

**NINO BERAIA**

PHD MRICS REV

CERTIFIED VALUER



**BERAIA**  
VALUATION TRIAD

**TBILISI REAL ESTATE MARKET  
IN TIMES OF CIW**



# ABOUT ME



**17** Years of experience in Valuation of real property, P,P&E and Business

**12** Years of teaching experience

**2** University degrees

**3** Teaching languages: Georgian, English, Russian

**5** Certificates of Valuer, Among them RICS and REV designations

**2** Created fundamental courses for professional valuers (business and P,P&E)

**10** Years, founder and current president of IVSG (Independent Valuers Society of Georgia)

**10** Short training courses for continuing education of valuers



**TEGOVA**  
The European Group  
of Valuers' Associations

Speaker, trainer, author of master classes for valuers  
Member of European Valuation Standards Board (EVSb)





# WHAT WE WILL TALK ABOUT

**01**

## TRENDS BEFORE CIW

GEORGIA, TBILISI, REAL  
ESTATE MARKET DRIVERS  
ETC

**02**

## COVID EFFECT

A GREY RHINO  
OR A BLACK SWAN

**03**

## WAR & INFLATION

HOW RRE MARKET  
CHANGED

**04**

## WHAT NEXT?

CAN WE PREDICT?

**02**



**2016.THESIS, NINO BERAIA, TBILISI STATE UNIVERSITY  
FACULTY OF ECONOMICS AND BUSINESS**

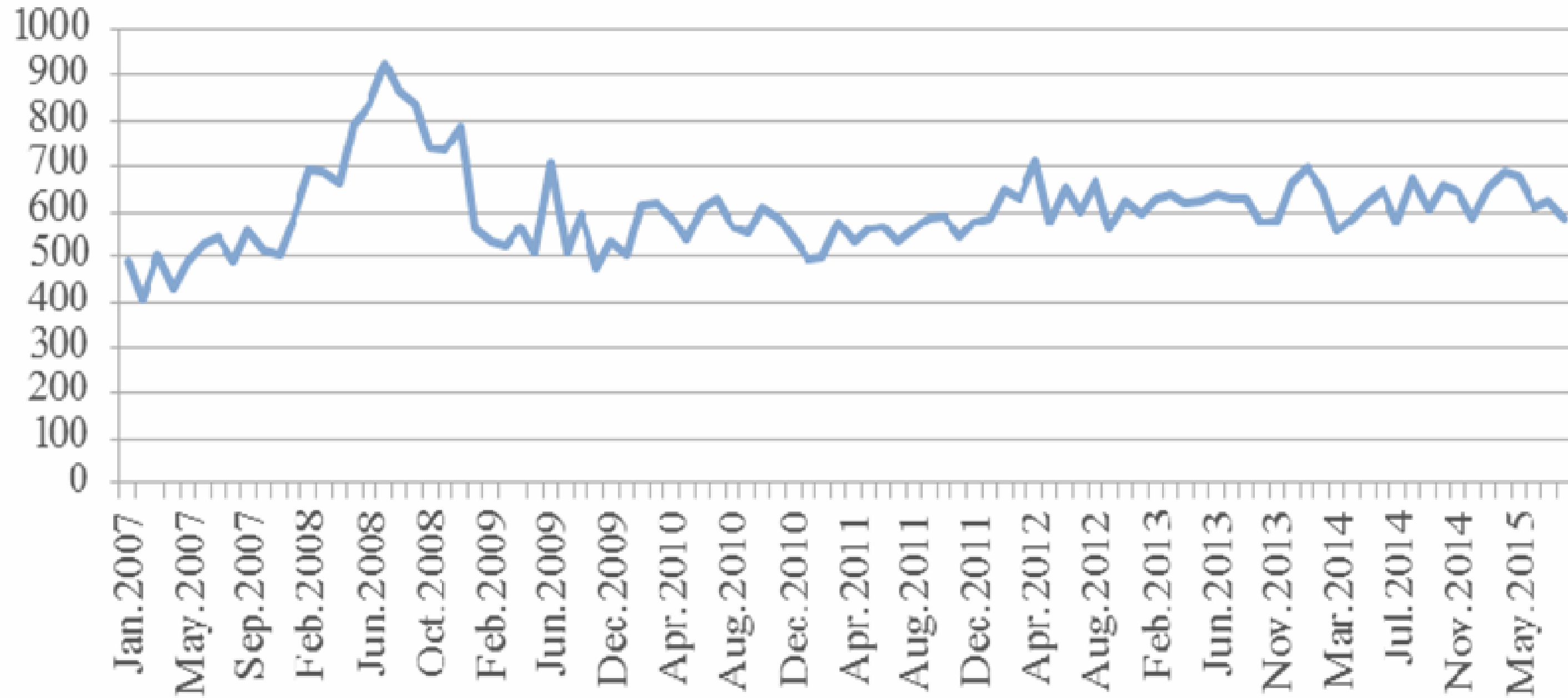
**“MICROECONOMIC ANALYSIS AND PROGNOSIS OF TBILISI  
RESIDENTIAL REAL ESTATE MARKET”**

- 01** To create database of asking prices through "scrapping" technique
- 02** To derive the fisher index of Tbilisi residential real estate prices
- 03** To define the duration of cycles of secondary residential real estate market and the construction market by the use of Hodrick-Prescott filter
- 04** To find out which economic indicators had the highest correlation with the residential real estate price dynamics
- 05** To make a short term prognosis of price index using the neural networks



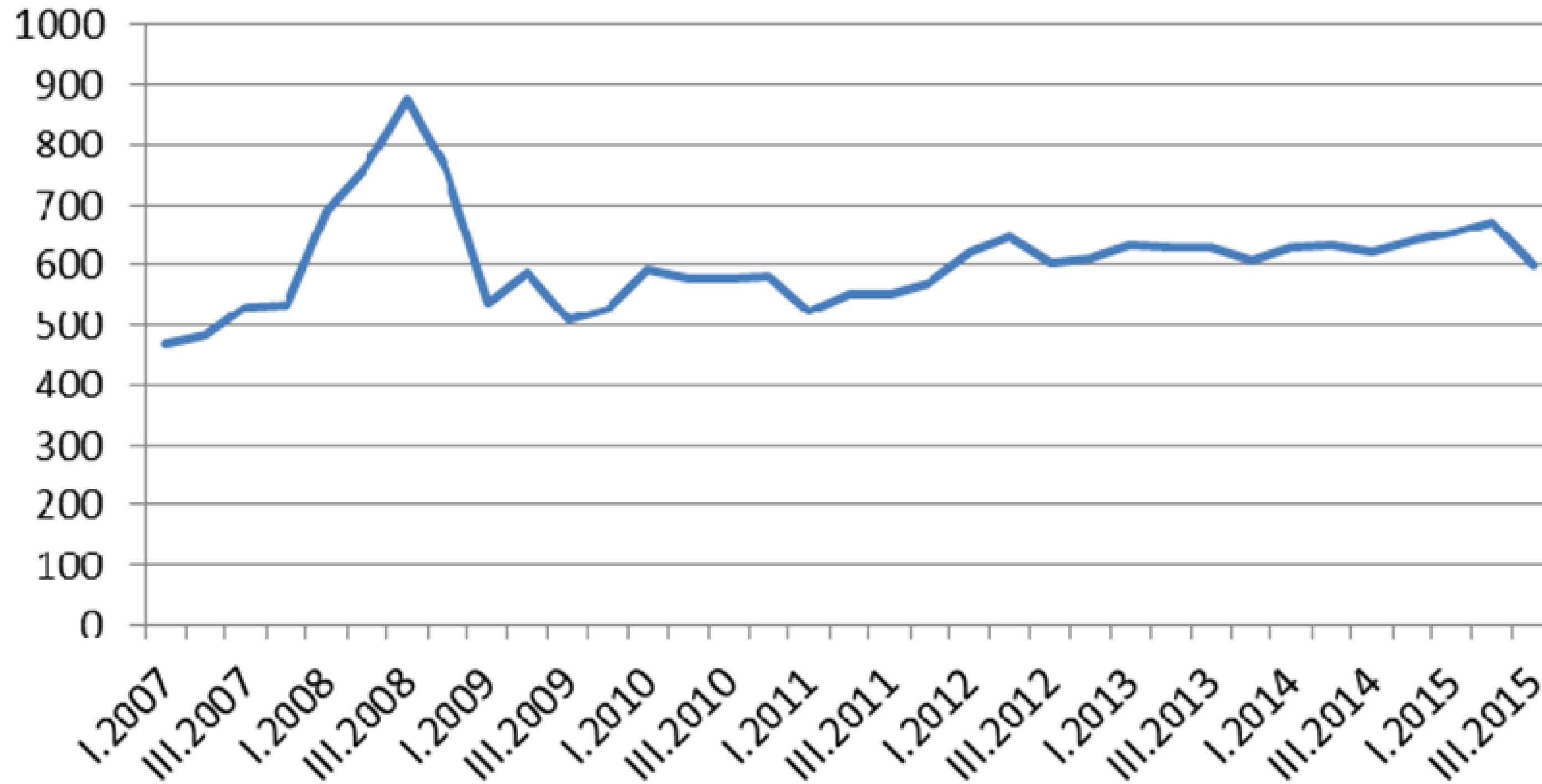
# FISHER INDEX OF ASKING PRICES OF RESIDENTIAL REAL ESTATE (RESALE PROPERTIES) 2007-2015

