



GALT & TAGGART
CREATING OPPORTUNITIES

Regional Residential Real Estate

3Q24 OVERVIEW

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Key Figures in Batumi

3Q22

3Q23

3Q24

Sales

of apartments

4,694

3,900

3,854

Primary

2,792

2,333

2,187

Secondary

1,902

1,567

1,667

Price

US\$ / m²

\$991

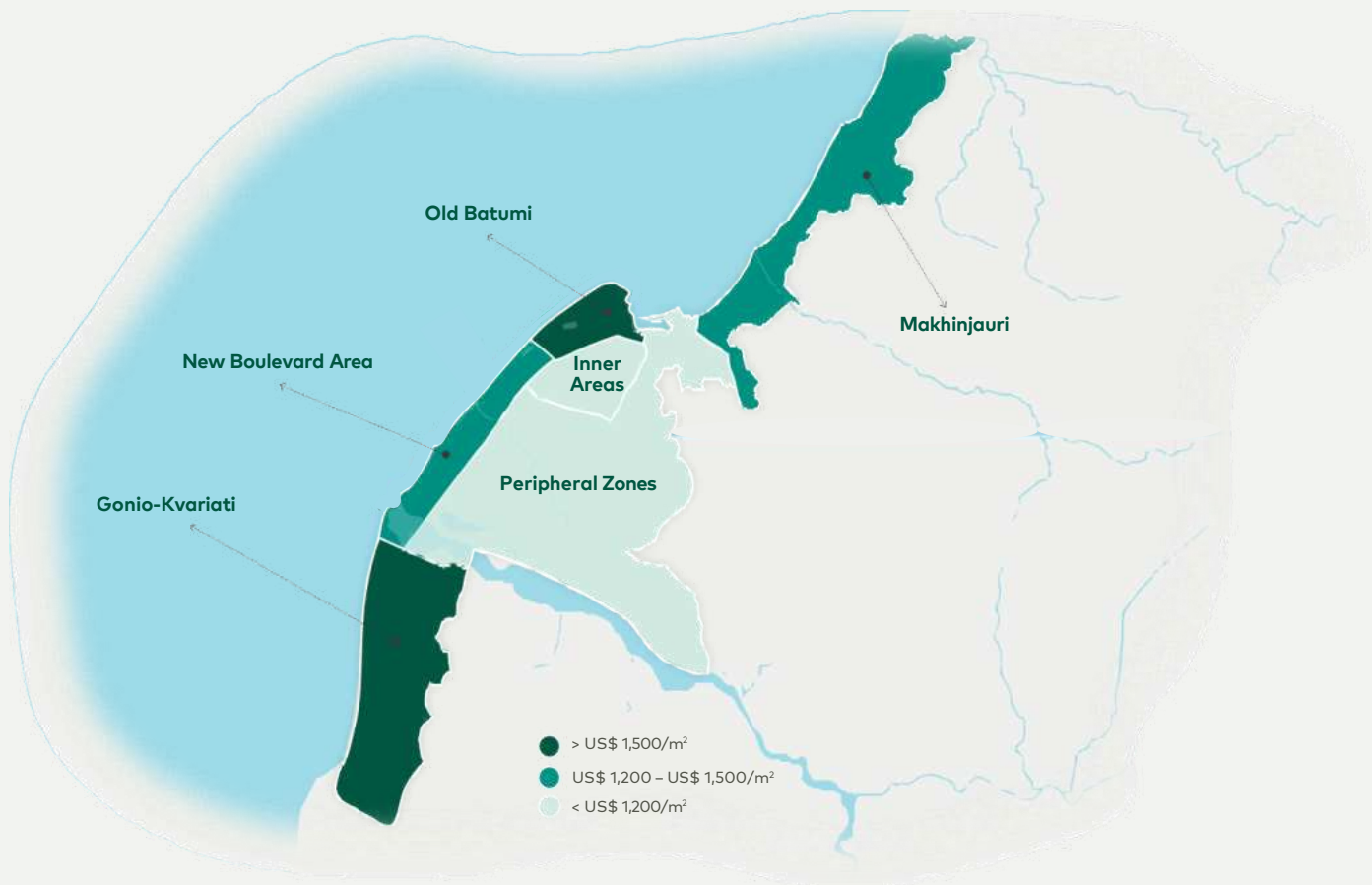
\$1,284

\$1,419



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Real estate sale patterns in 3Q24



OLD BATUMI

Number of sales
255 apartments
Average price
2,103 us\$ / m²
Average rent
10.7 us\$ / m²

GONIO-KVARIATI

Number of sales
138 apartments
Average price
1,887 us\$ / m²
Average rent
N/A

NEW BOULEVARD AREA

Number of sales
2,089 apartments
Average price
1,389 us\$ / m²
Average rent
10.7 us\$ / m²

MAKHINJAURI

Number of sales
234 apartments
Average price
1,301 us\$ / m²
Average rent
N/A

INNER AREAS

Number of sales
709 apartments
Average price
1,150 us\$ / m²
Average rent
10.4 us\$ / m²

PERIPHERAL ZONES

Number of sales
429 apartments
Average price
1,079 us\$ / m²
Average rent
9.8 us\$ / m²

KOBULETI

Number of sales
175 apartments
Average price
1,233 us\$ / m²
Average rent
N/A

Note 1: Batumi includes Makhinjauri and Gonio-Kvariati areas

Note 2: Kobuleti includes Chakvi and Tsikhisdziri areas



3Q24 update

Summary

After record-high demand in 2022-2023, Batumi real estate market experienced a slowdown in 2024. This decline can be attributed to several factors, including a gradual outflow of migrants, rising prices, high interest rates, and domestic political instability. Despite these challenges, Batumi's real estate market remains one of the highest-yielding in comparison to many peer cities, and prices continue to rise, albeit at a slower pace. We expect prices to stabilize at current levels in 2025 and see upside potential if interest from foreign buyers increases further.

