



**IMPROVEMENT OF THE MECHANISM FOR REGULATING
EVALUATION ACTIVITIES BASED ON WORLD EXPERIENCE**

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| ABSTRACT | KEYWORDS |
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| <p>This article provides recommendations for improving the mechanism for regulating appraisal activities based on models of world experience and their application in the practice of Uzbekistan. The experience of models of such countries as the USA, the Russian Federation and Germany in regulating appraisal activities, their maximum proximity to the requirements of the property appraisal services market, and in particular their contribution to stabilizing the value of property are also described. And this is just right for regulating the property appraisal services market in Uzbekistan.</p> | <p>Property, cost, assessment, price, assessment activity, regulation, coordination, control, model, real estate market, property assessment services market.</p> |

Introduction

An important condition for further deepening economic reforms in our country is the creation of a developed infrastructure of market relations,

Its main element is valuation. Today, market valuation has taken its rightful place in the system of valuation activities.

Today, there are as many models of the property valuation services market as there are countries in the world. The main indicators of the property valuation services market differ in content and by type of property, but are similar in form. For example, the volume of services provided in the real estate valuation services market, the volume of services provided in the movable property valuation services market, the volume of services provided in the business valuation services market, the number of appraisal organizations, the volume of services provided by appraisal organizations, the rating of appraisal organizations, the ratio of the total volume of services provided in the property valuation services market to GDP (%), and the level of value capitalization of the property valuation services market, etc. These indicators can be divided into types of property, periods and regions, and various models and indicators, as well as approaches and methods, can be used to assess, analyze and forecast them.

For more than ten years, the results of various property valuations have served as the basis for many decisions in the private and public sectors. Since valuation activity in the Republic of Uzbekistan is still a young activity and its regulation is not sufficiently well-developed, we can identify a number of problems when comparing it with the valuation activity and its regulatory procedures in other developed countries. And to overcome these problems, the experience of a number of developed countries, in particular Germany, Russia and the USA, was taken as an example.

Literature Review

Among the scientists from the CIS countries who studied the problematic aspects and relevance of the topic and cited them in their scientific research and studies, AVVerkhovina studied the legal aspects of valuation activities in his work "Legal Regulation of Valuation Activities" [1], while AVVerkhovina and MAFedotova conducted a comparative analysis of international and Russian legislation in the field of valuation activities in their monographs "Comparative Analysis of International and Russian Legislation in the Field of Valuation Activities" [2]. We can also cite from our domestic scientists Sh. Shoha'zamiy [3], who developed valuation models and development concepts for the regulation and coordination of valuation activities, A. Kravchenko, B. Berkinov [4], K. Khomitov [5], and others, who were engaged in property valuation research.

Research Methodology

In the course of the research, the works of foreign and domestic scientists on the features of international practice in regulating valuation activities, their role in the economy were studied and analyzed. The article effectively used methods such as theoretical observation, systematic approach, observation, generalization, analysis, synthesis, and also formulated conclusions and proposals on the problems of regulating valuation activities and their solutions.

Analysis and Results

In accordance with the Russian Federal Law, in the production and economic practice of business entities, there is a need for professional services in the field of market or other types of property. No transactions on the sale and purchase of enterprises, insurance, resolution of property disputes, taxation and lending can be carried out without property valuation. Especially in active types of valuation, there is a need for a fair and best-organized type of value.

The criteria for the independence of the appraiser are taken from the IAS - International Valuation Standards. Russian legislation also contains such a criterion, but it is not clear, information on the independence of the appraiser is located on page 16 of the Law FQ-135.

The composition of the bodies supervising assessment activities in the Russian Federation is as follows:

1. Federal Property Management Agency (FMBFA);
2. Retraining of personnel by the Ministry of Education (e.g., creating indirect training programs, upgrading the skills of assessment specialists);
3. Committee for Property Management of the Subjects of the Russian Federation;
4. Self-regulatory bodies of evaluators.

FMBFA is the most important body regulating the valuation process at the state level. It is responsible for constant supervision of audit companies and private appraisers, maintaining a register of appraisers and issuing licenses to provide valuation services. Without such a license, an appraiser is not entitled

to carry out activities related to the provision of valuation services.

