgage lending market", the expansion of mortgage lending in 2016-2018 provided for the commissioning of more than 82,000 homes. As a result, about 400,000 citizens across the country have improved their living conditions [1]. The decree also approved the "Road map" for the development of the mortgage lending system in the Republic of Uzbekistan for 2019-2021.

At the same time, the need to develop the country's housing sector requires additional measures to improve mortgage-lending mechanisms and expand access to mortgage credit for all segments of the population based on market principles.

If we consider the amount of investment in housing construction, we can say about its growth from 880.21 billion sums in 2008 to 11068.8 billion

sums in 2017, or 12.6 times [3, 4]. At the same time, the share of investment in housing construction is stable at the level of 9,2 - 16,2 % [3, 4], this indicates that the state pays great attention to this important social and economic sphere.

In Uzbekistan, the rates of commissioning of fixed assets, including through housing construction, are growing dynamically. Commissioning of housing facilities increased from 7290.0 thousand m² in 2008 to 11456.4 thousand m² in 2017, or 1.6 times [4, 5].

All the data presented indicate the high practical significance of issues related to the development of housing construction, since it should provide a tangible increase in the housing stock with different rates of growth in certain regions, regions, cities and rural areas. As of 01.01.2018, the housing stock of the Republic reached 507.5 million square meters of total area. Security habitation on one inhabitant on the average amounted to 15.7 sq. m. [5].

Methods of classical consumer lending to the population for the purchase of housing indicate that it cannot be mass, because consumer loans are expensive for a number of objective reasons, and their use significantly increases the already prohibitively high cost of real estate for the majority of the country's population. In addition, it is necessary to take into account that in comparison with many other sectors of the economy, the payback period for investments in the construction industry is sometimes much higher, and this circumstance is an unfavorable factor in the struggle for investment resources in the competitive market of financial loans. Moreover, the payback period of a particular investment and construction project directly affects both the availability of investment resources and their cost.

However, the global economy has developed a mechanism for financing the purchase of real estate by the population, which is known as mortgage lending, in order to solve the housing problem in General. The funds received under the mortgage are used to Finance the activities of the construction complex and ensure the functioning of the investment process in the construction industry. In its economic essence, a mortgage is a type of loan under real estate guarantees with more favorable indicators than direct consumer loans. Of course, such a financial mechanism in the housing investment market is promising.

As an example, you can see the state of investment and construction activity in the Republic for 2011-2019 (see the table).



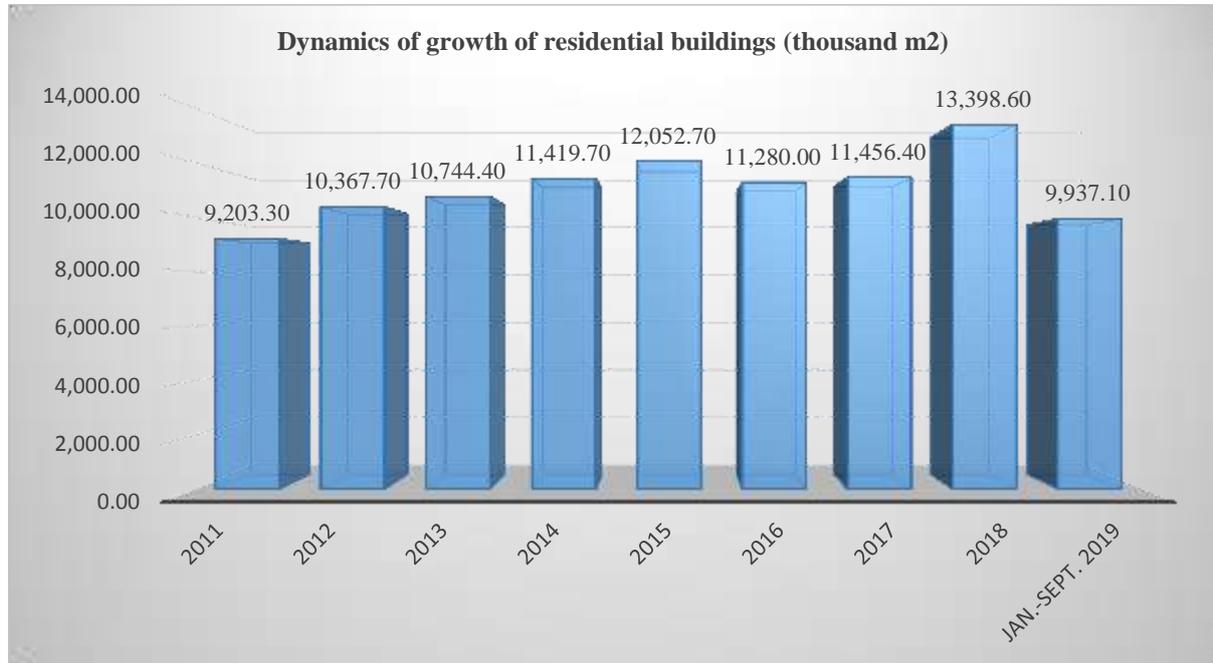
**Main socio-economic indicators of investment and construction activities
(in actual prices, billion sums)**

