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# Hotel Market in Georgia 2017



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Photo: The Biltmore Hotel Tbilisi

## Travel

In 2017, the number of Georgia's international inbound travelers grew by 18.8% year-over-year (y-o-y) from 6.4 million to an all-time high of 7.6 million. Tourist arrivals increased by 27.9% from 2016 to 2017, reaching 3.5 million visitors.

## Hotel Supply Trend

The hotel industry in Georgia comprises approximately 27,333 rooms. The total supply is expected to increase by 6,754 new rooms by 2021.

## Tbilisi and Batumi – Main Suppliers of Hotel Rooms

Tbilisi's and Batumi's hotel room supplies have grown substantially over the past few years. In 2017, Tbilisi's total hotel room count hit 7,875, representing a 44% increase from 2014, while Batumi's supply rose to 5,325 rooms, reflecting a dramatic 109% increase. Taking into consideration the future pipeline, these two cities will remain Georgia's top suppliers over the next five years.

## International Operators Continue to Expand in Georgia

During next few years, the Georgian hotel market is expected to grow substantially. Several major international brands will build locations in not only Tbilisi and Batumi, but also in Kutaisi, and in Georgia's seaside and mountain resorts. The first internationally-known midscale brand, Best Western, already opened a 45-room hotel in Kutaisi. Another international brand, Ramada Encore, is expected to open a hotel in Kutaisi in 2019, adding another 120 rooms. In addition, the Best Western Plus joined Bakuriani's hotel market.

In 2017, three internationally-branded hotels - the Euphoria Hotel Batumi, Wyndham, and Best Western - opened in Batumi, adding another 611 rooms to Batumi's overall hotel room numbers. As a result, the share of internationally-branded hotel rooms in Batumi has now reached 24%. Today, internationally-branded hotel rooms represent 21% of Tbilisi's total supply. Based on the most likely scenario, we expect the share of internationally-branded hotel rooms to reach 39% by 2020. Currently, Tbilisi has 20 internationally-branded hotels in the pipeline representing a total investment volume of USD 778 million.

## Tbilisi, Batumi and Kutaisi Performed Well

Overall, Tbilisi's hotel occupancy rates rose in 2017 across all segments barring the economy/budget segment. International upscale brands enjoyed the highest hotel occupancy rate of 72%, while Tbilisi's international midscale brands experienced 10% in RevPAR growth.

Occupancy rates for Batumi's internationally-branded and local upscale and middle-class hotels increased by 7.7% and 19% y-o-y, respectively, while local upscale and midscale hotels saw a mammoth 17% RevPAR increase.

Kutaisi hotels also experienced a strong year, with 20% occupancy growth in the upscale and midscale segments and a 5% increase in local budget and economy class segments. Upscale and middle-class segments recorded a 24% growth in RevPAR.

## Ski Resorts Experiencing a Strong Growth Trajectory

Having entertained more than 410,000 visitors during the 2016-2017 winter season, Georgian ski resorts are opening up to and benefiting from a global audience. Gudauri hotels recorded their highest occupancy rates (51%) since 2014, while development of new resorts and infrastructural enhancements are also working to fuel growth.

At the other end of the spectrum, performance indicators in seaside resorts were negatively impacted by the lingering effects of Georgia's currency depreciation.

Wellness and spa tourism is another high-potential growth area for Georgia. Various resorts are still in the early stages of development, but future prospects are promising.



Photo: Rooms Hotel Tbilisi

## Background

Georgia is the most active economic center in the region. With a liberal tax code, corruption free government, and significant opportunities for foreign investment, it provides a highly supportive business environment.

At the crossroads of Europe and Asia, Georgia borders Turkey, Armenia, Azerbaijan, and Russia. The country occupies an area of 69,700 square kilometers (sq km) and is home to a population of 3.7 million people. The country's land borders run a length of 1,839 kilometers (km), while the Black sea coastline is 315 km.

During last two decades, Georgia has implemented large-scale reforms that have led to political and economic transformation. It has strengthened its democracy and furthered its relationship with the European Union (EU). Georgia has also made business development within the country a top priority through encouraging entrepreneurship, attracting private investments, and shifting tax incentives, thereby positioning itself as an attractive option to the international business world.

With its unique cultural heritage and exuberant hospitality, Georgia's tourism industry continues to grow and thrive, further bolstering economic growth.

## Government

Georgia is a parliamentary republic. Parliamentary elections are held every four years. Georgia's parliament is located in Kutaisi City and acts as the representative body for the country, exercising legislative power and developing domestic and foreign policy. As an executive council of government ministers, Georgia's cabinet is headed by Giorgi Kvirikashvili, who is a member of the majority "Georgian Dream Party." Based on accountability, citizen participation, technology, and innovation as its guiding values, today's government continues to make European and Euro-Atlantic integration a primary strategic objective.

## Legal Framework

The Georgian Constitution, adopted in 1995, lays out the structure of the national government and defines its authority and function. Georgia's court system has three branches: the Courts of First Instance (District or City Courts), the Appellate Courts, and the Supreme Court. The Courts of the First Instance have jurisdiction over all civil, criminal, and administrative cases. Decisions from the Courts of the First Instance may be appealed to the Appellate Courts and further appealed to the Supreme Court.

As an alternative to litigation, Georgian laws allow arbitration both in local as well as international arbitration institutions. Georgia is a member of the International Centre for Settlement of Investment Disputes (ICSID). Public service hall in Georgia provides customers with state services including business registration and property registration through 'one-stop-shop' principle that ensures efficient service delivery.

## Property Ownership & Non-Agricultural Lands

In Georgia property rights are recognized and protected by the Law. An owner has the right to possess, use and dispose of his or her property. The rights of individual owners to possess, use and dispose of land are regulated by the land legislation. There is no restriction on non-agricultural land ownership in Georgia. According to the Heritage Foundation Index, Georgia has substantial improvement in property rights and is 11% above the world average.

## KEY FACTS

3.7 million      69.7K sq km

### POPULATION

### AREA

<b>CAPITAL CITY OF GEORGIA</b>	TBILISI
<b>OFFICIAL LANGUAGE</b>	GEORGIAN
<b>CURRENCY</b>	GEORGIAN LARI (GEL)
<b>GDP PER CAPITA, 2016</b>	3864.6 USD
<b>UNEMPLOYMENT RATE, 2016</b>	11.8%
<b>AVERAGE MONTHLY SALARY, 2016</b>	375 USD
<b>LIFE EXPECTANCY</b>	72.7 years

## Labor Market Overview

Georgia's labor force comprises approximately 1,998,300 people. The unemployment rate is 11.8%, which is lower than the 14.8% average over the last decade. As of December 2016, 14.9% of the working population are employed by public sector, while 85.1% work in the non-public sector. Georgia's labor force is well-educated, multi-lingual and relatively low cost.

International Rankings

Georgia has improved its status as a free economy thanks to its fiscal policy, regulatory efficiency, and open market policies. According to the World Bank's Doing Business report 2018, Georgia ranks 9th for 'ease of doing business' among 190 economies, 4th for 'ease of starting business', and 4th for 'ease of registering property'. In 2017 Fitch Ratings has affirmed Georgia's Long-Term Foreign Currency Issuer Default Rating at 'BB-' with a Positive Outlook. Standard & Poor's and Moody's rated Georgia as 'BB-' and 'Baz' respectively.

Georgia has been among the top 'most improved' countries four times in the past 13 years. Registering a new business takes a maximum of two days and requires no minimum capital requirements. According to the 'Heritage Foundation Index of Economic Freedom 2018,' Georgia's economy is categorized as Mostly Free, ranking 16th across 180 countries.

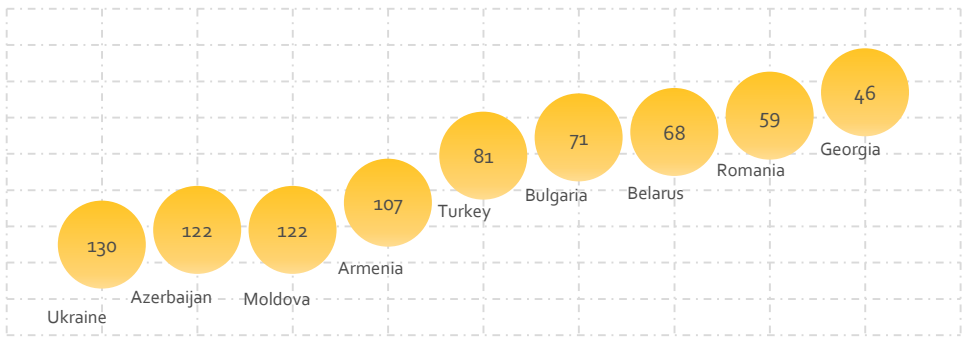
Georgia remains the least corrupt country in the region. According to Transparency International, Georgia remains the top performer among the Eastern Partnership countries.

Foreign investors in Georgia are guaranteed equal rights to those of Georgian citizens. After payment of taxes foreign investors are entitled to repatriate the earnings (income) gained from investments and other funds abroad.

Tax Climate

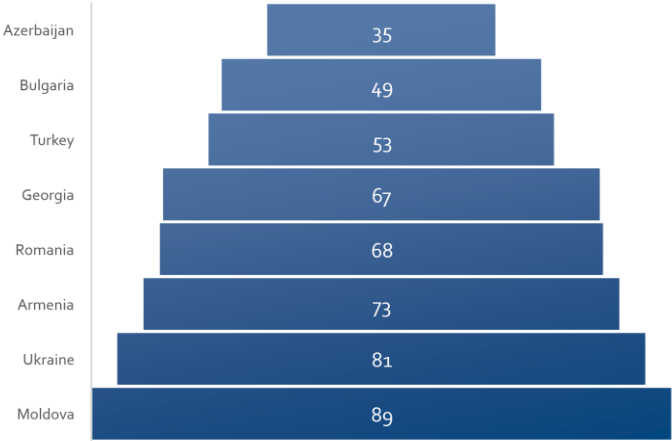
In order to attract investments and boost economic growth, an Estonian-type tax model was adopted in 2017 that exempts undistributed earnings from profit tax, and instead taxes distributed earnings only. Georgia has a liberal tax code that includes only six types of taxes: Profit Tax (15%), Personal Income Tax (20%), Value Added Tax (18%), Import Tax (0%, 5% or 12%), Excise Tax (on selected goods), and Property Tax (up to 1%). Georgia has Double Taxation Avoidance treaties with 52 countries.

THE WORLD CORRUPTION RANKING, 2017



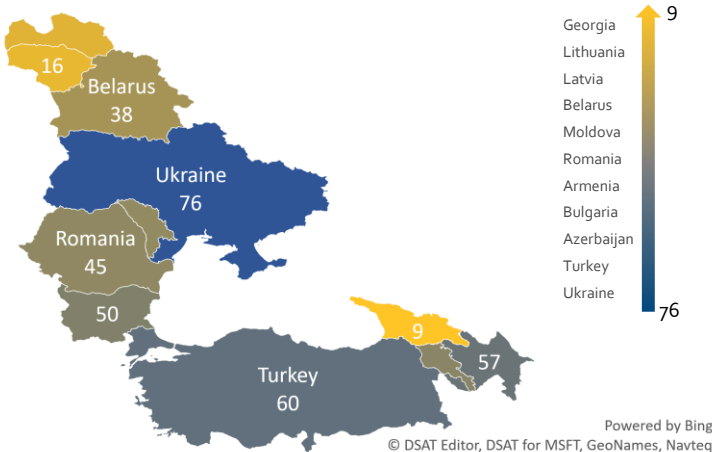
Source: Transparency International, Colliers International

GLOBAL COMPETITIVENESS INDEX 2017-2018



Source: World Bank, Colliers International

EASE OF DOING BUSINESS 2018



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Source: World Bank, Colliers International

## Overview

Georgian economy performed well in 2017; GDP growth picked up to 4.8%. This boost was largely driven by double-digit export growth that worked to improve the trade balance. Based on preliminary data, it is estimated that the annual export rate grew by 29% year-over-year (y-o-y). According to the National Bank of Georgia's preliminary data tourism revenues grew by 27% and money transfers also increased by 20%, narrowing the current account deficit.

As Georgia's principal trade partner economies such as Russia, Iran, and the EU are recovering, we should expect to see an increase in Georgia's export capacity. Georgia has free trade regimes with countries of Commonwealth of Independent States and Turkey; Georgia has already signed free-trade agreements with the EU (DCFTA), the European Free Trade Association (EFTA) states, and China, and negotiations are currently underway for free-trade with India.

According to the International Monetary Fund's forecast, Georgia will maintain the economic growth at around 4-5.5% in 2018-2021. The Georgian government is committed to fiscal sustainability and restraining current spending. Therefore, the fiscal deficit is expected to narrow through 2018-20.

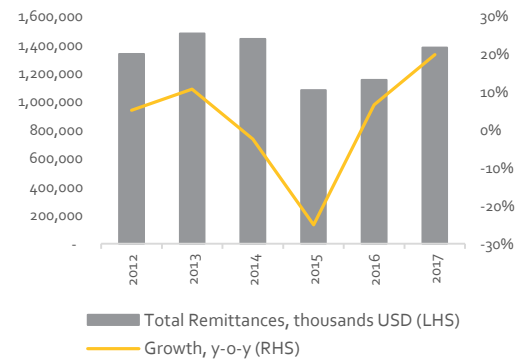
## Exports

Georgia's leading trade export partners in 2017 were Russia, Azerbaijan, Turkey, Armenia, and China. Exports to the EU countries increased by 13% y-o-y and represented 24% of the total exports; exports to the CIS countries that rose significantly by 60% y-o-y amounted to 43.3% of the total exports.

## Fast-growing Sectors

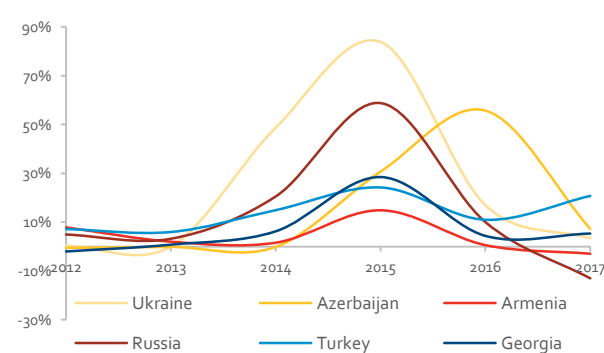
The fastest growing sectors during the first nine months of 2017 were construction (up 12%), hotels and restaurants (up 11.9%), mining and quarrying (up 7.2%), financial intermediation (up 7%), and real estate operations (up 6.9%).

REMITTANCES, 2012-2017



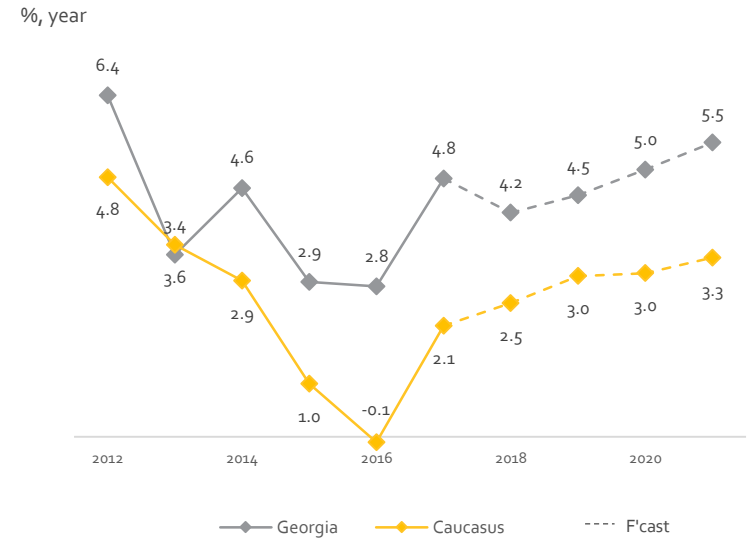
Source: National Bank of Georgia, Colliers International

CURRENCY FLUCTUATIONS (LCU PER USD), Y-O-Y % CHANGE



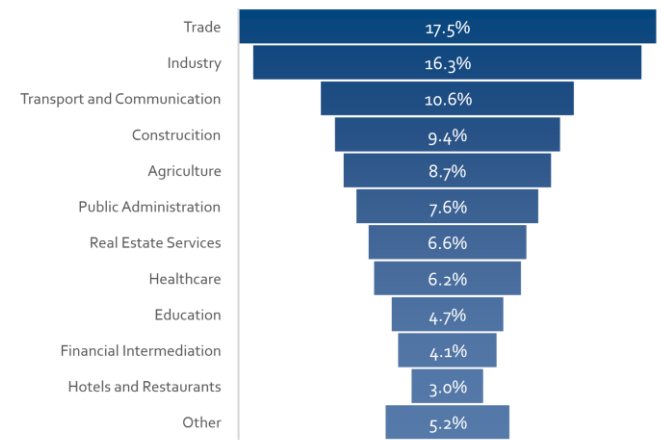
Source: World Bank, Colliers International

REAL GDP GROWTH



Source: Colliers International, Geostat, IMF

NOMINAL GDP STRUCTURE, 2016



Source: Geostat, Colliers International

## Foreign Direct Investment (FDI)

Based on preliminary data FDI inflows in 2017 increased by 16.2% y-o-y and amounted to USD 1.86 billion (bn). FDI growth in the construction, and hotel and restaurant sectors accelerated by 114% and 58%, respectively.

FDI is expected to remain high into the 2020s due to two factors. The first will stem from Chinese road and rail investments that plan to link with new, long-distance trade routes (boosting traffic via Turkey, Azerbaijan, and Iran). The second increase is expected to come from foreign investors seeking to do business in a low-tax, lightly-regulated regional base. Approval by the European Bank for Reconstruction and Development (EBRD) to finance the Nenskra Hydropower Plant project (HPP) and the offer of USD 285mln in extended funds from the IMF also worked to strengthen external financing assurances.

## Inflation

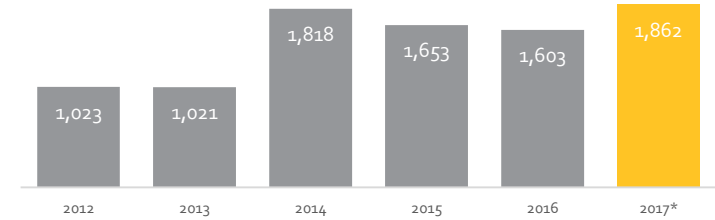
Although the headline inflation in 2017 was at 6%, above the central bank's target (3%), inflation is expected to slow down starting in early 2018. According to the IMF, Georgia's monetary policy rightly places emphasis on price stability. In addition, reforms continue to support price stability. Georgia's Larization program has triggered the decrease in the dollarization of deposits and loans.

