



GALT & TAGGART
CREATING OPPORTUNITIES

Tbilisi Residential Real Estate

November 2023 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

Zurab Tavkelishvili

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

Key Figures

Nov-22

Oct-23

Nov-23

Sales

of apartments

3,876

3,325

3,300

Price

US\$ / m²

\$1,020

\$1,233

\$1,242

Rent

US\$ / m²

\$10.7

\$11.4

\$11.4

Permits

'000 m²

108.7

156.8

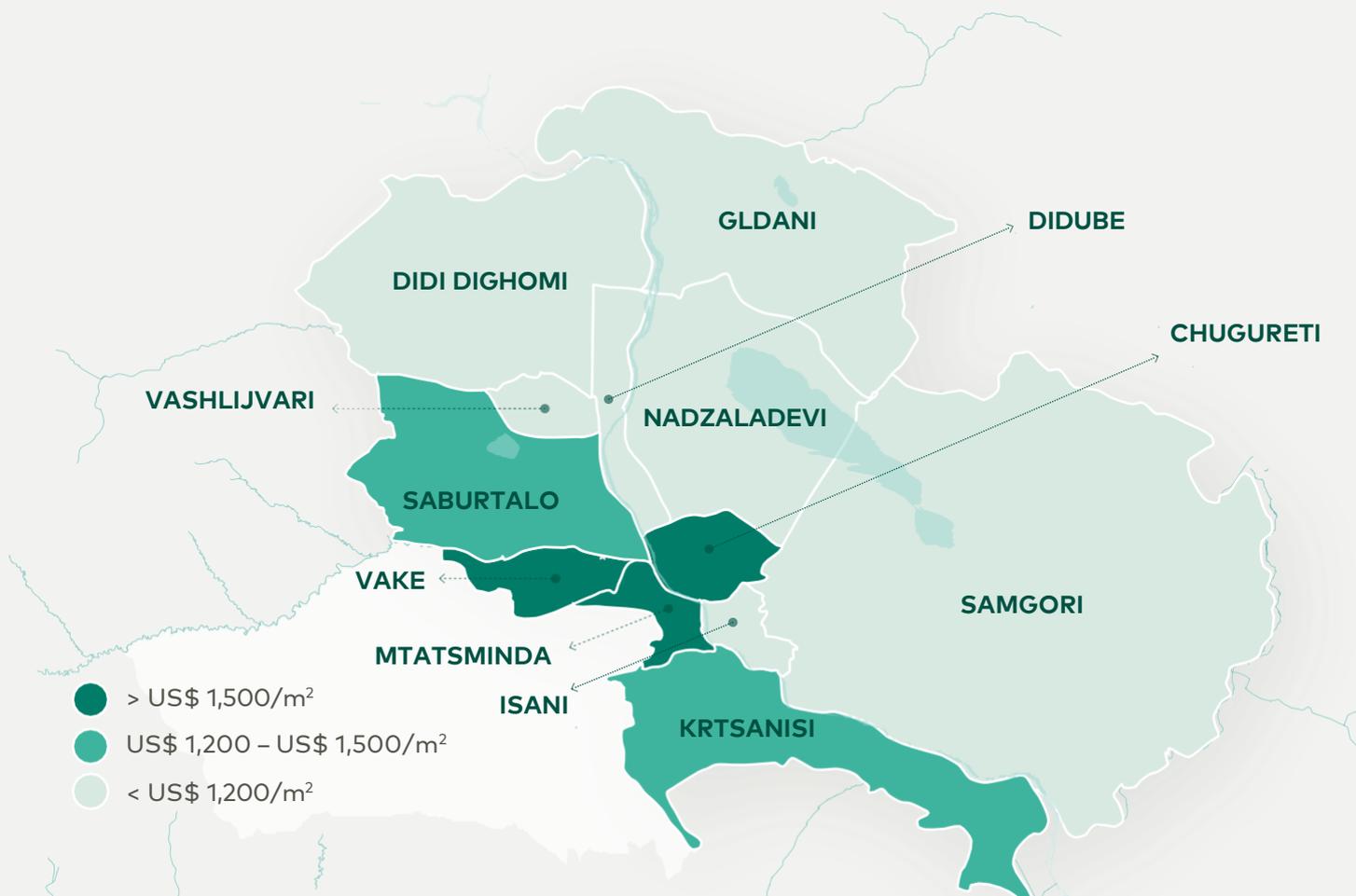
102.5



GALT & TAGGART

CREATING OPPORTUNITIES

Real estate sale patterns in Nov-23



MTATSMINDA

Number of sales
66 apartments
Average price*
2,650 us\$ / m²
Average rent
15.4 us\$ / m²

