



GALT & TAGGART
CREATING OPPORTUNITIES

Tbilisi Residential Real Estate

JUNE 2024 UPDATE

Eva Bochorishvili

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

Kakha Samkurashvili

Head of Sector Research | ksamkurashvili@gt.ge | +995 32 2401 111 ext. 4298

Zuka Tavkelishvili

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

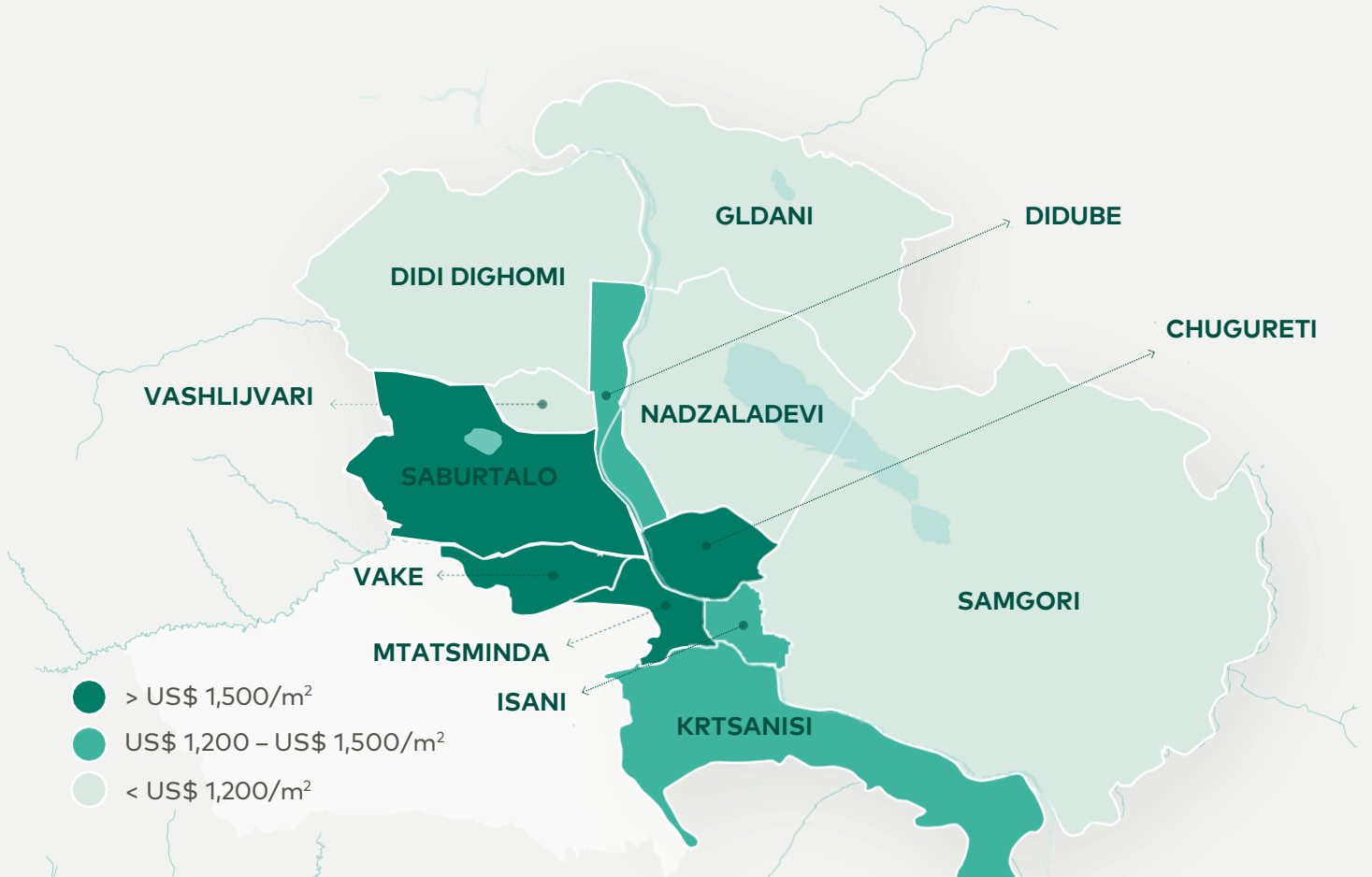
Key Figures

	Jun-22	Jun-23	Jun-24
Sales # of apartments	3,741	3,785	2,957
Primary	1,576	1,928	1,413
Secondary	2,165	1,857	1,544
Price US\$ / m ²	\$933	\$1,138	\$1,271
Rent US\$ / m ²	\$7.9	\$11.6	\$9.9
Permits '000 m ²	217.5	176.4	73.7



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Real estate sale patterns in June 2024



MTATSMINDA

Number of sales
52 apartments
Average price
2,689 us\$ / m²
Average rent
14.1 us\$ / m²

VAKE

Number of sales
94 apartments
Average price
2,346 us\$ / m²
Average rent
16.5 us\$ / m²

CHUGURETI

Number of sales
75 apartments
Average price
1,563 us\$ / m²
Average rent
11.2 us\$ / m²

SABURTALO

Number of sales
489 apartments
Average price
1,535 us\$ / m²
Average rent
12.0 us\$ / m²

