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CREATING OPPORTUNITIES

# Tbilisi Residential Real Estate

July 2023 overview

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# July 2023 overview

## Number of transactions

In Jul-23, the number of apartments sold in Tbilisi reached 3,656 units, showing 4.7% y/y and 7.2% m/m decrease from the high bases of previous periods. Notably, sales were up on a primary market (+13.9% y/y) and down on a secondary market (-13.5% y/y in new projects and -18.8% y/y in old projects). Overall, despite slight deceleration of sales, demand on the market remained healthy.

In Jul-23, annual sales decreased in all of the central districts of Tbilisi (Saburtalo, Vake, Mtatsminda), while suburban districts, Samgori and Didi Dighomi, along with Nadzaladevi posted a strong increase in sales. Other notable features of the market remained consistent, including the prevalence of medium-sized apartments (51-80 m<sup>2</sup>) and rising attractiveness of midscale/upscale segments.

## Prices

In Jul-23, prices on a primary market increased slightly by 0.8% m/m. Prices were also up (+2.7% m/m) on a secondary market of old projects. In contrast, prices on a secondary market of new projects decreased by 4.6% m/m, mainly due to reduced prices in Saburtalo, Gldani and Isani districts (collectively accounting for 39.4% of total sales on a secondary market of new projects).



## Market size

In Jul-23, total market size of apartments sold in Tbilisi stood at US\$ 256.3mn, up by 14.5% y/y, mainly due to increased prices compared to previous year.

## Rent

In Jul-23, real estate rents reversed slightly and increased by 3.4% m/m, leaving rental prices elevated and real estate rental yield attractive for investors.

## Construction permits

Construction permits issuance increased by 76.8% y/y in 7M23, in line with the ongoing upward trend observed since 2020. If this trajectory persists, it is expected to have a downward pressure on real estate prices and rental rates in the medium term, leading to oversupply on the market.

Most construction permits were issued for Saburtalo, followed by Didi Dighomi and Isani in 7M23.

Notably, there has been a significant growth of issued construction permits in Isani, Vake and Saburtalo districts in 7M23.



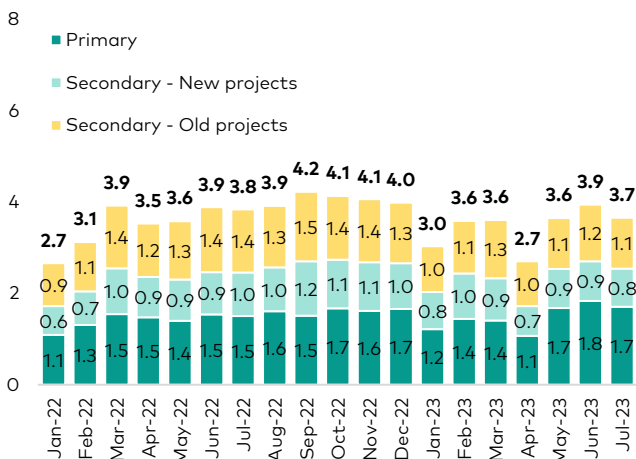
# Residential sales

**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**

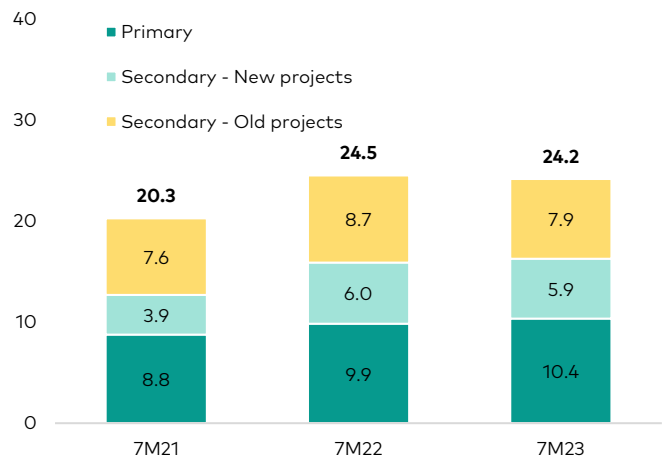
Real estate sales were down by 4.7% y/y (or 7.2% m/m) in Jul-23



