

BATUMI RESIDENTIAL MARKET OVERVIEW

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ABSTRACT

The Construction industry is very developed in Georgia. The success of this industry is derived from the growing demand on construction products by customers. The most of construction projects have belonged to Tbilisi, which is the capital of Georgia.

Batumi has the second place after Tbilisi by the activating construction industry. We have conducted an overview of Batumi residential market because of its actuality and importance through the construction industry of Georgia.

This article will be significant for the interested persons, who want to identify the main approaches and aspects of Batumi residential market. In the following paper, there are discussed different factors which are influencing Batumi's construction potential.

KEYWORDS: *Construction, Batumi, Residential Market*

Article History

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INTRODUCTION

In the modern world, construction business is very active and developing field of business. Especially, in developing countries construction has great affect to the countries' economies. Growing construction ensures development of agro culture, it ensures improvement of traffic infrastructure. Growing construction business provides growing job supply. Construction contributes its' very important part to the country's GDP. Growing construction business sector is very important especially such country as Georgia is. Georgia is very small country and each construction project is important for economy.

Construction business sector is a very important field of business for Georgia, which shares through GDP of Georgia is 13.1%.

The start point of growing construction business in Georgia was 2011 year and it achieved peak in 2013 year. In 2016-2017 years there were increasing tourists number in Georgia. In the 2017 year there were 1 266 125 international tourists in Georgia. This indicator is more than 11.4% compared to the previous year. Growing tempo of tourists provided increasing demand to hotels and housing type residential apartments. This affected to growing demand of construction product (www.napr.gov.ge)

Achara is the second region in Georgia, after Tbilisi where turnover in the construction business is on the high level and it is 969.1 mln Gel for the 2017 year. The most number of construction projects are implementing in Batumi the

main city of the region. Batumi is the most popular place for tourists after Tbilisi. 11.1% of tourists are visiting Batumi.

Achara and especially Batumi is the very popular location as for resident also for non-residential individuals and companies, which have demand to residential apartments in Batumi. Developer companies are responding to demand and are building various project according to demand.

BATUMI RESIDENTIAL MARKET OVERVIEW

The most number of construction projects in Achara is implementing in the main city of this region, Batumi. For now, in Batumi is implementing 95 construction projects. The construction area is 1.5 million square meters. It should be noticed that the most demand from customers in Batumi is related to the residential market. In 2017 there were a finished building of 6 424 residential apartments, which 54% percent is already sold. There are through building process 22 752 residential apartments and it is expected to finish their building process in 2018-2019 years.

The largely sized developers are implementing most percent of the construction area. This is 924 000 square meter, which is 64% of a total construction area. Mid – sized developers are building 325 000 square meters, 23% of the total construction area. There is only 13% of construction are which is used by small – sized companies (www.geostat.ge).

The most number of residential apartments under construction are offered to low segment customers. These are 55% of the total number of supplied residential apartments, which are 12 535 unit. Only 9% are building for a medium segment and 35% of residential apartments under construction will be a premium segment of customers. The fact that 55% of residential apartments are implementing for the low segment of customers means that demand from the customers is at the low segment. There is a low social economic situation in Georgia and customers can't pay for quality even for residential apartments. On the other hand, we can consider, that increased demand for residential apartments in Batumi is related its' geographical location and its' touristic potential. Residents and non- residents are buying residential apartments for financial goals, to rent them and get financial profit. Because of this reason, the most number of customers don't need high quality. We should be noticed, that in previous years demand of high-class residential apartments were much more low and in the 2017 year it is increased for 5 times. This increasing tendency is related to growing temp of tourism business sector. High-class tourists have demanded to premium apartments and business- realize the importance of comfort and quality.

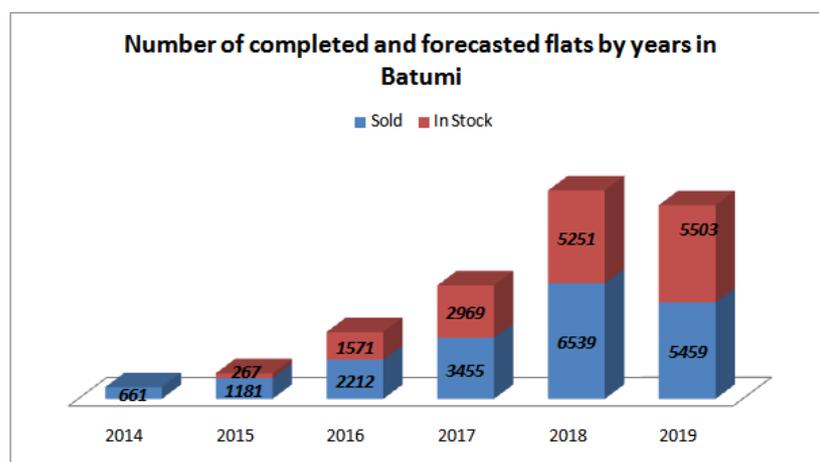


Figure 1: Number of Completed and Forecasted Flats by Years in Batumi

Source: Colliers International

We can see on the diagram N 1 that, the most numbers of flats under construction are already sold. This fact shows, that customers are relying to the developer companies, which are implementing construction projects. Besides residents, non-resident individuals and companies have demanded for the residential apartments in Batumi. Political stability and growing economic is significant for non – resident companies and individuals to purchase residential flats in Batumi (www.gnta.ge)

