



GALT & TAGGART
CREATING OPPORTUNITIES

Tbilisi Residential Real Estate

May 2023 overview

Eva Bochorishvili

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

Zurab Tavkelishvili

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



May 2023 overview

Number of transactions

In May-23, apartment sales increased after reduction in previous month - 3,650 apartments were sold in Tbilisi, up by 2.0% y/y and by 34.9% m/m. This growth was solely driven by primary sales increasing by 20.0% y/y to record high 1,650 apartments (excluding Dec-21). Meanwhile, secondary market posted decline both in new and old apartment sales, -5.5% y/y and -12.0% y/y, respectively.

Key drivers of sales growth were districts in the wide centre of Tbilisi – Vashlijvari (+180.0% y/y), Krtsanisi (+47.7% y/y) and Didube (+19.1% y/y) in May. Markedly, while share of Vashlijvari is low in total sales, it almost tripled y/y in May-23 to 4.6%. Other key characteristics of the market remained unchanged – dominance of medium-sized apartments (51-80 m²) and midscale/upscale segments (801 – 1800\$) in sales.

Prices

In May-23, asking prices increased by 26.8% y/y in US\$ and 8.2% y/y in GEL, but remained flat m/m (primary and secondary markets combined). On primary market, developers' average asking price in Tbilisi was US\$ 1,112 (+27.9% y/y) with Vake and Mtatsminda on top of the list.

Market size

In May-23, Tbilisi residential real estate market size surged by 25.4% y/y to US\$ 257.8mn, primary market contributing the most (+50.3% y/y).

Rent

Real estate rents increased by 44.9% y/y in US\$ and 23.7% y/y in GEL in May-23. While rents remain high, pace of growth has been on a downward trajectory since Feb-23.



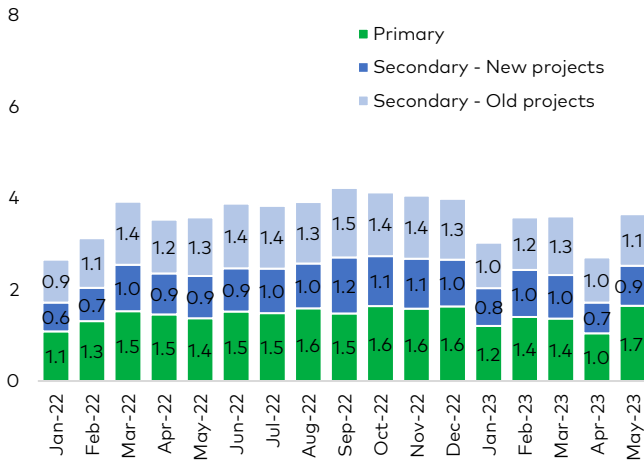
Residential sales

Methodological note - we divide real estate sales in 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 real estate sales, '000 units

Real estate sales were up by 2.0% y/y (or +34.9% m/m due to low base) in May-23



Source: NAPR, Galt & Taggart Research

Figure 2: Cumulative real estate sales, '000 units

Reduced sales in 5M23 (-2.4% y/y) was driven by low number of sales of primary and secondary old projects

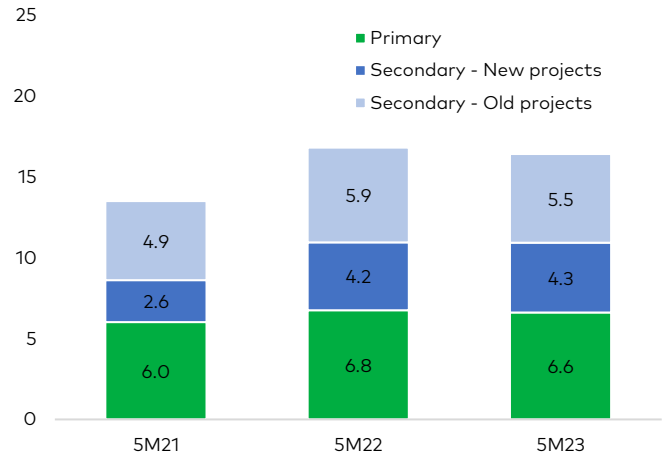
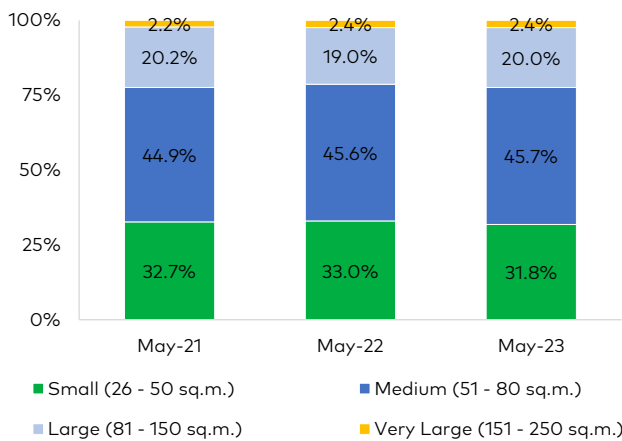


