

Georgia

A nighttime aerial photograph of Tbilisi, Georgia. The central focus is the Bridge of Peace, a modern pedestrian bridge with a glowing blue, lattice-like structure that arches over the Mtkhvari River. Below it, the Mtskheta Bridge, a traditional stone arch bridge, spans the river. The city's lights are reflected in the water, and the surrounding urban landscape is visible in the background.

Tbilisi Commercial Real Estate Market Overview

Executive Summary

Tbilisi's commercial real estate market continues to demonstrate steady growth and increasing institutional maturity, positioning itself as one of the most established investment destinations in the Caucasus region.

As of the latest quarter, the market is characterized by:

- Growing demand for modern office space, particularly from international tenants
- Well-established retail sector with strong shopping mall performance
- Expanding logistics and industrial segment supported by trade flows
- Yield compression in prime assets alongside sustained investor interest

Tbilisi offers a balanced “income + stability” investment profile, with yields lower than frontier markets like Tashkent or Bishkek, but supported by stronger liquidity and transparency.

Macroeconomic Context

Georgia's economy continues to benefit from:

- Strong tourism inflows
- Growing services and financial sectors
- Ongoing foreign investment

Economic growth has remained resilient, supporting demand across all commercial real estate sectors. Tbilisi, as the country's economic hub, captures the majority of this activity.

Office Market

Market Overview

The office sector in Tbilisi is among the most developed in the region, with a growing stock of modern business centers and increasing participation from international developers.

Demand is driven by:

- International companies establishing regional offices
- Growth in financial services, IT, and consulting sectors
- Expansion of co-working and flexible office operators

While supply has increased in recent years, there remains limited availability of high-quality Grade A space, particularly in prime central locations.

Rents & Occupancy

- Prime (Class A): ~\$20-30 per sqm/month
- Secondary (Class B): ~\$12-20 per sqm/month

Occupancy remains strong in modern buildings, with:

- High demand for well-located, professionally managed offices
- Increasing tenant preference for energy-efficient and flexible spaces

Yields & Investment Metrics

- Prime office yields: 7% - 9%
- Secondary assets: 8.5% - 10%

Implied:

- Income multiples: ~11x - 14x

Yields have compressed modestly in recent years due to:

- Increased investor demand
- Improved market transparency

Tbilisi's office market has been significantly shaped by a new generation of landmark, mixed-use developments that combine office, hospitality, and lifestyle components, reflecting the city's transition toward a more institutional real estate environment. One of the most prominent examples is Axis Towers, a twin-tower complex on Chavchavadze Avenue that has become a defining feature of the skyline. The development includes a Class A business center with approximately 17,000 sqm of office space, alongside a five-star hotel, retail, and leisure amenities, creating a fully integrated "live-work-play" environment. The project has also played a key role in transforming the surrounding district into a modern business hub, attracting both local and international tenants.

Alongside such flagship schemes, Tbilisi has seen a broader pipeline of modern office-led and mixed-use projects that continue to upgrade the quality of supply. Earlier developments such as King David Business Center marked the initial expansion of institutional-grade office stock, while newer concepts increasingly emphasize flexibility, ESG considerations, and tenant amenities. In parallel, large-scale master-planned projects and high-rise developments in districts such as Saburtalo and Vake are incorporating office components within residential and commercial ecosystems, signaling a shift toward integrated urban clusters rather than standalone office buildings. Overall, these developments highlight Tbilisi's evolution into a more mature, tenant-focused office market, with rising standards in design, infrastructure, and occupier experience.

Outlook

The office sector is expected to:

- Continue attracting international occupiers
- Experience moderate rental growth
- See further yield compression in prime assets

Retail Market

Market Overview

Tbilisi has one of the most developed retail markets in the Caucasus, with a well-established network of modern shopping centers and high-street retail.

Key drivers include:

- Strong tourism sector
- Growing consumer spending
- Presence of international retail brands

Major shopping malls and retail hubs dominate the market, complemented by high-street retail in central districts.

Key Trends

- Expansion of experience-driven retail formats

- Strong performance of destination shopping centers
- Continued entry of international brands

Yields & Investment Metrics

- Prime retail: 7% - 8.5%
- Secondary retail: 8.5% - 10%

Retail yields are generally:

- Lower than in Baku or Tashkent
- Reflective of a more mature and liquid market

Outlook

Retail is expected to:

- Deliver stable income performance
- Benefit from tourism and consumption growth
- Continue evolving toward mixed-use and experiential formats

Industrial & Logistics Market

Market Overview

The industrial and logistics sector in Tbilisi is growing rapidly, supported by:

- Georgia's strategic location as a transit corridor
- Expansion of trade routes between Europe and Asia
- Increasing demand for modern logistics facilities

Compared to office and retail, the sector is still developing but gaining momentum.

Market Characteristics

- Growing pipeline of modern logistics parks and warehouses
- Increasing interest from international and regional investors
- Focus on transport connectivity and proximity to key infrastructure

Yields & Investment Metrics

- Prime logistics: 7.5% - 9%
- Industrial assets: 8% - 10%

Yields are gradually compressing as:

- Institutional capital enters the sector
- Market transparency improves

Outlook

The industrial sector is expected to:

- Continue expanding rapidly
- Attract institutional investment

- Offer strong long-term growth potential

Investment Market & Pricing

Capital Values & Income Multiples

Commercial real estate in Tbilisi typically trades at:

- ~11x - 15x income multiples

This places it:

- Slightly more expensive than Baku
- More stable than frontier Central Asian markets

Market Positioning

Tbilisi is positioned as a:

- Core-plus / emerging market

It offers:

- Lower yields than frontier markets
- Higher liquidity and transparency
- Stronger institutional framework

Risk & Return Profile

Key Risks

- Dependence on tourism and external demand
- Currency considerations
- Regional geopolitical dynamics

Investment Case

Tbilisi offers:

- Stable yields (7-9%)
- Strong tenant demand
- Increasing market transparency

Compared to peers:

- Lower risk than Tashkent or Bishkek
- More stable than Yerevan
- Slightly lower yields than Baku

Strategic Outlook (2026-2028)

Sector Outlook

Office Stable growth, gradual yield compression

Retail Mature, stable income performance

Industrial Strong growth, increasing institutionalization

Key Catalysts

- Continued tourism growth
- Infrastructure development
- Expansion of logistics corridors
- Entry of institutional investors

Conclusion

Tbilisi's commercial real estate market is transitioning toward a more mature, institutional investment environment, offering a balanced combination of:

- Stable income yields
- Moderate growth potential
- Improving liquidity and transparency
- The office sector remains solid with growing international demand
- Retail is one of the most developed in the region
- Industrial/logistics is emerging as a key growth segment

Overall, Tbilisi represents a core-plus investment opportunity, well-suited for investors seeking stable returns with lower risk compared to frontier markets.

For additional information regarding this market review, please

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