



GALT & TAGGART
CREATING OPPORTUNITIES

Tbilisi Residential Real Estate

AUGUST 2024 UPDATE

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Key Figures

Aug-22

Aug-23

Aug-24

Sales

of apartments

3,770

3,401

3,138

Primary

1,659

1,629

1,554

Secondary

2,111

1,772

1,584

Price

US\$ / m²

\$978

\$1,183

\$1,301

Rent

US\$ / m²

\$8.0

\$11.2

\$9.9

Permits

'000 m²

255.6

189.4

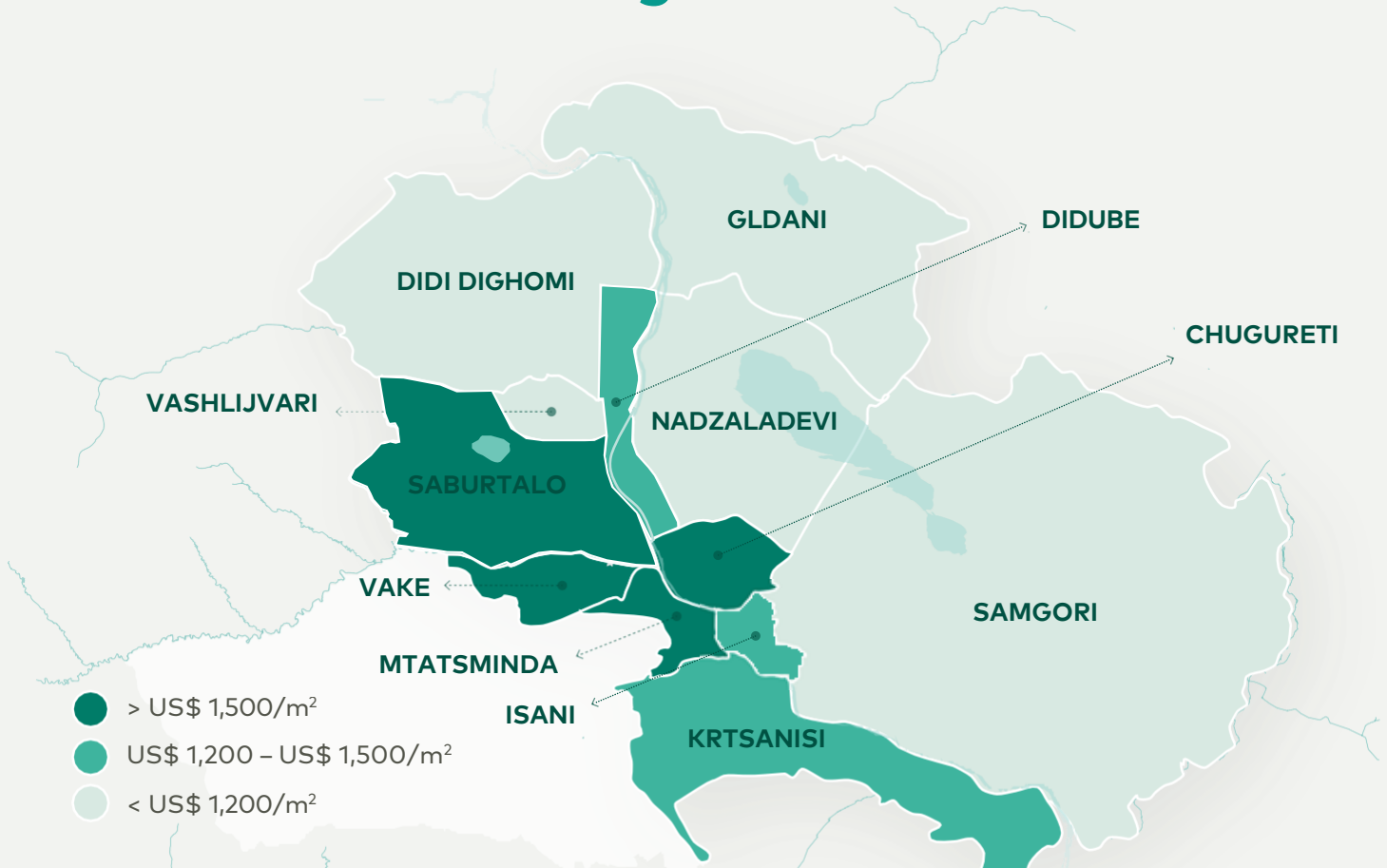
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Real estate sale patterns in August 2024



MTATSMINDA

Number of sales
39 apartments
Average price
2,658 us\$ / m²
Average rent
14.2 us\$ / m²

VAKE

Number of sales
145 apartments
Average price
2,271 us\$ / m²
Average rent
15.4 us\$ / m²

CHUGURETI

Number of sales
68 apartments
Average price
1,675 us\$ / m²
Average rent
10.3 us\$ / m²

SABURTALO

Number of sales
473 apartments
Average price
1,539 us\$ / m²
Average rent
11.7 us\$ / m²

