



GALT & TAGGART
CREATING OPPORTUNITIES

Tbilisi Residential Real Estate

August 2023 overview

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August 2023 overview

Number of transactions

In Aug-23, the number of apartments sold in Tbilisi reached 3,552 units, down by 9.3% y/y and 2.8% m/m. Importantly, the primary market had much smaller reduction in sales compared to the secondary one (-1.7% y/y and -14.6% y/y, respectively). This could indicate a decrease in the appeal of the rental market, as demand has declined from migrants, which was one of the primary factors contributing to the sharp increase in rents last year.

In Aug-23, sales decreased almost in every district of Tbilisi. The only increase was recorded in Didi Dighomi (+17.8% y/y) and Nadzaladevi (+26.6% y/y) districts. Other notable features of the market remained consistent, including the prevalence of medium-sized apartments (51-80 m²) and rising share of midscale/upscale segments due to increased prices.

Prices

Prices on the primary market remain elevated, supported also by availability of flexible payment options from developers. Meanwhile, prices reduced slightly m/m (still registering growth y/y) on the secondary market, as demand moderated due to reduced attractiveness of rental market.



Notably, the weighted average prices have displayed substantial growth since the start of 2022, with the following changes by project types:

- Primary projects +39.4% since Jan-22
- Secondary new projects +23.7% since Jan-22
- Secondary old projects +15.3% since Jan-22

Market size

In Aug-23, total market size of apartments sold in Tbilisi stood at US\$ 257.2mn, up by 9.7% y/y, mainly due to a significant increase in a primary market size (+28.5% y/y), resulted by strong price growth.

Construction permits

The area of issued construction permits increased by 48.7% y/y in 8M23, continuation of upward trend observed since 2020.

Notably, number of issued construction permits had a slower growth rate (+20.7% y/y). This indicates a shift towards larger-scale projects in the pipeline. Many developers are now favoring larger residential construction endeavors, including multiple blocks or, in certain instances, entire complexes.



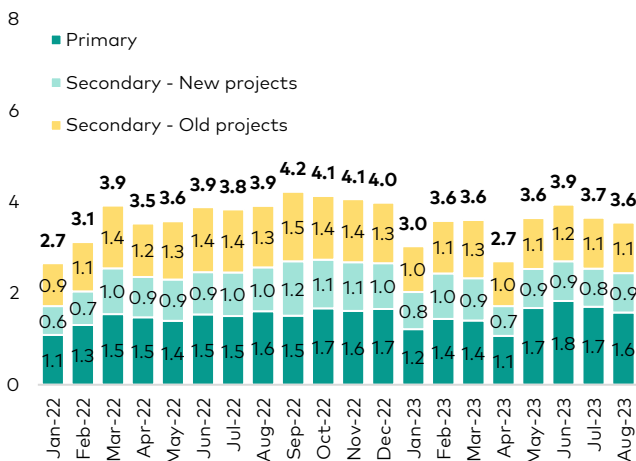
Residential sales

Methodological note - we divide real estate sales in three categories:

- 1) **Primary sales** – real estate sold directly by construction companies/developers
- 2) **Secondary sales in new projects** – real estate sold by an individual owner in projects built by construction permits issued after 2013
- 3) **Secondary sales in old projects** – real estate sold by an individual owner in projects built by construction permits issued before 2013

Figure 1: Monthly number of sold apartments, '000 units

Real estate sales down by 9.3% y/y (or 2.8% m/m) in Aug-23



Source: NAPR, Galt & Taggart Research

Figure 2: Cumulative number of sold apartments, '000 units

Reduced sales in 8M23 (-2.6% y/y) were driven by reduction in sales on a secondary market by 7.1% y/y (new and old projects) while sales on a primary market grew by 4.1% y/y

