

Accelerating success.

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Hospitality

A new era of branded hotels in Tbilisi

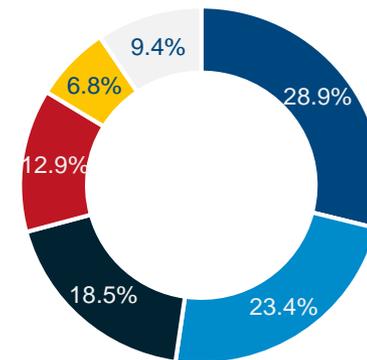
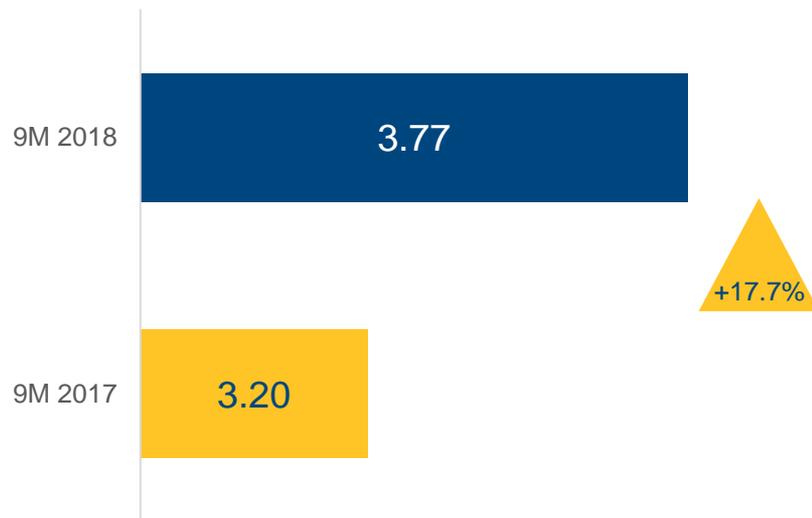
Irakli Kilauridze, 11.2018



Tourism in Georgia

- 4.2 million tourists are expected to visit Georgia in 2018
- Tourist trips are expected to reach 9 million by 2022
- Neighbors are main source markets. However, source countries are becoming more diversified since 2015
- As of September 2018 air arrivals grew by 22.7% y/y
- Leisure and recreation is the main purpose of visit
- Visitors from Saudi Arabia and UAE spend most in Georgia.
- FB holds 28.9% of visitor spending

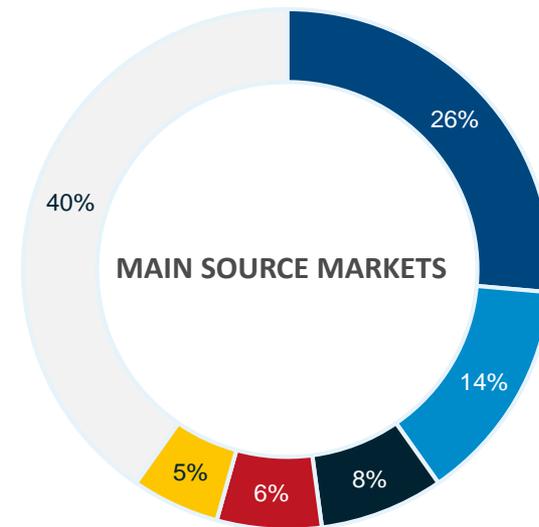
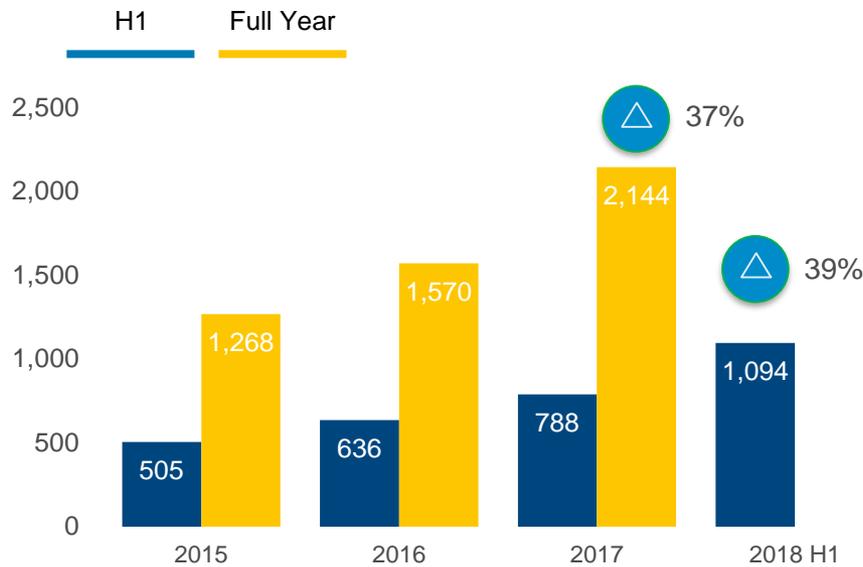
Number of Tourists in Georgia, millions



- Foods and drinks
- Accommodation
- Leisure and recreation
- Shopping
- Transport
- Other

