



SECTORAL

Tbilisi Residential Market

MONTHLY WATCH

27.04.2021

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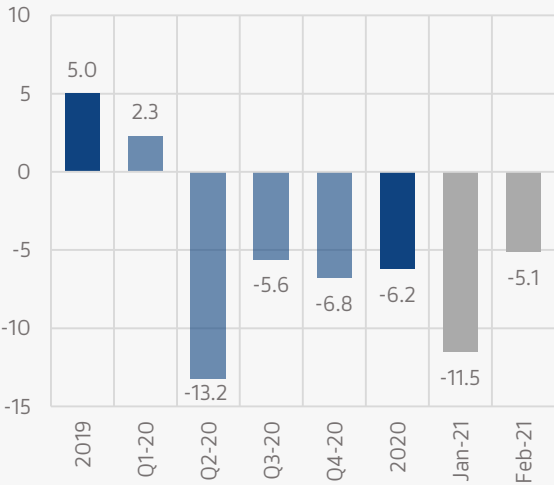
KEY DEVELOPMENTS

- **SHOWING SIGNS OF RECOVERY, MARCH EXTERNAL INFLOWS AS WELL AS IMPORTS IMPROVED SUBSTANTIALLY; HIGH INFLATION IS ALREADY EVIDENT, WHILE AFTER A DEPRECIATION THE GEL MAINTAINS RELATIVE STABILITY**
- **TBILISI RESIDENTIAL REAL ESTATE PRICES AND RENTAL RATES DECLINED ONLY marginally IN MARCH AS COMPARED TO FEBRUARY**
- **TRANSACTIONS INCREASED SHARPLY IN MARCH, WITH A SOLID GROWTH ALSO OBSERVED IN THE FIRST THREE WEEKS OF APRIL**
- **WITH THE END OF THE MORTGAGE SUBSIDY PROGRAM, THE SHARE OF NEW APARTMENT TRANSACTIONS DECREASED IN Q1 2021 RELATIVE TO 2020 YEAR-END, ALTHOUGH STILL REMAINING SIZABLE**
- **TRANSACTIONS DISPLAYED A POSITIVE GROWTH RATE IN MOST OF THE SUBURBAN DISTRICTS IN Q1 2021, BUT THE SALES IN THE CENTRAL LOCATIONS ARE STILL BELOW THE LEVEL OF 2019**
- **SOME IMPROVEMENT VISIBLE FOR TBILISI AIRBNB MARKET, AS THE PROPORTION OF BOOKED PROPERTIES AND THE NUMBER OF BOOKED NIGHTS RELATIVELY STRENGTHENED IN MARCH**
- **CONSTRUCTION PERMIT ISSUANCE SLOWED DOWN IN TBILISI IN Q1 2021; THE TOTAL RESIDENTIAL AREA APPROVED FOR BUILDING IS MOSTLY CONCENTRATED IN DIDI DIGHOMI**
- **1.07 MLN SQM RESIDENTIAL AREA IS CURRENTLY AVAILABLE ON THE PRIMARY MARKET, DOWN FROM 1.18 MLN IN 2020 YEAR-END**

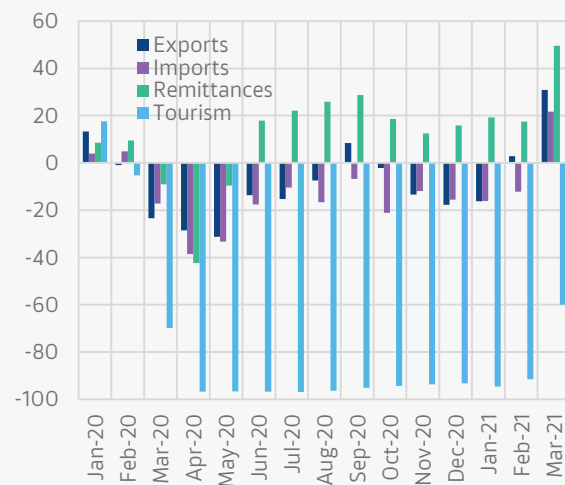
SHOWING SIGNS OF RECOVERY, MARCH EXTERNAL INFLOWS AS WELL AS IMPORTS IMPROVED SUBSTANTIALLY; HIGH INFLATION IS ALREADY EVIDENT, WHILE AFTER A DEPRECIATION THE GEL MAINTAINS RELATIVE STABILITY

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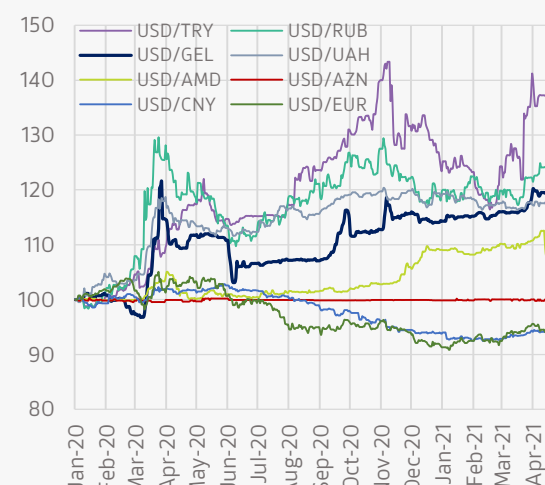
REAL GDP GROWTH (YOY, %)



KEY CURRENT ACCOUNT ITEMS (YOY, %, IN USD)

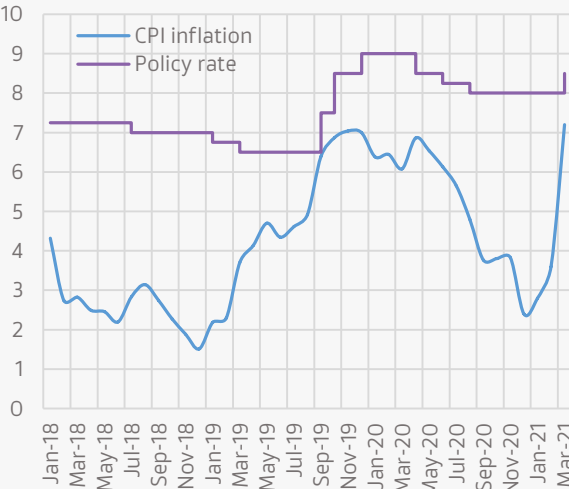


USD/GEL & PARTNER CURRENCY FX RATES* VS USD

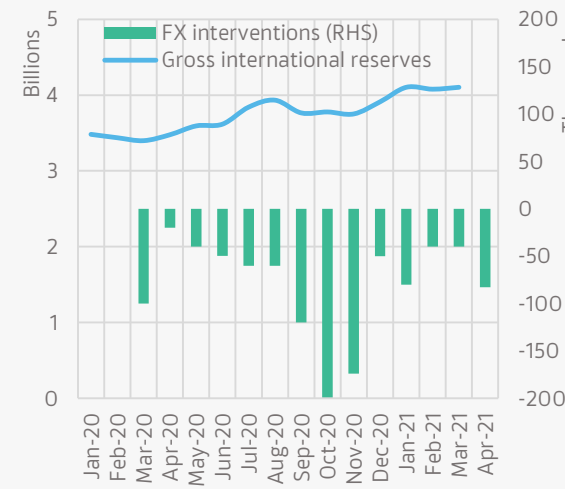


As of April 23

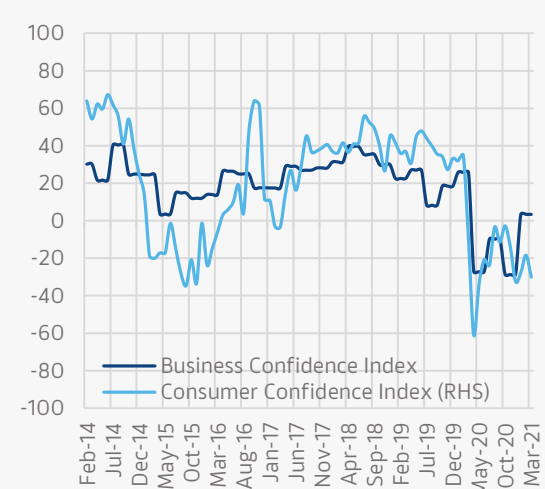
INFLATION AND GEL POLICY RATE (%)



NBG GIR AND FX INTERVENTIONS (USD)



BUSINESS AND CONSUMER CONFIDENCE INDICES

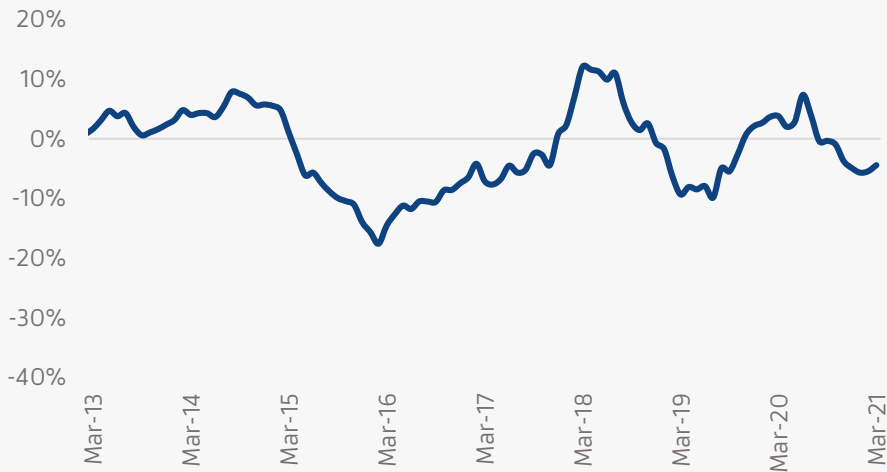


- The decline in GDP has slowed to -5.1% in Feb-21, following a 11.5% YoY drop in January. In the first two months, the average GDP decline was 8.3%. While the drop was still sizable, it remains in line with the expectations
- Exports of goods increased by 30.8% YoY in March, following a modest 2.9% YoY growth in February. Notably, the exports in March have reached the level of the corresponding month of 2019. Imports of goods with a +17.8% YoY increase have also reached almost the 2019 level, below by only 2.3%. Remittance inflows continued a strong, double-digit growth at a rate of 49.5% YoY in March - the increase was also sizable when compared to 2019 at 36.0% with only part of the increase attributed to the closed borders and, thus, cash remittances being transferred through the digital channels
- Since March 20, with the change of the TCMB governor, TRY tumbled as much as 15.1% against USD. Over the same period, GEL weakened by 3.5% against greenback. As for the other partner currencies, RUB and UAH somewhat depreciated, standing about 1.6% and 0.6% lower, respectively, whereas EUR, AMD, and CNY appreciated slightly
- Annual inflation stood at 7.2% YoY in March 2021, up from 3.6% YoY in February, exceeding [our latest outlook](#) of inflation being at 6.0-7.0% by the end of the year. Ceasing state subsidy program, which acted as the main drag on prices in previous three months, coupled with increased prices for all commodity groups led to high inflation
- On March 17, considering raising inflation expectations, the NBG increased the monetary policy rate by 50 basis points. At the same time, the NBG actively participated in the FX market, selling USD 40mln in March and further USD 82.9mln this month, as of April 26.

