

## Development of Real Estate and Appraisal Services Market in Uzbekistan

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**Abstract:** *The article reflects the results of the research on the existing problems and their solutions related to the development of the market of real estate and its evaluation services in Uzbekistan. In particular, changes in housing prices in the real estate market and its impact on rental prices, diversification of activities of real estate evaluation organizations were considered.*

**Key words:** *real estate, appraisal, appraisal services, services market, construction work, sales contracts, appraisers with a certificate of competence, appraisal organizations, diversification of activities*

### Introduction

In the conditions of rapid changes in the world economy, the level of reproduction of real estate objects and property complexes, as a large part of the country's national wealth, is the main global indicator of its effectiveness. For example, in developed countries, the housing fund makes up 20% to 45% of the national wealth that is reproduced in the country. If we consider all types of real estate, including land and property complexes, then this figure is 70-80%.

The real estate market, which is one of the important segments of the capital market, has an important place in the development of economic relations in countries that have transitioned to a market economy and are in the process of fully transitioning to this economic system. The reason is that the market economy is closely related to the real estate market, based on different forms of ownership. Also, the real estate market is the main part of the gross wealth of the country of the world.

In order to protect the legal rights and interests of real estate in Uzbekistan, attention is being paid to evaluating its market value and expanding the participation of professional participants in the market of real estate appraisal services. In the republic, the tasks of "continuing institutional and administrative reforms to guarantee the inviolability of private property and freedom of business activity and ensuring the rule of law in this regard" [2] have been defined. In order to ensure the implementation of this task, the priority issues include determining the real fair value of real estate, forming a single database of transactions on real estate objects, improving the practice of property taxation based on foreign experience in

determining the cadastral value of real estate, and aligning international standards of valuation with uniform national standards of property valuation considered as one.

### **Literature review**

The research data of a number of foreign and domestic economists, in particular A.N.Asaul, D.Abdukarimova, G.M.Bekimbetova, were used on the existing problems and their solutions related to the development of the market of real estate and its evaluation services in Uzbekistan.

Also, according to the Law "On Appraisal Activities", if necessary, in order to verify the reliability of the appraisal report, this report may be examined by another appraisal organization on the basis of the contract in accordance with the procedure established by the legislation. The results of the examination of the reliability of the assessment report are formalized with an expert opinion [1].

Expertise means thorough examination, research, and careful research, which includes the development of the features, shortcomings, defects, advantages and characteristics of the object, as well as ways to eliminate them, to further improve the features, and to interest the owners, based on which formalization of professional results is included [5].

In the scientific research conducted by N.V. Gorodnova and N. Mavrina on the economic aspects of managing the real estate market, it is emphasized as follows: "From the history of the real estate market, it is known that legal approaches to the real estate market that reflect residential relationships predate economic approaches that define the market. That is, the category of "real estate" was legally interpreted during the time of the ancient Roman Empire, and property in this country was divided into two major categories, including movable and immovable property. In this regard, in the scientific researches of the Romano-Germanic legal family, the Roman law - all the existing land plots (areas) in the state, underground natural resources, all the things created by the labor of others at the expense of the owner's land were evaluated as "real estate". In this regard, the plot of land is considered to have the main immovable property. By them, all the things that exist on land are called natural or artificial part of the earth's surface, that is, "res soli". Importantly, in their opinion, it is recognized that things related to the earth, attached to its surface (natural or artificial) are an integral part of the earth" [6].

A.N.Asaul, S.N.Ivanov, M.K.Starovoytov, "surfaces solo cedi" was formed as the main rule of real estate, that is, classifications of real estate were developed in order to "alienate" property from land. According to it, the issues of property rights and ownership are clarified. In this way, the system of rights to "real estate" was created by the ancient Romans, and they were later improved based on existing trends and the rules of modern statehood. However, the original views on the real estate market were left as a basis for their statehood [7].

### **Research methodology**

The article uses the methods of scientific abstraction, comparison method, expert evaluation, percentage difference method, dynamic analysis and linear connections.

### **Result and discussion**

In order to increase the responsibility of the organizations that carry out appraisal activities for the quality of services, to further strengthen their responsibility regarding the authenticity of appraisal reports, a number of regulatory and legal frameworks have been adopted for the verification of the authenticity of reports on the appraised property. These regulatory and legal frameworks include the Laws of the Republic of Uzbekistan "On Evaluation Activities", Laws of the Republic of Uzbekistan "On Environmental Expertise", the Decision of the President of the

Republic of Uzbekistan "On Measures to Further Develop the Market of Evaluation Services", the Cabinet of Ministers' "Authenticity of Evaluation Reports" it is possible to include the Decision on approving the examination mechanism.

