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**UZBEKISTAN AND FOREIGN EXPERIENCE IN ASSESSING THE VALUE  
OF REAL ESTATE OBJECTS**

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**Abstract**

In this research work, the features of the international practice of real estate property valuation, in particular, the practice of using property value valuation services in making correct conclusions on real estate value growth and management decisions in developed and developing countries such as Great Britain, Italy, France and Germany, organization and control of valuation activities forms, international property valuation standards and their application in the valuation process, applied valuation principles and methods are described in detail. On the basis of international experiences of property value assessment in the Republic of Uzbekistan, proposals, recommendations and conclusions have been developed on the further improvement of the mechanisms of real estate value assessment activities.

**Keywords:** property, property valuation, real estate objects, valuation activities, real estate valuation, international standards of property valuation, valuation principles, market value.

**Introduction**

With the development of the free market economy in our country, the demand for new specialists, necessary for its full operation and performance of its functions, began to arise. This, in turn, created conditions for the emergence of modern professions in our country. One such profession is appraisers. In simple terms, the activity of an appraiser is an economic activity aimed at determining the value of various property objects. Today, appraisal services rank alongside a number of services in importance, including legal, consulting, banking, finance, insurance, and leasing services.

Appraisal services started to enter Uzbekistan as an independent activity from the initial stages of privatization of state facilities. With the development of privatization, the emergence of the national stock market, the development of the insurance system, and the beginning of lending by commercial banks against collateral, increased the demand for the type of service that determines the market value of property, that is, appraisal services. This study examines the most common type of such evaluation activity - real estate, in particular, commercial real estate valuation issues.

Real estate appears as a means of production (land, administrative and industrial buildings, warehouses, trade and other buildings and structures) and consumer goods

or objects (land plots, residential buildings, summer houses, apartments, garages). Real estate is the basis of the personal life of citizens and serves as an indispensable basis for the economic activity and development of enterprises and organizations of all types of property. The creation of a multilisting system of the real estate market is a logical continuation of the existing scientific and technological reserves, which ensure the economic growth and social development of the Republic of Uzbekistan.

Today in Uzbekistan, at the new stage of the country's economic development, special attention is being paid to the implementation of deep structural changes in economic sectors, wide introduction of modern information and communication technologies in sectors and industries, and active development of the digital economy.

Currently, the processes of digitalization of economic sectors have not bypassed the real estate market. In particular, with the Decree No. PF-6079 dated October 5, 2020 [1] of the President of the Republic of Uzbekistan on the approval of the "Digital Uzbekistan - 2030" strategy and measures for its effective implementation" within the framework of the "Digital Uzbekistan - 2030" strategy in 2020-2022 The program of digital transformation of economic development, financial and banking system, management of state assets, development of competition, support of entrepreneurship and reduction of poverty has been approved. development of the system is planned. In this regard, issues of digitization of the real estate market through the creation and introduction of a single real estate market information system in our country are of particular importance.

The advantage is that it is the only real estate market information base in our country as a result of its creation, the processes of assessing the value of real estate objects become easier and more transparent.

## Research Methodology

In the process of research real estate objects The works of foreign and local scientists were studied and analyzed regarding the characteristics of the international practice on the assessment of the value, their place in the economy. The article effectively used methods such as theoretical observation, systematic approach, observation, generalization, analysis, and synthesis, as well as real estate Conclusions and proposals were formed regarding the problems of value estimation and their solutions.

