

12-Mo.
Forecast

18.3%

Class A Vacancy

\$44.0

Class A Rents*

10.6%

Class B Vacancy

\$11.8

Class B Rents*

* average weighted rental rates are indicated OPEX and VAT exclusive
 ** the rents are based on the KZT/USD rate of 429.51 provided by the National Bank of the Republic of Kazakhstan as of 30/09/2020

Source: Cushman & Wakefield Kazakhstan Research
 Information is available as of Q3 2020

NUR-SULTAN ECONOMIC INDICATORS AS OF Q3 2020

12-Mo.
Forecast

-2.8%

GDP Growth

4.7%

Unemployment Rate

417.92

KZT/ USD

Source: Department of the Statistics of Kazakhstan

OVERVIEW

Despite economy improved somewhat across manufactory and agriculture industries, the service sector had been hit the hardest by virus containment measures, resulting in 2.8% negative annual GDP growth as of January-September, 2020. Significant fiscal stimulus have also failed to offset the effects of weaker net exports and declining consumer spending. Eurasian Development Bank reported Kazakhstan economy is looking to bounce back with GDP growth anticipated to reach 4.4% in 2021, despite the 2.2% contraction is expected as of 2020 in accordance with the Kazakhstani Officials.

Forecasts suggest a swift recovery in 2021 as restrictions are fully lifted and the economy starts to function as normal. However, there remains a great deal of uncertainty around when the spread of COVID-19 might be contained: the second wave of COVID-19, that may force renewed lockdowns, will threaten economic rebound in the near term.

SUPPLY & DEMAND

Jobs gains for the first nine months to September 2020 showed that there had not yet been a significant fall in the unemployment rate, which was 4.7%, just 0.3% up compared to the same period of 2019. Reflecting job statistics class B vacancy increased modestly YOY, by 4% up to 10.6%. In contrast, Class A submarket closed out the quarter at 18.3%, demonstrating healthy pace of annual take-up volumes.

As of Q3 2020 prime rents (traditionally quoted in USD) witnessed minor downward correction YOY, driving demand for prime locations. Rentals in class B submarket remained flat YOY denominated in KZT. Whilst denominated in USD rental rates were put under downward pressure reflecting national currency further depreciation.

On the supply side the development pipeline of office projects due to completion remained active. However we expect the number of construction deals to reduce in the near-term.

OUTLOOK

COVID-19 restrictions and social distancing have seriously shaken the traditional concept of the workplace, proving that productivity and savings gains are possible when employees move to work-from-home structures. We expect this trend to continue in the year ahead with occupiers seeking options to optimise occupied space, willingly implementing agile workplace concept and therefore pushing vacancy up.

RESEARCH & ADVISORY

CDC-2 business centre,
 240G Nazarbayev Avenue,
 Almaty A26F8D3
 Kazakhstan
 Tel: +7 (727) 33 44 000
info@cushwake.kz

cushwake.kz

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

This report has been produced by Cushman & Wakefield Kazakhstan for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield Kazakhstan believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield Kazakhstan shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2020 Cushman & Wakefield Kazakhstan. All rights reserved.

12-Mo.
Forecast

\$6.3

Prime Rents*



12%

Prime Vacancy

160,000 m²

Prime stock



Source: Cushman & Wakefield Kazakhstan Research
Information is provided as of Q3 2020

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

NUR-SULTAN ECONOMIC INDICATORS AS OF Q3 2020

12-Mo.
Forecast

-2.8%

GDP Growth



0.4%

Retail Sales Growth (KZT)



7.9%

CPI Growth



417.92

KZT/USD

Source: Department of Statistics of Kazakhstan

ECONOMIC OVERVIEW

Retail sales volume, traditionally considered as the leading indicator of demand for warehousing spaces, remained on par with Q3 2019 demonstrating minor increase by 0.4% (denominated of Q3 2020) against the backdrop of negative GDP growth (-2.8% as of Jan-Sep 2020) attributed to the global pandemic. In turn denominated in USD the retail sales volume decreased by 7.9% reflecting national currency further depreciation. Despite subdued retail statistics Nur-Sultan industrial market performance remains solid.

SUPPLY & DEMAND

Throughout Q3 2020 Nur-Sultan industrial market was somewhat unencumbered by the weaker economic conditions provoked by the pandemic. Continuing healthy tenant demand helped offset the abundance of space delivered to the market in late 2017. The market finished the third quarter at a healthy pace backed by retail facilities allowed to resume operations in mid-August, driving demand for warehousing space.

The occupiers' appetite remained strong throughout Q3 2020 for quality well-located industrial developments. This brought the year-to-date (YTD) occupancy in prime locations close to 0% with some pockets of vacancy growth up to 12% in less popular developments. With minor increase in vacancy rate year-over-year (YOY), absorption levels remained positive heading into the final quarter of 2020. Among the key drivers stimulating healthy level of activity are digital sales, sparking more e-commerce leasing.

Supply pipeline remained scarce: on a quarterly basis, the market saw no warehousing facilities delivered. No information was available of any new warehousing developments breaking ground in Nur-Sultan in the near term. The continued tight market conditions and solid demand brought on another quarter of YOY rent growth at Q3 2020, increasing 2.0% from the third quarter 2019 at \$6.63 per square foot meter. We expect positive rent growth will continue through the end of the year.

OUTLOOK

Despite uncertainty around the second wave of COVID-19, that may force renewed lockdowns, will threaten economic rebound in the near term, we expect industrial market performance to remain strong in the remainder of the year.

RESEARCH & ADVISORY

CDC-2 business centre,
240G Nazarbayev Avenue,
Almaty A26F8D3
Kazakhstan
Tel: +7 (727) 33 44 000
info@cushwake.kz

cushwake.kz

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

This report has been produced by Cushman & Wakefield Kazakhstan for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield Kazakhstan believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield Kazakhstan shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2020 Cushman & Wakefield Kazakhstan. All rights reserved.

12-Mo.
Forecast**289,820 KZT**

Average Quarterly Wage

**0.4%**

Retail Sales Growth (KZT)

**7.9%**

CPI



Source: Department of the Statistics of Kazakhstan

ECONOMIC OVERVIEW

The Kazakhstan economy is still on track to see its largest GDP contraction registered over decade, with a forecasted decline of around 2.2% expected as of the end of 2020 in accordance with Kazakhstan Ministry of Economic Affairs. With oil being a major economic contributor to Kazakhstan economy, much of this loss can be attributed to the plummeting oil prices in recent months amid COVID global pandemic and massive closures of business that are deemed non-essential within the State virus-containment program. Some respite can be taken though, as Nur-Sultan retail market managed to retain better than expected mobility throughout Q3 2020 and had 0.4% year-over-year change in retail sales growth denominated in national currency (or -7.9% denominated in USD) in the reported period.

SUPPLY & DEMAND

Kazakhstan CRE market had been challenged by the COVID-19 strict lockdown reimposed after a massive COVID resurgence registered in June. To prevent virus spreading, government measures have reduced footfall and, to a lesser extent, consumer spending in physical (brick-and-mortar retail developments) stores for a long period with shopping malls, covered food and non-food markets were allowed to recommence operations with reduced working hours and weekend closures since September, the 1st. Following three months of near-total lockdown, some easing of the restriction measures in mid-August translated into a gradual revival of business activity across retail segment throughout Q3 2020. However post-pandemic surge of consumer activity is to be short-lived due to limited financial resources of population and continuing national currency depreciation.

The COVID-19 crisis and the slump in economic activity that it caused, encouraged landlords to accept the tenants' demand for flexibility, making it a guiding principle that bolsters fair retail market performance in a 'new normal'. This has brought focus to the 'turnover lease' conversation with occupiers seeking more links between the performance of their property and their leases.

OUTLOOK

The retail property landscape is changing, with the role of physical stores, occupiers, investors, developers and landlords shifting in order to accommodate new retail property trends. When brick-and-mortar retailers continue to strategically compete in a tough retail market, the e-commerce merchants are thriving in 'new normal'. This has encouraged retailers utilize the 'omnichannel' strategy, which is a multi-channel approach that integrates a merchant's online sales with its physical storefront sales to create a seamless customer experience.

Looking forward, retail leasing is expected to be the strongest among categories that suffered little to no impact by lockdowns. These categories—with the addition of fast food and quick-service restaurants - are expected to be among the most active in seeking opportunistic growth opportunities.

**NUR-SULTAN ECONOMIC INDICATORS
AS OF Q3 2020**12-Mo.
Forecast**-2.8%**

GDP Growth

**0.9%**

Population Growth

**4.7%**

Unemployment Rate

**417.92**

KZT/USD

Source: Department of the Statistics of Kazakhstan

RESEARCH & ADVISORY

CDC-2 business centre,
240G Nazarbayev Avenue,
Almaty A26F8D3
Kazakhstan
Tel: +7 (727) 33 44 000
info@cushwake.kz

cushwake.kz**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

This report has been produced by Cushman & Wakefield Kazakhstan for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield Kazakhstan believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield Kazakhstan shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2020 Cushman & Wakefield Kazakhstan. All rights reserved.