



CUSHMAN &
WAKEFIELD

TBILISI HOSPITALITY MARKET

Insights from 1-3Q 2023

TOURISM IN GEORGIA

In the past ten years, Georgia has gone through an incredible transformation and emerged as a highly competitive tourist hotspot, drawing travelers from diverse regions such as the CIS, the Middle East, Europe, and Asia. The number of international visitor trips in Georgia has seen a remarkable upswing, reaching 7.7 million in 2019. Despite the hurdles posed by the COVID-19 pandemic, the tourism industry has made a remarkable recovery. In 2021, the country welcomed 1.721 million visitors, marking a 14% increase, and in 2022, there was a striking resurgence with 4.703 million visitors, a remarkable 173% increase. During the first nine months of 2023, Georgia received over 4.828 million visitors, signaling a 45% recovery compared to the same period in 2022.

Georgia has become a highly sought-after tourist destination, particularly for its neighboring countries. Moreover, the country has experienced a substantial influx of visitors from Central and Eastern Europe, with 2,611,238 guests in the first three quarters of 2023. Furthermore, there is a growing trend of visitors from Middle East and Asian countries as well.

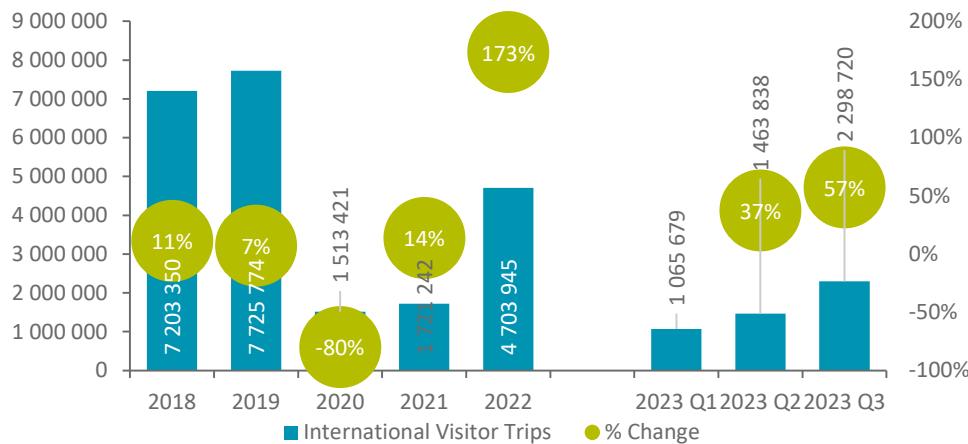


Figure 1. International Visitor Trips

Source: GNTA

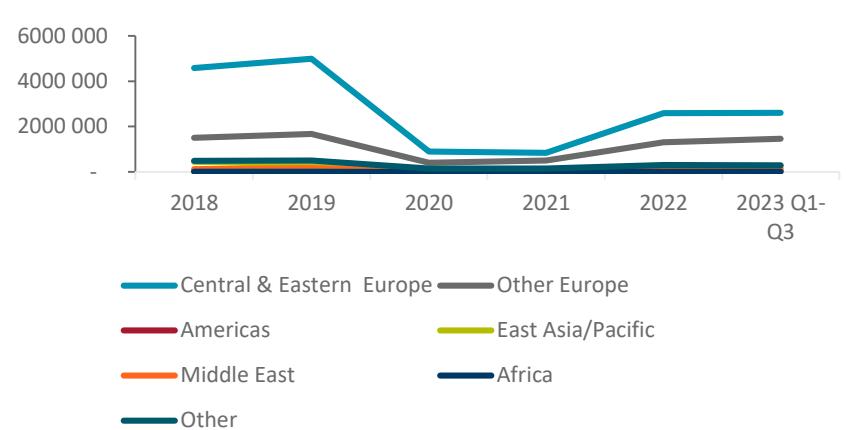


Figure 2. Origin of Visitors by Regions

Source: GNTA

Tbilisi serves as the foremost tourist destination in Georgia, acting as the nation's capital and central hub for history, culture, economics, and politics. Furthermore, at least more than half of the international visitors to Georgia choose to explore Tbilisi. In 2019, Tbilisi received more than 3 million domestic and 4 million international visitors, marking a highly successful year for the tourism industry. Despite the challenges posed by the post-pandemic era, domestic visits rebounded to 3.8 million in 2022, while international visits reached 2.63 million. Although the city has not yet fully returned to its pre-pandemic visitor levels, in the first quarter of 2023, 1.1 million domestic and 0.6 million international visitors arrived. By the second quarter, international visits increased to 0.7 million, with 1.07 million domestic visitors.

While Tbilisi continues to thrive as a tourist magnet, Georgia's broader tourism development has seen growth in various regions, including the picturesque coastal city of Batumi and the renowned Kakheti wine region, further enhancing the country's allure to travelers. Total expenditure of international visitors in Georgia has been rising during 2015-2023 3Q, while the CAGR coefficient amounted to 11.1%.

