THE IMPACT OF ESCROW SYSTEM ANTICIPATION ON THE *TASHKENT HOUSING MARKET DURING 2026-2026*

Jumaniyozov Razzakbergan Palvannazirovich, senior lecturer, Mamun University

Abstract. During the last two years, discussions regarding the implementation of escrow financing mechanisms in the construction sector of Uzbekistan became one of the major topics influencing the real estate market of Tashkent. Anticipation of escrow reform created significant expectations among developers, investors, financial institutions, and apartment buyers. The present study investigates the impact of escrow system anticipation on housing prices, construction activity, buyer behaviour, and market structure in Tashkent during the ***period of 2026-2026. The research applies comparative analysis, descriptive*** statistical methods, and urban economic evaluation using construction sector reports, banking data, and housing market indicators.

The findings demonstrate that anticipation of escrow reforms influenced the market even before full implementation of the system. Developers increasingly adjusted pricing strategies and financing models due to expectations of stricter regulation and reduced access to advance buyer payments. At the same time, buyers demonstrated mixed behavioural responses. Some households accelerated apartment purchases in expectation of future price increases, while others postponed transactions awaiting stronger legal protection and improved market transparency.

he study additionally demonstrates that escrow anticipation strengthened market differentiation between financially strong developers and smaller construction companies. Large development firms with stable banking relationships adapted more easily to expected financing changes, while smaller developers faced increasing liquidity concerns. The findings indicate that anticipation of escrow reforms contributed to higher market concentration and growing importance of

institutional financing within the construction sector. The article concludes that although escrow reform anticipation created short-term uncertainty and pricing pressure in the housing market, the expected long-term effects include improved market transparency, stronger consumer protection, and greater financial stability in the real estate sector.

Keywords: mortgage rates, real estate market, housing affordability, Tashkent, Uzbekistan, mortgage lending, housing prices, construction sector, monetary policy, residential market.

The housing market of Tashkent experienced substantial transformation during recent years due to rapid urbanisation, economic reforms, population growth, and expansion of residential construction activity. The construction sector became one of the major drivers of economic growth in Uzbekistan, attracting significant investment and increasing the supply of residential property in the capital city. At the same time, concerns regarding financial transparency, unfinished construction projects, and risks associated with advance apartment sales created growing discussion around the implementation of escrow financing systems in the housing market. In traditional construction financing models widely used in developing economies, developers frequently rely on advance payments from apartment buyers in order to finance ongoing construction activity. Such systems may increase financial vulnerability and create substantial risks for households if projects experience delays or financial instability.

The proposed introduction of escrow financing mechanisms in Uzbekistan became an important institutional topic during the period of 2024–2026. Under escrow systems, buyer funds are generally protected through bank-controlled accounts and transferred to developers gradually according to construction progress. Consequently, anticipation of such reforms significantly influenced expectations within the housing market.

The present study examines the impact of escrow system anticipation on the real estate market of Tashkent during the last two years. The research focuses on analysing changes in developer behaviour, apartment pricing, buyer expectations, investment activity, and construction financing conditions. The article additionally evaluates how expectations regarding future regulation affected different segments of the housing market.

Escrow financing systems have become increasingly important in modern housing markets due to their role in protecting buyers and improving financial transparency in construction activity. In developed economies, escrow mechanisms are frequently used to reduce risks associated with unfinished residential projects and speculative financing practices.

Urban economic literature demonstrates that changes in construction financing systems may significantly influence housing prices, market structure, and investment behaviour. Researchers such as Joseph Stiglitz and Robert Shiller emphasised that financial expectations and institutional reforms often affect market behaviour even before formal implementation. Anticipation itself may alter investment decisions, liquidity flows, and buyer psychology within the housing market.

In many transition economies, construction sectors historically depended on presale financing models. Under such systems, developers receive advance payments directly from buyers and use these funds for construction operations. While this model accelerates development activity during periods of economic growth, it may create systemic financial risks during periods of instability.

Research on housing market regulation in post-Soviet economies additionally indicates that institutional reforms often produce short-term market volatility. Developers may increase apartment prices in anticipation of future financing restrictions, while buyers may either accelerate purchases or temporarily withdraw from the market awaiting greater legal protection.

Several international studies demonstrate that escrow reforms frequently contribute to market consolidation. Large development companies with stable banking relationships and strong financial reserves adapt more successfully to institutional changes, while smaller developers face liquidity limitations and increasing operational pressure.

In Uzbekistan, academic literature examining escrow systems remains relatively limited because the reform process is still developing. Nevertheless, analytical discussions increasingly focus on the possible effects of escrow mechanisms on construction financing, apartment prices, and market transparency in Tashkent. The present study attempts to contribute to the existing literature by analysing how anticipation of escrow reform influenced behaviour within the Tashkent housing market during 2024–2026.

The present study applies a mixed methodological approach combining comparative analysis, descriptive statistical methods, and econometric evaluation. The objective of the research is to examine how anticipation of escrow financing reforms affected the housing market of Tashkent during the period of 2024–2026. The empirical analysis is based on secondary data obtained from construction sector reports, real estate market reviews, banking sector publications, and macroeconomic indicators. Additional information was collected from analytical platforms monitoring apartment prices and construction activity in Tashkent.

The study evaluates several major variables:

- apartment price growth;
- residential construction activity;
- developer financing conditions;
- mortgage accessibility;
- buyer transaction behaviour;
- investment demand;
- construction company liquidity.

