



TBC CAPITAL

Tbilisi Residential Real Estate

MONTHLY WATCH

MARCH 2022

Irina Kvakhadze
Head of Research

Giorgi Mzhavanadze
Senior Researcher

Revaz Maisuradze
Research Analyst

Residential Real Estate in Tbilisi

MARCH 2022 VS MARCH 2021

3,712

Number of transactions

+23% ▲

838\$

+3% ▲

SALE PRICE

Average asking sale price per SQM in Tbilisi

7.1\$

+48% ▲

RENT PRICE

Average asking rent price per SQM in Tbilisi

TOP 3 DISTRICTS WITH THE HIGHEST INCREASE IN THE NUMBER OF TRANSACTIONS:



TOP 3 DISTRICTS WITH THE HIGHEST INCREASE IN THE ASKING SALE PRICE:



Transactions, price and yield

In March 2022, Tbilisi residential market already experienced the impacts of war through increased demand from the migrants and GEL short-term nominal depreciation. (See our recent publication: [Tbilisi Residential Market: New reality](#)).

The number of transactions improved by 18.6% MoM. The growth was even stronger in YoY terms, totaling 22.8% vs March 2021.

Average asking sale price hit a speed bump in MoM terms, with growth transitioning into the negative territory (-6% vs February 2022). However, it was

mainly attributed to GEL depreciation against USD, since prices increased by 2% MoM in GEL terms. The YoY change in asking sale prices (USD) still remains positive, amounting 2.9%.

The impact of migration was particularly strong in case of **asking rent price**, which improved by 20.1% in MoM and 48.4% in YoY terms. Furthermore, March 2022 became the first to surpass the pre-pandemic level in last couple years. Consequently, **rental yield** hiked to 10.2%, posting a +2.2pp MoM and +3.1pp YoY changes. This will positively impact the sale prices in the upcoming months.

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

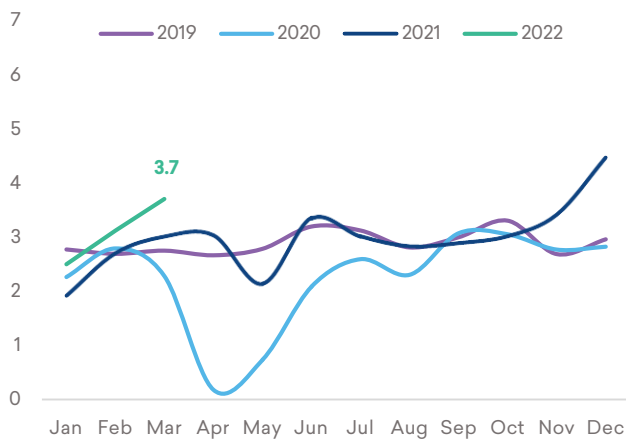


Figure 2. Average asking sale price per SQM (USD)

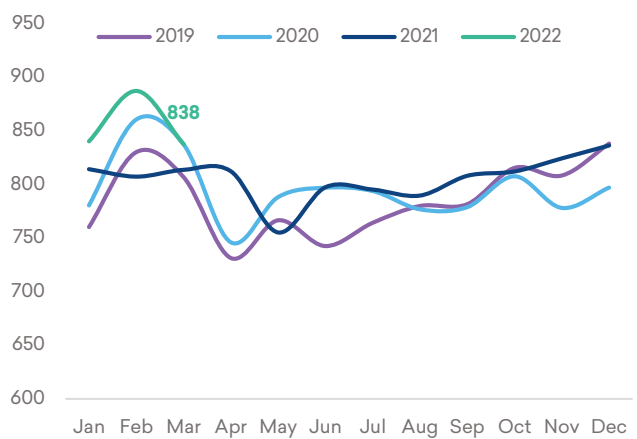


Figure 3. Average asking rent price per SQM (USD)

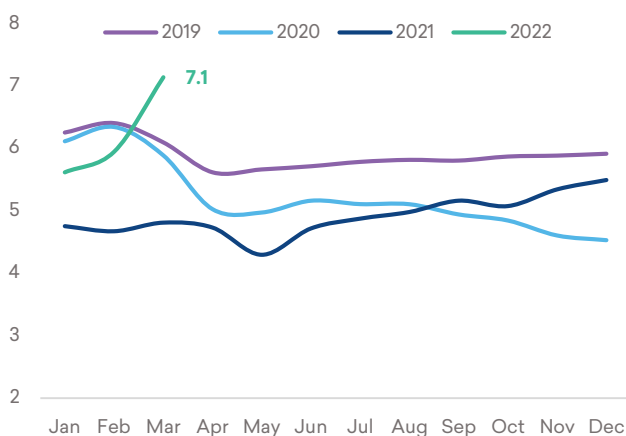
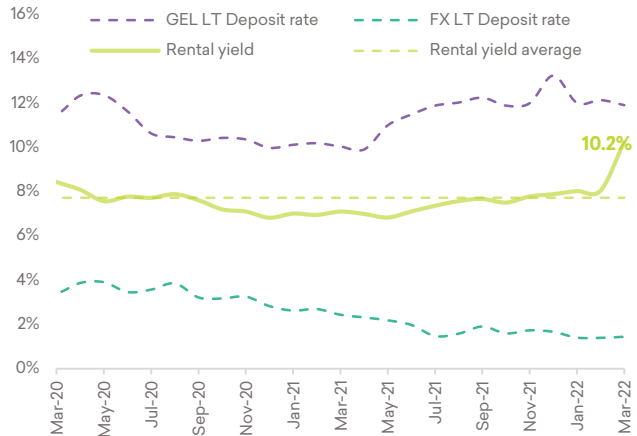


Figure 4. Rental yield and deposit rate dynamics



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

New vs old apartments

Market remained active in March 2022. The demand was higher for newer apartments, which account for about 65% of total transactions. The share seems to be more or less consistent, barely changing throughout the year. Furthermore, sale of new apartments increased by 25% and for old ones by 19% YoY.

