

Management of land development risks in the course of implementation of investment and construction projects

Pyotr Grabovy¹ and Valentin Volgin^{1,*}

¹Moscow State University of Civil Engineering, 26, Yaroslavskoye shosse, Moscow, 129337, Russia

Abstract. Development is used to optimize investment construction activities. It is a form of investment carried out in the real estate market, designed to increase the investment attractiveness of a real estate object through its physical transformation or/and change of legal status. Land development acts as a process for the development of a piece of land in order to increase its value, profit, solve social or other problems. That is, it is a process associated with the formation of the necessary habitat, as well as in order to increase not only the level of liquidity, but also the level of attractiveness. Land development is designed to identify the best way to effectively use a piece of land for the implementation of an investment construction project. The effective development of various territories located within the boundaries of urban settlements implies the rational use of land resources of local governments, it follows that the implementation of measures related to the regulation of land use, increasing its efficiency is the main task of the municipality in the life cycle of territorial development. If the land belongs to local self-government bodies where an investment and construction project is planned, then the formation of a city investment policy takes place in order to achieve the required social and budgetary efficiency.

1 Introduction

The main problem is the consideration of risk factors. As in any business, they can be calculated, taken into account and predicted.

Let's consider some risks [1-3]:

1. Legal risks.

Legal negative consequences may lie in wait for an investor if one does not seriously approach the procedure for verifying documents, according to which the right to sell land directly to its owner occurs.

Cases of sale of land plots on the basis of forged documents are quite common, which entails the establishment after a certain period of time of the site being alienated or in shared ownership. As a result, their subsequent consideration takes place in the relevant courts.

* Corresponding author: VolginVV@mgsu.ru

It should be noted that before making a decision related to investing money in a land plot, it is necessary to resort to the services of an experienced lawyer who has experience in executing these transactions. This action is necessary so that it is the lawyer who checks the seller's documents in public institutions [4].

It is also mandatory to use the services of a qualified appraiser who is able to determine an adequate value for a piece of land.

2. Price risks

The most common mistake of inexperienced investors is the incorrect determination of the existing price to the prospective one. Often, the purchase of a piece of land is carried out at an inflated cost, which is higher than its real value. In addition, even when purchasing a plot at market value, there is a possibility of losing money due to a subsequent decrease in its value due to the influence of uncertainty factors (fires, floods, etc.).

An equally rare error is associated with an incorrect assessment of the profitability of land use (for example, the process of choosing the construction of an object with a lower profitability than another object).

A common disadvantage of ongoing investment projects is the underestimation of the costs of an investment object for construction or design due to the lack of a required assessment of circumstances that increase the costs associated with the life cycle of commissioning an object under construction.

A common risk of investing in land is making an incorrect calculation or unjustifiably overestimating possible incomes [5].

3. Natural

In the process of choosing a plot of land, it is necessary to take into account seasonal natural changes (for example, seasonal demand for certain types of objects: a cottage near a river, a house by the sea). It is necessary to take into account seasonal changes in demand, transport difficulties (for example, snow drifts or spring floods) [6].

It is mandatory in the process of acquiring a piece of land to take into account the possibilities of various natural disasters, including:

- Landslides;
- Avalanches;
- Seismic instability.

The specified information is provided by the regional services of the Ministry of Emergency Situations and the Hydrometeorological Center.

1. Demographic

Its connection with the risk of development, dense settlement of suburban land plots, and mass eviction is noted.

It is noted that there is a significant risk to the profitability level of the investment project being developed – this is a change in transport links, as well as public transport routes, which entails difficulties with logistics.

2. Socio-political

This risk lies in a change in political forces in the region, a change in influence in financial and economic groups, where persons who are interested in the construction of the facility participate. It turns out that a competitor may oppose the implementation of the object [7].

3. Financial crisis

This risk consists in a sharp change in the cost of building materials in order to implement the project. They arise due to significant changes in the tax rate in the Tax Code of the Russian Federation or in legal legislation due to the tightening of land acquisition for

construction. This group of risks is subject to attribution to force majeure due to the lack of opportunities for their compensation.

4. Informational – the presence of a connection with the leakage of data that constitute a trade secret.

It turns out that, despite the presence of small risks in investing money in land plots, there are serious nuances in creating an investment project that are subject to mandatory accounting. In order to minimize or eliminate financial losses, an in-depth analysis is required.

2 Materials and methods

The lands are selected for a future investment project. For example, land in settlements is selected for residential development.

