



**GALT & TAGGART**  
CREATING OPPORTUNITIES

# Tbilisi Residential Real Estate Market Overview

15 November 2023

# 3 Questions about

# Tbilisi Residential Real Estate Market

## **Demand**

Are the demand drivers healthy?

## **Supply**

Is there a risk of oversupply?

## **Prices**

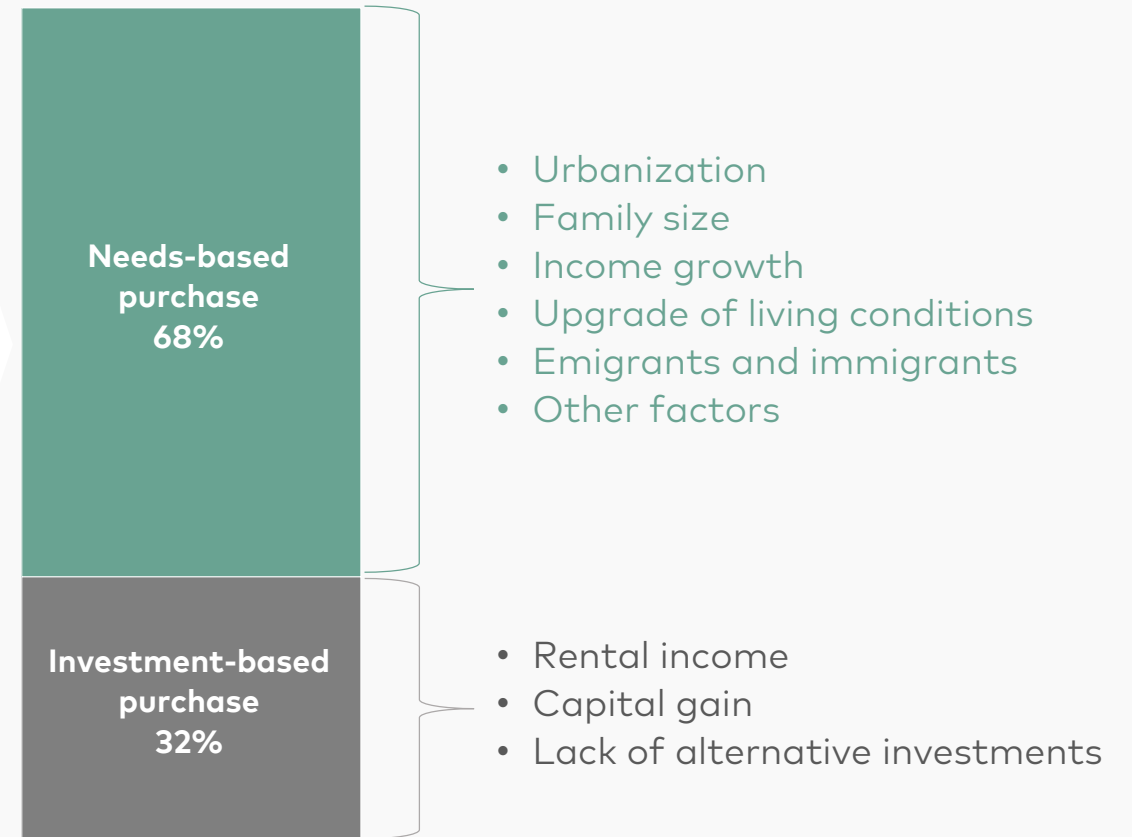
What do the real estate prices reflect?

## Demand drivers

Demand in the Tbilisi real estate market depends on two main factors:

- 1) **Needs-based purchase**, driven by fundamentals.
- 2) **Investment-based purchase**, driven by rental income and capital gain.

