

N.I. Trukhina, I.I. Chernyshikhina

RISK-BASED MANAGEMENT OF AN INVESTMENT PROJECT THAT CONTEMPLATES REPRODUCTION OF REAL ESTATE

Making investments into projects that contemplate reconstruction and renovation of residential housing is always accompanied by particular risks. Risky investments are highly profitable while low-risk investments have a low profit margin. The task of an investor is reduced to identification of the most desirable "risk income" in the course of the due diligence of a specific investment project.

The authors present a formal approach to the management of a real estate investment project with account for the risks that may arise in the course of its development and implementation. We consider passive and proactive types of investment control. The problem of proactive management represents projecting potential investment project development patterns, ongoing monitoring of the market situation, involvement of profit generating assets, disposal of low-profit assets. The passive type of management involves compilation of a well-balanced mix of investment operations that contemplates a pre-set level of risk (for example, through reasonable diversification) within an extensive period of time.

Particular attention is driven to the optimal choice of an investment project based on the rate of return and risks. The profitability represents an average value, while the risk is identified by using the method of dispersion. Optimization of investment projects is performed on the basis of the profitability-to-risk ratio. The main feature of this method is that the limits of an admissible risk aren't specified there, and the extent of risk correlates with the amount of potential revenues to be generated. Thus, we believe that it is possible to derive an obvious decision-making formula on the basis of certain assumptions.

Key words: available housing, reproduction, investments, investment portfolio, capital, profitability, risks, management.

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About the authors: **Trukhina Natal'ya Igorevna** — Doctor of Economics, Professor, **Moscow State University of Civil Engineering (MGSU)**, 26 Yaroslavskoe shosse, Moscow, 129337, Russian Federation; ntruhina@list.ru;

Chernyshikhina Irina Ivanovna — postgraduate student, **Voronezh State University of Architecture and Civil Engineering (Voronezh GASU)**, 84 Dvadsatiletiya oktyabrya st., Voronezh, 394006, Russian Federation; chernysyi@yandex.ru.

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