

MEDICAL BUILDINGS

REPORT 2023



**CUSHMAN &
WAKEFIELD**

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MEDICAL BUILDINGS REPORT

ALMATY 2023

MARKET OVERVIEW

The growth that the medical industry has experienced during and following the COVID-19 pandemic has largely subsided. However demand for Medical Buildings has grown as the number of pharmacies, medical labs, and private clinics has continued to increase. This report will provide an overview of the medical services sector, government initiatives, and industry trends. We have reviewed our classification of MOBs, resulting in a decrease in figures.

KEY POINTS

- Average monthly wage in healthcare and public service is 338,636 KZT as of Q3 of 2022.
- There are a total of 1,954 registered legal entities in the field of healthcare and social services in Almaty, and 10,029 in Kazakhstan.
- In 2021 there were 160 COVID-19 vaccination points in the city, located in medical organizations, schools, markets, and shopping centers to name a few. Most of them have closed down, and vaccination now is mostly being performed at public and private clinics.
- 142,537,125 KZT worth of medical services were provided in the city as of Q3 of 2022.
- Medical services are not subject to VAT, medical companies do not pay income tax. Bank financing for medical center construction is subsidized up to an effective loan rate of 6%.

OUTLOOK

There are a number of medical service providers that have been actively growing their presence in Almaty's medical services market. Medical labs and pharmacies have been one of the fastest-growing sectors of the industry.

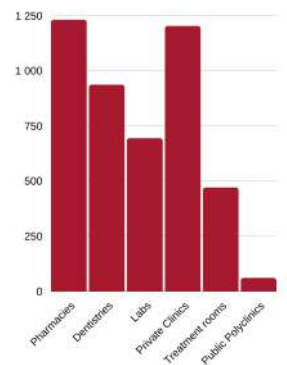
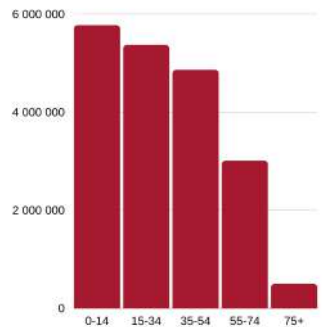
Governmental support of the private healthcare system is observed in VAT exemption and subsidized bank loans, as well as through Public-private partnership (PPP) schemes.

1,800
Number of MOBs

2,101,485
Population

338,636 KZT
Average wage

KAZAKHSTAN'S POPULATION BY AGE GROUP



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1,800

Number of MOBs

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Population

338,636 KZT

Average wage

Public medical insurance has now expanded to private clinics - the insured citizens are registered at private clinics of their choice. This provides significant support for the private health industry.

Through the "Quality and affordable health care for every citizen "Healthy Nation" Act of 2021, there is a plan to spend 3.6 trillion KZT on healthcare improvement. As part of this initiative, the state sets out to achieve the following:

- Increase the share of domestic pharmaceutical products from 17% in 2020 to 50% by 2025.
- Construct 24 modern medical buildings. The table to the left showcases the
- Increase private investment to 783.3 billion KZT (5x increase when compared with 2020).
- 100% of Labs and Medical Centers to be certified in accordance with international standards (GLP & ISO-17025).
- Increase government grants for the education of medical specialists.

The cost of medical services that are listed in the table to the left has increased by 21.74%, 44.19%, and -4.13% in USD terms and by 32.89%, 57.41%, and 4.66% in KZT terms respectively. This shows that GP Appointments and Appendix Removal have seen positive real growth when inflation is accounted for.

Additionally, authorities have stated that one of the main objectives is improving the investment climate in the medical industry in order to enhance the quality of healthcare in the country.

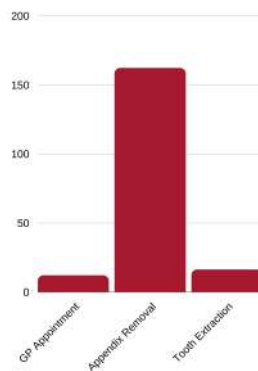
Some of the projects are planned to be completed within the framework of PPP and concessions with reimbursement of investment costs. The government plans to allocate 376.7 billion KZT from the budget and to attract 76.2 billion KZT of private investment for this endeavor.

In fact, a large part of the governmental support for private enterprise is coming from Public-private partnerships (PPPs), which are arrangements between the public and private sectors the purpose of which is to solve socially significant problems on mutually beneficial terms.

