Yerevan Office Market Overview

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Scot Holland
PROFESSIONAL SERVICES

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Armenia

Yerevan Real Estate Market Q2 2026 Report

The Yerevan office real estate market in Q2 2026 continued to demonstrate strong underlying demand, supported by rapid growth in economic activity, services, construction, technology and tourism. The market has moved beyond the exceptional volatility associated with the earlier wave of foreign business and population inflows and is increasingly characterized by structural demand for modern, professionally managed office space.

The market remains relatively undersupplied in the Grade A segment. Modern office buildings in Kentron and other established business locations continue to command premium rents and attract the strongest tenant demand, while older converted residential and secondary commercial premises remain under greater competitive pressure.

Economic activity in Armenia increased by 7.9% in H1 2026. Construction grew by 24.5%, services excluding trade by 11.1%, and industrial output by 10.8%. Tourism also reached a record level of approximately 1.04 million visitors during the first half of the year, supporting broader demand for commercial and hospitality-related real estate.

The Q2 2026 market can therefore be characterized as a growth-oriented but increasingly mature office market, where demand continues to favor high-quality, centrally located and technologically equipped premises.

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1. Market Dynamics and Economic Context

A. Macroeconomic Influences

Armenia's economic environment remained supportive of commercial real estate demand during the first half of 2026.

Economic activity increased by approximately 7.9% year-on-year in January–June 2026, with particularly strong performance in construction and services. Construction volumes increased by 24.5% to approximately AMD 282.2 billion, while services excluding trade increased by 11.1% to approximately AMD 2.15 trillion. Industrial production also increased by 10.8%.

These developments are directly relevant to the Yerevan office market because the fastest-growing parts of the economy are among the principal users of professional office accommodation.

- Services and Professional Activities: Strong growth in services continues to support demand for modern corporate premises, particularly in central Yerevan.
- Technology and ICT: Technology companies remain one of the most important sources of demand for modern office accommodation, particularly flexible and collaborative floorplates.
- Construction and Development: Construction growth is supporting the development of new commercial and mixed-use properties and increasing the availability of modern premises.
- Tourism: Approximately 1.04 million tourist visits were recorded in H1 2026, representing a 14.8% increase year-on-year and a record result for January–June. This supports demand from hospitality, tourism, professional services and related businesses.
- International Business Activity: Yerevan continues to benefit from international companies, regional operations and foreign-affiliated businesses seeking professional premises.

The broader economic environment therefore remains favorable for office demand, although the market is becoming less dependent on exceptional migration-driven demand and increasingly supported by organic business activity.

B. Supply and Development Trends

The professional office stock in Yerevan remains relatively limited compared with more mature regional markets.

A significant portion of the city's commercial office stock continues to consist of converted residential buildings and older commercial properties. This creates a substantial quality gap between modern Grade A buildings and secondary stock.

The market can broadly be segmented as follows:

Office Grade	Typical Age & Standard	Location Preference	Primary Tenant Profile
Grade A (Prime)	New construction, modern engineering, professional management, advanced amenities	Kentron, Central Yerevan, major business corridors and emerging commercial districts	International Companies, Technology Firms, Financial Institutions, Large Local Corporations
Grade B+	Modernized or relatively new buildings, good infrastructure and management	Central and adjacent districts, established commercial locations	Growing Local Businesses, Professional Services, Regional Offices
Grade B/C (Secondary)	Older buildings, converted residential premises, variable infrastructure	Secondary locations and traditional commercial streets	SMEs, Startups, Local Services, Price-Sensitive Tenants

The principal development trend is a gradual transition from converted and individually managed premises toward purpose-built business centers.

New projects increasingly incorporate:

- modern HVAC systems;
- high-speed telecommunications;
- controlled access;
- security systems;
- parking;
- energy-efficient engineering;
- professional property management;
- flexible floor layouts;
- high-quality common areas.

A current example of this trend is HP Plaza, a newly developed business center in Yerevan offering fully equipped offices, 24/7 security and access, free tenant parking and high-speed internet. The advertised starting rental rate is AMD 8,000 per sq. m, excluding VAT.

The emergence of such projects is gradually expanding the city's modern office stock, although the overall supply of Grade A space remains constrained.

2. Occupancy and Rental Rate Analysis

A. Vacancy Rates

Demand for modern, high-specification office premises remains strong, particularly in central Yerevan.

The limited supply of Grade A properties continues to result in relatively tight vacancy in the prime segment. At the same time, the secondary market has a considerably larger amount of available space.

Indicative vacancy levels for Q2 2026 are estimated as follows:

Office Grade Segment	Estimated Vacancy Rate	Trend
Grade A (Prime)	< 10%	Stable and Tight
Grade B+ (Modernized)	~8-15%	Stable
Grade B/C (Secondary)	> 20%	High and Competitive

The lower vacancy in Grade B+ premises is partly explained by the spillover effect from the Grade A segment.

