



GALT & TAGGART
CREATING OPPORTUNITIES

Tbilisi Residential Real Estate

2023 FULL YEAR OVERVIEW

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Key Figures

2021

2022

2023

Sales

of apartments

37,090

42,974

39,949

Primary

16,739

18,441

18,734

Secondary

20,351

24,533

21,215

Price

US\$ / m²

\$862

\$1,038

\$1,259

Rent

US\$ / m²

\$5.3

\$11.3

\$10.7

Permits

'000 m²

1,530

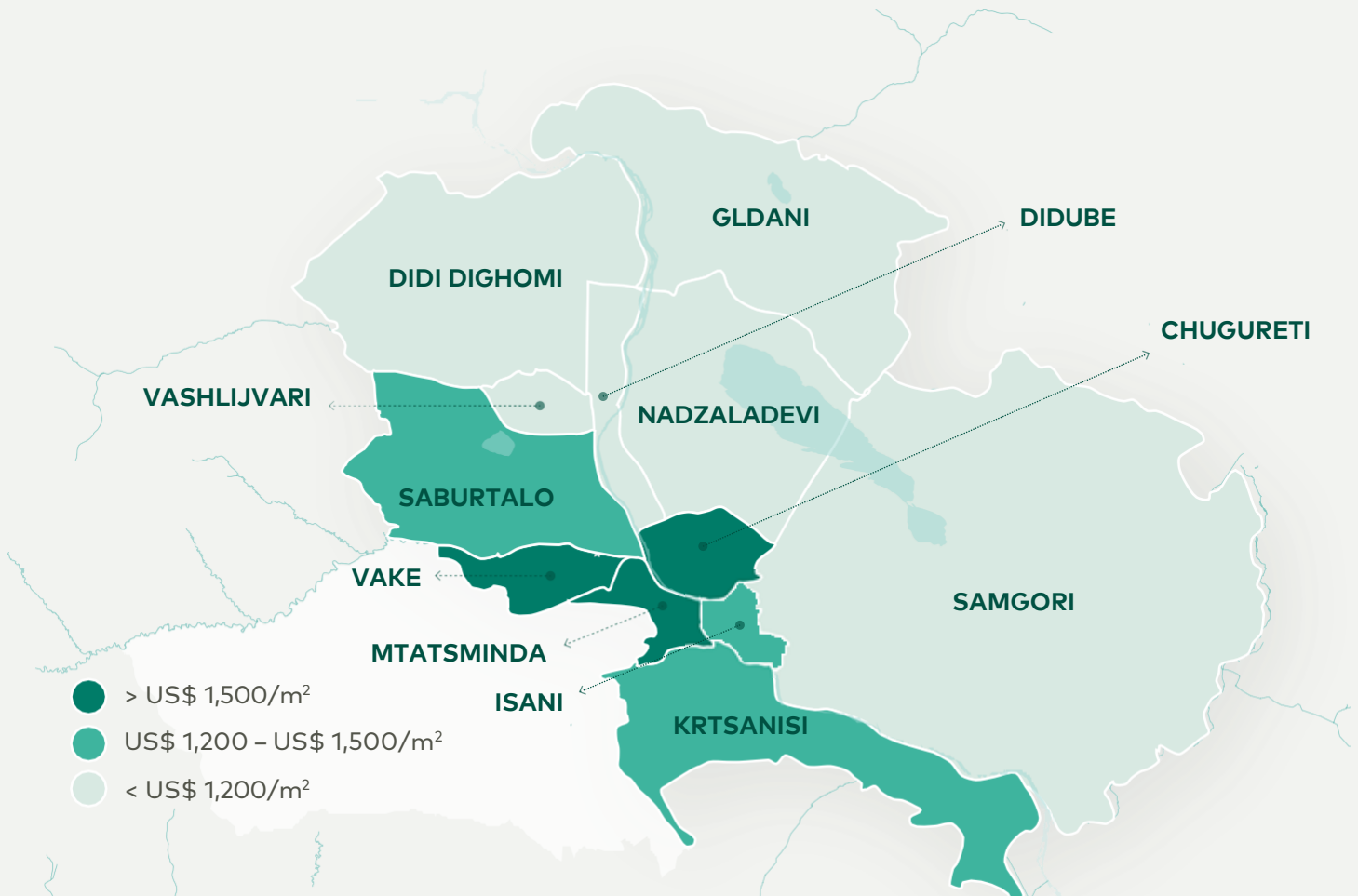
1,422

1,907



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Real estate sale patterns in 2023



MTATSMINDA

Number of sales
779 apartments
Average price
2,580 us\$ / m²
Average rent
14.8 us\$ / m²

VAKE

Number of sales
1,490 apartments
Average price
2,151 us\$ / m²
Average rent
15.9 us\$ / m²

CHUGURETI

Number of sales
1,026 apartments
Average price
1,583 us\$ / m²
Average rent
11.7 us\$ / m²

KRTSANISI

Number of sales
1,372 apartments
Average price
1,466 us\$ / m²
Average rent
12.0 us\$ / m²

SABURTALO

Number of sales
6,956 apartments
Average price
1,445 us\$ / m²
Average rent
12.4 us\$ / m²

ISANI

Number of sales
3,121 apartments
Average price
1,207 us\$ / m²
Average rent
11.1 us\$ / m²

