



TBC CAPITAL

AN OVERVIEW OF THE LAND MARKET IN TBILISI SUBURBS

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Irina Kvakhadze

Vice President, Research

Salome Deisadze

Senior Associate, Research

Revaz Maisuradze

Analyst, Research

In Brief

Over the last few years, demand for land in the suburban areas of Tbilisi has significantly increased. This surge is mainly driven by the altered consumer behavior due to COVID-19 pandemic that led to substantial changes in the housing landscape.

Remote Work: Pandemic-related lockdowns, restrictive social distancing measures, and the need for safer working conditions forced companies to explore alternative work arrangements, leading to a significant shift towards remote work. With hybrid work modality becoming more prevalent, individuals were no longer constrained by the necessity of living close to their workplaces. This transformation in work culture has opened up new possibilities for both homebuyers and renters, enabling them to consider relocating to suburban areas. As a result, the suburbs of Tbilisi experienced a surge in demand, as housing preferences shifted towards more spacious and peaceful surroundings. The appeal of larger homes, access to outdoor spaces and the desire for a quieter environment became key factors in the rising popularity of suburban living.

Shifts in preferences: The pandemic led to a shift in lifestyle preferences as extended periods of lockdown forced individuals to spend more time indoors. People started prioritizing features like home offices, access to outdoor spaces, and larger living areas, which are often more attainable in the suburban housing market. Furthermore, some people viewed suburban areas as less densely populated and potentially safer than urban environments as the pandemic heightened health and safety concerns. This shift in preferences led to heightened demand for properties in the suburban areas of Tbilisi.

Savings: With travel restrictions, limited social activities, and a general sense of uncertainty, many individuals found themselves saving more money than they had in pre-pandemic times. As the real estate market presented itself as a stable and promising investment opportunity, people redirected their savings from restricted activities towards real estate investments, particularly in suburban areas. Additionally, the pandemic emphasized the importance of homeownership and having a stable living environment, further incentivizing individuals to explore real estate opportunities in the suburban areas of Tbilisi.

Land Transactions

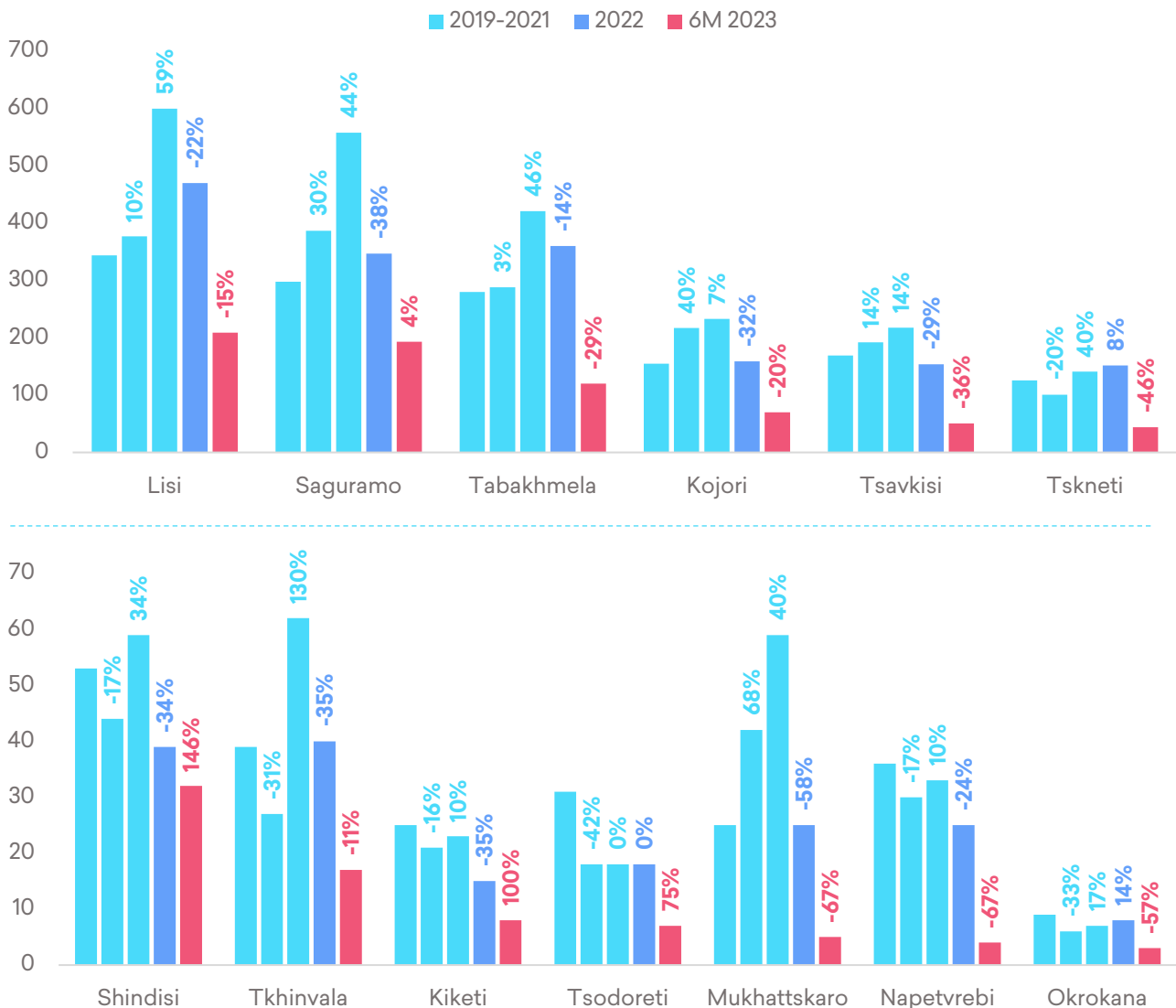
In 2021, there was a significant 39% surge in total land sales in suburban area of Tbilisi, which was basically a callout to the pandemic situation. People started preferring more secluded and spacious areas to live in, combined with “work from home” practices being adopted. The numbers remained significantly elevated compared to the years before the pandemic, suggesting a continuous interest with suburban living.

In the first six months of 2023, the highest number of land transactions was recorded in Lisi territory, where number of sold land

plots, both agricultural and non- agricultural, amounted to 209, which was around 15% lower than in the same period of 2022. Next in line with the highest number of sales in 6M 2023 was Saguramo, totaling 193 land transactions and posting a modest 4% growth relative to 6M 2022.

During the observed period, approximately 90% of transactions were in the following suburban areas: Lisi, Saguramo, Tabakhmela, Kojori, Tsavkisi and Tskneti, which will be discussed in detail in the following chapters.

Figure 1. Number of land transactions (units) and YoY change (%)



Source: NAPR, TBC Capital

Note I: since the scales are different two graphs are used in order to show the data appropriately.

Note II: Lisi and Saguramo belong to Mtskheta municipality, but for the purpose of the report we consider them as a part of Tbilisi suburban area

Land Price

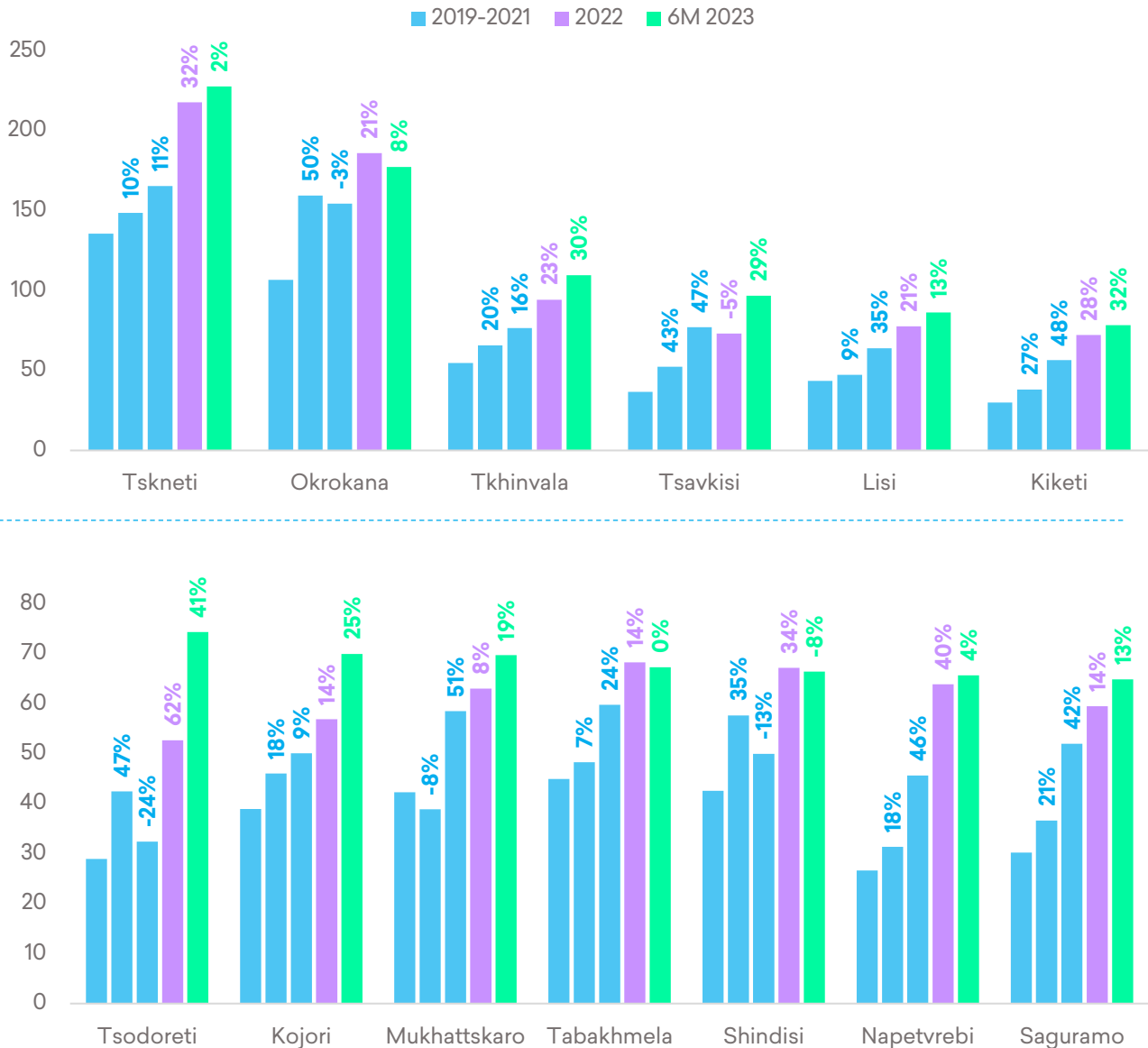
When it comes to the average sale prices, during the first six months of 2023, Tskneti held the top position with unprecedentedly high price levels, reaching around 228 \$/SQM, representing a 2% increase compared to the same period of the previous year.

