

REAL ESTATE MARKET INFRASTRUCTURE AS A FACTOR OF ECONOMIC CERTAINTY AND MARKET STABILITY

Anatolii Topal¹, Yurii Pita²

¹Head of the «Association of Professional Real Estate Managers», Public Organization, senior lecturer in the Theoretical and Applied Economics Department, «KROK» University, Kyiv, Ukraine, e-mail: a.topal@bigmir.net, ORCID: <https://orcid.org/0000-0003-2624-4540>

²President of the Association of Realtors of Ukraine, senior lecturer in the Theoretical and Applied Economics Department, «KROK» University, Kyiv, Ukraine, e-mail: yurii.pita@kpp-kyiv.com, ORCID: <https://orcid.org/0000-0002-2010-8735>

The relevance of the study of the national real estate market from the standpoint of improving the business infrastructure of this market is beyond doubt. After all, this sector has contributed a reasonably considerable percentage of the country's GDP and hundreds of thousands of jobs at all periods of modern Ukrainian economic history. The percentage of the real estate market in the country's produced GDP is depicted in Figure 1.



Fig. 1. Dynamics of the share of «Real estate transactions» in Ukraine's GDP

Source: authors' own based on [1]

The information presented in Fig. 1 indicates that the share of activities defined as «Real estate transactions» in the country's GDP is significant. It is comparable, for example, with the shares of such spheres as education, medicine, etc. The real estate market has usually created a significant number of jobs in the Ukrainian economy. The dynamics of the number of jobs provided through the functioning of the real estate market is illustrated in Fig. 2.

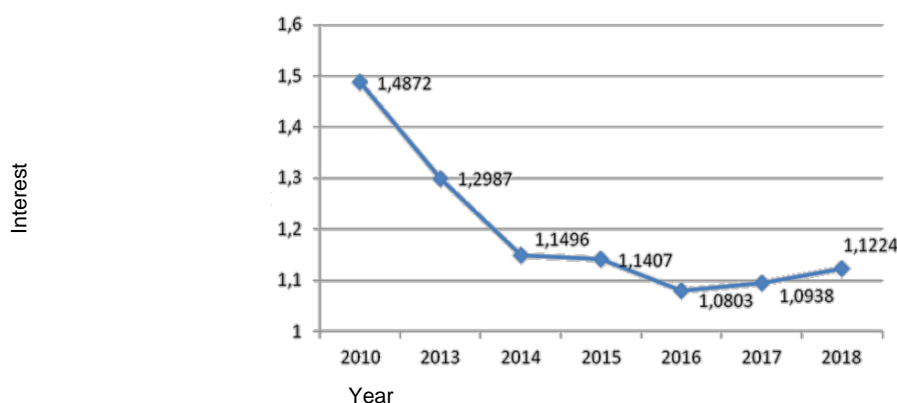


Fig. 2. The dynamics of the share of employed people in the sphere of «Real estate transactions» in Ukraine in 2010 – 2018

Source: authors' own based on [1]

The information on the share of employees in the field of «Real estate transactions» in Fig. 2 indicates that, starting from 2016, the positive dynamics of growth in the number of employed people began. It was close to the level of 2014, when the recession began because of the Russian-Ukrainian war.

Many studies by specialists and experts in the real estate market have been conducted on topics concerning the organization and functioning of the market [2-4]. The majority of contemporary real estate market research is devoted to clarifying price trends and examining the elements that influence price dynamics. However, there is a lot of research on more fundamental issues, such as the relationship between the overall economic crisis and the status of the real estate market, and how to use the real estate market to mitigate the consequences of the crisis.

The real estate market domestic researchers [5-7] focus not only on trends in real estate prices, but also on understanding the role of this market in stabilizing the national economy. In particular, we consider the relationship between the development of the real estate market, on the one hand, and the development of the financial market, on the other, between the dynamics of real incomes of Ukrainians and the scale of acquisition of residential, commercial etc. real estate.

From 2020 onwards, both domestic and foreign researchers are interested in assessing and forecasting the impact of the emergency – the Covid-19 pandemic – on the evolution of the real estate market [8].

The modern real estate market of Ukraine is formed by representatives of several types of business activities and provides for their interaction. The need for such a merger stems from the complexity of real estate economics, the diversification of real estate demand structure, and the expanding needs of consumers. In view of all the above, we make assumptions about the feasibility of using the term «**real estate market infrastructure**» in market analysis and in practice.

The infrastructure of the real estate market, like that of other markets, should cover individual market sectors represented by entrepreneurs with varying levels of expertise. Regardless of their disparities in skills, they are all involved in the

establishment of services that support the purchase, sale, reproduction, and use of real estate. Our idea of the infrastructure of the real estate market is illustrated by the diagram (Fig. 3).

