

ULAANBAATAR CITY REAL ESTATE MARKET

InvesCore
Property



ANNUAL REPORT

2024-2025

ULAANBAATAR REAL ESTATE MARKET 2024-2025 Annual Report

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Mongolia, Ulaanbaatar city, Sukhbaatar district 1st khoroo, Paris Street, IC Tower office, №1201

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Ulaanbaatar, 2025



Abbreviations

- ADB** - Asian Development Bank
- AI** - Artificial Intelligence
- BESTGER** - Best Governance in Efficiency and Resilience
- BTR** - Built-to-Rent
- COP29** - 29th Conference of the Parties
- EBRD** - European Bank for Reconstruction and Development
- EDGE** - Excellence in Design for Greater Efficiencies
- FAIR** - Fair Access to Insurance Requirements
- FDI** - Foreign Direct Investment
- GDP** - Gross Domestic Product
- HAI** - House Affordability Index
- IMF** - International Monetary Fund
- PMI** - Purchasing Managers' Index
- REITs** - Real Estate Investment Trusts
- SMEs** - Small-medium enterprises

Foreword

The real estate market in Mongolia is undergoing continuous transformation, shaped by dynamic socioeconomic conditions, legislative policies and regulations, market demand and supply, demographic shifts, urbanization patterns, lifestyle changes, consumer behavior, and global industry trends.

As the capital and economic hub of Mongolia, Ulaanbaatar is the epicenter of real estate investment, urban development, redevelopment, and infrastructure expansion. This **"Ulaanbaatar Real Estate Market: 2024-2025 Annual Report"** provides an in-depth analysis of key market changes in 2024, including price fluctuations, supply and demand dynamics, and critical market drivers.

In our previous **"Ulaanbaatar Real Estate Market: 2023-2024 Annual Report"**, we projected Mongolia's 2024 inflation rate at 8.7%, which differed by 0.3 percentage points from the actual rate of 9.0%. Similarly, our 2025 market forecast is based on economic policies, infrastructure development, regulatory frameworks, stakeholder and investor sentiment, and consumer demand. This report aims to deliver valuable insights and strategic considerations for industry participants.

The year 2024 has witnessed significant shifts in the real estate sector, including changing demand for residential and commercial spaces, price fluctuations, and **the initiation of major government-led infrastructure projects**. This report examines these factors in detail, assessing market trends and investment opportunities.

Looking ahead to 2025, the sector is expected to face both challenges and new opportunities. To enhance market competitiveness, there is a growing emphasis on **smart urban planning, sustainable financial solutions, and improved housing accessibility**.

We extend our gratitude to the industry experts, researchers, and stakeholders who contributed to this report. We trust that it will serve as a valuable resource for real estate professionals, investors, and policymakers, providing critical data and insights to navigate the evolving market landscape.

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Executive Summary

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- **Key Events In Mongolia and Globally: Economic, Political, And Investment Landscape**
- **Top 10 Key Events In Mongolia's Real Estate Market In 2024**

Executive Summary

Key events in Mongolia and Globally: Economic, political, and investment landscape

A summary of notable events influencing the economic, political, and investment environment in both Mongolia and the global arena:

Global - Economic Environment

2024 Key events
<p>Bitcoin Surpasses \$100,000 for the First Time</p> <p>Bitcoin's record-breaking rise past \$100,000 was a significant milestone, driven by expectations of more flexible regulations under U.S. President Donald Trump's administration. His campaign commitments to easing cryptocurrency regulations and encouraging investors to hold their Bitcoin fueled this surge.¹</p>
<p>COP29: Climate Finance for Developing Countries Tripled.</p> <p>The 29th UN Climate Change Conference (COP29) took place in Baku, Azerbaijan (November 11–22, 2024) under the theme "<i>Unity for a Greener World.</i>" As part of the summit's outcomes, developed nations committed to providing at least \$300 billion annually to support climate action in developing countries—a threefold increase from previous funding levels.²</p>
<p>California Wildfires and the Insurance Sector Crisis</p> <p>Wildfires in California have caused approximately \$35 billion in economic losses in the U.S., placing immense financial strain on the insurance sector. Several insurers are facing significant losses, with some considering market exits. Additionally, FAIR Insurance Fund requires an additional \$1 billion to sustain operations.³</p>
2025 Projections
<p>Commodities, Oil Prices, and the Dollar's Strength</p> <p>Global oil production is set to increase, adding 1 million barrels per day to the market, which could drive prices below November 2024 levels. If the U.S. dollar strengthens, inflation may rise in import-dependent economies like China, Japan, and India. Declining demand from China will be a major factor in keeping oil and raw material prices low.⁴</p>

¹ [CNBC Mongolia](#)

² [Bloomberg TV Mongolia](#)

³ [Lemon Press](#)

⁴ [U.S. Energy Information Administration \(EIA\)](#)

Potential Global Trade War

The Trump administration is expected to impose additional tariffs of 10–60% on Chinese imports. In response, China is likely to devalue the yuan by 10–15% to offset the impact, mirroring trade tensions from 2018–2020. As a result, China's economic growth forecast may drop by 0.6 percentage points, bringing it below the official 5% target. The Eurozone is also expected to experience a 0.5% decline in economic growth due to direct and indirect effects of U.S. tariffs.⁵

Strengthening of the U.S. Dollar Under Trump's Administration

Following the U.S. Dollar strength, the People's Bank of China is likely to lower interest rates to stimulate economic growth, leading to the yuan depreciating to 7.6 per USD in 2025. The Japanese yen is projected to appreciate, reaching 142 per USD by the end of 2025, though significant volatility is expected. Financial analysts caution that at least 60% of USD-denominated investments should be hedged against currency risks due to expected fluctuations.⁶

Global - Political Environment

2024 Key events

Donald Trump Re-elected as President of the United States

The U.S. Presidential election was held on November 5, with Donald Trump securing victory as the **47th President of the United States**. Trump won with **312 electoral votes**, defeating Democratic nominee Kamala Harris, who received **226 votes**. Throughout his campaign, Trump made several major promises, including **ending the Russia-Ukraine war and increasing import tariffs**, signaling potential shifts in global trade and geopolitical stability.⁷

South Korean President Declares a State of Emergency and Temporarily Steps Down

Toward the end of the year, South Korean President Yoon Suk Yeol declared a **state of emergency and attempted to impose military rule**, a move that faced intense backlash from both parliament and the public. Although the emergency measures were lifted after six hours, the political fallout led to a parliamentary vote suspending his presidential powers. His future now depends on the ruling of South Korea's **Constitutional Court**, which will determine whether he will be permanently removed from office.⁸

Middle East Conflict: The End of Assad's 50-Year Rule in Syria

In late November, Syrian opposition forces, led by Hayat Tahrir al-Sham, an ally of the Islamic State, rapidly **seized control of key regions**, including Aleppo, Hama, and the capital, Damascus. Following this military advance, President Bashar al-Assad fled to Russia, and Syria's Prime Minister announced plans to transfer power to the opposition, marking the collapse of the Assad family's five-decade-long rule.⁹

⁵ [Gogo.mn](#)

⁶ [Capital Economics](#)

⁷ [AP News](#)

⁸ [BBC](#)

⁹ [AP News](#)

2025 Projections

Geopolitical Tensions to Remain in Focus

The ongoing **Russia-Ukraine war** and **conflict in Iran** will continue to shape global geopolitics. However, their direct impact on global commodity prices and demand remains uncertain. Russia is expected to remain largely **isolated from European energy markets**, while potential disruptions in Iran's oil exports could prompt **Saudi Arabia and the U.S. to increase production**. Despite this, their ability to fully compensate for supply shortages will depend on production capacity, market conditions, and broader geopolitical factors.

Meanwhile, the **intensifying U.S.-China rivalry** is expected to persist, further influencing global trade policies, technology competition, and economic realignments. The evolving geopolitical landscape will remain a key area of focus for international markets, policymakers, and investors.¹⁰

Global - Investment Trends

2024 Key events

Surge in Investments Toward the Technology Sector

Investor confidence in the future growth of artificial intelligence (AI) remains strong, with **74% of investors** planning to make substantial investments in workforce development to effectively implement AI-driven solutions. In China, **72.1 billion yuan (\$9.2 billion)**, accounting for **12.4% of total foreign direct investment (FDI)**, has been allocated to the high-tech manufacturing sector, reflecting the country's commitment to technological advancement and innovation-driven economic growth.¹¹

2025 Projections

Investment Climate Expected to Gradually Improve

Although global FDI continues to recover, it has yet to reach pre-pandemic levels. Geopolitical tensions and economic policy uncertainties have hindered a full rebound. Despite these challenges, **51% of investors remain optimistic about global economic expansion** and anticipate continued growth. Investments in real estate, particularly in **infrastructure, renewable energy projects, student housing, warehouses, and data centers**, are expected to increase, reflecting shifting market demands and structural changes in the investment landscape.¹²

China's Real Estate Market to Maintain Slow Growth

China's real estate sector, traditionally a key driver of its economic activity, is expected to remain stable but with a gradual pace of growth. As of early 2025, **new home prices** have increased by **1.2% in Beijing and 10.7% in Shanghai** on a year-over-year basis, signaling a resurgence in consumer confidence. Additionally, **sales volume has risen by 56%** compared to the same period last year, highlighting an improvement in market demand. While short-term indicators suggest positive momentum, analysts forecast that a **comprehensive and sustained recovery** will unfold gradually over the long term.¹³

¹⁰ S&P Global

¹¹ China Daily

¹² WTW

¹³ South China Morning Post

Mongolia - Economic Environment

2024 Key events
<p>Mongolia's Credit Rating Upgraded to a Decade-High Level</p>
<p>In 2024, leading international credit rating agencies, including Fitch, S&P, and Moody's, upgraded Mongolia's sovereign credit ratings to B+, B+, and B2, respectively—the highest levels recorded in the past ten years. This reflects strengthened macroeconomic stability, improved external debt management, lower inflation, and accelerated economic growth. The rating upgrade signals renewed investor confidence and enhances Mongolia's ability to attract international financing under more favorable terms.^{14 15}</p>
<p>Expansion of Green Loan Issuance</p>
<p>The total outstanding green loan portfolio reached 1.3 trillion MNT, accounting for 3.7% of total bank lending by the fourth quarter of 2024. The government has set an ambitious target to increase this share to 10% by 2030. In 2024, most green loans were allocated to energy-efficient construction, while an additional 162 billion MNT was directed toward sustainable agriculture, land use, forestry, eco-tourism, and environmental pollution prevention projects.¹⁶</p>
<p>Balanced National Budget Approved for the First Time Since 2018</p>
<p>For the first time in six years, Mongolia's parliament approved a balanced national budget in 2024. The fiscal plan is expected to generate a surplus equivalent to 3.5% of GDP, reflecting stronger fiscal discipline and improved economic resilience.¹⁷</p>
2025 Projections
<p>Mongolia's Economic Growth Projected at 7.2% in 2025</p>
<p>Key financial institutions, including the Bank of Mongolia, the World Bank, the IMF, the Asian Development Bank (ADB), and the EBRD, forecast Mongolia's economic growth to average 7.2% in 2025. This projection is driven by increased commodity exports, higher mining output from Oyu Tolgoi, expansion in the trade and services sectors, and ongoing large-scale infrastructure projects. However, economic performance is expected to fluctuate between 6.8% and 7.5%, depending on external market conditions, government policies, investment flows, and commodity prices.^{18 19}</p>

¹⁴ [Bank of Mongolia](#)

¹⁵ [Bank of Mongolia](#)

¹⁶ [Bloomberg TV Mongolia](#)

¹⁷ [lkon.mn](#)

¹⁸ [CNBC Mongolia](#)

¹⁹ [ADB](#)

Mongolia - Political Environment

2024 Key events
<p>Mongolia Forms First-Ever 126-Member Parliament</p> <p>The 2024 parliamentary elections marked a historic shift, with Mongolia electing a 126-member parliament under a mixed electoral system. This system, combining proportional representation and regional constituency-based voting, aims to promote fair political representation and balance between national and regional governance.²⁰</p>
2025 Projections
<p>Infrastructure and Energy Modernization</p> <p>In 2025, Mongolia is set to prioritize infrastructure modernization as a key national development strategy. The government has formulated policies to integrate digital technology, innovative solutions, blockchain, and artificial intelligence into large-scale infrastructure projects, focusing on urban and regional road networks, electricity grids, and smart city developments. These efforts aim to foster public-private partnerships, enhance economic sustainability, and improve living standards, positioning Mongolia as a competitive player in global infrastructure and technology. By doing these, Mongolia seeks to elevate its development to a new level, positioning itself as a competitive player in the global infrastructure and technology landscape.²¹</p>

Mongolia - Investment Trends

2024 Key events
<p>Foreign Direct Investment (FDI) Reaches \$2.9 Billion, Driven by Mining Sector Growth</p> <p>Mongolia's foreign direct investment (FDI) surged by 26% in the first nine months of 2024. The mining sector maintained its dominant position, attracting over 80% of total FDI, reaffirming its role as the country's primary driver of international capital inflows. Additionally, Mongolia secured \$230.7 million in financing from the Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD) to support the country's financial institutions and corporate sectors.²²</p>
2025 Projections
<p>Landmark Investment Agreement with Orano Mining to Develop Mongolia's Uranium Sector</p> <p>Mongolia has signed an agreement with France's Orano Mining on a uranium project, set to produce 2,750 tons annually for 30 years. The initial \$400 million investment will generate \$4.89 billion in benefits and create 1,600 jobs, mostly for Mongolian nationals. Infrastructure enhancements include a 160-kilometer highway, expanding the Zuunbayan railway, and a new residential area for 500 people, enhancing regional growth and Mongolia's global energy presence. These initiatives highlight Mongolia's commitment to economic growth, investment appeal, and infrastructure modernization, boosting stronger global presence.²³</p>

²⁰ Montsame

²¹ CNBC Mongolia

²² Bank of Mongolia

²³ Bloomberg TV Mongolia

• Top 10 Key Events in Mongolia's Real Estate Market in 2024:

01

In May 2024, the government announced a **1.2 trillion MNT mortgage loan fund**, sourced from the Bank of Mongolia (500 billion MNT), repayments (200 billion MNT), and a savings fund (500 billion MNT). This initiative is expected to provide home-ownership opportunities for **10,000 households**. As of May 2024, **1.1 trillion MNT** in mortgage loans had been disbursed to 9,693 borrowers, representing a twofold increase compared to the previous year. In 2025, 1.2 trillion MNT is set to be distributed, with tiered interest rates based on property size and priority access for first-time homebuyers.²⁴

03

As of Q4 2024, **housing prices in Ulaanbaatar have risen by 14.6% year-over-year**, reflecting strong market demand and sustained value appreciation in the real estate sector. This price increase highlights residential properties as a stable investment option and provides long-term returns for investors. Additionally, rising prices have driven **higher-quality developments and increased competition** among construction firms to deliver innovative and premium projects.²⁶

02

Urban Development and City Standards Agency has drafted the **"Ulaanbaatar City Master Plan until 2040"**, which was submitted to Parliament for approval. The plan outlines strategies to **decentralize** urban development by establishing **satellite cities and regional hubs** to ease congestion and promote a **multi-centered urban structure**. The proposal also includes the **"20-Minute City"** concept, aiming to develop 14 sub-cities that enhance accessibility to public and social services.²⁵

04

Several large-scale infrastructure projects were successfully completed in 2024. In December 2023, a **10 MW solar power plant was inaugurated in Mörön, Khuvsgul Province**, with a capacity to generate 15.5 million kWh annually. In October 2024, the first **150 MW unit of the Booroljuut Thermal Power Plant** in Bayanjargalan, Tuv Province became operational, with the second unit expected to be fully commissioned by 2025.²⁷

²⁴ [Bank of Mongolia](#)

²⁵ [Institute of Urban Planning and Research](#)

²⁶ [National Statistics Office of Mongolia](#)

²⁷ [Montsame.mn](#)

05

The construction sector faced a labor shortage of **15,300 workers in 2024, accounting for 16%** of the total labor market demand. Despite this, only 7,601 students were enrolled in 28 construction-related majors across universities, fulfilling just 40% of market demand. The shortage is primarily due to challenging working conditions, seasonal employment, job instability, and relatively low wages.²⁸

07

At the Mongolia Sustainable Finance Forum 2024, discussions centered on expanding energy-efficient housing finance and green investment flows. In alignment with the Paris Agreement, **Mongolian banks have set a goal to ensure 10%** of their total loan portfolios are dedicated to green financing by 2030.³⁰

09

The real estate brokerage sector recorded 193.2 billion MNT in revenue, an **82% increase from the previous year**. However, net profits declined by 11% to 9.6 billion MNT, highlighting increasing operational costs and market competition.³²

06

In 2024, Mongolia attracted 727,000 international tourists, marking a 22% increase from the previous year. **The tourism sector generated 1.5 billion MNT** in revenue, reinforcing the government's decision to extend the "**Go Mongolia**" initiative until 2028. The 2025 budget will focus on road infrastructure, tourism development, new urban projects, and regional economic growth to support the continued expansion of the sector.²⁹

08

Mongolia introduced the "**BESTGER** National Green Building Certification System, designed to promote eco-friendly construction and sustainable urban development. Under the "**Mongolia Development Plan 2025**", the government has committed to expanding energy-efficient housing programs and mortgage financing while adopting green building standards to attract international investment in sustainable real estate.³¹

10

The 2025 National Budget includes **6.9 trillion MNT in infrastructure investments**, with key projects including:

- Cross-border railway connections at Gashuunsukhait-Gantsmod, Khangai-Mandal, and Shiveekhuren-Sekhee
- The Khushigt Valley Tunnel
- The 450 MW Tavan Tolgoi Thermal Power Plant
- The 90 MW Erdeneburen Hydropower Plant
- The 310 MW Egjiin Gol Hydropower Plant and
- A new oil refinery complex

These projects will play a crucial role in Mongolia's long-term economic growth, energy security, and regional connectivity, shaping the country's real estate and infrastructure landscape in the years ahead.³³

²⁸ Bloomberg TV Mongolia

²⁹ National Statistics Office of Mongolia

³⁰ Bank of Mongolia

³¹ Ministry of Construction and Urban Development

³² Financial Regulatory Commission

³³ Unified Legal Information System

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Macroeconomic Overview

02

-
- 2024 Performance
 - 2025 Outlook
 - Impact On The Industry

Macroeconomy

Overview

▲ 4.9%

Mongolia's Macroeconomic Growth in 2024 was primarily driven by a 25% increase in coal export volumes, along with rising government expenditures, including higher public-sector salaries and pensions.

▲ 9.0%

Inflation increased mainly due to significant price hikes in services, rent, and imported goods, driven by rising domestic demand and wage growth.

▲ 10.0%

Policy rate has been reduced three times to 10% in 2024.

▲ 11.8%

The increase in Mongolia's foreign exchange reserves was driven by an improvement in the country's credit rating, along with growth in external financing and export activities.

Macroeconomic Overview

• 2024 performance

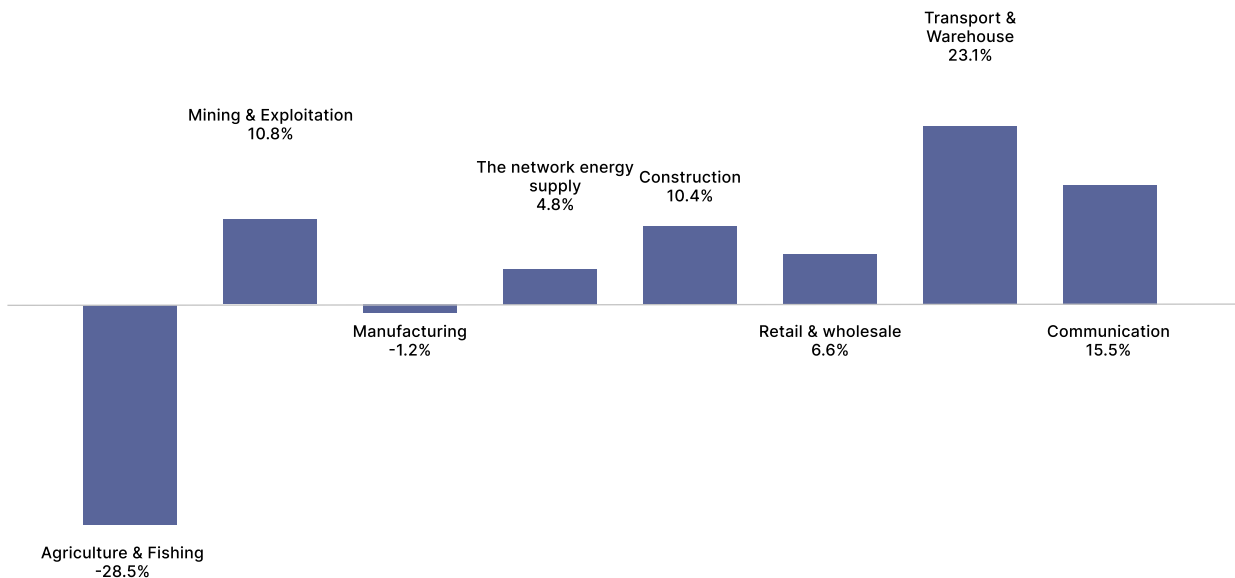
Economic growth (+4.9%)

Mongolia's economy grew by 5% in 2022, 7.4% in 2023, and 4.9% in 2024. The main factors contributing to this were a 25% increase in the physical volume of coal exports, which led to continued growth in sectors dependent on coal exports, and increased economic activity in the second half of the year. In addition, household consumption increased due to increases in salaries and pensions for government employees, while government consumption also expanded sharply within the framework of budget amendments, boosting the economy.³⁴

Statistical indicators	2022-IV	2023-IV	2024-IV
GDP, at annual prices /₮ million/	53,851,544.5	70,441,515.8	79,956,293.3
GDP, at 2015 constant prices /₮ million/	28,455,108.6	30,567,078.9	32,053,862.0
Growth rate /compared to the same period of the previous year/	5.0%	7.4%	4.9%

Unit of measurement: million.tugrug

Economic growth rate in 2024 by economic sector /YoY/



Source: Bank of Mongolia, 2024

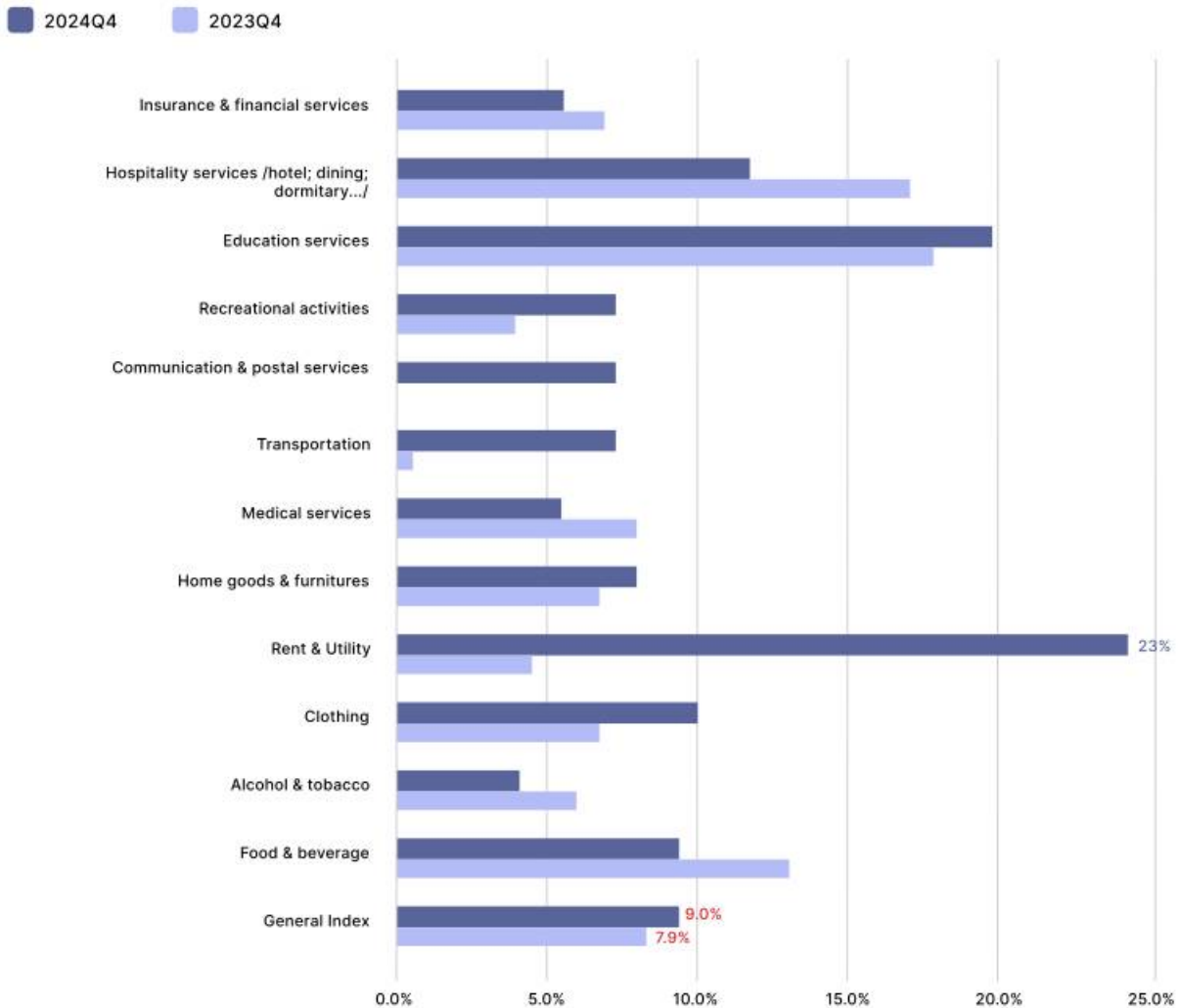
³⁴ National Statistics Committee, 2025.02.17

Inflation (+9%)

In December 2024, consumer prices rose by 9.0 percent nationwide and 9.1 percent in Ulaanbaatar compared to the same period last year.³⁵

The inflation rate exceeded the upper limit of the Bank of Mongolia's target, mainly due to higher-than-expected increases in the prices of electricity, meat, and imported goods. In addition, domestic demand and wage growth related to economic recovery and growth have contributed to high increases in the prices of services, rent, and imported goods.

