

Real estate market in Armenia 2019-2020



Real estate



Market analysis

Grant Thornton presents analysis of the real estate market in Armenia, which is mainly based on the review of historical data. It identifies market trends over time and their changes, referring to the factors affecting and shaping the market activity. Overall, the analysis provides an insight on the structure of the real estate market, transactions and types of property, enables thorough understanding of the market developments and comparison of the latest trends with those from the previous years. In addition, this analysis allows the reader to form an understanding of the changes in the post-revolution real estate market on a quarterly basis. Users of this review may include both individuals searching for data and real estate market time series analysis as well as persons and organizations involved in the real estate market who need not only pure data or statistics, but also analysis of the transactions in the market and the types of real estate.

In 2020, the Armenian real estate market has undergone several "shocks". One of such shocks was the epidemic of a novel coronavirus infection that emerged in the world at the beginning of the year and the restrictions caused by it in Armenia, the other was the second wave of the epidemic, then the war in Artsakh, and at the end of the year - the political crisis. Transactions in the real estate market have also been affected by the anticipation of changes in the legislation on the refund of interest on mortgage loans at the expense of income tax, in particular with regard to the cancellation of this mechanism. The phase-out of this arrangement is part of the policy of the Ministry of Finance. As of June 2020, a project to terminate the program in the first and second zones of Yerevan (Kentron and Arabkir) was in circulation¹. However, in early 2021, the initiative was no longer deemed necessary and was cancelled or postponed due to the coronavirus, war and political crisis².

¹ <https://hetq.am/hy/article/118025>

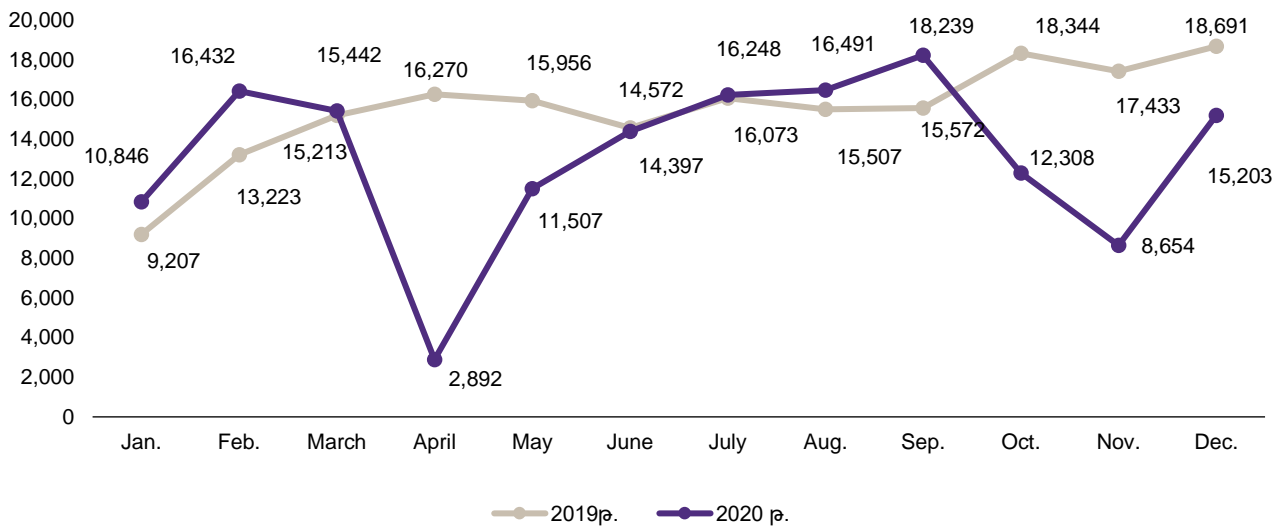
² <https://hetq.am/hy/article/127757>



Analysis of total number of transactions

The total number of transactions in the Armenian real estate market in 2020 was 158,659, which is 27,402 or about 15% less than in the previous year. In the first two months of the year, the quantity of transactions increased by an average of 21% compared to the corresponding months of 2019, but in March the annual growth rate decreased to 1.5%, and as early as in April the quantity of transactions dropped to 2,892, which is 5.6 times less than in the corresponding month of the previous year. The reason was the declared state of emergency due to the coronavirus epidemic, and the strict restrictions enforced from March 16, 2020. Overall, the uncertainty due to the coronavirus epidemic and economic restrictions has been a significant factor in the real estate market activity, having forced people to refrain from large transactions for a while. However, after the tight restrictions on the movement had been lifted, starting from May, the number of transactions almost quadrupled compared to April, but was still 28% lower than in May 2019. Monthly growth continued until October, from 14,397 transactions in June to 18,239 transactions in September. Moreover, the number of transactions registered in July 2020 was already exceeding the number for the corresponding month of the previous year by about 1%. In September, the growth rate against September of the previous year reached 17.1%.

