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INTRODUCTION REAL ESTATE INVESTMENT TRUSTS (REITS) IN UZBEKISTAN: OPPORTUNITIES FOR ATTRACTING FORIGN INVESTMENT

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Abstract. Uzbekistan's property and capital markets are developing, yet the financing of income-producing real estate remains heavily dependent on direct ownership, developer capital and bank lending. This article examines whether a real estate investment trust (REIT) framework could broaden the country's investor base and mobilise foreign portfolio capital for completed commercial properties. The study combines a structured review of five selected international articles with comparative institutional and legal analysis, official Uzbek market indicators and an explicitly hypothetical cash-flow model. The findings indicate that Uzbekistan has a partial legal starting point: the Law on Investment and Unit Funds (2015) already recognises immovable property as an investment asset, while the 2026 Tashkent International Financial Centre creates an additional avenue for developing internationally oriented financial services. Neither, on the evidence reviewed, automatically constitutes a fully operational listed-REIT regime. A pilot equity-REIT invested in independently valued, leased logistics, retail and service properties is proposed, subject to clarification of asset ownership, taxation, distribution, valuation and foreign-exchange rules. In an illustrative unleveraged USD 25 million portfolio, a 92% rent-collection assumption yields a 4.32% annual cash distribution on equity under the study's assumptions; lower occupancy materially reduces this result. The paper concludes that a phased REIT reform could complement existing investment channels, but capital inflows depend on legal certainty, disclosure quality, investible property supply and functioning secondary-market liquidity rather than on the REIT label itself.
Keywords: Real estate investment trusts (REITs); Uzbekistan; foreign portfolio investment; real estate finance; investment funds; capital market; rental income; regulatory reform.

INTRODUCTION

Investment policy in Uzbekistan has increasingly centred on connecting domestic assets with long-term sources of finance. Industrial modernisation, urban development, new logistics facilities and the expansion of private services all require capital with maturities that are not always well matched to short-term bank funding. Real estate occupies a particular place in this process: it can secure long leases and provide an observable asset base, but it is expensive to acquire, costly to transact and difficult to diversify through direct ownership. A financial instrument capable of pooling these assets could reduce some of the barriers facing foreign and local investors.

A real estate investment trust, commonly referred to as a REIT, is an investment vehicle that typically owns or finances income-producing property and offers investors tradable interests in the resulting portfolio. For equity REITs, contractual rent, maintenance expenses, occupancy, financing costs and asset values ultimately determine distributions. The most important distinction is not the English name of the instrument; it is the institutional separation

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between professional property management and dispersed investors, combined with transparent reporting and enforceable rights to income. International experience suggests that the benefits are meaningful, but conditional. Listed units may be easier to sell than buildings, while their market prices remain vulnerable to interest-rate changes and investor sentiment [3–7].

The case for exploring REITs in Uzbekistan should not be reduced to the country's expanding construction sector. A residential sales boom does not establish that offices, warehouses or clinics can support stable distributions. The Central Bank reported 319.5 thousand real-estate transactions in 2025, 15.8% above the preceding year; in the first quarter of 2026, it recorded 110.1 thousand purchase-and-sale transactions, up 48.4% year on year [11,12]. These figures establish wider market activity but do not, by themselves, measure the lease yields, tenant credit quality or property-level cash flows required for a REIT feasibility study.

This research follows two earlier studies by the author on Uzbekistan's IPO processes and stock-exchange trading [1,2]. Those studies emphasised market liquidity, investment disclosure and the need for a broader set of professionally managed instruments. REITs address a related, yet distinct question: rather than raising equity for a single operating company, can the capital market finance a ring-fenced portfolio of rent-producing assets and distribute its income through an accessible security?