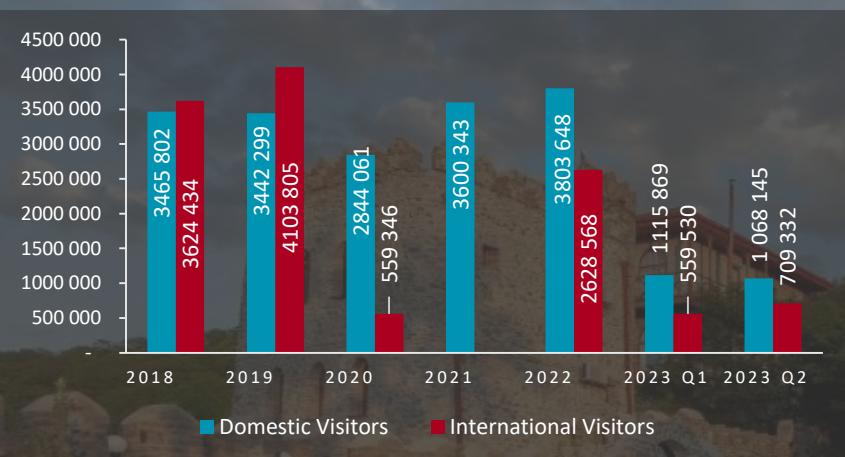


Figure 3. International and Domestic Visitors to Tbilisi

Source: Georgian National Tourism Administration

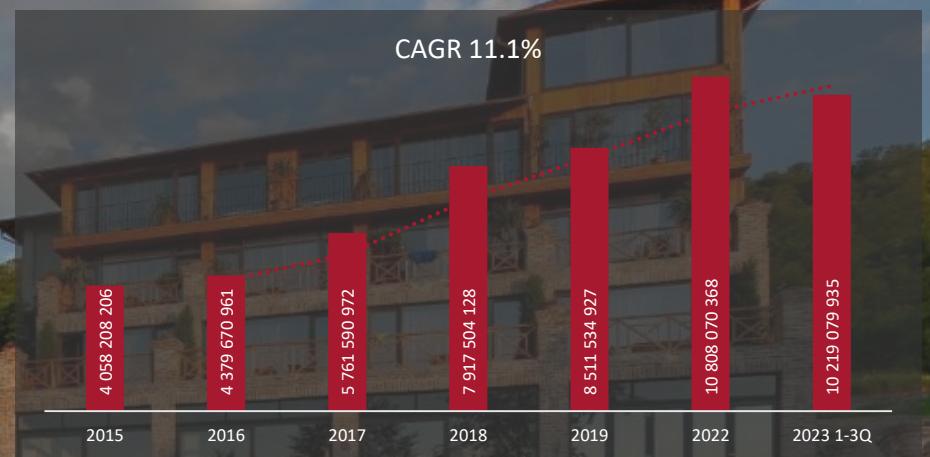


Figure 4. Total Expenditure of International Visitors in Georgia (the date has not been collected for 2020-2021)

Source: Georgian National Tourism Administration

TOURISM IN TBILISI

Tourism demand in Tbilisi displays distinct seasonal patterns, particularly when it comes to international visitors. The period from July to September (Q3) stands out as the high season, marked by increased activity. The months of May to June (Q2) and October to December (Q4) are known as shoulder seasons, characterized by moderate visitor numbers. Conversely, the first quarter, spanning from January to March, witnesses a decline in tourist activity, constituting the low season.

In contrast, domestic visits do not follow a consistent seasonal trend. Traditionally, the third quarter experiences a decrease in domestic tourism, as this is when locals typically head to the mountains or coastal resorts for vacations.

Georgia's tourism development also reflects efforts to promote year-round attractions in various regions. For instance, winter sports facilities in mountainous areas and cultural festivals during the low season in Tbilisi aim to diversify and extend the tourist season, reducing the impact of the seasonal fluctuations

