

**UNLOCKING
OPPORTUNITIES:**

TBILISI'S EVOLVING WAREHOUSE MARKET

Q1-Q3 2024



**CUSHMAN &
WAKEFIELD**

VERITAS

GEORGIA: A STRATEGIC GATEWAY BETWEEN EUROPE AND ASIA



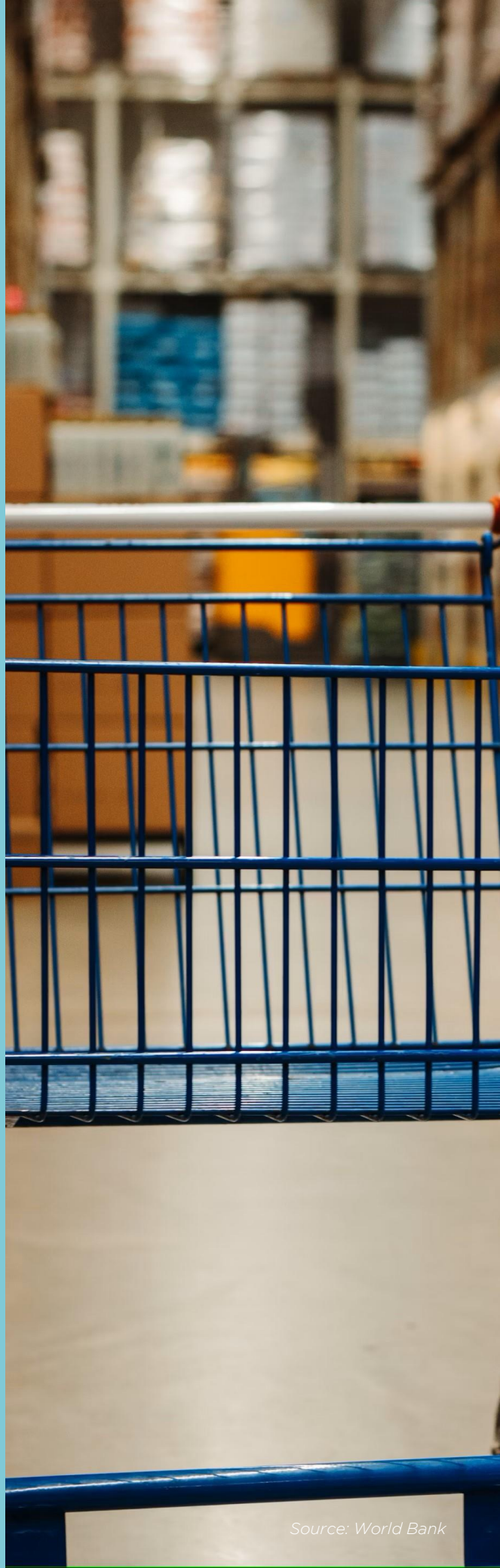
Georgia's prime location at the crossroads of Europe and Asia has established it as a vital link between the continents, with its transportation and logistics sector serving as a cornerstone of the national economy. This sector not only facilitates domestic trade but also powers international commerce, and with ambitious infrastructure projects on the horizon, its growth is set to accelerate.

Key developments like the proposed Anaklia Deep Sea Port, the modernization of the East-West highway, and the railway network connecting Georgia and Türkiye will significantly boost the country's transit capacity. Georgia's integration with China's railway system further streamlines the flow of goods between China and Europe. As part of China's Belt and Road Initiative (BRI), Georgia is poised to attract substantial infrastructure investments, reinforcing its role as a key logistics hub and enhancing regional connectivity.

One of the most critical trade routes passing through Georgia is the Trans-Caspian International Transport Route (TITR), also known as the Middle Corridor (MC). This corridor connects China and Central Asia to Europe through the South Caucasus and Türkiye, reducing transit times between China and Europe to just 15 days.

