



Insights into Baku's Real Estate Market

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Risk Management Department Market

Summary

The real estate market in Baku has experienced stagnation due to decline in real estate transaction.

- ✓ Although a decrease has been observed in activity indicators in the residential and land markets, an increase has been recorded in the activity of individual residential and non-residential properties.
- ✓ A steady increase in apartment prices has been observed. This growth is associated with various factors.
- ✓ Vacancy rates have risen in non-residential spaces located along roadsides.
- ✓ Since real estate prices are shaped by supply and demand, the recent market stagnation has affected land prices.
- ✓ In the rental market, the prices of residential properties are continuously rising.
- ✓ The share of capital return (RPI) in the overall profitability of housing exceeds that of rental returns.

In conducting the research, data from ABB's internal database, the Central Bank of the Republic of Azerbaijan, the State Statistical Committee of the Republic of Azerbaijan, the State Service on Property Issues, and market offer data from "MBA LTD" LLC were used.

Key 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 area - 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);
- ✓ Residential price index - An indicator that tracks changes in housing prices over a specific period

In 2024, activity in the real estate market remained at a low level.

An increase in apartment prices has been observed in the Baku housing market. During the observation period in 2024, for the first time, prices in the primary market exceeded those in the secondary market. Overall, low activity was observed in the real estate market. Traditionally, stagnation during the summer months led to stable prices in the secondary market and price reductions in the primary market.

One of the reasons affecting stagnation in the primary market is the increase in mortgage interest rates on products offered by banks. Furthermore, the construction costs of residential buildings are mainly covered by revenues from sales. During market stagnation, price reductions may be implemented to cover expenses.

Table 1: Comparative statistics of state registration of property rights on apartments in 2024 compared to 2023 (numbers in thousands)

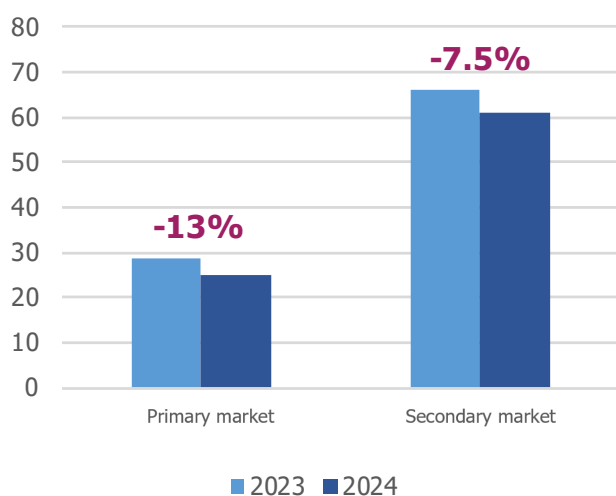
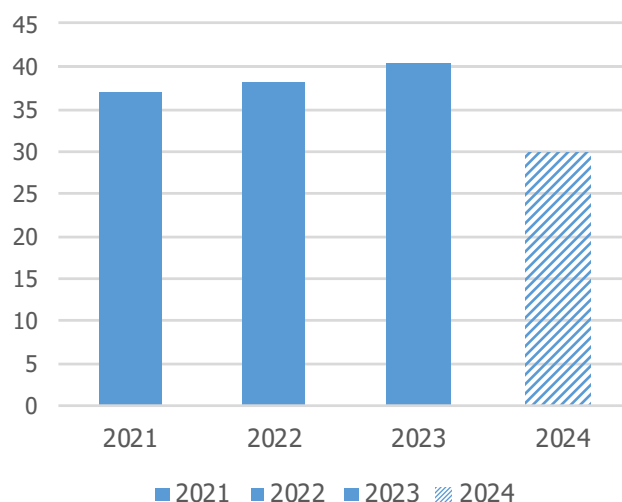


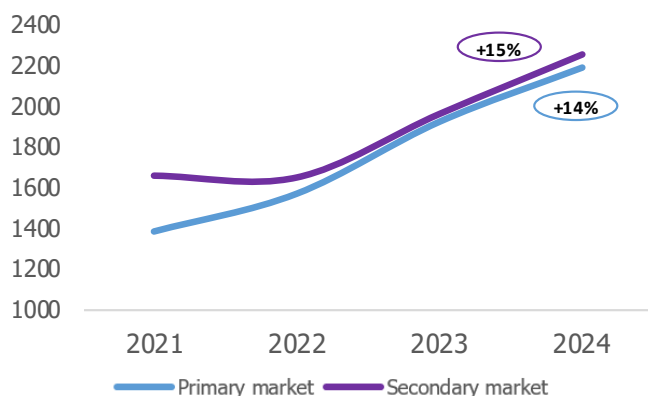
Table 2: Statistics on the number of real estate sales and purchases in Baku city (numbers in thousands) (Statistics for the first 9 months of 2024 are presented)



As shown in the table, there was a 13% decrease in the registration of property rights in the primary market and a 7.5% decrease in the secondary market compared to the previous year. These figures indicate low activity in the real estate market.

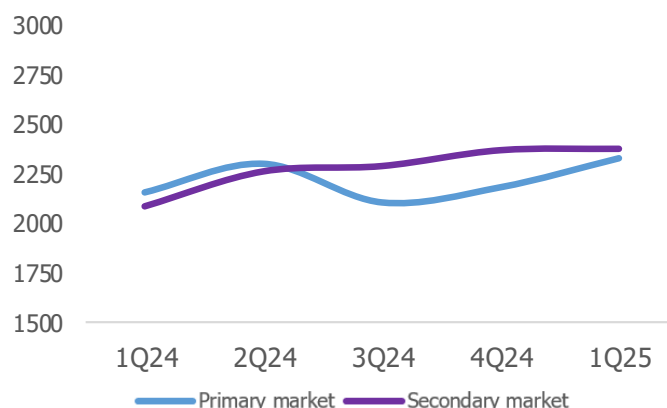
An increase in prices has been observed in the housing market.

Table 3: Yearly price changes in the housing market (AZN / m²)



Compared to 2023, an increase in housing market prices was observed in 2024. A 14% increase was recorded in the primary housing market, and a 15% increase in the secondary housing market. Compared to 2021, prices in the housing market increased by 58% in the primary market and by 36% in the secondary market in 2024.

Table 4: Quarterly price changes in the housing market (AZN / m²)



Although prices in the primary market exceeded those in the secondary market during the first two quarters of 2024, prices in the primary market declined compared to the secondary market in the following quarters. Compared to the beginning of the year, by the end of the year, prices increased by 1.2% in the primary market and by 13% in the secondary market. An 8% price decrease was recorded in the primary market in the third quarter compared to the second quarter of 2024. Prices reached their peak during the observation period in the first quarter of 2025.

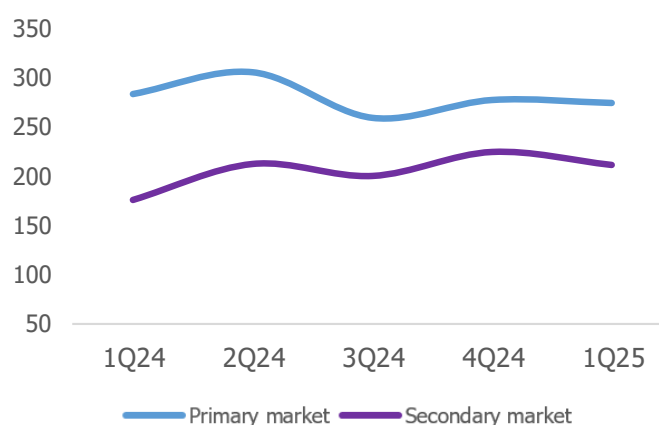
The average price of an apartment offered in the real estate market has increased.

Table 5: Average asking price of an apartment in the secondary market (in thousand AZN)



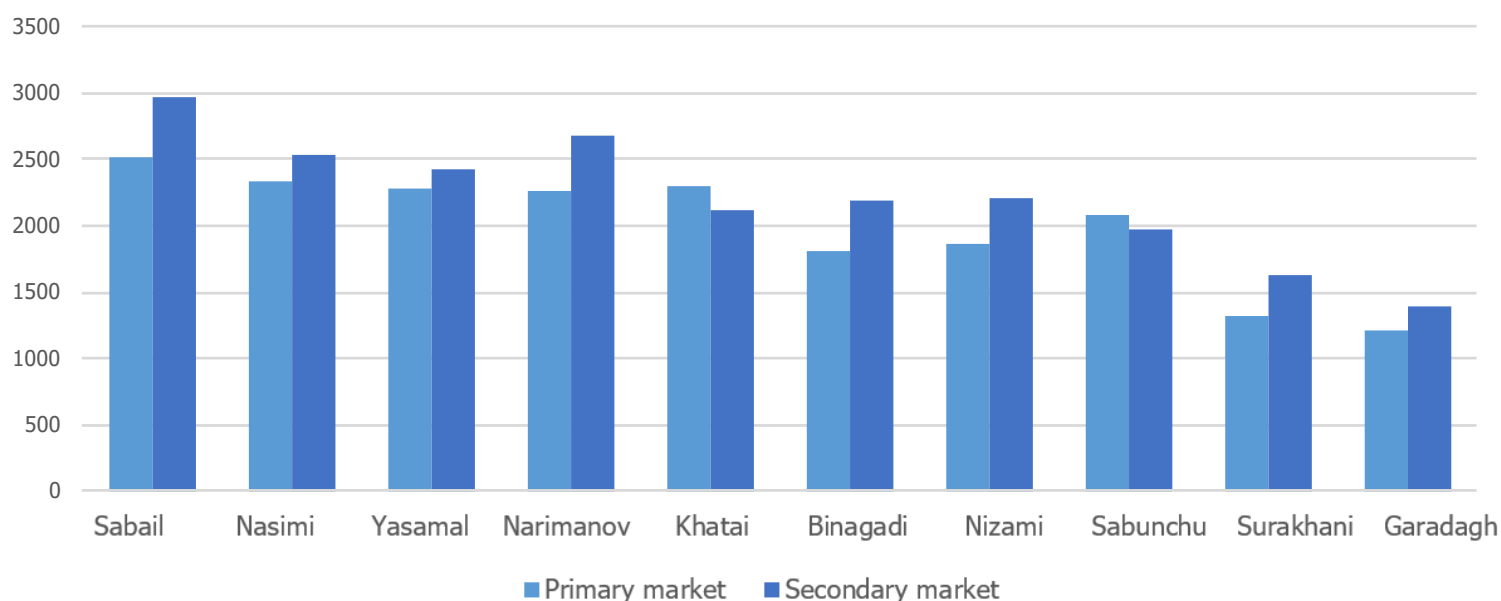
Compared to 2023, an 18% increase in apartment value was observed in the secondary market in 2024.