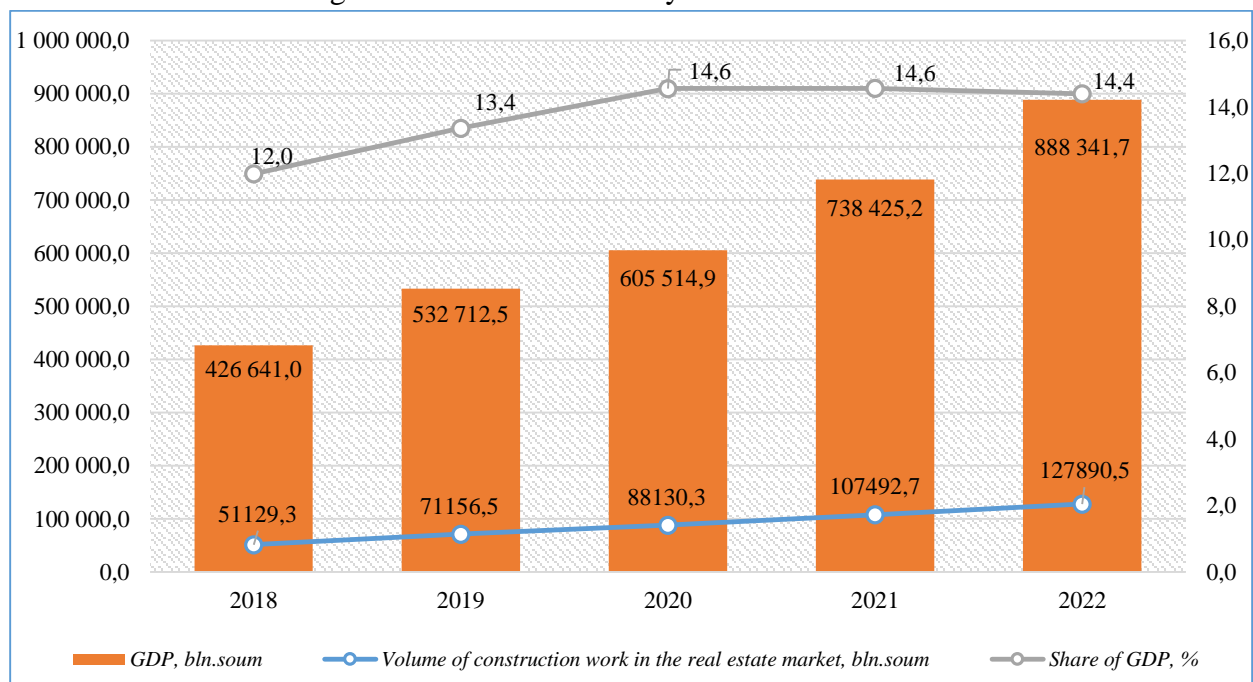
By determining the factors affecting the development of the real estate market, it becomes possible to observe the future development trends of appraisal services in this segment.

Factors affecting the development of the real estate market can be divided into the following major groups:

- economic factors;
- social factors;
- administrative factors;
- factors related to the natural environment;
- factors related to political, national, customs of the population;
- factors related to demographic changes, etc.

By analyzing the development of the real estate market in the country, there is an opportunity to consider the correlation with the activity of real estate appraisal and the importance of these services in the development of the market.

In the analysis of the real estate market in Uzbekistan, the volume of construction works is considered important. In this regard, it is appropriate to review the information of the Ministry of Construction and Housing and Communal Economy.



