

ULAANBAATAR REAL ESTATE MARKET

ANNUAL REPORT
2022

- 
- Project “grade”, “class” and “rank” are used interchangeably in this report. The classification category and location zoning category used are according to the methodology created by Tenkhleg Zuuch research firm.
 - “We”, “Us”, “Our” pronouns used in this report are referring to Invescore Property LLC only.
 - Any amounts, statistics expressed in US Dollars are converted using the average exchange rate data publicly distributed by NSO of Mongolia.

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ISSUED BY:
Invescore Property LLC

AUTHORSHIP CREDIT TO:
Tsolmon Tsoggerel (*Investment consultant*)
Buyandelger Purevsambuu (*Research manager*)
Bilegt Batchuluun (*Business Development manager*)
Amarjargal Davaasuren (*Marketing manager*)
Ser-Od Byambasuren (*Graphic designer*)

EDITOR:
Enkhbayar Narantuya (*“Mongolian economy” magazine editor*)

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MANAGEMENT TEAM AT INVESCORE PROPERTY

PREFACE

In 2022, Mongolia's economic growth reached 4.8%, surpassing the expectations of major agencies, which gave entrepreneurs and investors a great deal of comfort. Due to Mongolia's economic development and the growth of many business sectors, including the real estate industry, the number of foreign and domestic investors who wish to invest in the sector has increased.

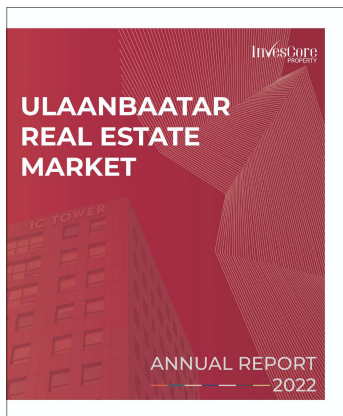
"Investescore Property" LLC is a vertically-integrated real estate management company that develops, owns, and manages properties. At present, we focus on A and A-class offices, serviced apartments, and house villages located in Ulaanbaatar city.

As a subsidiary of Invescor Financial Group, we have gained valuable insight into the current investment environment and the state of the Mongolian financial industry. We often incorporate the most effective business practices of the financial industry into the real estate business through the introduction of new and innovative real estate-based investment vehicles to the domestic market.

Using our expertise, we prepared the first issue of "Ulaanbaatar Real Estate Market - Annual Report 2022", which incorporates official statistics, economic forecasts, and industry indicators released by professional research organizations and experts. Our objective in this report is to provide an overview of our country's general economic situation, the real estate industry's performance, the movement of real estate prices, investment opportunities in the real estate market, new products and services that may emerge, and tax and legal issues that investors may encounter. Through the compilation of industry statistics and information regarding regulation, we hope to share our experience and knowledge with investors and other industry professionals.

We will also answer common questions and doubts raised by investors and industry experts, as well as individuals and institutions interested in the real estate industry. Providing these insights enables our businesses to grow and enjoy long-term, mutually beneficial relationships.

The original version of this report was published in Mongolian and translated into English and Japanese, which you can download from the link below:



TRUSTED ADVISOR IN THE FINANCIAL MARKET

● INVESTMENT ADVISORY

● UNDERWRITER

● BROKER

● DEALER



2.30%
5.30%
8.18%
4.88%
7.15%
4.88%
6.48%
1.41%
7.15%
5.54%

Quarter 4

58%



SECTION 1

ECONOMY

- *Key macro indicators for 2022*
- *Highlights of 2022*
- *1.1 GDP, Economic growth*
- *1.2 Foreign Direct Investment, Foreign Exchange Reserves, Foreign Debt*
- *1.3 Domestic Capital Market*

KEY MACRO INDICATORS FOR 2022

GDP GROWTH
YEAR-OVER-YEAR

4.8%

2015-2022 CAGR 3.13%

INFLATION GROWTH
YEAR-OVER-YEAR

13.2%

*Ulaanbaatar city's inflation
was 12.9% YoY*

POLICY RATE

13%

*Increased by 700 basis
points YoY*

MSE TOP-20 STOCK INDEX
GROWTH YEAR-OVER-YEAR

-15%

2015-2022 CAGR 16.5%

USD/MNT RATE GROWTH
YEAR-OVER-YEAR

20.9%

2015-2022 CAGR 8.1%

JPY/MNT RATE GROWTH
YEAR-OVER-YEAR

5.4%

2015-2022 CAGR 6.7%

01

THE OYU TOLGOI MEGA PROJECT HAS MADE SIGNIFICANT PROGRESS

In 2022, Rio Tinto acquired Turquoise Hill Resources and acquired 66 percent of the Oyu Tolgoi project (the Mongolian Government owned 34 percent). This enabled the project to move forward more quickly and efficiently.

The blasting of the underground mine began in January 2022, and the mining of the underground mine commenced in March 2023. As production peaks from 2028 to 2036, annual 480,000 tons of copper will be extracted from open and underground mines, making it the fourth largest copper mine in the world by 2030.¹

“

In 2022, the mine generated sales of \$1.4 billion. Now with underground mining, Oyu Tolgoi's annual sales are expected to triple and reach \$5 billion. In addition, mineral resource royalties paid to the state budget will triple to MNT700 billion (\$200 million) per year.

As underground mining activities intensify, it is likely that the number of suppliers (770 in 2020²) and partner organizations will increase, resulting in an increase in demand for storage, logistics, and industrial facilities.

02

RAILWAYS WERE PUT INTO OPERATION, PORTS HAVE BEEN RECOVERED

In 2022, the following two-way railways were put into operation:

1. The first heavy-duty railway, 233.6 km long, on the Tavantolgoi-Gashuunsukhait route, was commissioned on September 9, 2022.

As a result of the construction of the railway, it is estimated that 30-50 million tons of coking coal will be exported annually. The state budget will generate additional \$44 million in tax revenue each year.

2. The 226.9-kilometer railroad towards Dzungbayan-Khangai was put into operation on November 25, 2022.

Also, the Dzungbayan-Khangai railway is characterized by wide and narrow-gauge crossings. In this way, it is possible to directly connect with China's Mandal port.³ The railway's transportation capacity is 30 million tons per year.

“

"The railways are expected to be put into service in the southern region in the near future, which would relieve the congestion of goods" - Minister of Road and Transport Development S. Byambatsogt.

Furthermore, it may be possible to stabilize the price of imported construction materials and to increase the variety of materials available.

¹ Rio Tinto

² National University of Mongolia-
Institute of Economics

³ Ministry of Road & Transport
Development of Mongolia

03

"YEARS TO VISIT MONGOLIA" WAS ANNOUNCED

The tourism industry (7% of GDP in 2019) was identified as a high-potential sector in Mongolia's economic diversification plans, and 2023-2025 was designated as "Years to Visit Mongolia" by the government.

In this context, in 2023, 1 million international tourists will be welcomed, and a goal of generating \$1 billion has been set. For this purpose, a list of 34 countries has been approved whose citizens are exempt from visa requirements for a period of up to 30 days.⁴

Also, MNT55 billion loans will be provided to tourism service providers, and the government will support 7% of the base interest with subsidies.



If the industry policy is implemented and tourism areas are developed, there is a possibility of an increase in demand for development projects for tourist camps and resorts.

04

THE LAW ON PERSONAL AND CORPORATE INCOME TAX HAS BEEN REVISED AND APPROVED

Starting on 01.01.2023, the following decisions will be implemented:

- According to the amendment to the Personal Income Tax Law (PIT), 10 percent tax was levied on salaries and wages, but from next year, marginal income tax will be levied at 10-20 percent.⁵
- According to the amendment to the "Corporate Income Tax Law" (CIT), the tax on interest income and dividend income sourced from publicly issued securities issued by enterprises located in Mongolia was reduced from 10 to 5 percent.



Starting from 2023, the operating income of the Investment Fund will be exempted from CIT.⁶

The general provision of imposing a flat 20 percent tax on the total amount of income earned from sources in Mongolia for non-resident citizens of Mongolia and enterprises not located in Mongolia is still valid. It can be imposed differently depending on the type of income and whether there is a double tax treaty.

⁴ [Decision of the government of Mongolia](#)

⁵ [Personal Income Tax Law](#)

⁶ [Corporate Income Tax Law](#)

05 MAJOR IPOs

In 2022, among the TOP-5 commercial banks, State Bank and Golomt Bank, as well as large companies such as the Mongolian Stock Exchange (MSE), issued IPOs, resulting in increase of market capitalization of the domestic capital market. Specifically:

- **State Bank** offered 5 percent of its total shares to the public for MNT22.1 billion (\$7.1 million) in September;
- **Golomt Bank** publicly traded 10.09 percent of its shares in November, worth MNT103.3 billion (\$32.8 million);
- **Mongolian Stock Exchange** traded 34 percent of the total shares in December and collected MNT11.9 billion (\$3.7 million) worth of investments.

Banks such as Khan Bank, Trade Development Bank, and KhasBank, which are leaders in their sector in terms of total assets, are planning to offer an IPO in 2023. As a result, the domestic capital market capitalization, which was about MNT7 trillion (\$2 billion) in 2022, is expected to increase to MNT10 trillion (\$3 billion) in 2023.



MSE will be included in FTSE Russell's Frontier Market category from September 2023.

Additionally, dividends and interest income from publicly traded securities issued by domestic entities have been reduced to 5%. Therefore, the participation of domestic and foreign entities in securities trading is likely to increase significantly.

I.1 GROSS DOMESTIC PRODUCT AND ECONOMIC GROWTH

In 2022, Mongolia's GDP reached MNT52.8 trillion (\$16.8 billion) at annual prices, a 21.4% increase from the previous year. Or reached MNT28.4 trillion at 2015 constant prices, an increase of 4.85% from the previous year.⁷

This indicator exceeded major domestic and foreign agencies' expectations. For example:

AGENCY:	PREDICTED	ACTUAL	DIFFERENCE
Central Bank of Mongolia	3.0%	4.85%	1.85%
Asian Development Bank	1.7%	4.85%	3.15%
International Monetary Fund	2.5%	4.85%	2.35%
World Bank	2.5%	4.85%	2.35%

GDP AT 2015 CONSTANT PRICES BY SECTOR /MNT billions , at 2015 average US dollar exchange rate/

SECTOR:	2015	2016	2017	2018	2019	2020	2021	2022	YoY	CAGR
AGRICULTURE	3,223	3,397	3,388	3,608	3,797	4,019	3,796	4,252	12.0%	4.0%
MINING AND QUARRYING	4,150	4,083	3,925	4,135	4,069	3,667	3,698	3,258	-11.9%	-3.4%
CONSTRUCTION	918	915	903	919	1,105	1,070	825	891	7.9%	-0.4%
WHOLESALE AND RETAIL	2,665	2,660	2,877	2,881	3,195	2,797	2,958	3,194	8.0%	2.6%
TRANSPORTATION AND STORAGE	1,202	1,281	1,293	1,482	1,547	1,265	1,172	1,208	3.0%	0.1%
HOTELS, APARTMENTS, APARTMENTS AND CATERING	221	258	269	314	344	262	279	374	33.8%	7.8%
INFORMATION AND COMMUNICATION	477	482	460	516	578	609	734	785	6.9%	7.4%
FINANCE AND INSURANCE	823	887	1,061	1,207	1,275	1,293	1,418	1,436	1.3%	8.3%
REAL ESTATE INDUSTRY	1,602	1,646	1,825	1,881	1,826	1,798	1,764	1,794	1.7%	1.6%
EDUCATION	998	999	1,028	1,065	1,130	1,094	1,094	1,175	7.4%	2.4%
ARTS, ENTERTAINMENT, GAMES AND FESTIVALS	94	95	104	106	111	110	112	136	20.9%	5.3%
TOTAL GDP IN ₮	₮ 22,895	₮ 23,236	₮ 24,546	₮ 26,447	₮ 27,928	₮ 26,655	₮ 27,092	₮ 28,405	4.8%	3.1%
TOTAL GDP IN \$	\$11.6	\$11.8	\$12.5	\$13.4	\$14.2	\$13.5	\$13.7	\$14.4		

“ At 2015 adjusted prices, the mining, agriculture, and manufacturing sectors account for the majority of GDP. The sectors that showed the highest year-on-year changes were hotels and catering (33%), arts and entertainment (20%), and the agricultural sector (12%). **(2015-2022 GDP 2015=100 CAGR 3.1%)**

⁷ National Statistics Office (NSO)
– Gross Domestic Product

GDP AT CURRENT PRICES BY SECTOR

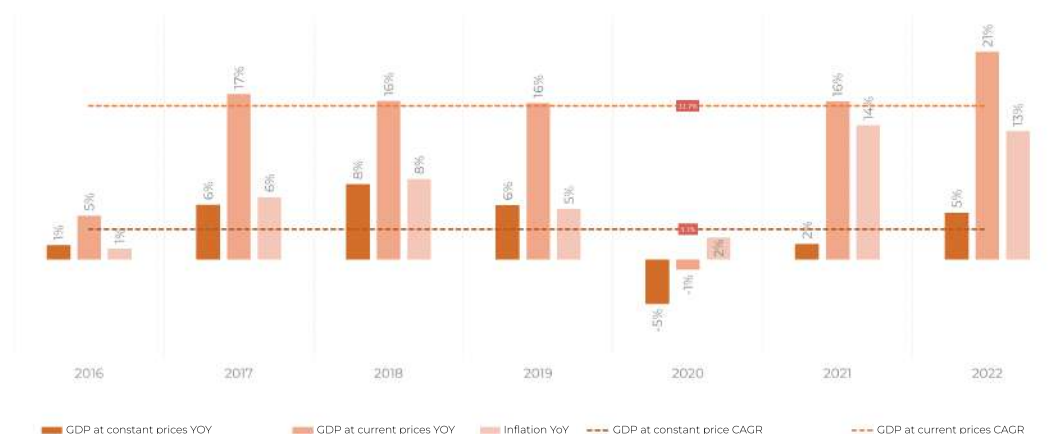
/MNT billions , at average US dollar exchange rate of that year/

SECTOR:	2015	2016	2017	2018	2019	2020	2021	2022	YoY	CAGR
AGRICULTURE	3,223	3,022	3,120	3,724	4,374	4,856	5,733	7,003	22.1%	11.7%
MINING AND QUARRYING	4,150	4,823	7,008	8,371	9,590	8,722	10,754	12,869	19.7%	17.5%
CONSTRUCTION	918	903	906	986	1,329	1,368	1,369	1,881	37.4%	10.8%
WHOLESALE AND RETAIL	2,665	2,621	2,868	3,090	3,644	3,437	4,070	5,015	23.2%	9.5%
TRANSPORTATION AND STORAGE	1,202	1,274	1,319	1,539	1,687	1,412	1,597	2,105	31.8%	8.3%
HOTELS, APARTMENTS, APARTMENTS AND CATERING	221	263	278	345	400	321	383	543	41.7%	13.7%
INFORMATION AND COMMUNICATION	477	506	505	572	666	717	915	1,003	9.6%	11.2%
FINANCE AND INSURANCE	823	905	1,104	1,274	1,561	1,690	2,060	2,513	22.0%	17.3%
REAL ESTATE INDUSTRY	1,602	1,636	1,752	1,860	1,948	1,997	2,075	2,339	12.7%	5.6%
EDUCATION	998	1,073	1,122	1,225	1,524	1,645	1,740	2,022	16.2%	10.6%
ARTS, ENTERTAINMENT, GAMES AND FESTIVALS	94	93	108	113	136	154	159	194	22.5%	10.9%
TOTAL GDP IN ₮	₮ 22,895	₮ 23,931	₮ 28,011	₮ 32,583	₮ 37,839	₮ 37,453	₮ 43,555	₮ 52,867	21.4%	12.7%
TOTAL GDP IN \$	\$11.6	\$11.1	\$11.5	\$13.2	\$14.2	\$13.3	\$15.3	\$16.8		



Looking at the structure of GDP in 2022 prices, the mining, agriculture, wholesale and retail trade sectors lead, accounting for 24%, 13% and 10% of GDP, respectively. However, the sectors with the highest positive changes compared to the previous year were hotel and catering activities (41.7%), construction (37%), and transportation and storage activities (31%). **(2015-2022 GDP CAGR 12.7%)**

GDP GROWTH AND INFLATION RATE



Foreign trade

In 2022, Mongolia made \$21.2 billion in foreign trade, a 32 percent increase from 2021. Export and import figures for 2022 reached a historical high. Specifically, exports were \$12.5 billion and imports were \$8.7 billion. Foreign trade balance reached \$3.8 billion and set a historical record. Foreign trade balance has been positive since 2014.

A total of 83% of all exports went to China. In addition, 37 percent of the country's imports also came from China. Mineral products account for 81 percent of total exports, and mining products such as precious stones account for 11 percent.

FOREIGN TRADE TURNOVER

/in USD billions/



MAJOR TRADE PARTNERS AND PRODUCTS

/in USD millions/

MAIN EXPORT PARTNERS			MAIN IMPORT PARTNERS		
China	\$7,639	83%	China	\$2,520	37%
Swiss	\$870	9%	Russia	\$1,955	29%
Singapore	\$254	3%	Japan	\$453	7%
South Korea	\$223	2%	South Korea	\$309	5%
Russia	\$113	1%	Germany	\$223	3%
MAIN EXPORT GOODS			MAIN IMPORT GOODS		
Minerals	\$876	81%	Diesel fuel	\$590	11%
Precious stones & metals	\$122	11%	Cars	\$385	7%
Plant based products	\$31	3%	Gasoline	\$391	6%
Food & beverage	\$18	2%	Trucks	\$385	5%
Agricultural products	\$13	1%	Electricity	\$160	2%

1.2 FOREIGN DIRECT INVESTMENT, EXCHANGE RESERVE, FOREIGN DEBT

Exchange rate

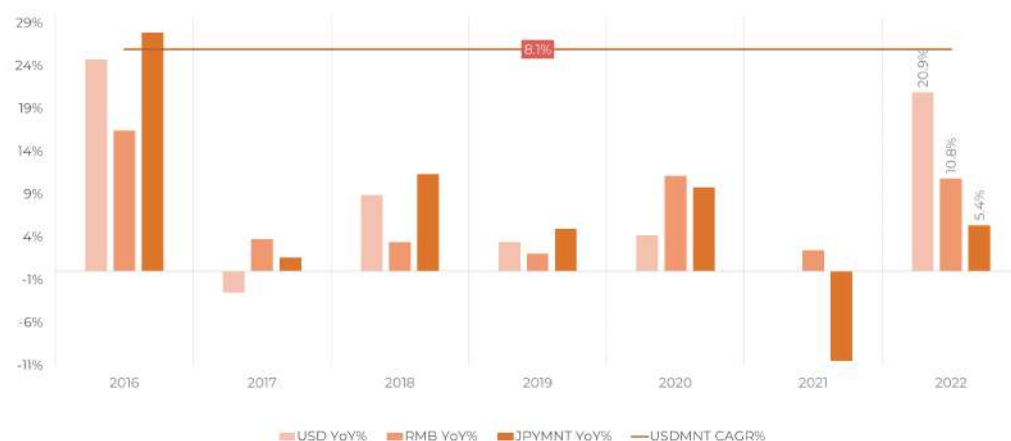
At the end of 2022, the US dollar exchange rate increased by 21 percent from the previous year and reached ₮3,446. In addition, the yuan exchange rate has risen by 11 percent and the yen by 5 percent since 2021. The sharp weakening of MNT against the US dollar can be explained by the increase in inflation related to the pandemic. In addition, the lack of supply of goods caused by the political situation in Russia-Ukraine, and the decrease in the official reserves of the US dollar.

According to statistics for 2015-2022, the compound annual growth rate (CAGR) of the US dollar exchange rate against MNT is 8.1 percent.⁸



When the MNT weakens against a foreign currency, investors who have invested in a foreign currency may experience a loss on exchange rate differences. This may cause a decrease in overall investment returns.

EXCHANGE RATE GROWTH OF MAJOR CURRENCIES



Foreign Direct Investment (FDI)

Investors may suffer losses due to the strengthening of the US Dollar and other major currencies.