Tourism in Tbilisi

Number of international tourist visits to Tbilisi , thousands

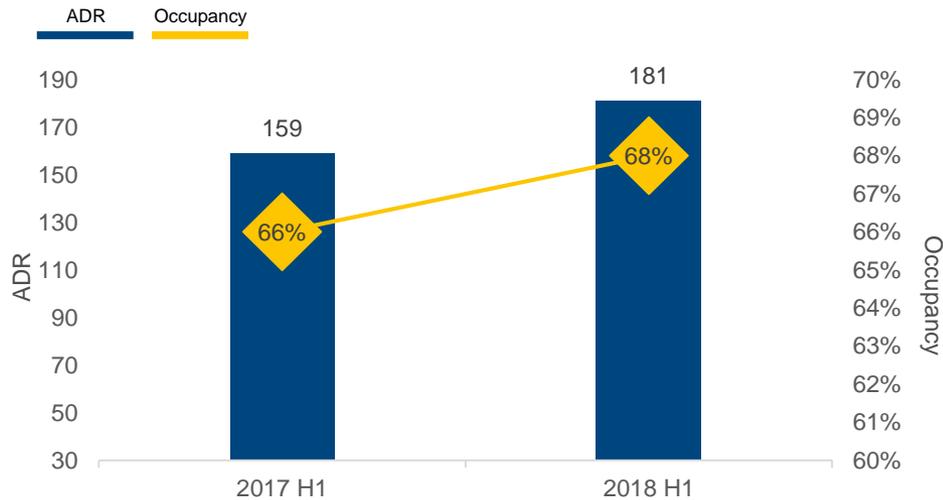


■ Russia ■ Azerbaijan ■ Turkey ■ Armenia ■ Iran ■ Other

- The average number of nights spent in Tbilisi by the international tourist visitors was 5.2.

International Upscale Brands

Occupancy rate & ADR (% , USD)



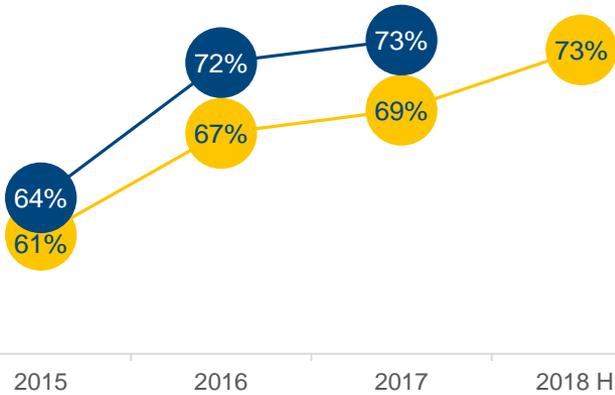
- There are **8,643** accommodation units in total in Tbilisi;
- 7** new hotels opened in the capital in 2018, supplying 471 hotel rooms and a total bed capacity of 890. The list of newly opened hotels includes internationally branded hotels such as **Moxy by Marriott**, **Best Western Tbilisi City Center**, and **Ramada Encore**.
- According to the Georgian National Tourist Administration (GNTA), there are fourteen new hotels planned to open in the remaining of 2018 and 2019. As a result, Tbilisi’s hotel room supply is expected to grow by 2,314 rooms,



International Midscale Brands

Occupancy rate

H1 Full Year



Average daily rate (USD)

