

MAIN METHODS AND PRINCIPLES OF VALUATION OF RESIDENTIAL REAL ESTATE OBJECTS

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Annatation: This article outlines the main methods and principles of real estate valuation, with a particular emphasis on non-residential properties. It analyzes the significance of modern valuation methodologies, the development of market mechanisms, and the necessity of accurately determining property value. The paper also examines the valuation methods currently in use, their advantages and disadvantages, and provides optimal recommendations based on leading international practices.

Keywords: Commercial real estate, non-residential properties, valuation methodology, market value, real estate valuation methods.

Annatatsiya: Mazkur maqolada ko'chmas mulk obyektlarini, xususan, noturar joy obyektlarini baholashning asosiy metodlari va tamoyillari yoritilib berilgan. Unda zamonaviy baholash metodologiyalarining ahamiyati, bozor mexanizmlarining rivojlanishi va mulk qiymatini aniq belgilash zarurati tahlil qilinadi. Shuningdek, baholash jarayonida qo'llanilayotgan uslublar, ularning afzalliklari va kamchiliklari ko'rib chiqiladi, ilg'or xalqaro tajribalar asosida eng maqbul takliflar beriladi.

Kalit so'zlar: Tijorat ko'chmas mulki, noturar joy obyektlari, baholash metodologiyasi, bozor qiymati, ko'chmas mulkni baholash metodlari.

Аннотация: В данной статье освещаются основные методы и принципы оценки объектов недвижимости, в частности объектов нежилого фонда. Анализируется значение современных методологий оценки, развитие рыночных механизмов и необходимость точного определения стоимости имущества. Также рассматриваются применяемые на практике методы оценки, их преимущества и недостатки, а на основе передового международного опыта предлагаются наиболее эффективные рекомендации.

Ключевые слова: Коммерческая недвижимость, объекты нежилого фонда, методология оценки, рыночная стоимость, методы оценки недвижимости.

Introduction. Within the framework of the wide-ranging reforms being implemented in our country, significant attention is being paid to the development of the real estate market. This sector represents an essential component of the national economy and is directly linked to the living standards of all segments of the population. Moreover, real estate serves as a fundamental asset for the growth of enterprises and organizations with various forms of ownership, as well as for the conduct of economic activities.

The level of development of a real estate market is closely connected to a country's overall economic progress. Therefore, in Uzbekistan, considerable efforts are being made to establish and improve the legal foundations governing real estate relations and to build a well-functioning real estate market. As a result, the provision of high-quality valuation

services—particularly in the context of real estate transactions and the determination of market value for the property owned by legal and natural persons—has become one of the most pressing issues today.

Research Objective. The aim of this study is to explore the methods and principles used in real estate valuation, with a particular focus on non-residential properties. The study highlights the advantages and disadvantages of the valuation approaches applied to such properties and examines the key factors influencing their valuation. Additionally, it investigates the economic relations that arise in the process of real estate valuation.

In the context of deepening economic reforms, the widespread introduction of digital technologies, and the rapid development of the real estate market, the valuation of non-residential properties has become increasingly relevant. In particular, determining the actual market value of real estate plays a crucial role in the strategic management of housing and communal infrastructure.

Methods and Materials. The study analyzes the factors affecting the market value of non-residential real estate, reviews the existing valuation system, and conducts an economic assessment. Furthermore, the application of digital technologies and automated systems in property valuation is examined. There is a clear need to thoroughly analyze valuation approaches, adapt them to national conditions, and develop comprehensive valuation models and algorithms based on advanced international experience.

Analysis and Results. The main objective in valuing non-residential real estate is to determine the market value of the property. This requires careful and accurate calculations. Standard No. 10 of the Unified National Valuation Standards is specifically dedicated to the valuation of real estate objects. The valuation process is carried out according to a specific sequence using generally accepted valuation methods. Several such methods exist, and their selection largely depends on the type of property being valued and the purpose of the valuation itself. In the secondary market, the correct selection of valuation methods for non-residential real estate is closely linked to the qualifications and experience of the valuation expert. It is important to focus on choosing the most appropriate valuation approach. All approaches are based on the economic principles of price equilibrium, anticipated income, or substitution.



