

DETERMINING THE ECONOMIC EFFICIENCY OF REAL ESTATE PROJECTS

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Аннотация: В данной статье анализируются место и роль инвестиций в недвижимость в экономическом развитии. Описываются виды инвестиций, их влияние на экономику, текущая ситуация и реформы в секторе на примере Узбекистана. Также рассматриваются риски, связанные с инвестициями, стратегии управления ими и перспективные направления. Статья представляет собой полезный аналитический материал для инвесторов, специалистов и политиков, работающих в сфере недвижимости.

Ключевые слова: недвижимость, инвестиции, экономическое развитие, инфраструктура, строительный сектор, инвестиционная среда, коммерческая недвижимость, жилая недвижимость, промышленная недвижимость, социальная инфраструктура, рабочие места, налоговые поступления, управление рисками, экономика Узбекистана, право собственности, государственно-частное партнерство, зеленое строительство, умные дома, капитальные вложения, финансовый риск.

Abstract: This article analyzes the place and role of real estate investment in economic development. It examines investment types, their impact on the economy, the current situation, and reforms in the sector, using Uzbekistan as an example. It also discusses investment risks, management strategies, and promising areas. The article provides useful analytical material for investors, specialists, and policymakers working in the real estate sector.

Keywords: real estate, investment, economic development, infrastructure, construction sector, investment climate, commercial real estate, residential real estate, industrial real estate, social infrastructure, jobs, tax revenues, risk management, economy of Uzbekistan, property law, public-private partnerships, green construction, smart homes, capital investments, financial risk.

Introduction. The economic development of any country depends on a number of factors, among which investment, especially real estate, occupies a special place. Investments in real estate not only develop construction and infrastructure but also have a positive impact on many other sectors. This article comprehensively examines the place and role of real estate investment in economic development. The real estate market is a vital component of the economic system, and its stability and efficiency depend on accurate property valuation. Valuation methods based on economic indicators, particularly mass appraisal, regression analysis, and comparative cadastral value indicators, play a significant role in determining real estate values.

Decree No. PF-43 of the President of the Republic of Uzbekistan dated March 5, 2025, "On the Introduction of a Mass Real Estate Valuation System" is one of the key documents addressing the implementation and widespread application of modern methods and mechanisms for determining real estate valuations close to market value and creating favorable conditions for the growth of economic assets of the population and entrepreneurs (Decree, 2025). In Section I. Building a People-Centered State through the Further Development of Human Dignity and a Free Civil Society, the "Development Strategy for the New Uzbekistan for 2022–2026" of the President of the Republic of Uzbekistan Sh.M. Mirziyoyev dated January 28, 2022, stipulates that "it is necessary to enhance the role of Kengashes of People's Deputies in resolving local issues, strengthen their responsibility for the socioeconomic development of regions, improve the



standard of living of the population, and form and oversee the local budget" (Decree, 2022). Decree No. PF-43 of the President of the Republic of Uzbekistan dated March 5, 2025, "On the Implementation of the Mass Real Estate Appraisal System" established the following: The main directions of the public appraisal system are defined. Prior to this Decree, the mechanism of documents directly regulating real estate appraisal at market prices had not been updated to meet current requirements. The ineffectiveness of administrative mechanisms for real estate appraisal requires a systematic approach through the development and widespread application of scientific proposals and practical recommendations for its appraisal.

Today, property taxes are in effect in over 100 countries worldwide. Some countries do not have property taxes. For example, Estonia does not tax property. Slovakia and Sweden are also among these countries. Each country has its own property tax system. Internationally, property taxes are levied on land and the buildings and structures erected on them, intended for residential or commercial purposes. Some countries have replaced both property taxes and land taxes with a property tax, combining the two (USA, Italy, Spain, Japan, etc.).

The data in this table shows that for taxation purposes, the primary tax base is the determination of property value based on market prices. Determining property value close to the cadastral or market value increases the competitiveness of the property and serves to protect the rights of the owner. A variety of methods for determining the value of real estate meets the mutual interests of both parties.

