



TBILISI RESIDENTIAL MARKET

MONTHLY WATCH

19.11.2020

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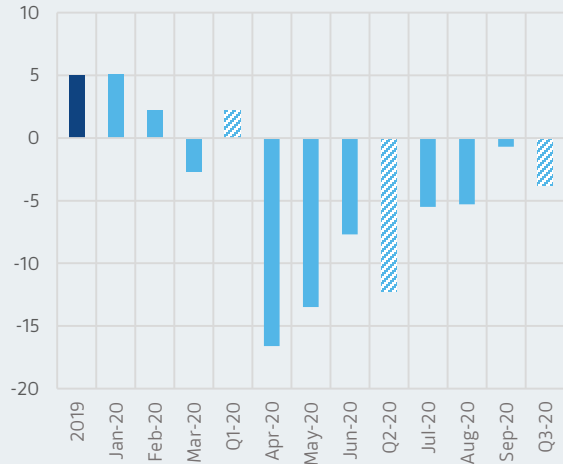
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Chief Economist, TBC Group

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TBC Bank

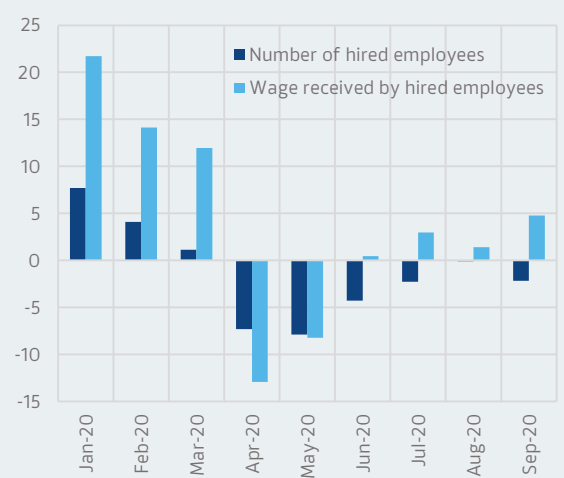
REPORT SUMMARY

- **MACRO SNAPSHOT: LIKELY HEADWINDS IN THE SHORT-TERM**
- **DEMAND: NEW APARTMENTS UP, OLD APARTMENTS DOWN IN OCTOBER**
- **PRICES: DOWN FOR BOTH NEW AND OLD APARTMENTS MOM**

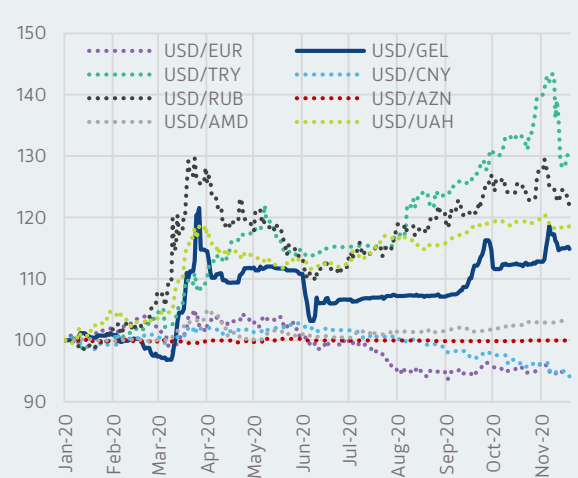
REAL GDP GROWTH (YOY, %)



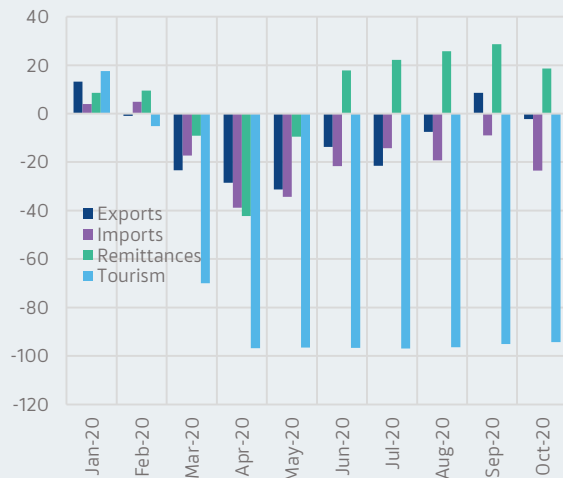
NUMBER & WAGE OF HIRED EMPLOYEES (YOY, %)



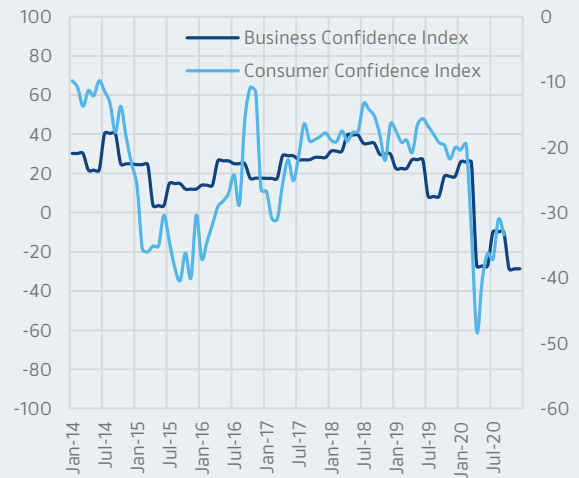
USD/GEL & PARTNER CURRENCY FX RATES VS USD



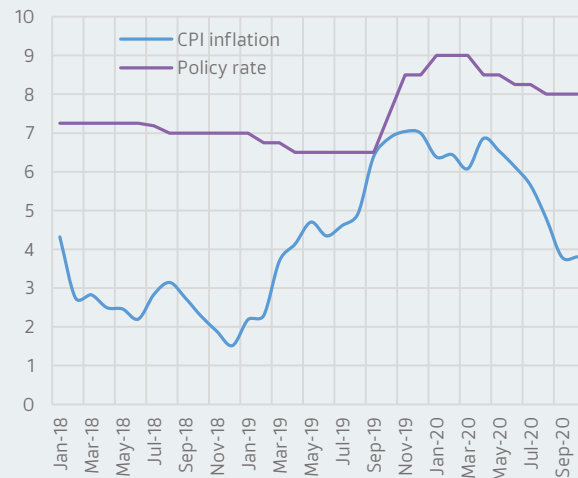
KEY BOP ITEMS (YOY, %, IN USD)



BUSINESS AND CONSUMER CONFIDENCE INDICES



INFLATION AND GEL POLICY RATE (%)



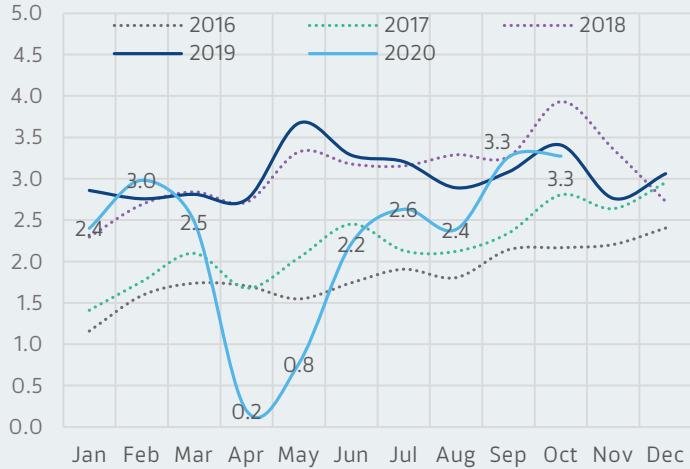
- Economic growth dynamics continued to improve in September, showing a surprising improvement. GDP drop eased to 0.7% YoY in September, compared to 5.3% YoY and 5.5% YoY in August and July, respectively
- However, increased infection numbers and additional restrictions imposed are likely to hamper the recovery pace in coming months. On the other hand, news about COVID-19 vaccine results are encouraging for economic recovery expectations going forward
- The USD/GEL exchange rate stabilized at around 3.29 after reaching its high of 3.40 by the beginning of November. Meanwhile, the major economic partners' currencies, especially TRY and RUB, gained some value against the USD. The NBG continued to intervene on the FX market selling in total 200mIn USD in October and additional 127.2mIn USD in November as of November 19th
- Exports inflows decreased slightly by 2.2% YoY in October after 8.6% YoY growth in October, remittance inflows' growth also somewhat weakened but overall remained strong at 18.6% YoY. Imports of goods remain in negative as aggregate demand remains weak.
- Annual inflation remained unchanged at 3.8% YoY, while on a monthly annualized basis price growth somewhat exceeded the targeted 3%, likely reflecting the higher commodity prices and currency depreciation.

