



GALT & TAGGART
CREATING OPPORTUNITIES

Tbilisi Residential Real Estate

JULY 2024 UPDATE

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Key Figures

Jul-22

Jul-23

Jul-24

Sales

of apartments

3,677

3,521

3,476

Primary

1,546

1,781

1,801

Secondary

2,131

1,740

1,675

Price

US\$ / m²

\$965

\$1,173

\$1,298

Rent

US\$ / m²

\$7.9

\$11.4

\$9.8

Permits

'000 m²

64.7

139.5

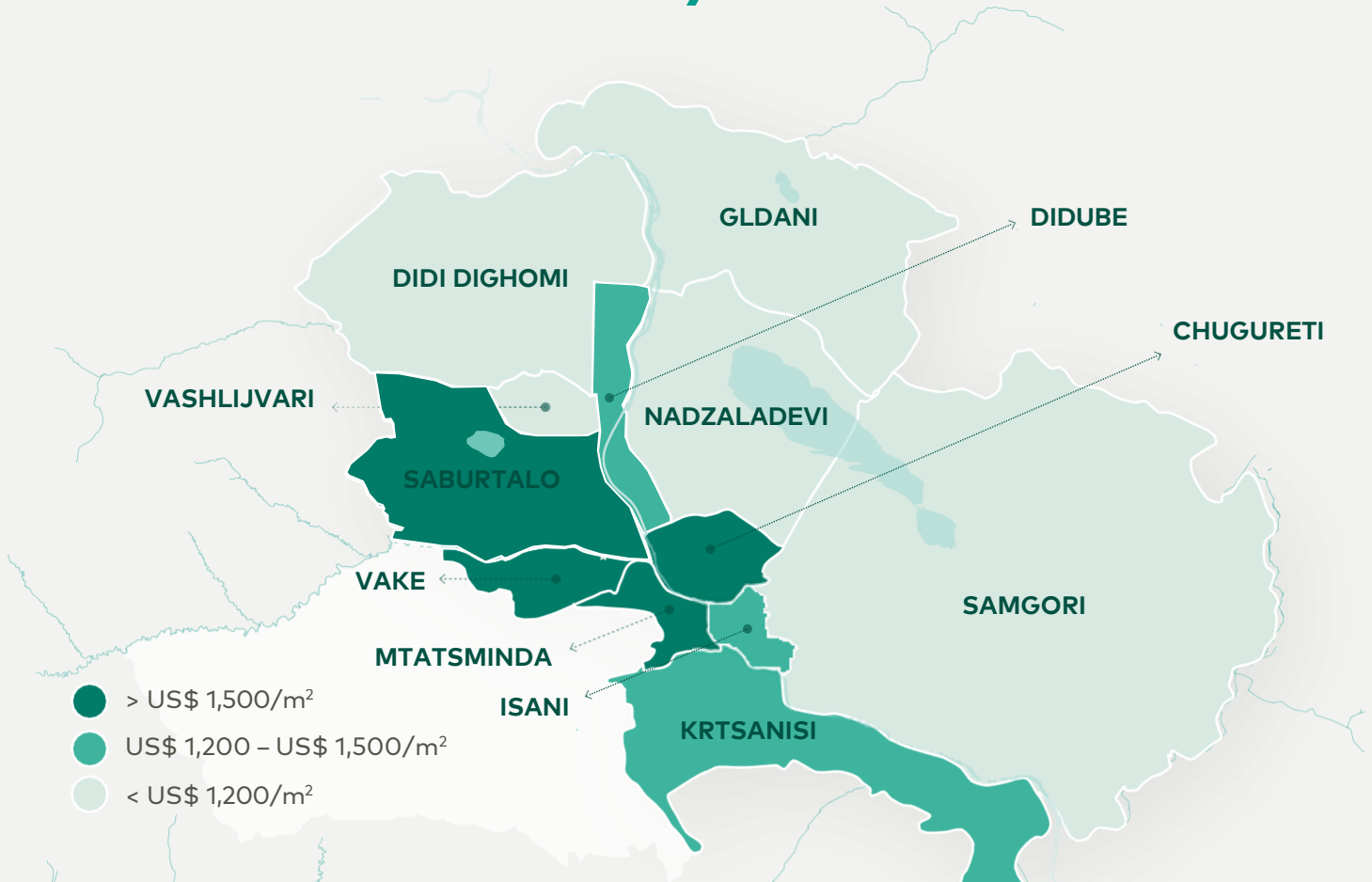
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Real estate sale patterns in July 2024



MTATSMINDA

Number of sales
76 apartments
Average price
2,658 us\$ / m²
Average rent
13.7 us\$ / m²

VAKE

Number of sales
86 apartments
Average price
2,339 us\$ / m²
Average rent
15.1 us\$ / m²

CHUGURETI

Number of sales
82 apartments
Average price
1,675 us\$ / m²
Average rent
10.5 us\$ / m²

SABURTALO

Number of sales
550 apartments
Average price
1,534 us\$ / m²
Average rent
11.6 us\$ / m²

