GALT & TAGGART
CREATING OPPORTUNITIES

Tbilisi Residential Real Estate

MAY 2024 UPDATE

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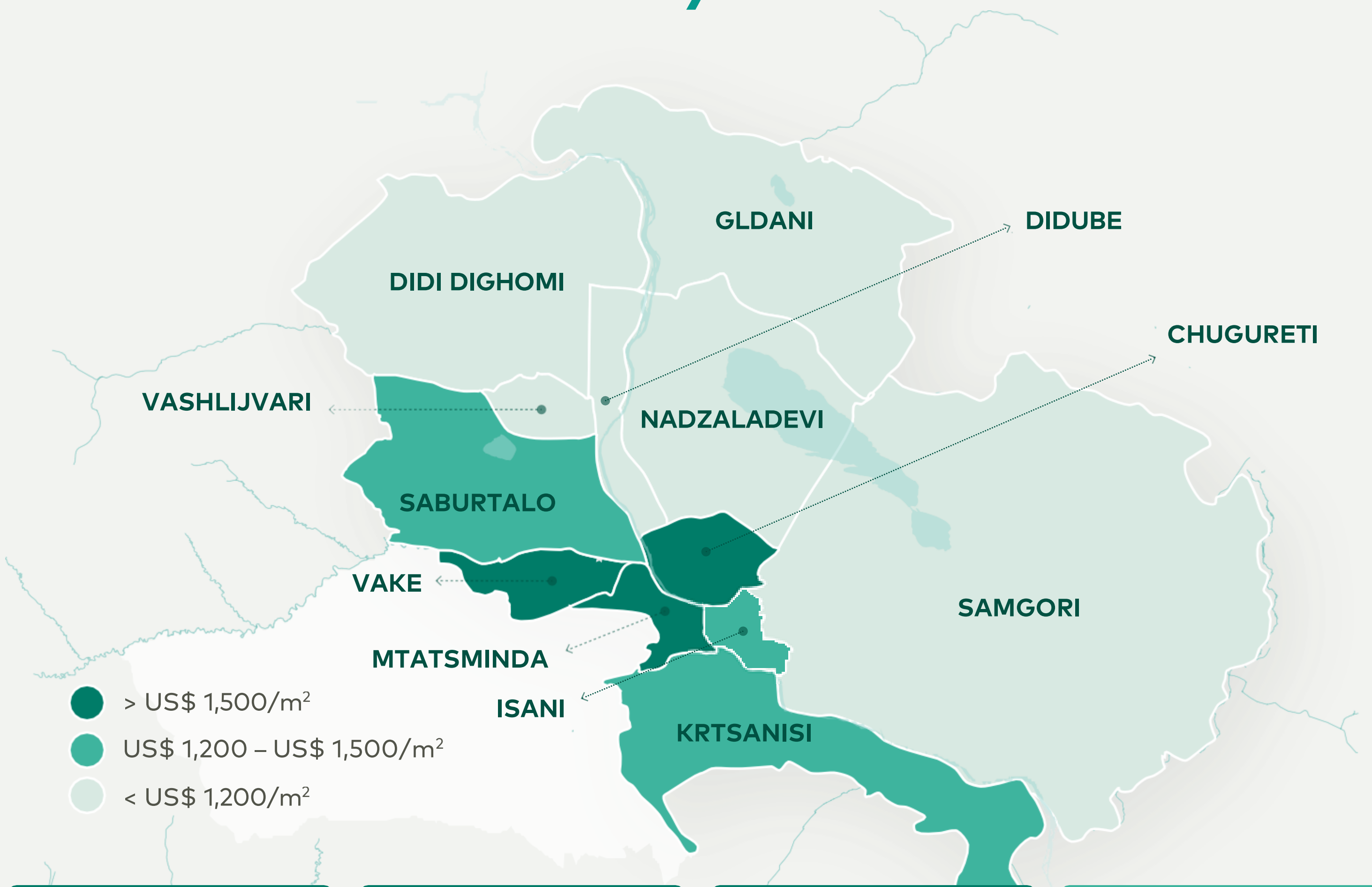
Key Figures

	May-22	May-23	May-24
Sales # of apartments	3,441	3,470	3,197
Primary	1,445	1,734	1,605
Secondary	1,996	1,736	1,592
Price US$ / m²	$923	$1,117	$1,270
Rent US$ / m²	$7.8	$11.7	$9.9
Permits '000 m²	46.9	229.0	248.2

Real estate sale patterns in May 2024



MTATSMINDA
Number of sales
57 apartments
Average price
2,938 us$ / m²
Average rent
14.4 us$ / m²

VAKE
Number of sales
69 apartments
Average price
2,327 us$ / m²
Average rent
15.8 us$ / m²

CHUGURETI
Number of sales
77 apartments
Average price
1,610 us$ / m²
Average rent
11.0 us$ / m²

SABURTALO
Number of sales
543 apartments
Average price
1,489 us$ / m2
Average rent
12.0 us$ / m²

KRTSANISI
Number of sales
103 apartments
Average price
1,459 us$ / m2
Average rent
10.9 us$ / m²

ISANI
Number of sales
259 apartments
Average price
1,264 us$ / m²
Average rent
10.6 us$ / m²

