

## PHENOMENON OF THE REAL ESTATE MARKET OF THE RA: REVIEW AND OUTLOOK

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**Key words:** *real estate, mortgage, disproportionate distribution, risk, expectations*

*The geopolitical realities formed as a result of the Russian-Ukrainian war, along with economic and political risks, gave the RA economy new positive impulses in 2022, which led to the consolidation of favorable positions in a number of important economic indicators. In this regard, the real estate market was no exception, which has reached a new level of activation along with the influx of Russian tourists and IT companies. The paper examines the realities recorded in the real estate market during 2022, the composition, structure and territorial distribution of transactions, as well as issues related to changes in the price level, in order to understand the impact of this sector on economic growth and the circumstances of its long-term nature.*

Starting from 2018, the topic of activation of the real estate market was particularly actively discussed, which was also proved by official statistics (Figure 1).


If we look at the general developments of the market, we can notice that there is a marked increase in the number of launches in the real estate market. In this regard, of course, 2020 is an exception, when this market was not spared from the negative effects of the pandemic and war. The sharp increase in the number of transactions in 2021 is especially interesting. In particular, compared to 2020, the number of transactions in 2021 increased by around 27%, and compared to the pre-pandemic period, by around 8.3%, in the event that in 2020 compared to 2019 the number of



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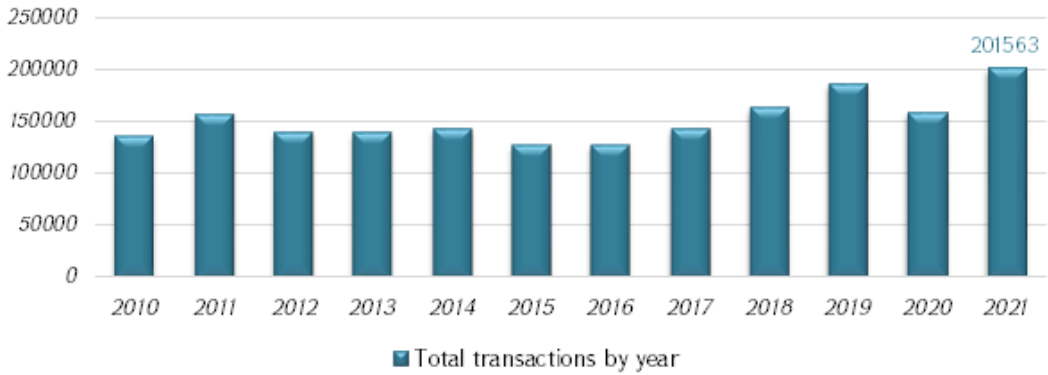


FIGURE 1



**Total real estate market transactions by years, %<sup>1</sup>**

transactions was reduced by around 14.7%.

*In the end, what is the reason for such developments in the real estate market, are the transactions carried out equally related to all types of transactions and if not, which transactions and for what reason prevail in this market?*

Now let's turn to each of these questions.

First of all, let's consider the geographical distribution of transactions in the real estate market.

From Figure 2, it becomes obvious that there is a highly uneven spatial distribution of executed transactions, as the majority of transactions are concentrated in Yerevan city

and Kotayk region, around 49.2%. In Syunik and Vayots Dzor, the number of transactions is significantly smaller, 3.9 and 2.1 percent, respectively. Of course, this circumstance can be explained mainly by the created geopolitical and regional realities, by the security problems caused by the war and not yet resolved, which reduce the attractiveness of these marzes, which directly affects the developments of the real estate market.

It is also interesting to study the ownership of transactions. Thus, during the first 9 months of 2022, transactions related to land, apartments and individual residential houses prevailed, making up 37.8%, 28.0%

