



RESEARCH SERIES

Insights into Baku's Real Estate Market

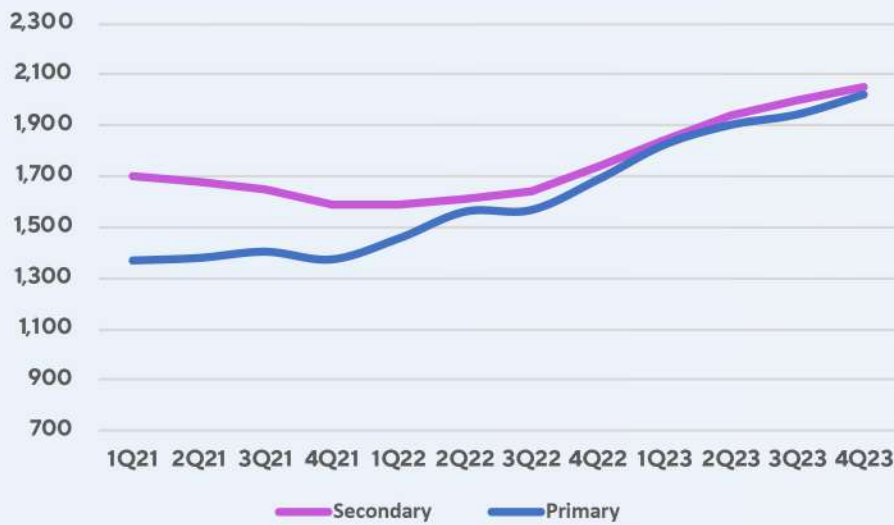
April 2024

The research undertaken by the OJSC IBA was aimed at scrutinizing price variations, market indicators, and transactions in Baku's local property market. This investigation seeks to identify the underlying causes of market fluctuations and to predict future trends. Information for this investigation was gathered from the internal database of OJSC IBA and the State Cadastre and Real Estate Registry, and market analysis provided by 'MBA LTD' LLC.

Concepts:

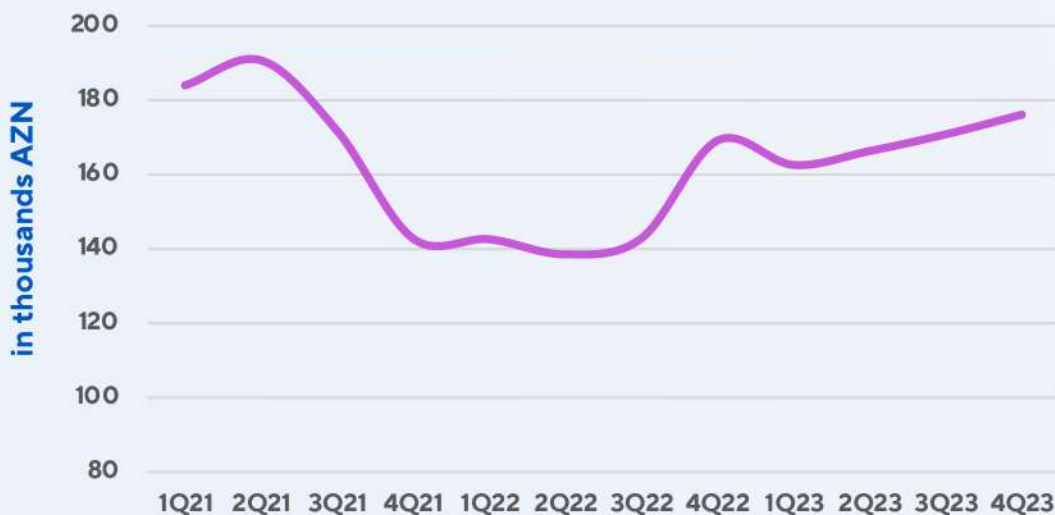
- Real estate - encompasses objects that require state registration, including land plots, subsoil plots, buildings, residential and non-residential units, and private houses. This category also covers entities like country homes and property complexes, encompassing all assets that cannot be altered without causing disproportionate damage to their associated land;
- Apartment - residential areas located in multi-apartment residential buildings;
- Individual residential house - a residential area (courtyard house) consisting of a plot of land and a building (house) located on it;
- Non-residential area - service, industrial, commercial area intended for various types of activities;
- Primary market - the market where the property is first offered for sale by the construction company (registration of the first owner);
- Secondary market - the market where the real estate is offered for sale by an individual owner (registration of the 2nd or subsequent owner)

The price of residential area (AZN/m²)