VAKE

Number of sales
112 apartments
Average price
2,281 us\$ / m²
Average rent
16.6 us\$ / m²

CHUGURETI

Number of sales
72 apartments
Average price
1,800 us\$ / m²
Average rent
11.7 us\$ / m²

SABURTALO

Number of sales
526 apartments
Average price
1,440 us\$ / m²
Average rent
13.2 us\$ / m²

KRTSANISI

Number of sales
129 apartments
Average price
1,391 us\$ / m²
Average rent
12.3 us\$ / m²

ISANI

Number of sales
182 apartments
Average price
1,188 us\$ / m²
Average rent
11.4 us\$ / m²

DIDUBE

Number of sales
315 apartments
Average price
1,148 us\$ / m²
Average rent
10.7 us\$ / m²

NADZALADEVI

Number of sales
407 apartments
Average price
1,119 us\$ / m²
Average rent
10.2 us\$ / m²

DIDI DIGHOMI

Number of sales
577 apartments
Average price
959 us\$ / m²
Average rent
9.1 us\$ / m²

SAMGORI

Number of sales
465 apartments
Average price
949 us\$ / m²
Average rent
9.0 us\$ / m²

GLDANI

Number of sales
375 apartments
Average price
915 us\$ / m²
Average rent
9.3 us\$ / m²

VASHLIJVARI

Number of sales
74 apartments
Average price
879 us\$ / m²
Average rent
9.8 us\$ / m²



November 2023 update

Number of transactions

In Nov-23, the number of apartments sold in Tbilisi stood at 3,300 units, down 14.9% y/y (-0.8% m/m). The key reason of this drop is last year's high base. Like in previous months, apartment sales on the primary market experienced the smallest decrease (-6.1% y/y), while sales on the secondary market were down 21.4% y/y. Significant decline in secondary market sales suggests the end of a speculative buy-to-rent period in the real estate market, as rental rates and yields started moving down, returning to healthy levels.

In Nov-23, increase in apartment sales was observed only in Nadzaladevi and Didube districts, driven by sales predominantly on the primary market.

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 rising share of midscale/upscale segments, driven by rising prices.

Cumulatively in 11M23, the total number of apartments sold in Tbilisi reached 36,283 units, showing a 7.3% y/y decrease (attributed to a record-high base). However, this still represents a 12.0% increase compared to 11M21, still indicating robust demand in the real estate sector.



Prices

In Nov-23, primary market prices sustained a consistent monthly rise, while prices of new projects on the secondary market showed a declining trend. It is also expected that newly granted EU candidate status for Georgia will have a positive impact on Tbilisi real estate prices in the near future.

Market size

In Nov-23, the total market value of apartments sold in Tbilisi stood at US\$ 239.1mn, down by 8.1% y/y, driven by reduced sales. In contrast, total market size increased 10.4% y/y to US\$ 2.7bn cumulatively in 11M23. This growth is mainly due to the rising prices in the primary market, compensating for the decrease in the number of apartments sold.

Rent

In Nov-23, price for renting an average apartment (50-60 m²) in Tbilisi stood at US\$ 11.4 per m² (+6.6% y/y). Notably, rents are down by 5.4% since Mar-23, when they reached all time high. We expect gradual reduction in rents to continue in the near future.

Construction permits

Area of issued construction permits increased by 37.1% y/y in 11M23. Notably, there were significant increases recorded in Saburtalo and Isani districts (+142.2% and +164.8% y/y, respectively). In Saburtalo district, substantial growth is related to the increased projects on the University/Mindeli streets and Lisi areas.



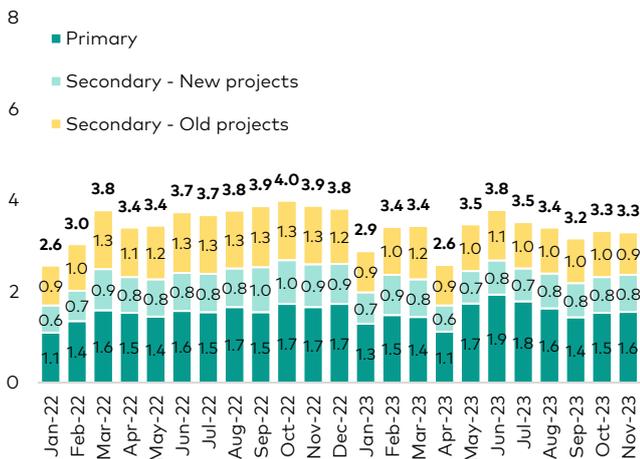
Sales

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: Monthly number of sold apartments, '000 units

Real estate sales down 14.9% y/y (or 0.8% m/m)