The objective of the present article is to evaluate the institutional feasibility and potential investment role of REITs in Uzbekistan, compare relevant international models and formulate an implementable pilot structure. The article addresses three questions: (i) which elements of foreign REIT practice are transferable to Uzbekistan; (ii) what legal and market frictions remain; and (iii) how sensitive could distributable income be to a realistic risk factor, namely rental occupancy? The main contribution is an evidence-based regulatory crosswalk and a transparent scenario model, not a forecast of actual market returns.

Literature review and research gap

International research has approached REITs from three perspectives: portfolio efficiency, market performance and institutional risk. Ho and Wong [3] constructed dynamic asset-allocation portfolios for 13 Asian cities. Their analysis found that the incorporation of Asian REITs and the correction of appraisal smoothing improved the estimated efficient frontier; the reported maximum Sharpe ratio was 1.44 for a de-smoothed tactical portfolio, compared with 1.31 under smoothed data. These are outcomes for their data and modelling assumptions, not return parameters that can be transferred mechanically to Uzbekistan. More importantly, their treatment of appraisal smoothing shows why the apparent stability of privately assessed property returns may understate underlying risk.

Liang [4] analysed REIT performance variables in the United States and an international sample. The study describes income yields, revenue growth, capitalisation and volatility spillovers as intertwined indicators; it cautions against interpreting unusually high dividends as unambiguous evidence of financial strength. Its United States annual regression uses observations from 2019–2023, so the short time series limits strong causal claims. Okoro and Ayaba [5], applying bibliometric and content analysis to REIT research from 2008–2022, identified corporate governance, leverage, diversification, capital structure, liquidity and performance measurement as recurring concerns. Together these studies suggest that distribution policy and financial resilience should be analysed in the same framework.

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Burkova's comparison of 239 REITs in 15 developed countries [6] documents differences between North American, European and Asian market experience as of 2013. Although its historical asset figures cannot describe today's market, the study remains useful for its finding that legal arrangements and macroeconomic conditions affect the diffusion of the model. Sridevi, Hari Prasad and Pavani [7] discuss the use of machine-learning models to interpret REIT returns and rental-market variables. Their proposed forecasting architecture is relevant to long-term risk-monitoring design; however, it is not evidence that machine learning would reliably forecast returns in an Uzbek market without an adequate history of verified property-level data.

The examined articles provide substantial evidence on already established or cross-border REIT markets. They do not supply Uzbek commercial-property operating datasets or establish that Uzbekistan currently has an exchange-traded, tax-qualified REIT. The gap therefore concerns policy sequencing: identifying which existing legal provisions can support a pilot, which foreign practices require new rules, and how a transparent financial model can be tested before claims about foreign capital attraction are made.

Table 1. Evidence from the five uploaded international studies

Study	Approach / evidence	Relevant finding	Application to Uzbekistan
Ho & Wong (2016) [3]	Asian property returns; AHP and Markowitz portfolio optimisation	Risk-adjusted outcomes depend on diversification and treatment of smoothed appraisals.	Require independent valuation and explicit risk reporting.
Liang (2024) [4]	U.S. 2019–2023 data; 84 international REITs; regression	Yield, revenue growth and market risk jointly shape results.	Test operating income and dividend sustainability, not headline yield alone.
Okoro & Ayaba (2023) [5]	Scopus 2008–2022; bibliometric/content review	Capital structure, governance, liquidity and uncertainty are central.	Embed leverage limits, governance rules and risk disclosures.
Burkova (2014) [6]	Historical 239 REITs across 15 developed countries	Institutional models and crisis experience vary among regions.	Borrow principles, not dated market-size or return estimates.
Sridevi et al. (2025) [7]	Proposed AI/ML forecasting framework	Tenant, rent and macro series may improve analytical monitoring.	Start with auditable baseline data; machine learning is a later option.

Source: author synthesis of the five user-supplied articles. Findings belong to the cited studies and are not results of an Uzbek REIT market trial.