KRTSANISI

Number of sales
108 apartments
Average price
1,419 us\$ / m²
Average rent
10.8 us\$ / m²

ISANI

Number of sales
244 apartments
Average price
1,224 us\$ / m²
Average rent
10.1 us\$ / m²

DIDUBE

Number of sales
375 apartments
Average price
1,202 us\$ / m²
Average rent
9.3 us\$ / m²

NADZALADEVI

Number of sales
427 apartments
Average price
1,161 us\$ / m²
Average rent
8.9 us\$ / m²

GLDANI

Number of sales
346 apartments
Average price
1,048 us\$ / m²
Average rent
8.0 us\$ / m²

SAMGORI

Number of sales
444 apartments
Average price
1,044 us\$ / m²
Average rent
7.7 us\$ / m²

DIDI DIGHOMI

Number of sales
674 apartments
Average price
990 us\$ / m²
Average rent
8.0 us\$ / m²

VASHLIJVARI

Number of sales
64 apartments
Average price
978 us\$ / m²
Average rent
8.7 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



July 2024 update

Summary

In July 2024, demand for real estate improved, but still remained sluggish compared to 4M24. As a result of weakened demand, price growth decelerated - Jul-24 was the first month when prices remained completely flat m/m, since the beginning of 2022. Sluggish demand also affected supply - in the June-July period, permit issuance decreased drastically by 58.2% y/y and 40.3% y/y, respectively. Permit issuance dynamics are likely to be maintained by end of 2024 as developers await until demand improves considerably.

Number of transactions

In Jul-24, the number of sold apartments in Tbilisi stood at 3,476 units, slightly down 1.3% y/y, but up 17.6% m/m. The monthly growth is largely due to a one-off effect from the late registration of already sold apartments in several projects.

Cumulatively, in 7M24, 22,353 apartments were sold in Tbilisi, reflecting a 3.2% y/y decrease. Notably, apartment sales were down on the secondary market (-3.7% y/y) and slightly up on the primary market (+1.1 y/y).

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

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



the budget segment (<\$1,000/m²), driven by rising prices.

Prices

In Jul-24, average price on the primary market stayed flat. This is the first time prices did not increase on the primary market since the beginning of 2022, reflecting weakened demand.

Market size

In Jul-24, the total market value of apartments sold in Tbilisi stood at US\$ 270.4mn, up by 5.5% y/y and 18.4% m/m. Cumulatively in 7M24, Tbilisi real estate market size was up by 1.9% y/y to US\$ 1,708.5mn.

Rent

Price for renting an average apartment (50-60 m²) in Tbilisi decreased slightly by 0.9% m/m to US\$ 9.8 per m².

Construction permits

In Jul-24, a sharp reduction in construction permits continued, which started in Jun-24. A total of 20 permits were issued and the living area of these permits has declined by 40.3% y/y. We expect that developers will delay permit finalization process until the demand improves considerably.



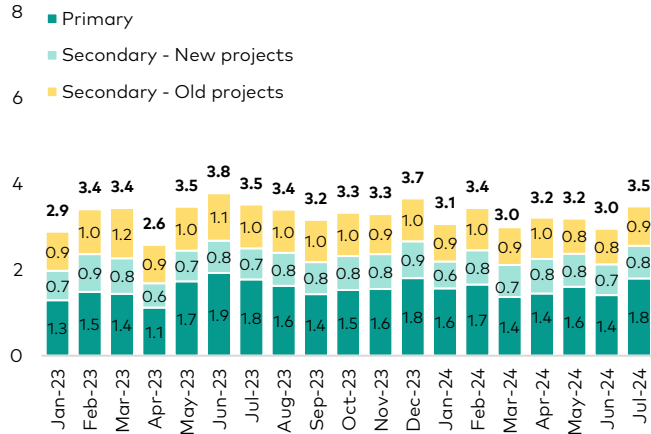
Real Estate Sales

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 Jul-24, real estate transactions were slightly down by 1.3% y/y and significantly up by 17.6% m/m



Source: NAPR, Galt & Taggart

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

In 7M24, sales were down 3.2% y/y, fully attributed to decrease on the secondary market old projects

