



www.laender-analysen.de/cad

www.css.ethz.ch/en/publications/cad.html

CITIES IN THE SOUTH CAUCASUS

Special Editor: David Sichinava, Tbilisi State University | Fulbright Visiting Scholar at CU Boulder

- The Transformation of Yerevan's Urban Landscape After Independence 2
Sarhat Petrosyan, Yerevan
 - Urban Development Baku: From Soviet Past To Modern Future 5
Anar Valiyev, Baku
 - The Current State of Housing in Tbilisi and Yerevan: a Brief Primer 8
Joseph Salukvadze, Tbilisi
-
- CHRONICLE 12
From 22 July to 20 September 2016



This special issue is funded by the Academic Swiss Caucasus Network (ASCN).

The Transformation of Yerevan's Urban Landscape After Independence

Sarhat Petrosyan, Yerevan

Abstract

Like most of the world's cities, Yerevan's landscape has changed dramatically over the past 25 years, particularly as a result of post-soviet Armenia's sociopolitical shifts. Although these urban transformations have been and continue to be widely discussed in the local media, there is insufficient research and writing on this process and its circumstances. This article attempts to cover some aspects of these transformations from 1991 to 2016, with a specific focus on urban planning and policy aspects.

Introduction

This year, the Republic of Armenia celebrates the 25th anniversary of its independence. This symbolic time represents an excellent opportunity to look back and understand the transformation of the Armenian landscape, particularly in the urbanized areas of the country. Being invited to curate the National Pavilion of Armenia at the 15th Venice Architecture Biennale, my proposal, titled *Independent Landscape*, was to map this transformation and showcase it at this world-class architectural event.

The shift of the political system from a centralized-Soviet to a democratic-open market model that occurred in many areas of Eastern Europe and the broader post-Soviet region was the main challenge for the transformation of the landscape in these areas. In the case of Armenia, there were several other turning points that make its urban transformation a unique case for consideration.

The disastrous 1988 Spitak Earthquake in the north of Armenia caused the devastation of 363 settlements and the loss of up to 25,000 lives¹. Gyumri (then Leninakan) and Vanadzor (then Kirovakan) the country's second- and third-largest cities were among the devastated settlements and lost a relatively large portion of their social housing estates. The earthquake struck a few years prior to the collapse of the USSR but resulted in the suspension of most construction projects.

A few years after Armenia gained independence, the Nagorno Karabakh conflict erupted, and blockades resulted in the discontinuation of most construction projects. This situation persisted until the end of the 1990s, when the first signs of growth appeared in the form of relatively large-scale real estate developments.

Another aspect that characterizes post-independence development is the "urban architecture" of Yerevan. Strongly influenced by the narratives and stylistic approaches of Alexander Tamanian's Yerevan, this

became an important aspect of the independent nation's capital that, together with rapid developments in central Yerevan during the early 2000s, resulted in the current urban coil.

A Realization of the "Unrealized"

Alexander Tamanian, an architect working in St. Petersburg, was invited to the Republic of Armenia in 1919 for development of the new capital—Yerevan. After Sovietization, he left for Tabriz (Iran) and was later invited back to finalize his proposal. In 1924, his first Master Plan for a Yerevan with 150 thousand inhabitants was approved. Before his death in 1936, he managed to introduce a second master plan for Yerevan and also proposed and realized several buildings, mostly in and around important urban ensembles that shaped the urban scale of the city. His legacy became mainstream during the Stalinist period and was continued by his followers, including, Gevorg Tamanian, Grigor Aghababian, Rafael Israelian, Jim Torossian. Although there were other approaches to architecture during the early (1920s–1930s) and late (1960s to 1980s) Soviet periods in Armenia, the governing tendency in post-Soviet Armenia highlighted the need to return to the national roots, that is, local architecture, which most Armenians consider "Tamanianakan" (Tamanianesque) architecture.

While there is no academic consensus on the definition of Tamanianesque architecture, it is obvious that Tamanian, through his academic Beaux-Art education and work for the Russian Empire in St. Petersburg, developed his stylistic attitude based on a neo-classical approach, referring primarily to Armenia's medieval ecclesiastical heritage. By using local stone, he applied traditional masonry called "midis," which was in use until the 1960s.

Subsequent improvements in mass construction were realized through prefabricated, reinforced panels, often covered with local stone. In contrast with this "functional" use of stone, post-independence building culture used concrete-reinforced structural solutions, maintaining the use of local stone solely for decorative façade covering. This nascent decorative use of and reference to

1 Retrospective analysis of the Spitak earthquake, S. Balassanian and others, National Survey of Seismic Protection under the RA Government, *Annali di Geofisica*, Vol. XXXVIII, No. 3–4, September–October 1995, p. 371.

Tamanianakan “architecture” was also attributable to stricter building codes in the wake of the Spitak Earthquake, while main motivation was to have a national Armenian architecture, which bears similarities to Stalinist Empire style.

A good example of this concept is one of the largest urban development projects in the post-Soviet area, Northern Avenue (initially named Araratian Street in Tamanian’s Master Plan), which was initiated in the late 1990s, and while still in progress, was officially opened in 2007. Considered a focal point of the presented period, this project pushed further the limits of urban regeneration, i.e., the gentrification experienced in recent years, due to its scale, symbolic value and public judgment. Former president Robert Kocharyan announced during a meeting at the Municipality of Yerevan, “How come you ask for money sitting on money,”² which boosted further development in the center of Yerevan.

For the Northern Avenue project and its extension (Main Avenue) alone, approximately 2,500 residents were forced to leave their homes³. This classic example of a gentrification project erased the urban fabric of pre-Soviet Yerevan that could have become a unique Old Town for the city. This process faced strong public opposition from the professional community of architects and the first representatives of grassroots civil society (organized as Byuzand Street, later Sksele and Save Kond Civic Initiative).

