



TBC CAPITAL

Tbilisi Residential Real Estate

MONTHLY WATCH

OCTOBER 2021

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October 2021 in Brief

The market is still recuperating and the transaction activity remains stable. In October 2021, the number of sold residential properties amounted to about 3300 units, which is 2% lower than its pre-pandemic level. In January-October 2021, the total number of transactions exceeds its 2019 level by 1%.

Property prices remain above the pre-pandemic level, reflecting a generally recovered demand. Average residential real estate price, in October 2021, is 5% higher compared to 2019. The rent still needs time till recovery and remains 17.5% lower than its 2019 level.

Tourism has a long way to go till recovery and less than half of the Airbnb market is active. Major investments are not to be expected in Airbnb designated properties.

The figures in October seem to be standing at similar levels, considering the last three years. About 2100 new apartments were sold in October 2021, which is 2% higher than in 2019.

Average sales-weighted prices in USD terms continue the increasing streak and show one of the highest monthly figures.

In January-October 2021, the number of transactions is lower than in 2019 for the majority of districts. The double digit growth club lost one member (Samgori) and only two remain: Didube (+34%) taking the top, followed by Isani (+18%). Saburtalo still has the largest share of total transactions in Tbilisi.



Transactions, price and yield in October 2021

Transactions

Since February 2021, the number of residential real estate transactions has steadily recovered. After the drop in May, due to the two week long public holiday, the figures have been stabilizing, standing above the pre-pandemic level.

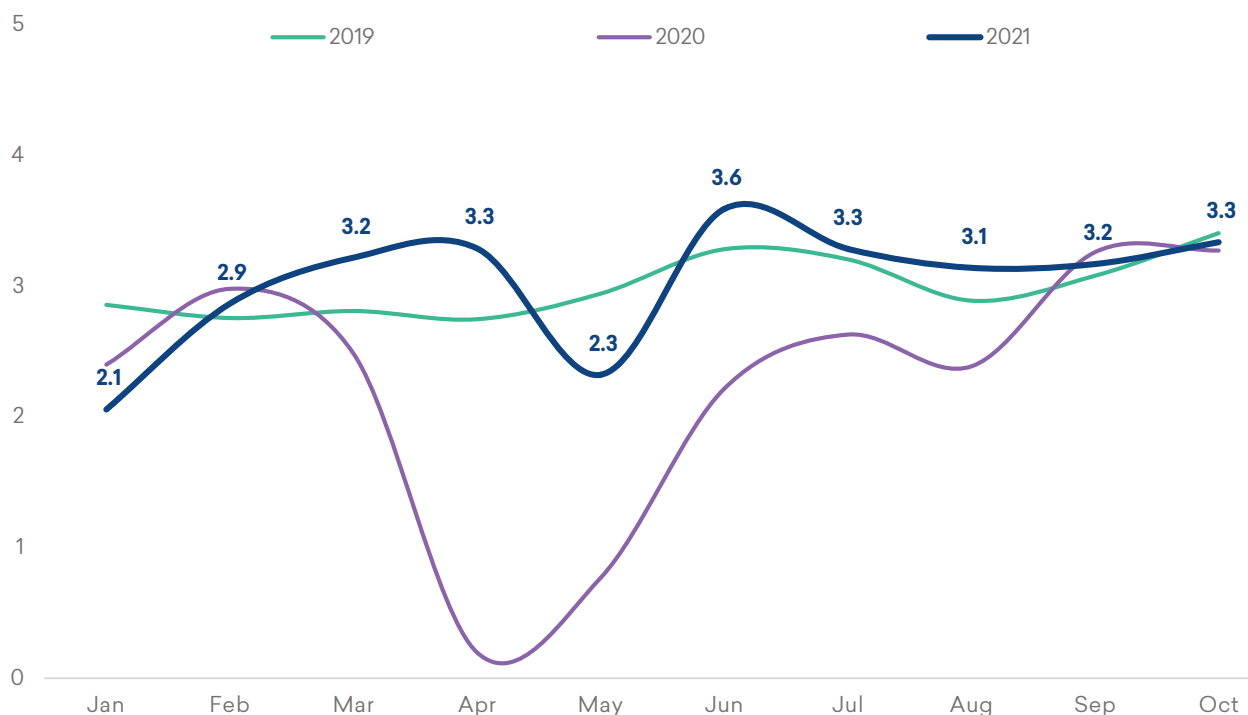
In October 2021, the number of transactions stands a bit higher compared to previous month, with difference amounting 5%.

There was a 2% decline relative to 2019 (+2% YoY), whereas, the figure in September 2021 was 2% higher than in 2019.

In January-October 2021, the total number of transactions exceeds its 2019 level by about 1%.

FIGURE 1

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



Source: NAPR, TBC Capital;

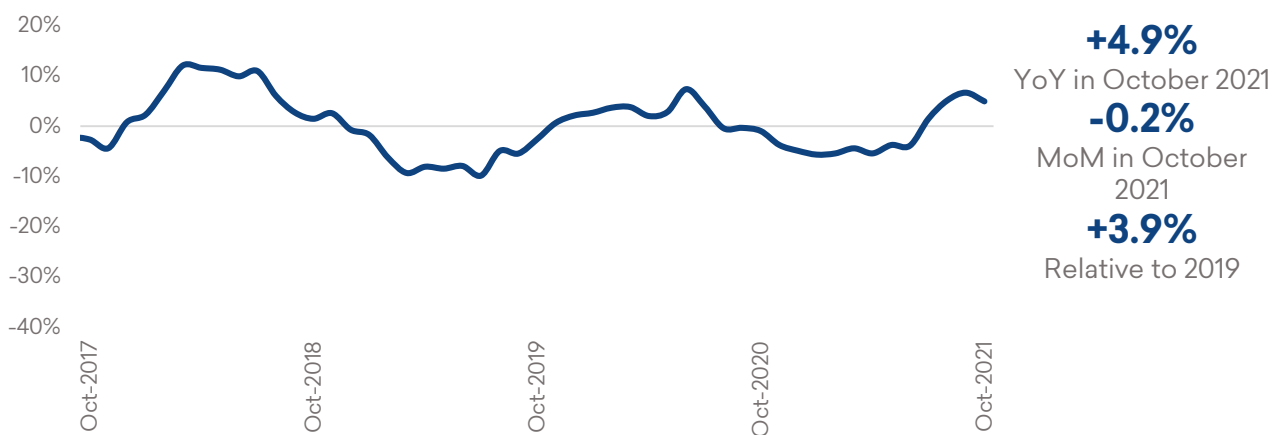
Price

Property prices remain above the pre-pandemic level, reflecting a generally recovered demand. Average residential real estate price, in October 2021, is 5% higher compared to 2019.

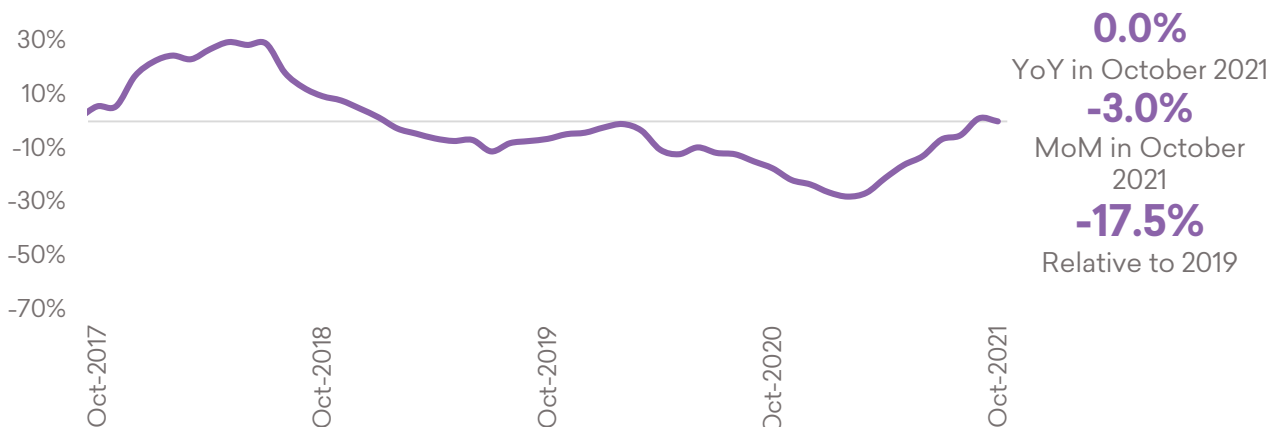
The rent still needs time till recovery and remains 17.5% lower than its 2019 level. The YoY figure is basically unchanged.