Inflation 2024, by consumption group

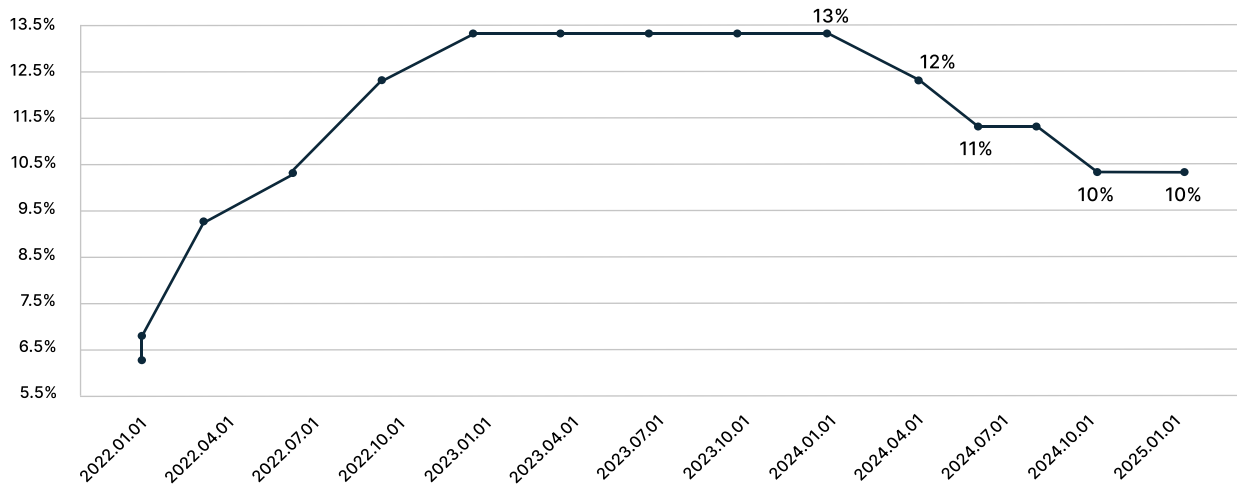


Source: Bank of Mongolia, 2024

³⁵ National Statistics Committee, 2025.01.10

Policy rate (10%)

The Bank of Mongolia has reduced the policy interest rate three times since March 2024, bringing it to 10% by the end of the year.



Source: Bank of Mongolia

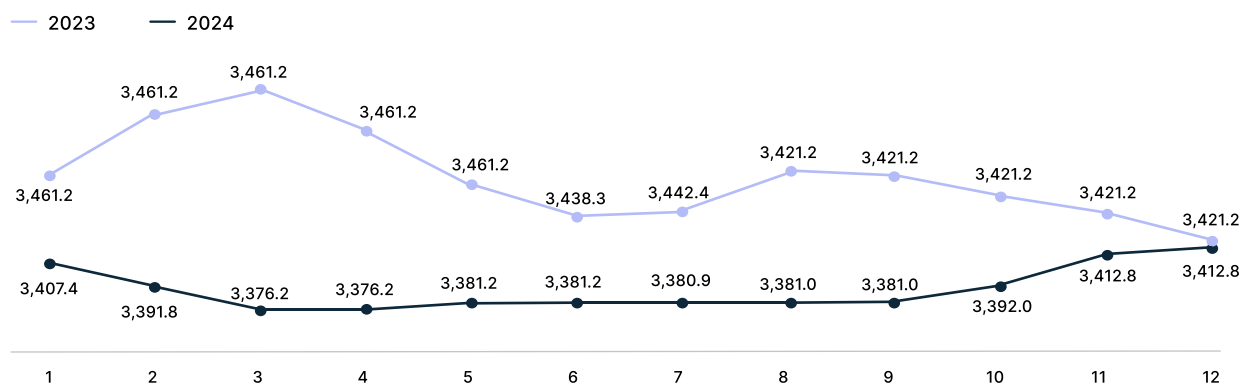
Foreign Exchange Reserves & Exchange Rate (USDMNT=3,420.46)

The state's foreign exchange reserves reached a historic high of USD 5.5 billion (+11.8% YoY) in December 2024. These reserves are equivalent to about 5 months of Mongolia's imports.

The increase in reserves is due to the improvement in Mongolia's credit rating, which in turn has led to an increase in external financing and exporting activities.

The exchange rate of the MNT against the US dollar, which had been stable at around 3,380 since March 2024, has been weakening since the beginning of October. This was due to a decrease in coal exports in September, resulting in a net foreign exchange loss of 160 million US dollars.

Average monthly movement of USDMNT rate



Source: Bank of Mongolia 2023-2024

• Outlook for 2025

Economic growth

According to the Bank of Mongolia, economic growth is expected to accelerate to 7.5% in 2025, driven by factors such as increased coal production, intensified production at Oyu Tolgoi, the easing of the harsh winter conditions, and a weakening fiscal outlook.

However, the 2025 budget estimate assumes that total budget revenue for the next year will increase by ₮5.8 trillion from 2024, of which ₮2 trillion is due to the revenue growth of the mining sector. In doing so, it is assumed that coal will be exported at its maximum capacity next year, i.e. 83 million tons at a price of \$105. However, as of the end of February 2025, the price of coal is fluctuating around \$80 per ton, so there is a risk that the projected revenue will not be realized. If coal prices remain unchanged throughout the year, total actual budget revenue will be lower by ₮7.3 trillion, or more than 20 percent less than the total projected amount (₮36.4 trillion), and the budget will have a deficit year.

Inflation (9.6% as of Feb, 2025)

In 2025, economic growth will continue, budget expenditures will expand, and demand-side inflationary pressures will increase, as well as increases in household and business electricity, heating, and water consumption prices, which are expected to increase inflation directly and through the expenditure channel. As a result, inflation will increase beyond the Central Bank's target range (projected to reach 8.8%) throughout 2025, and the pace of inflation will slow from the end of the year and stabilize at the target level in 2026.³⁶

In addition, there is an increasing risk that financing for mega projects planned by the Mongolian government will put inflationary pressure on the balance of payments and exchange rates, and that increases in electricity and heating price will trigger inflation to be raised.

Policy rate (12% as of March, 2025)

Based on the above inflation expectations, the Bank of Mongolia tightened its monetary policy stance by increasing the policy interest rate to 12% at its meeting on 2025.03.07.

In addition, the upper limit of the debt-to-income ratio for consumer loans granted by commercial banks has been revised to 50%, increasing lending criteria. According to the Governor of the Bank of Mongolia, pension loans have increased rapidly in recent years, and the debt-to-income ratio of pension loans has reached 84 percent, indicating a high financial burden for borrowers.³⁷

Foreign exchange reserves & exchange rates (USDMNT=3,467.86 as of March, 2025)

In 2025, the central bank expects foreign direct investment to increase and official foreign exchange reserves to grow steadily, driven by increased export revenues and growing interest from foreign investors in Mongolia's mining sector.

However, coal prices have fallen by more than 20% since the start of the year. Therefore, there is a risk that the state's budgeted revenue will not be realized.

³⁶ INFLATION REPORT DECEMBER 2024, Bank Of Mongolia, 2025.01.09

³⁷ MONETARY POLICY STATEMENT, Monetary Policy Committee, 2025.03.07

- **Impact on the industry**

Salary costs increase

In 2025, the minimum wage will increase by 20% starting on 1st of April, 2025 to ₮792,000, which will put pressure on the availability of labor in the private sector, increasing labor shortages and sharply increasing wage-related costs, and reducing profitability. Businesses are expected to respond by increasing the number of not full-time employees and attracting low-cost labor from abroad.

Construction cost increase

Inflation is expected to rise next year due to high budget expansion and rising wages and pensions. At the same time, government purchases related to 14 mega projects are expected to increase import purchases, which will reduce foreign exchange reserves and lead to a weakening of the Mongolian tugrik. As a result, the nominal prices of construction goods and materials, which are 90% dependent on imports, are expected to increase.

Increase in financing cost

Since the policy rate was sharply increased to 12% in March, loan availability will decrease and interest rate will rise. It is worth noting that project loans for the construction sector are 1.5-3 basis points higher than the average interest rate.

Construction Sector Overview

03

-
- Key Indicators Of The Construction Sector
 - Construction Cost Index

Construction Sector

Overview



2.6[₹] trillion

Value-Added



▲ 3.2%

Of Total Gross Domestic Product



261.6

Construction Cost Index



97,000

Workforce Size



2.25 million MNT

Average salary of workforce

Construction Sector

- Mongolia's construction and manufacturing sectors expanded by 7.5% year-over-year, contributing 10.8% to the country's GDP in 2024.
- The total construction output was distributed across different segments as follows:
 - 35.7% in residential buildings
 - 33.1% in non-residential buildings (commercial, office, and industrial spaces)
 - 27.7% in engineering structures (roads, bridges, and utilities)
 - 3.5% in major renovations
- The construction industry employs 97,000 workers, representing 7.2% of the total workforce.
- The Residential Construction Cost Index (2015=100) rose by 9.2% year-over-year as of Q3 2024, reflecting increased material costs, labor shortages, and higher demand for quality housing.

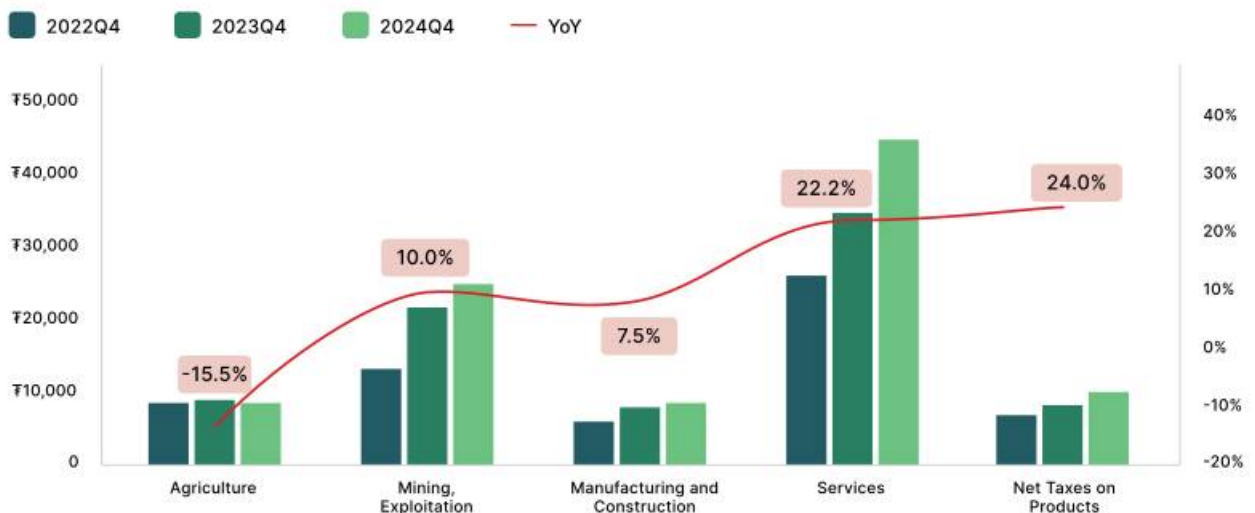
• Key indicators of the construction sector

Market Performance and Growth

As of Q4 2024, Mongolia's Gross Domestic Product (GDP), measured by the production approach, reached 79.9 trillion MNT, reflecting steady economic expansion. The construction sector, alongside mining and services, remained a key contributor to overall growth.

The mining and exploitation sector added 1.9 trillion MNT in value-added output, marking a 10% increase year-over-year. The Services sector demonstrated robust performance, contributing 6.4 trillion MNT, up 22.2%, while Net Product Taxes grew by 24%, adding 1.6 trillion MNT to the economy.

GDP, production approach, at current prices (by billion MNT)

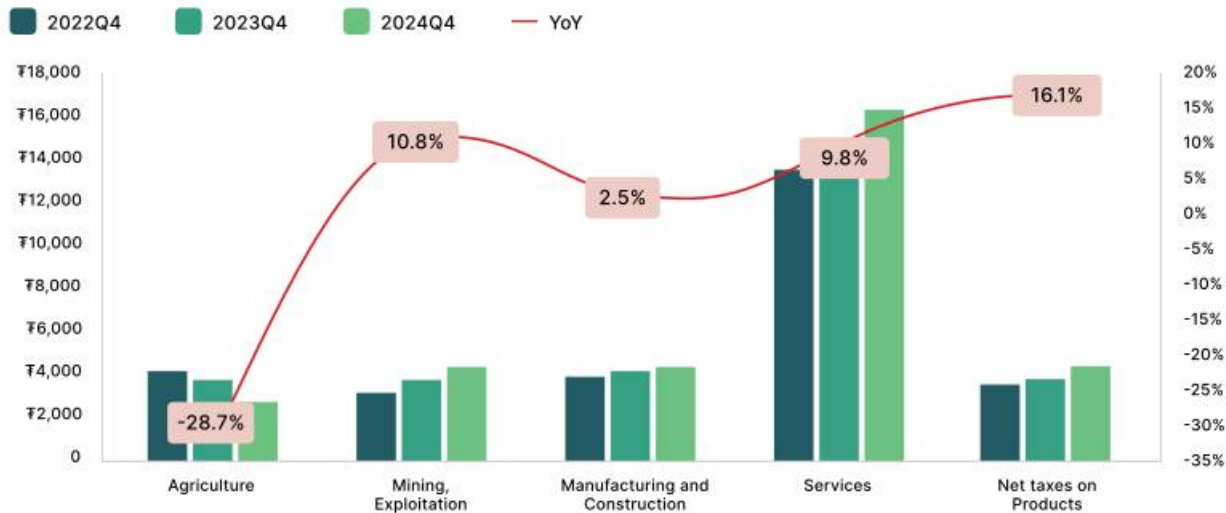


Source: National Statistics office of Mongolia, Q4 2024

Gross Domestic Product (GDP) at constant 2015 prices reached 32.0 trillion MNT as of Q4 2024, increasing by 1.4 trillion MNT (+4.9%) compared to the same period of the previous year. This growth was primarily driven by a 419.1 billion MNT (+10.8%) increase in the value-added output of the mining and exploitation sector and a 0.6 trillion MNT (+16.1%) rise in net product taxes.

Meanwhile, the manufacturing and construction sector grew by 2.5% year-over-year, accounting for 13.4% of total GDP.³⁸

GDP, production approach, at constant 2015 prices (by billion MNT)



Source: National Statistics Office Of Mongolia, Q4 2024

Growth and decline of value-added in Manufacturing, and Construction sector /Year-over-year, by %/



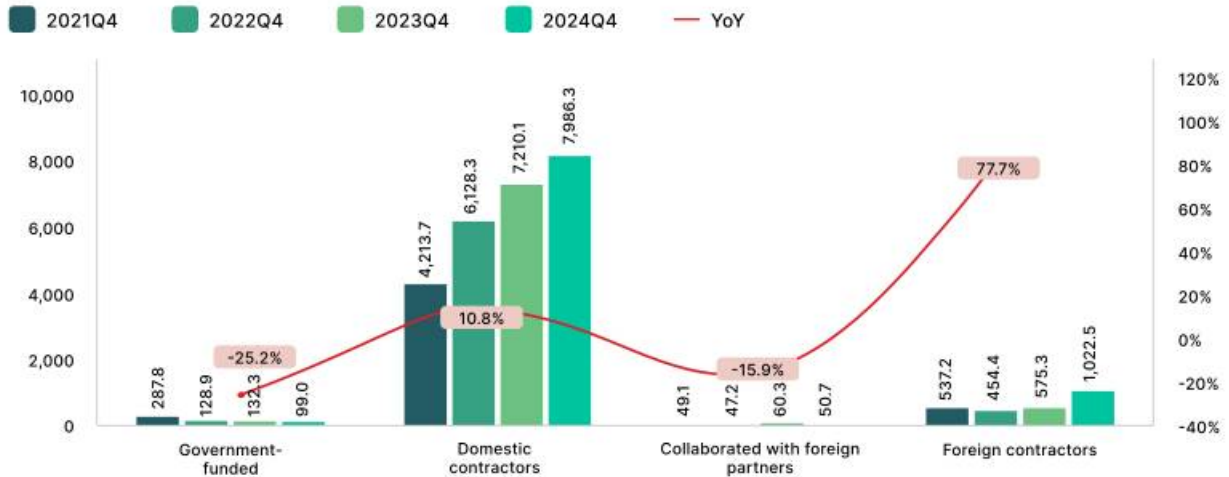
Source: National Statistics Office Of Mongolia, Q4 2024

³⁸ National Statistics Office of Mongolia

Construction and Major Renovation Performance

As of Q4 2024, the total value of Construction and Major Renovation work reached 9.2 trillion MNT, reflecting an increase of 1.1 trillion MNT (+14.8%) compared to the same period of the previous year. This growth was primarily driven by a 77.7% increase in construction projects executed by foreign entities.

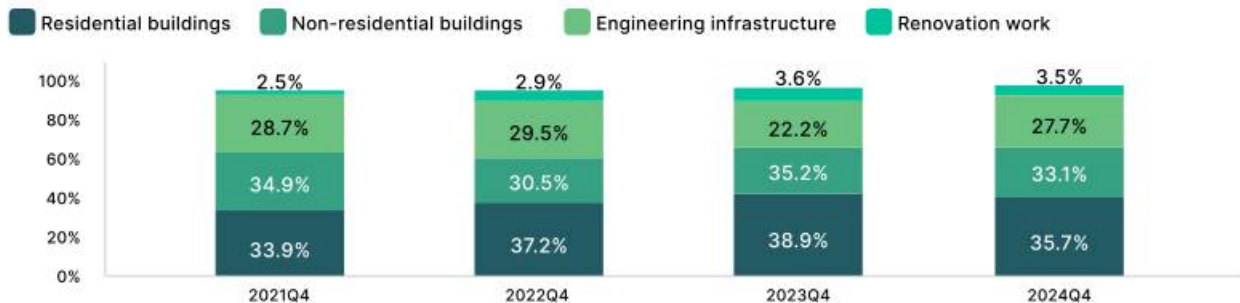
Construction and Major Renovation Work /by contractor type, 2024Q4 preliminary performance/



Source: National Statistics Office Of Mongolia, Q4 2024

As of Q4 2024, Construction and Major renovation activities consisted of residential buildings (35.7%), non-residential buildings (33.1%), engineering structures (27.7%), and major renovations (3.5%). Compared to the same period in the previous year, residential construction increased by 5.2 percentage points, non-residential construction rose by 7.8 percentage points, engineering structures saw significant growth of 43.1 percentage points, and major renovation projects grew by 11.9 percentage points.³⁹

The Volume of Construction and Major Renovation work completed /2024Q4 preliminary performance/



Source: National Statistics Office Of Mongolia, Q4 2024

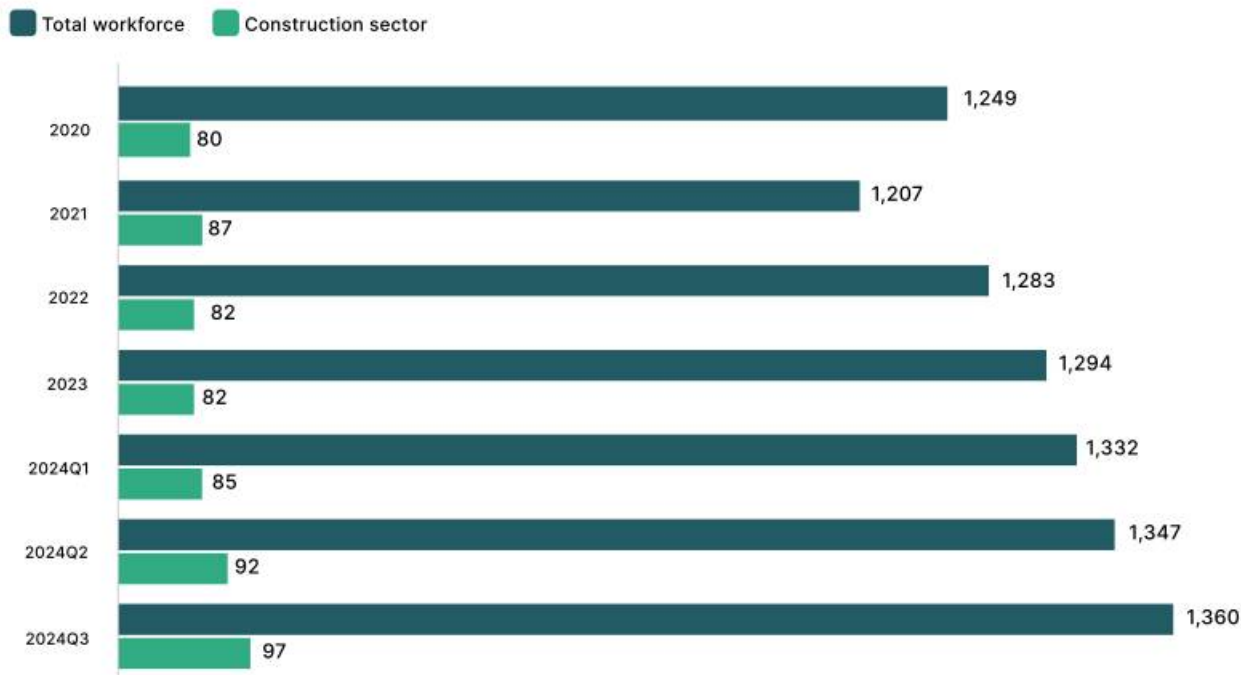
³⁹ National Statistics Office of Mongolia

Workforce

As of Q3 2024, Mongolia's total labor force stood at 1.4 million, with 97,000 workers (7.2%) employed in the construction sector.