Fig. 3 illustrates the following ideas about the real estate market infrastructure in general and entrepreneurship in the real estate market in particular:

– the infrastructure of the real estate market covers the so-called «core», which consists of entrepreneurs of related activities, namely: realtors, property appraisers, property managers, and developers;

– in addition to the «core», there is an element of infrastructure in the form of the so-called «protective field» consisting of five elements, namely: national regulators (public authorities), banks related to mortgage lending, construction (repair) organizations, real estate insurers, and consulting companies;

– united by the real estate market, the enterprises that form the «core» of the market infrastructure perform, albeit related, but special functions. Therefore, we are talking about four segments of the «core», namely: realtors, appraisers, real estate managers, and developers;

– «protective belt» of the real estate market infrastructure is designed to form its stabilizing – efficient and safe – environment related to legislation (rules of activity), the formation of sources for investment, reproduction of real estate, insurance and intellectual – analysis and substantiation of decisions – provision.

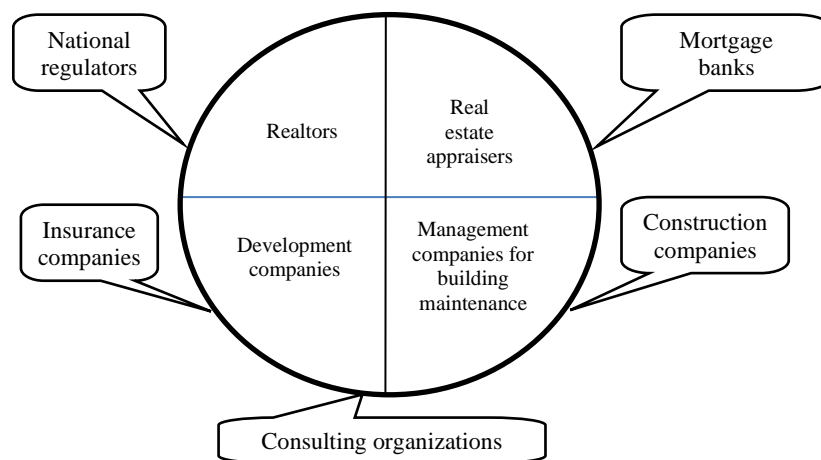


Fig. 3. The real estate market infrastructure and relevant forms of business activity

Source: the authors' own

Each area of the «core» of the real estate market infrastructure – real estate, valuation, building management, and development – has its own organizational, legal, and problem-solving challenges in Ukraine. We will try to describe the most defining peculiarities and current difficulties of each of them.

Real estate forms the core of entrepreneurial activity in the Ukrainian real estate market. It has already stood out as a specific functional area and as an activity.

Real estate entrepreneurs have special relationships with national regulators. These relationships are quite controversial. In particular, there is a discrepancy

between the official interpretation of the meaning of the term «real estate activity» and the essence of this activity from the standpoint of real estate market operators.

The activities of the following economic entities are distinguished according to the Classifier of Economic Activities [9] (Section I): «landlords, agents and/or intermediaries for the sale or purchase, rental of real estate, provision of other real estate-related services, such as real estate appraisal or acting as agents of escrow accounts». These activities «may be carried out in respect of owned or leased real estate, and may be carried out on the basis of fixed payments or on the basis of a contract», according to the document. It also refers to the construction of structures in conjunction with the purchase of ownership or lease of those structures. It is also important that the document highlights the activities of «real estate managers». The subject of the latter are three groups of real estate transactions, covering:

- purchase and sale of owned real estate;
- leasing;
- commissioning of owned or leased real estate.

The analyzed document refers to such a form of entrepreneurship as real estate agencies, which, according to the creators of this document, cover the following activities:

- intermediary services for the purchase, sale or lease of real estate on the basis of fixed payments or on a contractual basis;
- provision of consultancy or real estate appraisal services, which are related to its purchase, sale or lease, for a fee or contract;
- escrow agent services.

It is this interpretation of the activities of realtors that leads to a conflict between related professions – realtors, real estate agents, appraisers, and real estate managers.

Attempts to pass laws [10] without reconciling interests and without the necessary communication with the professional community of realtors create destabilization and uncertainty instead of stabilization and certainty.

Many real estate transactions involve realtors or real estate agents. Thus, according to the Association of Professional Real Estate Managers, there was the following dynamics in the number of transactions involving professional realtors (in% of the total number of transactions in the real estate market):

- 2001 – 2008 – 75-80%;
- 2009 – 60-65%;
- 2010 – about 50%;
- 2011 – 40%;
- 2012 – about 37% [11];
- 2013 – 2018 – 60-65% [12].

The analysis of the dynamics of real estate transactions, with the participation of professional realtors, shows the fluctuating nature of changes. To some extent, there is a tendency to lower this share. This is most common during periods of economic downturn and growing public distrust of government officials. During periods of

increased economic stability and confidence in the government's policies, however, the share of such transactions rises.

Customer perceptions of real estate market experts' skill, as well as consumer expectations for activity outcomes, are significant aspects of the organization of entrepreneurial activity in the real estate market. Consumer surveys showed that out of 100% of potential buyers and sellers of real estate, only 11% flatly refuse to cooperate with realtors, 15% have already decided which realtor they will work with, and 16% want to work with a realtor, but do not know who to contact [12].