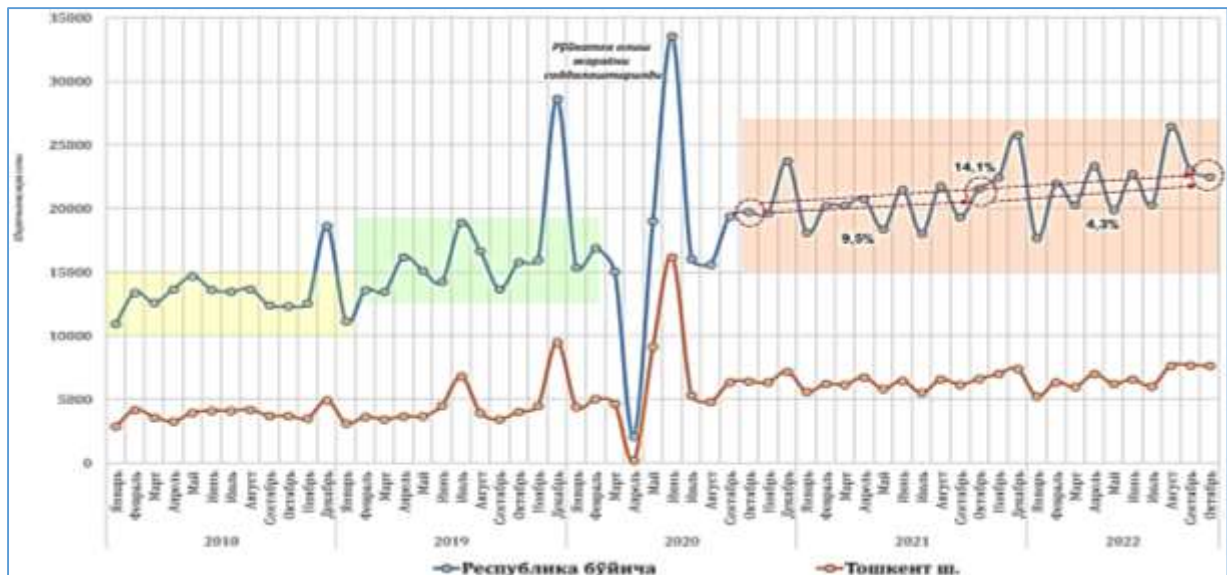
**Figure 1. Indicators of the volume of construction work in the real estate market compared to the volume of the country's GDP<sup>1</sup>**

According to the “Indicators of the volume of construction works in the real estate market compared to the GDP of the country” shown above, in the next five years, that is, in 2018, construction works with a 12 percent share of the GDP were completed in the real estate market. In 2019, this indicator increased by 39,2% to 71156,5 billion. equal to soum. In 2020, a total of 88130,3 bln. The volume of construction works in the soum real estate market accounted for 14,6 percent of the republic's GDP. This indicator is 23,8% more than the previous year. By the end of

<sup>1</sup>It was compiled by the author based on the data of the Statistical Agency under the President and the Ministry of Construction and Housing and Communal Economy.

2021, the volume of construction works in the real estate market will be 107492,7 billion. amounted to soum. The volume of these construction works recorded more than 14 percent of the GDP. It can also be seen that the volume of construction work has increased in 2022. In particular, the volume of construction works in the country's real estate market is 127890,5 billion. soums or 14,4 percent of GDP. In general, the volume of construction work in the real estate market has increased both in terms of real volume and in relation to GDP during the pandemic and new economic crisis observed worldwide in the last 3 years. means that it is occupying the place.

The registration process has been simplified



**Figure 2. Changes in the number of signed real estate sales contracts**

Also, according to the analysis of the data in Figure 2 above, it is significant that the number of formalized contracts on the real estate market recorded fluctuating trends.

**the change in the number of formalized real estate sales contracts :** "In October 2022, the high activity of sales in the real estate market, which began in the summer months, was replaced by a slight decrease. Meanwhile, the number of real estate sales contracts increased by 4.3% compared to October last year. Since the beginning of the year, the highest growth rates of trade volume were observed in Jizzakh - 42%, Syrdarya - 29% and Tashkent city - 15%. At the beginning of autumn, there was a sharp increase in the demand for housing rent, which served to reduce sales in October. According to the data, a slight decrease in the volume of housing sales was observed in the city of Tashkent (-72). In October, the average rental price in the capital increased by 17% and amounted to 10.5 dollars per 1 sq.m., and since the beginning of the year, this indicator has increased by more than 43%. The highest growth rates of housing rental prices were recorded in Almazor - 49%, Yashnabad - 44%, Sergeli - 34% and Shaikhontohur - 33% districts. The highest rental prices for housing were recorded in Shaikhontohur, Mirabad and Yakkasaray districts. Relatively low prices were observed in Uchtepa, Sergeli and Bektemir districts. In general, since the beginning of the year, the increase in the volume of housing sales was 9.2% compared to the corresponding period of the previous year.

Also, price policy plays an important role in the development and evaluation of the real estate market. As a result of the situation, the price of housing increased by 60-70% between 2020-2022.

In the chart above, the primary real estate market example shows changes in housing prices in the real estate market. analyzed. According to it, as of 2020-2022, the average price of 1 sq. m of real estate in regional centers and cities located in the republic's territories is estimated at 5,500,000 soums. In the capital city of Tashkent, the price of 1 square meter of housing has increased from 3,950,000 soums to 6,700,000 soums.

