

KAZAKHSTAN

Almaty Industrial Market Snapshot

Fourth Quarter | 2016



Overview

Strategically located in CAREC Corridors 1b, 3a and 3b and serving as an indispensable transport node along the international transit route between Europe and Western China, Almaty is recognised as the most important transport, logistics and distribution hub in the country.

Occupier focus

Over the past year the Almaty industrial market witnessed high levels of volatility as a result of global macroeconomic uncertainties and currency fluctuations in late 2015 and early 2016. The net impact of this factor has been the slowdown of warehousing space absorption during 2016, which brought the vacancy rate across major warehousing accommodation to 15.7% as of the fourth quarter.

Reflecting the market volatility, 2016 saw opposite trends in rentals across prime Warehousing & Logistics developments of Almaty: while most operators of Warehousing facilities tend to keep their rental rates (quoted in KZT) at the level of 2015, other market players revised rentals down/upwards in line with occupational demand fluctuations. Q4 witnessed stable rental level across primary market developments.

As of the end of 2016 the main operators in the Almaty warehouse market collectively comprise about 300,000 m² of class A industrial accommodation. They are the 'DAMU' Industrial-logistics centre, 'AILP Group', 'USKO International' and 'ALG Company'. Overall supply is likely to remain unchanged, since the current economic uncertainties persist.

Investment focus

There is a consistent lack of transactional transparency across all sectors of the investment market with most deals being 'off-market' and negotiations taking place directly between the involved parties. Indeed, there is no evidence of any interest from funds from outside of Kazakhstan seeking to acquire, which exacerbates the lack of transparency of information.

Outlook

Almaty remains the largest and most economically dominant city in Kazakhstan; it also acts as the central hub for the distribution of goods throughout the country. The market has room to grow as the economy improves and the city's transit trade volumes increase.

MARKET INDICATORS

Market Outlook

Prime Rents:	Prime rents are expected remain stable in the short-term period.	▶
Occupancy:	Occupancy will continue to tighten reflecting occupational demand.	▲
Supply:	No new warehouse space is anticipated to be delivered to the market in the short term.	▶
Demand:	Demand is expected to remain scarce over the recent quarters.	▲

Prime Industrial Rents – December 2016

CLASS A LOGISTICS LOCATION	KZT	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	1Q	1YR
Almaty	22,800	68.4	11.7	9.6

Vacancy – December 2016

CLASS A LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y
Almaty	15.7	13.3	17.47

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