



Real Estate Value and Mechanisms of Its Market Evaluation

Ishankulov Nizamjon Fayzullayevich

Candidate of Economic Sciences, Associate Professor of the Department of Banking and Accounting,

Kimyo International University In Tashkent,

tel: +99890-819-55-57,

e-mail: n.ishankulov@kiut.uz

Abstract: The article reflects the institutional foundations and mechanisms of real estate value and market evaluation in Uzbekistan. In particular, real estate and its market, comparative description of scientific-theoretical views on its evaluation, signs of real estate objects, classification of real estate markets, mechanisms related to regulation of evaluation activities were considered.

In the world, it is of central importance to focus on scientific research on improving the practice of real estate valuation and development of its market according to the conditions of the market economy.

Based on these, the scientific research conducted on the use of IT technologies and artificial intelligence in real estate valuation activities in the digital economy, and the provision of transparency in the real estate valuation process was studied. The need to collect uniform data on comparable elements in the valuation of real estate based on a comparative approach, to calculate the capitalization rate for discounting cash flows in the valuation of real estate for investment purposes, to improve the methodological aspects of prioritizing weight coefficients for valuation approaches, in particular, references from foreign experiences and research works of scientists given.

Keywords: *real estate, evaluation, real estate market evaluation, digital economy, mechanism, regulatory mechanism, regulatory instruments, subjects of evaluation activity*



This is an open-access article under the [CC-BY 4.0](https://creativecommons.org/licenses/by/4.0/) license

INTRODUCTION

In Uzbekistan, the primary objective is to accurately determine the actual market worth of property by conducting real estate valuation. This is done to evaluate the market value of real estate and safeguard legal rights and interests related to real estate. Additionally, efforts are being made to enhance the involvement of professional participants in the market for real estate valuation services. The Republic outlines the responsibilities of implementing ongoing institutional and administrative changes to safeguard the sanctity of private property and the independence of entrepreneurial endeavors, while also ensuring the enforcement of legal principles in this context [1]. One of the top priorities is to ensure the successful execution of this task, which includes determining the accurate market value of real estate, creating a centralized database of unorganized real estate transactions, enhancing property taxation practices by using foreign methods to determine the cadastral value of real estate, and aligning international valuation standards with national property valuation standards. A number of foreign and domestic economic scientists and practicing specialists have conducted research on the scientific and theoretical aspects of assessing real estate value and its market, including the institutional foundations of assessment activity. They have also explored the scientific and theoretical foundations for further enhancing the mechanisms of assessment. Specifically,

American economists such as J. Of Friedman. In the book "Analysis and Evaluation of Income-Generating Real Estate" authored by Ordway, the authors provide a comprehensive explanation of the real estate market as a complex network of market mechanisms that facilitate the generation, transfer, operation, and financing of real estate properties[2].

According to S.N. Goveyko, a CIS economist scientist, it is crucial to incorporate aspects of the digital economy into the evaluation of the real estate market. This includes utilizing databases, BigData, and artificial intelligence technologies that provide information about modern IT technologies such as cloud technologies, blockchain technologies, and data mining. These technologies are used to gather, analyze, access, and update the necessary information for assessment purposes. Considering the amount of development and transformation of the real estate market in different nations, it is vital to acknowledge that administrative regulation, including state assistance measures, plays a significant role in this topic. Thus, it is anticipated that the real estate market, including the housing sector, will get varying degrees of government assistance in each country's development. Simultaneously, the extent of official assistance differs across countries, resulting in disparities in the establishment of housing systems between developed and developing nations. A. Scientists from our country, as reported by The Economist. Nabikhodjaev proposes utilizing the inflation index to determine the capitalization rate employed in the valuation of real estate using an income-based method. It is important to ensure that the inflation index aligns with the currency used for the calculation. Base inflation is a component of overall inflation that measures the fluctuation of prices for goods and services, excluding the impact of administrative and seasonal factors on pricing [4].

Methodology. Various methods, such as scientific abstraction, comparison method, expert assessment, economic observation, monographic study, sociological observations, and analysis of their results, were employed to evaluate the worth of real estate as a significant sector of the economy. The real estate market is crucial due to its role in facilitating economic activities, industrial operations, housing provision, and the associated financial and economic relationships. The following is a description of the scientific and theoretical views of both international and indigenous economists addressing the concept of real estate.

