MARKETBEAT
ASTANA
Q4 2023

ASTANA MARKETBEAT

Offices

ECONOMIC OVERVIEW

The per capita nominal income of the population, as estimated in the third quarter of 2023, amounted to 242,879 KZT. Compared to the corresponding period in 2022, this represents an increase of 14% in nominal terms and 0.4% in real terms. The volume of gross regional product (GRP) for January-September 2023 in current prices amounted to 7,840,605.4 million KZT, which is 105.2% compared to the level of the corresponding period in 2022. The city's share of the national GRP is 10.4%. The volume of investments in fixed capital from January to December 2023 amounted to 1,631,065.4 million KZT, or 106.6% compared to 2022.

SUPPLY & DEMAND

The vacancy rate in Class A facilities for the second quarter of 2023 decreased slightly (-2.2%), but still remains at a high level. The vacancy rate in this class is currently lower than in previous quarters of early 2023. There is a growing demand for quality spaces. The vacancy rate in Class B properties also decreased slightly over the past quarters (-0.5%). This marks the seventh consecutive quarter of positive absorption of space.

Rental rates for Class B facilities have remained unchanged, with current rental rates for Class B properties still higher than pre-pandemic levels. However, this trend is not observed in Class A properties, where pre-pandemic rental rates are almost 80% higher than current levels.

Since the fourth quarter of 2022, the number of coworking spaces and the total occupied area have been steadily increasing, which also reduces the vacancy rate as flexible space operators occupy space in office buildings. In fact, the total supply of flexible space is almost 17,000 m2, with significant demand for small serviced offices and less demand for desks in open spaces. Among class B and class C coworking spaces, there is also a trend of blending office space with entertainment components, such as coworking cafes, coworking computer clubs, and others.

OUTLOOK

Vacancies in class A facilities may increase 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.

Class A Vacancy
22.7%

Class B Vacancy
2.5%

28.29 USD
Class A Rents*

12.73 USD
Class B Rents*

* 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

GDP Growth
5.1%

ASTANA ECONOMIC INDICATORS AS OF Q4 2023

Unemployment Rate*
4.4%

466.08
KZT/USD

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

ASTANA MARKETBEAT

Retail

CPI

11,3%

Retail Sales Growth

33.3%

449,873 KZT

Average Quarterly Wage*

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

GDP Growth

5.1%

ASTANA ECONOMIC INDICATORS AS OF Q4 2023

Unemployment Rate*

4.4%

466.08

KZT/USD

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

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 gross regional product (GRP) for January-September 2023 in current prices amounted to 7,840,605.4 million KZT, which is 105.2% compared to the level of the corresponding period in 2022. The city's share of the national GRP is 10.4%. The volume of investments in fixed capital from January to December 2023 amounted to 1,631,065.4 million KZT, or 106.6% compared to 2022.

SUPPLY & DEMAND

In the fourth quarter of 2023, the consumer price index showed an increase of 11.3%. Non-food products account for a large share in both retail and wholesale trade, at 55.5% and 88% respectively. The sales of these products are primarily conducted through trading enterprises and organizations (79.8%), with the remaining portion being sold by individual entrepreneurs (20.2%). Among retail trade, the highest volume of goods was sold in the Esil district (26%) and Almaty (24%), while in wholesale trade, the highest figures were recorded in the Esil district (44%) and Baikonur (20%). Earning distribution in the city is quite concentrated, incomes in the Esil district are still almost 60% higher than in Baikonyr district starting from Q3 2022.

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 - 37 stores in the city, Magnum - 80 and Vkus Mart - 11. 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.

OUTLOOK

The aggressive expansion of retailers in the hot market following the recovery from the pandemic has cooled down. Moreover, as the state of global economy takes a hit for the worse and inflation in the country continues to soar, we expect the consumption basket of households to change accordingly. This trend is further compounded by the rising costs of living, including housing and utilities.

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. The volume of construction work in 2023 increased by 14.9% compared to 2022, while the freight turnover volume for the year grew by 15%.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 during Q2-Q3 in 2023. The volume of investments in fixed capital in 2023 amounted 6.6% higher compared to 2022.

SUPPLY & DEMAND

The prime rental rate has been in range of 5-6 USD 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.

In Astana, from January to December 2023, freight turnover increased by 15%, and passenger turnover increased by 14.9%. The number of employees in the transport and warehousing sector reached 23,079 people. The average monthly nominal wage per employee amounted to 595,848 KZT.

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 4th 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
0.8%

10.0 USD
Prime Rents*

149,000 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%

ASTANA ECONOMIC INDICATORS AS OF Q4 2023

Unemployment Rate*
4.4%

466.08
KZT/USD

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

ASTANA MARKETBEAT

F&B Industry

AVERAGE PRICES FOR OUR FOOD SELECTION:

Burger
2.50 USD

Caesar
5.03 USD

Latte
2.30 USD

Lemonade
3.48 USD

Lagman
3.40 USD

Margarita
4.43 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.*

MARKET OVERVIEW

In the capital city of the country, there are around 2,591 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 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*

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.

