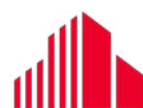


MARKETBEAT ASTANA

Q3 2023



**CUSHMAN &
WAKEFIELD**

ASTANA MARKETBEAT

Offices

ECONOMIC OVERVIEW

The volume of gross regional product in January-June 2023 increased by 4.1% compared to the corresponding period in 2022. The latest unemployment data shows that figures have stayed stable at 4.5%. The average quarterly wage as of latest data is 449873 KZT (Q3 2023), the increase by the third quarter of 2022 amounted to 15.5%; the construction industry's output grew by 10.7% YoY (in KZT). As of October 1, 2023, the number of registered legal entities increased by 8.8% compared to the corresponding date of the previous year. The number of registered small and medium-sized enterprises in the city amounted to 91,632 units and increased by 8.8% YoY.

SUPPLY & DEMAND

Class A vacancy rates for Q3 2023 have not changed and are still at pretty high levels. Vacancy rates in the A class are now much higher than experienced in previous quarters (such high figures were previously observed in Q1 2020). This is due to the introduction of lower priced stock into the class. The Class B vacancy rates have slightly increased over the past quarter, to 3.0%.

The rental rates for class B facilities have decreased slightly QoQ to 12.6 USD per m². 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 almost 80% higher than present figures.

In Q4 2022 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, the total flexible space stock is 12,500 m², significant demand is being observed for small, serviced offices and less demand for open-space work desks. As we previously predicted, the inflation rates in the second half of 2022 increased well above 2021 figures, this has had an impact on the rental rates in class B office facilities, we believe that in the second half of 2023 the situation will be the same, as the National Bank reports, inflation rates are expected to remain high.

OUTLOOK

Vacancies 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.

Class A Vacancy
24.9%



Class B Vacancy
3.0%



30.3 USD
Class A Rents*



12.6 USD
Class B Rents*



* average weighted rental rates are indicated OPEX and VAT exclusive
** the rents are based on the KZT/USD rate of 467.86 provided by the National Bank of the Republic of Kazakhstan as of Q3 2023
Source: Cushman & Wakefield Kazakhstan
Research Information is available as of Q3 2023

GDP Growth
4.9%



ASTANA ECONOMIC INDICATORS AS OF Q3 2023

Unemployment Rate*
4.5%



467.86
KZT/USD

Source: Department of the Statistics of Kazakhstan
* latest data (Q3 2023)



ASTANA MARKETBEAT

Retail

ECONOMIC OVERVIEW

The retail sector in Astana has seen positive growth in January - October period, with the following figures registered: 9.2% (YoY) in KZT terms; the volume of wholesale trade for the same period amounted to 9.6%; in January - October period population growth in the city has registered a slight decrease -1.74% YoY. The unemployment rate in the city has been stable, remaining 4.5%.

SUPPLY & DEMAND

The largest contribution to the annual inflation rate was made by food, soft drinks, housing services, clothing and shoes. The National Bank of Kazakhstan reports that the median estimate of expected inflation is 14.2%.

Earning distribution in the city is quite concentrated, incomes in the Esil district are still almost 60% higher than in Baikonyr district. Retailers have continued their expansion countrywide and abroad. Fix Price (Russian company) has 29 open stores in the city. Several food retailers have come to dominate the market, among them Small - 35 stores in the city, Magnum - 76 and Vkus Mart - 10. DNS (Russia-based company) has 12 open stores. LC Waikiki has been expanding in the region, with latest store opening happening in Keruen shopping mall.

Globally brands that offer budget and luxury products and services have been prospering, while brands in the middle-price segment have been struggling to support same levels of sales. 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 ensure 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

The robust growth of retailers in the thriving market has slowed down as we transition from the pandemic recovery phase. Additionally, with the global economy stabilizing and inflation reaching a more sustainable point, we anticipate a shift in the consumption basket of households to align with these more stable economic conditions.