DIDUBE
Number of sales
307 apartments
Average price
1,190 us$ / m²
Average rent
9.4 us$ / m²

NADZALADEVI
Number of sales
259 apartments
Average price
1,117 us$ / m²
Average rent
9.0 us$ / m²

GLDANI
Number of sales
322 apartments
Average price
1,027 us$ / m²
Average rent
7.7 us$ / m²

SAMGORI
Number of sales
495 apartments
Average price
1,018 us$ / m²
Average rent
7.6 us$ / m²

VASHLIJVARI
Number of sales
67 apartments
Average price
990 us$ / m²
Average rent
8.7 us$ / m²

DIDI DIGHOMI
Number of sales
639 apartments
Average price
963 us$ / m²
Average rent
7.8 us$ / m²

Note 1: Prices are given for the primary market white frame apartments
Note 2: Small sample size for prices in Mtatsminda and Chugureti

May 2024 update

Number of transactions

In May-24, the number of sold apartments in Tbilisi stood at 3,197 units, down 7.9% y/y and 0.7% m/m. Notably, sales have decreased in both the primary and secondary markets. The decline can be attributed to the numerous public holidays in May-24 and domestic political tensions. Unstable environment and subsequent fluctuation of GEL exchange rate, prompted some potential home buyers to postpone their decisions and to wait until the situation stabilizes, in our view. We anticipate a gradual month-over-month recovery in apartment sales starting from Jun-24, provided stability is maintained.

Cumulatively, in 5M24, 15,920 apartments were sold in Tbilisi, reflecting a 0.8% y/y increase. This growth was driven exclusively by the primary market (+8.1% y/y), while the secondary market experienced a 5.1% y/y decline.

In May-24, over half of registered transactions were recorded in Didi Dighomi, Saburtalo and Samgori districts. Notably, the largest portion of transactions on the primary market, accounting for 24.4% of total primary sales, was recorded in Didi Dighomi.

Note: Apartment sales statistics are based on NAPR data, which has a downside of late registrations of primary sales. To address this issue we conducted a survey of selected developers (see page 8).

y/y means year-over-year change

Other noteworthy features of the market remained unchanged, such as the dominance of medium-sized apartments (51-80 m^2), due to affordability and the ease of renting, and falling share of sold apartments in the budget segment (<$1,000/m^2), driven by rising prices.

Prices

In May-24, prices on the primary market increased slightly by 0.4% m/m. Notably, prices on the primary market are up 21.8% since the beginning of 2023.

Market size

In May-24, the total market value of apartments sold in Tbilisi stood at US$ 244.5mn, down by 5.2% y/y, due to decreased sales during the month. Cumulatively in 5M24, Tbilisi real estate market size was up by 5.8% y/y to US$ 1,209.7mn, mainly attributed to the primary market sales and price growth.

Rent

Rent prices have found a new stability point at around US$ 10 per m^2. Therefore, in May-24, price for renting an average apartment (50-60 m^2) in Tbilisi remained flat m/m (US$ 9.9 per m^2).

Construction permits

In 5M24, 95 new permits were issued for residential projects, with the total living area of 811,613 m^2 (-3.1% y/y). Didi Dighomi, Saburtalo, and Samgori are the most popular areas in terms of issued construction permits.

Note: Apartment sales statistics are based on NAPR data, which has a downside of late registrations of primary sales. To address this issue we conducted a survey of selected developers (see page 8).

y/y means year-over-year change

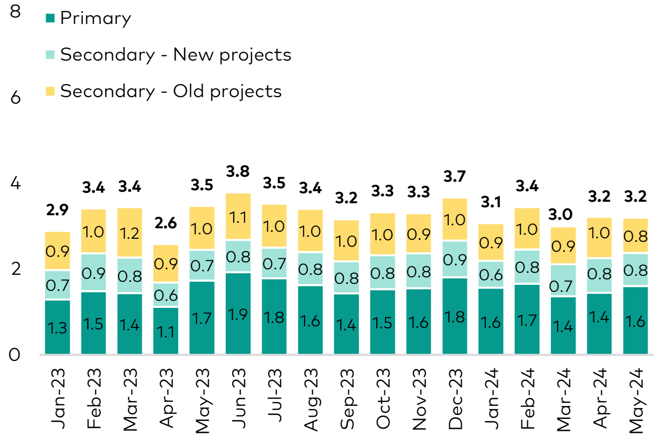
Real Estate Sales

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: Number of sold apartments by month, '000