Source: NAPR, Galt & Taggart Research

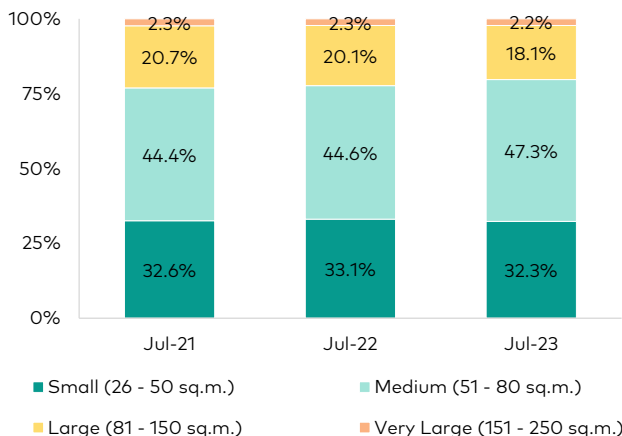
**Figure 2: Cumulative number of sold apartments, '000 units**

Reduced sales in 7M23 (-1.5% y/y) were driven by reduction in sales on a secondary market by 5.9% y/y (new and old projects) while primary market sales grew by 5.0% y/y



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

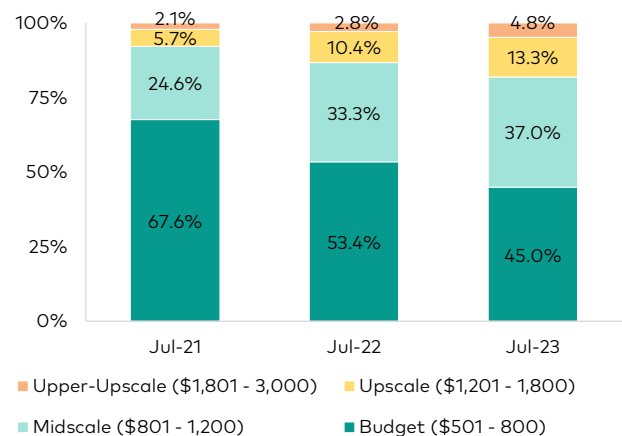
Medium-sized (51-80 m<sup>2</sup>) apartments remained the most prevalent



Source: NAPR, Galt & Taggart Research

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

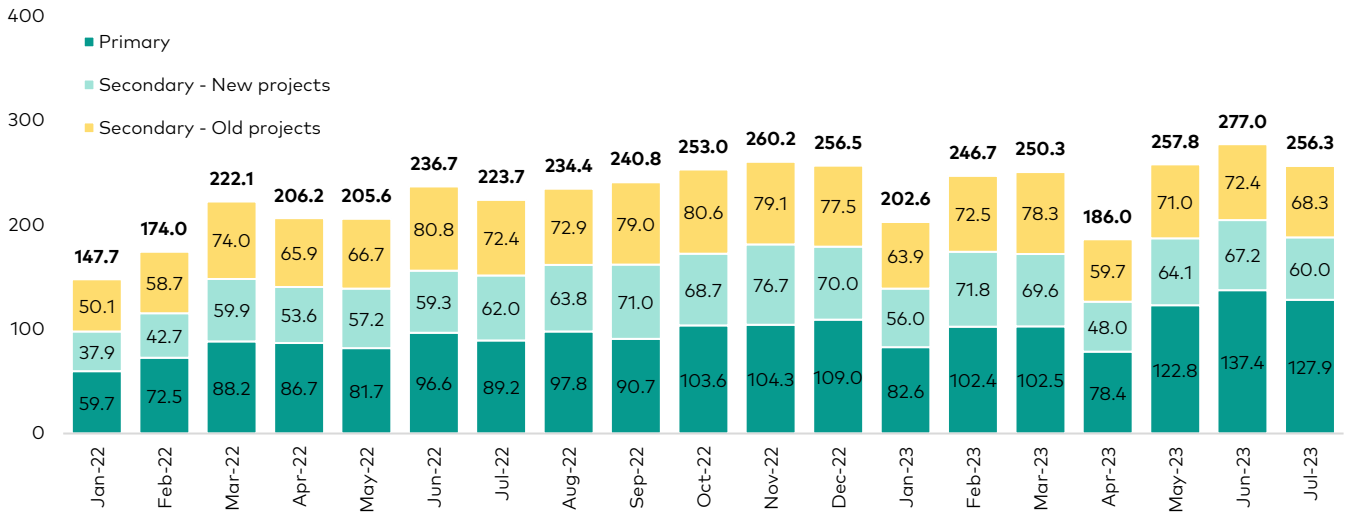
Increased prices lifted up share of midscale/upscale segments significantly