KRTSANISI

Number of sales
131 apartments
Average price
1,456 us\$ / m²
Average rent
10.8 us\$ / m²

DIDUBE

Number of sales
340 apartments
Average price
1,230 us\$ / m²
Average rent
9.3 us\$ / m²

ISANI

Number of sales
211 apartments
Average price
1,219 us\$ / m²
Average rent
10.3 us\$ / m²

NADZALADEVI

Number of sales
290 apartments
Average price
1,162 us\$ / m²
Average rent
8.9 us\$ / m²

SAMGORI

Number of sales
469 apartments
Average price
1,037 us\$ / m²
Average rent
8.0 us\$ / m²

GLDANI

Number of sales
340 apartments
Average price
1,035 us\$ / m²
Average rent
8.1 us\$ / m²

DIDI DIGHOMI

Number of sales
579 apartments
Average price
997 us\$ / m²
Average rent
8.1 us\$ / m²

VASHLIJVARI

Number of sales
53 apartments
Average price
952 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



August 2024 update

Summary

In August 2024, demand for real estate continued to improve, but it still remains sluggish compared to the beginning of the year. Prices in August increased slightly by 0.3% m/m on the primary market, after remaining flat in July. Weakened demand is also affecting supply - over the past three months, the volume of permits issued for construction has decreased sharply, by 41.9% y/y. Permit issuance dynamics are likely to be maintained by end of 2024 as developers await until demand improves considerably.

Primary market - presales from developers

According to our survey of systematic developers, apartment sales recovered in July and August 2024, after a sharp drop in May, attributed to a series of holidays and street protests. However despite the improvement, demand still remains sluggish, with August sales 2.6% lower compared to the 4M24 average.

In 8M24 compared to last year, the share of Israeli citizens in sales increased significantly from 5% to 11%, offsetting a decrease in sales of Russian citizens, which dropped from 9% to 2%. Share of Georgian citizens in apartment sales remained flat at 78%.



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.

Secondary market – registered transactions

In Aug-24, the number of sold apartments on the secondary market in Tbilisi stood at 1,584 units, down 10.6% y/y and 5.4% m/m.

Cumulatively, in 8M24, 13,080 apartments were sold on a secondary market in Tbilisi, down 7.1% y/y, reflecting weakened demand.

Prices

In Aug-24, average price on the primary market increased slightly by 0.3% m/m, after remaining flat in Jul-24. Slower pace of monthly price increase is mainly attributed to a sluggish demand.

Market size

In Aug-24, the total market value of apartments sold in Tbilisi stood at US\$ 244.9mn, down by 4.8% y/y and 9.4% m/m, due to decrease in apartment sales. Cumulatively in 8M24, Tbilisi real estate market size was up by 1.0% y/y to US\$ 1,953.4mn.



Rent

In Aug-24, price for renting an average apartment (50-60 m²) in Tbilisi increased slightly to US\$ 9.9 per m². During 2024 rent prices in Tbilisi remained largely stable around US\$ 10 per m².

Construction permits

In Aug-24, the sharp reduction in building permits, which started in Jun-24, continued. In total, the area of permits issued in the June-August period decreased by 41.9% y/y. We expect that developers will delay permit finalization process until the demand improves considerably.



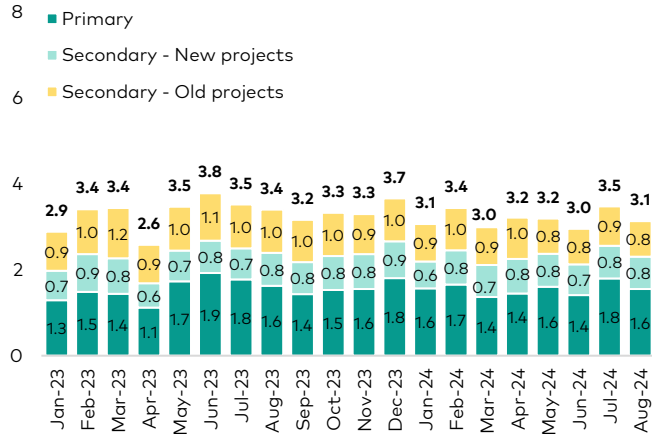
Real Estate Sales

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 Aug-24, real estate transactions were down 7.7% y/y and 9.7% m/m



Source: NAPR, Galt & Taggart

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

In 8M24, sales were down 3.8% y/y, attributed to decrease on the secondary market old projects

