

# MARKETBEAT ALMATY

Q2 2023



**CUSHMAN &  
WAKEFIELD**

# ALMATY MARKETBEAT

## Offices

### ECONOMIC OVERVIEW

Over the course of April–July, the short-term economic indicator registered an increase of 20,4% percent YoY. The volume of the gross regional product (GRP) for January-March 2023 amounted to 4,775,468.6 million KZT and increased by 13.9% YoY in KZT terms over the course of January-March 2022. The latest unemployment data shows that the figures have stayed stable at 4,9%. The average quarterly wage as of the latest data is 390,322 KZT (Q1 of 2023). Over the course January-June capital investments in the city grew YoY by 0,7% and construction industry growth rate YoY was 11.8%, 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 decreased by 1,32%. This is due to exchange rate fluctuations during the quarter. The vacancy rates have also not changed, staying at 11 years low. In class B office facilities, the rental rates also have not changed, showing only a mild increase of 0,92% in USD terms and 2,42% in KZT terms. This is now the 6th consecutive quarter on record of vacancy levels below 5%, the previous quarter being the lowest vacancy rate ever recorded. Therefore, we now have been witnessing a prolonged and unprecedented demand for office space.

In Q4 2022 and Q1 2023 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 37,200 m2.

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 33,000 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 are 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.

Class A Vacancy  
**0.2%**



Class B Vacancy  
**1.8%**



**50.0** USD  
Class A Rents\*

**20.0** USD  
Class B Rents\*

\* average weighted rental rates are indicated OPEX and VAT exclusive  
\*\* the rents are based on the KZT/USD rate of 443.66 provided by the National Bank of the Republic of Kazakhstan as of Q2 2023  
Source: Cushman & Wakefield Kazakhstan Research Information is available as of Q2 2023

GDP Growth  
**5.6%**



### ALMATY ECONOMIC INDICATORS AS OF Q2 2023

Unemployment Rate\*  
**4.9%**



**443.66**  
KZT/USD

Source: Department of the Statistics of Kazakhstan  
\* latest data (Q2 2023)



# ALMATY MARKETBEAT

## Retail

### ECONOMIC OVERVIEW

The retail sector in Almaty has seen positive growth both YoY and QoQ, with the following figures registered: 29.4% (YoY) in KZT terms. The inflation rate over the quarter decreased comparing to Q2 2022 and was at 14.2%. Population growth in the city has registered a 3.32% increase YoY compared to Q2 2022. The unemployment rate in the city is 4.9% as of the latest data.

### SUPPLY & DEMAND

Growth in the consumer price index for wholesale products was 1% QoQ and 8.04% YoY. The National Bank of Kazakhstan reports that the median estimate of expected inflation is 14.2%.

Several food retailers have come to dominate the market, among them Toimart - 37 (up from 32 at the start of the year) stores in Almaty, Magnum - 86 (up from 66) and Small - 45 (up from 42). Zolotoe Yabloko (Russia based perfume and cosmetics retailer) has opened its second store in Almaty in Mega Mall. LC Waikiki has been aggressively expanding in the region, notably opening a 5,200 m2 store in Dostyk Plaza shopping center.

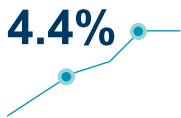
Eurospar supermarket, which has opened for the first time in Almaty, Kazakhstan, becoming the 49th country where the brand operates, has gardened public and investor attention. Small, the operator of the Spar franchise in the country is yet to open stores in other formats, such as: Spar and Express.

No new shopping malls have been construction and introduced into the market over the quarter. The market is now quiet 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 organised 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 compensation program for the damage incurred during the January events to businesses is now in the final stages of completion. With a total of 8.3 billion KZT was distributed among those whose businesses suffered, most have now received some form of compensation.

CPI



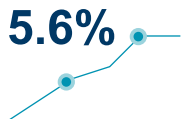
Retail Sales Growth



390,322 KZT  
Average Quarterly Wage\*

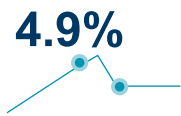
\* latest data (Q2 2023)  
Source: Department of the Statistics of Kazakhstan

GDP Growth



### ALMATY ECONOMIC INDICATORS AS OF Q2 2023

Unemployment Rate\*



443.66  
KZT/USD

Source: Department of the Statistics of Kazakhstan  
\* latest data (Q2 2023)

# ALMATY MARKETBEAT

## Industrial

### 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 has been increasing QoQ; the total quantity of KG of freight delivered during the quarter climbed by 7.04% QoQ and by 35.7% YoY. A significant portion of investments in fixed assets in January - June 2023 falls on operations with real estate; the indicator shows slight increase in YoY and decrease in QoQ as follows: 1% and 2.1%. 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 increased slightly by 6.33 USD per m<sup>2</sup>, however this change is due to the fluctuations in the USD/KZT exchange rate, in KZT terms the rental rate did not change. The rental rates within extension of expiring leases are negotiated in the range of 6-10 USD, whilst only a few new acquisitions are closed and still no transparent information is available.