Table 6: Quarterly average asking price in the housing market (in thousand AZN)



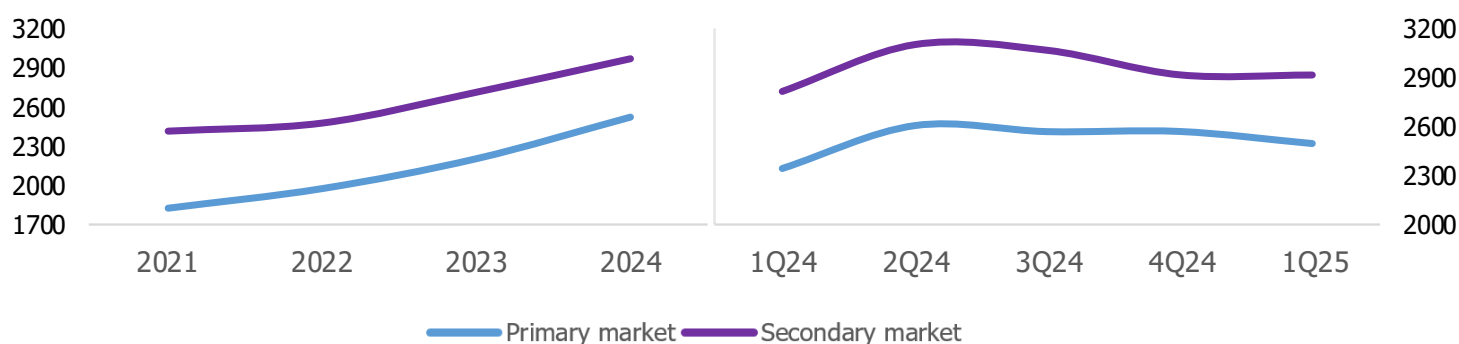
Compared to the beginning of the year, by the end of the year, a 2% decrease in the average apartment value was observed in the primary market, while the secondary housing market saw an increase of up to 20%.

In 2024, the highest prices were recorded in the Sabail district, while the lowest prices were observed in the Garadagh district.



The housing market in the Sabail district has maintained its lead with the highest apartment prices.

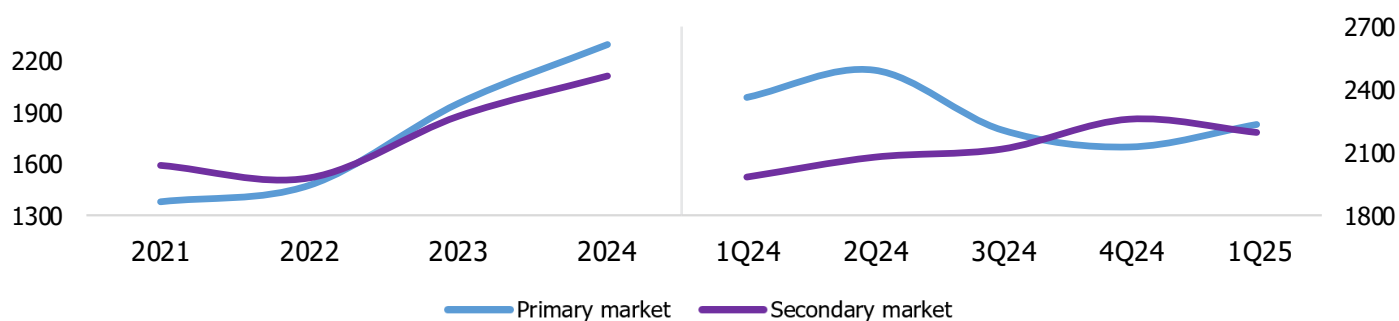
Table 7: Sabail district (AZN/m²)



Compared to 2023, an increase of 14% in the average price indicator was recorded in the primary market and 9% in the secondary market in the Sabail district in 2024.

A decrease in prices was observed in the third and fourth quarters of 2024. The stagnation in the real estate market caused prices in the primary market in the Sabail district to remain stable, while prices in the secondary market declined. In the first quarter of 2025, the downward trend in primary market prices continues.

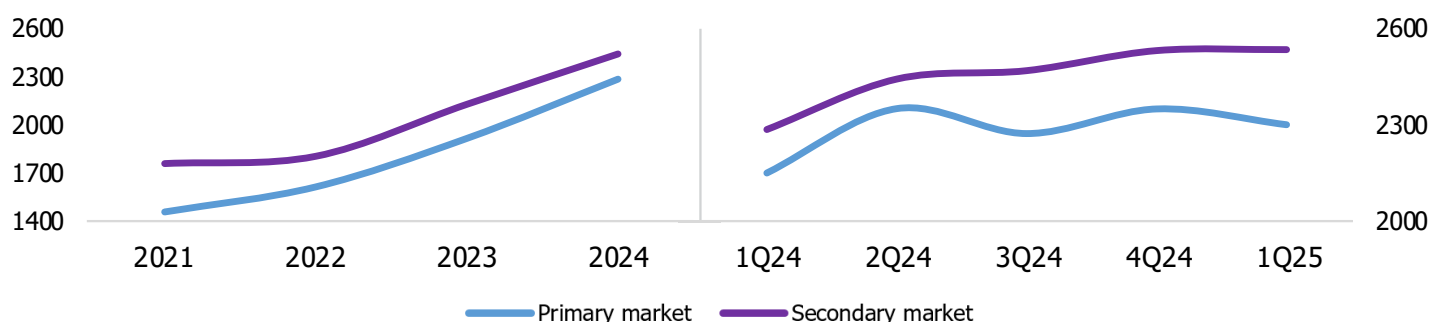
Table 8: Khatai district (AZN/m²)



In the Khatai district, primary market prices exceed secondary market prices. This price premium is mainly attributed to the 'Ağ Şəhər' project and areas of the Khatai district located close to the city center.

The stagnation in the real estate market primarily negatively affects expensive properties. The impact of this stagnation can be particularly observed in the Khatai district. In the last quarter of 2024, a 11% decrease in primary market prices was recorded. In the first quarter of 2025, a 5% increase in primary market prices was observed.

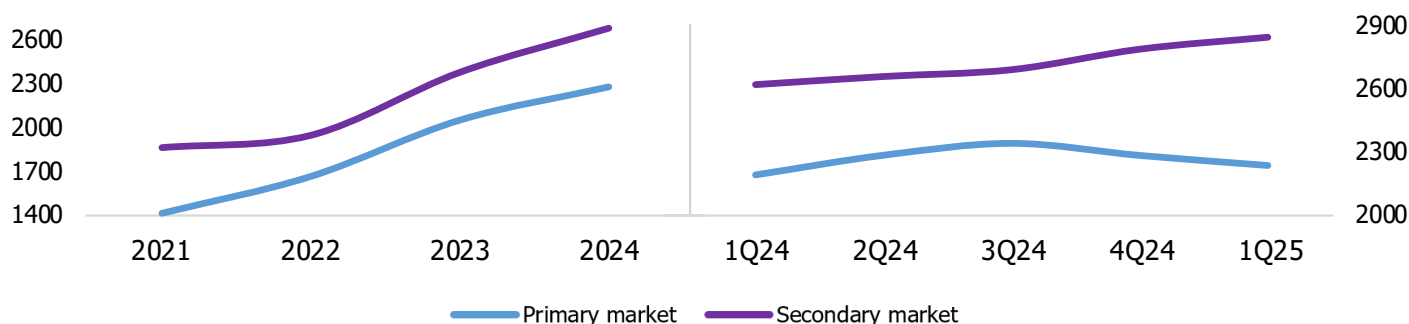
Table 9: Yasamal district (AZN/m²)



Compared to 2023, in 2024 an increase of 19% in the average price indicator was observed in the primary market, and a 14.5% increase was observed in the secondary market.

Although a decrease in prices was observed in the primary market in the third quarter, prices rose again to the level of the second quarter in the fourth quarter. In 2025, stability was observed in the secondary market, while a 2% decrease was recorded in the primary market.