Northern Avenue was not the first project to pursue Tamanian’s unrealized project. This process began with a relatively ambitious and large-scale urban development project to open Italian Street, which resulted in the demolition of the old municipality building, built in 1907 by Boris Mehrabyan and subsequently expanded by the first chief-architect of Yerevan, Nikoghayos Buniatyan, in 1928. This process was depicted as furthering the realization of Tamanian’s 1936 Master Plan, which was cited as the primary justification in many subsequent urban development projects in the following decades.

The manipulation of historical narratives through the destruction of historic urban heritage and memory served as a tool to use and extract public assets to spur construction, which was one of the main drivers of the economy in the late 2000s. Due to these and later developments, by 2016, approximately 40 monuments that had been under state protection were demolished. One of the main obstacles to such demolitions was eliminated when, in 1999, the state list of monuments under

protection was annulled until 2004, when the Government of the Republic approved a new list. During this period, approximately 29 previously listed monuments were destroyed⁴. Moreover, an amendment to 2004 list, slated 14 monuments for removal, located mostly in the areas of Northern and Main Avenues⁵.

Spatial Democratization

These developments were the primary large-scale projects that resulted from the open market liberal change to a system that had previously been maintained by a single party. The open market economy required a new approach to spatial development and management through urban planning instruments employed in Western societies.

During the past two decades, a tremendous number of institutional reforms were implemented in different fields that resulted in fundamental changes in the new political system, particularly in the areas of jurisprudence, finance, media, and human rights. Planning was a field that needed this type of reform, and the centralized one-party decision making of the Soviet period (the state was the landowner, permit provider, commissioner and arbiter of outcomes) was transformed into a multi-interest and multi-party process. Armenia enjoyed some legislative improvements, and compared with other Eastern European post-Soviet countries (i.e., Georgia, Ukraine, Moldova), it has a fairly sizable number of spatial planning documents (Regional and Master Plans, Zoning Regulations). Nevertheless, in principal planning processes that these countries consider “architectural,” decision making remains centralized in the spirit of the Soviets. Decision making and the whole process of awarding building permits and allocating public assets is closed and is not well regulated. However, the Armenian Government has attempted to maintain a good ranking in the World Bank’s Doing Business Reports by contending that they are providing a shorter and simpler process for obtaining building permits, but the reality is different. It remains difficult to become familiar with the timing and procedures required to obtain permits for any building activity, and the main decision-making process continues to be on a subjective basis and granted by local officials with different levels of authority.

2 Calendar of January 12, A1plus.am <<http://www.a1plus.am/1428679.html>>

3 Victims of State Needs: Business gormandizes the destiny of Yerevanians, Vahan Ishkhanyan, 2007, <<https://vahanishkhanyan.wordpress.com/2007/11/28/petakan>>

4 Report on Protection of Historical Monuments in Yerevan, Sedrak Baghdasaryan and Anna Chobanyan, Victims of State Needs NGO, Yerevan, 2012, in Armenian, 11 p.

5 Report on Study, Analysis and Development Program for Legislative Basis of the Protection of Historical and Cultural Monuments, Sarhat Petrosyan, Boris Kocharyan, Narek Ashoughatoyan, urbanlab Yerevan, Yerevan, 2012, in Armenian, 87 p.

Although democratizing spatial planning is necessary for achieving competitive growth, the democratization of space represents the other side of the coin. In the early years of independence, the Armenian Government allowed its citizens to privatize their real estate holdings obtained during the Soviet period. Thus, most citizens were granted ownership of their current residences in social housing estates.

However, another set of common assets was not included in this process. Basements, rooftops, yards and ground-floor shops, for example, were privatized together with some parts of sidewalks, courtyards and public green spaces. At present, the Armenian Government and local communities remain large land and asset owners that continue to be strong players in land-use policy. By further noting that most of the common areas of social housing estates inherited from the Soviet period and public green spaces that are not maintained by any entity other than local and national authorities, the authorities' "monopolization" of this process becomes clear.

This highly complex problem, which also has some links with social aspects of communities living in social housing, demands long-term and continuous management carried out through properly open and flexible urban planning documents.

A Footprint on the Motherland

Another unique aspect of the Armenian reality is how the Diaspora has influenced the landscape of post-independence Armenia. With approximately 7 million Armenians living abroad and fewer than 3 million within the country, the Armenian Diaspora is considered one of the main engines of the local economy.

Although they have supported their motherland since immediately after the Spitak Earthquake, their role became more prominent in the early 2000s as one of the first initiators of the private real estate boom.

Often, they brought the culture and tradition of their respective communities to these projects. One of the first and obvious of such examples is the Vahakni gated

community in the outskirts of Yerevan. Representing a family with a successful real estate development business, Vahakn Hovnanian's community was the "American dream" suburban community development with classical detached homes and town houses that, at the time, sounded like a utopia. From the beginning, the plan was to build the homes out of wood, which is not common in this woodless and stone-rich country.

The Diaspora has created several cultural and symbolic projects, i.e., the Tumo Center for Creative Technologies in Yerevan, Lovers' Park Yerevan, housing developments for the middle class built by Iranian-Armenians, and many small restaurants operated by Syrian-Armenians. Nevertheless, the Diaspora's efforts, in general, have yet to have a significant impact. Although these projects can be considered models of best practice, from a broader perspective, they have not had a tangible influence on the physical quality and policy aspects of Yerevan's landscape.

Conclusions

While Armenia is considered a nation with rich cultural and architectural heritage, the past 25 years have not lived up to that heritage. However, ironically, the contradictions involved in the development of the country offer a basis for research and discussion that, combined with the country's heritage, opens new dimensions for future studies and interventions.

