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## STAGES OF REAL ESTATE VALUATION WHEN OBTAINING BANK LOANS IN UZBEKISTAN

**Abstract:** Among the elements of a market economy, a special place is occupied by real estate, which acts as a means of production (land, administrative, industrial, warehouse, commercial and other buildings and premises, as well as other structures) and an object or object of consumption (land plots, residential buildings, cottages, apartments, garages). Real estate is the basis of personal existence for citizens and serves as the basis for economic activity and development of enterprises and organizations of all forms of ownership. There is an active formation and development of the real estate market in Uzbekistan and an increasing number of citizens, enterprises and organizations are involved in real estate transactions.

**Key words:** real estate valuation, determination of the market value of real estate, a comparative approach to real estate valuation, bank loans.

**Language:** English

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### Introduction

Everyone knows that real estate prices on the Russian market are very high, whether it is secondary housing or square meters in a new building. For most people who have a stable average income, it is almost impossible to acquire ownership of an apartment. It will take a long number of years to save for such an acquisition, and no one can postpone the solution of the housing issue for decades, as well as the high cost of rent for housing pushes people to mortgage loans to buy real estate. Real estate valuation is currently relevant. Therefore, residential real estate is taken as an example of a phased assessment.

### Main part

The first stage in the evaluation process: set a task and conclude a contract for the evaluation of the object, develop an evaluation plan. The assessment

can begin with a study of the properties of the property. Next, we will determine the scope of the assessed property rights, because the customer may have a certain share in the partnership or only the right to lease, the property may be encumbered with collateral, mortgage, lease, mortgage and other restrictions (encumbrances) [1].

Determine the valuation date, since the market and market conditions may change over time, so the whole process of analyzing the analysis of information must be tied to a specific date. It is necessary to determine the purpose of the assessment for the customer (insurance of the object, its sale or obtaining a mortgage against its collateral), to disclose the restrictive conditions. Restrictive conditions may relate to the amount of information provided by the customer, the possibility of a thorough visual inspection of the object [2].

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The second stage: analysis and collection of adequate market information, making conclusions about the conditional variant of the best use of property, studying the factors of supply and demand. This information should include general factors affecting the value of the object, real estate at the regional level, special information about factors affecting the local level, and specific information about the features of the assessed site and the improvements on it that affect the value of the object [3]. The real estate market currently includes office buildings, residential apartments and rooms, premises, industrial and commercial buildings, cottages, cottages and rural houses with land plots. It is necessary to take into account the regional characteristics of the real estate market [4].

For example, it is impossible to determine the motivation of buyers' behavior, their plans for the use of the property, their preferences, and often potential buyers themselves. The experience of examination of reports on the evaluation of residential real estate objects carried out within the framework of audit procedures shows that these features of regional markets are either simply ignored by most appraisers, or are solved purely formally. The latter is partly due to an attempt to give the assessment report the appearance of validity, in the spirit of its understanding by the interpreters of federal assessment standards.

The danger of this state of affairs lies both in the potentially significant distortion of the evaluation results, and in the fact that the cost estimate performed in this way does not help the real user in any way to understand and evaluate the logic of real market pricing, and at worst asserts the existence of artificially invented illusory dependencies [5].

The cost of real estate is determined based on a number of factors: physical, economic, social, political, administrative, legal. Only after analyzing all of them, it is possible to evaluate real estate objects. There are many price-forming factors that reduce or increase the cost per square meter, both to a small and significant extent. They are divided into two large groups: price-forming factors for urban settlements and price-forming factors for rural settlements [6]. Further, the price-forming factors are divided according to the following characteristics: location, socio-economic development, environment, infrastructure, etc.

As a rule, the administrative center of the region of the Republic of Uzbekistan has a higher economic potential than the municipalities within it. In turn, not all municipalities are at the same level of economic development [7]. Belonging of a locality to more economically developed municipal districts, as a rule, increases the value of real estate objects that are located on its territory. The real estate market in the administrative center, like all other markets, is not homogeneous. The central districts of the city are

more developed due to the concentration of cultural and historical attractions, more places of leisure, catering and, accordingly, are characterized by a higher population density compared to the outskirts of the city.