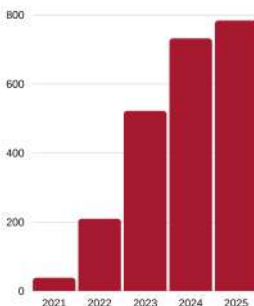
The main elements of a PPP are:

- Interaction of the parties is of equal nature
- The resources and contributions of the parties are consolidated for the development
- Financial risks, costs, and successes are distributed between the parties in predetermined proportions.

COST OF MEDICAL SERVICES, USD



ANNUAL PRIVATE INVESTMENT PLANS, BILLION KZT



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ALMATY 2023

MARKET OVERVIEW

Main objectives of PPPs:

- Reduce the budget burden
- Invite investments
- Inviting private management of state-owned assets
- Broadening the public-private interaction framework

Agreements made through the PPP framework are of two types: contractual and joint venture. Contractual agreements include leasing (lease with subsequent purchase), life cycle (design, financing, and construction), concession (transfer of the right to operate to a business entity), service (service and modernization of medical equipment), trust management, and rent of state property. Joint ventures are based on the pooling of resources.

The government provides compensation for investment costs, transfer of exclusive rights, natural grants, co-financing, and consumption guarantees. Payments made include subsidies, compensation for operating costs, management remuneration, and availability fees.

In the medium, to long term, we expect that the trend toward telehealth is going to accelerate, as the non-critical visits to the hospital, clinics, and physicians' offices move online to reduce the exposure of medical staff by limiting in-person visits while also providing more flexibility for the patients.

More specialists are going to be entering the medical workforce in the near future. There has been a 2.3% increase in healthcare and public service personnel over the course of the year (from Q4 of 2021 to Q4 of 2022). This is shown in the table to the left.

Consumerism in Healthcare: The trend towards patients taking a more active role in their healthcare, including using online resources and mobile apps to manage their health.

Mental Health: An increasing recognition of the importance of mental health, leading to the development of new treatments and an increase in funding for research.

As the epidemiological situation in the city stabilized, the medical care facilities are now carrying out procedures that were postponed during the pandemic.

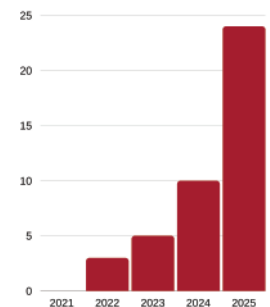
In the long term, it is expected that there will be a consolidation of sub-sectors of the medical services market. Currently, the market is actively growing therefore limited consolidation efforts are taking place.

1,800
Number of MOBs

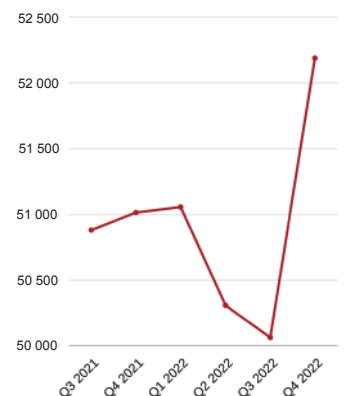
2,101,485
Population

338,636 KZT
Average wage

CONSTRUCTION OF NEW MEDICAL CENTERS COUNTRYWIDE



MEDICAL & PUBLIC SERVICE PERSONNEL NUMBER



TBILISI

MEDICAL BUILDINGS REPORT 2023



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MEDICAL BUILDINGS REPORT

TBILISI 2023

MARKET OVERVIEW

Over the past decade, the medical sector in Georgia has developed speedily and, in the process, has acquired an international reputation. The central medical cluster is located in Tbilisi, but the natural and health resources are spread around the country, and there is potential for further development considering the utilization of necessary infrastructure.

Georgia is aiming to strengthen primary health care, which was seen when creating Georgian Health System State Concept 2014–2020 on universal health coverage following privatization of the provision of services. Since 2013, more than 90% of the population has been covered by a (state) universal healthcare plan, which has internationally been recognized as highly successful by the likes of the World Health Organization and the UNDP.