The optimism that can be perceived among the public and media's promotion and discussion of heritage creates new opportunities for further consideration by urbanists, urban planners and urban anthropologists. Unfortunately, the country lacks higher education institutions from which such specialists could receive degrees, as the field continues to be "monopolized" by architects, a bequest from Soviet tradition. It is time for a new learning environment for urban studies.

Re-reading urban narratives and reflecting on urban policies can resolve this disorder and help to make Yerevan more open and pleasant, which it, indeed, has a great and unique capacity to be.

About the Author

Sarhat Petrosyan is the founding director of the Yerevan based urban environmental think-tank urbanlab. He holds an M.S. degree in Architecture and a Ph.D. in Urban Planning from the National University of Architecture and Construction of Armenia. Since 2004 he is Associate Professor at the Chair of Urban Planning of the same university. He has been an elected board member of the Union of Architects of Armenia since 2011.

Urban Development Baku: From Soviet Past To Modern Future

Anar Valiyev, Baku

Abstract

During the Soviet period, Baku was one of the major industrial cities in the Soviet Union. The post-Soviet history of Baku has witnessed a major re-planning and reconstruction of the city with the aim of making the capital the major city of the region. As oil revenues began to flow, the government of Azerbaijan poured billions of dollars into various projects in Baku, making the city the part of its grand strategy of advertising the country. Meanwhile, the model of Dubai became an exceedingly attractive model for the administration of Baku. This article describes the major processes and key forces underlying the transformation of Baku and examines the problems haunting the city.

Introduction

Over the last 25 years, Baku has undergone tremendous transformation and change. The demographic trends of the past decade have been quite favorable to the development of Baku, providing a constant increase in the population due to the high net in-migration from rural areas of Azerbaijan. The official population of the capital reached 2.2 million in 2015, while unofficial estimates place this number at nearly 4 million. It is unsurprising that Baku exerts a disproportionately significant influence on the national economy. Approximately 71–75% of Azerbaijan's total GDP was generated in Baku. The city continues to be the leading recipient of governmental investments and financing. Most of this money has gone to the construction of various facilities and buildings. Moreover, substantial funds were directed toward the reconstruction of dilapidated infrastructure, as well as gentrification (beautification) and renovation. Demographic pressure and the demand for new apartments have also forced the city to invest heavily in construction, with new high-rise towers appearing constantly across the downtown area. Over the last 10 years, Baku has also hosted several regional, continental or world events that attracted the attention of the global media to the city. The Eurovision song contest, the First European Olympic Games and the Formula 1 Grand Prix event contributed significantly to the visibility of the city and the country. However, governmental policies of hosting such events were met with criticisms regarding the unsustainability of these actions and excessive spending. Contemporaneous with the drive toward becoming a global/major city, the government and city administration inaugurated large-scale construction projects that required the re-settlement of hundreds of urban residents, thus fueling anti-development sentiment in the city.

The Drive to Become a Major city

In the wake of its oil windfall, the government of Azerbaijan became obsessed with the country's international

reputation. With all other options appearing unrealistic, the government and city administration began to reconstruct Baku, emulating the experience of Dubai—"miracle in the Gulf". For the government, the construction of symbolic buildings and holding international events seemed to be the easiest way to rapidly achieve the status of a famous and major city. As in Dubai, brand new hotels such as the Marriot, Hilton, Jumeirah, Kempinsky and Four Seasons have opened in Baku. In an attempt to establish Baku as a booming center, or tourist Mecca, the government is attempting to market the city for various international events and sport competitions. In 2006, Baku began to construct magnificent and symbolic buildings to be associated with the city. One of the grand projects of the post-Soviet period is the construction of the Baku Flame Towers that are gradually becoming a symbol of the city (for example, they are frequently found on postcards bought by visitors). The towers symbolize the long history of fire worshippers who considered Azerbaijan the birthplace of the prophet Zoroaster. The Baku Flame Towers include a residential tower that can accommodate 130 residential apartments across 33 floors; a hotel tower that consists of 250 rooms and 61 serviced apartments; and the office tower that provides a net 33,114 square meters of office space. In addition to the iconic Flame Towers, the Heydar Aliyev Center is another pearl of the construction boom in Baku. Occupying 57,519 square meters, the Heydar Aliyev Cultural Centre, which hosts a conference hall, library, and museum, was opened in May 2012. Designed by late architect Zaha Hadid, the center is one of the many buildings constructed in Baku over the last decade that represent a move away from the Soviet-dominated past and toward a national identity. The center is part of a larger redevelopment area and is expected to be the hub of the city's intellectual and cultural life. In addition, several other magnificent facilities have been constructed, including the Flag Square, Carpet Museum, and Crystal Hall, among many others.

Starting from the same period, government zealously strove to bring international events to the city. After holding some small-scale events, Baku was finally able to host the Eurovision song contest in 2012. That was the first such event that placed Baku on the front page of European newspapers. The authorities constructed a new convention center, the Crystal Hall, allegedly costing approximately 120 million euros. Having tasted fame, the authorities began to bid for other international events. Some years ago, the Azerbaijani authorities bid for the 2020 Olympic games. Initial studies suggested that the cost of hosting the 2020 Summer Games might be \$20 billion, which would be financed from the oil revenues and investments by private corporations. By that time, Azerbaijan had built 13 new sporting complexes to bolster Baku's 2020 bid. Twenty-three other buildings were under construction and scheduled to be completed by 2012–2014. It is unsurprising that Azerbaijan decided to bid for such an event, along with other cities. Baku's business elite has long maintained a tight grip on the country's Olympic Committee and other sporting organizations, which are seen as a rich source of potential profit and international prestige. Baku lost the bid for the Olympics but was able to attract the First European Games, which were held in summer 2015. The event brought 6000 athletes from 49 countries to Baku, as well as an estimated 65,000 visitors. Initial appraisals placed the event costs at approximately \$1 billion, including the construction of a \$720 million Olympic Stadium that was inaugurated in June 2011 by Azerbaijan's President Aliyev, together with presidents of FIFA, Sepp Blatter, and UEFA, Michel Platini. Finally, in summer 2016, Baku hosted the Formula 1 Grand Prix, which cost the country another \$150 million, with promises to have the same event for the next five years.

