



TBC CAPITAL

OVERVIEW OF TRANSPORTATION AND LOGISTICS SECTOR IN GEORGIA

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Executive summary

The volume of transported cargo has shown an upward trend in recent years. In the first nine months of 2023, around 22 million tons of cargo, excluding domestically sourced and destined cargo, were transported to, from, and through Georgia, reflecting a 4% year-on-year increase.

Cargo transit, constituting 57% of total cargo transportation volumes (excluding local cargo), serves as a crucial driver of demand for transportation services in Georgia. Fueled by recent geopolitical developments, there has been an increased interest in Georgia as a transit country, leading to a surge in transit demand in 2022 (19.1% YoY) from "northern routes" and accelerated Russia-Turkey trade. This trend persisted in the first nine months of 2023, with transited cargo increasing by 4% YoY.

Ports and marine terminals play a vital role in cargo transportation in Georgia. In the first nine months of 2023, the total freight volume transported through Georgia's ports and terminals amounted to 10.6 mln tons, marking an 8% decrease compared to the same period in 2022. General cargo constituted the majority at 44% of the total cargo in these facilities, followed by liquid bulk at 32%, and dry bulk at 24%.

During the first nine months of 2023, Georgian Railway (GR) transported a total of 10.3 million tons of cargo, representing a 6% decrease compared to the same period in 2022. The year 2022 saw notable robustness with a noteworthy 21.8% YoY increase, driven by the positive impact of sanctions against Russia and increased cargo transit through Russia, boosting demand for GR services.

Continuing the historic tendency, road cargo remained a major part of the total cargo transportation in Georgia. The road cargo transportation, excluding cargo with domestic origin and destination points, saw a major 19% YoY growth in 2022 and was responsible for transporting a new record level of 12.9 mln tons of cargo. Regardless a relatively high base year of 2022, a significant further growth was observed in transported road cargo at 14% YoY in 9m 2023.

Air freight is the least preferred means of cargo transportation in Georgia and the volume of air freight has been on declining trend. However, 2023 has been positive for air cargo transportation sector, as in the nine months of 2023, 13.5 thousand tons of cargo were transported via air and posted a 7% increase compared to the same period of 2022.

Georgia acts as a natural bridge between Azerbaijan and the European market for its oil and gas resources. Azerbaijan's deal to increase gas exports to EU from 8 bcm per year in 2021 to 20 bcm per year by 2027 brings high economic benefits for Georgia.

The Georgian warehouse business is highly concentrated with 80% of total warehouses being in Tbilisi.

Demand on warehouses, especially for high quality facilities, was strong in 2022. The increasing demand on warehouses drove occupancy rates on the organized market to nearly 100% in 2022 and positive trend persisted in 2023. Sector has responded by increasing supply - permits granted for construction of warehouses in Tbilisi surged by 42% YoY in 2022.

Transportation and logistics sector overview

Transportation and storage sector output has been increasing. After the slight decline in 2020, probably caused by the drop in passenger transportation, the sector's output has increased by 28% and 24% in 2021 and 2022.

In the nine months of 2023, there was a marginal decrease of -0.4% in the output of transportation and storage sector, most probably due to high base in 2022.

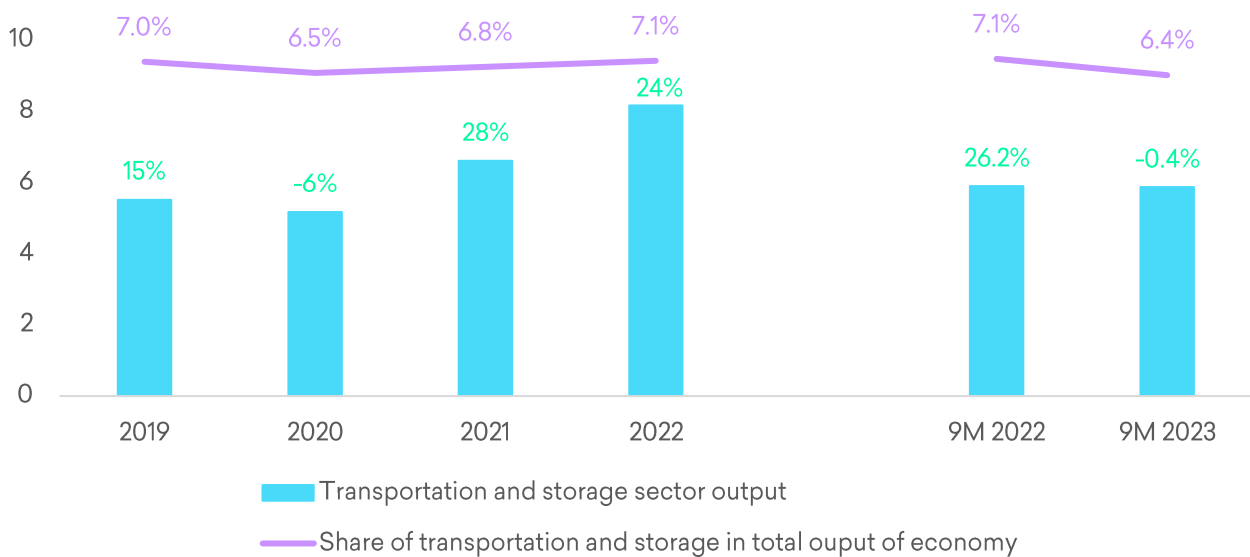
The total contribution of transportation and storage to total output of Georgian economy has been relatively stable, hovering around 7% of total output.

According to the World Bank Logistics Performance Index, as of 2023, [Georgia ranks 79th](#) in the world with the score of 2.7 out of 5, marking a substantial improvement from its previous standing at 119th.

The country has shown significant improvements in various aspects, including customs (2.6 out of 5), infrastructure (2.3 out of 5), international shipments (2.7 out of 5), logistics competence (2.6 out of 5), tracking and tracing (2.8 out of 5), and timeliness (3.1 out of 5). These improvements indicate a positive trend in Georgia's logistics performance, showcasing advancements in key areas that contribute to its overall global ranking.

The interest toward Georgia and the "[Middle Corridor](#)" could increase further, attracting higher volumes of cargo from "northern" routes. To capitalize on these opportunities, it will be important to overcome the challenges in the sector, namely, those related with customs procedures, digitalization and traceability. In addition, there is a lack of qualified human resources in mainly every level of logistics chain that also poses a challenge for a sector.

Figure 1. Transportation and storage sector output (Bln. GEL), its share in total output of economy and YoY change



Source: MOESD, RS, GR, Geostat, TBC Capital

Transportation and logistics sector overview

Cargo transportation

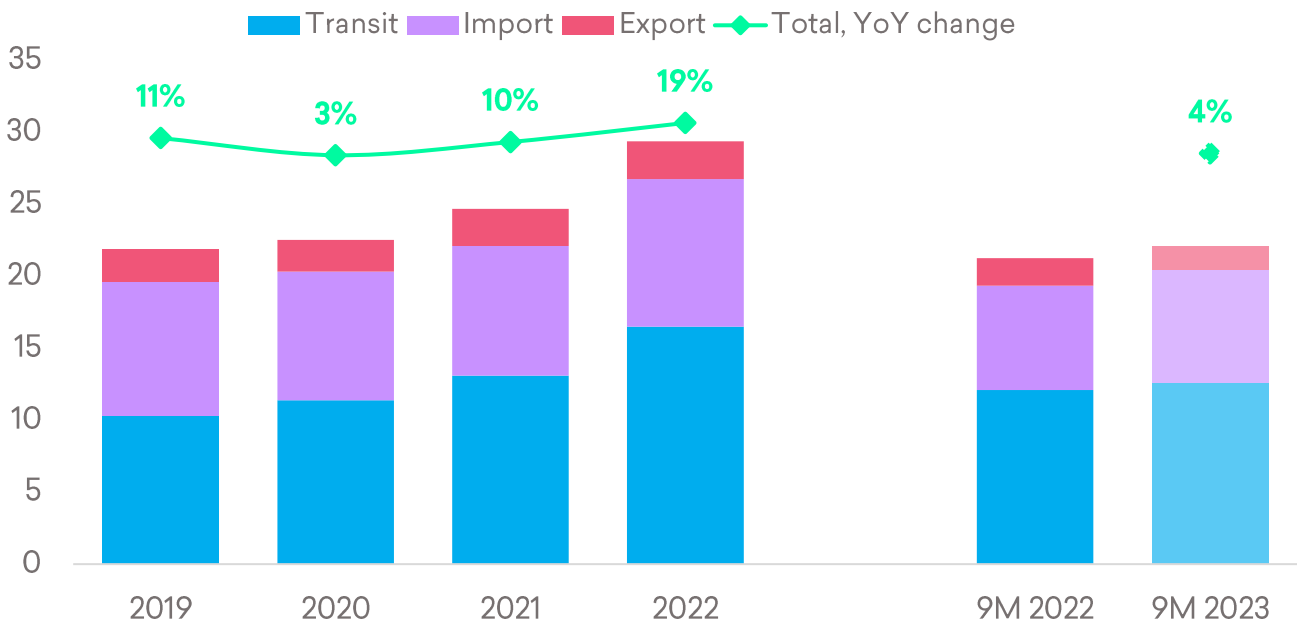
The volume of transported cargo, has exhibited an upward trend in recent years. In the first nine months of 2023, approximately 22 mln tons of cargo, excluding cargo with domestic origin and destination points, were transported to, from, and through Georgia, reflecting a 4% YoY increase. In the first nine months of 2023, transit accounted for 57% of the total cargo traffic in Georgia, with another 35% attributed to imports and only 7% to exports.

Meanwhile, exports decreased by 14%, mainly due to a decline in the export of the top products: ferro-alloys by 44%, copper ores by 32%, and fertilizers by 3%.

The main reason is that the Eurasian Economic Commission imposed [an anti-dumping import duty](#) on ferro silico manganese from Georgia at the end of 2022. The duty varies between 21.4% and 24.22%, depending on the manufacturer.

During the same period, the volume of imported cargo increased by 8%, and transited cargo increased by 4%.

Figure 2. Transported cargo excluding local transportation (Mln tons)



Source: MOESD, RS, GR, Geostat, TBC Capital

Transportation

Maritime

Ports and marine terminals are important infrastructures for cargo transportation in Georgia. Currently, there are four main ports/terminals in Georgia: Port of Poti, Port of Batumi, Kulevi Oil Terminal and Supsa Terminal.

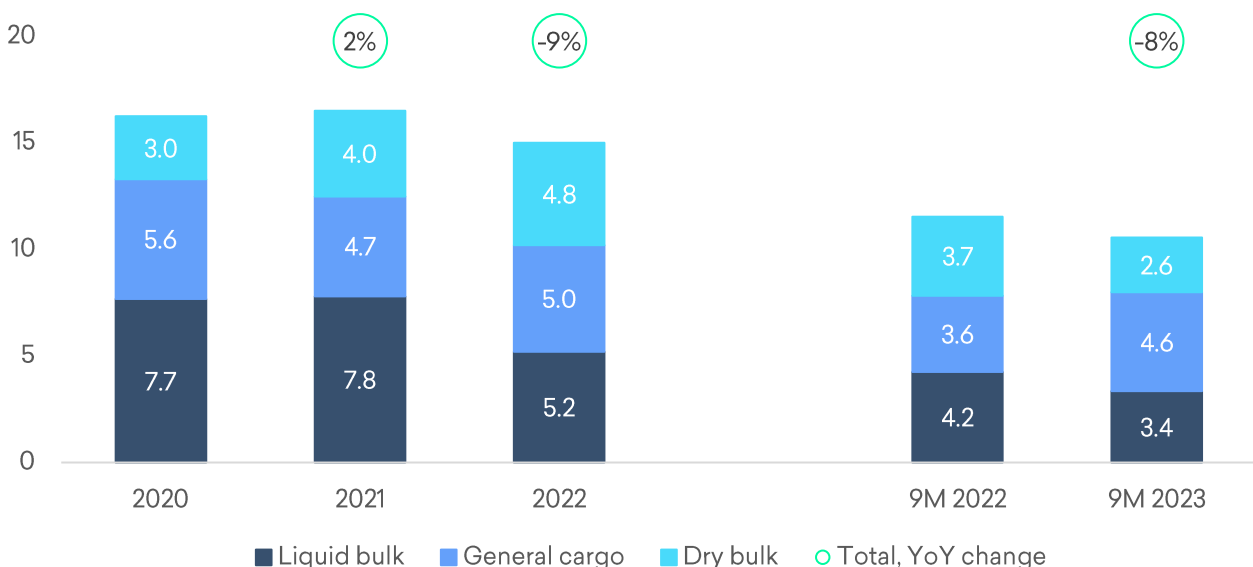
In the first nine months of 2023, the aggregate volume of freight transported through Georgia's ports and terminals amounted to 10.6 million tons, representing an 8% decrease compared to the same period in 2022. General cargo constituted the majority at 44% of the total cargo in these facilities, followed by liquid bulk at 32%, and dry bulk at 24%.

During this period, the total volume of general cargo reached 4.6 million tons, marking a substantial 29.6% increase from the corresponding period in 2022. Conversely, dry bulk experienced a notable decline, amounting to 2.6 million tons, reflecting a 30.7% decrease compared to 9M 2022.