The attitude of customers to real estate is quite controversial. After all, 31% of customers are actually ready to work with a realtor, but do not understand the essence of the real estate service and do not know its value. And 23% of customers are ready to work with a realtor, but are wary of low quality real estate services. Only 4% of consumers have doubts about the need to use a real estate service [13]. According to real estate market analysts, there is a severe shortage of such services that demonstrate high quality, openness, and clarity for realtor activity consumers.

According to consumer survey data in the real estate market, there is a lack of confidence in the interaction between market professionals and customers, as well as customer ignorance of the benefits of working with market professionals and a shortage of highly skilled specialists.

Real estate, as a separate type of business, has an objective economic and social basis for future development. De facto, a separate submarket of services has been formed – the market of real estate services. De jure, the legalization of this market is still ongoing. The current legal framework for the functioning of the Ukrainian market of real estate services includes the following codes: the Civil Code of Ukraine, the Commercial Code of Ukraine, and the Tax Code of Ukraine. Its components are separate laws, namely: the Law of Ukraine On Prevention and Counteraction to Legalization (Laundering) of Proceeds from Crime, Financing of Terrorism and Financing of Proliferation of Weapons of Mass Destruction, the Law of Ukraine On Consumer Protection, and the Law of Ukraine On Advertising. The important component of the legal framework is the Order of the Ukrainian Research and Training Center State Enterprise, the National Standardization Body №40 enacted on February 27, 2019 On the adoption of the national standard DSTEU (the State Standard) EN 15733: 2019, Services of real estate agents. Requirements for the provision of real estate agents [14].

Unfortunately, there is no special law on the regulation of real estate activities in Ukraine. For many years, there has been a debate between supporters of the adoption of such a law and supporters of the idea of the irrelevance for such special legislation. Both sides of the discussion have arguments to justify their own approach.

The main problem of regulating the real estate market is the lack of certainty in the regulatory mechanisms. There is a choice between two alternatives, namely: between «hard» state regulation and «soft» regulation with the transfer of powers to self-regulatory organizations. At the beginning of streamlining the real estate services market, we believe there should be «mixed regulation» by the state and public (self-

governing) professional groups. The promotion of market certainty and development should be the criterion for such a partnership. The vector toward stronger market self-regulation should be applied in the future.

According to data collected by state statistics bodies, with the participation of public associations of realtors and market experts, the number of participants in the real estate services market ranges from 50 to 65 thousand people [1]. It is impossible to provide a more accurate estimation of the number of market participants to ensure a higher level of certainty of transactions for several reasons:

- there is a significant number of enterprises in the form of the so-called sole proprietors, which have already ceased or are ceasing their activities, but this has not yet happened officially;
- a significant number of entrepreneurs do not legalize their activities;
- there is no single register of market participants in real estate services.

Legislative recognition of real estate services as a separate product of entrepreneurial activity remains incomplete. This forms one of the main causes of economic uncertainty in this market. This is the opinion of the Ukrainian researcher M.A. Minenko. He, in particular, records such specific reasons for market uncertainty as the partial exclusion of the state from addressing the issue of legitimization of real estate as a service, and the absence of the Law of Ukraine On real estate (brokerage) activities which would contribute to the formation of a transparent legal framework [15].

Public associations of market specialists play an important role in the running of the rather «young» Ukrainian real estate market, which is now in a condition of high uncertainty. Associations lobby, organize, take legislative initiatives, try to make activities transparent, and protect the interests of market participants. These are, in particular, the Association of Real Estate Specialists (Realtors) of Ukraine, the Union of Real Estate Specialists of Ukraine, the Realtor Chamber of Ukraine, and the Guild of Realtors of Ukraine. But democratic principles of functioning of public associations sometimes hinder the formation of a common vision of problems, as well as the development of equal approaches to the organization of relations with public authorities etc. This may be the reason for the slow formation of the legal field and the legal recognition of real estate as an officially standardized profession.

Unresolved issues of systemic misuse by authorities surfaced in the early 2020s, posing a barrier to the growth of real estate as a profession and a sort of entrepreneurial activity. These include representatives of the parliamentary corps and individual officials who are trying to «regulate» the market with the aim to create various «fundraising schemes» for all market participants. Legal uncertainty is becoming one of the primary reasons for consumers' lack of trust in real estate brokers. After all, the realtor, as a market player, does not yet have a defined national professional and legal status to the consumer of services, owing in great part to government measures.

The Real estate community of Ukraine is gaining its status and trust of Ukrainian citizens under the conditions of economic uncertainty in various ways. Important achievements of the professional community are the following actions and the following results of these actions:

- permanent participation in international congresses of the National Association of Realtors of the United States, the International Real Estate Federation (FIABCI), and the International Association of Real Estate Management;
- permanent representation of professional associations in the work of educational programs of the European Education Fund;
- introduction of the European norm (EN) of the Standard «Services of real estate agents. Requirements for the services of real estate agents» at the level of the State Standard of Ukraine;
- participation in working groups to develop a draft Law on the regulation of real estate (brokerage) activities;
- participation in the work of the Intersectoral Qualification Council for the development of professional standards in the field of real estate management, landscaping and housing and communal services for the development of «Realtor» and «Real Estate Agent» professional standards;
- involvement in the development of master's programs that include specialization and can be classified as a «real estate market specialist»;
- participation in the formation of the general system of educational and professional training of specialists in the real estate services market according to a single state standard.