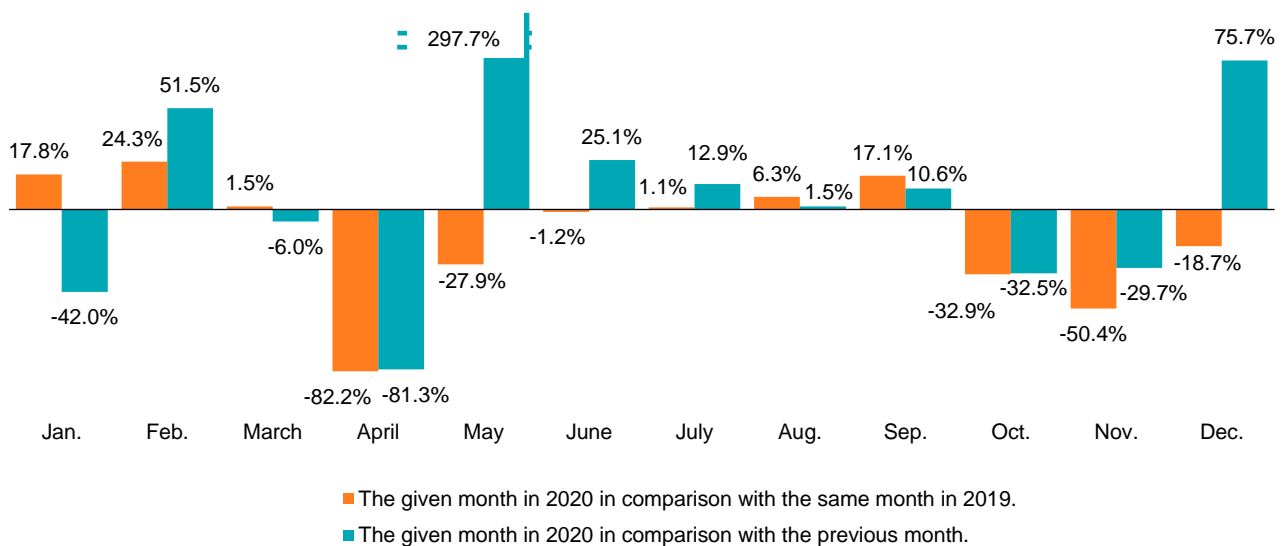
Total number of transactions in the real estate market in 2019 and 2020



Source: Statistical Committee of the Republic of Armenia³

The war that broke out on September 27, 2020, halted the annual growth of the real estate market. In October, the transactions decreased by 32.9% from the corresponding month of the previous year and 32.5% from the previous month. The declining trend continued in November, with only 8,654 recorded transactions. The second wave of the coronavirus outbreak, to cetrain extent, had its impact on this decreasing trend in parallel with the state of war. However, in December, transactions increased by 75.7% compared to the previous month, but they were still 18.7% lower than in December of the previous year.

Rate of change in the total number of transactions in the real estate market in 2020



Source: Statistical Committee of the Republic of Armenia⁴, analyses by Grant Thornton

Notes: The two lines above the column with the May figure indicate that the column has been sized down to make the numbers for the remaining months and their differences graphically vivid as the figure for May is significantly larger than that for the other months.

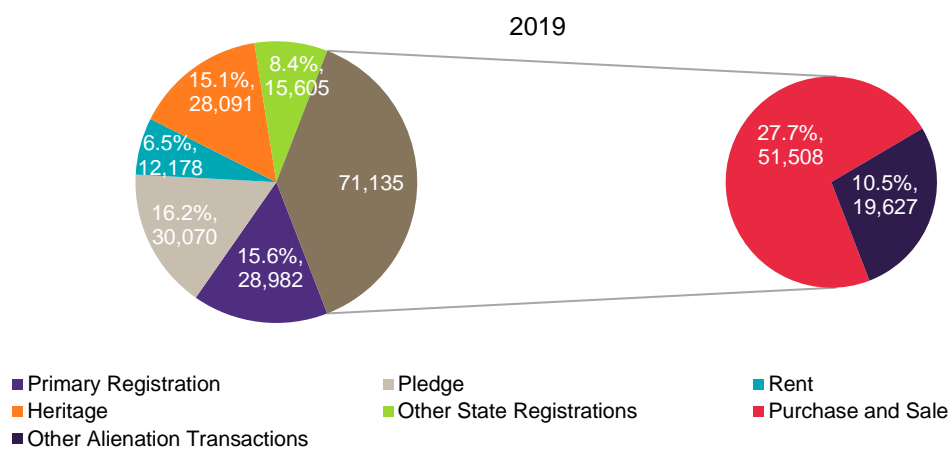
³ Socio-Economic Situation of RA: Real Estate Market

