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CREATING OPPORTUNITIES

# Tbilisi Residential Real Estate

September 2023 overview

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# September 2023 overview

## Number of transactions

In Sep-23, the number of apartments sold in Tbilisi stood at 3,314 units, down by 21.5% y/y. This drop is mostly explained by last year's high base, as the highest number of the year's transactions took place in Sep-22. On a monthly basis, sales were down by 6.7%. Like in previous months, apartment sales on the primary market experienced the smallest decrease (-8.2% y/y), while sales on a secondary market (new and old projects) were down 29.0% y/y. As we highlighted in the previous report, the significant decline in secondary market sales suggests the end of a speculative buy-to-rent period in the real estate market, as rental rates and yields have decreased.

In Sep-23, sales decreased in nearly all districts of Tbilisi, with the exceptions being Didi Dighomi (+6.9% y/y) and Chugureti (+16.1% y/y). Importantly, decrease of sales in central districts (-32.4% y/y) was the most profound, while reductions in wide center and suburban districts were relatively smaller, -20.4 y/y and -7.6% y/y, respectively.

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.



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## Prices

In Sep-23, prices continued growth on a primary market accompanied by similar growth on the secondary market in new projects.

Importantly, the highest annual increase in average asking prices from developers on a primary market was recorded in Didube (+42.0% y/y), driven by rising number of premium-class developments in the area.

## Market size

In Sep-23, the overall market value of apartments sold in Tbilisi stood at US\$ 235.7mn, down by 2.1% y/y. Notably, increase in the primary market size (+17.4% y/y) partly offset reduction in the secondary market size (-13.9% y/y).

## Rent

In Sep-23, rents for apartments in Tbilisi remained stagnant, however still elevated in annual terms, up by 36.7% y/y in US\$ and 26.9% y/y in GEL. Notably, since the beginning of 2023, rents are down by 1.6% in US\$ and 2.7% in GEL.

## 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), indicating a shift towards larger-scale projects in the pipeline.



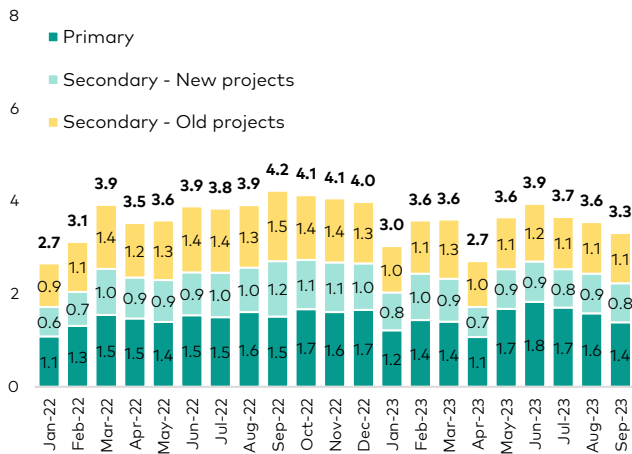
# Residential sales

**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**

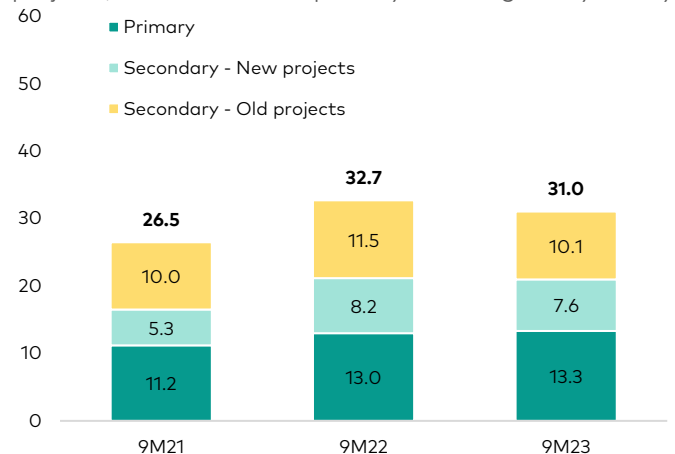
Real estate sales down by 21.5% y/y (or 6.7% m/m) in Sep-23