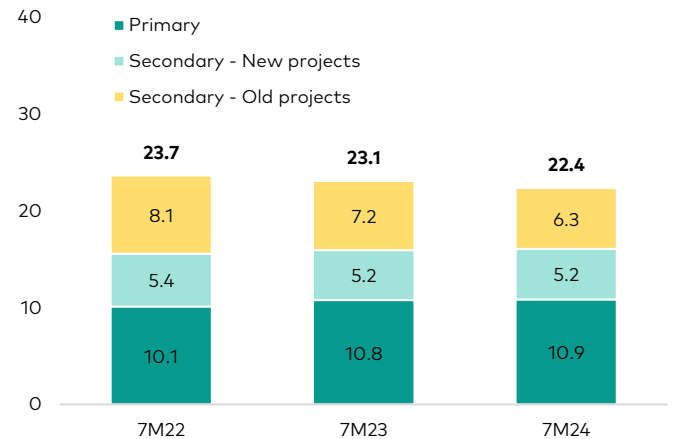
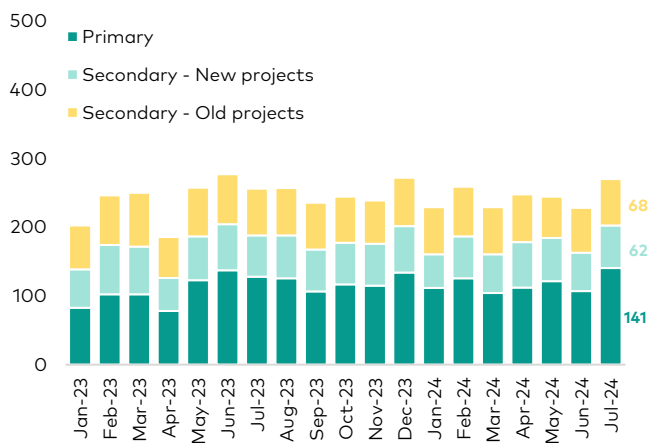


Figure 3: Real estate market size by month, US\$ mn

In Jul-24, real estate market size was up 5.5% y/y and 18.4% m/m



Source: NAPR, Galt & Taggart

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

In 7M24, market size was slightly up 1.9%, attributed to growth on the primary market

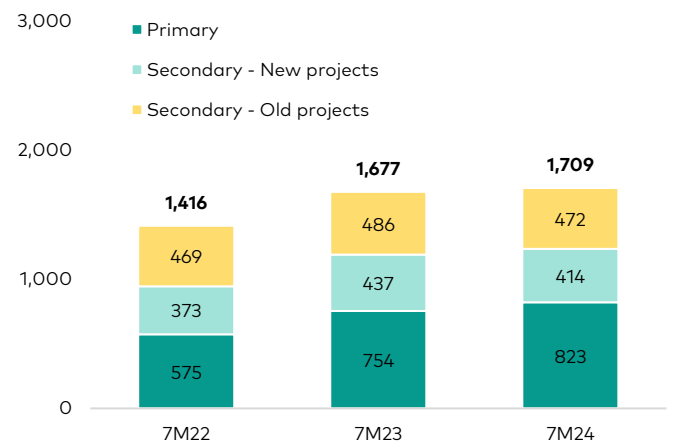
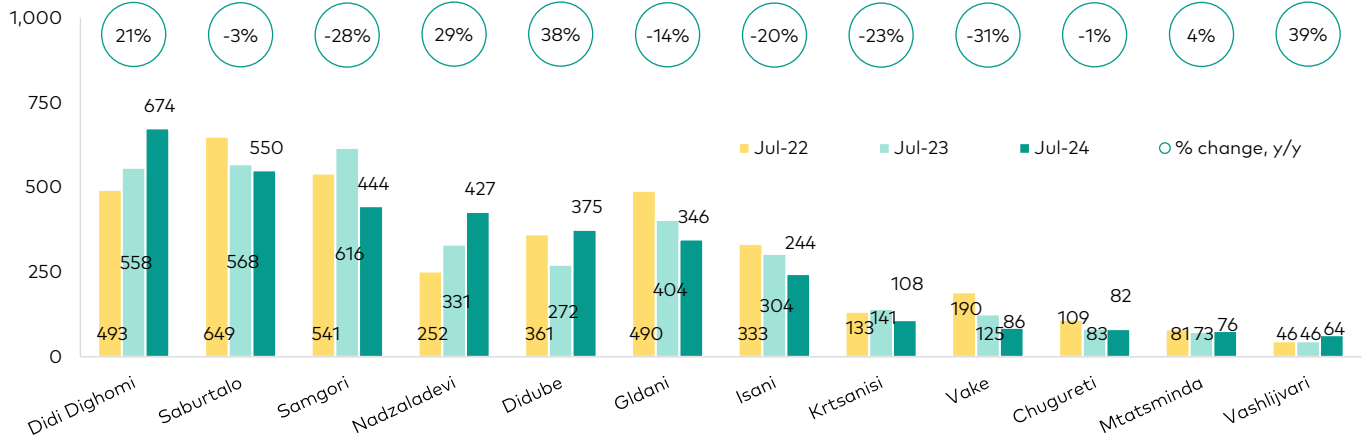




Figure 5: Number of sold apartments by districts (primary and secondary markets combined)

