

A photograph of modern residential buildings in Tbilisi, Georgia. The buildings are multi-story with balconies and large windows. The foreground shows a green lawn with some trees and a path. The sky is clear and blue.

TBILISI RESIDENTIAL REAL ESTATE: FOCUS ON 27 DISTRICTS

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Tbilisi RRE – General Overview

Residential real estate (RRE) market shows strong performance in 2022. All major indicators suggest that the demand on the market is high.

In October 2022, total area sold increased by 34% relative to October 2021. In the same period, average asking sale price surpassed the previous year level by 28%, while rent prices showed unprecedented growths standing at record highs (+120% YoY, October),

mainly attributable to accelerated migration. This growth of rent prices drove rental yield above the long-term average yield by a significant margin.

Consequently, high rental yield and an increased gap between rental yield and FX deposit rates increased the attractiveness of RRE, which, in turn, fueled the demand on housing (primarily from Georgian residents).

Figure 1. RRE major indicator performance (YoY growth), Tbilisi

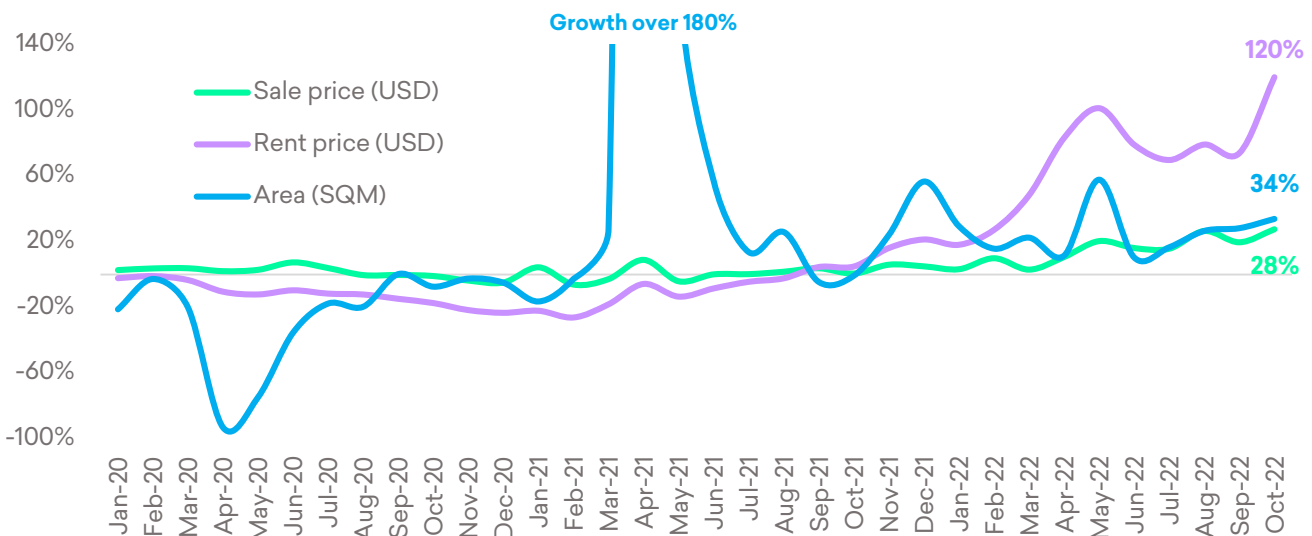
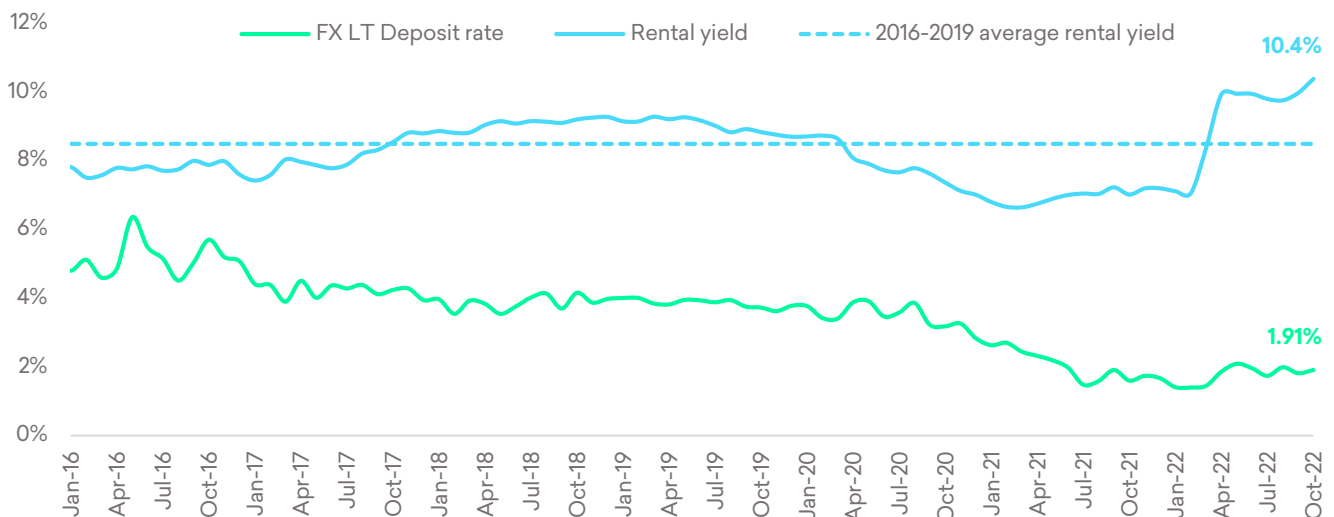


Figure 2. Rental yield (Tbilisi) and FX LT deposit rate



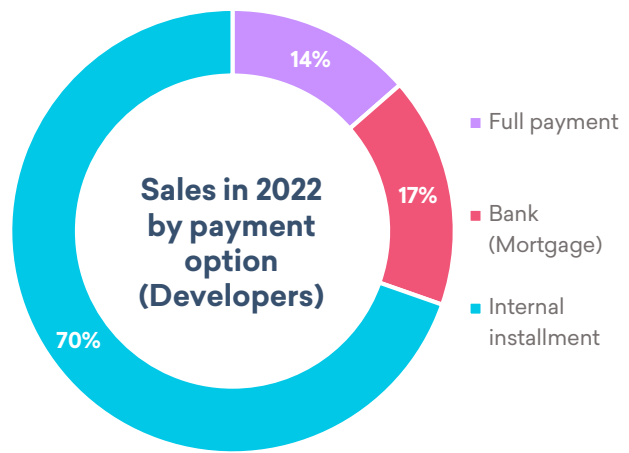
Source: NBG, Myhome, NAPR, TBC Capital
 Note: report presents data on 27 districts of Tbilisi, see Annex (A6)

Tbilisi RRE – General Overview

Regarding the “new vs old” comparison, “new”, by our definition, applies to the residential property with sale date within 3 years after the construction permit issuance.

The data shows that in the 10 months of 2022 the demand increased for both new and old properties. The growth was more noticeable in case of older apartments, exceeding the 2021 figure by 27%, while in the same period, new apartment sales increased by 10% YoY. Consequently in 10M 2022 the share of new properties in total sales amounted 19%, a 2 percentage point decline compared to the same period of 2022.

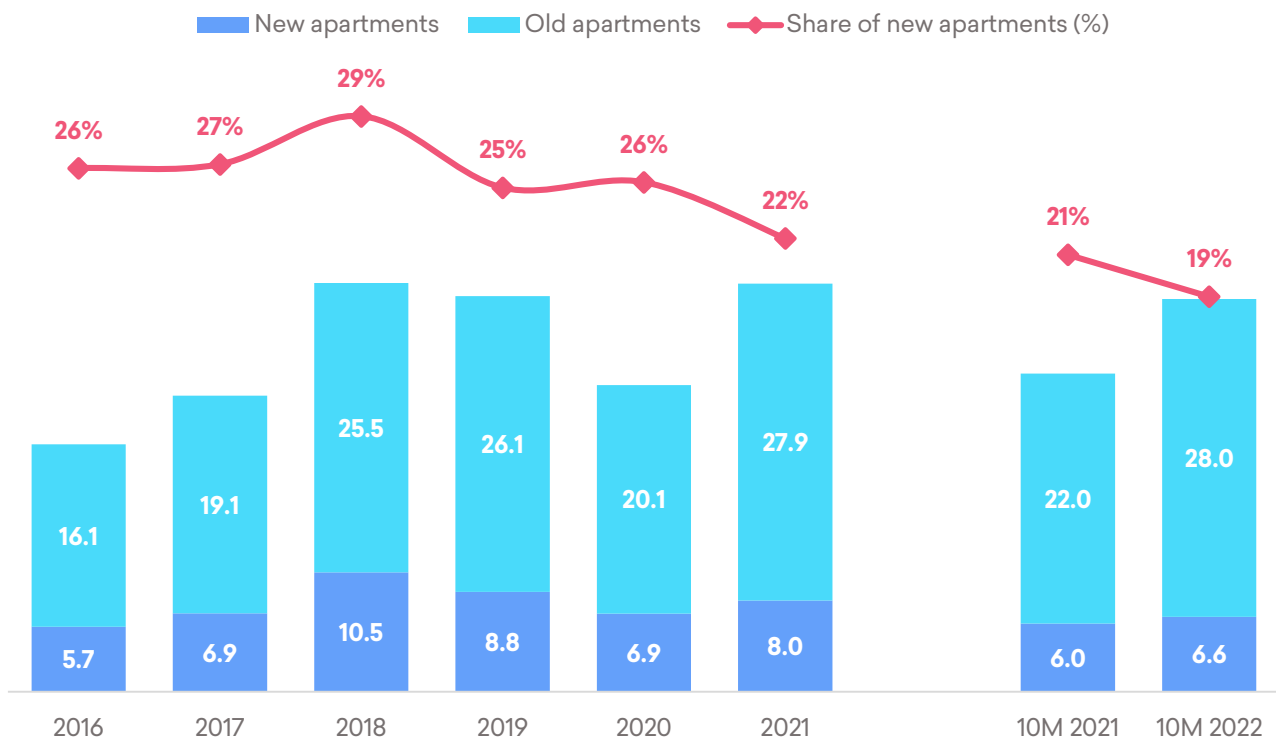
According to our survey of large real estate developers, it seems that in 2022



Note: TBC Capital survey of large real estate developers

the most preferred way of purchasing the property was internal installments with 70% share. Only 17% of buyers chose the bank option and naturally the least amount was recorded for full payment.

Figure 3. Tbilisi RRE market transactions ('000)



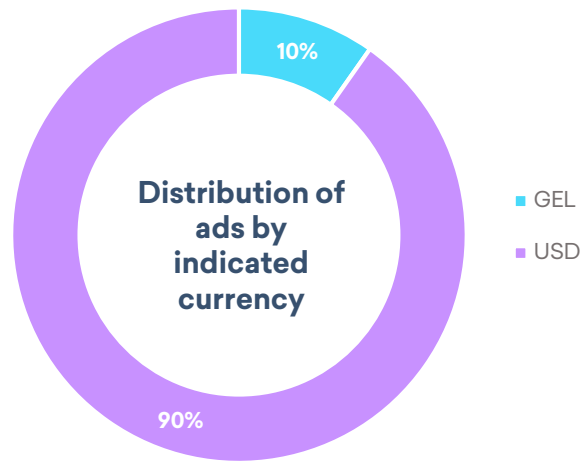
Source: NAPR, TBC Capital survey

Note: “New” means residential property with sale date within 3 years after the construction permit issuance

Tbilisi RRE – General Overview

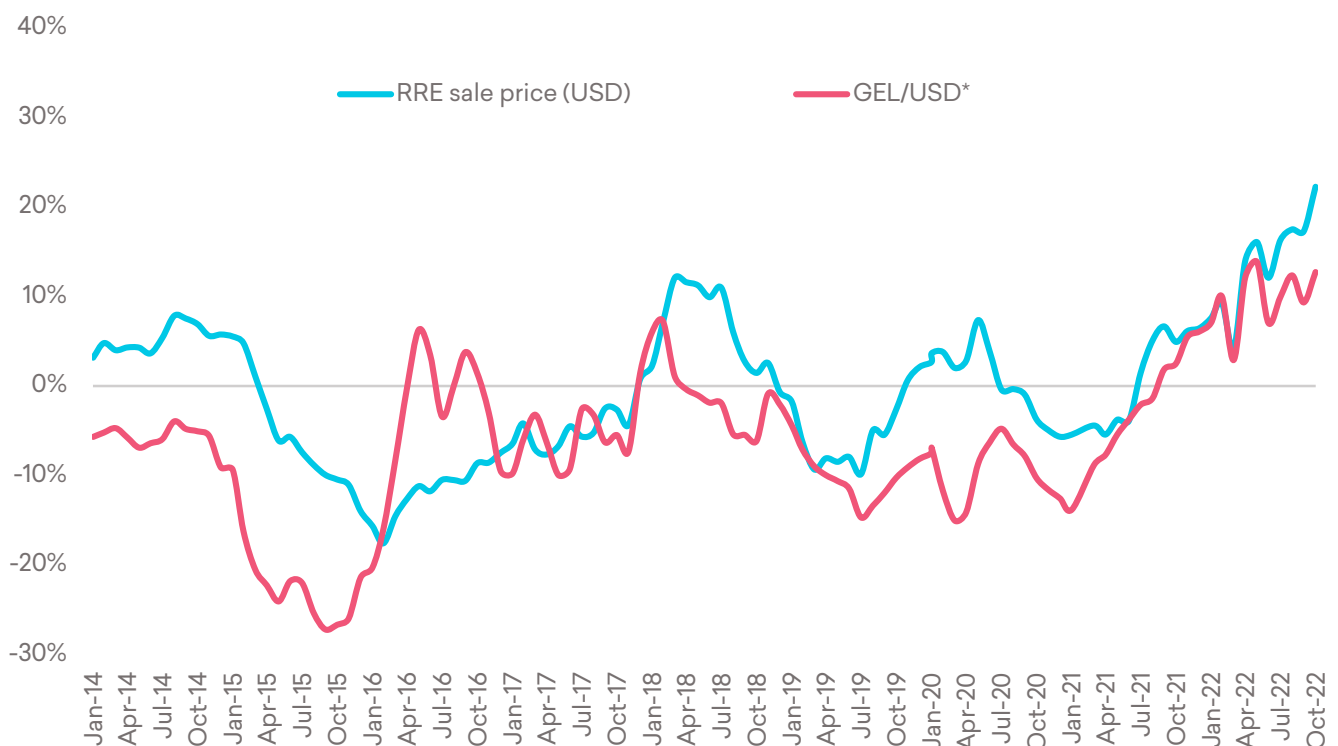
In Georgia RRE is highly dollarized. According to the Public Registry data USD was indicated as the currency for 69% of total number of RRE transactions in 2021. Naturally, the payments are done in GEL based on official exchange rate in the moment of payment. When it comes to listed properties, 90% of ads posted on Myhome in 2022 had USD indicated for pricing.

However, in developing countries with high dollarization of the economy, changes in local currency exchange rate is an important factor affecting the housing prices. According to our estimations, nearly 50% of changes in housing prices can be explained by fluctuations in the exchange rate. GEL/USD rates and RRE sale prices roughly follow the similar trail.



The recent appreciation of GEL against USD, which is driven by fundamental macroeconomic factors and is sustainable, pushed housing prices in USD up in 2022.

Figure 4. Tbilisi RRE sale price and GEL/USD exchange rate (YoY growth)



Source: NBG, Myhome, TBC Capital

Note: an increase in GEL/USD means nominal appreciation of GEL against USD

Tbilisi Districts Transactions, Units

Taking a deep dive into Tbilisi districts, in Jan-Oct 2022 period, in terms of the number of transactions, Didi Dighomi, Varketili and Saburtalo dominated the market. More than third of total transactions were concentrated in these districts.

