

Almaty Retail Market Snapshot

First Quarter | 2019



Market overview

Taking continual devaluation of the Kazakhstani Tenge since 2015, consumer confidence has become less sensitive to the currency fluctuations with consumers turning slowly but steadily from retrenchment to a healthy spending mode.

During the first months of 2019, the consumer economy held up fairly well, although with a slight decline when compared to the corresponding period of 2018. The Q1 retail volume demonstrated a negative growth of -2.7% denominated in USD, although the sales in KZT increased by 13.7%.

Occupier focus

Almaty remains focal point for new brands seeking to establish operations in Kazakhstan. During the reported period the international retailers 'OVS' and 'Li-Ning' opened their first outlets on the market, while the brand 'Superdry' was set to launch its first store anytime soon.

International retailers continue to express interest in the local market, but operators are struggling with multiple headwinds, including rising cost of goods, rates revaluations, minor real income increases and continuing national currency volatility.

There is no single trend in the rental costs observed across the market. On the whole, occupier demand remains selective, with majority of retailers targeting prime high footfall locations. Less successful projects are forced to become more flexible and make efforts to attract tenants and increase occupancies through offering more favourable commercial terms, incentives etc., which in many locations is restraining opportunities for rental growth.

Supply

The market of shopping centres is undergoing qualitative change against the backdrop of a highly competitive landscape to focus on creating an attractive experimental environment for the end user. The share of socializing and entertainment content as part of the retail destinations continues to grow and diversify. In the current conditions of the market only the players that are receptive to new perceptions of retail environments will be able to retain occupancy and rental rates.

For the past 6 months, apart from pre-opening of 'SEC Forum Almaty', development activity on the Almaty retail market has been muted with no large-scale retail schemes being currently in the pipeline. Much of the activity throughout the first months of 2019 was focused on refurbishment and upgrade of the existing developments. Approximately 35,000 m² of additions, slated to open in 2019, will be introduced to the market mainly through the

expansion of the leisure & entertainment components of the existing retail destinations. For instance, 'MEGA Alma-Ata' shopping mall upon completion of the ongoing reconstruction works plans to launch of the 15-screen Chaplin cinema and double the food-court area. The first phase of the refurbishment is arranged for Q2 2019. The total gross area of 'MEGA Park' shopping mall is scheduled to expand to 130,000 m².

Additionally, the transformation of Almaty (within the framework of the adopted urban concept "a city for pedestrians") continues to revitalize the previously scattered and fragmented city street retail. The 2019 reconstruction of the city street-road net is expected to further enhance the retail environment and potentially help create sustainable street retail destination nodes across the city.

Outlook

The current year will sustain and advance the trends of the past 12 months. The consumer improving confidence will help drive household consumption and retail spending.

The changing preferences towards the shopping experience will continue to transform the existing retail destinations. The less receptive to change projects will be affected through lower occupancies and dropping rates.

The future outlook for the Almaty retail market continues to be cautiously optimistic.

MARKET INDICATORS

Market Outlook

Rental Rates:	Limited opportunities for rental growth, with incentives being offered in less successful locations	▶
Supply:	The quality of the offer is improving with redevelopments and refurbishments paving the way	▶
Demand:	With limited new supply in the pipeline, demand for good quality retail centers will remain healthy F&B, service-oriented retailers and discounters will continue to be demand drivers.	▶
Occupancy:	Occupancy gains will be concentrated in newly constructed retail developments	▲