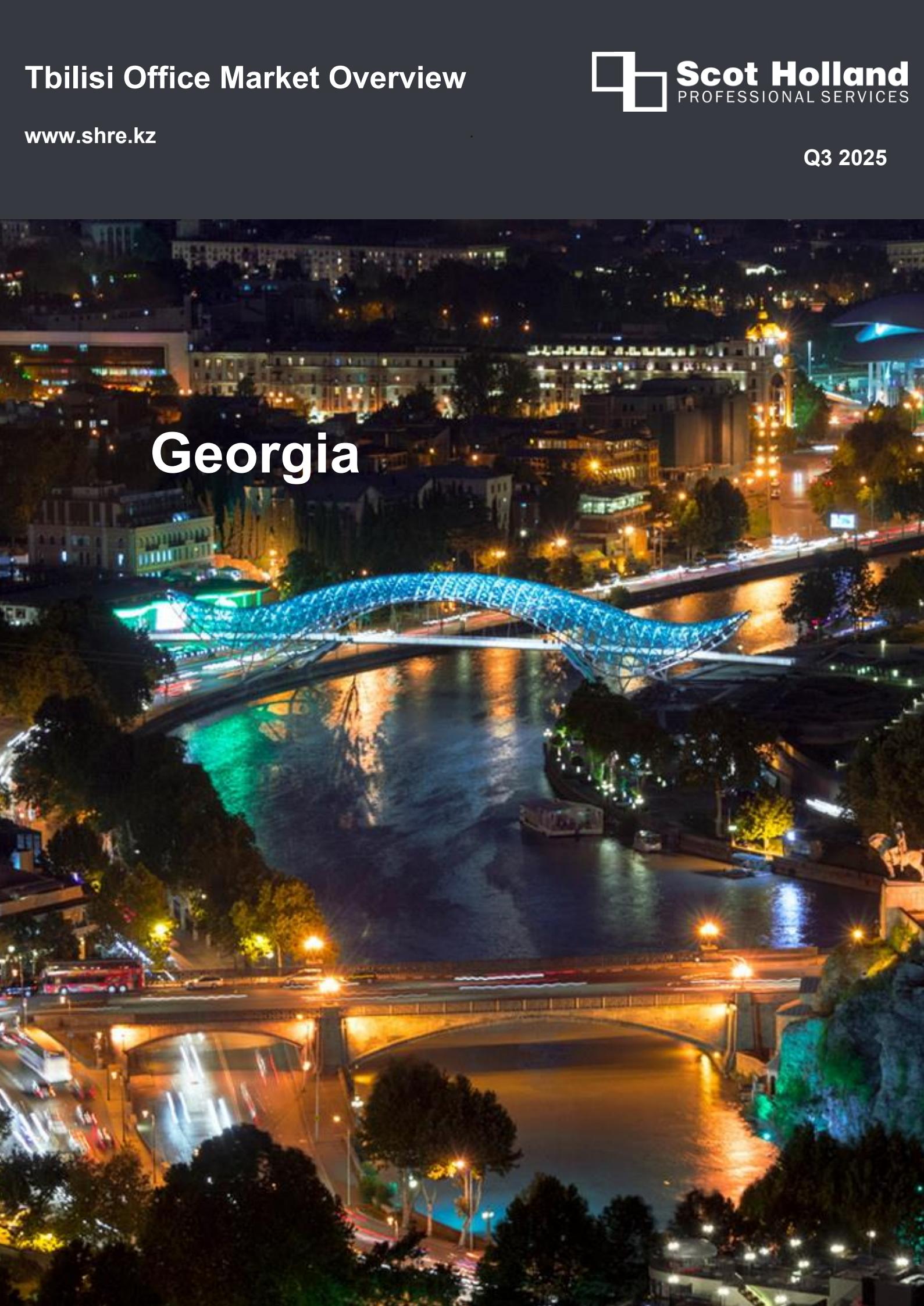


Georgia



Tbilisi Real Estate Market Q3 2025 Report

This overview for Tbilisi, Georgia, for Q3 2025 is based on the strong economic growth the country has experienced, the sustained impact of recent migration, and the critical need for modernization in its commercial real estate stock.

Executive Summary

The Tbilisi office real estate market in Q3 2025 was characterized by high demand for international-standard space amid a generally aging stock. Economic vitality, propelled by significant GDP growth (forecast at around 5-6% for 2025) and strong inward migration, continued to underpin the market. The high demand is primarily channeled into the limited Grade A and B+ segments, which are concentrated in the Vake and Saburtalo districts. While residential rental rates have stabilized after a period of aggressive growth, the commercial sector sees sustained demand, particularly in the Flexible Office Space segment, as new businesses seek quick, quality solutions. Rental rates for prime assets remain firm and high, reflecting the acute price-to-quality gap.

