



Tbilisi Residential Real Estate

MONTHLY WATCH

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August 2021 in Brief

The market is recuperating at a fair pace, with transaction activity stabilizing. In August, the number of sold residential properties stands at about 3100 units and still remains above its 2019 level (+9%). In January-August (8M) the number of transactions is 1% higher than in the same period of 2019.

With a marginally recovered market and demand, the prices are going up. Average residential real estate price in August 2021 is almost 5% higher than its 2019 level. However, the rent is still challenged by Covid effect and stands about 17% lower than in 2019.

With a still challenged tourism and more than half of Airbnb market missing, traction on the Airbnb designated property market cannot be expected.

The demand has increased almost equally for both, new and old apartments. In 2021, the number of transactions in the first 8 months has increased by 1.9% for new apartments compared to 2019 (+1.2% for old).

In July-August 2021, average sales weighted prices were considerably higher than in the same period of 2019 and 2020. The price for new apartments surpassed its 2019 level by 6% (+10% YoY) and for old apartments by 10% (+17% YoY).

In the first 8 months of 2021, the number of transactions is higher than in 2019 or, at least, almost at the same level in the majority of districts. Didube (+34%), Isani (+21%) and Samgori (+14%) posted highest growths relative to 2019.



Transactions, price and yield in August 2021

Transactions

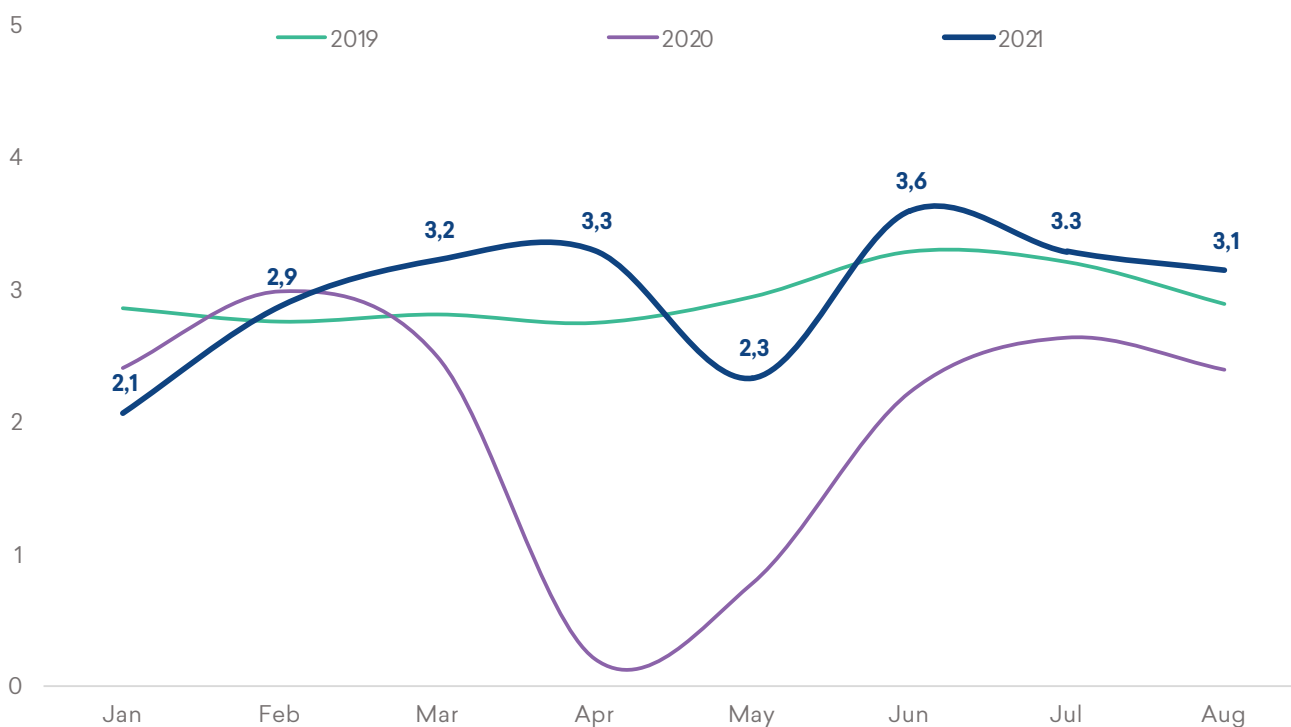
From February 2021 transactions of residential real estate started a strong recovery, exceeding its 2019 levels. In May 2021 number of transactions fell significantly and growth to May 2019 moved to negative territory. This drop and a significant increase of transactions in June can be explained by delayed registration of transactions due to 14-day public holidays announced in May.

In August 2021 number of transactions decreased by 6% compared to previous month. However, it still remains above its 2019 level and the difference is nearly 9%, (+32% YoY), which is higher than in July (+2% vs 2019).

In 2021, the number of transactions in January-August (8M) slightly surpasses its pre-pandemic level (+1% vs 2019).

FIGURE 01

Number of sold residential properties by years (000' Units)



Source: NAPR, TBC Capital;

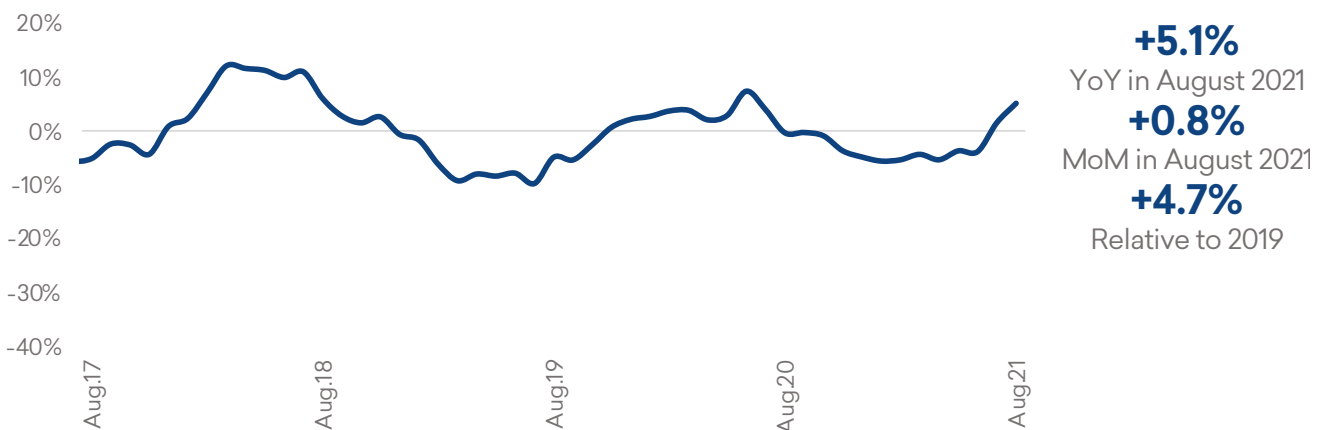
Price

With a more or less recuperated market and the recovered demand, the prices are going up. Average residential real estate price is on an increasing trend and in August 2021 is almost 5% higher than its 2019 level. The pandemic hit the rent harder and it's still recovering from the Covid effect.

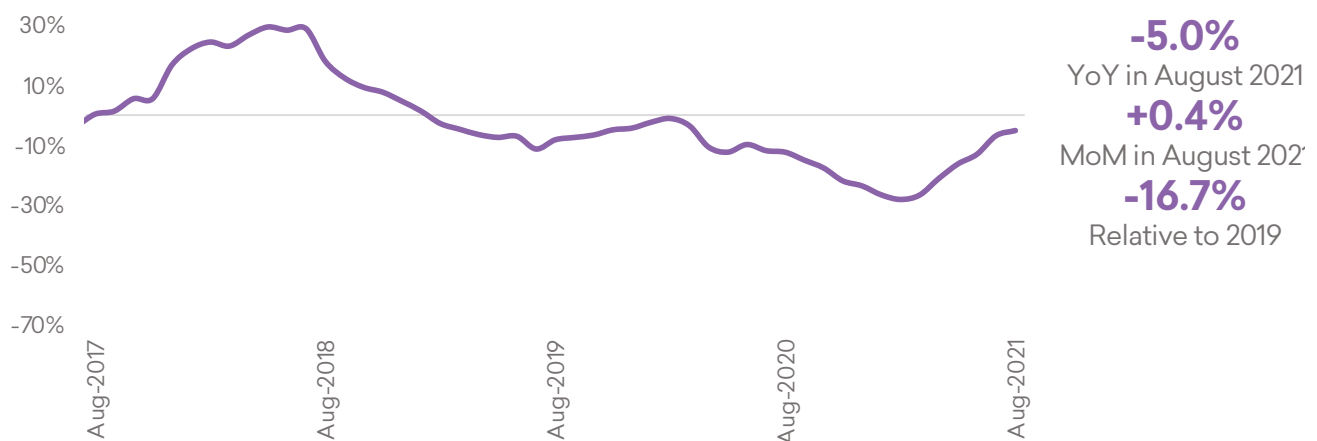
It stands about 17% lower than in 2019. Even though there is a slight recovery in MoM terms, YoY figures don't look promising as well (-5% vs 2020).