Figures 2 & 3

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



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



Source: NBG, TBC Capital

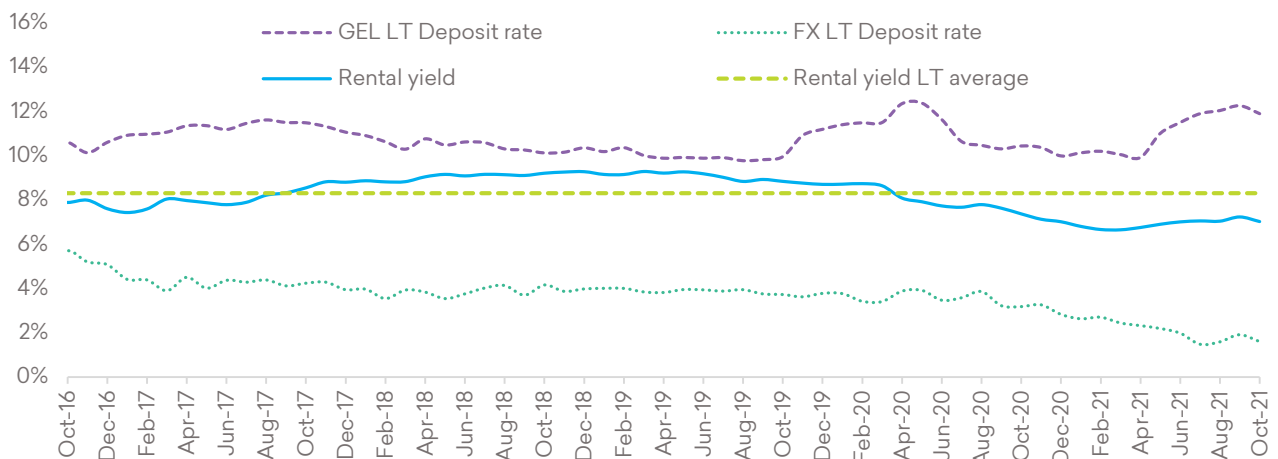
Yield

In October 2021, the rental yield stands at 7% and is 1.3% below its long term average. USD deposit rate stood at 1.6% (1.9% in September).

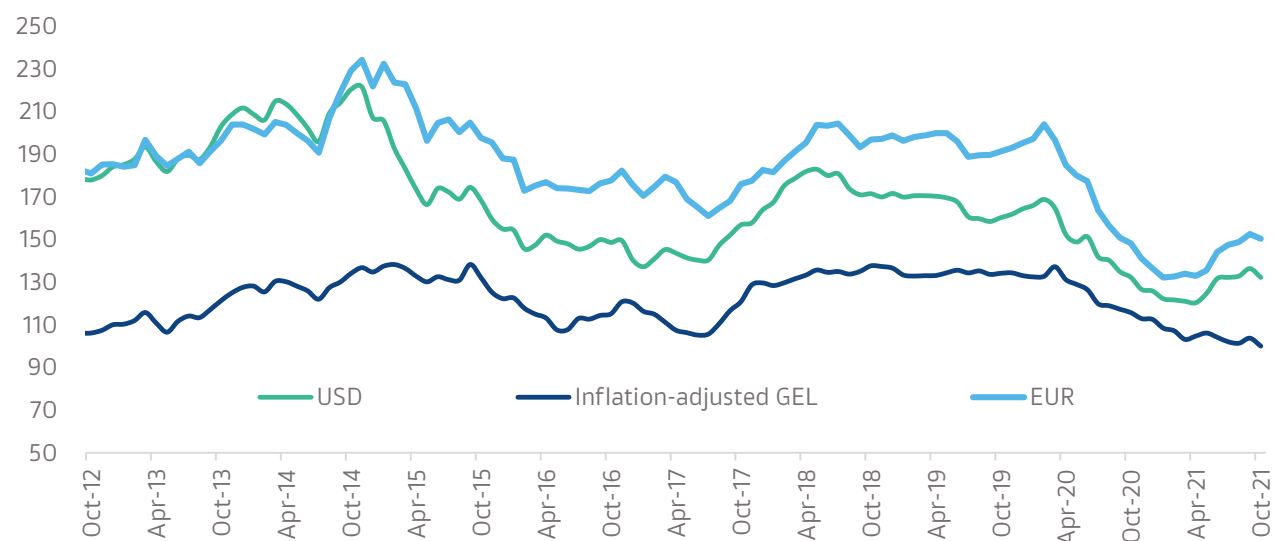
The long term deposit rate in GEL amounted to 11.9%, which is 0.4% lower than in September.

Figures 4 & 5

Rental yield and deposit rate dynamics in Georgia



Average rent indices (Jan 2005 = 100)



Source: NBG, TBC Capital

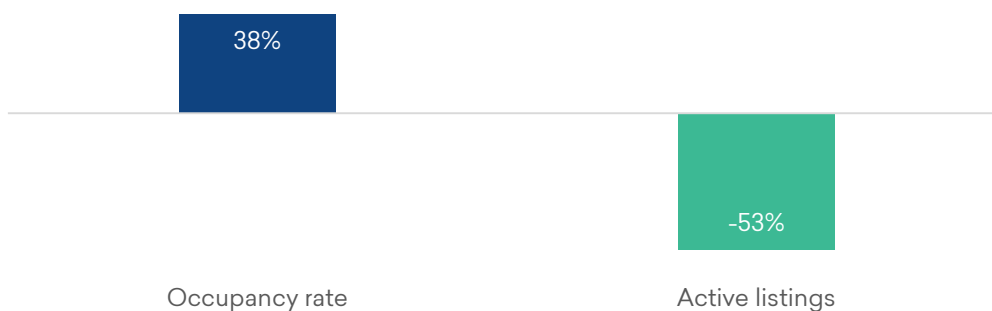
Covid does not seem to be going anywhere and the Airbnb market is still under its shadow. It is notable that the occupancy rate, in October 2021, is 38% higher compared to 2019, but this could be attributed to the tourists' preference to stay in a more private place during the pandemic. The market revenue posted a significant recovery compared to previous month, standing 37% lower than in 2019.

If this is a sign of stronger recuperation or just a one-off still remains to be seen. Furthermore, only 47% of 2019 active listings remain on the market.

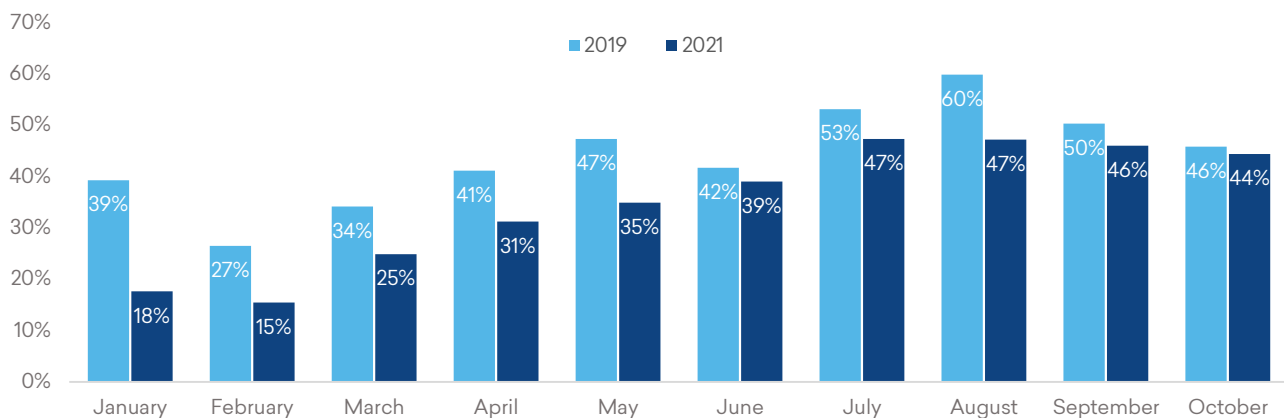
Tourism has a long way to go till recovery and less than half of the Airbnb market is active. Major investments are not to be expected in Airbnb designated properties.

Figures 6, 7 & 8

Tbilisi Airbnb market: Recovery in October 2021 relative to 2019 (%)

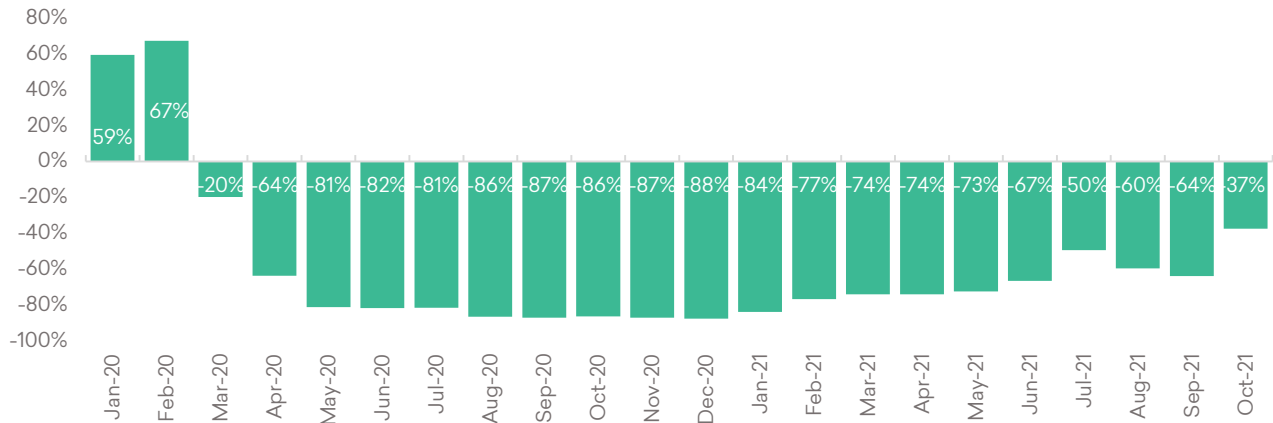


Tbilisi Airbnb market: Properties booked at least once (%)