MATERIALS AND METHODS

The study uses a mixed analytical design built on three complementary components. First, a structured qualitative review extracts each uploaded article's object of study, sample, methods, principal findings and limitations. The articles were selected by the author as topical

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source material rather than through a systematic database search. Consequently, this is a focused comparative review, and it is not presented as a comprehensive meta-analysis or bibliometric census.

Second, an institutional and regulatory comparison covers (a) the United States REIT distribution model; (b) Singapore's tax-transparency framework; (c) India's REIT supervisory regulations; and (d) Uzbekistan's legal environment for investment funds, real estate and international financial services. Primary legal sources include Uzbekistan's Law No. ZRU-392 of 25 August 2015 and Constitutional Law No. ZRU-1158 of 13 July 2026, effective 25 July 2026 [8,9]. The review also considers OECD findings on foreign investor access to land and real estate [10], the Securities and Exchange Board of India (SEBI) REIT regulations [14], the U.S. Internal Revenue Service (IRS) rules [15] and Singapore's Inland Revenue Authority guidance [16]. Rules are reported in terms specific to their jurisdiction; a foreign tax exemption is not assumed to apply in Uzbekistan.

Third, a deterministic cash-flow scenario is constructed for a proposed, debt-free equity REIT with USD 25 million of total equity-invested real estate. All numerical inputs in that exercise are illustrative research assumptions, not observed rental yields, property valuations or expected returns in Uzbekistan. The model deliberately omits asset appreciation, transaction taxes at inception, fund launch costs and exchange-rate fluctuations from the primary yield calculation. It thereby illustrates operational sensitivity and leaves feasibility validation to a prospective sponsor's due diligence. The term 'foreign investment' is used carefully: secondary purchases of REIT securities generally represent portfolio exposure, whereas primary issuance may finance the acquisition or development of domestic property; classification as FDI depends on the applicable statistical and control criteria.

Model equations. Collected rent (CR) = gross potential rent (GPR) × occupancy rate (O); cash available for distribution (CAD) = CR − property operating costs (OC) − management and administrative costs (MC) − capital expenditure reserve (RR); illustrative distribution (DIST) = q × max(CAD, 0); cash distribution yield (DY) = DIST / initial equity (E) × 100. Here q = 90% is a proposed simulation parameter, not an existing Uzbek legal distribution requirement. This cash-flow formula is not the U.S. taxable-income test nor India's statutory net distributable cash-flow calculation.

Methodological limitations. The model does not estimate a causal relationship between a new REIT and aggregate FDI. No proprietary tenant-level leases, audited operating statements, investor surveys or legal opinions were supplied. Regulatory compatibility must be confirmed against implementing rules, especially for the Tashkent International Financial Centre, property taxation and fund investor eligibility.

RESULTS

Uzbekistan's legal and institutional starting point

Uzbekistan is not beginning from an absence of collective-investment legislation. Article 6 of the Law 'On Investment and Unit Funds' (No. ZRU-392, 2015) explicitly includes immovable property among investment assets. The same law regulates investment-fund and unit-fund structures, management, custody, disclosure and restrictions. This creates an initial conceptual route for pooled real-estate holdings. Yet a vehicle investing in property is not automatically equivalent to an internationally recognised listed equity REIT. The distinctive REIT elements—dedicated qualifying-asset rules, property valuations, a cash-flow distribution

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standard, treatment of cross-border investors, transparent taxation and exchange-trading mechanics—would require careful regulatory design [8].

The distinction is particularly important for distribution rules. Under Article 18 of the investment and unit funds legislation, returns on unit-fund investment assets are ordinarily allocated among unit holders annually or reinvested by consent. A newly proposed quarterly or semi-annual REIT distribution schedule should therefore not be portrayed as already permissible for every existing fund form. It may require an appropriate legal wrapper, supervisory interpretation or amendment. Similarly, asset diversification and securities-investment restrictions require structure-by-structure examination rather than an assumption that a standard international REIT template can simply be registered locally [8].

