



Tbilisi Residential Market

MONTHLY WATCH

July 2021

Revaz Maisuradze
Research Analyst, TBC Capital

Ana Mjavanadze
Acting Head of Macro-Financial Analysis Division, TBC Bank

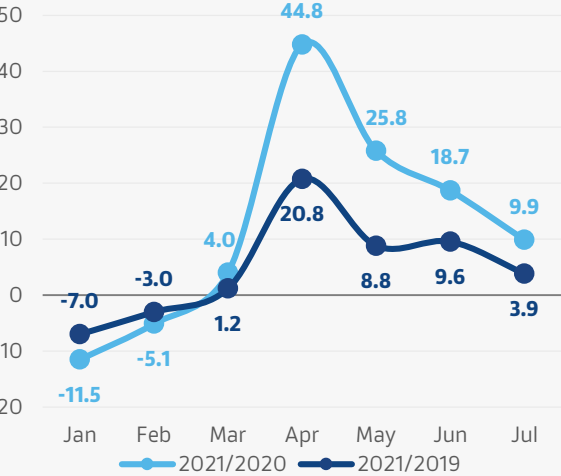
www.tbccapital.ge

SECTORAL

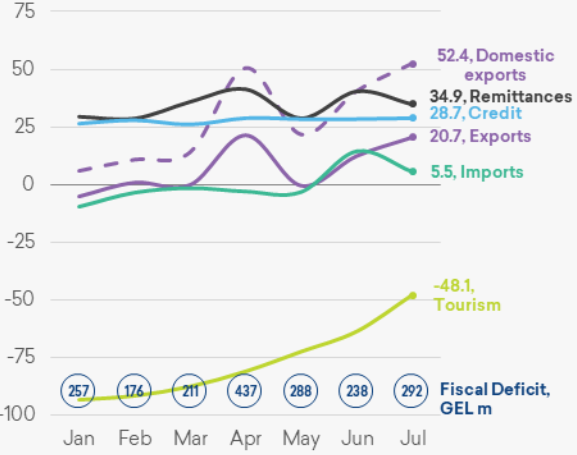
KEY DEVELOPMENTS

- ❖ Moderating though still strong rebound
- ❖ Transaction activity remains sizeable in July, following a significant improvement in the previous month
- ❖ July 2021 shows the highest number of sold apartments, compared to the same month of previous two years
- ❖ Sales are up significantly in Didube, while Saburtalo and Chugureti still fall behind their 2019 level
- ❖ Tbilisi's rental yield stood at 7.4% in July, remaining unchanged compared to previous month
- ❖ Average price of residential properties in Tbilisi posted an increase in July YoY; Moreover, rental rates showed an improvement as well
- ❖ Tbilisi Airbnb market is gradually recuperating; Market revenue is up significantly

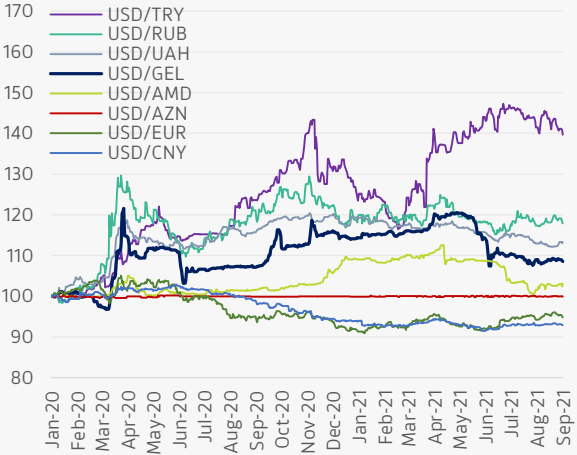
REAL GDP GROWTH (%)



THE GROWTH DRIVERS (2021/2019, %, IN USD, CREDIT IN FX ADJUSTED GEL)



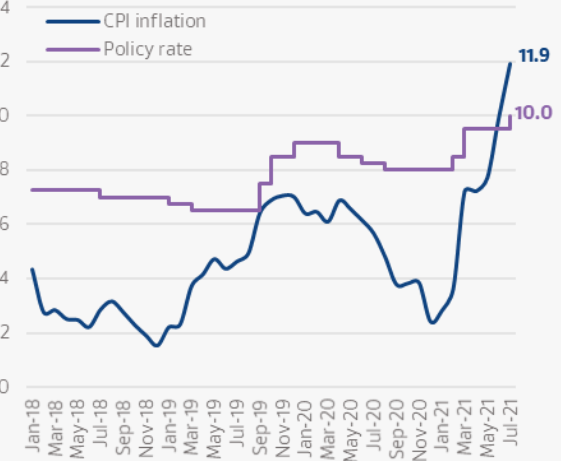
USD/GEL & PARTNER CURRENCY FX RATES VS USD



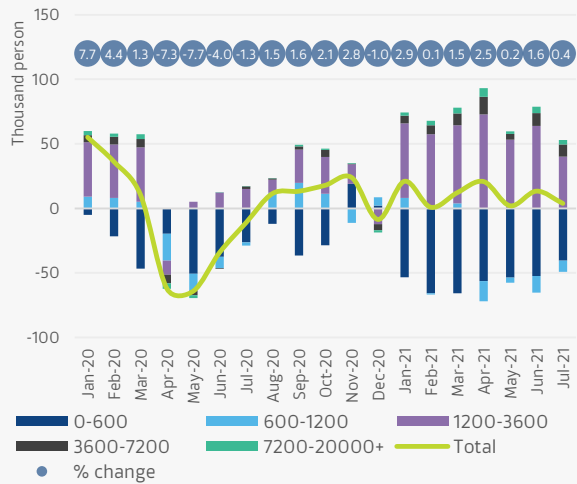
According to preliminary estimates, GDP increased by 9.9% YoY in July 2021 (3.9% compared to Jul-19), following a 18.7% and 25.8% YoY expansion in June and May, respectively. As a result, average growth for the first seven months amounted to 12.2% YoY, or approx. 6% when compared to the same period of 2019.

Following a declining annual growth rate in the previous two months, export growth gained momentum and increased by 42.4% YoY in July 2021 (20.7% compared to Jul-19). In the same period, the import growth rate from a year earlier has further slowed down, though remained still solid at 17.7% (5.5% compared to Jul-19). In July 2021, the trade balance worsened by 2.8% YoY or by USD 12.5m. A significant recovery is observed in tourism inflows, increasing by 1,602.0% YoY (-48.1% YoY compared to Jul-19). Strong dynamics continued in remittances and July figure went up by 10.4% YoY (+34.9% compared to Jul-19).

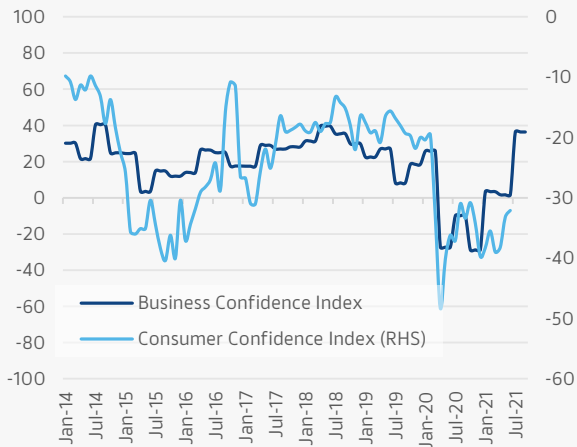
INFLATION AND GEL POLICY RATE (%)



HIRED EMPLOYEES BY WAGE GROUPS (COMPARED TO 2019)



BUSINESS AND CONSUMER CONFIDENCE INDICES



Since the appreciation in the previous months, the USD/GEL exchange rate has stabilized at approx. 3.1 in August 2021. Unlike other regional currencies, TRY gained value against the greenback and appreciated by 1.3%* MoM in the same month, while, the EUR has weakened by 0.6% MoM against the USD. The AMD has also lost its value against the greenback by 1.5% MoM, followed by the RUB and the UAH, both depreciating by 0.4% MoM. Meanwhile, the CNY and the AZN have maintained their value against the USD compared to the previous month.

Inflation pressures continued to rise in August with 12.8% YoY and 0.7% MoM increase in consumer prices. The largest contributors were food, transportation and utilities, explaining most of the YoY inflation. At the same time, other category prices were also higher as inflation is quite widespread.

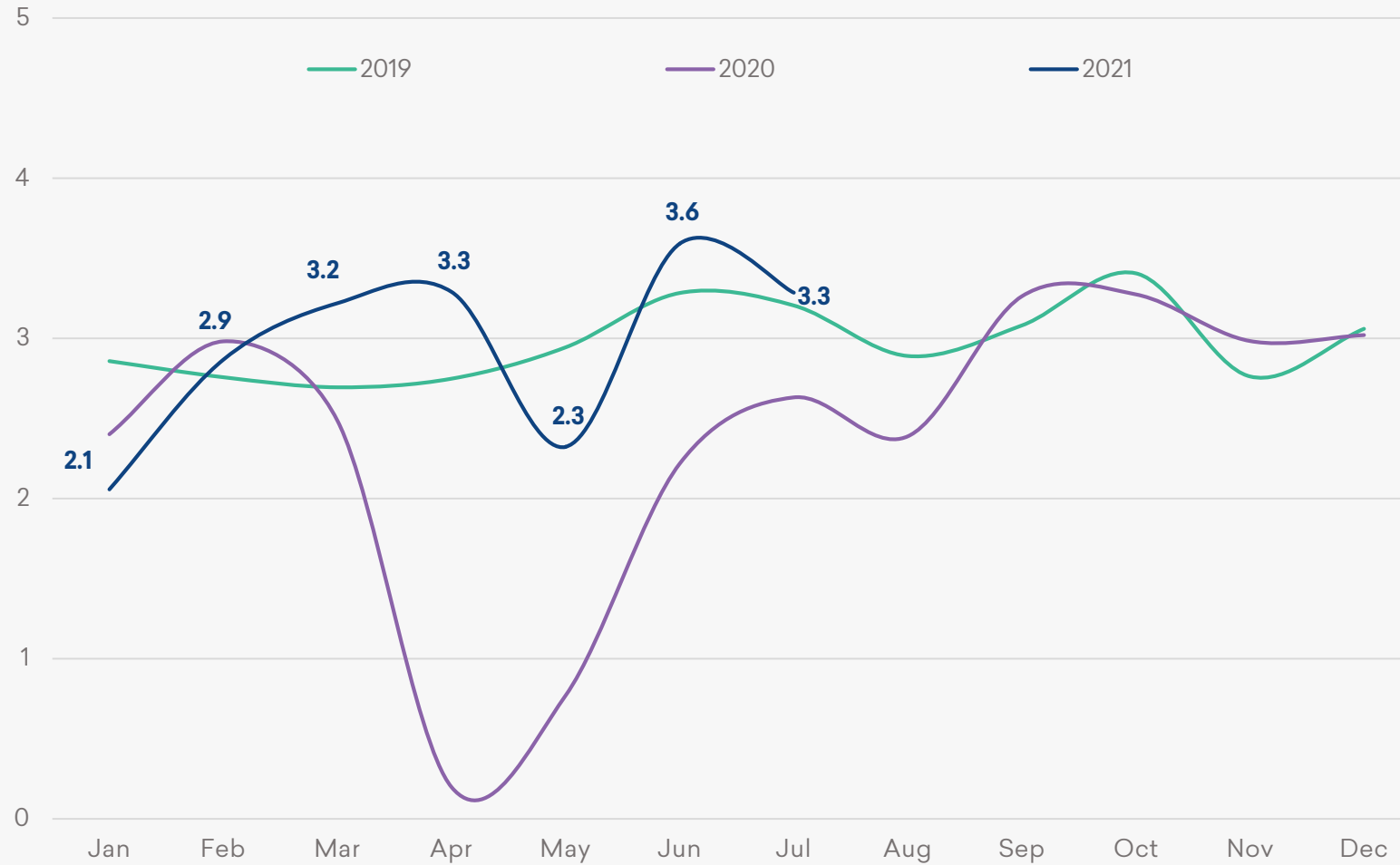
According to MoF, number of hired employees increased by 1.8% YoY in July and by 0.4% when compared to 2019.