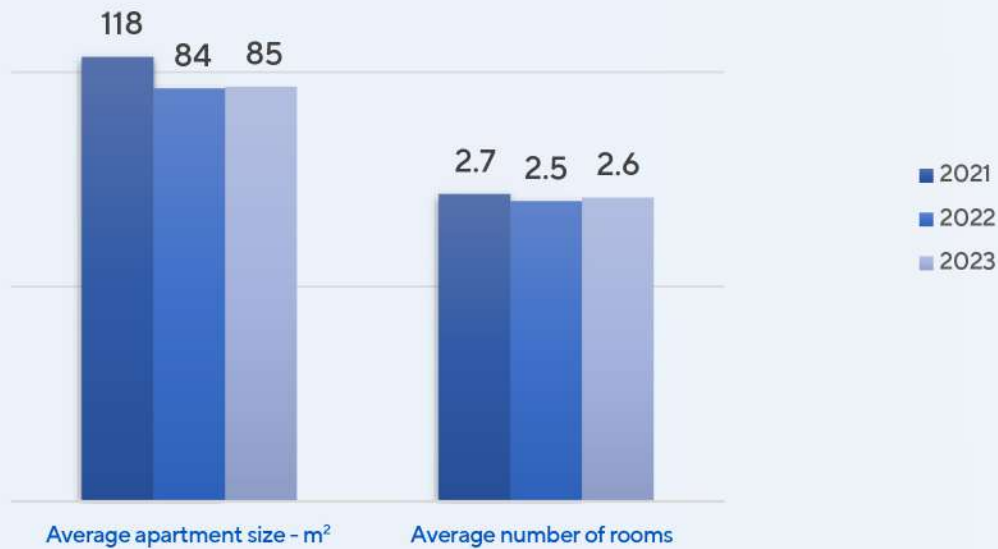
Starting from the fourth quarter of 2021, apartment prices in Baku city have consistently risen. The surge in the primary housing market's prices can be attributed to the scarcity of available land within the city boundaries and the ongoing provision of mortgage financing. In recent years, the faster price increase observed in the primary housing market compared to the secondary housing market is also influenced by the rising cost of construction. Factors such as increased expenses for land, construction materials, labor, and so on contribute to the rise in the cost of construction. Concurrently, the primary housing market's price escalation mirrors the trend observed in the secondary housing market.

The average asking price in the secondary apartment market

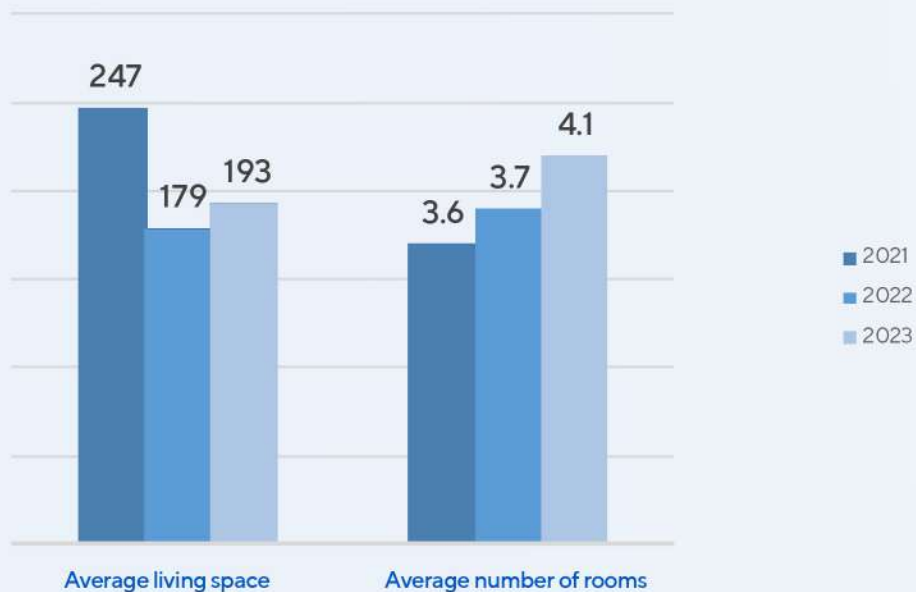


The average price of apartments available on the real estate market during specific periods fluctuated in alignment with the trend mentioned above. A rise in prices has been noted since the fourth quarter of 2021. Consequently, there has been an uptick in demand for affordable apartments, while the average supply prices in the market have tended to decrease. This scenario persisted until the third quarter of 2022.