The categories of land according to the objectives of the investment policy are divided into:

- located in a protected area,
- forest fund,
- water fund,
- stock fund.

The process of investing in the first 3 types of land is accompanied by some peculiarities.

The main advantage is the lack of the possibility of transferring some land plots to ownership. In order for objects that relate directly to the timber industry to carry out full-fledged functioning, business entities lease land that is subject to assignment to the forest fund.

It should be noted that the state is the owner of water bodies. Their provision is carried out under a water use agreement. Whereas citizens may own some lands, as well as objects that are under special protection. But, despite this, their use can be carried out exclusively according to the current rules for the reason that they are under the control of the LC RF [8-10].

These categories have the right to make investments. The most important task to be solved by investors is the improvement of indicators to improve the standard of living of citizens. Lands that are not subject to investment without transferring them to another category: reserve lands.

Farmland, lands of settlements, industry, etc. replenish the second group of lands. It should be noted that they are the ones who attract the attention of investors more than others.

First of all, this trend is due to the fact that these lands can be rented or bought. It is also important that investing money in them can lead to a larger amount of profit that investors will receive.

The right-of-way lanes occupy part of the industrial lands, as well as other special purposes. They include plots of land that are designed to carry out drainage. In addition, they are necessary for the formation of sanitary protection, security zones, etc.

During the analysis, it was found that many plots of land that are subject to this category do not have the opportunity to accept investments. However, despite this, there are plots of land with high investment attractiveness. These include those plots of land whose purpose is to implement relevant activities in the industrial sector.

Next, it is necessary to specify the goals of investing money in farmland:

1. Creation of agricultural enterprises. High profitability is caused by citizens spending more than 50% of their income on food and other agricultural goods. But, despite the possibility of obtaining high profitability, this option is accompanied by high risks, which indicates the need to perform a thorough analysis of the study before investing money in the creation of an agricultural enterprise.

2. Transfer to the lands of settlements for subsequent implementation of their sale. These actions are subject to execution only if the relevant piece of land borders on a particular locality. It should also be noted that quite often these plots of land are acquired in order to further carry out the construction of residential buildings on it. In addition, there is an increase in investments in those lands that are directly classified as lands intended for public business development, as well as industrial lands.

Here are the key factors that must be taken into account in the process of investing money in farmland:

- location;
- distance to the sales market;
- soil cover;
- infrastructure;
- legislative framework, etc.

In the Russian Federation, there are benefits for those persons who invest money in agricultural land.

Tax benefits can be identified as such a form of support. To receive them, registration of an investment project in the Russian Federation is required, implementation within 3 years, performance of activities that are approved by current legislation in the analyzed part.

In the process of its implementation, it is required to initially select the concept of the project, as well as to analyze its environment in order to further carry out the necessary accounting for all existing options, this is necessary in order to develop a plot of land in order to subsequently choose from the variety of the one that is most acceptable.

Issues to be addressed by the project concept:

- ways to improve a piece of land;
- functional purpose of the land plot that was selected;
- properties that should be assigned to a piece of land after the land development has been completed;
- profit to be extracted from the land that has been improved.

