



SECTORAL

Tbilisi Residential Market

MONTHLY WATCH

June 2021

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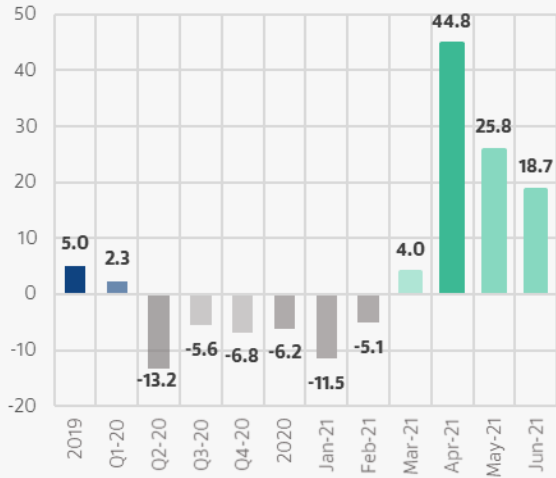
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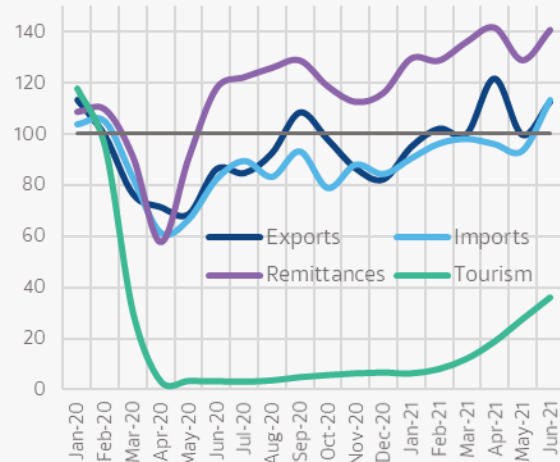
KEY DEVELOPMENTS

- **RESTART ON THE TRACK: STRENGTHENING GEL, INCREASING INFLOWS AND ROBUST GDP GROWTH**
- **AVERAGE PRICE OF RESIDENTIAL PROPERTIES IN TBILISI UP NOTICEABLY IN JUNE YOY; FURTHERMORE, A SLIGHT IMPROVEMENT WAS OBSERVED FOR RENTAL RATES**
- **TRANSACTION ACTIVITY PICKED UP IN JUNE, PARTIALLY DUE TO EASED RESTRICTIONS AND THEREFORE, RELATIVELY POSITIVE EXPECTATIONS**
- **NUMBER OF SOLD APARTMENTS UP IN Q2 2021, WHILE THE SHARE OF NEW PROPERTIES POSTED A SLIGHT DECREASE COMPARED TO Q1, ACCOUNTING FOR 64% OF TOTAL TRANSACTIONS**
- **SALES UP CONSIDERABLY IN SAMGORI AND DIDUBE, WHILE SABURTALO AND CHUGHURETI STILL REMAIN FAR BELOW THEIR 2019 LEVEL**
- **TBILISI'S RENTAL YIELD STOOD AT 7.4% IN JUNE; A SLIGHT INCREASE OBSERVED IN THE PROPORTION OF MORTGAGES ISSUED TO TOTAL TRANSACTION VALUE**
- **TBILISI AIRBNB MARKET SHOWS SOME IMPROVEMENT, WITH MARKET REVENUE UP NOTICEABLY**

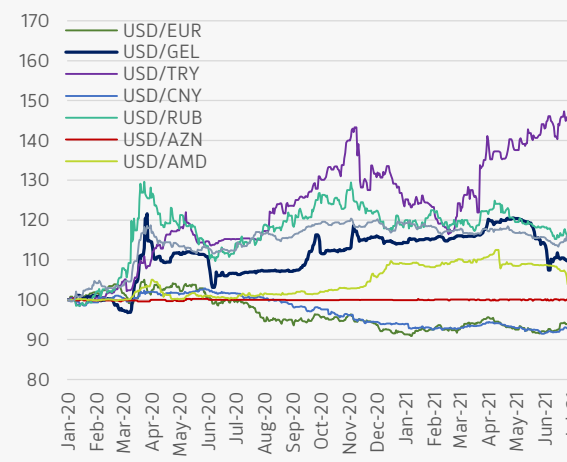
REAL GDP GROWTH (YOY, %)



KEY BOP ITEMS (COMPARED TO 2019, %, IN USD)

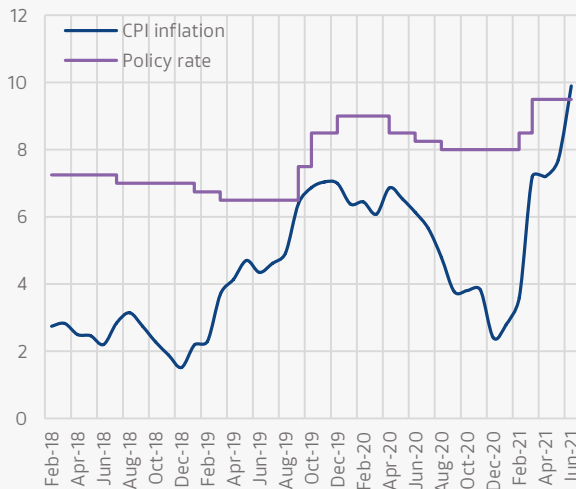


USD/GEL & PARTNER CURRENCY FX RATES VS USD

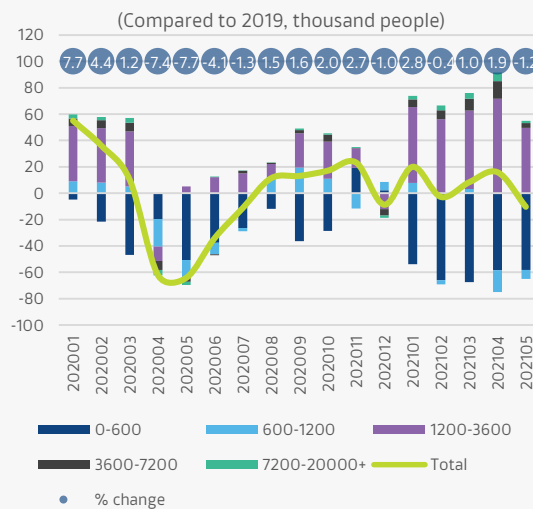


- According to preliminary estimates, GDP increased by 18.7% YoY in June 2021, following a 44.8% and 25.8% YoY surge in April and May, respectively. As a result, preliminary growth in Q2 amounted to 29.8% YoY, or 12.6% when compared to the same period of 2019.
- Exports of goods increased by 30.1% YoY in June, following a 44.8% YoY growth in May. After a slight 0.4% decrease in May when compared to the same month of 2019, exports increased by 12.5%. Growth of imports has also slowed down, from 41.2% to 37.5% YoY, however compared to the same month of 2019 increase amounted to 13.4%, up from 6.5% contraction in the last month.
- According to the NBG, tourism inflows have increased tenfold in June (990.0% YoY), reaching 36.0% level of the same month of 2019. International arrivals have also increased in June with the number of arrivals quadrupling in a year (294% YoY), equaling 17.9% of the same month of 2019. This difference in the recovery of inflows and arrivals is attributed to the number of high spender tourists arriving via airplanes rebounding quicker than the rest.

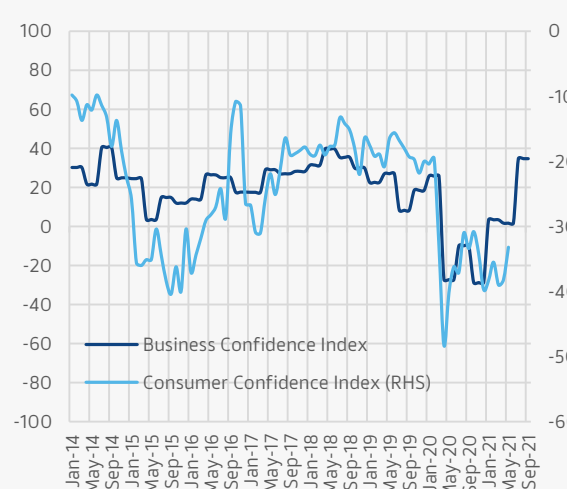
INFLATION AND GEL POLICY RATE (%)



HIRED EMPLOYEES BY WAGE GROUPS



BUSINESS AND CONSUMER CONFIDENCE INDICES

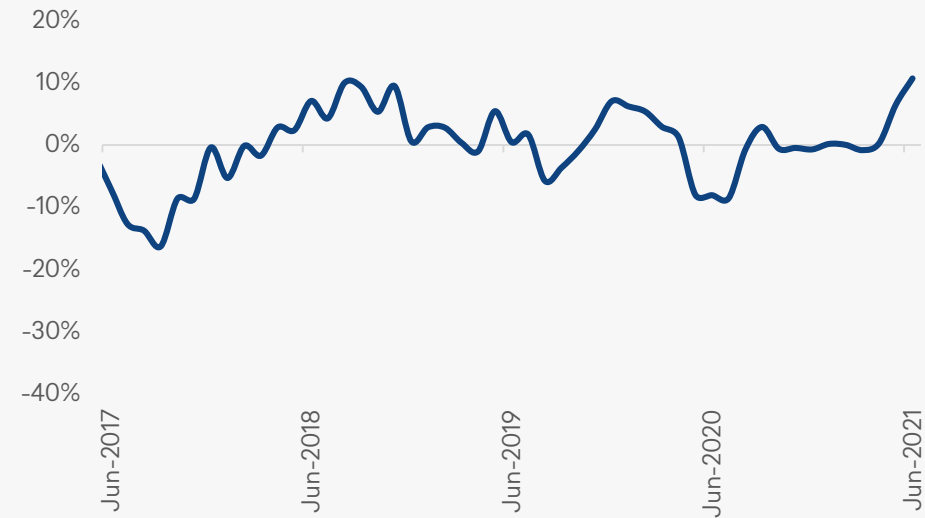


- Since the appreciation in June, the GEL has continued strengthening in July, during which, as of July 25, the GEL has gained 1.9% value against the greenback, compared to the 3.6% of the previous month. During the abovementioned period, the USD has strengthened by 1.1% against the EUR, reaching the lowest point since 6th of April. The RUB has also depreciated against the USD by 1.3%, followed by the fixed currencies of the CNY and the AZN, depreciating by 0.3% and 0.1%, respectively. Whereas currencies like the TRY, the AMD and UAH have strengthened by 1.9%, 2.3% and 0.5%*, respectively.
- Annual inflation increased to 9.9% YoY in June 2021, compared to 7.7% of the previous month, main contributors being food and non-alcoholic beverages, transport and gas. The monthly inflation pressures in June were also high as seasonally-adjusted monthly annualized inflation reached 19.9%.