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Jan-Sept. 2019 |
|---|--------|---------|---------|---------|---------|---------|---------|---------|-------------------|
| Investments in fixed assets-total | 19500 | 24455,3 | 30490,1 | 37646,2 | 44810,4 | 51232 | 72155,2 | 124231 | 134029,4 |
| Investments in fixed assets as a percentage of GDP | 20,1 | 20,3 | 21,1 | 21,3 | 21,3 | 21,1 | 23,9 | 30,5 | 37,0 |
| <i>Commissioning of housing and social cultural facilities through new construction and reconstruction:</i> | | | | | | | | | |
| residential buildings, thousand m2 of total area | 9203,3 | 10367,7 | 10744,4 | 11419,7 | 12052,7 | 11280,0 | 11456,4 | 13398,6 | 9937,1 |
| secondary schools, thousand student places | 46,9 | 68,9 | 61,7 | 61,5 | 57,9 | 88,9 | 94,6 | 80,4 | 87,9 |
| professional colleges, thousands of student places | 1,8 | 10,2 | 8,9 | 3,6 | 3,2 | 3,3 | 0,2 | - | - |
| lyceums, thousands of student places | 2,4 | 1,3 | 0,2 | 0,3 | 1,5 | 1,5 | - | - | - |
| academic, one thousand student places | 1,1 | 0,9 | 0,2 | - | 0,8 | 1,2 | - | - | - |
| specialized, thousands of student places | 1,3 | 0,4 | - | 0,3 | 0,7 | 0,3 | - | - | - |
| hospitals, thousands of beds | 4,8 | 6,1 | 9,5 | 10 | 10,3 | 10,1 | 4,3 | 6,1 | 2,8 |
| polyclinics, including rural health centers, number of visits per shift | 5,6 | 8,9 | 10,1 | 10,1 | 7,3 | 9,9 | 7,7 | 20 | 7,5 |
| Construction works, billion soums | 9504,8 | 11753,9 | 15219,3 | 20060,4 | 25423,1 | 29413,9 | 34698,0 | 51129,3 | 50922,2 |

A source: www.stat.uz

In this regard, the problem of analyzing investments in housing construction and evaluating their effectiveness is currently very relevant for the construction industry of the Republic of Uzbekistan.

This problem is related to the tasks of forming a promising investment policy and ensuring a favorable investment climate in the domestic economy.



Note: compiled by the author based on data. <https://stat.uz/ru/164-ofytsyalnaia-statystyka-ru/6584-investitsii>

DISCUSSION

The solution of these problems is due to the fact that in a market economy, an active role in the strategic development of the construction industry belongs more to investments, which are formed within the framework of a favorable investment climate. The investment climate is, in turn, the financial environment in which investment processes take place, accompanied by various types of investment risks. Depending on the current investment climate in a particular sector of the national economy, a certain investor policy is formed, which determines either the inflow or outflow of investment resources.

It is known that in a favorable investment climate within an industry, there is an influx of investment resources. On the other hand, an unfavorable investment climate reduces the efficiency of investment processes and increases the risk of investment. This leads to a decrease in financial flows and an increase in negative consequences for the economy of the investment and construction sector. Thus, investment risks and, in particular, the risks of certain mortgage assets are one of the most important market regulators of the investment climate in the construction industry.

In the context of creating a favorable investment climate and determining a productive investment policy in the housing construction industry, the most important problem is the formation and refinement of the classification, as well as the development of methodological tools for

managing mortgage lending risks, since they exist for both the investor and the borrower. This problem is solved by well-known risk management methods, primarily such as diversification and hedging.

One of the newest methods of hedging mortgage-lending risks is the securitization of mortgage assets. This method of reducing mortgage risks consists in the corporatization of mortgage assets, as well as the subsequent free circulation of these shares on stock exchanges. As in General, mortgage lending, and in particular, the securitization of mortgage assets is a new direction for the national economy in the development of risk management in the construction industry and, of course, is an urgent problem.

In order to fully take into account and most importantly solve these problems in practice, it is necessary to implement a program of localization of production of construction materials, parts and structures in Uzbekistan. Further, it is necessary to fully implement the provisions of the legislation of the Republic of Uzbekistan, in order to make a reasonable move forward in the development of housing construction, on the basis of compliance with all construction standards and rules; to develop a competitive environment in the housing market; to fully implement the adopted investment programs.

The solution to the problem of housing security is connected with the need to significantly increase the volume of construction and



development of all elements of the infrastructure of cities and localities in Uzbekistan, using progressive approaches.

RESULT

Hence, these factors that should be taken into account when solving the housing problem under consideration undoubtedly include:

- limited areas that can be allocated for development and the related need for priority development of multi-storey housing construction;
- the need to take into account the objective process of social stratification of society and the associated expansion of the range of requirements for living conditions;
- increase in the level of urbanization, due to the ongoing industrialization of agriculture, which entails the enlargement of existing rural settlements;
- low level of comfort of part of the existing housing stock;
- an objective increase in the demand for luxury housing as a result of scientific and technological progress.

It can be concluded that there are positive developments in its solution and positive results achieved through the rational use of the market mechanism. However, a full-scale solution to this problem requires additional research and research, which should be based on a deeper assessment of the state of housing construction and the emerging housing market.

CONCLUSION

Thus, based on the results of analysis and comparison of domestic and international investment performance indicators, the following conclusions can be drawn:

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