KRTSANISI

Number of sales
100 apartments
Average price
1,445 us\$ / m²
Average rent
10.9 us\$ / m²

ISANI

Number of sales
226 apartments
Average price
1,272 us\$ / m²
Average rent
10.8 us\$ / m²

DIDUBE

Number of sales
357 apartments
Average price
1,208 us\$ / m²
Average rent
9.0 us\$ / m²

NADZALADEVI

Number of sales
259 apartments
Average price
1,122 us\$ / m²
Average rent
8.8 us\$ / m²

GLDANI

Number of sales
267 apartments
Average price
1,047 us\$ / m²
Average rent
7.7 us\$ / m²

SAMGORI

Number of sales
460 apartments
Average price
1,021 us\$ / m²
Average rent
7.5 us\$ / m²

DIDI DIGHOMI

Number of sales
515 apartments
Average price
965 us\$ / m²
Average rent
7.7 us\$ / m²

VASHLIJVARI

Number of sales
63 apartments
Average price
916 us\$ / m²
Average rent
8.3 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



June 2024 update

Presales from developers

In July 2024, we conducted a survey of 14 systematic developers with 67 ongoing projects in Tbilisi.

Based on survey results, In June 2024, the dynamics improved and apartment sales increased by 17.7% compared to the previous month, when the decline was caused by the abundance of holidays and instability in the country. The improvement in sales in June is noteworthy, considering that a substantial portion of population with high disposable income was traveling abroad during EURO 2024 championship (June 18-30). Despite this favourable trend, the number of apartments sold in June is significantly lower than the sales figures recorded in previous months (except for May).

Notably, in 1H24, Georgian citizens made up 76% of total sales, compared to 80% in 2023. Meanwhile, the share of Israeli citizens in sales increased significantly from 4% to 11%, while the share of Russian citizens decreased from 8% to 2%.

Number of transactions

In Jun-24, the number of sold apartments in Tbilisi stood at 2,957 units, down 21.9% y/y and 7.5% m/m. Notably, sales have decreased in both the primary and secondary markets. It is likely, that potential

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 9).

y/y means year-over-year change



homebuyers remain hesitant to make purchases, seeking a more stable environment.

Cumulatively, in 1H24, 18,877 apartments were sold in Tbilisi, reflecting a 3.6% y/y decrease. This decline was solely driven by the secondary market (-7.1% y/y), while the primary market experienced a slight 0.6% y/y growth.

In Jun-24, increase in transactions was only recorded in Vashlijvari district, while sales decreased annually in every other district of Tbilisi. The largest portion of transactions on the primary market, accounting for 20.5% of total primary sales, was recorded in Didi Dighomi.

Other noteworthy features of the market remained unchanged, such as the dominance of medium-sized apartments (51-80 m²), due to affordability and the ease of renting, and falling share of sold apartments in the budget segment (<\$1,000/m²), driven by rising prices.

Prices

In Jun-24, monthly price increase on the primary market was only 0.1%, which is the lowest increase in the last 30 months. The slowdown in the price growth pace is slightly more noticeable in the premium segment projects. Should the demand remain weak, prices are anticipated to remain stable in the upcoming months.

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 9).

y/y means year-over-year change



Market size

In Jun-24, the total market value of apartments sold in Tbilisi stood at US\$ 228.4mn, down by 17.6% y/y, due to decreased sales during the month. Cumulatively in 1H24, Tbilisi real estate market size was up slightly by 1.2% y/y to US\$ 1,438.1mn.

Rent

Price for renting an average apartment (50-60 m²) in Tbilisi remained flat (US\$ 9.9 per m²). Notably, rents have a downward trajectory in suburbs, while in central districts they stay elevated.

Construction permits

In Jun-24, the living area of issued construction permits has declined to its lowest level in the past 18 months. This decline can be attributed to seasonality. If this trend persists, short-term decrease in supply will help balance the weakening demand.



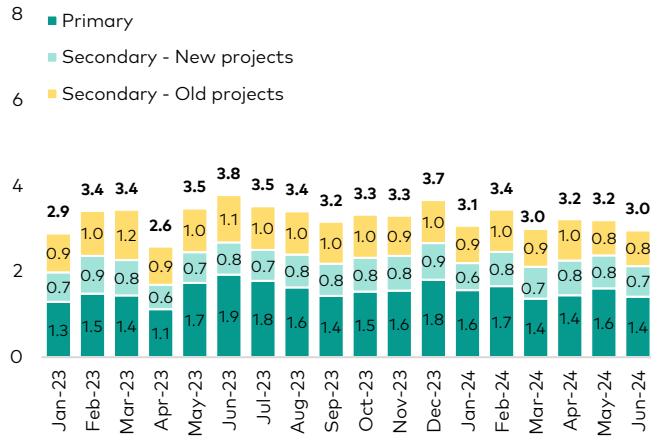
Real Estate Sales

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 Jun-24, real estate transactions were down 21.9% y/y and 7.5% m/m



Source: NAPR, Galt & Taggart

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

In 6M24, sales were down 3.6% y/y, attributed to decrease on the secondary market old projects

