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CREATING OPPORTUNITIES

Warehouse and Logistics in Tbilisi

March, 2025

Key Trends - Warehouses and Logistics in Tbilisi

In recent years, interest in the warehouse and logistics sector has increased significantly, driven by rapid economic growth and increased domestic and foreign trade. This was reflected in increased demand and rental prices for warehouses across Tbilisi. In parallel, supply has accelerated. However, the supply of modern warehouses in Tbilisi is still limited and we expect that the sector will continue to develop in this direction over the next 7-8 years.

Supply: Currently, the supply of warehouses in Tbilisi stands at 920 thousand square meter, of which, 94% are dry warehouses, and the remaining 6% are cold storage facilities. Although the supply of dry warehouses in 2024 has increased by 30% compared to 2020, a large part of the existing warehouses are Soviet-era buildings or very low-quality warehouses, which generally do not meet the demand criteria. Taking into account the issued construction permits and announced projects, a 33% increase in the supply of warehouses is expected by the end of 2026, of which the majority are high-quality warehouses.

Demand: Galt & Taggart surveyed 40 large companies, which account for 38% of the total demand for warehouses in Tbilisi. The results show that the demand for warehouses will remain at a high level in the medium-term. However, most of the surveyed companies will satisfy their demand by building their own warehouses.

Rent prices: After increased demand for warehouses and rising operating costs, rent prices also rose. In 2024, the average rent in new contracts for dry warehouses in Tbilisi was about $5-6 per square meter excluding taxes, which is a significant increase compared to previous years. In addition, the variation in rent is high, taking into account the quality and purpose of the warehouse. In the short-term, prices are expected to stabilize at the current level. However, in the medium and long-term, price dynamics will be affected by the demand/supply balance, operating cost dynamics and sector regulations.

Logistics models: The logistics industry in Georgia is developing in a different direction compared to European counterparts. In particular, outsourcing of warehousing and logistics services is less common, and most companies own warehouses and manage logistics operations in-house. This trend emerged as companies grew in size but faced a limited supply of large, modern warehouses, leading them to develop their own facilities. Having built in-house expertise over time, they now prefer to continue managing logistics internally. In developed countries, this function is mainly performed by 3PL (Third-Party Logistics) providers. This allows companies to fully concentrate on their core business and not get involved in logistics management. According to Galt & Taggart survey, at this point there is no willingness from local companies to switch to 3PL services in the medium-term. Currently, these services are mainly used by international companies in Georgia.

CONTENT

Warehouse sector in Tbilisi

- Dry storages
- Cold storages

Logistics models

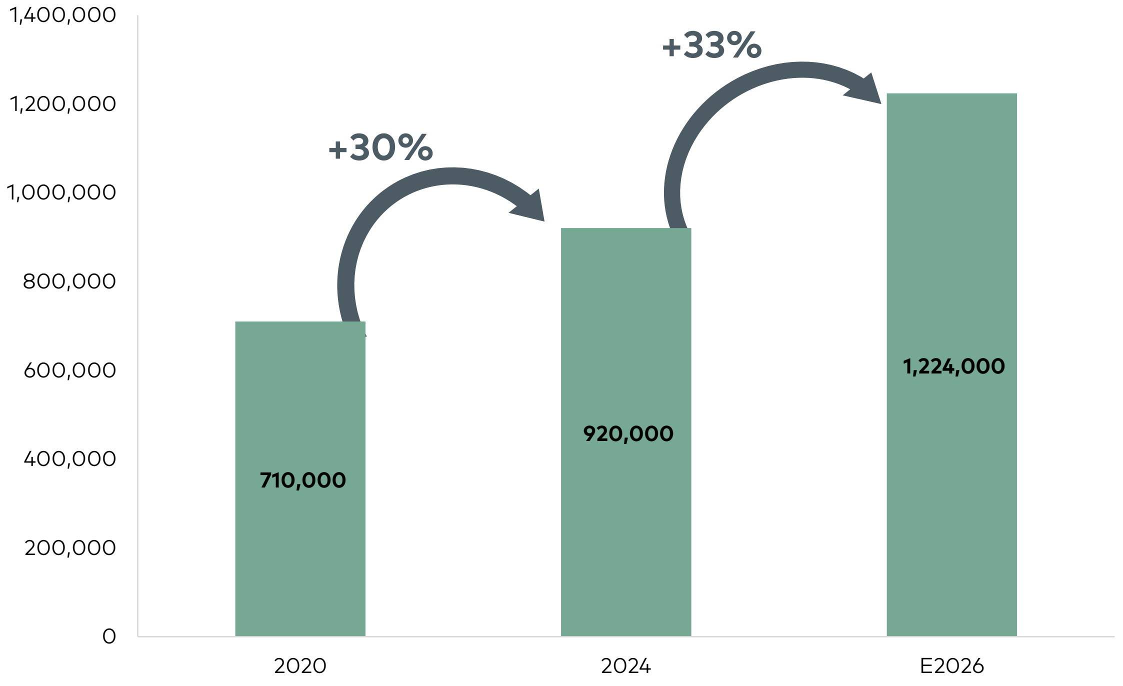
Summary

Annex

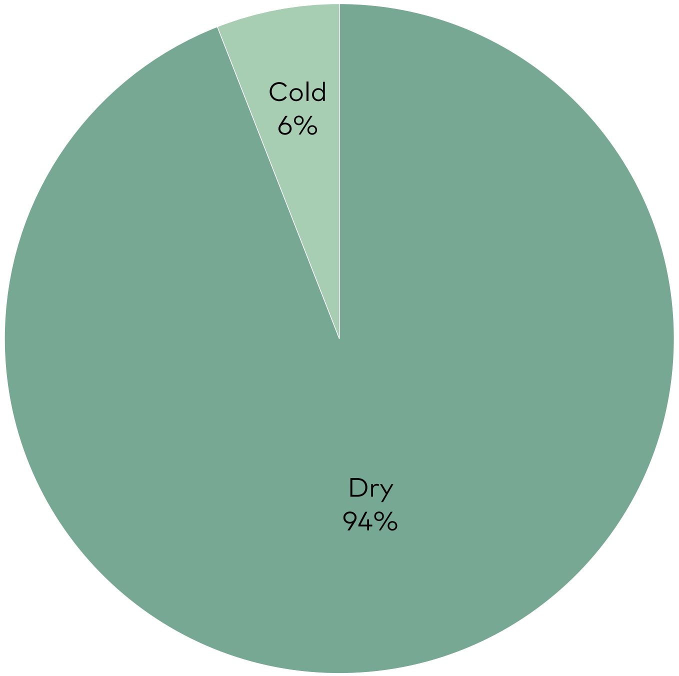
Warehouse market size in Tbilisi

Supply of storage spaces in Tbilisi is on the rise (up by 30% vs 2020), with dry storages being completely dominant

Supply of storages in Tbilisi, sq.m.



