



ASSET MARKET ANALYSIS

Is there an asset bubble in Georgia?

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01 In short, what is going on

On an asset market, a **bubble** exists when the price of something climbs far above what its real value justifies, and people buy only in the hope of selling it on for more later. When that mood changes, prices fall sharply. **There is no sign of that kind of broad fever across Georgia’s markets today.**

The most genuine reason for caution is real-estate-related lending and those Batumi apartments whose buyers are mostly foreigners. The National Bank found no bubble signs in housing as of mid-2024, and through 2025 price growth, rents and migration-driven demand all calmed down rather than accelerated.

One detail is still worth watching. In early 2026 apartment sales in Tbilisi picked up again — up 19% year on year in the first quarter, with the market expanding 24% in March (*TBC Capital, 2026*). This is not a bubble yet, but it is a signal that we should keep an eye on things, especially on lending to developers.

7.5% Economic growth, 2025 <small>Preliminary figure</small>	5.7% Inflation, May 2026 <small>Target: 3%</small>	8.25% Policy rate <small>NBG, May 2026</small>	13.9% Unemployment, 2025 <small>Still elevated</small>
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The macroeconomic backdrop is strong, but not *overheated*. In May 2026 the National Bank raised its policy rate to 8.25%, because energy prices rose again worldwide (*National Bank of Georgia, 2026*). And in spring 2026 the IMF judged the banking system to be sound, while advising that attention should not slip on lending to developers and on fast-growing consumer loans (*IMF, 2026*).

The verdict for each market

Market	Verdict	How confident we are	Why
Residential housing	No, but keep watching	Medium-high	Price growth slowed, rents calmed, official assessments show no bubble. Mortgages are healthy.
Commercial space	Unclear, leaning “no”	Medium	Rents and occupancy are good, but data are thin and many new permits were issued — a risk of future oversupply.
Equities	No	High	The market is so small and motionless that a bubble simply cannot form.
Government bonds	No	High	A small market, held mostly by banks and funds, with little trading.
Corporate bonds	No	Medium-high	Issuance has grown, but the market is small and concentrated.
Currency	No bubble signal	Medium	Reserves are rising and fundamentals are strong; no sign of speculation.

The main message

Georgia is not in a broad bubble that spans every market. The closest thing to a “watch list” item is residential housing, where the risk is concentrated in Batumi and in lending to developers — not across the whole country.

02 The economic backdrop and how we measure a bubble

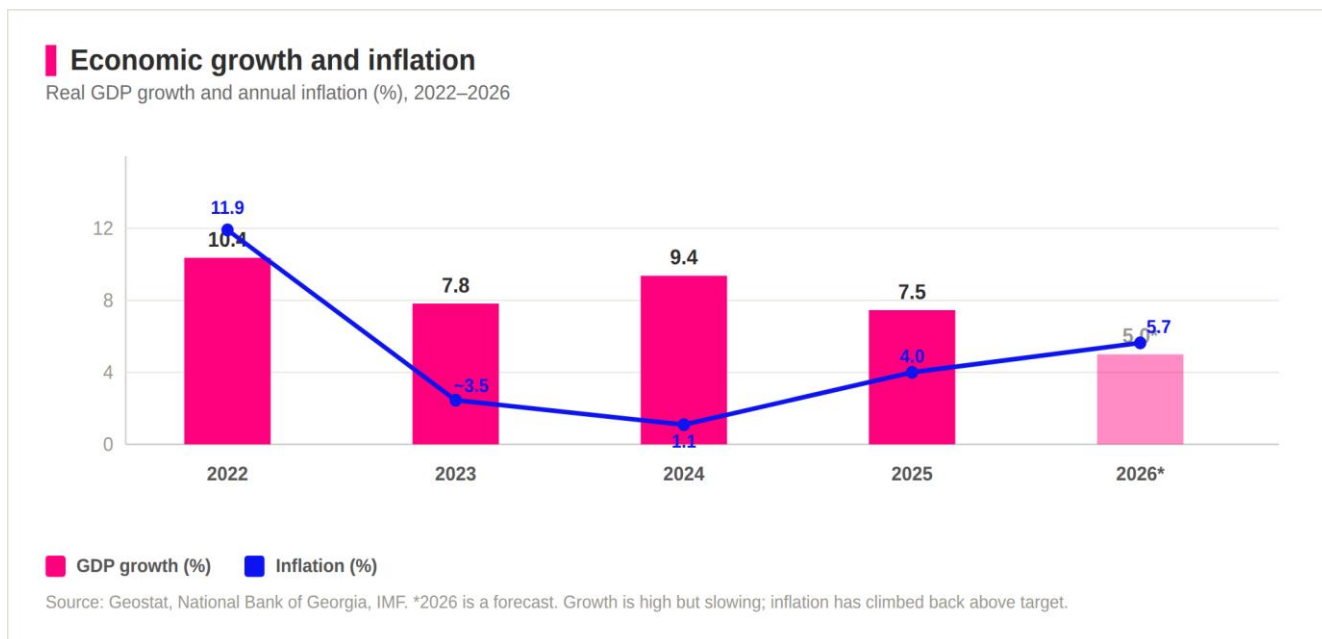
We recognise a bubble by five signs: prices rise far faster than people’s incomes or rents; lending expands very quickly or the rules for granting it loosen; more and more buyers appear who are playing with

borrowed money; prices drift far from historical benchmarks; and the structure of the market encourages risk-taking rather than restraining it. When these signs appear together, things are in bad shape.