FIGURE 2 & 3

Tbilisi residential real estate price - USD (Change YoY, %)



Tbilisi residential real estate rent - USD (Change YoY, %)



Source: NBG, TBC Capital

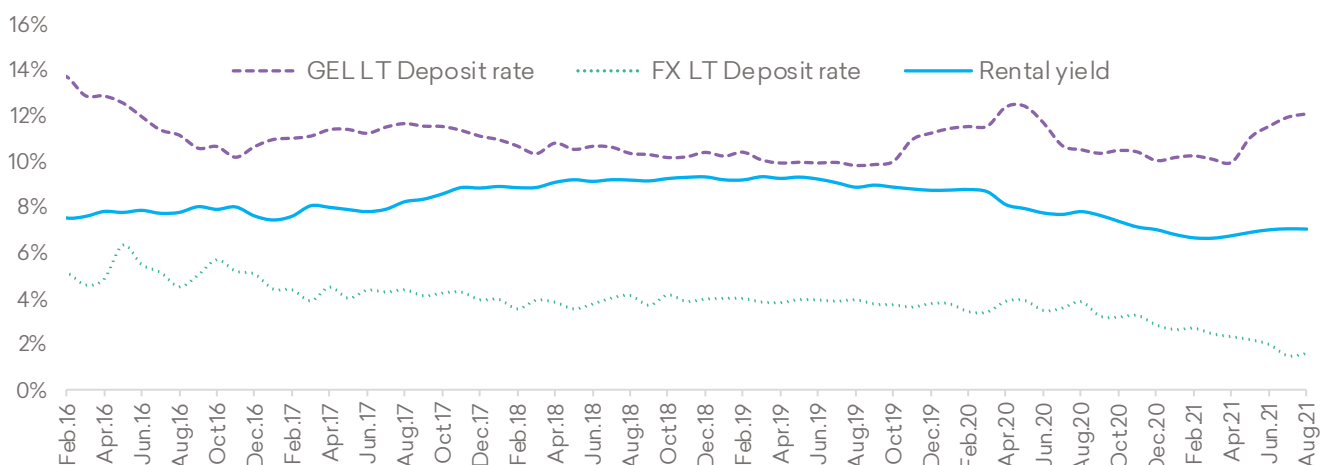
Yield

The rental yield is at 7.0% in August and stands below its long term average by 1.4%. Due to high difference in yields, it still remains competitive to USD deposits. Deposit rate in foreign currency has been on a downward trend, remaining below 2% in August 2021, while the long term deposit rate in GEL is still on the rising streak, standing above 12%.

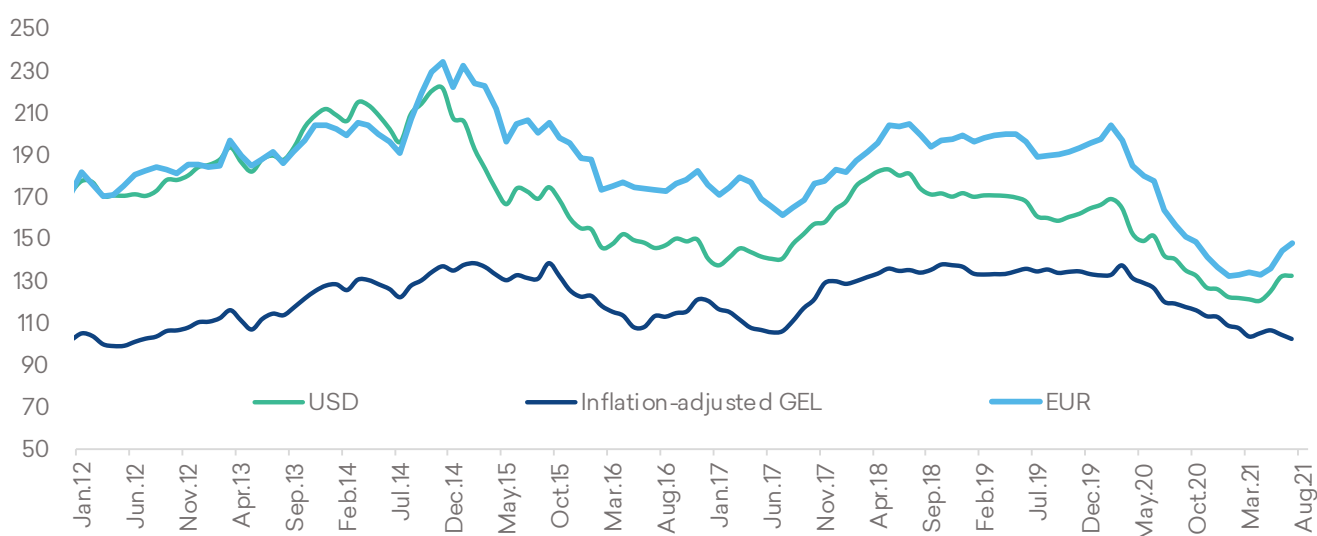
A slight recovery can be seen for average rent indices starting from April 2021 for USD and EUR, while Inf. Adj. GEL continues to decline. This is mostly due to currency exchange rate fluctuations.

Figures 4 & 5

Rental yield and deposit rate dynamics in Georgia



Average rent indices (Jan 2005 = 100)



Source: NBG, TBC Capital

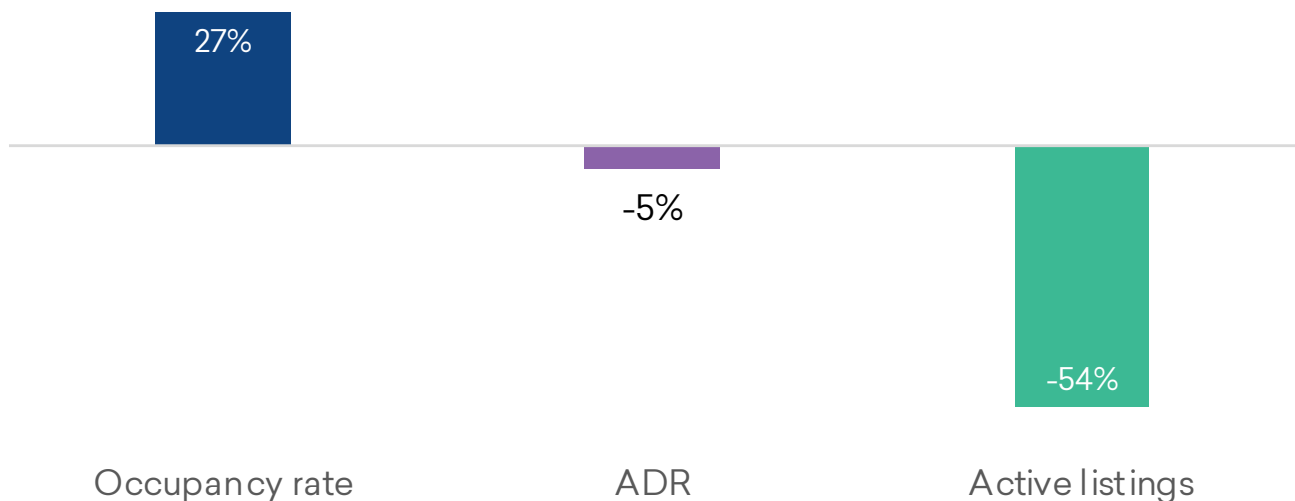
Since Covid whipped its tail in August, it is no surprise that the month was not significantly more active than July. The 27% higher occupancy rate in August 2021 compared to 2019 can be explained by the tourists' preference to stay in a more private place during the pandemic. As for market revenue, the recovery came to a halt. Revenue in August 2021

is only 40% of what it amounted to in 2019. Less than half of 2019 active listings stayed on the market.

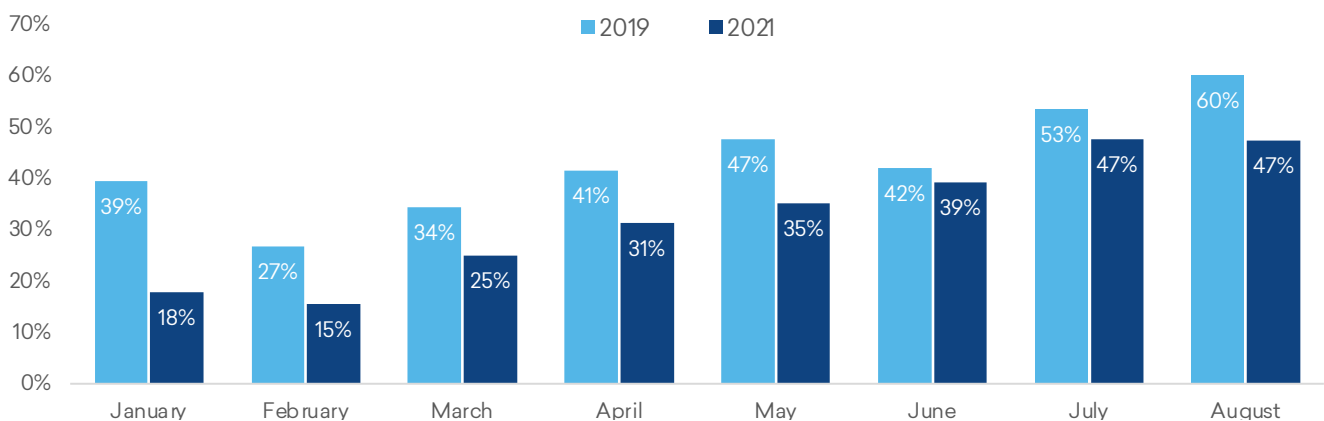
Tourism has a long way to go till recovery and more than half of the Airbnb market is missing. Hence, significant investments are not to be expected in Airbnb designated properties.

Figures 6, 7 & 8

Recovery in August 2021 relative to 2019 (%)

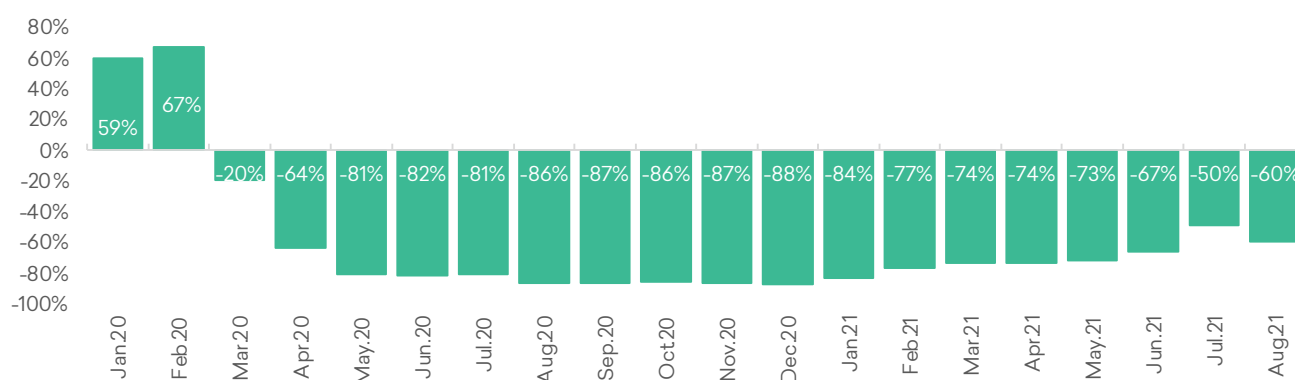


Tbilisi Airbnb market: Properties booked at least once (%)