DIDUBE

Number of sales
3,212 apartments
Average price
1,166 us\$ / m²
Average rent
10.3 us\$ / m²

NADZALADEVI

Number of sales
3,700 apartments
Average price
1,103 us\$ / m²
Average rent
9.8 us\$ / m²

DIDI DIGHOMI

Number of sales
6,755 apartments
Average price
965 us\$ / m²
Average rent
8.8 us\$ / m²

SAMGORI

Number of sales
5,797 apartments
Average price
958 us\$ / m²
Average rent
8.6 us\$ / m²

VASHLIJVARI

Number of sales
1,057 apartments
Average price
945 us\$ / m²
Average rent
9.8 us\$ / m²

GLDANI

Number of sales
4,684 apartments
Average price
931 us\$ / m²
Average rent
9.0 us\$ / m²

Note 1: Primary market prices in the end of the year

Note 2: Small sample size for prices in Mtatsminda and Chugureti



2023 overview

Presales from developers

In January 2024, we surveyed 13 systematic developers with 68 ongoing construction projects in Tbilisi. Based on survey results, in 2023, direct purchases of apartments from these developers increased by 4.2% y/y, reflecting uninterrupted demand on the Tbilisi real estate market. Notably, in 4Q23 developer sales surged, surpassing the previous three quarters' average by 21.9%. Additionally, nearly all units in projects completed in 2023 and almost half of the apartments in projects due for completion in 2026-28 are already sold.

Number of transactions

In 2023, the total number of apartments sold in Tbilisi reached 39,949 units, indicating a 7.0% y/y decrease, primarily attributed to record-high 2022 base. However, it still represents a notable 7.7% increase compared to the 2021 level. Notably, this decline in 2023 was entirely driven by a 13.5% y/y decrease in the secondary market, while the primary market posted a 1.6% y/y growth. Reduced demand on the secondary market reflects a cooling migrant effect and stabilizing rental yields, both playing pivotal roles in increased transactions on the secondary market in 2022. Simultaneously, increased number of ongoing development activities in Tbilisi are consistently attracting more demand to the primary market.



Prices

By end-2023, annual growth of apartment prices was twice more for primary market than the secondary one (+21.3% and +10.0% y/y, respectively). Importantly, from January 2022 till today, primary market prices saw a substantial rise of 45.2%, outpacing the growth observed in the secondary market (+30.7% for new and +17.5% for old apartments). Notable increase in apartment prices was due to increased construction costs and a rapid surge in demand driven by migrants, which has since stabilized. By end-2021, buyers in Tbilisi could secure apartments at \$600/m², but the minimum benchmark has now risen to \$900/m².

Market size

In 2023, the real estate market size experienced a significant 9.9% y/y increase, reaching US\$ 2.9bn, despite reduced sales. This growth was predominantly fueled by the rising prices in the primary market.

Rent

By end-2023, rent for an average apartment (50-60 m²) in Tbilisi stood at US\$ 10.7/m². Despite 5.1% y/y decrease, this rate remains twice as high as the 2021 level. With stabilized fundamentals, we expect rental yield to converge to its healthy level of 8-10% in 2024.

Construction permits

In 2023, 255 construction permits were issued for residential projects, with total living area of 1.9mn m² (+34.1% y/y). Notable surge in permitted area was recorded in Saburtalo, Isani and Didube districts (+153.0%, +167.5% and +344.1% y/y, respectively).



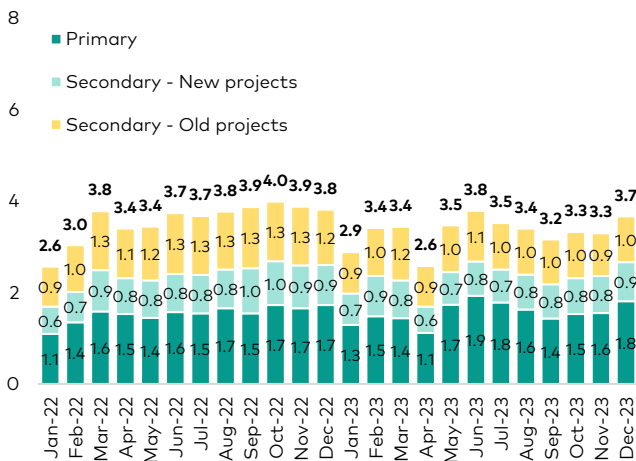
Sales

Methodological note - we divide real estate sales into 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 4.0% y/y due to last year's high base and up 11.1% m/m in Dec-23



Source: NAPR, Galt & Taggart Research

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

In 2023, apartment sales experienced a 7.0% y/y decrease due to record high 2022 base, while staying elevated by 7.7% vs 2021

