



GALT & TAGGART
CREATING OPPORTUNITIES

Tbilisi Residential Real Estate

June 2023 overview

Eva Bochorishvili

Head of Research | evabochorishvili@gt.ge | +995 32 2401 111 ext. 8036

Zurab Tavkelishvili

Analyst | ztavkelishvili@gt.ge | +995 32 2401 111 ext. 8973



June 2023 overview

Number of transactions

In Jun-23, the number of apartments sold in Tbilisi reached 3,940 units, showing 1.4% y/y and 8.0% m/m increase. This growth was solely attributed to a significant rise in primary sales, which surged by 18.8% y/y, reaching a record high of 1,830 apartments (excluding Dec-21). In contrast, the secondary market experienced a decline in both new and old apartment sales, with decreases of 5.7% y/y and 12.8% y/y, respectively.

In Jun-23, the main contributors to sales growth were Samgori (+23.6% y/y), Didi Dighomi (+25.2% y/y) and Didube (+28.0% y/y). Importantly, Saburtalo and Vake had a significant reduction in apartment sales in Jun-23, decreasing by 21.6% y/y and 27.1% y/y, respectively. Other notable features of the market remained consistent, including the prevalence of medium-sized apartments (51-80 m²) and the midscale/upscale segments (801-1,800\$).

Prices

In Jun-23, prices increased the most on a primary market in projects sold directly by developers (+28.0% y/y), indicating growth potential in secondary market prices as well. The biggest price growth was detected in Didube (+41.0% y/y) and Nadzaladevi (+31.8% y/y).



Market size

In Jun-23, total market size of apartments sold in Tbilisi stood at US\$ 253.6mn, up by 7.2% y/y and 4.2% m/m. Primary market size increased the most (+18.2% y/y).

Rent

In Jun-23, real estate rents remained elevated (+43.3% y/y), however, the rate of growth has been steadily declining since Apr-23, indicating a trend towards stabilization.

Construction permits

Construction permits increased by 124.5% y/y in 5M23, 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.

Notably, residential construction permits were distributed equally in 5M23 between central, wide center and suburban districts of Tbilisi (34%/33%/33%). Markedly, average permit size increased by 37.5% y/y, indicating preference for larger residential projects.

Most construction permits were issued for Saburtalo, followed by Didi Dighomi and Isani in 5M23.



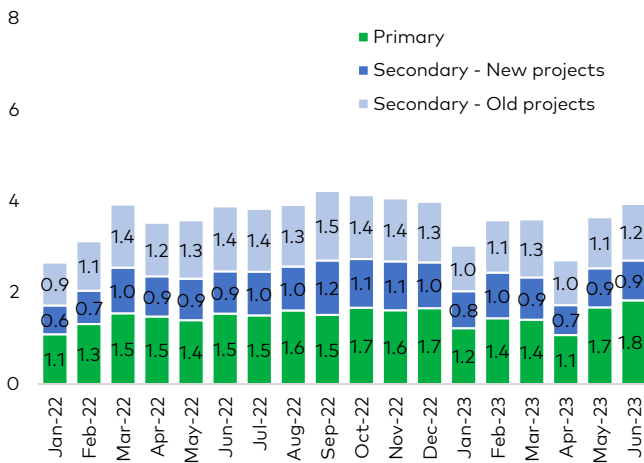
Residential sales

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 real estate sales, '000 units

Real estate sales were up by 1.4% y/y (or 8.0% m/m) in Jun-23



Source: NAPR, Galt & Taggart Research

Figure 2: Cumulative real estate sales, '000 units

Reduced sales in 1H23 (-0.9% y/y) was driven by reduction in sales of secondary old projects (-7.1% y/y) while secondary new and primary projects grew by 0.8% and 3.4% y/y, respectively