Source: Airdna, TBC Capital

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



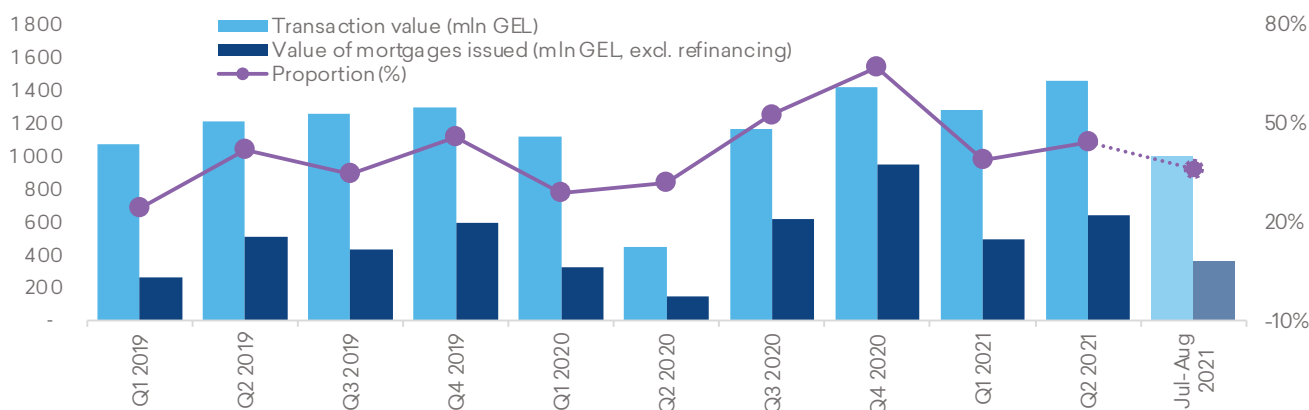
Source: Airdna, TBC Capital

The increase in mortgage issuance is generally an indication of an increasing demand on the market. Q3 & Q4 of 2020 were the most active because of the subsidy program and since then, the figures have been stabilizing. Q1 of 2021

was followed by a noticeable increase in Q2 and July-August seems to be on a fair level. Furthermore, the proportion of mortgages issued in Tbilisi to transaction value stands at 36%.

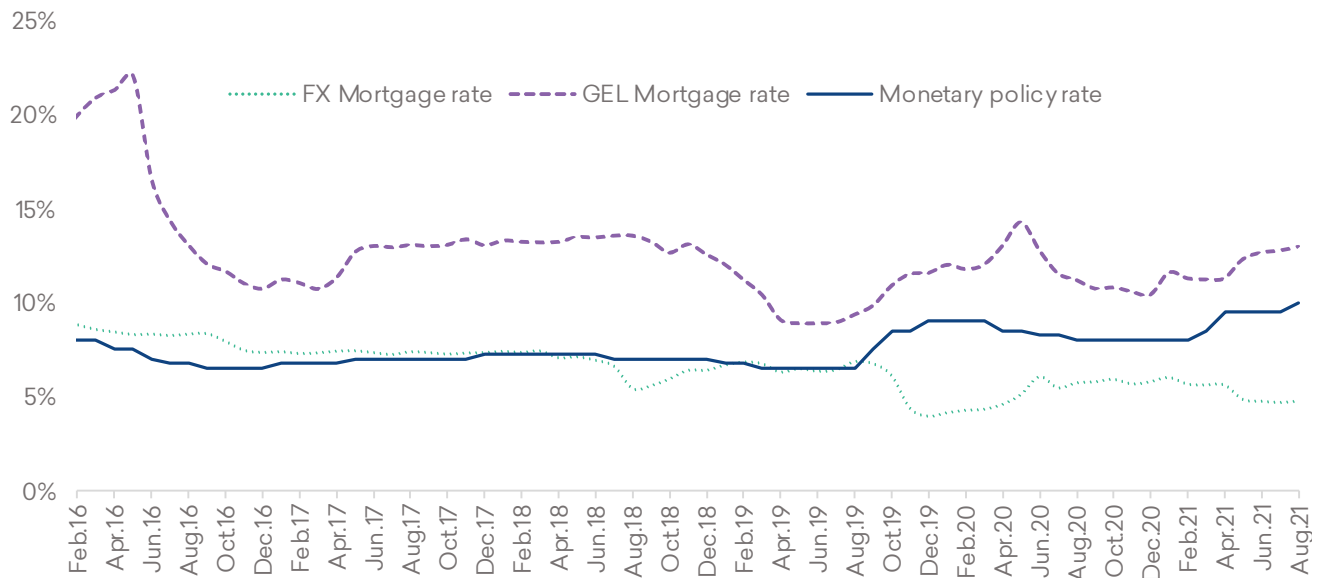
Figures 9, 10 & 11

Value of issued mortgages to transaction value*, Tbilisi

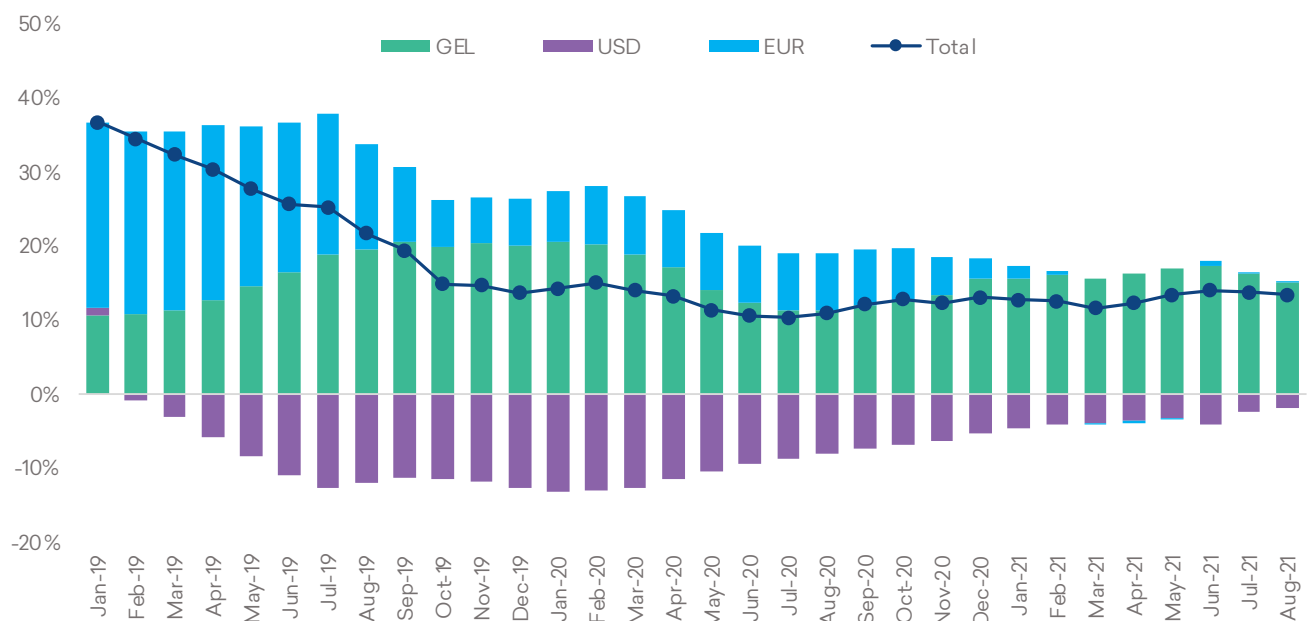


Source: NAPR, NBG, TBC Capital; *Note: The chart depicts a proportion of all mortgage loans issued, net of refinancing (TBC Capital estimates), in the period to the proportion of real estate market turnover in Tbilisi.

Mortgage rate dynamics in Georgia



YoY growth of mortgage portfolio and contribution to growth by currencies



Source: NAPR, NBB, TBC Capital

Where do preferences lie: new or old apartments

The demand has increased almost equally for both, new and old apartments. In 2021, the number of transactions in first 8 months has increased by 1.9% for new apartments compared to 2019 (+1.2% for old).

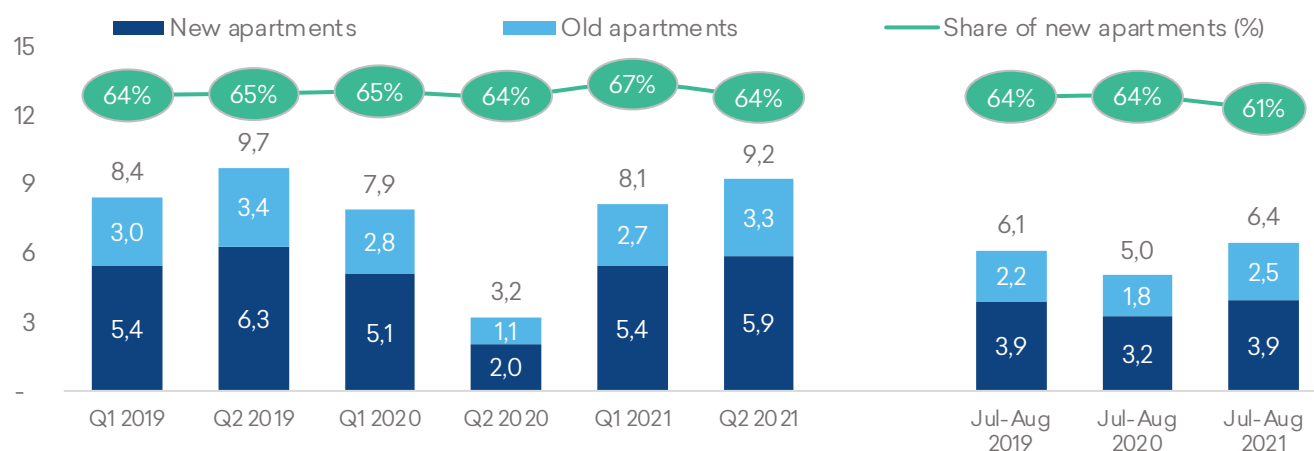
About 4000 new apartments were sold in July-August 2021, which is 1% higher

than its 2019 figure (+23% YoY). The share of new properties accounted for 61% of total transactions and the total area amounted up to 272 thousand SQM.

