

12-Mo.
Forecast

8%

Class A Vacancy

\$44.5

Class A Rents*

6%

Class B Vacancy

\$12.19

Class B Rents*

* average weighted rental rates are indicated OPEX and VAT exclusive

** the rents are based on the KZT/USD rate of 426.22 provided by the National Bank of the Republic of Kazakhstan as of 31/12/2020

Source: Cushman & Wakefield Kazakhstan Research
Information is available as of Q4 2020ALMATY ECONOMIC INDICATORS AS OF
Q4 202012-Mo.
Forecast

-2.4%

GDP Growth

5.3%

Unemployment Rate

426.22

KZT/ USD

Source: Department of the Statistics of Kazakhstan

ECONOMIC OVERVIEW

The year has closed with a decrease of the national GDP by 2.4%, which was caused by the global outbreak of the SARS-2 coronavirus. The reduction in the economic output of the country has been expected by the economic specialists. However, in absolute tenge values, the GDP has not contracted, yet this is not to be accounted for because the value of the Tenge has decreased from the start of the year. The implications of the restrictions put forward to contain the virus as well as the decrease in the financial wellbeing of the occupiers have meant that the providers of office facilities have had to adapt accordingly.

SUPPLY & DEMAND

Our analysis of the Almaty office market has shown that the rental rates for the Class-A offerings did not fluctuate significantly over the course of the fourth quarter of 2020, keeping rates around the same level, that of Q3 of 2020. However, we have seen an increase in rates for the Class-B office buildings in the city, they grew by 14% as compared to Q3 of 2020, which signifies that even though companies may have been acknowledging the new working arrangements, the office in view of the corporate occupiers is still an important attribute for the efficient operations of the company.

The market has been an occupier-driven one, as the occupiers seek renegotiation of their terms with the respective landlords, either through reduction of the current rent rate or through prolongation of leases on their current conditions. This has been a major stimulation of activity in the market. At this point, the landlords have approached the process cooperatively. Due to the fact that there isn't a certain approach to commercial terms reconsideration, each landlord seeks to create special solutions for their occupiers.

OUTLOOK

We do not expect any additional adjustment of the office rental rates for Class-A offerings in the short-term, in the mid to long term rates are expected to rise, yet not substantially. Class - B offerings are expected to recover to pre-pandemic levels quicker than their higher-level counterparts due to an understanding of the need to lower expenses related to the operations of the organizations in the short term and shift to more flexible work arrangements in the long term. This could be seen in our analysis of the flexible space market, where triple-digit year-on-year growth has taken place. The key to success will be the adaptability of the landlords, their ability in foreseeing shifts in demand as well as new requirements on the market.

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Retail Q4 2020

12-Mo.
Forecast

274,414 KZT

Average Quarterly Wage



-3.2%

Retail Sales Growth (KZT)



6.6%

CPI



Source: Department of the Statistics of Kazakhstan

ECONOMIC OVERVIEW

The retail sector was one of the hardest hit by the SARS-2 coronavirus pandemic, which has resulted in almost constant inability to predict the working conditions a few weeks in advance because of the measures that the government has employed after the loosening of the strict lockdown during mid-spring and later on in midsummer. Some measures taken by the local authorities in order to reduce the growing number of cases in Almaty in early Q4 of 2020 meant that the quarterly retail sales growth would be affected.

SUPPLY & DEMAND

The trends that were made obvious during the start of the pandemic, continued even after the strict national lockdown. Retail has had to adapt to the increasingly online shopping experience demanded by consumers because of the benefits it provides, partially safety, and partially the time and energy savings associated with online retail. Large-scale developments and redevelopments that were frozen earlier in the year mostly remain in the same state.

Analysis of the publicly available information presented by the department of statistics of Kazakhstan shows that the quarterly retail sales growth for the last three months of the year have been negative, at -3.20% as compared to the respective figures for the same period in 2019. This is a significant change to the situation of the third quarter of the year when the same statistic was at 11.4% growth. Furthermore, the CPI figures have stayed the same as the previous quarter and the unemployment levels in the city have also stayed the same, at 5.3%. The regional average quarterly wage has grown by 16.18% from 236208 KZT to 274414 KZT in Q4, 2020. If the change in the average exchange rate of KZT to USD during the period is accounted for the growth in wage will be 13.9%.

OUTLOOK

Changes in market conditions due to the change in consumption and imposed restrictions have destabilized the financial health of the retailers around the country. Retailers urge the landlords to provide more flexible financial arrangements that are based more on the performance of the retailer rather than a flat rental fee. The current trends in online consumption are expected to mostly stay and the retailers have to provide additional benefits for customers that opt to engage with the seller offline, while landlords now have to learn to operate with more flexibility and adequately manage how their infrastructure is used for online sales.

NUR-SULTAN ECONOMIC INDICATORS
AS OF Q4 202012-Mo.
Forecast

-2.4%

GDP Growth



0.81%

Population Growth



5.3%

Unemployment Rate



426.22

KZT/USD

Source: Department of the Statistics of Kazakhstan

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12-Mo.
Forecast**\$5.63**

Prime Rents*

**2.3%**

Prime Vacancy

**310,000 m²**

Prime stock



Source: Cushman & Wakefield Kazakhstan Research
Information is provided as of Q4 2020

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

ECONOMIC OVERVIEW

The industrial market of Almaty has managed to successfully operate during the COVID-19 pandemic due to factors related to the demand for goods. In some markets, the demand for goods increased significantly over the course of the nationwide lockdown due to a significant and forced shift in the market demand.

SUPPLY & DEMAND

The prime industrial stock has been stable when compared to the figures in Q3, with no additional developments completed over the course of the fourth quarter of 2020.

As vacancy rates stay low, the sector signals that the demand is set to be growing in the long term, especially for professionally operated warehouses that comply with the increasingly sophisticated demands of the occupiers. Such stable and ever-increasing demand meant that in spite of the pandemic the operators of prime warehouses were able to keep the rental rates the same as compared to Q1 of 2020.

A number of industries are expected to sustain the demand levels for the industrial sector of Almaty, this includes e-commerce, food goods, FMCG. The forced change in consumer behavior over the course of the pandemic and subsequent lockdowns have accelerated the expansion of internet commerce, which relies heavily on adequate supply chain management.

Local developers of warehouse real estate mostly base their strategy on the common practice of only commencing the construction of a warehouse after an occupier has been secured, while some companies adopt a personalized approach of construction of warehouses special to their business needs. Therefore, new construction has been limited in the prime industrial warehouse market, with current landlords benefiting from a growth in demand and as a result a low vacancy rate.

OUTLOOK

Our insight suggests that the demand for prime warehouses will stay strong going forward, as the economy will recover and return to the pre-pandemic levels of activity bringing with it the need for specialized storage facilities with it.

NUR-SULTAN ECONOMIC INDICATORS AS OF Q4 202012-Mo.
Forecast**-2.4%**

GDP Growth

**-3.2%**

Retail Sales Growth (KZT)

**6.6%**

CPI Growth

**426.22**

KZT/USD

Source: Department of Statistics of Kazakhstan

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