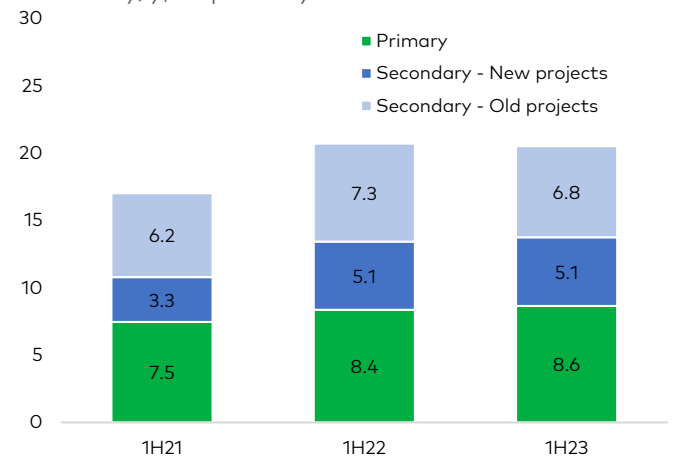
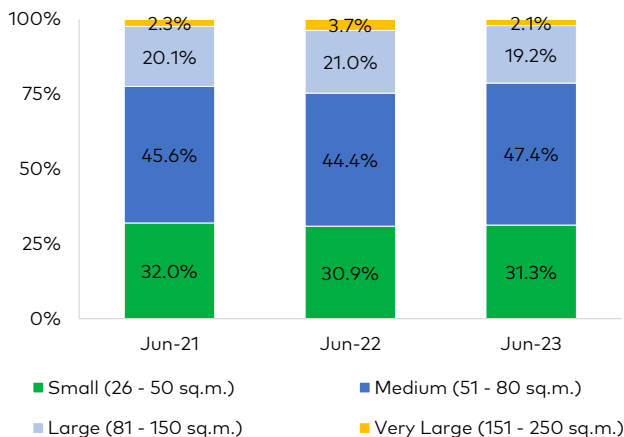


Figure 3: Real estate sales by size, units

Medium-sized (51-80 m²) apartment stayed the most prevalent



Source: NAPR, Galt & Taggart Research

Figure 4: Real estate sales by segments, units

Increased prices lifted up share of midscale/upscale segments significantly

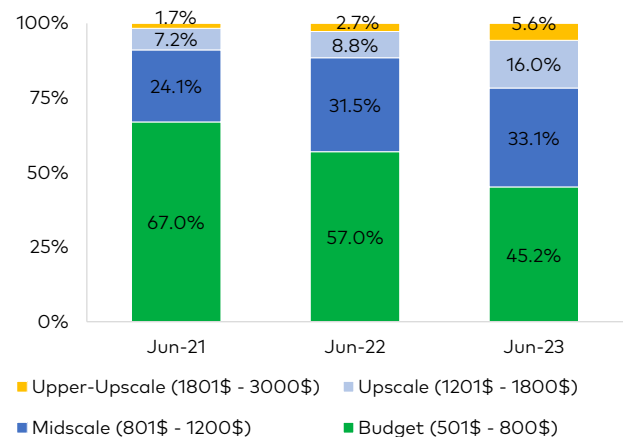
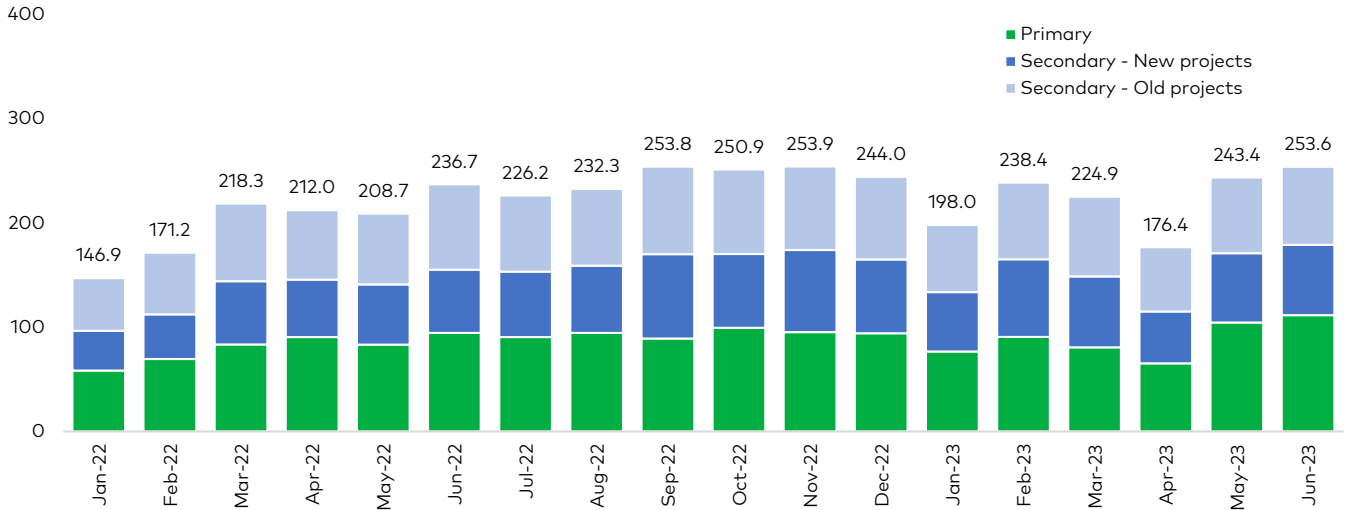