In May-24, real estate transactions were down 7.9% y/y and 0.7% m/m



Source: NAPR, Galt & Taggart

Figure 2: Number of sold apartments by year, '000

In 5M24, sales were up 0.8% y/y, attributed to growth on the primary market

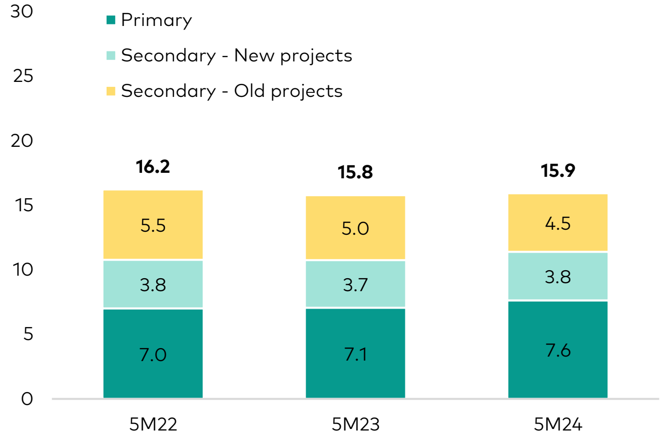
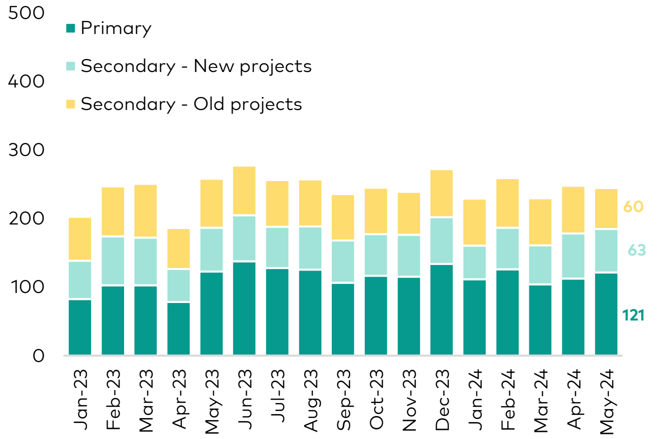


Figure 3: Real estate market size by month, US$ mn

In May-24, real estate market size was down 5.2% y/y and 1.4% m/m



Source: NAPR, Galt & Taggart

Figure 4: Real estate market size by year, US$ mn

In 5M24, market size growth was mainly attributed to the primary market sales and price growth

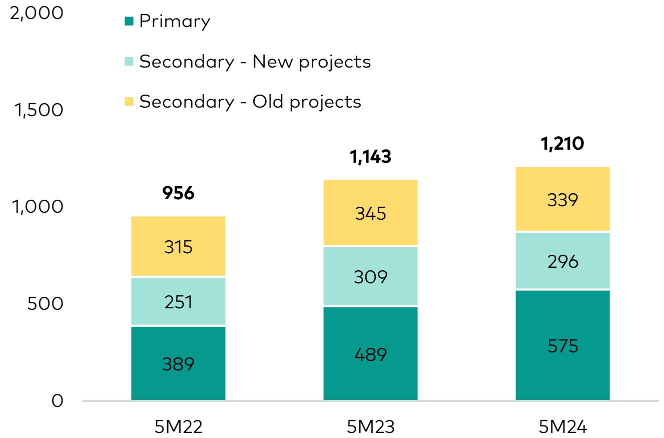
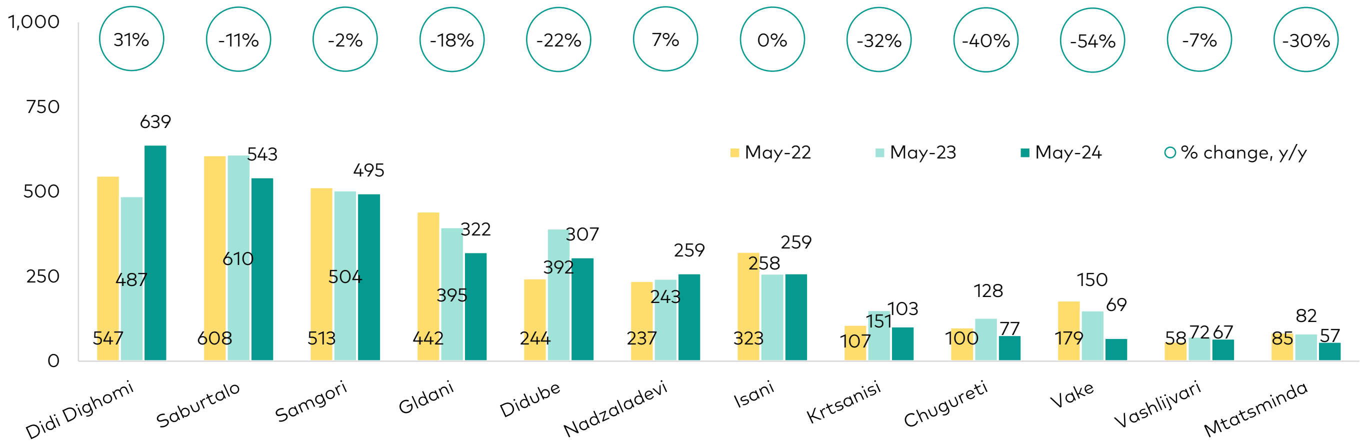
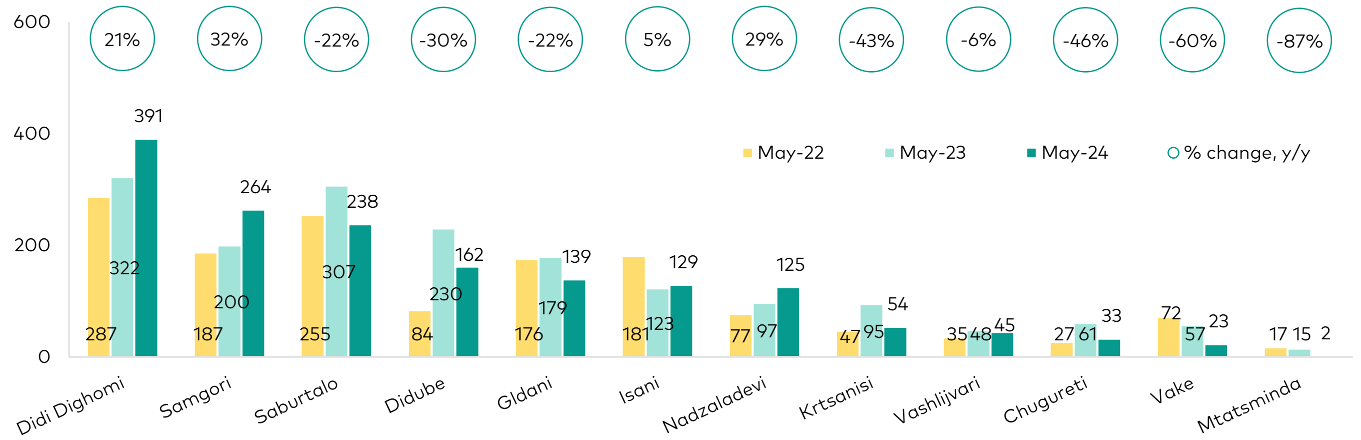