Distribution of storages by type in Tbilisi, 2024

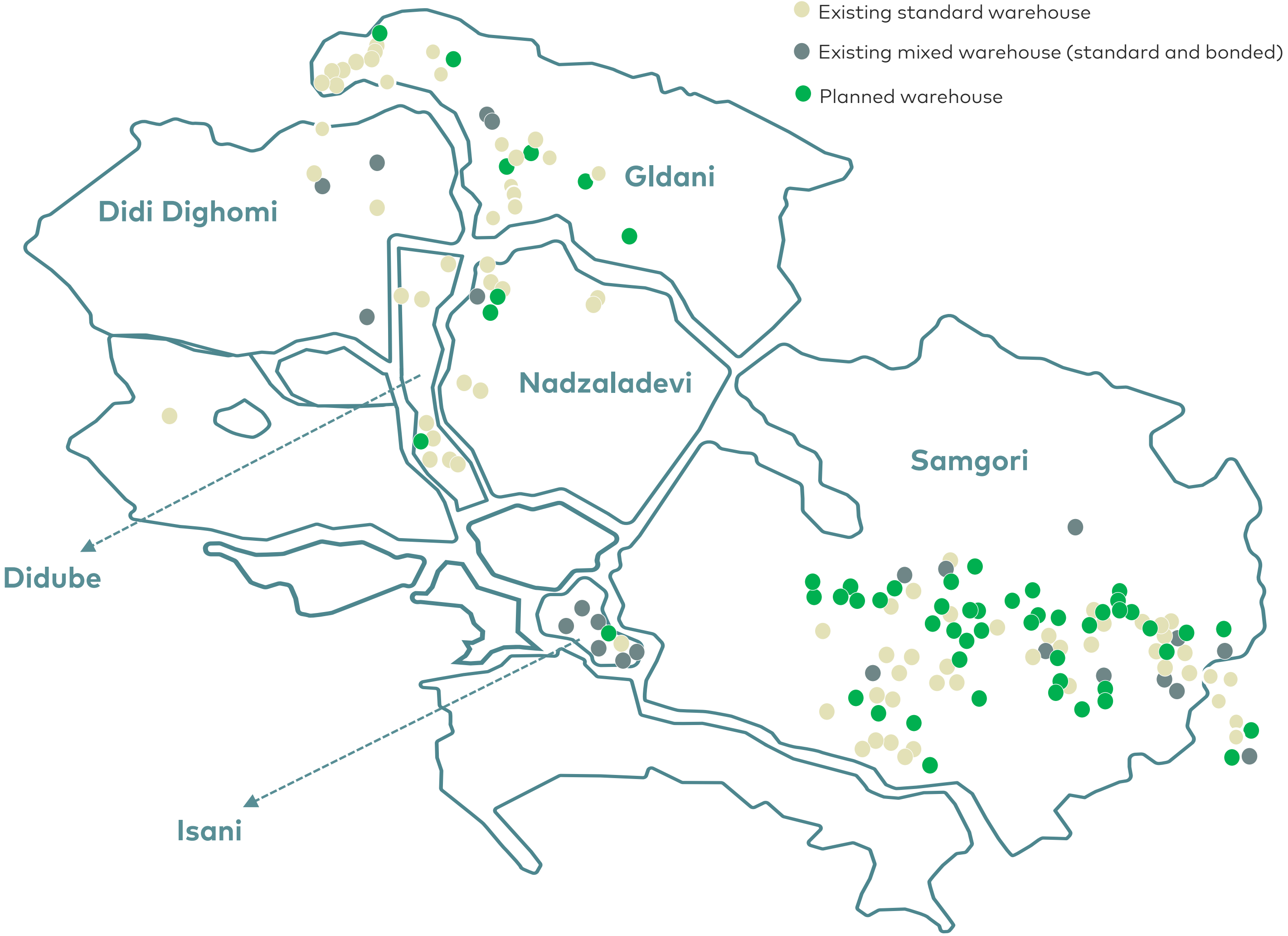


Source: NAPR, TAS, Galt & Taggart

Note: Warehouses include buildings with min. 2,000 sq.m. storage area

Storages in Tbilisi

Map of existing warehouses in Tbilisi – Samgori is a hotspot for warehouses



Distribution of existing and planned warehouses by districts

District	Area (m²) and # of existing warehouses	Area (m²) and # of planned warehouses
Samgori	456,000 51	249,000 45
Didube	118,000 8	2,000 1
Gldani	110,000 21	25,000 6
Nadzaladevi	107,000 8	12,000 2
Isani	81,000 7	16,000 1
Didi Dighomi	48,000 6	- -
Total	**920,000** 102	**304,000** 55

Source: NAPR, TAS, Galt & Taggart

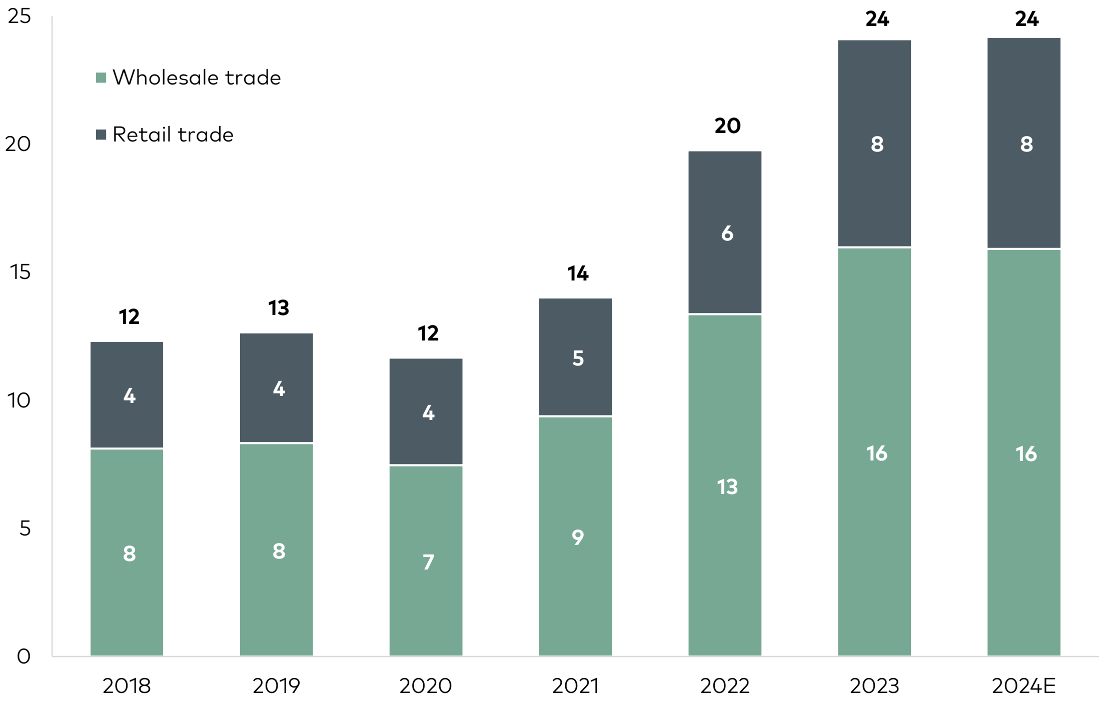
Note 1: Warehouses include buildings with min. 2,000 sq.m. storage area

Note 2: Storage area is shown in NLA (net leasable area)

Demand drivers

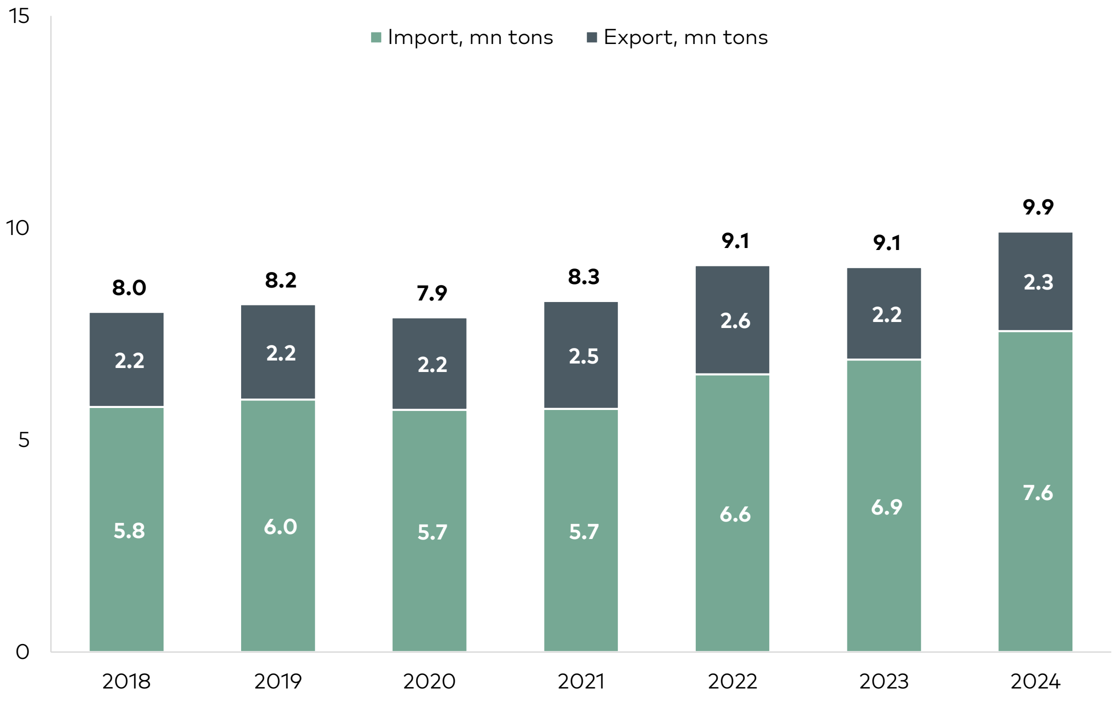
Surge in foreign and retail trade since 2022 has significantly boosted demand for warehouses