Figure 5: Monthly real estate market size, US\$ mn

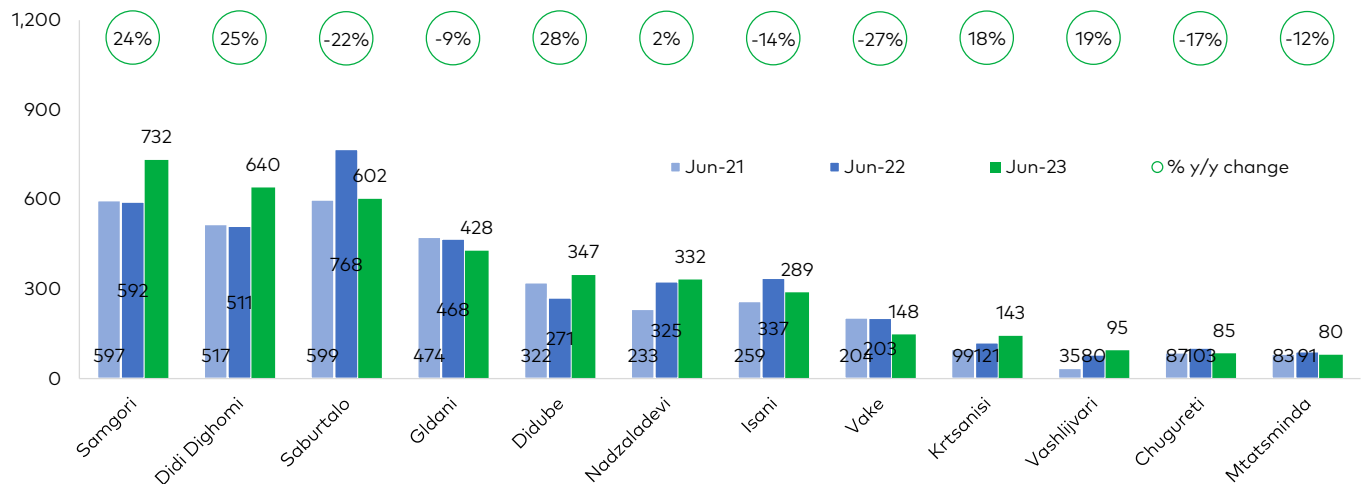
In Jun-23 total market size of apartments sold in Tbilisi stood at US\$ 253.6mn, up 7.2% y/y and 4.2% m/m. Primary market size increased the most (+18.2% y/y)



Source: NAPR, Galt & Taggart Research

Figure 6: Real estate sales by districts, units

In Jun-23 **Samgori**, **Didi Dighomi** and **Didube** contributed the most to sales growth while utmost reduction in sales was detected in **Saburtalo** and **Vake**



Source: NAPR, Galt & Taggart Research



Table 1: Real estate sales by districts – value, units and area, 1H23

Saburtalo remained the most attractive residential district, with US\$ 319.6mn (24.3% of total) market size in 1H23

District	Value (mn US\$)	Units ('000)	Area ('000 m ²)
Saburtalo	319.6	3.6	269.8
Didi Dighomi	167.3	3.3	200.0
Samgori	132.0	2.9	172.6
Vake	122.0	0.8	79.8
Gldani	116.7	2.4	144.8
Didube	94.7	1.7	111.6
Isani	94.4	1.7	106.4
Nadzaladevi	88.0	1.7	105.4
Mtatsminda	54.9	0.4	37.1
Krtsanisi	54.6	0.8	52.8
Vashlijvari	37.2	0.6	41.7
Chugureti	35.9	0.6	36.9

