
**THEORETICAL FOUNDATIONS AND ANALYSIS OF REAL ESTATE
VALUATION METHODS**

Dildora Shukhratovna Mirdjalilova

Associate Professor, Tashkent Institute of Architecture and Construction, PhD

ORCID: 0000-0002-7993-6009

Nargiza Utkirovna Yusupdjanova

Associate Professor, Tashkent Institute of Architecture and Construction

Saidrasulkhojayev Saidakbarkhoja Bakhodir ogli

Master's Student, Tashkent Institute of Architecture and Construction

Saidakbar629@mail.ru

Abstract

This article examines the significance of real estate appraisal activities in our country under market economy conditions and investigates the main methods of valuation. The primary approaches to improving the process and methods of real estate appraisal have been identified. The theoretical foundations of appraisal activities and their practical application have been studied.

Keywords: Real estate market, real estate valuation, real estate objects, income approach, comparative approach, market approach, economic assessment of real estate, legal foundations of property valuation, property rights.

Introduction

In a market-oriented economy, the economic valuation of production tools and goods, labor resources, consumer products and services, intellectual property, financial capital, and various types of securities plays a crucial role. Today, the accurate and fair valuation of real estate assets has become a key component of economic relations. Real estate appraisal is essential not only for financial transactions such as sales, mortgages, and insurance but also for investment decisions, taxation, and meeting state requirements.

Economic valuation is a complex, multidimensional, multi-factor, and multi-stage system that permeates all aspects of human life and every component of the process of social reproduction. Within this system, the appraisal of real estate

holds a special place, as it reflects the most significant, stable, and visible portion of the material wealth accumulated by society and individuals.

In Uzbekistan, studying the methodological foundations of real estate appraisal and improving related processes will contribute significantly to the development of the national real estate market infrastructure. As noted by the President of the Republic of Uzbekistan, "Appraisal services, an important part of the service sector, play a crucial role in determining the real value of assets, privatization, securing loans, and more. Therefore, comprehensive efforts are being made to enhance the professionalism and quality of appraisal services and to strengthen the responsibility of valuation firms in ensuring objectivity and reliability."

A systematic approach to organizing real estate appraisal in our country—considering the unique features of economic reform and drawing on the extensive experience of foreign countries—will serve as a vital factor in securing the future development of the field.

Although the concepts of valuation and appraisers began to emerge in Uzbekistan in the late 1990s, the demand for appraisal services arose during the early transition from a centrally planned to a market economy. During this period, the state assumed the primary role in regulating reform processes, including those related to valuation, ensuring a smoother institutional transition. As in other developed countries, the evolution of appraisal services in Uzbekistan is an integral part of building a legal and democratic society based on market principles. Historically, nearly every country with a developed market economy has established national valuation systems for real estate, enabling effective appraisal of land plots, buildings and structures permanently attached to land, linear infrastructure, and other types of immovable assets. The most successful models can be observed in countries such as the United Kingdom, Germany, the United States, France, Sweden, Austria, and others.

Over recent years, as market infrastructure has expanded in Uzbekistan, valuation activities have developed and matured, ultimately becoming an independent sector of the national economy.

Review of Related Literature

Issues related to real estate valuation are widely studied by both foreign and domestic scholars. This is due to the role of real estate in the formation of gross

domestic product and its close interconnection with other elements of the market system, such as the consumer goods market, investment and financial markets. In particular, the topic of real estate valuation is reflected in the scientific work of numerous foreign scholars such as Stephen F. Fanning, MAI, AI-GRS, Deborah L. Brett, Adrienne Schmitz, Jack P. Friedman, Jack C. Harris, Rayfield Skinner Jr, Joshua Kahr, Michael C. Thomsett, and Ashley Marie.

Among scholars from the Commonwealth of Independent States (CIS), significant contributions to the study of real estate valuation have been made by T.G. Kasyanenko and A.N. Asaul.

In Uzbekistan, certain issues of determining the market value of real estate objects have been studied in the scientific research of R.H. Alimov, A.N. Kravchenko, B.Yu. Khodiev, V.B. Berkinov, K.B. Ganiev, G.I. Ganieva, D.R. Abdikarimova, G.M. Bekimbetova, V.U. Yodgarov, D.Sh. Mirjalilova, A.N. Jabriyev, and others.

The above-mentioned foreign and Uzbek researchers have conducted numerous studies in the fields of the real estate market, real estate management, and property valuation.