Vashlijvari (+186%), Chughureti (+53%) and Bagebi (+53%) showed the strongest growths compared to the same period of 2021.

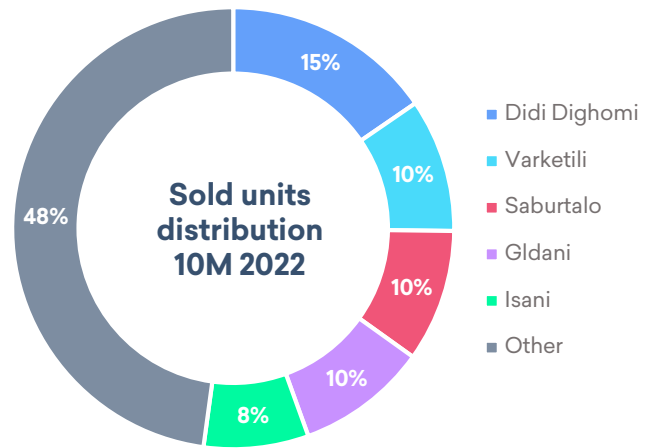
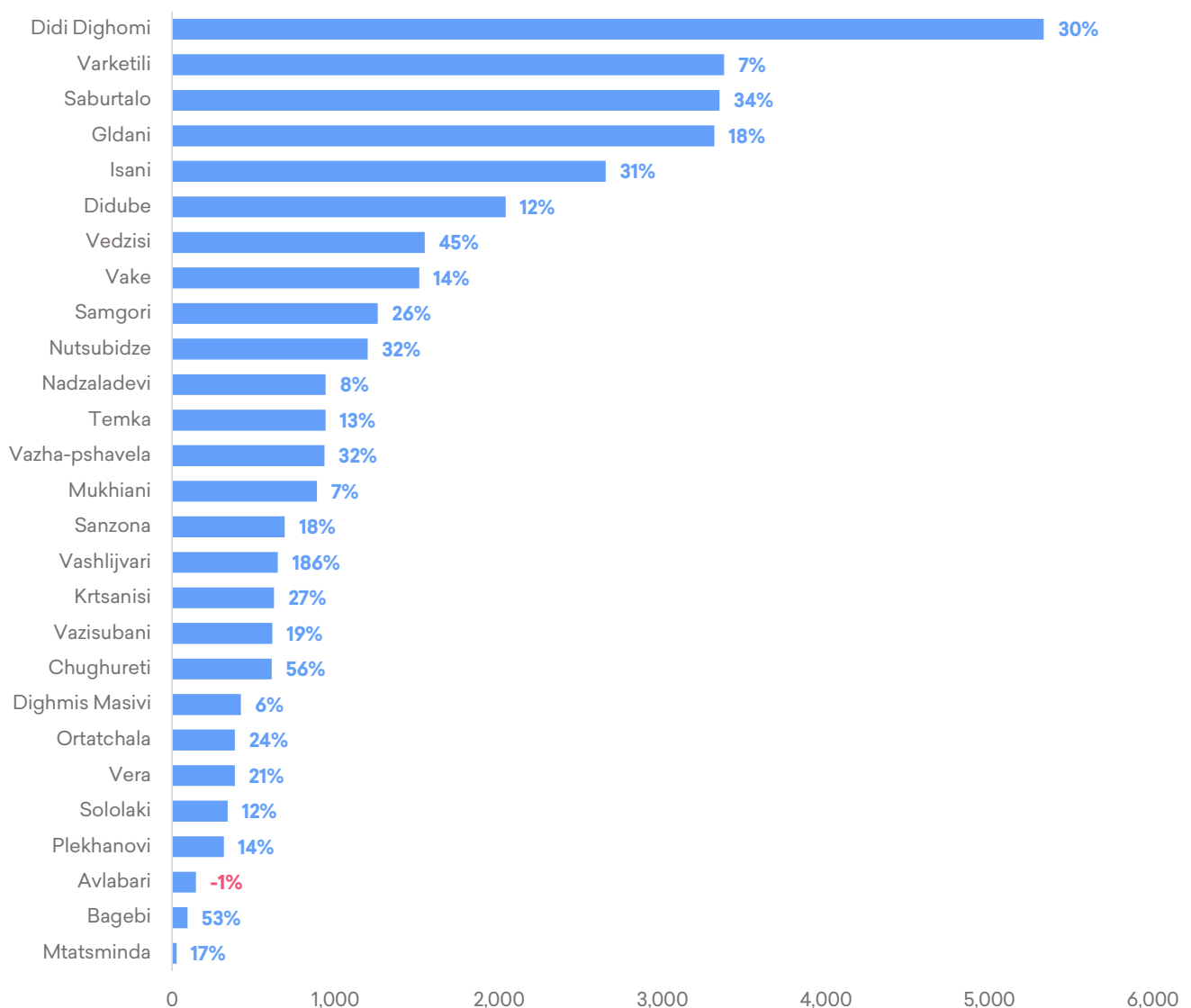


Figure 5. Number of transactions (Units) by districts and YoY growth (%), 10M 2022



Source: NAPR, TBC Capital

Tbilisi Districts Transactions, Area

The situation is similar when it comes to total area sold. Didi Dighomi, Saburtalo and Varketili remain at the top and the distribution is almost the same as well, with the main difference being Saburtalo's position (second in terms of area, third in terms of units).

In 10M 2022, the highest YoY growths of sold area were recorded in Vashlijvari (+165%), Mtatsminda (+81%) and Chughureti (+60%).

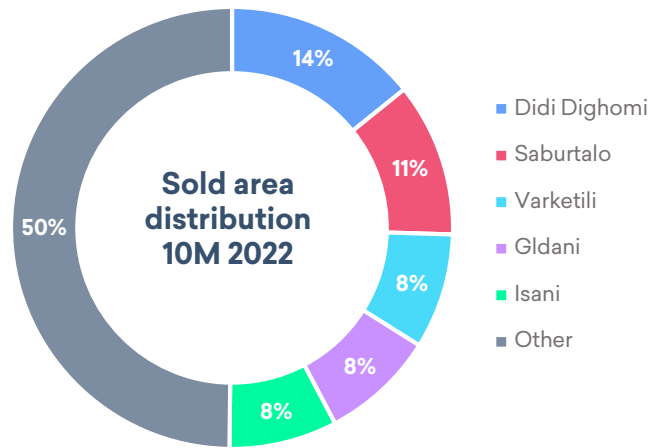
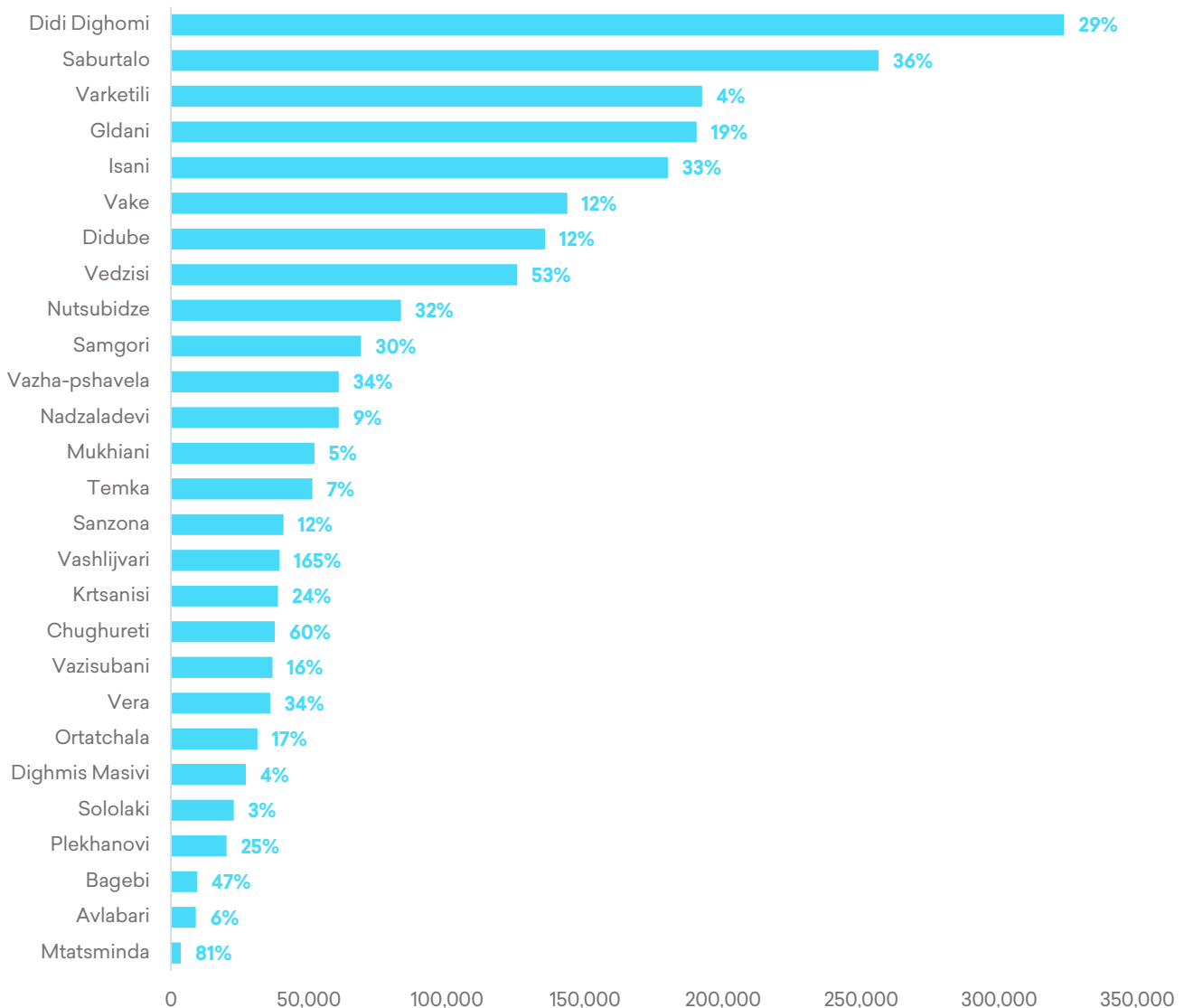


Figure 6. Area of sold properties (SQM) by districts and YoY growth (%), 10M 2022



Source: NAPR, TBC Capital

Tbilisi Districts

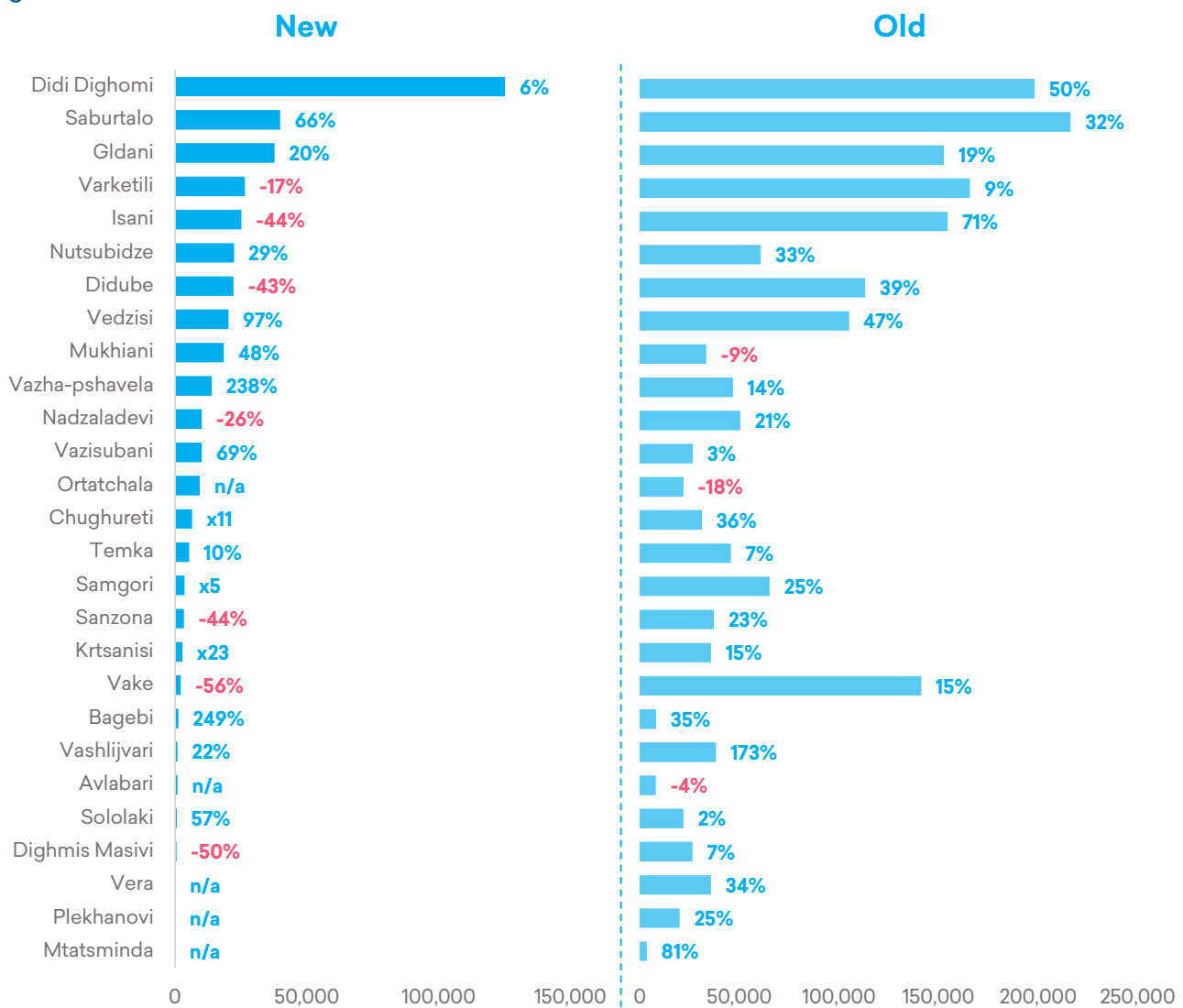
Transactions, New vs Old

Comparing new and old apartments on a district level, it is apparent that in 2022, Didi Dighomi was an undeniable leader in new apartment sales. Saburtalo and Gldani also had decent results but “new vs old ratio” was noticeably different.

The data suggests that even though there was a significant improvement in new apartment sales for the majority of districts, the demand has increased a bit more for older properties.

The sales are dominated mostly by older apartments basically in all districts, which is especially noticeable in case of Vake, where the number of sales for new and old apartments is drastically different. Saburtalo, Varketili and Isani also have a significantly higher share of older property sales compared to new ones, while in Didi Dighomi, Mukhiani and Ortachala the distribution of new vs old apartment sales is more equal.

Figures 7 & 8. Area of sold properties (SQM) by districts (New vs Old apartments) and YoY growth (%), 10M 2022



Source: NAPR, TBC Capital

Note: “New” means residential property with sale date within 3 years after the construction permit issuance

Tbilisi Districts

Future Supply

In Tbilisi, during the first nine months of 2022, total area of permits issued for construction of RRE increased by 15% relative to the same period of 2021, whereas the number of permits posted a 34% growth YoY.

Didi Dighomi took the lead in terms of future supply too, with the highest residential area and number of permits. Additionally, area granted for construction was high in Gldani, Ortatchala, Saburtalo and Isani as well

and therefore we could expect a fairly high activity on the market for these districts in the near future. Interestingly, no new permits have been issued in Mtatsminda, Bagebi and Temka.

As of now, no risks of oversupply are observed on the market yet, however the situation should be monitored closely, since current positive trends in sales and rent prices might create overoptimistic expectations among real estate developers.

