

EFFECTS OF THE HOUSING POLICY IN UZBEKISTAN**Isaxanov Ismoilxon Kamolxon o‘g‘li***Second-year MBA student,**Department of Management, Economics and Humanitarian subjects,**Turin Polytechnic University in Tashkent**Email address: Ismoilxon.isaxonov@mail.ru*

ABSTRACT. *This article analyzes the recent development trends of housing policy in the Republic of Uzbekistan and its impact on socio-economic processes. During the research, factors such as the increase in housing construction volume, the expansion of the mortgage lending system, the acceleration of urbanization processes, and changes in housing market prices were studied through a comprehensive approach. The results indicate that housing policy plays an important role not only in stimulating economic activity but also in improving the living standards of the population. At the same time, issues such as rising housing prices, infrastructure-related challenges, and regional disparities still persist.*

KEYWORDS. *housing policy, mortgage, housing market, urbanization, infrastructure, economic development, social impact*

INTRODUCTION

Today, the issue of housing remains one of the most sensitive and immediately noticeable social problems in any society. Regardless of a person’s income, employment, or level of education, their daily life is directly connected to their living conditions. Therefore, housing policy should be evaluated not only through economic indicators but also through the quality of human life -including metrics such as floor area per person, commute times, access to healthcare and schools, and housing affordability indices.

In Uzbekistan, significant changes have been observed in the housing sector in recent years. According to official data from the Statistics Agency under the President of the Republic of Uzbekistan, total housing stock expanded from 549 million m² in 2021 to 703.8 million m² in 2025 - an increase of 1.3 times in just four years [1]. The average floor area per person rose from 15.7 m² in 2017 to 18.9 m² in 2024 [2]. Despite this quantitative growth, it is insufficient to affordability are equally critical dimensions.

After gaining independence, Uzbekistan’s housing policy gradually shifted from a centralized state distribution model to a market-based system. The private sector’s role has grown considerably, especially since the mid-2000s. This article analyzes the outcomes and

remaining challenges of this transformation across economic, social, and infrastructural dimensions.

LITERATURE REVIEW

Academic literature on housing policy emphasizes that a well-functioning housing market is a cornerstone of broader socio-economic development. The World Bank’s Uzbekistan Housing Sector Review (2022) identifies key structural barriers including limited affordability, underdeveloped mortgage markets, and uneven regional development [3]. Tsenkova (2009) documents similar transitions in post-socialist European states, noting that price volatility and infrastructure gaps are common challenges during the shift from state-allocated to market-based housing [4].

Glaeser (2013) and Leamer (2007) highlight the central role of housing markets in macroeconomic cycles, demonstrating that housing construction acts as a multiplier for employment, materials production, and financial services [5,]. Rosen’s (1974) hedonic pricing model shows that housing prices are determined not only by construction costs but by proximity to transport, schools, workplaces, and other amenities - a finding particularly relevant for Uzbekistan’s rapidly expanding peripheral residential areas [7].

UN-Habitat (2020) emphasizes that in developing countries, the concept of housing must be understood as a “living environment,” incorporating access to services and quality of surrounding infrastructure rather than merely the physical dwelling [8]. Warnock and Warnock (2008) demonstrate that mortgage market depth correlates strongly with broader financial sector development, a relationship that is still maturing in Uzbekistan [9].

METHODOLOGY

This study employs a descriptive-analytical approach combining quantitative data analysis with a review of policy documents and academic literature. The primary data sources include:

- Official statistics from the Statistics Agency under the President of the Republic of Uzbekistan (2017–2025);
- Reports and financial stability reviews of the Central Bank of the Republic of Uzbekistan (2023–2025);
- The World Bank’s Uzbekistan Housing Sector Review (2022);
- Reports from the Center for Economic Research and Reforms (CERR) of Uzbekistan;
- International benchmarks from UN-Habitat (2020) and UNECE housing briefs.