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

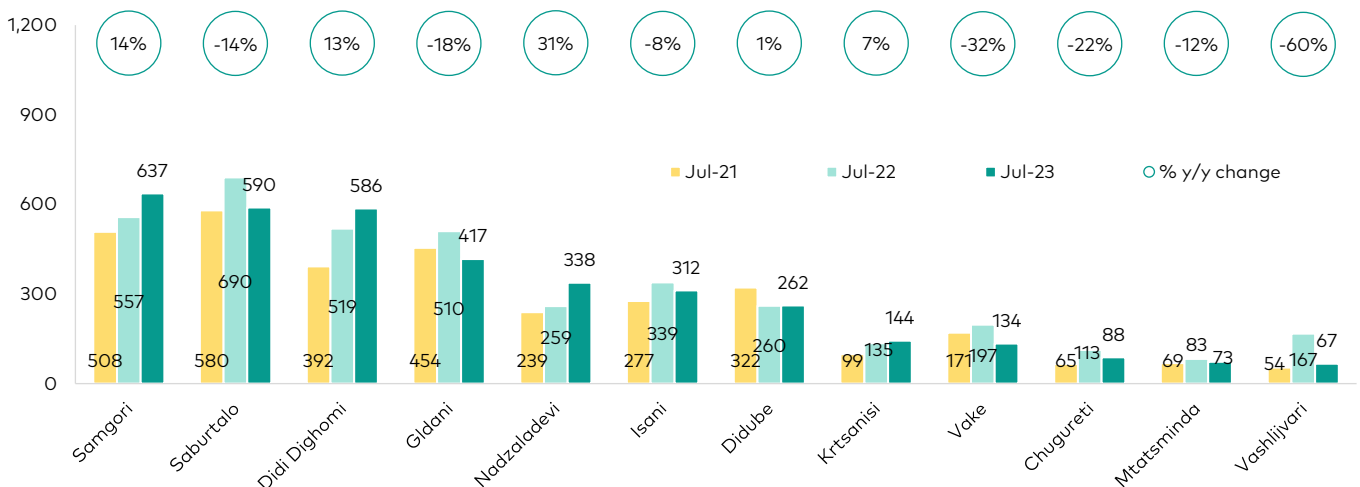
In Jul-23 total value of apartments sold in Tbilisi stood at US\$ 256.3mn, up by 14.5% y/y



Source: NAPR, Galt & Taggart Research

**Figure 6: Number of sold apartments by districts**

In Jul-23 annual sales decreased in all of the central districts of Tbilisi (Saburtalo, Vake, Mtatsminda), while suburban districts (Samgori and Didi Dighomi) along with Nadzaladevi posted a strong annual increase in sales



Source: NAPR, Galt & Taggart Research



**Table 1: Real estate sales by districts – value, number and area, 7M23**

In 7M23 Saburtalo remained the most attractive residential district, with US\$ 404.1mn (24.1% of total) market size and 4,142 apartments sold in total

District	Value (mn US\$)	Number ('000)	Area ('000 m <sup>2</sup> )
Saburtalo	404.1	4.1	314.8
Didi Dighomi	214.2	3.9	234.3
Samgori	176.0	3.5	212.7
Vake	153.4	1.0	91.8
Gldani	148.6	2.8	170.1
Isani	121.0	2.0	126.5
Didube	117.6	1.9	128.2
Nadzaladevi	115.2	2.0	126.5
Krtsanisi	68.0	0.9	61.8
Mtatsminda	67.6	0.5	42.2
Chugureti	45.9	0.6	42.9
Vashlijvari	45.0	0.6	46.3

