



Current trends in the real estate market of Tashkent:

- Financial crisis in the world will not affect the real estate market of Uzbekistan, however, a new level in development may be observed in the primary housing market as about 50% of construction is financed with loans of commercial banks.
- The real estate market will be developing due to natural demand and domination of final buyers in the market rather than speculators.
- In September, prices in the primary housing market ranged from 750 USD up to 1500 USD per sq. m. In September, average price in the primary housing market was 1162 USD per sq. m. (excluding the prices of “economy” class housing).
- Prices in the primary market will remain at the level of current prices which are quite realistic when compared to revalued prices of neighboring countries.
- In September, the secondary market has recorded 1% drop in prices compared to August of the current year.
- By the end of the year, average price of real estate in Tashkent city may grow by about 10-15%.
- In Tashkent, there will be constructed 70 mln USD worth “New city”: it will be built by Uzbek-Korean Joint Venture “Jisong Korea Industrial”, www.vesti.uz reports.

No matter that current financial crisis in the world is not related with our country directly, global changes in the world financial system may at some level affect the development of local real estate market. There is no ground to fear stagnation in the market, however, a new level of development might be observed in the primary housing market, where about 50% of construction is financed with loans of commercial banks. To manage quality control of credit portfolios, many commercial banks may limit access of local construction companies to new sources of financing, otherwise they may increase interest rates on loans. Due to the fact that contracts of future housing investment keep the prices of flats fixed, it is unlikely that future owners of flats will incur losses; it will be rather construction companies who may lose profits due to higher interest rates.

Moreover, buyers or investors, investing their money to finance housing projects with the aim of having gains from their resale, will study the opportunities to invest their money and estimated the possible risks with great caution. This may lead to the situation that in the future the market will be developing due to pure demand and domination of final buyers in the market rather than speculators.

Possibility of such scenario in the development of housing market is being confirmed by many realtor companies in Tashkent, who follow up on real estate sale-purchase deals.

Primary housing market

In September, prices in the primary housing market have ranged from 750 USD up to 1500 USD per sq. m.

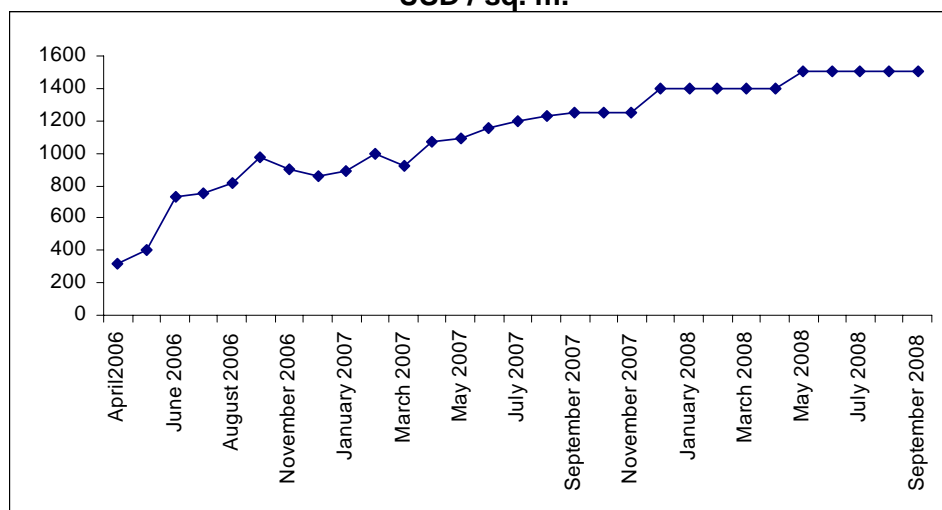
This dispersion of prices is mainly due to the type of construction material (monolith blocks or brick), as well as the location of new housing projects.

Thus, for example, at massiv “Feruz” (Mirzo-Ulugbek district) there is an active construction of apartment building with 75 flats (mainly single and double room) in total, priced at 750 USD per sq. m. This housing is classified as “economy class” intended for young families.