⁴ Socio-Economic Situation of RA: Real Estate Market

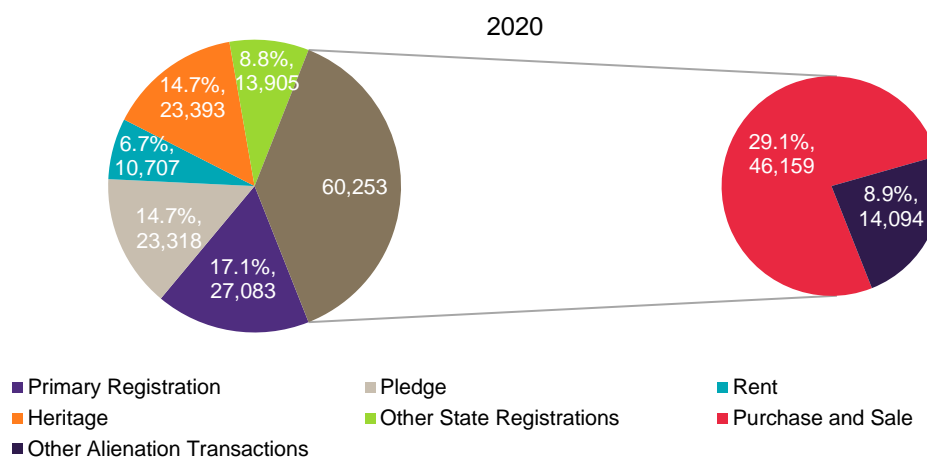
Analysis of alienation transactions

Alienation transactions account for the largest share of total transactions. The share remained almost unchanged at 38% in 2019 and 2020. There were 60,253 alienation transactions in 2020, up from 71,135 in 2019, which is 15% less than in the previous year. The trend of changes in the number of alienation transactions is in line with that for the number of total transactions: in April 2020, the number of alienation transactions decreased by 80.6% compared to April of the previous year, then it began to grow until September, being 19% higher in that month than in September 2019. There was an average decrease of 33.1% in the ending three months of the year compared to the corresponding months of the previous year.

Numbers and proportions as per types of transactions in 2019 and 2020



Source: Statistical Committee of the Republic of Armenia⁵, analyses by Grant Thornton



Source: Statistical Committee of the Republic of Armenia⁶, analyses by Grant Thornton

⁵ Socio-Economic Situation of RA: Real Estate Market

⁶ Socio-Economic Situation of RA: Real Estate Market

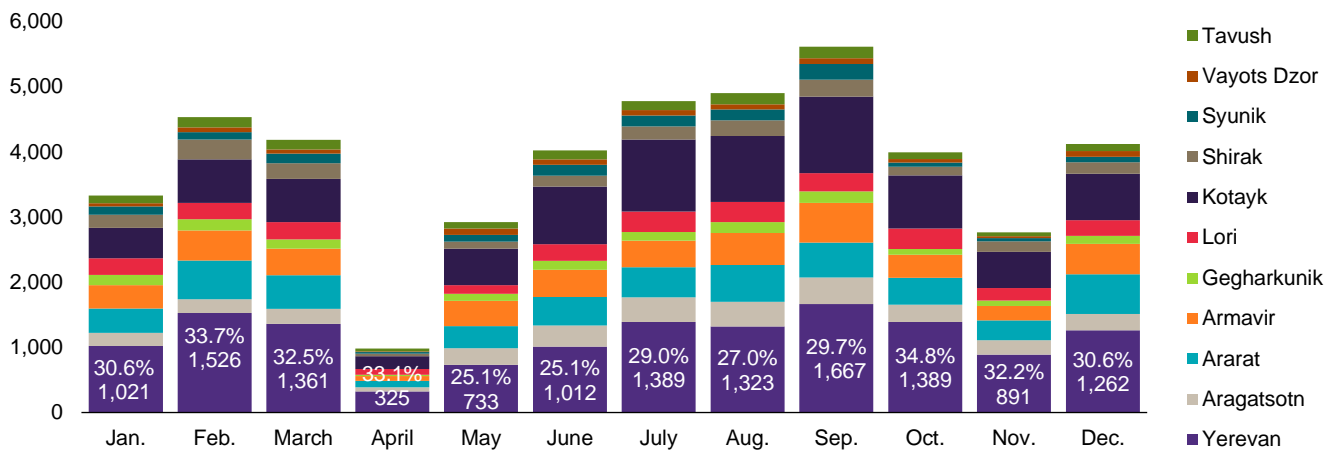
Analysis of purchase/sale transactions

Purchase/sale transactions have the largest share in alienation transactions - 72.4% in 2019 and 76.6% in 2020. Overall, the trends in purchase/sale transactions were in line with the trends in alienation transactions.

A significant part of the purchase/sale transactions took place in Yerevan. In 2019, the capital city accounted for 34.6% of purchase/sale transactions, and in 2020, that share decreased to 30.1%. The decrease is explained by the fact that the rate of decline in the number of purchase/sale transactions in Yerevan was sharper than the rate of decline in total purchase/sale transactions in 2020. In particular, in March the number of transactions in Yerevan decreased by 16% compared to March of the previous year, while almost all marzes maintained the positive annual growth trend throughout April. The annual decline in Yerevan reached 79.8% in April. In the subsequent four months, the rates of decline were still high, compared to the rates of changes in the number of purchase/sale transactions in marzes. Nonetheless, the number of transactions in the capital city in September was 17.7% higher than in the corresponding month of 2019. During the last three months of the year, declining numbers of purchase/sale transactions in Yerevan were again recorded, in line with the declining rates of total purchase/sale transactions.



Purchase/sale transactions In Yerevan and marzes of Armenia and their share in total purchase/sale transactions in 2020



Source: Statistical Committee of the Republic of Armenia⁷, analyses by Grant Thornton

Except Yerevan, transactions in Kotayk, Ararat and Armavir marzes have a significant share in purchase/sale transactions and in 2020 they made 19.1%, 11.4% and 10.1%, respectively.