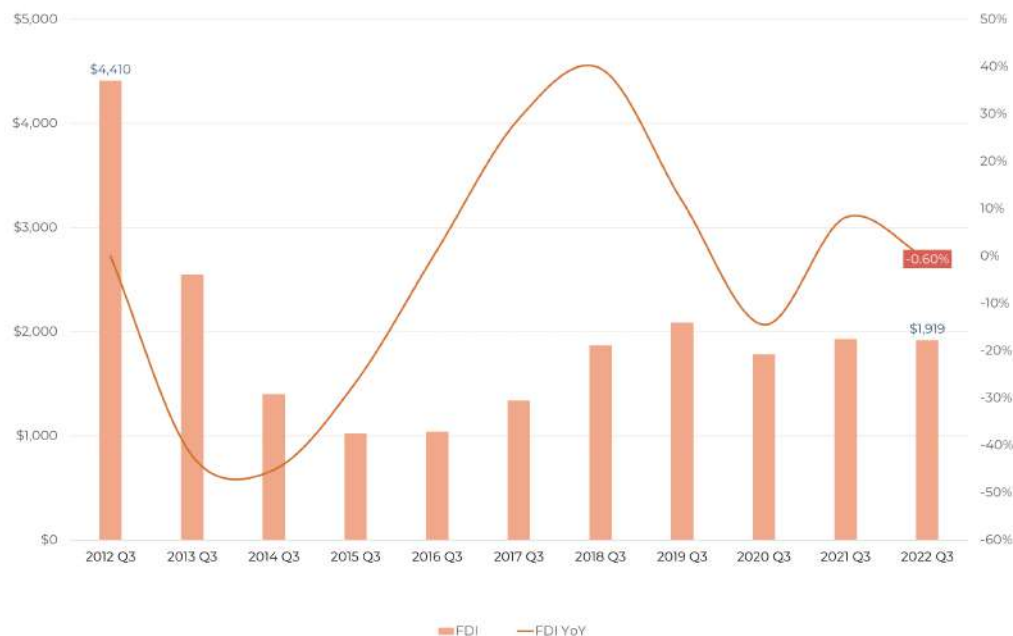
In the first three quarters of 2022, total Foreign Direct Investment inflows were \$1,919 million, a decrease of 0.6% from the same period previous year, of which \$1,312 million was attributed to the mining sector.⁹

In terms of FDI inflows, Wholesale and retail trade, Electricity, gas, ventilation, Financial and insurance activities, as well as Management and support activities, collectively accounted for 93% of the total.

⁸ NSO- Foreign Exchange Rate

⁹ Bank of Mongolia statistics

FOREIGN DIRECT INVESTMENT INFLOW
/in USD millions/



Foreign Debt

In the third quarter of 2022, the total foreign debt of the Government, the Central Bank, and the private sector totaled \$32,446 million. Compared to the same period last year, this represents a decrease of 2%. Approximately 99.8% of the total debt is denominated in foreign currencies.

During the year 2022, the Mongolian Government maintained its credit rating at "Stable B".

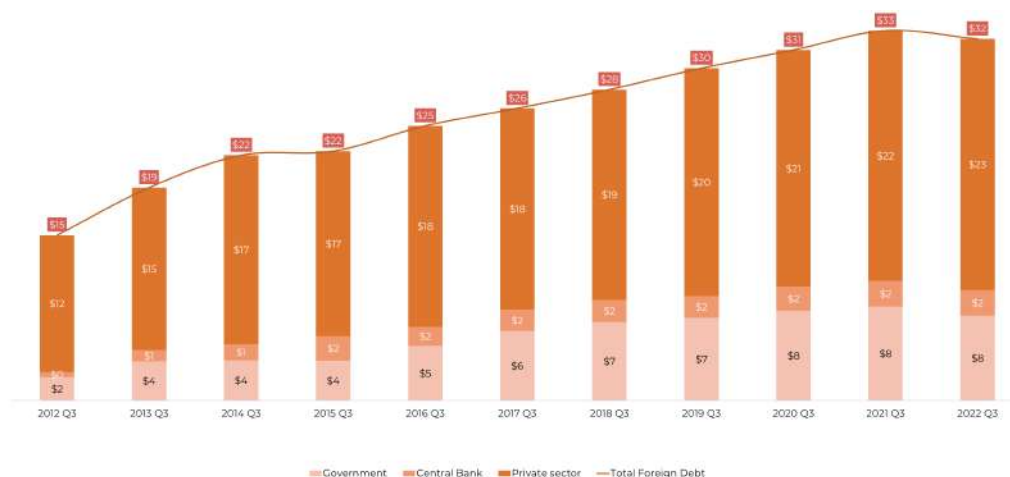
The government also has the responsibility of paying a total of \$1.1 billion. This includes \$530 million of Gerege bonds in May 2023 and \$600 million of Khuraldai bonds in 2024.

“ In January of 2023, the government issued a bond worth \$650 million and collected the investment within one day. It appears that international investors place a high level of confidence in the management of Mongolia’s external debt.



STRUCTURE OF TOTAL FOREIGN DEBT

/in USD billions/



Foreign Exchange Reserve

In 2022, the official Foreign Exchange Reserve reached \$3,400 million, a decrease of 20% from the previous year.

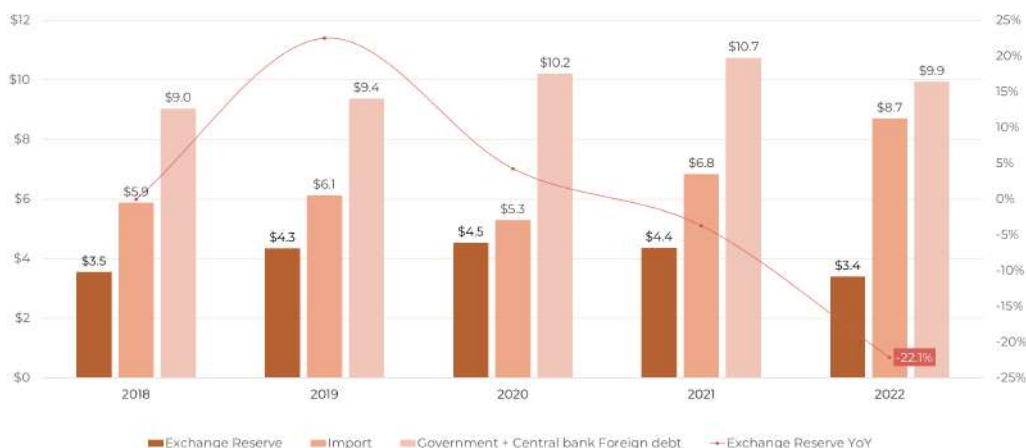
The current reserves are sufficient to withstand about 50% or six months of the country's imports which was \$8,700 million in 2022. Additionally, it is only three times as much as future bond payments of \$1.1 billion due in the near future.¹⁰

“

By constructing new railways, allowing coal to be traded transparently on the stock exchange, and modernizing ports, the government is attempting to increase the state's foreign currency reserves.

OFFICIAL FOREIGN EXCHANGE RESERVE

/in USD billions/



¹⁰ Монголбанк Статистик мэдээ

1.3 CAPITAL MARKET

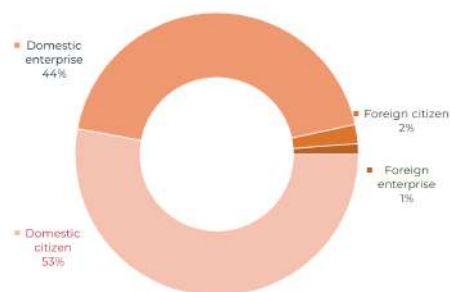
As of the end of 2022, Mongolia's stock market value reached MNT6.89 trillion (\$2 billion), an increase of 15% over the same period the previous year, representing 14% of the country's GDP.

At the end of 2022, there were 181 companies listed on the Mongolian Stock Exchange. There are 30 highly valued companies that make up 93.9% of the total value of the stock market, including APU, Golomt Bank, State Bank, Tavantolgoi, and Invescore NBF. The remaining 6.1% consists of 151 companies¹¹.

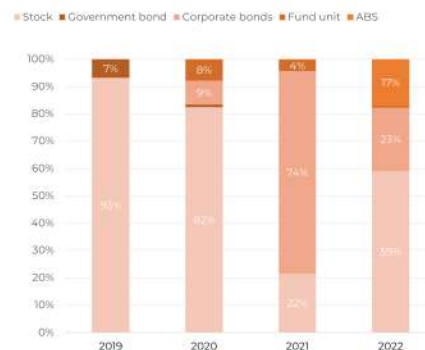


The first mutual fund ("Fund") was publicly listed on the MSE in 2020, the first asset-backed security ("ABS") began trading in 2021. And the Over-the-counter ("OTC") market was launched in 2021. The variety of securities traded in Mongolian capital market are relatively limited, and mostly traditional products are available.

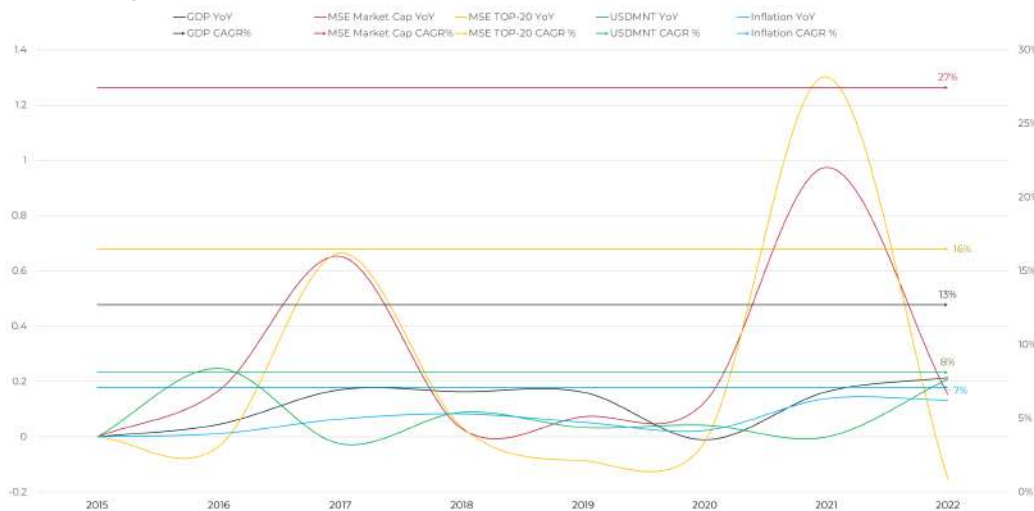
TYPE OF SECURITY TRADERS IN 2022



STRUCTURE OF SECURITIES TRADED ON MONGOLIAN STOCK EXCHANGE (MSE)

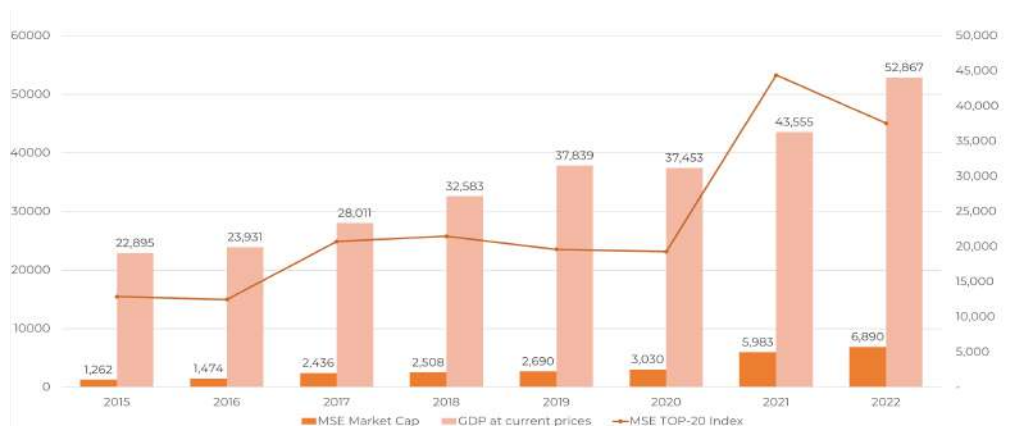


GROWTH OF GDP, STOCK MARKET CAP, USD/MNT RATE, MSE TOP-20 INDEX AND INFLATION



¹¹ Mongolian Stock Exchange (MSE)
- Securities Trade Report 2022

GDP, STOCK MARKET CAP in MNT billions / MSE TOP-20 STOCK INDEX PRICE



IPOs ISSUED ON MSE IN 2022

IPO issuer	Raised funds (million)	Order subscription (million)	Fulfillment rate %	Participants	Average order amount
Mognolian Stock Exchange (MSE)	₮ 11.9	₮ 57.9	487%	7414	₮ 7.8
Colomt Bank	₮ 118.8	₮ 175.8	148%	21281	₮ 8.3
State Bank	₮ 22.1	₮ 67.3	305%	7503	₮ 9.0
Sendly	₮ 10.0	₮ 11.6	116%	3416	₮ 3.4
Mon Beef	₮ 2.9	₮ 6.6	228%	2524	₮ 2.6

“ In 2022, five companies issued Initial Public Offerings on MSE in 2022, with an average order fulfillment rate of 257%. This is indicative of strong investor demand and the potential investor appetite for the capital market.



CHINGGIS KHAAN MUSEUM

POLICE

POLICE

SECTION 2

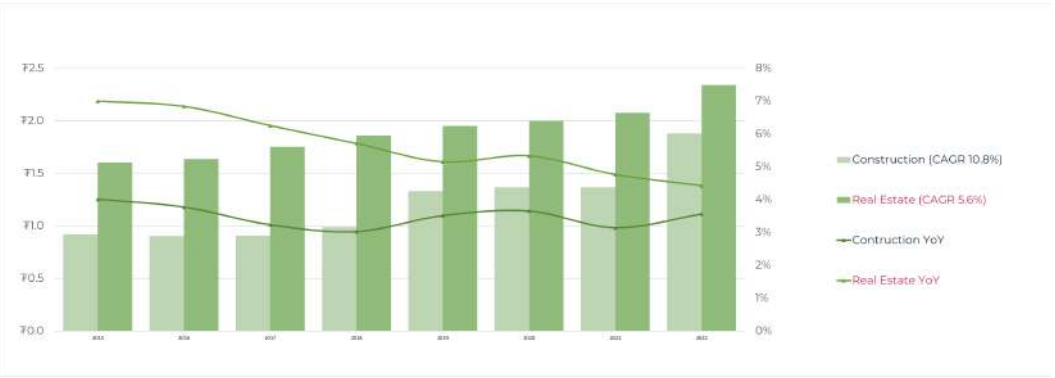
CONSTRUCTION & REAL ESTATE SECTOR OVERVIEW

- *II.1 Sector Output*
- *II.2 Sector-Oriented Investments*
- *II.3 Real Estate Brokerage Sector Performance*

II.1 SECTOR OUTPUT

In 2022, the construction sector output grew by 37% YoY to MNT1.9 trillion (\$545 million) accounting for 3.6% of total GDP. Meanwhile, the Real Estate sector output grew by 12.7% YoY to MNT2.3 trillion (\$678 million) which accounted for 4.4% of GDP.

SECTOR OUTPUT AS OF % IN THE GDP */in MNT trillions/*



Statistics for 2015-2022 indicate a compounded annual growth rate (CAGR) of 10.8% for the Construction industry and a CAGR of 5.6% for the Real Estate industry.¹² Meanwhile, on a global level, real estate sector CAGR was 5.2% or 400 basis points lower than Mongolia's level. Internationally, the outlook for real estate sector for the years between 2022-2030 is CAGR of 4.8%. However, we predict Mongolia's growth rate will stay fairly constant.

Like many developing markets, an urbanization, tourism, and foreign investments will expand the market capacity and support industry acceleration.

CONSTRUCTION COST

Based on statistics from 2015-2022, the General Index for construction costs has increased by 13% (CAGR) every year assuming 2015=100.

Construction materials and interior materials are primarily imported, and the cost of construction has increased as a result of the breakdown of the supply chain during the pandemic. In 2022Q4 compared to pre-COVID 2019Q4, the General Index increased by 91%, non-residential construction costs increased by 88%, and residential construction costs increased by 112%.

INDEX TYPE	2015	2016Q4	2021Q4	2022Q4	YoY	Pre-COVID	CAGR
Residential building	100.0	105.0	210.3	280.4	33.3%	112.9%	15.9%
Non-Residential building	100.0	102.2	177.3	231.2	30.4%	88.7%	12.7%
General index	100.0	102.8	181.9	237.4	30.5%	91.4%	13.1%

Construction costs have already increased to the level shown in the index above. However, over the last few months of 2022, disruptions to the import supply chain have eased. There was also a decrease in supply and the number of projects being commissioned was less than the demand. As a result, the market became a seller's market. This being the case, we anticipate that the price increase of newly commissioned projects, and by extension, existing inventory on the secondary market, will stabilize in 2023, but will not decline.

12 NSO- GDP by sector

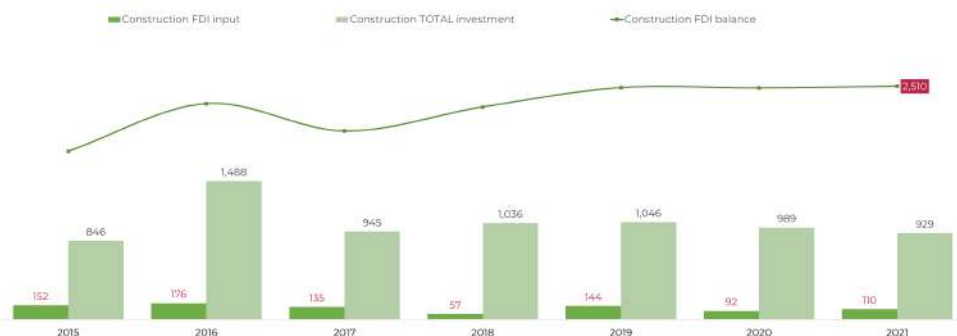
II.2 SECTOR-ORIENTED INVESTMENTS

Mongolia invested MNT15.9 trillion (\$5 billion) in 2021, of which MNT929 billion (\$295 million) was invested in the construction sector. Another MNT93 billion (\$29 million) was invested in the real estate sector, which accounted for 5.85% and 0.59% of total investments, respectively.¹³

Foreign Direct Investment: In 2021, foreign direct investment inflow contributed 11% of total investments made in the construction sector. During the same period, the real estate sector's FDI inflow accounted for 88% of total investments. A major factor contributing to this trend is the expansion of real estate brokerage activities by international franchise companies.

INVESTMENT IN CONSTRUCTION SECTOR

/in MNT billions/



INVESTMENT IN REAL ESTATE SECTOR

/in MNT billions/



Bank Loan: According to the information of the Bank of Mongolia, in 2022, banks issued new loans totaling MNT31.4 trillion (\$10 billion). This is a 10% increase from the previous year. 4.3% of the total loans granted are in the construction sector and 5% in the real estate sector.

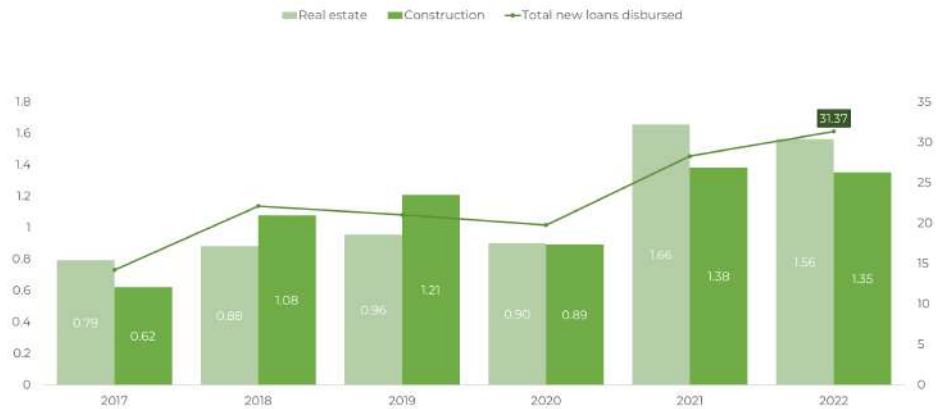
In the fourth quarter of 2022, banks tightened their credit requirements in order to stabilize inflation. The weighted average interest rate on newly granted loans was 17.9% in the Construction sector and 11.1% in the Real Estate sector. This was an increase compared to the beginning of the year.¹⁴

¹³ NSO- Investment by sector

¹⁴ Statistics by Central Bank of Mongolia

NEWLY ISSUED BANK LOANS

/in MNT trillions/



NEWLY ISSUED BANK LOANS

/Weighted Average Interest Rate/



Over-the-counter market debt securities: Along with bank lending, non-exchange market securities have also become more prevalent in recent years. The Mongolian OTC market began operating in September of 2021. In the OTC market, debt instruments are primarily issued by non-bank financial institutions, mining companies, and real estate companies.