Figure 5: Number of sold apartments by districts (primary and secondary markets combined)
Over half of the transactions were recorded in Didi Dighomi, Saburtalo and Samgori districts



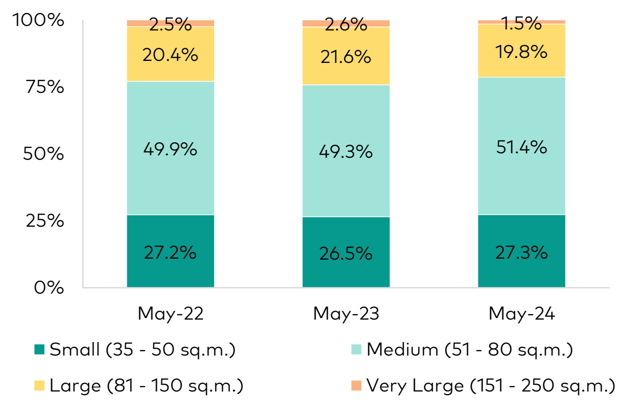
Source: NAPR, Galt & Taggart

Figure 6: Number of sold apartments on the primary market by districts
Transactions on the primary market are the highest in Didi Dighomi



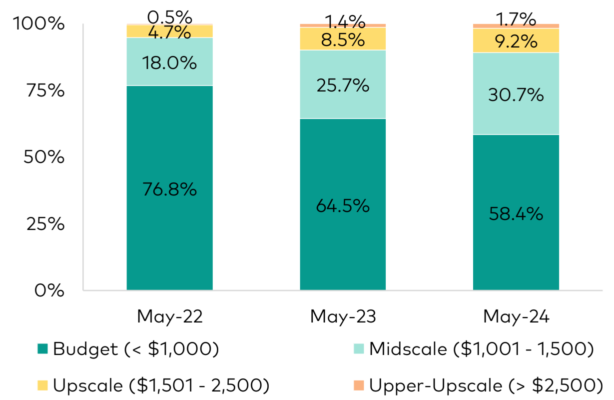
Source: NAPR, Galt & Taggart

Figure 7: Real estate sales by size, (% of total apartments sold)
Medium-sized (51-80 m²) apartments remained the most prevalent



Source: NAPR, Galt & Taggart

Figure 8: Real estate sales by segments, (% of total apartments sold)
The trend towards a decreasing share of apartment sales in the budget segment persists



Presales from developers

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

In April 2024, we conducted a survey of 14 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 1Q24, total apartments sales directly by surveyed developers decreased slightly by 2.7% y/y, partly reflecting reduced stock.
- In the Tbilisi real estate market, Georgian citizens made up 85% of total sales, while citizens of Russia and Israel each accounted for 4% share.
- Almost half of the real estate projects starting in 2023-24 have already sold out completely. Furthermore, only 18% of the apartments in projects set to finish this year are still available for sale.

The data will be updated quarterly.

Figure 9: Number of presold apartments in the projects of selected developers in Tbilisi

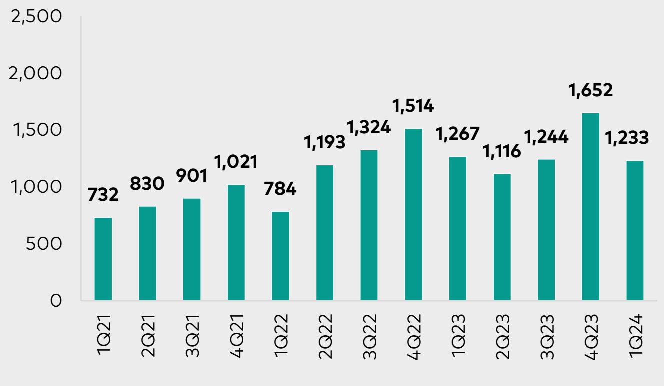
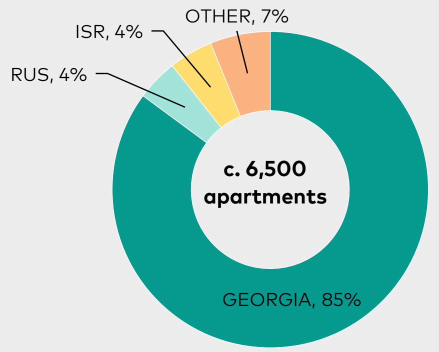