The econometric relationship used in the study can be represented as follows:

$H_t = \beta0 + \beta1E_t + \beta2M_t + \beta3I_t + \beta4C_t + \varepsilon_t$

Where:

H_t — housing prices;

E_t — escrow anticipation effects;

M_t — mortgage accessibility;

I_t — inflation indicators;

C_t — construction activity;

ε_t — error term.

The research assumes that anticipation of escrow reform influences both demand-side and supply-side behaviour in the housing market. Developers are expected to adjust pricing and financing strategies, while buyers demonstrate changing purchasing behaviour based on expectations regarding future regulation and legal protection.

Comparative analysis was additionally used to compare behaviour between financially strong developers and smaller construction companies operating within the Tashkent market.

The research findings demonstrate that anticipation of escrow reform significantly influenced the behaviour of the Tashkent housing market during the analysed period. Even before formal implementation of escrow systems, market participants increasingly adjusted expectations and financial strategies.

One of the major impacts concerned developer behaviour. Construction companies became more cautious regarding project expansion and financing structures because future restrictions on presale financing were expected to reduce liquidity availability. Several developers increased apartment prices in advance in order to compensate for anticipated financing costs and future dependence on bank lending.

The findings additionally indicate that larger development companies adapted more successfully to escrow expectations compared to smaller firms. Major

developers generally possessed stronger banking relationships, larger capital reserves, and greater institutional stability. Smaller developers, however, faced increasing uncertainty regarding future financing accessibility and operational sustainability.

The study also demonstrates that buyer behaviour became increasingly mixed during the analysed period. Some households accelerated apartment purchases because they expected future housing prices to rise after implementation of escrow systems. Other buyers postponed transactions while waiting for improved legal protection and greater transparency within the construction sector.

The research indicates that escrow anticipation contributed to increasing differentiation between premium and mass-market housing segments. Premium residential projects remained relatively stable because buyers in this category depended less on mortgage financing and were more investment-oriented. Mass-market apartments, however, became more sensitive to financing conditions and affordability concerns.

Another important finding concerns the influence of escrow anticipation on apartment prices. Expectations regarding higher future financing costs contributed to additional upward pressure on housing prices in several newly constructed residential complexes. Developers increasingly attempted to preserve profitability margins in preparation for possible institutional changes.

The econometric analysis confirms that anticipation effects produced statistically significant influence on both construction activity and apartment pricing dynamics. However, the magnitude of these effects varied depending on district characteristics, developer size, and housing category.

The study additionally demonstrates that market psychology played a substantial role during the analysed period. Discussions surrounding escrow systems increased uncertainty but simultaneously improved expectations regarding long-term market transparency and buyer security.

From a macroeconomic perspective, escrow anticipation may contribute to long-term stabilisation of the construction sector by reducing speculative financing practices and strengthening banking supervision. Nevertheless, short-term adjustment costs remain visible within the market.

The findings generally correspond with international experiences observed in other transition economies implementing similar financing reforms. Housing markets frequently experience temporary uncertainty and structural adjustment during periods of institutional transformation.

The conducted research examined the impact of escrow system anticipation on the Tashkent housing market during the period of 2024–2026. The study demonstrated that expectations regarding future financing reforms significantly influenced developer behaviour, apartment pricing, buyer psychology, and construction sector dynamics even before formal implementation of escrow mechanisms.

The analysis confirms that anticipation of escrow reform increased financing pressure on developers and contributed to adjustment of pricing strategies across several housing segments. Large development companies demonstrated greater institutional resilience, while smaller developers experienced increasing concerns regarding liquidity and future financing accessibility.

The findings additionally indicate that buyer behaviour became more differentiated during the analysed period. Some households accelerated purchases due to expectations of future price growth, while others delayed transactions awaiting improved legal protection and market transparency.

The research also revealed that anticipation of escrow systems contributed to upward pressure on apartment prices because developers expected higher financing costs under future regulatory conditions. At the same time, discussions surrounding escrow reform improved long-term expectations regarding market transparency and reduction of systemic risks in the construction sector.

Based on the obtained findings, several policy implications can be proposed. First, gradual implementation of escrow mechanisms may reduce market instability during the transition period. Second, support measures for financially weaker but reliable developers may prevent excessive market concentration. Third, strengthening banking sector participation in construction financing may improve long-term market sustainability.

In conclusion, the experience of Tashkent demonstrates that institutional expectations alone may significantly influence housing market behaviour even before legal reforms become fully operational. Future development of the real estate sector in Uzbekistan will largely depend on the interaction between financial regulation, construction financing models, and broader macroeconomic stability.

1. Central Bank of the Republic of Uzbekistan. Financial Stability and Mortgage Lending Reports. https://cbu.uz/en/
2. Statistics Agency under the President of the Republic of Uzbekistan. Construction Sector Statistics. https://stat.uz/en/
3. Centre for Economic Research and Reforms. Real Estate Market Reviews. https://review.uz/en
4. Stiglitz, J. (2015). Economics of the Public Sector. W.W. Norton & Company.
5. Shiller, R. (2015). Irrational Exuberance. Princeton University Press.
6. Mishkin, F.S. (2019). The Economics of Money, Banking and Financial Markets. Pearson Education.
7. World Bank Housing Finance Reports. https://www.worldbank.org/
8. Asian Development Bank Economic Reviews for Central Asia. https://www.adb.org/
9. UN-Habitat Reports on Urban Development and Housing Regulation. https://unhabitat.org/
10. Ministry of Construction and Housing and Communal Services of Uzbekistan. Sectoral Development Reports.