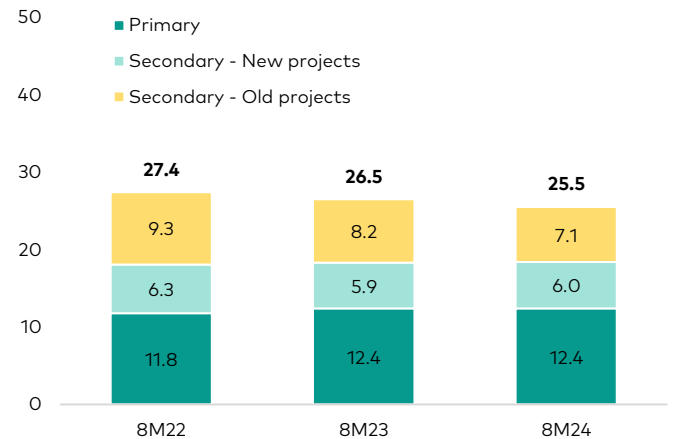
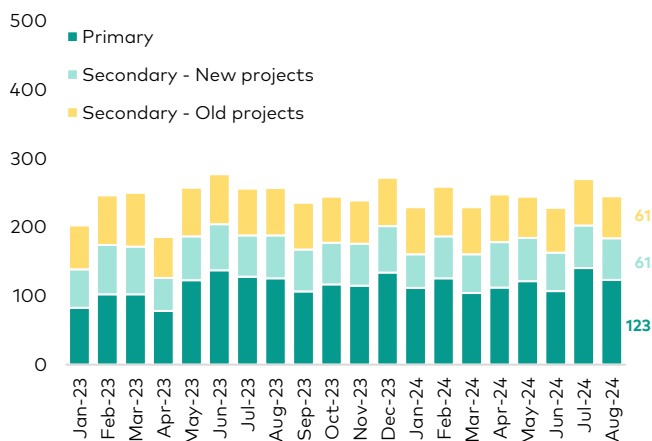


Figure 3: Real estate market size by month, US\$ mn

In Aug-24, real estate market size was down 4.8% y/y and 9.4% m/m



Source: NAPR, Galt & Taggart

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

In 8M24, market size was slightly up 1.0%, attributed to growth on the primary market

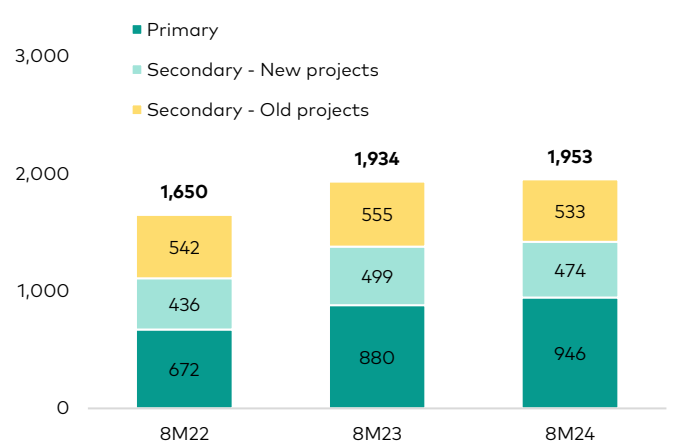
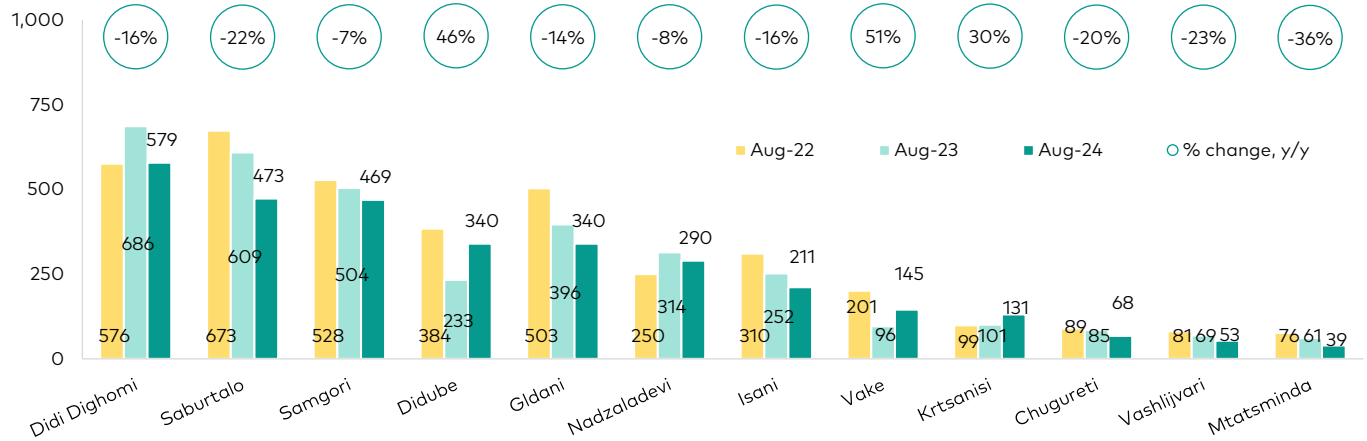




Figure 5: Number of sold apartments by districts (primary and secondary markets combined)

