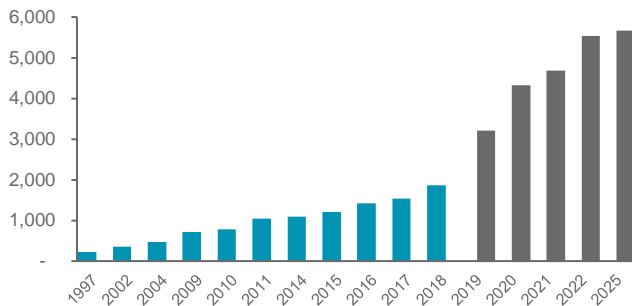


MARKET INDICATORS

Market Outlook

ADR:	Has increased compared to Q1 18;	▶
Occupancy:	At stable low-seasonal rate;	▶
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.	▶

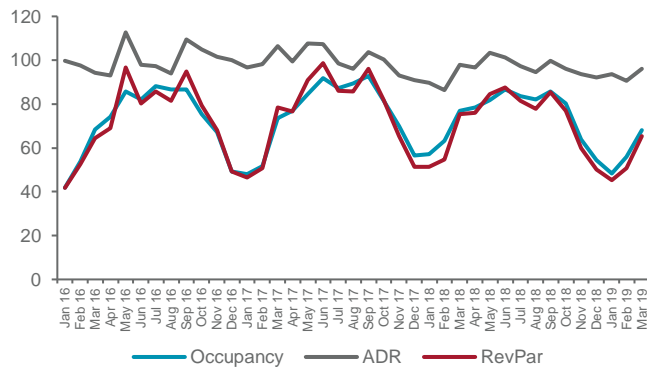
Cumulative Growth of Room Supply at Brand Hotels (STR)



Key Performance Indicators in Tbilisi Submarket (STR, C&W Geo)

RANK	OCCUPANCY	ADR	REVPAR
Luxury	53%	\$150	\$78
Upscale	57%	\$103	\$61
Upper Midscale	52%	\$90	\$45
Midscale	50%	\$75	\$38

KPIs of Upscale and Luxury Hotels in Tbilisi (STR)



Overview of Tourist Inflow

Quarter 1 of 2019 started off with Georgia hosting 1.334 million visitors, which was a 1.1% increase over the number recorded in the same period in 2018. The first three months of the year are off-seasonal, which explains relatively low number of tourists and a slow growth rate. However, we expect the tourist inflow to increase exponentially in the following two quarters – our forecasts indicate that in 2019, total number of visitors to Georgia will reach 7,390,457.

Supply and Brand Dynamics

The supply of hotels in Tbilisi is increasing in step with demand. As of March 2019, Georgian National Tourism Administration reported that there are 472 hotels in Tbilisi. Of these, 13 are brand facilities, which also tend to be the largest lodging establishments in the city.

The submarket of brand facilities is set to grow substantially within the next 5-6 years. Currently, there are 24 projects in the pipeline, which, when realized, will add 3,961 rooms to the total room supply. None of the hotels set to open in 2019 have launched yet; opening of Hilton Tbilisi on Chavchavadze Avenue is expected in Q2 2019. Pullman Hotel in Axis Towers, also on Chavchavadze Ave. is set to open in the same time period, while Wyndham Grand on Gudishvili Street, will launch later in the year. The Autograph Collection Freedom Square, was set to open in 2019, as was Hilton on Kostava Street. These projects have been delayed and are not expected to open until 2020.

Operational History and Performance

As supply keeps increasing, indicators of demand such as occupancy rate keep climbing downward; a relatively slow-growing demand is being redistributed in the increasing room supply. STR reported that annual average occupancy rate in Tbilisi dropped from a four-year high of 66% to 60% in 2018.

In Q1 2019, average occupancy rate registered at 53%. Average ADR stood at \$104.5 and RevPAR registered at \$55.5. A curious characteristic of the luxury and upper upscale hotels in Tbilisi is that RevPAR varies directly and in an almost identical fashion as the occupancy rate, as seen on the chart to the left. ADR at some of the most prestigious hotels shifts only by 2%-4% in either direction, with the second quarter of every year being the priciest period to stay in a Tbilisi upmarket hotel. This non-seasonal ADR is what underlies the tendency shown on the chart to the left.

Looking ahead, KPIs of all hotels in the city are expected to shoot up as warmer weather brings on the tourist season. Barring unforeseeable developments, this is set to be another successful year for Georgian tourism.

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