Apartment

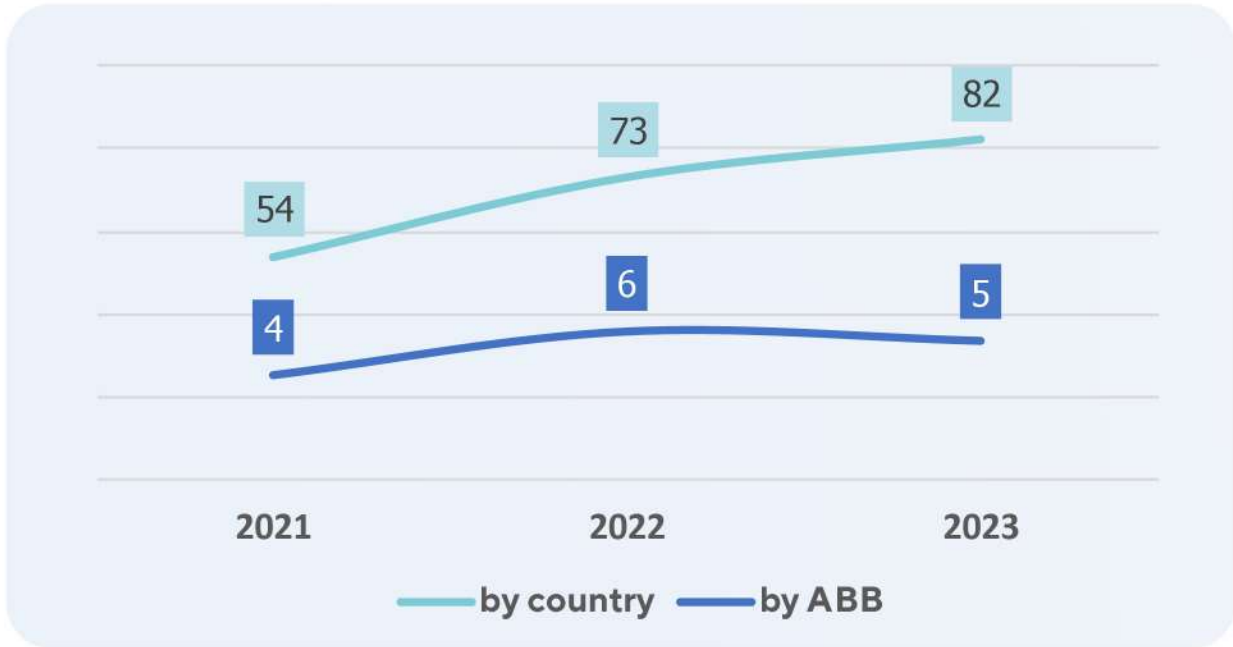


Private residential house



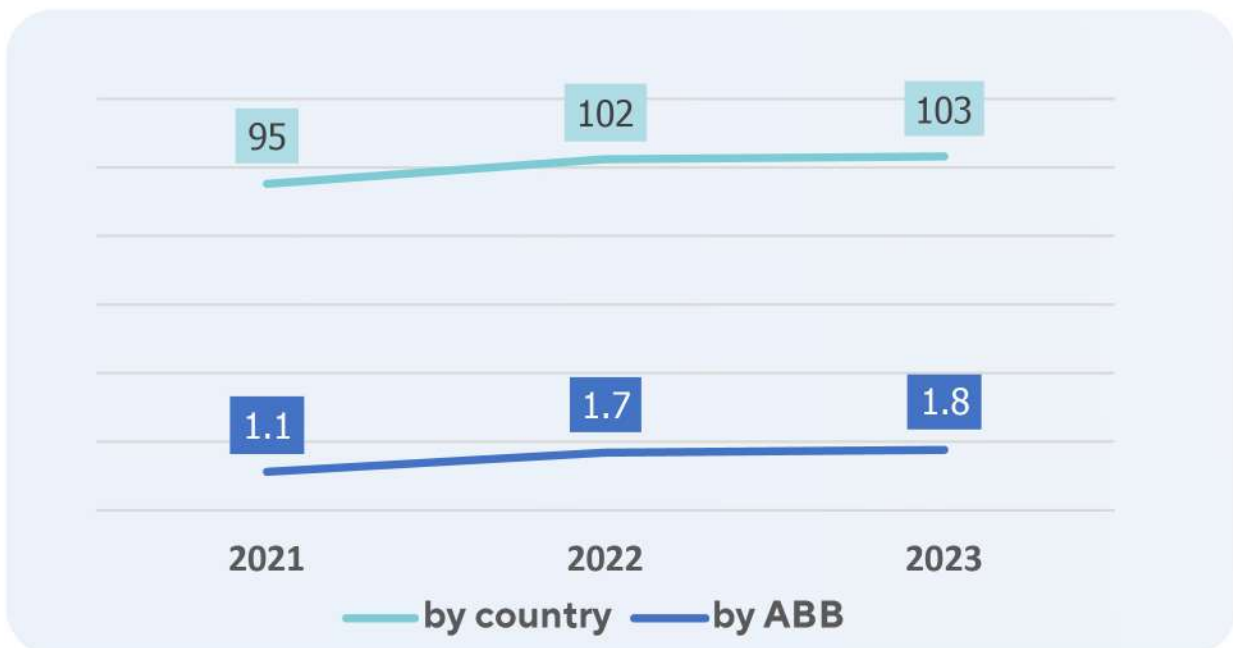
In the real estate market, compared to 2021, there has been a decrease in the average living space in subsequent years. The primary reason is the rise in real estate prices and the reduction in the mortgage limit allocated to individuals relative to the property value. Additionally, the increase in private house prices has spurred demand for smaller houses with more rooms. The price increase in the construction materials market is one of the factors affecting the increase in demand for small-scale individual residential houses.

The number of re-registration on real estate properties (in thousands AZN)



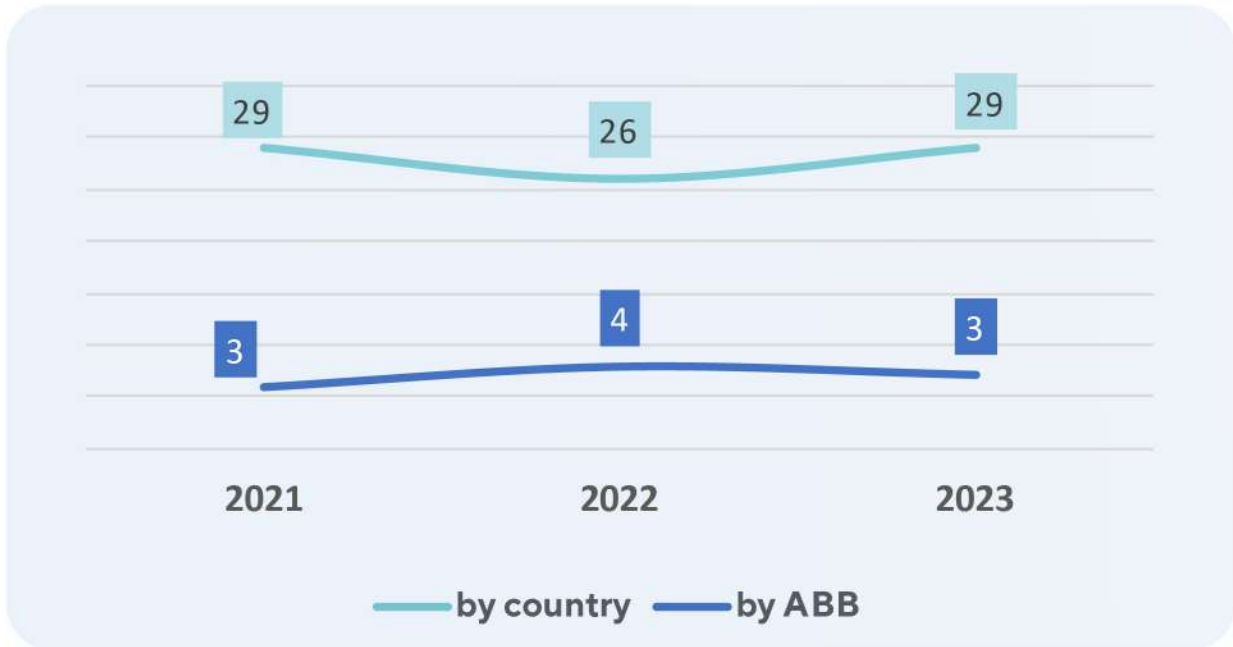
All products have been considered for mortgage registration at ABB.

