



MICE AND BUSINESS TOURISM

Tbilisi, Georgia

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BUSINESS TOURISM IS GROWING AS THE COUNTRY *IS STARTING TO GRASP ITS **MICE POTENTIAL***

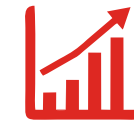
Georgian Tourism has been developing at a rapidly increasing rate. The country has become a regional hub of leisure and entertainment, hosting more than 7 million tourists in the last year. Business tourism has kept up with the progress led by the leisure sector albeit at a slower pace. In 2018, the country hosted 623,849 business tourists, 66% of whom came to the Capital.

MICE tourism (MICE – Meetings, Incentives, Conferences, Exhibitions) along with the more traditional business tourism is one of the most lucrative tourism markets bringing in revenue of €115.9 billion worldwide in direct sales and contributing €68.7 billion to GDP according to the data published by Global Association of the Exhibition Industry. Georgia, with its advantageous location, established international reputation and cultural appeal, has a significant potential of becoming a regional MICE hub. The growing number of MICE facilities and their clients suggests that the country is starting to grasp its MICE potential.

1. Key Indicator Dashboard



\$ 4,345.5
GDP PER CAPITA



4.7%
GDP REAL GROWTH RATE



4.1%
INFLATION



12.7%
UNEMPLOYMENT



GEL 4.26 Billion
DIRECT CONTRIBUTION OF
TRAVEL AND TOURISM TO GDP



GEL 14.24 Billion
TOTAL CONTRIBUTION OF
TRAVEL AND TOURISM TO GDP



151,267 Jobs
DIRECT CONTRIBUTION OF T&T TO
EMPLOYMENT



519,744 Jobs
TOTAL CONTRIBUTION OF T&T TO
EMPLOYMENT



\$ 1.233 Billion
FOREIGN DIRECT INVESTMENT

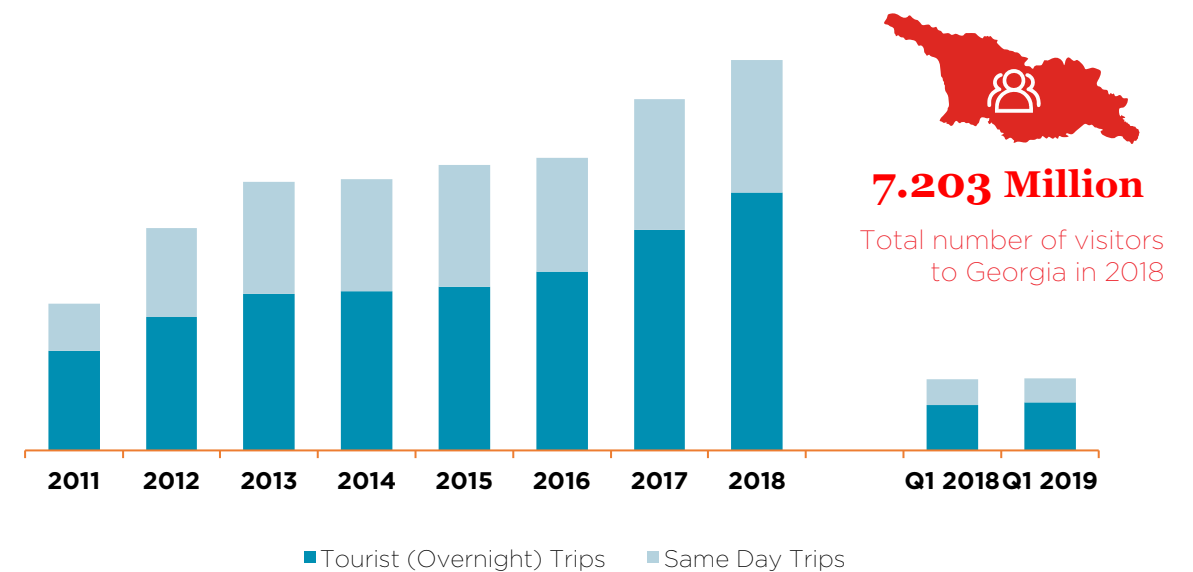
Source: Georgian National Statistics Office (GeoStat), WTTC

2. Demand

ARRIVAL DYNAMICS

The number of guests arriving in Georgia has been increasing annually at an average rate of 16%. In 2018, the country was visited by a record number of 7,203,350 tourists from a growing array of countries. This is a 11% growth over 2017, which in its turn was a record year for international visitor trips. In 2018, 4.75 million tourists stayed overnight; 2.44 million visitors however did not spend a night. The latter category includes majority of business tourists who hail from the neighboring countries. Ease of traveling enables business visitors from Azerbaijan, Armenia or Turkey to accomplish their business pursuits without having to rent accommodation.

