



RESIDENTIAL REAL ESTATE IN TBILISI

SEPTEMBER 2022
Monthly Watch

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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)

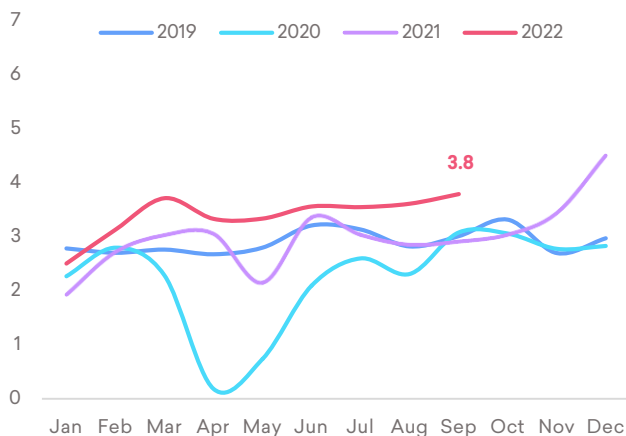
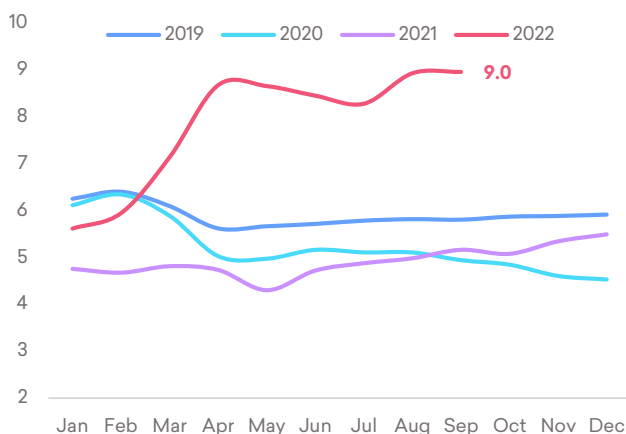


Figure 3. Average asking rent price per SQM (USD)



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)

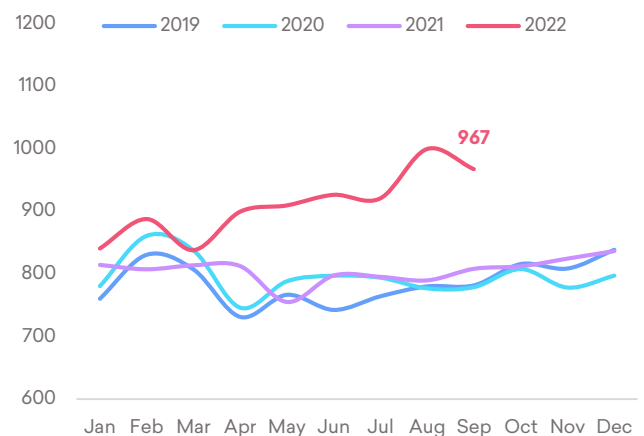
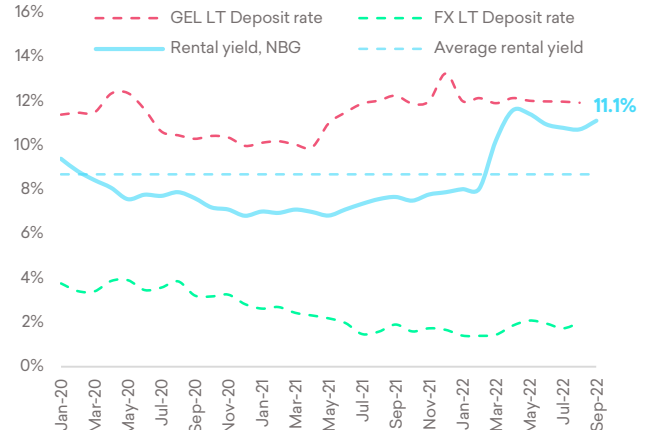


Figure 4. Rental yield and deposit rate dynamics



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)