Stephen F. Fanning, in his book “Market Analysis for Real Estate” (Second Edition), provides an in-depth study necessary for assessing real estate and identifying demand and supply for various property classes. He demonstrates how market techniques are applied in real-world appraisal and complex market research scenarios.

Deborah L. Brett and **Adrienne Schmitz**, in “Real Estate Market Analysis: Methods and Case Studies” (Second Edition), explore the evaluation of various property types including residential, retail, office, industrial, and mixed-use developments. The book outlines how to begin market analysis, where to gather information, and how to apply core techniques across different development types.

Jack P. Friedman and **Jack C. Harris**, in “Real Estate Handbook (Barron’s Real Estate Handbook)”, cover nearly every aspect of the real estate market including buying and selling homes, understanding mortgages, analyzing investment opportunities, and interpreting appraisal reports.

Rayfield Skinner Jr, in “All Things Real Estate”, presents a complete guide to succeeding in real estate. The manual covers understanding the fundamentals of valuation, mastering negotiation strategies, leveraging technology for marketing, and using investment strategies to maximize returns.

Joshua Kahr and **Michael C. Thomsett**, in “Real Estate Market Valuation and Analysis”, present key aspects of property valuation, real estate market analysis, and financial feasibility evaluation of development projects, including tools necessary to ensure market competitiveness.

Ashley Marie, in “The Real Estate Investing Blueprint”, reveals strategies for choosing the most profitable investments, avoiding costly mistakes, identifying underappreciated properties, and determining the best timing for selling real estate assets.

T.G. Kasyanenko, in her textbook “Otsenka nedvizhimosti” (Real Estate Valuation), discusses theoretical and methodological aspects of valuing various types of real estate. The book covers legal and informational support, transaction characteristics, and financing of real estate investments, with attention to legal regulation of appraisal practices.

A.N. Asaul, in “Otsenka obyektov nedvizhimosti” (Valuation of Real Estate Objects), provides a comprehensive understanding of theoretical and practical aspects of valuation. It highlights main concepts, legal frameworks, informational support, and the regulatory system in the Russian Federation, while illustrating international and local approaches with practical examples.

K.B. Ganiev and **G.I. Ganieva**, in their educational manual “Otsenka nedvizhimosti”, aim to familiarize specialists with the fundamentals of appraisal practices, covering both theory and practical problem-solving tasks, with real-world examples.

R.H. Alimov, **A.N. Kravchenko**, **B.Y. Khodiev**, and **V.B. Berkinov**, in their textbook “Ko’chmas mulkni baholash” (Real Estate Valuation), describe the technical, legal, and economic basis of property appraisal, defining its core

concepts, principles, and methods, with special attention to national and international standards.

D.R. Abdikarimova and **G.M. Bekimbetova**, in their manual “Ko’chmas mulkni baholash”, offer a complete appraisal report model that includes a description of the property, various valuation methods, and coordination of final results.

V.U. Yodgarov and **D.Sh. Mirjalilova**, in “Ko’chmas mulkdan foydalanishni tashkil etish va boshqarish” (Organization and Management of Real Estate Use), also explore practical issues relevant to the field in Uzbekistan (text continues...).

Research Methodology

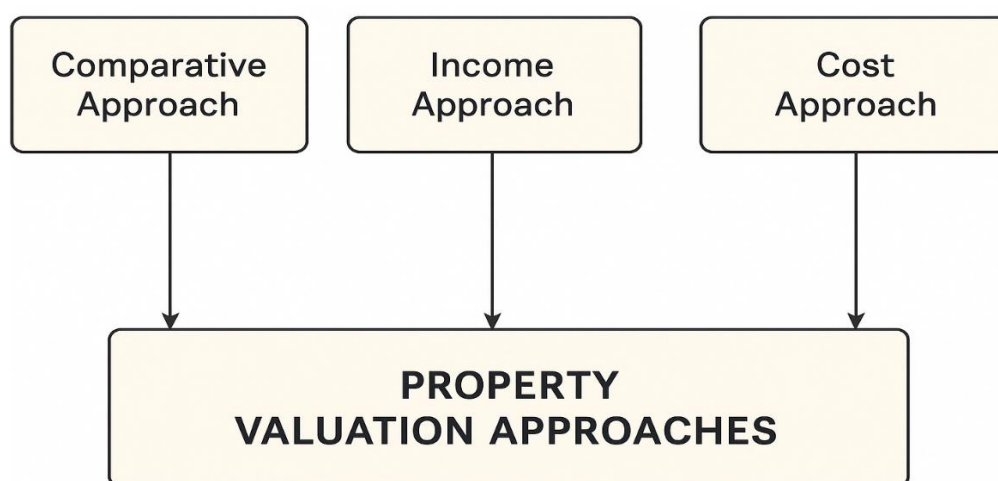
In this research, various methods have been used, including systematic and statistical analysis, scientific observation, analysis and synthesis, graphical interpretation, and comparison. These methods provided a comprehensive approach to the research, ensuring both theoretical and practical validity.

