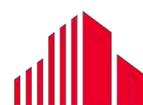


MARKETBEAT TASHKENT

Q3 - Q4 2023



**CUSHMAN &
WAKEFIELD**



TASHKENT MARKETBEAT

Offices

ECONOMIC OVERVIEW

In 2022, the GDP growth of Uzbekistan reached 5.7%. It is expected that the long-term growth rate of Uzbekistan's economy will be approximately 5%. The growth rate of investments in fixed capital in the Republic of Uzbekistan for January-December 2023 increased by 22.1%. In the city of Tashkent, the growth rate stood at 10.5%.

Tashkent is the largest city not only in the country but also in all of Central Asia, with a reputation as the economic and industrial center of the country. The majority of local and international companies are located in the city, as evidenced by the fact that there are over 110,000 active enterprises in Tashkent, accounting for almost 20% of all enterprises in the country.

SUPPLY & DEMAND

62% of the city's territory is dedicated to industrial, transportation, and defense activities, primarily concentrated in six districts: Yashnobod, Mirzo-Ulugbek, Yunusabad, Olmazor, Sergeli, and Chilanzar. The administrative hub of Tashkent centers around Independence Square, Mustakillik, housing numerous state administrative institutions.

Tashkent features two districts known for their high business activity: those surrounding the International Business Center and the Oybek metro station. These areas host a multitude of business centers, offices of foreign companies, and banks.

The city's urban landscape is undergoing significant transformation through various urban development initiatives, notably the extensive Tashkent City project. This ambitious undertaking aims to integrate residential, commercial, and recreational facilities across an 80-hectare site, reflecting Tashkent's evolving urban structure.

Rental rates for Class A office spaces have increased to the range of 40-45 USD, while maintaining relatively low vacancy rates for Class A (1.18%) and significantly higher rates for Class B (10.01%). This indicates a growing demand for high-quality office spaces. With the increased presence of international companies in Tashkent, tenants are likely willing to pay higher rental rates for Class A properties, leading to lower vacancy rates in this segment.

OUTLOOK

It is reasonable to assume the presence of a correlation between the opening of new modern shopping and business centers, the entry of international retailers into the market, and the development of the warehouse market. Additionally, it is worth noting that among office spaces, there will be a demand for premises with ready-made renovations.

Class A Vacancy
1.18%

Class B Vacancy
10.01%

40-45 USD
Class A Rents*

25-35 USD
Class B+ Rents*

* average weighted rental rates are indicated
OPEX and VAT exclusive
** the rents are based on the UZD/USD rate of 12480 provided by the National Bank of the Republic of Uzbekistan as of Q4 2023
Source: Cushman & Wakefield Kazakhstan Research Information is available as of Q4 2023

UZBEKISTAN ECONOMIC INDICATORS AS OF Q4 2023

Unemployment Rate*
8.1%

GDP Growth
6.0%

12 480.00

UZS/USD

Source: Department of the Statistics of Uzbekistan
* latest data (Q4 2023)





TASHKENT MARKETBEAT

Industrial

ECONOMIC OVERVIEW

In 2023, there was a significant increase in investments in the Republic of Uzbekistan, especially in the manufacturing industry. A total of 84.3 trillion Uzbekistani som was utilized, which is 24.0% more compared to 2022. A high proportion of the investments were directed towards modernization, technical and technological upgrades, as well as the expansion of enterprises and organizations throughout the year. Particularly, in the city of Tashkent, this trend was particularly pronounced, accounting for 29.0% of the total investments.

Additionally, a notable volume of new construction works was observed across regions, notably in Tashkent city, amounting to 21,451.5 billion Uzbekistani som.

SUPPLY & DEMAND

Over the past five years, the volume of retail trade in Uzbekistan nearly tripled by the end of 2022, with an increase of 26.6% compared to the previous year, 2021. In 2020, due to the pandemic, growth slowed to 20%, but starting from mid-2021, the economy began to recover, and retail trade accelerated again. An increasing number of global retailers are evaluating the potential of the Uzbek market. The development of trade centers of the corresponding level becomes a key factor for global brands to enter the market of the country. Retailers planning to enter the market are actively seeking logistic and warehousing solutions, which also stimulates demand.

