

Astana Retail Market Snapshot

Third Quarter | 2017



Overview

Astana, the second most attractive retail destination in the country, like Almaty, has been slowing down over the past several years. Nevertheless, presently, despite the continuing volatility of the national currency, market indicators are signaling a slow recovery of consumer activity. An additional factor in favor of improving the market performance was the holding of the world exhibition 'EXPO-2017' in Astana.

The total volume of retail trade over the last 9 months showed an aggregate increase of 32% when compared to the corresponding period of 2016.

Occupier focus

The overall performance of the Astana retail market has demonstrated low level of retailers' activity as weak market fundamentals persist. In light of latest economic uncertainties, the majority of existing retailers have adopted a more conservative expansion approach.

The Astana retail market is characterized as 'tenant orientated' due to the current excess of supply over demand. Landlords in the context of all segments of the retail real estate market are forced to soften their commercial terms in order to maintain the favourable mix of tenants, while the process of attracting new ones is associated with considerable difficulties.

International retailers continue to be interested in the local market; however, the market activity comes from the expansion of already present retailers rather than from the introduction of new operators in the market. Existing retailers actively take advantage of the current market conditions to ensure the most favourable commercial terms and location.

Similarly to Almaty, in the third quarter the tenant demand retained focus on established retail schemes offering high footfalls and revenues.

On the supply side Astana continues to witness strong ongoing development activity. В третьем квартале был введен в эксплуатацию premium retail space as part of a mixed use development 'Talan Towers' (GLA – 8 300 m²). There is also a number of ongoing projects at different stages of development in Astana, including 'Republic Plaza' (phase I) and retail components as part of the mixed-use developments 'Abu Dhabi

Plaza' and 'The St. Regis Astana'. Once completed, the projects will bring to the market more than 70,000 m² (GLA) of modern retail stock.

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

Astana will continue to serve as the most important retail destination in the country after Almaty. Despite the signs of recovery of the consumer spending, in the medium term the market dynamics will remain умеренный.

The growing supply of retail stock на фоне will put rents under sustained downward pressure while demand for retail facilities expected to remain limited.

MARKET INDICATORS

Market Outlook

Rental Rates: Increased supply over demand will keep rental rates down ▶

Supply: Healthy pipeline of on-going projects ▼

Demand: Vacancy levels are likely to remain flat ▶

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