Real estate in the center, as a rule, is more expensive. as for the region, real estate objects located closer to the center of a particular locality or to the administrative center have a more developed infrastructure and, consequently, a higher cost. In addition to the proximity to the center, the surrounding area influences the value of real estate: proximity to recreational facilities, transport interchanges, roads or to other objects that have both positive and negative price-forming influence [8]. Thus, for the end consumer of the real estate market, location and environment are very important criteria when choosing a real estate object, depending on the type of real estate and the purposes of further use [9].

We can say that these characteristics. objects are the main factors that determine the specifics of the real estate market. The availability of communications and the possibility of summing them up are also important criteria in the pricing of a real estate object. When choosing a property for a buyer, significant factors are both the characteristics of the location of the object (proximity to the administrative center of the district, favorable environment or the absence of unfavorable centers in the environment) and the availability of infrastructure [10].

Infrastructure development requires a lot of money, and therefore the presence of a developed infrastructure increases the value of the property. The analysis of the real estate market conducted in the regions of Uzbekistan confirmed the tendency to change the prices of real estate objects depending on location, environment, physical characteristics, socio-economic development and infrastructure.

The third stage: performing calculations based on selected approaches and evaluation methods. The comparative approach in real estate valuation occupies, most likely, a central place [11]. The market approach is not related to the assessment of past costs and their adaptation to changes in conditions to the current price level, nor is it related to the need to make long-term forecasts or refer to them, as, for example, when using the revenue approach [12]. The comparative approach, based on the principle of "here and now", seems to be the most realistic, because it clearly shows the current market situation. The market of average market values is analyzed. The main element of the approach is the selection of analog objects and their comparison (by regression analysis, quantitative adjustments and other methods) with the object being evaluated. Within the framework of the comparative approach, the method of direct comparative analysis of sales is distinguished, which consists in the sequential execution of subsequent actions.

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As a result, the market value of each of the suitable characteristics (comparable) is determined objects, as if at the time of sale, it had the same basic characteristics as the property being evaluated [13]. The adjusted value of the object allows the appraiser to draw logical conclusions about the probable value of the object being evaluated on the market. Applying this approach, the appraiser performs the following steps:

1. Identifies recent sales of comparable properties.
2. Checks information about identified transactions.
3. Identifies the key characteristics of comparable analog objects and the evaluated object.
4. Makes adjustments taking into account the differences between the evaluated object and each of the comparable objects. In the part in which the assessed real estate (property) differs from comparable, the price of the latter is amended (adjustments) in order to determine how much it could be alienated on the market if it had the same basic characteristics as the property being valued [14].
5. Determines the value of the assessed object by weighing the adjusted prices of comparable objects obtained, taking into account the scale and reliability of the latest corrective corrections made to the prices.

As part of the comparative approach, the appraiser uses the sales comparison method. The sales comparison approach is applied if there is a sufficient amount of reliable market information about the purchase and sale transactions of objects similar to the object being evaluated [15]. In practice, as a rule, it is impossible to find even two absolutely similar objects of property.

Physical characteristics, location, condition, time of sales and encumbrances and financing conditions, as well as other characteristics for which objects have differences, cause the need to make corrective changes in the prices of market transactions. The final conclusion about the value of the result determined by the sales comparison method is made based on the analysis of adjusted sales prices of comparison objects that have the maximum similarity with the object of evaluation. The fourth stage: coordination of results. In the process of completing the assessment task, three main approaches to determining the value of a real estate object were analyzed; costly, comparative and profitable [16].

The cost approach can be useful, in particular, for evaluating objects for which there is no sales market, and the disadvantage of the cost approach is its static nature and the inability to take into account the political and economic situation in the country [17]. This approach is based on the principle of substitution, which states that the buyer does not pay for real estate more than the amount that will need to be spent on the purchase of a land plot and the

construction of an object on it, similar in its consumer characteristics to the object of evaluation, for example, an apartment in an apartment building. The construction of a separate apartment is impossible [18]. The appraiser does not have a cost estimate for the purchase of a plot and the construction of a building on it, of which the object of assessment is a part. In turn, the calculation of "standard" estimates, etc. taking into account all the real additional costs, determining the total depreciation of the building as a whole and allocating the cost of a unit of apartment area will lead to a large error in calculations [19].

The appraiser is not aware of cases of a similar purchase of housing, when a private buyer purchased an apartment in an apartment building through its construction.

Therefore, it is taken into account that:

- the report on the evaluation of the object should not allow ambiguous interpretation or mislead;
- the information on the evaluation provided in the report, used or obtained as a result of calculations during the evaluation, significant from the point of view of the value of the object of evaluation, must be confirmed (the principle of validity);
- the content of the evaluation report it should not mislead users of the evaluation report, as well as allow ambiguous interpretation (the principle of unambiguity).