Tskneti was followed by Okrokana and Tkhinvala, where the average price in

6M 2023 stood at 177 and 110 \$/SQM, respectively. There was an annual growth observed in almost all districts, with Tsodoreti, Kiketi and Tkhinvala showing the highest increase relative to the first six months of 2022.

Shindisi was the only suburban area that showed negative growth.

Figure 2. Average sale price per SQM (\$/SQM) and YoY change (%)



Source: NAPR, TBC Capital

Note: since the scales are different two graphs are used in order to show the data appropriately.

Lisi

Looking at the distribution of transactions by land area, the majority of sales in Lisi were recorded for land plots smaller than 1000 SQM. In Jan-Jun 2023, they took around 68% of total sales in Lisi (143 units), followed by plots in range of 1000-2000 SQM with a 23% share. Furthermore, only 8% of transactions were for lands with an area more than 2000 SQM.

The majority of transactions is generally for plots with an area below 2000 SQM. The average sale prices have been on a rising streak in Lisi, since 2019. In the first six months of 2023, it reached around 86 \$/SQM, marking a 9% increase relative to the same period of the previous year.

Figure 3. Distribution of land transactions by area (SQM) and YoY growth (%)

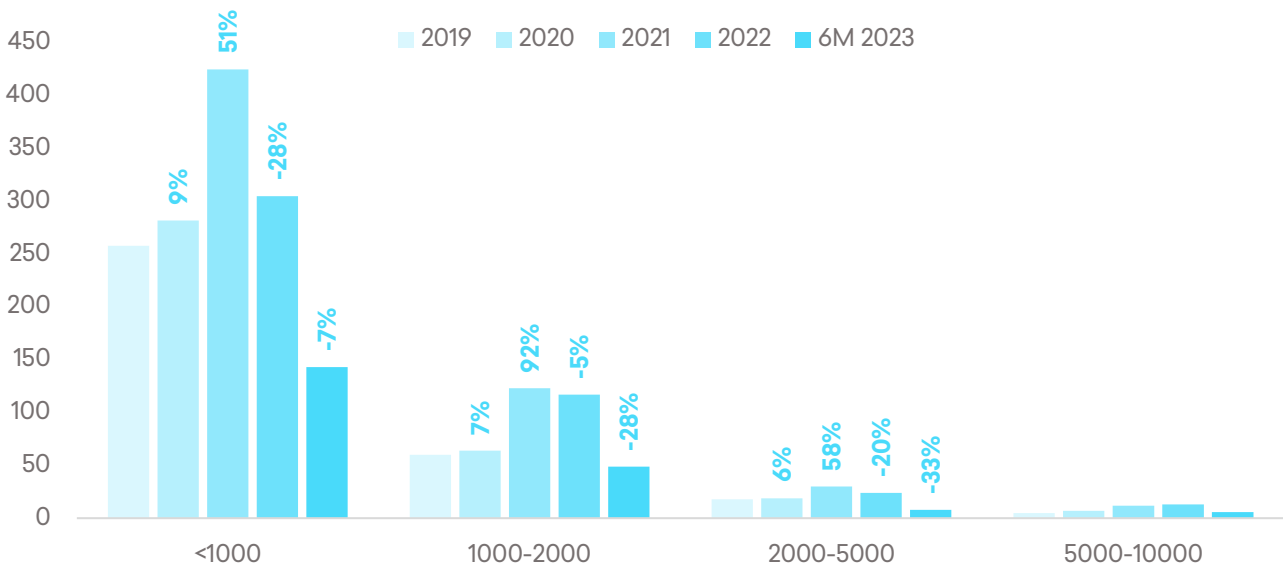
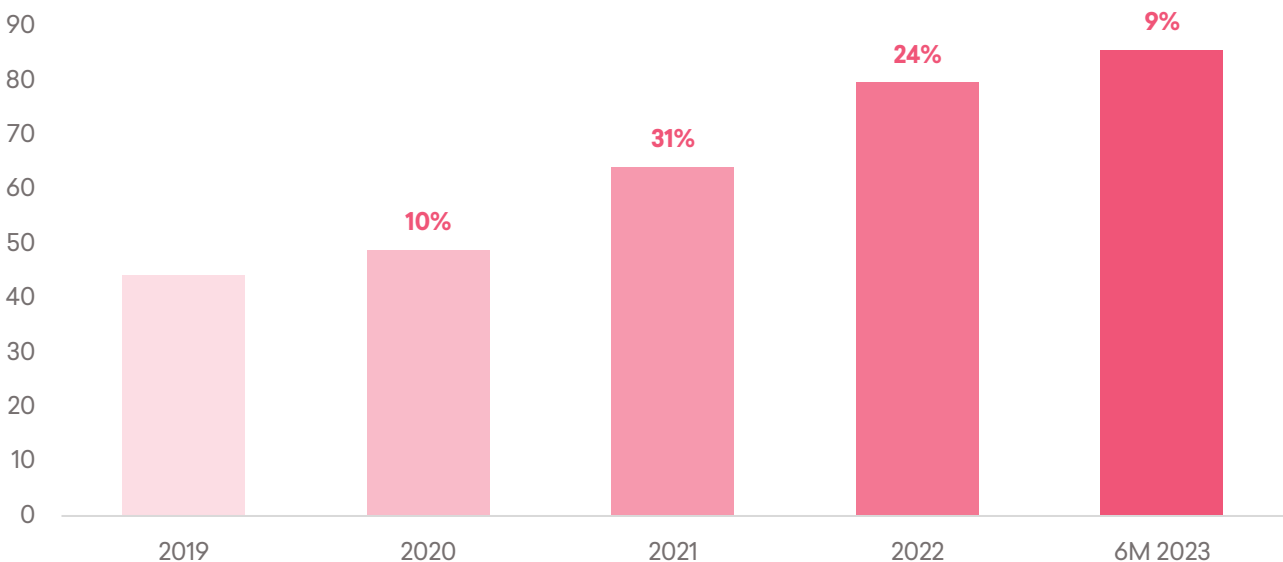


Figure 4. Average sale price for land plots below 2000 SQM (\$/SQM) and YoY growth (%)



Source: NAPR, TBC Capital

Lisi

In terms of sold land area, there was a significant 70% annual increase recorded in 2021 and followed by a moderate 2% increase in 2022 as well. Overall, more than 720 thousand SQM of land was sold in 2022. These increases reflected the trends in the real estate market driven by the pandemic's effects, as discussed before. In the first six months of 2023 the area amounted circa 280 thousand SQM.

Looking at the transaction price categories, in 2021 and 2022, sales were mostly concentrated in price ranges of 40-60 and 60-100 \$/SQM, however in 6M 2023, the majority of sales stood in 100-200 range, which took around 25% of total sales. Only 11% of transactions were for land plots with price per SQM over \$200.

Figure 5. Sold area (SQM) and YoY growth (%)

