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CREATING OPPORTUNITIES

# Tbilisi Residential Real Estate

FEBRUARY 2024 UPDATE

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# Key Figures

Feb-22

Feb-23

Feb-24

## Sales

# of apartments

3,034

3,413

3,444

Primary

1,351

1,484

1,659

Secondary

1,683

1,929

1,785

## Price

US\$ / m<sup>2</sup>

\$901

\$1,095

\$1,275

## Rent

US\$ / m<sup>2</sup>

\$5.4

\$11.8

\$9.9

## Permits

'000 m<sup>2</sup>

98.6

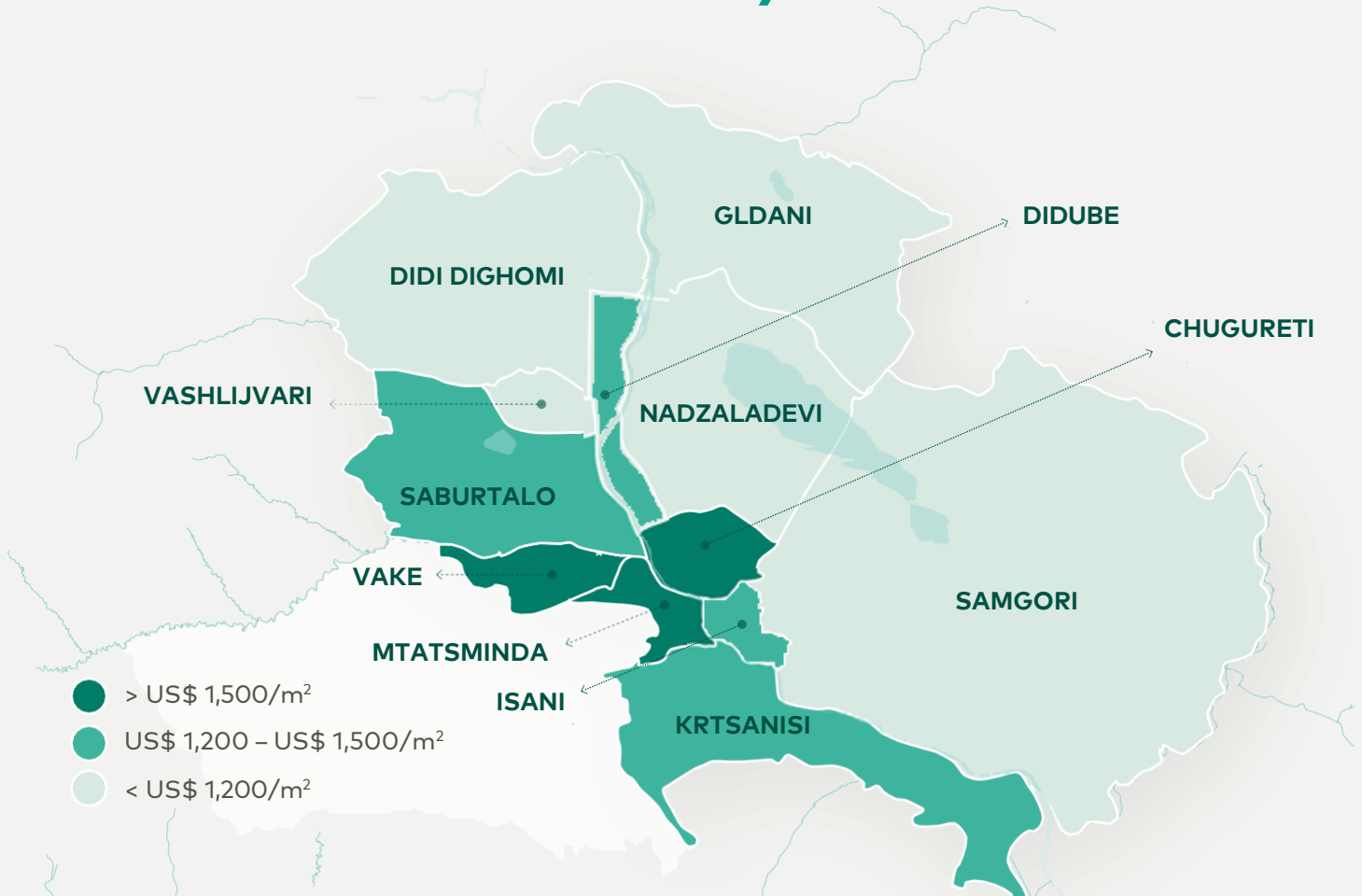
118.4

76.9



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# Real estate sale patterns in February 2024



## MTATSMINDA

Number of sales  
**41 apartments**  
Average price  
**2,683 us\$ / m<sup>2</sup>**  
Average rent  
**14.0 us\$ / m<sup>2</sup>**

## VAKE

Number of sales  
**135 apartments**  
Average price  
**2,337 us\$ / m<sup>2</sup>**  
Average rent  
**14.1 us\$ / m<sup>2</sup>**

## CHUGURETI

Number of sales  
**90 apartments**  
Average price  
**1,588 us\$ / m<sup>2</sup>**  
Average rent  
**10.9 us\$ / m<sup>2</sup>**

## KRTSANISI

Number of sales  
**107 apartments**  
Average price  
**1,482 us\$ / m<sup>2</sup>**  
Average rent  
**10.8 us\$ / m<sup>2</sup>**