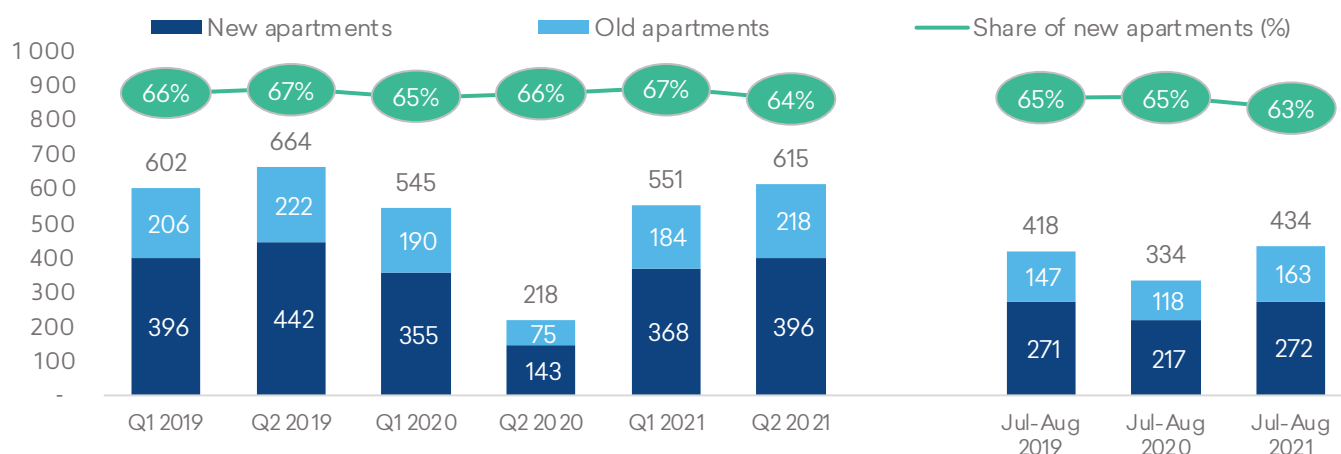
Amounting over 163 thousand SQM area, about 2500 old units were sold in July-August 2021. This figure surpasses its 2019 level by 13% (+37% YoY).

Figures 12 & 13

Number of sold residential properties (000' Units)



Total area of sold residential properties (000' SQM)



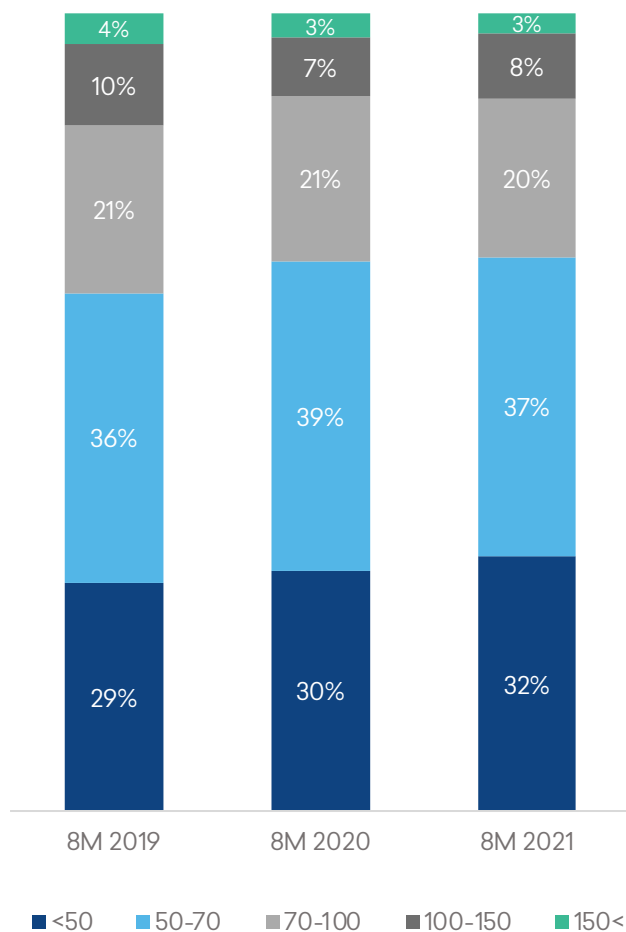
Source: NAPR, TBC Capital; Note I: New apartment means an apartment with construction permits issued since 2010; Note II: May-19 figure revised

The mix of transactions is broadly unchanged for both, new and old properties. The difference between them is in the distribution of mid-size (50-70 SQM) and smaller (<50 SQM) apartments.

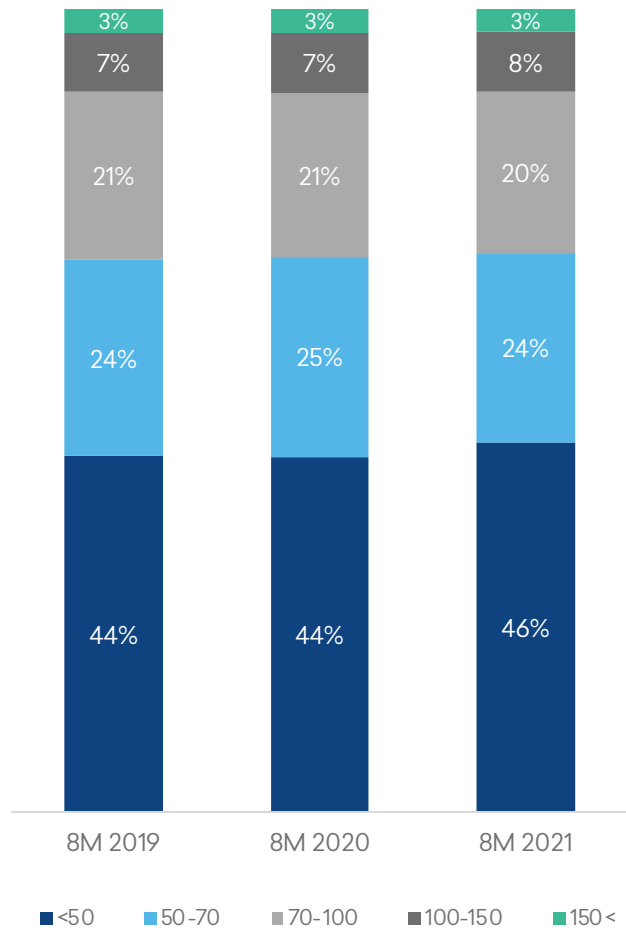
Mid-sized apartments have the highest share in new properties, while small ones are the majority for old apartments, taking up almost half of the total area sold (46% in 2021).

Figures 14 & 15

New apartments (Area, SQM)



Old apartments (Area, SQM)



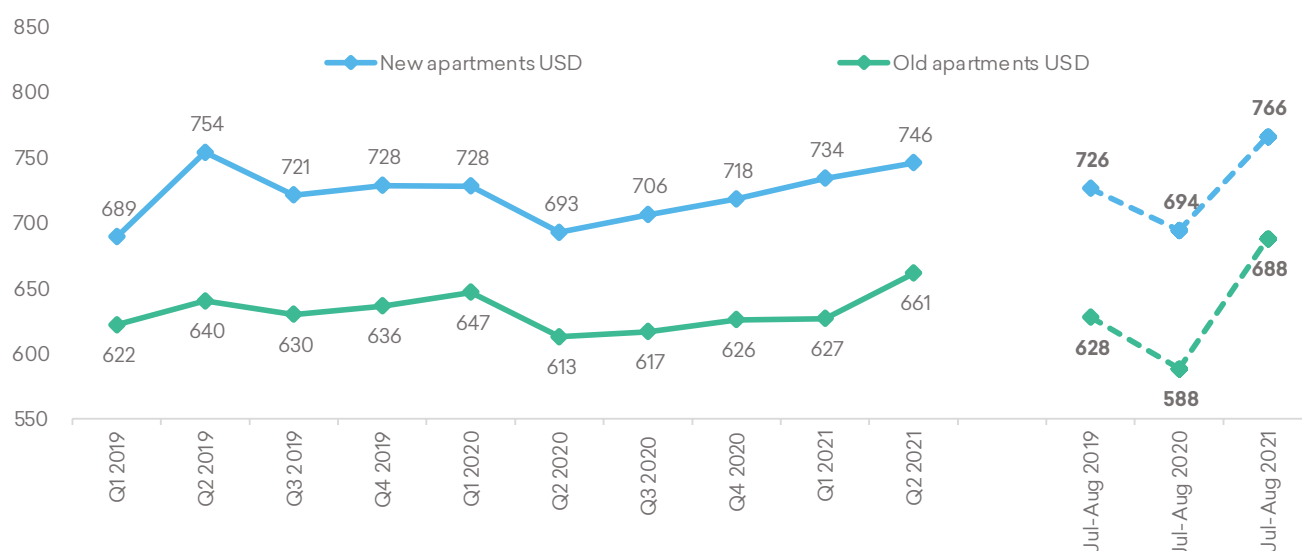
Source: NAPR, TBC Capital

The recovered demand is also discernible in the behavior of average sales-weighted prices. In July-August 2021, prices were considerably higher than in the same period of 2019 and 2020.

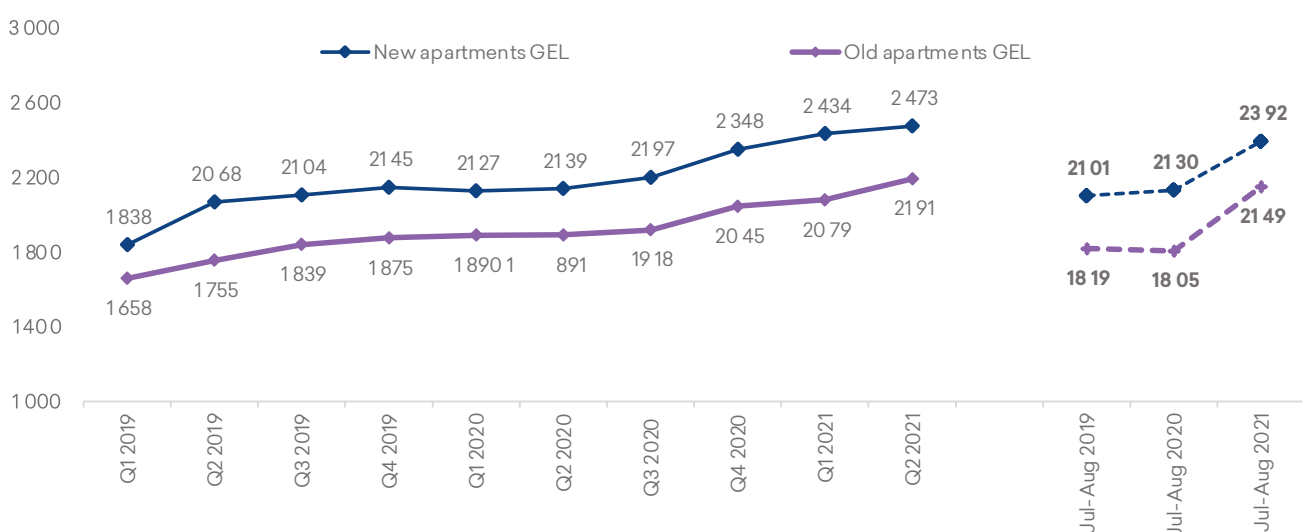
The price for new apartments surpassed its 2019 level by 6% (+10% YoY) and for old apartments by 10% (+17% YoY).