Source: Airdna, TBC Capital

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



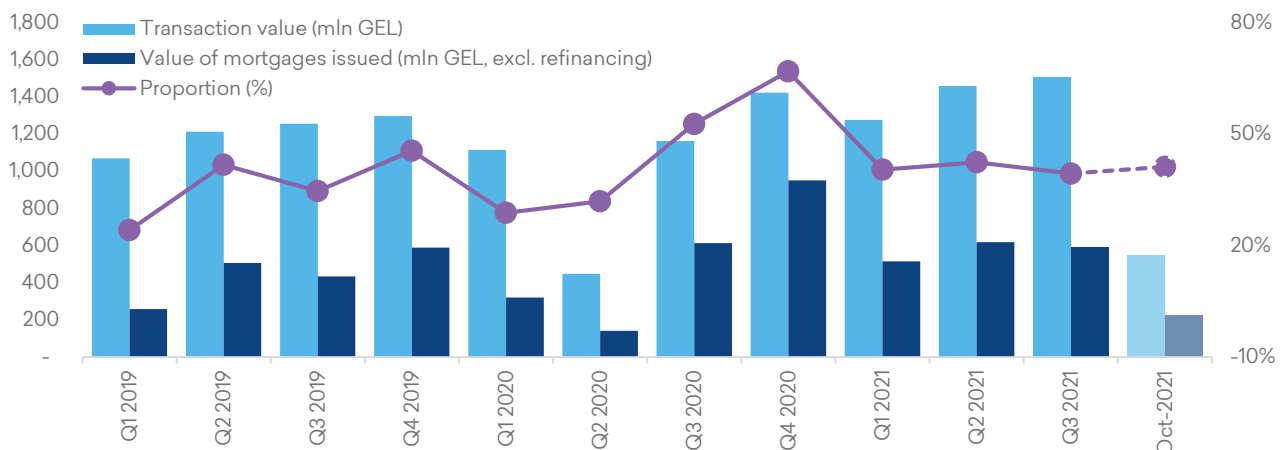
Source: Airdna, TBC Capital

The mortgage market remains active at a fair level. Q3 & Q4 of 2020 were the most lively because of the subsidy program and since then, the figures have been stabilizing.

The proportion of mortgages issued in Tbilisi to transaction value stands at 41% in October.

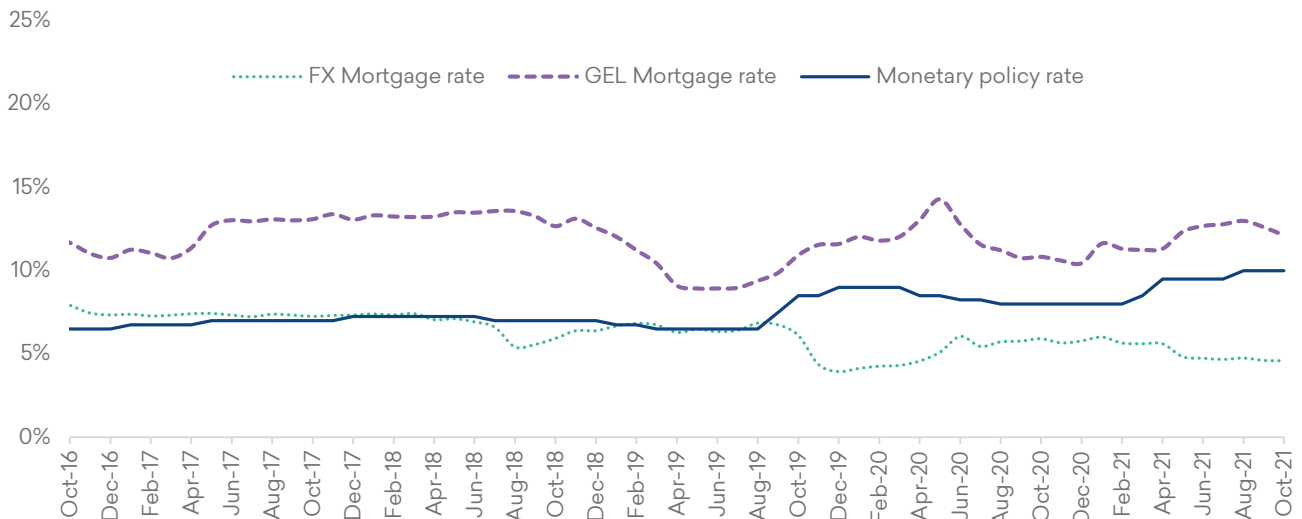
Figures 9, 10 & 11

Value of issued mortgages to transaction value*, Tbilisi

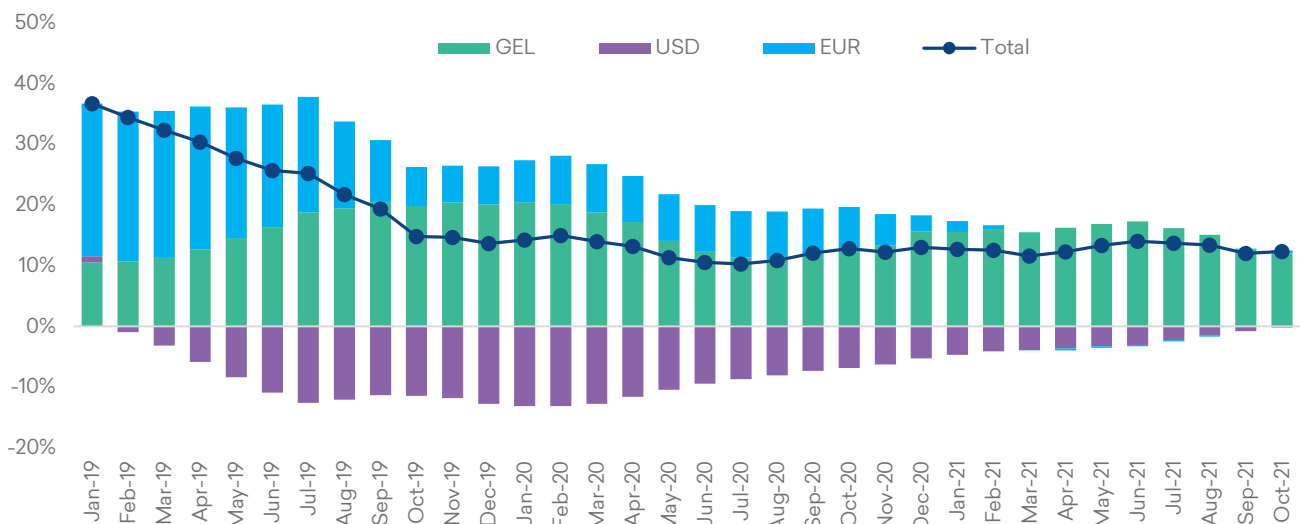


Source: NAPR, NBG, TBC Capital; *Note: The chart depicts a proportion of all mortgage loans issued, net of refinancing (TBC Capital estimates), in the period to the proportion of real estate market turnover in Tbilisi.

Mortgage rate dynamics in Georgia



YoY growth of mortgage portfolio and contribution to growth by currencies



Source: NAPR, NBG, TBC Capital

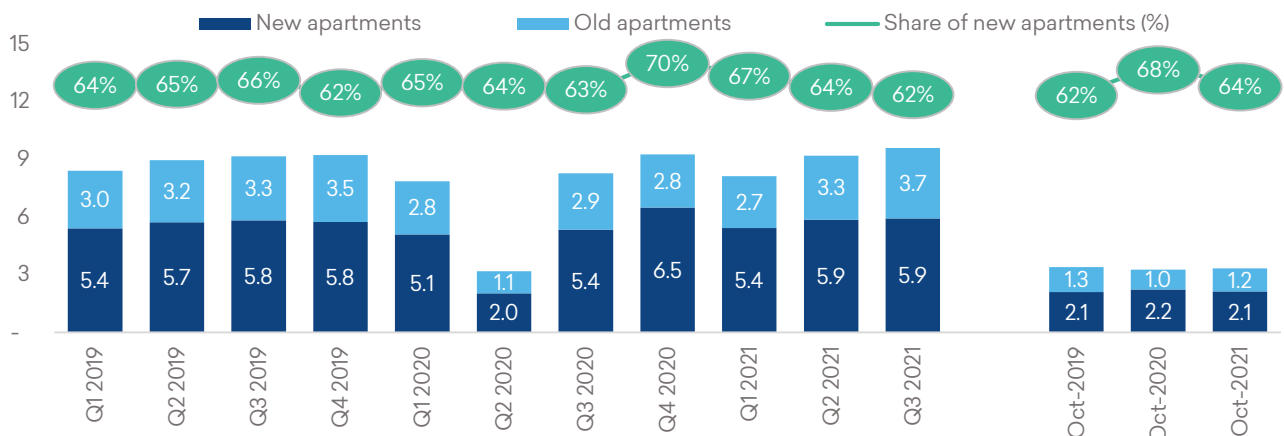
Where do preferences lie: new or old apartments

The figures in October seem to be standing at similar levels, considering the last three years. About 2100 new apartments were sold in October 2021, which is 2% higher than in 2019 (-5% YoY). The share of new properties accounted for 64% of total transactions and the total area amounted up to 146 thousand SQM.

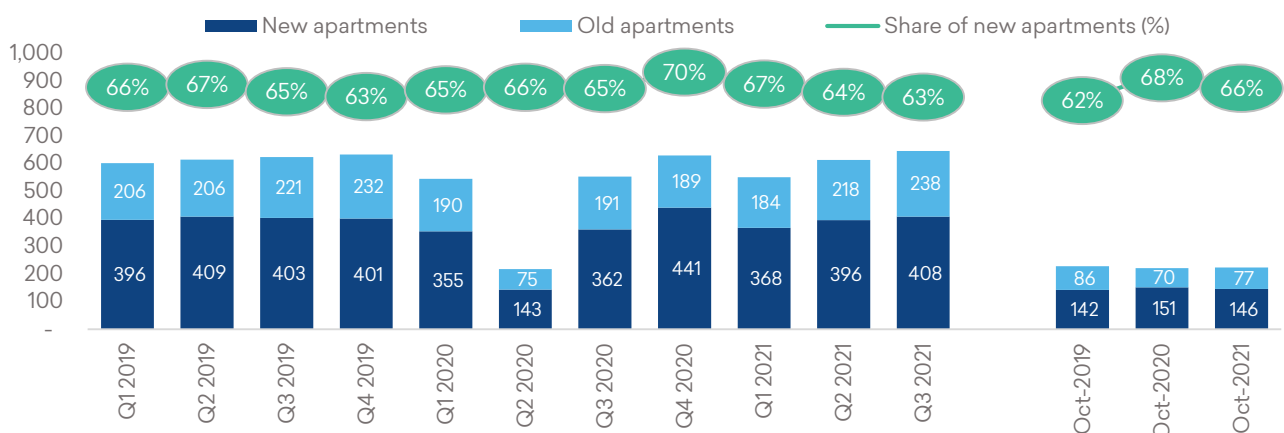
Amounting about 77 thousand SQM area, circa 1200 old units were sold in October 2021. This figure is 8% lower than its 2019 level (+16% YoY).

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

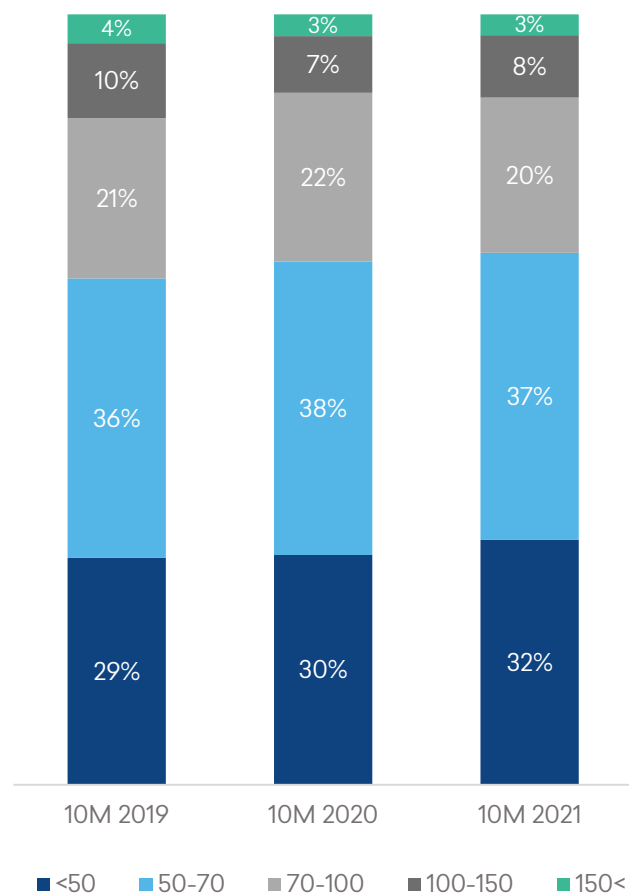
The mix of transactions is mostly unchanged for both, new and old properties. The difference still remains in the distribution of smaller (<50 SQM) and mid-size (50-70 SQM) apartments.

Small apartments have a higher share in old properties, while for new apartments

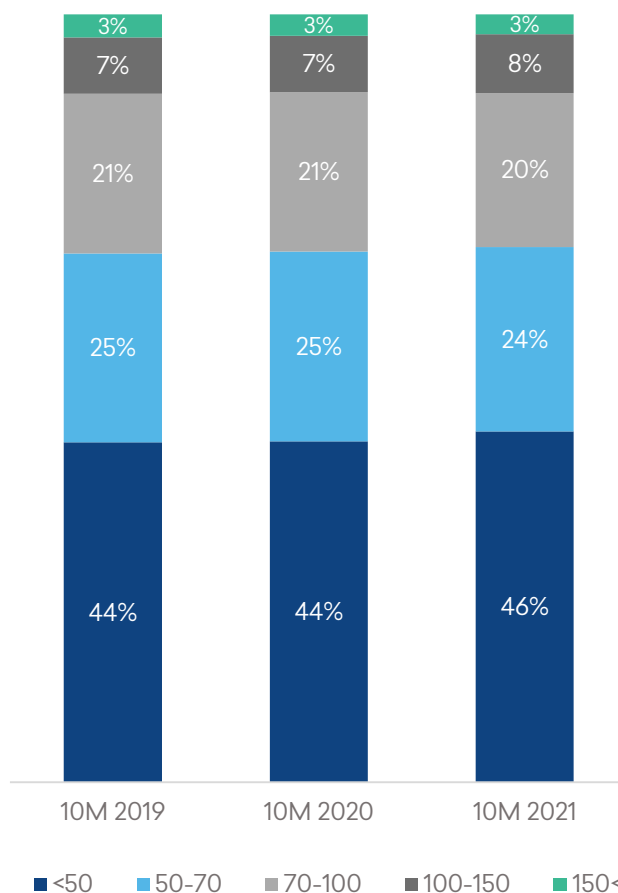
the mid-sized ones have the majority, taking up about 37% of the total area sold in the first ten months of 2021.

Figures 14 & 15

New apartments (Area, SQM)



Old apartments (Area, SQM)



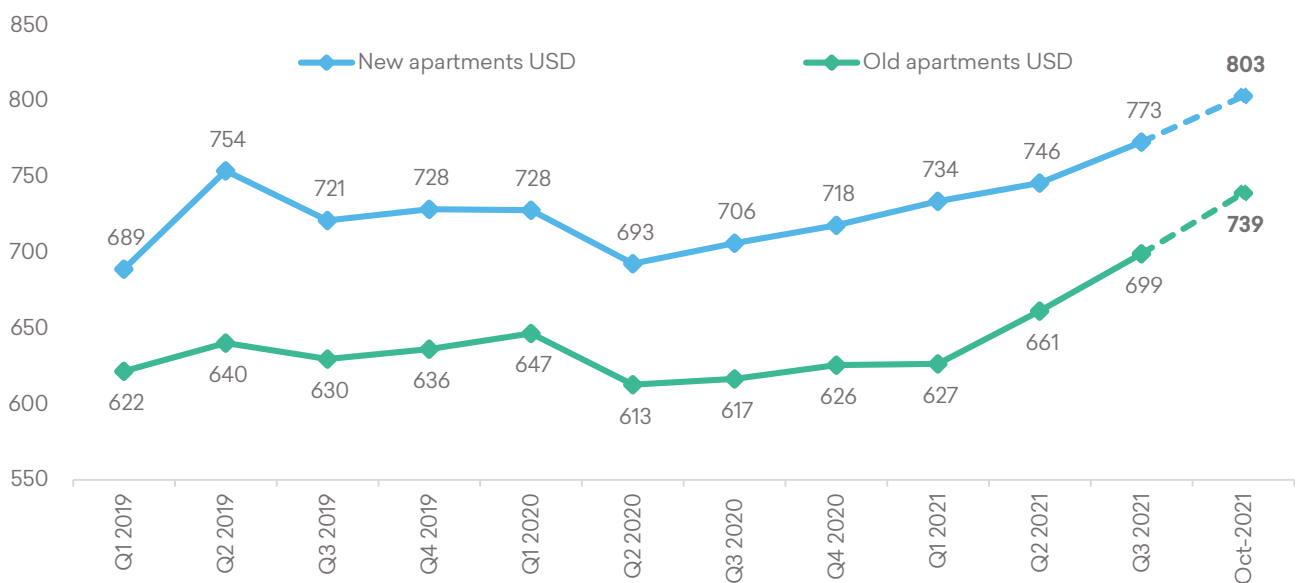
Source: NAPR, TBC Capital

Average sales-weighted prices in USD terms continue the increasing streak and show one of the highest monthly figures.

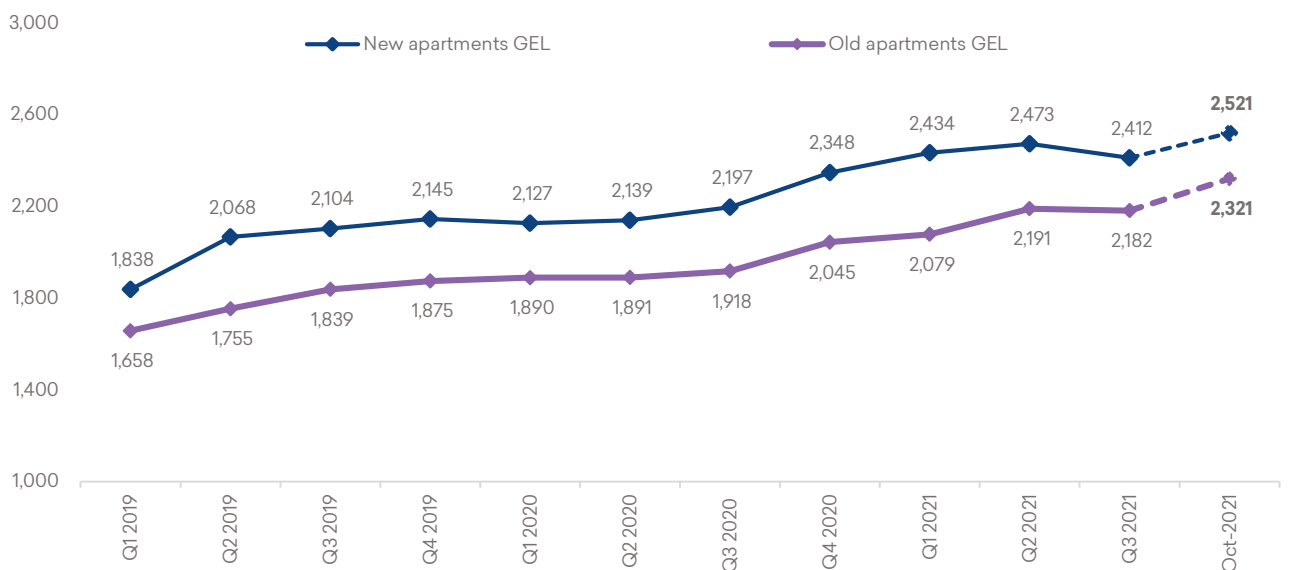
In October 2021 the price for new apartments stands above its 2019 level by 14% and for old apartments by 15%.

Figures 16 & 17

Average sales weighted price per SQM (USD)



Average sales weighted price per SQM (GEL)



Source: NAPR, TBC Capital

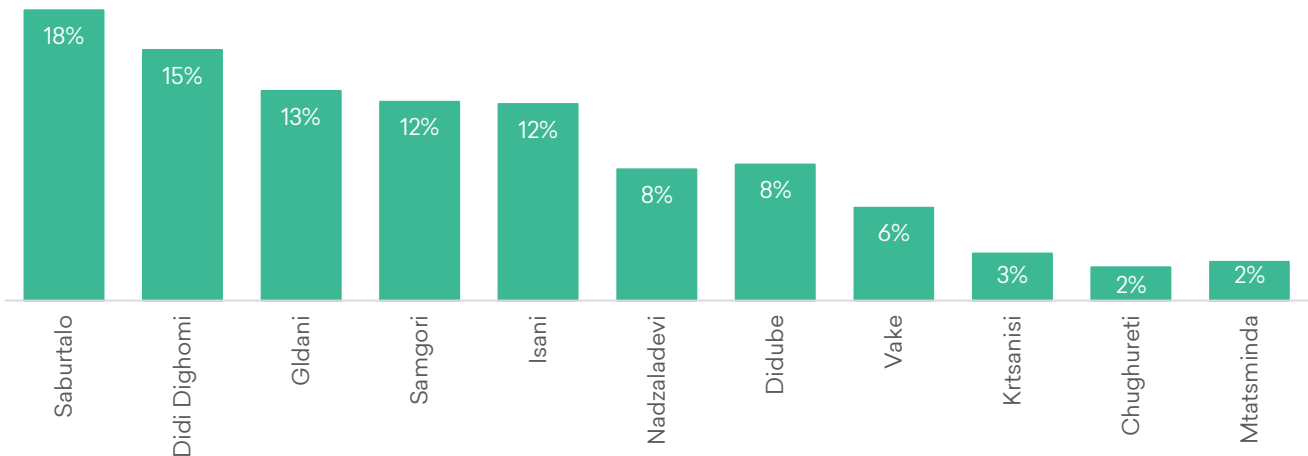
Residential real estate on a district level

In January-October 2021, the number of transactions is lower than in 2019 for the majority of districts. The double digit growth club lost one member (Samgori) and only two remain: Didube (+34%) taking the top, followed by Isani (+18%).

Saburtalo still has the largest share of total transactions in Tbilisi. Number of transactions in this district stands below its pre-pandemic level by 14%, though there was an improvement compared to September (-16% vs 2019).

Figures 18 & 19

Total transaction distribution by districts (%): Ten months (10M) 2021



Source: NAPR, TBC Capital

Number of sold apartments (Units): 10M 2019-2021



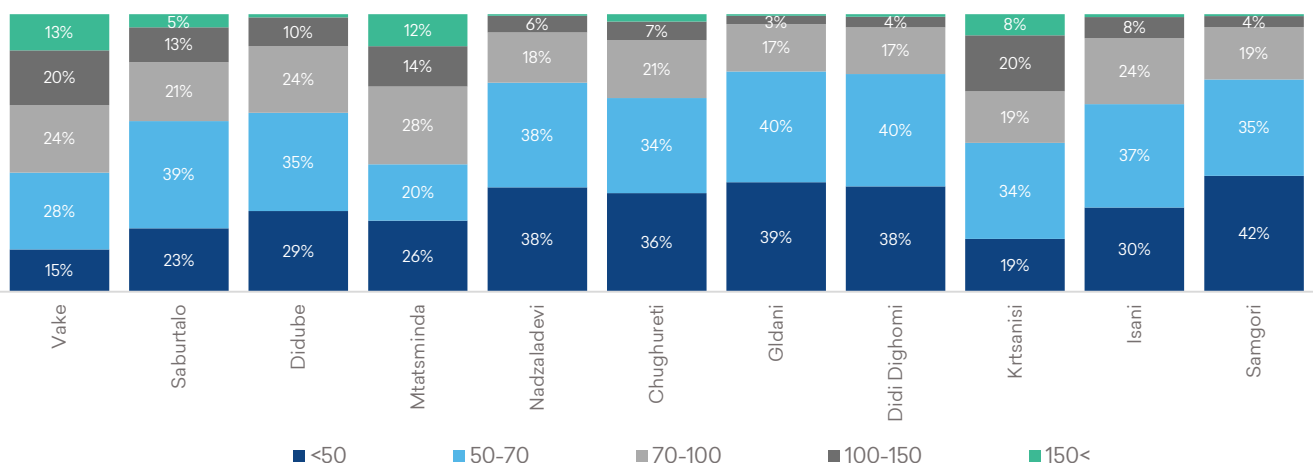
Source: NAPR, TBC Capital

In the majority of districts smaller apartments generally have a higher share for both types of properties – old and new.

But, for example, Vake (57%) and Mtatsminda (54%) have a higher share of larger (>70 SQM) new apartments.

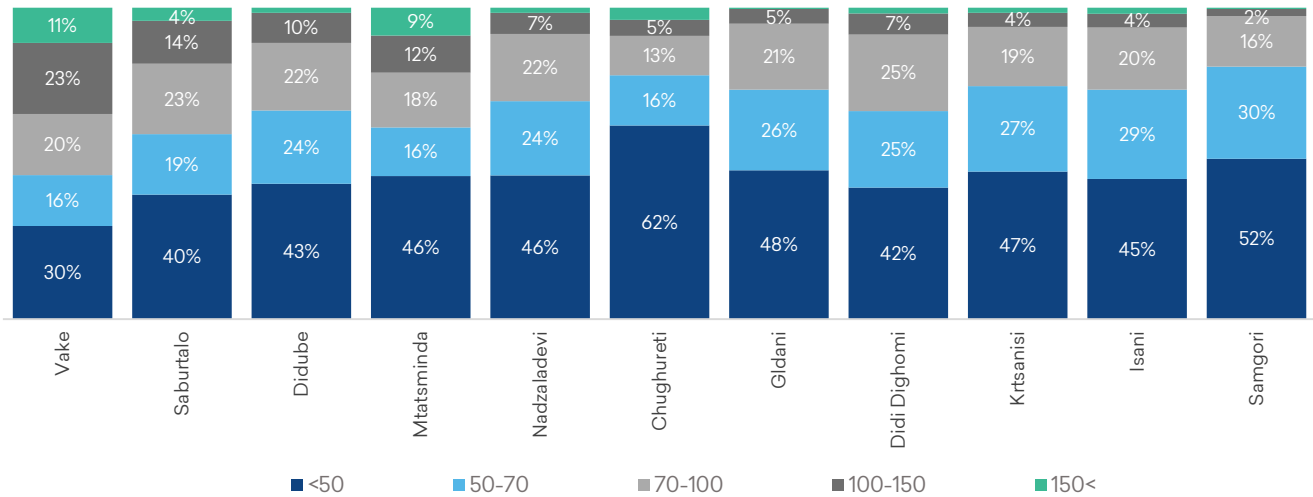
Figures 20 & 21

New apartments – 10M 2021 (Area, SQM)



Source: NAPR, TBC Capital

Old apartments – 10M 2021 (Area, SQM)



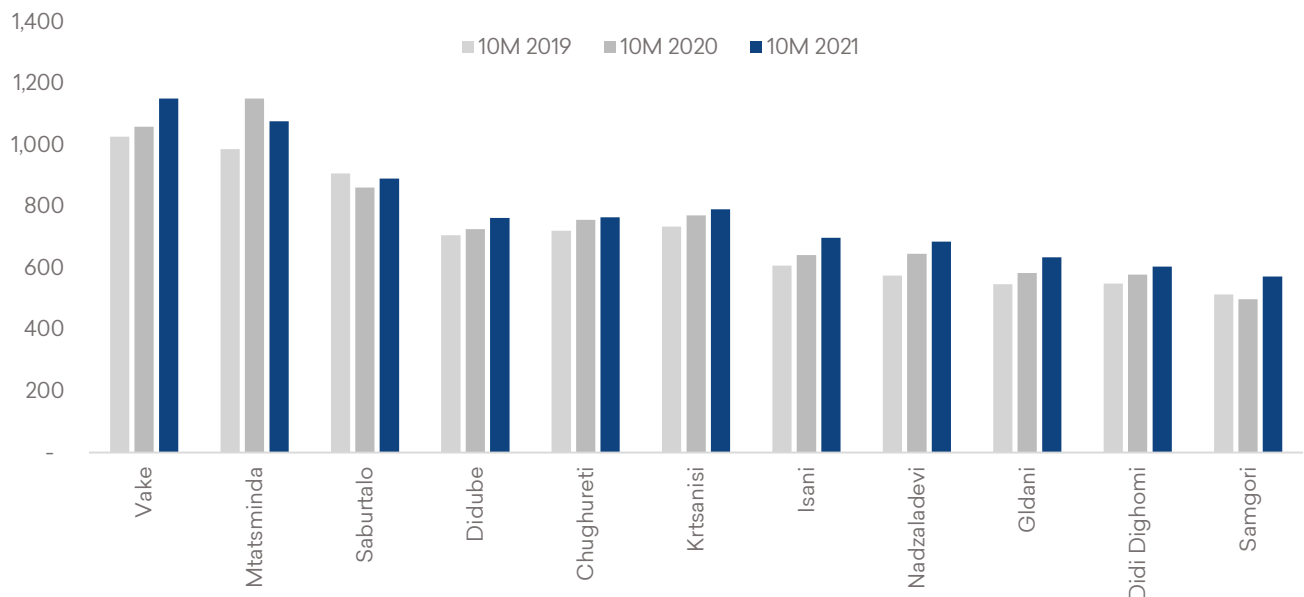
Source: NAPR, TBC Capital

In the first ten months of 2021, the price behavior for new apartments, in most districts, is relatively similar. Noticeable changes compared to 2019 were observed in Didi Dighomi (+14%) and Samgori (+12%).

Nadzaladevi (+19%) posted the largest increase in old apartment prices relative to 2019.

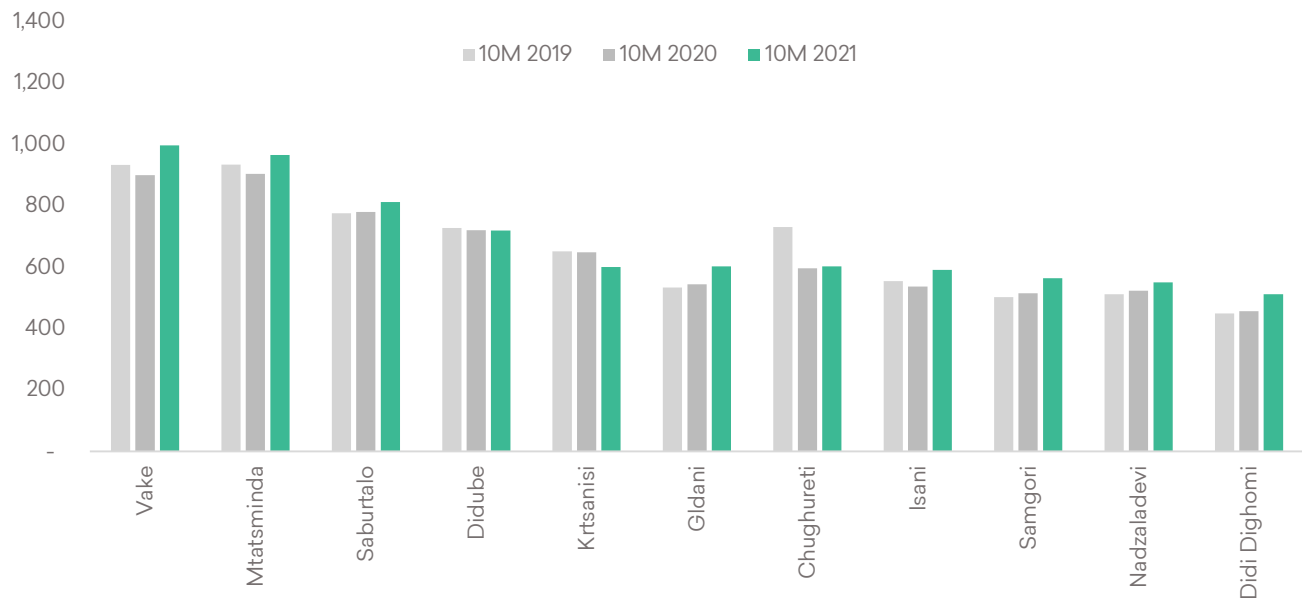
Figures 22 & 23

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

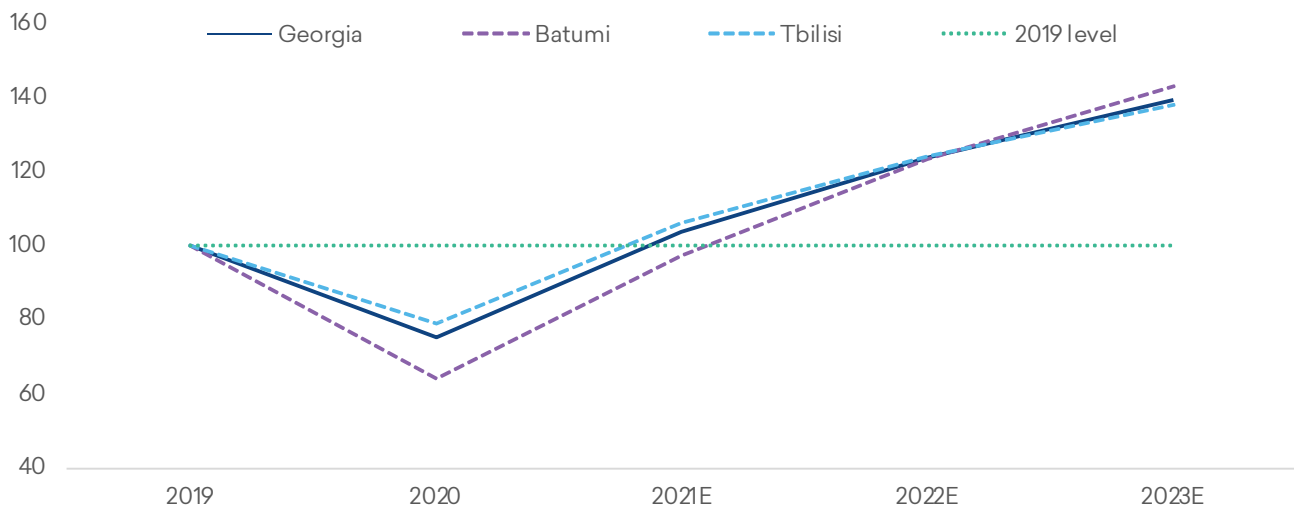
Considering the recent figures and trends on the market, we expect that in 2021 the number of transactions will exceed its 2019 level by about 3.8%.

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

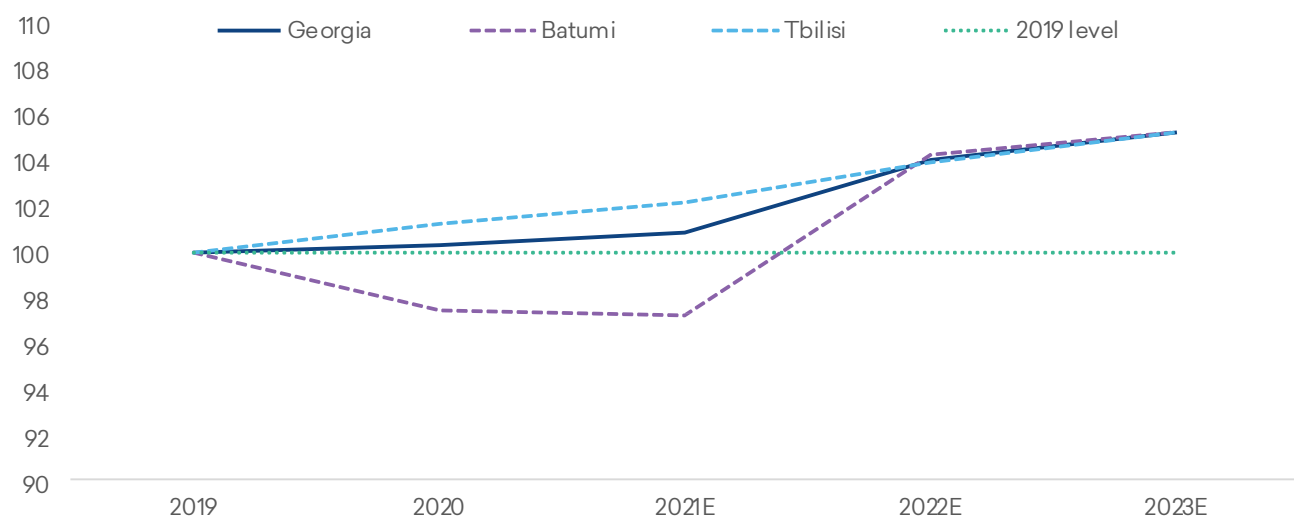
The residential real estate price will also be higher than its pre-pandemic level, but not significantly.