Source: NAPR, Galt & Taggart Research

Figure 2: Cumulative number of sold apartments, '000 units

Reduced sales in 11M23 (-7.3% y/y) were driven by reduction in sales on a secondary market, however compared to 11M21 there was a 12.0% increase

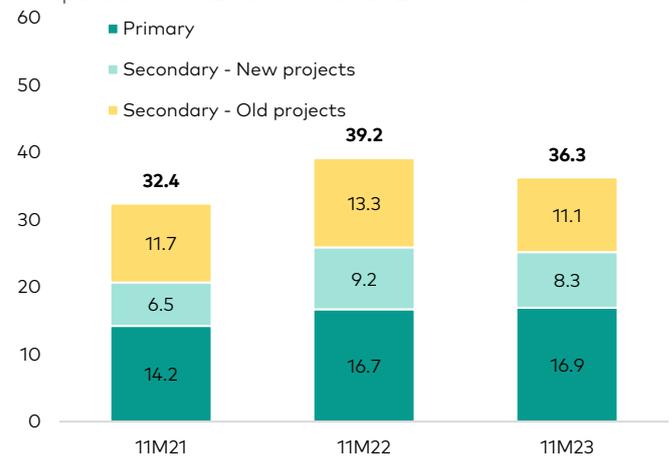
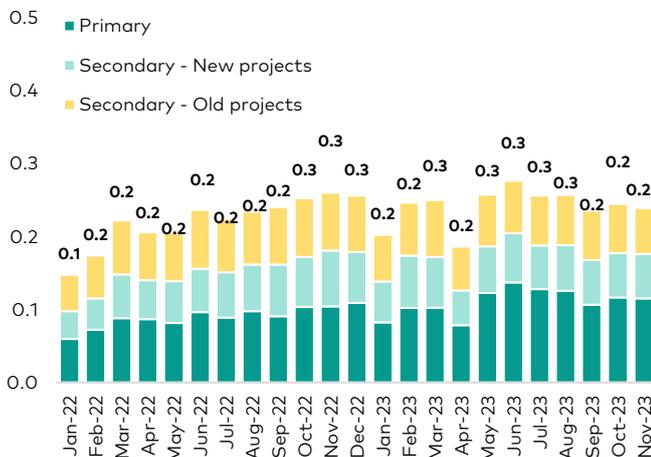


Figure 3: Monthly real estate market size, US\$ bn

Real estate market size down 8.1% y/y (or 2.3% m/m)



Source: NAPR, Galt & Taggart Research

Figure 4: Cumulative real estate market size, US\$ bn

Real estate market size in 11M23 up 10.4% y/y, mostly driven by primary market price growth

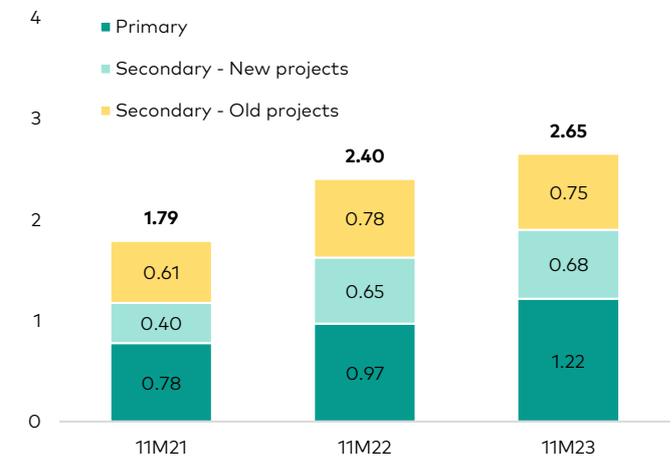
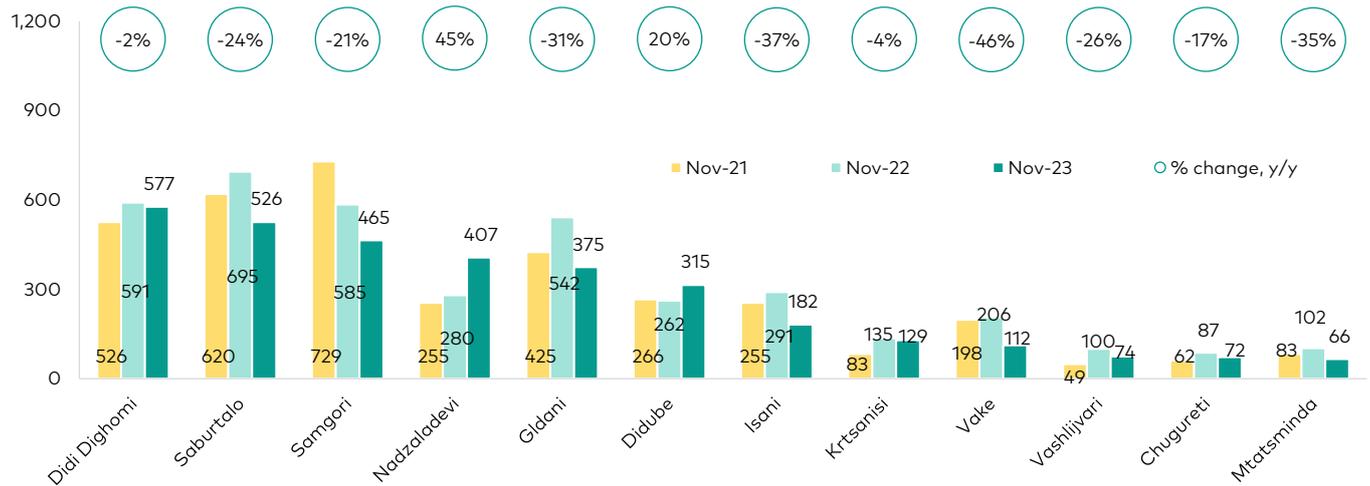




