



Georgia | Office Market Report 2014

Accelerating success.



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Executive Summary

Growth of GDP and number of active companies has resulted in rising demand for office real estate in Tbilisi over recent years.

During the last decade the Georgian economy has made significant progress, which has been reflected in GDP growth of 3.13 times.

Along with the development of GDP and the number of registered companies, demand for office space has increased. With the number of new international brand entries in recent years, demand for modern office stock has increased and new modern office centres with total space of about 62,000 sqm are under construction.

Supply of modern business centres has risen over past few years, but still remains far behind the CEE average.

The total amount of office space in five Georgian cities amounts to around 1.05 million sqm, out of which 85% is concentrated in Tbilisi, and the rest in regional business cities.

Office real estate business is not well developed in Georgia, there are no business centres in regional business cities, except for Poti. During the last few years the total volume of business centre supply in Tbilisi has grown by 15% and currently amounts to 183,312 sqm.

Modern business centre supply in Georgia will rise by 7% in 2015 and by 8% in 2016. Despite this, country will still remain far behind the CEE average level of office space supply.

Prime office rents in Tbilisi are the same as CEE average, while yields exceed average CEE figures significantly.

The prime rent in Tbilisi is around USD 21 per sqm, equals the average CEE figure.

The estimated prime office yield in Tbilisi is 12%, which exceeds average CEE figure (8.2%) significantly and is the biggest among CEE cities.

Tbilisi is far behind CEE cities by supply of office space per 1,000 inhabitants. This figure in Tbilisi is 293 sqm which is about five times less than CEE average figure.

The modern business centre vacancy rate in Tbilisi declines gradually.

By 2014 the average modern business centre vacancy rate in Tbilisi stands at around 7%, which has been declining gradually after the highest rate in 2010 (25%).

Almost half of modern office stock in Tbilisi is owner-occupied.

Total modern stock in Tbilisi accounts for 334,800 sqm of which 151,486 sqm (45%) is owner-occupied. Big companies in Tbilisi prefer to build office buildings for themselves, which are fitted to their needs, rather than rent one in a business centre.

The office real estate market in regional business cities is in a very early stage of development.

The only business centre is Georgia's regional business cities is in Poti. Mainly offices are located in retail spaces and in apartments because of low prices. REDIX business centre in Poti is approximately 7,500 sqm accounts for 100% of regional business cities' leasable modern office stock. Modern office spaces in regions are owner-occupied, mainly by state organizations, such as Parliament and Justice Houses.



Georgia – Country Profile

Introduction

Georgia is located between Asia and Europe and occupies a land area of 69,700 sq. km. It neighbours Turkey to the southwest, Azerbaijan to the east, Russia to the north and Armenia to the south.

Georgia declared independence on 9 April 1991, following the dissolution of the Soviet Union.

Economy

Georgia achieved robust economic growth between 2003-2014, averaging 6.3 percent annually, following structural reforms that stimulated capital inflows and investment. The reforms helped to improve the business environment, strengthened public finances, upgraded infrastructure facilities and liberalized trade. Growth was also supported by increased foreign direct investments (FDI) and was driven by capital accumulation and sound use of excess capacity rather than by net job creation, with productivity gains concentrated mainly in the non-tradable sectors. GDP per capita increased from \$919 in 2003 to \$3,763 in 2014 (in current prices, 2014 - preliminary data). GDP growth rate amounted to 4.7% in 2014. According to IMF, Georgia has one of the highest forecasted GDP growth rates among Eastern European countries and its neighbors during 2014-2015. Major foreign investors in Georgia include: BP, Socar, Heidelberg Cement, RAKIA Group and MAF.

Government

Georgia is a democratic, Presidential-Parliamentary republic whereby the President is the Head of State and the Prime Minister is the Head of Government.

As a result of the presidential elections held on October 27, 2013, Giorgi Margvelashvili was elected as the president from the coalition "Georgian Dream". The new cabinet of ministers was established in November, headed by Irakli Gharibashvili.

According to the declared strategy, joining the EU and NATO are among the country's top foreign policy objectives.

Tax system

To enhance Georgia's Investment & Business Climate, the Government has dramatically overhauled its tax system since 2004. By implementing a liberal reform agenda, Georgia has simplified its processes and has reduced the number of taxes from 21 in 2004 to only 6 today.

- Value Added Tax (from 20% has been reduced to 18%)
- Income Tax (20%)
- Profit Tax (corporate tax 20% has been reduced to 15%)
- Excise
- Property Tax (1%)
- Customs Tax (0%, 5% or 12%)

These improvements have made Georgia one of the most attractive tax regimes globally. In 2009, Forbes Magazine designated Georgia as the "4th Least Tax-Burdened Country".

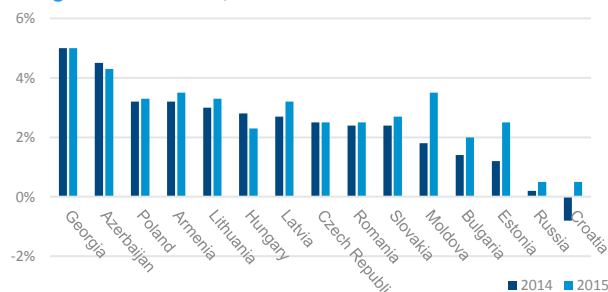
Since 2008 Georgia has initiated and concluded Avoidance of Double Taxation Agreements with its major trade partners. Currently, Georgia has 46 active agreements. Additional reforms are projected to decrease tax rates even further in the next few years.