A total of 45 issuers received financing of MNT498.3 billion (\$158.5 million) through OTC bonds in 2022.¹⁵ Among these amounts, MNT50.8 billion (\$16.2 million) was raised via ordinary debt instruments to finance the development of construction projects. Besides, MNT7.6 billion (\$2.4 million) was raised via "REIT Bond" which has a convertible condition and has a similar principle to the well-known Real Estate Investment Trust ("REIT").



As of 2022, The average term of ordinary bonds for development projects was 17 months, the average coupon rate was 17.6%, and the overall order fulfillment success rate was 91%.

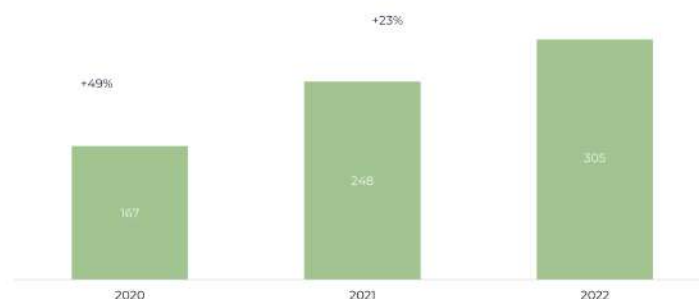
¹⁵ Financial Regulatory Commission (FRC) - Financial Industry Report 2022

II.3 REAL ESTATE BROKERAGE SECTOR PERFORMANCE

There are 305 licensed real estate brokerage (REB) firms operating in Mongolia as of the end of 2022. There was an increase of 23% or 57 from last year's same period.

293 of these institutions have the right to broker sales and leases; 171 are licensed to conduct property management activities, 168 are licensed to purchase, repair and sell, and 12 are licensed to engage in other activities approved by the Financial Regulatory Commission (FRC).

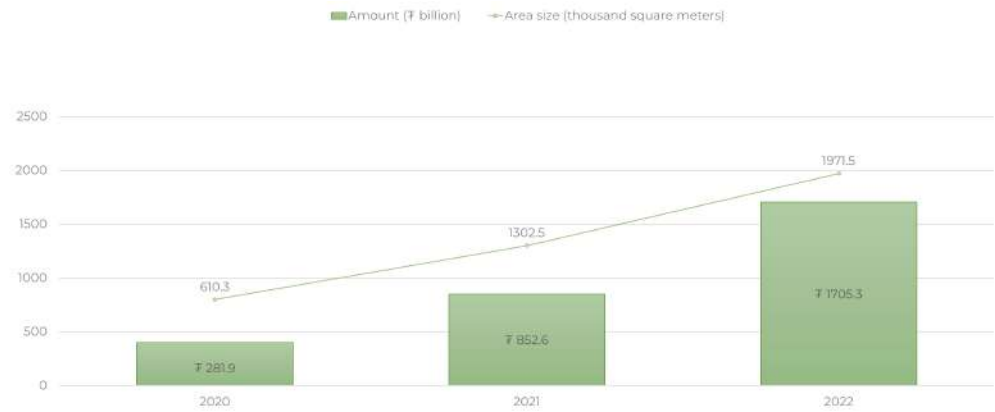
LICENSED REAL ESTATE BROKERAGE COMPANIES



SALES MARKET

Over the course of 2022, the REB companies have brokered a total of 8,983 transactions involving 4 types of real estate with an area of 1.9 million square meters and a value of MNT1.7 trillion (\$ 542 million). There was an increase of MNT852.7 billion in real estate brokerage services compared with the previous year, or by two times.

REAL ESTATE SALES IN 2022



Remax Mongolia's performance alone accounts for MNT923 billion or approximately 55% of these transactions. According to the company's report, properties generally sell within 40 days.¹⁶

It was found that most of the deals involved properties with an area of up to 100 square meters, and the brokerage fees mostly ranged from 2.01% to 2.74%

<2%	3523 units	<50sq.m	3674 units
2.01%-2.74%	4741 units	51-100sq.m	4057 units
2.75%-4%	330 units	101-400sq.m	811 units
>4%	389 units	>400sq.m	441 units
TOTAL	8983 units	TOTAL	8983 units

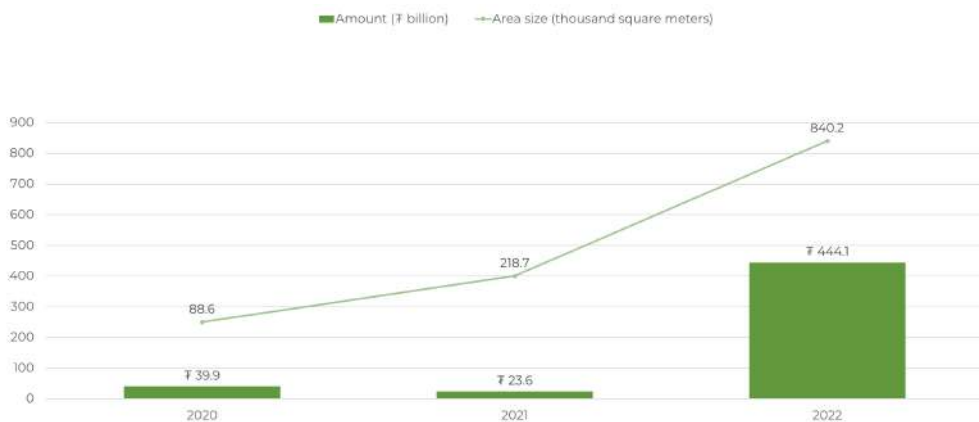
LEASE MARKET

The total number of deals in 2022 totaled 7,700, and 840,000 square meters of property worth MNT444.1 billion (\$141 million) were leased through all broker companies. In comparison to the previous year, this represents an increase of 18.8 times.

¹⁶ REMAX MONGOLIA - Transaction report 2022



REAL ESTATE LEASES IN 2022



In terms of real estate leases, apartments account for 79.9% of transactions. Typically, the rental brokerage fee is between 6 and 8%. It is important to note that this is only a brokerage fee and does not include fees associated with lease management (collecting payments, enforcing lease agreement provisions, preparing financial reports etc).¹⁷

Also, properties with an area up to 100 sq.m was a popular in overall transactions.

<2%	889 units	<50sq.m	3110 units
2-4%	1092 units	51-100sq.m	3176 units
4-6%	427 units	101-200sq.m	933 units
6-8%	3502 units	>200sq.m	481 units
>8%	1790 units		
TOTAL	7700 units	TOTAL	7700 units

¹⁷ Financial Regulatory Commission (FRC) - Financial Industry Report 2022



SECTION 3

FOR REAL ESTATE
INVESTORS

- *III.1 Speculation Regarding The Regulation Of The Real Estate Industry*
- *III.2 Who Can Own Real Estate In Mongolia?*
- *III.3 Taxes Related To Real Estate Ownership*
- *III.4 Investor Representation: Property Management Company*

III.1 SPECULATION REGARDING THE REGULATION OF THE REAL ESTATE INDUSTRY

01

LEGAL NEEDS FOR REITS OR REAL ESTATE INVESTMENT TRUSTS

Among certain associations and member organizations of the industry, a preliminary meeting was held in February of 2023 to address the needs of the law "On Real Estate Investment Funds." Since the working group has been established, discussions of the law will likely take place shortly, and sector-oriented investments will likely take place in a manner similar to global standards in the near future. It is likely that there will be an opportunity for the REIT model to be implemented.

02

INVESTMENT FUND ACTIVITIES ARE EXEMPT FROM INCOME TAX

From Jan 1, 2023, the operating income of the Investment Fund will be exempt from corporate income tax. As a result, fund activities will be stimulated, and funds with specific strategies, such as real estate dominant portfolios, will be able to be developed in large numbers. In accordance with the current law, only private funds (with fewer than 50 professional investors) may invest in real estate and related rights. The investment of public funds in real estate is, however, prohibited.

03

DISCUSSION ON THE LAW OF THE REAL ESTATE BROKERAGE INDUSTRY

Representatives of the real estate brokerage industry attended a preliminary open discussion on the "Real Estate Brokerage Industry Law" in February 2023. The regulation of real estate brokerage activities may change in the future.

III.2 WHO CAN OWN REAL ESTATE IN MONGOLIA?

Disclaimer: Please note that the content of this report is intended for informational purposes only. If you require official, true and correct legal advice, you should consult with a professional organization or staff member!

REAL ESTATE

In accordance with the laws of Mongolia, immovable property is defined as land and buildings attached to land.

LAND

The Land Law was approved in 2002 and came into force. Land relations in Mongolia are regulated by the Land Law and other related laws in accordance with the Constitution.

Several concepts are defined in Mongolia's land legislation, including ownership, possession, and use of land. It is important to note that these concepts differ in terms of the scope and content of managing land and keeping it under one's control.

LAND OWNERSHIP RIGHT

Ownership of land means holding it under your control with the right to dispose of it. Lands except those owned by citizens of Mongolia are owned by the state. Mongolian citizens can own land for family or household purposes under the terms and conditions specified in the law. Landowners are prohibited from transferring land ownership to foreign citizens and legal entities.

Foreign citizens and legal entities cannot own land in Mongolia.

LAND POSSESSION RIGHT

Citizens and entities of Mongolia have the right to possess land for household purposes and business purposes. The person entitled to possess land shall keep the land in his possession according to the valid certificate and the conditions specified in the contract with the land owner. This shall be done within the limits allowed by law. Land can be possessed for 15-60 years and this can be extended by up to 40 years. When acquiring land rights for the first time, the initial price of the land must be paid, and the land fee will be paid every year in accordance with the law. The right to possess land can be transferred only between Mongolian citizens and enterprises and can be used as collateral.

Foreign citizens and legal entities cannot possess land in Mongolia.

LAND USE RIGHT

Land use rights are relatively limited rights. Land use shall be understood as the use of the beneficial qualities of the land in accordance with the agreement concluded with the land owner and possession holder within the scope permitted by law. In addition to Mongolian citizens and enterprises, international organizations, foreign-invested legal entities, foreign citizens permanently residing in Mongolia, and foreign legal entities can use the land under the conditions specified in the law and contract. Only Mongolian individuals and legal entities can use land in specially protected areas. The right to use specially protected land is granted for 5 years, and the right can be extended for another 5 years. As with land ownership rights, the land user is responsible for paying the relevant land fees.

Foreign citizens and legal entities can only be land users on the basis of a specific purpose, period, conditions, and contract according to the laws of Mongolia.

OTHER REAL ESTATE

According to the law, the ownership of immovable property (real estate other than land) is only guaranteed after registration with the General Authority for State Registration.

Real estate other than land can be owned by Mongolian citizens and enterprises, as well as foreign citizens, legal entities, and legal entities with foreign investments.

Therefore, all transactions related to immovable property (such as sale, transfer, lease, mortgage, construction of buildings on other people's land) (Contracts) must be registered in the property rights registry office of General Authority for State Registration.

A property owner who is registered and certified with the Property Rights Registry must pay property taxes based on the valuation of the property every year. Taking into consideration the location, purpose, size, market demand and supply of the property, resolutions made by Citizen`s Representatives Meeting of the province or the city will determine the annual property tax rate at 0.6-2.0 percent.

Furthermore, if real estate is sold, depending on the circumstances, you may be liable to pay a tax of 2-20 percent on the proceeds of the sale. Information on taxes related to immovable property is detailed in the next section.

Official unified information system of legal acts approved in Mongolia: <https://legalinfo.mn/mn>

“ There are no legal restrictions on foreign citizens, legal entities, and foreign-invested enterprises becoming owners of immovable property other than land located in Mongolia. After successful registration of the contract related to the transfer of real estate rights in the state registry office, the real estate rights become effective.

“ Foreign citizens and legal entities do not have to come to Mongolia in person to purchase and own real estate. However, with a valid power of attorney or apostille document, it is possible to purchase real estate through an authorized representative and register ownership rights in one's own name.

“ 0.6-2.0% annual property tax is imposed on all immovable property in the territory of Mongolia, except for immovable property that is exempt from tax. A specific percentage shall be determined by the resolution of the meeting of Citizens' Representatives.

III.3 TAXES RELATED TO REAL ESTATE OWNERSHIP

Disclaimer: Please note that the content of this report is only intended to be used as a resource for informational purposes. For accurate and official tax advice, please consult a professional organization or staff!

This chapter outlines the tax regulations and information that will arise in the case of direct investments as "Buy-to-let" which is the traditional method of investing in real estate.

In accordance with the investment lifecycle, the information is presented in four stages. Those include:

- I. Purchase of a property;
- II. Property ownership;
- III. Leasing the property;
- IV. Selling the property.

In addition, Mongolian laws and regulations categorize taxpayers as follows and tax them differently:

- 1. Resident citizen;
- 2. Non-resident citizen;
- 3. Enterprise located in Mongolia;
- 4. Enterprises not located in Mongolia.

Finally, since regulations related to real estate may differ depending on the purpose of the project, in order to provide information suitable for the different needs and interests of each investor, the purpose of the property is classified as follows:

- a. For residential use;
- b. For non-residential purposes.

Note: The following tax information applies to the ownership of real estate other than land for investment purposes.

The following regulations are in place as of February 2023 and are subject to change.

STAGE I : PURCHASE OF A PROPERTY

STAGE	TAX PAYER CATEGORY	PROPERTY CATEGORY	OVERVIEW	TAX RATE	NOTE
I. Purchase of a property	1. Resident citizen	a. Residential	Buyers are not subject to any taxes associated with the purchase of a real estate, but there are associated fees and charges. However, the seller is responsible for paying VAT or sales tax which are usually included in the Sales price already.	A) If it is the first time registration of the ownership rights of a new property, the buyer shall pay 0.01% of the value as a state registration stamp duty fee. B) For the transferring of ownership rights, a service fee of MNT20,000-MNT40,000 will be paid, and the state registration stamp duty fee will not be paid.	Please note that if transferring ownership, the previous owner must provide the buyer with the original copy of the State Registration Certificate, payment receipt of property sales tax (2% of the of the price).
		b. Non- residential			
	2. Non-resident citizen	a. Residential			
		b. Non- residential			
	3. Enterprise located in Mongolia	a. Residential			
		b. Non- residential			
	4. Enterprises not located in Mongolia	a. Residential			
		b. Non- residential			

STAGE II : PROPERTY OWNERSHIP

STAGE	TAX PAYER CATEGORY	PROPERTY CATEGORY	OVERVIEW	TAX RATE	NOTE
II. Property ownership	1. Resident citizen	a. Residential	All types of immovable property will be taxed annually. Citizens and enterprises owning a property shall report and pay this tax annually to the relevant tax authority.	An annual 0.6-2.0% property tax is imposed on all immovable property in the territory of Mongolia, except for immovable property that is exempt from tax. A specific percentage shall be determined by the resolution of the meeting of Citizens' Representatives. (residential units in aimags or soums and 2 apartments in the city is exempted)	Valuation of immovable property is determined: A) by the purchase value registered in the state registration office; B) in the amount insured for property insurance; C) by the amount registered as the book value. (If A is not possible, B, if B is not possible, C method)
		b. Non- residential			
	2. Non-resident citizen	a. Residential			
		b. Non- residential			
	3. Enterprise located in Mongolia	a. Residential			
		b. Non- residential			
	4. Enterprises not located in Mongolia	a. Residential			
		b. Non- residential			

18 Улсын бүртгэлийн ерөнхий газар

19 Үд хөдлөх эд хөрөнгийн албан татварын тухай хууль

STAGE III : LEASING THE PROPERTY

STAGE	TAX PAYER CATEGORY	PROPERTY CATEGORY	OVERVIEW	TAX RATE	NOTE
III. Leasing the property	1. Resident citizen	a. Residential	Income generated by renting out a residential property or leasing a non-residential property will be imposed: 1. Value Add Tax (VAT); 2. Income tax.	1. The activity of renting an apartment is exempted from VAT. 2. 10% PIT shall be paid on the amount of the income earned from the renting less the related expenses.	Parties who sell goods, works and services worth less than MNT 50 million per year (except for imports) will be exempted from VAT.
		b. Non- residential		1. VAT of 10% of total Rental income must be paid. 2. 10% PIT shall be paid on the amount of the income earned from the renting less the related expenses.	
	2. Non-resident citizen	a. Residential		1. The activity of renting an apartment is exempted from VAT. 2. 20% PIT shall be paid on the amount of the income earned from renting.	
		b. Non- residential		1. VAT of 10% of total Rental income must be paid. 2. 20% PIT shall be paid on the amount of the income earned from renting.	
	3. Enterprise located in Mongolia	a. Residential		1. The activity of renting an apartment is exempted from VAT. 2. 10-25% CIT shall be paid on the amount of the income earned from the renting less the related expenses.	
		b. Non- residential		1. VAT of 10% of Sales income must be paid. 2. The Property sales tax of 2% of the total value must be paid.	
	4. Enterprises not located in Mongolia	a. Residential		1. Income from the sale of a property used for residential purposes or its part is exempt from VAT. (Those recorded as inventory are levied 10% VAT.) 2. 20% PIT shall be paid on the total sales proceeds must be paid.	
		b. Non- residential		1. VAT of 10% of Sales income must be paid. 2. 20% PIT shall be paid on the total sales proceeds must be paid.	

STAGE IV : SELLING THE PROPERTY

STAGE	TAX PAYER CATEGORY	PROPERTY CATEGORY	OVERVIEW	TAX RATE	NOTE
IV,Selling the property	1. Resident citizen	a. Residential	Income generated by-sale of a property will be imposed: 1. Value Add Tax (VAT); 2. Income tax.	1. The activity of renting an apartment is exempted from VAT. 2. 10% PIT shall be paid on the amount of the income earned from the renting less the related expenses.	Parties who sell goods, works and services worth less than MNT 50 million per year (except for imports) will be exempted from VAT.
		b. Non- residential		1. VAT of 10% of total Rental income must be paid. 2. 10% PIT shall be paid on the amount of the income earned from the renting less the related expenses.	
	2.Non-resident citizen	a. Residential		1. The activity of renting an apartment is exempted from VAT. 2. 20% PIT shall be paid on the amount of the income earned from renting.	
		b. Non- residential		1. VAT of 10% of total Rental income must be paid. 2. 20% PIT shall be paid on the amount of the income earned from renting.	
	3.Enterprise located in Mongolia	a. Residential		1. The activity of renting an apartment is exempted from VAT. 2. 10-25% CIT shall be paid on the amount of the income earned from the renting less the related expenses.	
		b. Non- residential		1. VAT of 10% of total Rental income must be paid. 2. 10-25% CIT shall be paid on the amount of the income earned from the renting less the related expenses.	
	4.Enterprises not located in Mongolia	a. Residential		1. The activity of renting an apartment is exempted from VAT. 2. 20% CIT shall be paid on the amount of the income earned from renting.	
		b. Non- residential		1. VAT of 10% of total Rental income must be paid. 2. 20% CIT shall be paid on the amount of the income earned from renting.	



III.4 INVESTOR REPRESENTATION: PROPERTY MANAGEMENT COMPANY

As of the end of 2022, there were 171 companies licensed by the FRC to provide property management services.

