



SECTORAL

Tbilisi Residential Market

MONTHLY WATCH

23.02.2021

Aleksandre Bluashvili
Head of Research, TBC Capital

Luka Chigilashvili
Associate, TBC Capital

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

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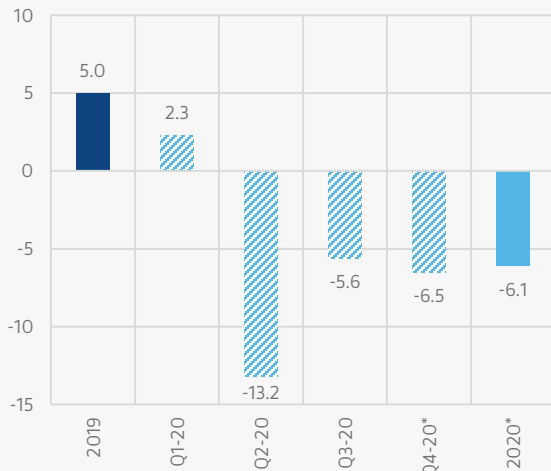
KEY DEVELOPMENTS

- ECONOMIC ACTIVITY AND LABOR MARKET WEAKENED FURTHER IN Q4 2020; REMITTANCES CONTINUED STRONG PERFORMANCE, WHILE TRADE IN GOODS REMAINED SUBDUED IN JANUARY
- TBILISI RESIDENTIAL REAL ESTATE PRICES REMAINED STABLE MOM IN JANUARY BUT RENTAL RATES CONTINUED TO DECREASE
- AFTER A SHARP DROP OF NEW MORTGAGE ISSUANCE IN JANUARY, SOME MODERATION IN THE RATE OF DECLINE IS OBSERVED IN FEBRUARY
- SALES WEAKENED IN JANUARY 2021, EXPRESSED IN BOTH NEW AND OLD APARTMENT TRANSACTIONS
- TRANSACTIONS DECREASED IN MOST DISTRICTS, UP ONLY IN GLDANI, DIDUBE AND KRTSANISI
- NO SHARP DEVIATIONS OBSERVED IN THE MIX OF NEW PROPERTY TRANSACTIONS AFTER THE END OF THE SUBSIDY PROGRAM
- RENTAL YIELD REMAINED ON THE DECREASING TREND, BELOW ITS LONG-TERM AVERAGE

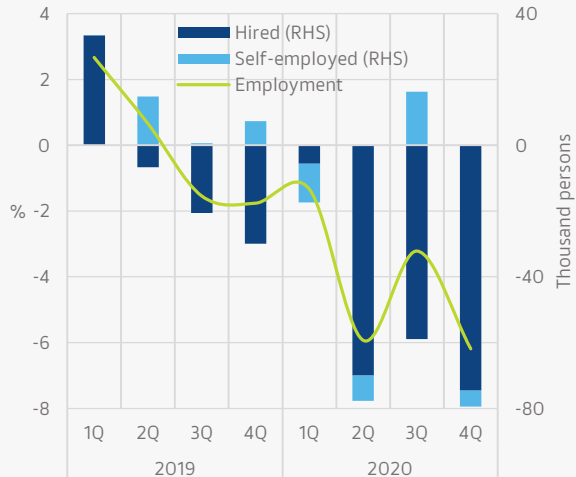
ECONOMIC ACTIVITY AND LABOR MARKET WEAKENED FURTHER BY THE END OF 2020; REMITTANCES CONTINUED STRONG PERFORMANCE, WHILE TRADE IN GOODS REMAINED SUBDUED IN JANUARY

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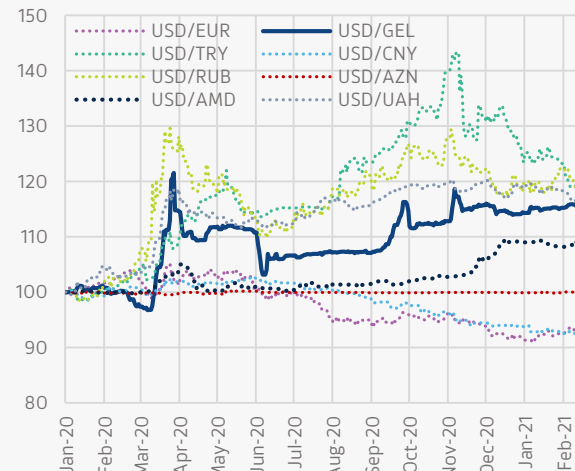
REAL GDP GROWTH (YOY, %)



CHANGE IN HIRED AND SELF-EMPLOYMENT (YOY)

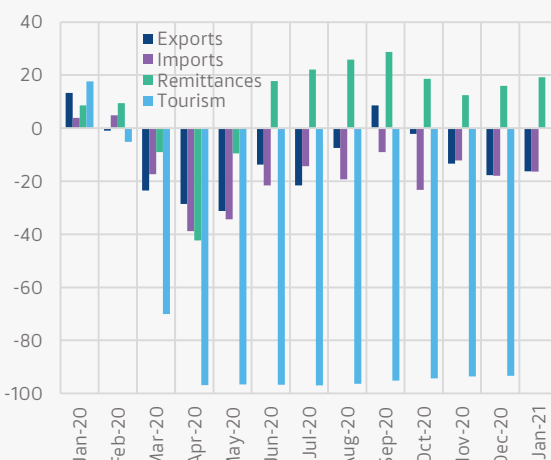


USD/GEL & PARTNER CURRENCY FX RATES VS USD**

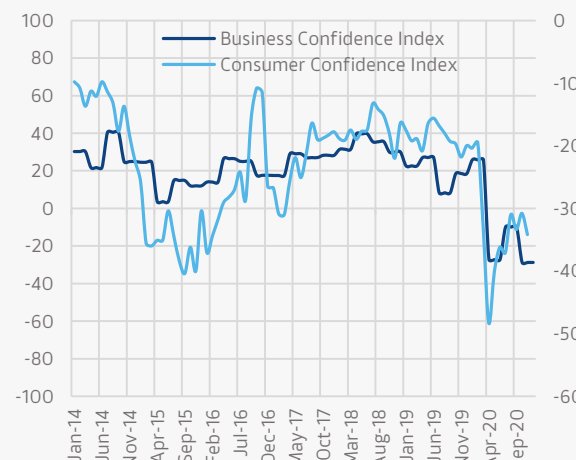


- Economic growth dynamics worsened further in December (-7.9% YoY), reflecting the reintroduction of a partial lockdown in late November. GDP drop averaged -6.5% YoY and -6.1% YoY for Q4 2020 and the full year, respectively
- Over the last month, the USD/GEL exchange rate averaged 3.3, largely unchanged from the previous month. At the same time, the regional currencies displayed different trends against the USD. TRY, CNY and RUB appreciated by 7.5%, 0.4% and 0.6%, respectively, whereas, AZN and AMD depreciated slightly. As a result, the GEL NEER depreciated by 1.6% over the last month. The NBG remained active on the FX market, selling in total 40mln USD since the previous publication.

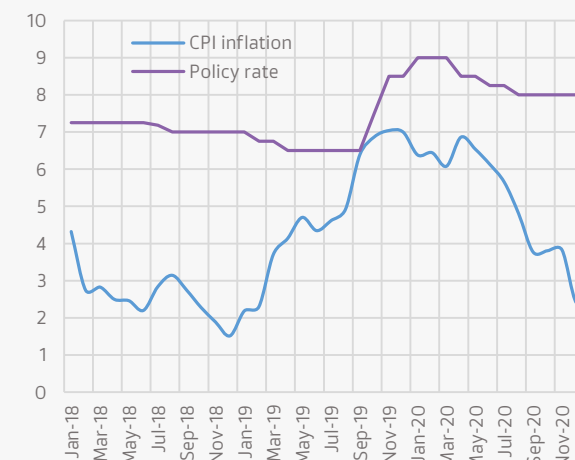
KEY CURRENT ACCOUNT ITEMS (YOY, %, IN USD)



BUSINESS AND CONSUMER CONFIDENCE INDICES



INFLATION AND GEL POLICY RATE (%)