Residential market in Adjara

In October 2024, we carried out a survey involving 6 systematic developers with ongoing construction projects in Batumi. According to the survey results, the number of apartments sold on the primary market dropped by 22.9% y/y in 9M24. This decline was primarily driven by reduced sales to locals and Russian buyers. However, sales to Israeli citizens increased by nearly 55% y/y, and sales to nationals from other foreign countries showed a modest decline. To sustain foreign demand in the future, rental yields will need to remain attractive.

Similarly, sales on the secondary market also decreased in 9M24, falling by 10.0% y/y to a total of 4,752 apartments. This decline was mainly attributed to the gradual outflow of migrants.



Price growth continued on Batumi primary market (+3.0% q/q), although the pace of price increase has slowed down. Throughout 2022-23, the monthly price growth rate on the primary market was 2-3%, but it has now fallen below 1% in 2024.

In 9M24, the total market value of apartments sold in Batumi stood at US\$ 675.5mn, down by 10.0% y/y, reflecting decline in apartment sales.

In Sep-24, rental rates in Batumi were down as expected compared to Jun-24, related to the end of tourism season. Notably, rental yield still remains high standing at 9.0%, considerably above peer cities.

Given the scarce land resources in Batumi, the growth of real estate development initially expanded in the nearby areas of the city, Gonio-Kvariati (15 ongoing projects) and Makhinjauri (19 ongoing projects). Currently, it has expanded further along the coastal line of Adjara, encompassing areas such as Chakvi, Tsikhisdziri, Kobuleti, and Shekvetili (20 ongoing construction projects in total).

In 3Q24, weighted average price on the primary market in Kobuleti reached US\$1,233/m² (+5.0% y/y). Cumulatively in 9M24, 495 transactions were registered in Kobuleti, down 33.5% y/y.



Residential market in Bakuriani

In 3Q24, the number of apartments sold in Bakuriani reached 352 units, up 51.1% y/y. This increase was mainly driven by late registration effect. In 3Q24, small-sized apartments (26-50 m²) accounted for 78.6% of total sales, in line with existing trend. Moreover, 53.4% of sales were recorded in budget segment (< \$1,000). Currently, total of 16 residential projects are available for sale on the primary market in Bakuriani.

In 3Q24, weighted average price of apartments in Bakuriani was up by 5.4% y/y, reaching US\$1,035/m². Total market size of apartments sold in Bakuriani stood at US\$ 16.6mn, up by 62.7% y/y.

Residential market in Gudauri

In 3Q24, the number of apartments sold in Gudauri reached 64 units, down 34.7% y/y. In 3Q24, small-sized apartment (26-50 m²) sales accounted for 76.9% of total sales. Moreover, 43.8% of sales were recorded in the midscale segment (\$1,001 – 1,500). Total of 6 residential completed projects are available for sale on the primary market in Gudauri.

In 3Q24, weighted average price of apartments in Gudauri slightly decreased to US\$ 1,417/m². Total market size of apartments sold in Gudauri stood at US\$ 3.9mn, down by 18.5% y/y.

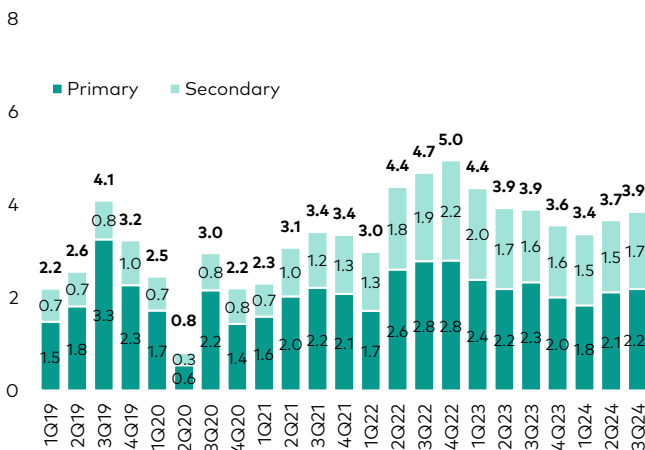


Residential market in Batumi

Methodological note - we divide real estate sales in three categories:

- 1) **Primary sales** – real estate sold directly by construction companies/developers
- 2) **Secondary sales in new projects** – real estate sold by an individual owner in projects built by construction permits issued after 2013
- 3) **Secondary sales in old projects** – real estate sold by an individual owner in projects built by construction permits issued before 2013