N.V. Gorodnova and N. In Mavrina's research focuses on the economic aspects of managing the real estate market. They note that historical evidence shows that legal approaches to the real estate market, which involve relationships with residential areas, predate the economic approaches that are currently described in the market. During the ancient Roman Empire, the legal interpretation of the "real estate" category was established. At that time, estates were classified into two main categories: moveable and immovable. Regarding this matter, the scientific research examined the roman-germanic legal system's assessment of all creations that were derived from the efforts of others, specifically focusing on Roman law's impact on many aspects such as state-owned land plots, subsurface natural resources, and lands classified as "real estate" belonging to the owner. Regarding this matter, the plot of land was deemed to be immovable in nature. The term "res soli" refers to everything on land, whether it is a natural or manufactured component of the Earth's surface. It is important to mention that, according to their viewpoint, it is seen that the thing related with the earth, whether natural or man-made, that is added to its surface is a fundamental part of the Earth. Furthermore, by thoroughly examining the scientific and theoretical underpinnings of the real estate concept and the corresponding feedback, it is feasible to present the following comparative table.

Table 1.

Comparative description of scientific and theoretical views on real estate and its market, its assessment

Authors of the approach	The content of approaches, definitions, expressed feedback
J.Friedman	The real estate market is a set of specific mechanisms through which property rights and related interests are transferred, prices are set and space is allocated between various competing land uses.
John William	Examination of the behavior of the price in the real estate market requires the isolation of data by categorizing the market. Market characteristics consist of dominant attributes, which determines demand and determines the boundaries of other markets. In addition, the expansion isolates data data that removes non-market distortions leading to the market in the market.
Tarasevich E. I.	The real estate market is a system of agreements in which buyers and sellers come together to determine the exact price at which a certain exchange of goods can be carried out, such as real estate.
Volkov D. L.	The real estate market is an economic and legal space in which the interaction of the supply and demand of all buyers and sellers of real estate, which exists at a

	certain time, and with which the totality of all current operas is carried out.
Balabanov I. T.	The real estate market is a system of economic relations arising from the sphere of capital investments in real estate and operas related to real estate. This relationship consists of the sale and purchase of real estate between investors, the mortgage, the lease of real estate to a trustee, and x.k.
Smirnova I. V.	The real estate market is a local formation, since its objects are immovable, specific, and their value largely depends on the external environment (political, economic, social, environmental situation in the country and region) and is segmented, since different users have different characteristics
Maksimov S. N.	The real estate market is an interconnected system of market mechanisms that ensure the creation, issuance, use and financing of real estate.
Gryaznova A. G.	The real estate market refers to the purchase and sale of various properties. The condition for assessing real estate is to take into account the peculiarities of the activities of the real estate market.
D. V. Vinogradov	The real estate market is a system of legal, economic, organizational and cultural relations between the subjects of the real estate market on the rights and obligations arising from the creation, formation, distribution, exchange, consumption of useful property, as well as ownership. real estate objects.
Asaul A. N.	The National (Domestic) real estate market is a set of development asynchronies, prices and risk levels, efficiency of investments in real estate and, in particular, legislative status, political and Social markets. stability. In terms of entrepreneurial and commercial activities carried out by real estate market entities, it has its advantages and disadvantages.

In places where English is given precedence, the term "real estate" is represented using words that have two distinct meanings. Comprising:

1. The term "Real estate" can be understood as a "real immovable object" or a physical substance.
2. "Real Property" is a direct translation of "real estate" and refers to "the right to own a physical object". Typically, international research and development efforts prioritize the incorporation of four elements under the "real estate" category, namely as a tangible entity [7]:

1. Parcel of land;
2. Immobile structures on the surface;
3. Subterranean natural resources;
4. Empty spaces in the atmosphere.

The indicators that establish the fundamental characteristics of real estate objects can be classified into two categories: general indicators and specific indicators that pertain to a particular object. Aside from the primary characters of real estate properties, there are also private (special) characters that can be identified based on their nature. The image below demonstrates the identification of these distinctive markers using unique indicators that are associated with the same real estate. (See Figure 1).