Real estate purchase transactions by foreign nationals were about 1,000 less than sale transactions and amounted to 1,310 transactions: in 2020, Yerevan accounted for the largest number of purchase/sale transactions in this category too (53.7% of purchases and 25.2% of sales). It should be noted that the transactions made in Kotayk marz also have a significant share in the purchase/sale transactions by foreign nationals (15.6% of purchases and 13.8% of sales).

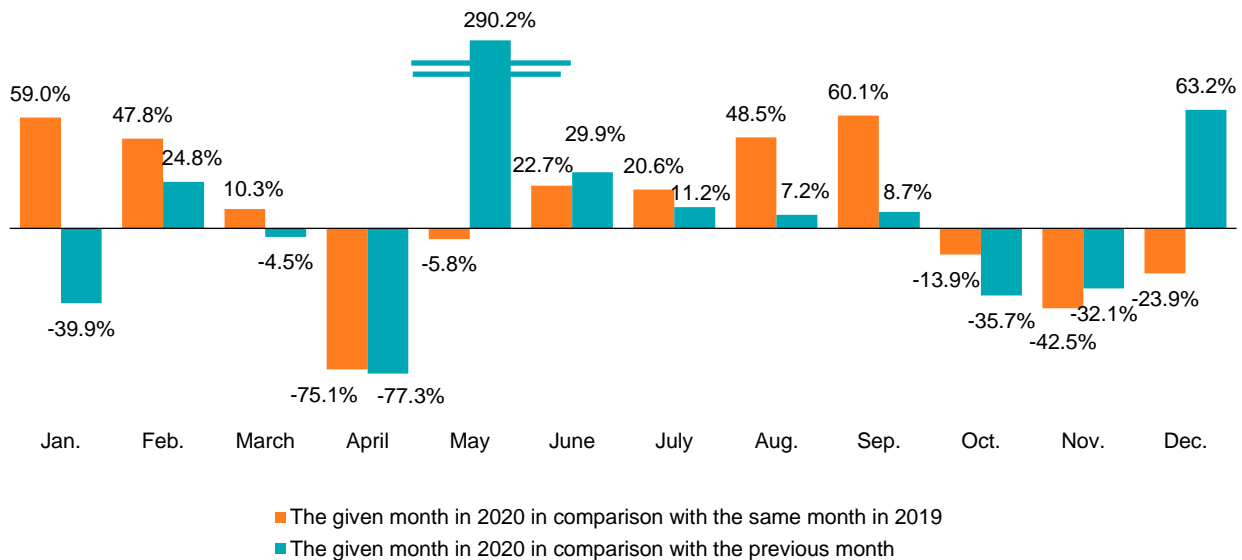
The majority of the total purchase/sale transactions pertained to land and apartments in multi-apartment buildings. In particular, in 2020, 46.5% of purchase/sale transactions related to land and 27.4% to apartments. In contrast to 2019, in 2020 the share of land purchase/sale transactions in total purchase/sale transactions increased by 6.5%, while the share of transactions for the purchase/sale of apartments in multi-apartment buildings in total purchase/sale transactions decreased by an equal rate.

As to the purchase/sale of land, compared to other types of property transactions, land purchase/sale transactions make the only category of transactions that showed an annual growth of 4%, despite the distress in the real estate market caused by the coronavirus epidemic and the war. In March, amid declining transactions in all other types of property, the quantity of land purchase/sale transactions increased by 10.3%. Already in June, when the rate of change in total purchase/sale transactions was still negative, land purchase/sale transactions increased by 22.7% over the corresponding month of the previous year, while the growth rates gradually increased in the subsequent months to reach 60.1% in September. This is likely due to a change in people's preference for their place of residence and real estate, since under conditions of movement restrictions, it is easier to organize daily life in a residential house than in an apartment. This is likely to have changed the behavior of real estate buyers, who may have chosen to make a long-term investment by buying

⁷ Socio-Economic Situation of RA: Real Estate Market

land and building a house, while continuing to benefit from the refund of mortgage interest at the expense of income tax. During the ending three months of the year, there was a decrease in land purchase/sale transactions, although at a slower pace than the average decrease in total purchase/sale transactions.

Rate of change in the number of land purchase/sale transactions in 2020



Source: Statistical Committee of the Republic of Armenia⁸, analyses by Grant Thornton

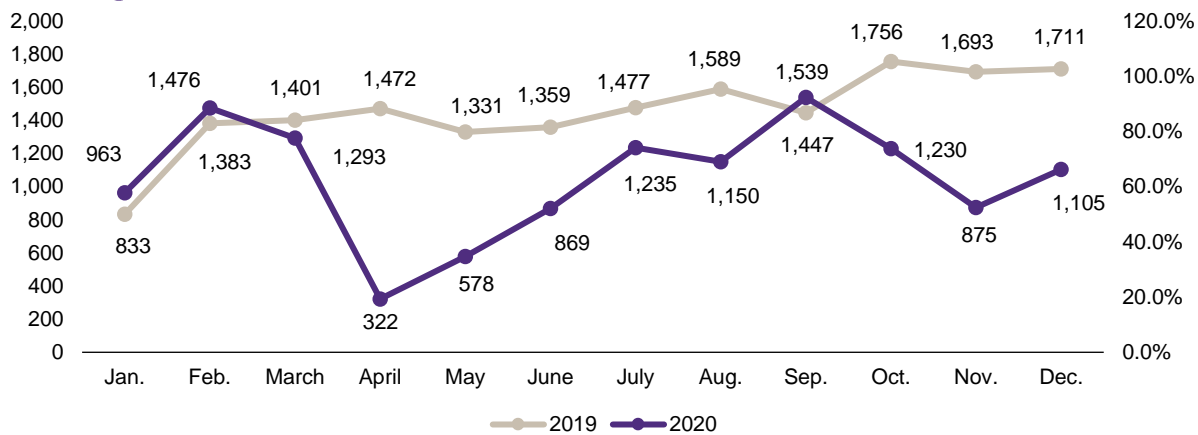
Notes: The two lines above the column with the May figure indicate that the column has been sized down to make the numbers for the remaining months and their differences graphically vivid as the figure for May is significantly larger than that for the other months.