During the same period, the authorities invested significant funds to construct several governmental buildings to impress and send a signal to the rest of the world. New buildings for the State Oil Company of Azerbaijan Republic, State Water Company, and the Oil Fund and Central Bank of Azerbaijan, a new airport, as well as a massive renovation of Baku's promenade served to showcase the grandiose nature of development in Baku. The logic behind this development in Baku highlights the government and urban elite's efforts to turn the city into the main tourist destination in the region and an economic powerhouse similar to Dubai. Baku's development after 2006 resembles Dubai's rapid expansion. However, Baku was attempting to accomplish in one decade a scale of development that had taken Dubai nearly 45 years.

Gentrification vs. Preservation

All of these massive construction, gentrification and beatification projects have significantly impacted the local population. For the past decade, conflicts between the government and residents of reconstructed or demolished areas were at the center of media attention. The historical center of Baku had been densely built up in the Soviet and even pre-Soviet periods, and therefore, the land available for new construction was very limited. As the few available empty lots were used up, the pressure to re-use already built-up areas has increased. It is worth noting that this is not a new process in Baku. Between the 1930s and 1950s, additional floors were added to pre-Soviet 2–3-storey buildings, which significantly increased the residential capacity of the city. However, at present, the pressure is not so much to add additional floors (although this too is taking place) but rather to demolish old structures and to erect new buildings in their place. Such conflicts were present during massive demolition of the area of downtown where new Winter Park was built, the rebuilding of the area surrounding the Crystal Hall in 2011–2012, and places where new state-led development projects were implemented. In some cases, the process was relatively uncontested, as for example when tearing down pre-Soviet low-quality housing, although there were some concerns regarding the safety of the new construction and with the amount of compensation offered to the residents.

A vivid example of such policy is the revitalization and redevelopment of area of Baku nominally called Sovetskaya. This area, located in one of the most historic parts of Baku, became the object of redevelopment. The neighborhood comprises small shanty-like houses. The government's intention was to relocate the people from the area and construct a modern park in its place to make the area more attractive. In addition, several multistory buildings would be constructed in this area, driving prices in the area to new highs. In fact, the intention of the city administration could be regarded as benevolent for the city as a whole and neighborhood residents in particular. However, the largest issue with the relocation arose when the government revealed the amount of compensation. The residents of the demolished houses would receive approximately 1,500 AZN per square meter (after the devaluation of Azerbaijani manat, this amount equates to approximately \$900) of livable space. However, the majority of the houses in the area have very little livable space. Thus, according to the government's formula, the restrooms, kitchens and any type of room added to the original apartment (such as an expanded balcony or land near the house) would not be considered livable space. Thus, the average livable space in this area could be as low as 30 square

meters, and residents would receive less than \$30,000 for their apartments. That sum is not only too little to buy an apartment in Baku proper but anywhere within 40 kilometers of downtown Baku. In most cases, the residents of the neighborhood are poor people and do not have other sources of income. Moreover, being in downtown gives the residents some limited opportunities to earn additional income from access to the city center. In other words, the residents may work as taxi drivers, cleaners in the larger houses, janitors and other similar positions. Relocation to the areas outside of Baku increases their commuting costs and makes it more difficult for them to find new jobs downtown. Nevertheless, the government supported this type of development and will be able to fulfill several goals. First, the government will remove a poverty-ridden area from the center of the city, relocate its residents away from the center and make the area attractive for growth. Private businesses would also reap tremendous benefits. First, the multistory houses constructed in the area can be sold for high prices that would not only cover the cost of compensating the residents but would also allow the businesses to make substantial profits. Second, the price of houses in the area will increase, pleasing realtors by allowing them to speculate on the area's high housing prices. Moreover, relocating approximately 10,000 people from downtown would force the housing market in Baku to react with higher prices. The appearance of 10,000 displaced people in the housing market, one-quarter of whom would buy apartments in the vicinity of Baku, has already caused the prices of apartments to rise.

About the Author

Dr. Anar Valiyev is a Baku-based expert in urban planning and development. He holds a Master's Degree in Public Policy from Indiana University Bloomington, and a PhD in Urban Studies from University of Louisville, USA. He is currently a Fulbright Visiting Scholar at Johns Hopkins University, School of Advanced International Studies.

Conclusion

With oil prices declining and revenues diminishing, the city will hardly be able to continue its pace of development. Moreover, the government would need to allocate money for maintaining existing infrastructure and projects. Thus, it is necessary to either attract private investors or halt certain projects. The most important impact for Baku would be the need to abandon its emulation of Dubai and attempt to find its niche in competitive markets. Baku would need to address several constraints that prevent it from becoming a major city. These constraints are geographical location and the absence of direct access to the ocean; the inability to attract private investors to the major redevelopment projects; and ongoing crises in many parts of the world. Moreover, Baku's (as well as Azerbaijan's) economy is not diversified and can be characterized as a rentier state. The non-oil sector of the country and city's economy plays only a marginal role. Unlike Dubai, the economy of which is characterized as knowledge-based with high growth, high value-added products and global mobility, Baku's economy is not diverse and its major source of the income depends on a highly volatile commodity—oil. The coming years will be critical for Baku. If the city is able to use the visibility it has gained over the past ten years to drive its economy and boost tourism, then Baku will be able to find its niche in the highly competitive regional market. Otherwise, Baku's nearest rivals, such as Tbilisi and Astana, would exploit favorable opportunities and outpace Baku in visibility and recognition.

