

# Astana Retail Market Snapshot

Fourth Quarter | 2018



## Market overview

Since the first KZT devaluation in 2015, consumer confidence has become less sensitive to the national currency fluctuations with consumers turning from retrenchment to healthy spending mode. Despite on going sanction-linked uncertainty and further national currency volatility, the consumer economy held up fairly well in the corresponding period.

As of 2018 year-on-year retail sales volume growth averaged 13.4% (denominated in KZT) and 7.2% (denominated in USD), thus, picking up the upward trend of 2017.

## 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' 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 Astana 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.

By the fourth quarter of 2018 average rental rates remained largely unchanged. 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

Astana 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 within the next 12 months. Once completed, almost 100,000 m<sup>2</sup> (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 m<sup>2</sup> 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

Astana 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 <sup>2</sup> underway.	▶
Demand:	Occupancy gains will be concentrated across modern retail destinations due to new retail players entering the market.	▶

KAZAKHSTAN

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