Flexible Space Report

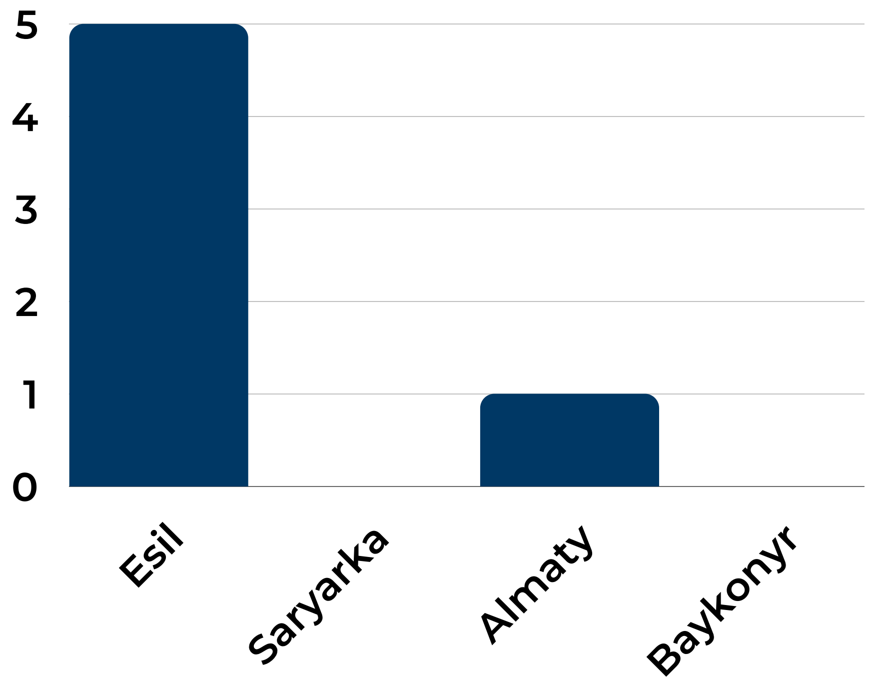
Nur-Sultan 2021 Q1

CUSHMAN & WAKEFIELD

Number of Coworkings: 6

Total square meters: 9,650

Average Rate/Desk: 87,000 KZT



Number of Flexible Spaces by District

Cushman & Wakefield Kazakhstan study of the flexible space market

Market Overview:

The flexible space market in the city was immensely influenced by the COVID-19 pandemic. During and following the aftermath of the strict lockdowns and the subsequent reduction in demand for such services, 4 flexible space operators shut down over the course of the year. This situation is in stark difference from what the market saw coming into 2020, when a total of 9 flexible space operations were opened in the span of 3 years, from 2018 to 2020 (including spaces that now are closed). Our market research indicates that most of the current closures are linked to either repurposing of the workspace or negative effects of the restrictive measures.

The first coworking spaces were opened in 2014, two years later than in the coutry's largest city - Almaty. Following the initial openings there were no more addtions until 2018. From 2018 to 2020 the year on year growth averaged 180%, when comparing from the previous opening year. As of the first quarter of 2021 there are no openings, yet 2 operators have closed temporarily or indefinetly. To this day 2018 remains the year with the most openings.