CPI

9.2%

Retail Sales Growth

12.6%

449,873 KZT
Average Quarterly Wage*

* latest data (Q3 2023)
Source: Department of the Statistics of Kazakhstan

GDP Growth

4.9%

ASTANA ECONOMIC INDICATORS AS OF Q3 2023

Unemployment Rate*

4.5%

467.86

KZT/USD

Source: Department of the Statistics of Kazakhstan
* latest data (Q3 2023)

ASTANA MARKETBEAT

Industrial

ECONOMIC OVERVIEW

The prime industrial sector has been one of the most resilient industries, showing low levels of vacancy through the pandemic. Freight delivery volume in January-September 2023 showed an increase of 19.6% compared to the same period in 2022. During the next quarter, we do not expect significant growth, prices in new options continue to fluctuate as in the previous 3 quarters. However, there are individual players on the market who have significantly raised the cost per m². A significant portion of investments in fixed assets in January-September 2023 falls on operations with real estate; investments in fixed assets increased by 3.3% QoQ

SUPPLY & DEMAND

The average rental rate for prime industrial facilities has slightly decreased in USD terms by 3.8% (this is mostly due to changes in the KZT/USD exchange rate).

The prime rental rate has been in this range since Q2 of 2019, when rental rates amounted to 5.23 USD/m². However, 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 average prime stock vacancy rate since 2019 was 8.35%, starting from Q4 2022 and Q1 2023 this measure reaches almost zero. 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. Prior to this quarter, all but one quarter since Q4 of 2020 have seen positive absorption. The trend continued coming into 2023, since the start of Q1 2022 we have seen positive absorption, with a total absorption equaling 5,500 m². The Ozon market-place launched first regional distribution center in Kazakhstan.

As of Q2 of 2023 the transport and warehousing industries in the city account for 6.00% of the GRP, the industry employs 22,500 people, although this figure has been on a decline since Q1 of 2020, with more than 1,300 vacancies remaining unfilled (700 less than in Q2 2022). The average nominal wage in this field of work is around 533,763 KZT, and has grown by 4.8% in real terms QoQ and by 24,3 YoY.

OUTLOOK

Rental rates are expected to grow in the short to medium term, because vacancy figures have now been below the critical level of 5% for the third 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 warehouses.

Prime Vacancy

0.1%



5.30 USD
Prime Rents*

118,000 m²
Prime Stock - A class

Source: Cushman & Wakefield Kazakhstan
Research Information is provided as of Q3 2023

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

GDP Growth

4.9%

ASTANA ECONOMIC INDICATORS AS OF Q3 2023

Unemployment Rate*

4.5%



467.86

KZT/USD

Source: Department of the Statistics of
Kazakhstan
* latest data (Q3 2023)



ASTANA MARKETBEAT

F&B Industry

AVERAGE PRICES FOR OUR FOOD SELECTION:



Burger
3.10 USD



Caesar
5.00 USD



Latte
2.90 USD



Lemonade
3.45 USD



Lagman
3.45 USD



Margarita
5.00 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 467.86 provided by the National Bank of the Republic of Kazakhstan for Q3 of 2023.

MARKET OVERVIEW

In the capital city of the country, there are around 2,844 F&B units. These facilities are represented by a variety of different forms such as 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 Astana, representing 28%. 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 cafés & restaurants are located in the Esil district, which is the central business district of the city. However, the districts with dense populations do not always have the largest quantity of units. All districts of the city except for Esil are more densely populated, yet possess fewer 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 (Quick Service Restaurant):
a specific type of restaurant that serves fast food and has minimal table service

Often serve food and are licensed to sell alcohol as illustrated in the pie chart below, there is a larger concentration of F&B outlets in the Esil district of the city. This is due to the nature of the district, which concentrates most of the city's business activity as well as seeing larger incomes per person. Most prime locations for F&B development are concentrated in the district. Moreover, the district covers the main pedestrian zones and popular tourist destinations, making the district attractive for various types of F&B outlets.

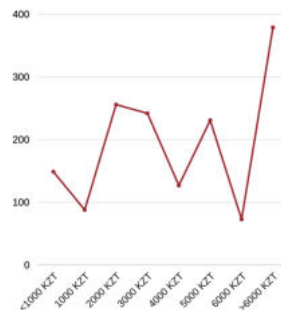
There is a growing demand for healthy foods to be offered by F&B operators as well as provide pre-made meals for delivery the cooking of which is intended to be finalised by the customer. Dark kitchens are capitalizing on the demand for food delivery apps.

449,873 KZT
Average wage

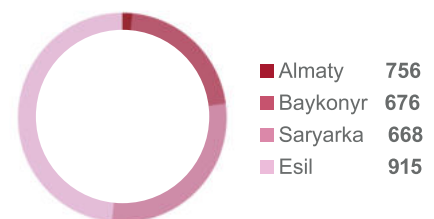
1,376,528
Population

2,844
F&B Stock

F&B UNITS BY AVERAGE BILL



F&B STOCK BY DISTRICT



ASTANA MARKETBEAT

F&B Industry

MARKET OVERVIEW

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 15%. Central districts witness an average bill of 3,000-5,000 KZT per person.

In Astana, food delivery companies that dominate the market: are Glovo, Wolt, Yandex Food, and Chocofood. However, not all F&B brands opt for outsourcing delivery, doing so in order to have greater control over the quality of service. In the coming future, there will be substantial demand for healthy and functional foods. Offerings at physical locations will have to offer a 'healthier' version of a meal or the ability to edit the serving. Another global trend that will have a big impact on the industry in the future will come in the form of pre-made meals that will be sent directly to the consumer. Those F&B operators who prior to the pandemic did not have an online presence, are focused on improving their online experience as this becomes a key source of sales. Now consumers expect to be able to order online. Mono-concept restaurants and cafes 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.

During the summer family recreation areas and barbecue cafes are in demand at the moment, in addition, spring food festivals are held in outdoor parks with cuisines of different nationalities. Unlike Almaty, there are no mountainous areas nearby in the capital where you could go on a picnic, instead, many recreation areas are developing outside the city, where you can rent a gazebo and cook your own food or order it in a cafe. In addition, every summer bars and gastronomic centers with large terraces become popular again in the city, and most of the new discoveries take place mainly on the left bank of the city.

As of latest news from beginning of the year Kaspi.kz planned to invest 70 billion tenge over the next 3 years in E-Magnum - a joint company with Magnum. 10% of the equity belongs to Magnum, the remaining 90% is 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 2022 Kazakh business group Centras has received exclusive rights to open and operate the franchise network of fast food restaurants Popeyes. The fast food brand was founded in America 50 years ago and specialises in spicy chicken and shrimp dishes, as well as local recipes. It has more than 3,900 joints in 30 countries.

Esil is the most dynamic district in the city, however it is the only district that registered a decrease in F&B units of more than 10% QoQ. Esil district is known for its abundance of quality food offerings. Every other district has shown QoQ growth of more than 7%, suggesting healthy growth in the field citywide. Notably, a new district called Nura is in the final stages of being formed. It will divide Esil district into two parts, with the western part of Esil district becoming Nura. Nonetheless, Esil is still expected to stay the most attractive F&B district in the city.

449,873 KZT

Average wage

1,376,528

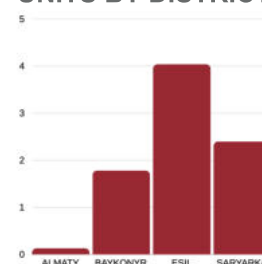
Population

2,769

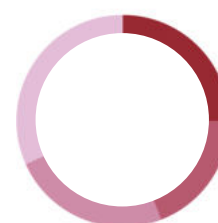
F&B Stock

Source: Department of the Statistics of Kazakhstan

% INCREASE IN F&B UNITS BY DISTRICT



POPULATION PER F&B UNIT



Almaty	463.30
Baykonyr	353.27
Esil	447.73
Saryarka	586.63



ASTANA MARKETBEAT

Flexible Space

MARKET OVERVIEW

10

Number of Coworkings

12,552 m²

Total Stock

95,600 KZT

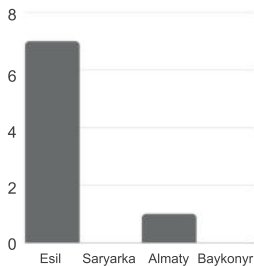
Average Rate/Desk

There have been 6 closures and 6 openings since the beginning of 2021. Though the number of operators decreased, the total stock increased due to the expansion of existing flexible space operators and larger sizes of new operators.

The average rental rate for a desk has remained the same, showing decrease by 20% QoQ per work desk. The average occupancy rate per place is 78.83%, no changes have occurred over the past 3 months, so the rates in the third quarter of 2023 correspond to the rates of Q1-Q2 2023 and Q4 2022, the overall market occupancy rate is 82.40%. Notably, operators that offer serviced office spaces in their flexes usually see extremely low levels of office space vacancy.

The current occupancy of serviced office spaces is around 90% city-wide. High-quality flexible space offerings currently are only available on the left bank of the city and focus more on providing serviced offices, while lesser quality operators focus more on providing individual desk spaces.

TOTAL STOCK BY DISTRICT



MARKET PERFORMANCE

Number of flexible offices, operating as of October 2023: 8

Supply in class A

2

developments

Supply in class B

6

developments

Market Occupancy

82.40%

Average Occupancy per flexible space

78.83%

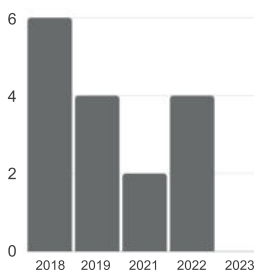
12,552 m²

Total Stock

95,600 KZT

Average rental rate per workstation

COWORKING SPACES BY OPENING DATE





ASTANA MARKETBEAT

Flexible Space









MARKET TRENDS

Class A developments currently account for a little under 50% of the stock. Six out of the eight locations are operated by independent companies and the remaining are operated by relevant building landlords. The only three 24/7 operators are located in the CBD.

The table to the right includes actively operating properties only. Flexible space operators focus on providing a range of services rather than focusing only on a certain customer, that is, the operators provide offerings for both coworking spaces and flexible office spaces on the base of the same infrastructure.

Prior to the closures that took place in 2020 and the start of 2021, the local market offering of flexible spaces was split almost equally between independent operators and spaces that are operated by the owner of the building where the coworking is located. It is now clear that the independent operators of flexible spaces did not divulge from their initial focus, whereas landlord-operated spaces are prone to be leased out as office amenities.

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

							
Fixed Desks	Lockers	Wi-Fi	24/7 access (when applicable)	Kitchen & Lounge	Basic access to copy machine	Reception	Wardrobe

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, Parking space rent.

All of the small operators in the city have shut down, we see that only professional operators are left in the city, with only one of the operators not offering serviced offices. There is a strong desire for renting serviced offices rather than open-space workstations. Offers that are put forward by the operators of flexible spaces are much more adjustable, catering to the needs of companies and organisations that run operations on short-term planning or consider flexible space as an interim solution. In terms of square meters provided, Esil district is the most concentrated in the city. Non-professional CRE operators choose to exit the flexible space market as they find more economic value in other business ventures.

MARKET OUTLOOK

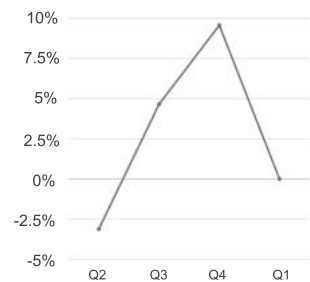
Going forward, the flexible space market will continue to favour providers of professional high quality office and workspace amenities as well as the accompanying services with good location and developed infrastructure. We do not expect a reduction in the concentration of flexible space providers in the CBD, as the district's population is growing the fastest, followed by a higher level of earnings per capita. New operations will have to prioritize serviced offices.

10
Number of Coworkings

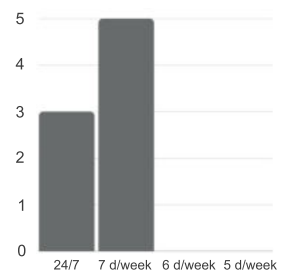
12,552 m²
Total Stock

95,600 KZT
Average Rate/Desk

QUARTERLY TOTAL STOCK GROWTH



OPEN HOURS





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