### INFLATION, %

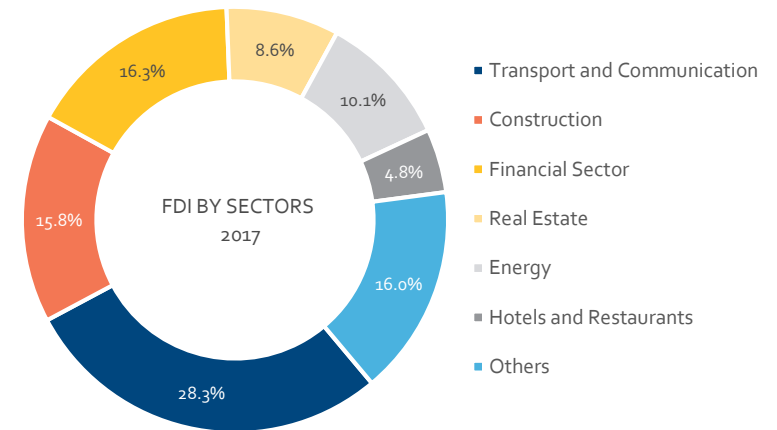


Source: Geostat, Colliers International

### FDI INFLOWS BY YEARS (mln, USD)



\*Preliminary data  
Source: Geostat, Colliers International



Preliminary data  
Source: Geostat, Colliers International

## Travel Volume to Georgia

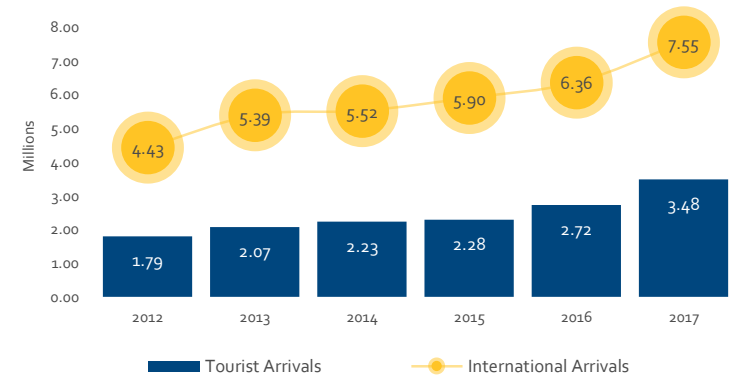
In 2017 the number of international inbound travelers grew by 18.8% y-o-y from 6.4 million to all-time high 7.6 million. The majority of visitors came from Armenia, Azerbaijan, Russia, Turkey and Iran. The number of international visitors from Saudi Arabia, Kuwait and Iran grew significantly in 2017 by 165%, 154% and 118% respectively. Visits from the EU countries also showed the positive trend. Visits from the U.K., Austria and Netherlands were up 40%, 34% and 31% respectively. July and August remained the most popular months for visiting Georgia.

In 2017 46% of the inbound travelers were tourists followed by same-day visit (32%) and transit (22%) categories. Tourist arrivals increased by 27.9% over 2016 reaching 3.5 million visitors in 2017. According to the World Travel and Tourism Council's (WTTC) forecast tourist arrivals will amount to 8,056,000 by 2027. Georgia also ranks 16<sup>th</sup> among 185 countries in WTTC ranking of 'long term-growth of tourism and travel's contribution to GDP'. According to the Georgian tourism development strategy, Georgia aims to attract 11 million international visitors by 2025.

Citizens of 98 countries are allowed to travel to Georgia without visa and stay up to one full year. In addition, foreigners who hold visa/residence permit of 50 countries enjoy visa-free travel to Georgia. Visitors who need to obtain visa can take advantage of e-visa portal for getting the short-term visa. Simplified travel and visa free regimes build on the strong growth of inbound tourism.

Road travel remains the main mean of transport for international arrivals due to the large share of neighboring countries in the inbound travel. However, visits by airlines grew by 47% in 2017.

INTERNATIONAL VISITORS 2012-2017

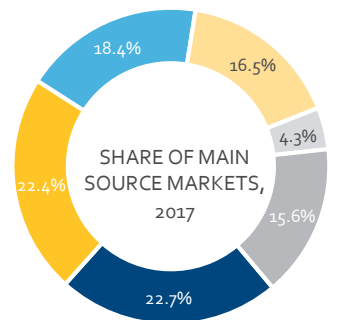


Source: Georgian National Tourism Administration, Colliers International

DYNAMICS OF TOURISM ARRIVALS FROM TOP 15 SOURCE MARKETS

Country	2012	2013	2014	2015	2016	2017
Armenia	921,929	1,291,838	1,325,635	1,468,888	1,496,437	1,718,016
Azerbaijan	931,933	1,075,857	1,283,214	1,393,257	1,523,703	1,694,998
Russia	513,930	767,396	811,621	926,144	1,038,750	1,392,610
Turkey	1,533,236	1,597,438	1,442,695	1,391,721	1,256,561	1,246,745
Iran	89,697	85,598	47,929	25,273	147,937	322,938
Ukraine	76,610	126,797	143,521	141,734	174,858	193,002
Israel	30,851	39,922	42,385	59,487	92,215	125,319
India	6,833	6,195	4,679	12,114	36,410	59,732
Kazakhstan	15,115	21,148	28,394	36,777	48,849	56,765
Saudi Arabia	1,169	3,780	5,485	9,850	21,257	56,247
Poland	20,563	36,946	46,314	41,425	44,436	52,284
Germany	26,448	30,815	33,446	36,826	40,915	51,445
Belarus	7,972	12,915	19,148	28,959	37,110	47,984
USA	28,513	26,713	28,272	31,147	34,250	42,645
UK	14,805	16,672	18,586	19,233	19,198	26,852

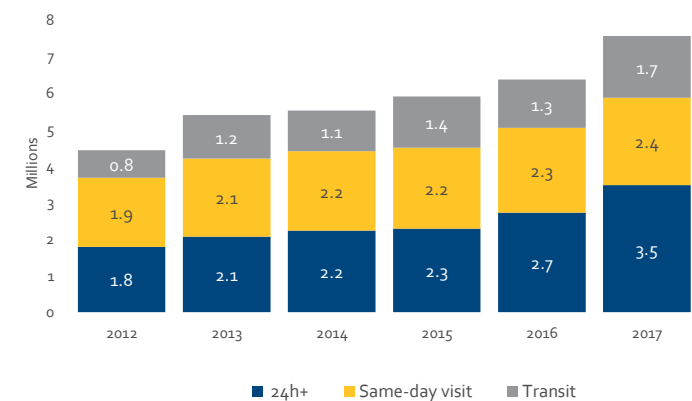
Source: Georgian National Tourism Administration, Colliers International



■ Armenia ■ Azerbaijan ■ Russia  
■ Turkey ■ Iran ■ Other

Source: Georgian National Tourism Administration, Colliers International

INTERNATIONAL ARRIVALS BY TYPES OF VISIT



■ 24h+ ■ Same-day visit ■ Transit

Source: Georgian National Tourism Administration, Colliers International



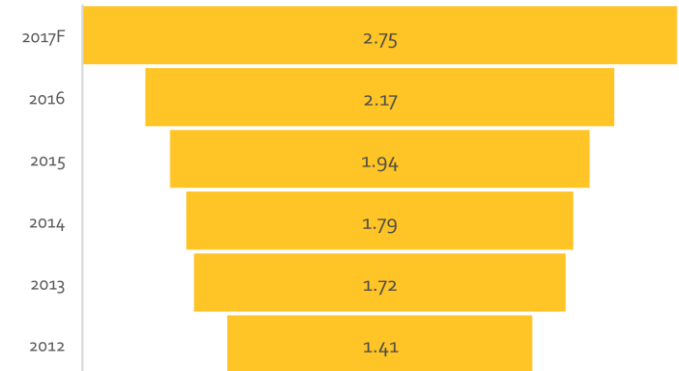
## Economic Impact of Tourism

Tourism industry accounted for 7.1% of Georgia's economy in 2016. During the first 9 months of 2017 tourism value added grew by 13% y-o-y and amounted to 3.16 bn. Tourism value added reflects the economic activity generated by industries such as hotels, food and beverage (F&B), travel companies, airlines and other transportation services. Accommodation category that represents 19% of the total value added grew by 33% y-o-y through 9M of 2017. F&B industry was also up 10%. Tourism and Travel industry supported 102,650 jobs in 2016 that represents 15% of total jobs provided by business sector.

Revenues from inbound tourism have been growing rapidly for the past five years. Based on preliminary data, revenues in 2017 rose by 27% y-o-y and amounted to USD 2.75 bn. The volume of foreign card operations by international travelers has also been growing steadily (+27%) hitting 2.1 bn Gel in 2017. Spending volume should increase as Georgia continues to attract travelers with higher holiday budgets.

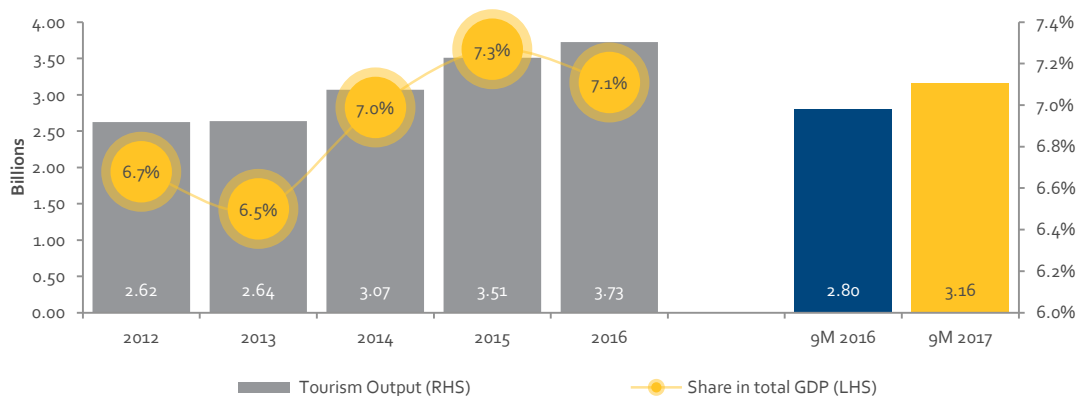
It has been announced that the 18th World Federation of Tourist Guide Associations (WFTGA) international convention will be held in Tbilisi, Georgia from January 21, 2019 to January 27, 2019. The convention will bring together around 300-500 tourist guides from 70 countries. Hosting WFTGA will increase awareness about tourism in Georgia and will contribute to the development of tourism industry.

TOURISM REVENUES, USD, BILLIONS

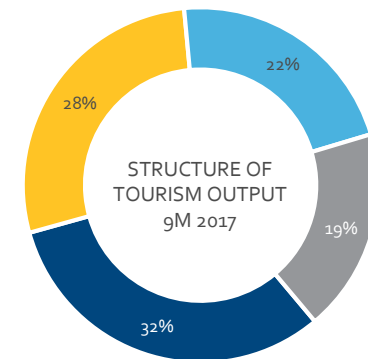


Source: National Bank of Georgia, Colliers International

TOURISM VALUE ADDED, BILLIONS, GEL



Source: Geostat, Colliers International



■ Transport ■ Food and Beverage ■ Travel Companies ■ Accommodation

Source: Geostat, Colliers International

## Travel Purposes

Number of guests in hotels has a positive trend during the past four years. Out of 2.54 mln hotel guests in 2016 1.7 mln were international travelers. 75% of them were leisure travelers, 21% visited Georgia for business purposes and only 2% for the health tourism. Average length of stay of tourists in Georgia is 12 days. Ukrainian and Russian tourists tend to stay for the longest periods on average 15 and 12 days, respectively. As number of guests in hotels is growing, revenues in hotel industry have increased to 519.8 mln Gel in 2016. FDI in hotels and restaurants during 2012-2016 amounted to 320 mln USD.

## Types of Tourism

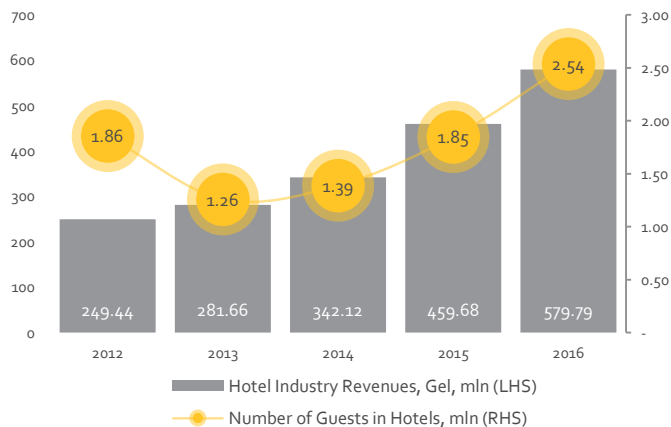
Winter tourism is gaining momentum. Government is actively involved in the implementation of various projects. Mestia-Hatsvali cableway construction was completed in 2017. Goderdzi ski resort in Adjara and Tetruldi ski resort in Mestia were recently opened. Two cableways were added to Goderdzi resort.

Wine tourism, adventure tourism and spa and wellness tourism are in their early development although they have a great potential. Government is planning to intensify work on developing medical tourism as Georgia can become quite competitive in the region offering lower prices to the customers.

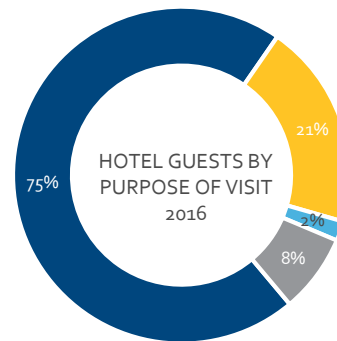
## Benchmarking

In 2016, tourist arrivals in Central and Eastern Europe grew by 4%. Many destinations enjoyed strong results, including Georgia (+19%), Bulgaria (+16%), Moldova (+12%), Romania and Lithuania (both +11%). Estonia recorded 5% growth.

### HOTEL INDUSTRY REVENUES

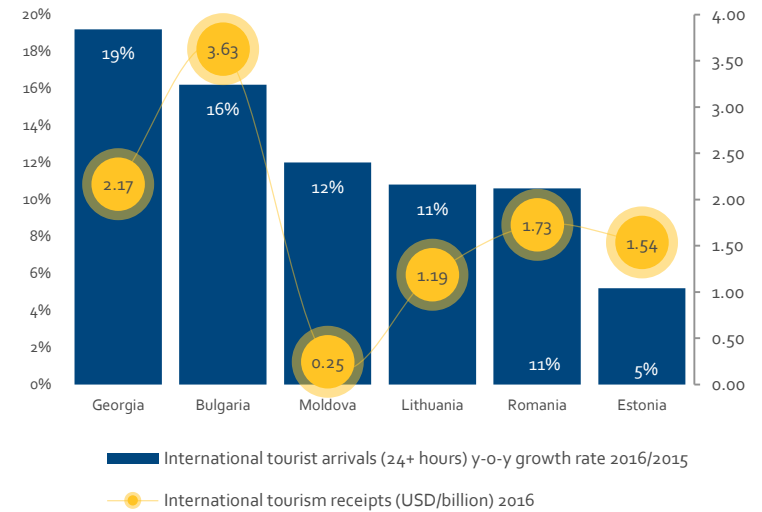


Source: Geostat, Colliers International



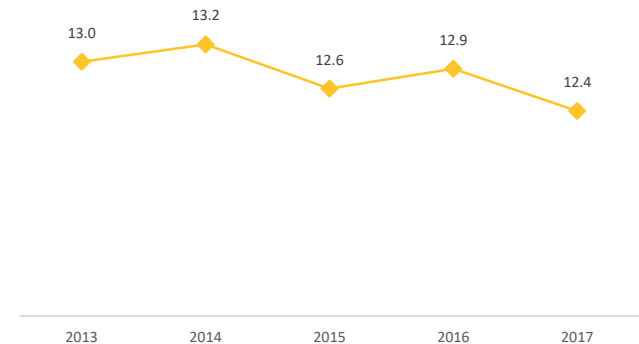
Source: Geostat, Colliers International

### LENGTH OF STAY OF TOURIST ARRIVALS



Source: World Tourism Organization (WTO), GNTA, Colliers International

### LENGTH OF STAY OF TOURIST ARRIVALS (AVERAGE DAYS)



Statistics are based on the data for tourists who stayed in Georgia more than 24 hours up to 1 year.

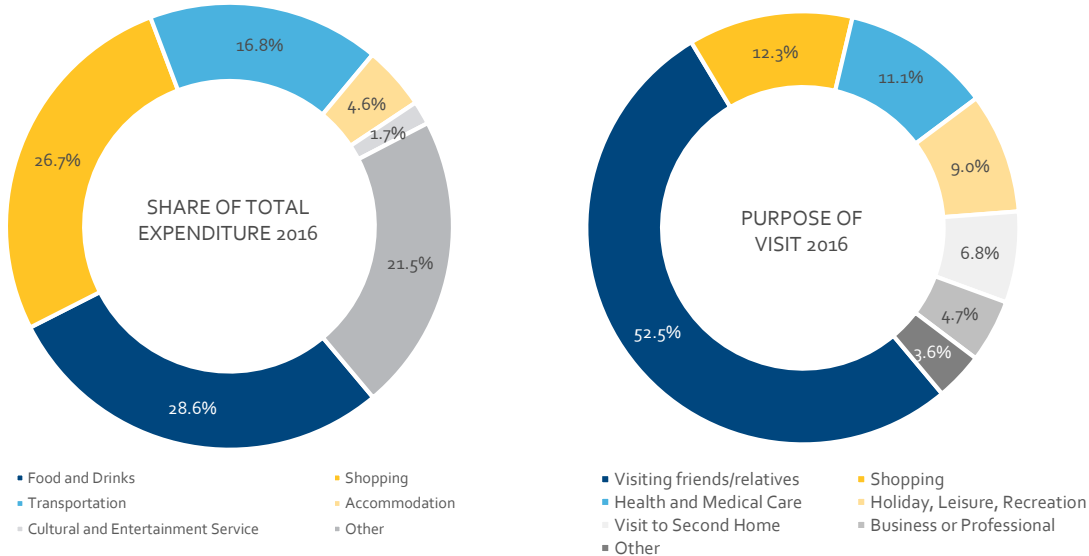
Source: Ministry of Internal Affairs

## Domestic Tourism

In 2016, Georgian residents took a total of 12.96mln domestic trips. 46% of those trips included at least one overnight stay, with the average trip length being 2.2 nights. Residents of Tbilisi accounted for the largest share (28.3%) of the trips, followed by the residents of Imereti and Racha (21.3%) and Shida Kartli (10%) regions. Majority of the domestic trips made by the Georgian residents were with the intention to visit friends and relatives. The second and third most frequent purposes were shopping and medical care, respectively. Adjara was the third most visited region in 2016; since it is located next to the Black Sea, it was the most popular holiday, leisure, and recreation destination.

Domestic tourism is a significant part of Georgia's economic activity. In 2016, domestic travel spending accounted for 71.8% of direct Travel & Tourism GDP. Total expenditure by domestic visitors amounted to over 1.6bn GEL. Majority, 463.8mln GEL, was spent on food and drinks, followed by shopping (433.4mln GEL) and transportation (273mln GEL). Since 85% of domestic visitors preferred to stay at a friend's, relative's, or their own home, spending on accommodation accounted for only 4.6% of the total expenditure.

869,631 local travelers stayed in hotels in 2016. 58% of them for leisure and 28% for business purposes. Hotels in Tbilisi received 232,390 local guests, while hotels in Batumi and Kutaisi hosted 170,790 and 42,911 Georgian guests, respectively.