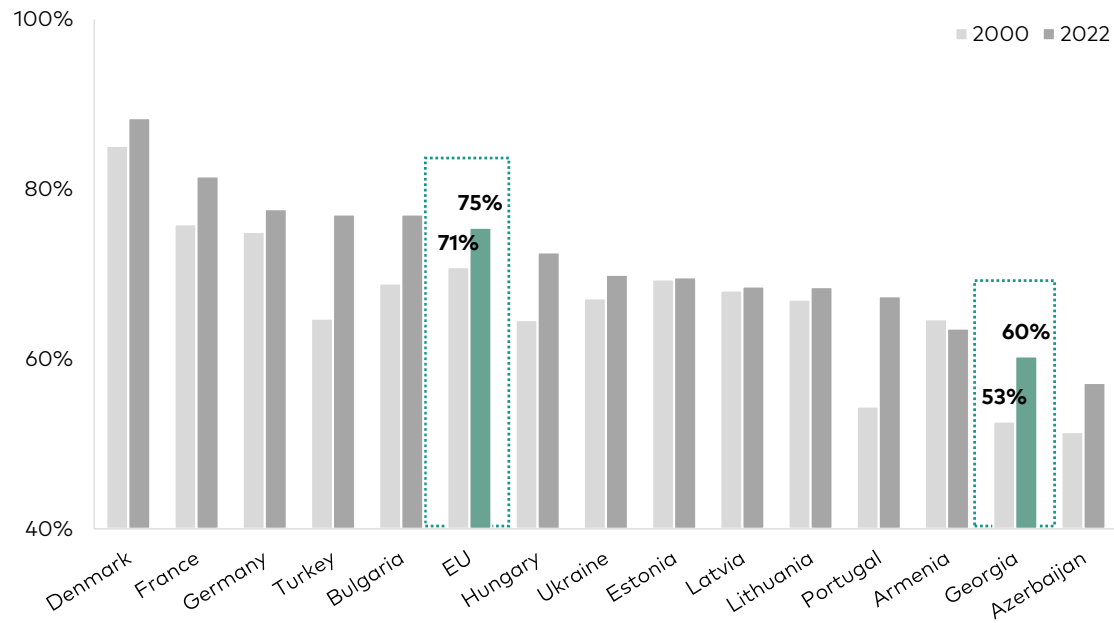
## Demand drivers



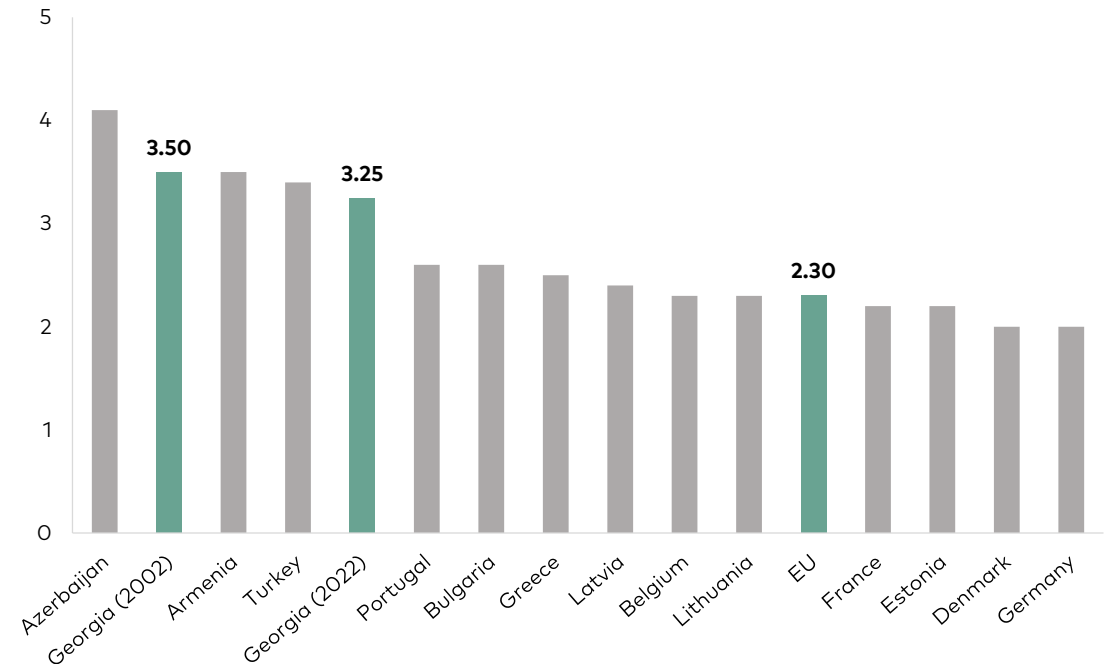
## Demand drivers

### Urbanization growth and decrease in the average family size create annual demand for about 9,000 apartments

Urbanization rate by countries, %



Average family size by countries, 2022



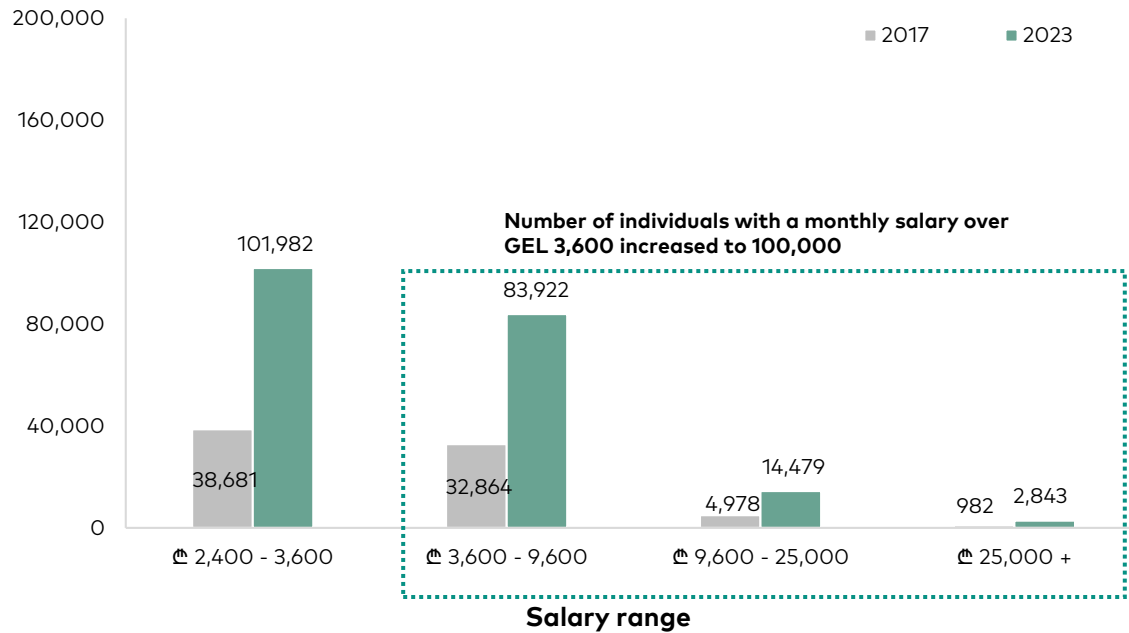
Urbanization growth creates a demand for about 4,000 apartments per year. Notably the population of Tbilisi has increased by 140,000 since 2014.

A decrease in the average family size creates demand for about 5,000 apartments per year.

## Demand drivers

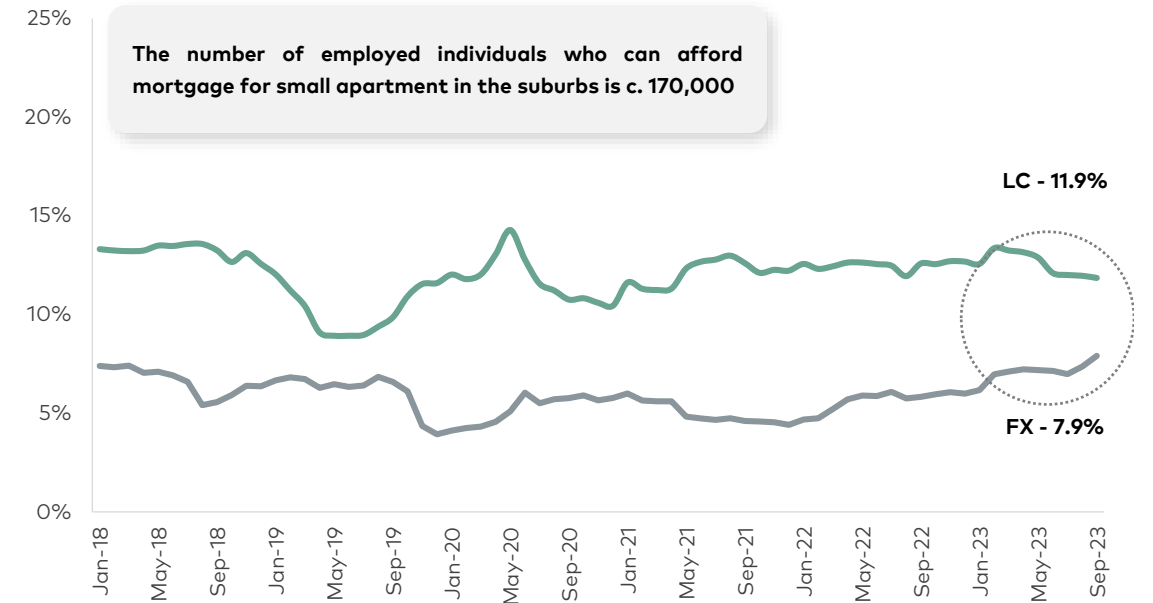
### The number individuals with high earnings tripled during 2017-23

Number of employed individuals by monthly salary ranges



The number of people with a salary over 3,600 GEL is expected to surpass 150,000 by 2025.

Mortgage interest rates by currencies, %

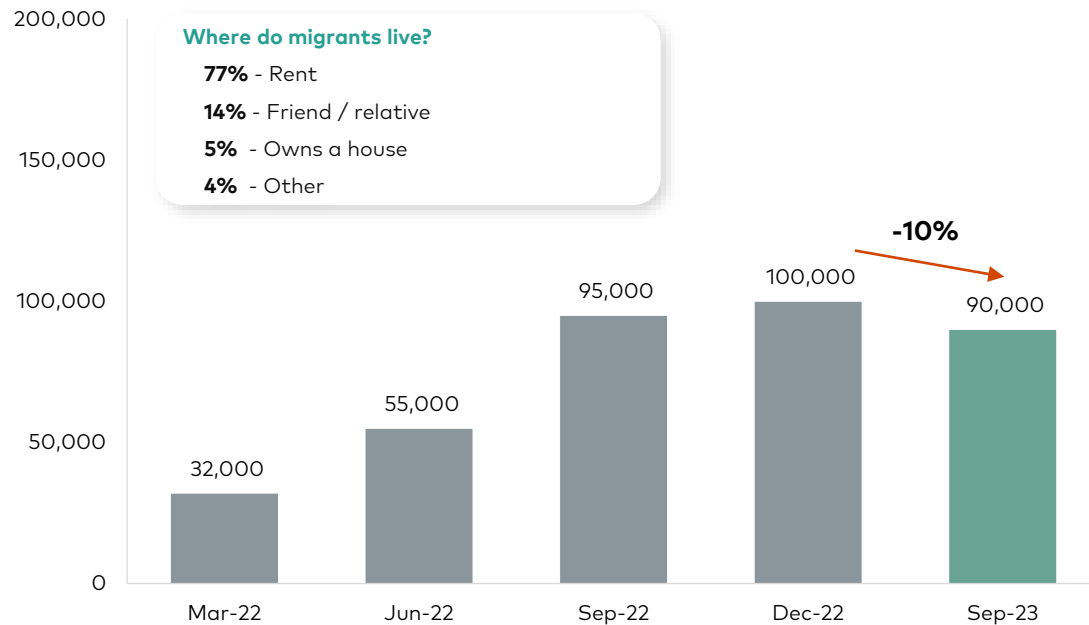


Interest rates expected to continue decline in national currency and remain high in foreign currency in 2024.

## Demand drivers

### Migrant inflow positively impacted real estate business

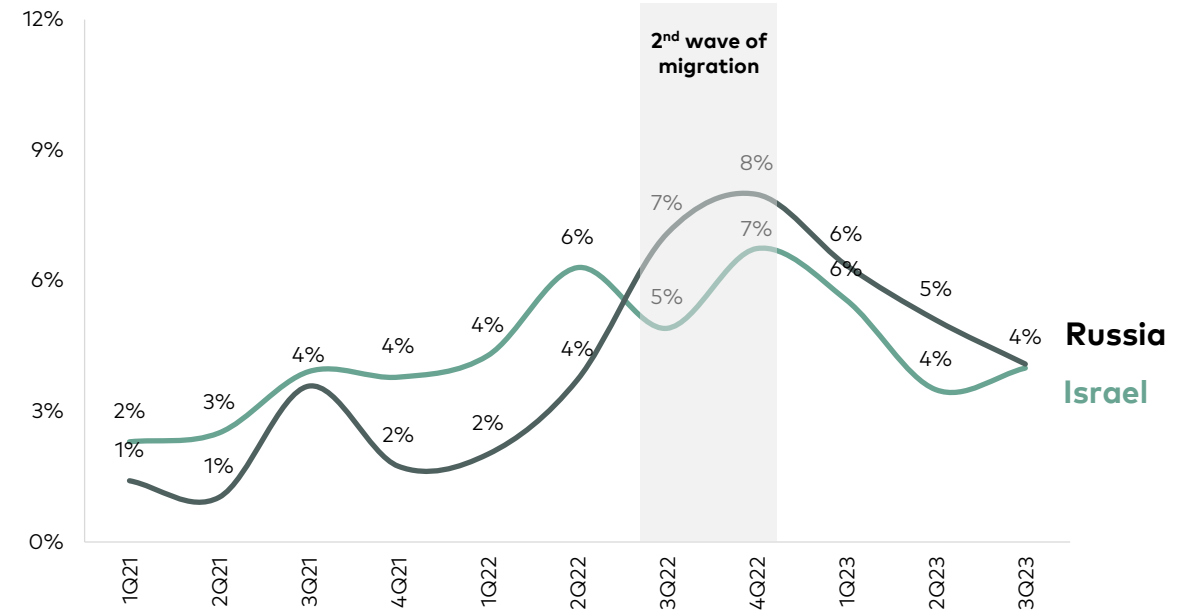
**Number of Russian and Belarusian migrants relocated in Georgia since Mar-22, end of period**



About 90,000 citizens of Russia and Belarus live in Georgia as of today, 77% of whom rent apartments.