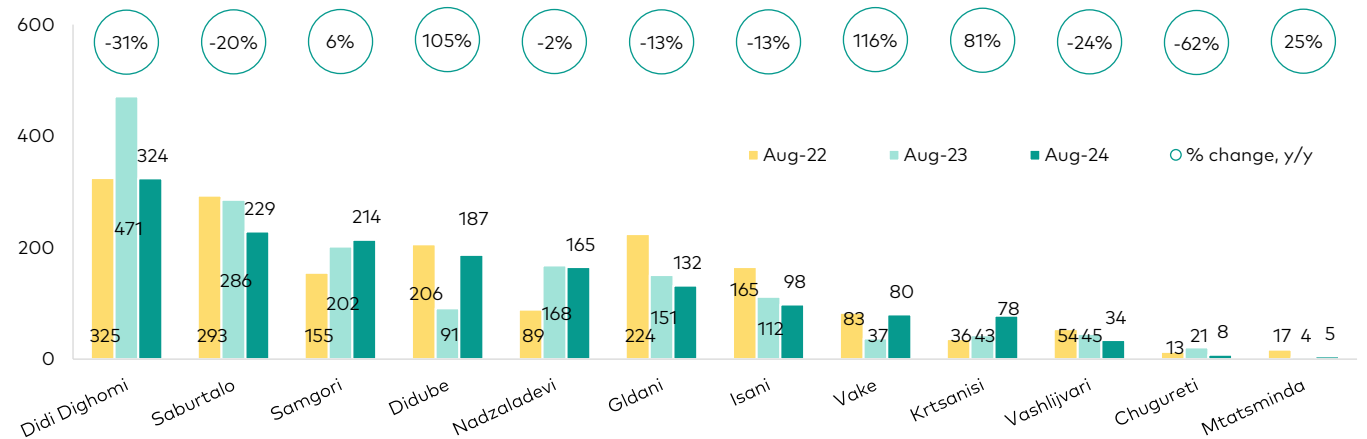
Almost half of the transactions were recorded in Didi Dighomi, Saburtalo and Samgori districts



Source: NAPR, Galt & Taggart

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

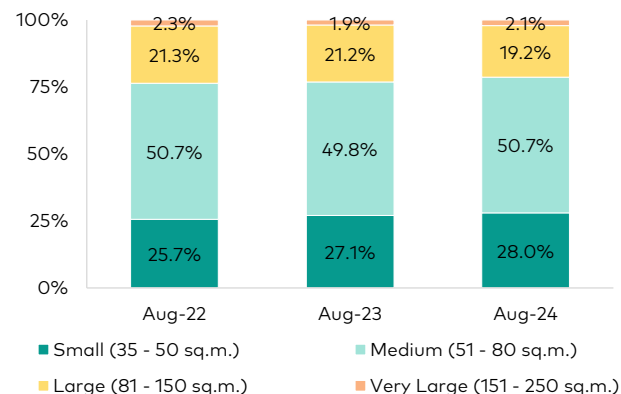
Sales growth in Didube, Vake, Krtsanisi is attributed to the late registration of already sold apartments



Source: NAPR, Galt & Taggart

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

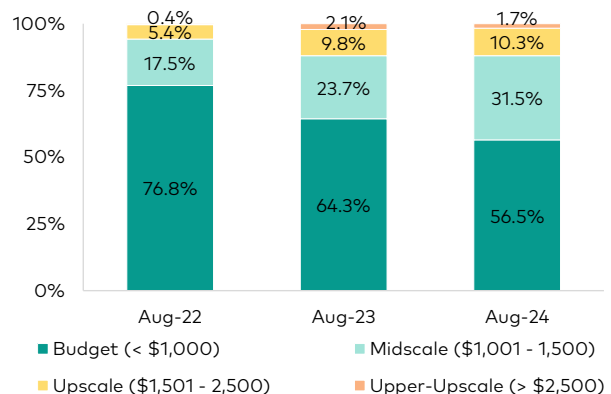
Medium-sized (51-80 m²) apartments remained the most prevalent



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 September 2024, we conducted a survey of 15 systematic developers with over 70 residential construction projects in Tbilisi:

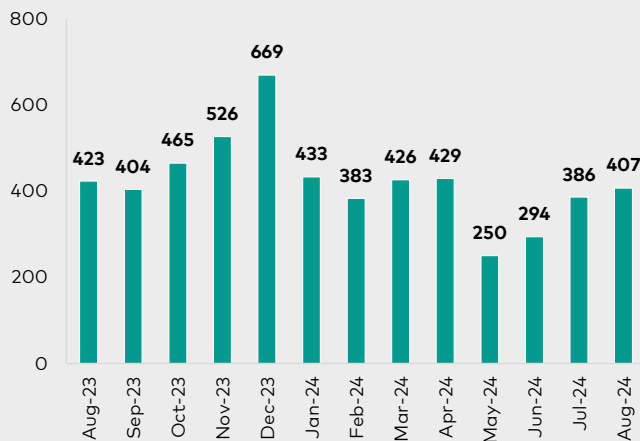
Based on survey results:

The projects of selected developers saw a recovery in apartment sales in July and August 2024, after a sharp drop in May, attributed to a series of holidays and street protests in the country. Despite the improvement, demand still remains sluggish, with August sales 2.6% lower compared to the 4M24 average.