## SABURTALO

Number of sales  
**568 apartments**  
Average price  
**1,450 us\$ / m<sup>2</sup>**  
Average rent  
**12.0 us\$ / m<sup>2</sup>**

## DIDUBE

Number of sales  
**389 apartments**  
Average price  
**1,222 us\$ / m<sup>2</sup>**  
Average rent  
**9.8 us\$ / m<sup>2</sup>**

## ISANI

Number of sales  
**213 apartments**  
Average price  
**1,203 us\$ / m<sup>2</sup>**  
Average rent  
**9.6 us\$ / m<sup>2</sup>**

## NADZALADEVI

Number of sales  
**375 apartments**  
Average price  
**1,117 us\$ / m<sup>2</sup>**  
Average rent  
**8.9 us\$ / m<sup>2</sup>**

## GLDANI

Number of sales  
**345 apartments**  
Average price  
**1,024 us\$ / m<sup>2</sup>**  
Average rent  
**8.0 us\$ / m<sup>2</sup>**

## SAMGORI

Number of sales  
**475 apartments**  
Average price  
**989 us\$ / m<sup>2</sup>**  
Average rent  
**8.1 us\$ / m<sup>2</sup>**

## DIDI DIGHOMI

Number of sales  
**646 apartments**  
Average price  
**971 us\$ / m<sup>2</sup>**  
Average rent  
**8.1 us\$ / m<sup>2</sup>**

## VASHLIJVARI

Number of sales  
**60 apartments**  
Average price  
**955 us\$ / m<sup>2</sup>**  
Average rent  
**8.8 us\$ / m<sup>2</sup>**

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



## February 2024 update

### Number of transactions

In Feb-24, the number of sold apartments in Tbilisi stood at 3,444 units, up 0.9% y/y, after 6.3% y/y growth in Jan-24. This growth is solely attributed to increased transactions on the primary market (+11.8% y/y), while sales on the secondary market decreased by 7.5% y/y. Continued decline on the secondary market suggests the end of a speculative buy-to-rent period in the real estate market, as rental rates and yields are gradually moving back to normal levels.

In Feb-24, almost half of registered transactions (49.0% of total) were recorded in Didi Dighomi (+17.0% y/y), Saburtalo (-8.2% y/y) and Samgori (+11.5% y/y) districts. Notably, transactions decreased in central districts of Tbilisi, Vake (-11.2% y/y) and Mtatsminda (-35.9% y/y).

Other noteworthy features of the market remained unchanged, such as the dominance of medium-sized apartments (51-80 m<sup>2</sup>), due to affordability and the ease of renting, and falling share of sold apartments in the budget segment (\$501-800/m<sup>2</sup>), driven by rising prices.

### Prices

In Feb-24, real estate prices on the primary market continued to grow (+0.8% m/m and +16.5% y/y), while a reduction was recorded on the secondary market (-4.1% and -2.2% m/m, for new and old projects).



## Market size

In Feb-24, the total market value of apartments sold in Tbilisi stood at US\$ 258.8mn, up by 4.9% y/y. This growth was solely attributed to the primary market (+22.8% y/y), driven by combination of increased transactions and prices.

## Rent

In Feb-24, price for renting an average apartment (50-60 m<sup>2</sup>) in Tbilisi stood at US\$ 9.9 per m<sup>2</sup> (-4.8% m/m). Notably, rents are down on a monthly basis in every district in Tbilisi. We expect gradual stabilization in rents to continue during 2024.

## Construction permits

In 2M24, 29 new permits were issued for residential projects, with the total living area of 200,445 m<sup>2</sup> (+5.3% y/y). In 2M24, 24% of total permitted living area was in Didi Dighomi, followed by Saburtalo (21%) and Vashlijvari (14%).



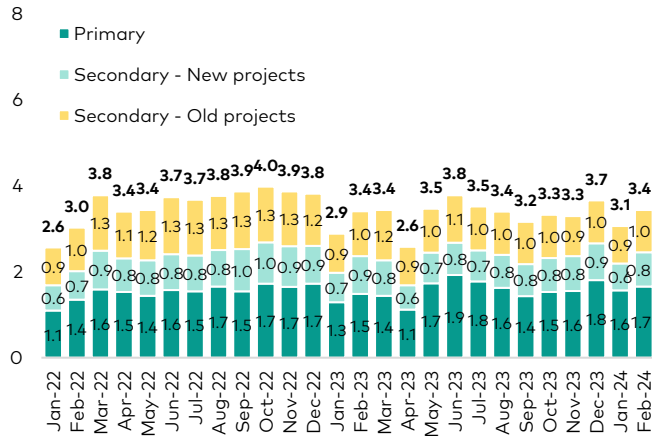
# Real Estate Sales

**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**

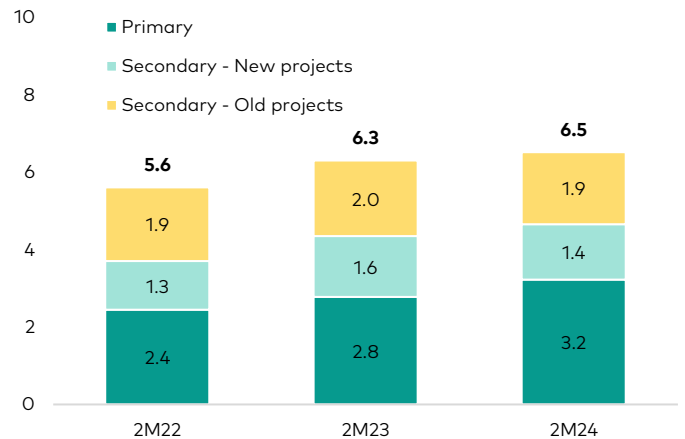
In Feb-24, real estate transactions were up 0.9% y/y (and 12.3% m/m)



