

12-Mo. Forecast

**\$85.17**  
ADR, Citywide Average



**18.01%**  
Occupancy, Citywide Average



**\$15.3**  
RevPAR, Citywide Average



Source: Cushman & Wakefield Georgia Research

**GEORGIA ECONOMIC INDICATORS Q2 2021**

12-Mo. Forecast

**-4.1%**  
GDP Real Growth



**12.8%**  
Inflation



**18.5%**  
Unemployment Rate



**\$234.2**  
FDI\*



Source: GeoStat/Cushman & Wakefield Georgia Research  
\* Thousands USD

**OVERVIEW**

Restrictions on travel have significantly affected hospitality business turnover. However, hospitality industry, one of the hardest hit sectors by the pandemic, has been slowly awakening in Tbilisi over last few months.

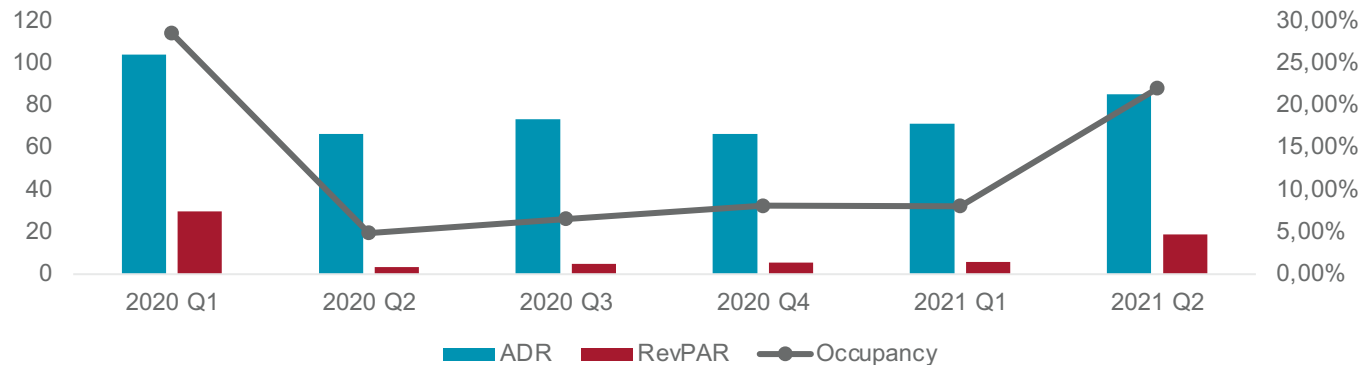
Tbilisi is seeing an increase in tourist numbers. Notably, during Q1 of 2021 domestic visitors significantly outweighed foreign ones, however, since the beginning of May Tbilisi has seen this distribution shift in favor of international guests. As a result of intensive vaccination processes across the world, travel has gradually recovered and visitors from Turkey, Ukraine, Israel, Russia, and other neighboring countries are continuously arriving in the city. It is significant that the tourism sector has better prospects for a speedy recovery due to vaccinations locally and globally.

The Georgian airports have been reporting higher traffic as well. As of May, 104,700 visitors had come to (2021) which is 180% higher than the numbers reported for the same months in the previous year. More than half of the visitors entered the country by air due to the activated air traffic.

In terms of supply, not all the hotels have opened to receive guests. Additionally, most hotels in Tbilisi had to reduce ADRs in response to the COVID crisis. Restrictions that carried over to Q2 of 2021 affected tourism – the 9pm curfew specifically led to reduced occupancies in Tbilisi hotels. With the improving epidemiological situation and to alleviate the stress on hotels, the government shifted the curfew to 11pm and later totally cancelled it. This allowed hotels and restaurants to operate for longer hours and host visitors until late, increasing revenues.

As optimism and recovery ramp up along with improved tendencies, the expectations for summer are high in Tbilisi.

