



Overview of Commercial Real Estate Sector in Georgia 2024

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Executive summary

In recent years, increased economic activity and the growth of the retail sector have had a positive impact on the commercial real estate market, including shopping malls, street retail spaces, and business centers.

Shopping malls

Business activity in Georgia is predominantly centered in Tbilisi, which generates half of the country's value-added and houses a large concentration of commercial real estate. In Tbilisi there are 10 multifunctional centers offering a total GLA of 291,728 SQM. Batumi has five modern shopping centers with total GLA of 53,901 SQM. The shopping center market in cities like Kutaisi, Zugdidi, and Telavi is primarily dominated by open bazaars and smaller floor shops rather than modern shopping centers. These open markets and independent shops play a significant role in meeting local consumer demand, offering a variety of products in a more traditional, accessible format. Most of shopping centers in the cities offer limited or no food options and no entertainment amenities and are very similar or closer to open bazaar in nature. They typically attract budget brands and independent retailers.

In 2024, the average rent in Tbilisi shopping centers reached \$24.1 per square meter, marking a 7.4% increase compared to the previous year. During the same period, the average vacancy rate in Tbilisi's shopping malls stood at 4.7%, reflecting a 3.3 pp improvement from 2023. In 2024, average rental prices in Batumi shopping centers increased by 5% compared to 2023, mainly driven by the opening of new shopping centers and positive economic trends in the Adjara region. During the same period, the vacancy rate stood at approximately 5.4%, reflecting a significant improvement compared to 2023.

In the coming years, new shopping centers will appear in Tbilisi, Batumi, and Telavi. Among Tbilisi's upcoming retail developments, notable projects include Tbilisi Outlet Village and shopping mall "Bavshvta Samkaro". At least two new shopping centers (Orbi City and World Trade Center) are expected to open in Batumi, nearly doubling the total leasable area in shopping centers. By the end of this year, Telavi is also expected to see the addition of a new shopping center.

Executive summary

Street retails

Commercial streets are essential to Georgia's retail sector, offering a range of international and local stores. Tbilisi leads with the highest average rent at \$31.0 per SQM, reflecting its appeal as the capital and a major retail destination. Batumi follows at \$25.5 per SQM, driven by high seasonal demand in this tourism-focused coastal city. Kutaisi and Zugdidi have moderate rents at \$19.7 per SQM, while Telavi has the lowest rate at \$11.8 per SQM, aligning with its smaller, more localized retail market.

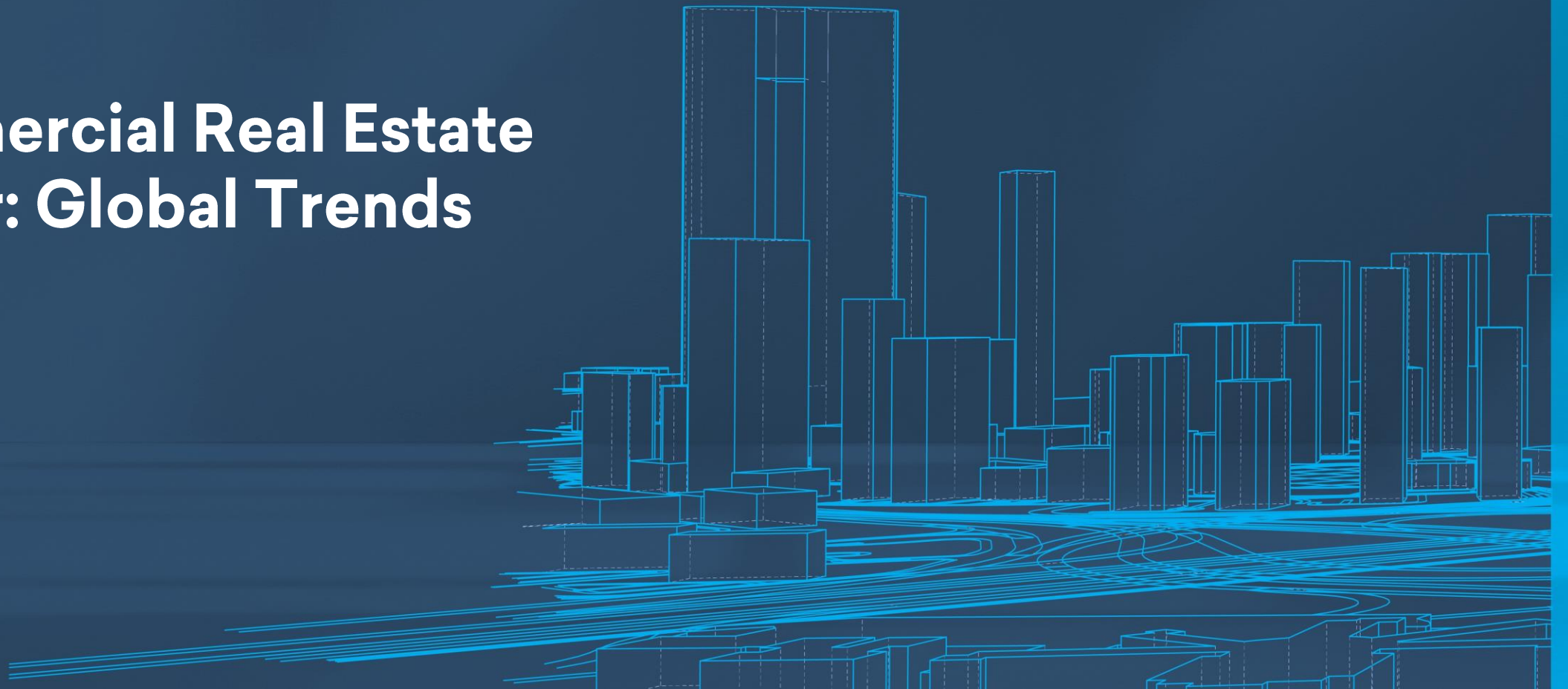
Business centers and offices

In 2024, the average rent in business centers was \$23.4 per square meter (excl. VAT and service fee), reflecting a 6% increase over the previous year. Notably, the rent for Class A offices, at \$28.0 per SQM, is nearly double the rate for Class B offices, which stands at \$15.1 per SQM. As for the Class C facilities, mainly, primarily located on the first floors of residential buildings, the rent in 2024 accounted \$13.0 per SQM.

In 2024, the average vacancy rate in Tbilisi's business centers stood at 12%, marking a 2 pp decline compared to 2023. Vacancy rates at Class A business centers decreased to 10%, while Class B centers experienced a reduction in vacancy rates to 17%.

In Batumi, rental prices are closer to Tbilisi's average, at around 16 \$/SQM. The office market in Batumi, Kutaisi, Zugdidi, and Telavi is characterized by a lack of organized office space providers. In these cities, most office facilities are primarily located on the first floors of residential buildings, limiting the availability of dedicated business centers.

Commercial Real Estate Sector: Global Trends



Globally, industrial and high-quality office and retail spaces at prime locations Commercial Real Estate Sector Show Resilience



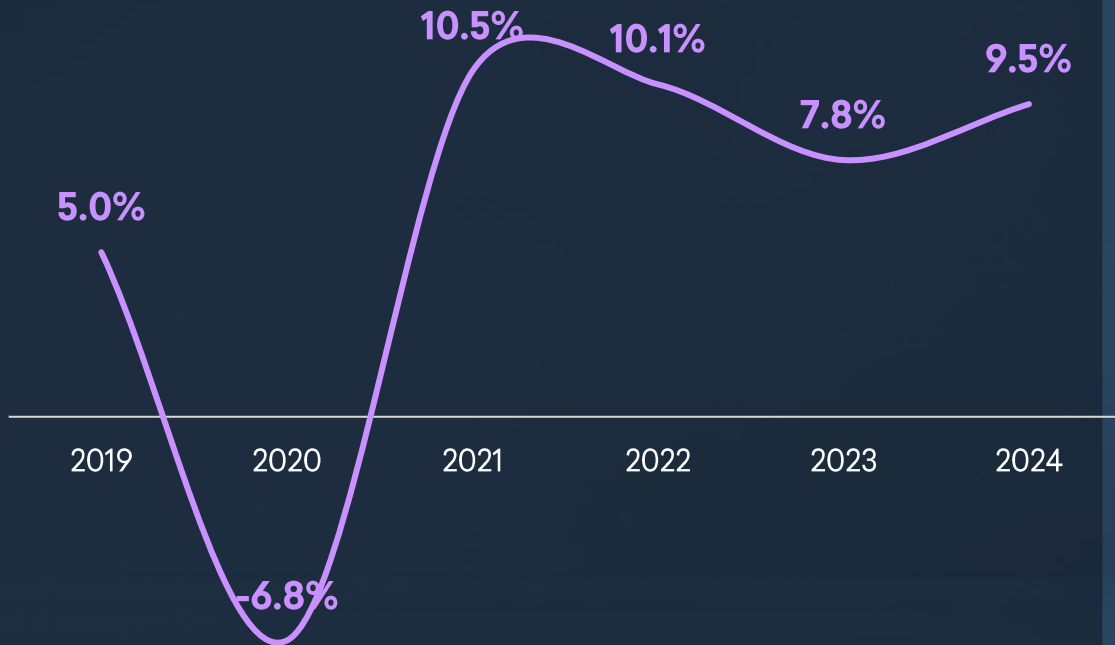
Segment	Risks and challenges	Trends, 2025
Industrial	Limited risk; sustained demand in logistics and warehousing driven by e-commerce	<p><u>J.P. Morgan</u> notes that vacancy rates remain low due to strong demand from e-commerce and supply chain restructuring.</p> <p><u>Moody's</u> expects the sector to outperform office and retail, with robust rent and revenue growth in logistics and distribution centers.</p> <p><u>The IMF</u> confirms that industrial assets, especially in advanced economies, maintain strong fundamentals and face fewer refinancing and valuation risks.</p>
Office	Structural shifts in office demand due to hybrid work models, leading to elevated vacancy rates and a growing divide between Class A and lower-grade office spaces	<p><u>J.P. Morgan</u> and <u>Moody's</u> note a growing preference for modern, centrally located, and amenity-rich office spaces, placing downward pressure on outdated buildings.</p> <p><u>The Financial Times</u> underscores a clear market divide, with high-quality Class A offices performing well while lower-tier properties struggle.</p> <p><u>The IMF</u> confirms that these trends are contributing to sustained vacancies and weaker performance in traditional office assets.</p>
Retail	A widening gap between high-quality, well-located properties and older or poorly located buildings due to changing consumer habits and e-commerce competition	<p><u>J.P. Morgan</u> highlights continued resilience in grocery-anchored and luxury retail, while at inferior locations face challenges from shifting consumer habits and e-commerce.</p> <p><u>Moody's</u> projects modest revenue growth, particularly in suburban and mixed-use centers, driven by inflation-conscious consumer behavior.</p> <p><u>The Financial Times</u> notes declining foot traffic and rising vacancies in poorly located urban malls, though luxury and prime high-street retail remain in demand.</p>