DEMAND

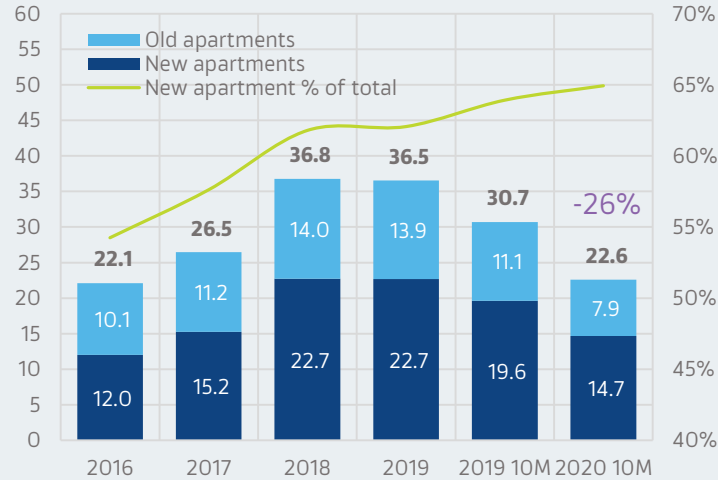
- A MARGINAL DECREASE OBSERVED IN OCTOBER TRANSACTIONS, ON THE BACK OF SHARP DECREASE IN OLD APARTMENT SALES
- IN OCTOBER, 3,273 RESIDENTIAL PROPERTY TRANSACTIONS WITH A TOTAL OF 221,337 SQM AREA WERE REGISTERED IN TBILISI, WITH GROWTH RATES OF -3.9% AND -3.2% YOY, DOWN FROM 5.9% AND 5.8% YOY IN SEPTEMBER
- SHARE OF NEW APARTMENTS MARGINALLY INCREASED IN OCTOBER, AS COMPARED TO SEPTEMBER
- SALES DOWN IN ALL DISTRICTS IN 10M 2020, WITH GLDANI, SAMGORI AND NADZALADEVI DISPLAYING MORE RESILIENCE
- THE PROPORTION OF MORTGAGES TO TOTAL SALES INCREASING IN Q3 2020

TRANSACTIONS: TBILISI'S RESIDENTIAL PROPERTY SALES MARGINALLY DOWN IN OCTOBER, ON THE BACK OF DECLINE IN OLD APARTMENT TRANSACTIONS

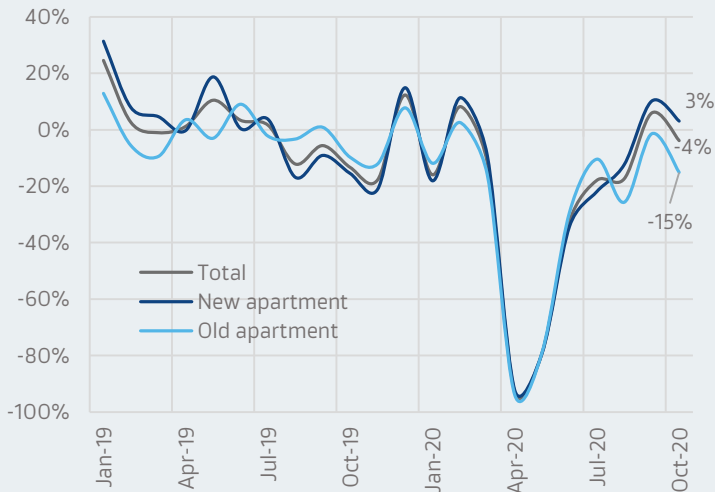
NUMBER OF SOLD APARTMENTS (000' UNITS)



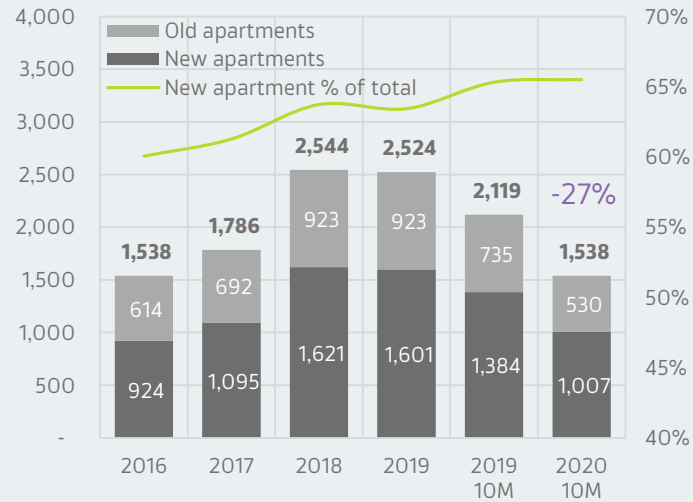
NUMBER OF SOLD APARTMENTS (000' UNITS)



YOY CHANGE (%) IN NUMBER OF TRANSACTIONS



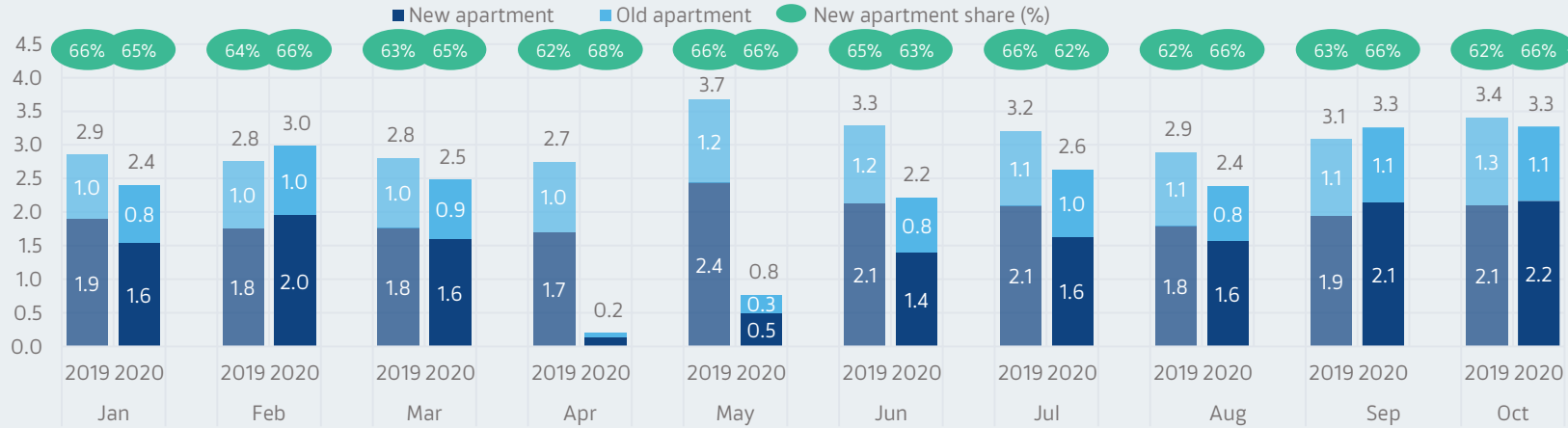
TOTAL AREA OF SOLD APARTMENTS (000' SQM)



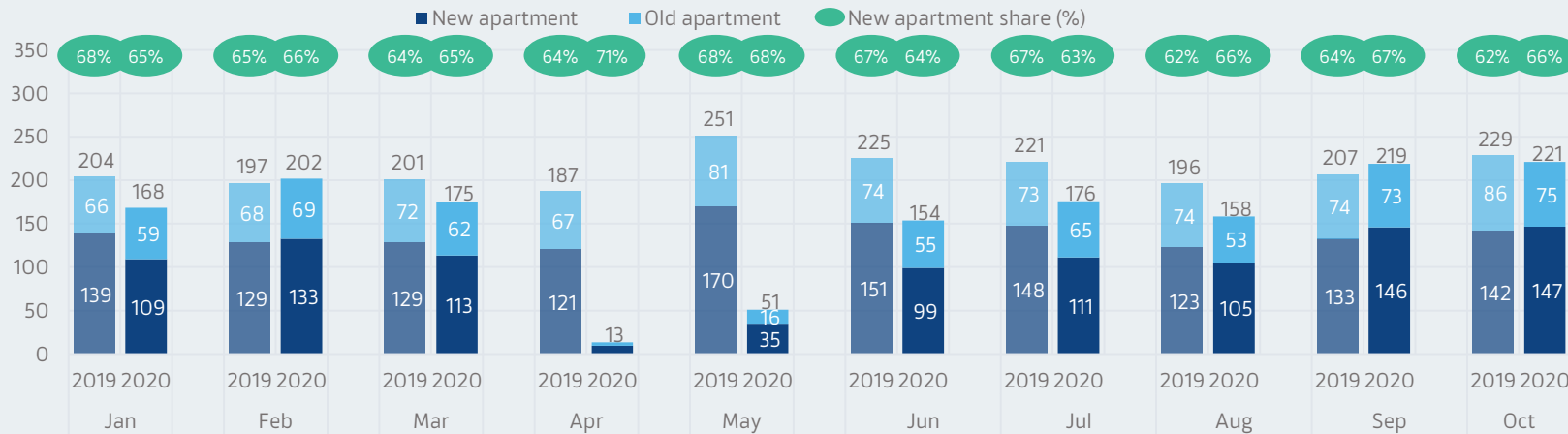
- Following the transaction growth in September, Tbilisi residential market posted a decrease in October 2020, possibly linked with the elevated riskiness and virus spread in the country. The market featured up to 3.3 thousand residential property transactions (-3.9% YoY) with over 221 thousand Sqm area sold (-3.2% YoY). Notably, the transaction volume stood on the same level as in the previous month
- In 10M 2020, Tbilisi residential market featured circa 22,600 transactions with a total of circa 1.5mln Sqm area, down by -26% and -27% YoY, respectively
- Circa 14,700 units, encompassing over 1mln Sqm area sold in 2020 were new* apartments, while circa 7,900 units, constituting 530,000 Sqm area sold in 2020 were old apartments
- Standing at -15% YoY, the transaction growth rate of old apartments drove the decrease of total transactions in October. Notably, number of new apartment transactions increased by 3% YoY in the same month

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

NUMBER OF SOLD APARTMENTS (000' UNITS)