Source: NBS, Geostat, ISET-PI, MoF
*Changes of exchange rates are based on USD/other currency like USD/GEL, not GEL/USD

TRANSACTION ACTIVITY REMAINS SIZEABLE IN JULY, FOLLOWING A SIGNIFICANT IMPROVEMENT IN THE PREVIOUS MONTH

4

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

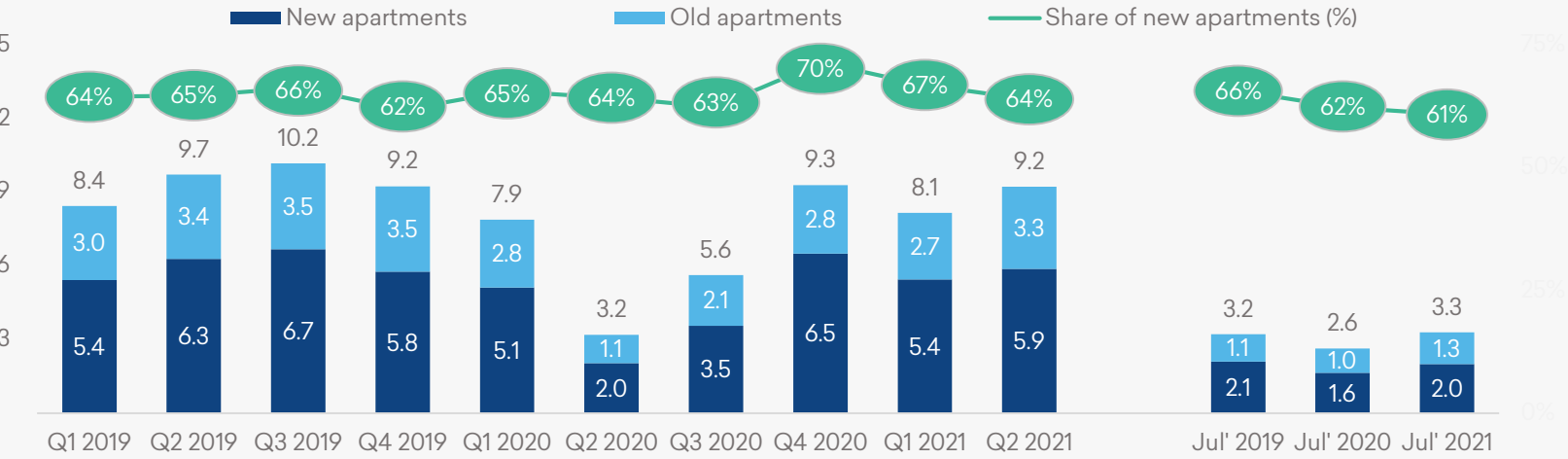


Following the recuperated activity in June, about 3,300 residential properties were sold in Tbilisi in July, which is a bit lower compared to previous month (3,600), but it still remains above its 2019 level by 2% (+25% YoY).

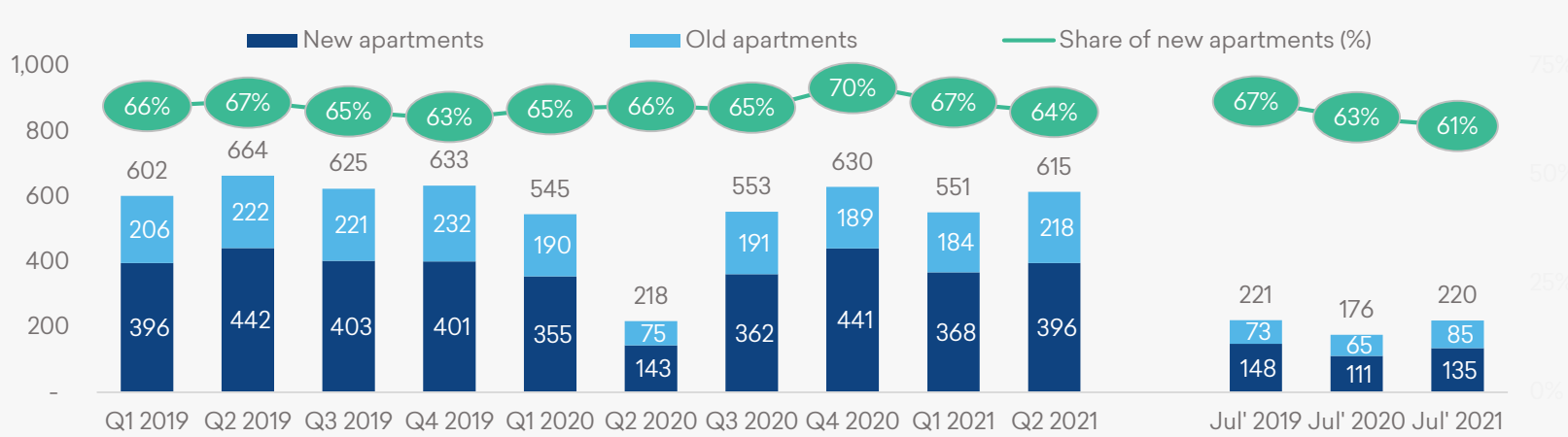
JULY 2021 SHOWS THE HIGHEST NUMBER OF SOLD APARTMENTS, COMPARED TO THE SAME MONTH OF PREVIOUS TWO YEARS

5

NUMBER OF SOLD RESIDENTIAL PROPERTIES
(000' UNITS)



TOTAL AREA OF SOLD RESIDENTIAL PROPERTIES
(000' SQM)

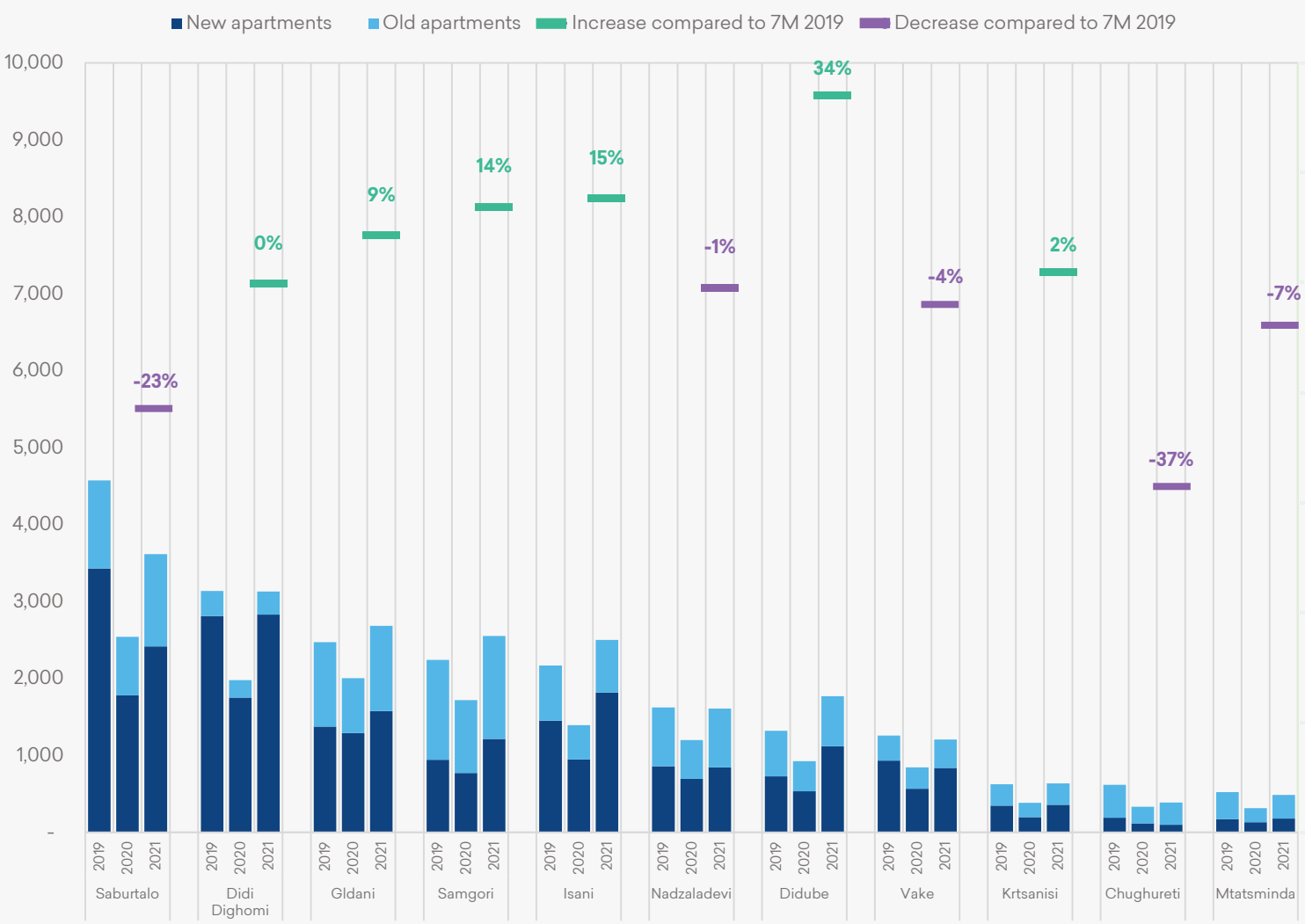


About 2000 new apartments were sold in July 2021, amounting up to 135 thousand SQM area, falling behind the 2019 level by 5% (+22% YoY). Furthermore, the share of new properties decreased slightly, accounting for 61% of total transactions.

