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Executive Summary

Retail Market
The total amount of retail space in the three main Georgian cities amounts to around 1.1 million sqm, out of which 80% is concentrated in Tbilisi. During the last two years the total volume of shopping centre supply in Georgia grew by 28% approximately and currently amounts to 292,000 sqm. Growth has mainly been driven by developments in the capital, Tbilisi. After the opening of the country’s first large modern mall in 2012 (Tbilisi Mall), the next major scheme (East Point) will start operations at the beginning of next year. The prime high street rent in Tbilisi is around USD 60 per sqm, which exceeds several Eastern European cities (Tallinn, Riga, Sofia, Tirana, Vilnius, Bratislava), but is 27% less than the average CEE figure. The estimated prime retail yield in Tbilisi is 13% for shopping centres and 12% for street retail, which exceeds average CEE figures (8.6% and 9.1%) significantly.

Office Market
The total amount of office space in five Georgian cities amounts to around 1.05 million sqm, out of which 85% is concentrated in Tbilisi, and the rest in regional business cities. During the last few years the total volume of business centre supply in Tbilisi has grown by 15% and currently amounts to 183,312 sqm. The prime rent in Tbilisi is around USD 21 per sqm, equals the average CEE figure. By 2014 the average modern business centre vacancy rate in Tbilisi stands at around 7%, which has been declining gradually after the highest rate in 2010 (25%). Total modern stock in Tbilisi accounts for 334,800 sqm of which 151,486 sqm (45%) is owner-occupied. Big companies in Tbilisi prefer to build office buildings for themselves, which are fitted to their needs, rather than rent one in a business centre.

Hotel Market
During the last four years the number of non-resident visitors in Georgia increased annually by 30% on average. At the same time, the number of international tourists experienced an average annual growth of 21%. These figures peaked in 2014 reaching 5.5 million of total international visitors and 2.2 million of international tourists. Fast growth in demand, coupled with slower hotel room growth (5% annually), resulted in increased occupancy rates, especially in Tbilisi, where brand hotels are now achieving an average occupancy of 75%.

In June of 2014, the Association Agreement between Georgia and the European Union was signed. This agreement aims to expand political and economic relations between these two parties, and to gradually integrate Georgia into the European Union’s internal market. The Association Agreement includes the set up of a Deep and Comprehensive Free Trade Area (DCFTA), which is a core part of the accord. During the next few years we expect significant growth in the MICE segment, while numerous workshops and conferences will be organized in the framework to implement the Association Agreement.

As of the first half of 2014, seven international hotel brands (Sheraton, Radisson, Marriott, Courtyard by Marriott, Holiday Inn, Citadines apart hotel and Best Western) are represented in the Tbilisi hotel market. The share of international upscale brand hotel rooms in Tbilisi is only 11% and international midscale brands occupy 17% of total supply. Although Georgia has one of the lowest figures for international tourism receipts per capita among selected countries, it has the highest growth rate during recent years. The average y-o-y growth rate in Georgia amounted 28% during 2010-2013. Middle class hotels in Tbilisi have better performance indicators than several eastern European cities like Riga, Bucharest, Vilnius and Zagreb, where daily rate and average occupancy rates for selected cities are respectively 10% and 8% less than the same figures for Tbilisi.

Residential Market
Ongoing and pipeline residential project in Tbilisi amounts almost 2.9 million sqm under construction. During next two years supply will rise by 16,000 dwelling units and amount 360,000 dwelling units. In the last two years, strong demand has resulted in stalled projects being resumed. Registered purchase transactions are following a positive trend in Tbilisi. The average growth rate of selling transactions during last three years was 8% in Tbilisi. The volume of registered transactions in 2013 amounted USD 829 million. In 2014 transaction volume increased by 6% in Tbilisi (USD 882 million).

During 2010 – 2011, the growth rate of mortgage lending amounted 39% and the volume of issued loans reached USD 314 million. In 2012 a 34% decrease was observed in comparison with the previous year. In 2013, due to the marketing campaigns of commercial banks and reduced interest rates the volume amounted USD 416 million. In 2014 growth rate of issued mortgages amounted 30% comparing with the same figure in 2013, and reached USD 541 million.

The average residential real estate selling price in Tbilisi grew from USD 826 per sqm in Q1 2012 to USD 830 per sqm in Q4 2014.
**Warehouse Market**

The total volume of warehouse space in Georgia amounts to around 1.8 million sqm, of which around 1.2 million sqm is owner-occupied and the remainder is leasable. The largest share of total leasable space is located in Tbilisi - 61%.

From the 379,000 square metres of leasable warehouse supply, 89% is dry storage and 11% cold storage. The total capacity of cold warehouses in Tbilisi is around 170,000 tons.

The broad categories with the highest occupied space are food and beverage, representing 42% of occupied space in listed warehouses and building materials - occupying 14% of stock. Distribution companies take up to 13% of space.

The warehouse market in Tbilisi is more developed than in other Georgian cities. The only A class warehouse storage in Georgia with a leasable area of 10,000 sqm is the recently developed facility by Gebrüder Weiss near Tbilisi Airport, which was fully occupied at the date of this research. The company plans to develop an additional 37,000 sqm as a second phase of development.

**Entertainment Market**

The government is actively supporting the development of the gaming industry in the county, which gives Georgia a competitive advantage in the region. The gambling industry accounts for about 70% of the entertainment industry’s total turnover, which equalled GEL 1.2 milliard in 2013.

During the next two years several new projects are planned in the city, Tbilisi Fine Art Museum, the refurbishment of the Tbilisi Opera house, relocation of Tbilisi zoo are the major planned projects.

The Government of Georgia is actively seeking to hold international sports tournaments in the country and some of them are already planned, such as the Youth Olympic Games 2015, the UEFA Super Cup 2015, the Chess Youth Olympiad 2015, the Junior World Wrestling Championship 2016, the European Under 19 Football Championship 2016-2017 and the Handball Men’s Youth World Championship 2017. The country’s main stadiums and sports complexes are concentrated in the capital Tbilisi (Boris Paichadze Tbilisi Dinamo Arena, Mikheil Meskhi Stadium and Tbilisi Sports Palace) which will see the development of new sport facilities, such as the new rugby stadium and a new tennis complex.

The water entertainment industry (Aqua park and swimming pools) is actively developing in Georgia. The recently opened Gino Paradise and the Euro Park are main players in the country. Completion of a new swimming pool for the Youth Olympic Games 2015 is planned next year. Health and well-being becomes more popular in Georgia, especially in Tbilisi. Aspria Fitness is actively expanding its chain.

The major amusement parks of the city is Mtatsminda Park. Tbilisi also offers botanical garden, zoo and several recreation parks. The relocation/expansion of the Tbilisi Zoo and renovation of Park Mziuri are the major planned projects in the near future.

Tbilisi is one of the visited destination of the county. Red-tiled roofs, narrow streets and ancient buildings as well as modern architecture buildings impress visitors from around the world. Tbilisi offers visitors unique cuisine, gambling, sports and leisure opportunities.

The restaurant market is the most developed sector of the Gastronomic industry in Tbilisi. The Modern Café-Bars, night clubs and international cuisine market is growing fast.
Georgia – Country Profile

Introduction
Georgia is located between Asia and Europe and occupies a land area of 69,700 sq. km. It neighbours Turkey to the southwest, Azerbaijan to the east, Russia to the north and Armenia to the south.

Georgia declared independence on 9 April 1991, following the dissolution of the Soviet Union.

Economy
Georgia achieved robust economic growth between 2003-2014, averaging 6.3 percent annually, following structural reforms that stimulated capital inflows and investment. The reforms helped to improve the business environment, strengthened public finances, upgraded infrastructure facilities and liberalized trade. Growth was also supported by increased foreign direct investments (FDI) and was driven by capital accumulation and sound use of excess capacity rather than by net job creation, with productivity gains concentrated mainly in the non-tradable sectors. GDP per capita increased from $919 in 2003 to $3,763 in 2014 (in current prices, 2014 - preliminary data). GDP growth rate amounted to 4.7% in 2014. According to IMF, Georgia has one of the highest forecasted GDP growth rates among Eastern European countries and its neighbors during 2014-2015. Major foreign investors in Georgia include: BP, Socar, Heidelberg Cement, RAKIA Group and MAF.

Government
Georgia is a democratic, Presidential-Parliamentary republic whereby the President is the Head of State and the Prime Minister is the Head of Government. As a result of the presidential elections held on October 27, 2013, Giorgi Margvelashvili was elected as the president from the coalition “Georgian Dream”. The new cabinet of ministers was established in November, headed by Irakli Gharibashvili.

According to the declared strategy, joining the EU and NATO are among the country’s top foreign policy objectives.

Tax system
To enhance Georgia’s Investment & Business Climate, the Government has dramatically overhauled its tax system since 2004. By implementing a liberal reform agenda, Georgia has simplified its processes and has reduced the number of taxes from 21 in 2004 to only 6 today.

- Value Added Tax (from 20% has been reduced to 18%)
- Income Tax (20%)
- Profit Tax (corporate tax 20% has been reduced to 15%)
- Excise
- Property Tax (1%)
- Customs Tax (0%, 5% or 12%)

These improvements have made Georgia one of the most attractive tax regimes globally. In 2009, Forbes Magazine designated Georgia as the “4th Least Tax-Burdened Country”.

Since 2008 Georgia has initiated and concluded Avoidance of Double Taxation Agreements with its major trade partners. Currently, Georgia has 46 active agreements. Additional reforms are projected to decrease tax rates even further in the next few years.

Population
The Georgian population is approximately 4.49 million. This figure has grown since 2006 by 2%. About 54% of the total population lives in urban areas and the urbanization rate has been increasing since 2006.

83.8% of the Georgian population are Georgians by ethnic origin. The second largest share - 6.5% are Azeri, followed by Armenians – 5.7% and Russians – 1.5%.

GDP growth forecasts, 2014-2015

Key Socio-Economic Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014F</th>
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</thead>
<tbody>
<tr>
<td>Area (sq. km)</td>
<td>69,700</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population 2014</td>
<td>4.49m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>Tblisi</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency (code)</td>
<td>Lari (GEL)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP at current prices, mil. USD</td>
<td>11,636</td>
<td>14,438</td>
<td>15,846</td>
<td>16,140</td>
<td>16,890</td>
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<tr>
<td>GDP - Real Growth Rate</td>
<td>6.2%</td>
<td>7.2%</td>
<td>6.4%</td>
<td>3.3%</td>
<td>4.7%</td>
</tr>
<tr>
<td>GDP - Per Capita 2013</td>
<td>$2,623</td>
<td>$3,231</td>
<td>$3,523</td>
<td>$3,600</td>
<td>$3,763</td>
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<tr>
<td>Inflation rate (12 months average)</td>
<td>7.1%</td>
<td>8.5%</td>
<td>-0.9%</td>
<td>-0.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>16.3%</td>
<td>15.1%</td>
<td>15%</td>
<td>14.6%</td>
<td>N/A</td>
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<tr>
<td>Total exports (min. USD)-FOB</td>
<td>$1,677</td>
<td>$2,189</td>
<td>$2,375</td>
<td>$2,908</td>
<td>$2,861</td>
</tr>
<tr>
<td>Total imports (min. USD)-CIF</td>
<td>$5,257</td>
<td>$7,058</td>
<td>$7,902</td>
<td>$7,865</td>
<td>$8,596</td>
</tr>
<tr>
<td>Trade surplus/deficit 2013 (min. USD) - CIF</td>
<td>(3,580)</td>
<td>(4,869)</td>
<td>(5,527)</td>
<td>(4,977)</td>
<td>(5,735)</td>
</tr>
<tr>
<td>Exchange rate - USD/GEL</td>
<td>1.7826</td>
<td>1.6860</td>
<td>1.6513</td>
<td>1.6634</td>
<td>1.7659</td>
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<tr>
<td>Exchange rate - EUR/GEL</td>
<td>2.3644</td>
<td>2.3473</td>
<td>2.1232</td>
<td>2.2094</td>
<td>2.3462</td>
</tr>
</tbody>
</table>

Source: www.imf.org (World Economic Outlook-October 2014)

*Preliminary data
Source: www.geostat.ge www.nbg.ge www.imf.org
Georgia – Country Profile

Recent Developments
In June of 2014, the Association Agreement between Georgia and the European Union was signed. This agreement aims to expand political and economic relations between Georgia and the European Union and to gradually integrate Georgia into the European Union’s internal market. Georgia’s international ratings has been revised in 2014:

- Standard & Poor’s: BB–Stable (Affirmed in May 2014)
- Moody’s: Ba3 Positive (Affirmed in August 2014)
- Fitch Rating: BB- Positive (Affirmed in October 2014)

The Heritage Foundation ranked Georgia the 22nd among 178 countries in Economic Freedom Ranking. In the World Bank’s “ Ease of Doing Business Index 2014”, Georgia ranks 15th out of the surveyed 189 economies. In the same ranking in 2006 Georgia held the 100th position. According to the Global Peace Index (GPI) issued by Institute for Economics and Peace (IEP) in 2015, Georgia is fourth safest country in the World.

Business and Investment Environment
Georgian government efforts to reduce corruption in public and private sectors have significantly improved Georgia’s ranking in the World Bank’s Doing Business Survey. By the latest survey it stands on 15th position among 189 countries. Georgia ranks as 1st in property registration, 3rd in dealing with construction permits, 5th in starting a business and 7th in getting the credit. Among transitional economies, Georgia has improved its ranking in the Corruption Perception Index from 85 to 50 in the years 2002-2005. The Georgian tax system was simplified, customs duties were reduced and procedures for granting licenses and permits were simplified. According to Forbes, Georgia was ranked as 4th least tax burden country in 2008. At present Georgia enjoys free trade agreement with Turkey and nearly all CIS countries. Georgia is eligible for Most Favored Nation (MFN) treatment from all the WTO member states and is the member of WTO since 2000. Georgia has been granted a Generalized Scheme of Preferences (GSP) treatment by the following countries: the EU, the USA, Japan, Canada, Switzerland and Norway. The Association Agreement between Georgia and the European Union, signed in June 2014, includes the setting up of a Deep and Comprehensive Free Trade Area (DCFTA). The DCFTA has been enacted since September 2014, therefore products or services produced in Georgia can freely access to the EU market with more than 500 million consumers. DCFTA will contribute to economic growth, integration with world markets and global supply chains, and will open new prospects for Georgia and for entrepreneurs doing business in our country. In 2015, the Government of Georgia began negotiations on signing the Free Trade Agreement with the European Free Trade Association (EFTA) that unites Switzerland, Norway, Iceland and Liechtenstein. After the signing an agreement with the EFTA, market of high purchasing value will open for the Georgian products and services that unites 4 countries and more that 13 million customers.

Legal System
The Constitution, adopted in 1995, sets out the structure of the national government as well as its powers and functions. The powers of government are divided into three branches – legislative, executive and judicial. The court system in Georgia has three branches: Courts of First Instance (District or City Courts), Appellate Courts and the Supreme Court. First Instance Courts have jurisdiction over all civil, criminal and administrative cases. Decisions from First Instance Courts may be appealed to the Appellate Courts and, from there, to the Supreme Court. The Constitutional Court of Georgia is the sole organ of constitutional jurisdiction of Georgia.

As an alternative to litigation, Georgia allows for third party arbitration. Georgian law also allows foreign companies to include provisions in their contracts (including those with Georgian entities) that allow for arbitration by international arbitration institutions.

Infrastructure & Transport
Located on the shortest route between Europe and Asia, Georgia’s transport system is a key link in the historic “Silk Road.” It is believed that long-term growth will stem from Georgia’s role as a transit state for pipelines. Three pipelines currently exist:

- The Baku-Supsa pipeline (GPC-Georgian Pipeline Company) runs 814 km from Baku to Supsa (444 km in Azerbaijan and 370 km in Georgia) and transports “early oil” from the Caspian Sea region.
- The Baku-Tbilisi-Ceyhan (BTC) oil pipeline extends 1,750 km across Azerbaijan, Georgia and Turkey and is designed to transport up to one million barrels of Azeri oil per day. The oil is transported via Georgia to the Turkish port of Ceyhan.
- The South Caucasus Pipeline (SCP) System project was completed in late 2006. The initial capacity of the pipeline is 8.8 billion cubic meters (bcm) of gas per year and, after 2017, its capacity could be expanded to 20 bcm per year. As part of the transit payment, Georgia will receive 5% of the volume of natural gas transited from Azerbaijan to Turkey. One of the main partner and operator of the project is BP.

Four airports with a total capacity of 3,100 passengers per hour, serve the country in Tbilisi, Batumi, Kutaisi and Mestia. The total length of railway amounts 1,612 km, with capacity of 3.3 million passengers per year and the length of roadways amounts 19,109 km. Completion of the Baku-Tbilisi-Kars (BTK) railway in 2015 will also stimulate advancement of Georgian Railway. Major sea ports are located in Poti and Batumi. The Government of Georgia strives to enhance port infrastructure. For this purpose, particular importance is attached to the construction of the new Deep Sea port in Anaklia. Construction of the new port is strategically important and shall result in significant increase in cargo turnover through Georgia.

Energy
Georgia has a developed, stable and reliable energy sector but efforts are required to improve the efficiency in domestic energy use. The most promising source of additional energy generation is hydropower and the Government is focused on securing private investments for the construction of new hydropower stations. In 2012 9.694 billion kWh was produced in Georgia and consumption amounted 9.379 billion kWh. With a large number of planned investments in energy sector it is expected that Georgia will be fully energy self-sufficient by the year 2020.

Rankings on the ease of doing business

Source: www.doingbusiness.org
Tbilisi – City Profile

<table>
<thead>
<tr>
<th>Population</th>
<th>1,175,200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Density</td>
<td>2398.4 person/sq.km</td>
</tr>
<tr>
<td>City Area</td>
<td>490 sq. km</td>
</tr>
<tr>
<td>Number of Local Hotels</td>
<td>137</td>
</tr>
<tr>
<td>Number of International Brand Hotels</td>
<td>7 (Upscale Brands – Radisson, Tbilisi Marriott Midscale Brands – Holiday Inn, Courtyard Marriott, Citadines apart' hotel, Best Western Tbilisi, Sheraton Metekhi Palace)</td>
</tr>
</tbody>
</table>

Main tourist destinations
- Old Tbilisi
- Sulfur Baths
- Narikala Fortress
- Tbilisi Botanical Garden
- Freedom Square
- Opera and Ballet Theater
- Sameba Church
- Tbilisi Concert Hall
- Mtatsminda
- Georgian National Museum
- Giorgi Chitaia Ethnographical Museum - The Open Air Museum.

Infrastructural facilities
- Tbilisi International Airport (total capacity 2,000 passengers per hour)
- Tbilisi Railway Station, Underground

Tbilisi is one of the largest cities in the Caucasus as well as one of the largest in Eastern Europe, with a population of 1.2 million. Tbilisi accounts for over 25% of the national population. It is the industrial, cultural and social centre of Georgia. Spread over a 490.6 square kilometre area, Tbilisi is one of the few places on the planet where a synagogue and mosque are located next to each other. Despite an overwhelmingly orthodox Christian resident population, Tbilisi generously accommodates diverse cultures, religions and ethnicities.

The city generates 52% of the country’s economic output, and accounts for most of the formal employment. Larger incomes in Tbilisi compared with the rest of Georgia, boosts spending on recreation and culture as well as restaurants and hotels.

Existing international hotel brands in Tbilisi are Sheraton, Radisson, Marriott, Courtyard Marriott and Holiday Inn, Citadines apart' hotel as well as Best Western Tbilisi. Other major projects have been announced (Intercontinental, Hilton Garden Inn) and some of them under construction (Millennium, Rixos, Park Inn by Radisson).

The city is actively developing its tourism sector. Thanks to low taxes and a favourable climate for investors, Tbilisi is ranked among the top five European cities by the EBA (European Business Association) Attractiveness of Investment index.

On July 15, 2014 local government elections were held in Tbilisi. Due to this fact there is a transition period in City Hall and the new government will establish city development plans in the near future.
Tbilisi Retail Market Overview
Tbilisi Retail Market

Supply

The total volume of retail floorspace in Tbilisi amounts to 887,280 sqm. The largest share of Tbilisi retail floorspace is occupied by bazaars and open markets (43%), with 28% of space allocated to street retail and 29% for shopping centres.

It is worth noting that throughout the last four years the amount of shopping centre supply has gradually increased as a proportion of total retail supply. In 2010, it amounted to only 16% of total retail space supply, whereas by the first half of 2014 it amounted to 29% of total retail floorspace.

In 2014, 28,900 sqm GLA was added to shopping centre supply in Tbilisi (Tbilisi Sea Plaza – 22,000 sqm and Irao 6,900 sqm) and by the end of 2014 another 25,200 sqm will be added to the market, including Gidani Plaza (6,200 sqm) and Gldani Mall (19,000 sqm). By 2015, the total supply of shopping centres will further increase by 41%, primarily because of the opening of the new shopping mall East Point, with 72,000 sqm GLA.

Many shopping centres in Tbilisi, even recent constructions, have more than three levels/floors and most of the higher floors remain vacant. One of the main characteristics of shopping centres in Tbilisi is that developers sell small units within the shopping mall to different individuals or tenants. Of course this fact makes property management more difficult and decreases the investment attractiveness of the shopping mall.

The most prestigious streets in Tbilisi are located in the Vake-Saburtalo and Old Tbilisi districts. The highest retail rents of USD 55-60 per sq. m. are typically achieved on Pekini Street and Rustaveli Avenue. Chavchavadze Avenue, together with the recently renovated Marjanishvili Street and Aghmashenebeli Avenue are becoming increasingly attractive for high quality tenants.

Demand

The annual per capita retail expenditure in Tbilisi has been growing in recent years. In 2013 the expenditure figure amounted GEL 3,496, which is 20% more than the country’s average. 47% of total annual expenditure in Tbilisi comes from retail expenditure, which is 5% more than the country’s average figure.

Popularity of online shopping is significantly growing during the recent years. Currently, 11% of Tbilisi population buy clothes on internet, same figures for shoes and accessories amount to 9% and 8% accordingly.

Due to the fact that the vast majority of Bazaars and open style markets are occupied by individuals and local non-brand shops, branded occupiers account for just 31% of retail space in Tbilisi.

Major fashion retailers in Tbilisi include Retail Group Georgia and International Corporation ICR. They represent almost 60 different brands. Zara, Massimo Dutti, Gap, Banana Republic, Aldo Ecco, Geox, Tamaris, Sketchers, Okaidi & Obai should be noted among them.

Consumer electronics brands are represented by Georgian Companies such as Elit Electronics, Metro Mart, Okay, Smiley, Alta, Galaxy etc. They are continuously expanding their networks, not only in street retail, but also in shopping centres.

Together with the recent entries of Spar, Furschet, Wendy’s and Dunkin’ Donuts, existing modern supermarkets and fast food operators are rapidly developing their chains in Tbilisi. Despite this, banks and drug stores should not be excluded from the core occupiers of the retail market in Tbilisi.
Performance indicators

The average high street retail rent in Tbilisi exceeds the same figure in shopping centres by USD 10 per sqm and stands at around USD 40 per sqm. The average rents in traditional shopping centres and secondary streets varies between USD 18-22 per sqm.

The highest rents in street retail are achieved at Rustaveli Avenue and Pekini Street at USD 55-60 per sqm. Chavchavadze Avenue and the newly refurbished Aghmashenebeli Avenue, together with Marjanishvili Street can also be considered as high streets of the city. The average rents on these streets stands at around USD 35-40 per sqm.

Merani Shopping Gallery and Tbilisi Mall achieve the highest average rents among modern shopping centres USD 35-38 per sqm. Some of the traditional shopping centres are well located and respectively, their rents stand above the average figure, Kidobani (USD 24) and Passage (USD 30) are examples.

The street retail average selling prices in Tbilisi varies between USD 1,200-USD 4,900 per sqm net of VAT, depending on location and attractiveness of the street. The highest selling prices are indicated at Rustaveli Avenue and Pekini Street, USD 4,932 and USD 4,785 per sqm net of VAT.

At the end of H1 2014 the average vacancy rate of shopping centres stood at 26%. This figure has decreased gradually since the highest figure in H1 2012, when the biggest shopping centre – Tbilisi Mall was opened. In the first half of 2015 another large shopping centre – East Point - will be opened, almost 70% of which is preleased. The average vacancy rate of street retail is more stable than in shopping centres. At the end of H1 2014 it equalled 11%.

International benchmark

The prime high street rent in Tbilisi is around USD 60 per sqm and the prime shopping centre rent is USD 40 per sqm. These figures are below the CEE average by 27% and 54% respectively.

The commercial real estate investment market in Tbilisi is in an early stage of development. Institutional real estate investors are not active in the country and, accordingly, large investment transactions have not been recorded in the retail real estate market. The estimated prime retail yield in Tbilisi is 13% for shopping centres and 12% for street retail, which exceeds average CEE figures significantly.

Average street retail sale prices in Tbilisi (USD per sqm excl. VAT ) 2014

Source: Colliers International
Retail Map of Tbilisi

Source: Developers, Operators/Property Managers, Colliers International
Although the Georgian retail landscape is still dominated by traditional supply, modern shopping centre development is accelerating. After the opening of the country’s first large modern mall in 2012 (Tbilisi Mall), the next major scheme (East Point) will start operations at the beginning of 2015. Currently, retail development is primarily driven by the expansion of modern supermarket formats (Carrefour, SPAR and Smart) and an increasing number of fast-food retailers, such as McDonald’s, Wendy’s, Subway and recent entrant KFC.

Given the country’s urban structure, the bulk of expansion potential in the Georgian retail market can be found in the capital Tbilisi, the only city with a catchment area of sufficient size and affluence. The city’s retail market is undergoing significant changes, driven by increasing competition between retailers and locations. The high street retail offer is strengthening and older shopping centres are undergoing refurbishment and – in some cases – repositioning, which is expected to continue further in the nearest future. Retailer interest is fuelled by the country’s confirmed orientation towards Europe, its ever improving business climate and strategic location in the region. After the current surge in modern supermarket development, it is anticipated that international big box retailers will start to eye this market with increasing appetite.

It is worth mentioning, that during the recent years internet shopping is becoming increasingly popular in Georgia and especially in Tbilisi, where the accessibility to internet is the highest in the country. Apart from the fact that significant portion of customers wary of online shopping, demand is still characterized by the growing trend.

The embryonic real estate investment market in Tbilisi, featuring prime retail yields at around 12-13%, coupled with significant potential for rental increase, opens up a myriad of attractive investment opportunities. In addition, streamlining local property management practices alone will have the potential to add significant value.

For the coming years, the Tbilisi retail market will continue to offer attractive niches for retailers, developers and investors. With the country embarking on its journey towards integration with the European Union, demand for modern retail formats will continue to increase. The transformation towards a modern market has started and in the next phase shopping centres will see improved design and concept as new international developers enter the market.

After the declining trend of the shopping centre rent prices, the mentioned figure has stabilized and there is not expected it to be changed significantly. In addition, gap between street retail and shopping centre rents will grow further as street retail supply remains limited.

Conclusions and Outlook
Tbilisi Office Market Overview
Tbilisi Office Market

Supply

Tbilisi is one of the largest cities in the Caucasus as well as one of the largest in Eastern Europe, with a population of around 1.2 million. Tbilisi accounts for over 25% of the national population and is the industrial, cultural and social centre of Georgia. Tbilisi has also been a strong commercial, cultural and political centre for centuries.

The city generates 52% of the country’s economic output, and accounts for most of its formal employment.

Total office space in Tbilisi is 912,367 m², of which 46% (328,598 m²) is modern office stock. 54% of modern stock is leasable. Traditional stock is distributed equally between leasable and owner-occupied offices.

Supply of office space has been growing since 2008 and further growth is expected, because several business centres will open in nearest future and some organizations are going to build office buildings for themselves. Panorama business centre project at Freedom Square is announced, but by the date details about total space and opening date are not specified.

The share of office spaces located in A class business centres in total rented space is 7% (35,935 m²), A-, B+ and B class offices occupy 7%, 23% and 1% respectively. The biggest share (42%, 200,000 m²) is C and D class offices, under which old Soviet Union buildings and offices in apartments are considered.

One of the main characteristics of office market in Tbilisi is that developers sell small units within the business centre to different individuals or tenants. Of course this fact makes property management more difficult and decreases the investment attractiveness of the business centre.

Among CEE cities, Tbilisi has the least modern office stock. The mentioned figure in the capital of Georgia is 4.6 times less than CEE average figure. Average modern office stock per 1,000 inhabitants in CEE cities is 1,436 sqm and only 293 sqm in Tbilisi.
Demand

The main occupiers of modern business centers are international companies and local financially strong corporations. Tenants in high class business centers are not changed as frequently as in low class offices. The vast majority of small and medium Georgian companies are occupiers of low class offices and apartments.

Consulting (19%), Diplomatic (5%) and Financial (13%) Organizations occupy most of the office space in Tbilisi business centres. Categories with less than 2,000 sqm are united in name “Other”.

The vast majority (64%) of owner-occupied offices is accounted for State organizations, next come financial institutions (11%), mainly banks.

Performance Indicators

The highest vacancy rates in 2014 are in A-class business centres (16%) next come A and B+ with 8% and 4% respectively. Average vacancy rate of all business centres has been declining since 2010, reaching 7% in 2014 and further decline is highly probable. Average annual net take-up in these years is around 19,000 sqm.

The office real estate investment market in Tbilisi is in an early stage of development. Institutional real estate investors are not active in the country and accordingly, large investment transactions were not recorded on the office real estate market. The estimated prime retail yield in Tbilisi is minimum 12%, which exceeds average CEE figures significantly.

After the highest weighted average rent figures in 2008, mentioned figures has been declining during 2010-2012. Since 2012 weighted average rents in business centres have been constant to date. The highest rents in 2014 are achieved in A class business centres ($22), next come A- and B+ with average rent of $15 and $14 respectively.

The prime office rent in Tbilisi is around USD 21 per sqm. The figure is the same as CEE average.

Source: Colliers International

Vacancy rates in business centres in Tbilisi

Prime office rent (USD per sqm per month excl. VAT and service charges)

Source: Colliers International Georgia

Prime office yield

Source: Colliers International

Weighted average rent prices in leasable office stock (USD per sqm per month excl. VAT and service charges)

Source: Colliers International Georgia

Owner occupied office breakdown by customers 2014

Source: Colliers International Georgia
With its narrow economic base and evolving market services sector, Georgia’s office real estate market is small and concentrated in the capital city of Tbilisi. A large proportion (46%) of modern stock is owner occupied and availability of good quality offices with larger floor plates remains highly limited. Until recently, activity on the Tbilisi office market has been low, with demand focused on smaller units. Similarly, development activity has been subdued and vacancy rates were relatively high.

However, from the year of 2014 this is starting to change. Earlier this year, some larger international occupiers announced market entry or expansion, including EIB, Philips and BP. The latter is currently investigating the market to develop their new 5,000 sqm HQ. In addition, flexible office providers Regus and Compass are preparing entry and expected to start operations during the second half of next year. Demand from local companies remains relatively small and is derived mainly from owner-occupiers. TBC Bank has announced to start construction of its new 22,000 sqm HQ in Saburtalo, besides this, the pipeline is limited to about 44,000 sqm.

With demand on the increase, the shortage of supply is slowly becoming apparent. The vacancy rate for A-grade offices is decreasing and now stands at 9%. One of the best examples of the turn-around in the Tbilisi office market is the recently completed Merani scheme (on Rustaveli 42), which has been almost fully leased out within a short period of time.

With a small amount of available suitable properties, the vacancy rate for modern offices in Tbilisi is expected to decline further. Occupiers looking for modern space in the CBD are already experiencing difficulties, particularly when there is a need for larger floor plate sizes.

With favourable economic developments and the anticipated increase in both trade and FDI with and from the European Union, prospects for the Tbilisi office market are starting to look very healthy. With a limited amount of land available in the CBD, opportunities are opening up for refurbishments and for office development in specific areas outside the city centre. For the first time in the history of the city’s real estate market, offices should be firmly on the radar for both developers and investors. In European post-soviet countries in the stage of development offices were moved outside the city centre. The construction of new office park will cause many office occupiers to move from the single residential apartments to the recent development.

This sector is crucial for the longer term economic growth of Georgia. This is recognized by Government nationally and in Tbilisi, where strong efforts are underway to attract foreign direct investment and support indigenous businesses. A crucial part of this strategy will be to ensure Georgia/Tbilisi has an office property offer for start-ups, growing companies and large corporates.

Conclusions and Outlook
Tbilisi Hotel Market Overview
Tbilisi Hotel Market Overview

The number of hotel guests in Tbilisi has been growing over the years, with the only exception being 2008, when it declined by 8% compared to the previous year. The main cause of the decline was because of the conflict between Georgia and Russia in August 2008. The share of business travellers as a proportion of the total number of hotel guests has been declining in recent years. It has dropped from 69% in 2008 to 37% in 2013, despite the fact, that absolute number of business travellers has increased. Big share of international visitors to Tbilisi are business travellers, who have demand on International Brand Hotels. Tourists mainly have demand for economy class boutique hotels, which are cheap and have favourable location, mainly in Old Tbilisi.

The number of accommodation units in Tbilisi has increased by 17 from 2013 to 2014, adding 555 new rooms and 1,385 beds. In 2015, the construction of five new hotels will be completed, which will increase supply by 484 rooms. Biggest share (38%) in room supply in Tbilisi is Local Budget/ Economy Class, next comes Local Upscale and Middle Class hotels with 35%, International Upscale and Midscale Brands occupy 10% and 17% respectively.

The highest occupancy rate in Tbilisi is in International Midscale Brand hotels (75%), with the average occupancy in International Upscale Brand hotels at 74%.

The ADR ranking is vice versa, it is highest for International Upscale hotels (203 USD), with International Midscale hotels at 127 USD.
**Tbilisi: Main Existing and Planned Hotels**

<table>
<thead>
<tr>
<th>Main Market Players</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday Inn</td>
<td>International Upscale Brands</td>
</tr>
<tr>
<td>Best Western</td>
<td>International Upscale Brands</td>
</tr>
<tr>
<td>Sheraton</td>
<td>International Upscale Brands</td>
</tr>
<tr>
<td>Marriott</td>
<td>International Upscale Brands</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main Market Players</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Courtyard Marriott</td>
<td>International Upscale Brands</td>
</tr>
<tr>
<td>Citadines</td>
<td>International Upscale Brands</td>
</tr>
<tr>
<td>Radisson Blu</td>
<td>International Upscale Brands</td>
</tr>
<tr>
<td>Rooms Hotel</td>
<td>Local Upscale and Middle Class</td>
</tr>
<tr>
<td>Operator</td>
<td>Stars</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>MILLENNIUM HOTELS AND RESORTS</td>
<td>5</td>
</tr>
<tr>
<td>park inn by Radisson</td>
<td>5</td>
</tr>
<tr>
<td>Sheraton</td>
<td>5</td>
</tr>
<tr>
<td>YEE2</td>
<td>5</td>
</tr>
<tr>
<td>INTERCONTINENTAL HOTELS &amp; RESORTS</td>
<td>5</td>
</tr>
<tr>
<td>HYATT®</td>
<td>5</td>
</tr>
<tr>
<td>Hilton Garden Inn®</td>
<td>5</td>
</tr>
<tr>
<td>RIXOS HOTELS</td>
<td>5</td>
</tr>
<tr>
<td>Undefined Operator</td>
<td>3-5</td>
</tr>
</tbody>
</table>
Conclusions and Outlook

Although the tourism boom in Georgia is levelling out, four years of demand growth outstripping supply growth by a wide margin has left the market with ample development and investment opportunities. During recent years, supply has increased at around a third of the demand growth rate, causing a widening supply-demand gap, strongly increasing occupancy rates and relatively high room rates. As a result, international brand operators already present in the market are expanding and new players are preparing to enter.

Thanks to strong demand growth, an increasing number of international hotel brands are expanding (like Radisson, Marriot, and Sheraton) or entering (such as Hilton, Rixos and Best Western). Boutique hotels and economy hotels in the old parts of the city are characterized by high occupancy, due to the fact that these areas are attractive places for tourists. The number of international visitor arrivals to Tbilisi has a growing trend.

Georgia has the ambition to become a tourism hub and the government is actively working on development of tourism infrastructure as well as the diversification of existing services and the promotion of new initiatives (such as the stimulation of MICE tourism). In 2015, Georgia will host the Youth Olympic Games, the UEFA Super Cup final and the EBRD annual meeting, which involves participation of over 1,500 international guests. It is expected that the recent signing of the EU Association Agreement will stimulate further growth of MICE-tourism in Georgia.

For years to come, the tourism market will continue to present some of the best prospects for investment. Improving political stability and business climate, coupled with relatively low development costs and an increasingly supportive government, have made Georgia a true gem among international tourism investment destinations.

Increased number of charter flights will increase number of tourists significantly, this will increase demand and occupancy rates, so charter flights should be stimulated by Georgian Government.
Tbilisi Residential Market Overview
Tbilisi Residential Market

Market Fundamentals

Population

The total population of Tbilisi is 1,175,200. The mentioned figure has increased by 2% since 2009.

Compared with the other cities in Eastern Europe, it is of a similar size to Prague and Sofia. Over the next ten years we expect a 10% growth in population of Tbilisi.

Tenure structure (home ownership)

Home ownership in Tbilisi is high, as it is in Georgia. In the current period it stands at 86%. Compared with Eastern European cities the Tbilisi figure is second only to Bucharest. Such a high rate is an indication that development of the rental market is very low. However, it can not be discounted that part of the population has not officially registered lease agreements.

Living area

The average living area in Tbilisi stands at 23 sqm per capita. The largest properties are located in Vake and Saburtalo district. The smallest living area per capita is represented in Chughureti (5.4 sqm) and Nadzaladevi (6.7 sqm).

According to the average living area per capita, Tbilisi stands between Vilnius and Budapest in comparison with the Eastern European cities.

Mortgage lending

During 2013, the volume of issued mortgage loans amounted to USD 691 million, which is the double the level of 2012 and 31% higher than 2011. The largest proportion of mortgages in 2013 was issued in December (around USD 149 million), due to the marketing campaigns of commercial banks and reduced interest rates. In 2014 the growth rate stands at 30% and issued mortgages amounted to USD 541 million.

Currently the average interest rate is 10%, which is still high when compared internationally.

Source: National Statistics Office of Georgia, CIA

Benchmarking of average living area sqm/per capita

Source: National Statistics Office of Georgia, Eurostat

Benchmarking Population Tbilisi

Source: National Statistics Office of Georgia

Benchmarking tenure structure (home ownership)

Source: National Statistics Office of Georgia, Eurostat

Mortgage lending (USD) 2010 - 2014

Source: National Bank of Georgia, Colliers International

Population in Tbilisi

Source: National Statistics Office of Georgia
Tbilisi Residential Market Overview - Supply

Stock

The total housing stock in Tbilisi equals to 344,000 dwelling units, of which the largest share was built during 1960-1990, so called “Soviet-type” residential buildings, of which significant proportion is deteriorated or damaged. After this period, in 1991-2000 there was a significant decrease in development, but after this decade residential construction picked up significantly. During 2013-2016, 21,000 dwelling units will be delivered.

Main market suppliers

The Georgian residential market is dominated by local developers. Participation of foreign investors is limited to a handful of larger schemes such as Dirsi (Azerbaijan), Hualing (China) and Dona Group (Israel). Developers fall into the following categories: large-sized developers, middle-sized developers, small-sized developers and passive developers.

Large-sized developers includes companies that have large scale construction projects (over 50,000 sqm) and also are involved renovation, refurbishment and fit-out.

The middle-sized developers are actively implementing middle scaled projects (from 10,000-50,000 sqm).

Small-sized developers are represented by developers of condominiums, limited liability companies and houses etc., whose total construction area is under 10,000 sqm.

Passive developers are those companies, who have encountered problems during development and have consequently suspended construction.

Ongoing and future projects

Currently there are 233 residential development projects in Tbilisi, covering 1,013,000 sqm land area and a total of 2,900,000 sqm construction area.

Ongoing projects have been divided into several categories by selling price, such as premium, middle and low segments. 45% of total supply is the middle and low segments, only 10% is represented by the premium segment.

Currently, from observed development projects around 19 units have suspended status, with a total area of 539,478 sqm it holds 19% of the total supply.

Issued construction permits

According to the information provided by National Statistics Office of Georgia, during 2003-2013 over 10,000 construction permits were issued in Tbilisi, which totally amount 12 million sqm construction space. In accordance to this period only 2,000 units were completed with 2.3 million sqm. Despite such a negative interdependence of these indicators, it should be noted that the quantity of completed constructions are characterized by a growing trend.

1 The segmentation was based on selling prices reported from developers. Premium segment – USD 1,200 and higher, Middle segment between USD 800-1,200 and Low segment from USD 400 to USD 800.

2 Suspended constructions include large-sized projects and/or small-sized suspended projects of the development companies, managing more than one project.

3 Permits for I-IV class buildings, new constructions and renewals.
### Main Development Projects in Tbilisi

**Key**
- ![Airport](image)
- ![Metro Station](image)
- ![Main streets of the city](image)
- ![Main development projects](image)

#### Source: Developers, Operators/Property Managers, Colliers International

<table>
<thead>
<tr>
<th>#</th>
<th>Developer</th>
<th>Project/Location</th>
<th>District</th>
<th>Construction Area (sqm)</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dirsi/AS Georgia</td>
<td>Cholokashvili Street</td>
<td>Isani</td>
<td>236,603</td>
<td>2015/2016</td>
</tr>
<tr>
<td>2</td>
<td>Hualing Special Economic Zone</td>
<td>Varketili Economy</td>
<td>Saburtalo</td>
<td>144,122</td>
<td>2015</td>
</tr>
<tr>
<td>3</td>
<td>Axis</td>
<td>Palace 1, Saburtalo Street</td>
<td>Saburtalo</td>
<td>114,218</td>
<td>2015</td>
</tr>
<tr>
<td>4</td>
<td>MaQro Construction</td>
<td>Green Budapest</td>
<td>Saburtalo</td>
<td>48,832</td>
<td>2016</td>
</tr>
<tr>
<td>5</td>
<td>GDG</td>
<td>70 Abashidze Street</td>
<td>Vake</td>
<td>40,708</td>
<td>2015</td>
</tr>
<tr>
<td>6</td>
<td>Domus Development</td>
<td>13 Tamarashvili Street</td>
<td>Saburtalo</td>
<td>37,633</td>
<td>2016</td>
</tr>
<tr>
<td>7</td>
<td>Metra Development</td>
<td>Metra Park Bagebi</td>
<td>Vake</td>
<td>37,558</td>
<td>2015</td>
</tr>
<tr>
<td>8</td>
<td>Archi Group</td>
<td>Archi Towers</td>
<td>Vake</td>
<td>35,456</td>
<td>2016</td>
</tr>
</tbody>
</table>
Map of Tbilisi Districts

Key

Density (inh/km²)
Stock (unit)
Pipeline (ongoing and pipeline projects)

Note: Didi Dighomi is a part of Saburtalo district.
Source: National Agency of Public Registry, Colliers International
Tbilisi Residential Market Overview - Demand

The number of transactions in Tbilisi has been growing steadily. Since 2009 the average annual growth rate has been 5%. Only in 2011 there was a slight 2% decrease comparing with the previous year. In 2014 the growth rate amounted 5%.

Transaction volume

In 2012, the residential real estate transaction volume was USD 774 million. In 2013 it grew by 7%. In 2014 transaction volume increased by 6% and reached USD 882 million.

Transaction distribution by districts

The largest share of transactions is represented is Saburtalo district with 20%. Then comes Samgori, Gldani and Nadzaladevi, even though these parts of the city do not have the largest shares of supply, the high volumes are caused by low prices, as these districts represent city suburbs. Vake and Mtatsminda together, account only 10% of total transactions.

Transaction distribution by size of dwelling unit

The largest share of transactions is for small flats (< 50 sqm) in most districts. This difference is more pronounced in suburban parts of the city – Chughureti, Gldani, Nadzaladevi, and Samgori. Vake district holds the biggest portion of 150-250 sqm units in registered transactions. Most of these transactions occurred in newly built residential buildings, of a type with very low numbers in the suburbs, which is why the proportion of large apartment transactions is much lower in suburbs.

*The figures are calculated using 0-250 sqm residential property transactions from the database of the National Agency of Public Registry.*
### Transaction Distribution in Tbilisi Districts

<table>
<thead>
<tr>
<th>District</th>
<th>Transactions</th>
<th>Transaction Volume</th>
<th>Selling Price (Average Transaction Price in District)</th>
<th>Average Size of Apartment</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHUGHURETI</td>
<td>614</td>
<td>116,776 sqm</td>
<td>USD 753</td>
<td>69 sqm</td>
</tr>
<tr>
<td>SABURTALO</td>
<td>4,575</td>
<td>344,012 sqm</td>
<td>USD 915</td>
<td>75 sqm</td>
</tr>
<tr>
<td>VAKE</td>
<td>1,200</td>
<td>125,238 sqm</td>
<td>USD 923</td>
<td>104 sqm</td>
</tr>
<tr>
<td>DIDUBIE</td>
<td>1,684</td>
<td>119,361 sqm</td>
<td>USD 801</td>
<td>65 sqm</td>
</tr>
<tr>
<td>NADZALADEVI</td>
<td>1,589</td>
<td>90,523 sqm</td>
<td>USD 651</td>
<td>57 sqm</td>
</tr>
<tr>
<td>SAMGORI</td>
<td>1,679</td>
<td>136,868 sqm</td>
<td>USD 600</td>
<td>51 sqm</td>
</tr>
<tr>
<td>KRTSANISI</td>
<td>672</td>
<td>53,506 sqm</td>
<td>USD 871</td>
<td>65 sqm</td>
</tr>
<tr>
<td>MTATSMINDA</td>
<td>720</td>
<td>63,890 sqm</td>
<td>USD 1,115</td>
<td>89 sqm</td>
</tr>
</tbody>
</table>

**Key**
- **Transaction unit**
- **Transaction volume**
- **Selling price (average transaction price in district)**
- **Average size of apartment**

Note: Didi Dighomi is a part of Saburtalo district.
Source: National Agency of Public Registry, Colliers International
Tbilisi Residential Market Overview - Price Indices

Selling price by type

Selling prices by type can be divided into three segments: premium, medium and low. Housing price by type varies from $630 to $1,680 per sqm depending on the location and condition of property.

The premium segment includes premium class projects with additional facilities such as renovation and fit-out. Selling prices start from USD 1,200. The medium segment includes middle class projects where no additional facilities are provided. Selling price ranges from USD 800 to USD 1,200. This segment represents 45% of the development pipeline stock. Low segment residential units are mostly extended in suburbs of the city.

Selling price by district

The most prestigious and expensive flats are represented in Vake, Mtatsminda and some parts of Saburtalo. In these districts the price per sqm is 40%-50% higher than the average price of other districts. Middle class supply occurs mainly in following districts: Ortachala and part of Avlabari. In this class, prices vary from $700 to $1,000 per sqm. Other districts are considered to be less prestigious and prices are comparatively low.

Selling price of transactions

The average selling price is very stable due to new supply matching increased demand. In 2014 the market average selling price stands at USD 832.

Source: Colliers International

Note: Primary market represents listed supply by development companies. Average selling price in about 95% of the researched development projects are indicated for white frame condition.
Tbilisi Residential Market Overview – Rent Prices & Yields

Rent rate by district

The average rent prices for an apartment in the suburbs are characterized more volatile than in the middle class and central districts. This is caused by an insufficient supply of apartments in the suburbs. The current situation, compared with the first quarter of 2010, shows that the rental rate in central districts and middle class districts decreased by 21% and 3% respectively. In suburbs rent price grew by 34%.

Rent rate by type

In the third quarter of 2014 the rent price by types of apartment in Tbilisi send no significant changes. In one and three-room apartments, the rent price increased by 2% with 1% growth in two-room apartments. In one-room apartments the average rent stands at USD 245, in two-room apartments - USD 335 and in three-room apartments - USD 450.

Yield for individual dwellings

Until the end of 2011 the highest yield segments were characterized by flats in the middle class districts, but in the beginning of 2012, due to the reduction of rent prices and the increase of selling prices the yield fell to 9.08%. Within the last four years, the highest income was observed in the third quarter of 2010, when the average yield reached 10.1%.

Generally, real estate and bank deposits are considered as the alternative investments. Therefore, the yield for individual dwellings should be compared with long-term deposit interest rates. In 2013, the yield for all three types of districts became more profitable than bank deposits.

---

<table>
<thead>
<tr>
<th>Rent Prices USD/month</th>
<th>1 room</th>
<th>2 rooms</th>
<th>3 rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central districts</strong></td>
<td>min</td>
<td>max</td>
<td>min</td>
</tr>
<tr>
<td>$270</td>
<td>$330</td>
<td>$360</td>
<td>$450</td>
</tr>
<tr>
<td><strong>Middle class districts</strong></td>
<td>min</td>
<td>max</td>
<td>min</td>
</tr>
<tr>
<td>$220</td>
<td>$270</td>
<td>$290</td>
<td>$350</td>
</tr>
<tr>
<td><strong>Suburbs</strong></td>
<td>min</td>
<td>max</td>
<td>min</td>
</tr>
<tr>
<td>$170</td>
<td>$210</td>
<td>$250</td>
<td>$310</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>$245</td>
<td>$335</td>
<td>$450</td>
</tr>
</tbody>
</table>

Source: Colliers International

**Average rent prices by districts 2011 - Q3 2014**

Source: Colliers International
Conclusions and Outlook

The residential real estate market in Tbilisi has been characterized by increased demand and supply in the last three years. At the same time, selling prices did not change significantly. Annual 2-3% increase of selling price is expected during next three years.

Positive demographics, population growth and mortgage lending activities from the banks are also creating the improving demand prospects in the long term.

The average living area stands at 23 sqm per capita, also the positive trend of demographics indicates that demand on newly constructed apartments will remain growing trend and also the Soviet-type refurbished buildings will be replaced gradually.

Residential real estate remains one of the attractive investment tools for local population as well as non-resident Georgians. The mentioned fact is also caused by higher yield figures for individual dwelling units, than long-term deposit rates in foreign currency.

During recent years the most developed districts in Tbilisi is Saburtalo, where the largest share of development projects are implemented. It should be noted that the selling price per sqm accords to medium segment, which is why the market activity is high. Therefore, the density of district provides the opportunity for further development.

The majority of the development projects do not offer property management and this may become a distinct selling point in the future.

Recently, Tbilisi has seen an upward trend of townhouse type constructions started due to positive demand for this type of housing. The developments are mainly represented nearby recreational zones of Vake, Saburtalo, Krtsanisi and Didgori districts, which benefit from a quiet environment, ecologically fresh air, green territory. Also the topography of the city provides fascinating panoramic views from different locations and districts over Tbilisi. In long-term forecast the growing trend of demand will proceed on townhouse type constructions.
Tbilisi Warehouse Market Overview
Georgia – foreign trade overview

Georgia has signed the Association Agreement (AA) with the European Union, which included the Deep and Comprehensive Free Trade Area (DCFTA) agreement. The EU commission reported that, if implemented and sustained, the DCFTA could increase exports to the EU by 12% and imports by 7.5%. In the long-term, it could boost national income by USD 365 million (GEL 705 million).

During the last four years, the import-export balance of Georgia varied between USD (5,465) million and USD (3,580) million. In December 2013 the balance was reported to be USD (4,965) million. During 2007-2013 the average growth rate of imports was 9.2% and, at the same time, the export rate was growing by 17.8%.

The major export commodities from Georgia are cars (24%) (the major part of the mentioned figure comes to re-export to Azerbaijan) and Ferroalloys (8%). Petroleum & petroleum oils and cars are major import commodities.

Azerbaijan, Armenia and Russia are the largest trading partners with 20%, 11% and 10% share of total Georgian export. Turkey is a major source of imported goods, representing 20% of total imports.

External trade of Georgia (mln USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Import (CIF)</th>
<th>Export (FOB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1,232</td>
<td>1,495</td>
</tr>
<tr>
<td>2008</td>
<td>1,495</td>
<td>1,134</td>
</tr>
<tr>
<td>2009</td>
<td>1,134</td>
<td>1,677</td>
</tr>
<tr>
<td>2010</td>
<td>1,677</td>
<td>2,189</td>
</tr>
<tr>
<td>2011</td>
<td>2,189</td>
<td>2,377</td>
</tr>
<tr>
<td>2012</td>
<td>2,377</td>
<td>2,910</td>
</tr>
<tr>
<td>2013</td>
<td>2,910</td>
<td>2,628</td>
</tr>
<tr>
<td>2014</td>
<td>2,628</td>
<td>7,730</td>
</tr>
</tbody>
</table>

Major commodity positions by exports in 2013

- Motor cars: 24%
- Ferroalloys: 8%
- Nuts: 0%
- Copper ores and concentrates: 6%
- Fertilizers: 4%
- Other products: 52%

Major commodity positions by imports in 2013

- Petroleum and petroleum oils: 12%
- Motor cars: 9%
- Petroleum gases and other gaseous: 4%
- Wheat: 2%
- Medicaments: 4%
- Medicaments: 4%
- Other products: 69%
Georgia provides significant investment opportunities in the manufacturing sector, which already contributes up to 12% to gross domestic product of the country and, since 2007, has attracted more than $1.2 billion in investments. New opportunities are expected to be grasped by Greenfield investments in export oriented manufacturing sectors, for which access to the European market would be attractive. Therefore, together with international and local experts, the Government of Georgia is undertaking a deep analysis of competitive sectors in order to find ways of stimulating investment inflows, attracting new technology and know-how and creating high value-added production in the country.

From the perspective of transport and logistics, Georgia can serve as a gateway for foreign companies interested in the Caucasus/CIS region due to its geographic location and open business environment. Georgia is uniquely positioned to capitalize on increasing trade flows between Europe, the Caspian Region, Central Asia and China in the foreseeable future. The country offers the shortest route between the Black Sea and the Caspian Sea. Georgia’s transport system is a key link in the historic “Silk Road.”

The railway line connecting Georgia and Turkey is in the final stage of development and it will further facilitate trade in the entire region. The government is investing heavily in the development of road infrastructure, including highways and local roads. It is believed that long-term growth will stem from Georgia’s role as a transit state for pipelines. Three pipelines currently exist, such as:

- The Baku-Supsa pipeline;
- The Baku-Tbilisi-Ceyhan oil pipeline;
- The South Caucasus pipeline (operated by BP).

Georgia has 19,109 km of public roads and 1,612 km of railway. Reconstruction of Georgia’s central highway is one of the top priorities in the Government’s infrastructure rehabilitation program. Most roads of international importance were reconstructed and upgraded in 2005.

Due to the fact that Russia eliminated discounts on transit in the direction of Ukraine, Georgian Railway is expected to become more competitive. Completion of the Baku-Tbilisi-Kars (BTK) railway in 2015 will also stimulate advancement of Georgian Railway. Therefore, Georgia aspires to be, and can be, the best place for regional offices, regional stocks and various value chains.

Poti Sea Port is the largest port in Georgia. The port currently serves as the European gateway for international trade in Georgia, Armenia and Azerbaijan and is ideally located to become a future hub for Central Asia trade. Poti Sea Port has experienced high growth over the last decade and the fundamentals for continued solid growth remain. APM Terminals Poti is operating Poti Sea Port in a joint venture with RAKIA. The Government of Georgia strives to enhance port infrastructure. For this purpose, particular importance is attached to the construction of the new Deep Sea port in Anaklia. Construction of the new port is strategically important and shall result in significant increase in cargo turnover through Georgia.

Georgia has four airports in different regions of the country. The largest one is in the capital city Tbilisi, operated by TAV Airports. The other airports are in Batumi, Mestia and Kutaisi.

Currently, modern warehouse and logistics facilities hardly exist in Georgia and are mostly owner-occupied, of which the largest representative is Diplomat Georgia. Diplomat Georgia was established in July 2008 and is the leading sales and distribution company for Fast Moving Consumer Goods (FMCG) and food brands in the country. The company has two separate branches: one in Tbilisi in the eastern part of the country, and one in Samtredia to the west.

The only significant recent development of A class leasable premises is the first phase of the Gebrüder Weiss logistics park near Tbilisi Airport. The anticipated development of infrastructure and manufacturing in Georgia, combined with its increasingly recognized strategic location at the cross roads of Europe and Asia, will open up opportunities for modern industrial real estate.
Tbilisi – Warehouse Market Overview

The total amount of warehouse space in Tbilisi amounts to 1.3 million sqm, of which 910,000 sqm (70%) is owner-occupied and 380,000 sqm is leasable area. Modern European standard warehouse and logistics space did not exist until, in 2013, Austrian provider Gebrüder Weiss delivered 10,000 sqm of A class warehouse near Tbilisi Airport.

Breakdown by types

89% of total leasable stock is dry storage and 11% cold storage. The total capacity of cold warehouses in Tbilisi is around 170,000 tons. The biggest portion of dry storage is B class warehouses and the least portion A class warehouses.

Analysis of rental rate by types

The average rent in A class dry storage stands at USD 11.4 per sqm, in B class it equates to USD 4.7 and in C class – USD 2.4. The rent price in cold type storage is around USD 15.9 per ton for B class and USD 14 per ton in C class. A class cold storage is not available in Tbilisi.

Vacancy rate by types

The average vacancy rate in dry warehouses in Tbilisi stands at around 23% and for cold storage around 51%. The high vacancy of cold storage is mainly caused by seasonality. The average vacancy rate of A class warehouses in Tbilisi stands at 0%, B and C classes have 26% and 40% of vacancy respectively.

Key players

Gebrüder Weiss is the only supplier of A class warehousing in Tbilisi. A big proportion of supply is provided by local companies, which own recently built or refurbished buildings with additional warehouse facilities. Lilo 1, Zahesi 2007 and Transservice are some of the larger local suppliers.

Consumer breakdown by categories

The highest share of occupied space in listed warehouses in Tbilisi comes from F&B companies and hypermarkets (48%), for example: Smart, Furchet Georgia, Carrefour, Natakhtari and Tolia. Another big proportion of demand comes from importers of auto parts, building materials and construction tools – 16% and 14% respectively. Among them should be mentioned Bosch, which recently opened its first large scale regional warehouse in Southern Caucasus at Gebrüder Weiss. Third and fourth place is occupied by local providers of consumer goods & appliances and pharmaceutical companies such as Aversi, PSP and GPC.

Issued construction permits

According to the National Statistics Office of Georgia, in 2010-H1 2014 around 500 permits were issued for the construction of warehouse buildings in Tbilisi, totalling 653,000 sqm. The majority of these permits represent small sized (< 3,000 sqm) buildings which are predominantly owner-occupied. During 2014, 91 construction permits were issued, of which the majority is owner-occupied or small-sized. None of them were suspended. In the next two years, six new leasable warehouses will be added to the market with total leasable area of 52,000 sqm.

Benchmarking

The prime warehouse rent in Tbilisi stands at USD 11.4 per sqm. Compared to other Eastern European cities Tbilisi stands between Minsk and Istanbul. Prime warehouse yield in Tbilisi equates 13%, figure is the second highest in Eastern Europe.
Main Market Players

<table>
<thead>
<tr>
<th>Developer</th>
<th>Location</th>
<th>District</th>
<th>GLA (sqm)</th>
<th>Class</th>
<th>Type</th>
<th>Category</th>
<th>Main Occupiers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gebrüder Weiss LLC</td>
<td>Kakheti Highway, Airport Adjacent Territory</td>
<td>Lilo (Samgori)</td>
<td>10,000</td>
<td>A</td>
<td>Dry</td>
<td>Leasable</td>
<td>Tegeta Motors, Bosch</td>
</tr>
<tr>
<td>Zahesi 2007 LLC</td>
<td>105a Mshvidoba Street</td>
<td>Gldani</td>
<td>50,600</td>
<td>B</td>
<td>Dry</td>
<td>Leasable</td>
<td>Toyota, Natakhtari</td>
</tr>
<tr>
<td>Transservice LLC</td>
<td>98 K.Tsamebuli Avenue</td>
<td>Isani</td>
<td>10,000</td>
<td>B</td>
<td>Dry</td>
<td>Leasable</td>
<td>Isani Trade Center, Furchet Georgia</td>
</tr>
<tr>
<td>Lilo 1 LLC</td>
<td>14 Iumashevi Street</td>
<td>Lilo (Samgori)</td>
<td>60,000</td>
<td>B</td>
<td>Dry</td>
<td>Leasable</td>
<td>Philip Morris Georgia, PSP Pharma, Aversi Pharma</td>
</tr>
<tr>
<td>G &amp; A Logistics LLC</td>
<td>29 Demetre Tavadzebuli Street</td>
<td>Didi Dighomi (Saburtalo)</td>
<td>3,300</td>
<td>B</td>
<td>Cold</td>
<td>Leasable</td>
<td>Carrefour, Smart, Tolia</td>
</tr>
<tr>
<td>Sakinvest LLC</td>
<td>32 Agladze Street</td>
<td>Didube</td>
<td>20,000</td>
<td>B</td>
<td>Dry</td>
<td>Leasable</td>
<td>Magnum Electronics, Ziller Georgia</td>
</tr>
<tr>
<td>LC Tbilisi LLC</td>
<td>4 Iumashevi Street</td>
<td>Lilo (Samgori)</td>
<td>18,000</td>
<td>B</td>
<td>Dry</td>
<td>Leasable</td>
<td>Casa Calda (Tbil Sakhli), Lider Distribution</td>
</tr>
<tr>
<td>Diplomat Georgia LLC</td>
<td>Orkhevi industrial Zone</td>
<td>Samgori</td>
<td>6,000</td>
<td>A</td>
<td>Dry</td>
<td>Occupied</td>
<td>P&amp;G, Heinz, Pantene, Jacobs, Clarks</td>
</tr>
</tbody>
</table>

Source: Developers, Operators/Property Managers, Colliers International

Note: Didi Dighomi is a part of Saburtalo district

Upcoming Projects in Tbilisi

<table>
<thead>
<tr>
<th>Developer</th>
<th>Location</th>
<th>District</th>
<th>GLA (sqm)</th>
<th>Class</th>
<th>Category</th>
<th>Construction Status</th>
<th>Type</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gebrüder Weiss LLC</td>
<td>Kakheti Highway, Airport Adjacent Territory</td>
<td>Lilo (Samgori)</td>
<td>37,000</td>
<td>A</td>
<td>Leasable</td>
<td>Announced</td>
<td>Greenfield</td>
<td>N/A</td>
</tr>
<tr>
<td>Lilo Mall LLC</td>
<td>Lilo (parcel 02/031)</td>
<td>Samgori</td>
<td>4,376</td>
<td>B</td>
<td>Leasable</td>
<td>Ongoing</td>
<td>Greenfield</td>
<td>December 2015</td>
</tr>
<tr>
<td>Foam Georgia LLC</td>
<td>Nearby 29 Andronikashvili Street</td>
<td>Gldani</td>
<td>3,828</td>
<td>B</td>
<td>Leasable</td>
<td>Ongoing</td>
<td>Greenfield</td>
<td>January 2016</td>
</tr>
<tr>
<td>Ilori – 2005 LLC</td>
<td>2 Chirnakhuli Street</td>
<td>Samgori</td>
<td>3,393</td>
<td>B</td>
<td>Owner occupied</td>
<td>Ongoing</td>
<td>Greenfield</td>
<td>June 2015</td>
</tr>
<tr>
<td>Euro Park LLC</td>
<td>Dighomi, in proximity to Agrarian University</td>
<td>Saburtalo</td>
<td>3,049</td>
<td>B</td>
<td>Owner occupied</td>
<td>Ongoing</td>
<td>Greenfield</td>
<td>May 2015</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td></td>
<td>51,646</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Developers, Operators/Property Managers, Colliers International
Existing And Future Projects Map in Tbilisi

Source: Developers, Operators/Property Managers, Colliers International
Warehouse Map of Tbilisi Districts

Didi Dighomi
- Dry: 4,234 sqm, Cold: 3,300 sqm
- Average rental rate: $4.9 per sqm, N/A
- Vacancy rate: 33%, 20%

Gldani and Nadzaladevi
- Dry: 84,739 sqm, Cold: 2,000 sqm
- Average rental rate: $3.3 per sqm, N/A
- Vacancy rate: 27%, N/A

Didube
- Dry: 47,545 sqm, Cold: 5,600 sqm
- Average rental rate: $4.8 per sqm, N/A
- Vacancy rate: 10%, 35%

Isani
- Dry: 40,592 sqm, Cold: 2,600 sqm
- Average rental rate: $3.1 per sqm, $12.7 per sqm
- Vacancy rate: 27%, 30%

Samgori
- Dry: 156,147 sqm, Cold: 13,250 sqm
- Average rental rate: $3.6 per sqm, $16.9 per sqm
- Vacancy rate: 24%, 52%

Lilo
- Dry: 5,200 sqm, Cold: 14,100 sqm
- Average rental rate: $2.4 per sqm, $15.8 per sqm
- Vacancy rate: N/A, 62%

Key

Warehouse type
Gross leasable area
Average rental rate
Vacancy rate

Source: Colliers International
Note: Didi Dighomi is a part of Saburtalo district. Lilo is a part of Samgori district.
Conclusions and outlook

Of all sectors in the Georgian real estate market, the industrial market is the least developed. With the exception of the recently completed Gebrüder Weiss facility in Tbilisi, modern A-class space is non-existent and developer-led schemes have not yet started. The market is further characterized by a very high share of (local) owner-occupied stock and a limited amount of international occupiers.

After the collapse of Soviet Union state-owned industrial buildings came into possession of individuals. This event promoted the growth of the low class warehouse supply and currently, majority of this buildings are occupied by the local companies. International and local brands mainly take up A and B class warehouse space located in Tbilisi. It should be noted that low indices of exports is one of the major factors for obstacle the development of warehouse market.

Given the country’s strategic position and potential as a gateway between Europe and CIS/Asia, it is anticipated that development of the warehouse market will accelerate in coming years. Increased investment in infrastructure, including the recently completed Kutaisi Airport, the Baku-Tbilisi-Kars railway and development of Georgia’s port capacity will likely facilitate growth in the sector. Combined with Georgia’s confirmed orientation to Europe, featuring the recently signed Association Agreement and DCFTA, these public initiatives should result in strongly improved conditions for growth of the industrial real estate market.

With current modern supply at a very low level and A-class vacancy at 0%, this potential is already evident. The sole A-class provider Gebrüder Weiss has recently confirmed its expansion plans in Tbilisi, fuelled by achieved rents of over USD 11 per sqm per month.

Governments stated policy and strategic location is giving Georgia the opportunity to become regional hub for the neighbor countries. Entrance of international large-scale distributor companies and progress of manufacturing industry will also accelerate the development of warehouse market in Tbilisi.

Given Georgia’s relatively narrow economic base, the potential of the industrial real estate market will remain modest for the coming years, but with strong economic growth and public investment initiatives, the market is ready for further development.

Implementation of third-party logistics (3PL) will become one of the main drivers for growth of warehouse demand in Georgia in the nearest future. A successful example of the mentioned cooperation is Gebrüder Weiss – logistics service provider for Tegeta Motors.
Tbilisi Entertainment Industry Overview
Tbilisi Entertainment Industry

The entertainment Industry in Tbilisi can be divided into four main categories: gambling, cultural entertainment, active entertainment, gastronomy & wine tourism.

Cultural Entertainment

Cinemas

In the cinema industry of Tbilisi international operators are not represented and the market is submitted by three local operators: Rustaveli Cinema, Amirani Cinema and Cinema House accommodating up to 1,600 people. The vast majority of visitors are locals and resident Georgians.

Rustaveli Cinema is the largest movie theatre in Tbilisi, consisting of five screens of various sizes and one VIP cinema hall offering customers additional facilities. The largest hall of the cinema has a capacity of up to 400 seats. Rustaveli Cinema is operated by Rustaveli Cinema JSC which also operates Amirani Cinema in Tbilisi.

The supply of movie theatres in Tbilisi will grow sharply in early 2015. A new branch of Rustaveli Cinema will be opened in Tbilisi Mall in 2015. Rustaveli Cinema also plans to open another branch in new shopping center Tbilisi East Point. This movie theatre will consist of 10 screens.

Small scale cinema houses are becoming increasingly popular in Tbilisi offering flexibility and more comfort to the Georgian audience. Several such movie houses are operating in the city, such as Cache and Cinema City.

The turnover of cinemas, theatres and museums in Georgia amounted to GEL 48.4 mln in 2013. In the first half of 2014, the turnover of the sector amounted to GEL 21.8 mln.

Theatres & concert hall

Tbilisi dominates theatre market of Georgia with 16 theatres and 4,500 seats.

The major theatres in the city are Rustaveli State Drama Theatre and Marjanishvili State Drama Theatre.

Tbilisi Concert Hall, with a capacity of 2,200 seats, is the largest hall in Georgia. It generally hosts important cultural events of Tbilisi.

The Refurbished Tbilisi Opera and Ballet Theatre is planned to open in the spring of 2015. Reconstruction has been underway since 2010.
Museums

The vast majority of Georgian museums are concentrated in Tbilisi. The recently refurbished Georgian National Museum and Ethnographic Museum, occupying 52 hectares of land, are the most visited places of the country.

In the near future the Fine Art Museum of Tbilisi will be opened on the central avenue of the city. The museum will launch in 2016. The first and second floors of the building will be assigned to an exposition center and offices for administration. The museum will occupy the upper three floors of the complex.

**Museums in Tbilisi**

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnographic Museum</td>
<td>Turtle Lake Highway, Tbilisi</td>
</tr>
<tr>
<td>Georgian National Museum</td>
<td>3 Rustaveli avenue, Tbilisi</td>
</tr>
<tr>
<td>Soviet Occupation Museum</td>
<td>3 Rustaveli avenue, Tbilisi</td>
</tr>
</tbody>
</table>

Source: Colliers International

**Planned Cinemas, Theatres, Concert Halls and Museums in Georgia**

<table>
<thead>
<tr>
<th>Type</th>
<th>Location</th>
<th>Number of screens/stages</th>
<th>Capacity</th>
<th>Completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cinema</td>
<td>Tbilisi East Point</td>
<td>10 screens</td>
<td>1,800 seats</td>
<td>2015</td>
</tr>
<tr>
<td>Cinema</td>
<td>Tbilisi Mall</td>
<td>5 screens</td>
<td>650 seats</td>
<td>2015</td>
</tr>
<tr>
<td>Tbilisi Opera and Ballet</td>
<td>25 Rustaveli avenue, Tbilisi</td>
<td>1 stage</td>
<td>1,065 seats</td>
<td>2015</td>
</tr>
<tr>
<td>Theatre</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Museum</td>
<td>7 Rustaveli avenue, Tbilisi</td>
<td>-</td>
<td>-</td>
<td>2016</td>
</tr>
</tbody>
</table>

Source: Developers, Operators/Property Managers, Colliers International

**Number of Museum Visitors in Georgia (thousand person)**

Source: National Statistics Office of Georgia

**Number of Theatre Visitors in Georgia (thousand person)**

Source: National Statistics Office of Georgia
Gaming Venues

Surrounded by countries where gambling is prohibited or severely restricted, Georgia has a regional competitive advantage in the gaming business. A steady stream of foreigners from Turkey, Azerbaijan, Armenia and the Middle East are attracted to Georgia for this reason.

The casino market in Tbilisi is better developed than in other Georgian regions. In December 2014, three casinos are operating in the city and one casino is due to open during the next years.

Besides casinos slot clubs and bookmakers are popular gambling amenities in Tbilisi.

The government has loosened casino regulations to attract foreign and local investments and stimulate the development of the casino business.

The turnover of gaming venues has been growing since 2009 and reached its highest level of GEL 1,314 mln in 2013. The reported turnover of gaming venues in 2013 is more than three times higher than the same figure for 2011. In the first half of 2014 turnover of the casino industry amounted to GEL 338.1 mln. We expect the annual turnover of gaming venues in 2014 to be lower than in 2013 reflecting a reduced number of tourists from Turkey.

Gaming regulations in Georgia

1. A casino operator has to obtain a permit from the State Authorities of Georgia. The permit is issued by the Revenue Service of Georgia;
2. The fees for obtaining the permit are – for the whole territory of Georgia (excluding Batumi, Dusheti Municipality nearby the Lake Bazaleti, Gudauri recreation territory, Bakuriani, Kobuleti, Borjomi, Tskaltubo and Signaghi municipalities) – no less than 5 000 000 (five million) GEL per year;
3. A casino operator in Tbilisi is entitled to a free permit for opening three gaming clubs in the territory of Tbilisi. The permit for operating the gaming club will be granted for no more than the permit granted for casino operation.
4. The validity of the permit is five years.
5. The fee for getting the permit in Batumi, Dusheti Municipality nearby the Lake Bazaleti, Kobuleti and Borjomi Municipalities constitutes 250 000 GEL per year. However, the permit is free in the event the Casino is opened in the recently built hotels in Batumi, Kobuleti and Khelvachauri Municipality (with regard the hotels having no less than 100 rooms), in the villages Anaklia and Gambukhuri in recently built hotels having no less than 80 rooms. The permit is free within the 10 years upon it is awarded. The hotels are considered as a recently built within 3 years after the completion of construction works is officially certified by the State Authorities.
6. In order to obtain the gaming permit the person shall meet the special requirements defined by the law and special acts of the Government. The requirements are the following:
   a) Casino Regulation that shall include: the list of tables in the casino, indicating the manufacturers number, title, date of production, manufacturing country; the minimum and maximum bets; the manual for operation; Gaming Rules; Rules of Conduct; the place and the time for issuance of prizes; the time for consideration of the claim;
   b) Types of coins;
   c) The types of games that are not indicated in Casino Regulations are prohibited to be offered.

Existing and planned Casinos in Tbilisi

<table>
<thead>
<tr>
<th>Geographic name</th>
<th>Permit fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tbilisi</td>
<td>GEL 5,000,000</td>
</tr>
<tr>
<td>Batumi</td>
<td>GEL 250,000</td>
</tr>
<tr>
<td>Surounding area of the Lake Bazaleti</td>
<td></td>
</tr>
<tr>
<td>Borjomi Municipality</td>
<td></td>
</tr>
<tr>
<td>Kobuleti Municipality</td>
<td></td>
</tr>
<tr>
<td>Tskaltubo Municipality</td>
<td></td>
</tr>
<tr>
<td>Sighnaghi Municipality</td>
<td></td>
</tr>
<tr>
<td>Bakuriani</td>
<td></td>
</tr>
<tr>
<td>Gudauri</td>
<td></td>
</tr>
<tr>
<td>The rest of the country</td>
<td>GEL 5,000,000</td>
</tr>
</tbody>
</table>

Source: Developers, Operators/Property Managers, Colliers International

Permit Fee According to Geographic location in Georgia

Source: Colliers International Georgia
Active Entertainment

Stadiums and sports complexes

The reported turnover of sport complexes and stadiums amounted to GEL 24.8 mln in 2013, which is 2.3 times higher than the same figure for 2009. Turnover increased rapidly in 2012 as a result of new football transfer agreements. In the first half of 2014, turnover of the sector amounted to GEL 10.4 mln.

Tbilisi is the most developed region in Georgia for sports infrastructure. Two large stadiums (Boris Paichadze Tbilisi Dinamo arena and Mikheil Meskhi Stadium) are operating in the capital, with the third one (rugby stadium) in the pipeline.

Tbilisi will host the Youth Olympic Games and the UEFA Super Cup in 2015. The government actively supports the development of sports infrastructure in Tbilisi.

A new sports complex is being constructed near Park Mziuri. The complex will host the 2015 Youth Olympic Games and will comprise a central open court with a capacity of 850 seats, eight open courts and two indoor tennis courts accommodating an audience of up to 300.

It is also planned to develop the area of “Dighmis Chalebi”. Under the plan, a water sports complex will also launch in 2015 as a part of the Youth Olympic Games. The complex will be located in Dighomi and will consist of two swimming pools, a gym, fitness centre and sauna.

The major players in the Georgian aqua park market are Euro Park and the recently opened Gino Paradise. Euro Park manages four aqua parks throughout Georgia. Its complexes are located in Tbilisi, Batumi, Kutaisi and Telavi. Gino Paradise operates an aqua park which is spread over 22 a hectare land plot and includes several swimming pools, saunas and a spa centre.

Health and well-being is growing in popularity, encouraging the development of fitness clubs in Georgia. Major market players are the Aspria Fitness, Club 71, GYM 1 and Arena. Market is dominated by Aspria Fitness currently operating four branches throughout the city. A rugby stadium is being constructed in Tbilisi, near the US embassy. The stadium will have a capacity of 30,000.
Theme parks

Mtatsminda Park is the largest amusement parks in Tbilisi. It is located in Tbilisi, occupying a 100 hectare land plot. The park is open throughout the year and the total number of visitors varies between 700,000 and 800,000 per year.

Zoo is also located in Tbilisi. City Hall plans to move Tbilisi Zoo from the city centre to the surrounding area of Tbilisi Sea. The new zoo will occupy a total area of 45 hectares.

During the next two to three years the Tbilisi City Hall plans to develop Mziuri Park and the surrounding area of the high-rise buildings of TSU for recreation purposes.

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Visitors per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mtatsminda Park</td>
<td>Mtatsminda Plateau, Tbilisi</td>
<td>700,000-800,000</td>
</tr>
<tr>
<td>Tbilisi Zoo</td>
<td>Vake-Saburtalo district, Tbilisi</td>
<td>500,000</td>
</tr>
<tr>
<td>Mushtaidi Park</td>
<td>Didube-Chugureti district, Tbilisi</td>
<td>150,000</td>
</tr>
<tr>
<td>Rose Revolution Park</td>
<td>Gidani-Nadzaladze district, Tbilisi</td>
<td>90,000</td>
</tr>
<tr>
<td>Botanical Garden</td>
<td>Tbilisi</td>
<td>120,000</td>
</tr>
<tr>
<td>Vake Park</td>
<td>Vake-Saburtalo district, Tbilisi</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Colliers International
Gastronomy & Wine Tourism

Restaurants, cafes and bars

The turnover of cafes and restaurants has been growing rapidly since 2009 and reached GEL 508.9 mln in 2013. The highest increase occurred in 2011, when the growth amounted to 59%. According to statistics, types of visitors are corporate (30%) and individuals (70%). In total 75% of visitors are locals and only 25% tourists, of which the vast majority is represented by post Soviet countries.

The majority of café-bars and restaurants are concentrated in Tbilisi and Batumi. The development of the gastronomy market in Batumi is mainly encouraged by the growing amount of tourists in the city. As regards Kutaisi gastronomy is relatively underdeveloped and it is dominated by traditional Georgian restaurants.

Supply is dominated by traditional Georgian restaurants providing national dishes and unique environment. Cheese and meat are the main ingredients most of the meals, cooked with walnut, garlic and lots of herbs. The most popular Georgian dishes are Khinkali (Georgian dumpling, mostly filled with spiced meat, herbs, onions, and garlic) and Khachapuri (flatbread filled with cheese or mixture of cheese and butter). Traditional Georgian restaurants provide memorable experience attracting Georgian as well as foreign visitors. Share of traditional Georgian restaurants in total supply in Tbilisi equates 68%. The same figure for Batumi and Kutaisi is 50% and 74%, accordingly.

Foreign cuisine takes up a relatively small proportion of total supply. Eastern dishes are more or less new for Georgian society and are steadily growing in popularity. Foreign traditional restaurants take up 14% and 13% of total supply in Tbilisi and Batumi accordingly.

The share of mixed restaurants (Georgian, European and Asian cuisine), the restaurants providing international dishes is the highest in Batumi and equates 34%. The same figure for Tbilisi and Kutaisi is 18% and 19% accordingly.

Old Tbilisi is the historical part of the city attracting foreigners with its old-style balconies, ancient churches and winding streets. High tourist activity encourages the development of restaurants in the district. Foreign tourists frequently visit restaurants located in Old Tbilisi, their share in total demand is about 40%-50%.

New restaurant complex is being constructed in the center of Tbilisi, under the Rose Revolution Square Redevelopment Plan. Project will be completed by the end of 2015.
Main Restaurant Locations in Tbilisi

1. Abashidze Street, Palashvili Street
2. Aghmashenebeli Alley, Belashvili Street
3. Shardeni Street, Kota Street
4. Akhvediani Street, Kiacheli Street

Source: Colliers International
Conclusions and Outlook

With a relatively narrow domestic demand base and a strong need for tourism infrastructure improvements, the entertainment industry in Tbilisi is in an early stage of development. Until recently, the gaming business was heavily promoted by the government regulations and gave the country a competitive advantage in the region. Until now, only Tbilisi has benefitted from this.

The low level of supply in this sector is perhaps best illustrated by the fact that the capital Tbilisi accommodates just three movie theatres. Other cultural entertainment facilities are also highly limited throughout the country, with just a handful of (often outdated) museums and concert halls.

This also applies to active entertainment, with a small number of sport complexes and theme parks in Tbilisi.

The main development opportunity, however, is related to Georgia’s unique gastronomic culture and a highly distinct cuisine. Combined with hotel development prospects, increased investment by both domestic and foreign capital are anticipated in the coming years.

The relocation and development of modern zoo was recently announced by Tbilisi City Hall near the Tbilisi Sea. In the city with a population around 1.2 million inhabitants this may become another investment opportunity for international investors and zoo operators.
Appendix 1

Typical Lease Terms, Registration of Property, Construction Permits
Typical Lease Terms

Office lease contracts for one year and more period in Georgia should be registered in National Agency of Public Registry.

Typical lease terms in Georgia are based on fixed amount per sqm.

As usual international tenants have three years and longer term contracts and lease contract period for local companies varies between one to three years.

The average brokerage fee for renting the property varies between 10%-15% of the first year’s rent, depending on the lease term.

Registration of Property

In Georgia, the National Agency of Public Registry is the state institution responsible for registration of property, registering both transfers between private entities and state-owned properties.

In case of private transfer, the purchaser has two options:

• Via a notary – contract drafting and legalization by the notary and subsequent registration. The notary assumes responsibility for the content of the draft and its legalization. The presence of a translator and his signature on the bilingual purchase document is required and the translator assumes responsibility for the authenticity of texts. Time for preparation of the bilingual document and its legalization varies depending on the notary

• Via the National Agency of Public Registry – direct submission of the purchase contract for legalization and registration. In this case, the bilingual purchase document is to be drafted directly by both parties or by their authorized representatives. The Agency’s representative certifies the signatures and may provide recommendations if the document is not accurately drafted, but does not carry any responsibility for the validity or its content.

The National Agency of Public Registry is represented in: a) Public Services Halls (Tbilisi, Gori, Kutaisi, Batumi, Ozurgeti, Mestia, Zugdidi, Rustavi, Marneuli, Gurjaani, Telavi, Kvareli and Akhaltsikhe) and b) regional departments of the National Agency of Public Registry (located in cities throughout the country).

In case the property is purchased from the state/municipality (privatization, auction or other form of purchase) the documents should be submitted directly to the Agency.

The average brokerage fee for renting the property varies between 10%-15% of the first year’s rent, depending on the lease term.
For the purposes of construction, buildings are divided into 5 types:

1st class buildings – no construction permit is required;
2nd class buildings – buildings with low risk factors;
3rd class buildings - buildings with medium risk factors;
4th class buildings - buildings with high risk factors,
5th class buildings – buildings with very high risk factors.

The permit issuance process is divided into 3 stages:

Stage I – Statement of urban construction terms
Stage II – Approval of architectural-construction project
Stage III – Issuance of Construction Permit

State organs responsible for the issuance of permits:

Local self-governmental (municipal) organs – for II, III class buildings within the municipal territory (at stages I and II) except from Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi.

Local self-governmental (municipal) organs – for IV class buildings (at stages I and II) with the participation of corresponding state organs

Local self-governmental (municipal) organs – for II, III and IV class buildings (at III stage) independently (including Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi)

Tbilisi City Hall - for II, III and IV class buildings in Tbilisi Municipality (at all stages) independently

Corresponding local organs of Adjara Autonomous Republic and Abkhazia Autonomous Republic - for II, III and IV class (at all stages) on the territory of the Autonomous Republics

Local self-governmental (municipal) organs – II, III and IV class buildings (at stages I and II) for Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi – with the participation of the Ministry of Economy and Sustainable Development.

Ministry of Economy and Sustainable Development – for V class buildings

Ordinary terms per each stage (working days):

Stage I
12 days for II and III class buildings
15 days for all IV class buildings, for Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi (excluding V class buildings), also for all buildings that require ecological expertise
30 days for V class buildings

Stage II
18 days for II and III class buildings
20 days for all IV class buildings, for Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi (excluding V class buildings), also for all buildings that require ecological expertise and for V class buildings

Stage III
5 days for II, III and IV class buildings
10 days for V class buildings

Exceptions:
The special terms for permission process:

Construction permits concerning:

III class buildings with an intensity coefficient up to 1500 sqm. and for buildings with a height of up to the 14 meters that will be located on the territories where urbanization regulatory plans do not exist and are organized according to land use or which are organized according to the perspective development regulatory plans on the territory of Tbilisi – the permission process may involve II and III stages only

The simplified permit procedure may involve just 2 stages and the permit is issued in the second stage.

The terms for the simplified procedure are as follows:

Stage I – 12 days for II and III class buildings
15 days for all IV class buildings, for Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi (including V class buildings), also for all buildings that require ecological expertise.

Stage II (issue of permit) – 20 days for all classes
Appendix 2

Primary Information Sources, Data Used for the Study
Definition and Assumptions
Primary Information Sources, Data Used for The Study Definition and Assumptions

Retail Market

In the process of preparing the survey, we were guided by the information provided by property managers, governmental institutions/agencies (National Agency of Public Registry, National Statistics Office of Georgia, National Bank of Georgia, Ministry of Economy and Sustainable Development of Georgia, City Halls). Materials from various Georgian and foreign publications have also been used, such as, www.gnta.ge, www.geostat.ge, www.colliers.com. In addition, we developed our conclusions and recommendations based upon our own local market knowledge and insight.

Definition and Assumptions

**DCFTA:** Deep and Comprehensive Free Trade Agreement  
**FDI:** Foreign Direct Investment  
**IMF:** International Monetary Fund  
**GDP:** Gross Domestic Product  
**GLA:** Gross leasable area  
**sqm:** Square metre  
**USD:** The United States Dollar  
**VAT:** Value added tax  

**Rent Prices:** Are calculated based on the data provided by shopping centre developers, property managers, retail space owners, tenants, National Agency of Public Registry etc. all rents are calculated in USD per sqm per month net of VAT and service charges.

**Total Space of Bazaars:** Total retail stock of bazaars is calculated using GIS program. That means measuring occupied space on satellite map of Tbilisi and Batumi.

**Total Space of High Street retail:** We used GIS program for calculating total floor space of street retail in Tbilisi and Batumi. Based on market analysis we concluded that averagely less than half of ground floor space is occupied by tenants. Consequently we made 60% adjustment to total ground floor space.

**High Street Rents:** We analyzed listings provided by real estate portals and made adjustments for negotiation (10%). VAT (18%) and income tax (20%) was also excluded, where needed. We also obtained lease agreements from National Agency of Public Registry in order to have accurate information about existing rental rates on high streets.

**Rents of Shopping Centers:** Calculation of rental rates in shopping centers is based on the information provided by centres’ administration and statements made by retail space owners. Actual lease contract are also requested and analyzed from National Agency of Public Registry. The average rental rate does not comprise payments for additional services and taxes.

**Vacancy Rates**  
Vacancy rate is calculated as ratio of total vacant stock to total stock within the specified area. Vacant Stock is calculated as total currently vacant within the specified area.

**Demand:** The measurement plans of retail spaces, provided by GREMIC (Georgian Real Estate and Investments Management Company) and retail market characteristics of Tbilisi were analyzed. Based on above mentioned analysis assumptions about average floor space occupied by different segment of tenants were done:

<table>
<thead>
<tr>
<th>Category</th>
<th>Subcategory</th>
<th>sqm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks, Finance, Insurance</td>
<td>Banks</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>Microfinance Organizations</td>
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</tr>
<tr>
<td></td>
<td>Lombard</td>
<td>20</td>
</tr>
<tr>
<td>Bars, Restaurants, Entertainment</td>
<td>Restaurants</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>Café-Bars</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Entertainment and gaming centers</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>Fast Food</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Confectionaries</td>
<td>100</td>
</tr>
<tr>
<td>Clothes and Accessories</td>
<td>Clothes and Shoes</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>Sports Shops</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>Jewelry and Accessories</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Optic Shops</td>
<td>50</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>Consumer Goods</td>
<td>300</td>
</tr>
<tr>
<td>Food and Drink</td>
<td>Supermarkets</td>
<td>250</td>
</tr>
<tr>
<td></td>
<td>Hypermarkets</td>
<td>3000</td>
</tr>
<tr>
<td></td>
<td>Groceries</td>
<td>50</td>
</tr>
<tr>
<td>Health and Beauty</td>
<td>Clinical and Esthetic Centers</td>
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</tr>
<tr>
<td></td>
<td>Pharmacies</td>
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</tr>
<tr>
<td></td>
<td>Beauty Salons</td>
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</tr>
<tr>
<td></td>
<td>Perfume</td>
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</tr>
<tr>
<td></td>
<td>Dental Clinics</td>
<td>100</td>
</tr>
<tr>
<td>Other</td>
<td>Book Shops</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Toy Shops</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>100</td>
</tr>
</tbody>
</table>

**Correctness of the information:** The information used in the survey is objective and Colliers believes that the report reflects current conditions in the Georgian retail market. However, Colliers cannot guarantee the accuracy of third party data referenced in the report and cannot be held responsible for that element. “Colliers International Georgia” is not responsible for possible consequences of any actions taken by the consumer/reader of the given survey.
Office Market

In the process of preparing the survey, we were guided by the information provided by property managers, governmental institutions/agencies (National Agency of Public Registry, National Statistics Office of Georgia, National Bank of Georgia, Ministry of Economy and Sustainable Development of Georgia, City Halls). Materials from various Georgian and foreign publications have also been used, such as, www.gnta.ge, www.geostat.ge, www.colliers.com. In addition, we developed our conclusions and recommendations based upon our own local market knowledge and insight.

Definition and Assumptions

DCFTA: Deep and Comprehensive Free Trade Agreement
FDI: Foreign Direct Investment
IMF: International Monetary Fund
GDP: Gross Domestic Product
GLA: Gross leasable area
sqm: Square metre
USD: The United States Dollar
VAT: Value added tax

Rent Prices: Are calculated based on the data provided by business centre developers, property managers, retail space owners, tenants, National Agency of Public Registry etc. all rents are calculated in USD per sqm per month net of VAT and service charges.

Correctness of the information: The information used in the survey is objective and Colliers believes that the report reflects current conditions in the Georgian office market. However, Colliers cannot guarantee the accuracy of third party data referenced in the report and cannot be held responsible for that element. “Colliers International Georgia” is not responsible for possible consequences of any actions taken by the consumer/reader of the given survey.
In the process of preparing the survey, we were guided by the information provided by hotel managers, governmental institutions/agencies (Georgian National Tourism Agency, National Statistics Office of Georgia, Ministry of Economy and Sustainable Development of Georgia, Tbilisi City Hall, Batumi Tourism Department). Materials from various Georgian and foreign publications have also been used, such as, www.gnta.ge, www.geostat.ge, www.colliers.com. In addition, we developed conclusions and recommendations based upon our own local market knowledge and insight.

**Definition and Assumptions**

**DCFTA**: Deep and Comprehensive Free Trade Agreement  
**EU**: European Union  
**FDI**: Foreign Direct Investment  
**IMF**: International Monetary Fund  
**GDP**: Gross Domestic Product  
**GLA**: Gross leasable area  
**MICE**: Meetings, Incentives, Conferencing, Exhibitions  
**sqm**: Square metre  
**USD**: The United States Dollar  

**VAT**: Value added tax  

**ADR/ARR (Average Daily Rate/Average Room Rate)**: Calculated by dividing revenues by the number of rooms sold.

**Correctness of the information**: The information used in the survey is objective and Colliers believes that the report reflects current conditions in the Georgian Hotel market. However, Colliers cannot guarantee the accuracy of third party data referenced in the report and cannot be held responsible for that element. “Colliers International Georgia” is not responsible for possible consequences of any actions taken by the consumer/reader of the given survey.

**Occupancy rate**: During the information retrieval process several hotel managers (owners) did not wish to provide any information about occupancy. In these cases, the occupancy rate was determined by observing similar sized and type hotels (where we had information) and their respective occupancy rates.

**Negotiation adjustment rate**: Rack hotel room rates are higher than average daily rates. This means that many rates are individually suggested to customers. The amount of discount differs according to the hotel type and management. After interviewing hotel managers it was determined that the adjusted rate for International Brand hotels was, on average, 35%, with a 20% discount from the rack rate for all other hotel classes in Tbilisi. Our determination of ADR takes into account the above mentioned discounts.
In the process of preparing the survey, we were guided by the information provided by property managers, governmental institutions/agencies (National Agency of Public Registry, National Statistics Office of Georgia, National Bank of Georgia, Ministry of Economy and Sustainable Development of Georgia, City Halls). Materials from various Georgian and foreign publications have also been used, such as www.geostat.ge, www.eurostat.com, www.colliers.com. In addition, we developed our conclusions and recommendations based upon our own local market knowledge and insight.

Definition and Assumptions

Large-sized developers: Large-sized developers includes companies that have large scale construction projects (over 50,000 sqm) and also are involved renovation, refurbishment and fit-out.

Middle-sized developers: Middle-sized developers are actively implementing middle scaled projects (from 10,000-50,000 sqm).

Small-sized developers: Small-sized developers are represented by developers of condominiums, limited liability companies and houses etc., whose total construction area is under 10,000 sqm.

Passive developers: Passive developers are those companies, who have encountered problems during development and have consequently suspended construction.

Premium segment: The segmentation was based on selling price, the average varies around USD 1,200 and higher.

Medium segment: The segmentation was based on selling price, the average varies around USD 800 to USD 1,200.

Low segment: The segmentation was based on selling price, the average varies around USD 400 to USD 800.

Primary market: Listed supply by development companies and individuals.

Suspended Construction: Suspended constructions include large-sized projects and/or small-sized suspended projects of the development companies, managing more than one project.

Issued Construction Permits: Issued construction permits for I-IV class buildings, includes new constructions and renewals.

Central Districts: In this category are represented Vake, Saburtalo, Mtatsminda, Vera and Sololaki.

Middle Class Districts: Nutsubidze plateau, Avlabari, Ortachala, Krtsanisi, Chughureti, Didube, Dighomi Massive, Nadzaladevi and Didi Dighomi.

Suburbs: Temka, Muxiani, Gldani, Avchala, Isani, Samgori, Varketili, Vazisubani and Ponichala.

Ongoing & Future Projects: For the market study it was analyzed development projects above 1,000 sqm.
In the process of preparing the survey, we were guided by the information provided by property managers, governmental institutions/agencies (National Agency of Public Registry, National Statistics Office of Georgia, National Bank of Georgia, Ministry of Economy and Sustainable Development of Georgia, City Halls). Materials from various Georgian and foreign publications have also been used, such as, www.gnta.ge, www.geostat.ge, www.colliers.com. In addition, we developed our conclusions and recommendations based upon our own local market knowledge and insight.

**Definition and Assumptions**

*CIS*: Commonwealth of Independent States  
*DCFTA*: Deep and Comprehensive Free Trade Agreement  
*FDI*: Foreign Direct Investment  
*IMF*: International Monetary Fund  
*GDP*: Gross Domestic Product  
*GLA*: Gross leasable area  
*sqm*: Square metre  
*USD*: The United States Dollar  
*VAT*: Value added tax

**Rent Prices**: Are calculated based on the data provided by warehouse developers and owners, property managers, tenants, National Agency of Public Registry etc. All rents are calculated in USD per month net of VAT and service charges. Rents for dry storages are calculated per sqm except Poti, where it is calculated per ton. All rents for cold warehouses are calculated per ton.

**Performance Indicator analysis by Districts**: is based on the administrative borders of city districts. Market Conjunctures for different real estate segments were also considered during mentioned analysis and several districts were added/merged based on its importance in supply and demand.

**Correctness of the information**: The information used in the survey is objective and Colliers believes that the report reflects current conditions in the Georgian warehouse market. However, Colliers cannot guarantee the accuracy of third party data referenced in the report and cannot be held responsible for that element. “Colliers International Georgia” is not responsible for possible consequences of any actions taken by the consumer/reader of the given survey.

### The warehouse property classification

<table>
<thead>
<tr>
<th>General Criteria’s</th>
<th>A class</th>
<th>B class</th>
<th>C class</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building type</strong></td>
<td>Modern warehouse building made of light-gouge and sandwich constructions</td>
<td>New built or redeveloped warehouse building</td>
<td>Industrial facility or heat-insulated hangar</td>
</tr>
<tr>
<td><strong>Site coverage ratio 40-45%</strong></td>
<td>Flat concrete floor with anti-dust surface</td>
<td>Anti-dust surface or uncoated concrete</td>
<td>Asphalt or concrete tile, uncoated concrete</td>
</tr>
<tr>
<td>Flooring</td>
<td>Must</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>Ceiling height 9-12 m.</td>
<td>Must</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>Controlled temperature and ventilation system</td>
<td>Must</td>
<td>Must</td>
<td>Optional</td>
</tr>
<tr>
<td>Fire alarm and automatic fire-fighting systems</td>
<td>Must</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>Alternate power solution</td>
<td>Must</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>Security alarm and video surveillance</td>
<td>Must</td>
<td>Must</td>
<td>Optional</td>
</tr>
<tr>
<td>Parking and marshalling area for heavy duty vehicles and trucks</td>
<td>Must</td>
<td>Must</td>
<td>Optional</td>
</tr>
<tr>
<td>Office premises</td>
<td>Must</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>Personnel facilities (toilets, showers, changing rooms and etc.)</td>
<td>Must</td>
<td>Must</td>
<td>Optional</td>
</tr>
<tr>
<td>Fiber-optic telecommunications</td>
<td>Must</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>Fenced area, perimeter security control</td>
<td>Must</td>
<td>Must</td>
<td>Optional</td>
</tr>
<tr>
<td>Proximity to the major highways</td>
<td>Must</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>Property management</td>
<td>International operator</td>
<td>Local operator</td>
<td>Local operator</td>
</tr>
<tr>
<td>Railway spur</td>
<td>Must</td>
<td>Optional</td>
<td>Optional</td>
</tr>
</tbody>
</table>
Primary Information Sources, Data Used for The Study Definition and Assumptions

Entertainment Industry

In the process of preparing the survey, we were guided by the information provided by property managers, governmental institutions/agencies (National Agency of Public Registry, National Statistics Office of Georgia, National Bank of Georgia, Ministry of Economy and Sustainable Development of Georgia, City Halls). Materials from various Georgian and foreign publications have also been used, such as, www.gnta.ge, www.geostat.ge, www.colliers.com. In addition, we developed our conclusions and recommendations based upon our own local market knowledge and insight.
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$2.1 billion in annual revenue

1.46 billion square feet under management

15,800 professionals and staff

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