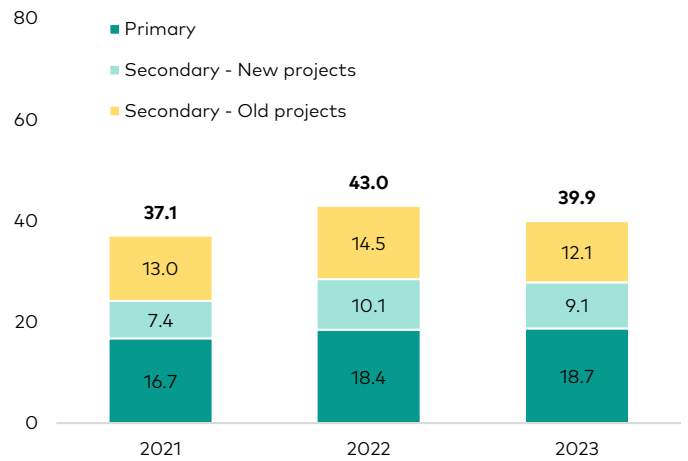
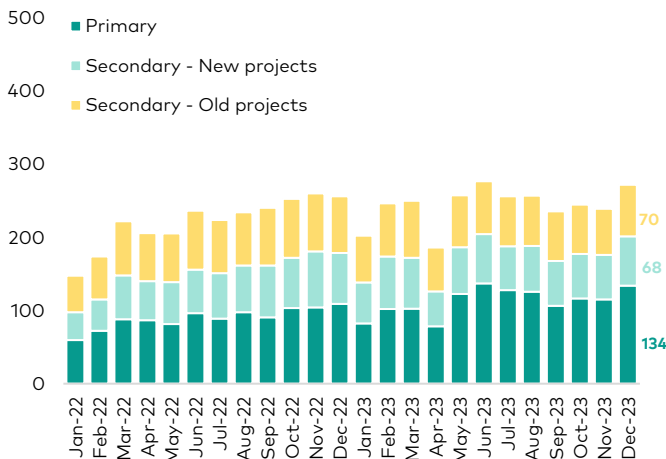


Figure 3: Monthly real estate market size, US\$ mn

Real estate market size was up 6.1% y/y (or 13.8% m/m) in Dec-23



Source: NAPR, Galt & Taggart Research

Figure 4: Cumulative real estate market size, US\$ mn

In 2023, real estate market size was up 9.9% y/y, despite decreased annual sales, driven by price growth

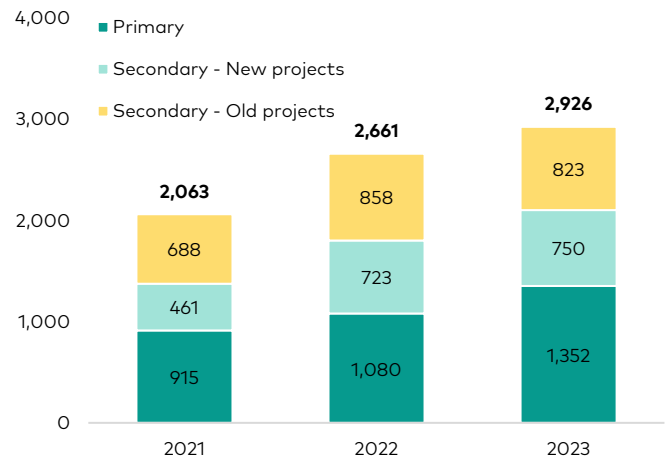
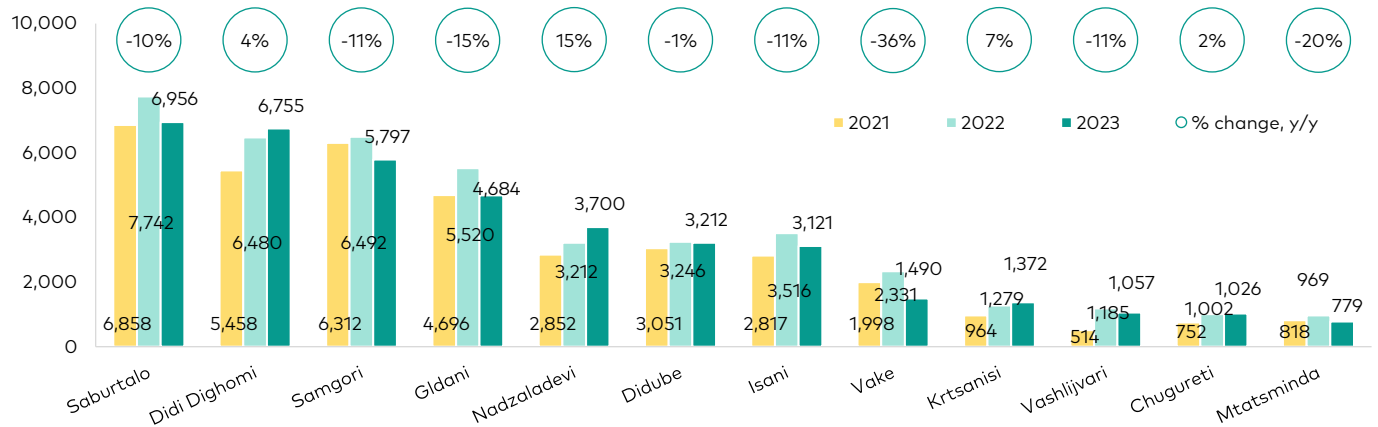




