



GALT & TAGGART
CREATING OPPORTUNITIES

Tbilisi Residential Real Estate

September 2023 overview

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September 2023 overview

Number of transactions

In Sep-23, the number of apartments sold in Tbilisi stood at 3,314 units, down by 21.5% y/y. This drop is mostly explained by last year's high base, as the highest number of the year's transactions took place in Sep-22. On a monthly basis, sales were down by 6.7%. Like in previous months, apartment sales on the primary market experienced the smallest decrease (-8.2% y/y), while sales on a secondary market (new and old projects) were down 29.0% y/y. As we highlighted in the previous report, the 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 have decreased.

In Sep-23, sales decreased in nearly all districts of Tbilisi, with the exceptions being Didi Dighomi (+6.9% y/y) and Chugureti (+16.1% y/y). Importantly, decrease of sales in central districts (-32.4% y/y) was the most profound, while reductions in wide center and suburban districts were relatively smaller, -20.4 y/y and -7.6% y/y, respectively.

Other noteworthy features of the market remained unchanged, such as the continued dominance of medium-sized apartments (51-80 m²) and rising share of midscale/upscale segments, driven by rising prices.



Prices

In Sep-23, prices continued growth on a primary market accompanied by similar growth on the secondary market in new projects.

Importantly, the highest annual increase in average asking prices from developers on a primary market was recorded in Didube (+42.0% y/y), driven by rising number of premium-class developments in the area.

Market size

In Sep-23, the overall market value of apartments sold in Tbilisi stood at US\$ 235.7mn, down by 2.1% y/y. Notably, increase in the primary market size (+17.4% y/y) partly offset reduction in the secondary market size (-13.9% y/y).

Rent

In Sep-23, rents for apartments in Tbilisi remained stagnant, however still elevated in annual terms, up by 36.7% y/y in US\$ and 26.9% y/y in GEL. Notably, since the beginning of 2023, rents are down by 1.6% in US\$ and 2.7% in GEL.

Construction permits

The area of issued construction permits increased by 48.7% y/y in 8M23, continuation of upward trend observed since 2020. Notably, number of issued construction permits had a slower growth rate (+20.7% y/y), indicating a shift towards larger-scale projects in the pipeline.



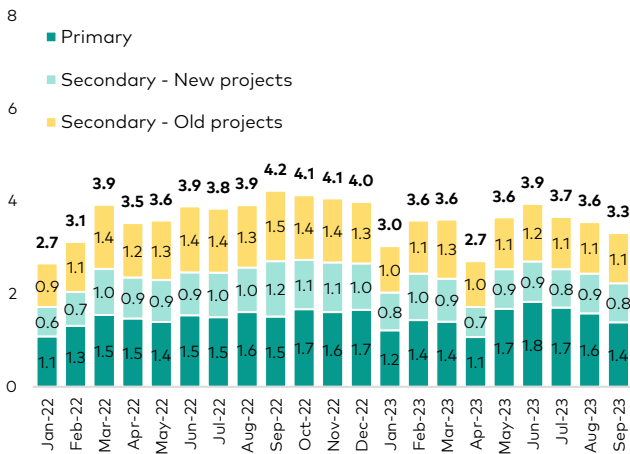
Residential sales

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 number of sold apartments, '000 units

Real estate sales down by 21.5% y/y (or 6.7% m/m) in Sep-23



Source: NAPR, Galt & Taggart Research

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

Reduced sales in 9M23 (-5.0% y/y) were driven by reduction in sales on a secondary market by 10.1% y/y (new and old projects), while sales on a primary market grew by 2.6% y/y

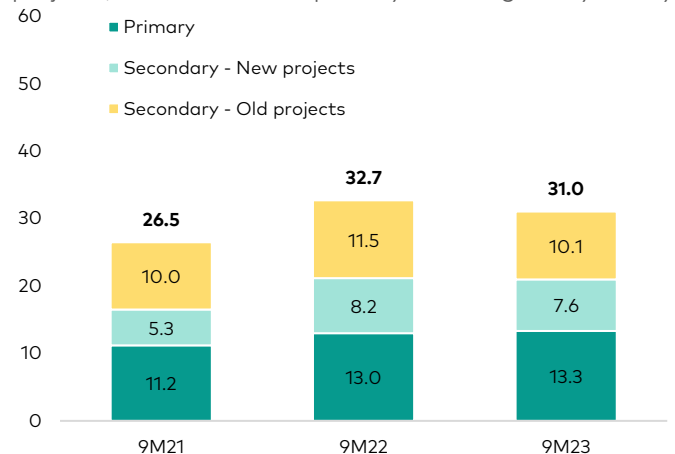
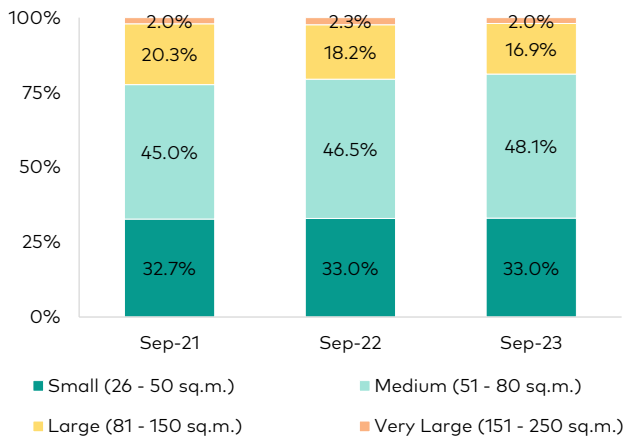


Figure 3: Real estate sales by size, (% of total apartments sold)

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



Source: NAPR, Galt & Taggart Research

Figure 4: Real estate sales by segments, (% of total apartments sold)

Sales in midscale/upscale segments keep rising due to increased prices

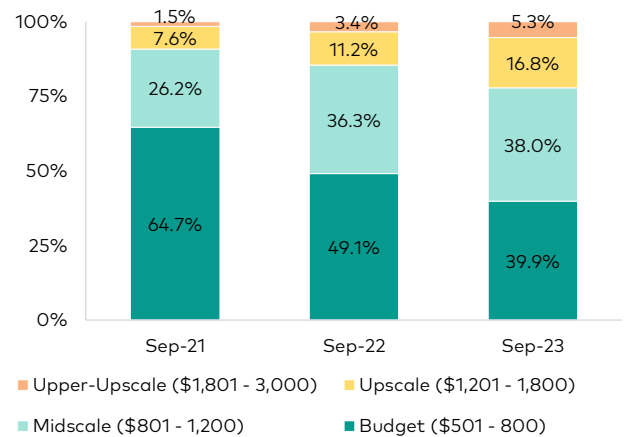
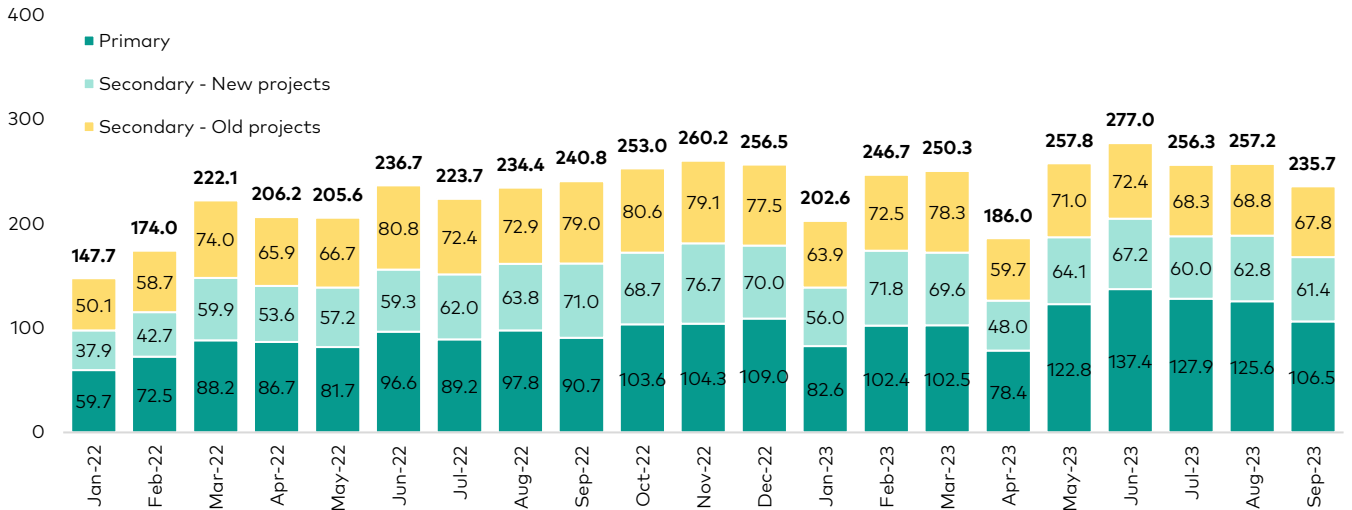




Figure 5: Real estate market size, US\$ mn

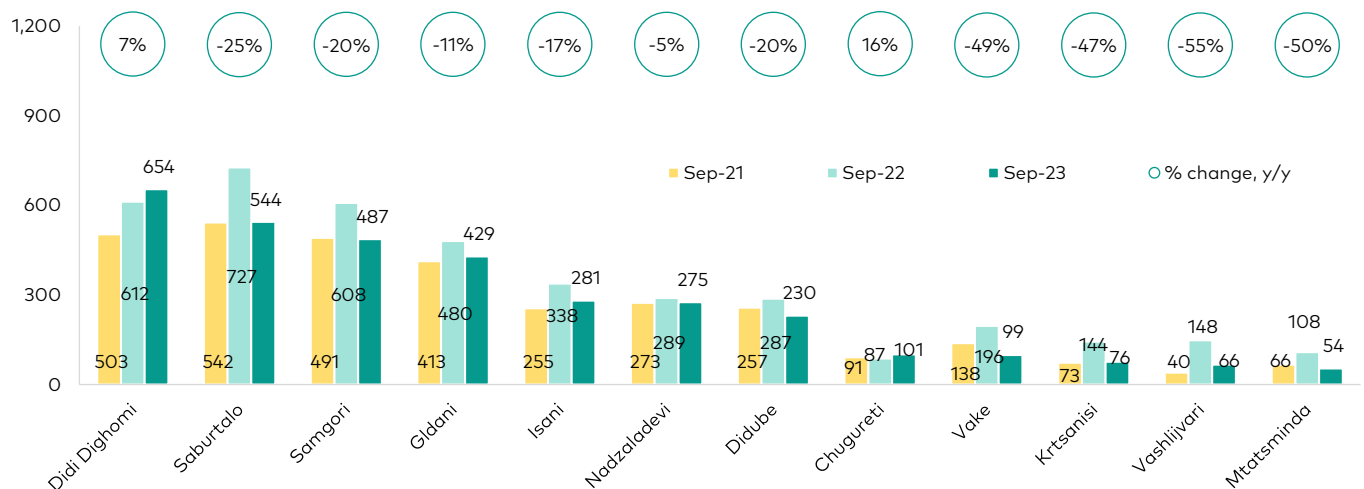
In Sep-23, total value of apartments sold in Tbilisi stood at US\$ 235.7mn, down by 2.1% y/y, mainly due a significant reduction in the secondary market size (new and old projects) by 13.9% y/y, which was partially offset by increase in the primary market size (+17.4% y/y)



Source: NAPR, Galt & Taggart Research

Figure 6: Number of sold apartments by districts

In Sep-23, annual sales decreased almost in all districts of Tbilisi. The only increase in sales was recorded in Didi Dighomi and Chugureti districts



Source: NAPR, Galt & Taggart Research



Table 1: Real estate sales by districts – value, number and area, 9M23

In 9M23 Saburtalo remained the most attractive residential district, with 5,283 apartments sold with a total value of US\$ 468.3mn (21.5% of total)

District	Value (mn US\$)	Number ('000)	Area ('000 m ²)
Saburtalo	468.3	5.3	400.6
Didi Dighomi	331.0	5.2	316.0
Samgori	258.0	4.5	271.7
Gldani	210.2	3.7	217.8
Isani	167.1	2.5	159.7
Nadzaladevi	164.1	2.6	163.3
Didube	156.6	2.4	158.5
Vake	152.8	1.2	109.2
Krtsanisi	80.4	1.1	73.8
Mtatsminda	72.0	0.6	52.0
Vashlijvari	62.5	0.8	57.0
Chugureti	56.5	0.8	55.2

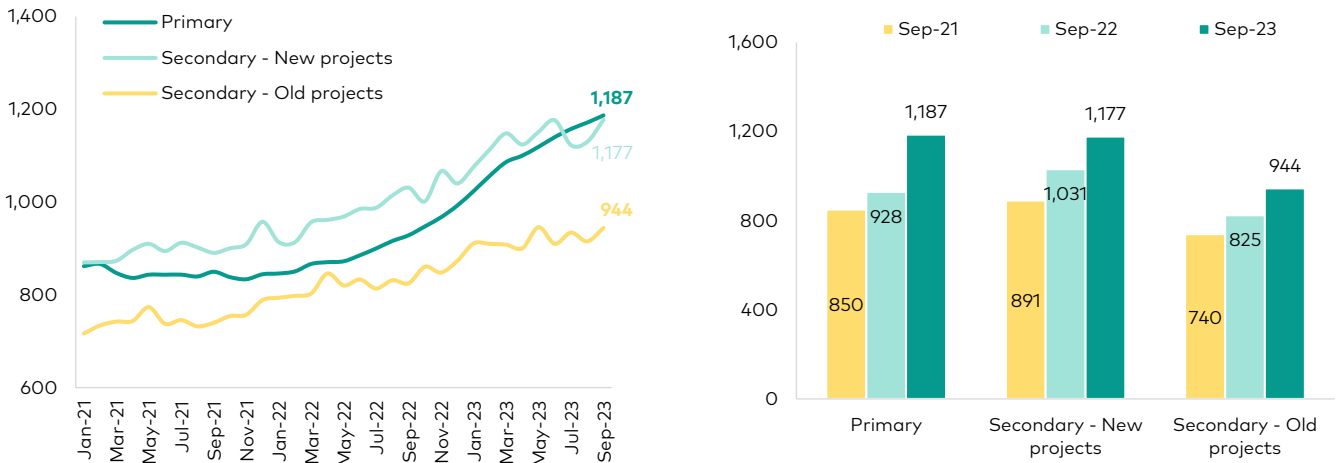
Source: NAPR, Galt & Taggart Research



Residential prices

Figure 7: 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

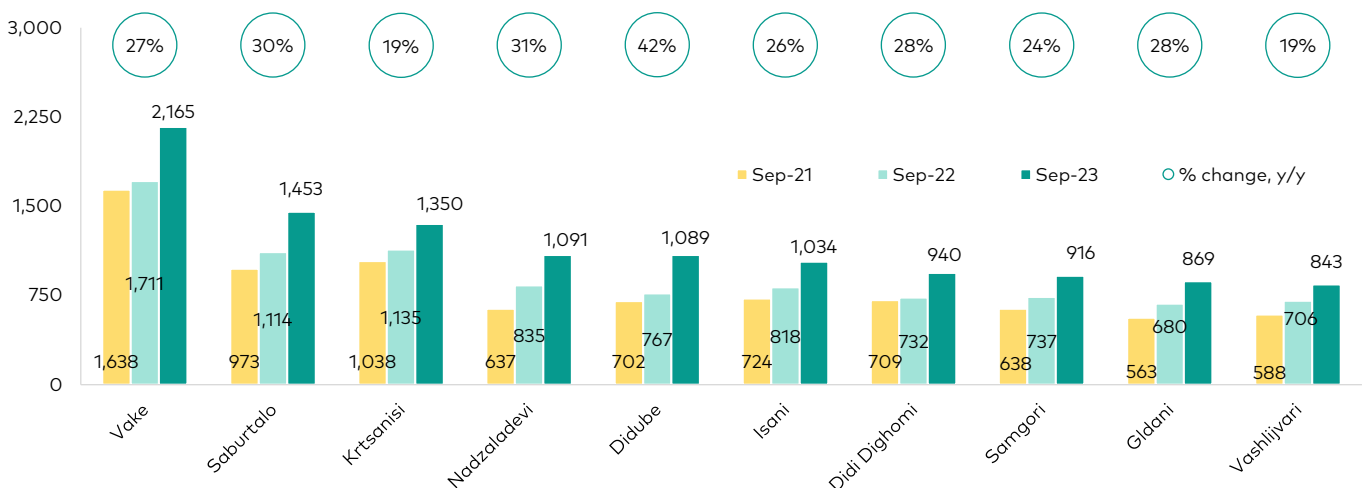


Source: NAPR, Galt & Taggart Research

Note: Primary market prices were revised slightly due to sample adjustments

Figure 8: 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


















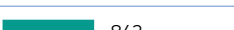
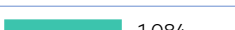
















Source: Galt & Taggart Research

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)



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

Vake remains the most expensive residential district in every apartment type

District	Primary market	Secondary market New projects	Secondary market Old projects
Vake	 2,165	 2,052	 1,402
Saburtalo	 1,453	 1,600	 1,054
Chugureti		 1,298	 1,010
Mtatsminda			 1,401
Didube	 1,089	 1,104	 850
Krtsanisi	 1,350	 1,101	 1,015
Vashlijvari	 843	 1,084	 896
Nadzaladevi	 1,091	 1,062	 803
Isani	 1,034	 1,023	 785
Samgori	 916	 978	 780
Gldani	 869	 959	 795
Didi Dighomi	 940	 938	 732

Source: NAPR, Galt & Taggart Research

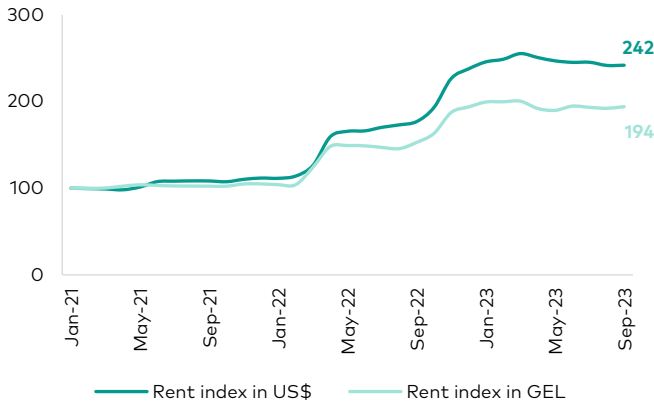
Note: Mtatsminda and Chugureti are excluded from primary market prices due to small sizes of samples (less than 5 projects in each of the districts)



Residential rents

Figure 9: Real estate rent price index, Jan-21=100

Rent prices in Tbilisi have decreased by 1.6% in USD and 2.7% in GEL since the beginning of 2023

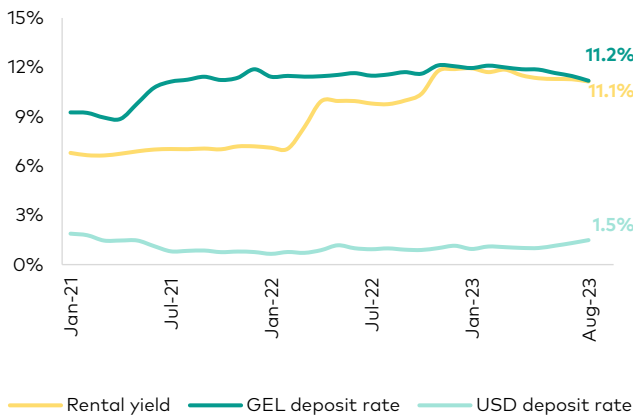


	y/y growth, US\$	m/m growth, US\$
Apr-23	57.4%	-1.8%
May-23	49.1%	-1.5%
Jun-23	47.6%	-0.7%
Jul-23	44.1%	-0.0%
Aug-23	39.6%	-1.5%
Sep-23	36.7%	0.1%

Source: NBG, Galt & Taggart Research
Note: Adjustment in July figure

Figure 10: Real estate rental yield and deposit rates

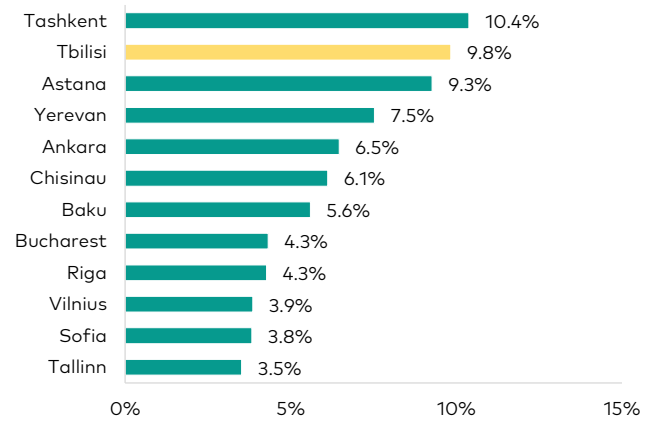
GEL deposit rates and rental yield in GEL are at the same level, giving investors more flexibility to choose more suitable investment option



Source: NBG

Figure 11: Rental yield in city center by cities, Sep-23

Tashkent is the only one from the neighbouring cities with a higher rental yield than Tbilisi