Figure 10: Real estate sales by citizenship on the primary market in Tbilisi, 2023-24



Source: Galt & Taggart survey of selected developers

Figure 11: Distribution of the housing stock by project <u>beginning year</u> and status in Tbilisi

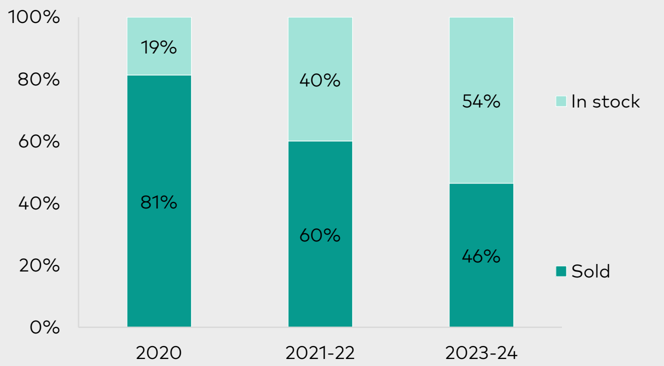
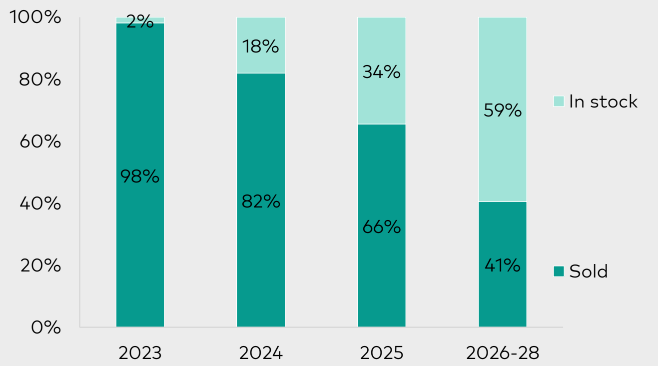


Figure 12: Distribution of the housing stock by project <u>completion year</u> and status in Tbilisi

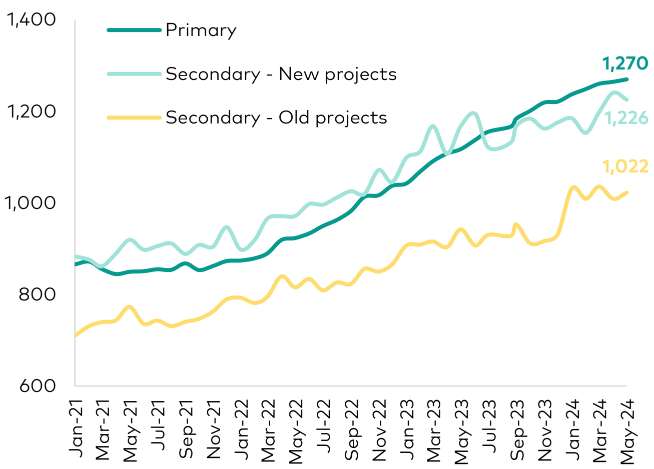


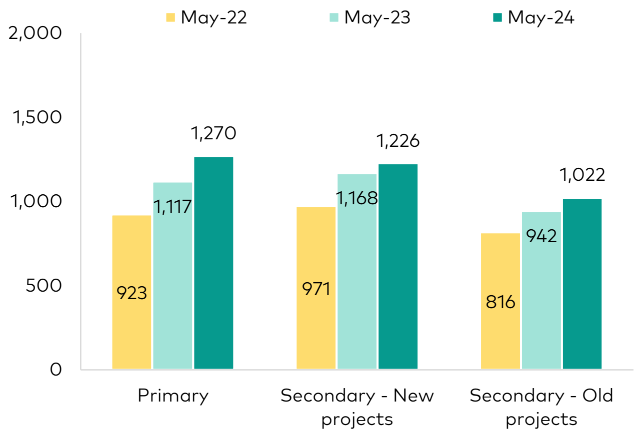
Source: Galt & Taggart survey of selected developers

