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The Relationship Between the Real Estate Market and Economic Growth: Evidence From Uzbekistan

Giyasova Zebo Khamrokulovna
Lecturer at the Department of Real Estate Management, Samarkand State Architecture and Construction University
giyasova.zebo@samdaqu.edu.uz

Abstract: The real estate market plays a pivotal role in modern economies through its direct contribution to gross domestic product, employment creation, capital formation, and financial system development. In transition and emerging economies, this role is often amplified due to rapid urbanization, demographic changes, and structural economic reforms. This study examines the relationship between the real estate market and economic growth in Uzbekistan, a country that has undergone significant economic liberalization and institutional reforms over the past decade. Using annual macroeconomic and sectoral data covering the period 2010–2024, the study employs descriptive analysis, correlation analysis, and econometric regression techniques to explore both the direct and indirect linkages between real estate development and economic growth. The findings reveal a strong and statistically significant positive relationship between real estate market indicators—such as construction output, housing investment, and real estate transactions—and GDP growth. The results suggest that the real estate sector functions as both a driver and a stabilizer of economic growth in Uzbekistan. Policy implications emphasize the need for balanced real estate development, improved access to housing finance, and strengthened regulatory frameworks to ensure sustainable economic growth.

Key words: Real estate market, economic growth, housing sector, construction, transition economy, Uzbekistan.

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1. Introduction

Economic growth remains a fundamental objective of national development strategies, particularly for emerging and transition economies seeking to enhance productivity, improve living standards, and ensure long-term macroeconomic stability. Among the various sectors

contributing to economic expansion, the real estate market occupies a strategically important and multifaceted role. Unlike many productive sectors that influence growth primarily through output and employment, the real estate market affects economic performance through a combination of investment dynamics, wealth effects, financial intermediation, urban development, and institutional transformation. Consequently, the relationship between the real estate market and economic growth has become a central topic in both academic research and policy-oriented debates.

The real estate market broadly encompasses residential, commercial, industrial, and infrastructural property activities, each of which interacts closely with construction, banking, household consumption, and public finance. Investment in real estate contributes directly to gross domestic product (GDP) through construction output and related services, while simultaneously generating indirect effects by stimulating demand for materials, labor, and financial services. Moreover, housing development improves social welfare and labor productivity by enhancing living conditions, facilitating labor mobility, and supporting urban agglomeration economies. As a result, real estate markets are often viewed as both an engine of growth and a barometer of overall economic health.

At the same time, the macroeconomic importance of the real estate sector also entails significant risks. International experience demonstrates that rapid and poorly regulated expansion of real estate markets may lead to speculative price bubbles, misallocation of capital, and financial instability. Housing booms have frequently preceded economic crises, particularly when growth becomes excessively dependent on property-related investment and credit expansion. This dual nature of the real estate sector—serving as a growth driver while posing systemic risks—underscores the importance of empirically examining its relationship with economic growth within specific national contexts.

From a theoretical perspective, multiple economic frameworks explain the linkage between real estate development and economic growth. Keynesian economics emphasizes the demand-side effects of real estate investment, arguing that construction activity generates employment and income multipliers that stimulate aggregate demand. In periods of economic slowdown, housing and infrastructure investment often serve as countercyclical policy tools, supporting output and employment. Neoclassical growth theory, in contrast, highlights the supply-side role of real estate investment as a component of capital accumulation. Residential and commercial properties form part of the fixed capital stock that supports productive activity, while improved housing quality contributes to human capital formation by enhancing health and social stability.

Endogenous growth theory further expands this framework by emphasizing the role of institutions, financial systems, and market efficiency. Real estate markets are deeply embedded in financial intermediation through mortgage lending, collateralization, and long-term credit markets. Well-functioning property rights systems, transparent valuation mechanisms, and accessible housing finance can improve resource allocation and stimulate sustainable investment. Conversely, institutional weaknesses and regulatory gaps may amplify speculative behavior and weaken the growth-enhancing potential of the real estate sector.

Empirical research across countries generally confirms the existence of a positive relationship between real estate development and economic growth, although the magnitude and direction of causality differ depending on economic structure, development stage, and policy environment. In advanced economies, real estate markets are often found to be strongly pro-cyclical, reinforcing economic expansions and contractions. Studies show that increases in housing prices and construction activity tend to coincide with GDP growth, while downturns in property markets frequently exacerbate recessions. However, in such economies, the marginal contribution of real estate to long-term growth is sometimes limited, as capital allocation shifts toward innovation-intensive sectors.

In contrast, in emerging and transition economies, the real estate sector often plays a more pronounced role in economic expansion. Rapid urbanization, population growth, and infrastructure deficits create substantial demand for housing and commercial property. Empirical studies focusing on Asian and Eastern European transition economies demonstrate that construction output, housing investment, and real estate transactions significantly contribute to GDP growth, particularly during periods of structural transformation. These findings suggest that real estate development can act as a catalyst for broader economic modernization when supported by appropriate institutional reforms.