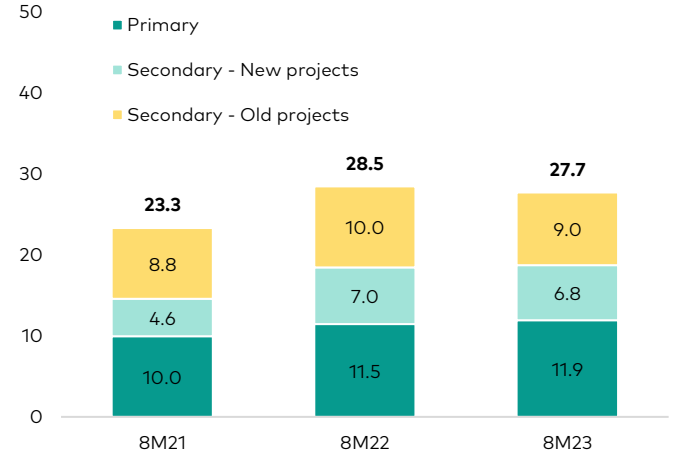
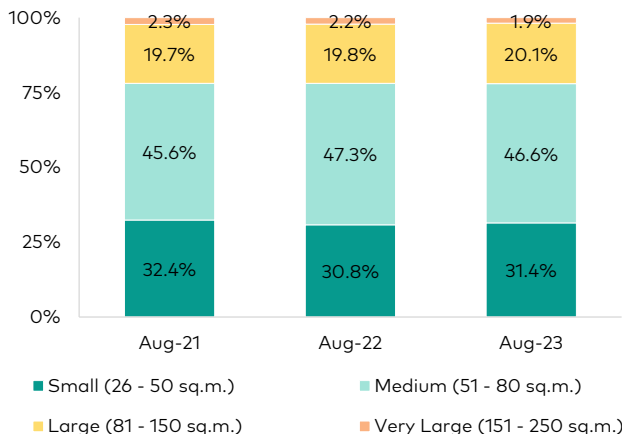


Figure 3: Real estate sales by size, (% of total apartments sold)

Medium-sized (51-80 m²) apartments remained the most prevalent



Source: NAPR, Galt & Taggart Research

Figure 4: Real estate sales by segments, (% of total apartments sold)

Sales in midscale/upscale segments keep rising due to increased real estate prices

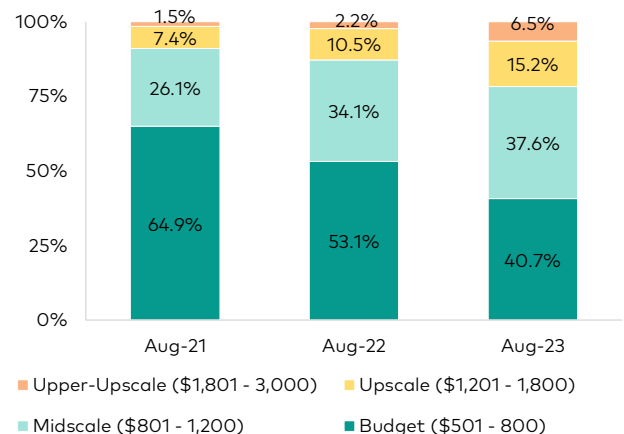
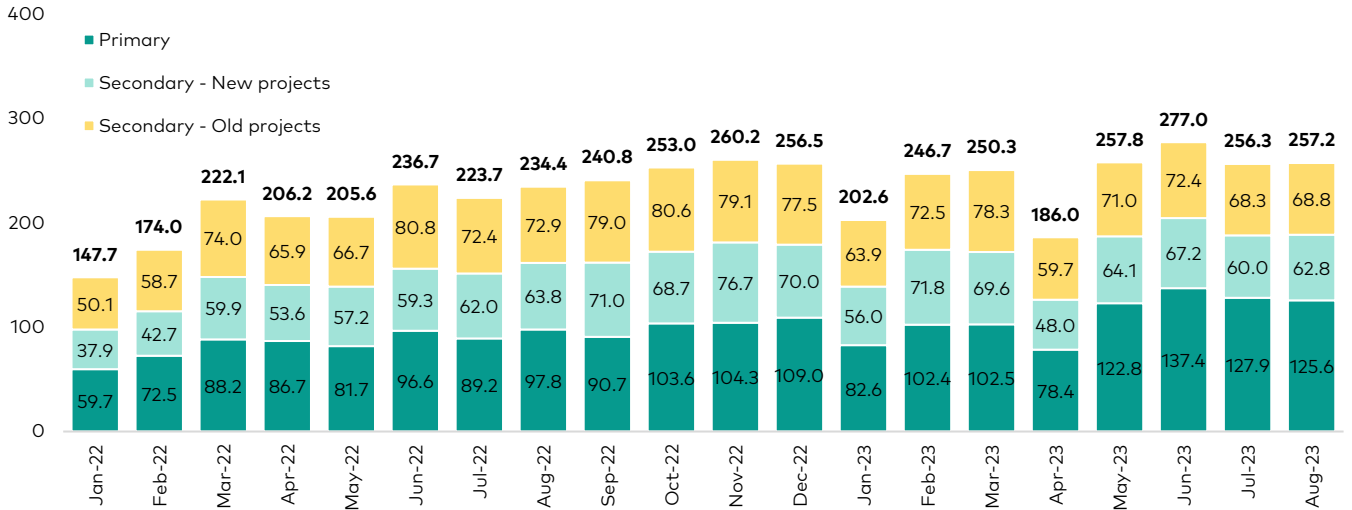




