

KAZAKHSTAN

Almaty Office Market Snapshot

Fourth Quarter | 2016



Overview

Almaty, as the major financial and commercial centre in Kazakhstan, is the preferred destination for new international occupiers seeking to establish operations in the country, although Astana continues to provide ever-stronger competition. Over the past year the Almaty office market was characterised by relatively low occupier activity, as tenants remained cautious in the context of continuing economic uncertainty.

Occupier focus

Since the beginning of 2016 the Almaty Office market has expanded with more than 51,000 m² of GLA, due to the completion of three class B business centres.

On the backdrop of the current economic downturn Landlords are facing prevailing headwinds in terms of filling vacant premises due to constrained absorption levels, while occupiers keep focusing on well located, quality space with reasonable rental rates.

Over the past 12 months the average weighted rentals (denominated in USD) for both class A and B business centres witnessed differing trends, while the national currency remained predominantly stable during the reporting period. As of Q4 2016 the Almaty office market witnessed notable increase in Class B weighted average rentals associated with high vacancy in recently commissioned developments, which quote upper-edge rentals across B-class office segment.

Investment focus

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

Subdued outlook

In the year ahead, the Almaty office market is likely to face more uncertainty, with economic concerns affecting business confidence throughout the region and lack of confidence in the Tenge.

However, the development pipeline remains healthy, with approximately 30,000 m² GLA of office space expected to come to the market in the short-term period. The on-going office projects include both stand-alone business centres as well as premises to be delivered as part of mixed-used developments. Additionally, several projects remain 'on hold' at various stages of completion.

MARKET INDICATORS

Market Outlook

Prime Rents:	Rental rates are expected to remain unchanged in the short-term period	▶
Occupancy:	Occupancy levels are anticipated to grow, following the increasing market activity in the year ahead	▶
Supply:	Pipeline remains healthy. Although there is a high probability that completion of some projects will be postponed	▶
Demand:	Demand for office space is likely to be stable in the short-term	▶

Office rents – December 2016

MARKET SEGMENT	KZT	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	Q	Y
Class A	196,748	590	0.00	-0.13
Class B	74,869	225	0.34	0.41

Office vacancies – December 2016

MARKET SEGMENT	CURRENT Q	LAST Q	LAST Y
Class A	12.1	13.2	11.8
Class B	9.9	12.3	12.9

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