Figure 5: Number of sold apartments by districts

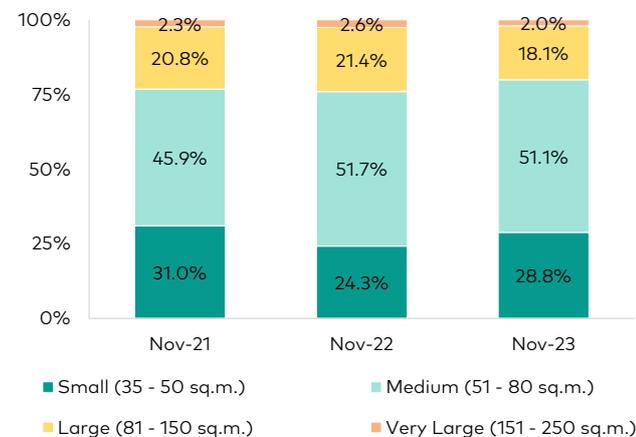
In Nov-23, annual sales increased only in Nadzaladevi and Didube districts



Source: NAPR, Galt & Taggart Research

Figure 6: Real estate sales by size, (% of total apartments sold)

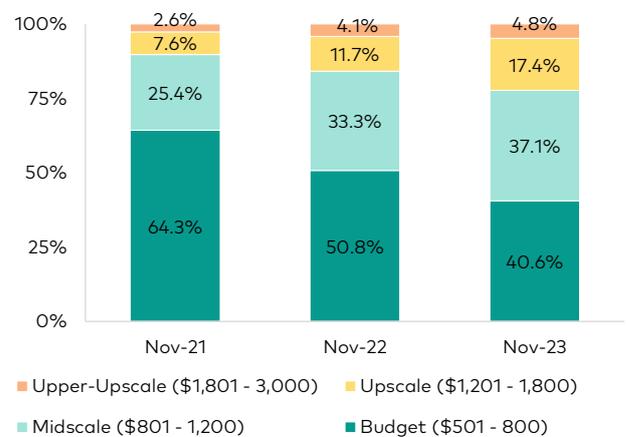
Medium-sized (51-80 m²) apartments remained the most prevalent



Source: NAPR, Galt & Taggart Research

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

Share of sales in premium segments keep rising due to increased prices





Presales from developers

Box 1: Results of Galt & Taggart survey of systematic developers

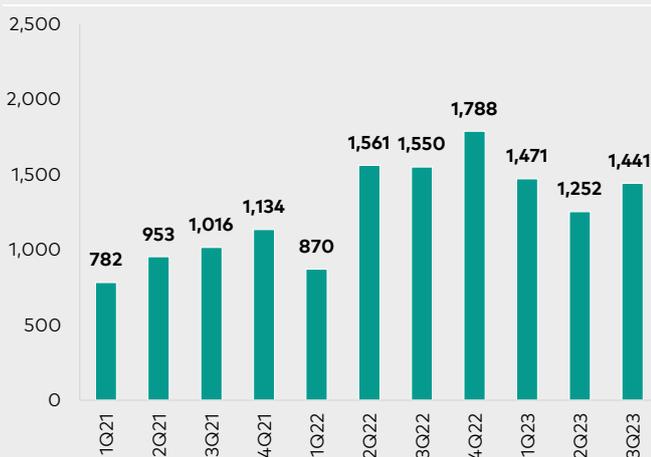
In Nov-23 we conducted a survey of 15 systematic developers with 65 ongoing construction projects in Tbilisi. The aim was to address delays in the registration of apartment sales on the primary market and stay informed about the real time market trends.