Figure 5: Real estate market size, US\$ mn

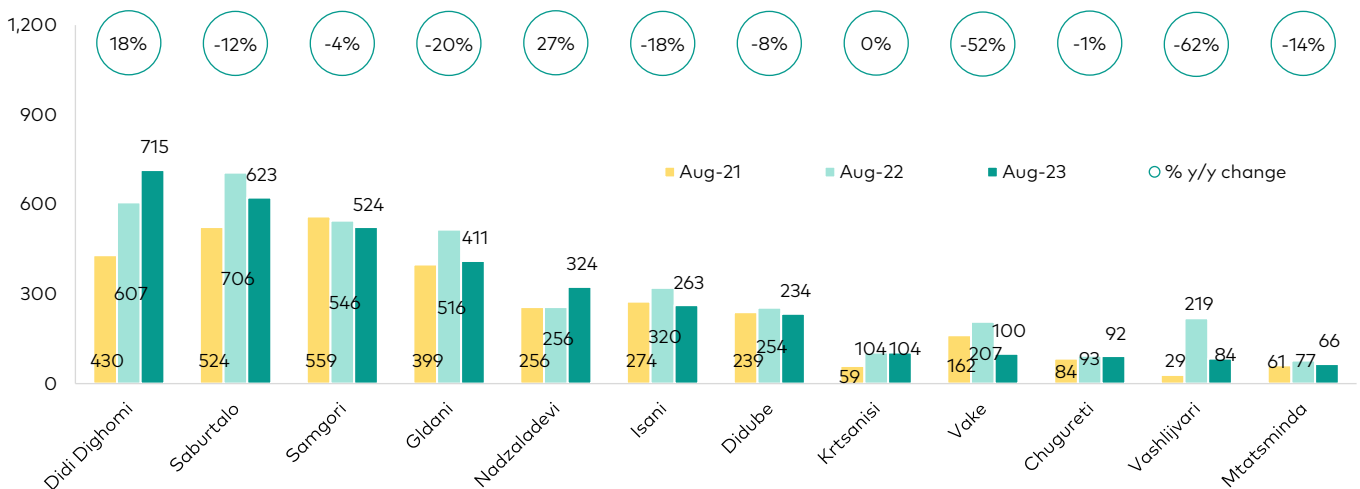
In Aug-23 total value of apartments sold in Tbilisi stood at US\$ 257.2mn, up by 9.7% y/y, mainly due to significant increase in a primary market size (+28.5% y/y)



Source: NAPR, Galt & Taggart Research

Figure 6: Number of sold apartments by districts

In Aug-23 annual sales decreased almost in all districts of Tbilisi. The only increase in sales was recorded in Didi Dighomi and Nadzaladevi districts



Source: NAPR, Galt & Taggart Research



Table 1: Real estate sales by districts – value, number and area, 8M23

In 8M23 Saburtalo remained the most attractive residential district, with 4,738 apartments sold with a total value of US\$ 416.7mn (21.5% of total)

District	Value (mn US\$)	Number ('000)	Area ('000 m ²)
Saburtalo	416.7	4.7	359.4
Didi Dighomi	288.8	4.6	276.9
Samgori	229.7	4.0	243.3
Gldani	184.9	3.2	193.1
Isani	148.0	2.2	142.2
Nadzaladevi	146.1	2.3	146.3
Didube	140.9	2.1	143.6
Vake	139.3	1.1	100.4
Krtsanisi	74.6	1.0	68.7
Mtatsminda	66.7	0.6	48.0
Vashlijvari	57.3	0.7	52.4
Chugureti	48.9	0.7	48.4