Figure 1: Number of sold apartments in Batumi by quarter, '000



Source: NAPR, Galt & Taggart

Figure 2: Number of sold apartments in Batumi by year, '000

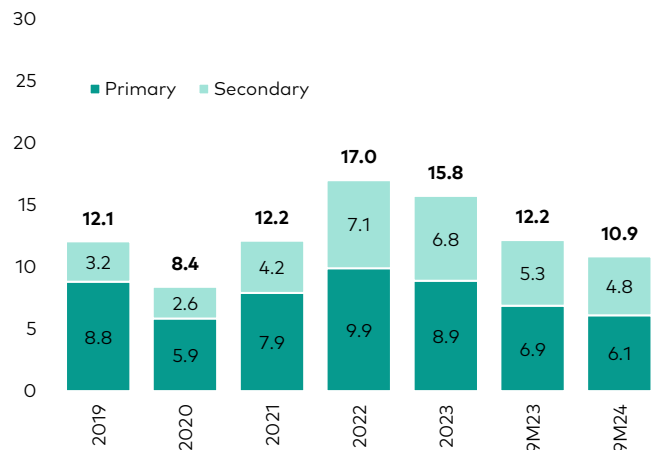
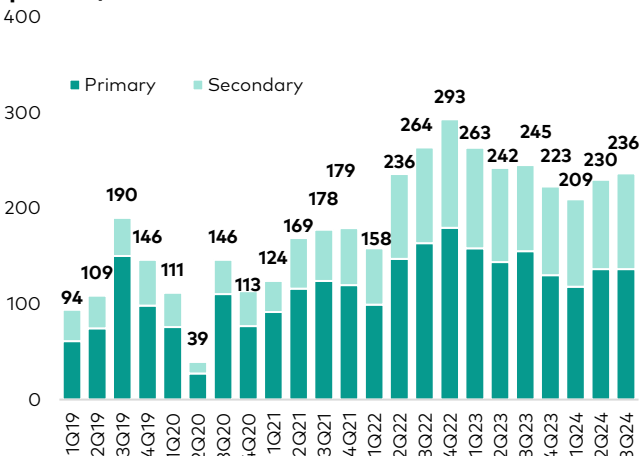


Figure 3: Real estate market size in Batumi by quarter, US\$ mn



Source: NAPR, Galt & Taggart

Figure 4: Real estate market size in Batumi by year, US\$ mn

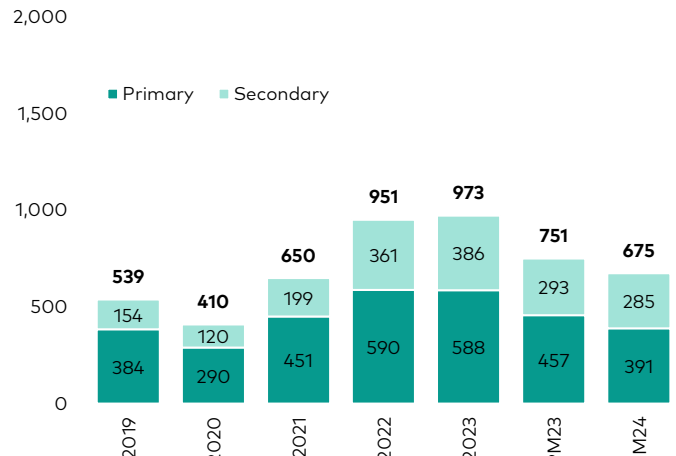
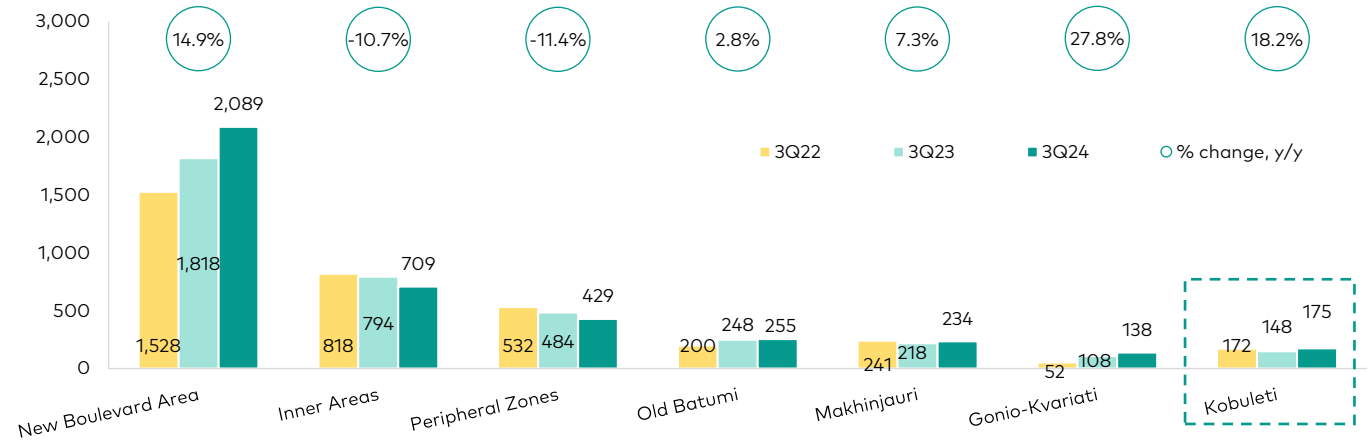


