REAL ESTATE MARKET DYNAMICS IN UZBEKISTAN: ASSESSING FACTORS INFLUENCING THE REAL ESTATE MARKET INCLUDING URBAN DEVELOPMENT POLICIES, INVESTMENT TRENDS, AND ECONOMIC GROWTH

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Article Info	ABSTRACT
	This thesis describes, what is the real estate market, its operating principles, structures, population demand for real estate, offers and prices made by suppliers, laws of supply and demand in the market, how does it work in Uzbekistan's market, real estate in Uzbekistan and around the world and also, about the changes of demand over the years, the current situation, professions working in this field and their duties. In this thesis you can learn how to choose the right field for investing, what kind of key-factors can influence to the real estate market in Uzbekistan comparing to the most-developed countries market system, examples, digitalization, developing online platforms and programs which works with real estate market and etc. Additionally, it provides a comprehensive examination of the real estate landscape in Uzbekistan, offering insights into its unique characteristics, regulatory framework, and future prospects. Through comparative analysis, this study aims to shed light on the similarities, differences, and potential synergies between global real estate dynamics and those observed within Uzbekistan.

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INTRODUCTION

The assessment of customs fees is a critical aspect of international trade, impacting both the revenue of governments and the cost of goods for consumers. In the context of Uzbekistan, an emerging economy with a strategic geographical location, understanding the factors influencing customs fees is essential for developing effective trade policies and fostering economic growth. This paper aims to analyze the econometric factors that influence customs fees in Uzbekistan using the Autoregressive Distributed Lag (ARDL)

model, with a focus on key variables such as taxable import volume, exchange rate, and total import volume[1].

Uzbekistan's economy has undergone significant transformations since gaining independence in 1991[2]. The country has implemented various reforms to liberalize its economy, attract foreign investment, and integrate into the global market. As part of these reforms, customs policies have been continuously adjusted to balance the need for revenue generation with the facilitation of trade[3]. Despite these efforts, the factors determining customs fees remain complex and multifaceted, influenced by both domestic economic conditions and external trade dynamics.

Understanding the determinants of customs fees is vital for several reasons. Firstly, it helps policymakers design more efficient and fair tax systems that can boost government revenue without stifling trade. Secondly, it provides insights for businesses involved in import and export activities, enabling them to better anticipate costs and plan their operations. Finally, from an academic perspective, this study contributes to the broader literature on trade economics and public finance, offering empirical evidence from a developing country context[4].

Literature Review

The literature on customs fees and their determinants is extensive, reflecting the complexity and importance of this area in international trade and public finance. This review synthesizes key findings from previous research, focusing on the primary factors influencing customs fees, the methodologies employed, and their relevance to the context of Uzbekistan[5,6,7].

Several studies have identified various determinants of customs fees, including taxable import volume, exchange rates, and total import volume[8].

Research has established a positive relationship between taxable import volume and customs fees. Increased import volumes, often resulting from trade liberalization, lead to higher customs revenue. Effective customs administration and accurate valuation of imports are crucial for maximizing revenue from customs fees[9,10] .

Exchange rate fluctuations are another critical determinant of customs fees. Empirical studies have shown that exchange rate depreciation can increase the local currency value of imports, thereby raising customs fees. This relationship underscores the need for stable exchange rate policies to maintain predictable customs revenues and support economic stability [11,12].

The total volume of imports also plays a crucial role in determining customs fees. Higher total import volumes generally lead to increased customs revenue, indicating that policies aimed at boosting trade can have positive fiscal outcomes [13,14].

METHODS

This study employs the Autoregressive Distributed Lag (ARDL) model to analyze the relationship between customs fees and the selected explanatory variables. The ARDL model is chosen for its flexibility in handling different orders of integration among variables and its ability to provide robust long-term and short-term estimates. The data used in this analysis include monthly records of customs fees, taxable import volumes, exchange rates, and total import volumes from official Uzbek sources and international databases