There is no specific regulation defining the scope, content, and standards of property management activities. However, service providers may provide comprehensive coverage of the following activities or provide specialized services:

1. Engineering and infrastructure repair and maintenance (Maintenance services)

Services such as engineer inspections, paid repairs, and on-call services are included in this category.

2. Project operation management (Building management)

Among these services are security, cleaning, customer care, and concierge services.

3. Lease Management

All aspects of dealing with tenants are included, including rental sales and marketing, payment collection, performance of contractual obligations, preparation of financial statements, legal and tax advice, etc.



Choosing a professional property management company would provide an investor with :

- a **Maximum rental income** (1)
- while **Minimizing the risk of income interruption** (2)
- for the **Longest possible period** (3)
- with the **Least amount of resources** (4).

1

MARKET PRICING
POLICY &
IMPLEMENTATION
(SALE & LEASE)

2

OCCUPANCY RATE
MANAGEMENT, RENTAL
REVENUE
MANAGEMENT

3

CONTINUOUS
PROPERTY UP-KEEP

4

ENTIRE TENANT
RELATIONS VIA
PROPERTY MANAGER
ONLY

PROPERTY MANAGEMENT COMPANIES IN MONGOLIA

Many Real Estate Property Management Companies are established only to provide maintenance and service for the projects implemented by their affiliated Development Companies.

It is possible, however, for property management companies working on unaffiliated projects, to specialize in only one type of real estate or in just one operational function (only cleaning, security...).

AT INVESCORE PROPERTY, WE CARRY-OUT THE FOLLOWING SERVICES ON BEHALF OF THE PROPERTY OWNERS AND INVESTORS:



PROPERTY MANAGEMENT SERVICE PROVIDERS IN CLASS A AND A+ COMMERCIAL REAL ESTATE

TYPE	COMPANY	NUMBER OF PROJ-ECTS UNDER MAN-AGEMENT	AREA UNDER MANAGEMENT	OPERATING PERIOD /IN YEARS/
Service for affiliated projects	Shangri-La Ulaanbaatar	3	48,175 sq.m	14
	Invescore Property LLC	4	19,658 sq.m	6
	Master Property Manage-ment LLC	3	20,000 sq.m	7
	Mongolian Properties LLC	5	53,000 sq.m	16
Service for un-affiliated projects	Uniservice Solution LLC	30	327,000 sq.m	21
	Newcom Property LLC	6	120,000 sq.m	8
	Ayasgal Tsen LLC	5	10,850 sq.m	3

SERVICE PRICE AND COST

Depending on the scope of Real Estate Management services and the level of the project, service fees may vary. To provide an overview of the management fees, we have prepared the illustration below.

REQUIRED LI-CENSE	FUNCTIONS	PRICE INFORMATION		
		PAYMENT DESCRIPTION	FEE BASE AMOUNT	FEE
Property management	1) Engineering repair and maintenance	These two functions combined usually name "management fee". Payment for project's day-to-day services such as security, cleaning and maintenance.	per sqm	A class: ¥10,000-¥15,000 A- class: ¥5,000-¥9,000 B class: ¥3,000-¥5,000 B-,C-, class: <¥3,000
	2) Project operation management			
	3) Lease Management	Payment for entire tenant relations provided after lease agreement is signed.	from NET rental income	Varies between 5-7%.
+				
Real Estate Brokerage	4) Lease brokerage	Payment for finding a tenant to sign a lease.	from Lease Agreement amount	Varies between 6-8%.



SECTION 4

REAL ESTATE INVESTMENT OPPORTUNITIES IN MONGOLIA

- *Overview*
- *IV.1 Buy-To-Let*
- *IV.2 Project Development Bond*
- *IV.3 Crowdfunding*
- *IV.4 Private Investment Fund*
- *IV.5 Tokenization Of Real Estate Rights*
- *IV.6 REIT-Like Schemes: Bonds With Convertible Conditions*

OVERVIEW

By investing in real estate, an investor can benefit from:

- i) rental income;
- ii) future price increases.

Real Estate Investment Trusts ("REIT") are the most common real estate investment scheme, with more than 40 countries operating them around the world. As of 2021, 865 Real Estate Investment Trusts are operating internationally, and their overall value is \$2.5 trillion, or 167 times the GDP of Mongolia.²⁰

“ It should be noted that there are no official REIT products registered in Mongolia due to the absence of any specific regulations governing REIT products in the country.

There are, however, cases in which investment instruments such as shares, corporate debt instruments, and tokens operate on a similar principle to REITs. Those companies or products might contain REITs or have REITs as part of their names.

In spite of this, REITs, investment funds, citizens and enterprises located in foreign countries are not prohibited from investing in Mongolian real estate.

Taking into account the laws and regulations in force as of February 2023, we present the following opportunities for investing in real estate offered in the domestic market by Mongolian enterprises:

1. Buy-To-Let;
2. Project Development Bond;
3. Crowdfunding;
4. Private Investment Fund;
5. Tokenization of real estate rights;
6. REIT-like Schemes: Convertible Bond.

²⁰ NAREIT



IV.1 BUY-TO-LET PROPERTIES

Direct ownership of a property or Buy-To-Let is the most traditional form of real estate investment. There are no restrictions on the ownership rights of domestic and foreign citizens and enterprises except for land. Therefore, investors can search for, buy, and lease property using any database of their choice and start earning returns.

A total of 305 brokerage companies operate in Mongolia. Thus, you have the option of using them. Aside from international franchises such as Remax, Keller Williams, and Century 21, smaller and specialized companies are also available.

In 2022, Remax Mongolia's performance alone accounted for about 55% of the industry's total sales. As indicated by the company, the average selling period is 40 days, and the highest sales are recorded in March and September.

For those who prefer to outsource dealing with tenants and day-to-day property management to a professional company rather than getting them done personally through an open database, Invescore Property's buy-to-let offers are ideal.

Here is an example of the Buy-To-Let or Own-to-Lease products offered to domestic investors based on our residential and office projects:

“

As opposed to listing commercial properties publicly, a brokerage firm that has exclusive contract with the developer or the developer's affiliate brokerage firm is often used for the closing of Class A and A+ commercial real estate transactions.

“

Invescore Property is responsible for the entire property management of the projects it manages, including the lease management function. Along with providing daily maintenance and services to extend the lifespan of the property, we also aim to maintain the required occupancy rate. The rent price should also be set at a competitive level without interruption of payments.

BUY-TO-LET INVESTMENT:

SERVICED APARTMENTS LOCATED IN THE CENTRAL BUSINESS DISTRICT



GROSS RENTAL
YIELD
/per annum/

PRICE
APPRECIATION
/per annum/

10-13% + 5-10%

Download brochure: www.invescoreproperty.mn

BUY-TO-LET INVESTMENT:

A GRADE OFFICE IN UPCOMING NEIGHBORHOOD



GROSS RENTAL
YIELD
/per annum/

PRICE
APPRECIATION
/per annum/

8-11% + 5-10%

Download brochure: www.invescoreproperty.mn

IV.2 PROJECT DEVELOPMENT BONDS

Over-the-counter market (OTC) began operating in September 2021. It has since become possible for project developers and businesses to raise funds through debt instruments issued on the OTC market as well as commercial bank loans.

The construction and real estate sectors have become one of the OTC market's core business areas and have attracted a growing number of investors.

As of 2022, a total of MNT498.3 billion has been raised through OTC bonds.²¹ This includes MNT239 billion in debt instruments issued by companies in the construction and real estate industries. Among them, MIK HFC LLC raised funds through debt instruments secured by mortgage loans worth more than MNT180 billion.

The following debt instruments were also traded:
a) Project development bonds; b) Convertible bonds.

During 2022, a total of 7 development companies issued ordinary debt instruments(bonds) to finance the construction of their projects and attracted investments in the amount of MNT50.8 billion or \$16.2 million.

As a general rule, debt instruments are secured by the assets of the development project that is being financed. Occasionally, the parent companies serve as guarantors, thereby reducing the investor's risk by guaranteeing. Collateral may also include an issuer's future income backed by legitimate contracts.

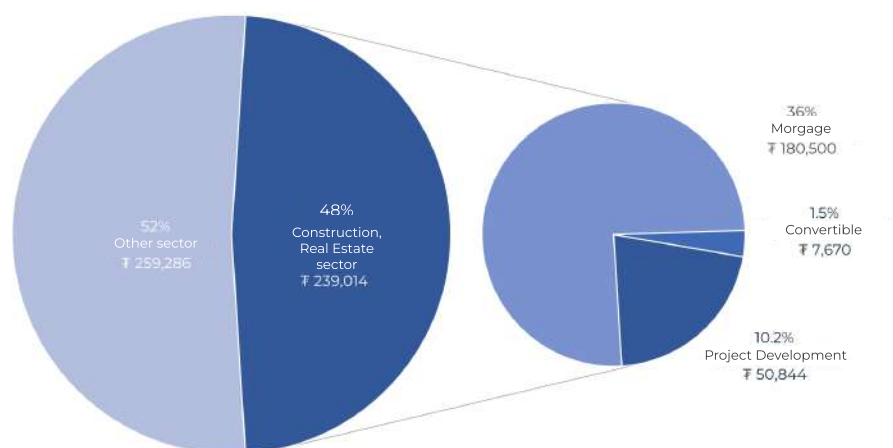
“ Approximately 91% of project development bonds were successfully fulfilled in 2022. This was with an average coupon rate of 17.6%, and an average term of 17 months for the project development bonds.

A total of MNT1.9 billion worth securities were issued for each tranche of bonds, which attracted an average of MNT1.7 billion of investment each.

“ In addition to the condition that the principal investment is repaid at the end of the term, ordinary debt instruments for project developments offer additional incentives. For example, they offer the option to purchase the development property at a discounted rate after the project has been completed.

DEVELOPMENT BONDS SOLD ON OTC MARKET IN 2022

/in MNT millions/



²¹ FRC:Financial Industry Report 2022

Some of the major products traded on the OTC market include:



"Master Bond" by Master Partnership LLC is a security financing for "Go.To.Market" retail project;



"MONKON Bond" by Moncon Group LLC is a security financing for A- grade residential projects "Mandala 360" and "Mandala 365";



"Alpha Bond" by Alpha Zone LLC is a security financing for B grade residential complex projects.



The weighted average coupon rate of the total ordinary debt instruments issued by Construction & Real Estate companies on the OTC market in 2022 is 17.56 percent.

Nº	NAME OF THE BOND	ISSUED AMOUNT ₮MILLION	COUPON RATE	FULFILLMENT RATE	RAISED AMOUNT ₮MILLION	COUPON PAYMENT PER YEAR ₮MILLION	BOND TERM IN MONTHS
1	Alpha Bond 3	5,000.0	14.50%	100.0%	5,000.0	725.0	24 months
2	Alpha Bond 4	5,000.0	18.50%	100.0%	5,000.0	925.0	24 months
3	Master Bond 1	893.0	17.00%	100.0%	893.0	151.8	24 months
4	Master Bond 2	400.0	17.00%	100.0%	400.0	68.0	24 months
5	Master Bond 2.1	1,000.0	20.40%	100.0%	1,000.0	204.0	12 months
6	Master Bond 2.2	1,000.0	20.40%	100.0%	1,000.0	204.0	12 months
7	Master Bond 2.3	1,000.0	20.40%	74.9%	749.0	152.8	12 months
8	Master Bond 2.4	1,000.0	20.40%	61.4%	614.0	125.3	12 months
9	Master Bond 2.5	1,000.0	20.40%	88.6%	886.0	180.7	12 months
10	Master Bond 3	420.0	18.10%	100.0%	420.0	76.0	24 months
11	Master Bond 5	250.0	19.00%	100.0%	250.0	47.5	24 months
12	Master Bond 6	1,850.0	20.40%	100.0%	1,850.0	377.4	24 months
13	Master Bond 7	3,887.0	20.40%	100.0%	3,887.0	792.9	24 months
14	Master Bond 8	2,300.0	20.40%	100.0%	2,300.0	469.2	24 months
15	Misheel Bond 1	1,000.0	19.00%	100.0%	1,000.0	190.0	12 months
16	Misheel Bond 2	1,000.0	20.50%	100.0%	1,000.0	205.0	18 months
17	Moncon Bond2-1.1	200.0	13.00%	100.0%	200.0	26.0	3 months
18	Moncon Bond2-1.2	500.0	14.00%	101.0%	505.0	70.7	6 months
19	Moncon Bond2-1.3	300.0	15.00%	100.0%	300.0	45.0	9 months
20	Moncon Bond2-1.4	2,000.0	16.80%	100.0%	2,000.0	336.0	12 months
21	Moncon Bond2-2.1	2,500.0	16.80%	100.0%	2,500.0	420.0	12 months
22	Moncon Bond2-3.1	8,000.0	18.00%	90.6%	7,250.4	1,305.1	12 months
23	Palm spring bond 2	2,500.0	15.50%	100.0%	2,500.0	387.5	24 months
24	Palm spring bond-1	5,000.0	15.50%	100.0%	5,000.0	775.0	24 months
25	Progress Bond 1	2,000.0	17.00%	27.0%	540.0	91.8	12 months
26	Progress Bond 2	2,000.0	16.80%	20.0%	400.0	67.2	12 months
27	Актив Бонд 1	2,000.0	14.90%	77.5%	1,550.0	231.0	18 months
28	Актив Бонд 2	1,500.0	15.60%	100.0%	1,500.0	234.0	18 months
29	Актив Бонд 3	350.0	15.60%	100.0%	350.0	54.6	18 months
TOTAL		55,850.0		91.04%	50,844.4	8,938.5	
AVERAGE		1,925.9	17.63%	91.07%	1,753.3	308.2	17 months
WEIGHTED AVERAGE			17.56%			17.58%	

IV.3 CROWDFUNDING

Crowdfunding is a new financing channel that involves a large number of investors, reduces the amount of required investment, and reduces the cost of sources and related operations.



While there are no laws and regulations in Mongolia for this type of product, Finberry, the first crowdfunding platform, left the Sandbox environment in 2022 and resumed operations in February 2023 after a one-year trial period under the Sandbox Regulatory Environment Regulations by the FRC. For the first project, Finberry was 100% successful at attracting funding.

In the near future, it is anticipated that the activities of the domestic crowdfunding platform will be expanded, and that loan programs to attract project financing may also be conveniently carried out through crowdfunding platforms.



There are cases where local real estate projects successfully raising funds through a foreign crowdfunding platform (6-8.25% interest after tax). An example of these projects is the Ambassador residence apartment and the Khoimor office, both managed by Invescore Property. Rental income generated by the projects is used to distribute interest, and the original investment is repaid at the end of the term.

IV.4 PRIVATE INVESTMENT FUND

According to the Law on Investment Funds, publicly listed Investment Funds are prohibited from including real estate and related rights in their asset portfolios. Therefore, only Private Investment Funds can invest in real estate. It is only possible to invest in private investment funds if you are a "professional investor".

The establishment of investment funds is restricted to legal entities that have been granted a special license to engage in investment management activities (Asset management firm). The law specifies that the Fund should be closed after a period of up to ten years of operation.

Also, both individuals and legal entities can participate in the Private Investment Fund. Furthermore, an investor may invest not only in cash in order to receive unit shares of the fund in return, but also in other financial assets deemed permissible by the Fund's forming documents. As of the end of 2022, 29 private funds have been established.²²

"INVESCORE STRATEGIC REAL ESTATE" private investment fund, which specializes exclusively in commercial real estate, was established in September 2022. The fund management company will be "Invescore Asset Management" LLC.



Upon the revision of the CIT law, investment fund activities are exempt from CIT starting on January 1, 2023, so their activities are likely to be activated. This could result in an increase in the number of private funds with strategies that include real estate and related rights as part of their investment portfolio.

²² FRC- Finance Industry Report 2022

IV.5 REAL ESTATE TOKENIZATION

Blockchain technology allows real estate and related rights to be tokenized, registered, traded, and stored through an innovative channel that leverages technological advances.



The only domestic blockchain network in Mongolia is COREX, which began operations in 2021, has its own exchange, and is actively used for the exchange of native Corex coins and other tools.

Developers and investors have a high demand for tokenizing real estate and trading it on 24/7 platform. Mongolia adopted the Law on Virtual Asset Service Providers in December 2021. Virtual Stock Exchanges are governed by a law that defines how they should operate and what products should be offered.



In accordance with the Law on Virtual Asset Service Providers, real estate and real estate rights can be listed and traded in the form of tokens. This is considered a type of virtual asset.

Virtual assets, however, do not include a representation of securities such as company shares, debt instruments, or fund units as tokens. Therefore, these type of assets are not allowed to be traded over virtual exchanges.

IV.6 REIT-LIKE SCHEMES: CONVERTIBLE BONDS

Earlier, we discussed project development bond on the OTC market which returns the original investment upon maturity. While, when a convertible bond expires, the relationship between the issuer and the investor does not end. Instead, the purchased debt instrument is converted into stock of the issuer. This allows the investor to own a share of the company and benefit from the company's future profits for the long-run.



Bondholders of convertible bonds will receive promised coupon payments during the project development phase. Upon maturity, which is usually on the same date as the completion of the project, the bonds will be converted into shares of the issuer company who owns the newly developed property. Similar to REITs, once the properties are operational, they will begin to generate rental income, which will ultimately be distributed to shareholders as dividends.

Several companies within the Invescore Group raised MNT7.6 billion or \$2.4 million (MNT10 billion or \$ 3.2 million in total) by issuing "REIT Bonds" on the OTC market in 2022, secured by the IC TOWER office project which is developed by Invescore Property LLC.



A special feature of "REIT Bonds" is that they can not only be converted into shares, but those shares can then also be invested in a private investment fund. Thereby allowing investors to receive long-term returns from not only one property but a portfolio of different assets in the fund managed by a professional management company.



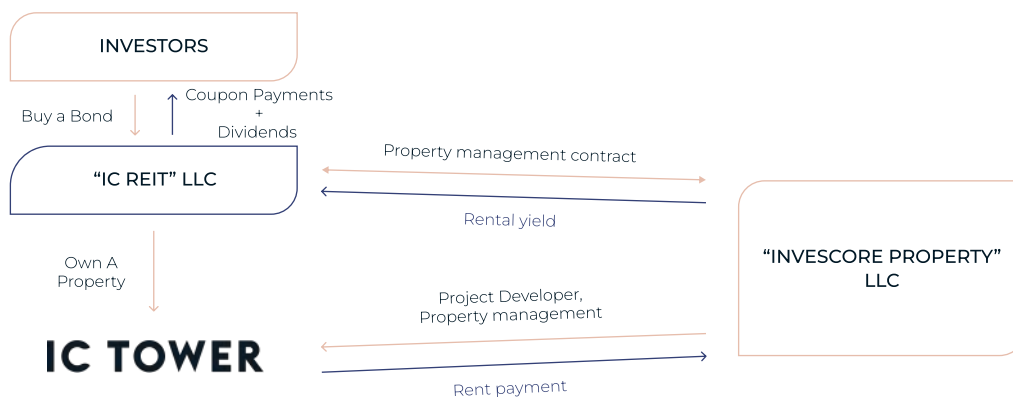
The coupon rate for REIT Bonds is 8.7% with an optional 10% interest rate at the end of the term or the option to convert into shares at the increased amount. The bond payment is being made from the sales and rental income of the A grade IC TOWER office project located in the A level area of the city. Project completion and commissioning took place in December 2022 and now the daily operations of the project are running as usual.