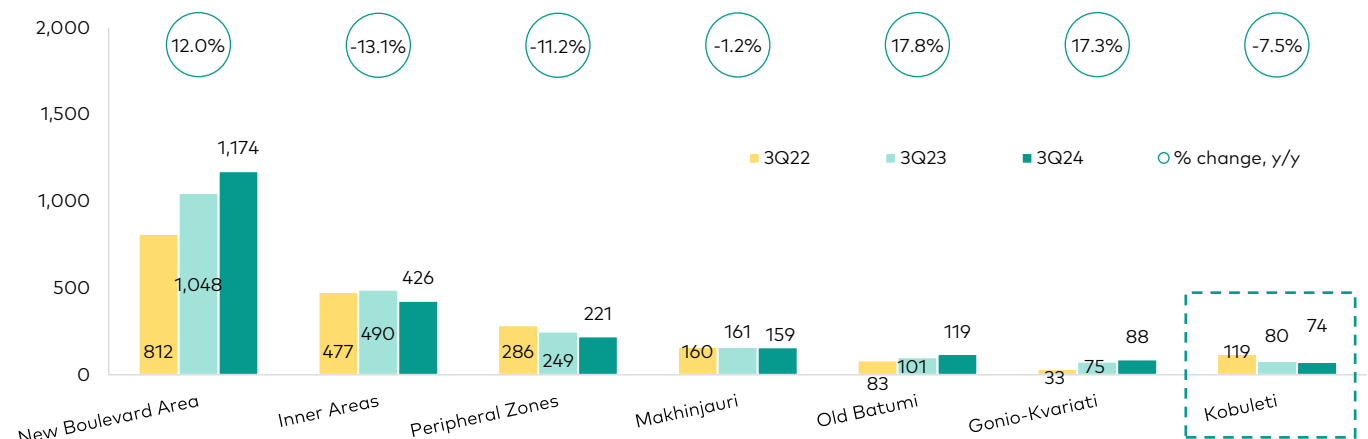


Figure 5: Number of sold apartments by districts (primary and secondary markets combined)



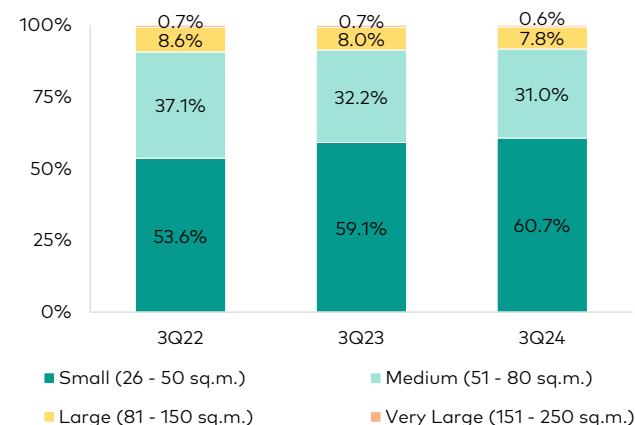
Source: NAPR, Galt & Taggart

Figure 6: Number of sold apartments on the primary market by districts



Source: NAPR, Galt & Taggart

Figure 7: Real estate sales in Batumi by size (% of total apartments sold)



Source: NAPR, Galt & Taggart

Figure 8: Real estate sales in Batumi by segments (% of total apartments sold)

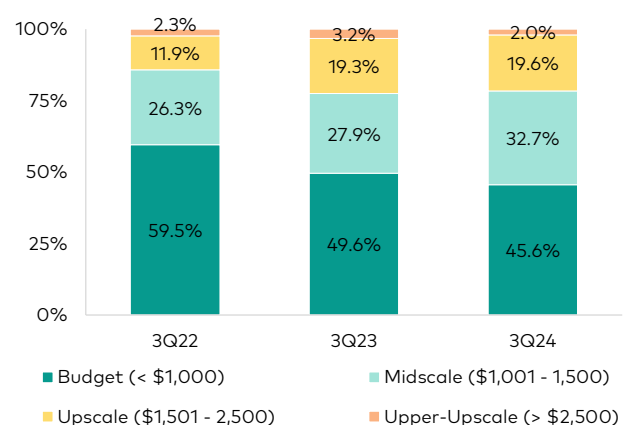
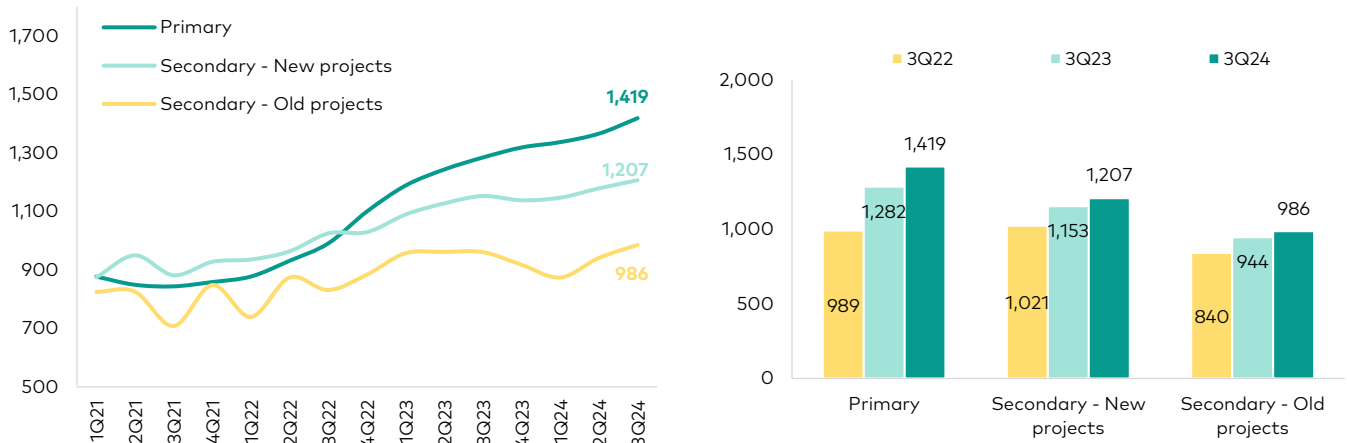