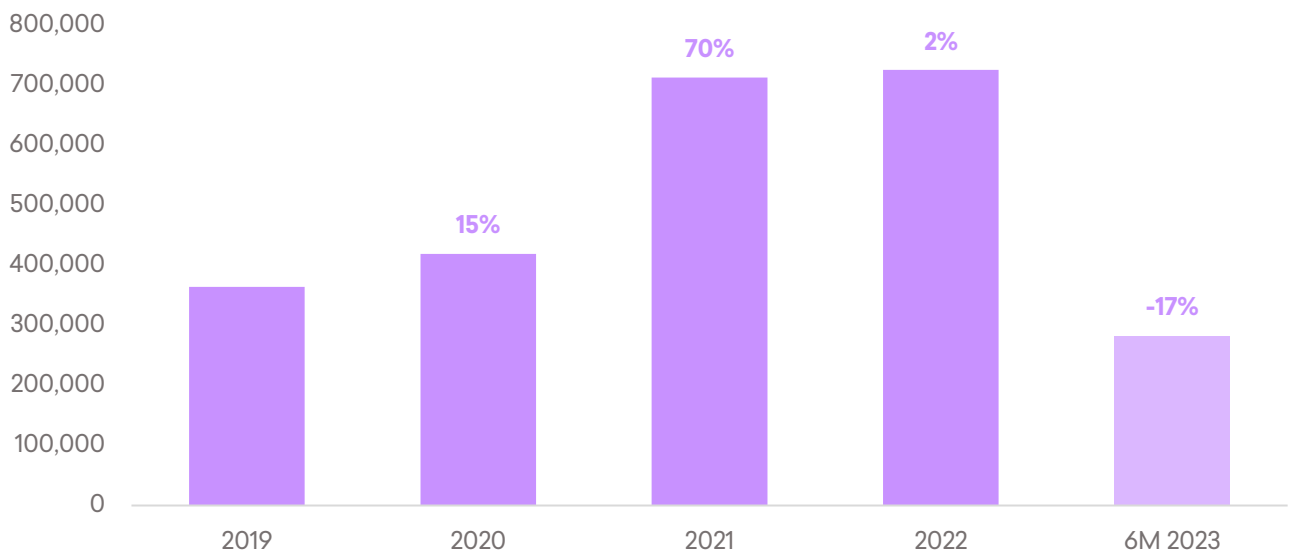
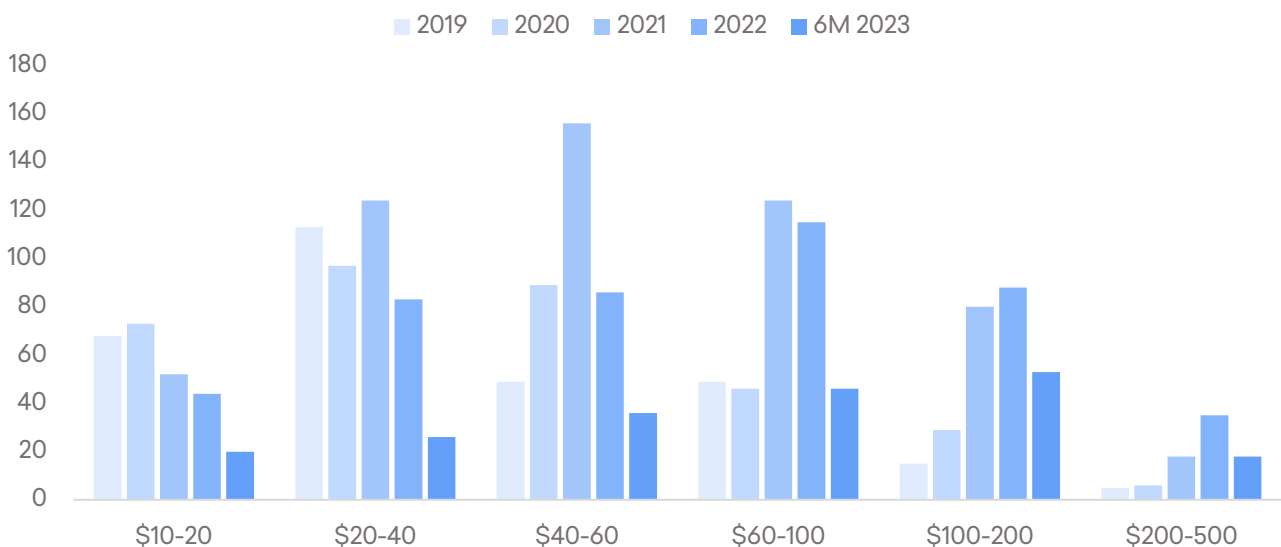


Figure 6. Number of transactions (units) by price categories (\$/SQM)



Source: NAPR, TBC Capital

Saguramo

In case of Saguramo, the distribution is somewhat different from Lisi, but similarly, in 6M 2023 the highest number of sales was observed for land plots smaller than 1000 SQM, standing at 107 units and accounting for approximately 55% of all sales. Plots ranging from 1000-2000 SQM (55 units) took 28% share.

In 2021, when the number of sales were at their peak, the average sale price amounted to around 53 \$/SQM (+43% YoY), in 2022 it posted a 17% annual increase reaching 62 \$/SQM and in 6M 2023, it stood at 65 \$/SQM.

Figure 7. Distribution of land transactions by area (SQM) and YoY growth (%)

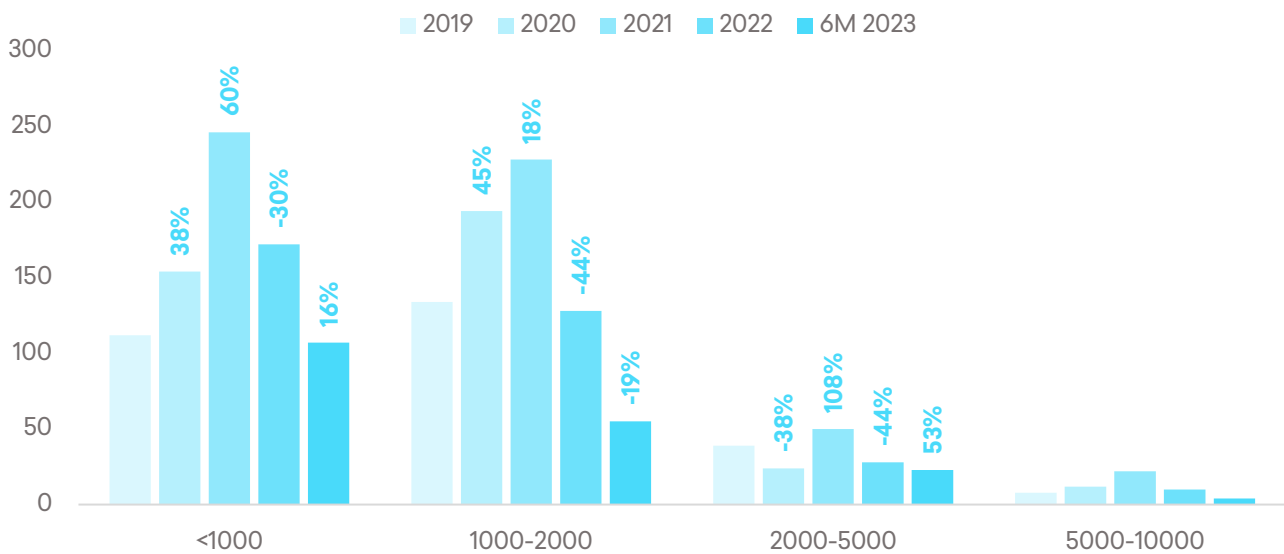
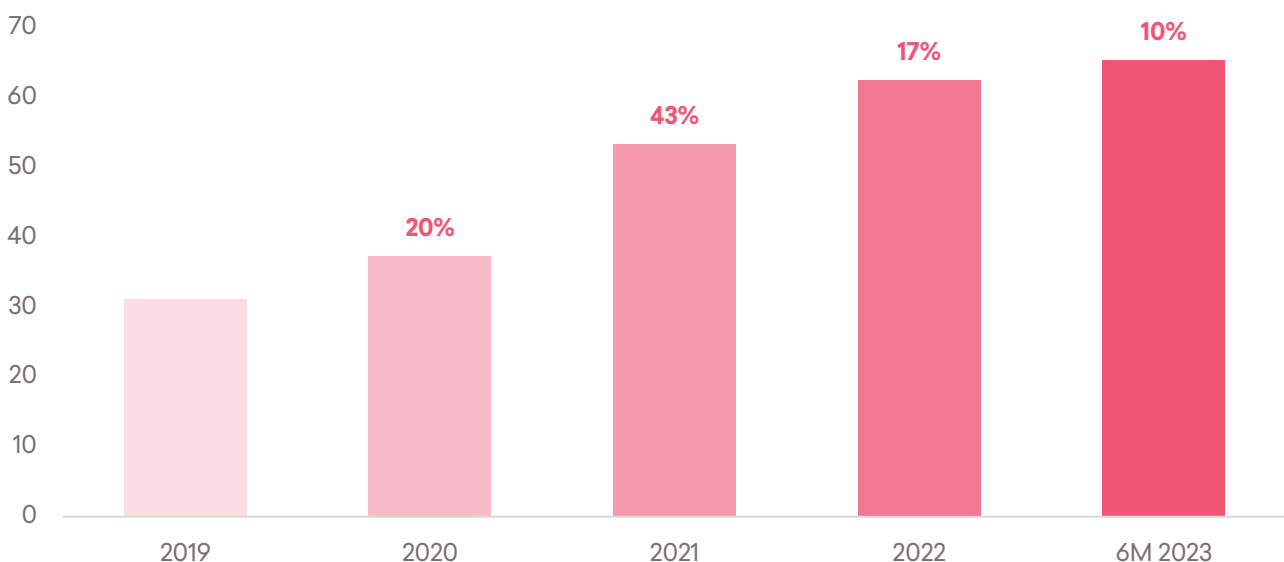


Figure 8. Average sale price for land plots below 2000 SQM (\$/SQM) and YoY growth (%)



Source: NAPR, TBC Capital

Saguramo

Saguramo also had a surge in land transactions in 2021, with sold area standing around 900 thousand SQM – a 72% annual increase. The activity slowed down quite a bit in 2022 but still remained above the pre-pandemic level. As for 6M 2023, a total of 270 thousand SQM land area was sold, marking a 26% decline relative to the same period of the previous year.

Regarding the price categories, the distribution of transactions has slightly shifted towards higher prices. In 6M 2023, the majority of sales are for land plots priced in 20-40 \$/SQM category (25% share in total). 19% of transactions were for plots priced in range of 60-100 \$/SQM.