Source: NAPR, Galt & Taggart

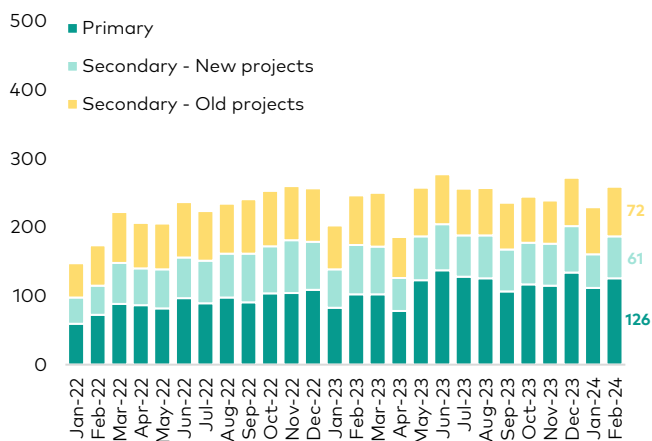
**Figure 2: Number of sold apartments by year, '000**

In 2M24, sales on a primary market was up 16.2% y/y and down 6.7% y/y on a secondary market



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

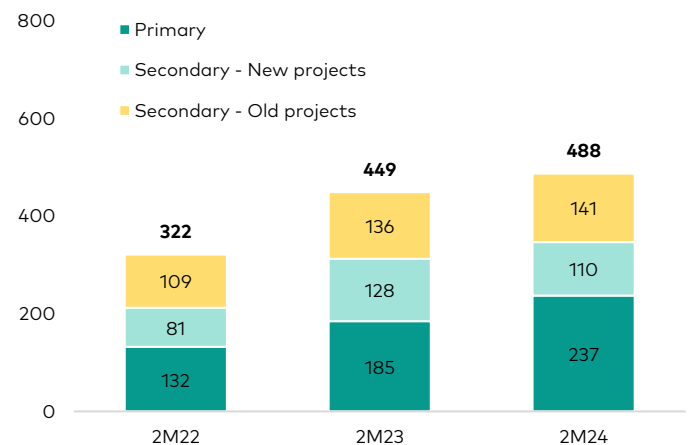
In Feb-24, real estate market size was up 4.9% y/y (and 13.0% m/m)



Source: NAPR, Galt & Taggart

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

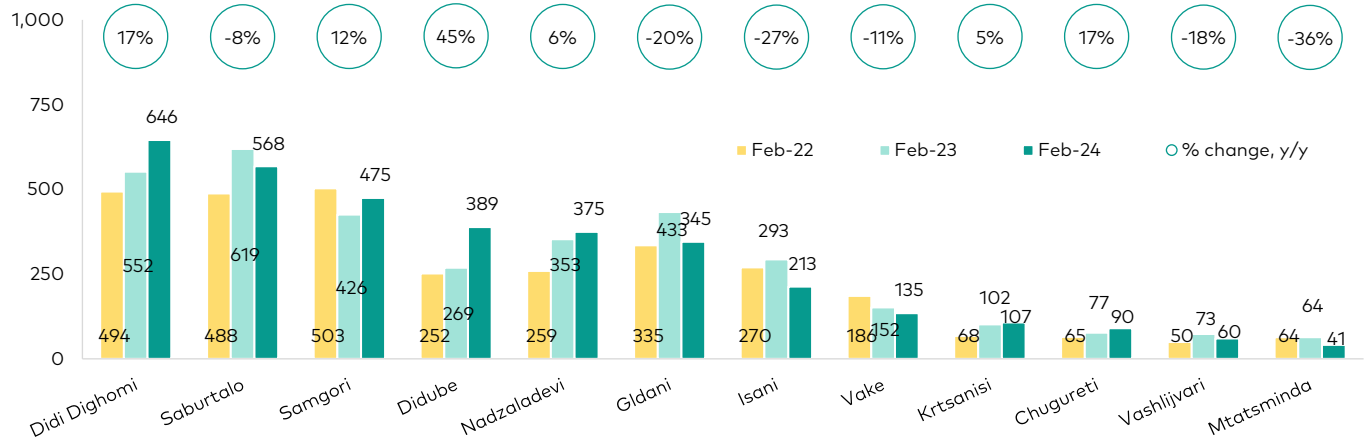
Market size growth was mainly attributed to the primary market sales and price growth