Figure 9. Area ('000) of permits issued for construction of RRE and YoY growth (%), 9M 2022



Source: Tbilisi City hall, TBC Capital

Note I: since there is a high difference in scales, two graphs are shown in order to represent data appropriately

Note II: "n/a" for growth means there was no new permit issued in the same period of 2021

Tbilisi Districts

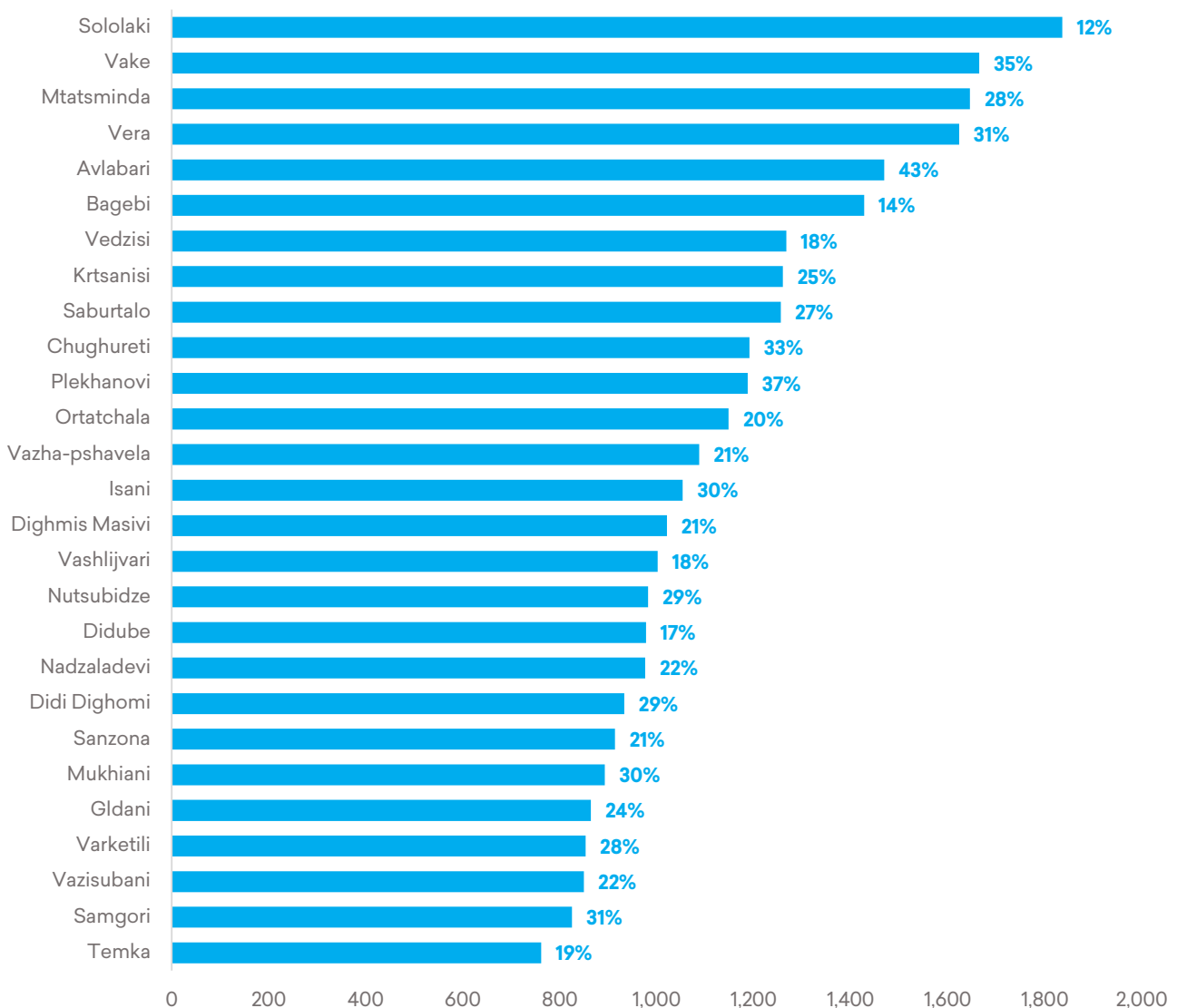
Sale Prices

In October 2022, the average asking sale price exceeded the 2021 level in all districts, fueled by an increased demand on housing due to elevated rental yield levels and GEL appreciation against USD.

The average prices in districts range from about 750 to 1,800 USD per SQM. Sololaki, Vake, Vera and Mtatsminda recorded the highest prices in October, while Vazisubani, Samgori and Temka were at the bottom of the list.

In terms of YoY growth, the figures were roughly similar for all districts with no noticeable difference between city center and suburbs. The highest increase in prices relative to the same period of 2021 were observed for Avlabari (+43%), Plekhanovi (+37%) and Vake (+35%).

Figure 10. Average asking sale price per SQM (USD) by districts and YoY growth (%), October 2022



Source: Myhome, TBC Capital

Tbilisi Districts

Rent Prices

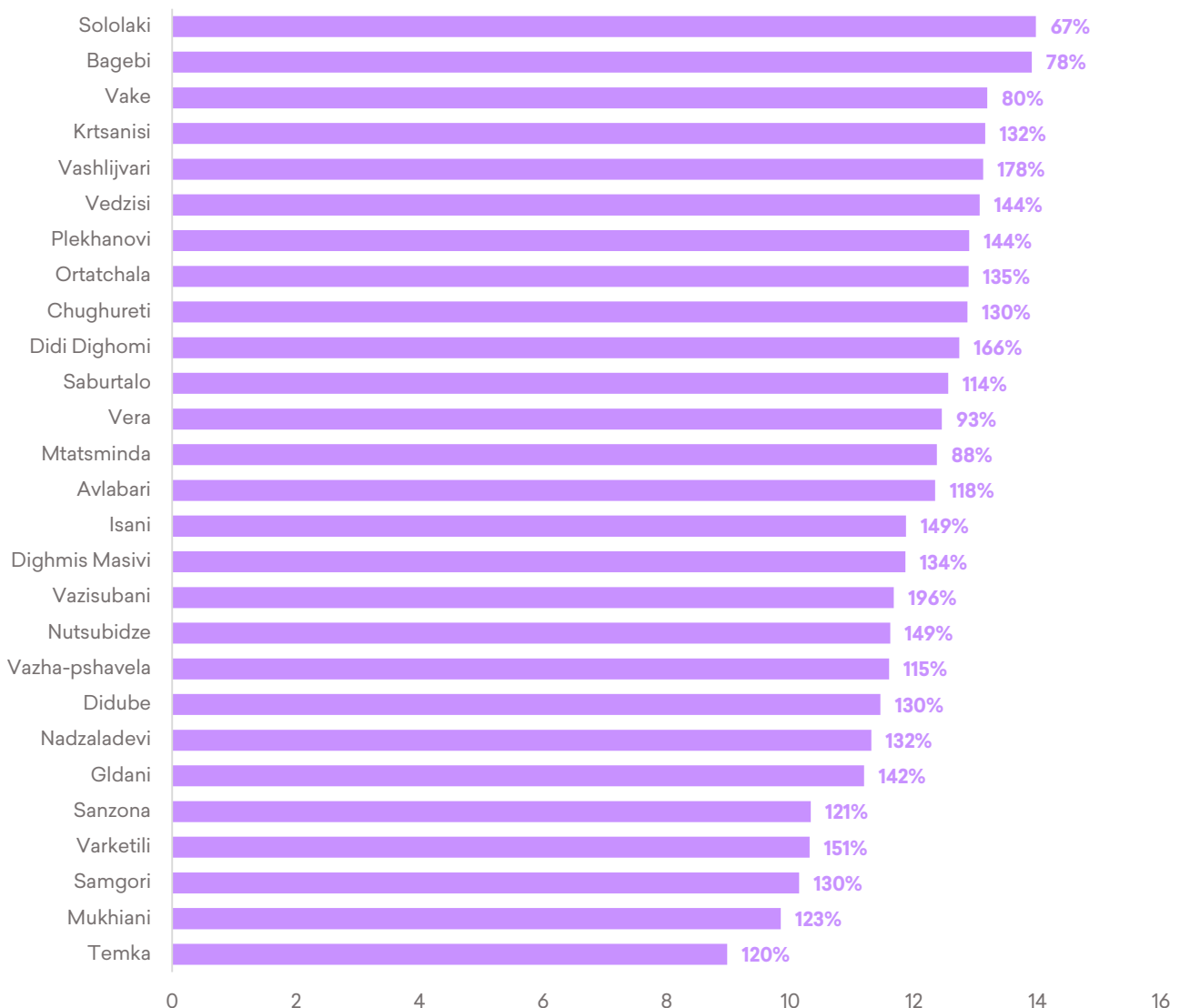
Average asking rent prices are at their historical highs. The effects of the second wave of migration have already been reflected in October's data.

Rent prices range from around 9 to 14 USD per SQM. Sololaki, Bagebi and Vake stood at the top of the list in October, all three of them exceeding 13 USD per SQM. Mukhiani and Temka recorded the lowest rent prices (below 10 USD).

Rents more than doubled compared to previous year in the majority of districts, with bigger changes observed in peripheries.

In Vazisubani (+196%) rent prices tripled. Didi Dighomi (+166%) and Vashlijvari (+144%) also posted significant growths relative to October 2021. In Sololaki, Bagebi and Vake the growth was still impressive, but lower than 80% YoY.

Figure 11. Average asking rent price per SQM (USD) by districts and YoY growth (%), October 2022



Source: Myhome, TBC Capital

Tbilisi Districts

Rental Yield

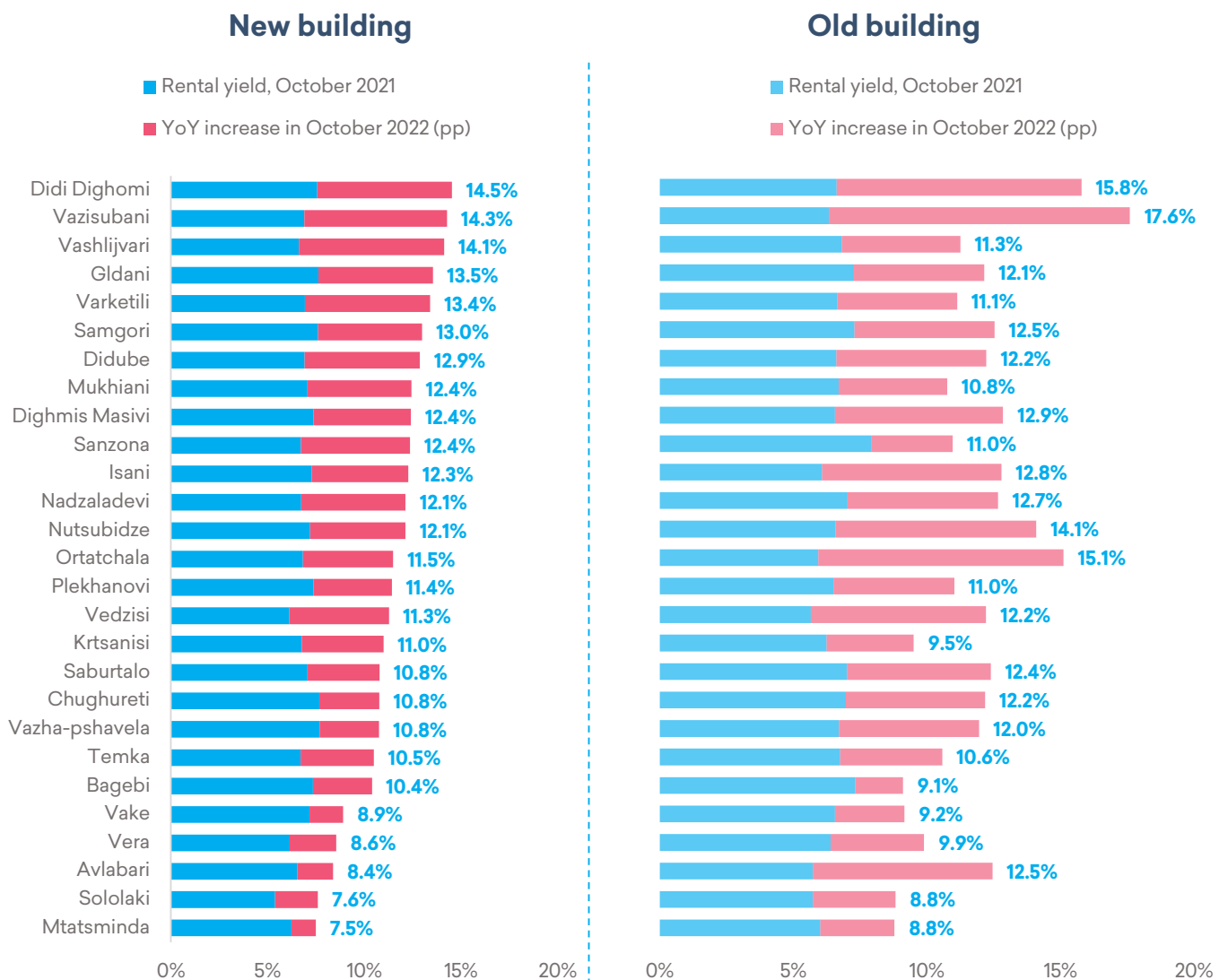
Amid the recent migration waves rental yield was pushed up considerably to its record high levels, since rent prices showed higher growth than sale prices.

It is interesting that in the majority of districts rental yield significantly exceeded deposit rates both in domestic and foreign currencies. In addition, rental yields are notably higher in peripheries than in central districts. High yields indicate high demand on the rental

market and make RRE an attractive investment asset, especially in peripheries.

Comparing the rental yield for newly renovated apartments in new and old buildings (new and old as indicated on Myhome listings), the situation varies throughout the districts. The closer these two figures are the closer the differential between rent and sale prices for new and old buildings.