AVERAGE PRICE OF RESIDENTIAL PROPERTIES IN TBILISI UP NOTICEABLY IN JUNE YOY; FURTHERMORE, A SLIGHT IMPROVEMENT WAS OBSERVED FOR RENTAL RATES

TBILISI RESIDENTIAL REAL ESTATE PRICE - USD

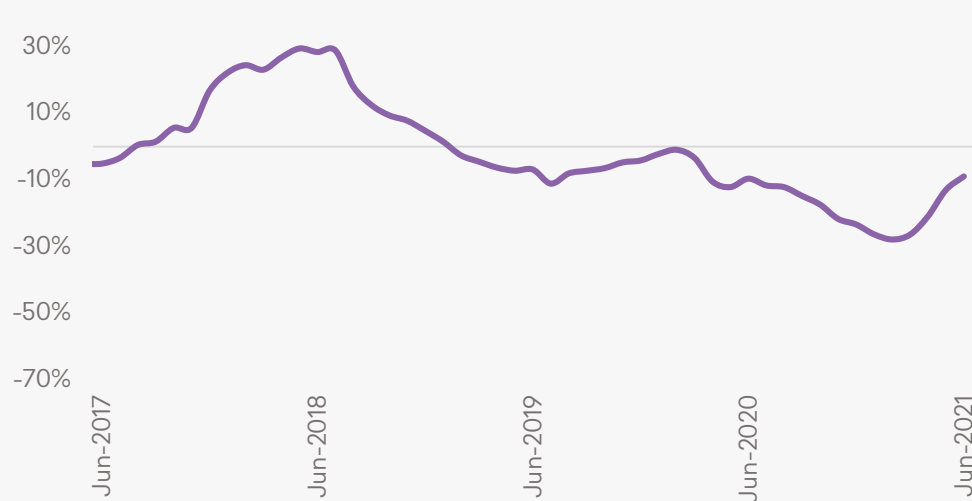
(Change YoY, %)



+10.7%
YoY in June 2021
-0.2%
MoM in June 2021
+1.7%
Relative to 2019

TBILISI RESIDENTIAL REAL ESTATE RENT - USD

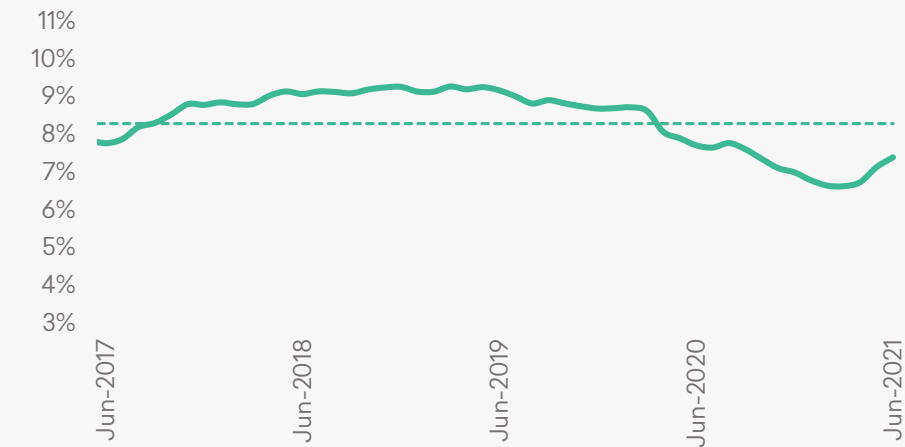
(Change YoY, %)



-9.0%
YoY in June 2021
+6.4%
MoM in June 2021
-17.8%
Relative to 2019

RENT-TO-PRICE RATIO AND ITS LONG-TERM AVERAGE

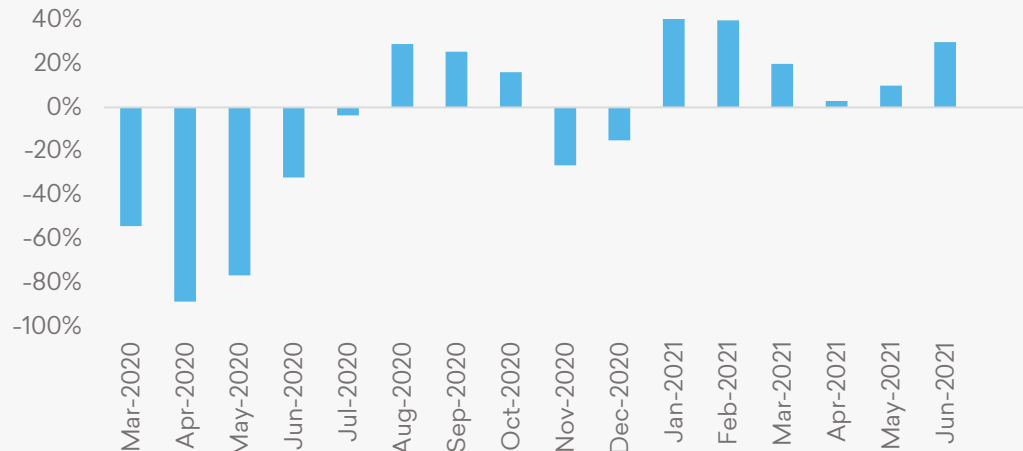
(%)



7.4%
in June 2021
-0.3PP
YoY in June 2021
-1.9 PP
Relative to 2019

NEW MORTGAGE ISSUANCE**

(% Change compared to 2019)



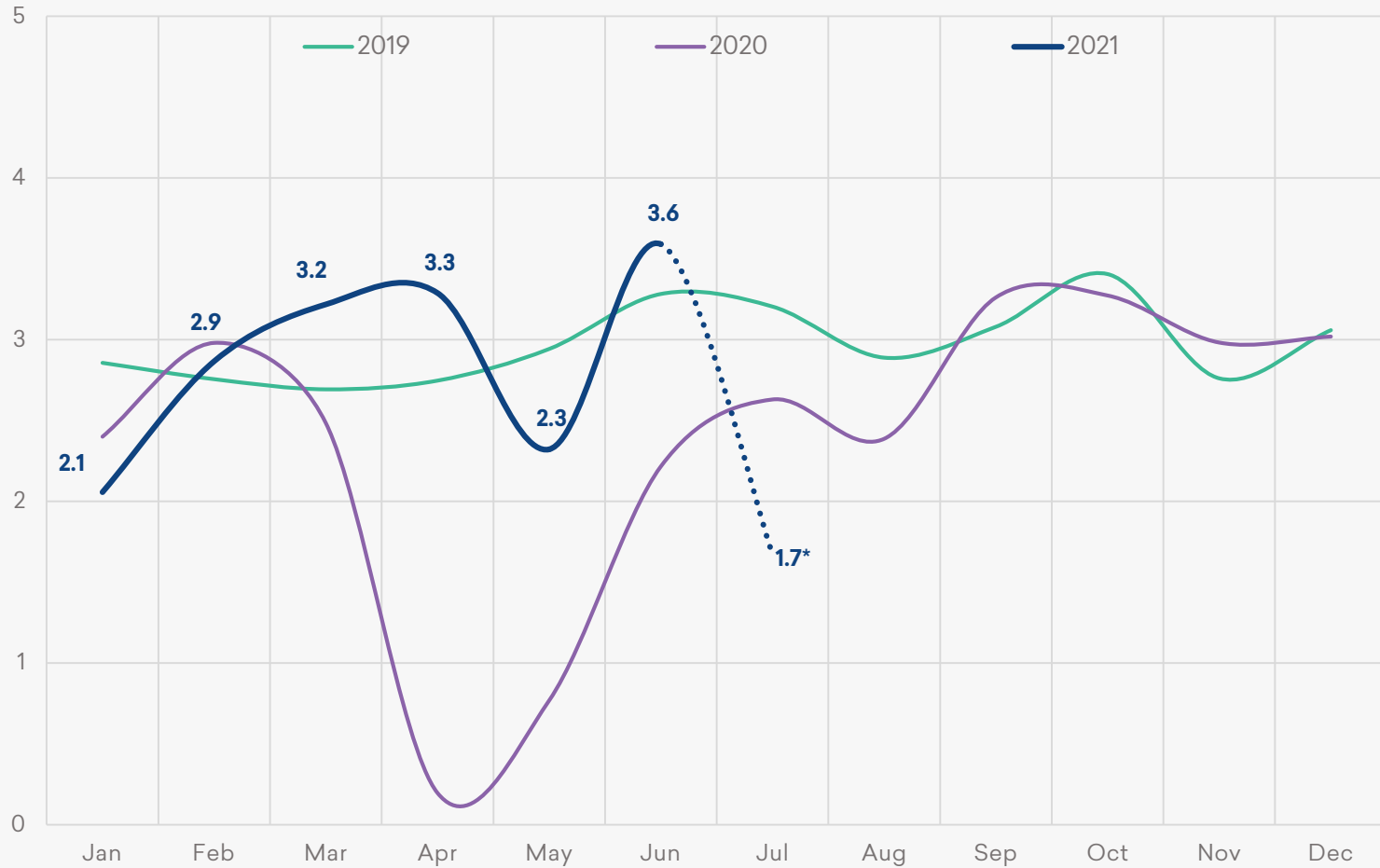
+29.8%
in June 2021
+10.0%
in May 2021

Source: NBG, NAPR, TBC Capital

**Mortgages issued by TBC Bank, excl. FX effect

TRANSACTION ACTIVITY PICKED UP IN JUNE, PARTIALLY DUE TO EASED RESTRICTIONS AND THEREFORE, RELATIVELY POSITIVE EXPECTATIONS