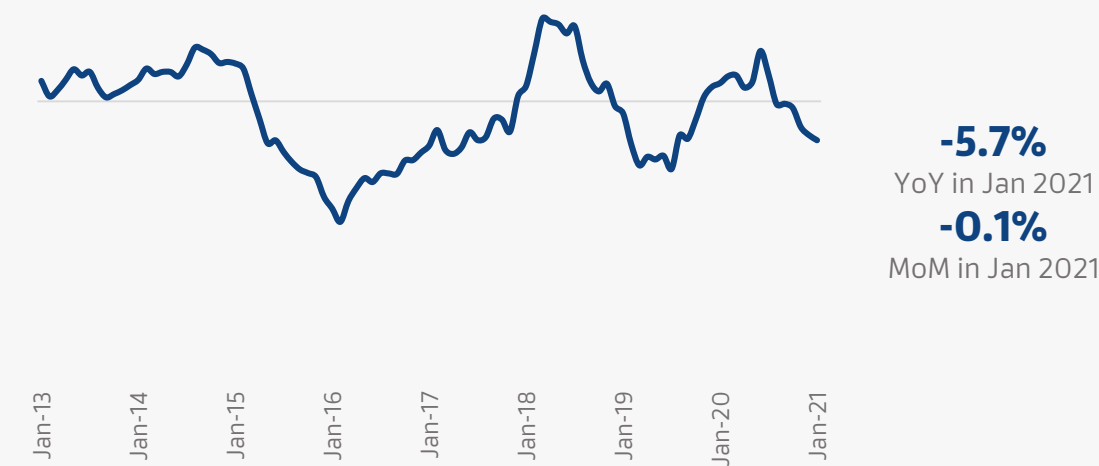


- Alongside the delayed global recovery and weaker demand in trading partner economies, export inflows remain in negative territory with 16.2% YoY drop in January 2021, however, somewhat better than in the previous month (-17.9% YoY). Growth rate of imports also improved marginally from -17.9% YoY in December 2020 to -16.4% YoY in January 2021, reflecting still low total inflows and weak aggregate demand. Remittance inflows continued a strong growth at a rate of +19.2% YoY, higher than in the previous month (+15.9% YoY).
- Annual inflation stood at 2.8% in January, up from 2.4% in December 2020. Again, the state subsidy program for utilities pushed the inflation figure down. Excluding the effect, CPI inflation came in at 4.6%

TBILISI RESIDENTIAL REAL ESTATE PRICES REMAINED STABLE MOM IN JANUARY BUT RENTAL RATES CONTINUED TO DECREASE; AFTER SHARP DROP OF MORTGAGE ISSUANCE IN JANUARY, SOME MODERATION IN THE RATE OF DECLINE IS OBSERVED IN FEBRUARY

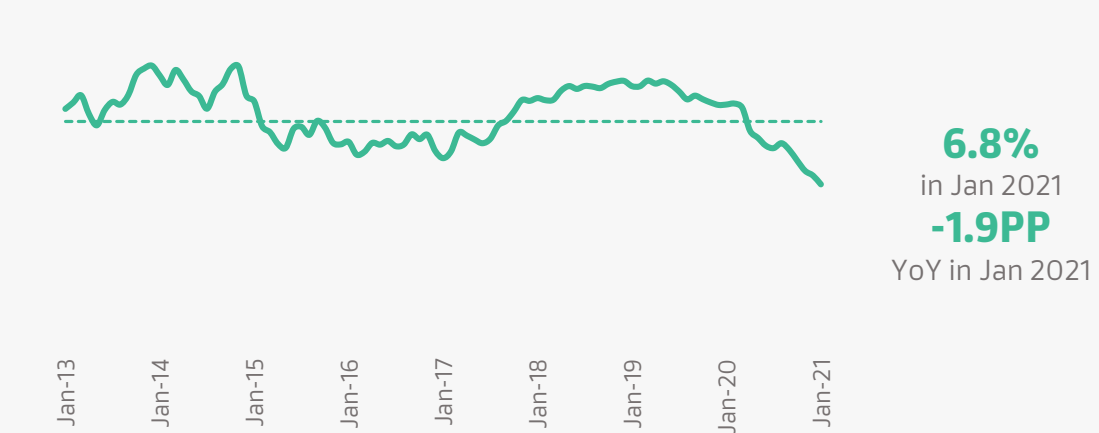
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TBILISI RESIDENTIAL REAL ESTATE PRICE*
(Change YoY, %)

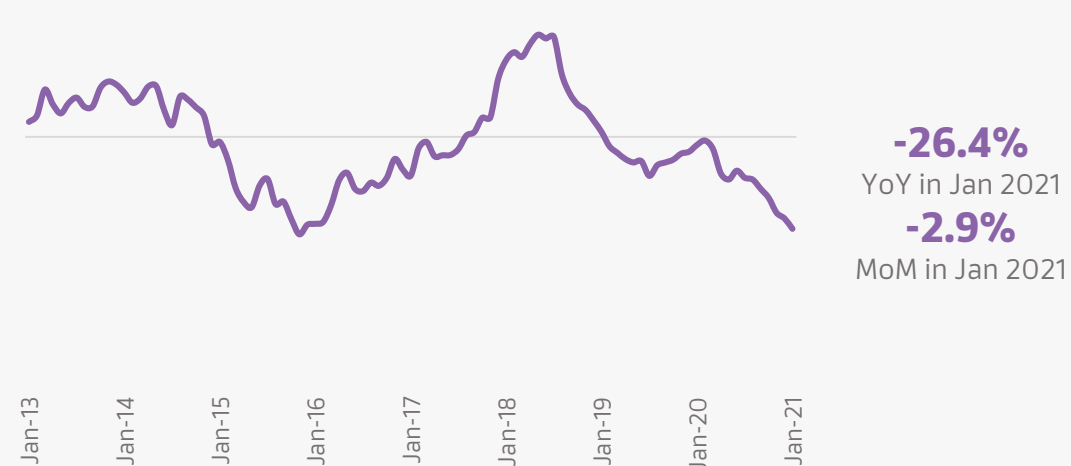


*NBG's real estate price index, figures given here may differ from the sales-weighted price index given in the following slides

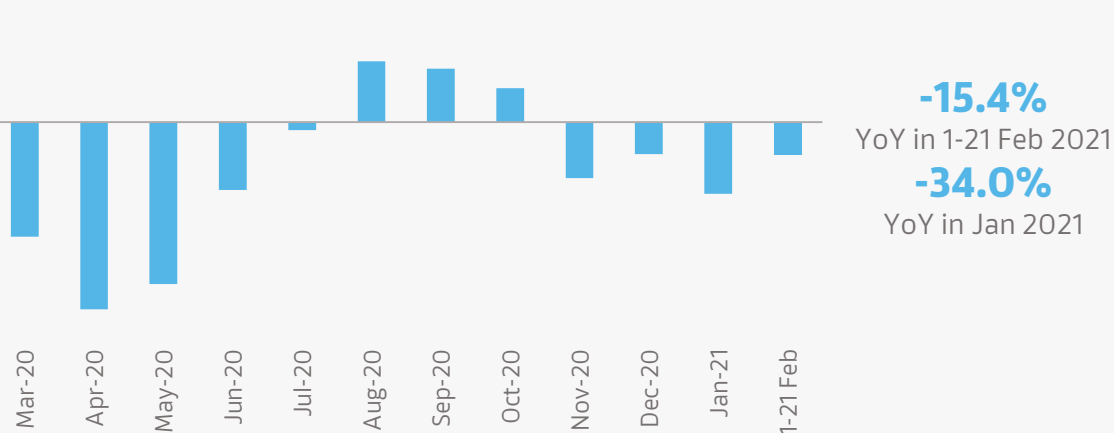
RENT-TO-PRICE RATIO AND ITS LONG-TERM AVERAGE
(%)



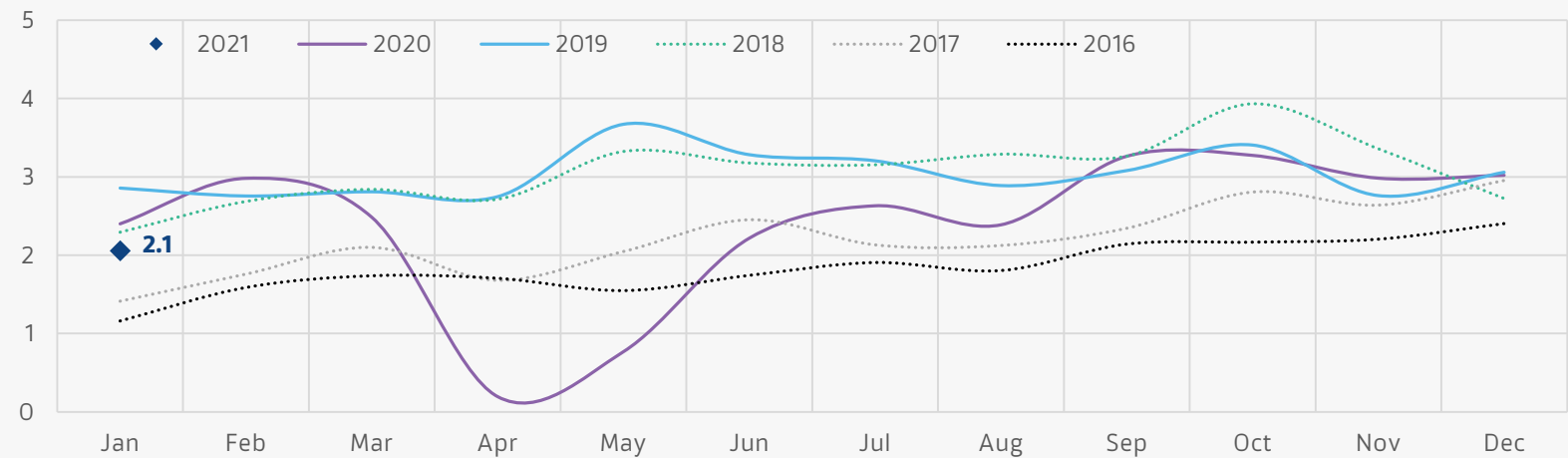
TBILISI RESIDENTIAL REAL ESTATE RENT
(Change YoY, %)



