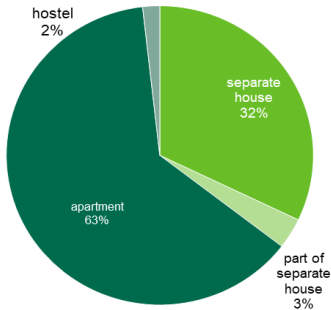
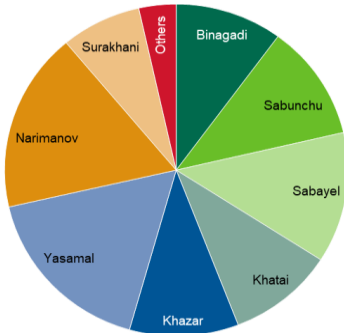


Housing breakdown by type



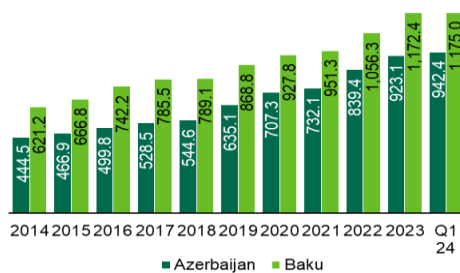
Source: Statistics Committee of Azerbaijan

City districts with the largest share of new construction



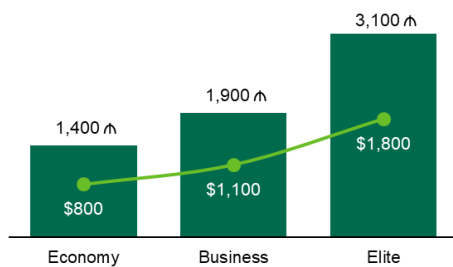
Source: Statistics Committee of Azerbaijan

Average monthly nominal wage, manat



Source: Statistics Committee of Azerbaijan

Average selling prices in the primary market by class, per sqm



Source: Scot Holland LLP

Main tendencies of the residential property market of Baku city in the current year:

- The trend of price increase continues. The largest increase is observed in the primary market, which is a consequence of the increase in the cost of construction, tightening of construction standards, in particular, the density of construction, changes in tax requirements for entrepreneurs, as well as the reduction available land plots in the historical centre and nearby areas;
- High demand for state mortgage programs. Thus in 2023, mortgage loans totalling AZN 461.4 million were issued, which is 9.2% more compared to the same period in 2022. In the first 2 months of 2024, mortgage loans totalling AZN 52.2 million were issued, which is 23.3% more compared to the same period in 2023.
- Increased penalties for illegal connection of buildings not put into operation for communications.

The sale price of apartments in the primary market (including projects under construction) for Q1 2024 ranges from AZN 770-3,500 per square metre. At the same time, the average value is about AZN 1,900 - 2,000. Prices in the secondary market average about AZN 1,700 - 1,900.

Approximately 2/3 of residential complexes in the primary market are positioned as business class.

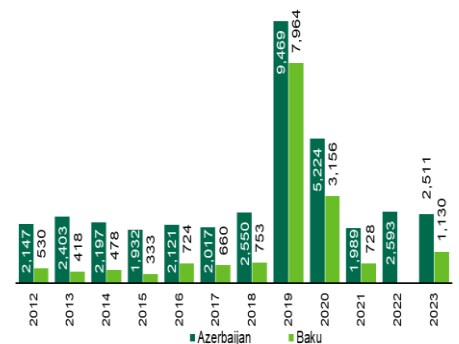
Cost of renting economy and business class apartments (in AZN):

Range of rent of economy and business class apartments (in AZN):

- 1 room apartment: 200 - 900. The average value is 500 AZN;
- 2 room apartment: 380 - 1,600. The average value is 750 AZN;
- 3 room apartment: 550 - 1 800. The average value is 1 000 AZN;
- 4 room apartment: 1,100 - 1,550 AZN.

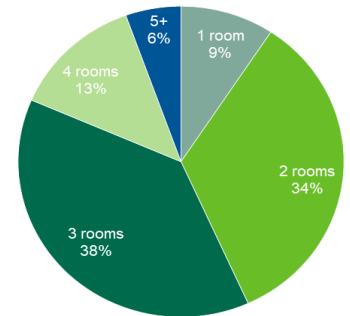
At the same time, in higher class residential complexes the rental cost reaches the following values

Commissioned residential, ths sqm



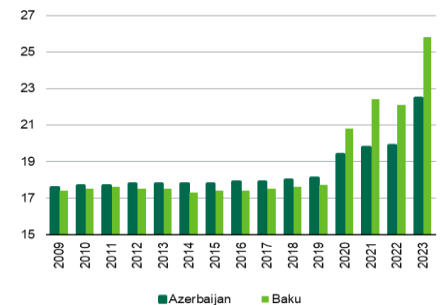
Source: Statistics Committee of Azerbaijan
 During 2023, 2.511 million square metres (-10.8% compared to the same period in 2022) were commissioned in the country.