Other new constructions of so called “elite class” housing are priced in the range from 1100 USD up to 1500 USD per sq. m. Average price in the primary housing market was 1162 USD per sq. m. (excluding the prices of “economy class” housing) in September.

Price of apartments in multi-block houses, built by “GABUS” (leader in the primary housing market by the volume of construction), mainly remains unchanged and amounts 1500 USD per sq. m. From the start of the year, price of apartments built by this company has increased by 7.4\$, but since May of the current year they remain steady.

Diagram #1: Prices in the primary housing market, constructed by “GABUS”, USD / sq. m.



“Avesta Real Estate” believes that if in 2006-2007 price growth was backed by speculative actions than in the current year this picture is stabilizing and prices in the primary market will remain at the current level, which are quite realistic when compared to revalued prices of real estate in the neighboring countries.

Secondary housing market

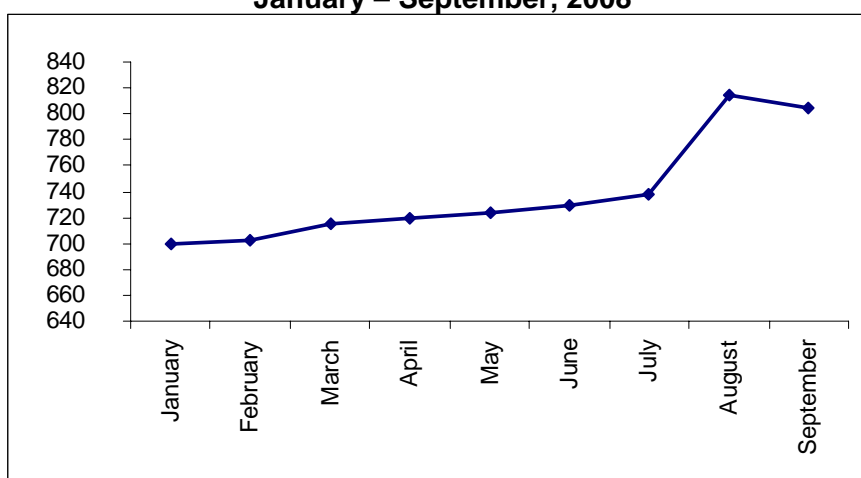
In September, there were analyzed 1 534 apartment sale ads in the secondary market compared to 4 844 ones in the previous month.

Index of average price (per sq. m.) change throughout the city was -1%. Falling prices is a common feature for many districts, among them the most drops in the price of offers have taken place in Sabir-Rakhimov, Khamza and Bektemir districts.

**Table #1: Change in the average price of housing in August – September, 2008
(USD / sq. m.)**

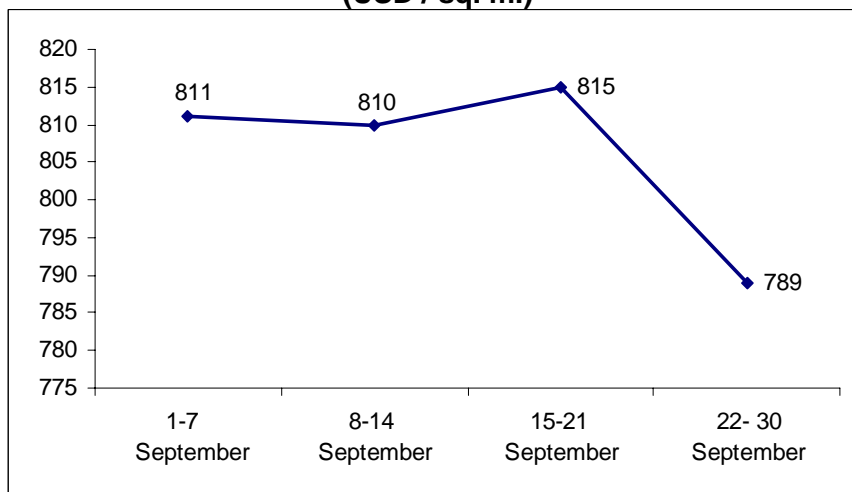
District	August	September	Change (%)
Bektemir	471	432	-8%
Mirzo-Ulugbek	891	853	-4%
Mirobad	985	976	-1%
Sabir-Rakhimov	673	612	-9%
Sergely	503	529	5%
Uchtepa	647	614	-5%
Khamza	710	647	-9%
Chilanzar	762	771	1%
Shaykhontahur	831	834	0%
Yunus-Abad	762	762	0%
Yakkasaray	926	951	3%
Tashkent	814	804	-1%