Based on survey results:

- Sales are almost at the same level y/y in 9M23, which highlights the stability of demand.
- Among the surveyed developers and in the projects due for completion in 2024-25, 70% of stock is already sold.

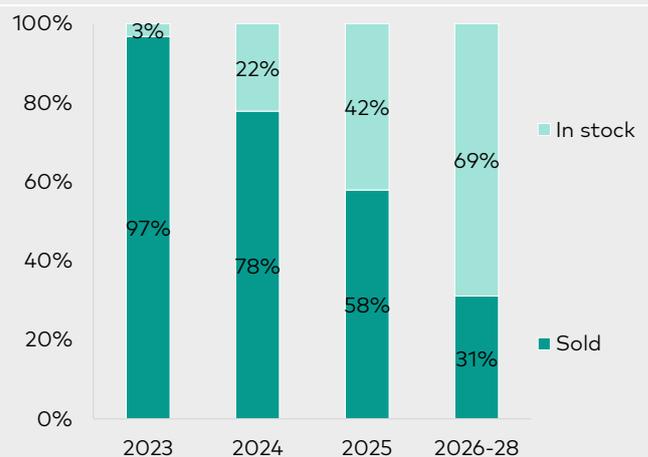
The data will be updated quarterly.

Figure 8: Number of presold apartments in ongoing projects, survey of selected developers



Source: Galt & Taggart Survey

Figure 9: Distribution of the housing stock by project completion year and status, survey of selected developers

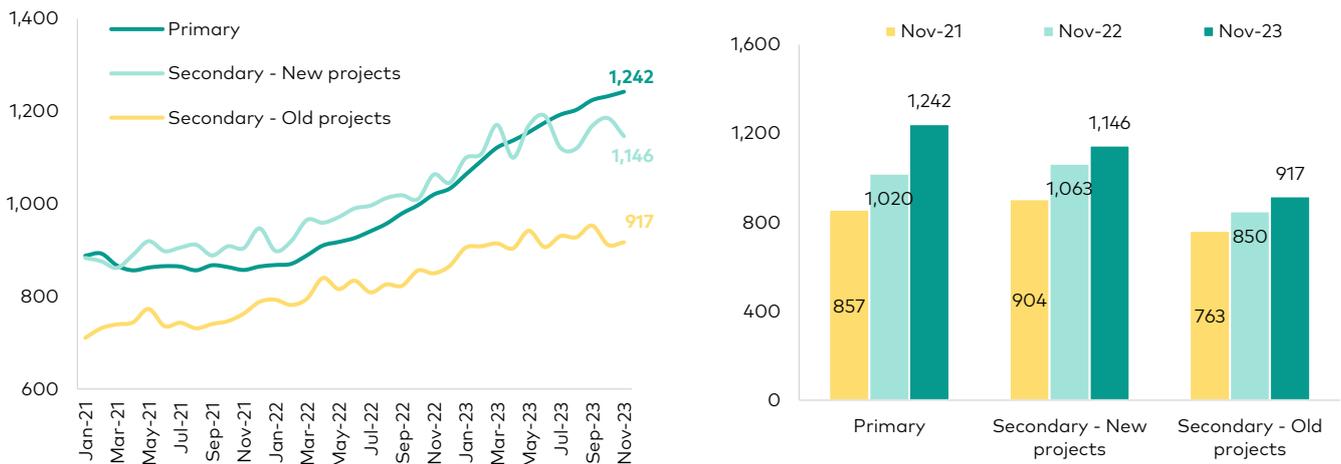




Prices

Figure 10: Real estate weighted average prices by type, US\$/m²

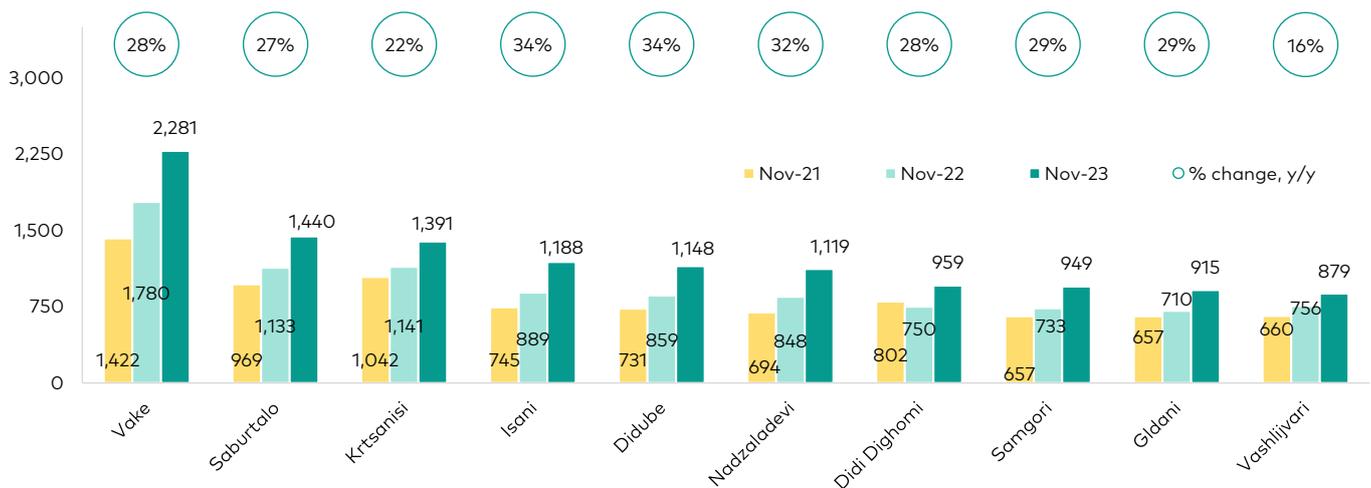
Steady monthly increase in primary market prices signals persisting demand for apartments sold directly by developers