Figure 3: Real estate sales by size, units

Medium-sized (51-80 m²) apartment sales were most prevalent in May-23



Source: NAPR, Galt & Taggart Research

Figure 4: Real estate sales by segments, units

Increased prices lifted up share of midscale/upscale segments significantly

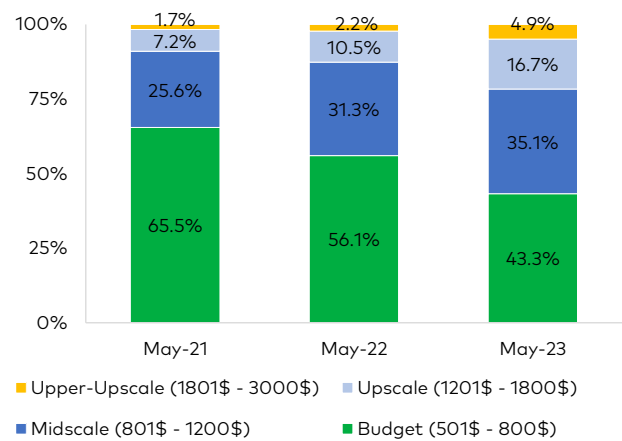
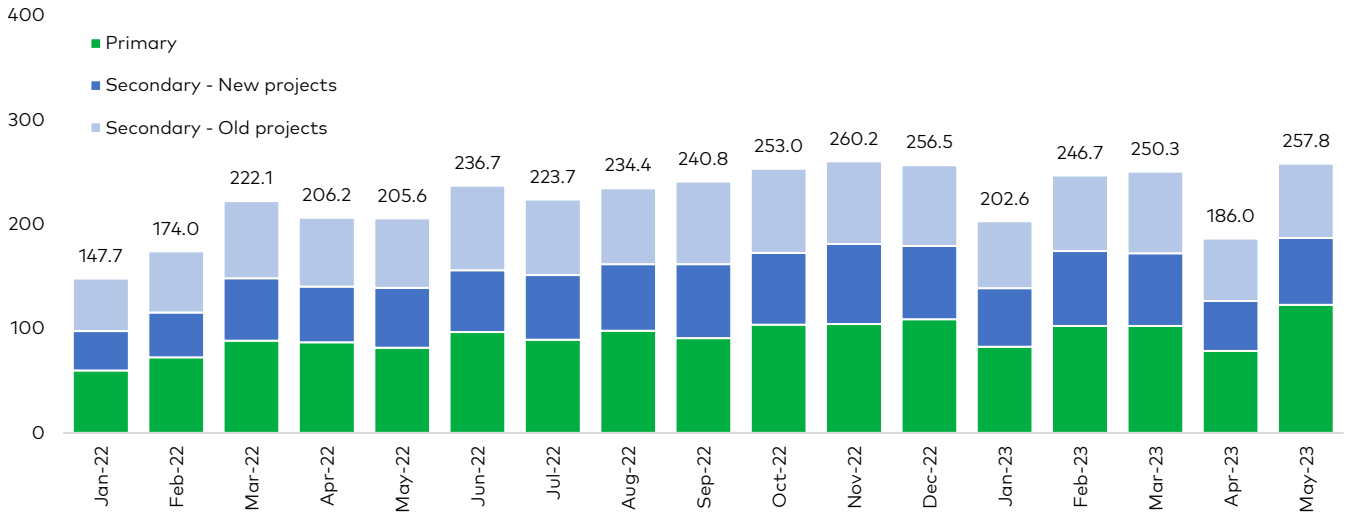