Diagram #2: Dynamics of average price of housing in the secondary market during January – September, 2008



If on average during the whole month, prices have dropped down to 804 USD per sq. m., then in the next table once can see changes in average price of offers during every week of September. It can be seen that during the 1st and the 2nd weeks prices remained almost at the same level. On the 3rd week, prices have increased by 5 USD per sq. m., and in the 4th week they have suddenly dropped down to 789 USD per sq. m.

**Diagram #3: Changes in average price of housing by the week of September, 2008
(USD / sq. m.)**



Such sharp decrease in prices during the last week of the month is mainly explained by the appearance of offers with quite lower prices in the market, compared to those in the previous weeks.

In general, we think that in 2008, average growth of prices of housing in Tashkent might reach about 10-15%.

70 mln USD worth “New city” will be constructed in Tashkent city

“New city” will be constructed in the center of Tashkent at the site of several old blocks. It will be constructed by Uzbek-Korean Joint Venture “Jisong Korea Industrial”. It will include sky-scraper business-centers, banks, hotels, supermarkets, sports complexes, ponds, parks, multi-storey apartment blocks.

In addition, the JV will construct and equip 2 schools, 2 kindergartens and a clinic and all of these will be handed over gratuitously to the city hall. The town hall will also get 5% of non-residential premises of the “New city”. Construction of the complex is expected to be finished by 2016. According to the director of the JV Akmal Dadamukhamedov, 79 hectares will be made available for construction. This area – a square formed by Furkat, Navoi, Batyr Zakirov (former Abay) and Uzbekistan streets. Moreover, this location has metro stations on 3 sides.

Survey of the population of makhallyas (neighborhoods) indicated that majority of inhabitants need apartments rather than land plots which they can not afford to master due to the fact that makhallyas are inhabited by people with not high income. And due to the fact that such massive resettlement of dense population of 10 000 people has never happened before in the newest history of the town and it being impossible to find enough apartments in the secondary housing market, it was decided to construct a new micro-district and to keep the infrastructure of new makhallyas.

The town hall has allocated 13 hectares of land for the construction of micro-district at massiv Sergeli-6 right behind the car market. The district was divided into 3 makhallyas, where 7-storey high brick houses – vast, and equipped with necessities, 3 makhallya centers, recreational grounds, school, kindergarten, stores and other buildings are being constructed. Taking into account the requests of the population, they will be settled as far as possible as they were living in their previous makhallayas. This is meaning that relatives and neighbors will live in the same block or building.

Moreover, there were prepared 100 land plots totaling over 6.7 hectares near the micro-district for self construction; it is being fixed with electricity lines, water supply and drainage system. Total cost of constructing the project is equal to 105 bln UZS – about 70 mln USD. There was already spent 8.7 bln UZS. At the end, there will be built 1850 flats amounting to 140 thousand sq. m. The micro-district is being constructed stage by stage, all residential premises will be submitted for exploitation starting from February 1, 2009.

To compensate demolition and to cover expenses, 417 families were paid out 8.3 bln UZS, there were purchased 43 apartments at massiv TTZ, 6 legal entities have received 1.3 bln UZS as compensation. At the present, apartments in Medgorodok and Kuylyuk are being reconstructed, starting from October 1 there will be settled 68 families.

Moreover, in those 3 makhallyas, there are 865 buildings which officially housed 3 010 families, while in reality there are more than that. By social norms, every member of the family is presented with an area no less that 16 sq. m. However, in makhallyas, small plots of land housed several families and this is creating extra challenge. For example, in makhallya “Almazar” one house on 2000 sq. m. included a clan consisting of 19 separate families – in total 81 people, newspaper “Zerkalo XXI” reports. (The article was obtained from: www.vesti.uz).

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