GRAPH 1



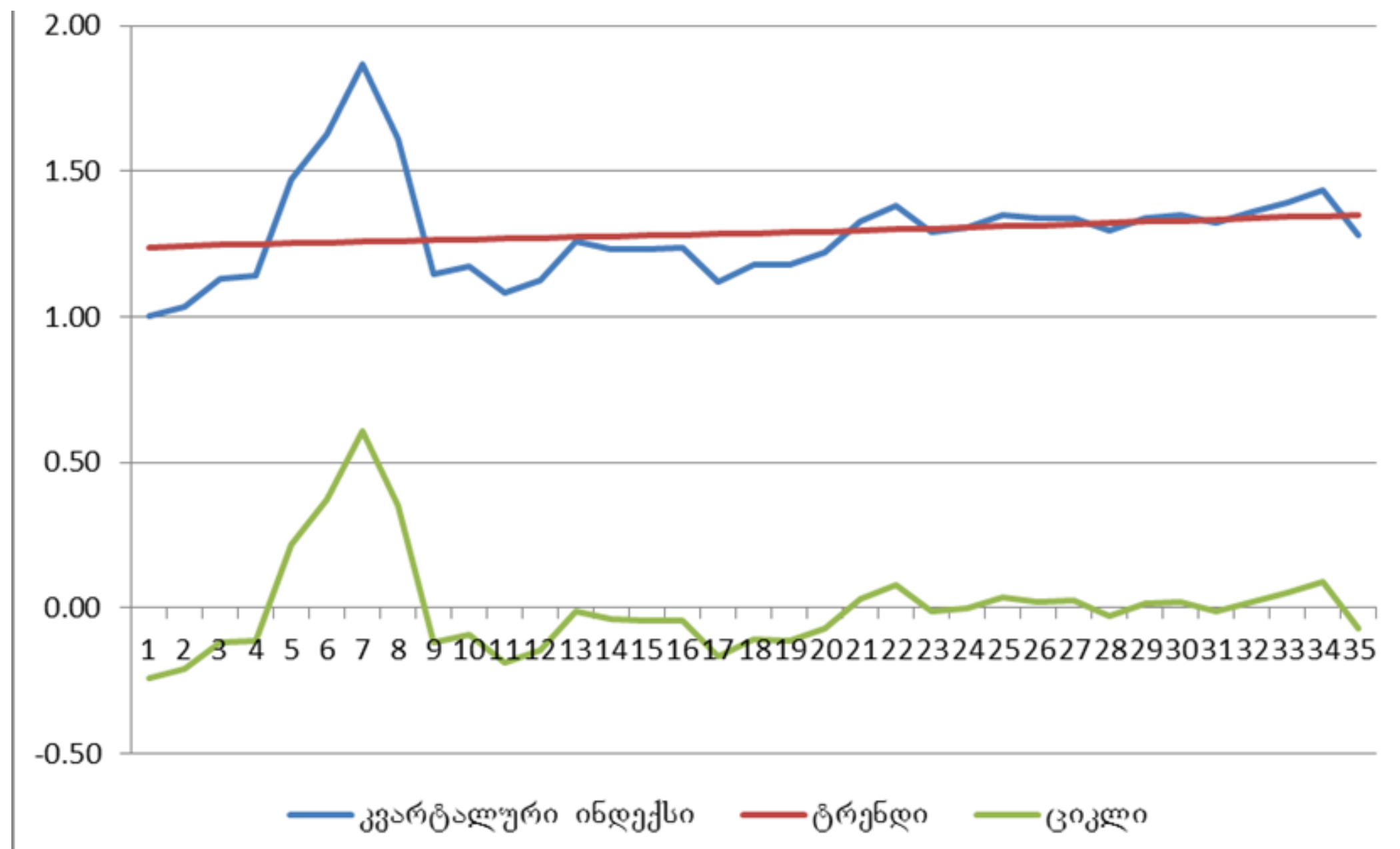


# GRAPH 2. FISHER INDEX ADJUSTED (ON CONDITION, LOCATION, TOTAL AREA)





## GRAPH 2. FISHER INDEX ADJUSTED (ON CONDITION, LOCATION, TOTAL AREA)



Finding:

The average length of the Market Cycle

- Residential real estate 2,5 years
- Construction market 4 years

at that time (III quarter of 2015) the cycle was in decline phase.

note: Fisher index time series were examined by Hodrick-Prescott filter, were separated the trend and cyclical components



# CORRELATION OF RPPI WITH MACROECONOMIC INDICATORS



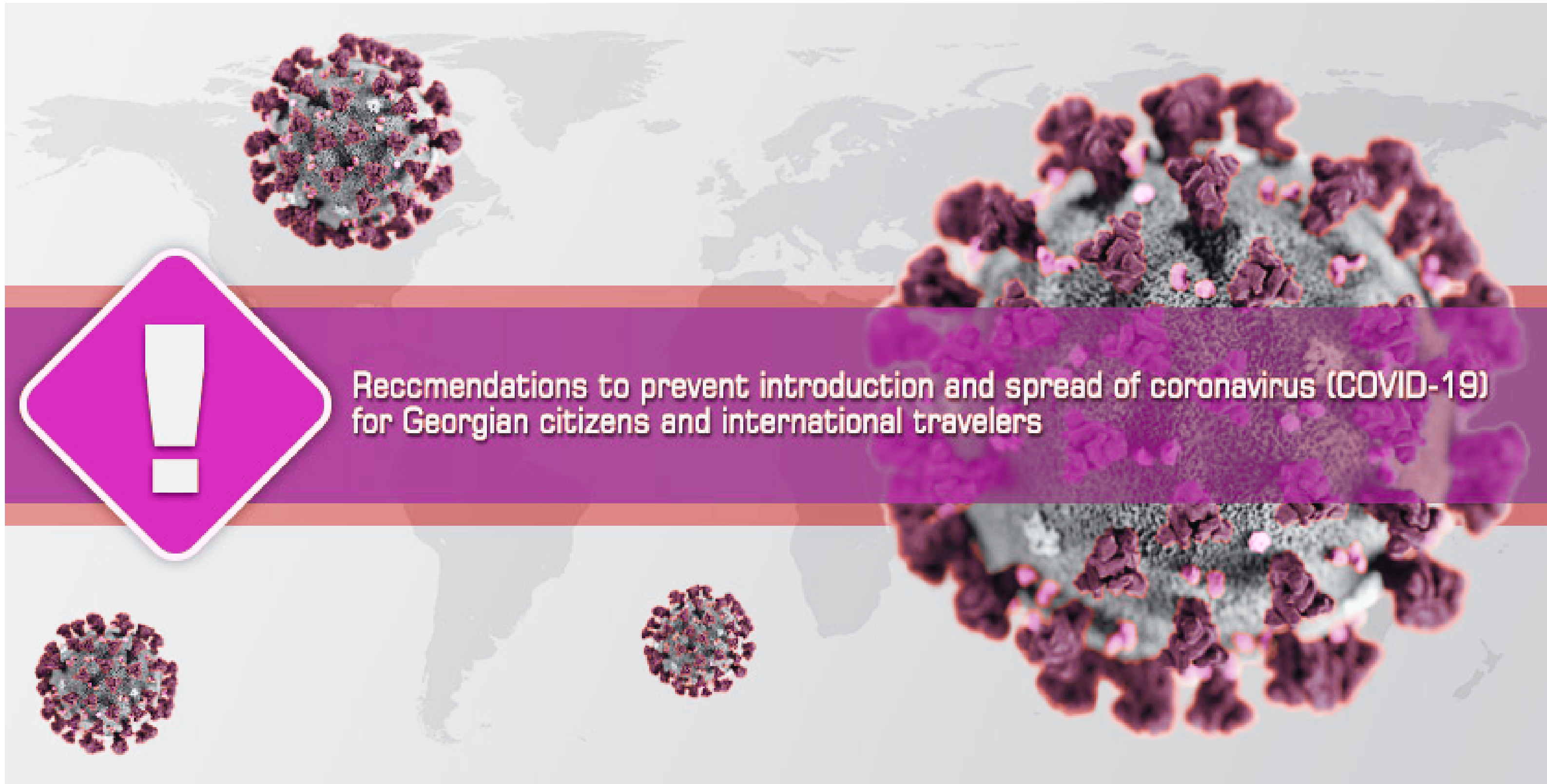
**LOW**

REFINANCING RATES OF THE NATIONAL BANK OF GEORGIA  
CONSUMER PRICE INDEX (CPI)  
LEVEL OF INVESTMENT IN EQUITY  
TRADE TURNOVER

**HIGH**

VOLUME OF REMITTANCES FROM ABROAD  
THE VOLUME OF MORTGAGE LOANS  
US DOLLAR EXCHANGE RATE  
THE LEVEL OF INCOME OF THE POPULATION

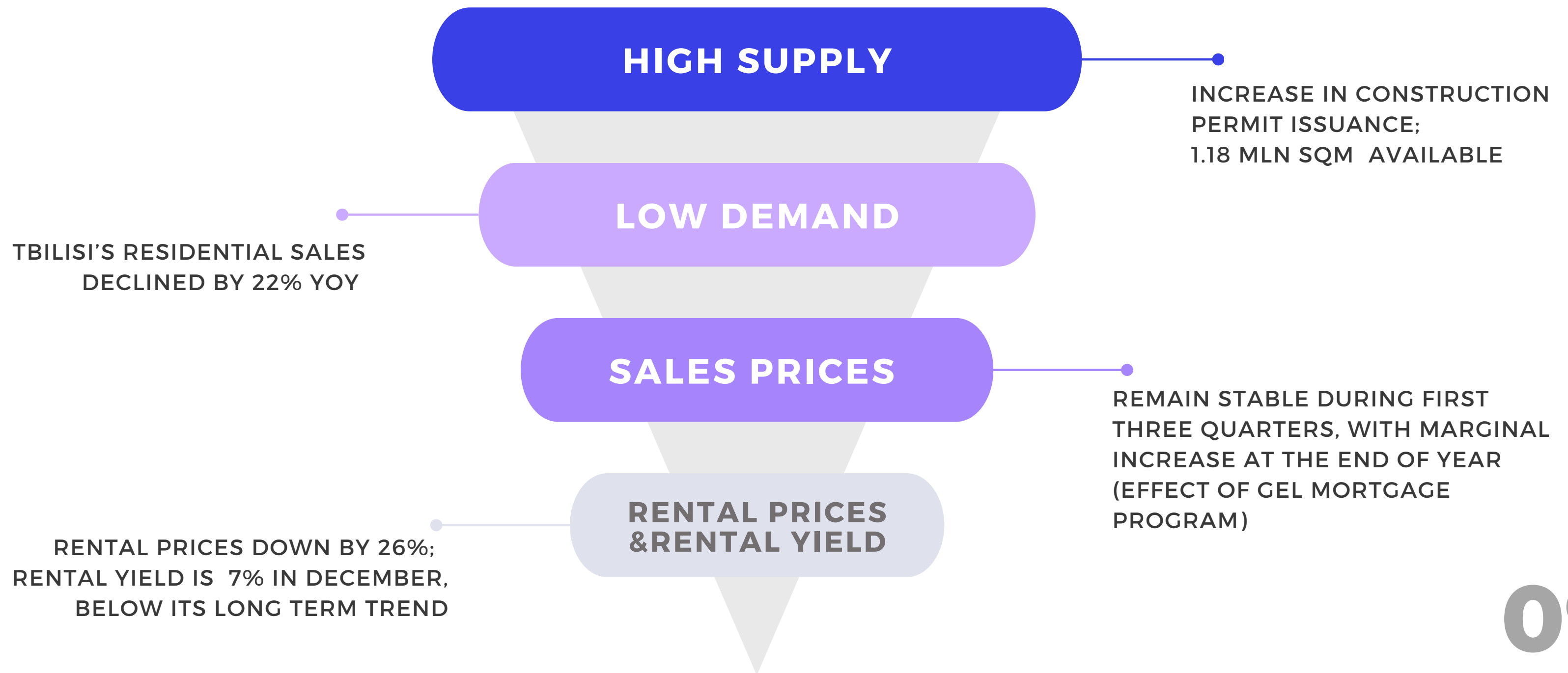
# FEBRYARY 26, 2020



Reccmendations to prevent introduction and spread of coronavirus (COVID-19)  
for Georgian citizens and international travelers

WORLD HAS CHANGED...