In 8M24 compared to last year, the share of Israeli citizens in sales increased significantly from 5% to 11%, offsetting a decrease in sales of Russian citizens, which dropped from 9% to 2%. Share of Georgian citizens in apartment sales remained flat at 78%.

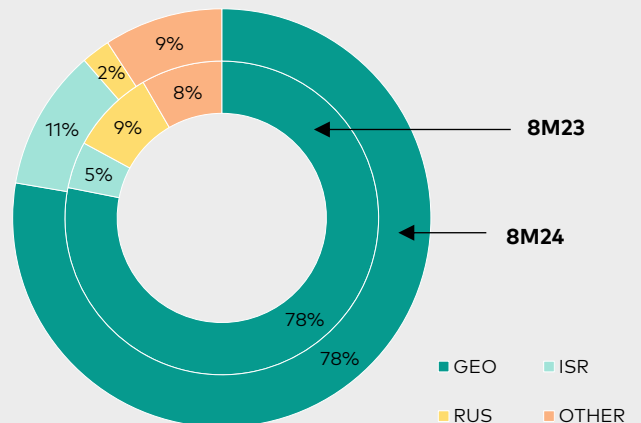
The data will be updated monthly.

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: Real estate sales by citizenship in Tbilisi, 8M23 vs 8M24

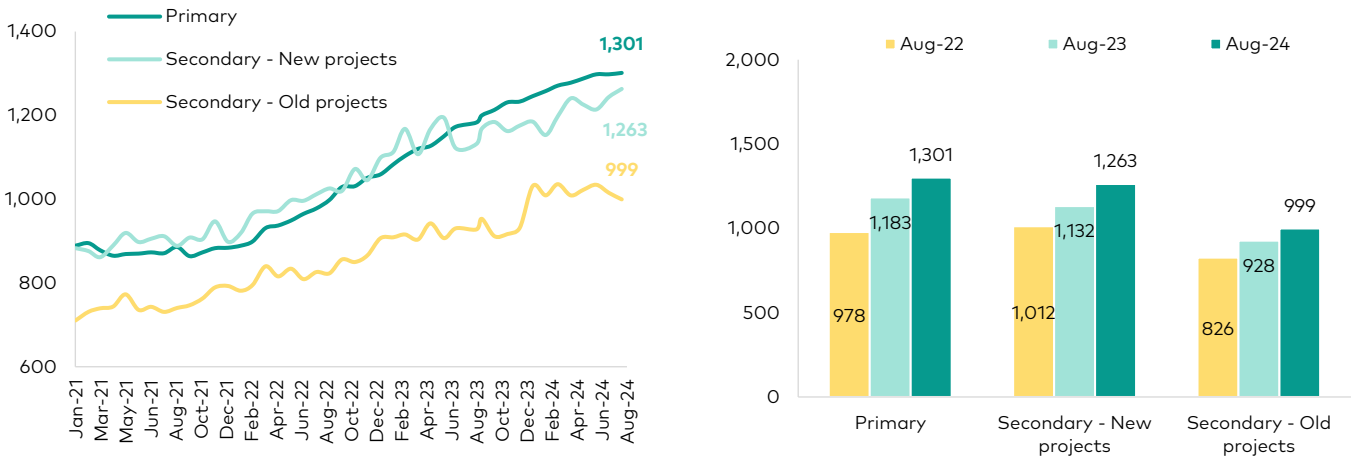




Real Estate Prices

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

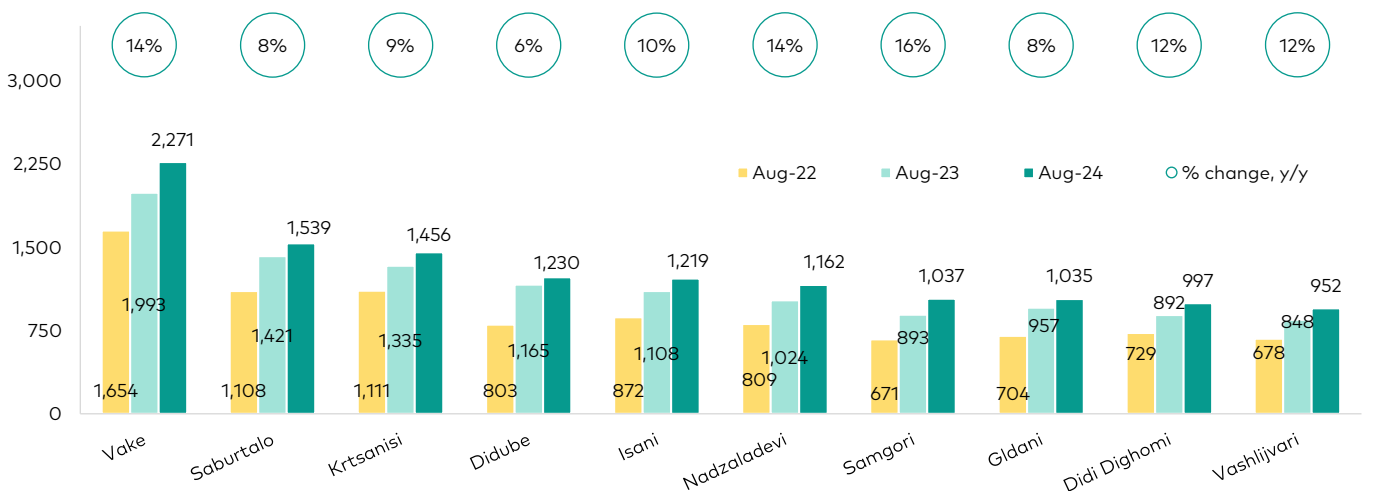
In Aug-24, prices on the primary market increased slightly by 0.3% m/m



