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# Real Estate Prices In Armenia In Expectation Of A Nosedive

ArmInfo - 21/1/2009

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The fall in real estate prices has been observed in Armenia since July 2008. However, if earlier officials spoke of "eventuality" of price drop and its soon resumption, today nobody doubts the tendency to a price collapse. The real estate market in Armenia is developing in full compliance with the crisis situation in the world real estate markets.

Over the last decade there was a building boom in Yerevan, furthermore, not economy class but business class houses were built, which were called by a stretch of imagination "elite housing". As a result of the increased demand for new buildings, particularly, by Diaspora Armenians, large officials and part of population receiving transfers, the prices for primary housing in Yerevan were incredibly puffed-up. ArmInfo experts think that the prices for 1 sq.m. in new buildings of Yerevan exceeded the prime cost 5-8 times. The growth in prices for secondary housing also kept the pace and, as a result, in 2008 the average price for 1 sq.m. of housing in exploited blocks of flats totalled 300 thsd AMD, and in the new buildings the price grew up to 700 thsd AMD.

As the crisis in the US financial sector and afterwards in the world economy developed, Armenia also faced the prospect of threat of economic downturn.

The construction sector was most of all subjected to the global crisis, the construction sector by 90% depends on foreign investments from the position of both investment in housing construction and formation of solvent demand for it. In the current situation, Yerevan has become an "acid test" to check the local real estate market for the "crisis virus".

The chain of interrelated reasons (such as: decline in world prices for metal products and articles of chemical sphere, suspension of work and staff reduction in a number of large local enterprises, reduction of revenues of Diaspora Armenians, decrease in transfers, worsening of the financial state of Armenian population) caused abrupt decline in demand for real estate.

According to official data, 30% drop in housing buy/sell deals in Yerevan was fixed in November 2008. As experts forecast, this is not the limit. In expectation of further price drop, the demand will continue weakening, and this will cause further drop in tariffs.

The survey conducted by ArmInfo has shown that most of the housing market players have suspended the sale of housing because they have failed to decide what price to ask for the houses. However, if they continue this wait-and-see policy in hope for growth they may face unprecedented losses.

That's why in early 2009 construction and reality companies began to revise their prices. Today, one square meter of newly built housing in Yerevan has dropped by 25% to 450,000 AMD.

On the secondary housing market the drop is even more significant. In Jan 2009 it was 35%. The point is that the sellers of this market are ready to make bigger concessions in price due to bigger risk of loss in case of drop in prices. Construction companies cannot keep the prices within favorable limits even despite strong credit support and are forced to reduce the prices following decline in buying power.

Considering that since 2000 housing prices in Yerevan have been groundlessly raised by as much as 300%, the decline is expected to be equivalent. Experts say that this situation may last for 1-2 years.

The prices of the housing rent market are also being revised. Since Sept 2008 the rent has dropped by 40%. Experts say that the drop may continue and may reach 70%.

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