TBILISI RESIDENTIAL REAL ESTATE PRICES AND RENTAL RATES DECLINED ONLY marginally in March as compared to February; 4 SALES TRANSACTIONS INCREASED SHARPLY IN MARCH, WITH A SOLID GROWTH ALSO OBSERVED IN THE FIRST THREE WEEKS OF APRIL

TBILISI RESIDENTIAL REAL ESTATE PRICE* - USD

(Change YoY, %)

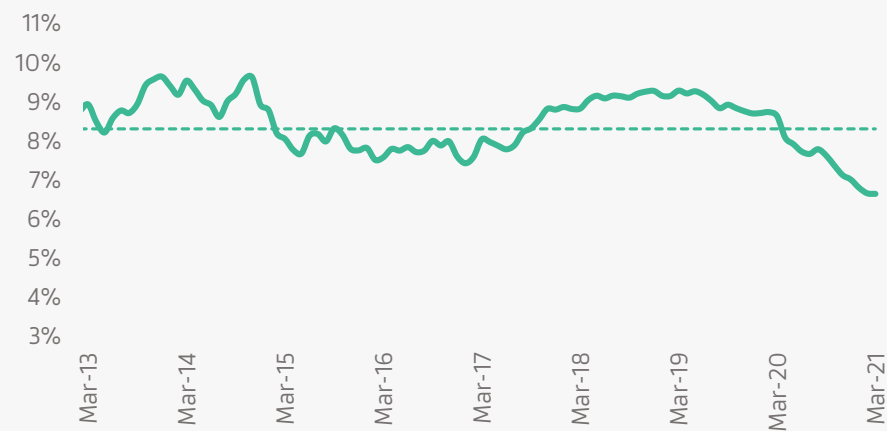


-4.4%
YoY in Mar 2021
-0.2%
MoM in Mar 2021

*NBG's real estate price index, figures given here may differ from the sales-weighted price index presented in the following slides

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

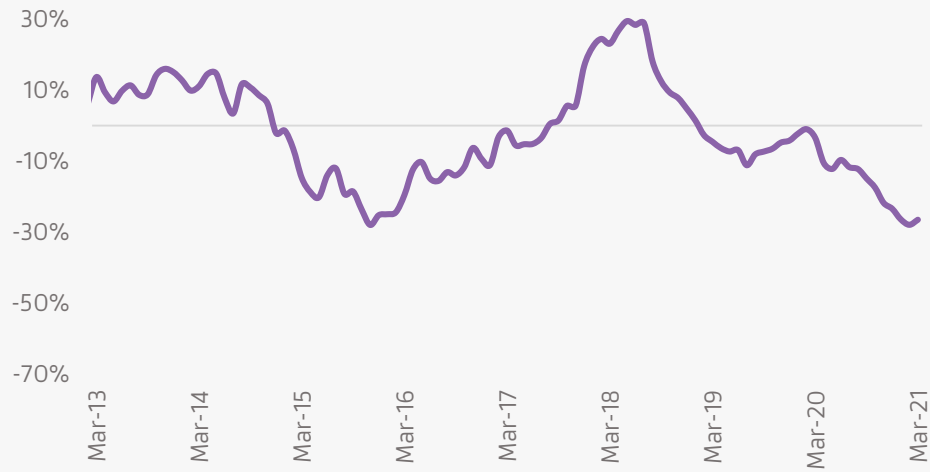
(%)



6.6%
in Mar 2021
-2.0PP
YoY in Mar 2021

TBILISI RESIDENTIAL REAL ESTATE RENT - USD

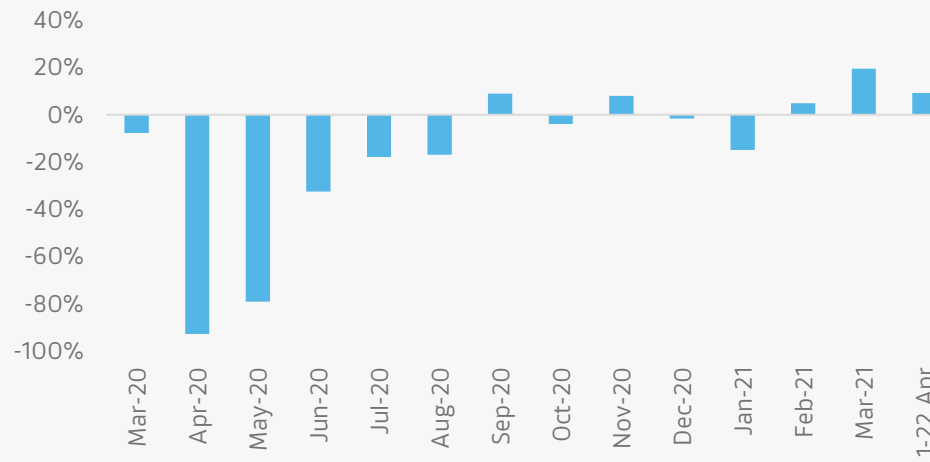
(Change YoY, %)



-26.5%
YoY in Mar 2021
-0.5%
MoM in Mar 2021

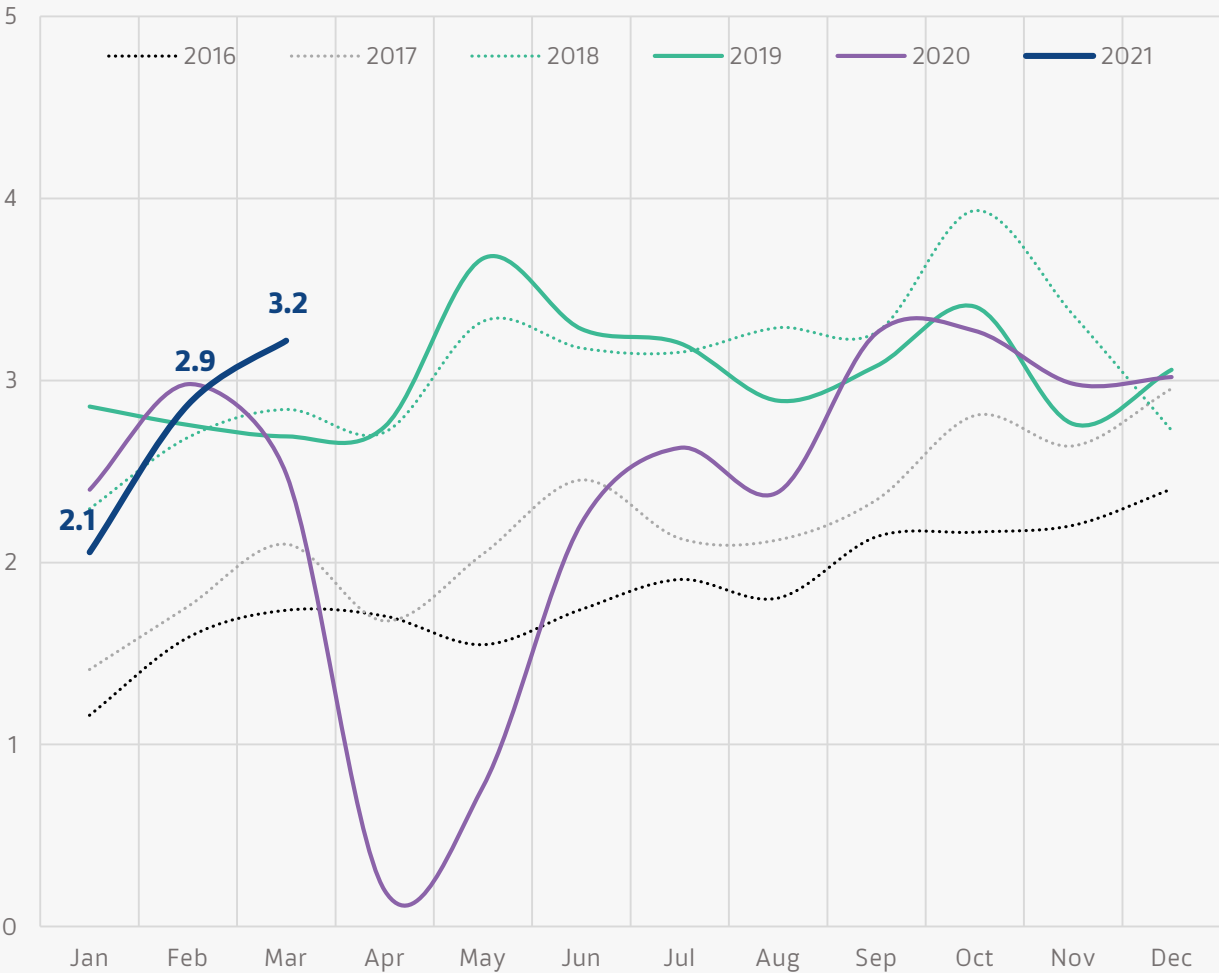
NUMBER OF RESIDENTIAL PROPERTIES SOLD IN TBILISI

(% Change compared to 2019)