Source: NAPR, Galt & Taggart

Figure 12: 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

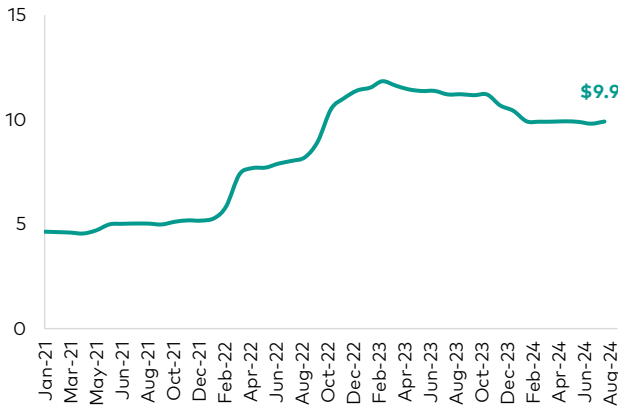
Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples



Real Estate Rents

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

Average rent remains stable around US\$ 10 per m²



Source: NBS, Galt & Taggart

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

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

Rents remain the highest in central districts

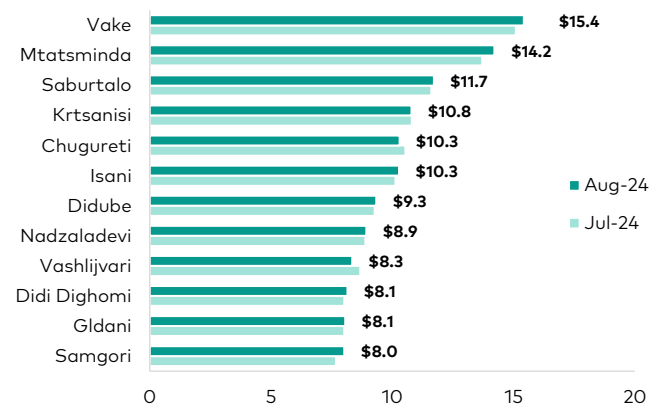
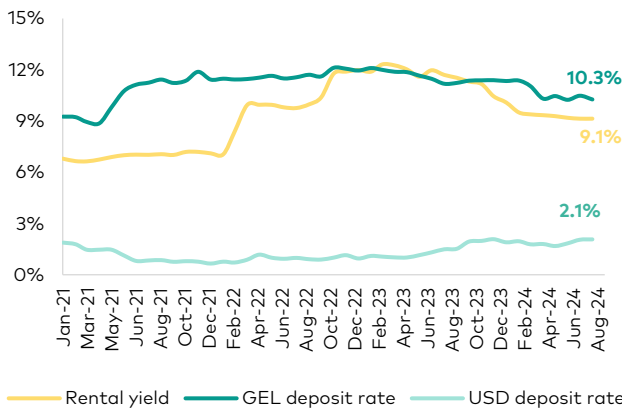


Figure 15: Real estate rental yield and deposit rates

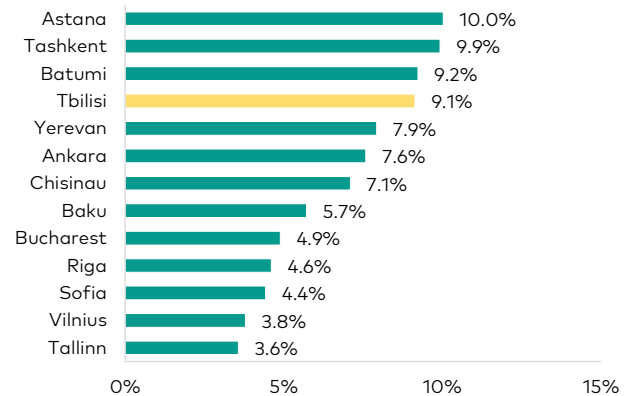
Rental yield still looks attractive compared to alternative investments



