



# WHAT'S NEXT *in 2020?*

The New Year in Perspective



*2019 has been yet another dynamic year for the Georgian real estate. Mid-year doubts proved baseless as hospitality industry hosted more than 7.3 million visitors. Retail supply grew by 45,000m<sup>2</sup> due to the extension of City Mall Saburtalo while the first ever Georgian outlet mall was announced in December. Furthermore supply growth in office spaces and the resultant competition has facilitated a boost in quality and variety of offerings. Rising number of construction permits and of pipelined developments indicates the considerable development potential of these pivotal sectors in the Georgian economy.*

*In this publication, we offer our expert insight into what to expect in hospitality, office and retail sectors at the turn of the decade. Our team has projected key trends for 2020 based on in-depth research and analysis of the real estate trends over the last 10 years. As a special feature, a look at the trend of the next decade - mixed use developments.*

*We at Cushman & Wakefield Georgia hope you enjoy our Christmas edition and wish you happy holidays and a successful New Year!*

*Yours truly,*

A handwritten signature in red ink, appearing to read 'Nina Kipiani', written in a cursive style.

*Nina Kipiani*

# 2020 at a Glance



## Tourism

7.960 million - international visitor trips  
5.195 million - overnight visits  
\$3.134 billion - international tourist trips  
30,219 - hotel rooms



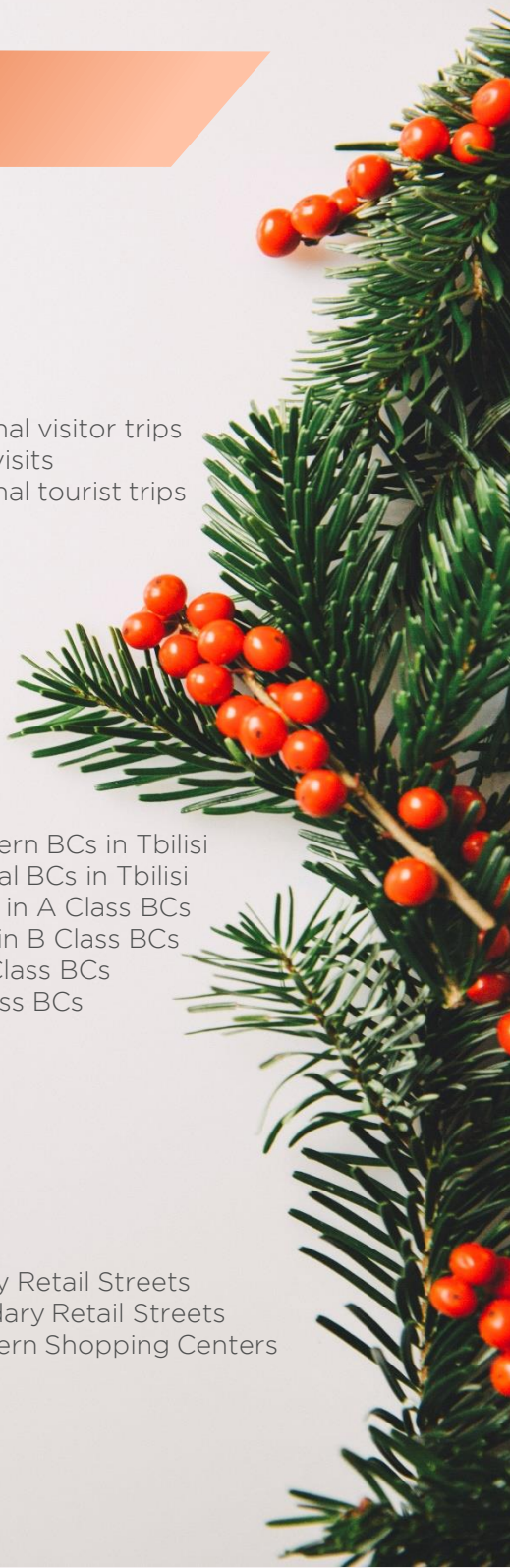
## Office

261,283m<sup>2</sup> - GLA of Modern BCs in Tbilisi  
43 - Number of functional BCs in Tbilisi  
31% - Projected Vacancy in A Class BCs  
7% - Projected Vacancy in B Class BCs  
\$27.65 - WA Rent at A Class BCs  
\$17.60 WA Rent at B Class BCs



## Retail

\$48 - WA Rent at Primary Retail Streets  
\$22 - WA Rent at Secondary Retail Streets  
447,388m<sup>2</sup> - GLA of Modern Shopping Centers







## *Hospitality*

2019 is closing out as yet another successful year for the travel, tourism and hospitality sector. The effects of the political turmoil of the past summer were short lived and indirectly encouraged greater diversification of the geographic profile of the tourists in Georgia. Supply grew with the addition of Wyndham Grand and a number of smaller boutique hotel openings. Additionally, new international entrants such as the first luxury hotel for Tbilisi, Kempinski at Gergeti Street were announced.

The coming year is set to be another big year for tourism in Georgia and specifically in Tbilisi. We project that the number of international visitor trips will exceed 7.9 billion with their cumulative spend adding up to \$3.134 billion. With a number of large hotel openings scheduled for 2020 - Pullman at Axis Towers, Hilton Garden Inn and Kempinski to name a few - we project that the number of hotel rooms will exceed the 30,000 mark.

# *Retail*

Retail sector has seemingly matured – an event precipitated by the increased GLA and a lack of apparent demand on space from the new tenants. Extension of City Mall Saburtalo boosted the GLA of modern shopping centers to 447,388m<sup>2</sup>. This is where the supply point will remain in 2020 as well. The variation in rent of the shopping centers is too great for the indicator to be projected decisively, however, increase in supply will put downward pressure on the rent rates.

The sector is also diversifying – in November 2019 Gino Group announced the first ever outlet mall in Tbilisi, which is to be built on the shorelines of Tbilisi Sea, provide GLA of 8,700m<sup>2</sup> and offer 65 retail units.

Finally, 2019 as well as 2018 saw a gradual shift of demand from street retail to the centralized spaces. This shift will persist in 2020 as well however the lagging demand will be felt most acutely in secondary streets. Weighted average rent at the primary streets is set to become \$48 and that at secondary streets will settle at \$22.





## Office

Office sector is one of the fastest growing in Tbilisi however with a densely populated pipeline, it is also the one that is the most likely to get saturated the fastest. Four A Class BCs are set to officially launch in 2020 increasing the total modern office space to 261,283m<sup>2</sup>. This will also increase the number of operational BCs (modern or renovated) to 43.

2019 has seen some downward pressure on the pricing of the A Class spaces in spite of the apparent demand. This downward pressure will persist but in the short term, as new A Class BCs are opened, weighted average rent in this class will increase to \$27.65. Considering both the pre-leasing stage success but more importantly, the lack of new tenants on the market, we project that the vacancy at A Class BCs will stand at 31%. Demand on B Class BCs will persist, with average rent rate standing at \$17.60 and vacancy stable at 7%.

The new BC openings will have an added effect of making Vake a new CBD of the Capital. 2020 will also see a growth in demand on the co-working spaces.





*The Trend  
of 2020*

# MIXED USE DEVELOPMENTS

## *The 2020 Trend:*

The lack of resources and space has become one of the major challenges of the future in every sector and the real estate is not an exception. Rapid growth of demand in cost and time efficient surroundings continues to spur planners to create new solutions. Exactly the need of maximized utilization of assets causes the developers to adapt to the environment. Some old ideas, however, are being dusted off and given a modern update. Therefore, the future of mixed-use has already arrived!

So, what does mixed-use stand for?! It's a type of development that blends residential, commercial, cultural, institutional, and/or entertainment uses into one space, where those functions are to some degree physically and functionally integrated and that provides pedestrian connections. A mixed-use building aims to combine three or more uses into one structure.

Mixed-use buildings and developments go back to ancient times. Today, no planner can get away with simply designing a stand-alone office or residential building. Mixed-use provides a great opportunity by combining a variety of experiences and functions that will speak to its target group; it also creates a sustainable competitive advantage. The synergies between multiple uses and innovative solutions increases the flexibility and provides diversified know-how.

In view of all the above, some of the outstanding benefits of the mixed-use approach can include:

- Enhanced housing variety and density
- Advanced energy efficiency and sustainability
- Connected neighborhood
- Adapted to changing needs.

*The future of mixed-use development is a unified flexible space which creates a place where people want to be without boundaries between work, shopping, leisure and home.*



# TBILISI MIXED-USE PIPELINE



*Axis Towers*



*Alliance Highline*



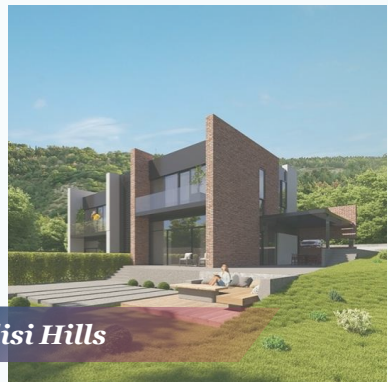
*Park Home*



*CH64*



*Panorama Tbilisi*



*Tbilisi Hills*



**CUSHMAN &  
WAKEFIELD**

**TBILISI OFFICE:**

34, I. Chavchavadze Ave. 4<sup>th</sup> floor  
Tbilisi 0179  
Direct +995 322 47 48 49

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