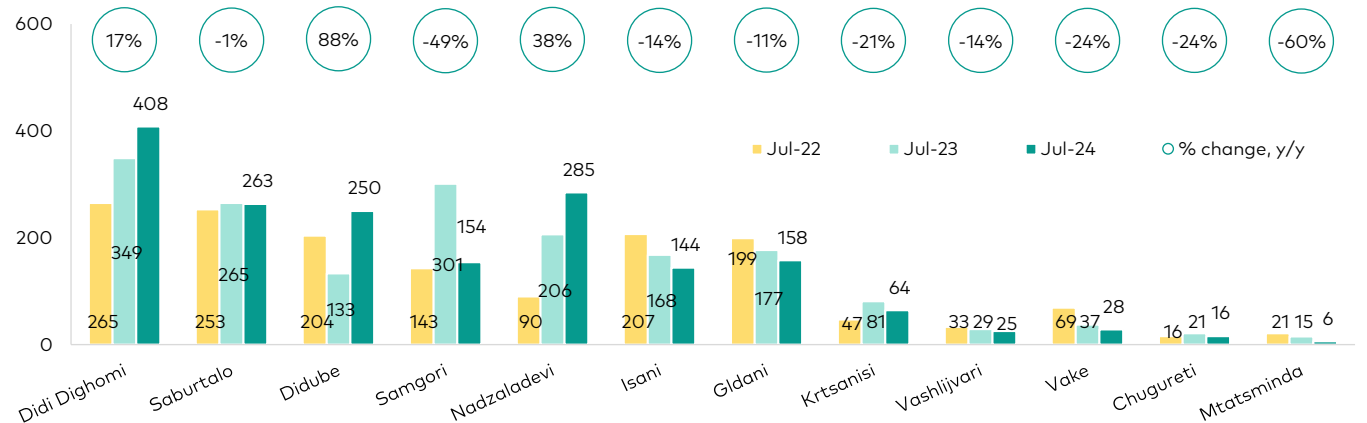
The biggest contributor to overall annual decrease in sales was Samgori district (-4.9 ppts) due to its large size



Source: NAPR, Galt & Taggart

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

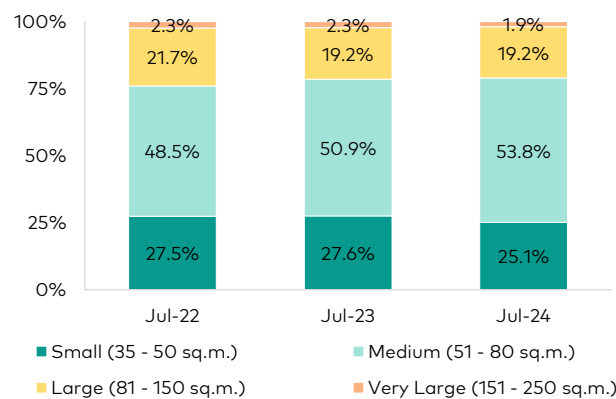
Transactions on the primary market are the highest in Didi Dighomi



Source: NAPR, Galt & Taggart

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

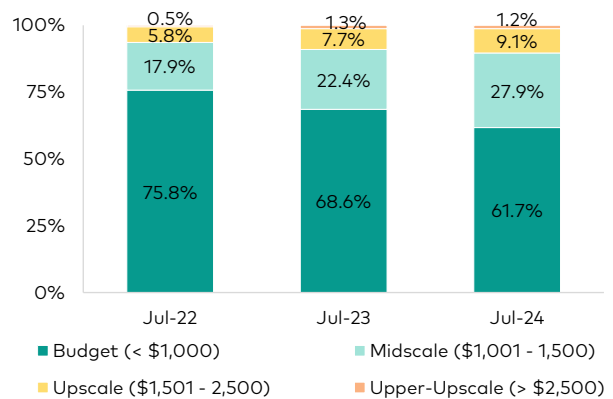
Medium-sized (51-80 m²) apartments remained the most prevalent



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:

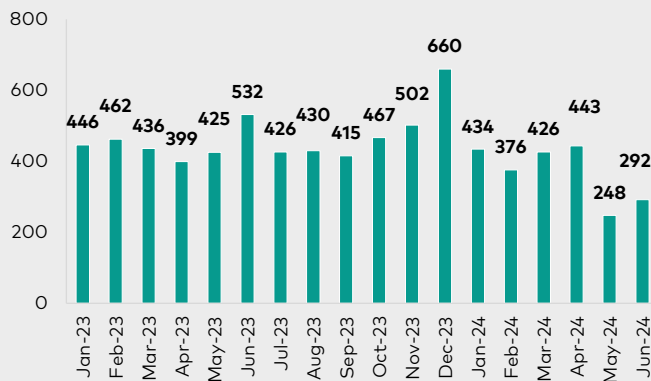
Based on survey results, in June 2024, apartment sales dynamics in the selected developers' projects improved after a significant decrease in May, but still remained weak: +17.7% vs May and -34.1% vs April. A significant decline in May-24 was attributed to numerous holidays and an unstable environment in the country. Volatility of the GEL exchange rate also led potential apartment buyers to delay their purchasing decisions. Since Jun-24, there has been a relative improvement in sales dynamics, despite a substantial portion of population with high disposable income being absent from the country during Euro 2024.

In 1H24 the share of Israeli citizens in sales increased significantly from 4% to 11%, offsetting a decrease in sales of Russian citizens, which dropped from 8% to 2%. Georgian citizens made up 76% of total sales, compared to 80% in 2023.