Turnover of wholesale and retail trade (excl. oil & oil products, cars), bn US$



Retail and wholesale traders are all potential users of storage facilities, use of their revenue highlights the increase of demand

External trade of Georgia (excl. oil & oil products, cars), mn tons



Importers and exporters all use storage facilities at some point of their value chain. Growth in trade volume, shows increased demand

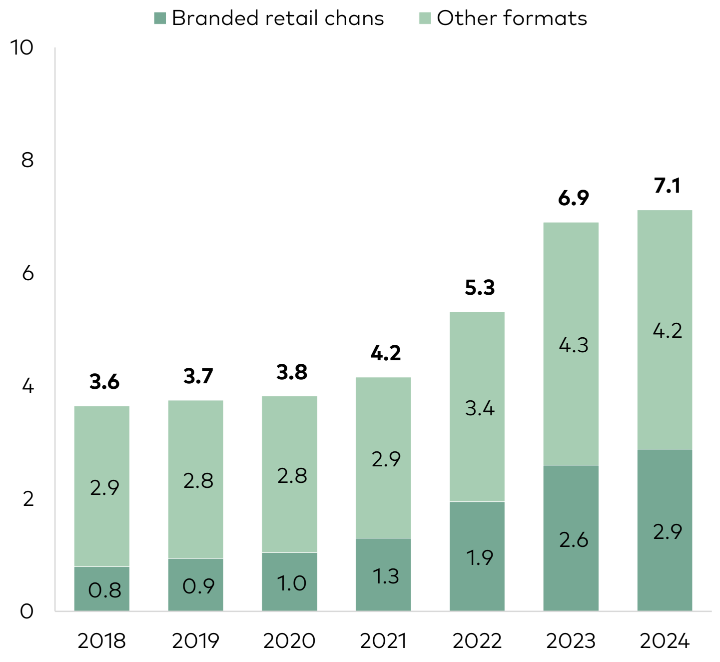
Source: Geostat, Galt & Taggart

Note: *Preliminary data for 2024, Wholesale and retail trade does not include trade with cars and oil products

Demand drivers

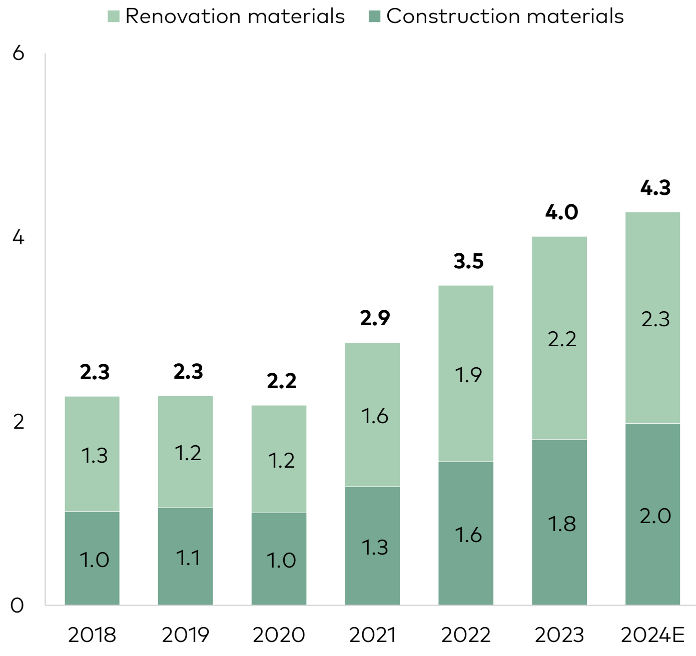
The market size of the main users of dry storage has grown rapidly in recent years

FMCG market size, US$ bn



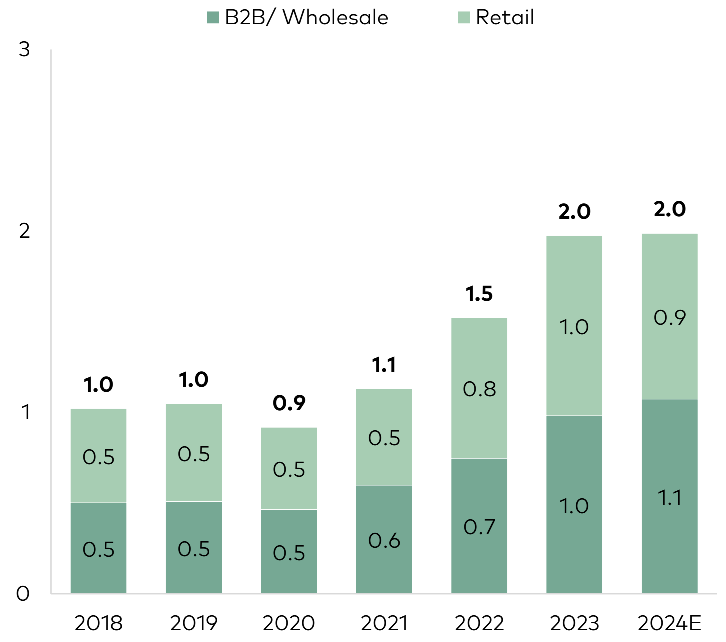
FMCG market size doubled over 2018-24 and expected to increase by an average 8.0% over 2025-28. Half of market revenue is generated in Tbilisi

Construction/renovation material market size, US$ bn



Market size of construction & renovation materials increased with CAGR 11.1% over 2018-24