Source: German Economic Team, NBG, Galt & Taggart Survey

**Share of Russian and Israeli citizens in real estate sales on a primary market in Tbilisi, survey of selected developers**

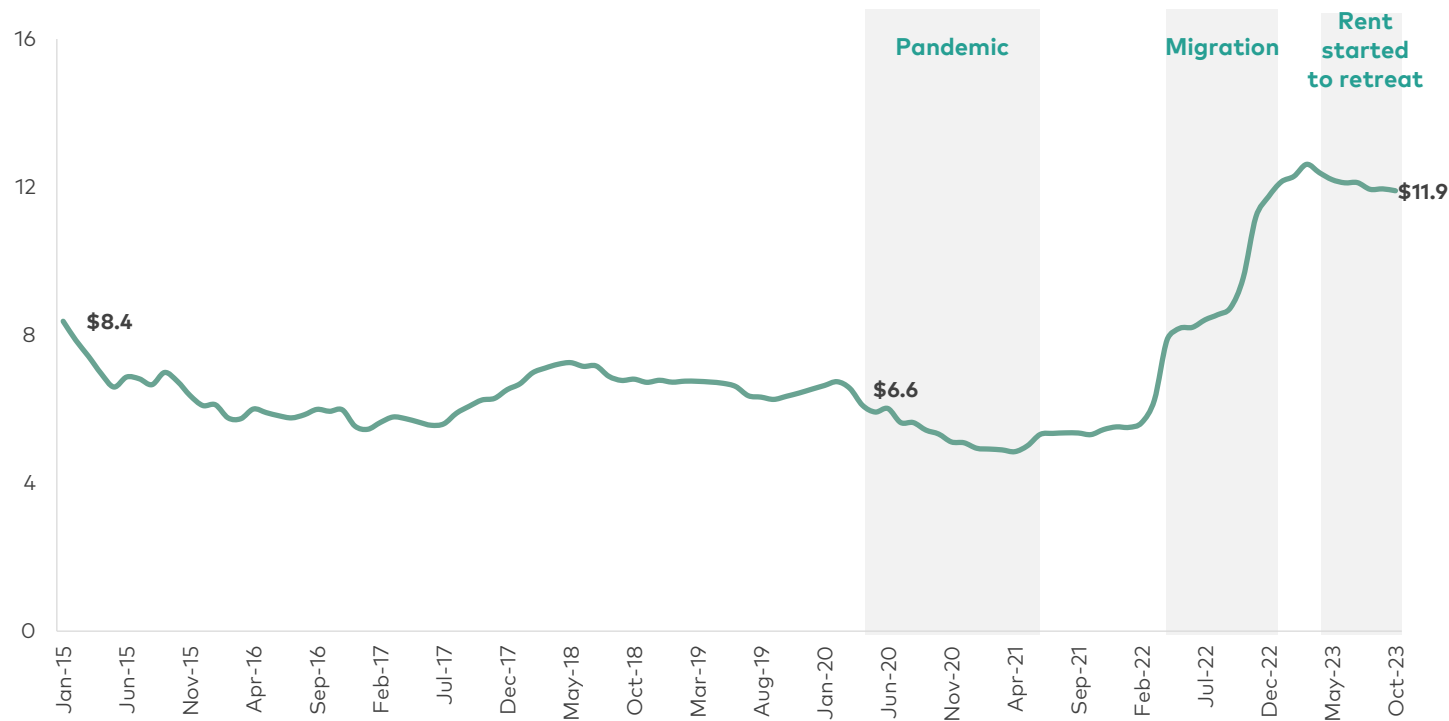


The share of Russian citizens in real estate purchases of selected developers ranges from 3-4%.

## Demand drivers

### Migration waves caused unprecedented increase in rent

Monthly real estate rent in Tbilisi, US\$/sq.m.



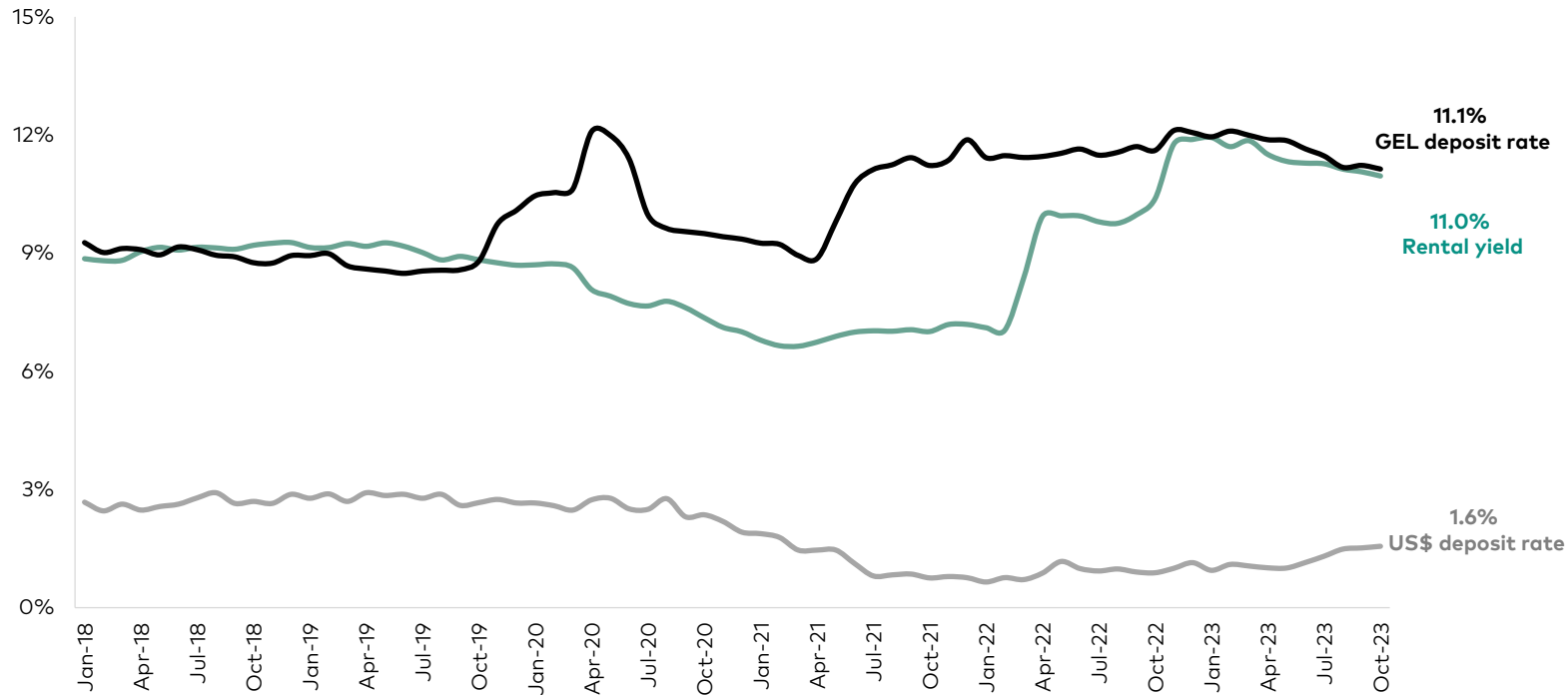
Rents started to retreat since Mar-23 and decreased by 5.7% by Oct-23.