Population

The Georgian population is approximately 4.49 million. This figure has grown since 2006 by 2%. About 54% of the total population lives in urban areas and the urbanization rate has been increasing since 2006.

83.8% of the Georgian population are Georgians by ethnic origin. The second largest share - 6.5% are Azeri, followed by Armenians - 5.7% and Russians - 1.5%.

GDP growth forecasts, 2014-2015

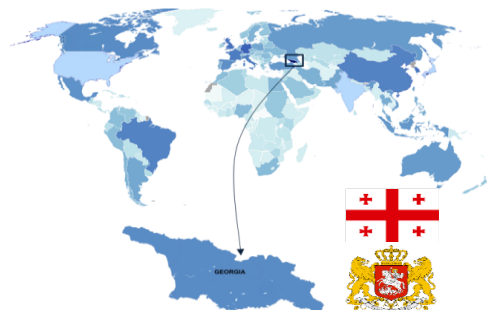


Source: www.imf.org (World Economic Outlook-October 2014)

Key Socio-Economic Indicators	2010	2011	2012	2013	2014F
Area	69 700 sq. km				
Population 2014	4.49 mln				
Capital	Tbilisi				
Currency (code)	Lari (GEL)				
GDP at current prices, mil. USD	11,636	14,438	15,846	16,140	16,890*
GDP - Real Growth Rate	6.2%	7.2%	6.4%	3.3%	4.7%*
GDP - Per Capita 2013	\$2,623	\$3,231	\$3,523	\$3,600	\$3,763*
Inflation rate (12 months average)	7.1%	8.5%	-0.9%	-0.5%	3.1%
Unemployment rate	16.3%	15.1%	15%	14.6%	N/A
Total exports (mln. USD)-FOB	\$1,677	\$2,189	\$2,375	\$2,908	\$2,861*
Total imports (mln. USD)-CIF	\$5,257	\$7,058	\$7,902	\$7,885	\$8,596*
Trade surplus/deficit 2013 (mln. USD) FOB-CIF	(3,580)	(4,869)	(5,527)	(4,977)	(5,735)*
Exchange rate - USD/GEL	1.7826	1.6860	1.6513	1.6634	1.7659
Exchange rate - EUR/GEL	2.3644	2.3473	2.1232	2.2094	2.3462

*Preliminary data

Source: www.geostat.ge www.nbg.ge www.imf.org





Georgia – Country Profile

Recent Developments

In June of 2014, the Association Agreement between Georgia and the European Union was signed. This agreement aims to expand political and economic relations between Georgia and the European Union and to gradually integrate Georgia into the European Union's internal market.

Georgia's international ratings has been revised In 2014:

- Standard & Poor's: BB- Stable (Affirmed in May 2014)
- Moody's: Ba3 Positive (Affirmed in August 2014)
- Fitch Rating: BB- Positive (Affirmed in October 2014)

The Heritage Foundation ranked Georgia the 22nd among 178 countries in Economic Freedom Ranking.

In the World Bank's "Ease of Doing Business Index 2014", Georgia ranks 15th out of the surveyed 189 economies. In the same ranking in 2006 Georgia held the 100th position.

According to the Global Peace Index (GPI) issued by Institute for Economics and Peace (IEP) in 2015, Georgia is fourth safest country in the World.

Business and Investment Environment

Georgian government efforts to reduce corruption in public and private sectors have significantly improved Georgia's ranking in the World Bank's Doing Business Survey. By the latest survey it stands on 15th position among 189 countries. Georgia ranks as 1st in property registration, 3rd in dealing with construction permits, 5th in starting a business and 7th in getting the credit. Among transitional economies, Georgia has improved its ranking in the Corruption Perception Index from 85 to 50 in the years 2002-2005. The Georgian tax system was simplified, customs duties were reduced and procedures for granting licenses and permits were simplified. According to Forbes, Georgia was ranked as 4th least tax burden country in 2008.

At present Georgia enjoys free trade agreement with Turkey and nearly all CIS countries. Georgia is eligible for Most Favored Nation (MFN) treatment from all the WTO member states and is the member of WTO since 2000. Georgia has been granted a Generalized Scheme of Preferences (GSP) treatment by the following countries: the EU, the USA, Japan, Canada, Switzerland and Norway. The Association Agreement between Georgia and the European Union, signed in June 2014, includes the setting up of a Deep and Comprehensive Free Trade Area (DCFTA). The DCFTA has been enacted since September 2014, therefore products or services produced in Georgia can freely access to the EU market with more than 500 million consumers. DCFTA will contribute to economic growth, integration with world markets and global supply chains, and will open new prospects for Georgia and for entrepreneurs doing business in our country.

In 2015, the Government of Georgia began negotiations on signing the Free Trade Agreement with the European Free Trade Association (EFTA) that unities Switzerland, Norway, Island and Lichtenstein. After the signing an agreement with the EFTA, market of high purchasing value will open for the Georgian products and services that unities 4 countries and more that 13 million customers.