Considering **apartment sales by size**, smaller apartments had a higher share in

older properties (46%), while the mid-sized apartments take the majority for newer properties (37%).

The average asking sale prices for new apartments posted a 3.5% growth YoY, while old properties increased by 1.5%. The gap between prices for new and old apartments might increase due to rising prices of construction materials and skewed demand from migration.

Figure 5. Number of sold residential properties (000' Units)

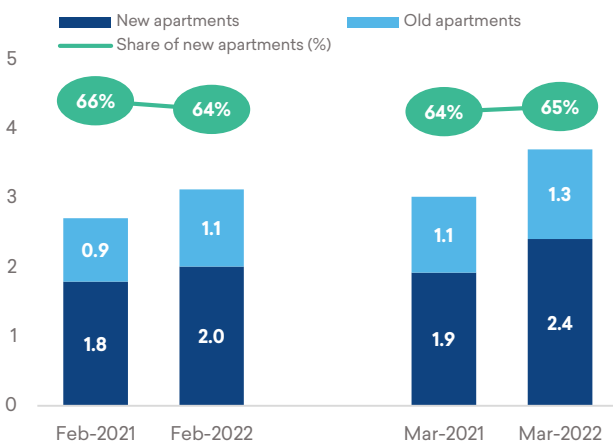


Figure 6. Average asking sale price per SQM (USD)

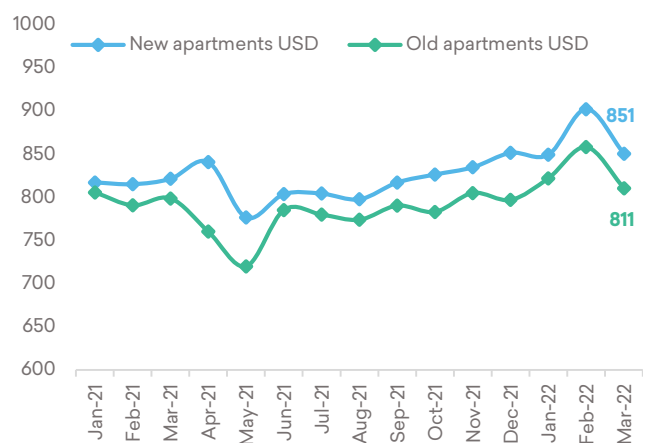


Figure 7. Apartment shares by sizes – March 2022 (Area, SQM)

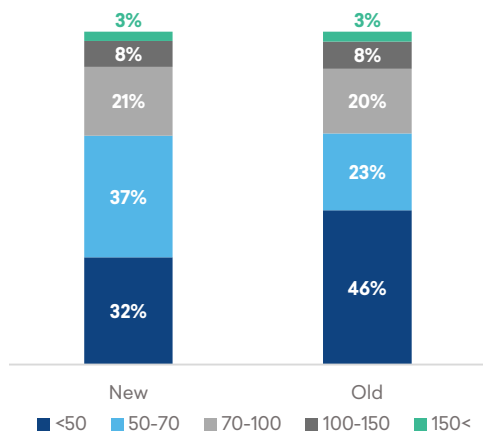
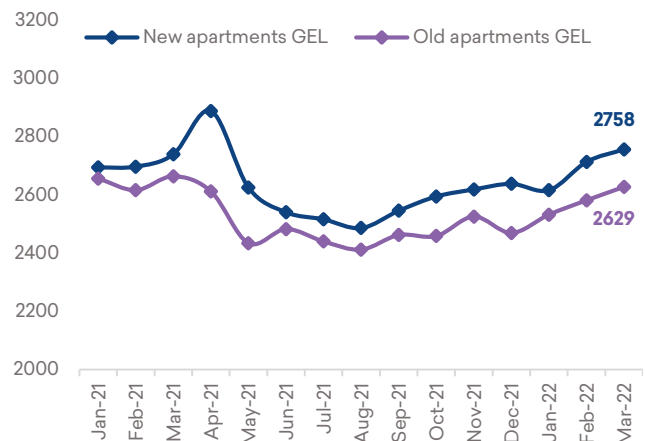


Figure 8. Average asking sale price per SQM (GEL)



Source: Myhome, NAPR, TBC Capital; Note: New apartment means an apartment with construction permits issued since 2010

Tbilisi districts

In March 2022, **the number of transactions** were higher in the majority of districts relative to previous year. The top 3 districts with the largest YoY growth of transactions were: Saburtalo (+40.6%), Vake (+40.4%) and Didube (+35.1%). Krtsanisi (-11.8%) and Chughureti (-6.3%) were the only two districts with negative annual change. Saburtalo (18.8% of total) and Didi Dighomi (16.3% of total) still accounted for the largest share of total transactions in Tbilisi. Krtsanisi, Mtatsminda and Chughureti were the least active districts in March, together accounting for only 5% of total transactions.