Consumer electronics market size, US$ bn



Consumer electronics market size doubled over 2018-24

Source: Geostat, SARAS, Galt & Taggart

Note: market sizes are given net of VAT

CONTENT

Warehouse sector in Tbilisi

- Dry storages
- Cold storages

Logistics models

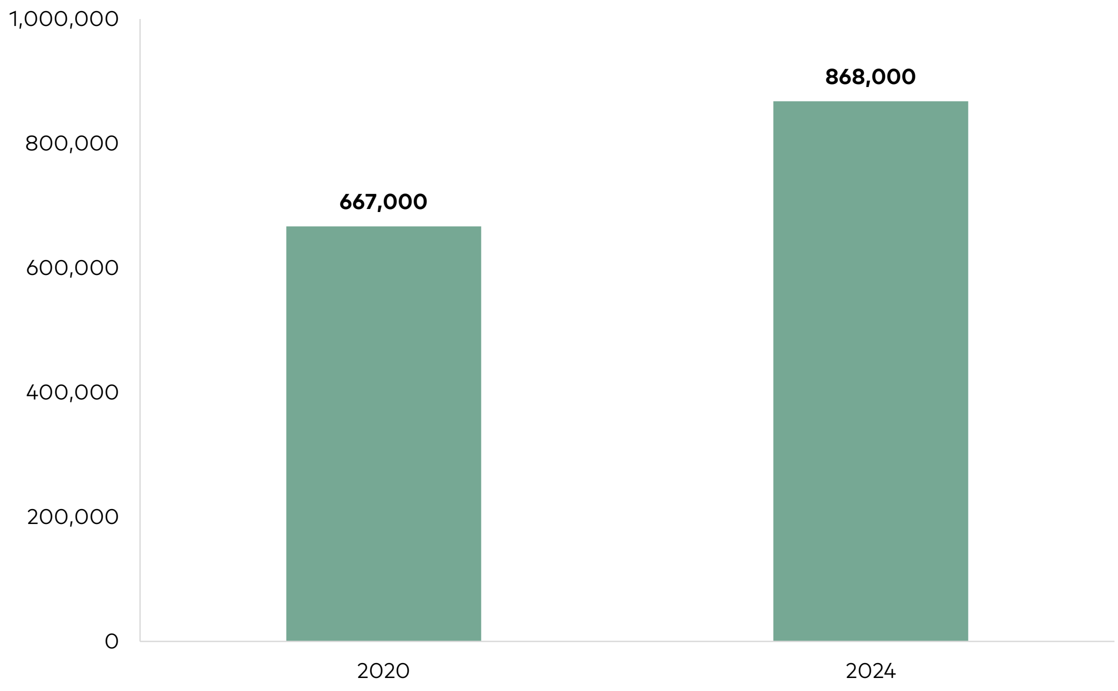
Summary

Annex

Dry storage - supply

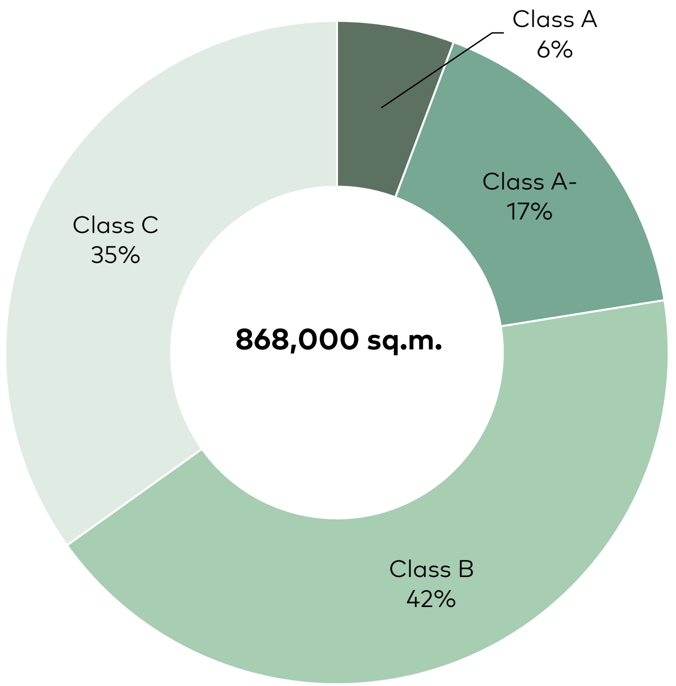
Class B dry warehouses are the most prevalent, however demand for higher quality warehouses has been on a rise

Supply of dry storages in Tbilisi, sq.m.



Supply of dry warehouses has increased significantly in recent years (+30% vs 2020)

Distribution of dry storages in Tbilisi by classes, 2024



Class "A-" includes warehouses that meet most, but not all of the criteria for class "A"

Source: NAPR, Galt & Taggart

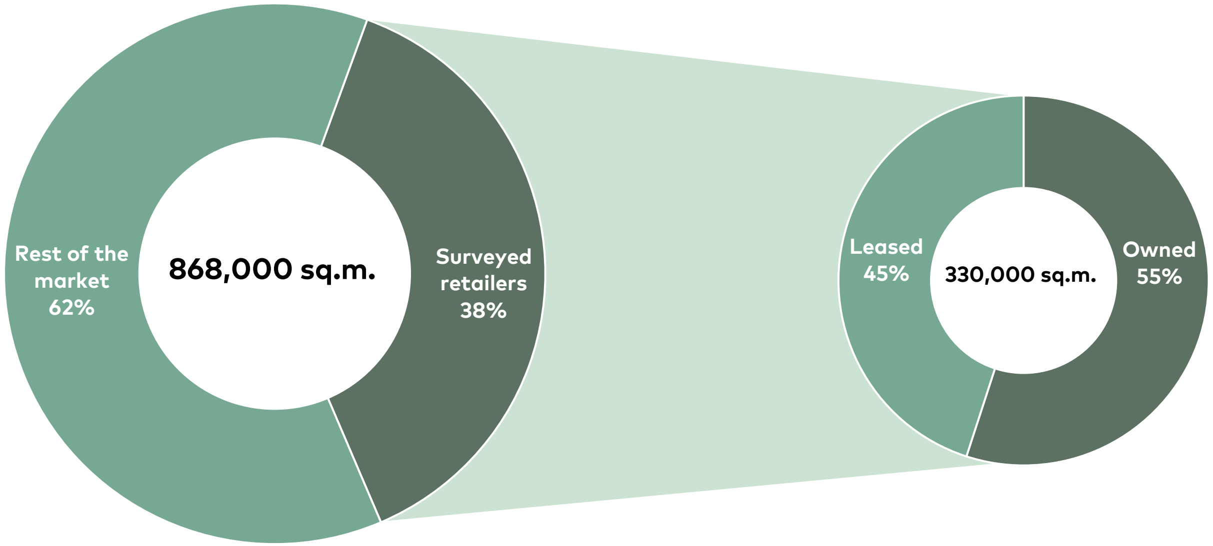
Note: Warehouses include buildings with min. 2,000 sq.m. storage area

Dry storage survey - demand

We surveyed key industries and received responses from 40 major companies generating 38% of demand on storages

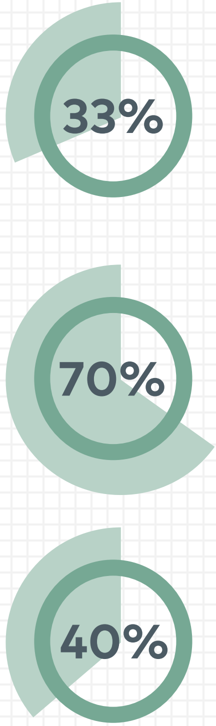
EXISTING DEMAND

Dry warehouse supply in Tbilisi



- Surveyed companies account for c. 330,000 sq.m. of storage space demand in Tbilisi, representing 38% of the city's total supply
- Out of this area, 55% are owner-occupied, while 45% are leased

Survey results



Both own and rent a warehouse

Utilize large warehouses (>5,000 sq.m.)

Utilize very large warehouses (>10,000 sq.m.)

