Tbilisi Office Market Overview

Q1|Q2 2022-2023

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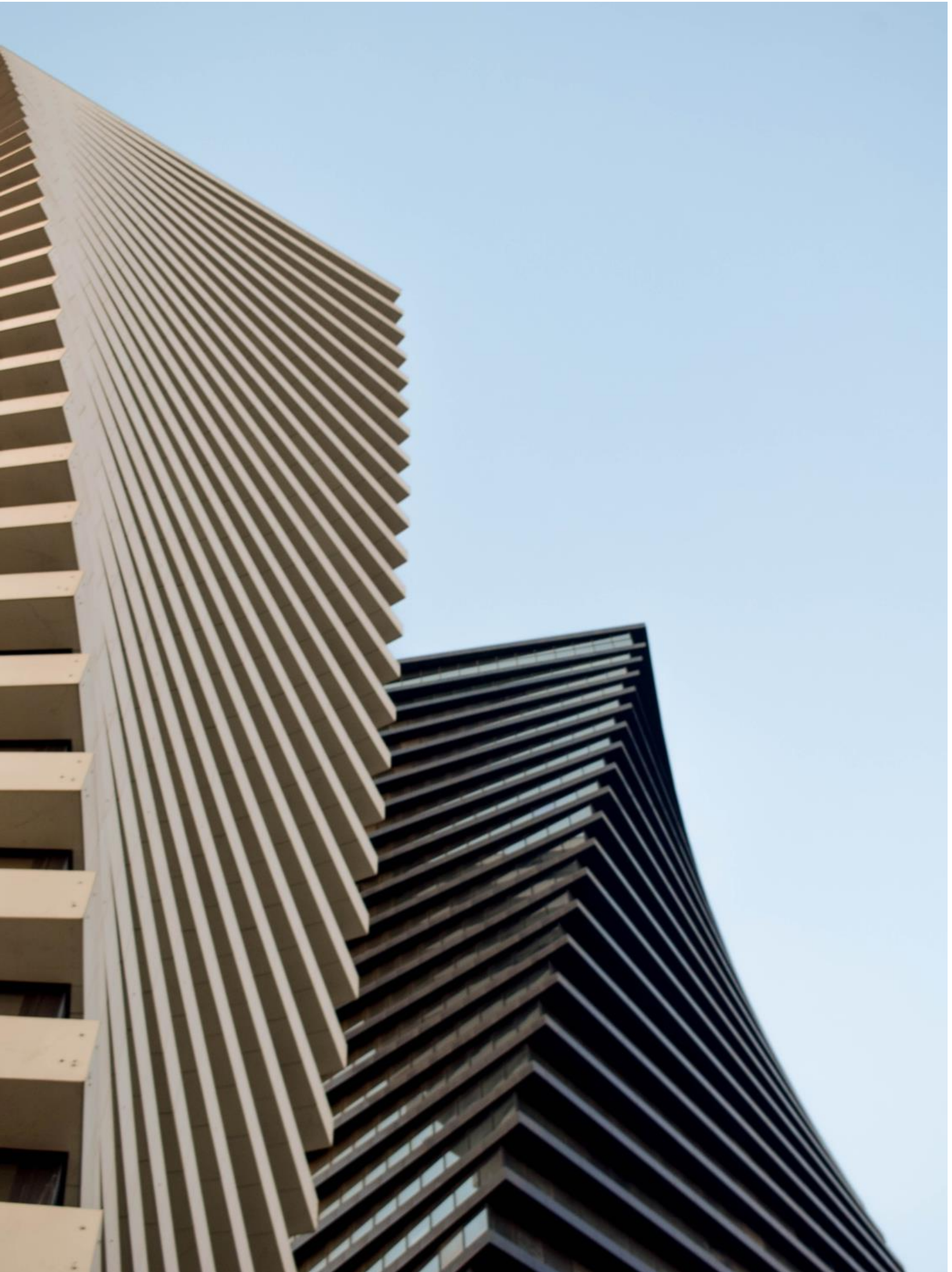
Tbilisi, the capital of Georgia, has been experiencing a surge in commercial development, leading to a rise in demand for office spaces. The market witnessed the emergence of modern office buildings equipped with state-of-the-art amenities and technology, catering to the needs of various industries. With its strategic location between Europe and Asia and a favorable business environment, Tbilisi has been attracting investors and companies seeking cost-effective office solutions. As the city continues to evolve as a regional hub for business and tourism, the Tbilisi office market remains an area of interest for potential tenants and investors alike.
In 2022, the Tbilisi office market made a successful recovery from the pandemic restrictions and regulations. In Q1 and Q2 2022 total GLA of A and B class offices comprised 301 782 SQM, which remained the same in Q1 and Q2 of 2023 as well.

Regarding upcoming projects, "Iliyard" is set to be a 17-floor standalone building located at 39 Chavchavadze Avenue. It will be an A-class business center offering 6,126 SQM of office space. Another notable project is the Mziuri A-class Business Centre situated at Chabua Amirejibi #2, contributing approximately 10,000 SQM of gross leasable area to Tbilisi's office space. Additionally, there is an A-class Business Center on Ramishvili Street, which will add 5,000 SQM of GLA to the market.

Distribution of GLA/SQM by classes
Source: Cushman and Wakefield Georgia



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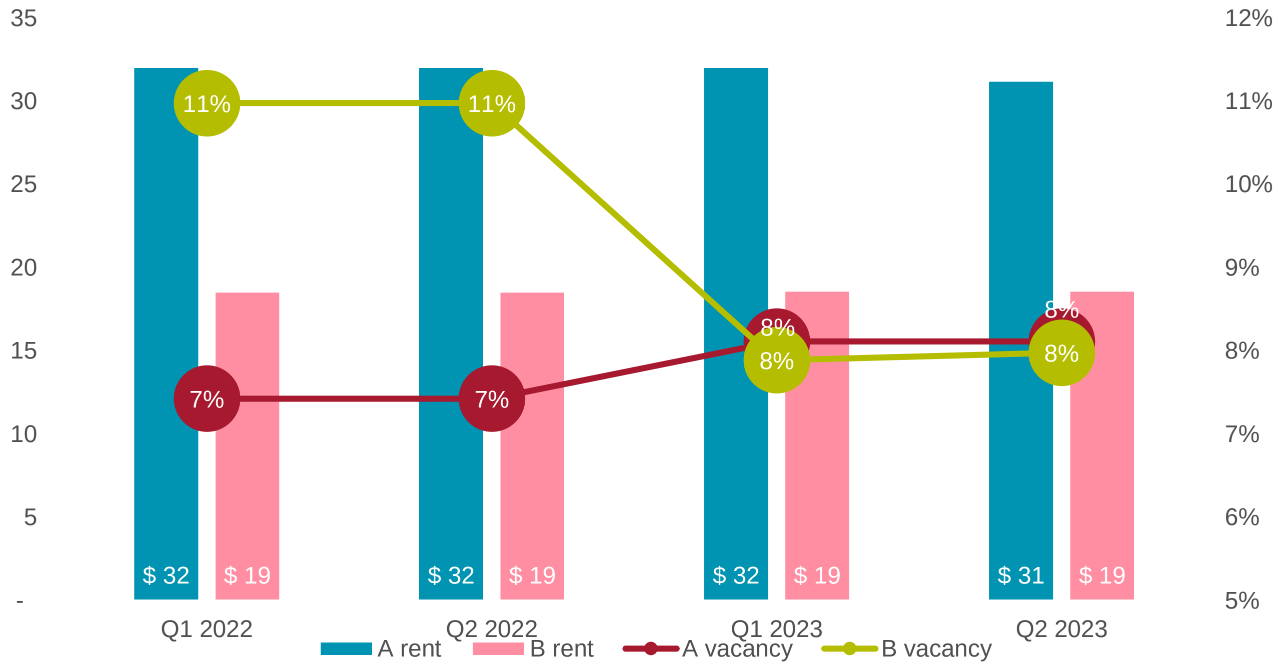
Vacancy rates within the office class category reflect the main trends in the market. A Class offices have been particularly affected, experiencing higher vacancy rates. In Q1 and Q2 of 2023, the vacancy rate reached 8%, representing an increase compared to the same period in 2022. On the other hand, in B Class business centers, the situation showed improvement during Q1 and Q2 of 2023, with the vacancy rate reducing from 11% to 8%

Rent rates remained stable during Q1 and Q2 of 2022-23, amounting to $19 for B Class business centers. However, there was a decrease in A class office rents, which dropped to $31.2 from $32 in Q2 of 2023.