In our opinion, the following steps should be the primary ones for the final legitimization of real estate as a separate profession and a type of entrepreneurial activity:

- the establishment of a single national governing body based on self-regulation, with the following functions: representing market participants' interests in relations with state institutions and other stakeholders, establishing a register of official realtors of Ukraine, participating in market professional certification, developing quality standards services provided, and monitoring and reporting of violations by members of the professional community;
- approval of unified standardized approaches to real estate activities as a special type of entrepreneurship;
- further implementation of NSS (National State Standard) in the part «Services of real estate agents. Requirements for the services of real estate agents»;
- creation of the «Realtor» and «Real Estate Agent» Professional Standards, as well as acceptance of educational and professional training programs for bachelors and masters in the appropriate specialization based on these standards;
- introduction of required and agreed-upon information on the specialties «Realtor» and «Real Estate Agent» into the State Classification of Professions and the Handbook of Qualification Characteristics of Professions;

– establishment of a system for confirming the qualifications of «Realtor» and «Real Estate Agent» in accordance with international standards.

Entrepreneurship in the appraisal activity of Ukraine is characterized by a number of organizational peculiarities and unresolved issues.

An appraiser in Ukraine can be a natural person (a citizen of Ukraine, a foreigner or a stateless person) who has a basic or complete higher education. The said person must be trained in an educational institution that has concluded an appropriate agreement on the training of appraisers with the State Property Fund of Ukraine.

Recognizing the need for appraisers to receive specialized higher education is a significant advantage and achievement in this field. A property appraiser must, among other things, complete a one-year internship in the relevant narrow specialization with an appraisal agency, pass a qualifying exam, and obtain an appraiser's qualification certificate in accordance with the requirements of Ukrainian legislation [16].

The availability of requirements and processes for including information about appraisers and objects of appraisal activities in the State Register is another beneficial aspect in the organization of appraisal activities. The law also establishes the legal structure and processes for gathering, storing, processing, and acquiring data related to assessment activities. According to the State Register, 13,125 persons were legally registered in Ukraine as of June 2020.

The public organization «All-Ukrainian Association of Appraisal Specialists», which represents the interests of entrepreneurs-appraisers, has brought together professional appraisers. This organization identifies and discloses difficulties that restrict or obstruct appraisal activities. It is clear that long-term disregard for these difficulties leads to growing uncertainty in the evaluation sphere.

The following are some of the issues with appraisal activity organization that contribute to increased uncertainty in this area:

– lack of current state policy in the sphere of appraisal activities, with clearly defined new standards for appraisers in particular and appraisal operations in general;

– lack of legal basis for the combination of state regulation and self-regulation of appraisal activities, as well as the delegation of certain functions of the state to professional self-regulatory organizations;

– difficulty in understanding, interpreting and applying the current Law of Ukraine On Property Valuation, Property Rights and Professional Valuation in Ukraine. These are primarily the rights and responsibilities of the state, the appraisal community, the public, and end users of appraisal services as well as rights and responsibilities for pricing and regulatory initiatives.

The public organization «All-Ukrainian Association of Appraisal Specialists» recognizes the necessity to design a Concept for appraisal activity growth in the 2020s. It should include prior achievements in property appraisal organization, forecasts for the future of appraisal operations, and unsolved challenges. Currently, a draft of such a Concept is being produced.

The initiated reform of housing and communal services in Ukraine in the 2010s introduced a new profession for our country – building managers, in particular, of apartment buildings. The need for real estate management specialists was formed under the influence of the expansion of the right of co-owners of apartment buildings to dispose of common property. After all, residents of apartment buildings have the right to independently choose one of three forms of management [17]. These are, in particular, the following forms:

- creation of an association of co-owners of an apartment building (condominium association), which encourages residents of their own house to take responsibility;
- involvement in the management of the house of a manager, whom the co-owners elect independently, or in case of failure to decide on the form of management, a manager is appointed by the city authorities on a competitive basis;
- independent management of an apartment building, without creating condominiums and without involving a manager.

The apartment building management services carried out by a manager are provided on the basis of a contract for the provision of management services, which is concluded in accordance with the already mentioned Law [17] and the Law of Ukraine On Housing and Communal Services [18].

In the modern interpretation, the competencies of entrepreneurs involved in the management of apartment buildings include the ability to perform the following functions:

- maintenance of the common property of an apartment building, including interior premises and adjacent territories;
- performance of sanitary and technical works;
- maintenance of internal house systems;
- purchase of electric and thermal energy to ensure the functioning of the common property of an apartment building;
- current repairs of the common property of an apartment building.

It is obvious that the above list of functions covers only a small part, primarily only the technical requirements for business results in this area. Therefore, it is incomplete. In particular, it does not cover the economic and communication functions, respectively, the competencies that a manager should have. The latter, in our opinion, should also include the following functions:

- optimization of expenditures for maintenance, repair, and modernization of the building, taking into account its technological condition;
- monitoring of the quality of services and prices for services of repair, restoration and other works;
- negotiating contracts for the performance of work with construction and repair organizations, as well as maintaining supervision over the execution;
- developing commercial projects and securing external finance to enhance the building's condition, preserve the environment, improve living comfort, and so on;

- communication with local and central authorities in cases of unforeseen situations, man-made threats etc.;
- participation in concluding insurance contracts for buildings, structures, property etc.