## Literature Review

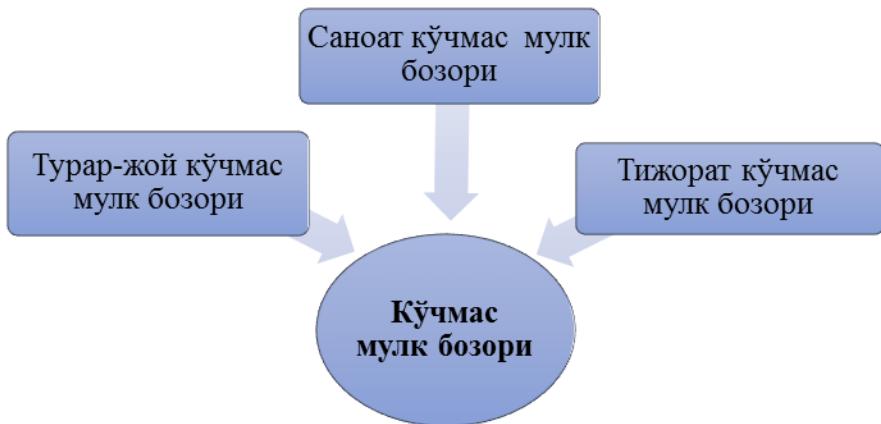
Scientific-methodological foundations and practical issues of the subject from foreign economists-scientists Dj. Friedman, Nick. Ordway, Joseph K. Eckert, Henry S. Widely covered in scientific studies of Harrison [2; 3; 4]. Grybovsky C.V., Kasyanenko T.G., Makhavikova G.A., Esipov V.E., Mirzazhanov S.K. are among the scientists of the CIS countries who studied the problematic aspects and relevance of the topic and cited them in their scientific research and research. and Ivanova E.N., Lvov D.S., Medvedeva O.E. we can list such as [5; 6; 7]. Also, the theoretical foundations, methodological and practical issues of estimating the value of real estate objects in Uzbekistan

Abdurakhmanov I.Yu., Yodgorov V.U., Shokha'zami Sh.Sh., Abdulkarimova D.R., Khomitov K.Z. and others [8; 9; 10; 11; 12] studied and further developed.

### Analysis and Results

First of all, let's talk about the real estate itself. Real estate plays a special role in the economic and socio-material life of society, it appears as an important economic resource and forms the environment of human life. Republic of Uzbekistan According to the Civil Code, immovable property means property that cannot be moved from one place to another without harming its integrity and purpose. One of its features is that real estate is necessarily connected to the land: it is located on the surface of the earth (buildings and structures, perennial trees) or in its depths (minerals, water resources, etc.). Land plots themselves are considered real estate. The real estate market, as a separate subject of free market relations, is considered one of the important areas of formation of the economic system in our Republic. Important processes such as management of reforms in economic sectors, development of production capacities and modernization of economic sectors are based on the active participation of the real estate market.

Modern economists believe that the real estate market can be divided into three large groups - residential, commercial and industrial real estate markets (Figure 1).



**Figure 1. Structural structure of the real estate market [13].**

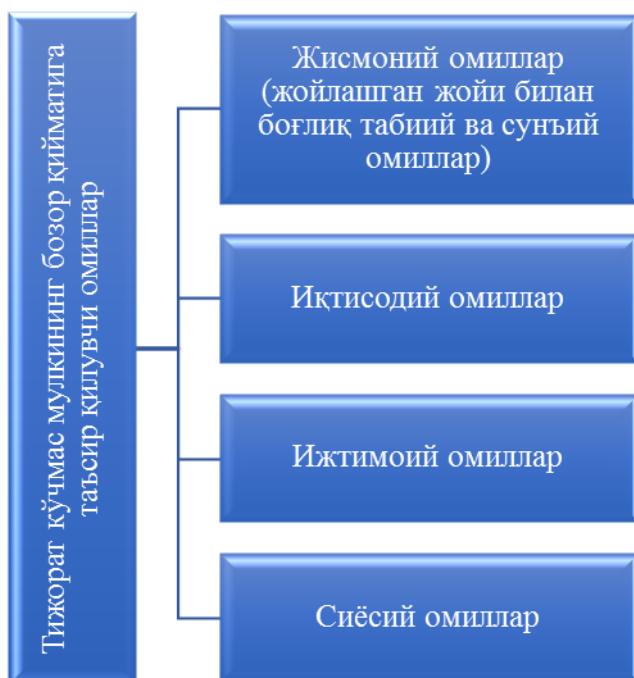
Residential real estate includes private apartments, yards, and residential properties under construction. Commercial real estate - office buildings, warehouses and retail buildings; and industrial real estate includes factories, mines and farms. Below we will consider the experience of the world and Uzbekistan in the evaluation of commercial real estate.

A commercial real estate appraisal is an orderly, objective process of determining the monetary value of a property, taking into account the actual and potential income it would generate in the market in a given area at a given time. Market conditions are a feature of the valuation process. That is, the evaluation of commercial real estate is not

limited to taking into account only one factor of income-generating real estate, it takes into account the whole set of market factors: time factor, risk (risk) factor, market conditions, level of competition, economic characteristics of the evaluated object, as well as micro and macroeconomic such as environment.