NUMBER OF SOLD RESIDENTIAL PROPERTIES BY YEARS
(000' UNITS)

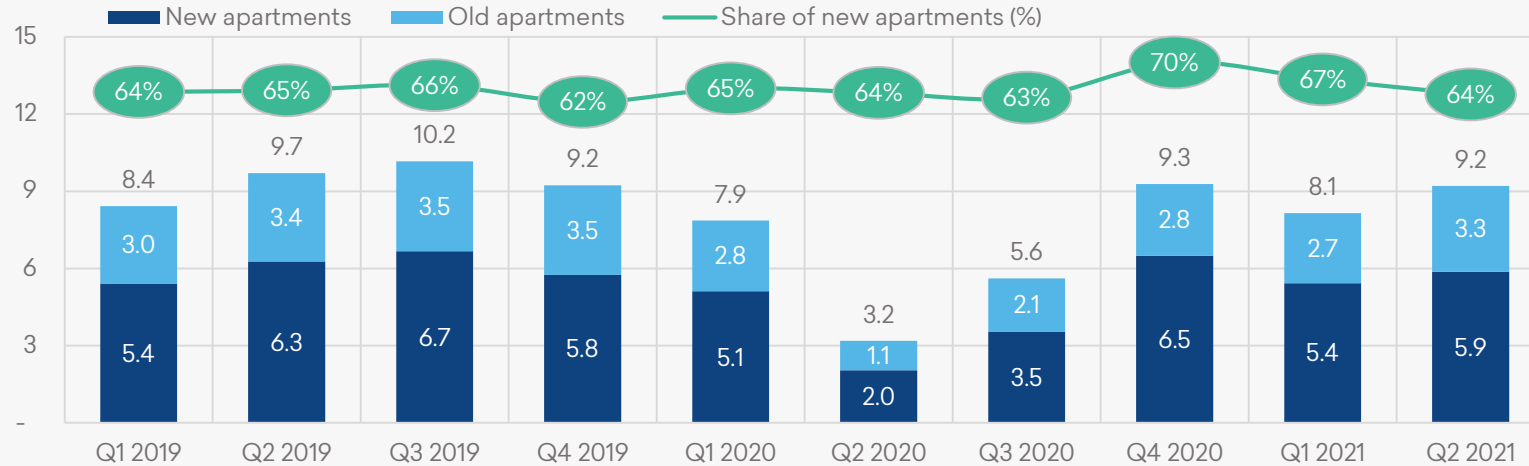


- Following a significant decline in May, about 3,600 residential properties were sold in Tbilisi in June, surpassing its 2019 level by 9% (+62% YoY).

*1-16 Jul 2021

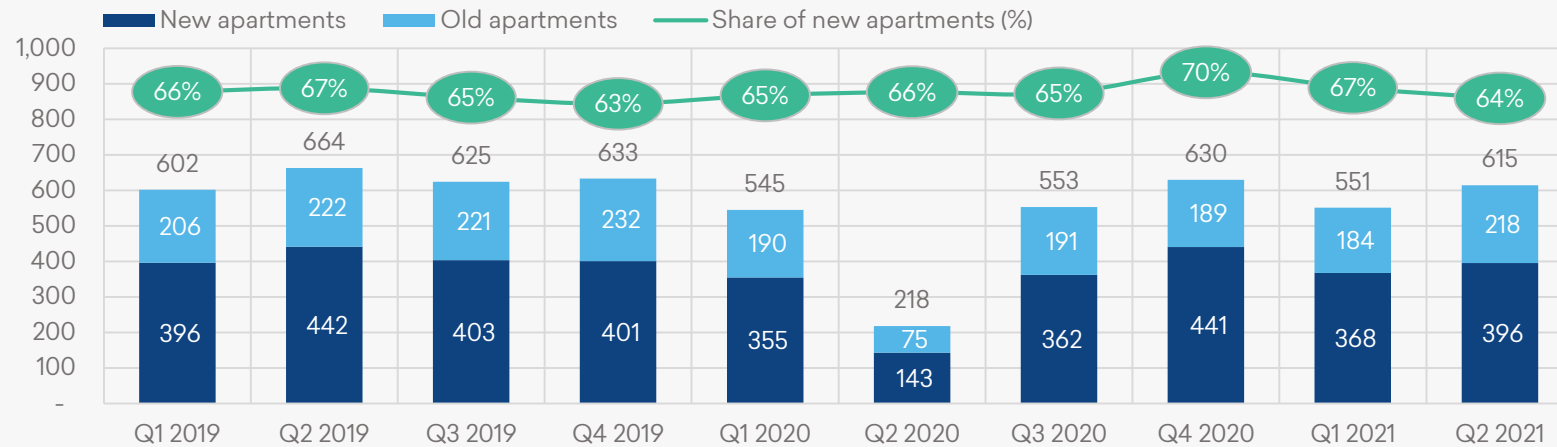
NUMBER OF SOLD APARTMENTS UP IN Q2 2021, WHILE THE SHARE OF NEW PROPERTIES POSTED A SLIGHT DECREASE COMPARED TO Q1, ACCOUNTING FOR 64% OF TOTAL TRANSACTIONS

NUMBER OF SOLD RESIDENTIAL PROPERTIES (000' UNITS)



- Circa 5900 new apartments were sold in Q2 2021, amounting over 396 thousand SQM area (-6% relative to 2019).

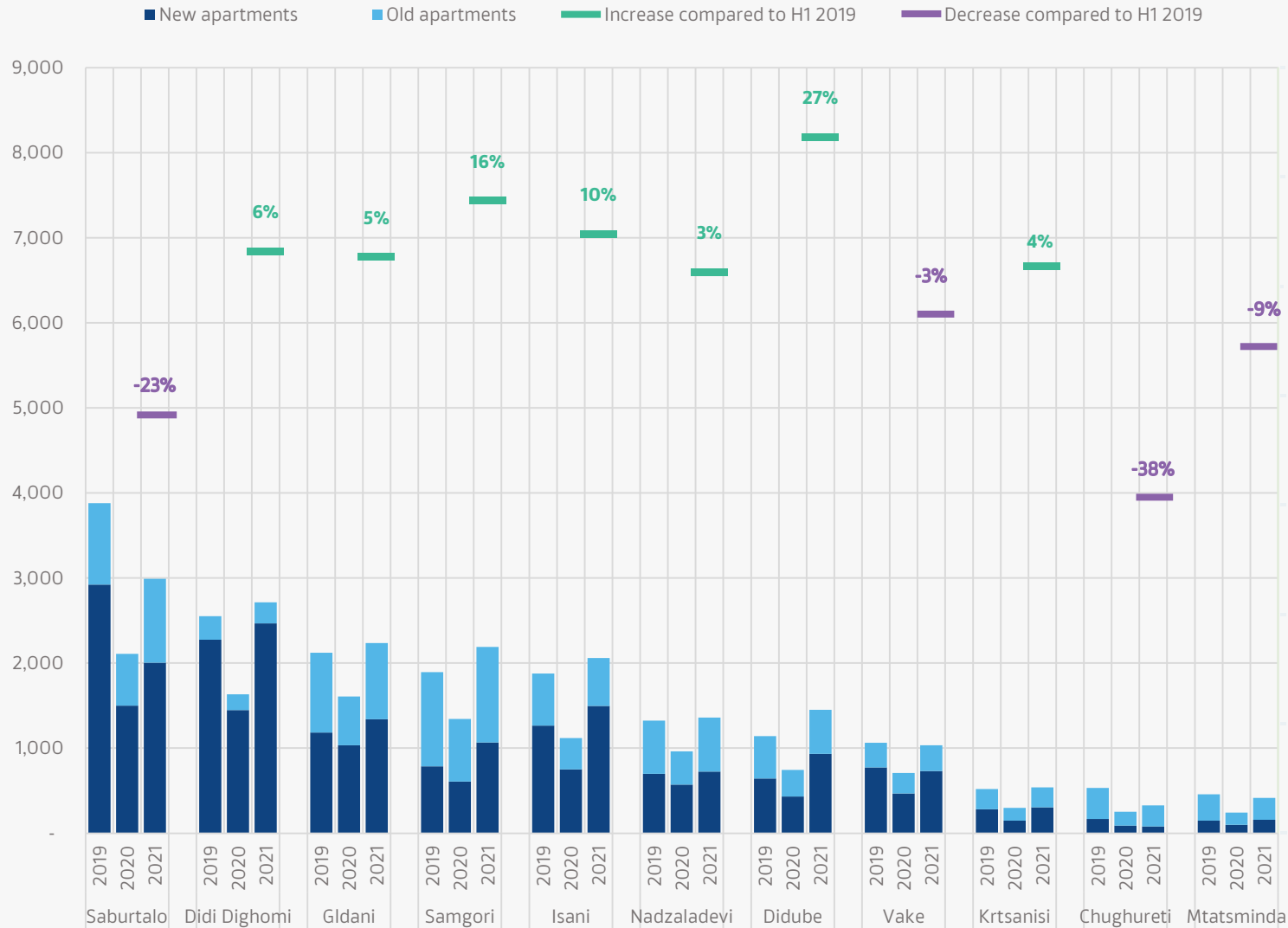
TOTAL AREA OF SOLD RESIDENTIAL PROPERTIES (000' SQM)