Source: NAPR, Galt & Taggart Research

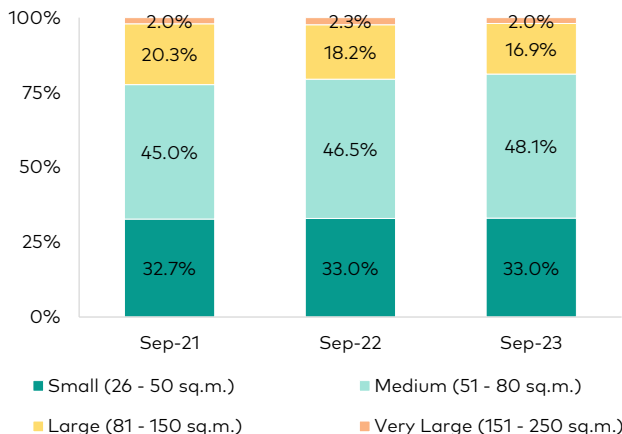
**Figure 2: Cumulative number of sold apartments, '000 units**

Reduced sales in 9M23 (-5.0% y/y) were driven by reduction in sales on a secondary market by 10.1% y/y (new and old projects), while sales on a primary market grew by 2.6% y/y



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

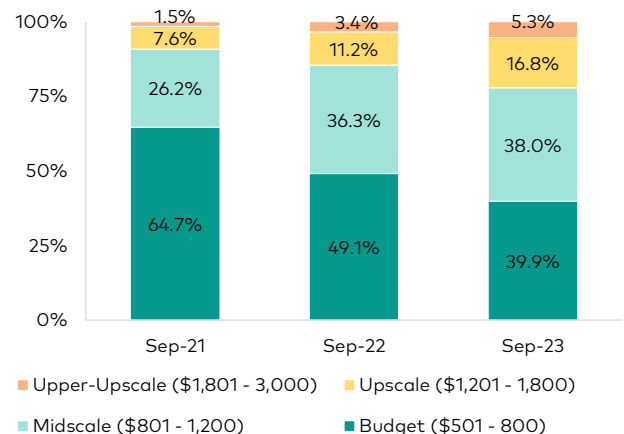
Medium-sized (51-80 m<sup>2</sup>) apartments remained the most prevalent



Source: NAPR, Galt & Taggart Research

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

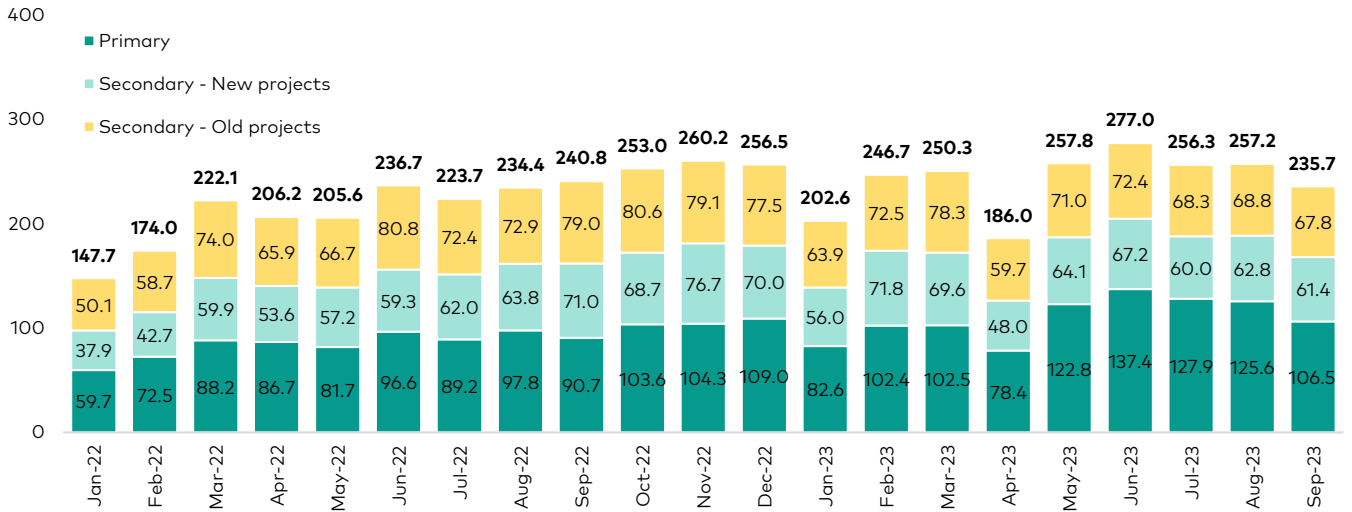
Sales in midscale/upscale segments keep rising due to increased prices