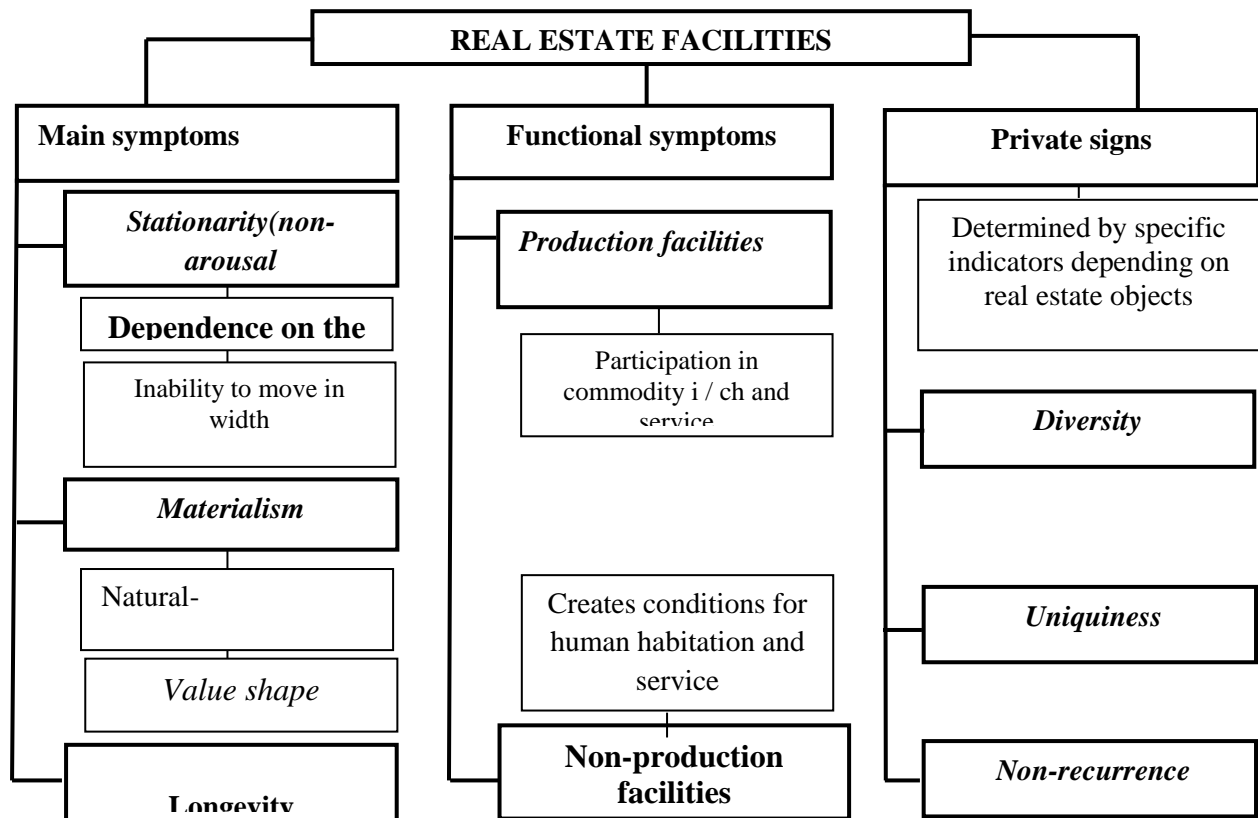


Figure 1 displays indicators of real estate properties. Real estate properties possess significant economic worth due to their long-term utility and non-consumable nature. Real estate properties are distinguished by their intricate construction. When discussing the organization of the real estate market, it is recommended to employ three primary methodologies:

- Institutional perspective;
- Typological approach;
- Reproductive methodology.

The institutional method to describing the structure of the real estate market focuses primarily on the legal norms, rules, and standards that define the various activities within the market. It is recommended to emphasize the primary institutions of the real estate market:

- governing bodies overseeing the regulations and requirements for the operation and growth of the real estate market, including those at the state, regional, and local levels;
- Independent assessment institutions in the real estate sector include assessment organizations, associations, and associations.
- Institutions involved in the development of the real estate market encompass commercial banks and other entities such as investment funds and target funds, which participate in their activities through a guaranteed lending mechanism.
- The Institute of real estate market managers comprises realtor organizations, public and private notaries, construction organizations, real estate tenants, real estate sellers, as well as self-regulatory and public-professional associations of real estate market participants, among others.

2) The classification of operations in the real estate market is necessary based on the kind of object, which includes land, artificial structures, and property rights linked with them. These objects are regarded to be part of civil-legal relations. This technique allows for the identification of the following:

- Real estate market for land plots;
- Market for artificial structures;
- Construction market, etc.

