

KAZAKHSTAN

Astana Office Market Snapshot

Fourth Quarter | 2016



Overview

The Astana market is the second largest office market in the country and office development in the city continues at a sustainable pace. The focus of construction activity has predictably come from public sector demand, and a large proportion of the Government's budget has been spent on ensuring Astana fulfills its role as the capital city and as the new focus of the national economy. As of the end of 2016, the Astana office market was in a process of continuing extensive development in readiness for the 'Astana Expo-2017' International Exhibition.

On the supply side the Astana office market grew by about 7 000 m² of GLA during 2016. Additionally, Cushman & Wakefield is tracking approximately 155 000 m² (GLA) of office space under construction.

Occupier focus

The year began with severe commercial property markets volatility, which resulted from the national currency depreciation in late 2015. The increase in vacancy in that context has contributed to put downward pressure on asking rents (quoted in USD). Additionally, currency fluctuations led to the transition of the Astana office market from rental rates quoted in USD to rentals denominated in the national currency. However, the landlords of prime office developments are inclined to retain rentals quoted in US Dollars, whilst the rentals across class B office facilities are mainly quoted in KZT.

As of Q4 2016 the asking rates remained largely stable across the A/B office market segments at the level of Q3 rentals whilst the vacancy rates for both class A and B business facilities demonstrated opposite trends with tightened demand for class A office space.

Subdued outlook

The development of the Astana office market maintains a positive quantitative outlook driven mainly by expectations of the upcoming EXPO-2017. However, considering the number of projects being developed against a backdrop of tighter occupier demand, there is a high risk for over supply across class A office facilities outstripping demand over the short and medium term. The completion of proposed projects is expected to double the existing office stock and push rental rates further down by increasing vacancy levels.

The forthcoming EXPO-2017 has brought a surge of infrastructure developments to the city, many of which are already underway and due to be completed over the next two years, and it is hoped that these improvements will boost Astana's attractiveness to international occupiers in the long term, the legacy plans for the Capital remain opaque.

MARKET INDICATORS

Market Outlook

Prime Rents:	Prime rents are likely to remain stable in the short-term period	▶
Occupancy:	Vacancy rate will begin rising with supply outstripping demand	▼
Supply:	The pipeline of proposed projects remains healthy	▶
Demand:	Weaker absorption levels are expected	▲

Office rents – December 2016

MARKET SEGMENT	KZT	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	Q	Y
Class A	70,004.2	210.0	-17.9	-2.5
Class B	48,553.7	145.7	-15.1	-21.2

Office vacancies – December 2016

MARKET SEGMENT	CURRENT Q	LAST Q	LAST Y
Class A	8.5	3.2	11.5
Class B	7.0	6.9	8.0

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. ©2017 Cushman & Wakefield Kazakhstan. All rights reserved.

Maxim Dyomin

Head of Valuation & Advisory,
CDC 2 Business Centre,
240V Furmanov Street,
Almaty, A26F8D3, Kazakhstan
Tel: +7 727 334 40 00
Maxim.dyomin@cushwake.kz
cushmanwakefield.kz