

Analysis of Armenian Real Estate Market

2024



Introduction

The Armenian real estate market has been under intense scrutiny in recent years, given its critical impact on the nation's macroeconomic stability.

The year 2022 raised alarm bells due to the emergence of overheating risks within the sector. These concerns were primarily fueled by two significant developments: an unprecedented influx of foreign nationals into Armenia and a sharp increase in mortgage lending activities. Together, these factors intensified the risk landscape, potentially setting the stage for market imbalances.

As 2023 unfolded, notable shifts in the real estate market dynamics began to surface, underscoring the need for a detailed exploration of these trends.

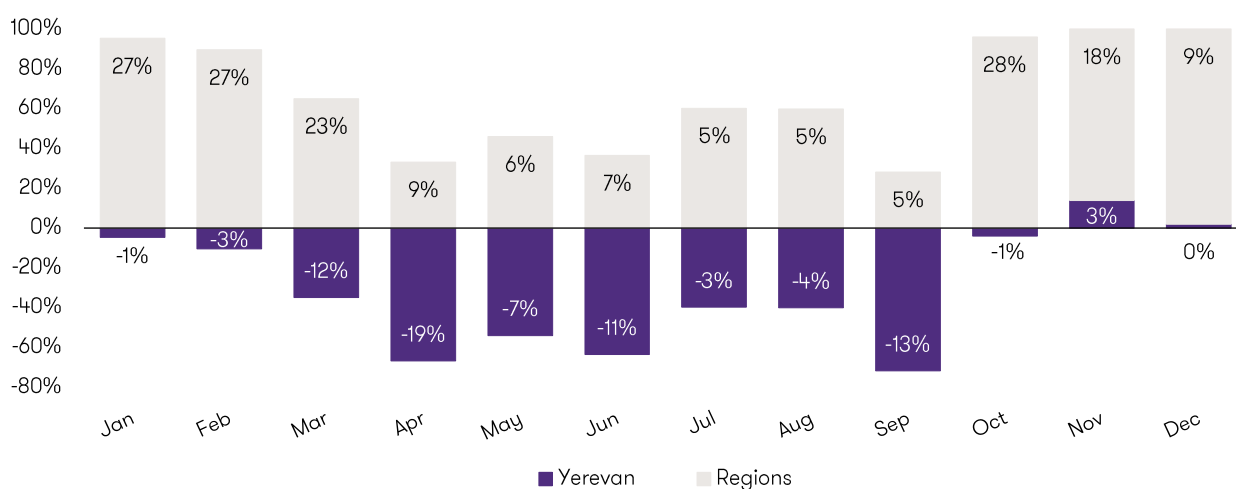
Overall, the Armenian real estate sector witnessed a total of 219,628 transactions throughout 2023, marking a 7.2% rise from the year before. While Yerevan, the capital city, accounted for 27.5% of these transactions, it saw a slight decrease of 6.3% compared to 2022. In contrast, regions outside Yerevan experienced an encouraging growth rate of 13.4%, pointing to a diversification in market activity across the country.

Overview of Real Estate Transactions

In Yerevan, real estate transactions witnessed a decline compared to the previous year, whereas regions experienced annual growth in transaction activity.

Examining the historical series of real estate market transactions reveals a similar downward trend specific to Yerevan only in 2020, attributable to the impact of the pandemic and wartime conditions. However, the recurrence of a similar trend in 2023 raises the question of the underlying factors contributing to this pattern.

Change in total transaction volumes in 2023 compared to 2022



Source: RA Statistical Committee: RA socio-economic situation: real estate market
Cadastre Committee of Armenia: library: market analysis

As depicted in the graph, the total number of transactions in Yerevan during 2023 exhibited a decrease compared to the previous year, with notable significance observed particularly in the second and third quarters. It is noteworthy that, aside from the months of November and December, a consistent decline is evident throughout the year.

As widely acknowledged, the gradual cessation of the government decision on the Income Tax Refund starting from July 1, 2022, appears to have played a significant role in the observed decrease in the overall transaction levels in Yerevan. A more in-depth analysis of alienation transactions, as outlined below, enables the identification of a cause-and-effect relationship between this government decision and the quantitative changes in apartment sales transactions within Yerevan's multi-apartment buildings.