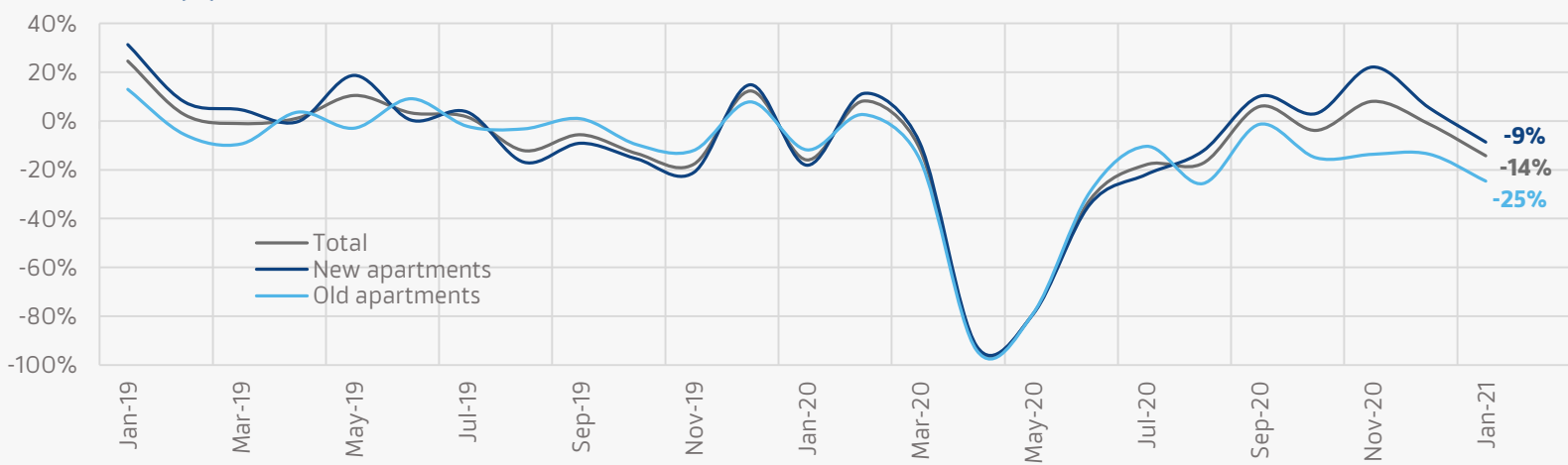
NEW MORTGAGE ISSUANCE**
(Change YoY, %)



NUMBER OF SOLD APARTMENTS (000' UNITS)



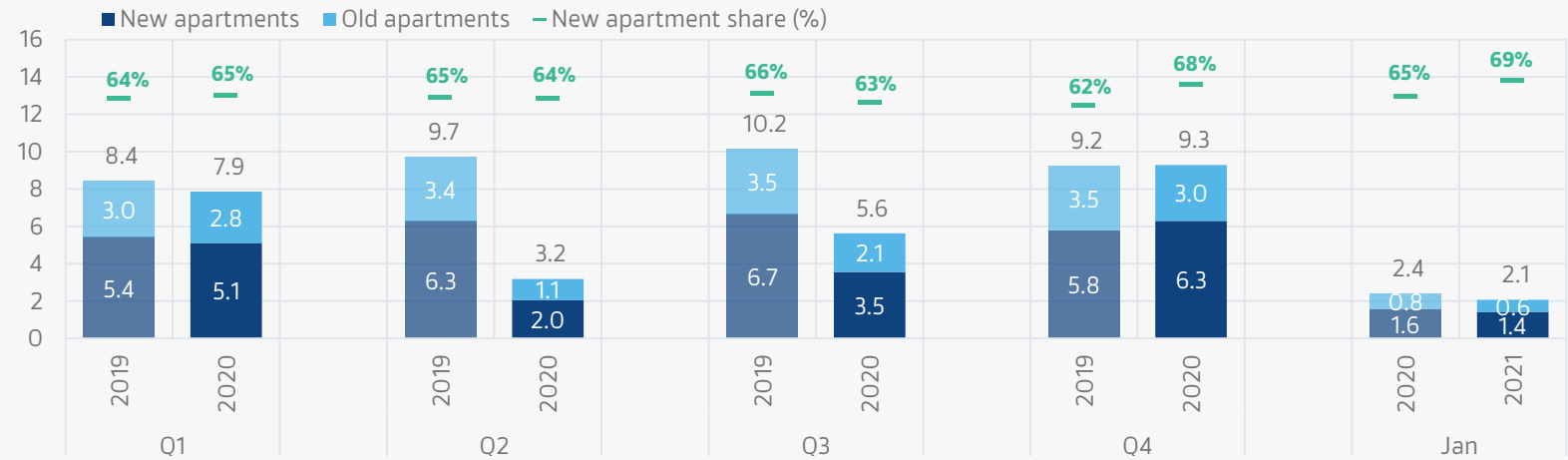
YOY CHANGE (%) IN NUMBER OF TRANSACTIONS



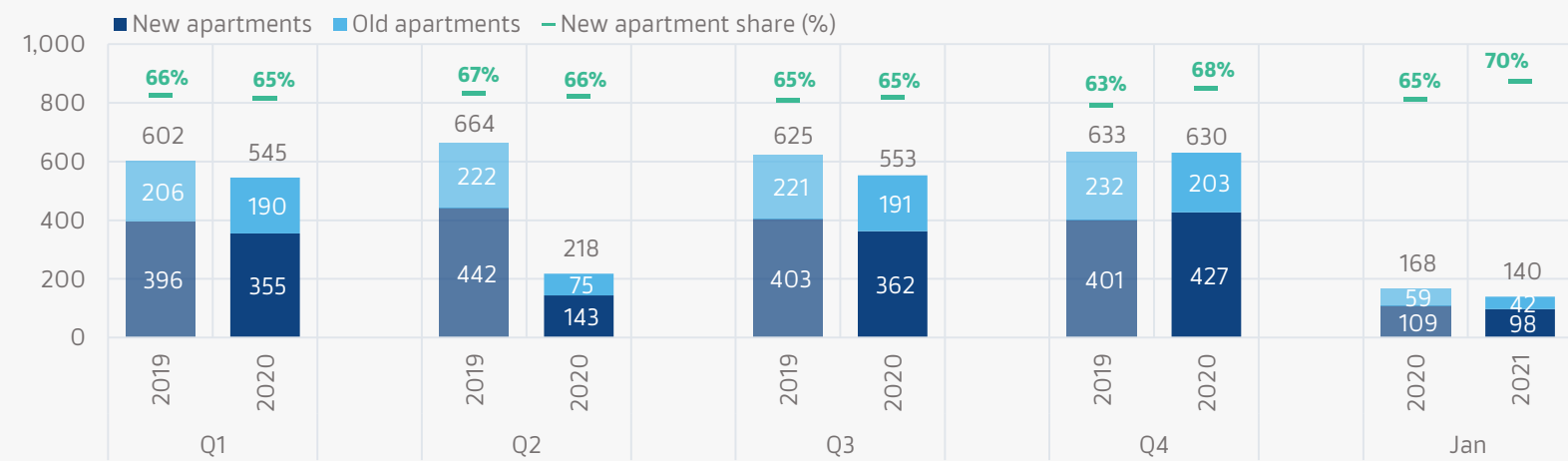
- In January 2021, Tbilisi residential market featured up to 2,100 transactions with a total of circa 140 thousand Sqm area, down by -14% and -17% YoY, respectively. Notably, number of transactions in January stood lower compared to levels of the previous three years, but higher than that of 2016 and 2017
- With the mortgage subsidy program no longer active, decline was also observed for new property transactions for the first time since August 2020. Transaction growth rate amounted -9% YoY for new and -25% for old units in January 2021

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

NUMBER OF SOLD APARTMENTS (000' UNITS)

