SNAPSHOT

TBILISI

Hospitality Q1 2021

	12-Mo. Forecast
$60.5 ADR, Citywide Average	▲
8.06% Occupancy, Citywide Average	▲
$4.87 RevPAR , Citywide Average	▲

Source: Cushman & Wakefield Georgia Research

GEORGIA ECONOMIC INDICATORS Q1 2021

	12-Mo. Forecast
-6.2% GDP Real Growth	▲
7.2% Inflation	▲
18.5% Unemployment Rate	▬
$102.8 FDI*	▼

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

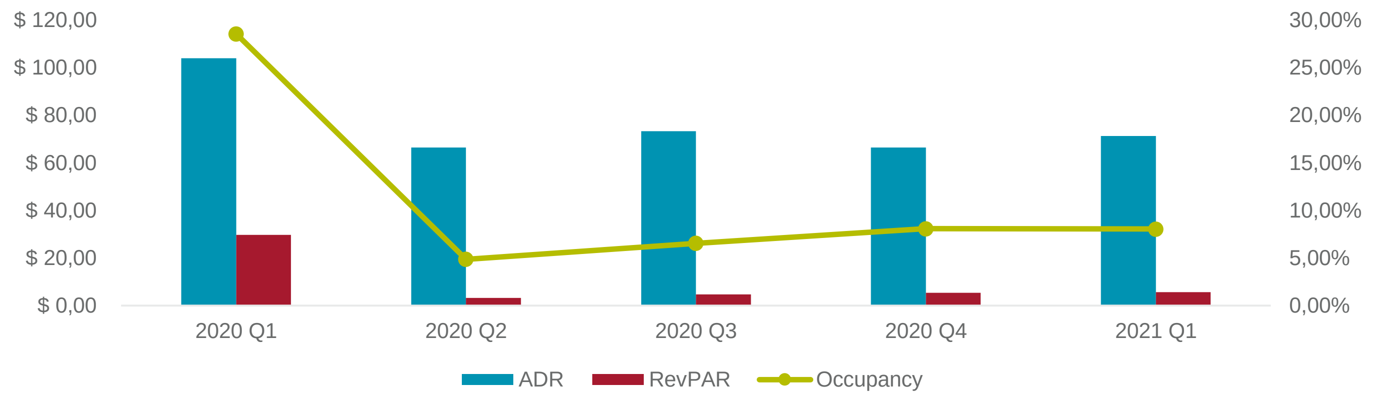
OVERVIEW

Q1 2021 has been marked by certain positive developments in Georgia, such as beginning of innoculation and gradual reopening of the service sectors. Yet the first two months did not instill hope in the hospitality industry as January saw the number of international visitor trips drop 31% compared to December and with February failing to reach the December benchmark either. With ongoing vaccination and the earlier advance of the warmer season, the situation seems to have started to look up. In March, Georgia was visited by nearly 56,000 international visitors – the highest visitor yield since March of the previous year. With passage of time, the city streets are welcoming more and more tourists back, predominantly from the post-USSR states. Given the state of events, the expectations for summer are high, especially considering the paralysis that the hospitality sector went into during the last summer due to cessation of international flights.

On the supply side, not all facilities have resumed operations just yet. Georgian National Tourism Administration refrained from updating the number of operational hotels in Tbilisi throughout 2020, given the uncertainty with regards to the permanence of closures. The Q1 2021 update puts the number of operational hotels in Tbilisi at 498, compared to 535 in the previous year – an approximately 7% reduction – much lower than expected. Given the fact that more than 80% of hotels in Tbilisi are family-owner facilities with fewer than 20 rooms, this assessment is most certainly welcome. Going forward, what will be interesting is if and how facilities in Tbilisi will recapture their price niches and if certain sub-markets will see greater competition that they used to. All hotels in Tbilisi, including the branded facilities, reduced ADRs in response to the COVID crisis. It may be a challenge to raise it back up to the pre-pandemic levels.