Figures 16 & 17

Average sales weighted price per SQM (USD)



Average sales weighted price per SQM (GEL)



Source: NAPR, TBC Capital

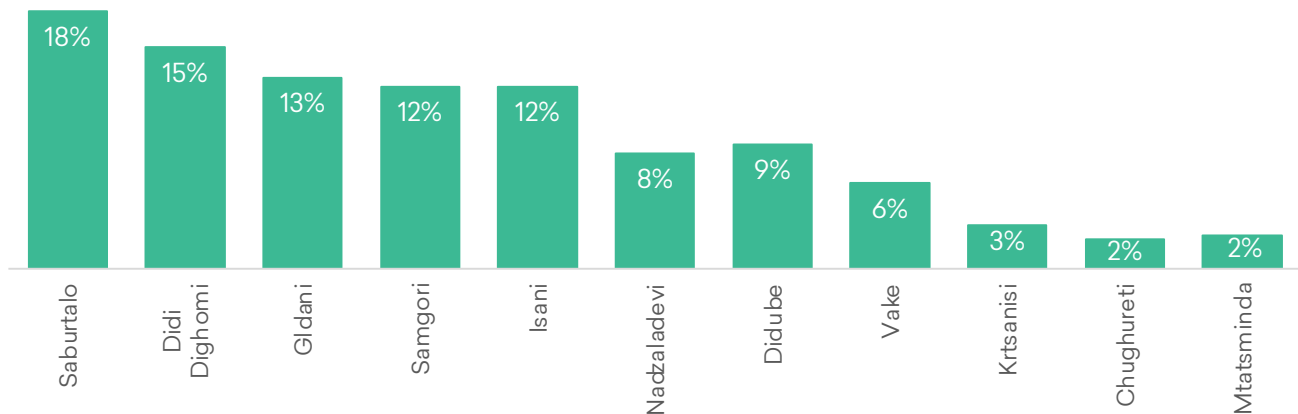
Residential real estate on a district level

Summarizing the first 8 months of 2021, the number of transactions is higher than in 2019 or, at least, almost at the same level in the majority of districts. Resiliently continuing the double digit growth of transactions, Didube (+34%), Isani (+21%) and Samgori (+14%) are at the top of the list.

Even though the number of transactions in Saburtalo remain below its pre-pandemic level (-18% vs 2019), there was an improvement compared to July (-23% vs 2019) and it still accounts for the largest share of Tbilisi's total transactions and is a popular choice on the market.

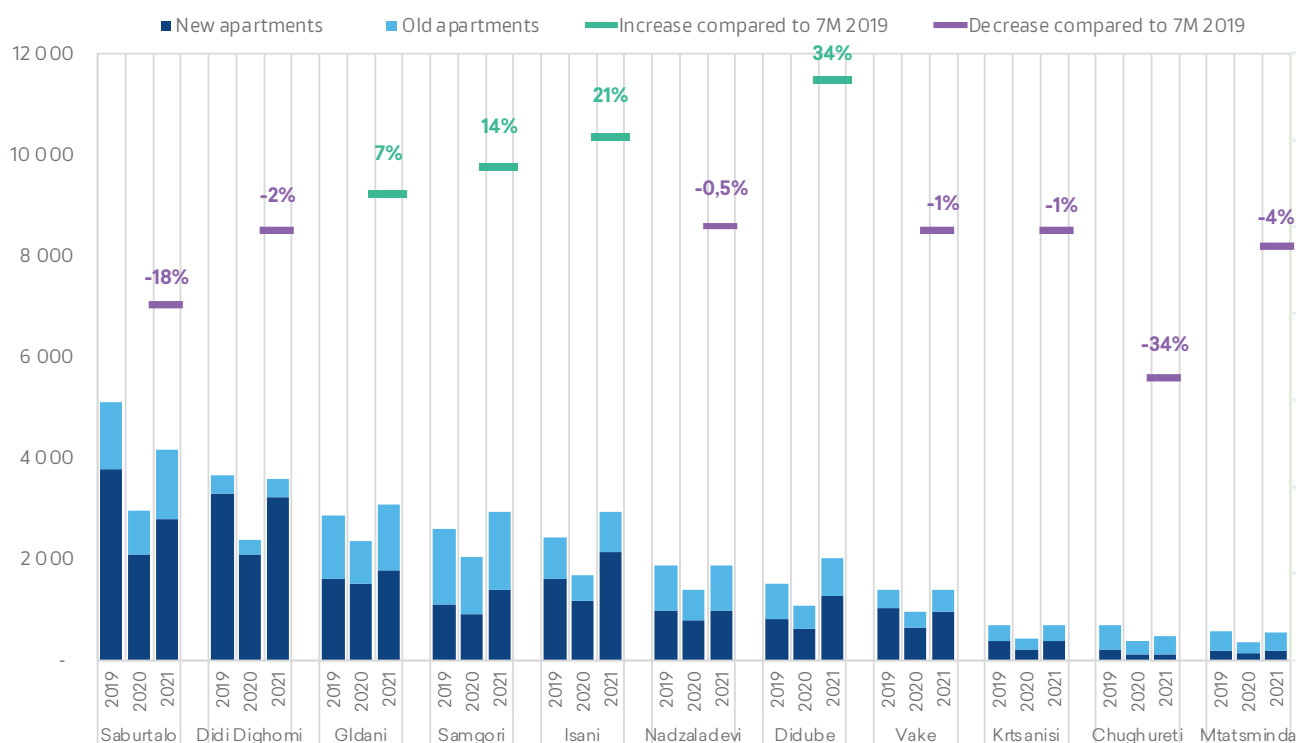
Figures 18 & 19

Total transaction distribution by districts (%): Eight months (8M) 2021



Source: NAPR, TBC Capital

Number of sold apartments (Units): 8M 2019-2021

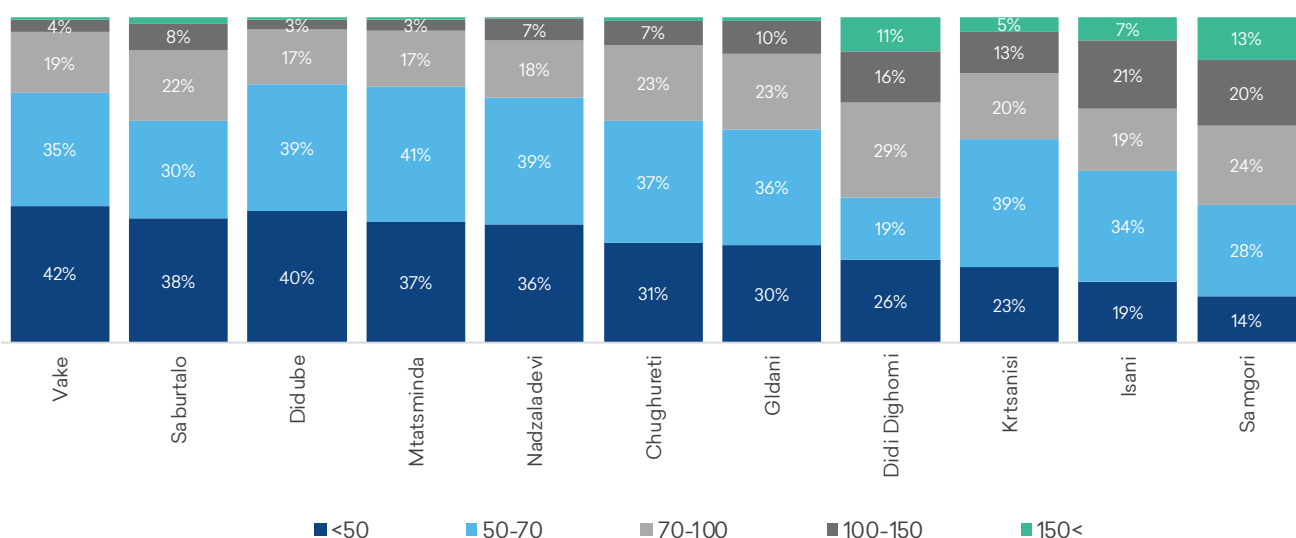


Source: NAPR, TBC Capital

In the majority of districts, smaller apartments have a higher share for both, new and old properties, but there are some exceptions as well. For new apartments,

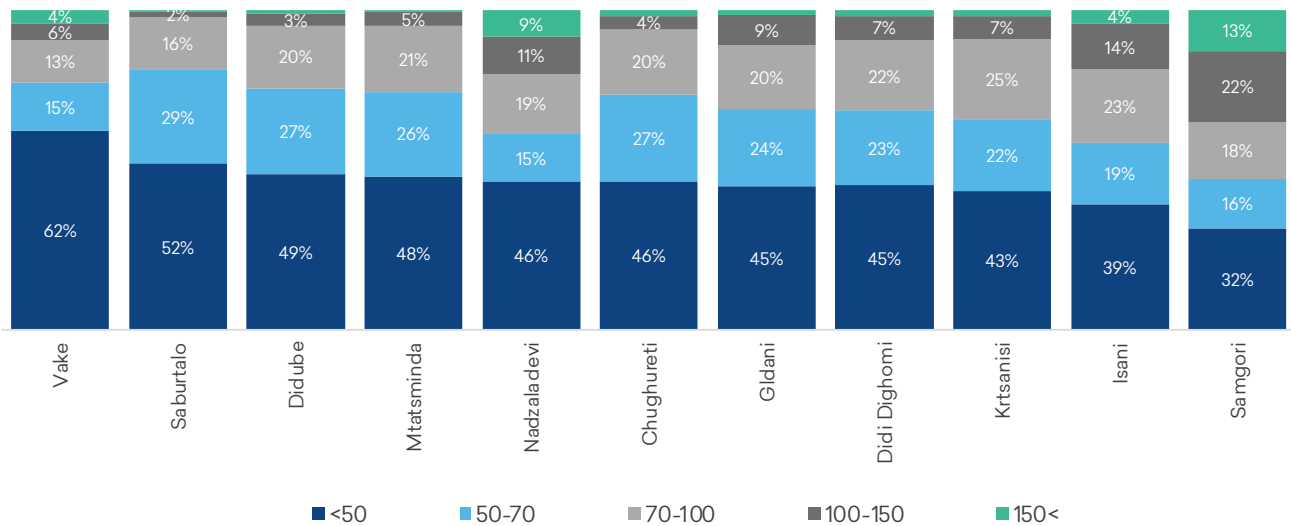
larger properties (>70 SQM) have a higher share in Didi Dighomi (56%), and Samgori (57%).