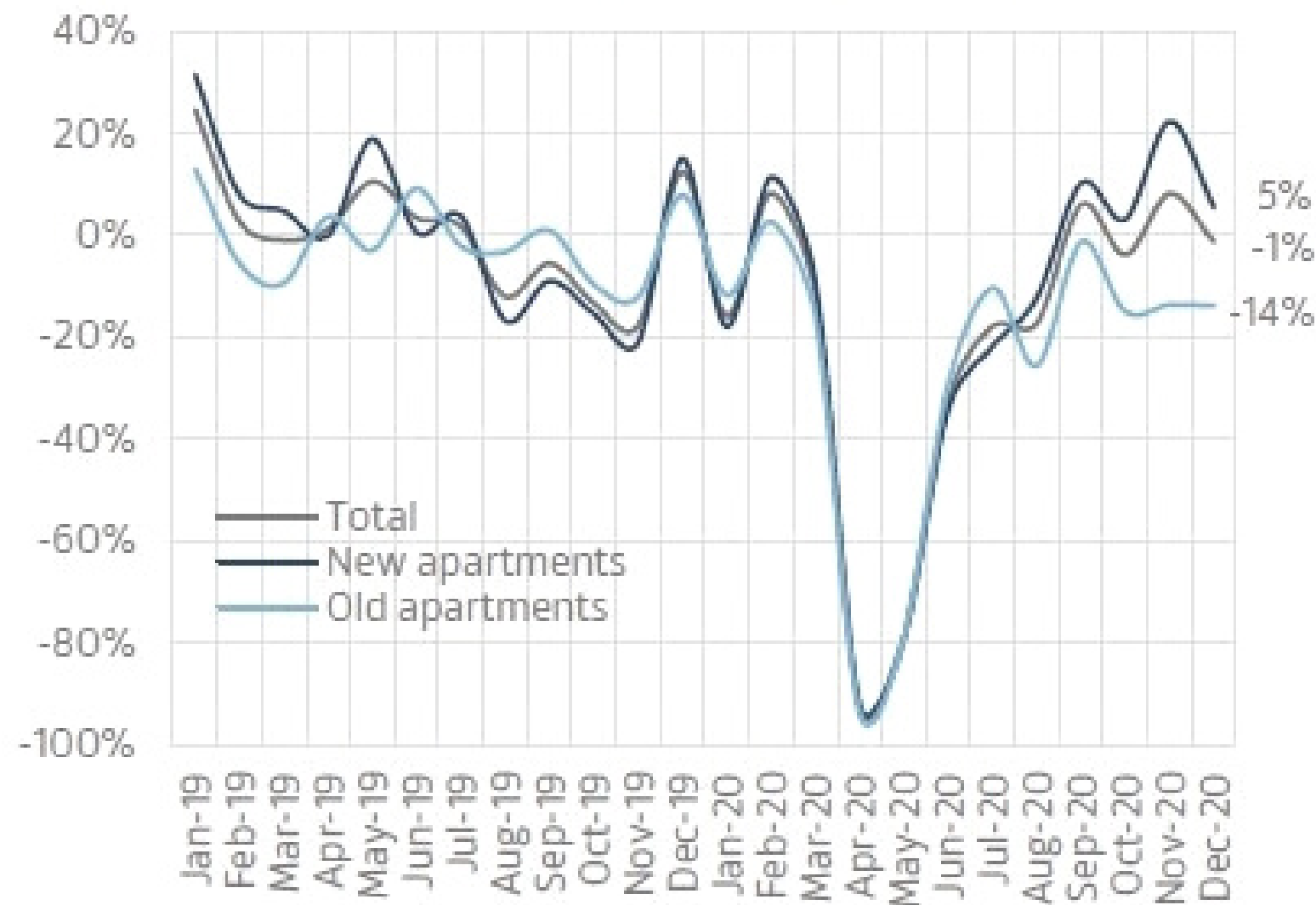
# COVID 19 ANALYSIS OF END OF YEAR 2020



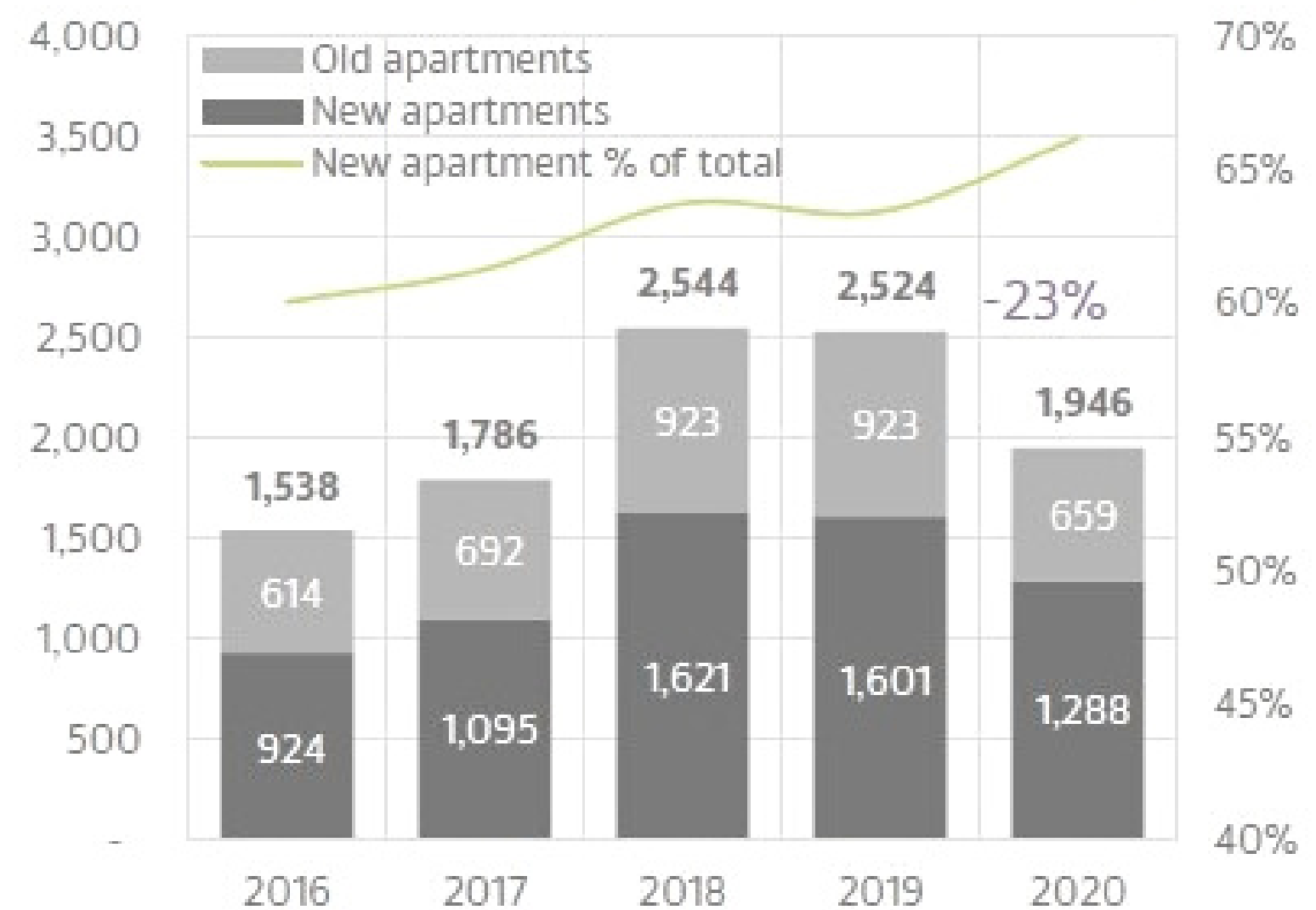


# COVID 19 TBILISI RESIDENTIAL REAL ESTATE MARKET

**YOY CHANGE (%) IN NUMBER OF TRANSACTIONS**



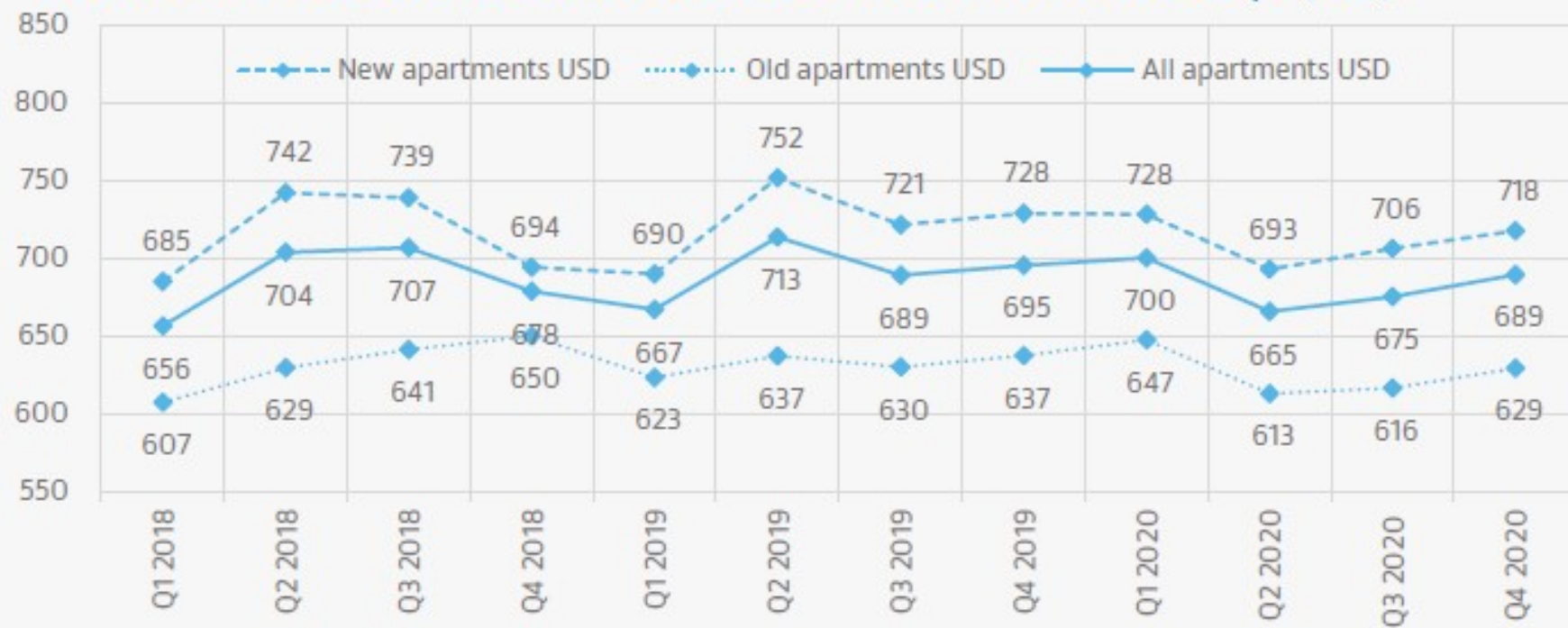
**TOTAL AREA OF SOLD APARTMENTS (000' SQM)**



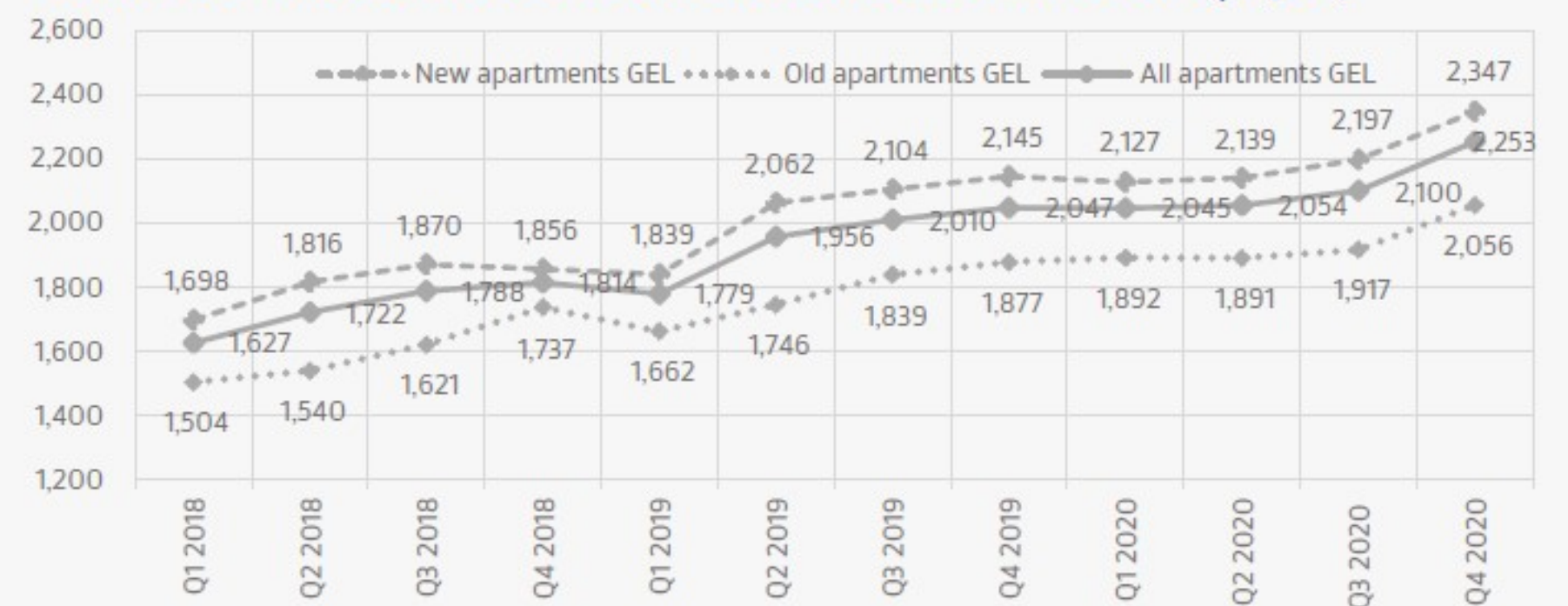