The main approaches to valuation include the following:

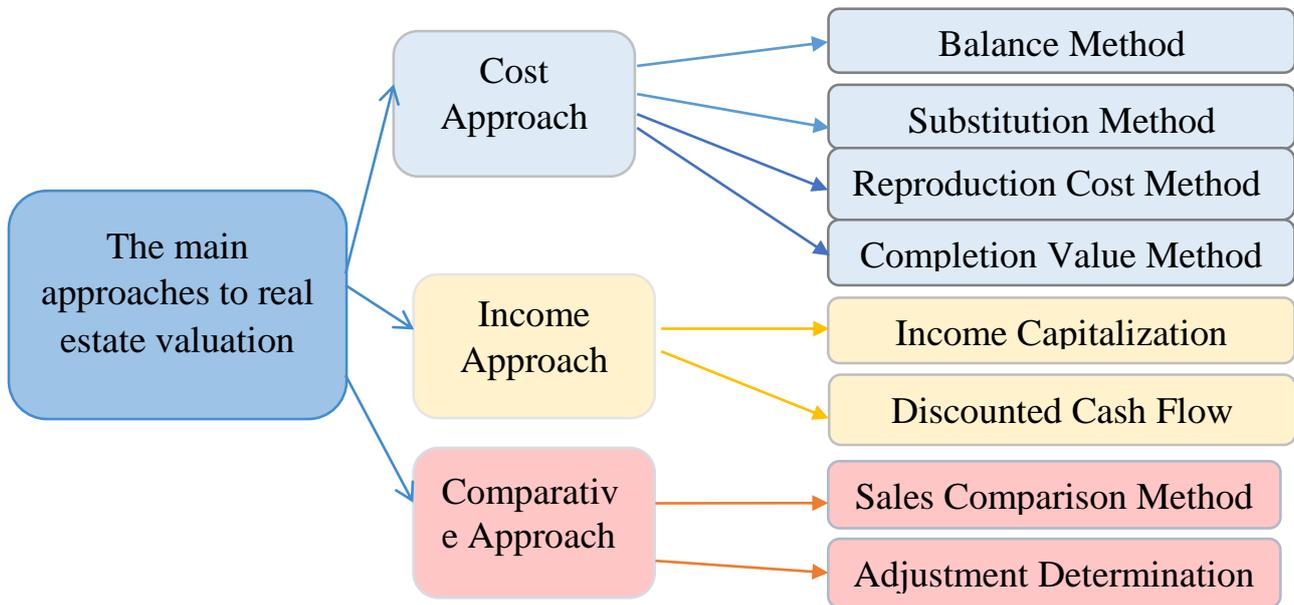


Figure 1. Principal Approaches to Real Estate Valuation

The appraiser has the right to independently determine specific valuation methods within each valuation approach. In the process of determining the value of the appraisal object, the appraiser must apply comparative, income, and cost approaches based on the market conditions and the purpose of the appraisal. The use or rejection of valuation approaches and methods during the appraisal process must be justified by the appraiser.

Cost Approach. In the secondary market, the cost approach is commonly applied for the valuation of non-residential real estate. This approach is utilized in every appraisal because construction always involves certain costs. The cost approach estimates value by calculating the costs incurred as of the valuation date. The cost approach is a set of valuation methods based on determining the expenses required to restore or substitute the property, taking into account its depreciation.