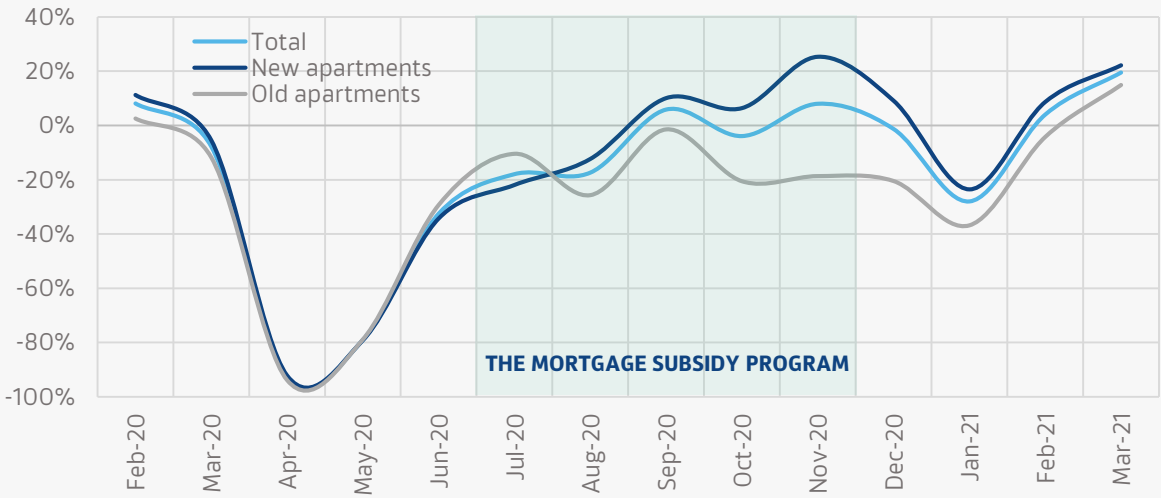
+9.2%
in 1-22 Apr 2021
+19.5%
in Mar 2021

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



- Tbilisi residential real estate market featured over 3,200 transactions with up to 219 thousand Sqm area in Mar-21, up by 30% and 25% YoY, respectively. The volume of registered transactions also surpassed the level of 2019, posting a 20% increase
- In March, number of new apartment transactions increased by 22% relative to 2019. Older units posted a more modest growth, at 15%

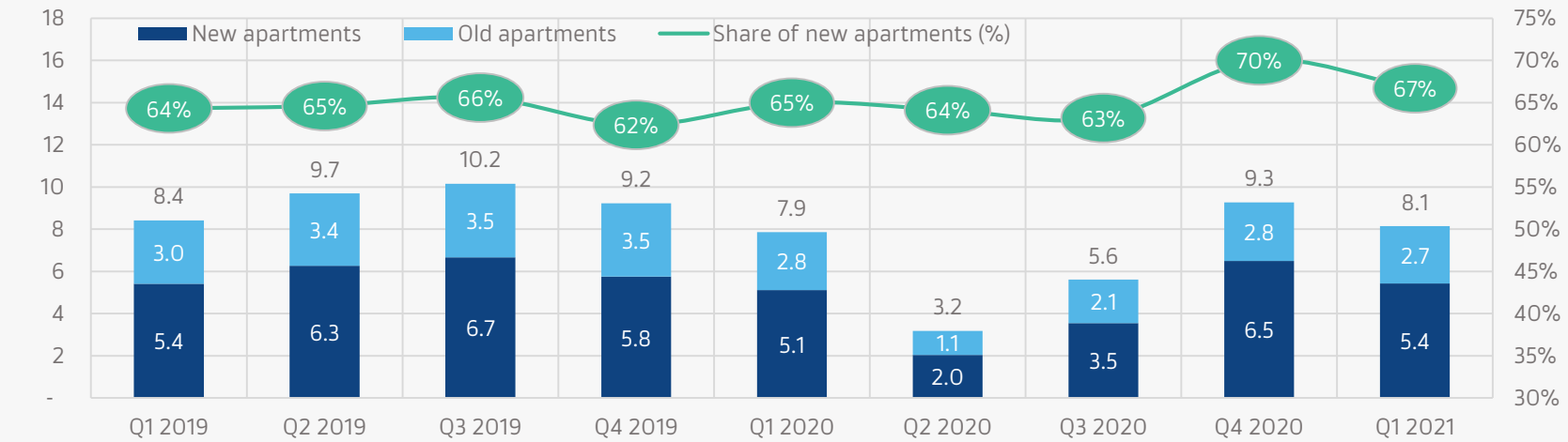
GROWTH RATE OF TRANSACTIONS
(%, COMPARED TO 2019)



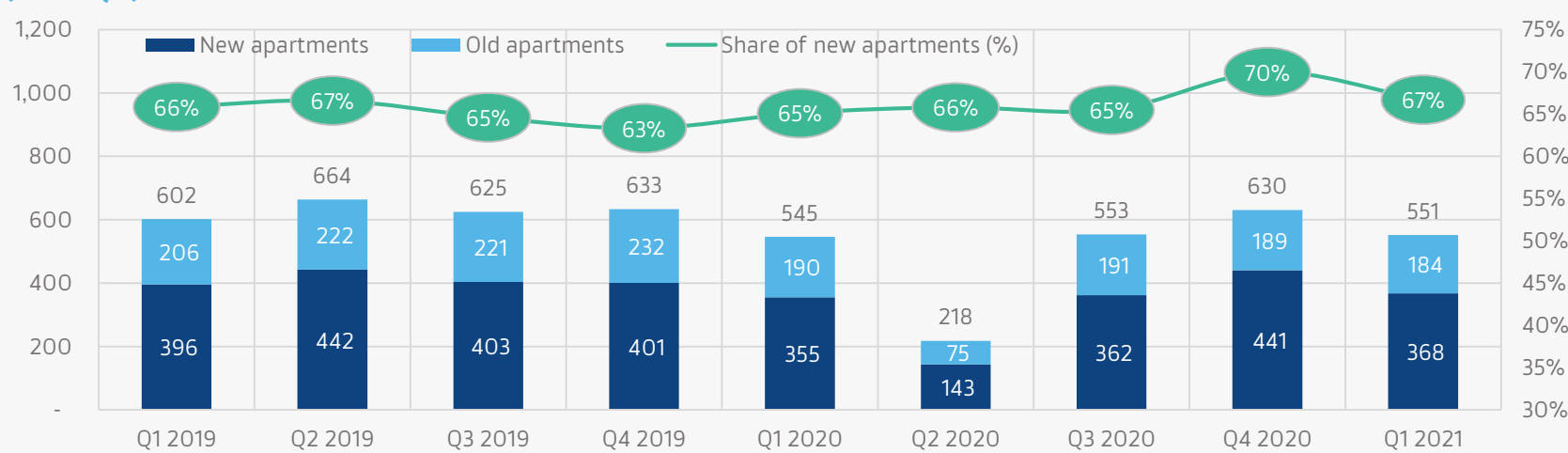
Source: NAPR, TBC Capital; Note: New apartment means an apartment with construction permits issued since 2010

WITH THE END OF THE MORTGAGE SUBSIDY PROGRAM, THE SHARE OF NEW APARTMENT TRANSACTIONS DECREASED IN Q1 2021
RELATIVE TO 2020 YEAR-END, ALTHOUGH STILL REMAINING SIZABLE

NUMBER OF SOLD RESIDENTIAL PROPERTIES
(000' UNITS)

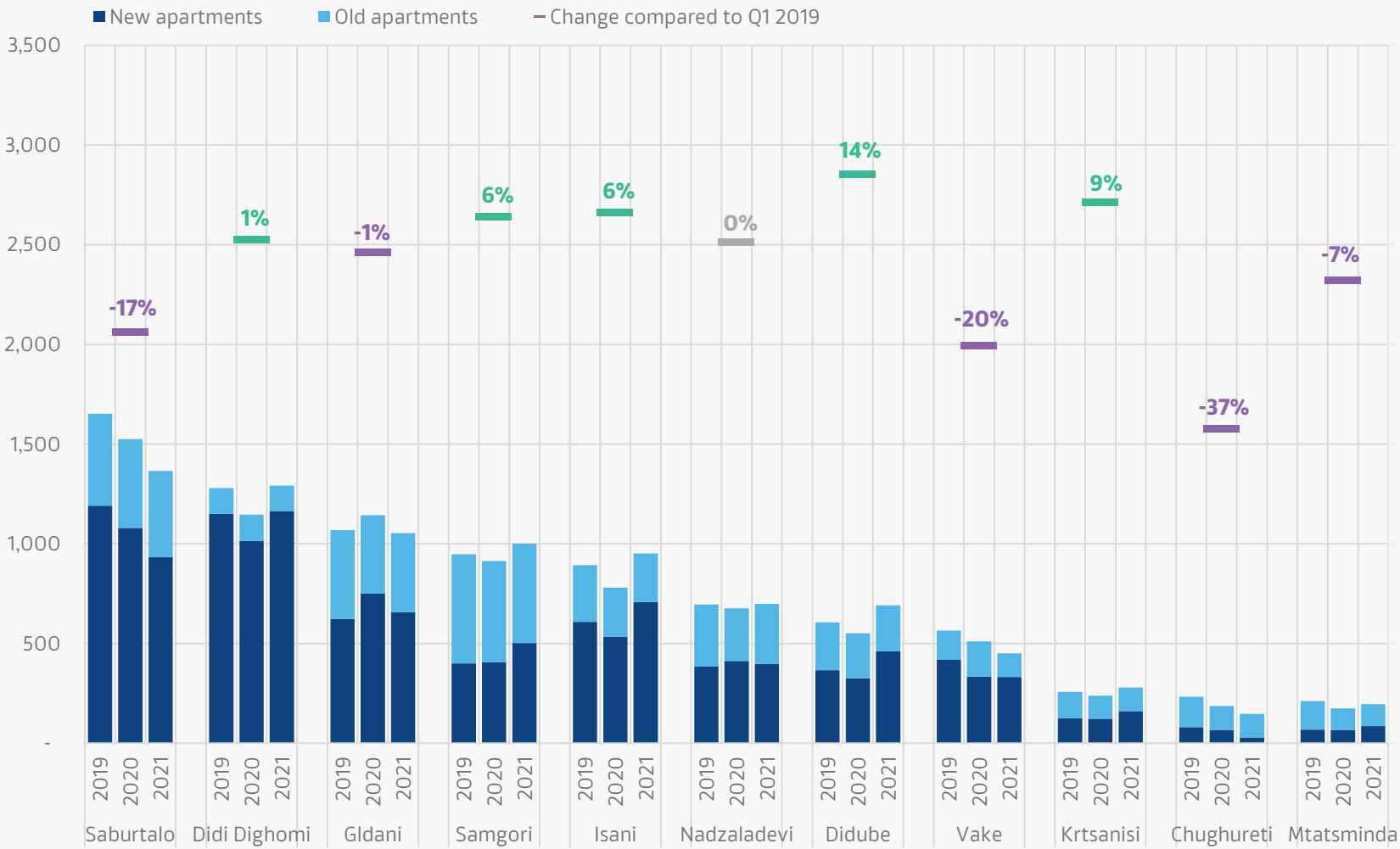


TOTAL AREA OF SOLD RESIDENTIAL PROPERTIES
(000' SQM)