RESULTS AND DISCUSSION

First of all, the real estate sector plays a pivotal role in driving economic growth, shaping urban landscapes, and influencing social dynamics on a global scale. Understanding the complexities of this dynamic market is essential for policymakers, investors, and stakeholders to make informed decisions and navigate challenges effectively. This thesis sets out to investigate the multifaceted nature of the real estate market, drawing parallels between global trends and the specific context of Uzbekistan.
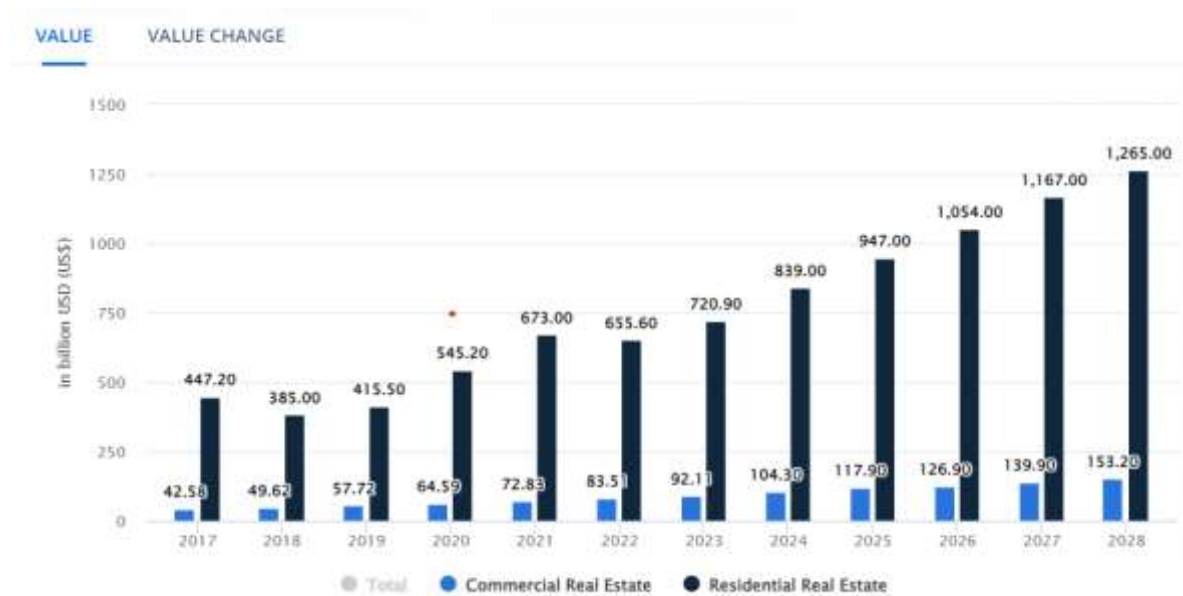

Figure 1. Market capitalization of the real estate[15].

The real estate market is a complex ecosystem influenced by a myriad of factors, ranging from economic conditions and technological innovations to cultural preferences and regulatory frameworks. In recent years, the globalization of economies and the interconnectedness of financial markets have significantly impacted the dynamics of real estate markets worldwide. Understanding the global trends shaping these markets is essential for investors, developers, policymakers, and other stakeholders to make informed decisions and navigate an increasingly complex landscape. The history of global real estate markets is a tale of evolution and transformation. From the early days of property ownership and land tenure systems to the rise of modern real estate markets in

the late 20th century, the sector has undergone profound changes. The advent of globalization and the liberalization of economies have facilitated the cross-border flow of capital, leading to the integration of real estate markets across continents and countries. Today, the global real estate market represents a vast and diverse ecosystem characterized by varying degrees of maturity, liquidity, and stability. According to data from leading industry reports, the total value of investable commercial real estate worldwide exceeds trillions of dollars, with major cities serving as hubs for investment and development activities. Despite occasional downturns and market corrections, the long-term trajectory of global real estate markets has been one of growth and resilience.

According to the President of Republic of Uzbekistan law PF-5623 at 10.01.2019[1], called "on measures for improving urbanization processes", in addition to the implementation of large strategic investment projects within the framework of structural reforms, the process of urbanization as a factor leading to the growth of well-being and sustainable development of urban residents has not been adequately taken into account. As a result, the urbanization level has been decreasing in recent years, and the number of urban settlements has increased from 1065 to 1071. Despite the measures taken to transform large rural settlements into urban settlements, today's level of urbanization does not meet the modern requirements for comprehensive development of cities and significantly lags behind world trends. The level of urbanization is still not stable. In order to ensure effective regulation of urbanization processes by the state and to introduce modern market mechanisms in the circulation and use of land plots:

– Starting from May 1, 2023, the following changes should be made to the current procedure for providing housing to the population through mortgage loans based on market principles, in accordance with them: banks are allowed to use alternative methods of determining their solvency when granting mortgage loans to persons without official income, including the introduction of a scoring system that takes into account bank card circulation, rent, utilities and other expenses of borrowers not prohibited by legislation; banks are given the right to set differentiated interest rates on mortgage loans provided without subsidies based on the amount of the initial contribution paid by the borrower, the duration of the grace period and other indicators; the procedure for issuing subsidy notices on preferential terms to teachers and production education masters of professional educational organizations teaching or conducting training in special subjects in engineering, processing and construction; the period of validity of notices on the provision of subsidies for mortgage loans for the purchase of housing or the construction and reconstruction of individual housing is set to 4 months; Applications for the allocation of subsidies for mortgage loans for 2023 will be accepted within the approved parameters from May 1, 2023 to December 1, 2023; The Ministry of Economy and Finance has the right to directly cancel the subsidy notices from the software and stop payments, based on the information of the "Khalkparvar" commissions. In this: The maximum amount of a mortgage loan allocated to one borrower for 2023 will be kept at the same amount as in 2022; Before the adoption of this Decree, subsidies will be allocated to persons who have a notice of subsidy provision in the terms and amounts valid in 2022.

– In order to provide the mortgage market with long-term resources and accelerate housing construction: Funds equivalent to 100 million US dollars will be allocated from the Recovery and Development Fund to the republican budget of the

Republic of Uzbekistan at a rate two percentage points lower than the main rate of the Central Bank, provided that it is returned by May 1, 2028; In April 2023, the Ministry of Economy and Finance (Sh. Kudbiyev) should deposit funds in the amount of 3 trillion soums in banks from the funds of the republican budget of the Republic of Uzbekistan in the prescribed manner. The Ministry of Economy and Finance should be allowed to increase the amount of funds determined for the allocation of mortgage loans based on the liquidity of the State budget.

    – It should be noted that 500 billion soums of the funds allocated from the republican budget of the Republic of Uzbekistan in accordance with paragraph 2 of this Decree will be directed to replenish the working capital of construction-contracting organizations. In this case, the Ministry of Economy and Finance provides banks with funds at a rate two percentage points lower than the main rate of the Central Bank, and banks allocate loans to construction and contracting organizations for a period of up to 18 months at an interest rate equal to the main rate of the Central Bank.

    – The following: In 2023, the target indicators of allocating mortgage loans for the purchase of apartments and the construction and reconstruction of single-family houses are in accordance with Appendix 1; In 2023, the target indicators for allocating subsidies for mortgage loans should be approved in accordance with Appendix 2. The Council of Ministers of the Republic of Karakalpakstan, regions and Tashkent city "hokim"'s should be allowed to increase the number of mortgage loans and subsidies specified by this Decree for the relevant area at the expense of the increased part of local budget revenues.

    – Let it be noted that starting from May 1, 2023: the practice of gradually mortgaging the completed part (floors) of multi-apartment houses under construction by banks as loan collateral; Until January 1, 2025, a zero rate of customs duty will be applied to the import of construction materials and raw materials listed in Appendix 3. Let the Ministry of Economy and Finance (Sh. Kudbiyev) continue the experiment of refinancing mortgage loans given to shareholders-individuals from the resources of the banks from the funds of the State budget.

Technology is revolutionizing the real estate industry, disrupting traditional business models and transforming the way properties are bought, sold, and managed. The rise of prop-tech startups, digital platforms, and smart building technologies is reshaping the entire real estate value chain, from property search and financing to construction and property management. Investors and developers who embrace technology stand to gain a competitive advantage in an increasingly digitized marketplace. In response to growing environmental concerns and regulatory pressures, sustainability has become a top priority for real estate investors, developers, and occupiers worldwide. Green building practices, such as energy-efficient design, renewable energy integration, and waste reduction strategies, are not only environmentally responsible but also economically beneficial, enhancing property value, reducing operating costs, and attracting environmentally-conscious tenants. Investment in global real estate markets is driven by a diverse range of players, including institutional investors, private equity funds, real estate investment trusts (REITs), and foreign investors. The appeal of real estate as an asset class lies in its potential for capital appreciation, income generation, and portfolio diversification. While core markets in major cities remain attractive to institutional investors seeking stability

and liquidity, opportunistic investors may find value in niche sectors or emerging markets with high growth potential.

