



MAY 2014

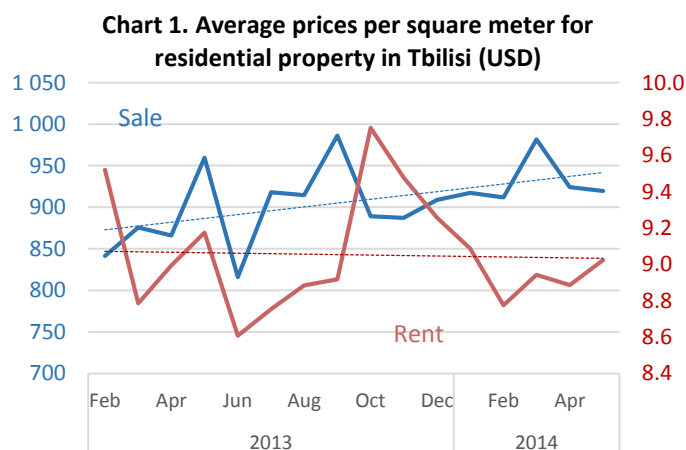
Residential Sales and Rent Prices in Tbilisi Start Declining in May

In May, sale and rental prices for residential property in Tbilisi were lower by 4.0% and 3.3% respectively than in the same month a year earlier.¹

Headlines	Apr-2014	May-2014
Monthly Index (for sale)	1.04	1.01
Annual Change (for sale)	9.8%	-4.0%
Average Price (for sale, per sq. m)	\$ 924.32	\$ 919.64
Monthly Index (for rent)	0.98	1.00
Annual Change (for rent)	0.4%	-3.3%
Average Price (for rent, per sq. m)	\$ 8.9	\$ 9.0

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 selling prices of residential property declined in May, both in monthly and annual terms. Despite this, the trend line on Chart 1 indicates a tendency towards an overall price increase since Feb. 2013. Rent prices showed a decline in annual terms (3.3%, compared to May 2013), but the overall price trend remained stable on the rental market over the year, despite large seasonal fluctuations.

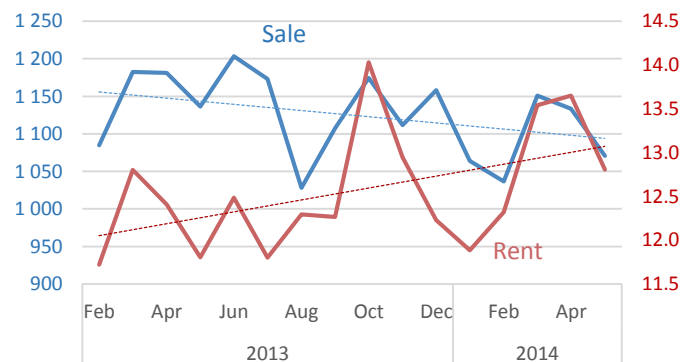


source: ISET-PI calculations

Seasonality is indeed a distinguishing feature of the residential rental market in Tbilisi. Generally, higher rental prices are observed during the fall period and lower prices during the summer. The simple explanation for this phenomenon is that the academic year starts in September and students arrive from their regions/villages during this period. Accordingly, demand for flats increases, implying higher rental prices. The school year lasts until the end of May-June and during these months the demand for rental flats plummets, as students start leaving the city. Rental prices decline accordingly.

As far as the commercial real estate market is concerned, in May the average sale price declined to 1,070.9 USD per sq. m. The average rental price for commercial real estate went down in monthly terms as well, from 13.7 to 12.8 USD per sq. m, but increased by 8.5% relative to May 2013 (see Chart 2).

Chart 2. Average prices per square meter for Commercial property in Tbilisi (USD)

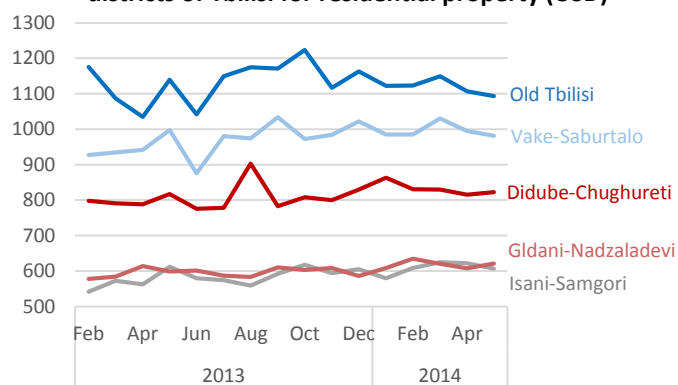


source: ISET-PI calculations

As for an analysis by district, Old Tbilisi remained the most expensive area in May (1,093 USD per sq. m on average), followed by Vake-Saburtalo, with an average price 982 USD per sq. m.

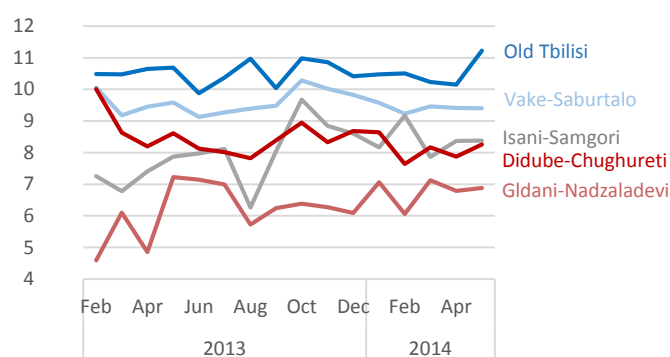
¹ Table 1 at the end of this document gives a comprehensive overview of price changes since March 2013.

Chart 3. Average sales prices per sq. m in districts of Tbilisi for residential property (USD)



source: ISET-PI calculations

Chart 4. Average rental prices per sq. m in districts of Tbilisi for residential property (USD)



source: ISET-PI calculations

The cheapest district became Isani-Samgori (607 USD per sq. m). The average sale price of residential real estate decreased in all districts compared to the previous month, aside from in Didube-Chaghurerti and Gldani-Nadzaladevi. Prices increased in those areas and reached 822 and 621 USD per sq. m respectively.

In rental prices, we see similar trends. Old Tbilisi remained the most expensive district in May, with an average rental price of 10.7 USD per sq. m, followed by Vake-Saburtalo, with an average rental price of 8.9 USD per sq. m. The cheapest district was Gldani-Nadzaladevi (6.4 USD per sq. m). Average rental prices in Isani-Samgori and Didube-Chughureti were 7.9 and 7.8 USD per sq. m, respectively.

The seasonal patterns in rental prices are somewhat different for the different regions of Tbilisi. Chart 4 shows that rental prices in the central districts of Tbilisi and the suburbs move in the opposite direction during the summer months. This can be explained by that fact that the high demand of the tourist season mainly affects the central districts. In Isani-Samgori and Gldani-Nadzaladevi, on the other hand, prices plunge during July and August, reflecting the low demand from the “student segment” of renters.

The real estate price indices for both the sale and rental of residential property in Tbilisi is provided in Table 1 below. The indices are calculated using the Fisher index methodology. The table reports the original index, with the prices of March 2013 normalized to 1, as well as the annual and the three months on three months percent changes in prices for residential property.

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%

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 of May 2014, there were 84,252 useable observations. While we have data from all over Georgia, the analysis herein is limited to Tbilisi given sample size limitations.