The approaches and methods used by the appraiser are determined by the specific features of the appraisal process, as well as the economic characteristics of the object of appraisal. When determining the value of a property through the income approach, it is required to find the present value of the income that can be obtained in the future by owning this property.

Therefore, external factors that affect the formation of the market value of commercial real estate, their analysis is carried out at the initial stage of the evaluation work, and the results are reflected in the relevant sections of the evaluation report (Fig. 2).



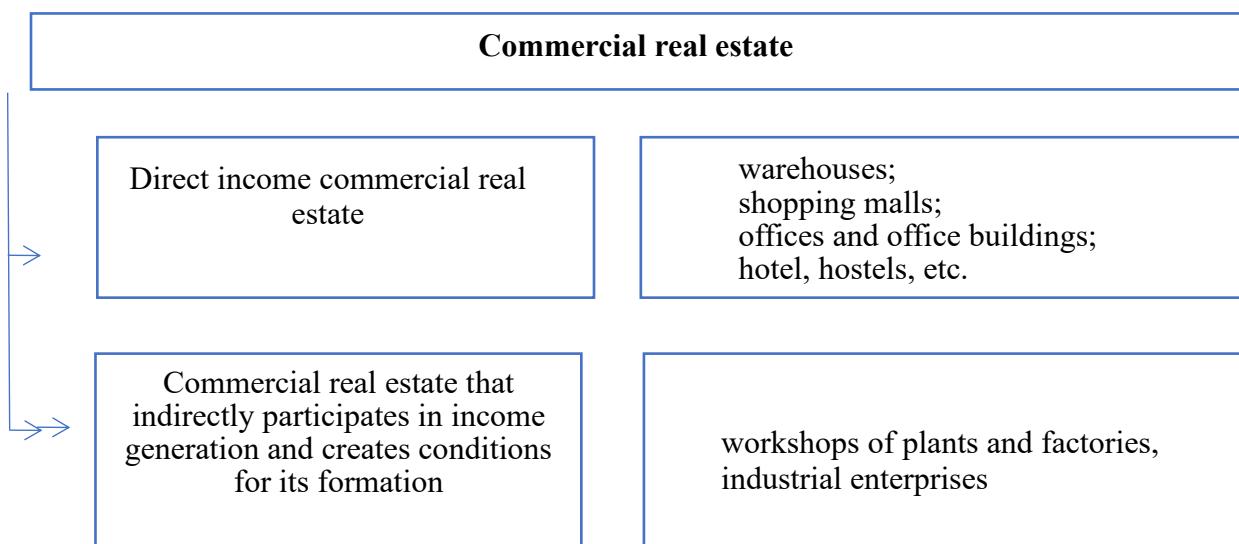
**Figure 2. Key Factors Analyzed in Commercial Real Estate Appraisal\*.**  
\*Source: developed by the authors.

The above factors influences the trends in the real estate market, shapes its dynamics and is reflected in the value of the property. Economic factors such as GDP growth, employment rate and inflation have a direct impact on the supply and demand for property, which has been determined by world economists.[14]. In addition, demographic changes, including population growth, internal and external migration, also affect real estate prices.[15]. Another such factor is interest rates. Changes in interest rates affect the price of real estate loans, which in turn can change both the purchasing power of buyers and the decisions of investors.[16]. Factors related to

government policies such as tax incentives and infrastructure development can create opportunities or constraints for the real estate market.[17].

The above factors can affect the four elements of property value - demand, utility, competitiveness, legal freedom to property.

Usually, as commercial real estate from an economic and legal point of view, we understand properties that are aimed at obtaining material profit, used in business processes, in other words, real estate itself is a profitable object. They should not be used for residential purposes or for maintenance purposes. As an object of evaluation, commercial real estate is divided into groups such as property that brings direct income and real estate that brings indirect income, that is, real estate that creates conditions for obtaining material benefits. (Figure 3).