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

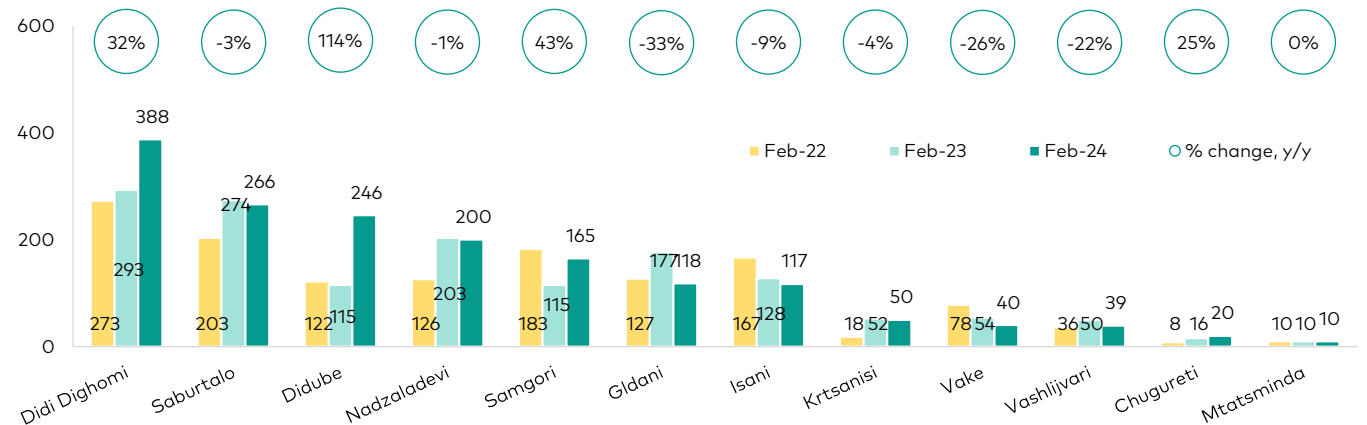
Transactions decreased in every central district (Saburtalo, Vake, Mtatsminda)



Source: NAPR, Galt & Taggart

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

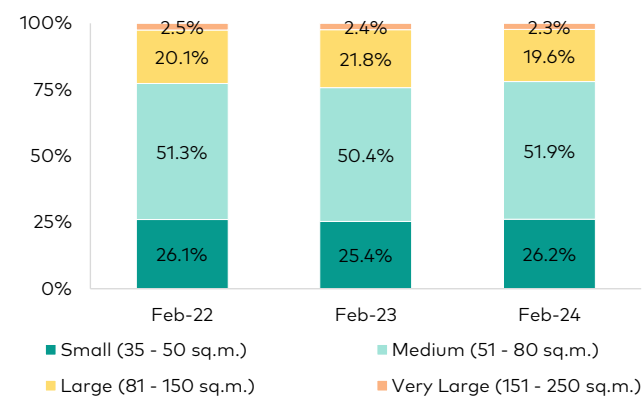
Transactions on the primary market are the highest in Didi Dighomi and Saburtalo



Source: NAPR, Galt & Taggart

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

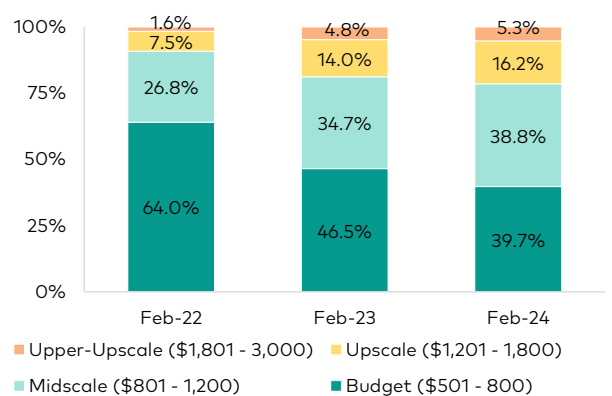
Medium-sized (51-80 m<sup>2</sup>) apartments remained the most prevalent



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

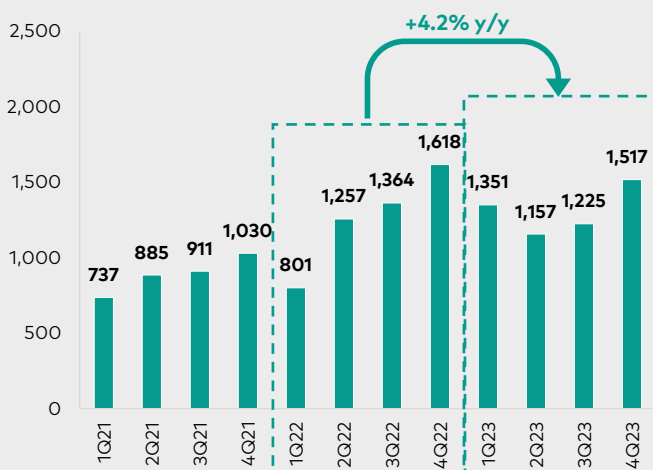
In January 2024, we conducted a survey of 13 systematic developers with 68 ongoing construction projects in Tbilisi. The aim was to address delays in the registration of apartment sales on the primary market and stay informed about the real time market trends.

Based on survey results:

- In 2023, total apartments bought directly from surveyed developers increased by 4.2% y/y, highlighting uninterrupted demand on Tbilisi real estate market.
- Developer sales surged in 2Q22 and continued on an upward trajectory throughout 2022. Following a period of stabilization in 1Q-3Q 2023, sales increased again in 4Q23, surpassing the previous three quarters' average by a substantial 21.9%.
- Nearly all units have been sold among the projects completed in 2023. Moreover, in the projects due for completion in 2026-28, almost half of the apartments are already sold out.

