

TBILISI, GEORGIA Office Market Snapshot

First Quarter | 2019

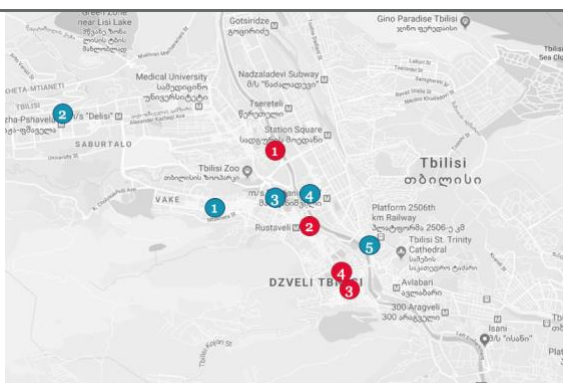


MARKET INDICATORS

Market Outlook

Prime Rents:	Expected to decrease due to shifts in supply.	▲
Prime Yields:	Limited transactional evidence, but a slight increase in prime yields is expected.	▼
Supply:	Increasing in line with strong speculative development pipeline.	▼
Demand:	Expected to stabilize at current level.	▶

Modern Leasable Office Stock in Tbilisi



Source: Cushman & Wakefield Georgia

Demand on Premium Office Space Providers

BUSINESS CENTER	GLA, M ²	OCCUPANCY RATE
1 King David	16,500	78%
2 Merani	2,500	100%
3 Leonidze/Tabidze 1	5,935	88%
4 GMT Plaza	3,000	98%
1 Pixel 34	16,000	90%
2 BCV	12,829	87%
3 Grato	6,400	91%
4 Green Building	2,500	100%
5 Khetagurovi 36	2,160	80%

Rent and Service Charges on Premium Providers

BUSINESS CENTER	AVG. RENT	SERVICE CHARGE
1 King David	\$23.00	\$4.26
3 Leonidze/Tabidze 1	\$35.00	\$3.00
4 GMT Plaza	\$30.00	\$5.00
1 Pixel 34	\$18.00	\$5.00
2 BCV	\$16.00	\$0.50
3 Grato	\$20.00	\$3.00
4 Green Building	\$25.85	N/A
5 BCV	\$16.00	\$0.50

Overview

Tbilisi is a commercial center of the country; as such, over the past decade it has attracted a diversity of international businesses seeking to establish a regional office in Georgia and in the wider Caucasus. Surge in demand prompted creation of supply of offices in the capital, which until recently, had mostly consisted of converted Soviet-era buildings. Modern office buildings have gradually appeared, with prime office spaces built in recent years however, demand that once propelled this expansion is now stalling.

Pipeline of prime offices set to open within the next two years includes three office buildings, however there is no indication that either the number of international entrants or that of local businesses in need of space to lease will increase. Local businesses are growing, but these are more likely to operate from owner-occupied or co-working spaces.

As of Q1 2019, the total supply of office space amounts to 450,240m² – same as in Q4 2018. Demand mix has similarly remained unchanged.

Excess of Premium Provision

Market averages for A and B class business center rent rates stand at \$29.33 and \$18.85 respectively. This has been passed down from the previous quarter. Price rigidity is a common issue in Georgian real estate market, but an increasing supply will most definitely put a downward pressure on the current rates.

Three business centers are set to open within the next few months. Axis Towers business center will add up to 15,000 m² to the overall GLA; Hilton Garden Inn is expected to add 5,000 m² to the prime office stock while City Tower will increase total GLA by 7,500 m².

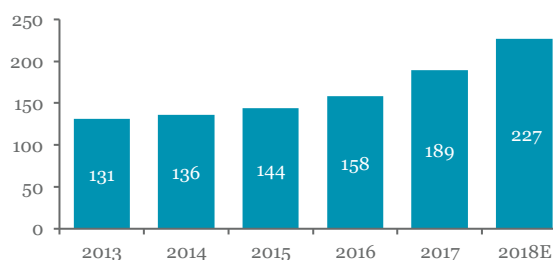
General distribution of the office stock by classes remains the same as before; with no new project launches, in Q1 2019 modern office spaces make up 41% of the total stock.

Demand Inertia

Demand for office spaces continues to be redistributed between different types of office spaces but there are no new entrants to the market. Green Building and Merani are still operating at full capacity and King David is still suffering from a relatively low occupancy rate.

The new stabilized demand distribution is expected to increase occupancy rates of the prime offices spaces and detract from that of economy and unrated options.

Modern Leasable Office Stock Dynamics in Tbilisi



Thousands
Source: Cushman & Wakefield Georgia

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