Analysis and Results

In recent years, due to the establishment of a necessary legal framework for appraisal services in the Republic of Uzbekistan and the creation of economic conditions for the active development of the sector, significant and meaningful results have been achieved in appraisal activities. In particular, the Decree of the President of the Republic of Uzbekistan No. PQ-843 dated April 24, 2008, titled "On Improving the Activities of Appraisal Organizations and Increasing Their Responsibility for the Quality of Services Provided," laid the initial steps for the state regulation of appraisal activities in the country's economic sectors, and for the development of property valuation activities as part of the ongoing reforms. Based on the Law of the Republic of Uzbekistan "On Appraisal Activities" and the Unified National Appraisal Standard (UNAS), a legal framework for this type of activity has been created that meets high international standards. Appraisal activities in the Republic have become a necessary element of nearly all economic changes, including the formation of related socio-economic relations. According to the legal documents on appraisal, the state certifies appraisal works, manages and coordinates them, with independent appraisal

organizations assigned the responsibility of carrying out these tasks. As a result, appraisal activities have become a type of entrepreneurial activity.

Today, in Uzbekistan, three main approaches to appraisal are applied: the comparative approach, the income approach, and the cost approach.



"1st Image. Approaches to Property Valuation"

The comparative approach is a set of methods for determining the value indicator by comparing the property being appraised with similar or comparable (analogous) properties with known prices. The comparative approach is based on the principle of substitution.

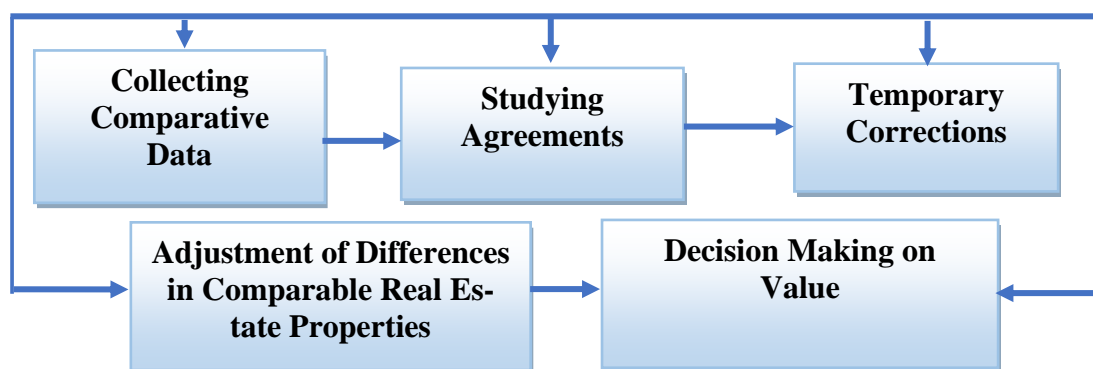


Figure 1. Sequence of Applying Comparative Approach

The income approach is a set of valuation methods based on determining the expected income from the future use of the asset being valued.

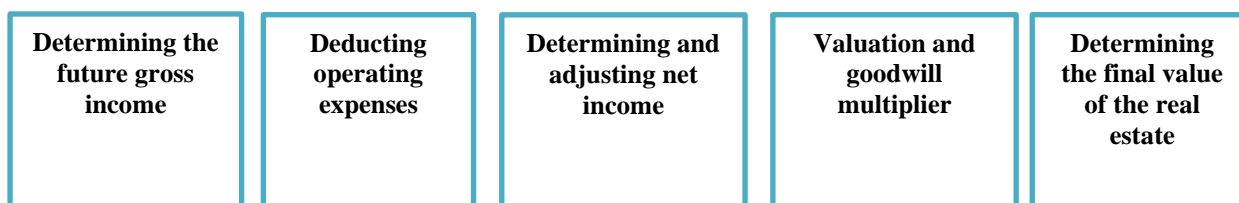


Figure 2. Sequence of Applying the Income Approach

The cost approach is a set of valuation methods based on determining all the costs necessary to acquire, reproduce, or replace the subject property, taking into account the total amount of depreciation.