There are ten of the biggest developer companies, which are implementing construction projects in Batumi. They are:

Table 1: The Biggest Ten Developer Companies in Batumi

S. No	D Developer	Project	Location	Residential Area (sq m)	Number of Flats	Completed Date
1	ORBI Group	Twin Tower	7 Sherif Khimshiashvili street	160 000	4 500	2019
2	Metro Atlas Georgia	Metro City 2	3 a Lech & Maria Kachinski Street	96 000	1 700	2019
3	Alliance Group	Alliance Palace	5 Sherif Khimshiashvili Street	55 000	1 000	2018
4	Gumbati Group	Gumbati Alley	129 Bagrationi street	50 000	800	2019
5	Rekan Group Georgia	Batumi View	8 Lech & Maria Kachinski street	48 000	810	2019
6	AR meridians	White Sails	3 Lech & Maria Kachinski street	48 000	800	2019
7	Orbi Group	Beach Tower	57 Sherif Khimshiashvili street	40 000	1 000	2018
8	DS Group	DS house	5 a Tbel Abuseridze Street	39 000	500	2018
9	DAR Building	DAR Tower	5 Pirosmeni Street	38 000	1 000	2019
10	Real Palace	Real Palace	18 Pirosmeni Street	35 000	430	2018

Source: Colliers International, Developer companies, sell managers

In the 2017 year on the market of Batumi residential real estate was implemented total 8 442 transactions. The numbers of transactions are increased by 41 percent compared to the previous year. In the 2017 year sells of newly built apartments increased by 37 percent, while on the secondary market the number of transactions increased 45 percent. It should be noticed, that the number of selling on the residential market of Batumi increased two times(Collier international surveys 2017).

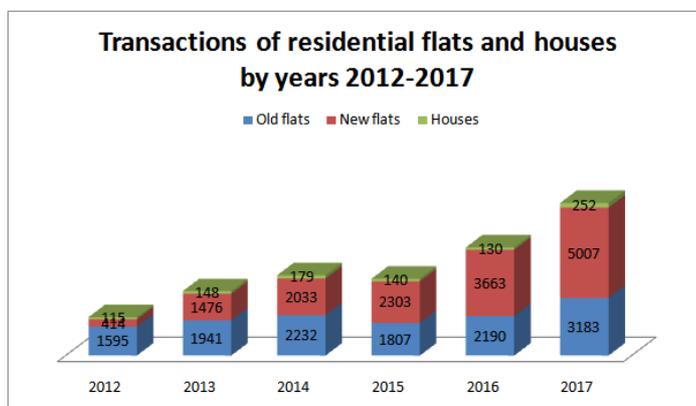


Figure 2: Transactions of Residential Flats and Houses by Years 2012-2017

Source: Colliers International

As we can see on the diagram, transactions related to new flats' selling are growing by years. Old flats are built in the period of the Soviet Union when Batumi was not touristic place and old flats are located far from the beach. Now developers are offering customers residential apartments view to the beach. This is great superiority to new developers compared to old ones (www.geostat.ge)

In Batumi, demand for residential houses increased 1.4 times compared to previous years. From 2012 to 2017 years demand is increasing to small sized residential apartments. As always, the most part of sales is to small residential flats to 50 sqm.