Source: NBS, Numbeo, Galt & Taggart

Figure 16: Rental yield outside city center, Aug-24

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





Construction permits

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

Permitted living area in 8M24 has decreased by 17.7% y/y, after a record-high 2023

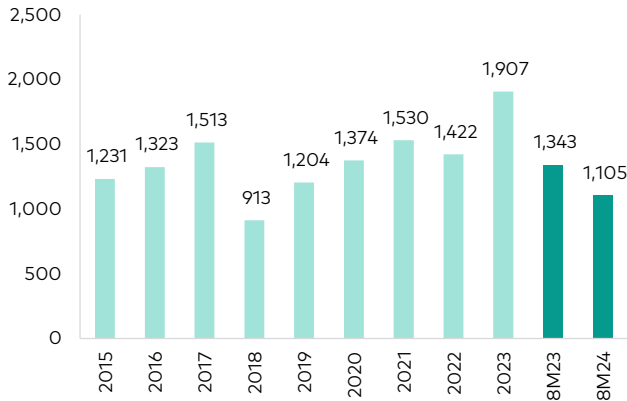
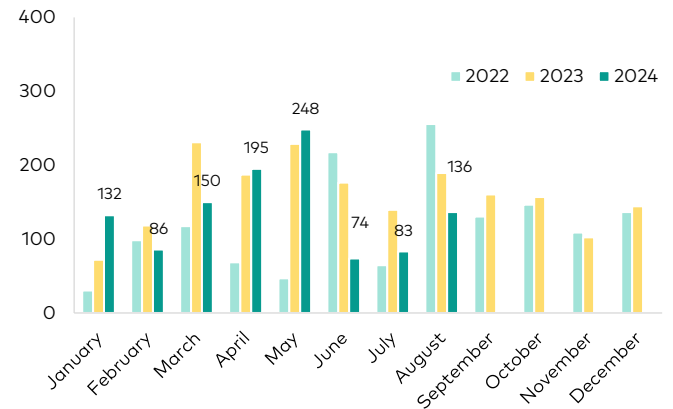


Figure 18: Area of construction permits issued for residential real estate by months in Tbilisi, '000 m²

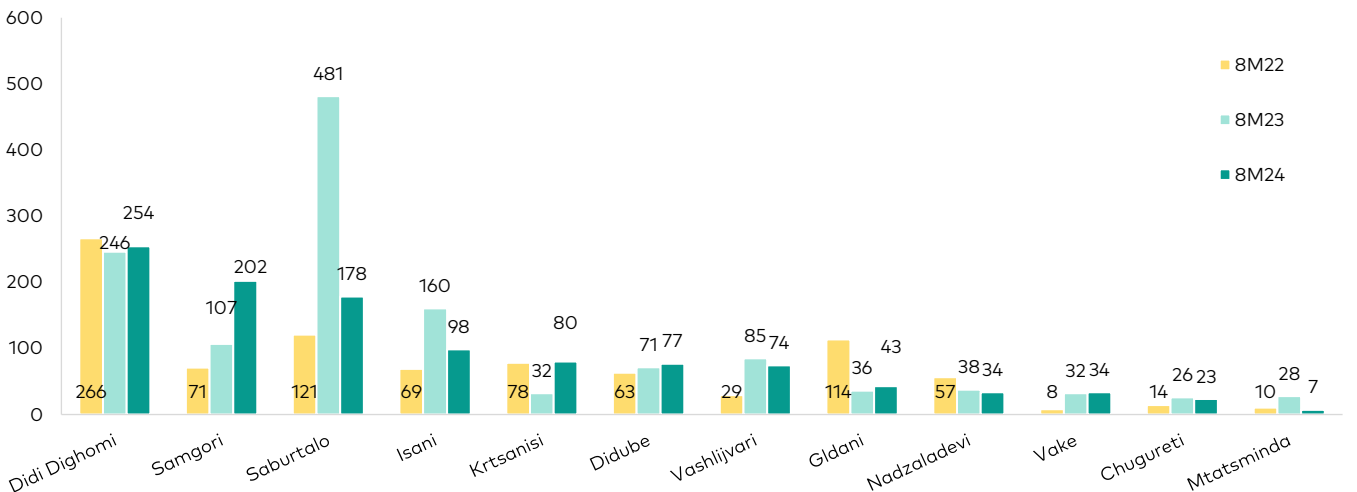
There has been a decline recorded in living area of issued construction permits for the third month in a row



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

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

Most of the permits were issued in Didi Dighomi (23% of total), followed by Samgori (18%) and Saburtalo (16%)