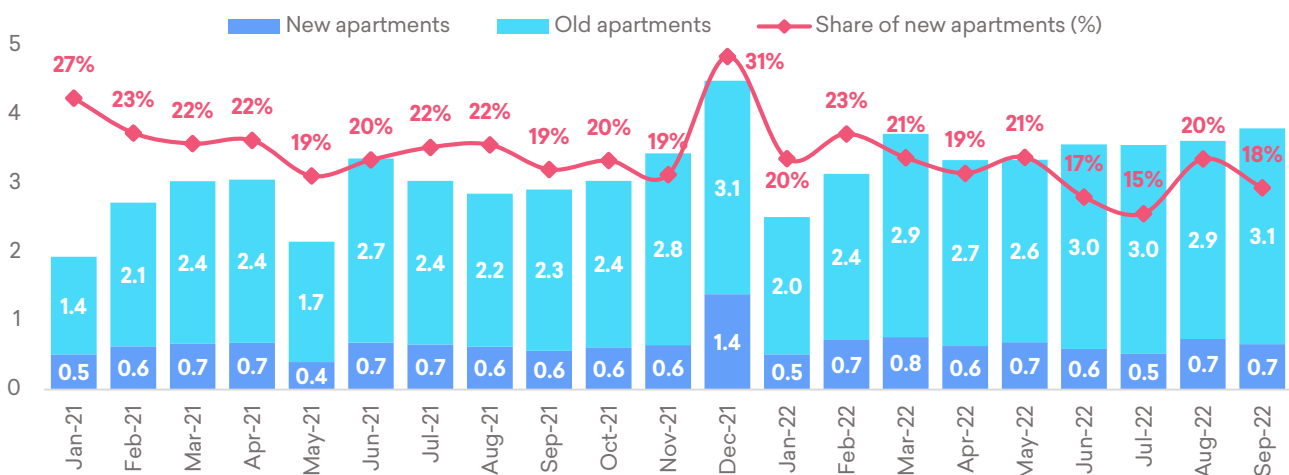
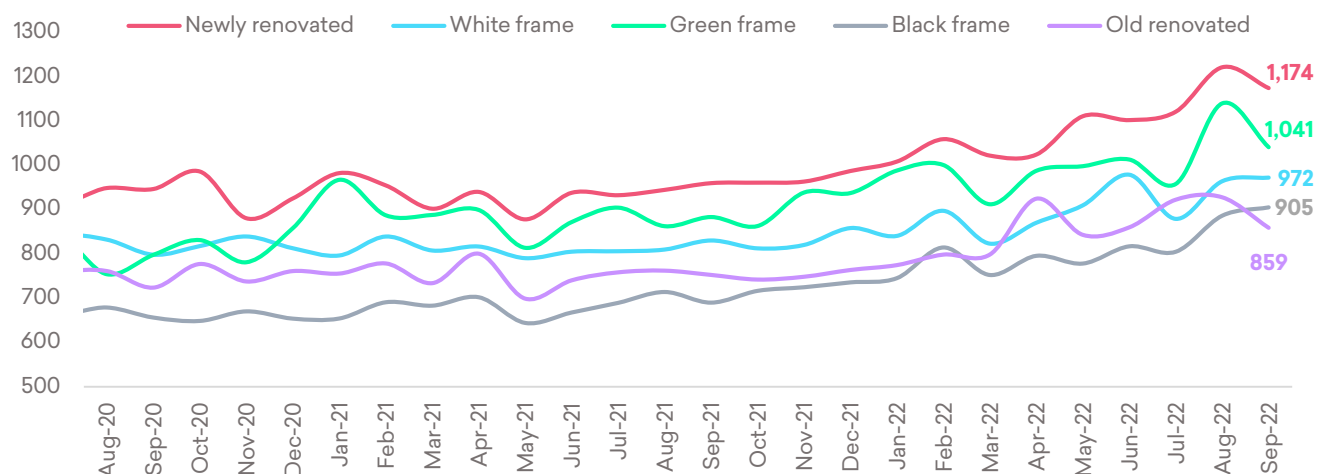


Figure 6. Average asking sale price per SQM (USD), by condition



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

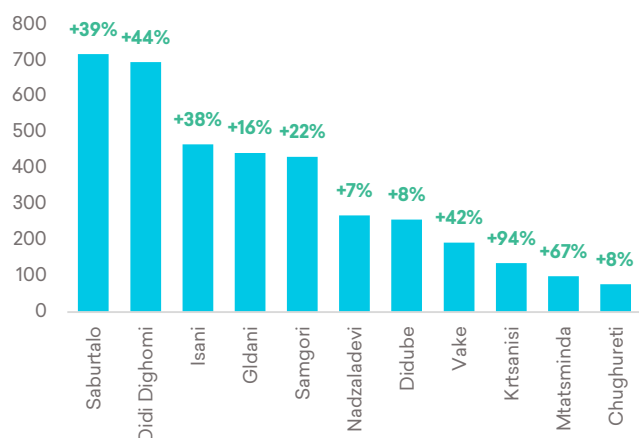


Figure 9. Average asking rent price per SQM (USD) and YoY change (%), September 2022

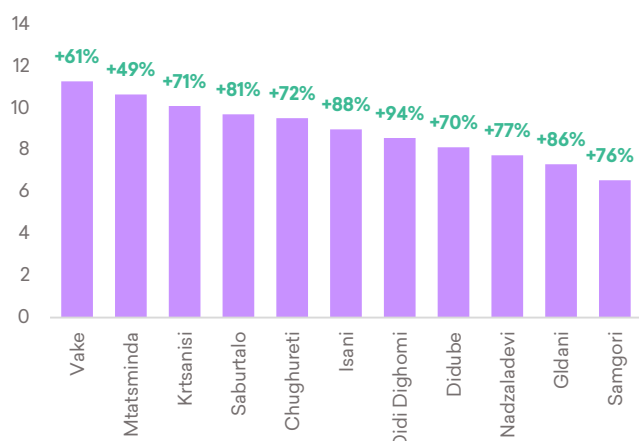


Figure 8. Average asking sale price per SQM (USD) and YoY change (%), September 2022

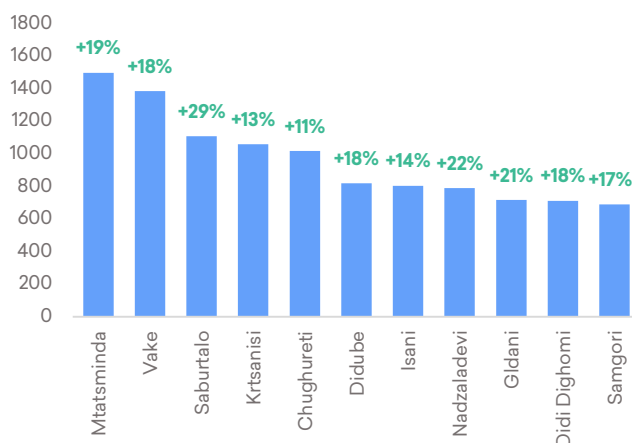
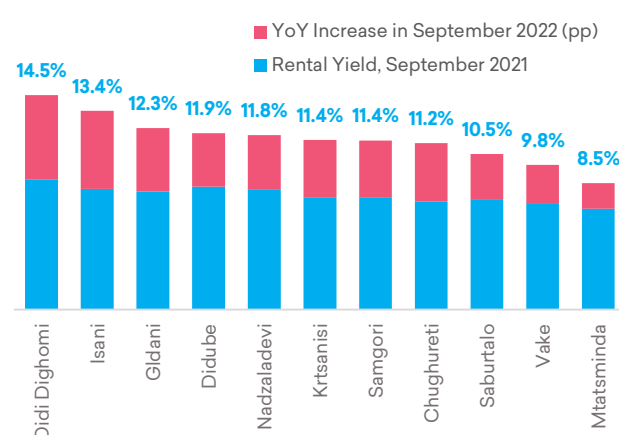