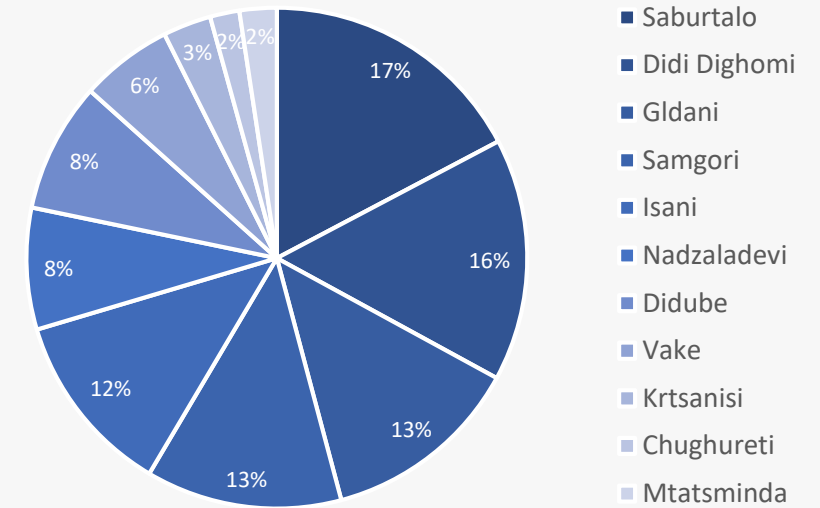
- Amounting up to 218 thousand SQM area, circa 3,300 old apartments were sold in Q2 2021 (-3% relative to 2019), accounting for 36% of total transactions.

SALES UP CONSIDERABLY IN SAMGORI AND DIDUBE, WHILE SABURTALO AND CHUGHURETI STILL REMAIN FAR BELOW THEIR 2019 LEVEL

NUMBER OF SOLD APARTMENTS (UNITS): 1st HALF OF THE YEAR (H1) 2019-2021



TOTAL TRANSACTION DISTRIBUTION BY DISTRICTS (%): H1 2021

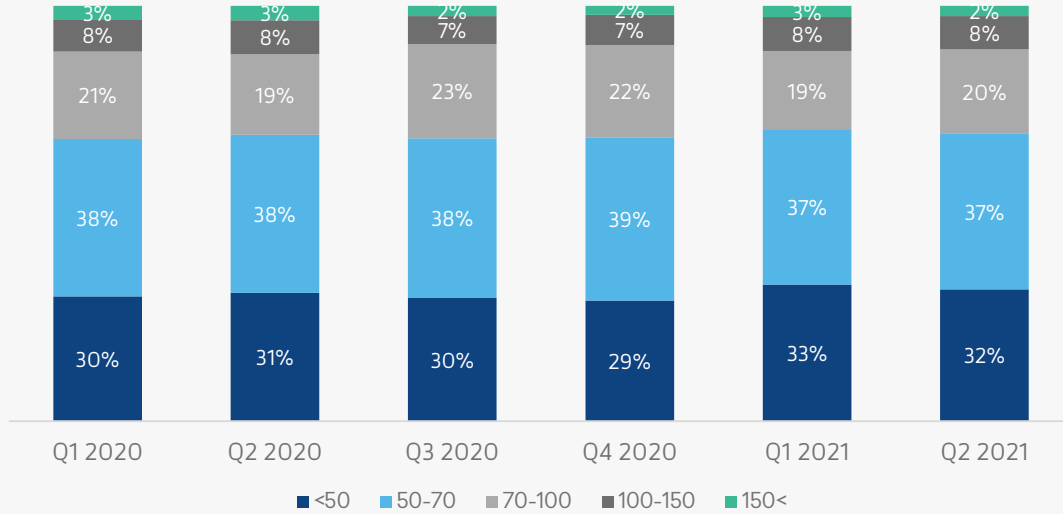


- As of H1 2021, number of transactions exceeds the 2019 level in most parts of Tbilisi. Double-digit growth was observed in Didube (+27%) and Samgori (+16%). For other districts, the transaction growth ranged from 3% to 10%.
- Vake and Mtatsminda, down by only 3% and 9%, respectively. Accounting for the largest share of Tbilisi's total transactions, Saburtalo remains far below its pre-pandemic level, standing at -23%.

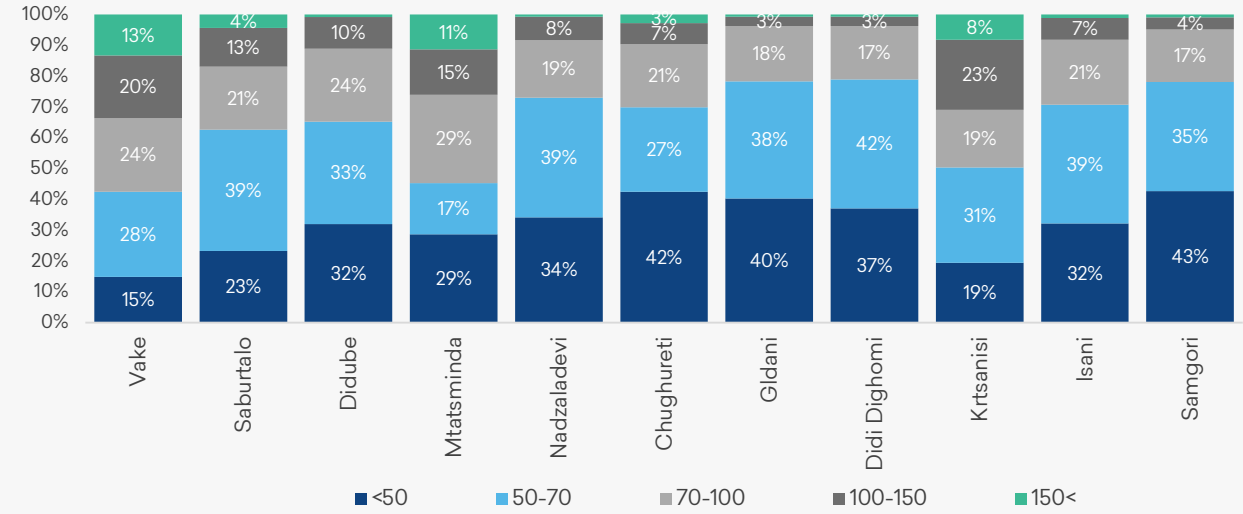
Source: NAPR, TBC Capital

THE MIX OF TRANSACTIONS BROADLY UNCHANGED; SMALL APARTMENTS HAVE A HIGHER SHARE IN THE MAJORITY OF DISTRICTS

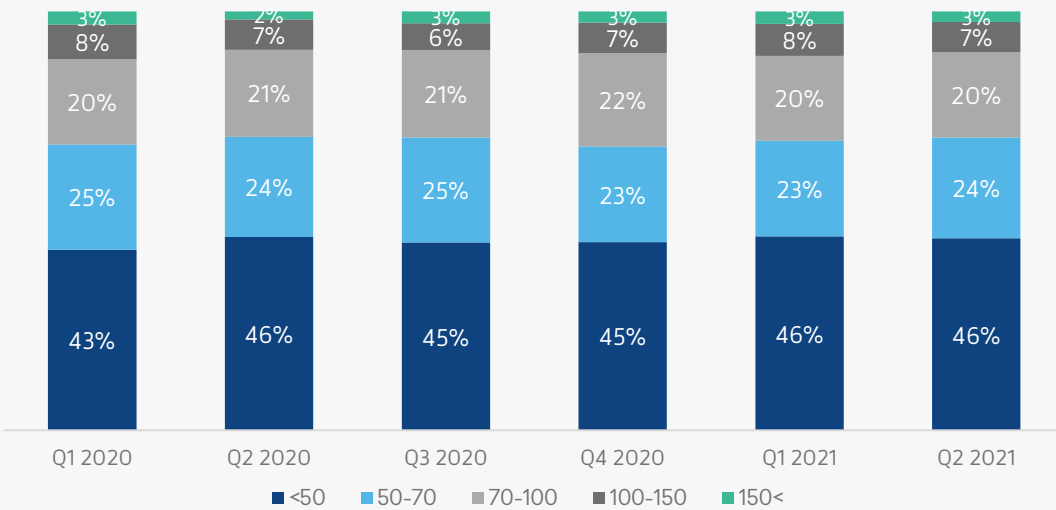
NEW APARTMENTS (AREA, SQM)