**Figure 3. Groups of commercial real estate by valuation object\*.**

**\*Source:**developed by the authors.

Approaches to valuation of commercial real estate within the framework of the legislation of Uzbekistan were initially carried out according to the standards of the "National property valuation system of the Republic of Uzbekistan" according to the Regulation [18] approved in 2001. Later, on June 4, 2020, the Unified National Assessment Standard of the Republic of Uzbekistan was registered, and on December 28, 2023, a new version of this standard was registered. Approaches to the valuation of commercial real estate are based on Section 7 of the new version of the Unified National Valuation Standard (No. 6 MBS "Valuation Approaches and Methods") [19].

Below we will consider the foreign practice of evaluating the market value of commercial real estate objects, its specific features and methodological approaches.

In particular, the requirements for valuation reports and valuation certificates in the UK are set by RICS. The report must contain all the necessary identification and the calculations made in determining the real market value of the property. Data and indicators about commercial real estate in this country are also slightly different. For

example, English marketers use the "current vacant space" indicator when analyzing the commercial real estate market, that is, they study the demand for specific vacant buildings, not all commercial real estate available on the market [20].

In Italy, the value of real estate is strictly controlled by the government, and appraisers cannot deviate from the established special laws. In this country, the real estate valuation system is inextricably linked with urban planning and public works and is reflected in acts called "Merloni". The specifics of the laws are that in order for the buyer to take possession of the property, the assessed value must entitle the contractor to cover some or all of the construction costs. A properly determined assessed value includes both the market value and future taxes payable.

In France, the results of the evaluation are presented in the form of a report, which includes assumptions and conditions, a description of the location of the object, a market analysis, a qualitative and quantitative evaluation, and the composition of the evaluation rules. In the following cases, the appraiser has the right to provide expert opinions as well:

- checking the relevance of the prepared report, conducting an interim assessment;
- checking the property valuation report;
- conducting real estate audit.

Valuation of commercial real estate in France is mainly carried out for the following purposes:

- for accounting reports of companies on the stock exchange;
- providing loans and credits against collateral;
- to pay property tax;
- when confiscating property is directed to taxes and compulsory payments.

The purposes of commercial real estate valuation in Germany include the following:

- determining the accounting value;
- to conclude transactions;
- to issue mortgage loans;
- for inheritance and taxation;
- to evaluate real estate portfolios.

Valuation of commercial real estate in Germany is primarily governed by the Baugesetzbuch - Germany's urban planning code. This document includes urban planning recommendations that directly affect the location of commercial real estate in the city. In Germany, assessment is the most important tool of the state's socially oriented urban planning policy [21]. The next document of legal importance is the WertR – 2006 – basic guidelines for assessment activities. The document contains a description of all available real estate valuation methods and references, including: rules for determining the area of buildings, standards for estimating replacement value (NHK-2000), discount and capitalization rates, tables for calculating physical depreciation of buildings, etc.

In our country, the main problem faced by appraisers in the assessment of real estate is the lack of necessary information. That is, information about real transactions is closed,

and the information provided in the sources is unreliable, information about similar (analog) objects is not fully provided, and analytical information is published in very small quantities, etc. can be an example of this. In Germany, this problem has been completely eliminated through the creation of a transparent and clear legal framework and the activity of an expert commission. In addition, the fact that German Realtor Association reports are freely available to appraisers in the country does not allow the problem of lack of information to arise at all.

Commercial real estate is evaluated both in international practice and in the practice of Uzbekistan in 3 approaches: comparative, income and cost approaches. But the methods used in these approaches are somewhat different.

It should be noted that one of the most important factors in determining the market value of commercial real estate in our country is its location. In world practice, its profitability is the main priority.

A useful approach to the valuation of commercial real estate involves a predictive assessment of the income potentially generated by this facility over the period of operation. Commercial real estate is priced based on limited information.

There are also innovative methods of commercial real estate valuation in foreign practice, including: ANN, hedonic valuation method, spatial analysis methods, logic and ARIMA. The evaluation date is reduced from days to minutes and its quality is improved.

## Summary

In conclusion, the analysis of the foreign experience of commercial real estate valuation showed that it is considered a necessary factor that the Legal basis of valuation not only has a clear and transparent structure, but also provides sufficient reliable information. And in its place, accelerating the creation of a single real estate market information base in our country will create a solid basis for the regulation of appraisal activities and providing information, and will ensure the transparency of the real estate market. The variety of approaches and methods in real estate valuation and their reasonable application increases the level of accuracy and reliability of real estate valuation, reduces the level of subjectivity, and thus increases the level of fairness.

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