The number of re-registration on residential areas (in thousands AZN)



The registration indicators of property rights in the real estate market

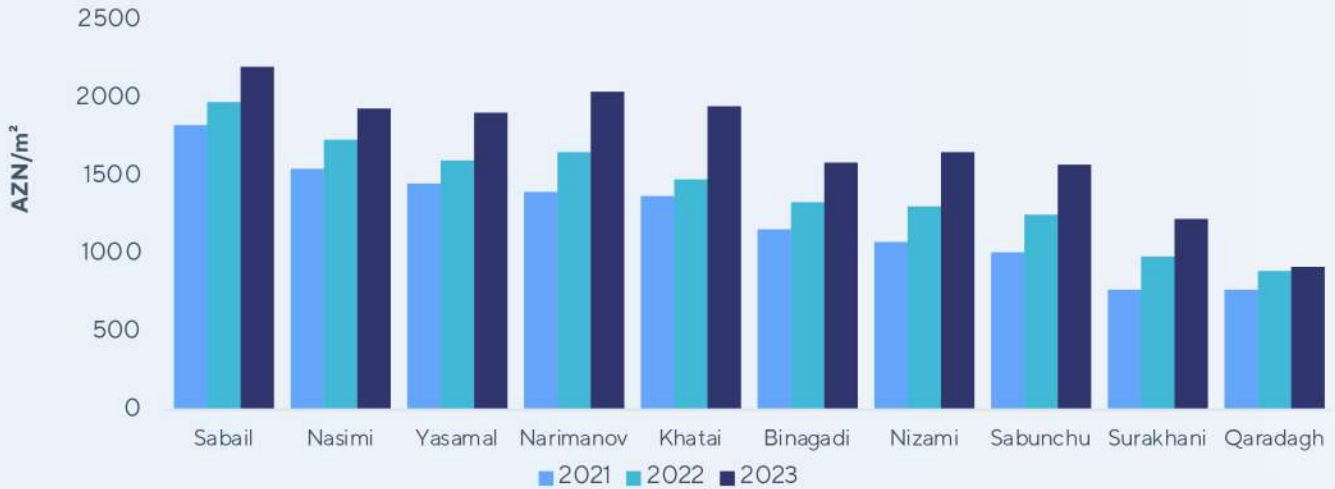
The number of initial registration on apartment areas (in thousands AZN)



The amount of mortgage loans provided by ABB (in millions AZN)

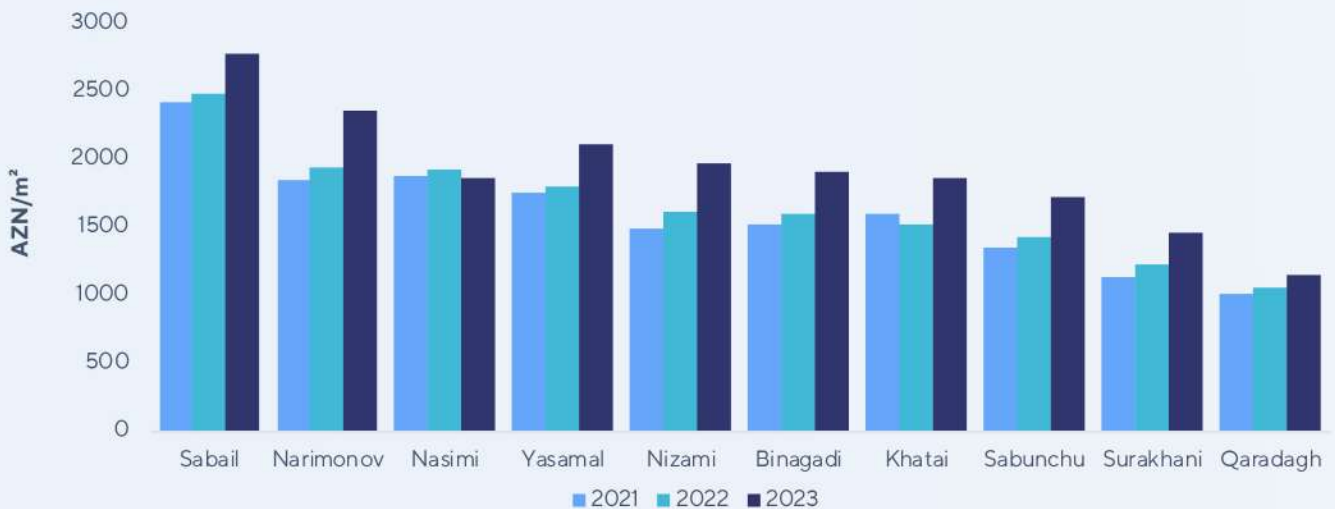


The Average Price of an Apartment in the Primary Market (AZN/m²)



In the primary apartment market, the highest prices were recorded in Sabail district, while the lowest prices were observed in Qaradagh district. Compared to 2022, the highest increase was observed in Khatai district at 32%, while the lowest increase was recorded in Qaradagh district at 3%.

