

Offices Q3 2022

12-Mo.
Forecast**24.9%**

Class A Vacancy

**\$30.46**

Class A Rents*

**3.0%**

Class B Vacancy

**\$12.94**

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 2022**NUR-SULTAN ECONOMIC INDICATORS AS OF Q3 2022**12-Mo.
Forecast**3.6%**

GDP Growth

**4.5%**

Unemployment Rate*

**475.42**

KZT/ USD

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

Over the course of January-September, the short-term economic indicator registered an increase of 8% percent YoY. There has been an increase in capital investments in the city for the period of January to September 2022 by 11.7% when compared to same period of 2021. The unemployment levels in the city as of the latest data is 4.7%. The average quarterly wage as of latest data is 378,144 KZT (Q2 2021). The construction industry's output over the quarter in KZT terms grew by 6.3% YoY.

SUPPLY & DEMAND

Class A vacancy rates for Q3 have increased QoQ from 9.7% (157% change). Vacancy rates in the class are now much higher than experienced in previous quarters (such high figures have not been observed since Q1 2020). This is due to introduction of stock by Abu Dhabi Plaza (more than 10,000 m² of office stock introduced in 2022). Considering that the rental rates in the building are lower than that of other buildings in the class, the rental rate decreased sharply QoQ from \$39.43 (23% decrease) and in terms of KZT decreased by 19.83%.

The Class B vacancy rates have decreased over the past quarter, from 4.8%. This is the fifth positive absorption quarter in a row. The vacancy numbers for the class are now below the pre-pandemic levels and at historic lows. The rental rates for class B facilities have increased significantly QoQ from 8.45 USD per m² to current (53.14% increase). Current class B rental rates are also higher than that of pre-pandemic levels. This trend however, cannot be observed in class A facilities, with their pre-pandemic rental rates levels 85.16% higher than present figures.

As we previously predicted, the inflation rates in the second half of 2022 increased significantly, this has had an impact on the rental rates in class B office facilities. Although the unemployment levels have been stable for numerous quarters the economy is slowing down and this is expected to have an effect on the state of the commercial office market in the capital city.

OUTLOOK

Vacancy in class A facilities will continue to grow in the coming future due to the fact that not all the Abu Dhabi Plaza office stock has been introduced. Vacancy rates for class B office facilities have continued falling past the critical level and therefore, we do expect further increases in rental rates in the short to medium term, especially as high double-digit inflation is expected to continue into 2023.

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Retail Q3 2022

12-Mo.
Forecast**387,744 KZT**

Average Quarterly Wage*

**47.76%**

Retail Sales Growth (KZT)

**13.9%**

CPI



* latest data (Q3 2022)

Source: Department of the Statistics of Kazakhstan

ECONOMIC OVERVIEW

The retail sales in the city have increased QoQ 47.76% and increased by 34.79% YoY in KZT terms. In USD terms, the relevant figures increased by 37.53% and by 20.70% respectively. As of 30.09.22 54.7% of the population has been fully vaccinated, with 55.9% receiving the first dose. Population growth in the city has registered an increase of 6.13% QoQ and an increase of 7.64% YoY. The unemployment rate in the city has been stable, falling by 0.2% to 4.5%. The government has pulled back all the COVID-19 restriction measures.

SUPPLY & DEMAND

Growth QoQ in the consumer price index was 1.20% for wholesale products, while the overall CPI grew by 5.91%. The National Bank of Kazakhstan forecasts inflation rate of 16-18% for 2022. Earning distribution in the city is quite concentrated, incomes in the Esil district are 59% higher than in Baikonyr district as of Q2 2022.

Retailers have continued their expansion countrywide and abroad. Fix Price (Russian company) has 30 open stores in the city. Several F&B retailers have come to dominate the market, among them Small - 34 stores in the city, Magnum - 72 and Vkus Mart - 10. DNS (Russia-based company) has 12 open stores.

In order to keep up with consumer demands, retailers are now embracing and re-evaluating the space that they occupy in order to provide omnichannel solutions. This demands additional cooperation between retailers and shopping centers to insure adequate registration of sales that are made using the infrastructure of the physical stores. The construction of the Republic Plaza shopping center has been completely halted, removing planned 22,000 GBA from the market.

OUTLOOK

Most retailers are currently aggressively expanding as the market has been hot after the recovery from the pandemic. However, as the state of global economy takes a hit for the worse, inflation in the country continues to soar we expect the consumption basket of households to change accordingly.

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.

**NUR-SULTAN ECONOMIC INDICATORS
AS OF Q3 2022**12-Mo.
Forecast**3.6%**

GDP Growth

**6.13%**

Population Growth

**4.5%**

Unemployment Rate*

**475.42**

KZT/USD

Source: Department of the Statistics of Kazakhstan

* latest data (Q3 2022)

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12-Mo.
Forecast**\$3.99**

Prime Rents*

**0.8%**

Prime Vacancy

**163,000 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

NUR-SULTAN ECONOMIC INDICATORS AS OF Q3 2022

12-Mo.
Forecast**3.6%**

GDP Growth

**47.76%**

Retail Sales Growth (KZT)

**13.9%**

CPI Growth

**475.42**

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, the third quarter of the year has not been an exception. Freight delivery volume have been increasing YoY; the total quantity of KG of freight delivered climbed dramatically by 533.12% YoY and by 113.93% QoQ. Although it is a recurring trend for higher delivery figures in Q3, the current growth is significantly above historical trends. A significant portion of investments in fixed assets in January-September 2022 falls on operations with real estate (56.6%), while transport and warehousing account for 9%.

SUPPLY & DEMAND

The average rental rate for prime industrial facilities has stayed the same in USD terms QoQ and increased by 4.5% in KZT terms (due to changes in the KZT/USD exchange rate). The current prime rental rate is average rental rate since Q2 of 2019 has decreased by 23.71% from 5.23 USD/m² and by 6.37% in KZT terms. The average prime stock vacancy rate for 2019 was 8.35%. Therefore, it can be observed that demand for industrial facilities has grown significantly since 2019.

Supply pipeline remains scarce, as the market saw no warehousing facilities delivered during this quarter. All but one quarter since Q4 of 2020 have seen positive absorption. The trend continued coming into 2022, since the start of the year we have seen positive absorption, with a total absorption equaling 5,500 m².

As of Q2 of 2022 the transport and warehousing industries in the city account for 7.4% (while the construction industry accounts for 7.3%) of the gross regional product, making this the 4th largest industry in the city. The industry employs a little above 23 thousand people, although this figure has been on a decline since Q1 of 2020, Q2 has seen an increase in employee numbers, with more than 2,000 vacancies remaining unfilled. The average nominal wage in this field of work is around 439,221 KZT, and has grown by 8.1% in real terms YoY.

OUTLOOK

We expect rental rates to grow noticeably in the short to medium term, because the vacancy figures have now been below the critical level of 5% for the second consecutive quarter and new openings (20,000 m² of prime stock is expected to be delivered in 2023) are not expected to have substantial impact on the vacancy and rental rates. The developers prefer built-to-suit solutions although the market demonstrates strong demand for quality warehouse stock.

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