Business activities in the sphere of building management, in our opinion, are marked by extraordinarily high uncertainty when compared to other real estate market activities. This is due, among other things, to the lack of a business tradition in this sector and the lack of experience of Ukrainian entrepreneurs in this field.

In the XXI century, in the real estate market of Ukraine, a new type of entrepreneurship – development – has been launched and is actively developing.

A development company is an organization that produces money by creating and developing real estate to increase its value. In the broadest sense, it is a legal or natural person who promotes and implements a real estate business project.

In 2020, about 400 development companies were registered in Ukraine. According to experts, domestic enterprises provide over 90% of development services. The share of foreign companies is insignificant. This is due to the fact that Ukrainian development companies have certain advantages in the market. Those relating to land use, in particular, with better adaptability to the unique economic realities of Ukraine.

Traditionally, the functions of development companies in the real estate market include:

- registration of construction permits by local authorities (project instructions, investment contract, technical passport, obtaining approvals and permits);
- project development (formation of a group of project developers, management of a draft project development and feasibility study);
- construction supervision (conducting tenders among construction contractors, construction management, commissioning of the facility);
- attracting credit and investment funds from outside the country (development of investment strategy for the project, structure of project financing, agreements for signing between the company and financial institutions);
- real estate promotion (development of marketing concept and strategy, advertising, development of a standard lease or sale agreement and negotiations with potential customers).

A development company can perform both the role of an investor in a development project and the role of an intermediary, as well as an organizer of an investment project in the field of real estate.

Development is a special business related to the maintenance of investment projects in real estate. Taking responsibility for the timing and quality of the project, developers also take on some of the project risks. One of the difficulties of entrepreneurial development in Ukraine is the unjustified transfer of these risks by developers to other economic entities and attempts to avoid liability.

The infrastructure of the real estate market, as illustrated in Fig. 3, includes those enterprises and organizations that do not actually form the real estate market, but create an external environment for its operation. This external environment is

formed with the participation of: national real estate market regulators, financial institutions (in particular, mortgage banks), construction companies, consulting companies, and insurance companies.

National real estate regulators are primarily public authorities, consisting of: the Ministry of Finance of Ukraine (in particular, in terms of financial monitoring), the State Property Fund of Ukraine, and the Ministry of the Development of Communities and Territories of Ukraine. The issue of belonging of all-Ukrainian professional associations to the national regulators needs special research. These include, in particular, the already mentioned public organizations: the Association of Realtors of Ukraine (AFNU); the Union of Real Estate Specialists of Ukraine (SFNU); the Ukrainian Society of Appraisers (UTO), the Confederation of Builders of Ukraine (KBU), and the Construction Chamber of Ukraine.

The functioning of the real estate market is influenced by financial and credit organizations represented by mortgage banks and other commercial banks. After all, they provide financial resources that market participants may be lacking in the short term. Such Ukrainian banks as PJSC «Kredobank», Ukrhazbank, Pravex-Bank, Oschadbank, Privatbank are actively engaged in mortgage lending.

Ukraine is attempting to stimulate mortgage lending by decreasing the interest rate on credit funds. At the same time, the standards for borrowers have altered, particularly in regard to the borrower's proven official income. Banks scrutinize income data more thoroughly. The biggest problem with lending is the distrust of borrowers of mortgage lending. It was caused by the negative experience of borrowers during the «mortgage boom» of 2006 – 2008.

Construction companies create that part of the external environment of the real estate market, which is associated with the emergence of new objects in this market and their reproduction in good condition (repair). The relationship between direct market participants and construction enterprises has some peculiarities. These relationships are, on the whole, constructive. The cooperation between real estate industry experts and developers is thriving. Cooperation takes place primarily in the following ways:

- developers that have a contract with a certain real estate agency pay it a commission for promoting and selling real estate to the customer;

- developers collaborate with all realtors who propose and sell assets made by the developer on the basis of the so-called public offer of collaboration for all realtors.

The issue of cooperation between developers and real estate agents is primarily related to the fact that some developers identify realtors as competitors. It is a question of competition and allegedly «conflict of interests» between the sales departments of a developer and realtors. This interpretation of «conflict of interest» is incorrect, at least because the sales department has the function of advertising the object. Such a function does not exist for a realtor who provides comprehensive support for the transfer of real estate from a developer to a buyer.

Consulting companies, another segment of the real estate market infrastructure, can be involved in the creation of projects for the renovation of buildings and structures, their redevelopment, the use of innovative technologies, and the search for investors both domestically and internationally.

Insurance companies are an important part of the infrastructure of every business, including real estate transactions. Insurance companies' roles should be expanded and adequately regulated under Ukrainian conditions. This is due to the significant depreciation of real estate, man-made threats associated with the unsatisfactory state of utilities, and the lack of the necessary standards in building construction and maintenance.