Legal System

The Constitution, adopted in 1995, sets out the structure of the national government as well as its powers and functions. The powers of government are divided into three branches – legislative, executive and judicial.

The court system in Georgia has three branches: Courts of First Instance (District or City Courts), Appellate Courts and the Supreme Court. First Instance Courts have jurisdiction over all civil, criminal and administrative cases.

Decisions from First Instance Courts may be appealed to the Appellate Courts and, from there, to the Supreme Court.

The Constitutional Court of Georgia is the sole organ of constitutional jurisdiction of Georgia.

As an alternative to litigation, Georgia allows for third party arbitration. Georgian law also allows foreign companies to include provisions in their contracts (including those with Georgian entities) that allow for arbitration by international arbitration institutions.

Infrastructure & Transport

Located on the shortest route between Europe and Asia, Georgia's transport system is a key link in the historic "Silk Road."

It is believed that long-term growth will stem from Georgia's role as a transit state for pipelines. Three pipelines currently exist:

- The **Baku-Supsa pipeline** (GPC-Georgian Pipeline Company) runs 814 km from Baku to Supsa (444 km in Azerbaijan and 370 km in Georgia) and transports "early oil" from the Caspian Sea region.
- The **Baku-Tbilisi-Ceyhan (BTC)** oil pipeline extends 1,750 km across Azerbaijan, Georgia and Turkey and is designed to transport up to one million barrels of Azeri oil per day. The oil is transported via Georgia to the Turkish port of Ceyhan.
- The **South Caucasus Pipeline (SCP)** System project was completed in late 2006. The initial capacity of the pipeline is 8.8 billion cubic meters (bcm) of gas per year and, after 2017, its capacity could be expanded to 20 bcm per year. As part of the transit payment, Georgia will receive 5% of the volume of natural gas transited from Azerbaijan to Turkey. One of the main partner and operator of the project is BP.

Four **airports** with a total capacity of 3,100 passengers per hour, serve the country in Tbilisi, Batumi, Kutaisi and Mestia. The total length of **railway** amounts 1,612 km, with capacity of 3.3 million passengers per year and the length of roadways amounts 19,109 km. Completion of the Baku-Tbilisi-Kars (BTK) railway in 2015 will also stimulate advancement of Georgian Railway. Major sea ports are located in Poti and Batumi. The Government of Georgia strives to enhance port infrastructure. For this purpose, particular importance is attached to the construction of the new Deep Sea port in Anaklia. Construction of the new port is strategically important and shall result in significant increase in cargo turnover through Georgia.

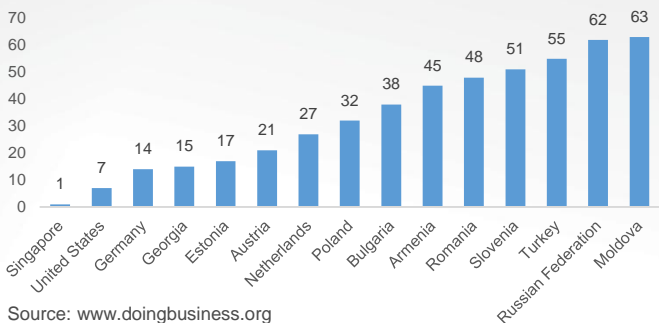
Energy

Georgia has a developed, stable and reliable energy sector but efforts are required to improve the efficiency in domestic energy use. The most promising source of additional energy generation is hydropower and the Government is focused on securing private investments for the construction of new hydropower stations.

In 2012 9.694 billion kWh was produced in Georgia and consumption amounted 9.379 billion kWh.

With a large number of planned investments in energy sector it is expected that Georgia will be fully energy self-sufficient by the year 2020.

Rankings on the ease of doing business



Georgia – Economic Overview

The unemployment rate in Georgia peaked in 2009 reaching 16.8% point, but since then it has been declining, reaching 14.6% in 2013. Average salaries in Georgia have been constantly growing since 2008.

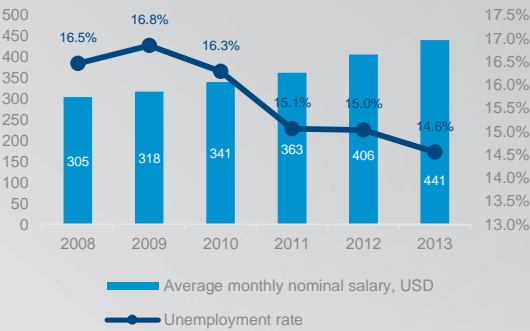
Many multi-national enterprises are presented in Georgia, such as HeidelbergCement, BP, Microsoft, Philip Morris and Huawei etc.

The total number of registered companies in Georgia is 588,782, the vast majority of which are registered in Tbilisi (44%), 14% - is registered in Imereti region (including Kutaisi) and 8% - in Adjara region (including Batumi). 12,690 of registered companies are foreign companies, which have foreign or foreign and domestic owners. This number has grown by 22% compared to the previous year.

The office market in Tbilisi accounts for 85% of total office stock in Georgia. Only 35% of total office space in Georgia is modern stock, of which 96% is located in Tbilisi. Poti also has one leasable modern stock business centre.