One thing matters in Georgia's case: the markets are not alike. The housing market is large and full of data; commercial space is smaller and city-dependent; and the equity and bond markets are so small that they have to be discussed on a different scale.

What the macro picture looks like

On Geostat's preliminary figure, the economy grew 7.5% in 2025 (*Geostat, 2026*); the IMF puts it at 7.3% — lower than the previous year's 9.4%, but still high by historical standards (*IMF, 2026*). Unemployment was 13.9%, and the average wage was roughly GEL 2,283 a month (*Geostat, 2026*).



Inflation has, at first glance, climbed again — it was 5.7% in May 2026, instead of the 3% target. The main reason is more expensive food and energy on world markets, not domestic overheating. That is exactly why the National Bank raised the rate — to keep price expectations from getting out of hand.

Why this does not look like the run-up to a bubble

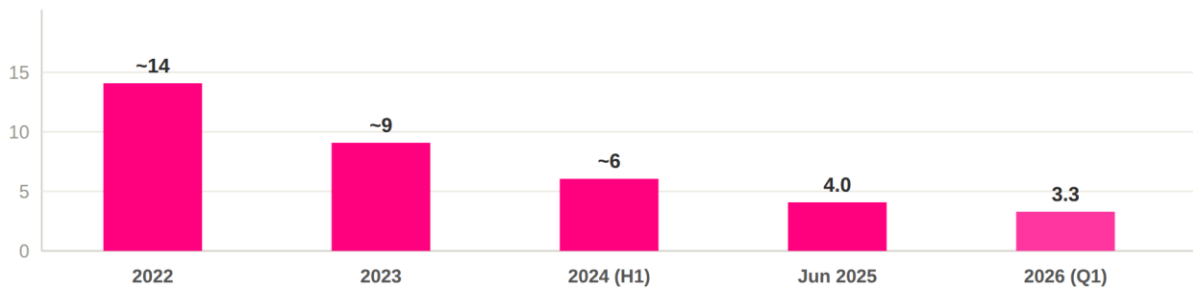
Strong growth, rising foreign reserves and tighter policy all work against the economy “riding” on borrowed money. In June 2026 the IMF repeated that the financial sector is sound — though vigilance is still needed (*IMF, 2026*).

03 Residential housing

The official data do not confirm a broad bubble. In 2025 demand in Tbilisi was stable, and about 90% of apartment buyers were Georgian residents themselves (*National Bank of Georgia, 2025*). In the first half of that year the number of transactions barely changed, and price growth in GEL slowed to 4% — a picture of calming down, not overheating.

How fast apartment prices are rising

Annual residential price growth in GEL (%)



Source: National Bank of Georgia, Geostat. The last bar is apartment prices versus a year earlier. Price growth slowed sharply, but the market picked up again in early 2026.

The most direct test is the National Bank's model, which compares prices with their "fair" level. As of June 2024 it found no meaningful deviation, and the conclusion was simple: no bubble in sight. That does not mean apartments are cheap — it just means the price is at a level that real factors explain.

Lending: it does not confirm a bubble, but it does deserve watching

Mortgage growth rose from 10.4% in April 2025 to 13.4% in April 2026 (*National Bank of Georgia*). The rules loosened slightly, but loan quality is high: overdue mortgages fell to just 1.3%, while the share of rejected applications stayed high (34% on GEL mortgages). This is not a picture of banks handing out loans without thinking.

Who is getting credit, and how fast

Annual growth (%) by type of loan



Source: National Bank of Georgia. The fastest growth is in lending to developers — a sign of possible future oversupply, not of today's prices overheating.

The most sensitive spot is not Tbilisi but Batumi. In mid-2025 almost 40% of demand for apartments in Batumi came from foreigners, which the National Bank flatly calls a vulnerability — if external demand weakens, the market will feel it quickly (*National Bank of Georgia, 2025*).

Honestly — where the "no bubble" conclusion gets weaker

Two things stop us being fully confident. First, the National Bank's latest model ends in June 2024, and the assessment since then leans more on transactions and rents than on a fresh calculation. Second, we have no direct data on how often apartments are bought purely to be flipped soon after. Add the early-2026 pickup, and together it reads as: this is not a bubble, but monitoring must continue firmly.