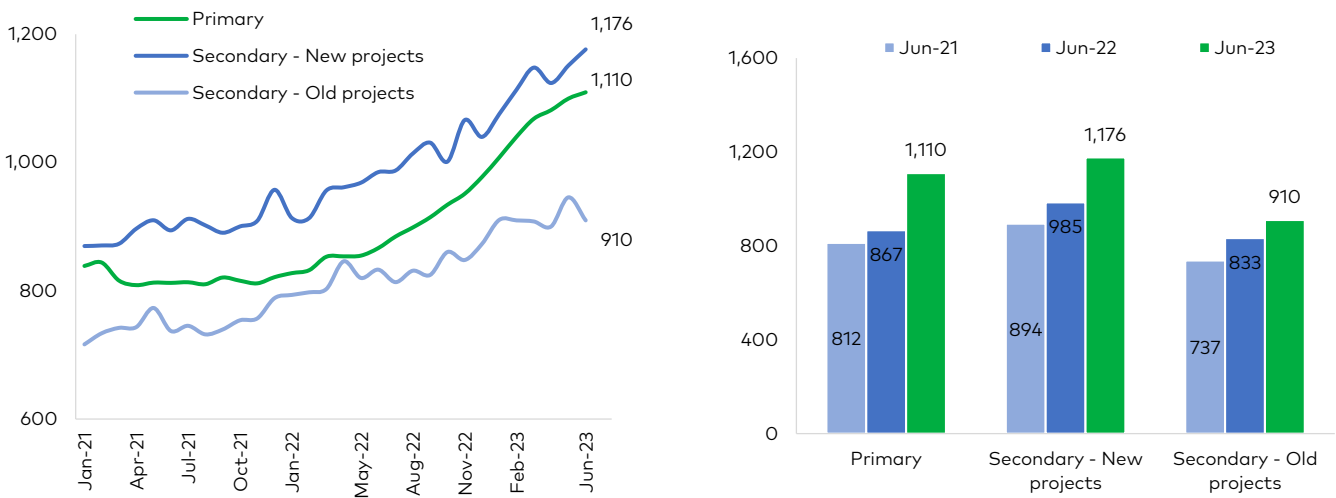
Source: NAPR, Galt & Taggart Research



Residential prices

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

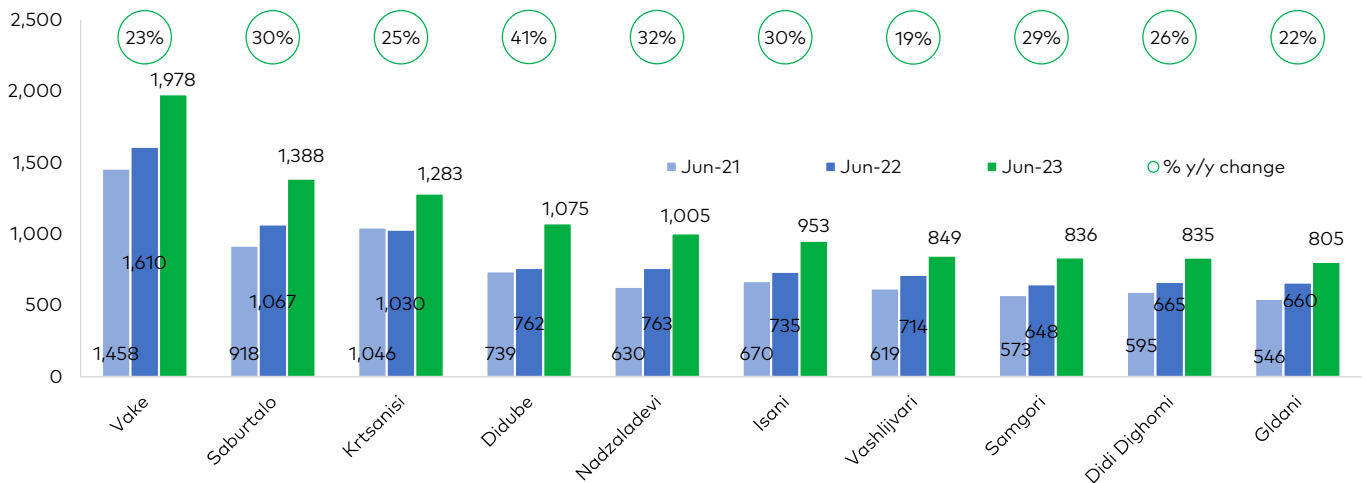
In Jun-23 prices increased the most on a primary market in projects sold directly by developers (+28.0% y/y), signaling growth in secondary market prices as well



Source: NAPR, Kortner, Galt & Taggart Research

Figure 8: Real estate prices on primary market (from developers) by districts, US\$/m²

There was double-digit y/y growth in primary apartment prices in every district of Tbilisi



Source: Kortner, Galt & Taggart Research

Note: Mtatsminda and Chugureti are excluded 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 Jun-23, US\$/m²