The Current State of Housing in Tbilisi and Yerevan: a Brief Primer

Joseph Salukvadze, Tbilisi

Abstract

This article provides a brief overview of current developments in the housing sectors of Tbilisi and Yerevan. It describes the factors that influenced the formation of the current housing landscapes of these two capital cities in the South Caucasus. Additionally, the article discusses the idiosyncrasies of housing financing and affordability.

Introduction: a Thorny Urban Transition

The state of housing in the South Caucasus remains a neglected topic in discussions of urban issues in the region. Despite exhibiting significant problems, housing issues rarely appear on the agendas of academics, policy makers, non-governmental organizations or popular commenters. This piece is intended to discuss key issues regarding housing in Tbilisi and Yerevan. More specifically, it will assess the current state of housing and financing problems and outline the status of affordable housing programs.

The privatization of the housing stock began in 1991, which enabled market operations to commence in cities in the South Caucasus. City governments were incapable of providing sufficient institutional support for the process of privatization. The rapid privatization of housing stock was based on the transfer to sitting tenants without any payment. Firstly, this led to super-homeownership, in which more than 85% of households own their homes. Additionally, the process created a new class of “poor homeowners” who were unable and/or reluctant to pay for the repair and maintenance of shared infrastructure and collectively owned spaces (e.g., façade, roof, elevator) in multi-apartment buildings, causing deterioration of the housing stock.

A lack of affordable housing and the deregulation of the planning system compelled poor households to find alternative solutions to meet their housing needs. One of the most notable solutions that emerged was the construction of vertically erected apartment building extensions (ABEs)¹. Indeed, this was a positive short-term solution that aided residents to improve their quality of life and promoted the circulation of investment capital. However, the long-term consequences are unclear, as municipal governments do not have a clearly defined policy for this type of construction.

The transition to a market economy created a new player—the developer. Small development/investment

agencies initiated in-fill construction in the central areas of the cities. New developments were unregulated and of a questionable quality, which was due mainly to the absence of updated and “modern” planning documentation, e.g., master plans or land use plans, and weak urban governance.

By the end of the first decade of the 21st century, particularly before the 2008 financial crisis, both cities witnessed a construction boom. On the one hand, this growth was driven by the improved economic situation in the two countries. On the other hand, members of the diaspora (in the case of Armenia) and economic migrants (in the case of both countries) became very active in purchasing real estate in the capital cities, as this represented a way for them to invest in and retain links with their home country.

There are several local determinants that affected the formation of the current context of housing in the two cities. In Tbilisi, the developers’ role and influence accelerated particularly after the “Rose Revolution” in 2003, the period of so-called “investor urbanism”². Although a new land use master plan was adopted in 2009, its implementation has shown that city government frequently adapts it to the needs of large investors. Applying the neoliberal ideology of the power elites to the Georgian reality without an adequate institutional infrastructure and legislative framework has diminished the role of urban planning in general.

Apart from the usual circumstances of post-Soviet transition, the housing stock of the Armenian capital was largely influenced by two major events that occurred in the 1980s. The 1988 earthquake in Spitak and the conflict in Nagorno-Karabakh produced a large number of homeless individuals who were housed in temporary shelters. Yerevan also housed most of the ethnic Armenian refugees who fled from their homes in Azerbaijan. Finally, a severe economic crisis severely restricted the development of the housing sector. Similar to many of the countries in the post-Soviet region, an absolute

1 Bouzarovski, S., Salukvadze, J. and Gentile, M. 2011. A Socially Resilient Urban Transition? The Contested Landscapes of Apartment building extensions in Two Post-communist Cities. *Urban Studies*. Volume 48, issue 13, year 2011, pp. 2689–2714 [0042-0980 Print/1360-063X Online 1-26, 2010]

2 Salukvadze, J. and Golubchikov, O. “City as a geopolitics: Tbilisi, Georgia—A globalizing metropolis in a turbulent region.” *Cities* 52 (2016): 39–54.

majority of the housing stock in Armenia had been privatized. Inequitable and very restricted access to financing prevented many Armenians (and citizens of Yerevan) from purchasing adequate housing units and instead drove them to informal practices such as building extensions and land squatting³. Currently, similarly to Georgia, new housing developments are almost exclusively constructed by the private sector.

Supply and Demand for Housing

Currently, the majority of the existing housing stock in both cities is the product of Soviet mass housing construction programs. The available housing structures consist of multi-flat apartment buildings that represent 60% of Yerevan's housing stock and the majority of the housing stock in Tbilisi. Official statistics estimate the overall amount of housing stock in Yerevan at 24 million square meters. A detailed analysis, which is available only for multi-flat housing estates, shows that the available housing stock is concentrated mostly in the Kentron (16%), Nor-Nork (15%) and Arabkir (14%) districts of Yerevan. The available per capita living space in Yerevan is approximately 22 square meters. Geographically, the largest per capita floor space is available in the prestigious Kentron and Arabkir districts.

Jones Lang LaSalle, an international real estate and investment management company, estimates that the total housing stock in Tbilisi is 30.2 million square meters. Total floor space per housing unit, according to the same source, is equal to 84 square meters. According to the Integrated Household Survey conducted by the National Statistics Office of Georgia, the total floor space of housing units occupied by Tbilisi residents is estimated to be 24.8 million square meters. According to the same source, the largest apartments are available in the rural areas of Tbilisi⁴ (84 sq. m. of living space on average⁵), as well as in the Saburtalo (81 sq. m) and Vake (59 sq. m) districts. The Saburtalo district, despite being a central and prestigious area, also contains parts of Digomi village, which explains the high per household floor area in this district.

