

Nur-Sultan 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 -4.4% denominated in USD, although the sales in KZT increased by 11.8%.

Occupier focus

International retailers continue to be interested in the local market. Seeking new expansion opportunities 'Tchibo,' 'Parfois', 'Coccinelle', all brands of the Polish retailing company LPP (Reserved, Cropp, House, Mohito, and Sinsay), 'Mixit', 'Bobbi Brown', 'Calvin Klein Underwear', OVS were added to the list of new brands now present or underway on the market.

Additionally, a number of retailers, such as 'Chick-a-beef', 'Parfois', 'Tally Weijl', 'Лепим-Варим' ('Lepim-Varim'), 'Skinny', 'Gant' unveiled their plans to enter Nur-Sultan retail market in the mid-term and are keen to secure space in the Capital's most established retail locations.

Occupier demand remained selective for second-tier retail schemes with many retailers retaining focus on the large-scale conceptual shopping malls in key locations to ensure high turnover.

Despite improving fundamentals in the consumer sector, in the context of persisting economic uncertainty, no opportunities for rental growth were observed at this stage.

Supply

Nur-Sultan retail market until recently witnessed a development-driven supply overhang, but improving consumer confidence had helped to largely absorb excess space in key retail developments.

As of the end of the year the development pipeline remained healthy with number of projects being at different stages of development. On-going and upcoming projects such as 'Green Mall', 'Republic Plaza', retail components as part of the mixed-use developments 'Talan Towers', 'Abu Dhabi Plaza' and 'The St. Regis Astana' are scheduled for completion by the end of the year. Once completed, almost 100,000 m² (GLA) of modern retail space will be added to the market.

Construction has also commenced on Keruen Global gastronomic market in Saryarka residential district. The 7,900 m² mall is set to introduce a new retail format to Kazakhstan retail market, combining a farmer's market, bistro concepts, seasonal fairs and gourmet festivals. The project is slated to open in H1 2020.

In addition, a number of existing shopping destinations such as Sine Tempore, Keruen, Arujan, and Asia Park are continually being proposed for expansion and upgrade.

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 directly involved parties. Indeed, there is no evidence of any interest from institutional investors from outside of Kazakhstan seeking to acquire, which exacerbates the lack of transparent information.

Outlook

The capital city will continue to serve as the second most important retail destination in the country after Almaty.

Despite the improving sales growth statistics and some rebound in occupier demand, we expect the market fundamentals to stay moderate with consumer spending set to remain the key factor influencing market activity in the mid-term. Prime retail assets will continue to benefit from below average vacancy rates and stable rental levels. Demand for secondary locations is anticipated to remain selective.

MARKET INDICATORS

Market Outlook

Rental rates:	There are no prerequisites for rental rates growth across the market in the short run	▶
Supply:	Healthy development pipeline. Increased supply in 2019-2020 through further development of modern retail sector with over 97,000 m ² underway.	▼
Demand:	Occupancy gains will be concentrated across modern retail destinations due to new retail players entering the market.	▼