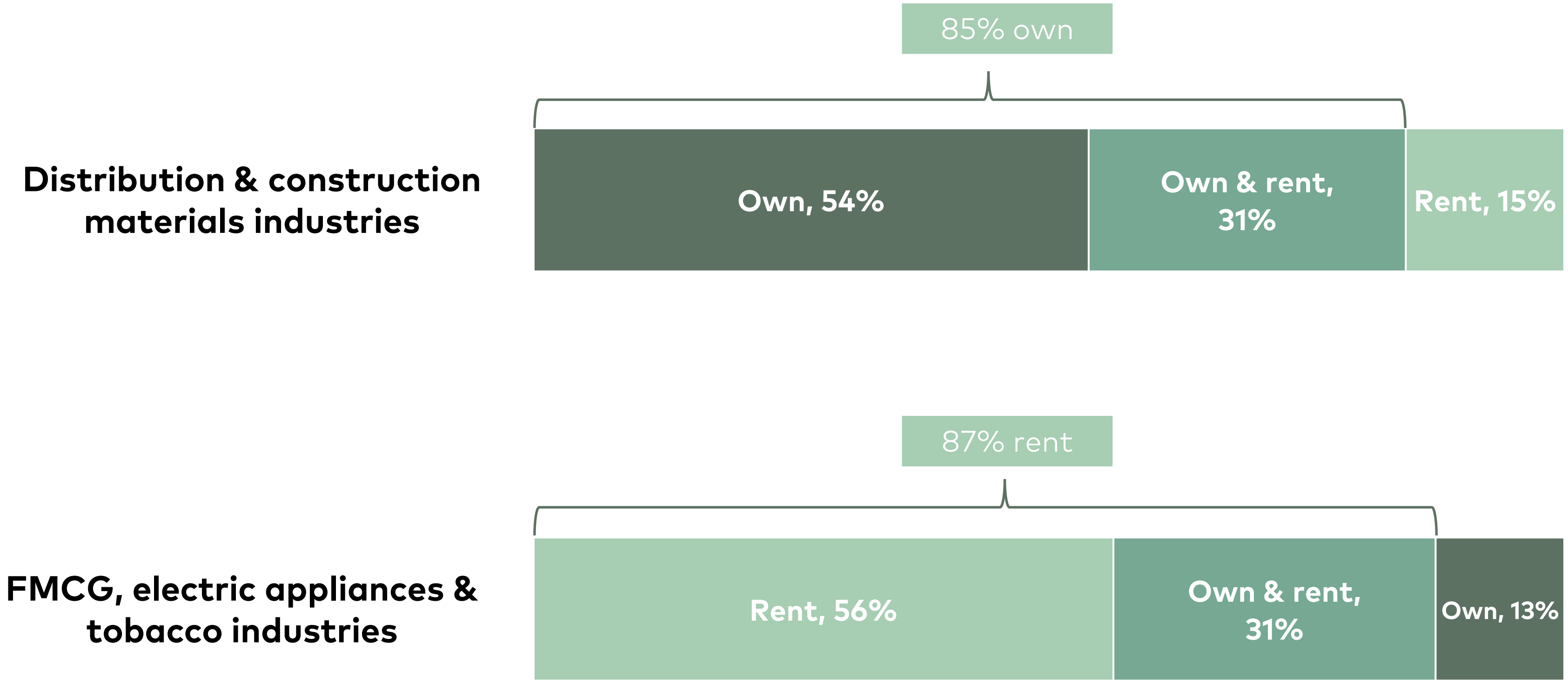
Source: Galt & Taggart survey

Dry storage survey - demand

According to survey, wholesalers favor owning warehouses, while retailers prefer the flexibility of leasing

DEMAND BY SECTORS

Warehouse ownership types by sectors



These industries prefer owning warehouses (85% own a warehouse) to accommodate their stable demand and high volumes of goods

These industries prioritize renting warehouses (87% rent a warehouse) for its flexibility to change location and lower upfront costs

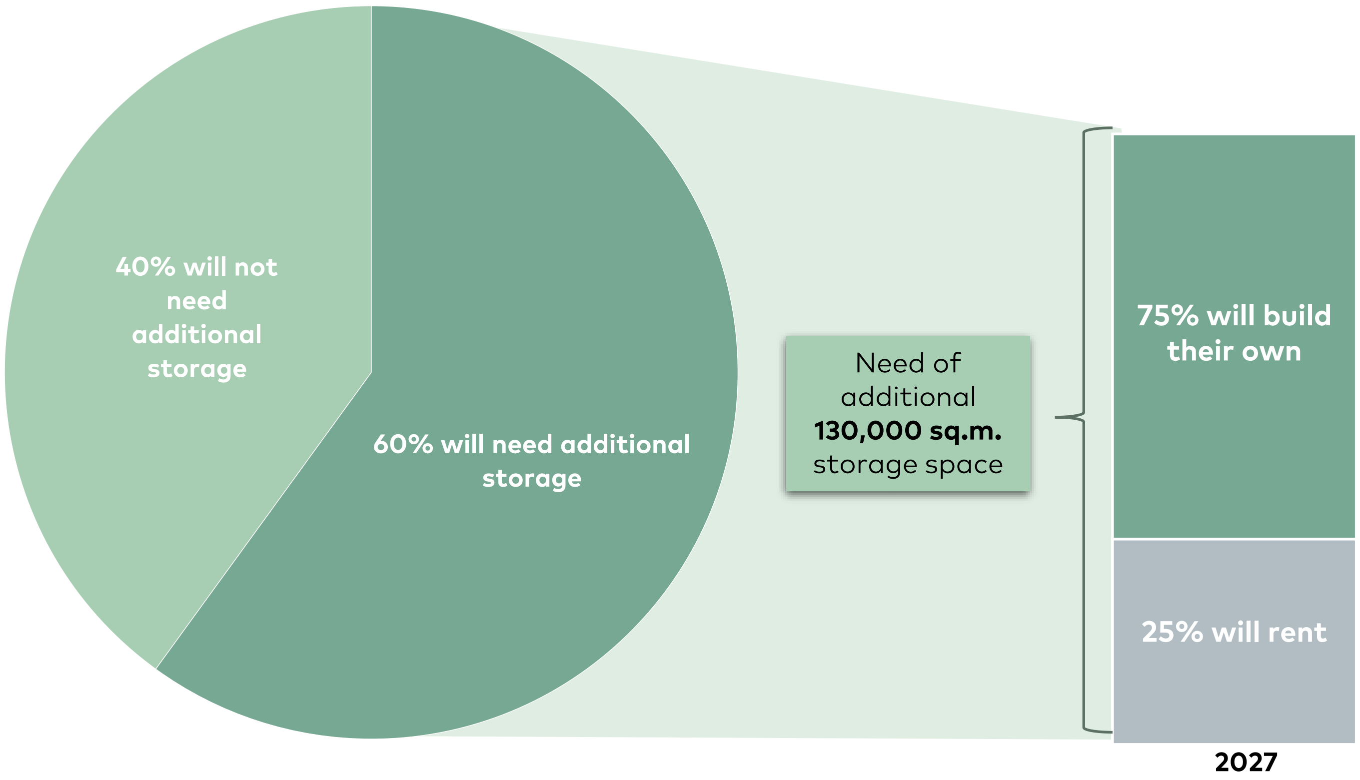
Source: Galt & Taggart survey

Dry storage survey - demand

The 40 companies surveyed indicate a total need for 130,000 m² of warehouse space in 2025-27 - of which 50,000 m² is lease replacement and 80,000 m² is new demand

FUTURE DEMAND

Storage needs of surveyed retailers in the next 3 years



Future warehouse size expectations

32% expect to need very large-sized warehouses (>10,000 sq.m.)

100% of the companies requiring very large warehouses (>10,000 sq.m.), plan to build their own facilities

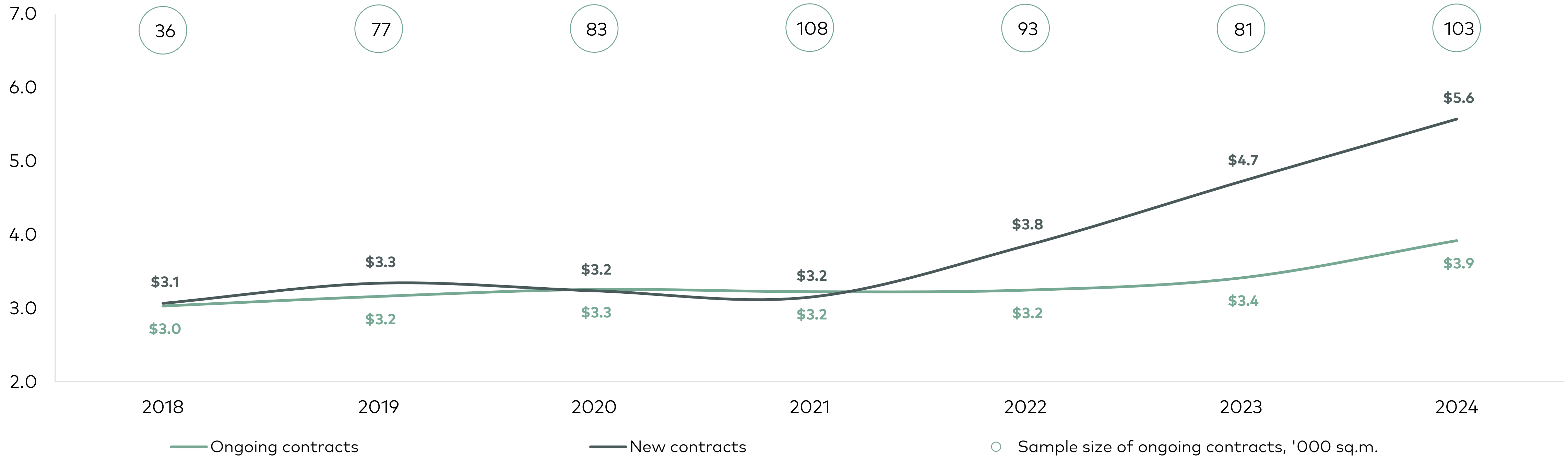
50% of those who build their own warehouse plan to replace rented warehouses

