



# HotelBeat

Destination: TBILISI, GEORGIA

October 2014

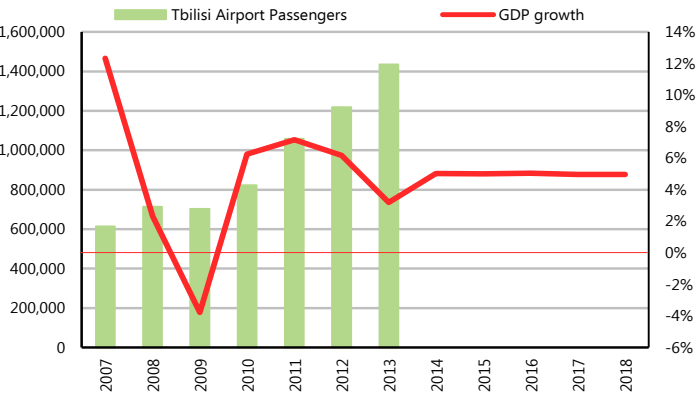


## DESTINATION OVERVIEW

Georgia is a country with a rich history and land of legend (Land of the Golden Fleece). More recently, having gained independence in 1991 (after 70 years of Soviet rule), the country suffered 12 years of civil unrest until the Rose Revolution of 2003, when a new government promised democratic and economic reforms. As a result, Georgia's rating as a place to do business improved from a lowly 112 to 18<sup>th</sup> place in one year (voted number one economic reformer in the world by the World Bank and ranked 9<sup>th</sup> in 2013). Despite economic progress, deteriorating relations internally and with Russia led to Russian military intervention and the annexation of South Ossetia and Abkhazia in 2008. Today, the economy is largely based on agriculture and tourism. Georgia has population of circa 5m, of which over 1m live its capital Tbilisi. Tbilisi is also home to the nation's primary international airport, and the city is something of a tourist attraction in its own right (offering a mixture of medieval, Soviet-style and contemporary 21<sup>st</sup> century architecture, including the Peace Bridge, designed by Michele De Lucchi).

## ECONOMIC TRENDS

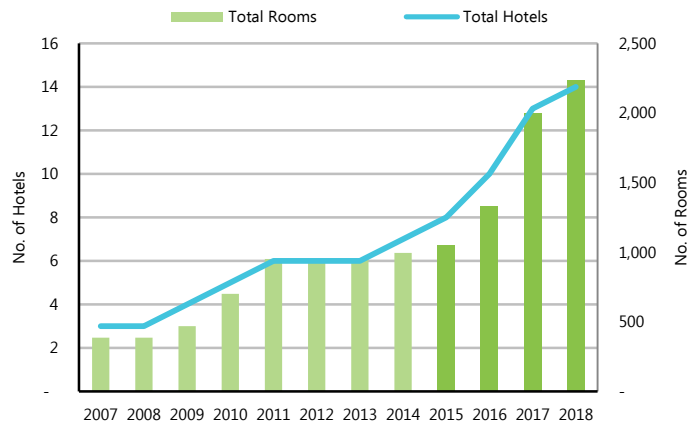
In the years immediately following the Rose Revolution, GDP grew rapidly and peaked at over 12% in 2007, just before the onset of the global financial crisis. The latter and Russia's military interventions hit Georgia hard (GDP fell by 3.8% in 2008), but it recovered quickly and the economy appears stable and growing steadily. Further inward investment is required to really boost growth. Over the period under review, passenger traffic has grown by a CAGR of nearly 15% pa (most of which are leisure visitors and VFR, very limited corporate activity). Most visitors come from neighbouring countries.



Source: IMF and Georgian Civil Aviation Agency

## HOTEL SUPPLY

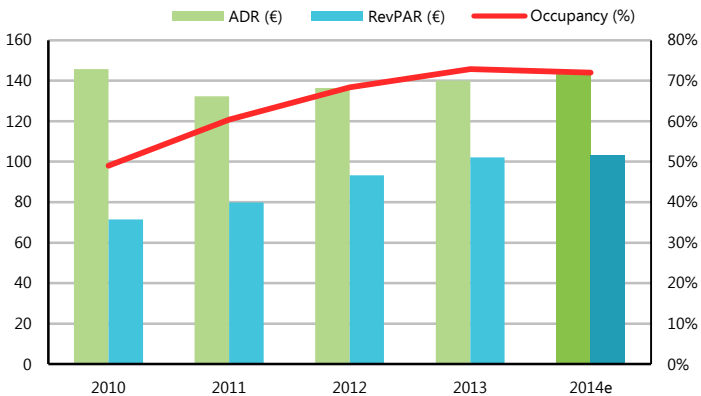
There are currently seven quality internationally branded hotels in the city (graph below and map right). The latest opening was the Best Western in early 2014. The oldest hotel (Sheraton Metechi Palace) is scheduled for refurbishment and the largest hotel is the 252-room Holiday Inn. Historically, development has kept pace with air passenger numbers (CAGR of over 14%). The future pipeline is extensive, however, based on our recent visit, all projects are on hold. If all the projects go ahead, supply will more than double to over 2,000 keys (projects include Millennium, Park Inn, Rixos).



Source: Whitebridge Hospitality research

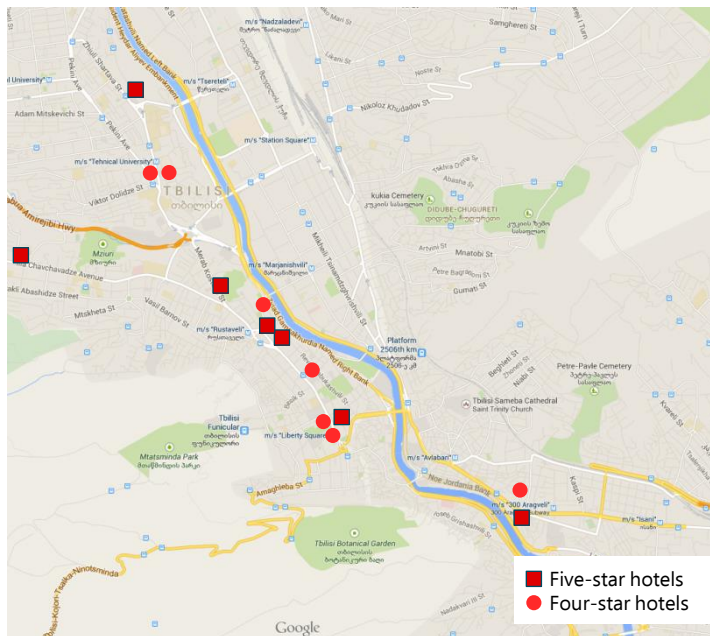
## HOTEL PERFORMANCE TRENDS

Performance levels have been relatively stable over the period, with modest improvement in ADR expected in 2014 and a slight decrease in market occupancy due to the new Best Western hotel opening at the beginning of the year. In terms of business mix, most guests are leisure related, with a modest amount of MICE. Corporate activity is picking up, but the future of Tbilisi's demand base is most likely to remain leisure, particularly if more internationally branded hotels are to open. Seasonality constraints appear to limit annual average occupancy at around 70% for now.



Source: Whitebridge Hospitality research

## DESTINATION MAP



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