The legal context shifted further with the Constitutional Law on the Tashkent International Financial Centre, adopted on 13 July 2026 and effective from 25 July 2026. This establishes a special regulatory territory for financial services, investment and dispute resolution. The implementing decree of September 2026 concerns its launch arrangements [9]. The Centre may create a valuable environment for a pilot involving international fund managers and foreign investors. Nevertheless, the legal possibility of establishing funds at the Centre does not, by itself, settle how such a vehicle acquires or leases property outside the Centre, how its rental income is taxed, which authority supervises the assets or whether its units are eligible for broad public trading.

Land tenure remains a material structuring question. OECD analysis notes that foreign investors face restrictions on acquiring land in Uzbekistan and rely primarily on leasehold or other recognised usage arrangements [10]. Accordingly, any proposed portfolio should be built around verified rights to buildings and the land on which they stand, with independent title review, cadastral verification and contract protections against loss of leasehold rights. The design should not imply that foreign unit holders directly own Uzbek land.

Table 2. Comparative REIT-policy features and the Uzbek reform question

Jurisdiction / source	Relevant framework	Implication for an Uzbek pilot
United States [15]	REIT qualification and asset/income tests; at least 90% of REIT taxable income distributed, subject to statutory details.	Define a transparent local distribution rule and tax treatment; do not confuse taxable income with distributable cash.
Singapore [16]	Conditional REIT tax transparency with income-type and investor-type distinctions.	Model withholding and cross-border taxation explicitly; avoid blanket promises of tax exemption.
India [14]	Dedicated SEBI REIT regulations covering registration, eligible assets, governance and cash-flow distributions.	Consider specialised REIT rules rather than relying only on general collective-investment provisions.
Uzbekistan [8,9,10]	2015 investment/unit-fund framework permits real estate as an asset; 2026 TIFC special regime; land-access constraints remain.	Conduct wrapper, title, listing, accounting and tax feasibility reviews prior to primary issuance.

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Source: author comparison of cited regulatory and institutional material, reviewed October 2026. This table summarises legal frameworks; it is not a legal opinion.

Potential assets and investment channels

An initial Uzbek REIT would be easier to evaluate if it held completed income-producing properties instead of speculative land or unfinished construction. Candidate sectors include logistics warehouses under multi-year rental contracts, service-oriented retail premises with diverse tenants and medical or education facilities with documented demand. Hotels and development projects may become appropriate for specialised vehicles later, but their cash-flow cyclicality and operating exposure are less suitable for demonstrating the first publicly accessible REIT. Financial models should be built on net operating income rather than asking prices or developer sales forecasts.

The prospective capital-raising mechanism can be divided into two stages. In a primary placement, investors subscribe to fund interests and the vehicle uses the proceeds to acquire independently valued assets. This provides new funding to property owners or developers and may release capital for productive reuse. In the secondary market, investors exchange existing REIT units; such trades improve market accessibility but ordinarily do not provide new money to the REIT itself. For foreign investors, this distinction is essential. A higher share of non-resident participation in exchange trading should not be presented as a matching increase in national FDI inflows.

The Ministry of Investment, Industry and Trade reported USD 43.1 billion of implemented investment in 2025, including large foreign-investment flows [13]. These national totals show the scale of the broader investment environment. They are not figures for property funds, nor are they a defensible estimate of REIT fundraising. An appropriate first target is therefore a small, auditable pilot with a committed anchor investor, audited rent rolls, a reliable custodian, independent appraisal and an independent board or equivalent oversight committee.

Illustrative distributable-income calculations

For transparency, the hypothetical portfolio is assumed to contain 45% logistics property, 30% neighbourhood retail and 25% essential-service space. Initial equity and property value are both USD 25 million; the exercise assumes no debt. The gross potential annual rent at 100% occupancy is USD 2.25 million. Recurring operating costs are set at USD 0.48 million, fund management and administration at USD 0.18 million, and cash reserves for maintenance and capital expenditure at USD 0.21 million. The proposed distribution proportion is 90% of the model's cash available for distribution; retained cash forms a modest liquidity buffer.