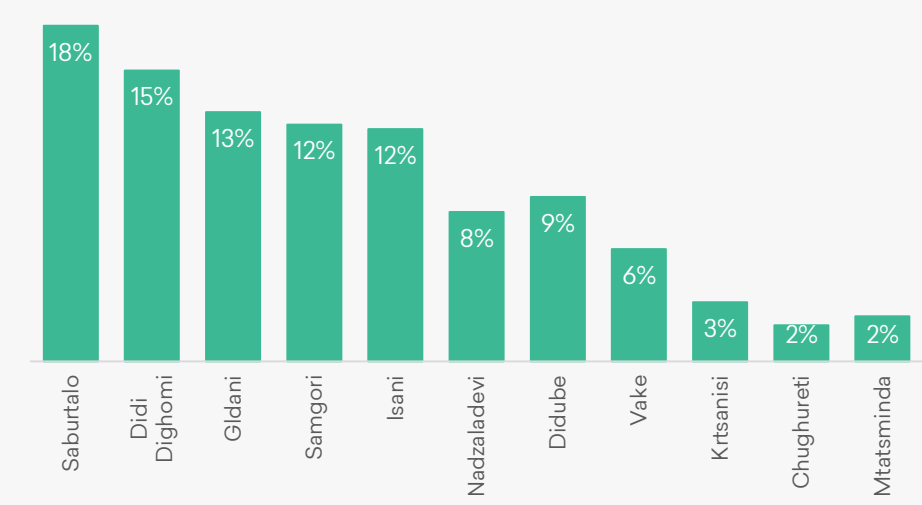
Accounting for 39% of total transactions and amounting over 85 thousand SQM area, about 1,300 old apartments were sold in July 2021, surpassing the 2019 level by 17% (+30% YoY).

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

NUMBER OF SOLD APARTMENTS (UNITS): Seven Months (7M) 2019-2021



TOTAL TRANSACTION DISTRIBUTION BY DISTRICTS (%): 7M 2021

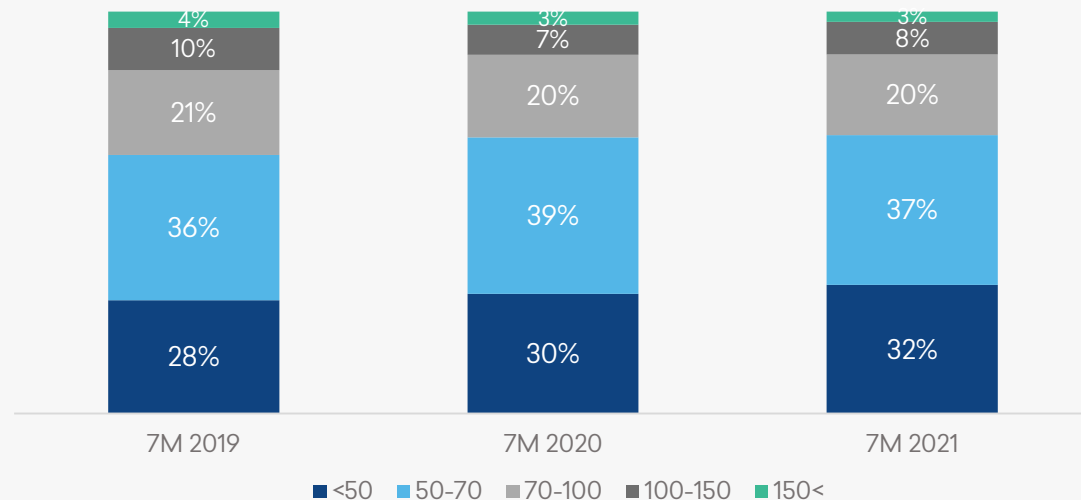


- Considering the first seven months of 2021, the number of transactions exceeds the 2019 level in some parts of Tbilisi. Isani (+15%) joined the double-digit growth club, standing along with Didube (+34%) and Samgori (+14%).
- Didi Dighomi is on the 2019 level. Nadzaladevi and Mtatsminda down by only 1% and 7%, respectively. Accounting for the largest share of Tbilisi's total transactions, Saburtalo still remains far below its pre-pandemic level, at -23%.

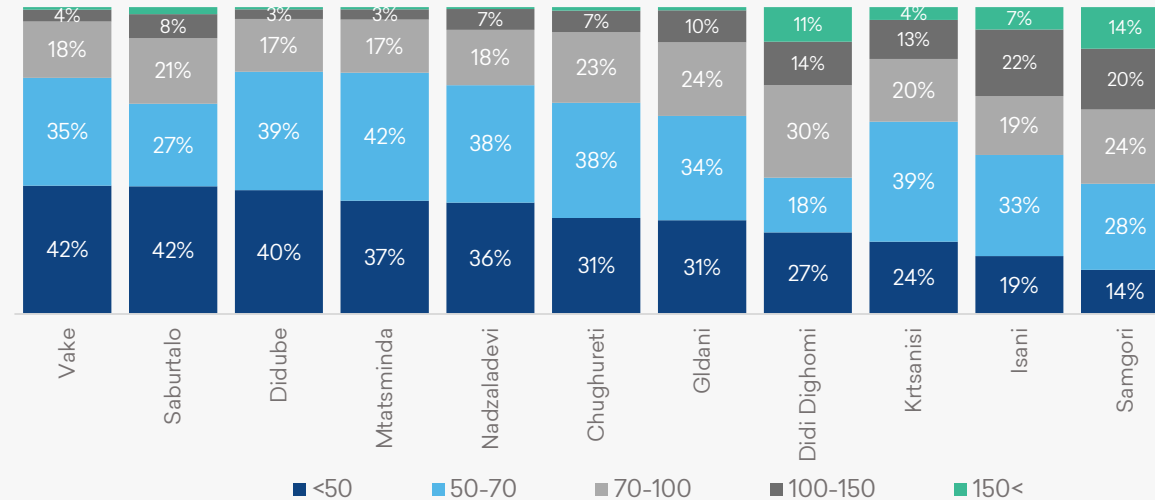
THE MIX OF TRANSACTIONS REMAINS MOSTLY UNCHANGED; IN THE MAJORITY OF DISTRICTS SMALLER APARTMENTS HAVE A HIGHER SHARE

7

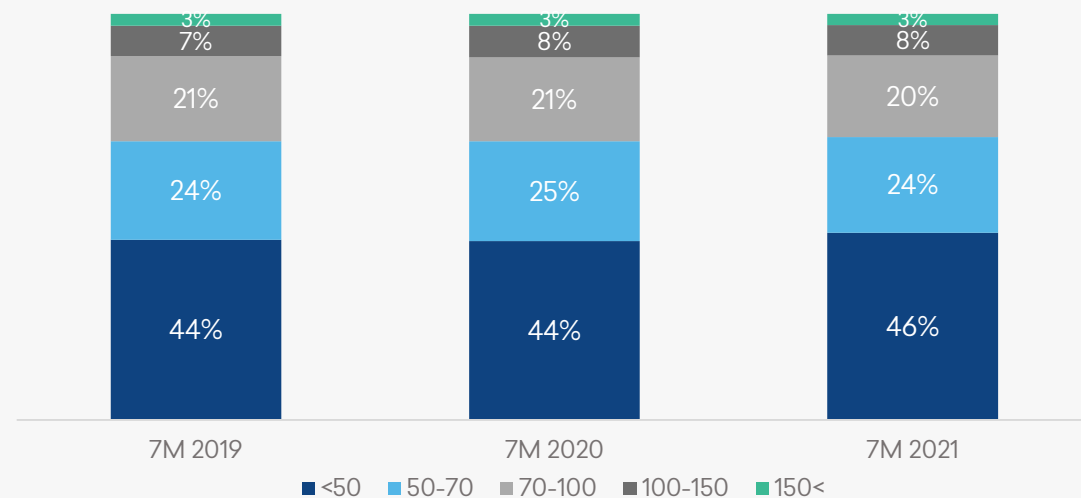
NEW APARTMENTS (AREA, SQM)



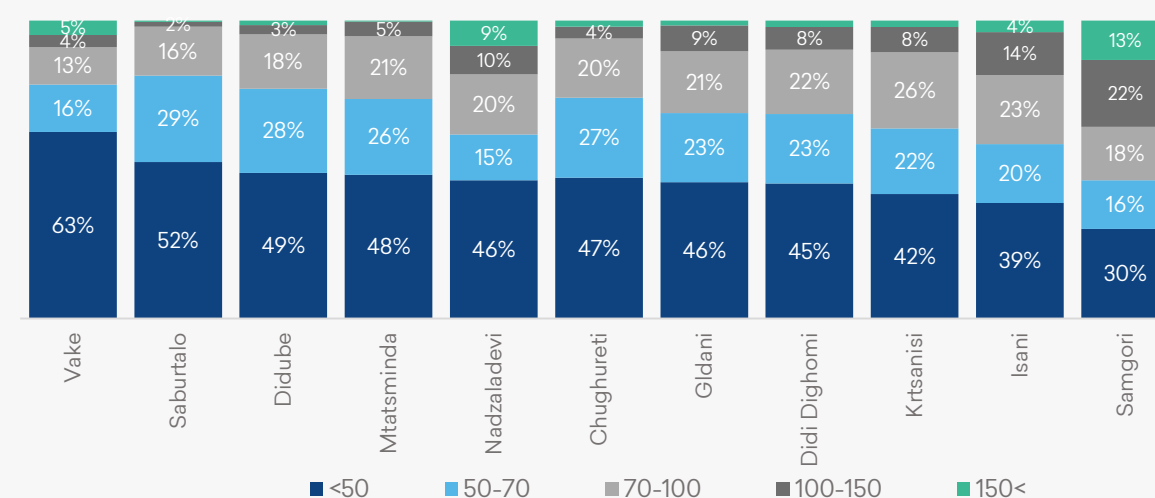
NEW APARTMENTS – 7M 2021 (AREA, SQM)