Figure 9. Sold area (SQM) and YoY growth (%)

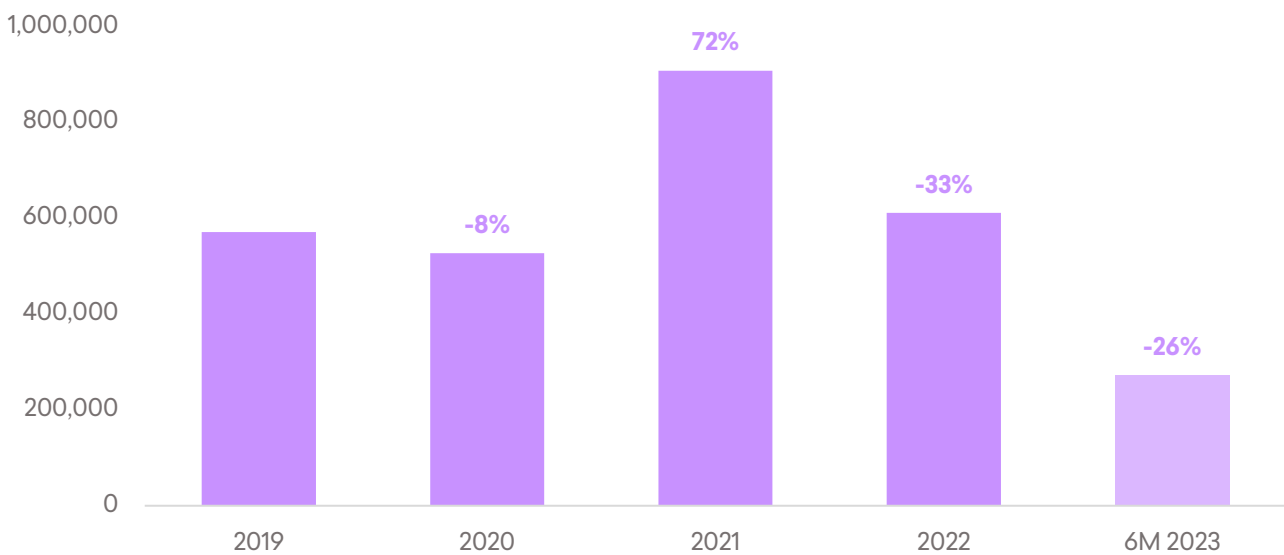
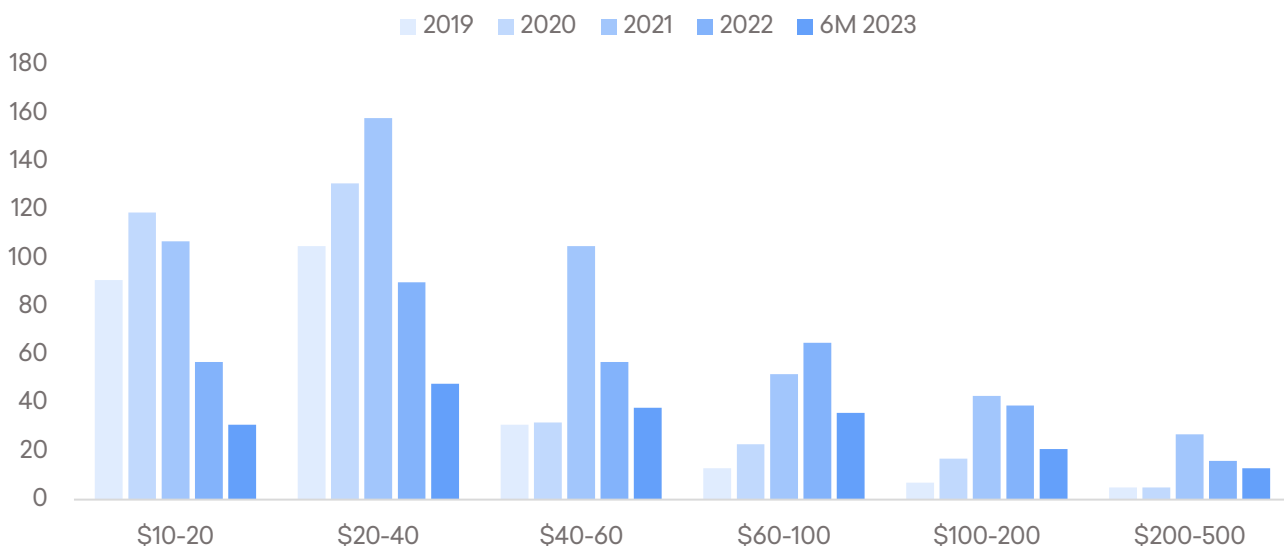


Figure 10. Number of transactions (units) by price categories (\$/SQM)



Source: NAPR, TBC Capital

Tabakhmela

The distribution of transactions by area in Tabakhmela is similar to Saguramo. In the first six months of 2023, sales for lands below 1000 SQM stood at 56 units (47% share in total), marking a 7% decrease compared to 6M 2022. As for lands ranging from 1000 to 2000 SQM, there was 52 transactions recorded, taking 43% share in sales.

Regarding the sale prices, it increased significantly since 2019, during and after the pandemic years. In 6M 2023, the average sale price amounted to 68 \$/SQM – a 6% growth compared to the same period of the previous year.

Figure 11. Distribution of land transactions by area (SQM) and YoY growth (%)

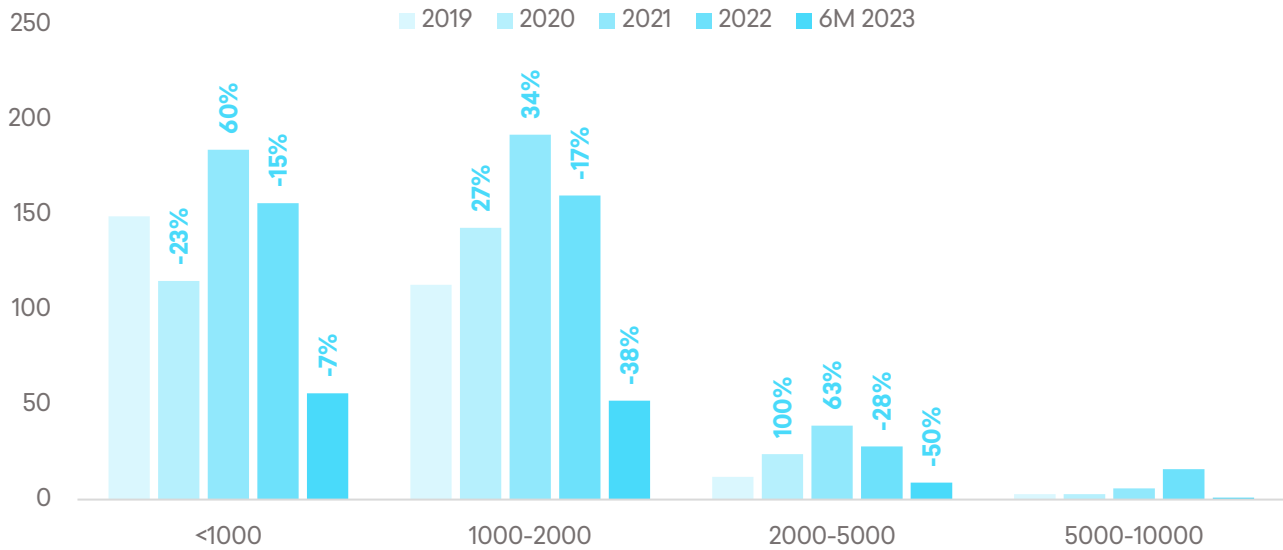
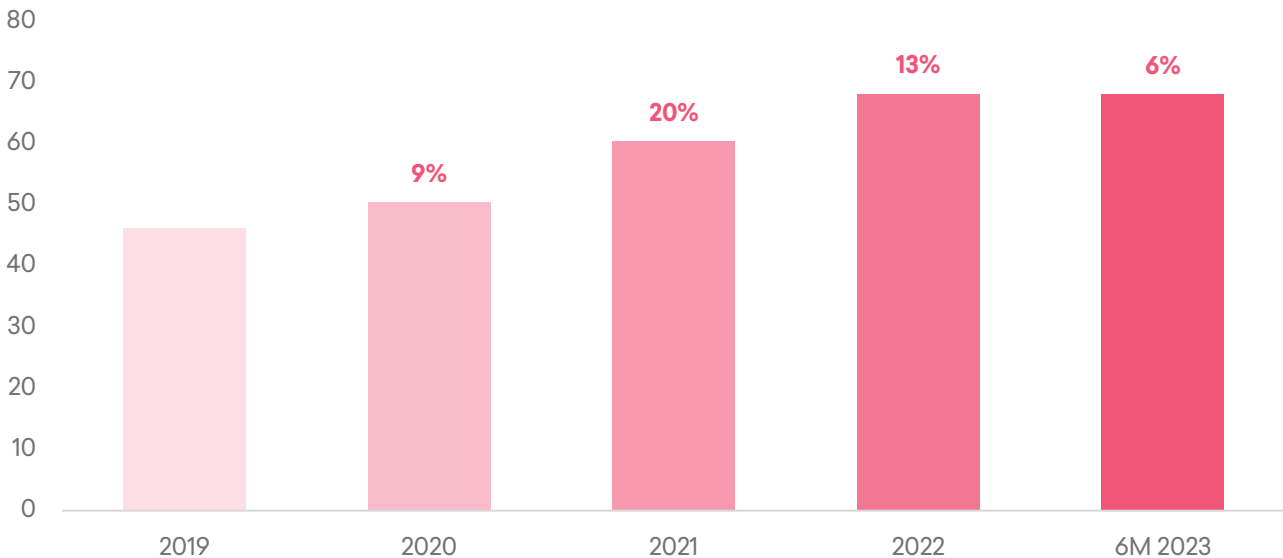


Figure 12. Average sale price for land plots below 2000 SQM (\$/SQM) and YoY growth (%)



Source: NAPR, TBC Capital

Tabakhmela

In terms of land area sold, Tabakhmela got to its peak in 2021, reaching 500 thousand SQM and marking a 30% annual increase. 2022 was very close to the peak as well, with 485 thousand SQM sold (-4% YoY). However, in the first six months of 2023, there was a noticeable decrease observed (-37% YoY), with sold area standing around 150 thousand.