Source: Galt & Taggart survey

Dry storage - prices

Warehouse rent in new contracts almost doubled over 2021-24

Warehouse rents for high quality (class A/B) warehouses in Tbilisi, US$/sq.m



We expect average price for ongoing contracts to increase by c. 10% in 2025, due to higher rent prices of new contracts and increased construction and maintenance costs

Source: NAPR, Galt & Taggart survey

Note: Prices are given net of VAT

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CONTENT

Warehouse sector in Tbilisi

- **Dry storages**
- **Cold storages**

Logistics models

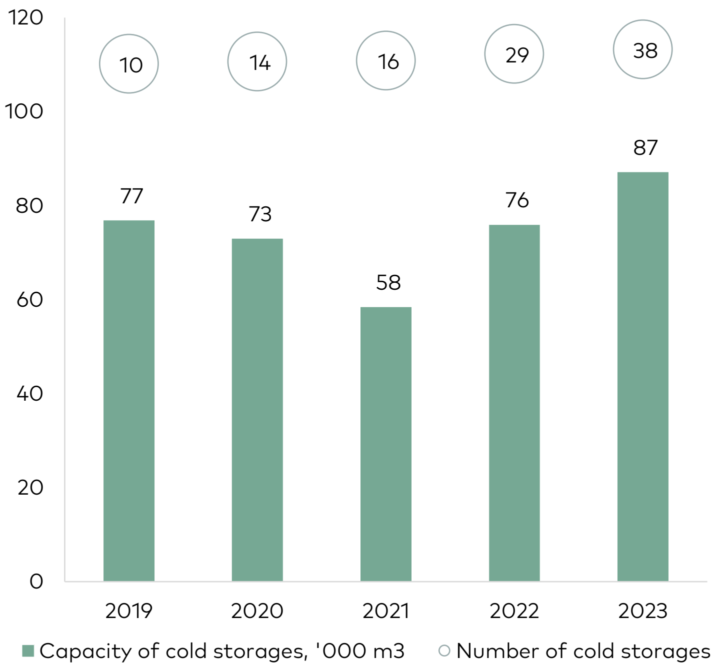
Summary

Annex

Cold storage – supply, demand and prices

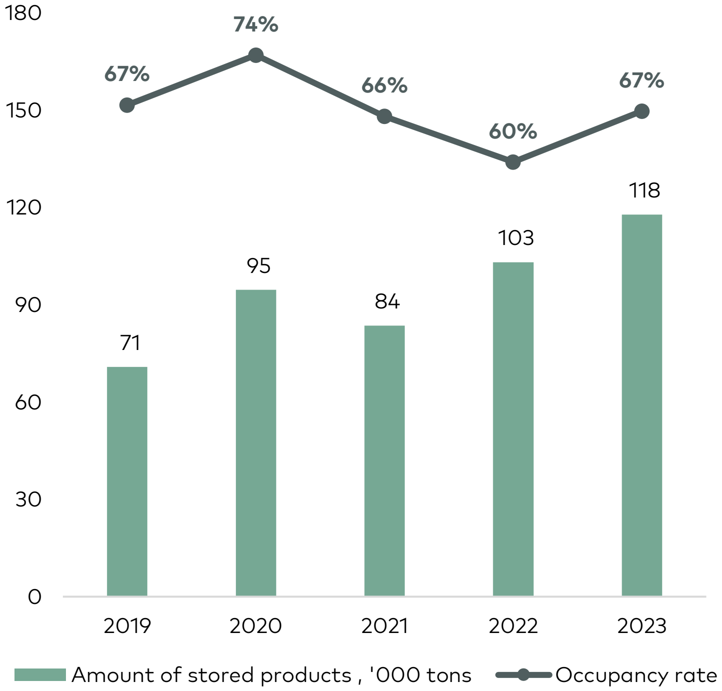
Georgia's strategic location drove higher cold storage demand since 2022, boosting supply of smaller-sized facilities

Supply of cold storages in Tbilisi



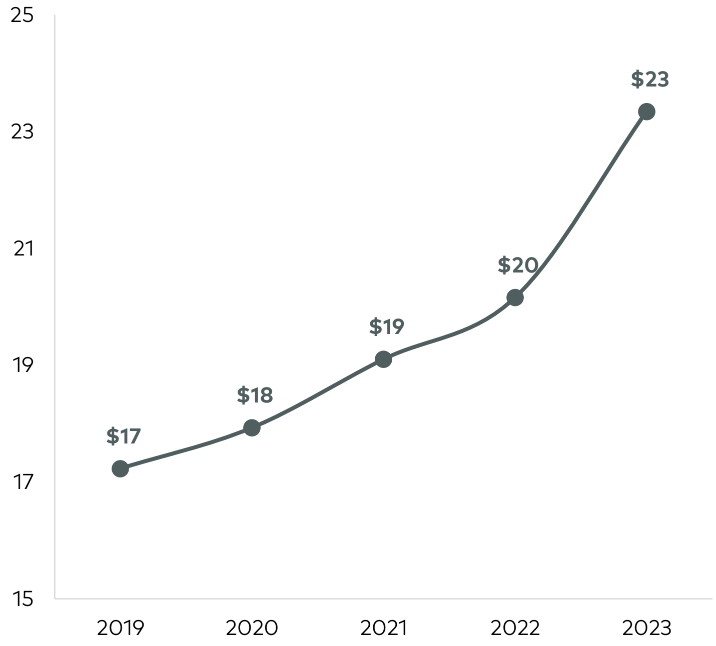
Number of cold storages has been on a rise driven by the emergence of smaller-sized facilities

Demand for cold storages in Tbilisi



The volume of stored products has risen since the Russia-Ukraine war, as some frozen goods from the West, previously transported through Russia to Central Asia, were rerouted through Georgia

Average monthly price of cold storages in Tbilisi, USD/ton



Substantial price increase in recent years (+30.2% 2023 vs 2020) can be attributed to additional demand and increased electricity prices, construction costs and wages