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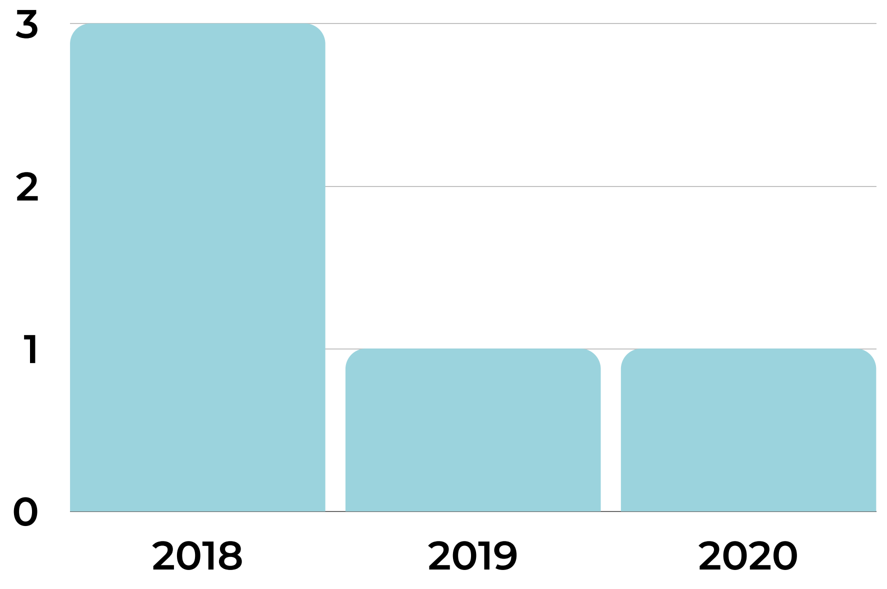

Coworking Spaces by Opening Date

Cushman & Wakefield Kazakhstan study of the flexible space market

Market performance:

- Number of flexible offices, operating as of March 2020: 6
- Supply in Class A: 1 development
- Supply in Class B: 5 developments
- Total stock: 9,650 m2
- Weighted-average rental rate per workstation: 87,000 KZT.
- Overall occupancy: 66.4%.

Market Trends:

Flexible working spaces in the early years have attracted freelance workers as well as start-up entrepreneurs. While this continues to be a key source of demand for operators, the segment is already attracting small businesses and midscale companies. However, the adaptation of larger companies has been at a slower pace than in Almaty, which suggests lower market demand for such services. We believe this trend will gain momentum going forward, with the attractiveness of such arrangements rising globally. Moreover, the occupancy rate in the capital city is higher (66.4% and 60.5% respectively), suggesting a heathly level of demand.

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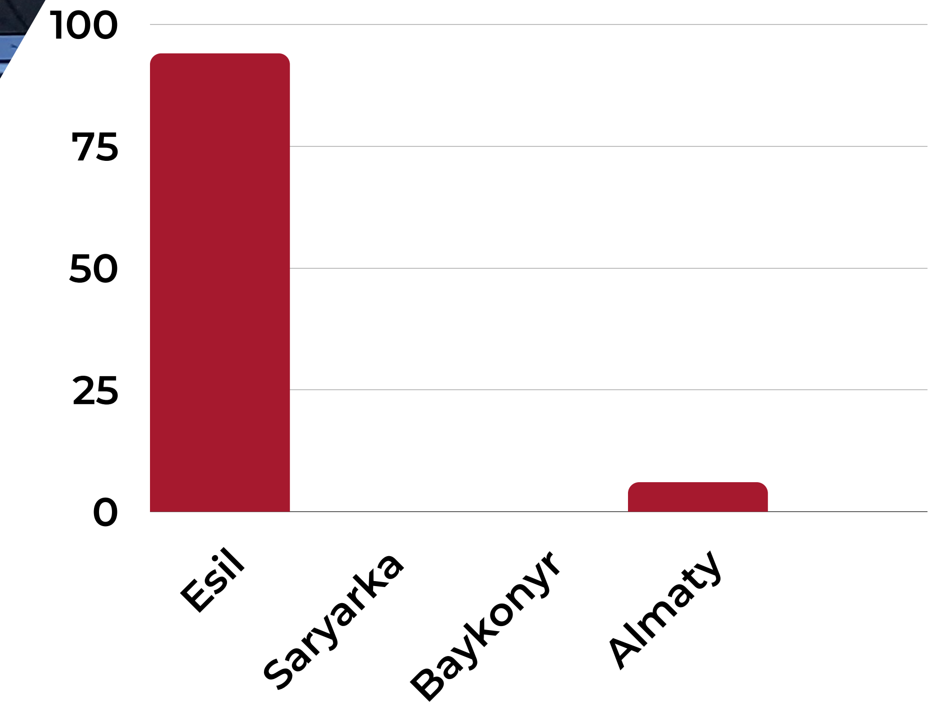

Percentage of m2 by District

Cushman & Wakefield Kazakhstan study of the flexible space market

Market Trends:

- There is a tendency to provide a combination of services rather than focusing only on a certain customer, that is, the operators provide offerings for both coworking spaces as well as 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 the flexible spaces was split almost equally between independent operators and spaces that are operated by the owner of the building that the coworking is located in. It is now clear that the independent operators of flexible spaces have managed to keep their operations running and did not divulge from their initial focus, where as a number of landlord operated spaces closed.

Services that are included in the average rate within flexible offices: Fixed Desks, Lockers, Wi-Fi, Reception, 24/7 access (when applicable), Kitchen & Lounge, Basic Access to copy machines, Wardrobe.

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.

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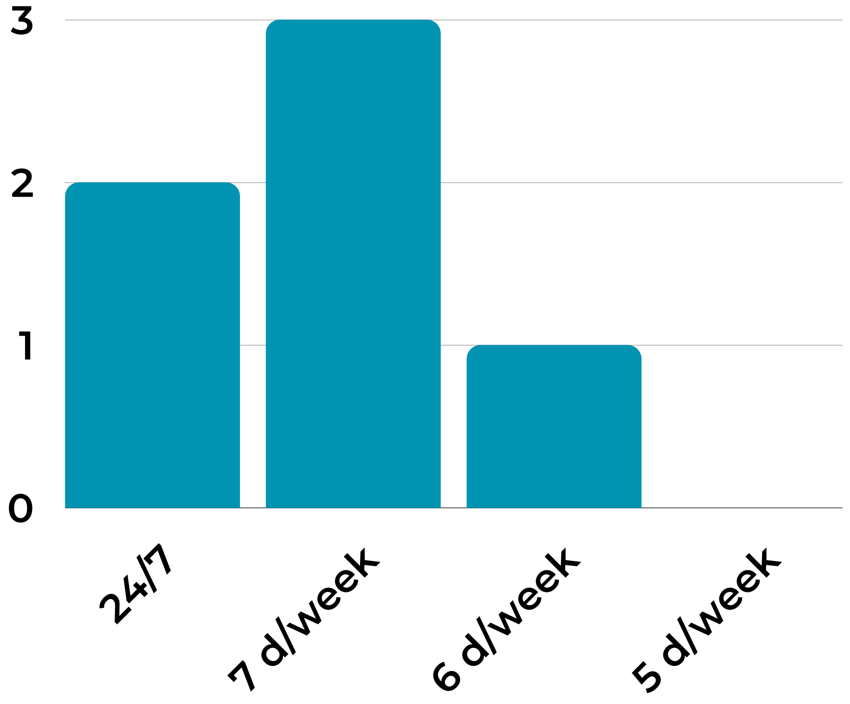

Working days of coworking spaces by schedule

Cushman & Wakefield Kazakhstan study of the flexible space market

Market Supply & Demand:

- The average size of flexible spaces has decreased from 2019, which can be attributed to opening of locations by smaller independent operators
- Offers that are put forward by the operators of flexible spaces are much more adjustable, catering to the needs of companies and organizations that do not wish or are unable to cover the expenses of longer-term leases.
- Nearly all of the offerings are concentrated in the Esil district of the city, with only one operating in Almaty district.

Market Outlook:

During the first quarter of 2021, the market is still in the correction process, 2 operations were discontinued over the course of the quarter. While in Almaty the recovery process is starting to accelerate with market activity increasing and no locations closing doors from January to March. However, the long-term implications of negative GDP growth during 2020, reduction of the value of the national currency, and mandatory restrictions are yet to fully reveal themselves. Nonetheless, any arrangements that offer flexibility will certainly remain in demand.