1. Market Dynamics and Economic Context

A. Economic Growth and Drivers

Tbilisi's commercial real estate is driven by a strong, diversified economy, which has benefited immensely from geopolitical shifts.

* **Macroeconomic Strength:** Georgia's robust economic performance in the first half of 2025, driven by the ICT, trade, and financial services sectors, created a supportive environment for office demand. This high-growth environment is attracting international firms and supporting the expansion of local corporations.

* **Migration Impact:** The high-quality office market continues to absorb the long-term presence of companies and professionals relocated to Tbilisi. While the initial rental market shock has passed, the sustained presence of these high-value tenants ensures structural support for Grade A office rents.

* **Modernization Imperative:** The primary challenge in Tbilisi is the outdated nature of the existing stock. Less than 25% of the overall commercial property is built to modern standards, creating a major opportunity for developers of new Grade A space.

B. Location Segmentation

Office demand is highly concentrated geographically, impacting pricing and vacancy.

District	Typical Grade Focus	Key Tenant Profile	Dynamics
Vake	Grade A / B +	Diplomatic Missions, Law Firms, Established MNCs, High-End Services	Highest prices, limited new supply, stable appreciation
Saburtalo	Grade A / B+/ B	Technology/IT Hub, Mid-size Corporations, Shared Services Centers	High liquidity, dynamic development, strong rental demand
Kentron	Grade B / Converted C	Government, Local Businesses, Creative Agencies.	Mixed quality, historic buildings, proximity to amenities

2. Occupancy and Rental Rate Analysis

A. Vacancy Rates

The scarcity of prime, leasable space ensures that Grade A vacancy remains at competitive levels, particularly for large floor plates.

Office Grade Segment	Estimated Vacancy Rate (Q3 2025)	Trend
Grade A (Prime)	~5% - 8%	Tight and Stable
Grade B+	~10% - 15%	Moderate (Due to new B+ development)
Grade B/C (Secondary)	> 25%	Increasing (Obsolescence Risk)

The improvement in occupancy is most noticeable for Class A business centers, where vacancies are anticipated to be around 10% or lower.

B. Rental Rates

Prime effective rents in Tbilisi are among the highest in the region, reflecting both the shortage of quality supply and the high purchasing power of the key tenant base (international tech and finance). Rents are usually quoted in US Dollars (USD) per square meter per month, typically including VAT but sometimes excluding operational costs.

Office Grade	Estimated Monthly Rent Range (USD/sqm/month)	Trend (vs. Q2 2025)
Grade A (Prime)	\$22 - \$35+	Stable and Firm
Grade B+ (Modernized)	\$15 - \$22	Stable
Grade B/C (Secondary)	\$8 - \$15	Moderate Decline (Due to competition)

Average actual rent price in Tbilisi business centers in late 2024 was reported around \$22.9/sqm, supporting the high-end estimate for Q3 2025.

3. Key Market Trends

A. Flexible Office Space Demand

The demand for coworking and serviced offices continues to surge. This market segment has been the biggest commercial beneficiary of the recent migration wave, offering immediate and flexible expansion options for remote teams and newly established corporate entities.

B. Investment Outlook and Yields

The investment market remains attractive, particularly for domestic and regional capital. Investors are drawn by strong rental yields, which are historically high compared to Western Europe.

* Yield Range: Average gross rental yields in Tbilisi are estimated to be between 5.6% and 8.7% for residential property, and comparable figures are expected for well-managed commercial assets, positioning the market favorably.

* Focus on Large Projects: Development activity is shifting towards fewer but larger projects to achieve economies of scale and meet international building standards, which is a positive long-term trend for the office stock quality.

C. Technology and ESG

New Grade A developments are incorporating high-level technological infrastructure and sustainability features. While Georgia does not have stringent local ESG mandates yet, tenants' demands for modern, efficient workspaces are driving developers to include features like advanced access control, high-speed fiber optics, and energy-efficient systems.

Conclusion and Outlook

The Tbilisi office market in Q3 2025 is fundamentally robust, buoyed by economic growth and concentrated demand. The core issue remains the acute imbalance between high demand for Grade A space and limited, high-quality supply. This structural gap will maintain pressure on prime rental rates. The market offers attractive investment returns for those willing to commit to new, quality development that addresses the obsolescence issue of the older stock.

For additional information regarding this market review, please

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