When looking at the price categories, what's interesting in case of Tabakhmela is that the majority of sales were concentrated in price ranges of 20-40 and 100-200 \$/SQM, with 23% and 21% shares in total sales, respectively.

Figure 13. Sold area (SQM) and YoY growth (%)

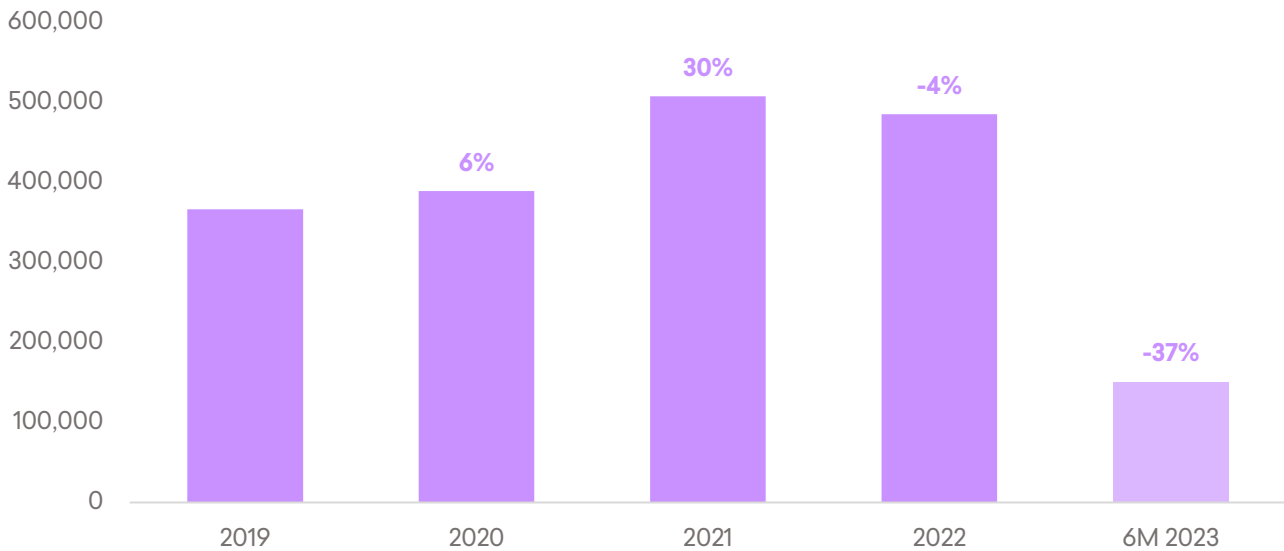
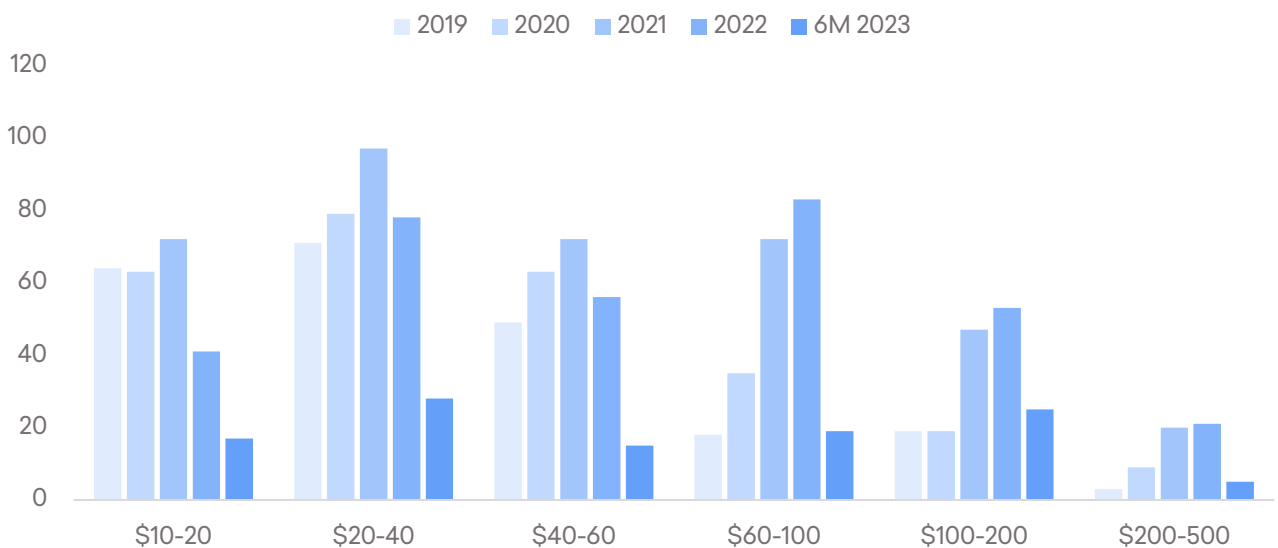


Figure 14. Number of transactions (units) by price categories (\$/SQM)



Source: NAPR, TBC Capital

Tskneti

Land market in Tskneti is dominated by smaller sized plots and the majority of transactions is for lands below 1000 SQM. In Jan-Jun 2023, their share in total sales stood at 73%. So, only 27% of transactions were for plots with an area larger than 1000 SQM.

It is also important to note, that the number of transactions declined considerably for both ranges, which could be due to

significantly elevated price levels and limited supply of land, since the market in Tskneti is more mature. It is no surprise that prices in Tskneti are the highest compared to other suburban areas. In 6M 2023, the average sale price for land plots below 2000 SQM stood above 220 \$/SQM.

Figure 15. Distribution of land transactions by area (SQM) and YoY growth (%)

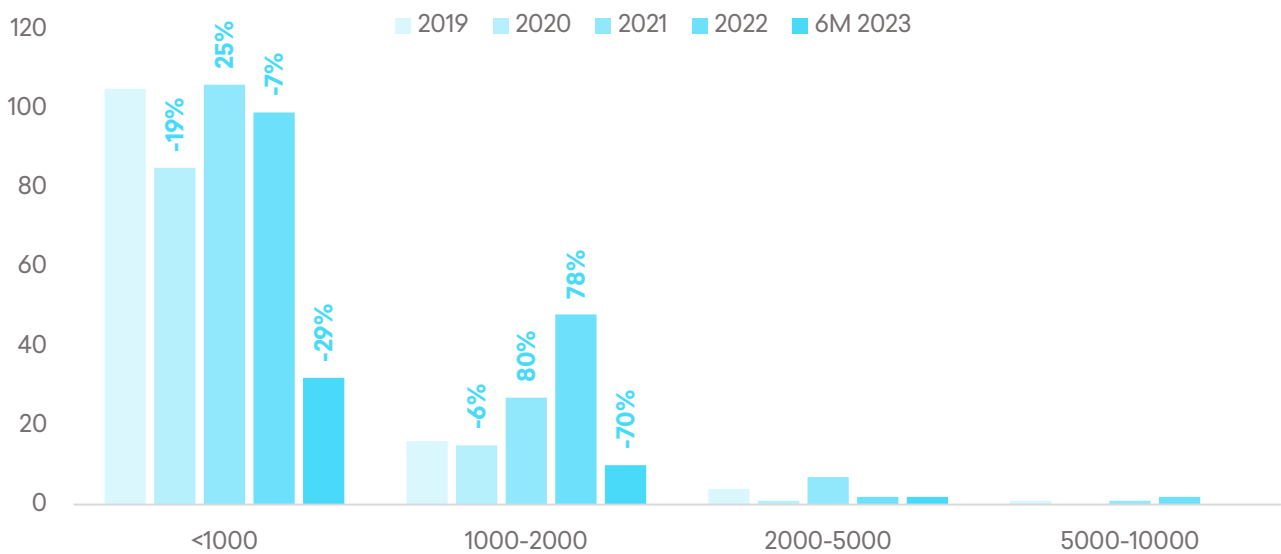
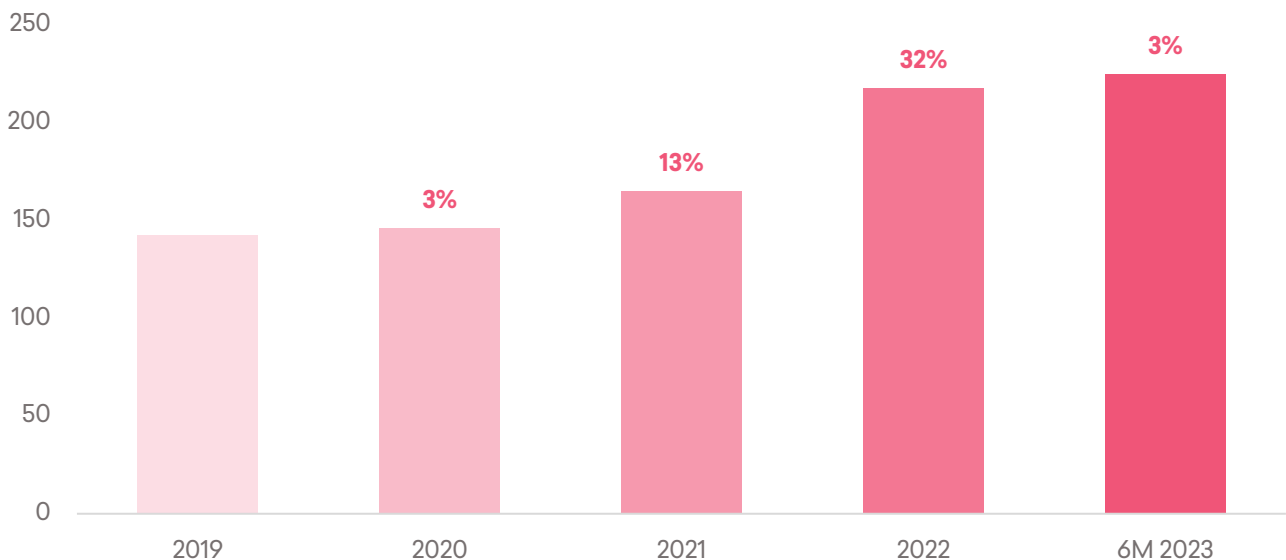


