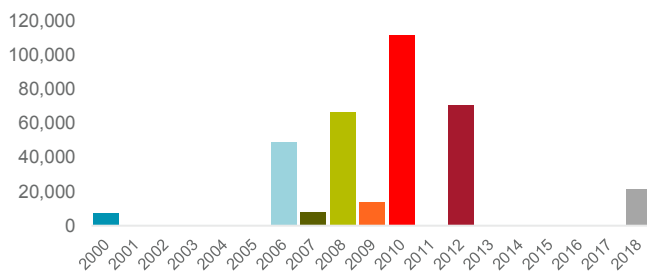


MARKET INDICATORS

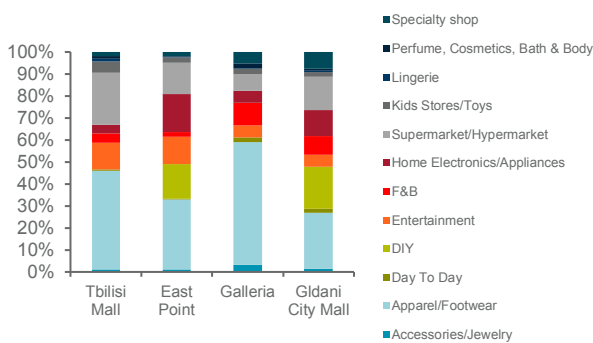
Market Outlook

Prime Rents:	Prices are exhibiting stability;	▶
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:	Some new entrants are diversifying the market.	▶

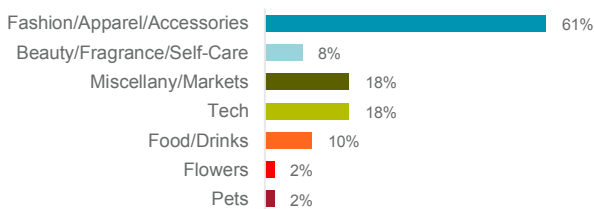
Shopping GLA Increase by Years



Tenant Mix in Four Shopping Malls



Main Product Lines – E-commerce



Overview

The second quarter of 2019 continues to be a steady period for the Tbilisi retail sector. Shopping centers continue to be the preferred shopping destination; however a couple of new entrants have diversified the high street tenant mix. The latter suffers as the vacancy rates slowly inch upwards.

The slowdown in the tourism inflow that has registered since June will affect the retail market, however the effects may not take hold until the end of the following quarter. Rent rates remain virtually unchanged as does the pipeline of projects. E-commerce is gaining greater prevalence than ever.

Supply

Supply of the retail space in Tbilisi remains unchanged. Modern shopping centers make up the bulk of modern retail supply, in total providing more than 400,000m² of Gross Leasable Area. Majority of shopping centers in the Capital are Community Centers; Tbilisi Mall and East Point can be classified as Reginal Malls.

As new malls are added to the supply, the experiential offerings are starting to diversify as well. Some of the oldest and smallest shopping centers offer simply retail, while newer and larger ones tend to offer amenities and activities that invite guests to stay all day. Tbilisi Mall and Galleria Tbilisi as well as East Point to a measure, remain leaders in terms of exhibiting experiential focus. Not only do they provide a variety of retail supply, but also family friendly areas and activities, cinemas and entertainment areas.

Demand

Most recent entrants to the market are the French luxury bakery Ladurée and an Italian luxury lifestyle brand – Stefano Ricci. Ladurée is located on the Abashidze street, in the middle of a Vake F&B cluster which also includes international patisserie Paul. Most recently, a pop-up of Ladurée opened in Tbilisi Galleria as well. Stefano Ricci's showroom, however opened in a rather unusual spot, at Ambassadors Tbilisi Hotel.

Ermenegildo Zegna is expected to make a return to its long-term location on the Rustaveli Avenue, after a brief renovation process. Additionally, Jo Malone is expected to open a boutique on Chavchavadze Avenue in the next few months.

E-Commerce

E-commerce is starting to gain more traction than ever, as Georgian customers begin to adapt to virtual shopping, however, some of the e-commerce stores are opening showrooms, emphasizing just how important it still is for a Georgian customer to inspect an item before purchasing it. Conversely, many established brands are launching online platforms.

We expect e-commerce to gain greater prevalence and shape the brick-and-mortar market in the near future.

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