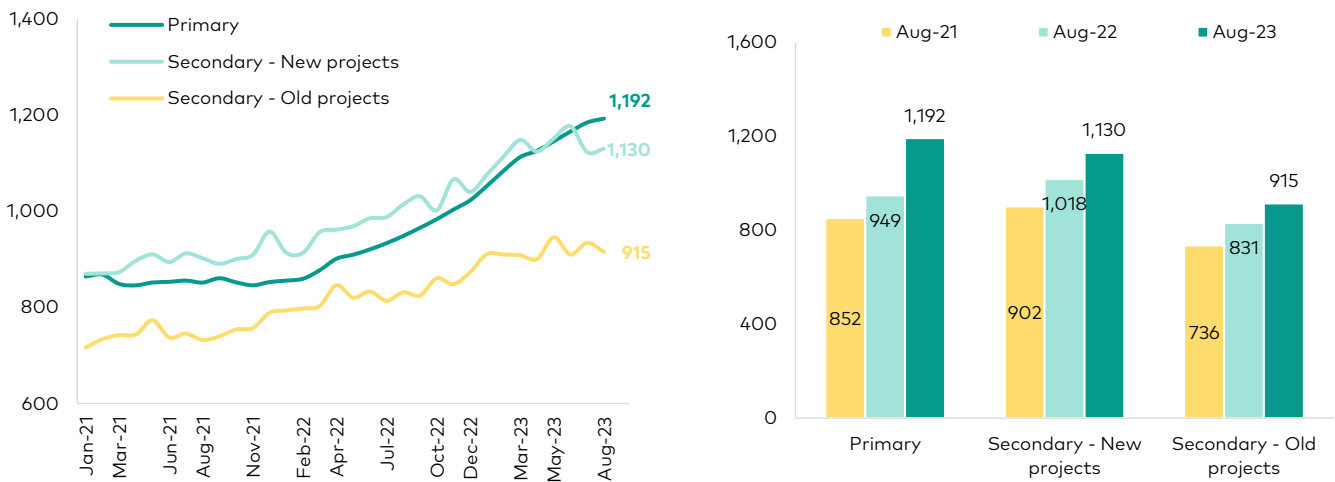
Source: NAPR, Galt & Taggart Research



Residential prices

Figure 7: Real estate weighted average prices by type, US\$/m²

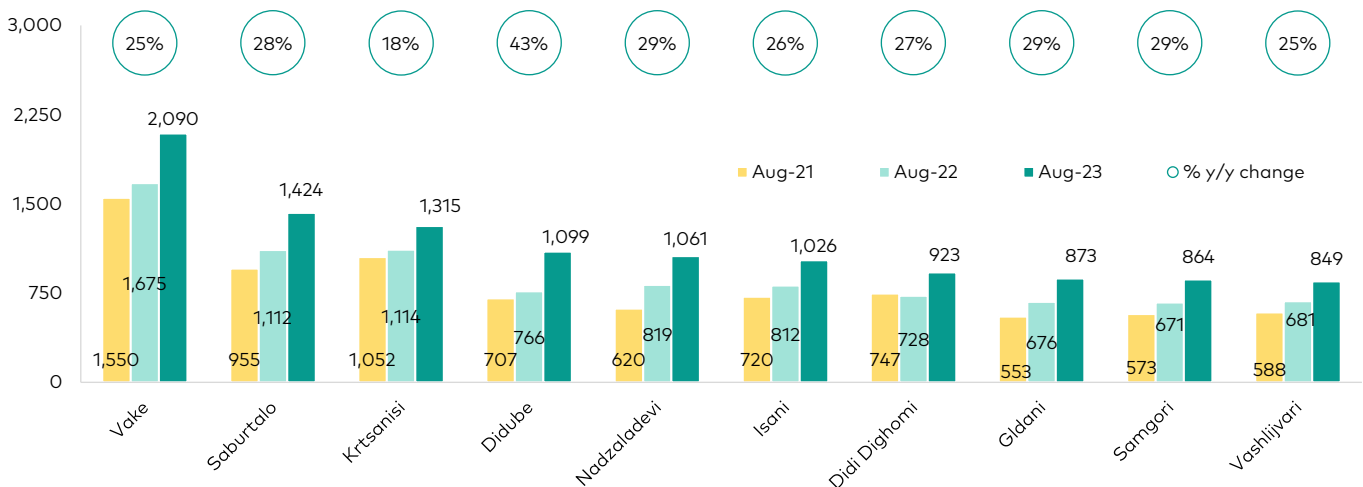
Primary market prices keep increasing while secondary market is going through a correction phase. The reasons are:
 1) More flexible payment schemes offered by developers;
 2) Moderated demand on rental market.
 Notably, since the beginning of 2022 weighted average price on a primary market is up by 39.4% to 1,192 US\$/m²



Source: NAPR, Galt & Taggart Research

Figure 8: Real estate prices on primary market for white frame apartments by districts, US\$/m²