In Russia, for the purpose of self-regulation and regulation of valuation activities in the country, appraisers have the right to unite in associations, unions, and other supervisory organizations. Therefore, in addition to state regulation of valuation activities, self-regulatory bodies and organizations engaged in similar valuation activities also carry out their activities, and similar bodies also carry out their activities.

In all countries with a market economy, public organizations of appraisers exist and are actively working. For example, in the USA there are currently 32 organizations. The most famous of them are: Foundation Appraisal and the US Appraisal Institute, which has about 40,000 specialists.

In the US, in particular, real estate appraisal is mainly carried out by small appraisal firms, which are based on a partnership-based legal form.

Such firms are usually based on the owner, at least two partners. Usually 3-10 employees are employed. At the same time, very large firms, that is, branches of powerful organizations, also operate in this market, for example, currency branches of brokerage firms.

Large companies spend more money on the same work than small ones (2-3 times). Usually they evaluate large projects and, if necessary, attract large investors to this. Appraisal firms that are lower in their rating mainly evaluate objects through a wide network of branches throughout the USA, for example, we can take "Marshal Stevens" or "American Appraisal". If an appraisal is needed, they immediately resort to their services, for example, they need to evaluate 120 hotels in 45 days, and they have created very favorable channels for carrying out this work, that is, they are connected by a chain of appraisal activities throughout the USA.

There is no consensus in the world today on valuation methods and techniques. In this regard, the experience of Germany in coordinating and developing valuation activities is also of great interest. German appraisers believe that the reason for the maximum correspondence of their models to the market is the stability of values. The transparency of the real estate market lies in its correspondence to the needs of business and private activities of citizens. Germany is primarily a socially oriented country. One of the broad opportunities of the German state is the development of property, land and other markets regulation and the formulation of standards and the implementation of rules for assessment activities. Assessment activities regulation the scope of the project is indirectly controlled by the federal government through the federal Ministry of Transport, Construction and Urban Development, based on urban planning legislation.

The above considerations are based on Section 199 of the German Urban Planning Code, which was adopted by the German Federal Government on May 19, 2012. The rules for determining the market value of property are agreed with the upper house of the German Parliament and approved. The German Federal Resolution on Property Valuation by the Government of the Republic of Kazakhstan entered into force on July 1, 2010. It is worth noting that the previous Law, adopted by the German Government on December 6, 1988, became invalid on August 18, 1997 [6].

The reasons for the adoption of the new resolution are as follows:

- due to the systemic correction of the real estate market due to the crisis of the market economy, including the improvement of valuation methods and information requirements;
- globalization of the real estate market, as desired by international investors, using market value indicators instead of exchange prices (Verkehrswerte);

- Amendment of the legislation, namely, the transition to inheritance tax based on the market value of the components of the property.

In Germany, real estate valuation is mainly carried out on the basis of market values, driven by demand. Based on this global practice, real estate transactions are systematized from the activities of the municipal expert commission, and correction indicators are developed on their basis and used by practical appraisers. Namely:

- values are obtained by comparing and agreeing on the property;
- an inflation index is obtained for each market segment;
- an alternative urban planning coefficient is obtained;
- a real estate comparison factor is obtained;
- a capitalization rate is charged on real estate;
- The market situation is taken into account.

In general, most of the changes in the new decision actually formalize the changes in valuation practices in recent years. At the same time, it requires a change in the market value of valuation in Germany.

In the process of valuing property (buildings, structures, land, etc.) in Germany, its market value corresponds to its actual value and is explained by the following formula:

$$LV = LV_{right} + (LV_{property/purchased} - LV_{right}) * \frac{1}{1+p} * n \quad [6],$$

where, LV is the market value of the property;

LV_{right} – the value of the property as a result of actual use,

$LV_{property/purchased}$ – the value of the property when it is permitted or used at all;

p – capitalization rate;

n – the remaining life of the property.

In addition, 3 methods have been proposed in German evaluation activities, which are as follows:

1. Two-period method (intended for the income approach), namely:

$$EV = (RE - P * LV)_{mule} * V + LV_{total} \quad [6],$$

where, EV is the value at the income approach boundary;

RE – net operating income during the operation of the valuation object;

P – real estate capitalization rate;

V – the present value factor of the annuity over the life of the property;

LV_{total} – free value of the property.