Source: NAPR, Galt & Taggart Research

Figure 11: Real estate prices on primary market for white frame apartments by districts, US\$/m²

There is a continuing double-digit annual price growth in white frame projects offered by developers in every district of Tbilisi



Source: Galt & Taggart Research

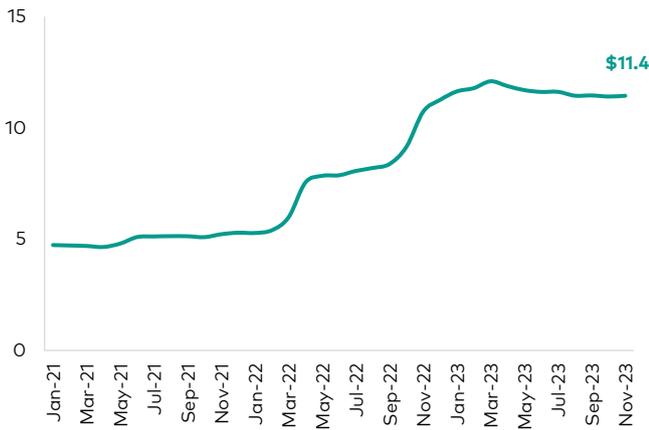
Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples (less than 5 projects in each of the districts)



Rents

Figure 12: Real estate weighted average rent price in Tbilisi, US\$/m²

Rents stabilized and are down by 5.4% since Mar-23



Source: NBG, Galt & Taggart Research

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

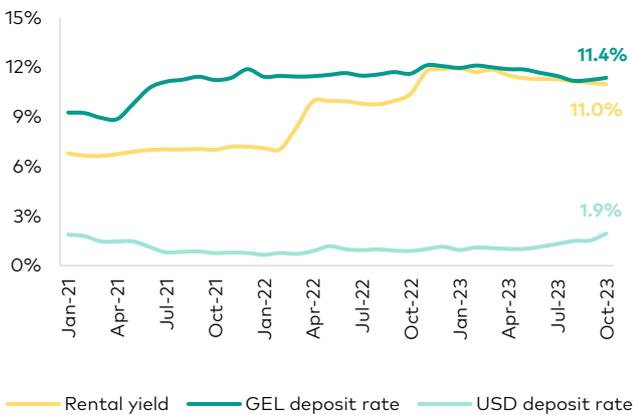
Figure 13: Real estate weighted average rent prices by districts in Nov-23, US\$/m²

Central districts have the highest rent price, followed by wide central areas



Figure 14: Real estate rental yield and deposit rates

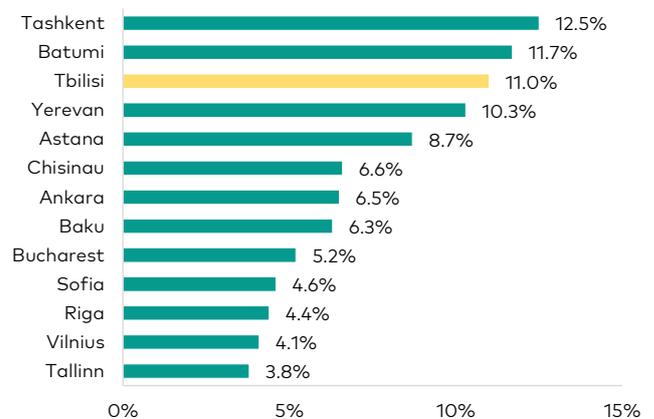
Rental yield stays close to GEL deposit rate