THE MIDDLE CORRIDOR IS EXPECTED TO MANAGE 11 MILLION TONNES OF CARGO ANNUALLY BY 2030, WITH 4.4 MILLION TONNES FROM INTERCONTINENTAL TRADE

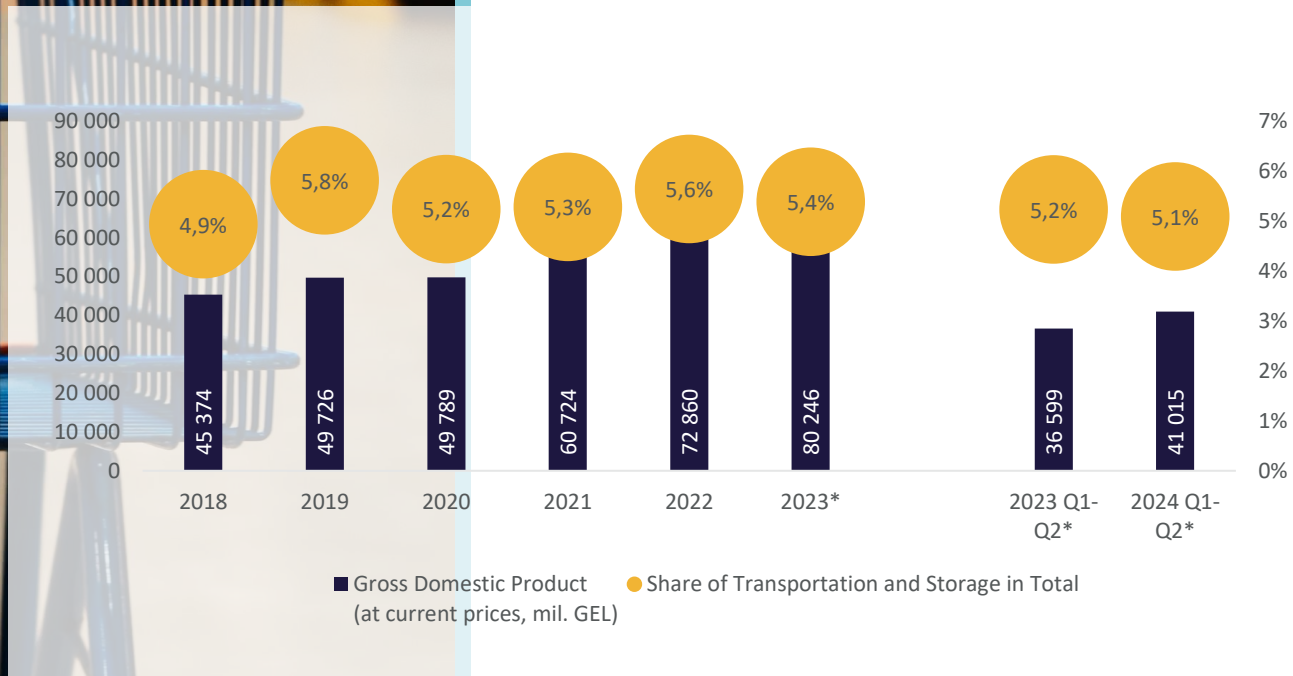
Georgia's logistics advancements are further highlighted by its progress in the Logistics Performance Index (LPI) by the World Bank. In 2023, Georgia ranked 79th out of 139 countries—a significant leap from its 119th position in 2018. This achievement underscores Georgia's growing importance in global trade and freight transportation. With its strategic location and expanding infrastructure, Georgia is rapidly emerging as an attractive hub for businesses looking to optimize their supply chains, solidifying its place in the global logistics network and enhancing its economic prospects.



GEORGIA'S GDP GROWTH AND TRANSPORT SECTOR CONTRIBUTION

Between 2018 and 2023, Georgia's economy saw impressive growth, with GDP nearly doubling from 45.4 billion GEL to 80.2 billion GEL. Throughout this period, the Transport and Storage sector played a steady role, contributing between 4.9% and 5.4% of the total GDP.

In the most recent data from Q1-Q2 2023 to Q1-Q2 2024, while overall GDP continued to rise, the Transport and Storage sector's share saw a slight dip, moving from 5.2% to 5.1%. Despite this small decline, the sector remains a key pillar of Georgia's economic landscape. The chart below illustrates the contribution of the transportation and storage sector to Georgia's total GDP.