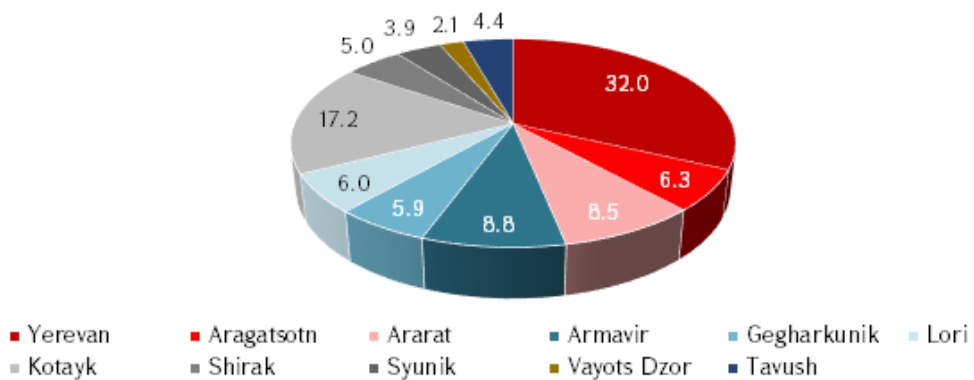


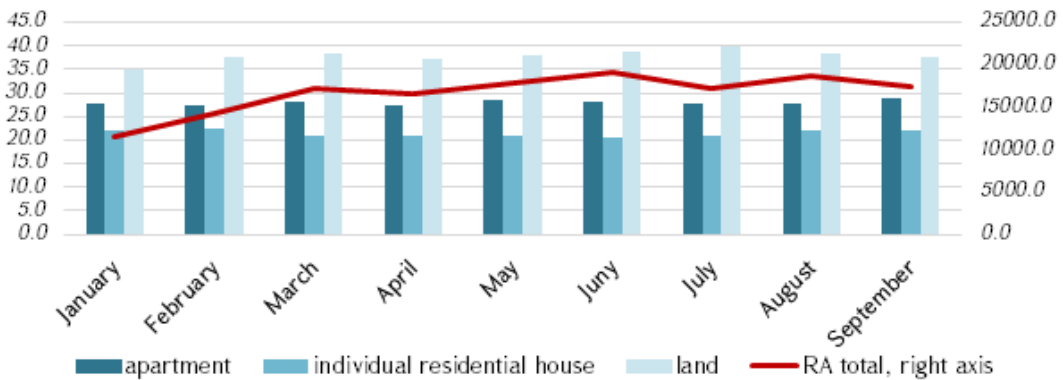
FIGURE 2



**Real estate market transactions by territorial distribution, 2022. January-September, %<sup>2</sup>**

<sup>1</sup> RA Cadastre Committee, Real estate market of the Republic of Armenia in 2021 (annual analysis), <https://cadastre.am/storage/files/1-hodvac-2021.pdf> (in Arm)

<sup>2</sup> The real estate market of the Republic of Armenia during the third quarter of 2022 (analysis), <https://cadastre.am/storage/files/1-hodvac-102022.pdf> (in Arm)

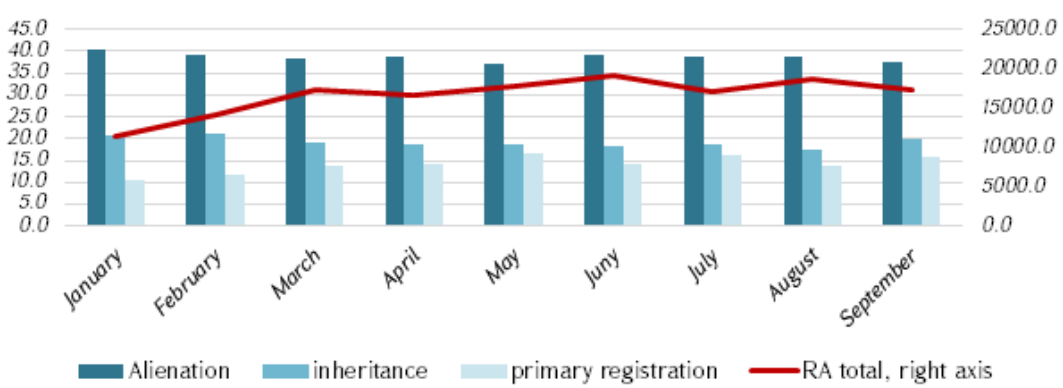


**FIGURE 3**  
**Real estate market transactions by property type, 2022. January-September, %<sup>3</sup>**

and 21.4% of the total number of transactions, respectively. In other words, the transactions carried out only in the direction of these types of property make up the vast majority of the total number of transactions, 87.2%. Consequently, in this case there is a very uneven distribution of transactions, as well as territorial distribution, as a result of which the price changes of these types of property can lead to significant changes in the composition, structure and overview of the transactions performed in the market.