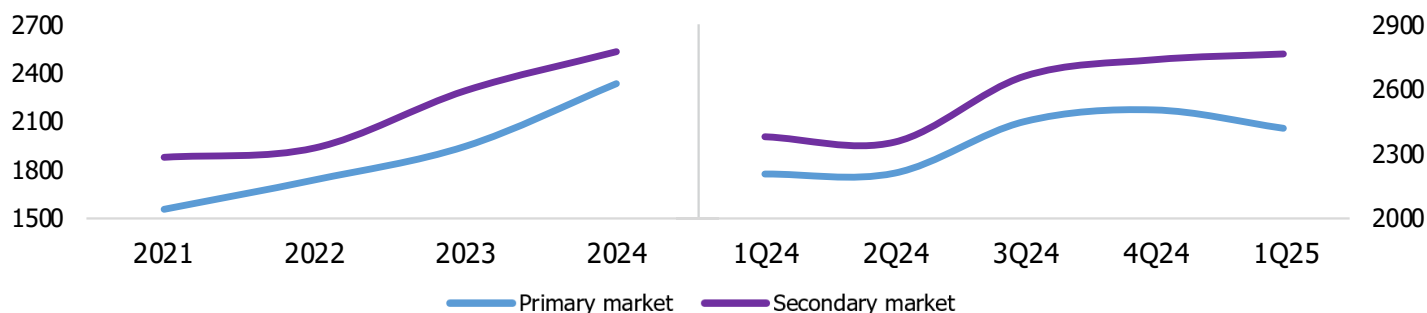
Table 10: Narimanov district (AZN/m²)



Compared to 2023, prices in the secondary market increased more than in the primary market in 2024. While the primary market saw an 11% increase, the secondary market recorded a 13% increase.

During the first three quarters of 2024, there was virtually no price change in the secondary market, with only a slight change observed in the last quarter. In the primary market, compared to the beginning of 2024, prices increased by 2% at the beginning of 2025, while a 3.7% decrease was observed over the last three quarters.

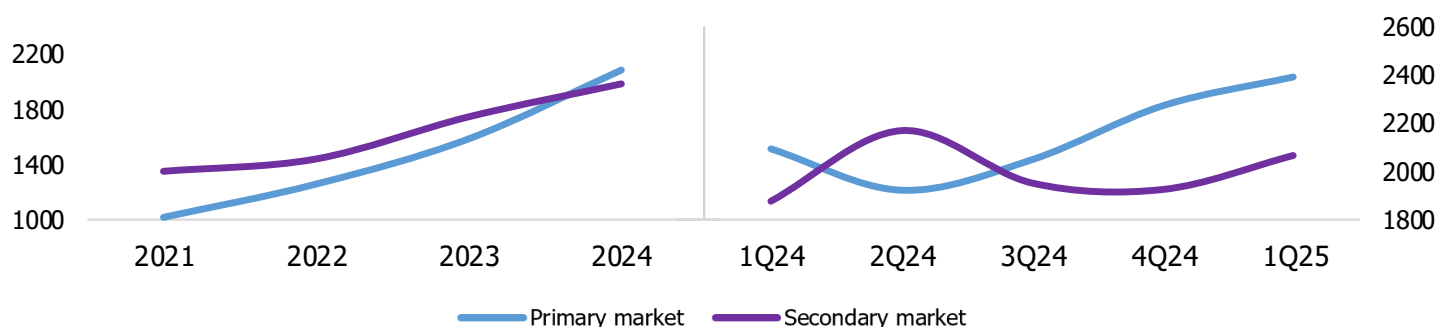
Table 11: Nasimi district (AZN/m²)



Compared to 2023, a 20% increase in the average price indicator was recorded in the primary market in the Sabail district in 2024. The price increase in the primary market was faster compared to the secondary market.

Compared to the beginning of 2024, a 14% price increase was observed by the end of the year. In the Nasimi district, a partial price decrease was observed in the primary market during the first quarter of 2025.

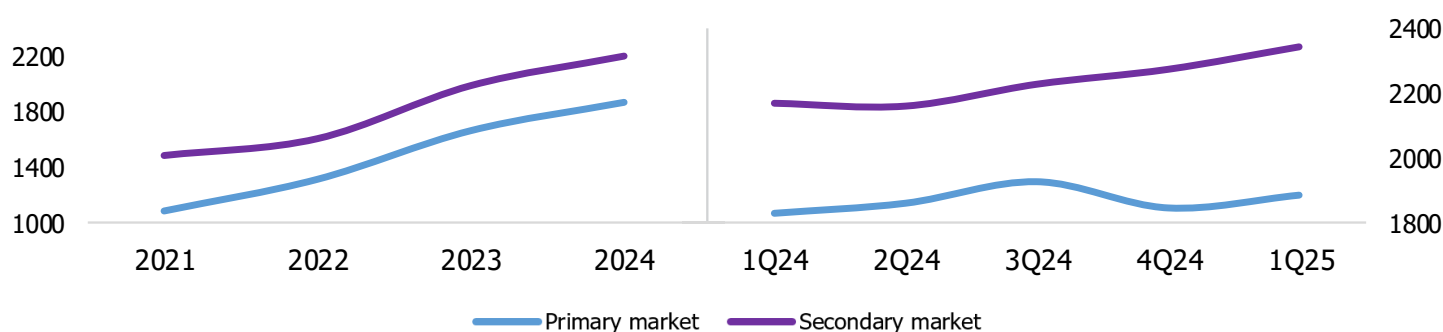
Table 12: Sabunchu district (AZN/m²)



In 2024, primary market prices in the Sabunchu district surpassed secondary market prices. Compared to 2023, an increase of up to 30% was observed in the primary market in 2024. The main factor contributing to the price increase in the primary market of the district may be the 'Sea Breeze' project.

Compared to the first quarter of 2024, a 14.3% price increase was observed in the primary market and a 10% increase in the secondary market in the first quarter of 2025.

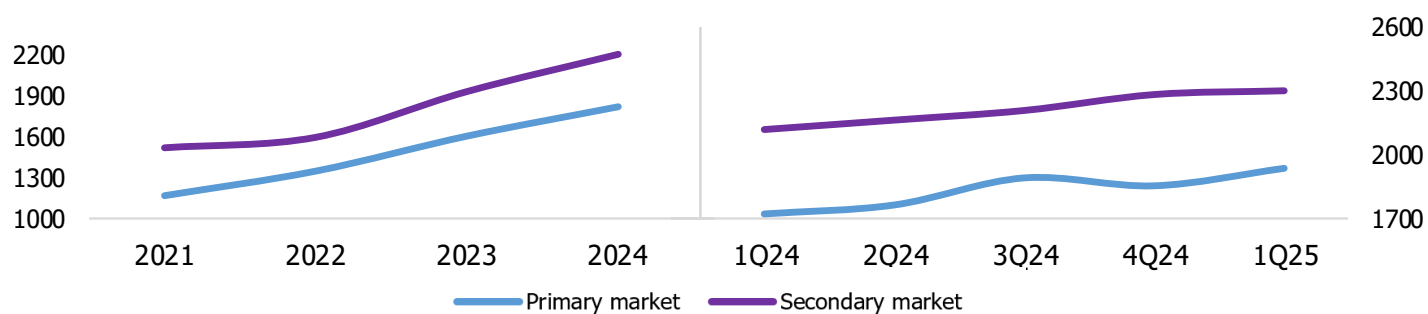
Table 13: Nizami district (AZN/m²)



Compared to 2023, the average value in the Nizami district increased by 12% in 2024, with a 10% increase observed in the secondary market.

Although a price increase was observed in the primary market in the third quarter, by the end of the year prices decreased by 4%, returning to the level at the beginning of the year. In the first quarter of 2025, an 8% price increase was recorded compared to the same period in 2024.

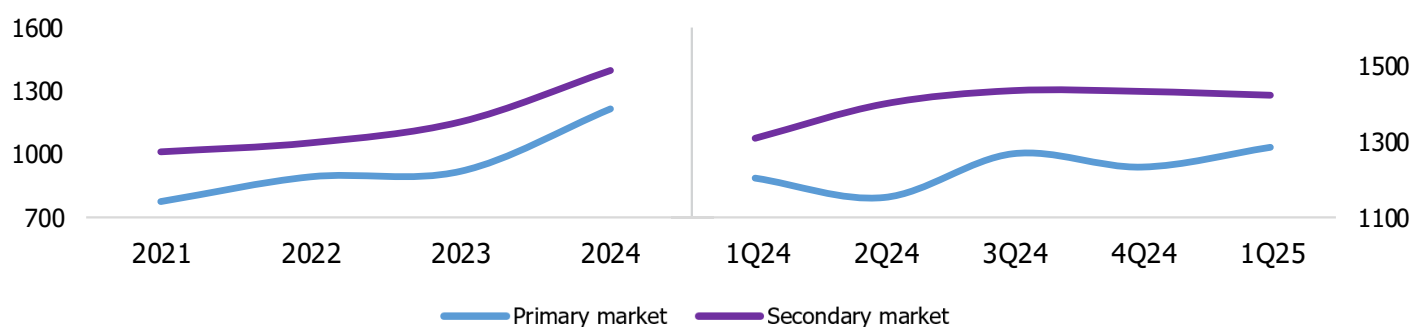
Table 14: Binagadi district (AZN/m²)



Compared to the previous year, a 13% price increase was recorded.

In 2024, no significant price changes were recorded in the Binagadi district. Stability was observed.

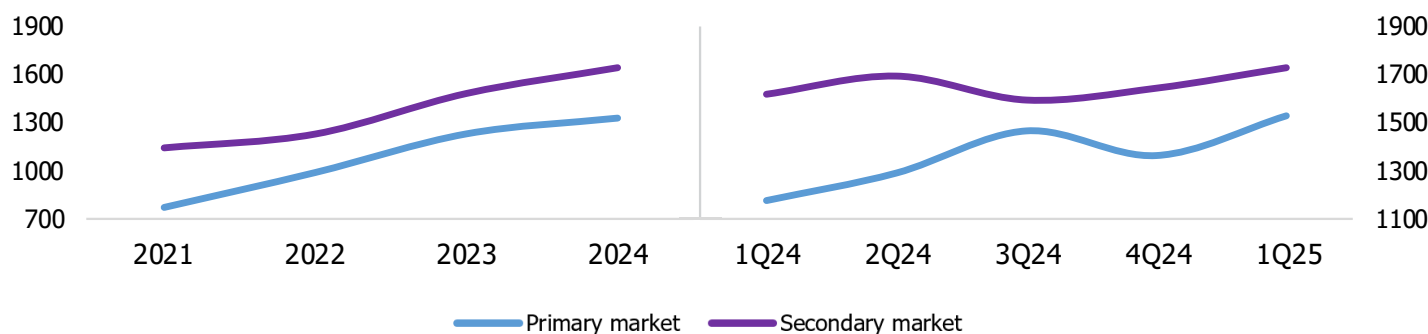
Table 15: Garadagh district (AZN/m²)



Compared to 2023, a 20% price increase was observed in the primary market in the Garadagh district in 2024.

