



Offices Q3 2022

12-Mo.
Forecast

1.9%

Class A Vacancy



\$40.0

Class A Rents*



1.9%

Class B Vacancy



\$16.0

Class B Rents*



* average weighted rental rates are indicated OPEX and VAT exclusive

** the rents are based on the KZT/USD rate of 475.42 provided by the National Bank of the Republic of Kazakhstan as of 30/09/2022

Source: Cushman & Wakefield Kazakhstan Research
Information is available as of Q3 2022ALMATY ECONOMIC INDICATORS AS OF
Q3 202212-Mo.
Forecast

3.6%

GDP Growth



5%

Unemployment Rate*



475.42

KZT/ USD

Source: Department of the Statistics of Kazakhstan
* latest data (Q3 2022)

ECONOMIC OVERVIEW

The gross regional product (GRP) increased by 4.2% YoY in KZT terms over the course of H1 2022. The latest unemployment data shows that the figures have stayed stable at 5%. The average quarterly wage as of the latest data is 338,636 KZT (Q3 of 2022). Capital investments in the city for the period of January to September 2022 grew by 22.1% in KZT terms when compared to same period of 2021. However, the construction industry growth rate during the relevant period was registered at 5.5%, in KZT terms.

SUPPLY & DEMAND

The rental rates for class A office facilities have stayed stable QoQ in USD terms, in KZT terms the figures have grown by 4.46%. The vacancy rates have decreased significantly, resulting in the lowest vacancy figures for the class in 11 years. In class B office facilities the rental rates decreased by 38.4% in USD terms and by 31.6% in KZT terms. The reduction is due to the fact that quality stock was absorbed by the market. The vacancy rates have also decreased significantly from an already low rate of 4% (a historic 3.5-year low), resulting in lowest vacancy rate on record. Notably, class B vacancy has been around or below 5% for more than a year. Therefore, we have now seen that there is an unprecedented and prolonged demand for office space.

In Q3 2022 the number of co-working spaces and the total space occupied have been steadily growing which also pushes the vacancy down, due to the fact the space in office buildings is being occupied by flexible space operators. In fact, there are 24 in operation in the city, occupying a total of 36,000 m2 (24% increase QoQ). In the flexible space industry significant demand is being observed for small serviced offices and less demand for open-space working desks.

New developments in the city are in the final stages of completion, adding around 22,000 m2 of stock, most of this stock is class A. There is limited construction in class B facilities, with an expected increase of around 60,000 m2 in the coming years. This will result in an increase of 31% of class A stock and 4.5% increase of class B stock.

OUTLOOK

In the foreseeable future vacancy and rental rates in class A will most likely increase before dropping as new developments in the class is expected to be completed in 2023. In class B we expect that rental rates will increase as inflation is expected to continue to grow coming into 2023, however, we do not expect the vacancy figures to increase significantly past 5% in the coming quarters.

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Retail Q3 2022

338,636 KZT

Average Quarterly Wage

12-Mo.
Forecast**21.51%**

Retail Sales Growth (KZT)

**4.36%**

CPI



Source: Department of the Statistics of Kazakhstan

ECONOMIC OVERVIEW

The retail sector in Almaty has seen positive growth both YoY and QoQ, with the following figures registered: 21.51% and 35.62% in KZT terms and 8.81% and 26.23% in USD terms respectively. The inflation rate over the quarter was at 4.36% and 15.20% since the start of the year. Population growth in the city has registered a notable increase of 4.82% QoQ and 6.03% increase since the start of the year. The unemployment rate in the city is 5.0% as of the latest data. As of 30.09.22 54.7% of the population has been fully vaccinated, with 55.9% receiving the first dose. The government has pulled back all the COVID-19 restriction measures.

SUPPLY & DEMAND

Growth QoQ in the consumer price index for wholesale products was 1.40% and 6.97% since the start of the year. The National Bank of Kazakhstan forecasts 16-18% inflation figures as a result of 2022.