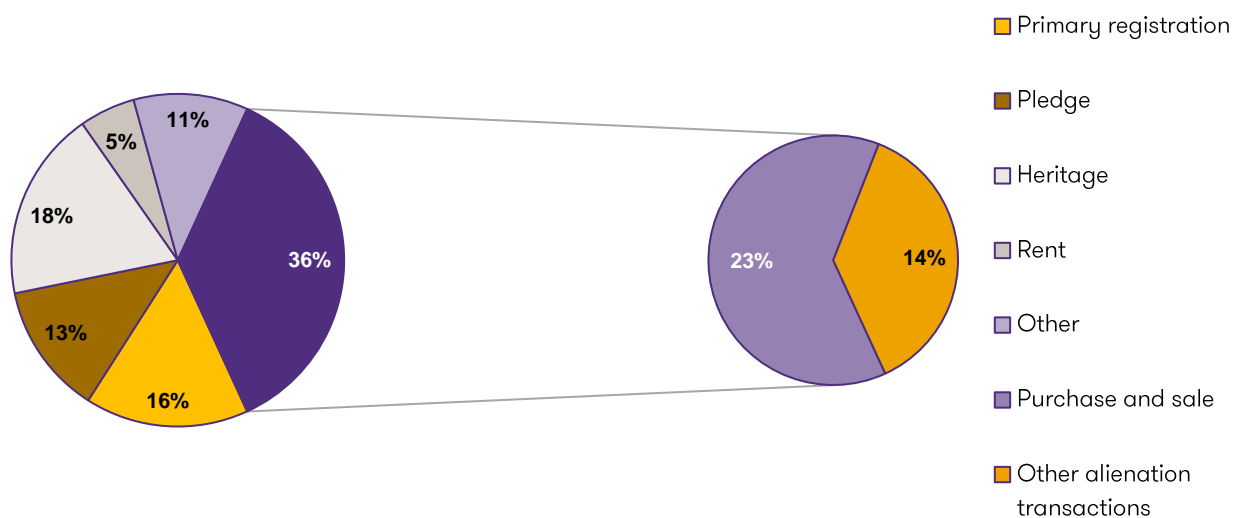


Analysis of Transaction Types and Changes:

Purchase and sale transactions witnessed a decrease, contributing to a restrained growth in disposal transactions compared to the previous year.

In 2023, there were 79,714 alienation transactions, compared to 78,187 in 2022, registering an increase of only 2%. During 2023, all types of alienation transactions increased quantitatively, except for sales, which decreased by 5.4%. Considering that sales account for more than 62% of alienation transactions, the decrease of the latter led to such a low rate of increase in total transactions.

Share of each transaction type in 2023

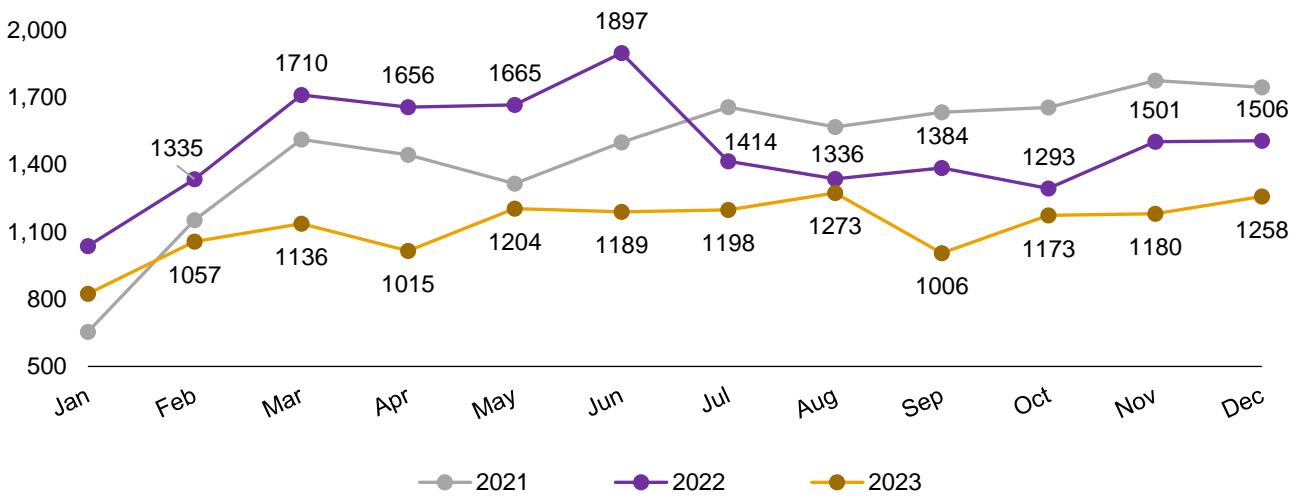


Source: RA Statistical Committee: RA socio-economic situation: real estate market
Cadastre Committee of Armenia: library: market analysis