Prices remained the highest in Mtatsminda and Vake districts due to scarcity of lands for development

District	Primary	Secondary New projects	Secondary Old projects
Vake	1,978	1,817	1,286
Mtatsminda		1,644	1,389
Saburtalo	1,388	1,461	975
Chugureti		1,287	882
Krtsanisi	1,283	1,239	885
Didube	1,075	1,144	786
Nadzaladevi	1,005	1,064	796
Isani	953	1,026	879
Gldani	805	1,001	802
Vashlijvari	849	965	
Didi Dighomi	835	931	727
Samgori	836	905	737

Source: NAPR, Kortet, Galt & Taggart Research

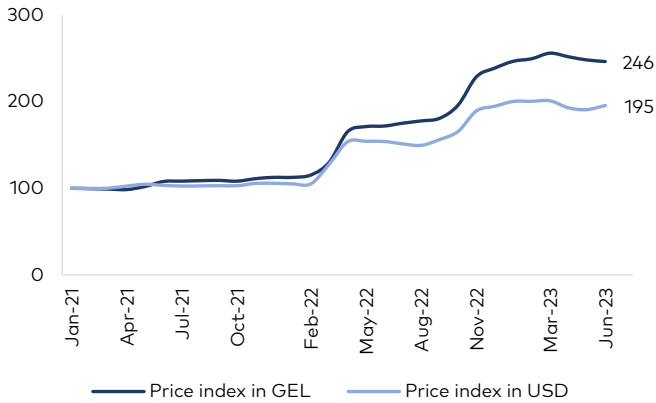
Note: Mtatsminda and Chugureti are excluded due to small sizes of samples (less than 5 projects in each of the districts)



Residential rents

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

Real estate rents remained elevated (+43.3% y/y), but growth pace has been on a downward trajectory since Apr-23, signaling stabilization

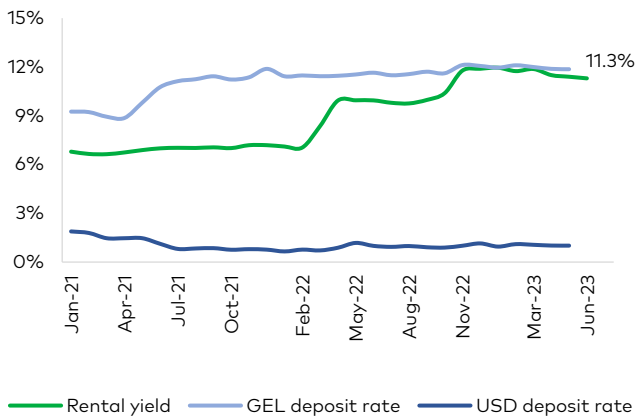


	y/y growth, US\$	m/m growth, US\$
Jan-23	119.0%	3.3%
Feb-23	116.4%	1.2%
Mar-23	96.9%	2.6%
Apr-23	52.3%	-1.6%
May-23	44.9%	-1.5%
Jun-23	43.3%	-0.7%

Source: NBG, Galt & Taggart Research

Figure 10: Real estate rental yield and deposit rates

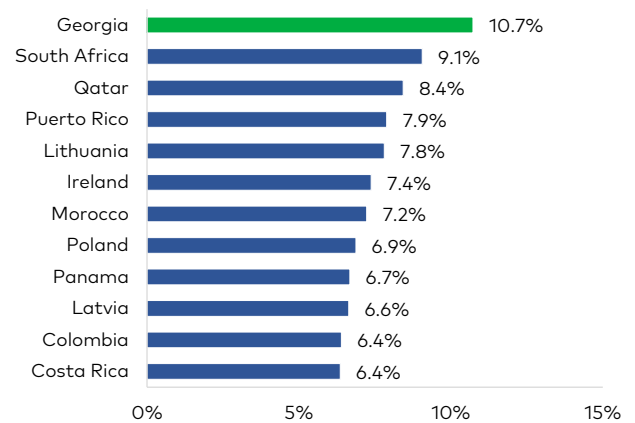
Real estate rental yield stays close to GEL deposit rate



Source: NBG

Figure 11: Rental yields by top countries, 2022

Georgian real estate had the highest return among countries with top rental yields