To download the prospectus of "REIT Bond": [REIT_Bond_Prospectus_FULL_MNG](#)

CONVERSION ORDER OF A "REIT BOND"



"REIT BOND" ISSUER AND STAKEHOLDER ACTIVITIES MAP



Nº	NAME OF THE BOND	ISSUED AMOUNT ₮MILLION	COUPON RATE	FULFILLMENT RATE	RAISED AMOUNT ₮MILLION	COUPON PAYMENT PER YEAR ₮MILLION	BOND TERM IN MONTHS
1	REIT Bond 1	1,000.0	8.70%	100.0%	1,000.0	87.0	12 months
2	REIT Bond 2	800.0	8.70%	100.0%	800.0	69.6	12 months
3	REIT Bond 3	150.0	8.70%	100.0%	150.0	13.1	12 months
4	REIT Bond 4	1,000.0	8.70%	100.0%	1,000.0	87.0	12 months
5	REIT Bond 5	1,500.0	8.70%	100.0%	1,500.0	130.5	12 months
6	REIT Bond 6	1,500.0	8.70%	100.0%	1,500.0	130.5	12 months
7	REIT Bond 7	1,400.0	8.70%	100.0%	1,400.0	121.8	12 months
8	REIT Bond 8	320.0	8.70%	100%	320.0	27.8	12 months
TOTAL		7,670.0		100.0%	7,670.0	667.3	
AVERAGE		958.75	8.70%	100.00%	958.75	83.41	12 months



SECTION 5

REAL ESTATE MARKET
OVERVIEW:
2022 Q1-2023 Q1

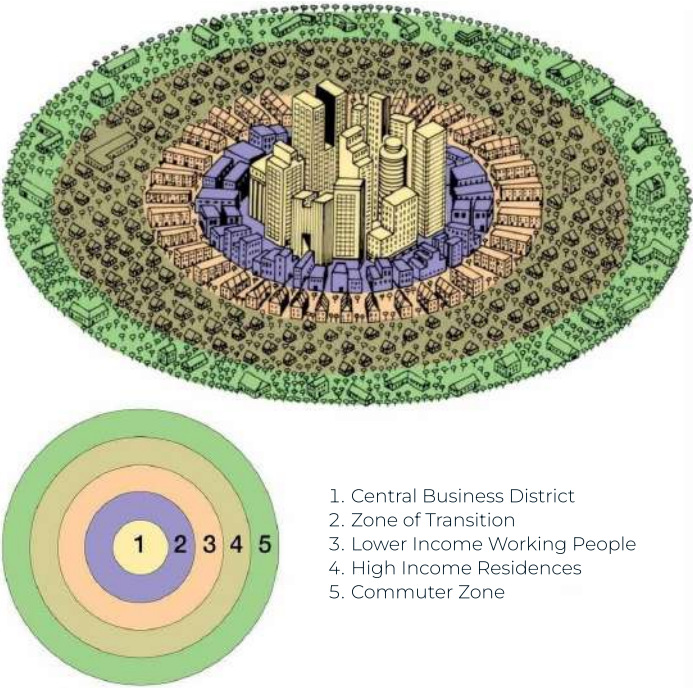
- *Urban Concentration Of Ulaanbaatar*
- *V.1 New Apartments*
- *V.2 Serviced Apartments*
- *V.3 Offices*
- *V.4 Houses*

ULAANBAATAR'S URBAN CONCENTRATION

Ulaanbaatar city covers an area of 470,440 hectares and is home to 1.6 million people. Judging by the distribution of real estate, Ulaanbaatar city is similar to the Concentric Zone Model of Urban Planning.

According to this modeling, as you move further from the city center, the Central Business District (offices and hotels), Zone of Transition (health facilities, shopping), Lower Income Housing (apartments and neighborhoods), High Income Residences (Houses and Cottages), and Commuter Zone (factories and logistics facilities) are scattered.

CONCENTRIC ZONE MODEL



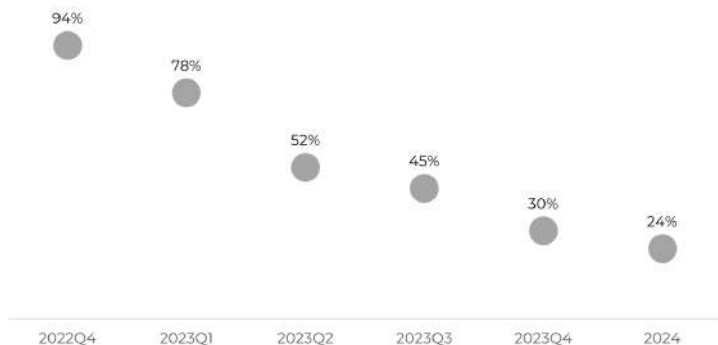
V.1 NEW APARTMENTS

SUPPLY OF NEW APARTMENTS

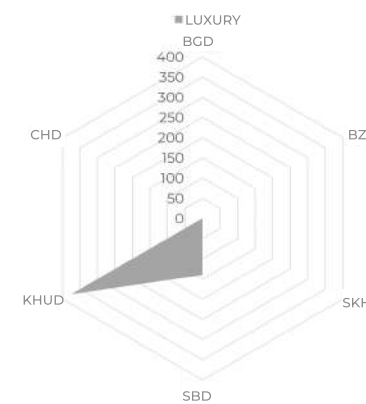
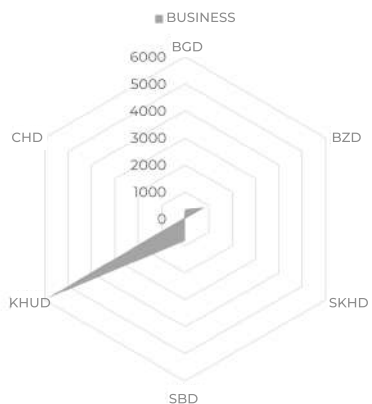
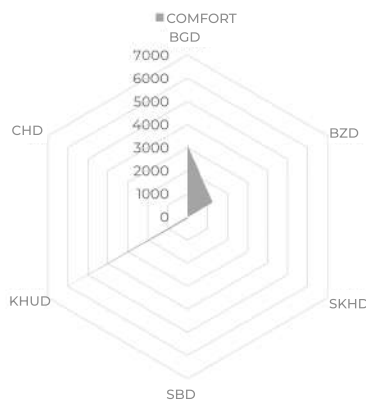
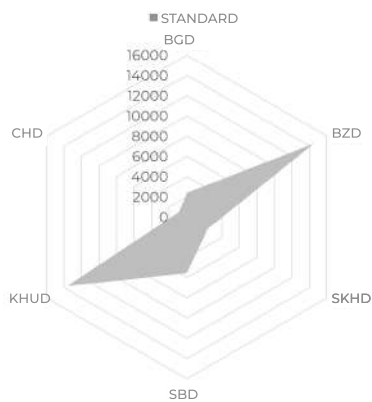
As of December 2022, there are 59,103 residential units or 258 projects are for sale in Ulaanbaatar. Of these, 37 projects for 7,108 units have been commissioned, and 221 housing projects for 51,995 units have not been operational yet.

DEMAND FOR NEW APARTMENTS

/% of supply sold per building commissioning year/



Out of the above 59,103 units, 67 percent or 175 projects are standard class, 18 percent or 37 projects are average class, 13 percent or 39 projects are business class, and 1 percent or 7 projects are luxury class apartments. The locations of these projects are shown in 6 central districts of the UB city:

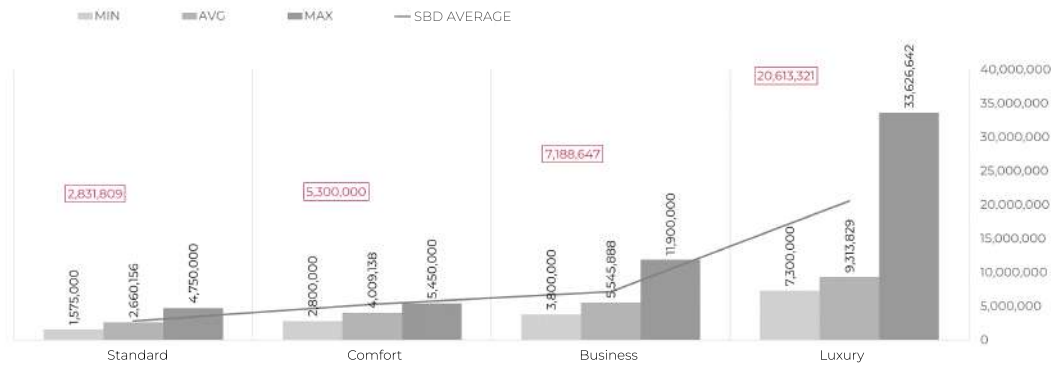


PRICE OF NEW APARTMENTS

In the IV quarter of 2022, the average price of 1 sq.m of apartments reached MNT 3,618,618, which is 1.34 percent higher than the previous quarter and 11.04 percent higher than the same quarter of the previous year. The average home price in Sukhbaatar district increased by 6.6 percent, while the average price in Khan-Uul decreased by 0.29 percent from the previous quarter. The price of standard-class apartments has increased more than other class apartments.

Among the high-end projects, the lowest-priced project is "Bagatenger Residence" and the highest-priced is "Peak Vue Residence" of the Shangri-La complex.

AVERAGE PRICE OF NEW APARTMENTS
/in MNT per square meters/

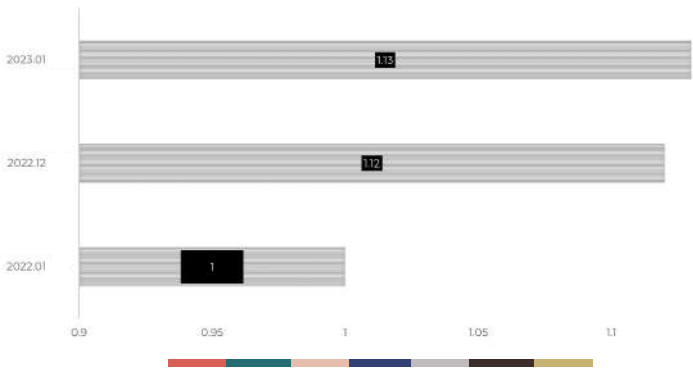


HOUSING PRICE INDEX FOR NEW APARTMENTS

The methodology for calculating the housing price index (HPI) presented by the National Statistics Office was updated on December 30th, 2022. As a result, the base price was changed from 2015=100 to 2022.01=100.²³ The base price will be updated every 3 years. The following data sources are used to calculate the housing price index. It includes:

- Housing price information obtained by web scraping or filtering from the ad database in the internet environment (primary source);
- Information on the price of apartments sold and purchased through a real estate brokerage company (additional source);
- Information on the price of housing registered in the Property Registration Database (additional source);
- Data on prices of houses sold by construction companies (additional source).

The housing price index at the end of 2022 has increased by 12 percent from the beginning of the year, and by January 2023, it has increased by 13 percent from the previous year.



²³ NSO-Housing Price Index calculating methodology

MORTGAGE LOAN

As pandemic-overcoming efforts have been eased, mortgage payments, which had been postponed since April 2020, will continue normally from 01.01.2023. Also, in October 2022, the conditions for residential mortgage loans were changed. The maximum amount of loans provided by the Bank of Mongolia was increased to MNT150 million in Ulaanbaatar and MNT100 million in other areas starting from October 1, 2022.

The mortgage interest rate is 6 percent per annum in MNT, the advance payment is 20-30 percent, the term is up to 30 years, and the monthly loan payment must not exceed 45 percent of the household's monthly pre-tax income.

APARTMENT LEASING OPTION MONGOLIAN CITIZENS ABROAD: iLease

NUMBER OF MONGOLIAN CITIZENS RESIDING ABROAD:

COUNTRY	2016	2019	2020	2021
Korea	32,000	49,000	48,100	48,234
USA	25,000	30,000	29,000	30,221
Japan	6,500	13,000	14,000	14,159
Canada	5,300	5,400	4,900	5,318
Germany	4,700	5,200	4,400	4,789
France	4,600	4,900	4,500	4,611
Other	51,300	68,187	75,100	76,279
TOTAL	130,000	175,687	180,000	183,611
TOTAL COUNTRY	64	76	80	82

“Mongolian citizens living abroad are increasing every year. They are mostly working-age citizens, and often times their top priority is purchasing a real estate in their home country. Invescore Leasing LLC is enabling Mongolian citizens abroad to lease apartments while living abroad and make payments in preferred foreign currency. The leasing terms include:

iLease general terms:

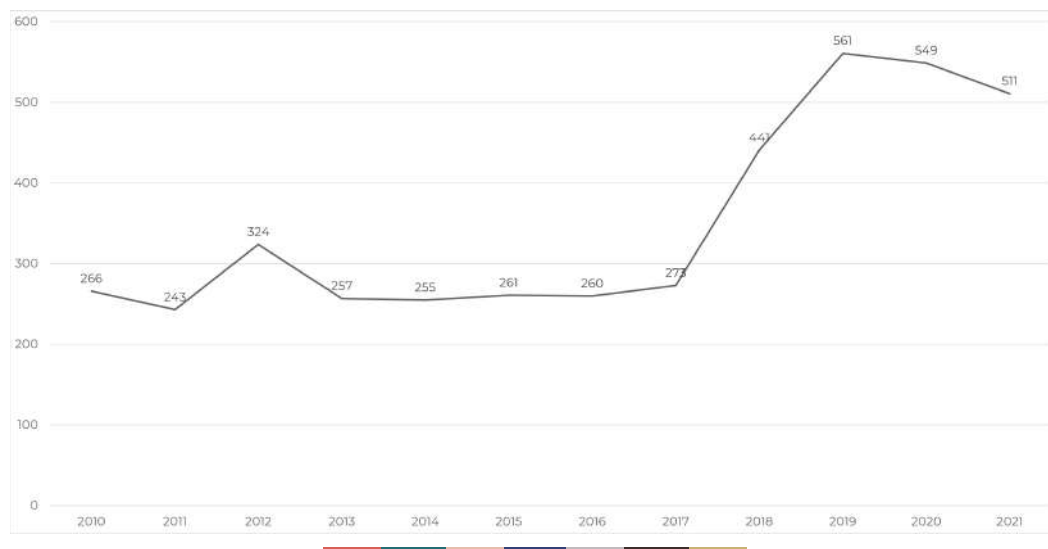
20%
Down payment

36 MONTHS
Lease term

1.5%
Interest rate
/monthly/

More information available at: www.ilease.mn

As of 2021, Mongolian citizens living abroad have transferred a total of \$511.0 million to the home country, which is a 2.1 times increase from 10 years ago.



V.2 SERVICED APARTMENTS

We have selected real estate properties located in Ulaanbaatar that meet the following criteria as "Serviced apartments". These criteria include:

- A or A- grade buildings located near the central business point of the city;
- Furnished and for medium-long term rental use and for investment purposes;
- A professional company (property management company) is responsible for the entire building operation and its occupancy rate.

As of 2022, the following 9 projects met the conditions listed above:

Nº	PROJECT	PROPERTY MANAGEMENT COMPANY	PRICE /TMILLION/
1	Embassy Residence	Embassy Residence	15.7
2	Shangri-La residence	Shangri-La Ulaanbaatar	12.1
3	Bella Vista	MCS Properties	10.5
4	Ambassador residence	Invescore Property	10.0
5	Choljin Suites	Erel Properties	8.1
6	Olympic residence	Mongolian Properties	7.5
7	Naran Place	Capital Properties	5.2
8	Diplomat apartment	Diplomat apartment	4.9
9	Regency residence	Mongolian Properties	4.8

SALES AND RENT PRICES OF SERVICED APARTMENTS

The sales price of the above listed 9 serviced apartments are between MNT4.8-MNT15.7 million per square meter and the average price level is expected to decrease based on the location in the order of city center, Embassy district, Zaisan, and around the Central Stadium.

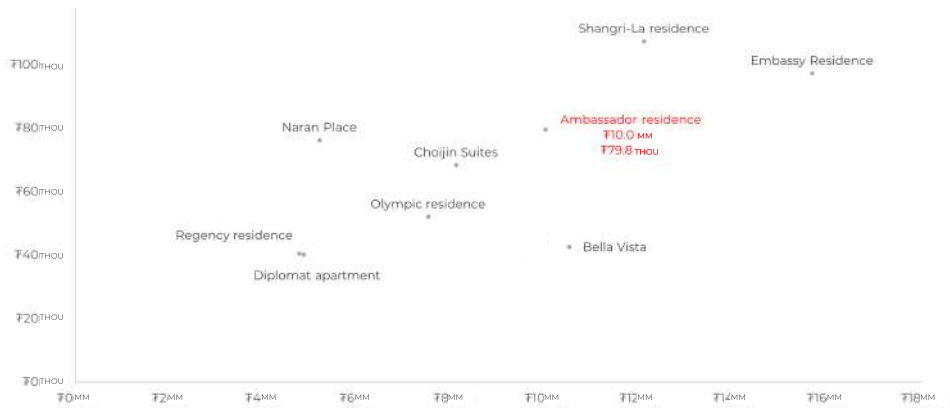
Additionally, the rental price per square meter is between MNT41,000 and MNT107,000, and was highest in Embassy district. ²⁴

“Despite the fact that the sale and rental prices of serviced apartments are expressed in MNT, the market value of these apartments may be directly affected by the exchange rate of foreign currencies such as US dollars, yuan, and yen depending on the initial investment structure and target customer segment of each project.

According to Mongolian law, all prices and payments for products, works, and services shall be expressed in Mongolian currency (MNT), and payments shall be made in MNT.

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2022Q4

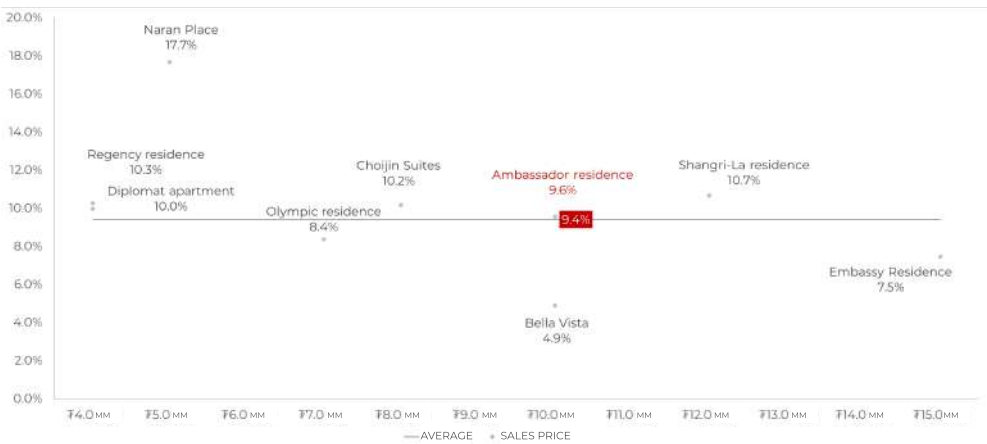
SALES AND RENT PRICES OF SERVICED APARTMENTS



ANNUAL RENTAL YIELD OF SERVICED APARTMENTS

Considering that these projects are intended for investment in order to generate regular rental returns, we are primarily concerned with the Rental Yield.

A simplified formula is used: nominal Gross Rental Yield = (Rent Price*12 months)/Sales Price.



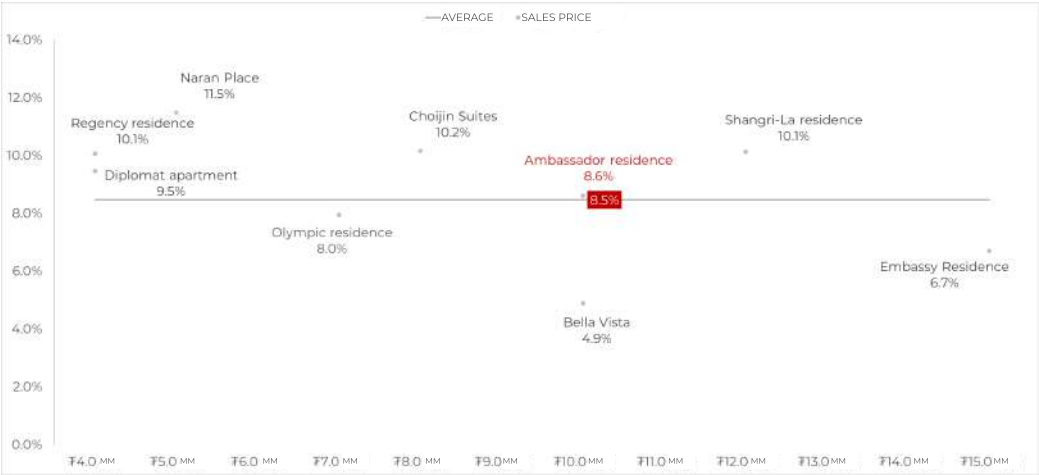
“The average annual nominal Gross Rental Yield of serviced apartments was 9.5 percent, while the average actual Gross Rental Yield was 8.6 percent (where occupancy rate was accounted for). On average, 92.3 percent of available serviced apartments are occupied.