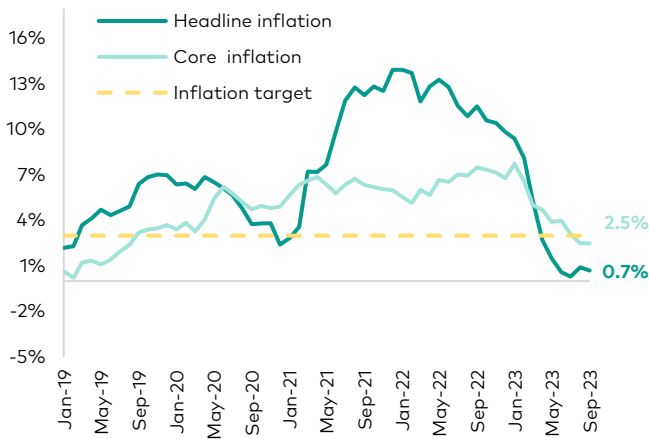
Source: Numbeo



Market fundamentals

Figure 12: Annual inflation

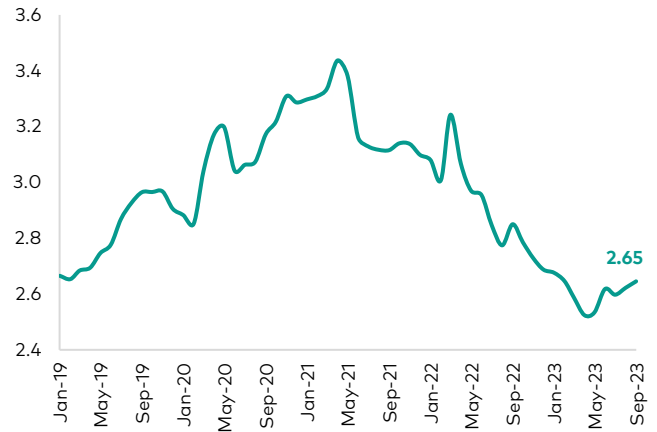
Inflation stayed below target at 0.7% in Sep-23



Source: Geostat

Figure 13: US\$/GEL exchange rate, monthly average

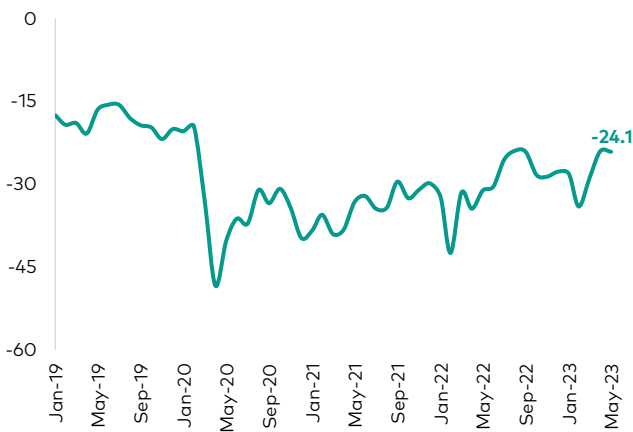
The GEL depreciated by 1.9% m/m in September vs dollar, yet it has slightly appreciated YTD



Source: NBG

Figure 14: Consumer confidence index

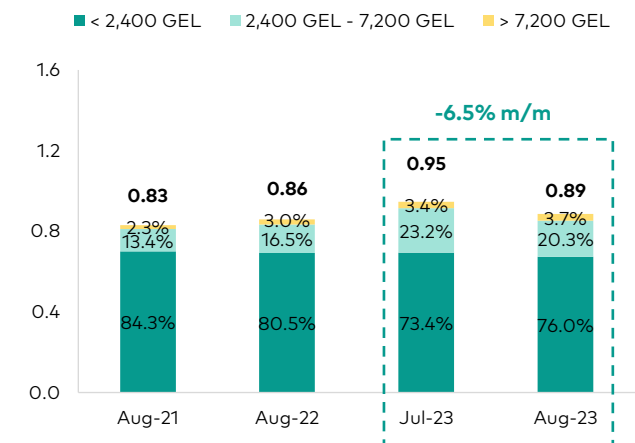
Consumer confidence index remained elevated, leaving spending expectations high



Source: ISET Policy Institute

Figure 15: Wage distribution in Georgia, mn people

Number of salaried individuals decreased by 6.5% m/m, while share of individuals with wages less than 2,400 GEL increased by 2.6ppts m/m

