

Armenia



Yerevan Real Estate Market Q3 2025 Report

This is the Yerevan office real estate overview for Q3 2025, prepared based on available market trends, economic projections, and the significant impact of recent demographic shifts on commercial property demand in Armenia.

Executive Summary

The Yerevan office market in Q3 2025 was defined by stabilization following a period of unprecedented volatility. After the immense surge in commercial rental rates in 2022 and 2023, driven by a large influx of foreign companies and individuals (predominantly from the Russian Federation), the market saw a notable correction and subsequent stabilization. The IT and Technology sector remains the single largest driver of demand, necessitating Grade A and B+ spaces that can accommodate modern corporate needs. While overall market uncertainty has subsided, rental rates for high-quality, centrally located offices in Kentron and surrounding specialized business districts remain at a historically elevated baseline, though no longer experiencing the aggressive month-to-month growth of the preceding years.

1. Market Dynamics and Economic Context

A. Macroeconomic Influences

Armenia's economy, particularly its high-performing services sectors (Finance, ICT, and Trade), continued to drive demand for commercial space.

- * **Economic Growth:** Armenia's real GDP growth for 2025 is projected to moderate to around 5.0% - 5.2%, still a strong figure supported by continued, albeit slower, expansion in the financial, construction, and ICT sectors. This growth maintains business confidence and the underlying need for high-quality office space.

- * **Demographic Correction and Stabilization:** The commercial rental market experienced a significant downward correction starting in mid-2023 and stabilizing in 2024/2025, following the departure of a portion of the initial foreign influx. This led to a normalization of rental prices, creating a more sustainable, if still high, base for 2025.

- * **Tech Sector Dominance:** The Information and Communication Technology (ICT) sector remains the primary source of office demand, with both international relocations and the expansion of local tech firms driving the requirement for large, modern floorplates suitable for collaborative work.

B. Supply and Development Trends

The existing stock of professional office space in Yerevan is relatively limited, contributing to the premium pricing of Grade A assets. The vast majority of the office market is comprised of converted residential buildings or older, low-quality structures.

- * **New Supply Focus:** The pipeline for new, purpose-built, high-standard commercial properties (Grade A) remains concentrated in the Central District (Kentron) and its immediate surroundings. New developments are increasingly focused on meeting international standards for sustainability and efficiency.

- * **Quality Bifurcation:** The market is sharply divided: Grade A offices are commanding premium rents and experiencing low vacancy, while older, non-renovated stock (Grade C and lower) struggles with high vacancy and pressure on rental rates.

2. Occupancy and Rental Rate Analysis

A. Vacancy Rates

The high demand from the tech sector for specific, high-specification offices ensures that the vacancy rate for the best stock remains tight.

Office Grade Segment	Estimated Vacancy Rate	Trend
Grade A (Prime)	< 10%	Stable and Tight
Grade B+ (Modernized)	~10% - 15%	Stable to Decreasing
Grade B/C (Secondary)	> 20%	Stable and High

The lower vacancy in Grade B+ spaces is due to the "spillover effect," where high prices and limited availability of Grade A stock push tenants to the next best alternative.

B. Rental Rates

Rental rates have stabilized at a high level. While they are significantly lower than the peak recorded in 2023, they reflect the sustained demand from high-revenue, foreign-affiliated businesses. Rents are primarily quoted in US Dollars (USD) per square meter per month.

Office Grade	Estimated Monthly Rent Range (USD/sqm/month)	Trend (vs. Q2 2025)
Grade A (Prime)	\$22 - \$32+	Stable
Grade B+	\$15 - \$22	Stable
Grade B/C (Secondary)	\$8 - \$15	Stable to Moderate Decline

Note: Rental rates are heavily dependent on exact location within Kentron, building age, property management quality, and fit-out standards. The range for Grade A reflects premium new builds with full international amenities.

3. Key Market Trends and Investment

A. Technology and Smart Buildings

New construction in Yerevan is increasingly integrating smart building features (energy management, access control, advanced HVAC) to appeal to the ICT tenants. Properties with high-speed internet infrastructure and modern safety standards are the most sought-after, commanding the highest premium.

B. Flexible Office Space

The flexible office segment (coworking and serviced offices) remains highly relevant, serving both international companies testing the market and local startups.

* Role: Flex space provides immediate, high-quality solutions, which is vital for the fast-paced growth of the tech sector. The competition in this segment is healthy, helping to keep pricing and quality attractive.

C. Investment Opportunities

The commercial sector offers attractive rental yields, with central Yerevan properties historically returning 7% - 10% annually for the best assets. Investors are primarily targeting:

* Core Assets: Fully leased, Grade A offices in central locations.

* Value-Add: Older properties in prime locations suitable for complete reconstruction and upgrade to Grade B+ or A standards, capitalizing on the high rental premium for quality.

Conclusion and Outlook

The Yerevan office real estate market is fundamentally healthy, supported by robust economic growth, particularly in the tech sector. Q3 2025 solidified the new, higher baseline for rental rates following the post-influx market correction. The clear focus for developers and investors will be the delivery of modern, high-quality, and ESG-compliant buildings to alleviate the scarcity of Grade A space, ensuring that the market remains tenant-driven in the prime segment.

For additional information regarding this market review, please

Contact: **Scot Holland LLP**

050051, 105 Dostyk Ave., 3rd floor

T: +7 (727) 258 1760

Roger Holland President

roger.holland@shre.kz

Evgeny Dolbilin Vice President

eugene.dolbilin@shre.kz

Sergey Matveyev Managing Director

sergey.matveyev@shre.kz

Serik Kabdrakhmanov Senior Valuation Manager

serik.kabdrakhmanov@shre.kz

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