Figure 10. Rental yield by district (%), September 2022



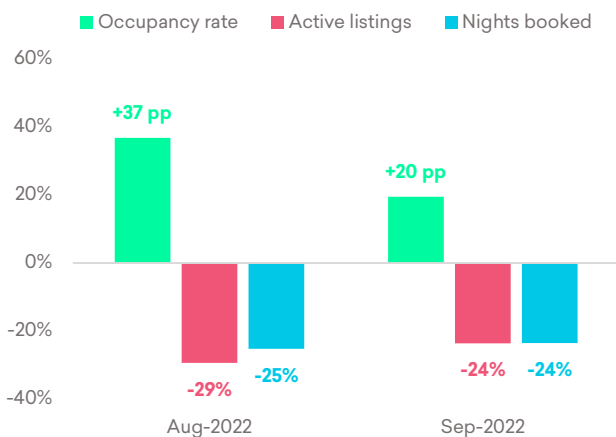
Flat-sharing market

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

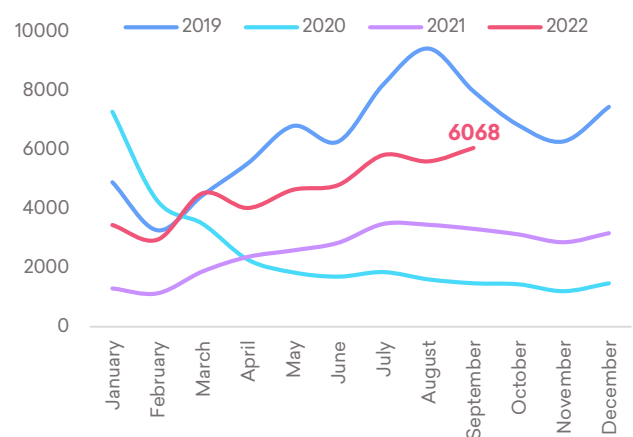
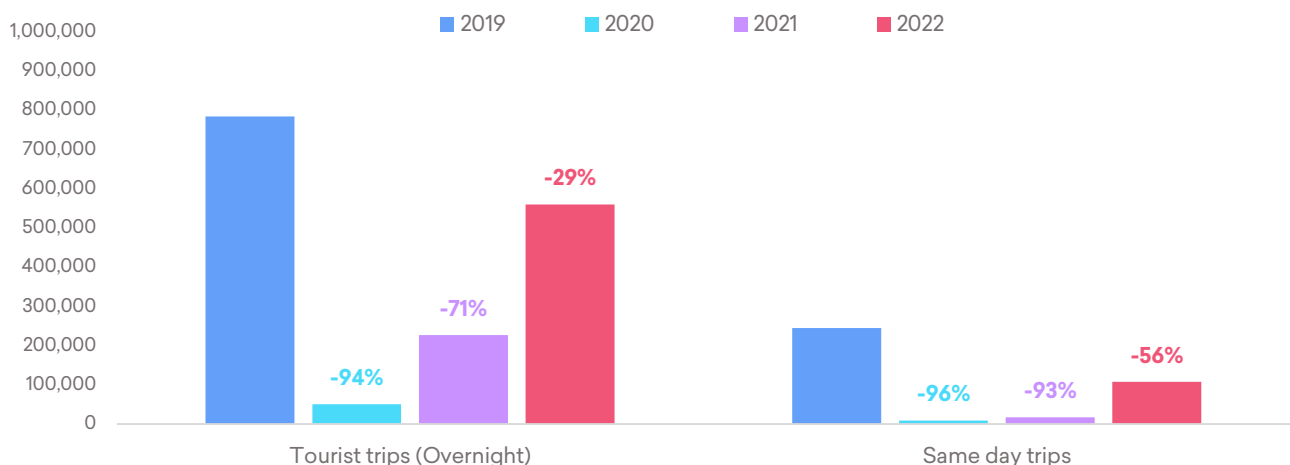


Figure 13. International visitor trips to Georgia and change relative to 2019, September