In Aug-23 every district of Tbilisi had a double-digit annual price growth in white frame projects offered by developers. Gldani and Nadzaladevi posted the highest monthly increase in prices (4.9% and 2.7% m/m respectively)



Source: Galt & Taggart Research

Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples (less than 5 projects in each of the districts)



Table 2: Real estate weighted average prices by districts in Aug-23, US\$/m²

Prices on secondary market remain the highest in Mtatsminda and Vake, where development land is scarce

District	Primary market	Secondary market New projects	Secondary market Old projects
Mtatsminda		2,344	1,384
Vake	2,090	1,787	1,473
Saburtalo	1,424	1,402	987
Vashlijvari	849	1,142	1,072
Krtsanisi	1,315	1,098	939
Chugureti		1,079	1,007
Nadzaladevi	1,061	1,000	769
Isani	1,026	990	760
Didi Dighomi	923	968	761
Gldani	873	947	782
Samgori	864	937	757
Didube	1,099	854	812

Source: NAPR, Galt & Taggart Research

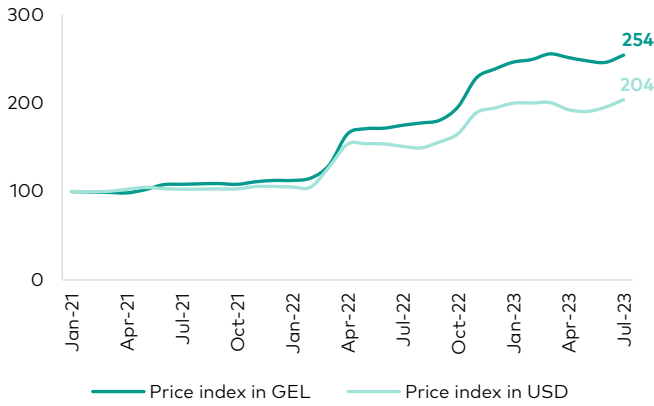
Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples (less than 5 projects in each of the districts)



Residential rents

Figure 9: Real estate rent price index, Jan-21=100

Real estate rents slightly reversed and increased by 3.4% m/m in Jul-23, but remain mostly stagnant since Apr-23

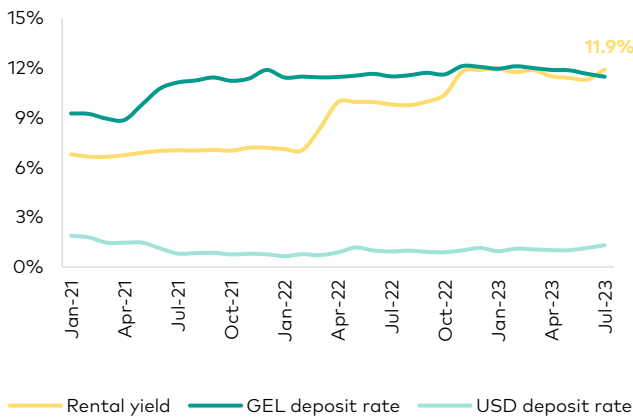


	y/y growth, US\$	m/m growth, US\$
Feb-23	116.4%	1.2%
Mar-23	96.9%	2.6%
Apr-23	52.3%	-1.6%
May-23	44.9%	-1.5%
Jun-23	43.3%	-0.7%
Jul-23	45.3%	3.4%

Source: NBG, Galt & Taggart Research

Figure 10: Real estate rental yield and deposit rates

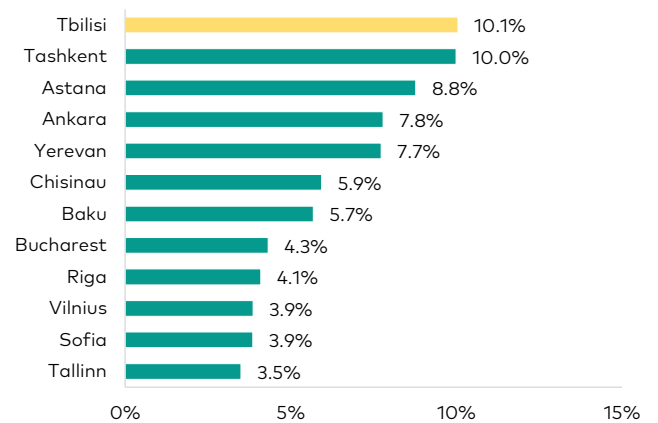
In Jul-23 real estate rental yield in Tbilisi was higher than GEL deposit rate