Regarding the liquid bulk, in April 2022 BP, the operator of Baku-Supsa pipeline, temporarily ceased the operation of the pipeline due to the ongoing war in Ukraine. As a result, oil throughput in Georgian ports and terminals, which had been stable in 2020 and 2021, declined by 33.4% YoY in 2022. This downward trend persisted into 2023: in 9M of 2023, the liquid bulk in ports and terminals of Georgia amounted 3.4 mln tons, which was 20.9% lower than the same period of 2022.

The majority of liquid bulk, comprising 75% of the total, is processed at Kulevi and Supsa terminals. Both terminals are dedicated to transporting Azerbaijani and Central Asian oil products to western markets.

Figure 3. Volume of carried freight in ports and terminals of Georgia by type (Mln tons) and YoY growth



Source: Geostat

Transportation

Maritime

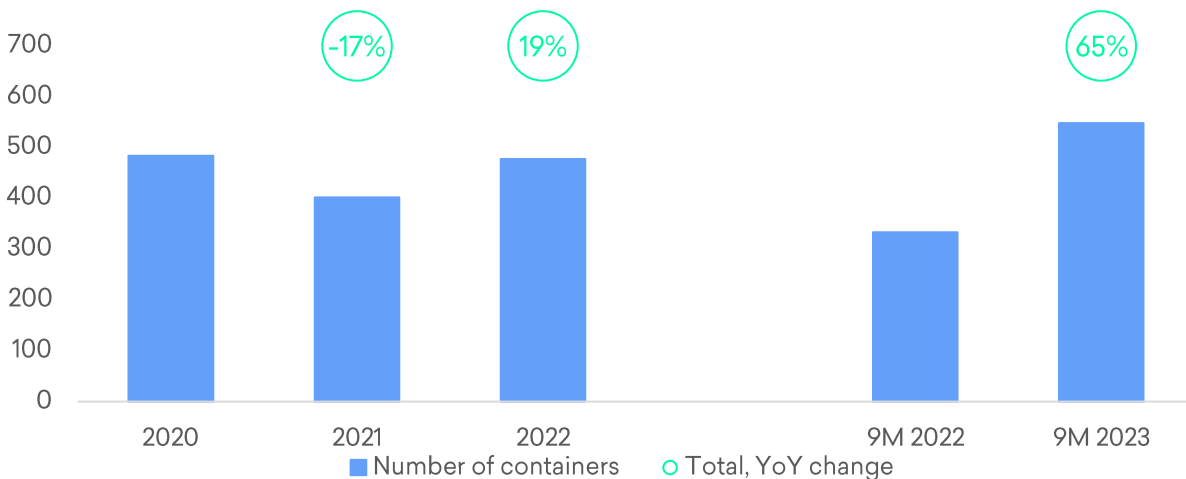
In the first nine months of 2023, the number of containers in Georgian ports and terminals amounted 547.7 ths TEUs, indicating a significant 65% increase compared to the same period in 2022.

Furthermore, the container throughput in Georgian ports and terminals has already surpassed the total for 2022 by 15%. The main reason is decreased tariffs on containers. The current state, at which the World Container Index has returned to the pre-pandemic 2019 level is a positive driver for increased container.

Poti port is the largest operating port in Georgia, responsible for over 75% of Georgia's annual container traffic.

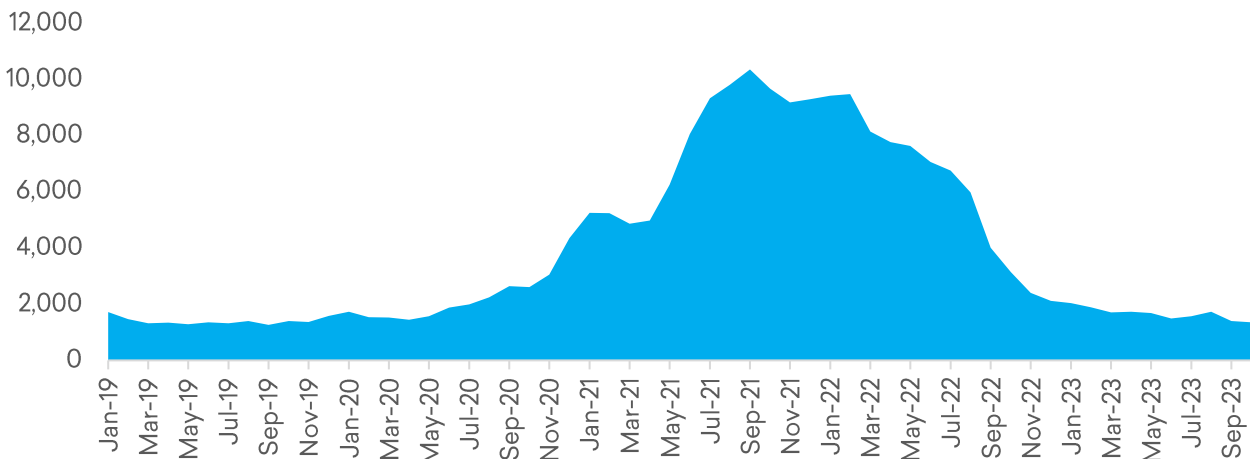
The utilization of ports and terminals in Georgia has improved. In Poti, the total annual capacity is calculated to be 13 million tons and 650,000 TEUs, resulting in utilization rates of 86% overall and 55% specifically in the container segment. This suggests that Poti is operating at or near its full capacity. In Batumi, the overall annual capacity is estimated to be 20 million tons and 200,000 TEUs, with utilization rates of 22% overall and 54% in the container segment.

Figure 4. Number of containers in Georgian ports and terminals ('000 TEUs) and YoY growth (%)



Source: Geostat

Figure 5. World Container Index (USD/40ft Container)



Source: Drewry

Transportation

Maritime

Similar to the number of containers, the total number of ships in Georgian ports and terminals has increased in the first nine months of 2023, reaching 1,214, indicating a 2% increase from the same period in 2022.

The largest share of the vessels was general cargo ships (34.8%), followed by liquid bulk at 28.8% and containers at 27.6%. The number of container ships increased by 59%, reflecting the rising trend in the number of containers in Georgian ports and terminals.

The most number of ships entered in Georgian ports and terminals were registered in Turkey (17%), followed by Liberia (15.2%) and Panama (15.0%).

Figure 6. Number of ships entered in Georgian ports and terminals by type and YoY change (%)

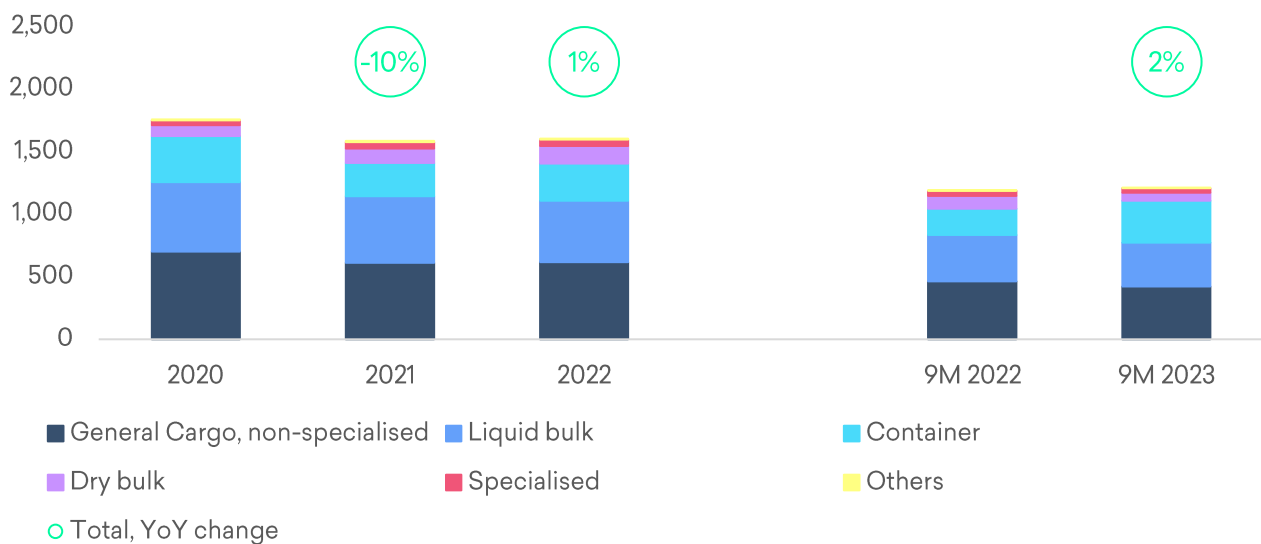
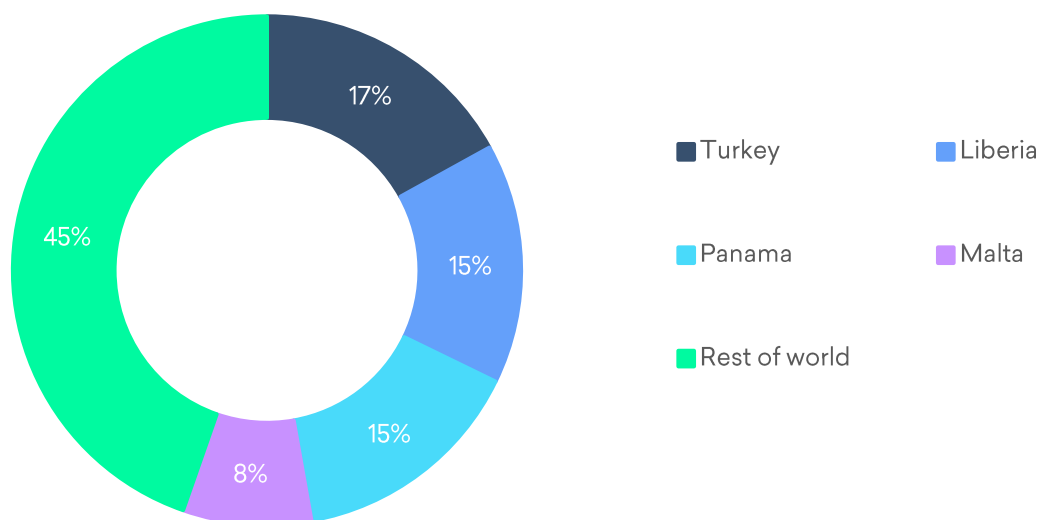


Figure 7. Number of ships entered in Georgian ports and terminals by country of registration



Source: Geostat

Transportation

Maritime

As for the trade statistics via sea transport, exports amounted 742 ths tons, a -22.9% YoY decrease in 9M 2023. This decline was attributed to substantial decreases in the exports of all top products by maritime transport: waters, not containing added sugar (-60%), waters, containing added sugar (-52%), ferro-alloys (-43%), copper ores (-35%), wine (-32%) and precious metal ores (-18%). However, a notable increase was observed in the export of spirituous beverages, which surged by 35%.

The volume of imported products by maritime transport amounted to 1,266 ths tons in 9M 2023, reflecting a 15% YoY decrease. During the same period, the import of petroleum halved from 2022, marking a 53% YoY decrease. Significant decreases were observed in the imports of manganese ores (-35%) and other slag and ash (-24%). Meanwhile, the import of flat-rolled products of non-alloy steel increased by 65%, followed by unglazed ceramic flags and paving (23%) and quartz (23%).