Sales transactions in Yerevan reached their peak in June 2022, totaling 1,897 transactions. However, the year-on-year growth trend experienced a sharp reversal from the third quarter, leading to a decline and subsequently maintaining a consistently low level of transactions throughout 2023.

Regarding the quantitative changes in transactions conducted in the regions over the past two years, a distinct pattern emerges. During the first two quarters, transactions experienced a marginal decrease of 1% and 5%, respectively. However, during the third and fourth quarters, there was a notable reversal, with transactions showing growth of 3% and 19%, respectively.

Monthly dynamics of sales transactions in Yerevan in 2021-2023



Source: RA Statistical Committee: RA socio-economic situation: real estate market
 Cadastre Committee of Armenia: library: market analysis

Indeed, both alienation and sale transactions mirror the overall transaction dynamics: a declining trend in Yerevan and an increasing trend in other regions of Armenia.



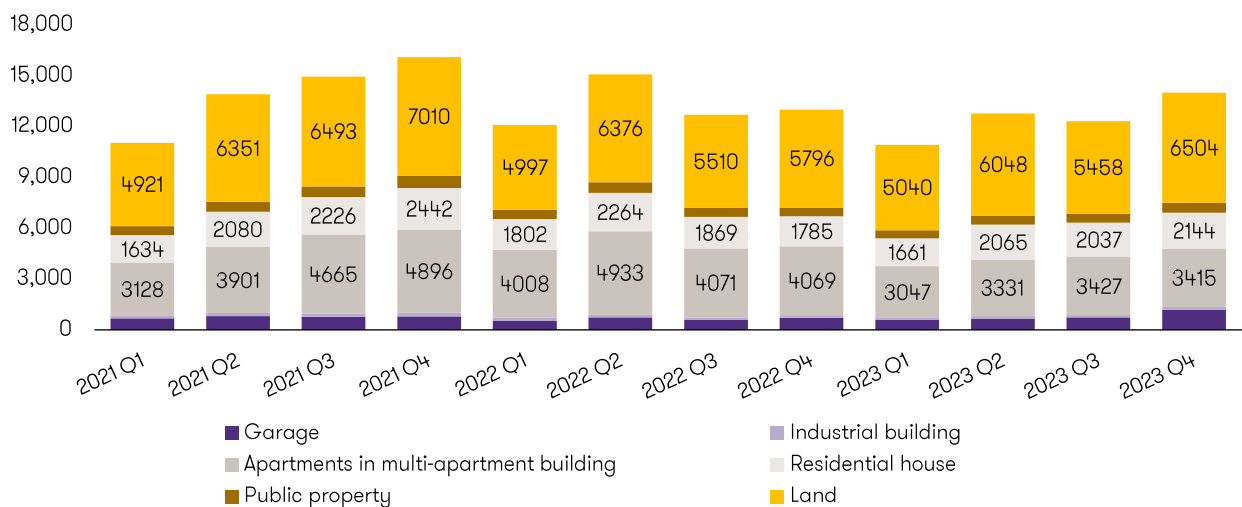
Furthermore, real estate purchase and sale transactions conducted by foreigners in 2023 exhibited a decrease of 16% and 6%, respectively. Notably, transactions in Yerevan saw the most significant decline, with purchases decreasing by 27% and sales by approximately 23%.

Trends in Sales Transactions and Property Types

There has been a rise in land sales transactions, while the demand for apartments in multi-apartment buildings decreased

In both 2022 and 2023, land and multi-apartment building transactions comprised the most substantial share of sales, constituting 43% and 32% in 2022, and 46% and 26% in 2023, respectively.