H1 Full Year

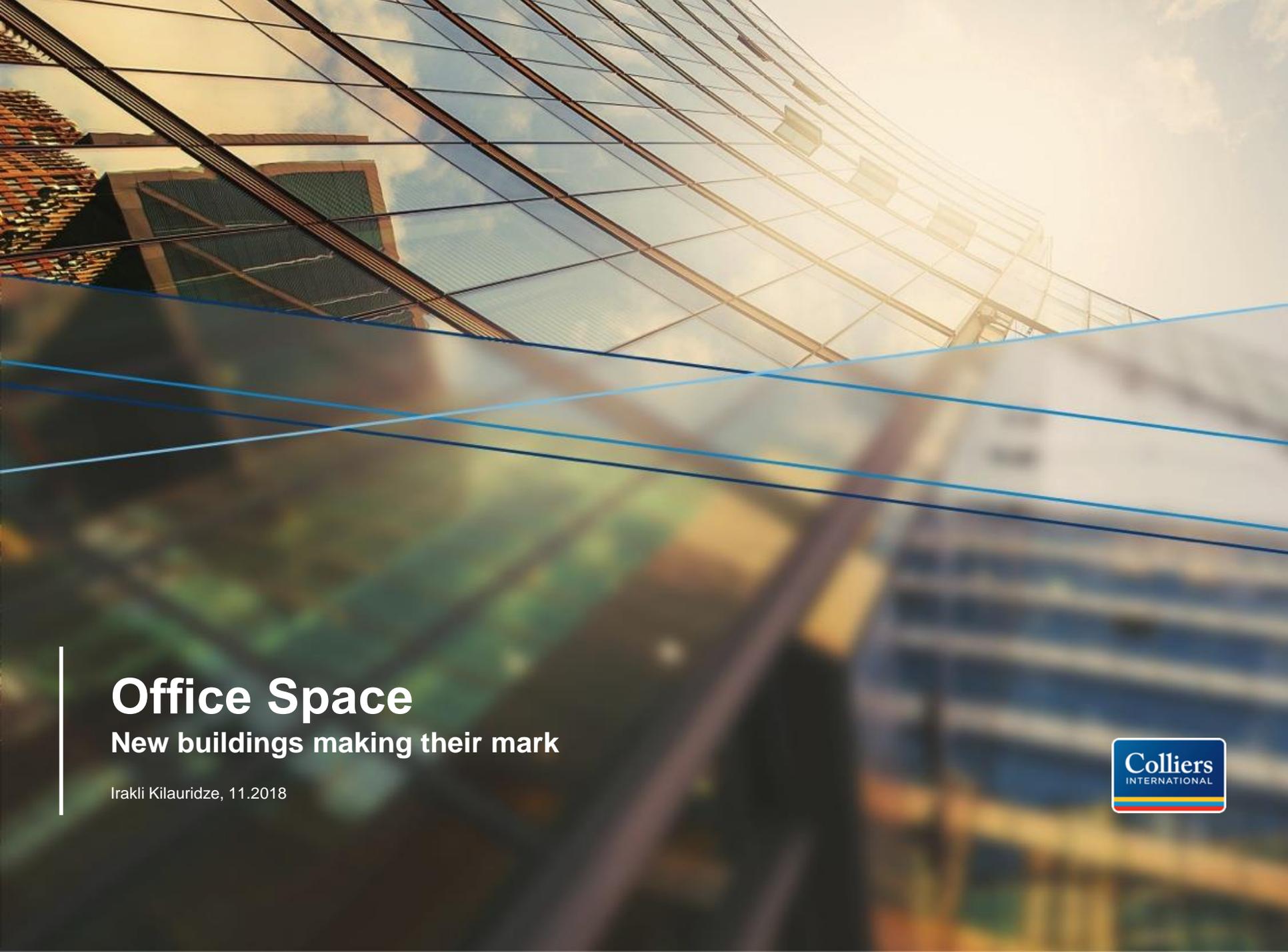


1,418 Rooms



A new era of branded hotels in Tbilisi

OPERATOR/BRAND	DEVELOPER	LOCATION	EXPECTED # OF ROOMS	EXPECTED COMPLETION YEAR
Sheraton Metekhi Palace	RAKIA Georgia Free Industrial Zone	16 Telavi Street	255	2019
Hotel MC/Autograph Collection	Georgian Co-Investment Fund	Tabori Mount	160	2019
Hotel MC/Autograph Collection	Georgian Co-Investment Fund	Freedom Square	220	2019
Hilton Tbilisi	Granat Georgia	41 Kostava Street	206	2019
Radisson Blu Telegraph	Silk Road Group LLC	31 Rustaveli Avenue	183	2019
AccorHotels/Pullman Hotels & Resort	Axis/Georgian Co-Investment Fund	37 Chavchavadze Avenue	234	2019
Wyndham Garden	Alliance Group	49B Chavchavadze Avenue	150	2020
Hotel MC/Autograph Collection	Georgian Co-Investment Fund	Kojori Highway	370	2020
Radisson RED	Plaza Group, Telegraph LLC	44 Aghmashenebeli Avenue	100	2020
Tbilisi Hyatt	Rustaveli Property LLC	30 Rustaveli Avenue	170	2021
Hotel MC/Autograph Collection	Georgian Co-Investment Fund	22 Kote Apkhazi Street	150	2021
Golden Tulip	LLC Block-Invest	2a 300 Aragveli Street	78	2018
Hilton Garden Inn	Redix	64 Chavchavadze Avenue	170	2019
Ramada	M2 Residence	10 Melikishvili Street	122	2019
Park Inn by Radisson	LLC Block-Invest	10 Chanturia Street	200	2020
Ibis Stadium	LTD Georgian Hotel Management	178 Aghmashenebeli Avenue	149	2020