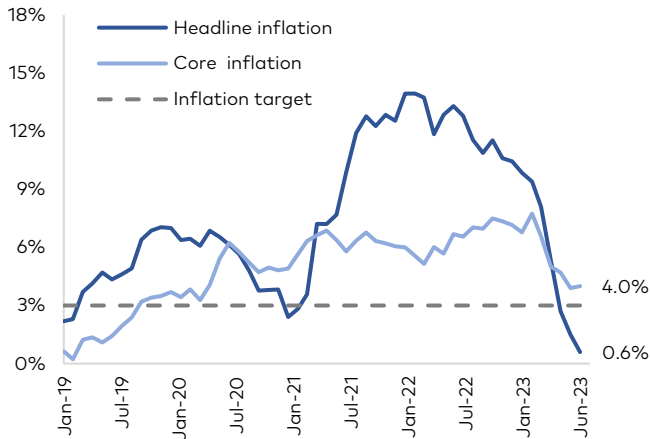
Source: Global property guide



Market fundamentals

Figure 12: Annual inflation

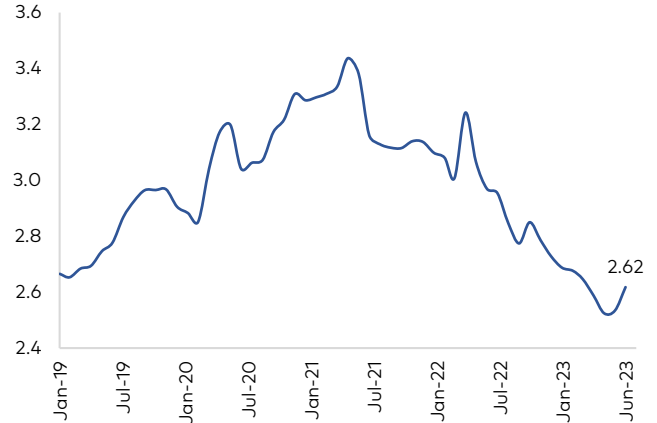
Inflation reduced below target to 0.6% in Jun-23



Source: Geostat

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

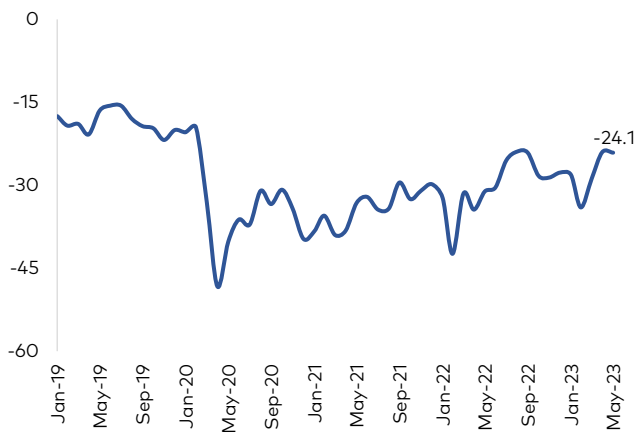
US\$ appreciation resulted in reduced real estate yields



Source: NBG

Figure 14: Consumer confidence index

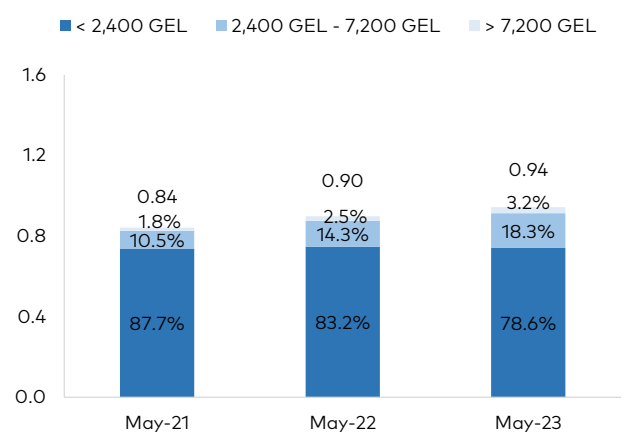
Consumer confidence index remained elevated, leaving spending expectations high