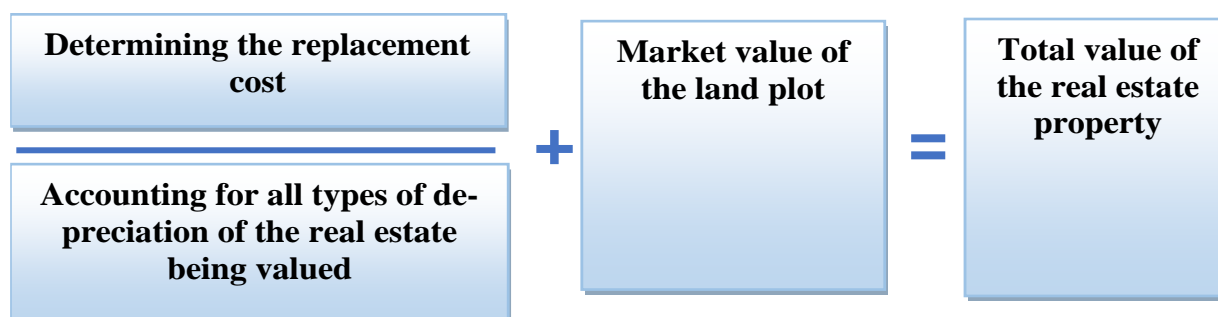


Figure 3. Sequence of Applying the Cost Approach

The methods of the comparative approach, including the sales comparison method, are considered a form of the widely used extrapolation method. In this approach, the experience of past market operations is applied to planned transactions, compared with the conditions of execution. The essence of this approach is based on one of the following two methodological processes:

- Selecting the most comparable property based on the parameters and terms of the new transaction—representing operations that have already been completed.
- Using the mathematical-statistical model of the correlation between the market value of the object and the market price, created from the set of previous transactions, in the calculations.

When it comes to the cost or income approaches, the concept of a balanced market price for any commodity requires considering the interests of both participants in the transaction—both the seller and the buyer—simultaneously. In this case, the seller's interest is to cover their costs, while the buyer's interest is to maximize the benefit from the purchased real estate. Therefore, applying

only the cost or income method as alternatives does not meet this condition and cannot guarantee obtaining an objectively based price norm.

Analyses show that the search for methods of economic evaluation of real estate objects aimed at determining the balanced market price has already become a pressing task.

Real estate economic evaluation is a set of methods and processes for determining the current value or modeling the expected objective value of an object. It should correspond to the market value that matches the economic conditions of the specific place and time. This value determines the consumer value and price of various real estate objects or their relatively identical sets (groups, types, subtypes).

The purpose of the evaluation is also of significant importance in conducting an economic evaluation of real estate objects. Today, a wide range of goals for the relevant evaluation activities can be found in literature. These include: buying, selling, and leasing; pricing; property tax calculation; property transfer; income from capital growth; inheritance and gifts; state land sales, and compulsory confiscation. In general, such a list shows that, in this case, an empirical approach prevails, and instead of systematization and generalization, specific cases are simply listed. If these cases are systematized and generalized, we believe that the main types of objectives for real estate economic evaluation could be limited to the following:

- The transfer of all property rights related to the real estate from one owner to another within a specific place and time frame, fully and continuously.
- Partial transfer of property rights from the owner of the real estate to a non-owner.
- The implementation of transactions that temporarily restrict or reassign property rights regarding real estate, without physically seizing it from the owner, within the terms specified in the contract.
- The control and management of real estate by the state.

Each of these established evaluation goals is distinguished not only by its economic content but also by the evaluation period (current market prices, short, medium, or long-term calculation indicators), the scope of the evaluation (single, limited choice, full coverage), required initial data, and other important characteristics. It is important to understand that differences in evaluation objectives require applying different initial data and procedures for evaluating

real estate objects. In one case, the most accurate value of the object for a specific place and time may need to be determined, while in another case, it may be necessary to define an acceptable value corresponding to the interests of all participants in the transaction. In the third case, it may be necessary to determine a highly liquid indicator with minimal restrictions and various risks, while in the fourth case, it may be required to identify the price parameters that best match the overall economic development conditions in the near future, and similar indicators.