If we consider the market developments in the first 9 months of 2022, we will have the overview presented in diagram 4. As can be

seen, the structure of general transactions is clearly dominated by transactions related to expropriation, whose weight in the general structure of transactions varies between 37-41 percent, making up 38.6% of the total transactions on average in January-September 2022. In the structure of general transactions, the transactions performed in the field of inheritance and primary registration are also quite significant, making on average 20.8 and 10.4 percent, respectively, in the first 9 months of 2022. In other words, we can state that only these 3 types of transactions account for 72% of the total transactions, so we can assume that the developments



**FIGURE 4**  
**Real estate market transactions by nature, 2022 January-September, %<sup>4</sup>**

<sup>3</sup> Real estate market of the Republic of Armenia in September 2022 (analysis), <https://cadastre.am/storage/files/shukaa.pdf> (in Arm)  
<sup>4</sup> The real estate market of the Republic of Armenia during the third quarter of 2022 (analysis), <https://cadastre.am/storage/files/1-hodvac-102022.pdf> (in Arm)

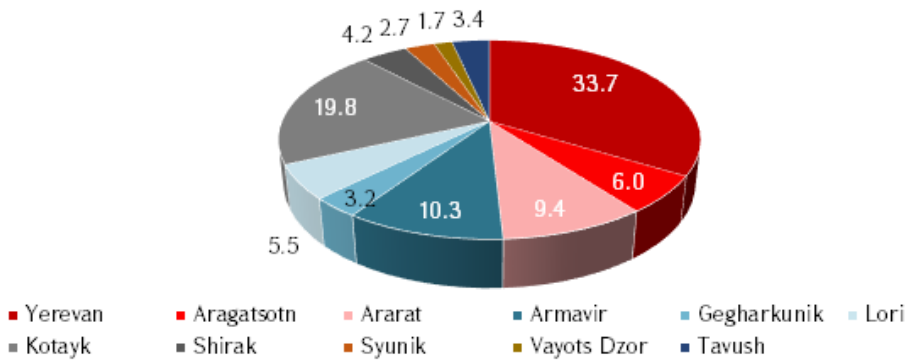


FIGURE 5

**Purchase and sale transactions according to territorial distribution, 2022. January-September, %<sup>5</sup>**

taking place in these transactions determine the movements of the entire real estate market.

Now, let's look at the developments in another part of this market, in terms of expropriation transactions, which, as mentioned above, make up a significant part of the total transactions.

In this group of transactions, it is interesting to note that purchase and sale transactions predominate, with about 69.2% of the total alienation transactions. In other words, we again come to the idea that in this case the dominance of a specific transaction leads to the loss of flexibility of the market, keeping it dependent on certain transactions.

Referring to the purchase and sale transactions, let's note that it generally repeats the picture of the territorial distribution of the general transactions of the real estate market, with one difference that the degree of concentration here is higher: 53.5%, which once again indicates the uneven distribution of the market.

The picture is more worrisome in the case of mortgage transactions, when only 61% of the total number of transactions goes to the city of Yerevan, 13.4% to the Kotayk region and only the remaining 25.6% is distributed among the remaining 9 regions.

This situation in the case of mortgage transactions is also a consequence of

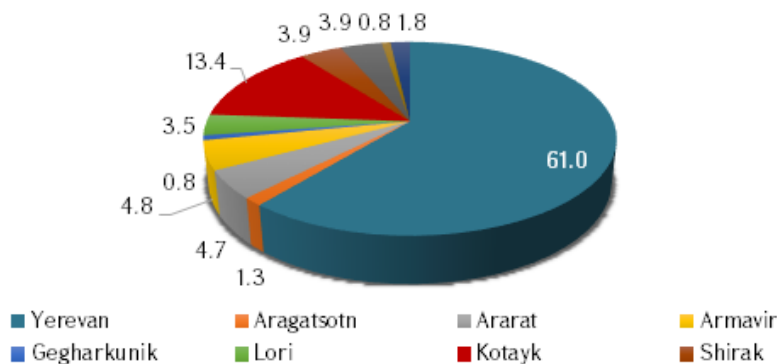


FIGURE 6

**Mortgage transactions according to territorial distribution, 2022. January-September, %<sup>6</sup>**

<sup>5</sup> Real estate market of the Republic of Armenia in October 2022 (analysis), <https://cadastre.am/storage/files/1-hodvac.pdf> (in Arm)

<sup>6</sup> The real estate market of the Republic of Armenia during the third quarter of 2022 (analysis), <https://cadastre.am/storage/files/1-hodvac-102022.pdf> (in Arm)

