



TBC CAPITAL

Tbilisi Residential Real Estate

MONTHLY WATCH

DECEMBER 2021

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December 2021 in Brief

The end of 2021 was stronger than expected. In December 2021, an unusually high number of transactions was recorded and sold residential properties amounted to nearly 5000 units. This figure is 62% higher than its pre-pandemic level. In 2021, the total number of transactions exceeded its 2019 level by 9%. This strangely high number of transactions, in December 2021, can be partially explained by NBG's decision to set the maximum mortgage loan limit in foreign currencies to 10 years instead of 15, effective since January 1, 2022.

Property prices remain stable, exceeding the pre-pandemic level. Average residential real estate price, in December 2021, is 1.2% higher compared to 2019. The rent continues recovering, with YoY figure improving slightly, standing at 9.3% in December 2021 (+7.2% in November). However, the pre-pandemic level is still out of reach. Rent remains 16.3% below the 2019 figure.

Tourism still needs time to recover and therefore, investments in Airbnb designated properties are less likely to occur.

In Q4 2021, the demand was higher for newer apartments and about 7800 of them were sold, which is 36% higher than in 2019 (+20% YoY). The share of new properties accounted for 66% of total transactions and the total area amounted circa 532 thousand SQM.

In Q4 2021, average sales-weighted prices in USD terms are at their record high. The price for new apartments stands above the 2019 level by 12% (+14% YoY).

In 2021, the number of transactions, in the majority of districts, is higher or at the same level relative to 2019. The double digit growth club gained a new member, Gldani (+12%). The rest are the same, with Didube (+37%) taking the top, followed by Isani (+23%) and Samgori (+21%). Saburtalo still holds the largest share of total transactions in Tbilisi (19%).



Transactions, price and yield in December 2021

Transactions

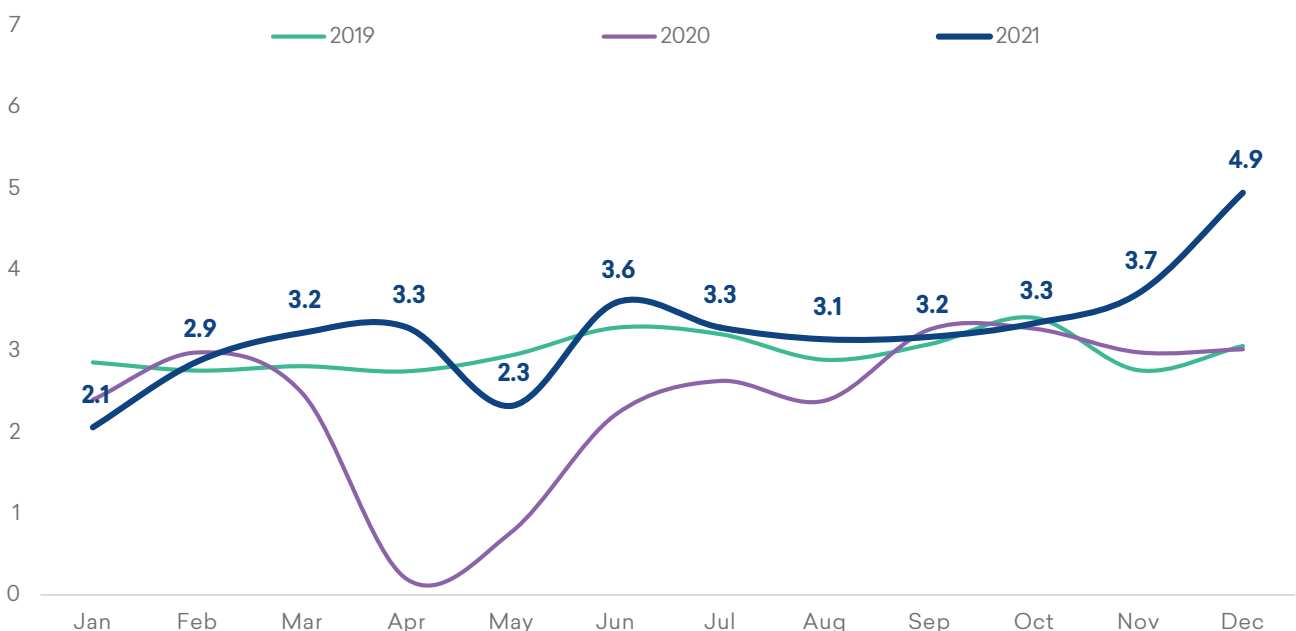
After May 2021, the number of residential real estate transactions has been stabilizing, mostly exceeding the 2019 levels.

The end of 2021 was much stronger than expected. In December 2021, an unusually high number of transactions was observed, with a 33% increase relative to previous month. The growth totaled 62% compared to 2019 (+64% YoY). The figure in November 2021 was 34% higher than in the same period of 2019 (+24% YoY). In 2021, the total number of transactions exceeds its pre-pandemic level by 9%.

This strangely high number of transactions, in December 2021, can be explained by NBG's decision to set the maximum mortgage loan limit in foreign currencies to 10 years instead of 15. The Statement was made on December 8, 2021 and the changes took effect on January 1, 2022. Consequently, those who planned on purchasing properties decided to act immediately before the new regulation was in place. Additional reasons could also be accumulated demand and late registrations before the year ended.

Figure 1

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



Source: NAPR, TBC Capital

Price

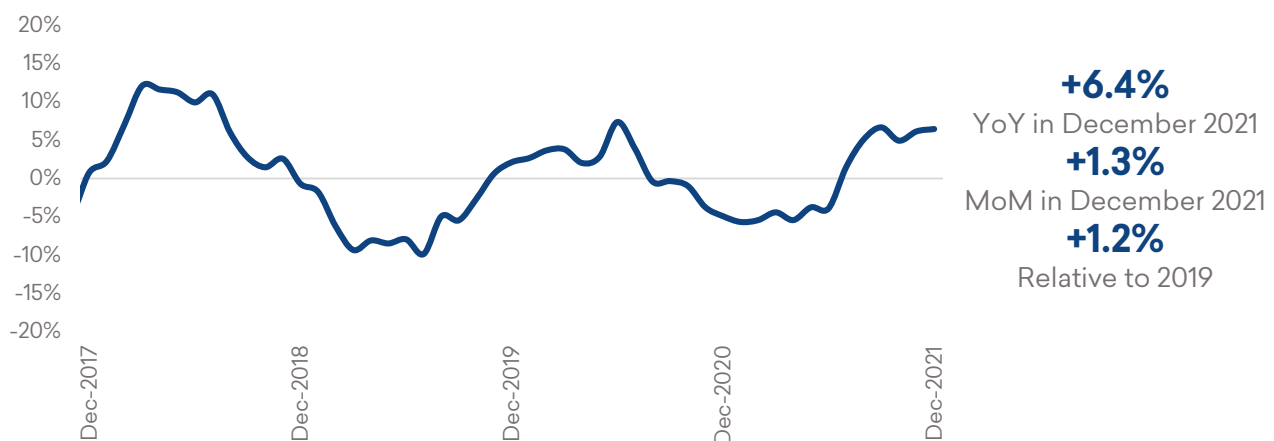
Property prices remain stable, exceeding the pre-pandemic level. Average residential real estate price, in December 2021, is 1.2% higher compared to 2019.