Please note that Gross Rental Yield is a simplified indicator and is not the same as the “cap rate” used internationally.

Naran Place project, which had the highest or 17% annual rental yield, had an average selling price of MNT5,000,000 and an average rental price of MNT76,500. However, the average sale price of the Bella Vista project, which had the lowest recorded annual rental yield of 4.9 percent, was MNT10.5 million, and the rental value was MNT42,800.

In addition to the sale and rental price of the property, the occupancy rate also plays an important role in determining the investor's profits and income continuity. In order to calculate the actual Gross Rental Yield, including the percentage effect of occupancy, we performed the following calculation:

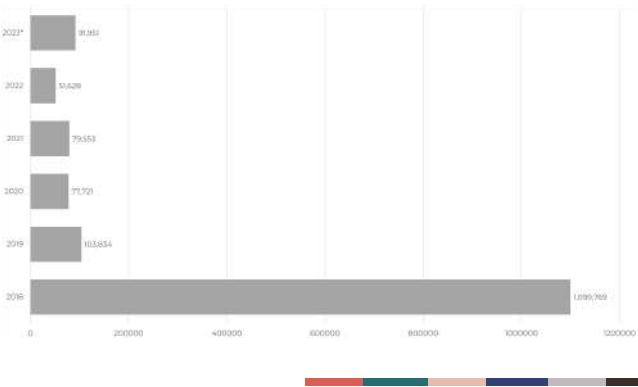
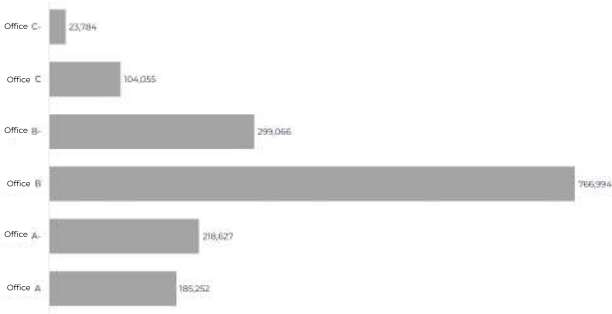
A simplified formula is used: actual Gross Rental Yield = (Rent Price*12 months*Occupancy rate)/Sales Price.



Choijin Suites, Bella Vista apartments had the highest or 100% occupancy rate at the time of this research and the lowest or 65% occupancy level was recorded for Naran Place apartment.

V.3 OFFICES

As per the database of Tenkhleg Zuuch LLC, total of 1,597,240 square meters of office space have been put to use in Ulaanbaatar since 2005. The largest portion of these buildings, 48%, or 766,995 square meters, are "Grade B" office buildings.

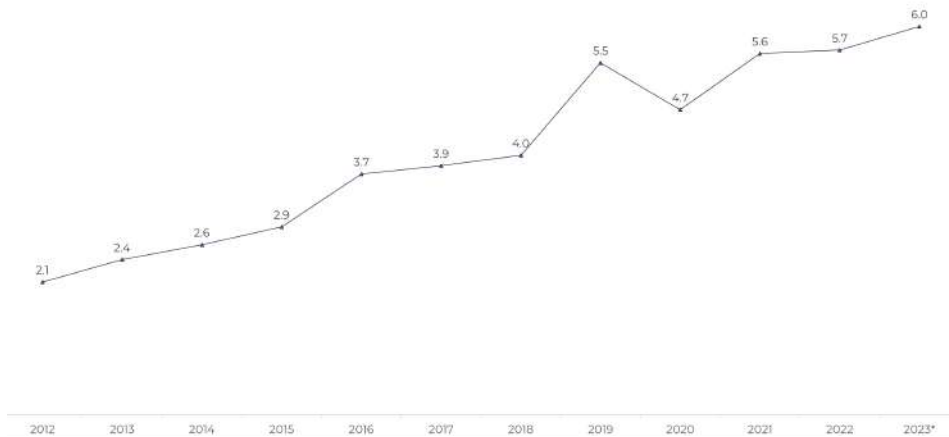


While launching office projects declined in 2020, 2021, and 2022 due to pandemic related supply chain issues, it is expected to recover from 2023 onwards.

The Minister tower, ITC tower, and Eco International Trade Tower are among the major projects scheduled for completion in 2023.

AVAILABLE OFFICE SPACE PER WORKER

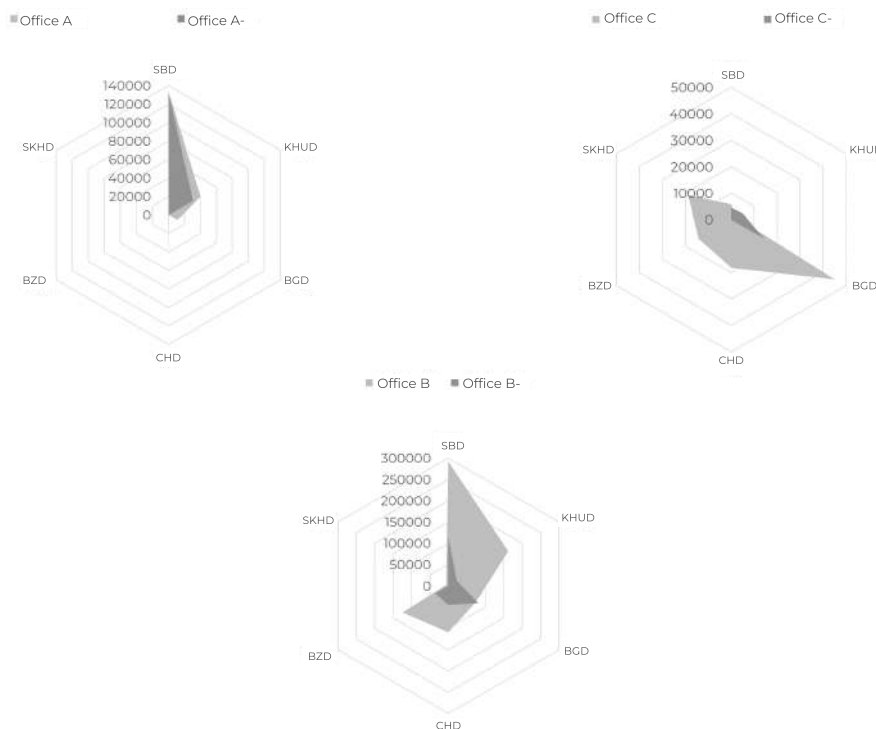
/square meter/



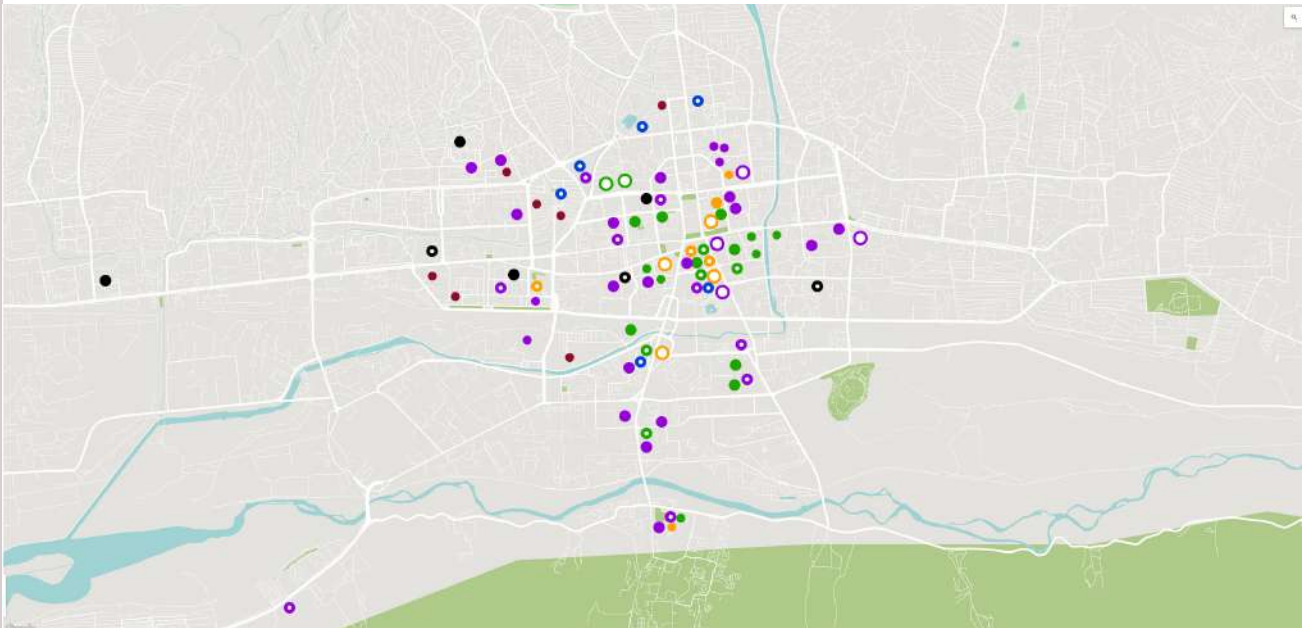
The amount of office space per employee in the city of Ulaanbaatar increased from 2.1 square meters in 2012 to 6 square meters in 2022.

DISTRIBUTION OF OFFICES BY BUILDING GRADE

As of 2022, the average age of a "Grade A" office in Ulaanbaatar is 6.7 years, "Grade A-" is 8 years, "Grade B" is 8.5 years, "Grade B-" is 12 years, and "Grade C-" is 11 years.



DISTRIBUTION OF OFFICES BY BUILDING GRADE



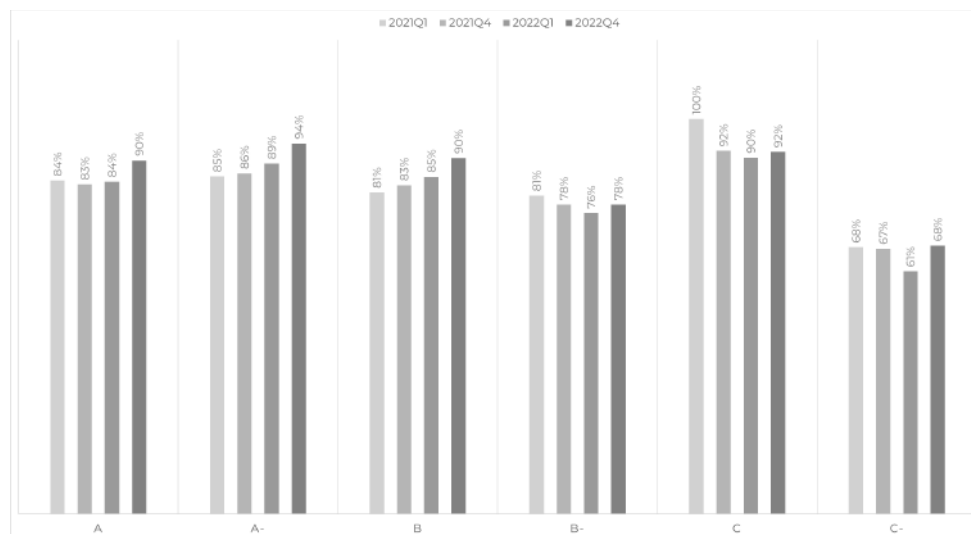
CHANGE IN SALES AND RENT PRICE OF OFFICES IN 2022



In 2022, the average sales price of Grade A and Grade A- offices increased by 1% from the previous year with a slight change, while the sales prices of B, B- and C- class projects increased respectively by 15%, 22% and 20%.

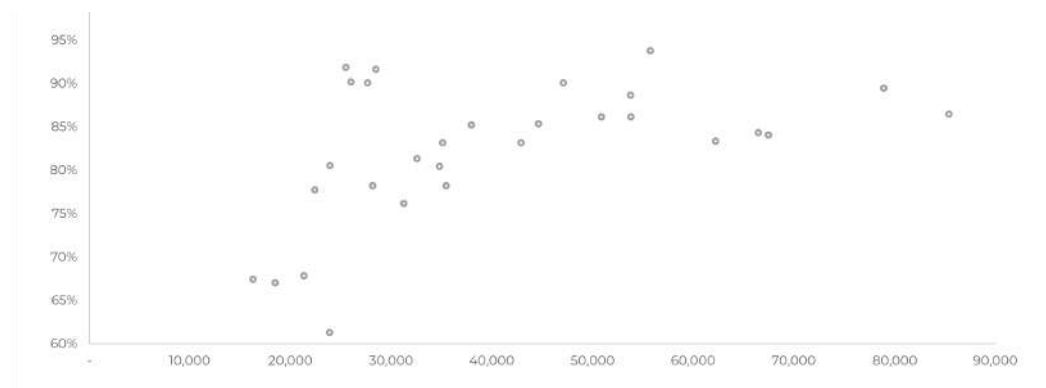
The rent for Grade A offices increased by 26%, while the rent for Grade A- offices increased by 9% year-over-year.²⁵

OFFICE OCCUPANCY RATE BY GRADE



Occupancy rate in A and A-classes are 89% and 93% respectively and remained fairly slightly upwards, while occupancy rate in B- and C-classes are 67% and 78% and have dropped in the last quarter.

A RELATIONSHIP BETWEEN RENT PRICE AND OCCUPANCY RATE OF OFFICES



There was no significant correlation between the occupancy rate and the level of office rent price.

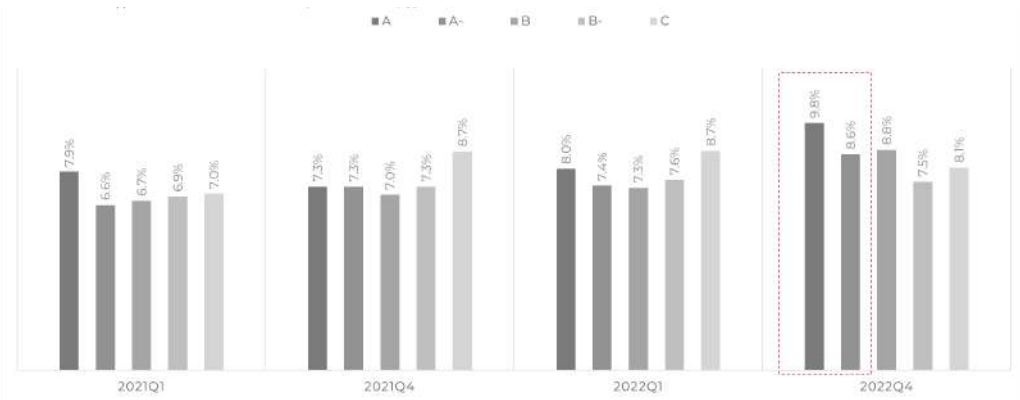
RENTAL YIELD OF OFFICES

The annual actual Gross Rental Yield of Class A offices is higher than that of other types of offices, at 9.8% per year.

Factors such as higher rents, a slight increase in selling prices, and constant high occupancy level have affected this high result.

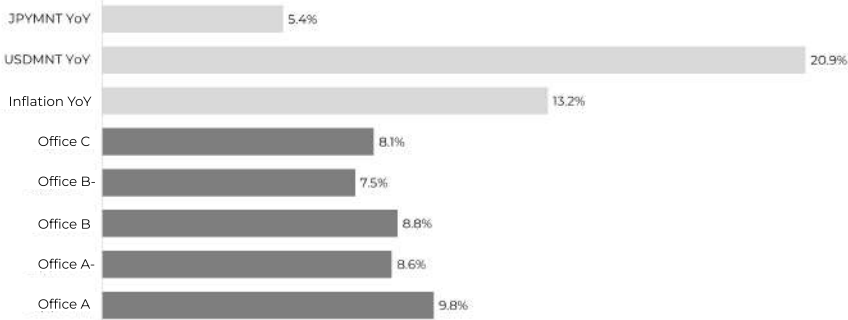
A simplified formula is used: actual Gross Rental Yield = (Rent Price*12 months*Occupancy rate)/Sales Price.

ACTUAL GROSS RENTAL YIELD OF OFFICES BY GRADE
/OCCUPANCY RATE FACTORED/



As for B, B-, and C grades, rents increased by more than 20%, but sales prices also increased by 15-20%, and occupancy wasn't good, so the actual yield did not exceed A-class.

ACTUAL GROSS RENTAL YIELD OF OFFICES & INFLATION & MAJOR CURRENCY
EXCHANGE RATE GROWTH



FACTORS AFFECTING THE PRICE OF THE OFFICE AND THEIR INFLUENCE

We analyzed the factors influencing the sales price of 95 office projects in Ulaanbaatar based on transaction data for 2022 by conducting Multiple Regression analysis.

In addition, we sought to emphasize the impact of three main factors, if any, that are recognized as crucial factors of price in developed countries. Those factors are:

1. Building age (years);
2. Area size (m²);
3. Distance to the nearest bus stop (minutes).

Dependent variable (Yi) is Selling price and independent variables (Xi) are Building Age, Area Size, Walking Distance from Nearest Bus Stop, Distance from Central Business Point, Number of Elevators, Number of Outdoor Garages, and Vacancy Area. A dummy variable for each district was also included.

- Coefficient of determination: $R^2=0.31$ or The regression model has little ability to explain reality.
- P-value: $< 1.323e-06$ or greater than 0.05 indicates that the regression model as a whole is not statistically significant.

Also, the three main factors, Building Age, Plot Size, and Walking Distance from the Nearest Bus Station, do not have a statistically significant effect on Sales Price



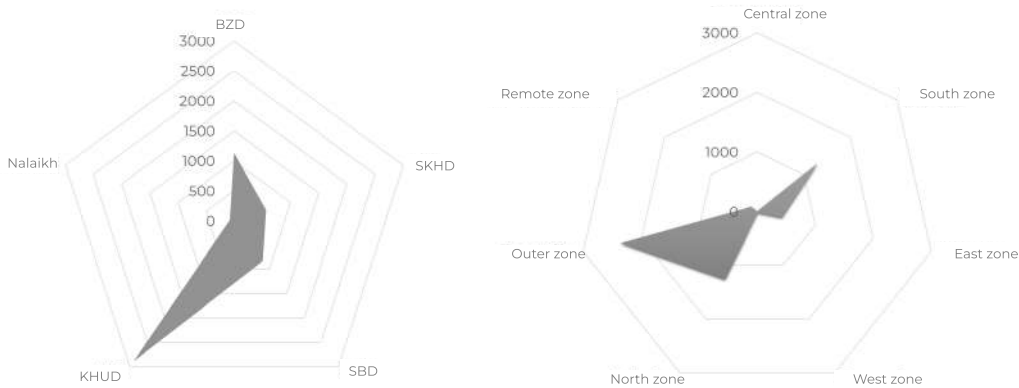
The effect of location was more noticeable when evaluating the change in office sales price using Linear Regression analysis with 18 independent variables.

When everything else remains constant, if the office is located in Sukhbaatar district, the sales price of the office project increases by 0.74%.