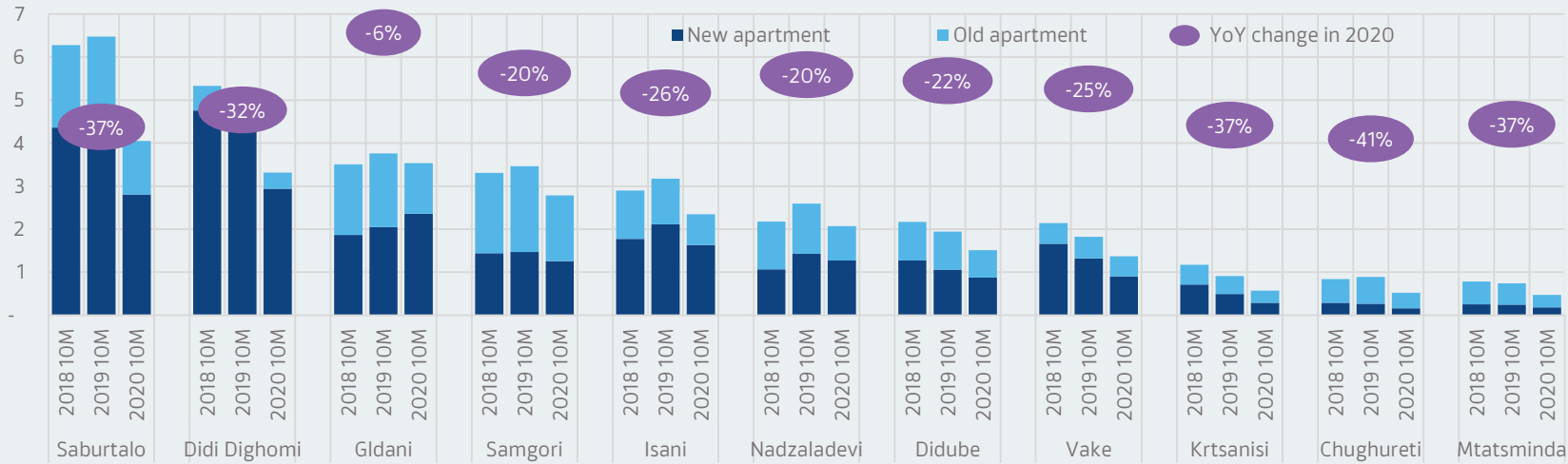
TOTAL AREA OF SOLD APARTMENTS (000' SQM)



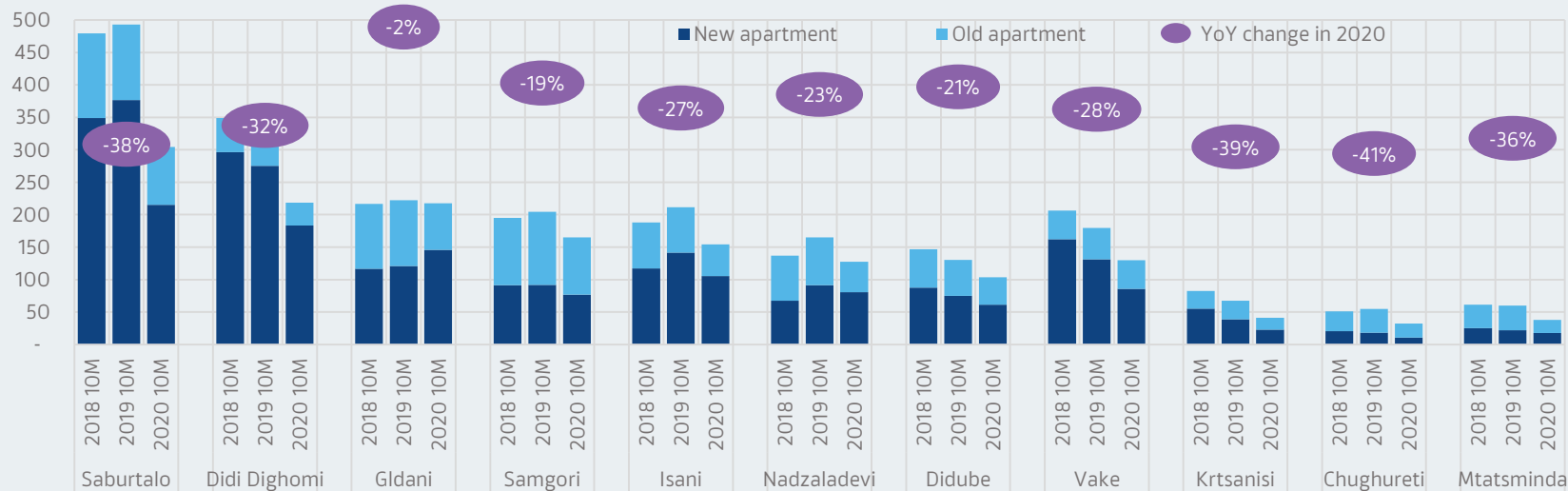
- The larger share of transactions in Tbilisi comes on new apartments. Compared to September, the proportion of new apartments was up marginally by 0.4pp in October 2020, standing at 66.1% (+4pp YoY) as measured by the number of units, and decreased marginally to 66% (+4pp YoY) as measured by total area of sold apartments

TRANSACTIONS: 10M SALES DOWN IN ALL DISTRICTS, WITH GLDANI DISPLAYING THE MOST RESILIENCE, FOLLOWED BY SAMGORI AND NADZALADEVI

NUMBER OF SOLD APARTMENTS (000' UNITS)

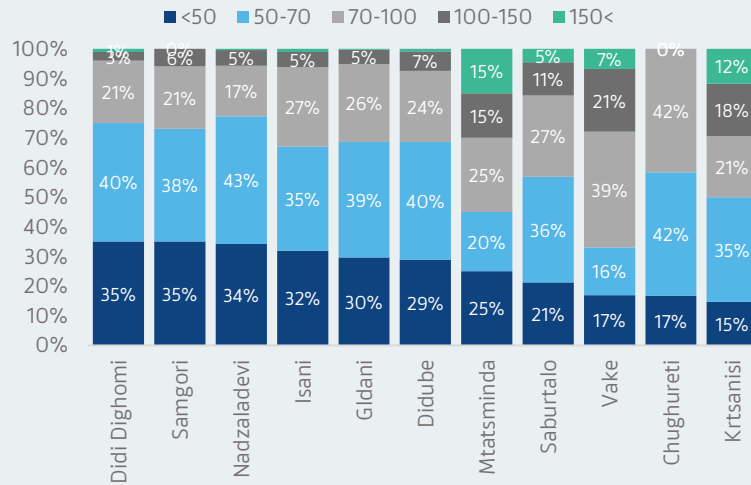


TOTAL AREA OF SOLD APARTMENTS (000' SQM)

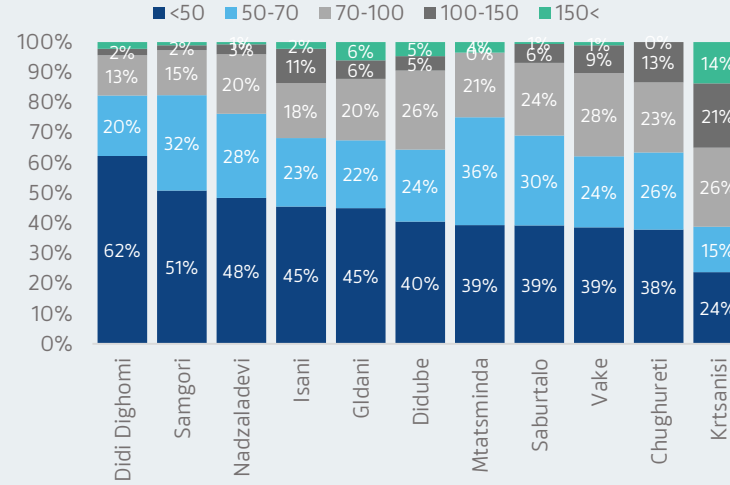


- Sales are down in all districts as of 10M 2020, with the sharpest declines of sold units observed in Chughureti (-41% YoY), Saburtalo (-37% YoY), Mtatsminda (-37% YoY) and Krtsanisi (-37% YoY)
- Gldani, Samgori and Nadzaladevi were relatively resilient. In these districts, number of transactions decreased by 6% YoY, 20% YoY and 20% YoY, respectively
- In absolute, Saburtalo and Didi Dighomi still lead the sales. Together, the two districts account for 34% of total residential space sold in Tbilisi as of 10M 2020
- Chughureti, Mtatsminda and Krtsanisi are the least active districts, with 32 thousand, 38 thousand and 41 thousand Sqm residential area sold in 2020 10M, respectively

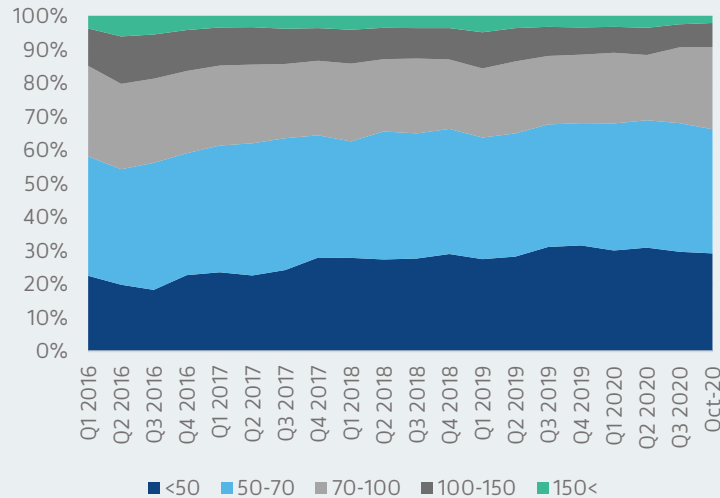
NEW APARTMENT TRANSACTIONS OCT-20 (AREA, SQM)