Verdict on housing: bubble — no, with fairly high confidence. The main risk is Batumi's reliance on foreign demand and lending to developers.

04 Commercial space

Commercial space (offices, shopping centres) is sturdier than its thin data might suggest. But the main risk here is not today’s “overheating” — it is future oversupply. In mid-2025 the price index for commercial space in Tbilisi was stable.



The main weakness is that this market is hard to measure — there are few transactions and prices are more volatile than for apartments. Batumi is even more delicate, because much of the demand is for investment and comes from foreigners.

The banking side also deserves attention. More than 70% of business loans secured by real estate are tied to property, while lending to developers was still growing about 25% a year in mid-2025 (*National Bank of Georgia, 2025*). That is exactly why the National Bank drew up rules for how banks should finance property that has not yet been built.

The main risk — future supply, not today’s overheating

In recent years many permits for new office and retail space were issued in Tbilisi. That means developers are responding to high rents — which is good — but if a lot of space hits the market at once, in a few years we could see oversupply and falling rents (*TBC Capital, 2025*).

Verdict on commercial space: unclear, leaning “no”. In Tbilisi rising rents and low vacancy argue against a bubble; in Batumi and in investment apartments the sensitivity is higher.

05 Equities and bonds

Equities — simply a very small market

At the end of 2024 the Georgian Stock Exchange traded the shares of just five companies, worth GEL 7.3 billion in total (*National Bank of Georgia*). Only a small share of those actually trades freely, and trading is so thin (0.01%) that a bubble physically cannot form. This is an underdeveloped market, not an overheated one.

Who owns them — foreign funds, not a local crowd’s “fever”

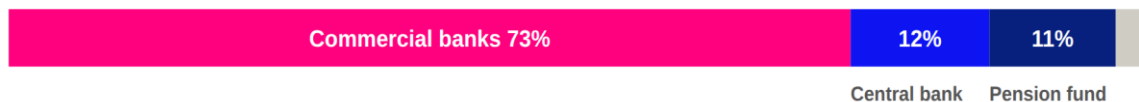
In the most tradeable Georgian equities, the large holders are big international funds such as BlackRock, Vanguard and Norges Bank — the top 20 shareholders own 60.7% of the shares (*Lion Finance Group, 2026*). That is certainly not the picture of a local speculative bubble.

Government bonds — held by banks and funds

The government bond market is growing slowly, but it does not look like a bubble. In mid-2025 the bonds outstanding came to GEL 10.6 billion, and almost all of them are in the hands of banks, the National Bank and the pension fund (*National Bank of Georgia, 2025*). These holders usually keep bonds to the end, so there is almost no active trading — whereas in a bubble, by contrast, everyone competes to buy and sell.

Who holds government bonds (2025)

Share of the total — almost everything is in institutional hands



Source: National Bank of Georgia. Holders usually keep bonds to maturity, so there is almost no active trading on the secondary market.

Corporate bonds — growing, but not a bubble

The market for bonds issued by companies has indeed grown fast — from GEL 106 million in 2014 to GEL 5.3 billion in 2025 (*National Bank of Georgia, 2025*). But 67% of the new issuance in 2025 happened with support from a state programme (Enterprise Georgia) — that is support for financing, not speculation. GEL corporate bonds are barely ever traded again.

What we say about equities and bonds

Equities: no bubble (high confidence). Government bonds: no (high). Corporate bonds: no (medium-high). The main problem is not that prices have overheated — it is that the markets are small and held in few hands.

The overall picture by market

Market	Price / trend	Lending / trading	Bubble risk
Residential	Growth slowed, picked up again in 2026	Mortgages healthy, low arrears	Low–medium (in pockets)
Commercial	Tbilisi stable, Batumi sensitive	Developer loans +25%	Medium — needs monitoring
Equities	No sign of overheating	Almost no trading	Low
Gov. bonds	Small market	Held by banks and funds	Low
Corp. bonds	Growing from a low base	GEL bonds barely trade	Low–medium
Currency	No sign of overheating	Reserves rising	Low

What should be done — targeted, without panic

On housing, the National Bank should keep its strict borrower rules and pay particular attention to financing for not-yet-built property and for developers. On commercial space, deeper analysis and stress tests are better than tightening everything across the board. On equities and bonds, the main task is to deepen the market and improve transparency, since the real problem is thinness, not overheating. The single most useful step would be better publication of data such as prices by city and the types of buyers.

Final assessment

Georgia is not in a broad asset bubble. The closest thing to a “watch list” item is residential housing, yet the best official data reject a broad bubble — the risk is in Batumi and in lending to developers. Commercial space is unclear, leaning “no”, where what matters is future supply rather than today’s prices. Equities, bonds and the currency show no bubble.

06 Sources

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Note: this report draws on publicly available official and industry sources. The document is analytical and is not investment advice.