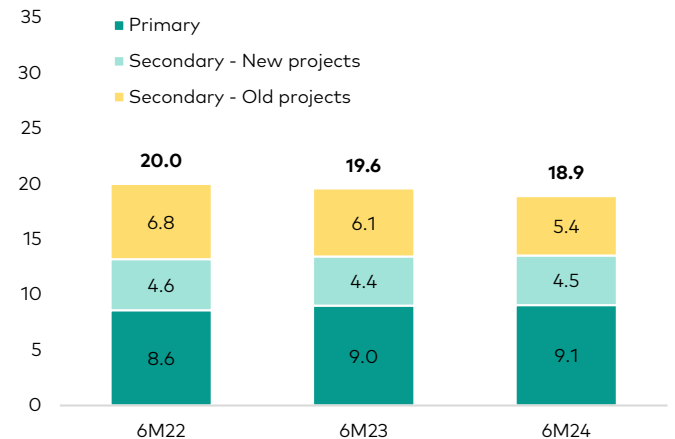
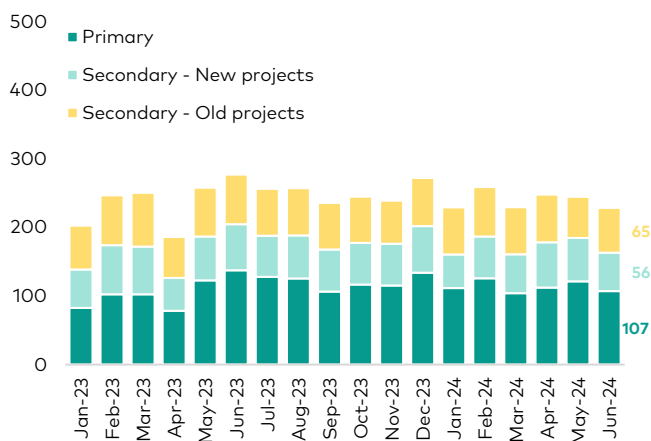


Figure 3: Real estate market size by month, US\$ mn

In Jun-24, real estate market size was down 17.6% y/y and 6.6% m/m



Source: NAPR, Galt & Taggart

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

In 6M24, market size is slightly up 1.2% y/y, attributed to growth on the primary market

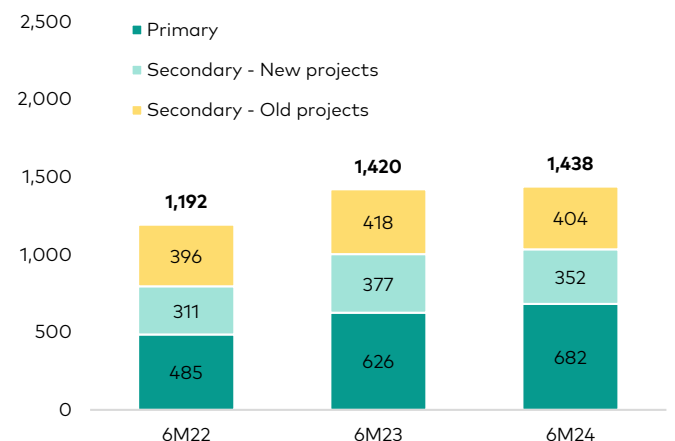
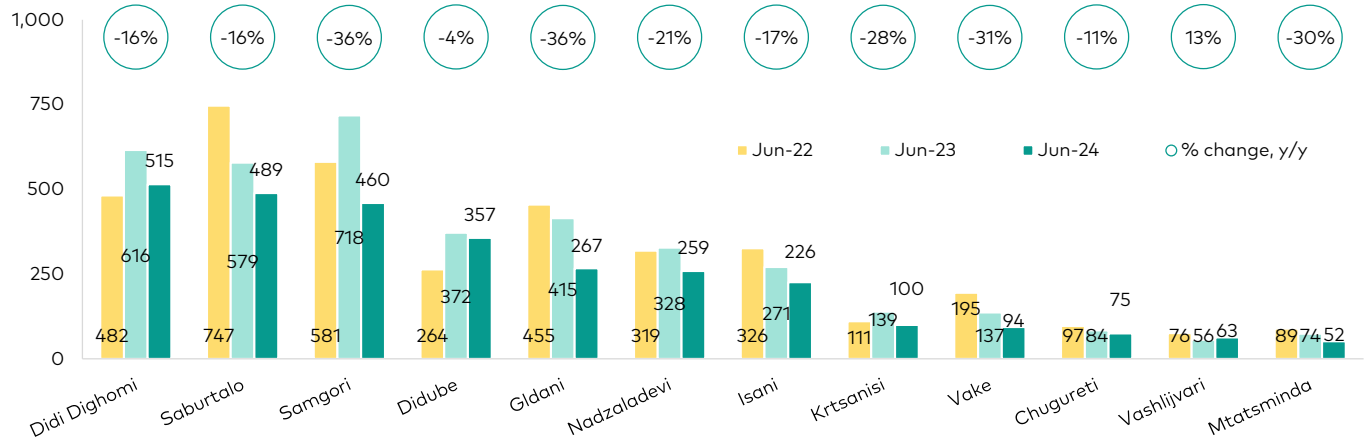




Figure 5: Number of sold apartments by districts (primary and secondary markets combined)

