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CREATING OPPORTUNITIES

# Tbilisi Residential Real Estate

October 2023 overview

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# October 2023 overview

## Number of transactions

In Oct-23, the number of apartments sold in Tbilisi stood at 3,325 units, down by 16.6% y/y. This drop is mostly explained by last year's high base. On a monthly basis, sales were up by 5.2%. Sales on the primary market increased the most (+6.9% m/m) compared to the secondary market new and old projects (+5.1% and +2.8% m/m, respectively).

In Oct-23, annual sales decreased in all districts of Tbilisi. Importantly, the biggest contributors to this decrease were Isani (-31.5% y/y) and Gldani (-20.8% y/y) districts.

Other noteworthy features of the market remained unchanged, such as the continued dominance of medium-sized apartments (51-80 m<sup>2</sup>) and rising share of midscale/upscale segments, driven by rising prices.

## Prices

In Oct-23, prices increased the most on the secondary market for new projects (+1.4% m/m), followed by the primary market prices (+0.7% m/m). Prices on the secondary market old projects decreased by 4.4% m/m.

Importantly, the highest annual increase in average asking prices from developers on a primary market was recorded in Didube (+39.2% y/y), driven by rising number of premium-class developments in the area.



## Market size

In Oct-23, the overall market value of apartments sold in Tbilisi stood at US\$ 244.8mn, down by 3.2% y/y.

Notably, increase in the primary market size (+9.6% y/y) partly offset reduction in the secondary market size (-14.2% y/y).

## Rent

In Oct-23, rents for apartments in Tbilisi decreased by 0.4% m/m, however still remained elevated in annual terms (up by 24.7% y/y in US\$).

Rents started to retreat since Mar-23 and decreased by 5.7% by Oct-23. The rents are expected to continue downward trend in the near future.

## Construction permits

The volume of issued permits reached a record high in 10M23, which is explained by strong demand and regulations.

The area of issued construction permits increased by 41.1% y/y. On the other hand, the number of issued permits increased by only 17.3% y/y in 10M23, which highlights significant increase in the average size of projects.



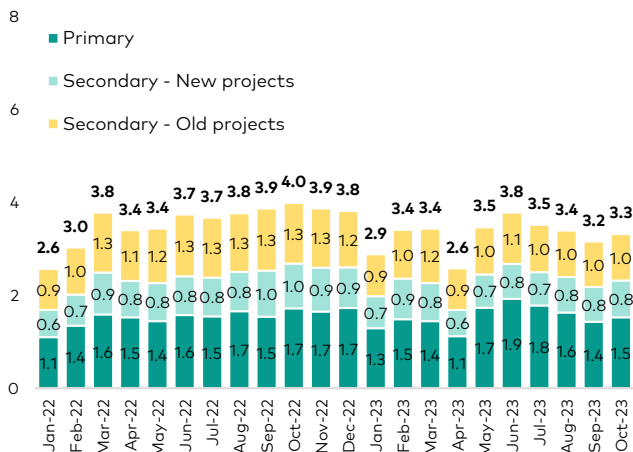
# Residential sales

**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**

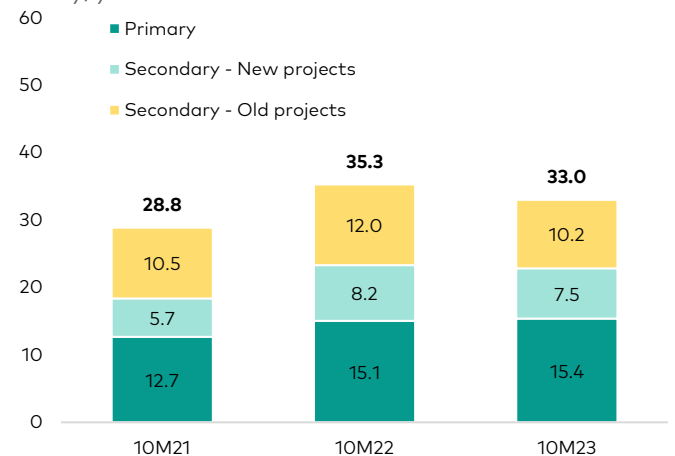
Real estate sales down by 16.6% y/y (and up by 5.2% m/m) in Oct-23