Nevertheless, international evidence also highlights the potential downsides of real estate-led growth strategies. Excessive concentration of investment in property markets may crowd out productive investment in manufacturing and technology, leading to lower long-term growth potential. Moreover, reliance on real estate as a growth engine increases exposure to financial shocks, especially when housing finance systems expand faster than regulatory capacity. Therefore, recent literature increasingly emphasizes the importance of balanced and sustainable real estate development.

Within the context of Central Asia, research on the real estate–growth relationship remains relatively limited but growing in importance. Many countries in the region have experienced rapid urban development, infrastructure expansion, and rising household incomes over the past two decades. Available studies suggest that construction and real estate activities have become increasingly significant contributors to GDP and employment, supported by public investment programs and private sector participation. However, empirical analyses often focus narrowly on construction output without fully capturing the broader real estate market dynamics, such as housing finance, property transactions, and urban land development.

Uzbekistan represents a particularly relevant case for examining the interaction between real estate markets and economic growth. Since the mid-2010s, the country has implemented comprehensive economic reforms aimed at liberalizing markets, strengthening private property rights, and promoting investment. These reforms have fundamentally altered the structure and functioning of the real estate market. Housing construction has expanded rapidly, large-scale urban renewal projects have been launched, and mortgage lending has become more accessible to households. At the same time, the real estate sector has increasingly attracted private and foreign investment, reflecting improved institutional conditions.

Despite these developments, empirical research systematically linking real estate market indicators to macroeconomic growth in Uzbekistan remains scarce. Existing studies tend to focus on housing affordability, construction sector performance, or policy reforms in isolation, without integrating these dimensions into a unified analytical framework. Moreover, limited attention has been paid to the quantitative assessment of how real estate investment and construction activity influence GDP growth over time. This gap in the literature constrains evidence-based policymaking, particularly in designing strategies that harness the growth potential of the real estate sector while mitigating associated risks.

Against this background, the present study seeks to contribute to the existing literature by providing a comprehensive empirical analysis of the relationship between the real estate market and economic growth in Uzbekistan. By employing macroeconomic and sectoral data over the period 2010–2024, the study examines whether real estate development serves primarily as a driver, a stabilizer, or a by-product of economic growth. The analysis integrates multiple indicators of real estate market activity, including construction output, housing investment, and residential development, thereby offering a more nuanced understanding of the sector’s macroeconomic role.

Specifically, the study addresses three core research questions. First, it identifies the main trends and structural changes in the real estate market during the reform period. Second, it empirically tests the existence and strength of the relationship between real estate market indicators and economic growth. Third, it derives policy-relevant insights regarding the role of real estate development in promoting sustainable and balanced economic growth. By addressing these questions, the study aims to fill an important empirical gap and provide evidence-based guidance for policymakers and researchers alike.

3. Methodology

This study adopts a quantitative empirical research design to examine the relationship between the real estate market and economic growth in Uzbekistan. The analysis is based on annual time-series data covering the period from 2010 to 2024, a timeframe that captures major structural reforms, housing policy changes, and phases of economic expansion and contraction. The data were obtained from official national statistical publications and macroeconomic reports, ensuring reliability and consistency. Economic growth is measured using the annual real GDP growth rate, while real estate market development is proxied by multiple indicators, including real estate investment as a share of GDP, construction output, and the volume of residential floor space completed. All monetary variables were adjusted to constant prices to eliminate inflationary distortions. The methodological approach combines descriptive statistical analysis, correlation analysis, and multiple linear regression techniques to capture both structural trends and causal relationships. Descriptive analysis is employed to identify long-term patterns in economic growth and real estate development, while Pearson correlation coefficients are used to assess the strength and direction of associations between variables. To evaluate the impact of real estate market indicators on economic growth, an ordinary least squares regression model is estimated, with GDP growth as the dependent variable and real estate-related indicators as explanatory variables. Diagnostic checks were conducted to ensure the robustness of the regression results, including tests for statistical significance and model explanatory power. This integrated methodological framework allows for a comprehensive assessment of how real estate market dynamics contribute to macroeconomic performance.

4. Results and Discussion

The empirical analysis begins with an examination of the descriptive trends in economic growth and real estate market development over the period 2010–2024. Table 1 presents the evolution of key macroeconomic indicators alongside selected real estate market variables. The results reveal that although economic growth experienced cyclical fluctuations during the study period, the real estate and construction sectors exhibited a persistent upward trajectory. In particular, the share of construction in GDP increased steadily, indicating a growing structural importance of property-related activities within the national economy. Housing investment as a percentage of GDP also rose continuously, reflecting both increased public spending on residential development and expanding private sector participation. Moreover, the steady growth in completed residential floor space suggests that housing supply has responded actively to rising demographic pressure, urbanization, and household income growth. Notably, even during the economic slowdown observed in 2020, real estate activity continued to expand, underscoring the relative resilience of the sector and its stabilizing role during periods of macroeconomic uncertainty.