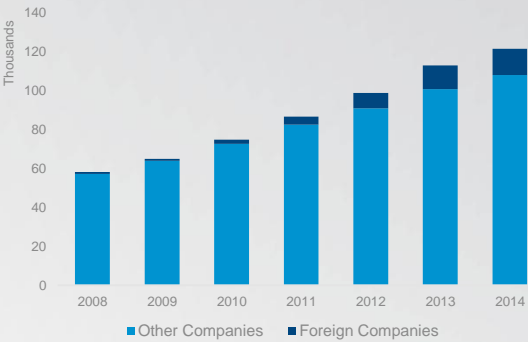
Supply of office space in Georgia will increase in the nearest future, but the growth will be generated only in Tbilisi, as there are no announced projects in other cities of Georgia.

Unemployment and average salary (USD)



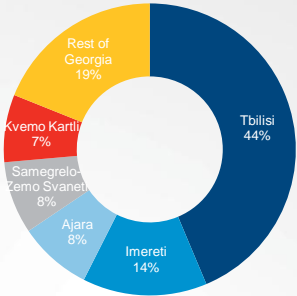
Source: National Statistics Office of Georgia

Number of active companies in Georgia



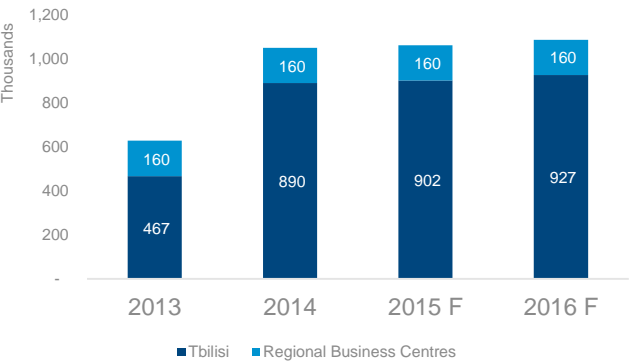
Source: National Statistics Office of Georgia

Number of registered companies by regions



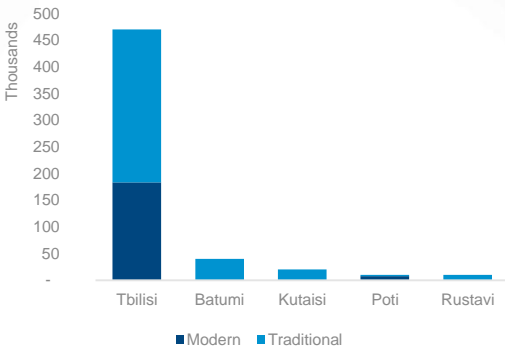
Source: National Statistics Office of Georgia

Total office stock supply in Georgia (sqm)



Source: Colliers International Georgia

Leasable office stock supply by cities (sqm)



Source: Colliers International Georgia

Tbilisi Office Market

Supply

Tbilisi is one of the largest cities in the Caucasus as well as one of the largest in Eastern Europe, with a population of around 1.2 million. Tbilisi accounts for over 25% of the national population and is the industrial, cultural and social centre of Georgia. Tbilisi has also been a strong commercial, cultural and political centre for centuries.

The city generates 52% of the country's economic output, and accounts for most of its formal employment.

Total office space in Tbilisi is 912,367 m², of which 46% (328,598 m²) is modern office stock. 54% of modern stock is leasable. Traditional stock is distributed equally between leasable and owner-occupied offices.

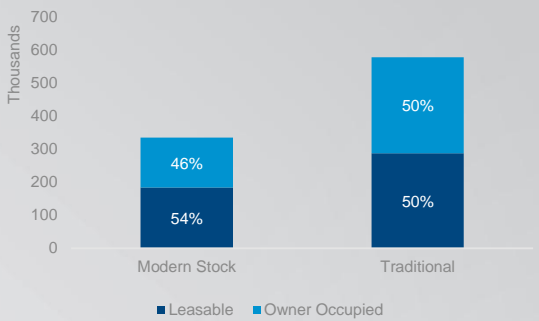
Supply of office space has been growing since 2008 and further growth is expected, because several business centres will open in nearest future and some organizations are going to build office buildings for themselves. Panorama business centre project at Freedom Square is announced, but by the date details about total space and opening date are not specified.

The share of office spaces located in A class business centres in total rented space is 7% (35,935m²), A-, B+ and B class offices occupy 7%, 23% and 1% respectively. The biggest share (42%, 200,000 m²) is C and D class offices, under which old Soviet Union buildings and offices in apartments are considered.

One of the main characteristics of office market in Tbilisi is that developers sell small units within the business centre to different individuals or tenants. Of course this fact makes property management more difficult and decreases the investment attractiveness of the business centre.

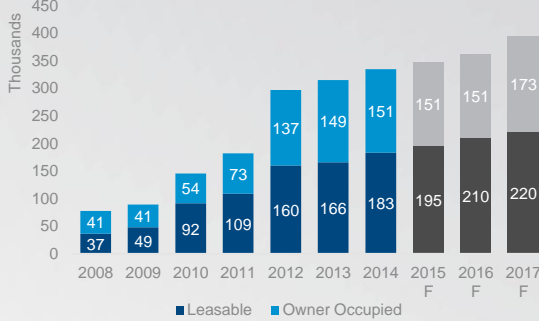
Among CEE cities, Tbilisi has the least modern office stock. The mentioned figure in the capital of Georgia is 4.6 times less than CEE average figure. Average modern office stock per 1,000 inhabitants in CEE cities is 1,436 sqm and only 293 sqm in Tbilisi.