Companies that cannot secure suitable Grade A premises, or consider prime rents excessive, increasingly move toward well-renovated Grade B+ buildings as the next-best alternative.

This supports occupancy in the modernized secondary segment while placing increasing pressure on outdated properties.

The distinction between modern and obsolete stock is therefore becoming increasingly important.

B. Rental Rates

Rental rates in Yerevan have stabilized at a relatively high level, while the market has entered a more sustainable growth phase.

Recent market evidence indicates that prime Yerevan office rents are approximately $25-35 per sq. m per month, while secondary Grade B premises generally fall within the $12-22 per sq. m per month range. Modern buildings in prime locations can command higher rates depending on fit-out, building services and lease conditions.

Based on current market evidence, indicative rental ranges for Q2 2026 are:

Office Grade	Estimated Monthly Rent Range (USD/sqm/month)	Trend
Grade A (Prime)	$25-35+	Stable / Moderate Growth
Grade B+	$16-24	Stable
Grade B/C (Secondary)	$9-16	Stable / Competitive

Current individual market listings demonstrate the substantial price differentiation between properties and locations.

For example, a renovated 210 sq. m commercial property on Amiryan Street in Kentron was offered at approximately $5,860 per month, equivalent to around $28/sq. m/month.

Another modern commercial property on Amiryan Street was offered at AMD 12,000 per sq. m, with taxes and maintenance included.

Meanwhile, current listings in secondary and peripheral districts demonstrate substantially lower absolute rental levels, confirming the continuing polarization of the market.

Rental rates remain heavily dependent on:

- exact location;
- building age;
- quality of renovation;
- property management;
- fit-out;
- parking;
- floor;
- building amenities;
- lease term;
- operating expenses;
- VAT and other contractual conditions.

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3. Key Market Trends and Investment

A. Technology and Smart Buildings

Technology remains one of the principal structural drivers of the Yerevan office market.

The demand profile of technology and international companies increasingly favors buildings with:

- high-speed internet infrastructure;
- reliable telecommunications;
- modern HVAC;
- energy management systems;
- digital access control;
- advanced security;
- flexible floorplates;
- collaborative working areas;
- modern employee amenities.

New business centers are increasingly incorporating these characteristics as standard features.

The market is therefore gradually moving toward the concept of smart and professionally managed office buildings, rather than traditional individually converted premises.

This creates a growing competitive advantage for modern Grade A and B+ properties.

B. Flexible Office Space

The flexible office segment remains highly relevant to Yerevan's commercial real estate market.

Coworking and serviced-office formats are particularly attractive to:

- technology companies;
- startups;
- international companies entering Armenia;
- project teams;
- regional offices;
- professional services firms;
- companies requiring temporary accommodation.

Flexible office space provides:

- immediate occupancy;
- furnished premises;
- shorter lease commitments;
- scalable office capacity;
- meeting and conference facilities;
- lower initial capital expenditure.

The segment is expected to continue expanding alongside the technology and international business sectors.

Competition between flexible-office providers is also encouraging improvements in service quality and workplace amenities.

C. Investment Opportunities

Yerevan continues to offer attractive opportunities for investors seeking a combination of rental income and capital appreciation.

The limited supply of modern Grade A space supports the investment case for high-quality office assets, particularly in central locations.

Recent regional market analysis positions Yerevan as a growth-and-income market, with relatively high growth potential compared with more mature Caucasus office markets. Prime office rents are estimated in the range of approximately $27-35 per sq. m per month.

Investors are primarily expected to target:

- Core Assets: Fully leased Grade A offices in central locations.
- Core+: Modern business centers with strong tenant profiles and professional management.
- Value-Add: Older properties in prime locations suitable for reconstruction and conversion into Grade B+ or Grade A premises.

- Mixed-Use: Projects combining offices, retail, hospitality and residential components.
- Flexible Offices: Serviced offices and coworking projects with scalable tenant demand.

Prime assets with stable corporate tenants are likely to remain the most defensive investment segment.

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4. Urban Development and Office Geography

Yerevan's office market remains concentrated around central and well-connected districts.

The primary office locations include:

- Kentron / Central Yerevan;
- Small Center;
- Arabkir;
- major commercial corridors;
- emerging business districts outside the traditional CBD.

Kentron remains the most important premium office submarket because of its concentration of corporate activity, government institutions, financial organizations, hospitality infrastructure and international businesses.

At the same time, the market is gradually expanding beyond the traditional center.

New business centers in emerging commercial districts are offering modern buildings with better parking availability, contemporary infrastructure and more flexible layouts.

This expansion could gradually reduce pressure on the central market, although prime central locations are expected to maintain a significant rental premium.

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5. ESG and Sustainability

Environmental, Social and Governance requirements are becoming increasingly important for modern office developments.

International tenants and large local companies increasingly consider:

- energy efficiency;
- modern HVAC systems;
- efficient lighting;
- indoor air quality;
- sustainable materials;
- waste management;
- building automation;
- employee well-being.

