

## Disadvantages and Problems of Real Estate Market Participants and Their Impact on Socio-Economic Processes in the Residential Real Estate Sector

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**Abstract :** This article examines the problems of the interests of the real estate market entities, analyzes the main interests of market participants, and provides recommendations for reducing external losses associated with their discrepancy.

**Key words:** residential real estate, market participants, hidden interests, owners, housing stock, rental housing

**Introduction.** The real estate market is an integral part of the country's economy. It has important both economic and social significance, since it satisfies one of the basic human needs - the need for housing. For a significant part of the population of our country, housing is the main wealth, the basis for maintaining a family, supporting psychological balance and confidence.

Provision with housing is one of the most important social indicators reflecting the standard of living of the population. In a planned economy, the problem of housing provision was solved by redistributing public goods based on the formation of an appropriate accounting - the apartment queue. In a market economy, the state should create mechanisms of state support in solving the housing problem that would ensure the availability of housing and housing services to citizens in accordance with their effective demand.

With the deployment of the privatization of housing, the main elements of the market appeared: demand, supply and price. With the growth of consumer and investment demand for housing in conditions of limited supply, prices rose steadily. Recently, the growth rate of housing prices has outpaced the growth rate of household income and housing construction. The problem of providing the population with high-quality and affordable housing has become aggravated and the need to study the regularities of the functioning of the residential real estate market, identify trends in the supply and demand of housing, assess the impact of various pricing factors on the market situation [3].

**Main parts.** The concept of real estate is seen as an economic good, performing a number of functions. First, it is a commodity, i.e. resource for personal use, as residential real estate, land plots, institutions for socially significant events, etc. The functions of a real and financial asset play an important role, referring to both private and commercial real estate, for example, involved in production, agriculture, science, etc. As for a financial asset, real estate investments are a profitable investment, but only with a positive dynamics of the economic component, therefore, it is necessary to monitor the trends of the economic and political situation in the country and improve the financial literacy of the population.

Analysis of the development of the real estate market is also important given the need to develop a system of measures for regulation and forecasting.

The particular significance of these issues lies in the fact that in our time the real estate market:

- 1) has become an active and influential part of the macroeconomic system, the importance of which is as important as the market for food or essential goods;
- 2) is closely related to investments, deferred demand;
- 3) is of extraordinary importance, which consists in solving many extremely important problems for society (provision of housing, fighting poverty, etc.), on which internal stability in the country depends [4].

The urgency of the housing problem is determined by three main factors. First, active state support for this sector of the economy. So, on October 21, 2016, the President of the Republic of Uzbekistan adopted a resolution «On the Program for the construction of affordable residential buildings according to updated standard projects in rural areas for 2017-2021» [5], a month later - November 22 of the same year – «On measures to implement the Program for the construction and reconstruction of affordable apartment buildings in cities for 2017-2020» [6]. Secondly, a high degree of corruption in the construction industry, for example, in 2019-2020, according to the prosecutor's office, facts of theft totaling 38 billion sums of preferential building materials and other material values were revealed [7]. Third, reforming

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the housing sector of the economy. The main reason for the re-form was the high burden on the budget at a low rate of reduction in the number of those in need of better housing conditions. Analysis of the interests of participants in the housing market has its own characteristics, primarily in the composition of these participants. Here, in addition to such entities as sellers and buyers, distinguished in all markets, professional market participants, whose activities are related to the processes taking place in the market, are of particular importance. At the same time, the most common is the division of professional market participants into institutional and non-institutional.

If we consider market participants from the standpoint of their interests, then sellers are primarily interested in extracting the maximum profit from the property they are selling, property rights.

Singling out the largest owners in the residential real estate market, we also single out the main sellers (including potential ones): the state; business; population.

It is worth noting the special role of the state as a seller: the state does not aim to maximize profit in monetary terms in the short and medium term. Considering that the significant amount of benefits provided to business entities working in the field of housing construction, the main interest of the state is to ensure a stable social status, i.e. ensuring the loyalty of the electorate. The second important aspect is the impact that construction has on the development of the economy: production and consumption of construction materials, development of construction technologies and growth in employment, demand for finishing materials, furniture and appliances [1, c. 132].