Source: NBG

Figure 11: Rental yield in city center by cities, Aug-23

Real estate rental yield in the city center is the highest in Tbilisi compared to neighbouring cities



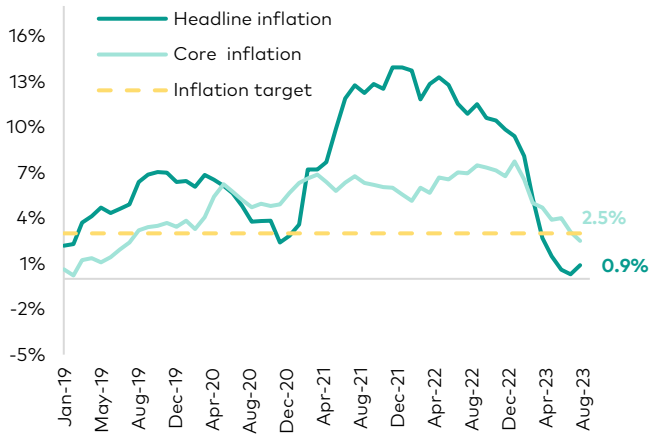
Source: Numbeo



Market fundamentals

Figure 12: Annual inflation

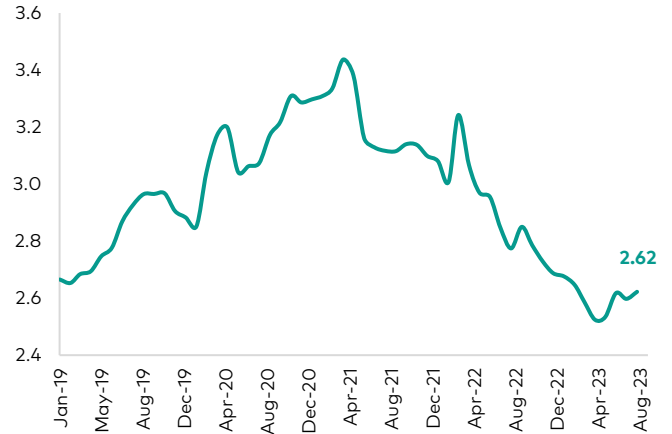
Inflation stayed below target at 0.9% in Aug-23



Source: Geostat

Figure 13: US\$/GEL exchange rate, monthly average

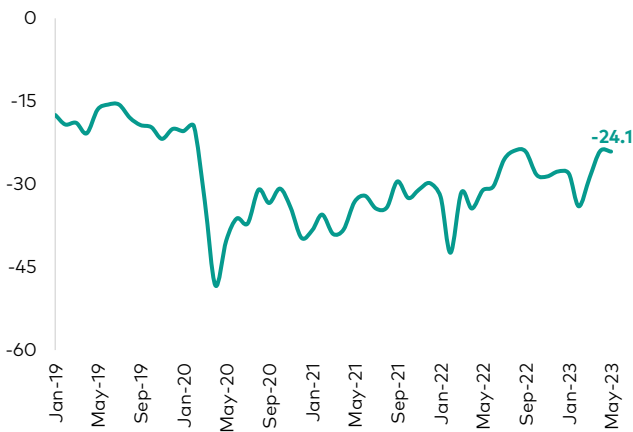
US\$ slightly appreciated in Aug-23



Source: NBG

Figure 14: Consumer confidence index

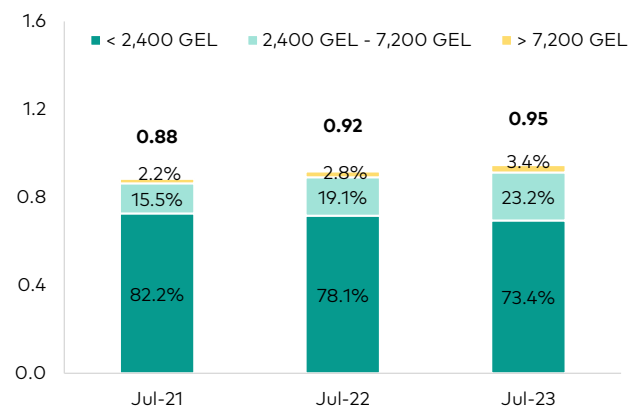
Consumer confidence index remained elevated, leaving spending expectations high



Source: ISET Policy Institute

Figure 15: Wage distribution in Georgia, mn people

Proportion of individuals who are eligible to apply for a mortgage has been on the rise