In the real estate industry, there are several types of insurance. Classic real estate insurance and property insurance, often known as title insurance, are the most prevalent. In Ukraine, the first type of insurance is more common. The pricing algorithm is the primary constraint on the growth of real estate insurance services. The cost of the insurance service is calculated as a percentage of the object's worth, which is paid annually. Second, receiving insurance reimbursement in the event of an insured occurrence is a very cumbersome operation, which increases the scope of economic uncertainty.

Conclusions: From the analysis of the infrastructure of the real estate market in Ukraine and the entrepreneurship related to this market, we make the following generalizations.

The Ukrainian real estate market has significant potential for development and a positive impact on the stabilization of the entire national economy. The market creates hundreds of thousands of jobs and forms a significant part of the value added represented in the country's GDP.

The Ukrainian real estate market's stability potential is not fully achieved. This refers to all market components and types of commercial activity that make up the «core» of the market infrastructure. Real estate, appraisal, real estate management, and development are examples of these types of entrepreneurship.

Each type of entrepreneurship in the real estate market has special difficulties that can increase economic uncertainty. But there are at least two problems common to all market segments. *The first* is related to the incompleteness and imperfection of the legal framework regarding the activities of market professionals and their relations with public authorities. *The second* concerns the professional self-organization of the market carried out by public self-governing professional organizations.

Ukrainian public professional self-government organizations are designed to help solve a number of priority problems in the functioning of the real estate market, namely:

- creating and lobbying for the regulatory framework necessary to stabilize the real estate market;
- identification of professional standards of activity in the market and control over their observance;

- encouraging the development of a vocational education and retraining system for real estate professionals;
- establishing efficient communication between public authorities (national regulators) and entrepreneurs, on the one hand, and between entrepreneurs and consumers of services, on the other.

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APPENDIX A

Table A.1. The essence of the principles of corporate management of the OECD

Definition of the principle	The content of the principle
Protection of shareholders' rights	<p>A) Basic rights of shareholders: reliable methods of property registration; transfer of shares; regular and timely receipt of information about the corporation; participation and voting at the General Meeting of Shareholders; participation in elections of the Council; obtaining a share of the corporation's profits.</p> <p>B) Shareholders have the right to participate in decision-making and to obtain sufficient information on issues related to fundamental changes in the corporation.</p> <p>C) Shareholders must be able to efficiently participate in the General Meeting of Shareholders and vote at the meeting, as well as be informed about the rules, including the voting procedure governing the General Meeting.</p> <p>D) The capital structure and mechanisms that allow individual shareholders to obtain control that is not comparable to their share in the shareholding are subject to disclosure.</p> <p>E) Corporate control markets must be able to operate efficiently and transparently.</p> <p>F) Shareholders, including institutional investors, should consider the costs and benefits of exercising their voting rights.</p>
Equal treatment of all shareholders, including foreign and minority	<p>A) The treatment of all shareholders who own shares of the same type must be the same.</p> <p>B) It is necessary to prohibit any transactions in their own interests and transactions with the use of confidential information.</p> <p>C) Members of the Supervisory Board and the Management Board are obliged to declare their material interest in agreements or issues related to the corporation.</p>
The role of stakeholders in company management	<p>A) The corporate management system must ensure compliance with the legally protected rights of stakeholders.</p> <p>B) If their interests are protected by law, the stakeholders should be able to use efficient methods of protection in the event of their rights violation.</p> <p>C) The corporate management system should allow the participation of stakeholders in activities to improve the efficiency of the company.</p> <p>D) If stakeholders are involved in the corporate management process, they should have access to the necessary information.</p>
Information disclosure and transparency	<p>A) Information to be disclosed should include: results of financial and operational (economic) activities of the company; company tasks; ownership of significant stocks of shares and voting rights; the list of members of the Board and the Management Board, as well as the amount of remuneration that each of them receives; significant, predictable risk factors; important issues related to employees and other stakeholders; structure and policy of company management.</p> <p>B) Information should be prepared, verified and disclosed in accordance with high quality standards for financial and non-financial disclosure and audit.</p> <p>C) Audits should be undertaken annually by an independent auditor who provides an external and objective examination of financial statements to ensure correct preparation and submission.</p> <p>D) Dissemination channels should provide equal, timely and non-costly access to the required information.</p>
Responsibilities of the Board	<p>A) Board members must act on the basis of all necessary information, in good faith, with due diligence and caution, in the best interests of the company and shareholders.</p> <p>B) If the decisions of the Board may affect different groups of shareholders differently, it must treat all shareholders equally.</p> <p>C) The Board must ensure compliance with relevant legislation and take into account the interests of stakeholders.</p> <p>D) The Board must perform certain key functions.</p> <p>E) The Board should be able to make an objective, independent, in particular from the Management Board, judgment on shareholders.</p> <p>E) Board members must have access to information that is accurate, timely and relevant to be able to perform their duties.</p>

APPENDIX B**QUESTIONNAIRE****for determining the weighting coefficients of qualitative and quantitative indicators of corporate management of a joint-stock company**