Figure 5: Monthly real estate market size, US\$ mn

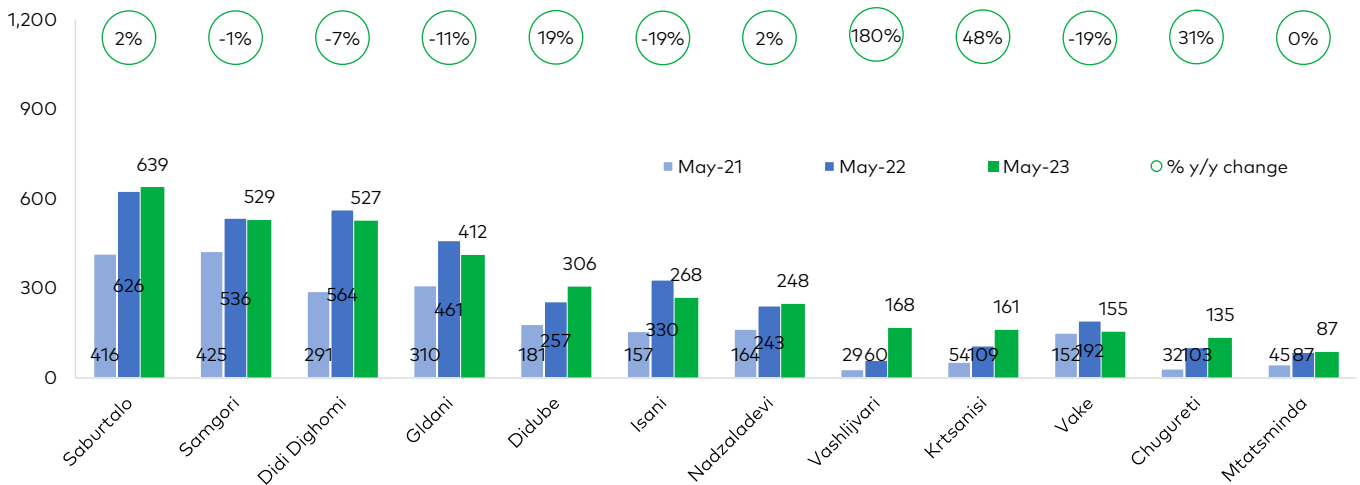
In May-23 total market size of apartments sold in Tbilisi stood at US\$ 257.8mn, up 25.4% y/y and 38.6% m/m. Primary market size increased the most (+50.3% y/y)



Source: NAPR, Galt & Taggart Research

Figure 6: Real estate sales by districts, units

In May-23 Vashlijvari, Krtsanisi and Didube contributed the most to sales growth



Source: NAPR, Galt & Taggart Research



Table 1: Real estate sales by districts – value, units and area, 5M23

Saburtalo remained most attractive residential district, with US\$ 264.9mn (24.7% of total) market size in 5M23

District	Value (mn US\$)	Units ('000)	Area ('000 m ²)
Saburtalo	264.9	3.0	224.6
Didi Dighomi	135.1	2.6	161.8
Vake	103.2	0.7	65.7
Gldani	98.5	2.2	128.0
Samgori	95.3	2.0	118.9
Isani	78.1	1.4	88.5
Didube	76.8	1.3	90.0
Nadzaladevi	69.6	1.3	84.0
Mtatsminda	44.7	0.4	29.9
Krtsanisi	43.0	0.6	42.9
Chugureti	30.7	0.5	34.6
Vashlijvari	30.7	0.5	31.7

Source: NAPR, Galt & Taggart Research



Residential prices

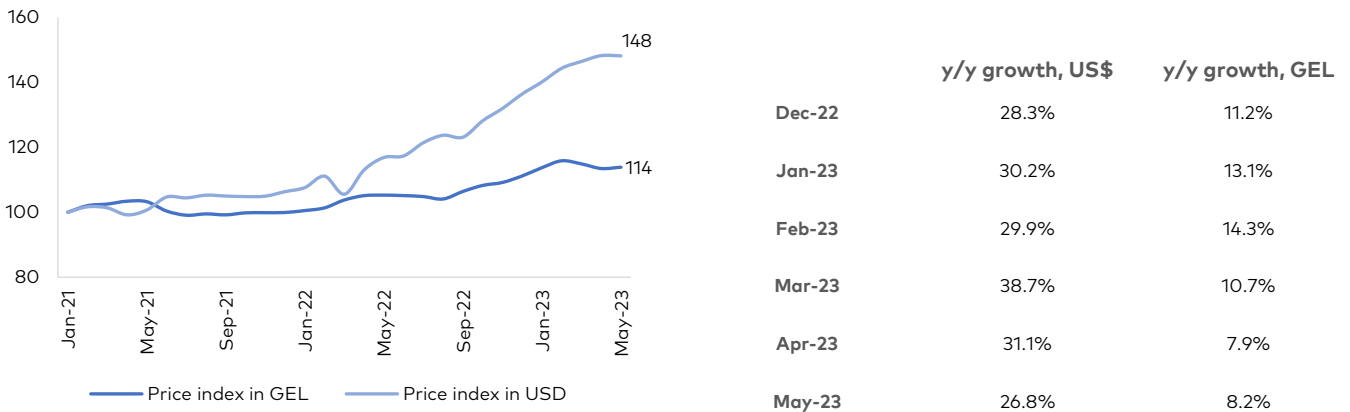
Methodological note - in terms of residential prices, there are two different measures: asking price and sales price. Asking price refers to how much a seller has listed a property for, and sales price refers to the amount it actually sells for.