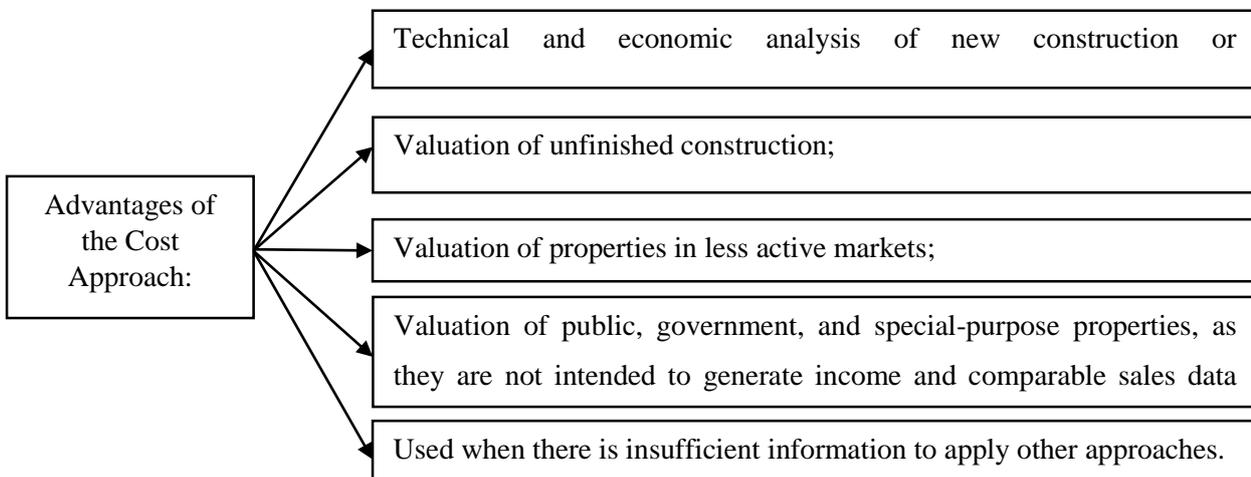


Figure 2. Advantages of the Cost Approach

Advantages of the Cost Approach:

This approach is applied in the technical and economic analysis of new constructions or reconstructions, and it yields effective results when valuing unique properties. It is particularly useful for appraising properties that are rarely sold or do not generate income, such as schools, hospitals, and government institutions.