Quarterly dynamics of sales transactions by type of property in Armenia from 2021 to 2023

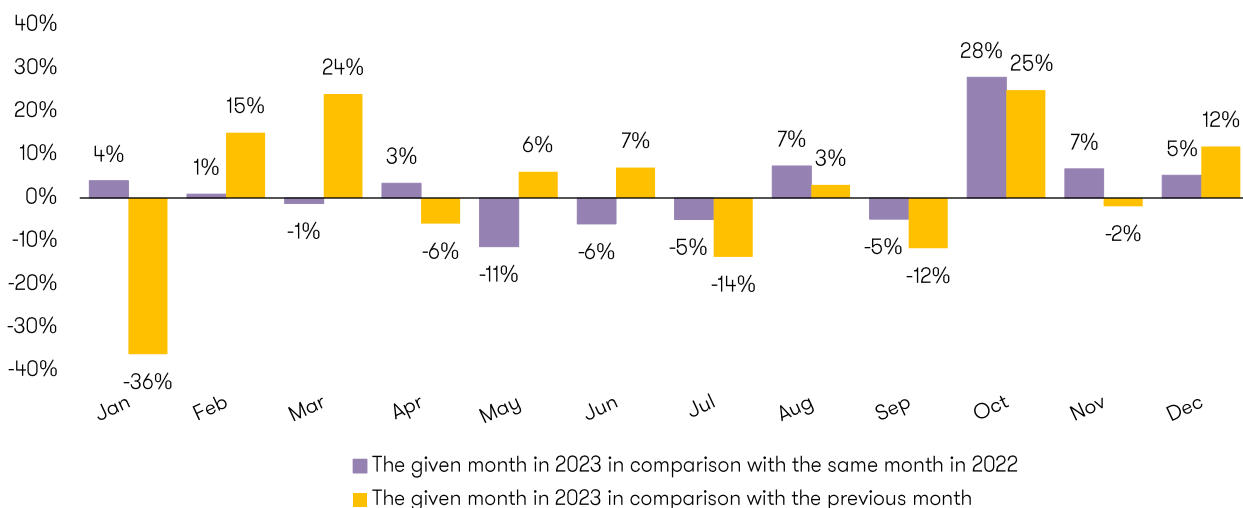


Source: RA Statistical Committee: RA socio-economic situation: real estate market
Cadastre Committee of Armenia: library: market analysis



Land sales transactions in Armenia experienced an overall increase of approximately 1.6% in 2023 compared to 2022. However, within this category, a discernible downward trend is evident in Yerevan, declining by about 9.7%, whereas the regions recorded a 2.3% increase.

Quantitative change in land sales transactions in 2023

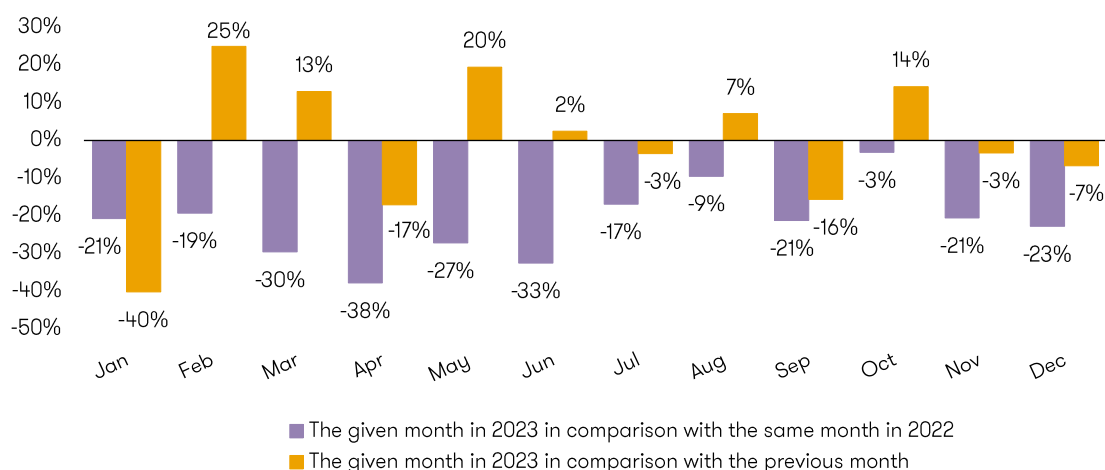


Source: RA Statistical Committee: RA socio-economic situation: real estate market
Cadastre Committee of Armenia: library: market analysis

In Yerevan, the predominant share is attributed to land acquired for residential development. Meanwhile, in other regions of Armenia, transactions mostly involve agricultural land, although the proportion of these transactions decreased from 56% in the previous year to 49% in 2023. Conversely, the share of land purchased for residential construction in other regions increased from 35% to 40% during the same period.