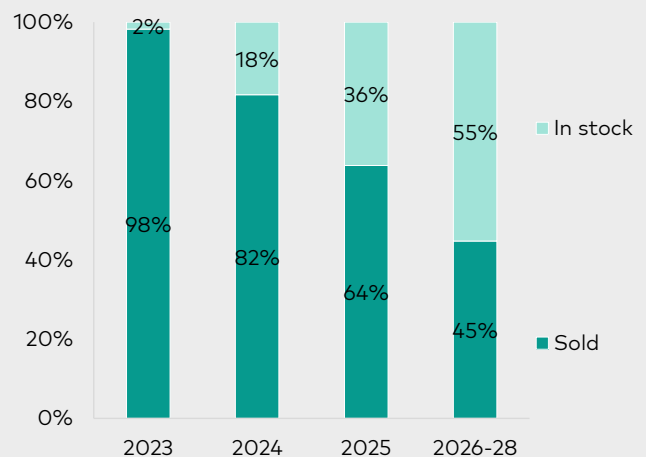
The data will be updated quarterly.

**Figure 9: Number of presold apartments in ongoing projects, survey of selected developers**



Source: Galt & Taggart Survey

**Figure 10: Distribution of the housing stock by project completion year and status, survey of selected developers**



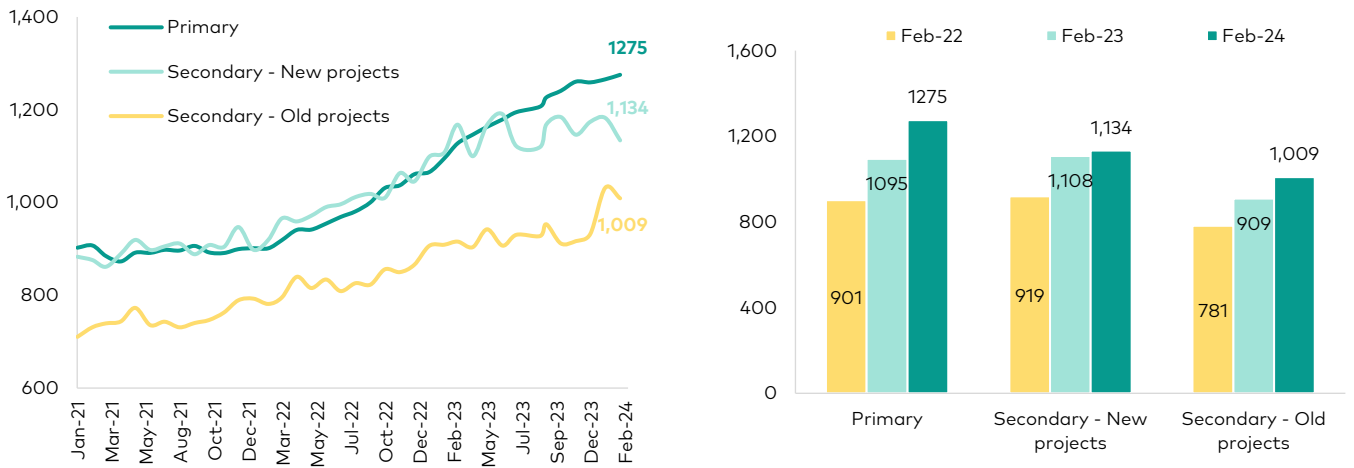




# Real Estate Prices

**Figure 11: Real estate weighted average prices by type, US\$/m<sup>2</sup>**

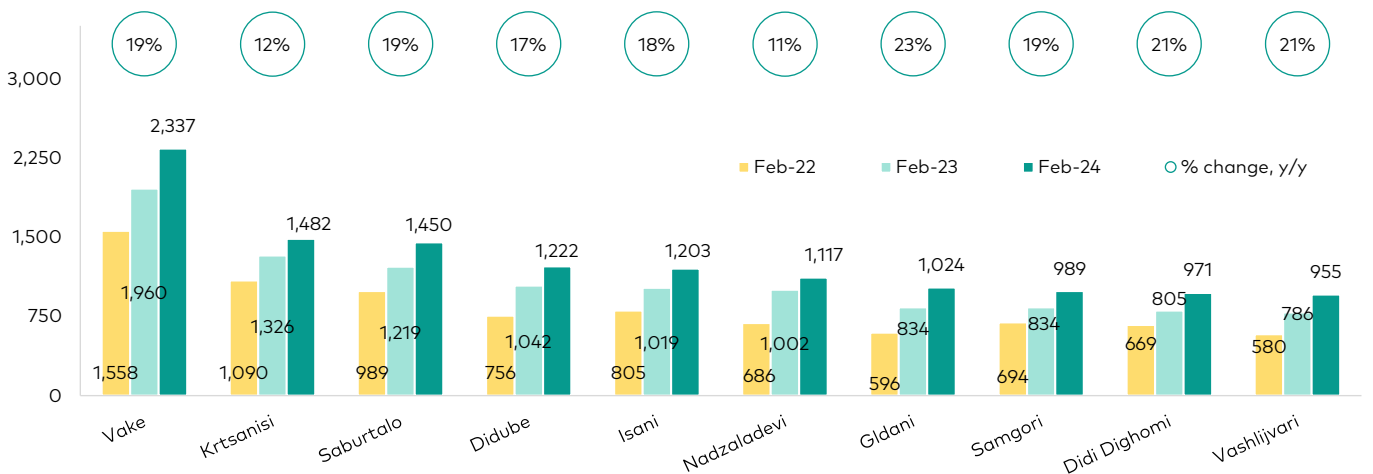
In Feb-24, prices on the primary market increased by 0.8% m/m