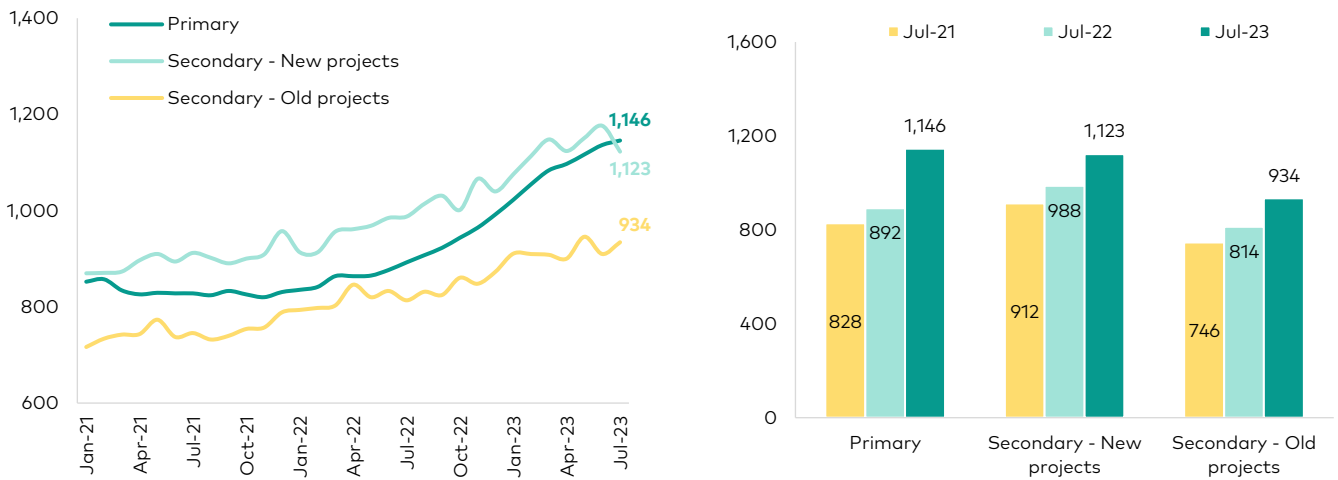
Source: NAPR, Galt & Taggart Research



# Residential prices

**Figure 7: Real estate weighted average prices by type, US\$/m<sup>2</sup>**

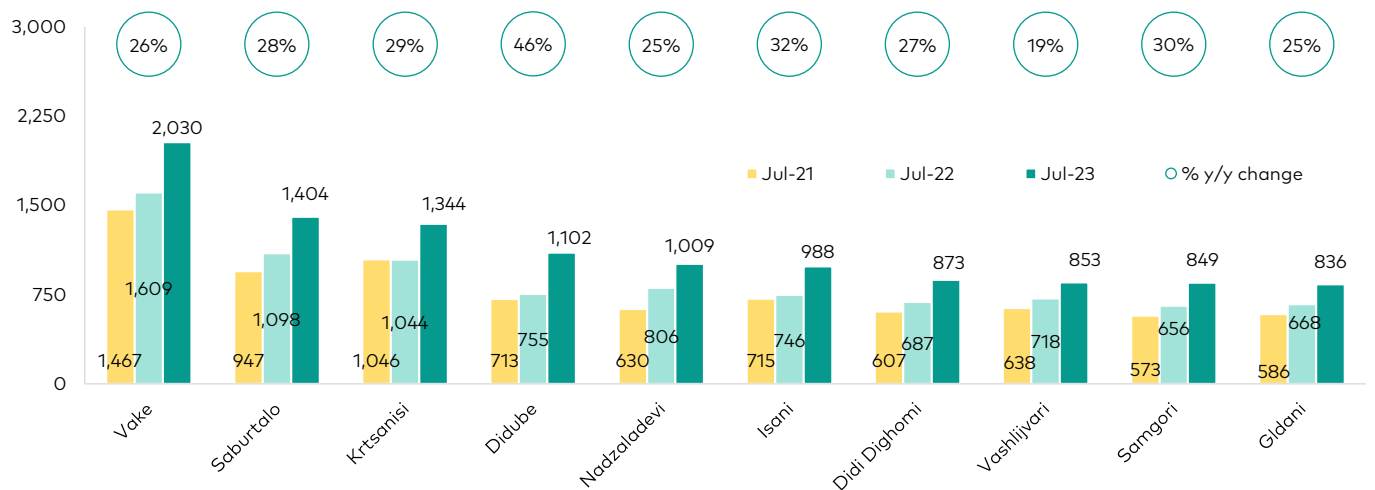
In Jul-23 prices on secondary market new projects decreased by 4.6% m/m, mainly due to reduced prices in districts comprising majority of apartment sales (Saburtalo, Gldani and Isani – 39.4% of total secondary new project sales)