Figures 12 & 13. Rental yield for newly renovated apartments (in new and old buildings)



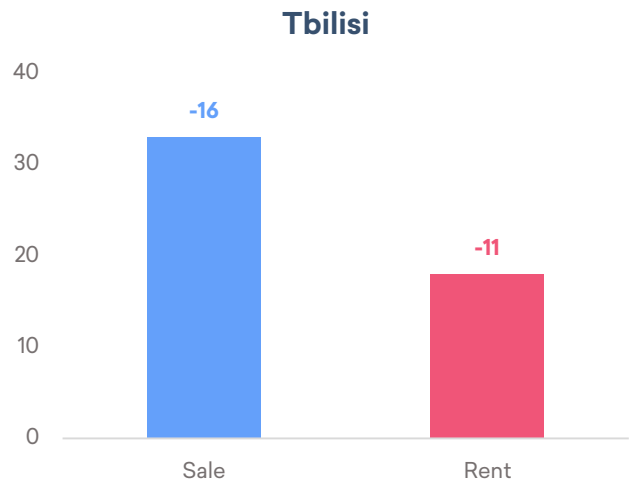
Source: Myhome, TBC Capital

Note: "New" and "Old" as indicated on Myhome ads

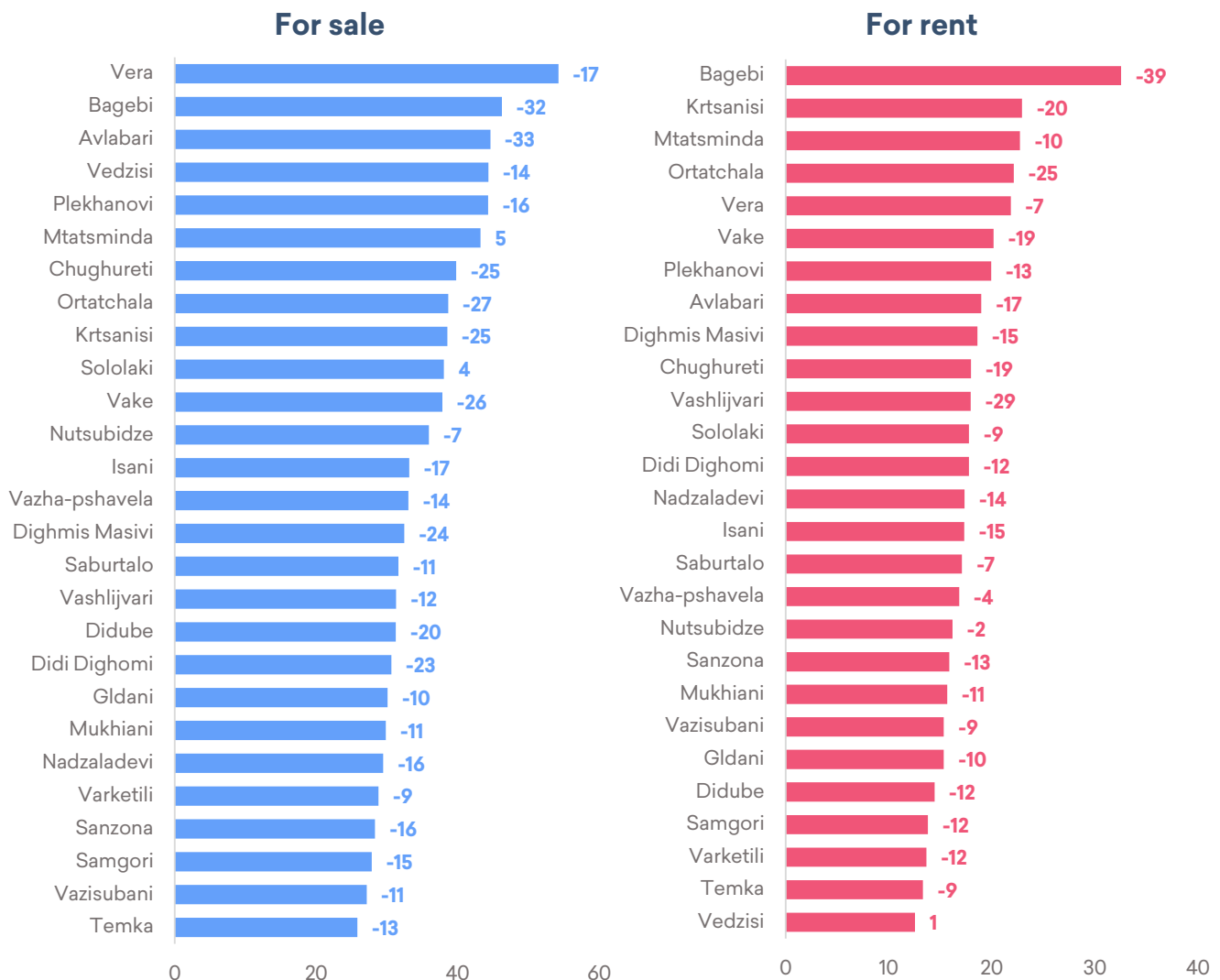
Tbilisi Districts Listed Properties

The average duration of ads has improved significantly for almost all districts, reflecting stronger demand on the market and increased liquidity. In Tbilisi, on average, it takes just a bit over a month to sell the property (33 days) and roughly around 18 days to rent it. At the same time, districts with lower prices have higher conversion rates.

It should be noted that data presented is only for listings posted by owners. Additionally, automatically deleted ads (in 30 days) are not included.



Figures 14 & 15. Average duration of an ad and YoY difference (Days), 10M 2022



Source: Myhome, TBC Capital
Note: realtor and developer ads are omitted

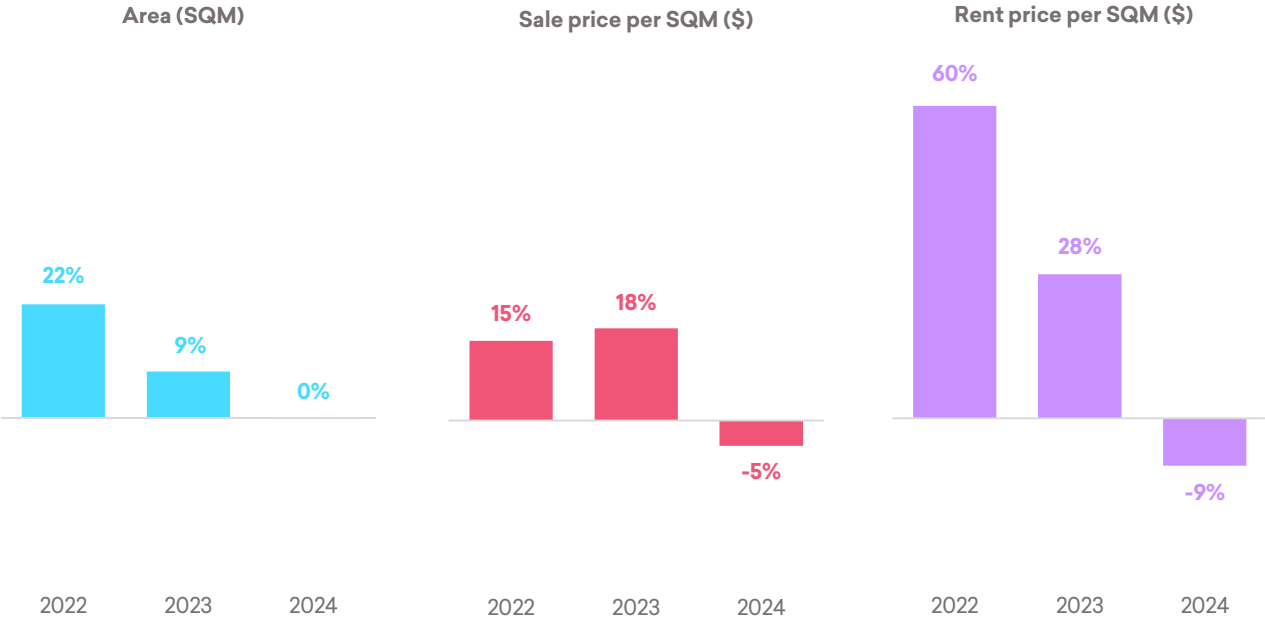
Projections

The recent upward trends on the market stem mainly from migration, which highly affected the rental market and pushed rent-to-price ratio up, which then stimulated demand on housing from residents (the share of RRE purchases by migrants in total market transactions in Tbilisi was lower than 5% in 9M 2022). At the same time, RRE sale prices were

affected by GEL appreciation against USD and increased construction costs.

Starting from the second half of 2022 we expect some correction on rental market as yield will start to gradually decrease to its long-term average. At the same time, sale prices will stabilize with a slight YoY decline in 2024.

Figure 16. RRE major indicator projections (YoY growth), Tbilisi

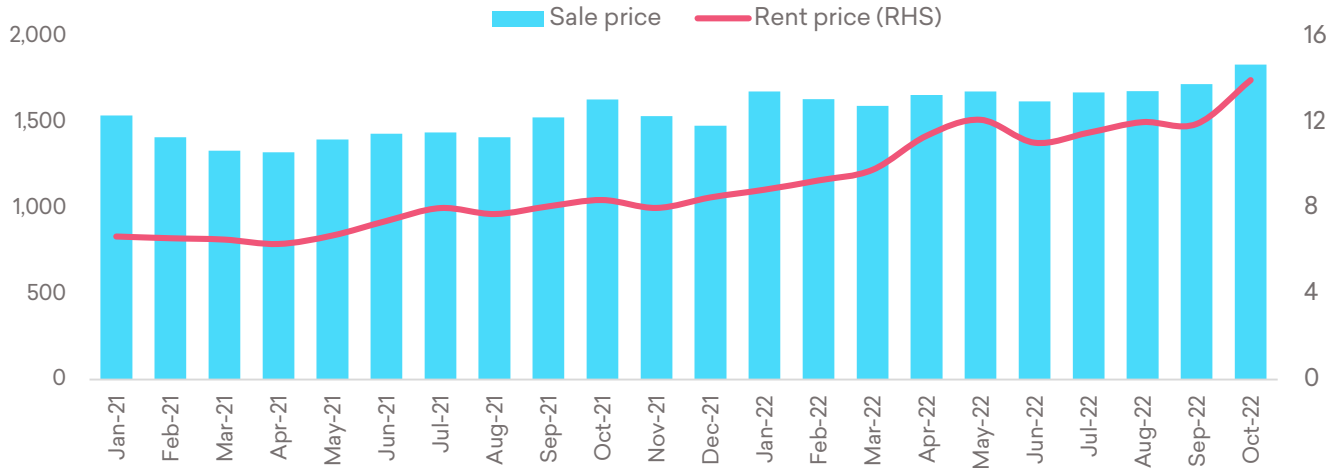


Source: TBC Capital

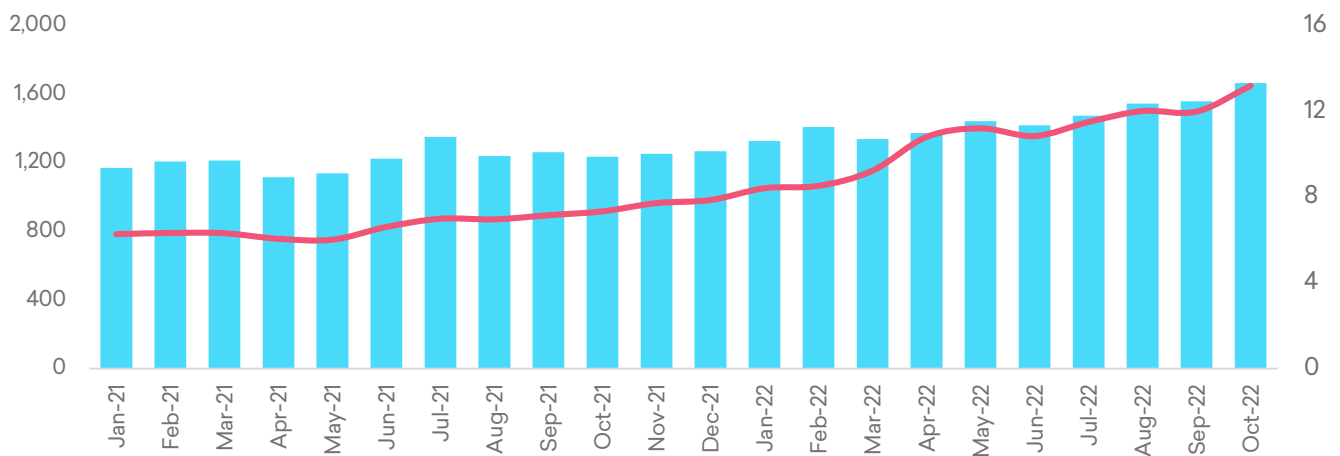
Annex

A1. Average asking sale and rent prices (USD per SQM)

