



## Investment teaser - Hotel and Chalets investment opportunity at Shaori Lake Racha-Lechkhumi and Kvemo Svaneti, Georgia

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# 1 INTRODUCTION AND GENERAL OVERVIEW OF RACHA-LECHKHUMI AND KVEMO SVANETI REGION, GEORGIA

# 1.1 Introduction and Limitations

- Upon receipt of a signed copy of the Confidentiality Agreement signed for Partnership Fund, the current leaflet is to represent potential hotel investment opportunity at Shaori Lake in Racha-Lechkhumi and Kvemo Svaneti region. This document contains information in a summarised form and is therefore intended for general guidance only.
- The aim of this leaflet is to search for investors or co-investors for a **125-room internationally branded, lake view, full service 4-star hotel and 40 chalets**.
- This document is directed only at persons having professional experience in matters relating to investment and was prepared based on the 'Market and Technical Feasibility Study for Racha Development Project', prepared by BDO Hungary Ltd together with BDO LLC Georgia. All further information are available in the subject report.
- Partnership Fund is committed to develop general infrastructure of the subject region and to participate in the selected hotel investment project.
- Financial indicators and investment costs are estimated and are in line with international and Georgian benchmark data and BDO's relevant research activities carried out in the period of September-November, 2015.
- Partnership Fund, BDO Hungary Ltd and BDO LLC Georgia shall not be held responsible in legal matters.
- State commitments, subsidies, tax- and further incentives are not definitive and subject to negotiations.
- In case of multiple investments, investors may apply for special offers and package deals by Partnership Fund.
- Legal and architectural matters require preliminary discussions.
- Preliminary architectural drawings have been prepared by Óbuda Stúdió, Hungary.

## 1.2 General overview of Racha-Lechkhumi and Kvemo Svaneti region

- Racha-Lechkhumi and Kvemo Svaneti region is located in the north-western part of Georgia on the southern slopes of the Central Caucasus, at wide range of elevations between 400 and 4,000 metres above sea level.
- **Capital of the region:** Ambrolauri
- **Total territory of the region:** 4,954 square kilometres (7.1% of the total territory of Georgia)
- **Nearest international airport:** Kutaisi (~76km)
- **Region's population:** 45,900 (1.04% of the population of Georgia)
- **Accessibility:** The region can be accessed by car in about 4-5 hours from Tbilisi and in about 1 hour from Kutaisi.
- **Nominal GDP (together with Imereti region):** GEL2,670.4 million (~10% of the national GDP)
- The region possesses highly attractive natural environment, diverse flora and fauna, unique tourists attractions, great wines, water and mineral water sources and fossil resources. Numerous mineral water springs are located in the mountains of Racha.
- As of today, touristic attractiveness of the region lies in its natural environment, cultural heritage and abundance of mineral waters, creating unique conditions for development of tourism.



The Rioni River

- The selected key destination, proposed for investment is Shaori Lake.
  - Shaori possesses the attributes to become one of the most frequented domestic year-round resort tourist destinations of Georgia and the ‘tourism hub’ of the region. The area of the Shaori Lake, the ‘Gate of Racha’ is the point of entry to the region en route from Tbilisi and Kutaisi. The distance from Shaori to Tbilisi is 240km. Shaori is known for its reservoir and for its fishing spots. Nikortsminda Cathedral is only a 10-minute drive from Shaori Lake. Another tourist attraction nearby is the unique vineyards of Khvanchkara.
  - Adjacent to the main road (Kutaisi-Tkibuli-Ambrolauri) we have identified a state-owned plot where we identified the development opportunity of an internationally branded, full service, 4-star wellness hotel, under the proposed name of Shaori Lakeside Hotel and Spa.
  - This site is situated at the north side of the Shaori Lake. The Lake has a good quality road access from direction of Kutaisi and Ambrolauri.
  - The suggested site (plot No.: 86.11.26.137) with its harmonious lakeside location, East-South-West orientation and with the exciting view is suitable for the designed development with its outdoor wellness.