The rent continues recovering, with YoY figure improving slightly, standing at 9.3% in December 2021 (+7.2% in November). This might also be attributed to the fact that the

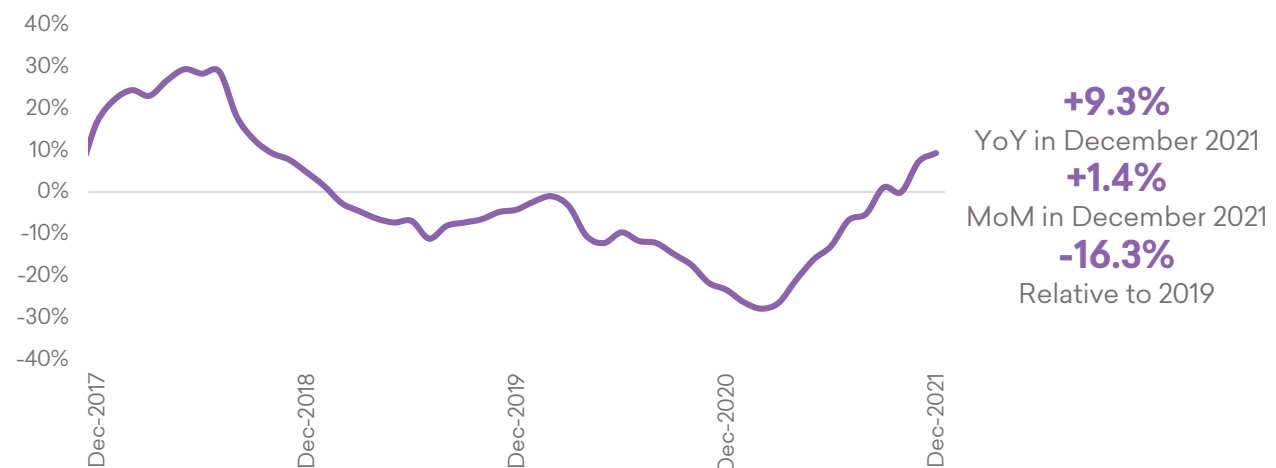
same period of 2020 was affected more by Covid regulations. Even though there is an improvement in YoY terms, rent still remains below its pre-pandemic level, with difference amounting -16.3% relative to 2019.

Figures 2 & 3

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



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



Source: NBG, TBC Capital

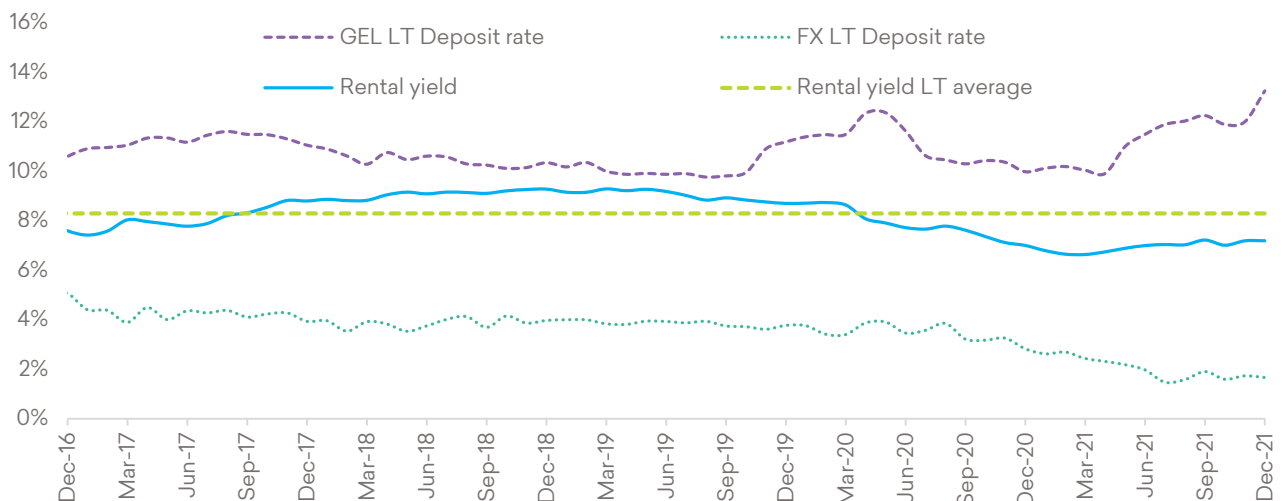
Yield

In December 2021, the rental yield remained unchanged compared to previous month, amounting 7.2%. This figure is 1.1% below its long term average.

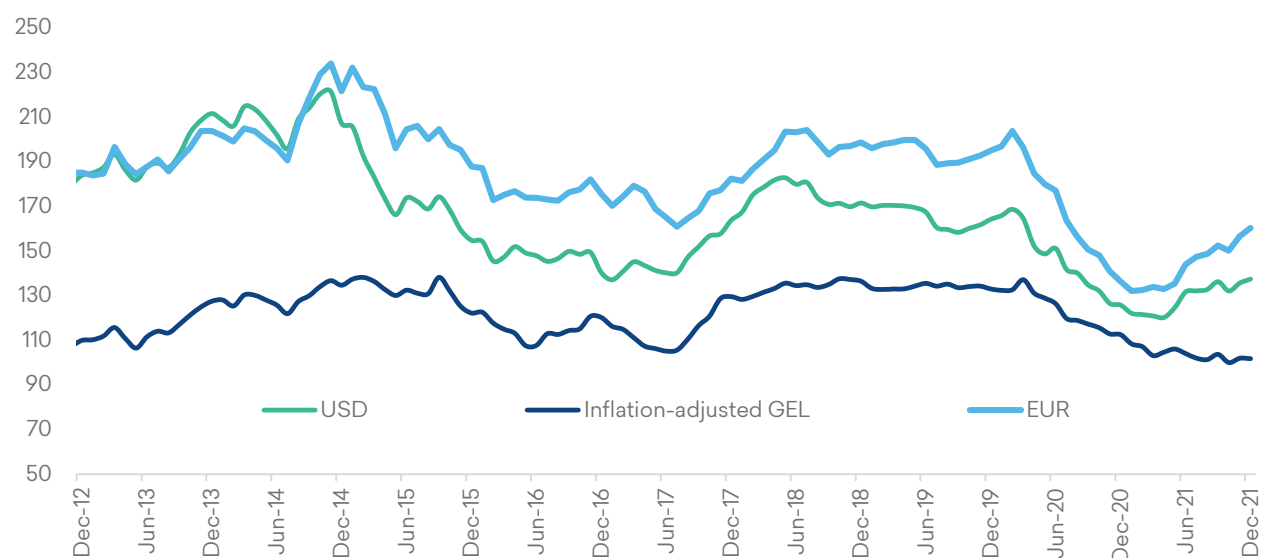
USD deposit rate stood at 1.67% (1.74% in November). The long term deposit rate in GEL increased a bit and amounted 13.25% (12% in November).

Figures 4 & 5

Rental yield and deposit rate dynamics in Georgia



Average rent indices (Jan 2005 = 100)



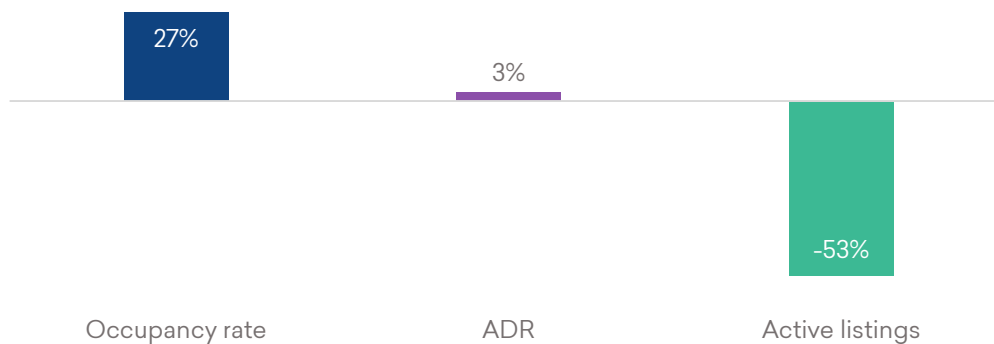
Source: NBG, TBC Capital

Airbnb market does not seem to escape Covid effects just yet and the figures in December 2021 are almost unchanged compared to previous month. Occupancy rate is 27% higher than in 2019. Though sadly, the market revenue showed no improvement and remained 48% lower relative to 2019.