3) The reproductive or re-production method describes the market structure by focusing on the financial and economic-legal relationships that occur during the life cycle of real estate reproduction (Figure 2).



Figure 2 depicts the categorization of real estate markets. Results. Based on the analysis, it can be concluded that the real estate market is a comprehensive sector that has features with markets for products, investments, and services. Within this market, real estate rights encompass the financial and commercial relationships involved in the purchasing, selling, determining, managing, and cultivating of the market value of real estate properties. Today, the regulation of assessment activities involves the state coordinating and improving the methodological support, regulatory framework, and licensing of participants in assessment activities, especially professionals. This includes granting qualification certificates to assessors. Overall, the regulation of this activity is a complex mechanism that encompasses the assessment services market. Assessment services are a significant component of the services sector, as they are subject to ongoing change and regulation. The figure below (Figure 3) illustrates the mechanisms associated with the regulation of assessment activity.

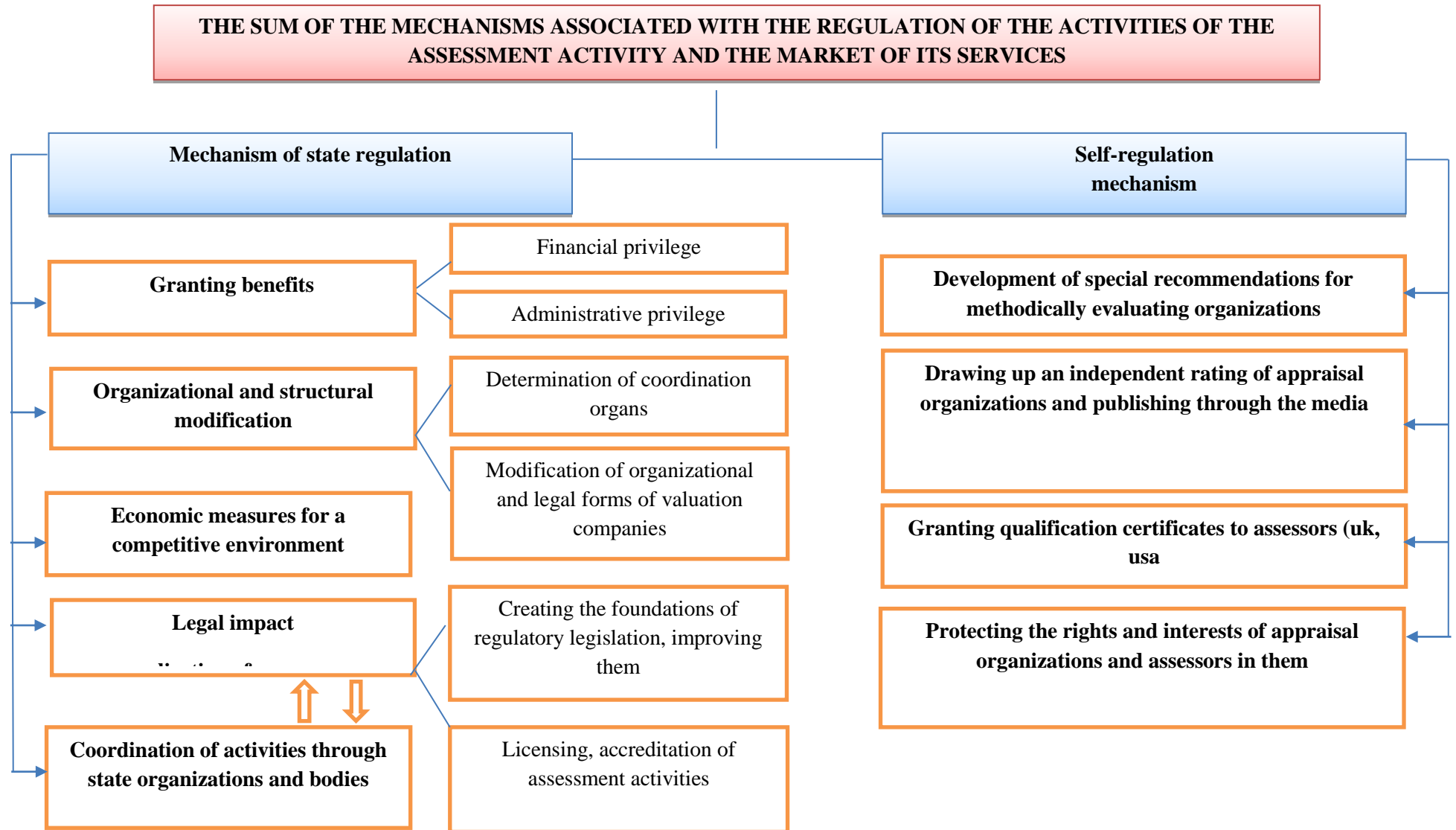


Figure 1.6. Mechanisms related to the regulation of assessment activities

Figure 3 illustrates the mechanisms involved in the regulation of assessment activities. When examining the overall mechanisms involved in regulating assessment activities, the mechanism for self-regulation and coordination of activities was identified. The mechanism of self-regulation plays a crucial role in the organization of assessment activities, according to the functional-structural scheme of regulation. The institutional framework governing assessment operations is intricately linked to the socio-economic policies of the country, as is the case in other domains. One of the fundamental functions of the state is to facilitate the development of activities carried out by state entities, organizations, and public groups that form the institutional order. Discussion or argument about a particular topic, often involving opposing viewpoints. The structure of the regulatory mechanism for assessment activities is designed to enhance the development of the property value assessment services market. This structure encompasses instrumental, institutional, and functional components, which are described in a mutually dependent manner. Our government use unified property valuation standards, known as MBS, to evaluate real estate. The primary objective of MBS is to define the standards and regulations governing the determination of real estate value, including the criteria for information, the process of assessment, the methodologies and methods used in assessment, and the requirements for documenting the assessment results. What follows Real estate objects are assets that are subject to universal guidelines for mortgage-backed securities (MBS) assessment.

- Unoccupied (undeveloped) land parcels;