Worth to be noted that the transactions for the purchase/sale of agricultural land and residential construction land have the largest share in the land purchase/sale transactions, namely 53.1% and 36.3% in 2020 and 52.7% and 35.5% in 2019, respectively. The annual growth of land purchase/sale transactions is largely due to the positive trends in the quantity of purchase/sale transactions involving these two types of land. It can also be observed that the rates of change in residential construction land transactions against the corresponding month of the previous year were positive during the first three quarters, except for the month of April.

As to apartments in multi-apartment buildings, in March there was a 7.7% decrease in the quantity of purchase/sale transactions of this type of property compared to March 2019, and in April the rate of decline reached 78.1%. In the subsequent four months, the rates of change were negative too: in May, they were almost twice the rate of decline in total purchase/sale transactions, and in July-August they were negative while the rates of quantitative changes in purchase/sale transactions were positive. In September, there was a 6.4% increase from the corresponding month of 2019, while the rates of change in the subsequent three months were negative, with the rate of decline during this period being greater than the rate of decline in the total quantity of purchase/sale transactions.

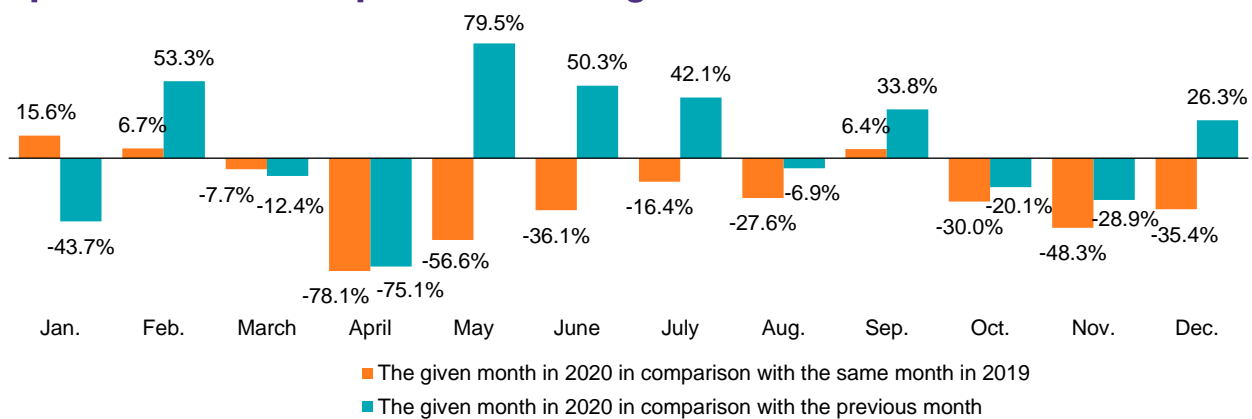
⁸ Socio-Economic Situation of RA: Real Estate Market

Quantity of purchase/sale transactions of apartments in multi-apartment buildings in 2019 and 2020



Source: Statistical Committee of the Republic of Armenia⁹, analyses by Grant Thornton

Rates of change in the quantity of transactions with the purchase/sale of apartments in multi-apartment buildings in 2020



Source: Statistical Committee of the Republic of Armenia¹⁰, analyses by Grant Thornton

In 2020, purchase/sale transactions by foreign nationals mostly pertained to land and housing. In particular, 23.5% of purchase transactions related to land and 40% to apartments, while about 32.2% of sale transactions related to land and 40% to apartments.

Thus, most of the purchase/sale transactions in the category of alienation transactions concerned land and apartments, with the majority of transactions taking place in Yerevan. Land purchase/sale transactions grew 4% year-on-year, while transactions with the purchase/sale of apartments in multi-apartment buildings saw the biggest annual decline at 28% or 4,817. It is worth to note that the sharp decline in annual purchase/sale transactions in all marzes in April was followed by a sharp increase in May, which is most likely due to the easing of restrictions associated with the coronavirus epidemic. As to the decrease in transactions in the last quarter of 2020 compared to the corresponding period of the previous year, it is noticeable that a sharper decrease was recorded during the war in the bordering marzes and also marzes which became bordering ones as a result of the war, namely Gegharkunik, Syunik, Vayots Dzor and Tavush. In these regions, people avoided buying and selling apartments due to a high level of uncertainty caused by the war.