Source: NAPR, Galt & Taggart Research

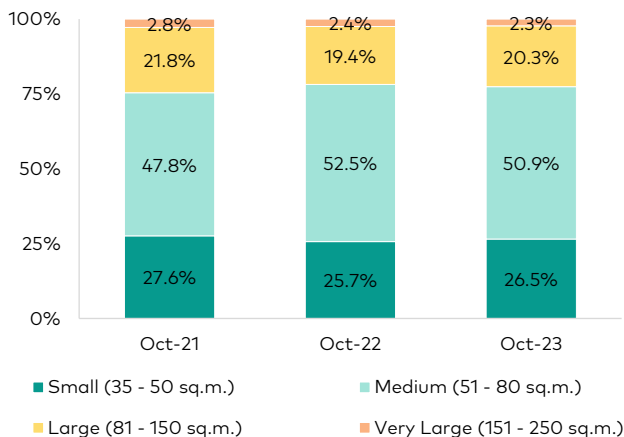
**Figure 2: Cumulative number of sold apartments, '000 units**

Reduced sales in 10M23 (-6.5% y/y) were driven by reduction in sales on a secondary market by 12.9% y/y (new and old projects), while sales on a primary market grew by 2.1% y/y



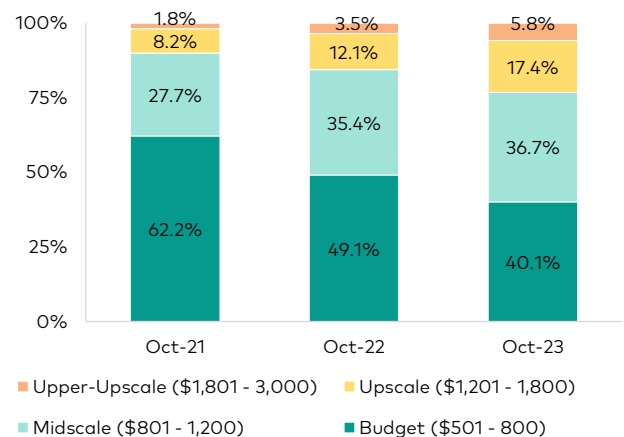
**Figure 3: Real estate sales by size, (% of total apartments sold)**