2. One-step method or simplified method – this method takes into account the fact that the property will achieve good results for 40-50 years:

$$EV = RE * V + LV_{mustache} + \frac{LV_{building}}{qn} \quad [6],$$

here, $LV_{mustache}$ – is part of the property as of the valuation date and is intended for independent use;

n – the number of periods of income from construction.

3. Multi-period method. This method is used when market returns differ significantly from expected returns:

$$EV = RE_i * q_i + RE_i * (V_n - V_i) + LV_{ni} * q_m + LV_{mustache} \quad [6]$$

where, i – n is the exact period (year) in the range of years;

V_n – annuity price factor at n periods.

The first and second methods are simple methods of earning income in the market. However, the third method is based on accurate information about the income earned during the calculation period and the reversal (rollover) bet received at the end of it.

In general, in world practice, it is impossible to manage the legal and economic essence of property without the value assessed through the property valuation services market (PVM), to implement property relations in the process of trading in the property market (PM) and in the current activities of owners, and to make reliable business decisions. However, the interaction of the property valuation services market and the real economy can be interpreted in a broader sense based on the rules of socio-economic systemology as follows (Figure 1).

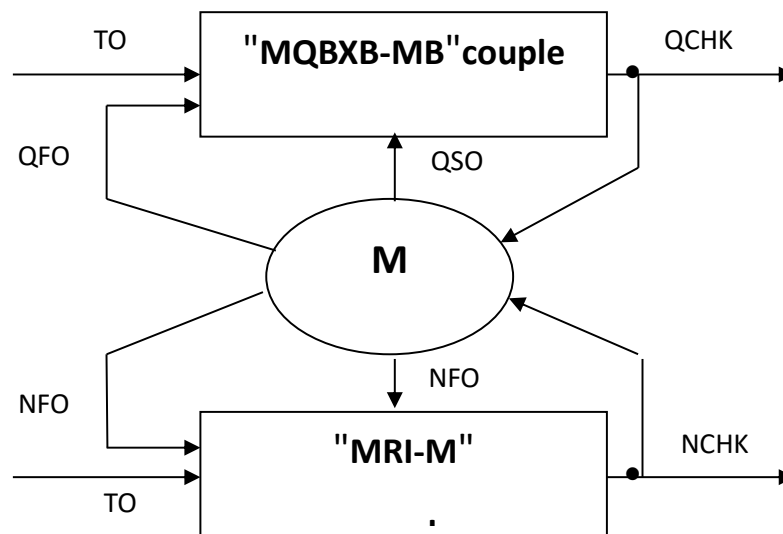


Figure 1. Structural model of how the MQBXB-MB pair and the MRI-M pair function in a reciprocal manner through a common macroregulator (MR) [3].

In this case, the property valuation services market is represented as a complex system in which the property market pair and the national real economy (MRI) and the owner (M) are integrated and regulated in coordination with the valuation activities. In this model, the TO - "MRI-M" pair and the "MQBXB-MB" pair are simultaneously influenced by external factors;

LLC– Output indicators for the pair "MQBXB-MB";

NChK– Output indicators by MRI sectors and M indicators;

QFO and NFO– internal factors that are generated by the macroregulator (MR) and affect the function of the "MQBXB-MB" pair and the "MRI-M" pair, respectively;

QSO and NSO– internal factors that are developed by the macroregulator (MR) and affect the structure of the "MQBXB-MB" pair and the "MRI-M" pair, respectively. MR also functions as a mechanism for balancing coordination at the macro level, which consists in developing internal factors (QFO, NFO, QSO, NSO) based on the QChK and NChK, taking into account TO.

In addition, this model is considered a self-regulating complex dynamic system, in which the "MQBXB-MB" pair is ideally equivalent to the "MRI-M" pair, that is, it reflects the state of the "MRI-M" pair and through it all the events taking place in the socio-economic and political life of the country.

Based on all the ideas, opinions and conclusions presented in the regulation of valuation activities, taking into account the socio-economic systemology [7] and the views on modern property based on it, the regulation of valuation activities based on the property market and the market for property valuation services based on the model presented above (Figure 2) can be seen within the framework of the following model.