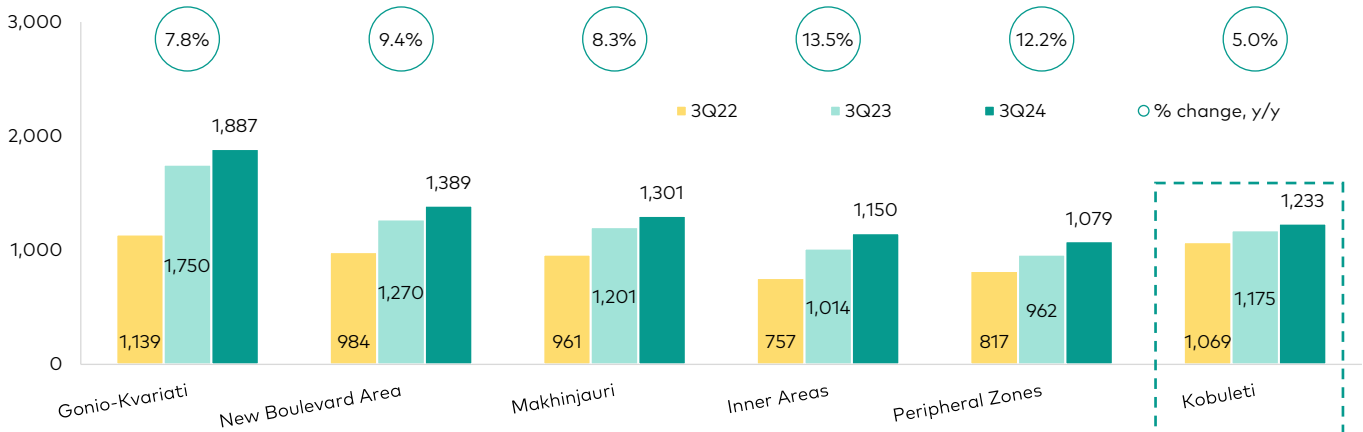


Figure 9: Real estate weighted average prices in Batumi by type, US\$/m²



Source: NAPR, Galt & Taggart

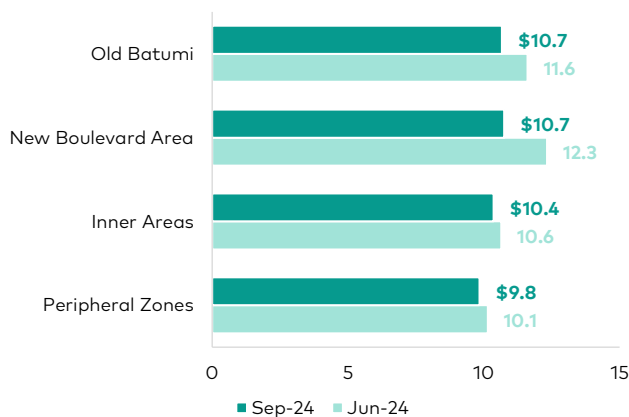
Figure 10: Real estate prices on primary market for white frame apartments by districts, US\$/m²



Source: Galt & Taggart

Note Old Batumi district is excluded due to small size of a sample

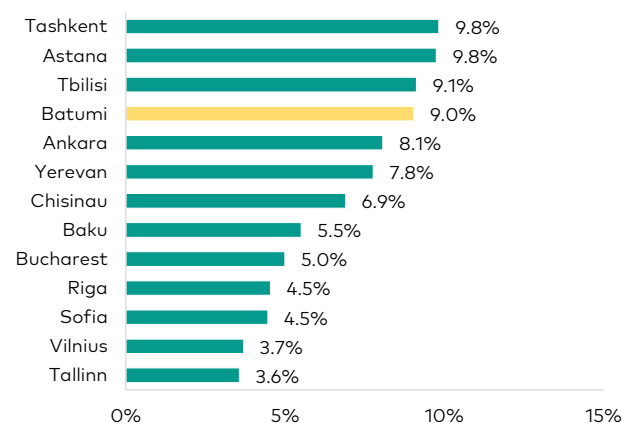
Figure 11: Real estate weighted average rent prices by districts, US\$/m²



Source: Numbeo, Galt & Taggart

Note: Rents are displayed for 30-60 m² apartments in Batumi. Some districts are excluded due to small sizes of samples

Figure 12: Rental yields outside city centre, Sep-24





Survey of selected developers

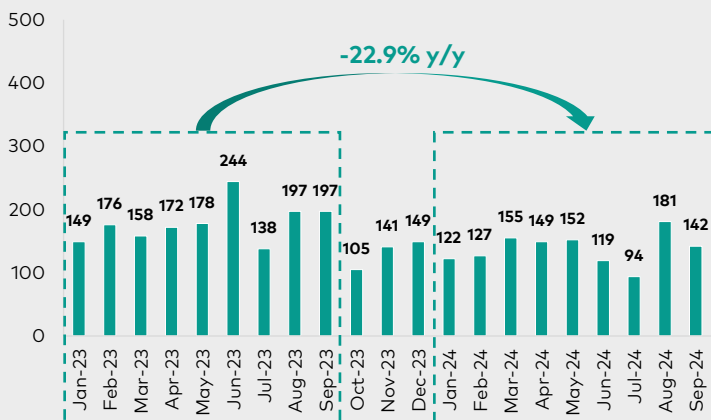
Box 1: Results of Galt & Taggart survey of systematic developers

In October 2024, we conducted a survey of 6 systematic developers with ongoing construction projects in Batumi. The aim was to address delays in the registration of apartment sales on the primary market and stay informed about the real time market trends.

Based on survey results:

- After a record-high 2022-23 years, the pace of apartment sales has slowed down in 2024. The number of apartments sold on the primary market decreased by 22.9% y/y in 9M24.
- This decline was primarily driven by reduced sales to locals and Russian buyers. However, sales to Israeli citizens increased by nearly 55% y/y, and sales to nationals from other foreign countries showed a modest decline. Sustaining foreign demand in the future will require rental yields to remain at attractive levels.