Figure 16. Average sale price for land plots below 2000 SQM (\$/SQM) and YoY growth (%)



Source: NAPR, TBC Capital

Tskneti

Unlike other suburban areas, where the peak for sold area was in 2021, Tskneti reached the record high value in 2022, standing at circa 180 thousand SQM (+43% YoY). However, the figure was also impressive in 2021, reaching 129 thousand SQM and posting a more significant annual increase.

In 6M 2023, around 39 thousand SQM of land was sold, which is 69% less than in 6M 2022.

As we already mentioned, Tskneti has the highest prices out of all other suburban areas of Tbilisi. So, in terms of price categories, in the first six months of 2023, the largest number of transactions was concentrated in the range of 200-500 \$/SQM.

Figure 17. Sold area (SQM) and YoY growth (%)

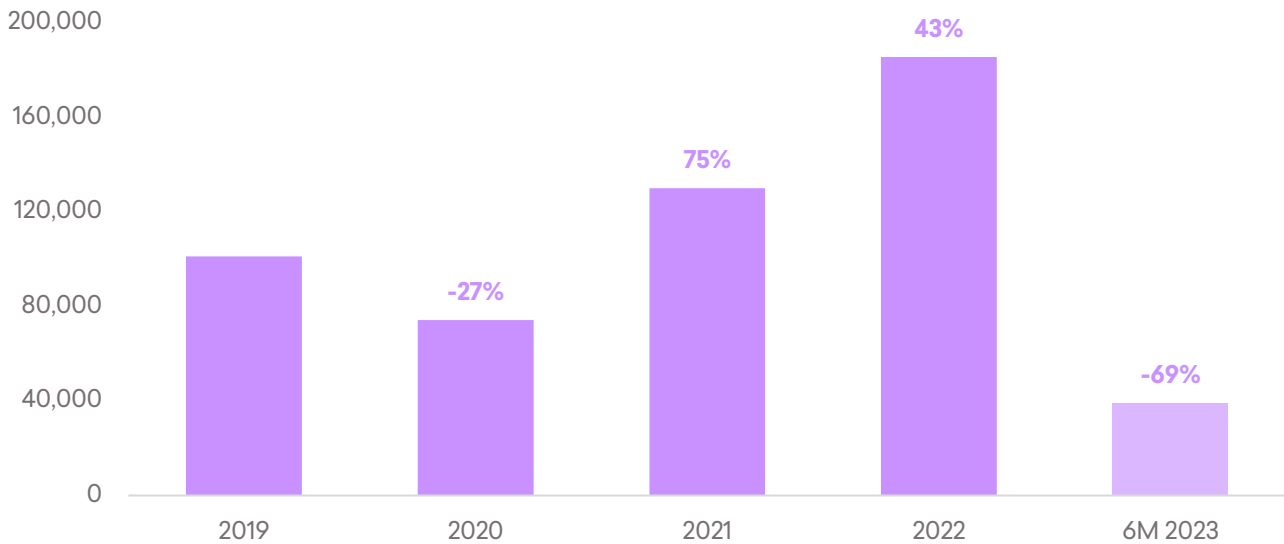
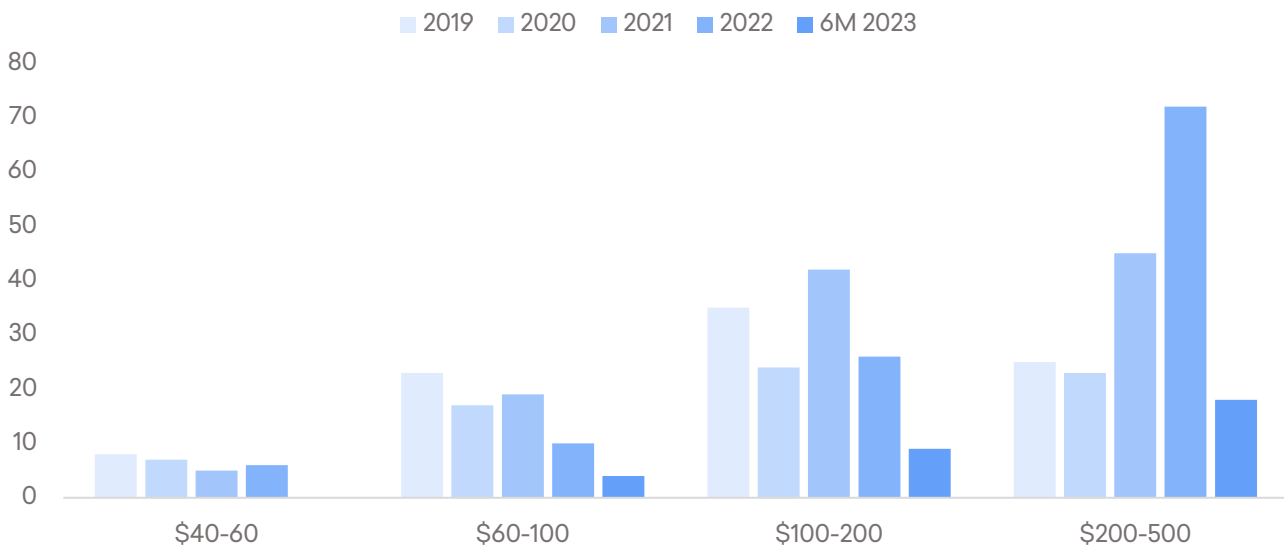


Figure 18. Number of transactions (units) by price categories (\$/SQM)



Source: NAPR, TBC Capital

Kojori

During Jan-Jun 2023, the majority of sales in the suburb of Kojori were recorded for land plots smaller than 1000 SQM, accounting for 67% of the total sales in this area (a total of 47 units). This was followed by plots in the range of 1000-2000 SQM with a 31% share (a total of 22 units).

In Kojori, just like in other suburbs of Tbilisi, the average sale price had an increasing trend. During the first six months of 2023, the average sale price of land plots smaller than 2000 SQM reached 71 \$/SQM, which was 25% higher than in 6M 2022.

Figure 19. Distribution of land transactions by area (SQM) and YoY growth (%)

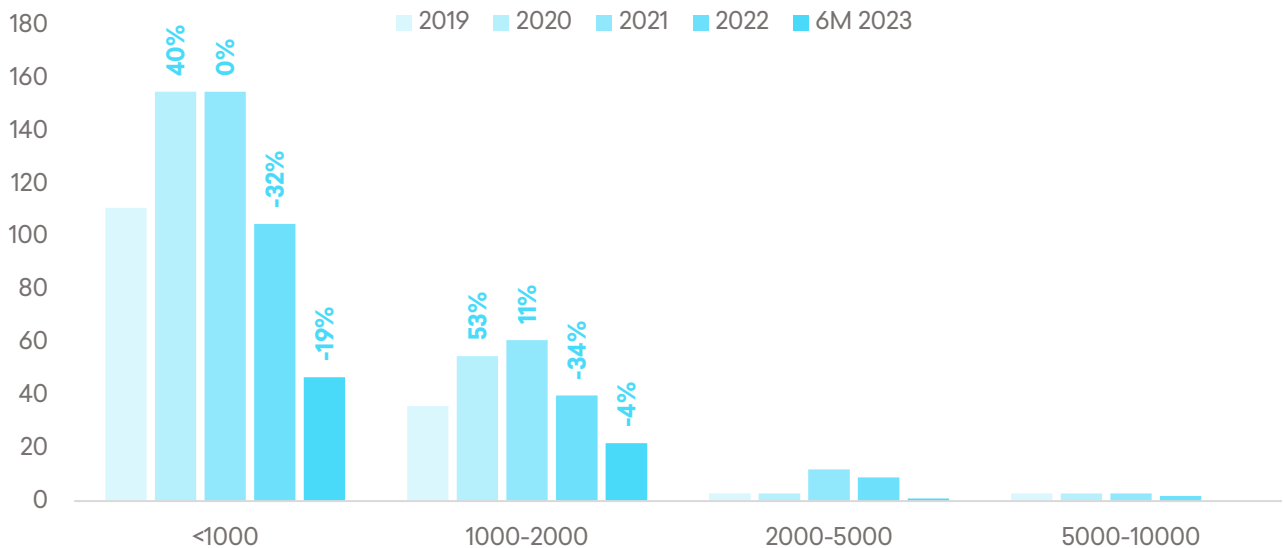
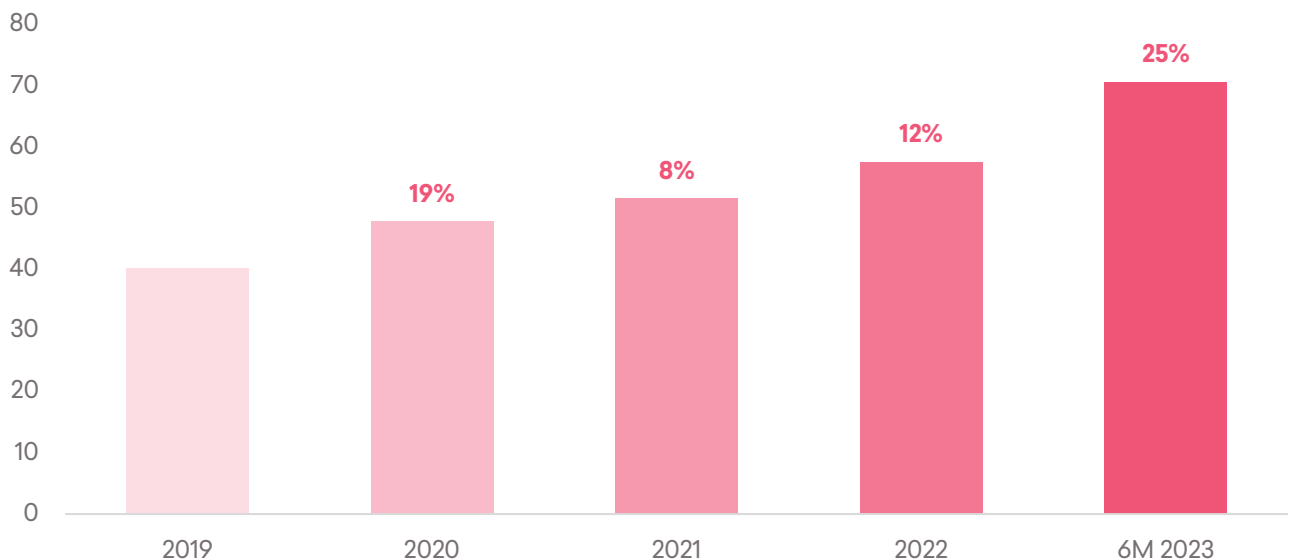