A relatively small share (less than 10%) of households in Tbilisi and Yerevan live in estates constructed after Georgia and Armenia regained independence. Conversely, both cities experienced a construction boom in

the mid-2000s; however, the construction of new neighborhoods on the scale witnessed during the Soviet era has never occurred. Not surprisingly, only a handful of residents can afford to purchase newly constructed apartments. Household survey data from Tbilisi shows that new apartments are more spacious (on average, 70 square meters) and that their resident households have a higher monetary income.

Gradually, the existing housing stock in both cities has begun to deteriorate. The nearly complete privatization of the housing stock did not create sufficient incentives for private or communal involvement in housing renovation and maintenance. In the case of Yerevan, maintenance is typically performed through “*Zhaks*”—special municipal entities⁶. In terms of policy, energy efficiency remains an important policy issue in discussions of the quality of housing in Yerevan and Armenia in general. With the exception of private stakeholders, the state and international donors (EBRD, UNDP) are the most actively involved entities in designing policy approaches to reduce the amount of energy wasted on heating in the residential sector through public-private investment programs.

In Tbilisi, single attempts to address the housing problems have not acquired adequate political support. The only exception is the Tbilisi City Hall initiative “*Tbilisi Korpusi*”—a program aimed at renovating multi-apartment Soviet housing estates by means of establishing homeowners associations (HOAs). The program has continued successfully for several years and is still ongoing; it co-financed the renovation of a large share of the Soviet residential buildings in Tbilisi.

Tbilisi and Yerevan exhibit similar patterns in regard to the formation of demand for housing. External factors, particularly migration and related monetary remittances, play a significant role in the price formation of real estate in these cities. Remittances have a positive effect on the monetary income of a household, and it appears that they also improve the living conditions of the recipients. In Tbilisi, approximately 8% of households receive remittances, and these households report a monthly income that is 100 GEL higher (approximately 1100 GEL)⁷ on average than the income of households that do not receive money from abroad. Living conditions, measured as per capita floor space, are significantly higher for these households. The discrepancy is particularly notable in the capital of Geor-

3 Sargsyan, T.: Residential environmental conditions on housing estates in Yerevan. *Hungarian Geographical Bulletin* 62 (1) (2013) 121–130.

4 Following changes to the boundaries of Tbilisi and neighboring municipalities, several rural settlements were incorporated into the capital.

5 Living space represents the floor area of all rooms in the housing unit except the kitchen, the bathroom and auxiliary premises.

6 Vanoyan, M.: Housing Policy in Armenia: Condominium Activity. 2004

7 Georgian National Office for Statistics (2015): *Integrated Household Survey*. Available from Geostat: <http://geostat.ge/?action=meurneoba&mpid=1&lang=geo>

gia, where the difference in total floor space between the two groups is equal to ten square meters on average.

The described pattern generally follows an established trend in the countries of the former Soviet Union⁸. Moreover, in-depth interviews with property developers⁹ show that Georgians living abroad are the single largest buyers of newly built estates in Tbilisi. Yerevan's real estate boom before 2008 was also fueled mainly by buyers representing the country's large diaspora¹⁰.

How Affordable Is Housing?

Soviet-built apartments dominate the residential market in both cities, whereas new apartments generally represent 15–20% of the transactions in Tbilisi. Selling prices often depend on not only the quality of the housing but also the location and age of the structure. According to a residential market review conducted by Colliers International, the average selling price of a newly constructed apartment is approximately USD 750 per square meter, whereas properties purchased on the secondary market will cost a buyer approximately USD 690 per square meter. Housing prices are very diverse in the case of Yerevan—apartments located in the central Kentron district cost a hefty USD 1400 per square meter. The prices decrease when moving to the outskirts of the city and fluctuate between USD 500–650 on average¹¹. Similar to Yerevan, prices in Tbilisi differ depending on the location of the building.

Given this, few households are able to afford new apartments. An analysis of the household income structure in Tbilisi and Yerevan shows that the top 20% of households in the Georgian city according to monthly income earn USD 1040 per month on average. The households in Yerevan in the same income group receive USD 821 per month. Indeed, the residents of both cities spend most of their income on satisfying basic needs, such as food, clothing and utilities. Thus, there is a very little room to fit mortgages into family budgets.

The mortgage loan markets are also less accessible for the majority of the population. According to a study conducted by the World Bank¹², on average, the monthly

interest rate to purchase a medium-sized apartment in various locations in Tbilisi fluctuates between USD 320 to USD 800. Mortgage loans are even less affordable in Yerevan, where one can expect to pay USD 476 to USD 1000 in monthly payments for similar conditions. In short, mortgages are affordable for only approximately 20% of all households.

The two cities do not excel in terms of affordable housing programs. In Armenia, the state distinguishes two types of vulnerable populations that are eligible for affordable housing. Refugees and citizens affected by the Spitak earthquake of 1988, are offered social housing, whereas the state funds affordable housing programs for members of lower income groups through public-private partnerships. It is worth mentioning that a state program to develop social housing is part of the country's action plan for 2014–2025.

The largest groups benefiting from the social housing programs in Tbilisi are internally displaced populations (IDPs) from Abkhazia and South Ossetia. Collective centers that host a significant share of IDPs in Tbilisi are formerly non-residential buildings that were later converted to residential use¹³. The resettlement of IDPs is conducted by a special ministry of the government of Georgia. Currently, the main policy regarding supplying IDPs with housing is to provide them with long-term housing. This program involves granting permanent tenure and ownership rights to IDPs.