Source: NBG

Figure 15: Rental yield outside city center, Nov-23

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



Source: Numbeo



Construction permits

Figure 16: Area of construction permits issued for residential real estate in Tbilisi, '000 m²

Construction permit issuance for residential development was up by 37.1% y/y in 11M23



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

Figure 17: Number of construction permits issued for residential real estate in Tbilisi

Permitted area has been increasing faster than the number of permits (+16.8% y/y), suggesting larger average sizes of projects

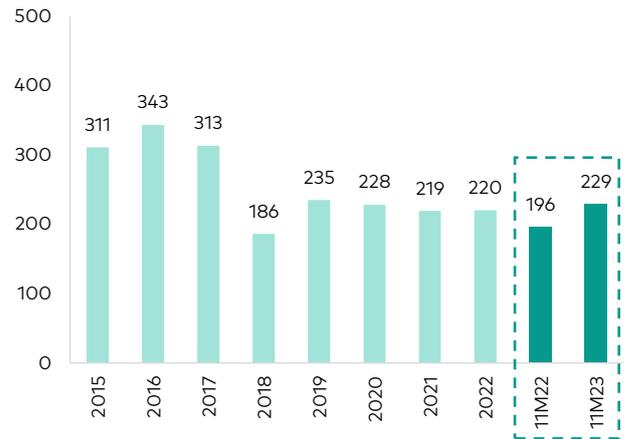
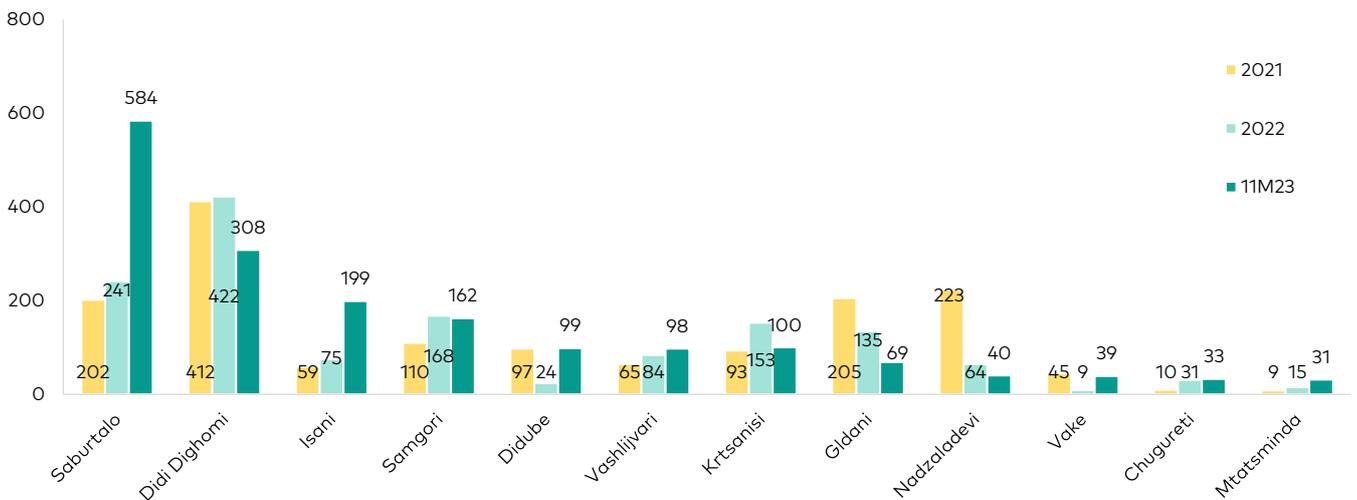


Figure 18: Area of construction permits issued for residential real estate by districts, '000 m²

More than half of permits issued in 2023 were in Saburtalo and Didi Dighomi districts. In Saburtalo district, significant growth is related to the increased activity on the University/Mindeli streets and Lisi areas



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



Annex - districts

Table 1: Real estate sales by districts – value, number and area, 11M23

In 11M23 Saburtalo remained the most attractive residential district, with 6,241 apartments sold

District	Value (mn US\$)	Number ('000)	Area ('000 m ²)
Saburtalo	625.2	6.2	487.8
Didi Dighomi	344.9	6.1	379.4
Samgori	278.7	5.3	329.9
Gldani	220.3	4.3	264.6
Vake	209.6	1.3	129.2
Nadzaladevi	199.1	3.2	207.9
Didube	191.3	2.9	197.3
Isani	180.4	2.8	184.9
Krtsanisi	111.1	1.3	92.8
Mtatsminda	92.9	0.7	63.4
Chugureti	67.3	0.9	66.6
Vashlijvari	57.6	0.9	67.2