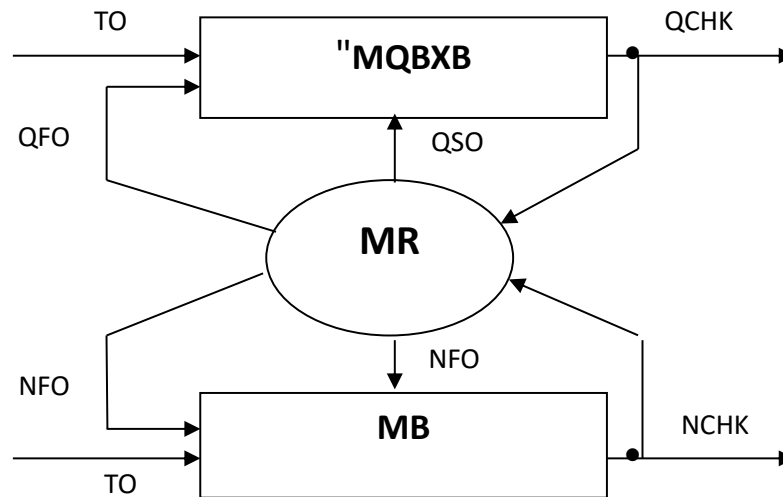


Figure 2. Structural model of ensuring the connection of MQBXB and MB through UM (MR) [3].

In this model, TO is the external factors that simultaneously affect the national property valuation services market and the property market; QChK is the output indicators (indicators) of the property valuation services market; NChk is the output indicators of the property market; UM (MR) is the general regulator for the property market and the property valuation services market; QFO and NFO are internal factors that are developed by the UR and affect the functions of the property valuation services market and the property market, respectively; QSO and NSO are internal factors that are developed on a coordinated basis and affect the structures of the property valuation services market and the property market, respectively.

In the coordination of valuation activities, these markets can be considered, based on the above model, as a conditionally virtual integral indicative market, i.e., the market for the formation of property values and prices (MQNB), formed in a conditionally virtual manner in which the value (V – value) and price (P – price) of civil rights objects are mutually equivalent. In particular, in the regulation of valuation activities, the model of the market for the formation of property values and prices can be formalized in mathematical form, that is, it can be in the form of the following mathematical equations:

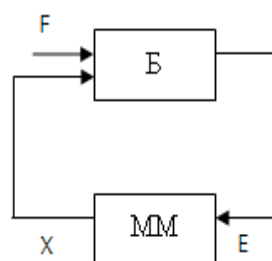


Figure 3. Table based on equation 1 [3].

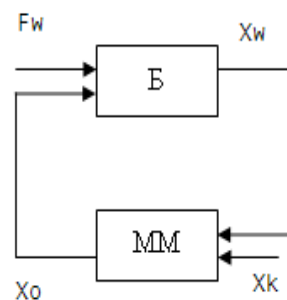


Figure 4. Table based on equation 2 [3].

Based on Equation 1, a model for achieving equilibrium in the property valuation services market is described, where the mathematical solution (root) of the equation represents the equilibrium state of the market.

In the model: **B** is the market for property valuation services;

MM – balancing mechanism;

F – influencing factors;

X – sorting parameters.

Based on equation 2, the selected mathematical model determines the operation of the market balancing mechanism, that is, in which:

Ho – parameter in the initial ordering discrete;

Xk – the parameter in the next sorting discrete.

In international experience, it is possible to study the regulation of assessment activities at the macroeconomic level based on all of the above models, based on modeling.

Conclusion/Recommendations

In conclusion, among the foreign models of state regulation of valuation activities, the model of regulation of valuation activities of the USA, the Russian Federation, and in particular, the German state experience is of great interest. German appraisers believe that the reason for the maximum correspondence of their models to the market is the stability of values. Several formulas presented by German appraisers, including the correspondence of the market value to the real value in the process of assessing property (buildings, structures, land, etc.), and the issues of improving the regulation of valuation activities based on the three proposed methods in property valuation activities were considered. In our opinion, it is appropriate to apply the German experience model of regulation of valuation activities in the process of regulating valuation activities in Uzbekistan. Only in this way can the coordination, compatibility and stability of the processes occurring in the property market and the market of property valuation services be ensured at the macro level.

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