Source: NAPR, TBC Capital; \*New apartment means an apartment built with construction permits issued since 2010

# COMPARED TO Q3, AVERAGE SELLING PRICE MARGINALLY UP FOR BOTH NEW AND OLD APARTMENTS IN Q4 2020

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

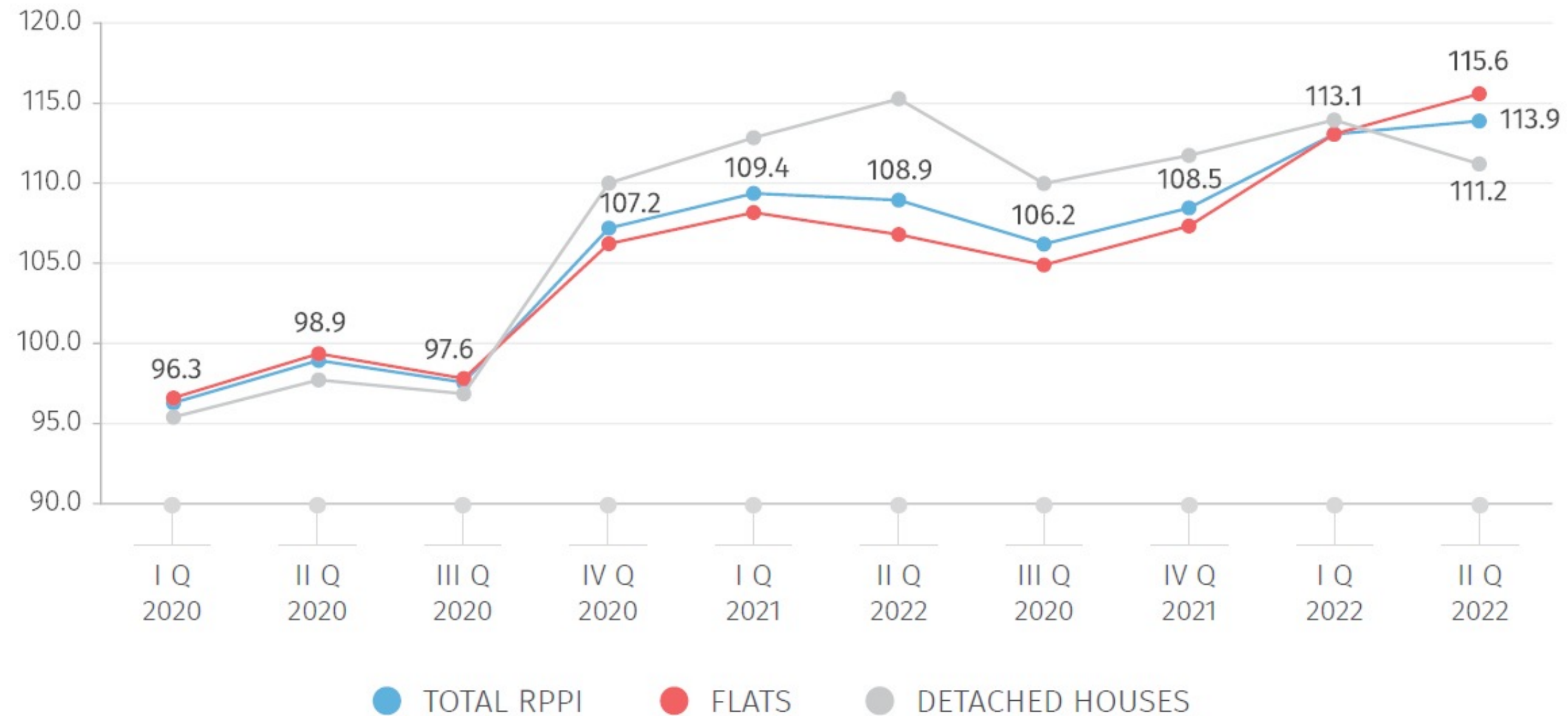


APARTMENT TRANSACTIONS - AVERAGE SALES WEIGHTED PRICE PER SQM (GEL)



# IN BETWEEN COVID AND WAR

RPPI FOR FLATS AND DETACHED HOUSES  
(2020 AVERAGE = 100)