Source: NAPR, Galt & Taggart

**Figure 12: Real estate prices on primary market for white frame apartments by districts, US\$/m<sup>2</sup>**

There is a still a double-digit annual price growth on the primary market in every district of Tbilisi



Source: Galt & Taggart

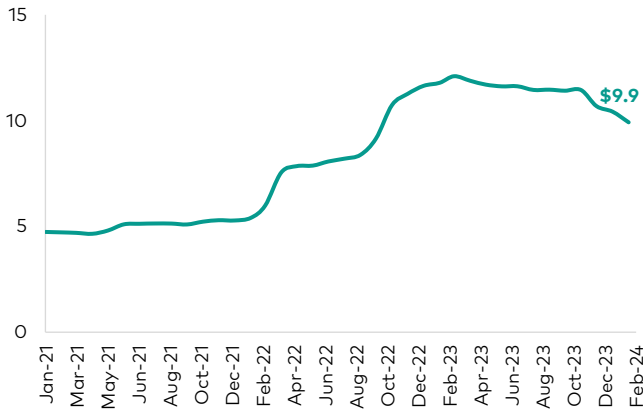
Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples (less than 5 projects in each of the districts)



# Real Estate Rents

**Figure 13: Real estate weighted average rent price in Tbilisi, US\$/m<sup>2</sup>**

Rents are on the downward trajectory (-4.8% m/m) on the way to converging to healthier levels

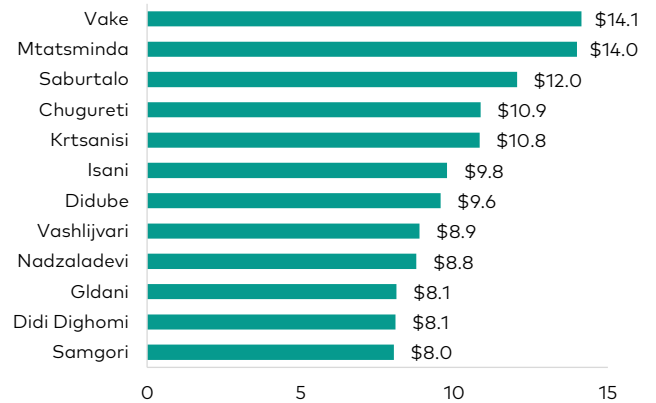


Source: NBG, Galt & Taggart

Note: Rents displayed are for 50-60 m<sup>2</sup> new apartments in Tbilisi

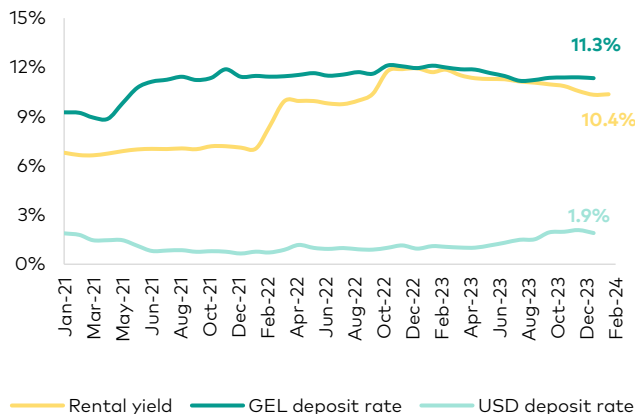
**Figure 14: Real estate weighted average rent prices by districts in Feb-24, US\$/m<sup>2</sup>**

Rents remain the highest in the central districts of Tbilisi



**Figure 15: Real estate rental yield and deposit rates**

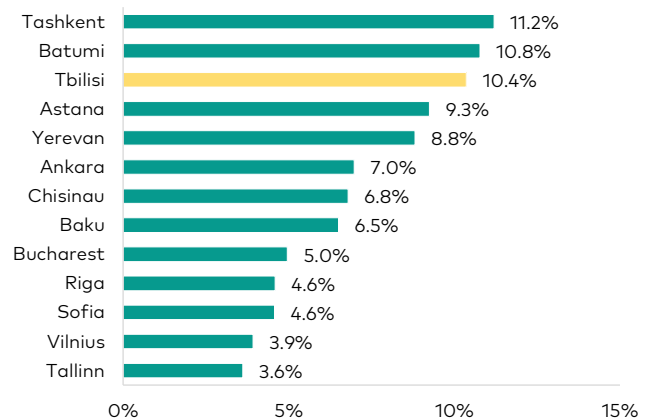
Rental yields continue to retreat to historical average