- Circa 5,400 units, encompassing over 368 thousand Sqm area sold in Mar-21 were new apartments, while circa 2,700 units, constituting up to 184 thousand Sqm area sold were old units
- Compared to Q4 2020, the proportion of new apartments decreased in Q1 2021, down from 70% to 67% (+1.6PP YoY) as measured both in number of sold units and in total area of these apartments

NUMBER OF SOLD APARTMENTS (UNITS): Q1 2019-2021

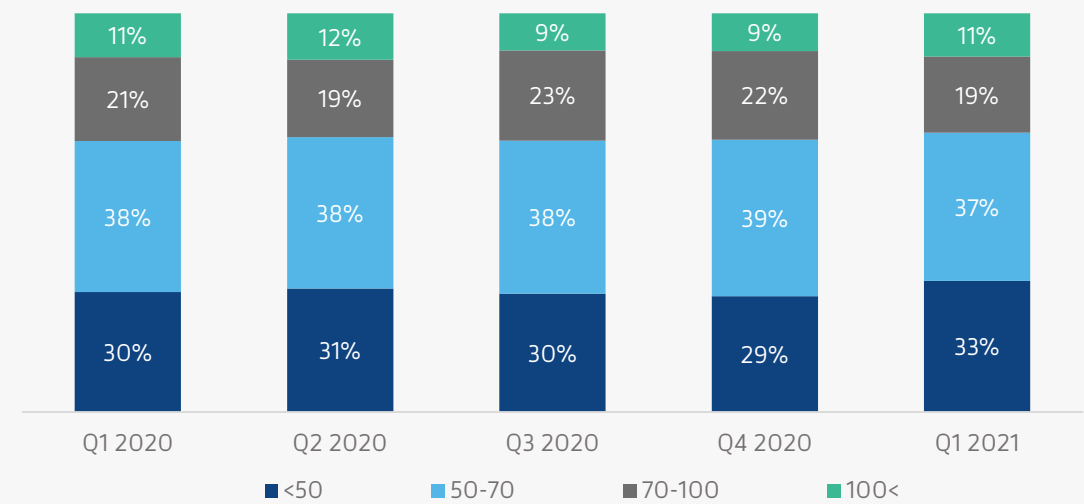


- Number of transactions picked up in most of the capital's districts in Q1 2021, but growth rates differed across the areas
- The suburban districts posted a positive growth in Q1 2021, relative to 2019. Transactions in Didube increased by 14% over this period, while growth amounted 6% for Samgori and Didube, and 1% for Didi Dighomi
- The central districts, however, remained on the negative territory. Relative to year 2019, residential property transactions decreased by 20% in Vake and by 17% in Saburtalo. Mtatsminda encompassed a more moderate decline, at 7%

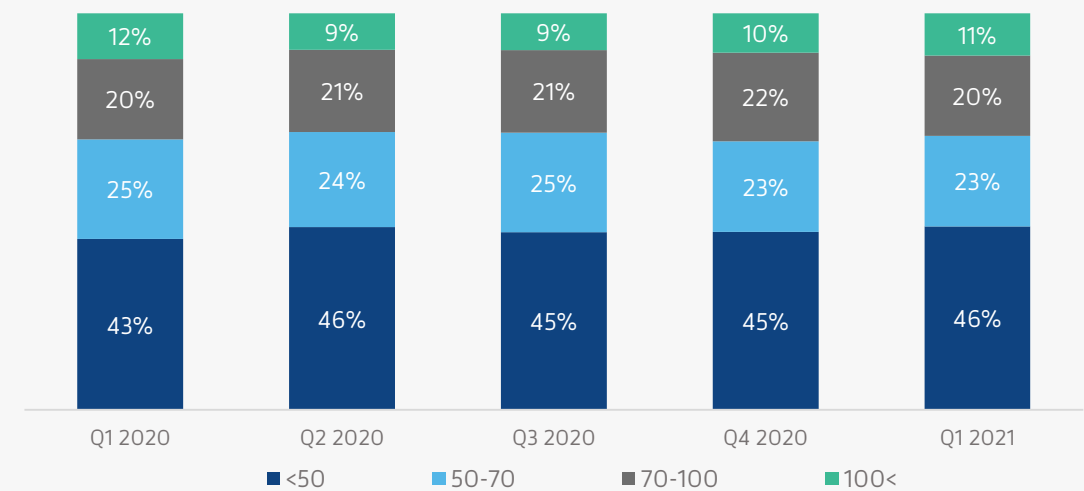
THE MIX OF TRANSACTIONS BROADLY UNCHANGED, WITH SMALL UNITS PREVAILING IN OLD PROPERTY TRANSACTIONS AND LARGE APARTMENTS HAVING A HIGHER SHARE IN THE CENTRAL DISTRICTS

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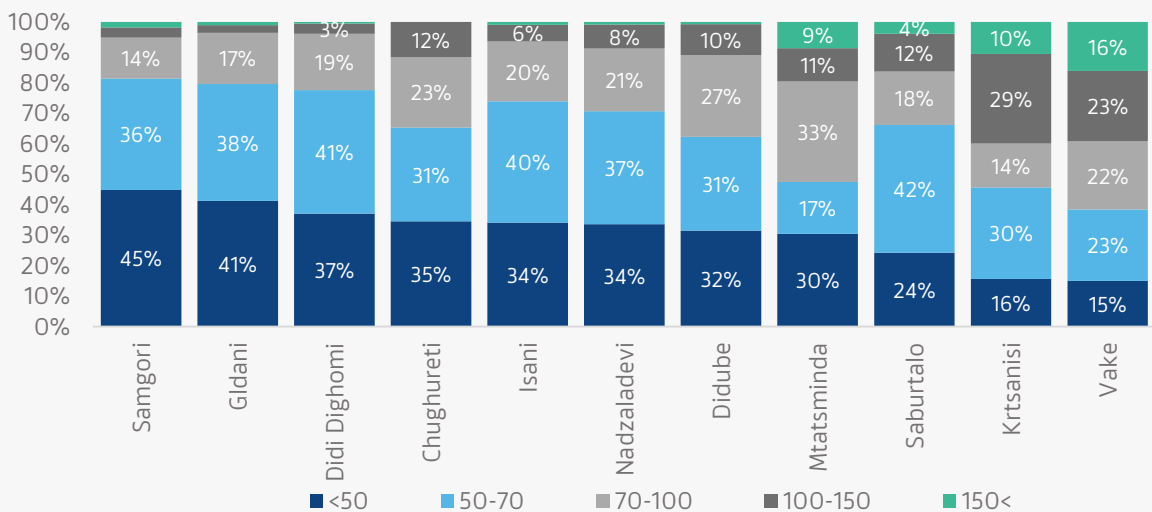
NEW APARTMENTS (AREA, SQM)



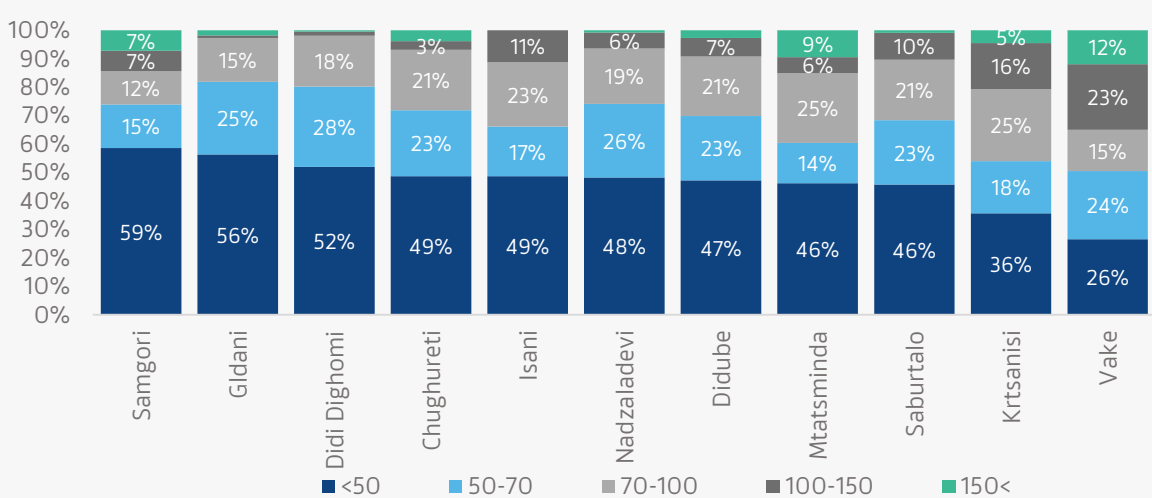
OLD APARTMENTS (AREA, SQM)



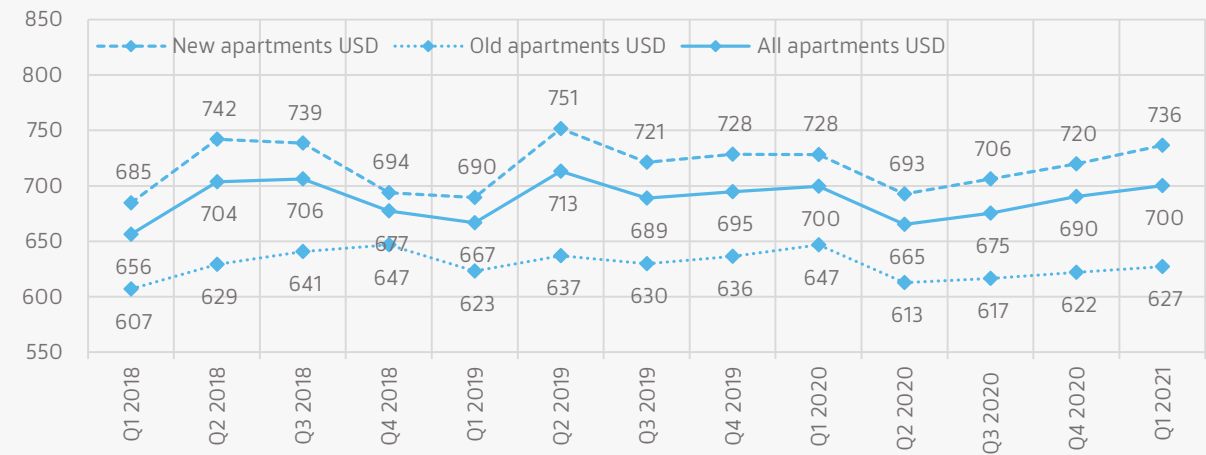
NEW APARTMENTS – Q1 2021 (AREA, SQM)