Office Space

New buildings making their mark

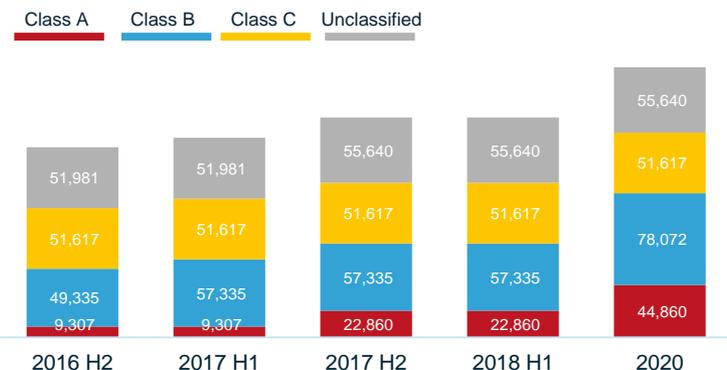
Irakli Kilauridze, 11.2018



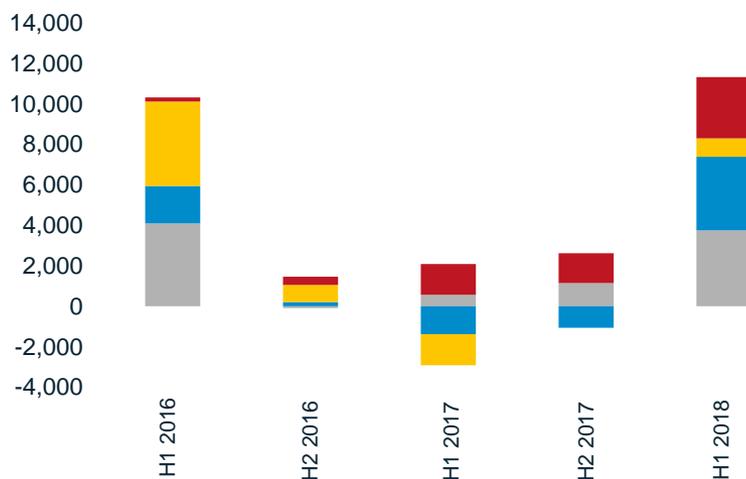
Supply & Take-Up

SUPPLY

MODERN BUSINESS CENTERS; OFFICE AREA, sq m



NET TAKE-UP

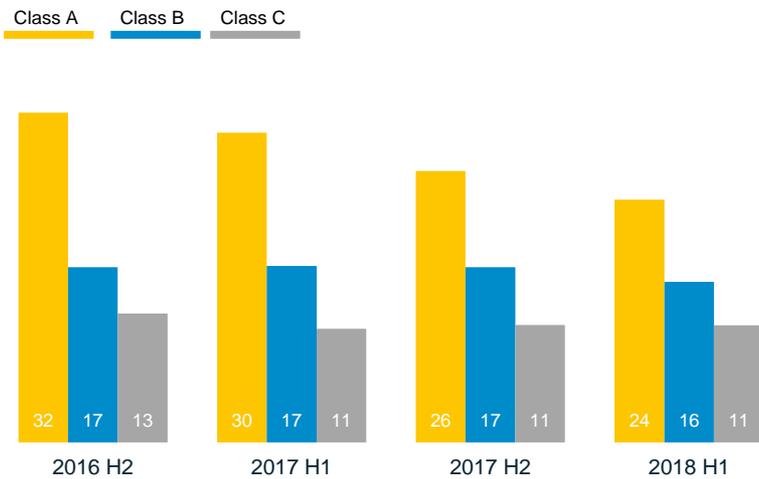


- In H1 2018, take-up reached 16,860 sq m across 46 registered new contracts and renewal agreements, bringing total take-up for H1 2018 up 56% on the second half of 2017.
- We expect a positive take-up trend for next six months for A class business centers (BC), with ongoing active lettings in King David BC and Axis Towers BC in the pipeline.
- Trade companies secured the largest share (4,118 sq m) of office space. Petroleum and tobacco companies are the major tenants
- Positive net take-up occurred in all classes, with the strongest demand in B class.
- New A class (22,000 sq m) office tower is currently under construction. B & C class offices under active construction amount to 18,654 sq m.
- The year-end supply levels are expected to increase if two major projects Axis Towers and MDM Group's second BC are delivered

Performance Indicators

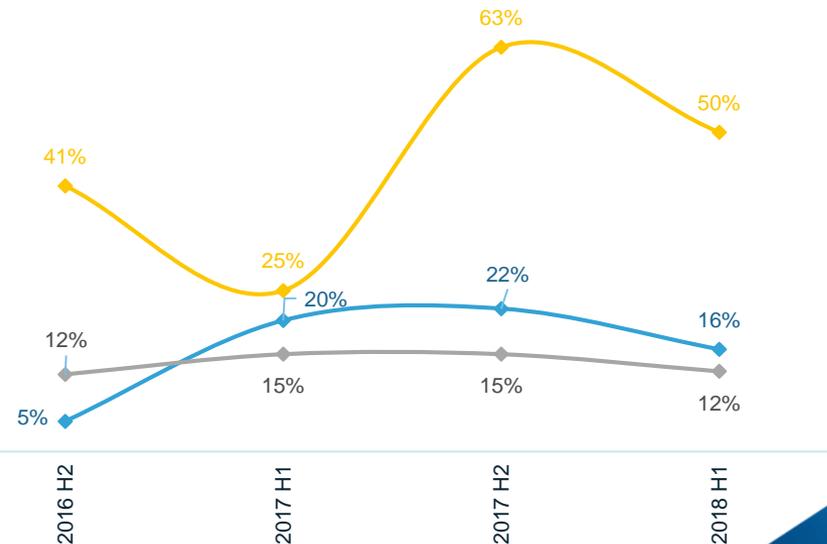
Rents

By class (USD per sq m)



Vacancy Rate

Class A Class B Class C



- Due to high levels of supply Tbilisi prime office rents are currently USD 23.6 per sq m. We anticipate prime rents to continue downward movement towards USD 21 per sq m over the next two years.
- Vacant office space in Tbilisi’s modern business centers stands at 31,866 equating to a vacancy of 17%. Class A vacancy rate has decreased by 21% since the end of 2017. However, there still is a substantial amount of available space to let in class A buildings.