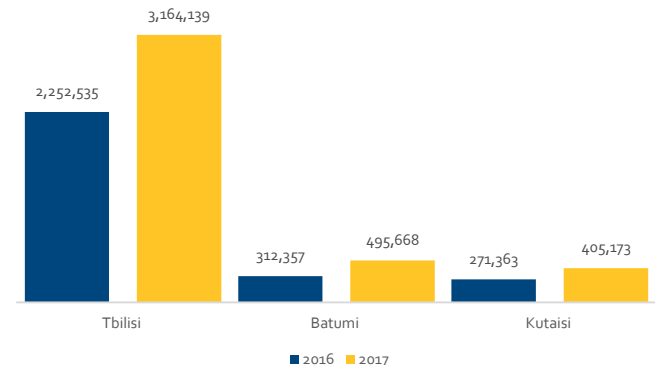
Source: Georgian National Tourism Administration, Colliers International

## Air Travel

Airlines carried 4.07 million passengers in 2017, up by 43% from 2016 according to the Georgian Civil Aviation Agency. Tbilisi International Airport once again received the largest number of passengers, depicting a 40% growth compared to last year. At the same time, the number of passengers in Kutaisi Airport increased significantly by 49%. Batumi Airport is also up from 312,357 to 495,668 passengers. The number of incoming international travelers in Batumi airport rose from 129,718 in 2016 to 208,845 in 2017, which represents a 61% increase. The number of international arrivals increased by 47.5% and 19.6% in Tbilisi and Kutaisi airports, respectively.

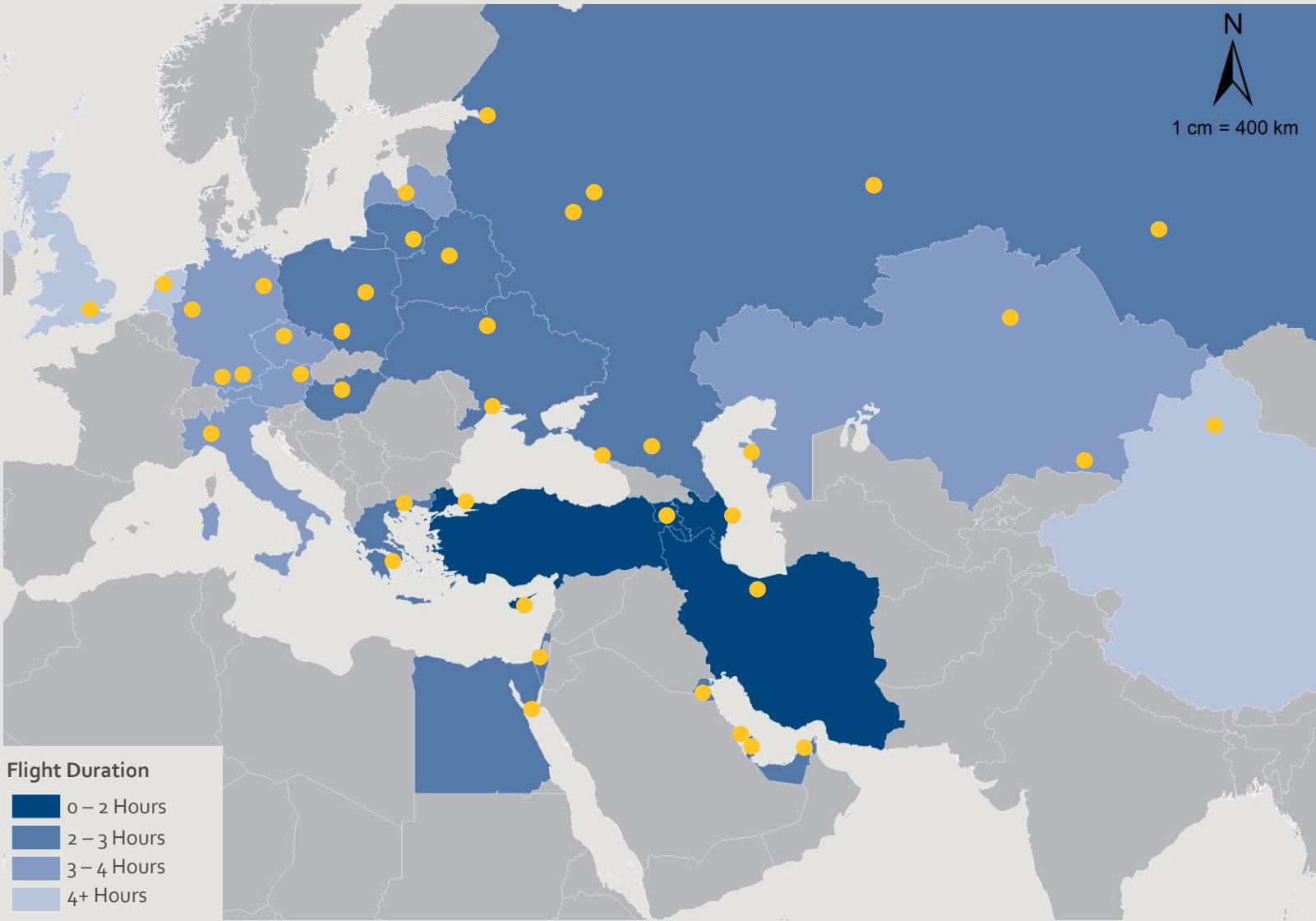
There are 33 airlines operating in Georgian market offering passengers 43 direct routes to 28 countries. The major airlines offering flights to Tbilisi airport include Turkish Airlines, Lufthansa, Flydubai, and Qatar Airways. The list of airlines operating in Batumi airport include Turkish Airlines, Georgian Airways, Belavia, and Air Arabia. Ones operating in Kutaisi airport include Wizz Air Hungary and Ukraine International. Wizz Air is the leading low-cost carrier in Georgia. It currently offers routes to 11 countries and more connections to major European cities are on the way in 2018. Flights to Barcelona, Paris, Rome and Prague will be launched in May 2018. In addition, Flydubai added Kutaisi as its new seasonal destination. Flydubai will offer flights to Kutaisi airport starting from June 2018. The airline will also increase the number of flights to Batumi airport from 4 to 7 per week. Pegasus also increased the frequency of its flights to and from Tbilisi airport from 7 to 9 per week. Affordable travel opportunities from European cities will boost inbound tourism even further.

NUMBER OF PASSENGERS RECEIVED IN AIRPORTS 2016-2017



Source: Georgian Civil Aviation Agency, Colliers International

DIRECT FLIGHTS FROM GEORGIA



**Flight Duration**

- 0 – 2 Hours
- 2 – 3 Hours
- 3 – 4 Hours
- 4+ Hours

MAIN FLIGHT ROUTES

Origin	Destination	Flight Duration (hours)
Tbilisi	Baku	1.1
Tbilisi	Tehran	1.7
Tbilisi	Istanbul	2.0
Tbilisi	Tel Aviv	2.1
Tbilisi	Kiev	2.2
Tbilisi	Moscow	2.4
Tbilisi	Athens	2.6
Tbilisi	Minsk	2.6
Kutaisi	Vilnius	2.6
Kutaisi	Budapest	2.7
Tbilisi	Dubai	2.9
Tbilisi	Warsaw	3.0
Tbilisi	Riga	3.1
Tbilisi	Saint Petersburg	3.1
Tbilisi	Vienna	3.2
Kutaisi	Berlin	3.3
Tbilisi	Prague	3.4
Tbilisi	Almaty	3.5
Tbilisi	Munich	3.6
Kutaisi	Milan	3.6
Tbilisi	Amsterdam	4.2
Tbilisi	Urumqi	4.5
Tbilisi	London	4.6
Batumi	Istanbul	1.7
Batumi	Kiev	2.0

Source: Georgian National Tourism Administration, Colliers International

Source: [www.flighttime-calculator.com](http://www.flighttime-calculator.com)

MICE Facilities

MICE (Meetings, incentives, conferencing, exhibitions) tourism is an important sector for hospitality industry and is an opportunity for Georgia to transform itself to a year-round destination. Convention and Exhibition Bureau of Georgia offers customers, national and overseas, a place where they can obtain honest and impartial advice for prospective MICE events in the country.

Substantial supply of high-end internationally-branded hotels, safe environment, visa free travel with up to 100 countries, direct flights to 28 countries, cultural and geographical diversity and a vast number of attractions create favorable environment for attracting international business visitors. In addition, the economic initiatives and incentives that the Georgian government has introduced to attract more international clients to the country are significant in the development of the MICE market. The liberal economy, attractive business environment, free industrial zones, improved quality of public services, lack of corruption and recent investments in tourism infrastructure make Georgia a good place to invest.

Supply

Over the past few years the supply of conference facilities has been growing both in Tbilisi and Batumi. The capital holds 48% of Georgia’s total supply of conference and meeting facilities, with an overall capacity to host about 7,500 delegates. Batumi’s conference facilities can accommodate 5,600 guests. The rest of the MICE facilities are located in other regions of the country with the capacity of 2,600 guests. The supply growth can mostly be attributed to an increasing number of internationally-branded hotels in Tbilisi and Batumi. The opening of the Biltmore Hotel Tbilisi in 2016 has increased the city’s stock by two conference halls able to host about 850 delegates.

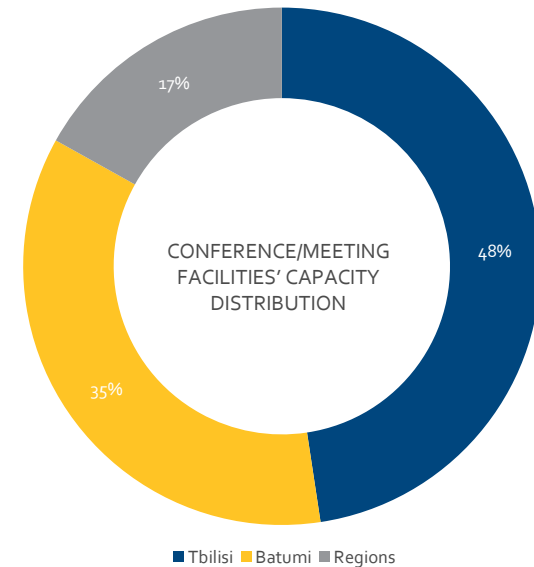
During the next four years sixteen new internationally-branded hotels are expected to open in Tbilisi, with a conference/meeting facilities able to accommodate 10,830 guests.

Demand

On average, 5-7% of hotel guests in Georgia are MICE tourists. The vast majority of events are held in Tbilisi. The largest and one of the most significant event in 2017 was “Tbilisi Belt & Road Forum”, hosting about 2,000 delegates from more than 60 countries. In 2017 Tbilisi received roughly 500,000 delegates who participated in various conferences and meeting.

Batumi is an attractive destination for MICE as well. Around 100,000 delegates attended conferences and meetings in 2017. Batumi hosted the 17th Congress of the Conference of European Constitutional Courts, attended by delegates from more than 40 countries.

Georgia has the high potential to become a top MICE destination for CIS, middle east and Central Asian countries.



Source: Colliers International

Accelerating success



# Tbilisi Hotel Market Overview 2017



## TBILISI

Georgia's capital and the largest city in the country, Tbilisi offers visitors an original blend of East and West. Set deep in the Mtkvari River valley, the city boasts picturesque architecture, a lively arts and cultural scene, and the famously welcoming Georgian lifestyle, making it a fascinating travel destination.

Photo: Ibis Styles Tbilisi centre

## TBILISI HOTEL MARKET



304

Number of Hotels



7,875

Number of Rooms



1,247,605

# of International passengers in Tbilisi Airport

- *Hotel investors, developers, and operators continue to show a strong appetite for opportunities in the Tbilisi marketplace. International midscale brands are expected to be a significant addition to Tbilisi's hotel landscape. A pipeline full of new developments paints a rosy and vibrant picture of the city's economic future.*
- *We are confident that Tbilisi's prospects remain strong. We believe that Tbilisi will remain Georgia's top destination, drawing increased numbers of international visitors who appreciate the incredible value offered by the city.*

## Supply

Tbilisi's hotel market provides the largest share of hotel rooms in Georgia. In 2017, the existing supply consisted of 304 hotels with a total of 7,875 rooms. The majority (56%) of rooms are categorized as economy/budget, while 22% fall in to the local upscale and middle segment, 14% in to the international midscale segment, with only 7% of the total room supply categorized as international upscale.

Given the continued growth in tourism, 4,735 new hotel rooms will likely be added to Tbilisi's stock by 2020, with most of it located in the city center. A large concentration of these rooms will be categorized as international upscale and international midscale. We forecast that the share of international hotels will increase 17% by 2020.

Today, the international upscale segment consists of the Tbilisi Marriott, the Radisson Blu Iveria, and the Biltmore hotel. Together, these hotels provide 7% of the city's total room supply. Nine more international upscale brands such as Radisson Blu Telegraph, Autograph Collection, and the Pullman Hotels & Resort are expected to open during the next few years, adding 1,741 hotel rooms to the capital's stock.

International midscale hotels provide 13% of the city's hotel room supply. Some of the hotels in the pipeline are behind schedule and only one 3-star, 119-room hotel – the Ibis Styles Tbilisi Centre - was added to the international midscale segment in 2017. Eight hotels are expected to open in this segment during the next three years, including Moxy, Ramada Encore, the Park Inn hotel, the Golden Tulip, and Hilton Garden Inn. Together, they will add 1,133 rooms to the supply.

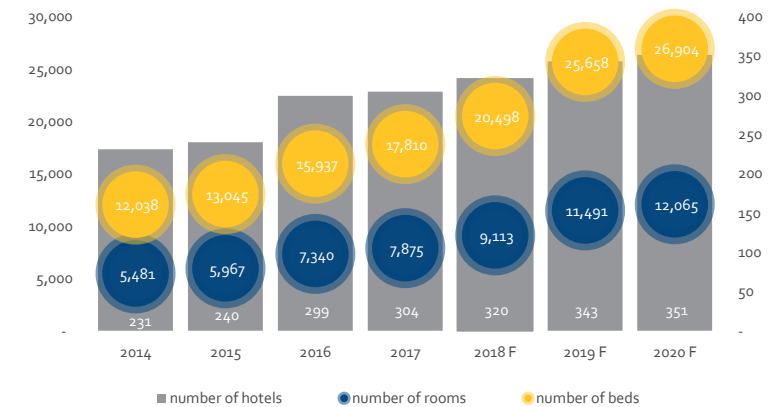
At the same time, the new design-led hotel Stamba is expected to open in the local mid and upscale segment. This type of hotel has experienced strong growth worldwide, repositioning the idea of the hotel-as-a-destination, and appealing to more demanding, contemporary, and creative clientele.

Looking ahead, a further sixteen hotels are scheduled to open in 2018, which will result in just over 1,200 new rooms joining Tbilisi's stock this year.

## Demand

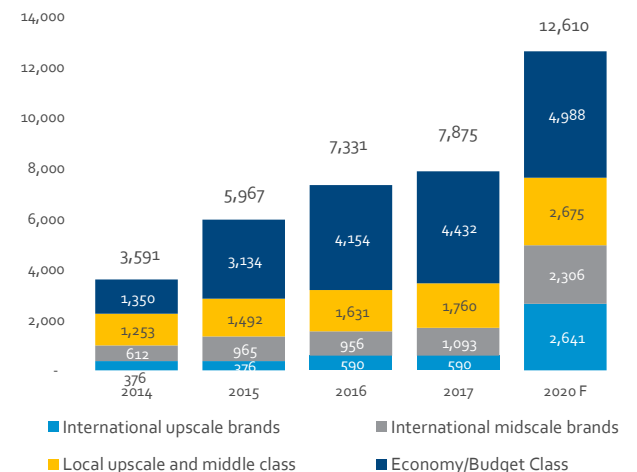
Tourism numbers were boosted by a range of cultural and sporting events throughout 2017, including thirteen international tournaments. For the first-time, Tbilisi hosted the world's youth rugby championship in May. Other significant annual cultural events included the International Film Festival, the International Theatre Festival, the Kolga Tbilisi Photo Contest, a jazz festival, the festival of contemporary music and visual arts - SOU, and an open air music festival.

EXISTING AND UPCOMING SUPPLY OF HOTEL MARKET 2014-2020 F



Source: Colliers International

EXISTING AND FUTURE HOTEL ROOM SUPPLY BY TYPE 2014-2020 F



Source: Colliers International



The end of 2017 saw the Belt and Road forum attended by 2,000 guests. The forum provided a platform for people to discuss various issues related to trade facilitation in the region and beyond, and created numerous business-to-business opportunities for companies looking to collaborate with others.

During the past few years, around 38% of Tbilisi's hotel guests were in town for business purposes. 33% of hotel guests are locals and 67% international visitors. Tbilisi's hotels hosted over 1.1mln guests in 2016. Tbilisi is also the main gateway to Georgia's many tourism destinations.

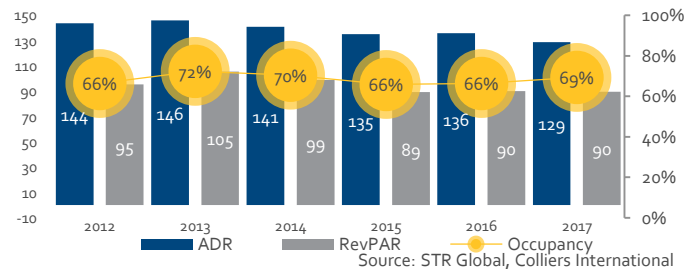
## Performance Indicators

Overall, Tbilisi's hotel occupancy rates rose in 2017 in all segments except for the economy/budget segment. International upscale brands enjoyed the highest hotel occupancy rate of 72%, followed by local mid and upscale, and international midscale brands with occupancy rates of 69% and 68%, respectively. As low budget travelers preferred to stay at hostels or in Airbnb rentals, the occupancy rate in the economy/budget segment declined by 4%.

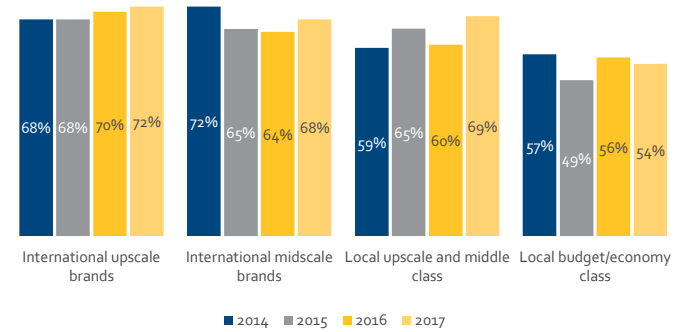
When the Biltmore hotel joined the international upscale market and increased competition, the Average Daily Rate (ADR) for international upscale brands declined by 10%. However, the Biltmore hotel is still in the stabilization period. As Georgian Lari continued to weaken against US Dollar in 2017 the ADR in USD terms was further affected. The ADR in international midscale branded hotels grew by 3%. Local upscale and middle class, and local budget/economy hotels experienced ADRs of USD 87 and USD 40, respectively. Compared to 2016, the ADR in the economy/budget segment remained unchanged, and grew 5% in local upscale and middle segments. Overall, ADR should remain stable in all segments despite currency depreciation.