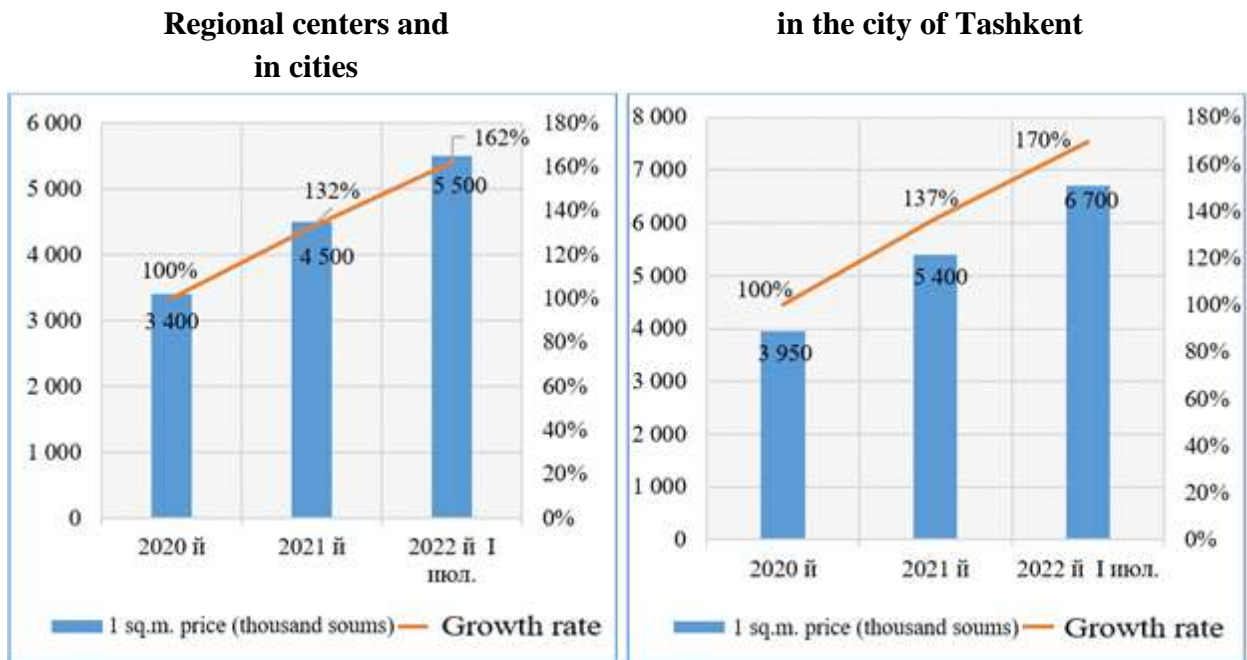


Figure 3. Changes in the price of housing in the real estate market (in the case of the primary real estate market)<sup>2</sup>

Since relative activity in the real estate market was observed in the city of Tashkent, we will consider the information about prices in the real estate market in these areas.

Table 1

Changes in real estate (housing) prices in Tashkent, USD per 1 square meter<sup>3</sup>

Districts	2018	2019	2020	2021	2022	Change in 2022 compared to 2018, %
Bektemir	442	432	420	480	510	15.4
Mirabad	694	712	685	695	710	2.3
Mirzo Ulugbek	605	622	593	637	683	12.9
Diamond	550	565	521	593	649	18.0
Sergely	456	472	420	457	463	1.5
Up to three	548	553	498	525	567	3.5
Yashnabad	540	545	515	532	548	1.5
Plumber	619	605	594	602	626	1.1
Shaikhontohur	656	672	628	657	683	4.1

<sup>2</sup> Prepared on the basis of studies conducted by the author.

<sup>3</sup>Compiled by the author on the basis of information from evaluation organizations.

Yunusabad	624	634	617	625	714	14.4
Single house	698	682	680	691	736	5.4
New Life*	-	-	-	-	450	-
<b>Average for the city of Tashkent</b>	<b>584.7</b>	<b>590.3</b>	<b>561</b>	<b>590.3</b>	<b>667.1</b>	-

\*Note: New Life District was established in 2021.

According to changes in housing prices in the regions of Tashkent city, the highest prices applied to Mirabad, Yunusabad, Yakkasaroy, Mirzo Ulug'bek, and Shaikhontokhur districts. Also, the lowest price limits in the real estate market belong to these districts, which are relatively far from the city center, such as New Life, Bektemir, Sergeli. In 2022, the price change compared to 2018 was as follows by region:

- in terms of high prices: prices for 1 square meter in the real estate (housing) market are 2.3 percent in Mirabad district, 14.4 percent in Yunusabad district, 5.4 percent in Yakkasaroy district, 12.9 percent in Mirzo Ulug'bek district, Shaikhontokhur district increased by 4.1 percent;

- in terms of average prices: prices for 1 sq. m in the real estate (housing) market increased by 1 percent in Almazor district, by 3.5 percent in Uchtepa district, by 1.5 percent in Yashnabad district, and by 1.1 percent in Chilanzor district;

- according to the sub-category of the price limit: the prices for 1 sq. m in the real estate (housing) market increased by 15.4 percent in Bektemir district and 1.5 percent in Sergeli district .