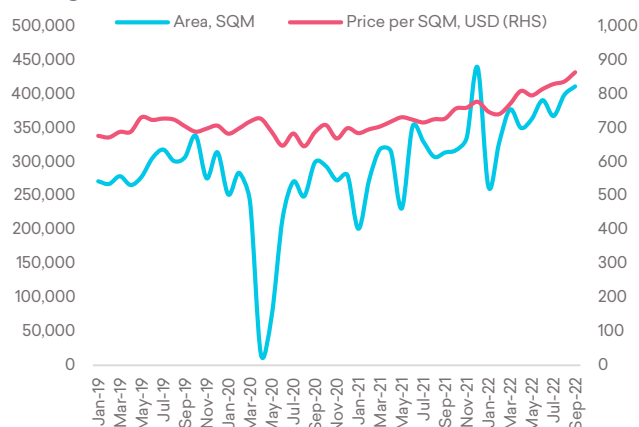


Source: Airdna, MFA Georgia, TBC Capital

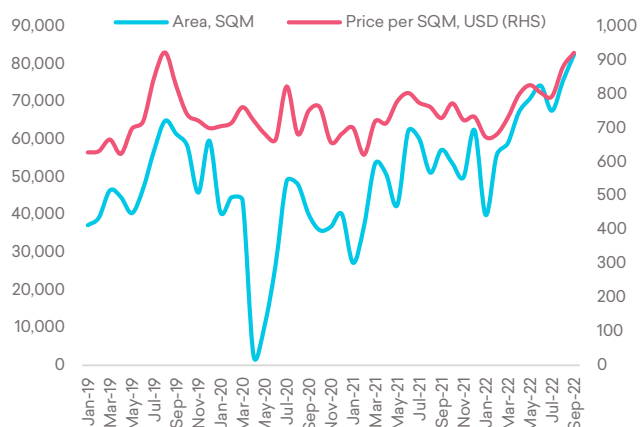
Annex: Rest of Georgia

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

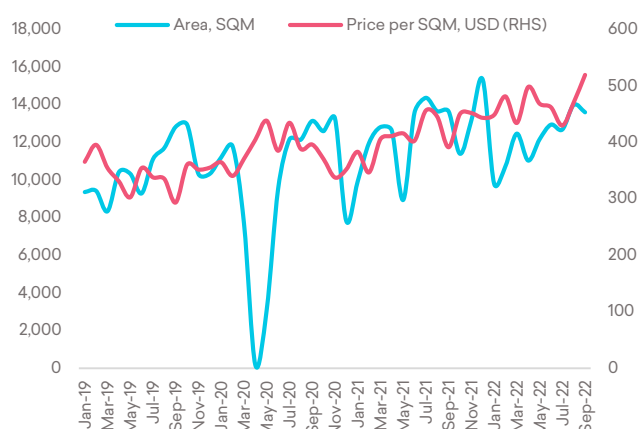
Georgia



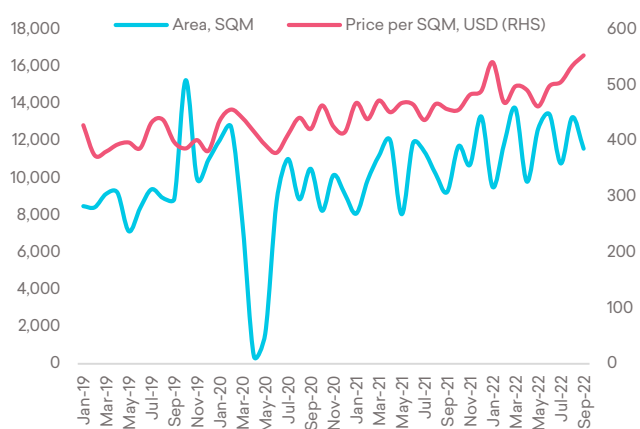
Batumi



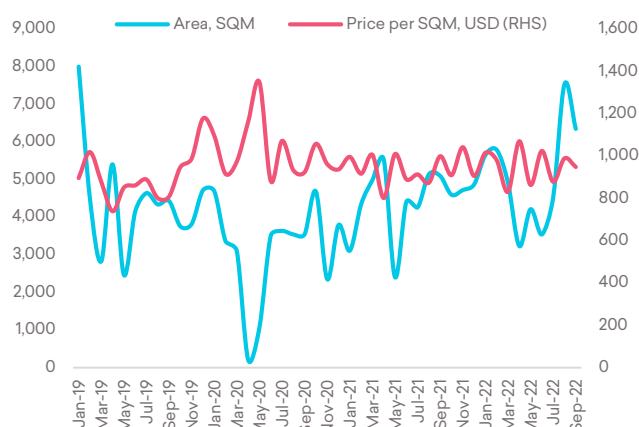