Finally, 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

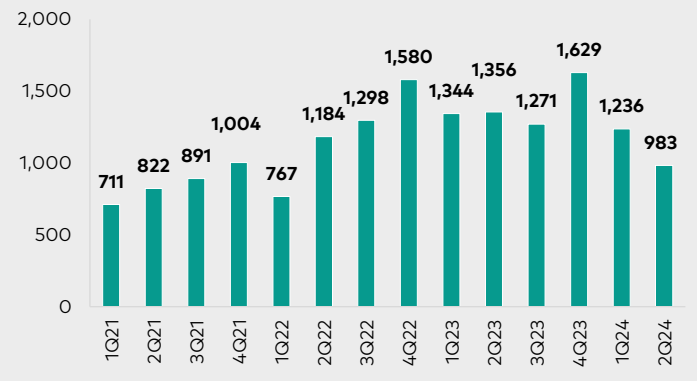
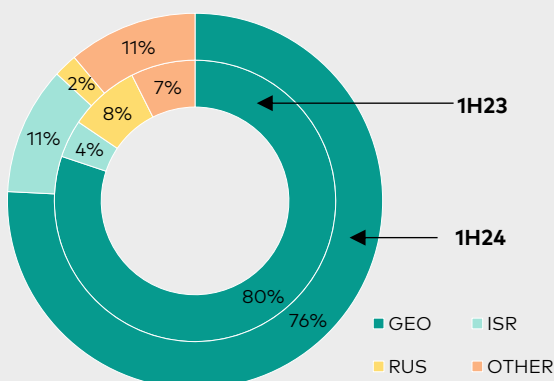
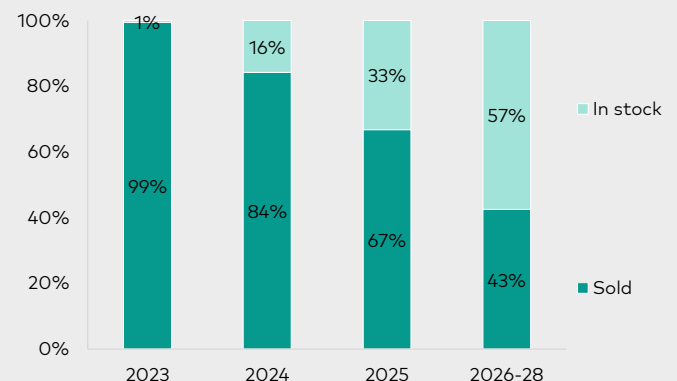