New buildings making their mark





Residential: Tbilisi pushing outwards

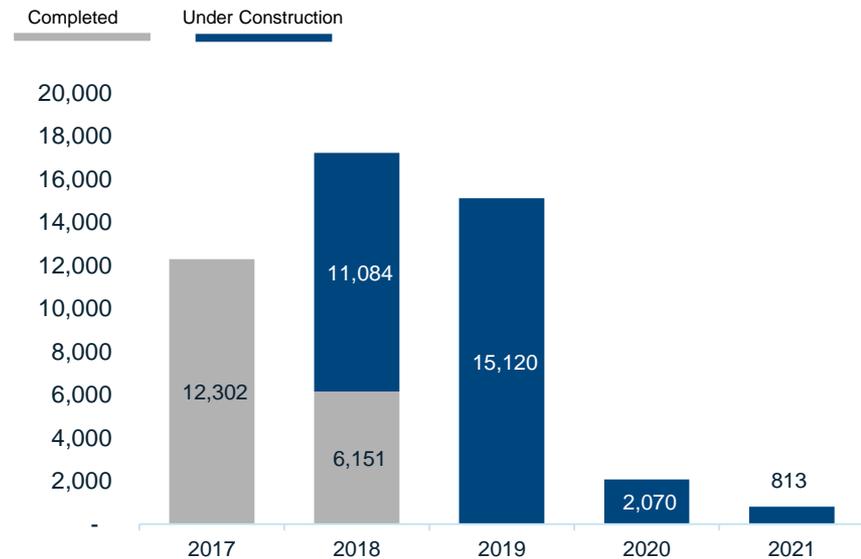
Irakli Kilauridze, 11.2018



Supply

- In H1 2018, 383,285 square meters were added to the city's residential market.
- The majority, (21.7%) of the new flats were added to the Saburtalo district, followed by 15.7% and 14.8% to Samgori and Gldani, respectively.
- Currently, there are 29,153 flats under construction. 26.9% of which are being built in Saburtalo, followed by 18.8% in Didi Dighomi. The share of flats being built in Didi Dighomi has an increasing trend.

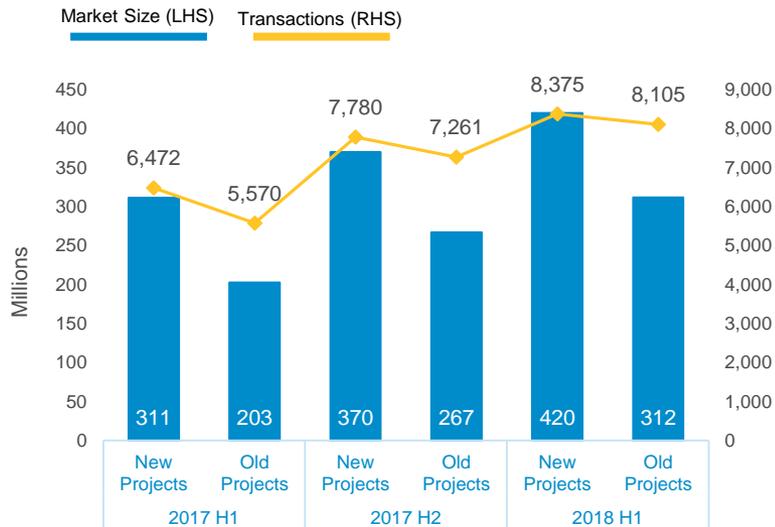
Supply of Flats in New Projects



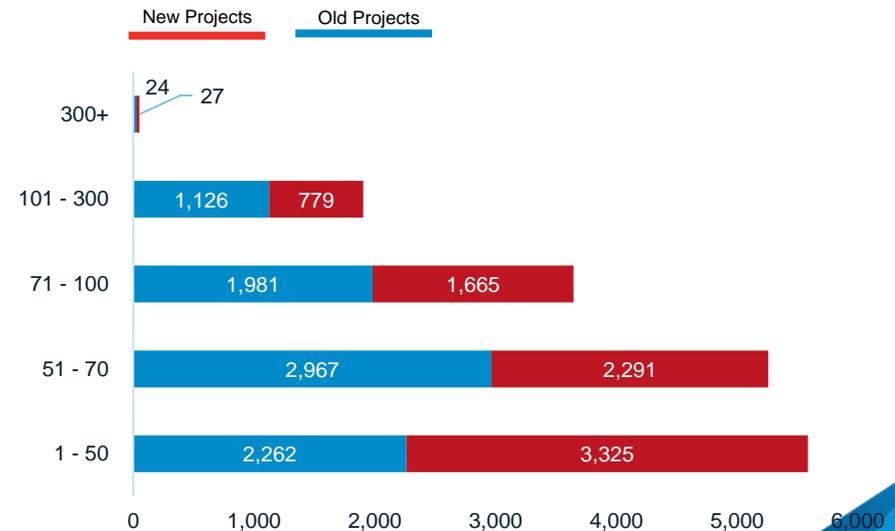
Demand

- In the first half of 2018, Tbilisi’s residential market size accounted for USD 731.5 million, which represents 14.9% growth compared to the second half of 2017.
- The number of transactions during the first half of 2018 increased by 10%, compared to the previous period, reaching total of 16,480 transactions.
- Transactions in Saburtalo and Didi Dighomi continue to hold almost half of the market since 2015.
- Customers show high interest in new flats with an area of 51 – 70 sq m.

Market Size (Million, USD) & Transactions



Number of Transactions (By unit size, H1 2018)



Selling Price

- The weighted average price in new projects increased by 7.2% compared to the previous period, amounting to USD 712 per sq m.
- Prices in old projects have remained stable since 2016, amounting to USD 628 during the first half of 2018.

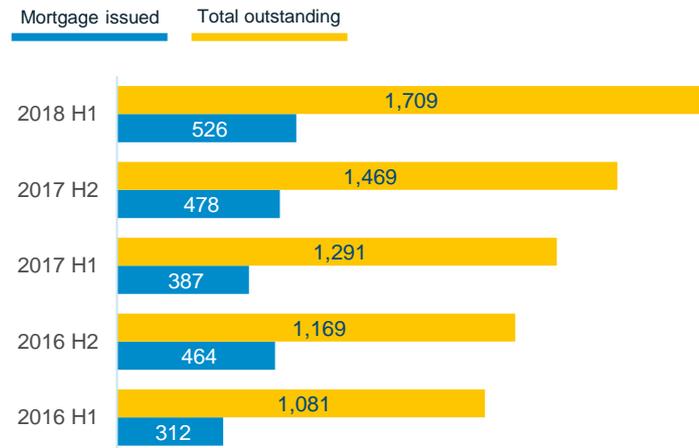
WEIGHTED AVERAGE PRICES

(USD, per sq m)



- Mortgages with a total value of USD 526 million were issued during the first half of 2018, which represents a 10% increase compared to the previous period.
- The total outstanding mortgages increased by 16% and stands at USD 1,709 million.

MORTGAGE LENDING (Million,USD)





Retail:

Are shopping malls becoming part of the neighborhood?

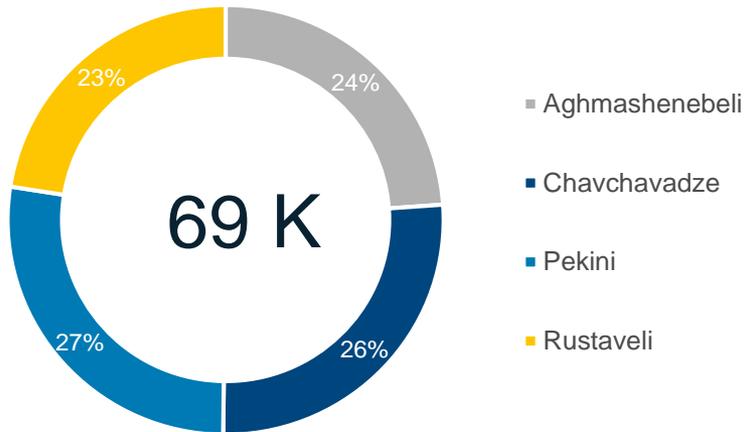
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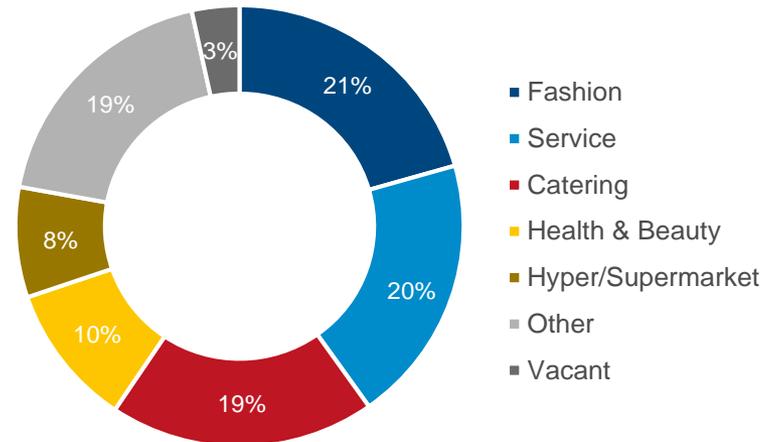
Street Retail

- The total supply of leasable area amounts to 69K. There were no major developments completed on high streets in the first half of 2018. However, two residential complexes m2 at Chavchavadze and Hausart Plaza and a mixed-use development on Pekini Street will increase leasable floorspace in the next 1.5 years.
- From retail to experience: both local and international consumers expect more and more service, experience, and entertainment. As shopping centers are attracting more customers in Tbilisi, retail streets need to continue to innovate in addition to a balanced offer of retail, cafes and entertainment.

SUPPLY OF LEASABLE FLOORSPACE
(sq m)



TENANT MIX BY CATEGORY (sq m)

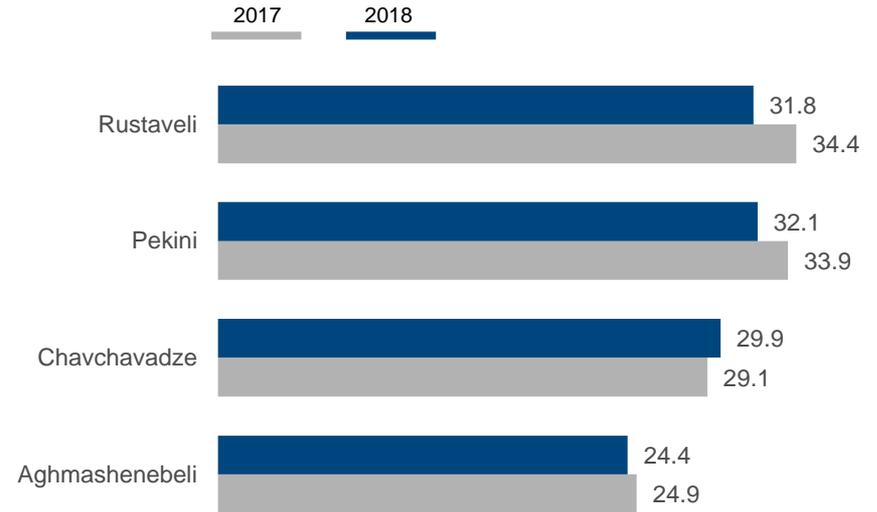


Performance Indicators

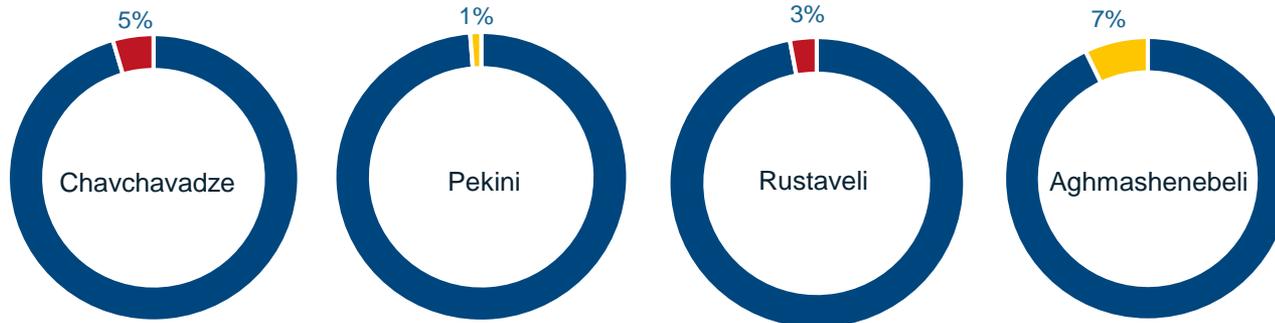
- Fall in vacancy rate is accelerating: the vacancy rates fell on all high streets. The current vacancy rate is 4% of stock.
- High street rents remained relatively stable compared to significant drops in the previous years.

WEIGHTED AVERAGE RENT H1 2018

(USD per sq m)

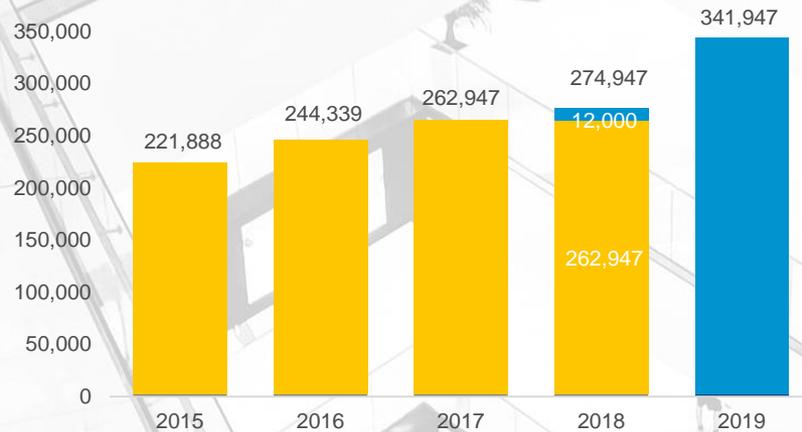


VACANCY RATES



Shopping Centers

SUPPLY OF LEASABLE FLOORSPACE
(sq m)

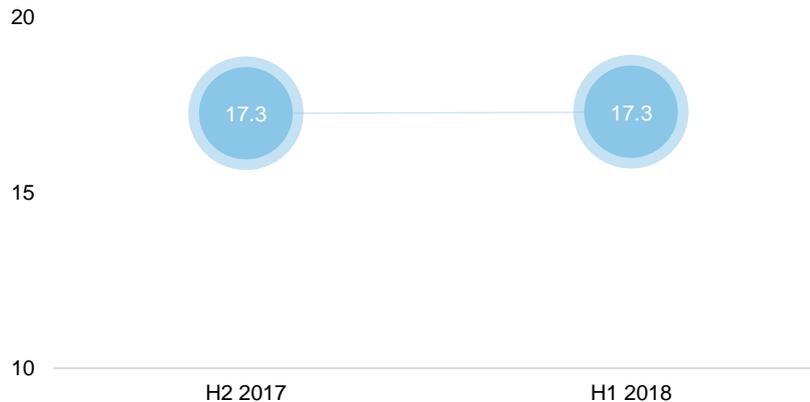


- Modern shopping center space supply in Tbilisi remained unchanged in the first half of 2018.
- Clothing and footwear is set to be the fastest-growing spending category.
- Retail space absorption in Tbilisi's shopping malls amounts to 228 sq m.
- Modern shopping centre supply per 1,000 inhabitants stands at 248 sq m. By 2019 it is expected to grow by 29%, making Tbilisi more competitively comparable with Eastern European cities.