IMPORT TRENDS & KEY ASPECTS IN GEORGIA



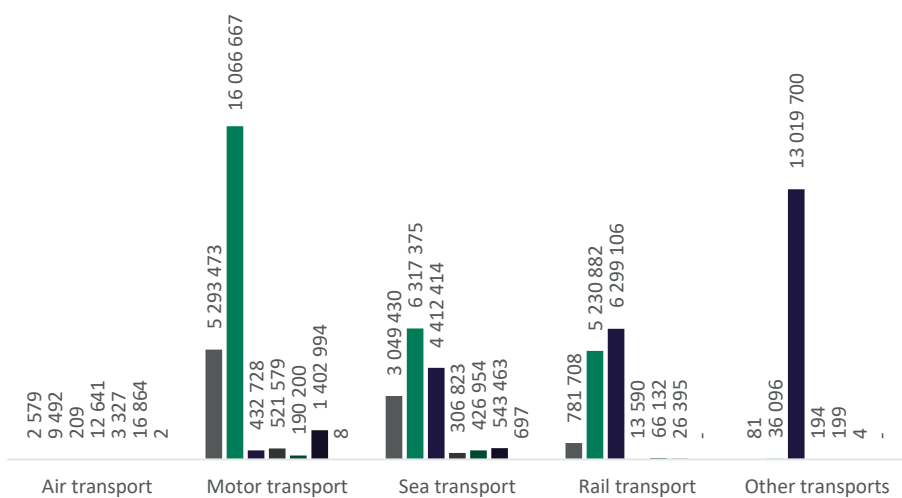
In 2023, Georgia reached a remarkable milestone with its highest recorded import value of \$15.6 billion USD. This impressive figure not only reflects the resilience of the Georgian economy but also highlights a strong recovery trajectory, especially following the challenges posed by the global pandemic in 2020. Between 2018 and 2023, the nation saw a robust upward trend, marked by a compound annual growth rate (CAGR) of 10.8% in imports.

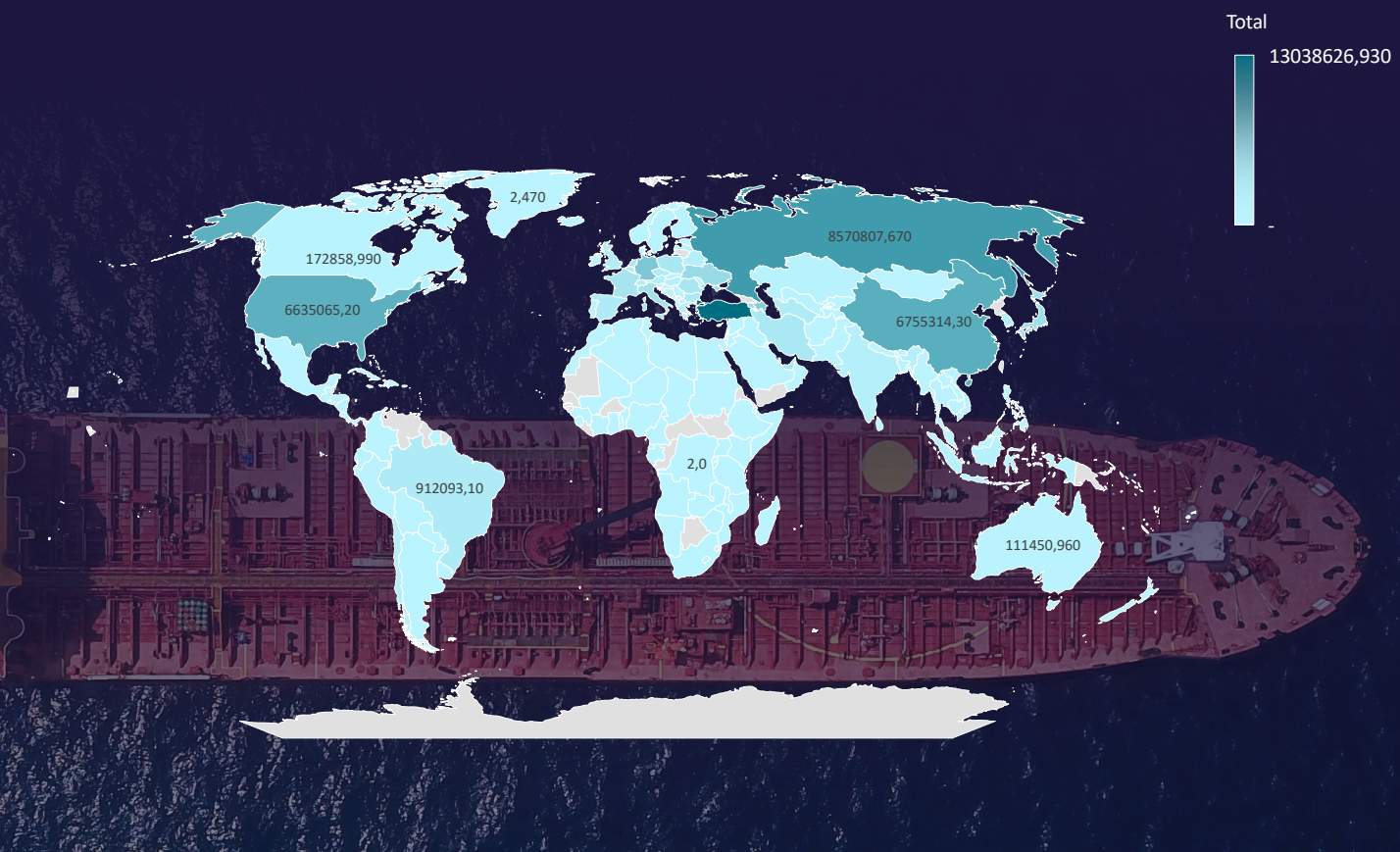
Food and beverages consistently dominate the import landscape, underscoring a steady demand for essential consumables. Meanwhile, industrial supplies, particularly in motor transport, are pivotal for bolstering Georgia's manufacturing sector.