Asking price – prices that are quoted by the sellers during reporting period on the market.

Sales price – amount actually paid on secondary and primary markets. Notably, developers sometimes report transactions in NAPR later than actual sales take place, which distorts price dynamics (e.g. apartment sold in March and registered in October).

Figure 7: Real estate asking price index, Jan-21=100

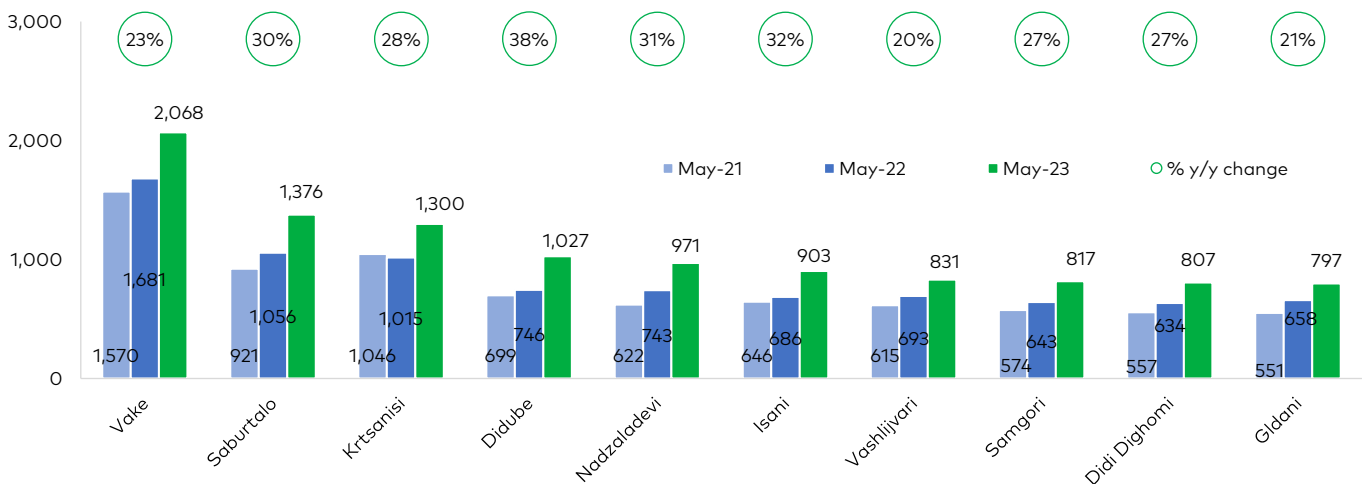
Asking prices were up 26.8% y/y in US\$, however GEL appreciation eased pressure for customers (+8.2% y/y in GEL)



Source: NBS, Galt & Taggart Research

Figure 8: Real estate asking prices on primary market (from developers) by districts, US\$/m²

There was double-digit y/y growth in primary apartment asking prices in every district of Tbilisi