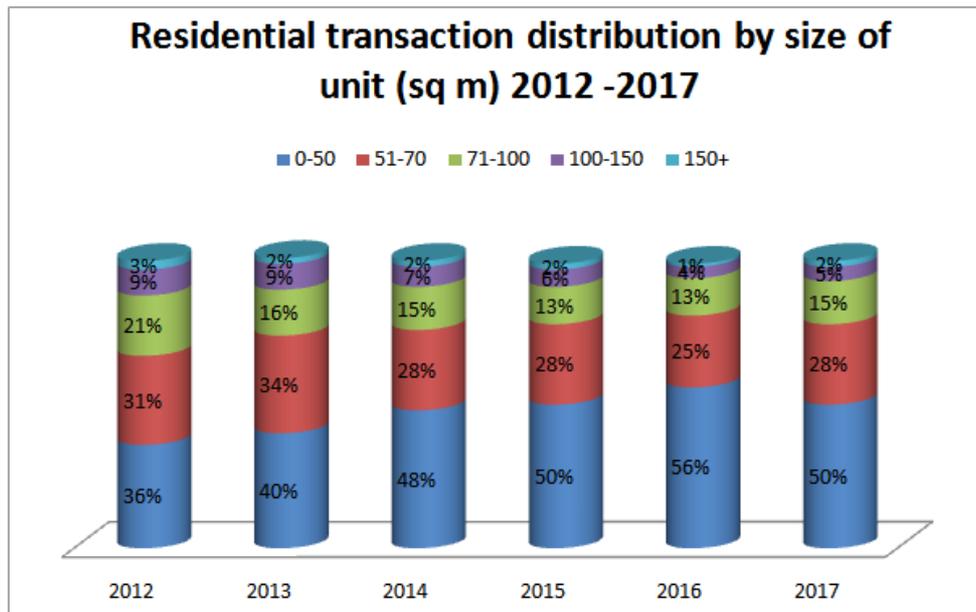


Figure 3: Residential Transaction Distribution by Size of Unit (sq m) 2012-2017

Source: Colliers International

Based on the diagram, we can consider that from the 2012 year until now residential apartments to 50 sq m are most demanded. These area residential flats are the most popular and constitute half of transactions number. Based on, that Batumi is the resort, very often residents from east Georgia have demanded to the residential flats. On the sea season, it is very expensive to install in flats. So, these types of residents it is very convenient to purchase small sized apartments. Besides the residents from east Georgia, also citizens of Batumi are purchasing small sized residential flats. Their owners rent the flats to tourists. They are getting financial profit from this renting business. Large sized flats should not be so convenient for renting aims for their owners.

In Batumi, weighted average selling price of new flats was 691 USD/sq m in 2016. This indicator grew to 723 USD/sq m for the 2017 year. In this period unchanged were old flats' average selling prices. Also, premium segment residential flats' average selling prices are stable increasing. Meantime, it is decreasing price indicator to the low segment residential flats. This means that demand is appearing to premium segment flats. Tourists and residents have demanded to install in high-class apartments. Economy's stable growing process and political stability are incentives for residents and non-resident individuals and companies to implement such purchases (Colliers international 2017).

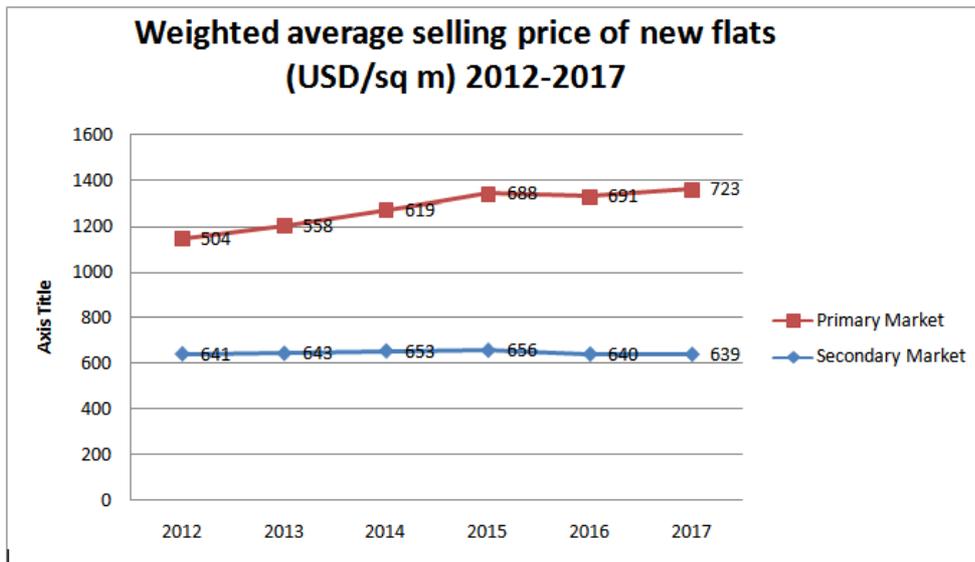


Figure 4: Weighted Average Selling Price of New Flats (USD/sq m) 2012 – 2017

Source: Colliers International

Based on the diagram, we can discuss that in Batumi the price of the residential real estate is growing step by step. Growing price tendency is related to the primary market of residential flats. There is an opposite situation on the secondary market for residential flats. The prices on the secondary residential real estate market are decreasing. The main reason why new built real estate flats are more popular is that new projects include parking places for cars and they are near to the beach. Old buildings have no appropriate infrastructure and can't satisfy to the new requirements of customers.

CONCLUSIONS

There is a growing tendency of demand to the residential real estate in Batumi. This indicates about migration processes, which are implementing in Georgia. The main superiority of the region is its location and touristic potential. Because of this reason, many foreign investors are interested in this place and they are implementing different projects.

Gradually, customers demand premium segment and high quality residential real estate. This indicates that high-class tourists and investors are interested into this region. Developed construction industry affects of region economy wealth.

A government should ensure to attract more tourists and investors to implement new construction projects. Government have different tools for improvement investment process, for example, Georgian law “Investment development and ensuring”. Foreign investors have may rights and they are free through their activities. Investors can take loans from Georgian banks and start a business in any legal industry. There are only 6 taxes in Georgia, which is very comfortable for investors (Georgian Law about “Investment development and ensuring” 1996).

Batumi is blooming every day. There are building built in the 19-th century and also new towers from the future. The length of the boulevard is 7 KM away. There are interesting monuments of Georgian alphabet and other Georgian culture representatives. Tourists call the Batumi “City of Love”. This is a place, which should see every tourist and get pleasure and enjoyment (www.mardihausa.ge).

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