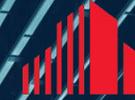


NUR-SULTAN

Offices Q4 2020


**CUSHMAN &
WAKEFIELD**
12-Mo.
Forecast
11.9%

Class A Vacancy

\$41.0

Class A Rents*

12.3%

Class B Vacancy

\$13.43

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 2020

NUR-SULTAN ECONOMIC INDICATORS AS OF Q4 2020

12-Mo.
Forecast
-2.4%

GDP Growth

4.9%

Unemployment Rate

426.22

KZT/ USD

Source: Department of the Statistics of Kazakhstan

ECONOMIC OVERVIEW

The Gross Domestic Product growth has decreased by 2.4% over the past year as the result of the economic implications related to the COVID-19 pandemic. However, some figures already show some signs of improvement and recovery from the crisis. During the first half of 2020, the government has provided stimulus to businesses in order to increase business activities, such as the reduction in rent for smaller-sized companies as well as the reduction in taxes for small businesses.

Previously, the forecasts suggested that in 2021, as the country has learned to manage the new short-term normal, the spread of the virus would be limited and therefore the recovery process would accelerate. Yet, the chance of another spike in cases and the slow vaccination process is expected to have an effect on the desired timeline of the recovery.

SUPPLY & DEMAND

Commercial office real estate has had to adapt to the strict regulations quite a bit, with the limited amount of headcount allowed at the office, as well as the general trend of the price optimization adopted by a lot of the corporate occupiers.

Nonetheless, an analysis of the environment has shown that the vacancy rates for Class A office facilities citywide have decreased by nearly 35% over the course of the quarter, while the rental rates for the respective class have decreased by 6.8% from 44\$ in the third quarter of 2020 to 41\$ as of Q4. The Class B office facilities have seen the vacancy rate in the city increase by 16% from 10.6% to 12.3%, which is in part explained by the increase in rental rates demanded by the landlords that have risen. The rise was by 13.6% with the current rates being around 13.4\$ per square meter a month.

Over the same period, the employment rate in the capital has not seen any major adjustments, growing only by 0.2%, which is offset by the positive change in another key metric: growth in the average quarterly wage by 20.6%. This means that the average wage in dollar terms has grown by 18%, even with the change in the average exchange rate of the quarter.

OUTLOOK

With the increased adoption of new working arrangements on par with the expected decrease in future economic growth, companies around the country will continue to actively seek the renegotiation of leases, as well as a reduction in constant headcount in the office in order to employ more optimal cost structures. We expect these aspects to have the most significant impact on the market in the short to medium term.

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Retail Q4 2020

12-Mo.
Forecast**349,649 KZT**

Average Quarterly Wage

**11.55%**

Retail Sales Growth (KZT)

**7.8%**

CPI

*Source: Department of the Statistics of Kazakhstan***ECONOMIC OVERVIEW**

The aforementioned stimulus packages that the government carried out during the COVID-10 pandemic involved providing a state-determined minimum salary, which was another action taken by the country to offer economic support to the population. The importance of stabilizing the number of infected patients in the city was key to providing the much-needed reduction of limitations put in place on the retail sector, which as we see in the figures has indeed created growth in the last quarter of the year.

SUPPLY & DEMAND

Over the course of the last quarter, we have seen that the market has been partially recovering from the impact of strict lockdowns and restrictions imposed by the government to reduce the spread of the contagious virus. Having mostly reduced the number of infections, from the massive spike in cases in midsummer the city has been reopening a lot of the operations which have been previously closed or worked in a very controlled environment.

Our analysis of the official data supports this narrative, according to the department of statistics of Kazakhstan the retail sales growth in the capital of the country has been significant, with an increase of 11.55% as compared to the figures from the respective period a year earlier. This shows that the activity of the retail market of the city has indeed grown. Additionally, the average quarterly wage has also grown in the last quarter of the year, which suggests that business activity has stepped foot on the recovery process. CPI or growth rate on the cost of the goods has been nearly identical to the previous quarter of the year, at 7.8%.

OUTLOOK

The commercial real estate industry has been one of the most affected sectors of the national economy due to the COVID-19 crisis, therefore a recovery process in retail that has been taking place in Q4 is a great sign for the sector. Nonetheless, the forced shifts that have occurred in the buying habits of consumers over the last year will at least partially stay going into the future. The underlying trends that are taking place have been present for some time now, many of the retailers have already acknowledged this shift and have been able to sustain some level of economic activity during the pandemic.

Therefore, our expertise shows that the strongest lease stability will come from the retailers whose economic model was able to contain the impact and is capable to successfully function with the new shifts going forward.

**NUR-SULTAN ECONOMIC INDICATORS
AS OF Q4 2020**12-Mo.
Forecast**-2.4%**

GDP Growth

**0.36%**

Population Growth

**4.9%**

Unemployment Rate

**426.22**

KZT/USD

*Source: Department of the Statistics of Kazakhstan***RESEARCH & ADVISORY**

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\$5.84

Prime Rents*

12-Mo.
Forecast**5.1%**

Prime Vacancy

**160,000 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

NUR-SULTAN ECONOMIC INDICATORS AS OF Q4 2020

-2.4%

GDP Growth

12-Mo.
Forecast**11.55%**

Retail Sales Growth (KZT)

**7.8%**

CPI Growth

**426.22**

KZT/USD

Source: Department of Statistics of Kazakhstan

ECONOMIC OVERVIEW

Ever since the nationwide restrictions took place in march of 2020, the retail volume decreased drastically with many retailers not being adequately prepared for this kind of crisis. The adaptation process of many mainly relied on the acceptance of the internet as the main driver of growth for this period, with others choosing to completely close down.

The demand that comes from the retail sector has historically been the key in determining the demand for warehouse storage, yet as many retailers shifted to online sales in order to keep the business activity stable the demand for the services of such facilities increased.

SUPPLY & DEMAND

Detailed studies of the prime industrial commercial real estate sector show that the increased demand for the warehouses around the city that took place earlier in the year has continued. The vacancy figures have decreased by nearly 58% from Q3 of 2020 when the prime vacancy city-wide was around 12%. The reduction in vacancy rates means that the current occupation figures of prime warehouse facilities are nearly identical to the first quarter of 2020.

Additionally, the retail growth in the city has been great, producing a figure of 11.55% growth of the quarterly retail sales, which is much higher than the average numbers a quarter prior, when the growth rate was below 1%. Accordingly, the retail sector has been producing more value for warehouse storage, driving down the vacancy of prime stock.

The reduction in price has also accompanied an increase in occupying statistics, the current rental rates at prime warehouse facilities are 5.84\$ down by 7.3%, as compared to the Q3 rental rate of 6.3\$. Although if the change of KZT TO USD exchange rate, and the subsequent decrease in value of the national currency is accounted for, the rent rate has decreased by 5.5%. Rental rates from the start of the year have increased by 10.2% from 5.3\$ per square meter as of Q1. Moreover, the prime stock has not changed from quarter to quarter and stayed at 160,000 meters square, yet with new developments in the pipeline, we expect this figure to change in the coming future.

OUTLOOK

Like most industries, the industrial sector has had to adapt and organize its management in accordance with the new normal brought on by the COVID-19 pandemic. Our analysis of the business environment has shown that the year for prime stock providers has closed with a decrease in vacancy, increase in rent rates. We expect that the industry is on a steady path of recovery as the demand for high-quality storage facilities stays high.

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