Figures 24 & 25

Number of sold apartments



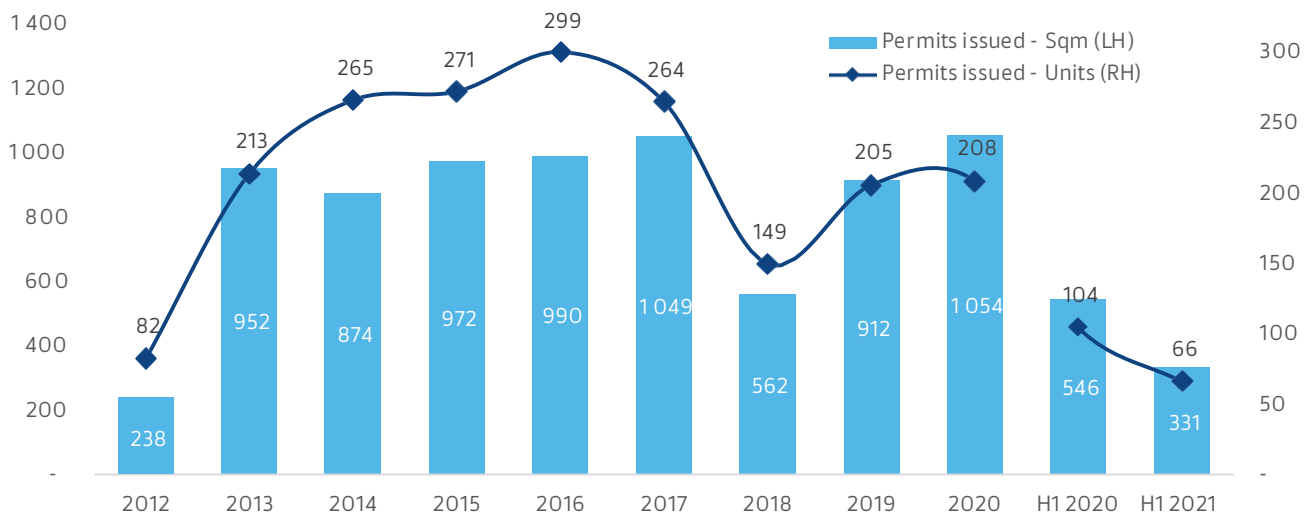
Price USD



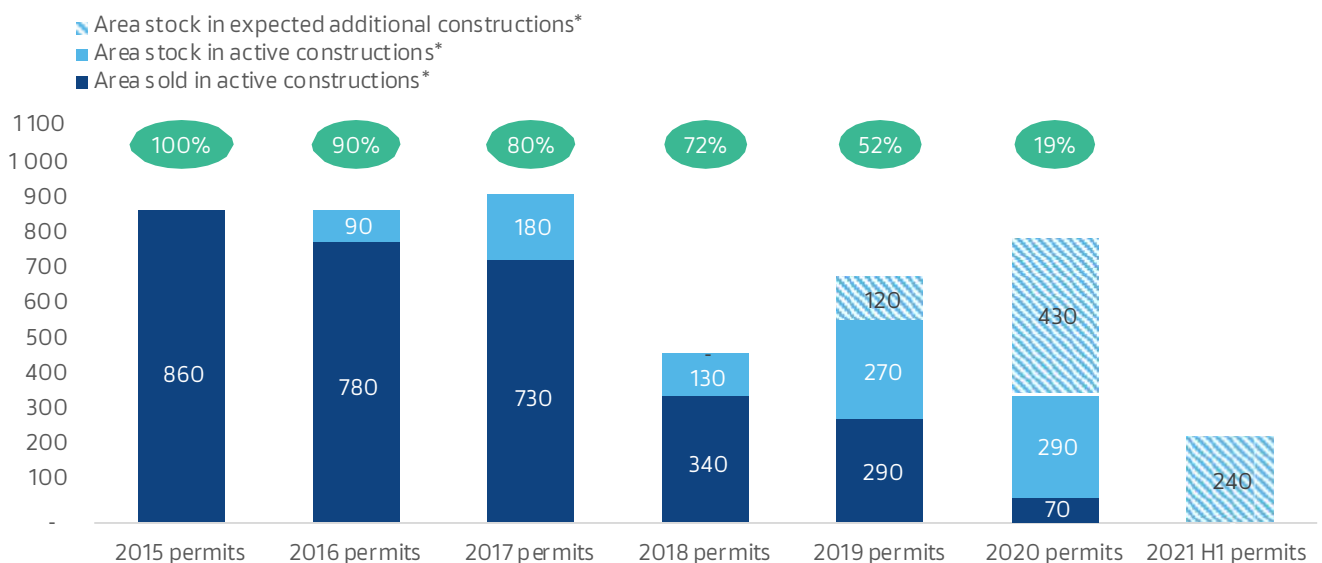
Source: TBC Capital

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

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



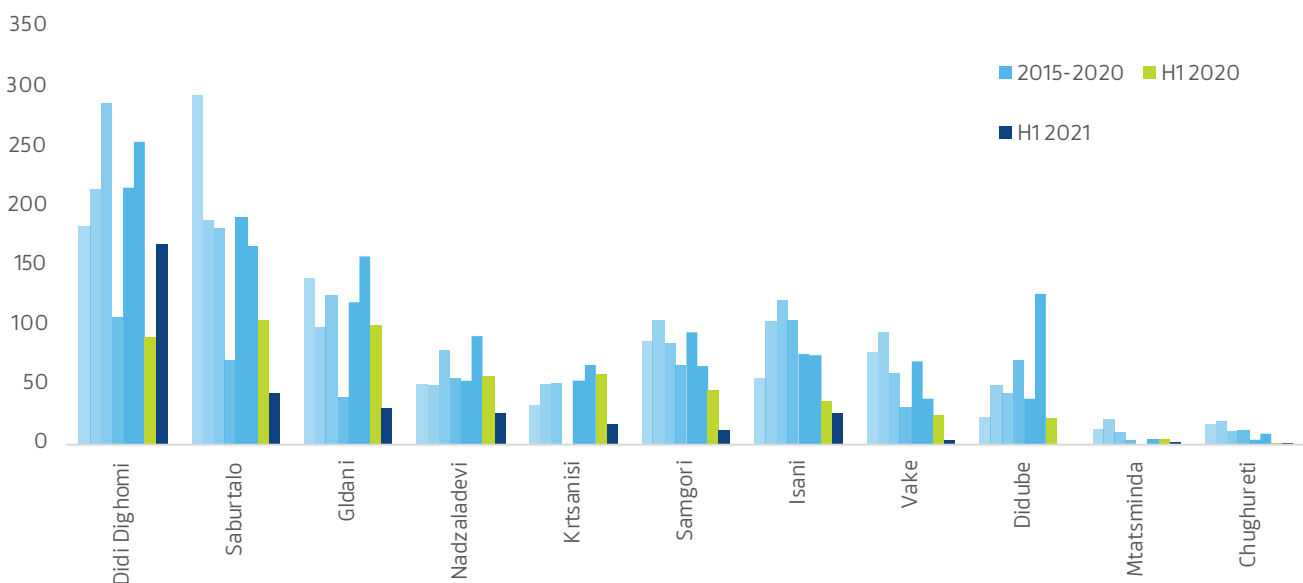
Residential area (000' SQM) of 2015-21 permits: Sold & Stock



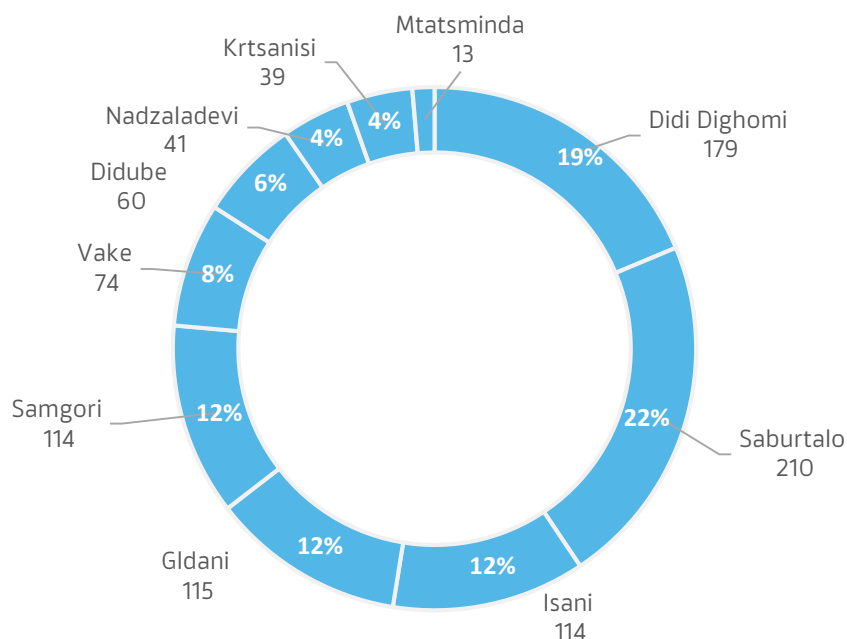
Source: Tbilisi City Hall, TBC Capital; *If at least a single sale from the project is registered in NAPR, the project is deemed active

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

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



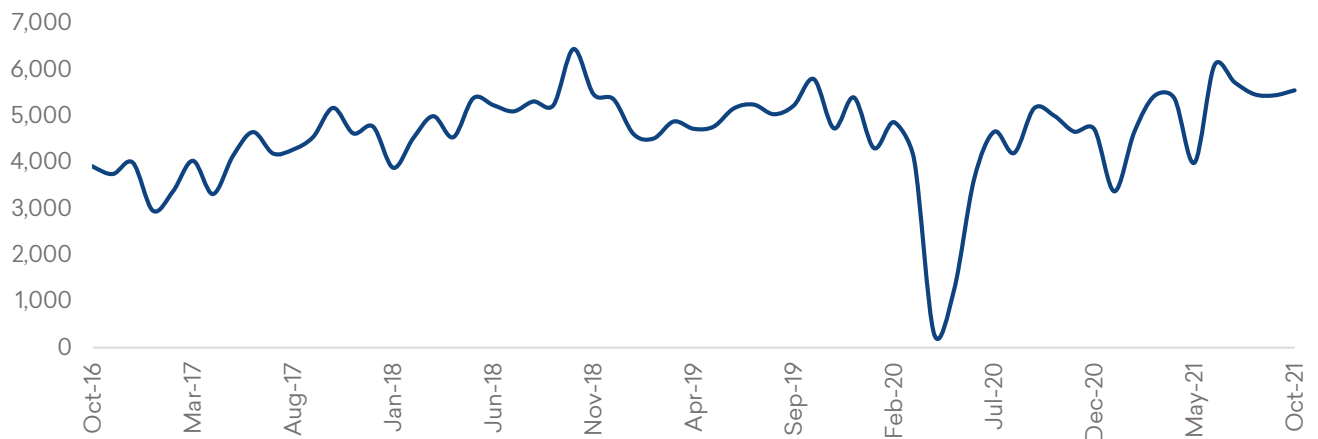
Residential area in stock by districts (000' SQM)