Several F&B retailers have come to dominate the market, among them Toimart - 34 (up from 32 at the start of the year) stores in Almaty, Magnum - 82 (up from 66) and Small - 44 (up from 42). Zolotoe Yabloko (Russia based perfume and cosmetics retailer) has opened its second store in Almaty in Mega Mall.

Spar supermarket opened for the first time in Almaty, Kazakhstan, becoming the 49th country where the brand operates. The operator of Small supermarket chain obtained franchising rights for: Eurospar, Spar, and Express. This reveals a shift from big box/hypermarket stores to the round the corner stores.

There has not been any addition of retail space in shopping malls. The market is now quite mature and the customer has a large pool of options. 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. This means that a growing number of purchases are made online and later picked up at physical stores. Shopping malls now have to adapt to a large number of delivery personnel as well as insure that sales are being recorded by the retailer in an organized manner.

OUTLOOK

The construction of Aport mall on the outskirts of the city is ongoing. When completed, an additional 100,000 m2 of retail shopping space will be added to the region, serving the populations of the surrounding cities.

The state compensated the damage incurred during the January events to 1,500 SMEs countrywide. A total of 8.3 billion KZT was distributed among those whose businesses suffered. The total amount of damage attributed to the events equals 38.6 billion KZT as stated by the Ministry of the National Economy. The support provided was multidimensional, companies were offered deferral of payments on loans, as well as suspension of tax and customs audits took place.

ALMATY ECONOMIC INDICATORS AS OF Q3 202212-Mo.
Forecast**3.6%**

GDP Growth

**4.82%**

Population Growth

**5%**

Unemployment Rate*

**475.42**

KZT/USD

Source: Department of the Statistics of Kazakhstan
* latest data (Q3 2022)**RESEARCH & ADVISORY**

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12-Mo.
Forecast**6.23\$**

Prime Rents*

**0.6%**

Prime Vacancy

**346,000 m²**

Prime stock



Source: Cushman & Wakefield Kazakhstan Research
Information is provided as of Q3 2022

*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 2022

12-Mo.
Forecast**3.6%**

GDP Growth

**21.51%**

Retail Sales Growth (KZT)

**4.36%**

CPI Growth

**475.42**

KZT/USD

Source: Department of Statistics of Kazakhstan

ECONOMIC OVERVIEW

The prime industrial sector has continued showing that it is one of the most resilient industries, the demand for high-quality storage facilities remains robust. Freight delivery volume have been increasing QoQ; the total quantity of KG of freight delivered during the quarter climbed by 7.09% QoQ and by 46.66% in annual figures was recorded. Significant portion of investments in fixed assets in January-September 2022 falls on operations with real estate (46.8%) and transport and warehousing (14.7%). Russia-based e-commerce giant Ozon continues their expansion of operations in Kazakhstan.

SUPPLY & DEMAND

The rental rates for prime warehouse facilities in the city have decreased slightly from 6.51 USD per m², which is a 4.5% decrease QoQ, in KZT terms the rental rate did not change significantly. The vacancy rate has decreased slightly from 0.7%. Notably in Q4 of 2021 the figures were at an all time low of 0.3%. The vacancy rate has now been below 1% since Q4 2021, less than 2% since Q2 2021, and below 5% since Q3 2018 reflecting the demand for quality warehouse space. The rental rate in class B is \$3.71. While the vacancy figures are also below 1% at 0.4%.

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 quarter has seen positive absorption of around 500 m².

The industry employs a little more than 36 thousand people (9% growth since the start of the year). The average nominal wage in this field of work is around 442,634KZT as of Q3 of 2022, and has grown by 10.8% in real terms YoY.

E-commerce operators in the city are redeveloping or building from the ground up new specialized storage facilities for their needs. In city storage facilities are used as online order pick-up points and have a relatively small footprint.

Tariffs for the transportation of goods by all modes of transport have grown by 4.45% QoQ and tariffs for postal and courier services for legal entities have grown by 0.60% in the same time.

OUTLOOK

Record low vacancy rates will undoubtedly result in an increase of the rental rate in KZT terms as well as provide additional incentives for commercial development in the area. Currently most companies in need of storage space opt for built-to-suit options. In the medium to long run the industry will see more investments.

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