The appraiser decides not to calculate the object of evaluation by a costly approach within the framework of the submitted report. The income approach reflects the marginal cost, more than which a potential investor, counting on the use of the object and on the accepted rates of return, will not pay. Investors for the presented type of objects rely mainly on the desire to get the greatest income from ownership [20].

The appraiser has several arguments against the use of a profitable approach, as it is not suitable in this situation. Basically, this is the information received from the customer that this object of evaluation (apartment) it will be used only for residential purposes, that is, the future owner does not intend to rent it out in order to generate income [21]. Despite the existing developed housing rental market, it continues to remain mostly "black". In a large number of cases, lease agreements are not registered anywhere, and payment is made in cash, since it is not taxed in this form. This circumstance does not allow the appraiser to collect reliable information in sufficient quantity about the number of rental rates and rents for similar objects. The appraiser does not have the right to apply this information, which does not have a documentary justification and confirmation. In this regard, taking into account the above, as well as the absence of a generally accepted practice in the Russian Federation of calculating the cost of such housing, depending on the income it

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brings, the appraiser decided not to apply a revenue approach for the object of assessment.

The fifth stage: determination of the liquidation value of the valuation object. The calculation of the liquidation value is necessary for the transfer of the assessed object as collateral in case of obtaining a loan; when closing a company or financing a debtor's enterprise, etc., the Bank will approve mortgage lending for you, if only you submit a document on the current market value. When making a mortgage, the purchased housing becomes collateral, and the document on the evaluation of the apartment for obtaining a loan determines the market value of the collateral. In case of the borrower's insolvency or other circumstances, the bank, having your real estate as collateral, is thus insured against possible losses of borrowed funds. The main feature of an independent assessment for mortgage lending (evaluation of an apartment for collateral purposes) It is a condition for the participation of three parties in the process – an independent appraiser, a bank and a borrower. At the same time, the interests of all 3 parties are taken into account. The liquidation value of the appraised object is the estimated amount reflecting the most probable price at which this appraised object can be sold for the period of exposure of the appraised object, the smallest of the usual exposure period for market conditions, in conditions when the seller is obliged to make a transaction for the alienation of property.

The market value of the valuation object is always greater than its liquidation value due to the impact of 2 factors: the factor of forced sale is a psychological nuance, and the factor of limiting the time of sale, affecting the initiative of buyers.

To calculate the liquidation value of the valuation object, the report uses the method Galasyukov, who takes into account two basic factors: the factor of the value of money in time and the factor of elasticity of demand for price.

The sixth stage: the final stage of the evaluation of the object is the preparation (compilation) written conclusion (report) on evaluation with the requirements of the legislation of the Republic of Uzbekistan in the field of evaluation activities. The

report is personally signed by the appraiser and stamped. The seventh stage: providing an evaluation report to the evaluation customer. Conclusions of the study and prospects of real estate valuation. Based on the conducted research, the algorithm of the stages of real estate valuation was studied. Three approaches used for evaluation were also considered. Referring to the above, it should be noted that the valuation of real estate and the determination of market value currently plays a very significant role and requires an objective and qualified approach to solving the task

### Conclusion

Residential real estate appraisals are allocated to a separate group due to its specifics, as well as in the process of classifying real estate objects. First of all, this is due to the fact that housing is an economic good, the main purpose of which is to satisfy the need for housing, the other purposes of use are secondary. The existing grounds for the emergence and termination of rights to residential real estate objects determine the direction of the entire assessment process. This fully applies to all types of such real estate, which eventually form residential real estate as a single object of evaluation. Each object under study is unique, due to its location, number of floors, etc.; the market value of such a real estate object will differ from the value of a similar object. The stages of real estate valuation help to make the clearest conclusion about the value of the market value of the assessed object after a thorough comparative analysis of the results for each of the approaches used, taking into account the priority and specifics of the approach that is most logical and acceptable in each case.

The fixed theoretical knowledge and acquired practical skills in the field of real estate valuation based on independent study of special economic literature and generalization of legislative and other regulatory legal acts made it possible to analyze the algorithm of step-by-step evaluation. In general, all of the above confirms the usefulness of the descriptions of the evaluation stages. These stages make it possible to obtain the most effective assessment of residential real estate.

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