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



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

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

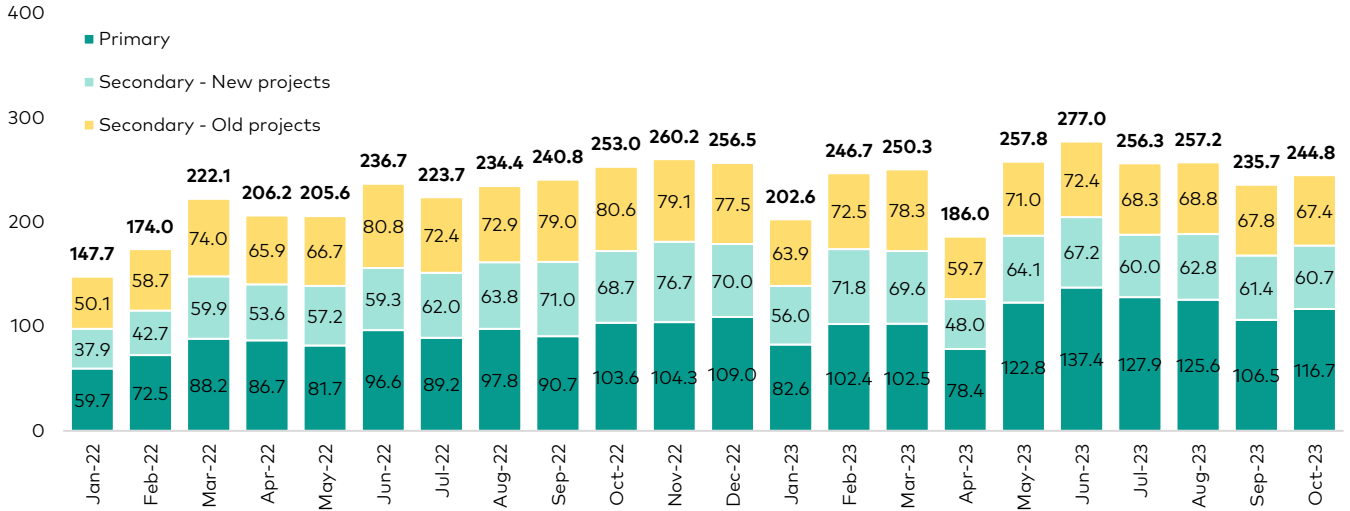




Source: NAPR, Galt & Taggart Research

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

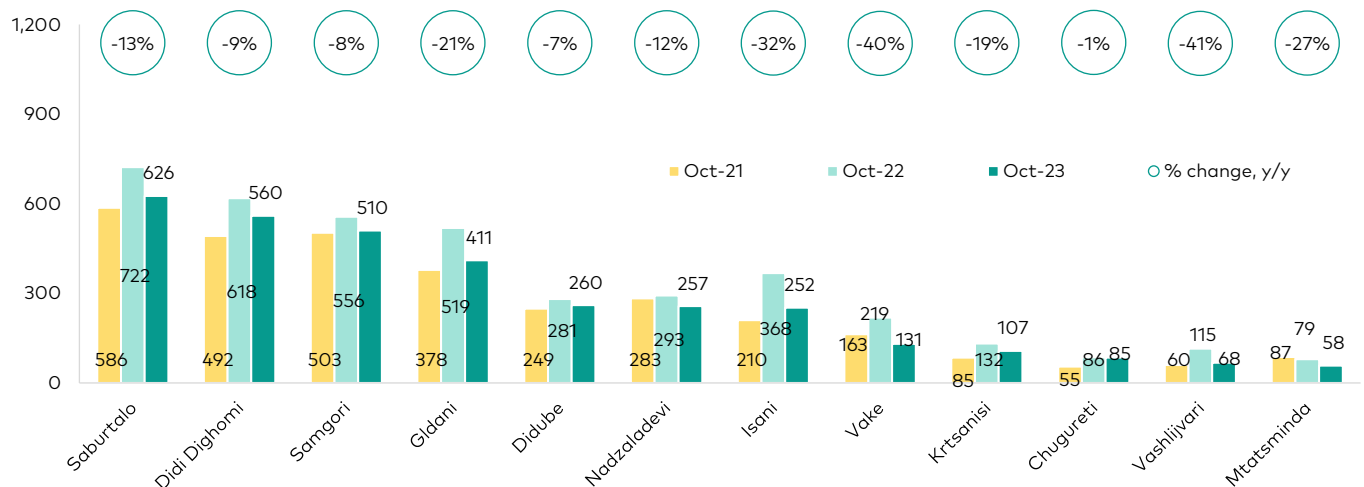
In Oct-23, total value of apartments sold in Tbilisi stood at US\$ 244.8mn, down by 3.2% y/y, mainly due a significant reduction in the secondary market size (new and old projects) by 14.2% y/y, which was partially offset by increase in the primary market size (+9.6% y/y)



Source: NAPR, Galt & Taggart Research

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

In Oct-23, annual sales decreased in all districts of Tbilisi



Source: NAPR, Galt & Taggart Research



**Table 1: Real estate sales by districts – value, number and area, 10M23**

In 10M23 Saburtalo remained the most attractive residential district, with 5,764 apartments sold with a total value of US\$ 583.7mn (24.4% of total)

District	Value (mn US\$)	Number ('000)	Area ('000 m <sup>2</sup> )
Saburtalo	583.7	5.8	450.6
Didi Dighomi	319.1	5.6	347.3
Samgori	261.2	4.9	305.3
Gldani	205.2	4.0	244.0
Vake	197.0	1.2	119.6
Nadzaladevi	178.1	2.8	184.3
Didube	174.0	2.6	178.3
Isani	172.8	2.7	174.5
Krtsanisi	100.7	1.1	83.8
Mtatsminda	87.4	0.7	58.2
Chugureti	63.4	0.9	61.6
Vashlijvari	53.7	0.8	62.2