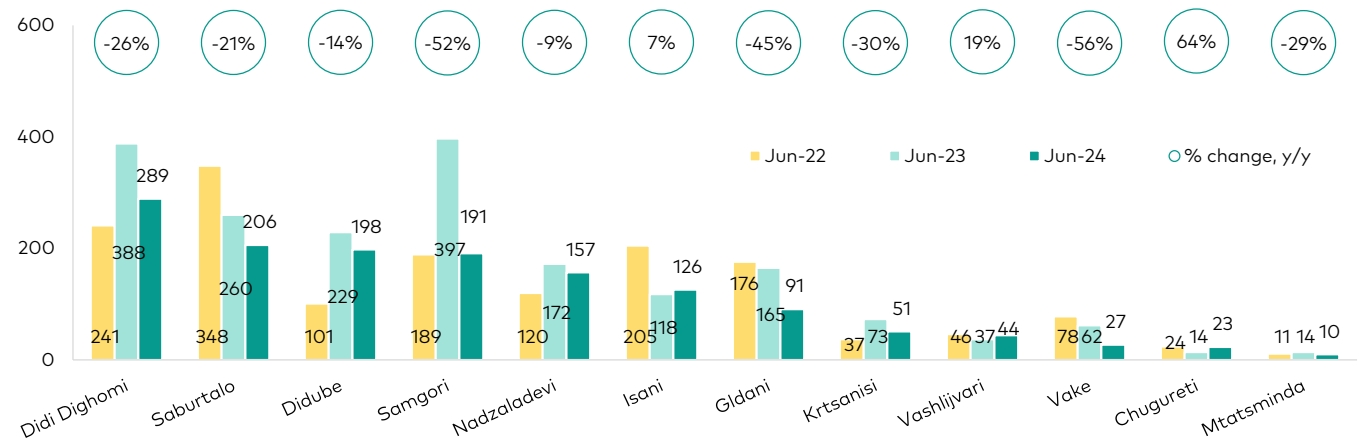
Increase in transactions was only recorded in Vashlijvari district



Source: NAPR, Galt & Taggart

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

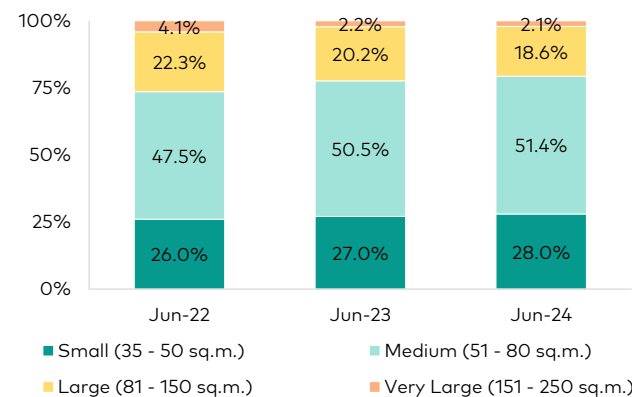
Transactions on the primary market are the highest in Didi Dighomi



Source: NAPR, Galt & Taggart

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

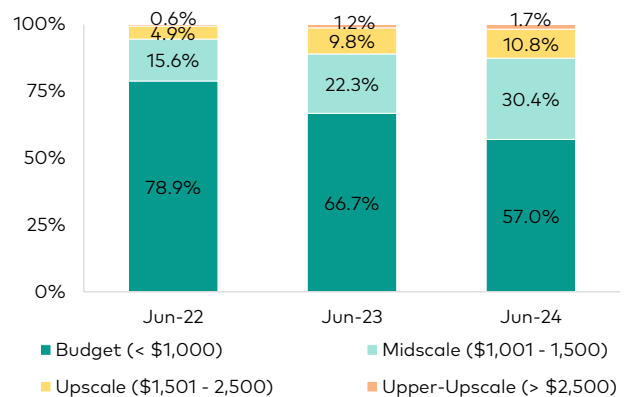
Medium-sized (51-80 m²) apartments remained the most prevalent



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 July 2024, we conducted a survey of 14 systematic developers with 67 ongoing construction projects in Tbilisi.

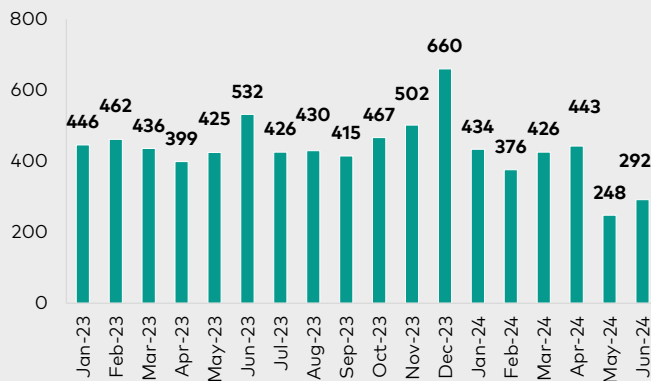
Based on survey results, In June 2024, the dynamics improved and apartment sales increased by 17.7% compared to the previous month, when the decline was caused by the abundance of holidays and instability in the country. The improvement in sales in June is noteworthy, considering that a substantial portion of population with high disposable income was traveling abroad during the Euro 2024 championship (June 18-30). Despite this favourable trend, the number of apartments sold in June is significantly lower than the sales figures recorded in previous months (except for May).

In 1H24, Georgian citizens made up 76% of total sales, compared to 80% in 2023. Meanwhile, the share of Israeli citizens in sales increased significantly from 4% to 11%, while the share of Russian citizens decreased from 8% to 2%.