Revenue per available room (RevPAR) in international upscale brands amounted to USD 113, while international midscale branded hotels and local upscale and middle segments stood at USD 77 and USD 60, respectively. Local budget/economy class RevPAR stood at USD 22. In comparison with the previous year, RevPAR in local upscale and middle and international midscale segments increased by 20% and 10%, respectively. Economy/budget hotels remained unchanged, while RevPAR for international upscale branded hotels decreased by 8%.

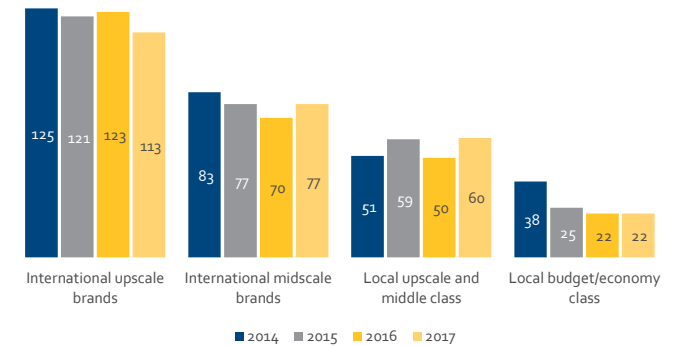
PERFORMANCE INDICATORS OF INTERNATIONAL BRANDS



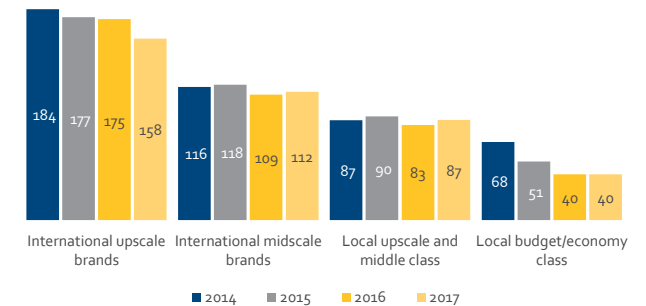
OCCUPANCY RATE IN TBILISI 2014-2017



REVPAR IN TBILISI (USD EXCL. VAT) 2014-2017



ADR IN TBILISI (USD EXCL. VAT) 2014-2017



Source: STR Global, Colliers International

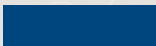
PIPELINE OF INTERNATIONALLY-BRANDED HOTELS

Category	Developer	Operator/brand	Location	# of rooms	Capacity of conference rooms	Completion Date	Construction Status	Type
International Upscale Brands	RAKIA Georgia Free Industrial Zone	Sheraton Metekhi Palace	16 Telavi Street	255	2,000	H2 2018	Under Construction	Brownfield
	GCF	Hotel MC/Autograph Collection	Tabori Mount	100	900	H2 2018	Under Construction	Greenfield
	GCF	Hotel MC/Autograph Collection	Freedom Square	220	1,900	H1 2019	Under Construction	Greenfield
	Granat Georgia	Hilton Tbilisi	41 Kostava Street	200	600	H1 2019	Under Construction	Brownfield
	Alliance Group	Wyndham Garden	49B Chavchavadze Avenue	150	-	H1 2019	Under Construction	Greenfield
	GCF	Hotel MC/Autograph Collection	Kojori Highway	190	-	H2 2019	Under Construction	Greenfield
	Axis/Georgian Co-Investment Fund (GCF)	AccorHotels/Pullman Hotels & Resort	37 Chavchavadze Avenue	180	1,500	H2 2019	Under Construction	Greenfield
	Silk Road Group LLC	Radisson Blu Telegraph	31 Rustaveli Avenue	183	75	H2 2019	Under Construction	Brownfield
	Apollo G.S. LLC	Kempinski	46 Mirza Shafi Street	60	665	H2 2020	Early Stage	Greenfield
	GCF	Hotel MC/Autograph Collection	22 Kote Apkhazi Street	150	2,100	H2 2021	Under Construction	Greenfield
	Rustaveli Property LLC	Tbilisi Hyatt	30 Rustaveli Avenue	170	250	2021	Under Construction	Greenfield
CITY M LTD	Rixos Hotel	3 Gudashvili Street	143	150	-	Under Construction	Greenfield	
Total Investment Volume: USD 653 mln								
International Midscale Brands	M2 Residence	Ramada Encore	15 Kazbegi Street	152	50	H1 2018	Under Construction	Greenfield
	GMT Group	Moxy	Zaarbrukeni Square	130	-	H1 2018	Under Construction	Greenfield
	LLC Block-Invest	Golden Tulip	2a 300 Aragveli Street	80	50	H1 2018	Under Construction	Greenfield
	GCF	Hotel MC	Freedom Square	80	-	H2 2018	Under Construction	Greenfield
	Redix	Hilton Garden Inn	64 Chavchavadze Avenue	170	200	H1 2019	Under Construction	Greenfield
	M2 Residence	Ramada	10 Melikishvili Street	122	150	H1 2019	Under Construction	Greenfield
	LLC Block-Invest	Park Inn by Radisson	10 Chanturia Street	200	200	H1 2019	Under Construction	Greenfield
	LTD Georgian Hotel Management	Ibis Stadium	178, Agmashenebeli avenue	149	40	2020	Under Construction	Brownfield
Total Investment Volume: USD 125 mln								

CURRENT AND FUTURE SUPPLY OF INTERNATIONALLY-BRANDED HOTELS



Under development



In operation

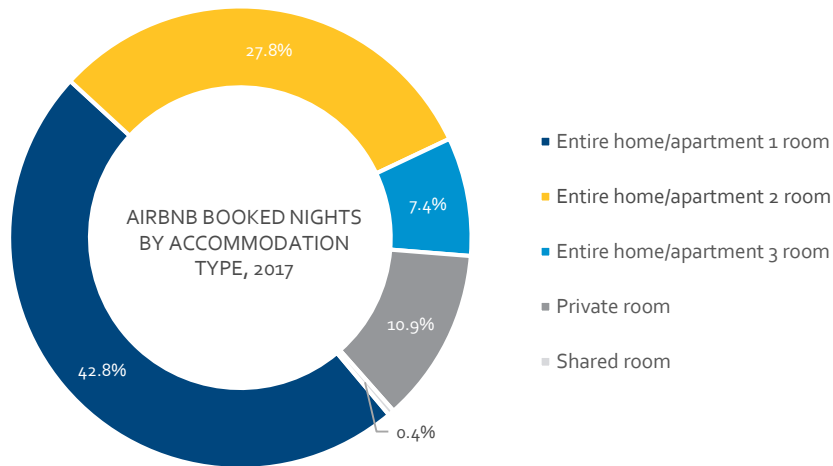
## TBILISI HOTEL MARKET

### Airbnb

In 2017 the number of properties listed on Airbnb grew significantly by 70% from 5,678 in 2016 to 9,679. The average daily rate for Tbilisi's Airbnb in 2017 amounted to USD 43.

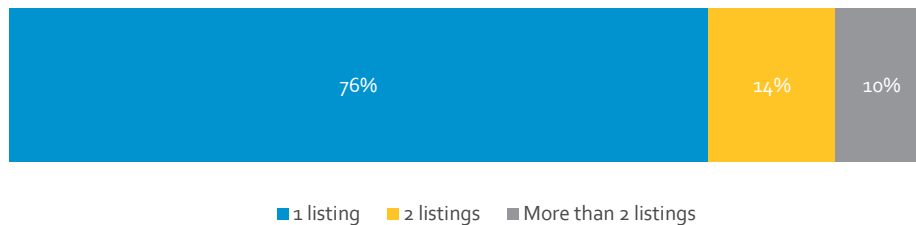
In 2017, 50% of listings were provided by hosts with just one listing. However, 32% of listings were offered by hosts who have more than two listings on Airbnb that might indicate professional undertakings through Airbnb. The share of such hosts was 10% in 2017. The highest occupancy rates occurred in Sololaki, Mtatsminda, Avlabari, Chugureti and Vera districts. Mtatsminda and Chugureti districts accounted for 63% of all Airbnb booked nights.

We expect the number of listed properties to grow significantly in upcoming years that will increase competition in the hotel market even further.



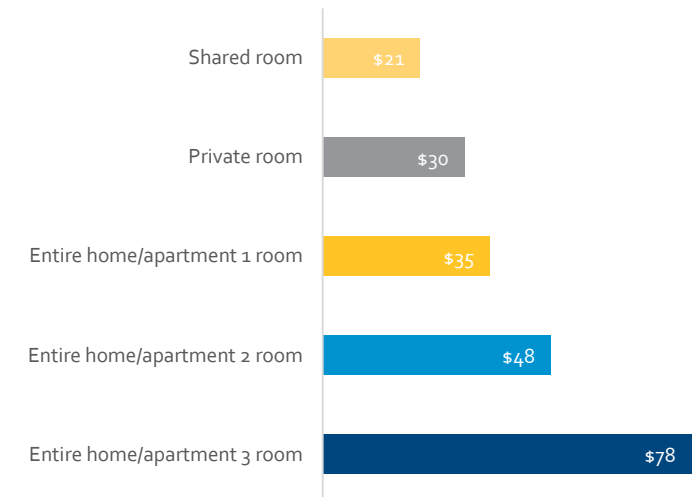
Source: Colliers International

AIRBNB HOST TYPES BY NUMBER OF LISTINGS, 2017

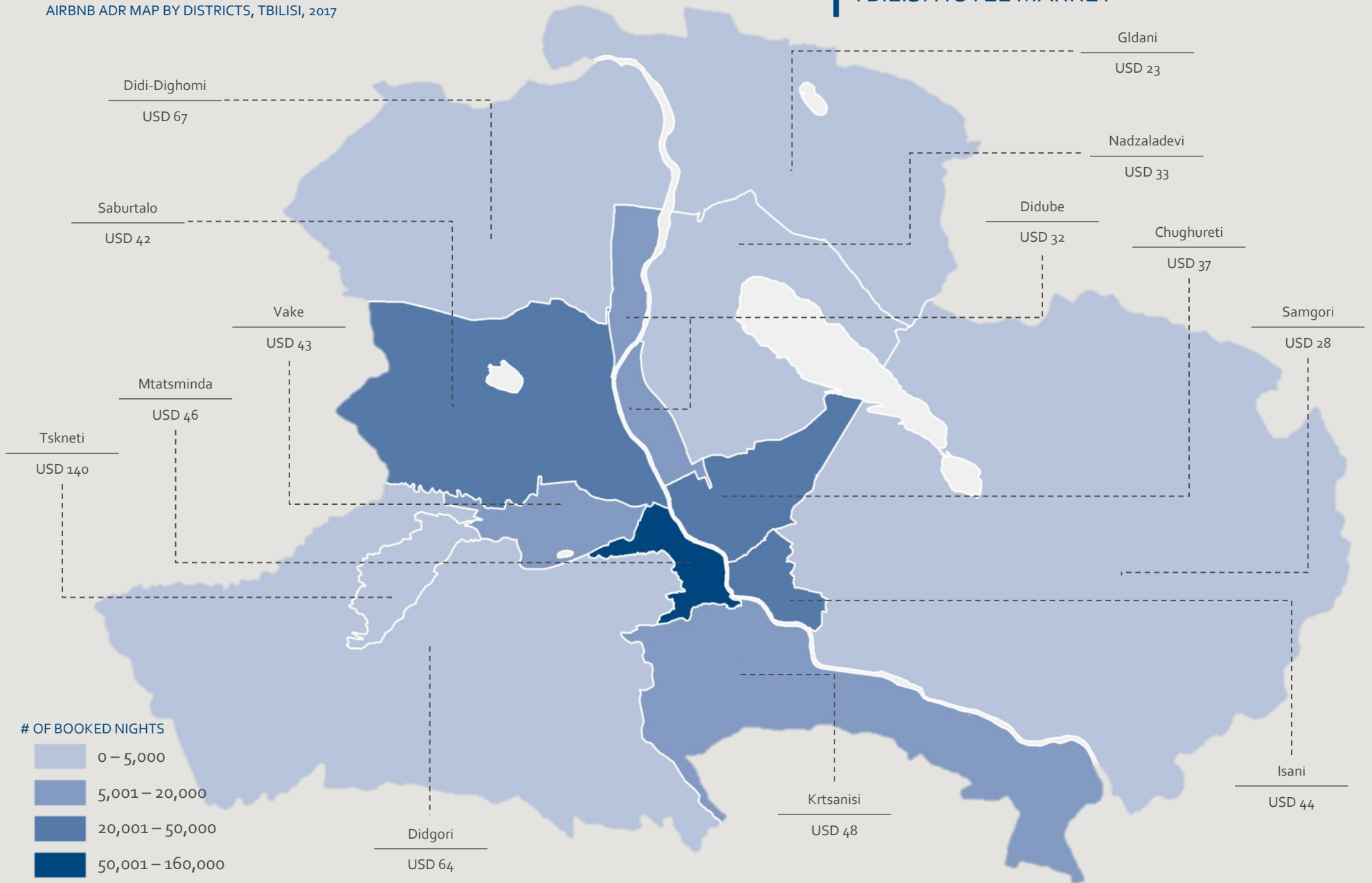


Source: Colliers International

AVERAGE DAILY RATE BY ACCOMMODATION TYPE, 2017



Source: Colliers International

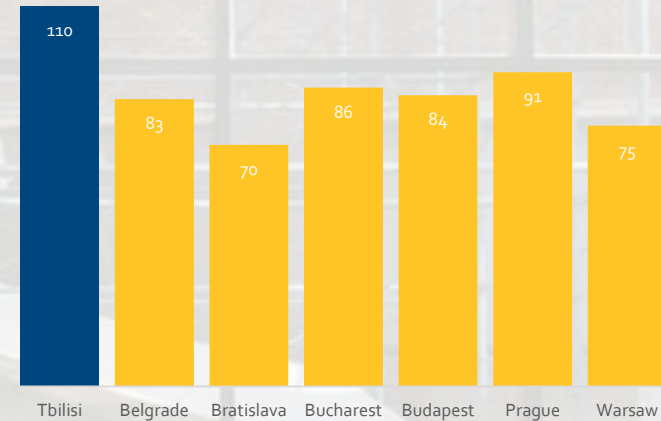


### Comparative Analysis

Tbilisi has better performance indicators than for selected Central and Eastern European cities for Internationally branded hotels and local upscale/middle class hotels. The average ADR for selected Central and Eastern European cities is USD 82 – 34% less than the same figure in Tbilisi.

*\*Performance indicators of Internationally-branded hotels and local upscale and middle class hotels were analyzed in case of Tbilisi, to present comparable data.*

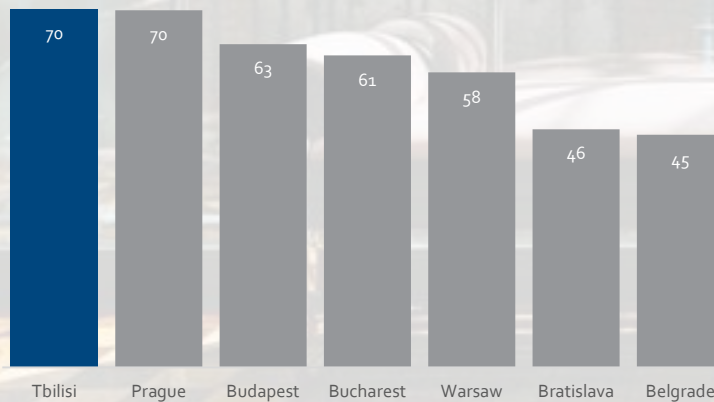
AVERAGE DAILY RATE (ADR), USD 2016



Source: STR Global, Colliers International

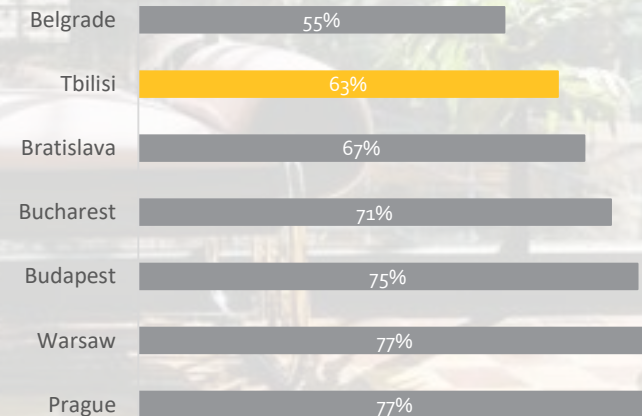
Source: STR Global, Colliers International

REVPAR, USD, 2016



Source: STR Global, Colliers International

OCCUPANCY RATES, 2016



Source: STR Global, Colliers International

Photo: Rooms Hotel Tbilisi

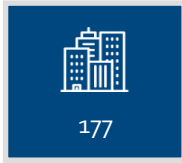


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A wide-angle photograph of a modern hotel's rooftop pool area. In the foreground, a large, curved swimming pool with blue mosaic tiles is filled with clear blue water. The pool is surrounded by a light-colored concrete deck with several rows of lounge chairs. In the background, a tall, modern building with a glass facade reflects the sky. The sky is overcast with soft, grey clouds. The overall scene is bright and clean, suggesting a high-end resort environment.

# Batumi Hotel Market Overview

## 2017



Number of Hotels



Number of Rooms



# of international Passengers in Batumi Airport

Known as the capital of Georgia's summer tourism industry, Batumi is one of the most popular warm weather destinations in the country. Located in the Black Sea Bay, Batumi features a seaside park-boulevard that stretches over 8 kilometers, providing visitors with an assortment of entertainment options including a harbor, botanical garden, Dolphinarium, an array of boutique shops, local traditions, and an active nightlife. Batumi offers all of the charm of an elegant, 'old world' southern city with the modern benefits that come from continuously improving infrastructure and startling new architectural developments.

### Supply

Currently, there are 177 hotels operating in Batumi, offering guests 5,325 hotel rooms. In 2017, three internationally-branded hotels - the Euphoria Hotel Batumi, Wyndham, and Best Western - opened in Batumi, adding another 611 rooms to Batumi's stock. Together with the Radisson, Sheraton, and Hilton, these additions bring Batumi's internationally-branded hotel count to six. The majority of the new supply is clustered in the upscale segment. 1060 new rooms are anticipated to be added to the room supply by 2021. At the moment, 23% of the total supply are internationally-branded rooms, 22% are local upscale and middle class, and 55% are economy/budget class.

Batumi has the large supply of aparthotels. Orbi Group is the main operator of the privately owned aparthotels in Batumi, with a major project Twin Tower currently under development, which will add 4,000 apartments to the city's stock. As of today, the city has roughly a stock of 2,500 apartments. During the season the occupancy of aparthotels stands at around 80%, while the prices vary between USD 100-200.

