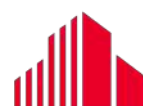


MARKETBEAT ALMATY

Q4 2023



**CUSHMAN &
WAKEFIELD**

ALMATY MARKETBEAT

Offices

ECONOMIC OVERVIEW

The gross regional product (GRP) volume for January-September 2023 amounted to 14,591,960.1 million KZT. Compared to the corresponding period in 2022, the real GRP increased by 9.7%. In the GRP structure, the share of goods production was 7.6%, while services accounted for 84.1%. During the same period, investments in fixed capital surged, reaching 1,800,725 million KZT, a significant increase of 25.3% compared to 2022.

SUPPLY & DEMAND

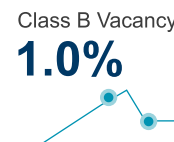
The rental rates for class A office facilities have stayed stable QoQ in USD terms. The vacancy rates have also not changed, staying at 11 years low. In class B office facilities, the rental rates also have not changed, showing only a mild decrease of 1,8% in USD terms. This is now the 7th consecutive 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

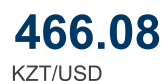
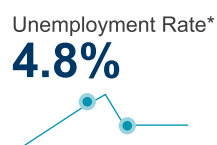
Throughout 2024, an increase in available rental space is expected in both Class A and Class B due to the opening of new business centers, which, in turn, may put pressure on rental rates. In the foreseeable future vacancy in class A and class B will most likely increase as inflation is expected to continue to grow coming into 2024.



* average weighted rental rates are indicated
OPEX and VAT exclusive
** the rents are based on the KZT/USD rate of 466.08 provided by the National Bank of the Republic of Kazakhstan as of Q4 2023
Source: Cushman & Wakefield Kazakhstan
Research Information is available as of Q4 2023



ALMATY ECONOMIC INDICATORS AS OF Q4 2023



Source: Department of the Statistics of Kazakhstan
* latest data (Q4 2023)

ALMATY MARKETBEAT

Retail

ECONOMIC OVERVIEW

The largest share in the total volume of retail trade in the Republic of Kazakhstan in January-November 2023 is accounted for by Almaty (32.5%) and Astana (13.1%). The volume of retail trade for January-December 2023 in Almaty amounted to 6249.9 billion KZT, which is 7.5% higher than the same period in 2022. The largest growth in sales volume is noted for non-food products (69.2%), particularly in enterprises selling motor fuel, automobiles, pharmaceutical products, computers, peripheral equipment and software, automotive parts, footwear, furniture, watches, jewelry, as well as electrical household appliances.

SUPPLY & DEMAND

Several food retailers have come to dominate the market, among them Toimart - 35 (up from 32 at the start of the year) stores in Almaty, Magnum - 89 (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 garnered 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.

"Platforma" has opened in Almaty — a modern food hall covering a total area of 3500 m². In addition to a variety of gastronomic and bar concepts, it will also host parties and cultural events. The food hall is already 85% occupied by local players.

The market is now quite 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

In October 2023, the opening of the second lifestyle mall named Aport East took place in Almaty on Kulzhinsky Highway. The project was realized thanks to the financial support of Halyk Bank and the Damu Fund.

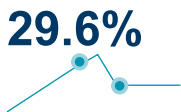
The mall covers an area of 150,000 m² and offers various entertainment and shopping opportunities. Among its main attractions are the largest cinema in Kazakhstan, Kinoplexx 16 IMAX Halyk Bank with an IMAX hall, as well as the largest food court with 50 restaurants and cafes. The mall also features the Magnum supermarket of a new format covering an area of 4395 m². This project has created over 5000 jobs and serves approximately 1 million people within a 30-minute transportation radius.

Additionally, the mall will host new brands and stores for Kazakhstan, such as L'etoile - a network for selling cosmetics and perfumery, SPX - a Turkish brand of sportswear and footwear, and Super Step - the first multi-brand shoe store in Kazakhstan.

CPI



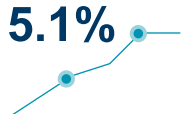
Retail Sales Growth



409,000 KZT
Average Quarterly Wage*

* latest data (Q4 2023)
Source: Department of the Statistics of Kazakhstan

GDP Growth



ALMATY ECONOMIC INDICATORS AS OF Q4 2023

Unemployment Rate*



466.08
KZT/USD

Source: Department of the Statistics of Kazakhstan
* latest data (Q4 2023)

ALMATY MARKETBEAT

Industrial

ECONOMIC OVERVIEW

The prime industrial real estate sector has been one of the most resilient, showing low levels of vacancy through pandemic. The volume of construction works (services) in January-December 2023 amounted to 597,678 million KZT, which is 1% more than in 2022. The volume of investments in fixed capital from January to December 2023 amounted to 1,800,725 million KZT, which is 25.3% higher than in 2022. The volume of freight turnover from January to December 2023 increased by 24.7% compared to the level of the corresponding period of the previous year.

