

TBILISI, GEORGIA

Hospitality Market Snapshot

Second Quarter | 2019



MARKET INDICATORS

Market Outlook

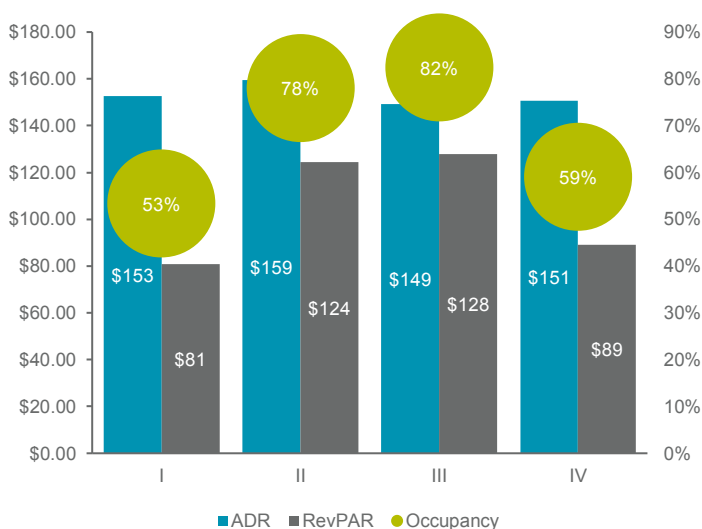
ADR:	Has increased compared to Q1 19;	▼
Occupancy:	Stable within the historic Q2 range;	▶
Supply:	Increasing, due to a significant number of pipeline projects encompassing different price points;	▼
Demand:	Increasing, as indicated by the rise in the inflow of international tourists.	▼

International Visitor Trips and Foreign Card Operations (GNTA)

	Total		Change	Russia		Change
	2018	2019		2018	2019	
April	529,892	549,761	4%	89,430	113,138	27%
May	541,752	618,709	14%	112,386	172,217	53%
June	606,792	727,634	20%	116,357	152,155	31%

FCO	April-May 2018		April-May 2019		Change
	USD	USD	USD	USD	
	116,781,645	157,766,352			35%

Key Performance Indicators Quarterly Context (STR)



Overview of Tourist Inflow

One of the defining moments of the Q2 2019 happened on the 20th of June, when the Georgian public became aware that a Russian MP chaired Inter-Parliamentary Assembly on Orthodoxy from the seat of the Chairman of the Georgian Parliament. Protests ensued, followed with a verbal tirade of a journalist against the President of the Russian Federation. In retaliation for the peaceful protest of the occupation, Russia adopted sanctions; in particular, a ban was issued, stopping direct flights between Georgia and Russia starting July the 8th.

What has been designated as the “Gavrilov Effect” will have greater implications for the following quarter, however some of its effects were felt by the hospitality industry even in the Q2. Slowdown in and cancellation of the number of bookings from Russia started after the ban was announced, however, as a whole, the Q2 numbers indicate a growth in the travel and tourism industry.

Arrivals and Demand

Total number of international visitor trips in Q2 2019 amounted to 1,896,104, which is a 13% increase over the same period last year. June saw the largest increase in visitor inflow at 20%. The number of Russian visitors specifically grew between each month of Q2 2018 and Q2 2019 as well, however, it should be noted that while that number grew by 53% between May '18 and '19, it grew only by 31% between June '18 and '19. GNTA reported that expenditure, expressed as Foreign Card Operations (FCO) increased similarly with 35%.

Supply and KPI Dynamics

According to the Georgian National Tourism Administration, the number of hotels in Tbilisi increased to 487 from 472 in the previous quarter. The room supply adds up to 9,919 and the bed supply is 22,344 units.

This quarter did not see any major pipeline openings; 24 projects are expected to launch within the next three to four years. A boutique hotel opened in the very center of Tbilisi – Radius Hotel is located next to Galleria Tbilisi and has 78 rooms and a capacity to hold 200 guests. The hotel is targeting mid-segment clientele and is designed as a lifestyle facility for the fast-moving, active traveler.

In terms of KPIs the second quarter has not been distinct from the past quarters. Some of the hotels reported at the end of June bookings were cancelled en masse. Even hotels that do not primarily target the Russian clientele experience a downward pressure on their prices as those that counted Russian tourists as their primary revenue drivers keep dropping rates. The effects of the Russian ban will be more clearly indicated in the following quarter.

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