Kutaisi



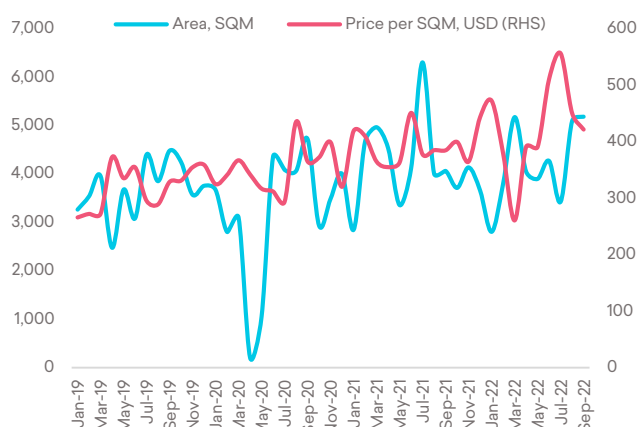
Rustavi



Borjomi



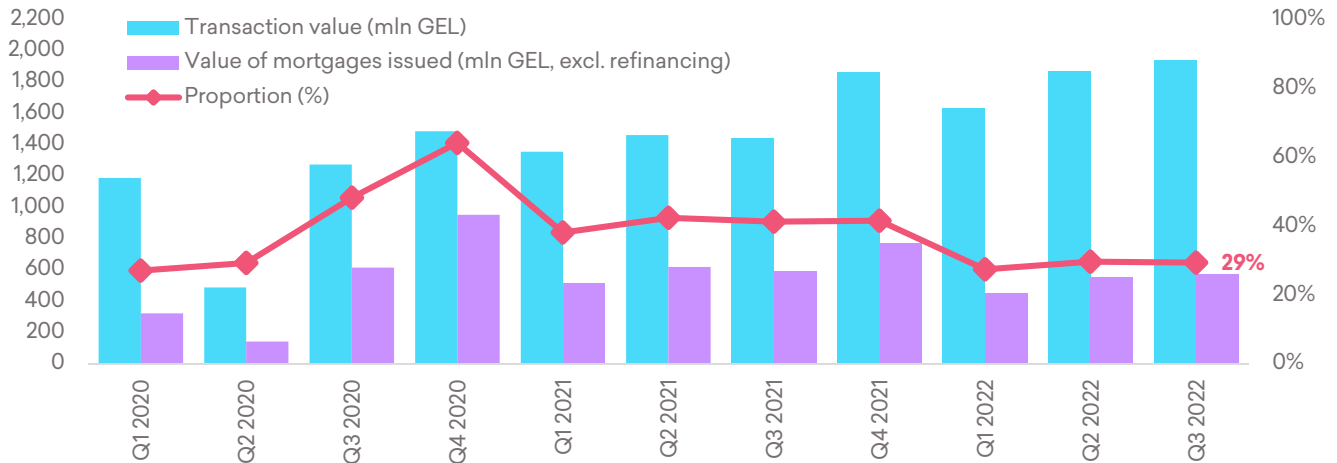
Gori



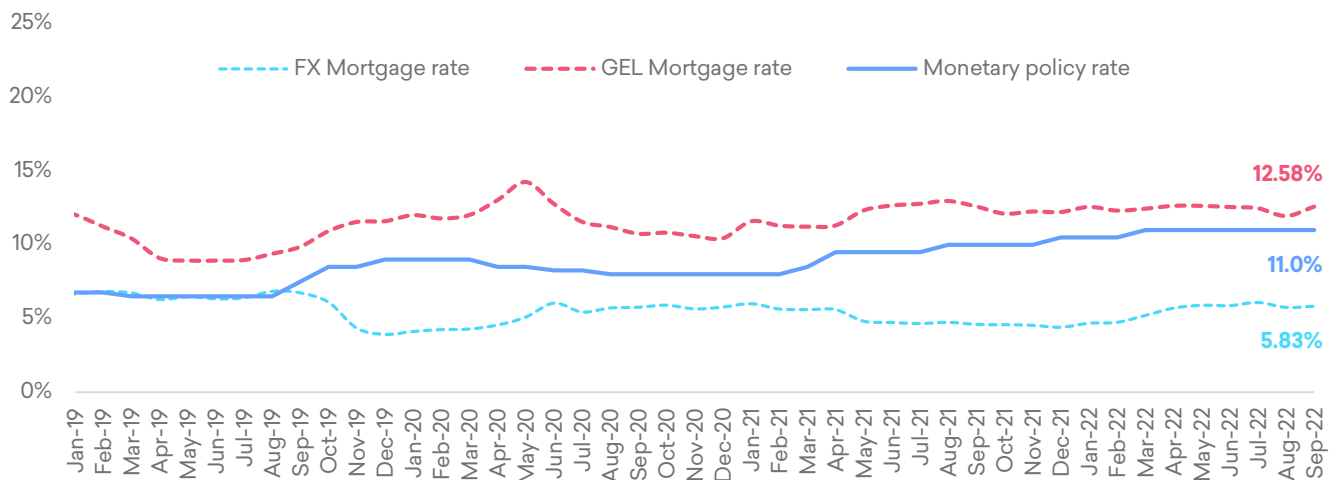
Source: NAPR, TBC Capital

Annex: Mortgages

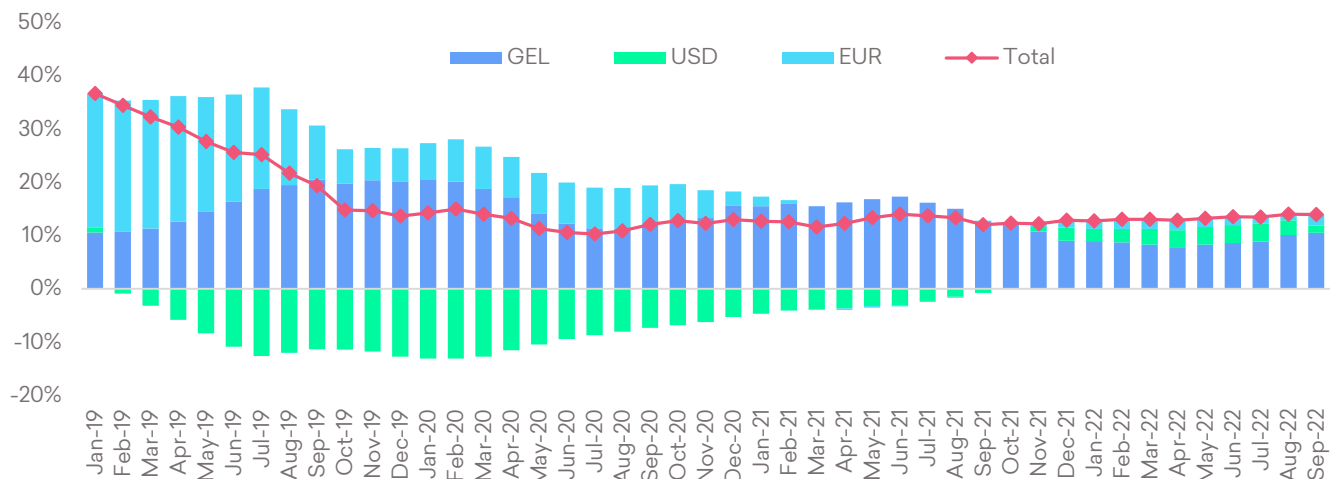
A2. Value of issued mortgages to transaction value, Tbilisi