The Average Price of an Apartment in the Secondary Market (AZN/m²)



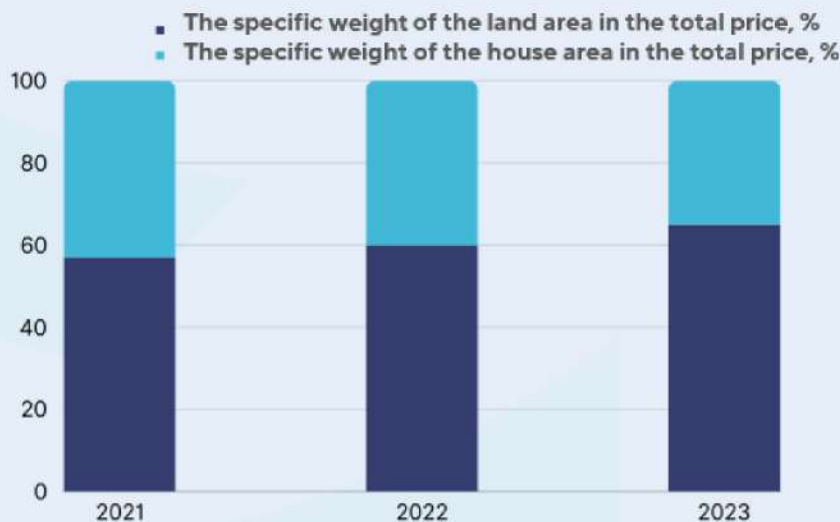
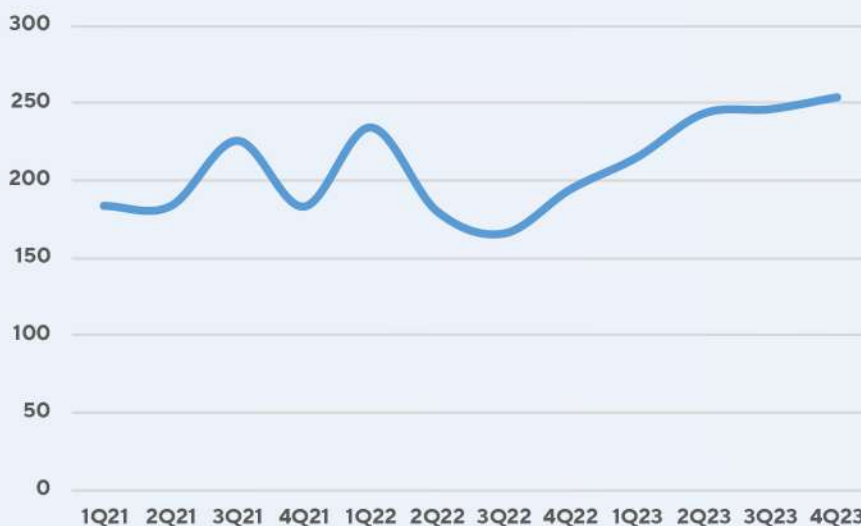
In the secondary apartment market, the highest prices were recorded in Sabail district, while the lowest prices were observed in Qaradagh district. Compared to 2022, the highest increase was observed in Khatai and Nizami districts at 23%, while a decrease of 3% was observed in Nasimi district.

The amount of the maximum mortgage limit allocated to individuals is more affordable according to the average cost of apartments offered in Khatai and Nizami districts. It is predicted that this trend will be observed in Surakhani region in 2024.

Information on Private Residential Properties in the Real Estate Market

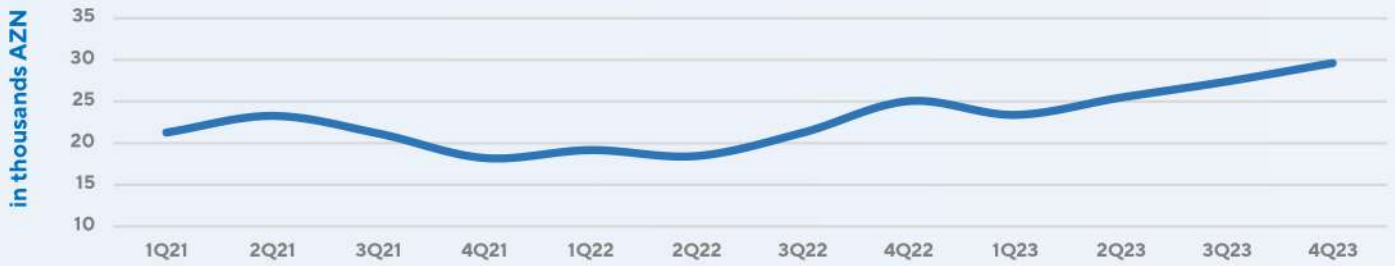
A private residential property includes both a land plot and any buildings constructed on it. The property's value is derived from the total value of both the land and the structures. The following chart demonstrates how the value of the land plot and the building contribute to the total value of a private residential property.