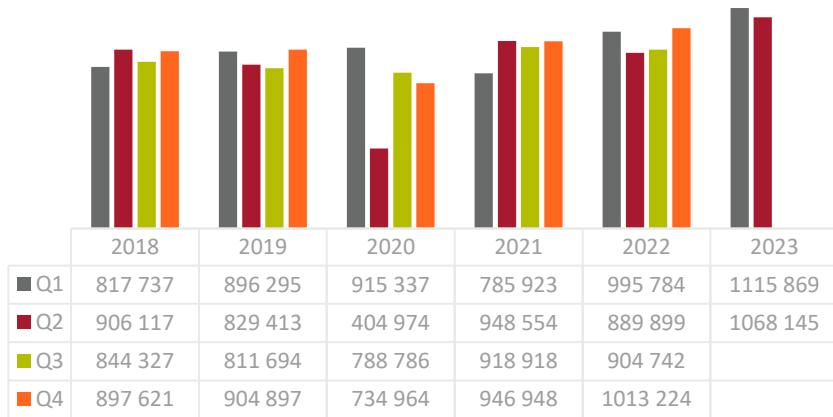


Figure 5. Domestic Visitors to Tbilisi

Source: Georgian National Tourism Administration

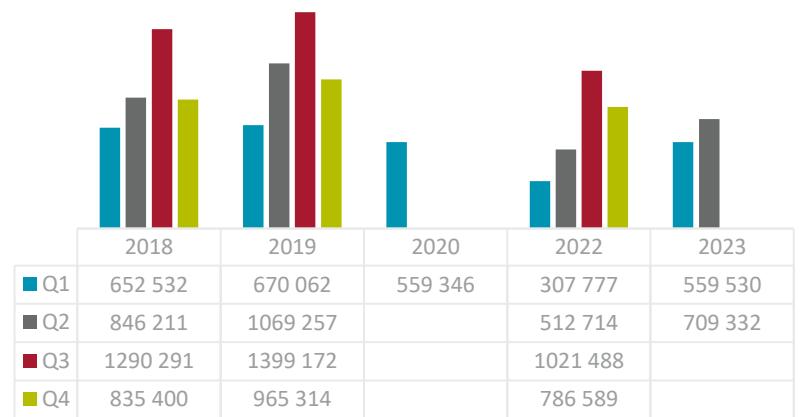
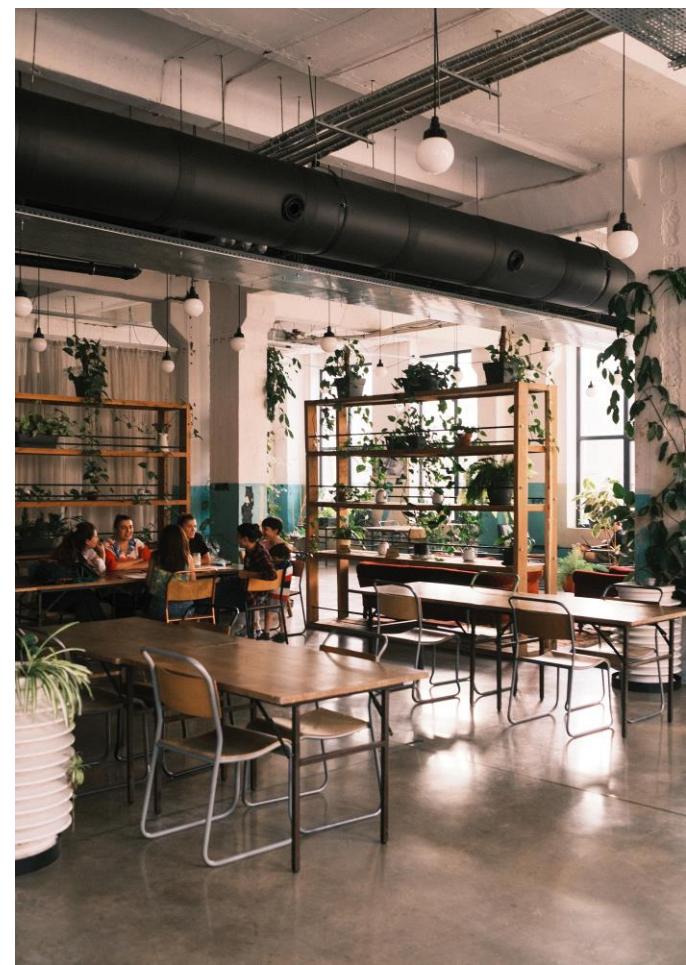


Figure 6. International Visitors to Tbilisi

Source: Georgian National Tourism Administration



HOTEL MARKET IN TBILISI

In 2022, Tbilisi boasted a diverse array of hotels, encompassing both internationally renowned brands and locally owned independent options, totaling 562 hotel establishments, offering 13,638 rooms and 28,042 beds. Looking ahead to 2023 and 2024, the city has ambitious plans to elevate its hospitality sector through a series of ongoing projects. Notable developments in the pipeline include the Paragraph Golf & Spa Resort on Tabori Hill, the Autograph Collection's Panorama Sololaki, the Paragraph Hotel Freedom Square, the Telegraph by Radisson, and more. These initiatives are aimed at enriching the city's hospitality landscape and catering to the growing needs of travelers and visitors.

Georgia's tourism development is continuously evolving with these investments in its accommodation infrastructure, which not only enhances the tourist experience in Tbilisi but also contributes to the overall appeal of the country as a destination. This reflects the government's commitment to fostering tourism growth and creating a welcoming environment for visitors.