The rents are expected to continue downward trend in the near future.

## Demand drivers

### Rental yields are attractive compared to other investment alternatives

Rental yield vs. alternative investments, %



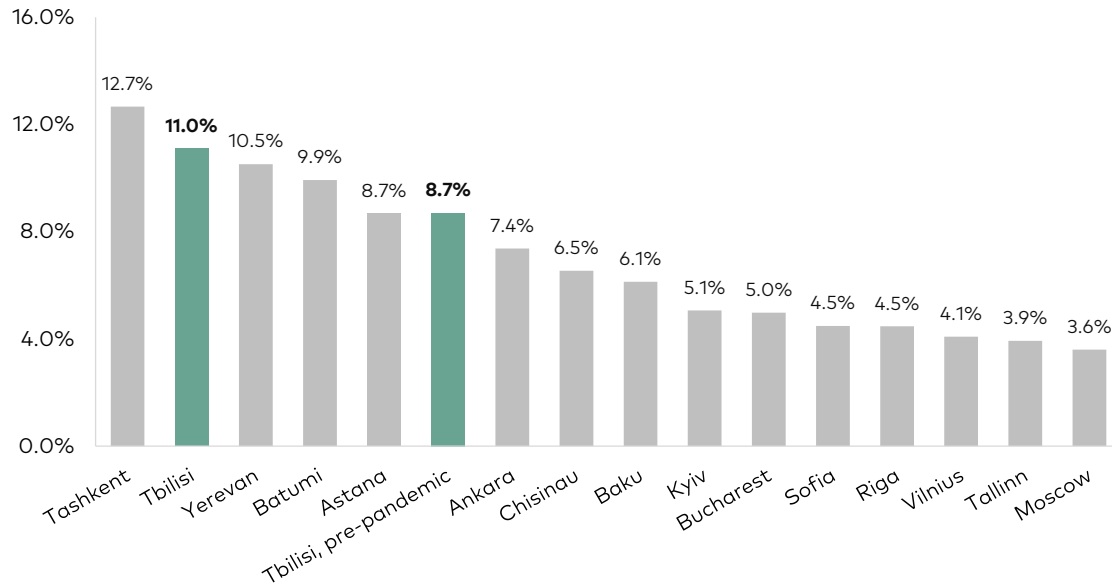
Real estate rental yield reached 11.9% in Mar-23, but has been declining since then to 11.0% by Oct-23.



## Demand drivers

### Rental yield in Tbilisi is higher compared to other cities

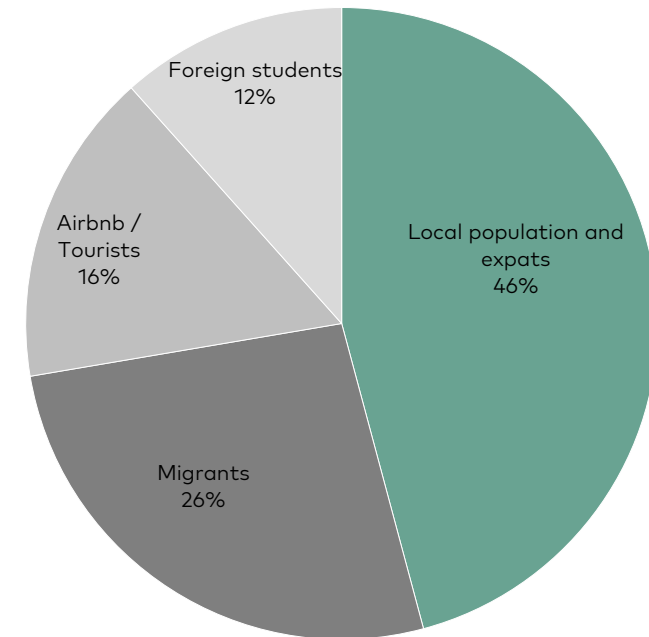
Rental yields by city, Oct-23



Rental yield is high in Tbilisi and in those cities where Russian migrants have moved to live.

Source: Numbeo, NBG, Galt & Taggart Research

Distribution of rented real estate by tenants, Oct-23



The biggest tenants of real estate in Tbilisi are the local population and expats, while the share of migrants is about 26%.



# Real estate sales

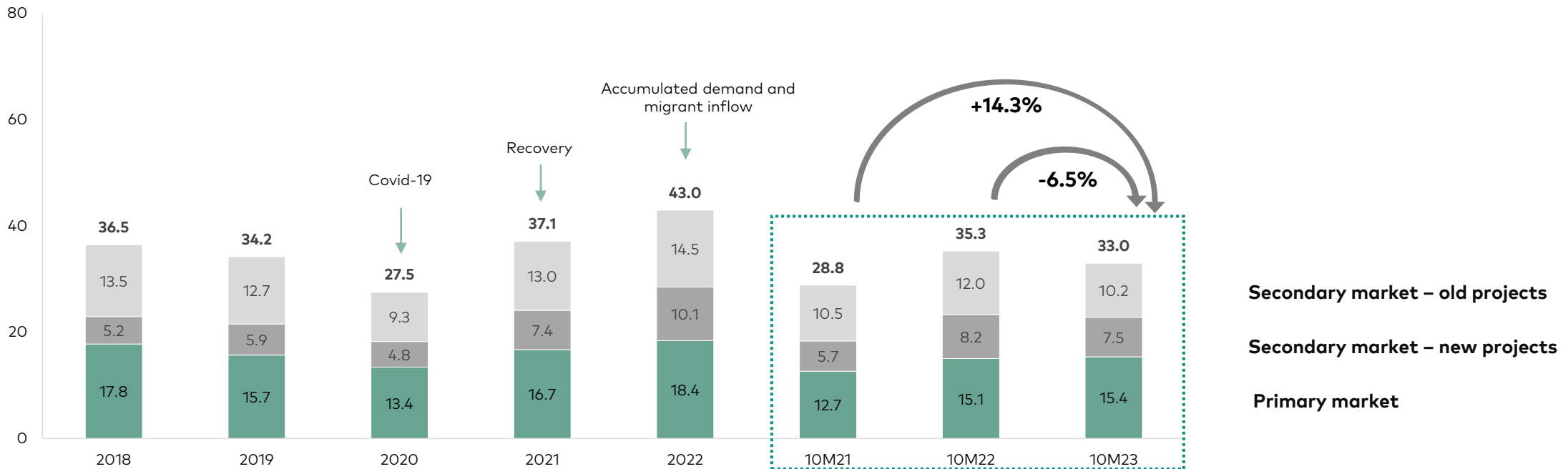
What does the data indicate?



## Real estate sales - Tbilisi

### Real estate sales slowed down after a record year of 2022

Real estate sales dynamics in Tbilisi, '000 units

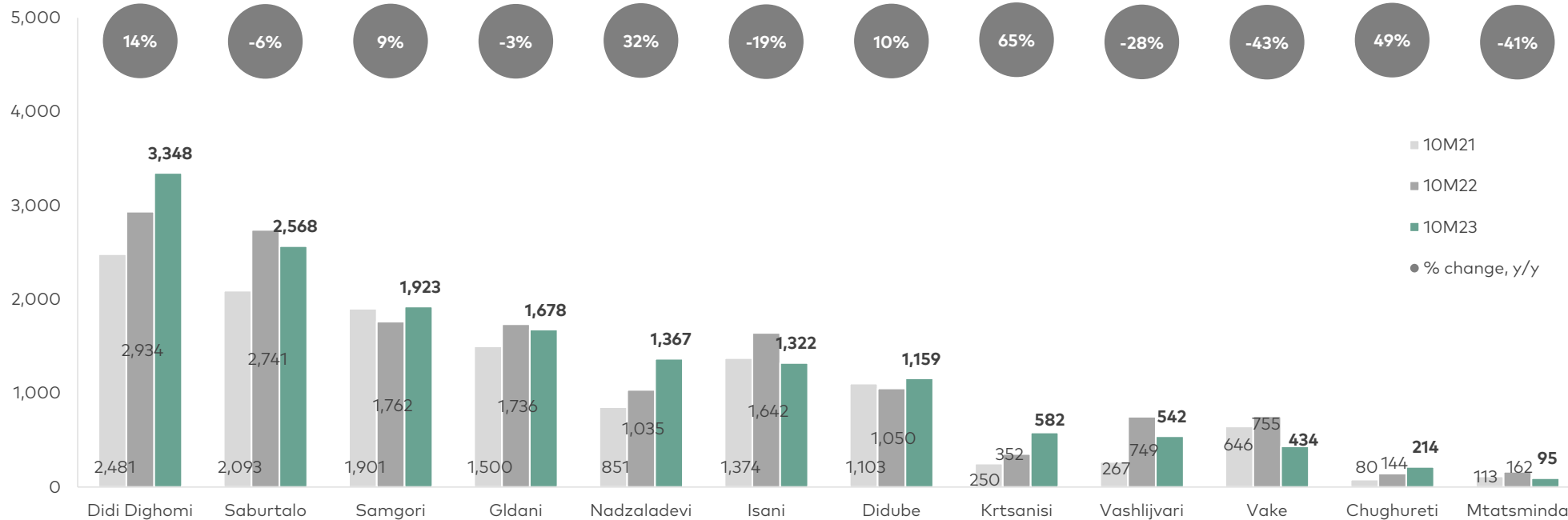


Residential real estate sales slowed down slightly in 10M23. Notably, sales increased on the primary market and declined on the secondary market.