⁹ Socio-Economic Situation of RA: Real Estate Market

¹⁰ Socio-Economic Situation of RA: Real Estate Market

Analysis of market prices of apartments in multi-apartment buildings

The average market prices per one square meter of apartments in multi-apartment buildings have undergone some changes in 2020. The highest prices in the capital city in 2020 were observed in the Kentron and Arabkir administrative districts, averaging AMD 644,800 and AMD 452,000 per square meter, respectively. The monthly increase in prices in 2020 was positive until May, when in Yerevan the average price decreased by about 1% compared to the previous month. These declining rates were observed until December. From March 2020, price annual growth rates have started to decline, from 15% annual growth in March to 2% annual decline in November. In December, the average prices of apartments in multi-apartment buildings in Yerevan decreased by about 4% year-on-year. It is worth to note that sharper rates of price decline could be observed in the Kentron, Davtashen and Nubarashen administrative districts.



Rates of change in the average market prices of apartments in multi-apartment buildings in Yerevan in 2020, compared to the corresponding months of 2019

	1	2	3	4	5	6	7	8	9	10	11	12
Kentron	15.3%	15.4%	14.3%	13.6%	12.3%	10.3%	6.6%	2.9%	0.5%	-1.5%	-5.2%	-6.5%
Arabkir	17.1%	17.3%	16.3%	15.1%	13.6%	12.2%	9.2%	5.6%	4.9%	2.4%	-0.6%	-2.8%
Kanaker-Zeytun	15.9%	16.6%	15.3%	14.9%	11.7%	9.3%	6.9%	4.4%	2.7%	0.5%	-2.8%	-4.5%
Nor Nork	18.1%	18.8%	16.4%	15.0%	12.5%	10.6%	8.8%	7.4%	6.2%	3.8%	1.8%	0.0%
Avan	13.8%	14.4%	14.1%	13.0%	11.1%	10.0%	7.9%	6.5%	4.6%	3.4%	0.5%	-2.1%
Erebuni	13.9%	14.3%	12.7%	11.9%	9.7%	8.3%	6.1%	3.9%	2.6%	1.1%	-1.1%	-2.8%
Shengavit	18.1%	18.2%	15.1%	14.3%	11.9%	9.9%	7.9%	5.7%	5.7%	2.9%	0.7%	-1.2%
Davtashen	14.8%	15.2%	12.9%	12.2%	9.7%	7.3%	4.6%	2.8%	0.6%	-2.5%	-5.1%	-7.6%
Achapnyak	19.1%	19.9%	18.3%	17.5%	15.0%	11.3%	8.4%	6.8%	5.8%	2.7%	-1.0%	-3.5%
Malatia-Sebastia	18.3%	19.1%	16.5%	15.2%	13.1%	10.7%	7.9%	5.9%	5.0%	1.6%	-0.9%	-3.0%
Nubarashen	9.6%	11.1%	11.0%	10.4%	7.0%	4.8%	2.8%	1.1%	0.0%	-4.3%	-5.4%	-6.9%
Average Price in Yerevan	16.0%	16.4%	14.9%	14.0%	11.8%	9.8%	7.1%	4.8%	3.3%	0.8%	-2.0%	-3.9%

Source: Statistical Committee of the Republic of Armenia¹¹, analyses by Grant Thornton

Notes: Months are presented by numbers: from January to December

Rates of change in the average market prices of apartments in multi-apartment buildings in Yerevan in 2020, compared to the previous month

	1	2	3	4	5	6	7	8	9	10	11	12
Kentron	0.6%	0.8%	0.8%	0.0%	-0.3%	-0.9%	-2.6%	-2.3%	-0.8%	-0.7%	-1.6%	0.5%
Arabkir	0.8%	1.2%	0.6%	0.0%	-0.3%	-0.8%	-2.2%	-2.2%	0.7%	-0.6%	-0.5%	0.5%
Kanaker-Zeytun	0.7%	1.0%	0.6%	0.0%	-1.5%	-1.2%	-1.5%	-0.9%	-0.5%	-0.8%	-0.9%	0.4%
Nor Nork	0.2%	1.4%	0.7%	0.0%	-1.0%	-1.0%	-1.0%	0.0%	0.7%	-0.5%	-0.2%	0.8%
Avan	0.6%	1.3%	0.7%	0.0%	-1.0%	-0.7%	-1.3%	-0.3%	-0.9%	0.0%	-0.8%	0.3%
Erebuni	0.5%	1.2%	0.5%	0.0%	-1.2%	-1.0%	-1.4%	-0.7%	-0.7%	-0.4%	-0.4%	0.7%
Shengavit	0.7%	1.0%	0.4%	0.0%	-1.0%	-1.0%	-1.0%	-0.7%	1.0%	-0.5%	-0.5%	0.5%
Davtashen	0.4%	1.0%	0.6%	0.0%	-1.4%	-1.4%	-2.1%	-0.9%	-1.5%	-0.9%	-1.2%	-0.3%
Achapnyak	0.6%	1.3%	0.6%	0.0%	-0.9%	-1.9%	-1.2%	-0.6%	0.6%	-0.6%	-0.9%	-0.4%
Malatia-Sebastia	0.5%	1.0%	0.2%	0.0%	-1.1%	-1.0%	-1.3%	-0.8%	0.2%	-0.8%	-0.4%	0.4%
Nubarashen	0.0%	1.1%	0.5%	0.0%	-2.6%	-1.1%	-1.6%	-0.6%	0.0%	-2.5%	0.0%	-0.3%
Average Price in Yerevan	0.6%	1.1%	0.6%	0.0%	-1.0%	-1.1%	-1.7%	-1.1%	-0.2%	-0.7%	-0.8%	0.3%