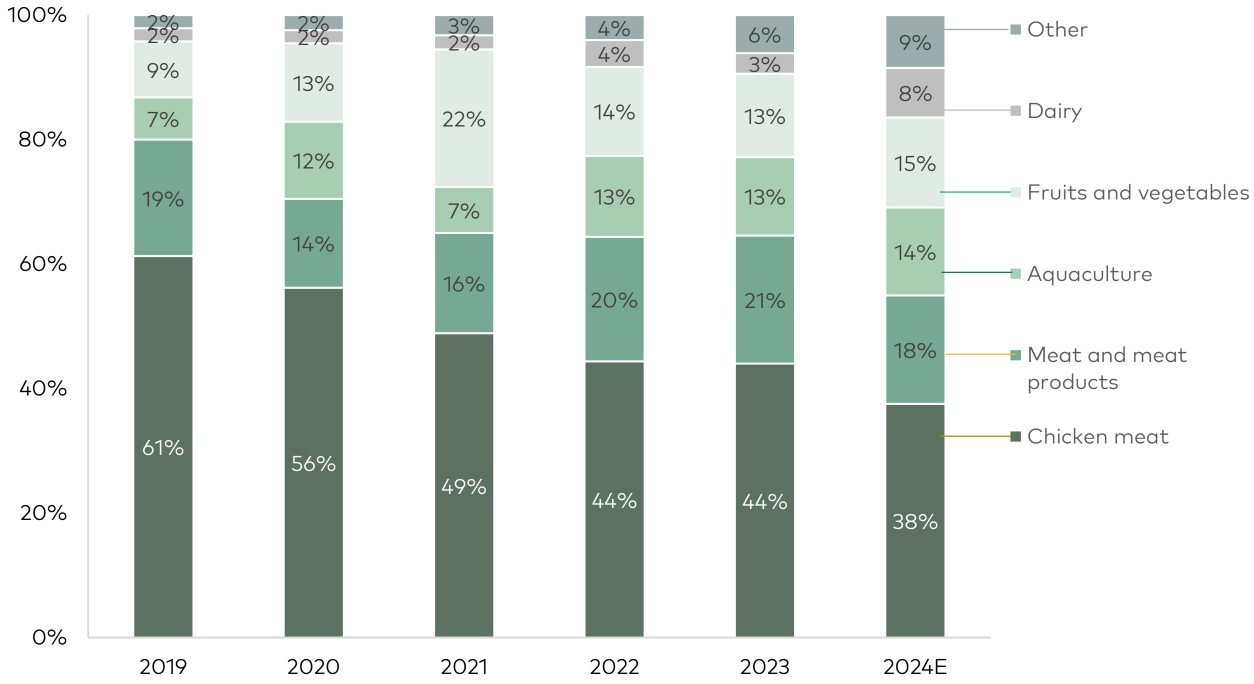
Source: Geostat, Galt & Taggart

Note: Prices are given net of VAT

Cold storage – stored products

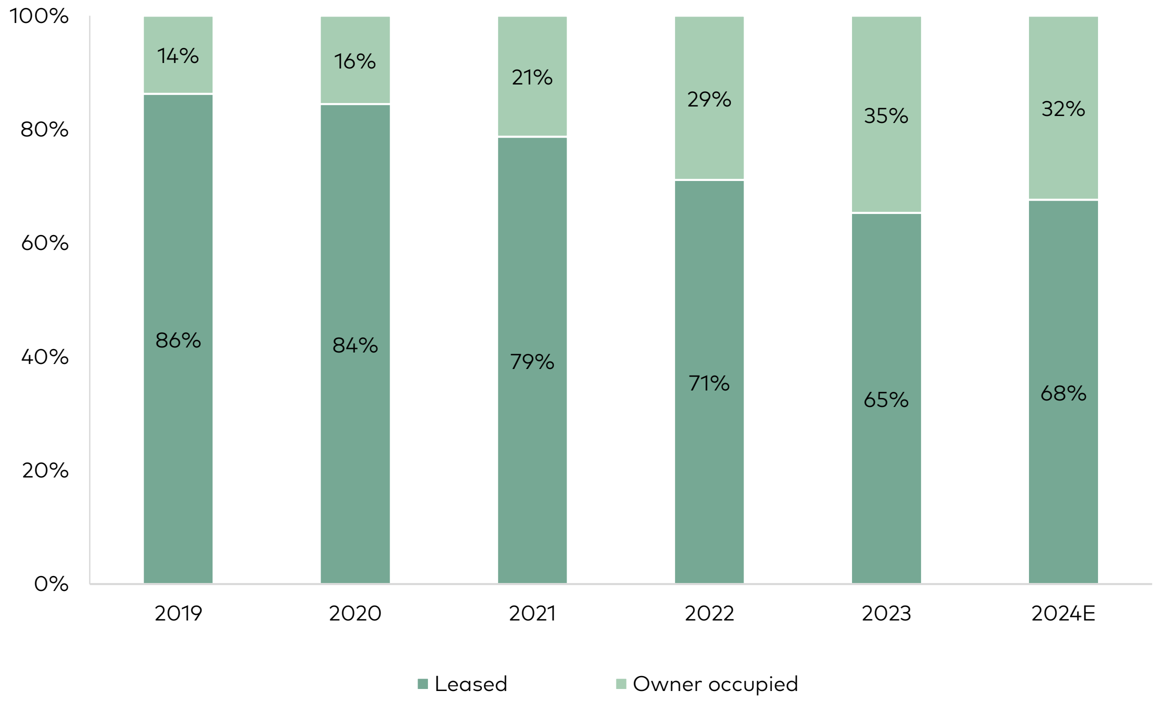
Chicken meat and other meat products comprise over half of cold storage demand

Distribution of stored products in cold storages, %



Share of chicken meat products in cold storages has declined as the share of aquaculture and dairy products has grown

Usage of cold storages by ownership type, %



The rising share of owner-occupied cold storages suggests that newly established facilities are primarily built by businesses with established supply chains to meet their own storage needs

Source: Geostat, Galt & Taggart

CONTENT

Warehouse sector in Tbilisi

- Dry storages
- Cold storages

Logistics models

Summary

Annex

Logistics models
1PL vs 2PL vs 3PL

1PL

2PL

3PL

- Logistics **entirely managed in-house** by the company – transportation, warehousing and distribution.

- Full control over logistics, no reliance on external partners, high investment in infrastructure and resources.

- **Only warehousing outsourced** to a warehouse owner.

- Renting warehouse, more flexibility and reduced investment, but still some level of internal logistics management required.

- Logistics **entirely outsourced to a service provider** – transportation, loading/unloading warehousing, packaging, distribution.

- Full focus on core business activities, leveraging expertise and infrastructure of the 3PL provider, greater efficiency and scalability.

Logistics models in Europe

3PL chain benefits all participants through specialization, as seen in Europe

3PL process in Europe

Real estate developer	3PL provider	Client
Constructs and owns warehouse facilities	Rents the warehouse and offers clients logistic services	Outsources supply chain needs to the 3PL provider

Advantages

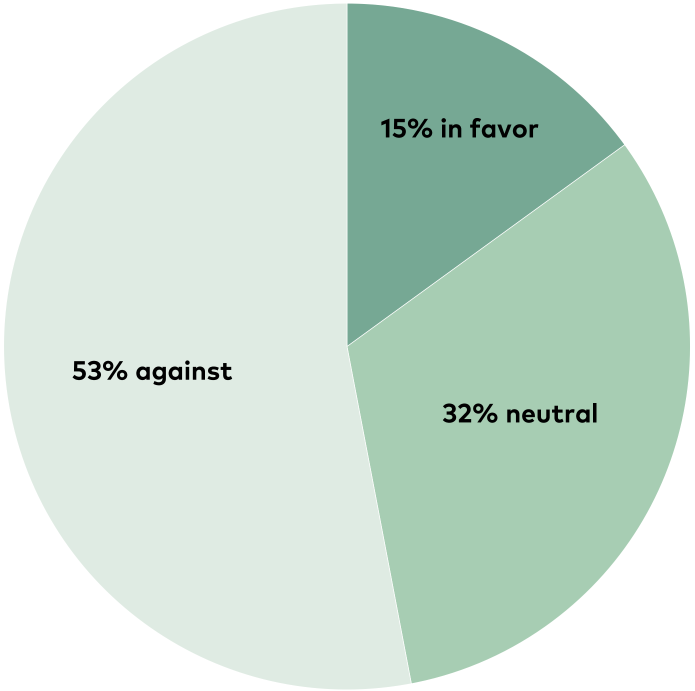
Real estate developer	3PL provider	Client
Long-term stable rental income	Ability to service multiple clients from strategic locations without the need of owning real estate	Cost-effective and scalable logistics solution without the need of entering into a new industry