OLD APARTMENTS (AREA, SQM)

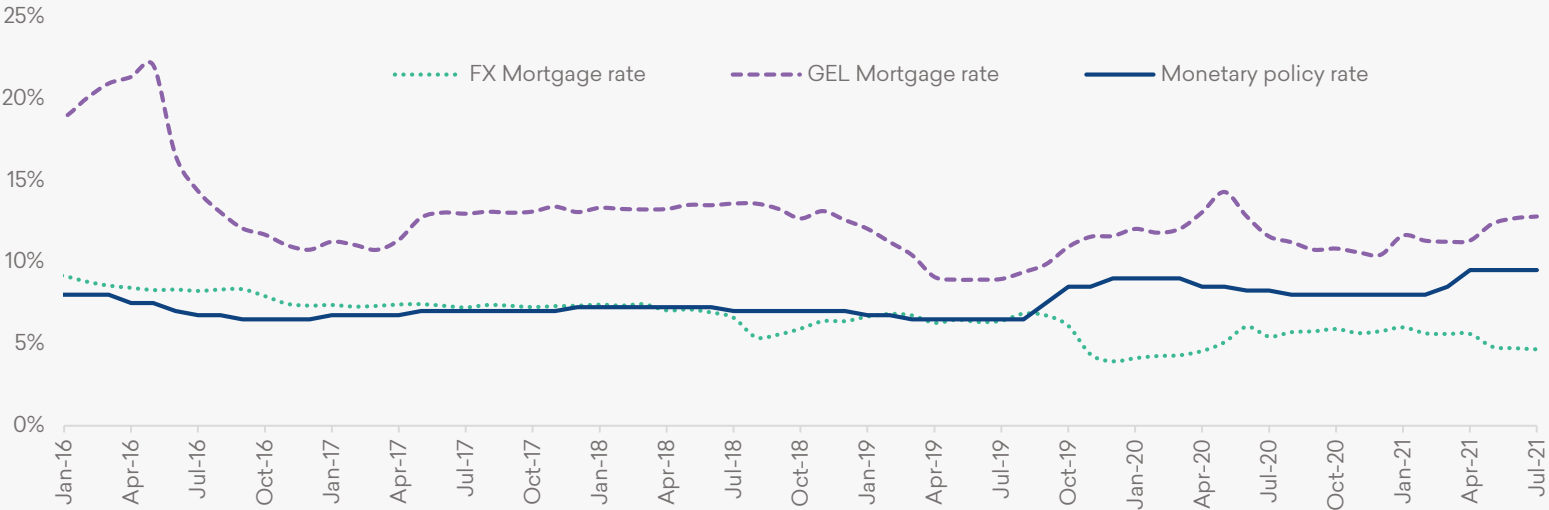


OLD APARTMENTS – 7M 2021 (AREA, SQM)

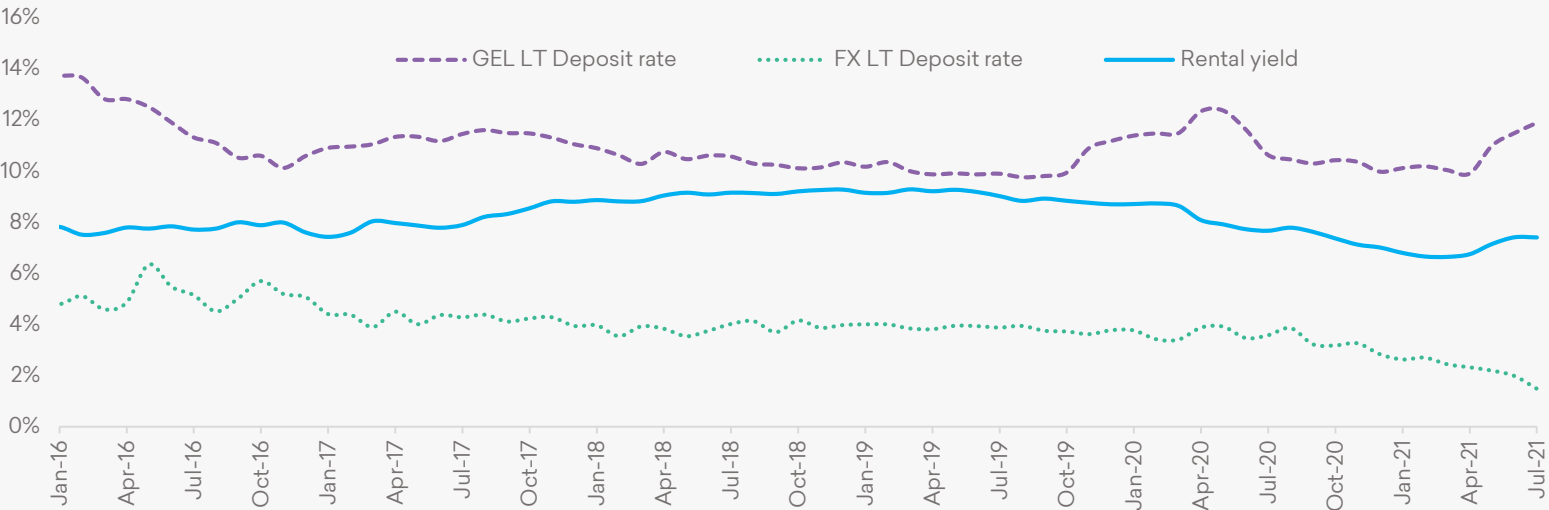


TBILISI'S RENTAL YIELD STOOD AT 7.4% IN JULY, REMAINING UNCHANGED COMPARED TO PREVIOUS MONTH

MORTGAGE RATE DYNAMICS IN GEORGIA



DEPOSIT RATE DYNAMICS IN GEORGIA

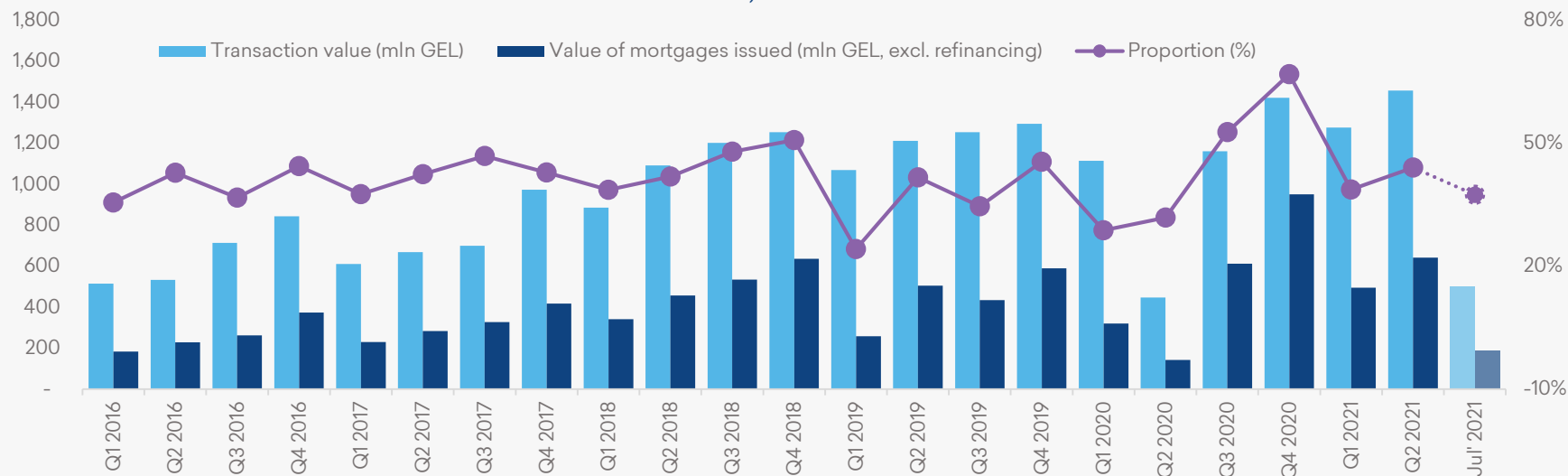


- Tbilisi rental yield amounted 7.4% in July, remaining unchanged compared to June.. The yield is below its long-term average by only 1%, but it remains competitive to USD deposits, due to the high difference in yields.
- Long term deposit rate in GEL has been on a resilient rising streak since April, reaching about 12% in July.