If we study the activity in the secondary housing real estate market, according to calculations , in October 2022, the average price growth of housing in the secondary market in the republic was 2.3% (in September - 1.1%) . In particular, since the beginning of 2022, the average price of housing per 1 sq.m. in the secondary market has increased by 11.4%.

In October 2022, a significant increase in prices was observed in the regions of Syrdarya - 6.5%, Kashkadarya - 6.5% and in the city of Tashkent - 4.6%. Tashkent in the city secondary house on the market of prices growth is 4.6% (1.7% in September ) .

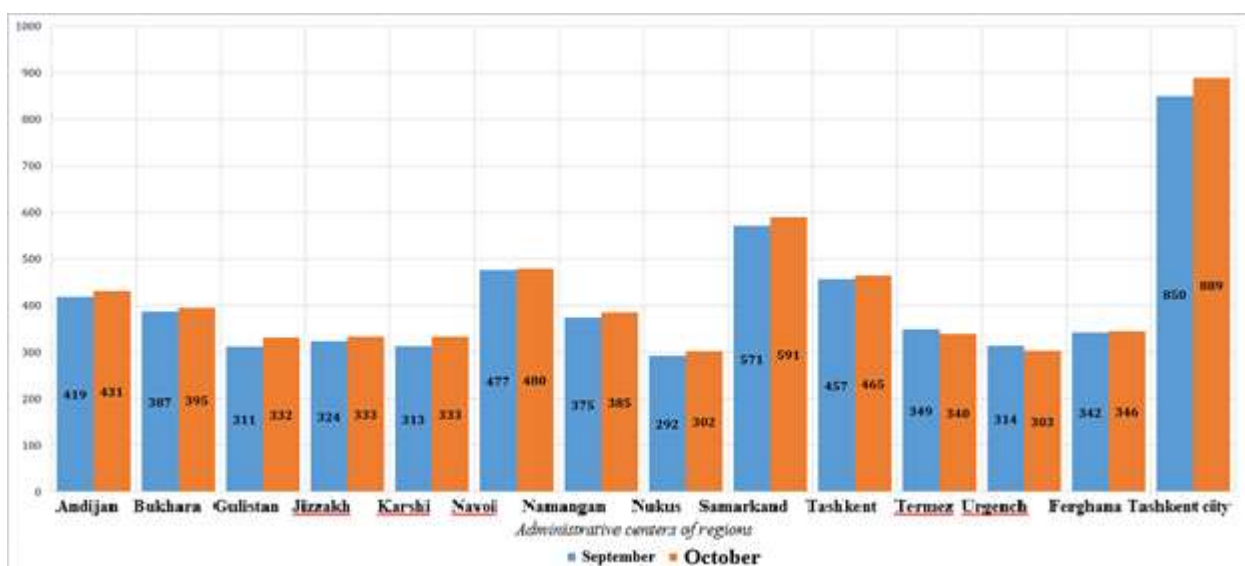
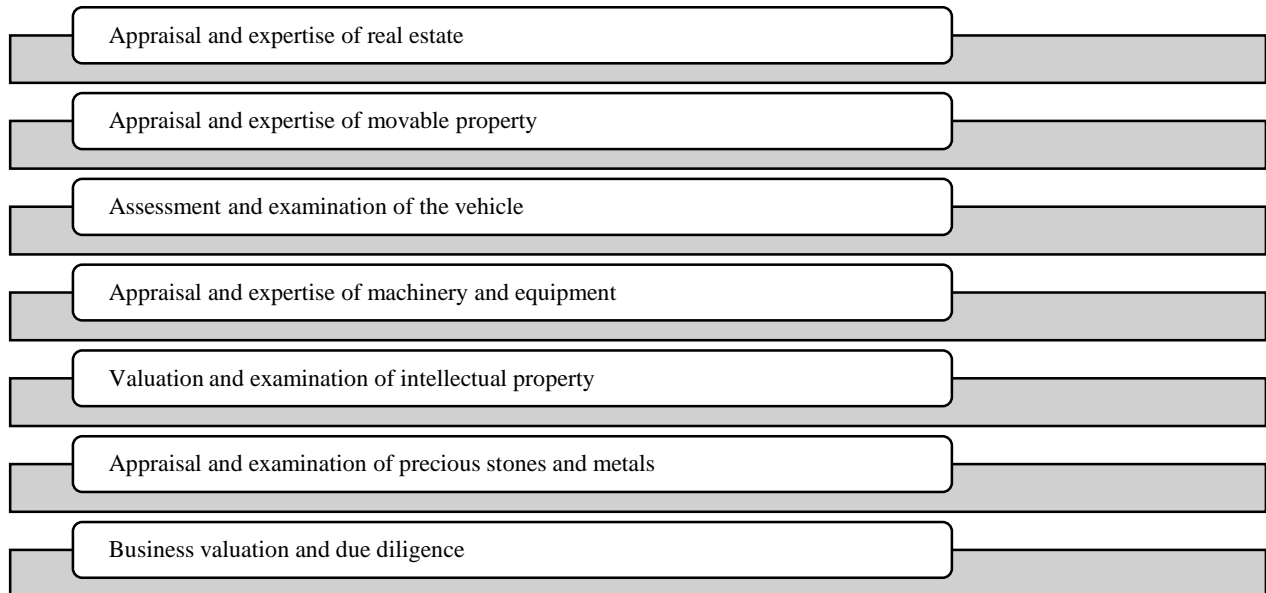