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

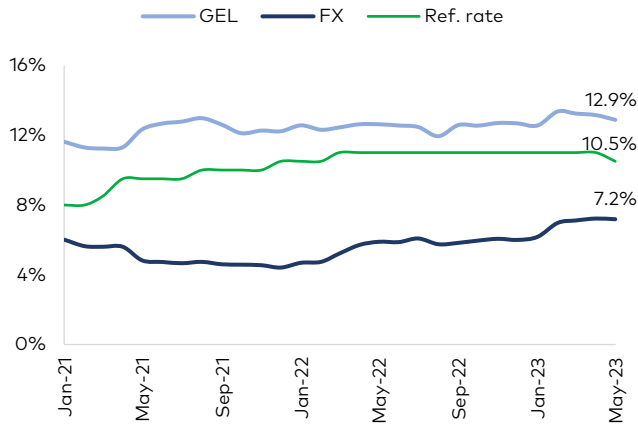


Source: Revenue Service



Figure 16: Mortgage interest rates, %

Despite reduced refinancing rate by 50 bps, mortgage financing still remains costly



Source: NBG, Galt & Taggart Research

Figure 17: Share of mortgages in total sales value

Mortgages financed only 22.3% of sales in May-23

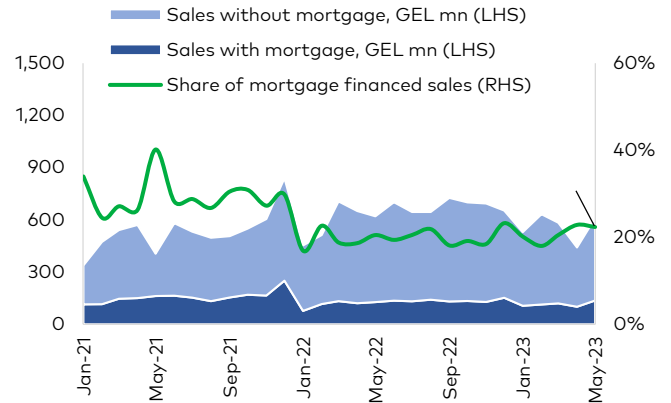
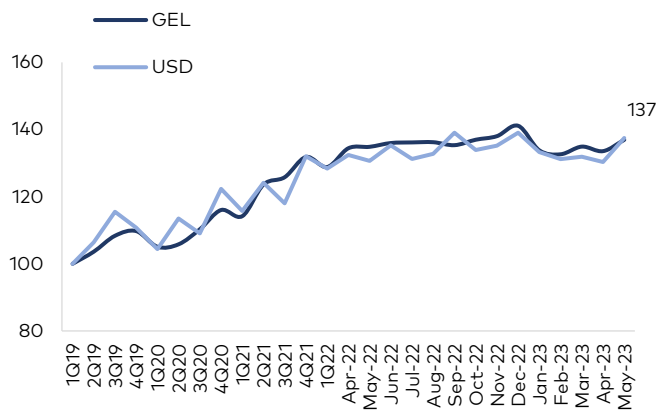


Figure 18: Construction cost index, 1Q19=100

In May-23 construction costs increased by 5.2% in US\$ and 1.6% in GEL, wages and machinery costs being the main contributors to growth



	y/y growth May-23, US\$	y/y growth May-23, GEL
Total construction cost	5.2%	1.6%
Construction materials	4.2%	0.6%
Wages	17.6%	13.5%
Machinery	12.7%	8.7%
Transportation, fuel and electricity	-15.5%	-18.4%
Other costs	5.2%	1.5%

Source: Geostat, Galt & Taggart Research

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



Annex 1 – Construction permits in Tbilisi

Figure 19: Construction permits issued for residential real estate in Tbilisi, '000 m²

Permits issued for residential area under construction increased by 124.5%

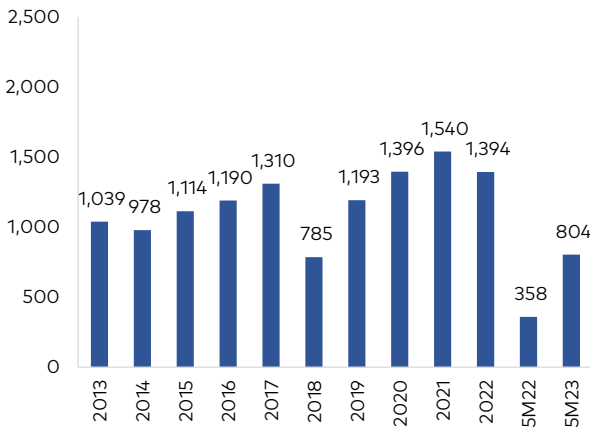
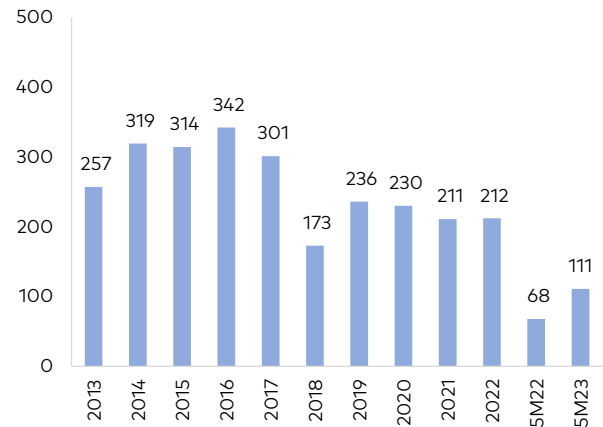