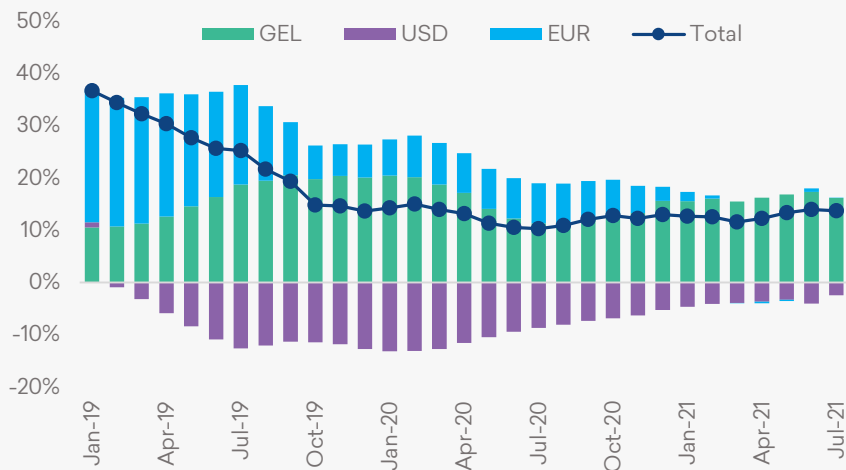
A SLIGHT INCREASE OBSERVED IN THE PROPORTION OF MORTGAGES ISSUED TO TOTAL TRANSACTION VALUE

9

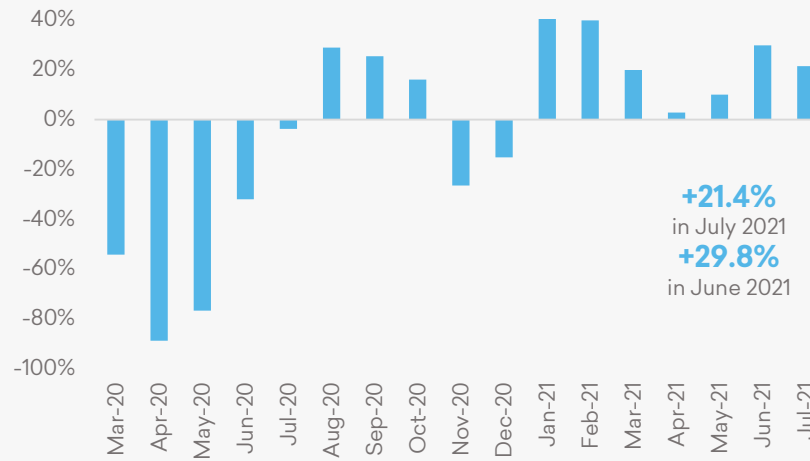
VALUE OF ISSUED MORTGAGES TO TRANSACTION VALUE*, TBILISI



YOY GROWTH OF MORTGAGE PORTFOLIO AND CONTRIBUTION TO GROWTH BY CURRENCIES



NEW MORTGAGE ISSUANCE** % Change compared to 2019



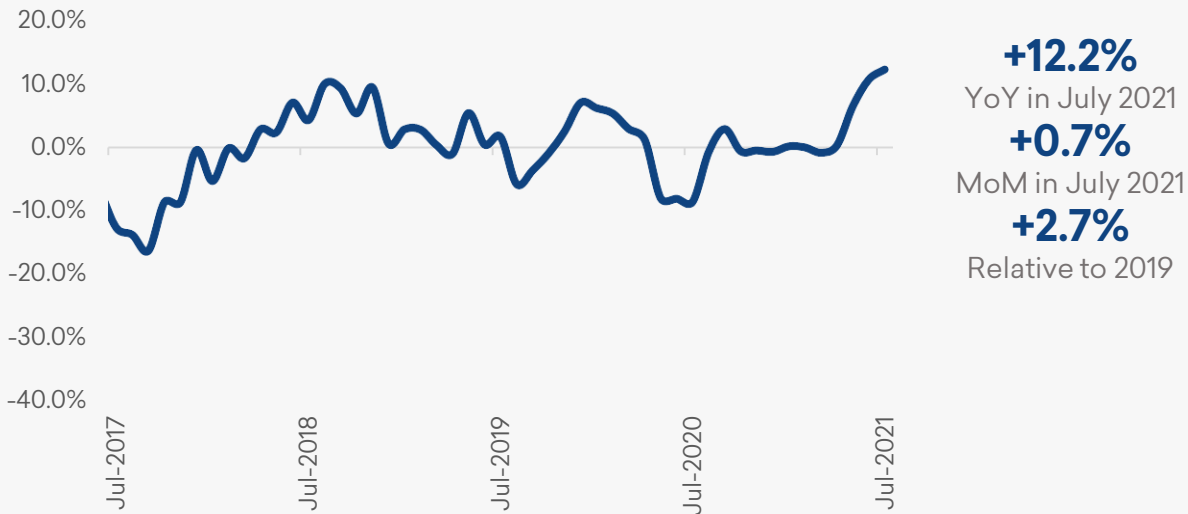
- The proportion of mortgages issued in Tbilisi to total transactions stood on 37% in July 2021.
- In the same period, new mortgage issuance exceeds its 2019 level by 21.4%, a slight decrease in change from June (29.8%).

AVERAGE PRICE OF RESIDENTIAL PROPERTIES IN TBILISI POSTED AN INCREASE IN JULY YOY; MOREOVER, RENTAL RATES SHOWED AN IMPROVEMENT AS WELL

10

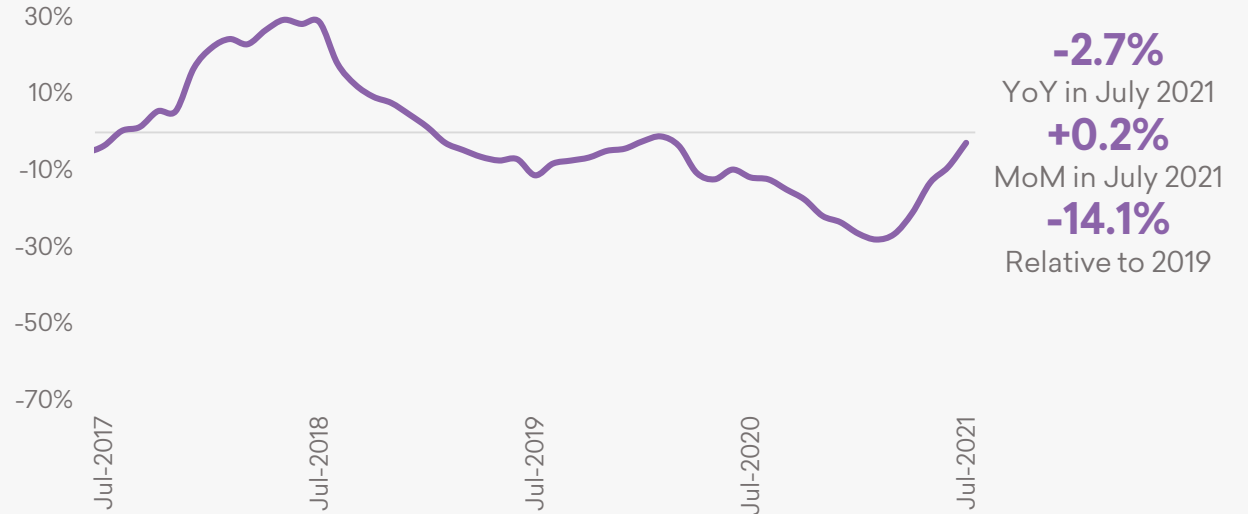
TBILISI RESIDENTIAL REAL ESTATE PRICE - USD

(Change YoY, %)

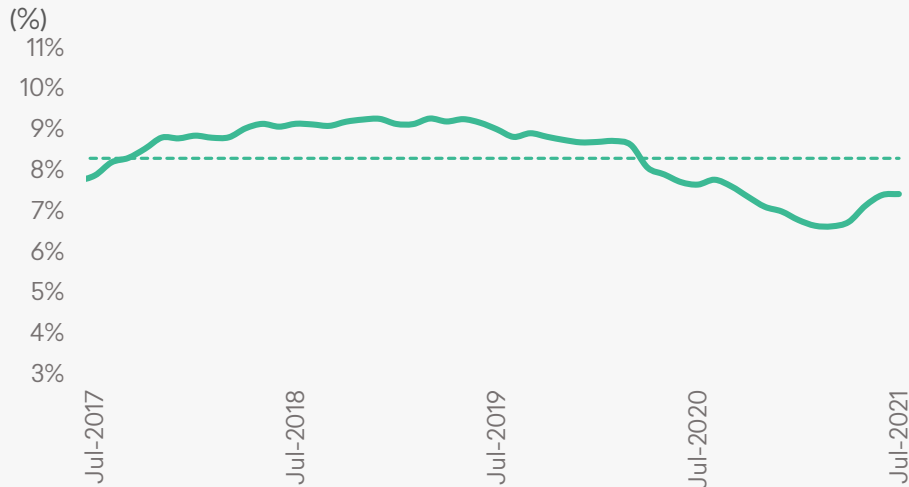


TBILISI RESIDENTIAL REAL ESTATE RENT - USD

(Change YoY, %)



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

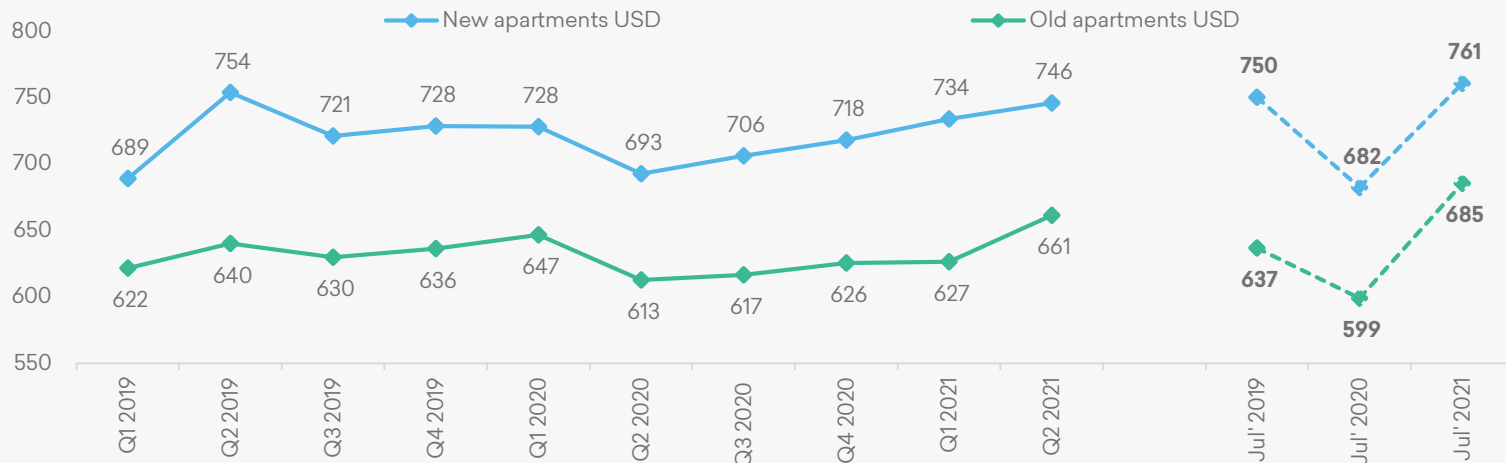


- In July, average price of residential properties went up by 12.2% YoY and stayed above its 2019 level by 2.7%.
- Rental rates are still recuperating from the Covid effect. There is a miniscule improvement in MoM terms (+0.2%). Rent is down by 14.1% compared to its pre-pandemic figure.