Compared to the previous quarter, the number of construction workers increased by 5,200 people (+5.7%), while year-over-year, employment in the sector grew by 2,400 people (+2.5%).⁴⁰

Number of construction workers /million people/



Source: National Statistics Office Of Mongolia, Q3 2024

Note: As data for Q4 2024 has not yet been published, Q3 2024 data was used.

• Construction Cost Index

Construction Cost Index

As of Q3 2024, the General Construction Cost Index (2015=100) reached 261.6, reflecting a 4.5% increase year-over-year and a 0.4% rise compared to the previous quarter.

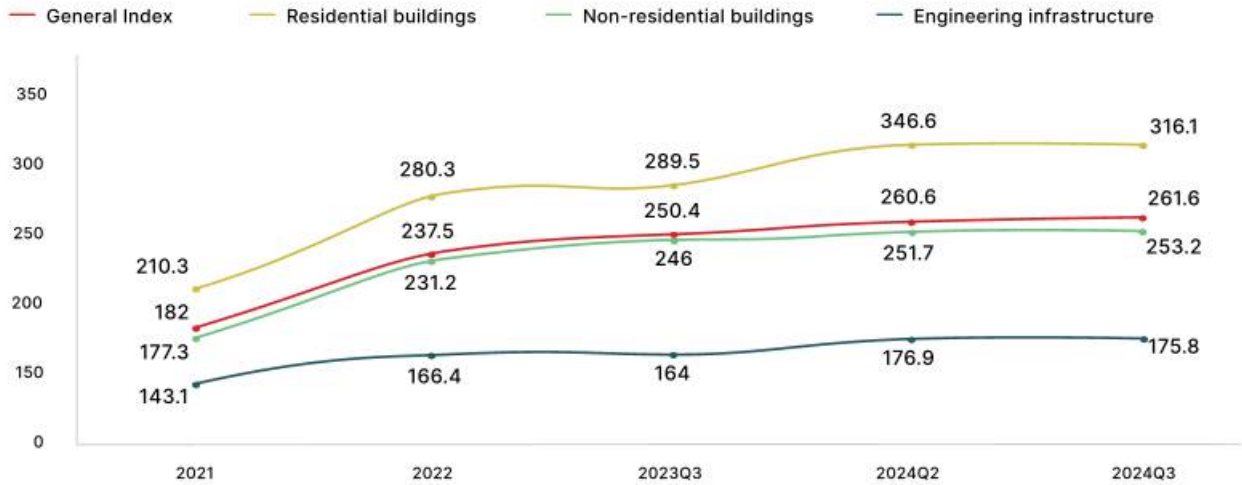
The Residential Construction Cost Index (2015=100) recorded the highest annual growth, surging 9.2% to 316.1. This increase was primarily driven by:

- Wage expenses, which rose by 26.4%,
- Machinery rental costs, which increased by 21.0%.⁴¹

⁴⁰ National Statistics Office Of Mongolia

⁴¹ National Statistics Office Of Mongolia

Construction Cost Index /By Buildings Types/

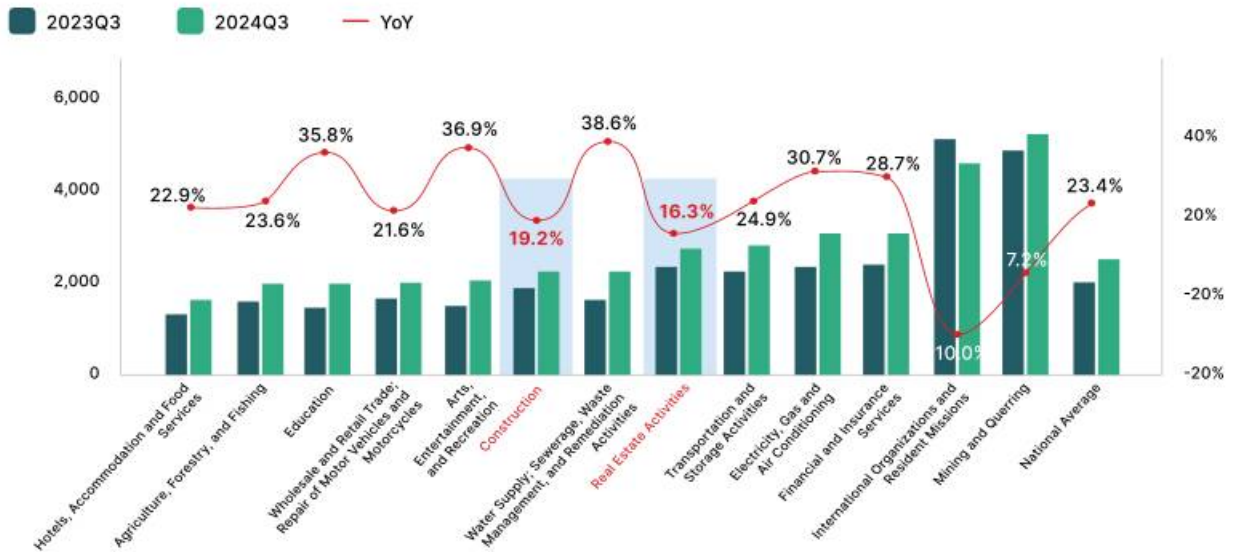


Source: National Statistics Office Of Mongolia, Q3 2024

Note: As data for Q4 2024 has not yet been published, Q3 2024 data was used.

As of Q3 2024, the national average monthly salary in Mongolia was 2,479,000 MNT, while the average salary in the construction sector stood at 2,237,000 MNT. Although the construction sector's average salary increased by 19.2% compared to the same period last year, it remains 9.8% lower than the national average.⁴²

Average monthly salary of employees at business entities and organizations /by sector, year-on-year, growth percentage/



Source: National Statistics Office Of Mongolia, Q3 2024

Note: As data for Q4 2024 has not yet been published, Q3 2024 data was used.

⁴² National Statistics Office Of Mongolia

Future Trends

Based on the 2024 construction sector performance, the following trends are projected for 2025:

1. Continued Increase in Construction Material Costs

- Mongolia relies heavily on imported construction materials, and rising import tariffs are expected to further drive up prices. Higher duties on cement, rebar, and other essential materials from China pose a direct cost risk to construction projects, impacting overall project budgets.

2. Growing Demand for Residential Housing

- “*The Government of Mongolia’s 2024–2028 Action Plan*” includes housing projects and new urban centers, with developments planned in Bayankhoshuu and Dambadarjaa, among others. These initiatives are expected to fuel demand for new residential units.
- Additionally, eased mortgage lending conditions and increased funding in 2024 significantly boosted housing demand. In 2025, further mortgage financing expansion and adjustments in lending policies are expected to continue driving the market.

3. Increased Investment in Infrastructure and Engineering Projects

- **Budget Growth:** The 2025 consolidated budget for the Ministry of Construction and Urban Development is set to increase by 4%, reaching 479 billion MNT.
- **Major Projects:** Public-private partnerships will drive new bridge, road, and infrastructure projects across the country.
- **Urban Renewal:** Ulaanbaatar’s public transport infrastructure, including metro and Bus Rapid Transit (BRT) system developments, will receive additional funding to improve mobility and urban planning.

4. Construction Labor Market Dynamics

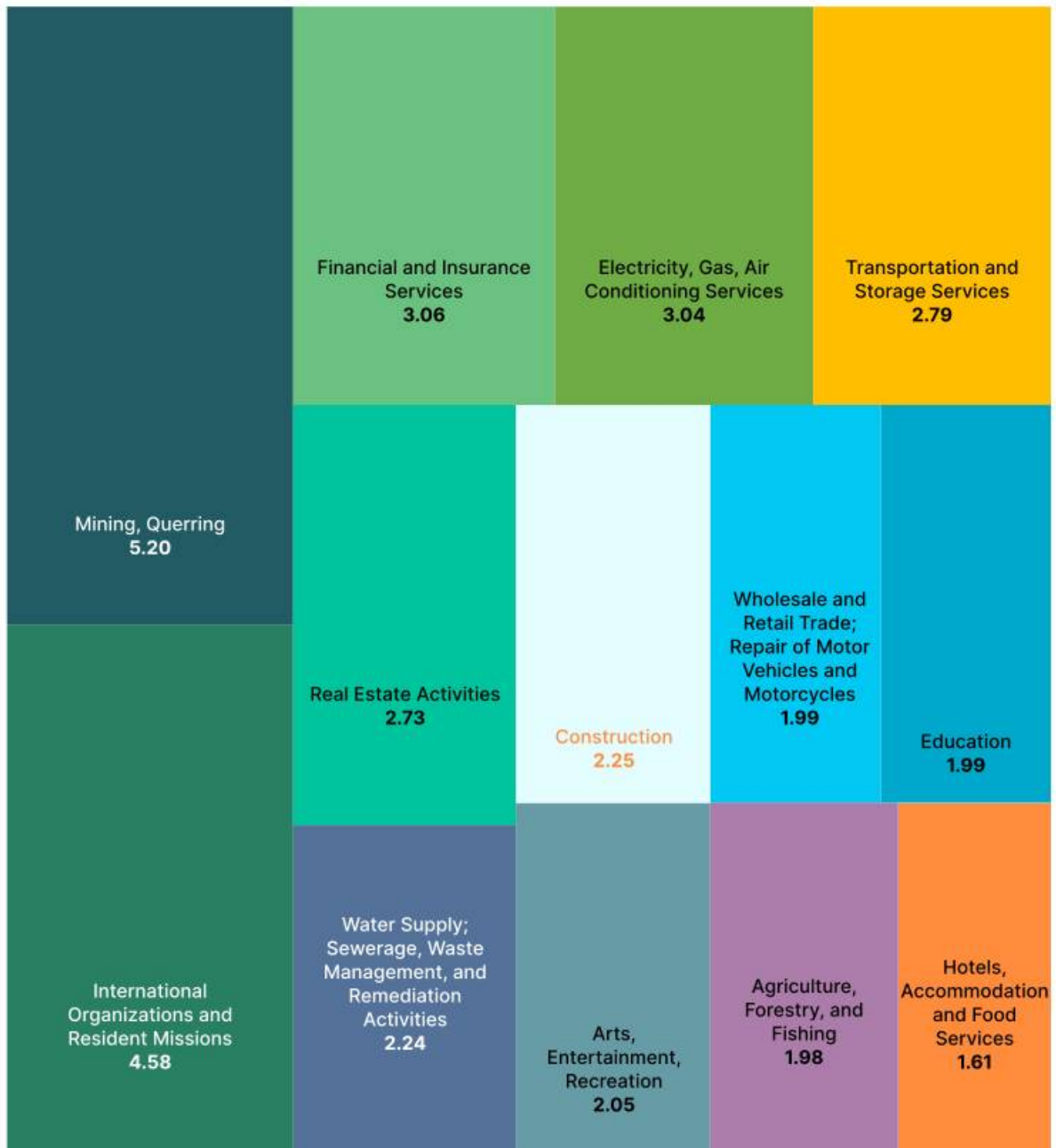
- The Mongolian Construction National Association estimates a shortage of 5,000 skilled engineers and technicians, with only 2,500 qualified professionals currently available.
- In 2024, 12,000 foreign workers were employed in the construction sector, and this number is expected to rise to 15,000 in 2025 to address labor shortages.⁴³

The construction sector is poised for long-term growth in 2025. However, challenges such as rising material and labor costs, economic conditions, and workforce shortages could slow expansion. Strengthening public-private collaboration, supporting domestic material production, and enhancing workforce training will be crucial to sustaining industry growth.

⁴³ [Unified Legal Information System](#)

Average monthly salary of employees at business entities and organizations

million MNT 2024Q3



Source: National Statistics Office Of Mongolia, Q3 2024

Investment Overview

04

- State Investment In The Sector
- Financing Options For Project Development For Domestic Companies
- Purchasing Managers' Index (PMI) : Construction, Q4 2024

Investment Overview

• State budget in the sector

2024 performance

In 2024, a total of MNT 3,828.6 billion was allocated from the state budget for construction projects and programs. As of the preliminary performance report, MNT 3,093.5 billion has been spent, reflecting an 80.8% utilization of the allocated funds.⁴⁴

Budget administrator	Budgeted Amount for 2024 /₮ mil/	% of total
Speaker of the State Great Hural of Mongolia	22,090	0.6%
Prime Minister of Mongolia	1,200	0.0%
First Deputy Prime Minister and Minister of Economy and Development of Mongolia	67,466	1.8%
Deputy Prime Minister of Mongolia	89,688	2.3%
Minister of Mongolia, Head of the Government Affairs Department	155,352	4.1%
Minister of Mongolia, Chairman of the 20 minutes city National committee	116,229	3.0%
Minister of Mongolia, Chairman of the National Committee for Port Revitalization	5,463	0.1%
Minister of Foreign Relations	13,700	0.4%
Minister of Finance	293,606	7.7%
Minister of Justice and Home Affairs	127,188	3.3%
Minister of Defense	55,781	1.5%
Minister of Environment and Climate Change	20,538	0.5%
Minister of Education	723,055	18.9%
Minister of Family, Labor and Social Security	48,758	1.3%
Minister of Roads and Transport	737,124	19.3%
Minister of Culture, Sports, Tourism and Youth	244,691	6.4%
Minister of Urban Development, Construction and Housing	413,783	10.8%
Minister of Food, Agriculture and Light Industry	120,534	3.1%
Minister of Electronic Development, Innovation and Communications	16,423	0.4%
Minister of Energy	226,014	5.9%
Minister of Health	282,639	7.4%
Head of the Anti-Corruption Agency	2,658	0.1%
Chief Judge of the Supreme Court	11,529	0.3%

⁴⁴ [The State Great Hural /Parliament/ of Mongolia](#)

Chairman of the Judicial General Council of Mongolia	19,975	0.5%
The Prosecutor General of Mongolia	11,348	0.3%
The Auditor General of Mongolia	881	0.0%
Chairman of the Financial Regulatory Commission	893	0.0%
TOTAL Budgeted Amount for 2024 /₮ mil/	3,828,604	100.0%

Medium-term investment plan

According to Appendix 2 of the 2025 State Budget Law, the total budget amount for all investment projects, programs, and constructions to be implemented from 2011 to 2027 and funded by the Mongolian state budget is ₮9.1 billion.⁴⁵

Project or program starting year	Project or program completion year			TOTAL
	2025	2026	2027	
2011	7,037			7,037
2012	5,279			5,279
2013	6,460	120,507		126,967
2014	56,896			56,896
2015	23,013			23,013
2018	26,032	2,160		28,192
2019	232,908	2,100		235,008
2020	88,855	309,007		397,862
2021	247,769	2,286		250,055
2022	1,219,965	340,652	209,000	1,769,617
2023		180,583		180,583
2024	764,122	2,005,157	609,228	3,378,506
2025	633,310	373,702	1,666,134	2,673,146
TOTAL	3,311,646	3,336,154	2,484,362	9,132,161

Of this, the total amount to be funded in 2025 is ₮3.1 billion. This is equal to 9% of the projected real GDP in 2025 or 13.68% of the total balanced budget revenue.

Project or program starting year	Project or program completion year			TOTAL
	2025	2026	2027	
2011	2,753			2,753
2012	1,000			1,000
2013	1,360	42,995		44,355
2014	16,718			16,718
2015	9,619			9,619
2018	5,274	500		5,774
2019	45,216	782		45,998
2020	27,633	53,804		81,437
2021	65,641	1,328		66,969
2022	409,913	83,201	43,677	536,792
2023		46,779		46,779
2024	383,766	645,500	76,945	1,106,210
2025	633,310	173,080	353,271	1,159,661
TOTAL	1,602,204	1,047,970	473,893	3,124,066

⁴⁵ Law on the 2025 budget of Mongolia

When looking at the amount of capital expenditures to be financed in 2025, broken down by general administrator and project purpose, the Minister of Education; the Minister of Road Transport; and the Minister of Urban Development, Construction, and Housing will receive 15, 30, and 11 percent of the total financing budget, respectively.

Amount /₮ millions/ to be funded by state in 2025 for construction projects & programs, by budget administrators & purpose

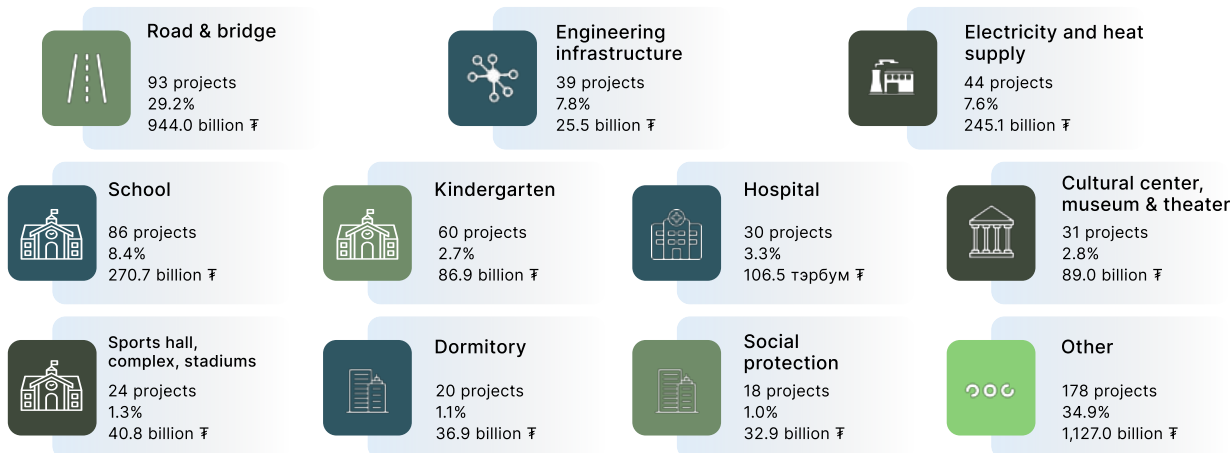
Budget Administrators	I. Construction	II. Repairs	III. Equipments	IV. Feasibility studies	Total budgeted for 2025	As % of Total
Head of the Anti-Corruption Agency		979	1,382		2,361	0.1%
Minister of Industry and Mineral Resources			984		984	0.0%
Minister of Environment and Climate Change	68,435	5,500	6,800	95	80,830	2.6%
Minister of Defense	2,082	22,037	51,285		75,404	2.4%
Minister of Education	429,940	250	40,888	1,600	472,678	15.1%
Minister of Foreign Relations		8,530	2,720		11,250	0.4%
Minister of Family, Labor, and Social Security	35,272	1,350	15,620		52,242	1.7%
Minister of Roads and Transport	900,619	50,600			951,219	30.4%
General Auditor of Mongolia			1,179		1,179	0.0%
Prime Minister of Mongolia			1,546		1,546	0.0%
President of Mongolia			1,000		1,000	0.0%
Chairman of the State Great Hural of Mongolia			8,560		8,560	0.3%
Minister of Mongolia, Chairman of the 20-minute City National Committee	12,500			3,172	15,672	0.5%
Minister of Mongolia, Chairman of the National Committee for Port Revitalization		2,711	4,288	1,100	8,099	0.3%
Minister of Mongolia, Head of the Government Affairs Department	19,831	2,000	2,400		24,231	0.8%
Minister of Mongolia, Head of the National Monitoring and Evaluation Committee		2,408			2,408	0.1%
First Deputy Prime Minister of Mongolia and Minister of Economy and Development	21,445		10,000	20,000	51,445	1.6%
Deputy Prime Minister of Mongolia	14,791	4,600	23,087		42,478	1.4%
Minister of Finance	108,578		17,670		126,249	4.0%
Chairman of the Financial Regulatory Committee	250				250	0.0%
Minister of Culture, Sports, Tourism and Youth	122,591	481	22,174		145,246	4.6%
Chief Judge of the Supreme Court	576		4,052		4,628	0.1%
Prosecutor General	26,039		3,810		29,849	1.0%
National Chairman of the Statistics Committee			2,000		2,000	0.1%
Minister of Urban Planning, Construction and Housing	314,167	5,069	14,154	20,707	354,097	11.3%
Minister of Justice and Internal Affairs	14,910	4,579	89,063		108,552	3.5%
Chairman of the National Human Rights Commission			2,712		2,712	0.1%
Minister of Food, Agriculture and Light Industry	48,670	1,800	8,111		58,581	1.9%
Minister of Electronic Development, Innovation and Communications	16,499		19,246		35,745	1.1%
Chairman of the Judicial General Council of Mongolia	46,764		16,220		62,985	2.0%
Chairman of the Judicial Discipline Committee			300		300	0.0%
Minister of Health	104,842	19,295	68,958		193,096	6.2%
Minister of Energy	196,193				196,193	6.3%
Total to be Funded in 2025	2,504,996	132,189	440,207	46,674	3,124,066	100.0%
As % of Total	80.2%	4.2%	14.1%	1.5%	100.0%	

In addition, 90% of the total budget for all projects to be implemented from 2011 to 2027 is allocated to Construction, 3% to Major repairs, 6% to Equipment, and less than 1% to Feasibility Studies.

Overall amount /₮ millions/ to be funded by state for all construction projects & programs, by budget administrators & purpose

Budget Administrators	I. Construction	II. Repairs	III. Equipments	IV. Feasibility studies	Total budgeted for 2025	As % of Total
Head of the Anti-Corruption Agency		979	1,382		2,361	0.0%
Minister of Industry and Mineral Resources			984		984	0.0%
Minister of Environment and Climate Change	76,481	5,500	6,800	245	89,026	1.0%
Minister of Defense	5,949	22,037	87,050		115,036	1.3%
Minister of Education	1,255,337	1,285	72,389	1,600	1,330,610	14.6%
Minister of Foreign Relations		8,530	2,720		11,250	0.1%
Minister of Family, Labor, and Social Security	123,397	1,350	15,620		140,367	1.5%
Minister of Roads and Transport	3,471,608	198,667			3,670,275	40.2%
General Auditor of Mongolia			1,179		1,179	0.0%
Prime Minister of Mongolia			1,546		1,546	0.0%
President of Mongolia			1,000		1,000	0.0%
Chairman of the State Great Hural of Mongolia			8,560		8,560	0.1%
Minister of Mongolia, Chairman of the 20-minute City National Committee	45,000			3,172	48,172	0.5%
Minister of Mongolia, Chairman of the National Committee for Port Revitalization		2,711	4,288	1,100	8,099	0.1%
Minister of Mongolia, Head of the Government Affairs Department	57,572	2,000	2,400		61,972	0.7%
Minister of Mongolia, Head of the National Monitoring and Evaluation Committee		2,408			2,408	0.0%
First Deputy Prime Minister of Mongolia and Minister of Economy and Development	159,771		10,000	20,000	189,771	2.1%
Deputy Prime Minister of Mongolia	29,546	4,600	23,087		57,233	0.6%
Minister of Finance	123,649		17,670		141,319	1.5%
Chairman of the Financial Regulatory Committee	250				250	0.0%
Minister of Culture, Sports, Tourism and Youth	429,365	1,845	25,274		456,484	5.0%
Chief Judge of the Supreme Court	2,493		4,052		6,545	0.1%
Prosecutor General	69,340		3,810		73,151	0.8%
National Chairman of the Statistics Committee			2,000		2,000	0.0%
Minister of Urban Planning, Construction and Housing	1,066,875	17,188	22,415	30,707	1,137,186	12.5%
Minister of Justice and Internal Affairs	38,080	7,099	103,114		148,292	1.6%
Chairman of the National Human Rights Commission			2,712		2,712	0.0%
Minister of Food, Agriculture and Light Industry	132,145	1,800	9,711		143,656	1.6%
Minister of Electronic Development, Innovation and Communications	30,350		19,246		49,596	0.5%
Chairman of the Judicial General Council of Mongolia	127,926		16,220		144,146	1.6%
Chairman of the Judicial Discipline Committee			300		300	0.0%
Minister of Health	327,150	36,978	69,458		433,586	4.7%
Minister of Energy	653,092				653,092	7.2%
Total to be Funded in 2025	8,225,375	314,977	534,985	56,824	9,132,161	100.0%
As % of Total	90.1%	3.4%	5.9%	0.6%	100.0%	

The below shows state-funded investments classified by project purpose:⁴⁶



Source: Citizens' Budget 2025, Ministry of Finance

Key risks and opportunities

Risk

Coal price: If the coal price reflected in the budget forecast does not reach the projected value, there is a risk that budget revenues will not be generated as expected, and as a result, financing for the above projects and programs will be delayed or progress will be stopped.