Real Estate Prices

Figure 13: Real estate weighted average prices by type, US$/m²

In May-24, prices on the primary market increased slightly by 0.4% m/m

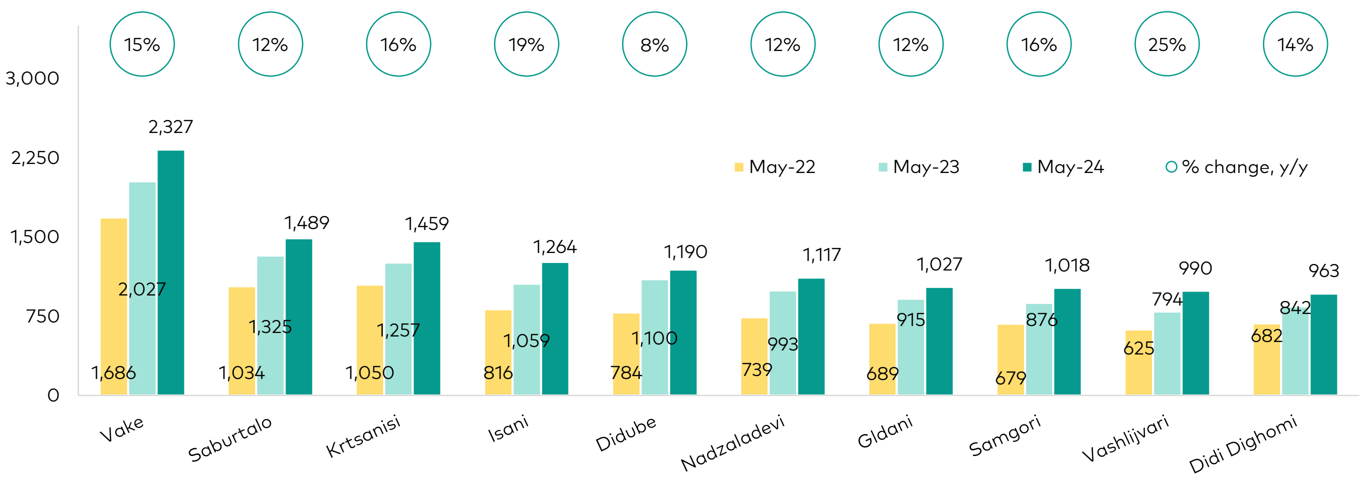




Source: NAPR, Galt & Taggart

Figure 14: Real estate prices on primary market for white frame apartments by districts, US$/m²

Price increase persists across all districts of Tbilisi's primary real estate market

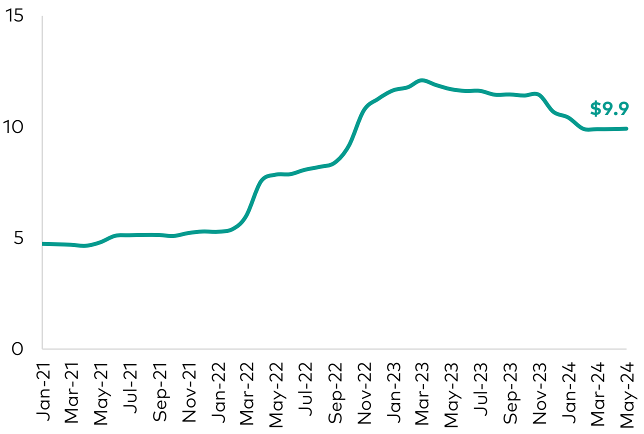


Source: Galt & Taggart

Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples

Real Estate Rents

Figure 15: Real estate weighted average rent price in Tbilisi, US$/m²
Rents remained flat m/m



Source: NBG, Galt & Taggart
Note: Rents displayed are for 50-60 m² new apartments in Tbilisi

Figure 16: Real estate weighted average rent prices by districts in May-24, US$/m²
Rents remain the highest in the central districts of Tbilisi

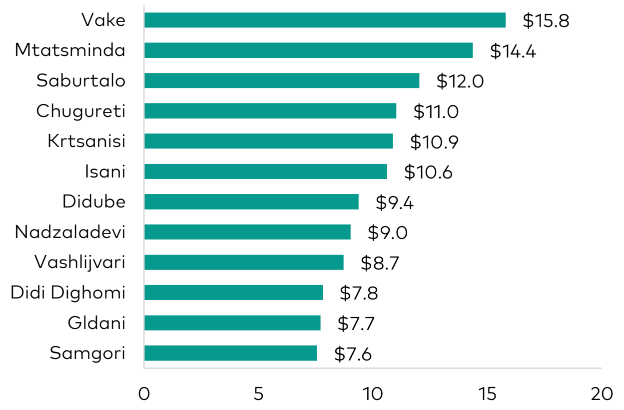
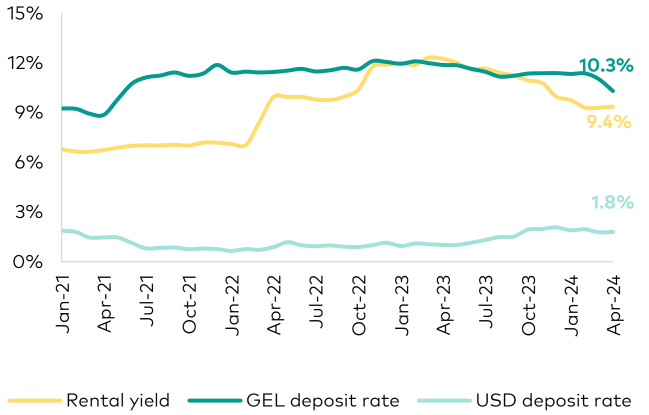
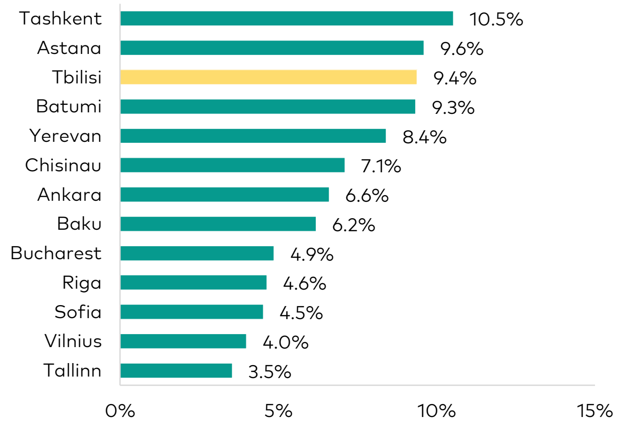