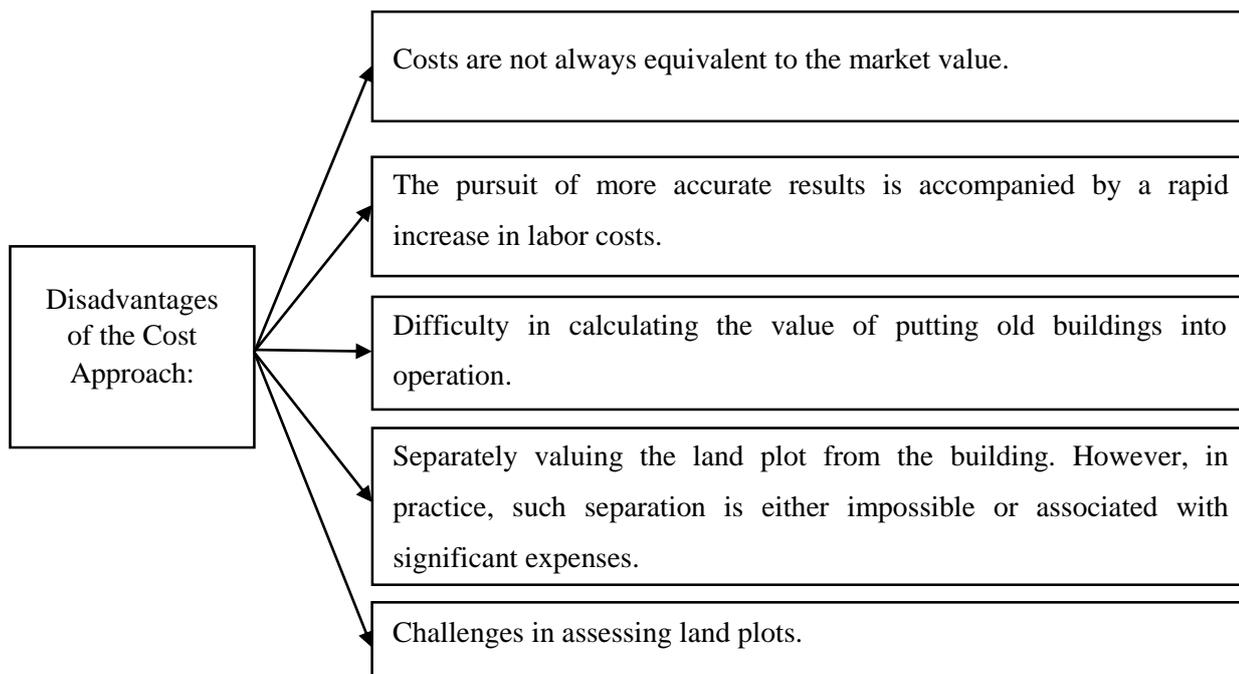


Figure 3. Disadvantages of the Cost Approach

Like any approach, the Cost Approach also has several drawbacks. For example, labor costs may not correspond proportionally to the value of the real estate being appraised. Similar to the appraisal of new constructions, depreciation is deducted from the construction cost. When appraising a building, its defects must always be taken into account. Generally, the valuation of the property is conducted from the appraiser's perspective and may vary depending on external factors.

Comparative Approach – this is a set of methods that determine the value of the appraisal object by comparing it with similar or comparable properties with known prices. The comparative approach is based on the principle of substitution.

In the real estate market, the comparative approach for valuing non-residential real estate is applied primarily through two methods:

- the sales comparison method;
- the gross rent multiplier method.

The sales comparison method is considered the main approach, while the gross rent multiplier method presents a specialized case of the sales comparison method.



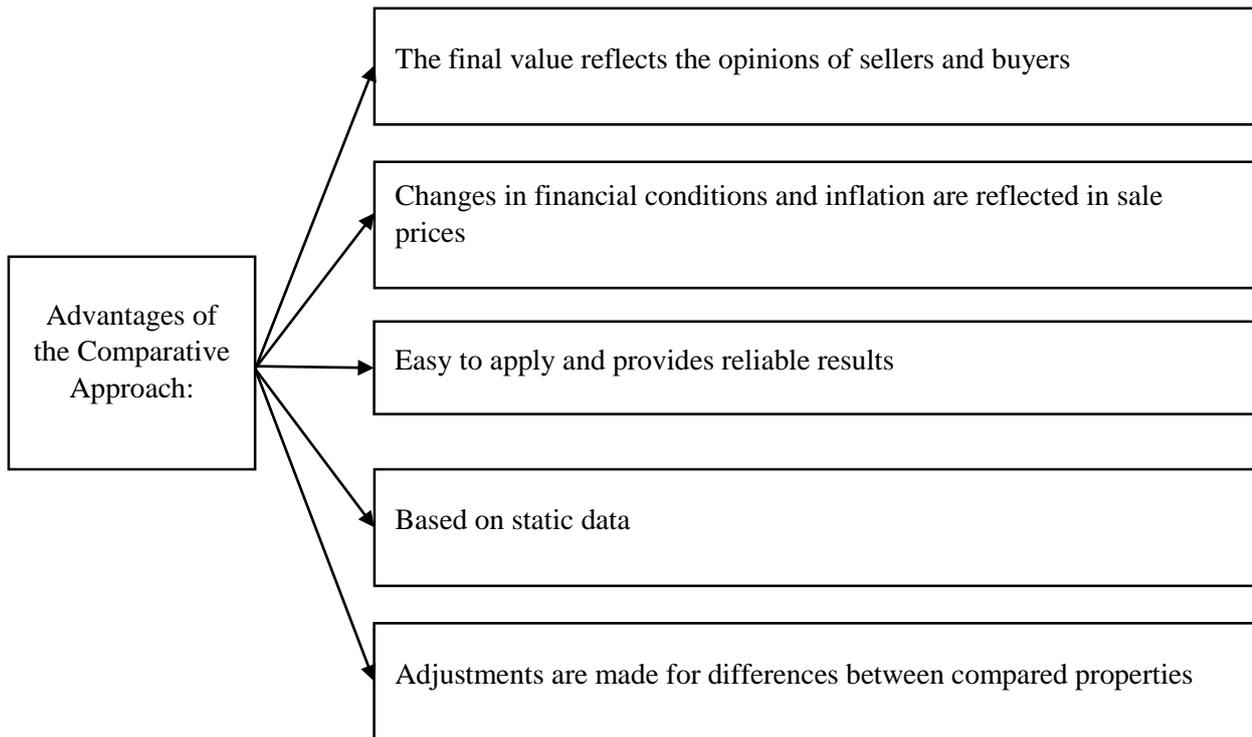


Figure 4. Advantages of the Comparative Approach

The Comparative Approach is based on retrospective information and therefore reflects actual outcomes regarding the real estate and its financial performance, whereas the Income Approach focuses on forecasts of future income.

