

Astana Industrial Market Snapshot

Fourth Quarter | 2016



Overview

Astana is the 2nd most developed city in Kazakhstan (after Almaty) in terms of modern Warehousing & Logistics developments. Despite a slowdown in the country's economic growth, the Astana industrial property market continues to benefit from the international investment programmes and local governmental strategies leading towards the city's transformation into a key regional transportation hub.

Occupier focus

Predominantly led by the companies using Astana warehousing and logistics facilities as large distribution centre to service the northern regions of the country, occupier demand has eased significantly during the past 12 months, reflecting conditions in the overall economy. The industrial vacancy rate across class prime Astana Warehousing & Logistics developments remained stable in Q4 2016 compared to previous quarter, peaking at 29.9%. The industrial vacancy rate is currently tracking its highest level of the past 3 years.

As of the end of 2016 'Astana Import-Export', 'USKO Logistics International', 'Astyk Logistics', 'Continental Logistics' and 'Sapa Logistics' comprised the top 5 industrial and logistics operators in the Astana region managing almost 100,000 m² of speculative prime industrial and warehousing stock.

Due to a notable decrease in occupational absorption over the past year, the industrial market is oversupplied, adding downward pressure on rental rates. As a result rental levels (denominated in KZT) have seen declines since the beginning of the year and are expected to remain unchanged in the short term.

On the development front, no new industrial space was delivered to Astana market during the last quarter of 2016. The 55,000 m² (GLA) of both phase II of the 'Continental Logistics' and phase 1 of the 'Astana Industries' warehousing developments previously scheduled for commissioning in early 2017 were put on hold since economic uncertainties persist.

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 parties. Indeed, there is no evidence of any interest from funds from outside of Kazakhstan seeking to acquire, which exacerbates the lack of information available.

Outlook

The sector is confronting headwinds: importers continue to face stronger U.S. dollar, regional and domestic slowdown of activity persists adversely affecting demand for industrial facilities. Considering the cautious economic outlook, speculative supply will continue to outstrip demand for warehousing developments in the mid-term.

MARKET INDICATORS

Market Outlook

Prime Rents:	Prime rents (denominated in KZT) are expected to remain stable in the short term	▶
Occupancy:	Occupancy will continue to tighten over the next mid-year	▲
Supply:	Development activity will remain scarce due to continuing economic uncertainties	▲
Demand:	Astana imports, which are closely tied to warehousing demand, will continue to tighten on the back of subdued domestic demand and rising import prices	▲

Prime Industrial Rents – December 2016

CLASS A LOGISTICS LOCATION	KZT SQ.M YR	US\$ SQ.M YR	GROWTH % 1Q	GROWTH % 1YR
Astana	19,200	57.6	6.9	-3.4

Vacancy – December 2016

CLASS A LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y
Astana	29.9	29.9	28.5

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