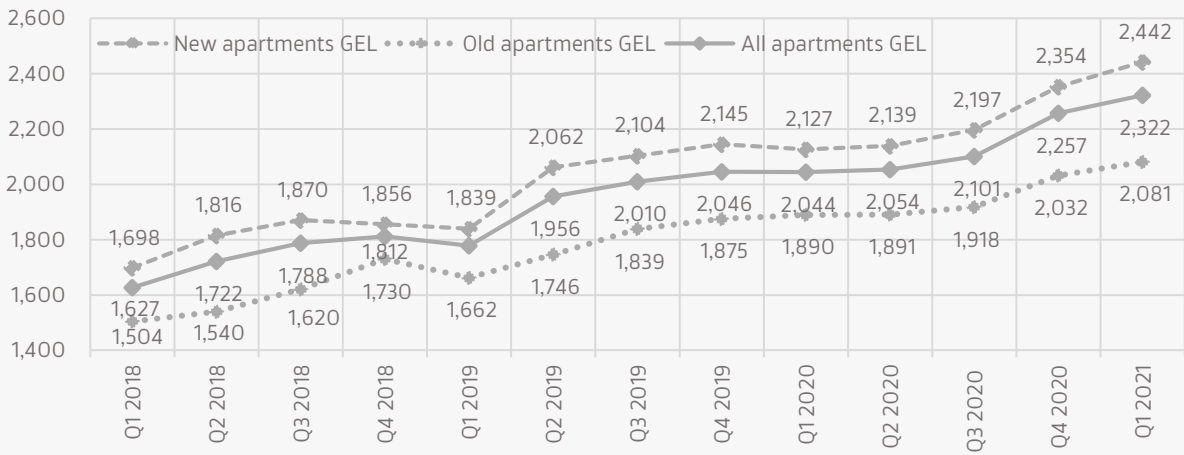
OLD APARTMENTS – Q1 2021 (AREA, SQM)



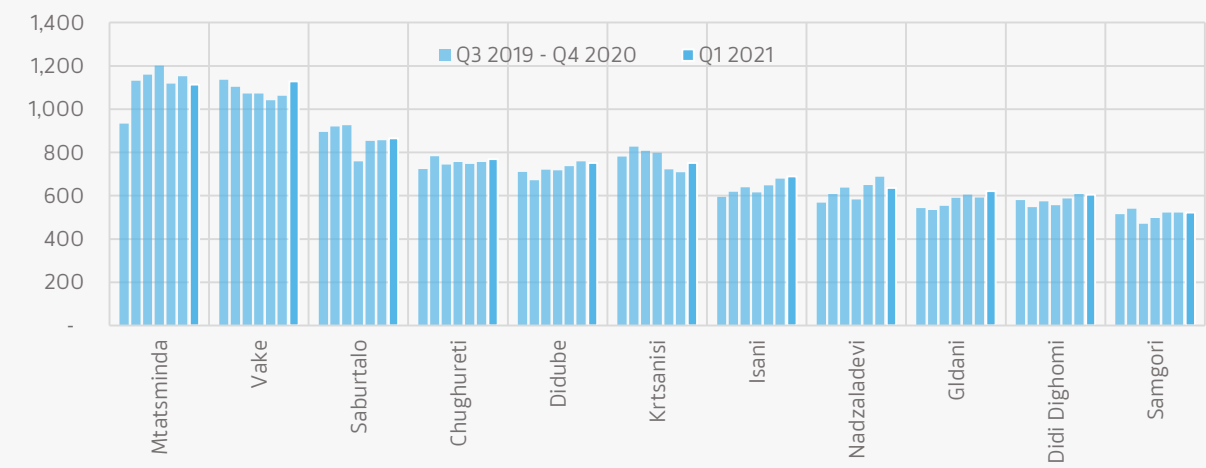
APARTMENT TRANSACTIONS – AVERAGE SALES WEIGHTED PRICE PER SQM (USD)



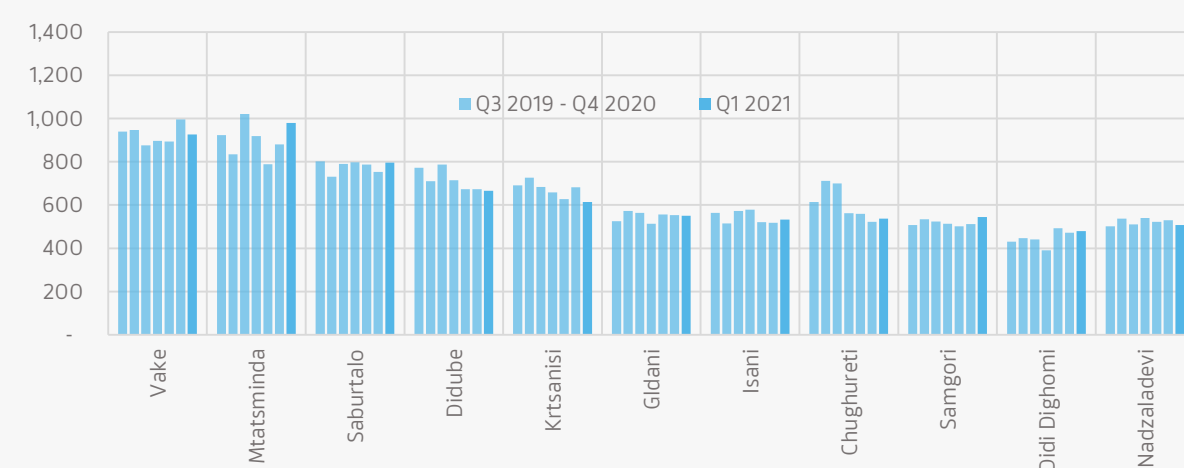
APARTMENT TRANSACTIONS – AVERAGE SALES WEIGHTED PRICE PER SQM (GEL)



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



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

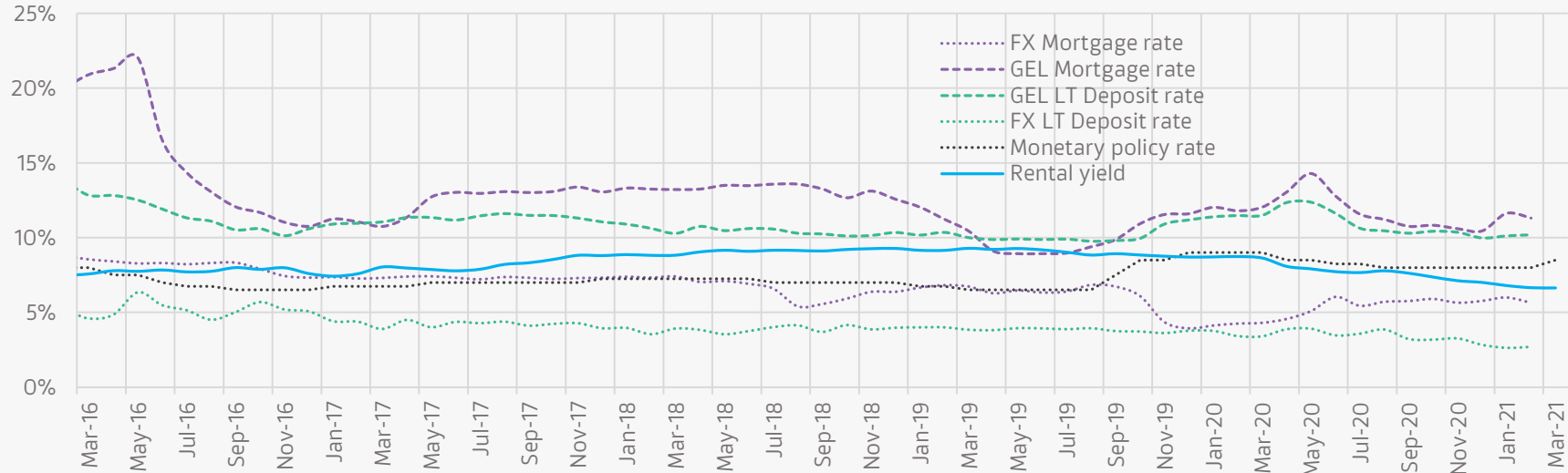


Source: NAPR, TBC Capital

THE RENTAL YIELD CONTINUES TO DECLINE STEADILY SINCE THE BEGINNING OF THE PANDEMIC, AMOUNTING TO A LEVEL LOWER THAN ITS LONG-TERM AVERAGE BUT STILL SIGNIFICANTLY HIGHER COMPARED TO THE LONG-TERM FX DEPOSIT RATE

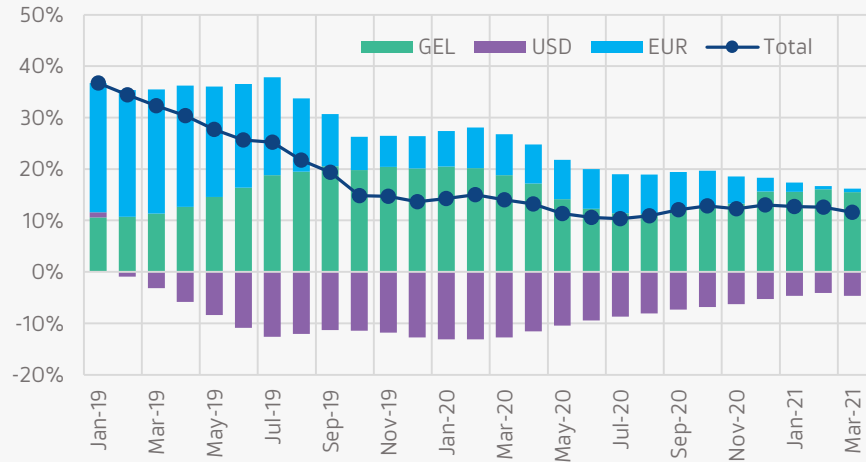
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MORTGAGE AND DEPOSIT RATES DYNAMICS IN GEORGIA