Shopping Centers

- Rental rates in shopping centers remained stable.
- The massive share is still held by fashion category (30%), followed by hyper/supermarket with 19% and entertainment, household and electronics with 10% each.
- There were no major tenant replacements in the shopping centers, however, several important new entrants were Zara Home & Monsoon in Tbilisi Mall.
- The delivery of upcoming development projects might affect the vacancy rate, in the short term. We expect rental rates to remain stable.

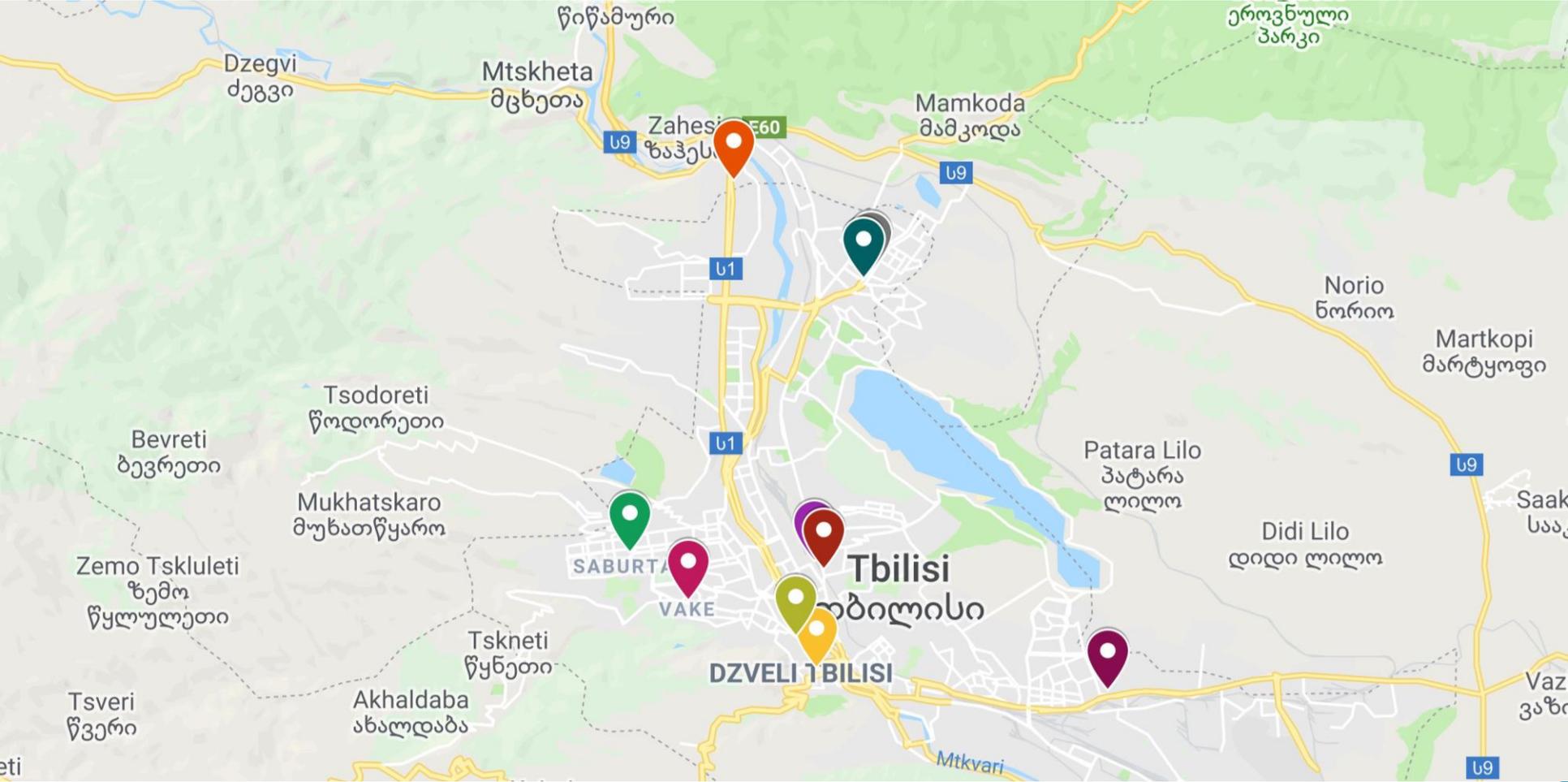
RENTS¹
USD/sq m

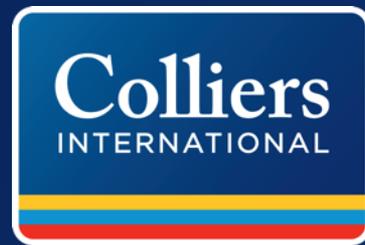


VACANCY RATE
%



Are shopping malls becoming part of the neighborhood?





Accelerating success.