Notably, over 84% of apartments in the projects finishing this year are sold out.

The data will be updated quarterly.

Figure 9: Number of sold apartments in the projects of selected developers in Tbilisi by months



Source: Galt & Taggart survey of selected developers, NAPR

Figure 10: Number of sold apartments in the projects of selected developers in Tbilisi by quarters

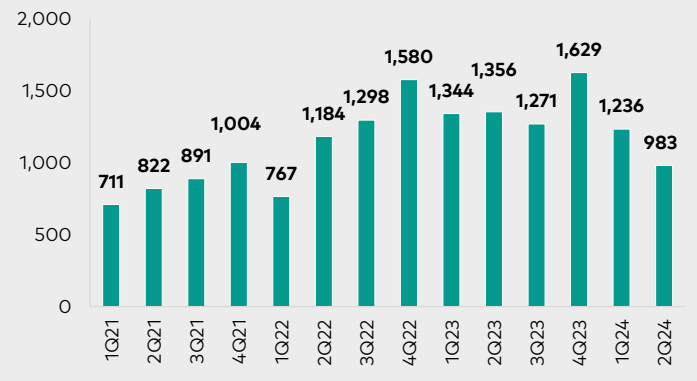
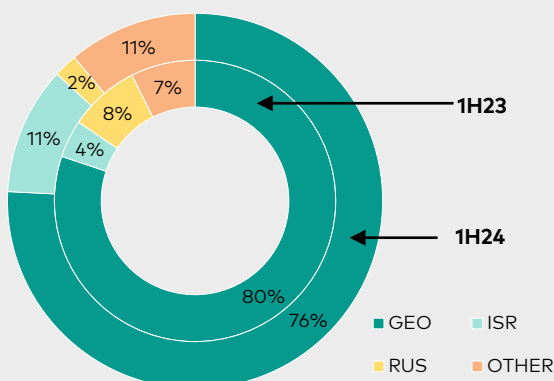
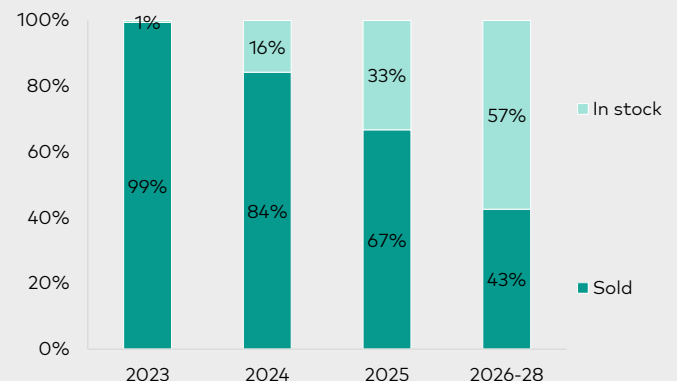


