

# NUR-SULTAN

Offices Q1 2021



CUSHMAN &  
WAKEFIELD

12-Mo.  
Forecast

**11.9%**  
Class A Vacancy

**\$41.6**  
Class A Rents\*

**12.3%**  
Class B Vacancy

**\$13.63**  
Class B Rents\*

\* average weighted rental rates are indicated OPEX and VAT exclusive

\*\* the rents are based on the KZT/USD rate of 419.70 provided by the National Bank of the Republic of Kazakhstan as of 31/3/2020

Source: Cushman & Wakefield Kazakhstan Research  
Information is available as of Q1 2021

## NUR-SULTAN ECONOMIC INDICATORS AS OF Q1 2021

12-Mo.  
Forecast

**-2.6%**  
GDP Growth

**4.9%**  
Unemployment Rate

**419.70**  
KZT/ USD

Source: Department of the Statistics of Kazakhstan

## ECONOMIC OVERVIEW

The year 2020 concluded with a decrease in national GDP by 2.6% resulting from restrictions imposed by the central authority to contain the SARS-2 spread. The economy is still at its early stages of recovery with limited growth to be expected. The central statistics authority of the country has reported fixed capital investments increase by 26% YOY (denominated in national currency).

## SUPPLY & DEMAND

Our analysis has shown that the overall office market activity in Nur-Sultan was modest throughout Q1 2021. Given the current lack of demand for office accommodation, the new office buildings that are about to be built would almost certainly cause a decline in occupancy rates.

Specialized business segments were the most active participants of the office market transactions taking place over the course of the first three months of the year. Businesses related to providing healthcare services were one of the most active tenants during the quarter.

Furthermore, there has been a steady increase in office vacancy across the city. This has been a strong continuous trend, the vacancy rates for class B office spaces have increased by 73.2% YoY, from 7.1% recorded in Q1 of 2020 to 12.3%.

## OUTLOOK

We expect to see investment in specialized ventures focusing on a specified use of assets to gain demand and emerge in the future. Student housing, medical facilities, and flexible spaces are examples of such initiatives. The prospects for an increase in demand for office space are grim, so we expect vacancy rates to continue to grow. Prospective occupiers looking for big, contiguous spaces, on the other hand, could encounter difficulties than the prevalent vacancy statistics suggest. Employees at companies whose activities are usually performed in offices are looking forward to returning to their former working conditions.

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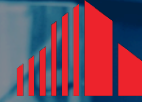
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# NUR-SULTAN

Retail Q1 2021

**CUSHMAN &  
WAKEFIELD**12-Mo.  
Forecast**349,649 KZT**

Average Quarterly Wage

**-1.8%**

Retail Sales Growth (KZT)

**7.1%**

CPI

*Source: Department of the Statistics of Kazakhstan*

## ECONOMIC OVERVIEW

The average nominal income per capita in February 2021 was 122,392 KZT, which was 11% higher than in February 2020, while real cash income rose by 3.4%. Furthermore, the statistics as of the first three months of 2021 equaled 98.2% of the same timeframe the previous year. When comparing February 2021 to the same month in 2020, the consumer price index has increased by 7.4% nationally. Even though the city did not introduce a citywide lockdown, the number of actual working days for large retail facilities was limited during the first quarter.

## SUPPLY & DEMAND

Retail has been one of the hardest hit industries. The businesses those deemed essential such as food and pharmacy were the only sectors of the industry reported sales growth in 2020. Additionally home-based structures have caused increased demand for electronics and telecommunications equipment and subsequent sales growth.

Retail sales are expected to increase as safety controls are eased. In the meantime, landlords have postponed their expansion plans, as the market conditions remain volatile.

Analysis of the official state figures provided by the Department of the Statistics of Kazakhstan has shown that the retail sales growth in the capital city has decreased significantly over the course of the quarter, with Q4 figures of 2020 showing an increase of 11.5%, while current retail sales growth is at negative 1.8%.

## OUTLOOK

We expect a further decline in the prime rental rates as business conditions are to expected to remain quite challenging. Despite the muted business sentiment and contraction in consumer demand some large retail operators as well as F&B chains are seeking to take advantage of the low market in order to ensure the best locations and rental conditions.

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## NUR-SULTAN ECONOMIC INDICATORS AS OF Q1 2021

12-Mo.  
Forecast**-2.6%**

GDP Growth

**0.3%**

Population Growth

**4.9%**

Unemployment Rate

**419.70**

KZT/USD

*Source: Department of the Statistics of Kazakhstan*



Industrial Q1 2021

12-Mo.  
Forecast**\$5.93**

Prime Rents\*

**5.1%**

Prime Vacancy

**160,000 m<sup>2</sup>**

Prime stock



Source: Cushman & Wakefield Kazakhstan Research  
Information is provided as of Q1 2021

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

## ECONOMIC OVERVIEW

National economy of the country has suffered a reduction in GDP equaling to 2.6% as of the end of 2020. The analysis of the country's short term economic indicators shows that when the gross domestic product for each month of the first quarter is compared to the respective month a year earlier, only the month of March saw an increase in economic activity, however it should be noted that the first coronavirus infection was officially registered in March and later in the month the state rolled out national restrictions, therefore it could be concluded that there has been no real economic growth for the respective period. Nonetheless, some sectors of the economy have suffered less or even increased their revenue. The industrial real estate sector has seen increase demand and this could be seen reflected in the fact that freight deliveries of all types of transport in the city have grown by 8.6%.

## SUPPLY & DEMAND

The industrial commercial real estate sector has been one of the few sectors that have suffered the least negative effects, and in some instances has also benefited from a rise in demand from the retail sector, which has been forced to move its business online and as a result has needed a lot of extra storage space. Landlords report net positive absorption from the start of the pandemic.

Despite historically low vacancy rates and the increased demand for quality storage facilities, many developers are still reluctant to engage in the construction of new speculative projects in this market. This has the consequence of a lack of building activity in the sector. Most industrial projects are started only after a client has pre-leased some of the space. Since the speculative development of new prime warehouses is reduced, rental prices have risen, with no indication that they will fall in the future. Despite historically high rent prices, some prime developers have confirmed being fully occupied.

## OUTLOOK

We expect the number of current or future occupiers will be shifting their focus from the traditional model of operation that is leasing a certain area of the building to fulfillment services provision.

## NUR-SULTAN ECONOMIC INDICATORS AS OF Q1 2021

12-Mo.  
Forecast**-2.6%**

GDP Growth

**-1.8%**

Retail Sales Growth (KZT)

**7.1%**

CPI Growth

**419.70**

KZT/USD

Source: Department of Statistics of Kazakhstan

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