Figure 5: Number of sold apartments by districts

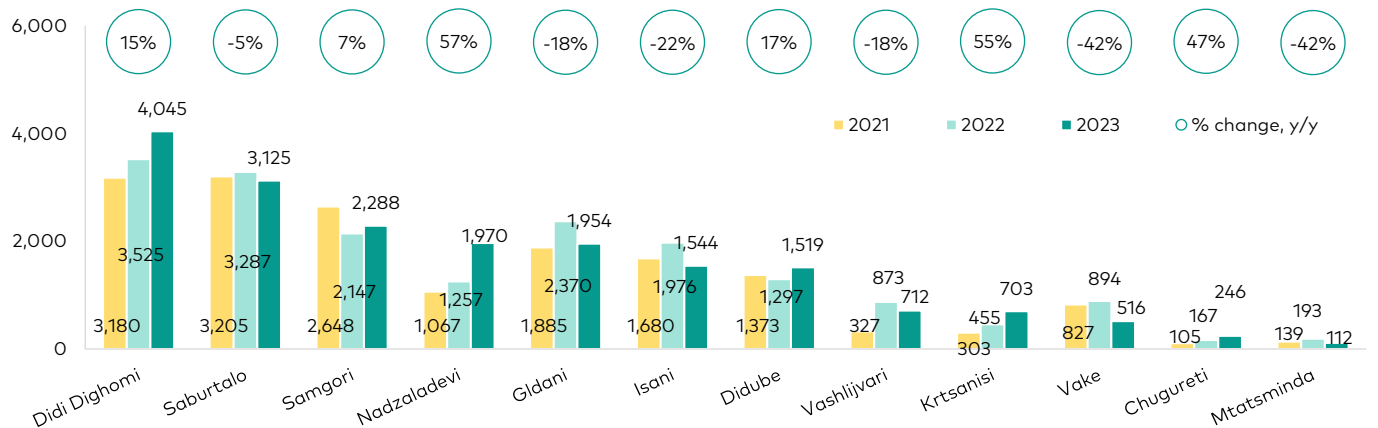
Sales in central districts decreased the most (-16.5% y/y), while wide central districts experienced a slight growth (+0.4% y/y)



Source: NAPR, Galt & Taggart Research

Figure 6: Number of sold apartments on the primary market by districts

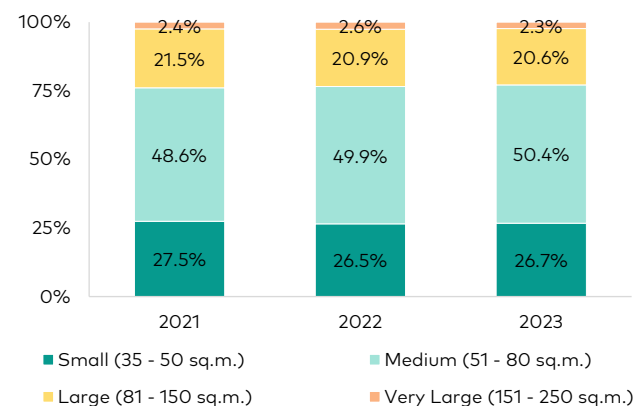
Apartment sales on the primary market surged in Nadzaladevi and Krtsanisi



Source: NAPR, Galt & Taggart Research

Figure 7: Real estate sales by size, (% of total apartments sold)

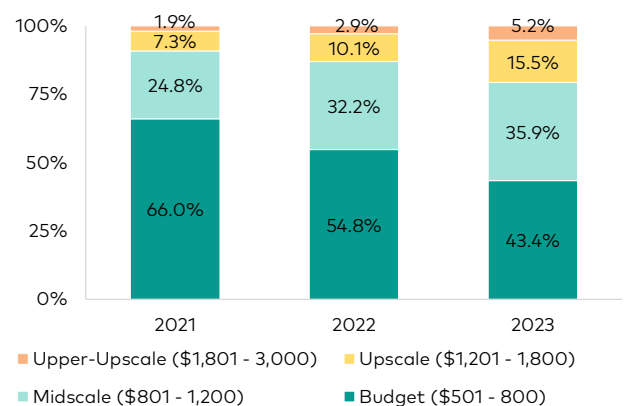
Medium-sized (51-80 m²) apartments remained the most prevalent throughout the year



Source: NAPR, Galt & Taggart Research

Figure 8: Real estate sales by segments, (% of total apartments sold)

The trend towards a growing share of apartment sales in the higher-end segment persisted throughout 2023





Presales from developers

Box 1: Results of Galt & Taggart survey of systematic developers

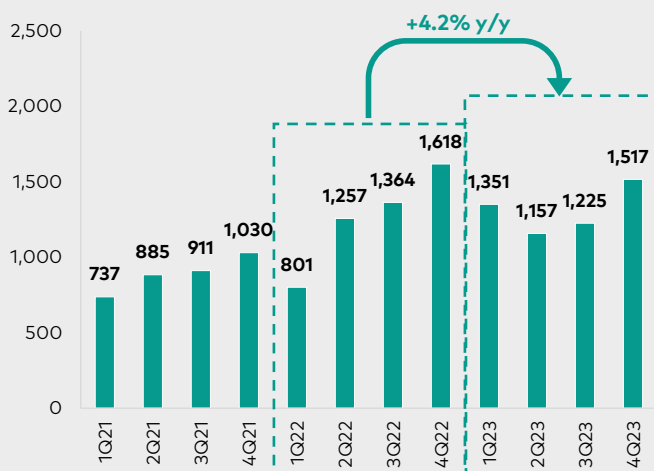
In January 2024, we conducted a survey of 13 systematic developers with 68 ongoing construction projects in Tbilisi. The aim was to address delays in the registration of apartment sales on the primary market and stay informed about the real time market trends.