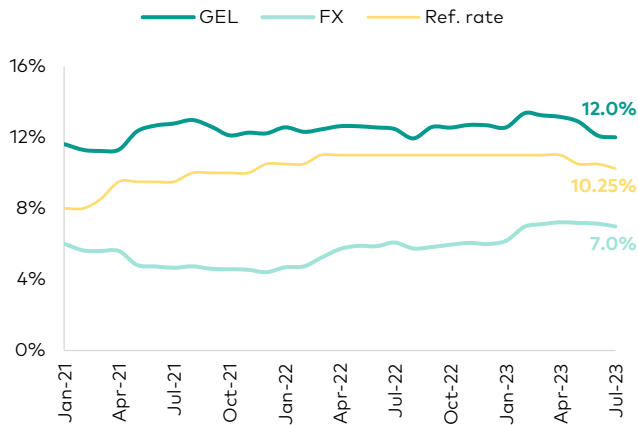


Source: Revenue Service



Figure 16: Mortgage interest rates, %

Lower refinancing rate pushed mortgage rates slightly down



Source: NBG, Galt & Taggart Research

Figure 17: Share of mortgages in total sales value

Mortgages accounted for only 20.8% of sales value in Jul-23, as majority of sales were financed by inner instalments schemes

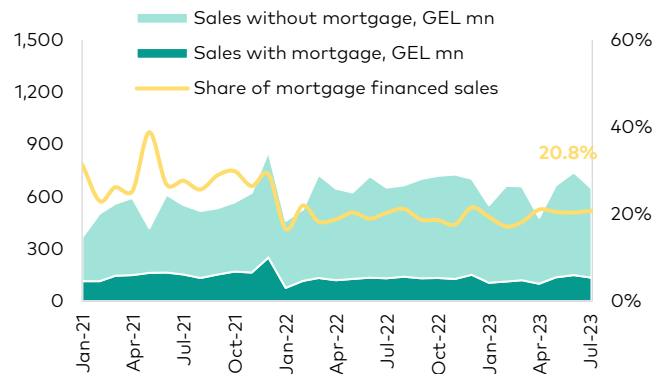
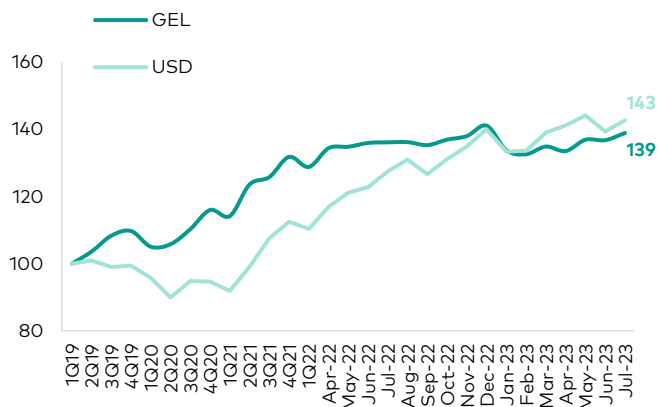


Figure 18: Construction cost index, 1Q19=100

In Jul-23 construction costs increased by 11.8% y/y in US\$ and by only 2.0% y/y in GEL. Increased wage bill remain the biggest problem for local developers



	y/y growth Jul-23, US\$	y/y growth Jul-23, GEL
Total construction cost	11.8%	2.0%
Construction materials	11.0%	1.3%
Wages	29.6%	18.2%
Machinery	15.1%	5.1%
Transportation, fuel and electricity	-13.7%	-21.3%
Other costs	9.9%	0.3%

Source: Geostat, Galt & Taggart Research

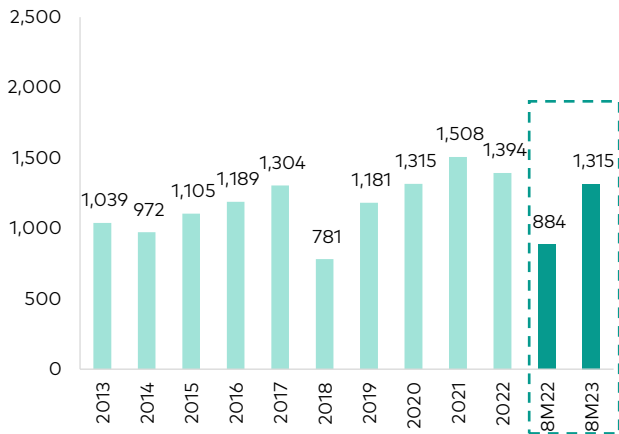
Note: Construction cost index used to be published quarterly over 2019-22, but was discontinued and shifted to monthly reporting since Mar-22