No significant price changes were recorded in the Garadagh district in 2024.

Table 16: Surakhani district (AZN/m²)



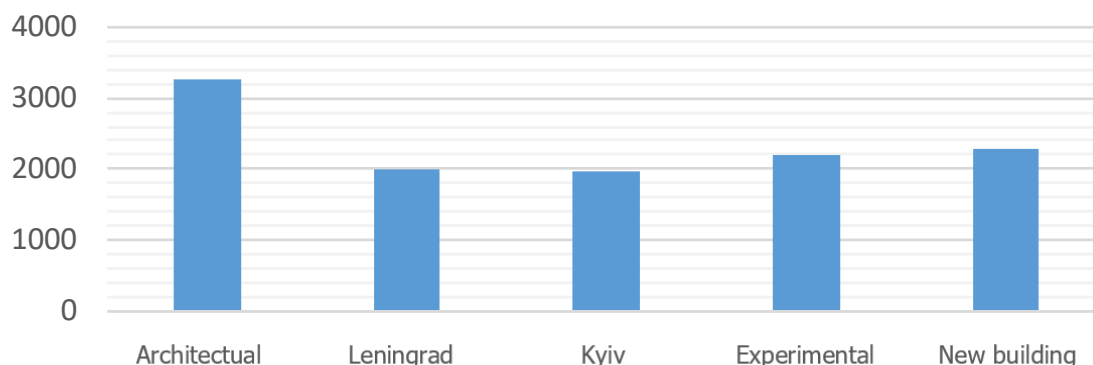
Compared to 2023, up to a 10% price increase was recorded in 2024.

At the beginning of 2024, the difference between primary and secondary market prices in the district was up to 35%, while in the same period of 2025 this difference decreased to 13.2%. In the third quarter, the difference further declined to 10%.

The main reasons for the high value of buildings with Architectural designs are primarily their location in the city center.

The price per square meter of apartments located in buildings of various projects is illustrated in the chart below. The project with the highest price per 1m² is the Architectural project.

Table 17: Apartment prices across different projects in 2024 (AZN / m²)



Average living area indicators in the real estate market

Compared to 2021, a decrease in the average living area was observed in the real estate market in the following years. The main reasons for this are the increase in construction material and real estate prices, as well as the reduction of mortgage limits for individuals relative to property values. The rise in prices for individual houses has also led to increased demand for smaller-sized houses with more rooms.

Table 18: Average size - m²

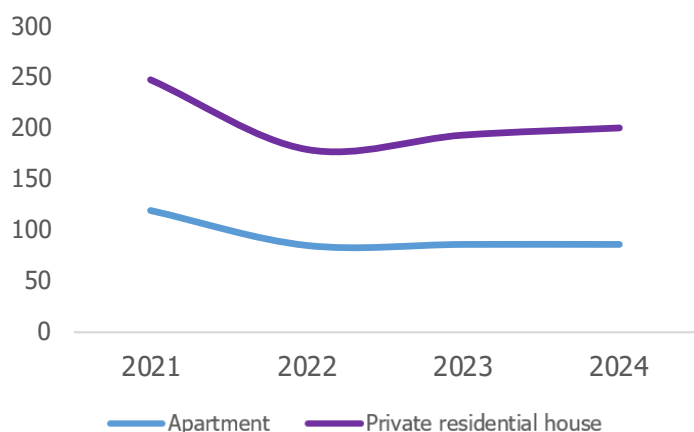
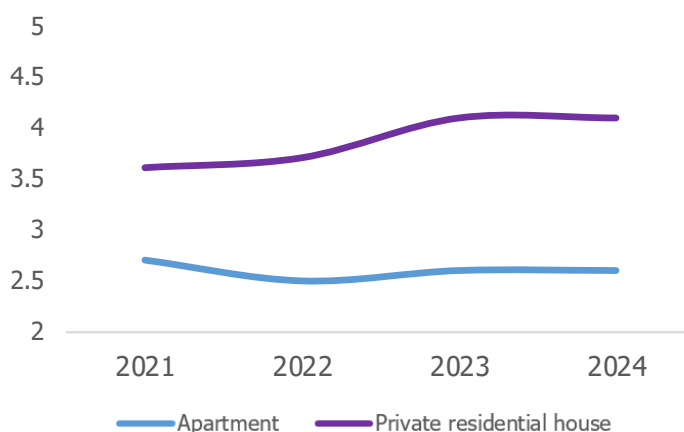


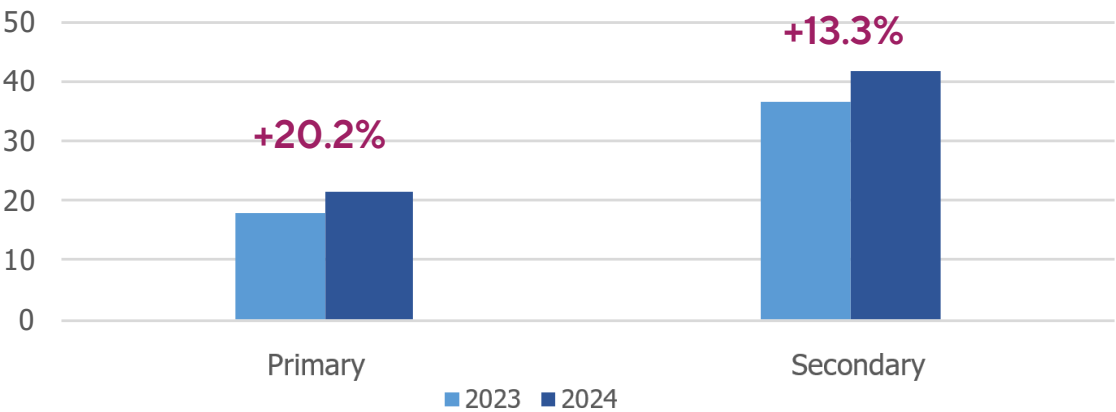
Table 19: Average number of rooms



In recent years, stability has been observed in both the average living area and the average number of rooms indicators.

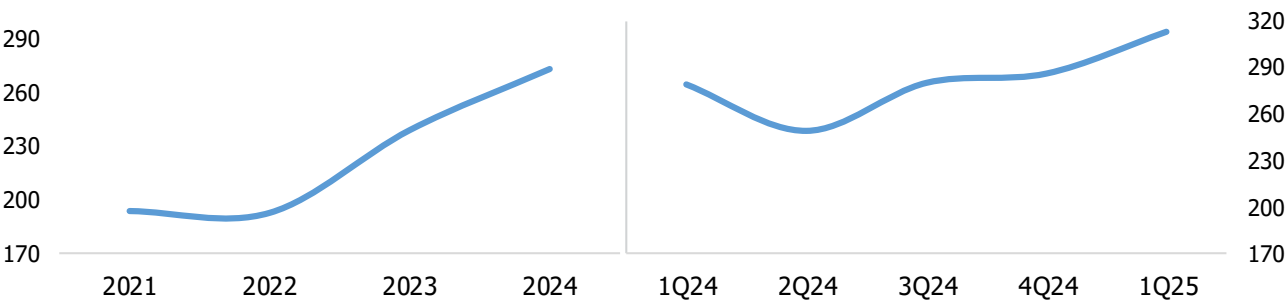
An increase has been observed in the registration of ownership rights for individual residential and country houses.

Table 20: Comparative statistics of state registration of ownership rights over individual residential and country houses during 2024 compared to 2023 (numbers in thousands)



Change in the value of individual residential houses

Table 21: Average price of individual residential houses (in thousand AZN)



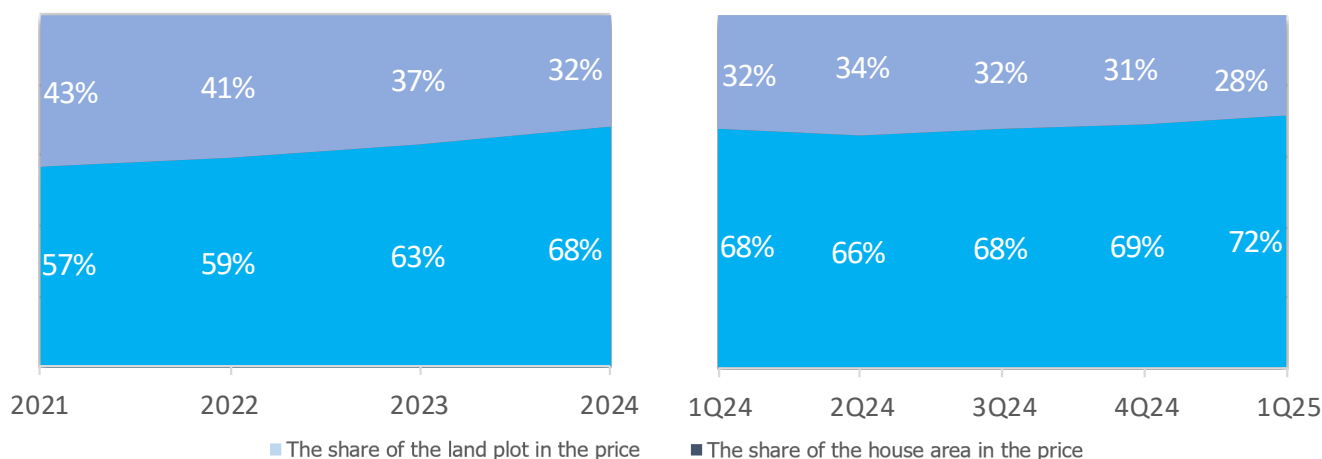
Compared to 2023, a 14% increase was observed in the average price of individual residential houses in 2024.