Figure 11: Real estate sales by citizenship in Tbilisi, 1H23 vs 1H24



Source: Galt & Taggart survey of selected developers

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

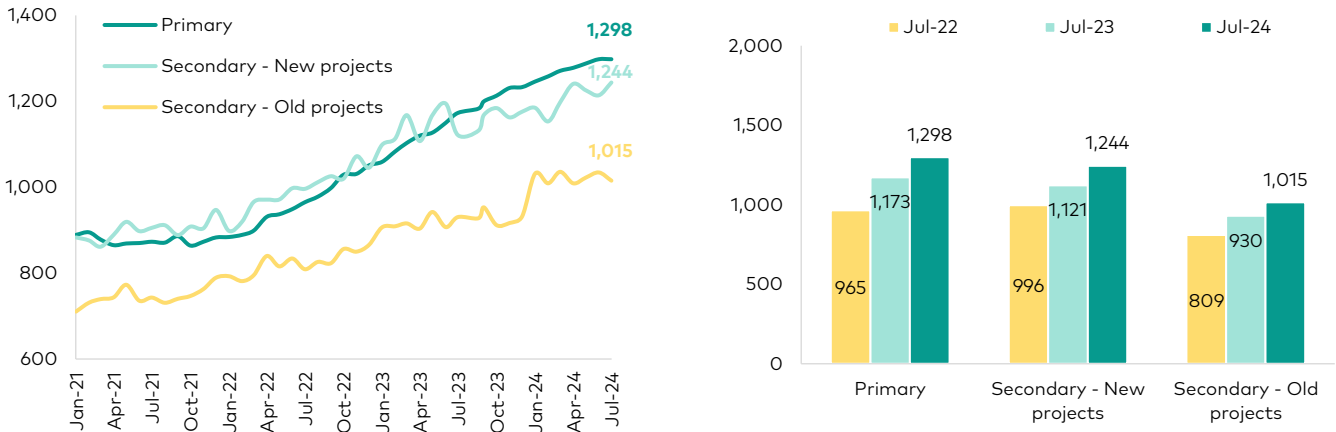




Real Estate Prices

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

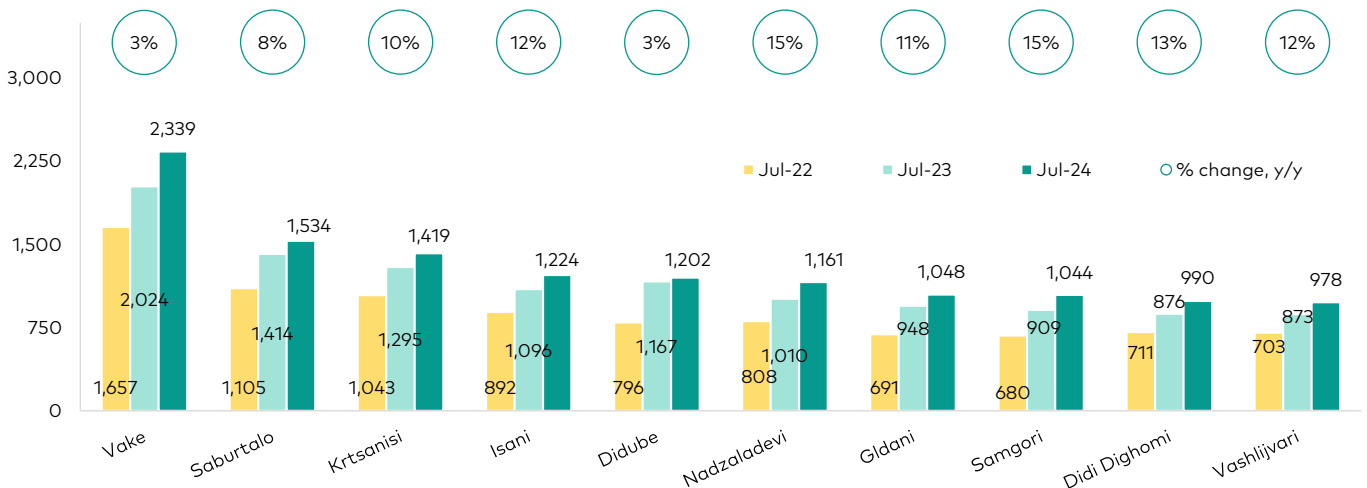
Average price on the primary market stayed flat at US\$ 1,298 in July



Source: NAPR, Galt & Taggart

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

Prices remain elevated in all districts, but the growth pace has slowed down



Source: Galt & Taggart

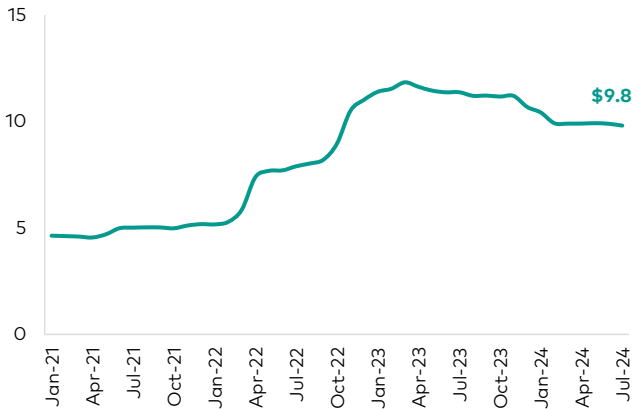
Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples



Real Estate Rents

Figure 15: Real estate weighted average rent price in Tbilisi, US\$/m²

In Jul-24, rents decreased by 0.9% m/m



Source: NBS, 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

Contrarily to the previous month, in July rents have a downward trajectory in central districts

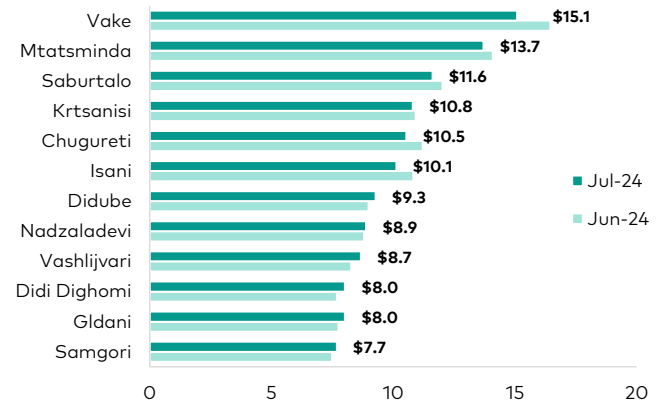
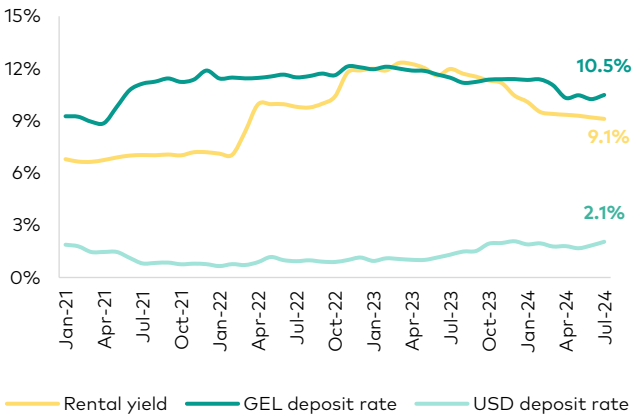


