

ISET POLICY INSTITUTE REAL ESTATE PRICE INDEX



December 2015

Real estate sale market shows signs of recovery amid Lari depreciation

- Average sale price on residential real estate starts to increase in dollar terms during the last three month of 2015.
- Fisher index on rental prices of residential property falls drastically, decreasing annually by more than 18% terms in October 2015.
- Chughureti is the most expensive district for buying and renting commercial property in Tbilisi.

	Headlines	Oct-2015	Nov-2015	Dec-2015
For Sale	Monthly Index	0.9847	0.9951	0.9826
	Annual Change	-3.8%	-3.5%	-5.2%
	Average Price (per m ²)	\$875.5	\$868.5	\$899.9
For Rent	Monthly Index	0.8265	0.8402	0.8262
	Annual Change	-18.8%	-14.6%	-14.6%
	Average Price (per m ²)	\$7.46	\$7.88	\$7.66

Note: The real estate price index shows the evolution of price for a median residential (or commercial) unit. The price in March 2013 = 1.0

The average residential rental price first fell to 7.46 USD per m² (a historical minimum since the start of the study) in October 2015, and after a slight peak in the following month reached 7.66 USD per m² by the end of the year. The average sale price revealed an increasing pattern during the last three months of 2015, and in December 2015 it amounted to almost 900 USD per m².

Chart 1. Average prices per m² for residential property in Tbilisi (USD)

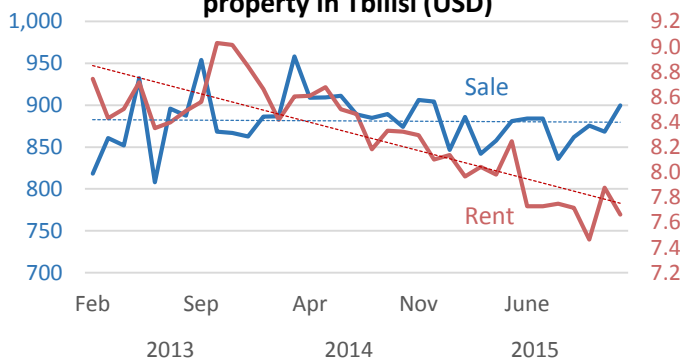
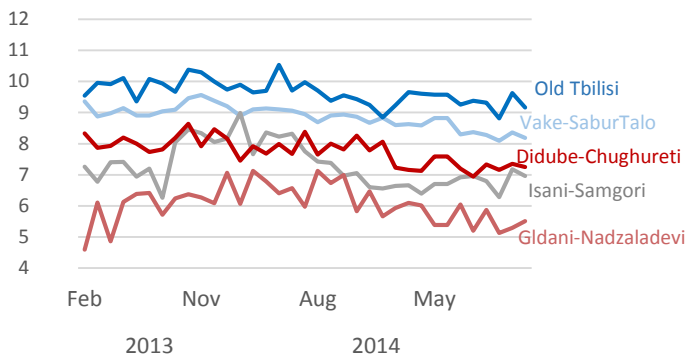


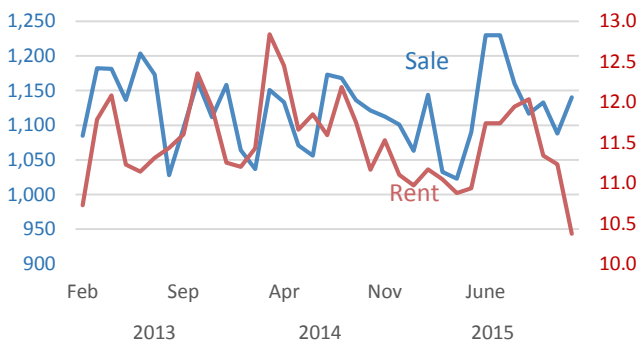
Chart 3. Average rental prices per m² in districts of Tbilisi for residential property (USD)



source: ISET-PI calculations

The situation is somewhat similar on the residential rental market; Old Tbilisi and Vake-Saburtalo are the most expensive areas with average rents of 8.7 and 7.7 USD per m² respectively. The cheapest district for renting flats is still Gldani-Nadzaladevi at 5.0 USD per m² (see Chart 3).