Shaori Lake



86.11.26.137

## 2 HOTEL INVESTMENT OPPORTUNITY

## 2.1 Shaori Lakeside Hotel and Spa and Chalets

### Shaori Lakeside Hotel and Spa



#### Project location: Shaori Lake

#### Project description:

- This is an unique investment opportunity to develop an internationally branded lake view, full service 4-star hotel and 40 private chalets of high build quality with private saunas/hot tubs for sale at Shaori Lake.
- The site of the proposed hotel is situated adjacent to the main road (Kutaisi-Tkibuli-Ambrolauri).
- The hotel is planned to feature up to 125 guest rooms (75 standard rooms, 43 deluxe rooms, 5 junior suites and 2 suites), a main all-day restaurant (110 seats), bar/lobby bar (50 seats) with a terrace, limited but compact conference facilities and complex, lakeview indoor wellness and spa facilities.
- The final room-mix of the hotel should reflect the requirements set by the proposed international operator.

**Why invest?** The future brand and international operation standards will contribute to the hotel quickly achieving a competitive position. The proposed internationally branded hotel will immediately be able to tap into the domestic leisure market segment.

#### Competitive advantages:

- Managed by an International Hotel Company;
- Great location next to Shaori Lake;
- Part of the complex public and private development at Shaori Lake;
- High-quality services.



## Shaori Lakeside Hotel and Spa - Financial projections and investment costs

Key Financial Indicators					
Year	2019	2020	2021	2022	2023
Rooms Available	45,625	45,625	45,625	45,625	45,625
Occupancy	45.1%	49.1%	52.3%	55.6%	58.8%
ADR (USD)	94	100	106	112	116
Revenues (USD)	3,575,653	4,081,623	4,516,713	5,001,701	5,439,892
EBITDA (USD)	619,901	831,622	1,010,150	1,248,989	1,501,603

Calculation of the Gross-Investment Costs for Shaori Lakeside Hotel and Spa			
in USD 1,000		per Room	
thereof	in USD 1,000	% of Total	in USD 1,000
Substructure		3.0%	450
Superstructure		34.0%	5,100
Internal Finishes		13.0%	1,950
Fittings, Furnishings & Equipment		10.0%	1,500
Services (utilities, technical infrastructure)		25.0%	3,750
External works		5.0%	750
Other (preliminaries, overheads)		10.0%	1,500
Total		100.0%	15,000



Estimated investment budget of the hotel: USD15 million

## Shaori Chalets - Financial projections and investment costs

The following tables summarise the investment cost of chalets around Shaori Lake and the anticipated revenues from the chalet sales.

SHAORI CHALETS				
all values in USD	Gross area (sqm)	Net sellable area (sqm)	Price per sqm	Total sales price*
Standard	60	48	4,000	192,000
Deluxe	90	72	4,250	306,000
Luxury	150	120	4,500	540,000

Investment cost in USD/unit				
all values in USD	Gross area (sqm)	Net sellable area (sqm)	Price per sqm	Total sales price*
Standard	60	48	1,300	78,000
Deluxe	90	72	1,600	144,000
Luxury	150	120	1,700	255,000

Real estate roll-out scheme				
Types of units	2018	2019	2020	Total number per type
Standard	23	3	1	27
Deluxe	4	3	2	9
Luxury	2	1	1	4
Total number of units sold	29	7	4	40

Revenue projections - Net sales Proceeds (all values in USD)	2018	2019	2020
	6,720,000	2,034,000	1,344,000
<b>Total costs</b>	873,600	264,420	174,720
Marketing (5%)	336,000	101,700	67,200
Legal (1%)	67,200	20,340	13,440
Other (0.5%)	33,600	10,170	6,720
	5,846,400	1,769,580	1,169,280
<b>Total Sales Proceed w/o investment cost</b>	<b>8,785,260</b>		

Estimated investment budget of the chalets: USD4.4 million  
 Total investment budget of the hotel and chalets: USD19.4 million  
 Required private investment of the total budget: 50-100%  
 Required amount of capital: USD9.7 million

Tenth year ROI: 10.4%  
 Equity IRR (10-year): 4.3%  
 Equity IRR (15-year): 11.8%  
 Equity IRR (20-year): 14.2%

All inquiries and expressions of interest should be directed to:

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