With regard to the KPIs, Q1 does not offer a hopeful snapshot of the situation but given rising number of arrivals, occupancy at least will most likely be on the rise.

Historic Dynamics and Recovery Trends



Source: STR, Cushman & Wakefield Research

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SNAPSHOT

TBILISI

Offices Q1 2021

CUSHMAN & WAKEFIELD

	12-Mo. Forecast
$19.90 Average Rent	▼
75% Average Occupancy	▼
200,447m² Total Supply	—

Source: Cushman & Wakefield Georgia Research

GEORGIA ECONOMIC INDICATORS Q1 2021

	12-Mo. Forecast
-6.2% GDP Real Growth	▲
7.2% Inflation	▲
18.5% Unemployment Rate	—
$102.8 FDI*	▼

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

OVERVIEW

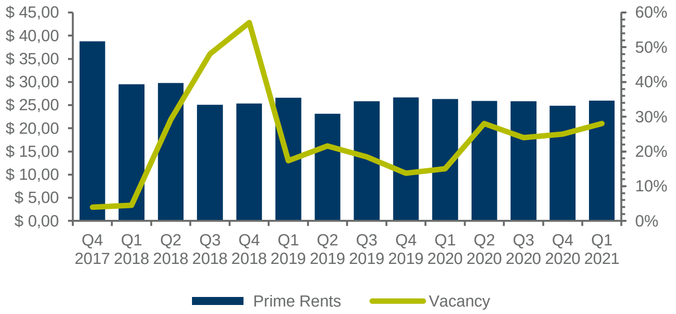
Office market continues to suffer the adverse effects of the pandemic, even in the face of improving epidemiological situation and factors such as Zoom fatigue and exhaustion from working from home. Over the year of 2020, the landlords – especially those of the prime, A Class offices – were dedicated themselves to keeping the price niche. However, increasing current and forward occupancy over the year has resulted in lower asking rates along with emptied office spaces.

Subprime, B Class offices, which were predicted to be beneficiaries of the reduced demand on Prime spaces, have not fared better. Asking rents in Q1 2021 have dropped 16% compared to Q1 2020 while vacancy increased from 9% to 23%. With more than 25,000 square meters of space still projected in the pipeline, the main threat to traditional office spaces remains to be the coworking option.

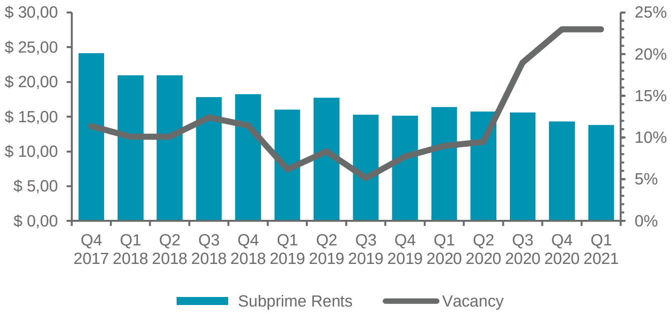
With many a company downsizing following the pandemic, and the rest shifting to rotational regime and alternatives, sprawling offices with expensive rents, service fees and maintenance add-ons are losing favor. The demand in the sector is shifting with end-users preferring home-like offices away from home. Coworking spaces turned out to be just the flexible, convenient, adaptive alternative, foreseeing and responding to the increasing market demand. The fact that the largest local coworking operator opened three new branches in Tbilisi in the midst of a raging pandemic speaks volumes with regard to the trajectory that the office market is seemingly taking.

It is to be expected that within the year, rents will drop, as will occupancy. Business centers and office building operators will find no better time than the present to reinvent their product in line with chaning end-user requirements.

PRIME VACANCY & ASKING RENT



SUB-PRIME VACANCY & ASKING RENT



Source: Cushman & Wakefield Georgia Research

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SNAPSHOT

TBILISI

Retail Q1 2021

12-Mo. Forecast

$23.98
Weighted Average Rent – MSC* ▼

10.67%
Weighted Avg. Vacancy - MSC ▲

400,000m²
Supply - MSC ▬

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

GEORGIA ECONOMIC INDICATORS Q1 2021

12-Mo. Forecast

-6.2%
GDP Real Growth ▲

7.2%
Inflation ▲

18.5%
Unemployment Rate ▬

$102.8
FDI* ▼

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

OVERVIEW

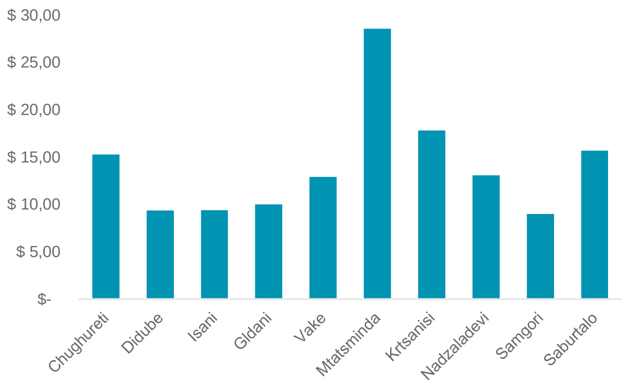
The first quarter of 2021 started with challenges for the retail sector, which was a logical continuation of Q4 2020. The second wave of lockdown, which flowed over into Q1 of 2021 entailed closure of stores over the weekends. Additionally, the 9pm curfew obligated retailers to close shops as early as 7pm, reducing working hours during the evening, when Tbilisi shops typically see the highest volume of footfall. Limited working hours have certainly reduced the sector's profitability. Only since March 8 has the sector started to recover as stores have been allowed to operate over the weekend. Curfew however has been in effect till the end of the first qeuarter.

The mitigation of restrictions reflected on the vacancy level at certain locations. Shopping malls started attracting new tenants. The highest demand at the shopping malls was from DIY and homeware category. Nowhere has this new demand been more obvious than at Saburtalo City mall, where subterranean levels have welcomed DIY and homeware brands. Important changes have been seen on Pekini Avenue as well where vacancy had started to slowly shrink as small businesses move into empty spots. Amongst new tenants are majority pharmacies. Significant closure on Pekini avenue was Ted Lapidus and OVS Kids.

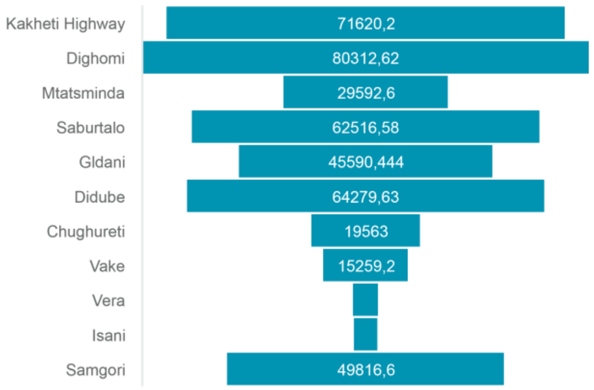
A major change on Chavchavadze Ave was the reentrance of the American brand Baskin Robins. Apart from this street location, the brand will launch in four more locations citywide throughout the second quarter. As Pekini and Chavchavadze Avenues see their occupancies increasing, Rustaveli Avenue remains in the similar state of vacancy as before.

Due to the mitigating circumstances, it is expected that the retail sector will gradually recover in the second quarter of 2021. As the online shopping couldn't establish itself on the Georgian retail market, it is expected that with going back to normal routine the brand representatives will start the new campaigns to restore the customers back to the shops.

AVERAGE HIGH STREET RETAIL RENTS BY DISTRICTS



SHOPPING CENTER GLA BY DISTRICTS



Source: Cushman & Wakefield Georgia Research

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