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

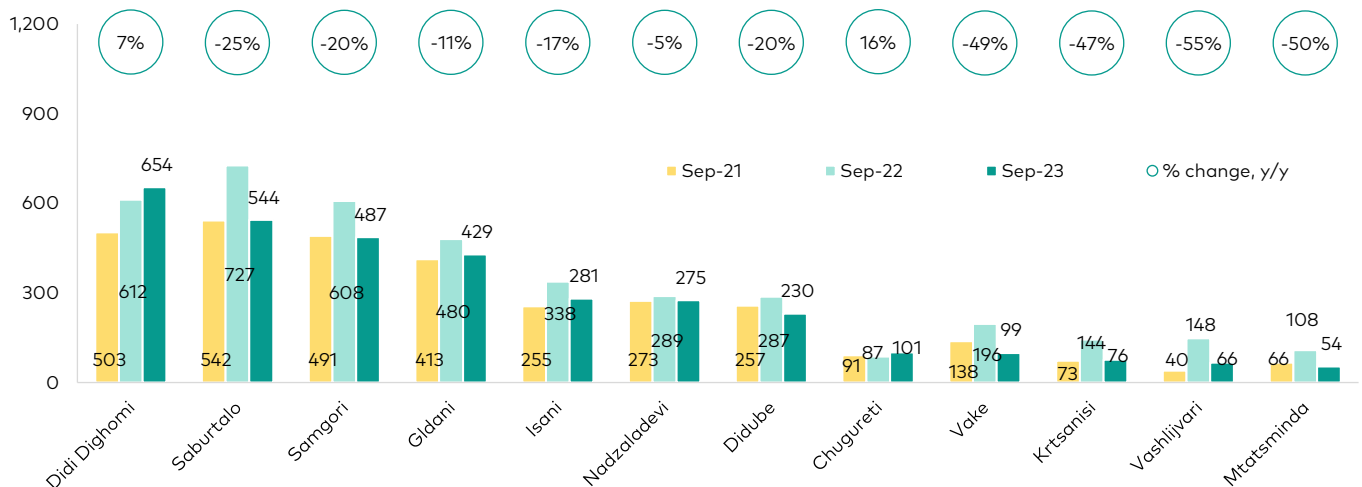
In Sep-23, total value of apartments sold in Tbilisi stood at US\$ 235.7mn, down by 2.1% y/y, mainly due a significant reduction in the secondary market size (new and old projects) by 13.9% y/y, which was partially offset by increase in the primary market size (+17.4% y/y)



Source: NAPR, Galt & Taggart Research

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

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



Source: NAPR, Galt & Taggart Research



**Table 1: Real estate sales by districts – value, number and area, 9M23**

In 9M23 Saburtalo remained the most attractive residential district, with 5,283 apartments sold with a total value of US\$ 468.3mn (21.5% of total)

| District     | Value (mn US\$) | Number ('000) | Area ('000 m <sup>2</sup> ) |
|--------------|-----------------|---------------|-----------------------------|
| Saburtalo    | 468.3           | 5.3           | 400.6                       |
| Didi Dighomi | 331.0           | 5.2           | 316.0                       |
| Samgori      | 258.0           | 4.5           | 271.7                       |
| Gldani       | 210.2           | 3.7           | 217.8                       |
| Isani        | 167.1           | 2.5           | 159.7                       |
| Nadzaladevi  | 164.1           | 2.6           | 163.3                       |
| Didube       | 156.6           | 2.4           | 158.5                       |
| Vake         | 152.8           | 1.2           | 109.2                       |
| Krtsanisi    | 80.4            | 1.1           | 73.8                        |
| Mtatsminda   | 72.0            | 0.6           | 52.0                        |
| Vashlijvari  | 62.5            | 0.8           | 57.0                        |
| Chugureti    | 56.5            | 0.8           | 55.2                        |