Figure 13: Sales in projects of selected developers in Batumi, number of apartments

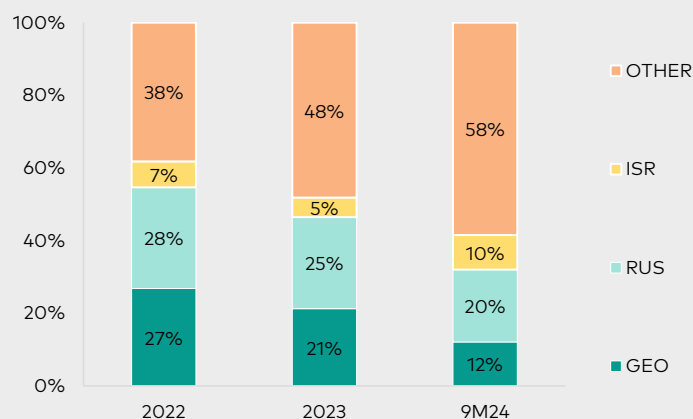


Source: Galt & Taggart survey of selected developers

In 2024, the pace of sales slowed down due to:

- Gradual outflow of migrants
- Rising prices
- High interest rates globally
- Unstable domestic political environment.

Figure 14: Breakdown of real estate sales by citizenship on the primary market in Batumi



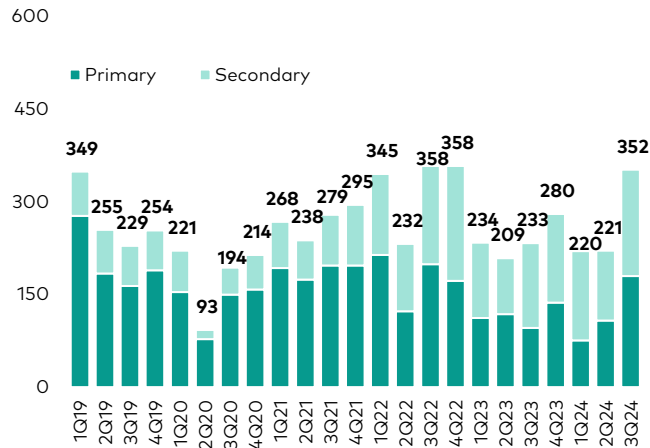
Source: Galt & Taggart survey of selected developers

- Investment attractiveness of Batumi real estate has boosted demand from foreign buyers, who represent the majority of purchasers. Meanwhile, the share of local buyers in total sales of selected developers decreased from 27% to 12% between 2022 and 2024.
- Notably, the share of Russian citizens has been declining, with Israeli citizens taking their place.
- In 2024, citizens of 28 different foreign countries purchased an apartment in Batumi, while this number was 12 in 2020.



Residential markets in Bakuriani and Gudauri

Figure 15: Number of sold apartments in Bakuriani by quarter



Source: NAPR, Galt & Taggart

Figure 16: Number of sold apartments in Bakuriani by year

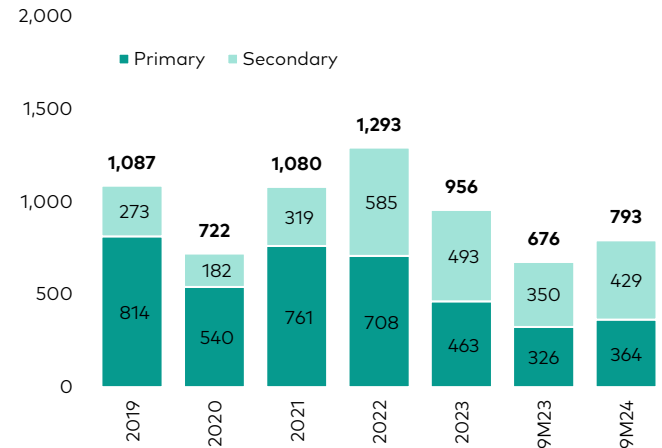
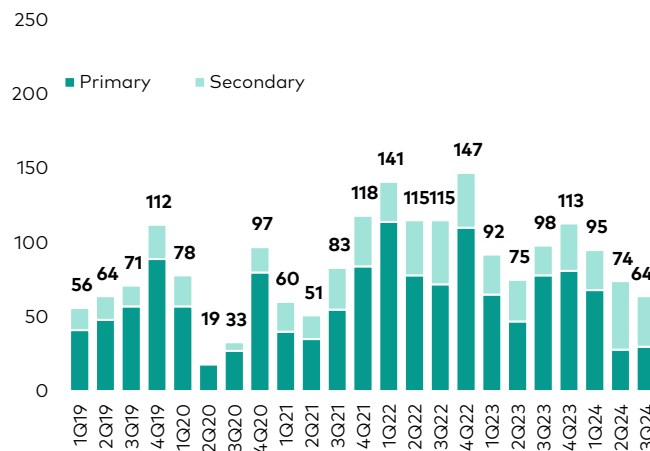