Cumulative import data by transportation type from 2018 to August 2024 reveals motor transport as the primary mode, especially for industrial supplies (16 million tons) and food and beverages (5.3 million tons), reflecting its versatility across various goods. Sea and rail transport are crucial for fuel imports, handling 4.4 million and 6.3 million tons, respectively, while "Other transports" add 13 million tons for fuel. Motor transport also leads in consumer goods imports with 1.4 million tons, supported by sea transport with 543,463 tons. Although lower in volume, air transport is significant for high-value imports like capital goods.

As we look ahead, it's notable that from January to August 2024, Türkiye emerged as the leading source of imports, accounting for 16.7% of the total, equating to \$1.76 billion USD. Following closely, the United States contributed 11.3% with \$1.19 billion, while Russia and China provided 11.1% and 9.8%, respectively. Other significant contributors include Germany (7.3%), Azerbaijan (3.5%), Japan (3.2%), Italy (2.6%), Poland (1.9%), and France (1.9%). Collectively, imports from other countries constitute 30.6% of the total.

The chart below shows imports by transportation type and broad economic categories (BEC), cumulative from 2018 to the first 8 months of 2024 (in tons).





*Imports to Georgia by Country: Cumulative Data from 2018 to August 2024
(Thousand USD)*

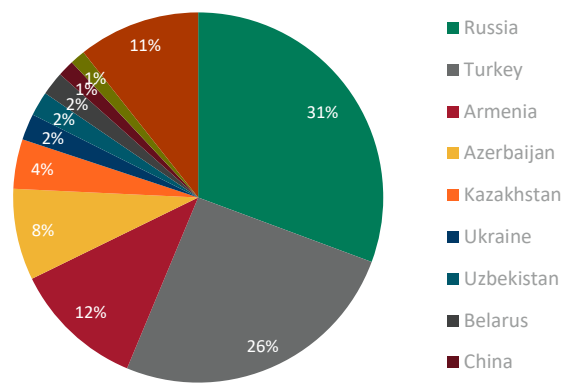
GEORGIA'S TRANSIT AND EXPORT DYNAMICS AND KEY ASPECTS

Georgia's strategic position as a transit country is a significant asset, facilitating global trade and driving economic activity through the movement of goods. The dominance of land transportation is striking, with an astonishing 91.9% of the total transit volume being carried by road from 2018 to 2024.

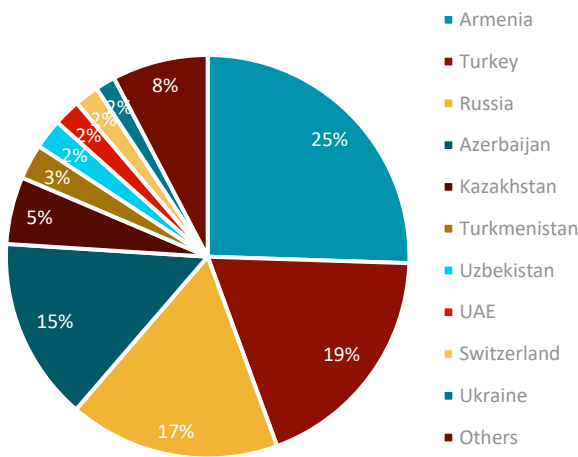
In terms of transit origins, Russia stands out as the most significant contributor, accounting for 31% of the cumulative transit volume in 9 months of 2024, which translates to 1,274,292 tons. Following closely is Türkiye, responsible for 26% (or 1,064,559 tons), while Armenia and Azerbaijan contribute 12% and 8%, respectively. When it comes to transit destinations, Armenia takes the lead, representing 25% of the total at 1,060,215 tons. Türkiye follows with 19%, equating to 785,189 tons, while Russia and Azerbaijan contribute 17% and 15%, respectively.

Looking at the broader export landscape, 73% of export value was transported by road in the first eight months of 2024, totaling \$3,066 million USD. In contrast, sea transport accounted for 18% (\$742 million), while air and rail transport made up 4% and 3%, respectively. The highest annual export figure was recorded in 2023, amounting to \$6,090 million USD, with a compound annual growth rate (CAGR) of 12.5% from 2018 to 2023.

Re-exports also saw significant growth, with a record value of \$3,324 million USD in 2023 and a remarkable CAGR of 23.5% from 2018 to 2023. Major re-exported goods include machinery and equipment, vehicles and automotive parts, consumer electronics, and textiles. Notably, there is strong demand for various types of machinery and equipment in neighboring markets. Key destinations for Georgia's re-exports include Azerbaijan, Armenia, Kazakhstan, and Russia, with robust trade relations with Türkiye further enhancing these activities. Additionally, Gulf countries are increasingly importing a range of re-exported goods, with growing interest also emerging from China and other Asian markets.



Top 10 Sending Countries by Cumulative Transit (Tons) 9 Months 2024



Top 10 Country of Destination by Cumulative Transit (Tons) 9 Months 2024

KEY DEMAND DRIVERS IN TBILISI'S WAREHOUSE MARKET

The growing demand in Tbilisi's warehouse market is driven by several key factors. First, the city's strategic position as a logistics hub between Europe and Asia has made it a focal point for regional trade. The rise of e-commerce, fast-moving consumer goods (FMCG), and the increasing need for efficient supply chains have further boosted demand for high-quality warehouse spaces. Additionally, the ongoing modernization of infrastructure, such as the expansion of transport links has attracted more international companies looking to optimize their distribution networks. This rising demand is particularly evident in the push for A-class facilities, which offer modern, efficient storage solutions tailored to the evolving needs of industries ranging from retail to pharmaceuticals.

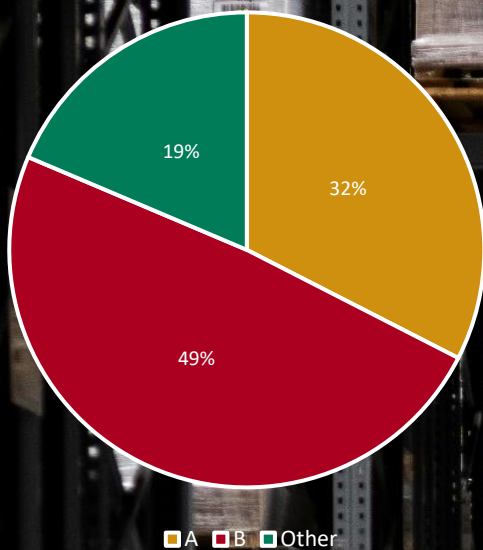
MAIN OCCUPIERS OF DRY WAREHOUSES IN TBILISI

- FMCG
- Construction Materials
- Tobacco
- Auto Parts
- Electric Appliances
- Furniture
- E-commerce

MAIN OCCUPIERS OF COLD WAREHOUSES IN TBILISI

- Frozen Meat & Fish
- Dairy Products
- Fruits & Vegetables
- Pharmaceutical Products

TBILISI WAREHOUSE SUPPLY BREAKDOWN BY CLASS



Share of A, B and Other Class Warehouses. The research by Cushman and Wakefield | Veritas was conducted in July-October 2024

The warehouse market in Tbilisi is experiencing rapid growth and transformation, fueled by the city's role as Georgia's capital and a central logistics hub in the Caucasus region. The total reported leasable warehouse space in Tbilisi currently stands at 355,140 SQM. In addition, a substantial portion of warehouses are owner-occupied by retail and distribution companies, with many either recently built or still under construction.