**Historic Dynamics and Recovery Trends**



Source: STR, Cushman & Wakefield Research

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12-Mo. Forecast

**\$23.98**  
Weighted Average Rent – MSC\*

**10.67%**  
Weighted Avg. Vacancy - MSC

**400,000m<sup>2</sup>**  
Supply - MSC

\* Modern Shopping Centers  
Source: Cushman & Wakefield Georgia Research

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## OVERVIEW

Retail sector has been significantly affected by the pandemic. In Q1 stores were not allowed to operate over the weekend, and the 9pm curfew obligated retailers to close shops as early as 7pm; in Q2 curfew has been removed. This allowed retailers to prolong working hours until the late evening, when Tbilisi shops receive the highest volume of traffic. At the beginning, due to safety concerns, customer flow to retailers was slightly lower, but over time shops regained consumer trust and went back to normal routine, resulting into higher profitability of the sector. Increased revenues meant ability to follow long-term lease commitments leading to tenants occupying previously vacated commercial spaces.

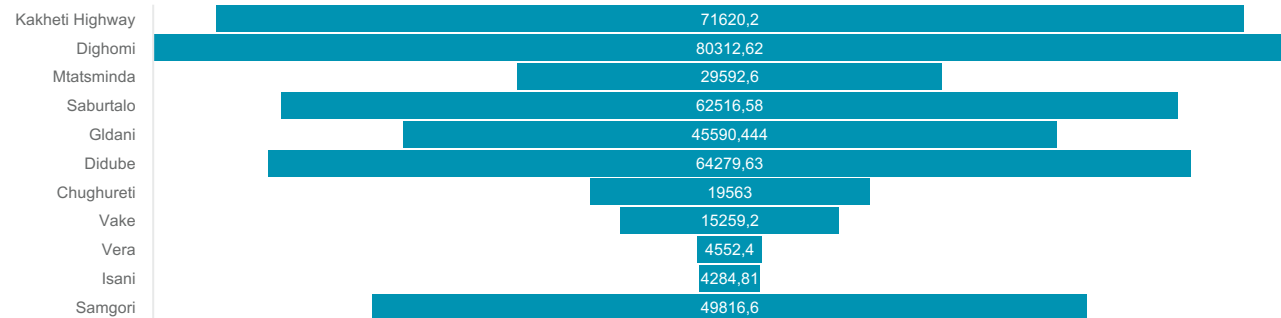
It is also noteworthy that local consumer spending has started to shift from necessities as food and medicine, towards other “needs” and luxury products. Mid-segment and economy brands which suffered most during the lockdowns are reporting increases in turnover. For example, one of the largest local outlet retailers Navne has been able to reopen all its 23 shops and add three new ones across the Capital. The vacancy level is generally shrinking at certain locations of Tbilisi. CROSTY is another example that chose a customer-oriented strategy and opened its first shop in Tbilisi.

Shopping malls also started attracting new tenants. For instance, Saburtalo City mall welcomed a new branch of Body Shop, while KIKO cosmetics brand appeared in both Saburtalo City mall and East Point. Nevertheless, significant closures took place in Tbilisi Mall when Gap, Wallis, F&F and Jennyfer left Georgian market due to their brand strategies.

Currently the total leasing area in some of the largest malls of Tbilisi are the following: Galleria Tbilisi - 25,000 m<sup>2</sup>, East Point - 72,000m<sup>2</sup> and Saburtalo City Mall - 55,000m<sup>2</sup>. Galleria Tbilisi and East Point report occupancy levels as 97% and 98% respectively, while the average rents have been slightly reduced in some cases to retain retailers. It is also noteworthy that footfall in these malls has increased to almost the pre-pandemic point.

Hence the second quarter of 2021 has been more positive for the retail sector in Tbilisi. As economic activity continues to recover, we expect to see a boost in demand and supply and consequent revival of retail activity across all sub-sectors.

### SHOPPING CENTER GLA BY DISTRICTS



Source: Cushman & Wakefield Georgia Research

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