These methods ensure the objectivity and accuracy of real estate valuation. An influx of liquid assets represents the excess of rental income over total operating expenses and debt service payments. Only this can ensure a rate of return on net assets that is attractive compared to other investment options. Global experience has shown that, in addition to hedging against inflation, real estate investors have good prospects for increasing the value of land and other real estate assets. Landowners can benefit from the appreciation of land as the area becomes urbanized, while property owners can benefit from the increased replacement value of their buildings and premises. Moreover, one of the most important tools for accelerating the accumulation of cash associated with real estate is the increase in the unencumbered share of ownership. Among other benefits of investing in real estate is the wide range of opportunities to use borrowed funds, alongside equity, to increase the return on investment and, ideally, the rate of return. Real estate investments typically yield a higher rate of return than bank interest rates, which is a compelling argument for lenders. Skillful use of credit for real estate investments can also significantly increase investors' capital. Among other advantages of real estate investments, foreign experts unanimously note the high degree of security of such investments compared to stocks and bonds. Speaking of investment reliability, it's worth mentioning that pension funds and insurance companies—a symbol of cautious investment policy—in Western countries invest in a wide range of properties across various industries (residential, administrative buildings, retail outlets, etc.) located in various areas. Since each property has unique characteristics, investing in real estate offers the potential for generating monopoly profits.

Conclusion. Real estate valuation methods based on economic indicators allow for an objective and accurate assessment of a property's value. Methods such as the public valuation system, regression analysis, CCA-based modeling, gross rent multiplier, and replacement cost are effective tools for valuing a property. These methods ensure the reliability and accuracy of property valuation, which is essential for economic decision-making. Furthermore, the correct selection and application of valuation methods increases the transparency of the real estate market and reduces risks for investors and entrepreneurs. Reforms implemented in this area in our country, in particular the introduction of the public valuation system, are contributing to the development of a comprehensive valuation system based on modern economic modeling



methods and digital technologies. In the future, by improving real estate valuation methods, adapting them to international standards, and expanding the base of economic indicators, valuation processes will become more accurate, faster, and fair.

The investment climate and legislation of the country play a significant role in real estate investing. Investors are provided with guaranteed property rights, title deeds for land and buildings, tax breaks and privileges, and government support programs. Under favorable conditions, domestic and foreign investors will actively invest in real estate. 5. The Status of Real Estate Investment in Uzbekistan In recent years, Uzbekistan has seen rapid development of the real estate sector. Large multi-story residential buildings, shopping and office centers, and hotels are being built in the capital and regional centers. The government is implementing the following reforms in the real estate sector:

- Simplified construction permit system

- Guaranteed property rights for foreign investors

- Implementation of projects through public-private partnerships

- Construction of new cities and towns

This annually increases the overall volume of real estate investment.

6. Risks and Risk Management

Real estate investments are also associated with risks, and measures must be taken to mitigate them. Risks include fluctuations in market prices, changes in tax policy, construction delays or suspensions, and potential downsides such as legislative changes. To mitigate these risks, it's important to conduct a thorough project analysis, diversify risks, work with experienced lawyers and financial advisors, establish an insurance system, and so on.

7. Future Outlook

With technological advances, urban expansion, and population growth, the demand for real estate will continue to grow in the future.

Socioeconomic efficiency is multifaceted and takes into account the needs of internal and external stakeholders. The scientific and methodological substantiation of assessing socioeconomic efficiency lies within the field of project analysis [8].

Project analysis is a methodology used to identify, compare, and justify alternative management decisions regarding the feasibility of implementing an investment project based on its comprehensive assessment. This methodology includes: analyzing the impact of the future planned activity on the environment and society; preventing the creation of facilities whose use violates the rights of individuals and legal entities, the interests of the state, or does not meet established standards (norms and regulations); and assessing the effectiveness and feasibility of investments. Project analysis is one of the main types of work (research method) performed by the project initiator at the pre-investment stage to determine the socioeconomic efficiency of the project, the range of risks, the feasibility of project implementation, and the organization of its financing.

Conclusion. In recent years, researchers have noted the destructive socio-environmental and economic impact of investment projects on the territories where they are implemented, accompanied by negative consequences, the mitigation of which is often carried out at the expense of public funds. In this regard, it is crucial to address the organizational and economic issues of reducing the "ecological footprint" of business projects. A tool for such monitoring is the socio-economic assessment of investment projects. The assessment involves studying and measuring the expected results, determining the effectiveness of investments and the consequences of business projects, taking into account the social responsibility of the project initiators. Within the investment regulation system, the assessment and evaluation of investment projects plays a key role, as the economic, social, environmental, technical, technological, and



resource parameters of the investment object, defining its characteristics, are established at the project documentation development stage. Environmental safety and the prevention of potential social consequences depend on the assessment of investment project indicators.

Real estate investments are a key factor in economic development. They not only create new jobs but also modernize infrastructure, enhance market activity, and increase budget revenues. Positive reforms and initiatives implemented in Uzbekistan in this area are ensuring rapid development. In the future, real estate investments will be implemented on a larger scale based on a strategic approach and modern technologies.

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