Figure 20. Average sale price for land plots below 2000 SQM (\$/SQM) and YoY growth (%)



Source: NAPR, TBC Capital

Kojori

Looking at the data for the sold land area, it peaked in 2021, reaching around 276 thousand SQM, which was 41% higher than in 2020. However, in 2022, there was a 25% decrease in terms of the sold area. Despite this decline, the indicator still remained well above the figures for both 2019 and 2020, reflecting the trends in the real estate market driven by the pandemic's effects, as discussed before.

During the first six months of 2023, total area of sold land in Kojori amounted to 62.4 thousand SQM. As for the prices, sales were mostly concentrated in price range of 40-60 \$/SQM. Around 19% of transactions were for land plots with a price range of more than 100 \$/SQM.

Figure 21. Sold area (SQM) and YoY growth (%)

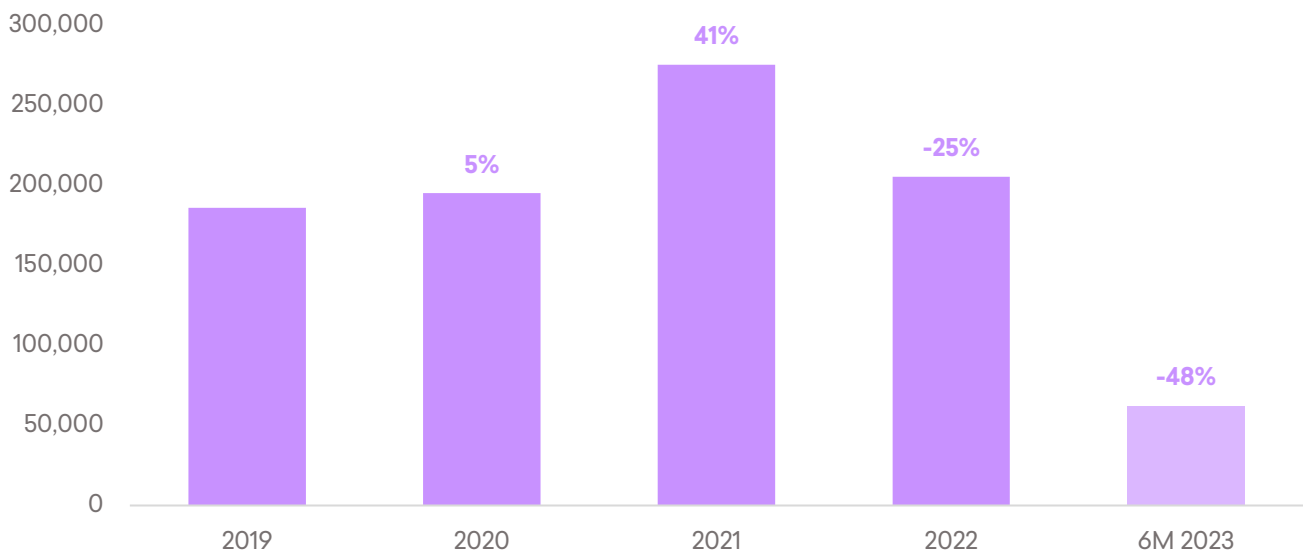
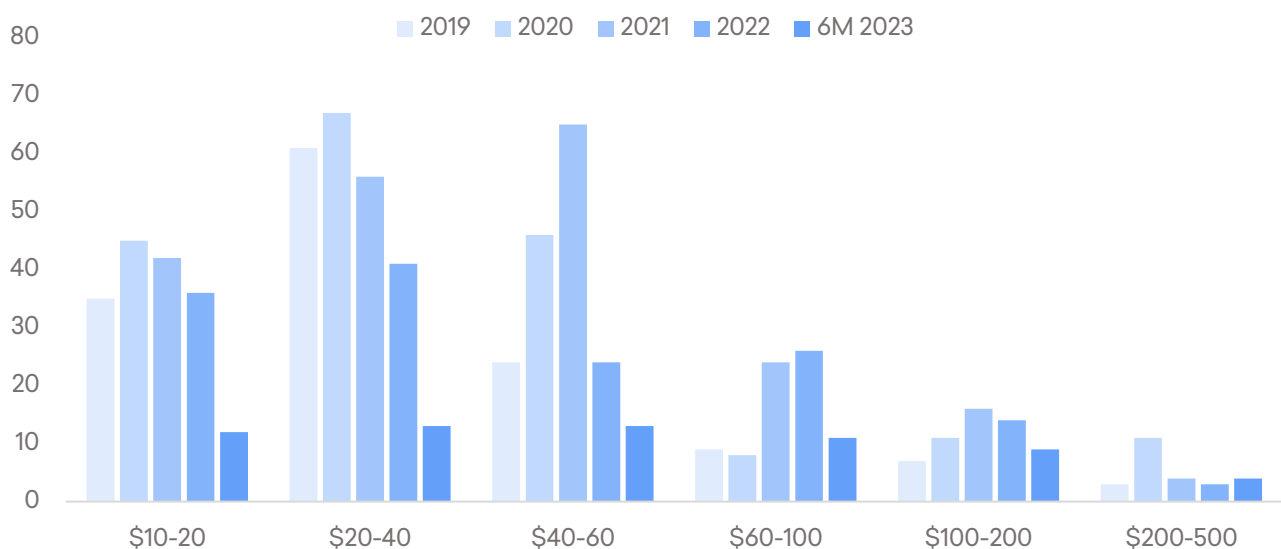


Figure 22. Number of transactions (units) by price categories (\$/SQM)



Source: NAPR, TBC Capital

Tsavkisi

During the first six months of 2023, most of the sales in Tsavkisi suburb comprised land plots under 1000 SQM, making up 57% of the total sales in the area (a total of 29 units). The second highest share was for plots ranging from 1000-2000 SQM, accounting for 35% of the sales (18 units).

Unlike other suburban areas, Tsavkisi was the only one with negative growth in average sale price in 2022 (-1% YoY). However it was still way above the pre-pandemic level. In 6M 2023, the average price stood at 102 \$/SQM with a 31% annual growth.

Figure 23. Distribution of land transactions by area (SQM) and YoY growth (%)