Although a decrease in prices was observed in the second quarter, an increase in the prices of individual residential houses was recorded during the summer months. Compared to the beginning of the year, prices increased by 2.5% by the end of the year. The highest prices during the observation period were recorded in the first quarter of 2025. An increase in the prices of individual residential houses is also expected in the coming months, as demand for yard houses may rise during the summer.

The share of the land plot in the value of individual residential houses has increased.

An individual residential house consists of the land plot and the structures on it. The value of an individual residential house is formed by the value of the land plot and the structures. The charts below illustrate the value of individual residential houses and the respective shares of the land plot and structures in that value.

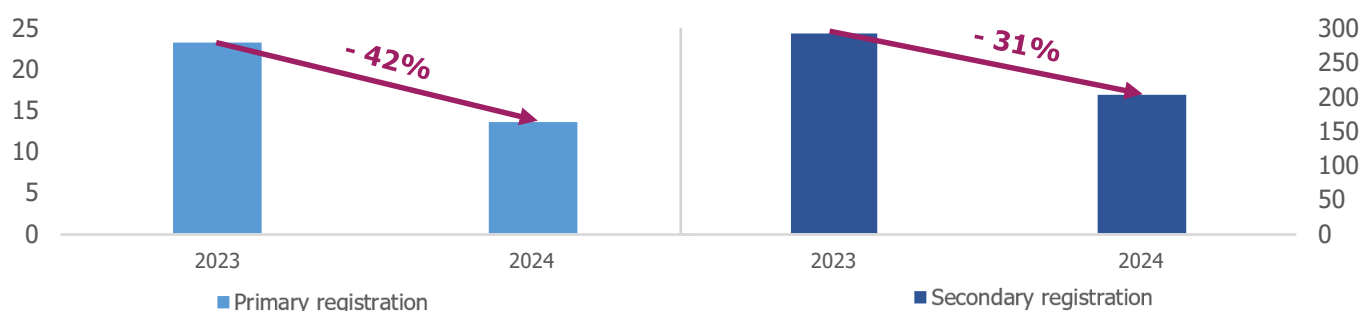
Table 22: Proportion of land plot and house size in individual residential houses.



The main factor influencing the increase in the price of individual residential houses is the rise in the value of the land plot. Urbanization leads to the expansion of the city, resulting in a decrease in available vacant land. Consequently, demand exceeding supply contributes to the increase in land prices. Compared to 2023, the share of land value in the price of individual residential houses increased by 5% in 2024, and this growth was 4.4% when comparing the beginning of 2024 to the corresponding period in 2025.

A sharp decline has been observed in the registration of ownership rights over land plots.

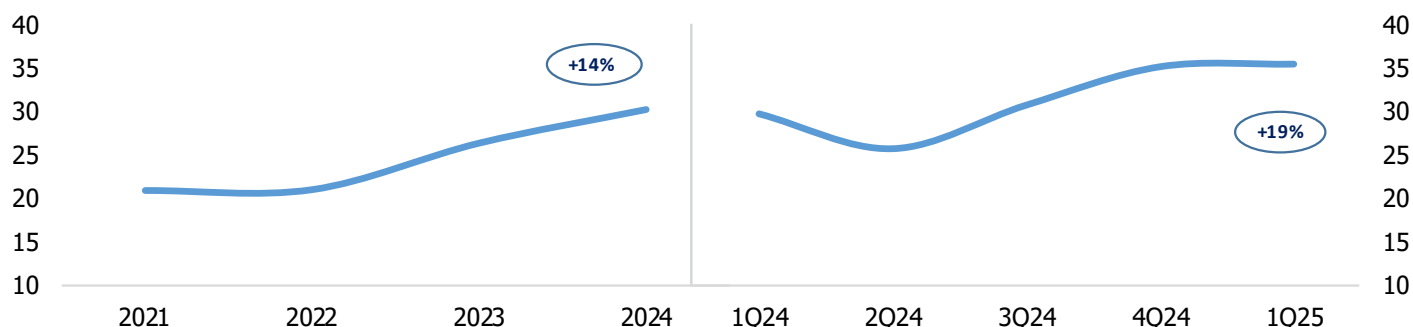
Table 23: Number of registered ownership rights over land plots (in thousands)



The comparison of the state registration of ownership rights over real estate during 2024 with the same reporting period of 2023 indicates a decrease in the number of transactions in the land market. The reporting period covers January to September of the current and previous years. The decline in transactions has led to price reductions in certain areas.

Compared to 2023, the price of land plots increased by 14% in 2024.

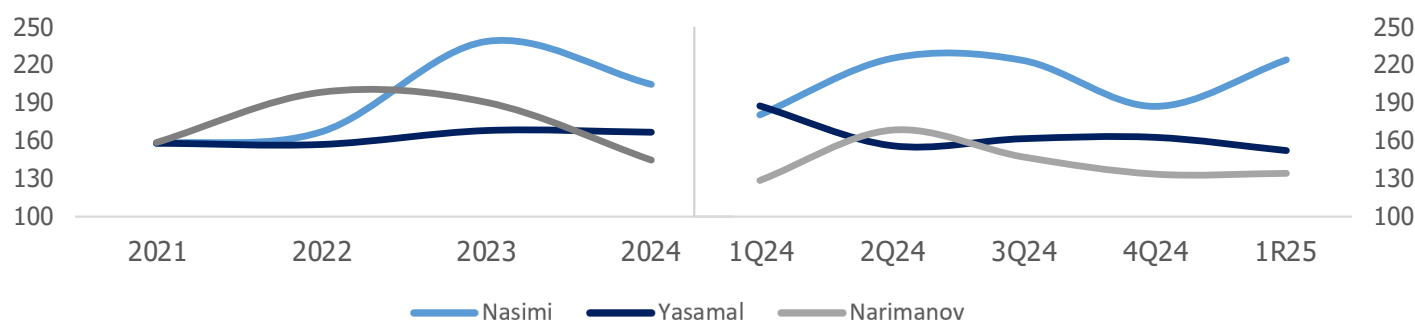
Table 24: Average value of land plots in Baku city (in thousand AZN)



Since 2022, an increase in land plot prices has been observed in Baku city. Compared to the prices recorded in 2022, the average prices have risen by 44%. Furthermore, the average price increased by 14% in 2024 compared to 2023.

Due to demand exceeding supply in the land market, an increase in land prices is forecasted for 2025. In the first quarter of 2025, a 19% price increase was recorded compared to the same period in 2024.

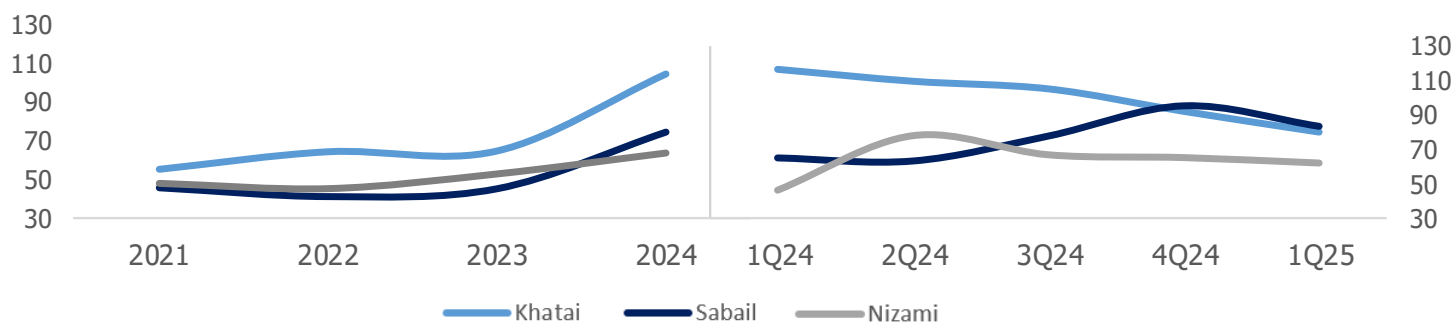
Table 25: Value of land plots by districts (in thousand AZN)



Compared to 2024, a decrease in the value of land plots has been observed in both Narimanov and Nasimi districts. In 2023, construction of residential buildings increased in the central districts of the city. However, the stagnation recorded in the real estate market in 2024 led to a decline in the number of constructions. This is one of the factors contributing to the decrease in prices in the land market.

Compared to the beginning of the year, no significant price changes were observed by the end of the year in Nasimi and Narimanov districts.

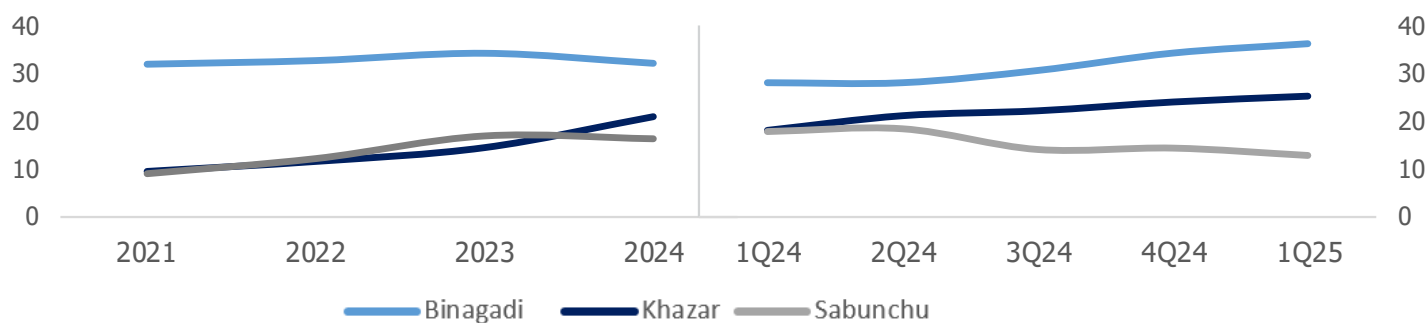
Table 26: Value of land plots by districts (in thousand AZN)



The price increases in Khatai and Sabail districts can be attributed to the expansion of the 'White City' project and the development of coastal infrastructure, respectively.