Source: NAPR, Galt & Taggart Research

**Figure 8: Real estate prices on primary market (from developers) by districts, US\$/m<sup>2</sup>**

Real estate prices offered by developers keep rising gradually



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 Jul-23, US\$/m<sup>2</sup>**

Vake remains the most expensive residential district

District	Primary market	Secondary market New projects	Secondary market Old projects
Chugureti		1,446	816
Mtatsminda		1,295	1,330
Vake	2,030	1,865	1,454
Saburtalo	1,404	1,396	1,021
Krtsanisi	1,344	1,104	845
Didube	1,102	1,012	842
Nadzaladevi	1,009	970	770
Isani	988	939	786
Didi Dighomi	873	1,000	767
Vashlijvari	853	1,150	799
Samgori	849	916	742
Gldani	836	896	733

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)

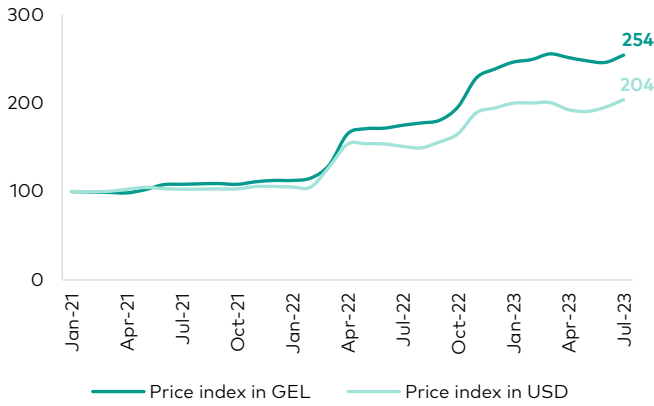




# Residential rents

**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, leaving real estate attractive for investors

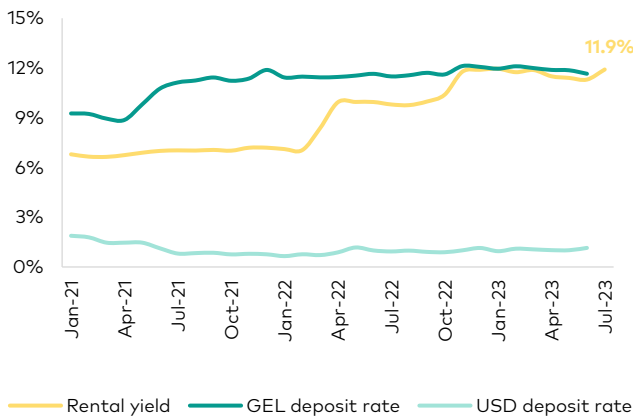


	y/y growth, US\$	m/m growth, US\$
Feb-23	116.4%	1.2%
Mar-23	96.9%	2.6%
Apr-23	52.3%	-1.6%
May-23	44.9%	-1.5%
Jun-23	43.3%	-0.7%
Jul-23	45.3%	3.4%

Source: NBS, Galt & Taggart Research

**Figure 10: Real estate rental yield and deposit rates**

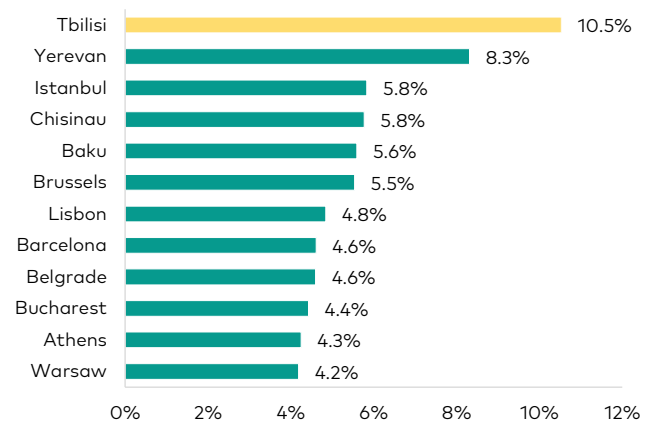
Real estate rental yield stays close to GEL deposit rate



