

## SOME CONSIDERATIONS ON THE PROSPECTS OF THE REAL ESTATE SECTOR IN AZERBAIJAN

**Eldar Jalilov**

PhD on economical Sciences, Sumgayit State University, e\_jalilof@bk.ru

**Panah Mammadov**

Dr. Plekhanov Russia State University of Economics,  
panahmammad89876@gmail.com

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### Abstract

One of the areas in which oil money flowed into the country during the oil boom was the real estate sector. Especially in Baku and Absheron, the repeated, sometimes astronomical, rise in real estate prices reflects the influence of local factors, rather than global trends. Therefore, when we talk about the real estate sector in Azerbaijan, we focus more on Baku (it should be borne in mind that Baku refers to the entire Absheron Peninsula, including Sumgayit, because this area has become an economic zone and concept). Also, due to the inaccuracy and tendency of local statistics, more theoretical considerations were preferred.

**Keywords:** Azerbaijan, economic sector, budget policy, price reflects

Thus, the influx of oil money into the country since the mid-2000s has had a serious impact on the price of real estate, which was previously very cheap. There is an important nuance here: along with Azerbaijan, Russia was also experiencing economic growth in those years, and a significant part of the income of our compatriots living in that country flowed into the housing market in Baku. Land in the Absheron region was rapidly becoming more expensive, as it is still difficult to find a small area without construction. The transformation of Absheron into a major construction site has also created a huge source of corruption. Usually, construction is carried out without following any norms, environmental regulations were not taken into account. Despite billions of investments, the Absheron Peninsula is unregulated,

We must first answer this question: Why was the interest in the real estate market so great? Here we can list the important role of mental factors, the rapid population growth, the influx of people from the regions to Baku, the large number of IDPs, the plans of Azerbaijanis living in Russia to return here in the future. On the other hand, the lack of construction for many years also increased the demand for housing. As noted, mental factors also played a role, some people bought several or even dozens of houses, and the number of houses became an indicator of people's success. Also, the de facto absence of property taxes and compulsory insurance premiums made it easy and profitable to own property. But what interests us is completely

different: The structure of the Azerbaijani economy made it necessary to turn the proceeds into real estate. Simply put, limited investment opportunities and high risk, unhealthy economic management, weak banking sector and the lack of stock exchanges, stock markets, encouraged people to turn their incomes into non-verbal assets. can be listed as the main factors that make. This factor should be taken into account when talking about the prospects of the real estate market.

As the classics point out, there is a simple reason for the onset of any economic crisis: in years of "satiety", banks release excessive funds to the market, and the sector in which these funds accumulate is dangerously burdened. Sooner or later, that money will collapse the market and lead to an economic crisis. In developed Western countries, we usually see this with the bursting of artificially inflated "bubbles" on the stock exchanges, but as noted above, the weakness of the Azerbaijani banking sector and the complete absence of stock exchanges preclude this. So, where is the huge financial mass created during the flow of oil money to the republic? With the help of the axiom that capital always prefers calm, it is not difficult to find: the vast majority of oil money entering the country (and remaining in the country), He owns real estate on the Absheron Peninsula. From villas to wedding palaces, from small huts to skyscrapers, tens of billions in artificially inflated real estate are dangerously located in the market. Also, the construction sector continues, albeit at a slower pace, because its stagnation as the main locomotive and multiplier of the economy means a sharp rise in unemployment and economic stagnation, and the government stimulates construction at any cost, but continued construction can lead to a sudden market collapse. can cause.

The main reason for the threat to Azerbaijan's real estate sector is its strong dependence on foreign exchange inflows, as the budget, which is the source of national income, depends on hydrocarbon exports, and other national income-generating institutions are non-existent. Until now, the real estate sector has been increasing in value, being traded and mortgaged, highly valued and considered very reliable. Because real estate was attractive, because of its high liquidity, it was possible to find a client in any case. But if we assume that a sharp economic crisis will occur immediately when the inflow of foreign currency into the country is cut off, then we can predict that the economic crisis will sharply reduce the value and liquidity of real estate, so construction will not be attractive, which in turn will hit the real estate market again (as the main multiplier fails, unemployment and stagnation will widen slightly). The scale of construction so far shows that enough apartments have been built in Absheron for almost the entire country, people with relatively normal incomes have received several apartments, and the number of apartments that construction companies cannot sell is very large. We must add another factor: when the economic downturn and unemployment make it unattractive to live in Baku, the return of a small part of the population to such areas, as well as the sale of a small part of Russia's property, can have a devastating effect. as revenues declined sharply, any downward trend will lead to a domino effect. We must add that the fact that some construction companies, which are in the swamp of credit and debt, start selling at a lower price in the market is a catastrophic scenario for others. The above-mentioned construction irregularities, climatic conditions and environmental friendliness do not make this market attractive for foreign investors. The government will also be forced to impose property taxes or compulsory insurance at some point in the face of declining oil revenues. Given these factors, the downward trend may inevitably continue for some time, but the sharp deterioration of the economic situation in the country will sooner or later lead to a sharp crisis, not a decline in the real estate market.

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