

Astana Office Market Snapshot

Fourth Quarter | 2018



Overview

For the year to date the post EXPO activity has fueled the Astana office market development. Most of the upcoming office supply is proposed as part of larger urban development schemes that are being implemented in line with the city modernisation program. With all the new and proposed developments Astana has outperformed to date the largest office market of Almaty both in terms of scale and quality of supply offered.

Hosting Astana EXPO-2017 exhibition posed new urban challenges for the city. Today it is the cities and not the industries that determine the competitiveness of countries. The capital of Astana holds responsibility to act as the engine of the country's economic growth and ultimately to become a megacity - the center of attraction for talent, tourists and investors. However, the exhibition is yet to prove its benefits, as for now most of the proposed large-scale projects take a longer view and are not being commercially justified in the current market conditions.

Demand

The Astana CRE market activity has failed to live up to recovery predictions cast at the beginning of the year. As of Q4 2018 the leasing market posted another quarter of restrained activity despite the fact that the capital continues to top the list of the most vibrant labour markets with unemployment rate of 4.6%, the lowest index registered countrywide.

Despite Astana office market has completed transition from USD-denominated rental rates to those quoted in KZT considering the national currency fluctuations, the landlords of prime locations are still inclined to retain 'USD-based' rentals. Thus the national currency further depreciation registered as of Q4 2018 marginally affected Class B+/B submarket with rentals being basically denominated in KZT across class B office facilities.

The occupancy rates for both class A and B business facilities demonstrated opposite trends with class A submarket driving the market posting occupancy growth by 3.1%. Well-located Class A buildings with well-funded landlords continue to exhibit resistance in a softening market, while Class B have been dependent on the national currency volatility demonstrating a quarterly decrease in occupancy by 4.2%.

Supply

The quality pipeline remains healthy comprised of the ongoing office component of the Abu-Dhabi-Plaza mixed-use development, as well as office premises located on the territory of EXPO-2017 to be released in line with the after-exhibition use strategy.

Cushman & Wakefield estimates the Astana office stock proposed expansion to reach approximately 150,000 m² of quality office space in the following 24 months – the largest volume of completion anticipated for release to the market over a decade.

Outlook

We forecast the occupier driven market to persist in the mid-term.

The existing landlords are expected to be pushed further in their attempts to upgrade and promote their facilities in order to stand out in the highly competitive marketplace.

It is reasonable to suggest that, on the other hand, more cost effective and enhanced options will get available to the existing and potential to be occupiers.

MARKET INDICATORS

Market Outlook

Prime Rents:	We expect national currency fluctuations might put further pressure on the rentals growth	▲
Occupancy:	The growth of available office space is expected alongside with accelerating new supply	▲
Supply:	The pipeline remains active. An increase in speculative development will prevent rental growth.	▼
Demand:	Growth will be offset by a rising supply of new buildings yet we expect the market to require some time to absorb the scheduled completions	▶

Office rents* – December 2018

MARKET SEGMENT	KZT	US\$	US\$	
	SQ.M MONTH	SQ.M MONTH	Q3 2018	Q3 2017
Class A	21,944.4	57.1	56.7	46.2
Class B	5,160.8	13.4	16.0	11.5

Office vacancies*** – December 2018

MARKET SEGMENT	Q4 2018	Q3 2018	Q3 2017
Class A	71.2	74.3	16.3
Class B	8.9	4.7	3.5

* average weighted rental rate. excluding OPEX and VAT

USD rents are calculated using the KZT/USD rate of 384.2 stated by the National Bank of the Republic of Kazakhstan as of 31/12/2018

** due to introduction of high quality office space to the market over the last 12 months the Astana office classification has been revised in Q1 2018, some of the business centres were downgraded

This report has been produced by Cushman & Wakefield Kazakhstan for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield Kazakhstan believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield Kazakhstan shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2018 Cushman & Wakefield Kazakhstan. All rights reserved.

Madina Kerimbayeva

Associate | Consultancy Services,
CDC 2 Business Centre,
240V Nazarbayev Avenue,
Almaty, A26F8D3, Kazakhstan
Tel: +7 727 334 40 00
Madina.kerimbayeva@cushwake.kz
cushmanwakefield.kz

KAZAKHSTAN

Astana Office Market Snapshot

Fourth Quarter | 2018



This report has been produced by Cushman & Wakefield Kazakhstan for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield Kazakhstan believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield Kazakhstan shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2018 Cushman & Wakefield Kazakhstan. All rights reserved.

Madina Kerimbayeva

Associate | Consultancy Services,
CDC 2 Business Centre,
240V Nazarbayev Avenue,
Almaty, A26F8D3, Kazakhstan
Tel: +7 727 334 40 00
Madina.kerimbayeva@cushwake.kz
cushmanwakefield.kz