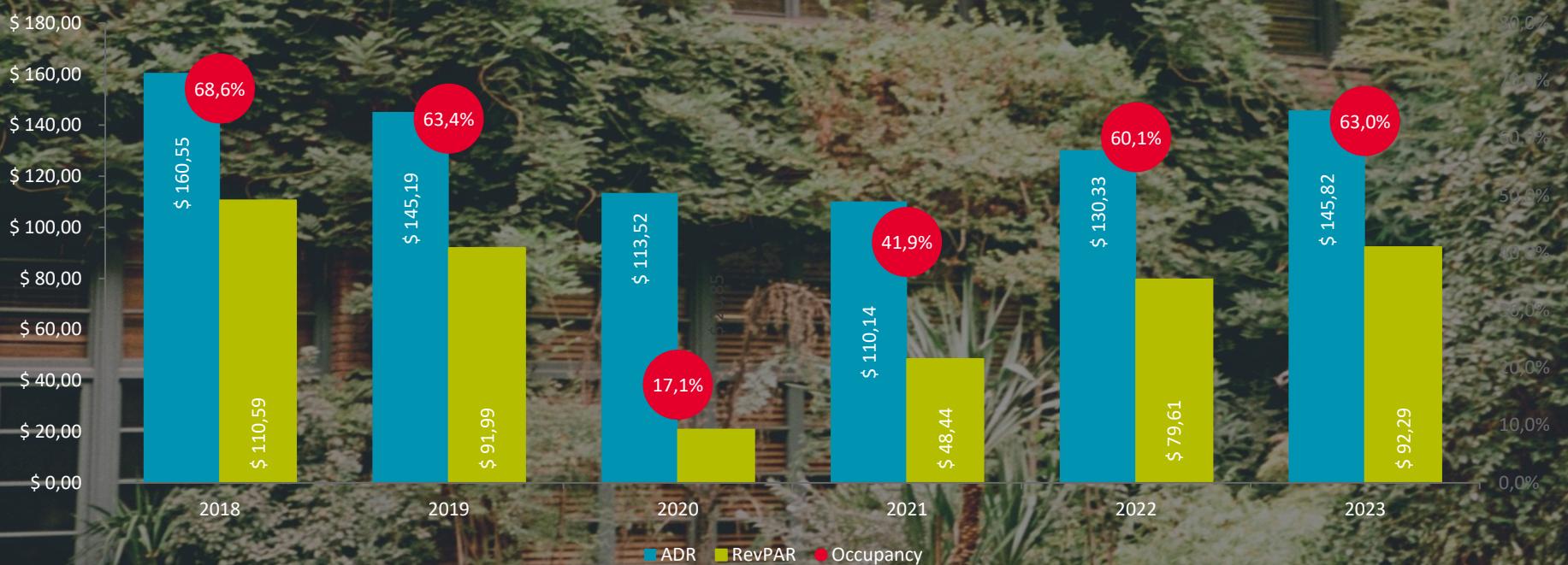


Figure 7. Historic Annual Dynamics of Branded Hotels
Source: STR Global

According to data from STR, the occupancy rates in Tbilisi's upscale and upper upscale hotels experienced a drop to 63% in 2019. In 2020, diligent efforts managed to maintain occupancy at approximately 17%. Encouragingly, there was a noticeable improvement in 2021, with rates reaching 42%, followed by a further increase to 60% in 2022. This favorable trend has continued into the first seven months of 2023, with an average occupancy rate of 63%, indicating a promising outlook for the year ahead.

Regarding the Average Daily Rate (ADR), it reached its peak at \$145 in 2019. However, due to the pandemic, it dipped to \$113 in 2020 and further decreased to \$110 in 2021. But there was a positive shift in 2022, with ADR rebounding to \$130. In the first seven months of 2023, ADR continued its upward trajectory, reaching \$145. These trends suggest a potential recovery in hotel pricing, approaching levels seen before the pandemic.

These trends in Tbilisi's hotel occupancy rates and ADR reflect the resilience of Georgia's tourism sector and its adaptability to challenging circumstances. The improving figures are indicative of the city's continued attractiveness as a destination for visitors.

The average length of stay in accommodations in Tbilisi is a crucial metric for assessing lodging demand. In 2022, international guests, on average, enjoyed a stay of 6 nights, while domestic visitors typically spent 3 to 4 nights in the city.

The city's unique blend of history, culture, and attractions, coupled with improved hospitality services, has contributed to this trend. This has become a focal point for further development, with the goal of enhancing the attractiveness of Georgia's capital to both international and domestic visitors.

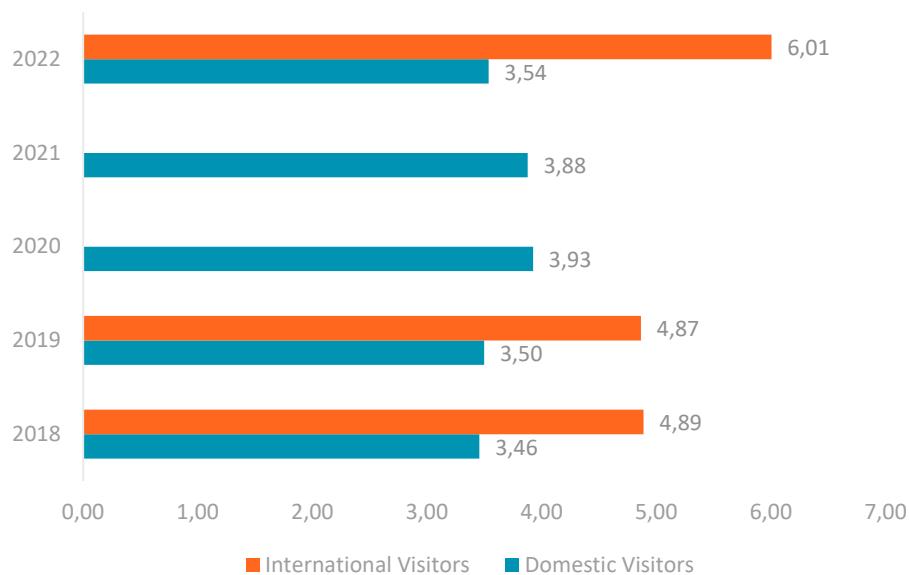


Figure 8. Average Duration of Hotel Guests' Stays in Tbilisi by Nationality (in Nights)

Source: Geostat

In the broader context of Georgia's tourism progress, the countries from which visitors to Tbilisi hotels originate highlight the city's growing allure among a diverse range of international travelers. The fact that travelers from nations like the UAE, the USA, India, Israel, and Saudi Arabia opt for Tbilisi underscores its appeal as a destination for both leisure and business travelers. The sustained interest from these countries suggests the potential for continued expansion and advancement in Tbilisi's tourism sector.

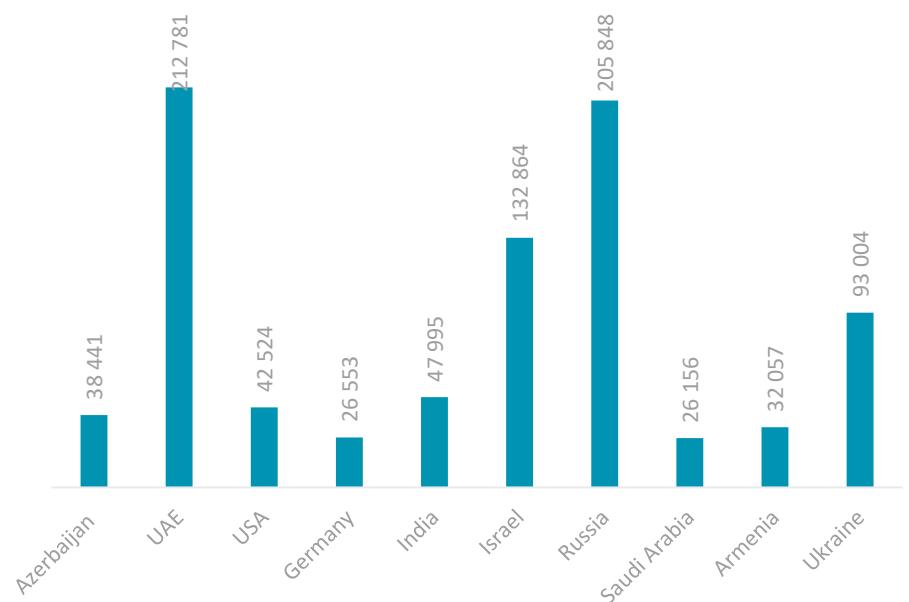
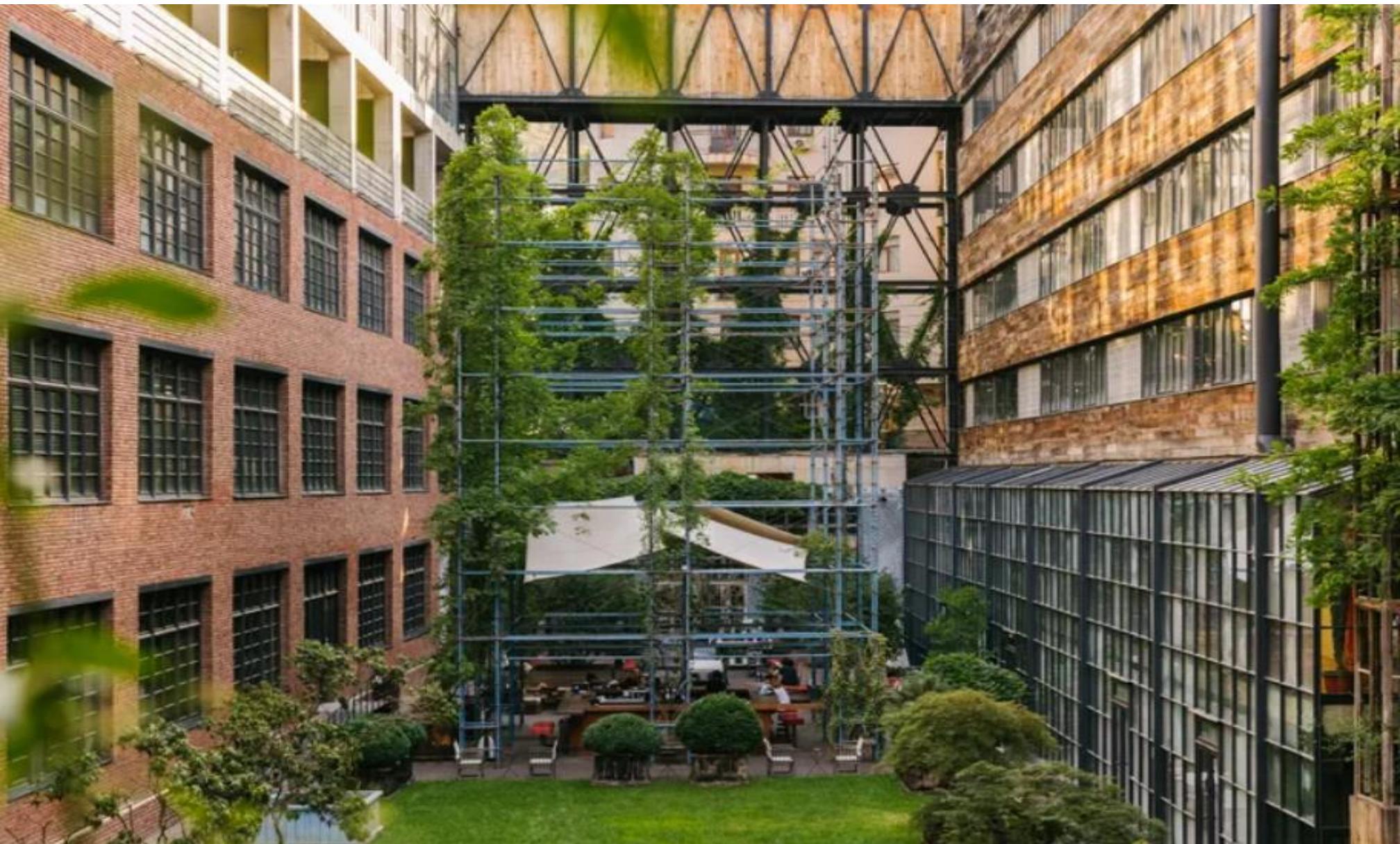


Figure 9. Top 10 Visitor Origin Countries for Tbilisi Hotels in 2022

Source: Geostat

* The registration of visitors in hotels is not exclusive, and if a visitor stays in multiple hotels, they are registered in each of them



TBILISI'S AIRBNB MARKET

Supply Dynamics

In August 2023, Tbilisi had over 9,700 active Airbnb rentals, marking a 15% decrease compared to the same period in 2022 when there were 11,400 active rentals. Notably, the city experienced its peak in July 2022 with 11,700 active rentals, indicating a significant 54% increase since the beginning of that year. In August 2023, the active Airbnb rentals in Tbilisi were predominantly entire homes, accounting for 82% of the available options. Private rooms made up 17%, and shared rooms constituted just 1% of the listings. Regarding the types of accommodations, 66% of Tbilisi's Airbnb listings are one-bedroom apartments, followed by double-bedroom flats at 23%. Three-bedroom apartments make up only 7% of the listings, while four-bedroom and five-or-more-bedroom flats each comprise a 2% share.

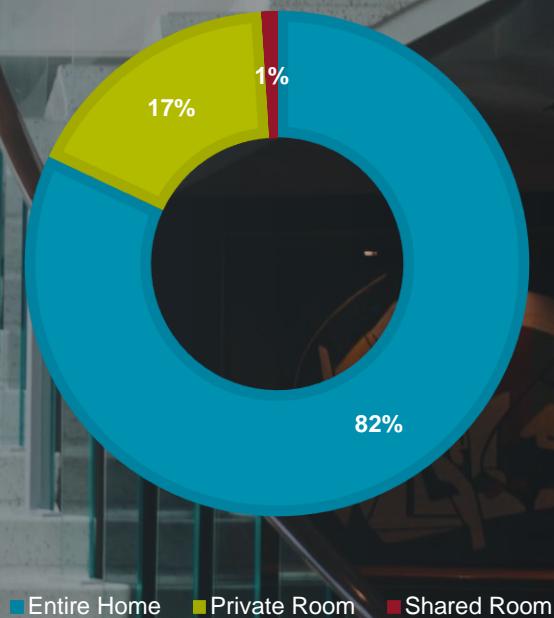


Figure 10. Type of Rental Options in Tbilisi
Source: AirDNA, Cushman & Wakefield Georgia

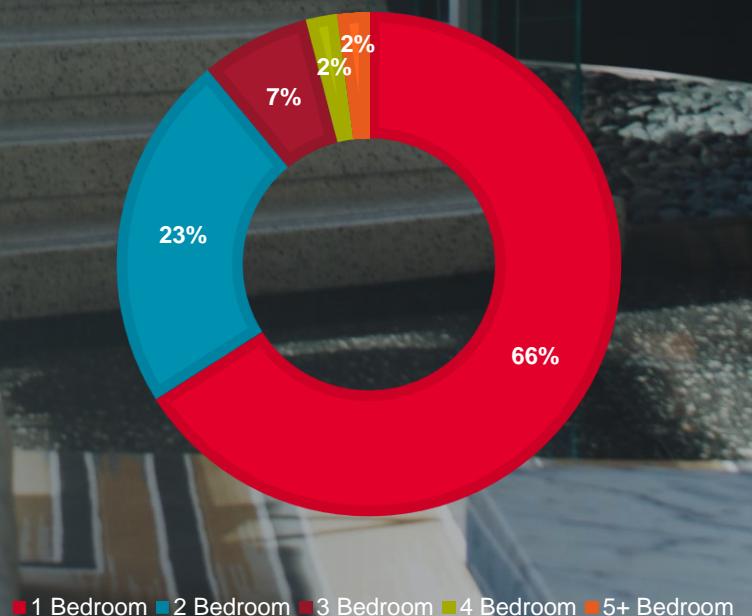


Figure 11. Rental Options: Number of Bedrooms
Source: AirDNA, Cushman & Wakefield Georgia

Demand Dynamics

The demand rate in Tbilisi, calculated as the ratio of booked properties to the total number of active listings, has shown yearly fluctuations. On average, it stood at 37% between the third quarter of 2020 and the third quarter of 2023. Notably, the demand rate peaked in the third quarter of 2023, with 58% of Airbnb properties in Tbilisi being booked. This positive trend in the demand rate is substantial, and we anticipate subsequent quarters to continue this upward trajectory.