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, 8M24

| District | Value (mn US\$) | Number | Area ('000 m ²) |
|--------------|-----------------|--------|-----------------------------|
| Saburtalo | 444.6 | 4,098 | 318.5 |
| Didi Dighomi | 292.4 | 4,774 | 294.1 |
| Samgori | 209.9 | 3,643 | 226.6 |
| Didube | 206.9 | 2,787 | 188.6 |
| Nadzaladevi | 167.0 | 2,461 | 156.0 |
| Gldani | 159.5 | 2,766 | 170.4 |
| Vake | 134.9 | 790 | 76.0 |
| Isani | 127.9 | 1,757 | 114.1 |
| Krtsanisi | 77.6 | 855 | 60.2 |
| Mtatsminda | 61.5 | 414 | 38.3 |
| Chugureti | 54.0 | 661 | 48.5 |
| Vashlijvari | 36.3 | 489 | 37.1 |

Source: NAPR, Galt & Taggart

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

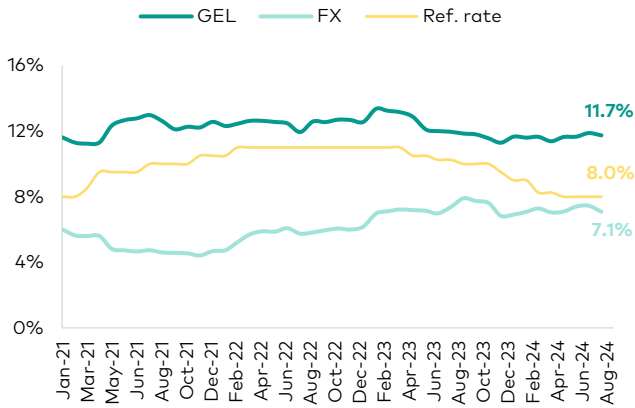
| District | Primary market | Secondary market New projects | Secondary market Old projects |
|--------------|----------------|----------------------------------|----------------------------------|
| Mtatsminda | 2,658 | 1,500 | 1,063 |
| Vake | 2,271 | 2,386 | 1,473 |
| Chugureti | 1,675 | 1,457 | 978 |
| Saburtalo | 1,539 | 1,628 | 1,085 |
| Krtsanisi | 1,456 | 1,236 | 971 |
| Didube | 1,230 | 1,286 | 988 |
| Isani | 1,219 | 1,173 | 962 |
| Nadzaladevi | 1,162 | 1,202 | 942 |
| Samgori | 1,037 | 1,028 | 829 |
| Gldani | 1,035 | 1,126 | 860 |
| Didi Dighomi | 997 | 988 | 781 |
| Vashlijvari | 952 | 1,228 | 750 |

Source: NAPR, Galt & Taggart



Annex

Figure 20: Mortgage interest rates, %
Mortgage interest rates decreased m/m



Source: NBG, Galt & Taggart

Figure 21: Share of mortgages in total sales value
Mortgages accounted for 21.2% of sales value in Aug-24, as majority of sales were financed by popular inner instalment schemes

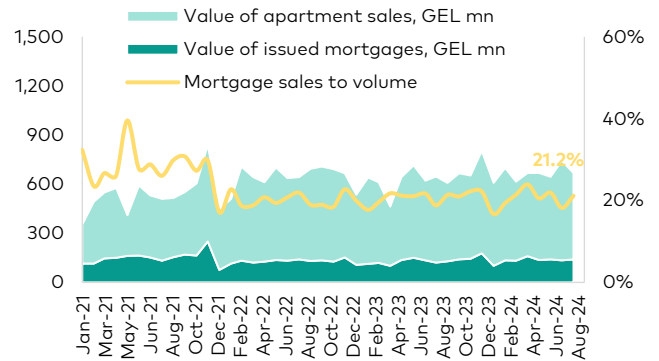
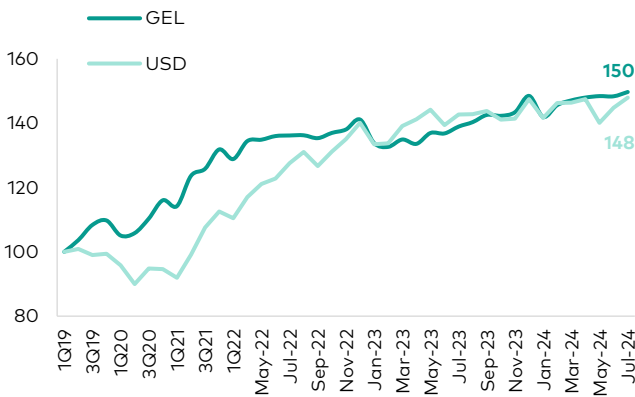


Figure 22: Construction cost index, 1Q19=100
Wages remain the biggest challenge in developers' costs



Source: Geostat, Galt & Taggart

Note: Construction cost index is available by quarter over 2019-22; monthly statistics is available from Mar-22

| | y/y growth Jul-24, US\$ | m/m growth Jul-24, US\$ |
|--------------------------------------|----------------------------|----------------------------|
| Total construction cost | 3.7% | 2.2% |
| Construction materials | -0.4% | 1.1% |
| Wages | 20.1% | 6.7% |
| Machinery | 2.5% | 3.1% |
| Transportation, fuel and electricity | 5.9% | 1.0% |
| Other costs | -2.0% | 0.9% |



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