Source: NAPR, Galt & Taggart Research

Table 2: Real estate weighted average prices by districts in Nov-23, US\$/m²

Vake and Mtatsminda remain the most expensive residential districts

District	Primary market	Secondary market New projects	Secondary market Old projects
Vake	2,281	1,881	1,249
Mtatsminda		1,750	1,226
Saburtalo	1,440	1,485	1,027
Krtsanisi	1,391	1,181	755
Didube	1,148	1,153	838
Vashlijvari	879	1,126	
Chugureti		1,030	949
Nadzaladevi	1,119	1,016	871
Gldani	915	990	749
Isani	1,188	982	817
Didi Dighomi	959	959	741
Samgori	949	953	751

Source: NAPR, Galt & Taggart Research

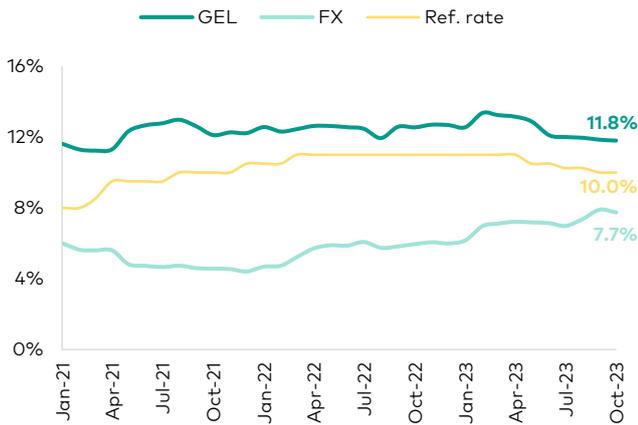
Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples (less than 5 projects in each of the districts)



Annex – mortgage & construction costs

Figure 19: Mortgage interest rates, %

Mortgage rates in GEL are gradually decreasing, making it easier for local buyers to purchase apartments



Source: NBG, Galt & Taggart Research

Figure 20: Share of mortgages in total sales value

Mortgages accounted for 21.0% of sales value in Oct-23, as majority of sales were financed by inner instalments schemes

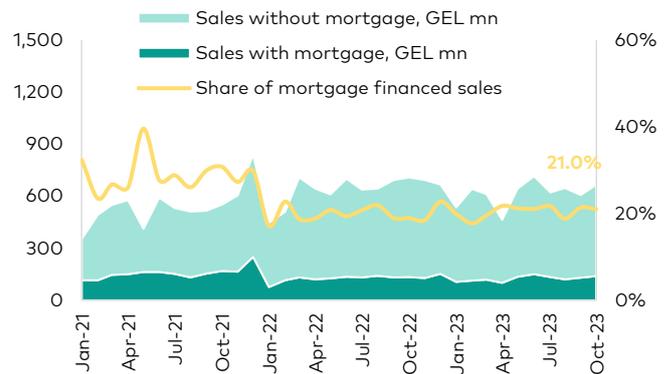
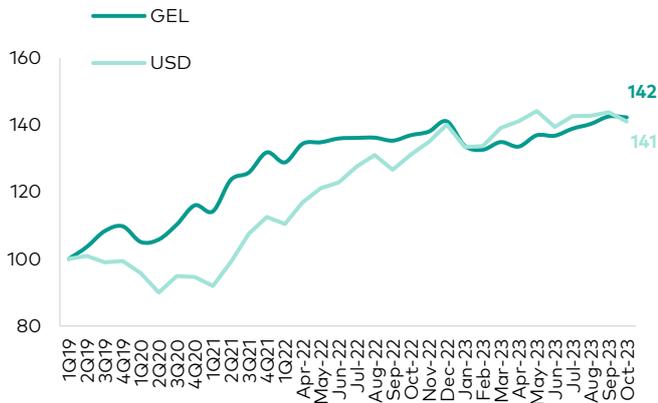


Figure 21: Construction cost index, 1Q19=100

In Oct-23 construction costs increased by 7.5% y/y in US\$ and by 3.9% y/y in GEL. Increasing wage bills remain the biggest problem for local developers



	y/y growth Oct-23, US\$	y/y growth Oct-23, GEL
Total construction cost	7.5%	3.9%
Construction materials	6.3%	2.7%
Wages	16.1%	12.2%
Machinery	9.6%	5.9%
Transportation, fuel and electricity	-2.7%	-6.0%
Other costs	4.3%	0.7%

Source: Geostat, Galt & Taggart Research

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



Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisors or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Head of Research

Eva Bochorishvili | evabochorishvili@gt.ge

Head of Sector Research

Kakha Samkurashvili | ksamkurashvili@gt.ge

Senior Analyst

Zurab Tavkelishvili | ztavkelishvili@gt.ge

Address: 3 Pushkin Street, Tbilisi 0105, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge