



RESIDENTIAL REAL ESTATE IN TBILISI

SEPTEMBER 2022
Monthly Watch

Irina Kvakhadze
Vice President, Research

Revaz Maisuradze
Analyst, Research

Giorgi Mzhavanadze
Senior Associate, Research

RESIDENTIAL REAL ESTATE IN TBILISI

September 2022 vs September 2021

+30%



3,788

Number of
transactions

+20%



967\$

Average asking sale
price per SQM

+74%



9.0\$

Average asking rent
price per SQM

Top 3 districts with the highest
increase in the **NUMBER OF
TRANSACTIONS**:

+94%



Krtsanisi Mtatsminda Didi
Dighomi

Top 3 districts with the highest
increase in the asking **SALE
PRICE**:

+29%



Saburtalo Nadzaladevi Gldani

Transactions, price and yield

In September 2022, Tbilisi residential real estate (RRE) market activity continued to improve.

The **number of transactions** stood considerably higher than in the same period of 2021, posting a 30.4% increase YoY, indicating high demand on RRE market. In monthly terms, the growth amounted 4.9%. Even though the growth of average **asking sale price** slowed down a bit in MoM terms and stood behind the previous month by 3.2%, the growth relative to the same period of 2021 still remains considerable (+19.7%). **Asking rent price** reached new highs in September 2022. There was a slight increase observed compared to August 2022 (+0.3%). In annual terms, the growth amounted 73.5%.

Figure 1. Number of sold properties by years (000' Units)

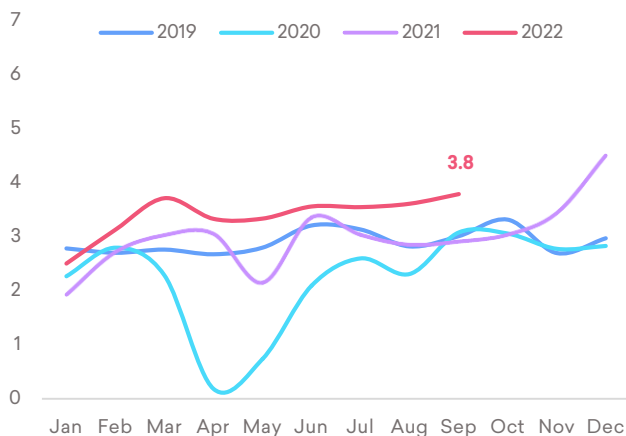
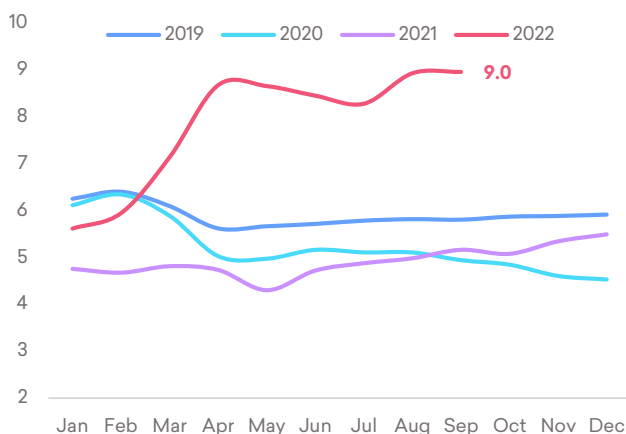


Figure 3. Average asking rent price per SQM (USD)



It seems that the impact of second wave of migration on rents was not reflected in September's data and we expect it to drive rents up in the upcoming months. The **rental yield** increased slightly in September 2022 relative to the previous month (+0.4 pp), since rent prices showed higher growth than sale prices. There was a 3.4 pp increase observed relative to September 2021.

Our data shows that demand from migrants is still mostly concentrated on rental market. We believe that (while some of them will leave Georgia in the future) the tendency might skew from renting toward purchasing properties starting from the end of current year. Thus, some correction in rent prices is expected to occur in 2023-2024.

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

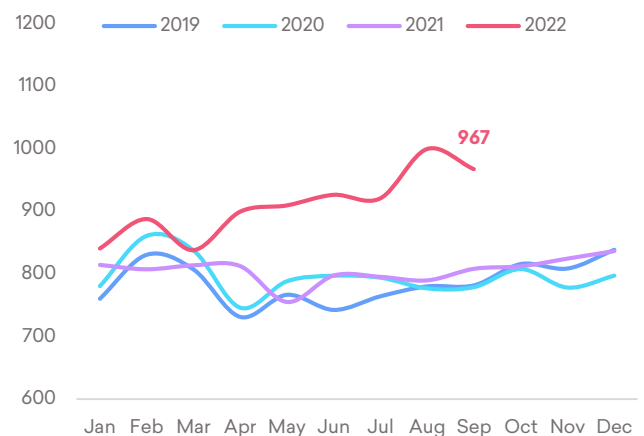
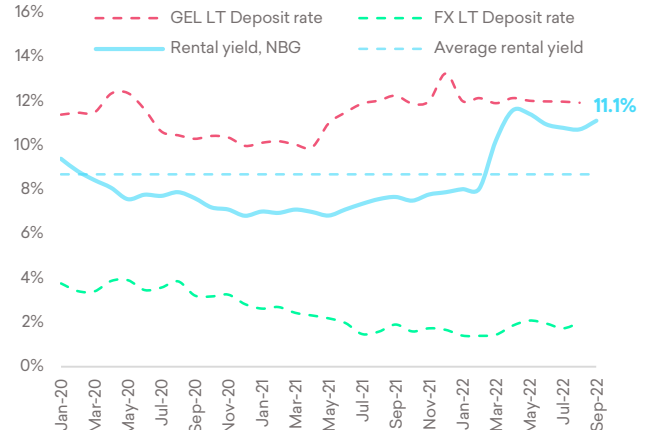


Figure 4. Rental yield and deposit rate dynamics



Source: NAPR, NBG, Myhome, TBC Capital; Note I: Rental yield is derived using the asking sale and rent prices according to Myhome.

Residential properties by condition

In September 2022, 663 **new** apartments were sold, posting a 18% increase compared to the same period of 2021. Annual growth was even higher for **old** apartments, amounting 33.4% YoY. Interestingly, in MoM terms, sales of new residential properties declined by 10%, however there was an increase observed for old apartments (+8.8%).

Consequently, the share of new units in all sales decreased both in annual (-1 pp vs September 2021) and monthly terms (-2 pp vs August 2022). These results are in line with

our data on RRE developers' sales, which shows no increase in demand from migrants compared to the same period of last year.

Properties of all conditions showed significant growth of **average asking sale prices** in YoY terms, however in MoM terms, increase was observed for only black (+2%) and white (+1%) frames.

As usual, the average asking sale prices were the highest for newly renovated apartments (1,174 USD per SQM), followed by green frame (1,041 USD per SQM).

Figure 5. Number of sold residential properties, New vs Old (000' Units)

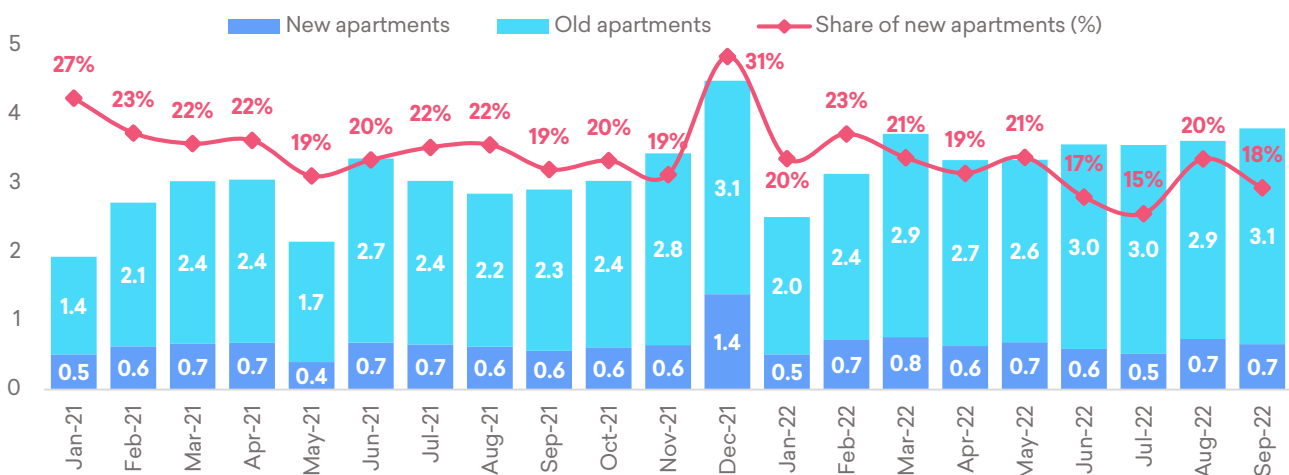
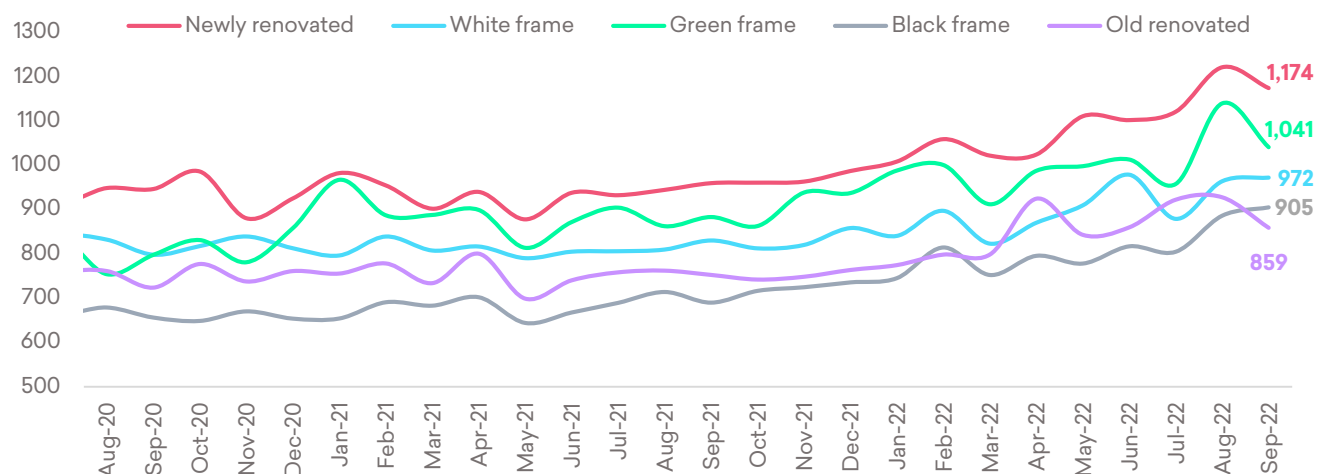


Figure 6. Average asking sale price per SQM (USD), by condition



Source: Myhome, NAPR, TBC Capital; Note: "New" means a residential property with sale date within 3 years after construction permit issuance

Tbilisi districts

In September 2022, the **number of transactions**, was higher relative to September 2021 in all districts. The top 3 districts with the largest YoY growth of transactions were Krtsanisi (+94%), Mtatsminda (+67%) and Didi Dighomi (+44%).

As for the shares in total residential property transactions, Saburtalo (19% of total) returned to the top place, followed by Didi Dighomi (18.4% of total), whereas Krtsanisi, Mtatsminda and Chugchureti stayed at the bottom of the list, together accounting for about 9% of total sales.

Sale prices surpassed the 2021 level in all districts and YoY growth figures were more

or less similar, unlike in case of the number of transactions. The highest YoY increase in sale prices was observed in Saburtalo (+29%), Nadzaladevi (+22%) and Gldani (+21%).

Rent prices stayed considerably higher relative to the same period of 2021. The data does not suggest that migration impact on rents is concentrated in any specific district. YoY growths exceeded 70% in almost all districts. In MoM terms, Chugchureti showed the highest growth in rent prices (+7.1%).

In September 2022, the top 3 districts by **rental yields** were Didi Dighomi (14.5%), Isani (13.4%) and Gldani (12.3%).

Figure 7. Sold residential properties (Units) and YoY change (%), September 2022

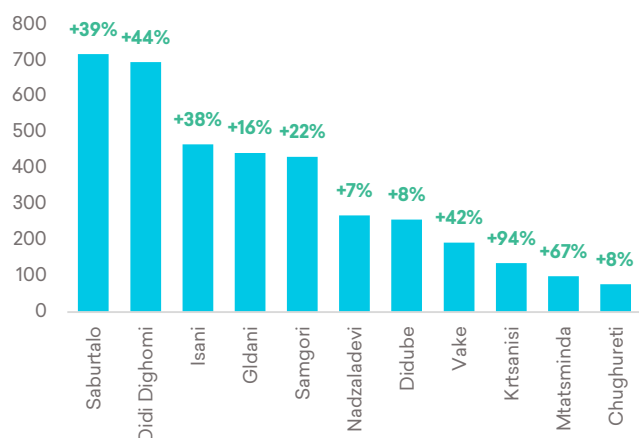


Figure 9. Average asking rent price per SQM (USD) and YoY change (%), September 2022

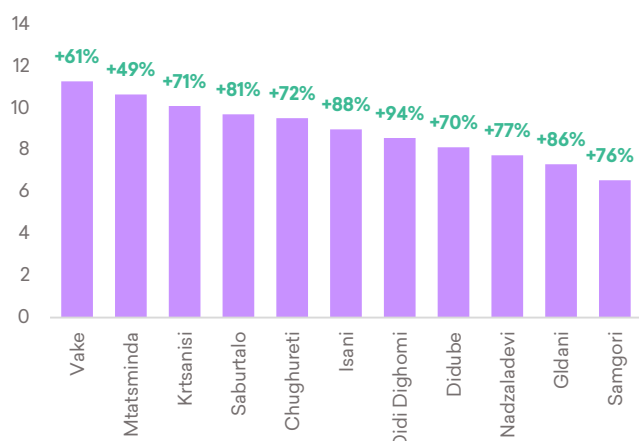


Figure 8. Average asking sale price per SQM (USD) and YoY change (%), September 2022

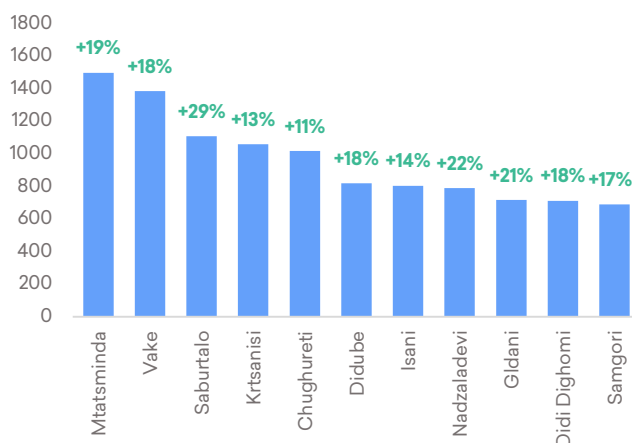
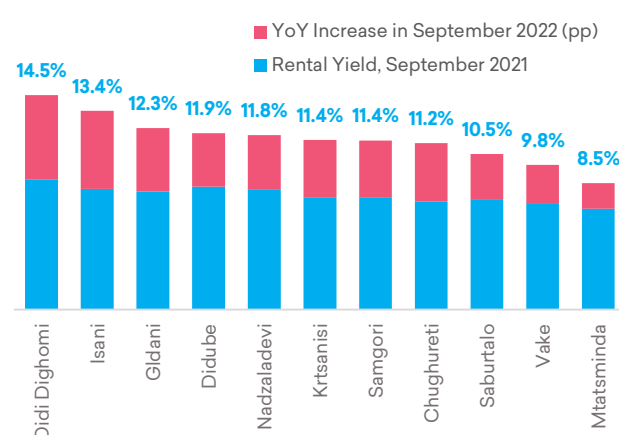


Figure 10. Rental yield by district (%), September 2022



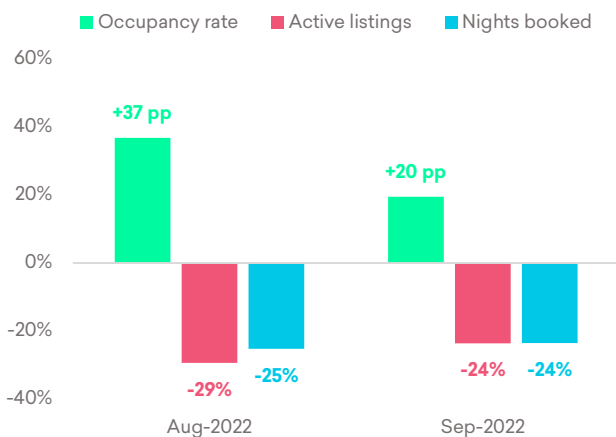
Flat-sharing market

In September 2022, the activity on Tbilisi Airbnb market was mostly similar to the previous month, with no considerable changes in MoM terms.

The **number of active listings** increased compared to the August 2022 (+8.1%). Despite this improvement, the figure still stayed below the pre-pandemic level (-24% vs August 2019).

The number of **properties booked at least once** also posted a MoM increase (+8.1%), slightly shortening the gap relative to 2019 (-24%). Furthermore, the **number of nights booked** still stood behind the 2019 level by 24%.

Figure 11. Tbilisi Airbnb market major indicators: Change relative to 2019



The **occupancy rate** fell by 5 pp relative to previous month, while still exceeding the pre-pandemic level by 20 pp (mainly due to lower supply).

The current situation and a new wave of migration might have a positive impact on flat-sharing market in the short-term. However, coupled with the end of the main “tourism season”, we expect some Airbnb owners to switch to traditional (long-term) renting, which, in turn, will reduce the property supply on the market.

Figure 12. Tbilisi Airbnb market: Properties booked at least once

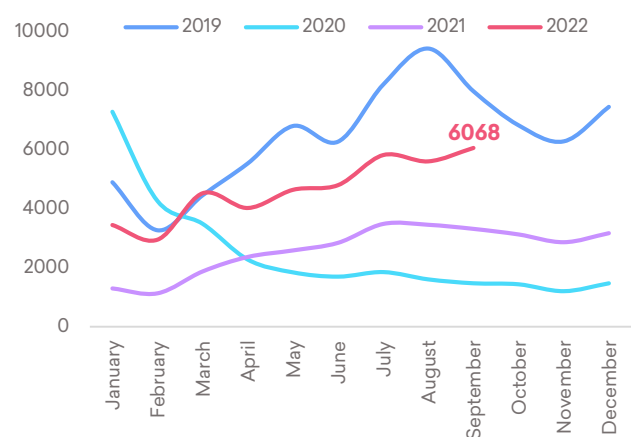
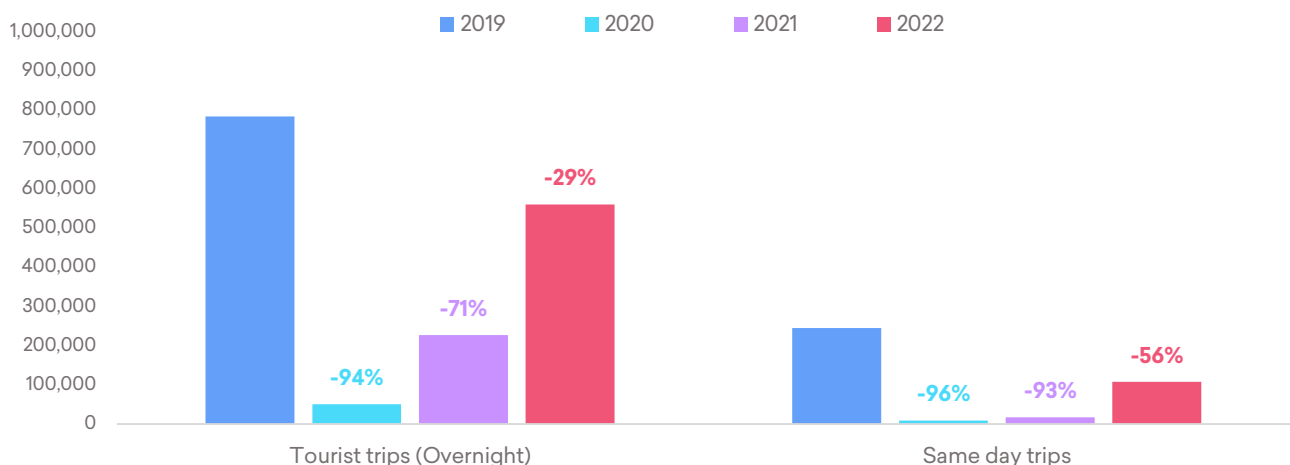


Figure 13. International visitor trips to Georgia and change relative to 2019, September

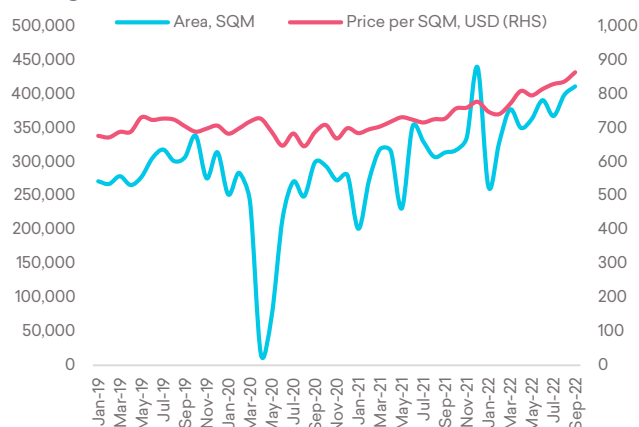


Source: Airdna, MFA Georgia, TBC Capital

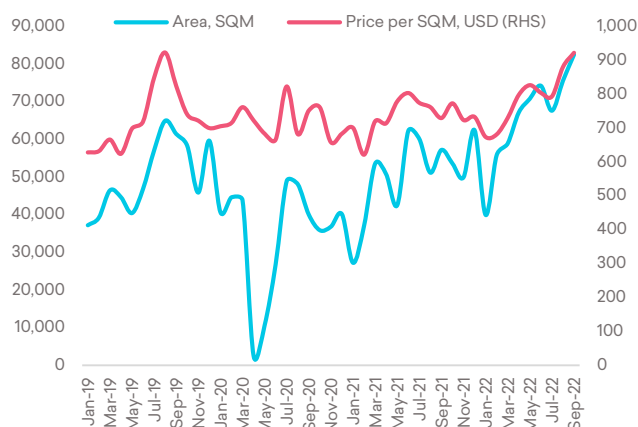
Annex: Rest of Georgia

A1. Area (SQM) and price per SQM (USD) of sold residential properties

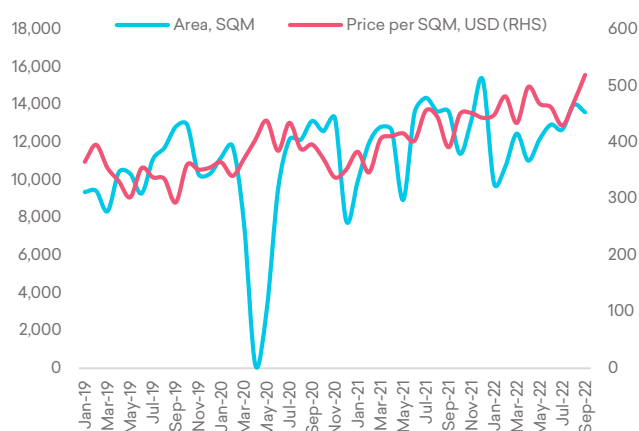
Georgia



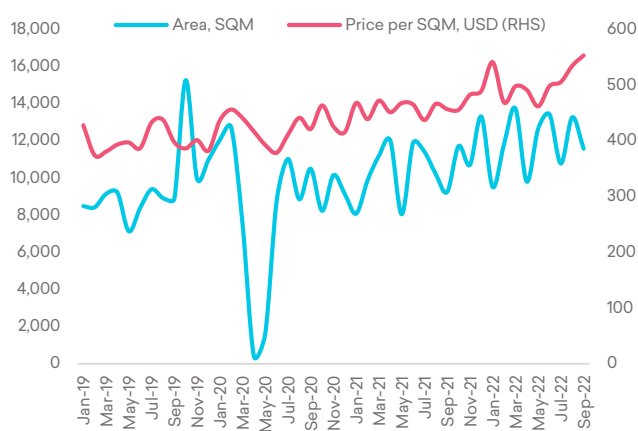
Batumi



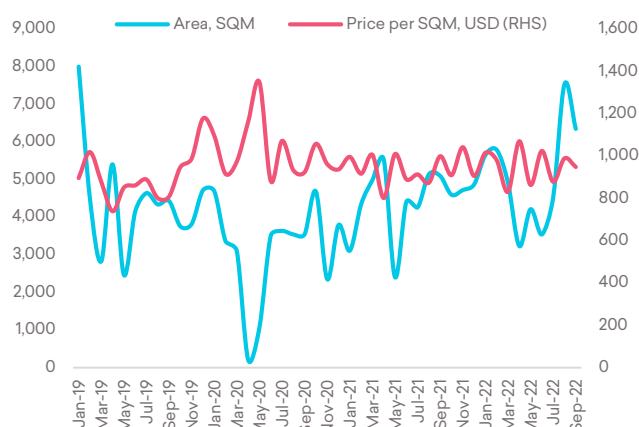
Kutaisi



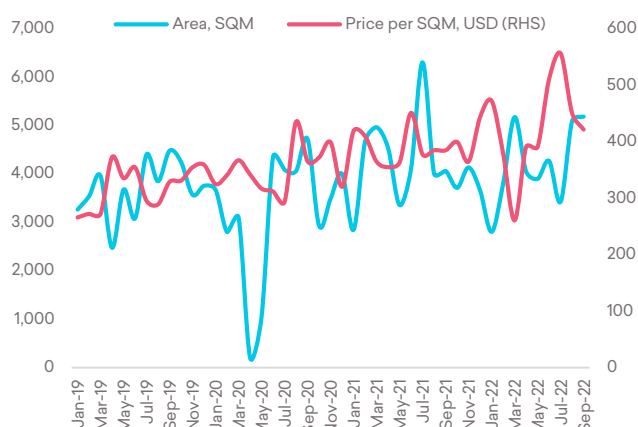
Rustavi



Borjomi



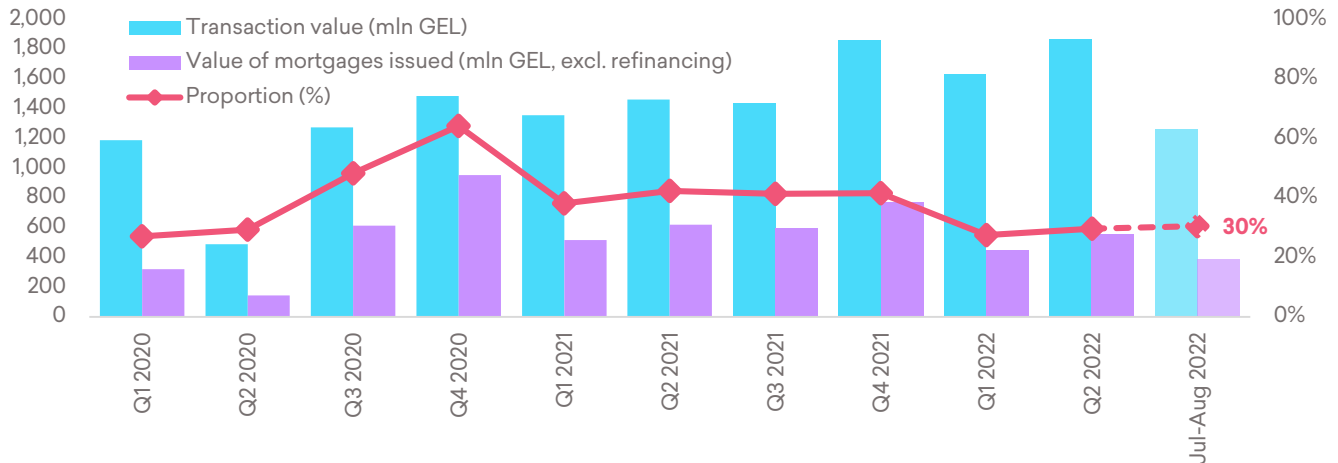
Gori



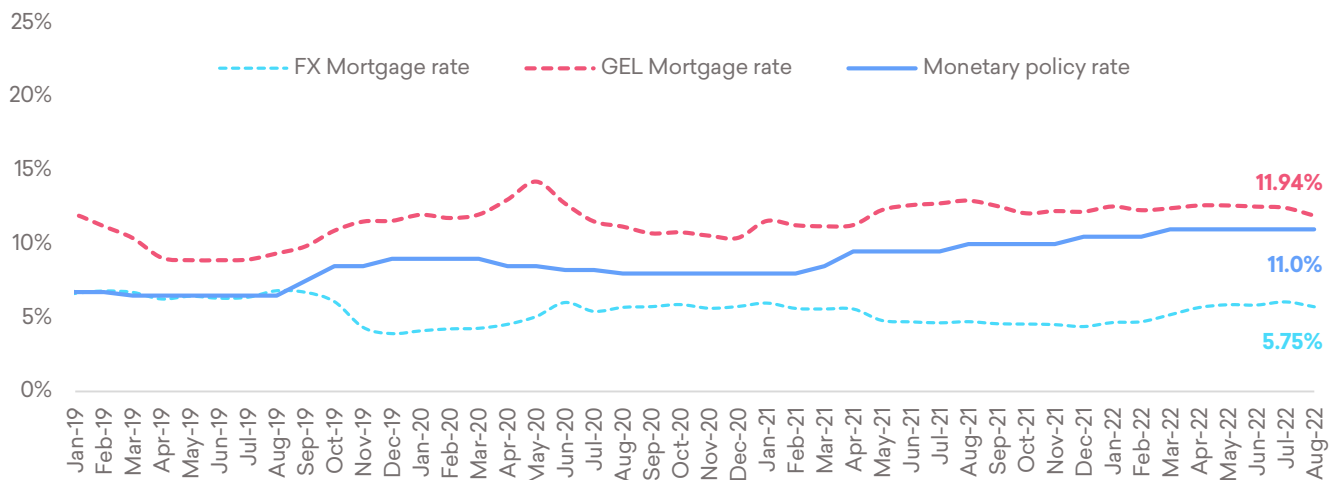
Source: NAPR, TBC Capital

Annex: Mortgages

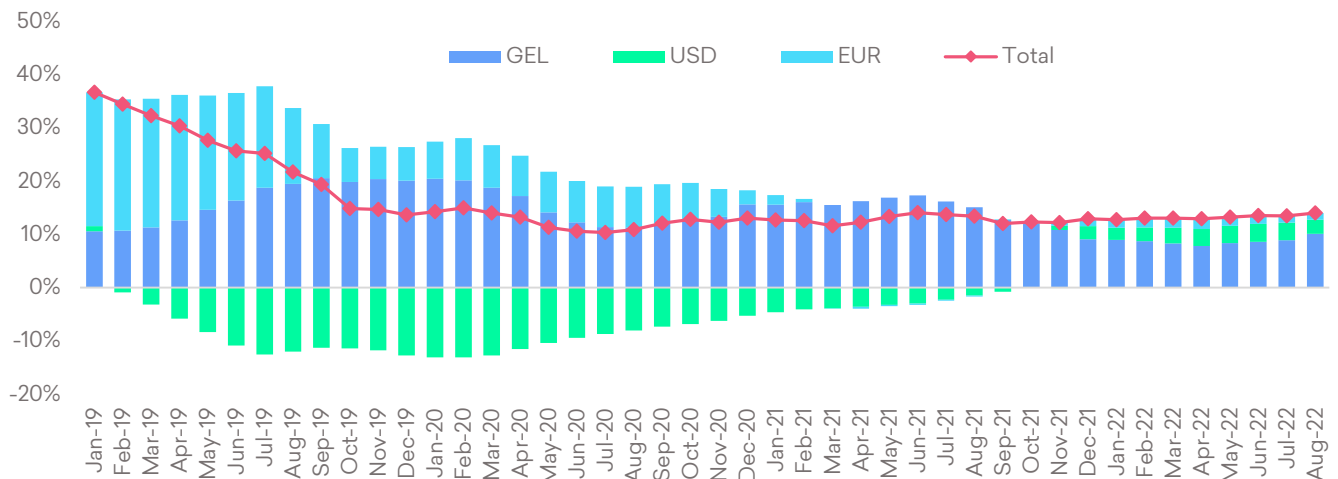
A2. Value of issued mortgages to transaction value, Tbilisi



A3. Mortgage rate dynamics in Georgia



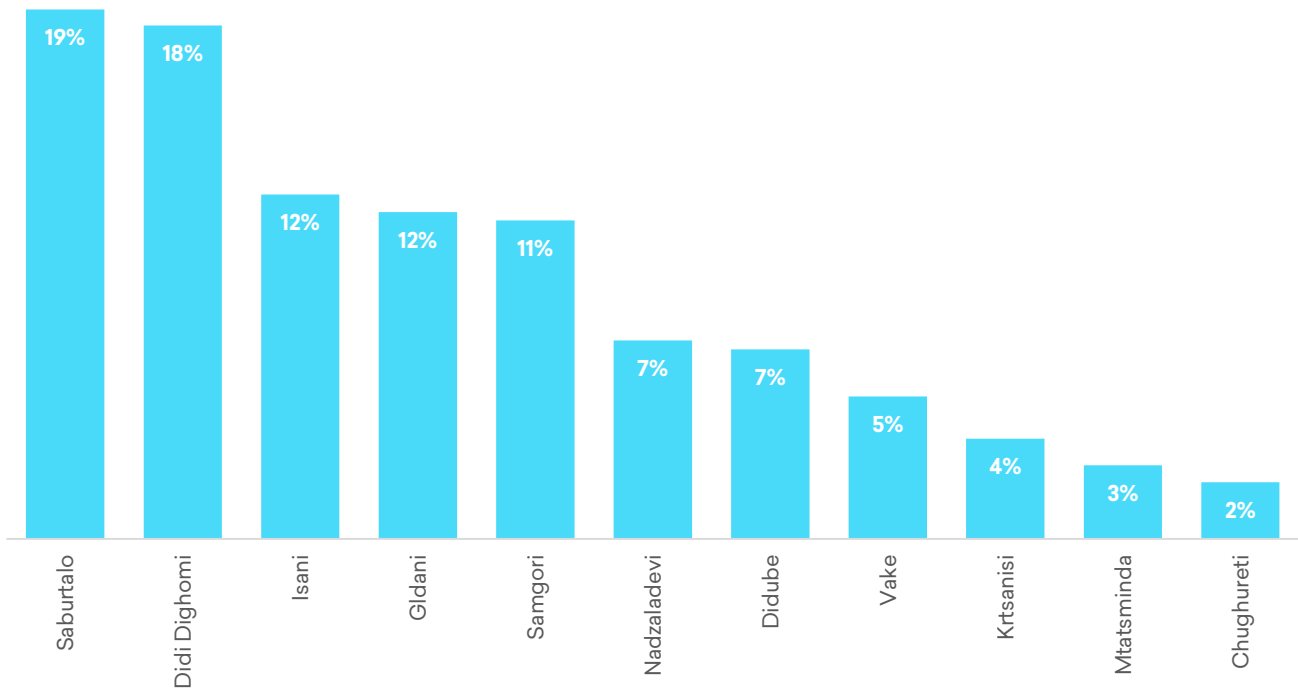
A4. YoY growth of mortgage portfolio and contribution to growth by currencies



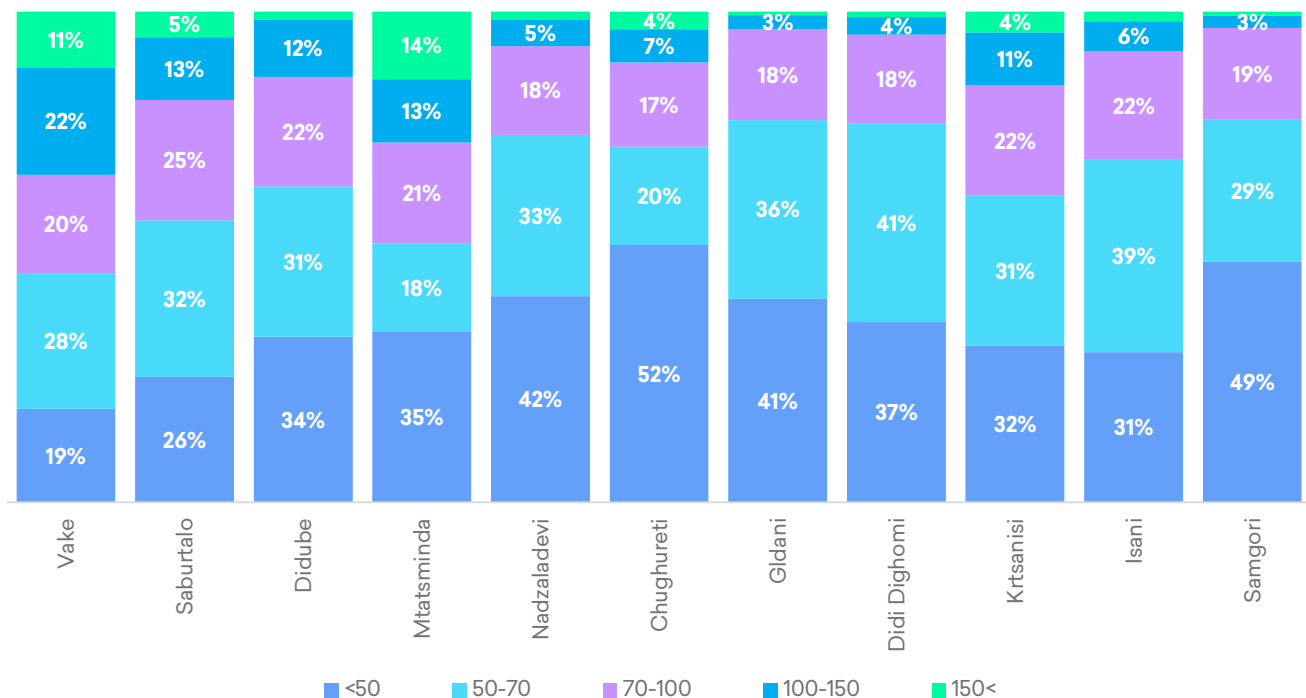
Source: NAPR, NBG, TBC Capital; Note: will be updated on October 31

Annex: Districts

A5. Total transaction distribution by districts – September 2022



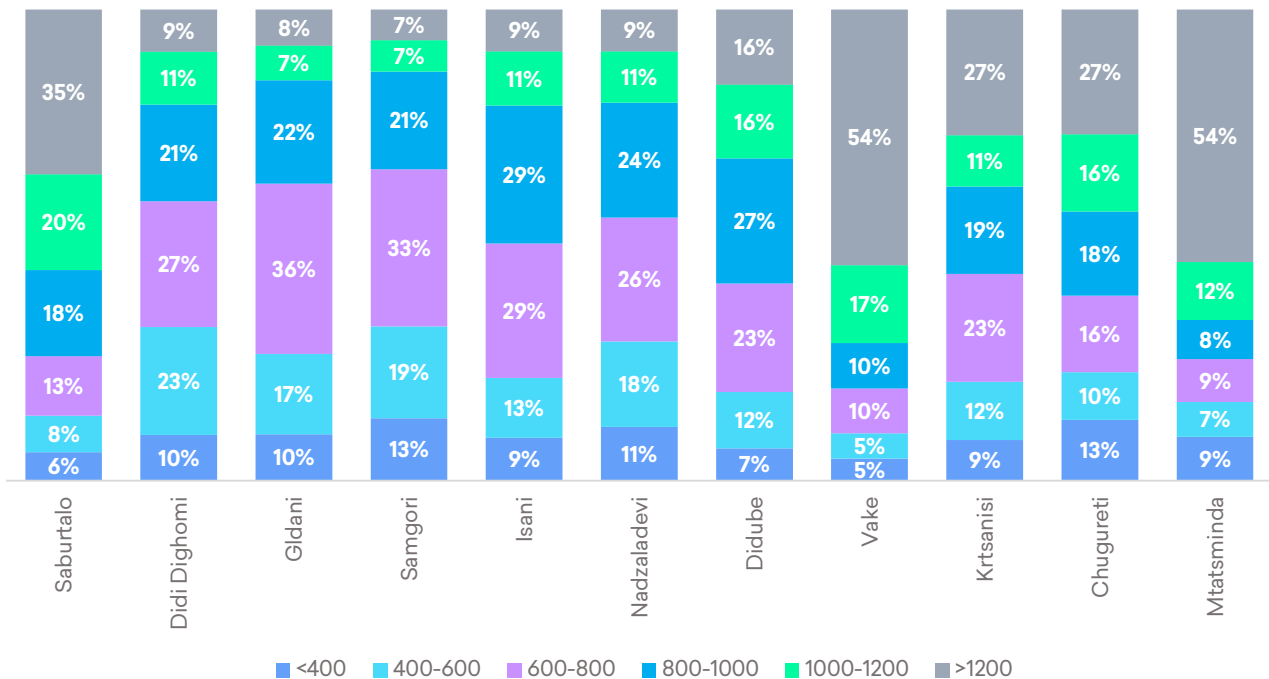
A6. Shares by sizes (Area, SQM), districts, 2022 YTD



Source: NAPR, TBC Capital

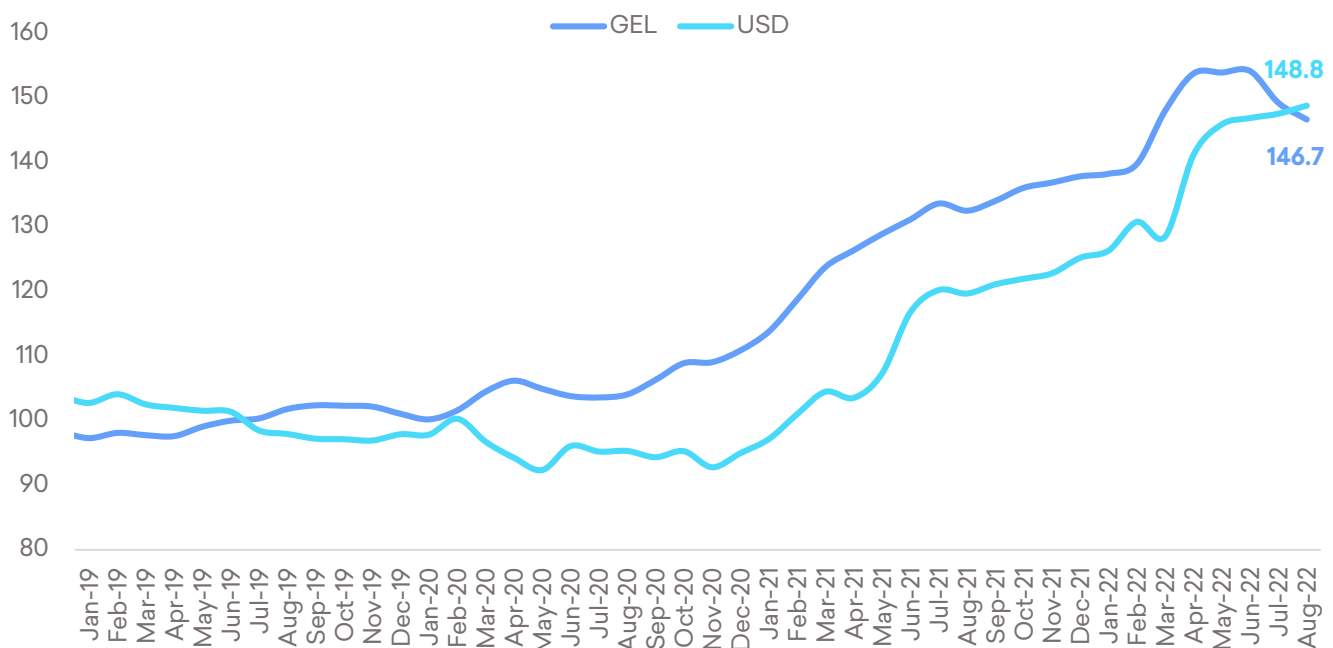
Annex: Districts

A7. Number of transactions by price categories, districts, 2022 YTD



Annex: Construction materials

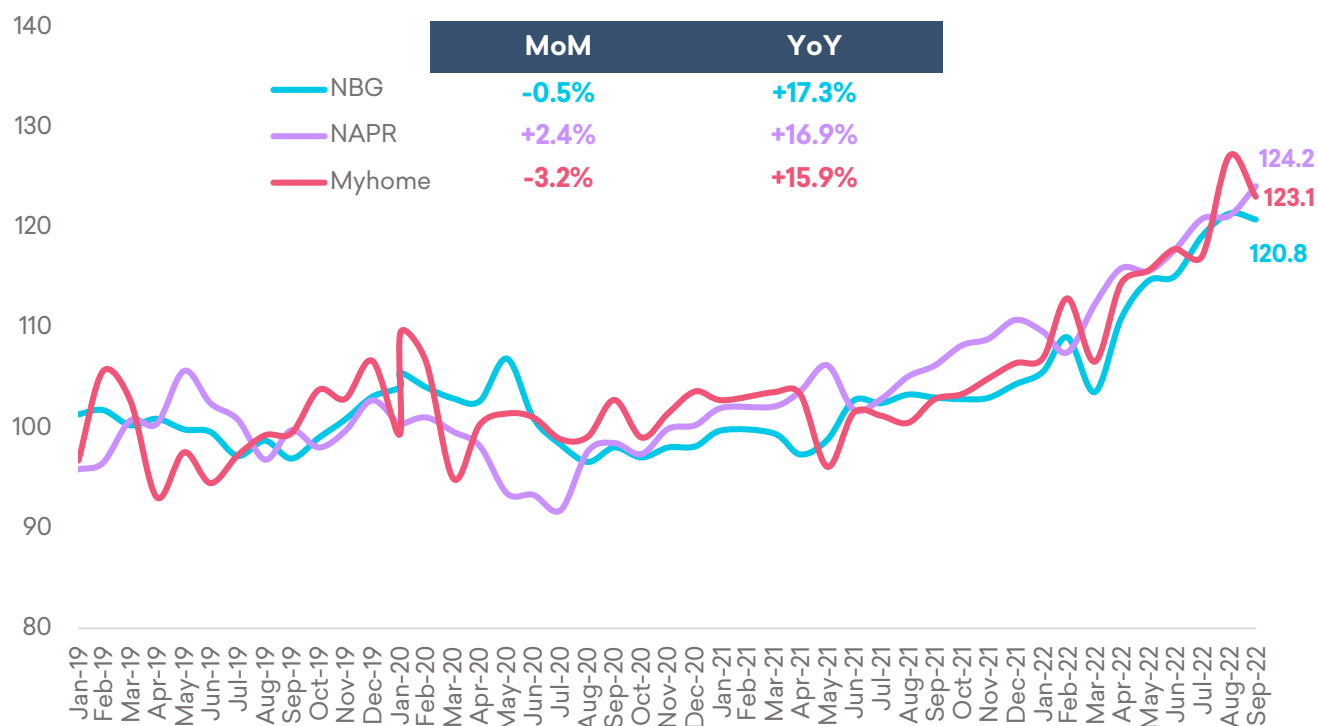
A8. Prices of material inputs to construction industries, Indices (2019 average = 100)



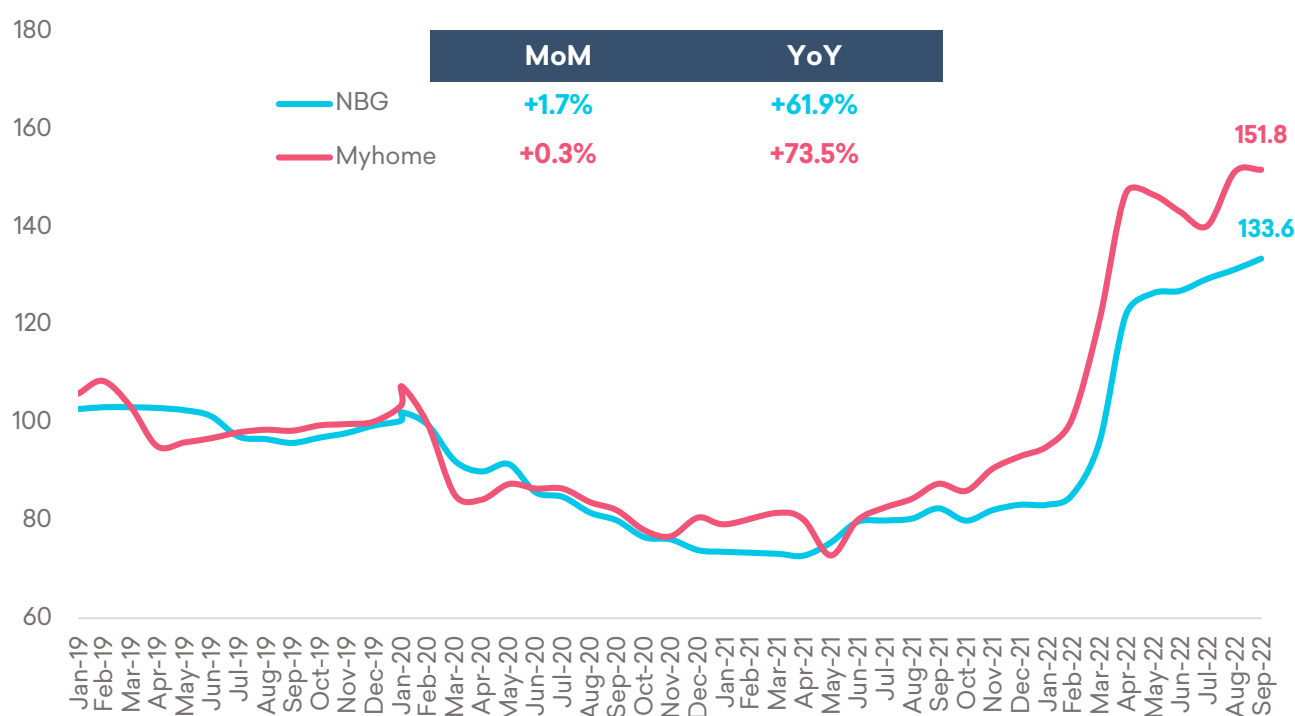
Source: NAPR, Myhome, Geostat, TBC Capital; Note: will be updated on October 31

Annex: Price indices

A9. Sale price indices (2019 average = 100)



A10. Rent price indices (2019 average = 100)



Source: NBG, NAPR, Myhome, TBC Capital

Legal Notice

This publication (the “Publication”) has been prepared and distributed by TBC Capital LLC (“TBC Capital”) member of TBC Bank Group PLC (“Group”) for informational purposes only and independently of the respective companies mentioned herein.

TBC Capital is operating and performing its professional services on the territory of Georgia and is duly authorized to prepare and distribute this Publication on the territory of Georgia.

Nothing in this Publication shall constitute an offer or invitation to treat to solicit buying or selling or subscribing any assets and/ or securities and nothing herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Since distribution of this Publication may be restricted by law in certain jurisdictions, persons into whose possession this Publication comes are required by TBC Capital to inform themselves about and to observe any and all restrictions applicable to them.

As this Publication is not directed to or intended for distribution, directly or indirectly, to or use by any person or entity in any jurisdiction where such distribution, publication, availability or use would be contrary to the applicable law or which would require any registration or licensing within such jurisdiction, neither TBC Capital nor any member of the Group nor any of their respective director(s), partner(s), employee(s), affiliates, adviser(s) or agent(s) (“Representatives”) accept any direct or indirect liability to any person in relation to the publication, distribution or possession of this Publication in or from any jurisdiction.

This Publication is not intended to provide any investment, business, tax and/or legal advice, and credit or any other evaluation. Recipients of this Publication are strongly required to make their own independent investigation and detailed appraisal of the matters discussed herein. Any investment decision should be made at the investor’s sole discretion and consideration. Any and all information contained in this Publication is subject to change without notice, and neither TBC Capital nor any member of the Group nor any of their Representatives are under any obligation to update or keep information contained in this Publication.

Distribution of this Publication, at any time, does not imply that information herein is correct, accurate and/or complete as of any time after its preparation date or that there has been no change in business, financial condition, prospects, credit worthiness, status or affairs of the respective companies or anyone else since that date. Accordingly, this Publication should not be considered as a complete description of the markets, industries and/or companies referred to herein and no reliance should be placed on it. TBC Capital does not undertake to update this Publication or to correct any inaccuracies therein which may become apparent.

The Publication may include forward-looking statements, but not limited to, statements as to future operating results. Any “forward-looking statements”, which include all statements other than statements of historical facts, involve known and unknown risks, uncertainties and other important factors beyond TBC Capital’s control that could cause the actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding present and future business strategies and the environment operating in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. No assurances can be given that the forward-looking statements in this document will be realized. TBC Capital does not intend to update such forward-looking statements.

Opinions, forecasts, estimates and/or statements relating to expectations regarding future events or the possible future performance of investments represent TBC Capital’s own assessment and interpretation of information available to it currently from third party sources. Information obtained from the third party sources believed to be reliable, but that there is no guarantee of the accuracy and/or completeness of such information.

TBC Capital does and seeks to do and any member of the Group may or seek to do business with companies covered in this Publication. Thus, investors should be aware that TBC Capital may have a potential conflict of interest that could affect the objectivity of the information contained in this Publication.

This Publication may not be reproduced, redistributed or published, in whole or in part, in any form for any purpose, without the written permission of TBC Capital, and neither TBC Capital nor any member of the Group nor any of their Representatives accept any liability whatsoever for the actions of third parties in this respect.

TBC Capital makes no expressed or implied representation or warranty of usefulness in predicting the future performance or in estimating the current or future value of any security or asset, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this Publication.

Without limiting any of the foregoing and to the extent permitted by law, TBC Capital or any member of the Group or any of their Representatives expressly disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this Publication or its contents (including without limitation to the accuracy and/or completeness of information therein) or otherwise arising in connection with this Publication or for any act or failure to act by any party on the basis of this Publication.

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

Email: Research@tbccapital.ge
Email: Macro@tbcbank.com.ge

www.tbccapital.ge
www.investing.tbccapital.ge



TBC CAPITAL

www.tbccapital.ge