Although a price decrease was recorded in Khatai district by the end of 2024 compared to the beginning of the year, price increases were observed in Sabail and Nizami districts. In the first quarter of 2025, a decline in prices was observed across all three districts.

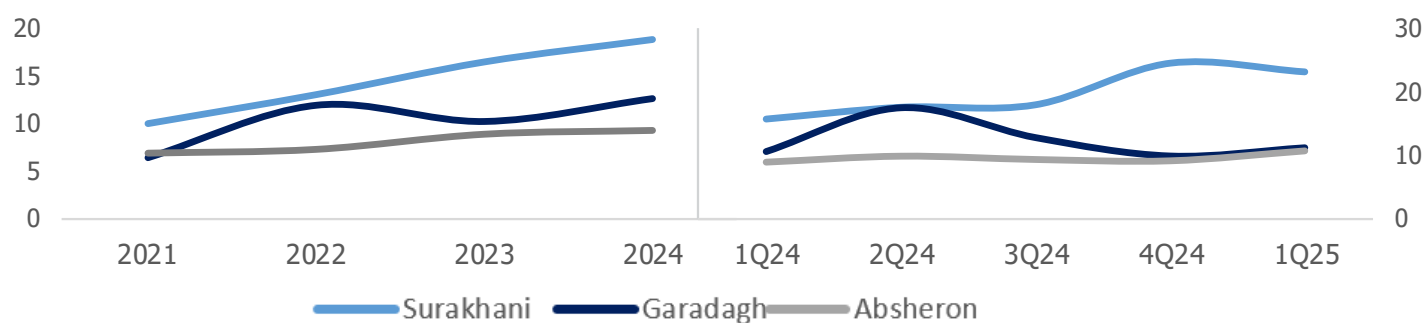
Table 27: Value of land plots by districts (in thousand AZN)



Although land prices remained relatively stable in Binagadi and Sabunchu districts, a sharp increase was observed in Khazar district compared to the previous year.

Compared to the beginning of 2024, approximately a 39% increase in prices was recorded in Khazar district during the corresponding period of 2025. The sharp rise in prices is driven by demand for land plots in Khazar district exceeding supply.

Table 28: Value of land plots by districts (in thousand AZN)



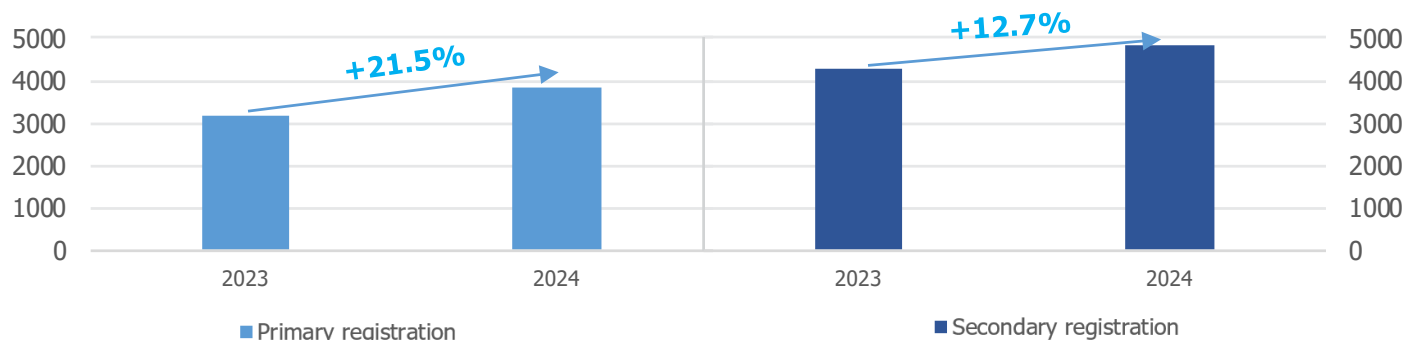
A price increase of up to 15% was recorded in Surakhani district, and up to 20% in Garadagh district. In Absheron district, the increase was up to 5%.

The price increase in Surakhani district is related to high demand, as the number of large-scale residential complexes in the area has started to grow.

During the observation period, it was recorded that low-priced land plots appreciated in value more rapidly than high-priced ones. The stagnation observed in the land market has led to a decrease in the prices of expensive land plots.

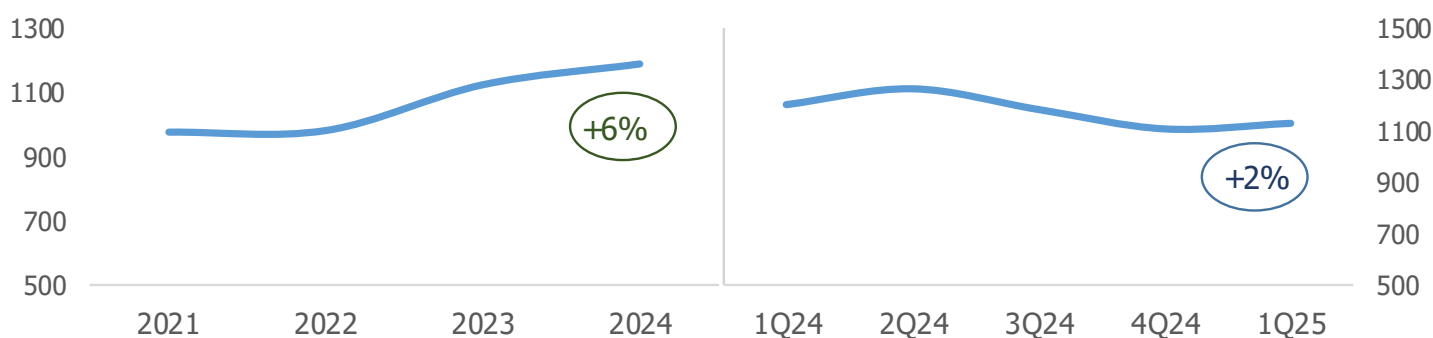
An increase has been observed in the registration of ownership rights over non-residential properties in the primary market.

Table 29: Number of registered ownership rights over non-residential properties (in thousands)



A decline in prices of non-residential properties in the secondary market was observed towards the end of the year.

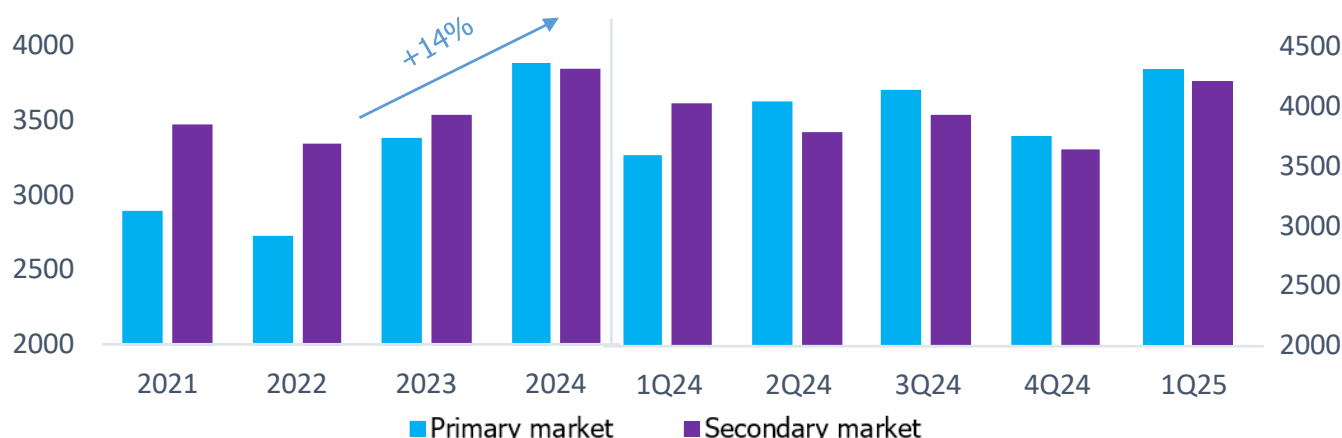
Table 30: Average price of a non-residential property in the secondary market (in thousand AZN)



In 2024, the average price increased by 6% compared to 2023. A 2% price increase was observed in the first quarter of 2025 compared to the end of 2024. The growth of the non-oil sector and the resulting increase in business profitability may lead to a rise in prices of non-residential properties.

Over the past year, primary market prices for non-residential properties have surpassed those in the secondary market.

