



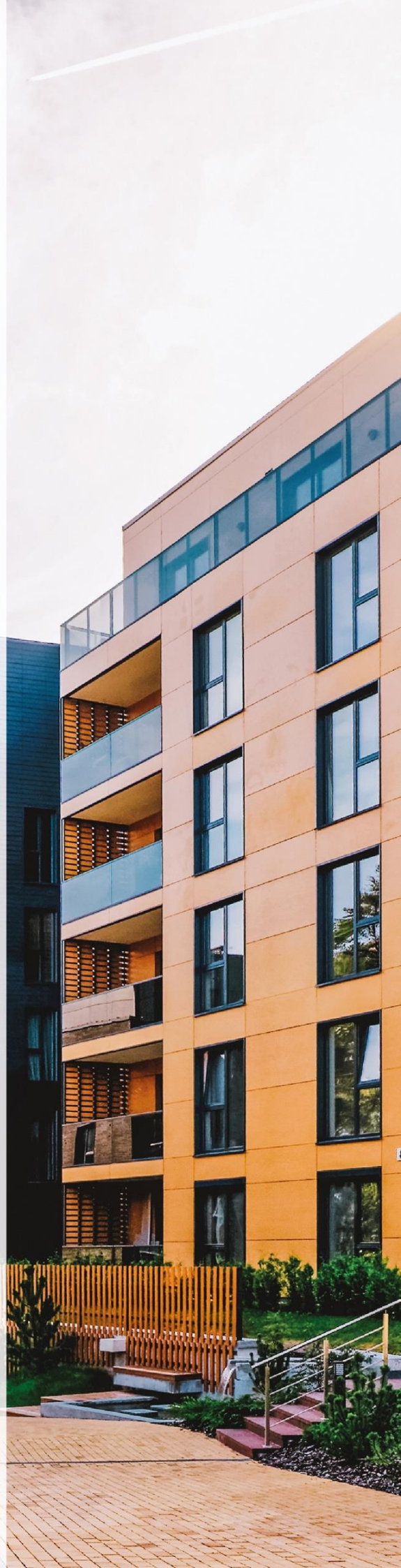
Tbilisi Residential Real Estate

MONTHLY WATCH

NOVEMBER 2021

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November 2021 in Brief

Market recovery in November 2021 was, by far, the strongest this year. The number of sold residential properties amounted to about 3700 units, which is 34% higher than its pre-pandemic level. In January-November 2021, the total number of transactions exceeded its 2019 level by 4%.

With a mostly recovered demand the property prices still stand above the pre-pandemic level. Average residential real estate price, in November 2021, is 2% higher compared to 2019. The rent posted a relatively stronger recovery for the first time in 2021 (+7.2% YoY), but it still needs time to surpass its pre-pandemic level. It stands about 16% lower compared to 2019.

Tourism has a long way to go till recovery and about half of the Airbnb market is active.

In October-November 2021, about 4400 new apartments were sold, which is 17% higher than in 2019 (+2% YoY). The share of new properties accounted for 63% of total transactions and the total area amounted about 302 thousand SQM.

Average sales-weighted prices in USD terms are at their highest and continue to increase.

In January-November 2021, the number of transactions, in the majority of districts, is higher or at the same level relative to 2019. Samgori (+16%) is back in the double digit growth club, with Didube (+35%) still taking the top, followed by Isani (+21%). Saburtalo holds the largest share of total transactions in Tbilisi (18%).



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Transactions, price and yield in November 2021

Transactions

The number of residential real estate transactions has been slowly recuperating since February 2021. After May, the figures stabilized and mostly stood above the 2019 level.

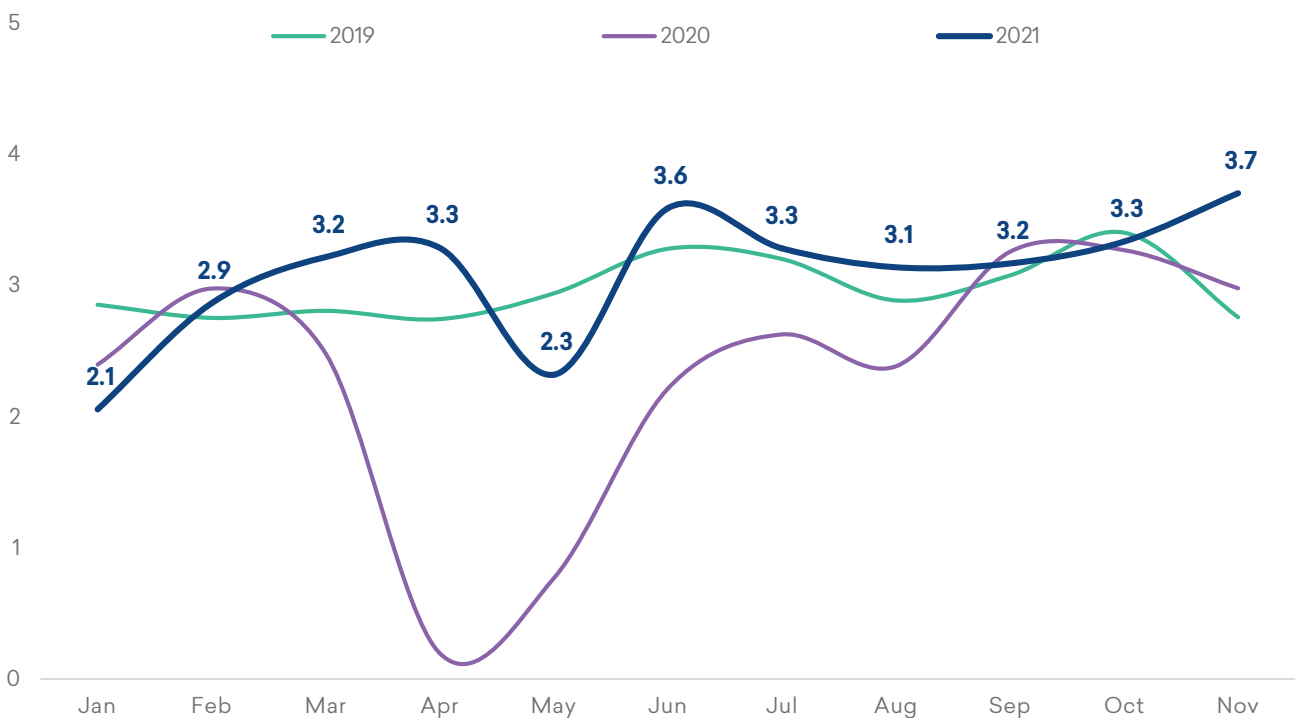
In November 2021, market showed the highest number of transactions for the last three years. The difference compared to previous month amounted 11%.

There was a 34% increase relative to 2019 (+24% YoY), whereas, the figure in October 2021 was 2% lower than in the same period of 2019.

In January-November 2021, the total number of transactions exceeds its pre-pandemic level by 4%.

Figure 1

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



Source: NAPR, TBC Capital

Price

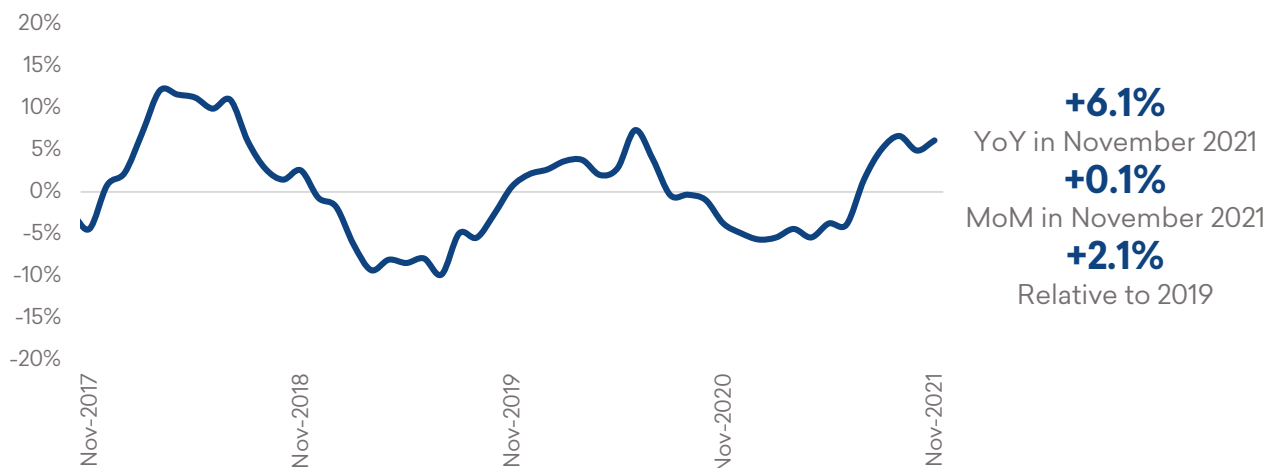
With a mostly recovered demand the property prices still stand above the pre-pandemic level. Average residential real estate price, in November 2021, is 2% higher compared to 2019.

The rent posted a relatively stronger recovery for the first time in 2021. The YoY figure was at its highest in the current year

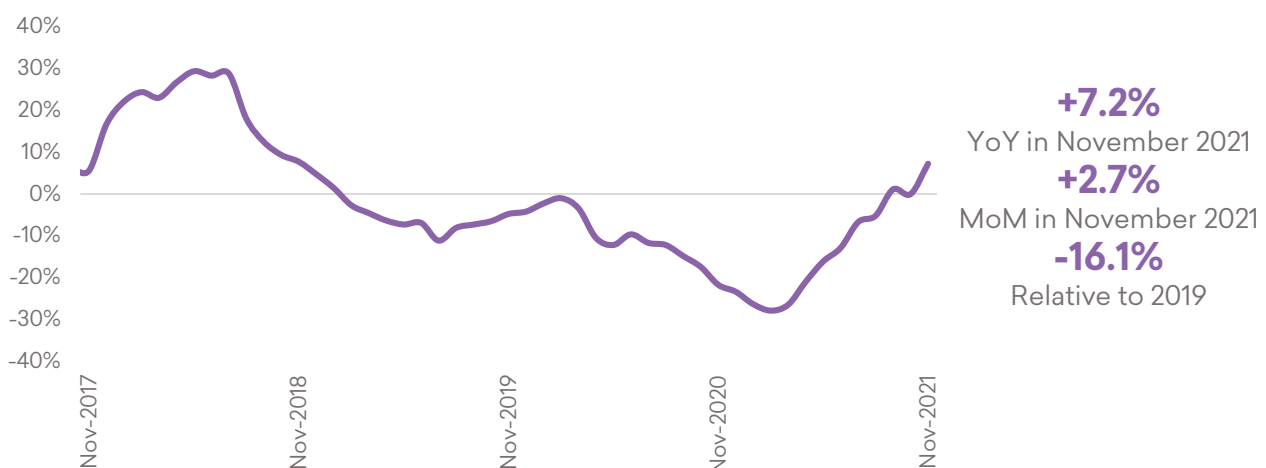
(+7.2%), partly due to the fact, that November 2020 was less active because of the Covid situation and apparently, it still needs time to surpass its pre-pandemic level (-16.1% vs 2019).

Figures 2 & 3

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



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



Source: NBG, TBC Capital

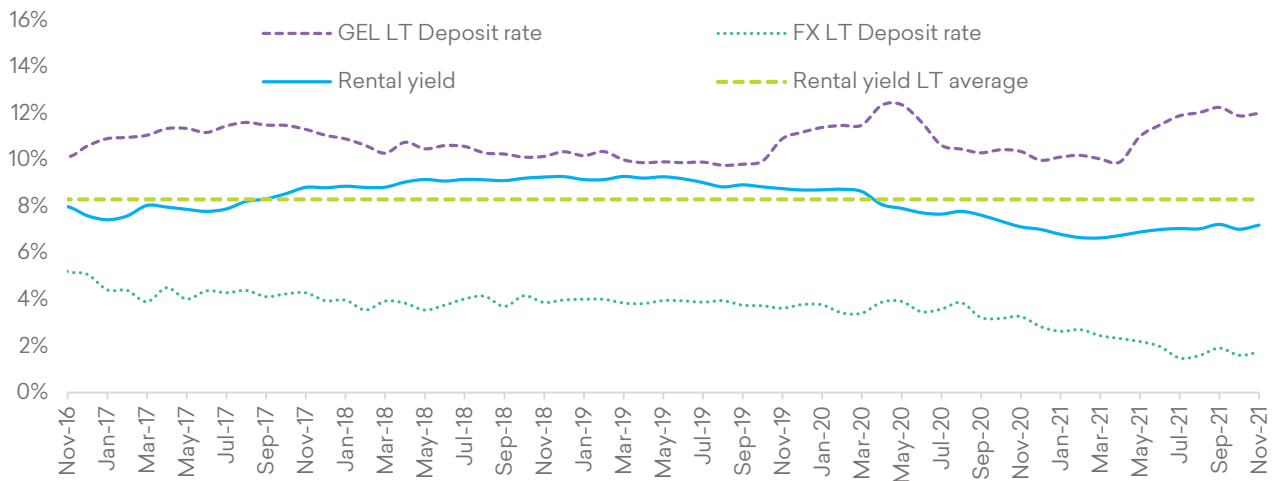
Yield

In November 2021, the rental yield amounted to 7.2% (7.0% in October) and it stands 1.1% below its long term average.

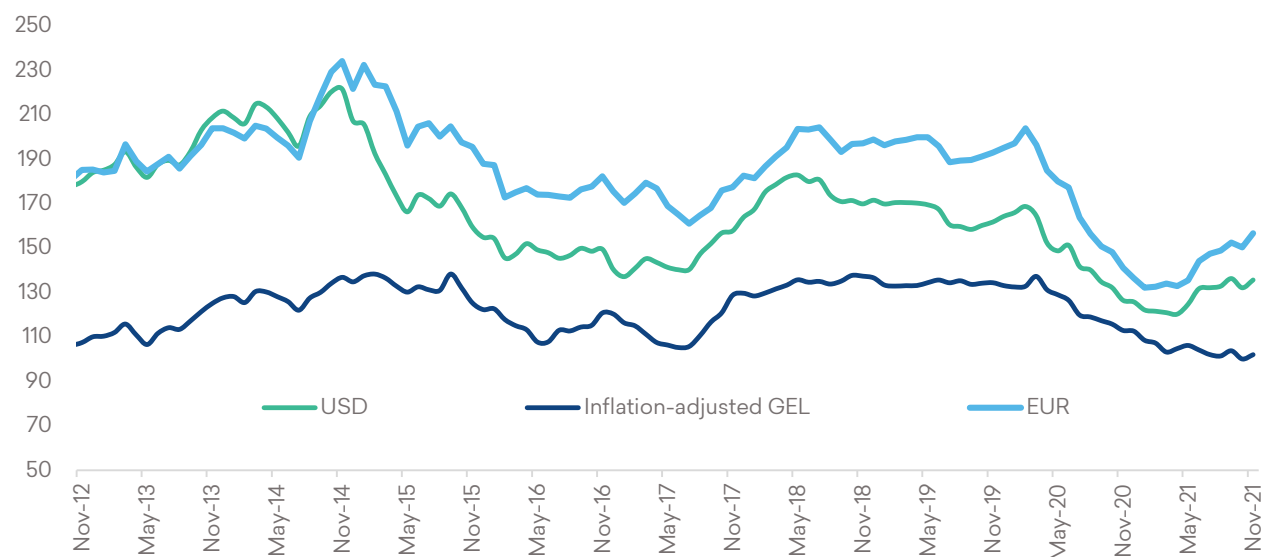
USD deposit rate was at 1.7% (1.6% in October). The long term deposit rate in GEL stood at 12%.

Figures 4 & 5

Rental yield and deposit rate dynamics in Georgia



Average rent indices (Jan 2005 = 100)



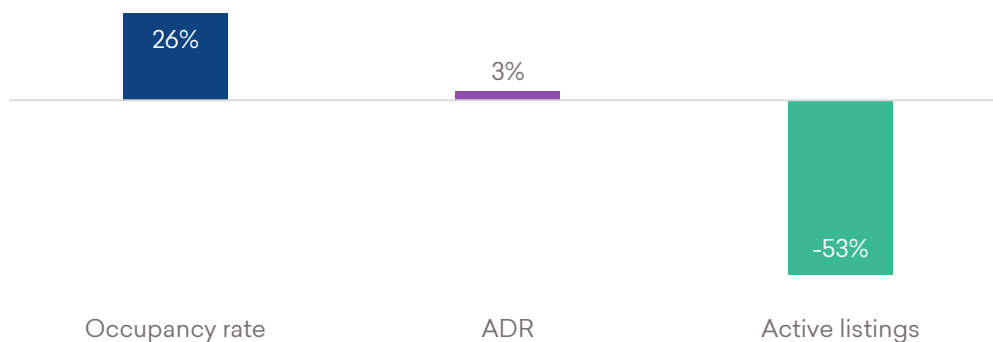
Source: NBG, TBC Capital

Covid seems like the hydra with multiple regrowing heads, constantly “updating” itself and the Airbnb market still suffers for it. Since tourists still prefer to stay in a more secluded places, the occupancy rate, in November 2021, is 26% higher relative to 2019. The market revenue recovery was weaker than in the previous month, standing 45% lower compared to 2019.

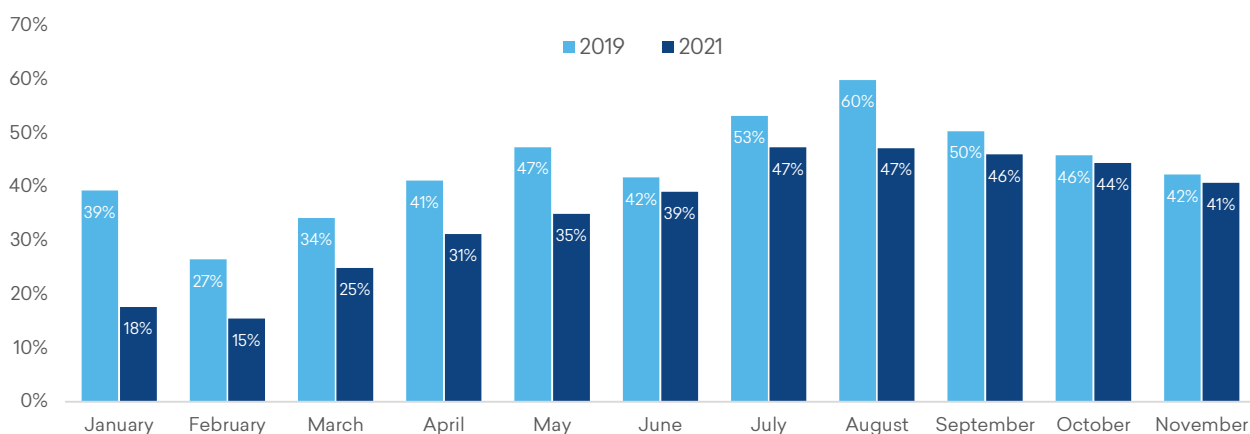
Furthermore, ADR is basically at pre-pandemic level, with only 3% difference and 47% of 2019 active listings remain on the market. Tourism has a long way to go till recovery and about half of the Airbnb market is still active.

Figures 6, 7 & 8

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

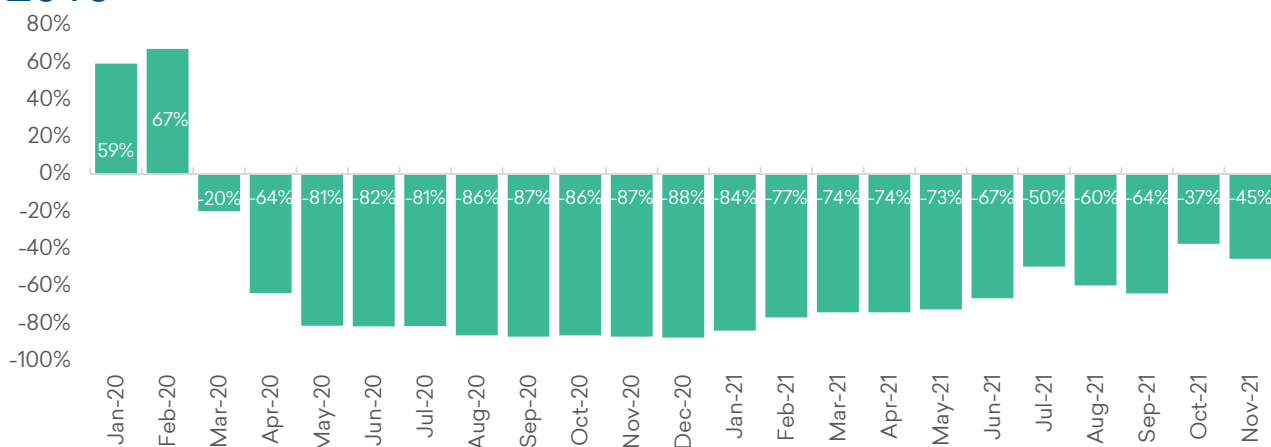


Tbilisi Airbnb market: Properties booked at least once (%)



Source: Airdna, TBC Capital

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



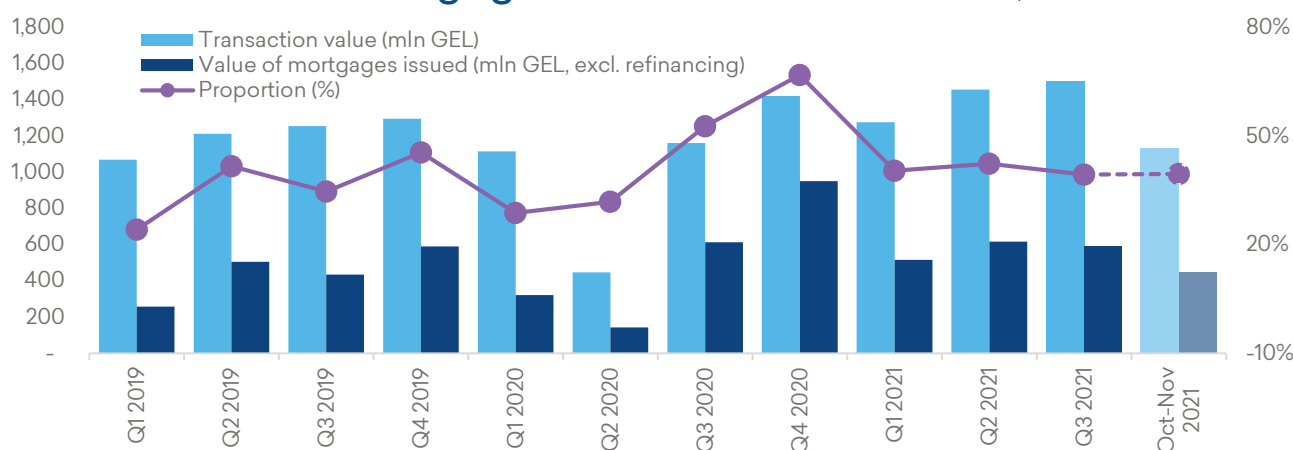
Source: Airdna, TBC Capital

The activity on the mortgage market is at a decent level. The subsidy program had a significant effect in Q3 & Q4 of 2020 and since then, the figures have stabilized.

In the period of October-November 2021, the proportion of mortgages issued in Tbilisi to transaction value stands at 40%.

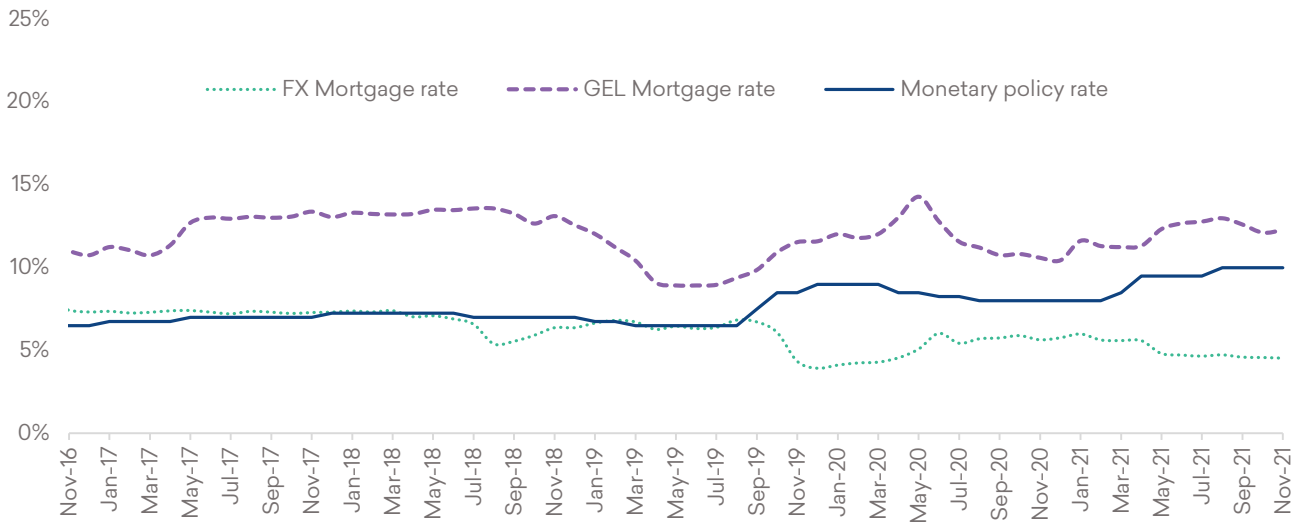
Figures 9, 10 & 11

Value of issued mortgages to transaction value*, Tbilisi

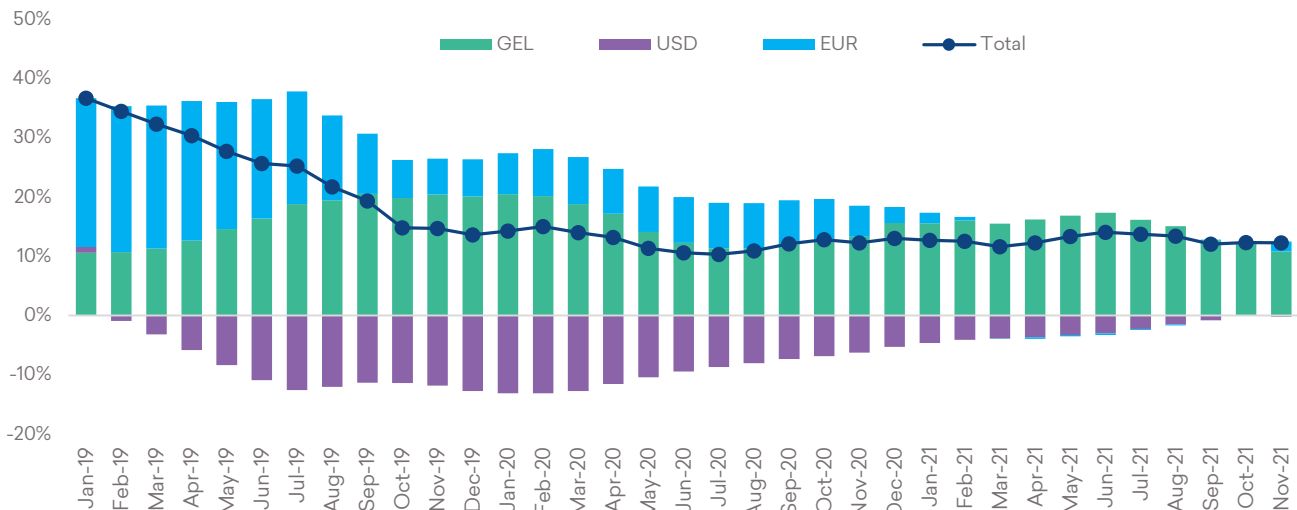


Source: NAPR, NBG, TBC Capital; *Note: The chart depicts a proportion of all mortgage loans issued, net of refinancing (TBC Capital estimates), in the period to the proportion of real estate market turnover in Tbilisi.

Mortgage rate dynamics in Georgia



YoY growth of mortgage portfolio and contribution to growth by currencies



Source: NAPR, NBG, TBC Capital

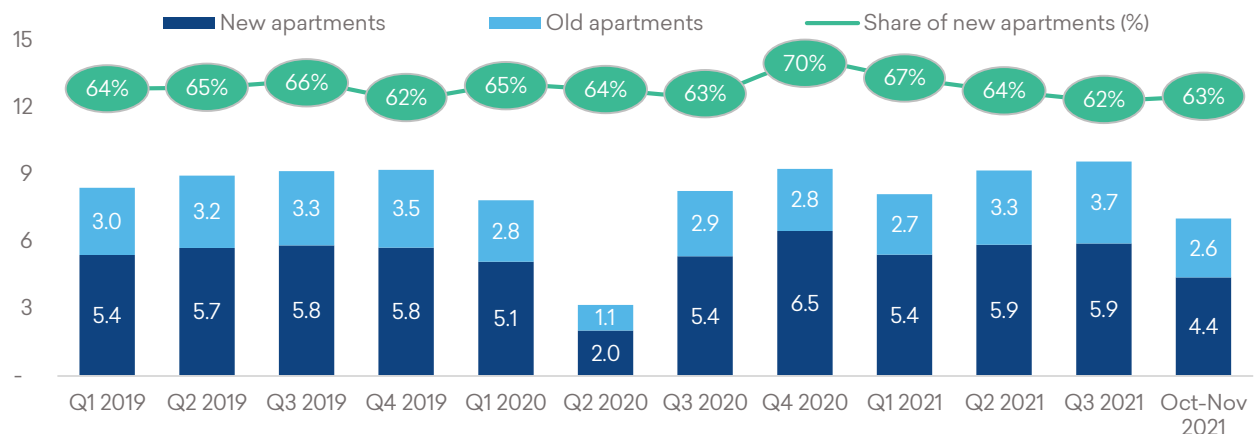
Where do preferences lie: new or old apartments

In October-November 2021, about 4400 new apartments were sold, which is 17% higher than in 2019 (+2% YoY). The share of new properties accounted for 63% of total transactions and the total area amounted about 302 thousand SQM.

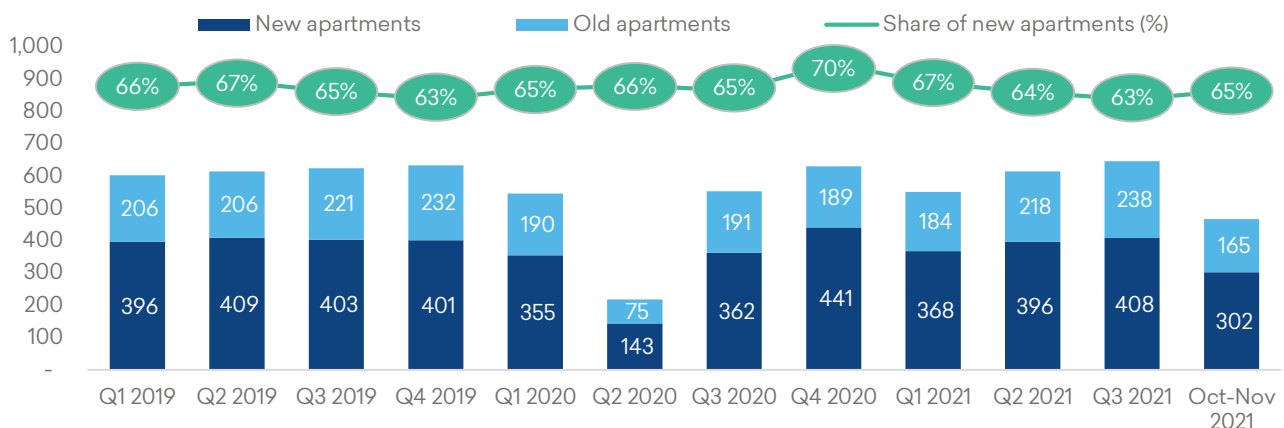
Amounting circa 165 thousand SQM area, about 2600 old units were sold in October-November 2021. This figure is 10% higher than in 2019 (+37% YoY).

Figures 12 & 13

Number of sold residential properties (000' Units)



Total area of sold residential properties (000' SQM)



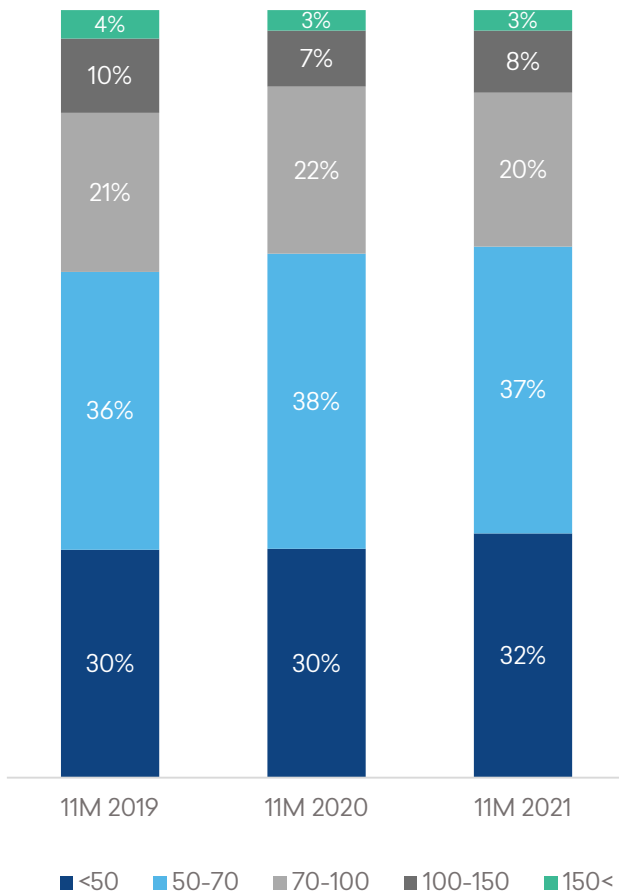
Source: NAPR, TBC Capital; Note I: New apartment means an apartment with construction permits issued since 2010; Note II: May-19 figure revised

The mix of transactions is basically unchanged for both, new and old apartments. The difference is in the distribution of smaller (<50 SQM) and mid-size (50-70 SQM) apartments. Small properties have a higher share in older apartments, while for new properties the

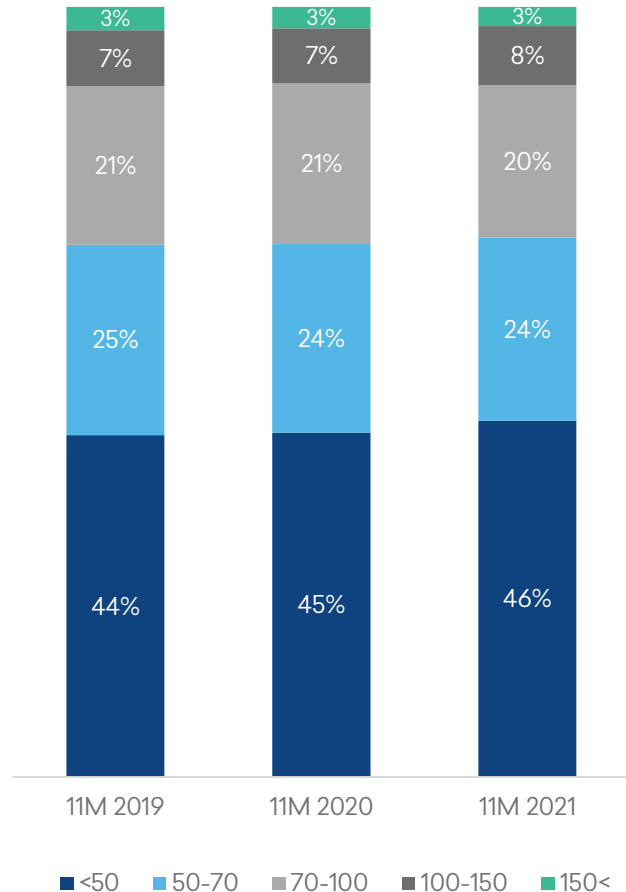
mid-sized apartments take the majority, taking up 37% of the total area sold in the eleven months of 2021.

Figures 14 & 15

New apartments (Area, SQM)



Old apartments (Area, SQM)



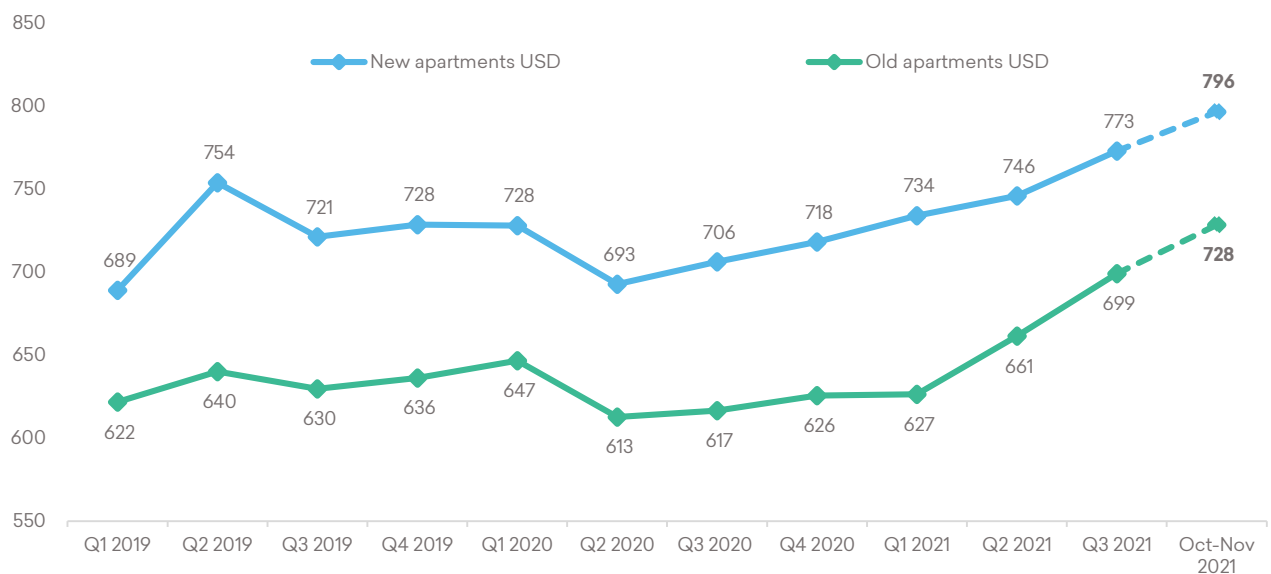
Source: NAPR, TBC Capital

Average sales-weighted prices in USD terms are at their highest and continue to increase. In the period of October-November 2021, the price for new

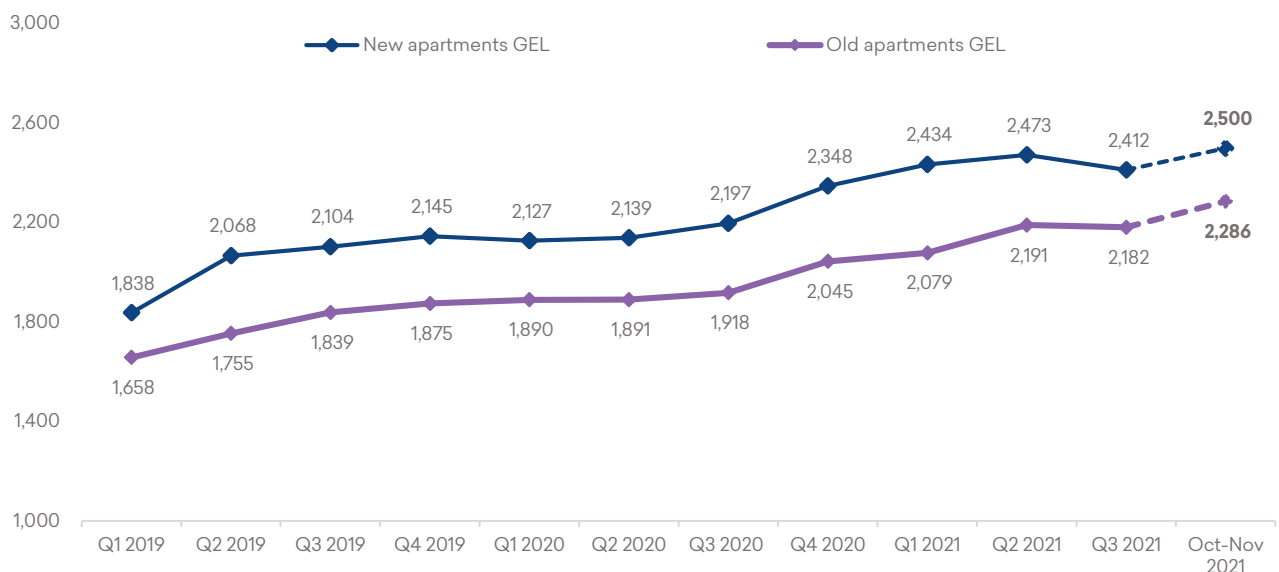
apartments stands above its pre-pandemic level by 11% (+12% YoY) and for old apartments by 15% (+17% YoY).

Figures 16 & 17

Average sales weighted price per SQM (USD)



Average sales weighted price per SQM (GEL)



Source: NAPR, TBC Capital

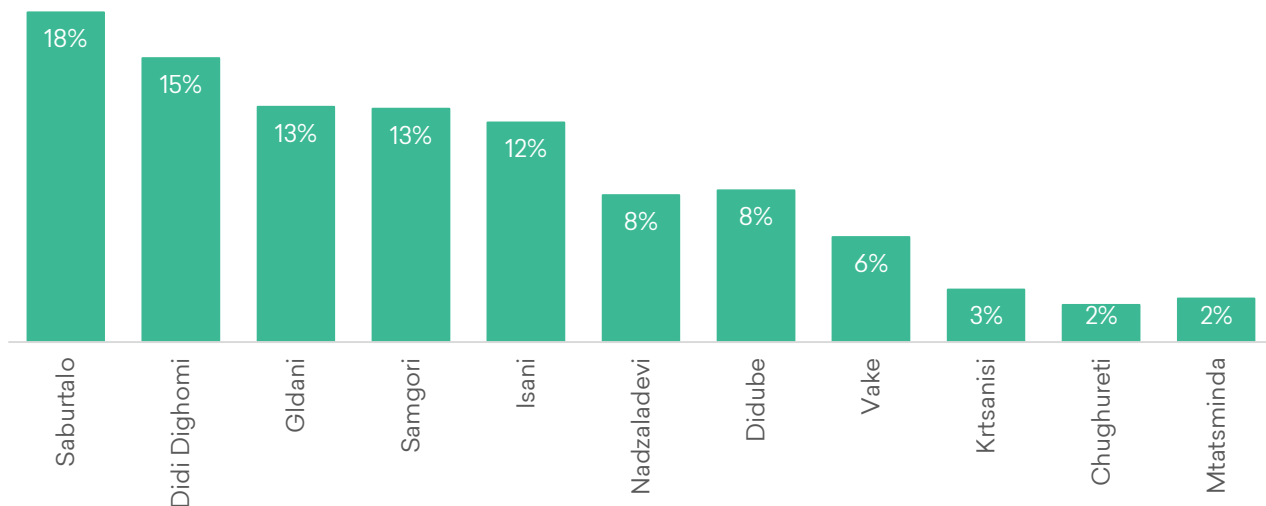
Residential real estate on a district level

In January-November 2021, the number of transactions, in the majority of districts, is higher or at the same level relative to 2019. Samgori (+16%) is back in the double digit growth club, with Didube (+35%) still taking the top, followed by Isani (+21%).

Saburtalo holds the largest share of total transactions in Tbilisi and the number of transactions in this district stands below its pre-pandemic level by 11%, which is actually an improvement compared to October (-14% vs 2019).

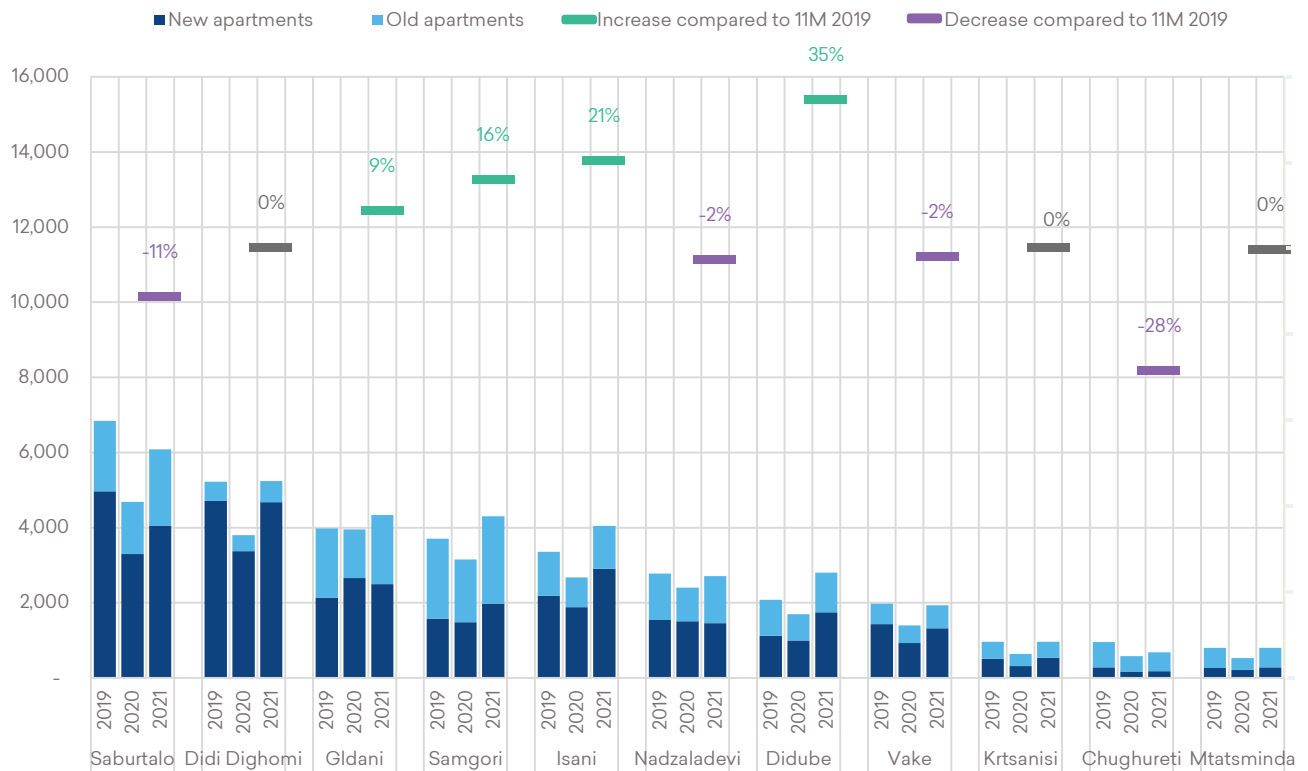
Figures 18 & 19

Total transaction distribution by districts (%): Eleven months (11M) 2021



Source: NAPR, TBC Capital

Number of sold apartments (Units): 11M 2019-2021



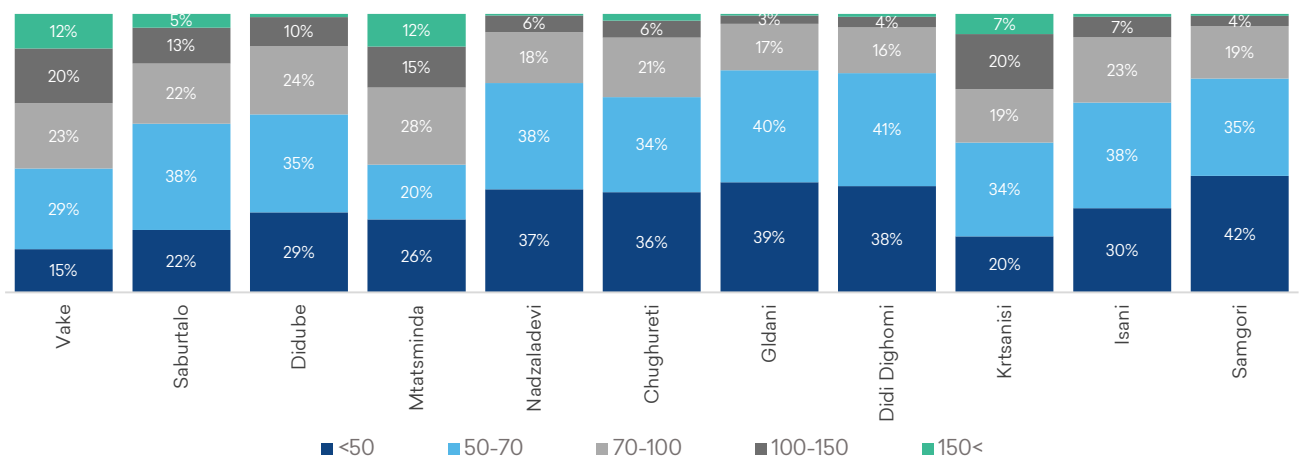
Source: NAPR, TBC Capital

Smaller apartments have a higher share in the majority of districts for both types of properties – old and new.

However, Vake (57%) and Mtatsminda (55%) have a higher share of larger (>70 SQM) new apartments.

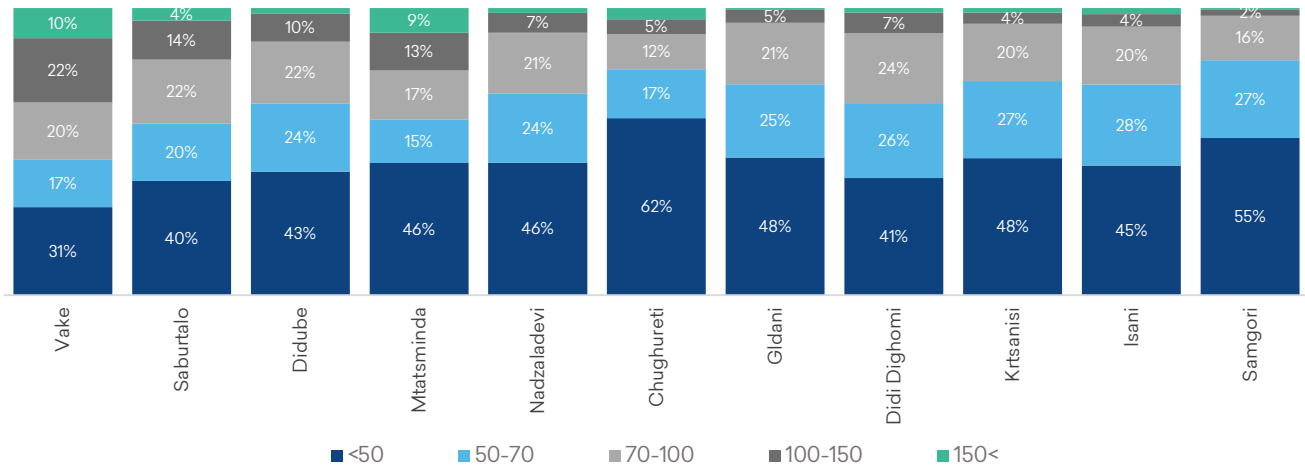
Figures 20 & 21

New apartments – 11M 2021 (Area, SQM)



Source: NAPR, TBC Capital

Old apartments – 11M 2021 (Area, SQM)



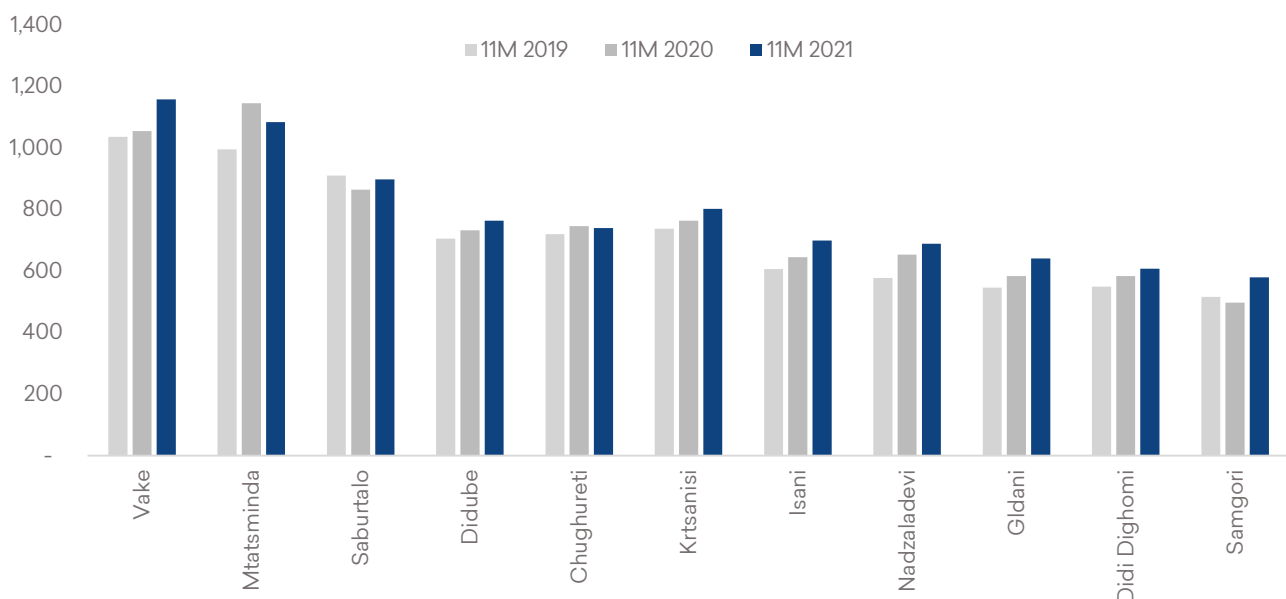
Source: NAPR, TBC Capital

In the eleven months of 2021, in the majority of districts, the prices for new apartments follow a more or less similar trend. Notable changes compared to 2019 were observed in Nadzaladevi (+19%), Gldani (+17%) and Isani (+15%).

Didi Dighomi (+17%) 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

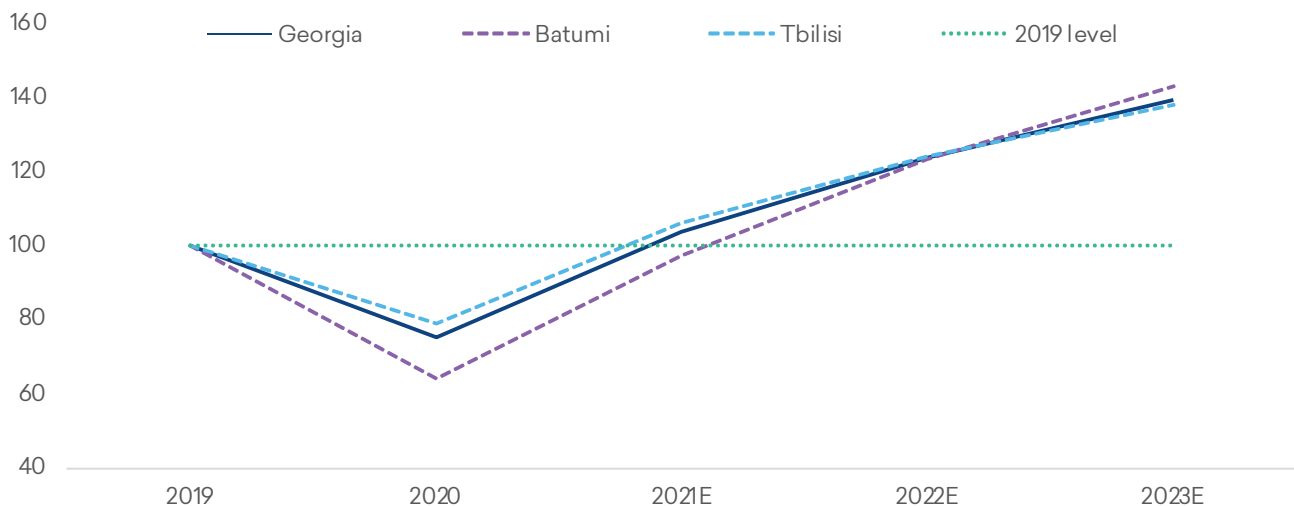
Considering the recent figures and trends on the market, we expect that in 2021 the number of transactions will exceed its 2019 level by about 3.8%.

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

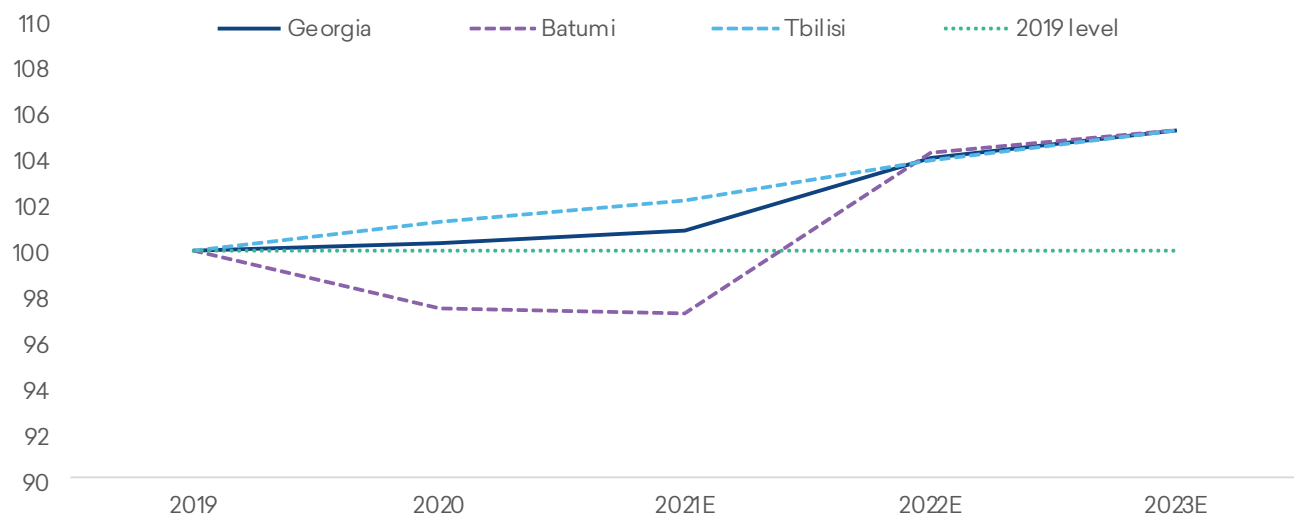
The residential real estate price will also be higher than its pre-pandemic level, but not significantly.

Figures 24 & 25

Number of sold apartments



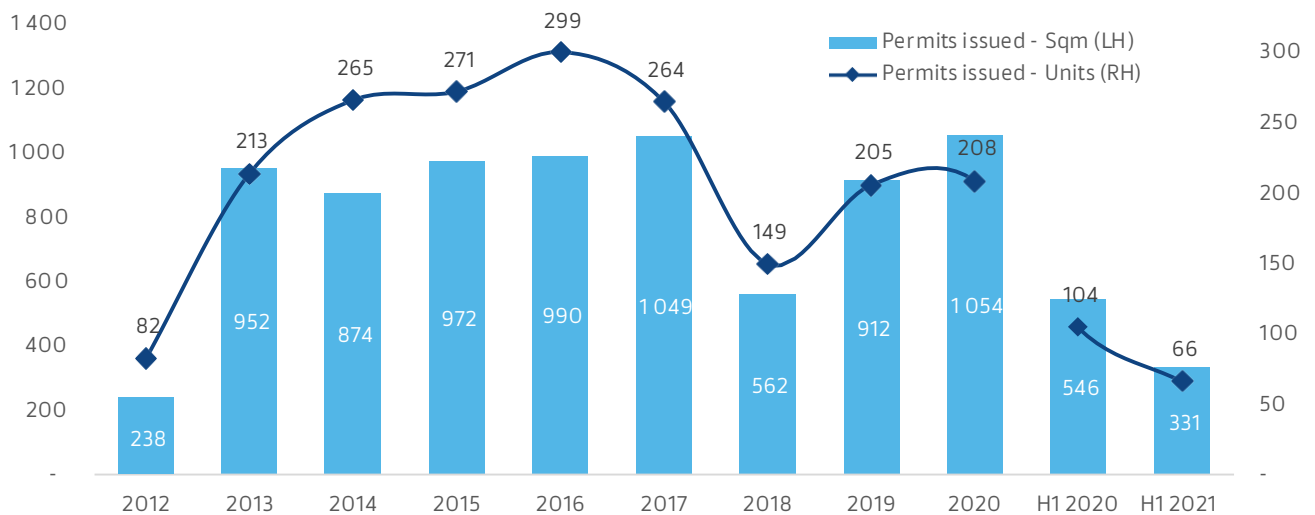
Price USD



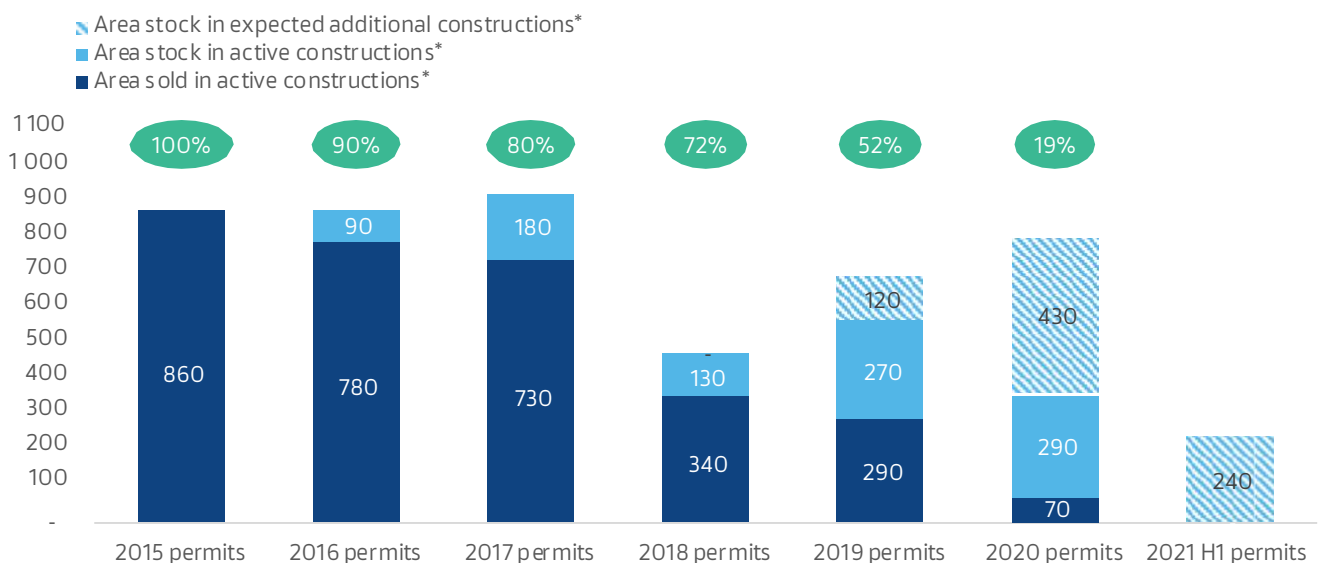
Source: TBC Capital

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

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



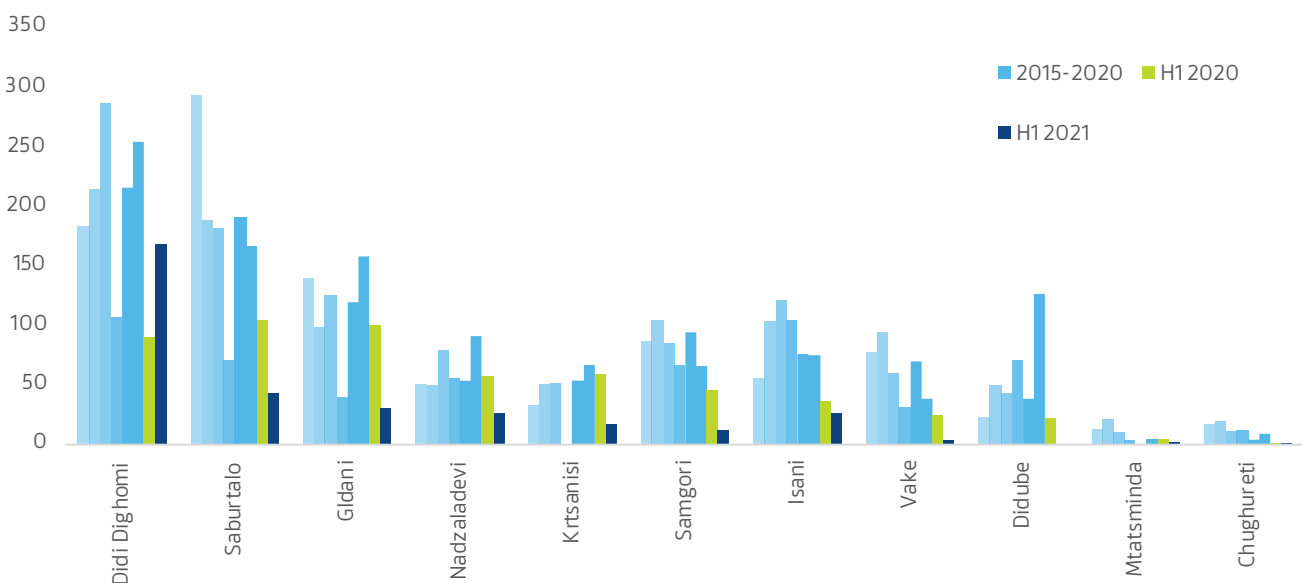
Residential area (000' SQM) of 2015-21 permits: Sold & Stock



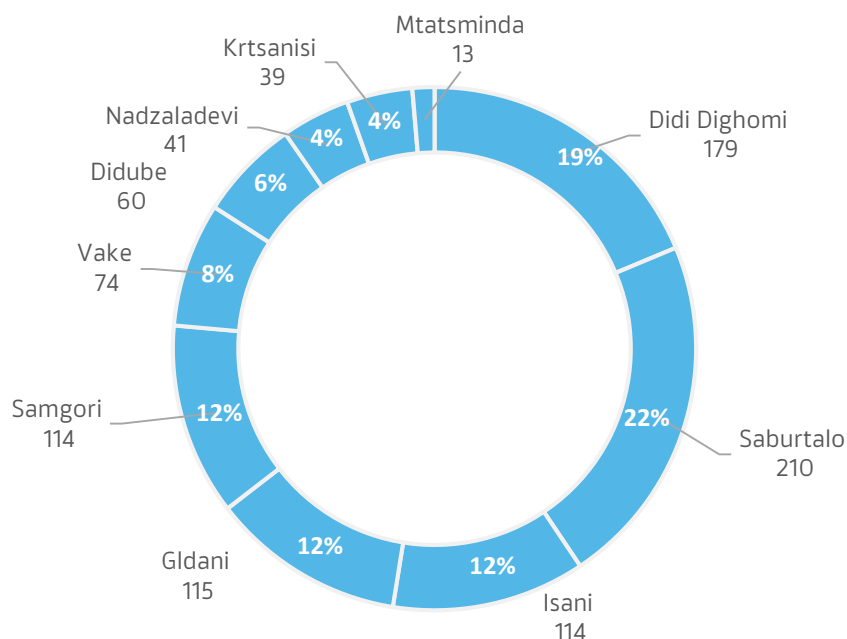
Source: Tbilisi City Hall, TBC Capital; *If at least a single sale from the project is registered in NAPR, the project is deemed active

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

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



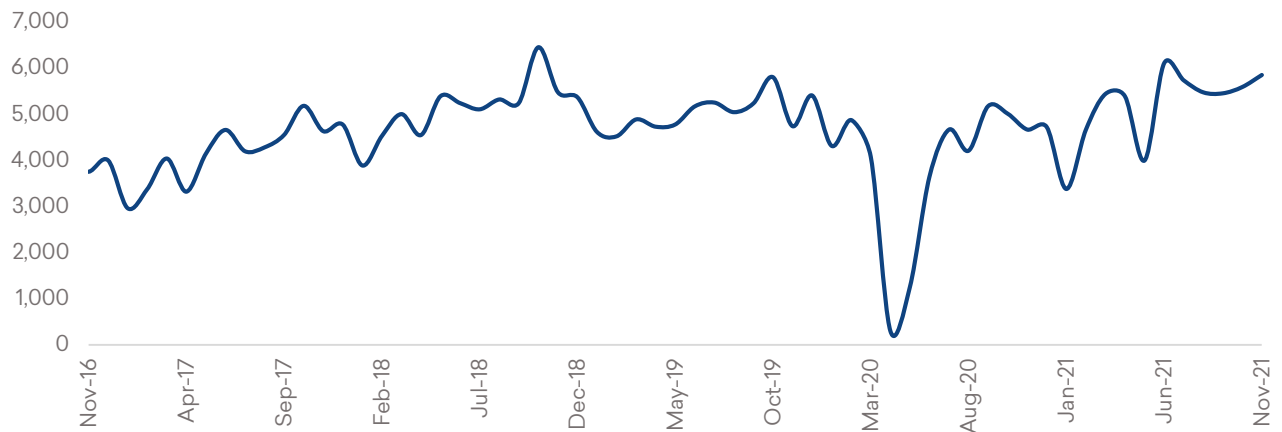
Residential area in stock by districts (000' SQM)



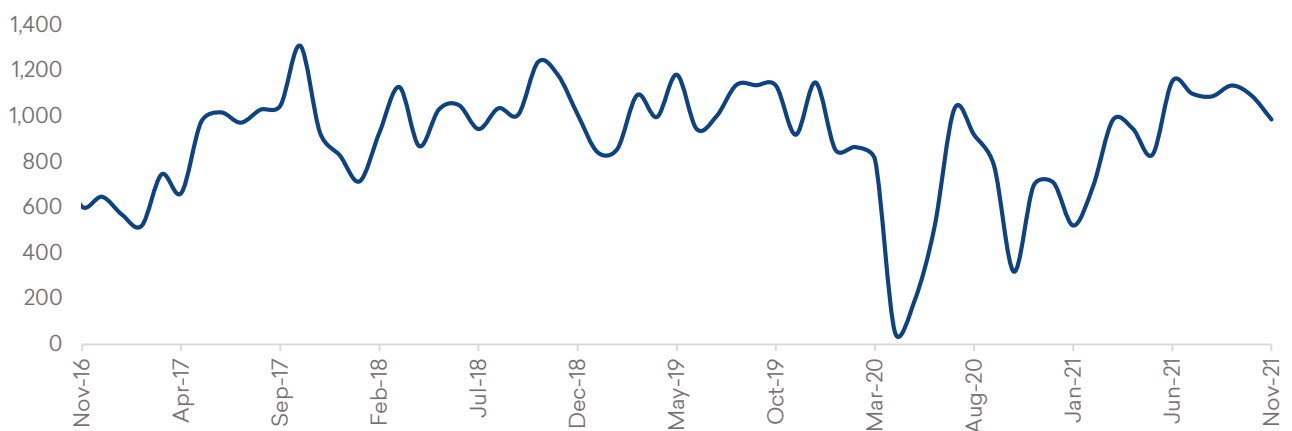
Source: Tbilisi City Hall, TBC Capital; *If at least a single sale from the project is registered in NAPR, the project is deemed active

Annex II/II: Number of residential property sales transactions

Georgia



Batumi



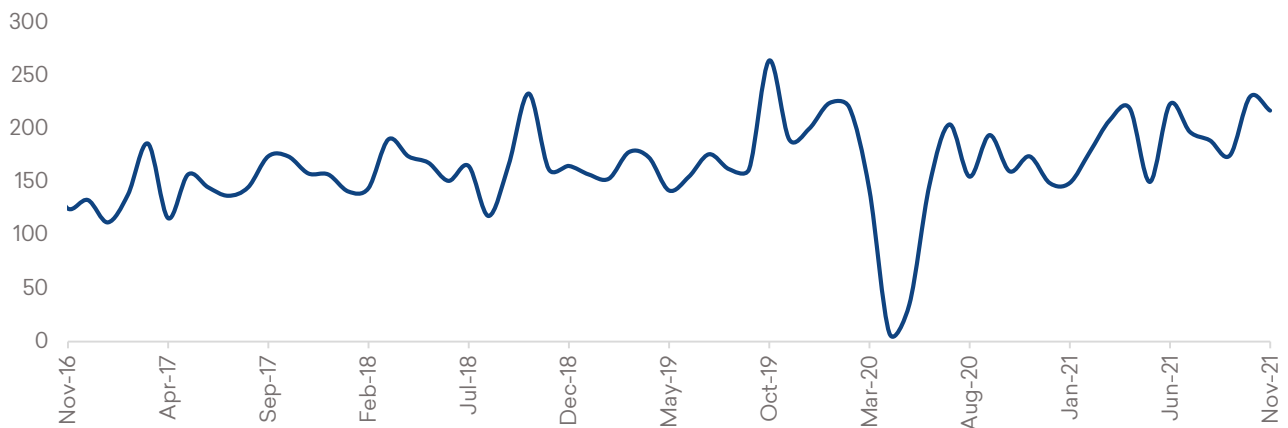
Kutaisi



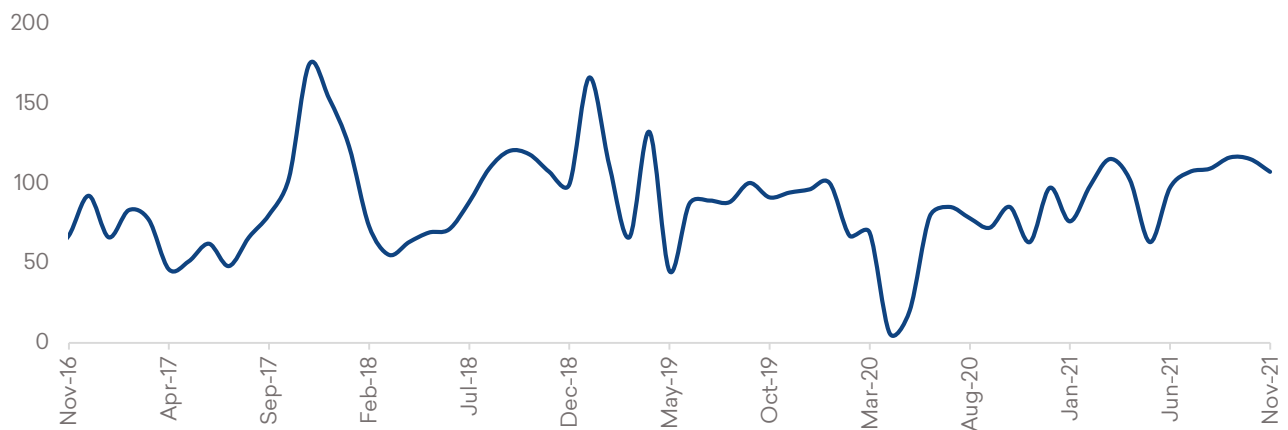
Source: NAPR, TBC Capital

Annex II/II: Number of residential property sales transactions

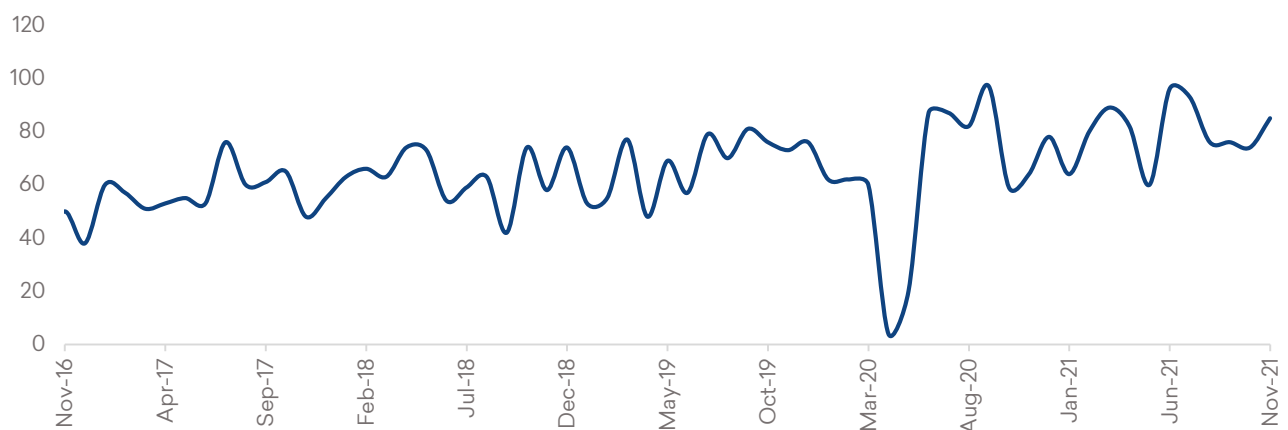
Rustavi



Borjomi



Gori



Source: NAPR, TBC Capital

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