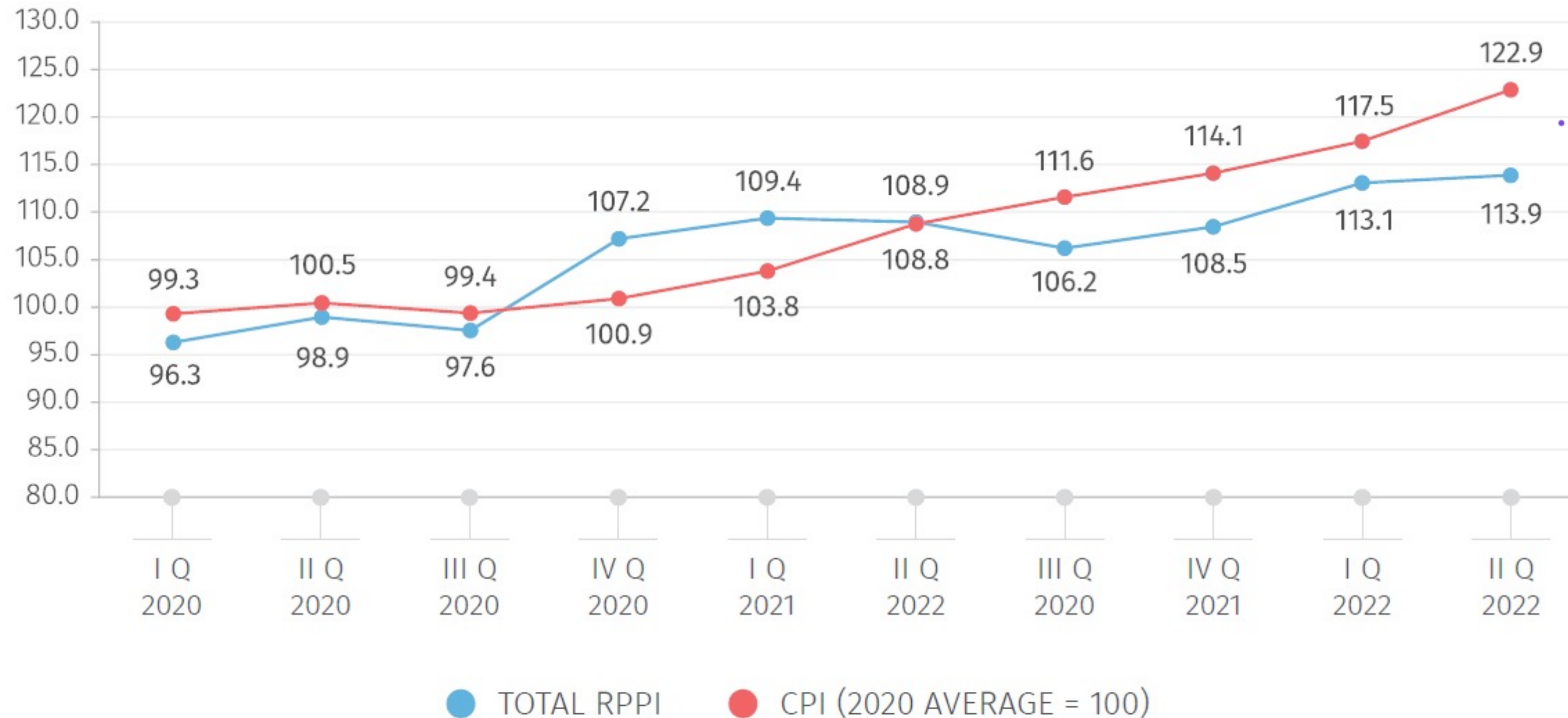
SOURCE: NATIONAL STATISTICS OFFICE OF GEORGIA



# IN BETWEEN COVID AND WAR



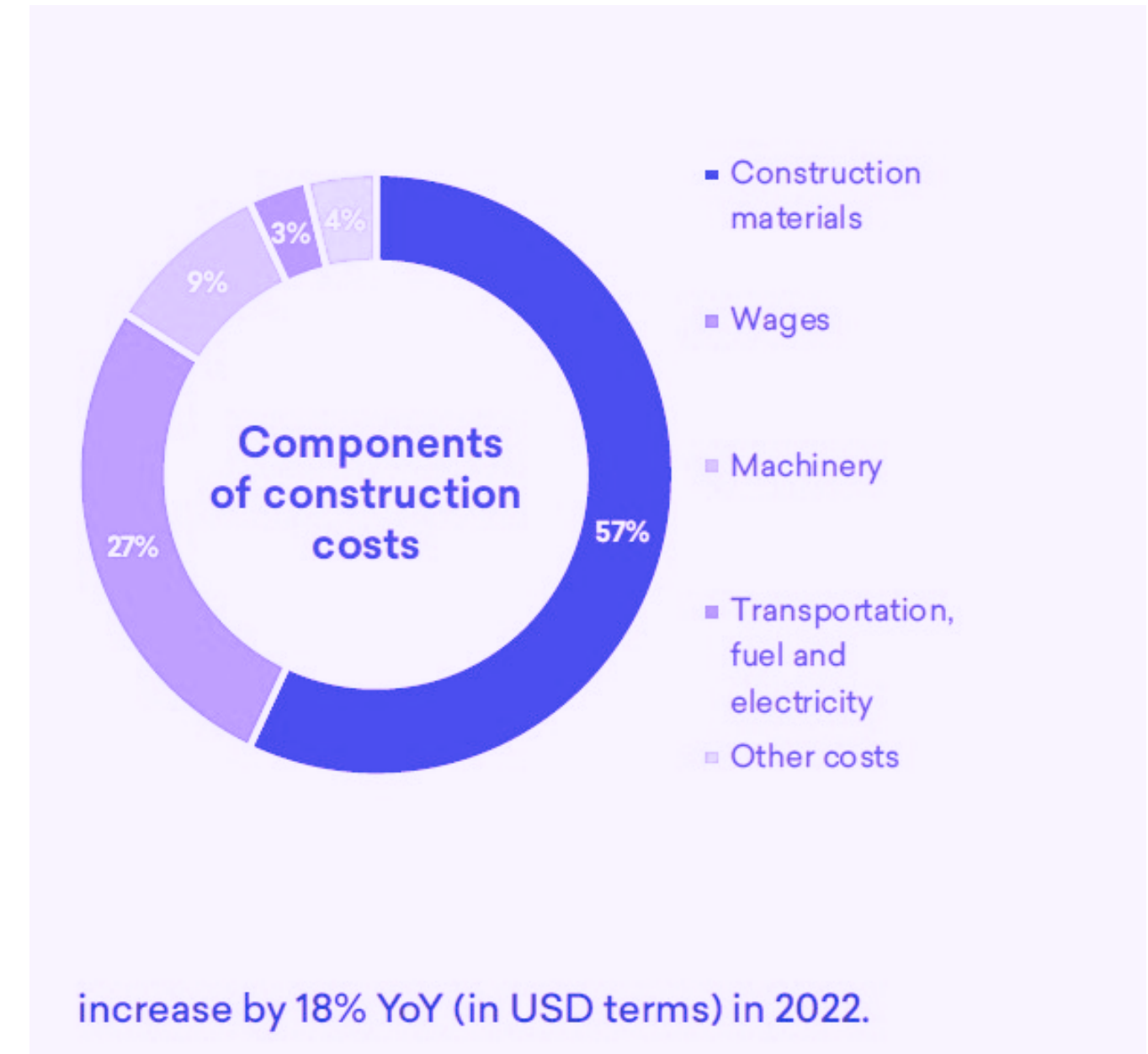
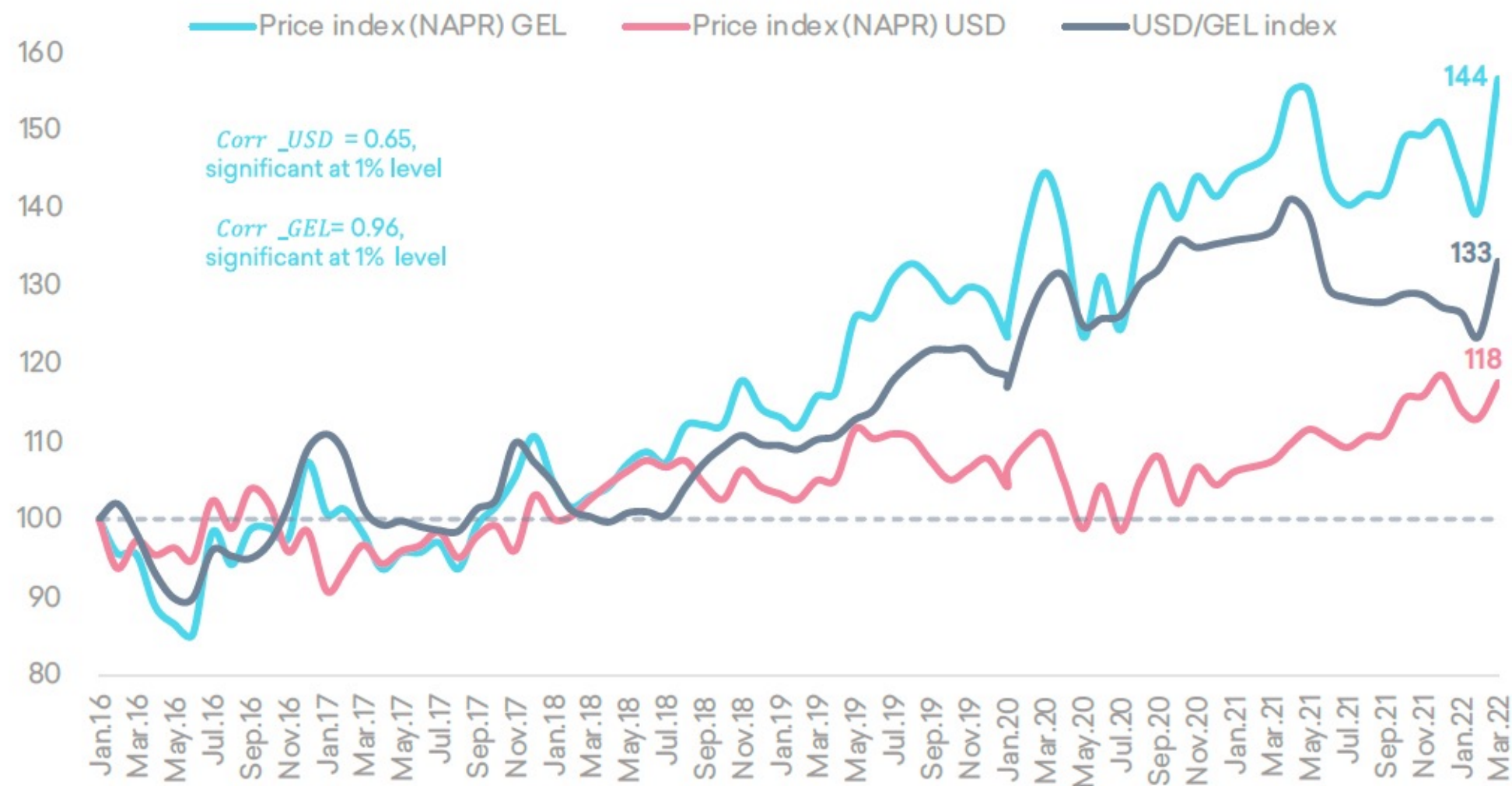
RPPI AND CPI  
(2020 AVERAGE = 100)



SOURCE: NATIONAL STATISTICS OFFICE OF GEORGIA

# IN BETWEEN COVID AND WAR

RRE price (Georgia) and USD/GEL indices (Jan 2016=100)



SOURCE: NATIONAL STATISTICS OFFICE OF GEORGIA



**FEBRYARY 24, 2022**

WORLD HAS CHANGED ONE MORE TIME...