Indicator	5	4	3	2	1
Procedure for convening and holding the General Meeting of Shareholders					
The procedure for issuing shares of the company					
The work of the Supervisory Board of the company					
Organization of the work of the executive body of the company					
Disclosure of information and its transparency					
Control over the financial and economic activities of the company					
Return on capital					
Return on equity					
Payback period of equity					
Coefficient of financial firmness (independence)					
Financial stability coefficient (financing coefficient)					
Earnings per share					
Dividend per share					
Dividend yield					

APPENDIX C

SURVEY

to conduct a qualitative assessment of corporate management when compiling a corporate management rating

1. Name of the legal entity _____

2. Identification code (USREOU) _____
3. Location _____
4. Legal address _____
5. E-mail or an Internet site _____
6. Date and state registration body _____

7. Activities under NACE _____

8. **Taxation system** (underline) – general, fixed agricultural tax, single tax (3%, 5%).
9. The amount of authorized capital _____
10. Nominal value of shares _____
11. Number of issued shares _____
12. Number of shareholders and their share
 - legal entities – _____
 - individuals – _____
13. List of shareholders whose share in the authorized capital exceeds 10%

14. Licenses obtained for certain activities:

15. **Head (Director, Chairman of the Board) of the enterprise:**
 - Name and Surname _____
 - Date of birth _____ Code _____
 - Education _____
 - Experience in the specialty _____
 - Work experience in the position _____
16. **Chief Accountant:**
 - Name and Surname _____
 - Date of birth _____ Code _____
 - Education _____
 - Experience in the specialty _____
 - Work experience in the position _____
17. **Deputy Head (Director, Chairman of the Board) for Financial Affairs:**
 - Name and Surname _____
 - Date of birth _____ Code _____
 - Education _____
 - Experience in the specialty _____

Work experience in the position _____

18. Chairman of the Supervisory Board:

Name and Surname _____

Date of birth _____ Code _____

Education _____

Experience in the specialty _____

Work experience in the position _____

19. Chairman of the Audit Commission:

Name and Surname _____

Date of birth _____ Code _____

Education _____

Experience in the specialty _____

Work experience in the position _____

20. Presence of a registered trademark (yes, no) _____

21. Number of years of the enterprise activity _____

22. The presence of internal control in the enterprise and its form _____

23. Periodicity of mandatory audits _____

24. Periodicity of thematic audits _____

25. How many years have you been working with an audit firm? If it changes often, then why?

26. The results of inspections of state bodies – administrative, financial, criminal sanctions (the necessary must be emphasized and deciphered).

27. How often is the General Meeting of Shareholders convened in a joint-stock company?

1) annually, once a year;

2) annually, every nine months;

3) annually, every six months.

28. How often is an extraordinary General Meeting of Shareholders convened in a joint-stock company?

1) annually, once a year;

2) annually, every nine months;

3) annually, every six months;

4) has never been convened.

29. Where is the General Meeting of Shareholders held?

1) on the territory of the joint-stock company;

2) outside the joint-stock company, but in the city where it is registered;

3) in another city.

30. Who organizes and conducts the General Meeting of Shareholders?

1) the executive body of the joint-stock company (Management Board);

2) the Supervisory Board of the joint-stock company;

3) independent registrar;

- 4) representatives of the State Commission on Securities and Stock Market;
- 5) the mandate commission appointed by the Board;
- 6) other.

31. Who supervises the registration of shareholders and their representatives participating in the General Meeting?

- 1) the executive body of the joint-stock company (Management Board);
- 2) the Supervisory Board of the joint-stock company;
- 3) independent registrar;
- 4) representatives of shareholders;
- 5) representatives of the State Commission on Securities and Stock Market;
- 6) other persons;
- 7) control was not carried out.

32. How is voting conducted during the General Meeting of Shareholders?

- 1) with the help of cards;
- 2) by raising hands;
- 3) with the help of mandates;
- 4) with the help of bulletins approved by the Supervisory Board;
- 5) with the help of bulletins approved by the General Meeting of Shareholders.

33. Who keeps the minutes of the General Meeting of Shareholders?

- 1) Secretary of the General Meeting of the joint-stock company;
- 2) a representative of the Supervisory Board;
- 3) corporate secretary;
- 4) an employee of the department of work with shareholders.

34. Who counts the votes during the General Meeting of Shareholders?

- 1) the counting commission elected by the General Meeting of Shareholders;
- 2) counting commission approved by the Supervisory Board;
- 3) counting commission approved by the Board of the joint-stock company.

35. Who is responsible for keeping the minutes of the General Meeting of Shareholders?

- 1) corporate secretary;
- 2) Secretary of the General Meeting of the joint-stock company;
- 3) a representative of the Supervisory Board;
- 4) a representative of the executive body of the joint-stock company;
- 5) department of work with shareholders.

36. How many people are members of the Supervisory Board of a joint-stock company?

- 1) less than 4 people;
- 2) 4 people;
- 3) 5 people;
- 4) more than 5 people.

37. Who is a member of the Supervisory Board?

- 1) employees of the joint-stock company;
- 2) shareholders;
- 3) independent experts.

