

TBILISI

# Retail Market Snapshot

Fourth Quarter | 2018

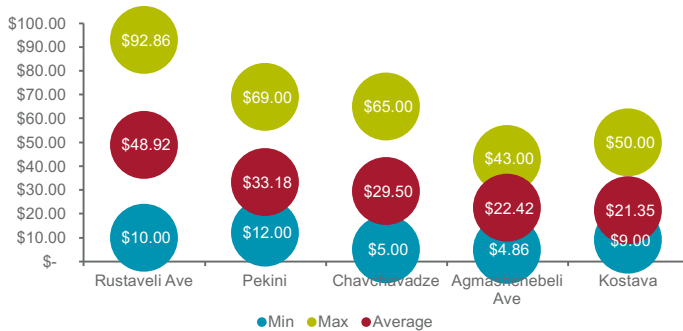


## MARKET INDICATORS

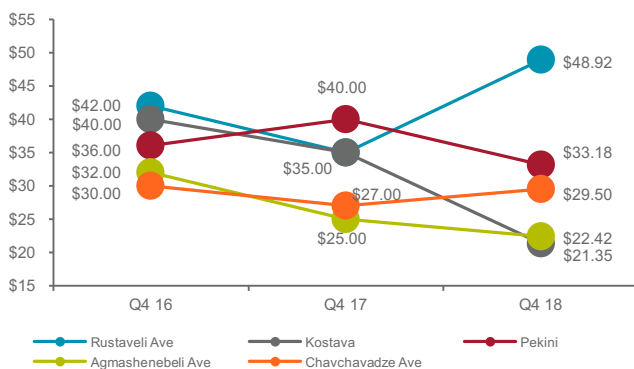
### Market Outlook

Prime Rents:	Prices in shopping malls exhibit an upwards tendency, however growth rate is relatively flat; high street rent rates are starting to flatten.	▼
Prime Yields:	Steady with some further downward pressure in certain parts of the market.	▲
Supply:	As modern shopping centers are being added to the market, street retail continues to suffer.	▼
Demand:	No drastic changes as of yet, but new entrants to the market in 2019 will reshape the demand landscape.	▶

### Primary Street Retail Price Ranges



### Primary Street Retail Pricing Dynamics



### Tbilisi Shopping Malls

SHOPPING CENTERS	GLA (M <sup>2</sup> )	RENT RATE	VACANCY RATE, %
Tbilisi Mall	70,000	\$24	25%
East Point	71,780	\$27	8.2%
Galleria Tbilisi	24,500	\$47	15%
Gldani Mall	22,452	\$15	4%
Merani Shopping Gallery	7,600	\$25	9%

## Overview

Retail sector retains stability in Q4 2018 as both the leasable supply and tenant mix remain mostly the same. Major market trends have been passed down from the previous quarter: shopping centers continue to hold the upper hand over high streets but in contrast to Q3, high street retail prices are starting to suffer from downwards pressure.

E-commerce continues to grow but it still has to establish itself as a viable alternative to traditional retail. With short delivery timelines and the obvious convenience, e-commerce is starting to become a niche market.

On the other end of the spectrum, shopping malls continue emphasizing the fact that they offer a recreational experience, rather than just shopping opportunities, drawing more people away from streets and towards the modern shopping centers.

## Stabilization of Demand and Price Fluctuations

There are very few entrants to occupy the retail supply. In a recent development, market has become increasingly positive towards low-cost miscellany stores; Miniso, a Chinese retailer, expanded from Galleria to high streets - Rustaveli Ave and Chavchavadze Ave. A Korean competitor – Yoyoso – also opened in Pixel shopping gallery on Chavchavadze Ave. Of the higher-end tenants, apparel store Diesel is expected to launch in the first half of 2019. We project, that miscellany stores will continue to expand. Higher-end tenant market as of Q4 2018 is in a stabilization phase.

At \$47/m<sup>2</sup> Galleria Tbilisi remains the priciest of the shopping malls, with the rest of the centers offering spaces for less than \$30. Galleria still benefits from being a new mall located in the very heart of the city – an advantage, that is hard to compete with for any other retail area.

On the high streets, the exorbitant prices are starting to take a hit: average rent rates on Aghmashenebeli Ave and Kostava St have been steadily decreasing between Q4 2016 and Q4 2018. Pekini Street average rates also suffered dropping from \$40 last year to \$33.18. Chavchavadze Ave is back to its Q4 2016 average, recovering from \$27 average last year to \$29.50 in 2018. Rustaveli Ave is also back to the top of the priciest high streets list, with an average rent rate of \$48.92. Controlling for outliers, maximum rent rate registered here was \$92.86.

## Outlook

City Mall Saburtalo will increase the cumulative GLA with 52,000m<sup>2</sup>, with tenant mix expected to consist of some of the largest retailers in Tbilisi; this will further amplify the pressure on high streets as tenants are redistributed.

We project that overall prices for high street areas will drop, but this trend will not exhibit in Rustaveli Ave, due to its unbeatable centrality.

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