A3. Mortgage rate dynamics in Georgia



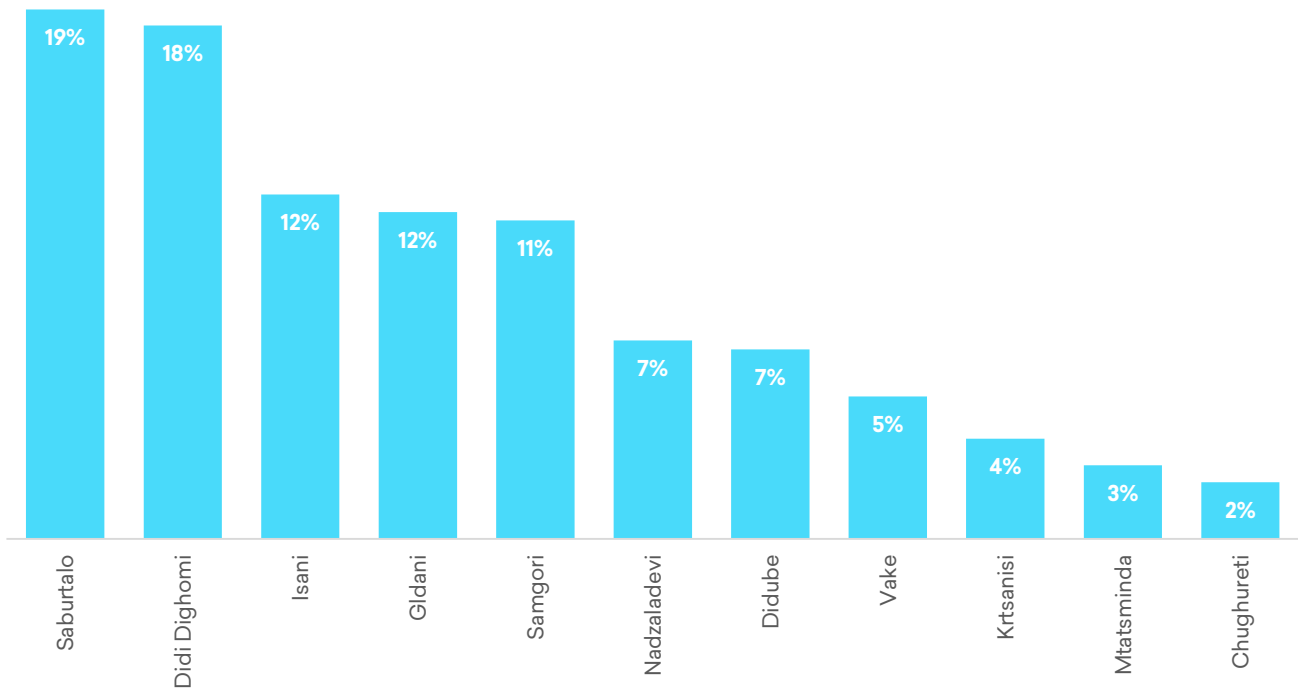
A4. YoY growth of mortgage portfolio and contribution to growth by currencies