Exchange rate: In addition to the above-mentioned state budget investments, the Government's action plan includes the construction of 14 mega projects, which will require a total of about ₮200 trillion in financing. If these projects are started simultaneously and import purchases increase sharply in 2025, there is a risk that foreign exchange reserves will decrease, and as a result, the foreign exchange rate will increase, or the nominal price of construction goods and materials, which are largely dependent on imports, will increase.

Opportunity

Development of new sub-centers: Since about 90% of investment spending will be allocated to roads & bridges and infrastructure, the conditions of settlement sub-centers will improve and demand will increase in areas that were previously under-demanded, which could lead to an increase in the market value of real estate in those specific locations, creating favorable conditions for certain property owners.

Tax incentives for new project development: The government has announced a variety of tax incentives for developing and operating projects that meet the Regional Development Goals, which can increase the profitability of project developers depending on the purpose and location of the project.

⁴⁶ Ministry of Finance, 2024.12.12

New products, services, and tools



PROP.MN | Property Management Core System & Mobile App

Prop.mn is a comprehensive platform transforming traditional property management through innovative, technology-driven solutions. Implementing this system significantly increases operational efficiency, reduces human resource costs, and simplifies management processes.⁴⁷

Key Features and Benefits:

Time savings and Increased Productivity	<ul style="list-style-type: none"> Optimizes workload distribution, increasing employee productivity by 30-50%. Automates customized services (maintenance, cleaning, concierge), significantly reducing errors and saving time.
Data-Driven Management	<ul style="list-style-type: none"> Develops building maintenance and repair schedules based on data analysis. Proactively identifies risks, preserving property value over the long term.
Digital Transformation and Monitoring	<ul style="list-style-type: none"> Centralizes all property management activities within an intelligent dashboard. Enables rapid decision-making and development of data-informed strategies.
Enhanced Human Resource Management	<ul style="list-style-type: none"> Improves team coordination and enhances the efficiency of information exchange. Facilitates quicker onboarding and accurate monitoring of employee performance.
Eco-friendly and Smart Solutions	<ul style="list-style-type: none"> Reduces paperwork usage by 90% through automated processes, supporting green business initiatives. Digital management systems decrease unnecessary expenditures, contributing to sustainable business growth.

Prop.mn offers comprehensive capabilities to property management teams, including time and cost efficiency, optimized workforce management, data-driven decision-making support, extended building lifespans, and risk mitigation through advanced technology.

URAN AI | AI-Powered Online Interior Design Platform

Uran Hiits LLC, operating in architecture, interior, exterior design, and engineering, has introduced an artificial intelligence-driven solution for interior design.

Uran AI streamlines the initial stage of interior design, allowing users to upload images of residential, office, commercial, or restaurant spaces, select desired colors and styles, and receive tailored interior designs within minutes. The platform specifically generates visualizations of minimalistic styles, including recommended curtains, furniture, and decor aligned precisely with the user's preferences.⁴⁸

⁴⁷ <https://prop.mn/>

⁴⁸ [Lemon Press](#)

● Financing options for project development for domestic companies

In 2024, the total annual added value of the construction sector, which accounted for only 3.2% of the country's GDP, reached ₮2.6 trillion, an increase of 10.4% from the previous year's performance.

While the total amount of project development and construction work continues to grow at a steady rate each year, financing options for project development activities still rely on a limited number of traditional instruments, such as developer's retained earnings, proceeds from pre-sale orders, or conventional project development loans from commercial banks. The performance of each of the main financial instruments used by project developers are summarized below.

*Although there are few options for project developers to diversify their financing sources, the Government of Mongolia's Action Plan⁴⁹, and the Financial Regulatory Commission's objectives included⁵⁰ "The creation of a legal environment **for Real Estate Investment Trusts (REITs)**" which has raised positive expectations among project developers and real estate investors both domestic and foreign.*

Conventional project development loan by commercial banks

During 2024, the total amount of tugrik loans granted to private institutions in the Construction sector reached ₮2.3 trillion (+38.4% YoY), and the total amount of tugrik loans granted to private institutions in the Real Estate sector reached ₮115 billion (+56.5% YoY). These will account for 10% and 0.5% of total new loans granted, respectively.

While 3% of the total outstanding MNT loans issued by banks are in the Overdue category and 5% are in the Non-Performing category, 5% of the total outstanding loans in the Construction sector are Overdue and 15% are Non-Performing, indicating that lending to this sector is relatively riskier than the average. However, borrowers in the Real Estate sector have better than average performance and lower risk.

The above risk level directly affects the interest rate on loans issued by banks. In 2024, the average interest rate for new loans in MNT issued to private organizations was 16.21%, compared to 17.03% for the Construction sector and 16% for the Real Estate sector.

Tugrik loans granted by banks to private organizations /2024/	Total loan balance (₮ million)	Overdue (% of total)	Non-performing loans (% of total)
Total	34,499,681	3.04%	4.99%
Construction	2,136,641	4.89%	15.05%
Real estate	5,681,479	1.69%	1.56%

⁴⁹ [Integrated Legal Information System](#)

⁵⁰ [Financial Regulatory Commission](#)

Tugrik loans granted by banks to private organizations /2024/	New loans granted (₮ million)	Growth% YoY	% of total	Weighted Average Interest Rate (%)	Weighted Average Loan Term (Month)
Overall average	21,552,500	29.49%	100.00%	16.21%	31.50
Construction	2,298,300	38.39%	10.66%	17.03%	30.90
Real estate	115,152	56.51%	0.53%	16.00%	63.80

Green loans granted to project developers

The total Green Loan balance at the end of the fourth quarter of 2024 was ₮1.1 trillion (about 4% of the total loan portfolio), of which ₮27.2 billion (2.2% of the total Green Loan) was granted in the areas of Green Building Construction, Green Building Material Production, and Green Infrastructure.

The total amount of Green Loans granted for the purpose of green building construction, totaling ₮13.8 billion, were all granted in tugriks, of which ₮810 million was granted to 7 domestic projects and ₮12.9 billion was granted to 25 foreign projects.

The annual interest rate for green loans issued for the purpose of green building construction is 14.8% and the term is 68 months. This represents a cost of funding that is 2.0 percentage points lower than the annual interest rate on a conventional project development loan for the construction sector. For example, a project worth ₮100 billion financed through Green Loans would incur ₮2 billion less in interest costs per year compared to a conventional project development loans granted by commercial banks.

Mongolia has set a goal of increasing the banking sector's green loan portfolio to 10 percent of the total loan portfolio by 2030, and the BESTGER methodology program for green building assessment will be implemented from 2025.03.01⁵¹, so there is a positive outlook that the availability of green loans to support project development will increase in the coming years and the cost of funding will decrease.⁵²

Green loan information	Total loan balance	Green Loan Term (months)	Green loan Interest Rate (%)
TOTAL Green loan	₮1,352,762.4 million	55.6 months	14.3%
Green building construction loan	₮ 13,806.6 million	67.5 months	14.8%

Green loan borrower information	Loans granted for domestic projects	Loans granted for foreign projects	Internal project borrowers	Borrowers of foreign projects	Average loan amount for domestic projects	Average loan amount for foreign projects
TOTAL Green loan	₮367,492 million	₮882,352 million	4,135	3,127	₮88.9 million	₮282.2 million
Green building construction loan	₮810 million	₮12,996 million	7	25	₮115.8 million	₮519.9 million

⁵¹ Bank Of Mongolia

⁵² Ministry of Urban Development, Construction and Housing

Debt instruments issued by project developers

Since 2021, a new financing channel has been opened for project developers, which is the issuance of debt instruments on the Over-the-Counter Market (OTC). In 2024, project developers raised a total of ₹47.6 billion in investments from this market, which was equivalent to only 2% of the total amount of loans granted to the construction sector.

The cost of debt instruments, which is the bond coupon rate, is 19-21% per annum, which is 2-4% higher than the average rate for a conventional bank loan for a project development. Although the possibility of issuing debt instruments on the OTC market and attracting financing from the capital market has been a progress in the sector, the very low share of actual financing indicates that the terms and advantages of the instrument do not fully meet the financing needs and requirements of project developers.

Debt instruments registered and traded on the OTC market in 2024 to fund project development:

Nº	Bond name	Date of registration	Bond term	Coupon rate	Amount raised ₹	% of total
1	Talst tower bond 1.1	2024/12/31	12.0 months	20%	500,000,000	1.05%
2	Master bond 7.2	2024/12/26	12.0 months	20%	1,500,000,000	3.15%
3	Master bond 7	2024/11/01	12.0 months	20%	2,000,000,000	4.20%
4	Tsast bond 1	2024/10/16	24.0 months	21%	2,000,000,000	4.20%
5	Atmor bond 2	2024/10/14	12.0 months	22%	650,000,000	1.37%
6	Khan bond 4.2	2024/11/08	12.0 months	20%	2,000,000,000	4.20%
7	Khan bond 4.1	2024/10/21	12.0 months	20%	1,000,000,000	2.10%
8	Lux bond 1.3	2024/08/16	12.0 months	21%	3,000,000,000	6.30%
9	Lux bond 1.2	2024/07/31	12.0 months	21%	1,600,000,000	3.36%
10	Lux bond 1.1	2024/07/08	12.0 months	21%	4,000,000,000	8.41%
11	Master bond 6.2	2024/07/17	12.0 months	20.4%	500,000,000	1.05%
12	Master bond 6.1	2024/07/04	12.0 months	20.4%	2,000,000,000	4.20%
13	Khan bond 3.3	2024/09/27	12.0 months	20%	500,000,000	1.05%
14	Khan bond 3.1	2024/06/05	12.0 months	20%	500,000,000	1.05%
15	EAR bond 1.3	2024/05/12	18.0 months	21%	1,000,000,000	2.10%
16	EAR bond 1.2	2024/07/04	18.0 months	21%	1,500,000,000	3.15%
17	EAR bond 1.1	2024/05/14	18.0 months	21%	1,500,000,000	3.15%
18	Enkhbagana bond	2024/05/01	18.0 months	19%	3,000,000,000	6.30%
19	River town bond	2024/04/29	24.0 months	20%	6,990,000,000	14.69%
20	Master bond 5	2024/03/15	12.0 months	20%	5,400,000,000	11.35%
21	Palm bond 2	2024/03/05	12.0 months	19%	5,000,000,000	10.51%
22	Khan bond 2	2024/01/19	12.0 months	20%	1,450,000,000	3.05%
		Average	14.2 months	20.35%	2,163,181,818	
		Total			47,590,000,000	100.00%
		Weighted average		20.19%		

Concessional and conventional mortgage loans for buyers

In 2013, The Bank of Mongolia created the Concessional Mortgage Loan, a long-term financing system with preferential interest rates for targeted groups of citizens for the purpose of reducing ger district settlements. However, as of the end of 2024, the proportion of households with below-average income among the total number of borrowers who are supposedly the target group is insufficient (only about 30% of borrowers), and access to loan was too low in the suburban areas. Therefore, the following changes are being discussed in the Concessional Mortgage Loan Regulation, starting in 2025⁵³ :

- At least 50 percent of the total Concessional Mortgage Loans issued in Ulaanbaatar city will be provided to households in sub-centers, satellite cities, and ger districts;
- Depending on the location and the size of the apartment to be purchased, tiered interest rate system will be in effect. As a result, interest rate will vary between 4-10%.
- Continue subsidizing the 3% annual interest rate on Concessional Mortgage Loans in countryside for another 3 years.

However, conventional mortgage loans provided by commercial banks have higher interest rates than the terms of Concessional Mortgage Loan products funded by the Bank of Mongolia (which is 6%), and the average loan amount granted per new borrower is ₮161 million.

The total amount of mortgage loans issued in 2024 increased by 23% from the previous year, and since 98% of the total loan balance is normal loans, the risk of repayment is low, and the source of new loans dependent on repayment is expected to be stable in the future.⁵⁴

TOTAL Mortgage loan balance by the end of 2024	Total amount /₮ million/	Percentage of total	Growth % YoY
Total loan balance	9,433,340.3	100.0%	23.4%
Of which: Normal loan	9,235,115.5	97.9%	23.5%
Total overdue loans	116,991.1	1.2%	47.6%
Total non-performing loans	24,833.2	0.3%	21.7%
Total doubtful loans	16,858.3	0.2%	-12.8%
Total bad loans	39,542.3	0.4%	-12.1%

Mortgage loans issued by commercial banks as the end of 2024	Amount	Percentage of total
Total number of borrowers	30,448.0	24.7%
Total loan balance /₮ million/	3,263,404.6	34.6%
Average loan balance per borrower	₮107.2m	
Number of newly added borrowers	9,654.0	45.6%
Amount of new loans granted /₮ million/	1,554,890.2	51.4%
Average amount granted per new borrower	₮161.1m	
Number of loan applications	9,715.0	49.6%
Loan amount requested in the application /₮ million/	1,386,696.5	55.2%
Average loan amount requested per application	₮142.7m	
Weighted average term of new loans	189 cap	
Weighted average interest rate on new loans	15.4%	

⁵³ Ministry of Urban Development, Construction and Housing

⁵⁴ Bank Of Mongolia

Mortgage loans issued through the Concessional Mortgage program as the end of 2024	Amount	Percentage of total
Total number of borrowers	90,678.0	73.7%
Total loan balance /₹ million/	6,090,289.7	64.6%
Average loan balance per borrower	₹67.2m	
Number of newly added borrowers	11,532.0	54.4%
Amount of new loans granted /₹ million/	1,470,335.6	48.6%
Average amount granted per new borrower	₹127.5m	
Number of loan applications	9,864.0	50.4%
Loan amount requested in the application /₹ million/	1,125,057.2	44.79%
Average loan amount requested per application	₹114.1m	
Weighted average maturity of new loans	260 months	
Weighted average interest rate on new loans	6.0%	

Mortgage loans issued by commercial banks & Concessional Mortgage program combined as the end of 2024	Amount	Percentage of total
Total number of borrowers	121,126.0	98.5%
Total loan balance /₹ million/	9,353,694.3	99.2%
Average loan balance per borrower	₹77.2m	
Number of newly added borrowers	21,186.0	100.0%
Amount of new loans granted /₹ million/	3,025,225.8	100.0%
Average amount granted per new borrower	₹142.8m	
Number of loan applications	19,579.0	100.0%
Loan amount requested in the application /₹ million/	2,511,753.8	100.0%
Average loan amount requested per application	₹128.3m	
Weighted average maturity of new loans	222 months	
Weighted average interest rate on new loans	11.0%	

Green loan for buyers

Although the Green Loan portfolio of systemic banks continues to grow, the lack of generally accepted green building assessment procedures and methodologies among banks has made this type of loan less accessible to real estate buyers. Among the loan products offered to citizens by commercial banks, loans for the purchase and construction of green houses segment dominates over green apartment segment.

Loan products offered by commercial banks:⁵⁵

Bank name	Loan type	Property sector	Maximum loan amount	Maximum loan term / months/	Annual interest rate	Down payment percentage
Trade and Development Bank	Green loan	house	₹1,000 million	240	15%	30%+
Khas Bank	Green loan	house	₹400 million	240	12%	20%+
Golomt Bank	Green loan	house	₹300 million	240	Policy interest + 2-4%	20%+
State Bank	Green loan	house	₹500 million	240	12-14.40%**	20%+
Khan Bank*	Green loan	house	n/a	n/a	n/a	n/a

*No information on the website

Bank name	Loan type	NDP sector	Maximum loan amount	Maximum loan term / months/	Annual interest rate	Down payment percentage
Trade and Development Bank	Conventional loan	house	₹1,000 million	240	17.40-19.20%	20%+
Khas Bank	Conventional loan	house	₹200 million	180	18%	30%+
Golomt Bank	Conventional loan	house	Up to 100% of the price	240	15-18.8%**	40%+
State Bank	Conventional loan	house	₹500 million	120	18-21.6%**	30%+
Khan Bank	Conventional loan	house	₹200 million	120	19.2-20.4%**	20%+

** Interest rate varies depending on the down payment amount.

⁵⁵ Information on each bank's website, 2025.03.04

• Purchasing Managers' Index (PMI) : Construction, Q4 2024

Highlights:⁵⁶

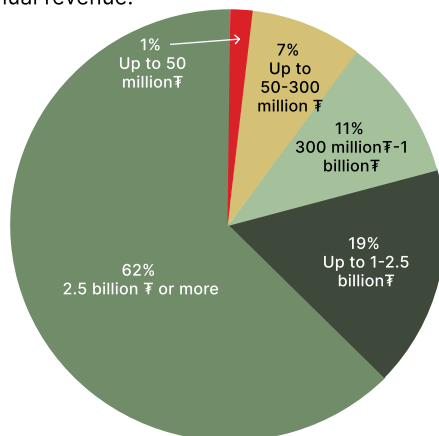
- According to the Purchasing Managers' Index (PMI) survey results, construction sector indicators remained in **contraction territory in the fourth quarter of 2024**.
- Due to seasonality, construction activity and apartment sales activity indicators decreased by more than 10 percent compared to the previous quarter.
- However, while sales activity at large enterprises remained unchanged from the previous quarter, those at medium-sized enterprises decreased slightly (PMI=25).
- All groups reported that raw material prices increased significantly (PMI=95) across the industry.
- For small businesses, vacancy filling rate has decreased slightly from the previous quarter (PMI=36).

Methodology:

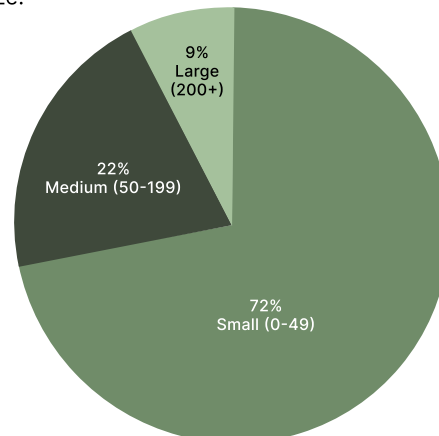
This study included 116 enterprises, representing a representative sample of the construction sector. They were classified into small (1-49), medium (50-199), and large (200+) by the number of employees, and the results of the main and additional indicators of the index were presented. Qualitative questions were asked to the enterprises participating in the study about how each indicator had changed from the previous quarter, and the results were expressed as an index.

Composition of companies participating

by annual revenue:



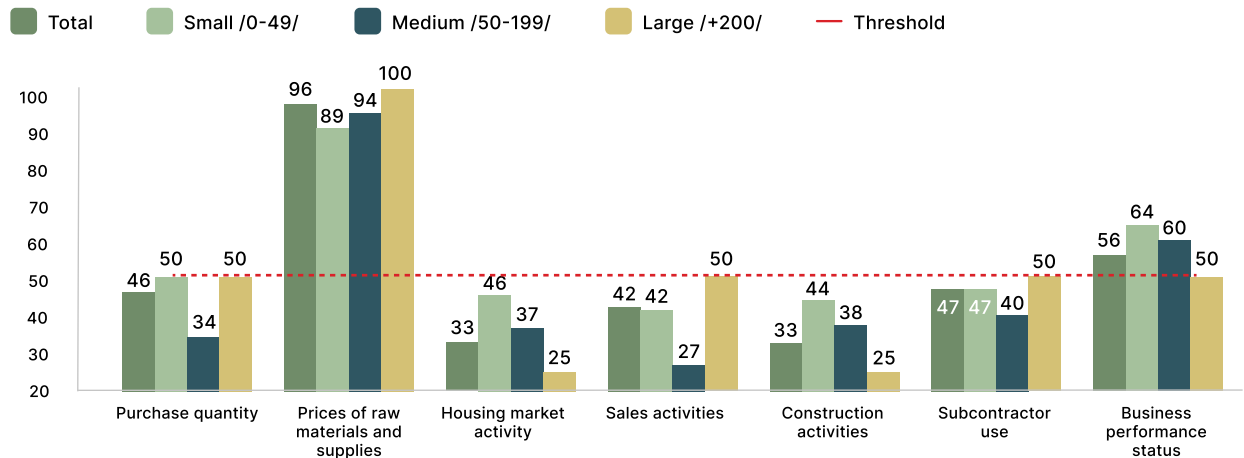
by size:



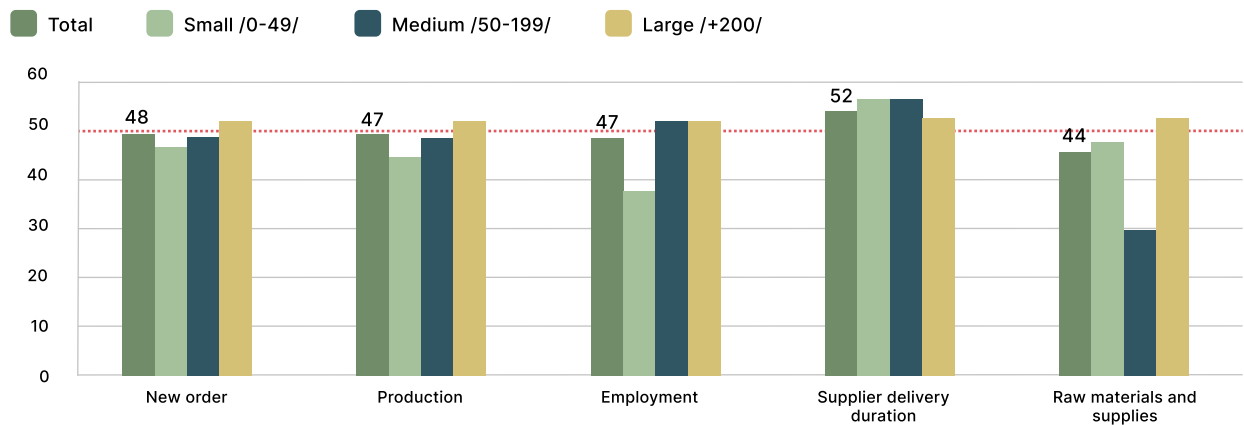
Source: Bank of Mongolia, Q4 2024

⁵⁶ PURCHASING MANAGERS INDEX – PMI , Bank of Mongolia, February 2025

Results of the groups:

Purchasing Managers' Index - Additional Indicator
Construction sector

Source: Bank of Mongolia, Q4 2024

Purchasing Managers' Index - Main Indicators
Construction

Source: Bank of Mongolia, Q4 2024

PMI score explanation

- PMI=50 indicates no change in business activity,
- PMI>50 indicates expansion of business activity,
- PMI <50 indicates contraction.