Figure 17: Real estate rental yield and deposit rates

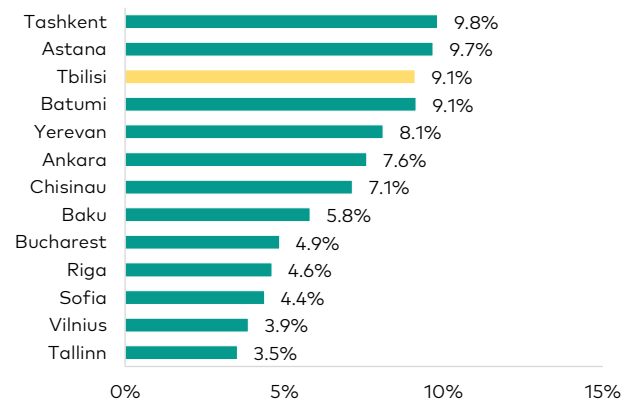
Rental yield still looks attractive compared to alternative investments



Source: NBS, Numbeo, Galt & Taggart

Figure 18: Rental yield outside city center, Jul-24

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

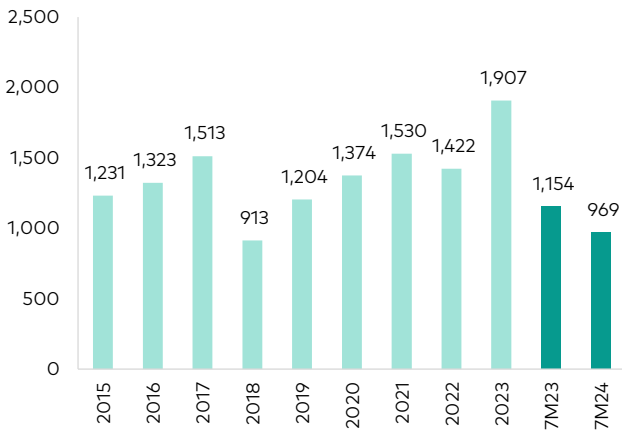




Construction permits

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

Permitted living area in 7M24 has decreased by 16.0% y/y, after a record-high 2023



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

Figure 20: Area of construction permits issued for residential real estate by months in Tbilisi, '000 m²

There has been a decline recorded in living area of issued construction permits for the second month in a row

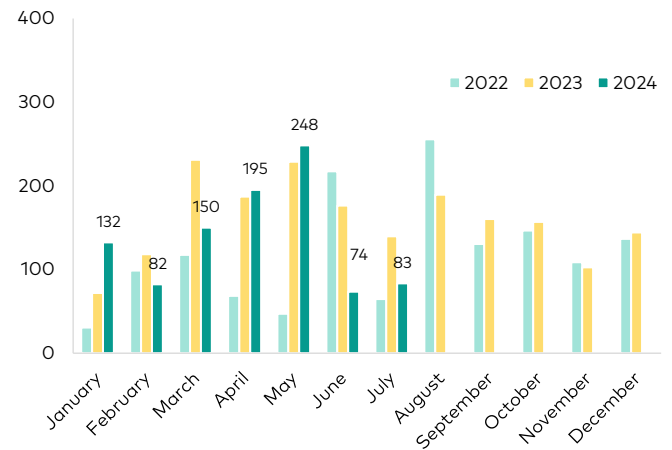
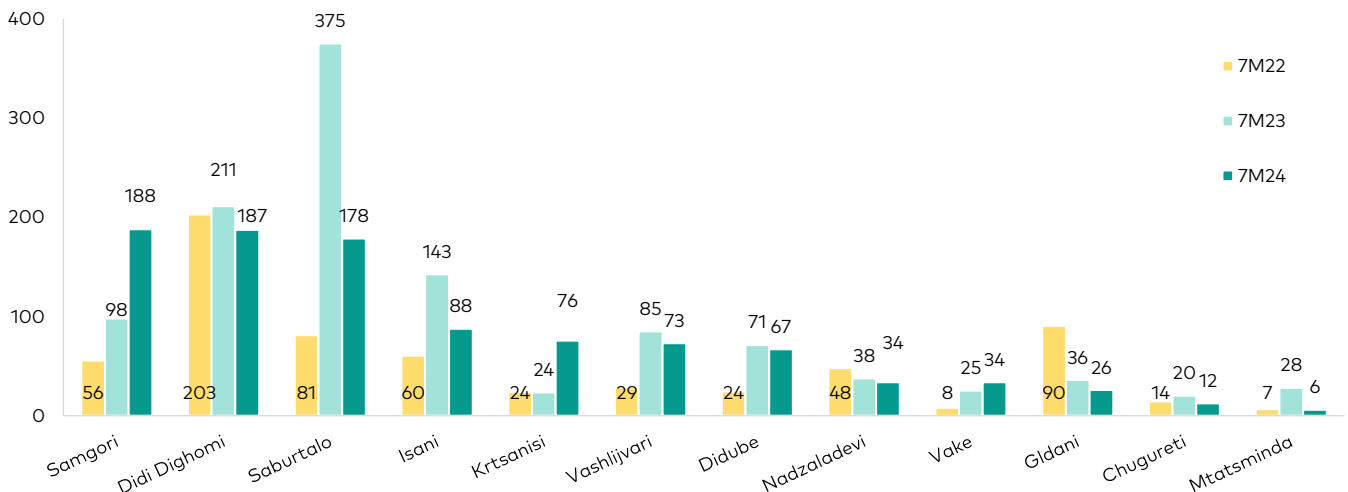