International Visitor Arrivals in Georgia



Source: Georgian National Tourism Administration (GNTA)

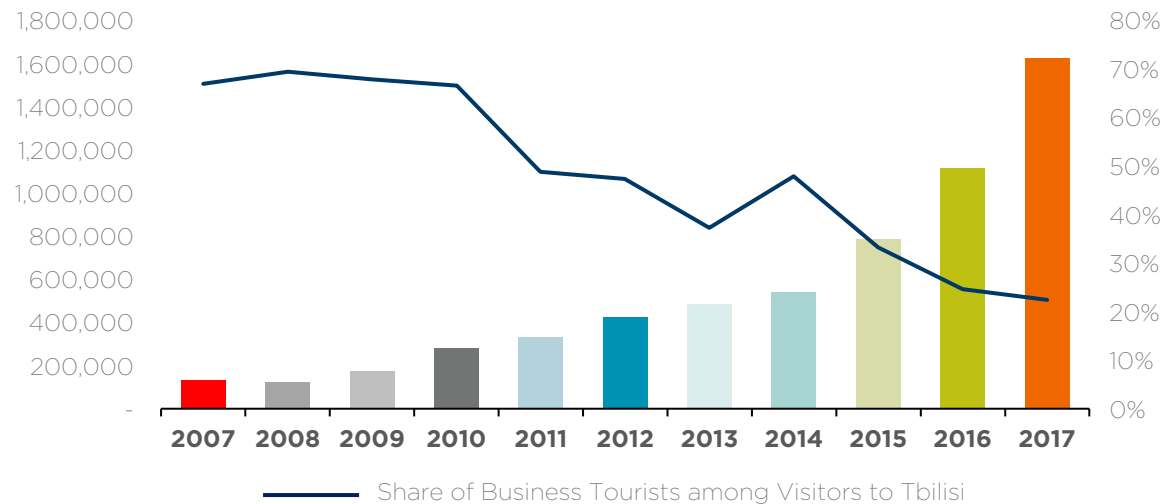


20.5% of arrivals in 2018 were first time visitors while 79.5% of them were on repeat visits, indicating that for the vast majority of tourists, Georgia is not a one-time stop. This has obvious implications for business tourism.

Of more than 7 million visitors in 2018, 8.7% were business tourists. This number has grown from 532,083 to 623,849 between 2017 and 2018. The number of business visitors has been growing at an average rate of 18% annually. The growth rate is expected to stabilize within the next five years.

Tbilisi, as the Capital, is the primary destination for the majority of business tourists. In 2017 (the latest data provided by National Statistics Office; 2018 to be added mid-summer 2019), 66% of business tourists came to the Capital, while 17.1% of them traveled to Batumi, which is becoming a secondary MICE market, especially active during the summer months.

Dynamics of Tourist Arrivals in Tbilisi



Source: Georgian National Statistics Office

411,740



Tbilisi business visitors, 2017

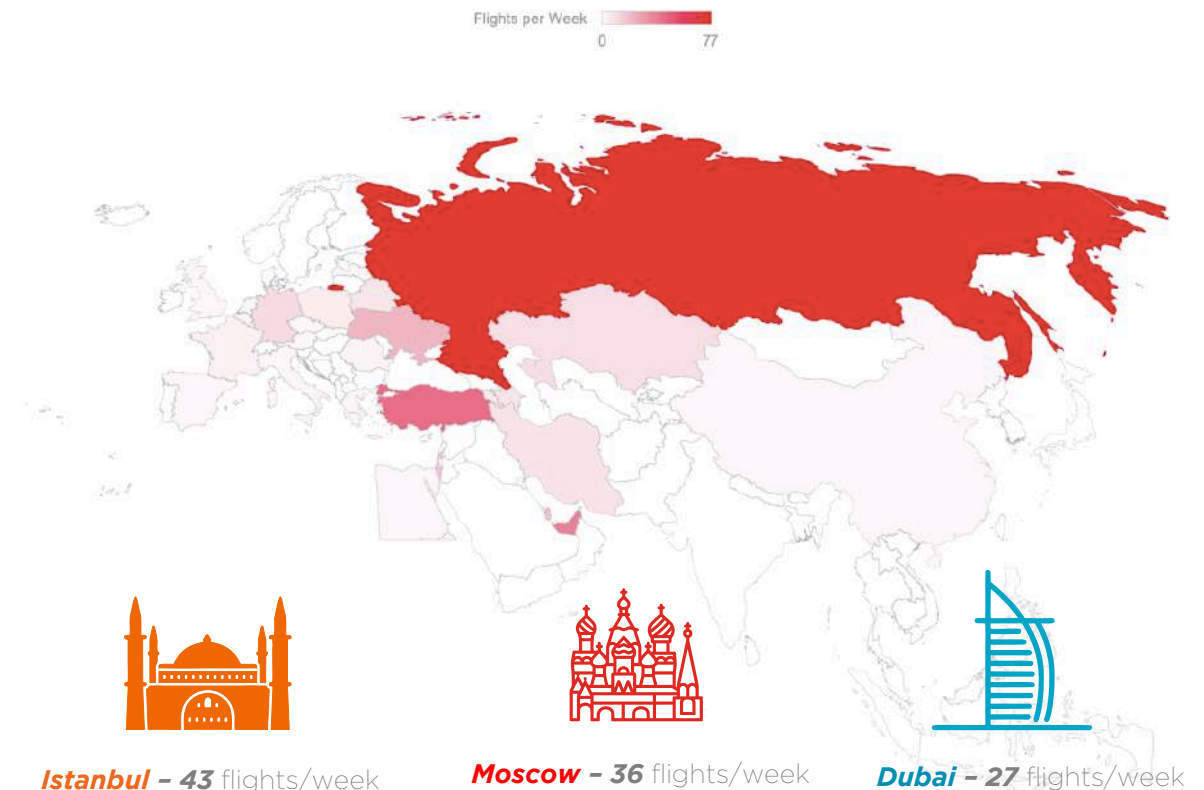
As seen on the chart above, over the years, the number of tourists visiting Tbilisi has grown exponentially. While the number of business visitors has also been growing, the share of business tourists has declined due to an unprecedented increase in the number of leisure arrivals over the last decade. We expect that the share of business visitors in total number of visitors will decline further but the absolute number of visitors will continue its steady growth.

FLIGHTS

Major contributor to the growth of tourism has been growth in travel accessibility. Majority of tourists cross the border on land as some of the largest source markets are neighboring countries, but this trend has been changing as more tourists from distant locations keep flying in.

Presently, 299 direct flights connect Tbilisi to 41 cities around the world each week. Daily flights are available to Moscow and Istanbul. Most recently Air France resumed operation providing direct access between Tbilisi and Paris. Ryanair is expected to start operating at Tbilisi International Airport later in 2019, further increasing accessibility of Tbilisi. Ease of access is one of the most significant considerations for MICE tourist groups. Hence, these developments bode well for the growth of MICE and business tourism.

Countries With The Highest Number Of Direct Flights Per Week



Source: Georgian Civil Aviation Agency, Cushman & Wakefield Research

Tbilisi business visitors hail from an array of countries around the world. Neighboring countries provide the largest numbers of business tourists, however in the recent years, the number of business visitors hailing from Asia and the Americas has been growing as well.

32% of business visitors are domestic tourists, 11% originate in EU, 23% in CIS and 34% from Asia, the Americas and parts of Africa. The latter is an emerging market, and the one that will undoubtedly grow thanks to the increasing number of tourists streaming from Asia.

8% of business visitors do not spend the night; 15.4% spend one night, 26.2% spend 2-3 nights and only 5.8% spend a week in Tbilisi. Business tourists hailing from the neighboring nations belong to the former category, those hailing from more distant locations belong to the latter ones.

As for accommodation preferences, 57.8% lodge in a hotel, 3.6% prefer a guesthouse, 19.4% rent an apartment and 5.2% stay at a friend's or at relative's.