Based on survey results:

- In 2023, total apartments bought directly from surveyed developers increased by 4.2% y/y, highlighting uninterrupted demand on Tbilisi real estate market.
- Developer sales surged in 2Q22 and continued on an upward trajectory throughout 2022. Following a period of stabilization in 1Q-3Q 2023, sales increased again in 4Q23, surpassing the previous three quarters' average by a substantial 21.9%.
- Nearly all units have been sold among the projects completed in 2023. Moreover, in the projects due for completion in 2026-28, almost half of the apartments are already sold out.

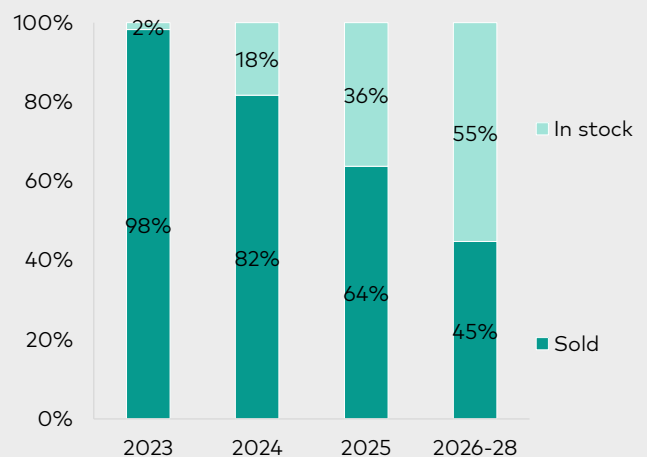
The data will be updated quarterly.

Figure 9: Number of presold apartments in ongoing projects, survey of selected developers



Source: Galt & Taggart Survey

Figure 10: Distribution of the housing stock by project completion year and status, survey of selected developers