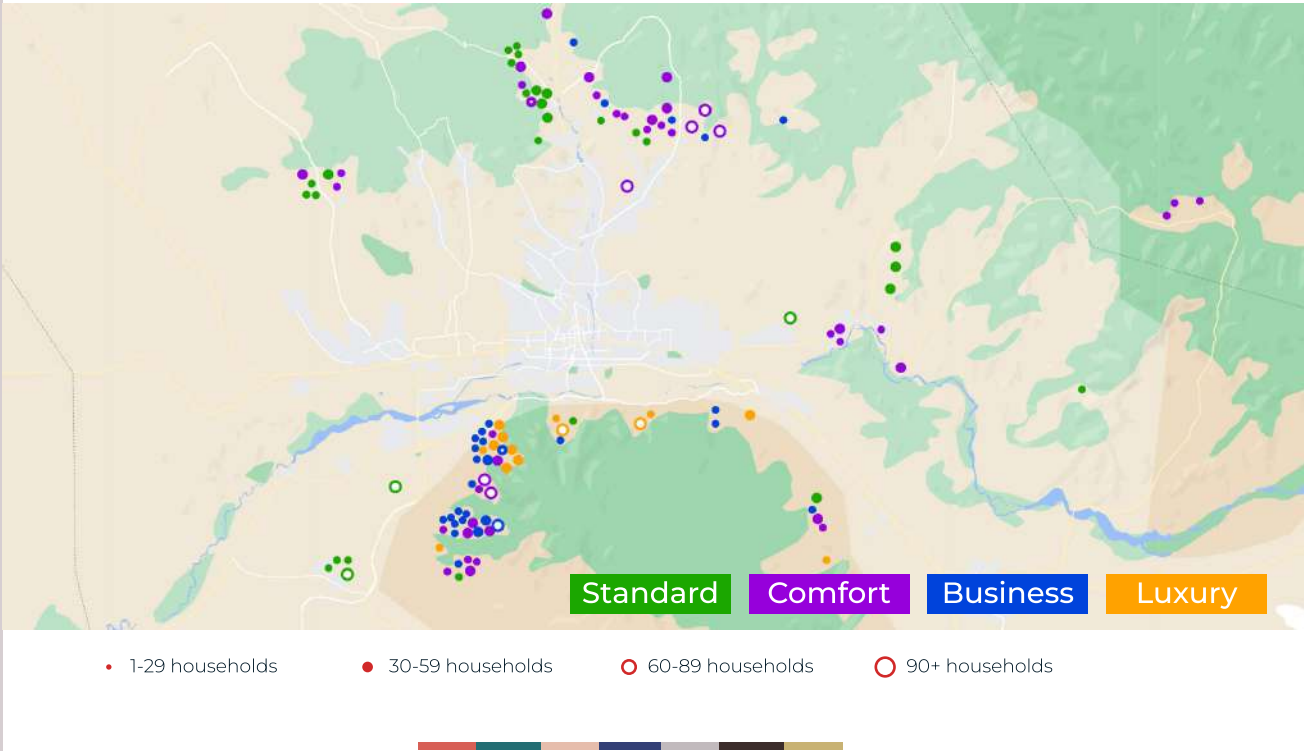
V.4 HOUSES

SUPPLY OF HOUSE PROJECTS

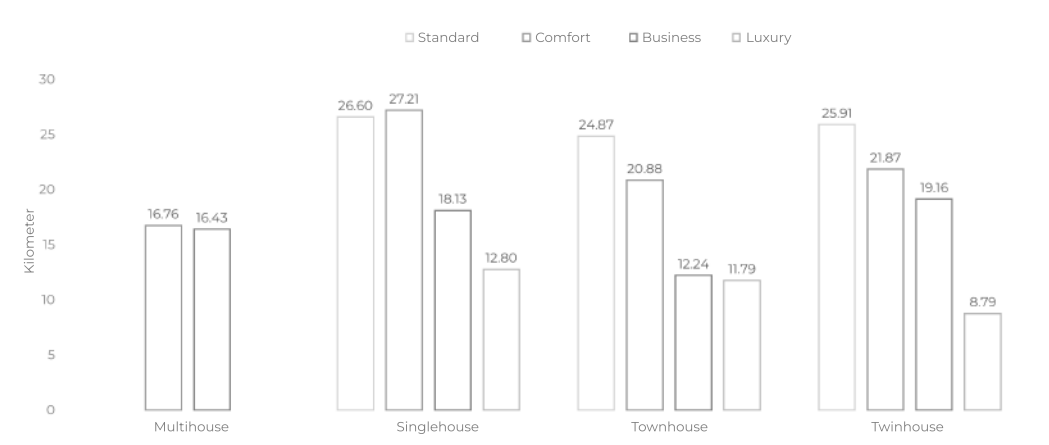
As of December 2022, 7,262 units or 126 projects are being implemented in Ulaanbaatar. Of these, 5,492 units are currently listed for sale. These houses are located in the outer zone, southern zone, and northern zone. Most of them are located in Khan-Uul, Bayanzurkh, and Sukhbaatar districts.



DISTRIBUTION OF HOUSE PROJECTS



DISTANCE TO CITY CENTER BY GRADE AND BY HOUSE PLAN TYPE
/in kilometers/

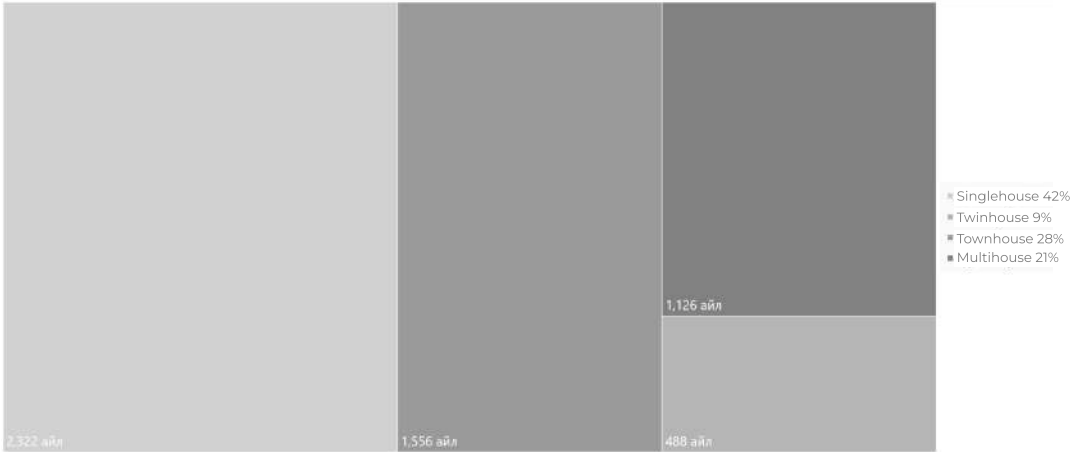


It can be seen that as the ranking of House projects increases, the distance to the city center gets closer.

HOUSE PLAN TYPES

When classified by house types, single houses account for 42% of all total supplies, townhouses for 28%, multi-family buildings for 21%, and twin houses for 9%.

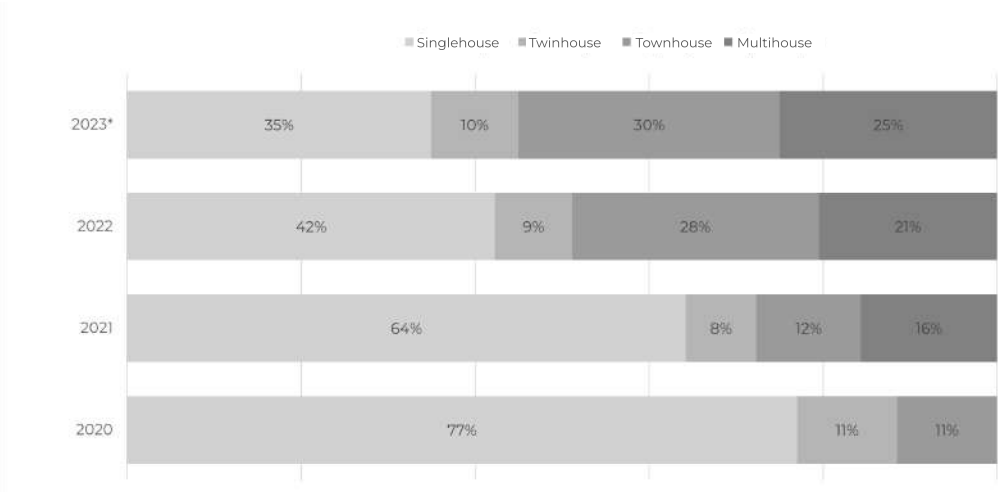
PLAN TYPES OF HOUSES LISTED FOR SALE IN 2022



The proportion of single houses in total house supply has decreased from 77% in 2020 to 42% in 2022. Meanwhile, the proportion of townhouses and multi-family buildings have been increasing. This reflects the high demand for multi-family housing in the market.



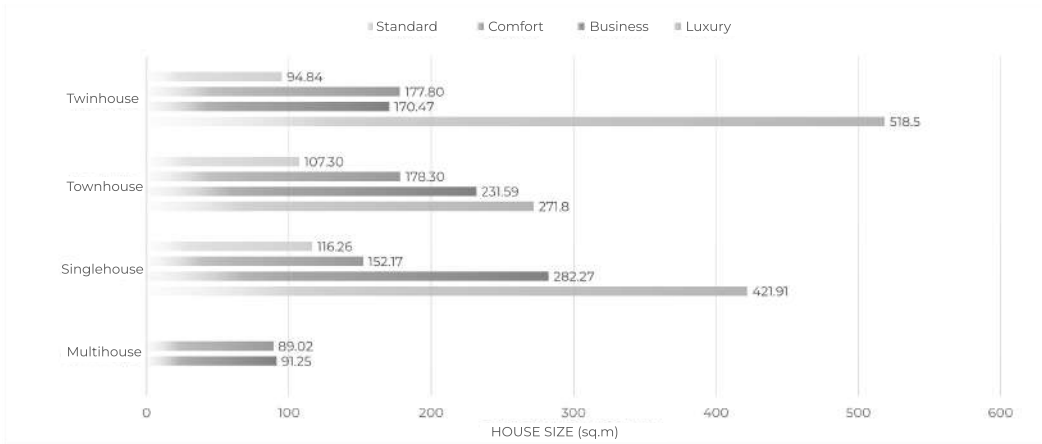
PROPORTION OF EACH PLAN TYPES IN TOTAL HOUSE SUPPLY



AREA SIZES OF HOUSES

For the listed projects, there are no standard or high-end houses with multi-house plans. House sizes are increasing as the ranking increases, and this trend is evident in terms of the total size of the home.

HOUSE SIZES BY GRADE AND HOUSE TYPE
/square meters/

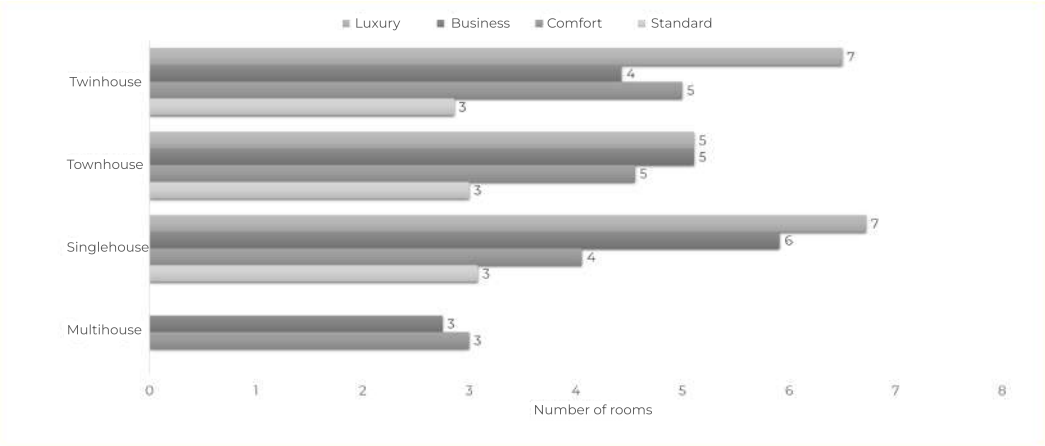


A typical high-class house is 270 square meters to 520 square meters in size, depending on its plan type. Compared to the previous year, there is 20% less space for luxury class houses on the market. The supply trend may indicate that customers are not choosing more area, but rather more efficient planning.

Additionally, standard-class houses typically have three rooms, while high-class houses generally have five to seven rooms.

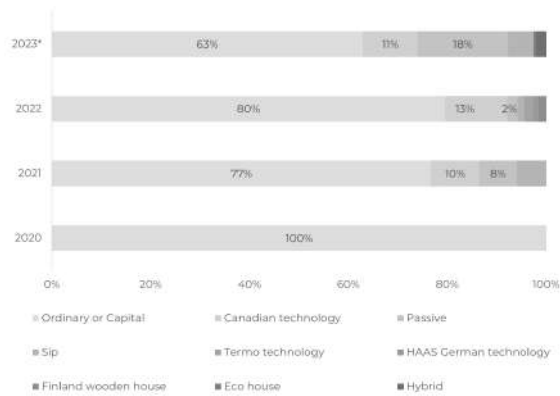


NUMBER OF ROOMS IN HOUSES BY GRADE AND TYPE

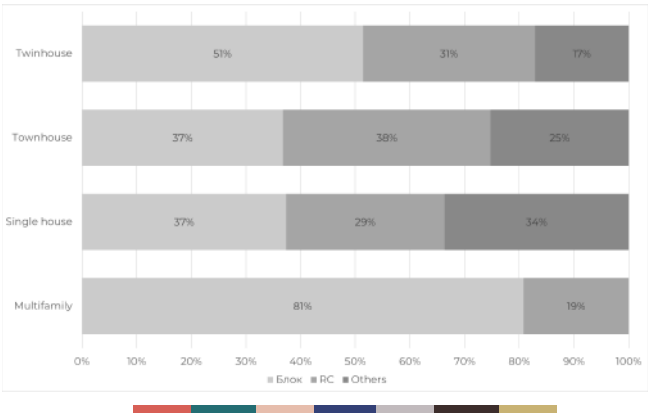


WALL MATERIALS OF HOUSES

Technological solutions have increased significantly in the last three years and developers are moving towards environmental and energy efficiency. Compared to the previous year, the number of house projects to be commissioned in 2023 increased by 10 percent for passive technology, 4 percent for SIP technology, and 17 percent for conventional (prefab, frame) houses.

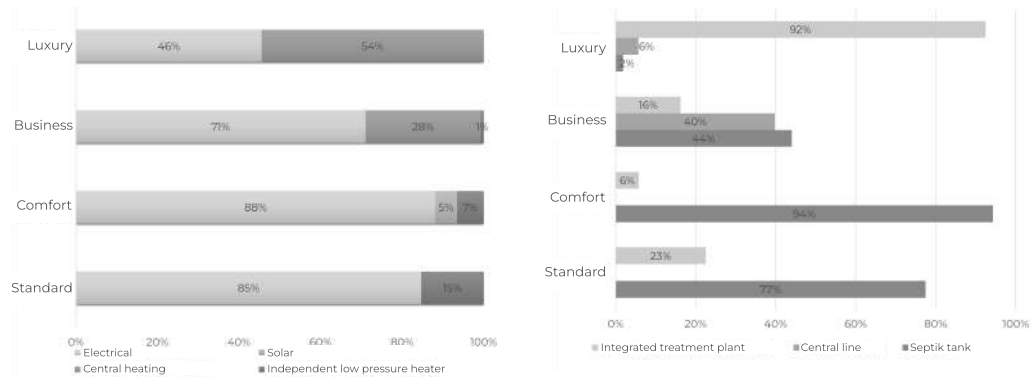


PROPORTION OF WALL MATERIALS OF HOUSES BY PLAN TYPE



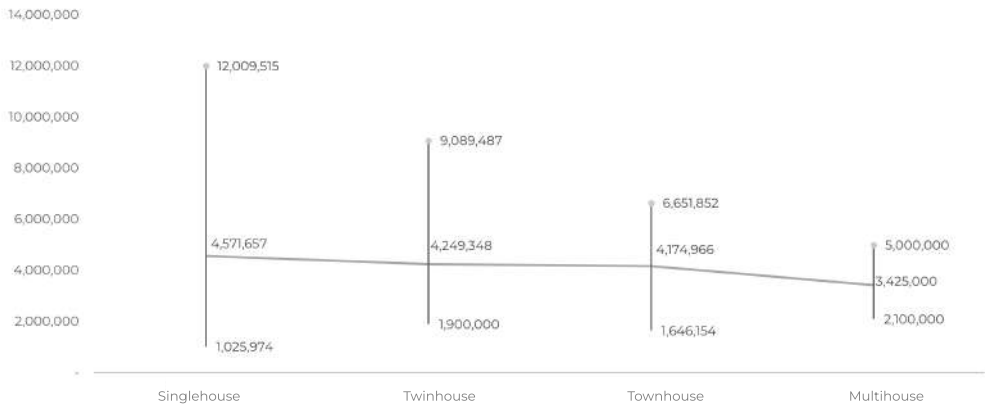
UTILITY INFRASTRUCTURE FOR HOUSE PROJECTS

As the rating increases, the number of projects where the heat solution is from electric heating to central line and the sewage solution is from septic to integrated treatment plant is increasing. For example, 71 percent of all business class projects are solved by electric heating and 28 percent by central line heating, while in high-end projects, the electric solution has decreased by 39 percent and central line heating has increased by 26 percent.



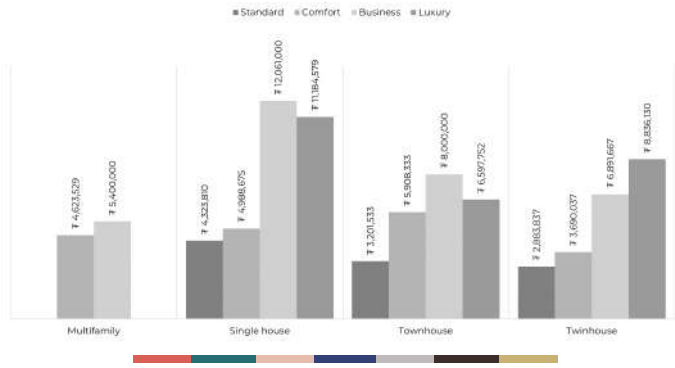
HOUSE PRICE & SALES PROGRESS

Looking at the average price per square meter of a house, multi-family buildings are about MNT3.5 million, townhouses are MNT4.2 million, twin houses are MNT4.3 million, and single houses are about MNT4.5 million.

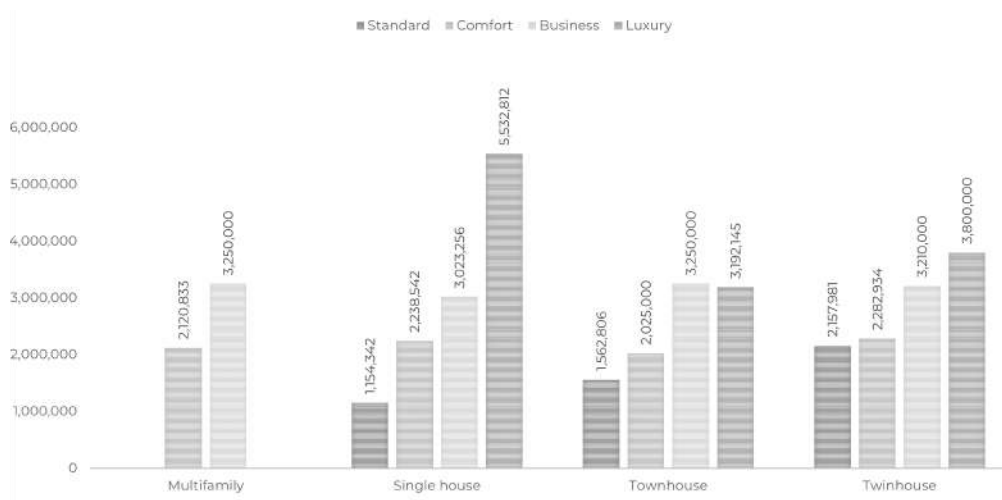


Among the projects listed for sale, the highest priced was the business-class single-house with a price of about MNT12 million per square meter.