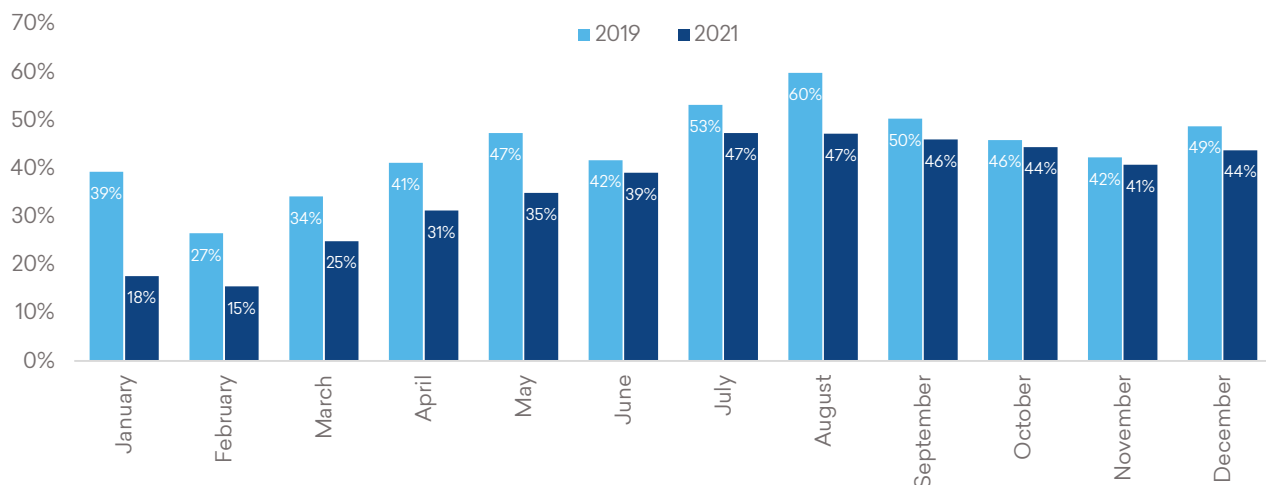
ADR is still at pre-pandemic level, with only 3% growth and more than half of 2019 active listings are unavailable on the market for now. Tourism still needs time to recover and therefore, investments in Airbnb designated properties are less likely to occur.

Figures 6, 7 & 8

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

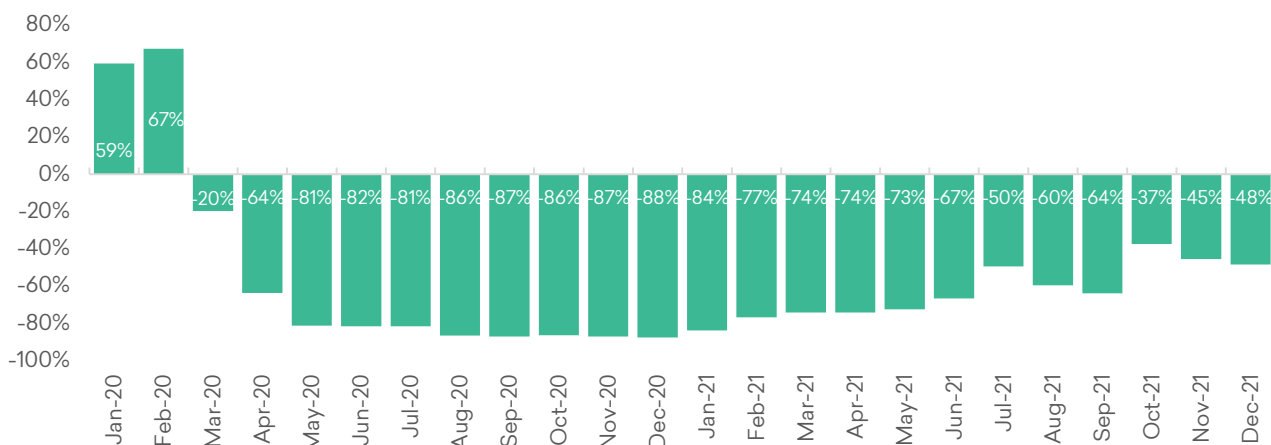


Tbilisi Airbnb market: Properties booked at least once (%)



Source: Airdna, TBC Capital

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



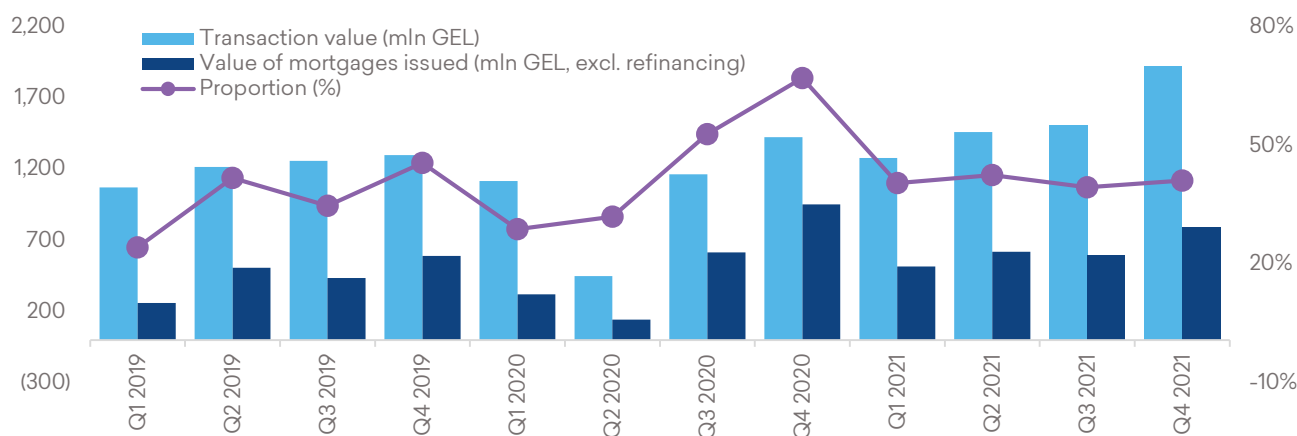
Source: Airdna, TBC Capital

The activity on the mortgage market was higher in December than in the previous month. Since the subsidy program, in the third and fourth quarters of 2020, the figures have stabilized.

In Q4 2021, the proportion of mortgages issued in Tbilisi to transaction value stands at 41%.

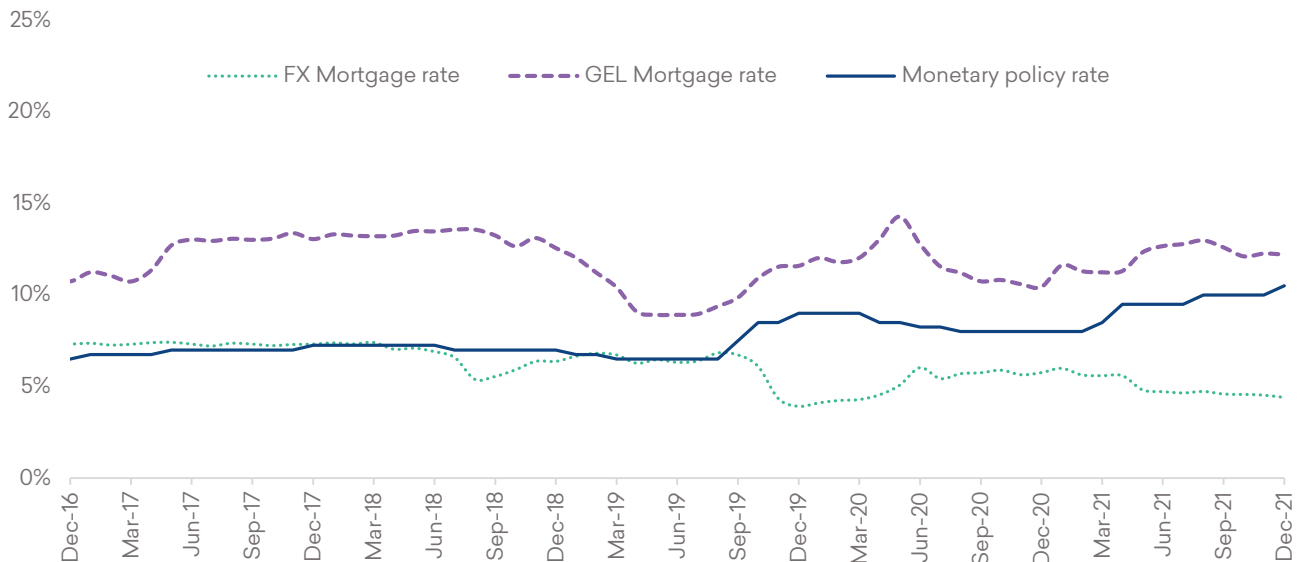
Figures 9, 10 & 11

Value of issued mortgages to transaction value*, Tbilisi

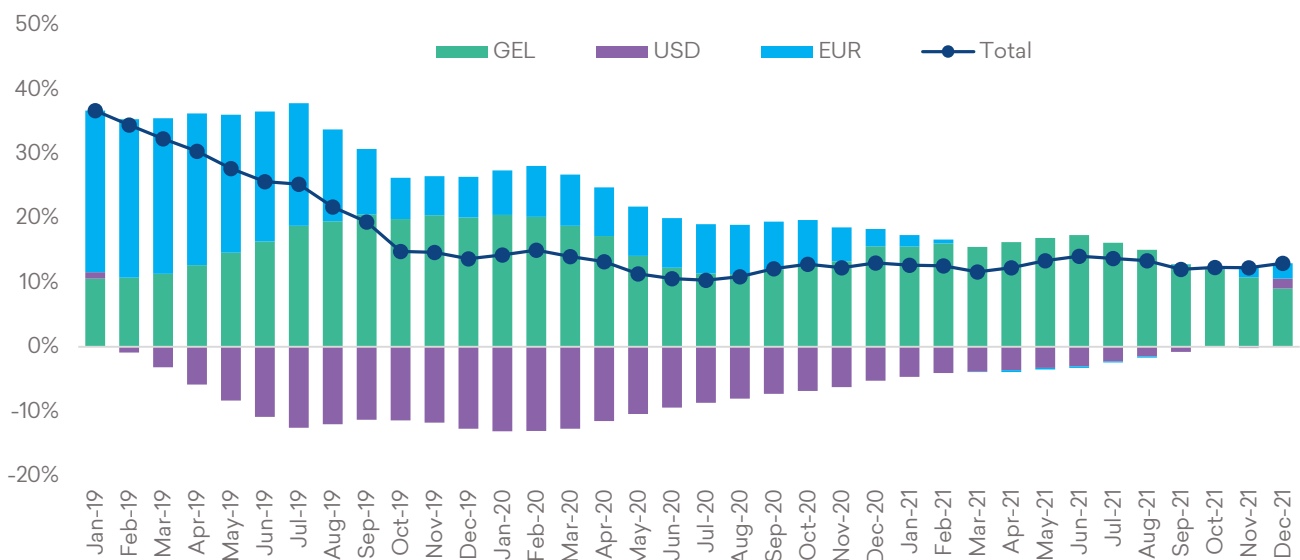


Source: NAPR, NBG, TBC Capital; *Note: The chart depicts a proportion of all mortgage loans issued, net of refinancing (TBC Capital estimates), in the period to the proportion of real estate market turnover in Tbilisi.

Mortgage rate dynamics in Georgia



YoY growth of mortgage portfolio and contribution to growth by currencies



Source: NAPR, NBG, TBC Capital

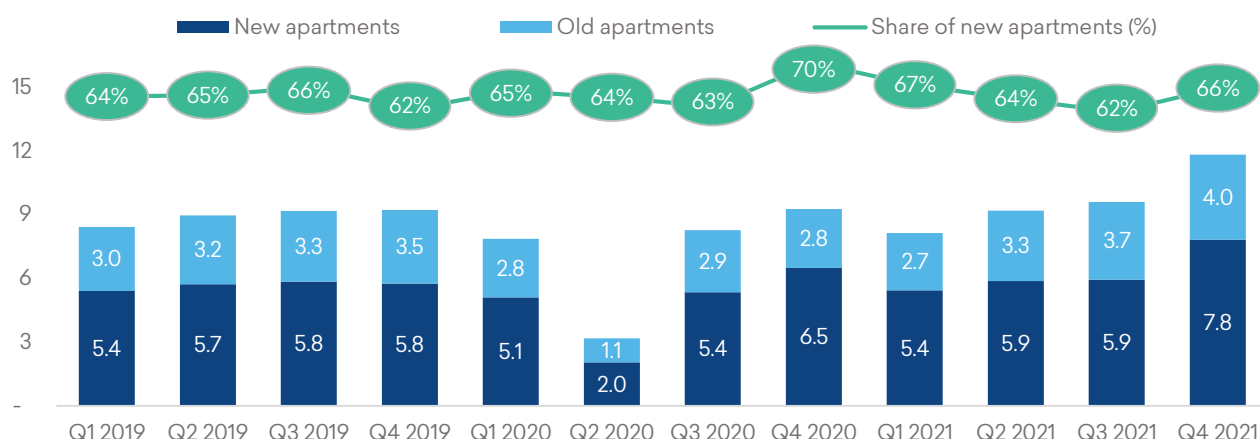
Where do preferences lie: new or old apartments

In Q4 2021, the demand was much higher for newer apartments and about 7800 of them were sold, which is 36% higher than in 2019 (+20% YoY). The share of new properties accounted for 66% of total transactions and the total area amounted circa 532 thousand SQM.

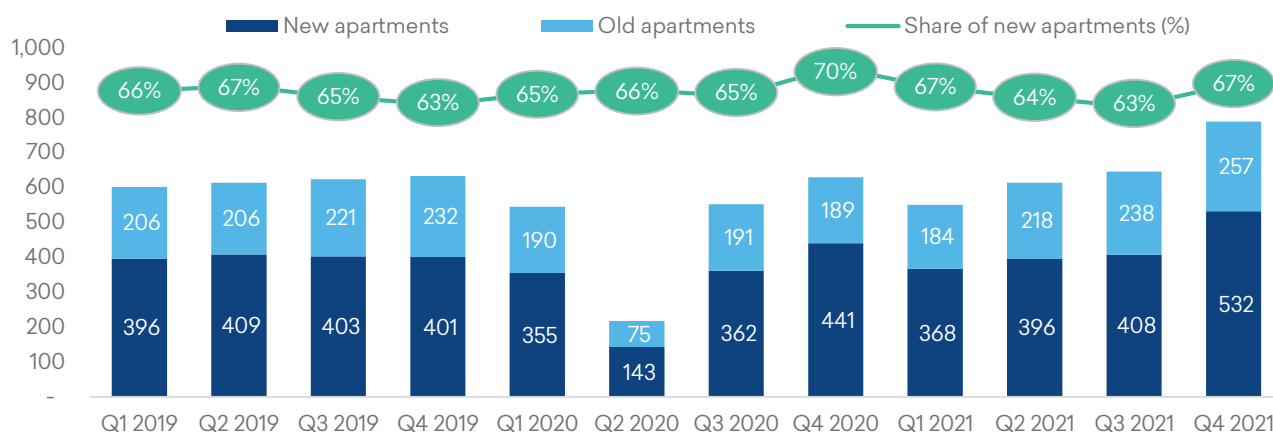
Amounting about 257 thousand SQM area, nearly 4000 old units were sold in Q4 2021 and this figure exceeds the 2019 level by 16% (+45% YoY).

Figures 12 & 13

Number of sold residential properties (000' Units)



Total area of sold residential properties (000' SQM)



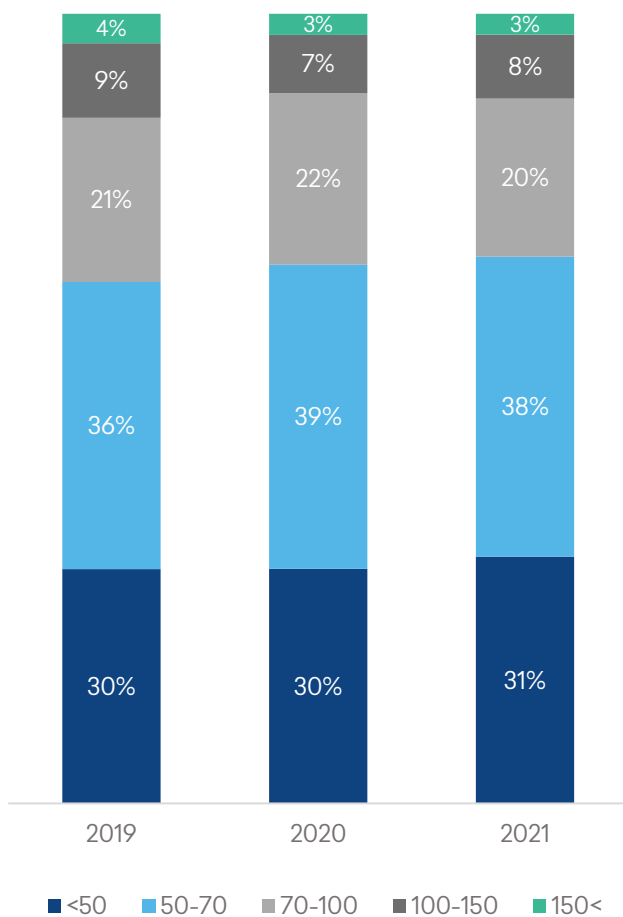
Source: NAPR, TBC Capital; Note I: New apartment means an apartment with construction permits issued since 2010; Note II: May-19 figure revised

The mix of transactions still seems unchanged for both, new and old apartments. Though, the distribution is different for smaller (<50 SQM) and mid-size (50-70 SQM) apartments. Small apartments have a noticeably higher share

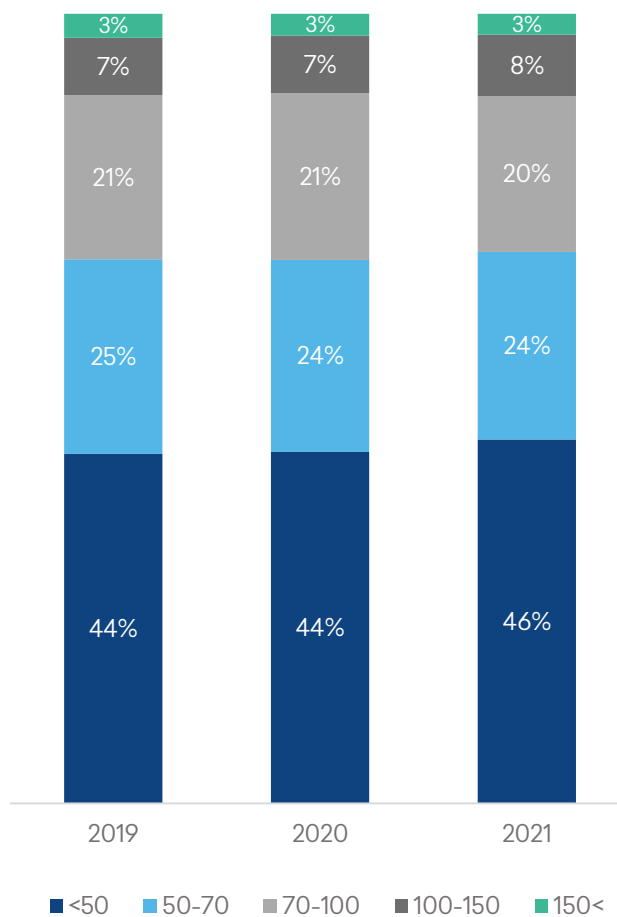
in older properties, while for new properties the mid-sized apartments take the majority, taking up about 38% of the total area sold in 2021.

Figures 14 & 15

New apartments (Area, SQM)



Old apartments (Area, SQM)



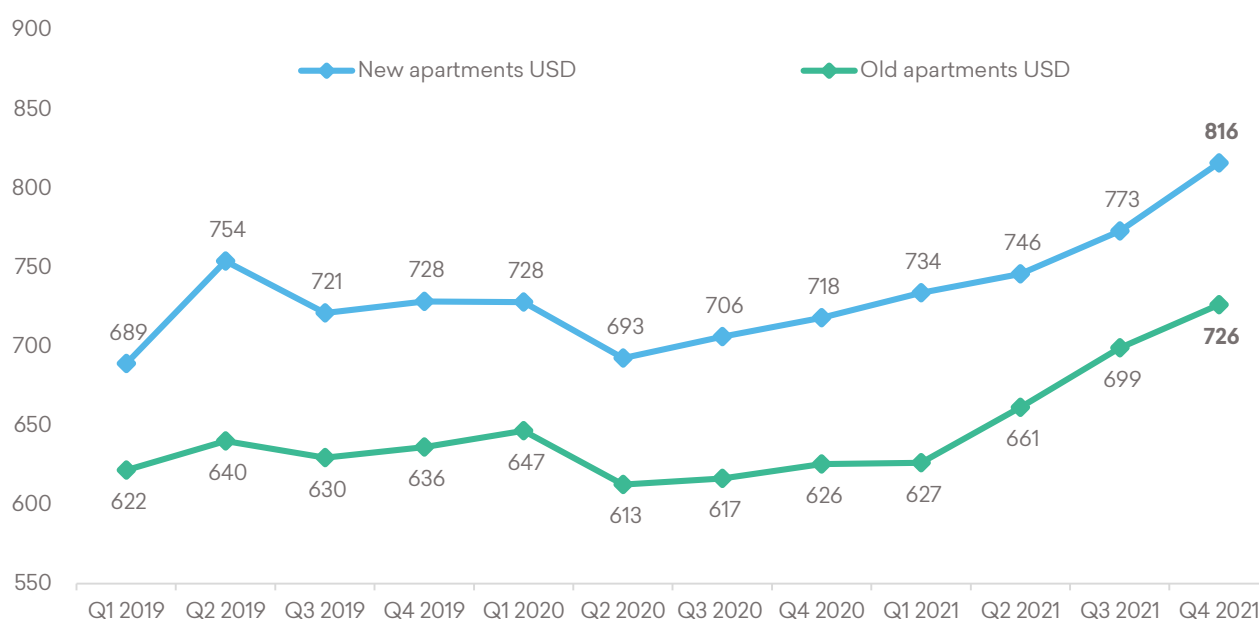
Source: NAPR, TBC Capital

In Q4 2021, average sales-weighted prices in USD terms are at their record high. The price for new apartments stands above the 2019 level by 12% (+14% YoY).

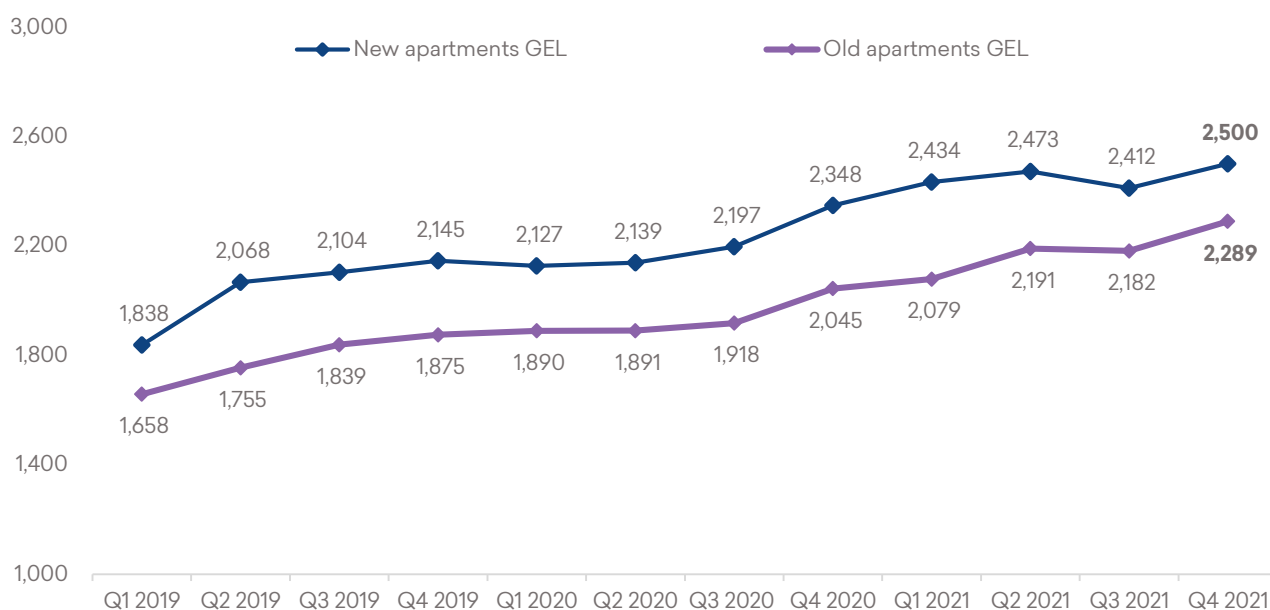
As for older apartments, the difference relative to pre-pandemic level is a bit higher, with growth totaling 14% compared to 2019 (+16% YoY).

Figures 16 & 17

Average sales weighted price per SQM (USD)



Average sales weighted price per SQM (GEL)



Source: NAPR, TBC Capital

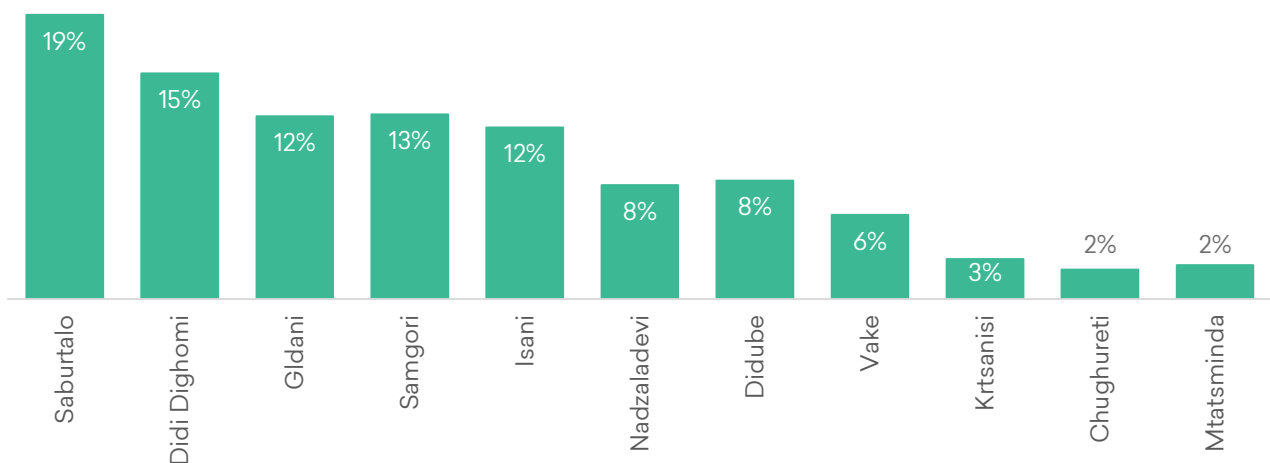
Residential real estate on a district level

In 2021, the number of transactions, in the majority of districts, is higher or at the same level relative to 2019. The double digit growth club gained a new member, Gldani (+12%). The rest are the same, with Didube (+37%) taking the top, followed by Isani (+23%) and Samgori (+21%). It seems that the last month of 2021 was the most active for Saburtalo. It still holds the

largest share of total transactions in Tbilisi and there was a major improvement in the number of transactions. The annual figure in 2021 is 1% higher than in 2019, whereas in the period of January-November, it stood 11% below its pre-pandemic level.

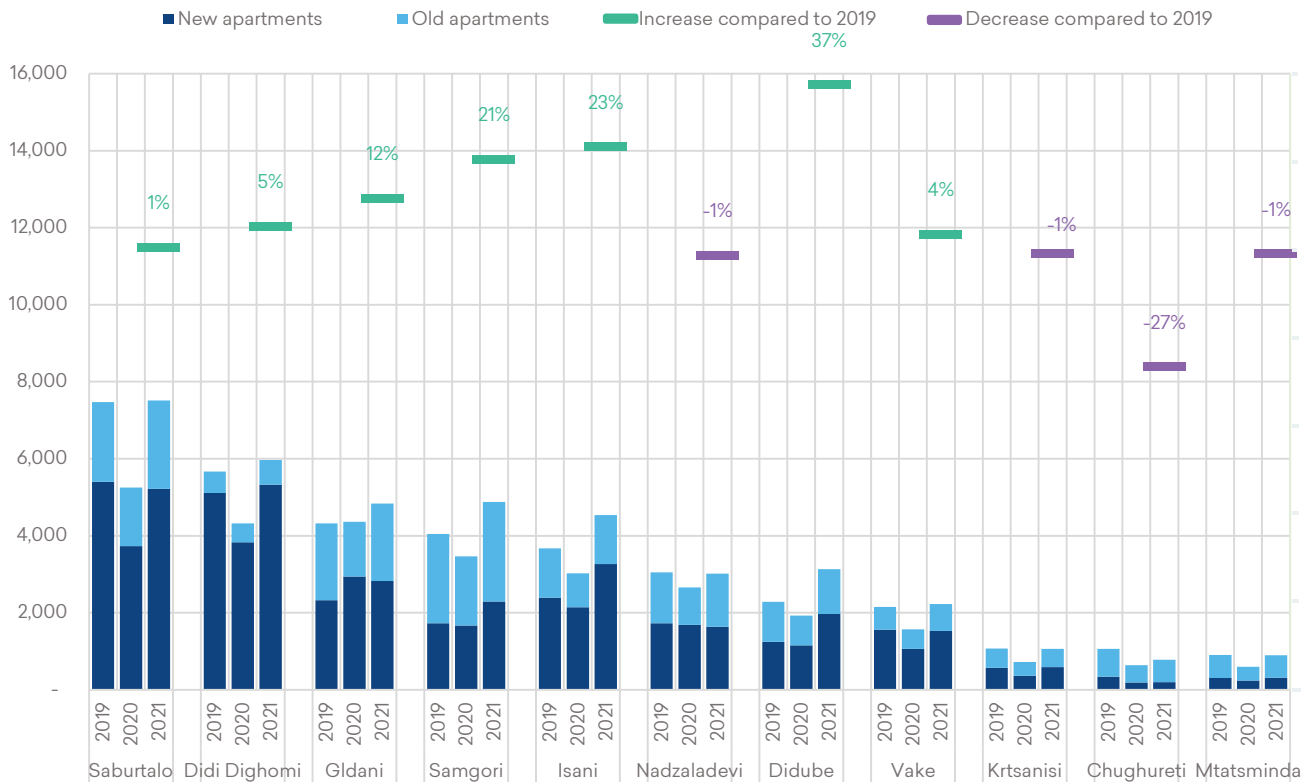
Figures 18 & 19

Total transaction distribution by districts (%) in 2021



Source: NAPR, TBC Capital

Number of sold apartments (Units): 2019-2021



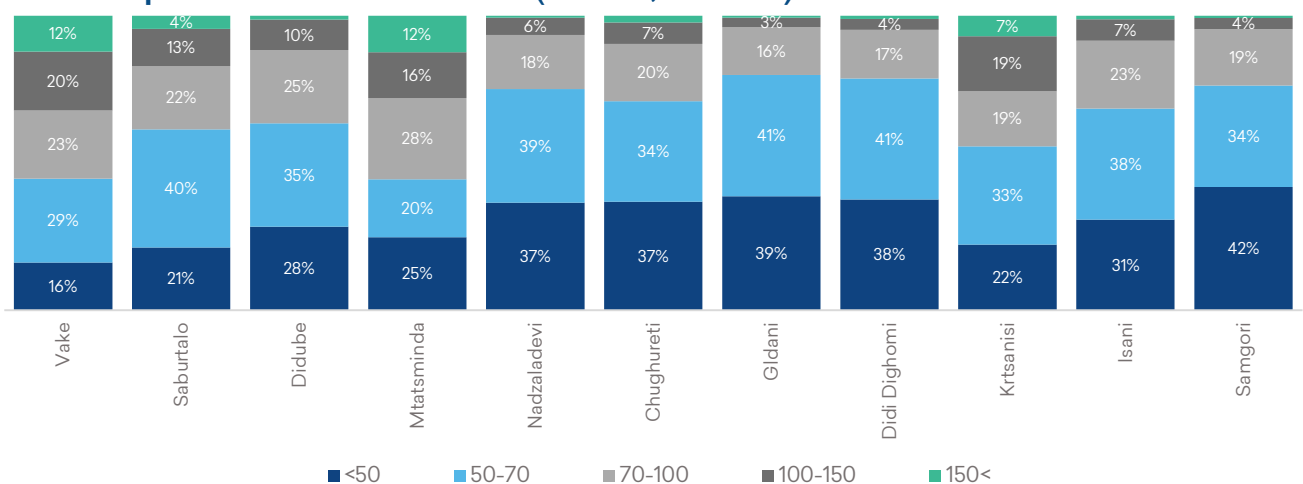
Source: NAPR, TBC Capital

The distribution seems to be basically unchanged. Smaller properties have a higher share in the majority of districts for both types of apartments – old and new.

However, Vake (55%) and Mtatsminda (56%) have a higher share of larger (>70 SQM) new apartments.

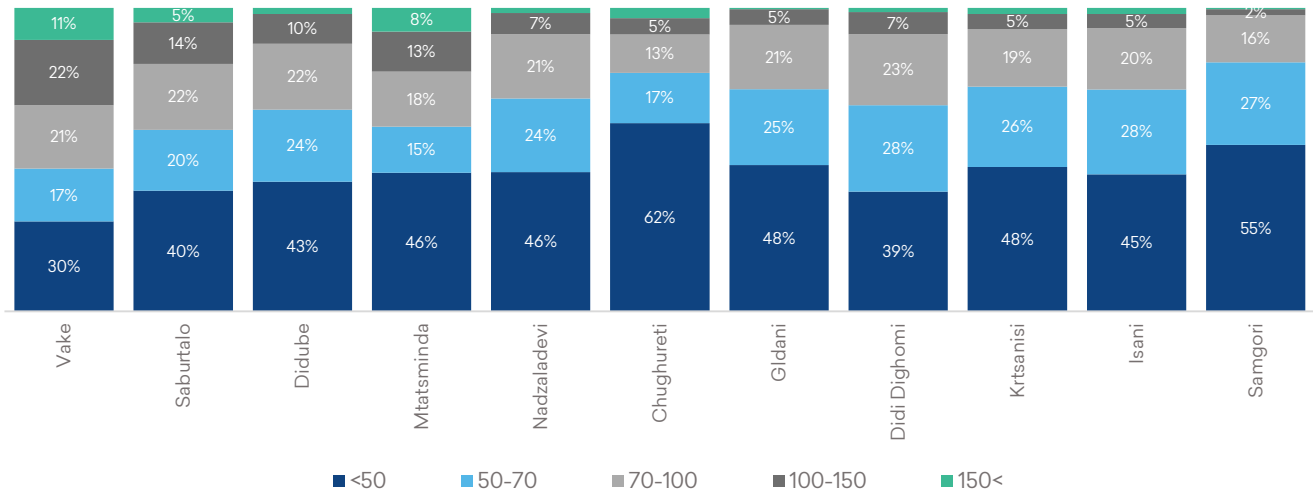
Figures 20 & 21

New apartments – 2021 (Area, SQM)



Source: NAPR, TBC Capital

Old apartments – 2021 (Area, SQM)



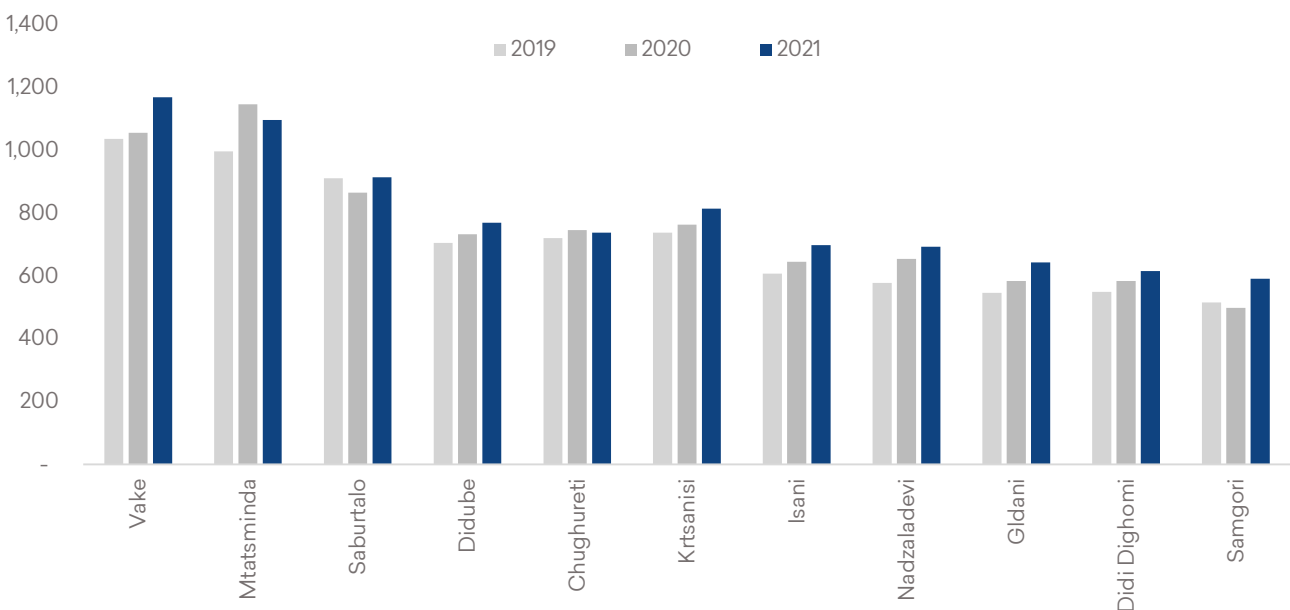
Source: NAPR, TBC Capital

In 2021, the price behavior for new apartments is mostly similar in the majority of districts. The most notable changes relative to 2019 were observed in Nadzaladevi (+20%), Gldani (+18%), Isani (+15%) and Samgori (+15%).

Didi Dighomi (+16%) 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

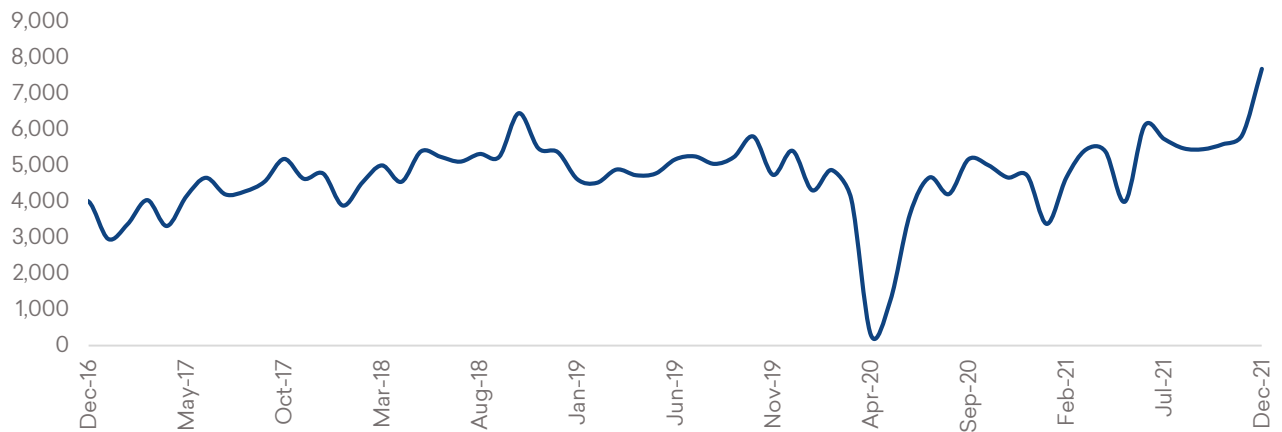
Old apartments – Average sales weighted price per SQM (USD)



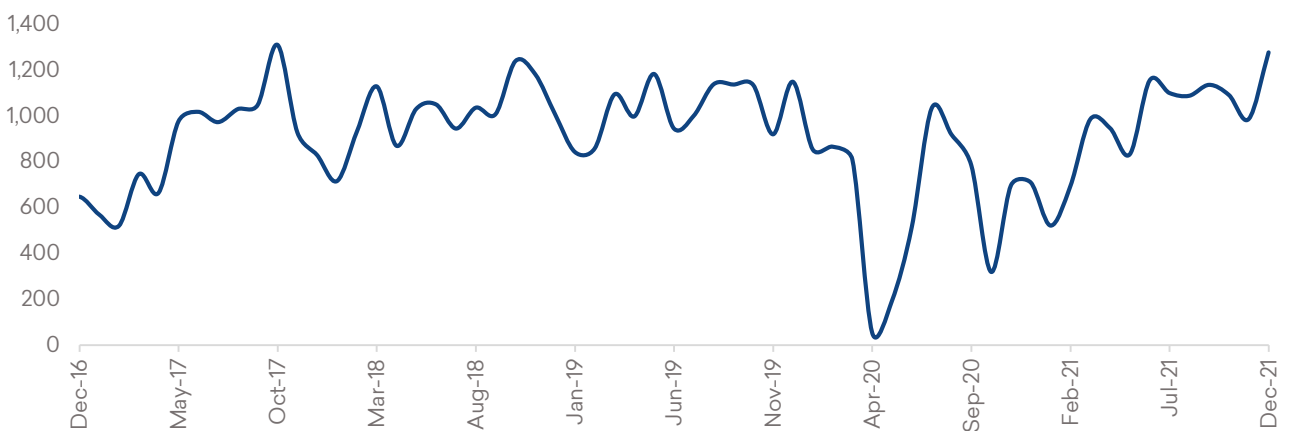
Source: NAPR, TBC Capital

Annex: Number of residential property sales transactions

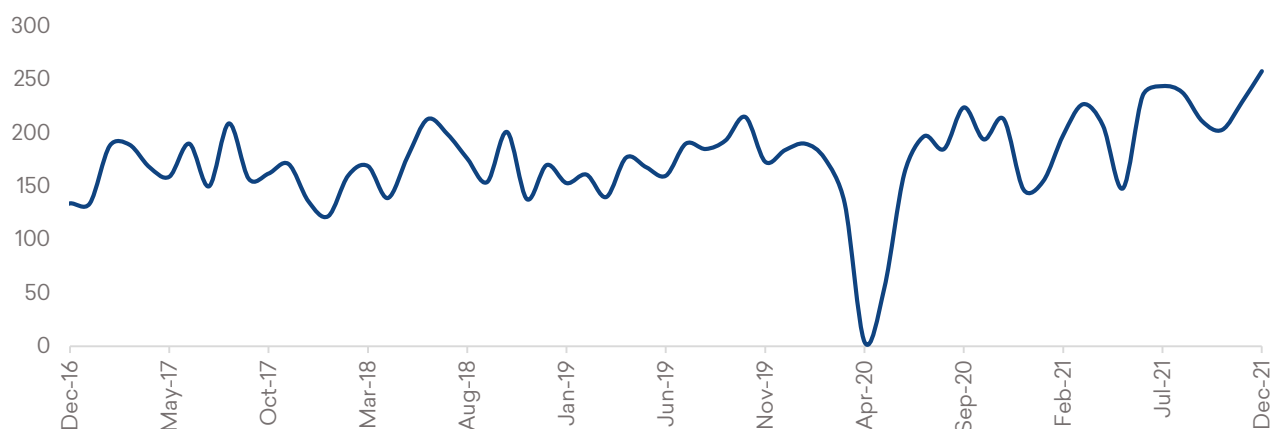
Georgia



Batumi



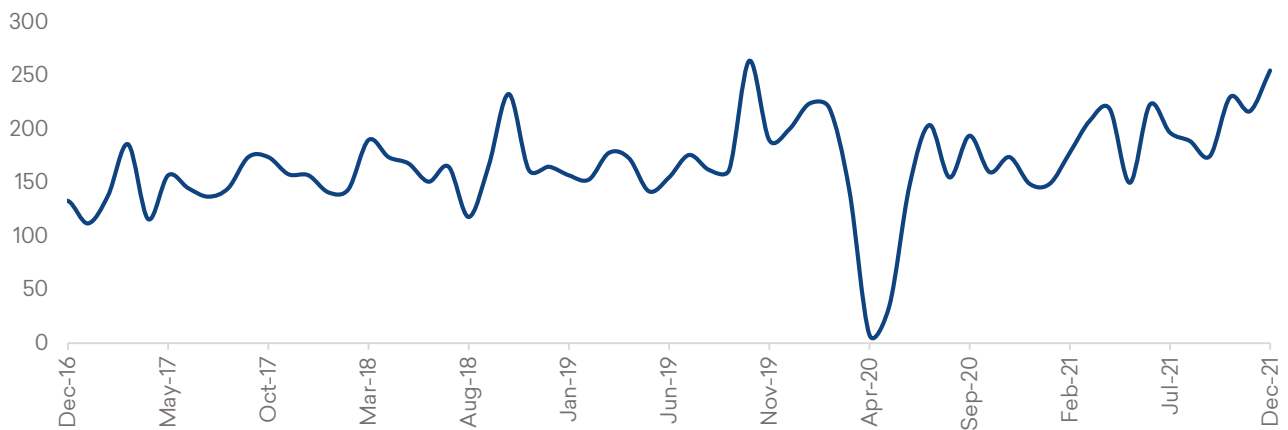
Kutaisi



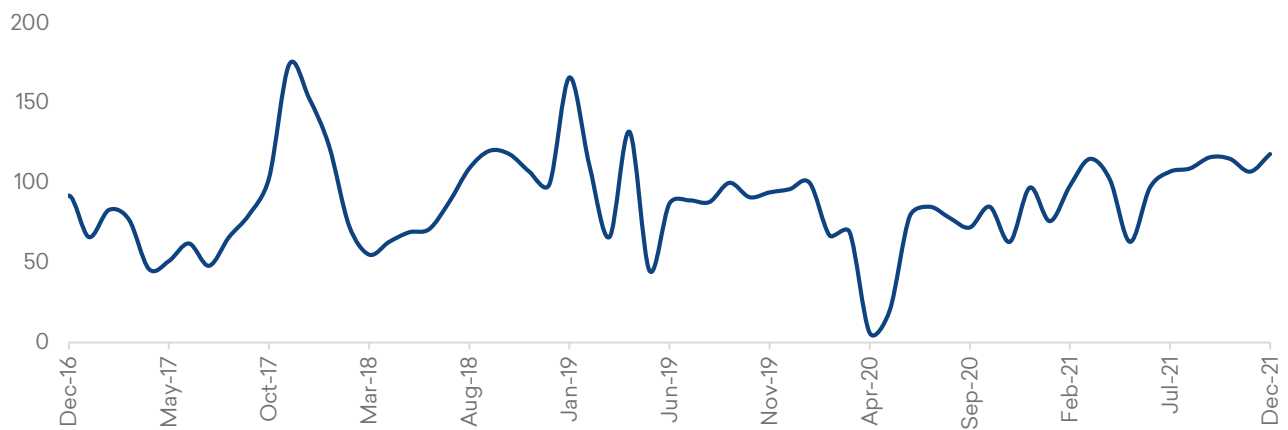
Source: NAPR, TBC Capital

Annex: Number of residential property sales transactions

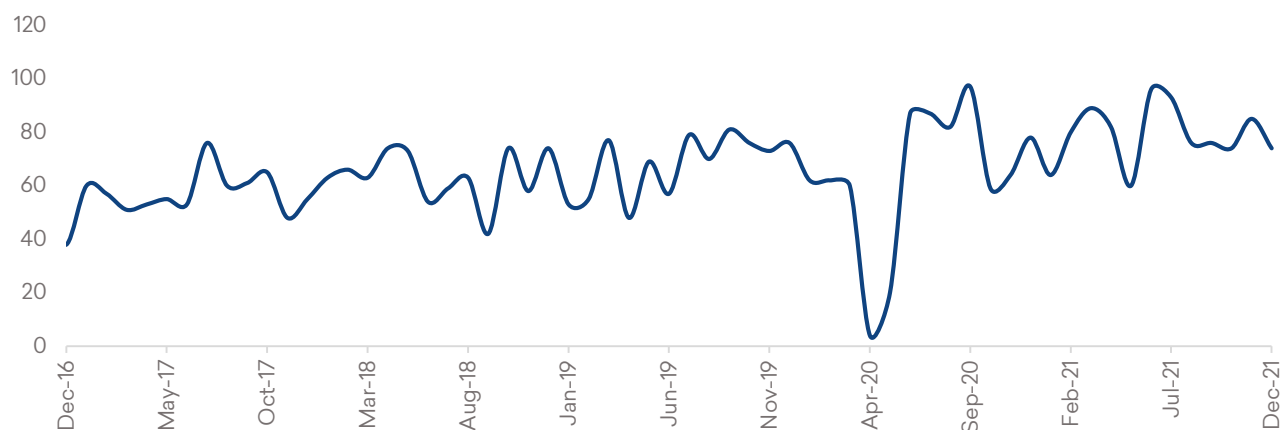
Rustavi



Borjomi



Gori



Source: NAPR, TBC Capital

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2022