Municipal housing programs in Tbilisi are scarce. City hall is responsible for the short-term resettlement of households affected by a natural disaster or fire. The existing social housing programs are conducted with the help of international donors, in this case, the Swiss Agency for Development and Cooperation (SDC). The municipality also plans to construct two additional social housing estates for the homeless residents of Tbilisi.

Conclusion

The current developments in the housing sectors of Tbilisi and Yerevan are the products of transition processes and are significantly affected by the neoliberal policies pursued by the respective country governments. High real estate prices and restricted access to mortgage loans exclude a near-absolute majority of the population from participating in the real estate market and effectively prevent spatial residential mobility. Developers and resellers are primarily oriented toward premium buyers. However, housing is considered a secure

8 Stepanyan, V., Poghosyan, T., Bibolov, A.: *House Price Determinants in Selected Countries of the Former Soviet Union*. IMF working papers. 2010

9 Gentile, M., Salukvadze, J., Gogishvili, D.: *Newbuild gentrification, tele-urbanization and urban growth: placing the cities of the post-Communist south in the gentrification debate*. *Geografie*, 120(2), 2015

10 Manookian, A., Tolosa, G.: *Armenia's housing boom-bust cycle*. IMF, 2011

11 Yerkir Real Agency. *Price stat for apartment (m2)*. Retrieved from <http://www.yerkir-real.com/en/>. 2016

12 Mathema, A., Salukvadze, J., Budovitch, M. *Georgia. Urban Strategy. Priority Area IV: Housing*. World Bank. 2015

13 Salukvadze, J., Sichinava, D., Gogishvili, D. *Socio-economic and Spatial Factors of Alienation and Segregation of Internally Displaced Persons in the Cities of Georgia*. *Studia regionalia: Spatial Inequality and Cohesion*, 2013

way of investing capital. It is worth mentioning that neither of the cities maintain significant affordable hous-

ing programs that support households in need, especially young families.

About the Author

Dr. Joseph Salukvadze obtained a doctoral degree in Social and Economic Geography from Tbilisi State University. Currently he holds the positions of vice-rector of Tbilisi State University and full professor of Human Geography. Dr. Salukvadze has been awarded with a Fulbright Scholarship and he co-operated with various international development organizations as an expert in urban and land policy. He has published extensively and is a board member of three international academic journals.

CHRONICLE

From 22 July to 20 September 2016

20 July 2016	Hundreds of demonstrators, supporting an armed opposition group (belonging to Sasna Dzrer and linked to the opposition group Founding Parliament) holding hostages in a police station, clash with police in Yerevan resulting in 45 hospitalized people, including 25 police officers
21 July 2016	The Azerbaijani government takes control of a private university in Baku linked with Turkish cleric Fethullah Gülen
22 July 2016	After a meeting with law enforcement officials, Armenian President Serzh Sarkisian calls on the armed group holding hostages in a Yerevan police station to release their hostages
23 July 2016	The four police officers, held hostage at a police station in Yerevan by an armed opposition group, are released
25 July 2016	Thousands of demonstrators march in Yerevan in support of the gunmen who have occupied a police building in the capital for more than a week
25 July 2016	The Azerbaijani highest court approves an initiative by Azerbaijani President Ilham Aliyev to extend the official presidential term to seven years, but says that the ratification will require a referendum and constitutional amendments
27 July 2016	Armenian Health Minister Armen Muradyan is blocked by police from entering a police station in Yerevan occupied by the armed group who have taken four health professionals hostage
29 July 2016	Demonstrators clash with riot police in Yerevan after they try to approach the police building where gunmen from an opposition group have barricaded themselves, resulting in 75 injured people
31 July 2016	Gunmen linked to an opposition group surrender to the police after occupying a police building in Yerevan for two weeks
1 August 2016	In Georgia, Defense Minister Tina Khidasheli and State Minister for Reconciliation and Civic Equality Paata Zakareishvili resign
3 August 2016	The head of Georgia's State Security Service, <u>Vakhtang Gomelauri</u> , meets with Azerbaijani President Ilham Aliyev during a visit to Baku to discuss bilateral cooperation between the two countries' security agencies and to sign a memorandum of cooperation
8 August 2016	The presidents of Azerbaijan, Iran and Russia meet in Baku, the first time in this format, to discuss new transport and energy projects in the Caspian Sea region
9 August 2016	Georgian President Giorgi Margvelashvili rejects a petition demanding a referendum to define marriage as the union of a man and a woman, saying that this is already defined in Georgian legislation
10 August 2016	Armenian President Serzh Sarkisian meets with Russian President Vladimir Putin in Moscow to discuss the Nagorno-Karabakh dispute following a meeting with Azerbaijani President Ilham Aliyev and Iranian President Hassan Rohani in Baku regarding a Nagorno-Karabakh peace plan sponsored by the OSCE
15 August 2016	Russian Defense Minister Sergei Shoigu meets with his Azerbaijani counterpart, Zakir Hasanov, in Baku to discuss military cooperation between the two countries
15 August 2016	The opposition Heritage party pulls out of local elections in Armenia following the arrests of three of its members on charges of organizing mass disturbances during a protest on 29 July
16 August 2016	A fringe pro-Russian party which pledged to "legalize" Russian military bases in Georgia on Georgian television is banned from running in the parliamentary elections scheduled for 8 October
17 August 2016	The leader of the Georgian opposition Democratic Movement party, Nino Burjanadze, meets with Russian State Duma speaker Sergey Naryshkin in Moscow to discuss prospects of bilateral relations between Georgia and Russia
17 August 2016	50 Turkish instructors are fired from the Caucasus University in Baku for alleged links to Turkish cleric Fethullah Gülen
18 August 2016	The opposition party "The State for the People" says that it will form an election bloc with NPC-Girchi, New Georgia and New Rights parties for the 8 October parliamentary elections in Georgia
19 August 2016	Four men with links to Turkish cleric Fethullah Gülen are arrested in Azerbaijan on charges of "abuse of power" for passing on private information while working for a mobile phone company
22 August 2016	The Georgian State Security Service says that a "terrorist act" targeting a gas pipeline running through Georgia to Armenia was prevented with five people arrested on 20 August