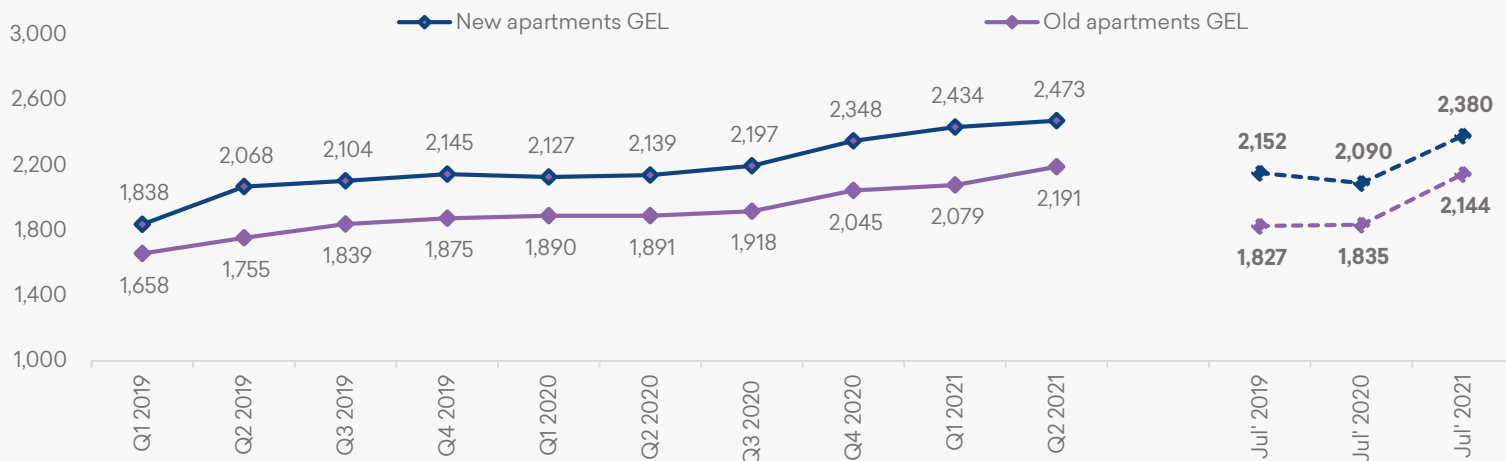
AVERAGE SALES-WEIGHTED USD PRICE OF THE REGISTRY TRANSACTIONS INCREASED SIGNIFICANTLY FOR BOTH NEW AND OLD RESIDENTIAL PROPERTIES IN JULY 2021, COMPARED TO THE SAME MONTH OF THE TWO PREVIOUS YEARS

11

AVERAGE SALES WEIGHTED PRICE PER SQM (USD)



AVERAGE SALES WEIGHTED PRICE PER SQM (GEL)



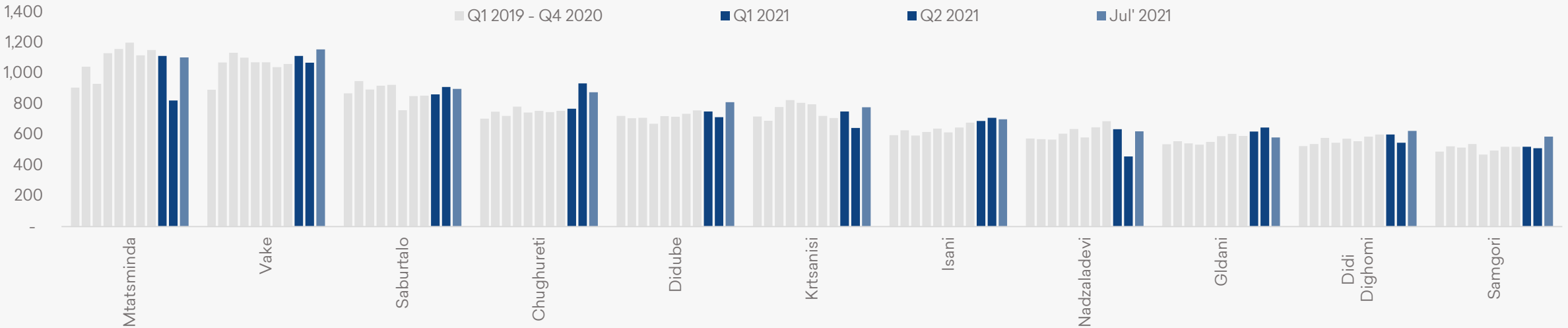
Monthly Average Sales-weighted USD prices for new and old apartments went up considerably in July 2021, especially YoY.

In July 2021, average sales-weighted price of new apartments surpassed its 2019 level by 1.5%.

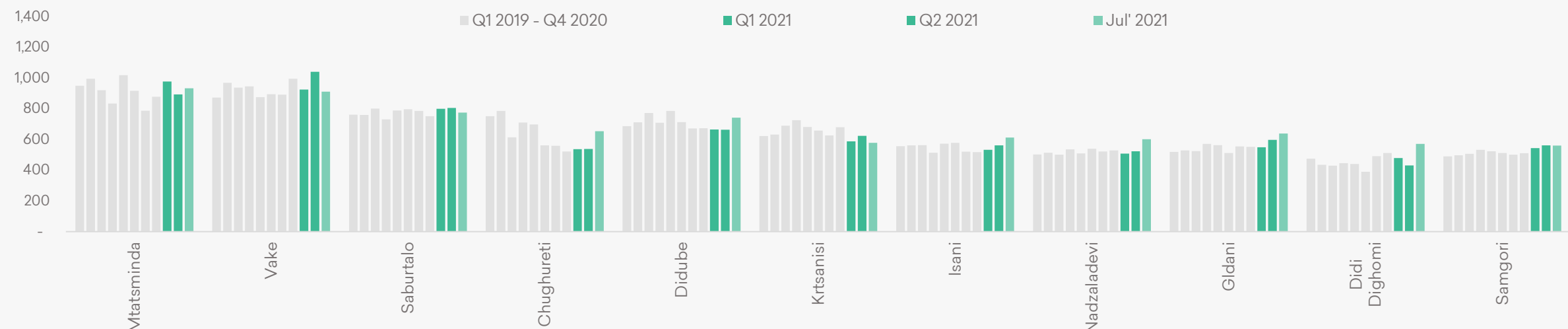
In the same period, old apartment sales weighted average price reached 685 USD, the highest monthly figure for the last three years (+7.5% vs 2019).

AVERAGE SALES-WEIGHTED USD PRICE PER SQM BY DISTRICTS

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



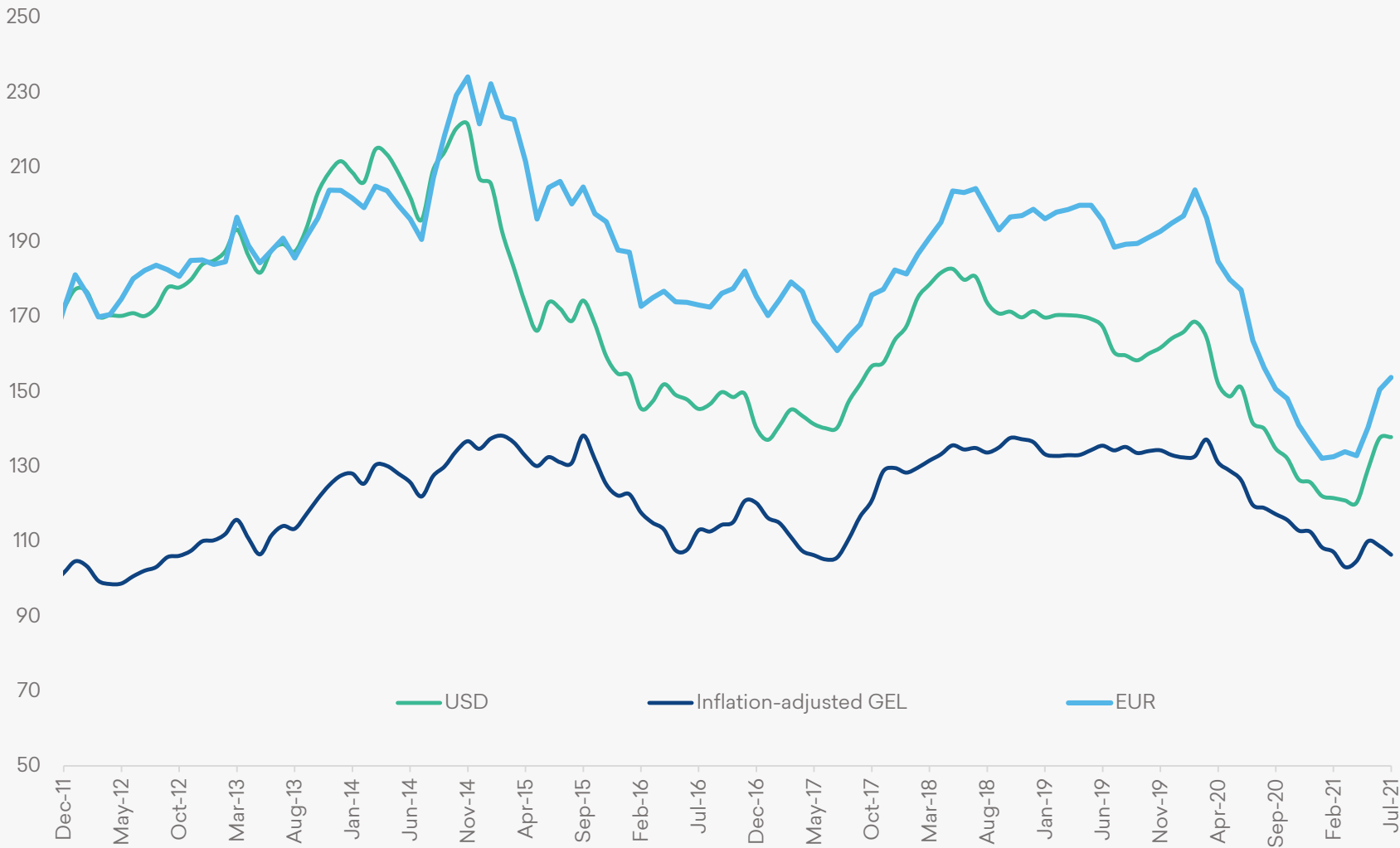
OLD APARTMENTS – AVERAGE SALES WEIGHTED PRICE PER SQM (USD)