New apartments – 8M 2021 (Area, SQM)



Source: NAPR, TBC Capital

Old apartments – 8M 2021 (Area, SQM)



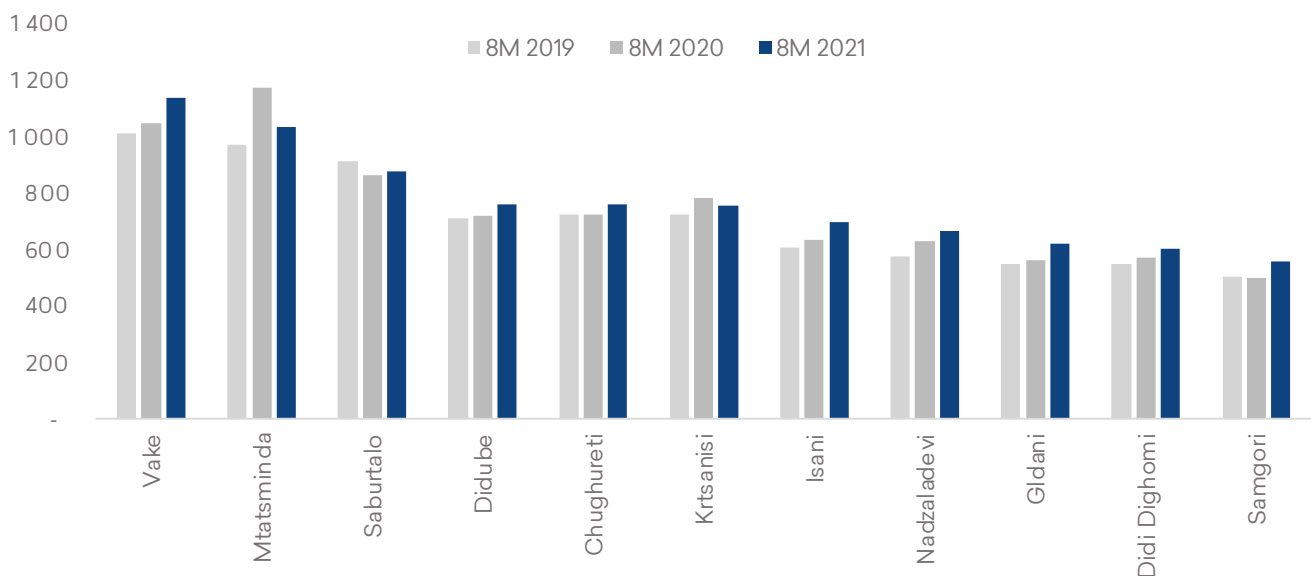
Source: NAPR, TBC Capital

The price behavior for new apartments is relatively similar for most districts. The biggest price increase in 2021 compared to 2019 was recorded in Nadzaladevi (+15%), Isani (+14%), Vake (+13%) and Gldani (+13%).

Chugureti (-18%) had the largest decrease in old apartment prices relative to 2019, followed by Krtsanisi (-8%).

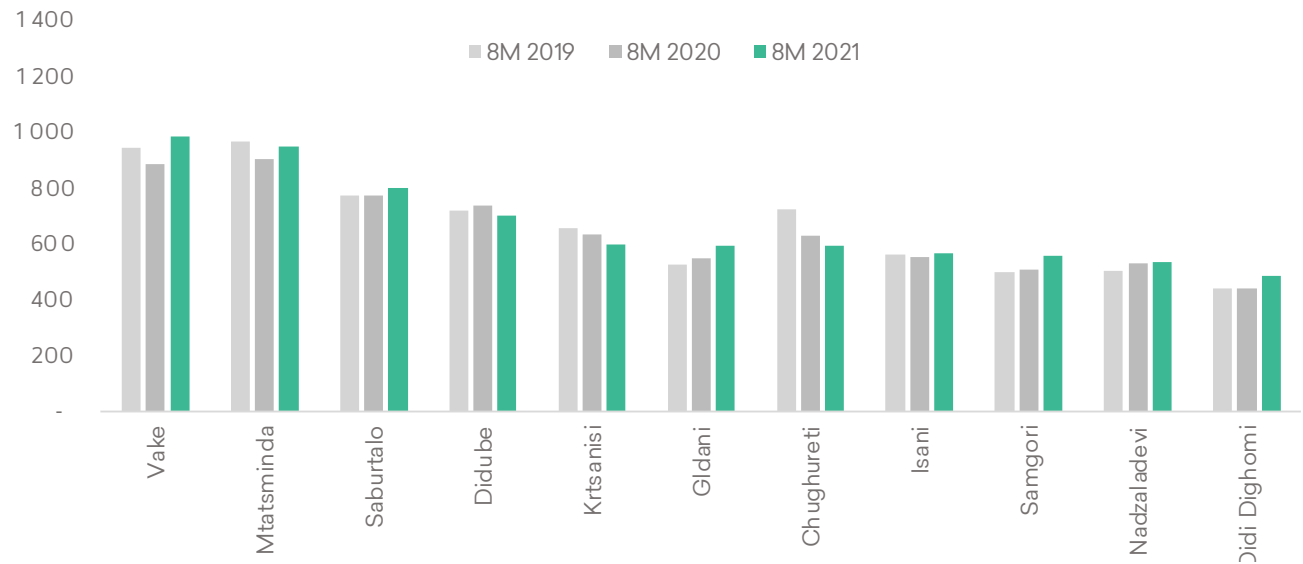
Figures 22 & 23

New apartments – Average sales weighted price per SQM (USD)



Source: NAPR, TBC Capital

Old apartments – Average sales weighted price per SQM (USD)



Source: NAPR, TBC Capital

TBC Capital projections

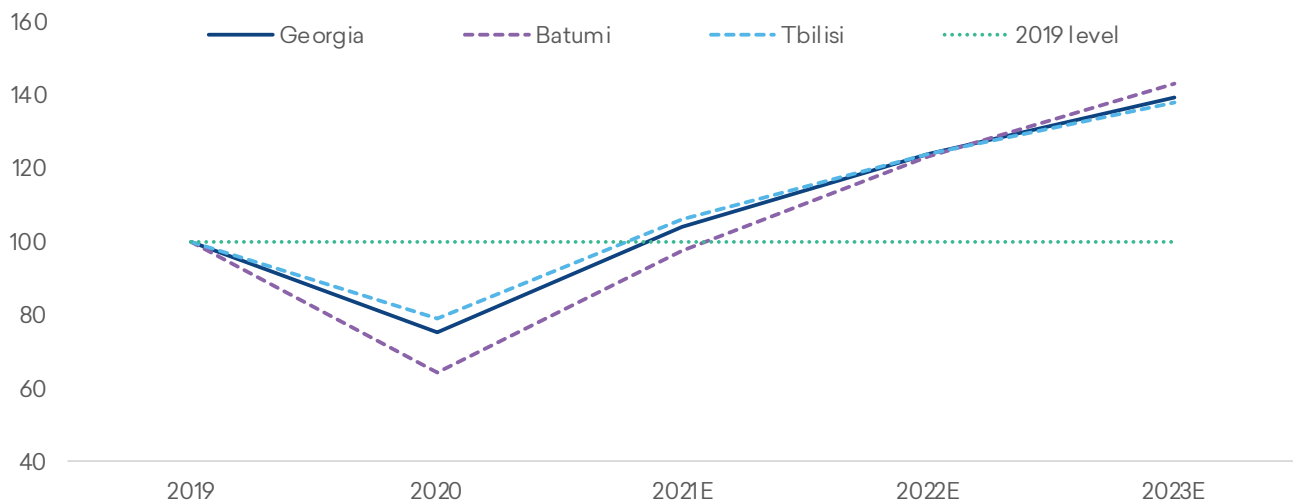
Considering the recent figures and trends on the market, we expect that in 2021 the number of transactions will exceed its 2019 level by about 3.8%.

The pandemic affected Batumi much more, but starting from 2022, transactions and prices are going to recuperate faster than in Tbilisi.

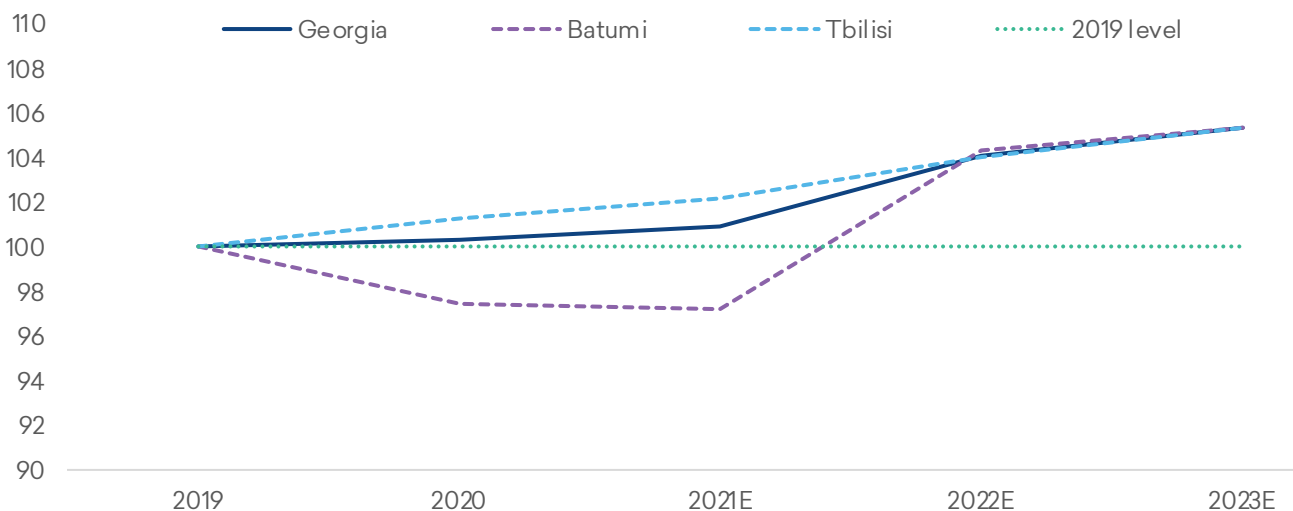
The residential real estate price will also be higher than its pre-pandemic level, but not significantly.