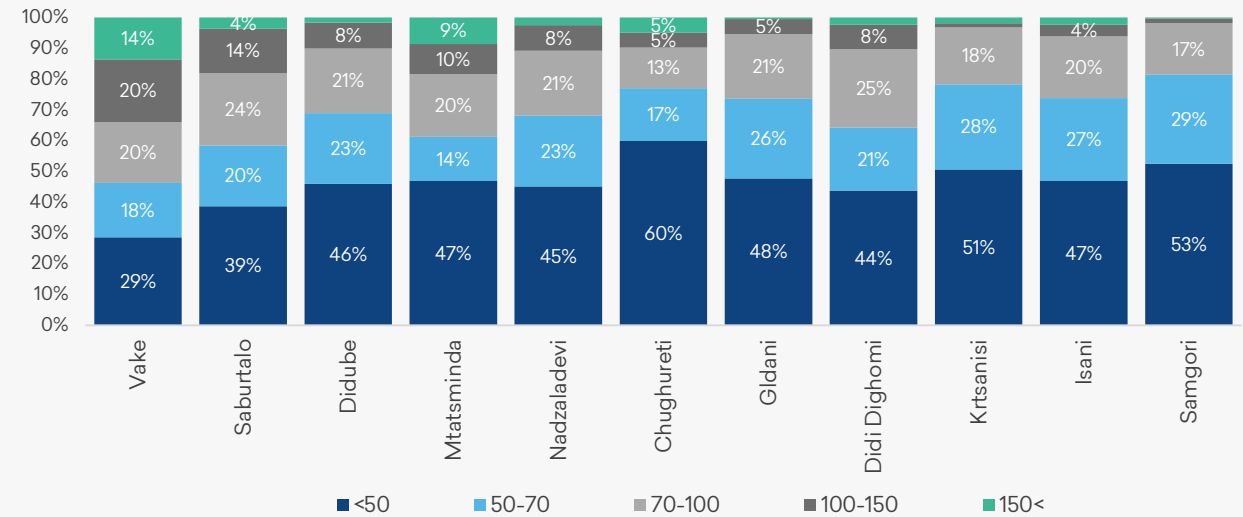
NEW APARTMENTS - H1 2021 (AREA, SQM)



OLD APARTMENTS (AREA, SQM)



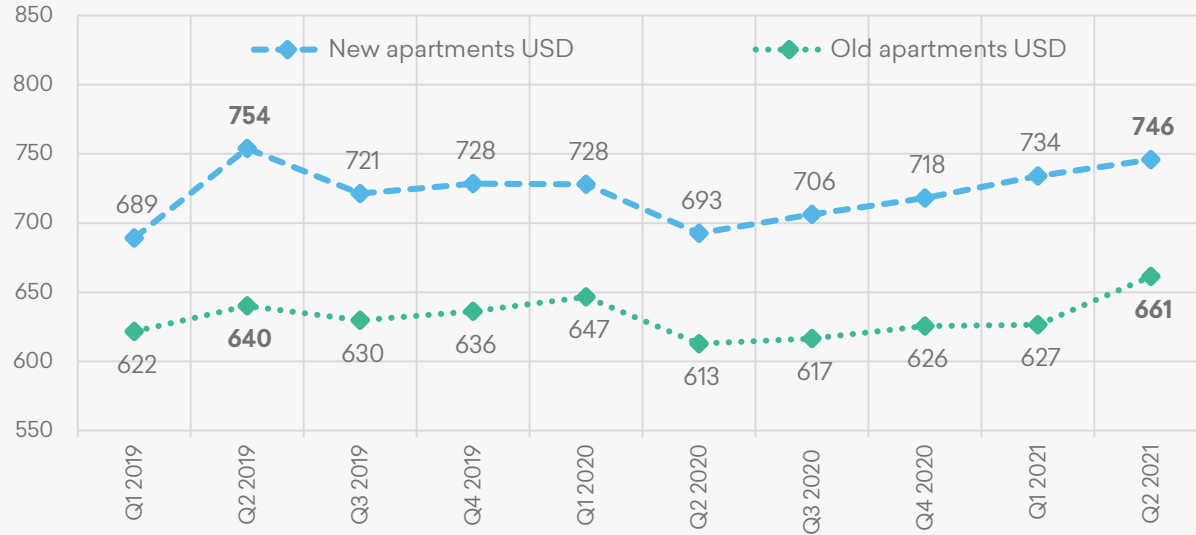
OLD APARTMENTS - H1 2021 (AREA, SQM)



Source: NAPR, TBC Capital

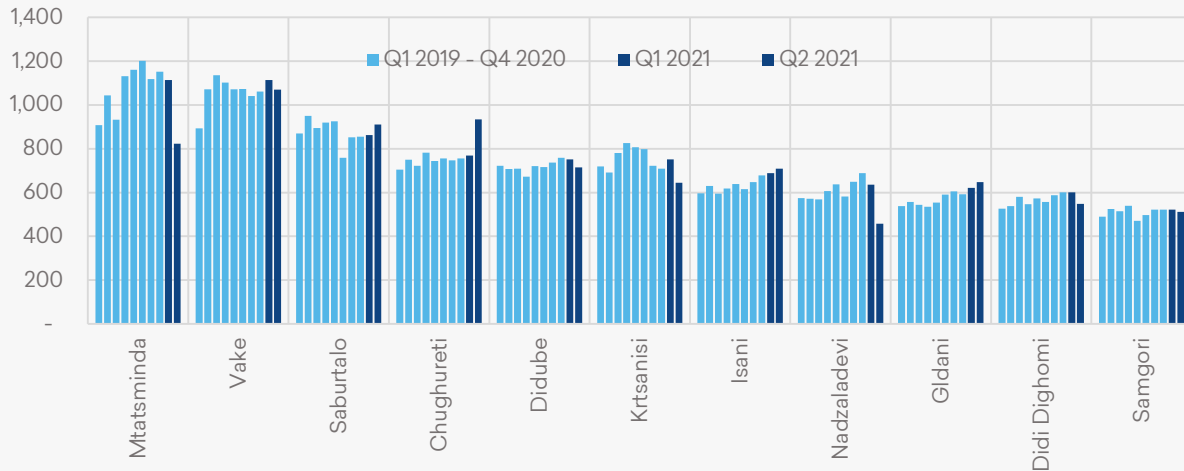
AVERAGE SALES-WEIGHTED USD PRICE OF THE REGISTRY TRANSACTIONS UP FOR BOTH NEW AND OLD RESIDENTIAL PROPERTIES IN Q2 2021 COMPARED TO THE PREVIOUS QUARTER

APARTMENT TRANSACTIONS – AVERAGE SALES WEIGHTED PRICE PER SQM (USD)

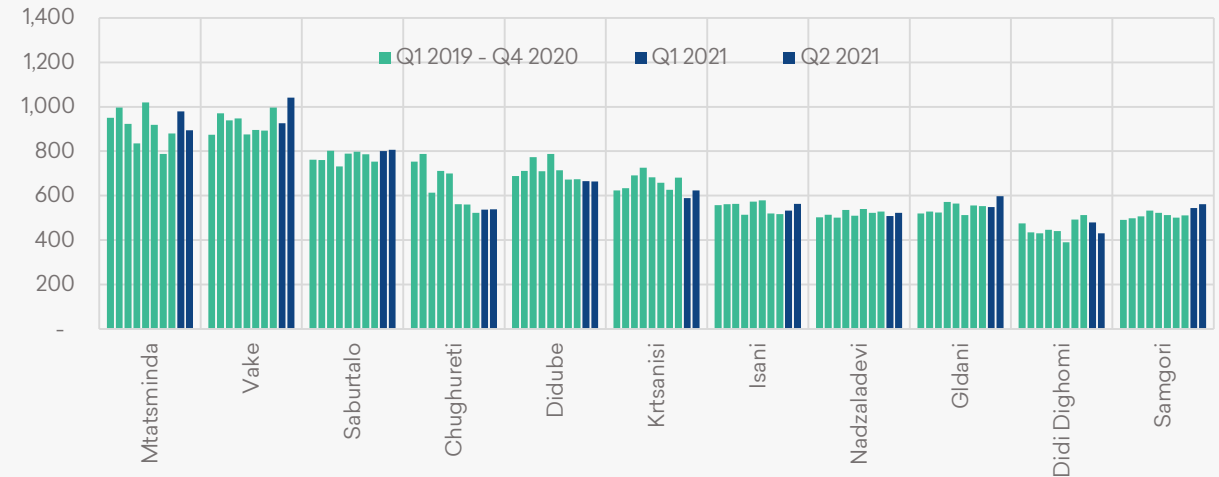


- Quarterly Average Sales-weighted USD prices for new and old apartments showed upward trend in the first half of 2021 with some variations within the quarters.
- In Q2 2021, average sales-weighted price of new apartments only 1% below its 2019 Q2 level, the latter being the highest quarter average in 2019-2021.
- Old apartment sales weighted average prices in Q2 2021 reached highest quarter average since Q1 2019, standing at USD 661.