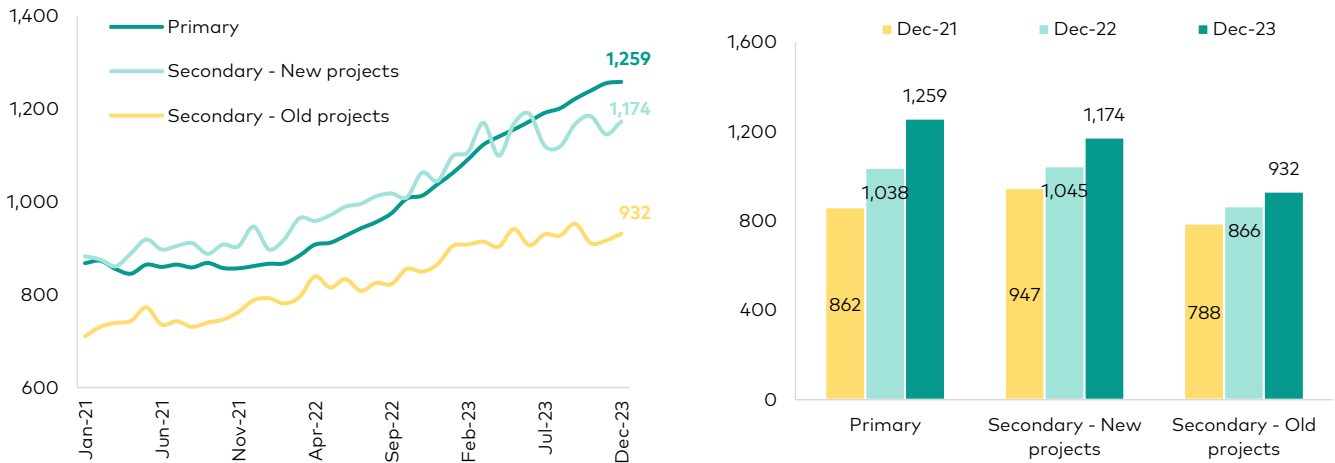




Prices

Figure 11: Real estate weighted average prices by type, US\$/m²

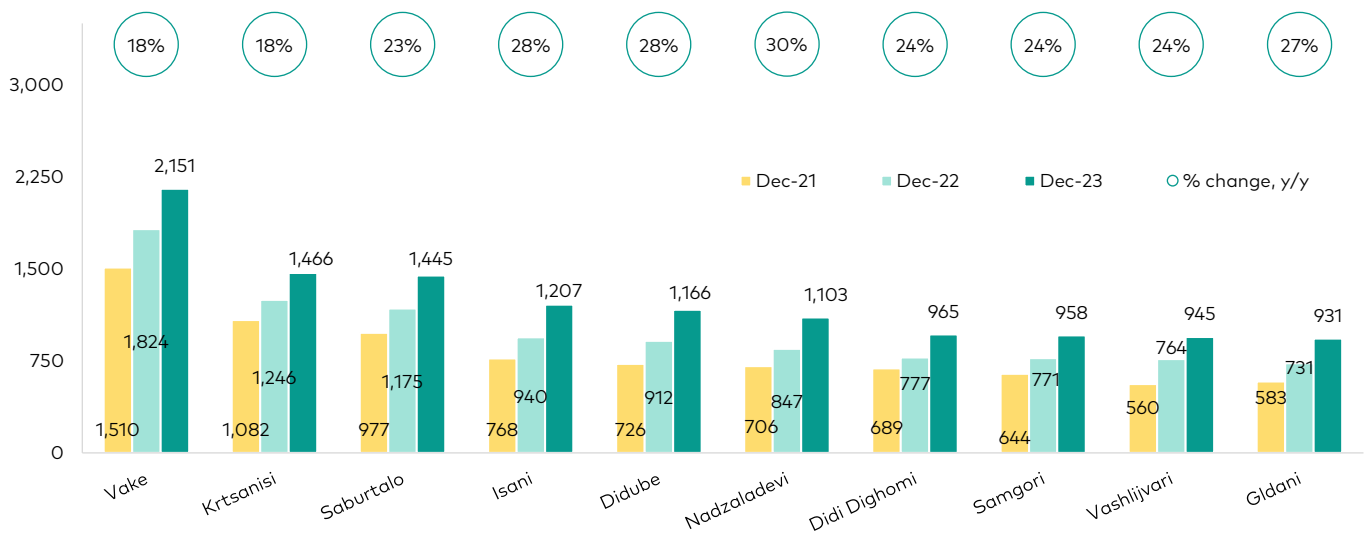
By end-2023, annual growth of apartment prices was twice more for primary market than the secondary one (+21.3% an +10.0% y/y, respectively)



Source: NAPR, Galt & Taggart Research

Figure 12: Real estate prices on primary market for white frame apartments by districts, US\$/m²

There is a continuing double-digit annual price growth on the primary market in every district of Tbilisi



Source: Galt & Taggart Research

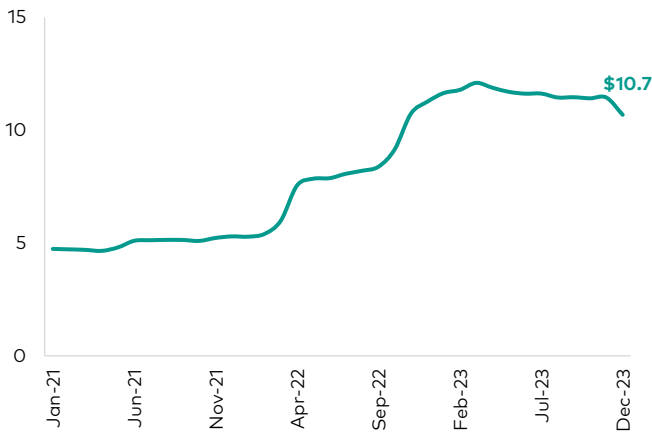
Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples (less than 5 projects in each of the districts)



Rents

Figure 13: Real estate weighted average rent price in Tbilisi, US\$/m²

Rents are on the downward trajectory (-6.7% m/m) on the way to converging to healthier levels



Source: NBG, Galt & Taggart Research

Note: Rents displayed are for 50-60 m² new apartments in Tbilisi

Figure 14: Real estate weighted average rent prices by districts in Dec-23, US\$/m²

Central districts have the highest rent price, followed by wide central areas

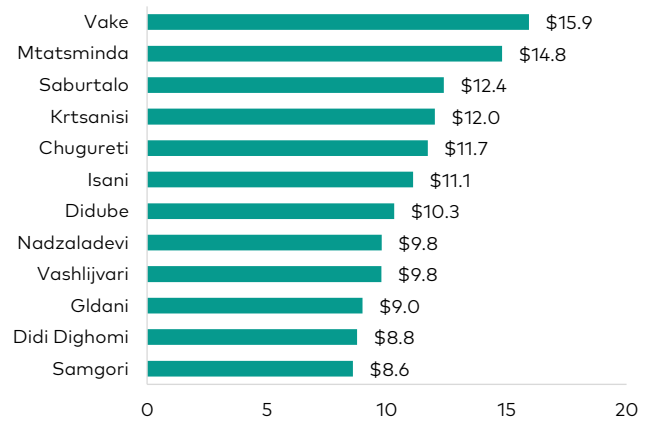
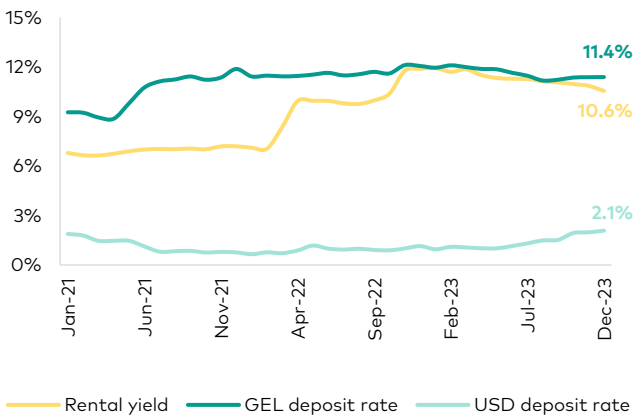