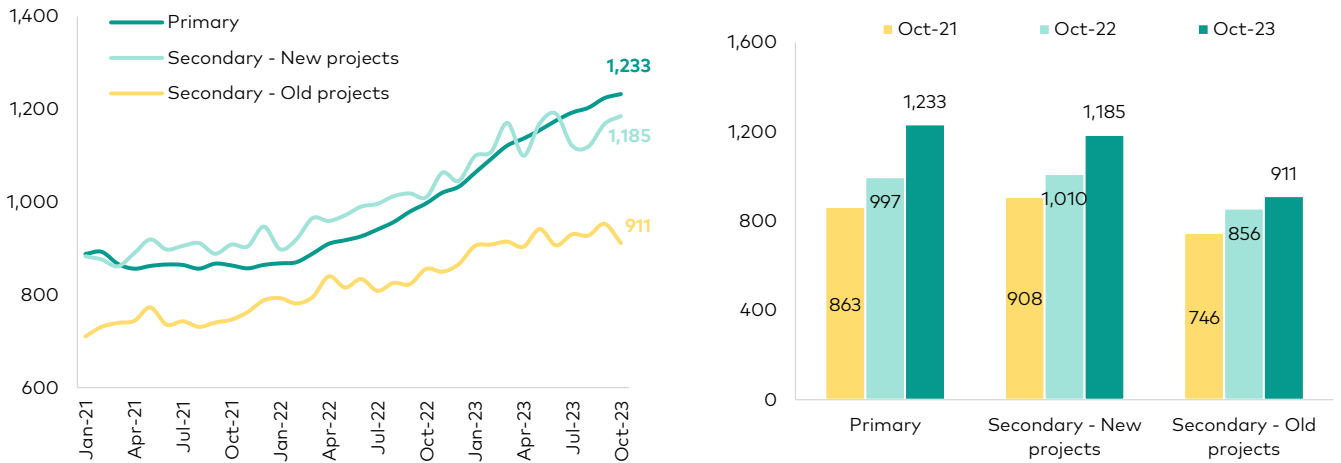
Source: NAPR, Galt & Taggart Research



# Residential prices

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

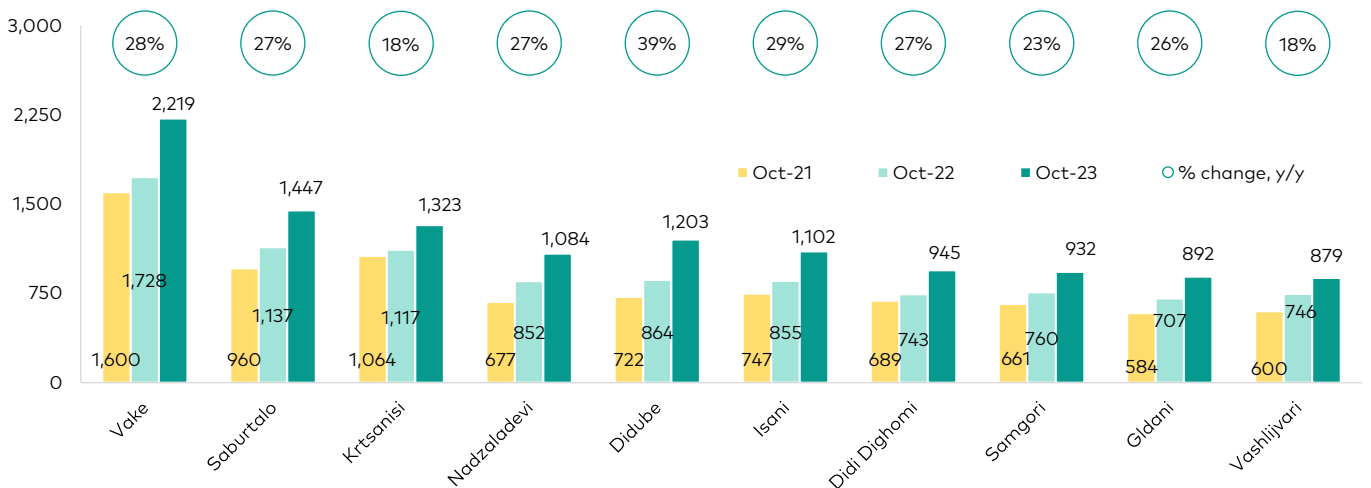
Steady monthly increase in primary market prices signals persisting demand for apartments sold directly by developers