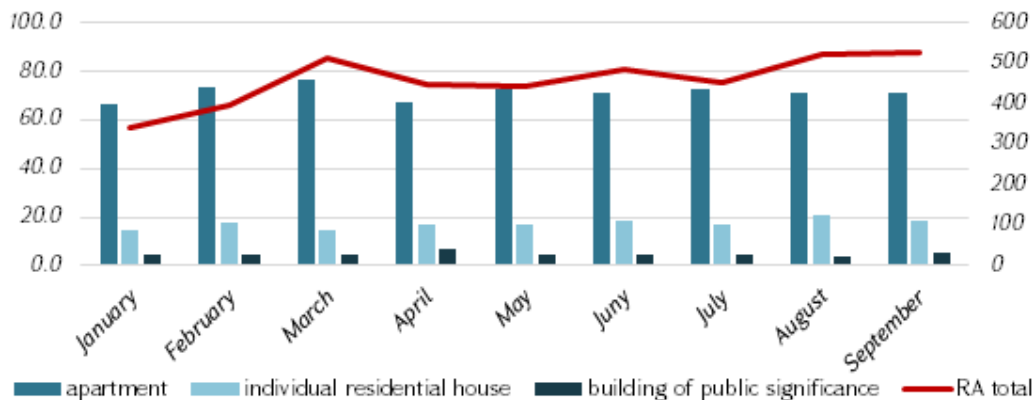


FIGURE 7

**Mortgage transactions by type of property, 2022 January-September, %<sup>7</sup>**

the application of the income tax refund mechanism effective from 2014, which, however, could not give the expected results. In particular, the income tax refund program for mortgage loan interest in Yerevan is not able to fulfill the social role for which it was intended.

From November 1, 2014, when purchasing an apartment with a mortgage from the primary market (apartments in new buildings or new private houses), citizens get back the income tax in the amount of the mortgage interest rate. From 2018, the Tax Code established a threshold for tax refund (maximum 1.5 million drams or 3 thousand dollars per month) and apartment value (maximum 55 million drams, i.e. about 110 thousand dollars).

It seemed that such privileges should stimulate the growth of construction and mortgage lending in marzes, but the disappointing results were not delayed, as the main part of the implemented housing construction projects was concentrated in the city of Yerevan.

As a result, in order to alleviate the problem of uneven distribution, as well as to stimulate the growth of regional construction, a new package of amendments to the Tax Code was initiated and adopted in November 2021, which planned to change the direction of the privilege of income tax refunds

in the amount of interest paid for mortgage loan servicing and make it territorially proportionate. development orientation, giving regulation a more pronounced social meaning.

In particular, as a result of the changes made, within the administrative borders of Yerevan, according to zoning and according to years, the scope of the application of the income tax refund system in the amount of interest paid by an individual who is a salaried employee for servicing a mortgage loan is gradually reduced, guided by the approach that the income tax refund system is not applicable:

- Regarding loans received after July 1, 2022, if the property is located in the first zone of Yerevan city,
- Regarding loans received after January 1, 2023, if the property is located in the second zone of Yerevan city,
- Regarding loans received after July 1, 2023, if the property is located in the third zone of Yerevan city,
- Regarding loans received after January 1, 2025, if the property is located in other zones of Yerevan city.

It is also very important that the adoption of the draft did not stop the return of income tax to those persons who became beneficiaries of the system before the above-mentioned deadlines. People in this

<sup>7</sup> Real estate market of the Republic of Armenia in September 2022 (analysis), <https://cadastre.am/storage/files/shukaa.pdf> (in Arm)

circle will continue to receive income tax refunds in the prescribed manner, as they received before the change. In other words, the legislative change is not retroactive.

It is interesting that the number of citizens who benefited from the government's financial support increased sharply during the application of the government's privilege in the case of a mortgage loan. If in 2015-2017 about 800 people were new beneficiaries of the program annually, then in 2018-2019 the annual number of beneficiaries increased to 2,000, and in 2020 new beneficiaries were 5,200. Moreover, during the mentioned years, the amounts of income tax returned to the beneficiaries from the state budget have also increased sharply. If in 2016-2017 the annual increase of funds allocated to this program from the state budget was about 1 billion drams, then in 2019 the increase was 3.3 billion drams, and in 2020 - 5.4 billion drams, reaching 13.3 billion drams in total in 2020 alone.