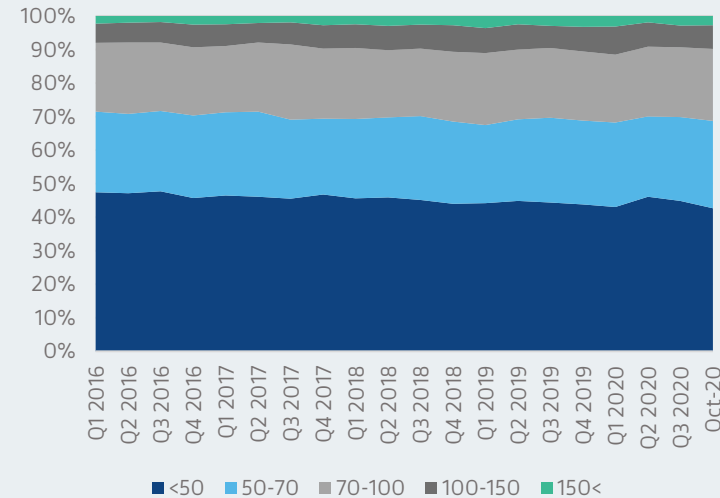
OLD APARTMENT TRANSACTIONS OCT-20 (AREA, SQM)



NEW APARTMENT TRANSACTIONS (AREA, SQM)

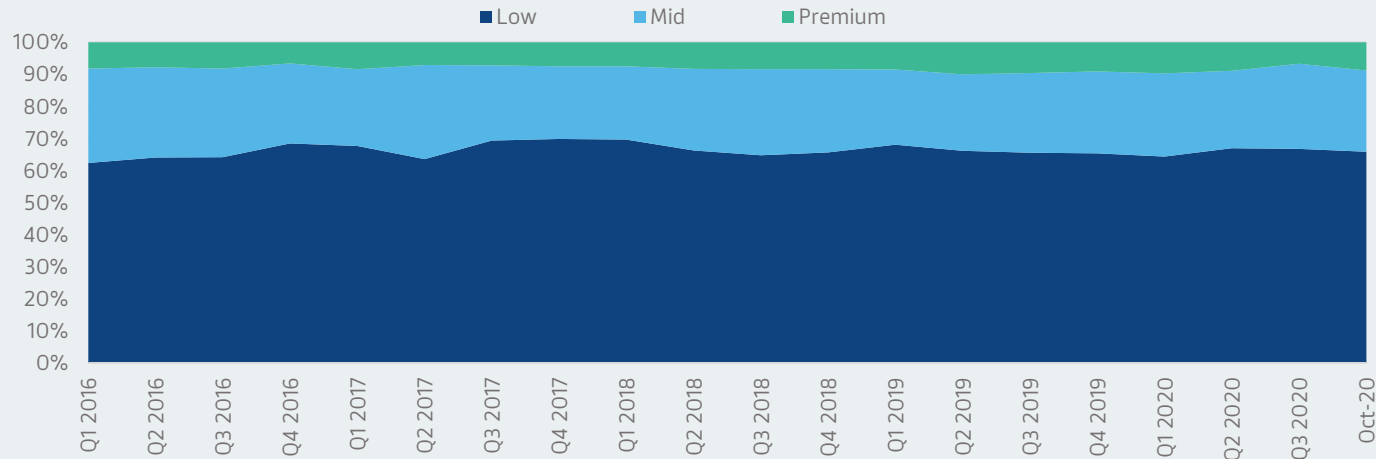


OLD APARTMENT TRANSACTIONS (AREA, SQM)

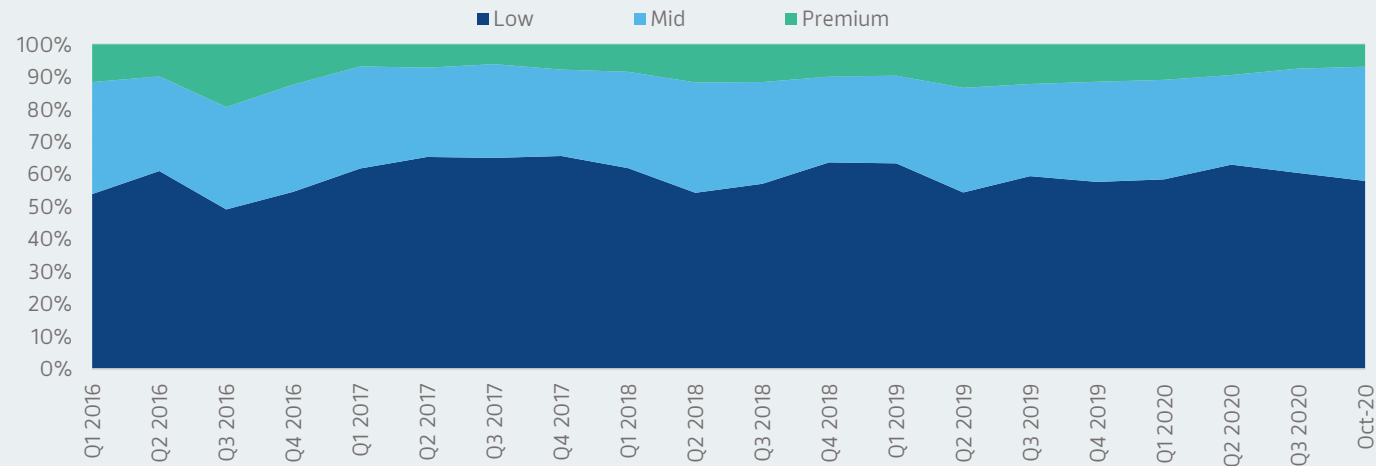


- Homebuyers of Tbilisi residential market mostly go for small and medium-size apartments. In October, purchased residential space averaged at 68 Sqm in the capital
- In October, new properties with larger than 100 Sqm area accounted for 28% of sales in Vake and 30% in Mtatsminda and Krtsanisi, while new units with <50 Sqm space constituted 35% of the transactions in Didi Dighomi and Samgori
- Compared to Q3 2020, the share of properties with less than 70 Sqm is down by 2pp to 67% in October, at the expense of properties with larger than 70 Sqm area gaining the proportion

NEW APARTMENT TRANSACTIONS (PRICE CATEGORY BY SQM*)



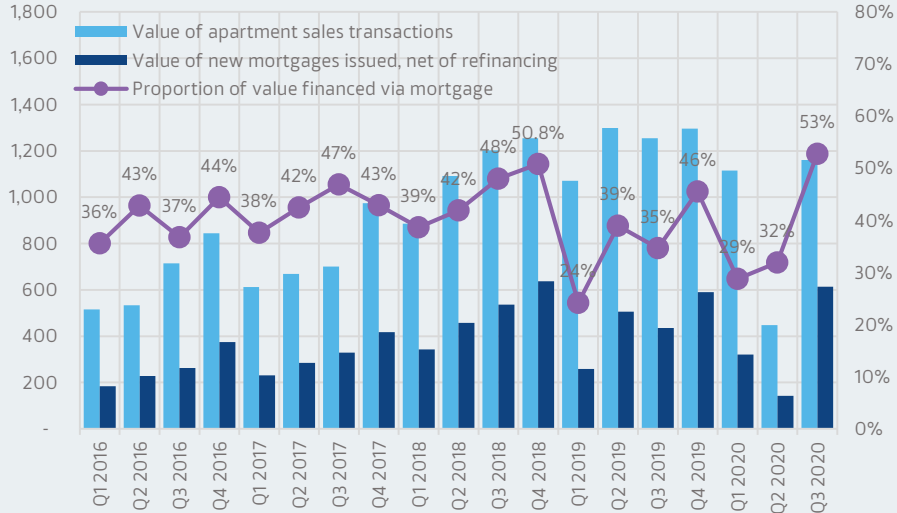
OLD APARTMENT TRANSACTIONS (PRICE CATEGORY BY SQM*)



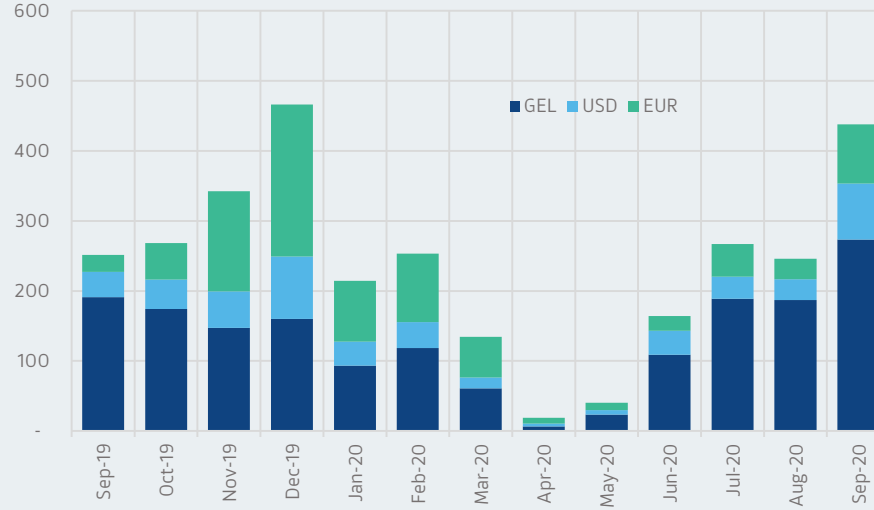
- The share of premium segment in new apartments stood at to 8.8% in October 2020 a level close to that of Q1 2020, pre-pandemic
- The share of premium segment in old apartments also remained down YoY at 6.9%, versus 9.7% in Oct 2019

Source: NAPR, TBC Capital; *Note: Low segment (< USD 800/Sqm), Mid segment (USD 800-1200/Sqm), Premium segment (> USD 1,200 Sqm)

ISSUED MORTGAGES TO TRANSACTION VALUE*, TBILISI

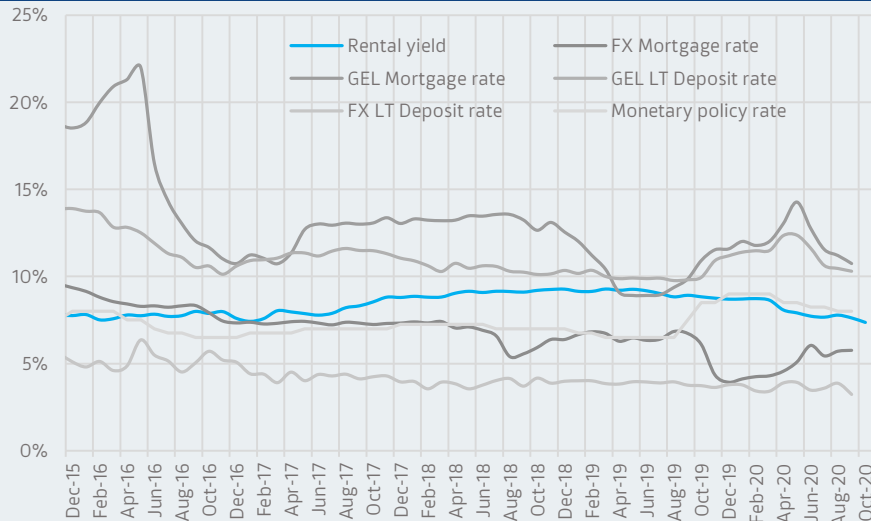


NEW MORTGAGES ISSUED IN GEORGIA (GEL MLN)

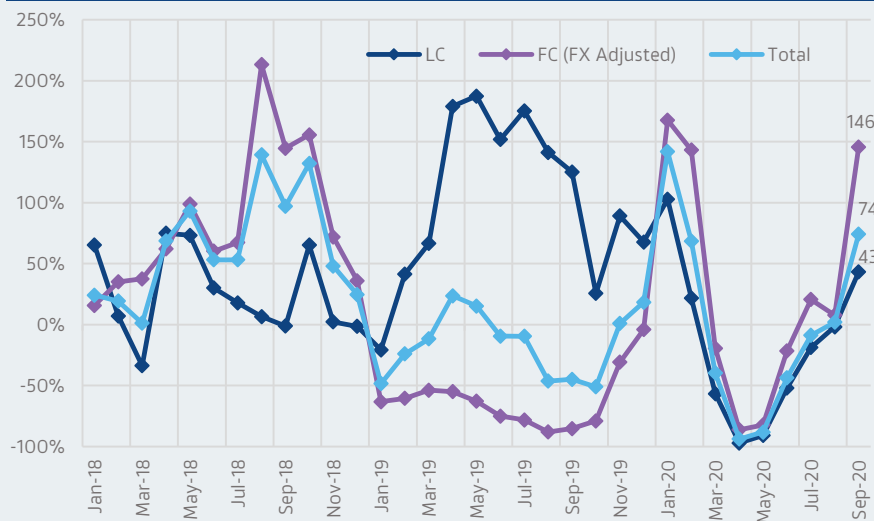


- The proportion of total mortgage loan value to total sales stood at 53% in Q3 2020, up 24pp compared to Q2 2020
- On the rise since the beginning of 2020, average FX mortgage rate increased marginally after August (5.7%), standing at 5.8% in September. GEL mortgage rate dropped to 10.8% in September, currently 3.5pp lower than May's high. Both FX deposit and mortgage rates currently remain below the rental yield, underlining attractiveness of apartments as income-generating assets

MORTGAGE AND DEPOSIT RATES DYNAMICS IN GEORGIA



YOY CHANGE (%) IN NEW MORTGAGES ISSUED IN GEORGIA



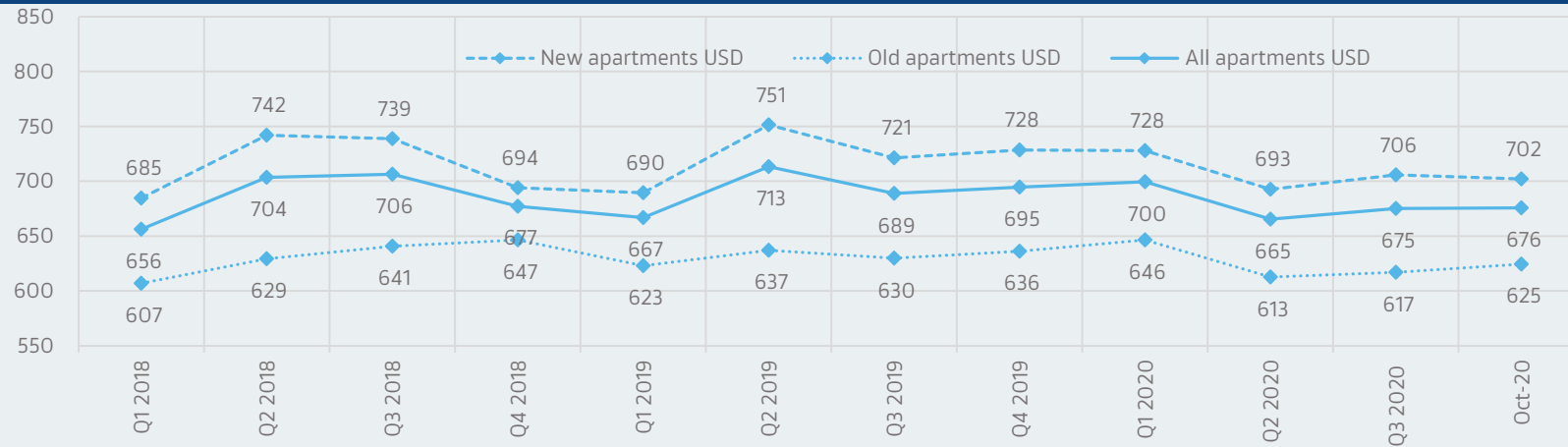
- Growth rates in newly issued mortgages have improved significantly from the lows of the April-May, currently at 74% in total loans, 43% for local currency loans and 146% (adjusted for FX effect) for the smaller share of new mortgages in the foreign currency, the latter caused mostly by the base effect
- First half of November in TBC Bank's new issuances shows some retreat in demand for mortgages

Source: NAPR, NBG, TBC Capital; Note: Includes all mortgage loans issued

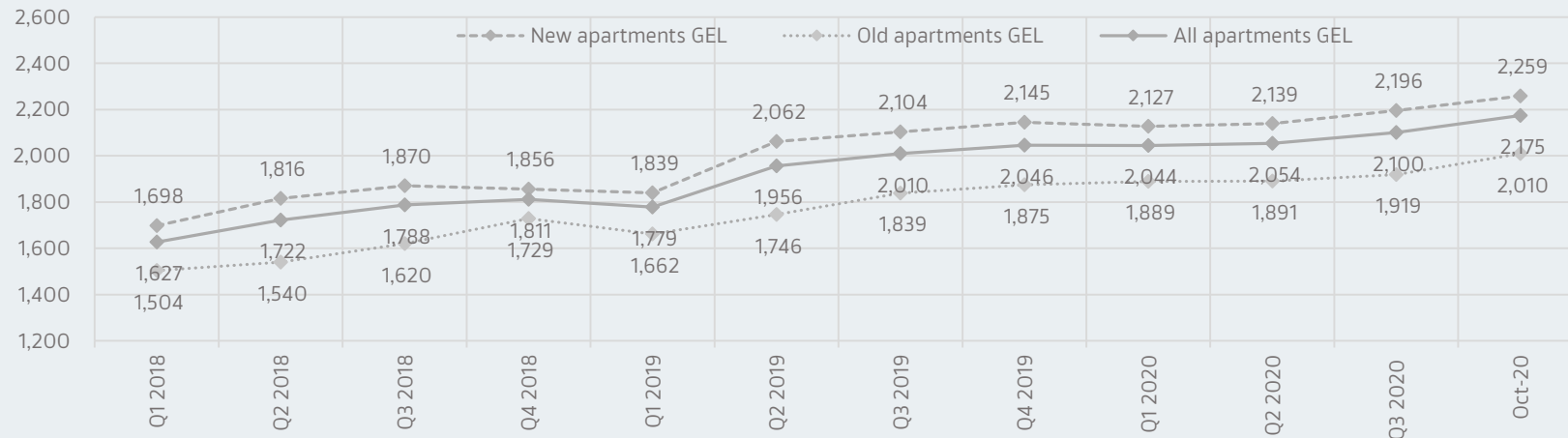
PRICES

- **SELLING PRICES DOWN FOR BOTH NEW AND OLD APARTMENTS COMPARED TO SEPTEMBER**
- **COMPARED TO JANUARY, MONTHLY RENTAL ASKING PRICES ARE DOWN BY 21% IN TBILISI**
- **RENTAL YIELD IS ON DECLINE, STANDING AT 7.4% IN OCTOBER, BELOW ITS LONG-TERM TREND**

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

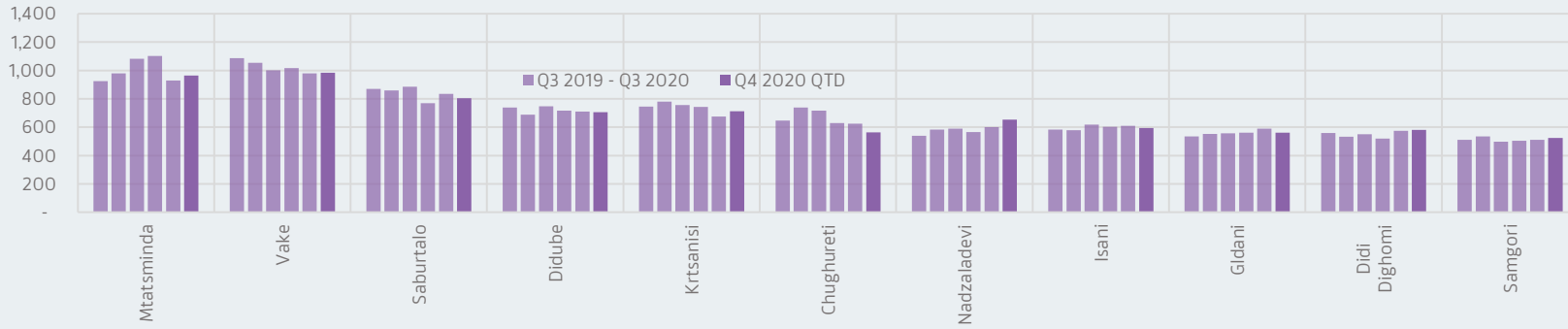


APARTMENT TRANSACTIONS – AVERAGE SALES WEIGHTED PRICE PER SQM (GEL)

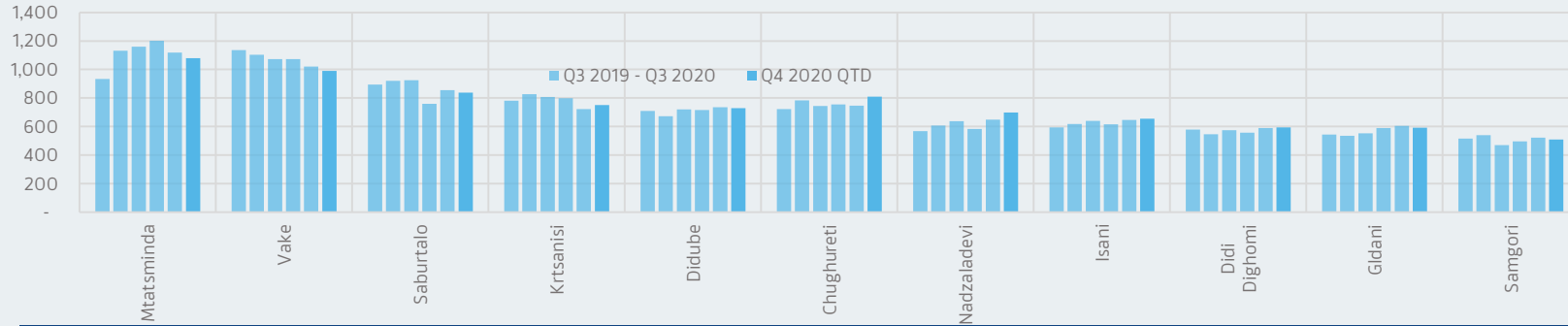


- Average Sales Weighted Price (ASP) of new apartments decreased by 0.7% YoY to 702 USD/Sqm in October 2020, down 3.0% MoM. In the same period, ASP expressed in GEL terms increased by 7.8% YoY to 2,259 GEL/Sqm, down 1.6% on MoM basis
- The prices of old apartments declined by 1.2% YoY to 625 USD/Sqm, down 3.0% MoM. The price in GEL terms posted 7.4% annual growth, down 2.5% compared to the previous month

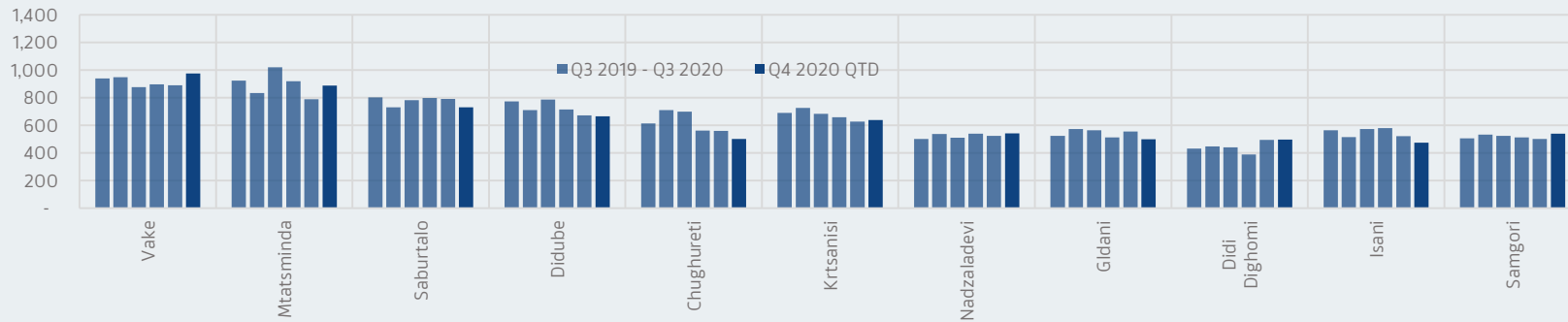
ALL APARTMENTS (USD/SQM)



NEW APARTMENTS (USD/SQM)

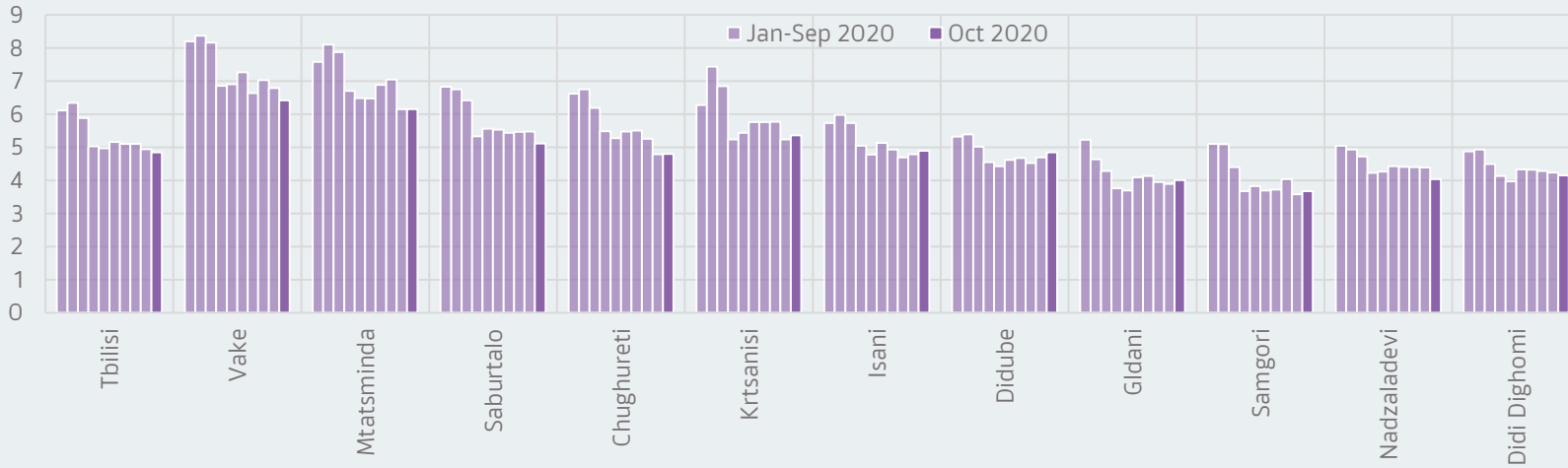


OLD APARTMENTS (USD/SQM)



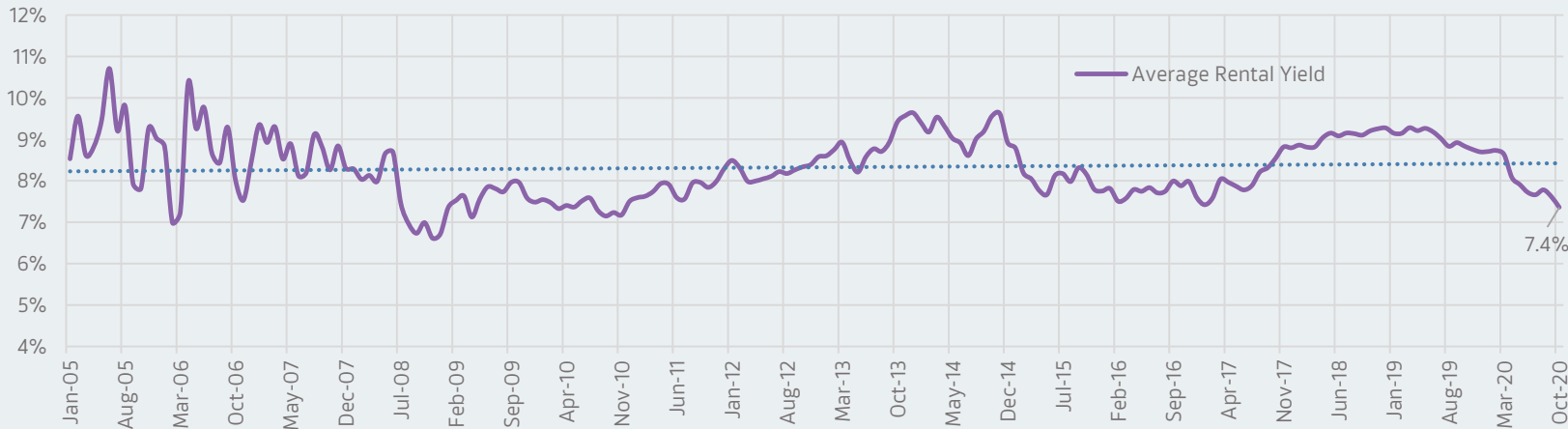
- The sales prices are mostly displaying a tendency for YoY decline for old apartments in most of the districts in Oct 2020, while the prices remained resilient in more districts for new apartments