Total office stock supply in Tbilisi 2014 (sqm)



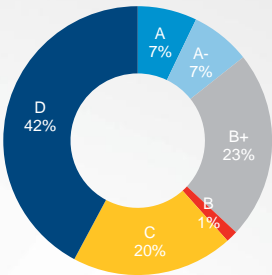
Source: Colliers International Georgia

Modern office stock supply in Tbilisi (sqm)



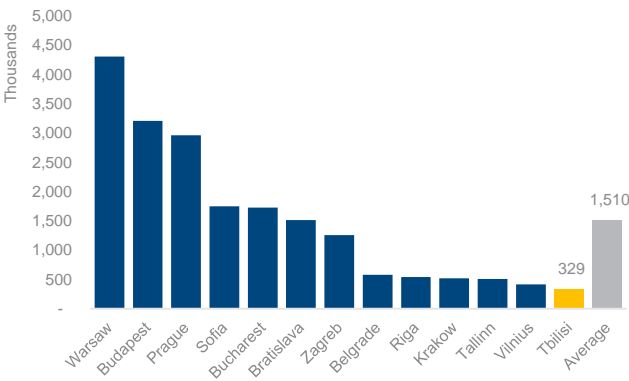
Source: Colliers International Georgia

Leasable office space in Tbilisi by category 2014



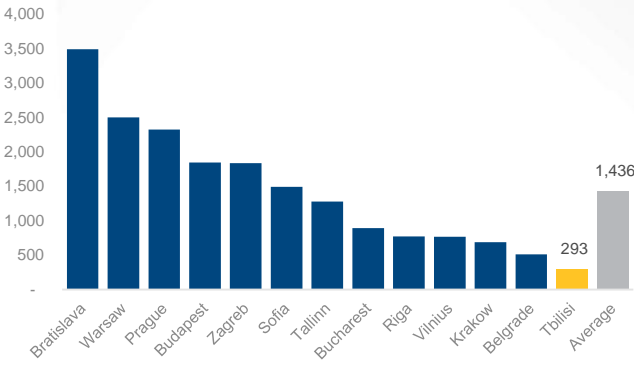
Source: Colliers International Georgia

Benchmarking: total modern office stock (sqm)



Source: Colliers International

Benchmarking: total modern office stock (sqm per 1,000 inhabitants)



Source: Colliers International

Demand

The main occupiers of modern business centers are international companies and local financially strong corporations. Tenants in high class business centers are not changed as frequently as in low class offices. The vast majority of small and medium Georgian companies are occupiers of low class offices and apartments.

Consulting (19%), Diplomatic (5%) and Financial (13%) Organizations occupy most of the office space in Tbilisi business centres. Categories with less than 2,000 sqm are united in name "Other".

The vast majority (64%) of owner-occupied offices is accounted for State organizations, next come financial institutions (11%), mainly banks.

Performance Indicators

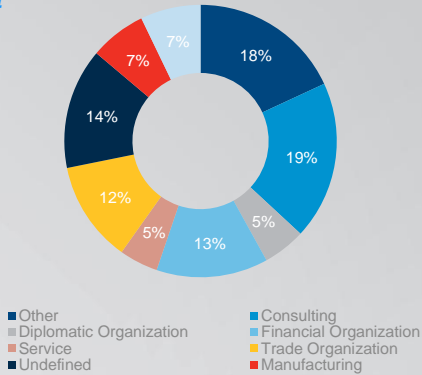
The highest vacancy rates in 2014 are in A- class business centres (16%) next come A and B+ with 8% and 4% respectively. Average vacancy rate of all business centres has been declining since 2010, reaching 7% in 2014 and further decline is highly probable. Average annual net take-up in these years is around 19,000 sqm.

The office real estate investment market in Tbilisi is in an early stage of development. Institutional real estate investors are not active in the country and accordingly, large investment transactions were not recorded on the office real estate market. The estimated prime retail yield in Tbilisi is minimum 12%, which exceeds average CEE figures significantly.

After the highest weighted average rent figures in 2008, mentioned figures has been declining during 2010-2012. Since 2012 weighted average rents in business centres have been constant to date. The highest rents in 2014 are achieved in A class business centres (\$22), next come A- and B+ with average rent of \$15 and \$14 respectively.

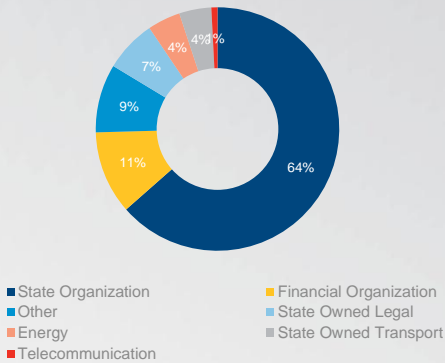
The prime office rent in Tbilisi is around USD 21 per sqm. The figure is the same as CEE average.