**15**



# ECONOMIC TRENDS IN 2022 CAUSED BY WAR



<b>01</b>	<b>DOUBLE DIGIT ECONOMIC GROWTH</b>	Real GDP growth rate in November 2022 + 9.3% YoY	10.0% in January-November of 2022 YoY
<b>02</b>	<b>DOUBLE DIGIT INFLATION</b>	November 2022 the annual inflation 10.4%	Significantly higher than the central bank's target rate of 3%.
<b>03</b>	<b>RECORD HIGH REFINANCING RATE</b>	The monetary policy rate stands at 11.0 percent.	On December 21, 2022, the Monetary Policy Committee of NBG decided to keep the refinancing rate unchanged.
<b>04</b>	<b>RECORD HIGH COUNTRY RISK PREMIUM</b>	Increased from 2,97 in 2021 to 5,19 in 2022	Country risk remained stable, around 2,9% for a long time

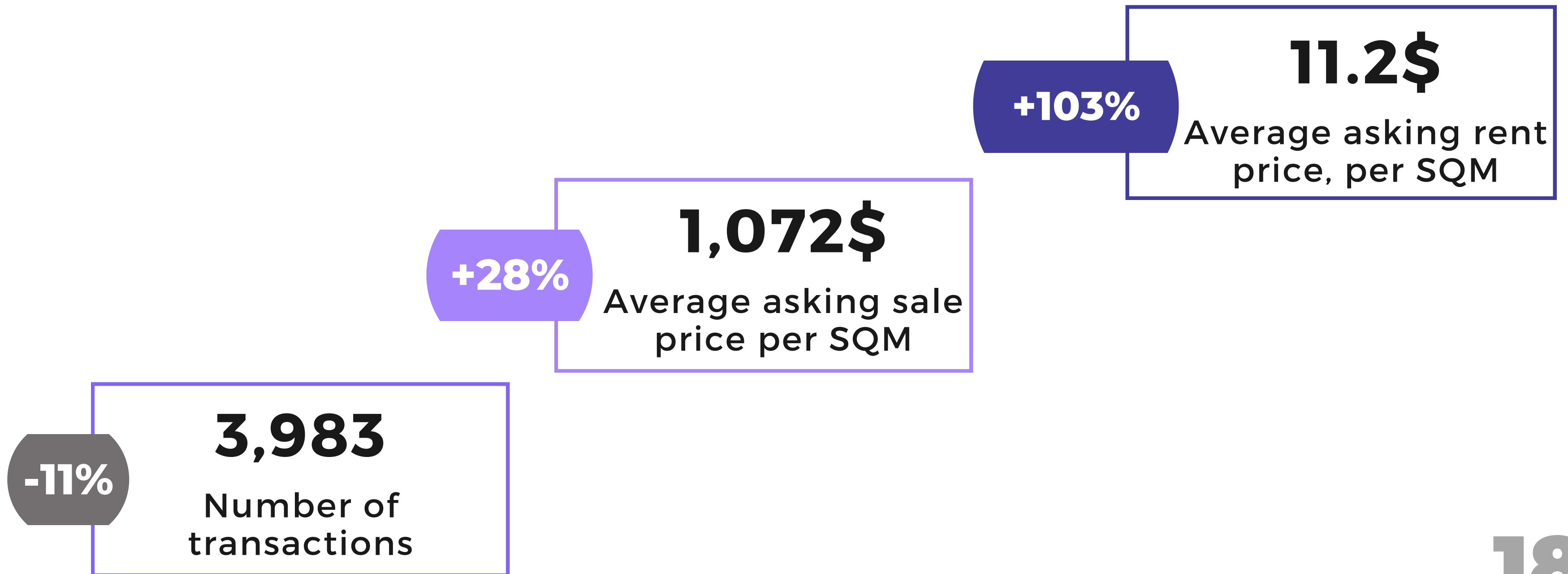
# ECONOMIC TRENDS IN 2022 CAUSED BY WAR

<b>05</b>	<b>RUSSIAN MIGRANTS/TOURISTS</b>	In the third quarter of 2022 27.7% of the total number of visitors came from Russia	in March-November 1,274,006 Russians crossed the border of Georgia that is 404% more compared with last year. (Ministry of internal affairs)
<b>06</b>	<b>RECORD MONEY TRANSFERS</b>	In January-November 2022 a total of \$ 3.8 billion; that is \$2.3 billion more than in the previous 12 months	In November, the amount of remittances -\$521.2 million; 151.4% (\$313.8 million) more than in November 2021
<b>07</b>	<b>STRENGTHENED LARI</b>	January 1, 2022 \$1 = 3.08 GEL On March 10, \$1 = 3.40 GEL At Dec 2022 ended up at 2.70	The increase in remittances and strict monetary policy were the main factors caused the lari's stability
<b>08</b>	<b>EXTERNAL MERCHANDISE TRADE</b>	In 2022 amounted to USD 17 018.2 million, 32% more than in 2021	The exports equaled USD 5 037.1 million, negative he negative trade balance was USD 6 944.1 million (top partners China, Russia, Azerbaijan)

# RESIDENTIAL REAL ESTATE IN TBILISI



DECEMBER 2022 VS DECEMBER 2021





# RESIDENTIAL REAL ESTATE IN TBILISI



Figure 1. Number of sold properties by years (000' Units)

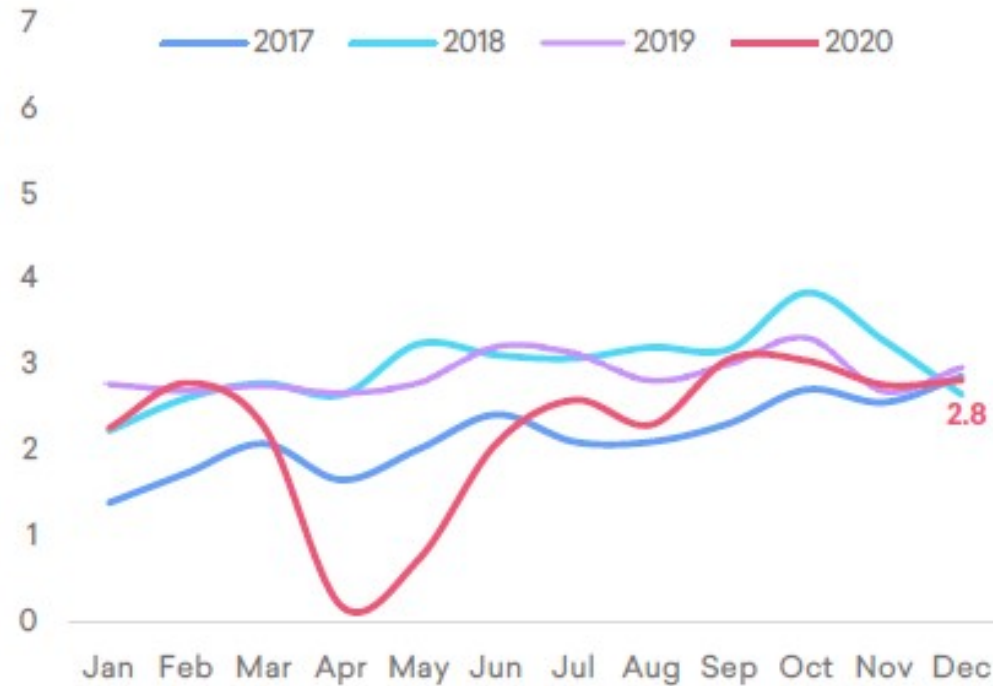


Figure 2. Average asking sale price per SQM (USD)

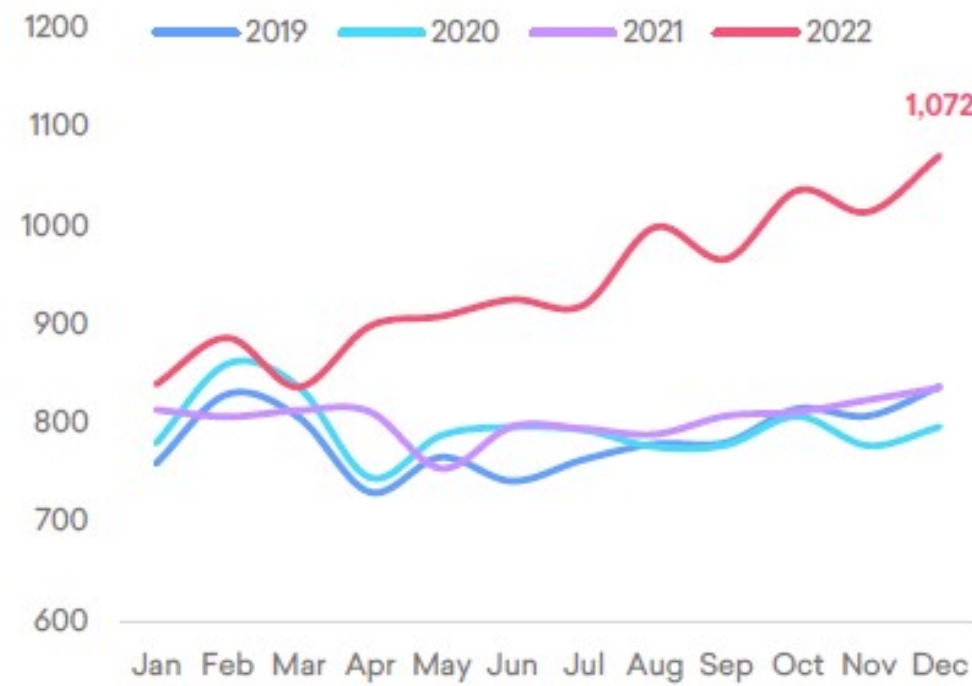


Figure 3. Average asking rent price per SQM (USD)