Figure 4. Changes in the prices of secondary housing in the city of Tashkent and in the administrative centers of the regions ( in US dollars per 1 sq.m. )<sup>4</sup>

<sup>4</sup>Compiled by the author on the basis of information from evaluation organizations

At the same time, average prices in the capital increased by 19.8% since the beginning of the year, which showed a significant increase in demand, including the influx of foreign citizens.

**The development of the real estate market has a positive effect on the development of the market for services related to this activity, increasing the demand for appraisal services. In this regard, it is appropriate to review the development trends of the evaluation services market.**



**Figure 5. Diversification of services in the evaluation services market<sup>5</sup>**

Currently, the valuation services market in Uzbekistan provides such services as valuation and appraisal of immovable and movable properties, appraisal and appraisal of vehicles and machinery and equipment, appraisal and appraisal of intellectual property, precious stones and metals, as well as appraisal and appraisal of business value. is getting married. It should be said that services related to real estate appraisal activities are considered important in this regard and are considered to be one of the main segments of the appraisal services market.

Currently about **1,000** certified appraisers and more than **200** licensed appraiser organizations operating in the above-mentioned appraisal services market. Information about this can be seen in the following analysis.

**Table 2**

**Information on the number of appraisers with a license to operate in the regions of Uzbekistan and appraisers with a qualification certificate, as of 2023<sup>6</sup>**

No	The name of the areas	Appraiser number of organizations	Assessors the number
Uzbekistan Republic		231	1188
1	Karakalpakstan Republic	11	43
2	Andijan	14	31
3	Bukhara	16	39

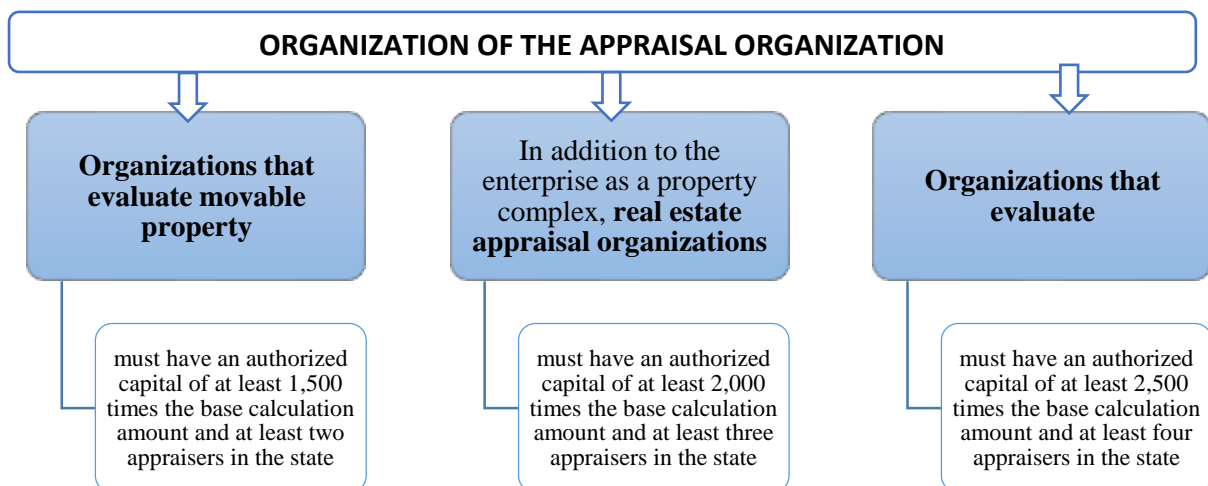
<sup>5</sup>Developed by the author

<sup>6</sup>By the author It was compiled based on the information of the State Assets Management Agency of the Republic of Uzbekistan.