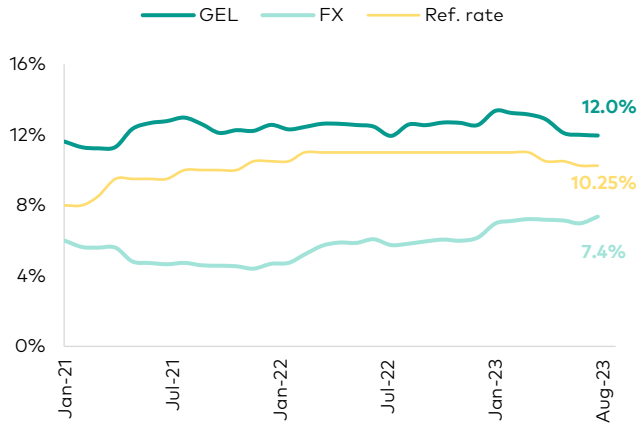


Source: Revenue Service



Figure 16: Mortgage interest rates, %

Mortgage loans in FX became more expensive in Aug-23



Source: NBS, Galt & Taggart Research

Figure 17: Share of mortgages in total sales value

Mortgages accounted for only 17.9% of sales value in Aug-23, as majority of sales were financed by inner instalments schemes

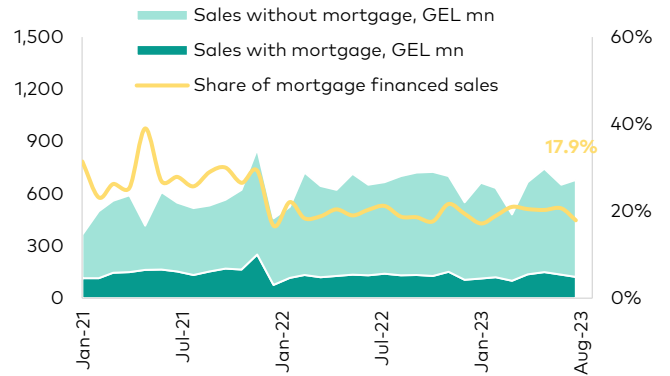
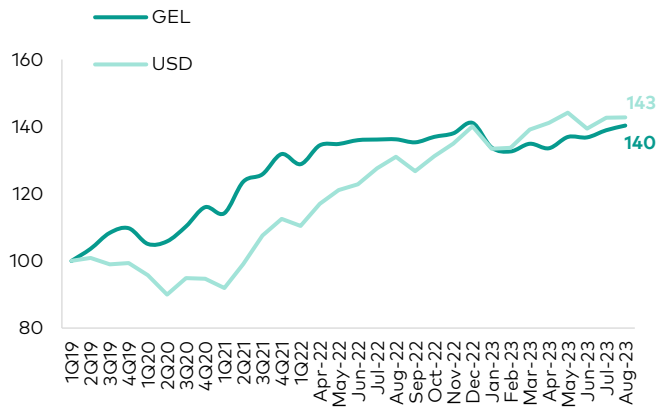


Figure 18: Construction cost index, 1Q19=100

In Aug-23 construction costs increased by 9.0% y/y in US\$ and by only 3.0% y/y in GEL. Increasing wage bills remain the biggest problem for local developers



	y/y growth Aug-23, US\$	y/y growth Aug-23, GEL
Total construction cost	9.0%	3.0%
Construction materials	8.0%	2.1%
Wages	23.2%	16.4%
Machinery	9.1%	3.1%
Transportation, fuel and electricity	-13.1%	-17.9%
Other costs	6.7%	0.8%

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



Annex – Construction permits in Tbilisi

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

Construction permit issuance for residential development was up by 48.7% y/y in 8M23

