

12-Mo.  
Forecast
**64.7%**  
Class A Vacancy

**\$57.3**  
Class A Rents\*

**7.1%**  
Class B Vacancy

**\$12.5**  
Class B Rents\*

\* average weighted rental rates are indicated OPEX and VAT exclusive  
 \*\* the rents are based on the KZT/USD rate of 381.18 provided by the National Bank of the Republic of Kazakhstan as of 12/31/2019

Source: Cushman & Wakefield Kazakhstan Research  
 Information is available as of Q4 2019

**NUR-SULTAN ECONOMIC INDICATORS AS OF Q1 2020**
12-Mo.  
Forecast
**2.7%**  
GDP Growth

**4.5%**  
Unemployment Rate

**389.56**  
KZT/ USD

Source: Department of the Statistics of Kazakhstan

**OVERVIEW**

Amid worsening coronavirus pandemic, the office market has been among those less affected on the real estate market of Nur-Sultan.

Following two months of usual business activity by the end of March the office market was disrupted by the imposed strict quarantine and social-distancing measures. Business centres were mainly closed with limited number of offices being open for operation. Most occupiers have shifted to remote working. Transaction and leasing activity have slowed significantly.

With temporary movement restrictions some businesses, especially small and medium sized enterprises (SMEs) are facing business continuity issues on many levels. Both governments and landlords are acting to support. While authorities are enacting policies to safeguard businesses, office landlords have stepped up to offer their tenants rental and management fee concessions in order to secure tenants' trust, and in turn, long term rental income.

Most existing construction projects struggle with supply of material and workmanship and are suspended for later periods. We are yet to see a change in pricing in connection with the pandemic and the latest economic developments.

**OUTLOOK**

Construction deals are hard to execute, pipeline will slow in the near-term.

In the current volatile environment most occupiers will reconsider their workplace strategy and will seek to optimize the occupied space, a potential consequence of which may be an increase in vacancy level and increased demand for co-working spaces.

Rental rates for non-prime offices will be under strong pressure as a result of a significant drop in demand and on-going rent renegotiations by the remaining occupiers. Leasing volumes will slow, with renewals becoming the preferred choice of the tenants,

Although the office sector is one of the least affected property sectors, we believe it will undergo the most dramatic transformation in a long term. Traditional offices will remain an important part of the office sector, however, general perception of working environment will change. New emerging trends accelerated by the pandemic outbreak, like an increased focus on employee wellbeing, work-life balance, agile working environment, digitalisation and adoption of new smart technology will potentially alter the structural landscape of the office sector. Workplace will no longer be a single location, but an ecosystem of a variety of locations and experiences.

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# NUR-SULTAN

Retail Q1 2020

12-Mo.  
Forecast
**277,016 KZT**  
Average Quarterly Wage

**-7.4%**  
Retail Sales Growth (KZT)

**1.9%**  
CPI


Source: Department of the Statistics of Kazakhstan

## OVERVIEW

Kazakhstan economy has weathered a number of shocks in Q1 2020. The effects of recent COVID-19 outbreak enhanced with sharp reduction in oil prices have rippled through global financial, equity, and currency markets worldwide, bringing unexpected uncertainty to all segments of economy including commerce. In accordance with the latest official statistics as of Q1 2020 the retail sales volume (denominated in KZT) contracted by 7.4% YoY.

Nur-Sultan retail market performance in Q1 2020 had been adversely impacted by the outcomes of outbreak-containment measures including lockdown and massive shop closures. The non-essential businesses such as retail establishments, restaurants, passenger transportation, schools and leisure activities have almost all grinded to a halt in March with food stores and pharmacies being the only outlets that continued to operate.

The restrictive isolation scenario implemented by the government against COVID-19 caused the bulk of occupiers to experience imminent business interruption and consequent cash flow issues. Many landlords announced a reduction in rent or the offering of a rent free period to combat the harsh economic environment in partnership with tenants. However, despite the landlords' flexibility we believe some tenants will still be unable to survive, thus, pushing overall vacancy up. In the following months the market rents are expected to come under downward pressure and vacancy rates to further edge up.

## OUTLOOK

According to ADB, the arrival of the COVID-19 pandemic caused an economic downturn that has likely pushed the global economy into recession. Despite the fact that the projected GDP remains positive the future figures are expected to fall to 1.8% in 2020 given the economic implications of COVID-19. The economy is expected to prove resilient with GDP growth anticipated to rebound to 3.6% in 2021.

In the short-term, the drop in footfall traffic will depress the retail sales across the market. More retailers will enter into negotiations with landlords about possible solutions. Governments are also offering help to affected businesses in the form of benefits, loans, tax deferrals etc. In the medium to long-term, real estate experts forecast retail sales volume growth rates to return to pre-outbreak levels, once the pent-up demand is unleashed. The extent and impact of the pandemic on retail market remains unknown, however, current estimates suggest a short sharp downturn with a likely rebound in Q4 2020.

## NUR-SULTAN ECONOMIC INDICATORS AS OF Q1 2020

12-Mo.  
Forecast
**2.7%**  
GDP Growth

**1.0%**  
Population Growth

**4.5%**  
Unemployment Rate

**389.56**  
KZT/USD

Source: Department of the Statistics of Kazakhstan

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12-Mo.  
Forecast

\$5.3

Prime Rents\*



5.2%

Prime Vacancy

160,000 m<sup>2</sup>

Prime stock



Source: Cushman & Wakefield Kazakhstan Research  
Information is provided as of Q4 2019

\*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 Q1 2020

12-Mo.  
Forecast

2.7%

GDP Growth



-7.4%

Retail Sales Growth (KZT)



1.9%

CPI Growth



389.56

KZT/USD

Source: Department of Statistics of Kazakhstan

#### OVERVIEW

Nur-Sultan industrial sector has proved itself to be more resilient than other types of property market during the outbreak of COVID-19. The sector has witnessed supply chain disruptions on one hand with even stronger shift to eCommerce on the other hand.

We are seeing increased demand for temporary logistics space, as retailers hurry to secure storage capacity to meet peak demand for necessities. Online retail growth is also contributing to the increased demand for warehouses.

Asking rents indicated in KZT have remained fairly static over the past quarters while rentals denominated in USD have been demonstrating volatility following national currency fluctuations. Some occupiers, that are facing business continuity issues, requests for optimization or deferral of rental obligations from its landlords. However, major landlords are in no hurry to negotiate temporary discounts and deferrals. The success of negotiations depends on the risk profile of the tenants.

The market players are in response mode to the rapidly evolving context of the COVID-19. Both landlords and occupiers have to address now employees health and safety as well as maintain social distancing guidelines in manufacturing and distribution centre environments, including cleaning & disinfection, control access, decreasing density, schedule management, traffic patterns etc.

#### OUTLOOK

In the coming weeks the number of requests from the occupiers for some rate of rental renegotiation will increase sharply. For owners it will mean balancing between building relationships with tenants over the long-term and ensuring that rental incomes do not become unsustainably affected.

Construction deals are hard to execute. We are not expecting any significant expansion of the current speculative stock until the end of the year.

In the context of extensive self-isolation and accelerated demand for fresh food deliveries, necessities and eCommerce, the sector's limitations on scaling up the business, delivery and turnaround time became apparent. In the medium term, this will lead to an increase in demand for quality warehouse space, in particular for cold storage facilities, and will stimulate the development of Nur-Sultan urban logistics.

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