Chart 4. Average prices per m² for commercial property in Tbilisi (USD)

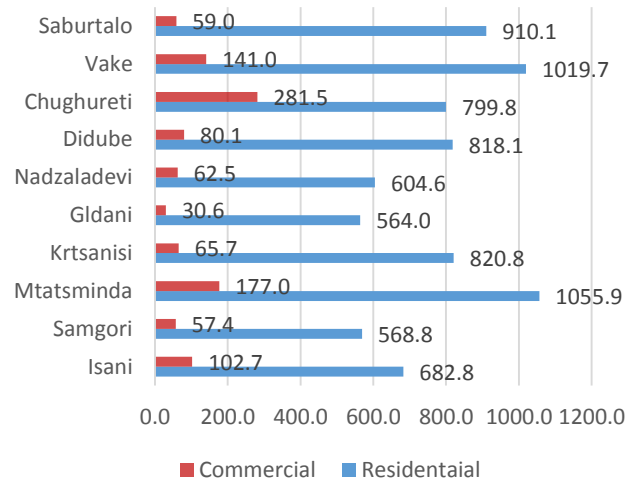


source: ISET-PI calculations

On the commercial property market, the average sales price has declined significantly after its peak in July and went down to 1.14 USD per m² in December 2015. The residential property market suffered a huge drop in rental prices in the last month of 2015, falling to a minimum of 10.37 USD per m² (see Chart 4).

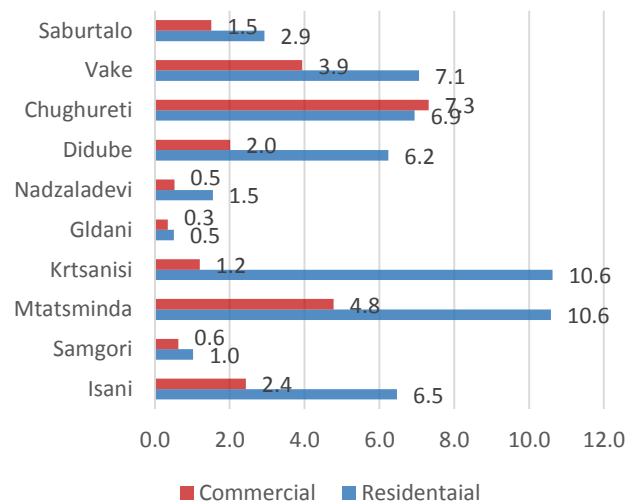
Our report divides Tbilisi into six main districts some of which are quite large (e.g. Vake-Saburtalo) and contain rather diversified areas in term of prices. For example: Vake-Saburtalo contains both real estate in Vake and Dighomi Village, prices of which are expected to be significantly different. To better capture the real estate price distribution across different parts of the capital we split the data into ten administrative districts of Tbilisi and calculate the district-level price statistics for the three months considered.

Chart 5. Average sale prices per m² in districts of Tbilisi for residential and commercial property (USD)



As the Chart shows the most expensive areas for buying residential property for the last three months of 2015 were Mtatsminda and Vake, with averages of 1056 and 1020 USD per m² respectively. The cheapest districts were revealed to be Samgori and Gldani (564 and 569 USD per m²). The most expensive and the cheapest districts in which to rent a property were Krtsanisi and Gldani, with average rental prices of 10.6 and 0.5 USD per m² (Chart 4).

Chart 6. Average rental prices per m² in districts of Tbilisi for residential and commercial property (USD)



The commercial real estate market shows few differences. Chughureti is the most expensive area for both renting and buying commercial real estate (with average sale and rental prices of 282 and 7.3 USD per m² respectively). Gldani is again the cheapest district, with the lowest average sale and rental prices in Tbilisi (31 and 0.3 USD per m²).