Housing breakdown by rooms



Source: Statistics Committee of Azerbaijan

Housing stock per capita, sqm



Source: Statistics Committee of Azerbaijan

Type of apartment	Average rental rate (AZN per month)
1-room	800 – 1,300
2-room	1,500 – 2,500
3-room	1,800 – 3,000
4-room	3,000 – 8,000

Source: Scot Holland LLP

Baku is the capital of Azerbaijan, located in the eastern part of the Absheron Peninsular, on the shores of the Caspian Sea. Baku is the largest industrial and economically developed city on the Caspian; the city center extends at a length of 5 km along the seashore. The population of the city at the beginning of 2022 was 2,303,000 people. The population density per 1 square km is 1,075 people.

Baku is the largest industrial city in the country and region. There are industries successfully developing in the city: construction, oil refining; in the meantime the suburban population is mainly busy with agriculture.

The city is divided into 12 administrative districts and 5 urban villages.



The World Bank (hereinafter WB) forecasts GDP growth of Azerbaijan for 2024 at 2.3% (earlier forecast was 2.4%). WB forecasts for 2025-2026 - 2.4%

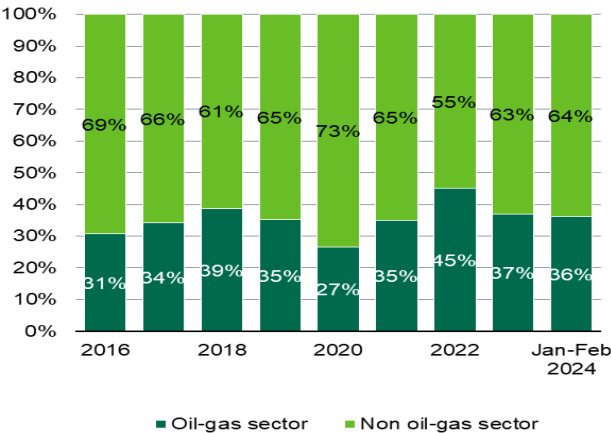
At the same time, growth of non-oil and gas GDP in 2024 will be up to 4% due to state investments and the construction sector.

The Bank estimates that in 2024-2026 the average annual growth of industrial production in Azerbaijan will be 0.2%, the agro-industrial sector - 3%, services - 5.3%.

The WB estimates that inflation in Azerbaijan will be 2.2% this year (2.1% in 2023), and 2.3% per year in 2025-2026.

The Azerbaijani government forecasts GDP growth at 2.4% for 2024

Azerbaijan GDP structure, %



Source: Statistics Committee of Azerbaijan

Currently Baku can be broken down into 4 market zones:

- Zone 1 – Down Town;
- Zones 2, 2a – «Second Down Town»;
- Zone 3 – Close to the center (Down Town);
- Zone 4 – Suburbs.

Such a zoning formed by virtue of the extent of demand and infrastructure development and it implies historical and geographical backgrounds.

While the Down Town (zone 1) remains within its boundaries, zone 2 (Second Down Town) extends progressively by seizing territories from zone 3 as the city keeps growing.

Zones 2 and 2a – these are areas densely populated with new business centers.



Azerbaijan's GDP growth forecasts

	2024
World Bank	2.3%
IMF	2.6%
EBRD	2.7%
S&P	1.4%
Fitch Ratings	2.1%
Central Bank PA	2.4%

Source: Scot Holland LLP

According to the report of the State Statistics Committee, the volume of Azerbaijan's GDP for 2023 amounted to AZN 123,005 million, the real growth of the economy is estimated at 1.1%.

According to forecasts, Azerbaijan's GDP growth for 2024 is expected to be 2.4% for 2025 - 2.9%. According to the Ministry of Economy of Azerbaijan, the forecasted average annual inflation for 2024 will be 5.3%, for 2025 - 4.9%.

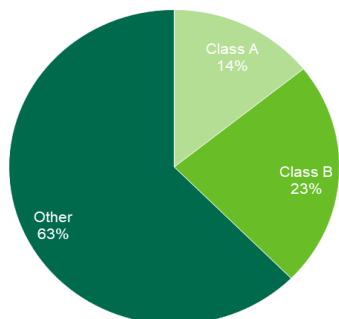
GDP per capita in 2023 was 12,114.2 million manat.

The official exchange rate of the US dollar remains at 1.7 AZN per 1 US dollar..