MONTHLY RENTAL PRICES (USD/SQM) BY DISTRICTS



Source: Myhome.ge

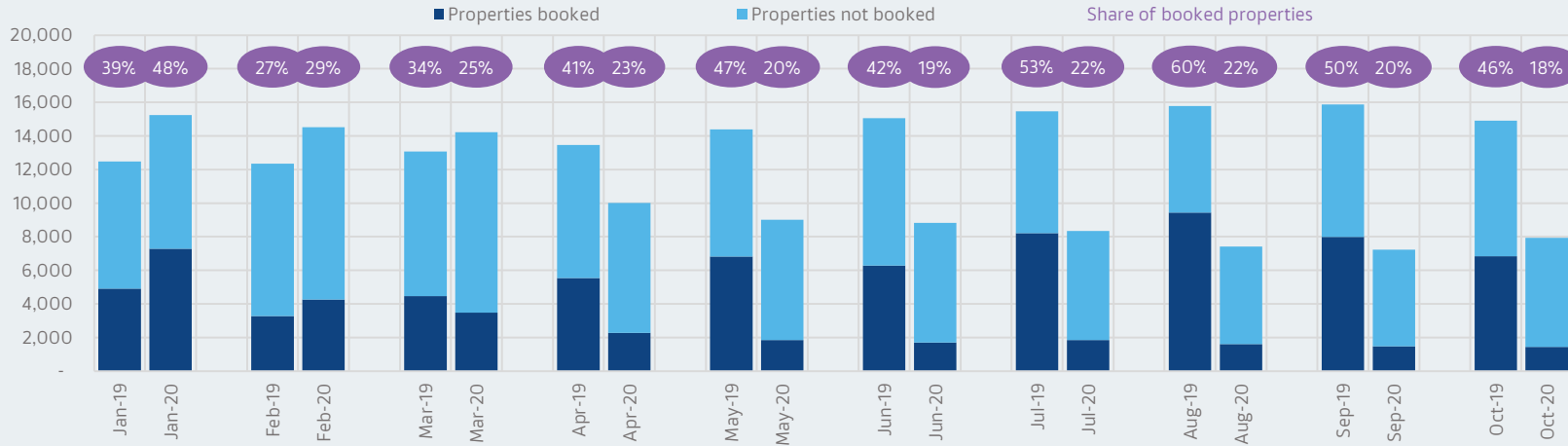
RENTAL YIELD DYNAMICS (%)



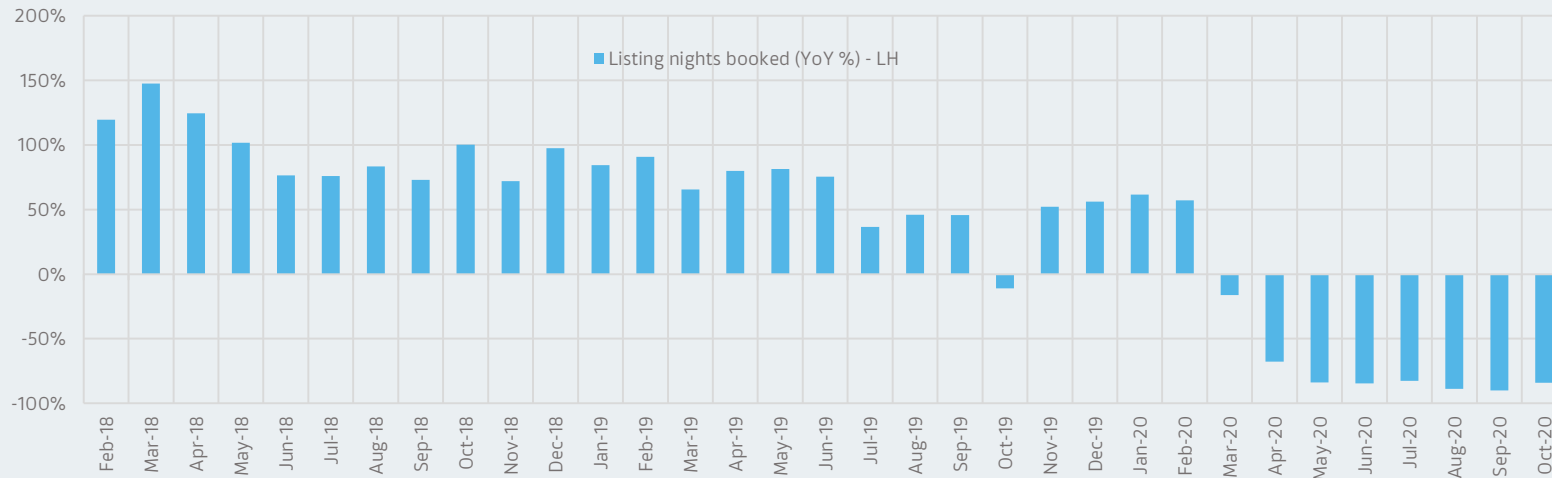
Source: NBG

- Monthly rental asking prices continued to decline in October, averaging USD 4.8 per Sqm for Tbilisi, down 2% MoM
- Compared to Jan 2020, monthly rental asking prices are down 21% in Tbilisi. Decrease is observed for every district, the sharpest in Samgori (-28%), Chugureti (-28%), Saburtalo (-25%), and Gldani (-23%)
- According to the NBG, the rental yield in Tbilisi stood at 7.4% in September, down from 7.6% in the previous month, falling even lower compared to its long-term trend (8.3%)

TBILISI AIRBNB MARKET: BOOKING RATE (%)

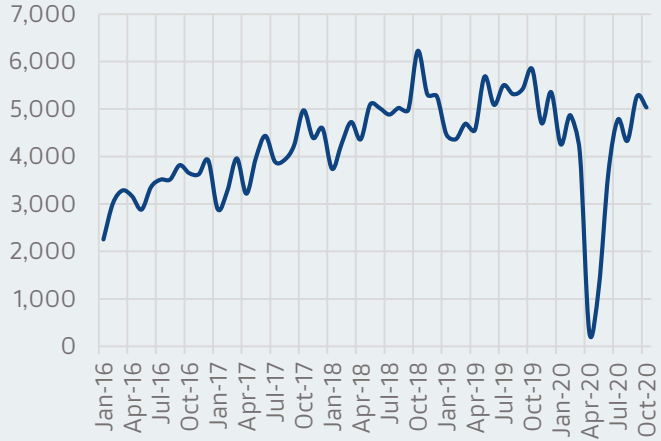


TBILISI AIRBNB MARKET: USD ADR AND OCCUPANCY (%)

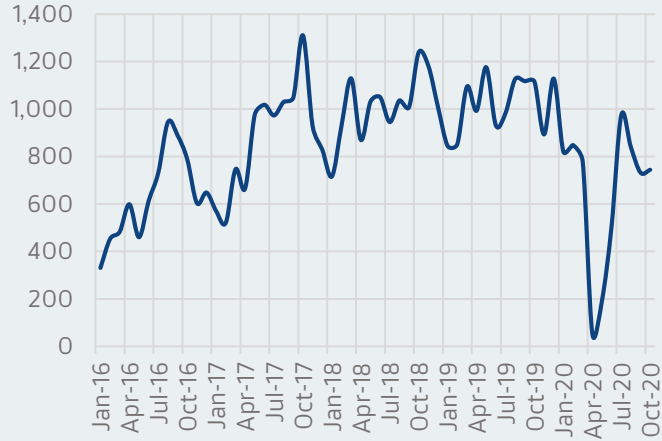


- With acceleration of the virus spread throughout Georgia, number of nights booked, properties booked and active listings are down by -84%, -79% and -47% YoY, respectively, on Tbilisi Airbnb market
- The market was oversupplied before the pandemic, as more than half of the listings were not getting booked at all. Moreover, this proportion has significantly worsened, with share of booked properties down to 18% in October 2020 from 46% in the same month of the previous year
- For the booked properties, average occupancy shrank to 12% in October 2020 from 24% in October 2019. As for ADRs, the sharpest drop of -18% was registered in March 2020, standing at -3% in October