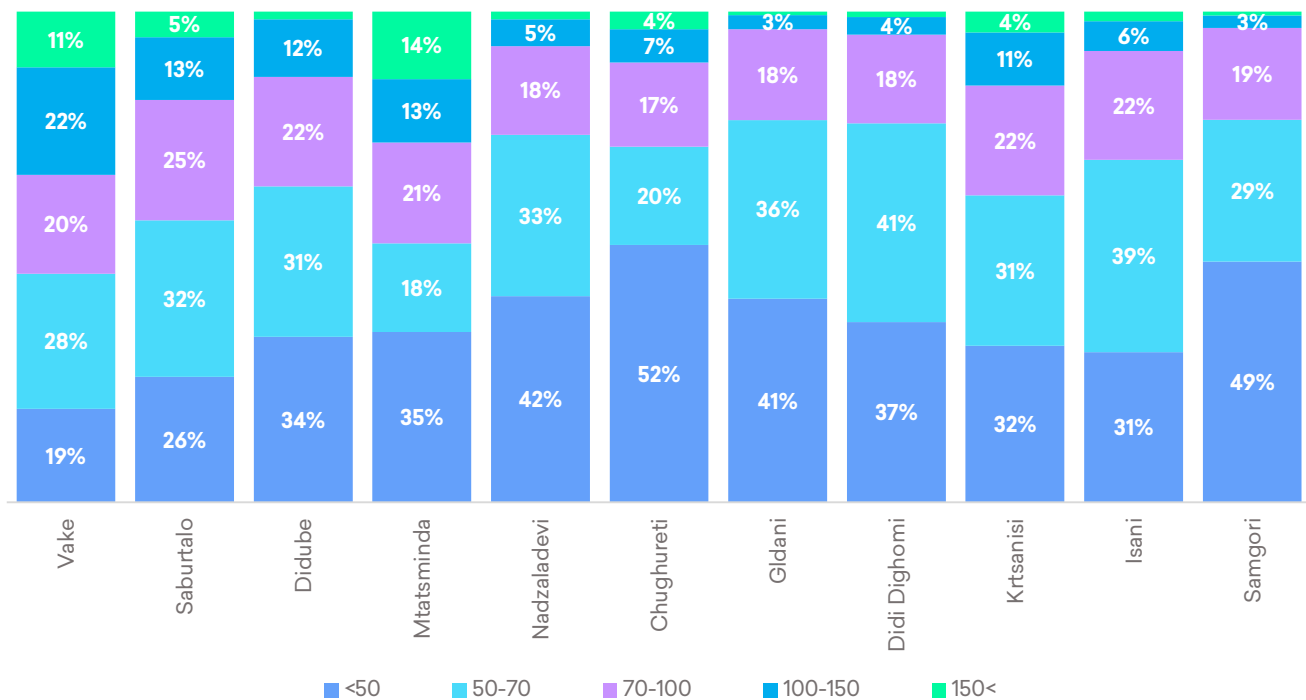
Source: NAPR, NBG, TBC Capital

Annex: Districts

A5. Total transaction distribution by districts – September 2022



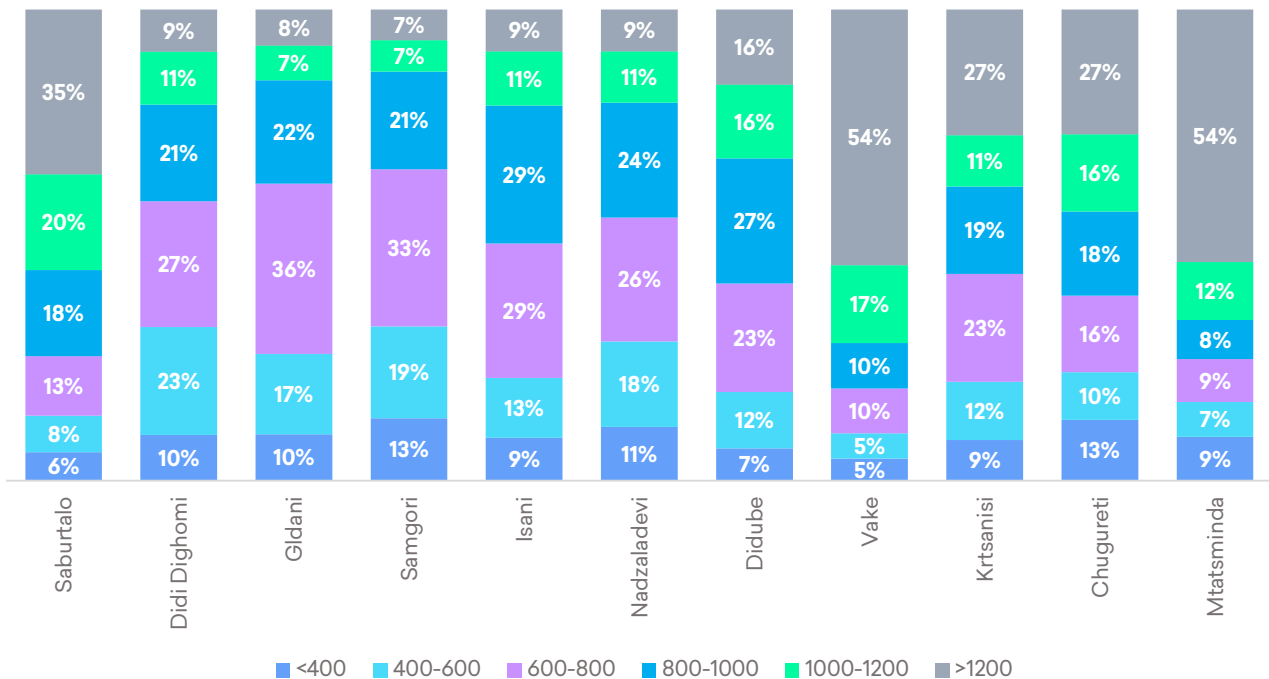
A6. Shares by sizes (Area, SQM), districts, 2022 YTD