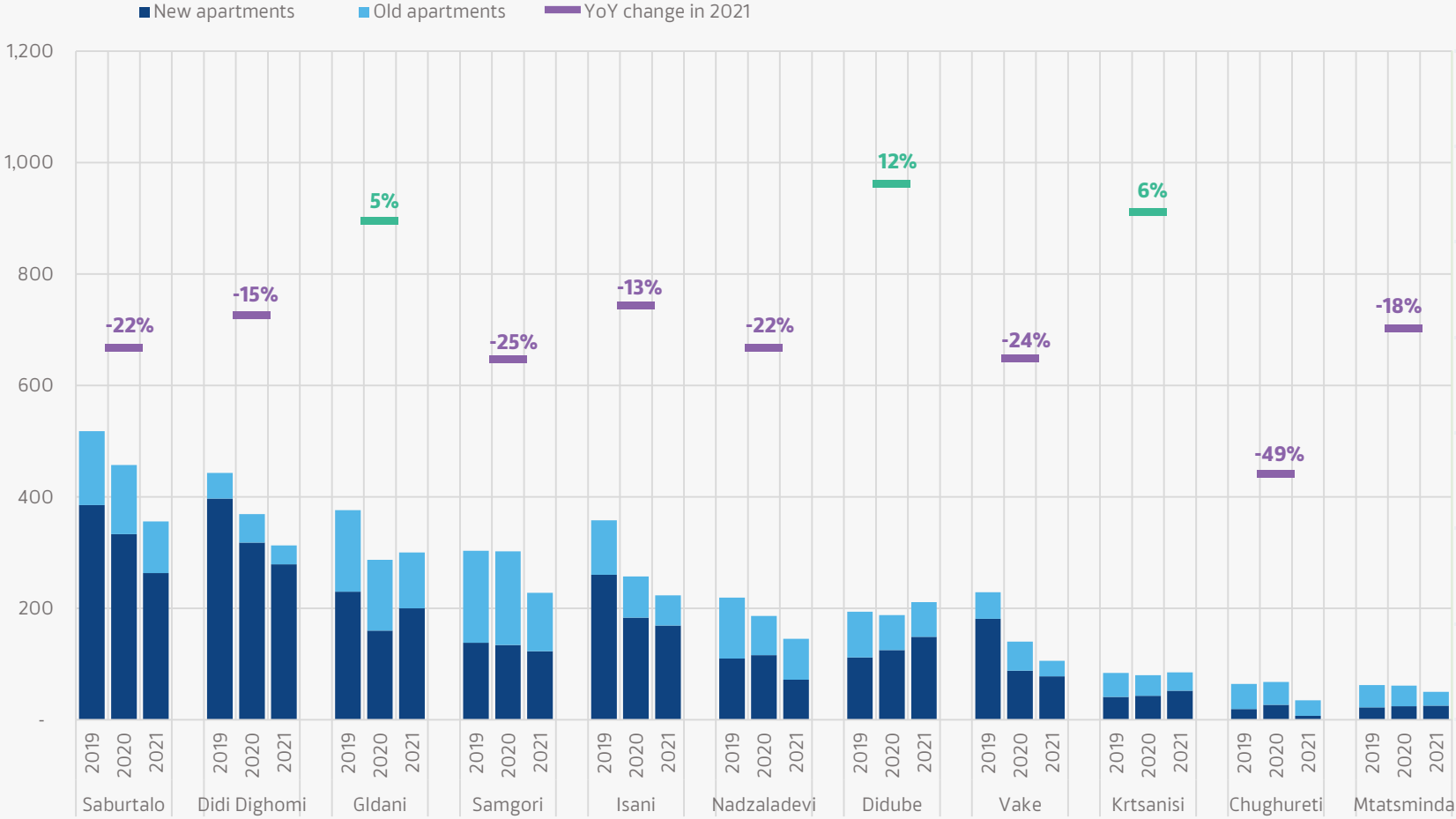


TOTAL AREA OF SOLD APARTMENTS (000' SQM)



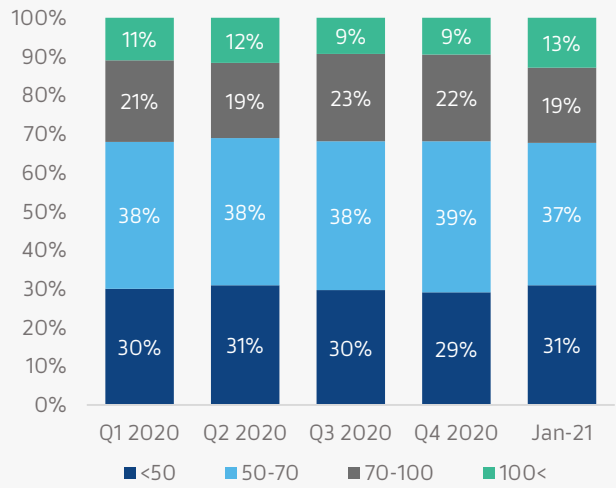
- Circa 1,400 units, encompassing up to 100 thousand Sqm area sold in Jan 2021 were new apartments, while circa 650 units, constituting over 40 thousand Sqm area sold were old units
- Compared to December, the proportion of new apartments declined by only -0.2pp in January 2021, standing at 68.9% (+4pp YoY) as measured by the number of sold units and at 69.8% (+5pp YoY) as measured by total area

NUMBER OF SOLD APARTMENTS (UNITS): JANUARY

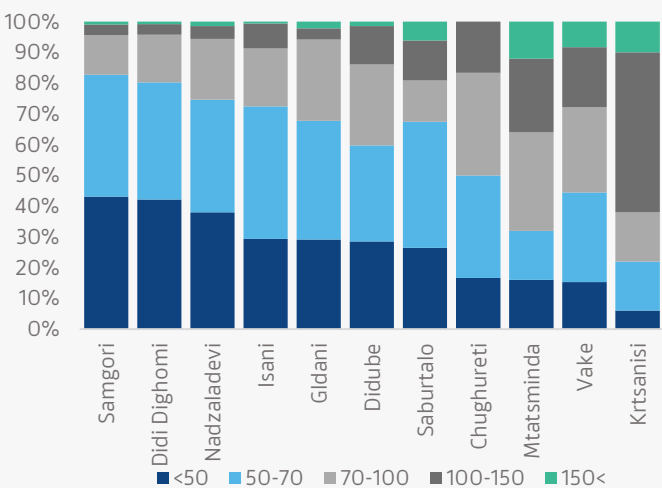


- Number of transactions decreased in most of Tbilisi's districts in January 2021, with the sharpest decline observed in Chughureti (-49% YoY), followed by Samgori (-25% YoY) and Vake (-24% YoY)
- Gldani, Didube and Krtsanisi posted positive growth. In these districts, number of transactions increased by 5% YoY, 12% YoY and 6% YoY, respectively
- In absolute terms, transactions are the most active in Saburtalo, Didi Dighomi and Gldani. Together, the three districts accounted for 46% of total residential space sold in Tbilisi in January
- Chughureti and Mtatsminda remain the least active districts, with only 3 and 4 thousand Sqm residential area sold in January, respectively

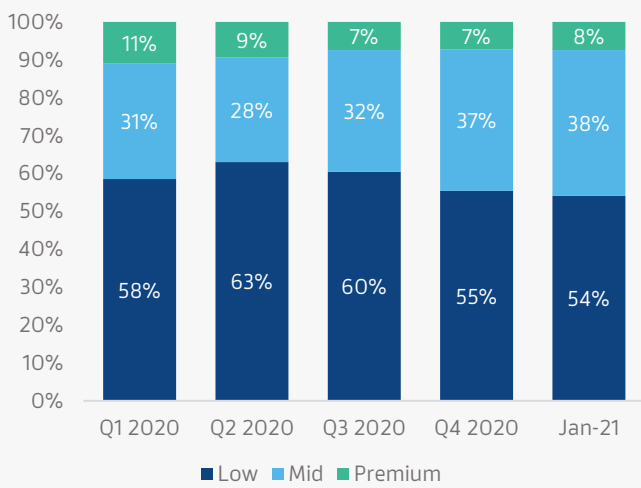
NEW APARTMENTS (AREA, SQM)



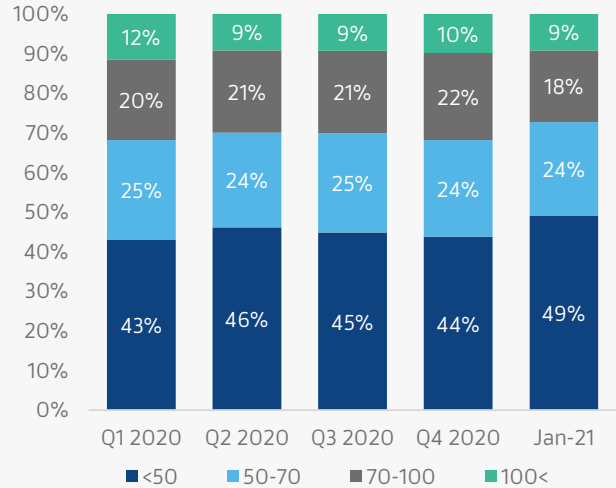
NEW APARTMENTS – JAN 2021 (AREA, SQM)



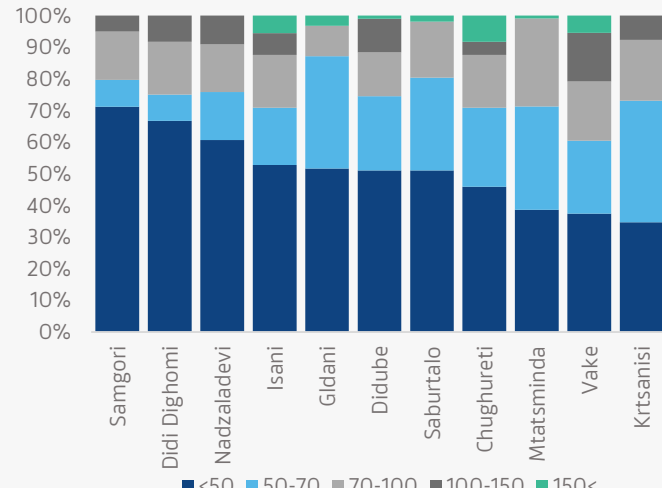
NEW APARTMENTS (PRICE CATEGORY BY SQM*)



