

NUR-SULTAN

Retail Q2 2021

12-Mo.
Forecast
307,546 KZT

Average Quarterly Wage


25.0%

Retail Sales Growth (KZT)


6.4%

CPI



Source: Department of the Statistics of Kazakhstan

NUR-SULTAN ECONOMIC INDICATORS AS OF Q2 2021

12-Mo.
Forecast
2.2%

GDP Growth


4.3%

Population Growth


4.6%*

Unemployment Rate


428.36

KZT/USD

*Statistics is available as of Q1 2021

Source: Department of the Statistics of Kazakhstan

ECONOMIC OVERVIEW

The Kazakhstan economy expanded by 2.2% as of H1 2021, the highest rise since pandemic has been announced. The economic recovery has been gathering pace since April as lockdown restrictions are fully lifted and the vaccine program progresses. While continuing to lag other sectors, the retail market also signaling some rebound. As of Q2 2021 the retail sales denominated in KZT and USD have posted quarterly growth by 25.0% and 23.4% correspondingly. Economic recovery is ramping up and can be expected to gain significant momentum through the second half of 2021 with economic growth target above 3% in accordance with National Bank estimates.

SUPPLY & DEMAND

The consumer is currently more optimistic than at any time since March 2020. During the first six months of 2021, we saw the reopening of much of the country, leading to a surge in spending on many of the activities, goods and services that people have been restricted from in the past year. However the bulk of retailers remain cautiously optimistic about future expansion plans taking wait-and-see approach. In turn, some are taking advantage of the competitive terms on offer to relocate to better located/configured premise. The DNS technical devices retail chain has entered Kazakhstan market in Q2 2021 launching the first retail outlet in Nur-Sultan. Russia-based chain of discount variety stores has been expanding its presence on Nur-Sultan market throughout Q2 2021.

The market remains in the tenants' favor with leases being signed with substantial inducements. Pricing continues to adjust during a challenging market with turnover based rent becoming widely adopted.

Retail industry is heavily reliant on the population purchasing power, which has been gradually eroded during the pandemic. Consumer confidence has become more sensitive to surging prices for goods with consumers turning to retrenchment mode in response. As so we believe the surge in consumer spending registered in Q2 2021 to the large extent is attributed to pent up demand coupled with seasonal sales.

OUTLOOK

The reopening of non-essential retail and outdoor dining has marked a significant step towards the normalisation of retail trading, but with another lockdown associated with the third wave awaited, this improvement could be short-lived. The third national lockdown is likely to pile further pressure on retailers and F&B operators, who are demonstrating fragile recovery.

RESEARCH & ADVISORY

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12-Mo.
Forecast**\$5.54**

Prime Rents*

**4.7%**

Prime Vacancy

**160,000 m²**

Prime stock



Source: Cushman & Wakefield Kazakhstan Research
Information is provided as of Q2 2021

*rents are indicated VAT exclusive, OPEX inclusive; asking (marketing rents) may deviate from real transaction rents by 10-15% downwards

ECONOMIC OVERVIEW

During the COVID-19 pandemic, the prime industrial market was one of the most resilient industries. Even when citywide limits were revoked, the demand for high-quality storage facilities remained robust. Freight delivery numbers have been increasing: between June 2020 and June 2021, the total quantity of KG of freight delivered climbed by 23.7%. Nonetheless, the physical volume index for the transport industry (transport and warehousing) in January-June 2021 was 99.7%.

SUPPLY & DEMAND

The vacancy rates for prime warehouse facilities have decreased by 7.8% QoQ from 5.1% to 4.7% with the rental rates declining by 6.6% over the same period. The average rental rate since Q1 of 2020 was around USD 5.8, suggesting that rental rates have stayed stable throughout the pandemic. The average vacancy rate for the same period is 5.5%.

According to the Department of Statistics of Kazakhstan, 76 billion USD of profits (before taxes) has been accumulated by the transport and warehousing industries in the city. The industry employs around 22 thousand people, although this figure has been on a decline since Q1 of 2020. The average nominal wage in this field of work is around KZT 327,712 and has grown by 9.6% YoY.

Supply pipeline remains scarce, as the market saw no warehousing facilities delivered during this quarter. Absorption has been positive for a third consecutive quarter.

OUTLOOK

Investments into the warehouse industry are expected to be successful taking into account the stable demand for such service and their financial stability. New openings are not expected to severely impact the sector due to high levels of pent up demand and expectation of future need.

NUR-SULTAN ECONOMIC INDICATORS AS OF Q2 202112-Mo.
Forecast**2.2%**

GDP Growth

**25.0%**

Retail Sales Growth (KZT)

**6.4%**

CPI Growth

**428.36**

KZT/USD

Source: Department of Statistics of Kazakhstan

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12-Mo.
Forecast

8.1%

Class A Vacancy

\$40.91

Class A Rents*

7.3%

Class B Vacancy

\$12.13

Class B Rents*

* average weighted rental rates are indicated OPEX and VAT exclusive

** the rents are based on the KZT/USD rate of 428.36 provided by the National Bank of the Republic of Kazakhstan as of 30/6/2020

Source: Cushman & Wakefield Kazakhstan Research
Information is available as of Q2 2021

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ECONOMIC OVERVIEW

When compared to the same time a year before, the national GDP increased by 2.2% from January to June of 2021, driven by construction and processing industries.

SUPPLY & DEMAND

Vacancy rates across office market segments have decreased when compared to Q1 of 2021 and so have the rental rates.

Class A vacancy rates for Q2 have decreased by 31.9%, when compared to Q1 of 2021. This has been accompanied by a slight decrease in rental rates by 2%. In the same period of time the KZT/USD exchange rate increased by 2.1% from 419.70 KZT/USD. Therefore, it is clear that the demand for class A office facilities has increased significantly over the past three months. In fact, the current vacancy rates are much lower than the 5 quarter average of 26.0%. The rental rates are also lower than the 5 quarter average of USD 46.0.

The Class B vacancy rates have also changed significantly over the past quarter, from 12.3% to 7.3%, resulting in 40.6% QoQ decrease. While rental rates from Class A have only decreased slightly, the Class B rentals decreased by 11% QoQ. The average vacancy rate for the last 5 quarters is 10.6%. The average rental rate for the same period is USD 12.8.

Accelerating vaccinations, increase in economic activity and a slight drop in the unemployment rate have had a positive effect on the office market performance.

OUTLOOK

Our expectations are that the economy is going to continue its recovery going forward, which will have a positive impact on the market.

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