Figure 11: Real estate sales by citizenship in Tbilisi, 1H23 vs 1H24



Source: Galt & Taggart survey of selected developers

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

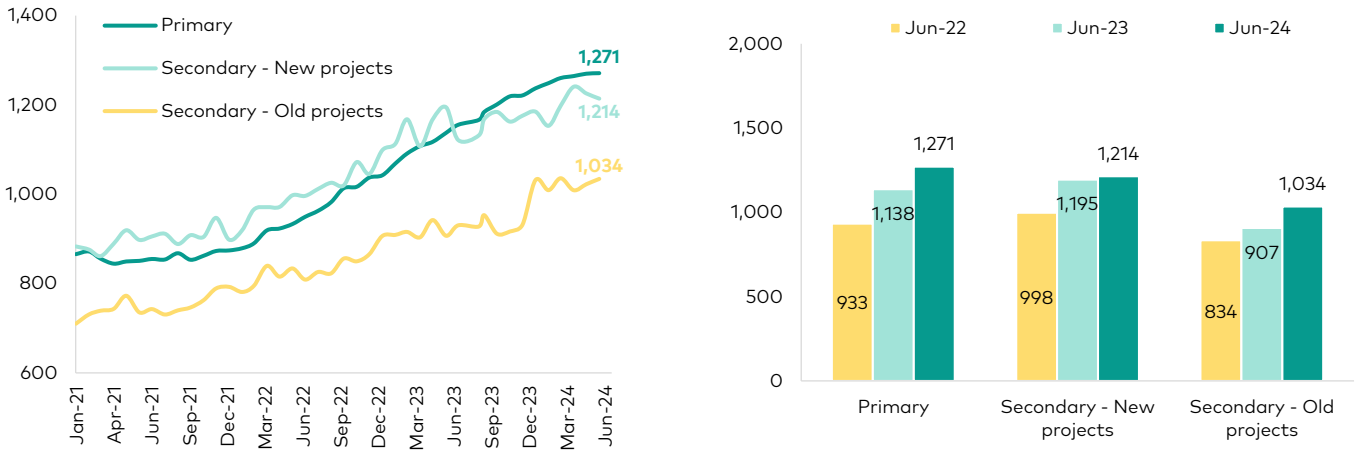




Real Estate Prices

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

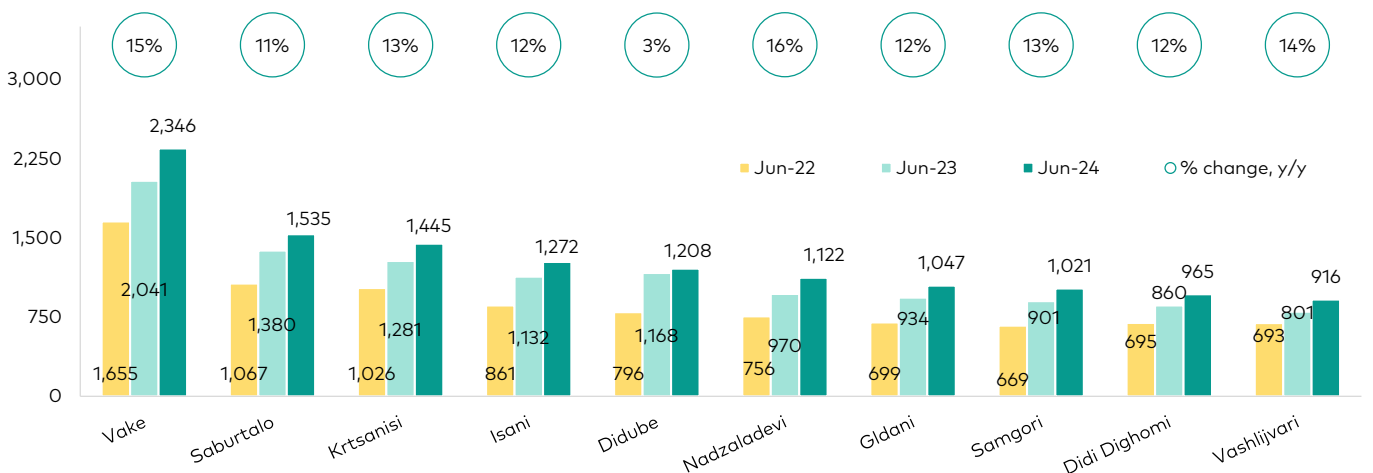
Monthly price increase on the primary market is only 0.1%, which is the lowest increase in the last 30 months.



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, but the pace has slowed down



Source: Galt & Taggart

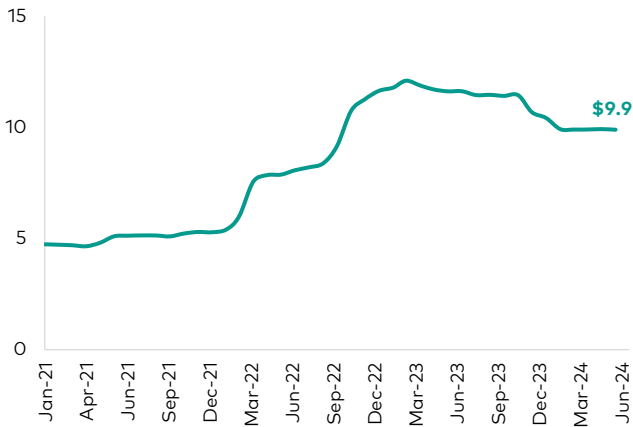
Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples



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, US\$/m²

Rents have a downward trajectory in suburbs, while in central districts they stay elevated

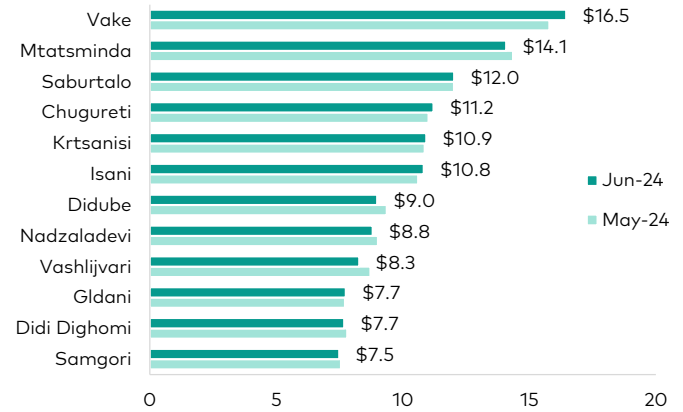
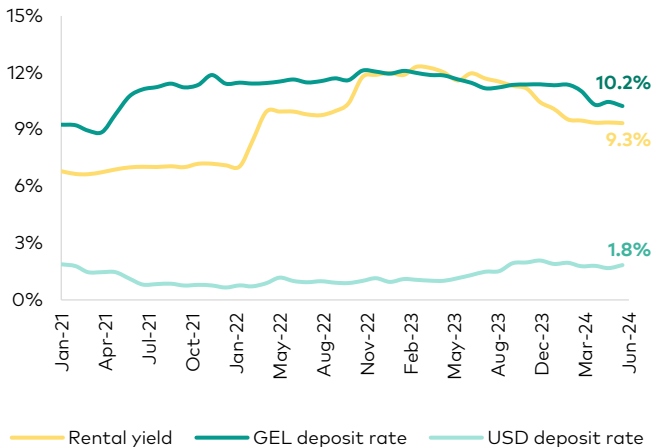