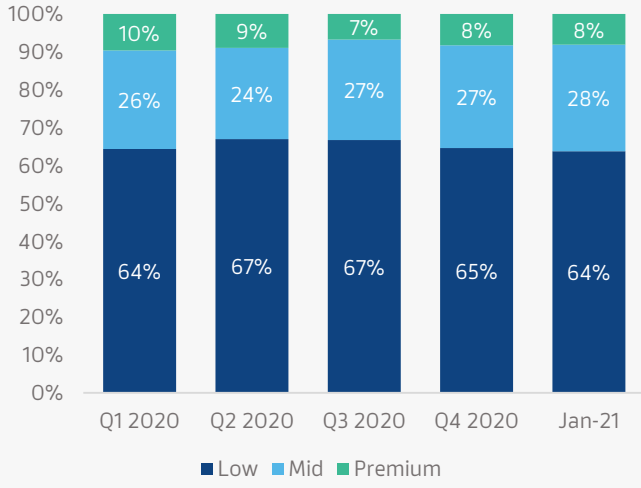
OLD APARTMENTS (AREA, SQM)



OLD APARTMENTS – JAN 2021 (AREA, SQM)



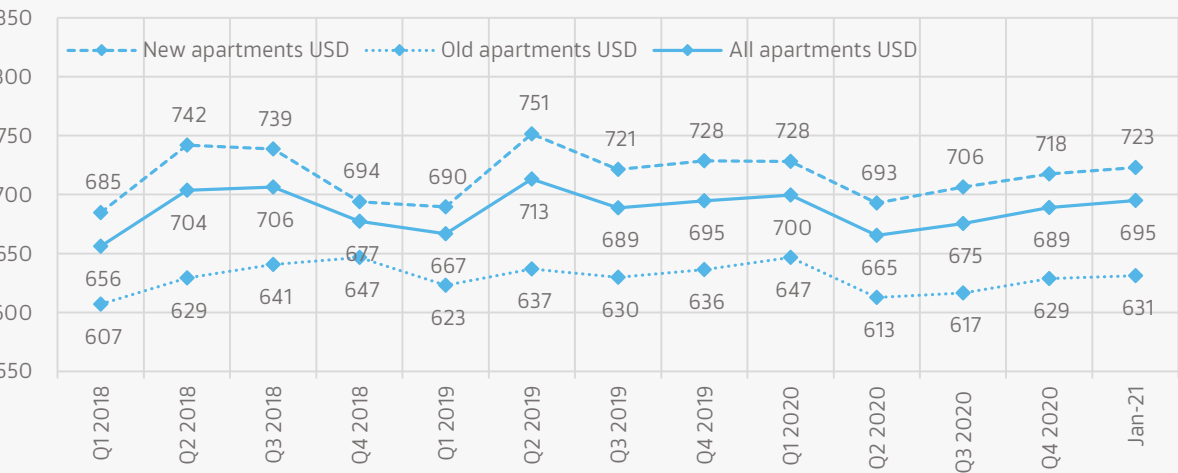
OLD APARTMENTS (PRICE CATEGORY BY SQM*)



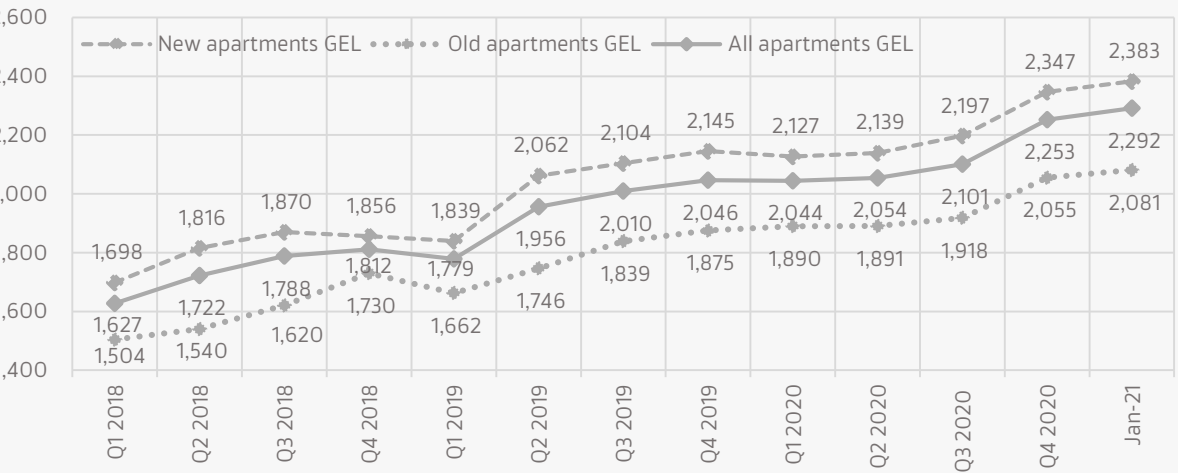
- The proportion of large property transactions increased to 13% from 9% for new properties. In old unit transactions, increase was observed for properties of medium and small size, up to 73% in January from 68% in the end of 2020. The impact of withdrawing the subsidy program on transactions' mix is still to be seen as more data becomes available
- New properties with larger than 100 Sqm area accounted for 36% of the sales in Mtatsminda and 27% in Vake, while new units with <50 Sqm space constituted 43% of the transactions in Samgori and 42% in Didi Dighomi
- Sales of premium segment properties accounted for 8% of new property transactions in January, up from 7% in the 2020 year-end

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

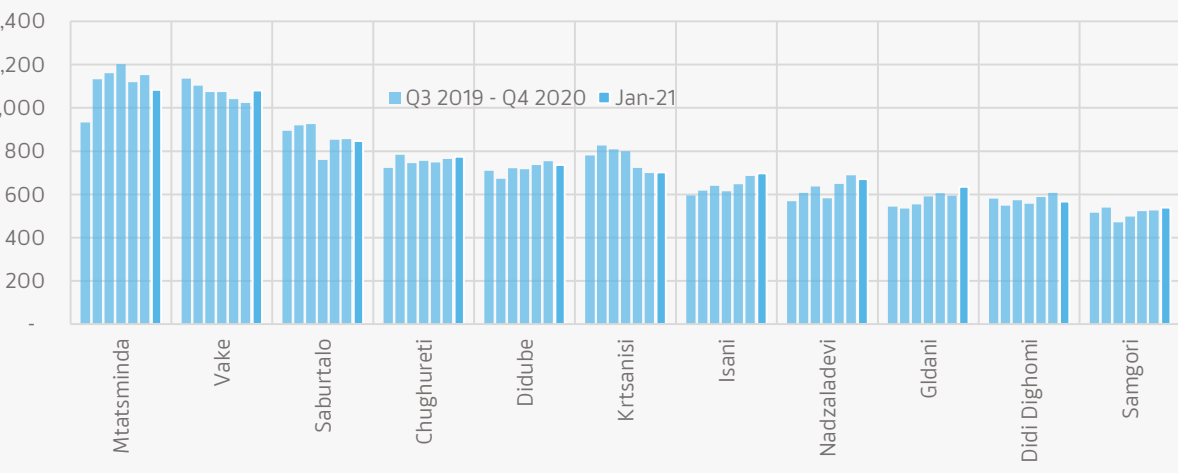
APARTMENT TRANSACTIONS – AVERAGE SALES WEIGHTED PRICE PER SQM (USD)



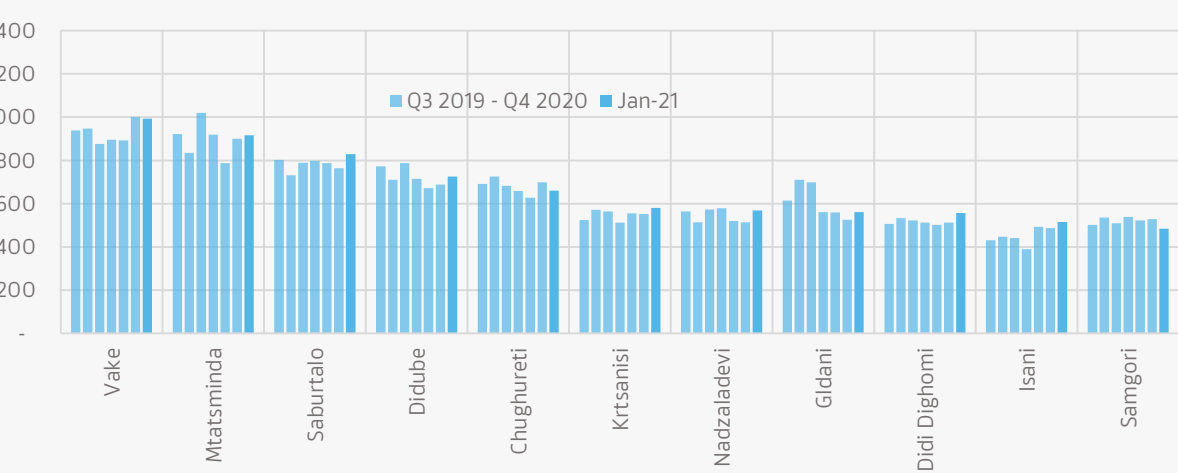
APARTMENT TRANSACTIONS – AVERAGE SALES WEIGHTED PRICE PER SQM (GEL)