Figure 15: Real estate rental yield and deposit rates

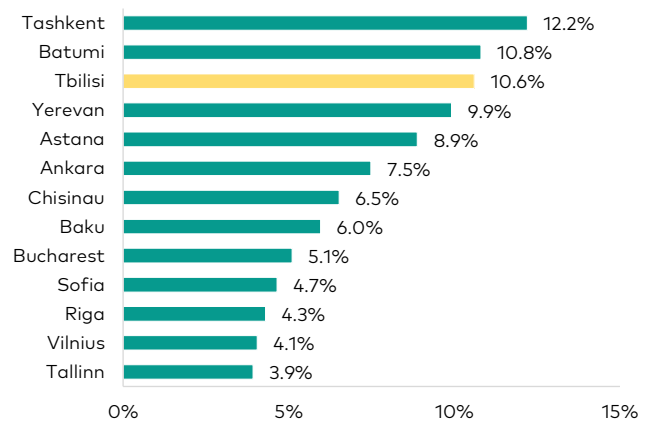
Small gap between rental yield and GEL deposit rate



Source: NBG

Figure 16: Rental yield outside city center, Dec-23

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



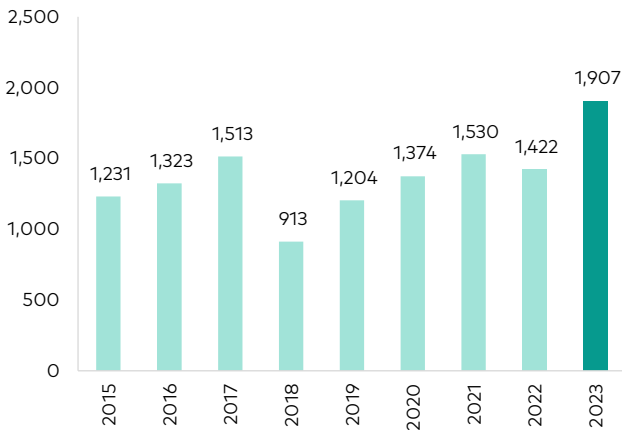
Source: Numbeo



Construction permits

Figure 17: Area of construction permits issued for residential real estate in Tbilisi, '000 m²

2023 was a record-setting year in terms of the total living area permitted in residential projects (+34.1% y/y)



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

Figure 18: Number of construction permits issued for residential real estate in Tbilisi

Permitted area has been increasing faster than the number of permits (+15.9% y/y), suggesting larger average sizes of projects

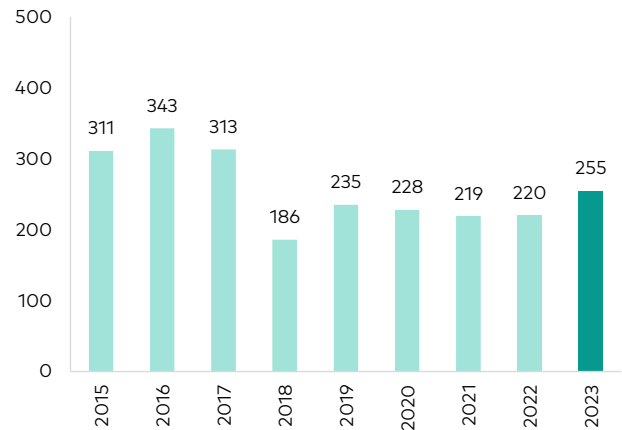
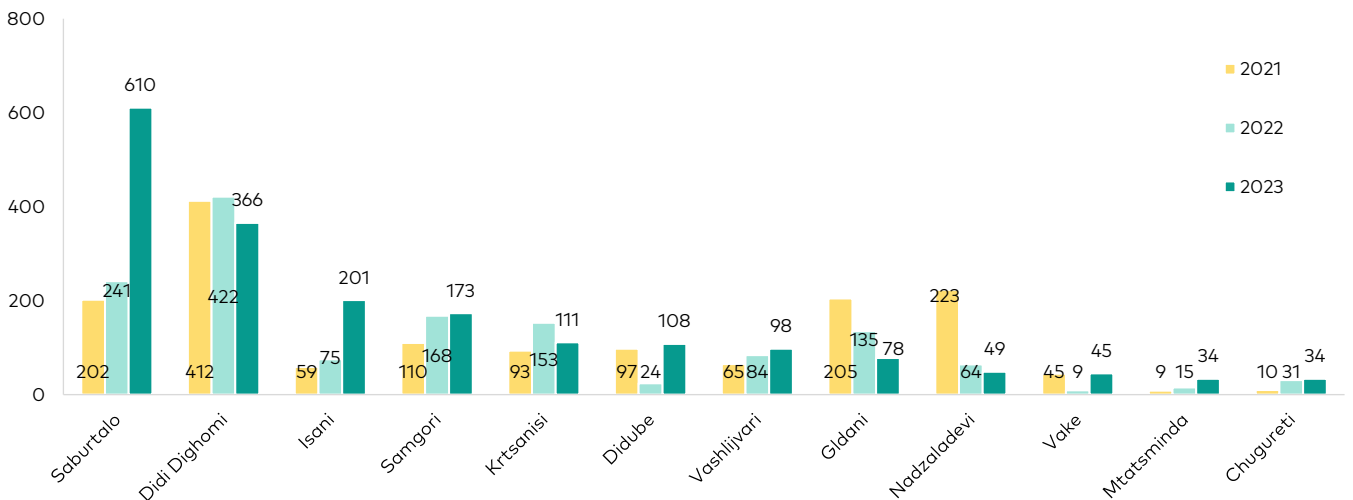