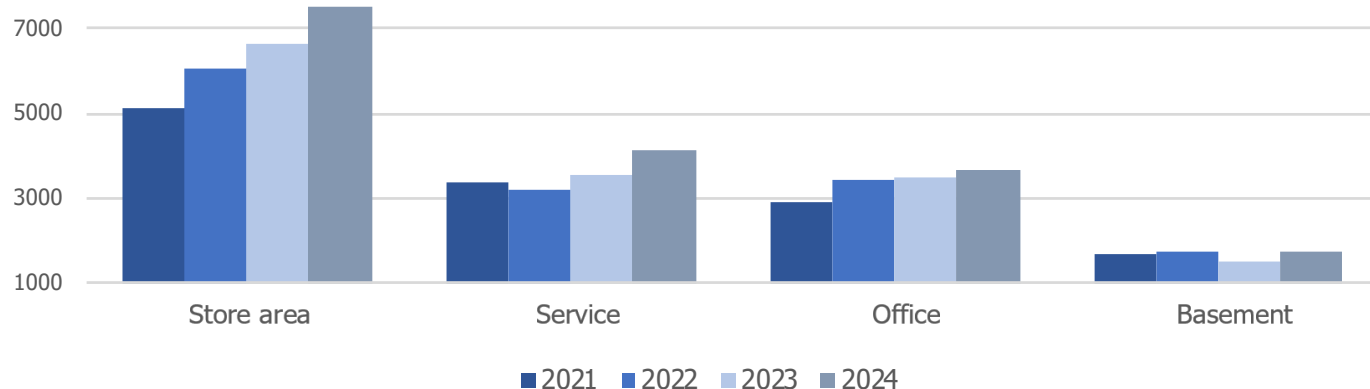
Table 31: Average price of non-residential properties (AZN/m²)



Compared to 2023, a 14% increase was recorded in the primary market, while an 8.5% increase was observed in the secondary market.

Since the second quarter of 2024, primary market prices for non-residential properties have surpassed those in the secondary market. The accelerated demolition of old buildings within the city can be considered one of the factors contributing to the increased interest in the primary market.

Table 32: Price indicators categorized by types of non-residential properties (AZN/m²)



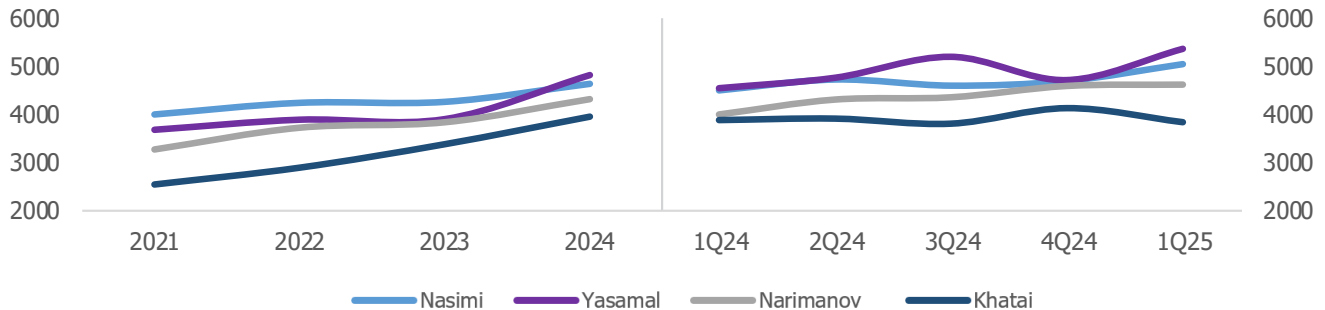
The price per 1 m² of retail-designated non-residential properties has exceeded 7,000 manat. Compared to last year, a 13% price increase has been recorded. The consistent rise in prices of this type of non-residential property is due to its versatility and usability across various sectors.

As a result of the market research, it was observed that non-residential properties located along roadsides in various areas of Baku city remain vacant.

In certain areas of Baku city, rental inquiries for non-residential properties located along roadsides have increased. The main reason is the implementation of dedicated lanes for public transport vehicles and buses in Baku. One of the key factors positively affecting the operation of these non-residential properties is the availability of parking space.

Price Changes of Non-Residential Properties by Districts of Baku City

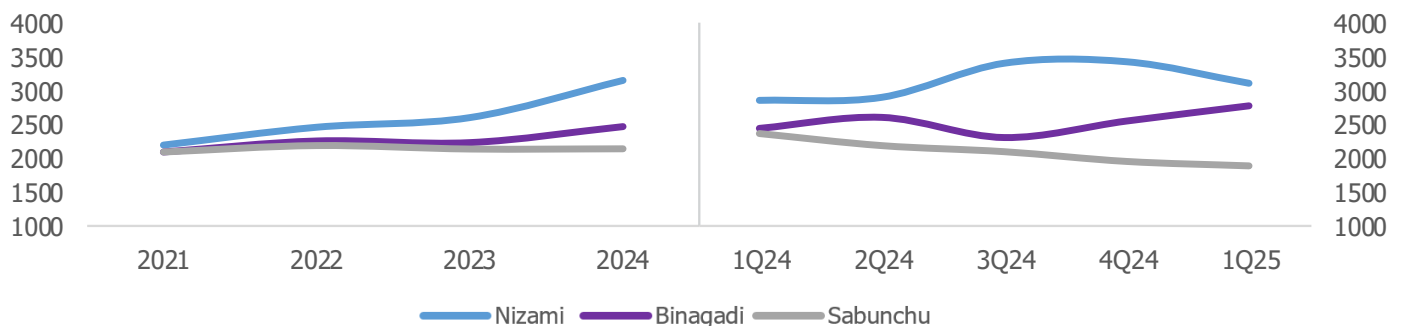
Table 33: Value of Non-Residential Spaces in New Buildings by Districts (AZN/m²)



An increase in the average prices of non-residential properties has been observed in the central districts of the city compared to 2023.

Prices have remained relatively stable throughout the year. No significant changes have been observed.

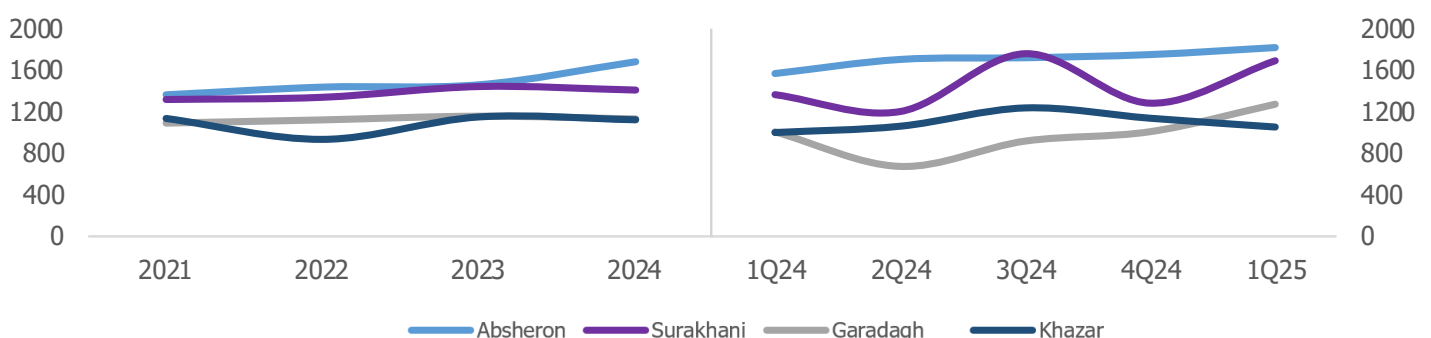
Table 34: Value of Non-Residential Spaces in New Buildings by Districts (AZN/m²)



Compared to 2023, the 20.8% increase recorded in the Nizami district can be attributed to the demolition of old buildings and the rise in new constructions. The population in the district has grown, which has led to an increased demand for commercial properties.

A decrease in prices has been observed in the Sabunchu district. This can be explained by the abundance of properties put up for sale in the surrounding areas of the district. This situation may be reflected as a reduction in the average price for the district.

Table 35: Value of Non-Residential Spaces in New Buildings by Districts (AZN/m²)



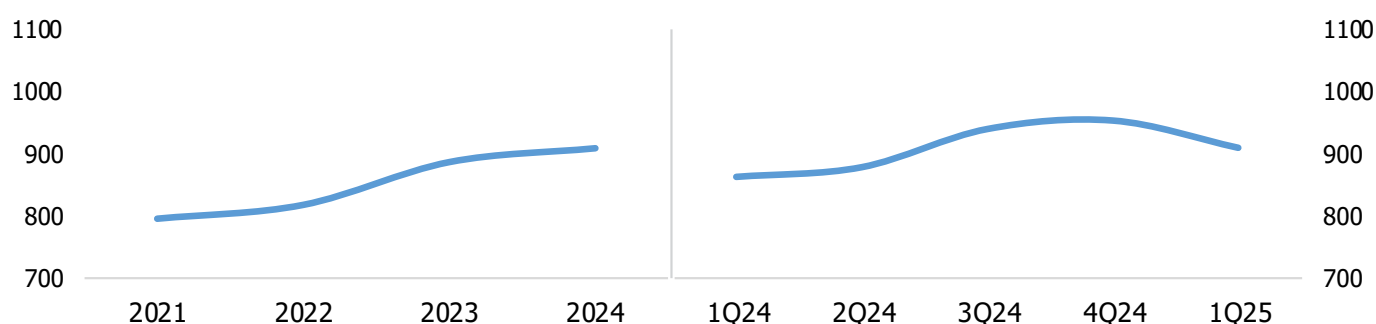
In Absheron district, a 15% price increase was recorded in 2024 compared to 2023. Partial stability is observed in Surakhani, Garadagh, and Khazar districts.

Although there was an increase in prices in the third quarter, a relative decrease was observed in the Surakhani and Khazar districts. The price increase recorded in the third quarter is of a traditional nature. The start of the school year leads to increased activity in the market, causing prices to rise.

Rental prices in the real estate market

In Baku city, a 5.5% increase in the average monthly rental price of apartments was observed compared to the average price in 2023. By the end of the year, this increase had risen to 12.5% compared to the beginning of the year. Unlike apartments, rental prices for commercial properties remained relatively stable. The slight decrease recorded in the first quarter of 2025 is of a seasonal nature.