Figure 17: Number of sold apartments in Gudauri by quarter



Source: NAPR, Galt & Taggart

Figure 18: Number of sold apartments in Gudauri by year

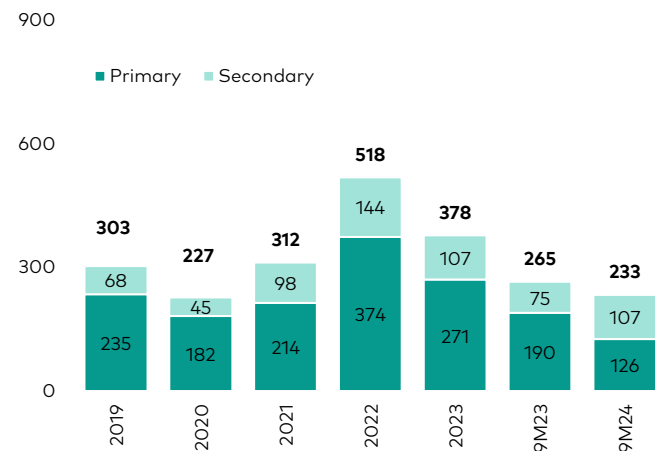
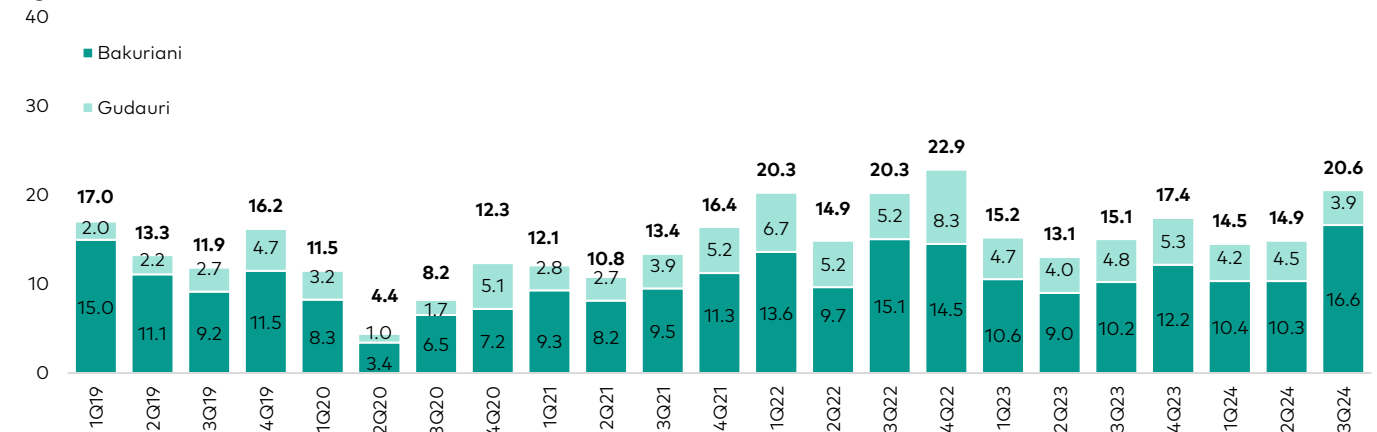


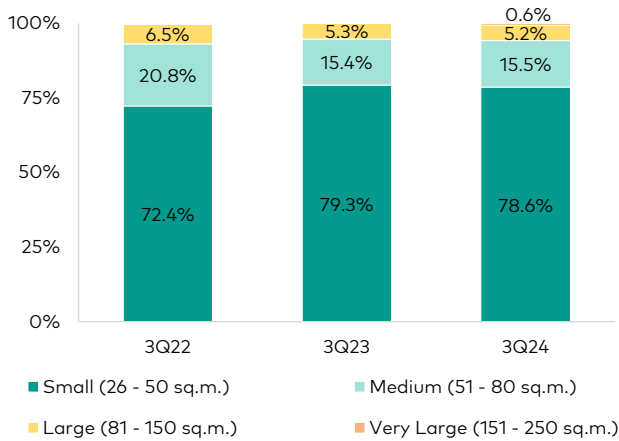
Figure 19: Real estate market size in Bakuriani and Gudauri, US\$ mn



Source: NAPR, Galt & Taggart



Figure 20: Real estate sales in Bakuriani by size (% of total apartments sold)



Source: NAPR, Galt & Taggart

Figure 21: Real estate sales in Bakuriani by segments (% of total apartments sold)

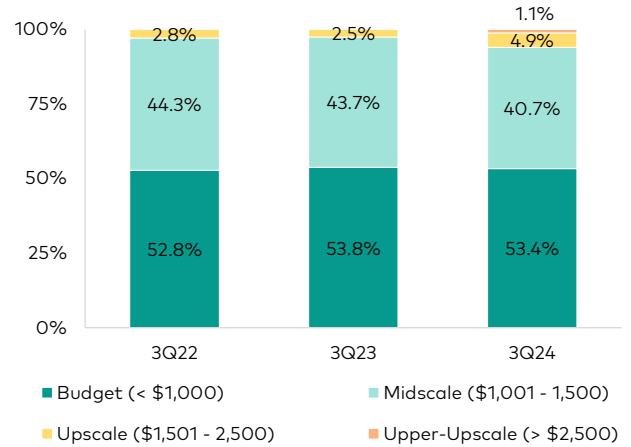
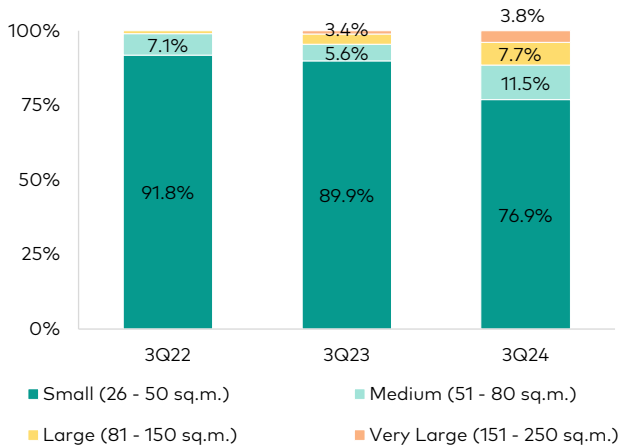


Figure 22: Real estate sales in Gudaure by size (% of total apartments sold)



Source: NAPR, Galt & Taggart

Figure 23: Real estate sales in Gudaure by segments (% of total apartments sold)