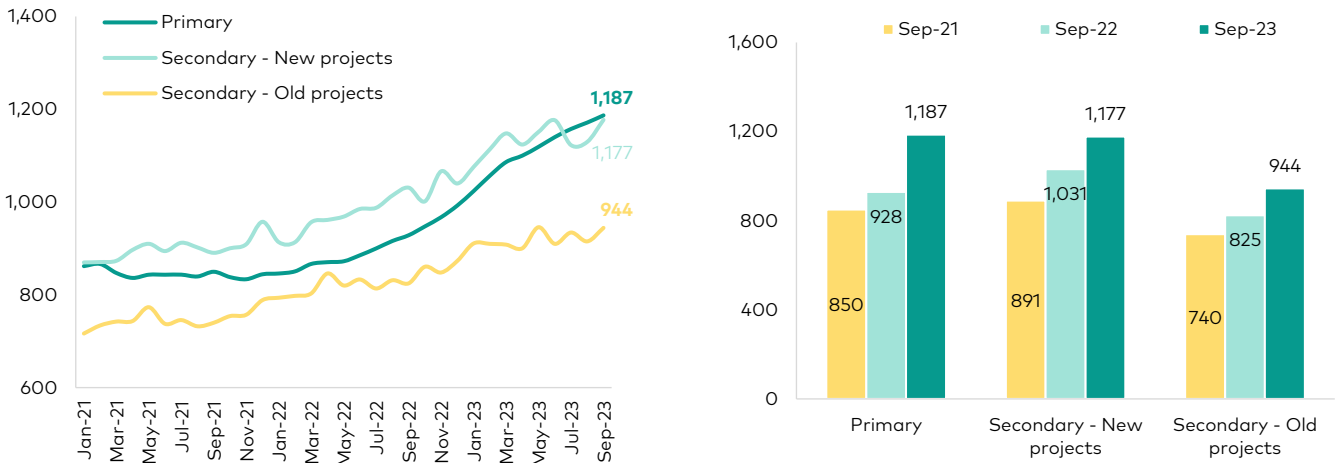
Source: NAPR, Galt & Taggart Research



# 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

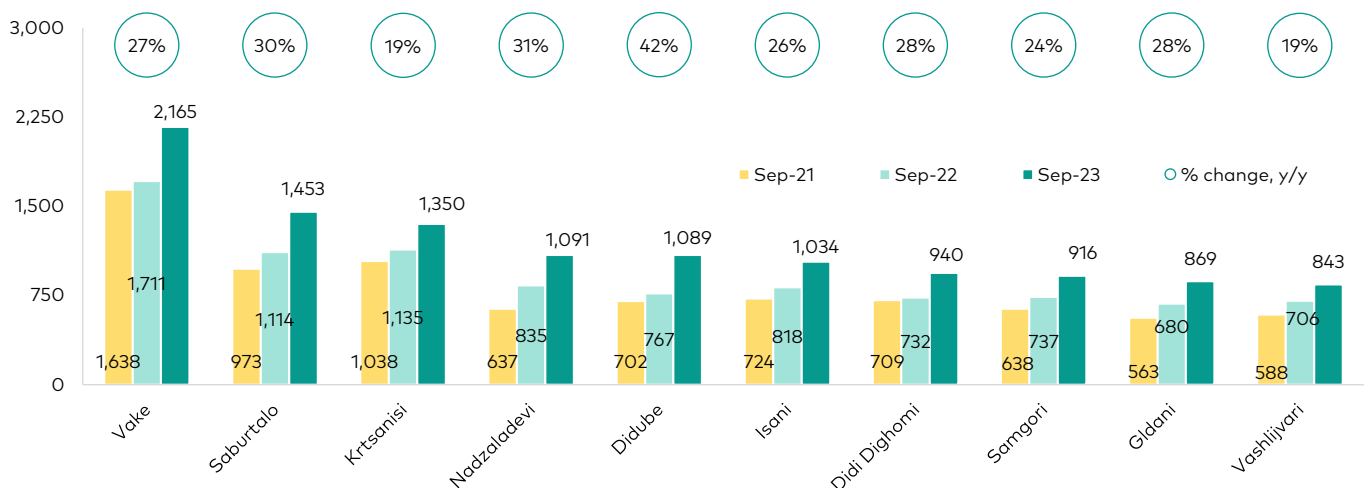


Source: NAPR, Korter, Galt & Taggart Research

Note: Primary market prices were revised slightly due to sample adjustments

**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


















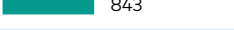

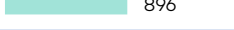






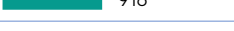


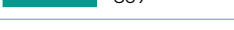





Source: Korter, Galt & Taggart Research

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

Vake remains the most expensive residential district in every apartment type

| District     | Primary market   | Secondary market<br>New projects  | Secondary market<br>Old projects  |
|--------------|--|---|---|
| Vake         |  2,165  |  2,052  |  1,402 |
| Saburtalo    |  1,453  |  1,600  |  1,054 |
| Chugureti    |  |  1,298  |  1,010 |
| Mtatsminda   |  |   |  1,401 |
| Didube       |  1,089  |  1,104  |  850   |
| Krtsanisi    |  1,350  |  1,101  |  1,015 |
| Vashlijvari  |  843    |  1,084  |  896   |
| Nadzaladevi  |  1,091  |  1,062  |  803   |