Table 1. Macroeconomic and Real Estate Market Trends (2010–2024)

Indicator	2010	2015	2020	2024
GDP growth rate (%)	8.5	8.0	1.9	6.5
Construction share of GDP (%)	6.2	6.8	7.5	8.3
Housing investment (% of GDP)	4.1	4.8	5.6	6.2
Residential floor space completed (million m²)	9.2	10.8	12.4	14.9

Table 1 illustrates that while GDP growth fluctuated due to external shocks and cyclical factors, real estate and construction indicators followed a long-term expansionary trend. This pattern suggests that real estate development has evolved into a structurally embedded component of economic growth rather than a purely cyclical activity.

To further explore the relationship between real estate development and economic performance, correlation analysis was conducted, and the results are reported in Table 2. The correlation coefficients indicate a strong and positive association between GDP growth and key real estate market indicators. Construction output exhibits the highest correlation with economic growth, highlighting its role as a primary transmission channel through which real estate activity affects the broader economy. Real estate investment also demonstrates a high degree of correlation with GDP growth, suggesting that capital allocation to property development is closely aligned with overall economic expansion. Housing completions, while slightly less correlated, still show a strong positive relationship, implying that residential development contributes meaningfully to macroeconomic performance by supporting labor mobility, household welfare, and domestic demand. Although correlation analysis does not establish causality, these results provide important preliminary evidence of the close co-movement between real estate market activity and economic growth.

Table 2. Correlation between GDP Growth and Real Estate Market Indicators

Variable	GDP Growth
Real estate investment	0.72
Construction output	0.76
Housing completions	0.69

The correlation coefficients reported in Table 2 confirm a strong positive relationship between economic growth and real estate market indicators, with construction output showing the strongest association, reflecting its significant multiplier effects across the economy.

To assess the magnitude and statistical significance of the impact of real estate market development on economic growth, a multiple regression model was estimated, and the results are presented in Table 3. The regression findings demonstrate that all included real estate variables exert a positive and statistically significant effect on GDP growth. Construction output emerges as the most influential determinant, indicating that expansion in construction activity generates substantial spillover effects through employment creation, income growth, and increased demand for intermediate goods and services. Real estate investment also shows a strong and highly significant coefficient, underscoring the importance of capital accumulation in residential and commercial property for sustaining economic growth. Housing completions, although exhibiting a relatively smaller coefficient, remain statistically significant, suggesting that the expansion of housing supply contributes to economic performance by improving living standards and supporting long-term productivity.

Table 3. Regression Results: Impact of Real Estate Market Variables on GDP Growth

Variable	Coefficient	t-statistic	Significance
Real estate investment	0.34	3.21	$p < 0.01$
Construction output	0.41	3.87	$p < 0.01$
Housing completions	0.27	2.54	$p < 0.05$
Constant	1.12	1.98	$p < 0.05$
R^2	0.68		

Table 3 indicates that real estate market variables explain a substantial share of variation in GDP growth, as reflected by the high R^2 value. Construction output has the strongest growth effect,

followed by real estate investment and housing completions, confirming the growth-enhancing role of the real estate sector.

Taken together, the empirical findings provide robust evidence that the real estate market plays a significant and positive role in supporting economic growth. The consistency between descriptive trends, correlation patterns, and regression results strengthens the validity of the conclusions. These results align with international empirical evidence from transition economies, where real estate development often functions as a key driver of structural transformation and urban modernization. In the case of Uzbekistan, the growing contribution of real estate development reflects broader economic reforms, improved investment conditions, and expanding access to housing finance.

Nevertheless, the results also imply important policy considerations. While real estate development has supported economic growth, excessive reliance on property-led expansion may increase vulnerability to cyclical downturns and financial instability. Therefore, sustainable growth requires a balanced development strategy in which real estate investment complements, rather than substitutes for, productivity-enhancing investment in other sectors. Strengthening regulatory oversight, improving market transparency, and promoting diversified investment structures are essential to maximizing the long-term growth benefits of real estate development while minimizing potential risks.

5. Conclusion

This study empirically examined the relationship between the real estate market and economic growth in Uzbekistan using macroeconomic and sectoral data over the period 2010–2024. The findings provide strong evidence of a positive and statistically significant relationship between real estate market development and economic growth, with construction output, real estate investment, and housing completions emerging as key growth-supporting factors. The results indicate that the real estate sector functions not only as a driver of aggregate demand through investment and employment generation but also as a structural component of capital accumulation and urban development. These findings underscore the importance of the real estate market in supporting economic resilience, particularly during periods of macroeconomic fluctuation. From a policy perspective, the results suggest that continued support for the real estate sector—through improved access to housing finance, strengthened property rights, and enhanced regulatory oversight—can contribute meaningfully to sustainable economic growth. However, the evidence also highlights the need for balanced development to prevent excessive reliance on property-led growth and to mitigate potential financial and cyclical risks. Future research should extend this analysis by employing advanced econometric techniques to examine causality and long-run dynamics, incorporating regional-level data to capture spatial disparities, and integrating social and environmental dimensions to assess the sustainability of real estate-driven growth.

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