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

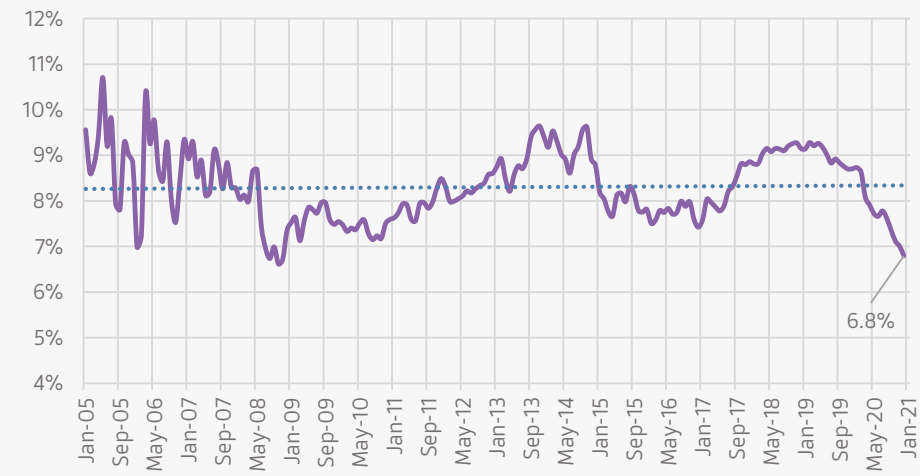


OLD APARTMENTS – AVERAGE SALES WEIGHTED PRICE PER SQM (USD)

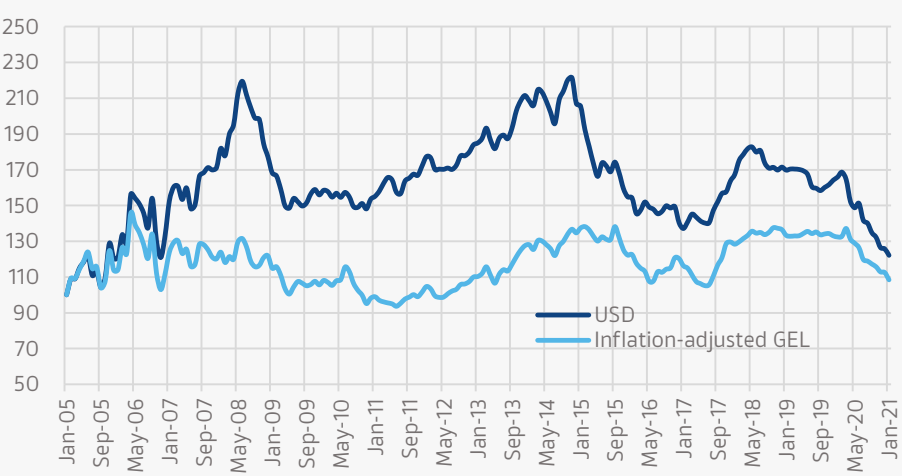


Source: NAPR, TBC Capital

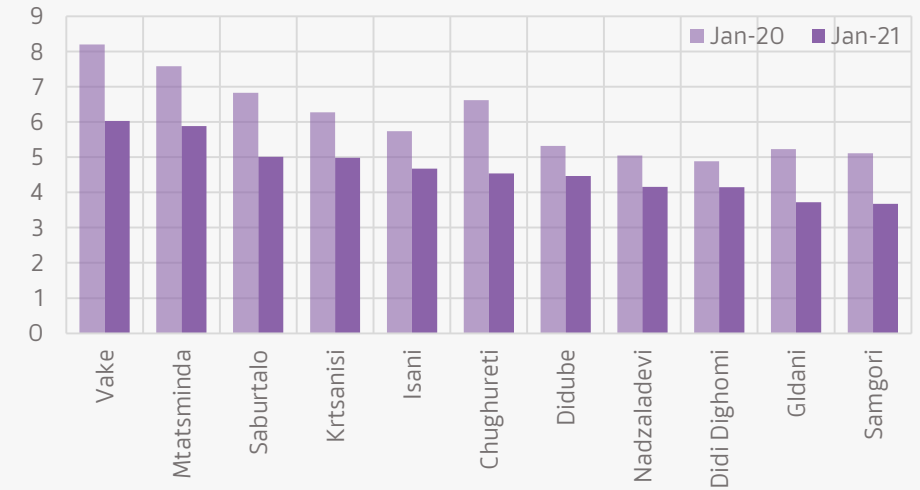
AVERAGE RENTAL YIELD OF RESIDENTIAL PROPERTIES (%)



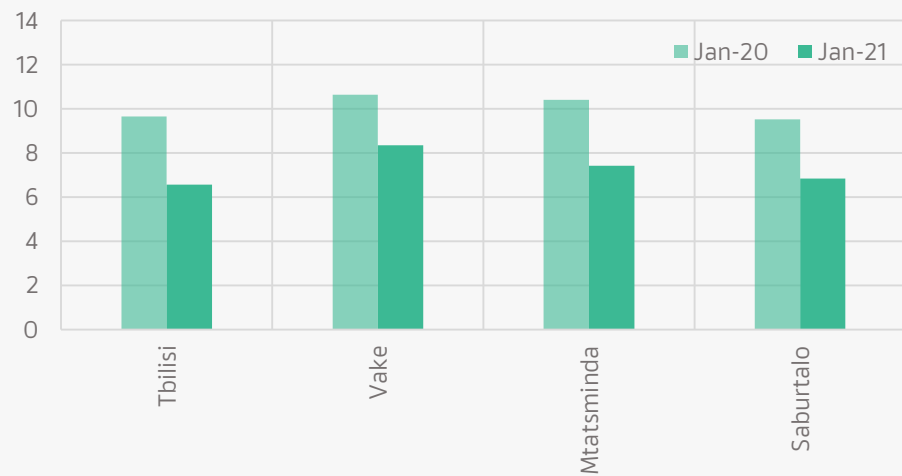
AVERAGE RENT PRICE INDEX (JAN 2005 = 100)



RESIDENTIAL: MONTHLY RENT ASKING PRICES (USD/SQM)

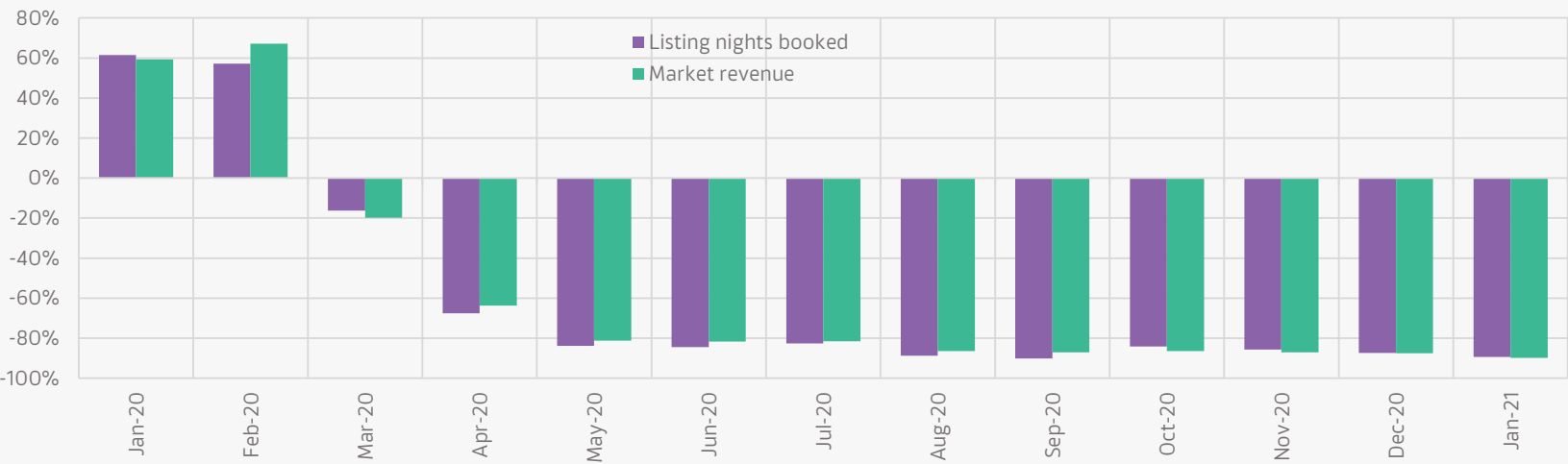


COMMERCIAL: MONTHLY RENT ASKING PRICES (USD/SQM)