| Isani        |  1,034 |  1,023 |  785  |
| Samgori      |  916  |  978  |  780 |
| Gldani       |  869  |  959  |  795 |
| Didi Dighomi |  940  |  938  |  732 |

Source: NAPR, Korter, 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)

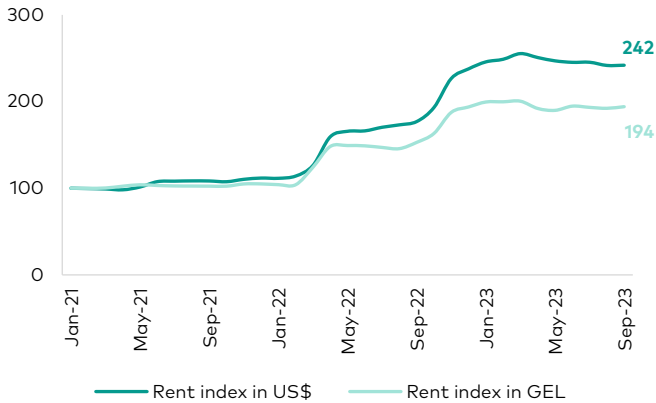




# Residential rents

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

Rent prices in Tbilisi have decreased by 1.6% in USD and 2.7% in GEL since the beginning of 2023

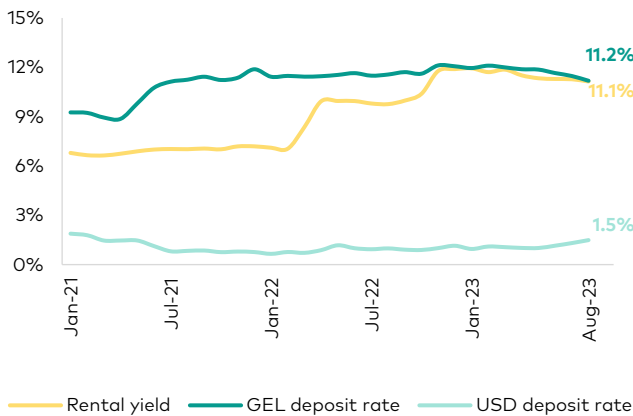


|        | y/y growth, US\$ | m/m growth, US\$ |
|--------|------------------|------------------|
| Apr-23 | 57.4%            | -1.8%            |
| May-23 | 49.1%            | -1.5%            |
| Jun-23 | 47.6%            | -0.7%            |
| Jul-23 | 44.1%            | -0.0%            |
| Aug-23 | 39.6%            | -1.5%            |
| Sep-23 | 36.7%            | 0.1%             |

Source: NBG, Galt & Taggart Research  
Note: Adjustment in July figure

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

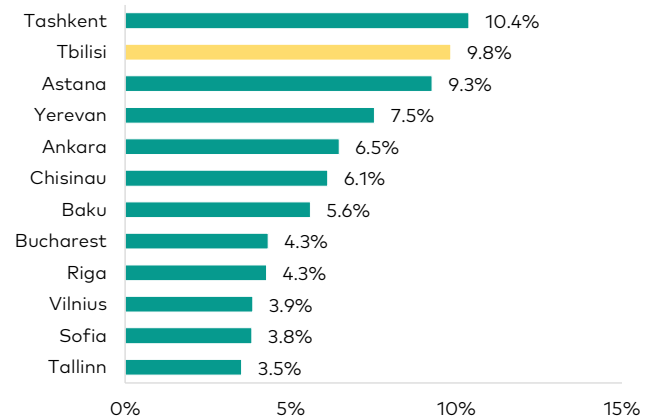
GEL deposit rates and rental yield in GEL are at the same level, giving investors more flexibility to choose more suitable investment option



Source: NBG

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

Tashkent is the only one from the neighbouring cities with a higher rental yield than Tbilisi



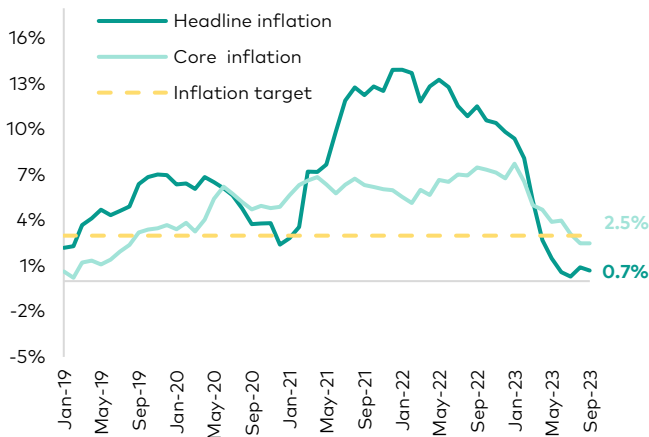
Source: Numbeo



# Market fundamentals

**Figure 12: Annual inflation**

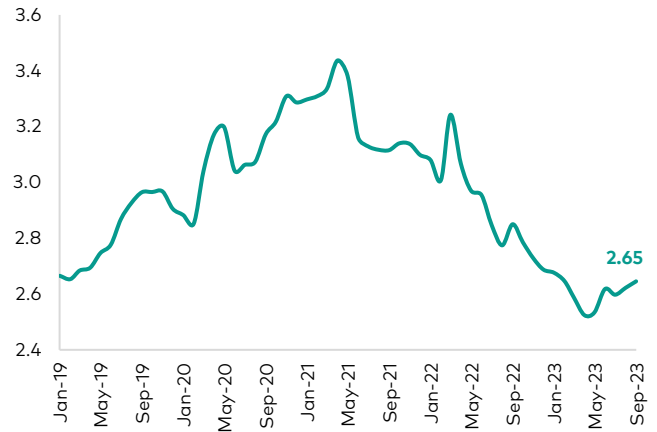
Inflation stayed below target at 0.7% in Sep-23



Source: Geostat

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

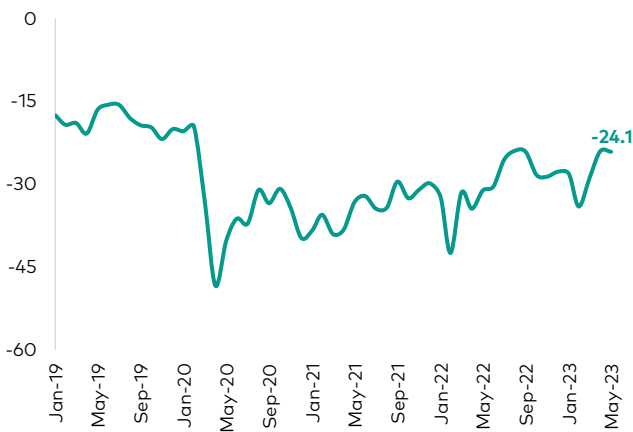
The GEL depreciated by 1.9% m/m in September vs dollar, yet it has slightly appreciated YTD



Source: NBG

**Figure 14: Consumer confidence index**

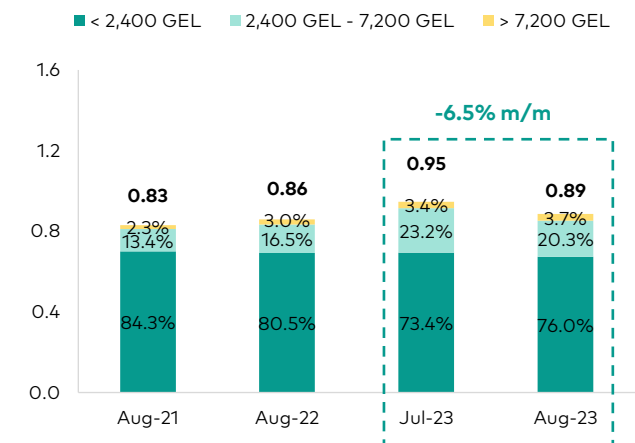
Consumer confidence index remained elevated, leaving spending expectations high



Source: ISET Policy Institute

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

Number of salaried individuals decreased by 6.5% m/m, while share of individuals with wages less than 2,400 GEL increased by 2.6ppts m/m

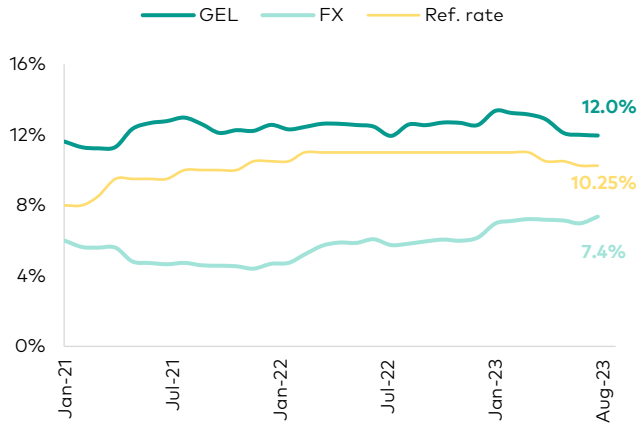


Source: Revenue Service



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

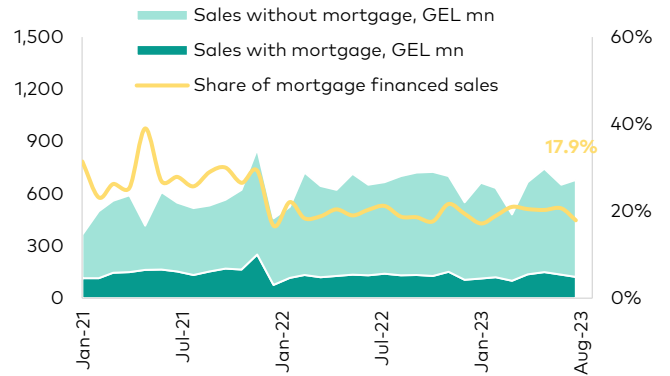
Mortgage loans in FX became more expensive in Aug-23



Source: NBS, Galt & Taggart Research

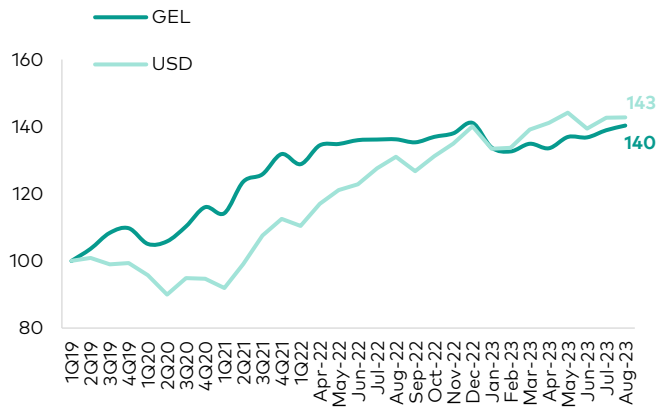
**Figure 17: Share of mortgages in total sales value**

Mortgages accounted for only 17.9% of sales value in Aug-23, as majority of sales were financed by inner instalments schemes



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

In Aug-23 construction costs increased by 9.0% y/y in US\$ and by only 3.0% y/y in GEL. Increasing wage bills remain the biggest problem for local developers



|                                      | y/y growth Aug-23, US\$ | y/y growth Aug-23, GEL |
|--------------------------------------|-------------------------|------------------------|
| <b>Total construction cost</b>       | <b>9.0%</b>             | <b>3.0%</b>            |
| Construction materials               | 8.0%                    | 2.1%                   |
| Wages                                | 23.2%                   | 16.4%                  |
| Machinery                            | 9.1%                    | 3.1%                   |
| Transportation, fuel and electricity | -13.1%                  | -17.9%                 |
| Other costs                          | 6.7%                    | 0.8%                   |

