



GEORGIA

TBILISI OFFICES

FIRST HALF | 2018



TAKE-UP

Take-up

The Tbilisi modern office market has demonstrated strong demand for office spaces in each class, with 46 registered new contracts and renewal agreements, comprising 16,860 sq m. The take-up in the first half of 2018 increased by 56% compared to the second half of 2017. We expect a positive take-up trend for next six months for A class business centres (BC), with ongoing active lettings in King David BC and Axis Towers BC in the pipeline.

Demand for office spaces in King David BC was the strongest driver of the take-up in A class, while deals in Lilo Rental amounted to 33% of the take-up in B class.

Only 11 of all lease agreements, were larger than 500 sq m. However, these agreements amounted to 63% of the total take-up.

Trade companies secured the largest share (4,118 sq m) of office space. Petroleum and tobacco companies are the major tenants

from this category. Auditor companies from professional services category took 1,378 sq m in H1 2018.

The net take-up in modern business centres was highest compared to the previous years. Positive net take-up occurred in all classes, with the strongest demand in A and B class. The large take-up in A class business centres can be explained by transactional activity in King David BC. The year-end net take up in A class is likely to exceed previous levels due to the 28,000 sq m new stock, only fraction of which is leased.

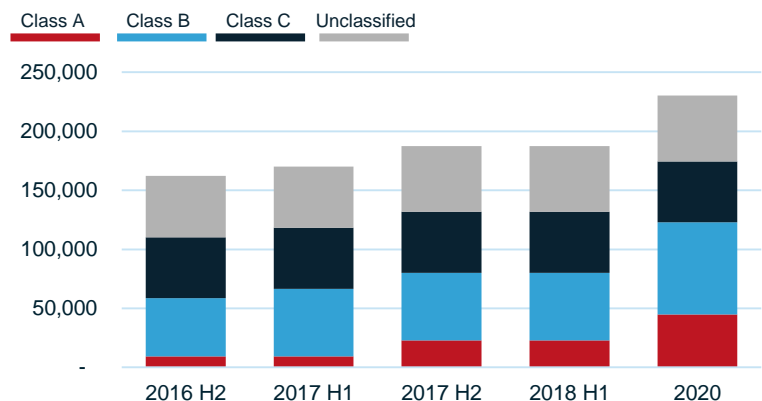
Supply

There was no new office space delivered in the first half of 2018. However, new A class (22,000 sq m) office tower is currently under construction. B & C class offices under active construction amount to 18,654 sq m.

The year-end supply levels are expected to increase if two major projects Axis Towers and MDM Group's second BC are delivered.