Demand distribution in business centres 2014



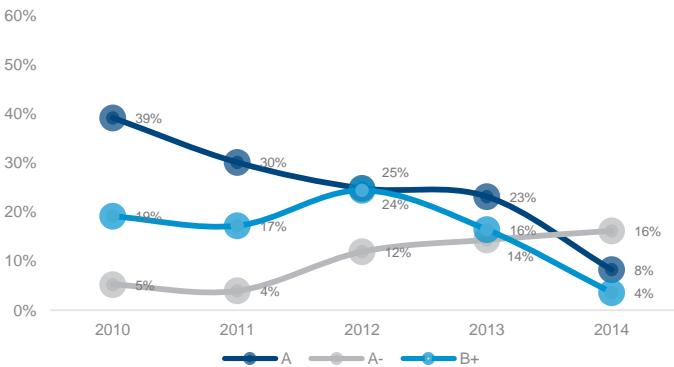
Source: Colliers International Georgia

Owner occupied office breakdown by customers 2014



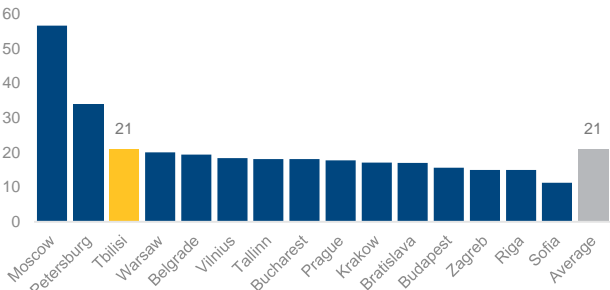
Source: Colliers International Georgia

Vacancy rates in business centres in Tbilisi



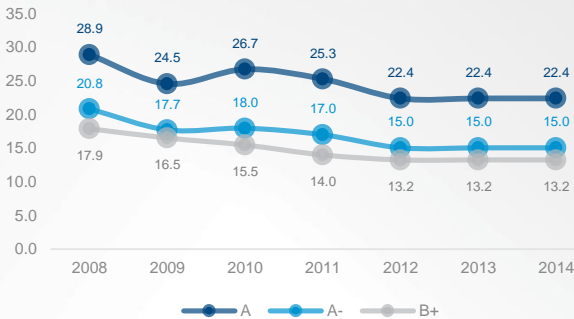
Source: Colliers International Georgia

Prime office rent (USD per sqm per month excl. VAT and service charges)



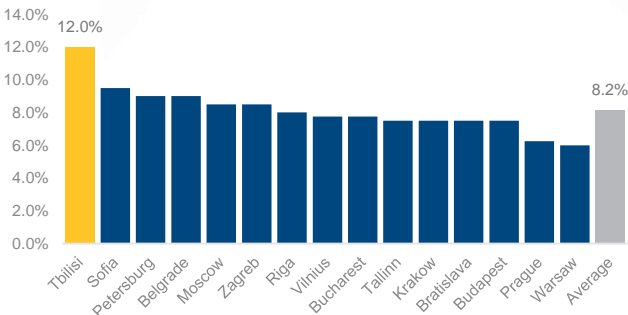
Source: Colliers International

Weighted average rent prices in leasable office stock (USD per sqm per month excl. VAT and service charges)



Source: Colliers International Georgia

Prime office yield



Source: Colliers International



Map of Tbilisi



Regional Business Centres Office Market

Batumi, Kutaisi, Rustavi and Poti can be considered as regional business cities in Georgia, but these regional office markets are largely undeveloped. No modern leasable offices exists in the mentioned cities, except Poti, where there is only one modern business centre. Majority of offices in regional business cities located in retail spaces and apartments. Leader by supplied leasable office space is Batumi (40,000 sqm), then comes Kutaisi with 20,000 sqm, the last are Poti and Rustavi with 10,000 sqm each.

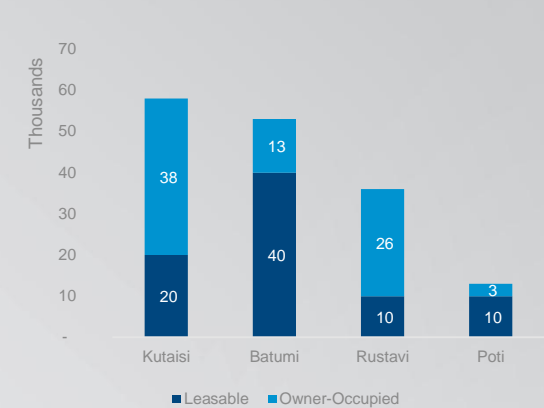
Batumi is administrative centre of Adjara region, the most south-western part of the country, located near the border with Turkey. Batumi seaport is Georgia's important sea gateway. Today Batumi is a fast-growing tourist region. Batumi has undergone serious changes and reforms, significantly improving its worldwide image and making its investment climate more attractive to foreign investors. The hospitality market in Batumi is developing as the inflow of foreign visitors, businessmen and delegations increases at a fast pace, which is attracting well-known international hotel chains. So tourism related businesses are likely to have some demand for business spaces. The total amount of supplied office space in Batumi is 53,000 sqm, out of which 75% is leasable. The average rent in Batumi is around USD 14.3 per sqm.