## Real estate sales - Tbilisi

### Didi Dighomi and Saburtalo account for 39% of sales on the primary market

Real estate sales on a primary market by districts, units

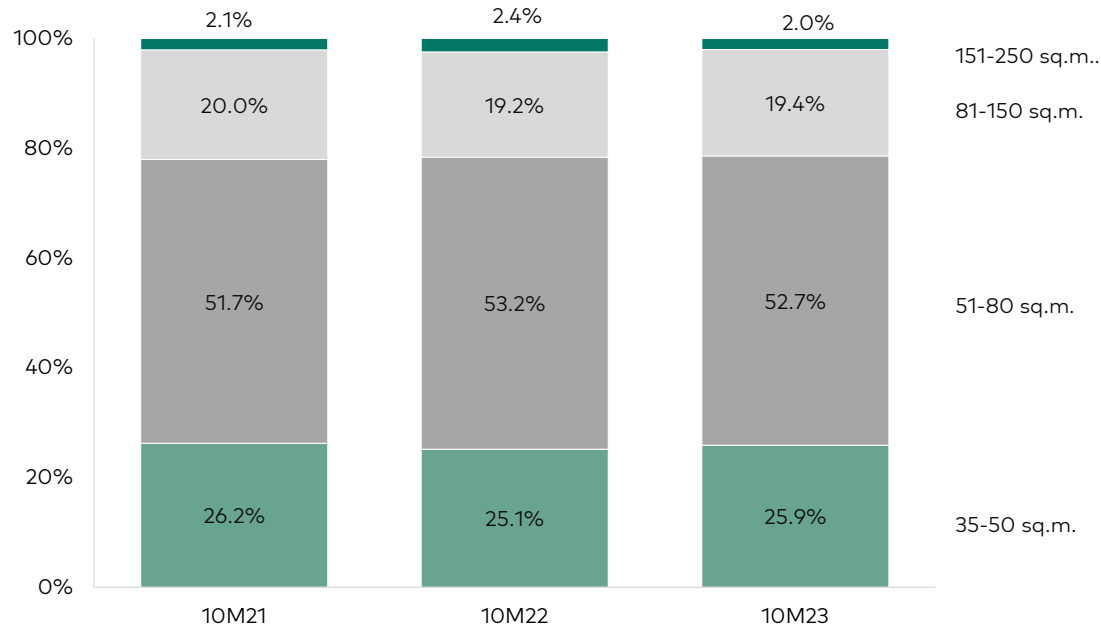


Didi Dighomi and Saburtalo held the largest share in primary sales in 2023, like in previous years. Primary sales in the central districts (Vake, Mtatsminda) are comparably small due to limited supply.

## Real estate sales - Tbilisi

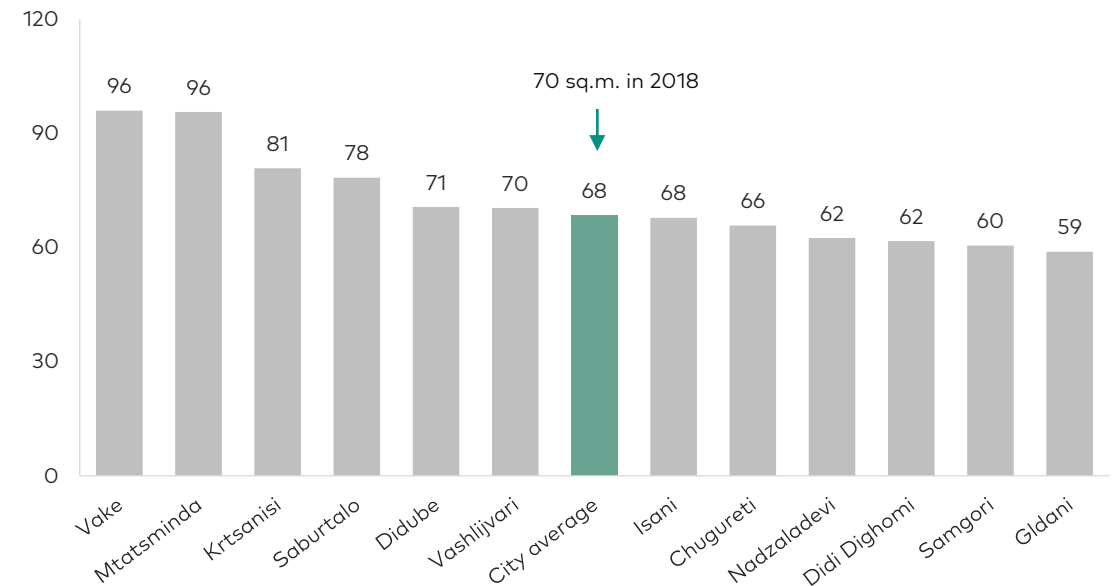
**Small or medium-sized apartment sales account for approximately 80% of total sales on a primary market**

**Real estate sales by size on a primary market, (% of total sales)**



Small and medium-sized apartments are most popular due to affordability, high liquidity and ease of renting.

**Average size of apartments on a primary market by districts in 10M23, sq.m**

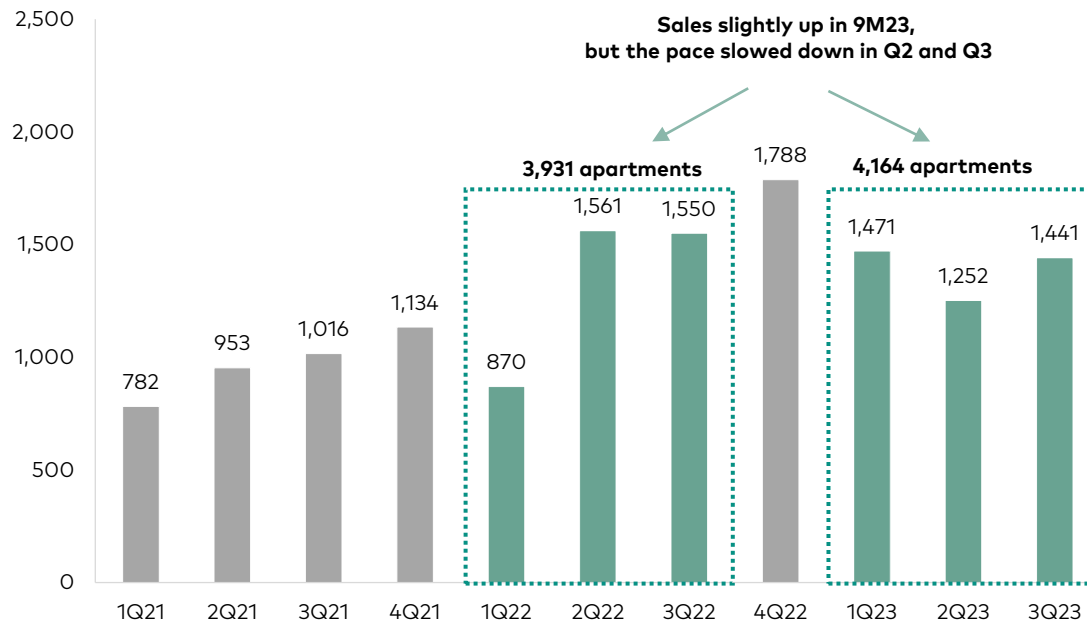


The average size of sold apartments is about 68 sq.m. and varies by districts.