12%

Population Aged 65 or Above

1,171,227

Population

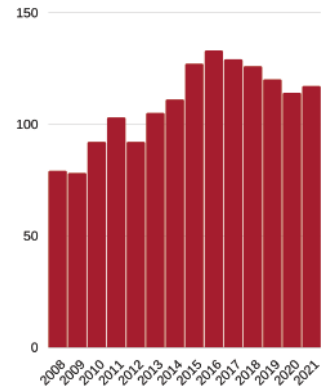
1,447 GEL

Average wage

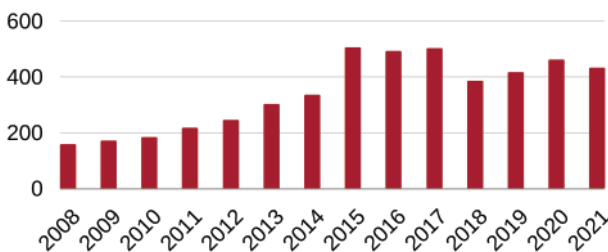
UTILIZATION OF HEALTH CARE SERVICES

In 2021, 14,094,745 people were registered in primary health care in Georgia. The frequency of out-patient visits per resident in Georgia had not exceeded 2.2 up until 2018 when it increased to 3.2*, which was supported by the medical service affordability. Later, the number of both outpatient and inpatient visits has increased even more - in 2021 the number of per capita referrals to ambulatory polyclinic and emergency services reached 4.4. However, the frequency of the out-patient visits in Georgia is still half of what registers in Europe (6). Moreover, it is also notable, that the COVID-19 pandemic has drastically reduced hospital referrals for other diseases (by -42%) in 2020-2021, leading to significantly reduced revenues of the hospitals.

NUMBER OF HOSPITAL AND MEDICAL CENTRES IN TBILISI

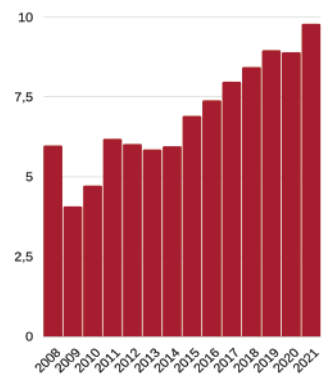


NUMBER OF MEDICAL INSTITUTIONS RENDERING OUT-PATIENT SERVICES TO POPULATION IN TBILISI, UNIT



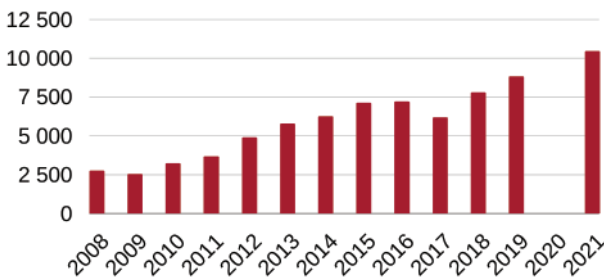
Source: GEOSTAT

NUMBER OF HOSPITAL BEDS IN TBILISI, THOUSAND



Source: GEOSTAT

NUMBER OF VISITS IN MEDICAL INSTITUTIONS RENDERING OUT-PATIENT SERVICES TO POPULATION IN TBILISI (INCLUDING PROPHYLACTICS), THSD.



Source: GEOSTAT

MEDICAL BUILDINGS REPORT

TBILISI 2023

12%

Population Aged 65 or Above

1,171,227

Population

1,447 GEL

Average wage

MEDICAL SERVICES & PERSONNEL

The medical healthcare system is mainly privatized in the country. The current primary health care services delivered include maternal and child services, immunization, reproductive health, screening, some activities in health promotion and disease prevention at the population and individual levels, basic laboratory tests, diagnostics, palliative care, rehabilitation, psychiatric community-based care and health check-ups (WHO, 2018). Among other regions of the country, the most diversified medical services can be received in Tbilisi.

In terms of medical personnel, the total number of nurses in public hospitals of Tbilisi had been increasing over time and reached its maximum in 2021 amounting to 11,200. Notably, when the indicators are compared to other parts of Georgia, Tbilisi has twice the concentration of healthcare staff.

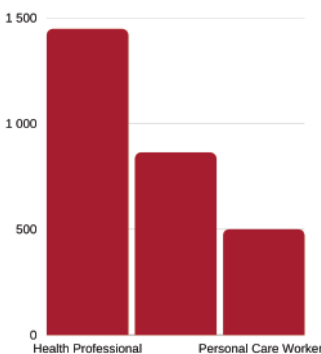
MEDICAL SERVICE PRICING & WAGES

One of the primary advantages of the Georgian healthcare system is its affordability. However, prices have significantly increased over the last five years, with a 64% increase in prices for medication, 35% for outpatient services and 31% for health insurance.*

Presently, prices of several procedures in Tbilisi vary from clinic to clinic, but generally the average price for blood test is between 17-25 GEL, tooth extraction and subsequent procedures - 30-170 GEL, echocardiography – 50-70 GEL, and visit to therapist costs 30-80 GEL.

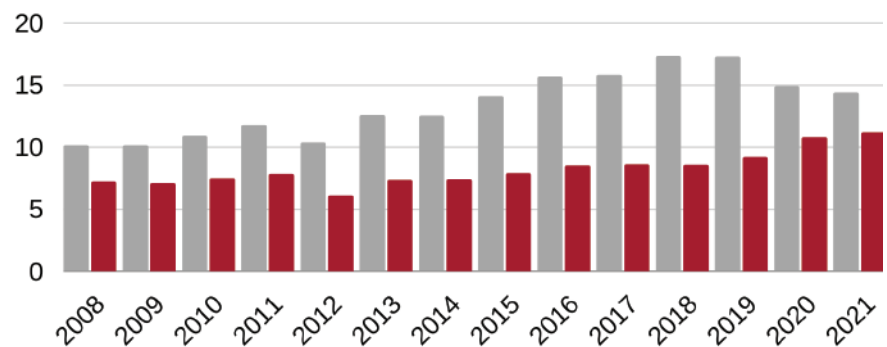
In terms of average monthly nominal earnings of employees, 2021 showed that health professionals earned on average up to 1450 GEL, health associated professionals over 860 GEL and personal care workers 500 GEL.

AVERAGE MONTHLY NOMINAL EARNINGS OF EMPLOYEES BY OCCUPATION, 2021



Source: GEOSTAT

TOTAL NUMBER OF PHYSICIANS AND NURSES IN PUBLIC HOSPITALS OF TBILISI



Source: GEOSTAT

MEDICAL BUILDINGS REPORT

TBILISI 2023

MEDICAL TOURISM

Recently, Georgia, and specifically Tbilisi has become more and more attractive as a medical service provider and a destination for medical tourists. Tbilisi typically hosts patients in need of cardiac surgery, ophthalmology, gynecology, while the most popular medical services are dentistry, cosmetology and plastic surgery. Visitors hail primarily from post-Soviet and central Asian countries but in the last three years the source market have been diversifying.

Over the past years, Georgian dentists have been visited by an increasing number of foreigners from countries such as Saudi Arabia, Kuwaiti, Iraq, Azerbaijan, Russia, and Armenia. Mainly the visit purpose is oral examination, dental surgery and orthodontistry.

Furthermore, Tbilisi is also known for sulfur mineral waters with unique healing and recreational purpose. Tbilisi Balneological Spa Resort beside sulfur bath procedures, offers healing mud applications of volcanic origin.

OUTLOOK FOR THE FUTURE

Current service quality of the Georgian medical sector responds well to demands of international patients from countries where medical services are at a similar level. The ability of medical sector to combine with the wellness industry is also a distinct advantage. Overall, the progress made by the medical and healthcare sector in Georgia has been impressive, which is not to say that there are no gaps in supply or offerings. Meanwhile, many laboratory tests are still performed abroad and private investment in high-technology equipment is needed to strengthen local capabilities, enrich available procedures and improve the quality of health care.

Moreover, improving medical facilities has the potential to develop health tourism by attracting the citizens of new source markets.

12%

Population Aged 65 or Above

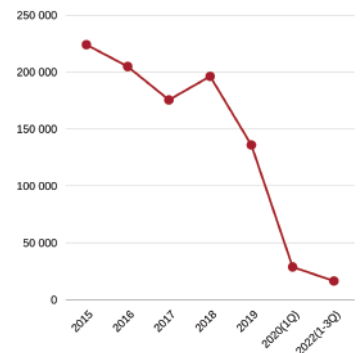
1,171,227

Population

1,447 GEL

Average wage

NUMBER OF VISITORS WITH HEALTH AND MEDICAL CARE PURPOSES



Source: Georgian National Tourism Administration



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