Figure 17: Real estate rental yield and deposit rates
Rental yield still looks attractive compared to alternative investments



Source: NBG, Numbeo

Figure 18: Rental yield outside city center, May-24
Cities that had the largest influx of migrants after Russia-Ukraine war still have the highest rental yields



Construction permits

Figure 19: Area of construction permits issued for residential real estate in Tbilisi, '000 m^2

Permitted living area in 5M24 is down by 3.1% y/y

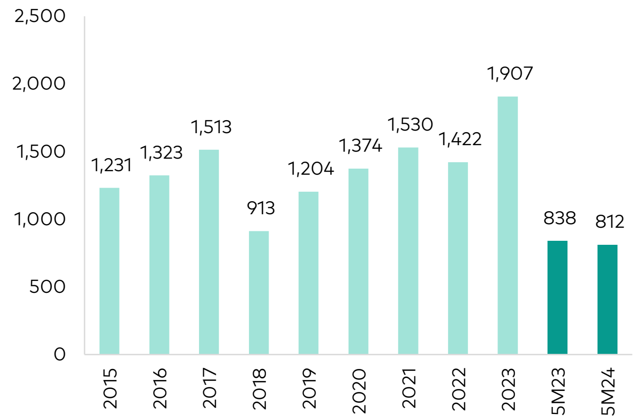
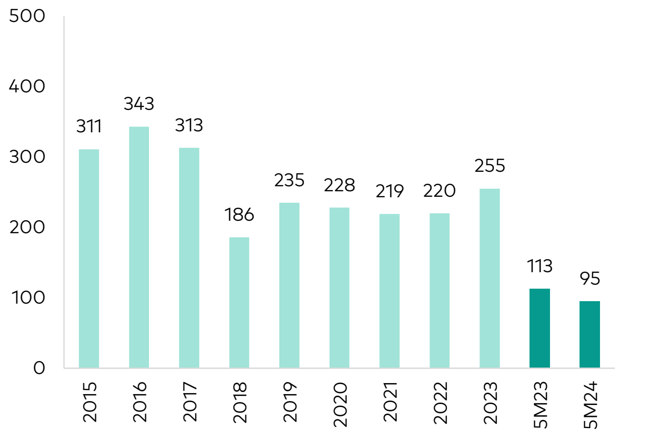


Figure 20: Number of construction permits issued for residential real estate in Tbilisi

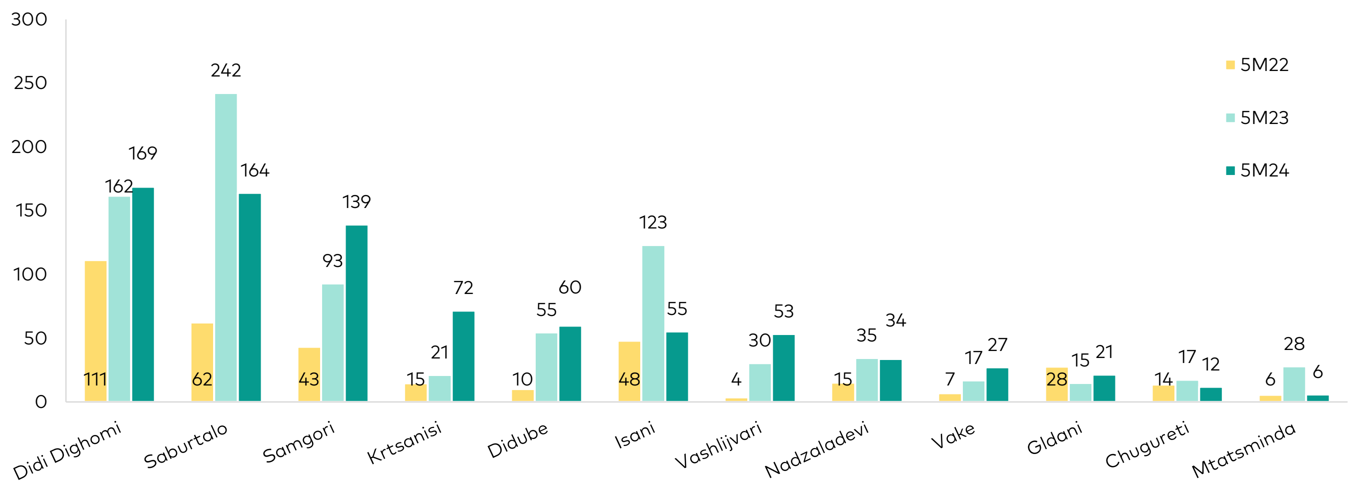
In 5M24, 95 new residential construction permits were issued (-15.9% y/y)