Figures 24 & 25

Number of sold apartments



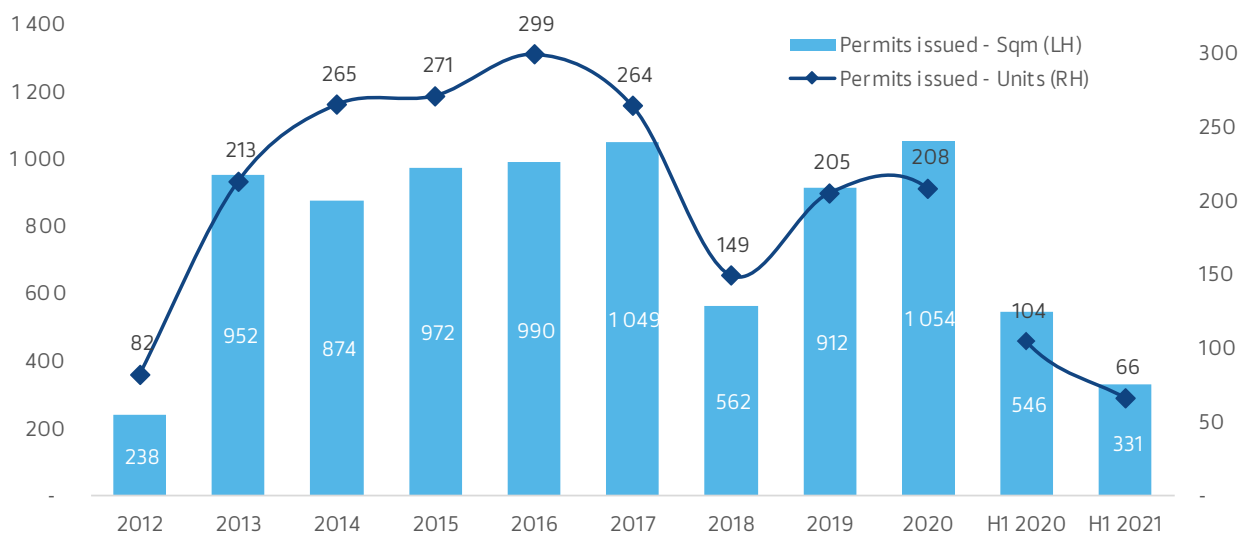
Price USD



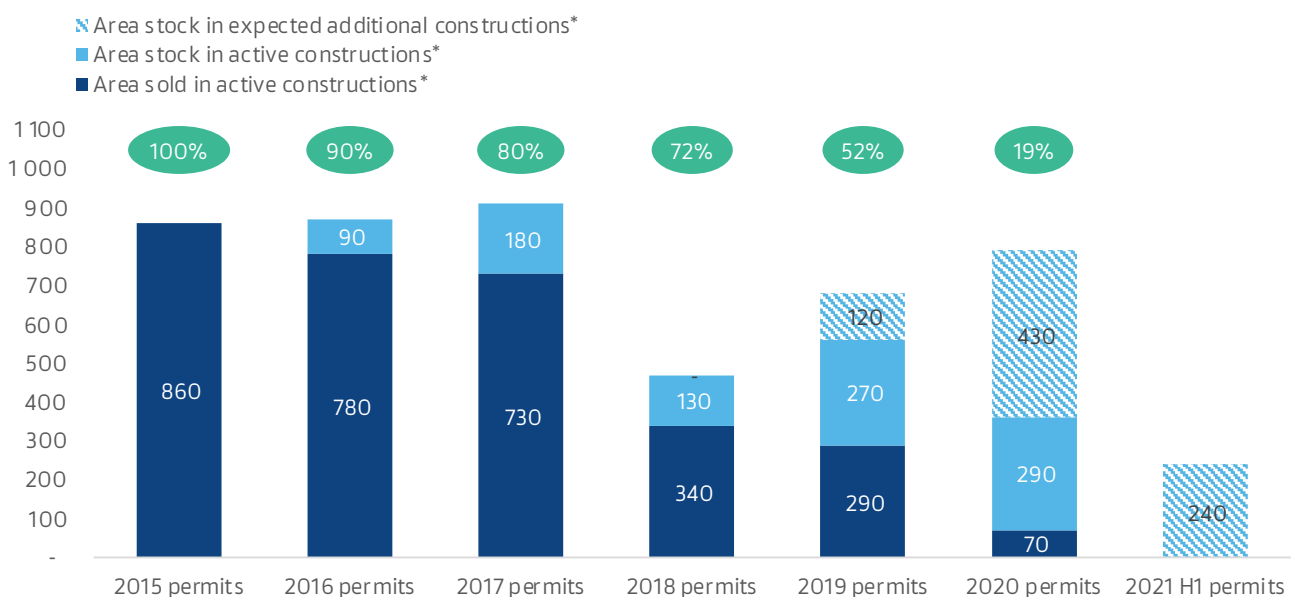
Source: TBC Capital

Annex I/II: Permits issued for construction of residential projects in Tbilisi

Permits issued for residential construction in Tbilisi (Area, Units)



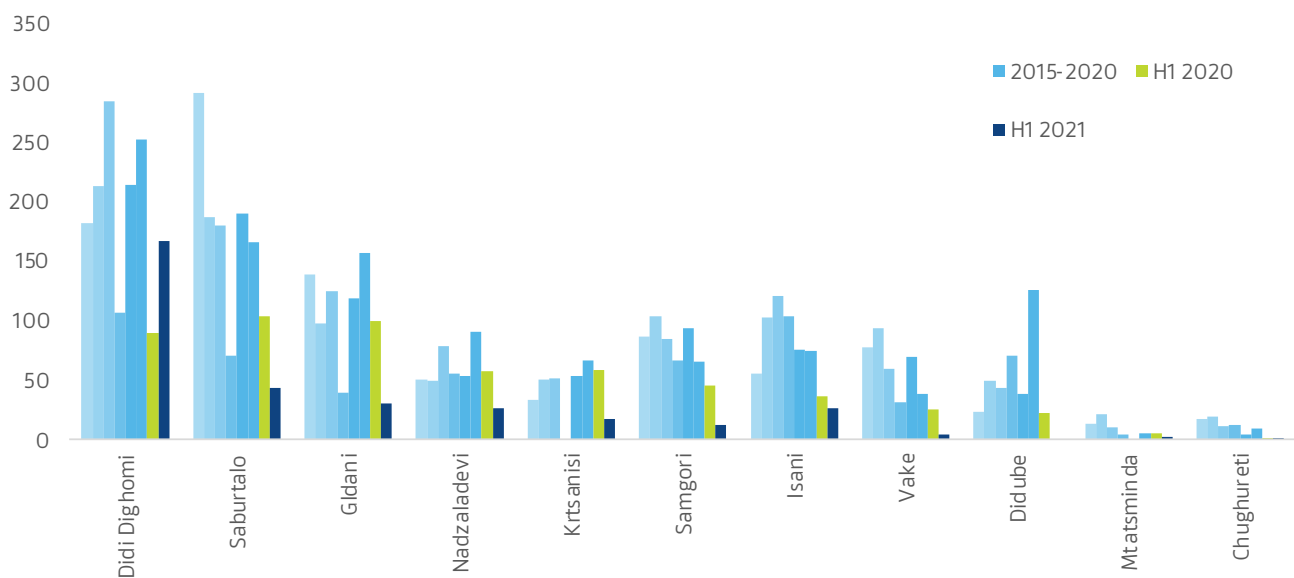
Residential area (000' SQM) of 2015-21 permits: Sold & Stock



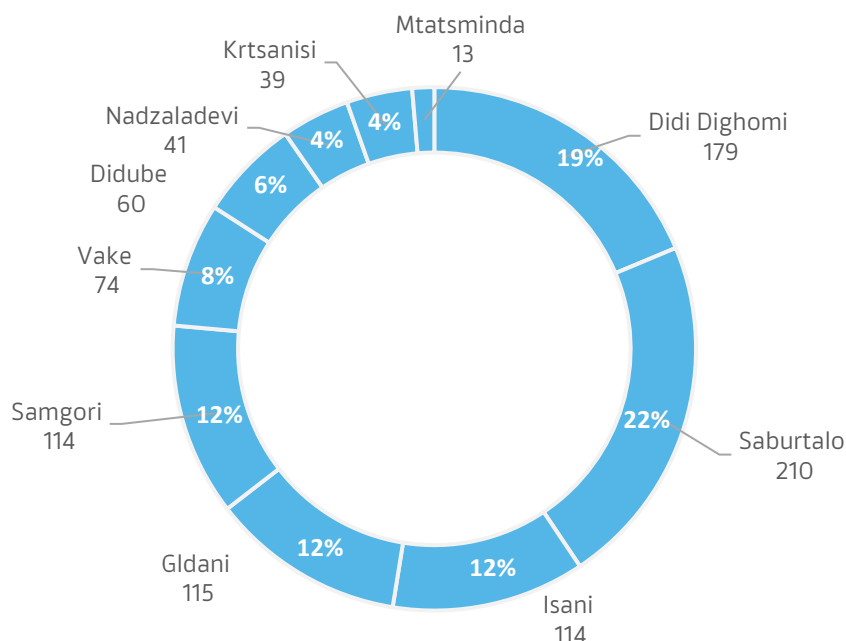
Source: Tbilisi City Hall, TBC Capital; *If at least a single sale from the project is registered in NAPR, the project is deemed active

Annex I/II: Permits issued for construction of residential projects in Tbilisi

Permits issued for residential construction in Tbilisi
(Area, 000' SQM)