Warehouse stock in Tbilisi is primarily concentrated near Tbilisi International Airport, with significant clusters in Isani-Samgori, Gldani, and several other peripheral areas, such as Vaziani and Martkopi Village.

Historically, much of this space consisted of repurposed factories or low-quality units, with no proper A-class warehouses available in recent years. However, in response to rising demand, the market has expanded over the past two years with the development of new, high-quality warehouse facilities.

Today, the breakdown of reported leasable warehouses in Tbilisi is as follows: 49% are B-class, 32% are A-class, and 19% are classified as Other (C-class and below).



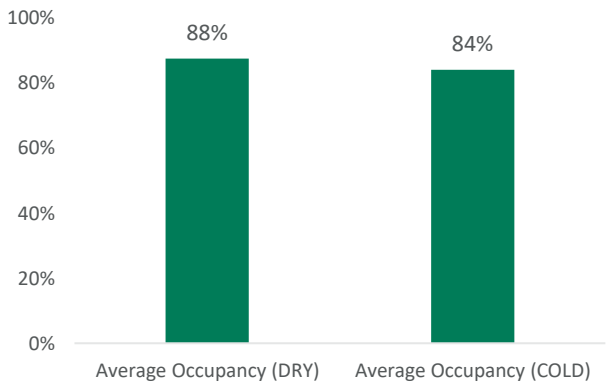
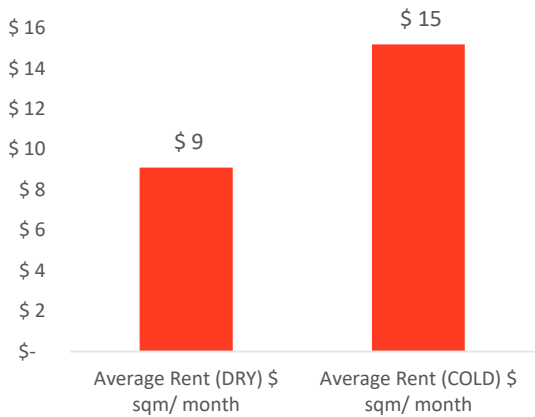
TBILISI WAREHOUSE SUPPLY: OVERVIEW OF DRY & COLD STORAGES



A significant 88% of Tbilisi’s total leasable warehouse space is dedicated to dry storage, while the remaining 12% is reserved for cold storage. Within the dry storage segment, 33% of the stock is categorized as A-class, 46% as B-class, and 21% falls under other classifications, offering a diverse range of options for businesses.

Demand for these facilities remains robust. Dry warehouses boast an impressive average occupancy rate of 88%, reflecting their vital role in the city’s logistics network. Cold storage, though more limited in supply, experiences similarly high demand, with an average occupancy rate of 84%.

The charts below display the average rent and occupancy rates for cold and dry warehouses in Tbilisi.



UPCOMING WAREHOUSE DEVELOPMENTS IN TBILISI: EXPANDING PREMIUM STORAGE SOLUTIONS

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Over the next two years, up to 100,000 SQM of owner-occupied and leasable warehouse space is anticipated to enter the Tbilisi market. This new supply will feature both dry and cold storage facilities, with dry storage representing the majority. These new developments will feature a mix of Class A and Class B warehouses, though the focus will be on Class A facilities, reflecting the rising demand for high-quality, premium storage solutions.

One of the key projects in the pipeline is the Tbilisi Dry Port, a collaboration between the Arab corporation ADP and the Georgian company "Tbilisi Dry Port" LLC, set to launch at the end of 2024. The first phase will feature 12,500 SQM of A and B-class warehouses, with an additional 100,000 SQM available for future development based on market demand, including closed, open, or specialized warehouses. The project will also include container yards, office spaces, parking, railway and road infrastructure, reinforcing Tbilisi's position as a regional logistics hub.

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