Figure 17: Real estate rental yield and deposit rates

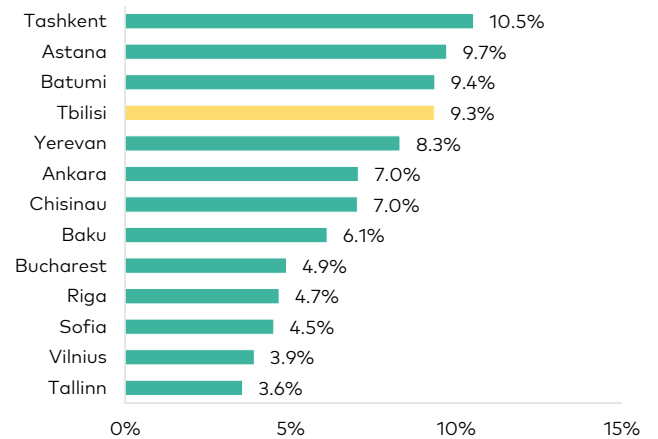
Rental yield still looks attractive compared to alternative investments



Source: NBG, Numbeo

Figure 18: Rental yield outside city center, Jun-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 m²

Permitted living area in 6M24 has slowed down by 12.7% y/y, after a record-high 2023

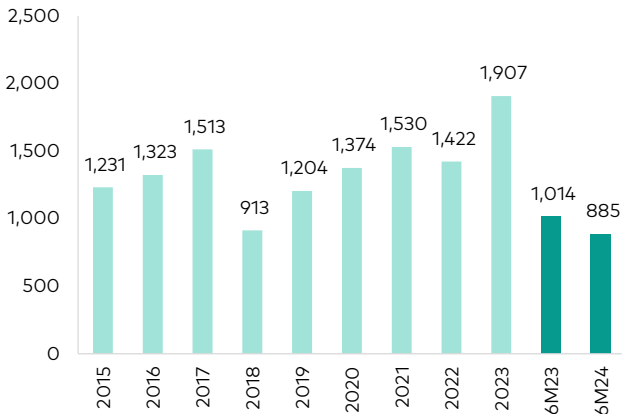
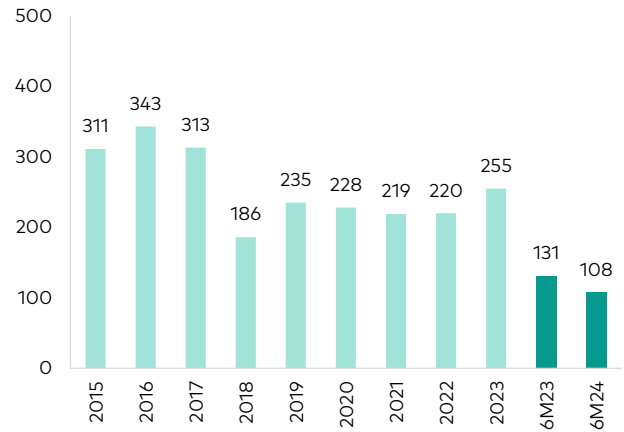


Figure 20: Number of construction permits issued for residential real estate in Tbilisi

In 6M24, 108 new residential construction permits were issued (-17.6% y/y)

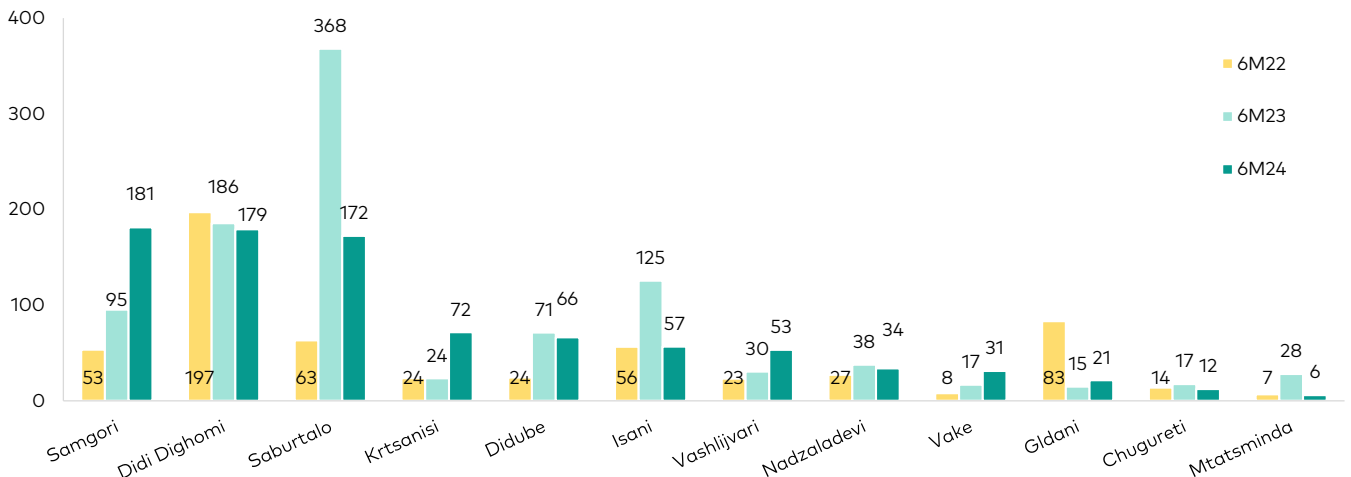


Source: TAS, Galt & Taggart

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 m²

Most of the permits were issued in Samgori (20% of total), followed by Didi Dighomi (20%) and Saburtalo (19%)