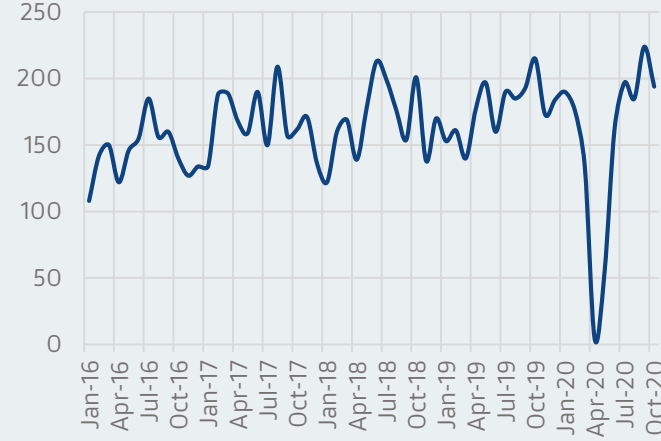
GEORGIA



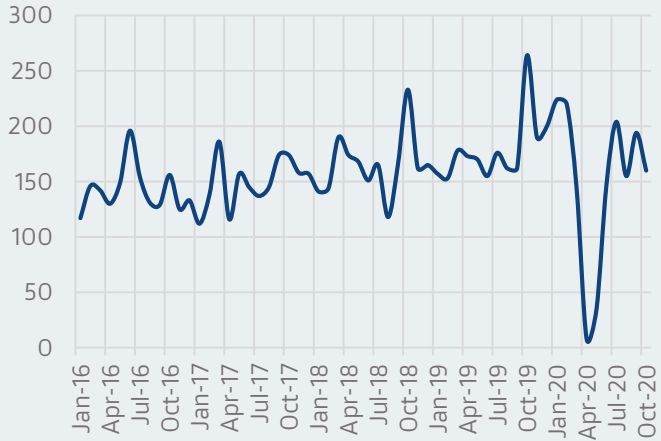
BATUMI*



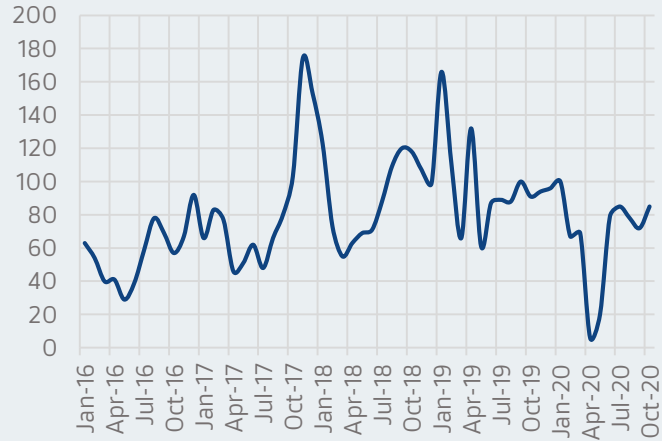
KUTAISI



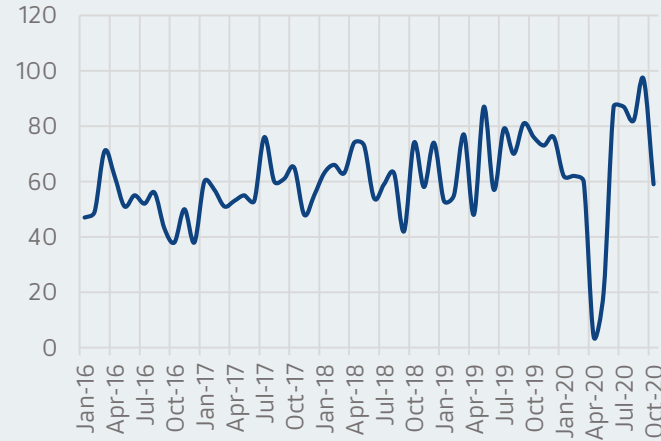
RUSTAVI



BORJOMI

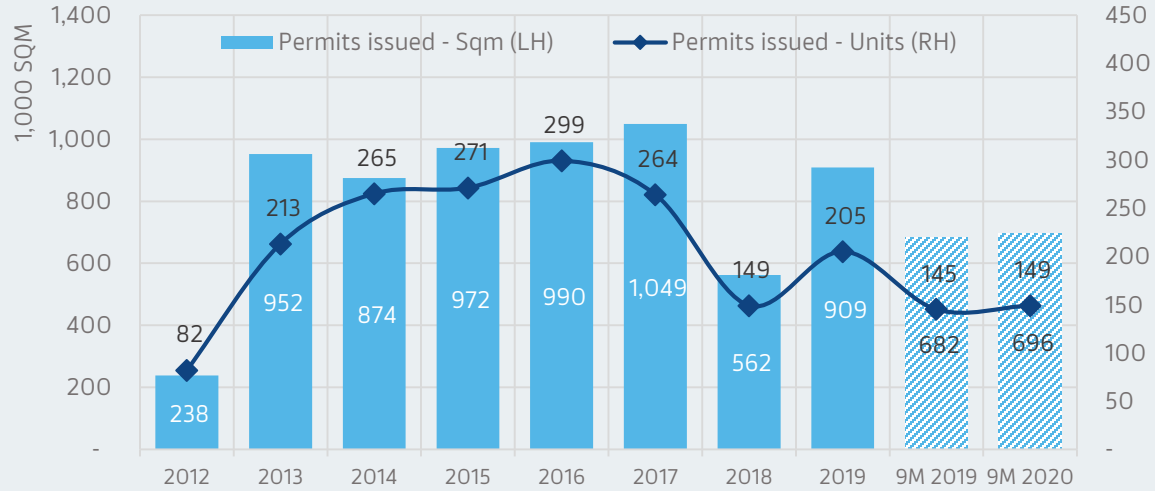


GORI

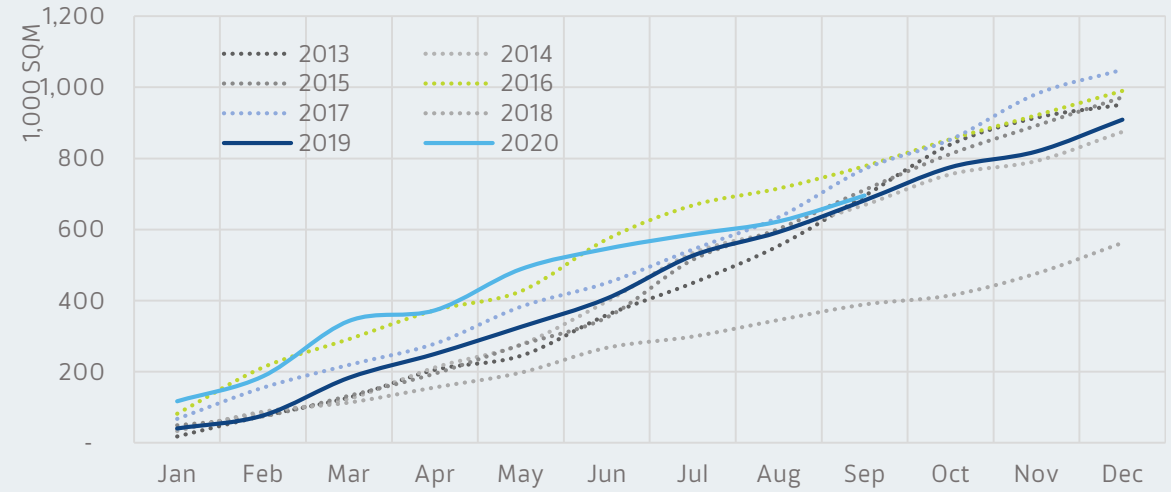


Source: NAPR, TBC Capital; *Adjusted for developer sales not previously reflected in the database

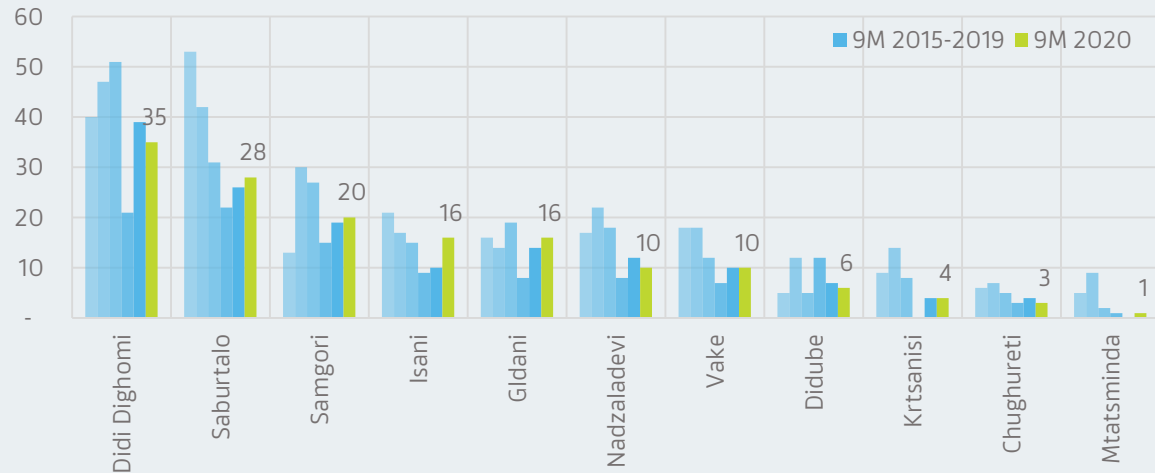
PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN TBILISI (AREA, UNITS)



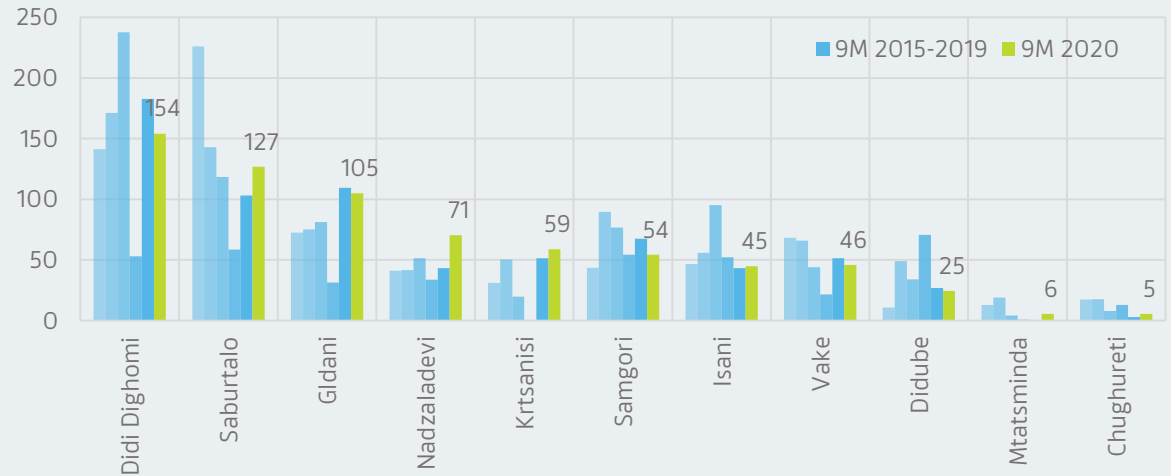
AREA OF PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN TBILISI (CUMULATIVE)



PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN TBILISI (UNITS)



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



Source: Tbilisi City Hall, TBC Capital

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