

Anti-Crisis Plan of Georgia

Support for the Development Sector

May 2020





Pre-COVID Development Sector



One of the fastest growing industries



Employees: 120,000 people (in 2019)



GDP share: 9%

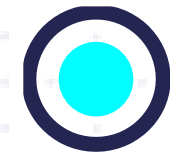


Acquisitions by non-residents: 20%

Revenues: 550 MLN 



Development Sector and Mortgage Portfolio Data



Total volume of residential constructions in 2019-2020:



6.8 BLN 

Loans issued for the acquisition of residential units (88%)

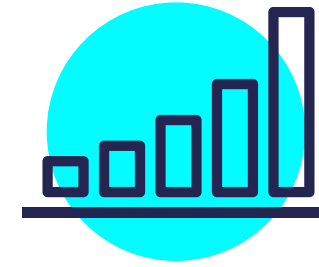


25 000

Number of borrowers/
co-borrowers in 2019-2020



Main Challenges in the Construction Sector



○ Main challenges:



Declined sales of residential units



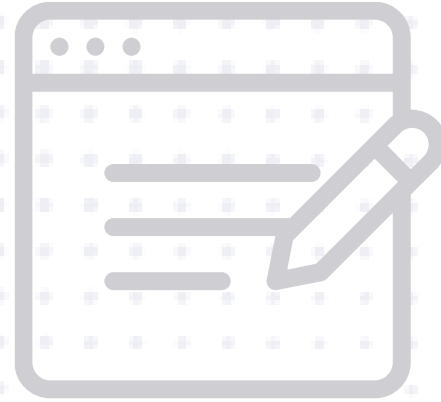
Potential price fluctuations on residential units



Increased risks regarding construction completion and commissioning



Reduced access to finance by development companies



State Subsidies on Mortgage Loan Interest



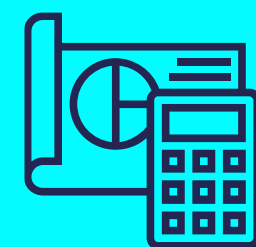
The state will subsidize **4%** of interest accrued on mortgage loans

The subsidy will last **5 years** from the disbursement of the loan

The state will exit the subsidy scheme if the refinancing rate drops below **5%** (The scheme will resume if the aforementioned threshold is exceeded)

The subsidy applies to loans of up to **200 000** GEL

Applies only to those who will take out a mortgage in the period of **01/06/2020 - 01/01/2021** for a unit in a newly constructed residential block



Budget:

70 MLN

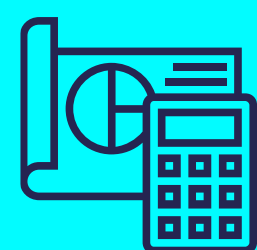




State Underwrites Mortgage Loans

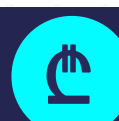


- > The state will underwrite **20%** of the loan
- > The guarantee will last for **5 years** from the disbursement of the loan
- > The guarantee will cover loans disbursed in the period of **01/06/2020 - 01/01/2021**
- > The guarantee will apply to all borrowers receiving a loan not exceeding **200 000** GEL to acquire a unit in a newly constructed residential block
- > The guarantee will apply to loans with co-participation of no less than **10%**



Budget:

14 MLN

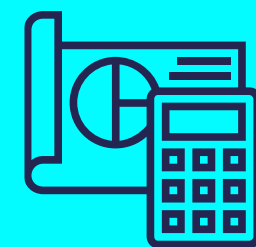




State will Acquire 3 Times More Residential Units Than Planned For IDP Households



- > The state will acquire up to 1,800 newly constructed residential units worth **150 MLN GEL** in total in the period of **01/05/2020 - 01/01/2021**
- > Residential units will be acquired for IDP households throughout Georgia
- > Residential units will be acquired through an auction, whereby the price per square meter does not exceed **1 700 GEL**
- > A construction project will be admitted to the auction if no less than **20%** from the total size of the construction project is **sold in line with the terms and conditions set by the state**



Budget:

150 MLN



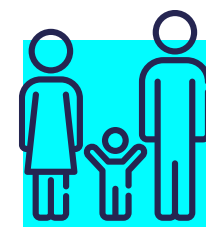


State will Underwrite the Completion of Ongoing Constructions

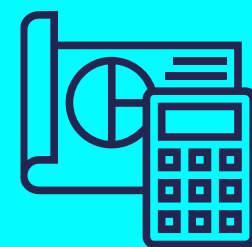


- > Within the scope of the new program, the state will issue procurement guarantees for up to **30%** of the residential space envisaged by the project
- > Developers will receive the guarantees through an auction. Auctions are held for the price of 1 sq. m. to be acquired by the state, which shall not exceed **1 700 GEL**

- > Procurement guarantees are valid for **3** years from the date of underwriting
- > The guarantee will be voided if the vendor fails to provide proof for the full funding of a project (**financial closing**), in line with the rules defined by the state



Residential units acquired by the state within the scope of this state program will also be transferred to IDP households



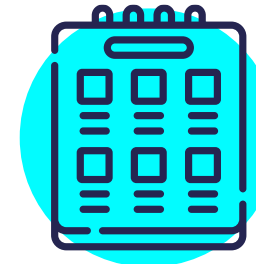
Budget:

200 MLN





Tbilisi City Hall will Continue the Temporary Support Measures for Unfinished Constructions That Were Launched Before 2013

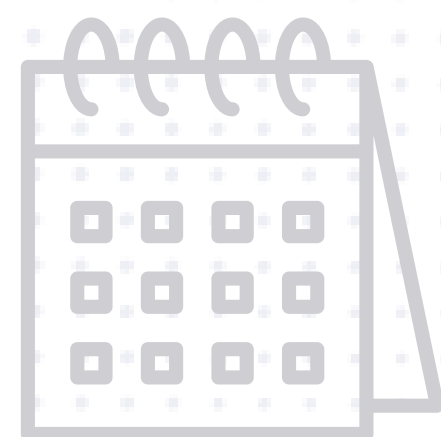


○ Achieved Results:

- > Applications pertaining to 9 construction sites have been approved within the scope of the support that has already been implemented; as a result, 3 680 affected households will be provided with housing**
- > Up to 30 applications are being reviewed which, if approved, will meet the needs of up to 4 000 additional households**
- > These measures may be applied to up to 180 additional unfinished constructions in Tbilisi**

Considering the achieved results:

The deadline to apply for the aforementioned measures will be extended by 1 year



Escrow Account Introduced in Support of the Development Sector



> The obligation to use escrow accounts for no less than **20%** of residential space envisaged by the construction project during its sale will come into force from 2021.

> Obligation to use escrow accounts will apply to the following:

■ Development companies, which are classified as Category 1 and 2 under SARAS

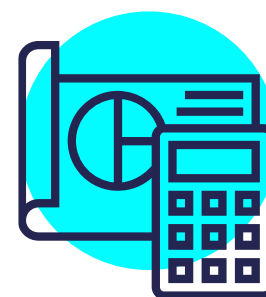
■ Development companies, with which the state will sign Procurement Agreements

> **The use of escrow accounts will be voluntary for small development companies**

> The National Bank of Georgia (NBG) will void the 6-month restriction on escrow accounts



Budget



434 million



- > **70 MLN GEL** Subsidy of interest rates on mortgage loans by the state
- > **14 MLN GEL** State guarantee on the portfolio of mortgage loans
- > **150 MLN GEL** The state will acquire residential units for IDP households
- > **200 MLN GEL** The state will underwrite the construction of residential real estate projects

Thank you for your attention!



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გავრცელების პრევენცია