The vacancy rate has remained unchanged. 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.

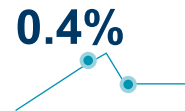
The rental rate in class B remained the same - \$3.74. While the vacancy figures are also below 1% at 0.1%. The market saw no warehousing facilities delivered during this quarter, reflecting a scarce development pipeline. Although, extensions to existing locations are to be expected. This quarter did not register any change in net absorption. The industry employs a little more than 36 thousand people. The average nominal wage in this field of work is around 451 841 KZT as of Q2 of 2023, and has grown by 24.6% in real terms YoY and by 3,3% in QoQ.

E-commerce operators in the city are redeveloping or building from the ground up new specialised 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 decreased by 0.9% QoQ and grew by 2.8% YoY.

### 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.

Prime Vacancy



6.33 USD  
Prime Rents\*

346,000 m<sup>2</sup>  
Prime Stock

Source: Cushman & Wakefield Kazakhstan  
Research Information is provided as of Q2 2023

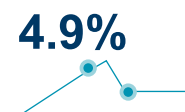
\*rents are indicated VAT exclusive, OPEX inclusive; asking (marketing rents) may deviate from real transaction rents.

GDP Growth



### ALMATY ECONOMIC INDICATORS AS OF Q2 2023

Unemployment Rate\*



443.66  
KZT/USD

Source: Department of the Statistics of Kazakhstan  
\* latest data (Q2 2023)



# ALMATY MARKETBEAT

## F&B Industry

### MARKET OVERVIEW

#### AVERAGE PRICES FOR OUR FOOD SELECTION:



Burger  
**3.34 USD**



Caesar  
**5.20 USD**



Latte  
**2.90 USD**



Lemonade  
**3.65 USD**



Lagman  
**4.50 USD**



Margarita  
**5.70 USD**

Lemonade prices are for 400 ml and latte prices are for 350 ml.

There are around 4,900 F&B units in the City, that provide a variety of services. There is a variety of different forms of facilities: tea clubs, fast food, coffee shops, ready meals, pizzerias, canteens, sushi bars, and more. Quick-service restaurants are the largest category of F&B units in Almaty. Canteens are another F&B format that has been gaining traction over the past few years. This is followed by cafés and pubs, reflecting the lifestyle choices made by local consumers.

Most cafes & restaurants are located in Medeu, Bostandyk, and Almaty districts, cumulatively accounting for 57% of the market in Almaty. However, the districts with the largest populations do not always have the largest quantity of units. Auezov, Alatau, and Tuksib are all densely populated districts, yet possess a very little number of food outlets. The chart to the left illustrates the share of stock of F&B units by the district.

The F&B facilities in the city can be separated into 4 main categories:



QSR



Casual dining



Delivery



Pubs & Bars

\*QSR: a specific type of restaurant that serves fast food and has minimal table service

As illustrated in the pie chart to the left, there is a strong concentration of F&B outlets in the Almaty district of the city. This is due to the nature of the district, which is relatively small in size as compared to other districts. Moreover, it covers the historical city center, which is a popular pedestrian zone and a high-footfall area, making the district highly attractive for various types of F&B outlets.

There is a growing demand for healthy foods to be offered by F&B operators as well as provide pre-made meals for delivery the cooking of which is intended to be finalised by the customer. Dark kitchens are capitalising on the demand for food delivery apps.

**390,322 KZT**  
Average wage

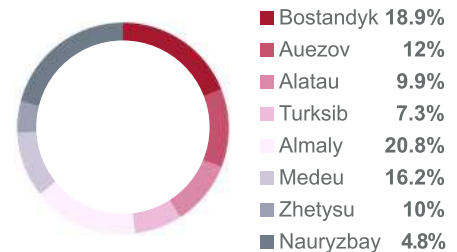
**2,185,600**  
Population

**4,900**  
F&B Stock

#### F&B UNITS BY AVERAGE BILL



#### F&B STOCK BY DISTRICT



\* The calculations of prices are made based on the average KZT/USD rate of 443.66 provided by the National Bank of the Republic of Kazakhstan for Q2 of 2023.