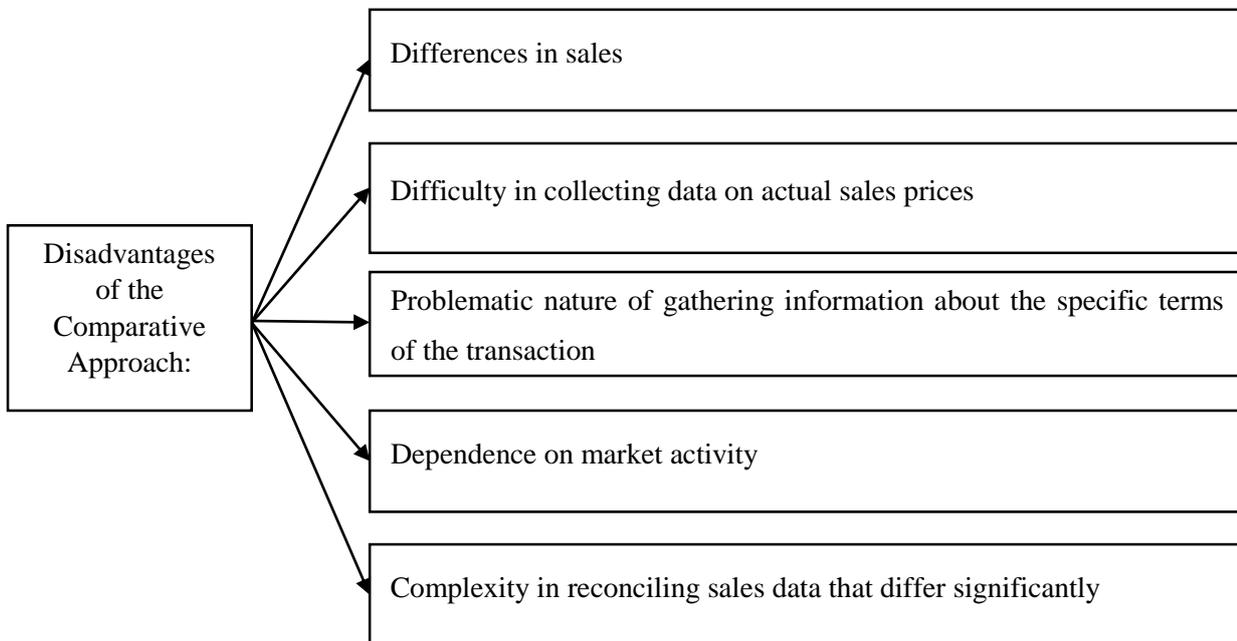


Figure 5. Disadvantages of the Comparative Approach



The comparative approach, while having advantages, also has several drawbacks which can be outlined as follows. Firstly, the basis for calculation relies on past financial results, meaning the method disregards future development prospects of the real estate.

Secondly, the comparative approach highlights the lack of comprehensive data not only for the property being appraised but also for many similar properties chosen as comparables by the appraiser. Obtaining complete additional information about comparable properties is a very complex process.

Thirdly, the appraiser must make complex adjustments, modify the final value, and perform intermediate calculations that require thorough justification. This is because in reality, no two properties are exactly the same. Therefore, the appraiser must identify differences during the final valuation process and determine ways to adjust for them accordingly.

Income approach. In the real estate market, the valuation of non-residential real estate objects often employs the income approach. Unlike the comparative and cost approaches, the income approach is focused on obtaining information about the property from the investor's perspective. The income approach includes two main methods:

- the direct capitalization method;
- the discounted cash flow method.