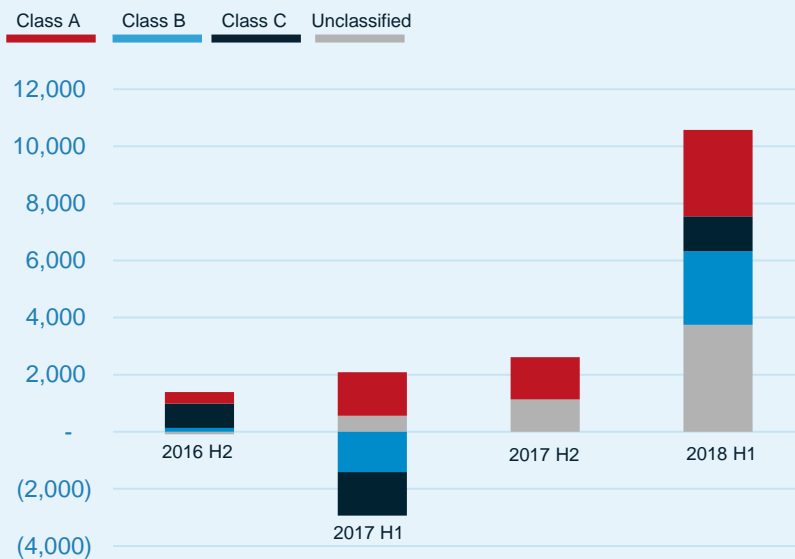
FIGURE 1: SUPPLY

MODERN BUSINESS CENTERS
OFFICE AREA, sq m



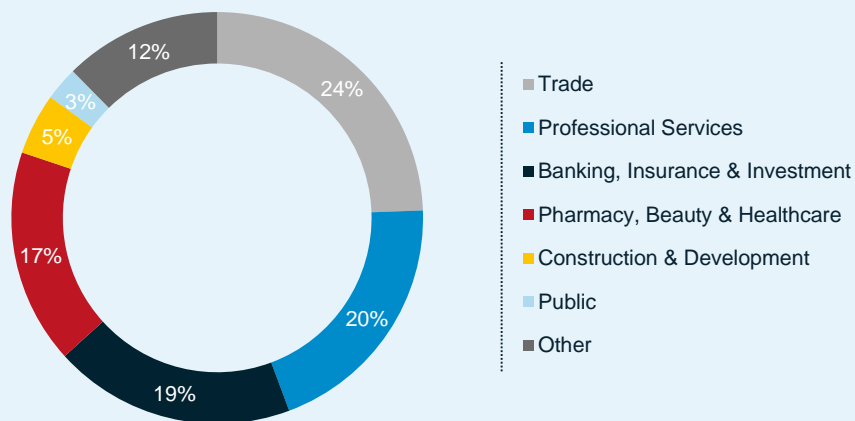
Source: Colliers International

FIGURE 2: NET TAKE-UP



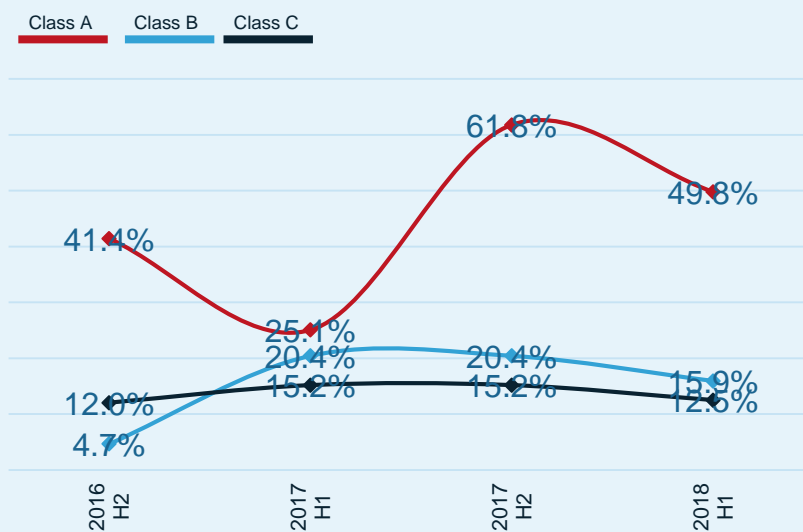
Source: Colliers International

FIGURE 3: TAKE-UP BY CATEGORY



Source: Colliers International

FIGURE 4: VACANCY RATE



Source: Colliers International

PERFORMANCE INDICATORS

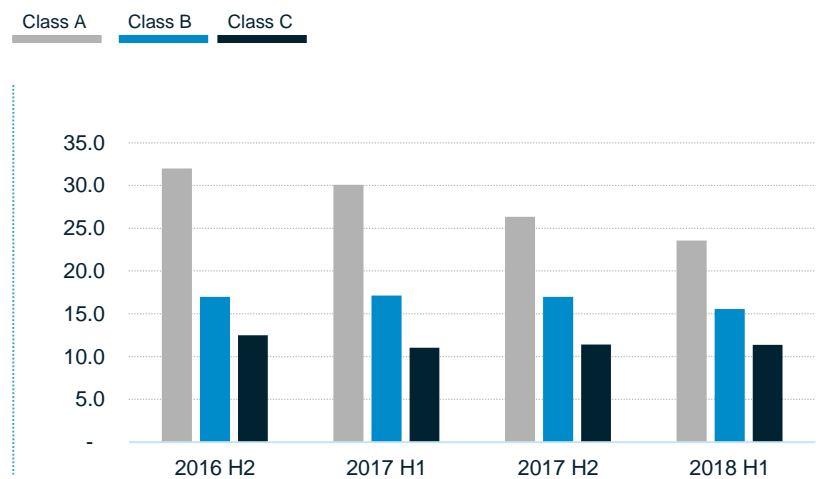
Due to high levels of supply Tbilisi prime office rents are currently USD 23.6 per sq m. We anticipate prime rents to continue downward movement towards USD 21 per sq m over the next two years.

since the end of 2017. However, there still is a substantial amount of available space to let in class A buildings. The vacancy rate in B class stands at 15.9% and class C vacancy rate is 12.5%.

New B class business centres in the periphery of the city, on Beliashvili street are driving down the average rent in the B class.

Overall, the city vacancy rate stands at 17% in the first half of 2018. Class A vacancy rate has decreased by 12 percentage points

FIGURE 5: RENTS
BY CLASS



Source: Colliers International

FOR MORE INFORMATION

RESEARCH & FORECASTING

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