

Almaty Industrial Market Snapshot

First Quarter | 2019



Overview

In 2019 Almaty continues to head the list of the most developed industrial markets across Kazakhstan regions. The city is recognised as the most important transport, logistics and distribution hub in the country, serving as an indispensable transport node along the international transit route between Europe and Western China.

Unlike other commercial property segments demand for industrial developments was continuously healthy in Q1 2019, signaling another strong year for Almaty logistics market. On the other hand, suitable stock was in short supply putting upward pressure on rents. More broadly, low vacancy rates and sustained lease rate growth had become a class A segment trend and continued to drive rents higher, and encouraging a subsequent construction activity kick-off.

Demand

Continuous improvement of market indicators through the quarter was evident across most of the Almaty industrial market subsectors, albeit some projects were performing better than others. The occupancy of class A developments remained close to saturation.

The availability of quality and well-located space is shrinking. Class A industrial development experienced the strongest annual occupancy gains, where the overall vacancy rate dropped from 11.3% to 3.1% YOY. Growing demand from occupiers combined with an inadequate supply of appropriate stock available is driving up rental rates for such facilities.

Class B assets also posted a decrease in overall vacancy, falling by 3% YOY. However, occupational demand for class B warehousing space remained selective increasing the gap between class A and class B rentals. Location is set to remain key factor affecting demand for class B industrial developments. Retailers continued targeting industrial developments located on the city fringe as local retail distribution hubs considering customer proximity to be a key factor in determining optimal ship locations. Healthy demand by retailers is driving up rents for urban depots to match those of higher value uses, which supports the case for re-purposing/upgrading older stock located within city borders.

Supply

The total industrial inventory reached approx. 350,000 m² of quality space registered as of Q1 2019 with the top 4 industrial and logistics operators in the Almaty region managing almost 300,000 m² of speculative prime industrial and warehousing stock.

A forecast of a significant YOY increase in speculative development completions due in 2019 confirms the intentions of the market players to offset the current inadequate quality supply.

This demand/supply imbalance is supporting rental escalation that is expected to continue, although at a slower pace. Pent-up demand for quality industrial space is finding an outlet through speculative construction, with circa 25,000 m² currently being on the different stages of development, a post-financial crisis high. The bulk of this space is of class A specifications, albeit class B industrial segment is also attracting more construction activity.

Outlook

The volume of new supply will help rebalance the market where tailwinds for recovering retail sales show no sign of easing. As such, there are reasons to be optimistic about the logistics sector in remainder of the year.

MARKET INDICATORS

Market Outlook

Prime Rents:	Prime rents will continue to rise, although at a slower pace due to new scheduled deliveries	▼
Vacancy:	Is expected to remain limited in the short-run	▲
Supply:	Proposed speculative development will help to redress the demand/supply imbalance across the market.	▼
Demand:	Retail sales recovery will continue to fuel demand for quality industrial space.	▼

Industrial Asking Rents* – March 2019

LOGISTICS LOCATION	KZT	US\$	USD	
	SQ.M MONTH	SQ.M MONTH	Q4 2018	Q1 2019
Class A	2,048	5.4	5.2	4.1
Class B	1,016	2.7	2.6	3.2

Vacancy – March 2019

LOGISTICS LOCATION (FIGURES ARE NET, %)	Q1 2019	Q4 2018	Q1 2018
Class A	3.1	3.1	11.3
Class B	7.1	7.4	10.0

- rents are based on the KZT/USD rate of 380.4 provided by the National Bank of the Republic of Kazakhstan as of 31/03/2019, are indicated VAT exclusive, OPEX inclusive
 * asking (marketing rents) may deviate from real transaction rents by 10-25% downwards
 ** weighted average

This report has been produced by Cushman & Wakefield Kazakhstan for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield Kazakhstan believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield Kazakhstan shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2019 Cushman & Wakefield Kazakhstan. All rights reserved.

Madina Kerimbayeva

Associate | Consultancy Services
 CDC 2 Business Centre,
 240V Nazarbayev Avenue,
 Almaty, A26F8D3, Kazakhstan
 Tel: +7 727 334 40 00
 Madina.kerimbayeva@cushwake.kz
 cushmanwakefield.kz