Kutaisi is Georgia's second largest city, legislative capital and the capital of the western region of Imereti. It is 221 kilometres (137 miles) west of Tbilisi. Recently opened international airport and bypass highway may be mentioned among major infrastructure developments in the city. Kutaisi as the legislative centre of Georgia, political, lobby groups and international government might have demand for office space. By the end of 2014 the estimated office stock in Kutaisi is 58,000 sqm, out of which only 34% is leasable. The average office rent is USD 14.5 per sqm.

Rustavi is a city in the southeast of Georgia, in the region of Kvemo Kartli, situated just 25 km southeast of the capital Tbilisi. It has a population of 122,900 as of the 1st January of 2014. The economy of the city is mainly dominated by Rustavi metallurgical and nitrogen factories. Several years ago, the country's main car market was transferred from Tbilisi to Rustavi and several administration buildings were constructed at the same place. Rustavi became the only location for Tbilisi and its catchment area to obtain a driving license. The total office space in Rustavi amounts 36,000 sqm, from which 72% is owner occupied and 28% is leasable. The average rent in Rustavi is USD 6 per sqm.

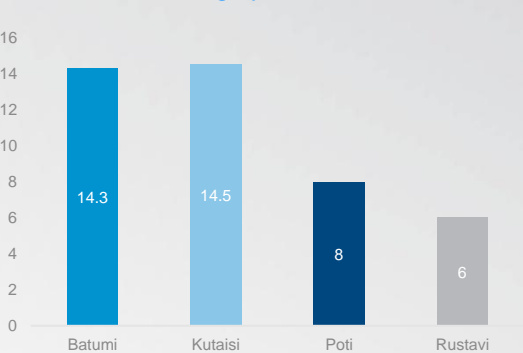
Poti is a port city in Georgia, located on the eastern Black Sea coast in the region of Samegrelo-Zemo Svaneti in the west of the country. Built near the site of the ancient Greek colony of Phasis and deriving its name from the same, the city has become a major port, city and industrial centre since the early 20th century. It is also home to a main naval base and the headquarters of the Georgian navy. Adjacent to the Poti port area is the Free Industrial Zone, inaugurated in April 2008. the growing port of Poti should support demand for office space in the medium to longer term. The total existing office space in Poti equals around 13,000 sqm out of which 77% is leasable.

Office stock in regional business centres 2014 (sqm)



Source: Colliers International Georgia

Rent price (USD per sqm per month excl. VAT and service charges)



Source: Colliers International Georgia





Conclusions and Outlook

With its narrow economic base and evolving market services sector, Georgia's office real estate market is small and concentrated in the capital city of Tbilisi. A large proportion (46%) of modern stock is owner occupied and availability of good quality offices with larger floor plates remains highly limited. Until recently, activity on the Tbilisi office market has been low, with demand focused on smaller units. Similarly, development activity has been subdued and vacancy rates were relatively high.

However, from the year of 2014 this is starting to change. Earlier this year, some larger international occupiers announced market entry or expansion, including EIB, Philips and BP. The latter is currently investigating the market to develop their new 5,000 sqm HQ. In addition, flexible office providers Regus and Compass are preparing entry and expected to start operations during the second half of next year. Demand from local companies remains relatively small and is derived mainly from owner-occupiers. TBC Bank has announced to start construction of its new 22,000 sqm HQ in Saburtalo, besides this, the pipeline is limited to about 44,000 sqm.

With demand on the increase, the shortage of supply is slowly becoming apparent. The vacancy rate for A-grade offices is decreasing and now stands at 9%. One of the best examples of the turn-around in the Tbilisi office market is the recently completed Merani scheme (on Rustaveli 42), which has been almost fully leased out within a short period of time.

With a small amount of available suitable properties, the vacancy rate for modern offices in Tbilisi is expected to decline further. Occupiers looking for modern space in the CBD are already experiencing difficulties, particularly when there is a need for larger floor plate sizes.

With favourable economic developments and the anticipated increase in both trade and FDI with and from the European Union, prospects for the Tbilisi office market are starting to look very healthy. With a limited amount of land available in the CBD, opportunities are opening up for refurbishments and for office development in specific areas outside the city centre. For the first time in the history of the city's real estate market, offices should be firmly on the radar for both developers and investors. In European post-soviet countries in the stage of development offices were moved outside the city centre. The construction of new office park will cause many office occupiers to move from the single residential apartments to the recent development.

This sector is crucial for the longer term economic growth of Georgia. This is recognized by Government nationally and in Tbilisi, where strong efforts are underway to attract foreign direct investment and support indigenous businesses. A crucial part of this strategy will be to ensure Georgia/Tbilisi has a office property offer for start-ups, growing companies and large corporates.

Appendix 1

Typical Lease Terms, Registration of Property,
Construction Permits

Typical Lease Terms

Office lease contracts for one year and more period in Georgia should be registered in National Agency of Public Registry.

Typical lease terms in Georgia are based on fixed amount per sqm.

As usual international tenants have three years and longer term contracts and lease contract period for local companies varies between one to three years.

The average brokerage fee for renting the property varies between 10%-15% of the first year's rent, depending on the lease term.

Registration of Property

In Georgia, the National Agency of Public Registry is the state institution responsible for registration of property, registering both transfers between private entities and state-owned properties.