The income approach primarily serves to determine value based on the income generated by the property. This approach is especially relevant for the valuation of commercial real estate. According to this method, the property's value depends on the net operating income derived from its use and the capitalization rate. This method is important from the investors' point of view and serves as a key criterion in making investment decisions.

Analyzing the most optimal and efficient use is an integral part of determining the market value of real estate, which involves selecting the legally permissible, physically possible, and financially feasible use of the property that maximizes its value.

Valuation Principles

(The valuation object is considered from the buyer's perspective).

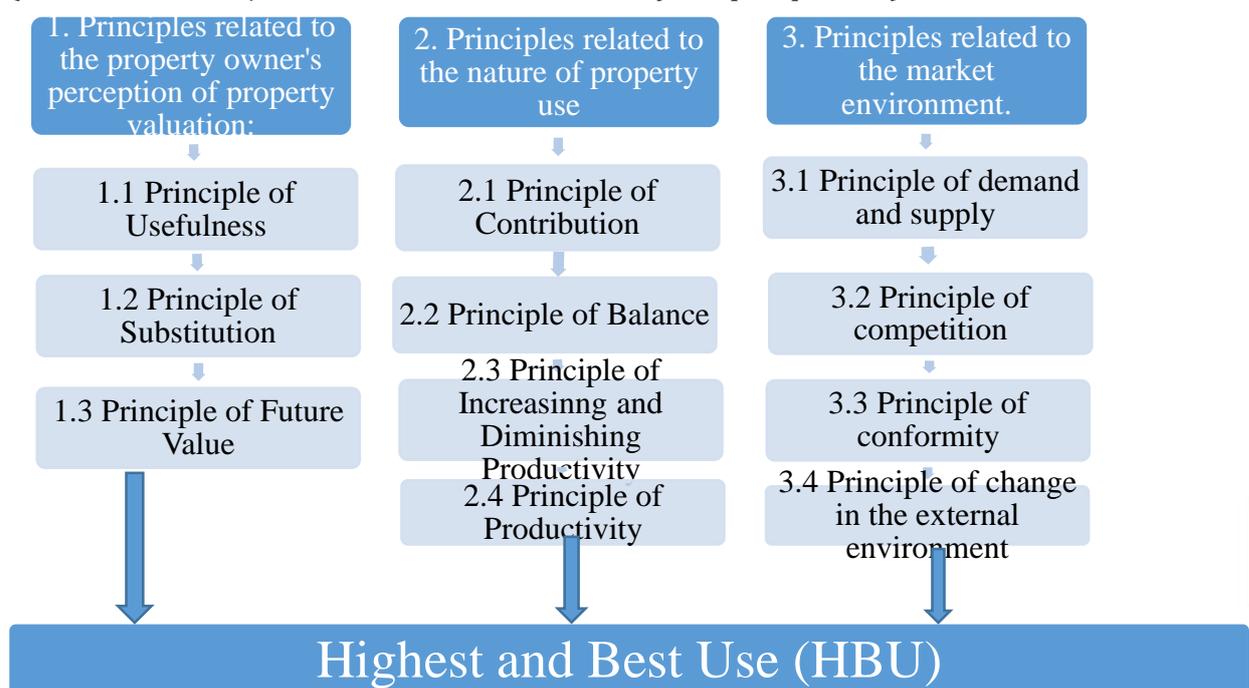


Figure 6. Principles of Valuation

Based on the objectives and tasks set by the appraiser, the valuation is carried out according to the relevant principles.

Conclusions and Recommendations. In the valuation of residential real estate objects, it is necessary to consider many factors. These include construction materials, the degree of building depreciation, location characteristics, availability of infrastructure, and the overall condition of the property. In large cities and their surrounding areas, the value of these objects is significantly higher and fluctuates due to economic development and high demand.

During the course of this research, several tasks were accomplished, including the analysis of real estate valuation principles, approaches, and the specific features of valuing different types of real estate.

A systematic approach must be applied when determining the value of real estate. This requires consideration not only of financial indicators but also social, environmental, and infrastructure factors. Changes in tax policy, fluctuations in construction material prices, and implementation of new infrastructure projects also influence property values.

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