Source: NAPR, TBC Capital

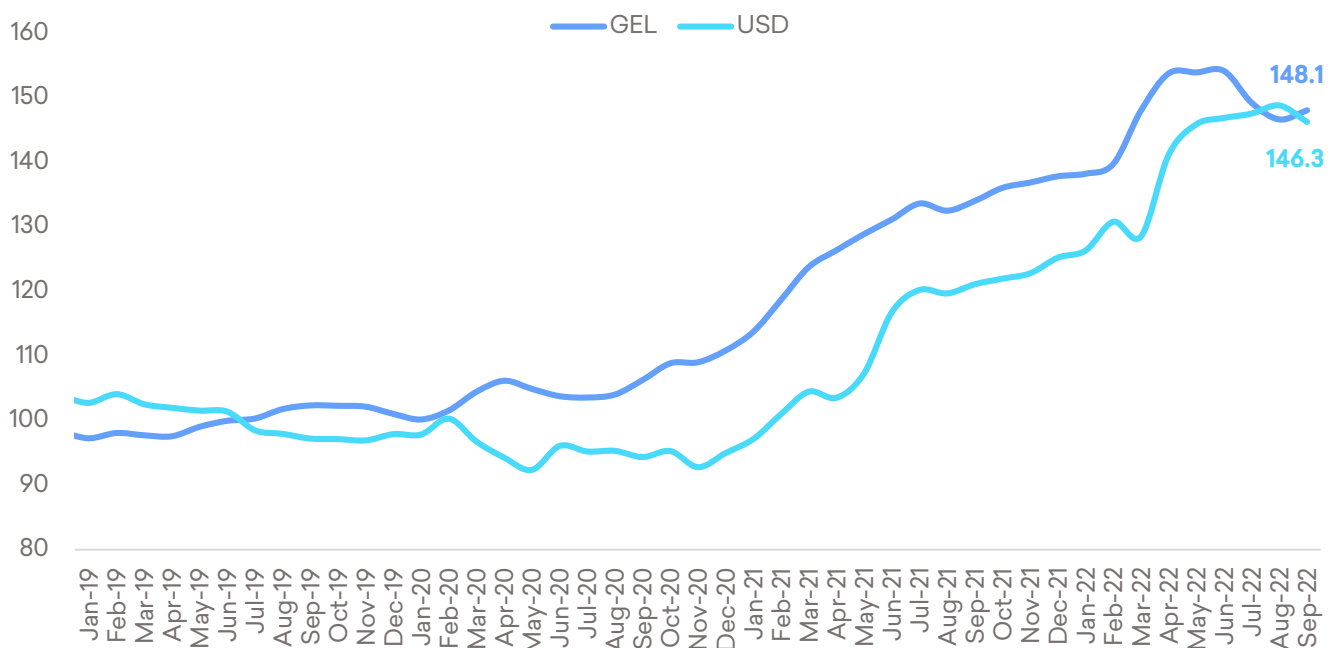
Annex: Districts

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



Annex: Construction materials

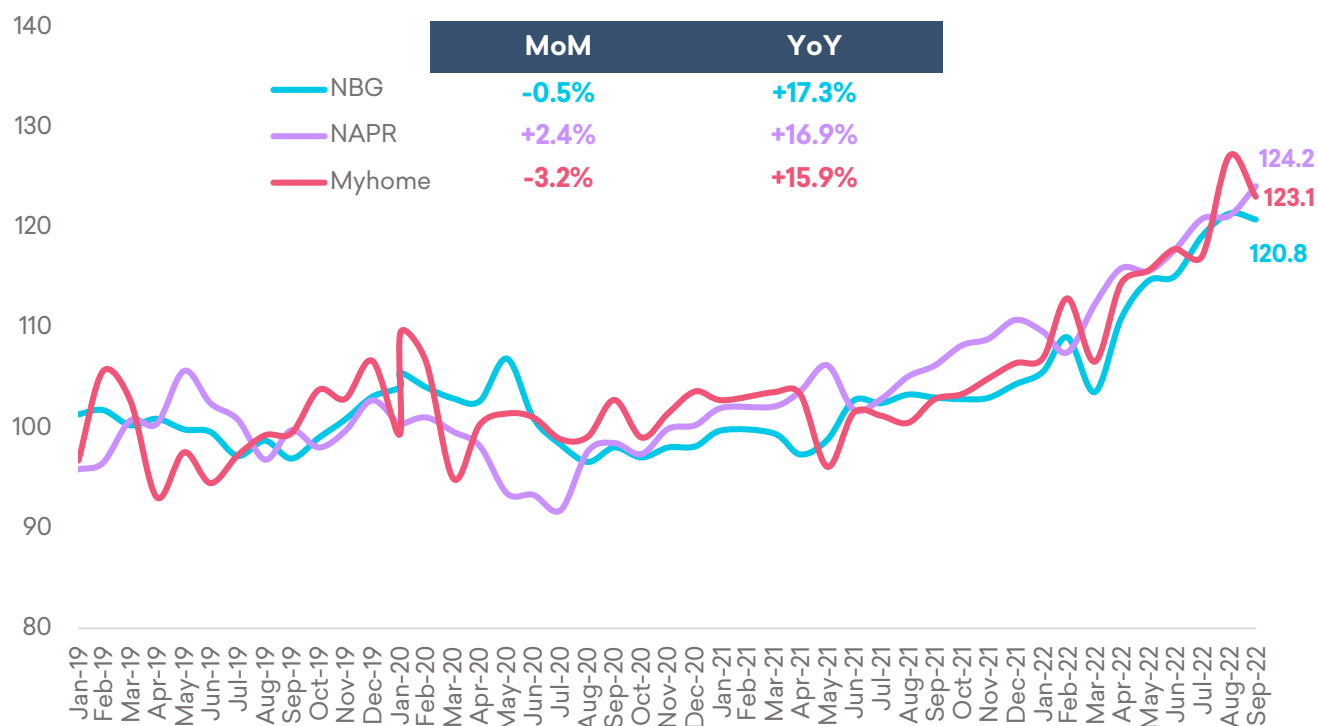
A8. Prices of material inputs to construction industries, Indices (2019 average = 100)



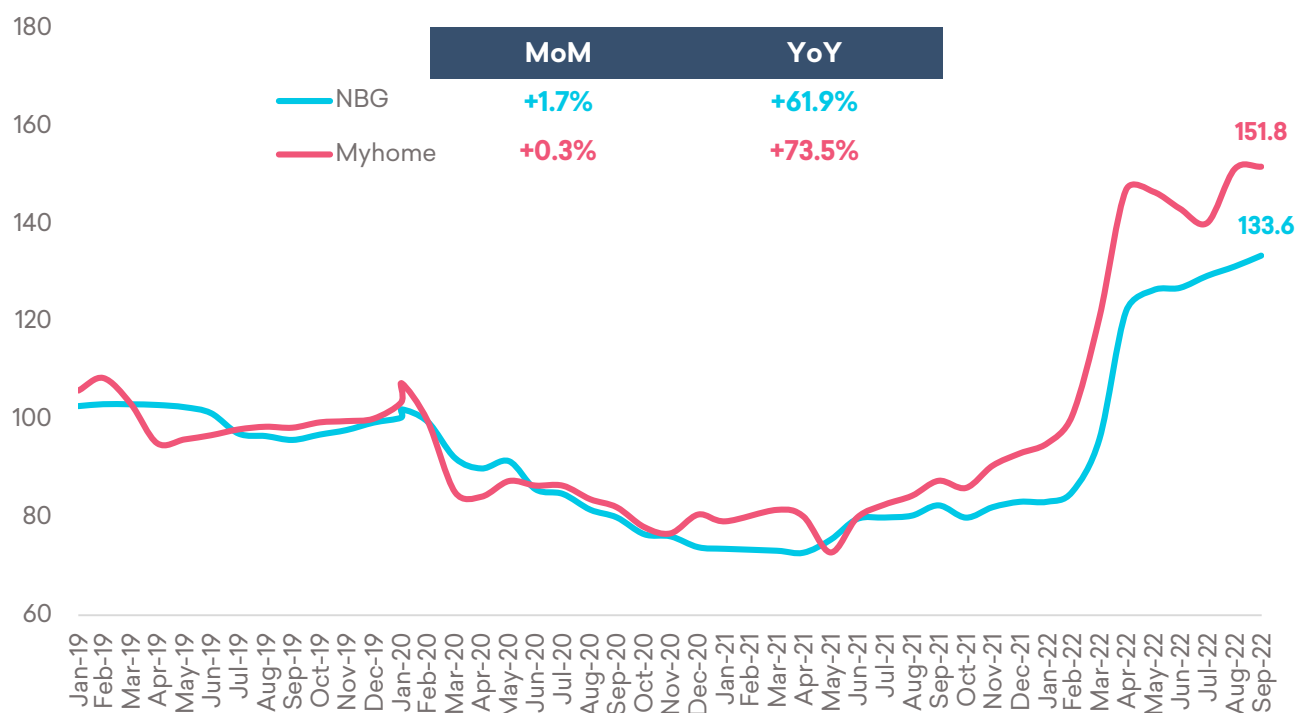
Source: NAPR, Myhome, Geostat, TBC Capital

Annex: Price indices

A9. Sale price indices (2019 average = 100)



A10. Rent price indices (2019 average = 100)



Source: NBG, NAPR, Myhome, TBC Capital

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