Tbilisi Office Market Overview

Scot Holland PROFESSIONAL SERVICES

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Q1 2026

Georgia

Executive Summary

As of Q1 2026, Tbilisi's commercial real estate market continues to demonstrate stable growth and increasing institutional maturity, reinforcing its position as one of the most established investment destinations in the Caucasus.

Key market characteristics include:

- Sustained demand for modern, Grade A office space, particularly from international occupiers
- Well-developed retail sector with strong performance of prime shopping centers
- Rapidly evolving industrial & logistics segment, supported by trade flows
- Ongoing yield compression in prime assets, reflecting investor demand

Tbilisi offers a core-plus investment profile, combining relatively stable income returns with lower risk and stronger liquidity compared to frontier markets in Central Asia.

Macroeconomic Context

Georgia enters 2026 with resilient economic fundamentals, supported by:

- Continued recovery and growth in tourism flows
- Expansion of services, IT, and financial sectors
- Sustained foreign investment inflows

Macroeconomic stability continues to underpin real estate demand across all sectors, with Tbilisi remaining the primary economic and investment hub.

Office Market

Market Overview

The office sector remains one of the most developed and institutionalized in the region.

Key demand drivers:

- International companies establishing regional hubs
- Growth in IT, finance, and consulting sectors
- Expansion of flexible office and co-working operators

While supply has increased, prime Grade A availability remains limited, particularly in central business districts.

Rents & Occupancy

- Prime (Class A): ~$22–30 per sqm/month (slight upward pressure)
- Secondary (Class B): ~$12–20 per sqm/month

Occupancy remains high in modern buildings, supported by:

- Strong tenant demand
- Preference for energy-efficient, ESG-aligned офисы
- Increasing focus on flexibility and amenities

Yields & Investment Metrics

- Prime office yields: 6.75% – 8.25% (continued compression)
- Secondary assets: 8.5% – 10%

Implications:

- Income multiples: ~12x – 15x
- Reflects improving liquidity and institutional demand

Development Landscape

The office market continues to be shaped by landmark mixed-use developments, including:

- Axis Towers (flagship integrated scheme)
- Expansion of business clusters in Vake and Saburtalo
- Growing pipeline of ESG-oriented and mixed-use projects

Key trends:

- Shift toward "live-work-play" environments
- Integration of office with hospitality and retail
- Increasing tenant-centric design and amenities

Outlook

- Continued international tenant demand
- Moderate rental growth in prime сегменте
- Further yield compression in core assets

Retail Market

Market Overview

Tbilisi remains one of the most mature retail markets in the Caucasus, with a well-established base of:

- Modern shopping malls
- Destination retail centers
- Prime high-street locations

Key Trends

- Strong performance of destination shopping malls
- Growth of experience-driven retail formats
- Continued expansion of international brands

Tourism continues to play a critical role in supporting retail turnover.

Yields & Investment Metrics

- Prime retail: 6.75% – 8.25%
- Secondary retail: 8.5% – 10%

Compared to regional peers:

- Lower yields reflect higher market maturity
- Stronger liquidity and institutional demand

Outlook

Retail is expected to:

- Deliver stable income performance
- Benefit from:
  - Tourism growth
  - Consumption recovery
- Continue evolving toward mixed-use and experiential formats

Industrial & Logistics Market

Market Overview

The industrial and logistics sector continues to gain momentum, supported by:

- Georgia's role as a regional transit hub
- Expansion of trade corridors between Europe and Asia
- Growing demand for modern logistics infrastructure

Market Characteristics

- Increasing pipeline of modern logistics parks
- Rising participation of institutional and regional investors
- Strategic focus on connectivity and infrastructure access

Yields & Investment Metrics

- Prime logistics: 7.25% – 8.75%
- Industrial assets: 8% – 9.75%

Yields continue to compress gradually due to:

- Institutional capital inflows
- Improving transparency

Outlook

- Continued rapid sector expansion
- Increasing institutionalization
- Strong long-term growth potential

Investment Market & Pricing

Capital Values & Multiples

- Typical pricing: ~11x – 15x income multiples

Positioning:

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

Market Positioning

Tbilisi is best positioned as:

- Core-plus / emerging market

It offers:

- Lower yields vs frontier markets
- Higher liquidity
- More transparent investment environment

Risk & Return Profile

Key Risks

- Dependence on tourism and external demand
- Currency exposure
- Regional geopolitical factors

Investment Case

Tbilisi offers:

- Stable yields (6.5–8.5%)
- Strong and diversified tenant base
- Increasing institutional transparency

Relative positioning:

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

Strategic Outlook (2026–2028)

Sector	Outlook
Office	Stable growth, yield compression
Retail	Mature, stable income
Industrial	Strong growth, institutional expansion

Key Catalysts

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

Conclusion

As of Q1 2026, Tbilisi's commercial real estate market continues its transition toward a fully institutional, mature investment environment.

- Office: stable demand with improving quality
- Retail: one of the most developed in the region
- Industrial/logistics: fastest-growing segment

Overall, Tbilisi represents a core-plus investment destination, offering:

- Stable income returns
- Moderate growth potential
- Strong liquidity and transparency

It is particularly well-suited for investors seeking defensive exposure with steady yield and lower risk compared to frontier markets.

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