The research period covers 2006-2025, enabling a longitudinal view of housing stock growth, urbanization dynamics, mortgage market development, and price movements. Regional comparisons are included to assess the balance of housing development across the country. Qualitative analysis of policy effectiveness is grounded in the metrics used by the Central Bank’s Housing Affordability Index and the ratio of housing units to households.

MAIN RESULTS

1. Growth of Housing Stock and Construction Activity

Housing construction in Uzbekistan has expanded dramatically over the past decade. In 2025 alone, 15.8 million m² of residential space were commissioned, and the number of construction enterprises exceeded 55,000 - a 12% increase compared to 2024 [1]. The sector employed over one million workers in 2025 and generated 110 trillion soums in gross value added.

The expansion of housing stock is directly reflected in the per-capita indicator. According to the UNECE housing brief, in 1991 total living space per person stood at 12.4 m²; by 2012 it reached 15.5 m² [10]. The most recent Central Bank data show this figure reached 18.9 m² per person by 2024, representing a 20% improvement over the 15.7 m² recorded in 2017 [2]. Nevertheless, this level remains below the CIS average of approximately 23–25 m² per person [10].

Beyond construction volume, housing construction creates a significant multiplier effect in the economy. New residential projects stimulate demand for construction materials, logistics, and banking services. In 2025, construction's share in GDP reached 17%, underscoring its role as a key driver of national economic growth [11]. The sector also directly creates jobs: in 2025, it provided employment to more than one million citizens, including seasonal workers [1].

2. Housing Market Prices and Affordability

Despite increased supply, housing prices have risen sharply in recent years. In 2023, primary market prices increased by 39.6% year-on-year; in 2024, growth moderated to 11.4% in the primary market and 6.3% in the secondary market, partly due to expanded construction activity [2]. The Central Bank of Uzbekistan reported in its mid-2024 financial stability review that housing prices exceeded their fundamental value by 28%, rising 1.8 times faster than wage growth over the same period [12]. Average wages grew by 17.7% in H1 2024, while housing costs surged by 44% in soum terms.

Regional price disparities are pronounced. In Tashkent, purchasing a home at average market prices required the equivalent of 14.9 years of rental income as of 2024, compared to 7.3–8.4 years in regions such as Karakalpakstan and Sirdarya [13]. By 2025, improving wage growth (19% annually) outpaced housing price increases, and the price-to-wage ratio in Tashkent fell from 1.77 to 1.38, reflecting measurable improvements in affordability [14].

Demand is driven by several factors: rapid population growth (the population reached 37.9 million as of July 2025, growing at 2% per year), urbanization, rising incomes, and a structural housing deficit - as of 2024, the ratio of housing units to households stood at 0.76 for families, meaning approximately 24% of families still lack their own housing unit [2].

3. Urbanization and Regional Disparities

Urbanization has accelerated significantly in Uzbekistan. The urban population share grew from approximately 36% in 2006 to 51% as of April 2024 [15,]. In absolute terms, the urban population reached 18.86 million people by April 2024, compared to approximately 9.5 million in the early 2000s. The annual urban population growth rate stands at approximately 2.1% (World Bank, 2023) [16].

To assess whether this urbanization is balanced, one benchmark is the regional distribution of construction activity and housing transactions. In H1 2025, real estate sales rose by 29.9% in Jizzakh, 18.3% in Navoi, and 17.7% in Surkhandarya, while Tashkent region recorded a slight decline of 2.6% [16]. In 2024, mortgage lending was heavily concentrated: Tashkent city accounted for 32% of all mortgage loans, while Syrdarya and Jizzakh each accounted for only 2-3% [14]. These disparities indicate that housing development remains spatially uneven, with peripheral regions facing both lower investment and weaker infrastructure.

Urbanization brings infrastructure pressures. The growing urban population has intensified demand for public transport, schools, hospitals, and utilities. For example, the Tashkent metropolitan area experiences significant commuting burdens; however, comprehensive data on average commute distances across Uzbekistan remain limited in public reporting. Internationally, UN-Habitat notes that cities in Central Asia typically have 0.8-1.2 school facilities per square kilometer in established residential areas, with newer peripheral developments often falling significantly below this standard [8].