SUPPLY & DEMAND

The rental rates for prime warehouse facilities in the city have increased slightly in Q4 to 6.33 USD per m². 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 increased to 2.4%. In Q4 2021, figures hit a record low of just 0.3%. Since the second quarter of 2021, and even more notably since the third quarter of 2018, the vacancy rate has consistently remained below 5%. Furthermore, it has continued to decline, dropping below 3% once again in Q2-Q4 of 2023. This downward trend reflects the persistent demand for high-quality warehouse facilities.

The rental rate in class B remained the same - 3.74 USD. 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 39 thousand people. The average nominal wage in this field of work is around 597,211 KZT as of Q4 2023, and has grown by 16.2% since Q1 2023.

E-commerce operators in the city are actively engaging in redevelopment projects or initiating the construction of entirely new specialized storage facilities tailored to their specific requirements.

These storage facilities serve multiple purposes, including functioning as convenient pick-up points for online orders placed by customers within the city. With the increasing demand for online shopping and same-day delivery services, the role of these storage facilities has become even more crucial in facilitating swift and seamless order fulfillment.

OUTLOOK

There is an expected but moderate growth in the availability of premium warehouse spaces in the coming years, particularly within the Almaty region. Currently, there is active construction underway for a 45,000 m² warehouse project in Almaty, scheduled for completion in the 3rd or 4th quarter of 2024. Additionally, progress is being made on a separate 14,000 m² warehouse project, expected to be completed by 2025. At the same time, we see the willingness of developers to launch the construction of speculative industrial projects, the completion of which may be scheduled for the next 3-5 years. On average, speculative stock may see an annual increase of 10,000 – 20,000 m². By 2030, the overall speculative stock is projected to expand by a total of 60,000 m².

Presently, the preference among companies seeking storage space leans heavily towards built-to-suit options. This tailored approach allows businesses to customize their facilities according to specific operational requirements, ensuring optimal efficiency and functionality.

The sustained demand for storage facilities, coupled with favorable market conditions and economic growth projections, is expected to attract capital from both domestic and international investors.

Prime Vacancy

2.4%



14.0 USD
Prime Rents*

327,000 m²
Prime Stock

Source: Cushman & Wakefield Kazakhstan Research Information is provided as of Q4 2023

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

GDP Growth

5.1%



Unemployment Rate*

4.8%



466.08

KZT/USD

Source: Department of the Statistics of Kazakhstan
* latest data (Q4 2023)

ALMATY MARKETBEAT

F&B Industry

AVERAGE PRICES FOR OUR FOOD SELECTION:



Burger
3.28 USD



Caesar
4.77 USD



Latte
2.29 USD



Lemonade
2.51 USD



Lagman
3.56 USD



Margarita
4.88 USD

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

* The calculations of prices are made based on the average KZT/USD rate of 466.08 provided by the National Bank of the Republic of Kazakhstan for Q4 of 2023.

There are around 5,031 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 52,9% of the market in Almaty. However, the districts with the largest populations do not always have the largest quantity of units. Auezov, Alatau, and Turksib are all densely populated districts, yet possess a very little number of food outlets.

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, there is a strong concentration of F&B outlets in the Almaty, Bostandyk and Medeu districts 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.

409,000
Average wage

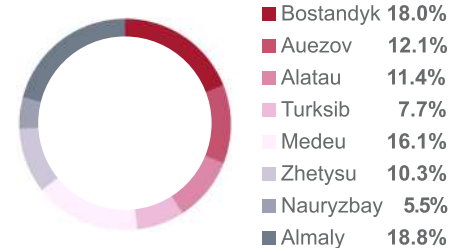
2,228,515
Population

5,031
F&B Stock

F&B UNITS BY AVERAGE BILL



F&B STOCK BY DISTRICT



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 1,500-2,000 KZT per person targeting the low to mid-income population. 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 operate 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 increasingly in demand, with new restaurants emerging to meet this growing interest. These establishments not only offer excellent services and amenities but also serve traditional dishes that are familiar to locals and visitors alike. Additionally, alongside the rise of Central Asian cuisine, Mediterranean cuisine has also become increasingly popular in the Almaty food and beverage market.

In 2023 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. For instance, in Q4 2023, the restaurant Benedict Mix opened its doors in Nurly Tau business center. This establishment marks the fourth concept launched by the "Good Restaurants" group, which includes Good Year, Benedict, and Percorso, with Oleg Petrichenko leading the culinary team.

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.

In Q4 2023 comparing to Q1, only one district had an increase in the number of food and beverage outlets, the positive numbers were registered only in Alatau district 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.

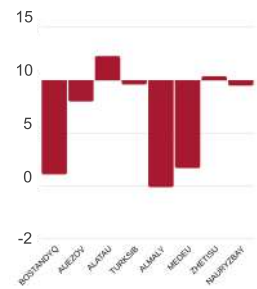
409,000 KZT
Average wage

2,228,515
Population

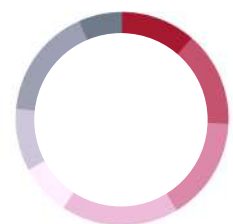
5,031
F&B Stock

Source: Department of the Statistics of Kazakhstan

% INCREASE IN F&B UNITS BY DISTRICT



POPULATION PER F&B UNIT



■ Bostandyk 306.24
■ Auezov 389.00
■ Alatau 423.10
■ Turksib 481.42
■ Medeu 210.06
■ Zhetysu 254.05
■ Nauryzbay 455.71

ALMATY MARKETBEAT

Flexible Space

MARKET OVERVIEW

27

Number of Coworkings

37,200m²

Total Stock

120,000 KZT

Average Rate/Desk

A class

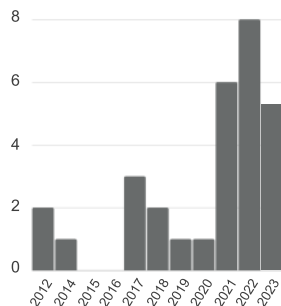
In the Q4 2023 there were opening of 3 new flexible spaces. Currently, two-thirds of all operational flexible spaces opened since the start of 2020. There have been 6 closures and 4 openings since the beginning of 2021.

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 in class A has remained the same, showing slight increase in 2023 Q2-Q3 by 1.7% from 118,000 KZT to 120,000 per work desk.

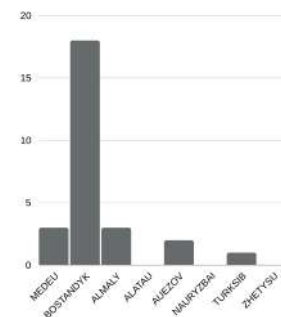
Nevertheless, the occupancy levels have stayed high QoQ, increasing a bit from 86,83% in Q1 2023 to the current 91.28% market wide. This means that about 3,248 m² of stock is currently vacant. One operator expanded their premises during the 2023, adding 1,200 m² of stock to the market. Notably, a few operators are now repurposing meeting rooms into serviced offices.

Almaty city has around 60 people/m² of flexible space. Looking ahead, the sector is poised for continued growth and innovation, propelled by dynamic market dynamics and evolving tenant demands.

COWORKING SPACES BY OPENING DATE



TOTAL STOCK BY DISTRICT



MARKET PERFORMANCE

Number of flexible offices, operating as of December 2023: 27

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 m²

Total Stock

120,000 KZT

Average rental rate per workstation

A class



ALMATY MARKETBEAT

Flexible Space

MARKET TRENDS

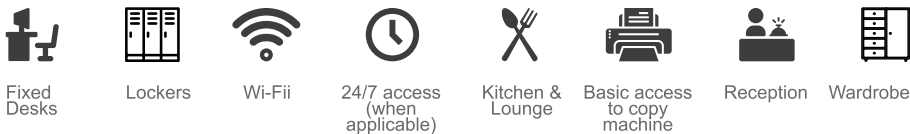
The average size of the new flexible spaces after 2021 is 2x as small as compared to openings before. The average size of flexible spaces that have opened after or during 2020 is around 1,000 m², while the average size of all spaces currently in operation is around 1,500 m².

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 m².

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 co-workings 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

In the Venus business center, a new coworking space spanning three floors has been established, with Yandex occupying an area of 130 m² out of the total 750 m².

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.

28

Number of Coworkings

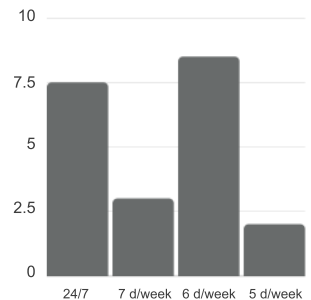
37,200 m²

Total Stock

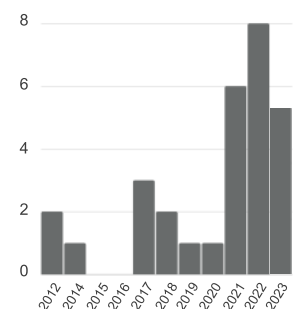
120,000 KZT

Average Rate/Desk

OPEN HOURS



COWORKING SPACES BY OPENING DATE





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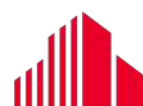
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