NEW APARTMENTS – AVERAGE SALES WEIGHTED PRICE PER SQM (USD)

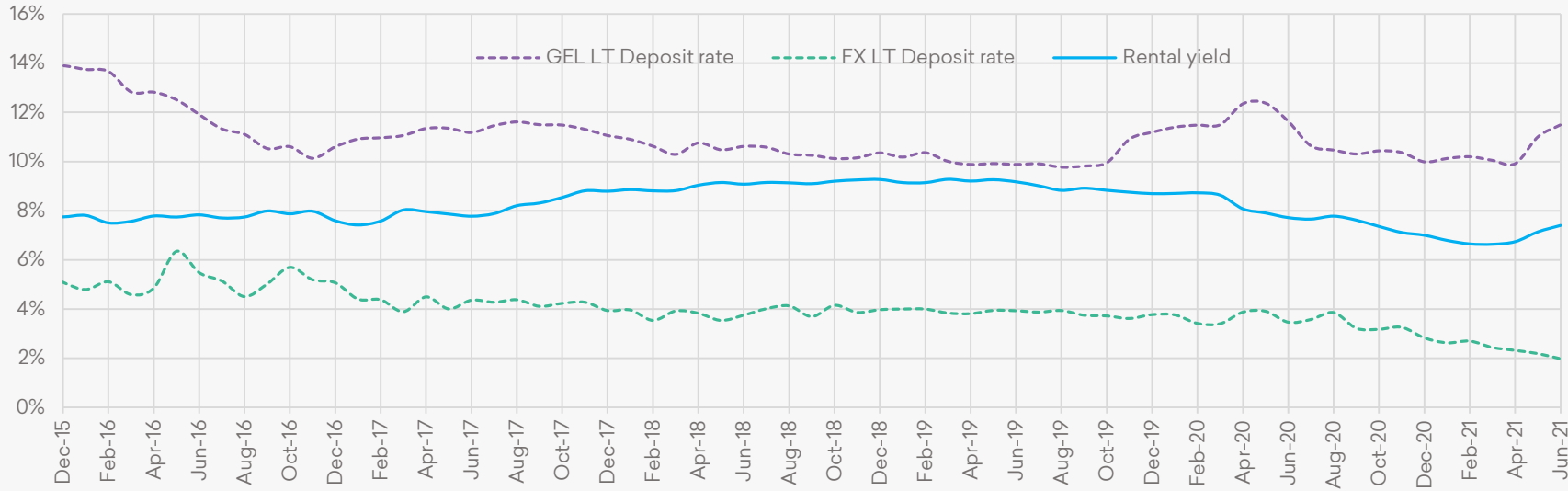


OLD APARTMENTS – AVERAGE SALES WEIGHTED PRICE PER SQM (USD)



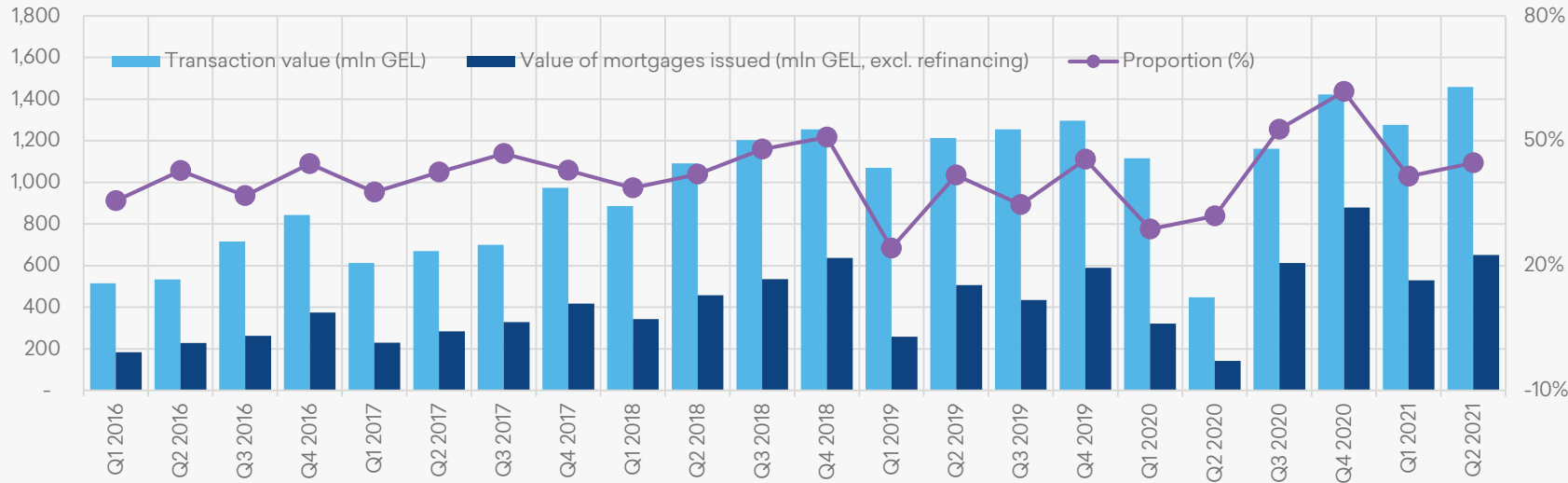
TBILISI'S RENTAL YIELD STOOD AT 7.4% IN JUNE; A SLIGHT INCREASE OBSERVED IN THE PROPORTION OF MORTGAGES ISSUED TO TOTAL TRANSACTION VALUE

MORTGAGE AND DEPOSIT RATES DYNAMICS IN GEORGIA



- Tbilisi rental yield rose to 7.4% in June, up from 7.14% in May. The yield stands below its long-term average (8.3%).

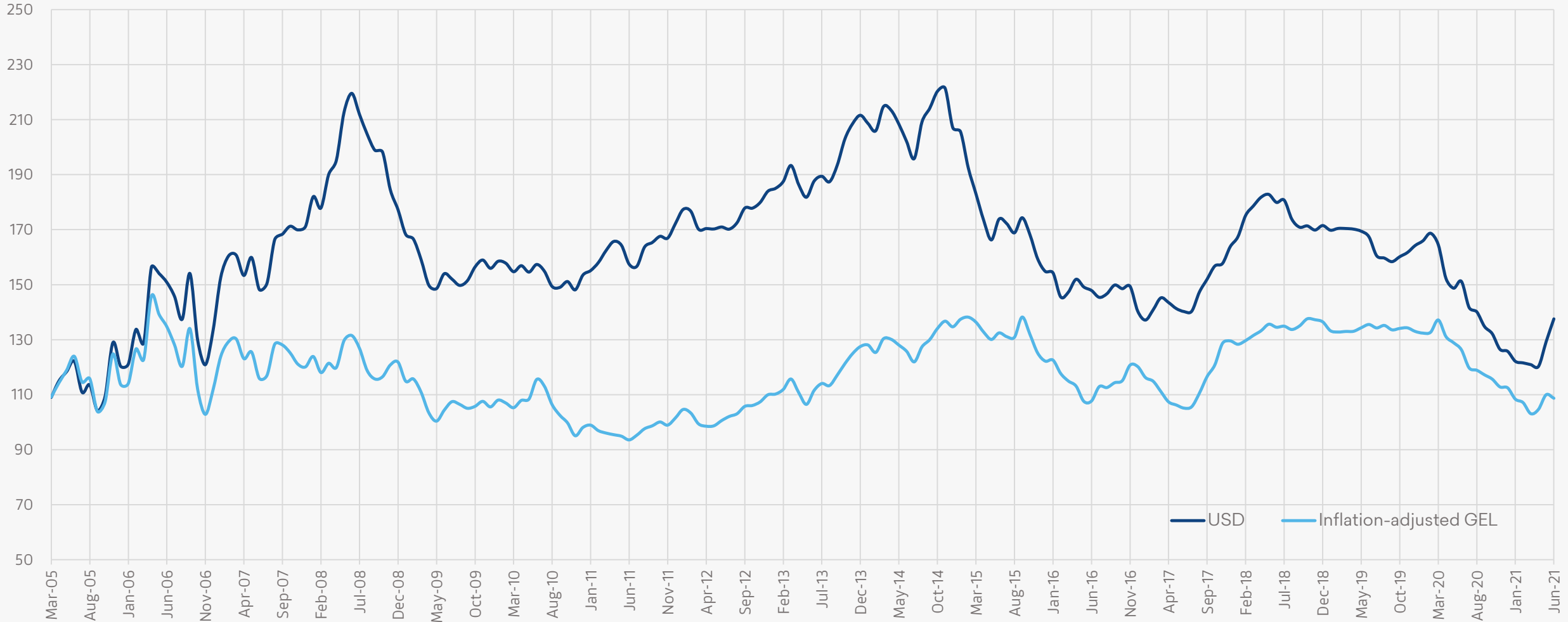
VALUE OF ISSUED MORTGAGES TO TRANSACTION VALUE*, TBILISI



- The proportion of mortgages issued in Tbilisi to total transaction value increased to 45% in Q2 2021, up from 41% in Q1 2021.

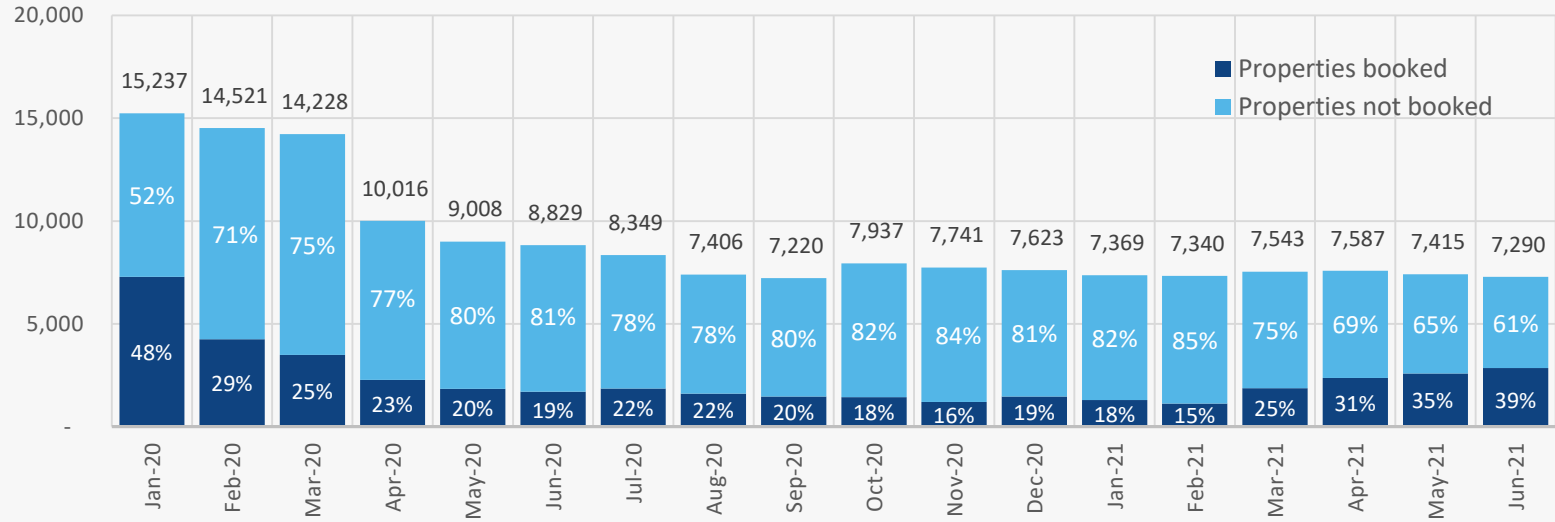
Source: NAPR, NBG, TBC Capital; *Note: The chart depicts a proportion of all mortgage loans issued, net of refinancing (TBC Capital estimates), in the period to the proportion of real estate market turnover in Tbilisi