Table 3. Model assumptions: hypothetical USD 25 million pilot REIT

Input	Assumed amount	Interpretation
Initial equity / property value	USD 25,000,000	Not a surveyed or market-valued Uzbek portfolio.
Gross potential rent	USD 2,250,000 per year	Assumes 9.0% gross potential rent / asset value at full occupancy.
Property operations	USD 480,000	Annual recurring expense, including routine property charges.

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Fund management / administration	USD 180,000	Annual fund-level operating cost.
Cash maintenance and capex reserve	USD 210,000	Cash retained for repairs and medium-term expenditure.
Distributable share of positive CAD	90%	Illustrative policy choice, not existing Uzbek law.
Borrowings	Zero	Deliberately excludes interest and refinancing risk in first-stage model.

Source: author assumptions for methodological illustration; none of these amounts is an observed Uzbek property valuation, operating result or future guarantee.

Table 4. Sensitivity of potential distributions to occupancy (USD million unless stated)

Scenario	Occupancy	Rent collected	Cash available	Distributed cash	Cash yield
Downside	75%	1.688	0.818	0.736	2.94%
Base case	92%	2.070	1.200	1.080	4.32%
High occupancy	98%	2.205	1.335	1.202	4.81%

Computed from Table 3. Constant costs are used to isolate occupancy risk. The distribution yield excludes asset-price changes, taxes at investor level, entry fees and currency movements.

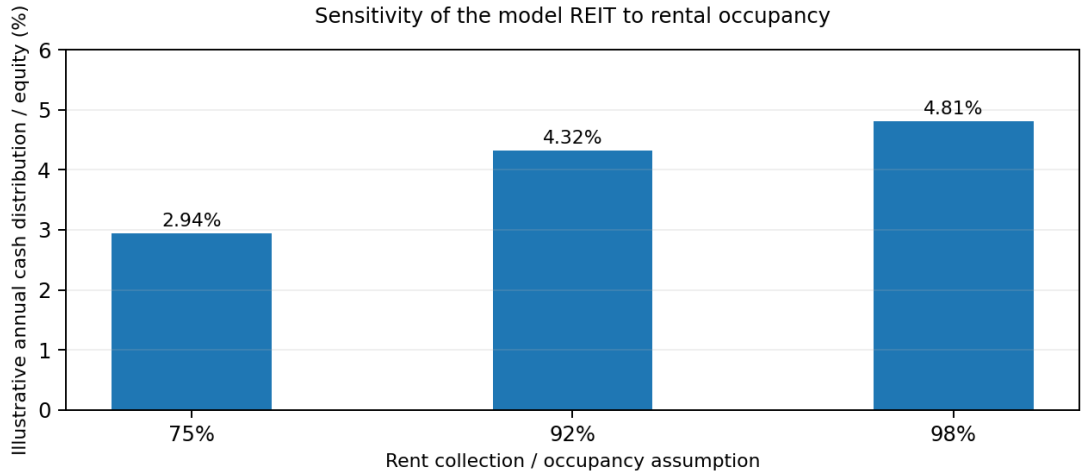


Figure 1. Estimated cash distribution yield under alternative rent-collection assumptions. Source: author calculation from Table 3; illustrative, not forecast.

At 92% occupancy the vehicle collects USD 2.07 million of rent and generates USD 1.20 million of cash after the model's three expense and reserve categories. Distributing 90% of that amount produces USD 1.08 million, or 4.32% of initial equity. If occupancy falls to 75%, calculated annual distributions decline to USD 0.736 million (2.94% on initial equity). At 98% occupancy the projected distribution increases to USD 1.202 million (4.81%). The difference between the low and high occupancy cases is approximately 1.86 percentage points of equity value per year, even without introducing debt or changes in property prices.