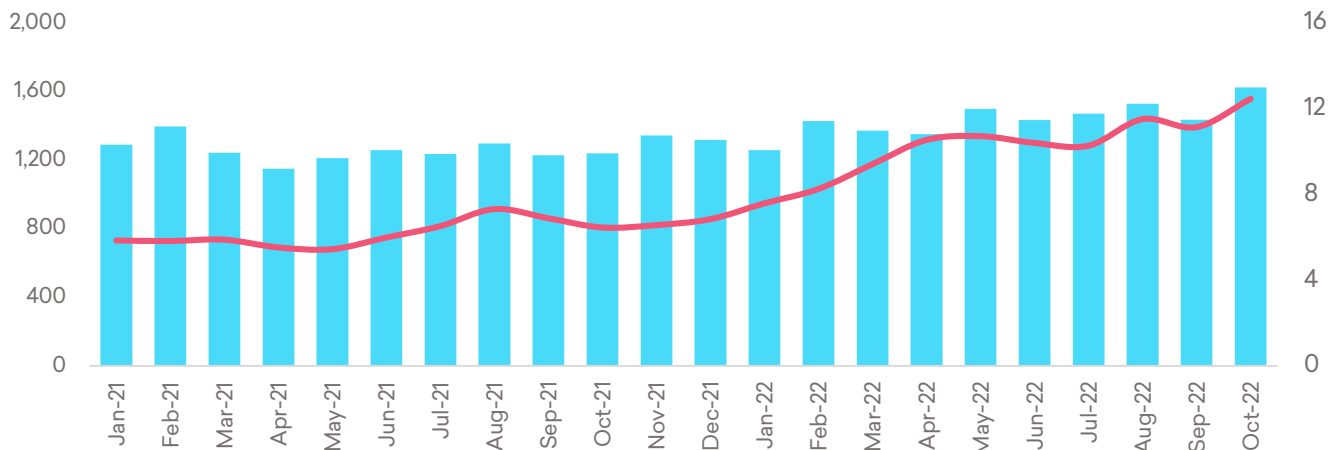
Sololaki



Vake



Vera

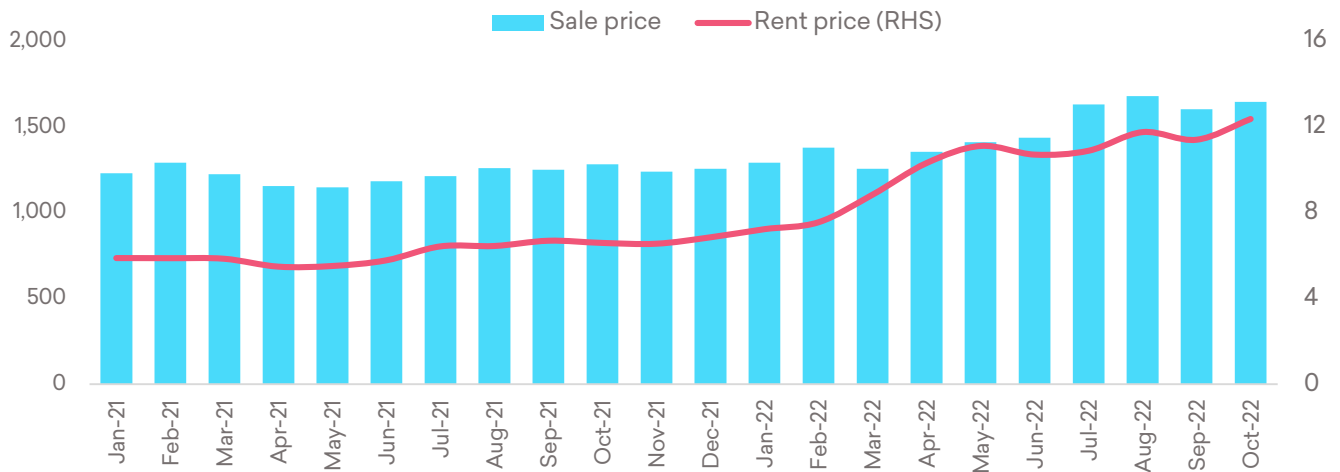


Source: Myhome, TBC Capital

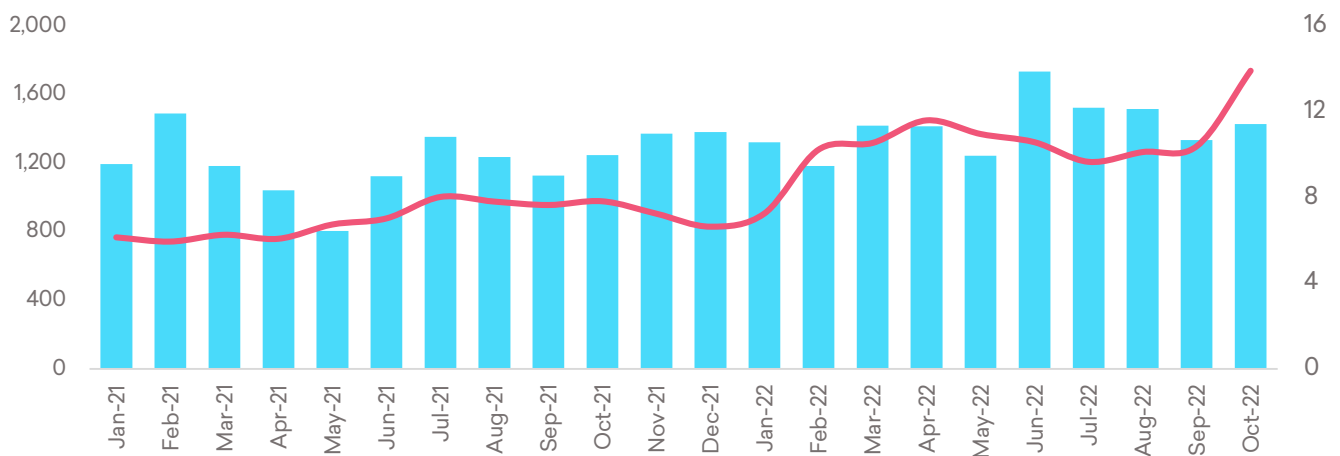
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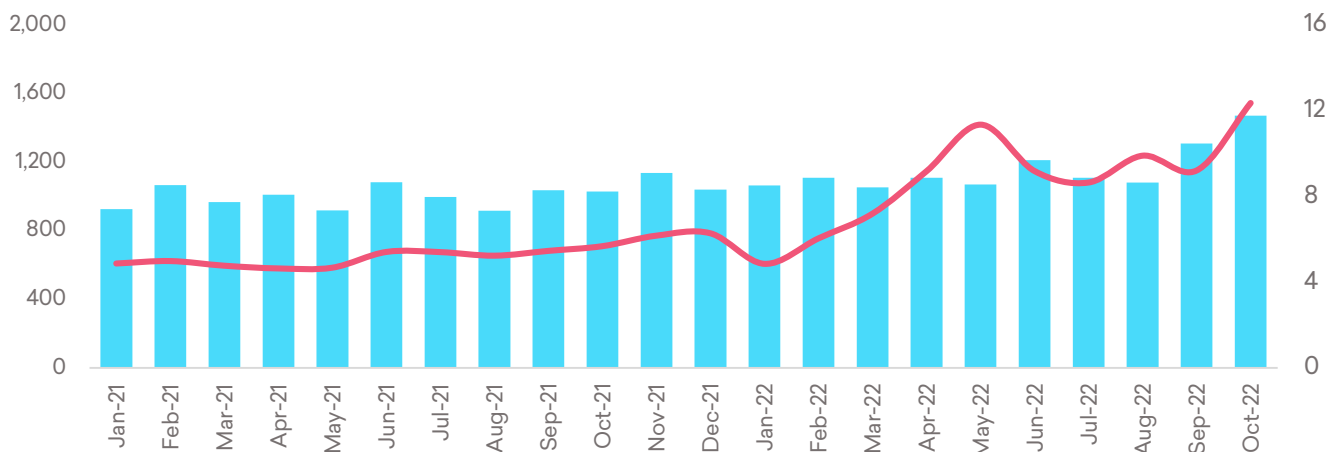
Mtatsminda



Bagebi



Avlabari

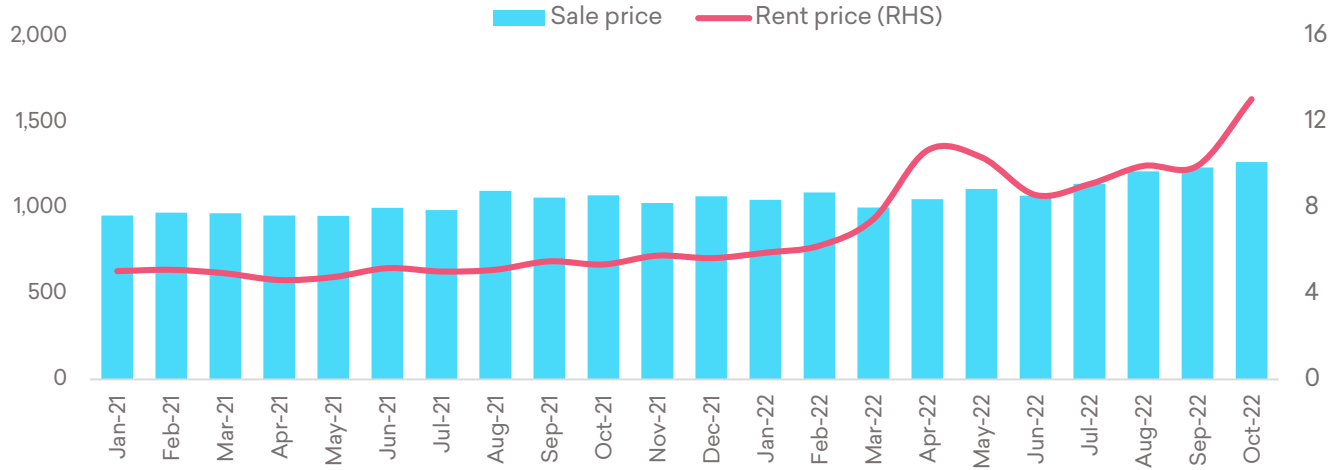


Source: Myhome, TBC Capital

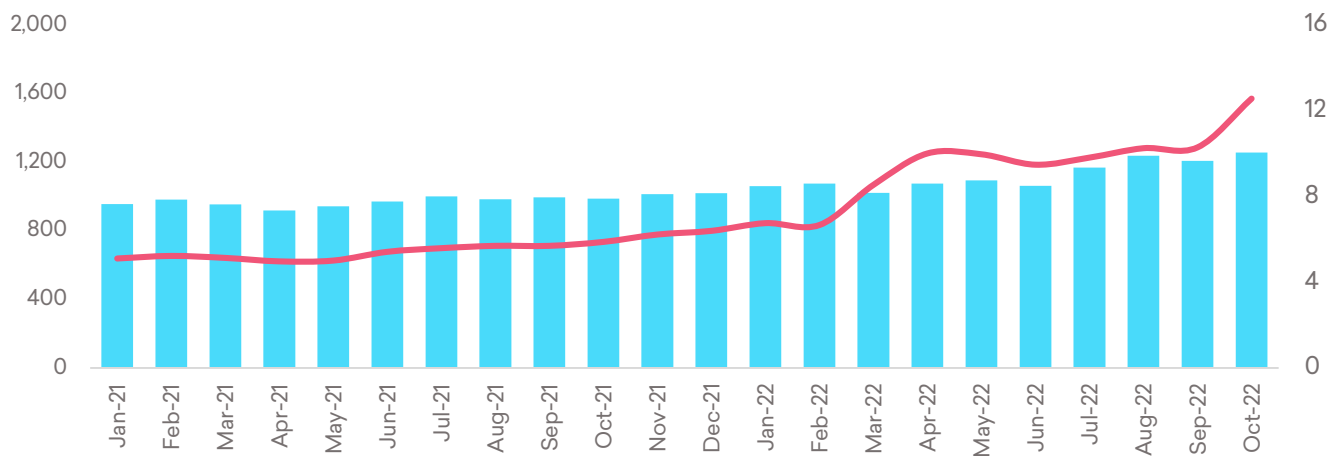
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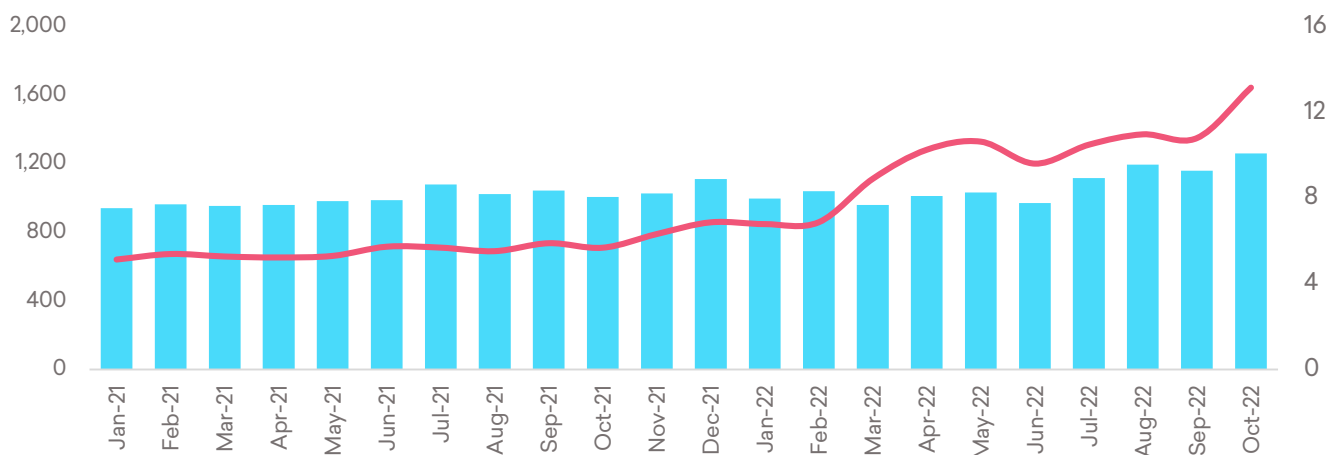
Vedzisi



Saburtalo



Krtsanisi

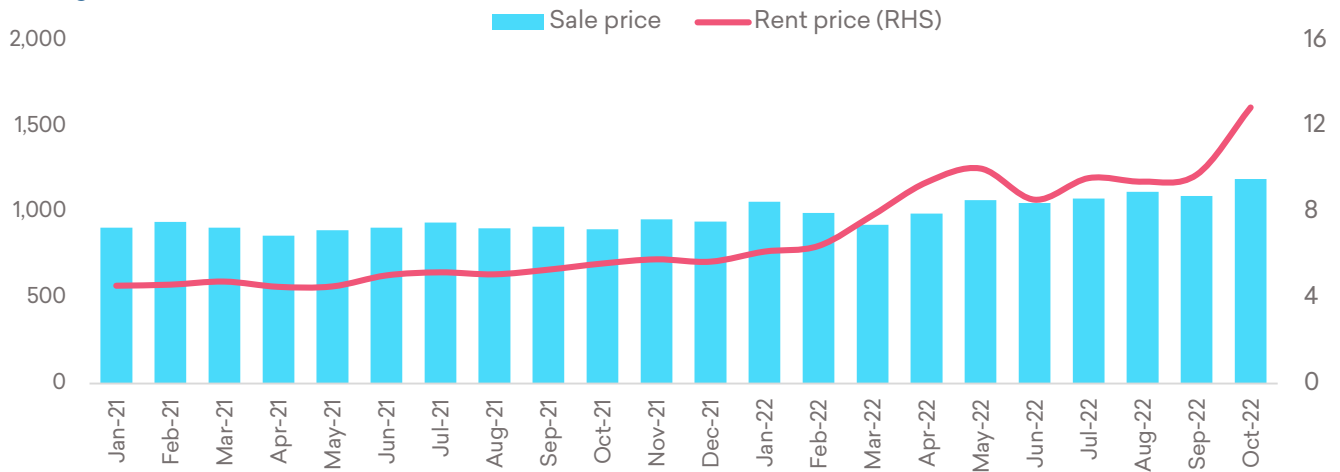


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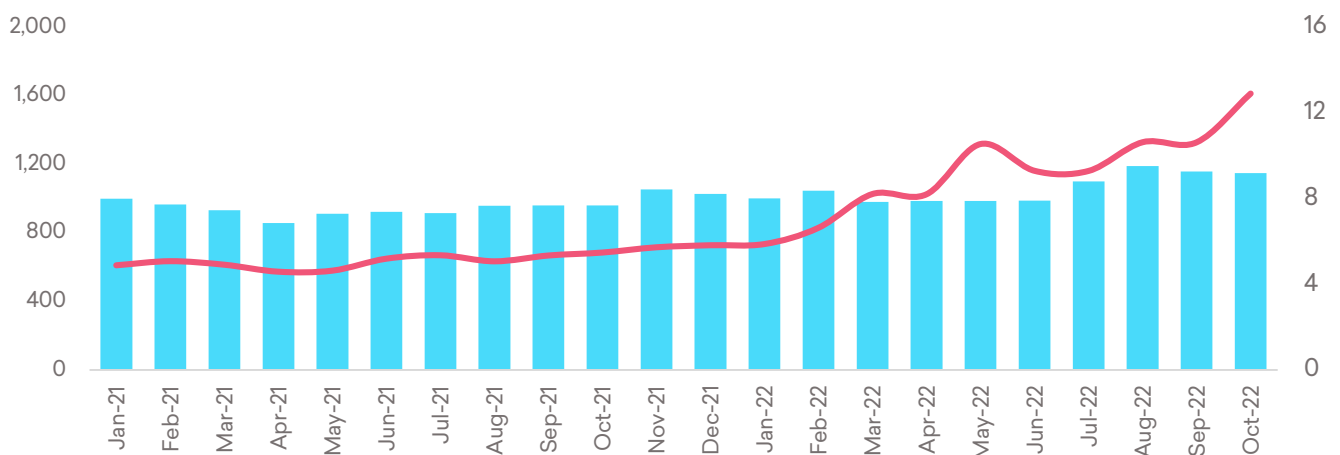
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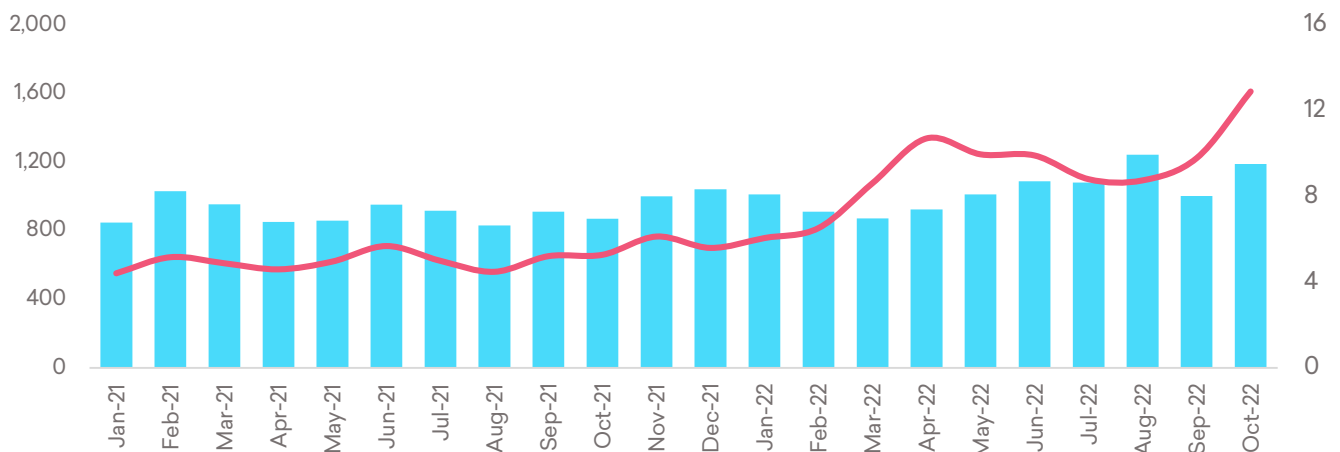
Chughureti