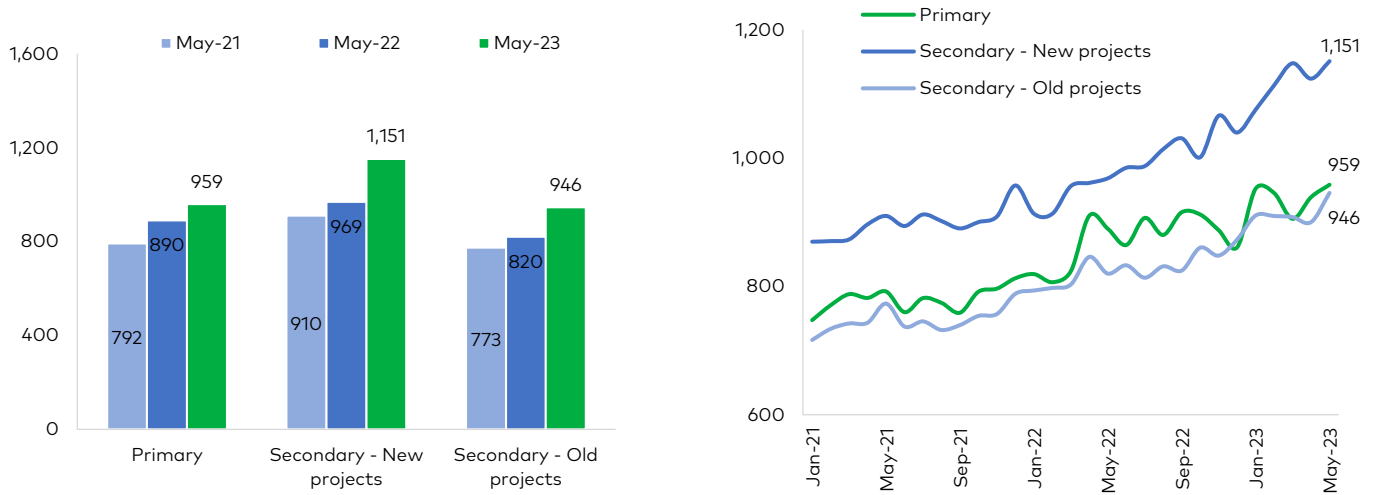
Source: Galt & Taggart Research

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



Figure 9: Real estate weighted average sales prices by type, US\$/m²

In May-23 sales prices increased most on a secondary market in new projects (+18.9% y/y)



Source: NAPR, Galt & Taggart Research

Note: sales prices on a primary market are usually lagged because developers sometimes report transactions in NAPR later than actual sales, which distorts price dynamics

Table 2: Real estate weighted average sales prices by districts in 5M23, US\$/m²

Sales prices remained the highest in Mtatsminda and Vake districts

District	Primary	Secondary New projects	Secondary Old projects
Mtatsminda	2,114	1,847	1,364
Vake	1,744	1,853	1,289
Saburtalo	1,208	1,441	983
Chugureti	1,005	1,128	892
Krtsanisi	998	1,029	932
Vashlijvari	863	984	810
Isani	826	1,007	800
Nadzaladevi	815	991	756
Didube	796	1,016	811
Didi Dighomi	779	930	759
Gldani	766	920	756
Samgori	732	892	718

Source: NAPR, Galt & Taggart Research

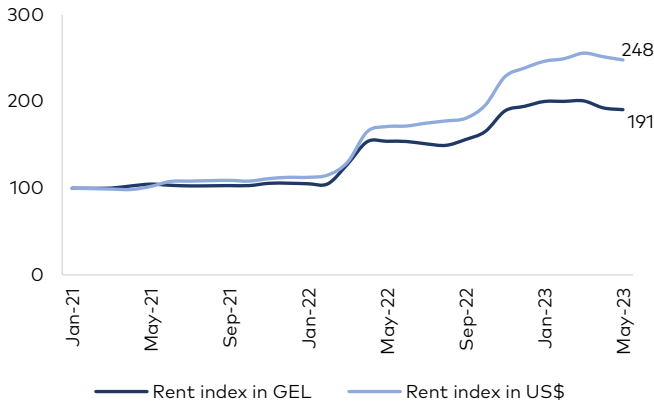
Note: sales prices on a primary market are usually lagged because developers sometimes report transactions in NAPR later than actual sales, which distorts price dynamics



Residential rents

Figure 10: Real estate asking rent price index, Jan-21=100

Real estate rents remained elevated (+44.9% y/y), but growth pace has been on a downward trajectory since Feb-23, reflecting base effect

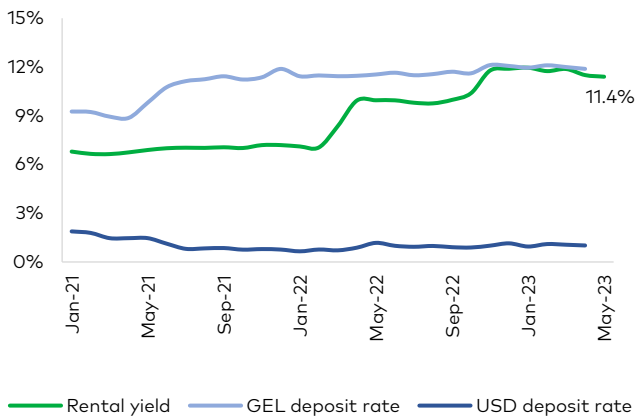


	y/y growth, US\$	y/y growth, GEL
Dec-22	112.0%	83.9%
Jan-23	119.0%	90.3%
Feb-23	116.4%	90.4%
Mar-23	96.9%	57.1%
Apr-23	52.3%	25.4%
May-23	44.9%	23.7%