4. Mortgage System: Availability and Affordability

The mortgage lending system is one of the central elements of Uzbekistan's housing policy. Between 2017 and 2024, commercial banks issued over 84 trillion soums in mortgage loans to approximately 478,200 citizens, and the outstanding mortgage loan balance reached 67.7 trillion soums as of January 1, 2024 - a sevenfold increase compared to 2017 [2]. The ratio of outstanding mortgage loans to GDP rose to 4.8% by early 2024, compared to 2.7% in 2017.

However, access to mortgage finance remains unequal. As of mid-2024, only 10 out of every 1,000 residents held mortgage loans [12]. The average interest rate on commercial bank mortgages reached 24.8% in 2024 (from banks' own funds), while the state-subsidized rate was 17.9% [14,]. High rates, combined with the requirement for a down payment, make mortgages inaccessible for low- and middle-income households. The Loan Affordability Index stood at 0.35, and in some scenarios the monthly loan installment could exceed 280% of median household income [13].

Critically, unlike many countries where mortgages without a down payment are exceptional, in Uzbekistan this barrier is compounded by additional restrictions: since May 2024, subsidized loans are available only to citizens who have never previously received

mortgage support [2]. In 2025, average mortgage rates began declining (to 19.2% weighted average) as competition among banks increased and state refinancing mechanisms expanded [11]. By H1 2025, the housing affordability index reached 121%, reflecting improved but still fragile affordability [11].

5. Infrastructure Quality and Living Environment

Housing policy effectiveness cannot be measured by construction volumes alone. The quality of the surrounding infrastructure - transport, utilities, healthcare, and education - determines whether new housing delivers genuine improvements in living standards. In Uzbekistan, newly built residential areas on the urban periphery often face shortfalls in these dimensions.

The construction sector's 2025 data confirm that while 15.8 million m² of housing were commissioned, the industry continues to face "systemic challenges," including incomplete utility connections in some developments [1]. To prove the existence and magnitude of these issues, comparable regional data are needed. For instance, regional water supply coverage, road network quality indices, and social facility density metrics from the Statistics Agency would provide objective evidence. The Central Bank's financial stability report notes ongoing risks from infrastructure underdevelopment in rapidly growing peripheral areas [12].

CONCLUSION

Housing policy in Uzbekistan has delivered measurable progress: the housing stock grew 1.3 times in four years (2021–2025), floor area per person increased from 12.4 m² (1991) to 18.9 m² (2024), and the construction sector now accounts for 17% of GDP. Urbanization has intensified, with the urban share of the population rising from approximately 36% in 2006 to 51% in 2024. The mortgage market has expanded sevenfold in volume since 2017.

However, real effectiveness is determined not only by the number of houses built but also by actual living conditions. Housing prices remain 28% above their fundamental value (as of H1 2024), and only 10 in every 1,000 residents hold a mortgage. Regional disparities persist, with mortgage lending heavily concentrated in Tashkent city (32% of total) and large portions of rural and peripheral regions underserved.

IMPLICATIONS

Based on the analysis above, housing policy in Uzbekistan requires a comprehensive, data-driven approach. The following directions should be treated as priorities:

- Integration of housing and transport infrastructure: new residential developments should be co-planned with public transport expansion to reduce commuting burdens;
- Parallel development of social infrastructure: schools and healthcare facilities should be built concurrently with residential complexes, particularly in peripheral urban areas;

- Making the mortgage system more inclusive: interest rates should be further reduced through expanded state refinancing, and eligibility criteria should be broadened to cover low-income households currently excluded from both subsidized and commercial mortgages;
- Balancing regional development policies: mortgage and construction subsidies should be redistributed to reduce the current concentration in Tashkent and stimulate housing supply in underserved regions;
- Systematic data collection: comprehensive indicators on infrastructure density, commute distances, and school/hospital availability per capita should be regularly published to enable evidence-based policymaking.

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