AVERAGE RENT INDICES (JAN 2005 = 100)



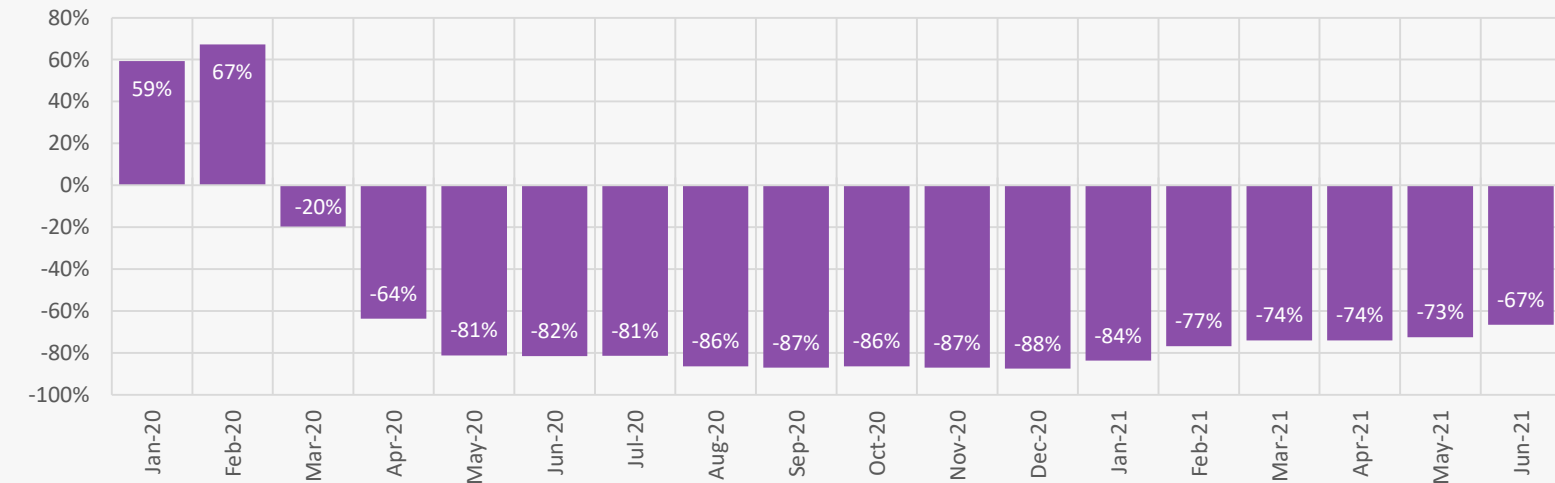
- Tbilisi's average rental rate (USD) increased by 6% MoM in June 2021. The rent is down by 18% relative to 2019 (-9% YoY)

TBILISI AIRBNB MARKET: BOOKING RATE (%)



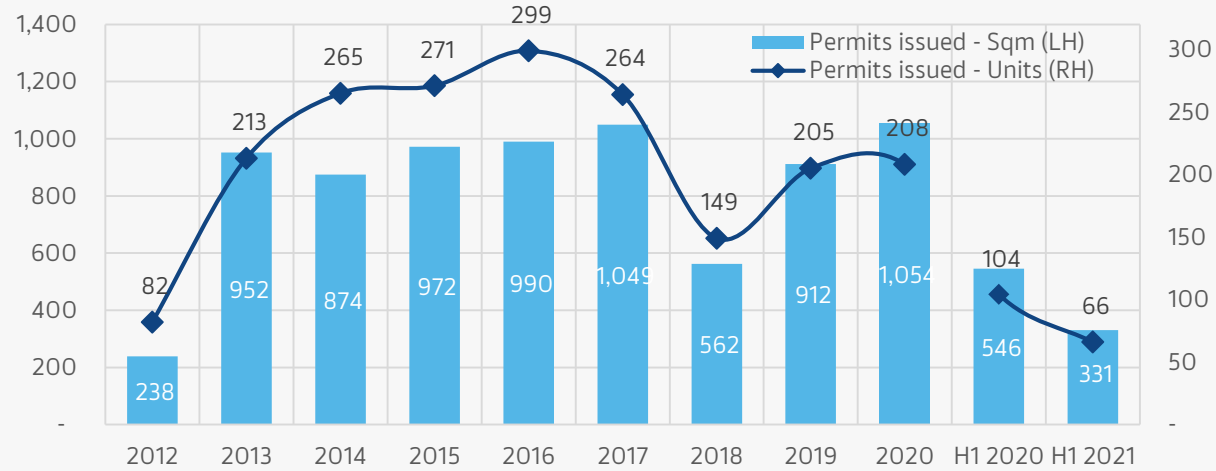
- Since March, the proportion of booked properties on Tbilisi Airbnb has been increasing. The market featured a total of 7,290 active listings in June, 39% of which were booked for at least a single day.

TBILISI AIRBNB MARKET REVENUE (USD): % CHANGE RELATIVE TO 2019

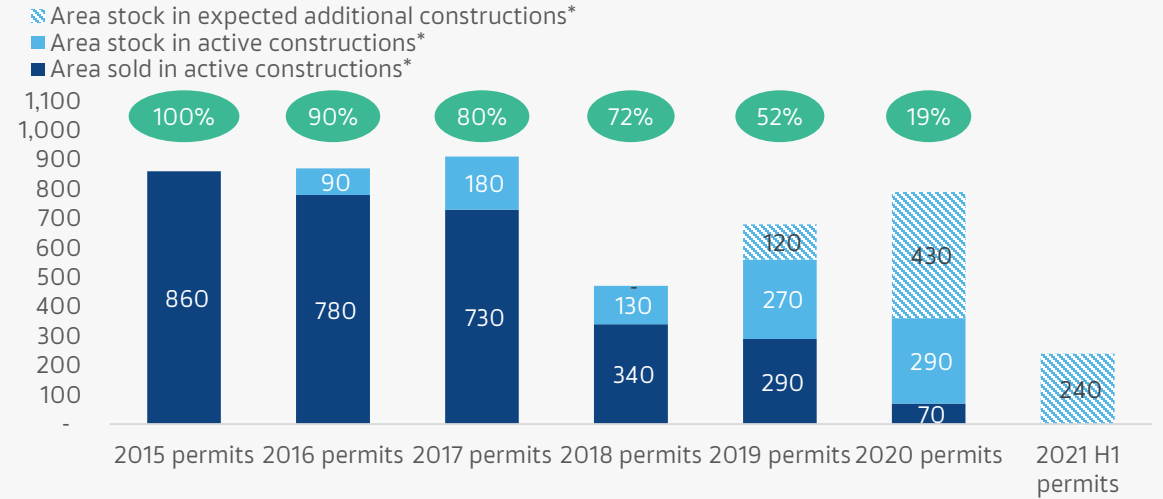


- Furthermore, market revenue has also been improving over past months. In June 2021, Tbilisi Airbnb generated up to 1.2 mln USD revenue (-67% vs. 2019)

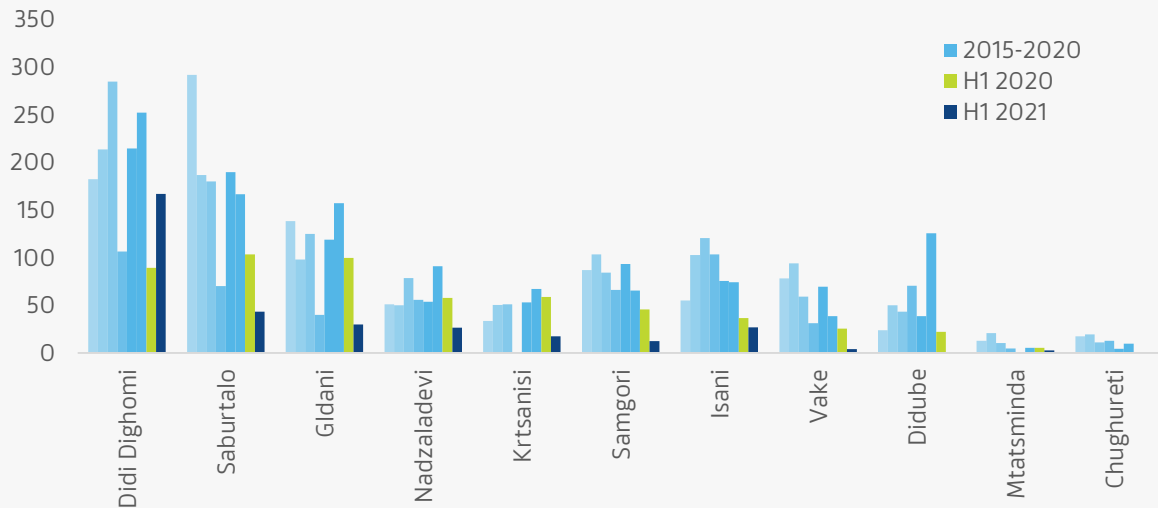
PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN TBILISI (AREA, UNITS)