# ALMATY MARKETBEAT

## F&B Industry

### MARKET OVERVIEW

There are more than 17 well-known chains (local and global franchises) that represent 13-15% of all F&B units in the city and dominate the market. Most known are ABR, Bahandi, Salam Bro, KFC, Food Solutions (previously McDonalds), etc.

Burger units are even more concentrated based on the fact that 50% of the units are operated by fast-food chains. The average bill accounts for 1,000-2,000 KZT per person targeting the low to mid-income population, but the latest data shows that due to the growing inflation rate the number of FB units with low to mid-income are decreased on 6%. Central districts witness an average bill of 3,000 KZT and higher per person.

Food delivery services are dominated by Glovo, Wolt, Yandex Food, and Chocofood. However, not all F&B brands operates for outsourcing delivery, doing so in order to have greater control over the quality of service, for example popular food-chain ABR developed mobile app with their own delivery service.

The Almaty F&B scene is continuing its development as local brands continue expansion, and new brands enter the industry (local and foreign). Central Asian cuisine is gaining popularity, which new restaurants providing great services and amenities while serving familiar dishes. The city has seen a notable increase in mono-concept cafés and food trucks, which are now becoming sustainable businesses due to maturing of consumer demand. This is possible because significant consumer demand is able to support the needed levels of sales.

Hortons and Burger King owner Restaurant Brands International Inc. is bringing a chicken fast food franchise to the Central Asian market. In the summer with the warming of the climate, hiking in the mountains has become more frequent, with the opening of the summer season, restaurants and recreation areas on the way to the slopes have become popular again, there is a very extensive selection of establishments, ranging from small barbecue areas to large banquet halls where you can hold events. Sometimes spring culinary festivals with dishes of different nationalities are held in open-air parks.

Kaspi.kz plans to invest 70 billion tenge in E-Magnum – a joint company with Magnum. 10% of the equity will belong to Magnum, the remaining 90% will be owned by Kaspi.kz . The direction of e-Grocery in Almaty Kaspi.kz and Magnum launched in the summer of 2021 and has three dark stores, including one in Astana. The invested funds will be used to open about 15 dark stores and meet the working capital needs of e-Grocery. According to Forbes Kazakhstan, Kaspi store ranks first in the ranking of the "40 largest online trading platforms - 2022", MagnumGO ranks 27th and is also the number 1 grocery retailer in Kazakhstan.

Comparing to Q1, not all districts had an increase in the number of food and beverage outlets, the positive numbers were registered only in Auezov, Zhetysu, Naurzbyay and Turksib districts by 5-12% QoQ. Alatau district is one of the latest districts to be added to Almaty city (added in 2008) and has been rapidly developing in large part due to heavy investment from the government.

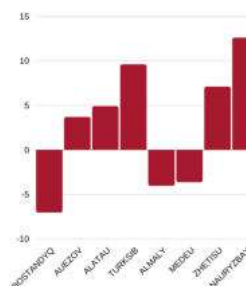
**390,322** KZT  
Average wage

**2,185,600**  
Population

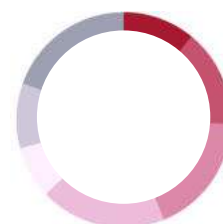
**4,900**  
F&B Stock

Source: Department of the Statistics of Kazakhstan

### % INCREASE IN F&B UNITS BY DISTRICT



### POPULATION PER F&B UNIT



Bostandyk	360.66
Auezov	486.25
Alatau	603.97
Turksib	631.25
Medeu	259.19
Zhetysu	323.60
Naurzbyay	644.71



# ALMATY MARKETBEAT

## Flexible Space

**24**

Number of Coworkings

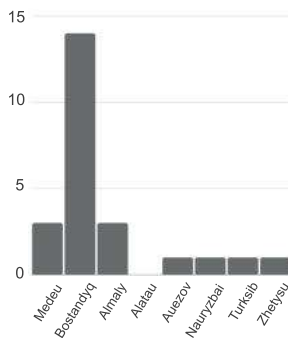
**37,200**m<sup>2</sup>

Total Stock

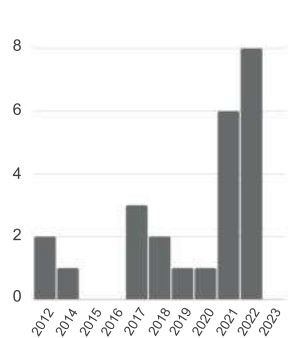
**120,000** KZT

Average Rate/Desk

### TOTAL STOCK BY DISTRICT



### COWORKING SPACES BY OPENING DATE



## MARKET OVERVIEW

In the Q2 2023 no new operators opened or closed, this trend has been going on for three quarters now starting from Q4 2022. Overall since 2021, there have been 18 openings and 11 closures. Currently, two-thirds of all operational flexible spaces opened since the start of 2020. The market is currently experiencing closures of low-quality flexible spaces, while high-quality flexible spaces are seeing record low vacancy rates.

A-class developments are experiencing an average of 1.5% vacancy rates, almost 90-95% of spaces have been occupied, as of the latest data. The average rental rate for a desk has remained almost the same, showing slight increase by 1.7% QoQ from 118,000 KZT to 120,000 per work desk. This is due to more expensive premises coming into the market. Nevertheless, the occupancy levels have stayed high QoQ, increasing a bit from 86,83% in Q1 2023 to the current 91.28% market wide. This means that about 3,248 m<sup>2</sup> of stock is currently vacant. One operator expanded their premises during the quarter, adding 1,200 m<sup>2</sup> of stock to the market. Notably, a few operators are now repurposing meeting rooms into serviced offices.

Almaty city has around 60 people/m<sup>2</sup> of flexible space. In comparison with similar population size cities, Phoenix (population of 1.6 m) has a figure of 11, and Austin (population of 0.95 m) - has 27. Suggesting that there is still a lot of room for growth.

## MARKET PERFORMANCE

Number of flexible offices, operating as of December 2022: 24

Supply in class A

**2**

developments

Supply in class B

**22**

developments

Market Occupancy

**91.28%**

Average Occupancy per flexible space

**90.61%**

**25,000** KZT

Average rental rate per parking lot

**37,200** m<sup>2</sup>

Total Stock

**120,000** KZT

Average rental rate per workstation

# ALMATY MARKETBEAT

## Flexible Space

### MARKET TRENDS

The average size of the new flexible spaces after 2021 is 2x as small as compared to openings before. The average size of flexible spaces that have opened after or during 2020 is around 1,000 m<sup>2</sup>, while the average size of all spaces currently in operation is around 1,500 m<sup>2</sup>.

Although a trend for opening smaller-sized locations to suit the needs of lower-budget clients was observed prior, it should be noted that only professionally operated flexible spaces that usually occupy larger areas continue to operate in the long term. The average area of operators that have closed down since 2020 is around 360 m<sup>2</sup>.

As the IT sector continues to grow, companies are enticed to choose these sorts of amenities due to the increasing quality of the facilities as well as the adequacy of the working conditions, which are greatly suited for the most important needs of the employees. Independent operators currently represent around 50% of the offerings on the market.

Nonetheless, our analysis of the quality of service and working conditions provided has made clear a correlation that the landlord-operated flexible spaces usually offer a higher quality of service and infrastructure for their clients and usually focus more on providing smaller-sized offices, rather than coworking spaces.

Services that are included in the average rate within flexible offices:



Services that are not included in the calculation of the average rate within flexible offices: Enclosed offices, Meeting Rooms, Conference Rooms, Canteen, Sleeping Room, Legal Address registration.

There is a shift from open space coworkings to closed serviced offices in new openings. Specialised coworking centers are emerging in the market. They are focused on providing working space for self-employed, design, and psychology specialists as well as business networking.

### MARKET OUTLOOK

The number of flexible space operators is ought to continue growing as the market matures, especially taking into account that the total space occupied is much smaller when compared with other more developed cities of this size and population count.

Although the concentration of operations in the Bostandyk, Medeu, Almaty districts is not expected to decrease, new openings in other districts of the city, as the population and working space demands in the city change, will take place. The first locations to open in the remaining districts will most probably be of lower quality and smaller size, serving companies with a lower budget and individual entrepreneurs.

**24**

Number of Coworkings

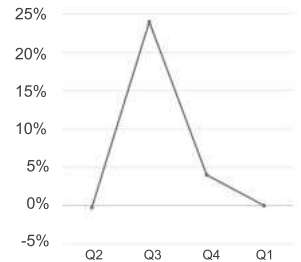
**37,200**m<sup>2</sup>

Total Stock

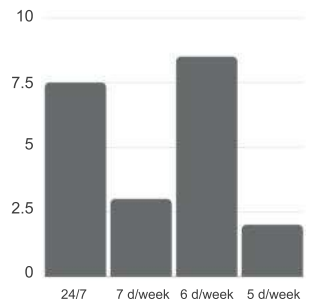
**120,000** KZT

Average Rate/Desk

### QUARTERLY TOTAL STOCK GROWTH



### OPEN HOURS







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