Source: NAPR, Galt & Taggart Research

**Figure 8: Real estate prices on primary market for white frame apartments by districts, US\$/m<sup>2</sup>**

There is a continuing double-digit annual price growth in white frame projects offered by developers in every district of Tbilisi



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

Vake and Mtatsminda remain the most expensive residential districts

District	Primary market	Secondary market New projects	Secondary market Old projects
Mtatsminda		1,984	1,361
Chugureti		1,385	988
Vake	2,219	1,715	1,299
Saburtalo	1,447	1,549	1,011
Krtsanisi	1,323	1,167	874
Didube	1,203	1,094	903
Isani	1,102	1,055	820
Nadzaladevi	1,084	931	790
Didi Dighomi	945	995	743
Samgori	932	943	732
Gldani	892	940	775
Vashlijvari	879	1,018	1,038

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)

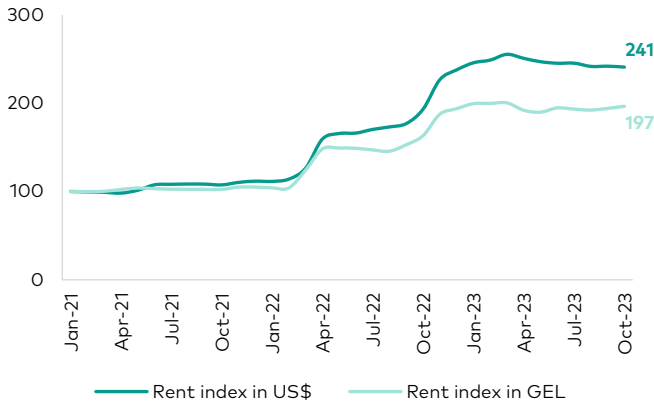




# Residential rents

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

Rent prices in Tbilisi have decreased by 5.7% in USD and 1.9% in GEL since Mar-23

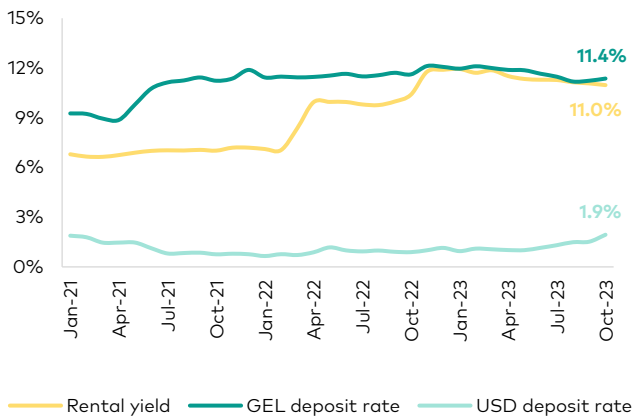


	y/y growth, US\$	m/m growth, US\$
May-23	49.1%	-1.5%
Jun-23	47.6%	-0.7%
Jul-23	44.1%	-0.0%
Aug-23	39.6%	-1.5%
Sep-23	36.7%	0.1%
Oct-23	24.7%	-0.4%

Source: NBS, Galt & Taggart Research

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

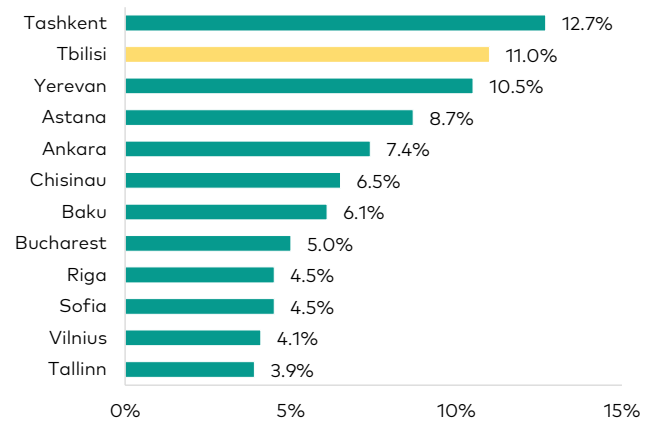
Rental yield stays close to GEL deposit rate



Source: NBS

**Figure 11: Rental yield outside of city center, Oct-23**

Cities that had the largest influx of migrants after Russia-Ukraine war have the highest rental yields