Figure 20: Number of construction permits issued for residential real estate in Tbilisi

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

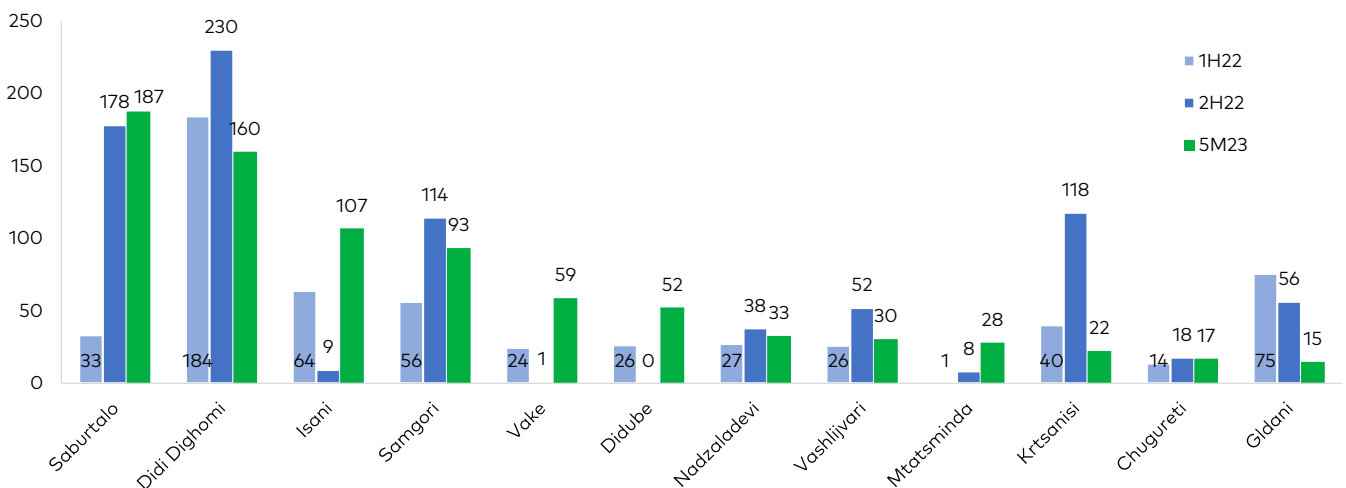


Source: TAS, Galt & Taggart Research

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 21: Construction permits issued for residential real estate by Tbilisi districts, '000 m²

Residential construction permits were distributed equally in 5M23 between central, wide centre and suburban districts of Tbilisi (34% / 33% / 33%). Most construction permits were issued for Saburtalo, followed by Didi Dighomi and Isani.



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



Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisors or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Head of Research

Eva Bochorishvili | evaboshorishvili@gt.ge

Head of Macroeconomic Analysis and Forecasting

Lasha Kavtaradze | lkavtaradze@gt.ge

Head of Analytics

Giorgi Iremashvili | giremashvili@gt.ge

Head of Sector Research

Kakha Samkurashvili | ksamkurashvili@gt.ge

Head of Sector

Mariam Chakhvashvili | mchakhvashvili@gt.ge

Head of Sector

Tatia Mamrikishvili | tmamrikishvili@gt.ge

Senior Analyst

Giga Nozadze | gnozadze@gt.ge

Senior Analyst

Giorgi Tskitishvili | g.tskitishvili@gt.ge

Analyst

Zurab Tavkelishvili | ztavkelishvili@gt.ge

Analyst

Sergi Kurashvili | skurashvili@gt.ge

Analyst

Dachi Mujirishvili | dmujirishvili@gt.ge

Analyst

Mariam Okropiridze | maokropiridze@gt.ge

Analyst

Otar Tsukhishvili | othukhishvili@gt.ge

Address: 3 Pushkin Street, Tbilisi 0105, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge