

GEORGIA

Retail Market Snapshot

Fourth Quarter | 2016



Overview

Tbilisi retail market is on a fast-track to booming, despite the after-effects of the economic downturn, political and fiscal instabilities during the past year, which are still noticeable in the pricing and incentives programs in secondary locations. Retail sales and footfalls saw strong growth over the holiday period and are having a positive effect on occupational demand for prime high street and dominant shopping centres.

Occupier focus

The take-up transaction volume in Q4 was one of the highest in the last few years. International retailers continue to show good appetite for space on Tbilisi's prime shopping locations. The shopping centre segment is doing well and the activity was also notably strong in the high streets and secondary locations, with the new entrant brands such as Mado on Pushkini street, Pandora on Aghmashenebeli, Holland & Barret expanding the chain from "City Malls" to Abashidze street and importantly Gorgia DIY Hypermarket housing the IKEA showroom. The significant entry to be noted is that of H&M occupying 3,600 sq.m. floorspace in Galleria Tbilisi.

Based on the robust occupational demand, vacancy rates are shrinking, including Galleria Shopping Mall still on a pre-leasing stage. This has been the main factor maintaining the stability of rents, notwithstanding the severe currency fluctuations. No retail space was delivered onto the market in 2016, leading to the supply pressures in prime locations that are expected to ease in 2017, with the 22,000 sq.m. of new retail stock to be commissioned.

Investment focus

Georgian funds and institutions, as well as overseas private equity investors continue to show strong appetite for projects in core locations, while there has also been greater interest for well-let units in certain second-tier markets. New transaction opportunities have emerged in central Tbilisi locations, however the dealings are confidential and currently off-market.

Outlook

Although demand for secondary locations is expected to remain selective, interest in prime space is likely to remain strong across 2017. Prime rents are forecast to remain stable, with no further increasing in the near future. Yields should remain around current levels, although competitive bidding for the best assets may result in further mild compression.

MARKET INDICATORS

Market Outlook

Prime Rents:	Stable, although further rental growth possible for the best retail assets and locations.	▼
Prime Yields:	Steady with some further downward pressure in certain parts of the market.	▲
Supply:	Growth with steady development pipeline for 2016.	▼
Demand:	Continuing on the recent trend of strong occupier and investment demand.	▼

Prime Retail Rents - December 2016

HIGH STREET SHOPS	WEIGHTED AVE. US\$ SQ.M/M* Q4,2016	WEIGHTED AVE. US\$ SQ.M/M* Q3, 2016
Rustaveli Ave.	42	38
Pekini Ave.	36	36
Agmnashenebeli Ave.	32	29
Chavchavadze Ave.	30	35

Prime Retail Rents - December 2016

SHOPPING CENTERS	WEIGHTED AVE. US\$ SQ.M/M* Q4,2016	WEIGHTED AVE. US\$ SQ.M/M* Q3, 2016
Merani	20	20
Tbilisi Mall	25	25
Pixel	20	20
Karvasla	15	15
Goodwill Digomi	25	25
Shopping at Axis	20	20
East Point	20	20
Gldani Mall	20	20

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