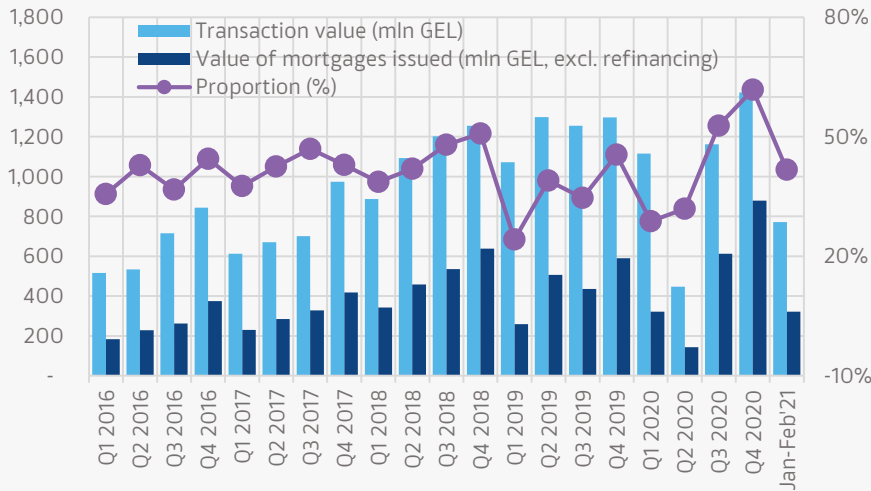


- According to the NBG, the rental yield in Tbilisi stood at 6.6% in Mar-21, down from 6.7% in the previous month
- Mortgage portfolio increased by 11.6% YoY in Mar-21 at constant currency terms, almost fully driven by the mortgages in the national currency
- With the subsidy program no longer active, the proportion of issued mortgages to total transaction value fell in 2M 2021 as compared to Q4 2020

YOY GROWTH OF MORTGAGE PORTFOLIO AND CONTRIBUTION TO GROWTH BY CURRENCIES

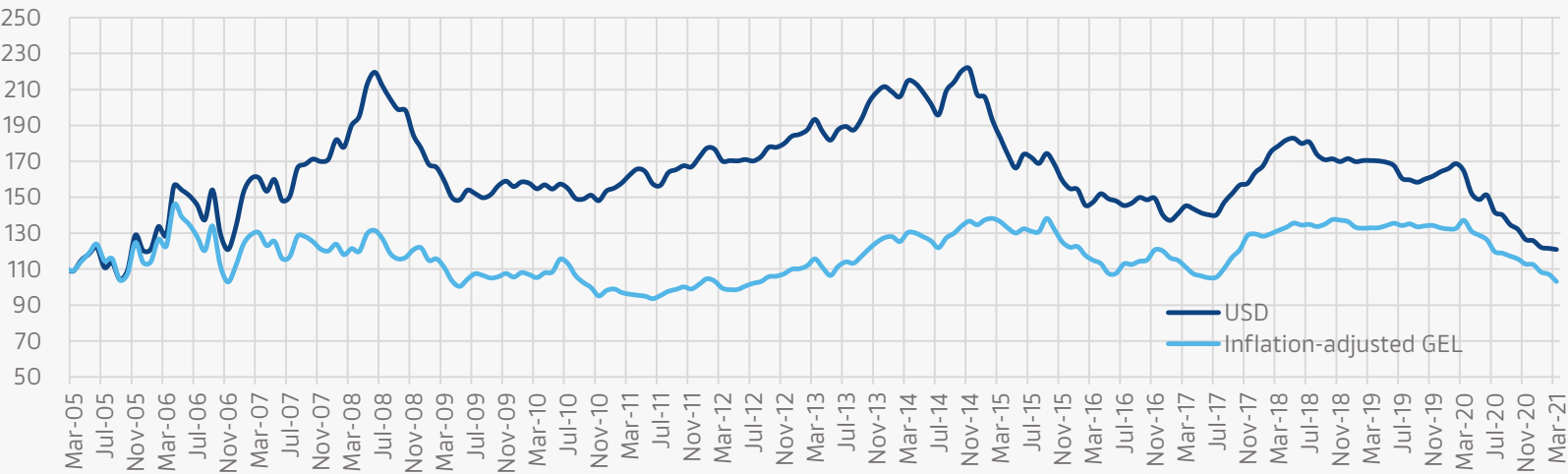


VALUE OF ISSUED MORTGAGES TO TRANSACTION VALUE*, TBILISI

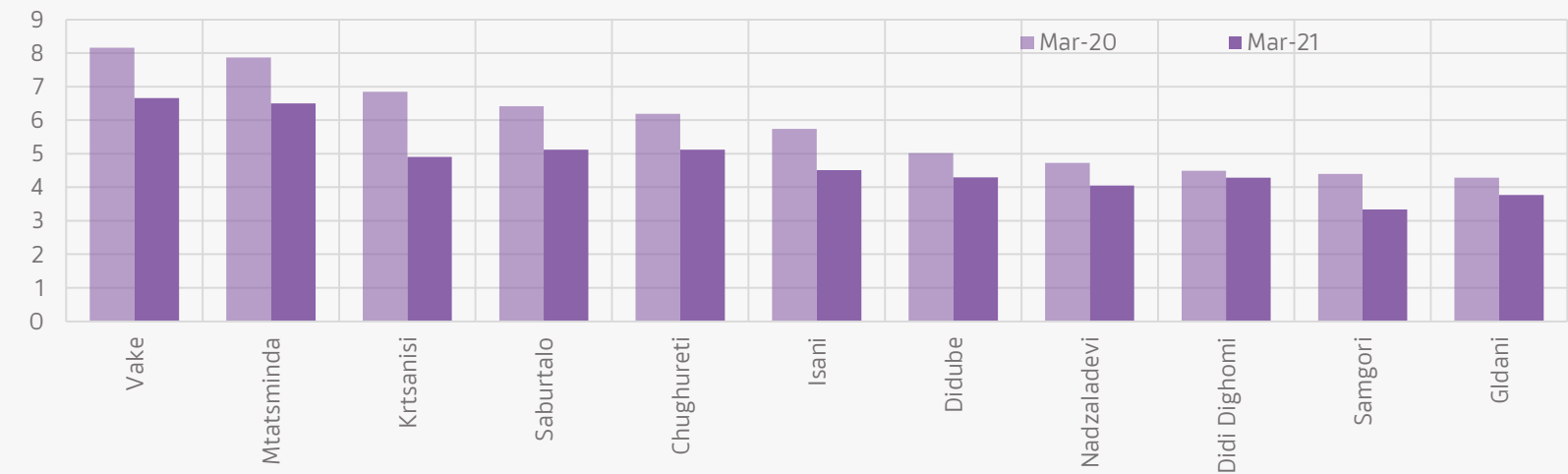


Source: NAPR, NBG, TBC Capital; *Note: The chart depicts a proportion of all mortgage loans issued, net of refinancing (TBC Capital estimates), in the period to the proportion of real estate market turnover in Tbilisi

AVERAGE RENT INDICES (JAN 2005 = 100)



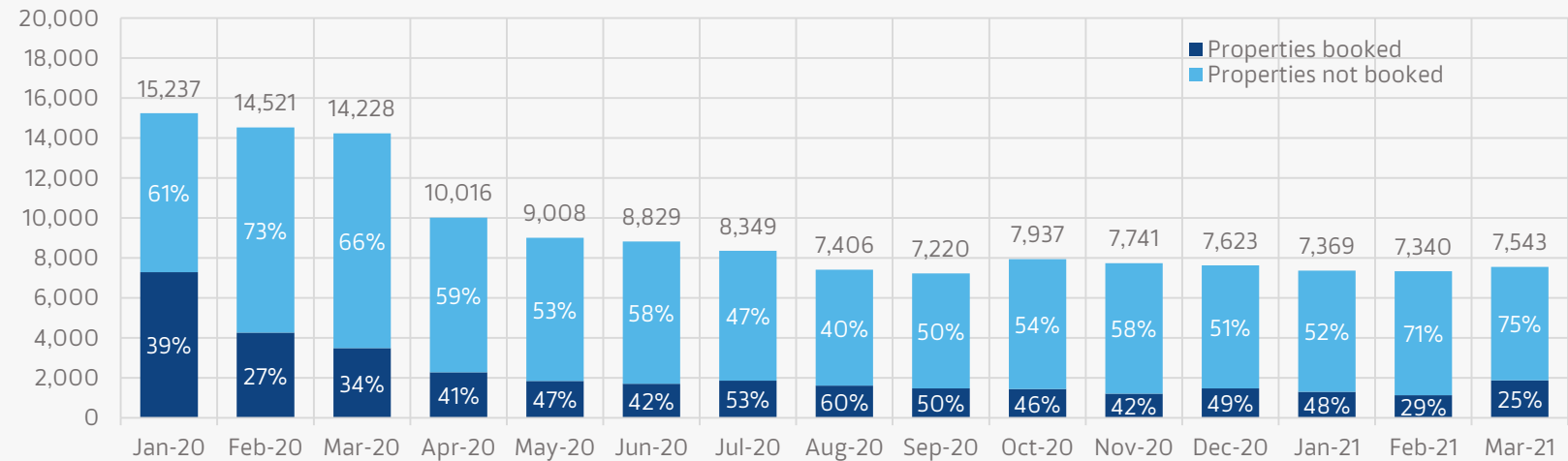
MONTHLY RENT ASKING PRICES (USD/SQM)