Drivers of Commercial Real Estate sector

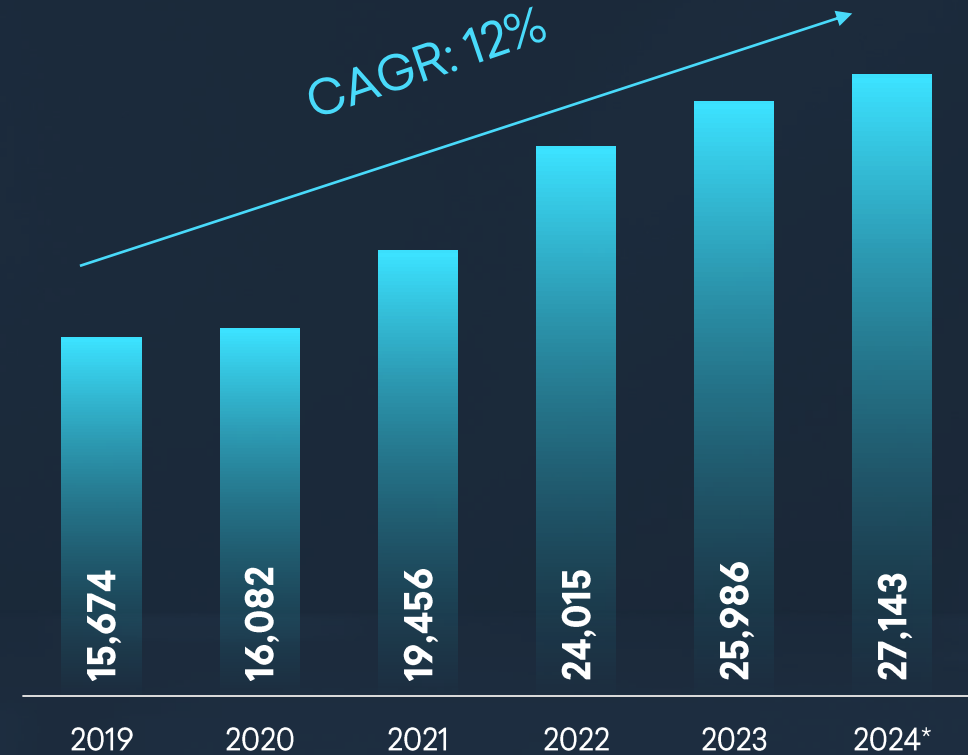


In recent years, increased economic activity and the growth of the retail sector have had a positive impact on the commercial real estate market, including shopping malls, street retail spaces, and business centers.

Real GDP growth
(YoY change,%)

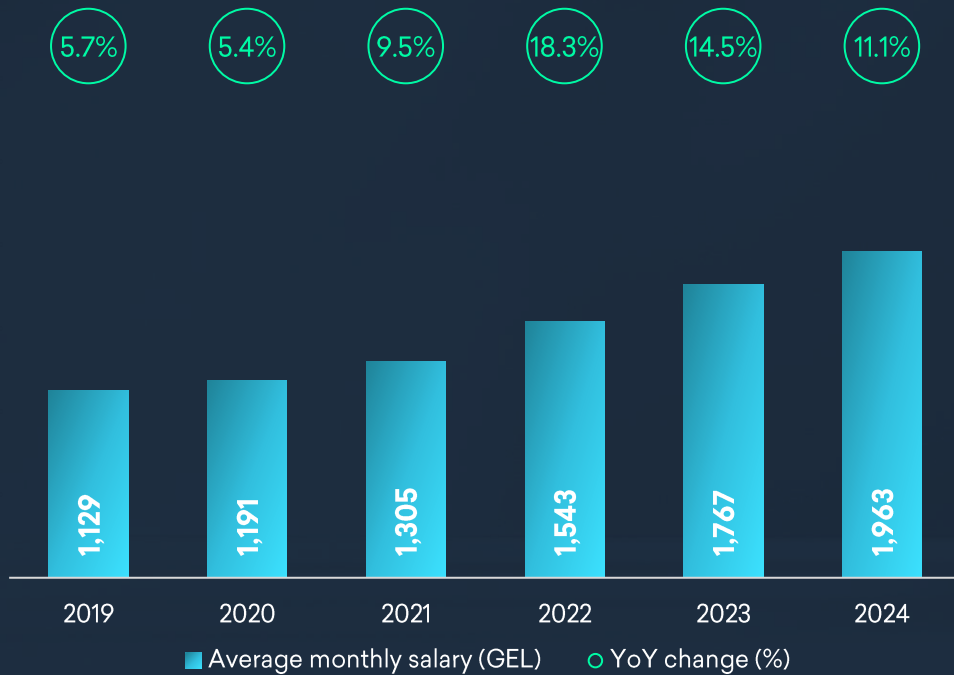


Growth in turnover of retail sector (YoY change,%)

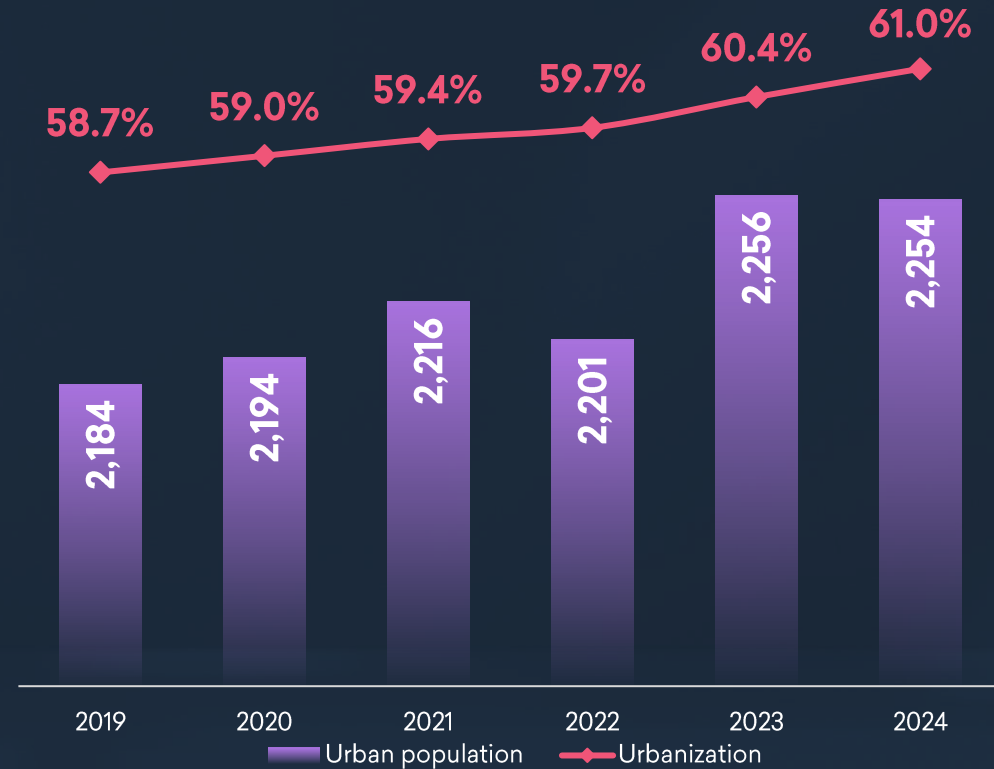


Rising wages have increased household purchasing power, leading to higher spending on consumer goods. Additionally, growing urbanization is driving demand for the retail and consumer sectors in cities.

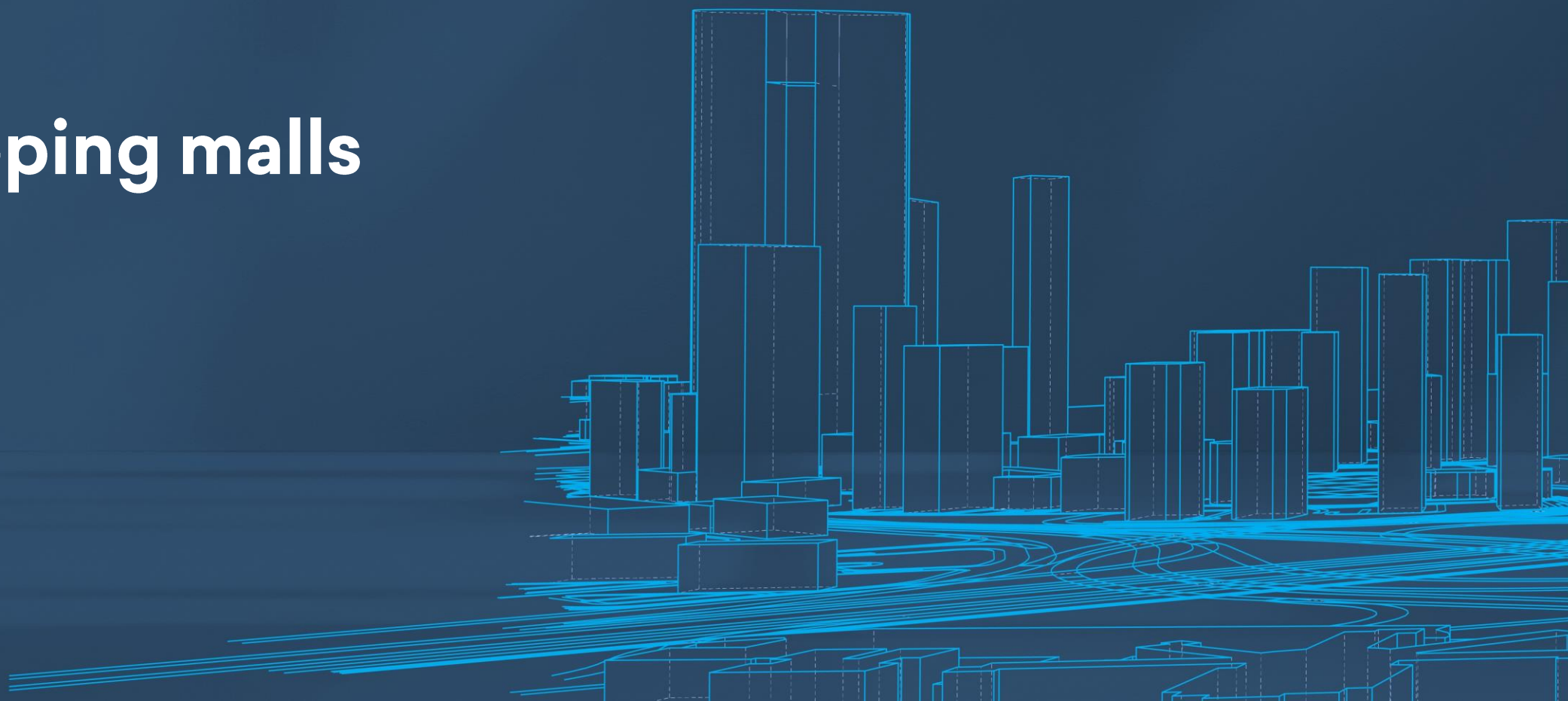
Average monthly nominal salary (GEL) and YoY change (%)



Urban population as of January 1st ('000) and Urbanization (%)

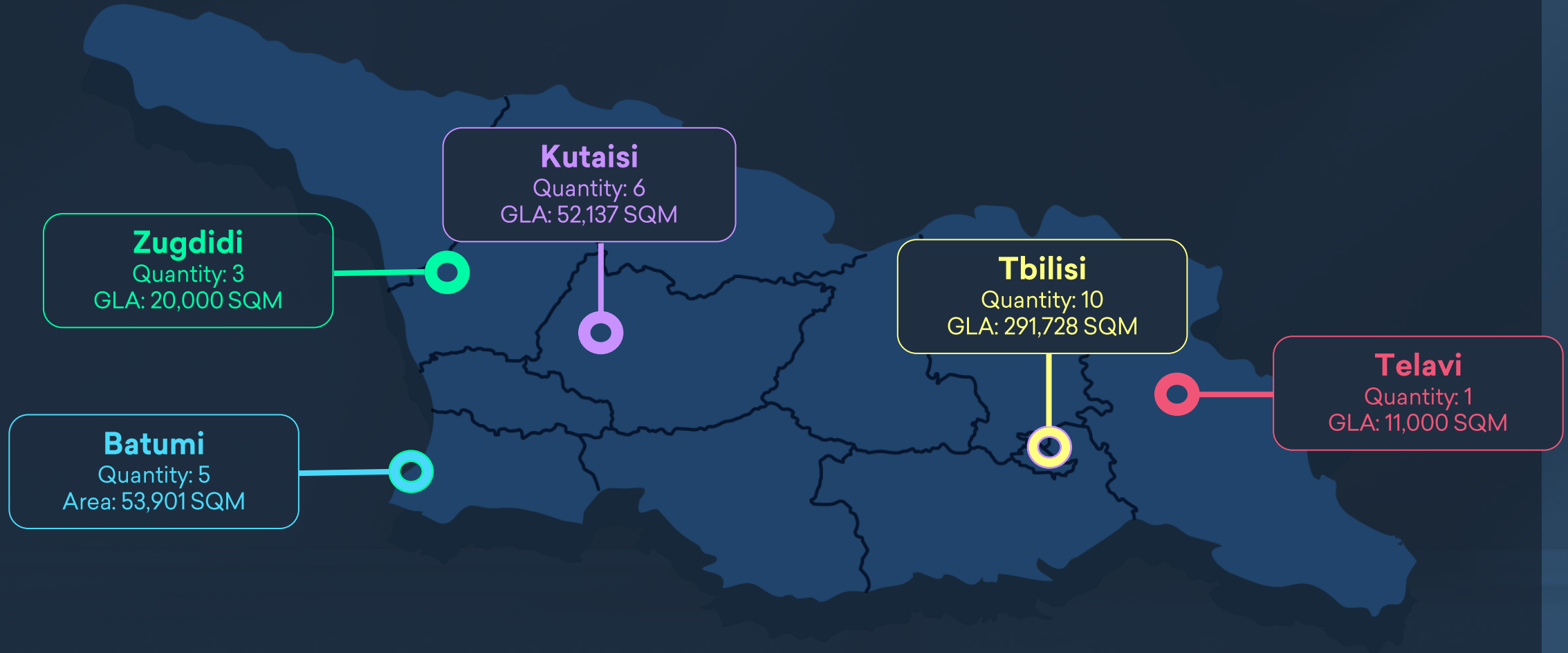


Shopping malls



Business activity in Georgia is predominantly centered in Tbilisi, which generates half of the country's value-added and houses a large concentration of commercial real estate.

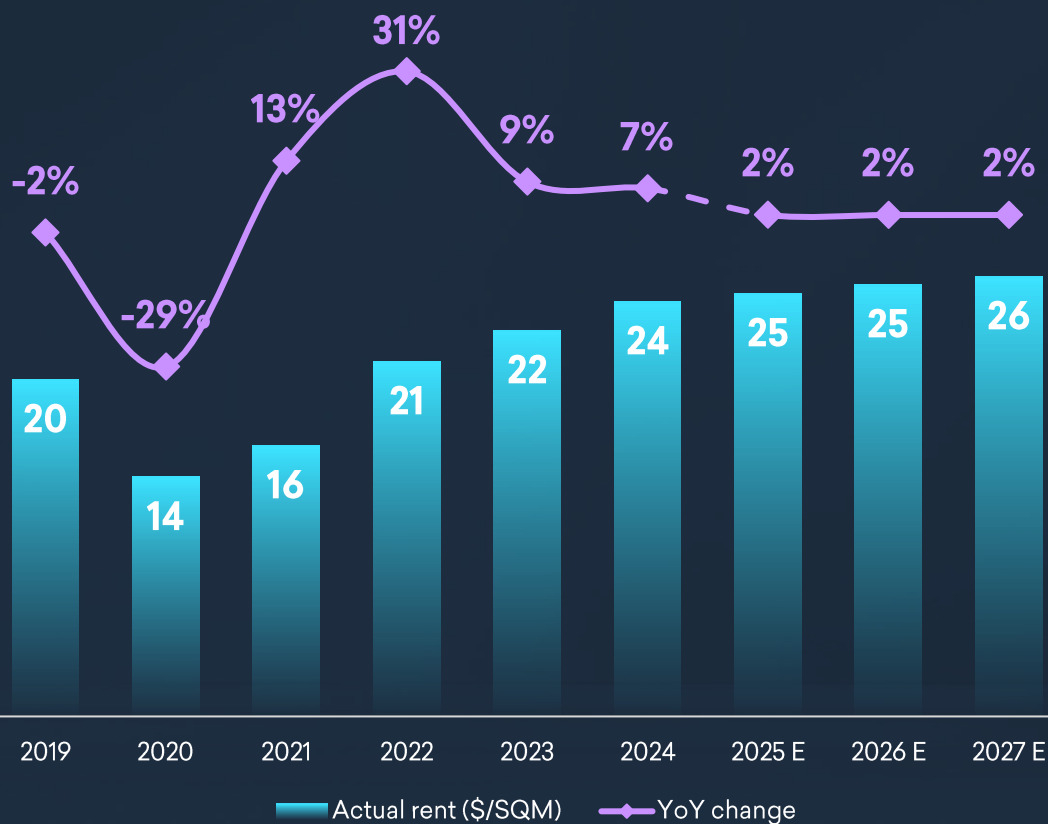
Number of major shopping centers and Gross Leasable Area (GLA)



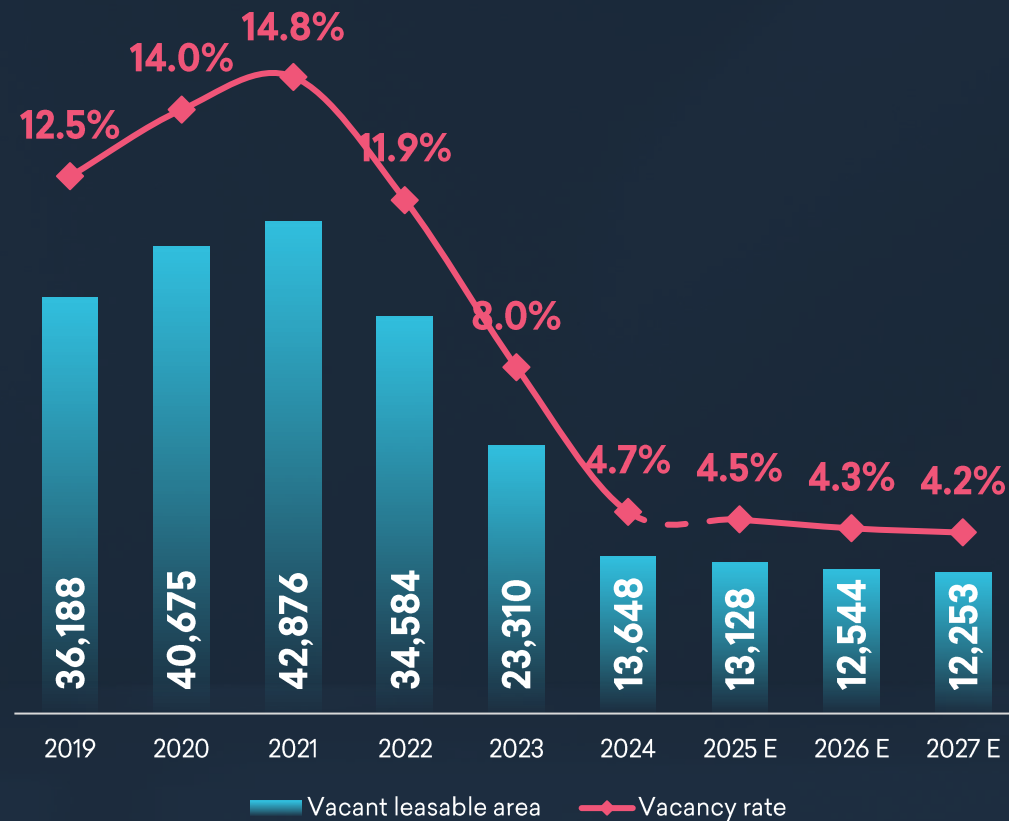


In 2024, the average rent in Tbilisi shopping centers reached \$24.1 per square meter, marking a 7.4% increase compared to the previous year. During the same period, the average vacancy rate in Tbilisi's shopping malls stood at 4.7%, reflecting a 3.3 pp improvement from 2023.

The average actual rent in major shopping malls (\$/SQM, excluding VAT and service fee) and YoY change, Tbilisi



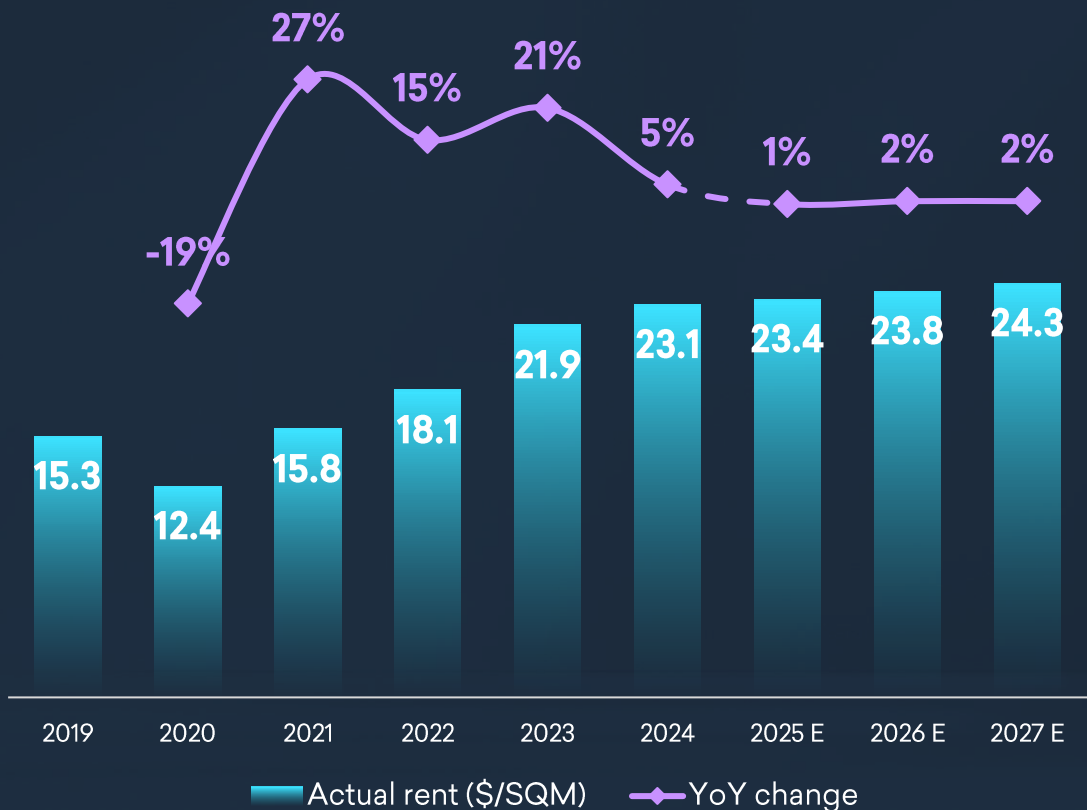
Vacant leasable area (SQM) and vacancy rates (%) in major shopping malls, Tbilisi



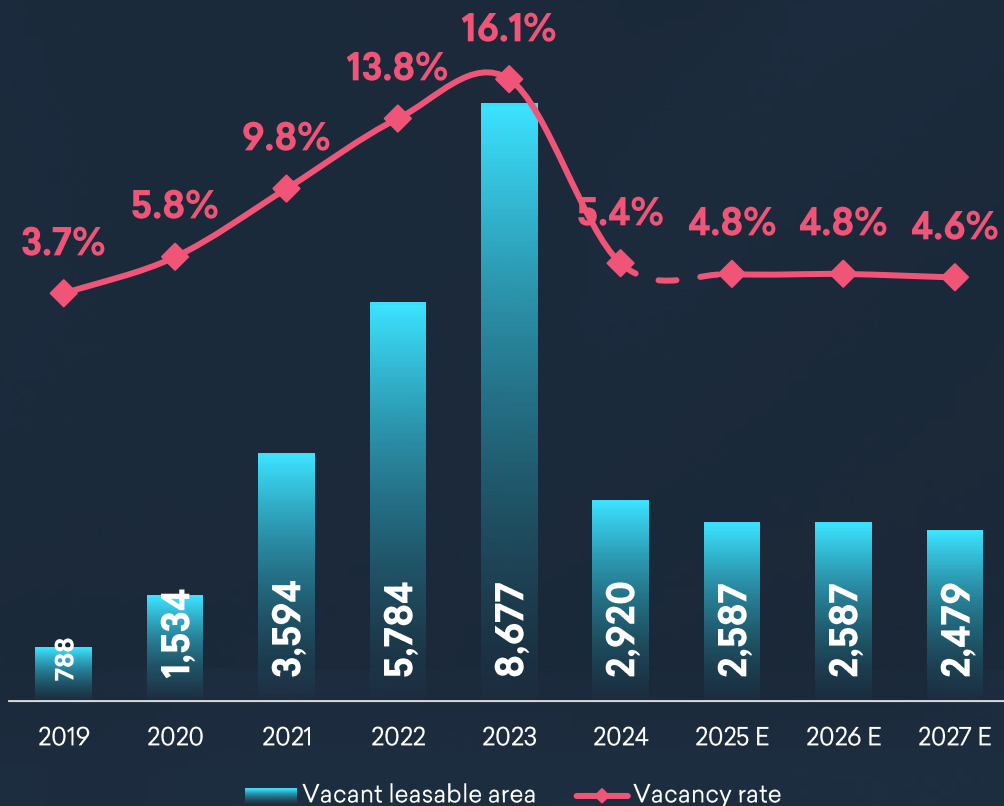


In 2024, average rental prices in Batumi shopping centers increased by 5% compared to 2023, mainly driven by the opening of new shopping centers and positive economic trends in the Adjara region. During the same period, the vacancy rate stood at approximately 5.4%, reflecting a significant improvement compared to 2023.

The average actual rent in major shopping malls (\$/SQM, excluding VAT and service fee) and YoY change, Batumi

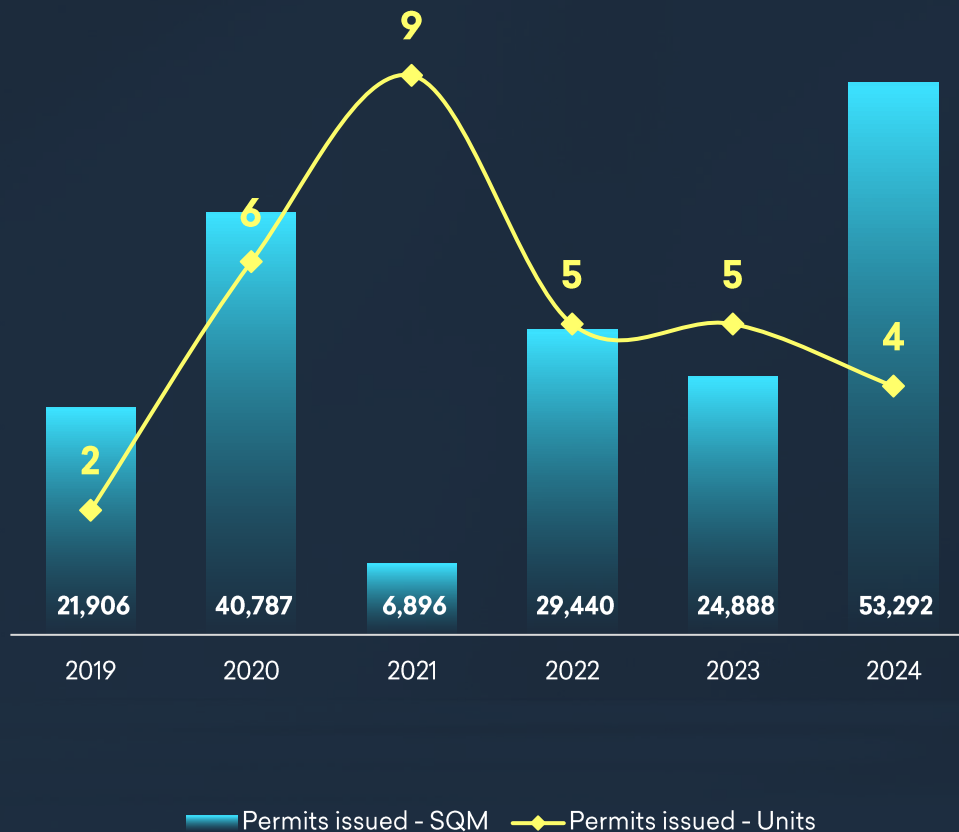


Vacant leasable area (SQM) and vacancy rates (%) in major shopping malls, Batumi



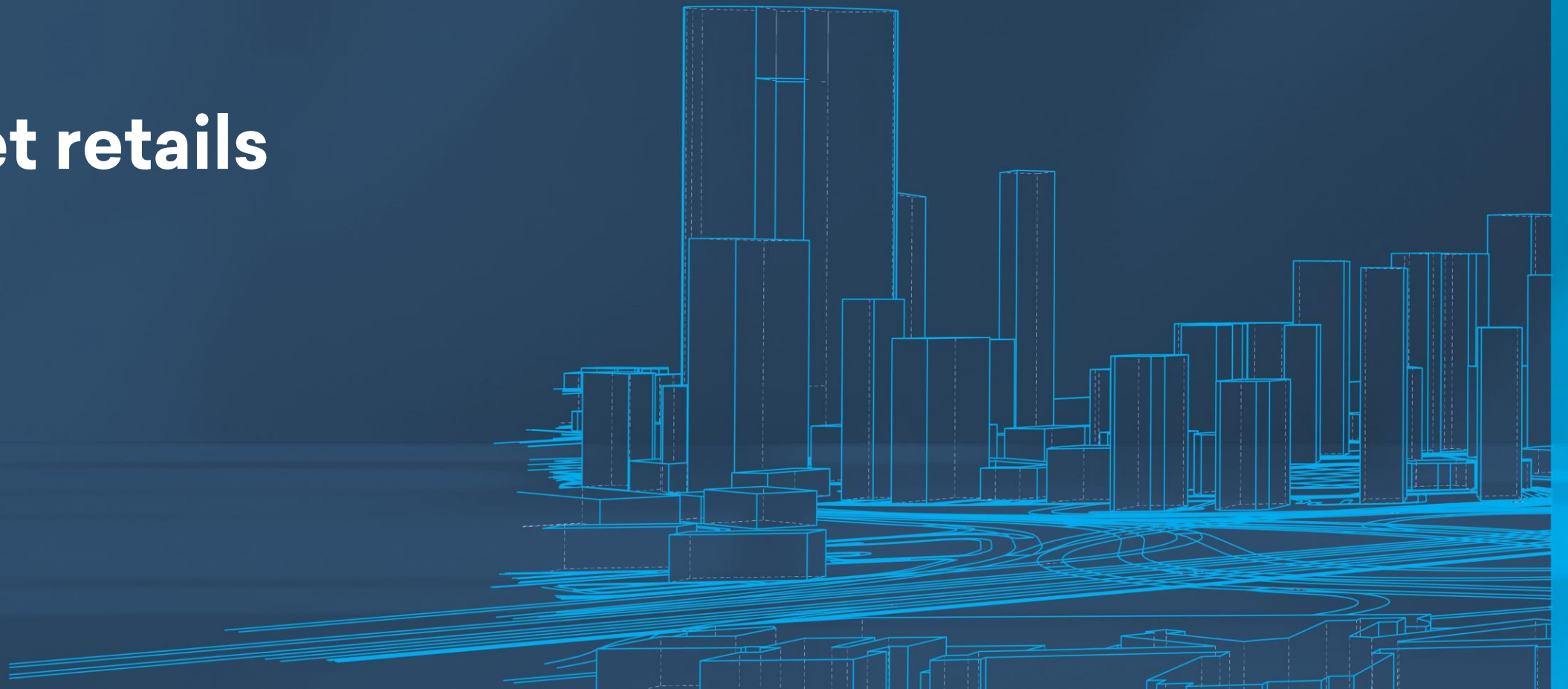
In the coming years, new shopping centers will appear in Tbilisi, Batumi, and Telavi.

Construction Permits, Tbilisi shopping malls



- Among Tbilisi's upcoming retail developments, notable projects include Tbilisi Outlet Village and shopping mall "Bavshvta Samkaro"
- At least two new shopping centers (Orbi City and World Trade Center) are expected to open in Batumi, nearly doubling the total leasable area in shopping centers
- In recent years, no permits have been issued for the construction of large, multifunctional shopping centers in Kutaisi.
- In Zugdidi, a multifunctional shopping center opened one year ago.
- By the end of this year, Telavi is also expected to see the addition of a new shopping center.

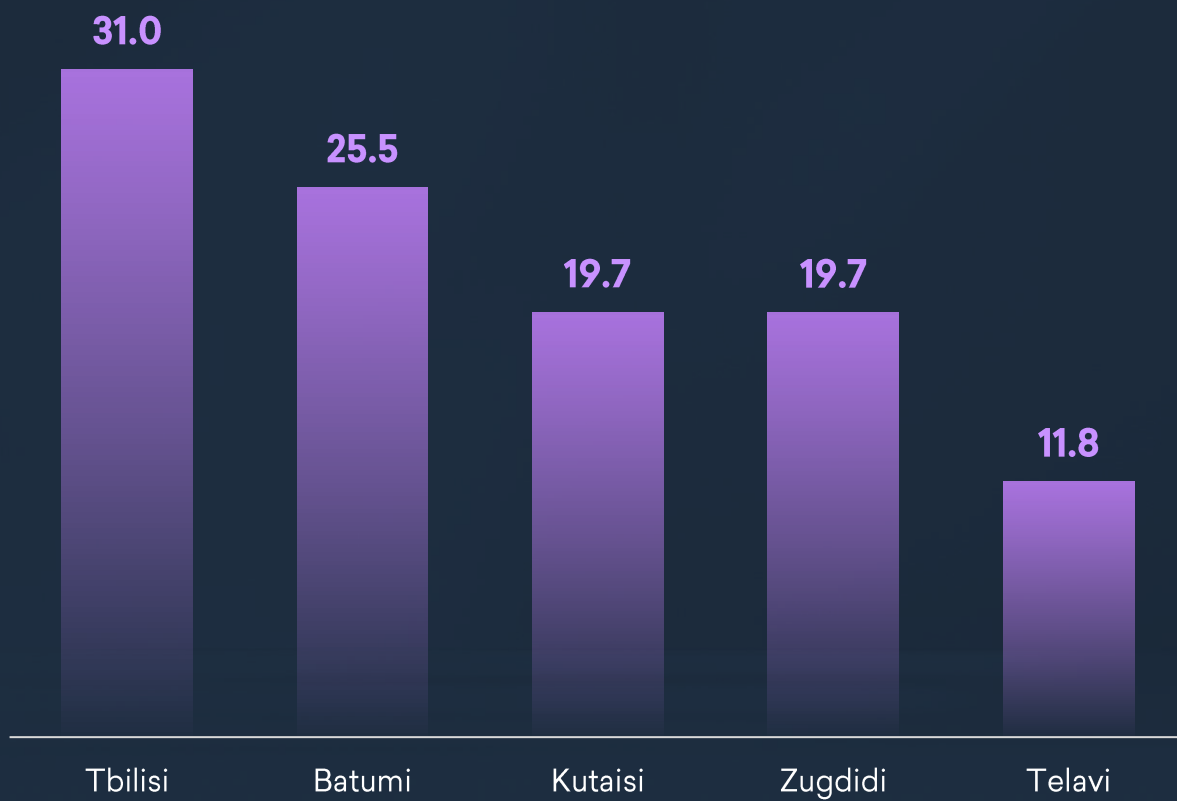
Street retails





Tbilisi stands out with the highest average rent of 31.0 \$/SQM, reflecting its status as the capital and a major commercial hub, attracting high-end brands and heavy foot traffic. Batumi follows at 25.5 \$/SQM,

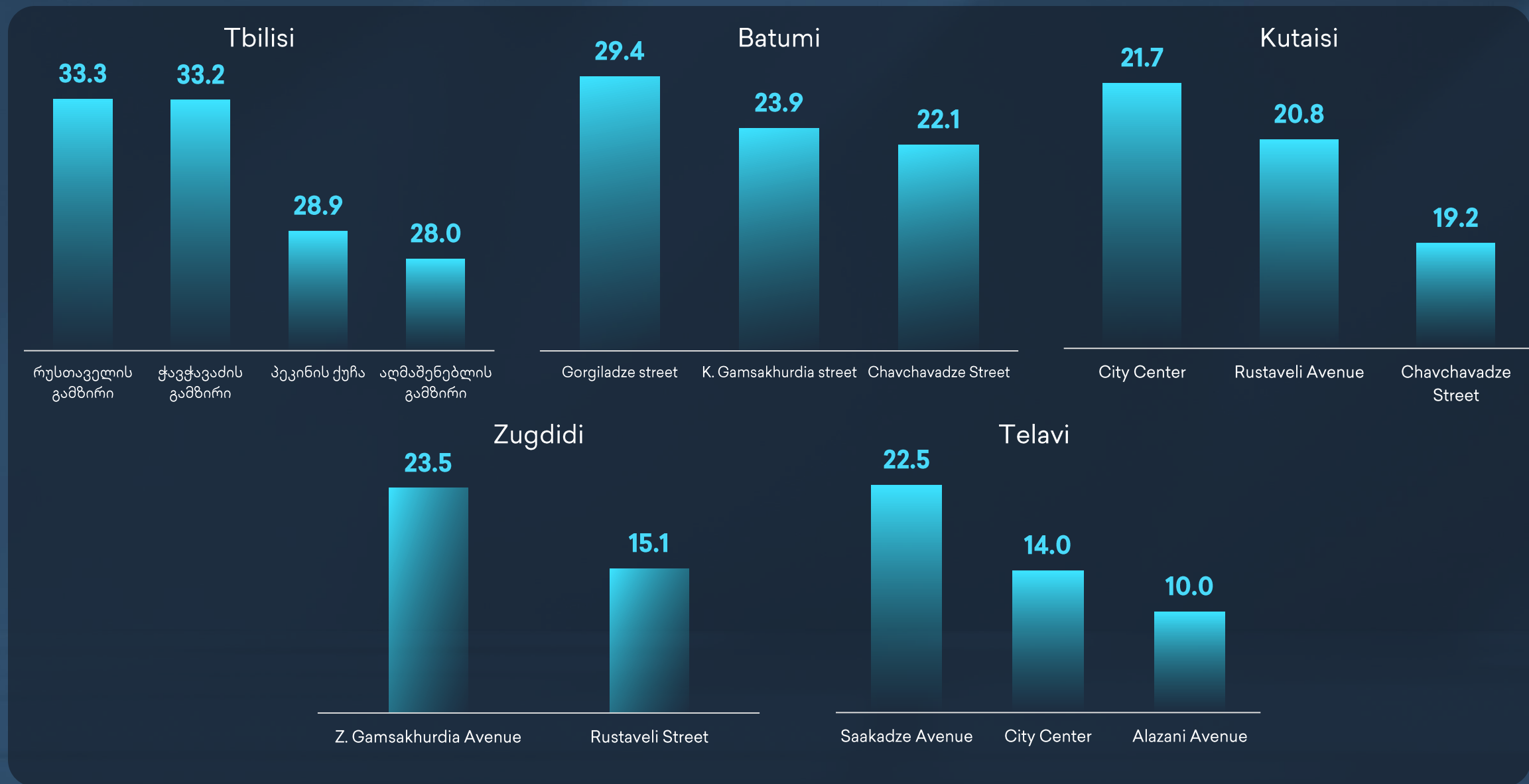
The average actual rent (\$/SQM, excluding VAT and service fee) in street retails in Tbilisi, Batumi, Kutaisi, Zugdidi and Telavi, 2024



- In Tbilisi, rent prices on high streets are highest on Rustaveli Avenue (33.3 \$/SQM) and Chavchavadze Avenue (33.2 \$/SQM)
- In Batumi, Gorgiladze Street leads at 29.4 \$/SQM.
- Kutaisi's city center offers the most expensive commercial spaces in the city with \$21.7 \$/SQM
- In Zugdidi, Z. Gamsakhurdia Avenue is priced at 23.5 \$/SQM.
- In Telavi, the rents at Saakadze Avenue is the highest with 22.5 \$/SQM



The average actual rent (\$/SQM, excluding VAT and service fee) in high streets in Tbilisi, Batumi, Kutaisi, Zugdidi and Telavi, 2024

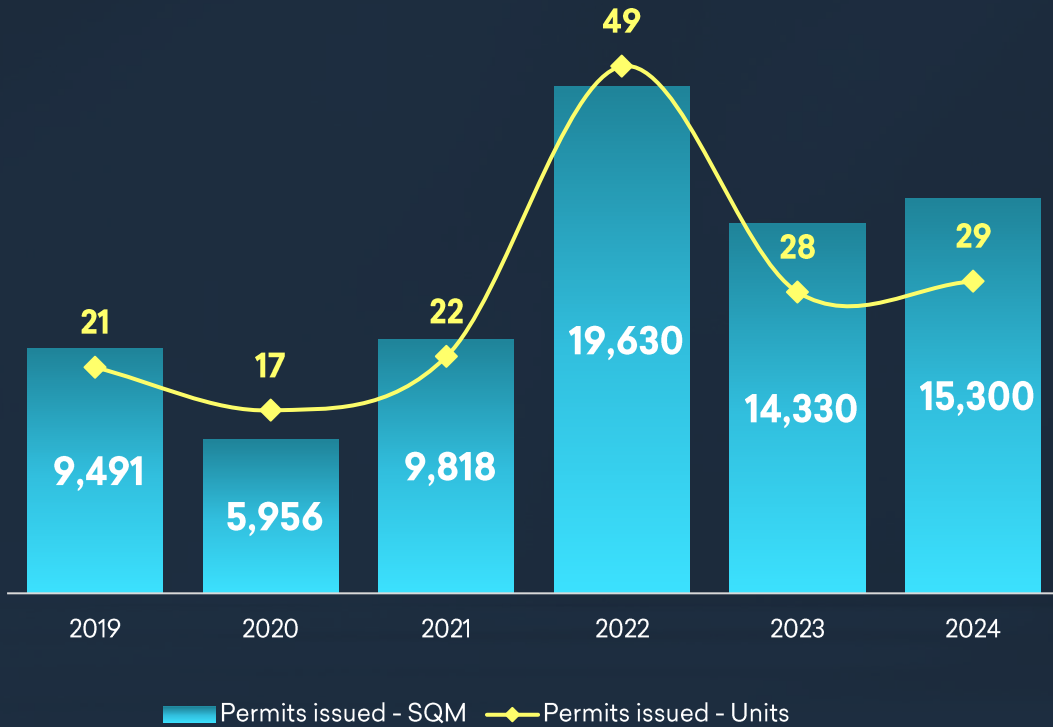


Source: Commercial Real Estate Survey 2024, TBC Capital

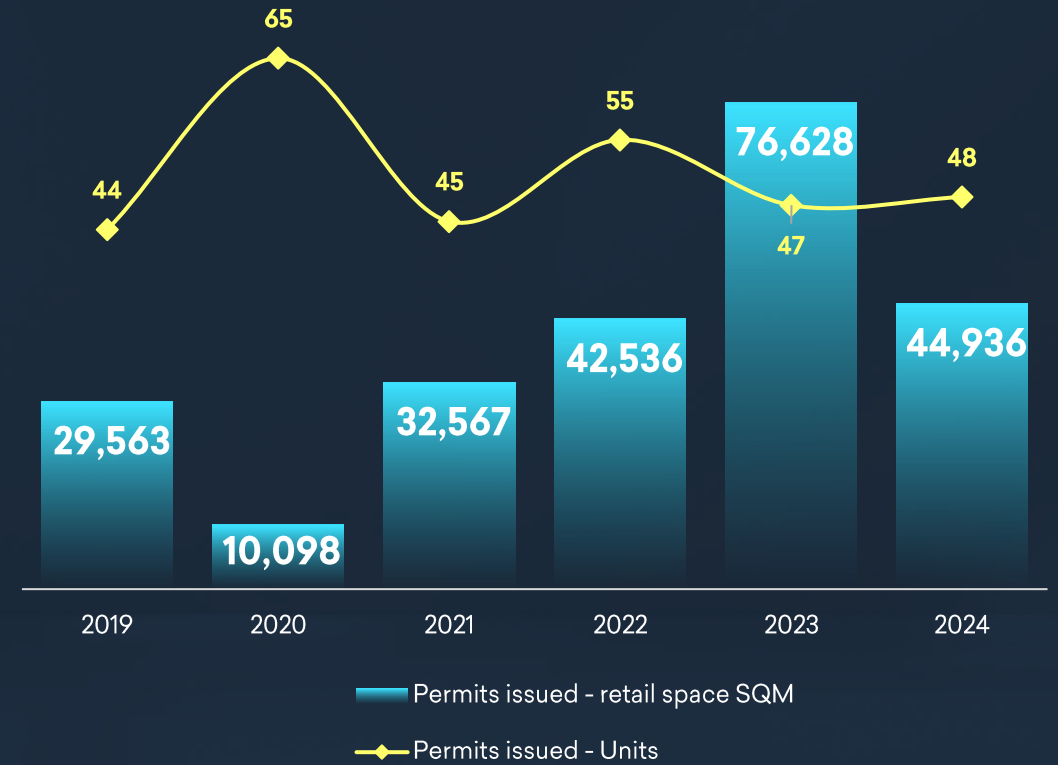


Over the next 3–4 years, the supply of commercial space in the Tbilisi market is expected to increase.

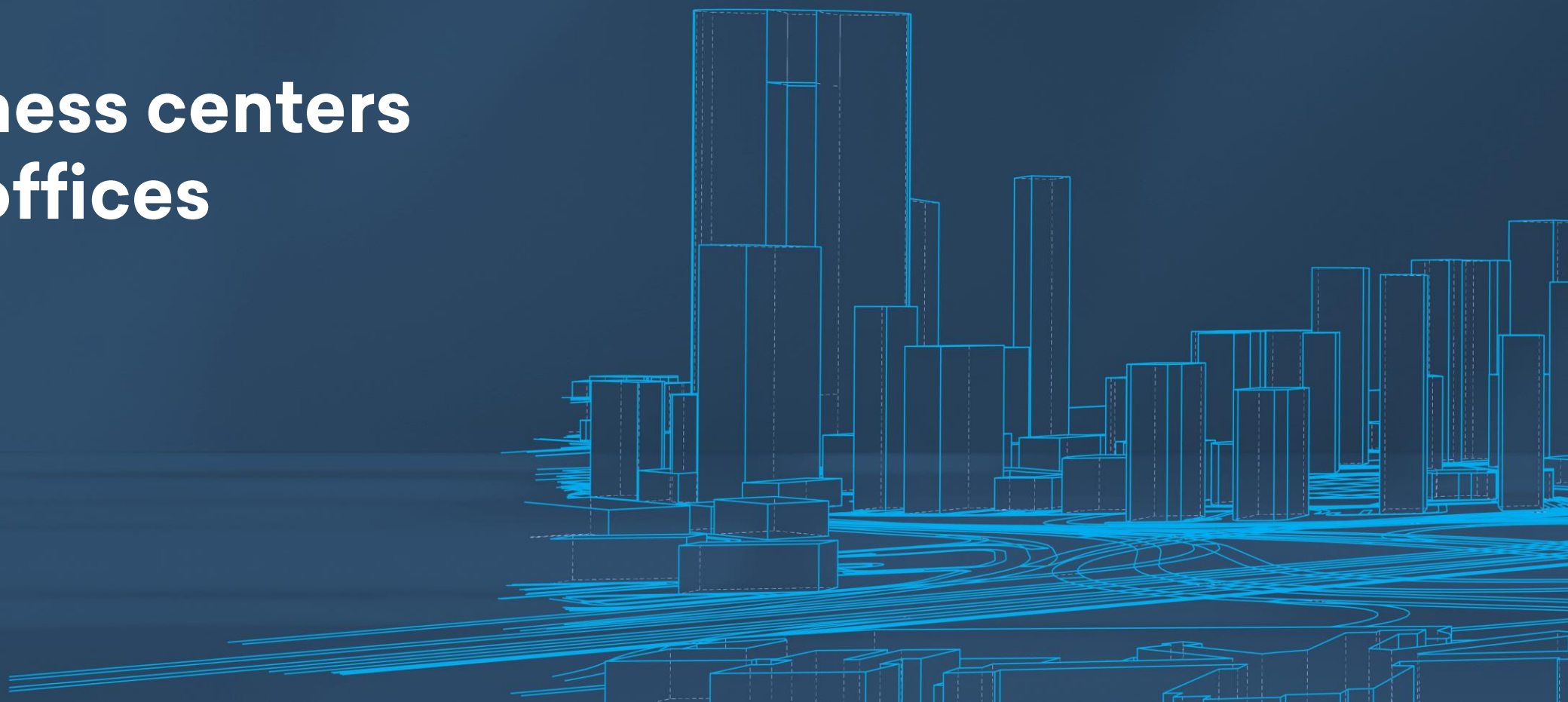
Construction permits, Tbilisi standalone retail spaces



Construction permits for retail spaces in multifunctional buildings, Tbilisi



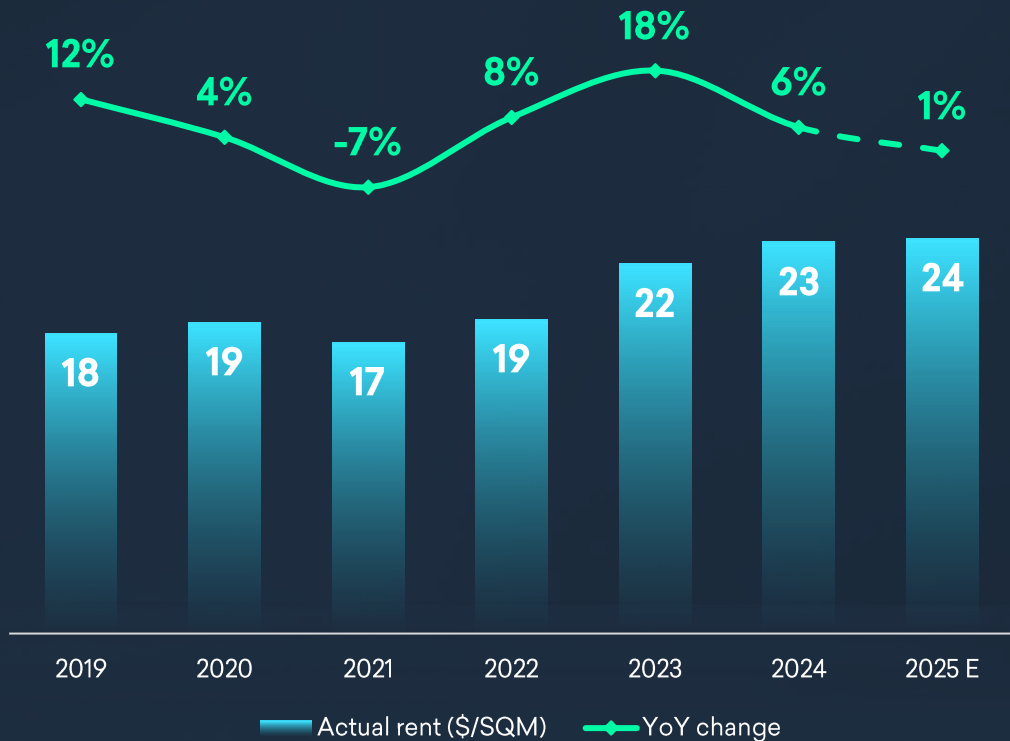
Business centers and offices



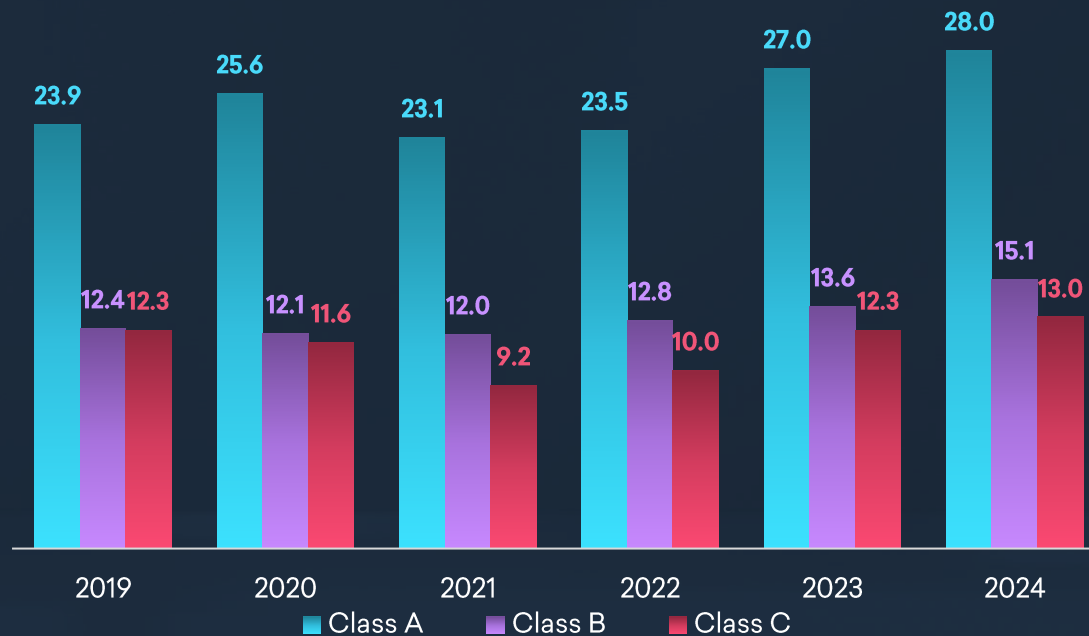


In 2024, the average rent in Tbilisi business centers increased by 6% compared to 2023, reaching 23.4 \$/SQM. The average rent shows an upward trend across all types of office spaces.

The average actual rent in major business centers and offices (\$/SQM, excluding VAT and service fee) and YoY change, Tbilisi



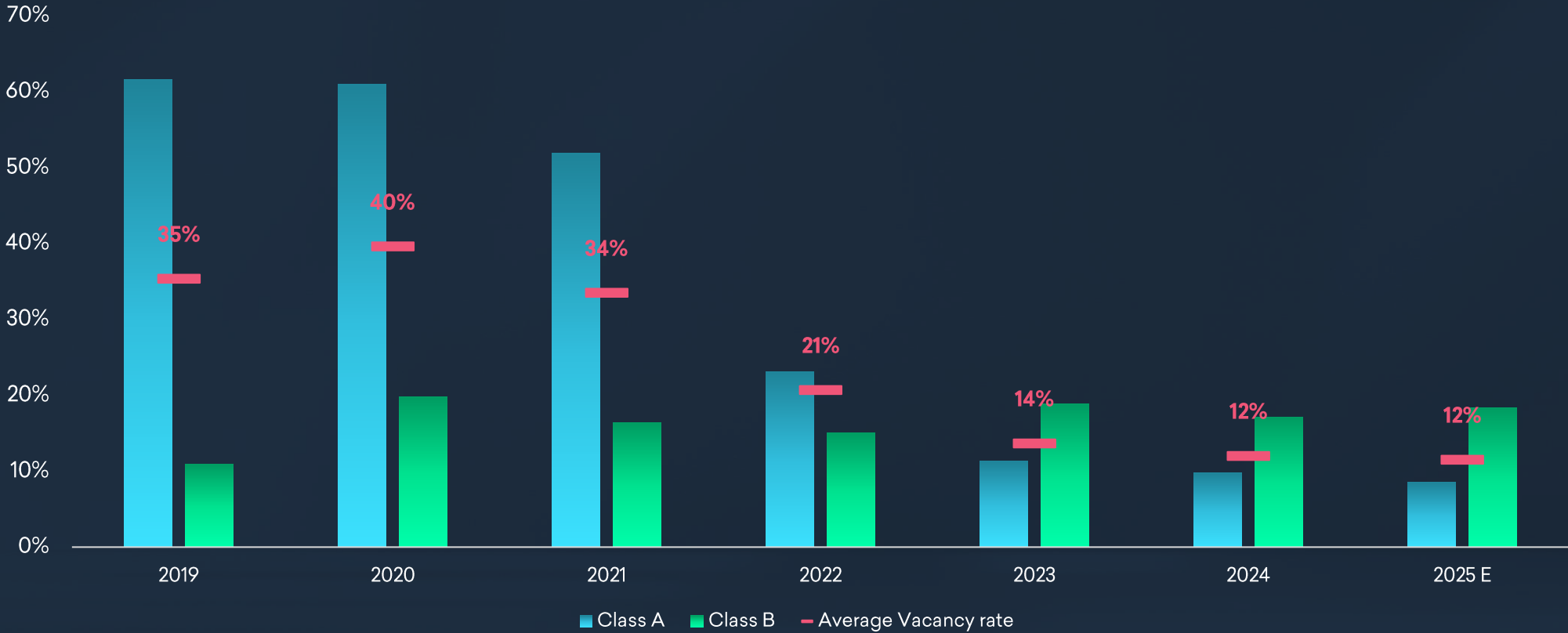
The average actual rent in major business centers and offices (\$/SQM, excluding VAT and service fee) by class, Tbilisi





In 2024, the average vacancy rate in Tbilisi's business centers stood at 12%, marking a 2 pp decline compared to 2023. Vacancy rates at Class A business centers decreased to 10%, while Class B centers experienced a reduction in vacancy rates to 17%.

Vacancy rates (%), Tbilisi business centers

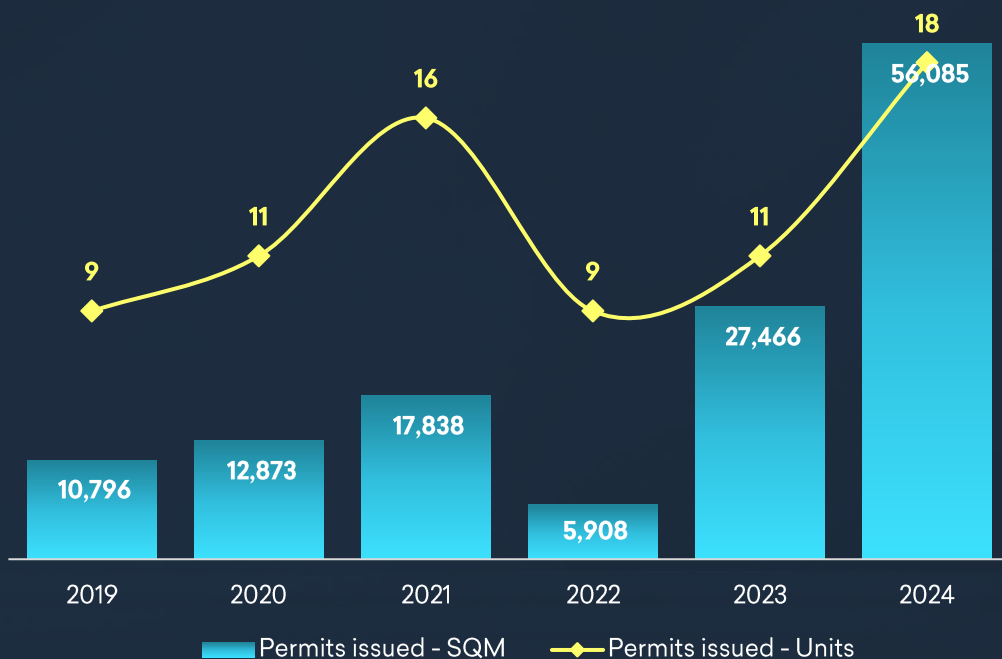


Source: Commercial Real Estate Survey 2024, TBC Capital

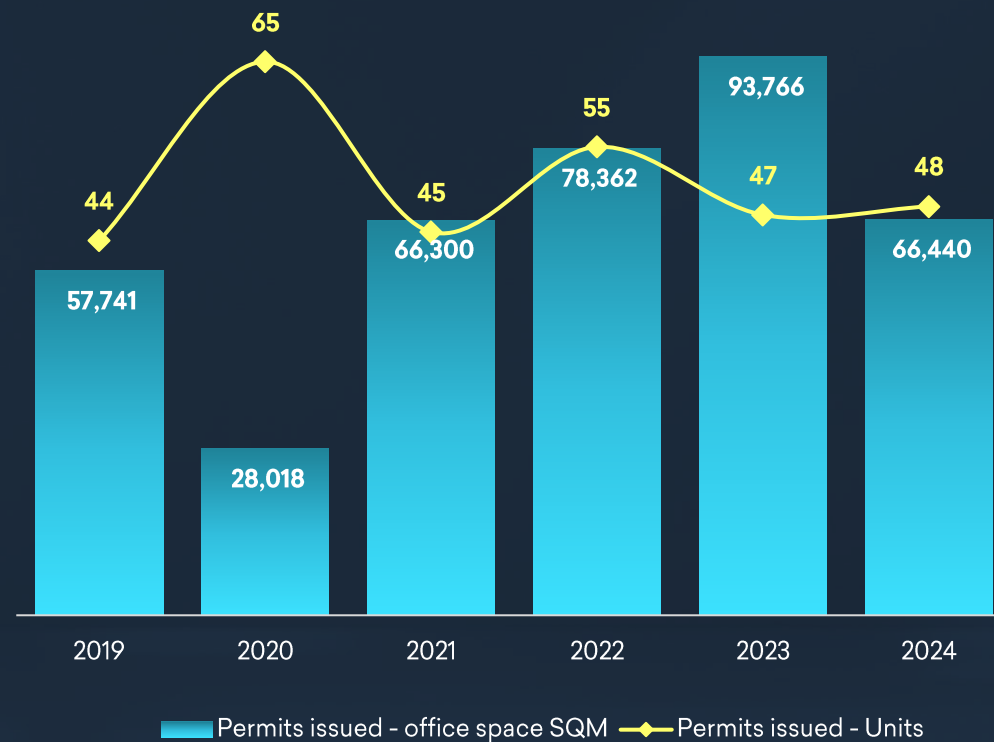


In response to the increased demand for offices and business centers in recent years, the area of building permits issued for office construction has also risen. New business center construction permits are mainly concentrated in the Vake and Saburtalo districts, significantly increasing the supply of office space in these areas.

Construction permits, Tbilisi standalone business centers and offices



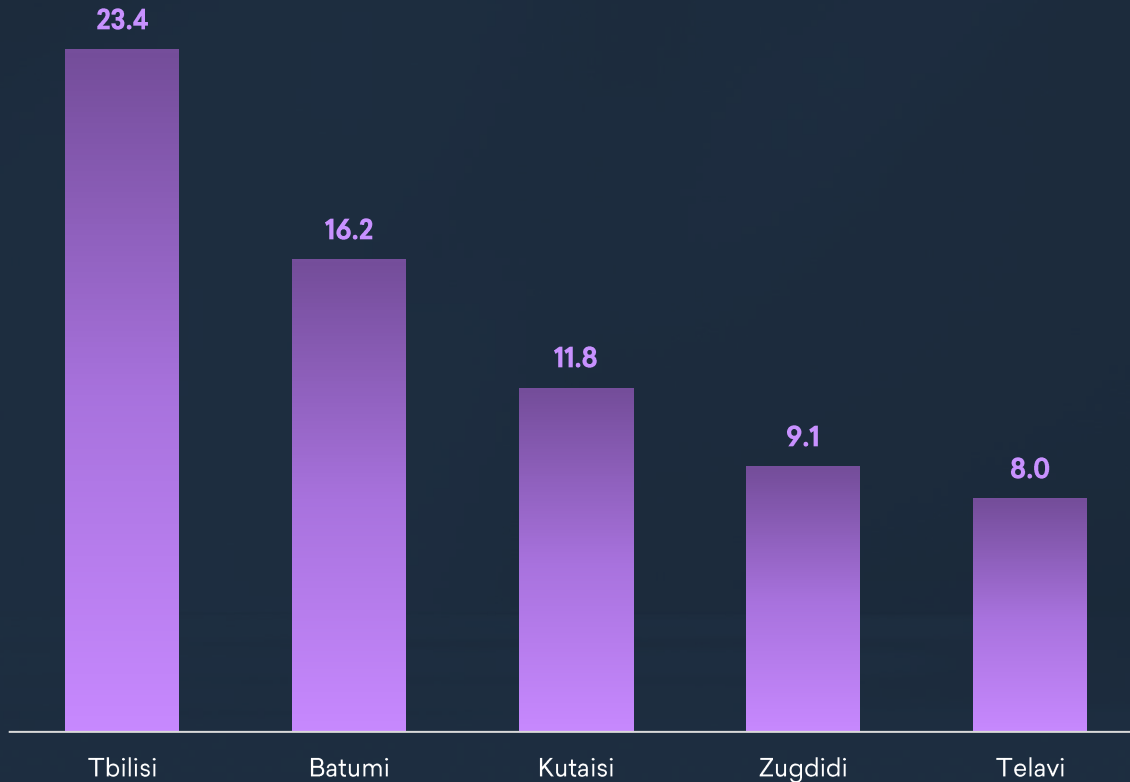
Construction permits, office spaces in multifunctional building in Tbilisi





The office market in Batumi, Kutaisi, Zugdidi, and Telavi is characterized by a lack of organized office space providers. In these cities, most office facilities are primarily located on the first floors of residential buildings, limiting the availability of dedicated business centers.

The average rent prices in offices in Tbilisi, Batumi, Kutaisi, Zugdidi and Telavi, (\$/SQM, excl. VAT and service fee)



- In Batumi, the office rental prices are more aligned with Tbilisi averages, hovering around 16.2 \$/SQM.
- Conversely, the rental prices in Kutaisi, Zugdidi, and Telavi are considerably lower, ranging from \$11.8 per SQM in Kutaisi, \$9.1 in Zugdidi and \$8 in Telavi.
- Looking ahead, the majority of office supply will predominantly consist of first-floor spaces within multifunctional buildings and shopping centers in Batumi, Zugdidi, Telavi.
- In Kutaisi, there has been a notable increase in building permits for office properties, signaling growing development interest. However, the majority of these projects are limited in scale, primarily targeting small to mid-sized office spaces rather than large commercial developments.

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