Residential Market

05

-
- House (Villa) Sector
 - Apartment Sector
 - Serviced Apartment Sector

Residential Market

Overview

▲ **8.7%**

Average House Price Per Sq.m
(YoY)

▼ **32.7%**

Apartment Supply
(Accepting Pre-Sales) (YoY)

▲ **12.6%**

Average Price
new apartments (YoY)

▼ **36.3%**

House Supply
(Accepting Pre-Sales) (YoY)

Residential Market

- The supply in the residential real estate market has declined, leading to an increase in average prices.
- The average rental yield for serviced apartments stands at 9.6%.
- Mid-range houses account for approximately 50% of total supply, indicating strong demand for this segment.

● House (Villa) Sector

- The supply of house projects has decreased.
- As of Q4 2024, the average price per square meter for houses has increased by 8.68% compared to the same period last year.

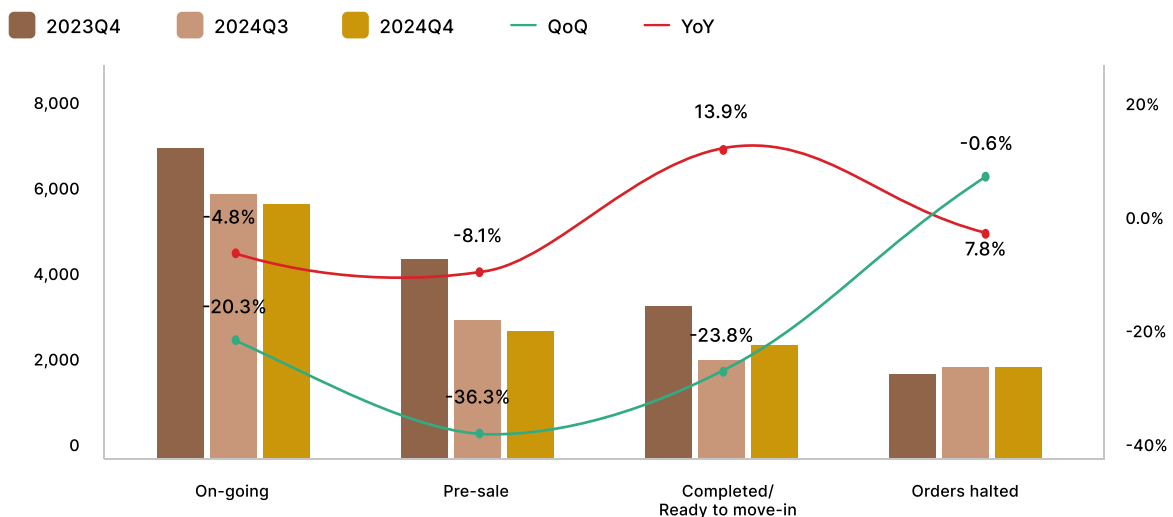
New supply

As of Q4 2024, a total of 5,840 housing units are under development in Ulaanbaatar. Among them, 2,865 units are open for pre-sale, while 2,554 units have been completed and put into use.

Compared to the same period last year:

- The number of projects accepting pre-sales has decreased by 36.3%.
- Completed projects have declined by 23.8%.
- Projects that have halted pre-sales have increased by 7.8%.

House supply /by number of households/



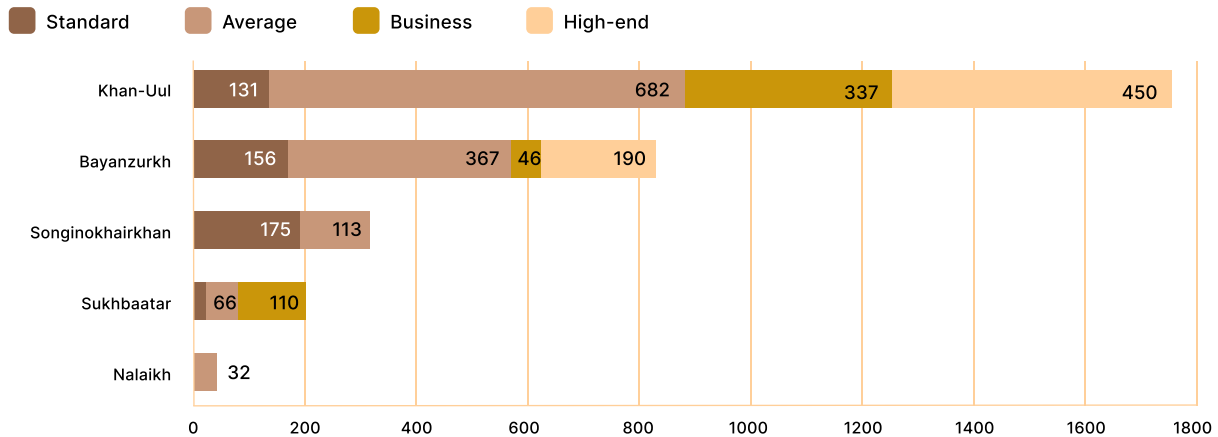
Source: Tenkhleg Zuuch LLC research, Q4 2024

Of the total projects currently accepting pre-sales, 55.9% are located in Khan-Uul District, while Nalaikh District has the lowest share at just 1%.

In terms of supply distribution:

- Mid-range housing projects account for the majority at 43.63%.
- High-end projects make up 22.34%.⁵⁷

House supply /by districts, number of projects, in grades/



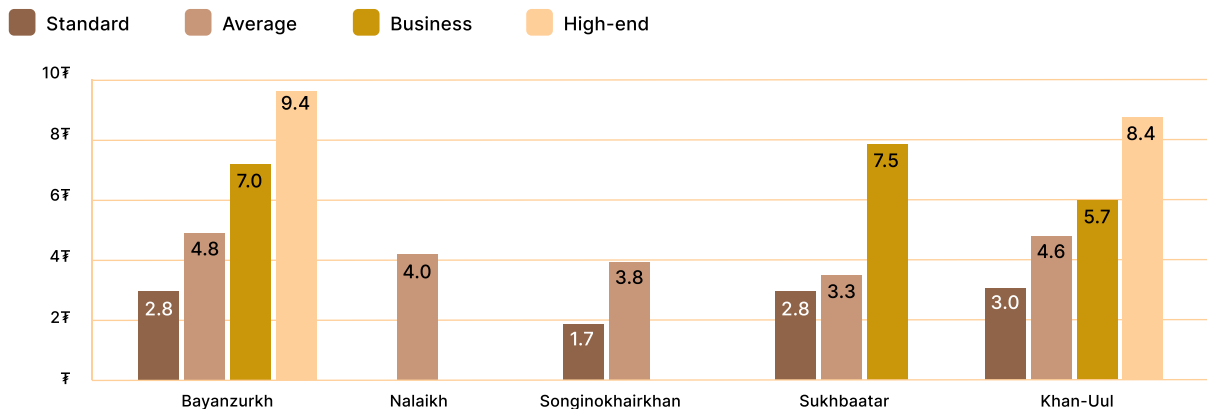
Source: Tenkhleg Zuuch LLC research, Q4 2024

Average price

As of Q4 2024, the average price per square meter for houses stands at 5.23 million MNT, with Khan-Uul District recording the highest price at 5.68 million MNT. This reflects a 0.26% decrease from the previous quarter but an 8.68% increase year-over-year.

- In Bayanzurkh District, higher-end houses are priced above standard-grade houses.
- In Khan-Uul District, standard-grade houses are the most expensive, averaging 3.06 million MNT per square meter.⁵⁸

Average price /by districts, in grades, million MNT/



Source: Tenkhleg Zuuch LLC research, Q4 2024

⁵⁷ Tenkhleg Zuuch LLC

⁵⁸ Tenkhleg Zuuch LLC

In 2025, the housing supply is expected to continue declining, while prices are projected to increase by 5-8%, driven by demand for high-end house projects.

Mid-range house projects account for approximately 50% of total supply, indicating that this segment is likely to remain the dominant force in the market moving forward.

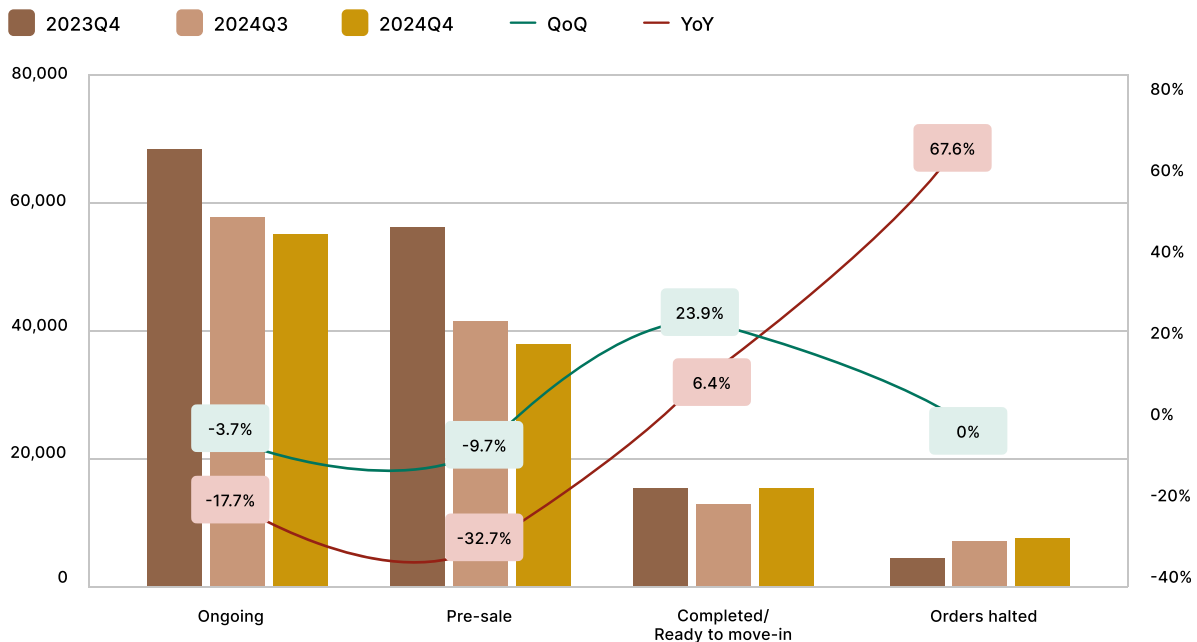
● Apartment sector

- As of Q4 2024, residential supply in Ulaanbaatar has declined, while the number of projects that have halted pre-sales has increased.
- New apartment prices have risen by 14.6% year-over-year, reaching an average of 4.65 million MNT per square meter.
- In the primary market, apartments ranging from 40 to 60 square meters are in the highest demand.

New supply

As of Q4 2024, a total of 57,619 residential units were under construction in Ulaanbaatar, of which 68%, or 39,149 units, were available for pre-order. Compared to the previous year, active projects accepting orders decreased by 30%, and the number of projects suspending sales increased significantly by 68%. Additionally, projects no longer accepting orders rose by 68%.⁵⁹

Apartment supply /by number of households/



Source: Tenkhleg Zuuch LLC research, Q4 2024

⁵⁹ Tenkhleg Zuuch LLC

Average price

As of Q4 2024, the overall annual growth rate of residential property prices in Ulaanbaatar reached 14.6%, with a 1.1% increase from the previous month.

- New apartment prices rose by 12.6% year-over-year and 1.4% month-over-month.
- Old apartment prices increased by 16.0% year-over-year and 1.1% month-over-month.

Apartment cost index /current prices/

Apartment price index	2023Q4	2024Q3	2024Q4	QoQ	YoY
Total apartments	1.08	1.22	1.23	+1.10%	+14.6%
New apartments	1.1	1.22	1.24	+1.40%	+12.6%
Old apartments	1.05	1.21	1.22	+1.10%	+16.0%

In 2024, the average price per square meter for new apartments was 4.20 million MNT, with Sukhbaatar District recording the highest price at 4.46 million MNT. New apartment prices increased by an average of 12.58% year-over-year, while the real price growth was 3.48%. The highest actual price growth was observed in Bayanzurkh District, with an increase of 11.8%, while Khan-Uul District recorded a slight decline of 0.19%.

Average price of new apartments by month, per 1 sq.m, Actual growth in percentage

District	2022	2023	2024	Growth by price	City Inflation	Actual Growth	Change
Bayanzurkh	2.68	3.25	3.92	20.90%	9.10%	11.80%	
Bayangol	2.94	3.42	3.97	16.08%	9.10%	6.98%	
Khan-Uul	3.53	4.00	4.35	8.91%	9.10%	-0.19%	
Songinokhairkhan	2.34	2.62	2.93	11.46%	9.10%	2.36%	
Chingeltei	2.93	3.66	4.02	10.03%	9.10%	0.93%	
Sukhbaatar	3.54	3.80	4.46	17.38%	9.10%	8.28%	
Average	3.26	3.73	4.20	12.58%	9.10%	3.48%	

Source: National Statistics Office Of Mongolia, 2022-2024

The average price per square meter for old apartments reached 3.95 million MNT, reflecting a 15.95% year-over-year increase, with an actual price growth of 6.85%.

- Sukhbaatar District saw the highest real price growth at 13.86%.
- Songinokhairkhan District experienced a decline of 1.77%.⁶⁰

⁶⁰ National Statistics Office Of Mongolia

Average price of old apartments by month, per 1 sqm, Actual growth in percentage

District	2022	2023	2024	Growth by price	City Inflation	Actual Growth	Change
Bayanzurkh	2.94	3.19	3.60	12.96%	9.10%	3.86%	
Bayangol	2.84	2.99	3.43	14.70%	9.10%	5.60%	
Khan-Uul	3.42	3.76	4.35	15.89%	9.10%	6.79%	
Songinokhairkhan	2.38	2.57	2.76	7.33%	9.10%	-1.77%	
Chingeltei	3.62	3.92	4.40	12.27%	9.10%	3.17%	
Sukhbaatar	3.70	3.87	4.75	22.96%	9.10%	13.86%	
Average	3.09	3.41	3.95	15.95%	9.10%	6.85%	

Source: National Statistics Office Of Mongolia, 2022-2024

Sales

As of Q4 2024, a total of 11,198 apartment units were transacted, distributed as follows:

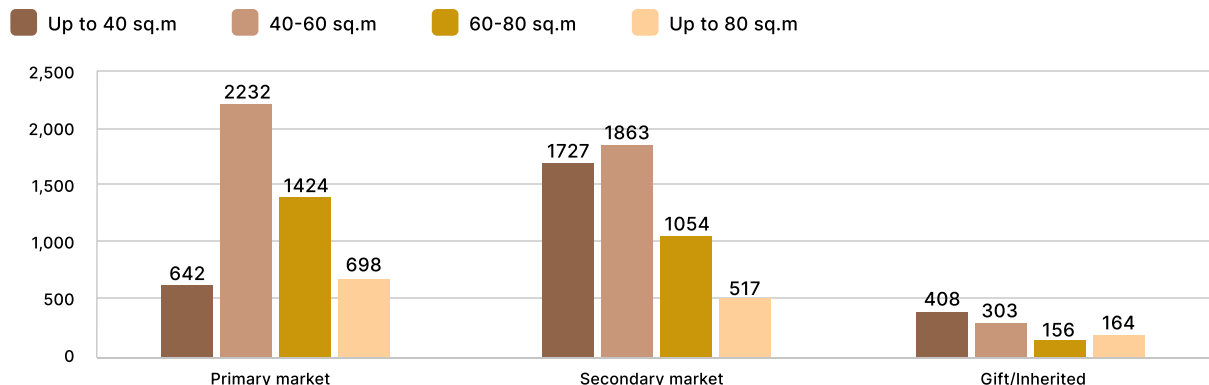
- 44.6% in the primary market,
- 46.2% in the secondary market,
- 9.2% in the gifting market.

Among the 39,149 units currently open for pre-sale, 28.6% have been sold.

Demand by apartment size and market segment:

- Primary market: 40-60 sq.m units had the highest demand, accounting for 45% of sales.
- Secondary market: Apartments smaller than 80 sq.m were the most sought-after.
- Gifting market: Units under 40 sq.m were in the highest demand.⁶¹

Apartment sales, by area sizes



Source: Tenkhleg Zuuch LLC research, Q4 2024

⁶¹ Tenkhleg Zuuch LLC

Housing affordability and market insights

The housing affordability for purchasing a new apartment in Ulaanbaatar has been analyzed by district, based on the following criteria:

- A standard unit size of 50 sq.m, which reflects the most in-demand apartment size in the market.
- An average monthly salary of 2,479,600 MNT per employee.
- Mortgage interest rates applied as follows.

	Annual interest rates	Monthly interest rates	Loan terms
Mortgage Loan (Government-backed)	6%	0.50%	360 months
Standard Loan (Commercial bank)	17%	1.42%	360 months

District	Average price per sqm × 50 sq.m	Total price	Required down payment /30%/	Time needed to save for down payment	Loan amount required	Monthly loan payment	Minimum household income required (Ensuring the loan payment does not exceed 45% of income)
Bayanzurkh	₮4,450,000	₮222,500,000	₮66,750,000	13 months	₮155,750,000	₮933,800	₮2,075,111
Bayangol	₮4,280,000	₮214,000,000	₮64,200,000	13 months	₮149,800,000	₮898,127	₮1,995,837
Khan-Uul	₮4,680,000	₮234,000,000	₮70,200,000	14 months	₮163,800,000	₮982,064	₮2,182,364
Songinok hairkhan	₮3,290,000	₮164,500,000	₮49,350,000	10 months	₮115,150,000	₮690,382	₮1,534,183
Chingeltei	₮4,620,000	₮231,000,000	₮69,300,000	14 months	₮161,700,000	₮969,473	₮2,154,385
Sukhbaatar	₮5,720,000	₮286,000,000	₮85,800,000	17 months	₮200,200,000	₮1,200,300	₮2,667,334
National average	₮4,530,000	₮226,500,000	₮67,950,000	14 months	₮158,550,000	₮950,587	₮2,112,416

Note: The required savings period for the down payment and the loan amount have been calculated based on the average household income of 4.96 million MNT (assuming two working members per household).

Source: *Average Monthly Salary of Employees in Enterprises and Organizations, National Statistics Office, Q3 2024

Assuming a median household income of 4.96 million MNT (two working members per household), the shortest time required to save for a down payment is 10 months in Songinokhairkhan District, while the longest is 17 months in Sukhbaatar District.

The maximum mortgage loan amount available per household is 150 million MNT. However, housing prices in Sukhbaatar (200.2 million MNT), Khan-Uul (163.8 million MNT), and Chingeltei (161.7 million MNT) exceed this limit, making it difficult for middle-income households to purchase apartments in these districts without additional savings.

Monthly mortgage payments range from 690,382 MNT in Songinokhairkhan to 1,200,300 MNT in Sukhbaatar, highlighting significant disparities in housing affordability across districts.

- The decline in housing supply and pre-sales compared to the previous year suggests a slowdown in new project activity, affecting affordability and purchasing power.
- Rising property prices indicate a growing supply-demand gap, with market shortages contributing to continued price increases.
- Sukhbaatar District experienced the highest price growth, reinforcing the sustained demand for prime central locations.
- Consumers are increasingly focused on small to mid-sized apartments, signaling a need for investment strategies aligned with actual demand.

• Serviced Apartment Sector

The **average selling price of serviced apartments** in Ulaanbaatar stands at **10.0 million MNT per sq.m**, while the **average rental price is 78,000 MNT per sqm**.

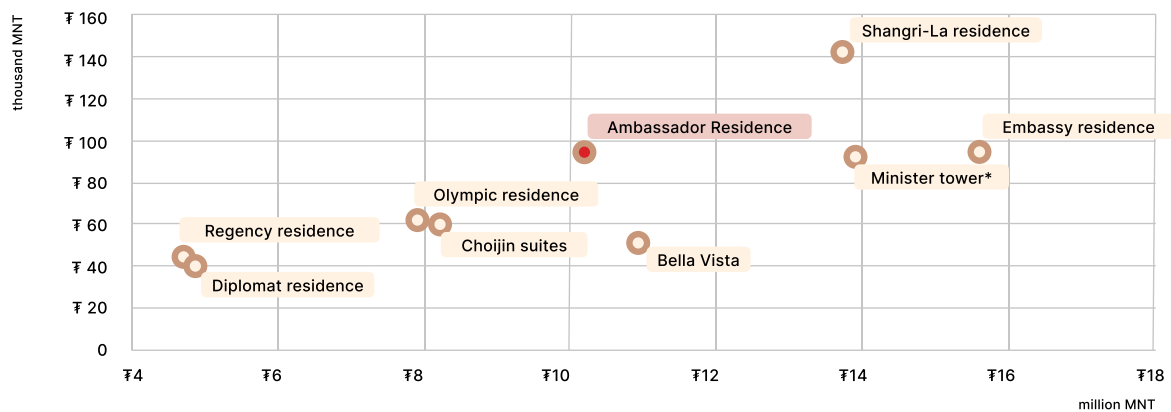
Average prices

As of Q4 2024, serviced apartment projects have been developed and completed in key locations across Ulaanbaatar.

- The average selling price for serviced apartments is 10.0 million MNT per sq.m.
- The average rental price is 78,000 MNT per sq.m.

When comparing sale and rental prices, Shangri-La Residence stands out as the most expensive, while Diplomat and Regency Residence offer more affordable pricing.

Serviced apartments, average selling and rent price per sq.m



Source: Internal research by Invescore Property LLC, Q4 2024

Rental Yield

When evaluating rental yield based on property prices and rental rates:

- Shangri-La Residence has the highest rental yield at 12.6% per year, making it the most profitable investment among serviced apartments.
- Diplomat Residence, despite having a lower property price, offers a relatively strong yield of 10.5%.
- Bella Vista has the lowest rental yield at 5.9%, indicating high property prices and lower rental demand.

This suggests that projects with high property prices but limited rental demand may result in lower overall returns, whereas more competitively priced properties with stable rental demand can offer higher yield potential.⁶²

In 2025, the prices of serviced apartments are expected to increase, while rental yields are likely to remain stable on average. However, actual market dynamics will depend on economic stability and overall real estate demand.

- If the economy grows and real estate demand strengthens, both property prices and rental yields could see an upward trend.
- However, new project developments, price fluctuations, and inflation may create pressure on property values and rental returns.

Market Segmentation Trends:

- High-end serviced apartments continue to dominate the rental market, attracting premium tenants.
- However, some mid-priced projects may offer better rental yields due to competitive pricing and strong demand.