Concerning apartments in multi-apartment buildings, the sales transaction dynamics closely mirrored the overall behavior of sales transactions in Yerevan. This correlation can be attributed to the concentration of most multi-apartment buildings within Yerevan, where, as previously discussed, apartment sales transactions have been on the decline since the third quarter of 2022.

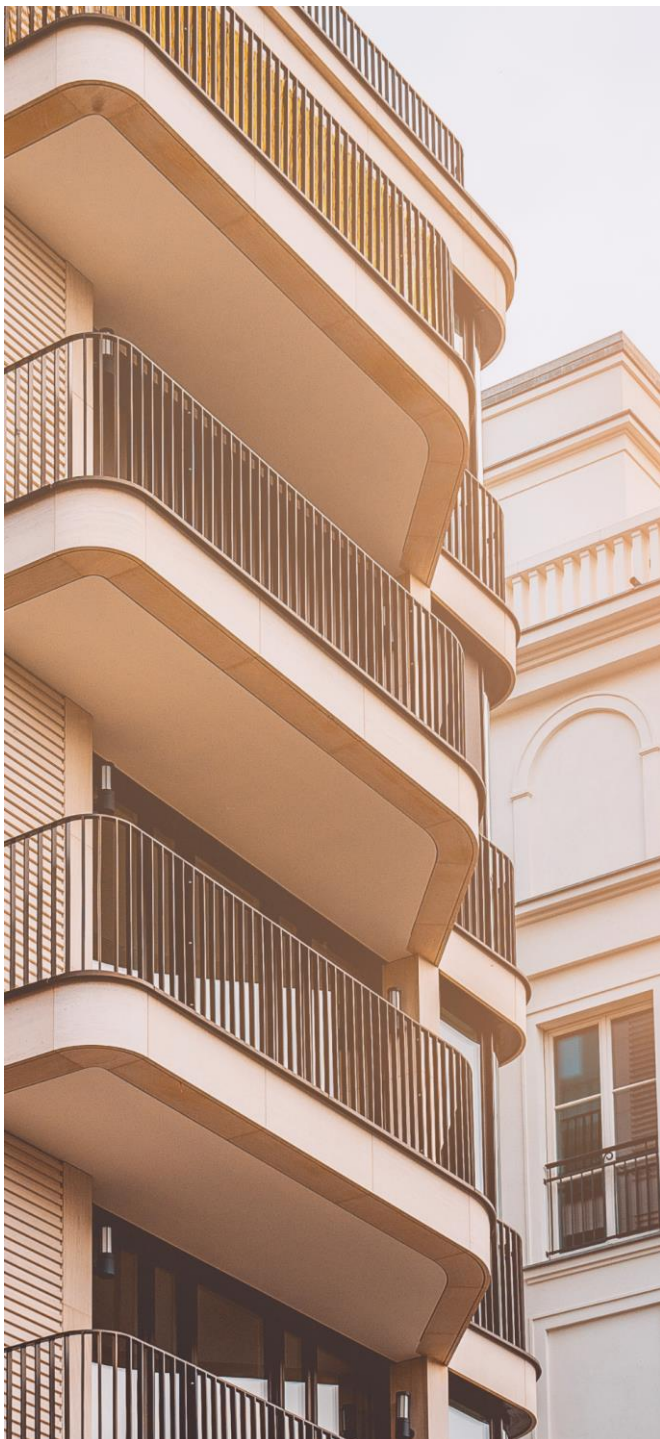
Quantitative change in apartment sales transactions in multi-apartment buildings in 2023



Source: RA Statistical Committee: RA socio-economic situation: real estate market
Cadastre Committee of Armenia: library: market analysis

In the first and second quarters of 2023, the transactions involving the purchase and sale of apartments witnessed a decline of 24% and 32% compared to the corresponding periods in 2022. The rate of decrease showed some moderation in the second half, reaching 16%. It is important to note that this moderation is not indicative of a restoration to the previous high transaction levels in the latter half of 2023. Instead, it is explained by the fact that in the second half of 2022, the decline in transactions has already initiated at a rapid pace.