Figure 8. Top export products by maritime transport ('000 tons) and YoY growth (%)

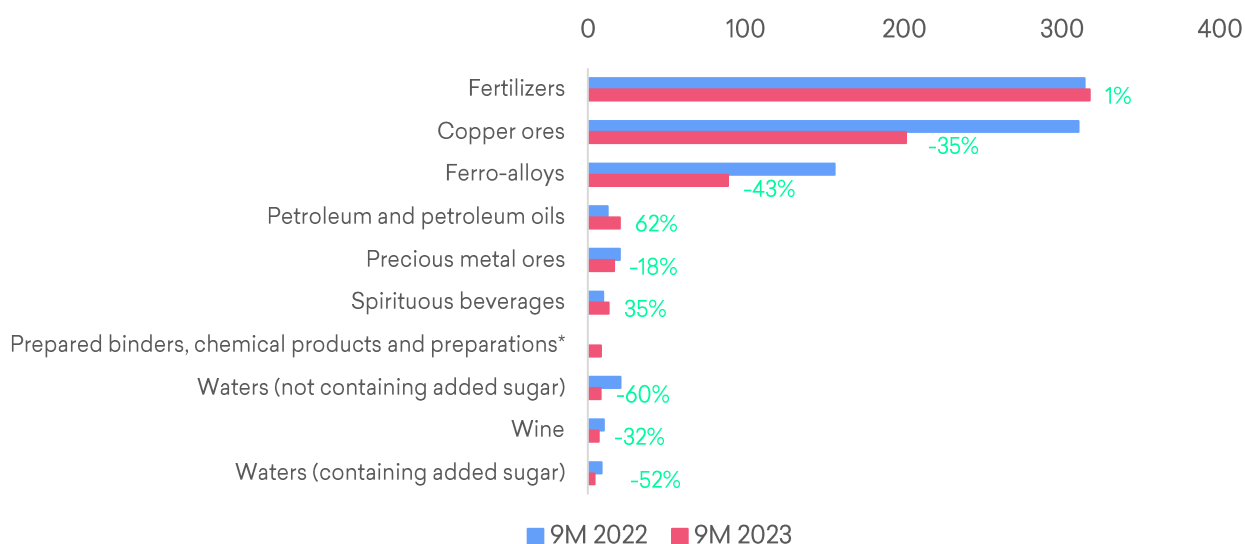
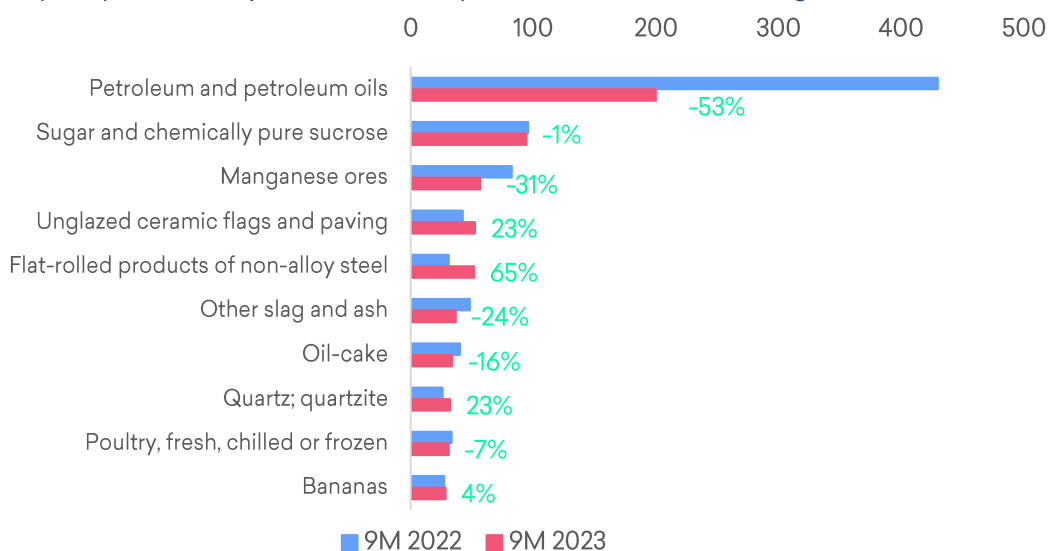


Figure 9. Top import products by maritime transport ('000 tons) and YoY growth (%)



The corresponding export in 2022 was non-existent.
Source: Geostat

Transportation

Railway

The primary railway operator in Georgia is Georgian Railway JSC (GR), responsible for transporting containers, dry, and liquid cargoes. The operational network managed by GR spans 1,408 km and includes 293 km of double-track lines, 100 freight stations, 42 railroad tunnels, and 1,348 railroad bridges.

In the first nine months of 2023, a total of 10.3 mln tons of cargo were transported by GR, representing a slight 6% decrease compared to the same period in 2022. The year 2022 was particularly robust, marked by a noteworthy 21.8% YoY increase. This growth was propelled by the positive impact of sanctions against Russia and increased cargo transit through Russia, boosting demand for GR services in 2022.

During January-September 2023, the dry cargo (64% of total cargo transported by GR) transported by GR amounted to 6.6 mln tons, marking 11% YoY decrease. Meanwhile, liquid cargo amounted to 3.7 mln tons, reflected a 6% increase from the same period of 2022.

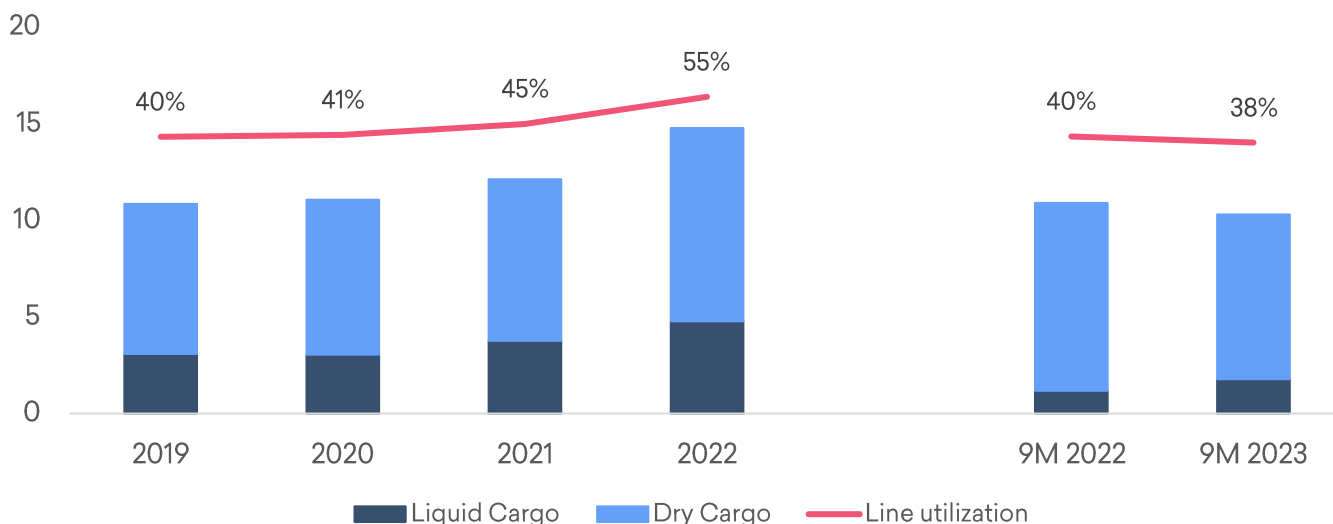
The estimated maximum capacity of the Georgian railway network stands at around 27 million tons annually, and this figure is expected to increase to 48 mln tons upon the completion of [modernization project](#) in upcoming years.

In terms of cargo volumes, the railroad utilization factor was approximately 55% in 2022, marking the highest level since 2015.

However, this trend did not persist. In the first nine months of 2023, the utilization factor was 38%, 2 pp lower than the same indicator in the same period of 2022.

The current condition of rolling stock is a major constraining factor for attracting higher volumes of cargo. The ongoing war exacerbated the situation further as the maintenance and repair of rolling stock were previously held in Russia, Belarus and Ukraine. The maximum rolling stock capacity of GR is about 16 mln tons.

Figure 10. Railway cargo (Mln tons) and YoY growth, railway line utilization levels



Source: GR, TBC Capital

Transportation

Railway

The majority of total cargo volumes transported by GR are designated for transit purposes. In the first nine months of 2023, cargo transported for transit accounted for 58% of the overall cargo transported by the railway company.

In the first nine months of 2023, a total of 5.9 mln tons of cargo were for transit purposes, representing a 8% decrease compared to the same period in 2022. The year 2022 was particularly robust, marked by a 29% YoY increase, benefiting from cargo rerouting from the northern transport corridors. During January-September 2023, import increased by 4%.

Meanwhile, cargo transported for domestic consumption and for export remained decreased by 10% and 6%, respectively, from 2022.

During the same period, the number of containers transported by GR was 55.8 ths TEUs, reflecting a 9% YoY increase. The major factor contributing to the growth in TEU throughput was the movement of transit cargo along the "Middle Corridor." The vast majority of the cargo consists of bulk cargo, indicating a low level of containerization on this railway route, which poses challenges in cargo handling at Caspian and Black Sea ports.

Figure 11. Railway cargo by direction ('000 tons) and YoY growth (%)

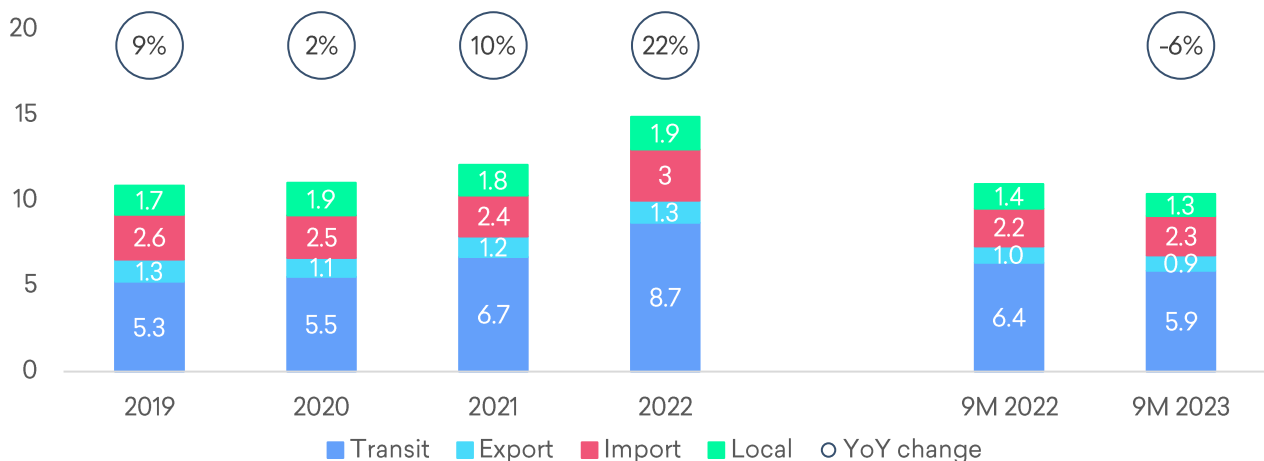
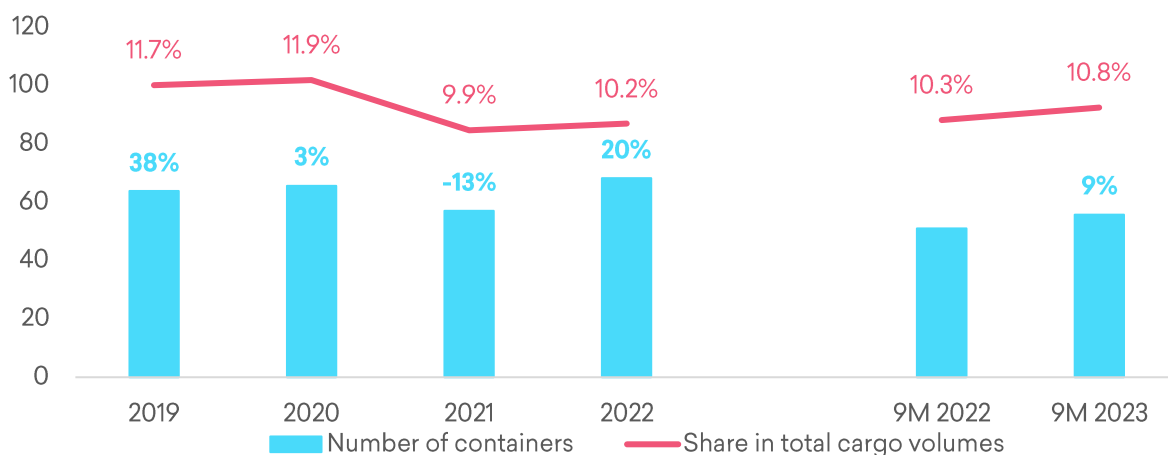


Figure 12. Number of containers ('000 TEU), YoY growth and the share in total cargo volumes



Source: GR, TBC Capital

Transportation

Railway

In the first nine months of 2023, among the products transported by railway, oil products accounted for the largest share (36%), followed by ores (13%), and chemicals (11%). Significant decreases were observed in the transportation of agricultural products, experiencing a 22.1% YoY decline compared to the nine months of 2022, followed by chemicals with a 16.6% decrease. Meanwhile, the volume of transported oil products increased by 11.5% during the same period.

In the first nine months of 2023, the railway cargo shares by country of origin in Georgia exhibited a diverse distribution. Azerbaijan claimed the largest share at 20%, closely followed by Georgia itself and Russia, each contributing 17%. Kazakhstan and Turkmenistan followed with 13% and 12%, respectively. Brazil, although constituting a smaller share, made a notable contribution with 5%.

Figure 13. Railway cargo by product (mln tons) and YoY growth (%)

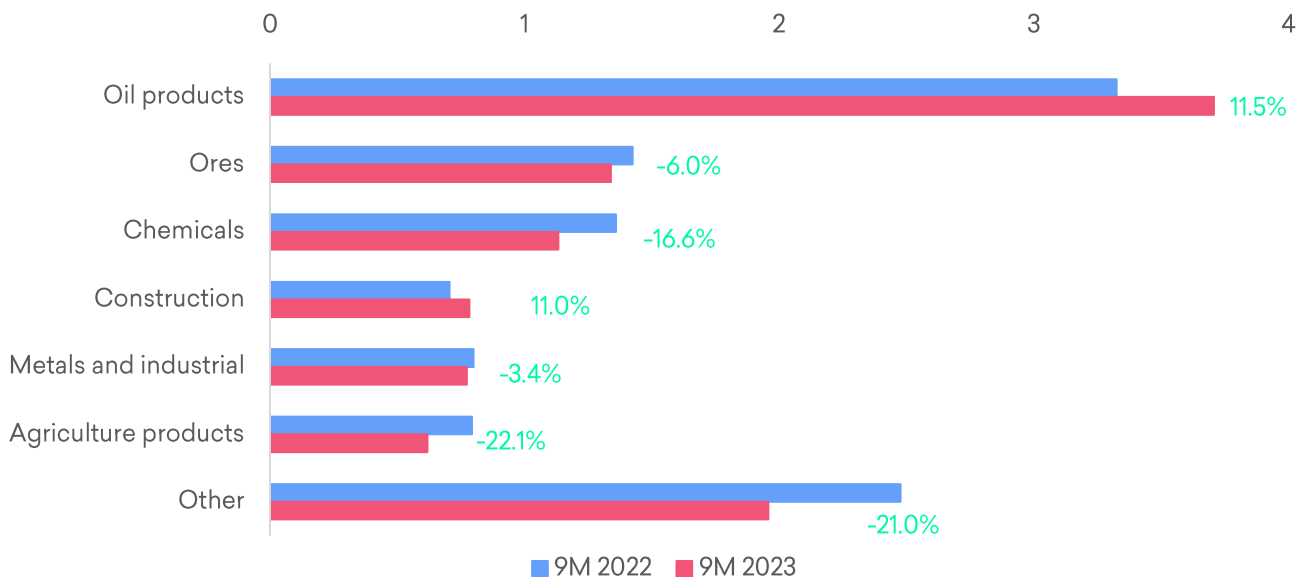
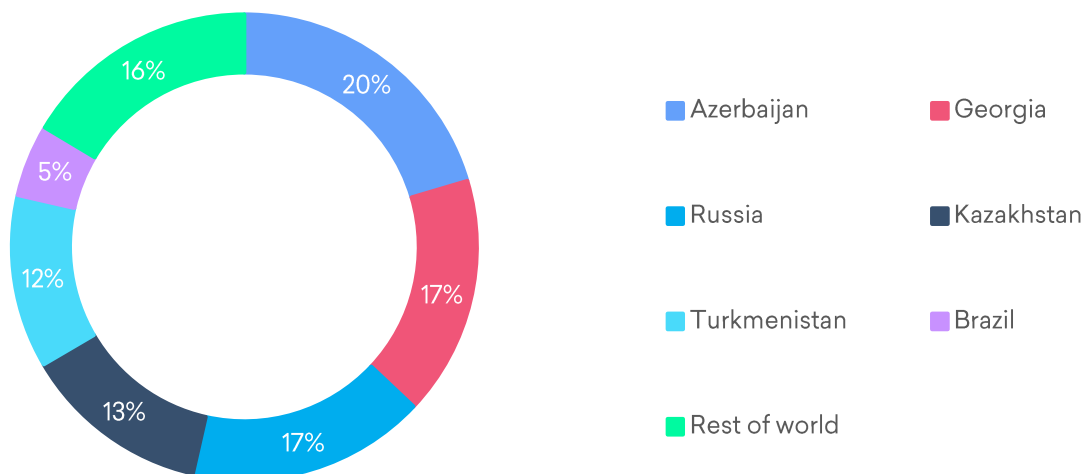


Figure 14. Railway cargo by country of origin (9M 2023)



Source: GR; TBC Capital

Transportation

Road

Continuing the historic tendency, road cargo remained a major part of the total cargo transportation in Georgia.

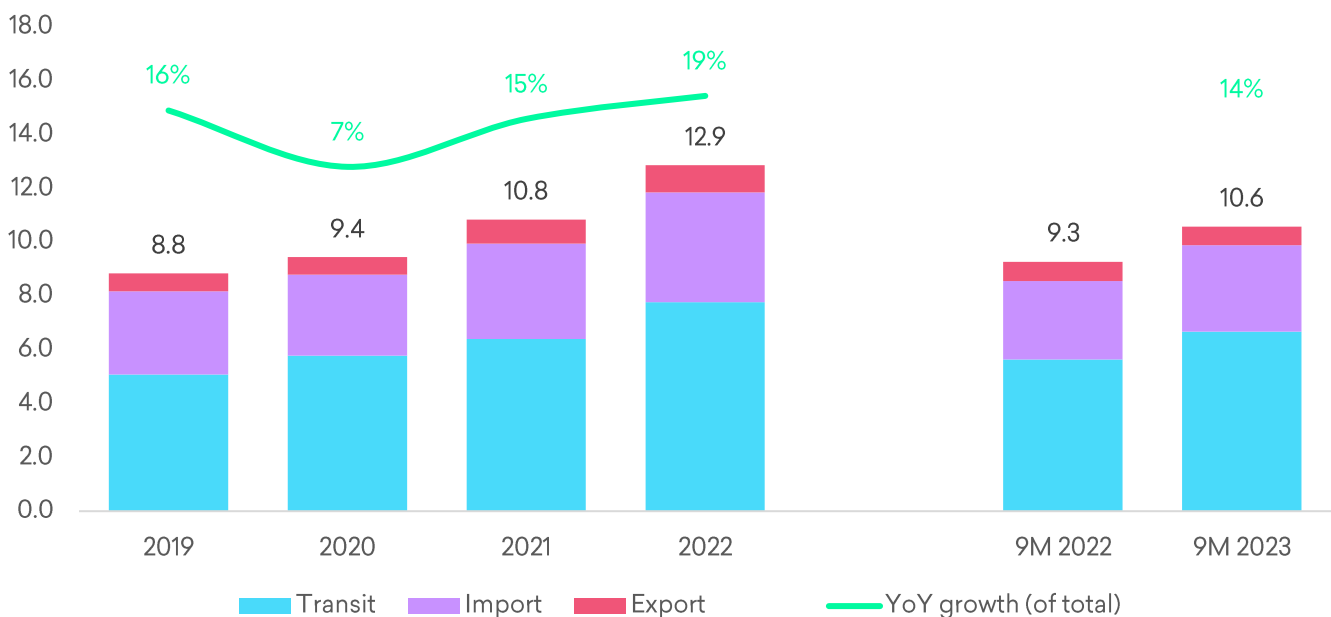
The road cargo transportation, excluding cargo with domestic origin and destination points, saw a major 19% YoY growth in 2022 and was responsible for transporting a new record level of 12.9 mln tons of cargo.

As for the current year, regardless a relatively high base year of 2022, a significant further growth was observed in transported road cargo at 14% YoY in 9m 2023.

In 9M 2023, the largest increase was observed in transit road cargo at 18% YoY and amounted to 6.7 mln tons.

A noticeable increase was also observed in import road cargo at 10% YoY, however export road cargo experienced a minor, 5% YoY decrease in 9M 2023.

Figure 15. Road cargo by direction (Mln tons) and YoY growth (%)



Source: Geostat, Revenue Service, TBC Capital

Transportation

Road

Total exports via motor transport reached 686.9 thousand tons in the first nine months of 2023, indicating a 4.6% decrease compared to the same period the previous year.

The most exported commodity using motor transport was products like waters with added sugar, amounting to 91.7 thousand tons during the same nine-month period in 2023, showing a significant annual growth of 28%.

In the nine months of 2023, the total imports via motor transport reached 3,210 thousand tons, marking a 10% annual increase. Cement, the most imported commodity by weight, accounted for 468.2 thousand tons, showing a 19% increase in the same period. Among the top 10 imported products based on weight, only wheat/meslin flour experienced a 9% decrease during the period as Government of Georgia [imposed](#) temporary import duty on flour to support local producers in June 2023.

Figure 16. Top export products by road transport ('000 tons) in 9M2023 and annual change (%)

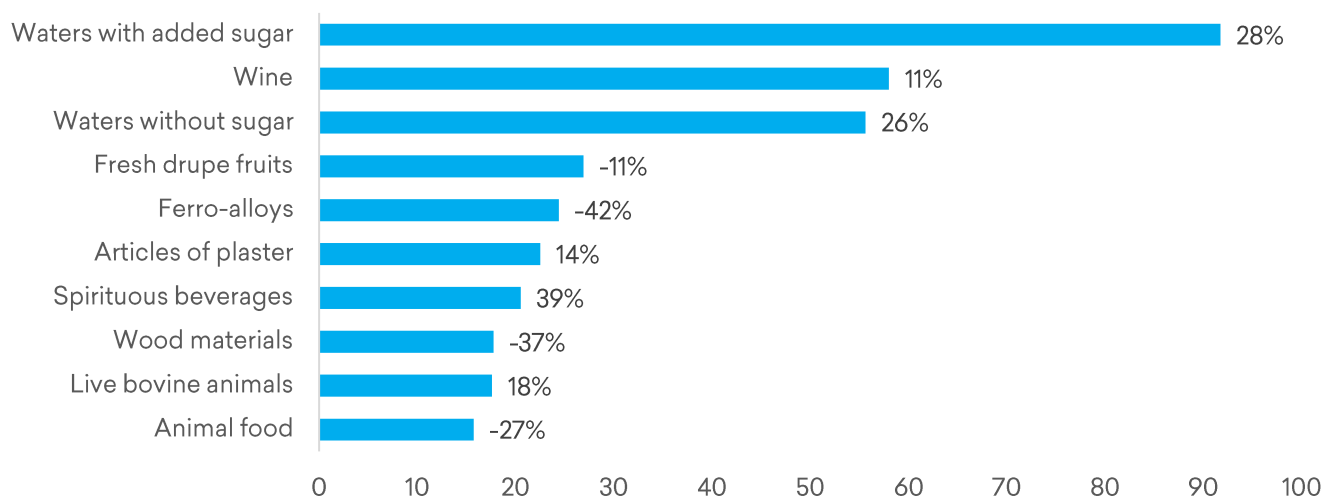
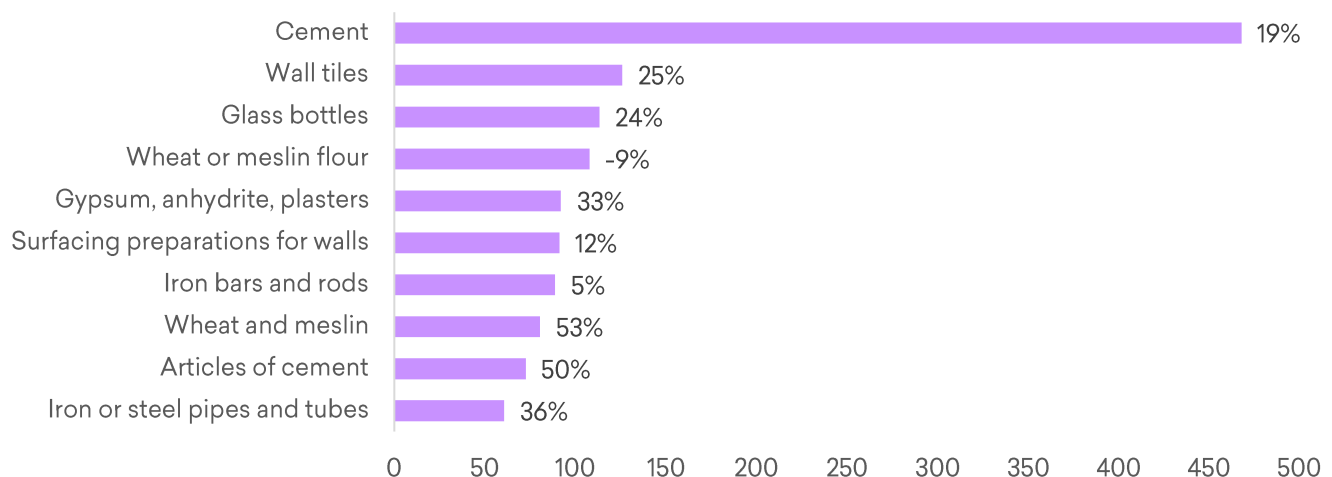


Figure 17. Top import products by road transport ('000 tons) in 9M2023 and annual change (%)



Source: Geostat, TBC Capital

Transportation

Road

In the first nine months of 2023, the Sarpi border registered the largest number of trucks crossing Georgian borders, accounting for 167,586 entries annually, a 3% up from the same period of 2022. It was followed by Kazbegi, with 137,950 entries, and Tsiteli Khidi, which saw 103,417 entries, marking a 29% and 3% annual increase, respectively, during the same period.

The Sarpi checkpoint recorded the highest number of trucks exiting Georgia's territory, totaling 126,299 trucks, indicating a 5% annual increase in the first three quarters of 2023. During the same period, Tsiteli Khidi saw 124,588 trucks leaving (a 10% increase), while 106,732 trucks departed via the Kazbegi checkpoint.

Figure 18. Number of trucks by border checkpoint (Entry) in 9M 2023 and annual change (%)

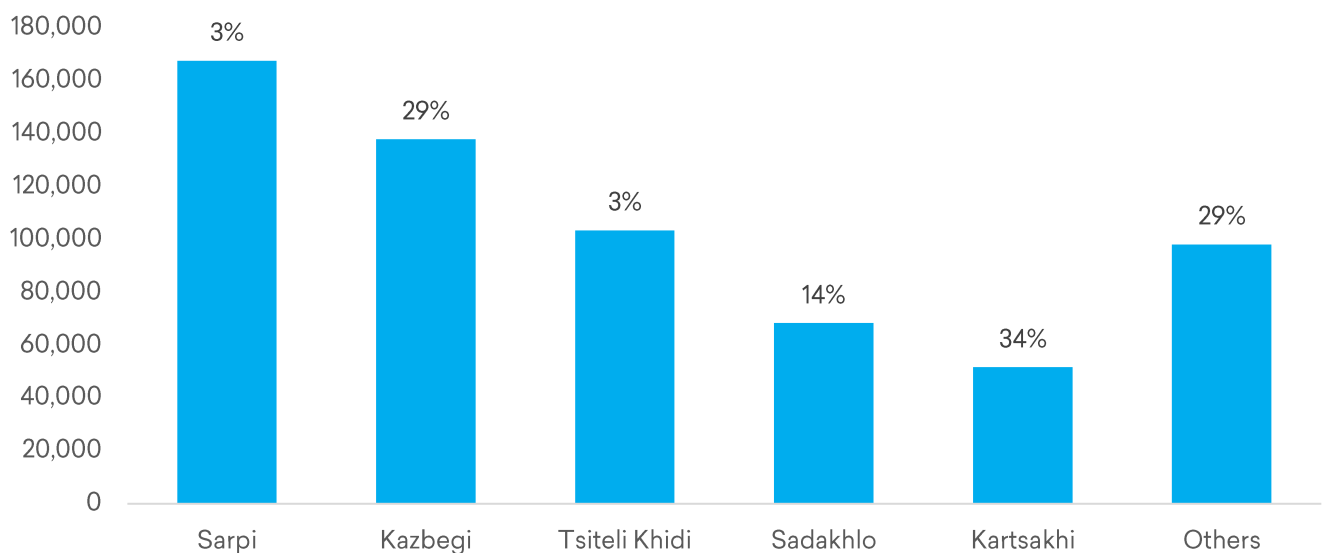
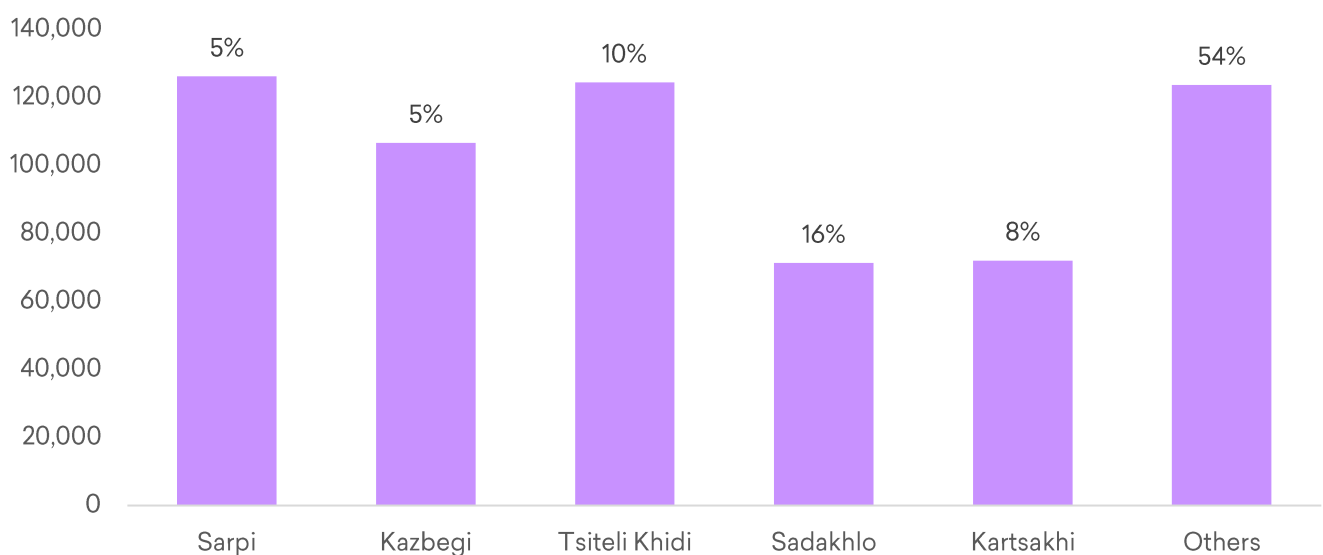


Figure 19. Number of trucks by border checkpoint (Exit) in 9M 2023 and annual change (%)



Source: MIA

Transportation

Road

The Georgian automotive fleet responsible for transporting the cargo remains fairly outdated with the average age of trucks exceeding 26 years and the average age of wagons amounting to c. 22 years as of September 2022.

wagons as well as trucks. The total amount of wagons registered in Georgia increased by 12.9% YoY. A less significant, c. 6% YoY increase was observed in trucks with active registration in Georgia in 9M 2023.

In terms of the existing fleet, significant growths were observed both in case of

Figure 20. Number of wagons by age (September)

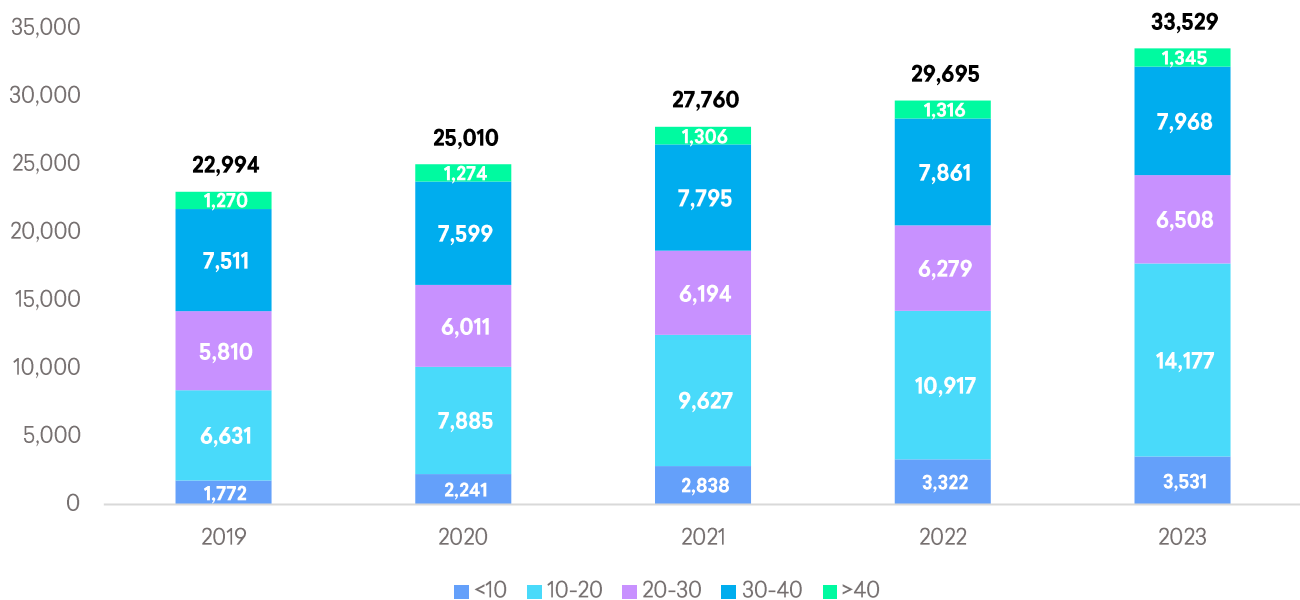
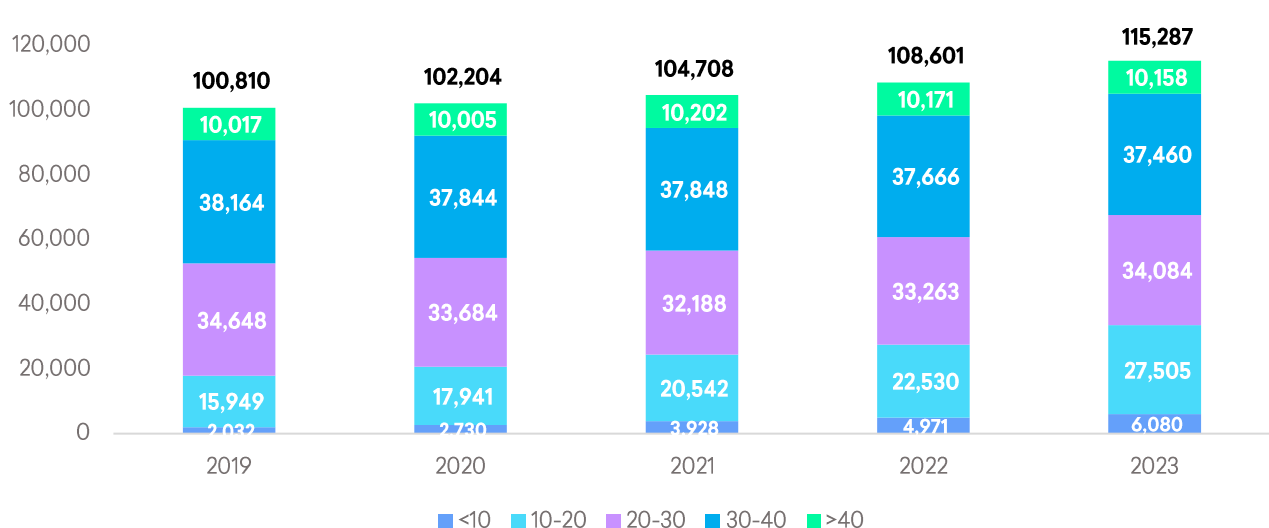


Figure 21. Number of trucks by age (September)



Source: MIA

Transportation

Air

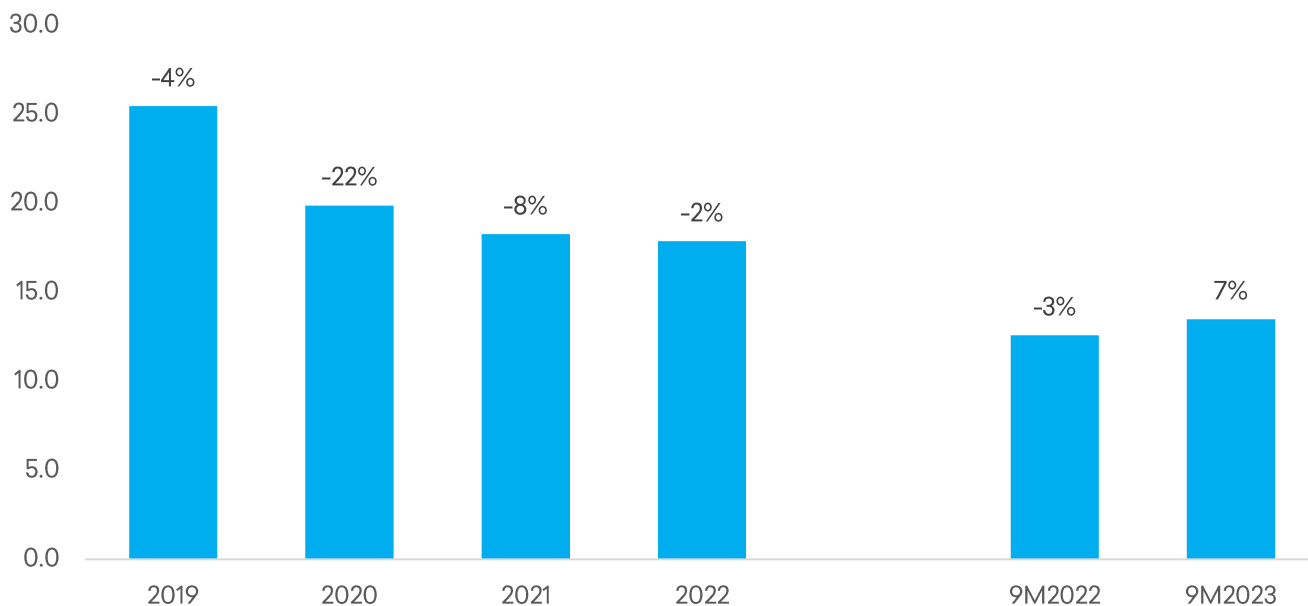
The air freight terminal infrastructure is comprised of just three terminals, all located in Tbilisi: Tbilisi Cargo Service LTD, Lasare LTD, and Georgian Post LTD. However, in terms of airports, Georgia has developed infrastructure with three international airports evenly spread out across the country (Tbilisi, Kutaisi, and Batumi international airports) and four domestic airports (Telavi, Natakhtari, Ambrolauri, and Mestia). Currently only three airlines offer regular cargo flights to five destinations, with two being neighboring Azerbaijan and Turkey.

Since 2019, air cargo transportation has exhibited a downward trend due to decreased exports of live animals. In 2019, the Government of Georgia prohibited the export of livestock weighing less than 140 kg, and in 2020, this restriction was extended to animals weighing less than 200 kg.

In 2022, 17.9 thousand tons of freight were transported via air transport, a 2% reduction compared to 2021. The direct impact of the war on air cargo freight in Georgia was minimal, as air transport is not used in trade with Russia, and air freight routes do not cross Russian airspace. However, companies in the sector faced challenges with doubled fuel prices and significantly increased insurance costs. On a positive note, traffic rebounded to pre-pandemic levels due to increased demand, attributed to lower competition from Russian and Ukrainian cargo airlines.

2023 has been positive for air cargo transportation sector, as in the nine months of 2023, 13.5 thousand tons of cargo were transported via air and posted a 7% increase compared to the same period of 2022. This is mainly due to the increased transit to Armenia.

Figure 22. Freight and mail volume via air transport ('000 tons) and annual change (%)



Source: Geostat

Transportation

Air

Sheep and goat meat remains the leading export product transported by air, totaling 157.6 tons. However, this amount saw a 31% annual decline in the nine months of 2023. Live sheep and goat exports facilitated by air transport recovered and amounted to 72.2 tons.

Medicaments are present on both the imported and exported goods' lists. Exports of medicaments via air transport increased by 31% annually and amounted 73.8 tons, whereas imports decreased by 10% down to 380.7 tons in the nine months of 2023.

In the same period, the top product imported by air transport in terms of volume was spacecraft and spacecraft launch vehicles, increased almost 7 times compared to the same period in 2022.

Figure 23. Top export products by air transport and annual change (%), 9M2023

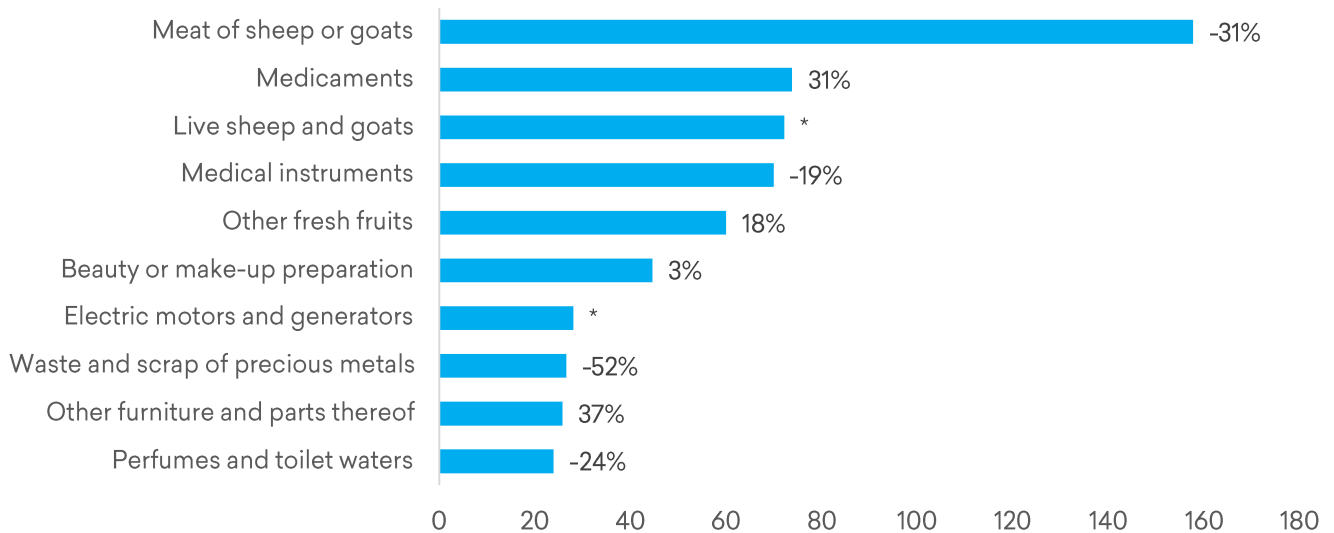
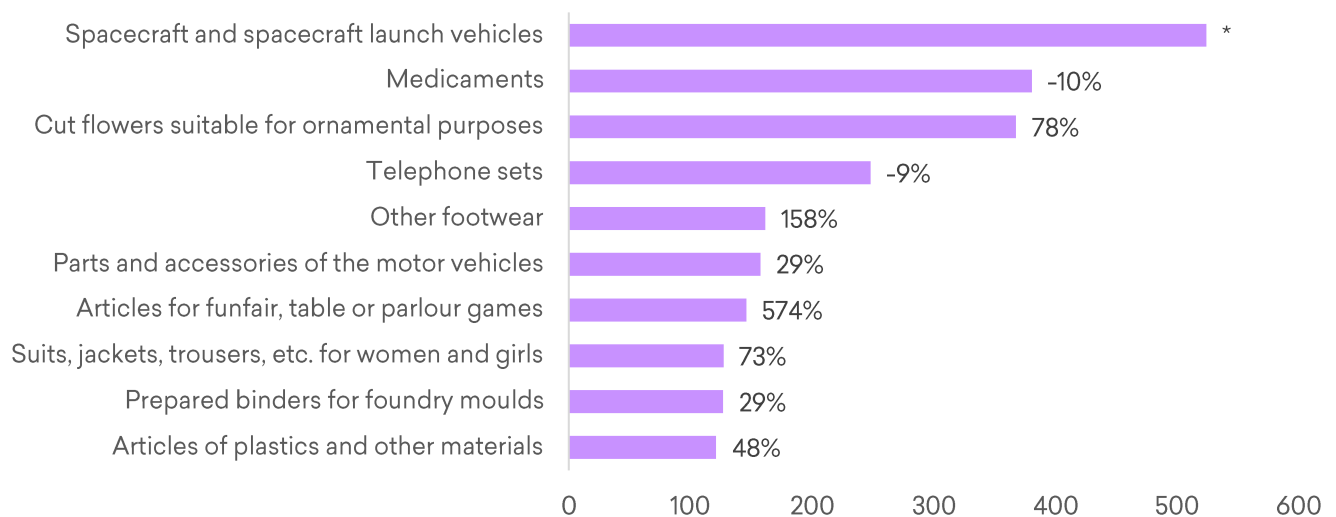


Figure 24. Top import products by air transport (tons) and annual change (%), 9M2023



Source: Geostat, TBC Capital

Transportation

Air

In the nine months of 2023, a total of 1,900 tons of cargo departed from Georgia. Saudi Arabia, UAE, and Qatar are the top-3 destinations, with the shares of 14%, 11%, and 10%, respectively.

In case of imports, the top countries for air cargo traffic are UAE, China, and Spain, with respective shares of 23%, 21%, and 6%.

In 2022, 1.6 thousand cargo flights were completed. However, in the nine months of 2023, only 0.8 thousand cargo flights were completed, which is 33% less compared to the same period of 2022. This decline is primarily attributed to the redistribution of cargo from dedicated cargo flights to passenger flights.

Figure 25. Air cargo traffic (tons) by country, 9M 2023

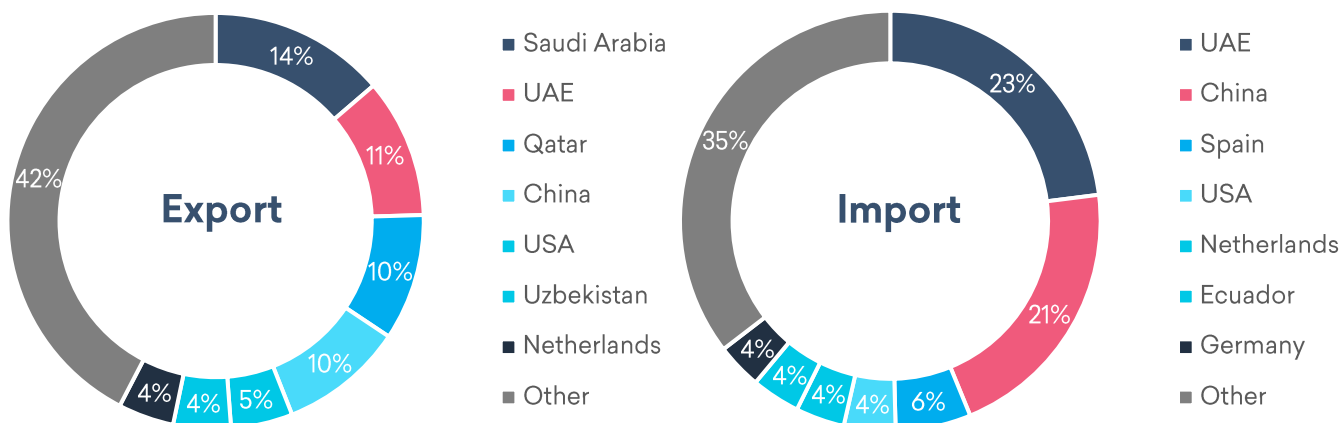
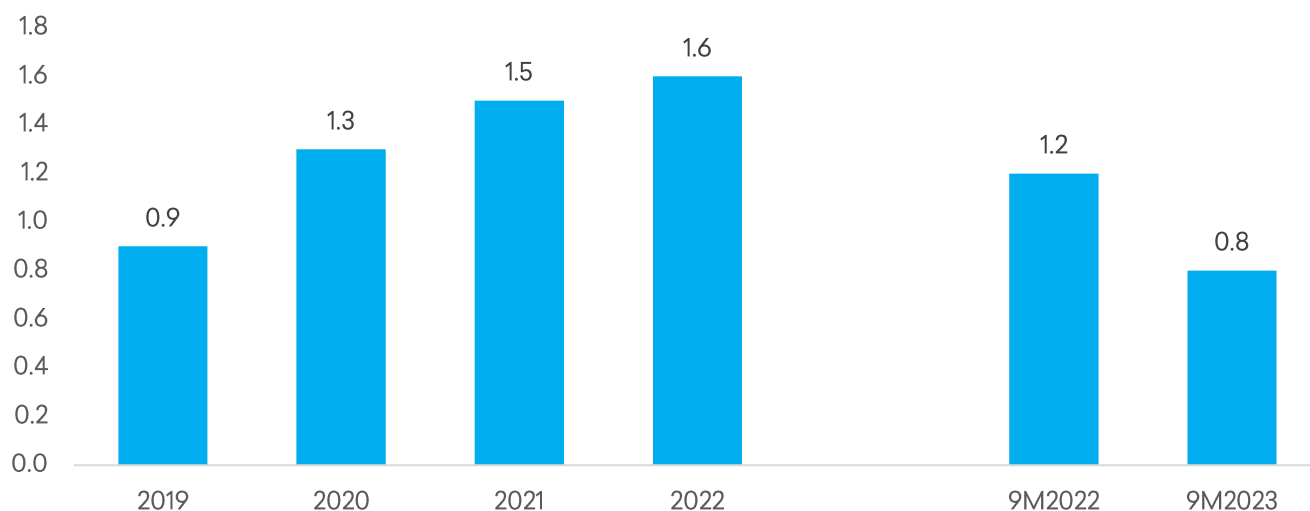


Figure 26. Number of cargo flights, '000



Source: Geostat

Transportation

Pipelines

Georgia acts as a natural bridge between Azerbaijan and the European market for its oil and gas resources. Four international pipelines can be identified in Georgia: the Western Route Export Pipeline (WREP), the Baku-Tbilisi-Ceyhan (BTC) pipeline, the South Caucasus Pipeline (SCP), and the North-South Main Gas Pipeline (NSMP). The Georgian Oil and Gas Corporation (GOGC), the UK-based oil and gas conglomerate BP and the state-owned SOCAR are the major players in the Georgian pipeline sector.

Fully operational from 1999, the WREP was the first international pipeline in Georgia. The WREP is 830 km in length, half of which is located in Georgian territory. The pipeline delivers crude oil from the Chirag field in the Caspian Sea to the Supsa Terminal on the Black Sea coastline, where it can be loaded onto tankers for the Western market. The throughput of the WREP is 150,000 barrels of oil a day.

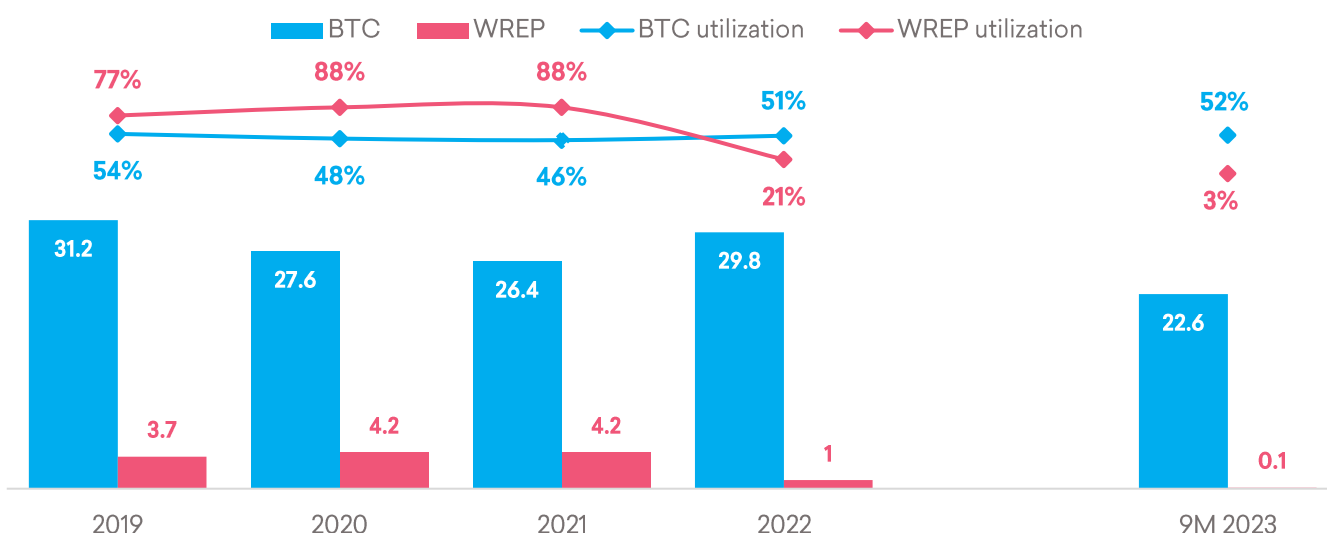
As mentioned above, in April 2022 BP (the operator of WREP pipeline) halted the operation of the pipeline due to unavailability of the potential tankers in the Black Sea due to Russian full-scale invasion of Ukraine.

In February 2023, WREP renewed operation after the closure of Ceyhan terminal in Turkey due to earthquake, and transported 0.1 million tons of oil. Since then, the pipeline has been closed again as the volumes are diverted to the BTC pipeline, through which tankers are filled in the Mediterranean port of Ceyhan.

The BTC pipeline started its operation in 2006 and it stretches for 1,768 km through Azerbaijan, Georgia, and Turkey, from the Caspian Sea to the coast of the Mediterranean Sea. The transited crude oil is mostly originated in Azerbaijani Azeri-Chirag-Gunashli (ACG) field, but the BTC pipeline also transports oil originating from fields of Turkmenistan and Kazakhstan. Around 14% of the pipeline (249km) runs through Georgia. Georgia also houses two of the pipeline's eight pump stations. In 2009, BP undertook work to increase the maximum annual capacity to 440 mln barrels (58 mln tons), in line with increased production from the ACG field in Azerbaijan.

In 9M 2023, the total volume of oil transported by the BTC amounted to 22.6 million tons, a 4% increase from 2022.

Figure 27. Oil volumes (mln tons) transported by pipelines and utilization rates



Source: GOGC, TBC Capital

Transportation

Pipelines

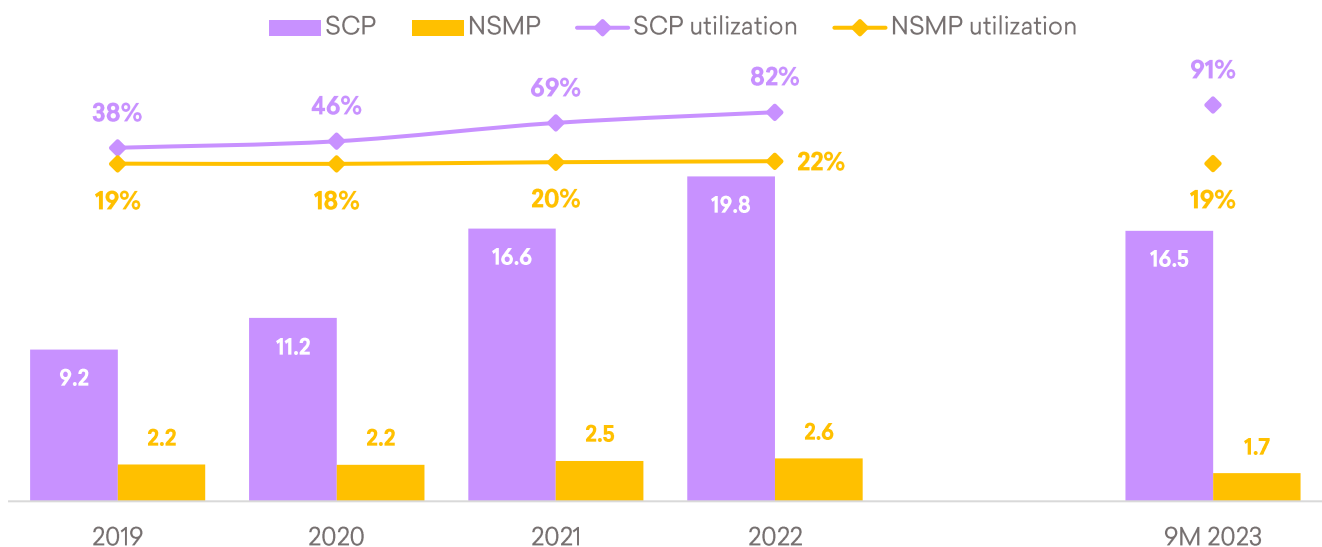
The SCP delivers natural gas from the Shah Deniz field in the Caspian Sea to customers in Azerbaijan, Georgia, and Turkey. The SCP is a parallel project to the BTC pipeline and follows the same route through Azerbaijan and Georgia, stopping at the Georgia-Turkey border. The total length of the SCP is 692km, 249km of which runs through Georgia. After the South Caucasus Pipeline Expansion Project (SCPX) was completed, the annual throughput capacity of the pipeline increased from an annual 7.4 bcm up to approximately 24 bcm.

SCP ties into the Trans Anatolian Pipeline (TANAP) at the Eastern Turkey border and then connects with the Trans Adriatic Pipeline (TAP) at the Western Turkey border through which gas is delivered to several European countries. Together, these three pipelines form a Southern Gas Corridor (SGC).

After the Russian full-scale invasion of Ukraine, the EU and Azerbaijan struck a deal to double natural gas supplies up to 20 bcm a year via SGC by 2027. However, expanding the hydrocarbon transport capacity from Caspian to Adriatic would require investments in both production and transportation, as well as long-term gas purchase contracts for European gas companies. This deal would bring more volumes of cheap natural gas to Georgia since as a host country, Georgia can buy 5% of the transited volume for a favorable price.

In the first nine months of 2023, 1.8 bcm of natural gas was transmitted through NSMP, reflecting a 7.4 decrease from the same period of 2022.

Figure 28. Natural gas (bn m3) transported by pipelines and utilization level (%)



Source: GOGC, TBC Capital

Warehouses

Dry storage - Supply

The number of active listings for both rent and sales saw a significant surge on the market, starting from February 2023, reflecting the increased demand that followed through 2022. Since then, the figures have been stable, staying at an elevated level.

It should be mentioned that the data presented is for Tbilisi only, since the listed warehouse stock is highly concentrated in the capital, with more than 80% share.

In September 2023, the number of listings for rent amounted to 443, posting a 161%

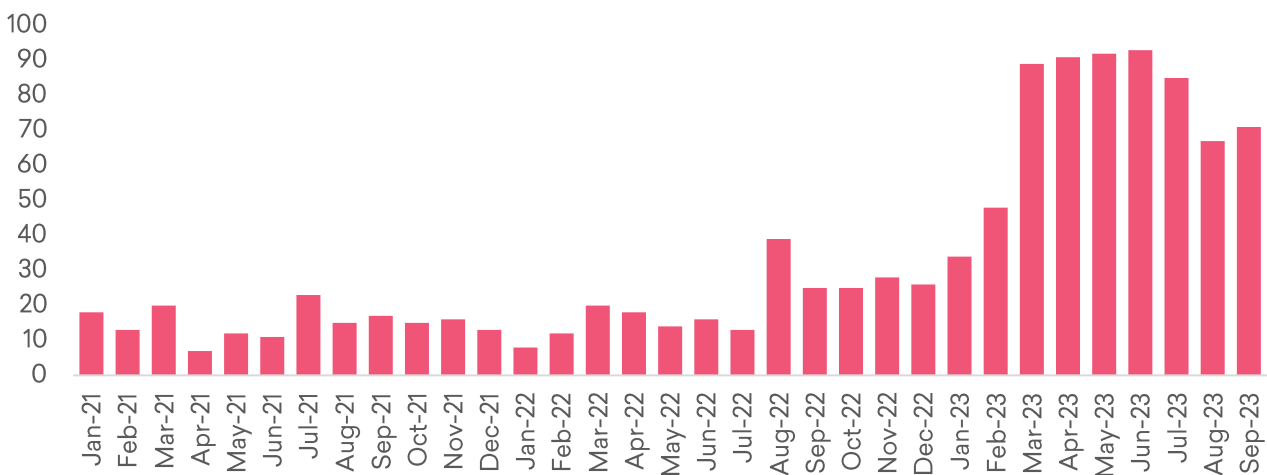
increase compared to the same period of the previous year. In the same period, in case of listings for sale, the figure stood at 71, which is nearly 3 times more than in September 2022.

In general, the market for warehouses is mainly unorganized, comprising of many players. There is a lack of third-party logistics (or 3PL) providers who offer full logistic services to consumers, including inventory management, warehousing, preparing customs documentation.

Figure 29. Number of active listings in Tbilisi, rent



Figure 30. Number of listings in Tbilisi, sale



Source: Myhome, TBC Capital

Warehouses

Dry storage – Average prices

The average listed rent price (in USD) of warehouses saw an increase in 2023. In September 2023, the average asking rent price in Tbilisi warehouse amounted to \$4.2 per SQM, which is 61% higher than the same indicator in September 2022.

As for the asking sale prices, it has been more volatile than rent prices. In September 2023, the average listed sale price amounted to \$399 per SQM, marking a 5% increase from September 2022.

Actual rent prices on the organized market of warehouses is slightly higher from the patterns in listed rents. Namely, nowadays the prices (in USD) are 15-20% higher than listed rents. In addition, rents in organized markets increased in recent years.

Figure 31. Average asking rent price in Tbilisi (\$/SQM)

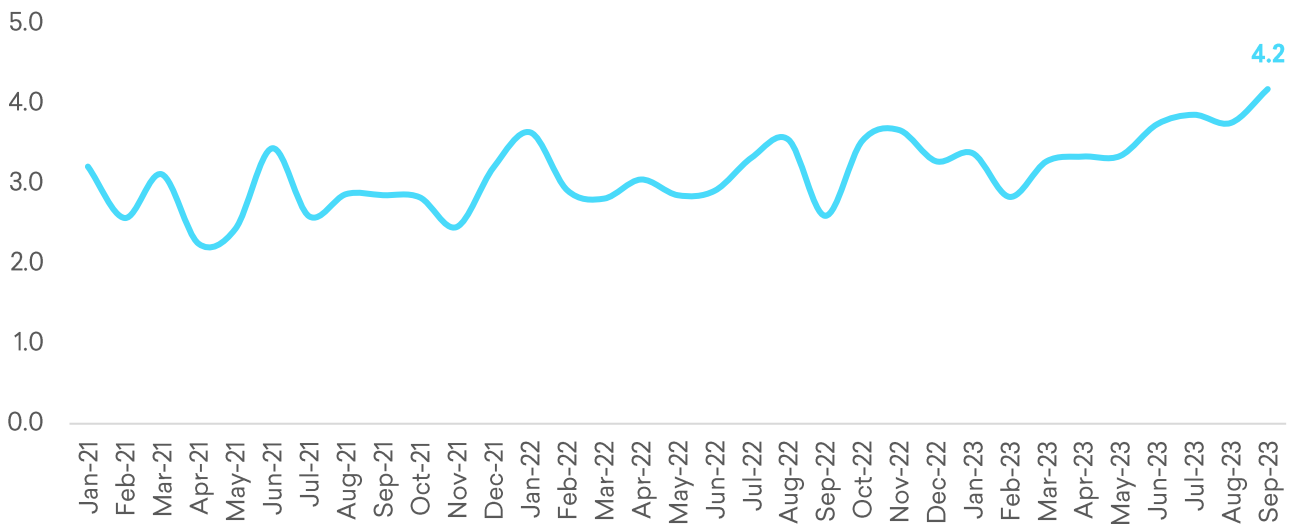


Figure 32. Average asking sale price in Tbilisi (\$/SQM)



Source: Myhome, TBC Capital

Warehouses

Dry storage - Future supply

Demand on warehouses, especially for high quality facilities, was strong in 2022. High economic growth and strong internal demand together, and increased cargo traffic all positively affected the demand on warehouses.

Sector has responded by increasing supply. The permits granted for construction of warehouses in terms area in Tbilisi surged by 42% YoY in 2022. The majority of permits were issued for large scale warehouses.

In 9M of 2023, this figure decreased by 36% YoY, mainly due to a high base in 2022. It should be noted that the data do not take into account permits issued for construction in near proximity but outside Tbilisi. However, the upcoming new regulation on the movement of large vehicles in the city might lead to moving warehouse facilities to Tbilisi suburbs.