Uzbekistan, located in Central Asia, has experienced rapid economic transformation since gaining independence in 1991. The country's real estate sector has emerged as a key driver of growth, fueled by factors such as urbanization, population growth, and government-led reforms. The market encompasses residential, commercial, and industrial properties, with major cities like Tashkent, Samarkand, and Bukhara attracting investment and development activity. Despite progress, challenges such as bureaucratic inefficiencies, legal uncertainties, and limited access to financing persist, constraining the sector's potential. Like many emerging markets, Uzbekistan is experiencing rapid urbanization, with a significant portion of the population migrating from rural to urban areas in search of economic opportunities. This trend mirrors the global phenomenon of urbanization, albeit at a different pace and scale. While technology adoption in the Uzbekistan real estate sector is gradually increasing, it lags behind global trends due to factors such as limited internet penetration, digital infrastructure, and awareness of prop-tech solutions. However, there is growing potential for technology-driven innovation to streamline processes, improve transparency, and enhance market efficiency. The concept of sustainability in real estate development is gaining traction in Uzbekistan, albeit at a slower pace compared to global trends. Efforts to promote energy efficiency, green building standards, and environmental stewardship are emerging, driven by government initiatives, international partnerships, and investor demand for socially responsible projects. Uzbekistan's real estate market offers opportunities for domestic and foreign investors seeking high growth potential, supported by government reforms aimed at improving business climate, enhancing property rights, and attracting foreign direct investment. However, challenges such as bureaucratic hurdles, legal complexities, and currency risks pose barriers to entry and require concerted efforts to address.

Uzbekistan's real estate sector is experiencing a wave of technological innovations across various aspects of the industry:

• Online Property Portals: The emergence of online platforms for property listing and search has transformed the way buyers, sellers, and agents connect in the market. Websites and mobile apps provide users with access to comprehensive listings, virtual tours, and real-time property data, streamlining the property search process and expanding market reach.

• Blockchain Technology: Blockchain technology is gaining traction in Uzbekistan's real estate sector for its potential to enhance transparency, security, and efficiency in property transactions. Smart contracts powered by blockchain enable automated, tamper-proof agreements, reducing the need for intermediaries and minimizing the risk of fraud.

• Virtual Reality (VR) and Augmented Reality (AR): VR and AR technologies are revolutionizing property marketing and visualization, allowing developers to create immersive experiences for prospective buyers and tenants. Virtual tours, 3D modeling, and interactive presentations enable users to explore properties remotely and visualize design concepts before construction.

• Big Data and Predictive Analytics: Big data analytics tools are being utilized to analyze market trends, forecast property demand, and optimize investment

decisions. By leveraging data from multiple sources such as property listings, demographic information, and economic indicators, stakeholders can gain valuable insights into market dynamics and make data-driven decisions.

- Smart Building Technologies: The adoption of smart building technologies is on the rise in Uzbekistan, driven by the desire to enhance energy efficiency, comfort, and security in commercial and residential properties. IoT (Internet of Things) devices, sensors, and automation systems enable real-time monitoring, predictive maintenance, and remote management of building systems.

Let's look through the statistical facts, there were 26.74 million internet users in Uzbekistan in 2023. In 2022 January, there were 24.05 million internet users. Uzbekistan's internet penetration rate stood at 70.4 percent of the total population at the start of 2022.Kepios analysis indicates that internet users in Uzbekistan increased by 321 thousand (+1.4 percent) between 2021 and 2022. For perspective, these user figures reveal that 10.11 million people in Uzbekistan did not use the internet at the start of 2022, meaning that 29.6 percent of the population remained offline at the beginning of the year. Uzbekistan is the 73rd largest market for eCommerce with a predicted revenue of US$1,566.5 million by 2023, placing it ahead of the Dominican Republic. Revenue is expected to show a compound annual growth rate (CAGR 2023-2027) of 13.9%, resulting in a projected market volume of US$2,640.3 million by 2027. The global digital advertising market in 2023 is valued at $626.9 billion—67.4% of the overall expenditure on media ads. This refers to advertising on internet-connected devices such as computers, mobile devices, and smart devices. There were 4 438 000 Facebook users in Uzbekistan in January 2021, which accounted for 13% of its entire population. The majority of them were men - 69.8%. People aged 25 to 34 were the largest user group (1 540 000) [16].