Market Prices and Price Dynamics



Over the past two years, the average market prices per square meter of apartments in multi-apartment buildings have exhibited significant increases, both in Yerevan and in other regions of Armenia.

In 2023, the highest price values in the capital were observed in the Kentron and Arabkir administrative districts, reaching 900,000 AMD and 633,300 AMD, respectively, per square meter of apartments in December.

Over the last 5 years, the prices in these two administrative districts have shown compound annual growth rates of 8% and 9%. Notably, compared to 2022, the price increase during the last quarter of 2023 reached 15-16%.

The average market prices per square meter of apartments in the regional centers of the RA regions have demonstrated robust growth in 2023 compared to the previous year.

The table below indicates that the price increase was particularly pronounced in the second half of the year, especially in the regions of Gegharkunik, Kotayk, Syunik, and Armavir.

Changes in the average market prices of apartments in multi-apartment buildings in the regional centers and in Yerevan, calculated per square meter, 2022-2023

		1	2	3	4	5	6	7	8	9	10	11	12
Aragatsotn	Ashtarak	12%	12%	10%	9%	8%	8%	8%	6%	7%	10%	10%	11%
Ararat	Artashat	12%	14%	8%	9%	9%	10%	11%	12%	15%	16%	17%	19%
Armavir	Armavir	19%	18%	16%	17%	16%	17%	17%	20%	21%	22%	22%	22%
Gegharkunik	Gavar	26%	26%	24%	24%	21%	21%	22%	29%	34%	37%	34%	33%
Lori	Vanadzor	20%	16%	13%	12%	11%	10%	11%	11%	10%	12%	14%	14%
Kotayq	Hrazdan	27%	28%	27%	27%	25%	24%	24%	27%	26%	28%	27%	26%
Shirak	Gyumri	16%	18%	15%	13%	11%	9%	10%	11%	10%	11%	12%	14%
Syunik	Kapan	19%	19%	19%	20%	18%	20%	20%	23%	23%	25%	25%	25%
Vayots dzor	Yeghegnadzor	10%	11%	10%	9%	9%	11%	12%	15%	17%	20%	21%	22%
Tavush	Ijevan	18%	14%	12%	10%	10%	9%	7%	9%	10%	11%	13%	13%
Average in RA regions		17%	17%	14%	14%	13%	13%	13%	15%	16%	18%	18%	19%
Average in Yerevan		11%	11%	9%	8%	8%	8%	9%	9%	10%	13%	13%	13%

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As for the changes in average prices in 2023 compared to the previous month, a notable increase occurred in October throughout Yerevan, averaging 2.7%, with the highest increase recorded in the Ajapnyak administrative district at 3.4%. A similar trend is observed in other regions of RA, with an average increase of 2.2% compared to September. This significant price fluctuation, particularly pronounced compared to other months, can be attributed to the substantial influx of Armenians displaced from Artsakh in September and October. The resulting excess demand for housing during these months contributed to the elevated rates of price growth, which, however, returned to their previous levels during the next two months.

Summary

The recent analysis of the real estate market in Yerevan reveals a complex interplay of factors affecting sales transactions and pricing trends. Despite a noticeable decline in apartment sales since the latter half of 2022, the average prices for apartments continue to rise. In contrast, land sales have seen a relative increase in 2023. A pivotal change impacting these trends is the government's adjustment to the Income Tax Refund policy, which now excludes property purchases in the first three zones of Yerevan, contributing to higher housing prices.

The downturn in housing transactions is partly due to soaring prices and a shift in the market's purchasing power segment. Previously, buyers benefited from income tax refunds when purchasing directly from developers, but this consumer base has dwindled, affecting sales. Additionally, the influx of foreigners, primarily due to the Russian-Ukrainian conflict in 2022, which temporarily boosted sales, has ceased in 2023, further contributing to the sales slump.

Looking ahead, the demand for apartments in multi-apartment buildings in Yerevan is projected to decline, driven by high prices and the phasing out of income tax refunds. Conversely, demand for residential real estate in regions near Yerevan is expected to rise. However, predicting a direct impact of decreased demand on apartment prices in Yerevan is complicated by various market dynamics, leaving the future pricing trend uncertain despite the current demand downturn.