Average price of private dwelling houses (in thousands AZN)

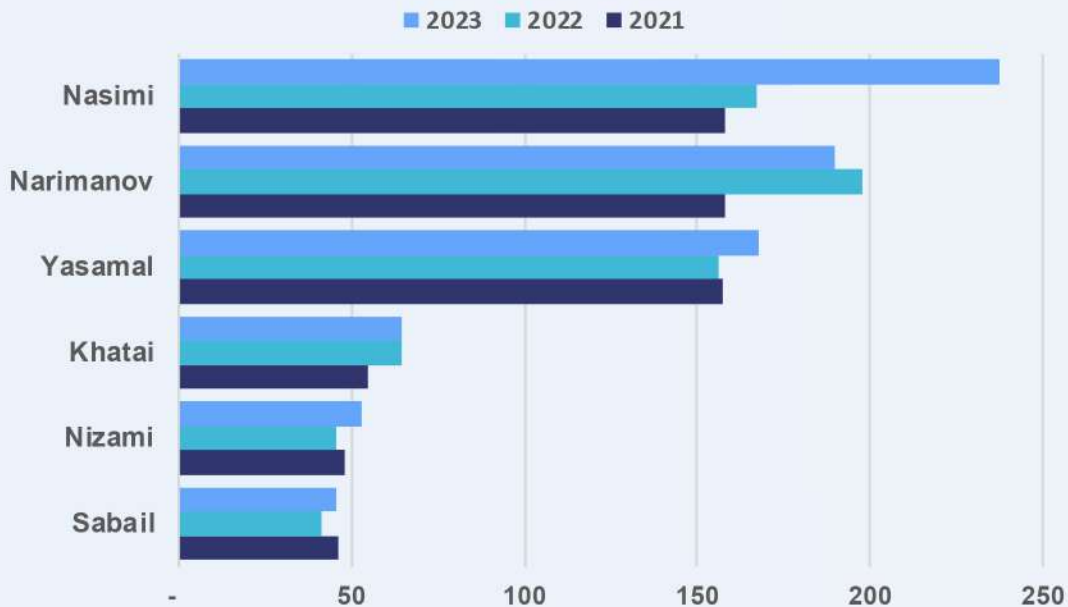


The price of private houses is mainly driven by market trends in building materials and seasonal variations. Increased interest in private and garden-equipped houses during summer typically boosts prices. Moreover, as outlined in the Urban Planning and Construction Code of Azerbaijan, it's prohibited to connect to water and gas supply networks for construction projects without the required permits, effective from October 1, 2023. Similarly, connecting to the electricity network without the necessary basis, as per Article 80.4 of the Code, has been banned since January 1, 2024. This change is likely to spur demand in the secondary real estate market, influencing the prices of private houses.

The average price of land (AZN/ar)

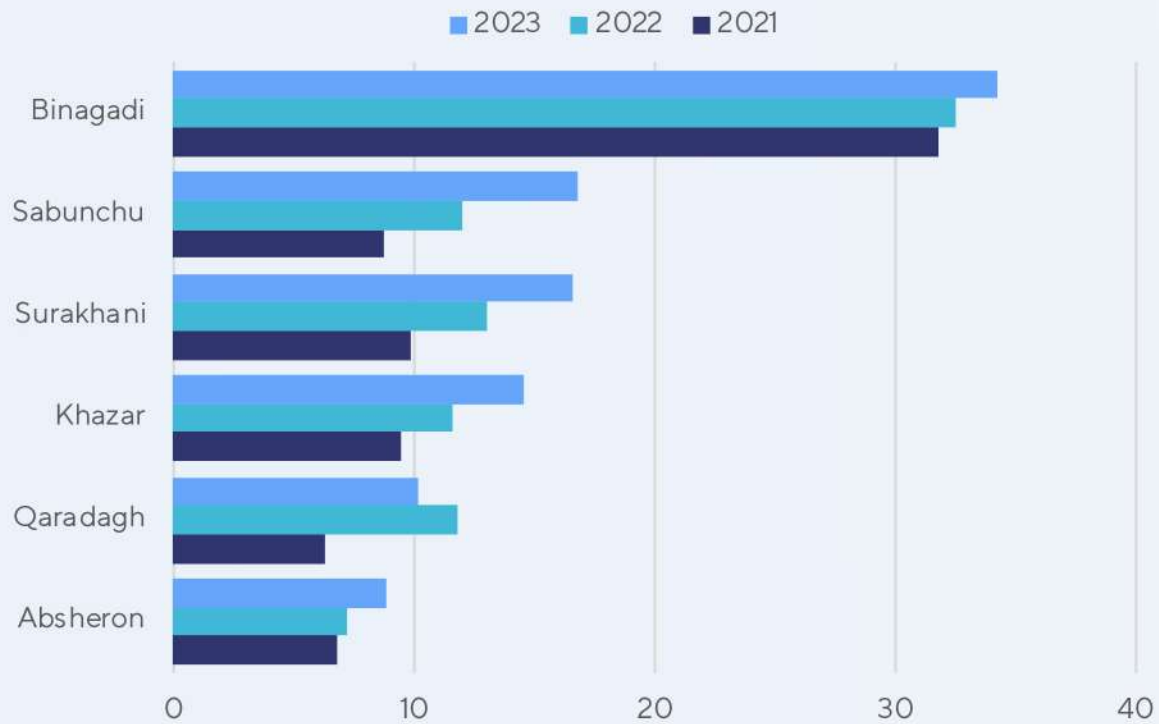


The districts where the price of 1 ar of land is higher than 35,000 AZN



Compared to previous periods, in 2023, the sharpest price increase of 43% has been observed in Nasimi district. There has been a decrease of 5% in land prices in Narimanov district.