Source: Geostat, Galt & Taggart Research

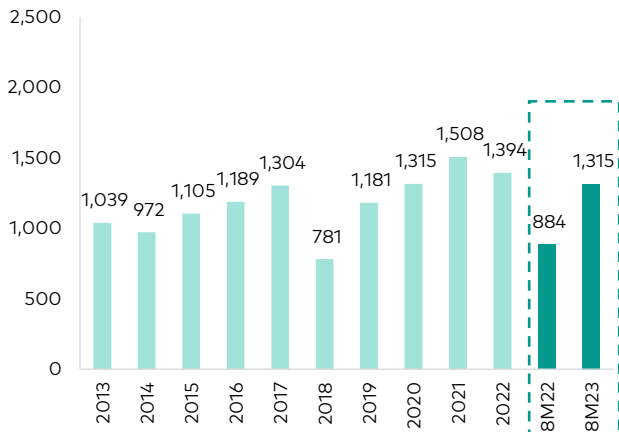
Note: Construction cost index used to be published quarterly over 2019-22, but was discontinued and shifted to monthly reporting since Mar-22



# Annex – Construction permits in Tbilisi

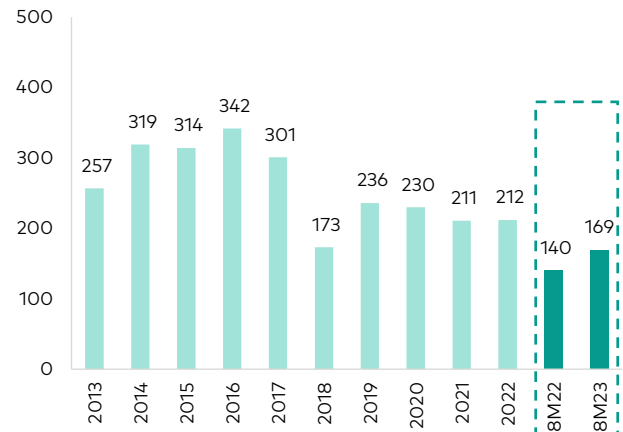
**Figure 19: Area of construction permits issued for residential real estate in Tbilisi, '000 m<sup>2</sup>**

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



**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

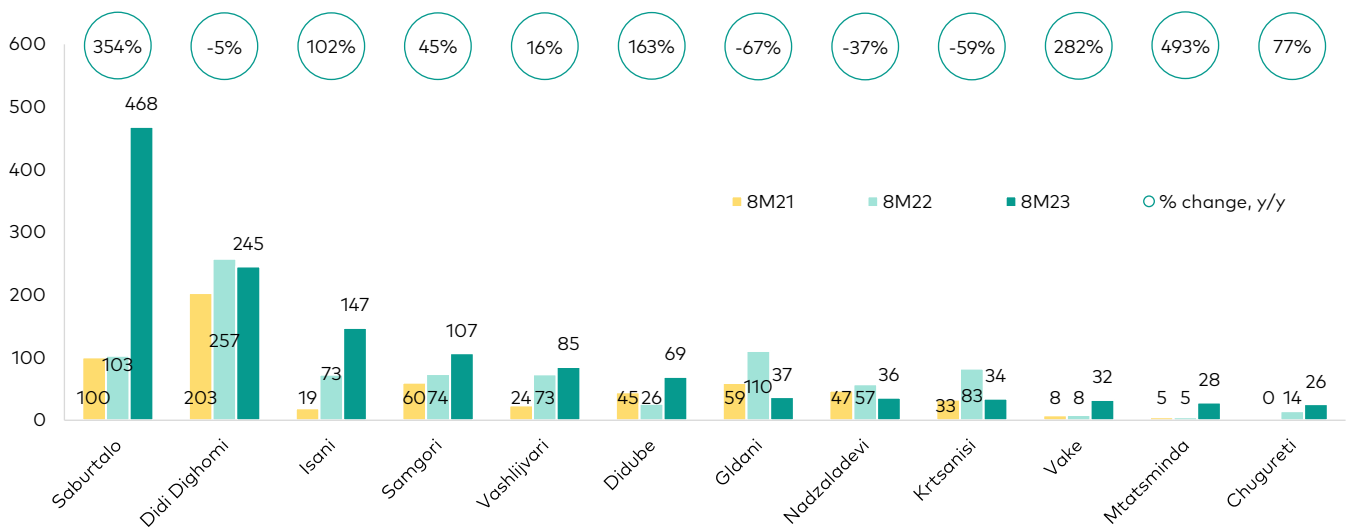


Source: TAS, Galt & Taggart Research

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

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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