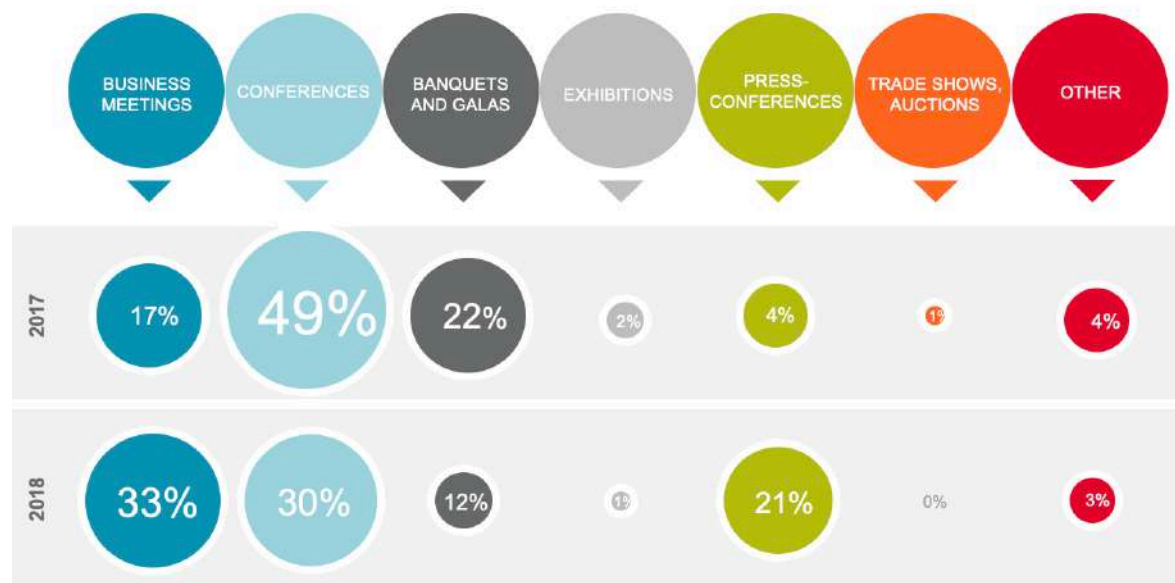


EVENT PROFILE

A clear indicator of MICE demand is the event profile. The most commonly held MICE event in 2018 was a business meeting. Surveyed venues also reported that conferences' share of total events made up 30%. This is a drop from last year when conferences accounted for nearly half of all MICE activities.

The number of press-conferences on the other hand has grown. Accounting for 4% of all events in 2017, press-conferences came to take up 21% of all events in 2018. Venues further report that in the latest year, events with longer guest lists have become preferable. The chart below illustrates demand dynamics.

Event Typology and Share of Total Demand on Venues



Source: Cushman & Wakefield Research



3. Supply

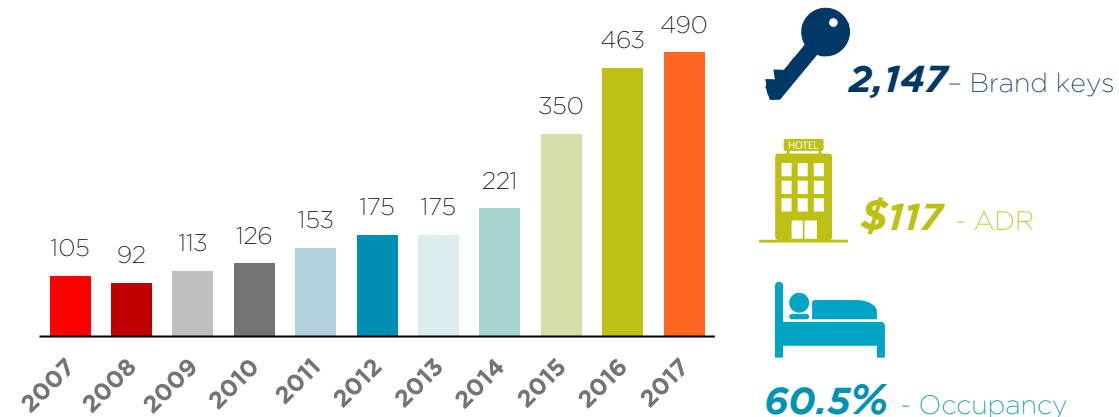
HOTEL SUPPLY

Supply of hotels countrywide has grown fast over the last decade; however, no city has shown the kind of expansion that Tbilisi has. Between 2007 and 2017, the supply of lodging facilities in the Capital has grown by 366%.

According the Georgian National Tourism Administration, there are currently 490 hotels in Tbilisi. The Administration also reports that roughly 23% have a business center and about 41% have a meeting room.

Fifteen hotels in Tbilisi are brand facilities. The first brand hotel to open in the Capital was Sheraton Metechi Palace; it closed in 2004 for refurbishments and has recently reopened as Sheraton Grand Tbilisi Metechi Palace. The latest addition to the international brand scene is Wyndham Grand on Gudiashvili street, in the very heart of Tbilisi. Wyndham offers 161 rooms. Rustaveli Avenue – one of the major traversing streets in the Capital boasts hotels like Millennium the Biltmore and Tbilisi Marriott; located at the far end of Rustaveli Ave., there is also Radisson Blu Iveria. Cumulatively, the branded facilities provide 2,147 keys to the total supply. These branded facilities are important for business and MICE tourism, as together, they provide more than 13,867m² of all conferencing and banqueting floor space as well.

Supply of Hotels in Tbilisi - Historic Dynamics



Source: GNTA, GeoStat, STR

With regard to operational indicators, STR reports that occupancy has dropped over the last four years; ADR has changed only slightly. In 2018, average occupancy of hotels ranked midscale and higher stood at 60.5%; average ADR was \$117. RevPAR, accordingly steadied at \$73. Customer loyalty is an important factor for hotels when they are hosting MICE tourists. For instance, both of the Marriott facilities in Tbilisi have a strong and loyal customer base. Other brand hotels are starting to implement brand loyalty strategies as well.

With a pipeline of 23 internationally branded hotels set to open within the next 4 years, it is expected that the MICE supply will grow substantially as well.

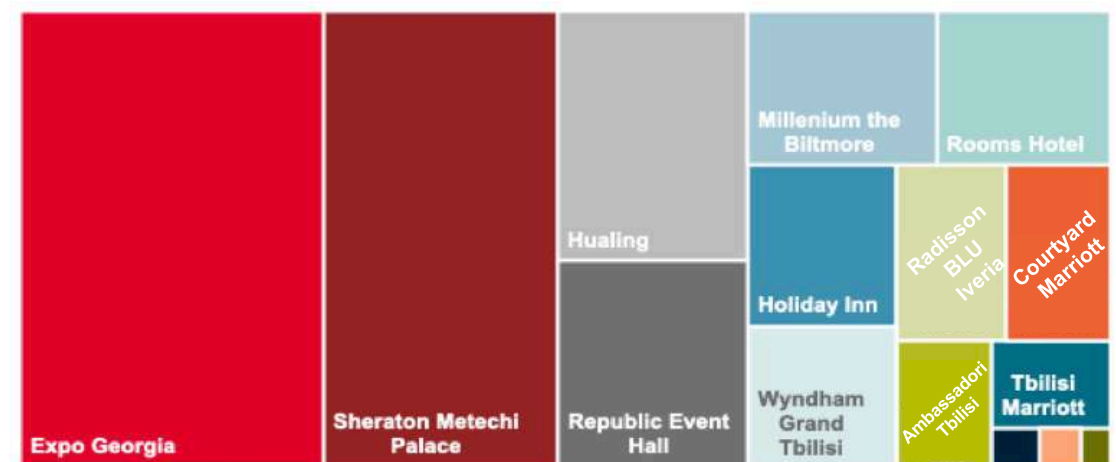
MICE SUPPLY

Tbilisi is home to 15 MICE facilities. Only two of these can be considered independent convention centers - ExpoGeorgia and the Republic. ExpoGeorgia is the oldest convention center in Tbilisi. Established during the Soviet era, Expo was home to a number of permanent and temporary exhibitions. After the Civil War of the 1990s, it became privatized and today is one of the most popular choices for large-scale events offering more than 6,000m² of floor space,

Republic is a newer, 2018 launch. Significantly smaller than ExpoGeorgia, Republic is managed by Radisson, which stands across the square from the Republic. Republic offers 1,700m² floor space and is popular as a banqueting, concert and gala event venue.

Other MICE venues are distributed between hotels. Sheraton Grand Tbilisi has the largest provision of MICE facilities. Since renovation, Sheraton has opened with 12 conferencing and banqueting rooms, pre-function areas and 4 ballrooms adding up to 4,647m².

Venue Sizing Distribution



Source: Cushman & Wakefield Research



22,072 – total maximum capacity at large MICE facilities in Tbilisi

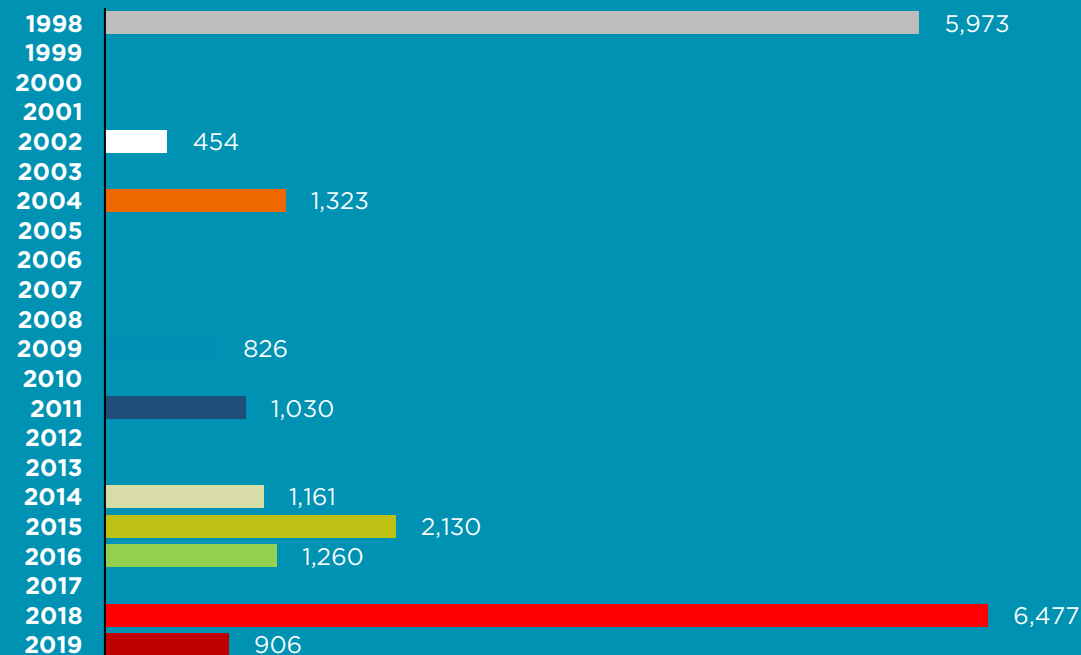


21,540m² – total floor space of large MICE facilities in Tbilisi



94 – total number of rooms in large MICE facilities in Tbilisi

Annual Growth of MICE Supply in Tbilisi



Source: Cushman & Wakefield Research

Currently, total MICE supply in Tbilisi adds up to 21,540m². Growth has not been consistent and has relied on the openings of internationally branded hotels. The largest growth happened in 2018, when 6,477m² of space was added to the total provision. Wyndham Grand has further added 906m² of space. Such expansion of supply has adversely affected DDRs and average number of events held annually in each of the venues as slow-growing demand became redistributed among facilities. Average DDR as of 2018 stood at \$20.5 having dropped from \$29.1 in 2017. Average number of annual events came down from 627 to 379 as did annual attendance – from 64,824 to 43,239. However, balancing these downward tendencies is average size of the event, which increased from 124 to 160.



\$20.5
Average annual DDR in Tbilisi



43,239
2018 average annual attendance in Tbilisi



\$160
Average event size in Tbilisi

This reflects the latest trends in the MICE industry – venues are focusing on attracting larger events. Some of the newest hotels offer the largest ballrooms. Yet, overall, the market has substantial supply of rooms that are less than 100m² in size. Depending on how MICE market will evolve, demand may force more hotels to adopt larger banqueting and conferencing facilities.

4. Doing Business Rankings

Ease of Doing Business is an index created by the World Bank to measure stringency of regulations governing business creation and management. The higher the index, the easier it is for entrepreneurs to start and operate a business in the country. In the latest Doing Business rankings prepared by the World Bank, Georgia ranks 6th in Ease of Doing Business – a positive sign for business developers. The table below shows the dynamics of Doing Business Rankings between 2016 and 2019.



Source: Doing Business, World Bank

5. Trends and Forecasts

- The market is slowly shifting in favor of larger events
- Corporate and business events are still in high demand; hence small and moderately sized venues are still considered to be in high demand as well
- Weekday demand is the highest from smaller groups seeking space from 20-30m² up to 100 m²
- Weekday demand from business groups declines in the capital during the summer months, geographically shifting towards Batumi
- Demand for social events is high during the holiday seasons; venues report high volume of advance bookings
- The high season for MICE reportedly spans May, June, September and October

- Supply of MICE facilities will grow by more than 20,000m² within the next three years; majority of conferencing and banqueting supply will remain at internationally branded hotels
- The number of international arrivals will add up to 7.390 million in 2019 and 7.960 million in 2020; business visitors will constitute 18% of these
- With the state support, MICE infrastructure will start to evolve in Kutaisi and Batumi as well

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