38. What is the number of meetings of the Supervisory Board per year?

- 1) less than 3 meetings;
- 2) 3-4 meetings;
- 3) 4-6 meetings;
- 4) more than 6 meetings.

39. How many people are members of the Audit Commission of a joint-stock company?

- 1) less than 4 people;
- 2) 4 people;

- 3) 5 people;
- 4) more than 5 people.

40. Who is a member of the audit committee?

- 1) employees of the joint-stock company;
- 2) shareholders;
- 3) independent experts.

41. What is the number of meetings of the Audit Commission per year?

- 1) less than 3 meetings;
- 2) 3-4 meetings;
- 3) 4-6 meetings;
- 4) more than 6 meetings.

42. Who develops the strategy of the joint-stock company?

- 1) general meeting of shareholders;
- 2) Supervisory Board;
- 3) Board.

43. Whose competence includes the election and removal of members of the executive body (Board)?

- 1) the Supervisory Board;
- 2) General Meeting of Shareholders.

44. Does the Charter provide for restrictions for representatives of the executive body on concluding agreements on behalf of a joint-stock company, under which the decision to conclude such agreements is made exclusively by the General Meeting of Shareholders?

- 1) does not provide;
- 2) provides, depending on the amount of the agreement as a percentage of the authorized capital of the joint-stock company;
- 3) provides, depending on the amount of the transaction as a percentage of the book value of the assets of the joint-stock company;
- 4) provides other restrictions.

45. Do the officials of the executive body of the joint-stock company have a personal interest in the company's activities (conflict of interest)?

- 1) the largest shareholder is the Chairman of the Management Board;
- 2) the largest shareholder is the Chairman of the Supervisory Board;
- 3) the largest shareholders are members of the Management Board;
- 4) the largest shareholders are disinterested persons.

46. How are the relations between the company and the members of the Supervisory Board regulated?

- 1) by concluding civil law agreements, which provide for payment for their work and other relationships;
- 2) on a voluntary basis;
- 3) in another way _____.

47. What documents provide for the basic rights and responsibilities of the Chairman and members of the Board of the company?

- 1) the Civil Code of Ukraine;
- 2) the Charter of the joint-stock company;
- 3) Memorandum of Association of the joint-stock company;
- 4) Regulations on the work of the Board of the joint-stock company;
- 5) other documents.

48. What documents provide for the basic rights and responsibilities of the Chairman and members of the Supervisory Board of the company?

- 1) the Civil Code of Ukraine;
- 2) the Charter of the joint-stock company;

- 3) Memorandum of Association of the joint-stock company;
- 4) Regulations on the work of the Supervisory Board of the joint-stock company;
- 5) other documents.

49. How is the information about the activities of the company distributed?

- 1) the Company regularly submits an annual report of the prescribed form to the SSMSC;
- 2) the Company regularly publishes an annual report of the prescribed form in one of the official publications of the SSMSC;
- 3) the Company publishes its annual reports on the Internet site;
- 4) the Company distributes the annual report together with the auditor's report to shareholders, clients, partners and investors;
- 5) the Company notifies of any changes in financial and economic activities that may affect the value of securities or income from them no later than 2 days from the date of occurrence;
- 6) the Company regularly applies to rating agencies to assess its financial condition and compile a credit rating.

50. How are shareholders notified of the General Meeting and the agenda?

- 1) the announcement of the convening of the General Meeting of Shareholders is published in the specialized and local press no later than 45 days before holding;
- 2) the announcement of the General Meeting of the joint-stock company and the agenda are sent to each of the shareholders;
- 3) shareholders are given the opportunity to get acquainted with the documents related to the agenda;
- 4) shareholders have the right to make proposals to supplement the agenda with certain issues no later than 30 days before the convening of the General Meeting;
- 5) shareholders have the opportunity to obtain complete and reliable information about the financial and economic condition of the Company and the results of its activities.

51. What shares are issued by a joint stock company?

- 1) the Company issued ordinary registered shares in documentary form;
- 2) the Company issued ordinary registered shares in undocumented form;
- 3) the Company issued ordinary bearer shares in documentary form;
- 4) the Company issued ordinary bearer shares in undocumented form;
- 5) the Company issued preferred registered shares in documentary form;
- 6) the Company issued preferred registered shares in undocumented form;
- 7) the Company issued bearer preferred shares in documentary form;
- 8) the Company issued bearer preferred shares in undocumented form.

52. Who maintains the register of owners of the Company's shares?

- 1) the register is kept at the enterprise;
- 2) the register is maintained by an independent registrar;
- 3) the register is kept in the depository.

53. How often are the shares issued by the Company?

- 1) the Company issued shares only at the time of creation;
- 2) the Company carried out an additional issue of shares once;
- 3) the Company carries out an additional issue of shares more than once.

54. How does a joint-stock company replenish its current assets?

- 1) at the expense of profit;
- 2) at the expense of unpaid dividends;
- 3) at the expense of bank loans;
- 4) due to additional issues of shares;
- 5) due to the issue of bonds;
- 6) at the expense of investments of other enterprises;
- 7) in another way.