25 August 2016	Armenian Economy Minister Artsvik Minasyan says that Armenia is working with Iran to create a free economic zone in the border region of Meghri
27 August 2016	New Georgian Defense Minister Levan Izoria visits Afghanistan and meets with Georgian soldiers at Bagram Air Field in his first foreign trip since becoming Minister
31 August 2016	Georgian Prime Minister Giorgi Kvirikashvili meets with his Azerbaijani counterpart Artur Rasizade and President Ilham Aliyev in Baku to discuss bilateral relations between the two countries
1 September 2016	Former Georgian Prime Minister Bidzina Ivanishvili says that he expects the Georgian Dream ruling party to win around 100 seats (i.e., a two-thirds majority) in the upcoming parliamentary elections on 8 October
5 September 2016	About twenty Georgian civil society organizations launch a Coalition for Euro-Atlantic Georgia to support Georgia's integration into Euro-Atlantic structures
7 September 2016	During a meeting with NATO's Secretary General Jens Stoltenberg in Tbilisi, Georgian Prime Minister Giorgi Kvirikashvili says that Georgia will continue its reforms and wait patiently to join NATO
9 September 2016	Azerbaijani authorities release an opposition activist from prison ahead of a controversial constitutional referendum scheduled on 26 September
10 September 2016	French Defense Minister Jean-Yves Le Drian meets with his counterpart Levan Izoria in Tbilisi and says that France will help Georgia strengthen its defense capabilities
13 September 2016	Karen Karapetian, a former executive at Russian gas company Gazprom, becomes Armenia's Prime Minister
13 September 2016	Georgian Economy Minister Dimitri Kumsishvili says that Georgia and China have completed free trade negotiations and an agreement is expected to be signed before the end of 2016
18 September 2016	Hundreds of demonstrators rally in support of the Musavat opposition party in Baku to protest against a planned referendum that will strengthen Azerbaijani President Ilham Aliyev's authority
21 September 2016	Armenia marks the 25 th anniversary of the country's independence with a military parade in the capital Yerevan
22 September 2016	Former Georgian Prime Minister Vano Merabishvili is found guilty of ordering the beating of a lawmaker and sentenced to 6,5 years in prison by the Tbilisi City Court

Compiled by Lili Di Puppò

For the full chronicle since 2009 see <www.laender-analysen.de/cad>

ABOUT THE CAUCASUS ANALYTICAL DIGEST**Editors**

Tamara Brunner, Lili Di Puppo, Iris Kempe, Matthias Neumann, Jeronim Perović, Heiko Pleines, Tinatin Zurabishvili

About the Caucasus Analytical Digest

The Caucasus Analytical Digest (CAD) is a monthly internet publication jointly produced by the Caucasus Research Resource Centers (<<http://www.crrccenters.org/>>), the Research Centre for East European Studies at the University of Bremen (<www.forschungsstelle.uni-bremen.de>), the Center for Security Studies (CSS) at ETH Zurich (<www.css.ethz.ch>), and the German Association for East European Studies (DGO). The Caucasus Analytical Digest analyzes the political, economic, and social situation in the three South Caucasus states of Armenia, Azerbaijan and Georgia within the context of international and security dimensions of this region's development.

To **subscribe** or unsubscribe to the Caucasus Analytical Digest, please visit our web page at <<http://www.css.ethz.ch/en/publications/cad.html>>

An **online archive** with indices (topics, countries, authors) is available at <www.laender-analysen.de/cad>

Participating Institutions**Center for Security Studies (CSS) at ETH Zurich**

The Center for Security Studies (CSS) at the Swiss Federal Institute of Technology (ETH Zurich) is a Swiss academic center of competence that specializes in research, teaching, and information services in the fields of international and Swiss security studies. The CSS also acts as a consultant to various political bodies and the general public.

Research Centre for East European Studies at the University of Bremen

Founded in 1982, the Research Centre for East European Studies (Forschungsstelle Osteuropa) at the University of Bremen is dedicated to the interdisciplinary analysis of socialist and post-socialist developments in the countries of Central and Eastern Europe.

Caucasus Research Resource Centers

The Caucasus Research Resource Centers program (CRRC) is a network of research centers in Armenia, Azerbaijan and Georgia. We strengthen social science research and public policy analysis in the South Caucasus. A partnership between the Carnegie Corporation of New York, the Eurasia Partnership Foundation, and local universities, the CRRC network integrates research, training and scholarly collaboration in the region.

Any opinions expressed in the Caucasus Analytical Digest are exclusively those of the authors.

Reprint possible with permission by the editors.

Editors: Tamara Brunner, Lili Di Puppo, Iris Kempe, Matthias Neumann, Jeronim Perović, Heiko Pleines, Tinatin Zurabishvili

Layout: Cengiz Kibaroglu, Matthias Neumann, and Michael Clemens

ISSN 1867 9323 © 2016 by Forschungsstelle Osteuropa, Bremen and Center for Security Studies, Zürich

Research Centre for East European Studies • Publications Department • Klagenfurter Str. 3 • 28359 Bremen • Germany

Phone: +49 421-218-69600 • Telefax: +49 421-218-69607 • e-mail: fsopr@uni-bremen.de • Internet: www.laender-analysen.de/cad/