Source: NBG, Galt & Taggart Research

Figure 11: Real estate rental yield and deposit rates

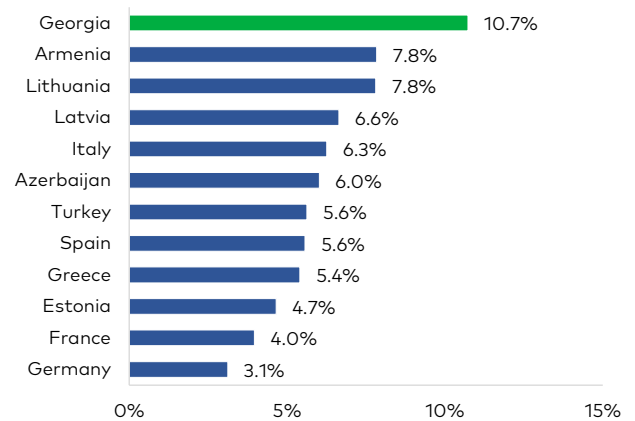
Real estate and GEL deposits yield the same return since Nov-22



Source: NBG

Figure 12: Real estate rental yield by countries, 2022

Georgian real estate had the highest return among peers



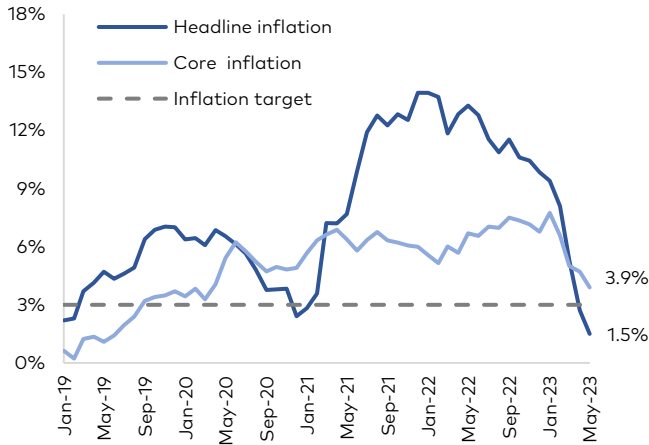
Source: Global property guide



Market fundamentals

Figure 13: Annual inflation

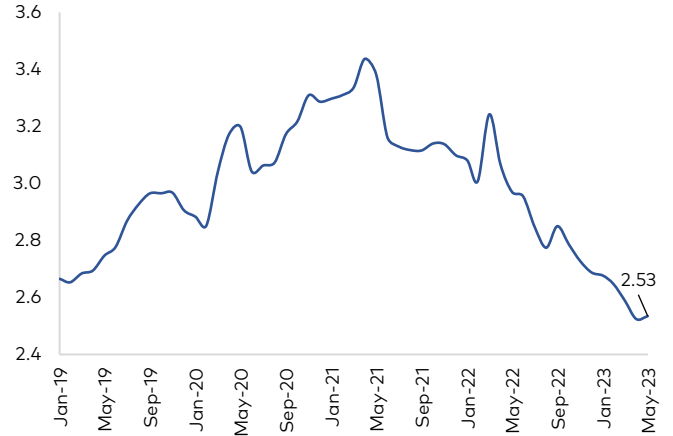
Inflation reduced to 1.5% in May-23



Source: Geostat

Figure 14: US\$/GEL exchange rate, monthly average

GEL appreciation partially balanced out effect of increased apartment prices in US\$



Source: NBG

Figure 15: Consumer confidence index

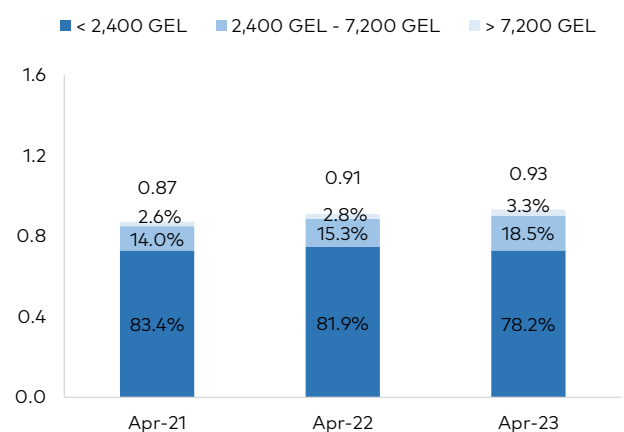
Confidence index continued increasing after a slight drop, indicating higher spending expectations



Source: ISET Policy Institute

Figure 16: Wage distribution in Georgia, mn persons

Proportion of individuals who are eligible to apply for a mortgage has been on the rise

