

IS UZBEKISTAN REAL ESTATE MARKET LEADING US 2008 FINANCIAL CRISIS

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Abstract

In recent years some of the regions of Uzbekistan is facing big declines in sales. “In August 2024, the largest regional declines in real estate transactions were recorded in Syrdarya 22.6%, Khorezm 13.2%, and Tashkent city 9.7%” (kun.uz, 2024). However, despite nearly 10% of decline in Tashkent, there are 638 apartment buildings, which contains 28 thousand apartments were built in 2024 in only Tashkent city. (UzDaily.uz, 2024). So, is Uzbekistan investing on real estate more than demand?

Keywords: Real estate, the Great recession, mortgages.

Introduction

Uzbekistan is country in Central Asia with 37 million population in 2024 (Word Bank). The country has 12 regions the capital and most populated city is Tashkent with nearly 10 million people, including population (3 mln) and metro population (6.9 mln). So for nearly 10 million people the government is investing a lot of money in real estate, especially in capital city, and real estate market of Uzbekistan is gradually increasing it's a value. For example, according to Statista.com in 2017 the value of real estate market of Uzbekistan was 489 billion USD and in 2024 it become 894 billion USD, which is more 83% growth n just 7 years. However, as you know from 2008 is that big investment and rapid growth in one sector of economy usually ends with crisis or bankruptcy as Supply exceeds market demand.

So this article explores how the current situation of Uzbekistan real estate market is and is Uzbekistan real estate exceeding the supply of houses and building than demand needed in certain areas. To get better vision of future of the market there is 2008 financial crisis analysis with risks associated with rapid development and what factors influence most in driving real estate growth in globally and in Uzbekistan.

Overview to 2008 financial crisis

2008 financial crisis is considered the biggest recession after the Great Depression. The crisis was in United States however as foreign investors were also involved in this recession the crisis spread quickly around the world.

So what actually caused

Subprime mortgages and easy credit- in early 2000s investors and financial institutions made home loans as a share for shareholders and those home loans were given to nearly anybody including borrowers with poor credit history, so people with low income and without any sustainable work place own a house. In the beginning of such Innovative loans many people were able to pay back their loans at the exact time and there were no big risks however, after some period especially in 2006-2007, after 5-6 years people begin to leave their houses and bringing back the keys for financial institutions and Banks. It was the collapse of housing market home prices begin to decline as ever many empty houses and seeing low priced houses many loan takers also try to not to pay back their loans because they had more affordable option.

As many people avoid to pay back their money Banks and financial institutions had many worthless houses and mortgage credits as an asset why it was worthless because nobody was going to buy or use it. As a result many people and investors cannot deposit their money from the bank because Banks were facing search shortage of liquidity and this affected other fields of economy and one of the biggest world crisis happened.

What Government did during the crisis

Bailouts and financial assistance

USA government begins to bailout some major financial institutions, which were at risk or had low liquidity. The collapse of big institutions spread panic in the market, for example, Lehman Brothers and Bear Stearns were closed as they face bankruptcy in 2008.

To stabilize financial system and increasing the liquidity in financial Market US government made a TRAP program, which stands for Troubled Asset Relief Program. Government provides \$700 billion authorized money to various Financial institutions. In other words, the government throws some liquidity in the market of USA.

Current state of Uzbekistan's real estate market

Economy of Uzbekistan

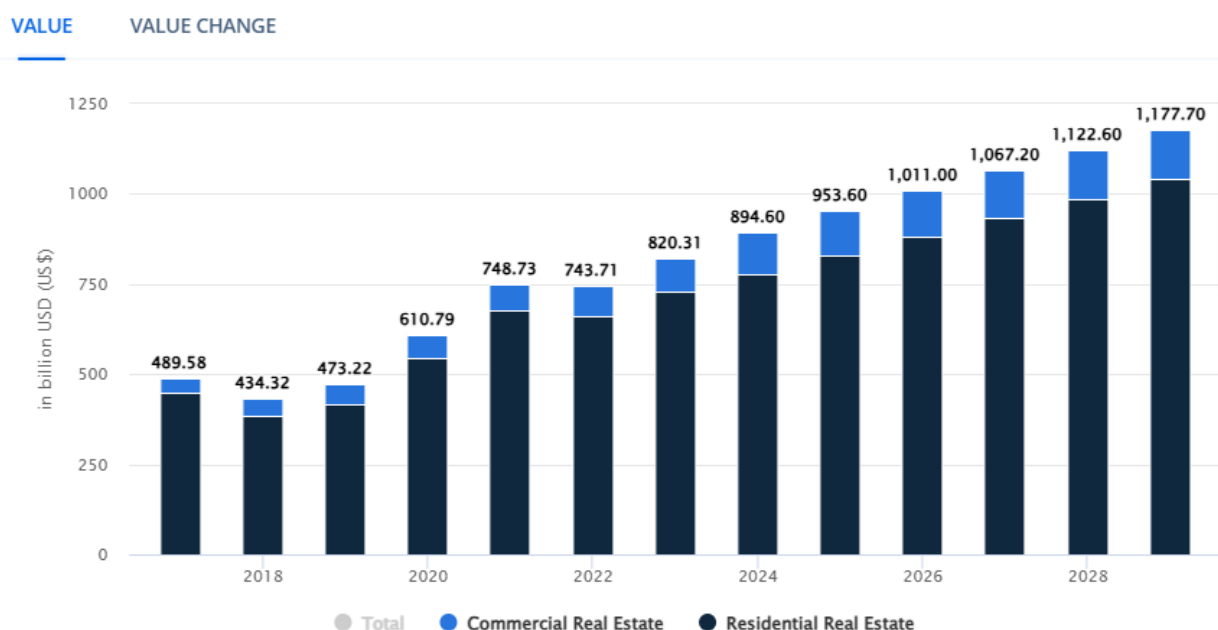
Current GDP of Uzbekistan is 101.6 billion dollars and GDP per capita is 2,788.9 dollars. Since 2017 GDP of Uzbekistan faced a average growth of 5.3, that led the country to become top performers in low-middle-income economies (World bank group, 2024).