Vacancy Rate and Rent Rates/USD by office class in Q1-Q2 2022-2023

Source: Cushman and Wakefield Georgia

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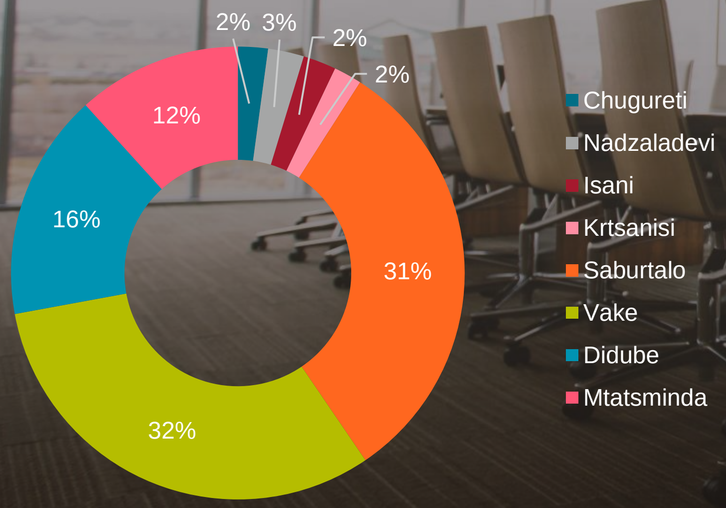
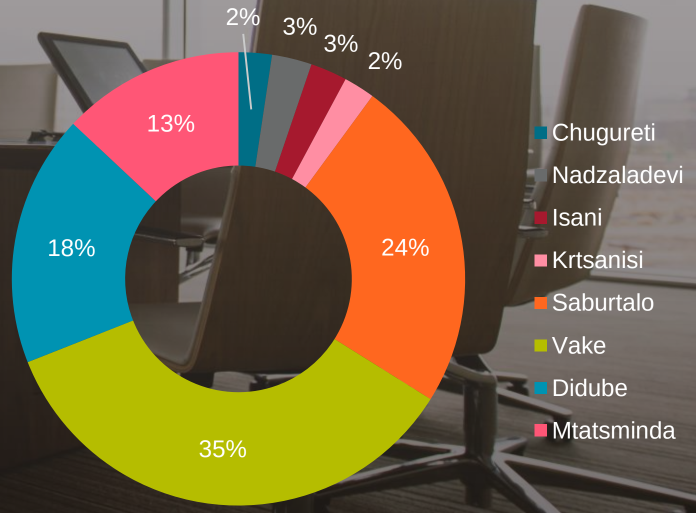
Analyzing the Tbilisi office real estate market during Q1 and Q2 of 2023 reveals several significant changes in gross leasable area (GLA) across districts. The majority of the market was concentrated in Vake, accounting for 35% of the total GLA, which marks a 3% increase compared to the same period in the previous year. In Q1 and Q2 of 2023, Saburtalo accounted for 24% of the total Tbilisi GLA, while Didube constituted 18%, showing a 2% increase compared to the previous year.



GLA by districts in Q1-Q2 2022
Source: Cushman and Wakefield Georgia



GLA by districts in Q1-Q2 2023
*Source: Cushman and Wakefield Georgia

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When examining the vacancy rate of the office market by district, it becomes evident that there are positive trends with most districts experiencing a decrease in vacancy rates in 2023. Nadzaladevi, which constituted 10% of the vacancy rate in Q1 and Q2 of 2022, dropped to 5% in the same period of 2023. Isani maintained the same indicator at 4% in 2023, while Krtsanisi reduced by 1%. On the other hand, Mtatsminda's vacancy rate increased by 7% in 2023, rising from 10% in Q1 and Q2 of 2022. Notably, Saburtalo and Vake reported vacancy rates of 14% and 12%, respectively, in 2023.

In comparison, during the period between January and June 2022, Isani and Krtsanisi offices held the lowest vacancy rate at 4%, followed by Didube at 6%, Vake at 8%, and Saburtalo at 9%. Offices in Didube decreased significantly to 3%—the lowest point of office vacancy in 2023.

Vacancy rates by districts in Q1-Q2 2022
Source: Cushman and Wakefield Georgia

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