During the analysis of the main interests of market participants, those of them were identified that determine the very activity in this area (see Fig. 1).

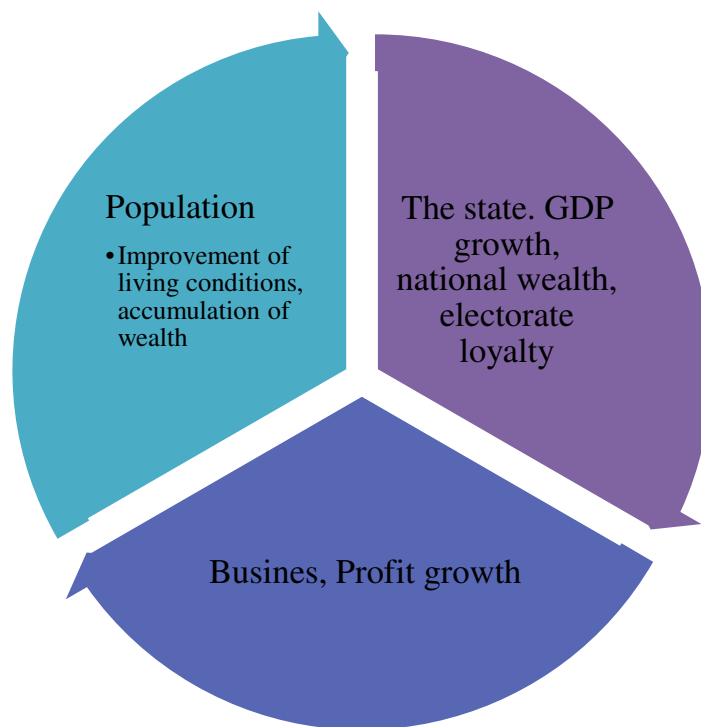


Fig. 1. Main interests of market participants Source: author's development

The interests of the state are primarily associated with gaining control over the production and distribution of the housing stock. At the same time, two directions are hidden in production control. The first is price and tax control. Price control allows you to manage the investment attractiveness of the market. Tax revenues are largely determined by the structure of the market in the context of the companies represented in it. The second area is the «quasi-market for benefits». The right of officials to provide «special working conditions» is an important factor in the formation of the market.

The «quasi-market for benefits» is al-so directly related to the second group of latent state interests: control over the distribution of the housing stock. Control of this market segment allows the state, on the one hand, to carry out the function of redistributing the generated income in accordance with the social policy pursued in the state, on the other

hand, it creates conditions under which «benefits will not be available to those who really need, but to persons with access to information and power» [2, c. 62].

Business interests can also be divided into two groups. The first is associated with a decrease in the ability of government bodies to control the activities of private companies, and the second - with the maintenance of a constant supply deficit on the market, which would allow them to maintain high prices for manufactured goods and services.

The population also has hidden interests that are usually condemned, but which are often overlooked as principles that shape the behavior of the population. First, this is an interest in obtaining housing from the state for free or on preferential terms. The acquisition of such an expensive asset in ownership is the main motive for the behavior of a significant number of employees of state and municipal enterprises. The possibility of housing construction at prices below market prices determines the investment interest of the population in this market segment, on the one hand, and the formation of a model of dependent behavior, on the other.

**Conclusion.** The result of the analysis was the preparation of recommendations to reduce external losses associated with diverging interests of market participants. These proposals were:

- refusal from gratuitous / preferential transfer of ownership rights to housing built at the expense of budget funds;
- provision of rental housing for a strictly limited period (7-10 years) with subsequent sale on the secondary housing market. This approach should allow for an expanded reproduction of the state rental-housing fund, as well as help to curb the growth in the cost of apartments in the secondary market due to the receipt of offers of typical consumer qualities;
- creation of economic interest in the development of a private fund of rental houses (private rental houses are the most effective form of urban housing in terms of the degree of consideration of the interests of all participants in the housing market [2, p. 48]);
- implementation of international design and construction standards (to bring new technologies to the market);
- support for the development of technologies for prefabricated housing;
- the provision of subsidies to compensate for part of the lease payments.

The main result of the proposed changes should be the convergence of the efforts of various market participants in the development of the residential real estate market based on taking into account their direct and latent interests.

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