HIGHEST HOUSE PRICE BY GRADE AND PLAN TYPE



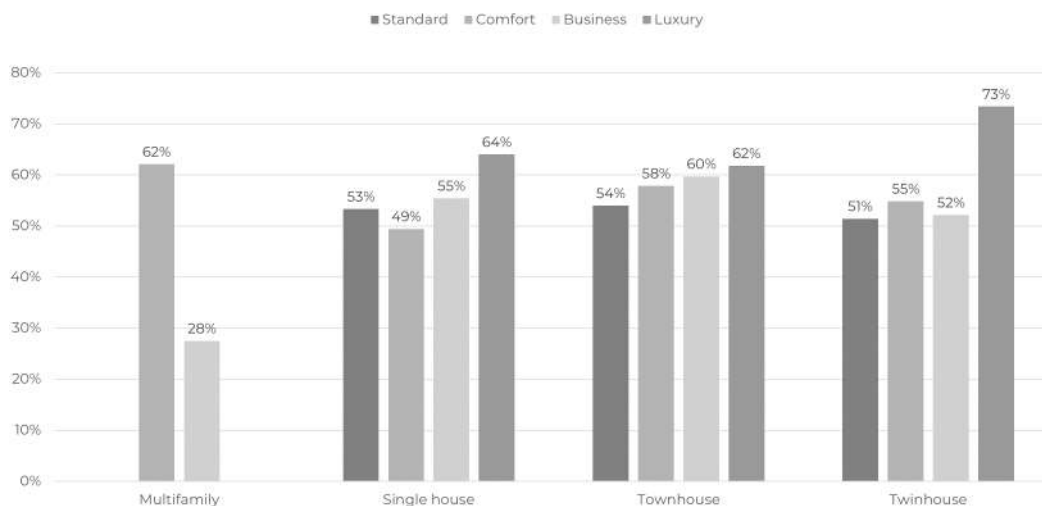
LOWEST HOUSE PRICE BY GRADE AND PLAN TYPE



However, according to the minimum price data of those projects, the value of the standard class single house is the lowest, about MNT1.1 million per square meter.

DEMAND FOR HOUSES BY GRADE AND PLAN TYPE

/% of supply sold/



Business-class multi-family projects have the lowest sales percentage at 28%, while high-end twinhouses have the highest sales at 73%.

FACTORS AFFECTING THE PRICE OF THE HOUSES AND THEIR INFLUENCE

We analyzed the factors influencing the sales price of 128 house projects in Ulaanbaatar based on transaction data for 2022 by conducting Multiple Regression analysis.

In addition, we sought to emphasize the impact of three main factors, if any, that are recognized as crucial factors of price in developed countries. Those factors are:

1. Building age (years);
2. Area size (m2);
3. Distance to the nearest bus stop (minutes).

Dependent variable (Y_i) is Selling price and independent variables (X_i) are Building Age, Area Size, Walking Distance from Nearest Bus Stop, Distance from Central Business Point, Number of Elevators, Number of Outdoor Garages, and Vacancy Area. A dummy variable for each district was also included.

- Coefficient of determination: $R^2=0.31$ or The regression model has little ability to explain reality.
- P-value: $< 1.323e-06$ or greater than 0.05 indicates that the regression model as a whole is not statistically significant.

Also, the three main factors, Building Age, Plot Size, and Walking Distance from the Nearest Bus Station, do not have a statistically significant effect on Sales Price



When evaluating the change in house sale price by linear regression analysis with 18 independent variables, the effect of factors such as a) building age, b) area size, c) distance to the nearest road was observed.

Also, the sales price of house projects located in Khan-Uul, Sukhbaatar, and Bayanzurkh districts towards Bogd Mountain is increasing by 0.3-0.4 percent. In recent years, in Ulaanbaatar, many low-rise townhouses have been established in the suburbs, and people are moving out of the city center. The main reason for this is that air pollution increases in winter, and citizens are willing to "pay more for clean air".

IC TOWER

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Developed by

InvesCore
PROPERTY



Ulaanbaatar city at sunset

SECTION 6

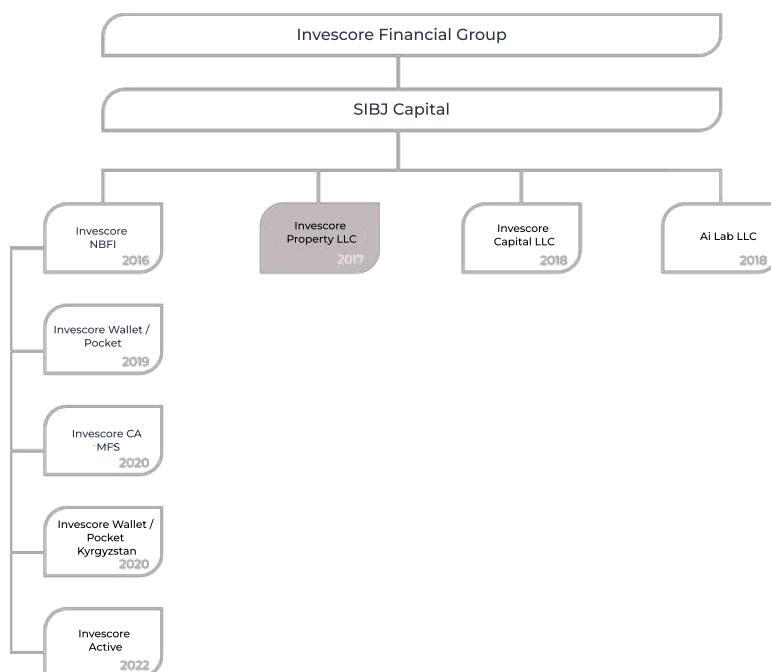
REAL ESTATE
MANAGEMENT
COMPANY: "INVESCORE
PROPERTY"

INVESCORE PROPERTY LLC

COMPANY OVERVIEW

Invescore Property LLC was established in 2017 as a property management company with a purpose to ensure the daily normal operation and uninterrupted rental return of the affiliated real estate projects owned by our clients and investors.

Our goal is to increase the assets' market value and extend their lifespan. Invescore Property is a subsidiary of Invescore Financial Group, currently located in Ulaanbaatar with more than 70 employees.



With a consistent expansion based on market demand and business opportunities, we are now engaged in a vertically-integrated real estate management business that includes: Real Estate Brokerage, Property Management, Real Estate Investment activities for domestic and foreign investors, and Project Development.

At present, we manage two office projects and one serviced apartment project in Ulaanbaatar. Most of these properties are held for investment purposes and have been generating stable rental returns for our investors primarily due to our property management service including tenant relationships, lease management and efforts for uninterrupted rental returns.

“

In the near term, we plan to introduce modern real-estate based investment and property management practices into emerging markets in Central Asia, including Kazakhstan, Kyrgyzstan, and Uzbekistan.

In addition, we intend to develop in-demand (for both investors and tenants) projects including A or A-class offices, serviced apartments, and house villas in the targeted markets.

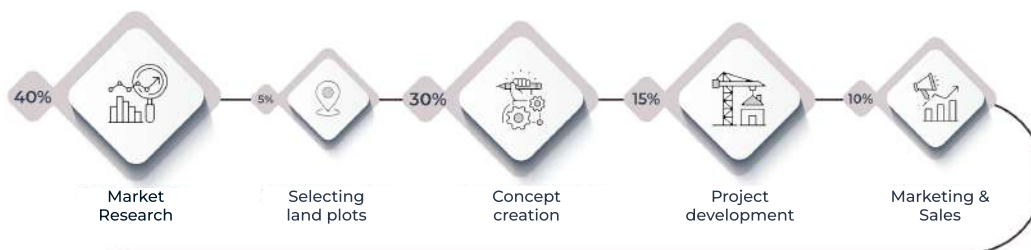
BUSINESS ACTIVITIES

The specialty of Investor Property LLC is its vertically-integrated real estate management activity. We provide management services throughout the lifecycle of a real estate project. This includes the concept creation stage to development, project financing, sale, and property management after the project is completed.

Investors can therefore rely on us completely for the implementation of the new development project and the ongoing maintenance of the property over the long run.

ORDER OF BUSINESS ACTIVITIES OF INVESTOR PROPERTY

DEVELOPMENT PHASE



OPERATION PHASE



SERVICES PROVIDED BY INVSCORE PROPERTY

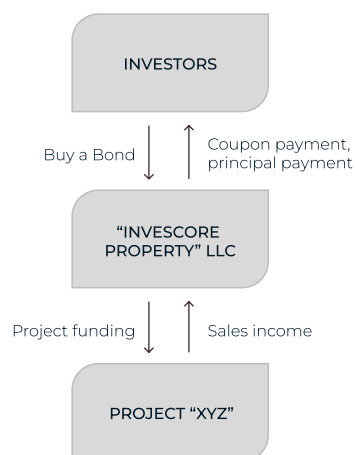
TENANT-ORIENTED SERVICES	INVESTOR-ORIENTED SERVICES
Official we page, social network handles	Market research
Exclusive lease brokerage	Project concept creation
Maintenance & Inspection	Project development & construction management
Building security	Project investment & Financing
Common area up-keep	Handling of Property Insurance
Housekeeping services	Legal consulting
Concierge	Real Estate Sales & Marketing
Access control	Leasing
Tenant care events, activities	Occupancy rate management
Energy & Waste management	Pricing policy & Implementation
Online payment system	Rental Payment processing
	Enforcement of Lease Agreement
	Eviction
	Tenant relations
	Tenant care events, activities
	Financial reports & Tax preparation
	Development of new investment schemes

For detailed information on Property management activities: Please Visit Youtube channel of the company

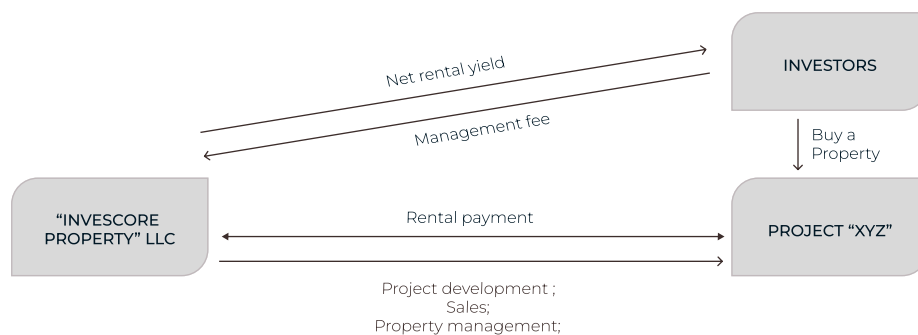
PROPERTIES UNDER MANAGEMENT

PRO-ONE / office / 2017	KHOIMOR / office / 2018	AMBASSADOR / serviced apartment / 2019	IC TOWER / office / 2022
			
Under Management Area		Market Value /in MNT millions/	# Of Projects
2017	1,353 sq.m	₮ 4,464	1
2018	6,307 sq.m	₮ 21,804	2
2019	12,521 sq.m	₮ 70,619	3
2022	23.983 sq.m	₮ 128,876	4
Market Value of Properties Under Management CAGR			96.49%

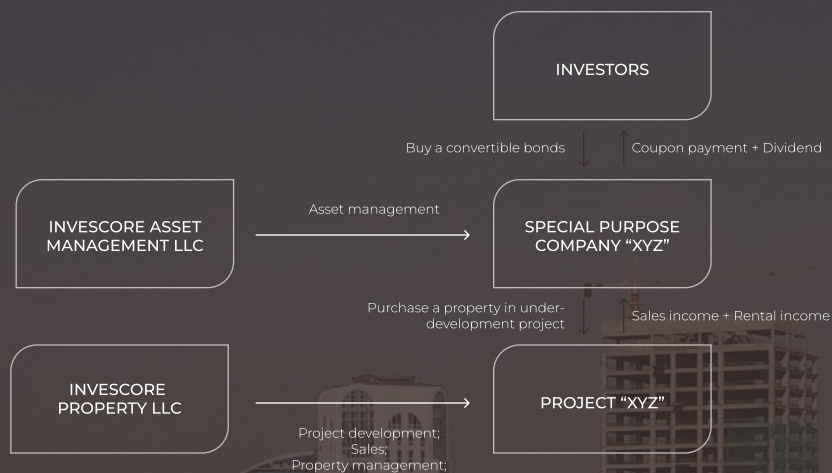
REAL-ESTATE BASED INVESTMENT VEHICLES OFFERED BY INVSCORE PROPERTY DEVELOPMENT BOND



BUY-TO-LET PROPERTIES



CONVERTIBLE BOND



PRIVATE INVESTMENT FUND



REAL ESTATE TOKENIZATION



CONTACT US



Suite 1201
IC Tower, Parisian Street-42, 13th sub-district
Sukhbaatar district, Ulaanbaatar 14230



(+976) 7507-5454



info@investscoreproperty.mn



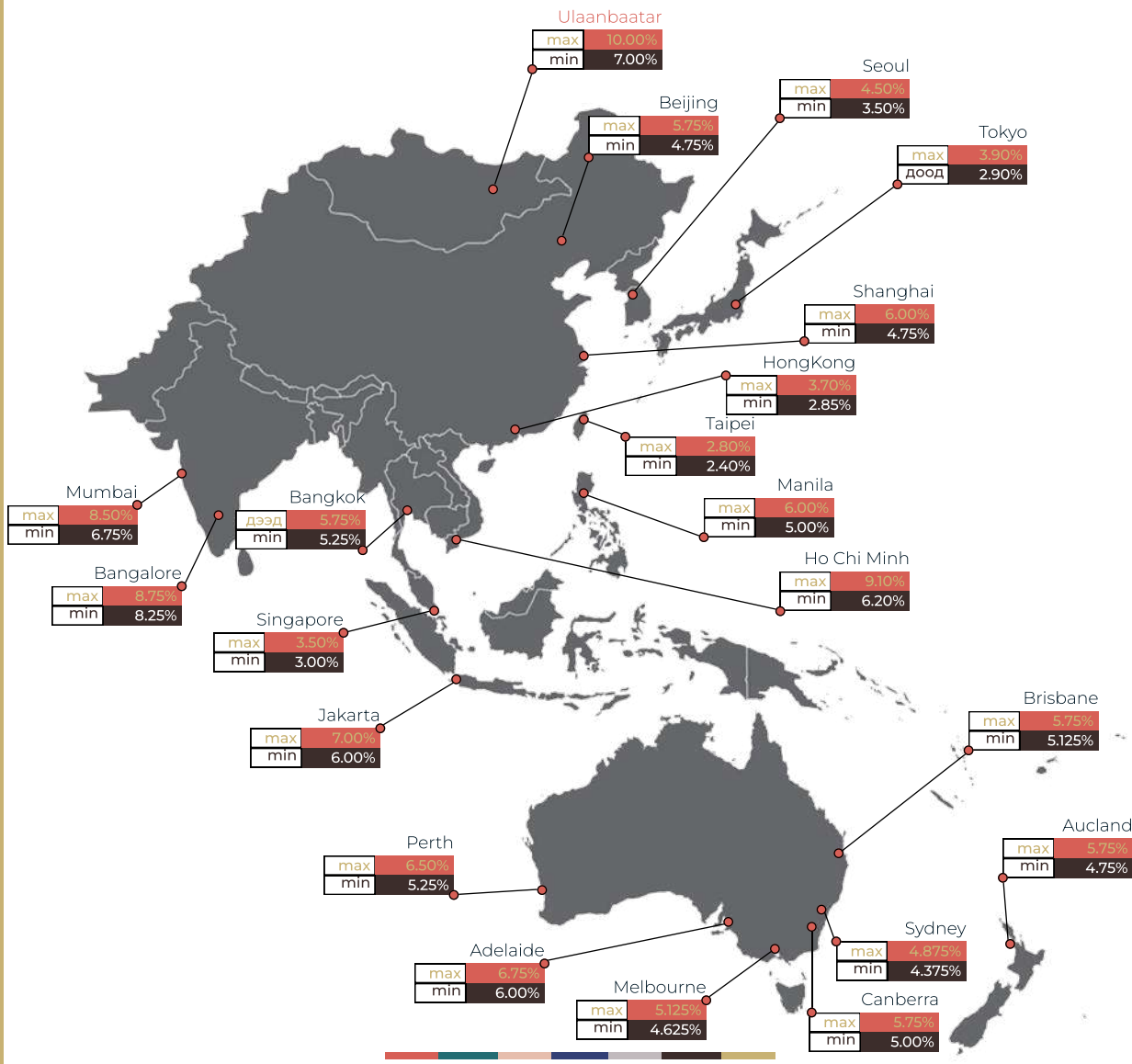
Restoration of historic building

SECTION 7

CAP RATE IN
ULAANBAATAR vs
OTHER APAC CITIES

CAP RATE IN ULAANBAATAR vs OTHER APAC CITIES

Note: To calculate cap rate for Ulaanbaatar, we have used information such as operational expense, market value, management fee and other deductions associated with the projects we manage. This includes A or A-class office and residential projects. Cap rate level of other Asia Pacific cities were taken from the report made by Colliers.²⁶



26 Colliers-APAC Cap Rates 2022Q4

アンバサダー
レジデンス

InvesCore
PROPERTY

AMBASSADOR

r e s i d e n c e

SERVICED APARTMENT



AMBASSADOR RESIDENCE

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E-mail address: sales@ambassador.mn
Phone Number: (+976) 7777-4554
Facebook: Ambassador Residence
Instagram: ambassador_residence

ULAANBAATAR REAL ESTATE MARKET

The Mongolian economy has experienced positive impacts in 2022 due to a number of important events. Certain macroeconomic indicators have exceeded expectations, which is why we are optimistic about the future in 2023.

As a country, our economy is strongly dependent on mining, which is directly impacted by price volatility on the commodity market, the demand from importing countries, as well as the continuity of transportation and logistics. However, despite these challenges, the Oyu Tolgoi project has progressed tangibly in 2022 and its activities will be intensified. Since the start of underground mining, the economy has experienced several significant changes and movements, creating a positive outlook for the future. Furthermore, in the last months of the year, the turnover of cargo and transportation was improved due to the restoration of port capacity that had been delayed due to the difficult conditions caused by the pandemic. A significant increase in minerals and raw materials exports was also observed, as well as an increase in foreign exchange income.

Due to the economic recovery, the construction sector has seen an increase of 37 percent from the previous year, while the real estate sector has seen an increase of 12 percent. The effects of the Covid-19 pandemic resulted in a delay of foreign trade with China, the main supplier of goods, and a 91 percent rise in the construction cost index, which had a significant effect on the price of construction. However, the foreign direct investment flow in the construction sector reached 11 percent of the total investment, and 88 percent in the real estate sector, demonstrating the high interest of both domestic and foreign investors in the construction and real estate industries in Mongolia.

This sector's intensification and expansion of business activities may be reflected in the increase of enterprises in the construction and real estate sectors among issuers of securities on the non-exchange market, as well as the new loans that banks are issuing. A total of MNT 58.4 billion in bonds were raised by construction and real estate companies on the non-exchange market, creating new financing opportunities for the developers, as well as demonstrating investor interest in investing in this sector via regulated markets and investment professionals.

Additionally, real estate brokerage companies reported a 23 percent increase in sales from 2021 to 2022, and sold MNT1.9 trillion in real estate. As for rental brokerage, lease agreements for assets with a total value of MNT444 billion were signed, an increase of 18.8 times over the previous year.

Compared to other countries in the region, Mongolia's real estate market remains relatively underdeveloped due to a lack of infrastructure solutions, legal regulations, and resource diversification. Furthermore, political instability makes it difficult for first-time investors to enter the market.

Another challenge for real estate investors in Mongolia is the relatively small size of the market. While the demand for real estate is growing, the overall market is still small, which can limit the potential returns for investors. Despite these challenges, there are opportunities for investors in Mongolia's real estate market, particularly in the residential and commercial sectors. The growing middle class and increasing urbanization are driving demand for housing and commercial real estate, and there is potential for significant returns for investors who are willing to take on the risks associated with investing in a developing market.

Real estate and related products and services will continue to grow at a rapid rate in the years to come. However, we recommend investors partner with a local professional organizations to manage potential risks.

For project developers, it appears that there is an economy of scale. We suggest buying a large plot of land and developing a complex, mixed-use facility to maximize the returns for all stakeholders.

However, developing a large-scale project requires the use of a variety of funding options in an appropriate manner. Several industry associations and enterprises are discussing the need to regulate and implement real estate investment funds (REITs) in Mongolia, so it is expected that in the coming years, a certain financial model in accordance with international standards will be available for investors.



MANAGEMENT TEAM



"INVESCORE PROPERTY" LLC

E-MAIL: info@invescoreproperty.mn

PHONE: (+976) 7507-5454

FACEBOOK:

Invescore Property LLC, Инвескор Проперти ХХК

INSTAGRAM: [Invescoreproperty](#)

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