Modern Grade A buildings are therefore increasingly expected to provide ESG-compatible solutions.

The importance of these characteristics is likely to increase as international companies expand their presence in Armenia and corporate tenants align their office requirements with global standards.

Older buildings with inefficient engineering and limited sustainability features may face increasing competitive pressure.

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6. Key Market Risks

A. Potential Supply Expansion

The main medium-term risk is an increase in the supply of modern office space.

If a significant number of new Grade A projects are delivered simultaneously, vacancy could increase and rental growth could moderate.

However, the current shortage of high-quality office stock provides a considerable buffer against immediate oversupply.

B. Market Polarization

The gap between Grade A/B+ properties and older Grade B/C stock remains significant.

Modern properties benefit from:

- better infrastructure;
- professional management;
- higher-quality amenities;
- stronger security;
- better telecommunications;
- parking;
- energy efficiency.

Older buildings may therefore experience increasing vacancy unless they are renovated or repositioned.

C. External Economic and Trade Risks

Although domestic economic activity remains strong, Armenia's external trade environment remains volatile.

Foreign trade turnover during H1 2026 was approximately $9.57 billion, down only 0.1% year-on-year, while exports declined by 6.7% and imports increased by 4.0%.

This suggests that the economy remains exposed to changes in external demand, trade flows and geopolitical conditions.

Such factors could affect corporate expansion decisions and, consequently, office demand.

D. Tenant Cost Sensitivity

As the modern office supply increases, tenants are becoming increasingly focused on the total cost of occupancy rather than headline rent alone.

Key considerations include:

- base rent;
- operating expenses;
- utilities;
- parking;

- fit-out;
- maintenance;
- service charges;
- lease flexibility.

Buildings with high operating costs or significant fit-out requirements may therefore face increasing competition.

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7. Market Outlook – H2 2026

The Yerevan office market is expected to remain fundamentally positive during the second half of 2026.

Strong economic activity, rapid construction growth, expansion of services and record tourism provide a supportive environment for commercial real estate.

The main market dynamics are expected to be:

Economic expansion → business growth → continued office demand → new Grade A supply → greater tenant choice → gradual market normalization → stable prime rents.

Expected Market Trends

Indicator	H2 2026 Outlook
Office supply	↑ Increasing
Grade A availability	↑ Gradually increasing
Vacancy	↔ Stable / Moderate Increase
Grade A demand	Strong
Grade B+ demand	Strong
Prime rental rates	↔ Stable / Moderate Growth
Grade B/C rents	More competitive
Tenant negotiating power	↑ Increasing
Landlord negotiating power	↔ Stable / Gradually Decreasing
Flexible offices	↑ Growing
Smart Building adoption	↑ Increasing
ESG requirements	↑ Increasing
New development	↑ Active
Investment activity	Positive
Construction activity	↑ Strong

Conclusion and Outlook

The Yerevan office real estate market in Q2 2026 remained fundamentally healthy and entered the second half of the year with strong economic support.

Armenia's economic activity increased by approximately 7.9% in H1 2026, while construction expanded by 24.5% and services excluding trade increased by 11.1%. These figures demonstrate strong underlying demand conditions for commercial real estate.

Tourism also reached a record level, with approximately 1.04 million visitors during H1 2026, supporting demand across hospitality, retail, professional services and related commercial sectors.

The office market continues to be characterized by a significant quality gap.

Grade A and modern Grade B+ properties benefit from:

- limited availability;
- strong technology-sector demand;
- international corporate demand;
- modern engineering;
- professional management;
- high-quality amenities;
- flexible layouts;
- better employee environments.

At the same time, older Grade B/C premises remain under pressure and increasingly need renovation, repositioning or more competitive pricing.

Current market evidence indicates that prime Grade A offices generally command approximately $25-35+ per sq. m per month, while Grade B+ premises typically fall within the $16-24 per sq. m per month range. Secondary properties remain considerably more price-sensitive.

The market can be characterized as:

“A growing and increasingly professional office market with strong technology and service-sector demand, limited Grade A supply and a widening quality premium between modern and secondary properties.”

The key market challenge is the balance between the delivery of new modern office space and the pace at which tenants absorb it.

For tenants, the market offers an increasing selection of modern offices, particularly outside the most constrained parts of Kentron, while competition among landlords is gradually improving negotiating opportunities.

For landlords, prime Grade A properties remain well positioned, but building quality, management, fit-out, technology, parking and operating efficiency are becoming increasingly important competitive factors.

For investors and developers, the strongest opportunities remain concentrated in Grade A and B+ office buildings, prime Kentron locations, emerging business districts, mixed-use developments, flexible-office concepts and value-add projects involving the modernization of older centrally located properties.

Overall, the Yerevan office market is expected to maintain a positive trajectory through H2 2026, with strong underlying demand, gradual expansion of modern supply and continued premium pricing for high-quality centrally located office accommodation.

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