Figure 19: Area of construction permits issued for residential real estate by districts, '000 m²

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



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



Annex - districts

Table 1: Real estate sales by districts – value, number and area, 2023

Saburtalo remained most attractive residential district, with 6,956 apartments sold with market value of US\$ 713.4mn

District	Value (mn US\$)	Number ('000)	Area ('000 m ²)
Saburtalo	713.4	7.0	540.5
Didi Dighomi	391.7	6.8	417.5
Samgori	312.9	5.8	360.3
Gldani	244.8	4.7	285.9
Vake	238.2	1.5	143.0
Nadzaladevi	235.1	3.7	236.6
Didube	217.8	3.2	218.1
Isani	202.6	3.1	201.8
Krtsanisi	123.9	1.4	100.1
Mtatsminda	101.4	0.8	67.3
Chugureti	73.8	1.0	71.6
Vashlijvari	70.0	1.1	79.2

Source: NAPR, Galt & Taggart Research

Table 2: Real estate weighted average prices by districts in Dec-23, US\$/m²

Vake and Mtatsminda remain the most expensive residential districts

District	Primary market	Secondary market New projects	Secondary market Old projects
Vake	2,151	1,829	1,399
Mtatsminda		1,752	1,406
Saburtalo	1,445	1,479	984
Chugureti		1,465	768
Krtsanisi	1,466	1,417	869
Didube	1,166	1,079	856
Nadzaladevi	1,103	1,058	787
Vashlijvari	945	1,029	841
Didi Dighomi	965	999	662
Isani	1,207	984	844
Gldani	931	936	755
Samgori	958	928	750

Source: NAPR, Galt & Taggart Research

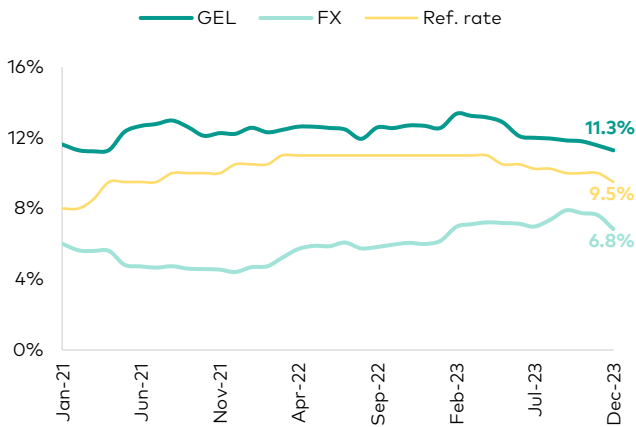
Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples (less than 5 projects in each of the districts)



Annex – mortgage & construction costs

Figure 20: 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 21: Share of mortgages in total sales value

Mortgages accounted for 22.3% of sales value in Nov-23, as majority of sales were financed by inner instalments schemes

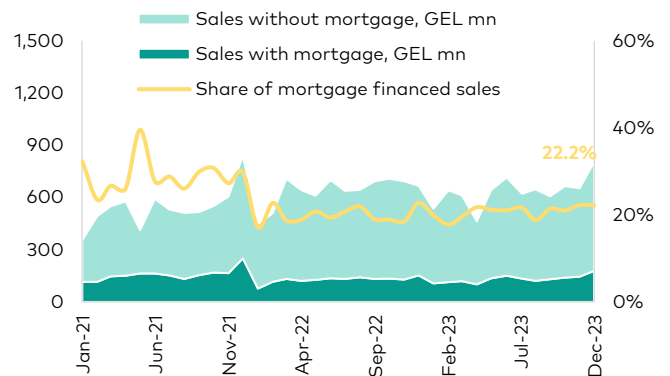
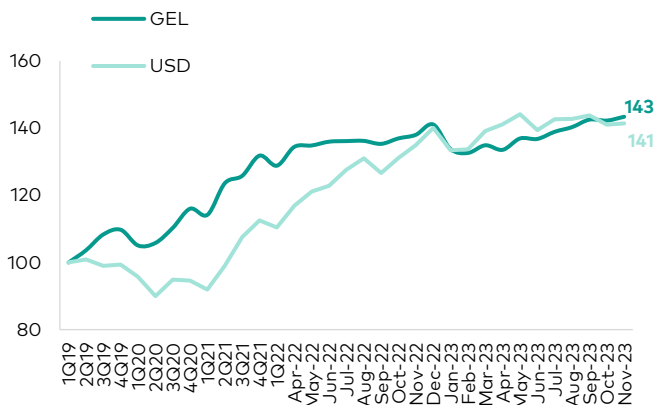


Figure 22: Construction cost index, 1Q19=100

In Nov-23 construction costs increased by 4.7% y/y in US\$ and by 3.9% y/y in GEL

Pressure of increasing construction costs for developers stabilized, slowing down growth of apartment prices as well



	y/y growth Nov-23, US\$	y/y growth Nov-23, GEL
Total construction cost	4.7%	3.9%
Construction materials	3.0%	2.2%
Wages	12.2%	11.3%
Machinery	7.7%	6.9%
Transportation, fuel and electricity	-4.1%	-4.9%
Other costs	0.9%	0.1%

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



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