Ortatchala



Plekhanovi

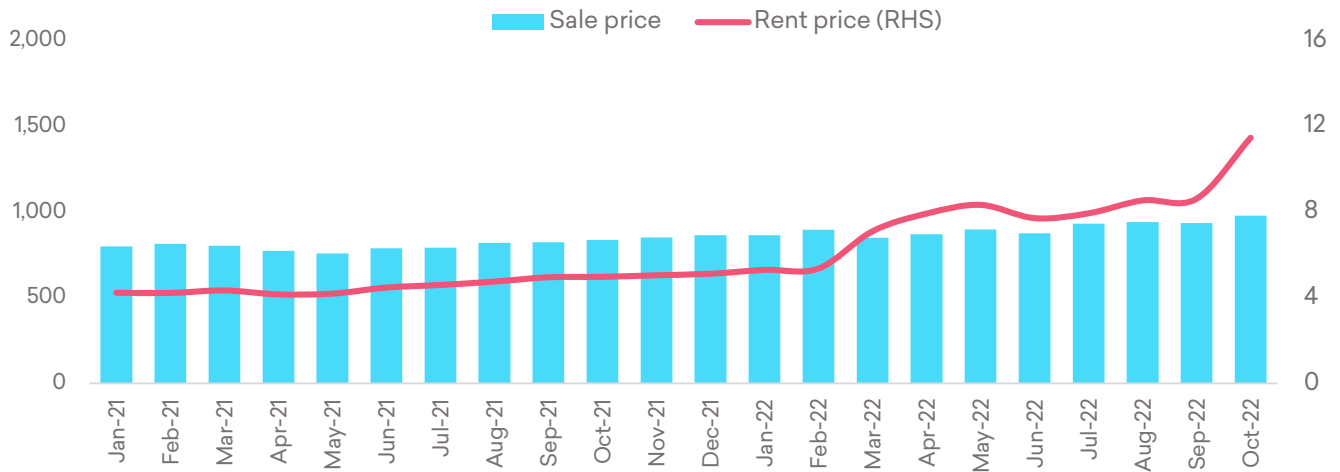


Source: Myhome, TBC Capital

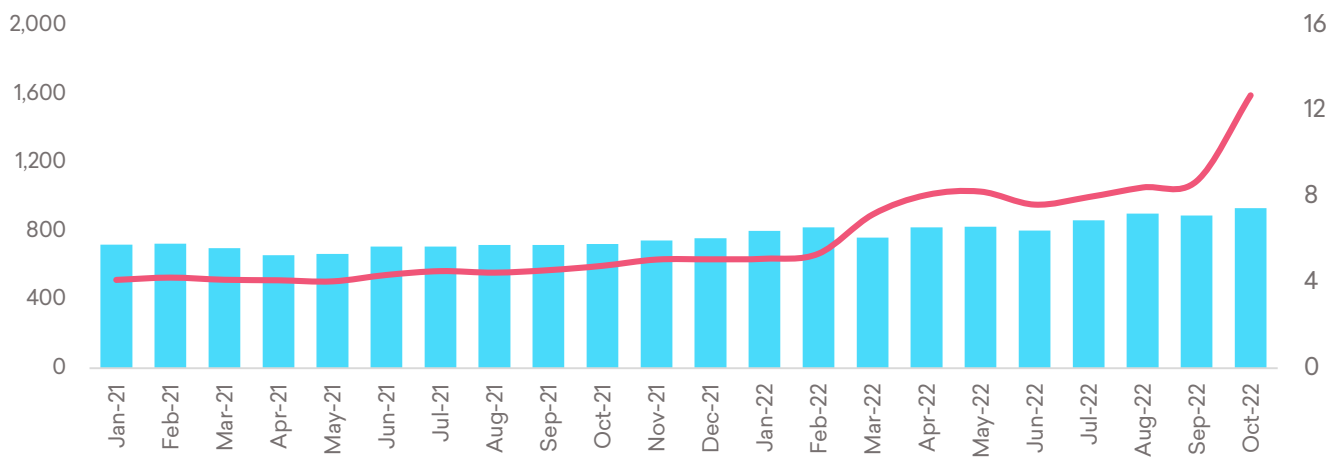
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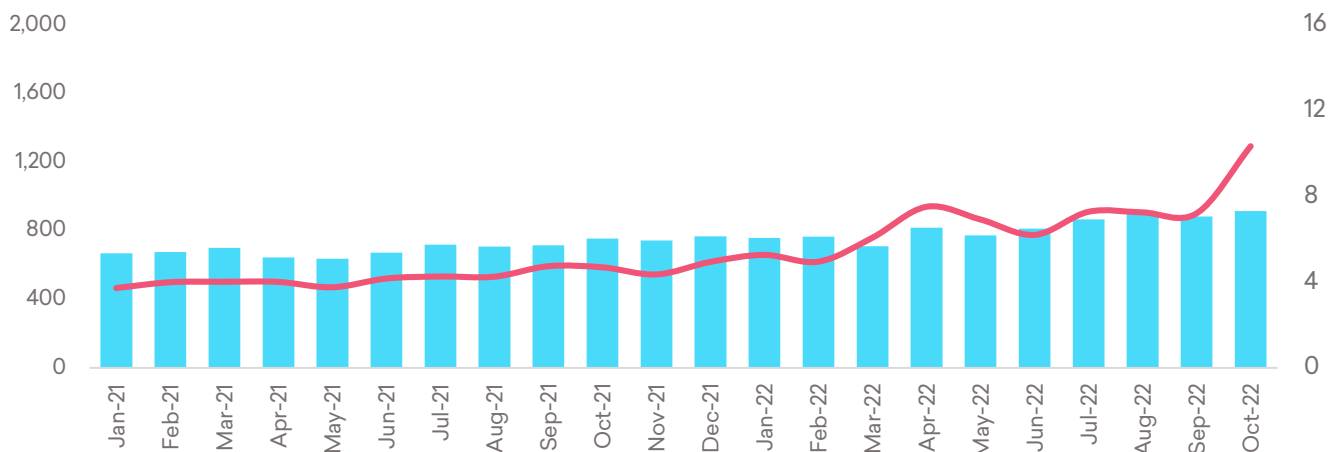
Didube



Didi Dighomi



Sanzona

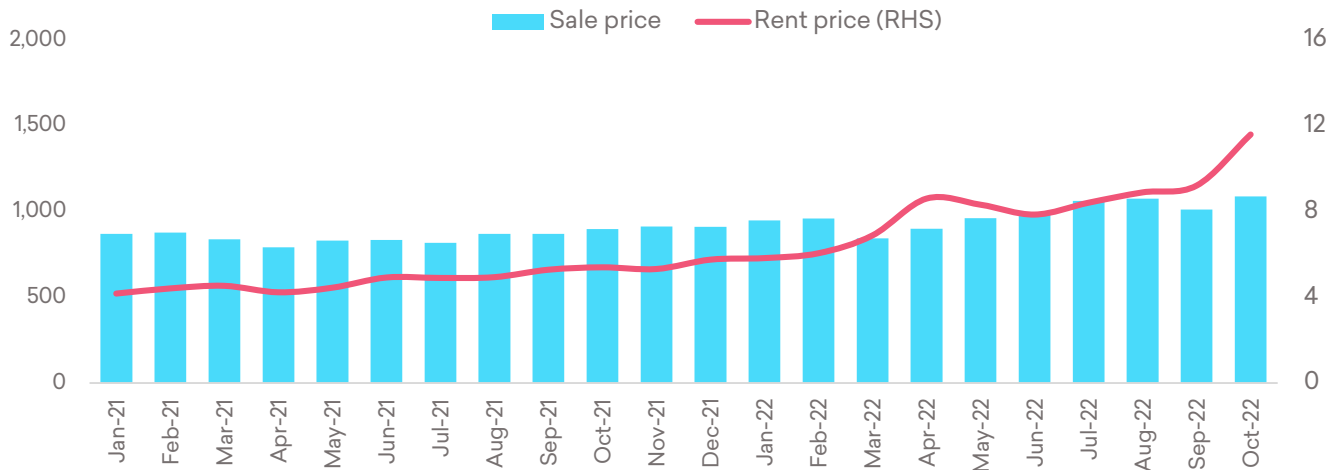


Source: Myhome, TBC Capital

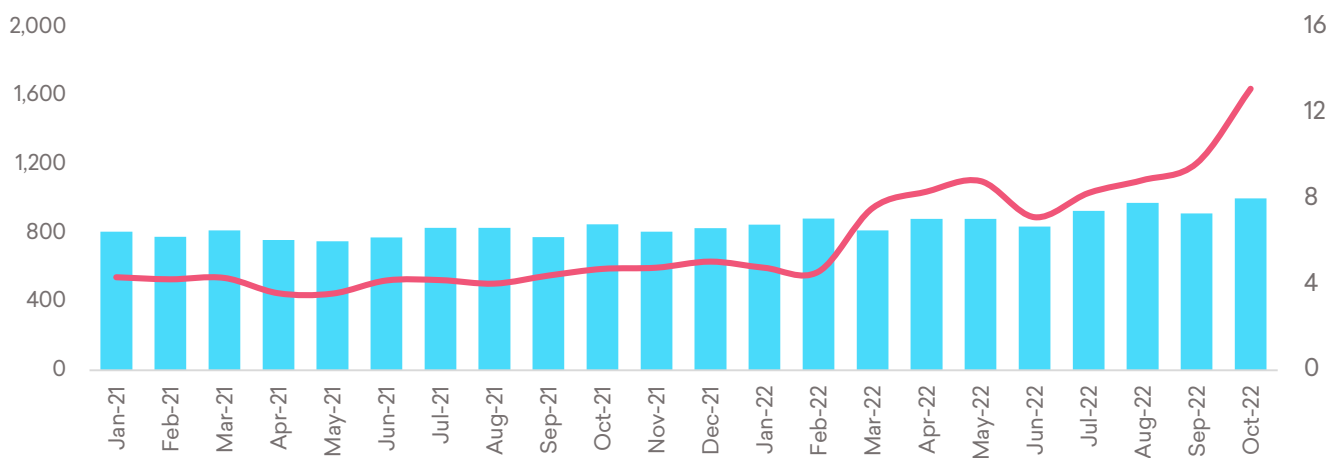
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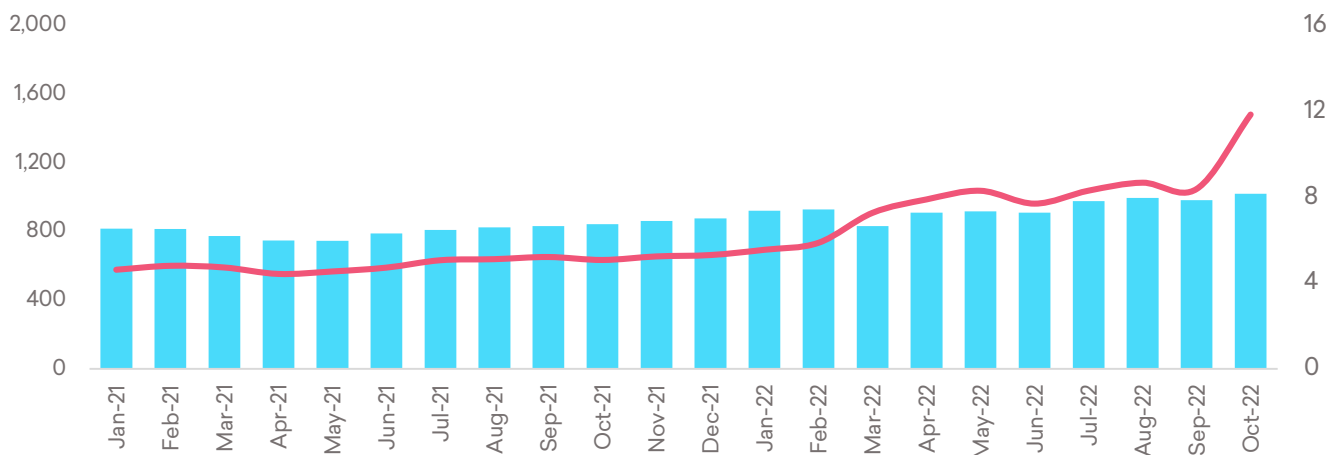
Vazha-Pshavela



Vashlijvari



Dighmis Masivi

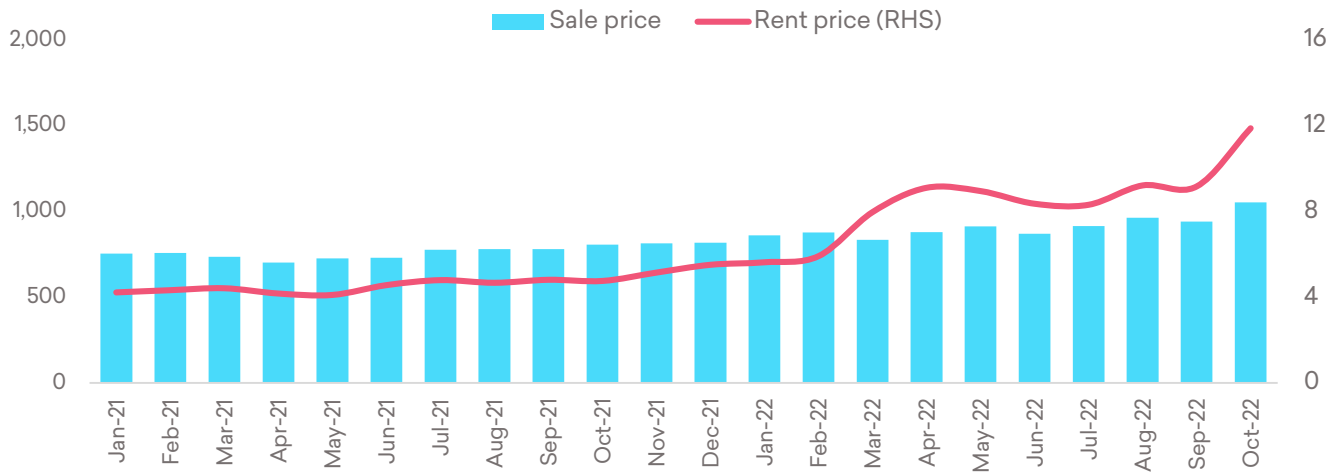


Source: Myhome, TBC Capital

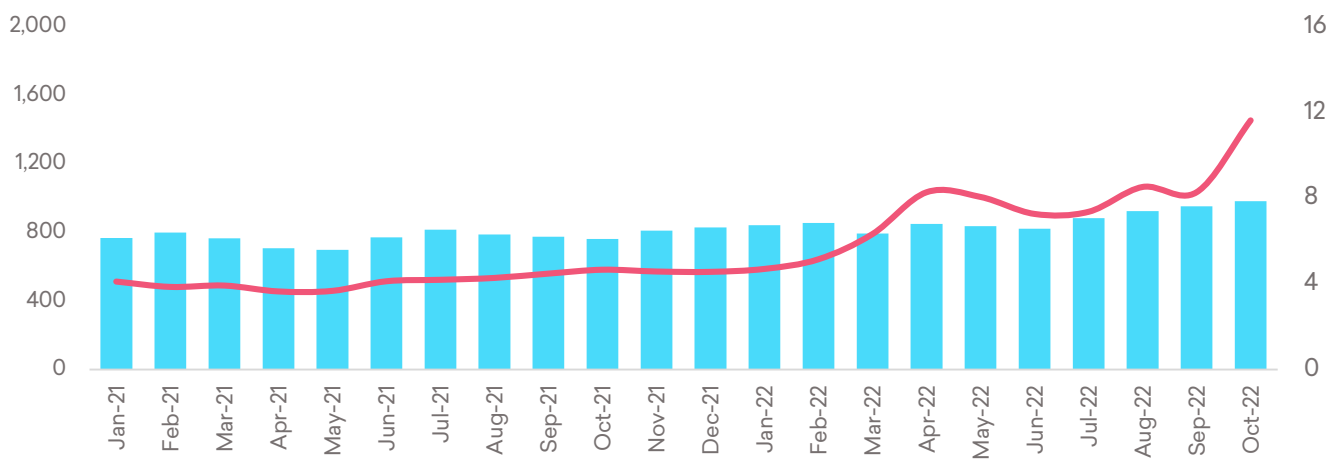
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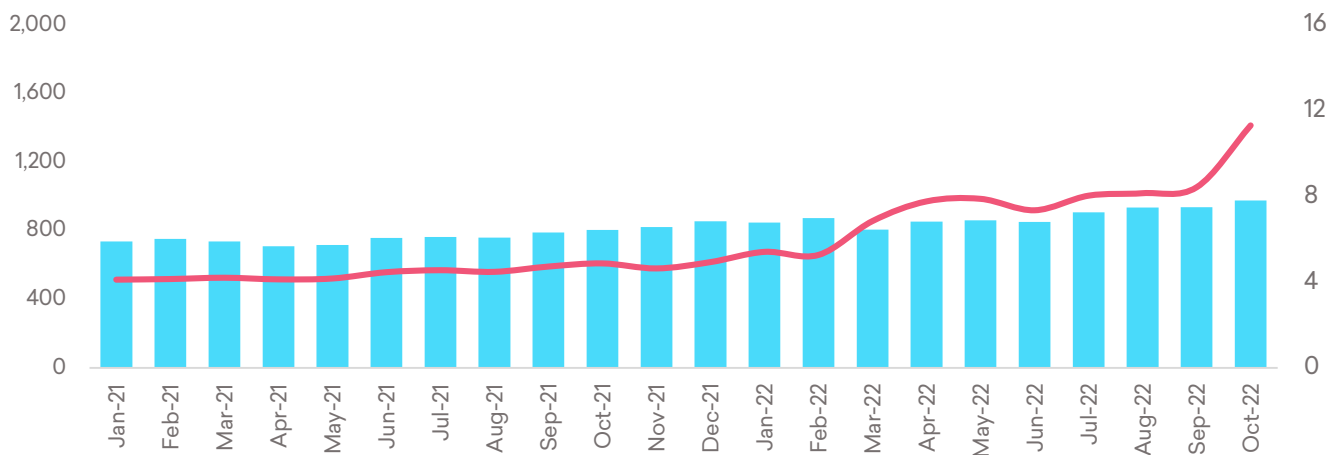
Isani



