

Almaty Retail Market Snapshot

Fourth Quarter | 2016



Overview

The Almaty market is considered to be the primary retail destination in the country. However, the retail market is adversely affected by the country's uncertain macroeconomic prospects, which have translated into a decrease of consumer demand and a subsequent slowdown in retail sales.

Occupier focus

The retail marketplace continues to undergo a period of retrenchment. Economic uncertainties have caused many retailers to modify their strategies and adopt a more conservative approach, contracting their presence on the market (and subsequently forcing the overall vacancy rate upwards). This, combined with a consumer that downshifted into frugality mode in the line with lessening economics, has contributed the most challenging retail landscapes of the past 7 years.

In line with the challenges, retail spaces vacancy has actually continued to shift upward. The impact of this trend has been mainly felt at the non-conceptual shopping malls and almost entirely at the street retail outlets. However, Almaty continues to remain the national focal point and the most attractive local market for major fast food international retailers such as 'McDonald's', which launched two branded F&B outlets in Almaty during 2016. 'Starbucks' continued its expansion in Almaty.

Despite the contraction in consumer demand some retailers are seeking to take advantage of the low market in order to ensure the best locations and rental conditions: H&M has announced its plans to enter the Kazakhstan market with opening two retail outlets in Almaty during 2017. Additionally, despite limited activity across the retail market, Almaty expects the launch of the first 'OBI' hypermarket (through 'Asadel Retail') within the next 6 months as the first stage of the chain's rollout in Kazakhstan.

On the supply side during 2016 the Almaty retail market has expanded by over 30,000 m² of GLA with commissioning of 'Almaty Mall' and phase I of 'Moscow Metropolitan' Shopping Malls. However the supply pipeline in the near term continues to grow with the following projects scheduled for completion in the short-term: 'Forum Almaty', phase II of 'Moscow Metropolitan', phase II of 'Grand Park Almaty' and 'Mart Village'. Once operational the projects will bring around 120,000 m² (GLA) of modern retail space to the existing stock. However, in light of the latest economic development there is a high probability of announced projects being put on hold and postponed.

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

International retailers continue to be interested in the local Almaty market, but are carefully assessing their growth prospects in the region. Consumer spending is set to remain a key factor of market activity in the year ahead; the market remains tenant-oriented.

MARKET INDICATORS

Market Outlook

Rental Rates:	Expected to remain stable or decrease with supply remaining ahead of demand in most locations	▶
Supply:	Healthy pipeline of on-going and planned projects	▶
Demand:	Demand for retail facilities expected to remain scarce/ restricted	▲

Prime Retail Rents - December 2016

HIGH STREET SHOPS	KZT SQ.M YR	€ SQ.M YR	US\$ SQ.M YR
Almaty	216,280	614	649