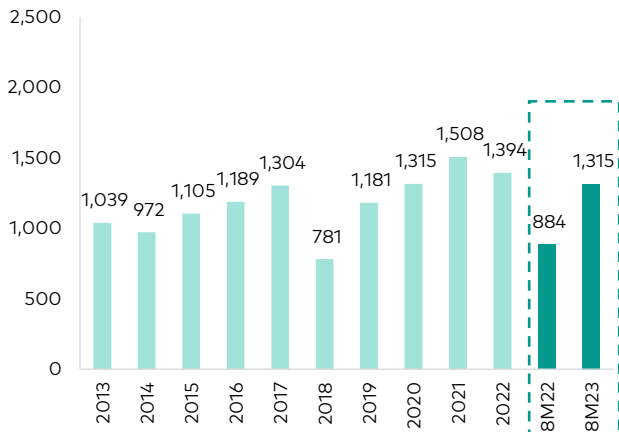
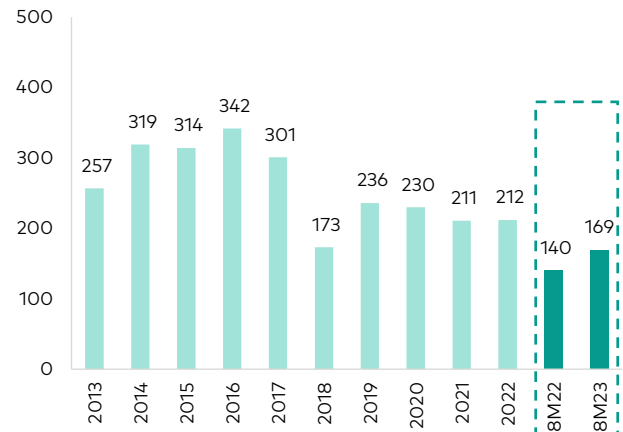


Figure 20: Number of construction permits issued for residential real estate in Tbilisi

Permitted area has been increasing faster than the number of permits (+20.7% y/y), suggesting larger average sizes of projects

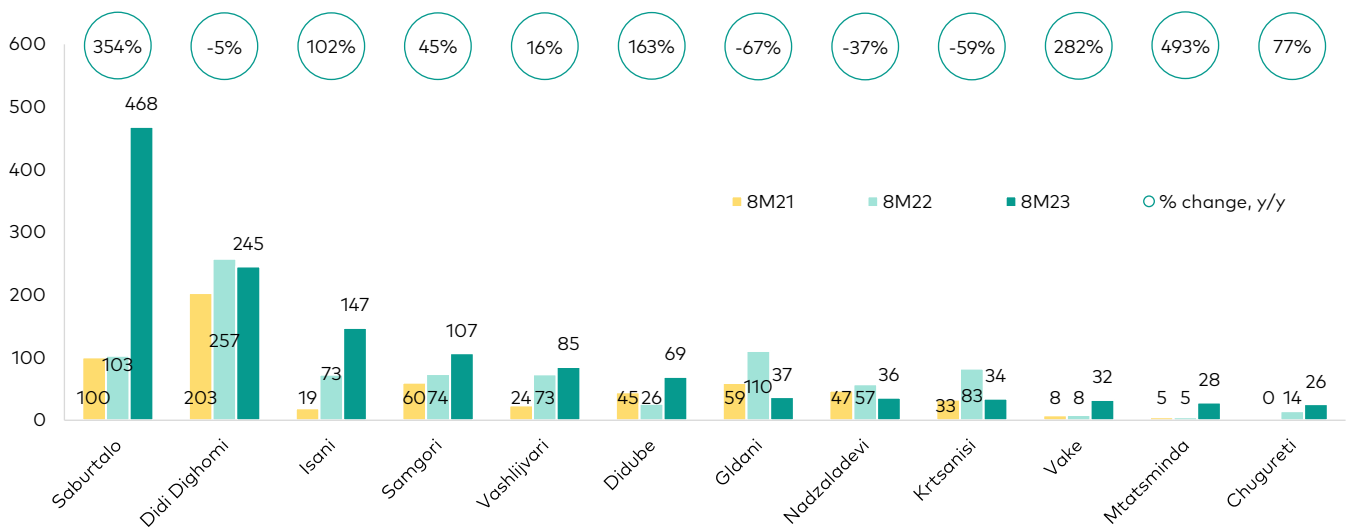


Source: TAS, Galt & Taggart Research

Note: 1) Only sellable area, including balcony and office areas (as office areas are usually sold as residential spaces)
2) Only III and IV class multiapartment/multifunctional buildings

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

Construction permits are on a continuous rise mostly in the central districts of Tbilisi (Saburtalo, Vake, Mtatsminda), which comprised 40.2% of total permitted residential area in 8M23



Source: TAS, Galt & Taggart Research

Note: 1) Only sellable area, including balcony and office areas (as office areas are usually sold as residential spaces)
2) Only III and IV class multiapartment/multifunctional buildings



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