

TBILISI

Retail Market Snapshot

Quarter 3 | 2018



Overview

The third quarter of 2018 saw minimal changes in the retail sector. Period of adjustment to tenant diversification continues as both a variety of foreign entrants and exciting new local brands establish their retail presence. E-commerce is still in the burgeoning phase of development, yet it exhibits a potential to establish itself as a significant competitor to the traditional retail sphere.

An instrumental shift is affecting traditional and modern malls, as conventional trade-focused environments are transformed into leisure-focused spaces in an effort to attract heavier customer traffic. Tbilisi Mall, East Point and the newly-opened Galleria Tbilisi, all boast IMAX Cinemas, with East Point also offering a variety of other recreational options (e.g. bowling, indoors amusement center, etc.)

Rental rates continue to vary based on the location of the space, however occupancy rates have experienced a boost compared to the respective figures from Q3 16 and Q3 17.

Demand Persists as Street Unit Prices Skyrocket

Due to persisting demand on retail spaces, vacancy rates continue to shrink. Proximity of a number of shopping centers to each other does not seem to affect the individual occupancy rates: Gldani Plaza is 100% occupied, while Gldani Mall and City Mall are 96% and 98.5% occupied respectively, despite their territorial proximity.

In terms of average rent rate, the street retail units significantly outpace indoor areas and shopping malls. Rustaveli Avenue and Pekini Street are priciest street unit providers with rent rates of \$42/m² and \$36/m² respectively. Average street-unit cost registers at \$34/m². However, vacancy rates of street units are also considerably high. Of all shopping center suppliers, East Point solicits highest rents at \$27/m², which is still 21% cheaper than average street-site rent.

No New Additions to the Retail Supply

The third quarter of 2018 has been uneventful in terms of new retail space openings, however due to a relative shortage of premium retail spaces, this sector is an attractive investment option. However, as of writing, the stores that occupy Galleria Tbilisi (opened 2017) are still considered the newest entrants: H&M, Benetton, Trussardi, Lacoste, Guess, Calvin Klein, Armani Exchange and Apple Premium Reseller (by AltaOk).

As of Q3 18, total volume of retail floorspace adds up to 1,085,435m² with open markets and bazaars being the largest category (35%). Street retail is one of the most crowded retail segments offering the widest variety of tenant categories, from grocery shops to international brand boutiques.

Recurrent Stalling of Projects - the Major Obstacle

Tbilisi has a potential to overtake Sofia, Bulgaria, with its supply of retail spaces, however recurrent stalling of projects is getting in the way of realizing this potential. City Mall -

MARKET INDICATORS

Market Outlook

Prime Rents:	Street-retail spaces dominate price rankings with leisure-oriented shopping mall East Point topping the rental price chart in its own category.	▼
Prime Yields:	Steady with some further downward pressure in certain parts of the market.	▲
Supply:	Construction of a number of modern shopping centers does not bode well for street retail and open-air markets, which before now have been the dominating retail space categories.	▼
Demand:	Steadily decreasing vacancy rates indicate consistency of demand on different categories of retail spaces.	▶

Economic Indicators

INDICATOR	Q3 17	Q3 18*
GDP Growth	4.4%	5.4%
CPI	4.0%	4.2%
Average Monthly Household Expenditure (annual, GEL)	1,093.0	1,069.9

* Q3 18 Estimates, forecasted by Cushman & Wakefield

Prime Retail Rents – Q3 18

HIGH STREET SHOPS	WEIGHTED AVE. USD/M ² /M Q1 18	WEIGHTED AVE. USD/M ² /M Q3 18
Rustaveli Ave.	36	42
Pekini Ave.	41	36
Chavchavadze Ave.	30	N/A

Prime Retail Rents – Q3 18

SHOPPING CENTERS	WEIGHTED AVE. USD/M ² /M	VACANCY RATE, %
Merani Shopping Gallery	25	9%
Tbilisi Mall	24	25%
Tbilisi Central	14.5	0%
City Mall - Saburtalo	25	0%
City Mall - Gldani	18	1.5%
Gldani Plaza	20	0%
East Point	27	8.2%
Gldani Mall	15	4%
Galleria Tbilisi	47	15%
Homemart	20	0%

This report has been produced by Veritas Brown Caucasus LLC for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Veritas Brown Caucasus LLC believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Veritas Brown Caucasus LLC shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2017 Veritas Brown Caucasus LLC. All rights reserved.

Leah Rusia Beselidze
Head of Development Advisory
34 Iliia Chavchavadze Ave., Pixel BC, 4th Floor |
Tbilisi, 0179 Georgia
Tel: +995 32 247 48 49
leah.rusia@cushwake.com
cushmanwakefield.ge

TBILISI

Retail Market Snapshot

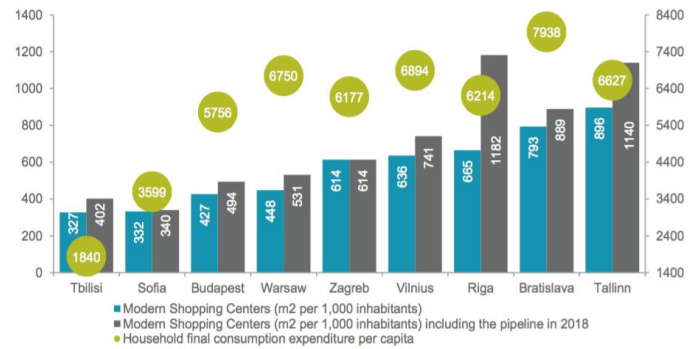
Quarter 3 | 2018



Saburtalo is opening in November, 2018; this development will increase Tbilisi retail space by 57,000 m². Two other projects which were supposed to be finalized in 2018 – Niba Delisi and Didube Mega Trade – have been temporarily suspended due to construction issues. Despite these scheduling rearrangements, the number of shopping malls in the Capital is increasing, which can further decrease the appeal of street retail and force rental prices of the latter down.

Comparative Overview

AVAILABLE RETAIL SPACE AND HOUSEHOLD EXPENDITURE PER CAPITA IN TBILISI AND COMPARABLE CITIES



Source: Cushman & Wakefield Georgia