Source: NBG, Numbeo

**Figure 16: Rental yield outside city center, Feb-24**

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

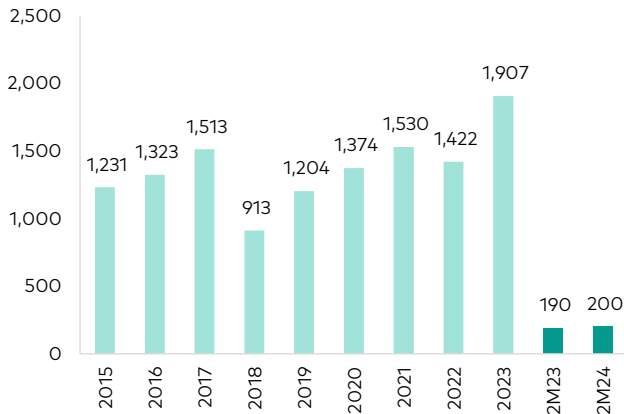




## Construction permits

**Figure 17: Area of construction permits issued for residential real estate in Tbilisi, '000 m<sup>2</sup>**

Permitted living area in 2M24 is up by 5.3% y/y



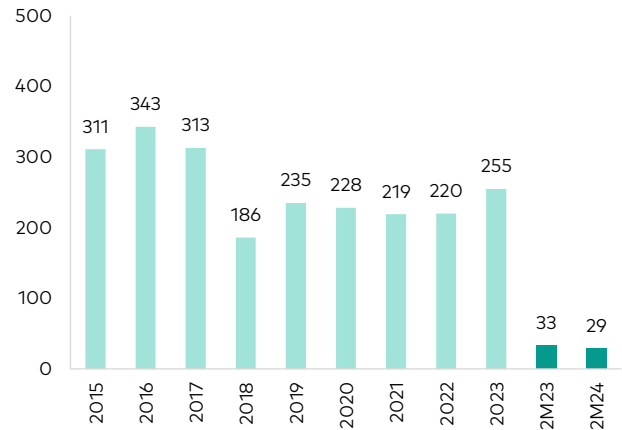
Source: TAS, Galt & Taggart

Note: 1) Includes residential and balcony areas

2) Only III and IV class multiapartment/multifunctional buildings

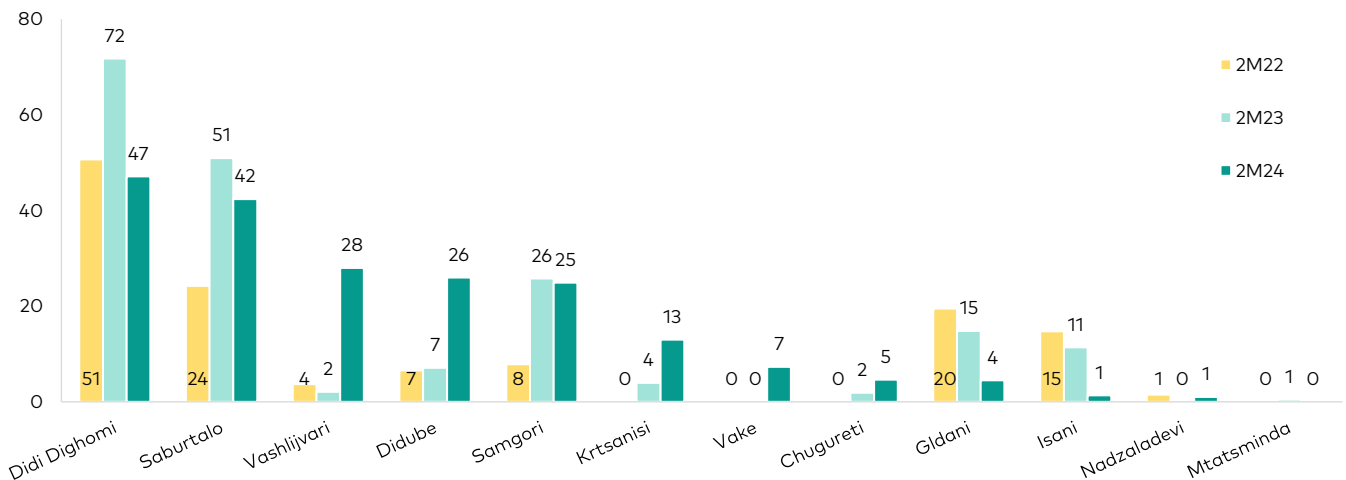
**Figure 18: Number of construction permits issued for residential real estate in Tbilisi**

In 2M24, 29 new residential construction permits were issued



**Figure 19: Area of construction permits issued for residential real estate by districts, '000 m<sup>2</sup>**

Most of the permits were issued in Didi Dighomi (24% of total), followed by Saburtalo (21%) and Vashlijvari (14%)



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, 2M24**

| District     | Value (mn US\$) | Number | Area ('000 m <sup>2</sup> ) |
|--------------|-----------------|--------|-----------------------------|
| Saburtalo    | 106.6           | 998    | 77.7                        |
| Didi Dighomi | 73.8            | 1,213  | 75.3                        |
| Didube       | 57.5            | 829    | 54.5                        |
| Samgori      | 52.1            | 930    | 57.8                        |
| Nadzaladevi  | 48.4            | 709    | 45.4                        |
| Gldani       | 38.5            | 687    | 42.8                        |
| Vake         | 34.2            | 202    | 20.2                        |
| Isani        | 27.1            | 393    | 25.8                        |
| Krtsanisi    | 16.6            | 186    | 13.3                        |
| Mtatsminda   | 13.3            | 81     | 7.6                         |
| Chugureti    | 12.4            | 164    | 11.6                        |
| Vashlijvari  | 9.9             | 120    | 10.8                        |