Source: NBS

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

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



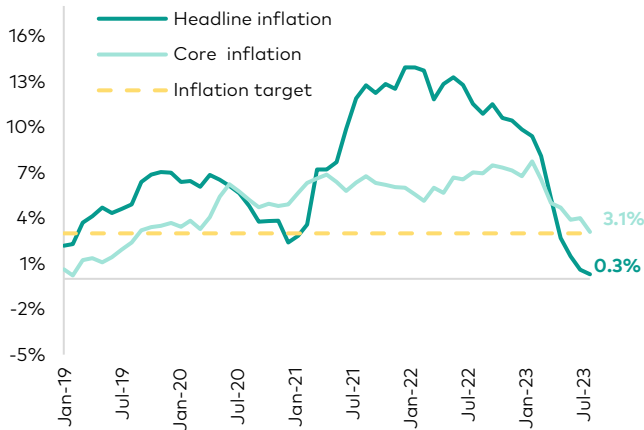
Source: Numbeo



# Market fundamentals

**Figure 12: Annual inflation**

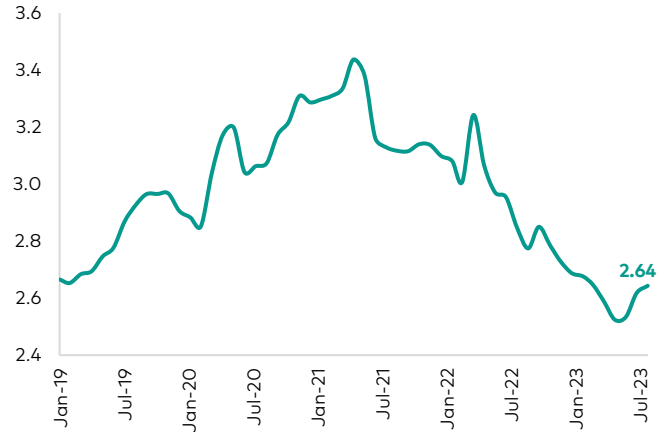
Inflation stayed below target at 0.3% in Jul-23



Source: Geostat

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

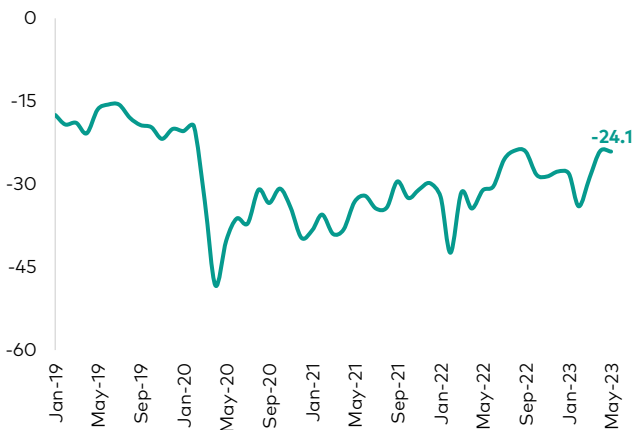
US\$ slightly appreciated in Jul-23



Source: NBG

**Figure 14: Consumer confidence index**

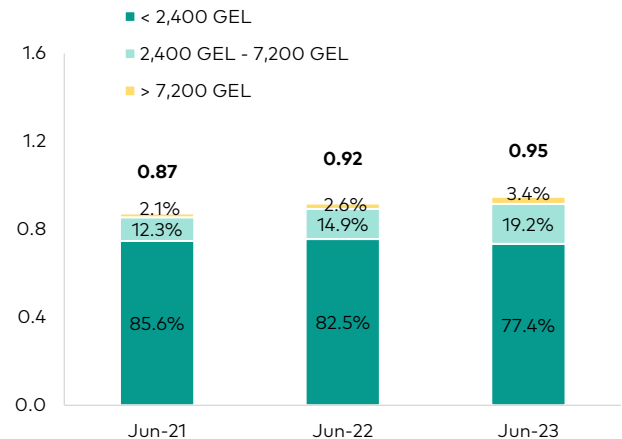
Consumer confidence index remained elevated, leaving spending expectations high