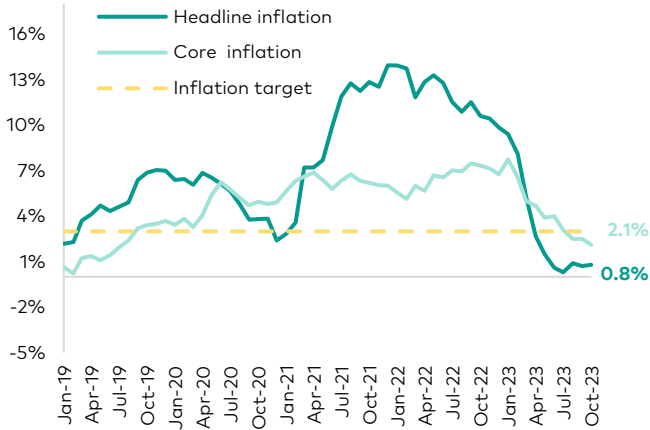
Source: Numbeo



# Market fundamentals

**Figure 12: Annual inflation**

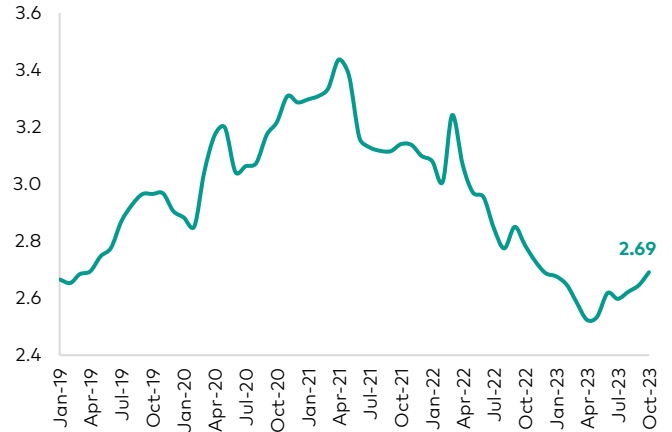
Inflation stayed below target at 0.8% in Oct-23



Source: Geostat

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

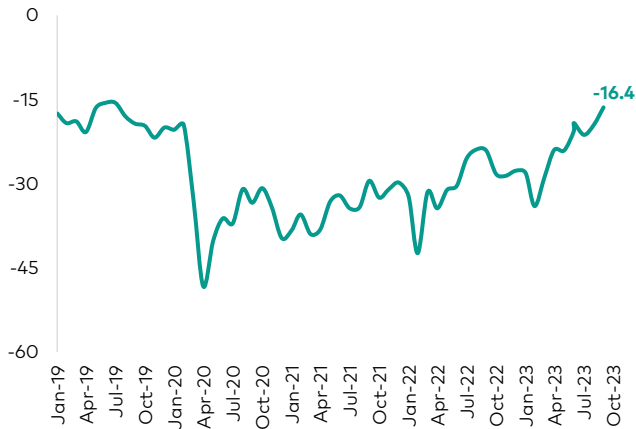
GEL depreciated by 1.7% m/m in October vs US\$



Source: NBG

**Figure 14: Consumer confidence index**

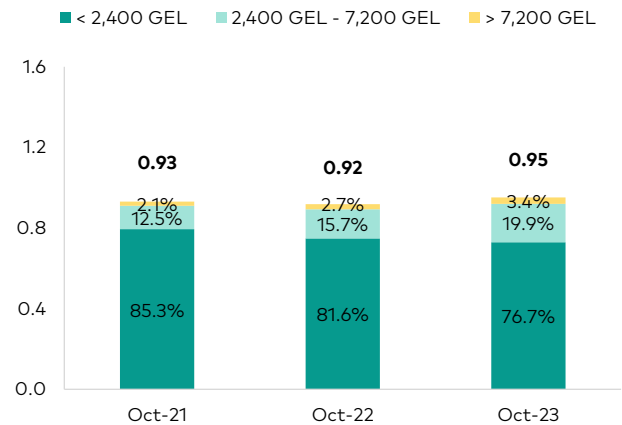
Consumer confidence index increased, elevating consumer spending expectations



Source: ISET Policy Institute

**Figure 15: Wage distribution in Georgia, mn people**

Share of individuals with monthly salaries over 2,400 GEL has been rising over years