The districts where the price of 1 ar of land is less than 35,000 AZN



The highest increase in prices has been observed in Sabunchu district. Compared to 2022, a decrease in land prices is only observed in Qaradagh district.

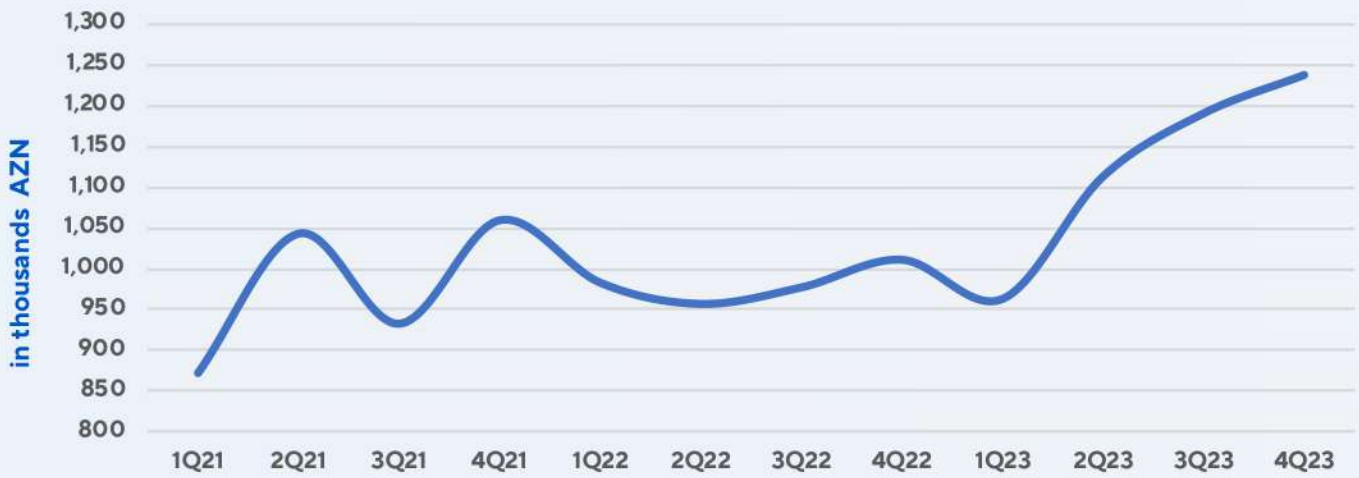
Information on non-residential and commercial properties in the real estate market

The average price of non-residential areas



The observed price increase in non-residential areas in the primary market is attributed to the decrease in supply in the real estate market. The decrease in supply is explained by the scarcity of vacant land in Baku city and ongoing construction projects in Karabakh.

The average price of non-residential areas in the secondary market



The increased profitability of businesses due to the development of the non-oil sector can lead to an increase in the prices of non-residential areas.

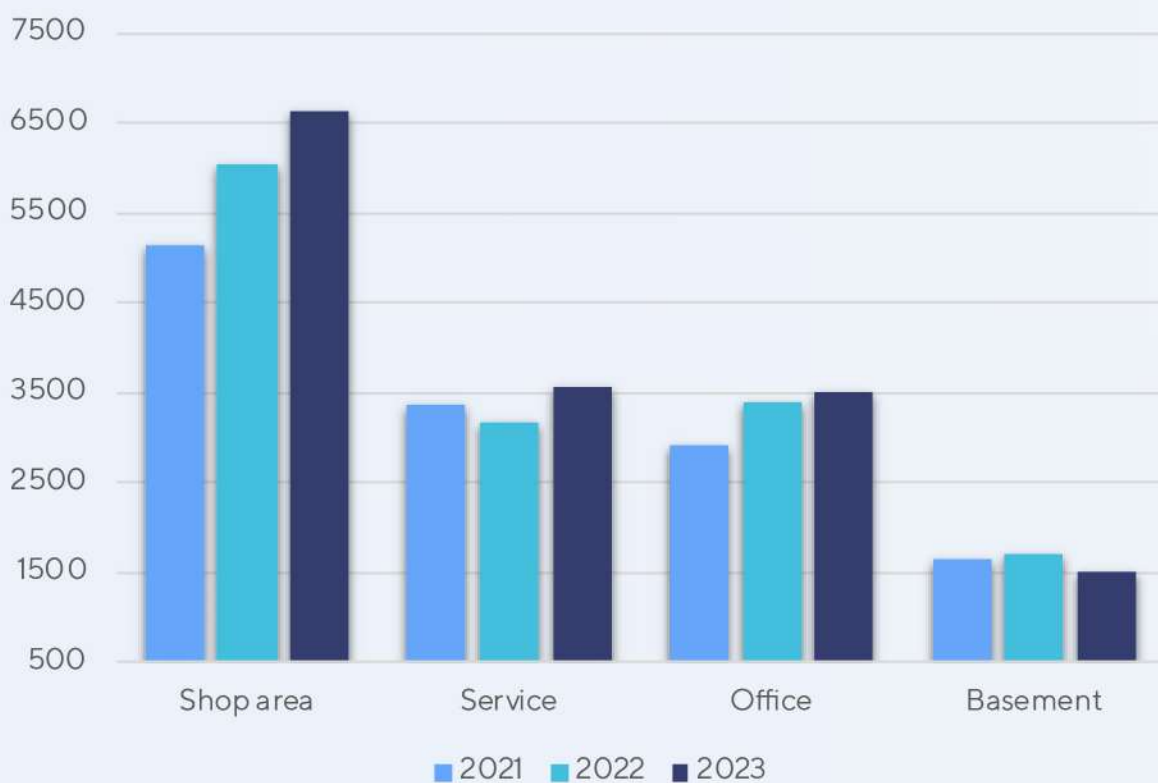
Information regarding non-residential and commercial properties in the real estate market

