

12-Mo.
Forecast**8.7%**

Class A Vacancy

**\$38.83**

Class A Rents*

**4.4%**

Class B Vacancy

**\$13.53**

Class B Rents*



* average weighted rental rates are indicated OPEX and VAT exclusive

** the rents are based on the KZT/USD rate of 425.72 provided by the National Bank of the Republic of Kazakhstan as of 30/9/2021

Source: Cushman & Wakefield Kazakhstan Research
Information is available as of Q3 2021**ALMATY ECONOMIC INDICATORS AS OF Q3 2021**12-Mo.
Forecast**2.43%**

GDP Growth

**5.1%**

Unemployment Rate*

**425.72**

KZT/ USD

Source: Department of the Statistics of Kazakhstan
* latest data (Q2 2021)**ECONOMIC OVERVIEW**

The national GDP for the third quarter of 2021 increased by 2.43% when compared to the Q2 of this year. This is an increase in economic activity as there was a decrease in GDP by 2.6% for 2020. The government initiative of providing rent-free periods in state owned office buildings to SME tenants has finished as of first of June 2021. Duration of such assistance lasted from the start of the pandemic. The economic recovery is in part driven by an increase capital investments in the city for the period of January to September 2021 by 17.3% when compared to same period of 2020.

SUPPLY & DEMAND

The vacancy rates for class A office facilities has decreased to current 8.7% and rental rates have stayed stable, around 38 USD or 16,400 KZT per m2 per month. In class B office facilities the rental rate rate grew to 13.53 USD/m2 and vacancy rates have decreased from 6.8% to 4.4% which is a historic 3-year low. A growing take up has resulted from demand accumulated in pandemic 2020 - early 2021 and increasing business activity once Almaty business settled in 'new normal'.

The number of co-working space is steadily growing which also pushes the vacancy down.

New developments have been completed in the city, adding more than 10,000 m2 of stock, however, most of this stock was class A facilities. In Q4 new business centers will be completed resulting in more than 13,000 m2 of stock, most of which will be B+ class stock. In the coming year, an additional 40,000 m2 of stock is expected to be added to the office market most of which will be B/B+ class facilities.

OUTLOOK

Vacancy is unlikely to jump until the end of the year as the economy continues recovering and lease agreements are finalized. In the medium term, we expect that rental rates will remain stable due to a combination of factors: low vacancy rates and abundance of new office stock to be introduced in the near future.

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295,958 KZT

Average Quarterly Wage

12-Mo.
Forecast**42.26%**

Retail Sales Growth (KZT)

**1.61%**

CPI



Source: Department of the Statistics of Kazakhstan

ECONOMIC OVERVIEW

The support that was provided to tenants by the landlords has now been completely revoked. The retail sector in Almaty has been growing QoQ, driven by the vaccination rate surges in the country. During Q2 4.5m Kazakhstani citizens have been fully vaccinated, now equaling to nearly 40% of the population. The retail sales growth for Q3 of 2021 has been at 16.76% in KZT when compared to Q3 2020 and 42.26% when compared to Q2 of 2021. Population growth in the city has registered an increase of 0.62% QoQ. In part this can be explained by the return of students to in person learning. The unemployment rate in the city is 5.2% as of the latest data. Notably, even the spread of the Delta variant (over 90% of new infectants) and the subsequent restriction measures did not have a significant impact on the recovery process.

SUPPLY & DEMAND

The average quarterly wage (AQW) has increased by 10.24% when compared to previous quarter. Growth QoQ in the consumer price index was for food related products was - 0.7%, services non-food related products - 1.71%, paid services - 2.62%. Overall CPI grew by 1.61% over the course of Q3 of 2021.

Retail submarkets have performed well, yet quite differently. F&B retailers have been at the forefront of expanding their operations countrywide and abroad, while most other retailers have adopted a more conservative wait and see approach. During the first half of the year Magnum has shared plans of entering the Uzbek retail market as well as opening other format stores in Kazakhstan.

In order to keep up with consumer demands, retailers are now embracing and re-evaluating space that they occupy in order to provide omnichannel solutions. One the largest retailers in the country – Magnum is expanding its presence in near-home stores, planning to open more than 20 in the coming months, while also implementing its e-commerce strategy. Since April of 2020 the company has been selling its products online through its own app as well as in partnership with Kaspi.kz.

OUTLOOK

A combination of factors: positive GDP growth figures, stable unemployment levels, a government re-vaccination initiative, will most certainly improve the overall state of retail as the population returns to pre-pandemic consumption and less restrictions are needed. However, in a long-term outlook we expect a significant shift to e-commerce, as well as revision of retail properties with a growing potential of mixed use.

ALMATY ECONOMIC INDICATORS AS OF Q3 202112-Mo.
Forecast**2.43%**

GDP Growth

**0.62%**

Population Growth

**5.2%**

Unemployment Rate*

**425.72**

KZT/USD

Source: Department of the Statistics of Kazakhstan
* latest data (Q2 2021)**RESEARCH & ADVISORY**

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Industrial Q3 2021

\$5.35

Prime Rents*

12-Mo.
Forecast

1.6%

Prime Vacancy

310,000 m²

Prime stock



Source: Cushman & Wakefield Kazakhstan Research
Information is provided as of Q3 2021

*rents are indicated VAT exclusive, OPEX inclusive; asking
(marketing rents) may deviate from real transaction rents by
10-15% downwards

ALMATY ECONOMIC INDICATORS AS
OF Q3 2021

2.43%

GDP Growth

12-Mo.
Forecast

42.26%

Retail Sales Growth (KZT)



1.61%

CPI Growth



425.72

KZT/USD

Source: Department of Statistics of Kazakhstan

ECONOMIC OVERVIEW

The prime industrial sector has been one of the most resilient industries, showing low levels of vacancy through the pandemic and constant rental rates. Even when citywide limits were revoked, the demand for high-quality storage facilities remained robust. Freight delivery volume have been increasing QoQ; the total quantity of KG of freight delivered climbed by 109.22%. A significant portions of investments in fixed assets in January-September 2021 falls on operations with real estate (46.7%), transport and warehousing (12%). In August, Russian-based e-commerce giant Ozon commenced their operations in Kazakhstan, planning to cover the whole country.

SUPPLY & DEMAND

The vacancy and rental rates for prime warehouse facilities in the city remained unchanged QoQ in both KZT and USD terms. However, the average rental rate since Q1 of 2019 increased by 27% in KZT terms, triggered by 18% inflation observed within the same period. Prime warehouse facilities in the city are considered stable throughout the pandemic.

The market saw no warehousing facilities delivered during this quarter, reflecting a scarce development pipeline. Although, extensions to existing locations are to be expected. This is a third consecutive quarter of positive absorption. The industry employs around 35,000 people. The average nominal wage in this field of work is around 328,978 KZT, and has grown by 14.7% in real terms YoY.

In January - September 2021, 24 billion KZT of postal and courier services were provided in Almaty (representing 59.4% of the Kazakhstan market), an increase of 38.2% in value terms when compared to the same period of 2020. E-commerce operators are expanding their storage needs in the city and considering various options (redevelopment, new construction) to shorten the last mile.

OUTLOOK

Vacancy rates in the city have been low over the courses of the pandemic, suggesting that there is a lot of unrealized demand for quality warehouse storage facilities. Industrial warehouse facilities will stay relevant for the foreseeable future as e-commerce continues to gain traction with the consumers nationwide, especially in the largest cities. Our insights suggest that the rental rates are expected to remain relatively stable in the short to medium term.

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