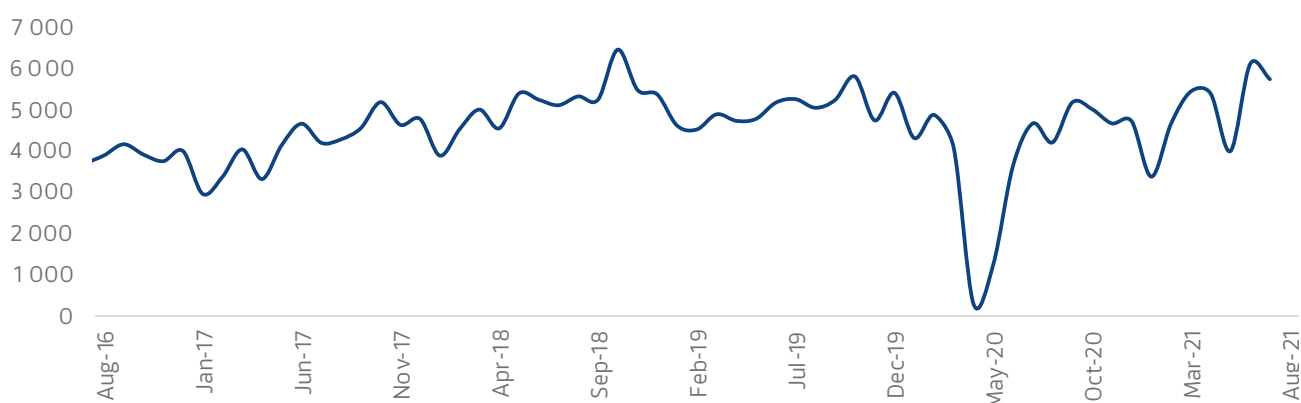
Residential area in stock by districts (000' SQM)



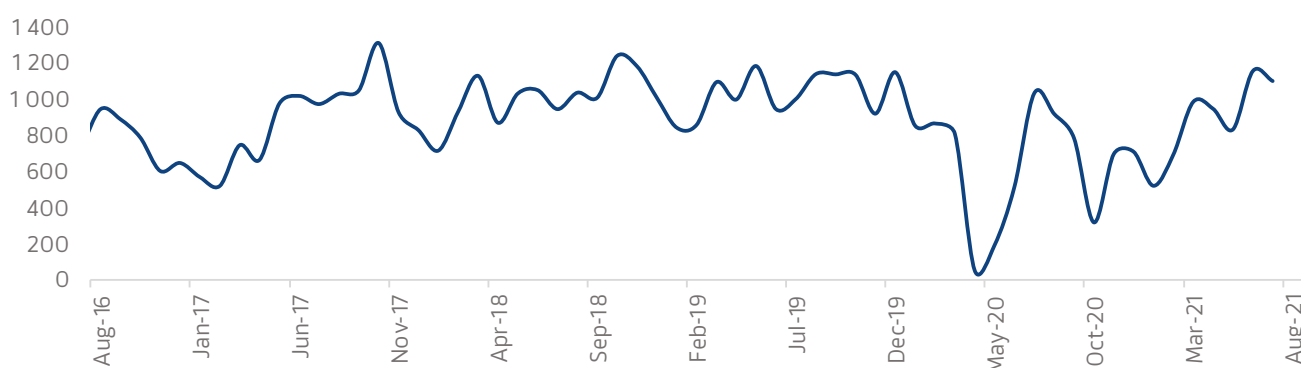
Source: Tbilisi City Hall, TBC Capital; *If at least a single sale from the project is registered in NAPR, the project is deemed active

Annex II/II: Number of residential property sales transactions

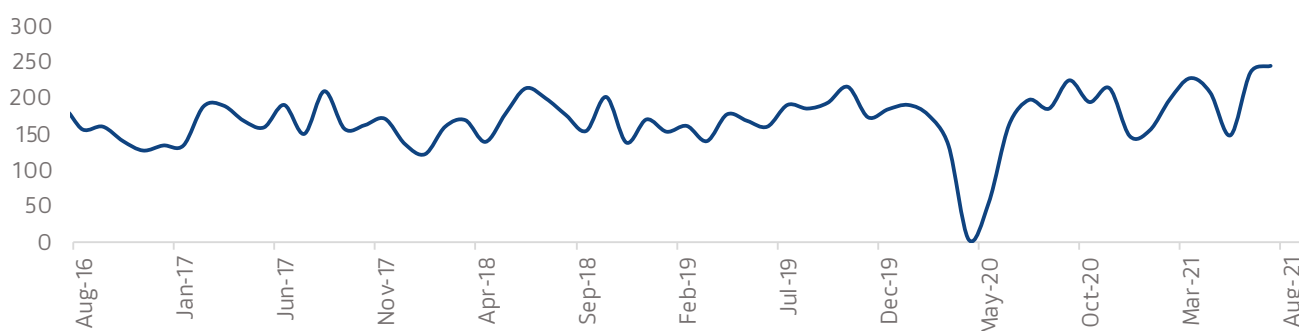
Georgia



Batumi



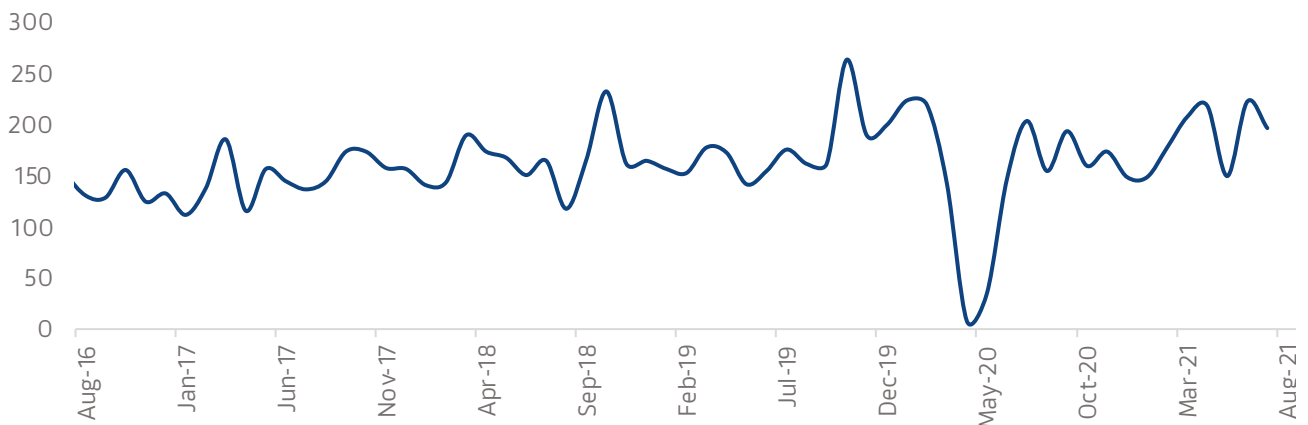
Kutaisi



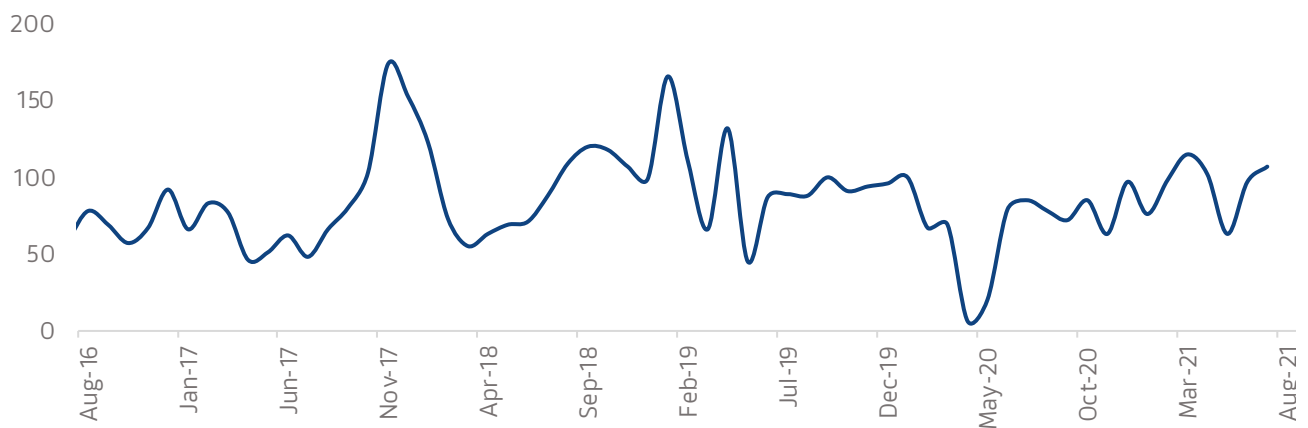
Source: NAPR, TBC Capital

Annex II/II: Number of residential property sales transactions

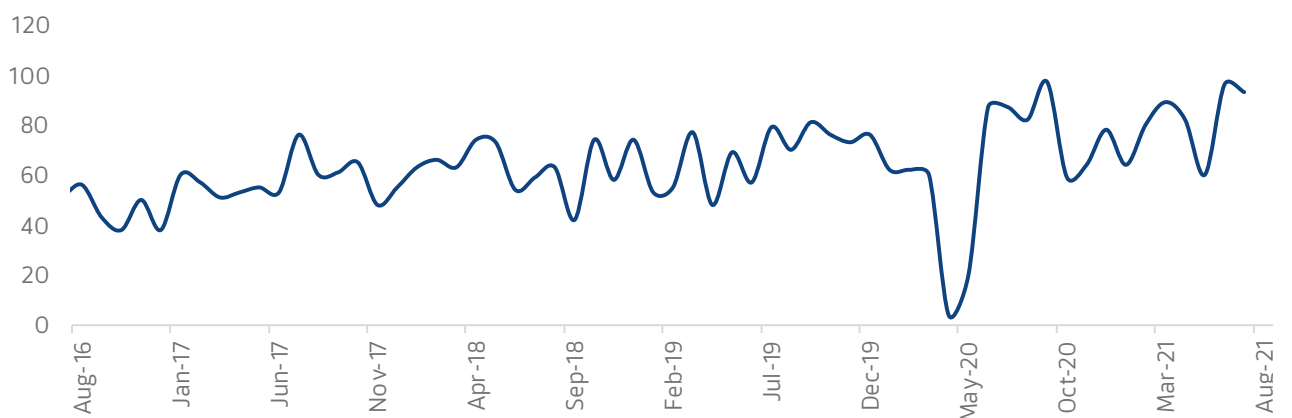
Rustavi



Borjomi



Gori



Source: NAPR, TBC Capital

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