## Survey of developers - Tbilisi

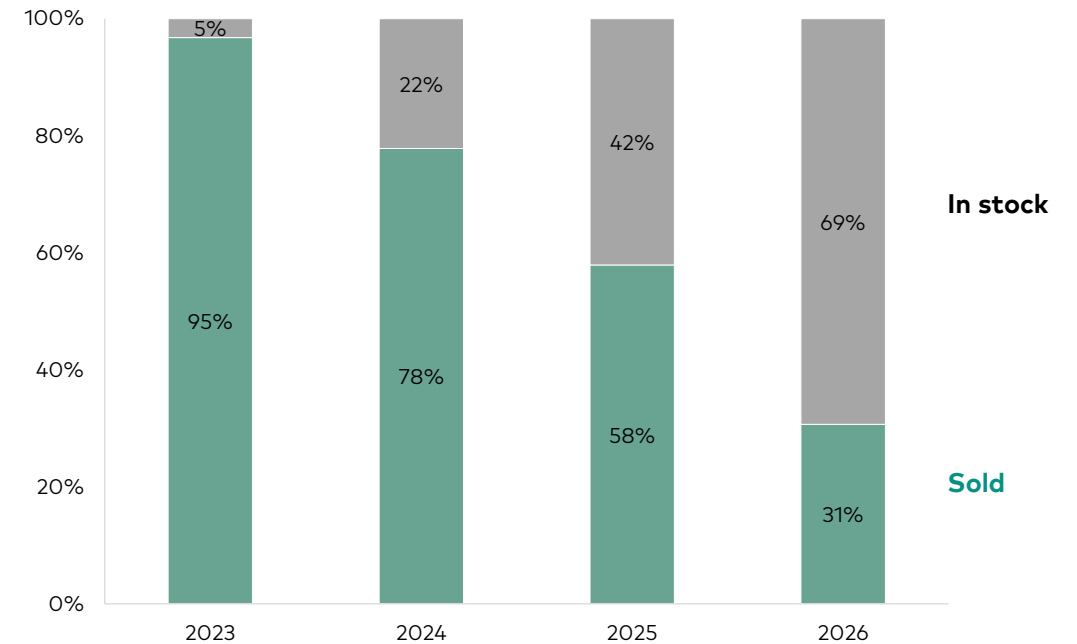
**Galt & Taggart conducted a survey of 15 developers and analyzed sales data of 65 projects. The data indicates stable demand**

**Real estate presales in ongoing projects, survey of selected developers**



9M23 sales highlight the stability of demand.

**Distribution of the housing stock by project completion year and status, survey of selected developers**



Among the surveyed developers and in the projects due for completion in 2024-25, 70% of stock is already sold.



# Supply

**Is there a risk of oversupply on the real estate market?**



## Real estate supply - Tbilisi

### High demand encouraged increase in permit issuance

#### Living area of issued construction permits in Tbilisi\*, mn sq.m.

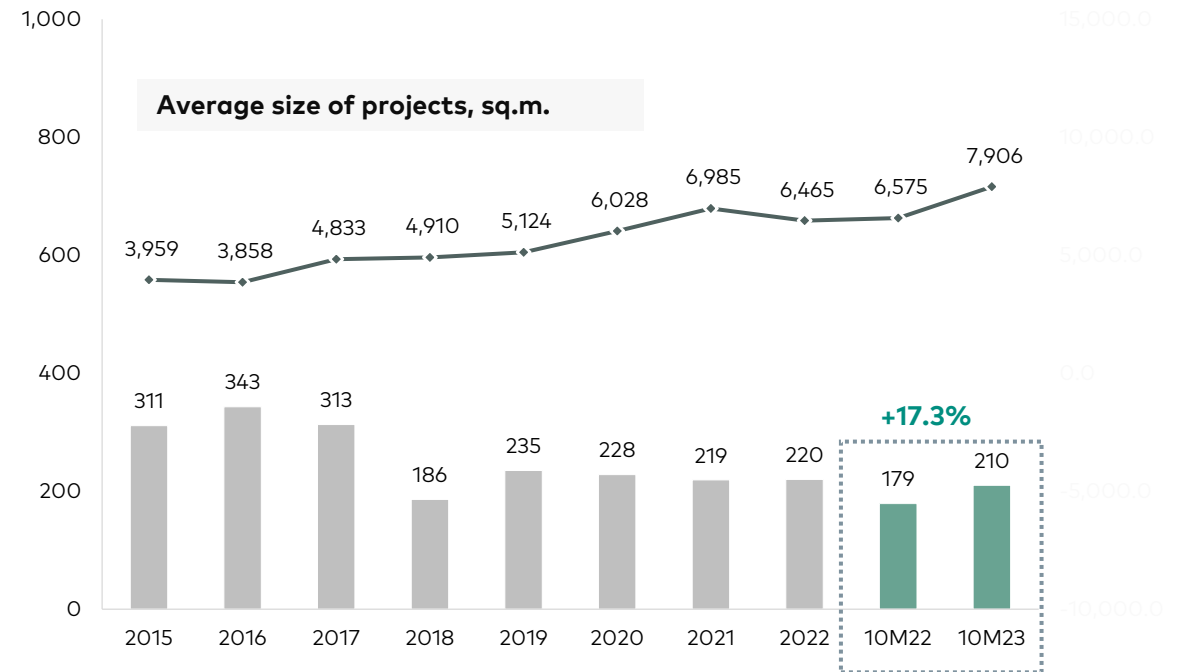


The volume of issued permits reached a record high in 10M23, which is explained by strong demand and regulations.

*Source: TAS, Galt & Taggart Research*

*Note: III and IV category projects. Includes residential and balcony areas*

#### Number of construction permits issued, units



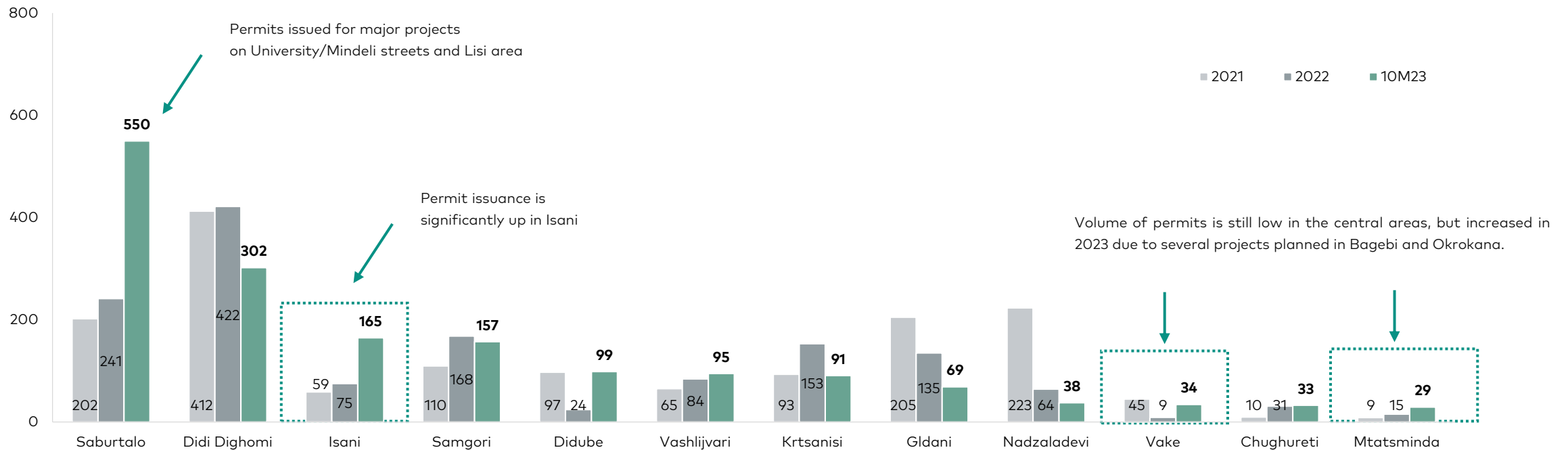
The number of issued permits increased by only 17.3% y/y in 10M23, which highlights significant increase in the average size of projects.



## Real estate supply - Tbilisi

### The issuance of permits increased most significantly in Saburtalo district

Living area in the issued construction permits by districts in Tbilisi, '000 sq.m.



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.