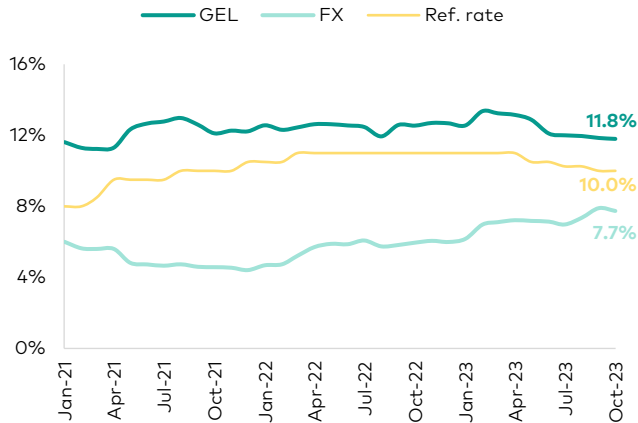


Source: Revenue Service



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

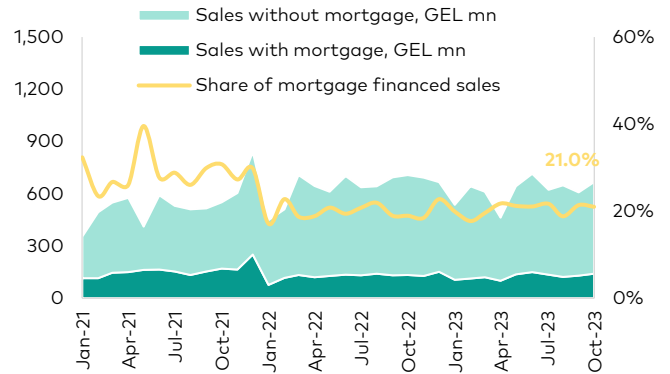
Mortgage rates in GEL are gradually decreasing, making it easier for local buyers to purchase apartments



Source: NBG, Galt & Taggart Research

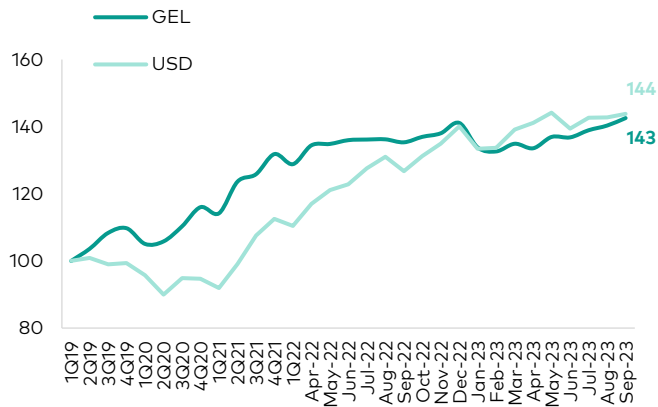
**Figure 17: Share of mortgages in total sales value**

Mortgages accounted for 21.0% of sales value in Oct-23, as majority of sales were financed by inner instalments schemes



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

In Sep-23 construction costs increased by 13.5% y/y in US\$ and by only 5.3% y/y in GEL. Increasing wage bills remain the biggest problem for local developers



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

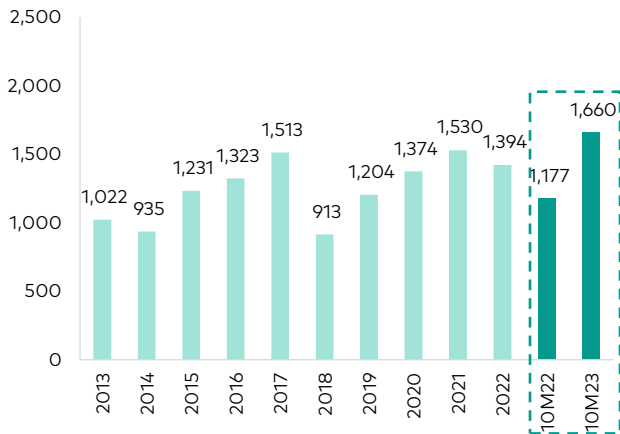
	y/y growth Sep-23, US\$	y/y growth Sep-23, GEL
<b>Total construction cost</b>	<b>13.5%</b>	<b>5.3%</b>
Construction materials	10.1%	2.2%
Wages	32.1%	22.6%
Machinery	14.5%	6.3%
Transportation, fuel and electricity	-4.0%	-10.9%
Other costs	8.4%	0.6%