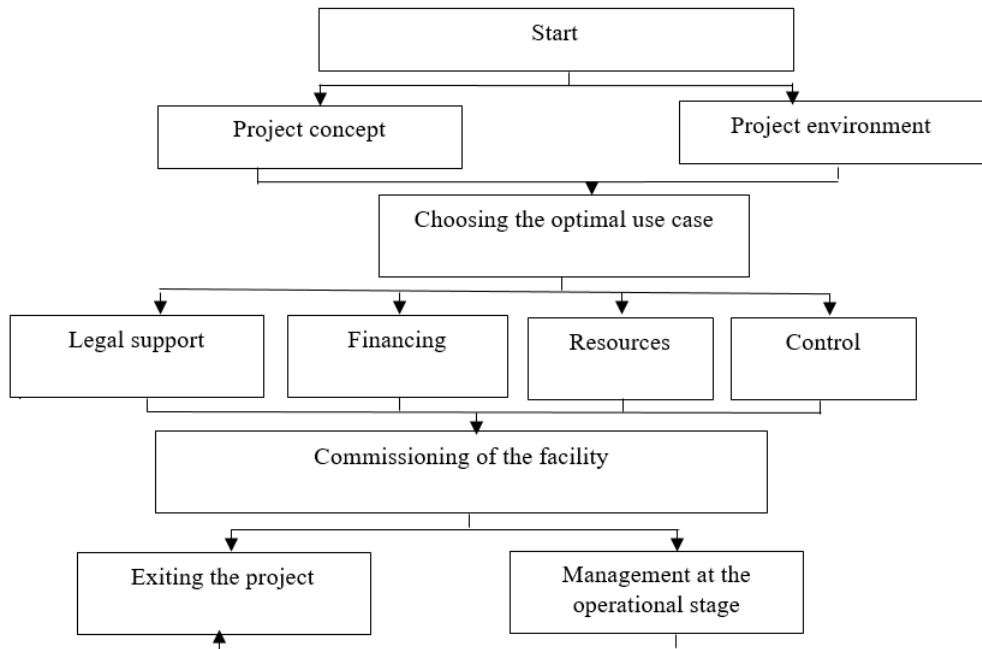


Fig. 1. Stages according to which the land development of the territory is carried out.

Next, it is necessary to display examples of various land development projects being implemented in the Russian Federation, displaying key options for the effective use of land plots:

1. Construction of a cottage settlement.

Often, a developer purchases a piece of land that has a large area. In the future, it is divided into several smaller sections with the laying of communications: water, gas, electricity. After that, these plots are subject to sale to customers for cottage development without a contract. In this case, economic benefits can be achieved through the purchase of a plot at a low cost, its sale in parts with communications at a cost that significantly exceeds the initial one.

The project can be implemented with a contract. Whereas in this case, the developer carries out the construction of a cottage settlement according to those projects that were selected in advance for certain clients.

2. Construction of industrial parks.

In accordance with the analogy of a cottage settlement, a large plot of land is acquired with the laying of necessary communications, and it is divided into smaller plots for sale by legal entities in order for them to build facilities that have an industrial purpose, for example, workshops, warehouses, etc.

It is not uncommon for the buyer himself to carry out construction work, or for the developer to build an industrial park in accordance with the project provided by the customer (the buyer of the site).

On some plots of land, the developer of the project builds its own facilities for further leasing. Economic benefits can be achieved through the division of 1 large piece of land into several smaller ones. In addition, it can be achieved through the execution of works related to the construction contract.

3. Recreation centers, ski resorts, amusement parks, beaches, etc.

Plots of land whose location has a positive impact on the development of recreational areas are used to equip paid beaches with the necessary infrastructure. In addition, they can be used to open open-air amusement parks with attractions, equip sports grounds.

This variant of land development is based on the formation of infrastructure, installation of the required equipment on land plots to generate income.

There are various examples of successful implementation of land development to extract income that was received from the procedure related to the development of a piece of land, increasing its value.

3 Results

Land development is carried out in order to profit from real estate using different strategies.

The effectiveness of the projects is as follows:

- Commercial – for investors, developers;
- National economy – for economic development;
- Budget – for the interests of the budget;
- Social – in terms of its impact on living conditions and activities.

Economic efficiency is justified by the ratio of all costs and results, i.e. ensuring the necessary rate of return for this project. Its assessment acts as an integral part of the project analysis.

The effectiveness of land development directly for the territory itself is manifested in the influence of real estate on economic processes, which can have a cost dimension.

Effectiveness can manifest itself in such aspects as:

- Territorial (i.e. microeconomic) – as a result of real estate development, there is a qualitative change in real estate objects and their surroundings. Efficiency is subject to determination by an increase in the market value, as well as the profitability of real estate in the specified territory, an increase in tax and other budget revenues, the welfare of citizens (creation of new jobs, implementation of the development of facilities that relate to social infrastructure, etc.).
- Sectoral (i.e. macroeconomic) – definition through a high multiplier effect of business activity, because as a result of investments in real estate, activity in related economic sectors increases – in the manufacture of construction equipment, materials, housing and communal services, consumer goods with a long service life, etc., which increases employment and GNP in the state.

Ways to demonstrate the budgetary effectiveness of the land development of the created concept:

- Direct type – increase in payments, taxes (increase in rent for land plots, payments for the right to build, taxes on profits of investors, developers, taxes on salaries of employees who are engaged in the implementation of projects);
- Indirect type – budget revenues during the operation of the developed real estate object (land tax, property taxes, profit taxes, etc.).

4 Conclusions

Thus, land development is the development of a land plot and a real estate object in order to maximize the benefits of the developed object and with full adherence to this concept, efficiency in all aspects will be increased and risks reduced to a minimum.

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