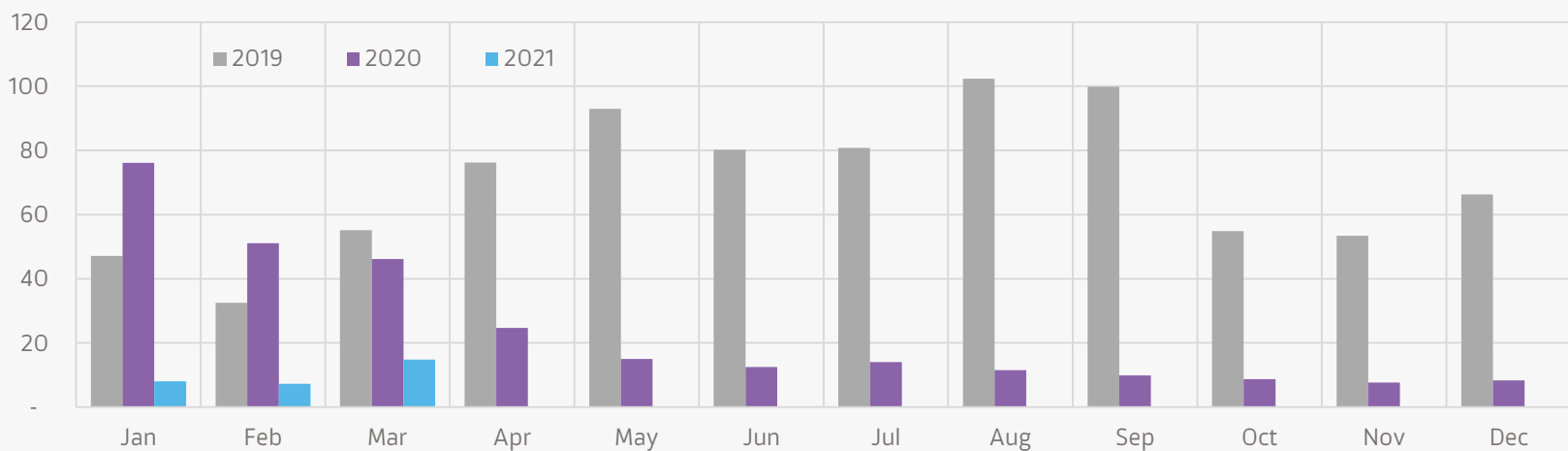
- The average rental rate for Tbilisi's residential properties was down by -26.5% YoY in USD (-0.5% MoM) and by -24.8% YoY in inflation-adjusted GEL terms (-3.8% MoM) in Mar-21
- All districts posted a double-digit annual decline in terms of monthly rent asking prices in March, ranging from -15% to -35%

SOME IMPROVEMENT VISIBLE FOR TBILISI AIRBNB MARKET, AS THE PROPORTION OF BOOKED PROPERTIES AND THE NUMBER OF BOOKED NIGHTS RELATIVELY STRENGTHENED IN MARCH

TBILISI AIRBNB MARKET: BOOKING RATE (%)



NIGHTS BOOKED ON TBILISI AIRBNB MARKET (000')

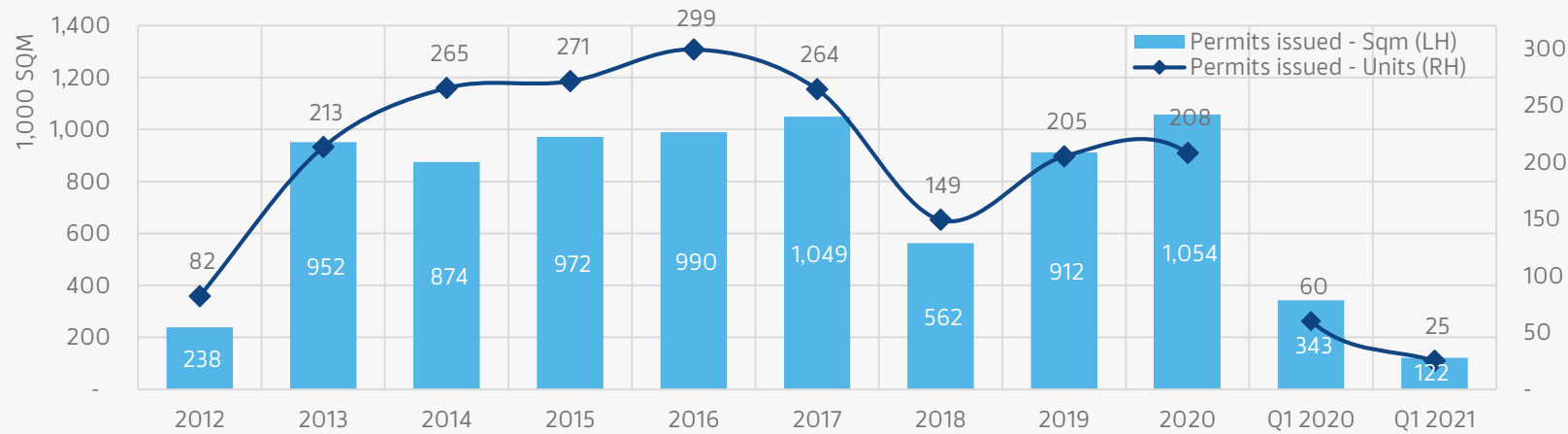


- The proportion of booked properties on Tbilisi Airbnb market rose to 25% in Mar-21 from 15% in Feb-21. For the first time since October, number of active listings also increased, up slightly compared to the previous month
- Relative to 2019, number of nights booked were down by 73% in March, up from -78% in February

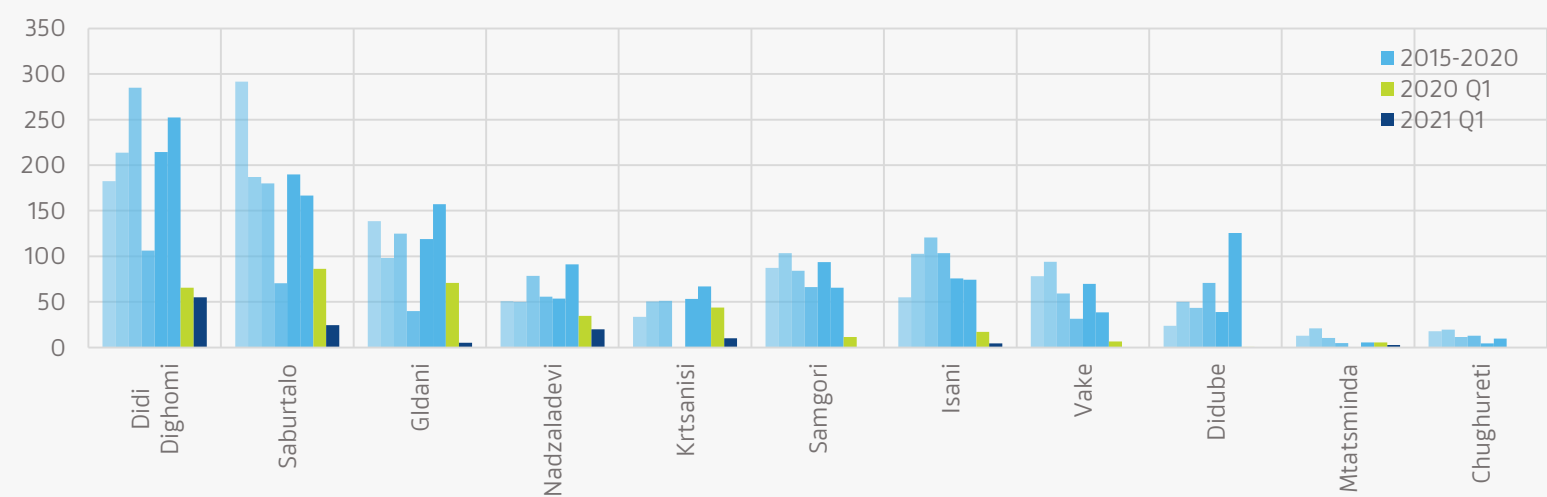
CONSTRUCTION PERMIT ISSUANCE SLOWED DOWN IN TBILISI IN Q1 2021; THE TOTAL RESIDENTIAL AREA APPROVED FOR BUILDING IS MOSTLY CONCENTRATED IN DIDI DIGHOMI

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



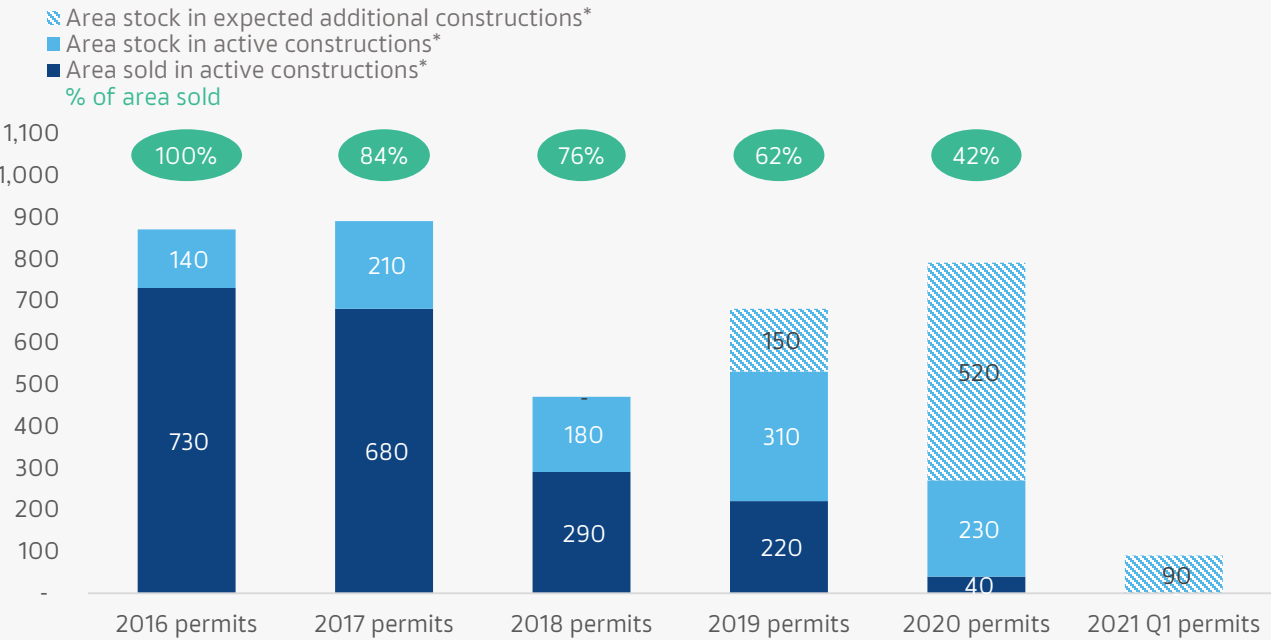
PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN TBILISI (AREA, 000' SQM)