As already mentioned, the main volume of construction continues to be carried out in Yerevan, particularly in the central parts of Yerevan, and construction outside of Yerevan bears the positive impact of this privilege to a very small extent, so this change enabled the program to give a direction that would encourage a more balanced territorial distribution of new housing construction and will emphasize its social nature. It is assumed that during the next three years,

such direction will affect a more balanced distribution of housing construction in Yerevan, and after that, the main volumes of construction will be moved to urban and rural areas outside Yerevan.

Thus, summarizing the conducted research, we can state that the real estate market of RA still continues to bear the positive effects of the income tax return mechanism operating since 2014. However, the main problem remains the strong polarization and concentration of the market, especially in the city of Yerevan, which distorts the main idea of the implementation of these programs - ensuring balanced regional development. At the same time, the outbreak of the Russian-Ukrainian war also revitalized the RA real estate market, contributing to the growth of real estate transactions on both a rental and ownership basis. However, one more circumstance should be taken into account: the regional instability and security risks, which hinder the development of the RA border marzes, limiting the possibilities of activating the real estate market in them as well. Therefore, we believe that the income tax refund mechanism, which pursues the goal of social and territorial development, even after stopping its application in Yerevan, can provide the desired result in the marzes only if proper security conditions are provided for both tourists, the population, and business entities.

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**Նարինե ՊԵՏՐՈՍՅԱՆ**  
*ՀՊՏՀ մագիստրանտ*

ՇՈՒԿԱՆԵՐ ԵՎ ՄՐՑԱԿՑՈՒԹՅՈՒՆ

**ՀՀ ԱՆՇԱՐԺ ԳՈՒՅՔԻ ՇՈՒԿԱՅԻ ՖԵՆՈՄԵՆԸ. ԶԱՐԳԱՑՈՒՄՆԵՐ ԵՎ ՀԵՌԱՆԿԱՐՆԵՐ**

Ռուս-ուկրաինական պատերազմի հետևանքով ձևավորված աշխարհաքաղաքական իրողությունները, տնտեսական և քաղաքական ռիսկերի հետ մեկտեղ, 2022 թվականին ՀՀ տնտեսությանը հաղորդեցին նոր դրական ազդակներ, որոնք տնտեսական մի շարք կարևոր ցուցանիշների գծով հանգեցրին բարենպաստ դիրքերի ապահովմանը: Այս առումով, բացառություն չէր նաև անշարժ գույքի շուկան, որը մտավ ակտիվացման մի նոր շրջափուլ՝ ռուս զբոսաշրջիկների և ՏՏ ոլորտի ընկերությունների ներհոսքին զուգընթաց:

Հոդվածում դիտարկվել են անշարժ գույքի շուկայում 2022 թվականի ընթացքում արձանագրված իրողությունները, իրականացված գործարքների կազմի, կառուցվածքի և տարածքային բաշխվածության, ինչպես նաև գների մակարդակի փոփոխություններին առնչվող հարցադրումները՝ հասկանալու համար տնտեսական աճի վրա ոլորտի ազդեցությունն ու վերջինիս երկարաժամկետ լինելու հանգամանքները:

**Հիմնաբառեր.** *անշարժ գույք, հիպոթեքային վարկեր, արտոնություն, անհամաչափ բաշխվածություն, ռիսկ, ակնկալիքներ*

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РЫНКИ И КОНКУРЕНЦИЯ

**ФЕНОМЕН РЫНКА НЕДВИЖИМОСТИ РА: ОБЗОР И ПЕРСПЕКТИВЫ**

Геополитические реалии, сформировавшиеся в результате российско-украинской войны, наряду с экономическими и политическими рисками придали экономике РА в 2022 году новые положительные импульсы, что привело к закреплению благоприятных позиций по ряду важных экономических показателей. В этом плане не стал исключением и рынок недвижимости, который вышел на новую степень активизации вместе с притоком российских туристов и IT-компаний. В статье рассмотрены реалии, зафиксированные на рынке недвижимости в течение 2022 года, состав, структура и территориальное распределение сделок, а также вопросы, связанные с изменением уровня цен, чтобы понять влияние этого сектора на экономический рост и обстоятельства его долгосрочного характера.

**Ключевые слова:** *недвижимость, ипотека, непропорциональное распределение, риск, ожидания*