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

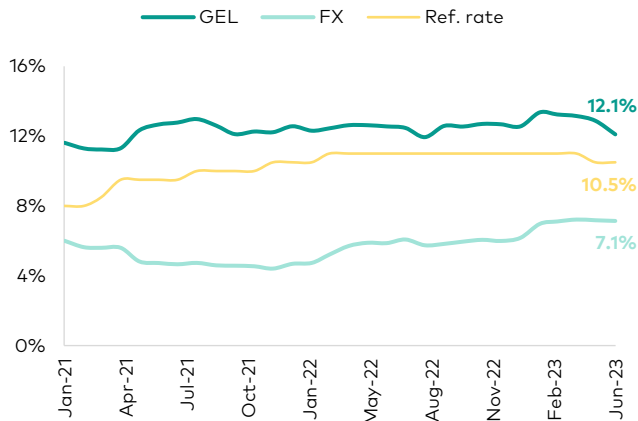


Source: Revenue Service



**Figure 16: Mortgage interest rates, %**

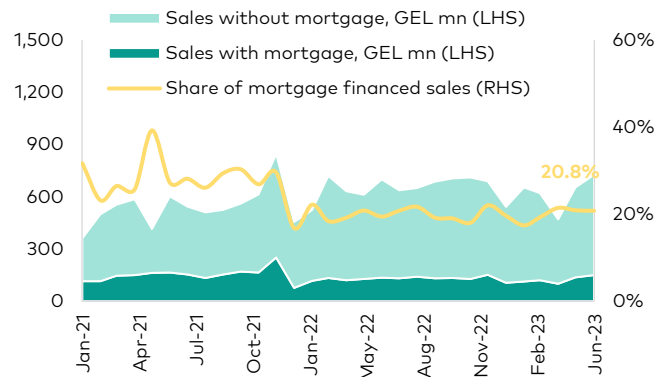
Refinancing rate was down by 50 bps and expected to decline further, lowering mortgage financing costs



Source: NBS, Galt & Taggart Research

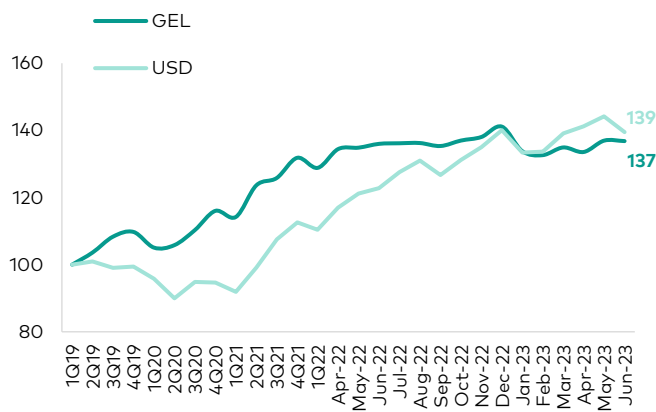
**Figure 17: Share of mortgages in total sales value**

Mortgages accounted for only 20.8% of sales value in Jun-23, while majority of sales were financed by inner installments schemes



**Figure 18: Construction cost index, 1Q19=100**

In Jun-23 construction costs increased by 13.6% y/y in US\$ and by only 0.6% y/y in GEL as local currency appreciation eases pressure for developers



	y/y growth Jun-23, US\$	y/y growth Jun-23, GEL
<b>Total construction cost</b>	<b>13.6%</b>	<b>0.6%</b>
Construction materials	13.8%	0.8%
Wages	23.9%	9.8%
Machinery	22.0%	8.1%
Transportation, fuel and electricity	-10.1%	-20.3%
Other costs	13.5%	0.6%

Source: Geostat, Galt & Taggart Research

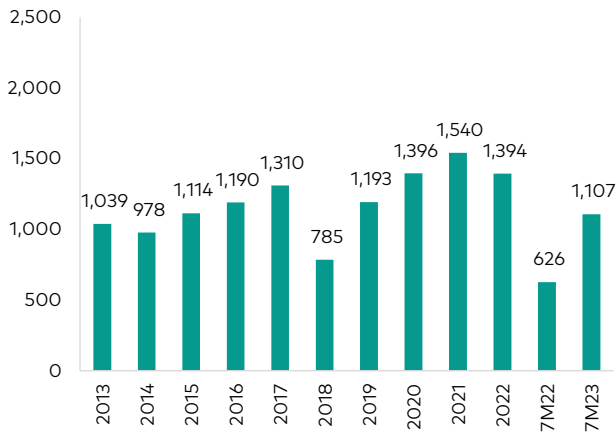
Note: Construction cost index used to be published quarterly over 2019-22, but was discontinued and shifted to monthly reporting since Mar-22