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, 6M24

District	Value (mn US\$)	Number	Area ('000 m ²)
Saburtalo	332.5	3,075	240.6
Didi Dighomi	216.6	3,521	217.0
Samgori	154.7	2,730	170.6
Didube	150.3	2,072	140.1
Nadzaladevi	117.8	1,744	110.5
Gldani	116.7	2,080	128.1
Vake	96.5	559	54.9
Isani	92.3	1,302	84.5
Krtsanisi	54.9	616	43.5
Mtatsminda	45.5	299	27.6
Chugureti	41.6	511	37.8
Vashlijvari	26.6	372	27.8

Source: NAPR, Galt & Taggart

Table 2: Real estate weighted average prices by districts in Jun-24, US\$/m²

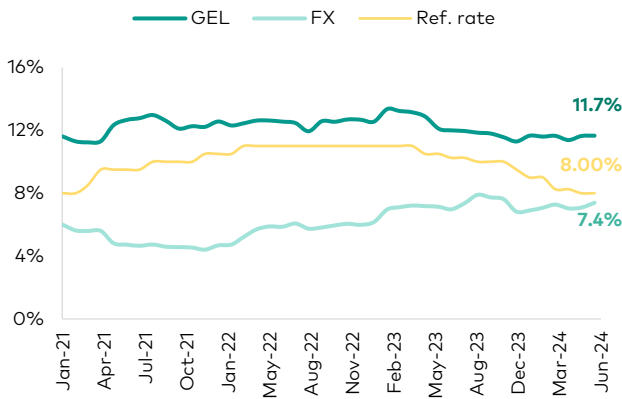
District	Primary market	Secondary market New projects	Secondary market Old projects
Mtatsminda	2,689	1,415	
Vake	2,346	2,045	1,373
Chugureti	1,563	975	848
Saburtalo	1,535	1,505	1,103
Krtsanisi	1,445	1,176	900
Isani	1,272	1,600	1,530
Didube	1,208	1,270	986
Nadzaladevi	1,122	1,170	985
Gldani	1,047	1,027	827
Samgori	1,021	1,096	1,031
Didi Dighomi	965	1,325	971
Vashlijvari	916	1,034	877

Source: NAPR, Galt & Taggart



Annex

Figure 22: Mortgage interest rates, %
Mortgage interest rates continue increasing m/m



Source: NBS, Galt & Taggart

Figure 23: Share of mortgages in total sales value
Mortgages accounted for 21.9% of sales value in Jun-24, as majority of sales were financed by popular inner instalment schemes

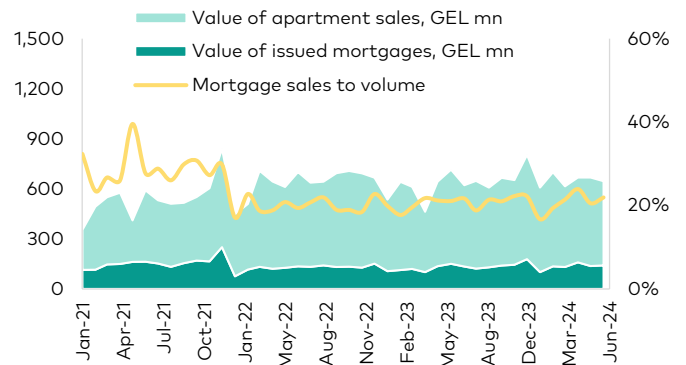
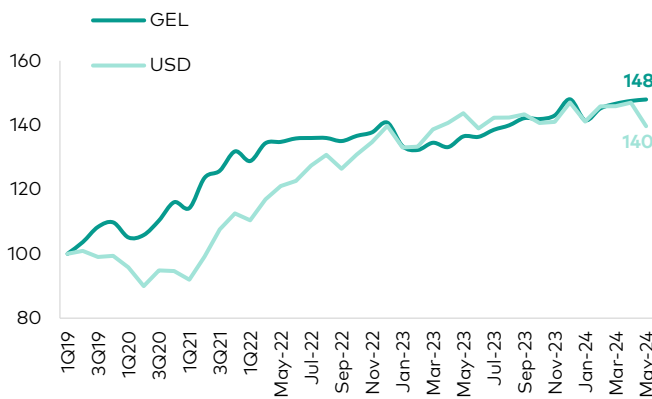


Figure 24: Construction cost index, 1Q19=100

There was a decrease in construction costs in USD due to GEL depreciation. However, in local currency construction materials prices and wages increased slightly, 0.6% m/m and 1.3% m/m, respectively



	y/y growth May-24, US\$	m/m growth May-24, US\$
Total construction cost	-2.8%	-5.0%
Construction materials	-6.1%	-4.7%
Wages	14.4%	-4.0%
Machinery	-4.9%	-5.2%
Transportation, fuel and electricity	-3.1%	-6.6%
Other costs	-8.5%	-4.9%

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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Head of Research

Eva Bochorishvili | evabochorishvili@gt.ge

Head of Sector Research

Kakha Samkurashvili | ksamkurashvili@gt.ge

Senior Analyst

Zuka Tavkelishvili | ztavkelishvili@gt.ge

Address: 3 Pushkin Street, Tbilisi 0105, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge