

Overview

The Astana market is the second largest office market in the country (after Almaty) and office development in the city continues at a sustainable pace. The focus of construction activity has predictably come from public sector demand, and a large proportion of the Government's budget has been spent on ensuring Astana fulfills its role as the new centerpoint of the national economy and as the new focus of the national economy, although the corporate sector is also relatively active. The continuing shift of business activity from Almaty to the new capital, Astana, associated with relocation to Astana of the State Institutions and headquarters of the large local and international companies, operating on the Kazakhstan market, ensures steady demand for office space and healthy absorption rate. As of Q3 2017 the number of existing legal entities in Astana accounted for 14.7% of the national total.

The city is also considered to be the second most attractive destination for international companies planning to enter Kazakhstan market: the Capital hosts 15.1% of all overseas companies registered in the country.

Demand

Occupiers keep retaining focus on well located, high quality space, while continue to seek ever more efficient workspace spurring demand for newly commissioned B+ class office developments and pushing the occupancy rate up to 96.5% across the market segment (Q3 2017). Yet notable expansion of the Astana prime office market by almost a third (due to commissioning of the office component as part of 'Talan Towers' mixed-use development in late 2016) in the line with restrained occupier demand for the Class A developments has pushed the vacancy rate up to 16.2%.

The Astana office market have been undergoing a transition from rental rates quoted in USD to rental denominated in the national currency across all grades. As of Q3 2017 the landlords of the prime office developments are inclined to retain rentals quoted in US dollars, whilst the rentals across class B office facilities are mainly being set in KZT terms. Over the past 6 months the asking rates remained largely stable across the A/B office market segments and fixed at the level of Q1 rentals whilst the vacancy rates for both class A and B business facilities demonstrated opposite trends.

Supply

On the supply side over the past 6 months the Astana office market has been expanded by 23,000 m² (GLA) owing to the commissioning of 'Aura' office development. The aggregate volume of class B office premises delivered to the market since the beginning of the year 2017 amounted to 45,000 m² (GLA). Despite the increased supply on

across the submarket the overall vacancy has remained remarkably low.

Additionally Cushman & Wakefield is keeping track of approximately 115,000 m² (GLA) of office space under construction scheduled for completion during the next 24 months.

Outlook

The bulk of the new construction is concentrated in the Kazakhstan capital city with supply anticipated to outstrip demand in mid-term period, resulting in a gradual increase in vacancies and reduction rental rates across the market.

MARKET INDICATORS

Market Outlook

Prime Rents:	Prime rents are likely to remain stable in the short-term period	▶
Occupancy:	Vacancy rate will begin rising with supply outstripping demand	▲
Supply:	The pipeline of proposed projects remains healthy	▶
Demand:	Weaker absorption levels are expected	▲

Office rents* – September 2017

MARKET SEGMENT	KZT	US\$	GROWTH, USD, %	
	SQ.M YR	SQ.M YR	Q1 2017	Q3 2016
Class A	15,762.7	46.2	-8.7	106.2
Class B	3,924.4	11.5	-21.8	-19.6

Office vacancies – September 2017

MARKET SEGMENT	Q3 2017	Q1 2017	Q3 2016
Class A	16.3	16.2	3.2
Class B	3.5	4.1	6.9

Rentals range – September 2017

MARKET SEGMENT	KZT	USD
Class A	4,450 – 18,871	13 – 60
Class B	2,675 – 7,800	8 – 23

* average weighted rental rate, excluding OPEX and VAT

**USD rents are calculated using the KZT/USD rate of 341.19 stated by the National Bank of the Republic of Kazakhstan as of 30/09/2017