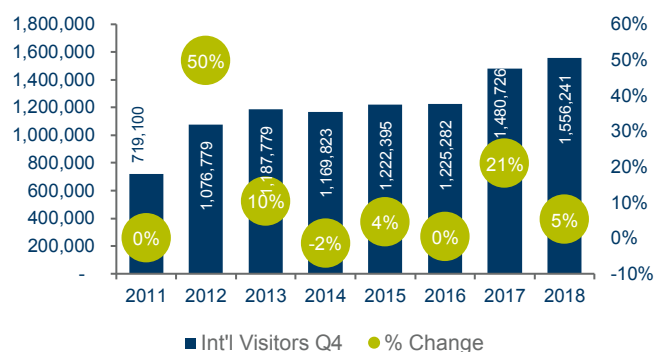


MARKET INDICATORS

Market Outlook

ADR:	Has seasonally stabilized at \$105-110;	▶
Occupancy:	Has dropped due to the fourth quarter being off-seasonal;	▲
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.	▼

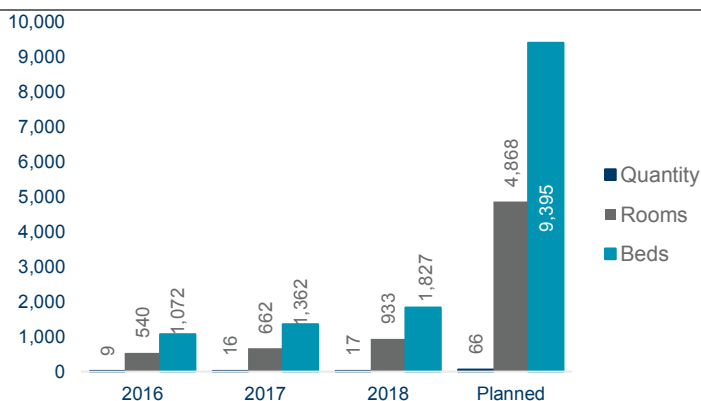
Historic Dynamics of Tourist Inflow in Q4 (GeoStat)



Key Performance Indicators

RANK	OCCUPANCY	ADR	REVPAR
Luxury	67%	\$140	\$105
Upscale	60%	\$115	\$70
Upper Midscale	62%	\$90	\$55
Midscale	53%	\$77	\$43

Hotel Openings 2016-2018 and the Pipeline 2019-2021 (GNTA)



Overview of Tourist Inflow

Georgia continues to be a tourist hotspot, with off-seasonal months showing an increased tourist inflow. 2018 saw a record number of 7.2 million tourists visit the country, which was an 11% increase over the 6.48 million of 2017. As with the previous years, the number of visitors decreased between the third and the fourth quarters (-41%) but Q4 2018 showed a 5% increase in visitor inflow compared to Q4 2017.

Over the following year, the total tourism inflow is expected to increase to approximately 8 million, with the growth of the Q4 numbers stabilizing between 4-6%.

Visitor Profile

Russia has been surpassed by Azerbaijan in becoming the greatest tourist source market, but tourists from the former nation still constitute a substantial portion of visitors to Georgia. Average length of stay remains at 2-3 nights indicating that seasonality does not significantly influence this indicator.

Vast majority of tourists come for leisure purposes, but, as usual, business tourism has grown over the last quarter of 2018. In a related development, share of tourists travelling alone has also increased.

Supply and Investor Focus

Q4 2018 saw \$16.1 mln of FDI capitalized in the hospitality sector, which is a 60% increase over the same time period last year. The supply of hotels in Georgia is increasing rapidly. According to the official national sources, as of the fourth quarter, there were 472 hotels in Tbilisi alone with 10 hotels projected to open in 2019.

Majority of the hotels are small in size – 77% of the facilities offer less the 20 rooms. The largest facilities tend to be the branded ones – Biltmore offers 214 rooms, Radisson Blu – 249, Tbilisi Marriott – 127.

With an extensive pipeline, there is a realistic possibility of market becoming oversupplied, but the existent track record of project delivery dates suggests that the increase in available lodging facilities will be more gradual than suggested by the announcements.

Performance Indicators

As of the fourth quarter, ADRs for all ranking categories have dropped e.g. luxury hotels ADRs prices from the high of \$180 to \$140. ADR for upscale hotels stands at \$115, that for upper midscale is at \$90 and one for midscale is \$77. RevPARs have been reduced proportionately to ADRs. It should also be noted that occupancy level is higher in luxury hotels than in other categories, suggesting that when prices are lowered off-season, visitors pick the best possible option on the market.

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