Logistics models in Georgia

Local companies are still not prepared to adopt 3PL services

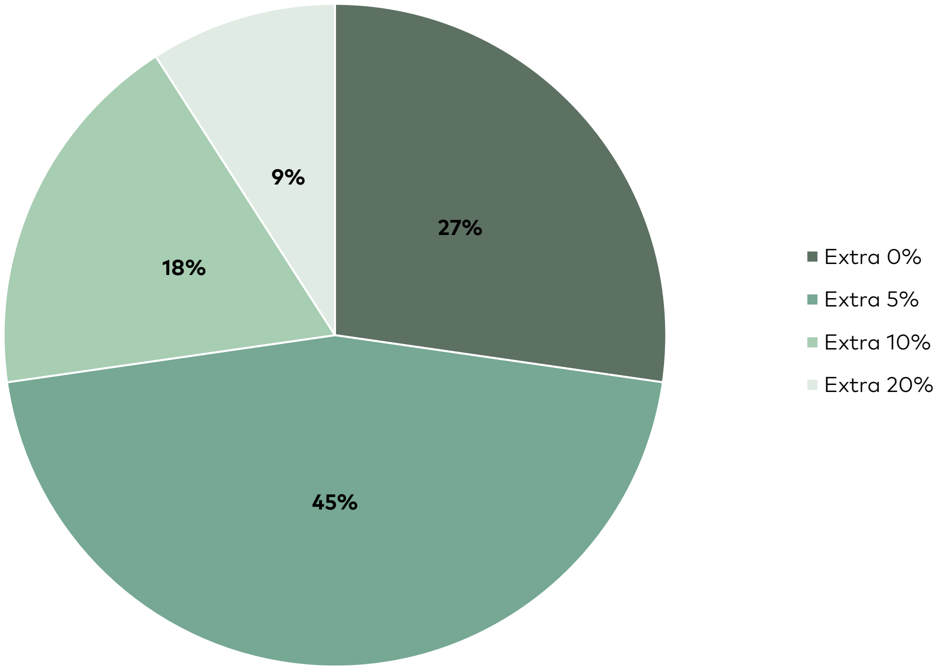
SURVEY RESULTS ON 3PL SERVICES

Would you outsource your warehouse management given qualified logistics companies?



- FMCG companies are the most willing to use 3PL services
- 3PL demand is driven by international firms, with minimal local uptake

How much extra would you pay for 3PL services? (Galt & Taggart survey results)



There is no willingness in the market to pay a high premium for 3PL services.

Source: Galt & Taggart survey

CONTENT

Warehouse sector in Tbilisi

- Dry storages
- Cold storages

Logistics models

Summary

Annex

Summary

Warehouse supply

Supply of warehouses surged in recent years and is expected to increase further

2020-24

+30%

2024-26

+33%

Warehouse demand

The need for increased modern warehouse space is evident in the medium-term

2024-26

+30%

Warehouse rents

Average rent for the new contracts of dry warehouses significantly increased over the past years (+72% vs 2020)

2020

3.2$

+72%

2024

5.6$

Factors affecting Supply

- Gradual replacement of Class C
- Large-size warehouses
- Increasing share of owner-occupied warehouses

This transformation of supply will continue for the next 7-8 years

Factors affecting demand

- Modernization of the economy
- Increase in the size of companies
- Growth of e-commerce

Demand growth will continue steadily

Factors affecting rents

- Demand/Supply Balance
- Operating cost dynamics
- Sector regulation

Rent prices are expected to stabilize at current levels ($5-6) in the short-term

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CONTENT

Warehouse sector in Tbilisi

- Dry storages
- Cold storages

Logistics models

Summary

Annex

Key market characteristics in Georgia

Prevailing perception in the Georgian retail sector still remains a preference for owning warehouses rather than outsourcing logistics operations

1PL - In-house warehousing

- **Rising rents** – warehouse rents have almost doubled in the last five years, raising costs for 2PL/3PL services
- **Limited supply of large warehouses** – when companies can not find a suitable warehouse, they make a decision to build their own
- **Customization** – companies can customize storage space based on their needs
- **Flexibility** – owning a warehouse provides retailers with the convenience of accessing and utilizing the facility at any time
- **Sensitivity of products** – companies prefer to store high-value products and manage the logistics process themselves
- **Data privacy** - sharing sensitive information with third parties is not comfortable for some companies

2PL / 3PL - Outsource warehousing

- **Cost efficiency** - companies can avoid significant capital expenditure and maintenance costs of building a warehouse, and replace it with monthly operational expenses
- **Focus on core activities** - companies can allocate more time and resources to their core activities, such as marketing, product development, and customer engagement, rather than managing storage operations
- **Access to expertise** – specialized 3PL providers ensure compliance with regulatory standards and advanced technology such as warehouse management systems (WMS) and inventory management, increasing efficiency and competitiveness
- **Economies of scale** – 3PL providers can spread operational costs across multiple clients, resulting in more cost-effective warehousing solutions

Dry storage

Dry storage classification

	Class A	Class B	Class C
Description	Single-story modern warehouse of light metal structure and sandwich panels with parking space	Single or multi-story newly built or reconstructed warehouse	Single or multi-story reconstructed warehouse that was previously used as a production facility or hangar
Ceiling	At least 12 m high	At least 8 m high	At least 4 m high
Floors	Concrete floors with anti-dust coating	Asphalt or concrete, no coating	Asphalt or concrete, no coating
Docks	Sufficient number of moving docks (one dock per 300-350 sq.m. storage area) with adjustable levers for different size trucks	Sufficient number of docks	Minimal or no dedicated docks
Temperature control	Adjustable temperature Temperature should not go above 25°C	Temperature should not go above 25°C	No temperature control
Fire protection	Fire alarm and automatic fire-fighting system, with enough water reserves	Fire alarm and fire-fighting system	Basic fire safety measures
Other features	Convenient location for transport, logistic services, WMS system for storage management, office space, 24 hour real time CCTV monitoring and a concrete road connecting to warehouse	Convenient location for transport, basic CCTV systems with standard coverage, focusing on key areas such as entrances, exits, and loading docks	Relies on natural airflow, minimal or outdated CCTV systems limited to a few key access points

Source: Galt & Taggart

Dry & cold storage

Key characteristics - dry vs cold storage

	Cold storage	Dry storage
Use Cases	Storage of chicken, meat and meat products, aquaculture, fruits and vegetables, dairy and pharmaceuticals	Storage of consumer goods, construction materials, electric appliances and textiles
Temperature Control	Maintains low temperatures (typically -18°C to 5°C) to preserve perishable goods like food and medicine	Ambient temperature below 25°C, no cooling required, suitable for non-perishable goods
Humidity and ventilation	Humidity is tightly regulated to prevent spoilage or freezing damage Equipped with advanced ventilation systems	Basic ventilation and no humidity control typically required, but may include at the minimal level
Flooring	Specialized flooring to handle temperature changes and prevent condensation or frost buildup	Standard concrete or asphalt floors without temperature-specific requirements
Docking System	Insulated and sealed docks to minimize temperature loss during loading/unloading	Standard docking systems without insulation

Source: Galt & Taggart

Dry storage

Key characteristics - bonded vs standard warehouse

	Bonded warehouse	Standard warehouse
Requirements	• Land must be divided from nearby properties by gate or another form of boundary • One time payment – **1,000 GEL** • Bank guarantee – **200,000 GEL** • Loading/unloading points must be fully covered by CCTV cameras • Storage has to be **emptied 5 days after** completing VAT payment • Separate space for bank and RS is required **only for container storages for cars**	-
Limitations	• Cargo must be eligible for customs clearance • Cargo must go through a thorough inspection • Need for additional declarations	-
Benefits	Cargo is free of VAT payment until it is taken out of storage	-

Source: Revenue Service, Galt & Taggart

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