

# Baku Real Estate Market - January 2013 – Brief Overview

## Financial Data

(EUR mln)	2012
GDP	52,033.0
GDP growth (%)	2.2%
GDP per capita	5,561.2
CPI	1.1%
Population (mln)	9.4
Unemployment rate *	5.4%
International reserves	30.4
Investments directed to fixed capital	14,780.8
Current account balance	2,461.3

\*2011 data

## **Ratings**

### Foreign Currency

Long-term IDR: BBB-

Short-term IDR: F3

### Local Currency

Long-term IDR: BBB-

Country-ceiling: BBB-

### Outlooks

Foreign Currency  
Long-term IDR: Stable

Local Currency  
Long-term IDR: Stable

Turmoil on the Global Financial Markets continues to shake world economies. Consumer and business confidence are low in many parts of the world and there are risks of sovereign debt default in Europe and US. Moreover, double-dip recession scenario is still a possibility.

Despite this, the economy of Azerbaijan coped relatively well with the crises. Average growth of the Real GDP from 2005 to 2010 is measured by the double-digit numbers and even though it will not continue at the same pace it is still expected to be above the world average.

In 2012, Real Estate Market of Azerbaijan can be characterized by an increased activity and an upward movement in prices almost in all segments of real estate. According to the data presented by the Central Statistical Agency, 2,033 ths. sq.m. have been submitted into use in 2011. Of them, 1,251 sq.m. (or 61.5%) have been constructed in an urban area, while 782 sq.m. (or 38.5%) in a rural.

Commercial office segment is featured by a further increase in category A and B office stock. As of January 2013, the total stock of commercial multi-tenant office buildings qualifying as category A and category B space was approximately 400,000 square meters, of which category A buildings account for approximately 130,000 square meters and category B buildings account for approximately 270,000 square meters. However, these indications do not include standalone, in most cases, single tenant or owner occupied office buildings, most commonly ranging from 500 to 3,000 square meters.

The retail market can be characterized by arrival of the new retail schemes to the market in 2012/2013 and further expansion of the international brands into Baku market. The market has been growing at a very fast pace from 2005 till present. Total volume of the retail turnover in Azerbaijan in 2011 increased more than threefold as compared to the similar period in 2006, reaching almost 15 bln AZN. The largest share of this turnover, which is almost 50%, falls to the city of Baku with the second and third largest

share falling to Sumgait and Ganja respectively.

Residential real estate market has been going through a major slowdown in transaction activity in 2009/2010 and this trend has continued in the first half of 2012. Meantime, with most of the developments being equity financed, as well as relatively low legal pressure to finish projects within committed time frames, developers has been trying to maintain historical price levels of 2007/2008.

Many developers have chosen to slow construction activity as opposed to reducing sale prices and thus boost sales. Current infrastructure developments with significantly easier access to suburban locations such as Bilgah, Mardakan, Shuvelen and Novkhani, which historically been viewed as only summer destinations, triggered major wave of private housing construction as well as launch of residential gated communities projects.

2012 was also characterized by completion of the major projects, such as Heydar Aliyev cultural center, Crystal Hall, an entertainment center where Eurovision competition was held; many road junctions have been improved making city traffic more convenient and less congested. In the hospitality segment, four more hotels, such as Jumeirah Hotel and Resort, JW Marriot, Hilton and Four Seasons have been added to the existing stock of hotels and resorts.

All these events facilitate the promotion of Azerbaijan as a regional economic and cultural center. According to the Azerbaijan Business Center, 2.2 mln. foreign nationals visited Azerbaijan in 2011, of which 1.8 mln. were tourists, an increase of 14% as compared to 2010. It is expected that the tourist flow will grow further which will lead to increase in hotel occupancy rates, the number of hotels available and as a result, growth of the tourist industry in general.



Heydar Aliyev Cultural Center



Jumeirah Hotel & Resort