However, job creation is being a problem for the country as it has just increase it average 1.1% job creation over the last 5 years but on the other side population of Uzbekistan is increasing rapidly with 2% average growth of population yearly, which is equal to 250,000 people who are in working age.



Current situation Real estate market

As population of Uzbekistan is growing demand for residential and Commercial buildings are increasing so this Factor attracts local and International shareholders to invest more in real estate market of Uzbekistan so in last 5 to 10 years Market even doubled its size.



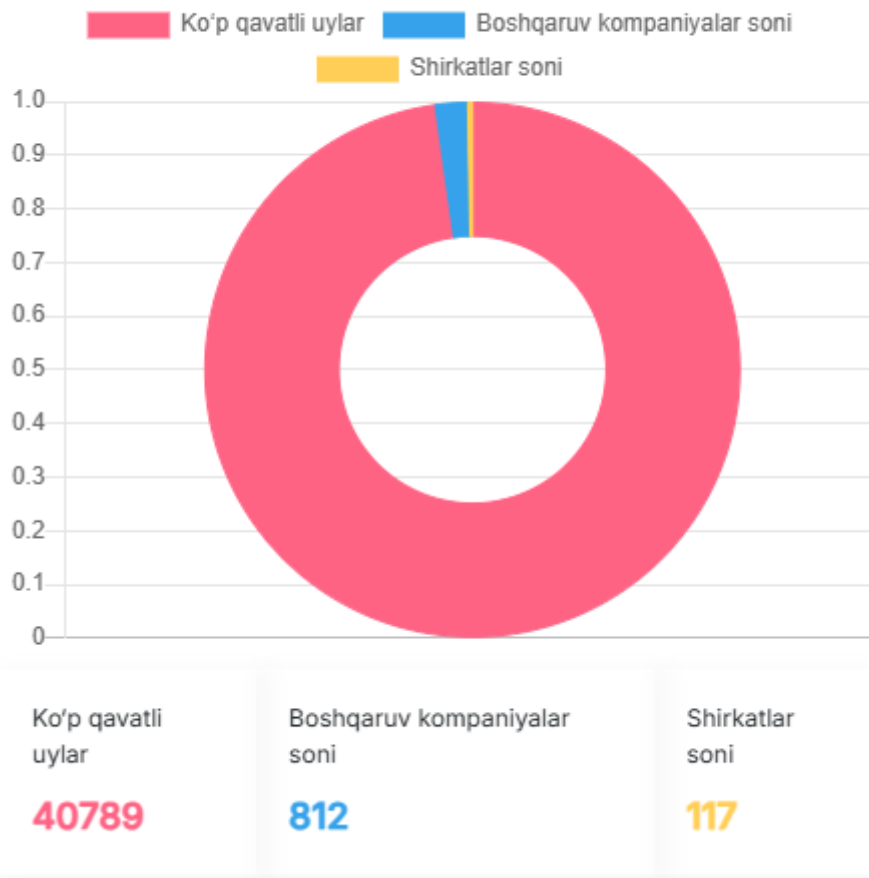
We can see from the chart that both residential and Commercial Real Estate are increasing but Residential apartments cover nearly 90% of Real estate market value. The total market value is expected to increase five more years and from 2017 till 2029 the value has increased nearly three times from 489 billion dollars to 1.177 trillion dollars.