Figure 21: Area of construction permits issued for residential real estate by districts, '000 m²

Most of the permits were issued in Samgori (19% of total), followed by Didi Dighomi (19%) and Saburtalo (18%)



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, 7M24

District	Value (mn US\$)	Number	Area ('000 m ²)
Saburtalo	392.7	3,625	282.6
Didi Dighomi	257.8	4,195	258.7
Samgori	181.3	3,174	198.2
Didube	179.6	2,447	166.0
Nadzaladevi	146.6	2,171	137.2
Gldani	138.3	2,426	149.7
Isani	111.1	1,546	100.2
Vake	110.7	645	62.9
Krtsanisi	65.5	724	51.1
Mtatsminda	57.3	375	34.9
Chugureti	48.1	593	43.3
Vashlijvari	32.2	436	33.1

Source: NAPR, Galt & Taggart

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

District	Primary market	Secondary market New projects	Secondary market Old projects
Mtatsminda	2,658	1,808	1,574
Vake	2,339	1,935	1,532
Chugureti	1,675	1,464	1,019
Saburtalo	1,534	1,630	1,086
Krtsanisi	1,419	1,538	1,055
Isani	1,224	1,109	1,035
Didube	1,202	1,118	944
Nadzaladevi	1,161	1,114	892
Gldani	1,048	1,057	842
Samgori	1,044	1,013	836
Didi Dighomi	990	1,045	807
Vashlijvari	978	1,121	1,000

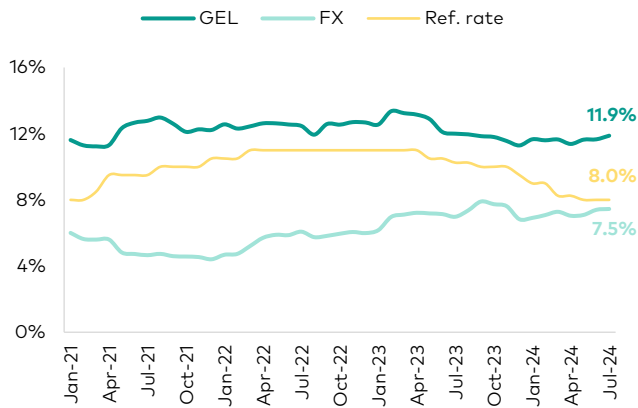
Source: NAPR, Galt & Taggart



Annex

Figure 22: Mortgage interest rates, %

Mortgage interest rates continue increasing m/m



Source: NBG, Galt & Taggart

Figure 23: Share of mortgages in total sales value

Mortgages accounted for 18.2% of sales value in Jul-24, as majority of sales were financed by popular inner instalment schemes

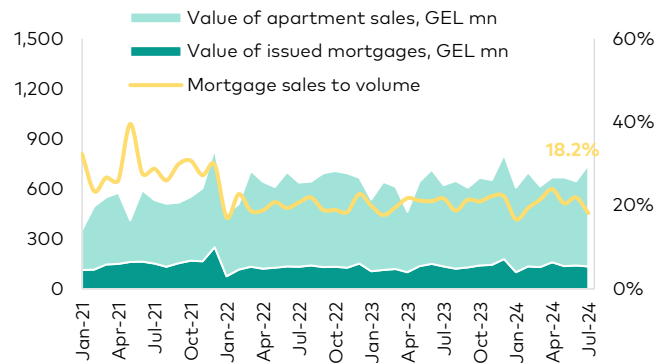
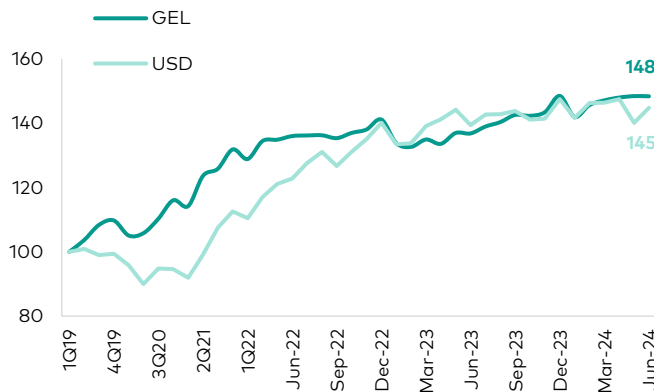


Figure 24: Construction cost index, 1Q19=100

There was an increase in construction costs in USD due to GEL appreciation. However, in GEL terms, construction materials and wages stayed flat in July



	y/y growth Jun-24, US\$	m/m growth Jun-24, US\$
Total construction cost	3.8%	3.3%
Construction materials	-0.4%	3.2%
Wages	20.5%	3.3%
Machinery	2.2%	3.4%
Transportation, fuel and electricity	6.3%	4.9%
Other costs	-2.1%	2.8%

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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