Source: NAPR, Galt & Taggart

**Table 2: Real estate weighted average prices by districts in Feb-24, US\$/m<sup>2</sup>**

| District     | Primary market | Secondary market<br>New projects | Secondary market<br>Old projects |
|--------------|----------------|----------------------------------|----------------------------------|
| Mtatsminda   |                | 2,034                            | 1,540                            |
| Vake         | 2,337          | 1,689                            | 1,459                            |
| Saburtalo    | 1,450          | 1,418                            | 1,125                            |
| Krtsanisi    | 1,482          | 1,393                            | 979                              |
| Chugureti    |                | 1,316                            | 902                              |
| Vashlijvari  | 955            | 1,167                            | 657                              |
| Didube       | 1,222          | 1,119                            | 971                              |
| Nadzaladevi  | 1,117          | 1,071                            | 951                              |
| Isani        | 1,203          | 1,056                            | 938                              |
| Didi Dighomi | 971            | 976                              | 786                              |
| Samgori      | 989            | 975                              | 806                              |
| Gldani       | 1,024          | 933                              | 811                              |

Source: NAPR, Galt & Taggart

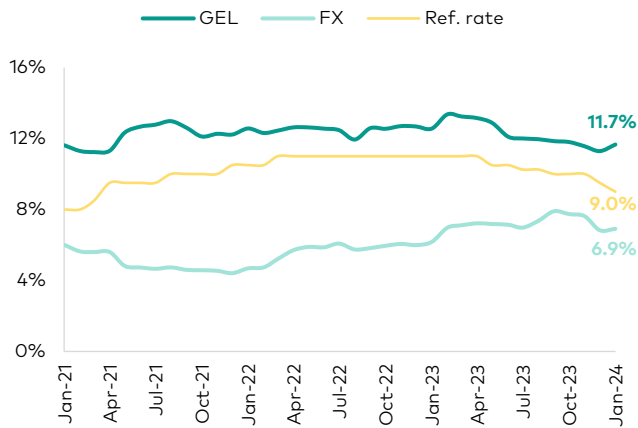
Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples (less than 5 projects in each of the districts)



# Annex

**Figure 20: Mortgage interest rates, %**

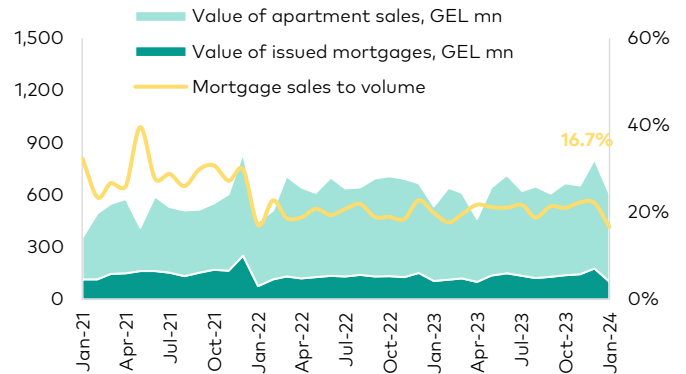
Decreasing refinancing rates are expected to stabilize mortgage interest rates



Source: NBS, Galt & Taggart

**Figure 21: Share of mortgages in total sales value**

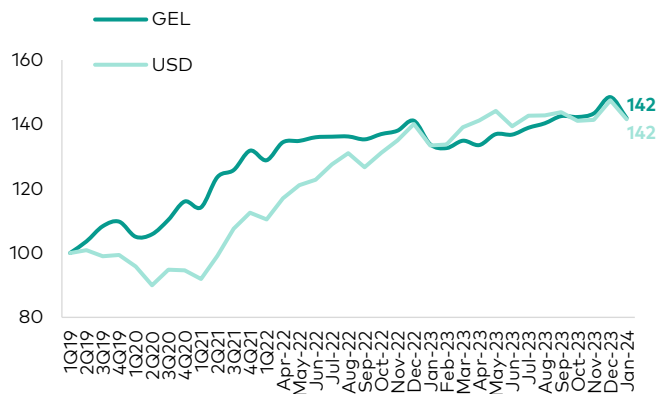
Mortgages accounted for 16.7% of sales value in Jan-24, as majority of sales were financed by popular inner instalments schemes



**Figure 22: Construction cost index, 1Q19=100**

Construction costs are up 6.1% y/y in US\$ (and down 4.0% m/m)

In Jan-24, wage component in construction costs started decreasing (-22.6% m/m), which is seasonal



|                                      | y/y growth<br>Jan-24, US\$ | m/m growth<br>Jan-24, US\$ |
|--------------------------------------|----------------------------|----------------------------|
| <b>Total construction cost</b>       | <b>6.1%</b>                | <b>-4.0%</b>               |
| Construction materials               | 3.4%                       | 1.1%                       |
| Wages                                | 19.0%                      | -22.6%                     |
| Machinery                            | 3.9%                       | 0.4%                       |
| Transportation, fuel and electricity | -1.0%                      | 0.5%                       |
| Other costs                          | 0.0%                       | 0.7%                       |

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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