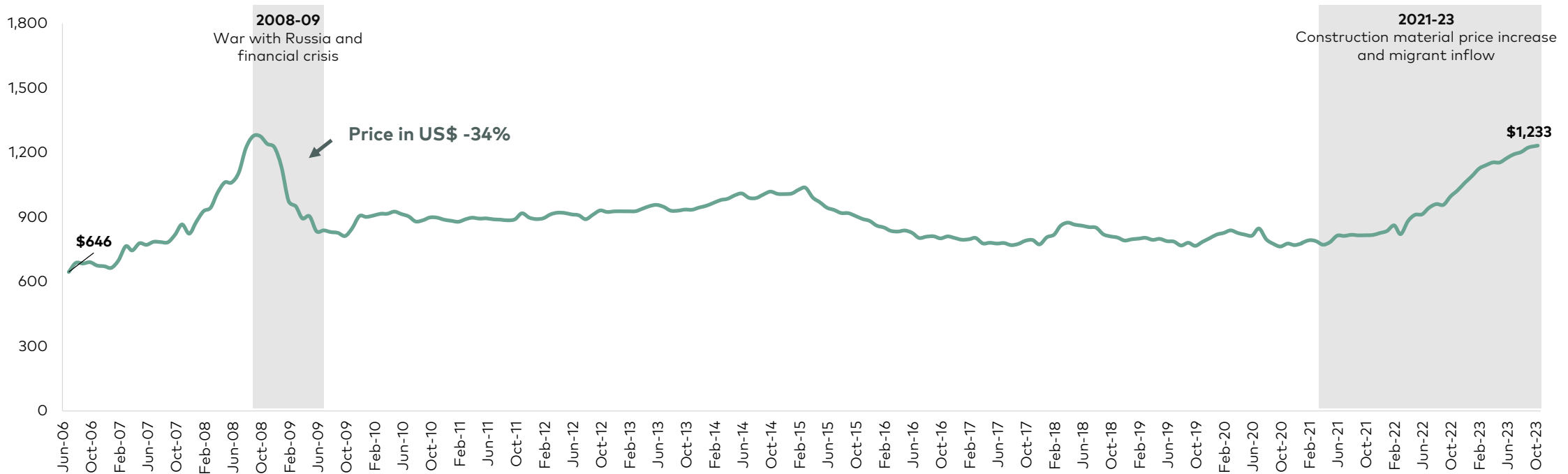
# Prices

What do the real estate prices reflect?



## Real estate prices - Tbilisi

**Residential real estate price in Tbilisi, US\$/sq.m.**

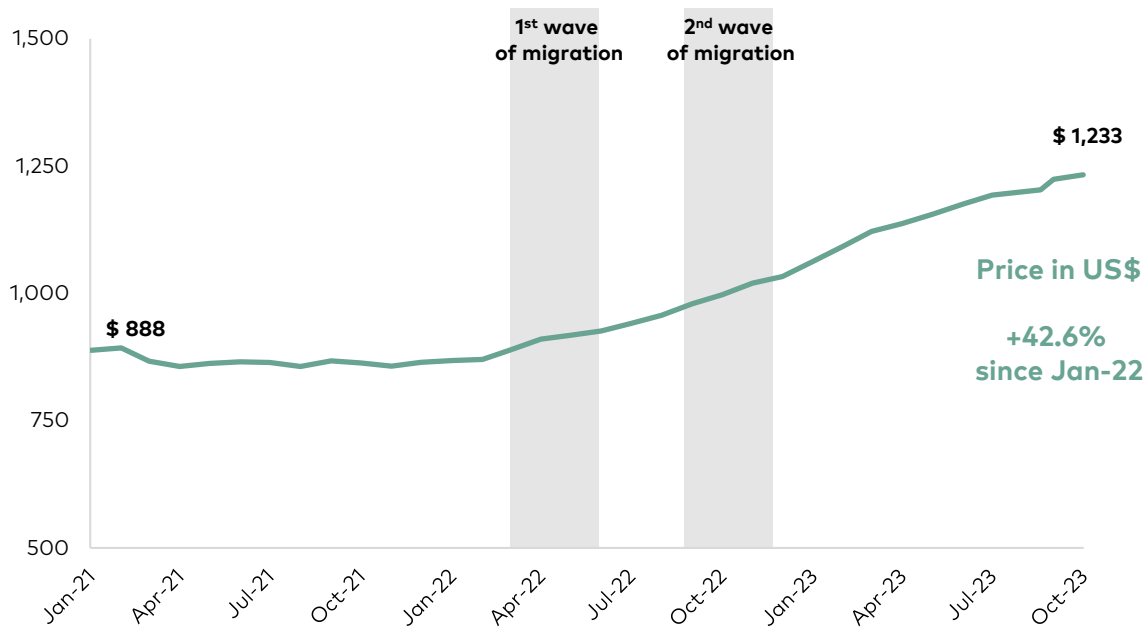


Real estate price was largely stable over 2010-20. Real estate price has risen significantly since 2021 when prices of construction materials began to rise. Additional factor was increased demand fueled by migrant inflow.

## Real estate prices - Tbilisi

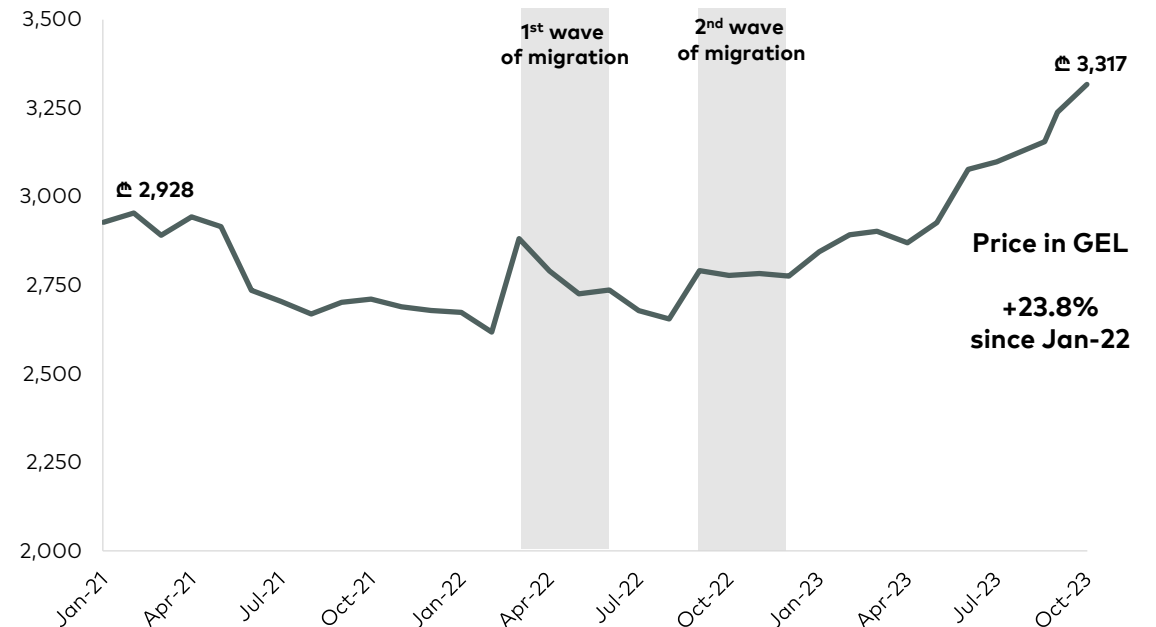
### Real estate prices increased after years of stability

Residential real estate price on a primary market in foreign currency, US\$/sq.m.



Real estate prices on primary market increased by 42.6% since Jan-22 in foreign currency.

Residential real estate price on a primary market in local currency, GEL/sq.m.

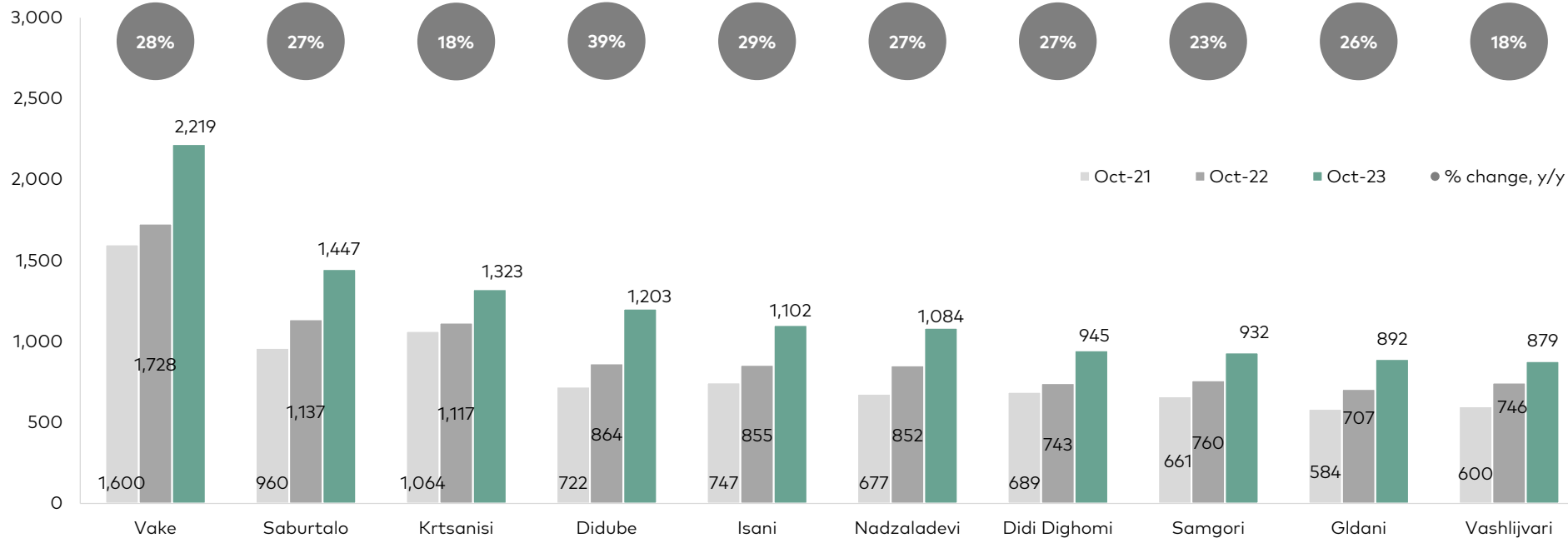


Real estate prices on primary market increased by 23.8% since Jan-22 in local currency.