The existing volume of commercial real estate in Tashkent is approximately 486,500 m² of Gross Building Area (GBA). The total volume of commercial spaces under construction is about 421,000 m² of GBA. These commercial properties are planned to be put into operation by 2025.

There is a clear shortage of specialized warehouse facilities designed for the needs of e-commerce in the market. This factor significantly constrains the potential for business expansion for both local and foreign companies. The warehouse real estate market in Uzbekistan is primarily formed by Class C properties, typically adapted industrial spaces. Despite local producers' historical inclination towards constructing their own warehouse complexes, most existing properties do not meet modern international standards, rendering them ineffective for providing high-quality logistics services.

The warehouse real estate market is in its early stages of development in Uzbekistan but ranks as the second largest in Central Asia after Kazakhstan. Tashkent stands out as the central hub of Uzbekistan's warehouse infrastructure, with the largest concentration of modern facilities; however, even in Tashkent, the industrial real estate segment currently lags behind other segments in terms of quality and availability of properties.

Reflecting this growing demand, a number of strategic projects in the warehouse real estate sector were implemented between 2018 and 2022. Initiatives like Orient Logistics and Bayer Group emerged as trailblazers in establishing a modern warehouse segment in Uzbekistan.

5-6 USD
Prime Rents * Class A

3-4 USD
Prime Rents * Class B

50,000 m²
Prime Stock * Class A

160,000 m²
Prime Stock * Class B

Source: Cushman & Wakefield Kazakhstan
Research Information is provided as of Q4 2023

*rents are indicated VAT exclusive, OPEX inclusive; asking (marketing rents) may deviate from real transaction rents.

UZBEKISTAN ECONOMIC INDICATORS AS OF Q4 2023

Unemployment Rate*
8.1%

GDP Growth
6.0%

12 480.00

UZS/USD

Source: Department of the Statistics of
Uzbekistan
* latest data (Q4 2023)



TASHKENT MARKETBEAT

Industrial

SUPPLY & DEMAND

Taking into account the historical concentration of industrial facilities and the strategically advantageous location near key transportation hubs such as the airport, railway stations, and ring roads, warehouse offerings are predominantly localized in the eastern and southern parts of the city - in the Sergeli and Bektemir districts.

In 2022, rental rates for Class A warehouse spaces ranged from \$3 to \$4 per square meter. By early 2023, there was a trend of increasing rates, with prices rising by an average of 30-40% compared to the same period the previous year, reaching \$5 per square meter. In some projects with vacancies, rates could rise to \$9 per square meter.

For Class B warehouses, rental rates were between \$2.8 and \$3 per square meter in 2022, and in 2023, they also showed growth, ranging from \$3 to \$4 per square meter.

Modern warehouse complexes of Class A and B are facing a shortage of available spaces for lease and purchase. The market is constrained by limited high-quality offerings, hindering the expansion and growth of enterprises. Many retail companies are considering the option of constructing warehouses in a "built-to-suit/build-to-rent" format due to the lack of suitable spaces. The geopolitical situation, combined with recent active economic growth, has led to a sharp increase in demand that remains unmet.

Last year, the vacancy rate dropped from 12% to 3.5%, emphasizing the need for increased investment in Class A facilities to meet growing demand in a dynamically changing and diverse business environment. However, even with this level, the vacancy rate exceeds corresponding values in Almaty and Astana, where it is less than 1%. These trends indicate a pronounced growth dynamic in demand for warehouse spaces with limited quality offerings in the Central Asian region overall.

Demand for Class C warehouse spaces primarily comes from small-scale (mostly local) companies that either do not prioritize the quality of premises or cannot afford to lease more expensive high-quality facilities.

OUTLOOK

The growth in retail sales, demand from tenants, and limited leasing options for Class A and B properties are driving up rental rates. Tenants have limited choices, and it is expected that rental prices will remain under upward pressure. Additionally, the expected rise in construction costs and high inflation are anticipated to further increase rental rates.