Figure 9. Number of sold apartments (Units) and YoY change (%): March 2022

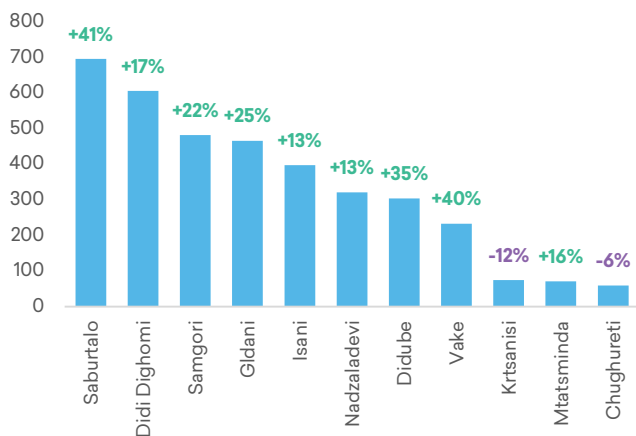
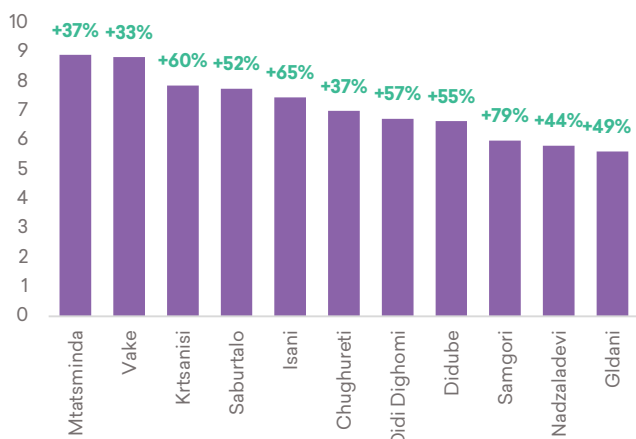


Figure 11. Average asking rent price per SQM (USD) and YoY change (%), March 2022



As for the annual change in **sale prices**, Didi Dighomi (+12.6%) took the top, followed by Mtatsminda (+8.4%) and Saburtalo (+8%). Meanwhile, Krtsanisi, Chughureti and Nadzaladevi all posted a 7% YoY decrease.

Regarding the **rent prices**, the gap between districts seems to have narrowed, coupled with a significant spike observed in all of them. Thus, **rental yield** stood at sizeable levels. Samgori (12.3%), Isani (12.1%) and Didi Dighomi (11.9%) were at the top of the list. Yield increased more than 4 pp YoY in Samgori, Isani and Krtsanisi.

Figure 10. Average asking sale price per SQM (USD) and YoY change (%), March 2022

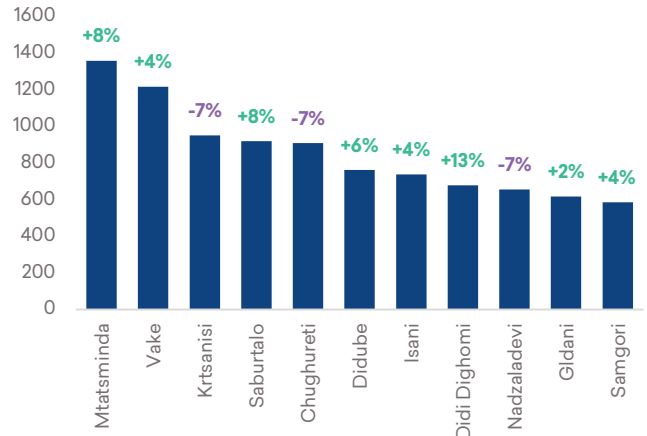
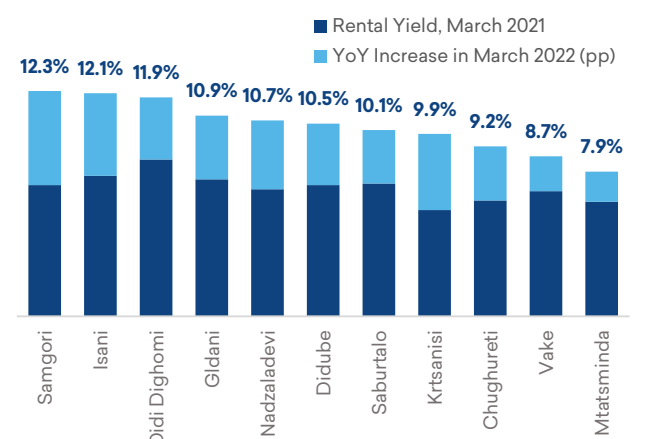


Figure 12. Rental yield by district (%), March 2022



Source: Myhome, NAPR, TBC Capital

Flat-sharing market

Gradual recovery in tourism had a positive impact on Tbilisi Airbnb market, which was additionally fueled by migration in March 2022.

In the current month, **ADR** surpassed the 2019 figure by 12%, however **the number of active listings** still remains below the pre-pandemic level (-41% vs March 2019), meaning that the supply is recovering much slower than demand. **Occupancy rate** stood 31 pp higher than in 2019. It should be noted that **the number of nights** exceeded the 2019 level by 5%

Figure 13. Tbilisi Airbnb market: Major indicators

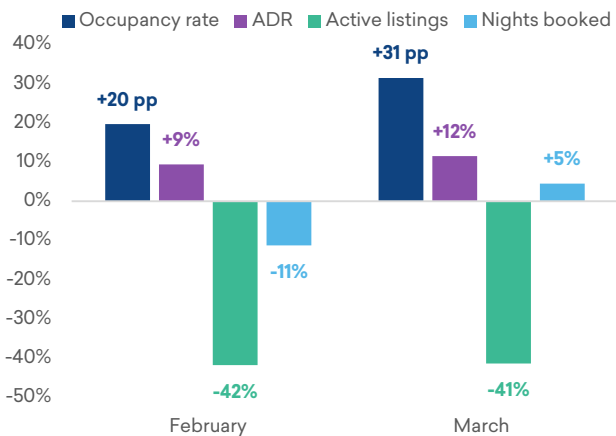


Figure 15. Tbilisi Airbnb market revenue (USD): % Change relative to 2019



Source: Airdna, GNTA, MFA Georgia, TBC Capital

for the first time since the pandemic. The same applies to **total market revenue**, which exceeded the pre-pandemic level by 18%.

Considering the recently elevated migration levels and an improved Covid situation, flat-sharing market should continue to recover at a relatively higher pace than before. However, the migration impact might be only temporary, since the migrants will most probably switch to traditional renting instead of Airbnb.

Figure 14. Tbilisi Airbnb market: Properties booked at least once

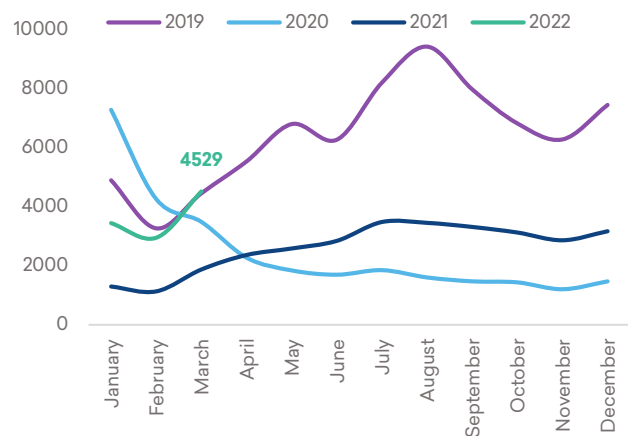
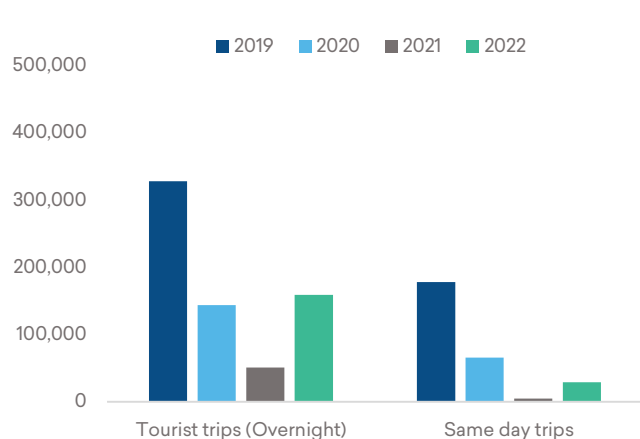


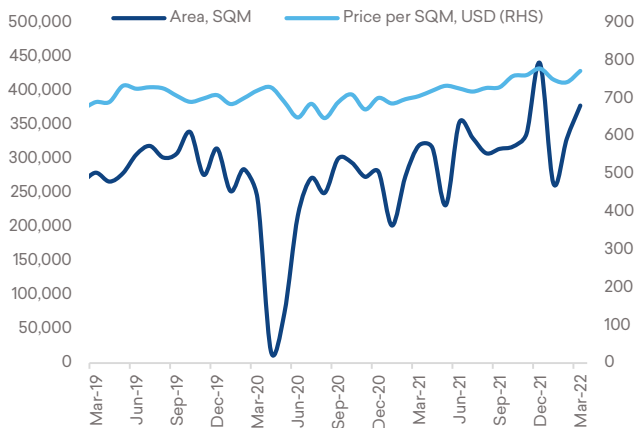
Figure 16. International visitor trips to Georgia in March



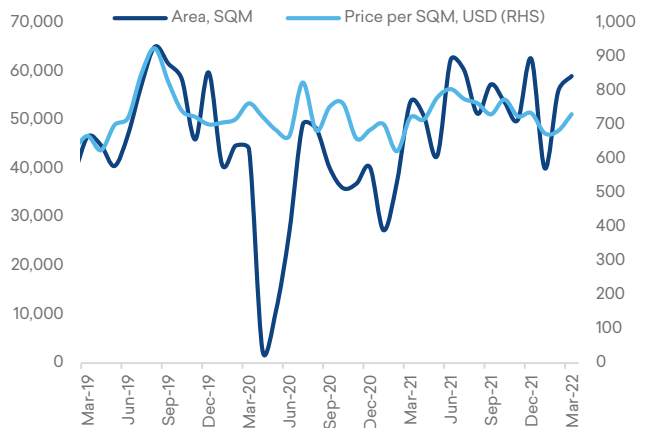
Annex: Rest of Georgia

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

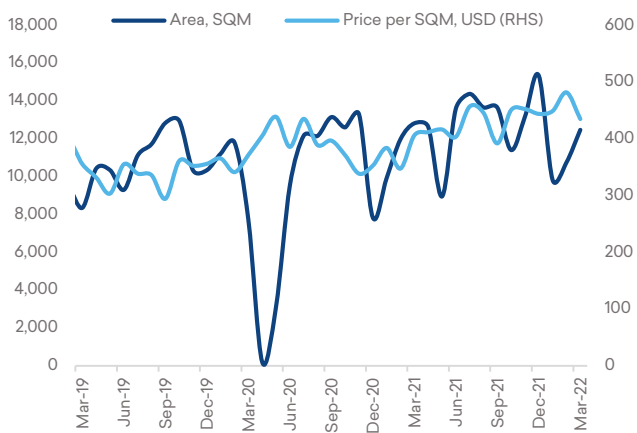
Georgia



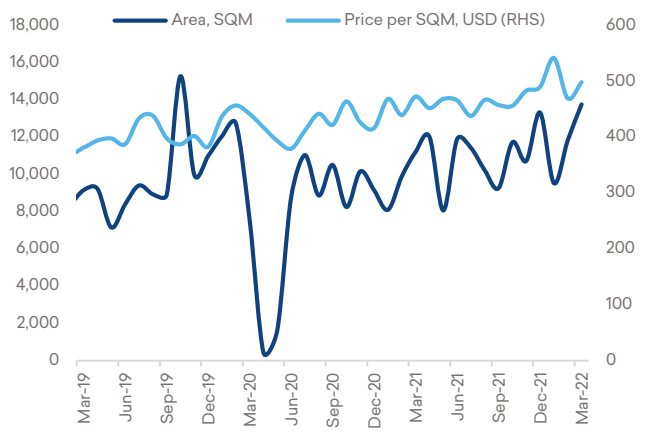
Batumi



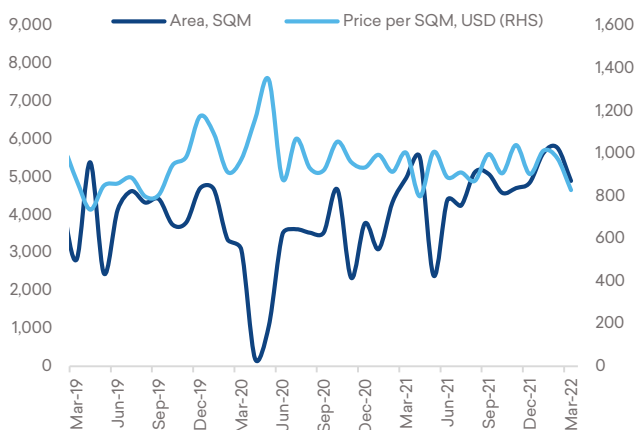
Kutaisi



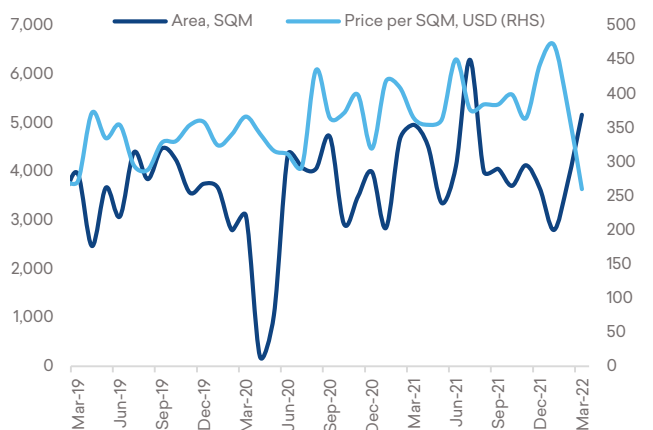
Rustavi



Borjomi



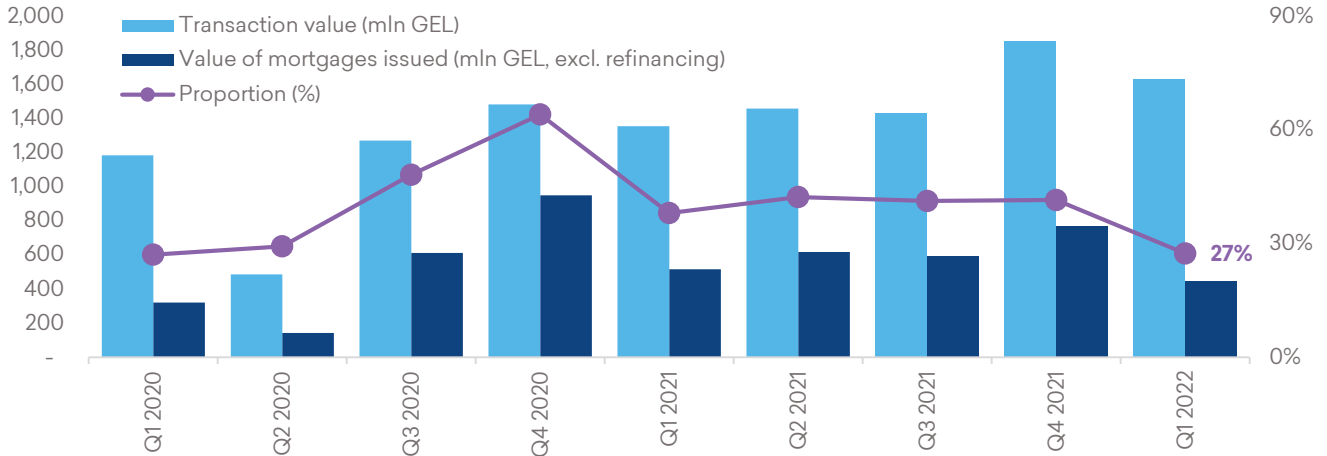
Gori



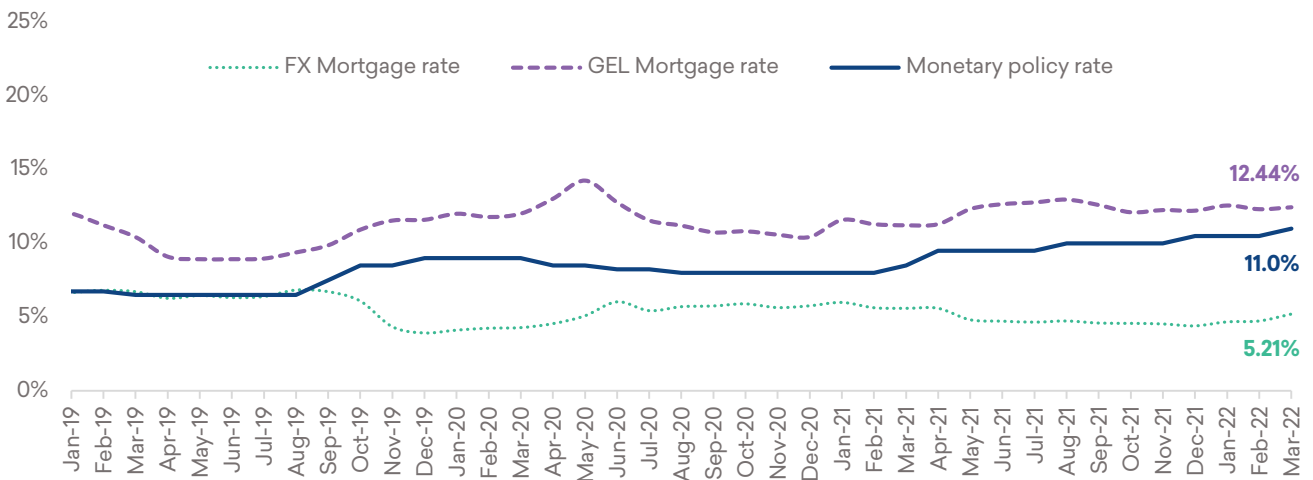
Source: NAPR, TBC Capital

Annex: Mortgages

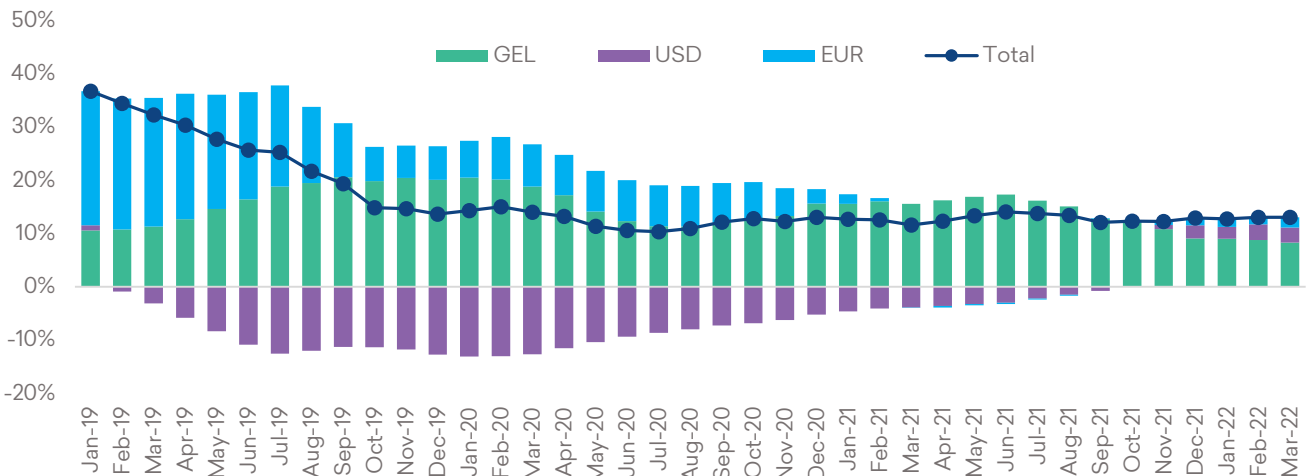
A2. Value of issued mortgages to transaction value*, Tbilisi



A3. Mortgage rate dynamics in Georgia



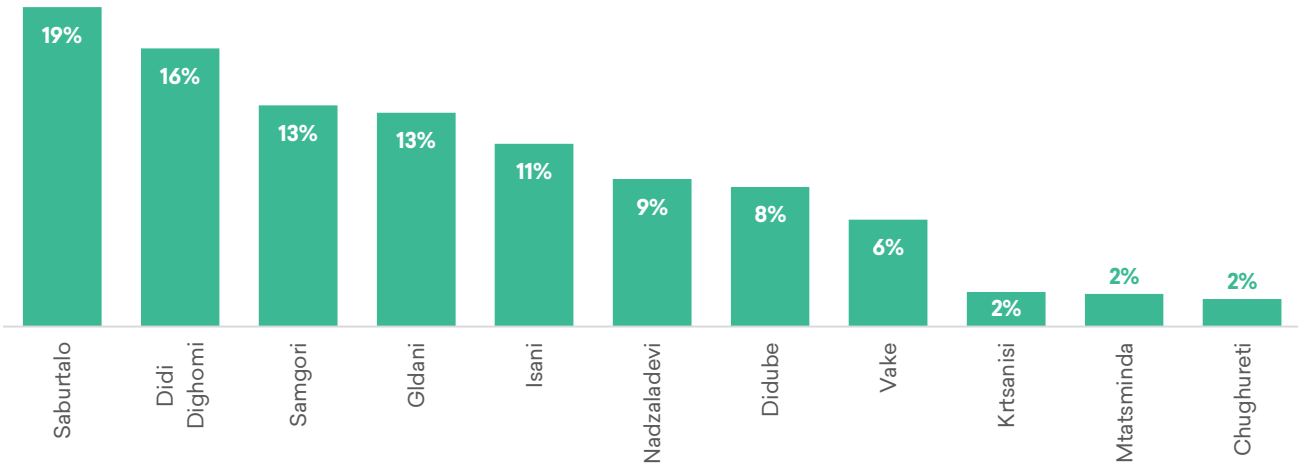
A4. YoY growth of mortgage portfolio and contribution to growth by currencies



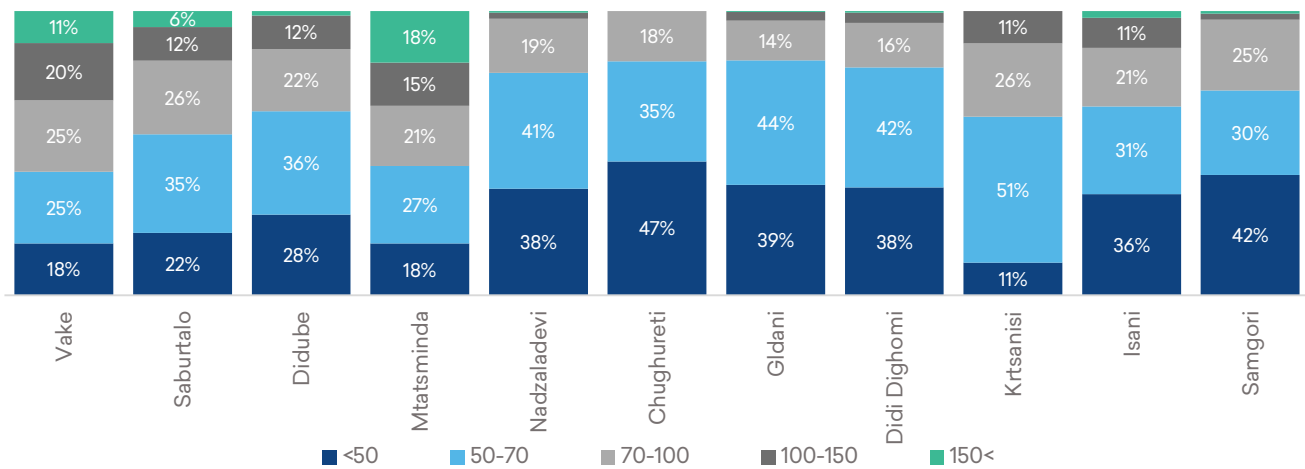
Source: NAPR, NBG, TBC Capital

Annex: Districts

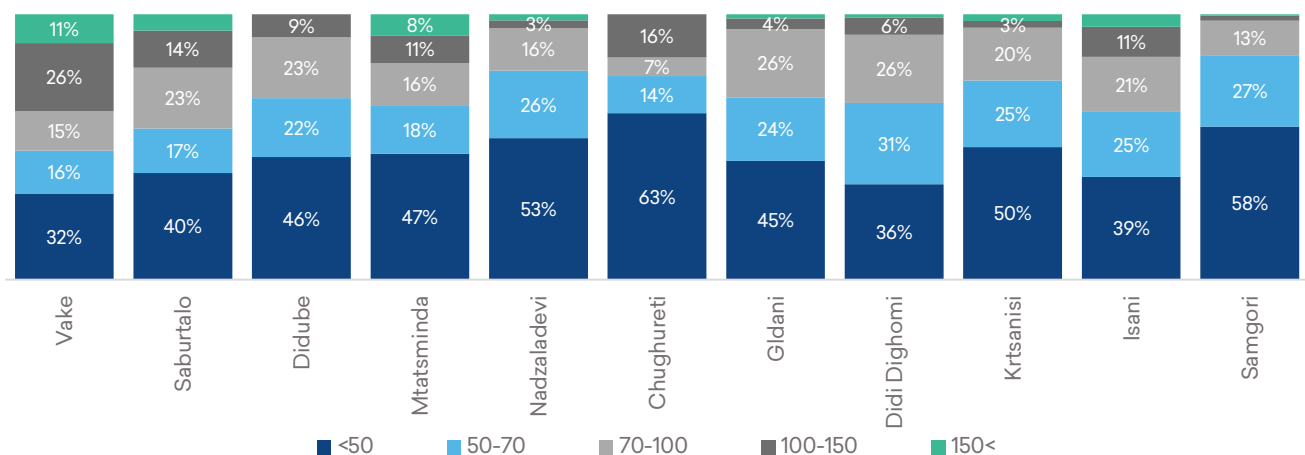
A5. Total transaction distribution by districts – March 2022



A6. New apartments – shares by sizes in March 2022 (Area, SQM)



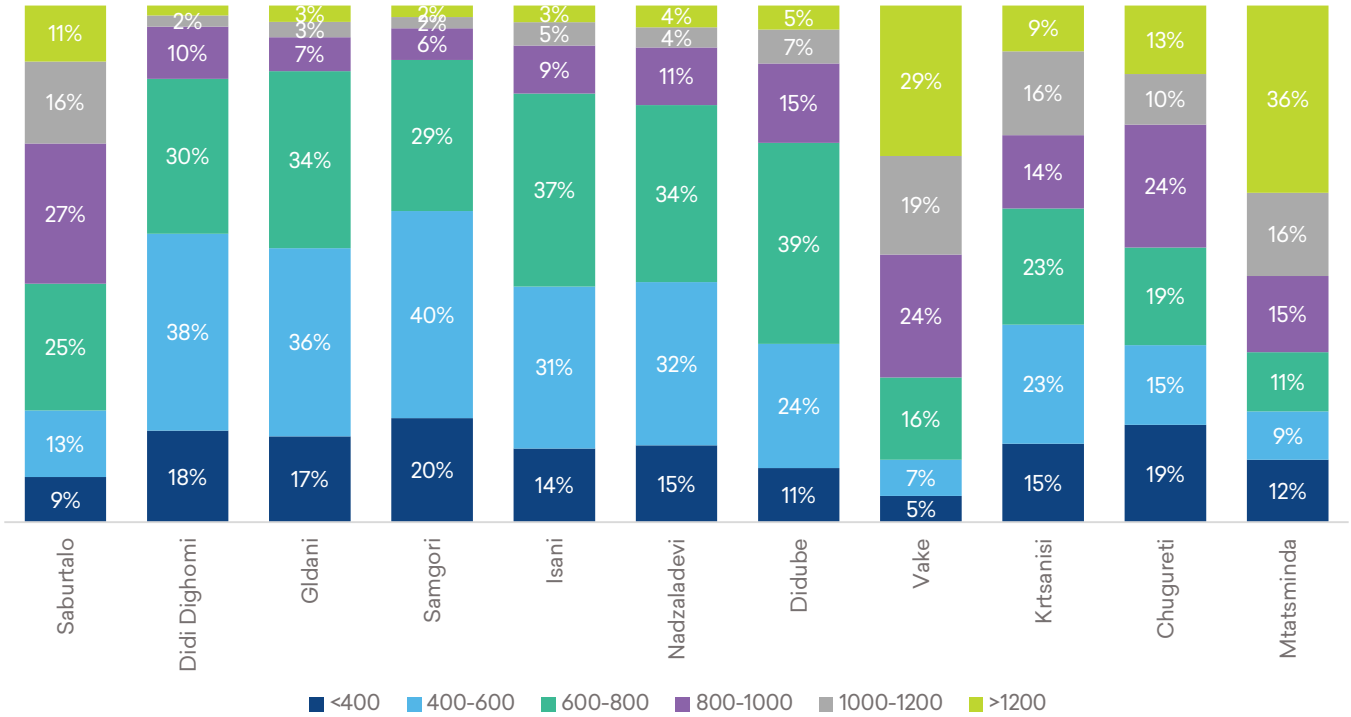
A7. Old apartments – shares by sizes in March 2022 (Area, SQM)



Source: NAPR, TBC Capital

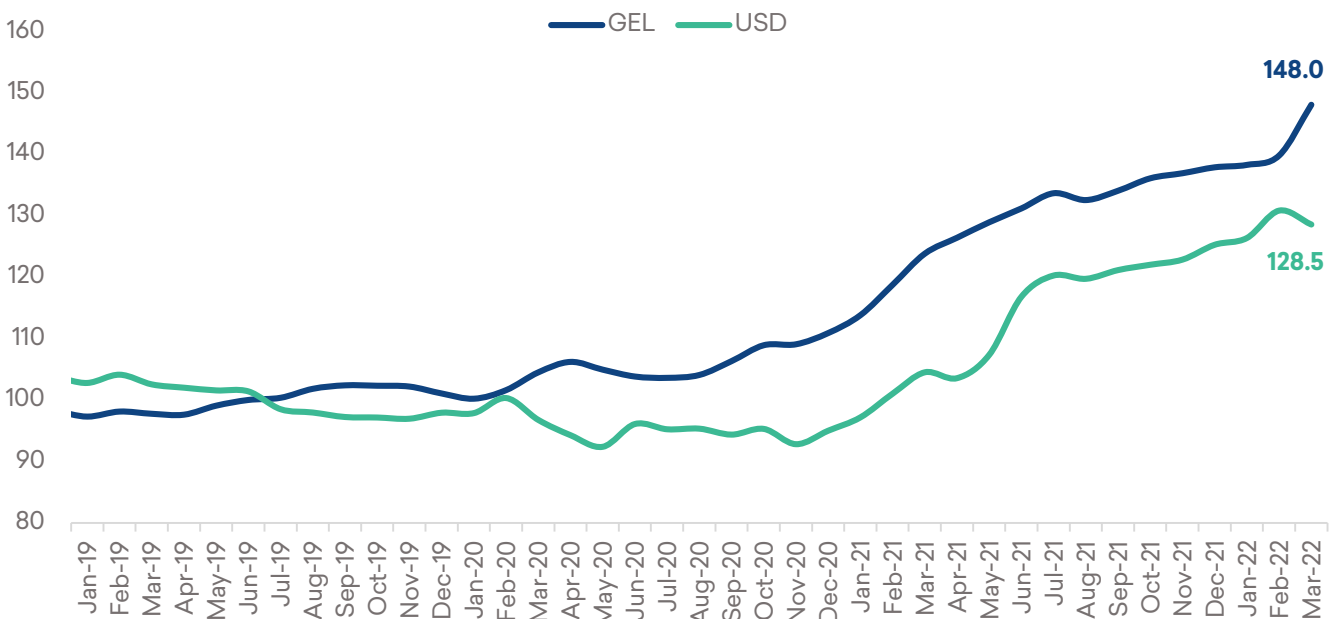
Annex: Districts

A8. Number of transactions by price categories, districts, March 2022



Annex: Construction materials

A9. Prices of material inputs to construction industries, Indices (2019 = 100)



Source: NAPR, Myhome, Geostat, 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.



TBC CAPITAL

www.tbccapital.ge

2022