The Real Estate market in Uzbekistan is expected to reach a value of US$943.30bn in 2024. The dominant segment within this market is Residential Real Estate, which is projected to have a market volume of US$839.00bn in the same year. This segment is anticipated to grow at an annual rate of 10.75% between 2024 and 2028, resulting in a market volume of US$1,419.00bn by 2028. When compared globally, China is expected to generate the highest value in the Real Estate market, with a projected value of US$135.70tn in 2024. Uzbekistan's real estate market is experiencing a surge in foreign investment, driven by favorable government policies and a growing economy [17].
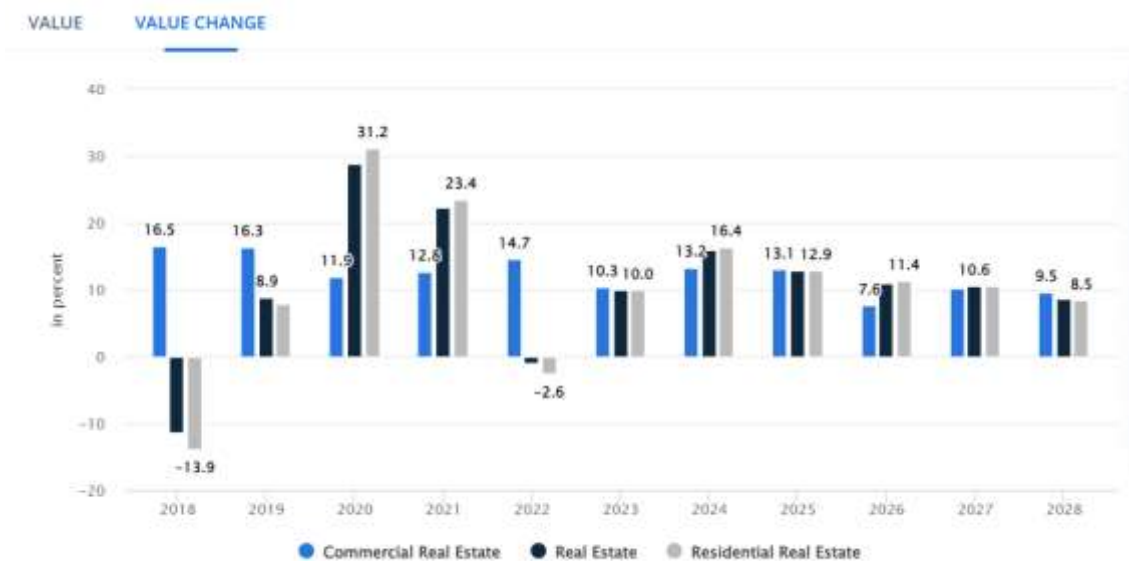
Figure 2. **Market capitalization of the real estate and its average value**[18].

According to the President of Republic of Uzbekistan law of PF-51 at 13.04.2023, called "on measures for implementation of the program to provide the population with housing through market-based mortgage loans in 2023", in order to form a modern and stable system of providing mortgage loans to individuals, provide targeted support by the state to families in need of improving their housing conditions, attract financial resources in local and international capital markets, and then direct them to refinancing mortgage loans:

- Starting from May 1, 2023, the following changes should be made to the current procedure for providing housing to the population through mortgage loans based on market principles, in accordance with them: banks are allowed to use alternative methods of determining their solvency when granting mortgage loans to persons without official income, including the introduction of a scoring system that takes into account bank card circulation, rent, utilities and other expenses of borrowers not prohibited by legislation;
- Banks are given the right to set differentiated interest rates on mortgage loans provided without subsidies based on the amount of the initial contribution paid by the borrower, the duration of the grace period and other indicators;
- The procedure for issuing subsidy notices on preferential terms to teachers and production education masters of professional educational organizations teaching or conducting training in special subjects in engineering, processing and construction;
- The period of validity of notices on the provision of subsidies for mortgage loans for the purchase of housing or the construction and reconstruction of individual housing is set to 4 months;

- Applications for the allocation of subsidies for mortgage loans for 2023 will be accepted within the approved parameters from May 1, 2023 to December 1, 2023;
- The maximum amount of a mortgage loan allocated to one borrower for 2023 will be kept at the same amount as in 2022. Before the adoption of this Decree, subsidies will be allocated to persons who have a notice of subsidy provision in the terms and amounts valid in 2022.

CONCLUSION

This study set out to explore the econometric factors influencing customs fees in Uzbekistan, with a particular focus on taxable import volume, exchange rate, and total import volume using the Autoregressive Distributed Lag (ARDL) model. Through a detailed analysis of monthly data, several key insights have been uncovered that have important implications for policymakers, businesses, and researchers

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