

Offices Q3 2021

12-Mo.
Forecast**8.1%**

Class A Vacancy

**\$40.91**

Class A Rents*

**6.1%**

Class B Vacancy

**\$9.56**

Class B Rents*



* average weighted rental rates are indicated OPEX and VAT exclusive

** the rents are based on the KZT/USD rate of 425.72 provided by the National Bank of the Republic of Kazakhstan as of 30/9/2020

Source: Cushman & Wakefield Kazakhstan Research
Information is available as of Q3 2021**NUR-SULTAN ECONOMIC INDICATORS AS OF Q3 2021**12-Mo.
Forecast**2.43%**

GDP Growth

**4.6%**

Unemployment Rate*

**425.72**

KZT/ USD

Source: Department of the Statistics of Kazakhstan
* latest data (Q2 2021)**ECONOMIC OVERVIEW**

Over the course of the third quarter of 2021 the national GDP increased by 2.43 percent. Nationwide the economy is showing signs of early stages of recovery, which is signified by the growth in the short term economic index for the period of January to September of 2021 by 9.8% when compared to the same period a year earlier. The economic recovery is in part driven by an increase capital investments in the city for the period of January to September 2021 by 5.3% when compared to the same period of 2020. The level of business activity related to office facilities has been limited, which is reflected in the stable rent and vacancy rates.

SUPPLY & DEMAND

Class A vacancy and rental rates for Q3 have been stable throughout the quarter, when compared to Q2 of 2021. However, compared to pre-pandemic period we observe the increased take-up and the decrease in average rental rates from around 50 USD to almost 41 USD per m².

The Class B vacancy rates have decreased over the past quarter, from 7.3% to 6.1%. The vacancy numbers for the class are now at pre-pandemic levels. Nonetheless, the rental rates have not recovered to pre-pandemic levels as of yet.

The reduction in vacancy and rental rates can in part be explained by the market absorbing the new offerings in both classes that have been introduced in the city over the past few years. Furthermore, in KZT terms the nominal rental rates have declined by 14.76% without taking into account accumulated 19.23% inflation rate since Q1 2019.

Accelerating vaccinations, increase in economic activity, relatively low but stable unemployment rates and an active campaign of return to work from the office have had a positive effect on the state of the commercial office market in the capital city.

OUTLOOK

The economy is going to continue its recovery going forward, which will no doubt have a positive impact on the market. However, commission of new office developments within Abu Dhabi Plaza in 2022 will put pressure on both rental rates and occupation levels in both classes.

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NUR-SULTAN



Retail Q3 2021

344,496 KZT

Average Quarterly Wage*

12-Mo.
Forecast
23.97%

Retail Sales Growth (KZT)


1.2%

CPI



* latest data (Q2 2021)
Source: Department of the Statistics of Kazakhstan

NUR-SULTAN ECONOMIC INDICATORS AS OF Q3 2021

12-Mo.
Forecast
2.43%

GDP Growth


1.24%

Population Growth


4.6%

Unemployment Rate*


425.72

KZT/USD

Source: Department of the Statistics of Kazakhstan
* latest data (Q2 2021)

ECONOMIC OVERVIEW

The retail market in the city has been growing QoQ, driven by the vaccination rate surges in the country. During Q2 4.5m kazakhstani citizens have been fully vaccinated, now equaling to nearly 40% of the population. The retail sales growth for Q3 of 2021 has been at 14.73% in KZT and 12.63% in USD when compared to Q3 of 2020 and 23.97% in KZT and 24.74% in USD when compared to Q2 of this year . In part this can be explained by the return of students to in person learning. Population growth in the city has registered an increase of 1.2% QoQ. The unemployment rate in the city has been relatively stable, increasing from 4.3% to 4.6% as of the latest data. Notably, even the spread of the Delta variant (over 90% of new infectants) and the subsequent restriction measures did not have a significant impact on the recovery process.

SUPPLY & DEMAND

The average quarterly wage (AQW) has increased by 12.1% when compared to previous quarter. Remarkably, because earning distribution in the city is quite concentrated, incomes in the Esil district is 52.54% higher than in Baikonyr district. Growth of consumer price index QoQ for food related products was - 0.6%, non-food related products - 1.41%, paid services - 1.61%. Overall CPI grew by 1.2% over the course of Q3 2021.

Retail submarkets have performed well, yet quite differently. F&B retailers have been at the forefront of expanding their operations countrywide and abroad, while most other retailers have adopted a more conservative wait and see approach. During the first half of the year, new retailers such as DNS (Russia based company) have entered the market.

In order to keep up with consumer demands, retailers are now embracing and re-evaluating space that they occupy in order to provide omnichannel solutions. Magnum is expanding its presence in near-home stores, planning to open more than 20 in the coming months, while also realizing its ecommerce strategy. Since the start of the pandemic the company has been serving its customers through their app, offering an online grocery showing experience.

OUTLOOK

Positive GDP growth figures, stable unemployment rate, and the new government re-vaccination initiative, will most certainly improve the overall state of retail as the population returns to pre-pandemic consumption and less restrictions are needed. Therefore we expect that in the foreseeable future retail will recover to pre-pandemic levels.

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12-Mo.
Forecast**\$5.87**

Prime Rents*

**7.7%**

Prime Vacancy

**163,000 m²**

Prime stock



Source: Cushman & Wakefield Kazakhstan Research
Information is provided as of Q3 2021

*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 2021

12-Mo.
Forecast**2.43%**

GDP Growth

**23.97%**

Retail Sales Growth (KZT)

**1.2%**

CPI Growth

**425.72**

KZT/USD

Source: Department of Statistics of Kazakhstan

ECONOMIC OVERVIEW

The prime industrial sector has been one of the most resilient industries, showing low levels of vacancy through the pandemic and constant rental rates. Even when citywide limits were revoked, the demand for high-quality storage facilities remained robust. Freight delivery volume have been increasing QoQ; the total quantity of KG of freight delivered climbed by 116.72%. A significant portions of investments in fixed assets in January-September 2021 falls on operations with real estate (59,2%), transport and warehousing (15.5%). In August, Russian-based e-commerce giant Ozon commenced their operations in Kazakhstan, planning to cover the whole country.

SUPPLY & DEMAND

The vacancy rates for prime warehouse facilities have increased from 4.7% to 7.7% QoQ and the rental rates increased by 5.96% over the same period. The average rental rate since Q1 of 2019 has grown by 11.6% in USD equivalent, and by 24.95% in KZT rates. This suggests that the prime warehouse facilities have been able to improve their positions during the pandemic.

Supply pipeline remains scarce, as the market saw no warehousing facilities delivered during this quarter. After a three consecutive quarters of positive absorption, this has been the first negative absorption quarter.

233 million USD of profits (before taxes) has been accumulated by the transport and warehousing industries in the city during Q2. This is third to Professional, scientific and technical activities & Wholesale and retail trade, car and motorcycle repair. 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 343 523 KZT, and has grown by 13.3% in real terms YoY.

In January - September 2021, 3.9 billion KZT of postal and courier services were provided in Nur-Sultan (Astana), an increase of 55.1% in value terms when compared to the same period of 2020. Magnum – a major food retailer in the country is planning to open a darkstore for e-commerce purposes in the city in the near future.

OUTLOOK

DHL has signed an agreement to Build 8,000 m² of warehouses at Nur-Sultan International Airport, investment in construction of the project will equal 4 billion KZT (9.35 mln USD) over three years.

We expect positive absorption in the short to medium term, and any new openings are not expected to have substantial impact on the vacancy and rental rates.

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