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

Figure 21: Area of construction permits issued for residential real estate by districts, '000 m^2

Most of the permits were issued in Didi Dighomi (21% of total), followed by Saburtalo (20%) and Samgori (17%)



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

Annex

Table 1: Real estate sales by districts – value, number and area, 5M24

District	Value (mn US$)	Number	Area ('000 m^2)
Saburtalo	280.3	2,586	203.4
Didi Dighomi	185.4	3,006	186.2
Samgori	128.3	2,270	142.1
Didube	123.6	1,715	115.2
Gldani	101.5	1,813	111.4
Nadzaladevi	99.9	1,485	94.0
Vake	80.9	465	46.0
Isani	76.8	1,076	70.4
Krtsanisi	46.2	516	36.7
Mtatsminda	38.8	247	23.1
Chugureti	34.7	436	31.7
Vashlijvari	21.8	309	23.2

Source: NAPR, Galt & Taggart

Table 2: Real estate weighted average prices by districts in May-24, US$/m^2

District	Primary market	Secondary market New projects	Secondary market Old projects
Mtatsminda	2,938		1,491
Vake	2,327	1,845	1,522
Chugureti	1,610	1,187	894
Saburtalo	1,489	1,428	1,067
Krtsanisi	1,459	1,353	1,048
Isani	1,264	1,477	928
Didube	1,190	1,225	1,014
Nadzaladevi	1,117	1,108	984
Gldani	1,027	1,015	828
Samgori	1,018	989	843
Vashlijvari	990	1,092	951
Didi Dighomi	963	1,066	801

Source: NAPR, Galt & Taggart

Annex

Figure 22: Mortgage interest rates, %
Decreasing refinancing rate is expected to push mortgage interest rates in GEL down

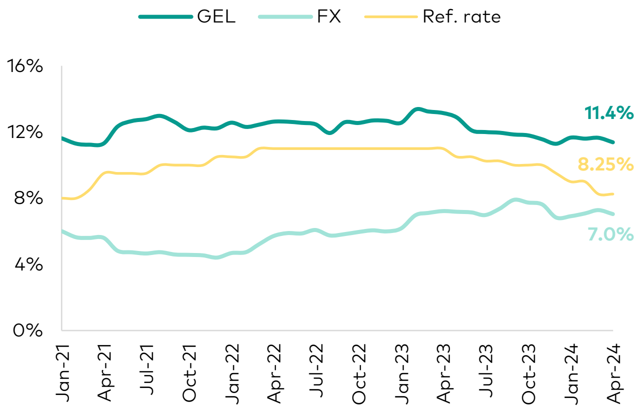
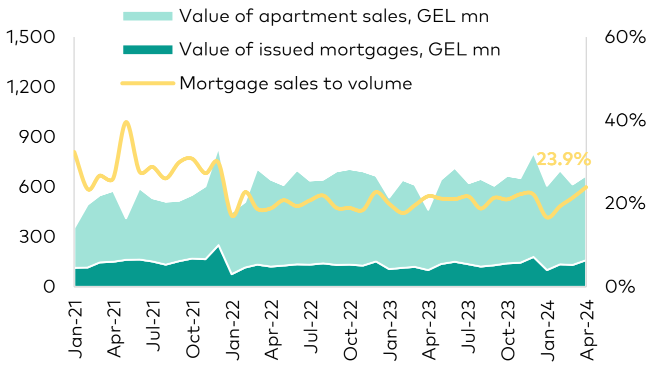
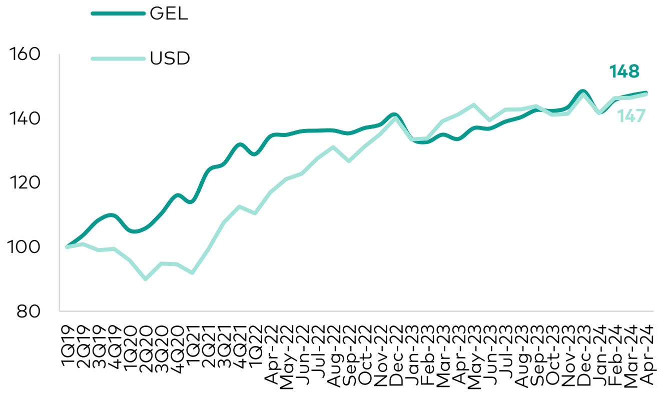


Figure 23: Share of mortgages in total sales value
Mortgages accounted for 23.9% of sales value in Apr-24, as majority of sales were financed by popular inner instalment schemes



Source: NBG, Galt & Taggart

Figure 24: Construction cost index, 1Q19=100
Construction costs are up 4.4% y/y in US$
Wages still remain on a high level



	y/y growth Apr-24, US$	m/m growth Apr-24, US$
Total construction cost	**4.4%**	**0.8%**
Construction materials	*-1.3%*	*0.7%*
Wages	*29.4%*	*1.9%*
Machinery	*-0.6%*	*0.2%*
Transportation, fuel and electricity	*0.8%*	*0.1%*
Other costs	*-4.3%*	*0.5%*

Source: Geostat, Galt & Taggart
Note: Construction cost index is available by quarter over 2019-22; monthly statistics is available from Mar-22

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