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These are cash distributions, not total investment returns. The price at which a REIT unit trades can rise or fall independently of cash payouts. A foreign holder who measures performance in dollars also faces exchange-rate risk if rents and distributions are denominated in soums. For example, a 10% increase in the soum-per-dollar exchange rate reduces the dollar value of an unchanged soum distribution by about 9.09%, before any other currency effects. This arithmetic does not predict depreciation; it shows why currency denomination and hedging options must be disclosed.

Proposed implementation and governance arrangement

The recommended pilot has four functional parties: (i) a licensed or otherwise duly authorised fund/REIT manager, (ii) a legally separate property-holding structure with documented rights to buildings and land use, (iii) an independent custody, registrar and valuation function and (iv) domestic and foreign unit holders. A supervisory authority would review the prospectus, related-party transactions, periodic valuations, beneficial ownership and distribution statements. If the pilot falls under the special financial-centre regime, the licensing and supervisory relationships must be mapped to that regime and to the national property authorities before launch.

Governance safeguards are as important as the tax regime. Related-party property purchases should require independent appraisals, disclosure and approval procedures. Rent rolls should specify occupancy, lease expiries, tenant concentration, indexed rents, arrears and recoverable costs. Leverage limits should initially be conservative; the financial model above avoids debt altogether. Distribution policies should account for maintenance reserves, not merely advertise a nominal payout ratio. Public investors should receive a concise factsheet presenting both the estimated income and the possibility of capital loss.

Table 5. Phased pilot road map with observable decision gates

Stage	Required work	Gate before proceeding
1. Legal feasibility	Confirm wrapper under fund law or TIFC; inspect title, land-use rights, tax, currency and licensing.	Written legal, regulatory and tax feasibility assessment.
2. Asset preparation	Select completed income-producing properties; obtain audited rent rolls, valuation and technical review.	Independent appraisal; verified tenancy/occupancy and environmental checks.
3. Institutional launch	Appoint manager, custodian and auditor; draft prospectus, valuation, risk and dividend rules.	Regulatory approval and escrowed seed investor commitments.
4. Public trading and scale-up	Offer interests through an eligible exchange/market and report NAV, distributions and trading spreads.	Documented liquidity, disclosure compliance and post-launch performance audit.

Source: author proposals. Sequencing reflects institutional dependencies; the table is not an announcement that any phase has already been implemented.

DISCUSSION

The analysis suggests that the attraction of a REIT for Uzbekistan is broader than a new investment product. A correctly organised vehicle can convert individually negotiated property ownership into divisible claims on managed rental income. This may expand participation by local households, pension-oriented investors and foreign funds that lack the capacity to

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purchase, maintain and register a complete property. It may also give developers a channel for selling stabilised assets after construction, permitting capital to be recycled into new projects. Whether this recycling produces additional national investment depends on what asset sellers do with the proceeds and on the net new issuance by the trust.

However, institutional transfer from a mature market requires selectivity. The United States model offers an established tax-status approach, but its 90% payout condition refers to taxable income and operates within U.S. tax law [15]. India's REIT regulations provide another template for supervisory rules and distributions of net distributable cash flows [14]. Singapore illustrates the importance of investor-specific tax treatment rather than a single tax-free promise [16]. An Uzbek regime should preserve the underlying principles—eligible assets, transparent distributions, independent valuation and investor protection—while adopting locally workable procedures and addressing fiscal consequences openly.

The legal comparison also shows why a 'REIT' cannot be introduced only through a stock-exchange listing decision. A listed company owning one building may expose investors to property risk, but without ring-fenced rents, qualifying-asset criteria, distribution standards, conflict controls and specialised disclosure it does not deliver the institutional protection generally associated with REITs. Equally, the existing unit-fund law already recognises immovable property, so it would be inaccurate to describe all collective property investment as legally impossible. The unresolved task is to create a coherent bridge between general investment funds, the new financial-centre regime and national property rights.