# Annex – Construction permits in Tbilisi

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

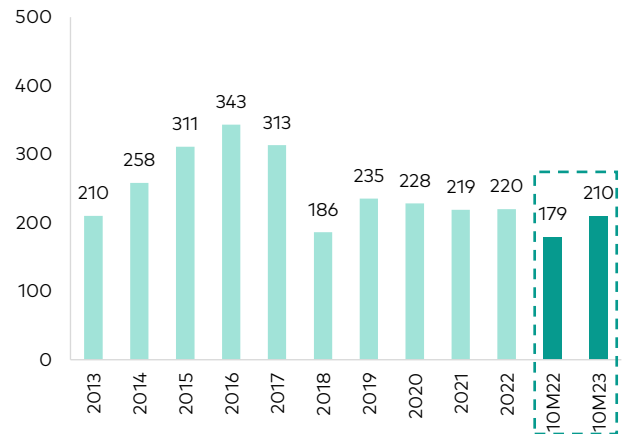
Construction permit issuance for residential development was up by 41.1% y/y in 10M23



Source: TAS, Galt & Taggart Research  
Note: 1) Includes residential and balcony areas  
2) Only III and IV class multiapartment/multifunctional buildings

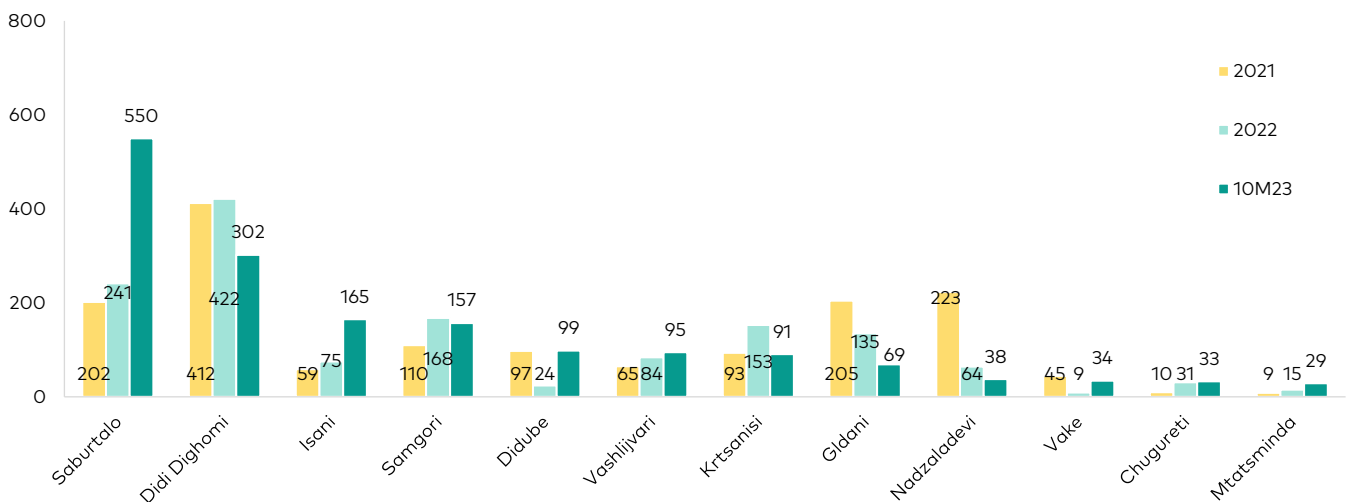
**Figure 20: Number of construction permits issued for residential real estate in Tbilisi**

Permitted area has been increasing faster than the number of permits (+17.3% y/y), suggesting larger average sizes of projects



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

More than half of permits issued in 2023 were in Saburtalo and Didi Dighomi districts. In the Saburtalo district, significant growth is related to the increased activity on the University/Mindeli streets and Lisi areas



Source: TAS, Galt & Taggart Research  
Note: 1) Includes residential and balcony areas  
2) Only III and IV class multiapartment/multifunctional buildings



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