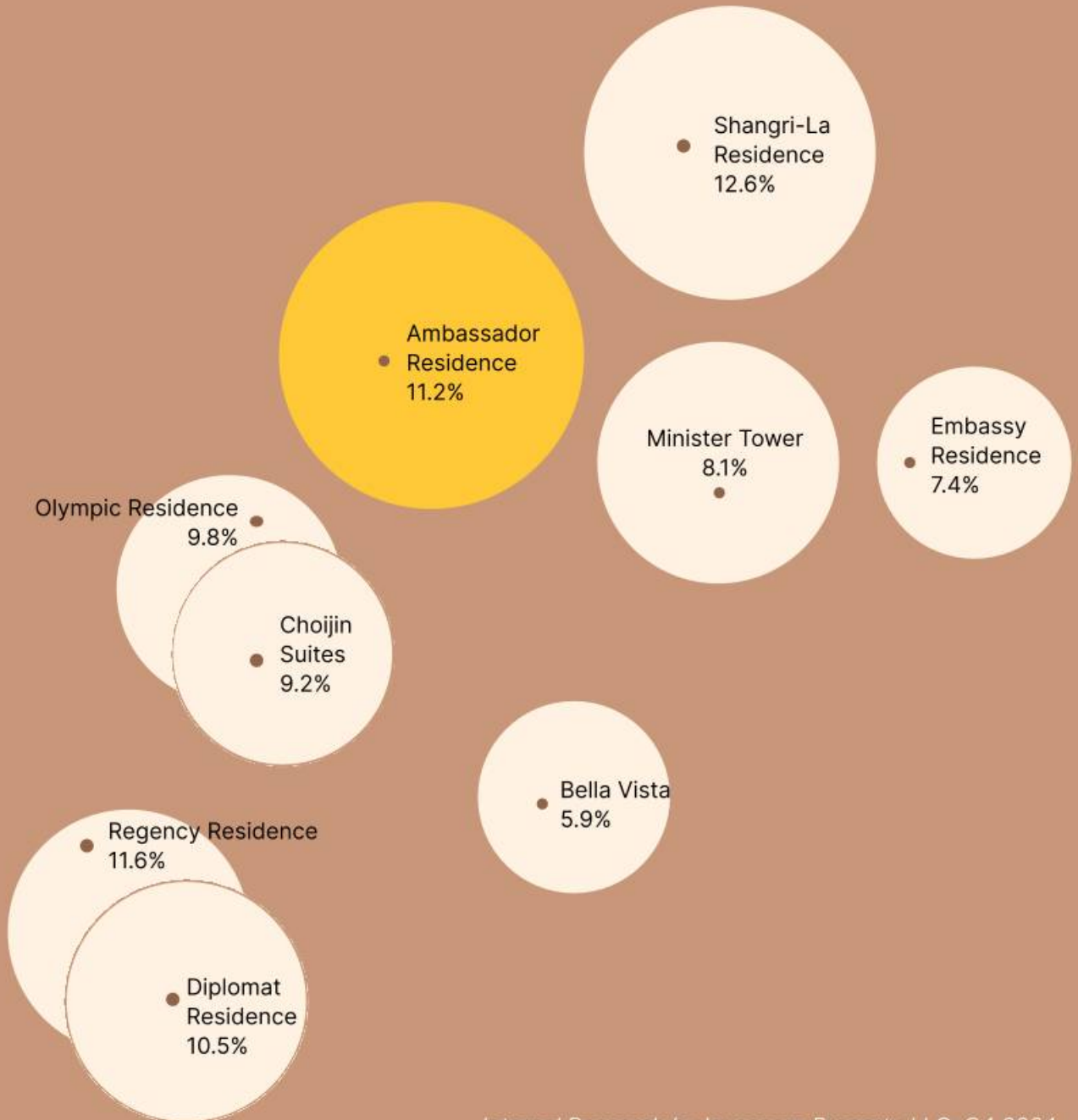
Rental Price Forecast:

- Adjusted for inflation, rental prices are projected to increase by approximately 5-10%.
- Rental yields are expected to remain within the 6-12% range, consistent with the previous year.

⁶² Internal research by Invescore Property LLC

In 2024, serviced apartment projects recorded on average rental yield of **9.6%**.

■ Ambassador Residence



Office, Commercial Market

06

-
- Office Sector
 - Commercial Sector

Office, Commercial Real Estate Market

Overview

▲ **6.9%**

Average sales price per sq.m
for office spaces (YoY)

83.0%

Occupancy rate for
office spaces



79.0%

Occupancy rate for
commercial spaces

100.000 ₺

Average rental price per sq.m
for commercial spaces

Office, Commercial Real Estate Market

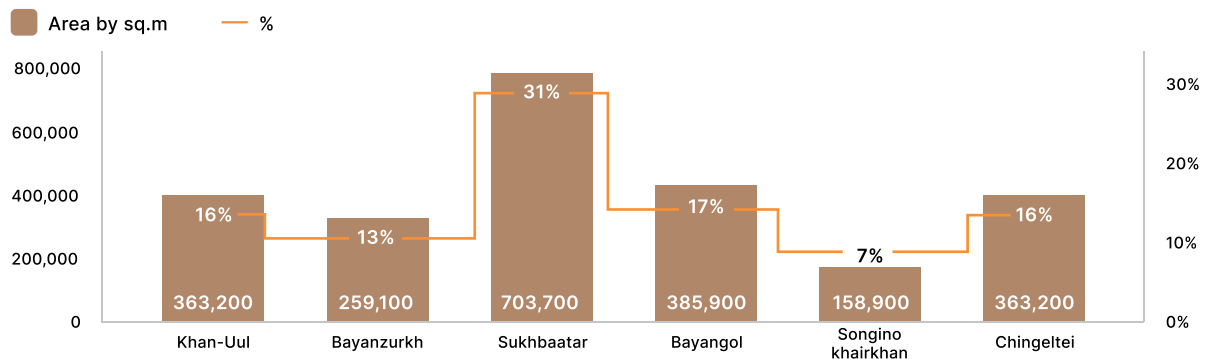
Office Sector

- The average sales price per sq.m for office spaces has increased by 2.9% year-on-year.
- Sukhbaatar District has the highest office space sales prices, while Songinokhairkhan District remains the most affordable.
- Office occupancy in Sukhbaatar District is the highest at 93.3%, indicating strong demand for prime business locations. Office occupancy rates in Bayangol and Khan-Uul Districts are showing a declining trend, suggesting possible oversupply or shifting demand.

New Supply

According to Tenkhleg Zuuch LLC, as of December 2023, Ulaanbaatar had a total of 2.27 million sq.m of office space, with 31% of it located in Sukhbaatar District, making it the largest business hub in the city.

Supply of office spaces /by area/



Source: Tenkhleg Zuuch LLC research, Q4 2024

In Sukhbaatar District, two major office projects totaling 43,700 sq.m are set to be completed and introduced to the market. This will further strengthen Sukhbaatar's position as the leading business hub in Ulaanbaatar.⁶³

New office projects⁶⁴

Project Name	Projected Completion Date	Total Area	District	Average selling price per sq.m
Vision Business Tower	2026 Q3	22,800 sq.m	Khan-Uul	2,500-3,000 US.dollar
Altan Joloo Tower	2024 Q1	16,000 sq.m	Sukhbaatar	90,000-100,000 tugrug (only on lease terms)
Encanto Trade Center	2026 Q3	60,000 sq.m	Bayanzurkh	3,000-3,300 US.dollar
International Trade Center	2025 Q1	27,700 sq.m	Sukhbaatar	15,500,000 tugrug

Average office space sales prices

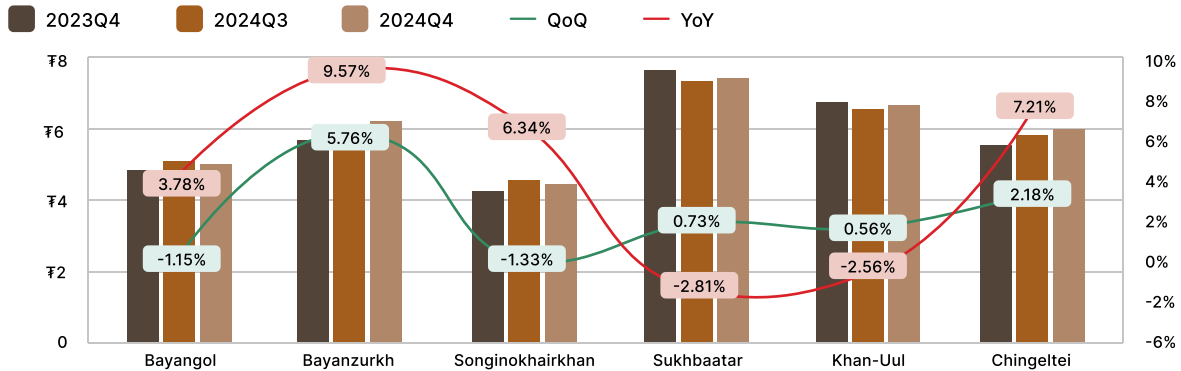
As of Q4 2024, the average sales price of office space in Ulaanbaatar reached MNT 5.99 million per sq.m, representing an increase of 1.24% from the previous quarter and 6.9% year-on-year. Bayan district recorded the highest year-on-year increase at 9.57%, while Sukhbaatar district saw a decrease of 2.81%. Sukhbaatar district's office space sales prices declined by 2.81%, contrasting with Bayangol district's significant year-on-year rise of 9.57%.⁶⁵

⁶³ Tenkhleg Zuuch LLC

⁶⁴ Internal research by Invescore Property LLC

⁶⁵ Tenkhleg Zuuch LLC

Average office space sales price /by district/

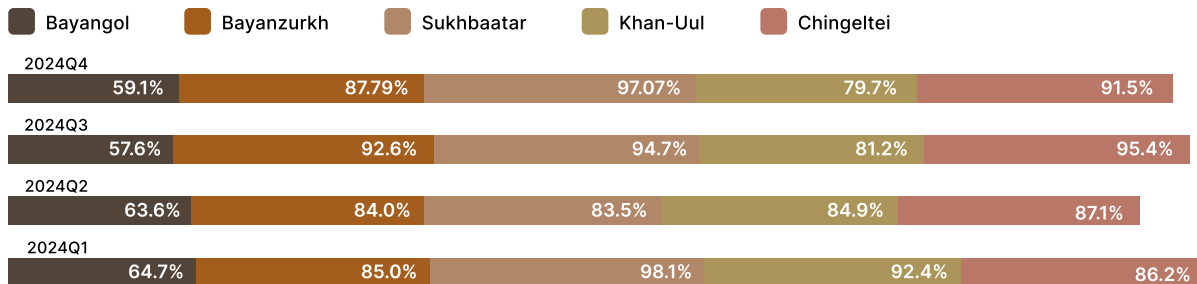


Source: Tenkhleg Zuuch LLC research, Q4 2024

Occupancy Rate

As of Q4 2024, the overall office occupancy rate in Ulaanbaatar is 83%, reflecting a 5.6% decline compared to the same period last year. Sukhbaatar District has the highest occupancy rate, indicating strong demand for office spaces in the city’s business hub. Bayangol District has the lowest occupancy rate, suggesting possible oversupply or weaker demand in this area.⁶⁶

Office occupancy rate /by district/



Source: Tenkhleg Zuuch LLC research, Q4 2024

In 2024, the office real estate market saw increased supply and steady price growth. With 31% of total office space concentrated in Sukhbaatar District, demand remains strongest in this area.

Looking ahead, Sukhbaatar District will continue to dominate the office market, further solidified by the upcoming completion of major projects in 2025, including: ITC (International Trade Center), Vision Business Tower, and Encanto Trade Center.

Office prices are expected to continue rising, driven by:

- New project completions
- Sustained demand for high-end office spaces
- Rising operational and infrastructure costs

In Khan-Uul and Bayangol Districts, market uncertainty persists.

- Declining occupancy rates suggest weaker demand, making future supply and demand shifts key indicators to watch.

⁶⁶ Tenkhleg Zuuch LLC

● Commercial Sector

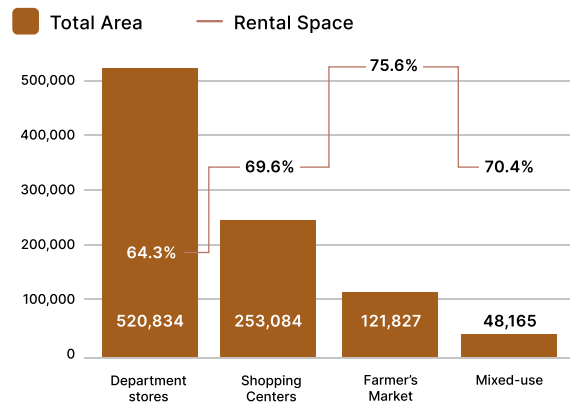
- Total commercial space in Ulaanbaatar amount to 943,000 sqm, with 55% dedicated to department stores, highlighting their dominance in the market.
- The average selling price for commercial space has reached 9.97 million MNT per sq.m, while the average rental price is 100,000 MNT per sq.m.
- Department store retail space increased by 19%, reflecting strong demand in this sector. However, occupancy rates in shopping centers declined by 16%, indicating potential oversupply or shifting consumer preferences.

Supply

As of Q4 2024, Ulaanbaatar has a total of 943,000 sq.m of commercial space in operation, with department store spaces accounting for the largest share at 55%. Among the total available commercial space, 67.5% is leased, indicating a strong market preference for rental-based occupancy rather than direct ownership.

When analyzing lease distribution by property type, mixed-use developments that combine office, retail, and commercial spaces account for the highest proportion of leased areas, making up 70.4% of total leased space. In contrast, department store spaces have the lowest share of leased properties at 64.3%, suggesting that a higher percentage of these properties are owner-occupied rather than leased.⁶⁷

Supply of commercial space /by area sizes/



Source: Tenkhleg Zuuch LLC research, Q4 2024

Average Prices

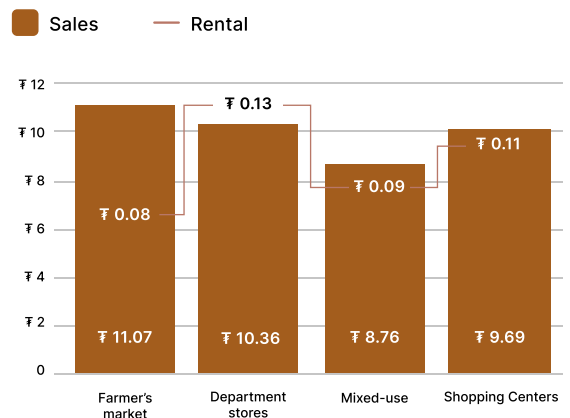
As of Q4 2024, the average sales price for commercial spaces in Ulaanbaatar stands at 9.97 million MNT per sq.m, while the average rental price is 100,000 MNT per sq.m.

When analyzing sales prices by property type:

- Farmer's market spaces are the most expensive, averaging 11.07 million MNT per sq.m.
- Mixed-use spaces have the lowest average price at 8.76 million MNT per sq.m.

In terms of rental prices, department store spaces command the highest rates, with an average of 128,400 MNT per sq.m, reflecting strong demand for prime retail locations.

Average price for commercial spaces /million MNT/



Source: Tenkhleg Zuuch LLC research, Q4 2024

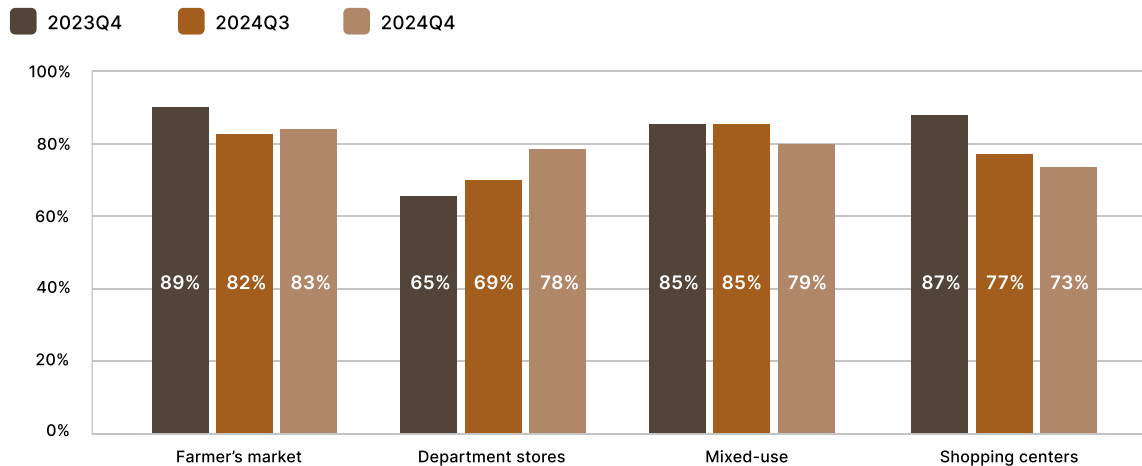
⁶⁷ Tenkhleg Zuuch LLC

Occupancy Rates

As of Q4 2024, department store occupancy has increased by 19% year-over-year, reflecting strong demand for retail spaces in these locations. In contrast, shopping center occupancy has declined by 16%, indicating potential oversupply or changing consumer preferences.

Meanwhile, farmer's market spaces are showing a gradual increase in occupancy, suggesting a trend toward stabilization. However, mixed-use buildings are experiencing declining occupancy rates, with expectations for further weakening in the near term.⁶⁸

Occupancy rate for commercial space /by type/



Source: Tenkhleg Zuuch LLC research, Q4 2024

The commercial space market continues to be dominated by department stores, which account for 55% of total supply, highlighting their strong market presence. Additionally, 67.5% of all commercial spaces are leased, reinforcing the dominance of rental agreements in property sales strategies.

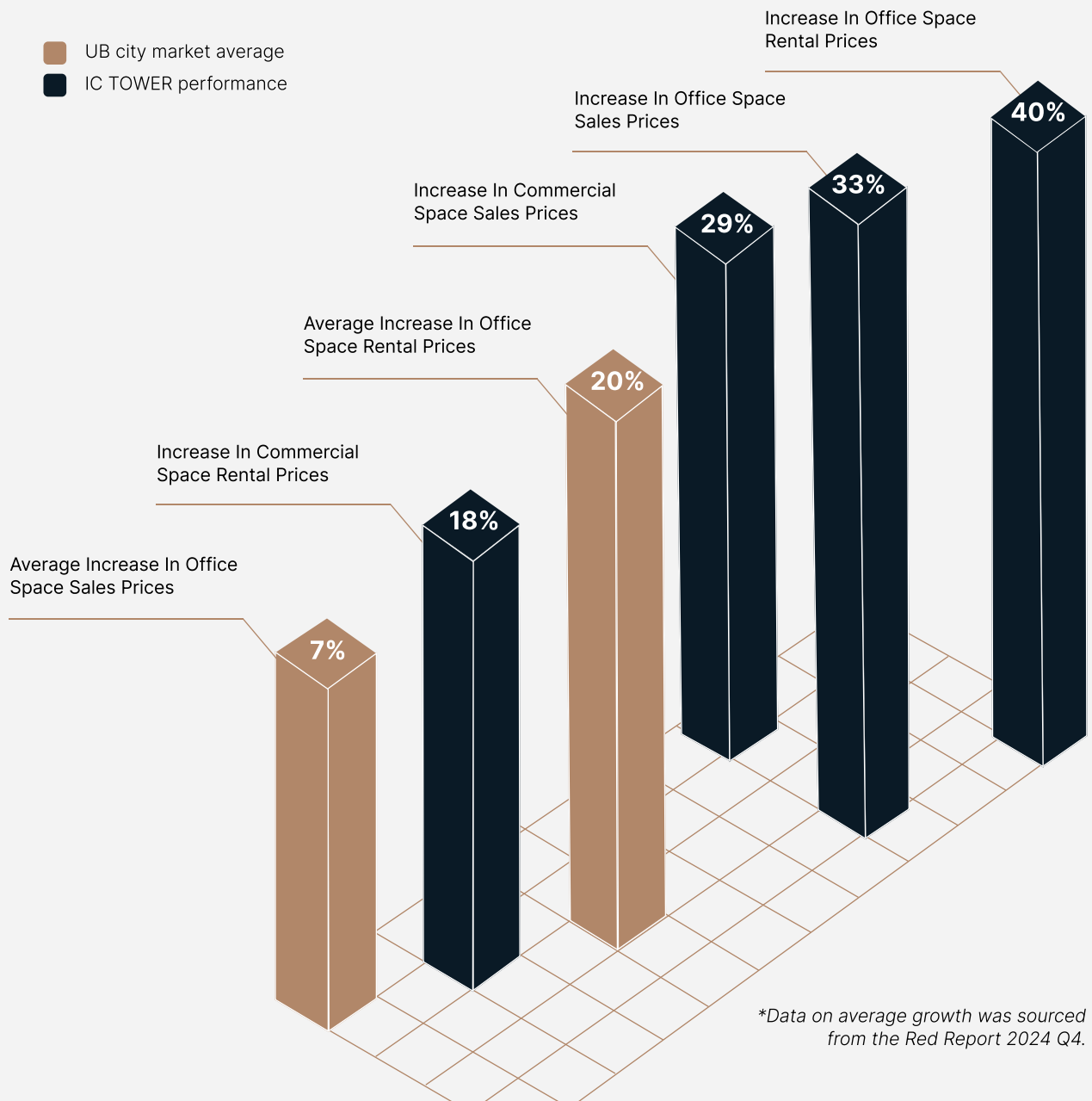
Occupancy trends show that department store spaces experienced the highest growth, increasing by 19%, indicating rising demand for large-scale retail centers.

Looking ahead to 2025, rental prices are expected to rise, driven by increasing demand in department stores and farmer's markets. The average rental rate is projected to increase from 100,000 MNT to 105,000–110,000 MNT per sq.m. As department store occupancy continues to strengthen, major shopping centers are likely to attract new investment, solidifying their position as dominant players in the commercial sector.

⁶⁸ Tenkhleg Zuuch LLC

From January 2024 to January 2025, IC TOWER demonstrated **growth exceeding the market average.**

Prime location and *well-executed* property management have the most significant impact on the real estate value.



*Data on average growth was sourced from the Red Report 2024 Q4.

Key Emerging Markets

07

-
- China
 - The U.S.
 - Kazakhstan

Key Emerging Markets

• China

MARKET DOWNTURN AND WEAK DEMAND PERSIST

China's residential real estate market remains sluggish, with no significant price recovery observed in January 2025. The average price of new homes has declined by 5% year-over-year, reflecting continued weak demand.

In terms of sales performance, as of January 2025, the top 100 property developers recorded a 17% decline in revenue compared to the same period last year. While the government has introduced measures to ease lending conditions and provide tax incentives, investor sentiment remains cautious, limiting market recovery.⁶⁹

Jan 2024	New tax Incentives for Homebuyers in China
March 2024	China's Central Park lowers mortgage rates.
May 2024	China implements 300 billion Yuan Loan Financing Program.
July 2024	Chinese Government announces direct purchase program for unsold housing.
November 2024	China reduces Land Value-Added Tax /LVAT/ boost real estate sales.
December 2024	Chinese Government has extended the VAT exemption long-term real estate holdings supporting long-term property investment.

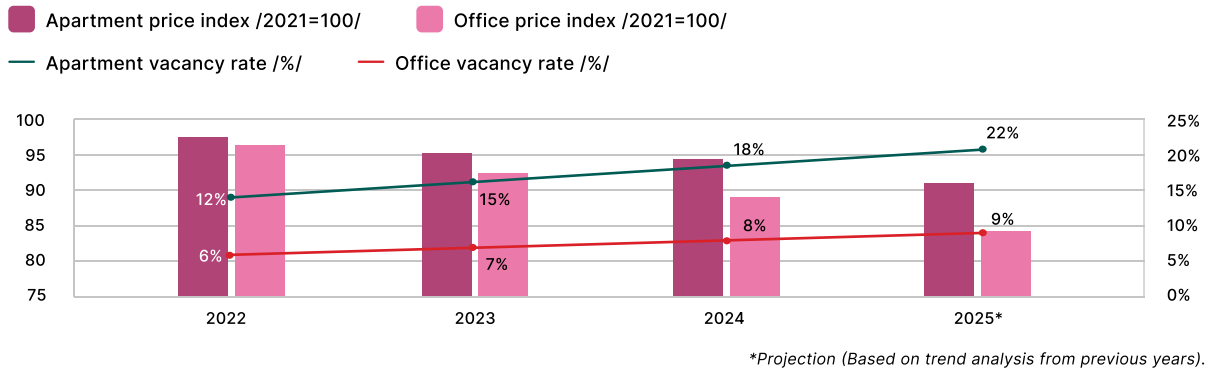
China's office real estate sector continues to face significant challenges, particularly in major cities like Beijing and Shanghai, where vacancy rates have surpassed 20%. The post-pandemic economic slowdown and the rise of remote work have contributed to declining demand for office space. Additionally, foreign direct investment (FDI) in China has dropped by 27.1%, further impacting office leasing activity.