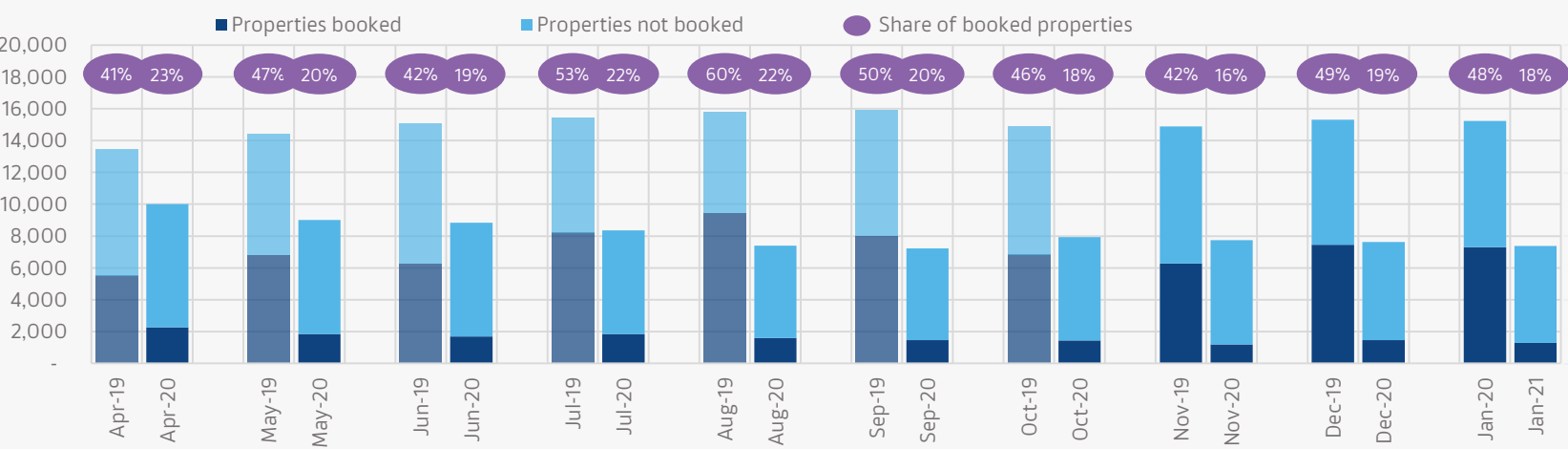


- According to the NBG, the rental yield in Tbilisi stood at 6.8% in December, down from 7.0% in the previous month, falling even lower compared to its long-term average (8.3%)
- The decreasing trend of the rental yield is attributable to declining rent price, which in January 2021 was down by -26% YoY in USD (-3% MoM) and by -18% YoY in inflation-adjusted GEL terms (-4% MoM)
- All districts posted a double-digit annual decline in terms of monthly rent asking prices in January, ranging from -15% to -30%
- Asking rent price also remained sharply down for commercial properties in Tbilisi, displaying -32% YoY decrease in January 2021

TBILISI AIRBNB MARKET: USD ADR AND OCCUPANCY (%)

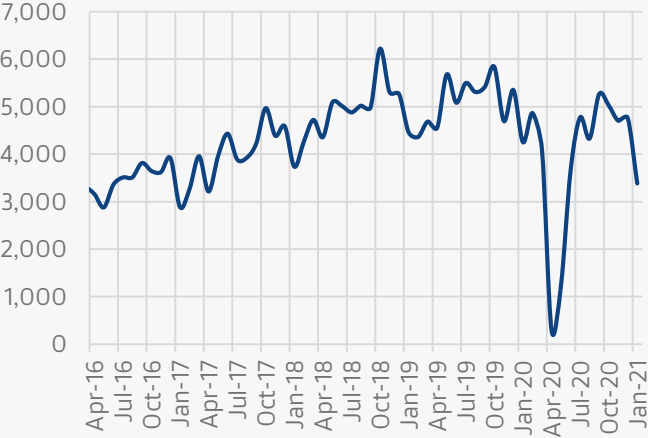


TBILISI AIRBNB MARKET: BOOKING RATE (%)

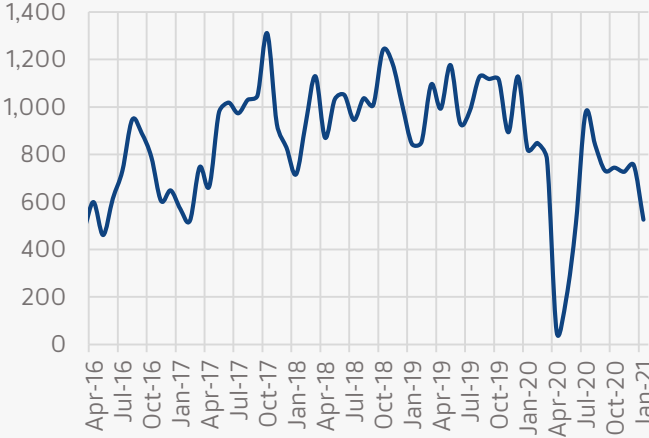


- With international arrivals close to zero, number of nights booked, properties booked and active listings were down by -89%, -82% and -52% YoY on Tbilisi Airbnb market in January 2021, respectively
- The proportion of booked properties has significantly worsened amid the pandemic, down to 18% in January from 48% in the same month of the previous year
- Total revenue generating from Tbilisi Airbnb market decreased by 90% YoY to USD 300 thousand in January