Qurilish ishlari (o'sish sur'ati, %)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024- yil yanvar-sentabr *
Toshkent viloyati	126,6	119,5	120,5	114,0	104,0	109,4	100,2	100,3	131,1	155,8	107,8	115,3	108,6	106,3	115,3

This statistic represents construction rate in Tashkent region. From 2010 to 2024 average growth of construction rate in Tashkent region is more than 100% annually. Currently there are more than 40,000 residential Apartments with 812 managing companies. (O'zbekiston Respublikasi Qurilish va uy-joy kommunal xo'jaligi vazirligi, 2024)

STATISTIKA



Factors contributed to real estate growth of Uzbekistan

Facts and statistics are showing construction rate and value of real estate market is growing in Uzbekistan but what is causing that demand

1- Organization and population growth

Population growth rate is 2% in Uzbekistan annually and currently it is 37 million people and 10 million of them are in Tashkent. And migrating from rural areas to Urban City, In Search of better opportunities, is becoming trend among the population because urban centers are significantly more facilitated and have better life condition compared to rural areas. So cities like Tashkent, Samarkand, Bukhara, and Andijan are experiencing rapid urban growth.

2- Growing middle class

As before mentioned the economy of Uzbekistan is growing stable, which is more than 5% annually. This Factor rise customer purchasing power and this increased the demand for modern housing, besides that, good economy let people to invest and bigger and more expensive projects like real estate.



3-Governmental initiatives

Mortgages- is one of the biggest trigger to boost real estate market of Uzbekistan because Banks are offering mortgages with low initial investment, more accurately it is minimum 15% of price of the house and for 20-year duration with 18% annual percentage. Besides that, private investors of new Apartments are also giving annually low percentage and with longer period credits. Additionally, infrastructure development is also major factor in supporting real estate market because government is investing more on infrastructure building higher quality roads and good utility and urban developments in big cities.

Comparison with 2008 financial crisis

Comparing the key similarities and differences of 2008 financial crisis and current situation of Uzbekistan's real estate market

1- growth in Real estate

In 2008 crisis grows in real estate market was originally because of very low interest rate loans and very big investment in one field of economy. So prices were artificially inflated as largely driven and irresponsible Lending.

Uzbekistan's Market is more depend on real demand due to the population grows, organization and also governmental support. Demand is not artificially driven by investors or shareholders; people themselves need a shelter in more urban places. However, in 2008 crisis investors and shareholders were pushing population to buy a house by giving annually low percentage lending with also low initial Investments.

2-Banking and lending

2008 crisis was mainly because of risky mortgage lending this low security, Banks offers a Primus to nearly anyone including people who cannot afford to repay

While Uzbekistan's Market of Real Estate tried to use more cautious approach of banking and lending. Banks of Uzbekistan offers mortgage for longer period with mortgage rates of annual 18% with 15% beginning, which is higher than Global standards of mortgage rate. As a result, people who have stable income can get loans from Banks, which will help government to secure and reduce big borrowings.

So in conclusion

Uzbekistan real estate market is heavily depending on solid factors like population growth and urbanization. However, government initiatives are helping to keep rapid grows in the market and private investors are also giving low rated mortgages for people to affect purchasing decision of customers positively.

Why sales declines in 2024

If real estate market is not facing collapse of housing why prices of houses are decreasing in some regions including Tashkent and Samarqand.



War between Russia and Ukraine

In 2022 Russia begin War with Ukraine and many people from both countries try to avoid to Participate in war so they migrate to other countries, especially neighbor countries. As a result, big amount of tourist came to Uzbekistan and demand for Real Estate and housing was booming and even exceeding the supply so shareholders and the government invests more in real estate market. However, as War ended many immigrants leave the country and there are some declines in real estate market sales. Same as 2008 but in smaller scale because migrants were especially staying for a rent instead of buying a house. However, many investor thought that buying houses and giving to a rent will bring big profit but as war ended tourists and migrants also leave the country.

Prediction of Uzbekistan's real estate market

Uzbekistan's real estate market is heavily depend on solid factors, like population growth 2% yearly and their interest to move to urban city as the government make significant developments in Urban cities. Additionally, mortgage supports from banks and private investors.

Besides that, stable economic growth with annual 5.3% Uzbekistan is not close to crosses or housing bubbles.

Another factor to help Uzbekistan's real estate market growth is safety of country with good infrastructure. This factor can attract foreigners and tourists to visit Uzbekistan just like 2022 Russia and Ukrainian war.

Conclusion

Real estate market of Uzbekistan is one the flourishing business in the country as it is supported with real factors of good population grows and interest to urbanization also rising the middle class boosts demand for residential and commercial properties in Uzbekistan especially in urban cities. However, government needs to control mortgage ratings and construction rate because 2008 financial crisis is good example of what can happen if Market is driven by artificial factors and low security of banking and financial institutions so if the government of Uzbekistan controls mentioned factors the growth of real estate market in Uzbekistan is not leading to financial crisis like 2008.

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