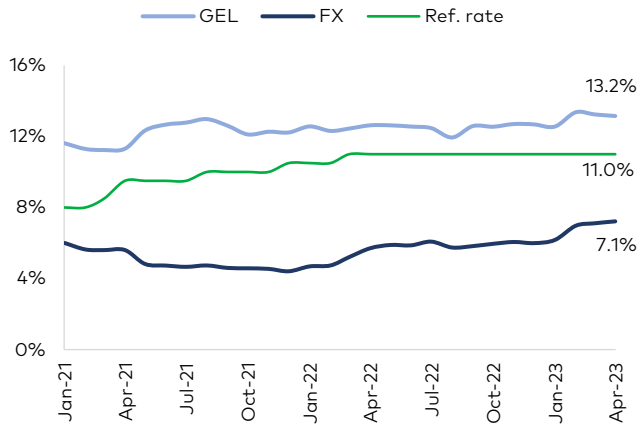


Source: Revenue Service



Figure 17: Mortgage interest rates, %

Due to high refinancing rate mortgage financing remains costly



Source: NBG, Galt & Taggart Research

Figure 18: Share of mortgages in total sales value

Mortgages financed 22.5% of sales in Apr-23

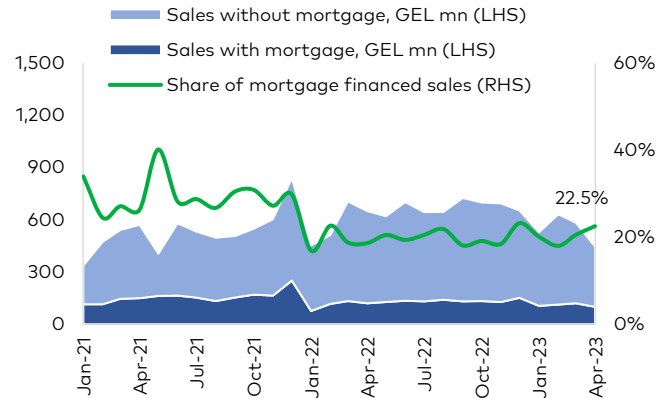
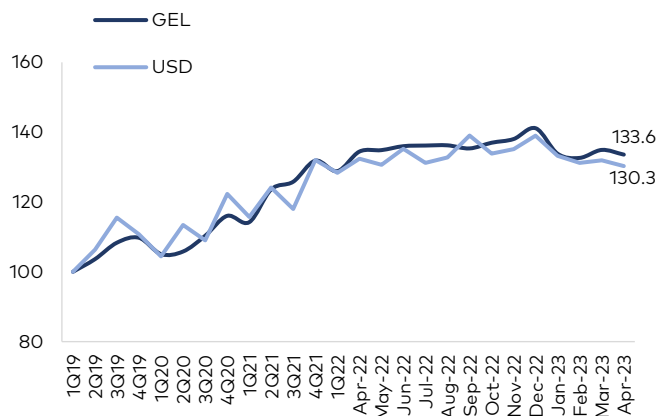


Figure 19: Construction cost index, 1Q19=100

Construction costs stayed flat in Apr-23, however, still remain elevated. Moreover, upcoming regulation about energy efficiency of buildings will likely inflate construction costs by c. 5% upon adoption of the law



Source: Geostat, Galt & Taggart Research

Note: Construction cost index was published quarterly over 2019-22, but was discontinued and shifted to monthly reporting since Mar-22

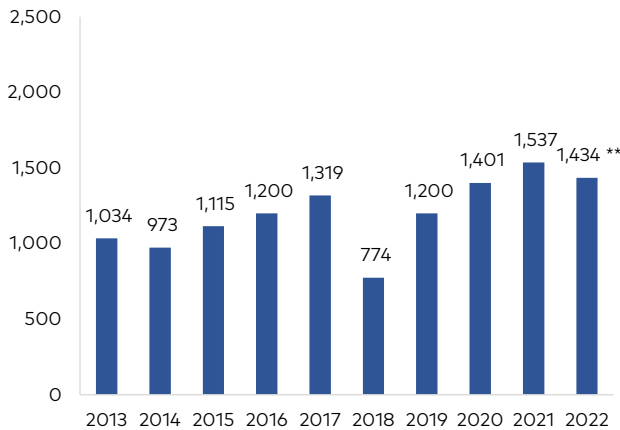
	y/y growth Apr-23, US\$	y/y growth Apr-23, GEL
Total construction cost	0.1%	-0.6%
Construction materials	-0.1%	0.5%
Wages	-0.7%	3.7%
Machinery	-1.7%	9.4%
Transportation, fuel and electricity	2.7%	-15.5%
Other costs	-0.5%	2.7%



Annex 1 – construction permits

Figure 20: Sellable area of issued permits for residential real estate*, '000 m²

Construction permit issuance area was slightly down in 2022, but remained elevated vs 2013-20 average



Source: TAS, Galt & Taggart Research

*: includes only III and IV class multiapartment/multifunctional buildings

** : includes balcony and office areas. Office areas are usually sold as residential spaces

Figure 21: Issued permits for residential real estate, units

Number of constructions permitted has been gradually decreasing as developers have been applying for larger projects in recent years