- Land parcels where the castle was constructed (land parcels where enhancements were implemented). The assessment of objects is based on the consideration of their property rights (both material and obligation), the presence of rights imposed by other individuals, and any restrictions on these rights. When conducting an assessment for the purpose of preparing a financial report, real estate is categorized based on the intended objectives of its ownership.
- Commercial real estate utilized for business operations; - Investment real estate utilized for generating rental income or increasing capital value; - Excess real estate utilized for business production needs; - Real estate intended for acquisition and development purposes;
- Real estate utilized as reserves for commodities.

If there are no documents proving the property rights of third parties, any restrictions on the use of the property, or any rights imposed by other individuals, the appraiser will assess the value of the real estate assuming that there are no such rights or restrictions.

In conclusion. An analysis of the condition and trends in the growth of the real estate market was conducted as a consequence of the investigation. The study organized many methodological techniques to evaluate the real estate market, encompassing both practical and methodological aspects of measuring the value of real estate for different reasons. The study yielded data that led to the development of scientifically grounded ideas and practical recommendations. These proposals and recommendations were based on sophisticated international experiments and aimed at enhancing the methodology for evaluating the real estate market. Throughout the investigation, the following scientific and theoretical conclusions were produced regarding the subject matter:

1. The evaluation of the real estate market relied on the utilization of market data and other comparison factors specified by the law to determine the true fair value of a property.
2. The analysis of the current state of the real estate market revealed that the lack of a comprehensive database, which includes the reliance on informal social networks for property evaluation using a comparative approach, cannot provide a complete conclusion about similar elements in comparable assessment objects.

References:

- Law of the Republic of Uzbekistan "on assessment activities". (Bulletin of the OECD, 1999., No. 9, p.208; collection of legislation of the Republic of Uzbekistan, 2006., No. 14, p.110; 2009., No. 15, p.178; 2014., No. 20, p. 222
- Фридман, Дж. Анализ и оценка приносящей доход недвижимости. М; 1995. 189 с.
- Говейко С.Н. Технология блокчейн: новые возможности // Достижения науки и образования, 2018. № 15(37). С. 17.
- Набиходжаев А. Инфляция: ташқи омилар таҳлили. Iqtisodiyot va ta'lim / 2022-yil 5-sop.
- Экономические аспекты управления рынком недвижимости: Учебное пособие / Н.В. Городнова, И.Н. Маврина ; Мино науки и высш. обр. РФ.— Екатеринбург : Изд-во Урал. 2020.— 104 с.
- Trinh, T. H., & Long, P. H. Market behavior on the digital platform. Studies in Computational Intelligence, 983, 457–469 с.