Source: Statistical Committee of the Republic of Armenia¹², analyses by Grant Thornton

Notes: Months are presented by numbers: from January to December

¹¹ Socio-Economic Situation of RA: Real Estate Market

¹² Socio-Economic Situation of RA: Real Estate Market

Rates of change in the average market prices of apartments in multi-apartment buildings of the regional centers of the RA marzes in 2020, compared to the corresponding months of 2019

	1	2	3	4	5	6	7	8	9	10	11	12
Ashtarak	16.7%	15.1%	14.5%	13.0%	9.5%	8.3%	7.1%	8.3%	7.7%	8.3%	5.7%	3.6%
Artashat	16.3%	17.1%	16.9%	16.9%	15.2%	15.6%	13.1%	14.0%	15.2%	13.2%	11.7%	8.4%
Armavir	13.8%	14.5%	10.1%	8.9%	5.8%	5.3%	3.9%	3.9%	7.8%	5.8%	2.9%	2.1%
Gavar	10.6%	9.1%	10.9%	10.9%	10.9%	8.6%	4.7%	3.4%	-1.8%	-6.1%	-9.7%	-9.4%
Vanadzor	5.0%	5.7%	5.4%	5.4%	5.4%	6.1%	8.6%	9.4%	9.0%	9.5%	5.1%	3.8%
Hrazdan	10.2%	11.0%	9.5%	8.6%	4.6%	4.6%	4.6%	4.6%	6.1%	6.8%	3.6%	2.6%
Gyumri	12.8%	3.3%	11.9%	10.7%	8.7%	9.4%	9.1%	7.4%	6.0%	5.1%	2.8%	2.5%
Kapan	8.6%	8.5%	9.4%	6.8%	6.4%	7.3%	4.5%	4.8%	4.0%	2.6%	0.1%	-2.6%
Yeghegnadzor	4.3%	5.8%	4.3%	4.3%	2.4%	0.8%	-1.6%	-2.6%	-2.4%	-4.8%	-6.3%	-7.4%
Ijevan	7.1%	7.5%	7.5%	5.9%	6.8%	3.4%	1.0%	1.6%	1.6%	-0.4%	-2.4%	-4.4%

Source: Statistical Committee of the Republic of Armenia¹³, analyses by Grant Thornton

Notes: Months are presented by numbers: from January to December

Rates of change in the average market prices of apartments in multi-apartment buildings in the regional centers of the RA marzes in 2020 against the previous month

	1	2	3	4	5	6	7	8	9	10	11	12
Ashtarak	0.6%	0.6%	1.6%	0.0%	-1.5%	0.3%	-0.4%	1.6%	1.6%	-0.8%	-0.8%	0.8%
Artashat	0.9%	2.5%	1.7%	0.0%	-0.1%	0.8%	-0.8%	0.8%	1.6%	0.4%	0.0%	0.4%
Armavir	0.8%	1.0%	0.7%	0.0%	-0.7%	0.0%	-0.8%	0.9%	0.8%	-0.9%	-0.9%	1.1%
Gavar	2.1%	0.7%	1.7%	0.0%	0.0%	0.5%	-3.6%	-1.9%	-3.5%	-2.7%	-2.1%	-0.8%
Vanadzor	2.6%	2.5%	0.7%	0.0%	-0.7%	-1.0%	1.0%	-1.2%	1.2%	-1.2%	-1.2%	1.3%
Hrazdan	1.0%	0.7%	0.0%	0.0%	-2.0%	0.0%	0.0%	0.0%	2.9%	1.4%	-1.4%	0.0%
Gyumri	0.0%	0.8%	0.0%	0.0%	0.0%	0.7%	0.0%	-1.0%	2.0%	0.5%	-1.4%	1.0%
Kapan	-0.9%	0.9%	0.9%	0.0%	0.0%	1.7%	-2.5%	1.6%	0.6%	-0.4%	-1.6%	-2.7%
Yeghegnadzor	-0.2%	1.5%	0.0%	0.0%	0.0%	-2.3%	-2.4%	-0.8%	-1.6%	-1.7%	0.0%	0.0%
Ijevan	1.2%	0.4%	0.0%	0.0%	-0.8%	-1.6%	-1.5%	0.7%	1.7%	-0.5%	-2.8%	-1.3%

Source: Statistical Committee of the Republic of Armenia¹⁴, analyses by Grant Thornton