Source: NAPR, TBC Capital

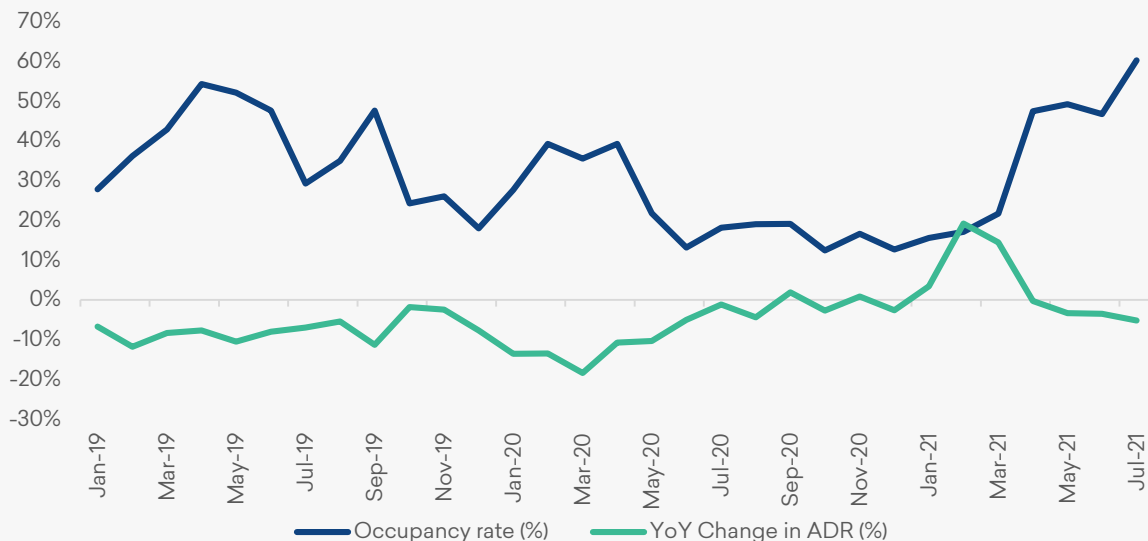
RENTAL RATES REMAINED ALMOST UNCHANGED MOM IN JULY (USD)

AVERAGE RENT INDICES (JAN 2005 = 100)

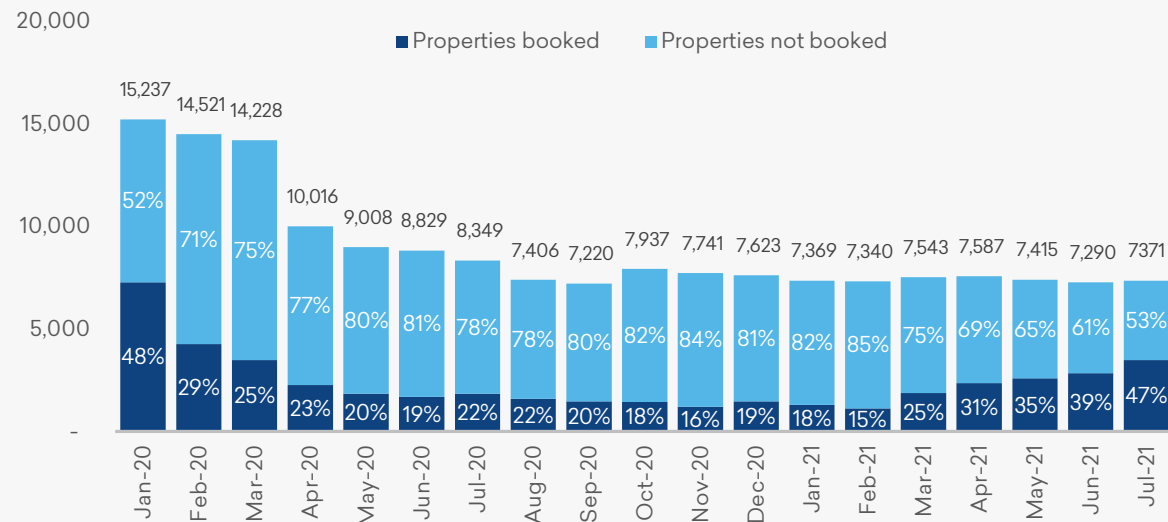


In July 2021, Tbilisi's average rental rate (USD) stayed almost the same as previous month, with only 0.2% difference MoM. The rent is down by 14% relative to 2019 (-3% YoY).

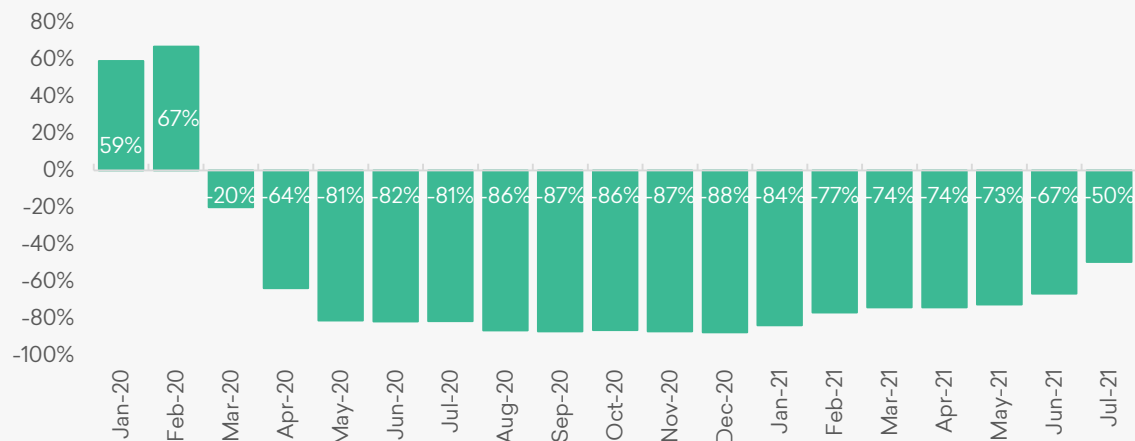
AIRBNB: OCCUPANCY RATE (%) AND CHANGE IN AVERAGE DAILY RATE (USD, %)



TBILISI AIRBNB MARKET: BOOKING RATE (%)

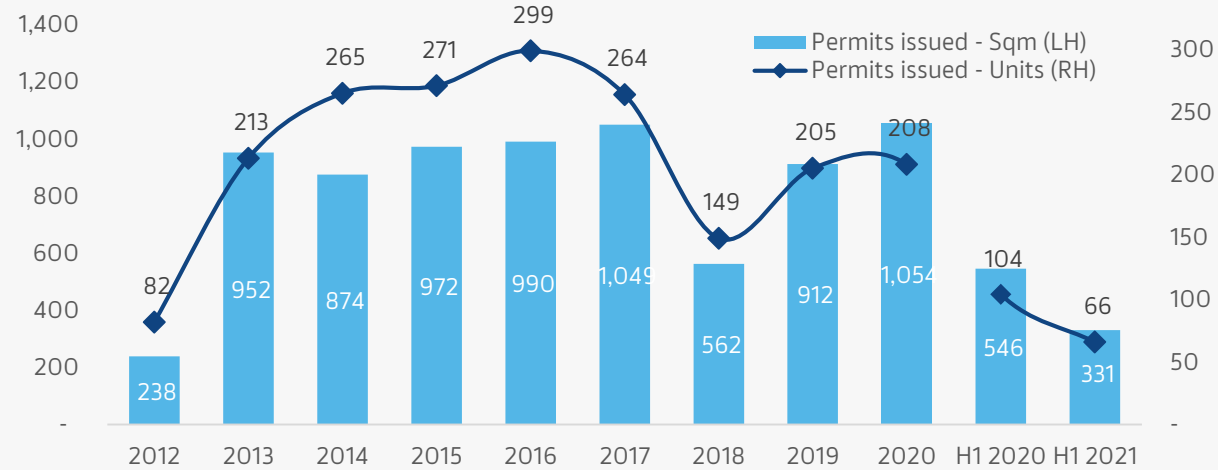


TBILISI AIRBNB MARKET REVENUE (USD): % CHANGE RELATIVE TO 2019

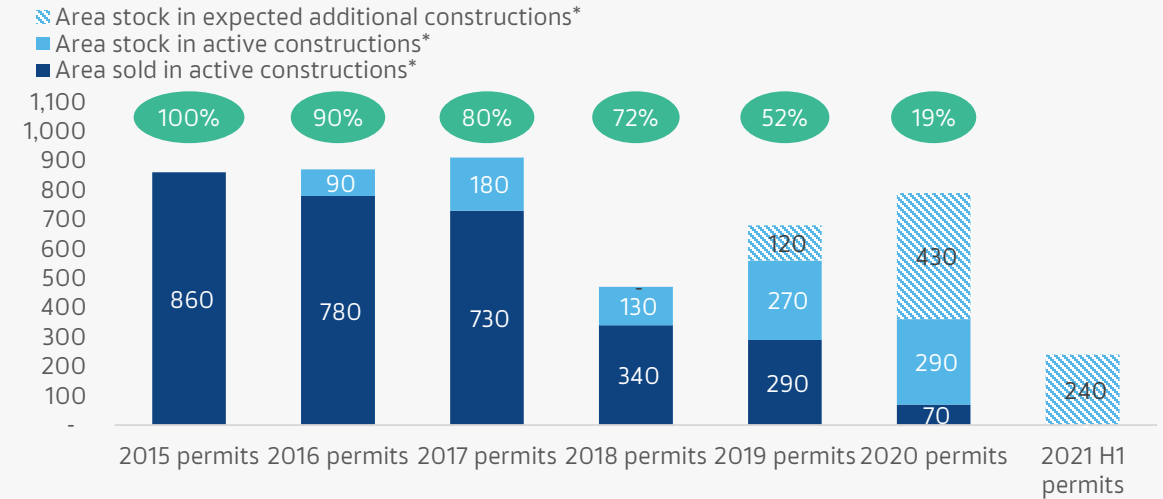


- The booking rate has been recovering gradually. In July 2021, the market featured a total of 7,371 active listings, 47% of which were booked for at least a single day.
- Market revenue has also been improving. Tbilisi Airbnb generated up to 1.8 mln USD revenue in July (-50% vs. 2019)