### Demand

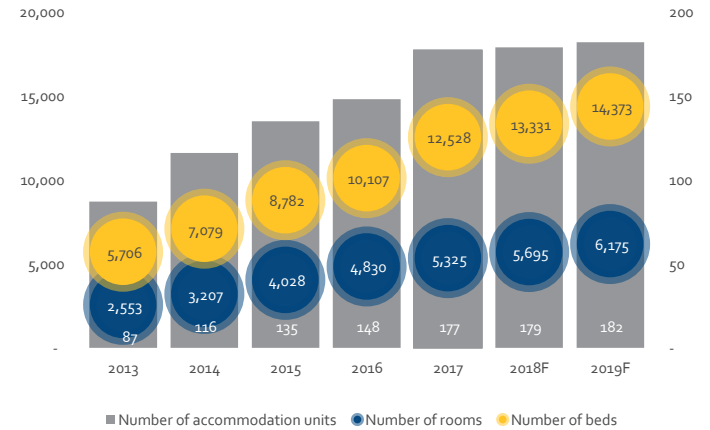
Travellers from Turkey, Russia, and Ukraine comprise the majority of Batumi's hotel guest numbers. High-end hotels and a broad range of leisure activities are boosting visitation levels. The number of guests in Batumi hotels increased by 44% year-over-year (y-o-y) in 2016, with 90% of those guests visiting Batumi for leisure and 10% in town on business. 21% of hotel guests are locals and 79% international visitors. Batumi's hotels hosted around 522,000 guests in 2016.

In addition to its seaside resort offerings, Batumi's many annual cultural events, such as the Batumi International Art House Film Festival, the Black Sea Jazz festival, Batumi Music Fest, and popular street art festival, work to drive substantial leisure hotel demand as well. Additionally, visitation to the Batumi Botanical Gardens grew by 26% y-o-y in 2017 and amounted to 297,000 visitors. The number of visitors in Dolphinarium also increased 19% y-o-y.

Batumi's hotels also cater to a substantial commercial demand, as the city hosts a number of large corporate events and conferences and several international exhibitions such as Batumi Build.

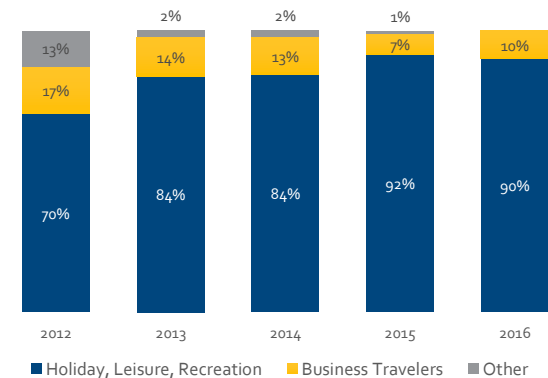
## BATUMI HOTEL MARKET

HOTEL SUPPLY IN BATUMI



Source: Colliers International

BREAKDOWN OF HOTEL GUESTS BY VISIT PURPOSE



Source: Geostat, Colliers International



## Performance Indicators

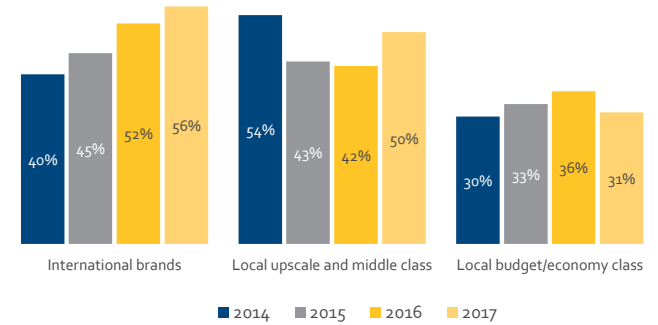
Occupancy rates of both internationally-branded and local upscale and middle class hotels increased by 8% and 20% y-o-y, respectively. Batumi's hotel occupancy rates in 2017 varied between 31% to 56% depending on the hotel segment. International brands enjoyed the highest hotel occupancy rate of 56%, followed by local upscale and middle, and local budget/economy with occupancy rates of 50% and 31%, respectively.

The Average Daily Rate (ADR) in Batumi's hotels remained stable in USD terms despite the depreciation of Georgian Lari. ADR for international brands declined by 1%, while local upscale and middle class, and local budget/economy hotels experienced ADRs of USD 83 and USD 37, respectively. Compared to 2016, the ADR in the economy/budget segment grew by 9%, and decreased by 5% in local upscale and middle segments.

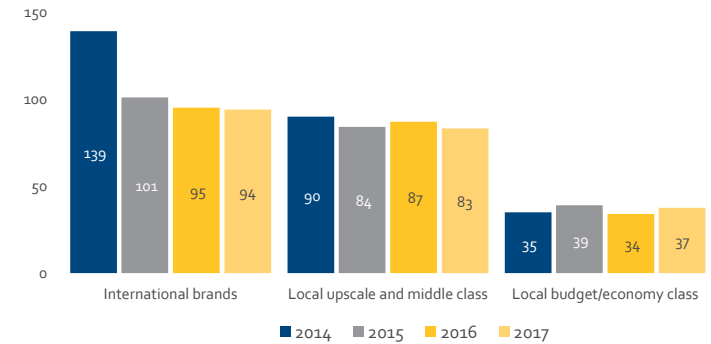
Revenue per available room (RevPAR) in internationally-branded hotels amounted to USD 53, while local upscale and middle segments stood at USD 42, and local budget/economy class reported a RevPAR of USD 11. In comparison with the previous year, RevPAR in internationally-branded upscale and local upscale and middle segments increased by 8% and 17%, respectively. The numbers for economy/budget hotels remained unchanged.

Looking forward, we expect visitor numbers from the main source markets to rise in the short to medium term as the Adjara Region participates in 27 international tourism exhibitions and events throughout 2018, including the 43rd World Chess Olympiad, the Batumi Eagle Festival 2018, and the International Folklore Festival Caucasus 2018. Additionally, new flights from Lviv, Ukraine to Batumi airport will launch in June 2018, increasing the number of air travelers to the region.

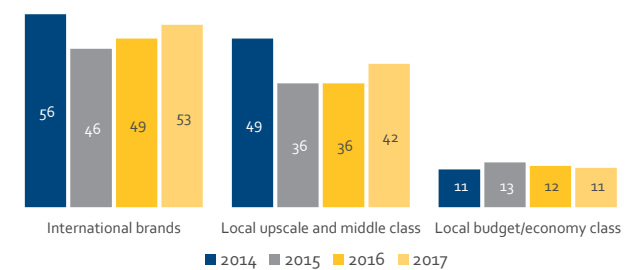
## OCCUPANCY RATE IN BATUMI



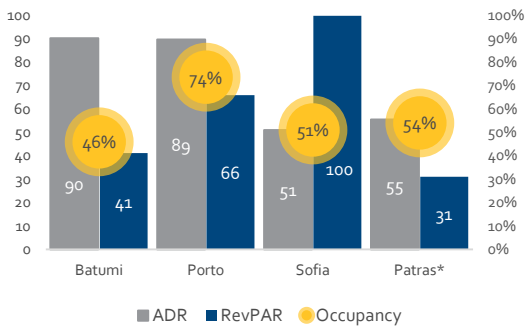
## ADR IN BATUMI (USD EXCL. VAT)



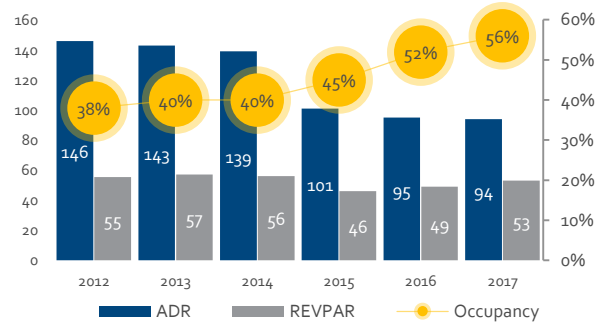
## REVPAR IN BATUMI (USD EXCL. VAT)



## COMPARATIVE ANALYSIS OF PERFORMANCE INDICATORS, 2016



## PERFORMANCE INDICATORS OF INTERNATIONAL BRANDS 2012-2017



Performance indicators of Batumi's internationally branded and local upscale and middle class hotels were analyzed

\*2015 data

Source: Colliers International

Source: Colliers International

Source: Colliers International

## CURRENT AND FUTURE SUPPLY OF INTERNATIONALLY-BRANDED HOTELS



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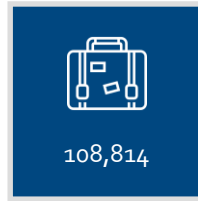
# Kutaisi Hotel Market Overview 2017



Number of Hotels



Number of Rooms



# of international Passengers in Kutaisi Airport

With a population of 148,000, Kutaisi is the country's third largest city and the historical capital of Georgia. Kutaisi became the legislative capital after Georgia's parliament was transferred to the city in 2012. It is a gateway to various tourist destinations in West Georgia. Kutaisi's International Airport is a base for the international budget airline Wizz Air, which has expanded its routes from Kutaisi to various European cities (including Milan, Budapest, Warsaw, London, Berlin) since 2012. Kutaisi Airport terminal is going to expand and accommodate over 1,000,000 passengers simultaneously by 2019. The new rail connection from Kutaisi Airport to Tbilisi is expected to open in the spring of 2018. With ongoing infrastructure improvements, such as the opening of the East-West highway, the medium to long-term prospects of Kutaisi's hotel and hospitality sector look positive.

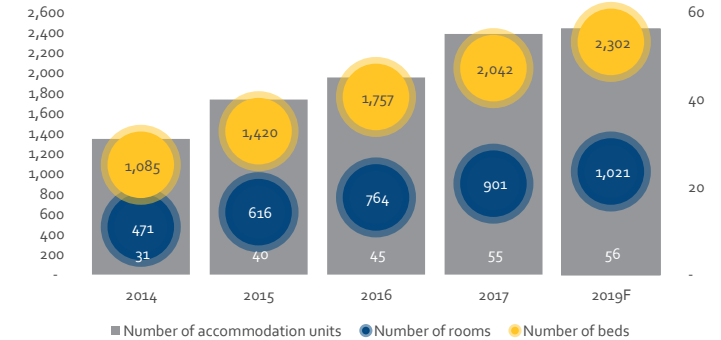
## Demand

From 2012 to 2016, the number of hotel guests in Kutaisi grew at a compound annual growth rate (CAGR) of 8%. 62% of Kutaisi's hotel guests are leisure travelers, while 28% travel to the city on business. 53% of hotel guests are locals and 47% international visitors. Kutaisi's hotels hosted over 81,000 visitors in 2016. The number of passengers traveling through Kutaisi Airport grew by a significant 49% year-over-year (y-o-y) in 2017. As Wizz Air adds new flights to major European cities in 2018, both, tourist arrivals and demand for accommodations are expected to remain strong.

## Supply

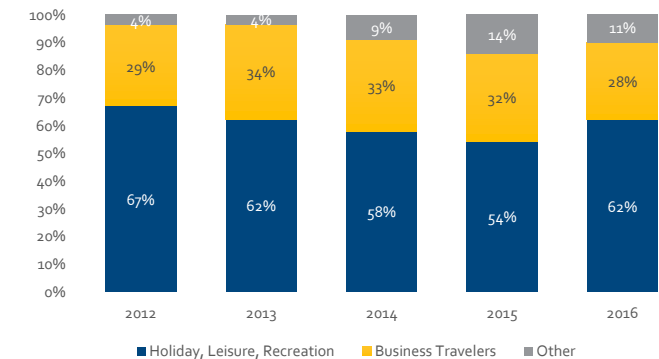
The Kutaisi hotel market consists of 55 hotels with 901 rooms. The number of hotel rooms grew by 18% y-o-y. Economy/budget hotels supply 60% of the total rooms and the remaining 40% fall into the upscale and middle segment. Kutaisi lacks the internationally-branded hotel rooms. The first internationally-branded 3-star hotel in the city, the Best Western Kutaisi, opened in 2017 adding 45 rooms to the available stock. Another international brand, Ramada Encore, is expected to open in Kutaisi in 2019. It will add another 120 rooms to the overall number of accommodations.

HOTEL SUPPLY IN KUTAISI



Source: Colliers International

BREAKDOWN OF HOTEL GUESTS BY TYPE 2012-2016



Source: Geostat, Colliers International

## Performance Indicators

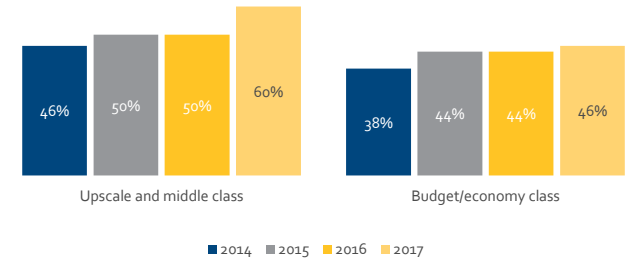
Hotels in the upscale and middle segment reported an occupancy rate of 60% while hotels in the budget/economy segment reported a 46% occupancy rate. The city has experienced city-wide occupancy level increases for four consecutive years, driven largely by the growing number of tourists, and the increased presence of a low-cost air carrier. The average daily rate (ADR) in upscale and middle-class hotels remained USD 51 while the ADR decreased by 25% for budget/economy class rooms. The revenue per available room (RevPAR) in local upscale and middle-class hotels increased by 24% to USD 31. The same figure for the budget class hotels decreased from USD 11 to USD 9. In the near future, visitor arrivals from the EU are expected to increase as additional low-cost flights are added and improvements in airport accessibility continue to be made.

## Host in Georgia

In 2016, the government of Georgia launched the “Host in Georgia” program to develop the hospitality industry in the country. The program encourages entrepreneurs to build hotels in all regions of Georgia except Tbilisi and Batumi by providing them with financial and technical support. Under the “Host in Georgia” program, the government subsidizes 10% interest rate for loans in GEL and 8% for loans in USD/EUR for the first 2 years. In addition, the collateral guarantee for 50% of the total loan amount is provided in the first 4 years. The maximum loan amount can be GEL 5 million in case of International Franchise/Management Contract, and GEL 2 million otherwise. In case of international brand hotels, the government also co-finances franchising and management agreement fees of up to GEL 0.3 million annually for the first 2 years.

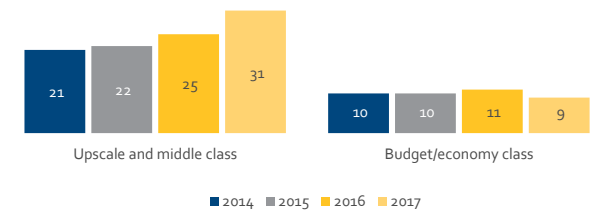
The “Host in Georgia” program has been very successful in developing the hotel industry in Georgia. Georgian government has already supported the development of 38 new hotels under the program, with a total investment volume of GEL 110 mln. As a result, 1174 rooms will be added to the Georgian hotel market. The new hotels are being built in various towns including Bakuriani, Gudauri, Kazbegi, Gonio, Shekviteli, and Tskaltubo.

OCCUPANCY RATE IN KUTAISI 2014-2017



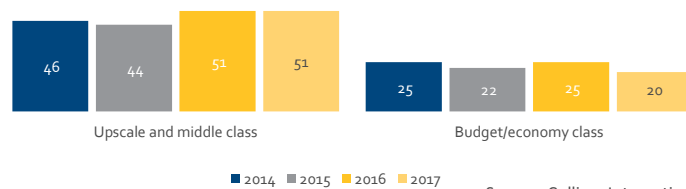
Source: Colliers International

REVPAR IN KUTAISI (USD EXCL. VAT) 2014-2017



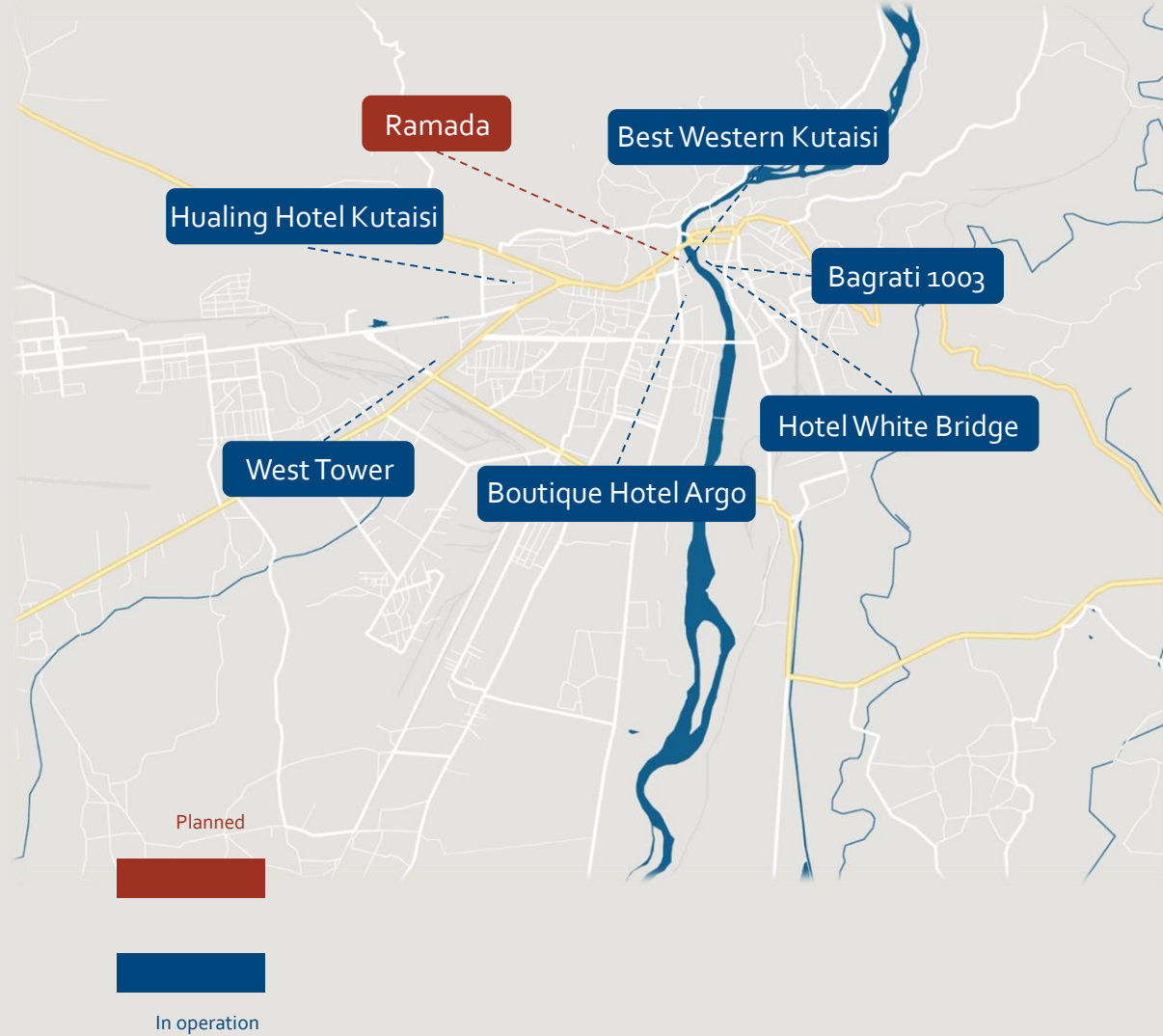
Source: Colliers International

ADR IN KUTAISI (USD EXCL. VAT)



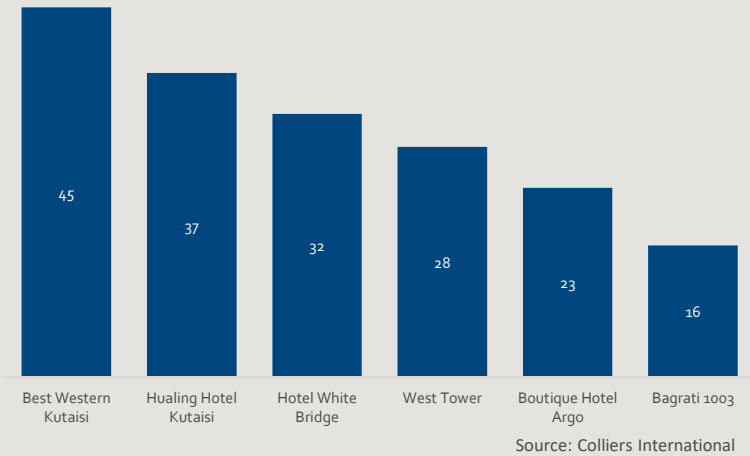
Source: Colliers International

CURRENT AND FUTURE SUPPLY OF MAJOR HOTELS IN KUTAISI

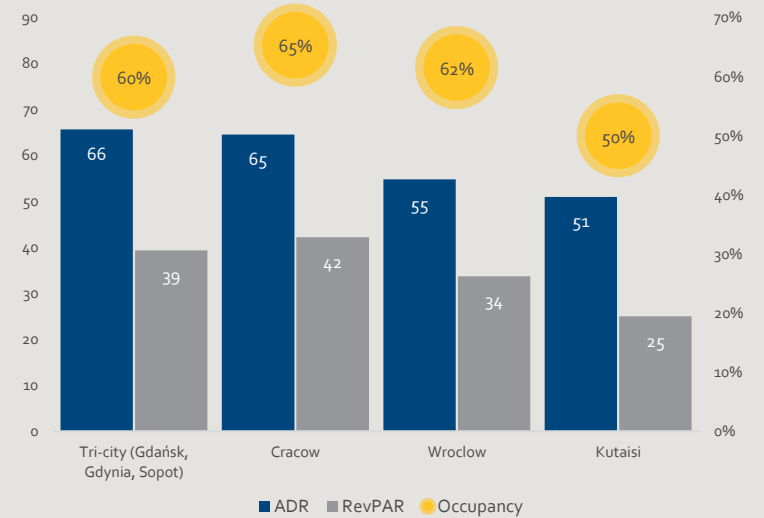


KUTAISI HOTEL MARKET

MAJOR HOTELS IN KUTAISI, NUMBER OF ROOMS



COMPARATIVE ANALYSIS OF PERFORMANCE INDICATORS, 2016



\*Performance indicators of upscale and middle class hotels were analyzed in case of Kutaisi, to present comparable data.