Table 36: Rental value of residential space (monthly rent)

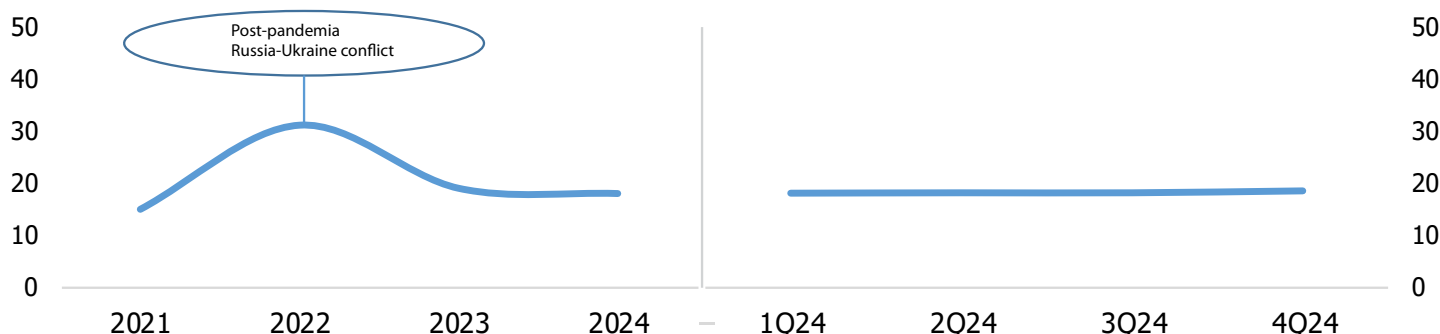


Analogous changes occurring in a market economy ultimately lead to an increasing trend in the average rental rates for residential spaces over the years. The rise in rental rates for residential properties throughout the year is especially notable in the third quarter. The main reason for this can be attributed to the start of the new academic year.

One of the main factors influencing the rise in rental prices is the ongoing urbanization process.

In 2025, an increase in rental prices for residential properties is forecasted. Specifically, the demolition process that has begun in Baku city is expected to stimulate activity in the rental market.

Table 37: Rental prices for non-residential spaces (AZN/m²)



In 2024, there were no significant changes in the rental prices of commercial properties. Stability was observed throughout the year.

The observed stability can be explained by the following factors:

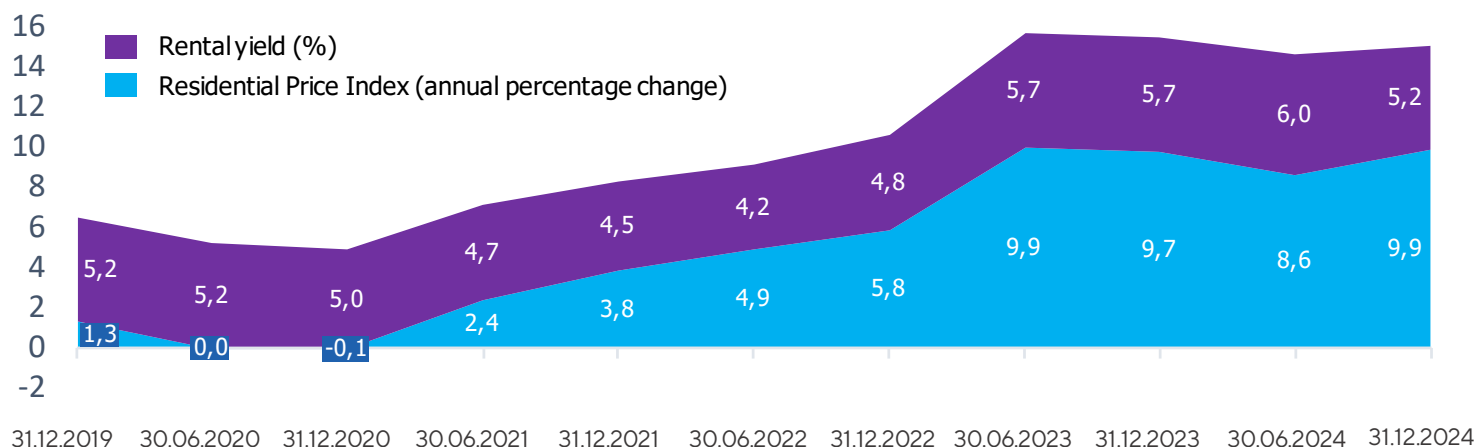
A balance has been established between the supply of commercial properties offered on the market and the demand for them;

While there is macroeconomic stability in the country (such as low inflation, stable exchange rates, etc.);

In a competitive environment, property owners may hesitate to raise prices in order to attract tenants;

When entrepreneurs operate with stable income and expenses, rental prices may remain steady.

Table 38: Changes in capital and rental yields over periods



Since the second half of 2022, the share of capital yield (RPI) in the total profitability of residential properties has exceeded the share of rental yield.

Table 39: Yield and price indices



During the observation period, since the second half of 2021, the overall profitability rate of apartments has surpassed the mortgage interest rates of the AMF, and since the second quarter of 2022, it has also exceeded the interest rates on manat-denominated deposits, continuing to increase up to the present period.

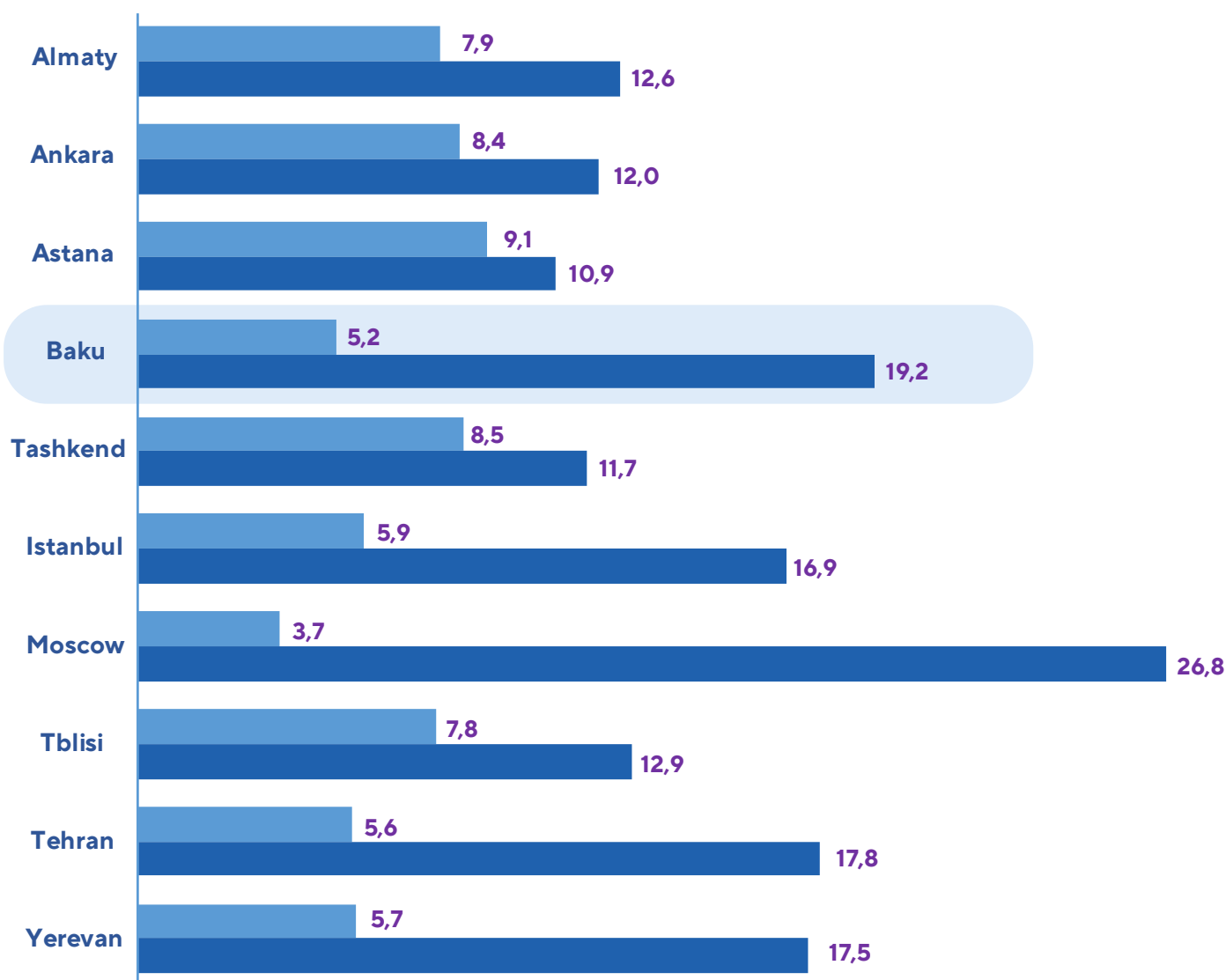
Although a decline in the Consumer Price Index (CPI) was observed in Azerbaijan starting from the second quarter of 2023, this index continued to rise in the housing market until the end of 2023. The decrease in 2024 began to be observed later than in the CPI and has remained higher up to the current period.

Table 40: Transaction share indicators in the housing market

The listed asking prices in the housing market differ from the actual sale and rental prices. The transaction share can vary mainly as follows, depending on the value of the property.



Table 41: Rental indicators by cities



Source: Numbeo

The payback period for apartment investment costs through rental yields in various cities is shown in years. Currently, this indicator for Baku city is 19.2 years. The shorter the capitalization period, the faster the return on investment, which reduces the investment risk.

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Thank you

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