Nutsubidze



Nadzaladevi

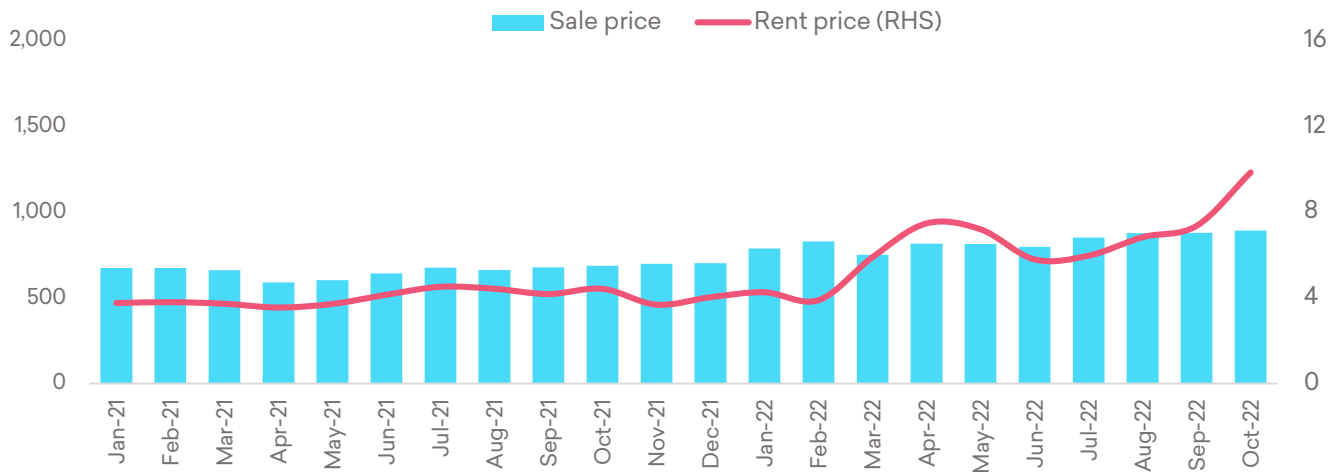


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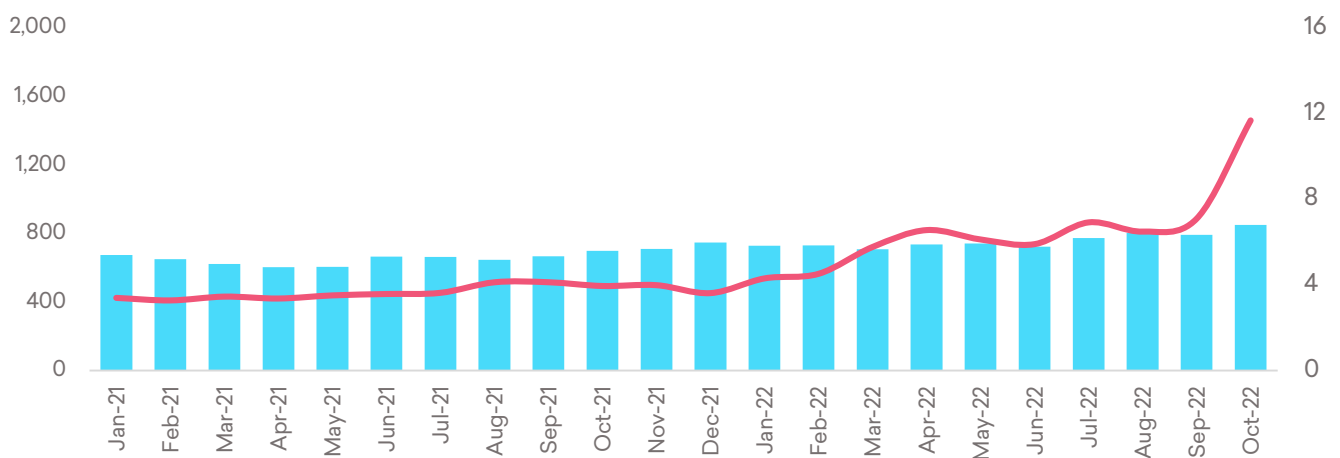
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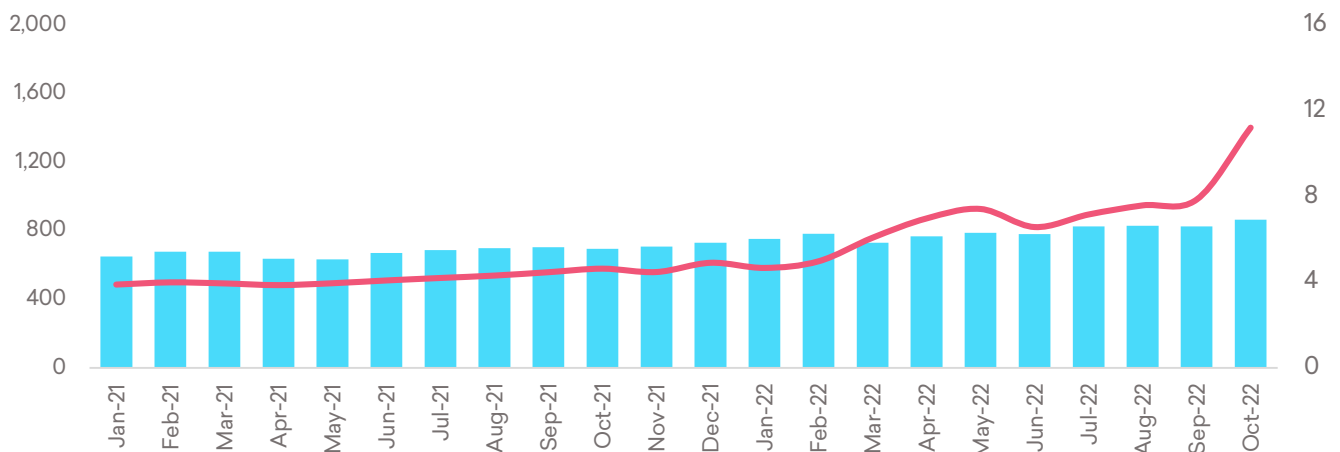
Mukhiani



Vazisubani



Gldani

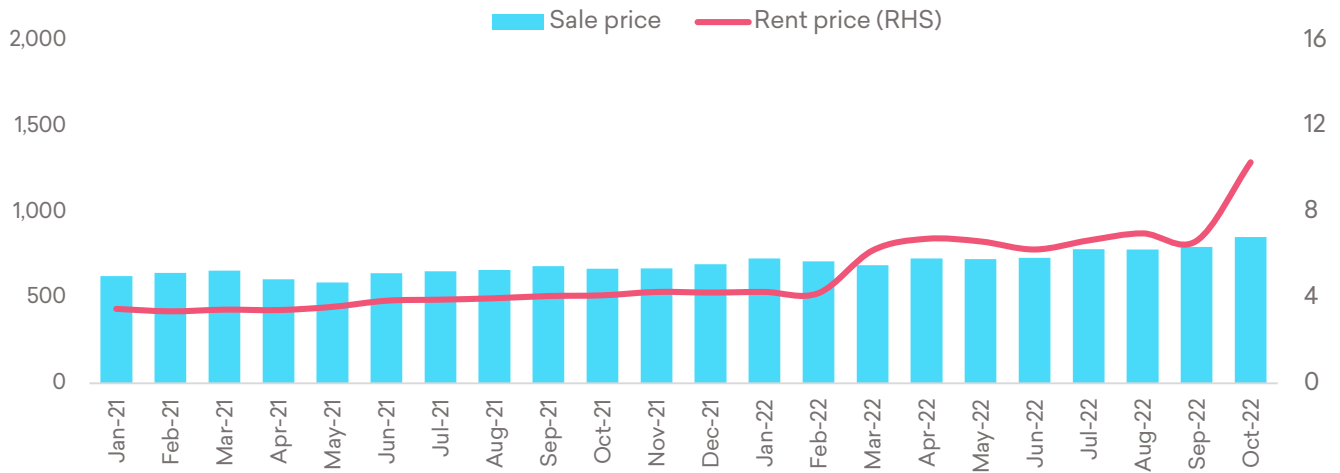


Source: Myhome, TBC Capital

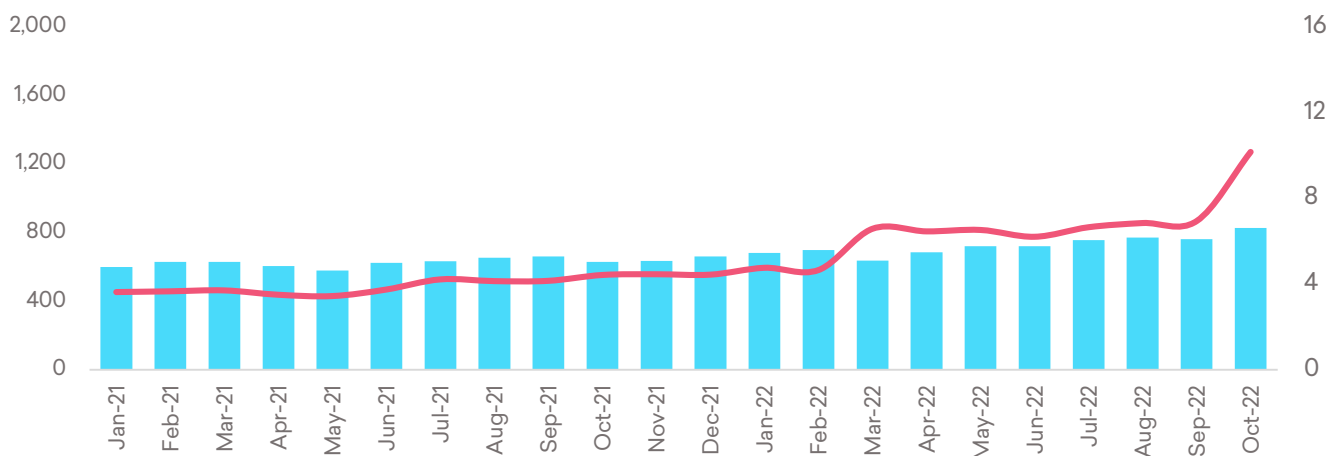
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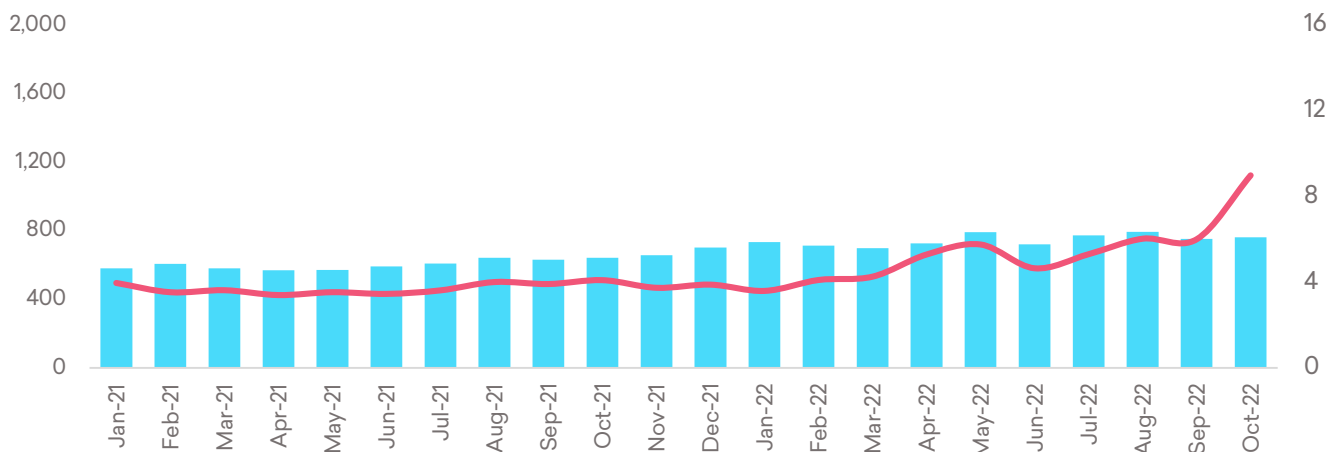
Varketili