Accelerating success.



# Seaside Resorts Hotel Market Overview

## 2017

Georgia's Black Sea coast encompasses the towns of Kobuleti, Gonio, Kvartati, Sarpi, Chakvi, Anaklia, Ureki, Shekvetili, and Grigoleti. Tourists visit these seaside resort towns during the summer months from June through September, arriving primarily from Russia, Turkey, Armenia, and Azerbaijan. Locals are visiting in increasing numbers as well; during 2017, 12% more locals visited the Adjara and Guria regions as compared to 2016.

Following Batumi, Kobuleti is the second most popular resort on the Black Sea shore, and a popular summer destination for Georgian families and tourists visiting from neighboring Armenia. Kobuleti and Chakvi are the most occupied seaside resorts. Gonio, Kvartati, and Sarpi are located next to Batumi towards the Georgian-Turkish border. These resort towns attract visitors looking for an escape from urban life, while remaining close enough to vibrant Batumi that they can enjoy a variety of entertainment options. Gonio is well-known for its clear water and brightly-colored houses, and an ancient Gonio fortress - a Roman fortification that dates back to the 1<sup>st</sup> century AD.

Ureki is a climatic resort in the Guria Region. Unlike many areas on the Black Sea, Ureki's beaches are sandy, rather than covered in pebbles, making it a popular summer destination. The sand in Ureki has magnetic properties believed to have curative powers for cardiovascular diseases, as well as locomotive and nervous system disorders.

Ureki is situated between Grigoleti to the north, and Shekvetili to the south. Though coastal, sandy resorts like Ureki, Grigoleti and Shekvetili are quieter and more relaxing tourist destinations. Shekvetili's beach is bordered by a rich pine forest that makes the resort's climate unique.

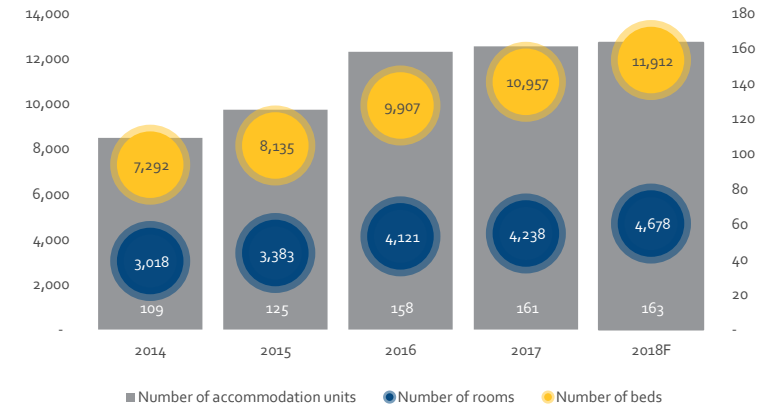
## Demand

The newly-built, 10,000-seat Black Sea Arena concert hall is located in Shekvetili. This popular venue hosted many events throughout the 2017 summer season and will host Elton John in July, 2018. Shekvetili's Tsitsinatela amusement park offers guests a blend of unique rollercoaster rides and family-friendly activities. Operational from June to September, Tsitsinatela attracts more than 300,000 seasonal visitors who come from the various seaside resorts.

Anaklia is a relatively new seaside resort which hosts the international GEM Fest music festival, making it a go-to destination for electronic music lovers. Aside from leisure-related guests, hotels in Anaklia host a substantial number of corporate events.

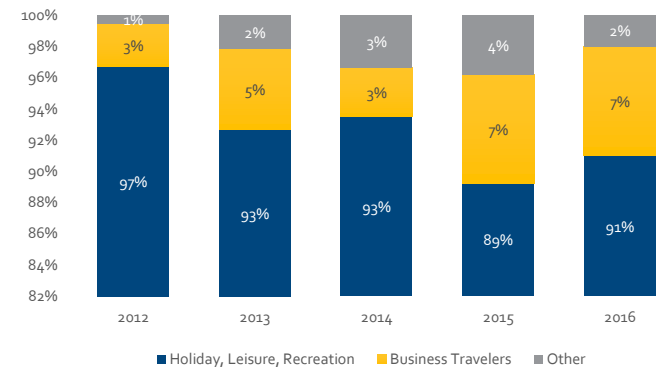
In 2016, 91% of hotel guests were leisure travelers, and 7% of them visited seaside resorts for business purposes.

EXISTING AND UPCOMING SUPPLY IN SEASIDE RESORTS 2014-2018



Source: Colliers International

BREAKDOWN OF HOTEL GUESTS BY TYPE 2012-2016



Source: Geostat, Colliers International



## Supply

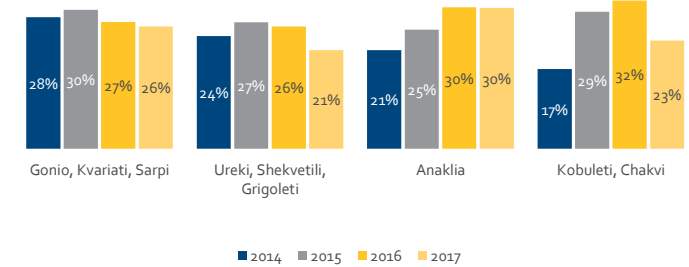
Since 2014, the number of hotel rooms in Georgian seaside resorts has increased by 40% (to 1,220). The summer resort market is dominated by local budget/economy class hotels and only 17% of the room supply falls into the upscale segment. In 2017, no internationally-branded hotels operated in the seaside resorts. However, the internationally-known Autograph Collection, a luxury hotel chain owned by Marriott International, will open the Paragraph Resort & Spa in Shekvetili in the spring of 2018. The Paragraph will offer 220 rooms (accommodating over 500 guests) and include a spa and wellness centre, restaurants, conference halls, and other facilities typically provided by high-class hotels. The absence of international midscale hotels on the seaside resort represents an opportunity. Shekvetili's hotel market is expected to develop further in the next few years as the Czech-Slovakian company LR Invest has announced plans to allocate GEL 20 million to develop the town's hotels and luxury apartments.

## Performance Indicators

Since most seaside resorts are highly seasonal, the annual occupancy rates tend to be relatively low (varying from 23% to 30%), however, the rates reach 75% during the summer. Bordering nearby villages in Turkey, Sarpi and Gonio have the potential to strengthen their shoulder seasons, drawing a substantial number of Turkish visitors.

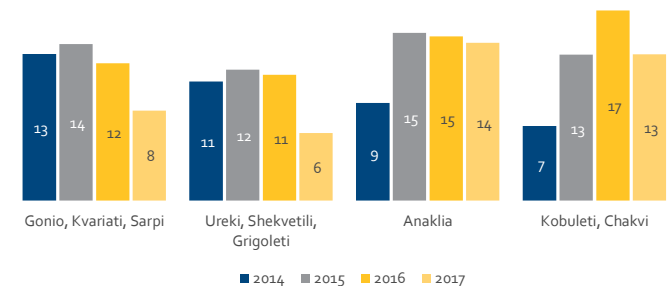
Kobuleti and Chakvi recorded the highest ADR among the seaside resorts amounting to USD 59 (up 9% in 2017 from 2016). Contraction of ADRs and RevPARs in 2017 were deeply impacted by the weakening of the Georgian Lari against the US dollar. Despite currency devaluation, the ADR remained stable in Anaklia. Although there is a strong demand growth in seaside resorts, a large supply of residential and apart-hotels is putting pressure on the hotel market. However, as a result of active marketing campaigns promoting the Adjara region and the development of infrastructure in Ureki and Shekvetili, we expect improvement in the performance indicators.

ANNUAL OCCUPANCY RATE IN SEASIDE RESORTS 2014-2017



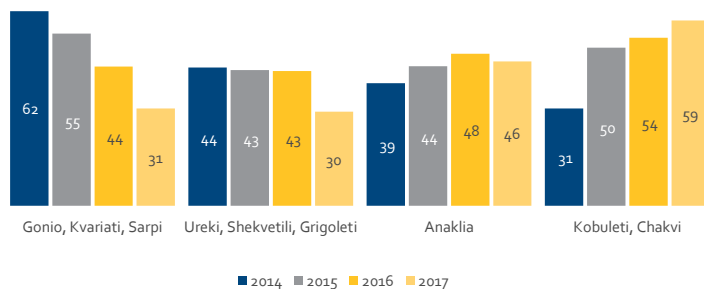
Source: Colliers International

REVPAR IN SEASIDE RESORTS (USD EXCL. VAT) 2014-2017



Source: Colliers International

ADR IN SEA RESORTS (USD EXCL. VAT) 2014-2017



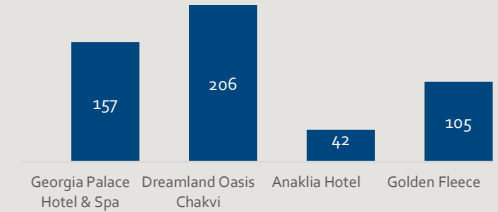
Source: Colliers International

SEASIDE RESORTS MAP



SEASIDE RESORTS HOTEL MARKET

UPSCALE HOTEL ROOMS IN SEASIDE RESORTS



Source: Colliers International

HOTEL PIPELINE IN SEASIDE RESORTS

Developer / Operator / project name	Location	# of Rooms	Opening Year	Construction Status	Type
Georgian Co-Investment Fund / Autograph Collection	Shekvetili	220	2018	Pre Opening	Greenfield
Magnika LLC	Shekvetili	170	2019	Announced	Greenfield
Crystal Building	Kobuleti	220	N/A	Announced	Greenfield
Green Valley / Diamond Hotel	Gonio	144	2021	Announced	Greenfield
Next League PVT LLC / Pratap's Signature a Beachside Resort & Spa	Ganmukhuri	54	2018	Under Construction	Greenfield

Total Investment Volume USD 220 mln



Accelerating success.

# Mountain Resorts Hotel Market Overview 2017

## Demand

Having entertained more than 410,000 visitors during the 2016-2017 winter season, Georgian ski resorts are opening up to a global audience, improving infrastructure, and designing resort masterplans with the goal of hosting world championship alpine events.

Gudauri is Georgia's most popular ski resort. Located only 120 kilometers away from Tbilisi in the Greater Caucasus Mountains, the resort is well-known for its great off-piste skiing and ski mountaineering, drawing visitors from as far away as Russia, Poland, Germany, and Israel.

Currently, several significant infrastructural developments are in the planning stage. At 7.5 kilometres, the Kobi-Gudauri ski lift will be the Caucasus's longest, and will connect Gudauri with Stepantsminda, another mountain resort (Kazbegi). The government also plans to develop a lake that will feed artificial snow production, thus prolonging the ski season. Gudauri's visitor numbers have risen dramatically over the past few years. During the 2016-2017 season, the number increased 37% year-over-year (y-o-y) to 276,634 guests.

Located in south-eastern Georgia and at an altitude of 1,800 metres, Bakuriani is comprised of the Kokhta and Didveli ski bases, providing guests with a total of twelve ski runs that vary in length and difficulty. During the 2016-2017 season, Bakuriani hosted 92,541 visitors, reflecting a 24% rise y-o-y. Although Bakuriani is primarily a winter destination, it attracts a considerable number of summer visitors and is a popular family resort. In 2017, the renovated Borjomi-Bakuriani railway line was re-opened, taking tourists from Borjomi to Bakuriani twice a day. In 2017, the new Kokhta-Mitarbi resort was connected to the Bakuriani ski area. The resort was developed using both private and public funding and an initial USD 150 mln investment.

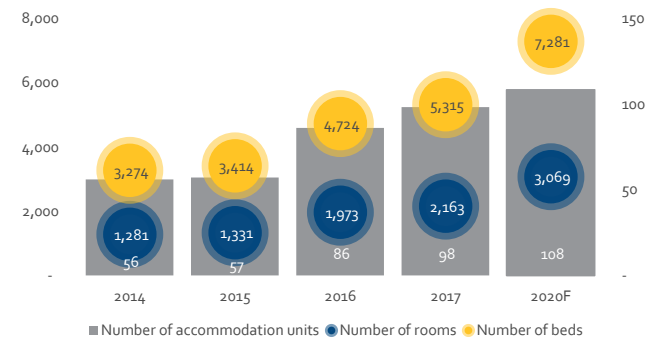
The town of Mestia is located high in the mountains in the Svaneti Region. It is a popular spot for visitors to stay while skiing at the nearby Hatsvali and Tetnaldi ski resorts. These two resorts hosted 16,269 visitors during the 2016-2017 season. In 2017, Mestia was connected to Hatsvali by a new ski lift that provides easier and more comfortable access to the resort.

Development of the Goderdzi Mountain Resort began in 2011, before opening for business in December, 2015. The resort can accommodate up to 7,000 tourists at a time, offering guests 8 kilometres of ski tracks and two lifts. Goderdzi's location makes it a great year-round mountain resort.

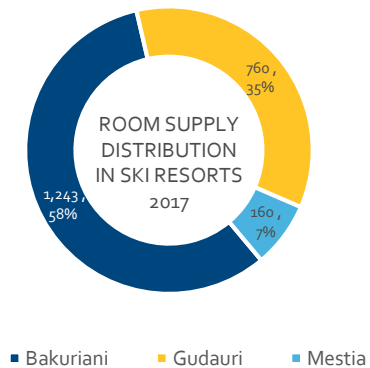
For the 2017/18 ski season, two new lifts (a 200-metre-long stirrup and an 80-metre-long platter lift), along with a new snowmobile track, were added to Goderdzi's skiing infrastructure. Additionally, a new cafe, fast food restaurant, and a ski centre were opened in Goderdzi for the 2017/18 season.

Goderdzi Resort Ltd invested 2,049,000 GEL in a significant project, building 1,761 metres of internal roads, including streetlights and drainage channels, to connect the central highway to the investment land plots. According to the plan, an additional 1,300 metres of internal road will be developed next year.

EXISTING AND FUTURE SUPPLY IN SKI RESORTS



Source: Colliers International



Source: Colliers International

## Supply

Since 2014, the supply of hotel rooms in Georgian ski resorts (Gudauri, Mestia, Bakuriani) has increased by 69% (882 rooms). The majority of the hotels are locally-owned, with the exception of Bakuriani's new Best Western Plus that opened in 2017.

A major USD 150 mln development by Redco, the "New Gudauri" is now under construction. "New Gudauri" will feature hotels, apart-hotels, cottages, and private residences, and will add 4,200 beds to the supply total. The project includes development of the internationally-branded, 160-room Radisson Blu Gudauri Hotel.

Goderdzi Resort suffers from a shortage in accommodations, with only a few cottages currently on offer. There are nine projects in the pipeline, however, with a total investment volume of USD 36.8 mln.

Aparthotels are becoming popular accommodation. In Bakuriani Mgzavrebi is the largest operator, while Orbi Group is also represented on the market. The supply of aparthotels in Bakuriani comprises approximately 1,000 apartments. The seasonal occupancy for aparthotels stands at about 70% and prices vary between USD 60-100.

Aparthotels in Gudauri supply around 500 apartments. During the season apartments have 90% occupancy and prices vary between USD 100-170.

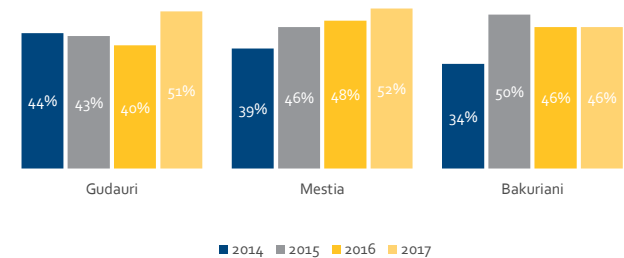
## Performance Indicators

Gudauri experienced strong growth in 2017 with occupancy up 11 ppts to 51%, while the ADR grew by 7.6% to USD 71. This resulted in 38% RevPAR growth to USD 36. Although strong supply growth may have an impact on performance over the next few years, we expect Gudauri to remain one of the strongest ski resorts in Georgia, able to absorb the new supply with increasing demand.

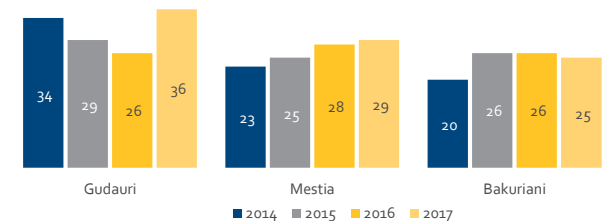
Bakuriani recorded the lowest occupancy rate among ski resorts. The ADR and RevPAR also contracted by 3.6% and 3.8%, respectively. In recent years, the strong growth of apart-hotels in Bakuriani has worked to put pressure on the market. However, as the number of visitors rapidly increases, the market should absorb the supply, allowing hotels to push the ADR.

Mestia witnessed a 3.6% increase in RevPAR, driven largely by the occupancy rate jumping 4 points to reach 52% in 2017. However, this was somewhat at the expense of the ADR rate which contracted 1.7% to USD 57. We expect that positive trend will carry forward over the next few years based on important improvements in infrastructure and the competitive price of leisure services in Mestia's resorts.

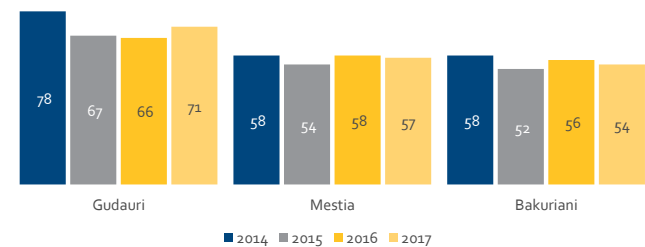
OCCUPANCY RATE IN SKI RESORTS (ANNUAL)



REVPAR IN SKI RESORTS (USD EXCL. VAT)



ADR IN SKI RESORTS (USD EXCL. VAT)



Source: Colliers International

## Stepantsminda (Kazbegi)

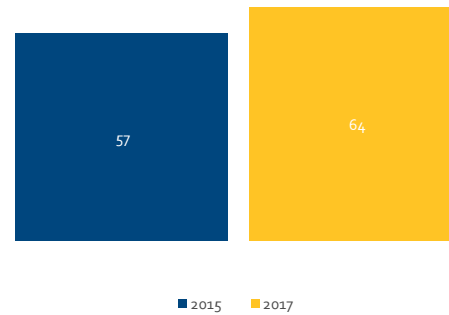
Stepantsminda, formerly known as Kazbegi, is best known for its scenic surroundings and magnificent views. Located next to Gudauri in the Mtskheta-Mtianeti region in the Greater Caucasus mountains, Stepantsminda has become an increasingly popular destination among tourists, offering visitors an array of outdoor activities including mountain climbing, horseback riding, paragliding, and visits to Gergeti Trinity church. In recent years, the number of hotels and guesthouses in Stepantsminda has increased with the rise in tourism.

### Performance Indicators

The occupancy rate in Stepantsminda was 56% in 2017. The ADR increased by 21% to USD 115. The RevPAR in Stepantsminda hotels grew by 12% over the course of two years.

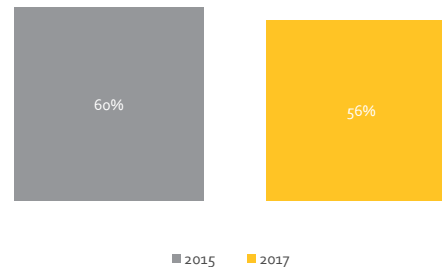
A new upscale hotel - Porta Caucasia Kazbegi - opened recently in Stepantsminda, adding 33 rooms to the accommodation stock.

REVPAR IN KAZBEGI HOTELS (USD EXCL. VAT)



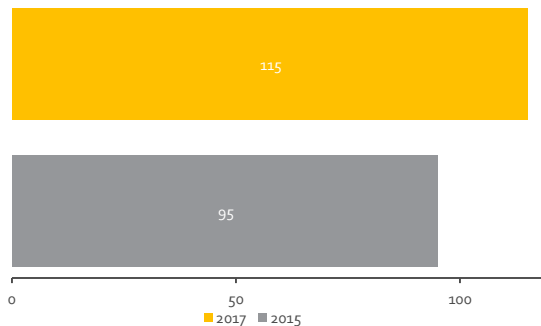
Source: Colliers International

ANNUAL OCCUPANCY RATE IN KAZBEGI



Source: Colliers International

ADR IN KAZBEGI HOTELS (USD EXCL. VAT)



Source: Colliers International



Photo: Rooms Hotel Kazbegi



Photo: Bakhmaro Resort

## MOUNTAIN RESORTS HOTEL MARKET

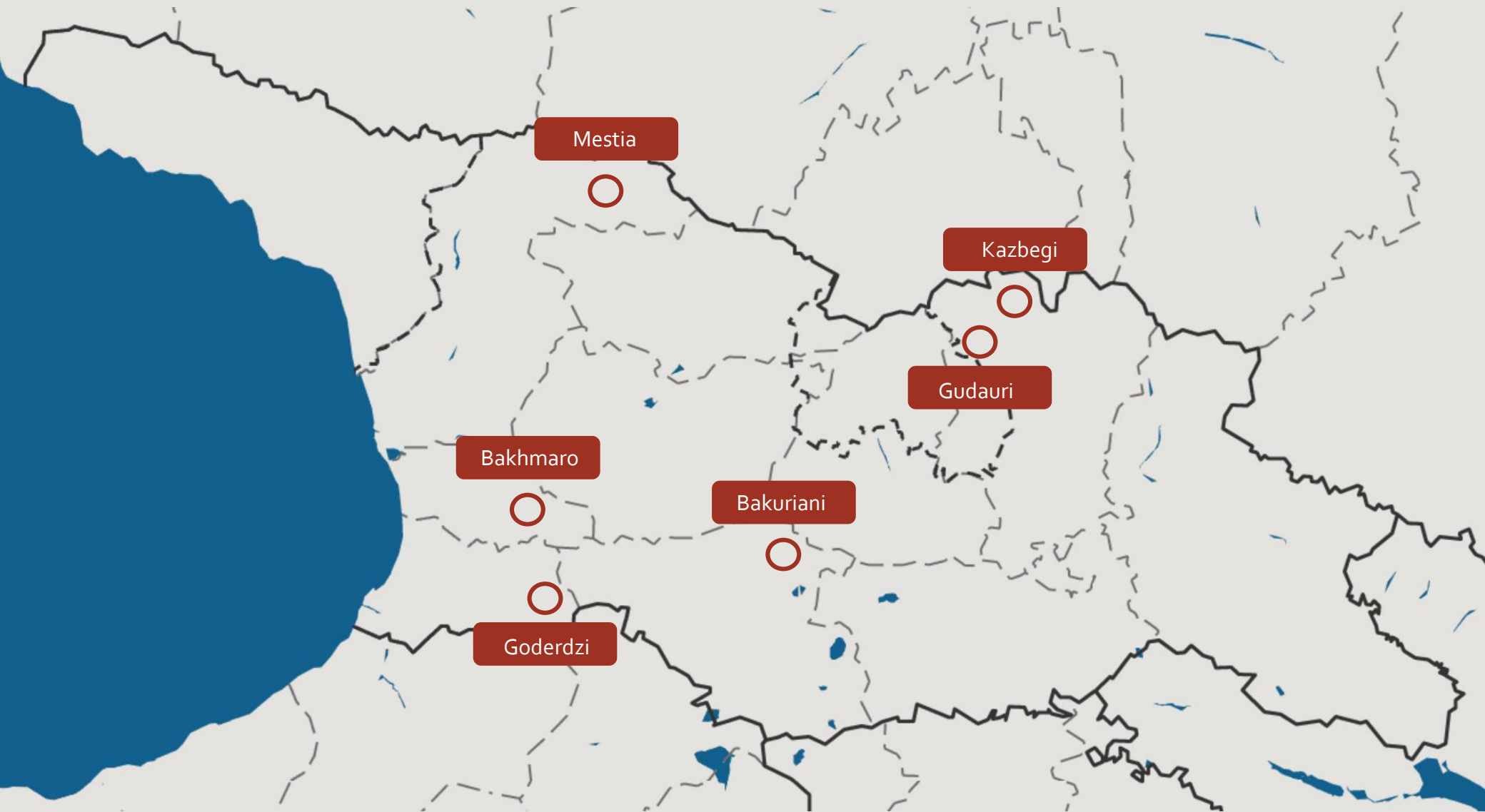
Bakhmaro, the country's highest alpine resort, is located 2,000 metres above sea level in the Guria region. The resort is best known for its natural beauty and exceptional views. Proximity to both the Black Sea and dry mountain air makes the Bakhmaro climate truly unique and beneficial for people who suffer from respiratory problems.

Though the resort is seasonally busy from June to September, Bakhmaro has great potential to be a popular year-round tourist destination. Currently, however, its hotel market supply is limited and comprised of guesthouses and a single hotel named "Bakhmaro". The government plans to improve infrastructure for both summer and winter use, and is currently developing masterplan.

## HOTEL PIPELINE

Developer / Operator or project name	Location	Number of Rooms	Opening Year	Construction Status	Type
Adjara Group Hospitality / Rooms Hotel	Bakuriani	100	2018	Under Construction	Greenfield
Mgzavrebi / Best Western	Gudauri	60	2018	Under Construction	Greenfield
Red-co / Radisson Blu	Gudauri	160	2019	Under Construction	Greenfield
Grapa Capital	Mestia	132	2019	Under Construction	Greenfield
JSC Lamaria Capital	Mestia	117	2019	Announced	Greenfield
Alliance Group / Ramada Hotel	Goderdzi	100	2018	Under Construction	Greenfield
Hotel Goldmine	Goderdzi	100	2019	Under Construction	Greenfield
GSP Group	Goderdzi	40	2020	Under Construction	Greenfield
Mountain Sky	Goderdzi	45	2019	Under Construction	Greenfield
Ire Palace	Goderdzi	52	2020	Under Construction	Greenfield
New Goderdzi	Goderdzi	100	N/A	Under Construction	Greenfield
Metro Atlas Georgia / Metro Sky Tower	Goderdzi	127	N/A	Under Construction	Greenfield
GTEM Group	Goderdzi	32	N/A	Under Construction	Greenfield
ARINA'S PLACE	Goderdzi	32	N/A	Under Construction	Greenfield
New Time	Goderdzi	90	N/A	Under Construction	Greenfield
				Total Investment Volume USD 113 mln	







# Spa & Wellness Hotel Market Overview

2017

## Tskaltubo

Taking advantage of the natural minerals and rich thermal waters found throughout the country, Georgia has developed a prosperous and growing spa resort market.

Tskaltubo is Georgia's best-known spa destination. Located in the Imereti region, Tskaltubo neighbors Kutaisi, Georgia's second largest city and the country's legislative capital. This beautiful spot has been a resort town since the Soviet era when the town was one of Georgia's most popular spa resorts, receiving more than 100,000 visitors every year.

The resort is best known for its radon mineral springs, which run between 33-35 degrees Celsius. Because of the water's natural warmth, heating is not required and the springs are preserved.

Tskaltubo's specific water composition is very rare. Its salts are thought to have highly active calcium and magnesium contents, while radon and its by-products are known for their ability to strengthen the immune system, regulate blood pressure, assist in cell regeneration, and reduce inflammation. Because of the unique properties of radon gas, Tskaltubo's springs are used in complementary healing processes for various diseases, including cardiovascular, locomotor, nervous, gynecological, and skin diseases. The water flows directly from springs into the baths, which allows the therapeutic procedures to be performed in continuously running water. Tskaltubo's therapeutic rehabilitation centres are equipped with modern medical equipment and offer services such as mineral water baths, hydro massages, physiotherapy, and more. While the treatment and outcome depend on the affliction and individual goals for treatment, therapy courses typically run for two weeks, and result in curative effects that can last up to a year.

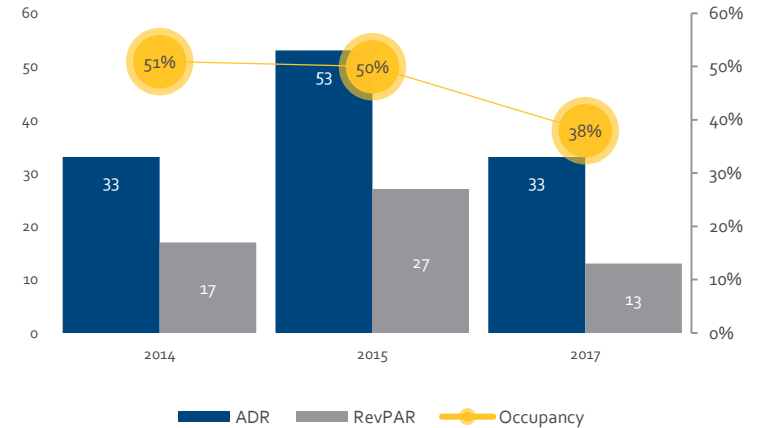
Since 1999, more than twenty infrastructural projects have been implemented in Tskaltubo. In November 2012, the World Bank agreed to allocate USD 37 million to Tskaltubo for a second-stage of development of regional infrastructure in the hope of driving further tourism and travel. Since 2011 when the first hotels and guest houses opened in the city, health care tourism has grown significantly.

Visitors coming to experience Tskaltubo's mineral waters and springs represent the majority of leisure hotel demand, including those found at the health and wellness spas. Many tourists come to see the monasteries (Bagrati, Gelati, and Motsameta) in Kutaisi and in its surroundings, while the protected natural landscapes at Prometheus, Sataplia Cave, and Okatse Canyon also attract a significant amount of visitors.

Aside from leisure-related guests, hotels in Tskaltubo host a substantial amount of commercial business that stems from the corporate and industrial companies located in and around Kutaisi and Tskaltubo. Many hotel guests arrive via the Kutaisi International airport, located 18 kilometres south of the centre of Tskaltubo. Other guests include government officials and public-sector officers who come to Kutaisi for Parliament-related gatherings. In 2016, 41,018 visitors stayed in hotels in Tskaltubo. 54% of those visitors were leisure travelers, 13% of them visited Tskaltubo for health reasons, and 24% were business travelers.

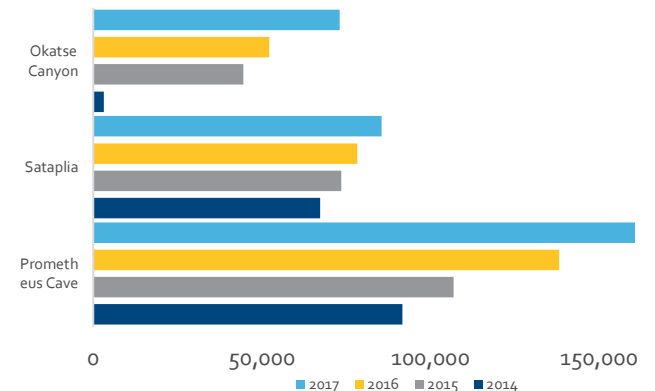
The total supply of hotel rooms in Tskaltubo is 353 and only 22% of them fall into the upscale segment. A new 130 room hotel with around USD 4mln is expected to open. In 2017, the occupancy rate of hotels in Tskaltubo was 38%. The ADR was USD 33 and the RevPAR was USD 13.

PERFORMANCE INDICATORS IN TSKALTUBO, USD, %



Source: Colliers International

NUMBER OF VISITOR IN TOP ATTRACTIONS NEAR TSKALTUBO



Source: Colliers International

## Abastumani

The village of Abastumani, located on the southern slopes of Meskheti range close to Borjomi, is a spa resort famous for its special climate. The air in Abastumani is thought to have the ability to prevent pulmonary disease. Though the climate is beneficial year-round due to the resort's moderately dry, mountainous air and coniferous forests, it becomes especially useful for the prevention of pulmonary diseases in the spring, when pine trees begin pollinating. Additionally, the slightly mineralized, hyper-thermic springs have been used in the treatment of tuberculosis. Even for those in good health, Abastumani is a great destination for outdoor activities in the Borjomi-Kharagauli National Park.

Despite its great potential as a spa destination, Abastumani's hotel market supply is comprised mainly of guesthouses and small cottages. The area's four hotels - Abastumani Residence, Hotel Iveria, Hotel Kapa, and Green Hotel - provide only 56 rooms and 158 beds altogether. The Redix Group is building a new 4-star hotel, which will accommodate 200 guests and offer a vast range of therapeutic and health-improving treatments to its guests.

## Utsera, Shovi

Utsera and Shovi are spa and wellness resorts located in Upper Racha, offering guests a total of 44 mineral springs well-known for their unique restorative properties. Quite different from those previously discussed, the mineral composition of the waters at Utsera and Shovi provide complementary healing for digestion problems, respiratory tract diseases, gynecological diseases, and other ailments. The mineral waters of Utsera and Shovi are used both as baths and for drinking. Because Utsera and Shovi also have coniferous forests, visitors reap the therapeutic benefits of the climate as well.

These towns have the potential to be attractive destinations for outdoor activities such as mountain climbing, hiking, and rafting, though with only three hotels – the Sunset Shovi, Pansionati Mamisoni, and Rachuli Sakhli – the town cannot meet a large tourist demand.

## Akhtala

Akhtala is another one of Georgia's key spa destinations. Located in Gurjaani, Akhtala is famous for its volcanic mud baths that are rich with biologically active elements and used in the treatment of various skin diseases, infertility problems, bone and joint diseases, and peripheral nervous system diseases.

Because of its unique mud offerings, the resort has the potential to be very attractive to both domestic and foreign tourists. Currently, however, the Akhtala Sanatorium is the resort's only hotel. Rehabilitation of Akhtala resort started in April 2012, and the resort was included in a privatization list in 2015.

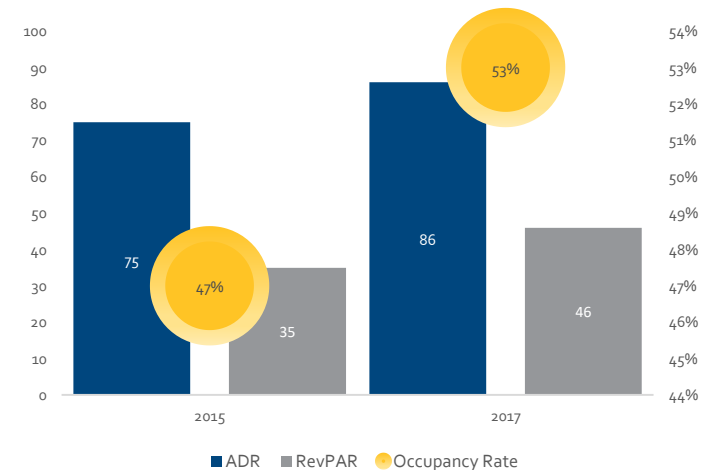
## Borjomi

Borjomi is a resort town in south-central Georgia with a population of approximately 14,445 residents. Situated in the northwestern part of the Samtskhe-Javakheti region, the town is nestled in the picturesque Borjomi Gorge on the eastern edge of the Borjomi-Kharagauli National Park.