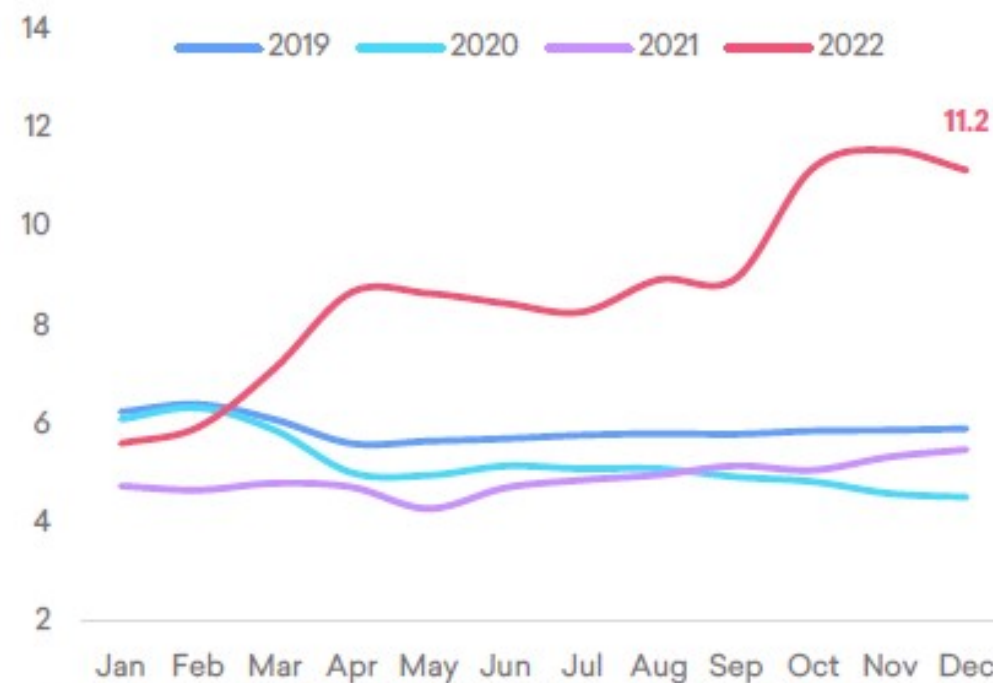
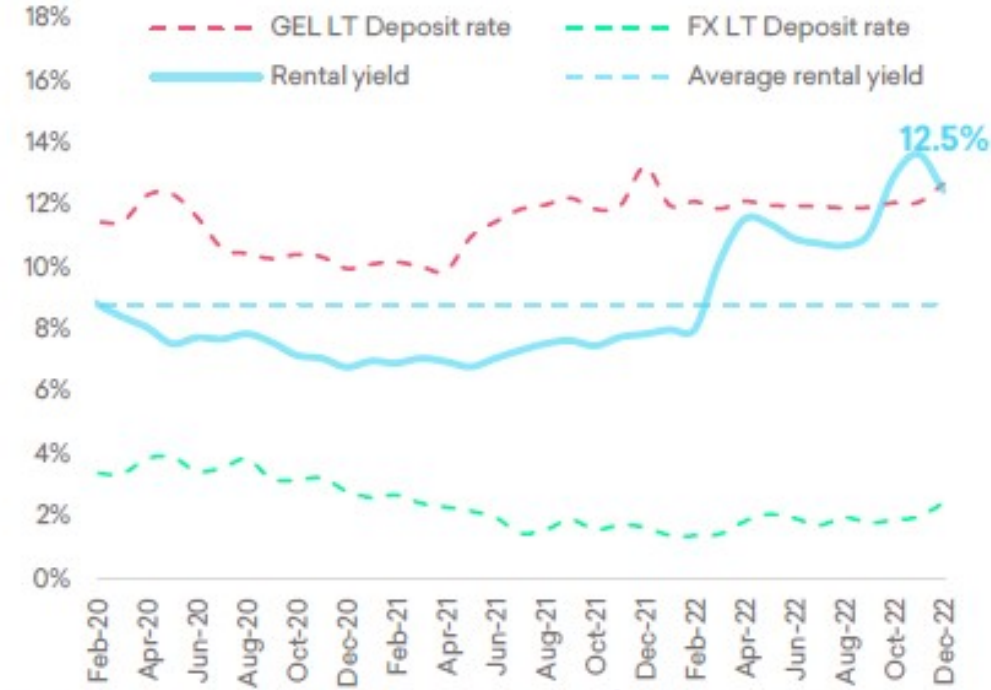


Figure 4. Rental yield and deposit rate dynamics

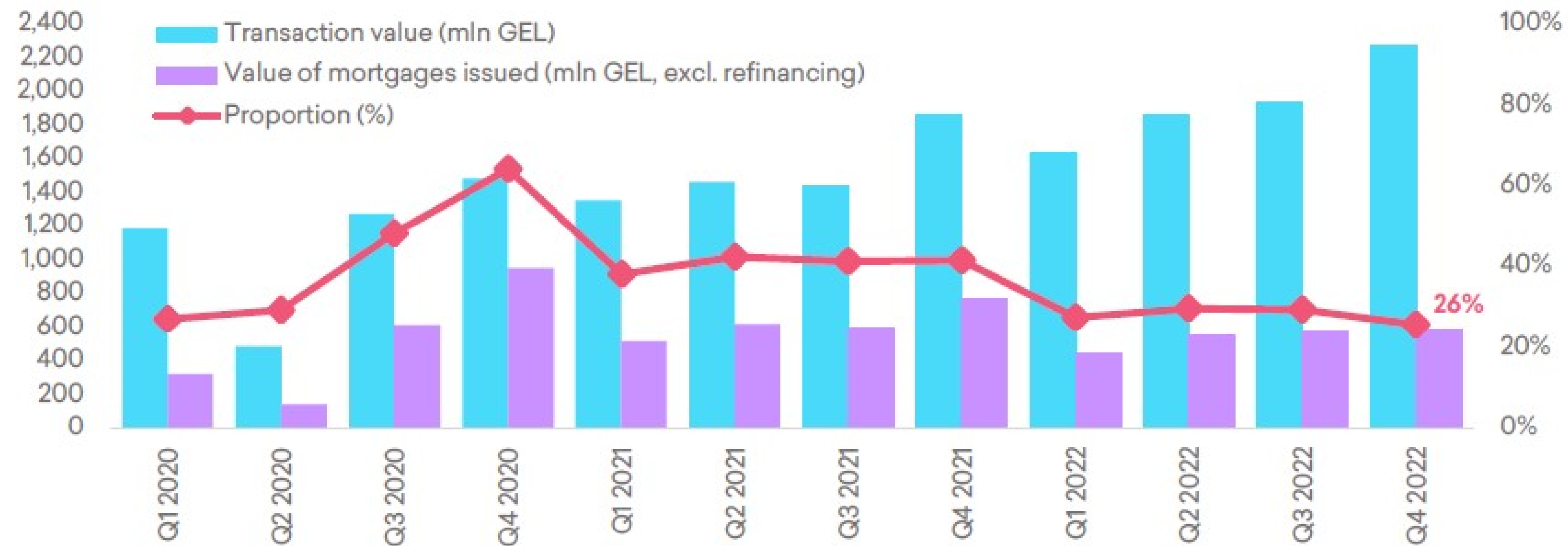


Source: NAPR, NBG, Myhome, TBC Capital; Note I: Rental yield is derived using the asking sale and rent prices according to Myhome.

# RESIDENTIAL REAL ESTATE IN TBILISI



A2. Value of issued mortgages to transaction value, Tbilisi

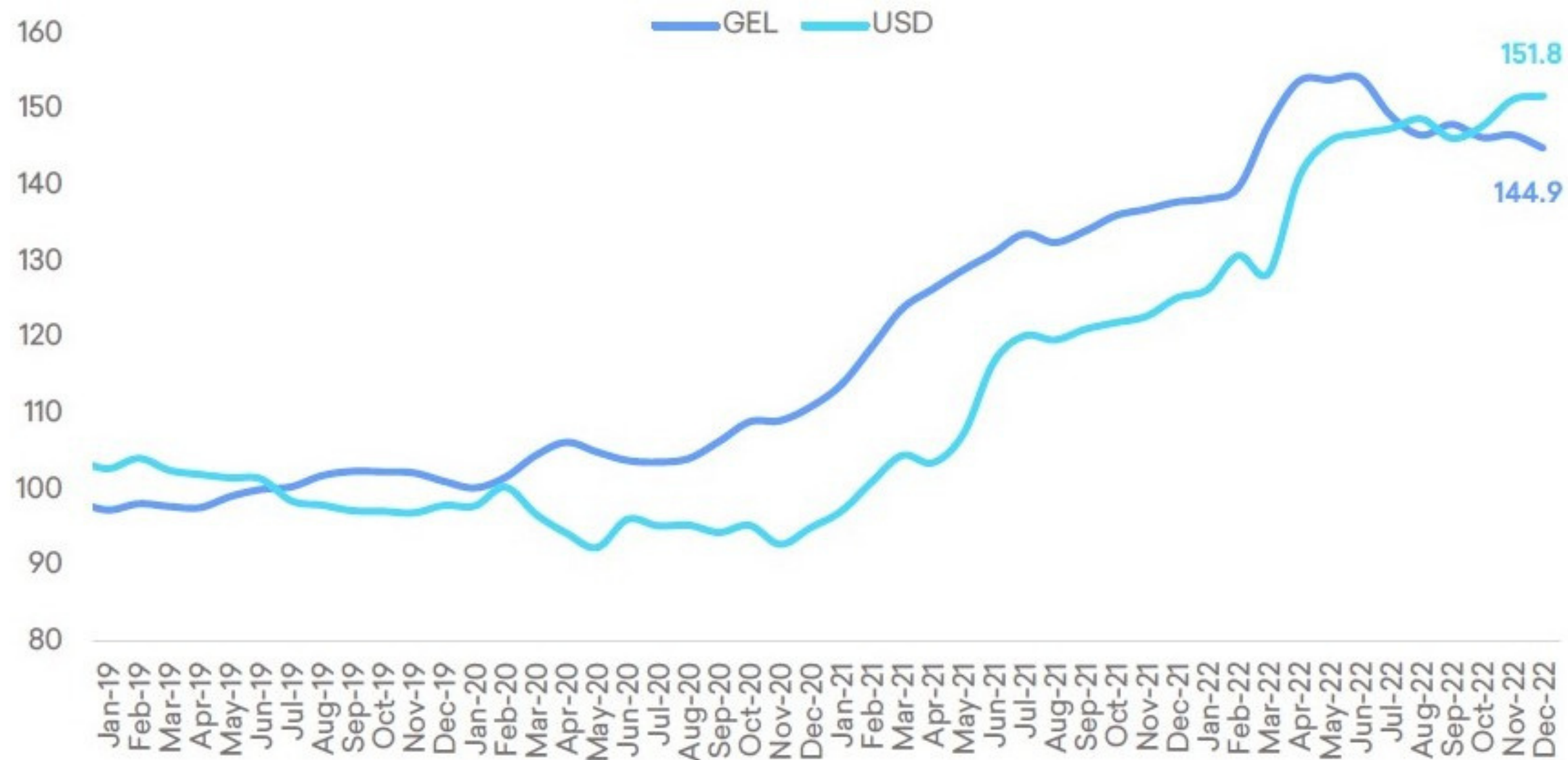


**CHANGE: LOW CORRELATION WITH VALUE OF ISSUED MORTGAGES**

# RESIDENTIAL REAL ESTATE IN TBILISI



A8. Prices of material inputs to construction industries, Indices (2019 average = 100)



