



BATUMI RESIDENTIAL REAL ESTATE

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Giorgi Mzhavanadze
Senior Associate, Research

Revaz Maisuradze
Analyst, Research

Irina Kvakhadze
Vice President, Research



TBC CAPITAL

RESIDENTIAL REAL ESTATE IN BATUMI

H1 2022 vs H1 2021

+36%



7,158

Number of
transactions

+2%



729 \$

Average weighted
sale price per SQM

+123%



7.2 \$

Average asking
rent price per SQM

+5 pp



10.2%

Rental
yield

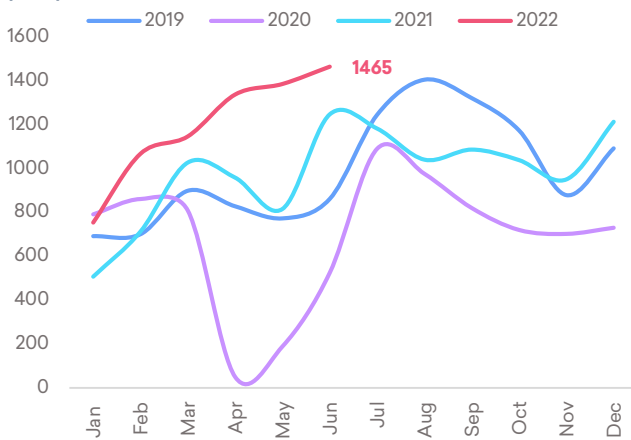
Batumi RRE Market

Market dynamics

It seems that Batumi RRE market has fully recovered from the pandemic, at least in terms of number of transactions.

In the first half (H1) of 2022, the number of residential property transactions improved by 36% YoY. The increase was similarly impressive compared to 2019 and 2020 as well. Prices showed a sluggish start in 2022 (+2% YoY), which can be explained by the lower share of high-price segment in the transactions and transactions shifting to Suburbs and Periphery. At the same time, prices were higher compared to H1 2019 (+12%).

Figure 1. Number of sold residential properties (Units)



Considering the touristic nature of the city, both number of transactions and sale prices in Batumi have a seasonal trend with the higher activity observed in the summer. During the last two years, this trend was distorted by the pandemic, however the summer of 2022 might set the new highs for RRE market driven by strong recovery in tourism and migration.

These factors already had an impact on asking rent price and consequently, on rental yield as well, which are currently at their record highs.

Figure 2. Average weighted sale price per SQM (USD)

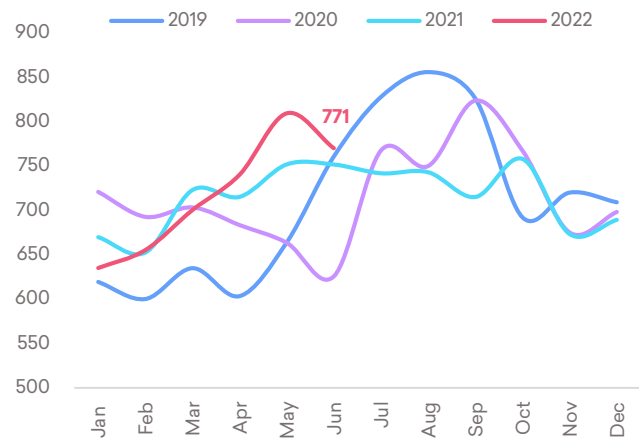


Figure 3. Average asking rent price per SQM (USD)

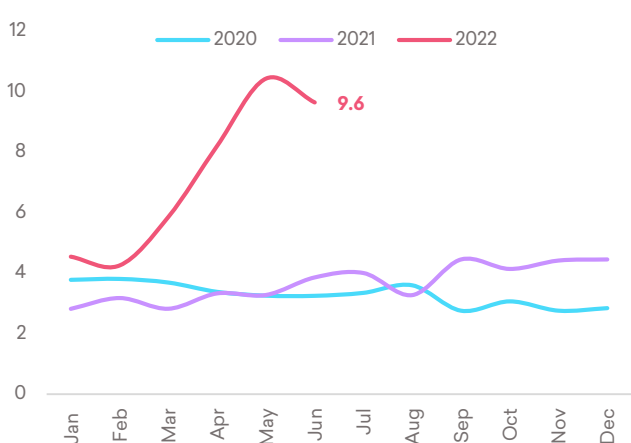
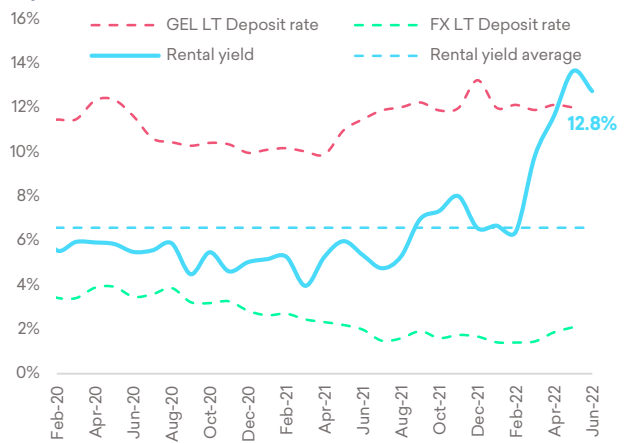


Figure 4. Rental yield and deposit rate dynamics



Source: NAPR, Myhome, NBG, TBC Capital

Batumi RRE Market

Units and area by districts

The market recovery in 2021 was robust for all districts, especially for Suburbs and Periphery, where the number of transactions surpassed the pre-pandemic level, while I Line and Inner Center were still behind it.

The first half of 2022 seems to be promising. Periphery showed the highest increase in transactions (+49% YoY), while I Line – the lowest (+11% YoY). This trend will continue in the future, as the supply is gradually shifting from the I Line to the broader coastal line (which is part of Batumi’s Periphery). However, we

could expect the activity in I Line to accelerate in the upcoming months, since residential properties from several ongoing residential projects will be on sale.

As for the area of sold residential properties, the dynamic is very similar to the registered transactions. Suburbs and Periphery took the lead in terms of both, total area sold and YoY increase.

Figure 5. Number of sold residential properties (Units) and YoY growth (%), by districts

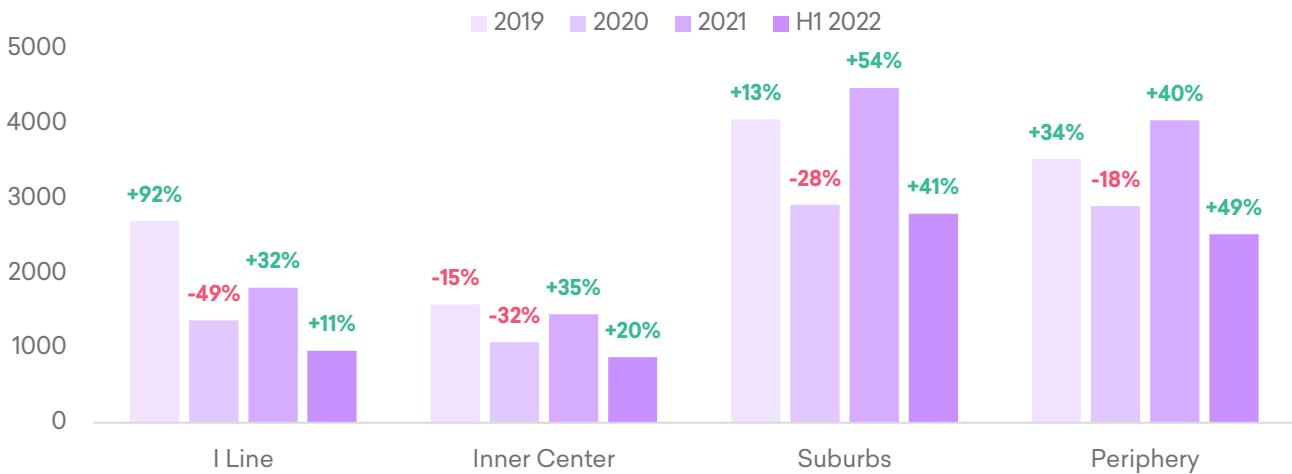
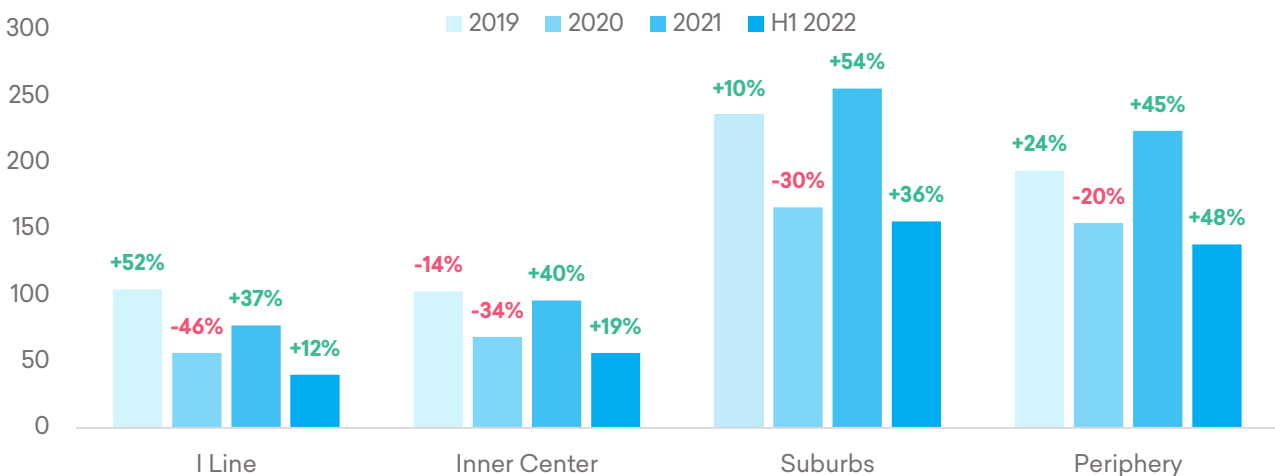


Figure 6. Area of sold residential properties (000' SQM) and YoY growth (%), by districts



Source: NAPR, TBC Capital

Batumi RRE Market

Prices and market size by districts

In Batumi's districts, compared to transactions, prices were more resilient towards changes in economic environment in recent years.

Keeping in mind the location of I Line (coastal line in the center of Batumi) the highest sale prices can be observed exactly in this district.

In the first half of 2022, the average weighted sale prices changed in different directions by districts. Suburbs and Periphery showed a notable increase in

prices, +15% and +12% YoY, respectively. At the same time, prices declined by 12% YoY in I Line and by 1% in Inner Center. This decline was most likely driven by the increased sales of "leftover", low-price apartments in already finished residential projects.

As a result of positive dynamics in transactions and sale prices, Suburbs and Periphery currently have the highest market size among Batumi's districts.

Figure 7. Average weighted sale price per SQM (USD) and YoY growth (%), by districts

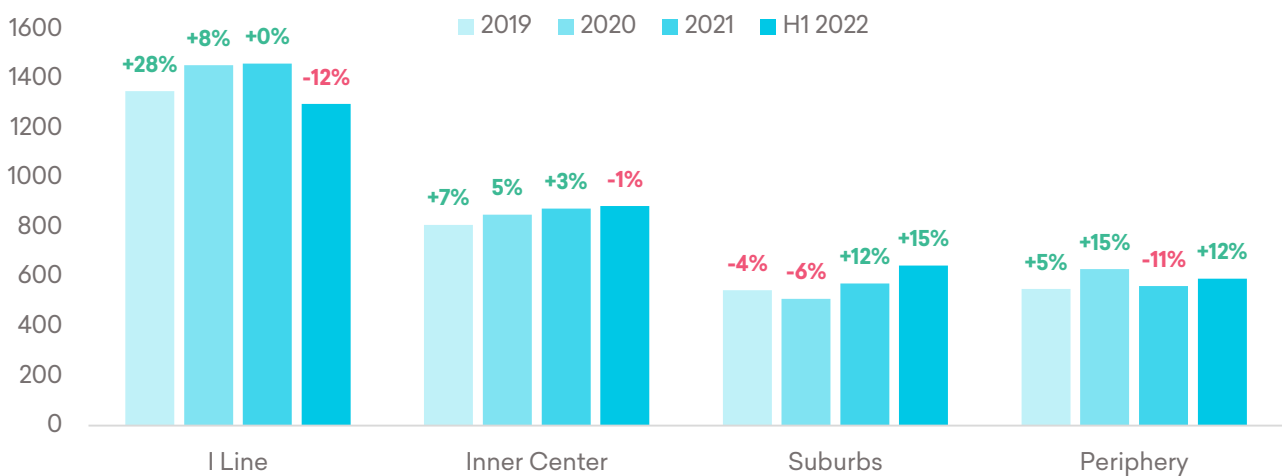
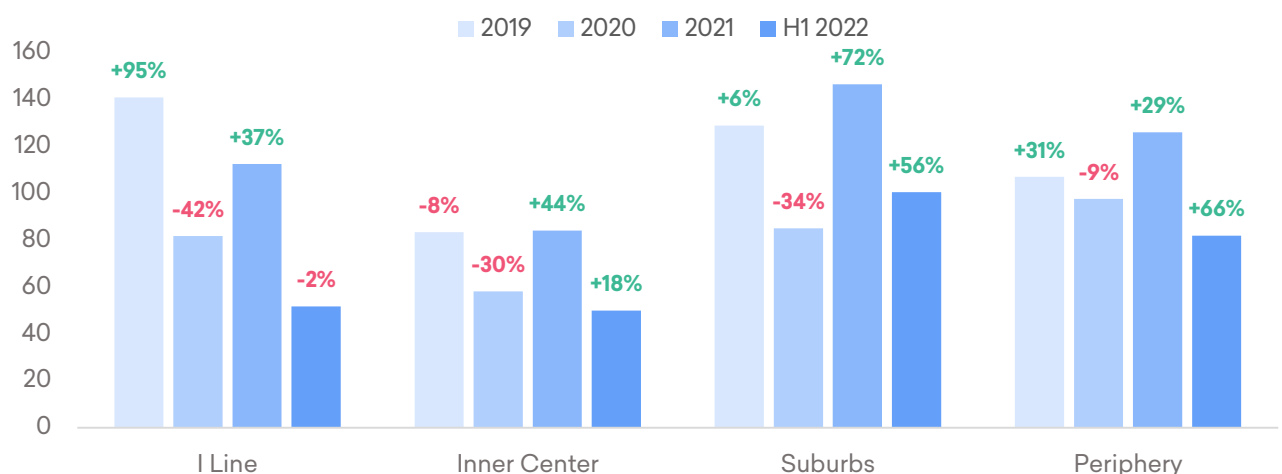


Figure 8. Residential real estate market size (Mln USD) and YoY growth (%), by districts



Source: NAPR, TBC Capital

Batumi RRE Market

Distribution by size and price segments

Small residential properties (with less than 50 SQM area) account for over half of total transactions in Batumi. The share of such residential properties is particularly high (81% in H1 2022) in I Line, which is the most popular location for aparthotels. Since 2019, the average size residential properties (50 - 70 SQM) have been gradually gaining popularity in I Line. The share of small properties has been increasing in Suburbs and Periphery.

Distribution of residential property transactions by price segments significantly differs by districts. The share of high-price properties (more than 1200 USD per SQM) is expectedly the highest in I Line (56% in H1 2022). High-price segment is sizeable in Inner Center as well (19% in H1 2022). In Suburbs and Periphery the demand is concentrated in properties with prices ranging from 400 to 800 USD per SQM.

Figure 9. Distribution of transactions by size, by districts

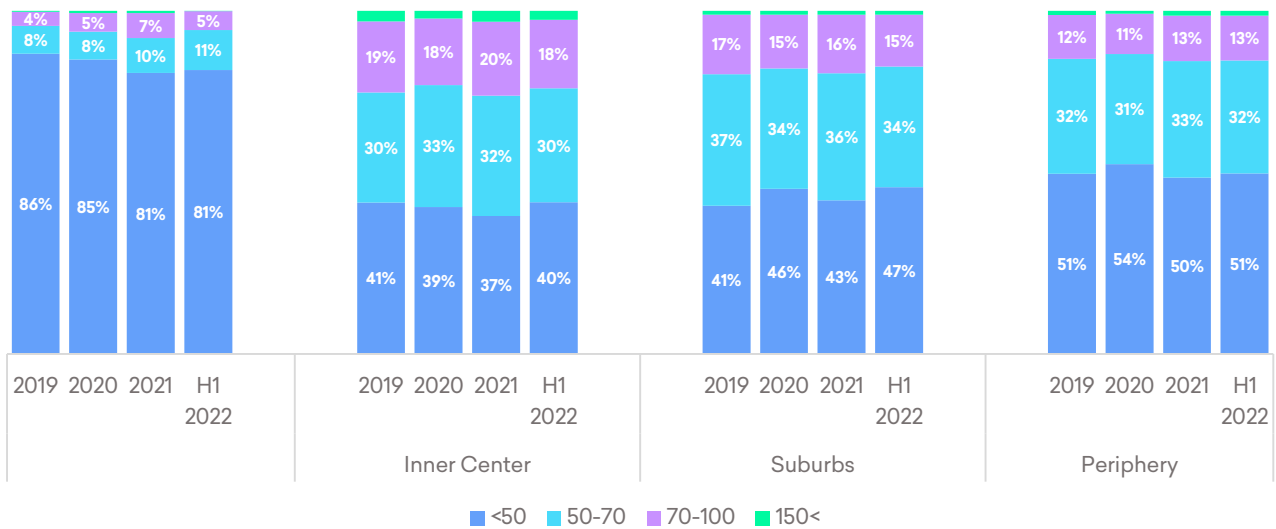
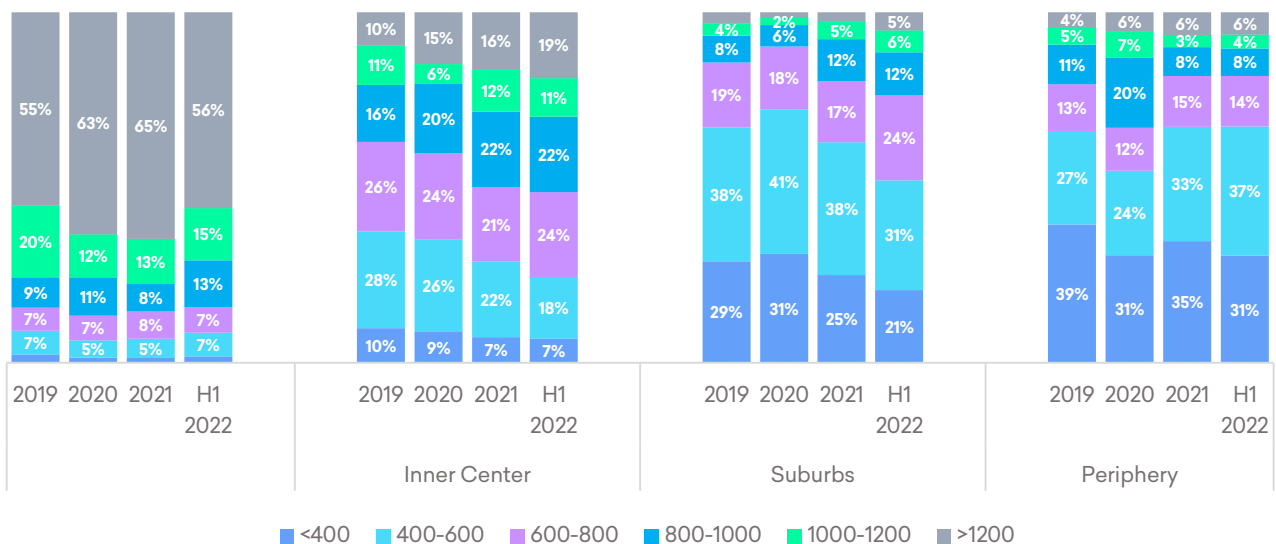


Figure 10. Distribution of transactions by price categories (per SQM, USD), by districts



Source: NAPR, TBC Capital

Batumi RRE Market

The future supply

In line with our previous expectations, the permits issuance continue to decline in Batumi. Permits for construction of only 35 new apartment blocks were issued in 2021. The residential area issued for construction was down by 43% YoY and amounted 276 thousand SQM - the lowest figure since 2013.

Stricter regulations of obtaining construction permits (Dec 2019) was the major reason behind this decline. According to the biggest developers operating on Batumi RRE market, the pandemic had a limited impact on their future plans (and therefore permits issuance).

The supply is shifting towards Periphery (Chakvi, Makhinjauri, Gonio) and Suburbs, which together accounted for 73% of total residential area approved for construction in 2021.

At the same time, no permit was issued for construction in I Line in 2021, indicating the low availability of land and challenges in obtaining construction permits. However, about 160 thousand SQM of residential area (issued for construction in 2019) is expected to appear on the market in 2022. Permits issued in 2021 are concentrated in small and medium-sized projects.

Figure 11. Number (Units) and area (000' SQM) of construction permits issued

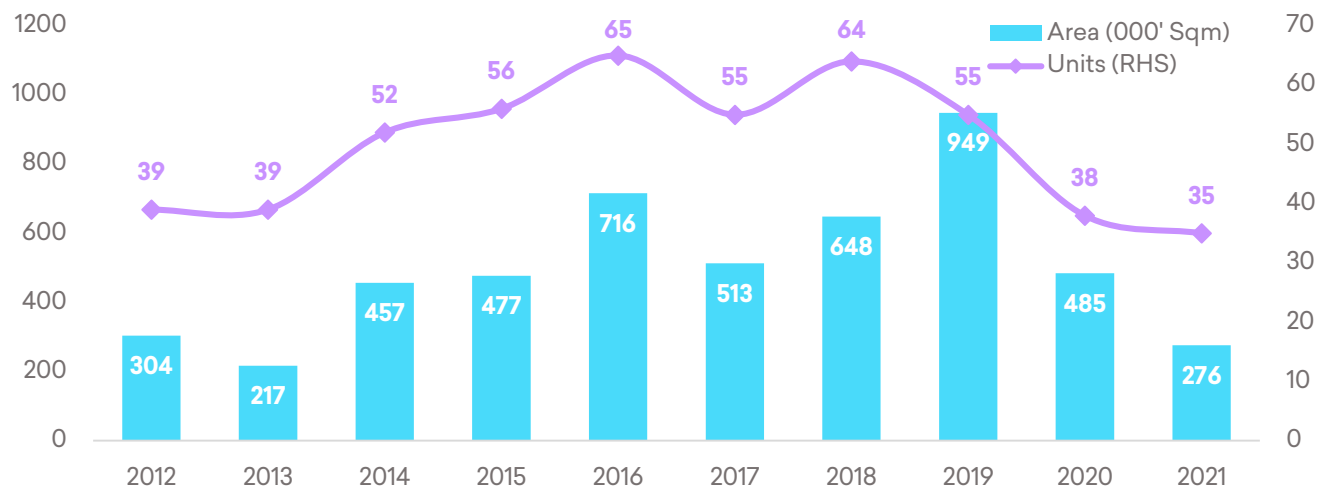


Figure 12. Distribution of total residential area (permits) by districts

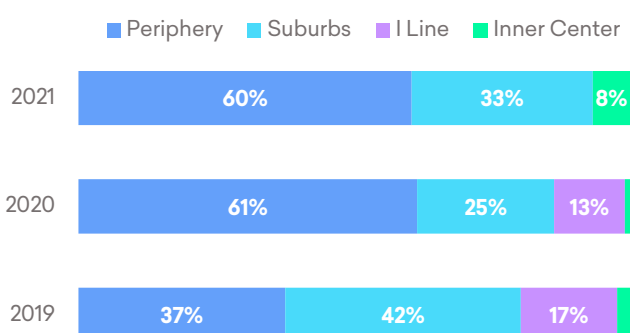
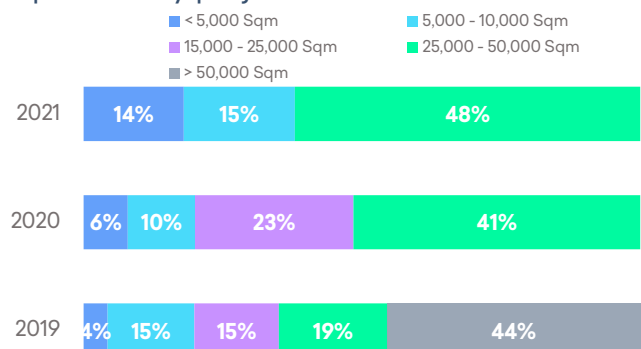


Figure 13. Distribution of total residential area (permits) by project size



Source: Batumi City Hall, TBC Capital

Batumi RRE Market

Market projections

Considering the optimistic start of 2022 for RRE market in Tbilisi and Batumi, we expect the number of transactions and sale prices to increase in 2022 compared to the last year. Stronger than expected economic growth, stable USD/GEL exchange rate (see our publication: [Macro Insights: Stronger than 5.5% Baseline](#)), accelerated migration from Ukraine, Russia, Belarus and recovery in tourism will be the main demand-side drivers of RRE market in 2022. Rising construction costs will also have an upward pressure on RRE sale prices. However, together with the decreasing supply of new residential buildings

(declining permit issuance) it might have a negative impact on the market activity, especially in 2023 and 2024.

We expect that in 2022 prices in Batumi (+6% YoY) will show lower growth compared to Tbilisi (+11% YoY), due to the rapidly increasing share of Periphery (where properties are two times cheaper than in I Line) in Batumi's total transactions. On other hand, the increase in number of transactions will be higher in Batumi (+29% YoY) than in Tbilisi (+14% YoY) due to the stronger demand from non-residents.

Figure 14. Weighted average sale prices (Index, 2019 average = 100)

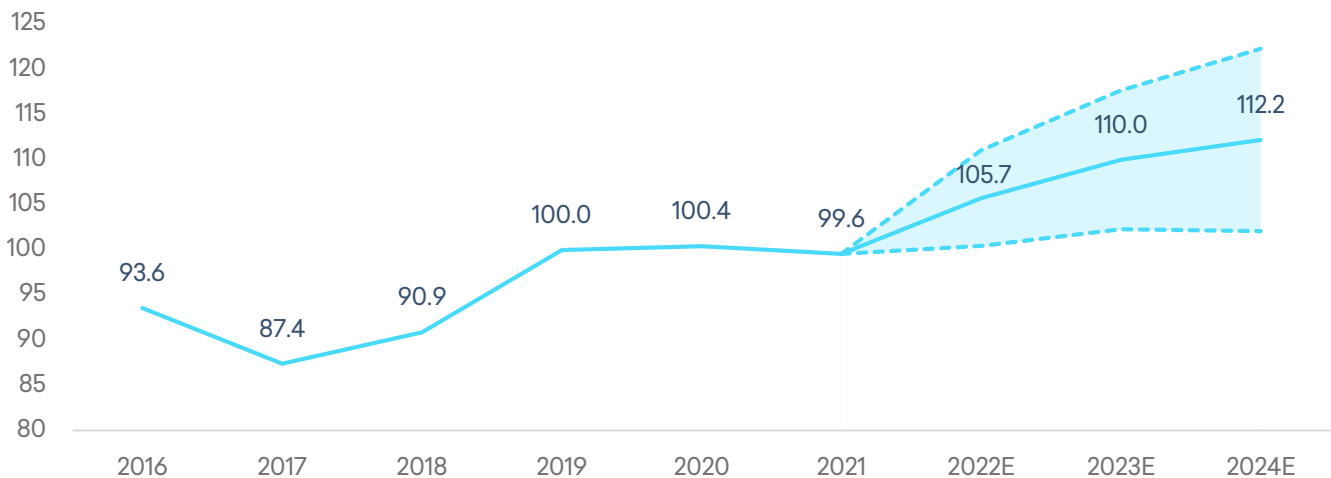
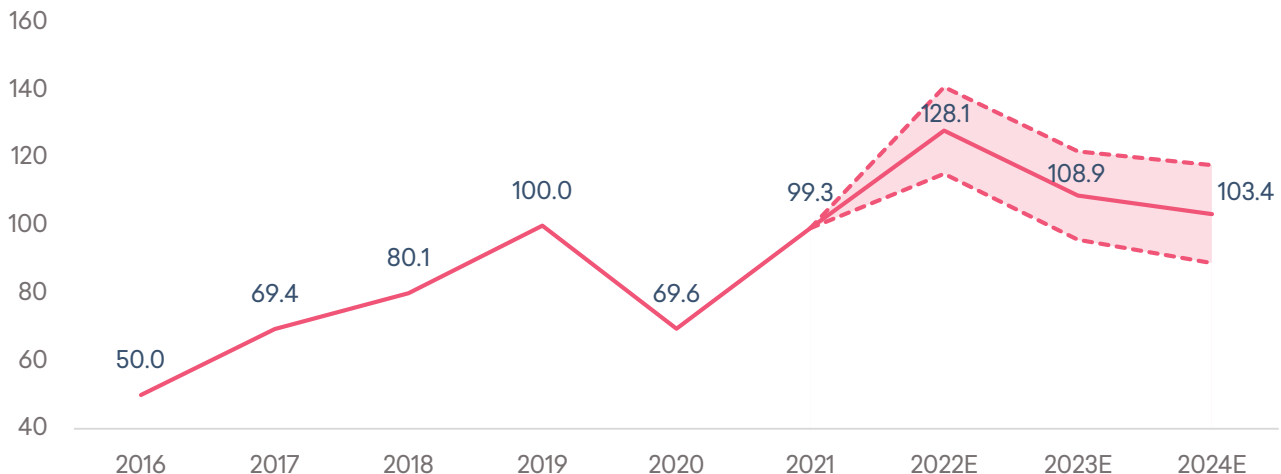


Figure 15. Number of residential property transactions (Index, 2019 average = 100)



Source: NAPR, TBC Capital

Batumi district definitions



For our analysis, the urban divisions mentioned in the report do not match with administrative borders of Batumi:

- **I Line:** Rustaveli, Khimshiashvili and Ninoshvili streets, Old and New Boulevard coastal areas;
- **Inner Center:** Area behind I Line and Old Boulevard, including Old Batumi;
- **Suburbs:** Tchaobi, Benze, New Boulevard hinterland, as well as districts beyond Old Batumi;
- **Periphery:** Settlements surrounding the city – Kakhaberi, Chakvi, Makhinjauri, Khelvachauri, Gonio, Kvartiati and other peripheral areas

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7 Marjanishvili Str., Tbilisi 0102, Georgia
Tel: +995 32 2 272727 | +995 32 2 272733

Email: Brokerage@tbccapital.ge
Email: TradingDesk@tbccapital.ge

www.tbccapital.ge
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