Annex – Construction permits in Tbilisi

Figure 19: Area of construction permits issued for residential real estate in Tbilisi, '000 m²

Construction permit issuance for residential development was up by 48.7% y/y in 8M23



Source: TAS, Galt & Taggart Research

Note: 1) Only sellable area, including balcony and office areas (as office areas are usually sold as residential spaces)
2) Only III and IV class multiapartment/multifunctional buildings

Figure 20: Number of construction permits issued for residential real estate in Tbilisi

Permitted area has been increasing faster than the number of permits (+20.7% y/y), suggesting larger average sizes of projects

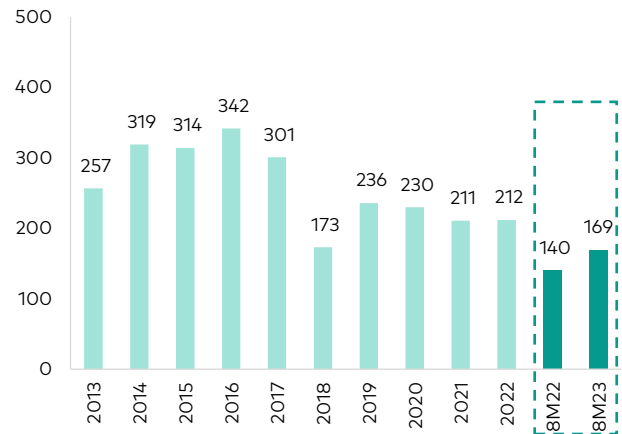
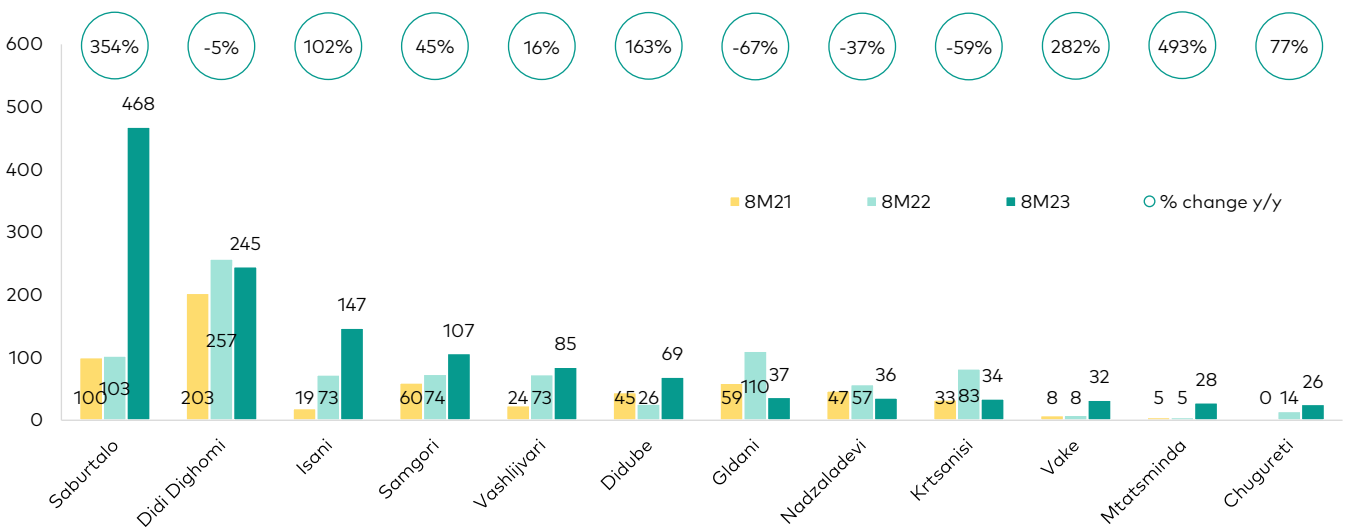


Figure 21: Area of construction permits issued for residential real estate by districts, '000 m²

Construction permits are on a continuous rise mostly in the central districts of Tbilisi (Saburtalo, Vake, Mtatsminda), which comprised 40.2% of total permitted residential area in 8M23



Source: TAS, Galt & Taggart Research

Note: 1) Only sellable area, including balcony and office areas (as office areas are usually sold as residential spaces)
2) Only III and IV class multiapartment/multifunctional buildings



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