Source: NAPR, Myhome, Geostat, TBC Capital

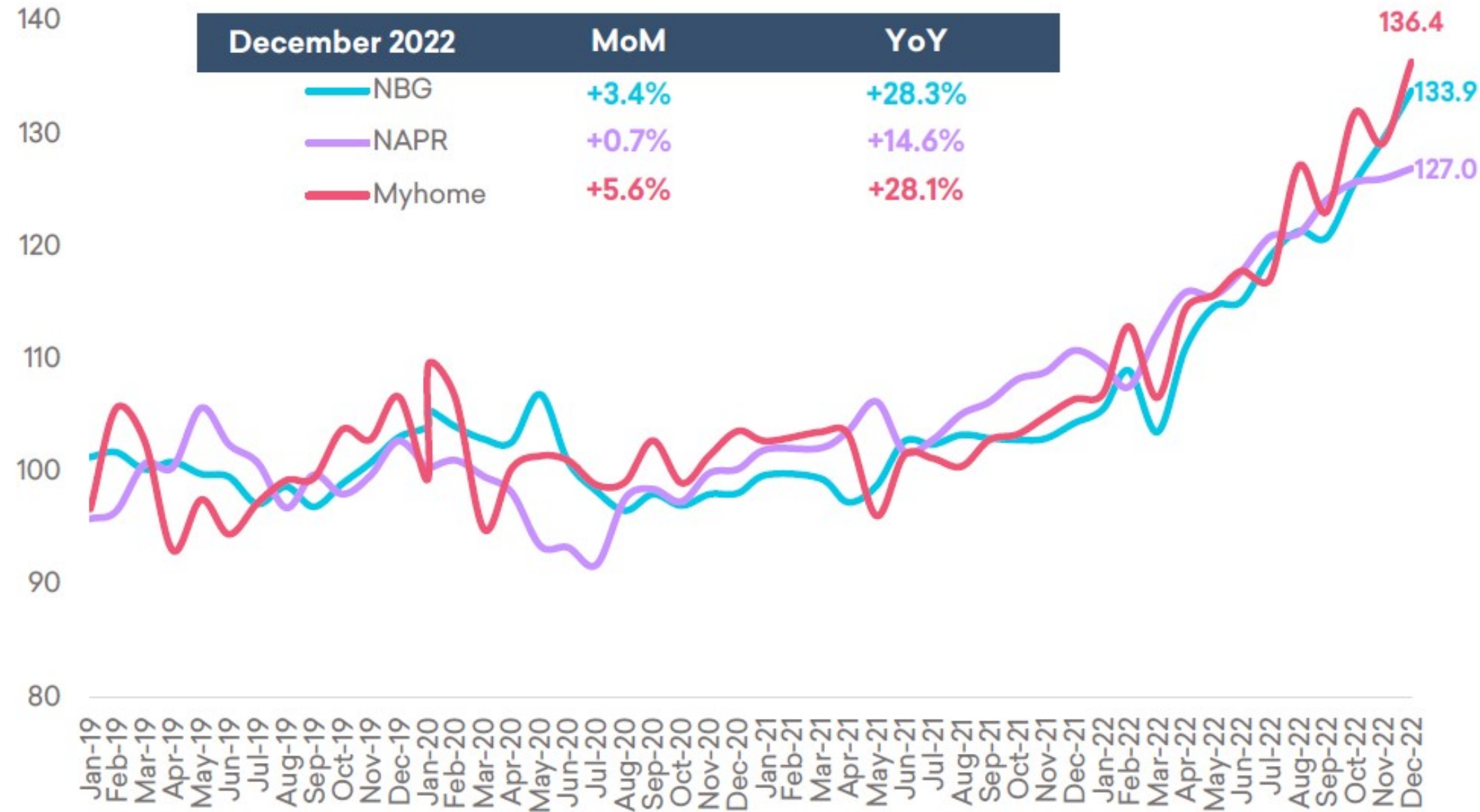
**DRASTIC INCREASE IN CONSTRUCTION MATERIALS PRICES!**



# PRICE INDICES



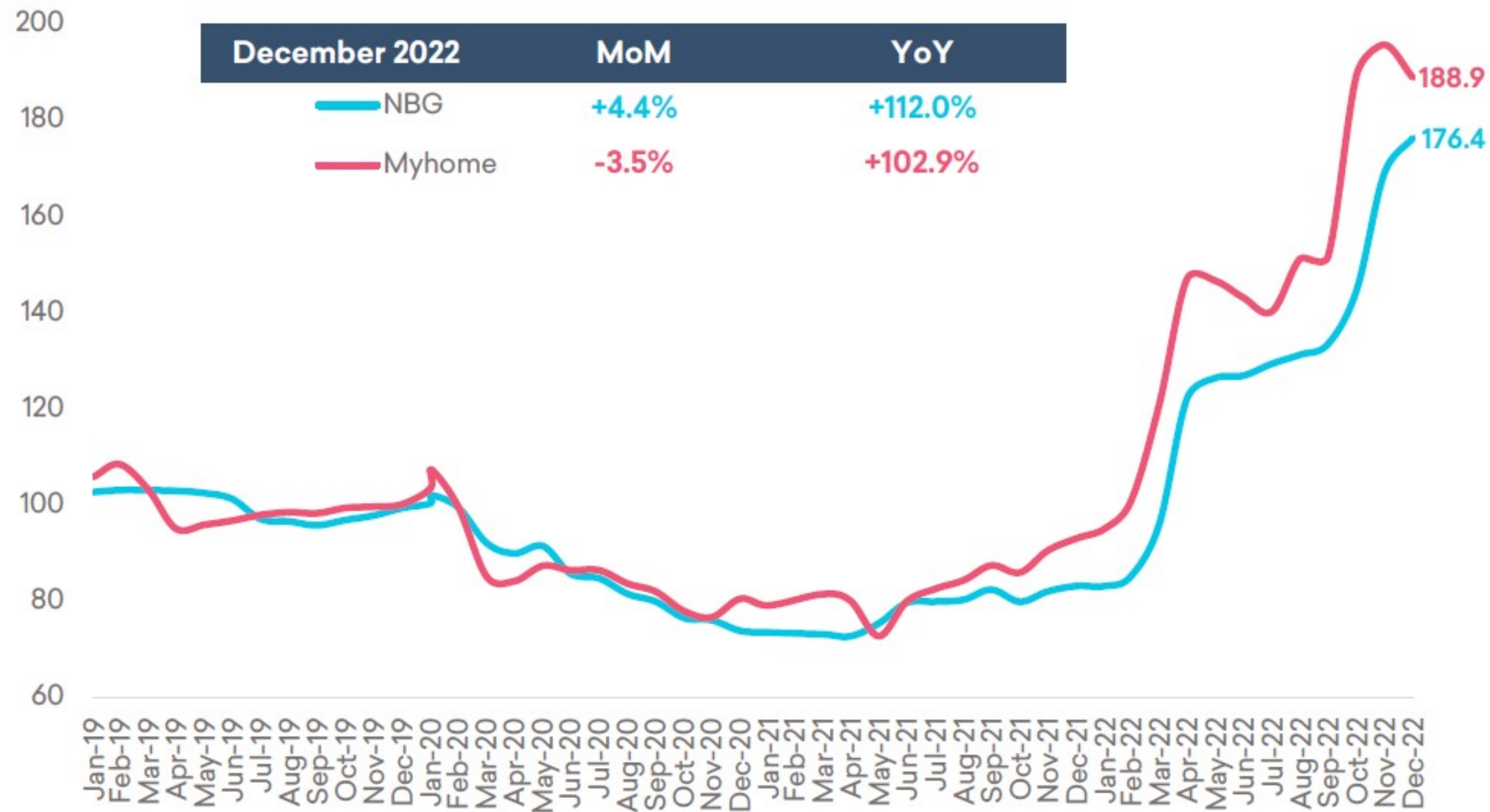
A9. Sale price indices (2019 average = 100)



**DRASTIC INCREASE IN SALE PRICE INDICES TOWARDS THE END OF 2022**

# PRICE INDICES

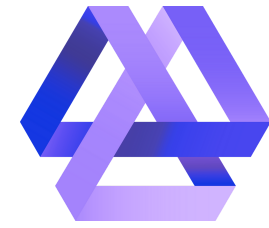
A10. Rent price indices (2019 average = 100)



Source: NBG, NAPR, Myhome, TBC Capital

DRASTIC INCREASE IN RENT PRICE INDICES TOWARDS THE END OF 2022

# LET'S TALK ABOUT VALUE TRIAD



**B E R A I A**  
VALUATION TRIAD

**W O R T H**  
what you feel



**P R I C E**  
what you pay

**V A L U E**  
what you get

# LET'S TALK ABOUT VALUE TRIAD



**WORTH**  
what you feel



**PRICE**  
what you pay

**VALUE**  
what you get



**WHAT'S NEXT?**



# THANK YOU

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