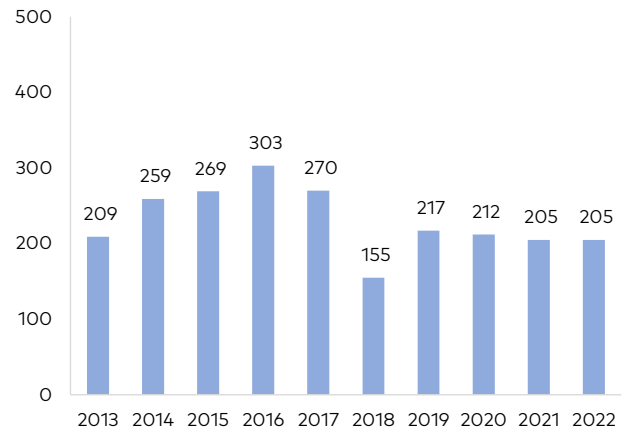
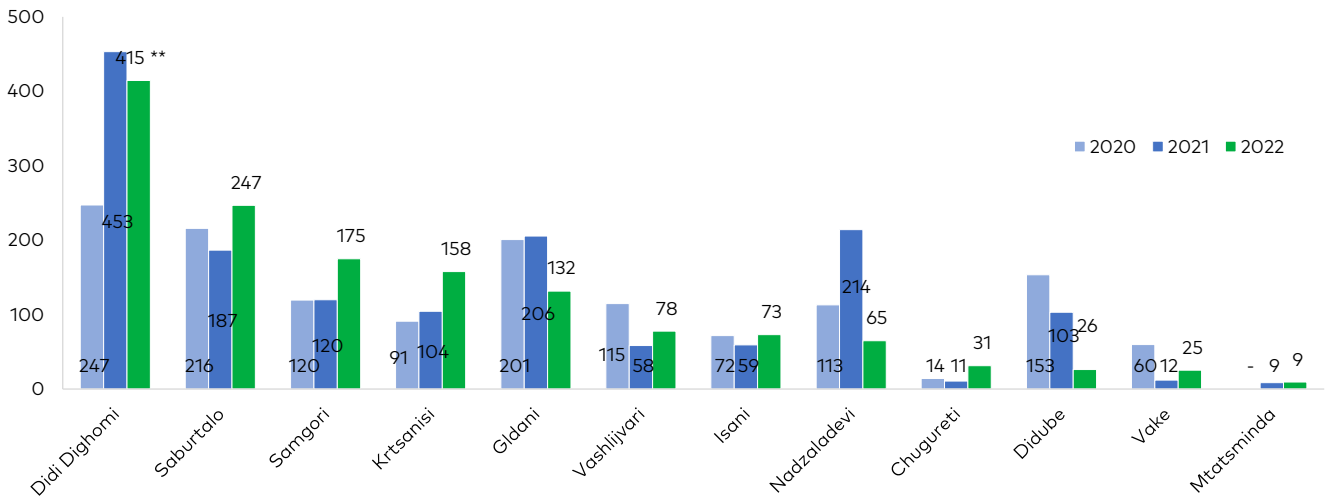


Figure 22: Sellable area of Issued permits for residential real estate* by districts, '000 m²

Construction permit issuance remained the highest in Didi Dighomi in 2022, followed by Saburtalo. Contrarily, permit issuances in Vake and Mtatsminda districts remained low due to scarcity of development land. As a result, real estate price gap among central and suburban districts is on the rise and we expect trend to strengthen over short-to-medium term



Source: TAS, Galt & Taggart Research

*: includes only III and IV class multiapartment/multifunctional buildings

** : includes balcony and office areas. Office areas are usually sold as residential spaces



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Head of Research

Eva Bochorishvili | evaboshorishvili@gt.ge

Address: 3 Pushkin Street, Tbilisi 0105, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge

Head of Macroeconomic Analysis and Forecasting

Lasha Kavtaradze | lkavtaradze@gt.ge

Head of Analytics

Giorgi Iremashvili | giremashvili@gt.ge

Head of Sector Research

Kakha Samkurashvili | ksamkurashvili@gt.ge

Head of Sector

Mariam Chakhvashvili | mchakhvashvili@gt.ge

Head of Sector

Tatia Mamrikishvili | tmamrikishvili@gt.ge

Analyst

Giga Nozadze | gnozadze@gt.ge

Analyst

Giorgi Tskitishvili | g.tskitishvili@gt.ge

Analyst

Zurab Tavkelishvili | ztavkelishvili@gt.ge

Analyst

Sergi Kurashvili | skurashvili@gt.ge