Prices of non-residential and commercial properties by districts



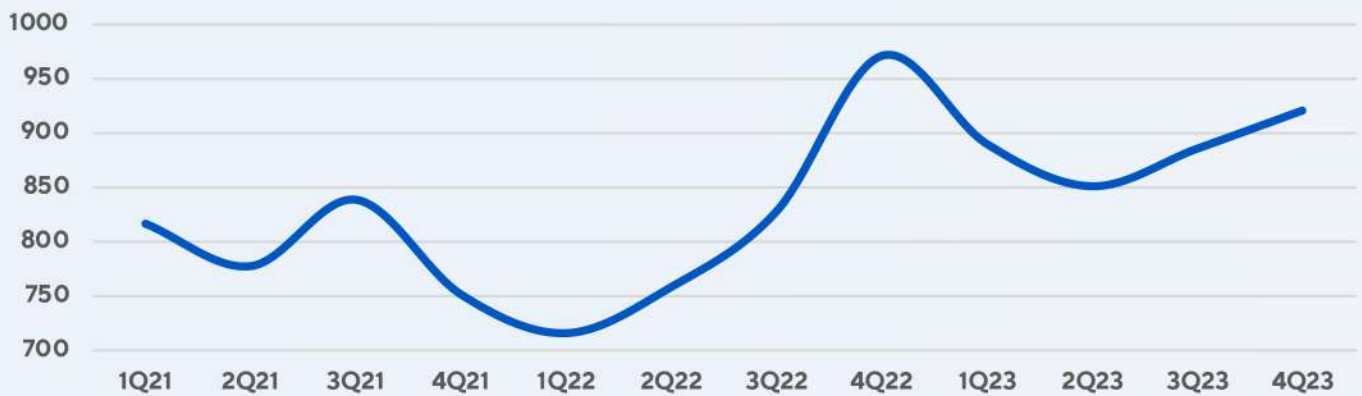
The highest non-residential space prices in new constructions were noted in the city center, along with Sabail and Nasimi districts. The considerable escalation in prices within Sabail district is primarily ascribed to enhancements in coastal infrastructure and a heightened density of settlement in the vicinity.

Price indicators for different types of non-residential areas (AZN/m²)



The increase in business lending enhances financial accessibility, leading to an increase in prices for non-residential areas.

Average Residential Area Rent (AZN/Apartment)



Due to similar shifts in market economy, there is a consistent rise in average rents per residential area. Notably, the increase in rents for residential areas is particularly pronounced during the third quarter of the year, primarily due to the commencement of the new academic year.



Analysis of offer prices for non-residential area across years

This document is the property of and has been prepared by OJSC "IBA" (hereinafter referred to as "IBA") as part of its internal research coverage, solely for general informational purposes and independently of the respective companies mentioned herein. This document shall not constitute or form part of, and should not be construed as, an invitation to invest or investment advice, legal advice, or any other type of professional advice. Nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any actions regarding the information provided.

This document is subject to verification, completion, and change without notice, and IBA is not under any obligation to update or keep current the information contained herein. Opinions, forecasts, and estimates provided herein are based on information obtained from third-party sources believed to be reliable and in good faith and may change without notice. Third-party publications, studies, and surveys state that their data has been obtained from reliable sources, but accuracy or completeness is not guaranteed. Accordingly, undue reliance should not be placed on any such data contained in this document.

While every effort has been made to ensure the accuracy of the information contained herein, no representation or warranty, expressed or implied, is made by IBA, or any of its respective directors, employees, affiliates, advisers, or agents about the completeness, accuracy, reliability, suitability, or availability with respect to the content of this document. Any reliance you place on such information is therefore strictly at your own risk. We disclaim any liability for any loss or damage, including without limitation, indirect or consequential loss or damage, or any loss or damage whatsoever arising from the loss of data or profits arising out of, or in connection with, the use of this document.

This document may contain forward-looking statements, which are based on certain assumptions and expectations of future events. Actual results, performance, or achievements could differ materially from those expressed or implied in such forward-looking statements. We do not undertake any obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this document. The inclusion of any links or references to third-party websites does not necessarily imply a recommendation or endorse the views expressed within them.

Before making any investment decisions or taking any actions based upon the information provided, we strongly encourage you to consult with a qualified professional advisor. IBA may or seek to do business with companies covered in its research. As a result, you should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication, or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

Contact Person:

Sabuhi Hamidli,
Risk Management Department
Head of Market Risk Management Division



RESEARCH SERIES

**Thank you for
your attention!**

April 2024