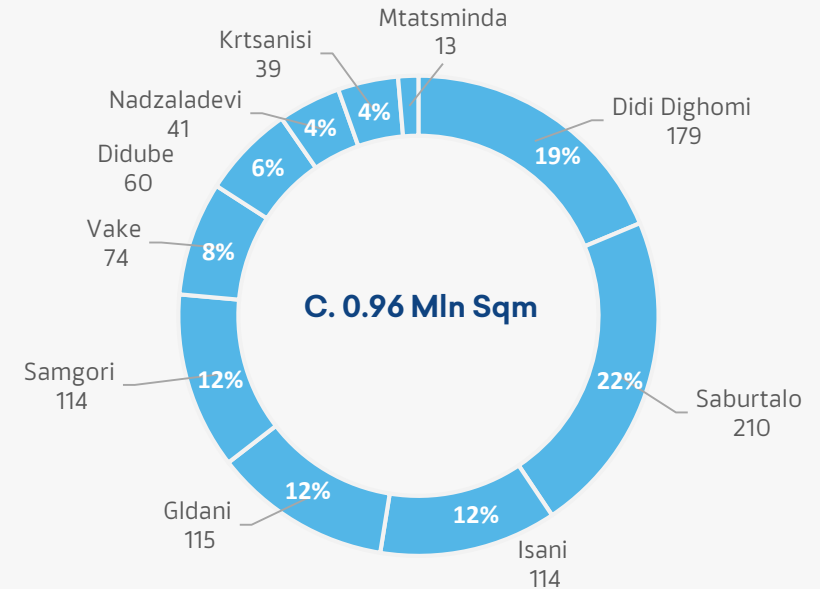
RESIDENTIAL AREA (000' SQM) OF 2015-21 PERMITS: SOLD & STOCK



PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN TBILISI (AREA, 000' SQM)

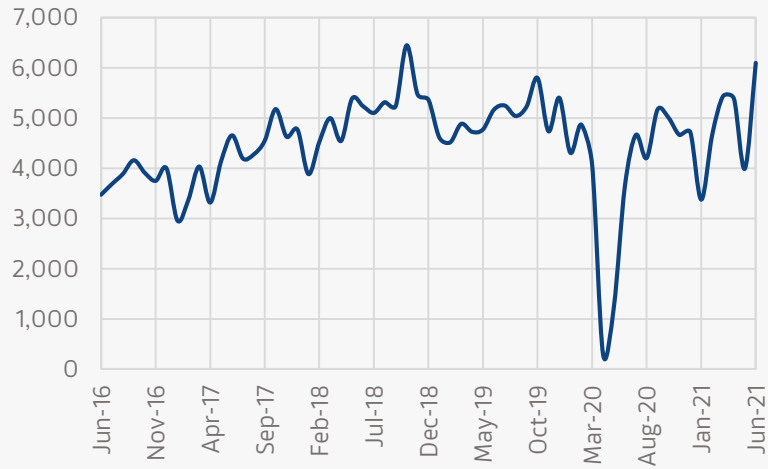


RESIDENTIAL AREA IN STOCK BY DISTRICTS (000' SQM)

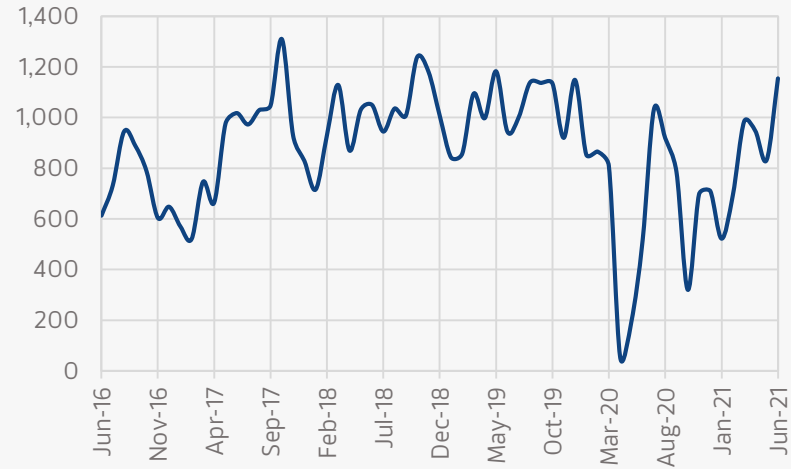


Source: Tbilisi City Hall, TBC Capital; *If at least a single sale from the project is registered in NAPR, the project is deemed active

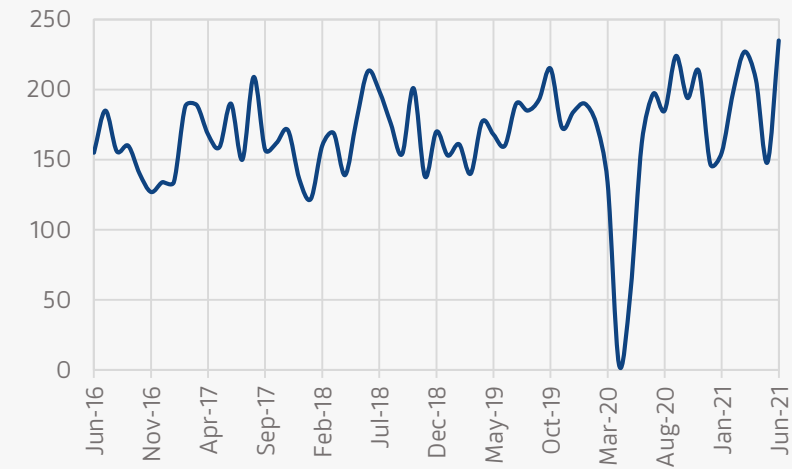
GEORGIA



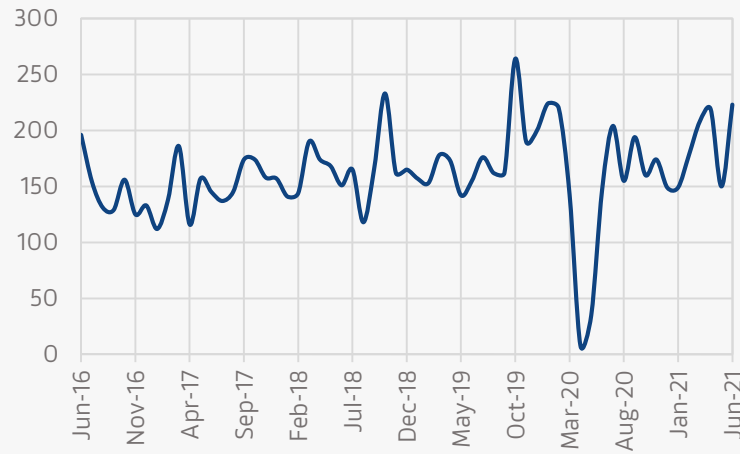
BATUMI*



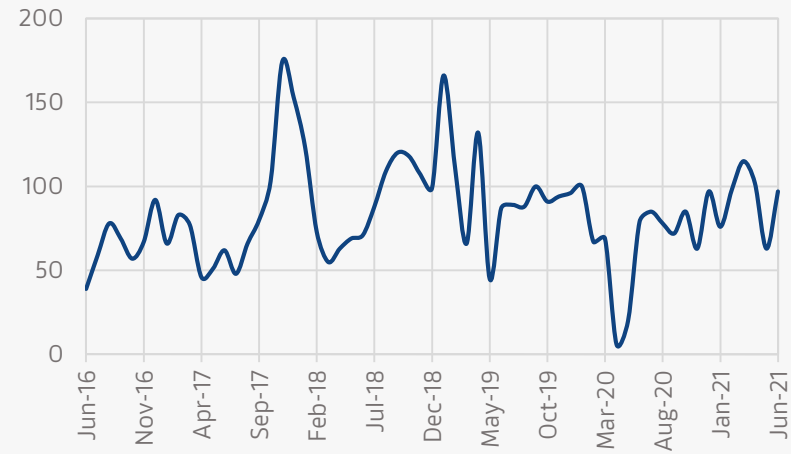
KUTAISI



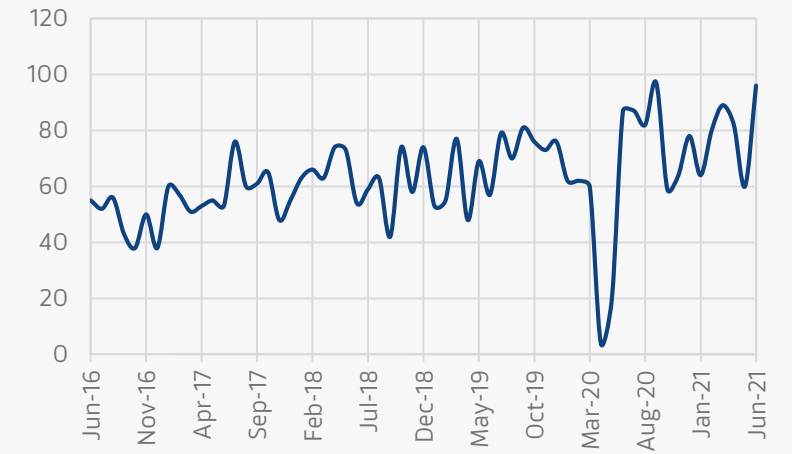
RUSTAVI



BORJOMI



GORI



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