In contrast, the industrial and logistics sectors remain strong, as China continues to solidify its position as the world's leading manufacturing hub. Demand for industrial facilities and logistics infrastructure remains high, ensuring stability in this segment despite broader economic uncertainties.⁷⁰

⁶⁹ Reuters

⁷⁰ [China Briefing](#)

China's Residential and Office Sector Sales Price Index



Source: Purchasing Power Index (PPI), Statista, Q4 2024

According to analysts, China’s housing prices will continue to decline in 2025, but the rate of decline is expected to slow compared to 2024. By 2026, the market is projected to stabilize, suggesting a gradual recovery. Despite government intervention, weak demand remains a key challenge, leading to persistent price and sales declines. While policy measures, such as tax incentives and mortgage rate cuts, are starting to show positive effects, analysts caution that a full market recovery will take time.⁷¹

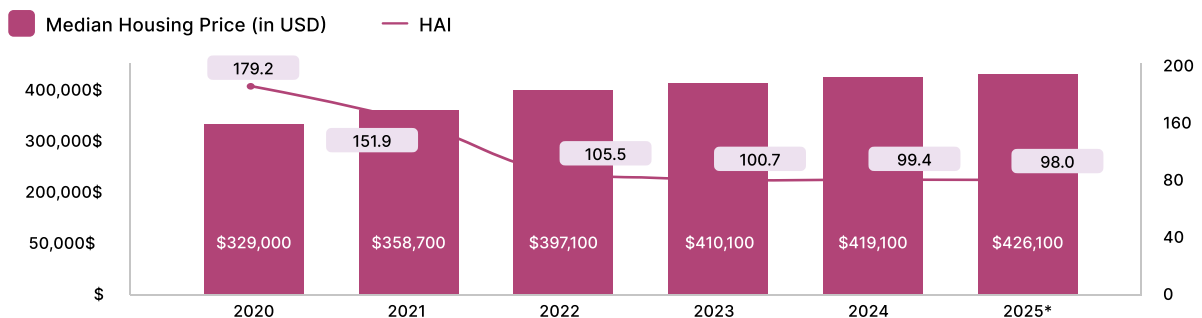
• The U.S.

RISING PRICES AND DECREASING AFFORDABILITY

The U.S. housing market has seen a 27.4% price increase over the past five years, with projections indicating that home prices will reach record highs in 2025. This sustained price growth has significantly reduced housing affordability, as the homeownership affordability index dropped from 76% in 2021 to just 49% in 2024.

Additionally, mortgage rates remain elevated at 6.8% as of 2024, further limiting purchasing power and pushing more potential buyers into the rental market. As a result, the demand for rental properties continues to rise, shaping a market shift where affordability concerns drive stronger competition in the rental sector.⁷²

U.S. Housing Prices and HAI Index



Source: Purchasing Power Index in the U.S., National Affordability Index, Q4, 2024.

⁷¹ Reuters

⁷² National Association of Realtors

Since 2020, U.S. rental prices have surged by 20-30%, driven by declining homeownership affordability. Cities like Miami, Austin, and Phoenix have seen the highest increases, reflecting strong regional demand. In response, real estate investors are shifting focus to rental housing and large-scale community developments to capitalize on this trend. With rental yields averaging 5-8%, rental properties remain an attractive investment in the current market.⁷³

The U.S. office sector remains under pressure, with vacancy rates reaching 18-20% in major cities like San Francisco, New York, and Chicago due to the shift toward remote and hybrid work models. Meanwhile, retail centers and suburban commercial spaces are seeing stronger demand, driven by population shifts and changing consumer behavior. As businesses and individuals relocate, suburban retail hubs are emerging as attractive investment opportunities with increased foot traffic and sustained commercial activity.

By late 2024, foreign investment in U.S. real estate began to slow, partly due to new regulatory measures under discussion. States such as Texas and Florida are considering legislation to restrict foreign ownership of land, signaling a potential shift in investment dynamics.⁷⁴

● Kazakhstan

STABLE GROWTH AND INCREASING FOREIGN INVESTMENT

Kazakhstan's real estate market continues to experience steady growth, with the average housing price increasing by 3% year-over-year. The key investment hubs, Almaty and Nur-Sultan (Astana), are attracting the most interest, particularly from foreign investors, due to their economic stability and expanding urban infrastructure.

The growing appeal of these cities is driven by favorable investment conditions, strong rental demand, and ongoing development projects, positioning Kazakhstan as an emerging hotspot for real estate investment.

City	November 2024	December 2024	Change (%)
Astana	436,647 ₸ (\$834.0)	436,893 ₸ (\$834.5)	0.06%
Almaty	681,389 ₸ (\$1,301.5)	683,986 ₸ (\$1,306.5)	0.38%
Shimkent	432,984 ₸ (\$827.0)	432,580 ₸ (\$826.3)	-0.09%

1 USD dollar 523.54 tenge (2024/12/31)⁷⁵

Kazakhstan's office real estate sector is experiencing steady growth, driven by an increasing number of international companies relocating from Russia. This trend has contributed to rising population migration, particularly in key business hubs such as Almaty and Nur-Sultan (Astana), further strengthening demand for office space.

With rental yields ranging between 10-12%, Kazakhstan presents a more attractive return on investment compared to markets like the U.S. and China. This strong demand is fueled by a growing workforce, expatriates, and students, all of whom contribute to the resilience of the rental market. As a result, the sector offers long-term stability and profitability, positioning Kazakhstan as an emerging destination for real estate investors seeking high-yield opportunities.

⁷³ U.S. Department of the Treasury

⁷⁴ K&L Gates

⁷⁵ Nationalbank.kz

Residential Rent	Price (per sq.m in KZT)	Price (per sq.m in USD)	Sale Price	Rental Yield
National Average	4,612T	\$8.81	454,782 T	12.2%
Almaty	6,498T	\$12.41	683,986 T	11.4%
Astana	3,732T	\$7.13	436,893 T	10.3%

As of late 2024, Kazakhstan's office sector maintains high occupancy levels, with rental prices remaining relatively stable. This trend reflects strong demand for office spaces, largely driven by the relocation of international companies from Russia, which increased by 27.3% in 2022.

Additionally, Kazakhstan's stable economic growth continues to support business expansion, further fueling the demand for office spaces in key cities like Almaty and Nur-Sultan (Astana). This sustained demand positions the country as a growing hub for corporate and commercial real estate investment.⁷⁶

Office Rent	Office Grade	Price (per sq.m in KZT)	Price (per sq.m in USD)	Vacancy Rate
Almaty	A/A+	20,100 T	\$ 38.39	4.40%
	B/B+	12,500 T	\$ 23.88	4.20%
Astana	A/A+	16,700 T	\$ 31.90	4.60%
	B/B+	7,900 T	\$ 15.09	4.00%

Effective January 1, 2025, Kazakhstan has expanded personal income tax benefits, now including mortgage interest payments in tax deductions. This policy aims to support mortgage lending and stabilize the real estate market, making homeownership more financially accessible.

By reducing the tax burden on homeowners, the government is encouraging more individuals to enter the housing market, potentially boosting demand for residential properties and ensuring long-term market stability.⁷⁷

Comparing the Forecast of Key Markets with the Situation in Ulaanbaatar:

Country	Housing Price Trend	Rental Yield	Office Vacancy Rate	Foreign Investment
China	-8%	2-3%	20%+	Decreasing
The U.S.	+26%	5-8%	18-20%	Limited
Kazakhstan	+16%	10-12%	4-5%	Increasing
Ulaanbaatar city	+14.6%	8-10%	15-20%	Increasing

Kazakhstan and Ulaanbaatar are among the fastest-growing real estate markets, offering high rental yields—10-12% in Kazakhstan and 8-10% in Ulaanbaatar—along with increasing foreign investment interest. Kazakhstan's office vacancy rate remains low at 4-5%, reflecting strong demand, while residential property prices in Ulaanbaatar continue to rise, boosting investor confidence.

The U.S. market remains stable but continues to be a high-cost investment environment.

Meanwhile, uncertainty dominates China's real estate sector. Housing prices have declined by 8%, rental yields remain low at 2-3%, and office vacancy rates exceed 20%, signaling heightened investment risks.

⁷⁶ Bureau of National Statistics of the Republic of Kazakhstan

⁷⁷ Talap.org

Development Trends

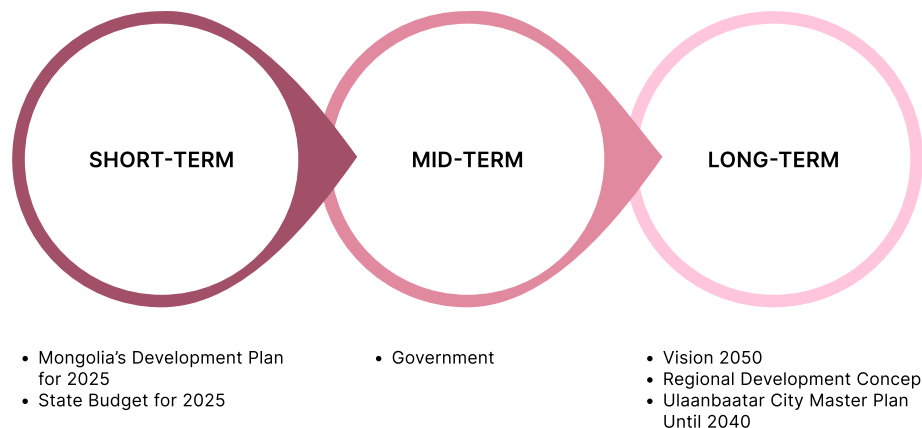
08

-
- Long-Term Development Plan
 - Mid-Term Development Plan
 - Short-Term Development Plan
 - Legal And Policy Reforms Effective From 2025

Development Trends

- Promoting balanced economic growth nationwide by implementing regional development policies tailored to local characteristics.
- Diversifying key sectors, including agriculture, industry, tourism, and energy, to ensure long-term economic stability.
- Advancing urban development initiatives, such as the “20-Minute City” concept, improving transportation, logistics, and public transit infrastructure, and enhancing housing accessibility.
- Expanding renewable energy sources by investing in infrastructure to support sustainable energy development.

The development goals, objectives, and implementation trends of Mongolia are outlined in short-term, medium-term, and long-term perspectives.



• Long-Term Development Plan

Vision – 2050

Goals: “By 2050, Mongolia will be one of Asia's leading nations in social development, economic growth, and quality of life.”⁷⁸

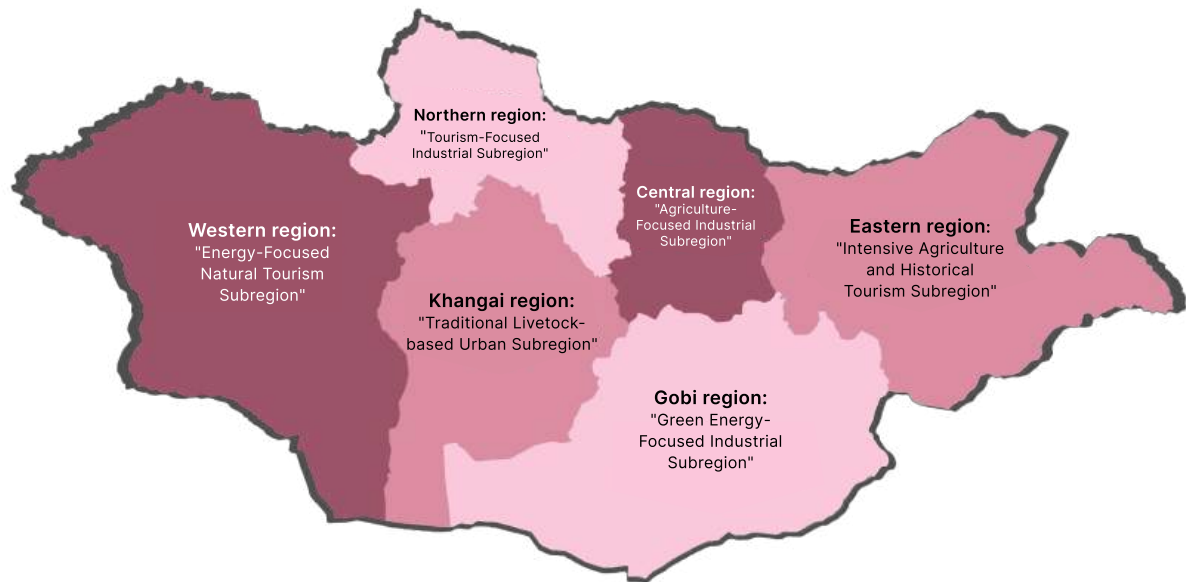
Objectives:

- | | |
|---|--|
| <ul style="list-style-type: none"> • National Unity and Core Values • Human Development • Quality of Life and Middle Class Growth • Economy | <ul style="list-style-type: none"> • Governance • Green Development • Peaceful and Secure Society • Regional and Local Development |
|---|--|

⁷⁸ [Vision 2050](#)

Regional Development Concept

Goals: Mongolia's regional development policy aims to ensure balanced socio-economic growth across the country, promote equitable regional development, and establish an efficient population settlement system. As part of this strategy, Mongolia has developed a regional development framework that categorizes different areas based on their natural resources, economic potential, population distribution, and key development priorities. This approach seeks to reduce regional disparities, enhance local economies, and optimize infrastructure and resource allocation.⁷⁹



Expected Outcomes:

- Increased economic independence of provinces and cities, enabling them to sustain growth with less reliance on central funding.
- Improved investment climate to accelerate regional development and attract both domestic and foreign investments.
- Balanced urban and rural development, reducing economic disparities between cities and the countryside.
- Enhanced urban planning efficiency by decentralizing Ulaanbaatar, alleviating overpopulation, and improving infrastructure.
- Greater economic diversification based on regional strengths, fostering specialized industries and sustainable growth across different areas.

⁷⁹ [Unified Legal Information System](#)

Ulaanbaatar city Master Plan until 2040

Goals: *“To ensure a healthy, safe, and comfortable living environment for residents, Mongolia aims to develop a citizen-centered capital city that is built on cutting-edge, environmentally friendly technologies and a globally competitive economy. This vision positions Ulaanbaatar as the driving force of Mongolia’s development, integrating sustainable urban planning, smart infrastructure, and economic innovation to enhance the quality of life and global standing of the city”.*⁸⁰

Objectives:

1. Economy & Population Growth

By 2040, Ulaanbaatar’s population is expected to exceed 2 million, with the number of households reaching 667,400. To support balanced urbanization, Mongolia’s national development framework includes the establishment of 2 national-level cities, 14 regional cities, 5 satellite cities, and 5 towns, ensuring more equitable regional development and reducing over-reliance on the capital.

2. Environment & Tourism

The city’s environmental and tourism strategy will focus on two major tourism hubs around the city center, Yaarmag, and the New City, promoting specialized tourism through three economic corridors and 12 sub-centers dedicated to business, historical tourism, recreation, and automobile trade.

3. Architecture, Urban Space & Transportation

To address urban mobility challenges, Ulaanbaatar is set to introduce metro, light rail, dedicated bus lanes, and cable cars as part of a comprehensive transportation overhaul. These projects are expected to expand the road network by 110%, increase public transport capacity by 50%, and reduce traffic congestion by 40%, significantly improving accessibility across the city.

4. Energy

In the energy sector, Ulaanbaatar’s heat demand is projected to rise by 95.5%, reaching 6,422 Gcal/hour by 2040. Currently, 98% of energy comes from coal, with only 1% from natural gas and 1% from renewable sources. The long-term goal is to increase the share of renewable energy to 8%, making the city’s energy mix more sustainable.

5. Water Supply & Wastewater Management

Water demand is also expected to rise sharply, with daily clean water consumption set to increase by 108% by 2040. To meet this demand, the city will diversify its water supply, with 52% coming from groundwater, 25% from surface water, and 23% from recycled water, ensuring long-term water security.

6. Disaster Prevention & Infrastructure Resilience

In terms of disaster prevention and climate resilience, Ulaanbaatar currently has 163 km of flood protection structures, 209 km of stormwater drainage, and 24.9 km of groundwater drainage systems. By 2040, the city plans to construct 10 artificial lakes and reservoirs to mitigate flood risks, further enhancing its climate resilience and infrastructure durability.

⁸⁰ “Urban Planning and Research Institute”

• Mid-Term Development Plan

Government Action Plan 2024-2028

Goals: The Joint Government Action Plan is designed to ensure the stable implementation of Mongolia's long-term and medium-term development policies while rapidly addressing urgent development challenges. This plan prioritizes efficiency, speed, and impact, aiming to drive economic and social progress without delays.

The program is structured around four key policy areas, under which 16 strategic directions and 620 specific objectives will be implemented. These policies are expected to accelerate economic growth, improve governance, enhance social development, and promote environmental sustainability in alignment with Mongolia's broader national vision.⁸¹

Objectives:

1. Regional Development Policy	2. Human Development Policy	3. Economic Policy	4. Governance Policy Based on Human Rights
<ol style="list-style-type: none"> 1. "20-minute city" Concept 2. National-Level Cities with Independent Economies 3. Regional Diversification & Economic Development 4. Local Development & Rural Revitalization 	<ol style="list-style-type: none"> 1. Prosperous Mongolian Citizens 2. Educated Mongolians Citizens 3. Healthy Mongolian Citizens 4. Mongolians as Owners of National Wealth 	<ol style="list-style-type: none"> 1. Economic Policy 2. Business & Investment Climate 3. Economic Diversification & Liberalization 4. Climate Change & Green Finance 	<ol style="list-style-type: none"> 1. Human right & Freedoms 2. Corruption-free Governance 3. E-Governance and Digital Transformation 4. National Resilience & Peace

Under these objectives, 14 mega projects are planned for implementation.

⁸¹ [Unified Legal Information System](#)

• Short-Term Development Plan

Mongolia's Development Plan for 2025

Goals: The Government Action Plan for 2024–2028 is structured around four core policies and 16 strategic directions, aimed at addressing current challenges, initiating necessary sectoral reforms, and accelerating the implementation of priority development projects. This plan focuses on rapid and effective decision-making to drive economic growth, social progress, and infrastructure development in line with Mongolia's long-term vision.⁸²

Objectives:

<p>Economic Policy:</p>	<ul style="list-style-type: none"> • Launch all 14 mega projects aimed at establishing long-term sustainable infrastructure by 2025. • Revise energy tariffs and expand reliable energy sources to enhance national energy security. • Designate 2025 as the "Year of Tourism Development", implementing strategic initiatives to boost the sector. • Allow foreign bank branches to enter Mongolia's market, increasing competition in the banking sector and reducing interest rates on loans for businesses and individuals. • Expand green financing programs for energy-efficient housing and infrastructure projects. • Enhance digital payment systems and promote new e-commerce solutions to modernize the financial landscape.
<p>Regional Development Policy:</p>	<ul style="list-style-type: none"> • Implement regional development reforms by launching major infrastructure and economic projects. • Introduce regional tax incentives in 2025 to stimulate economic growth outside Ulaanbaatar. • Increase financial independence for local governments, enabling them to attract investment. • Continue policies supporting population relocation from Ulaanbaatar to regional centers. • Develop the "20-Minute City" concept, expanding infrastructure in the capital and satellite cities.
<p>Human Development Policy:</p>	<ul style="list-style-type: none"> • Ensure equal access to basic services and opportunities for all citizens. • Use the National Wealth Fund to implement programs in healthcare, education, and housing. • Strengthen employment programs by aligning workforce training with market demand. • Improve quality and accessibility of healthcare services, with a stronger focus on disease prevention.
<p>Governance Policy Based on Human Rights:</p>	<ul style="list-style-type: none"> • Implement civil service reforms to enhance transparency, efficiency, and digital governance. • Increase public oversight and integrate AI-driven decision-making in government operations. • Ensure state-owned enterprises operate independently from political influence. • Continue anti-corruption and legal reforms, strengthening human rights and private sector protections.

⁸² Unified Legal Information System

State Budget 2025

Principle: *“Minimizing government intervention and implementing policies that support the private sector.”*

Objectives:

Financing Large-Scale Development & Infrastructure Projects

- The first-ever budget structured under the Regional Development Concept prioritizes 38 major infrastructure projects, temporarily postponing social-sector investments such as schools and kindergartens.
- A differentiated tax policy will be introduced next year to promote regional specialization, affecting over 20 types of taxes.
- The costs of transitioning to a modern energy system will be addressed, allowing continued energy sector reforms.

Regional Development Tax Incentives

To support large-scale infrastructure projects, the following tax incentives will be implemented:

- Customs duties on imported construction materials and equipment will be waived, and VAT payments will be deferred for four years.
- After project completion, property taxes can be reduced to 0% to encourage long-term investment.
- For the first five years after generating revenue, businesses will receive a 90% income tax rebate, effectively reducing their tax burden to 1%.

National Housing Program:

- The 3% interest mortgage subsidy will continue for those relocating from Ulaanbaatar to rural areas or purchasing their first home in provinces, soums, or the outskirts of the capital.
- State employees moving from Ulaanbaatar to regional areas will receive extended loan eligibility based on their years of service, with the government providing guarantees covering up to 60% of the down payment.
- Low-income households unable to qualify for subsidized mortgages will be provided with affordable rental housing options.

Human Development & Social Welfare:

- Salaries, pensions, and welfare payments will be adjusted in line with inflation. The state pension will increase by 6% starting January 1, 2025, with the necessary budget allocations already in place.⁸³

⁸³ Unified Legal Information System

Development projects included in Mongolia's 2025 Budget:**KHANGAI REGION**

- Feasibility study and master plan for New Kharkhorum City, designed for a population of 500,000.
- Construction of the Millennium Road horizontal corridor highway.
- Expansion of the second heating circuit and infrastructure for the thermal power plant in Övörkhangaï Province

WESTERN REGION

- Construction and improvement of key road networks.
- Expansion of the second heating circuit and infrastructure for thermal power plants in Zavkhan and Govi-Altai provinces.

NORTHERN REGION

- Development of the "Five Circles" tourism infrastructure project, including the tourist highway circuit.

GOBI REGION

- Construction of a 50 MW thermal power plant in Dalanzadgad.
- Development of road networks to enhance connectivity.

CENTRAL REGION

- Expansion and construction of key road networks.
- Financing for the second heating circuit and infrastructure for the Töv Province thermal power plant.
- Planning and relocation of the School of Animal Husbandry and Biotechnology of the Mongolian University of Life Sciences to the Darkhan-Selenge region.

EASTERN REGION

- Design and construction of a 4C-category airport at Buir Lake.
- Feasibility study for establishing a waterway port at Buir Lake.
- Construction and improvement of regional road networks.