The portfolio simulations reinforce the need to begin with operating assets. Under the simplified model, a 17-percentage-point drop in occupancy from 92% to 75% lowers the distribution yield from 4.32% to 2.94%. In a leveraged trust, lost rent would be amplified by interest payments and refinancing pressure. The 2008–2009 crisis literature reviewed by Okoro and Ayaba [5] gives particular weight to leverage and liquidity. Ho and Wong [3] additionally caution that valuations based on relatively infrequent property appraisals may make returns appear smoother than the underlying risk. Hence independent valuations must be supported by real rent payments and stress tests, rather than treated as sufficient evidence of stability on their own.

Foreign-investor protection deserves special attention. The OECD identifies land tenure and foreign-property restrictions as relevant investment barriers [10]. A REIT prospectus should therefore disclose whether the asset consists of a building, a leasehold, another property right or a holding-company claim, and explain what happens when underlying land-use rights expire. It should set out rules for non-resident ownership of units, repatriation and taxation of distributions, currency conversion, beneficial ownership verification and available dispute-resolution channels. These issues are likely to shape foreign investors' decisions more strongly than the name of the financial instrument.

There is also an information problem. A successful REIT market requires regular commercial lease data, consistent accounting for repairs and property taxes, credible asset valuations, and a liquid market for units. Data quality is the limiting factor in applying advanced forecasting methods. The machine-learning techniques discussed by Sridevi and colleagues [7] may be useful at a later stage for evaluating occupancy and payment defaults, but the first regulatory priority should be a standardised public reporting template with annual audited statements and periodic asset-level operational data.

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Finally, the proposed fund should be evaluated against alternatives: direct property investment, conventional real-estate companies, secured project finance and ordinary unit funds. REITs are most valuable where asset cash flows are predictable and the financing benefits of diversification, transparent management and tradable interests outweigh setup, compliance and distribution costs. For small properties lacking stable tenants, a REIT could add administrative expense without solving the underlying investment problem. For this reason, the policy proposal is a constrained pilot with measurable exit criteria, not an immediate nationwide obligation to use REITs.

CONCLUSIONS AND RECOMMENDATIONS

The introduction of REITs is a feasible subject for financial-sector reform in Uzbekistan, but the evidence supports a phased and conditional approach. International studies indicate potential gains from pooled real-estate exposure, portfolio diversification and regular income; they also demonstrate the consequences of leverage, market contagion, uncertain valuations and weak governance. Uzbekistan's current collective-investment law already recognises immovable property as an investment asset, and the 2026 Tashkent International Financial Centre offers a further institutional platform. These developments create opportunities, not evidence of a completed REIT regulatory regime.

The first practical recommendation is to establish an inter-agency working group to assess whether a dedicated REIT framework should be enacted under national securities law, developed through regulations for existing investment funds, piloted under the financial-centre regime, or combined through legally coordinated options. The second recommendation is to define qualifying asset categories and audited distribution metrics, including a cash maintenance reserve, conservative borrowing thresholds, independent valuations and transparent treatment of related-party deals. Tax neutrality, withholding, property-title transfer and foreign-exchange rules must be assessed together rather than independently.

The third recommendation is to test the instrument with a small debt-free portfolio of completed rental properties and independently certified leases, raising capital from an anchor investor before a broader offer to households and non-residents. The fourth is to monitor measurable outcomes: actual primary capital raised, share of non-resident subscriptions, changes in occupancy and rent collection, audited cash distributions, unit-price spreads and the number of active investors. These are better performance indicators than the announcement of a REIT law alone.

Overall, the principal opportunity is to connect the real estate sector's long-lived assets with a regulated pool of long-term domestic and international savings. A successful REIT would not eliminate real-estate risk or guarantee foreign direct investment. It would instead make that risk visible, professionally managed and investible through an instrument whose returns and obligations investors can assess. That is the condition under which the international model could make a lasting contribution to Uzbekistan's capital market.

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