In case of private transfer, the purchaser has two options:

- Via a notary – contract drafting and legalization by the notary and subsequent registration. The notary assumes responsibility for the content of the draft and its legalization. The presence of a translator and his signature on the bilingual purchase document is required and the translator assumes responsibility for the authenticity of texts. Time for preparation of the bilingual document and its legalization varies depending on the notary
- Via the National Agency of Public Registry – direct submission of the purchase contract for legalization and

registration. In this case, the bilingual purchase document is to be drafted directly by both parties or by their authorized representatives. The Agency's representative certifies the signatures and may provide recommendations if the document is not accurately drafted, but does not carry any responsibility for the validity or its content.

The National Agency of Public Registry is represented in: a) Public Services Halls (Tbilisi, Gori, Kutaisi, Batumi, Ozurgeti, Mestia, Zugdidi, Rustavi, Marneuli, Gurjaani, Telavi, Kvareli and Akhaltsikhe) and b) regional departments of the National Agency of Public Registry (located in cities throughout the country).

In case the property is purchased from the state/municipality (privatization, auction or other form of purchase) the documents should be submitted directly to the Agency.

Construction Permits

For the purposes of construction, buildings are divided into 5 types:

- 1st class buildings – no construction permit is required;
- 2nd class buildings – buildings with low risk factors;
- 3rd class buildings - buildings with medium risk factors;
- 4th class buildings - buildings with high risk factors,
- 5th class buildings – buildings with very high risk factors.

The permit issuance process is divided into 3 stages:

- Stage I – Statement of urban construction terms
- Stage II – Approval of architectural-construction project
- Stage III – Issuance of Construction Permit

State organs responsible for the issuance of permits:

Local self-governmental (municipal) organs – for II, III class buildings within the municipal territory (at stages I and II) except from Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi.

Local self-governmental (municipal) organs – for IV class buildings (at stages I and II) with the participation of corresponding state organs

Local self-governmental (municipal) organs – for II, III and IV class buildings (at III stage) independently (including Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi)

Tbilisi City Hall - for II, III and IV class buildings in Tbilisi Municipality (at all stages) independently

Corresponding local organs of Adjara Autonomous Republic and Abkhazia Autonomous Republic - for II, III and IV class (at all stages) on the territory of the Autonomous Republics

Local self-governmental (municipal) organs – II, III and IV class buildings (at stages I and II) for Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi – with the participation of the Ministry of Economy and Sustainable Development.

Ministry of Economy and Sustainable Development – for V class buildings

Ordinary terms per each stage (working days):

Stage I

- 12 days for II and III class buildings
- 15 days for all IV class buildings, for Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi (excluding V class buildings), also for all buildings that require ecological expertise
- 30 days for V class buildings

Stage II

- 18 days for II and III class buildings
- 20 days for all IV class buildings, for Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi (excluding V class buildings), also for all buildings that require ecological expertise and for V class buildings

Stage III

- 5 days for II, III and IV class buildings
- 10 days for V class buildings

Exceptions:

The special terms for permission process:

Construction permits concerning:

III class buildings with an intensity coefficient up to 1500 sq.m and for buildings with a height of up to the 14 meters that will be located on the territories where urbanization regulatory plans do not exist and are organized according to land use or which are organized according to the perspective development regulatory plans on the territory of Tbilisi – the permission process may involve II and III stages only

The simplified permit procedure may involve just 2 stages and the permit is issued in the second stage.

The terms for the simplified procedure are as follows:

- Stage I – 12 days for II and III class buildings
- 15 days for all IV class buildings, for Gudauri, Bakuriani, Bakhmaro, Ureki recreation territories and for special regulatory zones on the territory of Borjomi (including V class buildings), also for all buildings that require ecological expertise.
- Stage II (issue of permit) – 20 days for all classes

Appendix 2

Primary Information Sources, Data Used for the Study
Definition and Assumptions

Primary Information Sources, Data Used for The Study Definition and Assumptions

In the process of preparing the survey, we were guided by the information provided by property managers, governmental institutions/agencies (National Agency of Public Registry, National Statistics Office of Georgia, National Bank of Georgia, Ministry of Economy and Sustainable Development of Georgia, City Halls). Materials from various Georgian and foreign publications have also been used, such as, www.gnta.ge, www.geostat.ge, www.colliers.com. In addition, we developed our conclusions and recommendations based upon our own local market knowledge and insight.

Definition and Assumptions

DCFTA: Deep and Comprehensive Free Trade Agreement

FDI: Foreign Direct Investment

IMF: International Monetary Fund

GDP: Gross Domestic Product

GLA: Gross leasable area

sqm: Square metre

USD: The United States Dollar

VAT: Value added tax

Rent Prices: Are calculated based on the data provided by business centre developers, property managers, retail space owners, tenants, National Agency of Public Registry etc. all rents are calculated in USD per sqm per month net of VAT and service charges.

Correctness of the information: The information used in the survey is objective and Colliers believes that the report reflects current conditions in the Georgian office market. However, Colliers cannot guarantee the accuracy of third party data referenced in the report and cannot be held responsible for that element. "Colliers International Georgia" is not responsible for possible consequences of any actions taken by the consumer/reader of the given survey.



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485 offices in 64 countries on 6 continents

\$2.1

billion in
annual revenue

1.46

billion square feet
under management

15,800

professionals
and staff

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