SNAPSHOT

TBILISI

Retail Q4 2020

CUSHMAN & WAKEFIELD

	12-Mo. Forecast
~ $20 Weighted Average Rent – MSC*	▼
18% Weighted Avg. Vacancy - MSC	▲
400,000m² Supply - MSC	▼

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

GEORGIA ECONOMIC INDICATORS Q4 2020

	12-Mo. Forecast
-6.2% GDP Real Growth	▲
3.6% Inflation	▲
18.5% Unemployment Rate	▲
$102.8 FDI*	▲

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

INDUSTRY REVIEW AND COVID-19

Retail sector plunged into an even deeper crisis throughout the fourth quarter of 2020. Pent-up demand that boosted sales in the third quarter dwindled by late October, but the main blow came with the second wave and the subsequent announcement of lockdown in December. December is the most active shopping season in the country, when retailers generate the highest amount of annual revenues. Hence, the decision to close down the shopping centers and street units was met with a lot of resistance. Operators pleas were answered and the restriction on shopping areas was lifted for the last week of December; yet the second lockdown still loomed threateningly on the horizon.

In this context, the street units have continued to be vacated; even Rustaveli Avenue, that has for so long maintained its tenants, looks devoid of flashy shopfronts and outdoor cafes. Some of the oldest tenants such as Marco Polo café have vacated the premises; the situation is even more dire on Chavchavadze and Pekini Avenues, where bare shopfronts have become commonplace over the past year.

As prime spots are being vacated on high streets, the average asking rent has also crept upwards. Many landlords operate under the assumption that they can lease the vacated space out at the same rate, as they did approximately a year ago. Chavchavadze Avenue is a stark example of this; average asking rent nearly doubled compared to December 2019, given that asking rents for a number of vacated prime spots are skewing results upwards. We expect to see the same trend on Rustaveli avenue, if more prime units become vacated through the first quarter of 2021.

The year has demonstrated that for a reason such as inflexible return policies and lack of convenience online shopping never took off at the spead, that it should have, especially given the circumstances. Back in April, e-commerce was on every retail operator's agenda; yet in retrospect, not enough has been done to remove friction and encourage customers to shop online.

Even so, there is a light at the end of the tunnel. Fast and effective vaccine distribution and innoculation will spell the end of draught not only for retailers, but for all real estate sectors both here and worldwide.

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SNAPSHOT

TBILISI

Hospitality Q4 2020

12-Mo. Forecast	
$52.15 ADR, Citywide Average	▼
12.8% Occupancy, Citywide Average	▼
$6.67 RevPAR , Citywide Average	▼

Source: Cushman & Wakefield Georgia Research

GEORGIA ECONOMIC INDICATORS Q4 2020

12-Mo. Forecast	
-6.2% GDP Real Growth	▲
3.6% Inflation	▲
18.5% Unemployment Rate	▲
$102.8 FDI*	▲

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

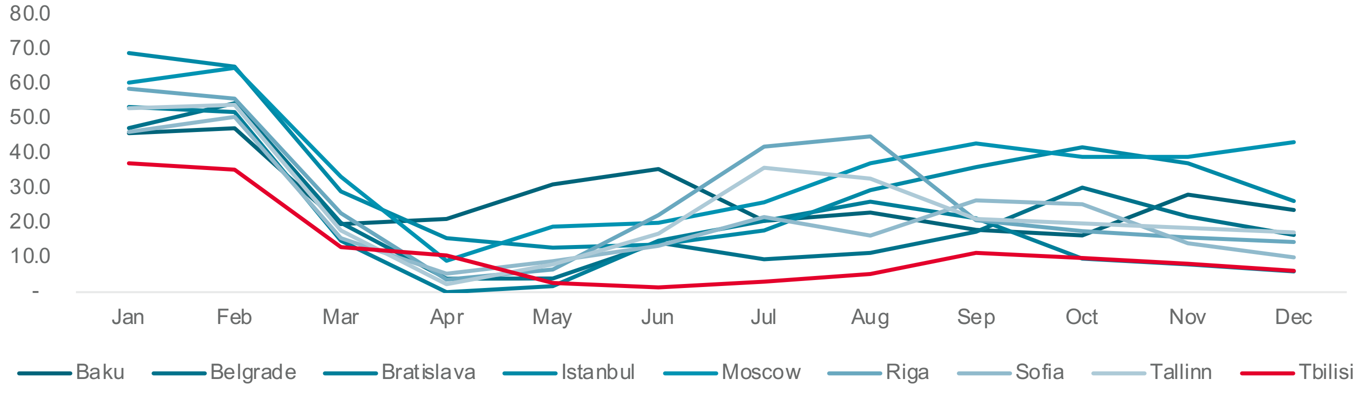
OVERVIEW

The last quarter of 2020 did not see any significant improvement in the hospitality sector. While the news about the plans to purchase and distribute vaccine made the headlines, hotels in Tbilisi were still dealing with significantly reduced demand, and next to no income from F&B, MICE or other departments. The situation seemed quite dire given that the number of cases had skyrocketed and in mid-December the country went into a second lockdown.

The entire year has been particularly harsh for the hotels in Tbilisi. Compared to other Capital cities in the region and the Eastern Europe, Tbilisi hotels did not experience a mid-year recovery. The restrictions were relaxed and for a couple months in summer and the population and the businesses saw a brief reprieve; however occupancy level in Tbilisi hotels remained at record low. The distinction between Tbilisi and other comparable cities, that underlies this trend, has to do with a lack of domestic demand: domestic travelers to Tbilisi stay with friends and relatives, not in hotels. This lack of domestic demand, paired with next to no international visitor inflow has been the cause and the explanation of the stagnant single-digit occupancy indicator through the last three quarters of the year.

The number of international arrivals did not see any increase and continued to dwindle in the 48,000-50,000 range as well. So far, none of the hotels have reported an official closure, but given the severity of the situation, it is likely that not all of Tbilisi's lodging facilities will see the new day. On the other hand, none of the pipelined projects have been scrapped either, which signals the trust of the developers in the ability of the sector to recover in the long term. The forecasts made in-house and by the experts at Oxford Economics maintain that full recovery will happen in 2023, boosted by the availability of the vaccine and recovery of confidence in safety of international travel.

2020 Occupancy in Comparative Context



Source: Georgian National Tourism Administration, Cushman & Wakefield Research

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