Interestingly, most guests staying in Tbilisi Airbnb rentals opt for short durations: 47% book for just one night, 25% for two nights, and 14% for three nights. Longer stays are less common, with only 2% booking for over a month.

Analyzing occupancy trends, the rates stood at 55% in August 2021, rose to 57% in August 2022, and further increased to 59% by August 2023. This consistent rise signifies a positive trend in occupancy rates over the past few years. Simultaneously, the average daily rates (ADR) exhibited an uptick, increasing from \$128 in August 2021 to \$148 in August 2022, and finally reaching \$149 as of August 2023.

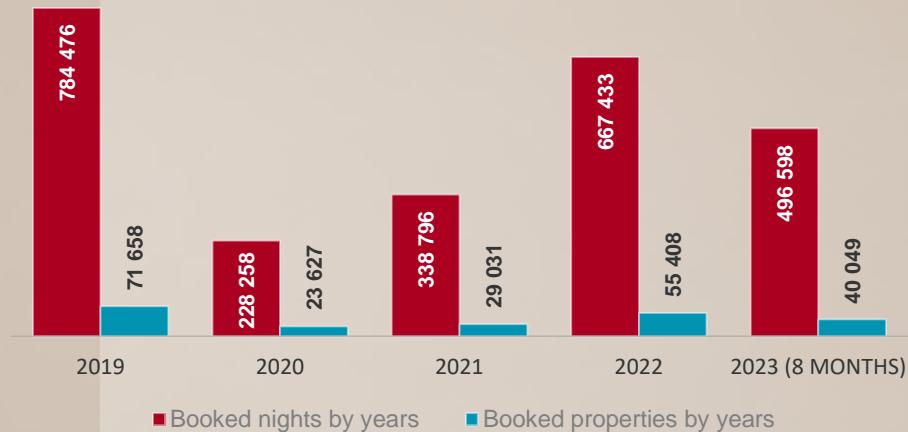


Figure 12. Airbnb Booked Nights and Booked Properties Over the Years
Source: AirDNA, Cushman & Wakefield Georgia

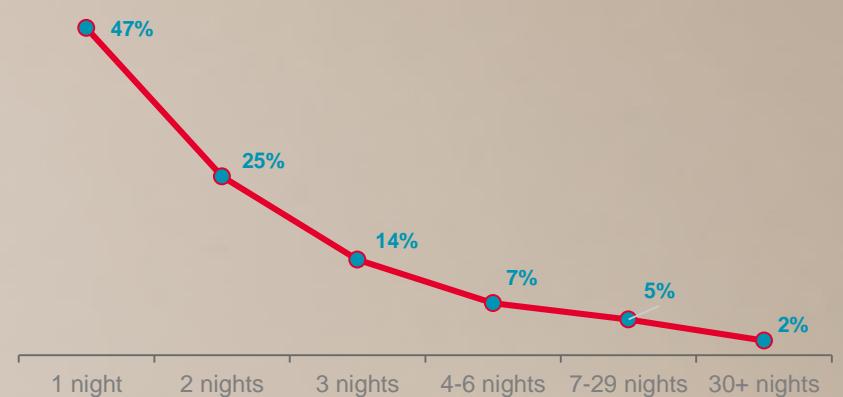


Figure 13. Duration of Stay at Airbnb Rental Units in Tbilisi
Source: AirDNA, Cushman & Wakefield Georgia



Passenger Turnover At Tbilisi Airport

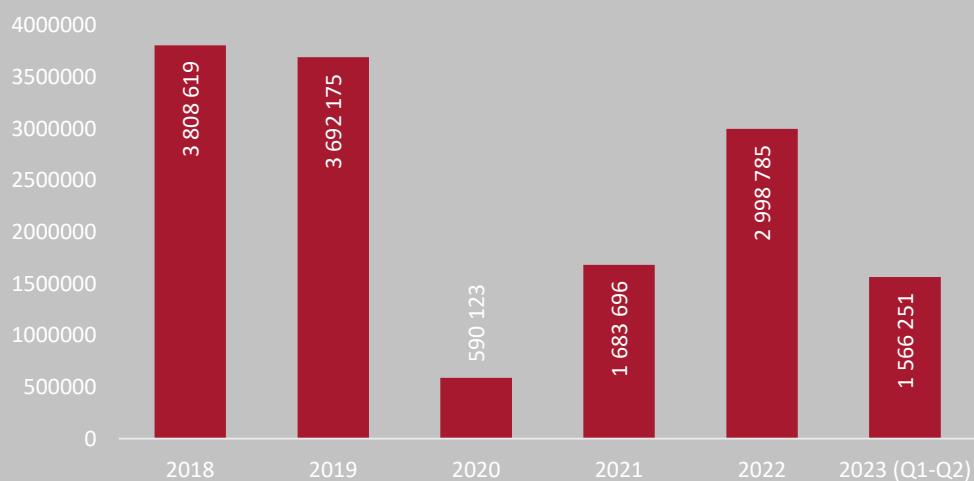


Figure 14. Passenger Turnover at Tbilisi International Airport
Source: GCAA

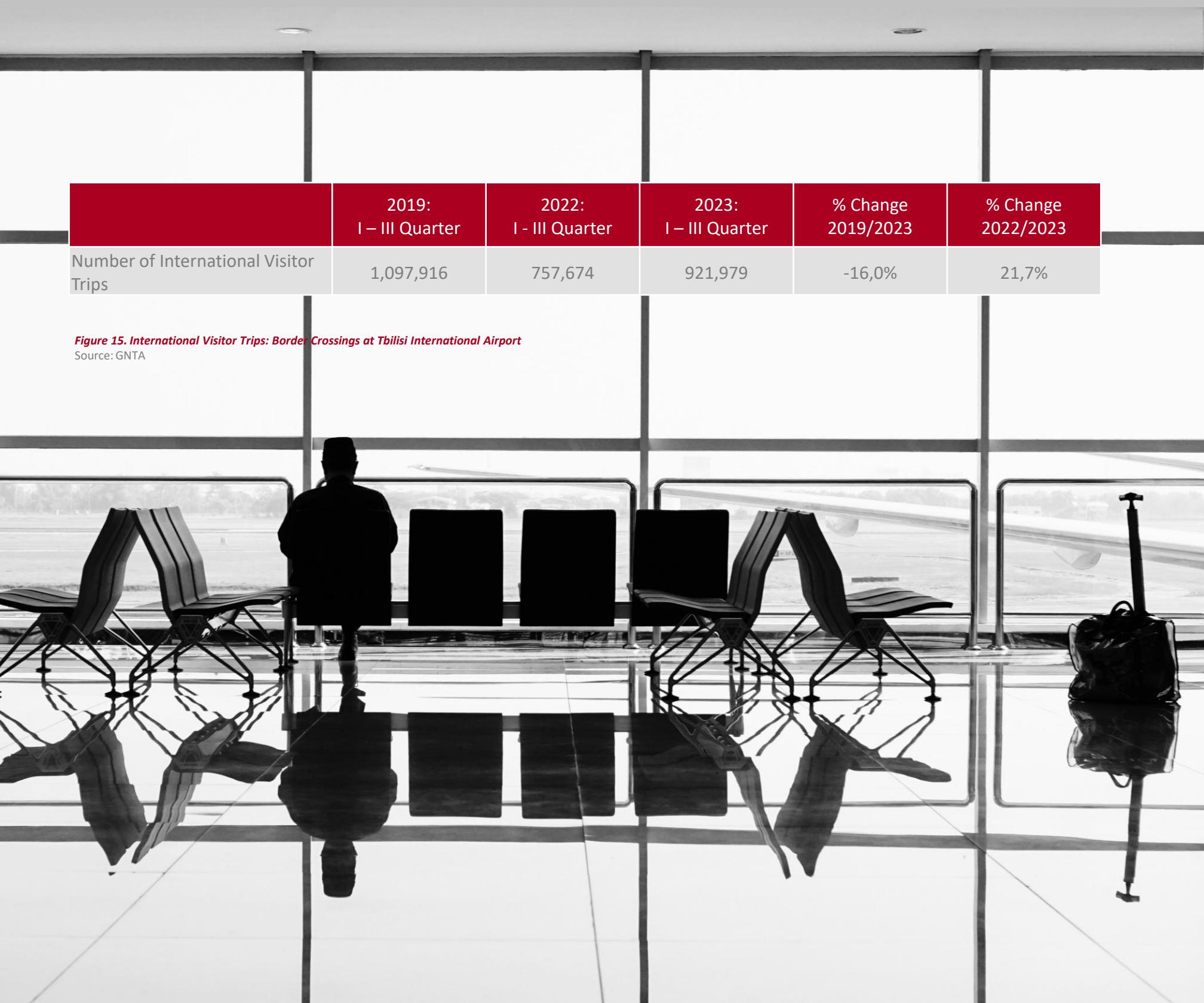
In the first six months of 2023, Tbilisi International Airport achieved significant milestones, catering to 1,566,251 passengers—an impressive 35% increase from the previous year and an outstanding 84% recovery compared to the same period in 2019. Additionally, the airport managed 7,463 flights during this timeframe, marking a 17% rise from the preceding year.

This data underscores the sustained growth and resilience of Georgia's tourism sector, particularly in Tbilisi. The upswing in passenger numbers and flight operations indicates that the city continues to be an appealing destination for travelers, and the industry is steadily rebounding from the challenges posed by the pandemic.

Data collected from border crossings at Tbilisi International Airport reveals a substantial increase in the arrival of international visitors in the first nine months of 2023, indicating a notable 21.7% rise compared to the same period in 2022.

	2019: I – III Quarter	2022: I - III Quarter	2023: I – III Quarter	% Change 2019/2023	% Change 2022/2023
Number of International Visitor Trips	1,097,916	757,674	921,979	-16,0%	21,7%

Figure 15. International Visitor Trips: Border Crossings at Tbilisi International Airport
Source: GNTA





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