4	Jizzakh	3	59
5	Kashkadarya	8	38
6	Navoi	5	33
7	Namangan	12	45
8	Samarkand	13	68
9	Surkhandarya	6	25
10	Syr Darya	1	21
11	Tashkent	2	64
12	Ferghana	19	55
13	Khorezm	14	66
14	Tashkent city	107	601

Information on the number of appraisers with a certificate of competence and appraisers with a license to operate in the regions of Uzbekistan is given. If we look at the table, there are currently **231** evaluation organizations in the republic. A total of **1188** evaluators are working as professional participants of the evaluation services market in these evaluation organizations .

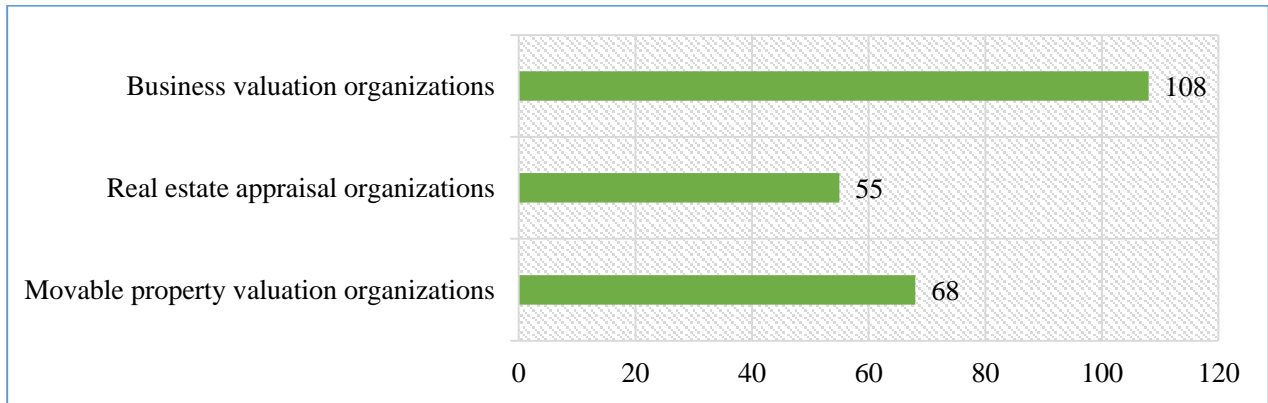
In terms of regions, that is, the largest number of evaluation organizations operate in Tashkent, Bukhara, Andijan, and Fergana regions. Also, regions such as Tashkent, Samarkand, Jizzakh, Fergana, Khorezm are the leaders in terms of the number of evaluators.



**Figure 6. Requirements for the formation of authorized capital for the establishment of appraisal organizations in Uzbekistan**

The information in the above picture shows the requirements related to the establishment of evaluation organizations in the Republic of Uzbekistan and the formation of their authorized capital. According to it, it can be seen that the regulatory requirements for the amount of authorized capital of these organizations for opening evaluation organizations in the categories of movable, immovable and business valuation are established. That is, the amount of authorized capital of valuation organizations engaged in valuation of movable property is 1,500 times base calculation amount (BCA), the authorized capital of these organizations for real estate appraisal activities is in the amount of 2,000 times BCA, and appraisal organizations applying for a license to assess business value have a regulatory requirement to form their authorized capital in the amount of 2,500 times BCA installation is recommended.





**Figure 7. Activity diversification of appraisal organizations<sup>7</sup>**

It can be seen that the majority of valuation organizations are engaged in business valuation activities. Also, more than 23 percent of the existing more than 200 appraisal organizations are engaged in real estate appraisal activities.

**Table 3**

**Performance indicators of appraisal organizations in the Republic of Uzbekistan<sup>8</sup>**

Years	Indicators		
	The volume of provided services in the evaluation services market, billion soum	The number of concluded contracts for assessment services, pcs	Number of evaluation reports prepared, pcs
2018	50.2	110 567	113 082
2019	63.1	92 267	97 045
2020	72.8	95,020	99,070
2021	78.3	98 417	105 701
2022	103.9	191 209	193 457
2023	118.0	245 123	251 397

In 2018, the total volume of evaluation organizations was 50.2 billion. soums worth of appraisal services were provided, and as a result, more than 110567 contracts were concluded, and more than 113082 property appraisal reports were drawn up as a result of the appraisal activity. In 2019, a total of 92267 contracts were concluded and 63.1 billion. Soum evaluation services were provided and finally 97045 evaluation reports were prepared. In 2020, the size of this market will be 72.8 billion. more than soum. We see that 99070 reports have been prepared by drawing up 95020 contracts for the services provided in this market - valuation of various properties. In 2021, the volume of provided services in the housing services market will be 78.3 billion. amounted to soum. 103.9 billion in 2022. Soum services are indicated at the end of the assessment activity.

