GEORGIA

Hospitality Market Snapshot

Quarter 3 | 2018

Overview

Transformation of Georgia into a tourist hotspot has had a favourable effect on the hospitality market. The number of international visitor trips has increased by 10.7% compared to the Q3 17. Russia remains the top visitor provider, followed by the rest of the neighbouring states, with visitors from the aforementioned countries staying on average for 4-5 nights. Hotel market in Tbilisi meets this demand with 457 units providing a total of 19,549 beds; 29% of the room supply is provided by international brands, which also dominate the pipeline of future projects. Projected growth in demand over the next five years is expected to sustain stable growth of the hospitality sector.

Number of International Visits on the Rise

The number of international visitor trips has increased by 10.7% compared to the third quarter of last year. Over the last eight months, the number of international visitor trips has also increased by 14.1% compared to the same period in 2017. In July and August the share of overnight visitors amounted to 66.8% and 70.8% respectively. More than 50% of these and same day visits were motivated by familial reunions or visits to friends. The second and third most common categories of travel purposes were healthcare and shopping respectively.

Investor Focus

First half of 2018 saw a total of $31.2894 million worth of FDI capitalized in the hospitality sector, however there was a 32% drop between Q1 18 and Q2 18. As of the day of publication of this report, Q3 statistics have not been published. The supply of hotels in Georgia is increasing, with majority of the pipeline projects located in Tbilisi, and the seaside resorts in Adjara. International firms dominate the pipeline: nine five-star branded hotels are set to open within the next two years.

Outlook

The upscale segment has become oversupplied. The drop in average occupancy rates between Q3 17 and Q3 18 is likely a response to this saturation. Opening of the planned five-star hotels in 2019-2020 will further saturate the market. There is an increase in the mid-scale segment of hotels in Tbilisi as well; at least six notable mid-scale brands are set to debut on the market by 2020. Perceived as providers of more authentic social experiences, hostels are also gaining traction as a cheaper alternative.

The projected doubling of the tourist arrivals over the next five years indicates that the increasing supply at different price points will be met with an increasing demand. The hospitality industry still has to deal with the seasonality factor, but projects geared towards developing ski resorts at a number of locations throughout the country are likely to alleviate this constrain.

MARKET INDICATORS

Market Outlook

ADR:	Has seemingly stabilized at $113-118, however suffers from seasonal fluctuation;
Occupancy:	Has increased due to a seasonal peak; expected to drop in the next quarter;
Supply:	Increasing, due to a significant number of pipeline projects encompassing different price points;
Demand:	Increasing, as indicated by the rise in the inflow of international tourists.

ADR Change – July 2017 – July 2018 (USD)

LOCATION	USD Q3 17	USD Q3 18	GROWTH %
Upper Upscale	163.85	173.9	6.1

Occupancy Change – July 2017 – July 2018

LOCATION	AVE. OCC. % Q3 17	AVE. OCC. % Q3 18	GROWTH %
Upper Upscale	85.9	75.3	-12.4

PLANNED PROJECTS

Name	Region	Opening Year	Number of Rooms
Babylon Tower	Ajara	2018	168
Courtyard by Marriott	Ajara	2019	150
Swissotel	Ajara	2019	186
Le Meridien	Ajara	2018	110
Interstate Hotels and Resorts	Ajara	2019	220
Pulmann Hotels & Resort	Ajara	2018	310
Wellness Resort & Spa on Mtsvane Kontskhi	Ajara	2019	280
Ramada Resorts	Ajara	2018	115
Metro Holding	Ajara	2018	190
Twin Tower	Ajara	2018	350
White Sails	Ajara	2019	210
Crystal Building Kobuleti	Ajara	2020	220
Ramada Encore	Imereti	2019	120
Radisson BLU Tsinandali	Kakheti	2018	111
Holidey INN	Kakheti	2018	85
Golden Tulip	Kakheti	2019	101

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Radisson Blu Gudauri	Mtskheta-mtianeti	2019	105
Crystal Apart Resort	Samtskhe-Javakheti	2018	86
Rooms Hotel	Samtskhe-Javakheti	2018	100
Hilton Garden Inn	Tbilisi	2018	165
Radisson Park Inn	Tbilisi	2018	200
Wyndham Grand	Tbilisi	2018	143
Hyatt Regency	Tbilisi	2019	170
Pullman Hotels & Resort	Tbilisi	2018	234
Radisson BLU Telegraph	Tbilisi	2018	189
Ramada	Tbilisi	2019	125
Golden Tulip	Tbilisi	2018	80
Marriott Autograph Collection-Panorama Freedom Square	Tbilisi	2018	220
Marriott Autograph Collection-Panorama Sololaki	Tbilisi	2018	187
Holiday Inn Express	Tbilisi	2018	121
Hilton Tbilisi	Tbilisi	2019	200
Tabori Ridge Recreation & Golf Resort	Tbilisi	2018	100
NOVOTEL	Tbilisi	2019	180

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