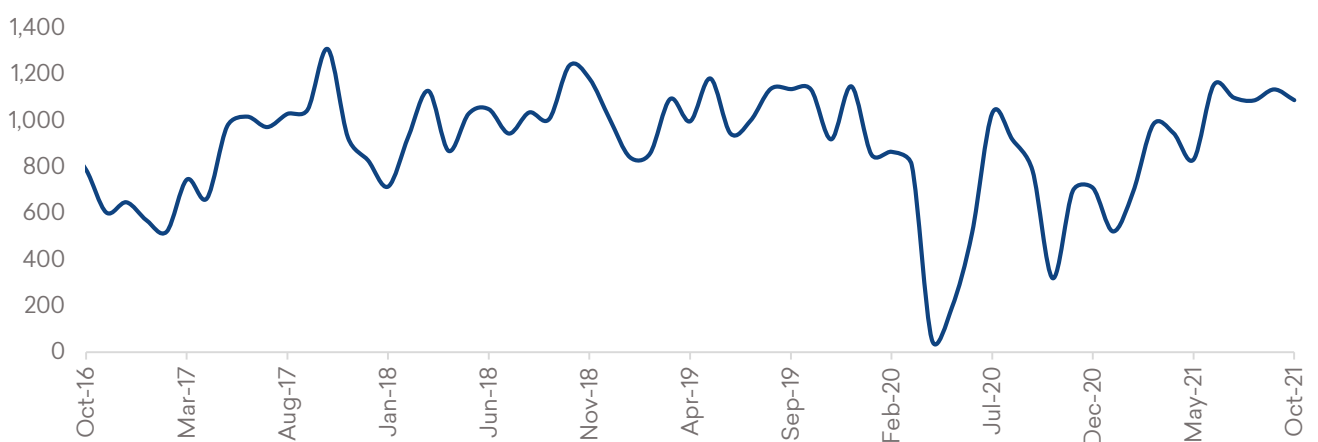
Source: Tbilisi City Hall, TBC Capital; *If at least a single sale from the project is registered in NAPR, the project is deemed active

Annex II/II: Number of residential property sales transactions

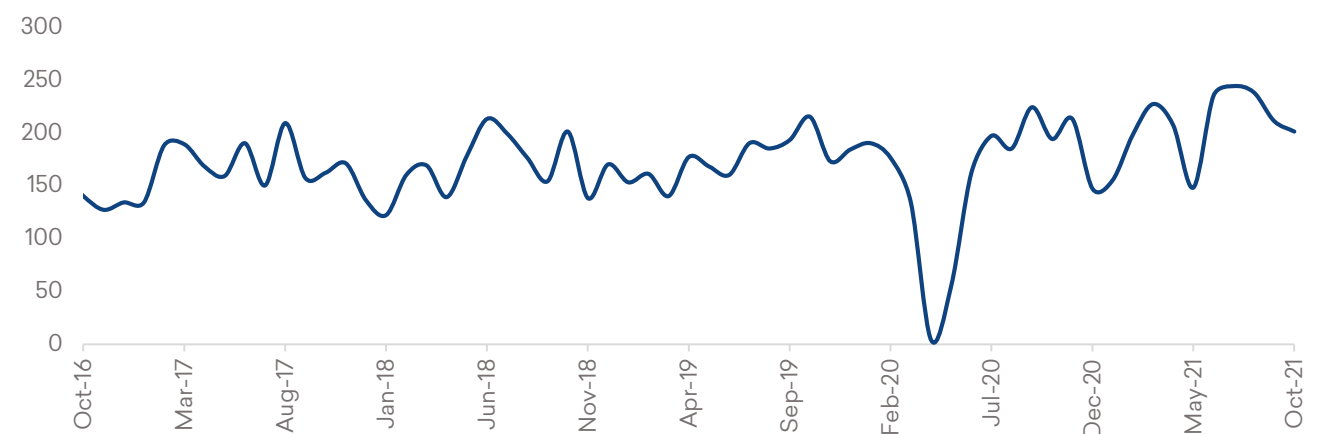
Georgia



Batumi



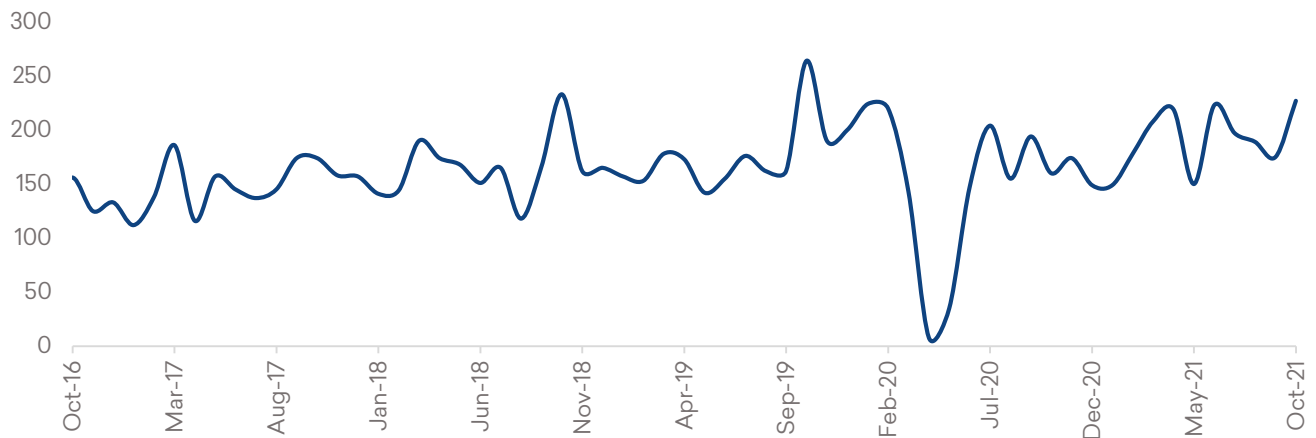
Kutaisi



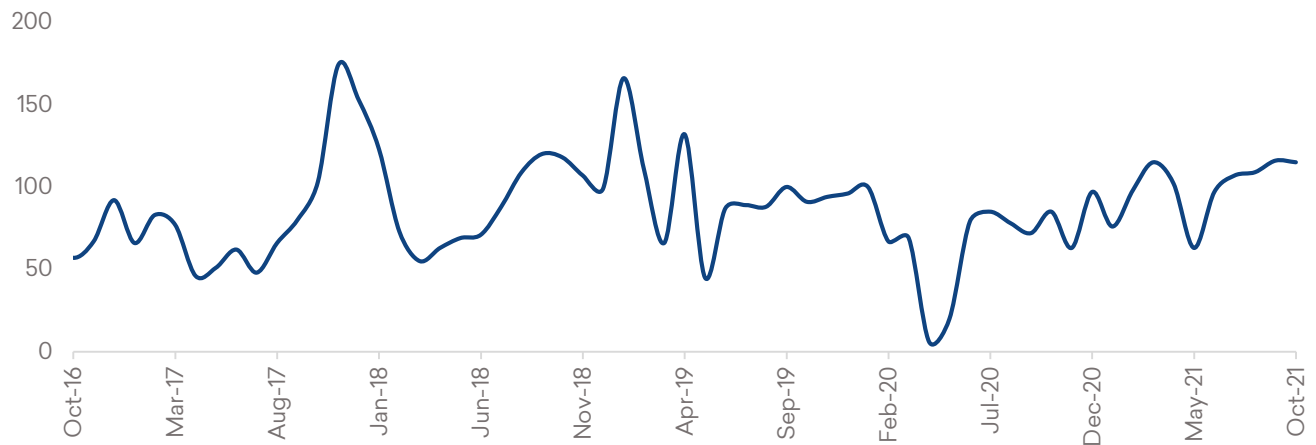
Source: NAPR, TBC Capital

Annex II/II: Number of residential property sales transactions

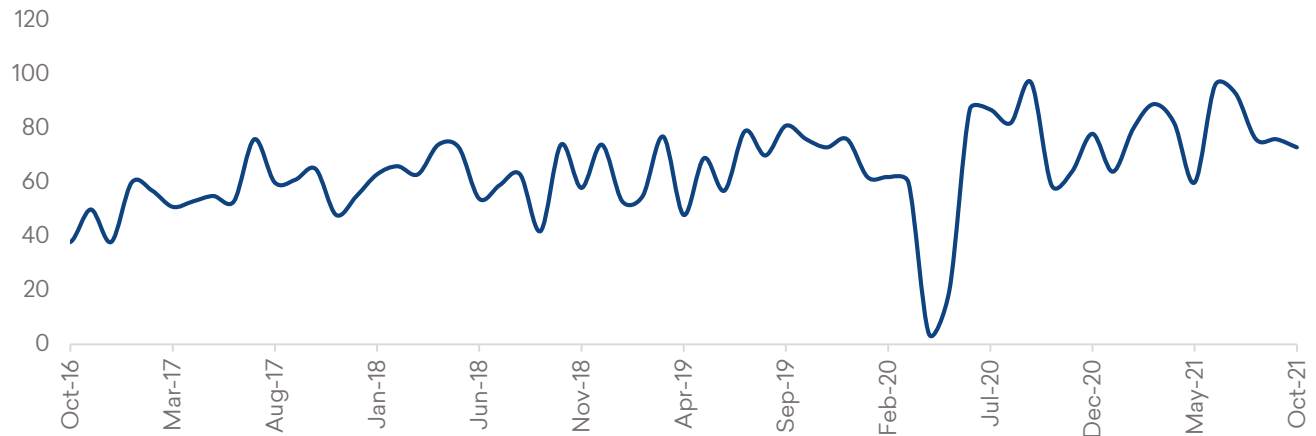
Rustavi



Borjomi



Gori



Source: NAPR, TBC Capital

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