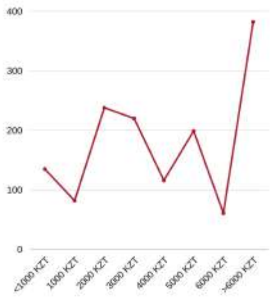
There is a growing demand for healthy foods to be offered by F&B operators as well as provide pre-made meals for delivery the cooking of which is intended to be finalised by the customer. Dark kitchens are capitalizing on the demand for food delivery apps.

449,873 KZT
Average wage

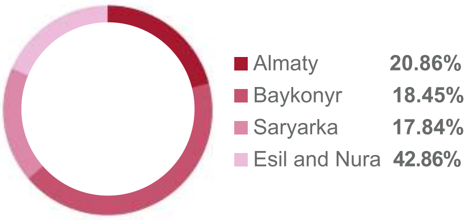
1,430,136
Population

2,591
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. 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.

As of news from Q1-Q2 2023 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 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.

In Q4 2023, there was a noticeable decline in the number of food and beverage outlets across all districts. Despite Esil being recognized as the most dynamic district in the city, it stood out as the only district to experience a decrease in F&B units of more than 10% QoQ. One reason for the decline in F&B outlets could be market saturation. With an increasing number of F&B establishments saturating the market, competition becomes more intense. This heightened competition may lead to closures or consolidations as businesses struggle to maintain profitability.

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.

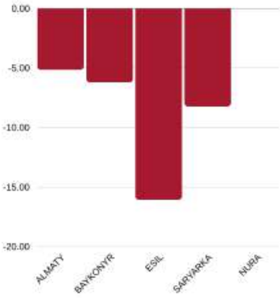
449,873 KZT
Average wage

1,430,136
Population

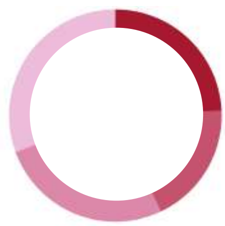
2,769
F&B Stock

Source: Department of the Statistics of Kazakhstan

% INCREASE IN F&B UNITS BY DISTRICT



POPULATION PER F&B UNIT



Almaty	488.50
Baykonyr	376.68
Esil	533.42
Saryarka	616.30

ASTANA MARKETBEAT

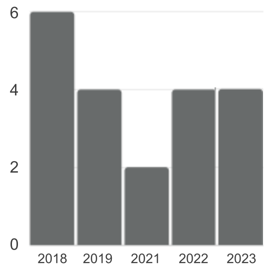
Flexible Space

13
Number of Coworkings

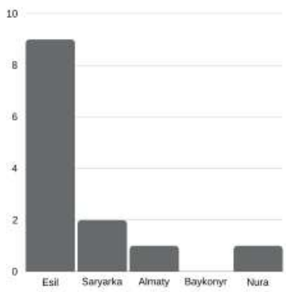
16,700 m²
Total Stock

114,500 KZT
Average Rate/Desk

COWORKING SPACES BY OPENING DATE



TOTAL STOCK BY DISTRICT



MARKET OVERVIEW

There have been 1 closures and 5 openings since the beginning of 2023. The number of operators and the total stock increased also due to the expansion of existing flexible space operators and larger sizes of new operators.

The average rental rate for a desk in Q4 2023 has increased by 19.7% (114,500 KZT). 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.

Due to the high office occupancy rates in Astana, which mirror those in Almaty, companies are increasingly turning to coworking spaces for their workspace needs. This shift is driven by the dynamic nature of modern business operations and the evolving preferences of professionals. As a result, it is anticipated that there will be a noticeable increase in the availability of coworking spaces throughout 2024 to accommodate this growing demand.

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.

MARKET PERFORMANCE

Number of flexible offices, operating as of December 2022: 13

Supply in class A
2
developments

Supply in class B
8
developments

Market Occupancy
82.40%

Average Occupancy per flexible space
78.83%

16,700 m²
Total Stock

114,500 KZT
Average rental rate per workstation

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.

13
Number of Coworkings

16,700 m²
Total Stock

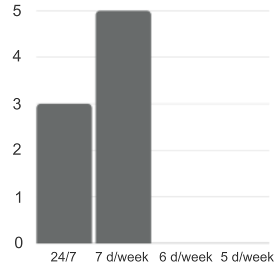
114,500 KZT
Average Rate/Desk

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, 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 m² 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.

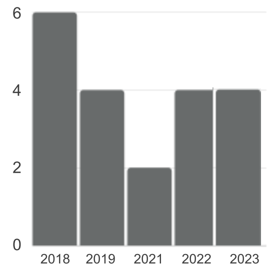
OPEN HOURS



MARKET OUTLOOK

Moving forward, the flexible space market will increasingly favor providers offering professional, high-quality office and workspace amenities, along with accompanying services, particularly those situated in prime locations with developed infrastructure. We anticipate that there will not be a decrease in the concentration of flexible space providers in the Central Business District (CBD), given that the district experiences the fastest population growth and boasts higher per capita earnings. As a result, new operators entering the market will need to prioritize serviced offices to meet the demands of the growing workforce and ensure competitiveness in the evolving landscape.

COWORKING SPACES BY OPENING DATE



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CUSHMAN & WAKEFIELD

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