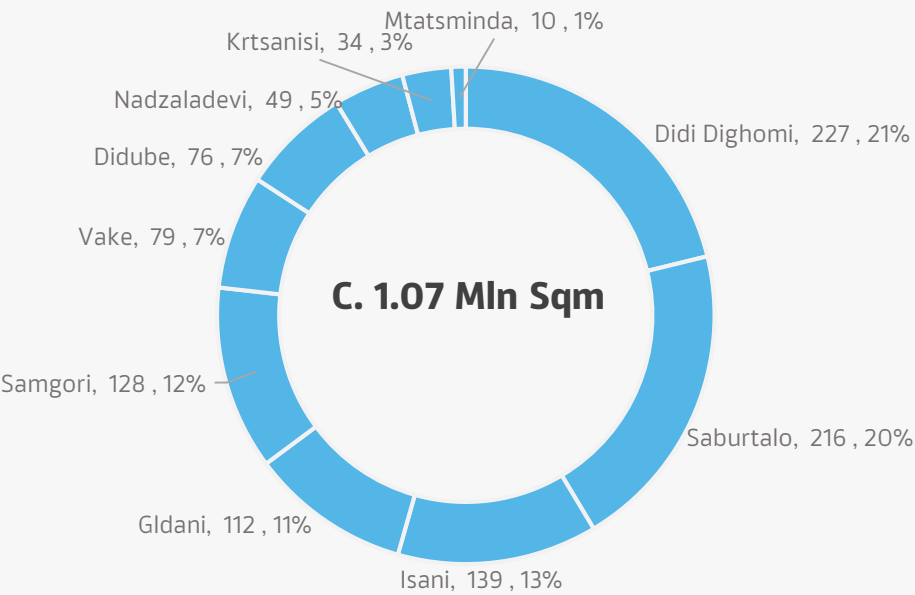
- Tbilisi saw a decline in construction permit issuance in Q1 2021. In this period, building permits were approved for 25 new multi-apartment and multi-functional blocks. Total residential area of these projects amounted 122 thousand Sqm, down by 64% YoY
- The permit issuance weakened in all of the districts. Of total residential space approved for construction in Q1 2021, Didi Dighomi accounted for 45%, followed by Saburtalo (20%) and Nadzaladevi (16%)

Source: Tbilisi City Hall, TBC Capital; *Permits encompass III & IV class multi-apartment and multi-functional buildings

THE PRIMARY MARKET: RESIDENTIAL AREA (000' SQM) OF 2015-2021 PERMITS: SOLD & STOCK



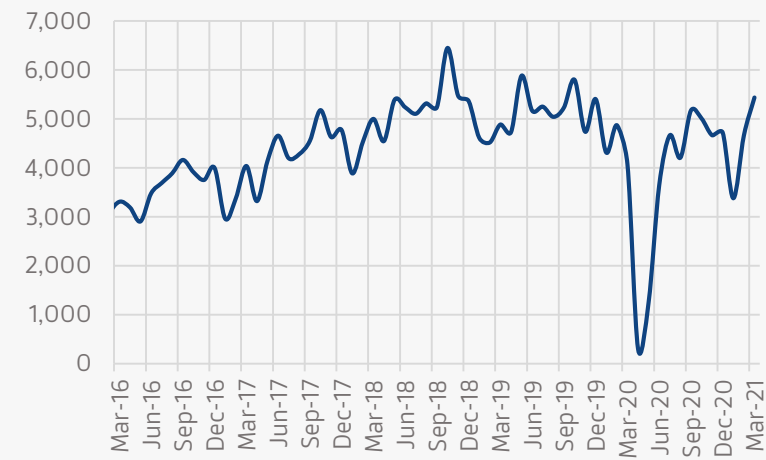
RESIDENTIAL AREA IN STOCK BY DISTRICTS (000' SQM)



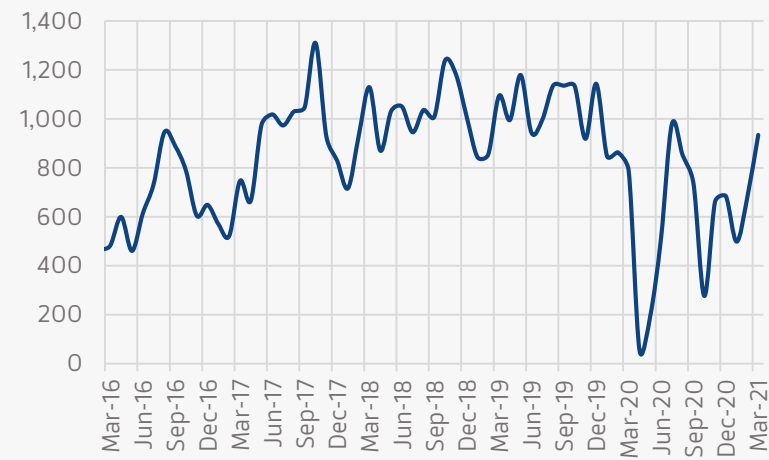
- Of permits issued in 2016-2021 period, 3.03mln Sqm residential area was identified as constructed or under construction*, with estimated 0.76mln Sqm more under 2019-2021 permits expected to become active, as we expect the first pre-sale on average a year after the issuance of permit
- Under active permits issued in 2016-2021 period, sold area accounts for 65% of active projects, with the proportion highest at 84% in 2016, declining to 15% for the permits issued in 2020. The pre-sales of Q1 2021 permits are yet to be started
- Didi Dighomi leads the grid with estimated 227 thousand Sqm, or 21% of total stock outstanding, followed by Saburtalo, Isani and Gldani with 20%, 13% and 11% of total stock located in these districts, respectively. Area under active permits prior to 2016 is essentially sold out

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

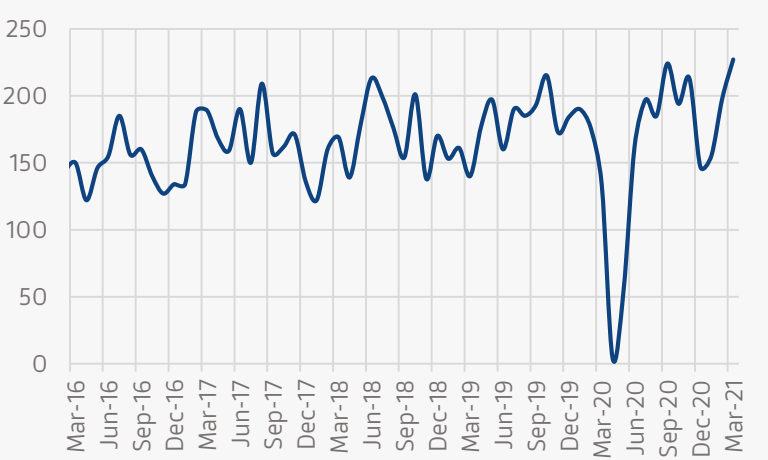
GEORGIA



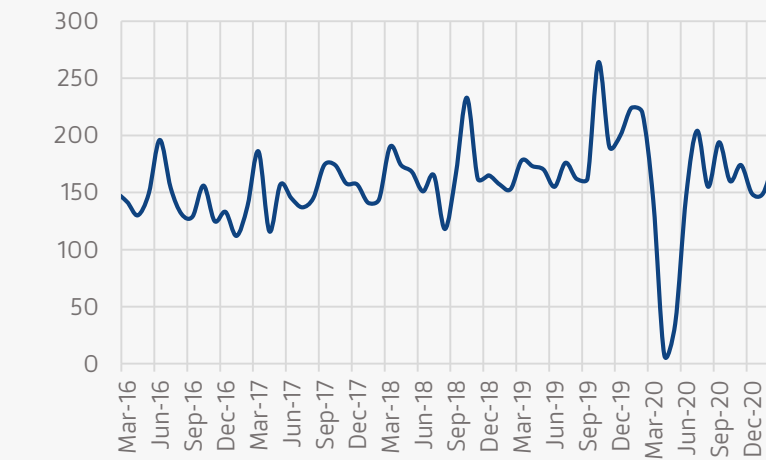
BATUMI*



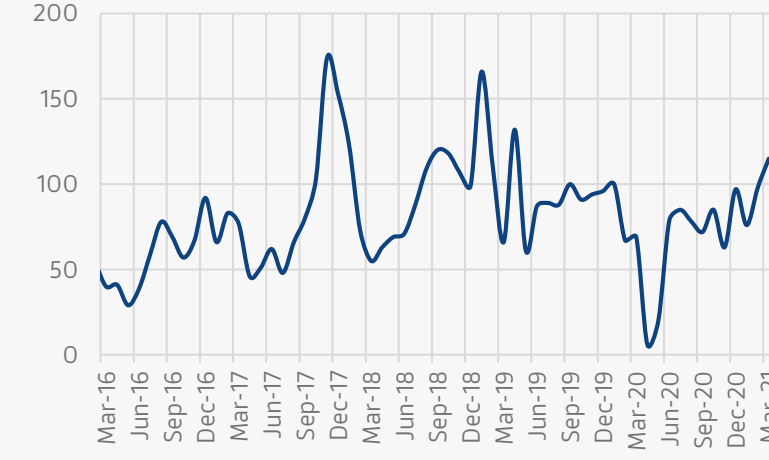
KUTAISI



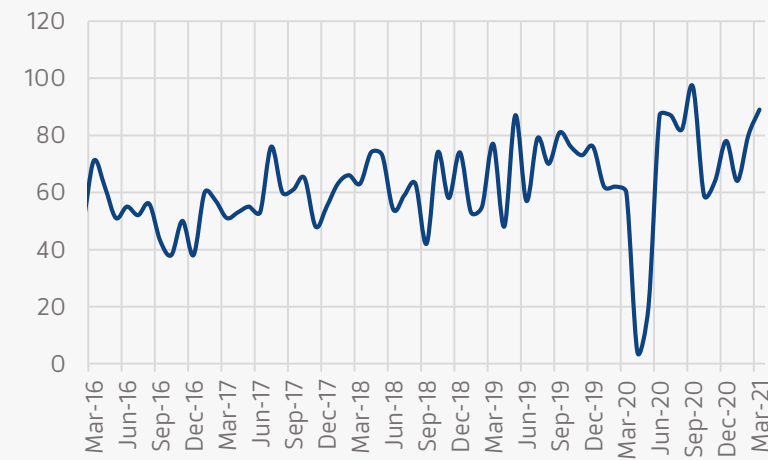
RUSTAVI



BORJOMI



GORI



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

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