Notes: Months are presented by numbers: from January to December

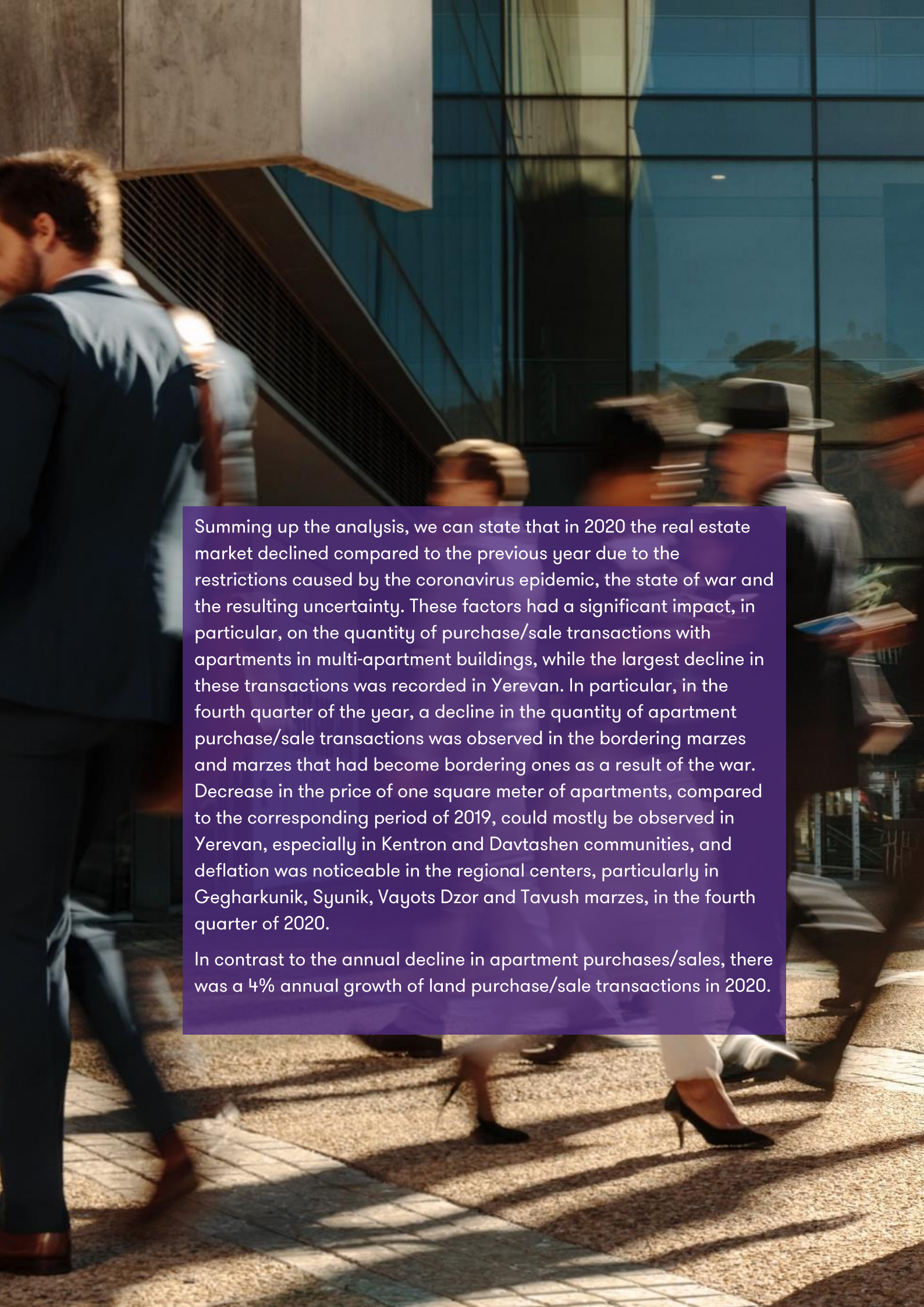
The average market price per 1 square meter of apartments in multi-apartment buildings in the regional centers of the RA marzes had been growing yearly from the first month of 2020 until April, when prices began to decrease in some regional centers. This trend continued until the end of the year. Overall, the mildest downward year-on-year trend was observed in the city of Artashat, where throughout 2020, price growth at an average of 14.5% had been observed compared to the previous year's months.

In terms of prices, high rates of decline in bordering marzes and marzes at high risk of becoming bordering ones due to the war could be observed. In particular, a decrease of 2.7% was recorded in Kapan in December, compared to the previous month, while in most regions growth trends of housing prices were already noticeable. In December, compared to the previous month and the corresponding month of the previous year, a decrease in prices was recorded only in the regional centers of Gegharkunik, Syunik and Tavush marzes.

Thus, Yerevan and regional centers of marzes showed trends of declining prices from May 2020, as a result of which the overall prices in the last quarter of the year were much lower than in the corresponding quarter of the previous year.

¹³ Socio-Economic Situation of RA: Real Estate Market

¹⁴ Socio-Economic Situation of RA: Real Estate Market



Summing up the analysis, we can state that in 2020 the real estate market declined compared to the previous year due to the restrictions caused by the coronavirus epidemic, the state of war and the resulting uncertainty. These factors had a significant impact, in particular, on the quantity of purchase/sale transactions with apartments in multi-apartment buildings, while the largest decline in these transactions was recorded in Yerevan. In particular, in the fourth quarter of the year, a decline in the quantity of apartment purchase/sale transactions was observed in the bordering marzes and marzes that had become bordering ones as a result of the war. Decrease in the price of one square meter of apartments, compared to the corresponding period of 2019, could mostly be observed in Yerevan, especially in Kentron and Davtashen communities, and deflation was noticeable in the regional centers, particularly in Gegharkunik, Syunik, Vayots Dzor and Tavush marzes, in the fourth quarter of 2020.

In contrast to the annual decline in apartment purchases/sales, there was a 4% annual growth of land purchase/sale transactions in 2020.



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