According to forecasts, the market is expected to continue demonstrating positive dynamics in the coming years. A growth of 69% is anticipated in 2024 and 57% in 2025. By the end of 2025, the total volume of quality warehouse spaces in Tashkent could reach 580,000 m².

5-6 USD
Prime Rents * Class A

3-4 USD
Prime Rents * Class B

50,000 m²
Prime Stock * Class A

160,000 m²
Prime Stock * Class B

Source: Cushman & Wakefield Kazakhstan
Research Information is provided as of Q4 2023

*rents are indicated VAT exclusive, OPEX inclusive; asking (marketing rents) may deviate from real transaction rents.

UZBEKISTAN ECONOMIC INDICATORS AS OF Q4 2023

Unemployment Rate*
8.1%

GDP Growth
6.0%

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UZS/USD

Source: Department of the Statistics of
Uzbekistan
* latest data (Q4 2023)

TASHKENT MARKETBEAT

F&B Industry

AVERAGE PRICES FOR OUR FOOD SELECTION:



Burger
3.00 USD



Caesar
3.5 USD



Latte
2.00 USD



Lemonade
2.00 USD



Lagman
3.00 USD



Margarita
7.00 USD

Lemonade prices are for 400 ml and latte prices are for 350 ml.

* The calculations of prices are made based on the average UZS/USD rate of 12,480 provided by the National Bank of the Republic of Uzbekistan for Q4 of 2023.

MARKET OVERVIEW

Tashkent has a reputation as the economic and industrial center of the country, with the majority of local and international companies located in the city. Historically, the city is divided into two parts - the old and the new city. The old city served as the center of craft and trade life, while the new city was the hub of industrial activity.

The old city, the historical center of Tashkent, is located around the Chorsu Bazaar area and extends further to the north and east. The cultural and entertainment center of the city is situated in the vicinity of Amir Timur Square. In this area, you can find the Historical Museum, the Tashkent Opera Theater, squares, parks, as well as numerous shopping centers, cafes, restaurants, and clubs.

The F&B facilities in the city can be separated into 4 main categories:



QSR



Casual dining



Delivery



Pubs & Bars

*QSR: a specific type of restaurant that serves fast food and has minimal table service

The food and beverage market in Tashkent is a dynamic and diverse sector with a total of 4,300 establishments. The main areas where food establishments are concentrated include the Yunusabad, Chilanzar, Shayhantokhur, and Yashnabad districts. In Tashkent, you can find representatives of various world cuisines, ranging from traditional Uzbek cuisine to Italian, Japanese, Chinese, and others. This allows to cater to the tastes of a wide range of consumers.

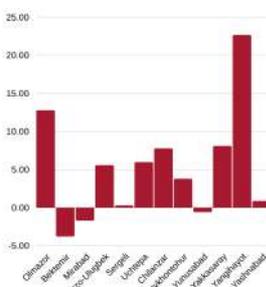
The city features a variety of dining formats, from small cafes and street stalls to luxurious restaurants. Uzbek cuisine is highly popular among both locals and tourists. Restaurants offering dishes such as pilaf, kebabs, lagman, and other Uzbek delicacies often attract large numbers of visitors.

4,551,401 UZS
Average wage

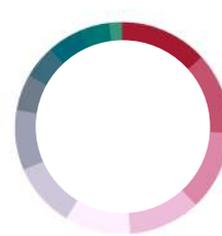
2,956,400
Population

4,300
F&B Stock

% INCREASE IN F&B UNITS BY DISTRICT



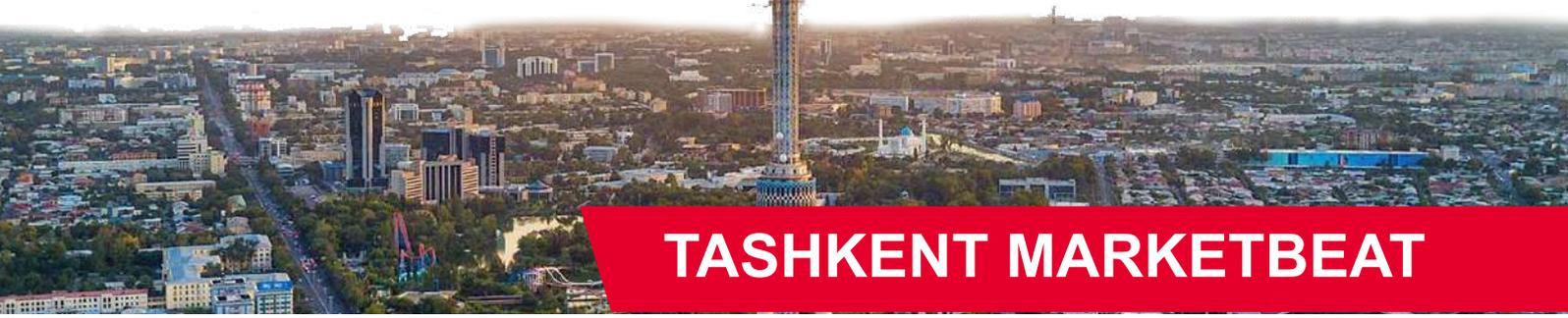
POPULATION PER F&B UNIT



Olmazor	13.3%
Yunusabad	12.4%
Shayxontoxur	12.1%
Mirzo Ulugbek	10.9%
Uchtepa	9.9%
Yashnabad	9.8%
Chilanzar	9.2%
Yangiyahot	5.5%
Mirabad	5.0%
Sergeli	5.5%
Yakkasaray	4.3%
Bektemir	1.9%

Throughout 2023, more than 30 new restaurant-type establishments opened in Tashkent. The market is maturing, with the emergence of professional players implementing structured business processes. Further growth and development of this sector are expected in 2024, with possible active closures for those unable to withstand the competition due to the absence of a long-term business model.





TASHKENT MARKETBEAT

Flexible Space

MARKET OVERVIEW

12
Number of Coworkings

14,350m²
Total Stock

1,950,000 UZS
Average Rate/m² per month

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In Tashkent, there are two areas characterized by high business activity. These are the districts near the International Business Center and the Oybek metro station. There, business centers, offices of foreign companies, and banks are located.

MARKET PERFORMANCE

14,350 m²
Total Stock

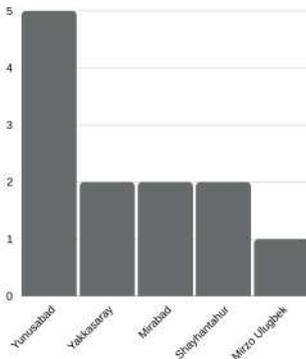
Supply in class A

Supply in class B

No Developments

12
developments

TOTAL STOCK BY DISTRICT

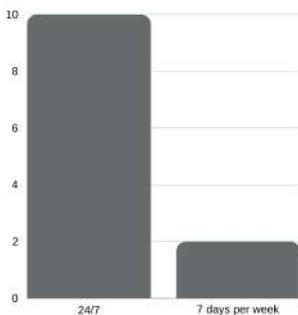


In Tashkent, flexible workspace options are distributed across various districts, overall Yunusabad appears to have the highest concentration of flexible spaces. 10 locations provide round-the-clock access, catering to individuals who require flexible working hours, including weekends and holidays. Since the beginning of 2023, there has been a trend towards opening smaller spaces, ranging from approximately 800-1,000 square meters, to meet the needs of clients with lower budgets. A similar trend is also observed in Astana. However, it should be noted that only professionally managed flexible spaces, which typically occupy larger areas, continue to operate in the long term.

Services that are included in the average rate within flexible offices:

- Fixed Desks
- Lockers
- Wi-Fi
- 24/7 access (when applicable)
- Kitchen & Lounge
- Basic access to copy machine
- Reception
- Wardrobe

OPEN HOURS



MARKET OUTLOOK

Reforms aimed at enhancing the business environment, attracting foreign investments, and fostering economic growth are fueling the expansion of commercial real estate, particularly business centers. However, the relatively high rental rates within these centers are prompting tenants to explore coworking spaces that cater to their needs for amenities and flexibility. As the market is still in its nascent stage, there is ongoing activity involving the opening and closing of coworking spaces. It's worth noting that currently, there are no class A flexible spaces available.





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