Figure 33. Permits issued for construction of warehouses, Tbilisi

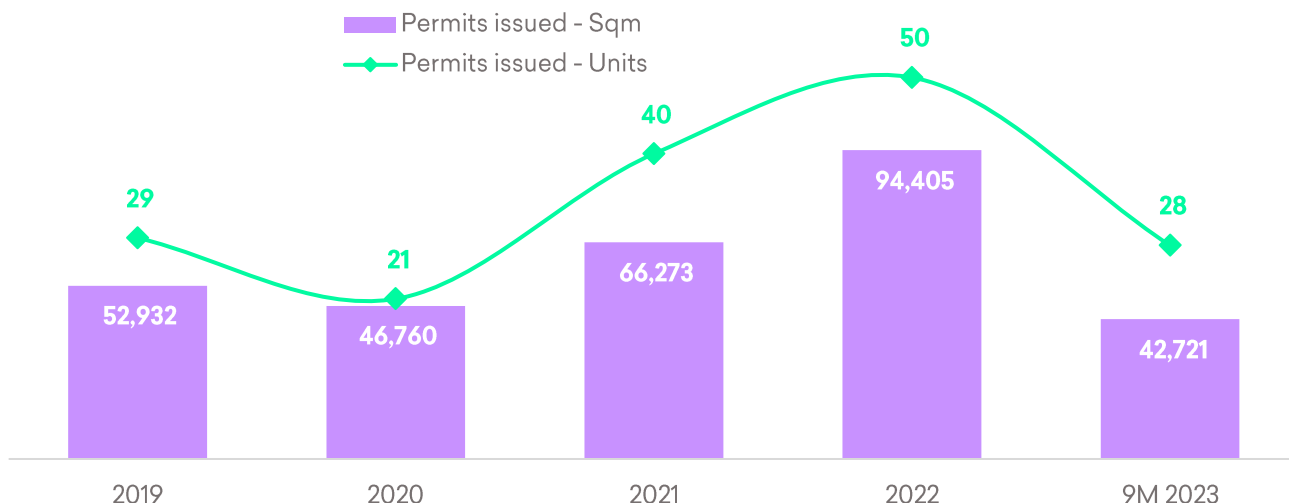
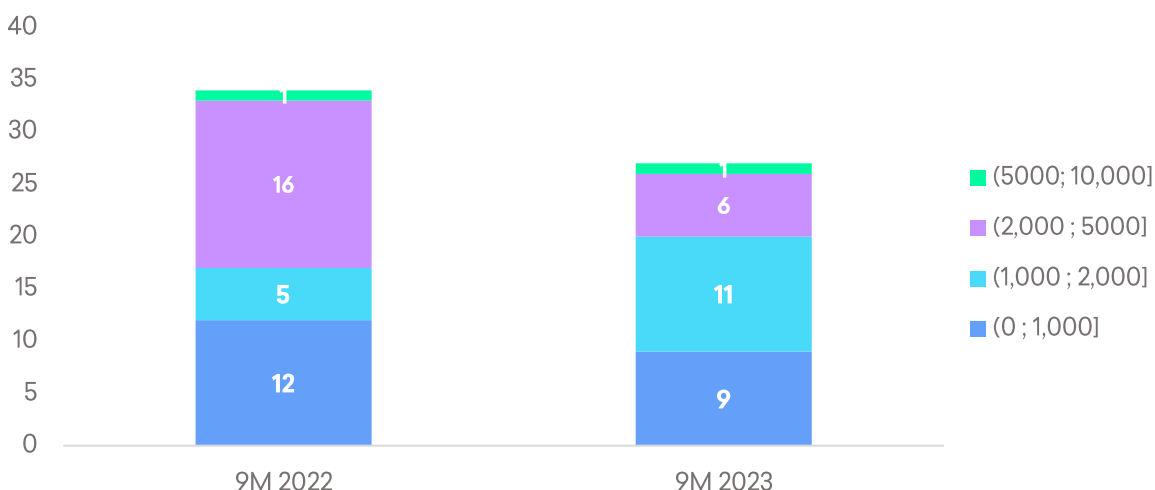


Figure 34. Number of permits issued for construction of warehouses by size, Tbilisi



Source: TBC Capital, Tbilisi Architecture Office

Warehouses

Cold Storage - Supply

Based on data from the third quarter of 2023, there are a total of 278 cold storage facilities across Georgia, 3% higher compared to the same period. The majority of these facilities are located in the Shida Kartli region, accounting for 59%, followed by Kakheti with 14%, and the capital city, Tbilisi, with 9%. For the remaining regions, the corresponding shares vary from 1% to 5%.

The total volume (tons) of products stored in cold storages in Q3 2023 was 83 ths tons, decreased by 11% YoY.

The volume of products stored in owner occupied facilities increased by 19%, contrasting with a 22% decrease in leased facilities.

The share of volume of products stored in owner occupied facilities was 36%, 9 pp higher the same indicator in previous year. This shift might suggest a preference toward owning cold storage facilities rather than renting them.

Figure 35. Distribution of active cold storage facilities by regions, % share

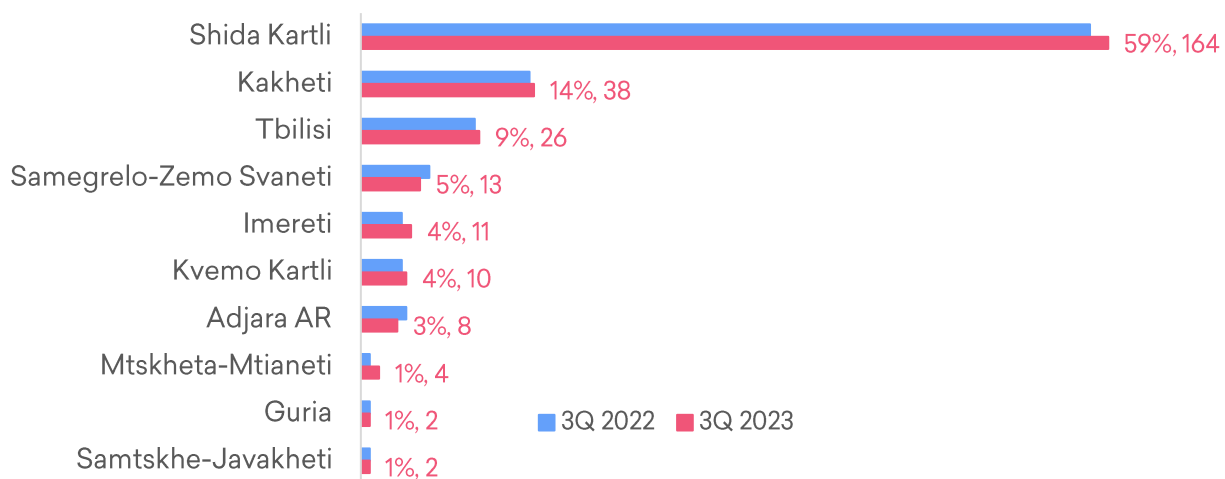
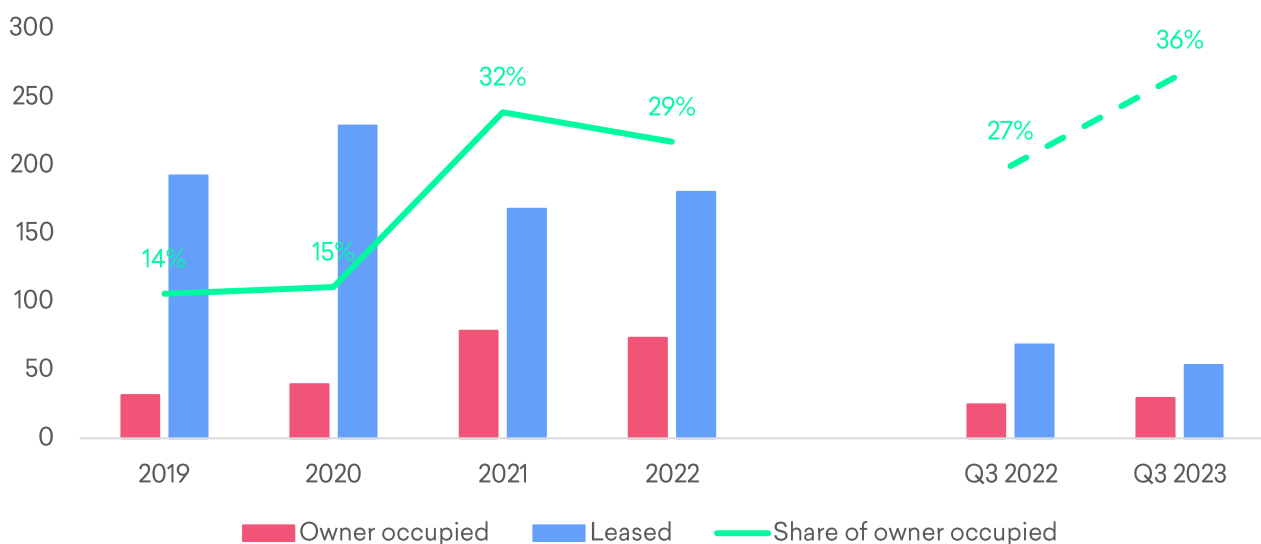


Figure 36. Products stored in cold storage facilities ('000 tons)



Warehouses

Cold Storage – Price and Occupancy

In 2023, the average daily service fee (GEL/ton) has been increasing. In the first and second quarter of 2023, the average daily service fee stood at 2.0 GEL/ton, which was higher than the 2022 average. In the third quarter of 2023 the figure reached 2.1 GEL per ton, which was only 5% higher than in the same period of 2022.

Due to the seasonal nature of demand for cold storage facility services, the annual occupancy ratios for such facilities are low. In the first quarter of 2023, the occupancy rate stood at 19.6%, while this indicator decreased to 18.8% and 17.6% in the second and third quarters of 2023, respectively.

Figure 37. Average daily service fee (GEL/tons) and YoY growth (%)

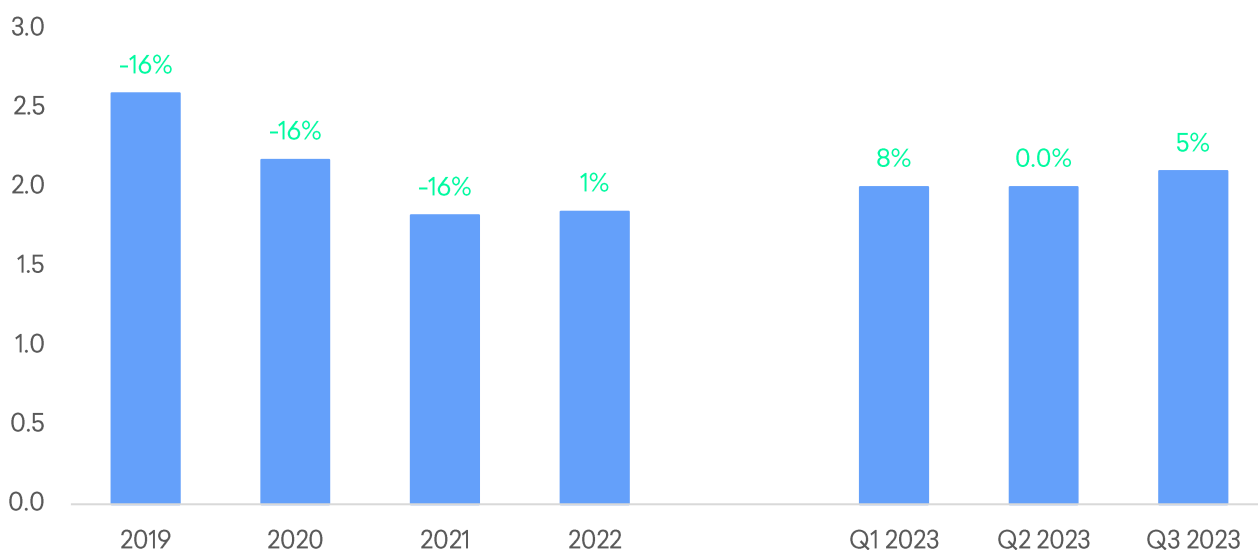
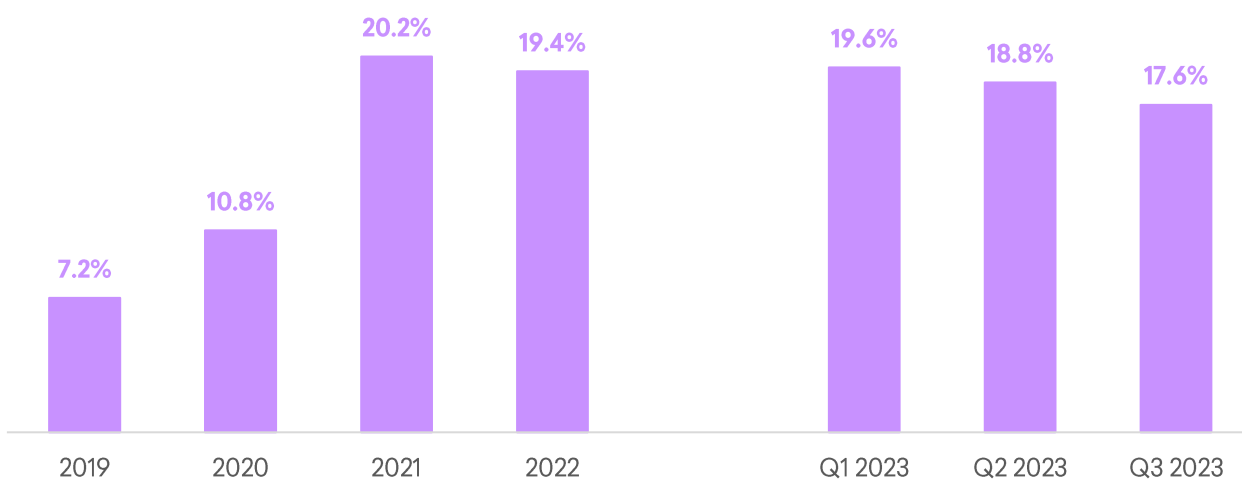


Figure 38. Occupancy level at cold storage facilities, %



Source: Geostat

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