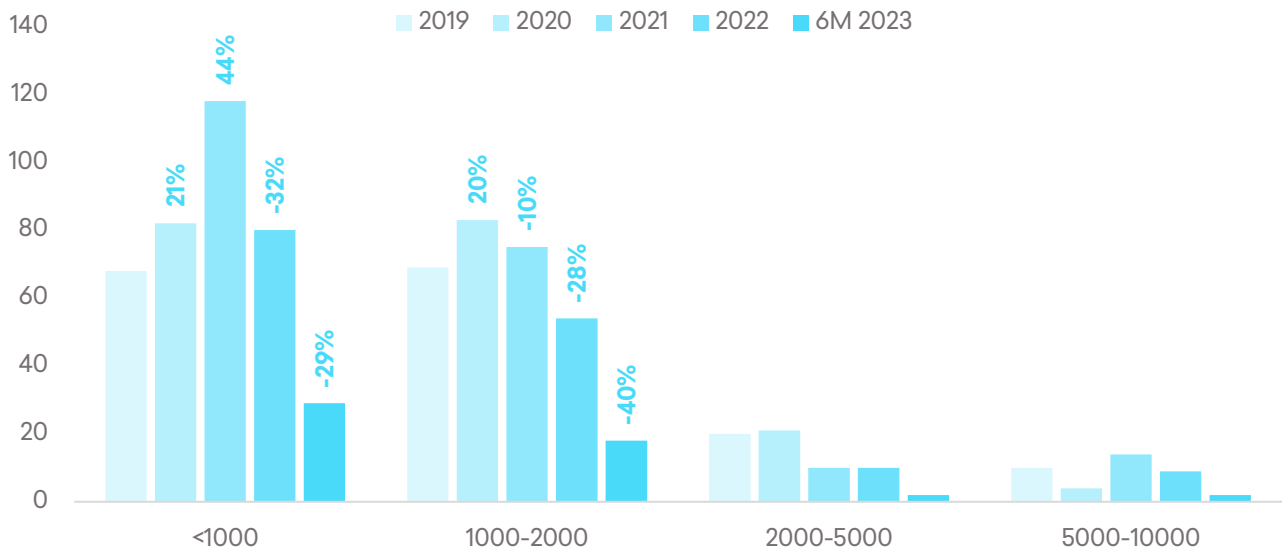
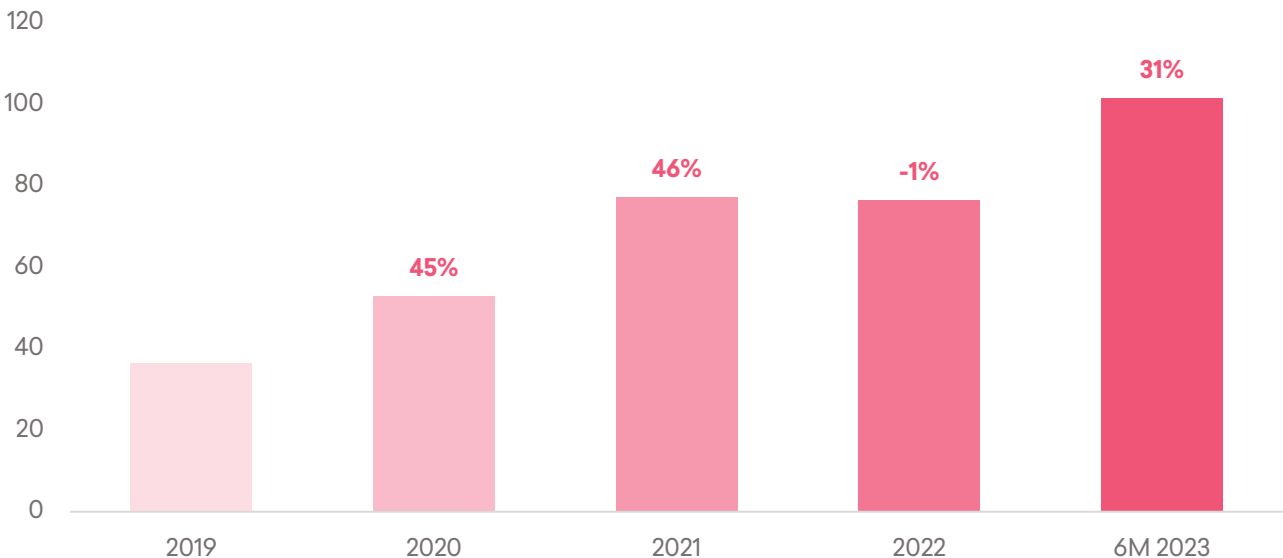


Figure 24. Average sale price for land plots below 2000 SQM (\$/SQM) and YoY growth (%)



Source: NAPR, TBC Capital

Tsavkisi

As for the sold land area in the suburb of Tsavkisi, it peaked in 2021, reaching around 297 thousand SQM, which was 6% higher than in 2020. However, in 2022, the corresponding indicator was 224 thousand SQM, representing a significant 24% decrease. During Jan-Jun 2023, the total area of sold land in the Kojori suburb amounted to 59.3 thousand SQM, which was 43% lower than in the same period of 2022.

In 6M 2023, sales were mostly concentrated in price ranges of 60-100 and 100-200 \$/SQM. It is worth noting that fewer land plots in Tsavkisi are being sold in the price ranges of 10-20 and 20-40 \$/SQM, reflecting the general trend of increased prices.

Figure 25. Sold area (SQM) and YoY growth (%)

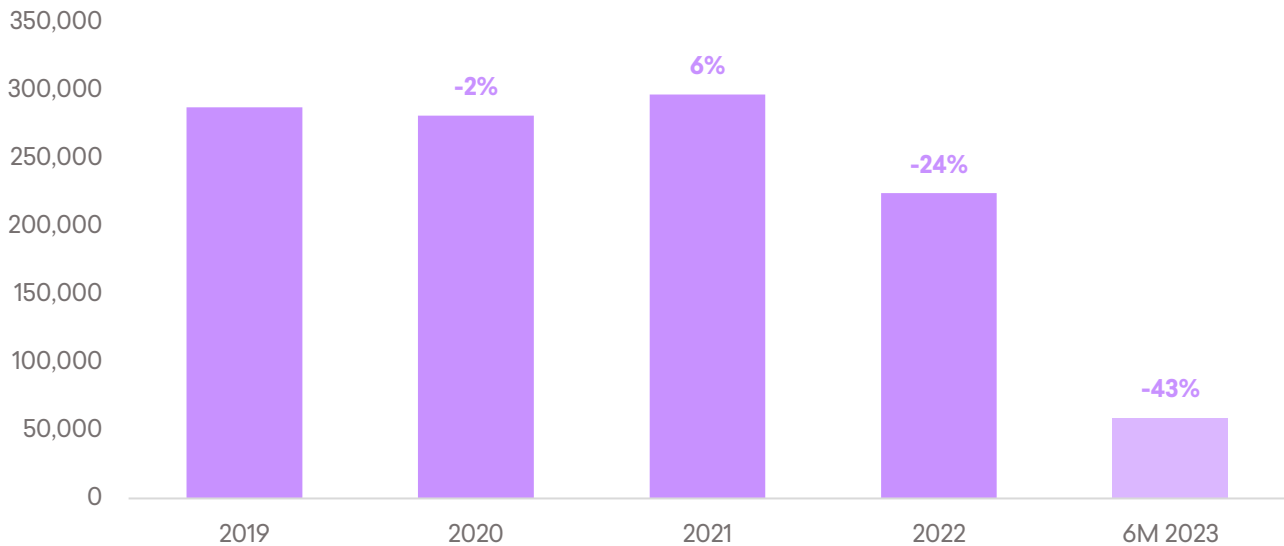
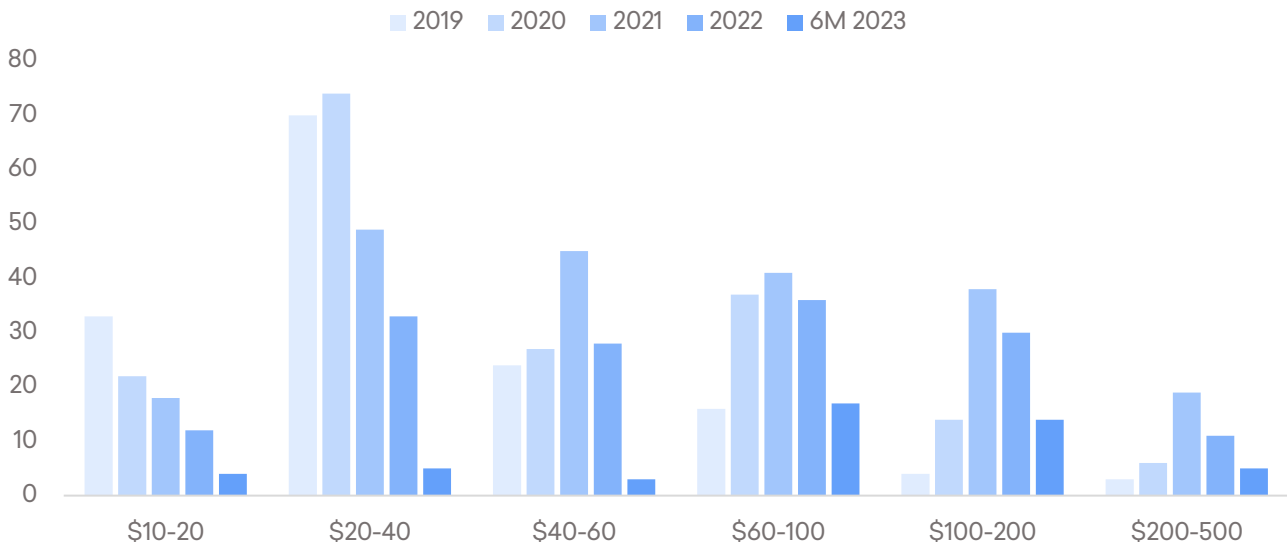


Figure 26. Number of transactions (units) by price categories (\$/SQM)



Source: NAPR, TBC Capital

Construction permits

The area of issued construction permits for individual houses (residential area, SQM) in the suburban area of Tbilisi followed the trends in the real estate market. In 2021, the total residential area of construction permits peaked at 79 thousand SQM, which was 28% higher than in 2020. This surge in construction activity for individual houses in 2021 was most likely driven by the increased demand for suburban properties during the pandemic. This increase in 2021 was followed by a 20% decrease in 2022.

Despite the drop in the area of permits issued in 2022, the figures remained substantially higher compared to pre-pandemic years, indicating a sustained interest in suburban living and ongoing construction activity in the area.

From 2019 to June 2023, the construction permits for the largest residential area have been issued in the suburb of Tsavkisi (27% of total permits), followed by Tskneti (18%) and Tabakhmela (13%).

Figure 27. Construction permits issued for individual houses (residential area, SQM)



Source: TAS, TBC Capital

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

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

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