# Annex – Construction permits in Tbilisi

**Figure 19: Construction permits issued for residential real estate in Tbilisi, '000 m<sup>2</sup>**

Construction permit issuance for residential development was up 76.8% y/y in 7M23

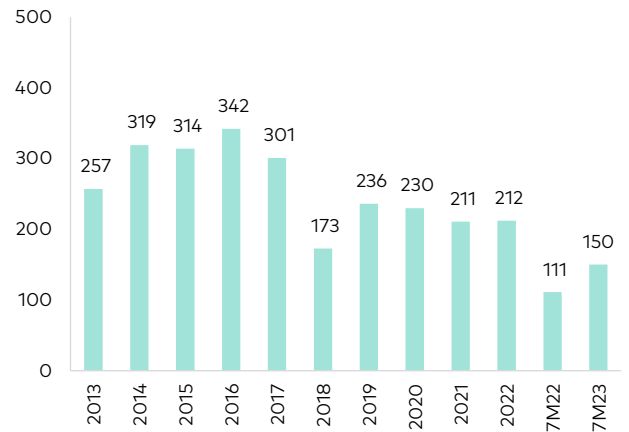


Source: TAS, Galt & Taggart Research

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

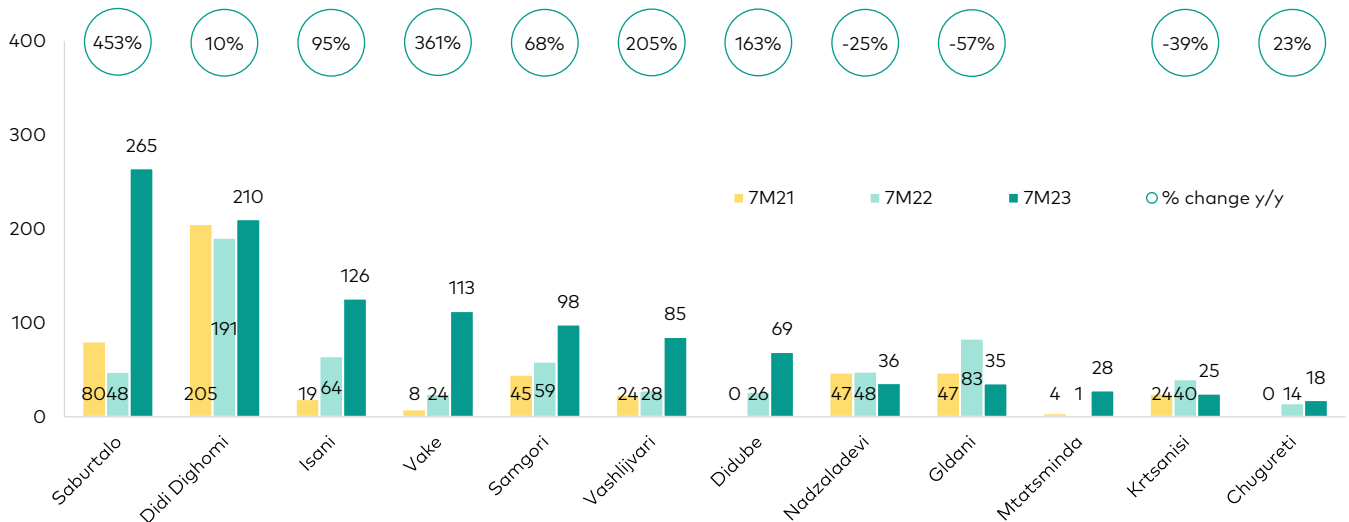
**Figure 20: Number of construction permits issued for residential real estate in Tbilisi**

Permitted area has been increasing faster than the number of permits, suggesting larger average sizes of projects



**Figure 21: Construction permits issued for residential real estate by districts, '000 m<sup>2</sup>**

There has been a significant rise in issued construction permits in Saburtalo, Vake and Isani districts in 7M23



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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