The real estate price indices for both the sale and rental of residential property in Tbilisi are provided in Table 1 below.

The indices are calculated using the Fisher Index methodology. The table reports the original index, with prices in March 2013 normalized to 1. The table also reports the annual percentage change as well as the three months on three months percentage changes in residential property prices.

The Fisher Index for sales in October, November and December 2015 was 0.985, 0.995 and 0.983 respectively; it decreased by 5.2% in annual terms in last month. As for the rental price index, in October (0.827), November (0.84) and December (0.83), it continued to decrease by 18.8%, 14.6% and 14.6% respectively compared to the same months of the previous year.

Table 1

	Residential Property for Sale			Residential Property for Rent		
	Fisher Index	3 month on 3 month % change	Annual % change	Fisher Index	3 month on 3 month % change	Annual % change
Mar-13	1.00	N/A	N/A	1.00	N/A	N/A
Apr-13	0.95	N/A	N/A	0.98	N/A	N/A
May-13	1.05	N/A	N/A	1.03	N/A	N/A
Jun-13	0.90	N/A	N/A	0.97	N/A	N/A
Jul-13	1.05	N/A	N/A	0.97	N/A	N/A
Aug-13	1.03	-0.9%	N/A	1.04	-0.8%	N/A
Sep-13	1.11	9.8%	N/A	1.01	1.4%	N/A
Oct-13	1.01	5.0%	N/A	1.10	6.0%	N/A
Nov-13	1.03	6.0%	N/A	1.08	6.8%	N/A
Dec-13	1.03	-3.7%	N/A	1.01	5.3%	N/A
Jan-14	1.04	-1.4%	N/A	1.03	-1.2%	N/A
Feb-14	1.04	-1.1%	N/A	0.98	-5.6%	N/A
Mar-14	1.08	3.1%	8.2%	0.99	-6.1%	-1.0%
Apr-14	1.04	1.9%	9.8%	0.98	-5.4%	0.4%
May-14	1.01	0.5%	-4.0%	1.00	-1.4%	-3.3%
Jun-14	1.03	-2.7%	14.0%	0.99	-0.8%	1.2%
Jul-14	1,01	-3,7%	-3,7%	0,99	1,1%	2,6%
Aug-14	1,04	-1,9%	1,2%	0,97	-0,6%	-6,9%
Sep-14	1,02	-0,5%	-8,6%	0,99	-0,4%	-2,4%
Oct-14	1,02	1,2%	1,6%	1,02	0,0%	-7,1%
Nov-14	1,03	0,0%	0,3%	0,98	1,3%	-8,8%
Dec-14	1,04	0,9%	0,3%	0,98	0,4%	-4,3%
Jan-15	1.06	1.4%	1.5%	0.96	-2.3%	-6.2%
Feb-15	1.04	2.1%	0.0%	0.95	-3.9%	-2.9%
Mar-15	1.00	0.4%	-7.0%	0.84	-7.3%	-14.8%
Apr-15	0.93	-4.7%	-10.3%	0.83	-9.8%	-15.0%
May-15	0.95	-8.0%	-8.0%	0.90	-10.4%	-9.8%
Jun-15	-	-	-	-	-	-
Jul-15	1.02	-1.2%	0.9%	0.91	3.4%	-8.5%
Aug-15	0.99	4.5%	-4.5%	0.93	6.9%	-4.5%
Sep-15	0.99	6.4%	-2.8%	0.94	6.9%	-4.7%
Oct-15	0.98	0.8%	-3.8%	0.83	-0.6%	-18.8%
Nov-15	1.00	-1.5%	-3.5%	0.84	-5.3%	-14.6%
Dec-15	0.98	-1.2%	-5.2%	0.83	-10.4%	-14.6%

Notes:

The data is drawn from the online real estate marketplace. The marketplace collects information about residential and commercial real estate sold in different locations of the country. Data is collected on a daily basis from the marketplace. For the period December 2015, there were 194,614 useable observations. Although we have data from all over Georgia, given limitations with the sample size this analysis is limited to Tbilisi.