

KAZAKHSTAN

Astana Retail Market Snapshot

Fourth Quarter | 2016



Overview

Astana, like Almaty, shows a slowdown in retail sector growth. Trading conditions have been adversely affected by the national currency weakness.

Occupier focus

As of the end of 2016 the overall performance of the Astana retail market has demonstrated low level of retailers' activity as weak fundamentals persist. In light of latest economic uncertainties, the majority of existing retailers have adopted a more conservative expansion approach, yet those like 'Furla', 'TBOE', 'Women'secret', 'Terranova' are seeking to enter the market considering challenging conditions as a good chance to ensure the most favorable rentals and location.

Similarly to Almaty, tenant demand retained focus on established retail schemes offering high footfalls and revenues. Most landlords across the market moved towards the mitigation of terms to retain existing tenants as attracting new occupiers became increasingly challenging. During Q4 2016 rentals remained largely stable compared to previous quarter.

On the supply side Astana continues to witness strong ongoing development activity due to the city set to host the upcoming World's Fair 'EXPO-2017'. There are a number of projects at different stages of development in Astana, including 'MEGA Silk Way', 'Republic Plaza' (phase I) and retail components as part of the mixed-use developments 'Abu Dhabi Plaza', 'Talan Towers' and 'St. Regis'. Once completed, the projects will double the existing modern retail stock bringing it up to 350,000 m² (GLA).

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.

Outlook

Astana will continue to serve as the most important retail destination in the country after Almaty. Despite its strong growth potential, the development of the Astana retail market will be subdued by a sluggish economy and contraction in consumer spending in the medium term. Looking ahead, since challenges remain and occupier activity is expected to be slow to recover, the low-growth trend is expected to continue in the year ahead.

Additionally the growing supply of properties will put rents under sustained downward pressure while demand for retail facilities expected to remain scarce due to continuing decrease in consumer spending.

MARKET INDICATORS

Market Outlook

Rental Rates: Rental rates are expected to remain stable in the short-term period ▶

Supply: Healthy pipeline of on-going projects ▶

Demand: Vacancy levels are likely to remain flat ▶

Prime Retail Rents - December 2016

HIGH STREET SHOPS	KZT	€	US\$
	SQ.M YR	SQ.M YR	SQ.M YR
Astana (City)	184,440	553	523