



АГЕНТСТВО РАЗВИТИЯ  
МЕЖДУНАРОДНОГО  
ФИНАНСОВОГО ЦЕНТРА

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## Construction And Real Estate Development



Kyrgyzstan's real estate market has a sharply articulated local character. It knows nothing about real estate funds and unit trusts and mortgage-backed derivatives which warmed up the Russian and Ukrainian markets from 2000 to 2008 with their passive investment. Because of this isolation the price of a square meter in Kyrgyzstan is relatively stable. Equally stable is the demand.

A potential factor of explosive growth for the profitability of investment into the development of Kyrgyz real estate could be the lifting of very strong restrictions against purchase of real estate by foreigners: now only a permanent residence permit holder can buy.

This way Kyrgyzstan protects itself from potential mass purchase of real estate by the citizens of neighbouring countries and prevents the formation of mono-ethnic enclaves within its settlements (no doubt, officially no-one will confirm this). Such a policy has many precedents in the world (take Switzerland, for example), but in most cases it is much more finely tuned than in Kyrgyzstan. In Switzerland there are areas selected by the cantonal governments where foreigners are welcome purchasers. The Kyrgyz government could potentially choose the same route.

At the moment the price of newly built residential elite class real estate in Bishkek is around 1100-1300\$ per square meter. Subject to some fluctuations.

Residential real estate gets sold in the market within 1-2 years of construction: a lot of people move from the provinces to the cities to settle there, plus local businesspeople and officials often buy real estate as an investment, to rent it out until a member of their family will need the apartment.

Shopping malls in Bishkek and other Kyrgyz cities are usually built for the investor's own management and not for resale. Chinese, Turkish and Iranian capital is visible in this line of business. But the main investment capital in commercial real estate in Kyrgyzstan comes, naturally, from Kyrgyz sources. The lack of alternative investments pushes a lot of local capital into real estate.

To a foreign investor this is not an easy market. It makes sense if you are just after a reasonable stable profit, but the profit is unlikely going to be huge.

What does have a healthy profit potential is development of elite cottage compounds in the environs of Bishkek. There are very few good quality ones, and the demand for elite country houses (500,000\$ plus) is on the rise.

Business reasoning of developing hotels and attractions on the Lake Issyk Kul is discussed in Investing into Tourism and Hospitality. Here we will just mention that there is an abundance of buildable land on the lake's shoreline, building permits are not so hard to get, but one should very carefully assess the potential income stream. The 'resort season' on this high altitude lake is very short (June, July, August), and to attract visitors during the colder seasons you need to work on the hotel's concept very carefully.