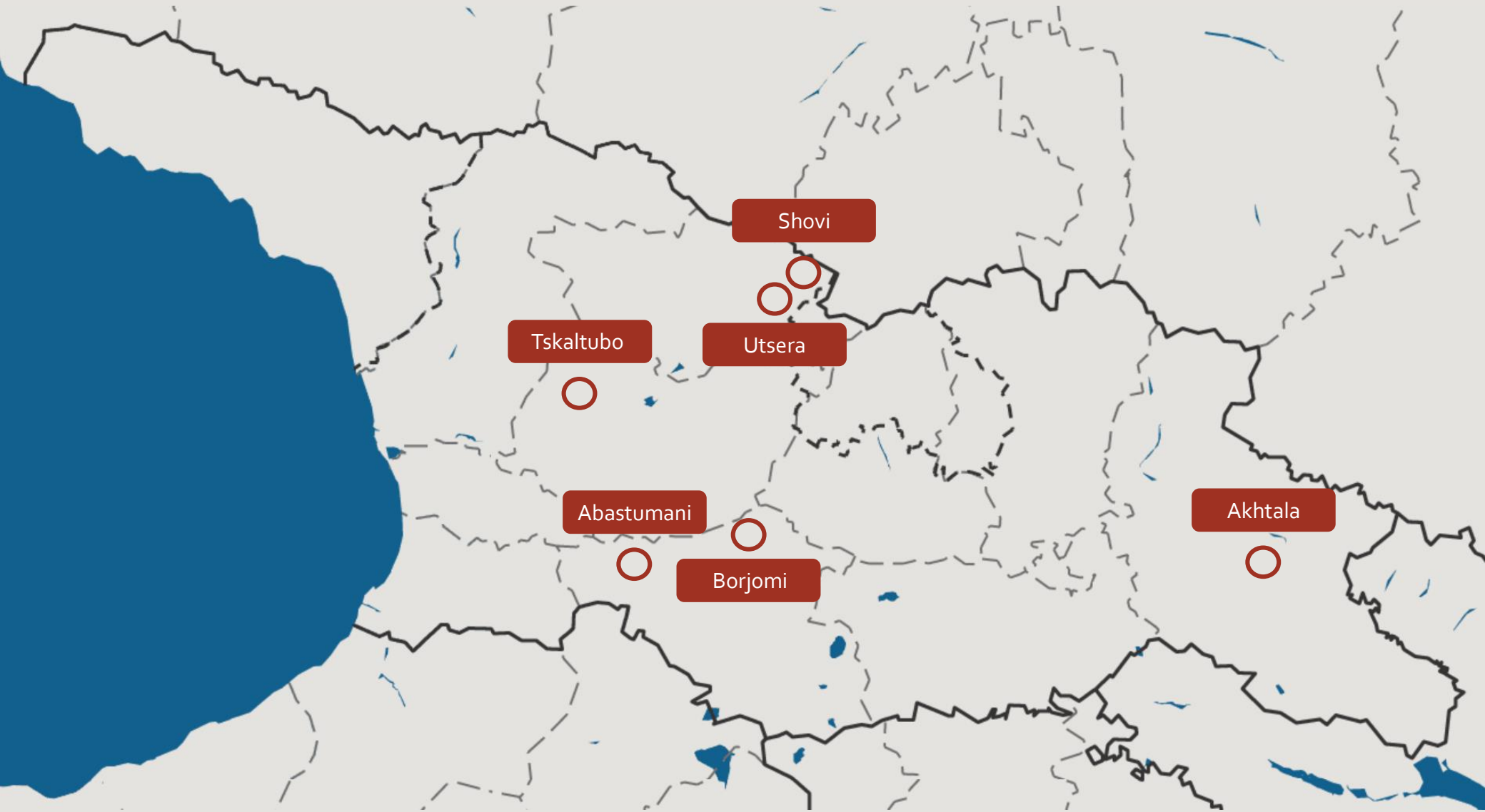
Borjomi is famous for its mineral water industry (which is one of Georgia's primary exports), the Romanov Summer Palace in Likani, and the Borjomi-Kharagauli National Park. Borjomi mineral water is particularly well-known in former Soviet Union countries.

The town is a popular year-round vacation destination for both local and international guests. It is a convenient landing spot for those interested in visiting the Borjomi-Kharagauli National Park, which received around 60,000 visitors in 2017. It is also a midway-point for those travelling to Vardzia. 78% of Borjomi's hotel guests come for leisure and recreation, and 9% visit for health reasons. In 2017 the occupancy rate of hotels in Borjomi was 53%. The ADR was USD 86 and the RevPAR was USD 46.

PERFORMANCE INDICATORS IN BORJOMI, USD, %



Source: Colliers International



The hotel market in Georgia is benefiting from increased tourism. In 2017, the number of international inbound travelers grew by 18.8% y-o-y from 6.4 million to an all-time high of 7.6 million. Tourist arrivals increased by 27.9% over 2016, reaching 3.5 million visitors in 2017. According to the Georgian tourism development strategy, visitor numbers for 2025 should reach 11 million. This growth is being further driven and supported by the addition of new and internationally-branded hotels in several locations, improved infrastructure, and the government's willingness to invest in a wide range of sporting, cultural, and international events that draw a significant number of visitors. Furthermore, state program - Host in Georgia enables investors to access state-backed finance for the development of hotels in the regions of Georgia.

As of 2017 Georgia had an estimated 27,333 hotel rooms. The total supply is expected to increase by 6,754 new rooms by 2021.

Tbilisi has proven to be the country's most profitable location for hotels, which has led developers and operators to build in the city. Over twenty new hotels are scheduled for completion by 2020, many of which are internationally-branded. If all of the projects are developed, over 4,500 rooms will be added to the market. A large concentration of these rooms will be categorized as international upscale and international midscale. We forecast that the share of international hotels will increase by 17% by 2020. Although there is going to be more competition, which will place existing operators under pressure, as the number of visitors rapidly increases, the market should be able to absorb the supply.

Batumi is a popular tourist destination for holiday, recreation, and leisure visitors who account for 90% of all hotel stays. The gaming industry that attracts tourist all-year round in Batumi has large potential as most countries in the region restrict gambling. Four new casinos are currently in the pipeline. We expect visitor numbers to rise in the short to medium term as the Adjara Region participates in international tourism exhibitions and hosts major international events such as the 43rd World Chess Olympiad. Through significant investment, the resort city is gradually being repositioned to attract more domestic and international visitors. The announcement of the First Vice-Prime Minister to expand Batumi International Airport demonstrates Georgia's clear intent to invest in and grow Batumi.

The annual number of hotel guests has grown strongly in Kutaisi. The city has experienced city-wide occupancy level increases for four consecutive years, driven largely by the growing number of tourists and the increased presence of a low-cost air carrier. Being the home of the Georgian Parliament, Kutaisi benefits from a relatively high proportion of business visitors (28%). Kutaisi's hotel market is dominated by local operators; the 2017 opening of a 45-room Best Western marked the introduction of the first branded hotel in Kutaisi. Development pipeline is quite limited; however, another internationally-branded hotel Ramada is expected to open in 2019. Looking forward, as Kutaisi International Airport expands and new scheduled air routes start to operate, hotel performance indicators should improve.

Georgia's seaside resorts are clustered on the Black Sea coast. Being more of a seasonal market, the annual occupancies are quite low compared to the summer months when occupancy rates reach 75%. For the summer season of 2017, the Georgian government spent USD 3.1 million on internet campaigns and TV advertisements in order to promote Georgia in the following 14 countries: Germany, Italy, Ukraine, Poland, Russia, Belarus, Lithuania, Latvia, UAE, Israel, Azerbaijan, Kazakhstan, Turkey, and Armenia. Notably, the number of arrivals from these countries has reached 2.4 million in summer of 2017 compared to 1.9 million in summer of 2016.

The room supply in seaside resorts is dominated by local/ budget segment (83%). The first internationally-known hotel in seaside resorts is set to open in spring 2018. Autograph Collection, a luxury hotel chain, will open the Paragraph Resort & Spa in Shekvetili which will include a spa and appropriate high end facilities.

Tourism in mountain resorts is gaining momentum in Georgia. Investment in new skiing infrastructure, combined with new hotel entrants, is boosting the attractiveness of ski resorts. The market is dominated by local operators, however, Best Western Plus opened in Bakuriani in 2017. Furthermore, Radisson Blu and Best Western Plus are expected to open hotels in Gudauri. In addition to the three main resorts of Gudauri, Bakuriani and Mestia, new resorts have opened in Goderdzi and Tetnuli.

To capture full potential, it is possible to further develop summer tourism in mountain resorts and increase occupancy rates through the promotion of summer programs including outdoor activities, such as walking, hiking, mountain biking, and rafting, along with yoga and, mindfulness retreats. A great example of a summer mountain resort that has attractive hotel market performance indicators is Stepantsimda (Kazbegi) that features high-end hotel Rooms Kazbegi and attracts substantial visitors in the summer months.

Georgia has a number of spa and wellness resorts that attract visitors who come to take advantage of the country's outdoor, cultural, and healthcare offerings. However, most spa and wellness resorts in Georgia are still in the early stages of development. This market has potential to further develop and attract wellness tourism.

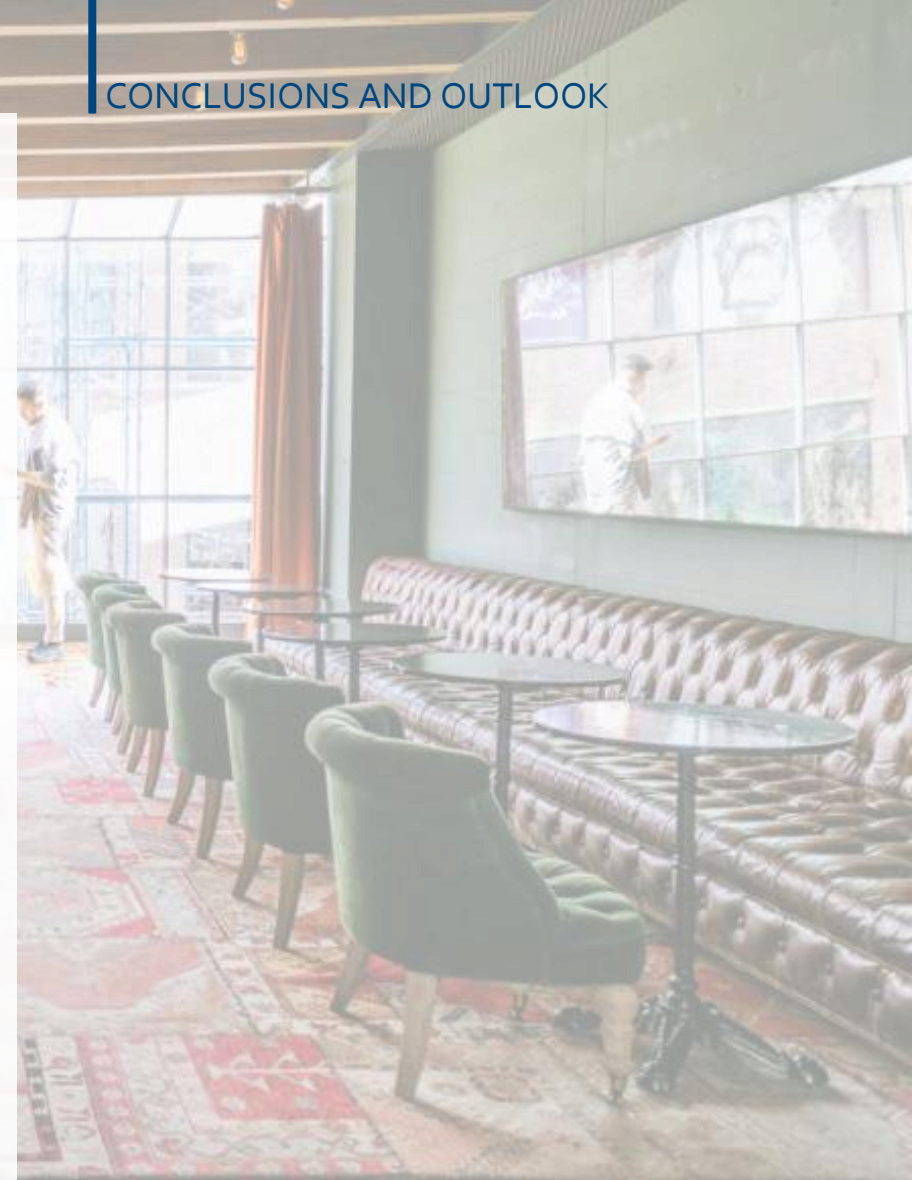


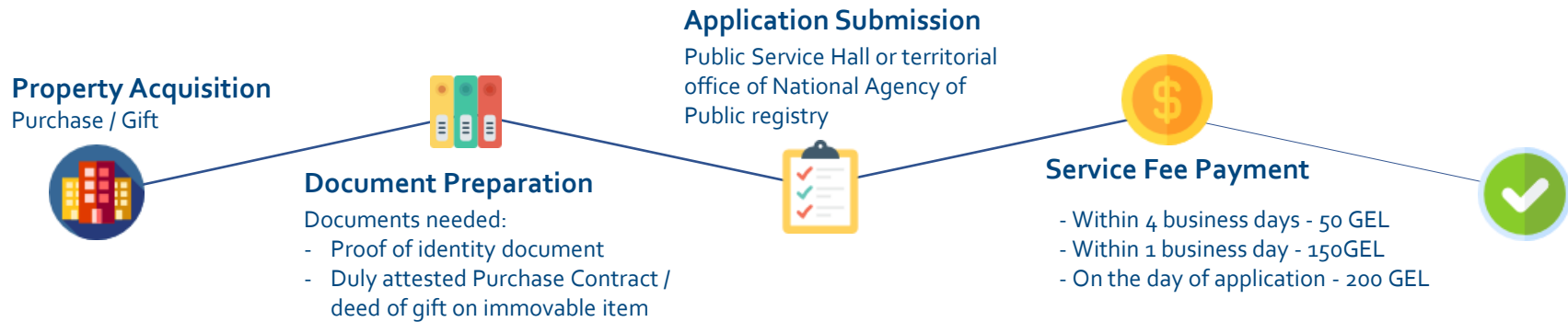
Photo: Rooms Hotel Tbilisi

# APPENDIX

# 1

Real Estate Registration and  
Construction Permit





## Property Registration

In Georgia, the National Agency of Public Registry is the state institution responsible for the 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 the case the property being purchased from the state/municipality (privatization, auction or other form of purchase) the documents should be submitted directly to the Agency.

### Times and fees for registration

- 4 working days upon the submitting of documents (ordinary time) - the day of submission of documents is not counted - GEL 50 (registration fee per one property) + GEL 5 for certifying the document (GEL 5 per each document subject to submission)
- 1 working day - GEL 150 + GEL 5 for certifying the document
- On the day of submitting the agreement in the Agency - GEL 200 + GEL 5

### Times and fees for renewal of public registry information

#### Online

- 1 working day - GEL 10 (USD 4.4)
- Same working day - GEL 40 (USD 17.6)

#### Justice House

- 1 working day - GEL 15 (USD 6.6)
- Same working day - GEL 50 (USD 22)

## Construction Permits

For the purposes of construction, buildings are divided into five types:

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

The permit issuance process is divided into three 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-Shekviteli 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-Shekviteli 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-Shekviteli 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

10 days for II, III and IV class buildings

15 days for Bakhmaro, Bakuriani and Ureki-Shekviteli recreation territories (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 Bakuriani, Bakhmaro, Ureki-Shekviteli recreation territories, 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 1,500 p/m<sup>2</sup> 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 two 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 and V class buildings, for Bakuriani, Bakhmaro, Ureki-Shekviteli recreation territories and for all buildings that require ecological expertise.

Stage II (issue of permit) - 20 days for all classes

### Permission fees

The municipal organs determine the permission fees though the maximum limits are envisaged by the Law:

For all territory of Georgia - 1 (one) GEL (USD 0.4) p/m<sup>2</sup> of construction territory

For construction of industrial buildings at resort areas- 5 (five) GEL (USD 2.2) p/m<sup>2</sup> of construction territory

Exceptions:

Investors seeking the construction of hotels in free tourism zones and investing not less than 1,000,000 (one million) GEL (USD 440,494) per each hotel are exempted from paying the permission fee.

## APPENDIX

# 2

Primary Information Sources, Data used for  
the study and Definitions

In the process of preparing the research, we were guided by the information provided by property managers, owners, developers, governmental institutions (The National Agency of Public Registry, the National Statistics Office of Georgia, the National Bank of Georgia, the Ministry of Economy and Sustainable Development of Georgia, Georgian Civil Aviation Agency, City Halls, STR Global, World Economic Forum). The following web-portals are also used:

[www.geostat.ge](http://www.geostat.ge)

[www.nbg.ge](http://www.nbg.ge)

[www.gnta.ge](http://www.gnta.ge)

[www.tas.ge](http://www.tas.ge)

[www.worldbank.com](http://www.worldbank.com)

[www.cia.gov](http://www.cia.gov)

[www.imf.org](http://www.imf.org)

[www.uwto.org](http://www.uwto.org)

#### Definition and Assumptions

EMEA: Europe, Middle East and Africa

FDI: Foreign Direct Investment

IMF: International Monetary Fund

DCFTA: Deep and Comprehensive Free Trade Agreement

GDP: Gross Domestic Product

GEL: Georgian Lari

sq m: Square metre

USD: The United States Dollar

VAT: Value added tax

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization

IRR: Internal Rate of Return

MICE: Meetings, Incentives, Conferencing, Exhibitions

F&B: Food and Beverage

ADR: Average Daily Rate, same as Average Room Rate

REVPAR: Revenue Per Available Room

GOP: Gross Operating Profit

Average Daily Rate: is calculated by dividing room revenues by the number of rooms sold.

Revenue Per Available Room: is calculated by dividing rooms revenue by rooms available for sale in the same period.

Occupancy Rate: is calculated by dividing the number of room nights sold during a period by the total number of rooms available in the same period.

# Disclaimer

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Established by the Ministry of Economy and Sustainable Development of Georgia, "Enterprise Georgia" is a legal entity of public law aimed at development of Georgian enterprises. As the first state-owned institution mandated to facilitate development, growth and internationalization of country's private sector through use of different mechanisms, Enterprise Georgia operates within its three pillars: EG – Business, EG – Invest, and EG – Export.

As one of the EG Pillars, Investment Promotion and Support Divisions play a role of moderator between foreign investors and the Government of Georgia, ensuring that the investor gets different types of updated information and has means of effective communication with the Government bodies. The aim of the Invest division is to attract, promote and develop foreign direct investments in Georgia. It serves as a "One-stop-shop" for investors to support companies before, during & after investment process.



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# COLLIERS GEORGIA AT A GLANCE



5

MILLION GEL REVENUE FROM REAL ESTATE SERVICES

50

PROFESSIONALS

13

CERTIFIED IVS VALUERS

2

RICS MEMBERS

100\*

MARKET & ADVISORY REPORTS

25,000

VALUATIONS CONDUCTED

\$2,9\*\*

TOTAL AGGREGATE VALUE OF VALUED PROPERTIES

\$1.3\*\*

BILLION CONSULTING PROJECTS' TOTAL DEVELOPMENT VALUE



\* Accomplished by team members during last several years

\*\* 2015-2017 figure



Accelerating success.

# COLLIERS GLOBAL STATS AT A GLANCE



Comprised of  
**15,400**  
professionals



Revenue  
**\$2.7B**  
(US\$)



Managing  
**2B**  
(square feet)



Established in  
**69**  
countries



Lease/sale transactions  
**68,000**



Transaction value  
**\$116B**  
(US\$)

*All statistics are for 2017, are in U.S. dollars and include affiliates.*

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