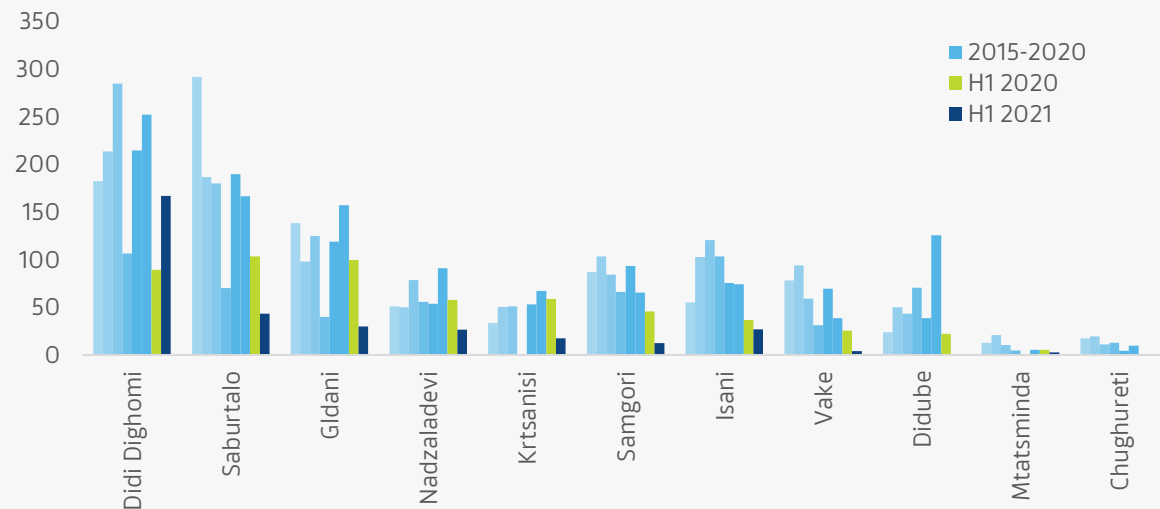
PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN TBILISI (AREA, UNITS)



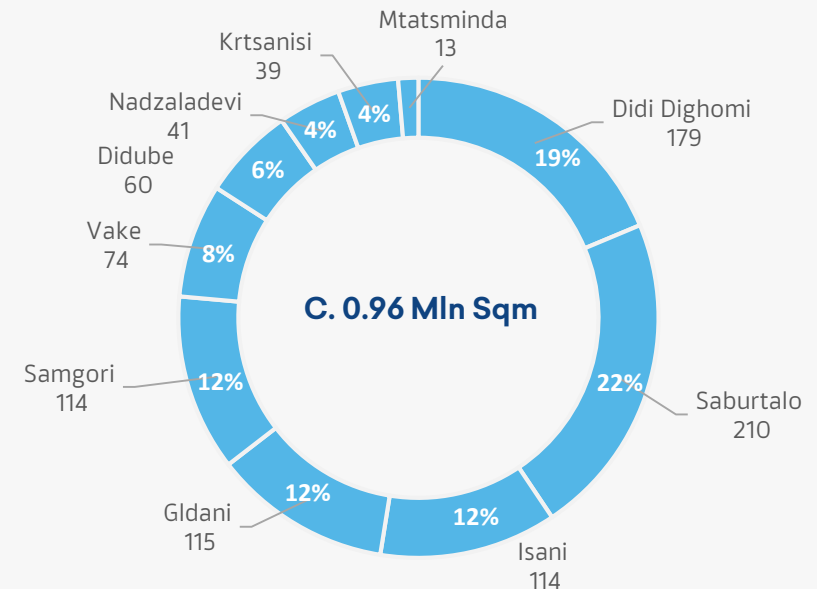
RESIDENTIAL AREA (000' SQM) OF 2015-21 PERMITS: SOLD & STOCK



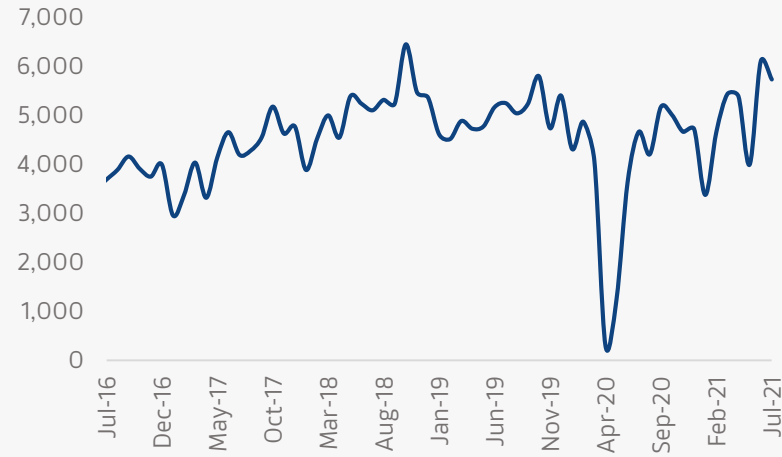
PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN TBILISI (AREA, 000' SQM)



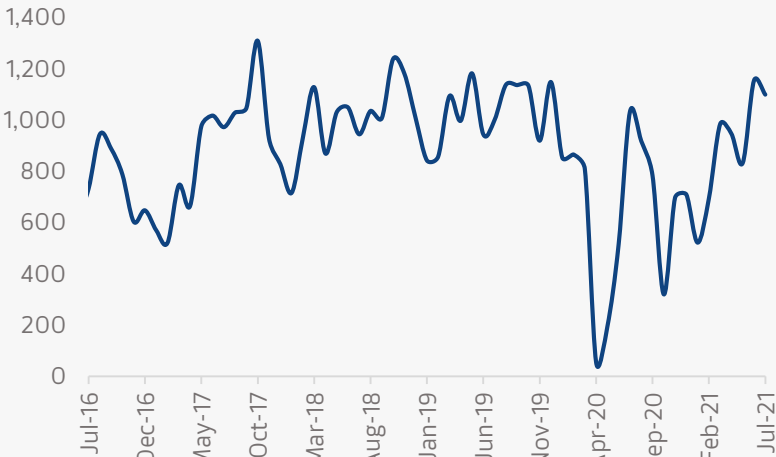
RESIDENTIAL AREA IN STOCK BY DISTRICTS (000' SQM)



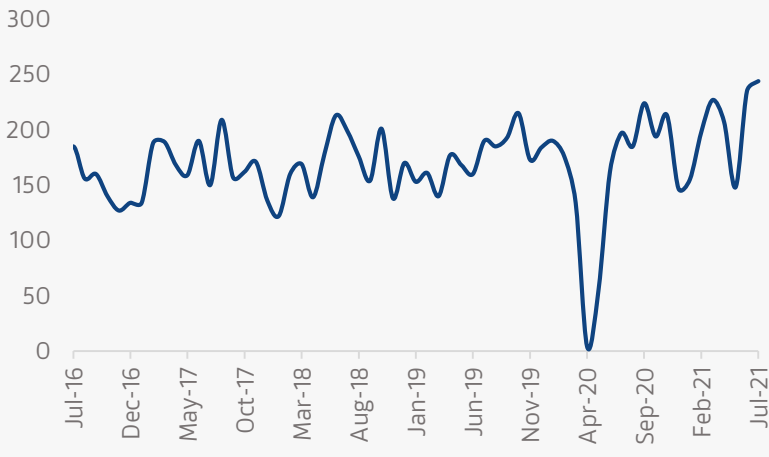
GEORGIA



BATUMI*



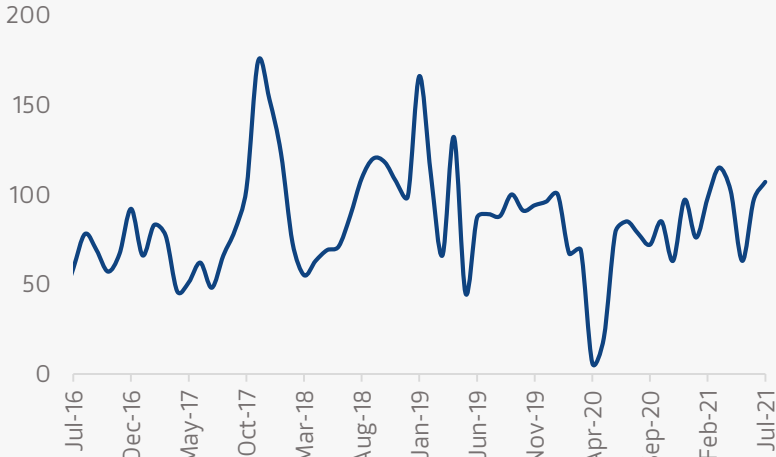
KUTAI



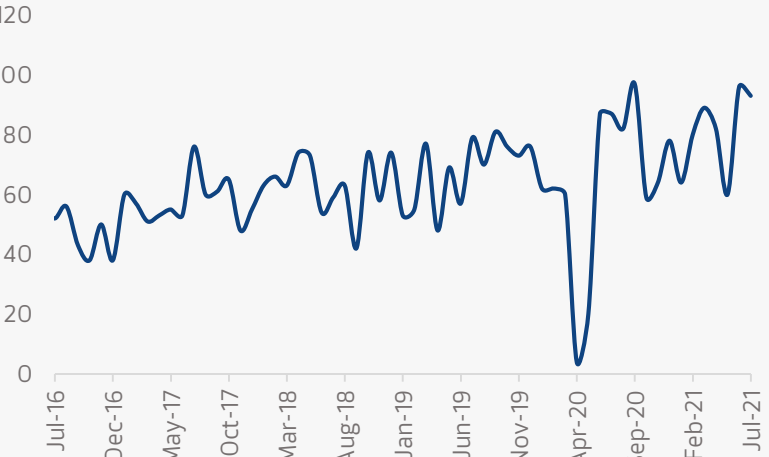
RUSTAVI



BORJOMI



GORI



Source: NAPR, TBC Capital; *Adjusted for transactions reflected with a time-lag in the registry database

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.

Mary Chachanidze, CFA
Managing Director

Irina Kvakhadze
Head of Research

Andro Tvaliashvili
Senior Research Associate

Revaz Maisuradze
Research Analyst

Mariam Surmava
Research Analyst

Maka Koridze
Junior Research Analyst

Otar Nadaraia
Chief Economist, TBC Group

Ana Mjavanadze
Acting Head of Macro-Financial Analysis Division, TBC Bank

Juli Avlokhashvili
Analyst

Levan Mikeladze
Analyst



TBC CAPITAL