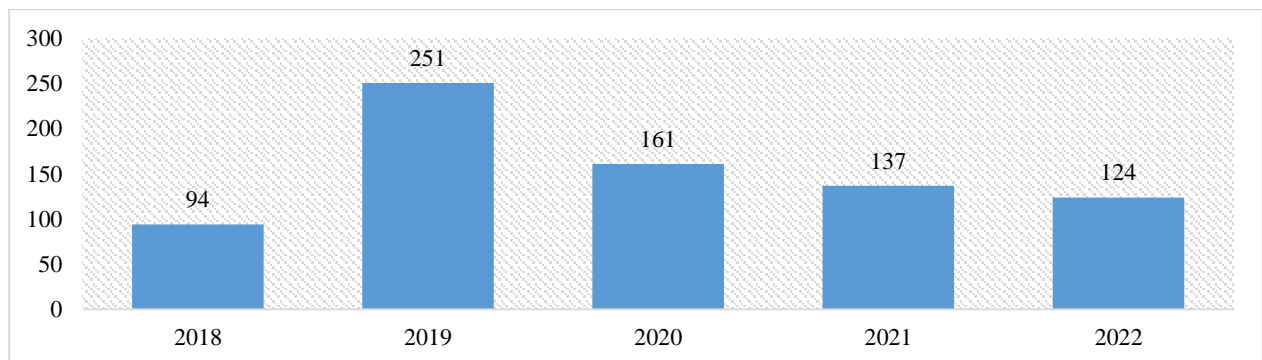
In the analysis of the above-mentioned volume of services, contracts and prepared reports, we analyzed another important aspect - the number of evaluators who are professional participants of the evaluation services market.

of the evaluator qualification certificate to get applicant the following requirements answer to give need :

<sup>7</sup>By the author It was compiled based on the information of the State Assets Management Agency of the Republic of Uzbekistan.

<sup>8</sup> Compiled by the author based on the information of the State Assets Management Agency of the Republic of Uzbekistan.

- higher economic , legal or to technical information , assessor or of the appraiser assistant in office last five in at least one year work to seniority have to be
- or higher FYI , the latest five property in \_ in assessment appraiser or of the appraiser assistant in office at least two year work to seniority have to be
- the presence of a certificate of completion of special training in evaluator training centers according to the program approved by the State Competition Committee of the Republic of Uzbekistan in accordance with the established procedure, taking into account the proposals of professional associations of evaluators, provided that the time elapsed from the time of completion of the training to the submission of documents does not exceed one year.



**Figure 8. The number of evaluators who received a qualification certificate in Uzbekistan in 2018-2022, people**

In addition, analytical indicators of the number of evaluators who received a qualification certificate in Uzbekistan in 2018-2022 are included in the data in the picture above. According to it, it can be seen that **94** individuals in 2018, **251** in 2019, **161** in 2020, **137** in 2021, **and 124** in 2020 received a qualification certificate for evaluation activities and started their professional activities in the market of evaluation services.

In general, in the development of the assessment services market in Uzbekistan, innovations and reforms in the procedures related to the implementation of this activity have an important place.

Based on the above, it can be said that the development of the real estate market and the evaluation services market in the Republic of Uzbekistan is mutually proportional. The development trends of the real estate market have a positive effect on the increase in the demand for appraisal activities in the market of self-appraisal services.

to use a comparative approach was justified when it is possible to select a sufficient number of analog-objects with known transaction or offer prices for real estate evaluation .

It can be seen that a number of factors are important in real estate valuation, including data on the object of valuation and the results of their identification, fluctuations of prices and inflation indices in the real estate market, motives for valuation of the object of valuation for various purposes, which have a direct impact on determining the value of real estate.

We believe that it is appropriate to use the method of comparison of appraiser sales in determining the value of a real estate object through a comparative approach . In this case, the unit of comparison for calculation is determined, as a rule, by the type of real estate. Comparison unit as :

- a building or of a plot of land area price per unit (square meter, square meter , hectare) ;

- a building of size unit (cubic meter) price ;
- commercial potential based on being evaluated evaluation objects for place price , number and another measure units is used .

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