Office

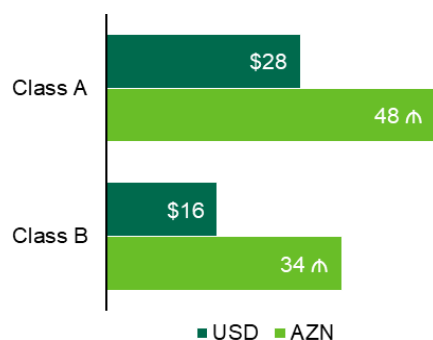
Q1 2024

Breakdown of Baku office stock by class



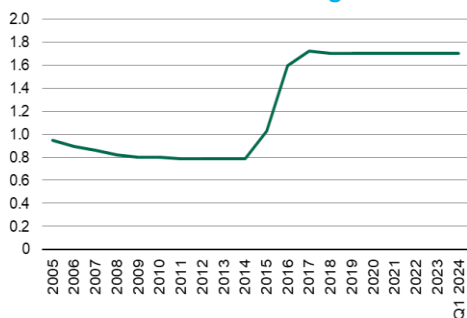
Source: Scot Holland LLP

Average rental rates in business centers, per sqm per month



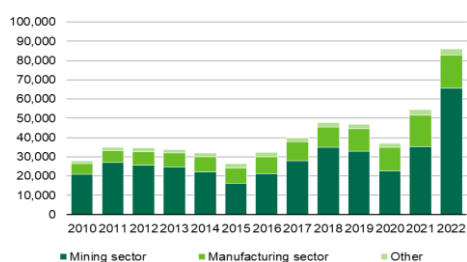
Source: Scot Holland LLP

AZN – USD official exchange rate



Source: Central Bank of Azerbaijan

Industrial output, mln AZN



Source: Statistics Committee of Azerbaijan

The market of modern office space in Baku has increased significantly over the last few years. A large number of A and B class business centres have been built. Before 2010, the market could be characterized as underdeveloped.

According to experts' estimates, the total area of modern quality office space for 2022 is 650,000 sqm. At the same time, about half is class A office premises

Among the class A business centres are: Port Baku, Marine Plaza, Baku White City, Demirchi Tower, Landmark and Flame Towers.

In 2022, the Port Baku 2 Class A business centre was commissioned. This is a project of the leading Azerbaijani developer Pasha Construction with an area of about 50,000 square metres.

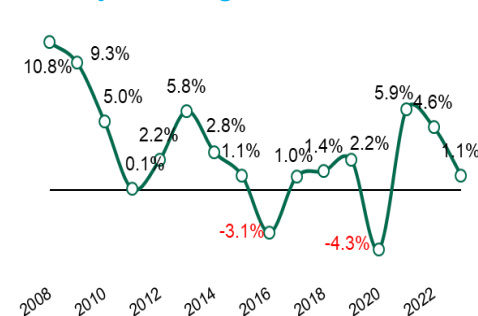
Class A Crescent Business Centre with a total area of 46,707 sqm is expected to open in 2024.

In general, it can be noted that the office property market in Baku is favourable for landlords. The average occupancy rate at the moment is 95-100%.

The rental rate for Class A office premises is USD 27-30 per sqm/month (including VAT and operating costs). Class A premises are usually preferred by oil & gas companies plus international organizations. Despite the higher price, demand is expected to remain strong due to safety and quality, especially from international corporations.

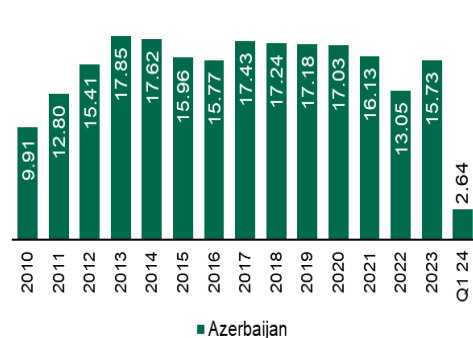
Rental rates for Class B offices range from US\$14-18 per square metre per month. The average is USD 16 per sqm per month

Azerbaijan's GDP growth, %



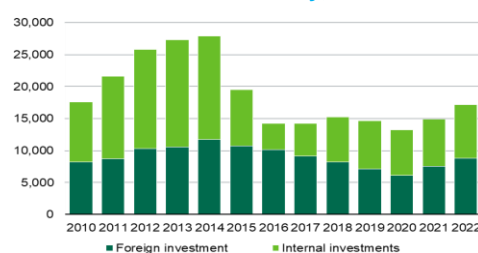
Source: Statistics Committee of Azerbaijan

Investment in fixed assets, bln AZN



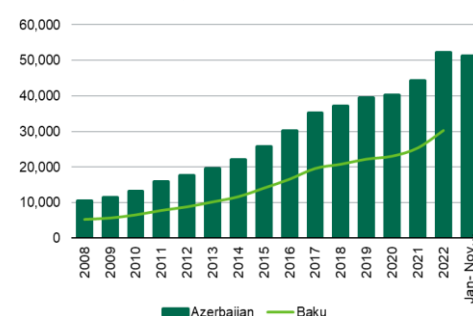
Source: Statistics Committee of Azerbaijan

Investment in the economy, mln USD



Source: Statistics Committee of Azerbaijan

Retail turnover, mln AZN



Source: Statistics Committee of Azerbaijan

For more information regarding the Market View, please contact:

Scot Holland LLP
Strategic Consulting

Eugene Dolbilin
Vice President
105, Dostyk Ave.,
3rd floor
Almaty, 050051 Kazakhstan
T: +7 (727) 258 1760
eugene.dolbilin@shre.kz

Sergey Matveyev
President
105, Dostyk Ave.,
3rd floor
Almaty, 050051 Kazakhstan
T: +7 (727) 258 1760
sergey.matveyev@shre.kz

DISCLAIMER 2024 Scot Holland LLP

The information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by Scot Holland LLP clients, and cannot be reproduced without prior written permission of Scot Holland LLP.