Samgori



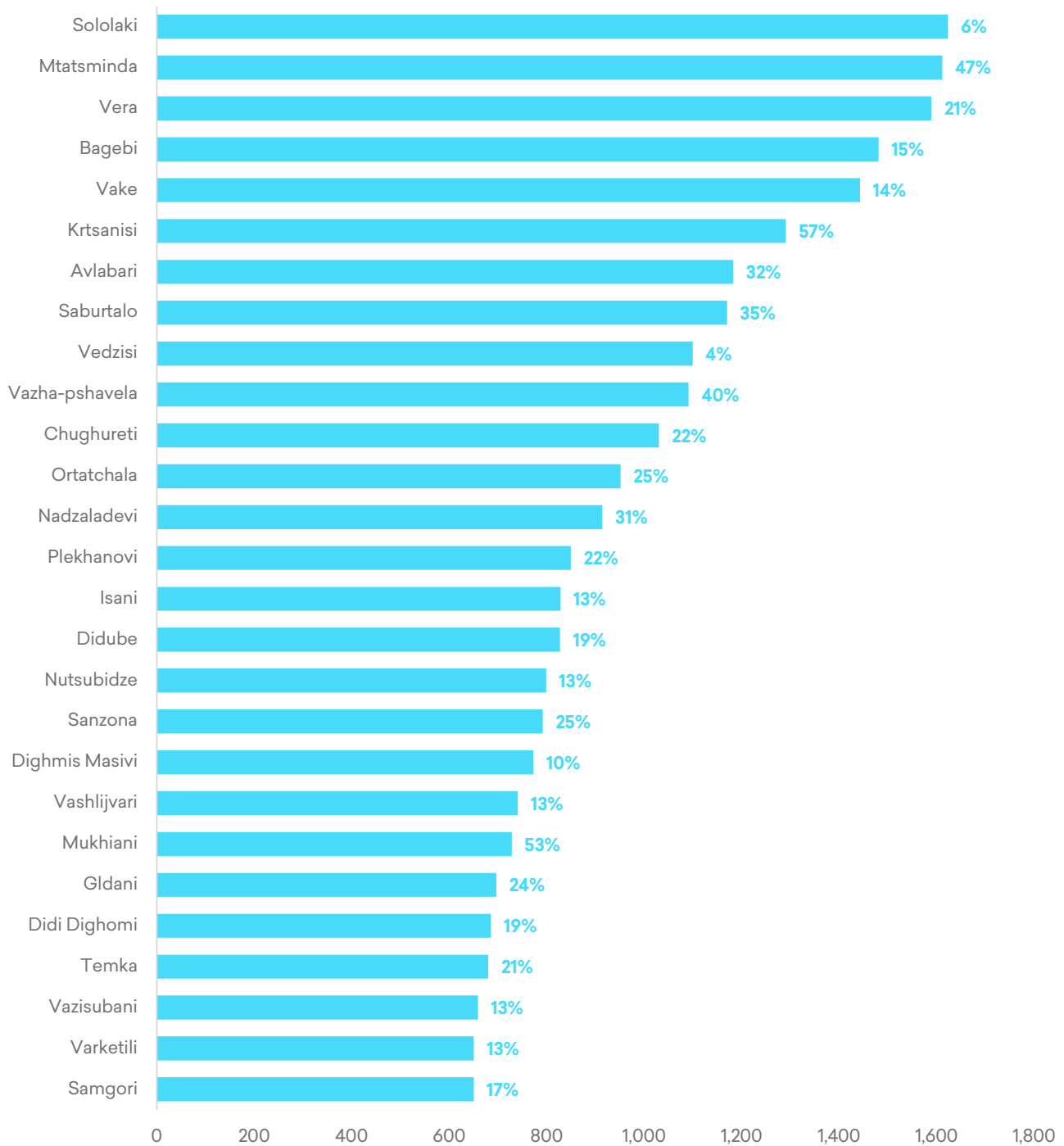
Temka



Source: Myhome, TBC Capital

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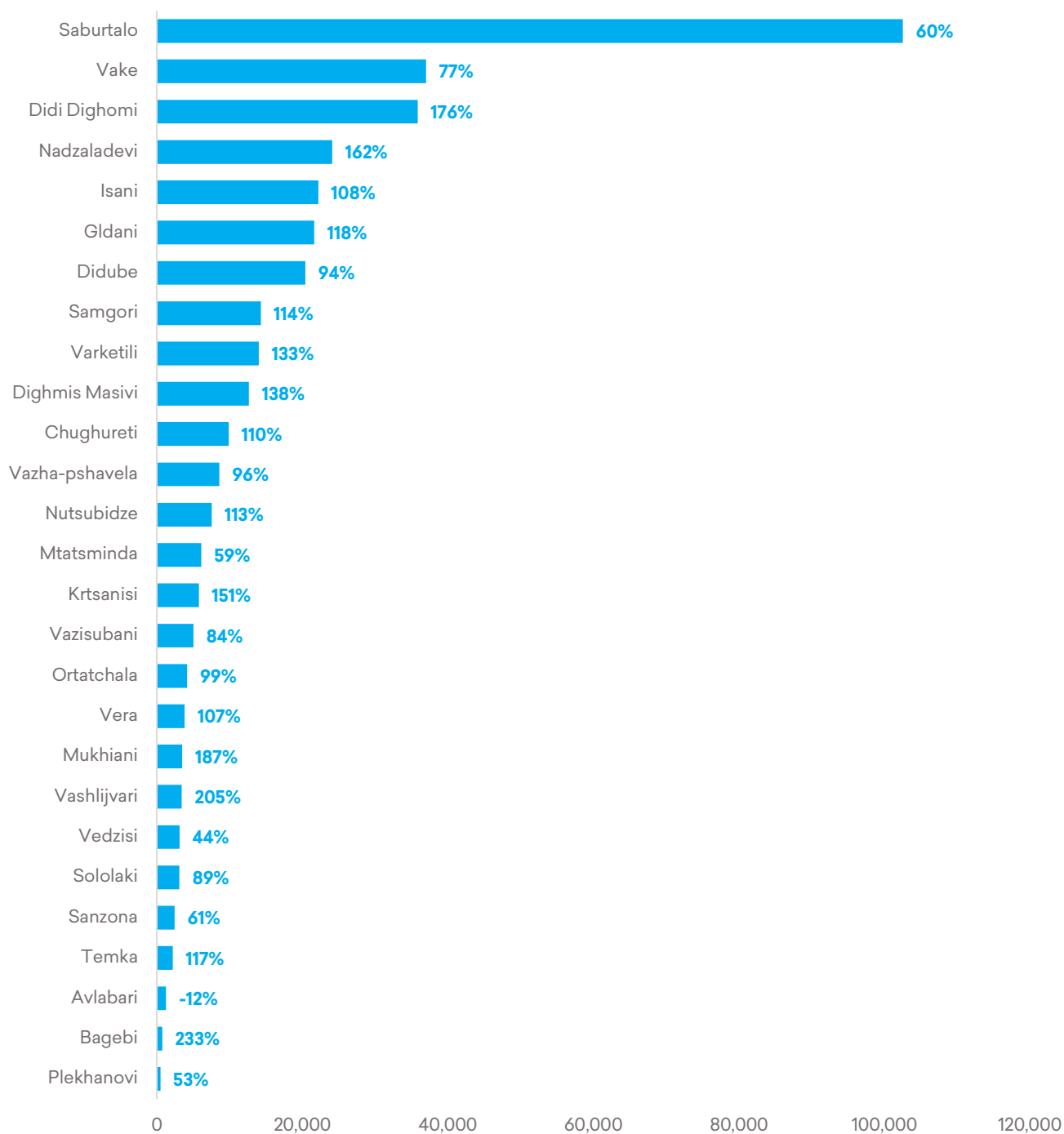
A2. Average asking sale price for white frame and YoY growth (%), 10M 2022



Source: Myhome TBC Capital

Annex

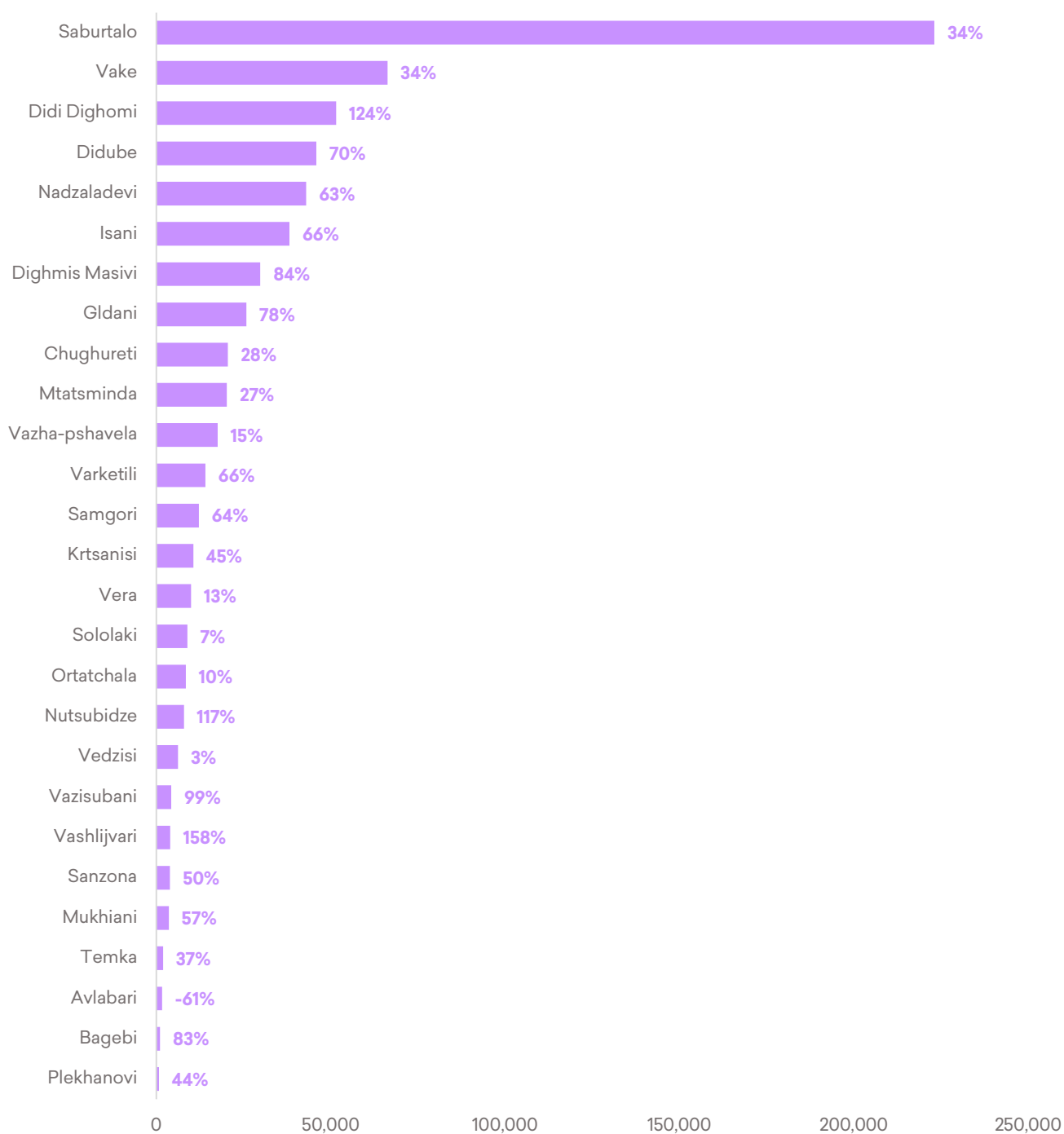
A3. Number of listed properties for sale (Units), created in 10M 2022



Source: Myhome, TBC Capital

Annex

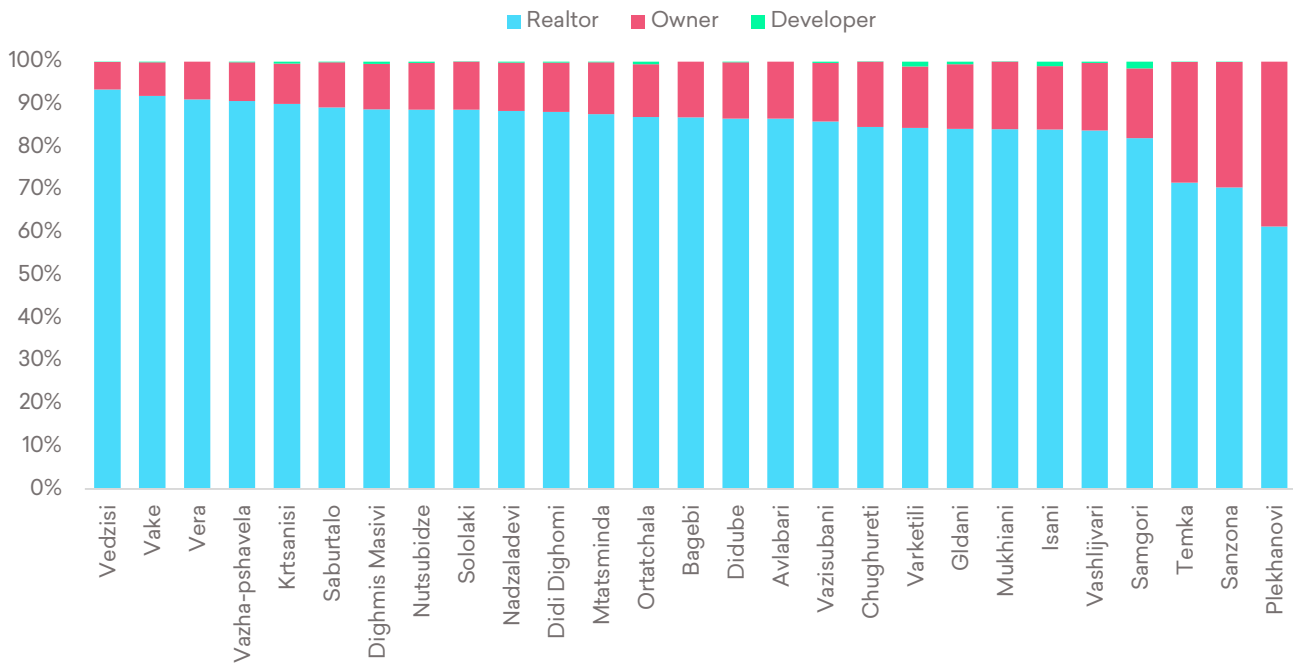
A4. Number of listed properties for rent (Units), created 10M 2022



Source: Myhome, TBC Capital

Annex

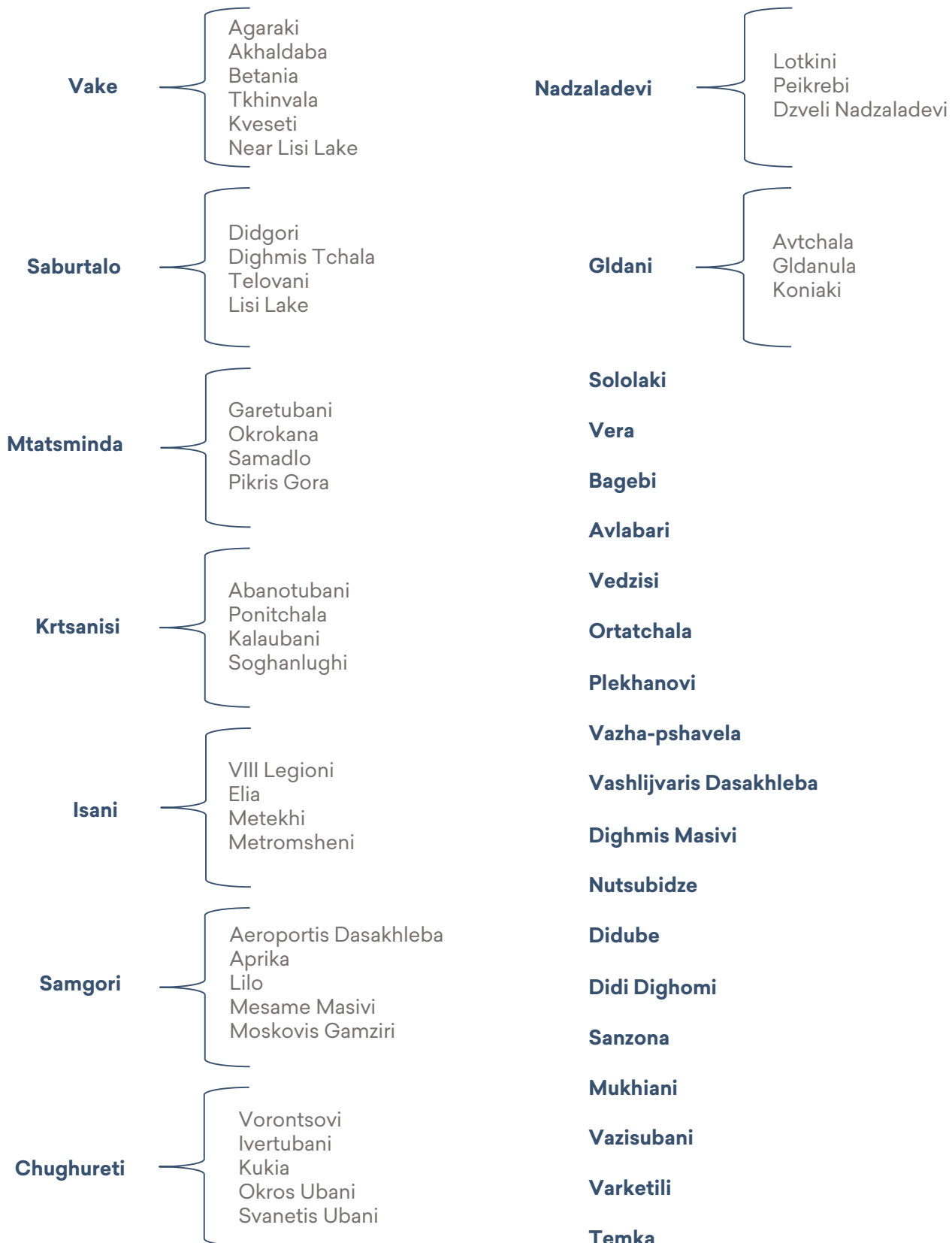
A5. Distribution of ads by advertiser, 10M 2022



Source: Myhome, TBC Capital

Annex

A6. District definitions (based on Myhome)



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