## Real estate prices - Tbilisi

Prices have increased significantly in all districts of Tbilisi

Real estate prices on a primary market by districts, US\$/sq.m.

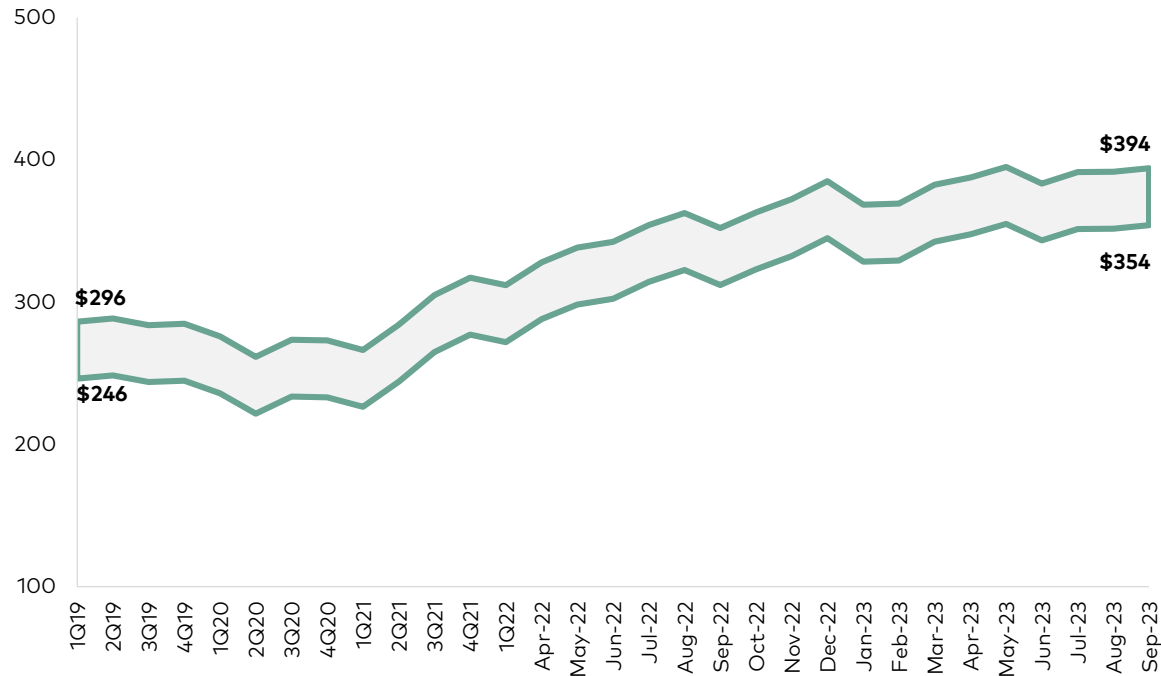


Real estate prices in all districts of Tbilisi increased significantly over 2021-23. Notably, current minimum price is almost \$900, compared to \$600 in 2021.

## Real estate prices - Tbilisi

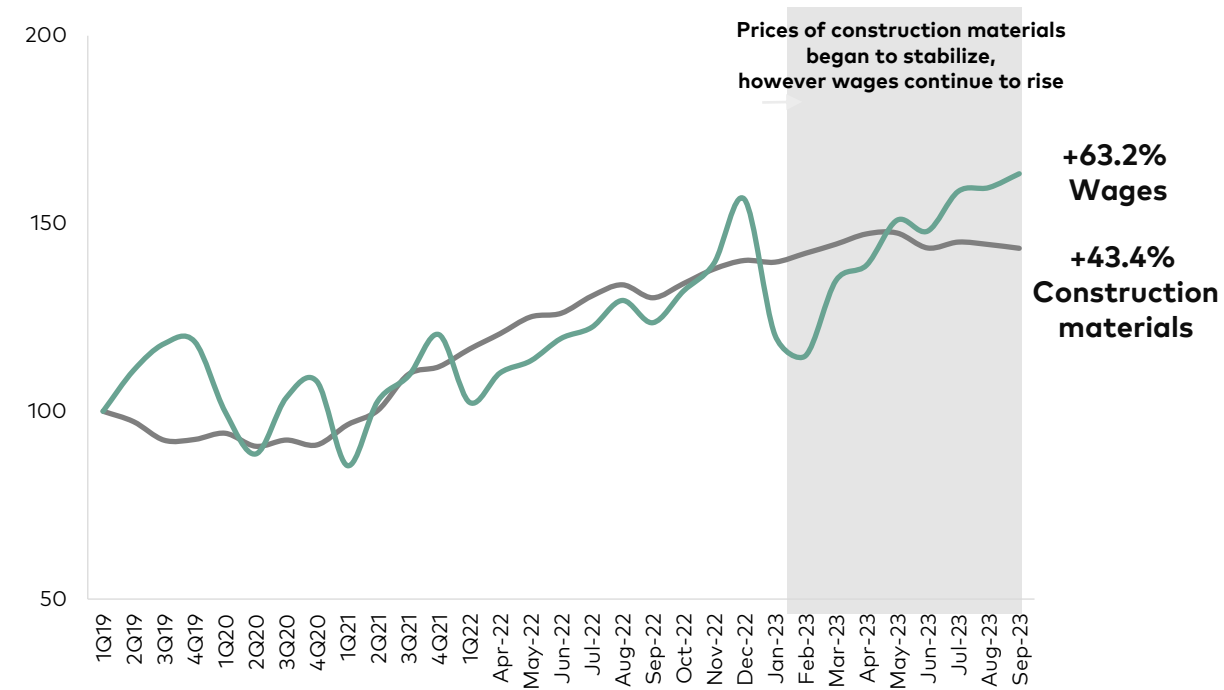
The cost of construction has increased by 43% in the last three years

**Construction cost of white frame condition, US\$/sq.m of building area (including VAT)**



After 2021, the cost of building a white frame condition increased significantly and averages \$354-\$394 per sq.m.

**Construction cost index, 1Q19 = 100**



The cost of construction materials increased by 43.4% and the salary costs increased by 63.2% since the beginning of 2019.

# Key findings

## 1. Are the demand drivers healthy?

Most of the factors are healthy and have a positive affect on growth:

- Urbanization growth
- Shrinking family size
- Income growth
- Attractive investment
- Mortgage rates
- Rental yield
- Migrant outflow

## 2. Is there a risk of oversupply?

At this stage, there is no risk of oversupply:

- Based on our survey of developers, in projects set to be completed in 2023, 95% of apartments are sold, while in 2024-25, the figure is 70%.
- An increase in the issuance of permits in 2023 is noteworthy if the trend continues.

## 3. What do the real estate prices reflect?

Prices have increased due to increased costs of construction and higher demand:

- GEL appreciation mitigated effect of the price increase for buyers.
- In 2024, price stabilization is expected.



# Disclaimer

**Head of Research**  
**Eva Bochorishvili**

[evabochorishvili@gt.ge](mailto:evabochorishvili@gt.ge)

**Head of Sector Research**  
**Kakha Samkurashvili**

[ksamkurashvili@gt.ge](mailto:ksamkurashvili@gt.ge)

**Address:**

3 Pushkini Street, Tbilisi, 0105, Georgia

**Tel:**

+ (995) 32 2401 111

**E-mail:**

[research@gt.ge](mailto:research@gt.ge)

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 or 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, advisers 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.