ULAANBAATAR-KHUSHIG VALLEY DEVELOPMENT ZONE

- Expansion and construction of road networks.
- Continuation of infrastructure development for "Khushig Valley–Shine Zuun Mod City", including electricity, heating, sewage, and water treatment facilities.
- Funding for the 17th session of the UN Convention to Combat Desertification (COP17), scheduled to be held in Khushig Valley in 2026, with a budget of ₮50 billion.
- Capacity expansion for the Nalaikh thermal power plant.
- Planning and relocation of the School of Mechanical and Transportation Engineering of the Mongolian University of Science and Technology (MUST) to Khushig Valley.

• Legal and Policy reforms effective from 2025

Corporate Income Tax Law Amendments

On August 30, 2024, Parliament introduced amendments to the 2024 State Budget Law, leading to updates in several tax laws. Notably, the Corporate Income Tax (CIT) Law now allows companies to claim tax deductions for social responsibility expenses. **From September 2024 to 2035, businesses can deduct up to 1% of taxable income for investments in environmental protection, elderly care, support for disabled individuals and children, cultural heritage preservation, public spaces, sports organizations, scientific research, and education.**

This tax incentive is expected to have direct and indirect impacts on the construction and real estate sectors. If corporate tax and property tax reductions are introduced for satellite cities and new residential projects under the regional development policy, investors will be more inclined to expand real estate projects outside Ulaanbaatar. This shift could reduce overpopulation, ease housing demand pressure in Ulaanbaatar, and stabilize property prices.⁸⁴

Under this amendment, the Ministry of Environment, Climate Change, the Mayor's Office of Ulaanbaatar, and the National Committee on Air Pollution Reduction have signed a **"Social Responsibility Partnership Agreement for Environmental Protection"** with private enterprises. Companies such as "Monos" Pharma, "SouthGobi Sands", "Boroo Gold", and "Monpolymet" have already signed this agreement.

As part of this initiative, "Shunkhlai" Group has become the main sponsor of Mongolia's National Basketball League team "Apes" (now SG Apes), contributing to the development of basketball in Mongolia. This sponsorship aims to support professional sports, enhance athletic performance, and promote the growth of basketball as a key sport in the country.⁸⁵

Customs Duties, VAT, and TAX Deferrals

Starting June 2024, the government gained authority to defer or stagger payments of customs duties and VAT for up to four years for major infrastructure projects, including:

- Technically and economically justified projects aligned with regional development policy.
- Construction projects under the Shine Zuunmod city development master plan.
- Sports facilities meeting Olympic and continental-level event standards.

This measure is expected to **reduce investment costs for construction firms**, lower **financial burdens**, **increase imports of building materials and equipment**, and **accelerate the completion of major projects**.⁸⁶

⁸⁴ PwC

⁸⁵ [Montsame.mn](https://www.montsame.mn)

⁸⁶ [Unified Legal Information System](#)

Capital Gains Tax on Securities Trading

As of July 1, 2024, a capital gains tax on securities trading came into effect. This was legislated in November 2023, applying to individuals and businesses trading securities on the Mongolian Stock Exchange. **The law introduced a 10% tax on profits from stock, bond, and asset-backed securities transactions, with taxes collected through the central depository or custodian banks.**⁸⁷

While some investors cashed out profits before the tax deadline (July 2024), analysts noted no major market disruptions. Since the tax rate is initially low (1% of profits for 2024-2026), most investors see it as a manageable long-term adjustment rather than an immediate burden. However, market participants are monitoring how the tax impact will evolve beyond 2027, when the tax discount expires.⁸⁸

The new capital gains tax has started affecting individual and corporate participants in Mongolia's securities market. Previously, stock trading profits were tax-exempt, but under the new policy, investors are now required to pay taxes on their capital gains. This change introduces an additional cost factor in investors' return calculations.

However, between 2024 and 2026, **investors will benefit from a 90% tax reduction, effectively reducing the actual tax burden to only 1% of profits.** Given this initially low tax rate, the policy has not significantly impacted short-term investor returns.

Despite this initial relief, investors are closely monitoring future tax developments beyond 2027, when the phased tax discount is expected to expire. If capital gains tax rates rise beyond 1%, the long-term implications for market liquidity, trading volumes, and overall investor sentiment could become more pronounced. A higher tax burden may deter short-term speculative trading while encouraging longer-term investment strategies. Additionally, policymakers may face the challenge of balancing tax revenue generation with maintaining an attractive investment climate to support capital market growth.

Real Estate Property Tax Amendments

Under the Regional Development Policy, provincial and national-level city councils now have the authority to reduce real estate property tax by up to 0.6% for up to 10 years for eligible development projects.

Additionally, public facilities that meet international standards—including libraries, senior citizen centers, primary healthcare facilities, educational institutions, cultural centers, and social welfare buildings—will be exempt from property tax for the first five years following their completion. This exemption aims to encourage the development of essential public infrastructure, support social services, and enhance community well-being.⁸⁹

⁸⁷ [Golomt Capital Securities company](#)

⁸⁸ [Inside Mongolia](#)

⁸⁹ [PwC](#)

⁹⁰ [Barilga.mn](#)

Construction Licensing & Regulatory Reforms

In 2024, the government accelerated construction industry licensing reforms. The Ministry of Construction and Urban Development held a policy discussion titled “*Licensing Reform 2024*”, which resulted in significant updates to construction permits, project approvals, and quality control standards.

Key reforms include:

- Reducing the **number of construction-related licenses**.
- Introducing project-specific licenses for complex or high-risk developments, allowing **one-time approvals for individual projects**.
- Integrating licensing systems with the **Social Insurance Fund** to enable real-time tracking of company contributions and compliance.
- Implementing stricter accountability measures for construction professionals, requiring engineers switching jobs to register **with new employers within three months or risk license revocation for their previous employer**.⁹⁰

These reforms are expected to streamline project approvals, accelerate construction timelines, and significantly increase housing supply to meet growing demand. By promoting higher building standards and modernizing regulatory frameworks, the measures aim to improve overall construction quality while ensuring greater efficiency in urban development.

Additionally, strengthened compliance and accountability mechanisms will play a crucial role in maintaining safety standards, minimizing project delays, and enhancing transparency in the real estate sector. These initiatives are designed to foster investor confidence, encourage sustainable development, and support long-term economic growth by creating a more resilient and well-regulated housing market.

Mortgage Financing System Reforms

The Bank of Mongolia and the government have initiated reforms **to introduce tiered mortgage interest rates** based on **property location and housing type**.

Square Meter Area Size	Loan Interest Rate
Up to 40 sq.m	Up to 4%
41-59 sq.m	Up to 5%
Up to 60 sq.m	Up to 6%
61-80 sq.m	Up to 8%
Up to 100 sq.m	Around 10%

⁹⁰ Barilga.mn

Introduction of Real Estate Investment Trusts (REITs)

Last year, we highlighted **Real Estate Investment Trusts (REITs)** in the "*Ulaanbaatar Real Estate Market 2023-2024 Annual Report*." This discussion focused on **the potential introduction of REITs in Mongolia**, their impact on the **real estate sector**, and how they could contribute to market growth and investment diversification. Mongolia is exploring the introduction of Real Estate Investment Trusts (REITs) as **the Financial Regulatory Commission** has begun conducting feasibility studies and **drafting a legal framework** for establishing REITs in Mongolia.

Key areas under consideration include:

- Tax incentives for REIT investors,
- Debt-to-equity ratio limits for REIT structures,
- Investor protection and transparency measures,
- Investment restrictions and ownership rules,
- Quality and compliance standards for REIT-backed properties.

Currently, Mongolia's real estate and construction sector accounts for over 8% of GDP. Given the country's high dependence on mining revenues, introducing REITs could diversify the economy and position real estate as a key driver of economic growth. Additionally, REITs could lower borrowing costs, increase investment accessibility, and provide more stable, long-term funding for large-scale property developments.⁹¹

Additionally, the government is taking steps to diversify mortgage financing to enhance stability and accessibility in the housing finance market. A key initiative involves securitizing mortgage-backed assets, allowing financial institutions to improve liquidity and manage credit risks more effectively. These measures aim to reduce reliance on government subsidies and attract private investment into the sector.

As of late 2024, 98% of outstanding mortgages were classified as performing loans, with only 0.9% non-performing, reflecting strong borrower repayment discipline and prudent lending standards. The low level of non-performing loans indicates a stable mortgage market, reinforcing investor confidence and financial sector resilience.

Going forward, expanding financing options and further strengthening the mortgage market will be essential for sustaining housing affordability and long-term real estate sector growth.⁹²

⁹¹ [Montsame.mn](https://montsame.mn)

⁹² [Financial Regulatory Commission](https://www.frc.mn)

- Mongolia is accelerating efforts to decentralize Ulaanbaatar and enhance urban infrastructure and housing accessibility in satellite cities. The "20-Minute City" concept is being actively implemented to improve the quality of urban living, while rental housing programs are expanding to support young families and middle-income households.
- Energy security remains a priority, with increased investment in hydropower and renewable energy sources, ensuring greater stability in energy supply. At the same time, Mongolia is gradually reducing its dependence on mining, focusing on value-added industries, including copper processing, petrochemicals, coal-to-chemicals, and steel manufacturing.
- Mongolia is gradually reducing its dependence on the mining sector by shifting towards value-added industrial production. This transition includes the establishment of integrated industrial complexes focused on copper processing, petroleum refining, coal-to-chemicals production, and steel manufacturing. These industries will enhance economic diversification, create high-value exports, and support long-term sustainable growth.
- The expansion of transportation and logistics infrastructure will facilitate exports and drive economic growth, leading to job creation and industrial diversification.
- Meanwhile, the designation of 2025 as the "*Year of Tourism Development*" is expected to generate new employment opportunities and revenue streams by promoting Mongolia's nomadic heritage, cultural traditions, and international festivals. To support the anticipated growth in tourism, investments are being directed toward airport modernization, road network expansion, and the development of eco-friendly tourist accommodations.
- The digital transformation of Mongolia's economy is gaining momentum, with the expansion of electronic payments, fintech solutions, and technological adoption. Green development and environmental sustainability have been placed at the forefront, leading to increased access to green financing for eco-friendly projects and greater international funding for climate initiatives aimed at reducing greenhouse gas emissions.
- These development trends underscore Mongolia's commitment to making 2025 a transformative year, characterized by economic diversification, sustainable urban development, environmental protection, and technological advancement.

Real Estate Market Outlook 2025

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- Residential Market Outlook
 - Commercial & Office Market Outlook

Real Estate Market Outlook 2025

- With government support through policies and regulations, real estate sales are expected to remain stable. While regional areas currently face slower population growth and underdeveloped infrastructure, emerging cities such as Khushig Valley and Shine Zuumod present significant medium-term development opportunities.
- The built-to-rent model is a viable approach for mid-range residential developments, ensuring a stable rental income stream. Additionally, premium rental housing projects targeting foreign investors could be a lucrative market, given the demand for high-end housing options.
- The increasing value of office properties is also enhancing the potential of the own-to-rent market, making commercial property investment more attractive. Furthermore, developing modern retail centers in key suburban areas can generate strong economic returns, capitalizing on growing consumer demand and expanding urban infrastructure.

• Residential Market Outlook

Buying an apartment:

Needs	Demand	Supply	Market opportunity
Apartment demand remains high, with per capita housing space at just 6.42 per sq.m, far below the 30 sq.m UN standard. This highlights an urgent need for increased housing supply and development.	Despite multiple government-backed mortgage programs, homebuyers' purchasing power remains insufficient, evidenced by a 17,000-applicant waiting list. In 2024, only 1,000 new mortgages were issued monthly, highlighting the persistent gap between housing demand and affordability.	Each year, over 30,000 new housing units are completed, with 80% concentrated in Ulaanbaatar. To promote regional housing development, the government introduced a 3% mortgage interest rate for rural properties, aiming to boost supply outside the capital.	<p>In Ulaanbaatar city: Government-backed funding and interventions continue to support stable sales activity.</p> <p>In Regions: Population growth and infrastructure development in rural areas remain insufficient for strong housing demand. In the medium term, cities like Khushig Valley and Shine Zuumod offer potential opportunities for new housing projects.</p>

Mongolia's housing demand remains high, yet actual market demand is constrained by limited purchasing power. The country's per capita housing space is **five times smaller than the UN standard**, highlighting the urgent need for accelerated housing development. However, despite strong mortgage demand, affordability challenges persist.

A significant imbalance exists between Ulaanbaatar and regional housing markets, with most new residential projects concentrated in the capital. This limits regional housing growth, prompting the government to introduce tax incentives and lower mortgage rates to encourage development in rural areas and enhance market stability.

With policy support from the 2025 State Budget and revisions to the "*Housing Mortgage Financing Regulation*," overall market stability is expected. While regional markets still face slow population growth and insufficient infrastructure, the "*Mongolian Government's 2024-2028 Action Plan*", including satellite city development and mega projects, presents long-term opportunities for sustainable regional growth.

Renting an apartment:

Needs	Demand	Supply	Market opportunity
With limited purchasing power, rental demand remains strong. Key groups include those ineligible for mortgages, 30,000+ annual to Ulaanbaatar, and foreign nationals.	As of Q3 2024, Ulaanbaatar's average salary reached MNT 2.5 million. Two-bedroom rentals range from MNT 1.5–4 million, making mid-range units affordable only to dual-income households.	Currently, the "3+1" rental model requires three months' rent upfront plus a one-month deposit.	Developers can adopt the Built-to-Rent (BTR) model in A, B+, and B zones near transportation hubs. Standardized designs and cost-efficient planning can make mid-range rentals more affordable while ensuring project feasibility. Large-scale rental developments can leverage outsourced management services like Rentpay to enhance efficiency, property management, and tenant services.

The demand for rental housing remains high, driven by foreign residents, internal migrants relocating to Ulaanbaatar, and individuals with limited purchasing power.

While rising corporate salaries have positively impacted the market, rental prices remain above average income levels, **making mid-range apartments accessible only to dual-income households earning above the median salary.**

Despite strong demand, Ulaanbaatar lacks purpose-built rental housing developments aligned with the Built-to-Rent (BTR) model, presenting a significant investment opportunity. **BTR projects offer long-term stable income for investors while providing flexible payment options for tenants,** making them a sustainable and scalable solution to the city's rental housing needs.

Additionally, integrating professional rental management services, such as Rentpay, within these projects can enhance operational efficiency, optimize asset performance, and increase returns for property owners and developers.

House (villa) sector

Needs	Demand	Supply	Market opportunity
As of 2024, the average PM2.5 air pollution level in Ulaanbaatar exceeds the WHO's recommended limit by six times, significantly impacting urban living conditions.	This has contributed to a rising interest in house purchases, indicating a shift in consumer preferences toward suburban and low-density living environments.	Demand is primarily driven by middle-income households and foreign investors, yet limited supply of new houses has resulted in a 11.2% annual price increase, restricting affordability. Currently, more than half of the available housing supply falls within the mid-to-high-end segments, leaving a gap in the affordable housing market.	To address this, there is an opportunity to develop affordable houses for middle-income buyers, aligning with ongoing infrastructure development programs. Additionally, there is strong potential for high-end rental housing projects targeting foreign investors, capitalizing on growing demand for premium residential properties.

Severe air pollution in Ulaanbaatar has led to a growing preference for housing in less congested, cleaner suburban areas. As a result, demand for house purchases has increased by 15% compared to previous years, reflecting concerns over urban density, infrastructure limitations, and quality of living conditions.

However, affordability remains a key challenge. The average price per square meter for new houses has reached MNT 5.23 million, while more than half of the 5,840-unit housing projects currently under development cater to mid-to-high-income buyers. This pricing structure excludes a significant portion of middle-income households, limiting their access to homeownership.

To capitalize on market demand, real estate developers should consider launching **affordable housing projects that offer reasonable pricing and strong infrastructure connectivity, directly targeting middle-income buyers.** Additionally, there is an emerging opportunity for premium housing developments tailored to foreign investors, which could help diversify market offerings and increase competition while attracting international capital into Mongolia's real estate sector.

• Commercial & Office Market Outlook

Office Sector

Needs	Demand	Supply	Market opportunity
With over 60% of enterprises concentrated in Ulaanbaatar's central district, the demand for office space continues to grow.	Rising employment is fueling office demand, with large corporations expanding or relocating. While A-class office spaces in the city center remain highly sought after, emerging suburban districts are also attracting interest as cost-effective, well-connected alternatives.	However, the high sale price of newly developed A-class office buildings limits accessibility for many companies, pushing them towards rental solutions. Market challenges, including slowed construction activity and stagnant sector growth, have restricted new office supply, leading to rising property prices.	There is potential to develop new serviced office concepts that cater to businesses in need of short-term, ready-to-use office spaces. This flexible office model aligns with global trends, offering companies scalable leasing options while ensuring steady occupancy rates for property owners.

While office space demand remains strong, supply remains constrained, limiting options for businesses seeking expansion. The number of enterprises in Ulaanbaatar has increased by 9.2% year-over-year, with over 60% of businesses concentrated in the city center, further intensifying the demand for new office spaces. Additionally, the employment rate has grown by 7.5%, prompting large corporations to either expand their existing offices or relocate to new locations.

Demand for office space is expanding beyond central districts into suburban areas, creating opportunities for market growth. However, A-class office prices have risen 8.7% YoY, maintaining a high cost barrier for businesses. Limited new office developments have further constrained supply, increasing demand for flexible leasing solutions.

Buy-to-let and serviced office models offer viable solutions. **Buy-to-let is particularly beneficial for SMEs, allowing them to convert rental expenses into long-term property ownership.** To enhance accessibility, low-interest loans or REITs should be developed to help businesses invest in office spaces.

This approach provides a dual benefit—new funding for developers and a structured ownership pathway for tenants. By integrating financial solutions and innovative leasing models, the market can enhance long-term sustainability while benefiting both investors and tenants.

Commercial Sector

Needs	Demand	Supply	Market opportunity
<p>Retail centers in Mongolia have experienced a 12% increase in occupancy, indicating strong consumer demand and higher retail activity.</p> <p>E-Commerce market has expanded by 18%, reflecting changing consumer behaviors and increasing online transaction volumes.</p>	<p>Demand for major shopping centers and e-commerce zones has increased by 12%.</p> <p>Retail rental prices in the city center are rising.</p>	<p>Investment in shopping centers in newly developed city districts remains slow.</p> <p>While e-commerce platforms are expanding, delivery networks and warehouse infrastructure remain underdeveloped.</p>	<p>There is an opportunity to attract international brands and develop new-concept shopping centers in Mongolia.</p> <p>The market also holds potential for omnichannel retail, integrating online and offline sales to enhance customer experience and maximize revenue.</p> <p>Developing modern retail centers in strategic suburban areas would be economically beneficial, catering to growing consumer demand and urban expansion.</p>

Ulaanbaatar's retail sector is rapidly evolving, driven by rising demand for brand-name products, increasing e-commerce activity, and the need for modern shopping centers. Retail sales have grown by 15%, while demand for large-scale shopping centers has risen by 12%, reflecting the integration of traditional and digital commerce.

However, 35% of existing shopping centers require upgrades to meet international standards and support e-commerce growth. Many lack modern infrastructure and digital capabilities, limiting omnichannel retail adoption. Additionally, logistics networks and warehouse capacity remain inadequate, constraining online shopping expansion. Suburban retail development is gaining traction, but investment execution faces delays due to the slowed construction sector.

Despite these challenges, **opportunities exist to attract international brands and introduce innovative retail concepts. Rising city-center rental prices, averaging an 8% annual increase, enhance the appeal of commercial leasing investments.** Meanwhile, strategic suburban retail expansion offers strong economic potential as consumer demand extends beyond the city center.

To unlock long-term growth, Mongolia must implement sustainable retail development strategies, adopt international standards, and address evolving consumer needs.

Summary & Strategic Recommendations

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- Summary Of Key Points
 - Strategic Recommendations

Summary & Strategic Recommendations

• Summary of Key Points

The real estate market in Ulaanbaatar is expected to experience stable growth in 2025. Economic growth, government policies, and infrastructure upgrades will bring positive changes to the sector, although inflation, rising interest rates, and new tax regulations may introduce uncertainties.

Residential Market: The supply of new housing is slowing, with prices rising by 14.6%. Demand for mid-range and affordable housing remains high, so developers should focus on this segment.

Commercial and Office Market: The demand for office rentals is stable, offering investment opportunities in new business centers. Retail centers require upgrades, and the growth of the e-commerce market is introducing new trends in the sector.

Mortgage and Financing: Government mortgage financing is expected to reach MNT 1.2 trillion, continuing to support purchases, but credit availability remains limited.

Tax Changes and Policy Reforms: From July 2024, a capital gains tax on the sale of securities will be implemented, attracting the attention of foreign investors. Tax incentives to support regional development are also expected.

Infrastructure and Urban Planning: Major infrastructure projects are underway in new residential areas of the city. Projects such as the metro, highways, and power plants will support market growth, but implementation speed remains slow.

Investment Opportunities: Diversifying investment beyond just residential properties to include offices, retail centers, logistics, and warehouses will mitigate risks.

• Strategic Recommendations

The real estate market in Ulaanbaatar is projected to expand in 2025, driven by economic growth, government policies, and investment trends. However, there are significant challenges in financing and development that must be addressed. Therefore, it is crucial to align strategies with development trends and market demand.

FOR DEVELOPERS

(Real estate developers and construction companies)

- Align project locations and planning with Ulaanbaatar's urbanization policies, infrastructure development plans, and regional development strategies. Focusing on new residential areas and satellite cities as policies aim to reduce the central city's congestion may yield long-term benefits.
- With rising construction material costs and increased supply chain expenses, securing long-term procurement contracts, supporting domestic production, and implementing cost-control measures are essential. High dependency on imports poses risks, so developing strategies to utilize local raw material sources is crucial. Promoting green building initiatives by implementing energy-efficient and sustainable construction projects can create a favorable investment environment.
- Although housing demand is high, purchasing power growth is slowing. Developers need to plan more strategically, focusing on affordable housing projects for middle-income and young families, which are expected to be more in demand in 2025.
- Participating in ger district redevelopment projects presents opportunities to align with infrastructure investments and government funding. As the government supports public housing projects and rental programs, developers should adopt strategies to meet real market demands and enhance funding flexibility.

FOR INVESTORS

(Domestic and foreign investors)

- Optimizing investment zones in line with new development trends is crucial. For example, investing in areas with new infrastructure projects such as metro lines and highways can positively impact long-term valuation growth.
- Rather than focusing solely on residential projects, it's essential to explore investment diversification in offices, retail centers, warehouses, tourism, and integrated logistics parks. This reduces risks and increases investment opportunities across multiple market segments. With rental demand expected to rise, investing in rental housing, serviced apartments, and mid-range residential projects can be profitable.
- Foreign investors should pay attention to the implementation of new tax policies and regional tax incentives, maintaining flexible investment structures and strategies.

FOR POLICYMAKERS

Government and public sector
institutions

- Ensuring stable market growth requires supporting the investment environment with consistent, transparent, and long-term policies.
- Continuing the mortgage program is vital for market growth, so it should be addressed sustainably. Reforming building permits and simplifying land regulations can accelerate project implementation and bring positive changes to the market.
- Collaborating with the private sector on new urban development and ger district redevelopment projects, along with developing policies to attract international investment, is essential. Additionally, aligning land permits, building permit reforms, and infrastructure financing with clear, long-term plans is critical.

**FOR BANKS AND
FINANCIAL
INSTITUTIONS**

- The current mortgage system meets market demand but carries high risks, necessitating the establishment of long-term financing mechanisms. Developing financing mechanisms for rental housing, green buildings, and real estate investment trusts (REITs) is crucial for market stability.
- Banks and financial institutions should offer payment terms and long-term loan packages that match housing demand and purchasing power to reduce credit risks.

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