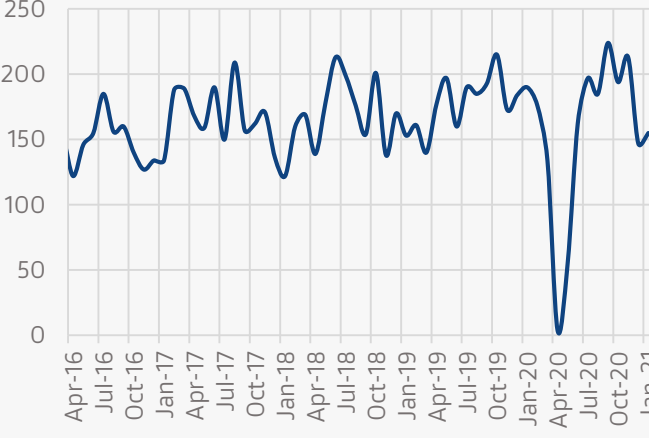
GEORGIA



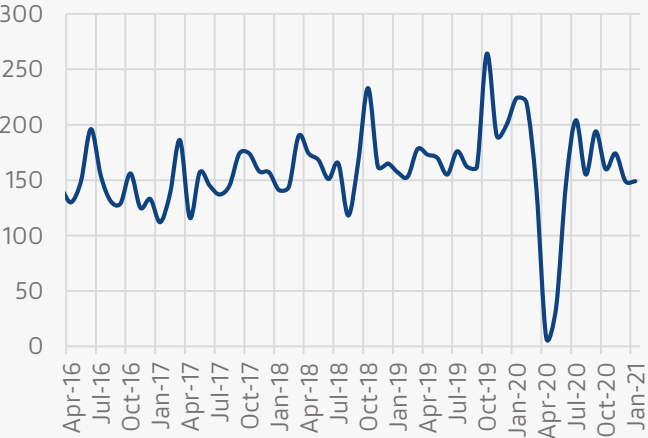
BATUMI*



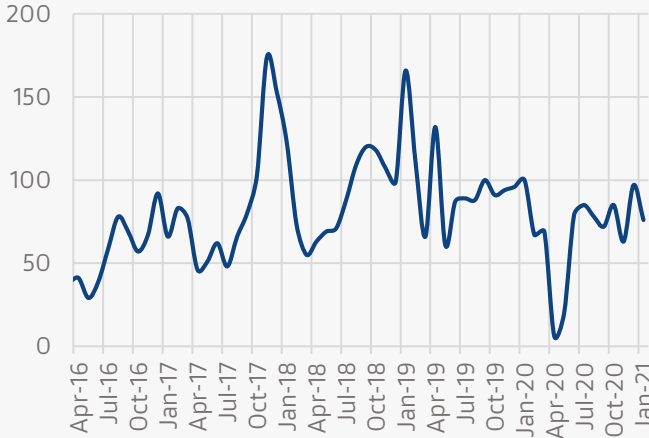
KUTAISI



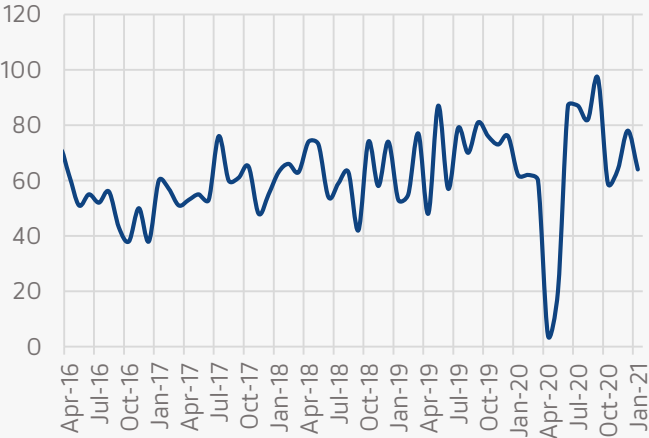
RUSTAVI



BORJOMI

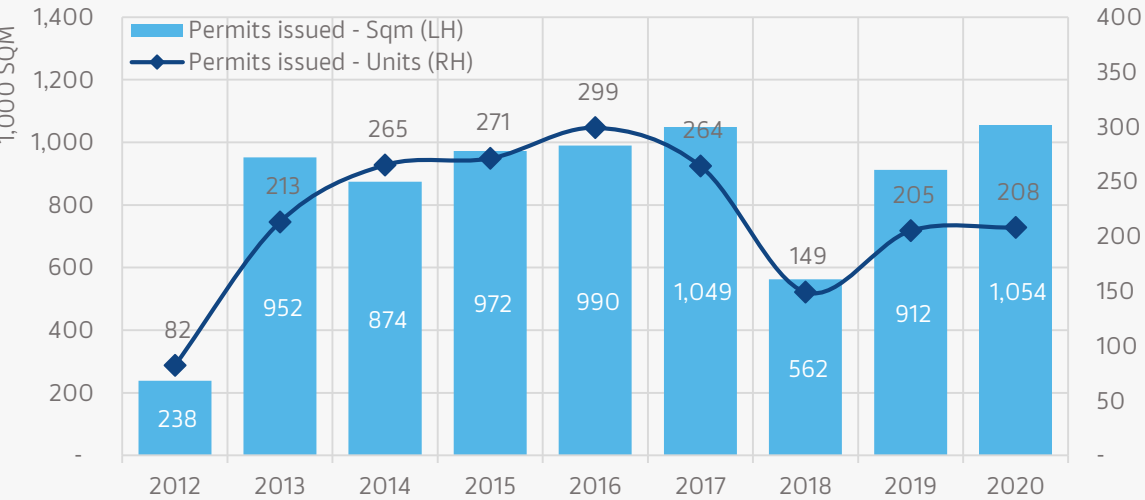


GORI

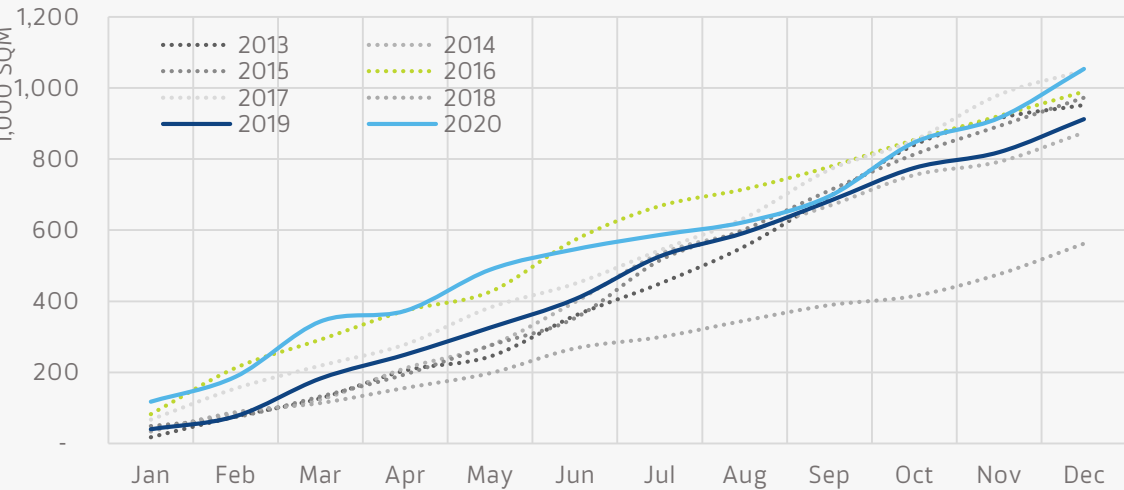


Source: NAPR, TBC Capital; *Adjusted for developer sales not previously reflected in the database

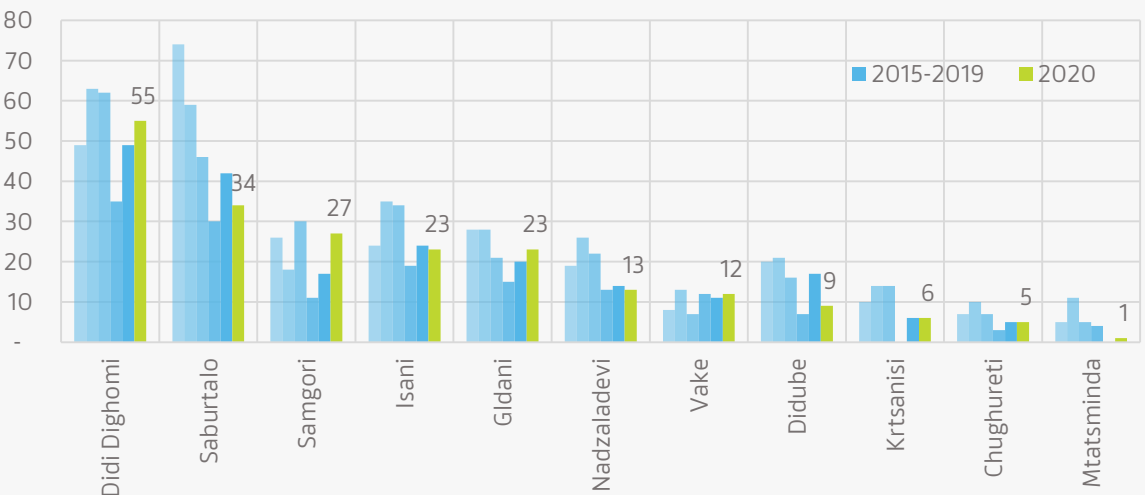
PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN TBILISI (AREA, UNITS)



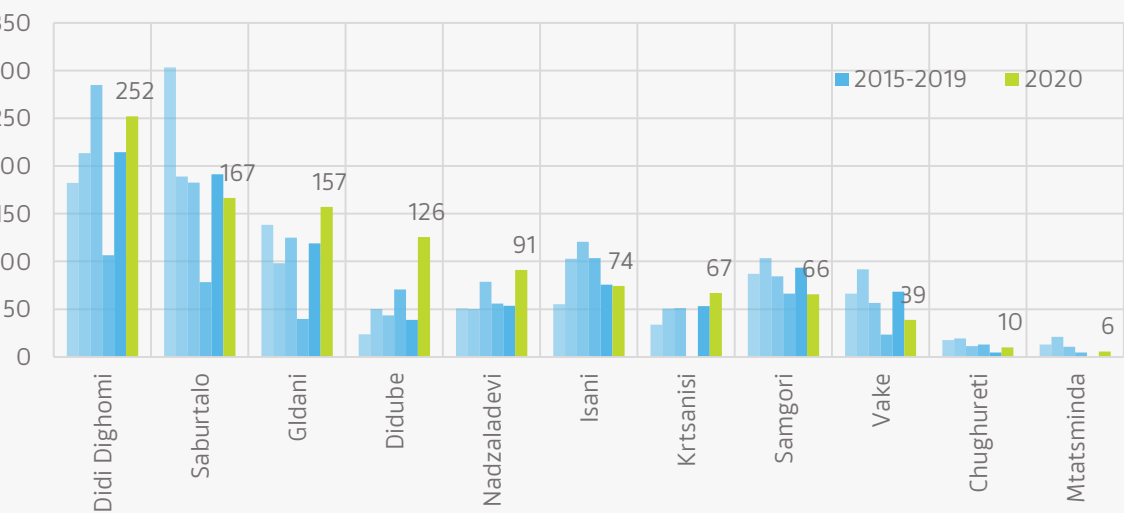
AREA OF PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN TBILISI (CUMULATIVE)



PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN TBILISI (UNITS)



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



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Mary Chachanidze, CFA
Managing Director

Aleksandre Bluashvili
Head of Research

Tamar Zakaidze
Senior Research Associate

Andro Tvaliashvili
Senior Research Associate

Luka Chigilashvili
Research Associate

Vladimer Choghoshvili
Intern



TBC CAPITAL

Otar Nadaraia
Chief Economist, TBC Group

Ana Mjavanadze
Acting Head of Macro-Financial Analysis Department

Juli Avlokhashvili
Analyst

Tel: +995 32 2 272727
Email: research@tbccapital.ge
Web-page: www.tbccapital.ge; www.tbcresearch.ge