Conclusion

The expansion of the processes of privatization, restructuring, privatization, and shares issuance of enterprises, the attraction of foreign investments, and the development of various operations involving property and non-property rights have led to an increase in the importance of valuation activities as an essential condition for regulating property relations at a high level between owners and the state, as well as between owners.

The development of our country, including the well-being of the people, is linked to the improvement of property relations. Therefore, it would be appropriate to develop a long-term program for the development of this sector. This program will create opportunities for modernizing and technically upgrading the key sectors of our economy, provide strong incentives for achieving new milestones in our country's economic growth, and help implement targeted projects related to the introduction of competitive and modern innovative technologies in the global market.

In connection with this program, there arises a need to develop a unified system for valuation activities within the infrastructure of the republic, which is aimed at carrying out comprehensive and structural reforms.

For the development of the valuation institution, it is necessary to resolve contradictions between various documents in the legislative base of valuation activities. This could be achieved by conducting an inventory of the legislative and normative documents on valuation activities, and based on the results of the inventory, introducing amendments and additions to the relevant regulatory and legal documents.

In the development of the methodological basis, it is beneficial to create personal websites for the valuation organizations and constantly support them. Each

website should reflect information about the organization's activities, its staff, experience, rating, the scope of services provided, and customer feedback.

Furthermore, in order to exchange experiences and develop the methodological basis for valuation activities, it is necessary to intensify work with public professional organizations from different countries and improve educational programs for training highly qualified valuation specialists in cooperation with higher education institutions in the republic. It is also important to participate in controlling the quality of education during the learning process.

To enhance the international reputation of valuation organizations in the republic, it is essential to join international valuation organizations such as the European Group of Valuers' Associations (TEGoVA) and the International Valuation Standards Committee (IVSC) and ensure future active participation in their activities. Additionally, it is necessary to provide practical assistance in training valuation specialists in our country to obtain the "Royal Institute of Chartered Surveyors" (RICS) international certification and organize exams for them.

Given the importance of real estate valuation in the context of market-based commodity-money relations, and the wide demand for its practical application, it is advisable to apply classificatory approaches to enhance the effectiveness of this specific activity.

In conclusion, real estate valuation plays an important role in determining the value of real assets in the market economy. By harmonizing theoretical foundations with practical implementation and introducing digital technologies, it is possible to increase the reliability of this field. Furthermore, it is necessary to continue systematic reforms to further develop valuation activities in Uzbekistan.

References

1. The Law of the Republic of Uzbekistan "On Valuation Activities" No. 811-I dated August 19, 1999.
2. The Speech of the President of the Republic of Uzbekistan at the plenary session held on March 27-28, 2009, regarding amendments and additions to the "On Valuation Activities" Law.

3. Annex to the Order No. 01/11-14/29 of the Director of the State Assets Management Agency of the Republic of Uzbekistan dated October 25, 2023. The Unified National Valuation Standard of the Republic of Uzbekistan.
4. M.K. Ziyaev, D.Sh. Mirdjalilova, O.A. Abdulmuttalibov. "Valuation Activity and Its Development in the Republic of Uzbekistan." International Science Journal "Polish Science Journal". ISSUE 4(37) Part 1, 2021. Link
5. V.U. Yodgorov, D.Sh. Mirdjalilova. "Tendencies and Future Prospects of Real Estate Valuation Activity Development in the Republic." "Architecture Construction Design" Journal, Issue 1, 2013.
6. A.N. Djabriyev. "Property Valuation and Its Legal and Normative Foundations." 2022.
7. V.U. Yodgarov, D.Sh. Mirdjalilova. "Organization and Management of Real Estate Use." 2014.
8. Jack P. Friedman, Jack C. Harris. "Real Estate Handbook (Barron's Real Estate Handbook)," 2013.
9. Rayfield Skinner Jr. "All Things Real Estate," 2023.
10. Joshua Kahr, Michael C. Thomsett. "Real Estate Market Valuation and Analysis," 2005.
11. Ashley Marie. "The Real Estate Investing Blueprint: A Beginner's Guide to Becoming a Landlord, Building a Property Portfolio, and Generating Income from the Housing Market," 2023.