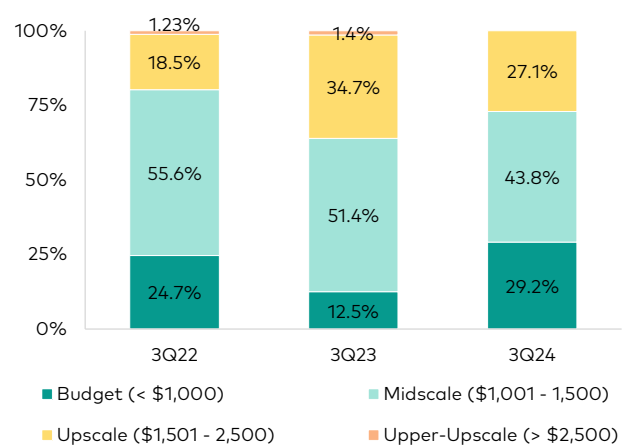
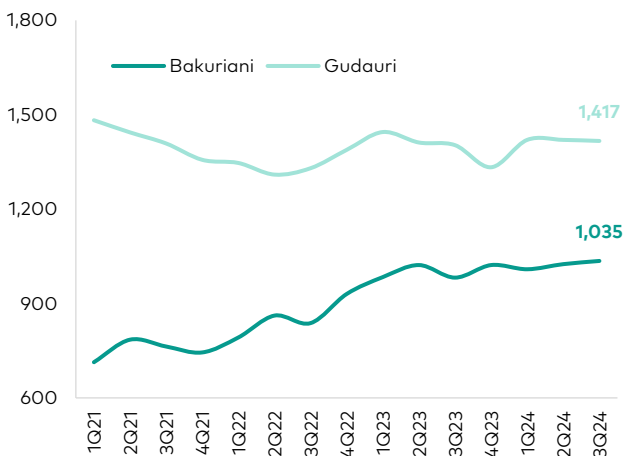
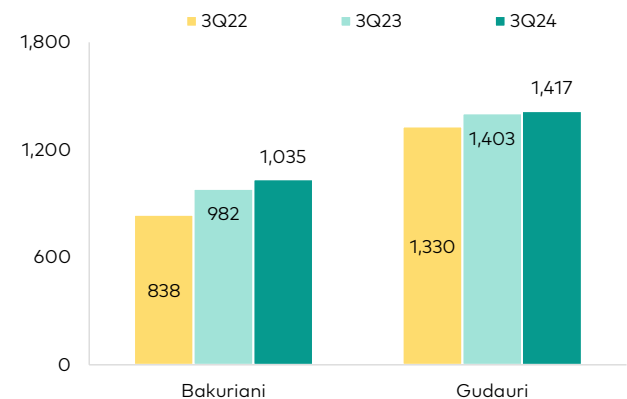


Figure 24: Real estate prices on primary market for white frame apartments by cities, US\$/m²



Source: NAPR, Galt & Taggart





Annex

Table 1: Real estate sales by cities – value, number and area, 9M24

City	Value (mn US\$)	Number	Area ('000 m ²)
Batumi	675.5	10,895	556.4
Bakuriani	37.3	793	36.3
Kobuleti	26.9	495	25.2
Gudauri	12.6	233	10.0

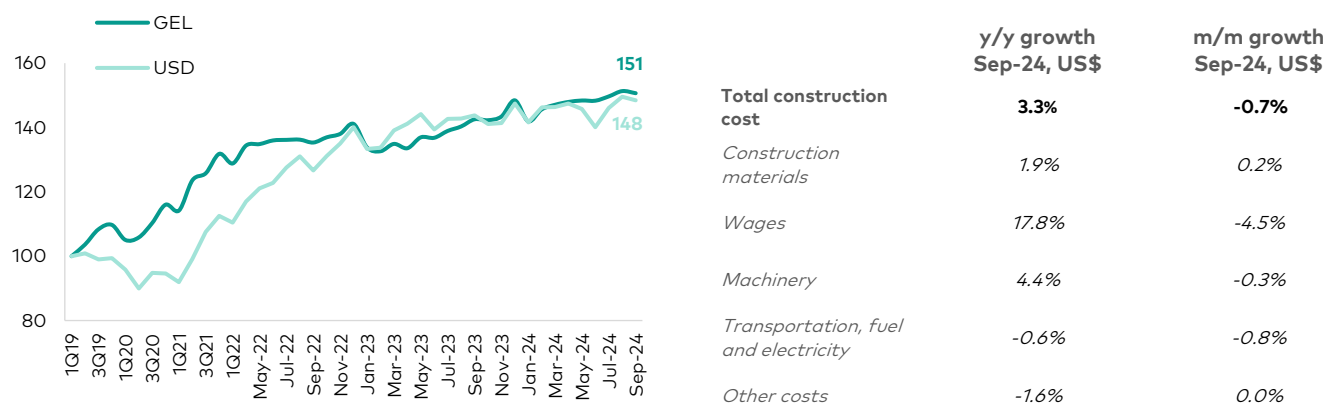
Source: NAPR, Galt & Taggart

Table 2: Real estate sale patterns by cities – average size and prices, 3Q24

City	Average apartment size (m ²)	Average price per m ² (US\$)	Average price per apartment (US\$)
Batumi	50	1,419	70,704
Bakuriani	46	1,035	47,433
Kobuleti	51	1,233	63,180
Gudauri	50	1,417	70,789

Source: NAPR, Galt & Taggart

Figure 25: Construction cost index, 1Q19=100



Source: Geostat, Galt & Taggart

Note: Construction cost index used to be published quarterly over 2019-22, but was discontinued and shifted to monthly reporting since Mar-22



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