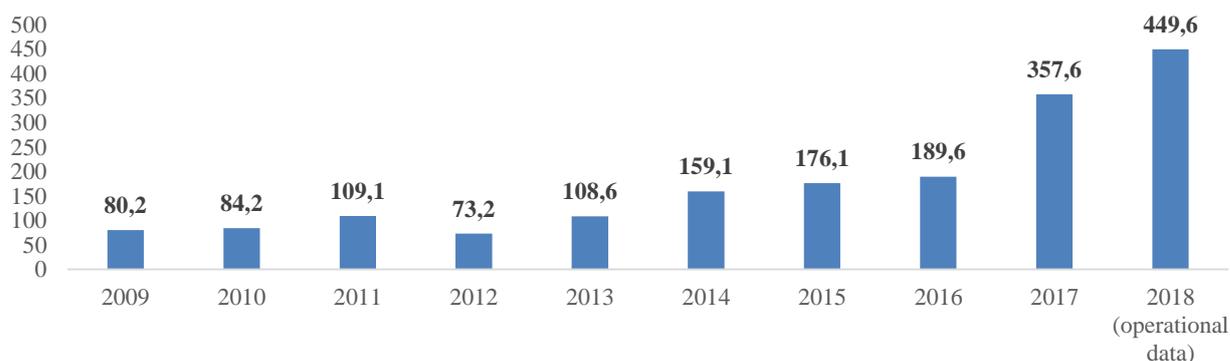


Information on commercial real estate in Nur-Sultan

Real estate market is one of the main drivers of the capital's economy. Real estate has long been considered the easiest direction for investment. Traditionally, real estate is divided into residential and commercial. Commercial real estate is the most attractive segment of real estate for investment.

According to statistics, investments in fixed capital (IFC) in real estate transactions in Nur-Sultan show **stable growth** over the past 7 years, and in January-December 2018, the capital is the leader in terms of investment in this sector among the regions of Kazakhstan, its share in the total volume of IFC real estate transactions field was **31.6%** (the volume of IFC real estate transactions in Kazakhstan is **1.4 trillion KZT**, including **449.6 billion KZT** – the volume of IFC real estate transactions in Nur-Sultan).

Investments in fixed capital in real estate transactions in Nur-Sultan, billion KZT



What applies to commercial real estate? In the name of "commercial real estate" reveals its importance, it is real estate facilities used for making profit. These include:

1. Office real estate;
2. Industrial facilities;
3. Warehouse premise;
4. Land plots and etc.

Proposals of office, industrial and warehouse real estate of the capital were monitored, and a brief analysis of this sector was made to identify the investment and production opportunities of Nur-Sultan.

Office real estate

Nur-Sultan is the fastest growing city in Kazakhstan. Office rent today is the most popular type of real estate in Nur-Sultan. Offices are premises in an administrative building used for management purposes. The main part of the office

premises is located in business centers. There is no generally accepted classification of office facilities in Kazakhstan. In this regard, participants of the office real estate market rely on foreign experience. For orientation in the office premises market mainly use the division into «A», «B» and «C».

For today, the total area of office premises of class «A», «B» and «C» in Nur-Sultan is **1 160 000 sq. m.** (approximately classes «A» - 273 200 sq. m., «B» - 709 200 sq. m., «C» - 177 600 sq. m.), in Almaty **1 950 000 sq. m.**

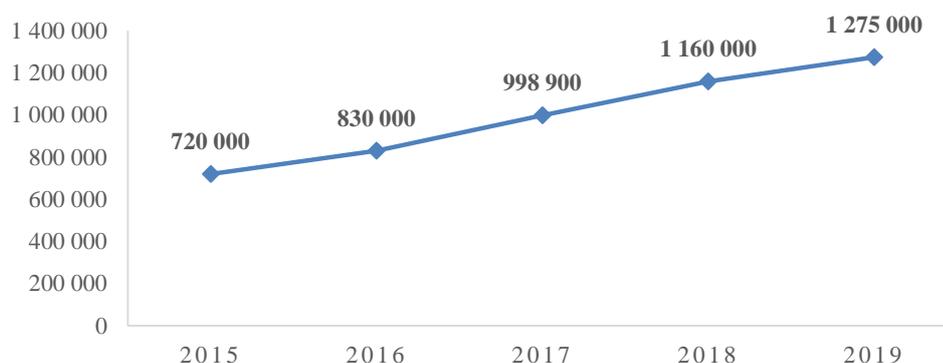
At the same time the **occupancy** of office premises:

- **class «A»** in Nur-Sultan reaches the level of **80%**, in Almaty **91%**;
- **class «B»** in Nur-Sultan is **96%**, in Almaty **90%**.

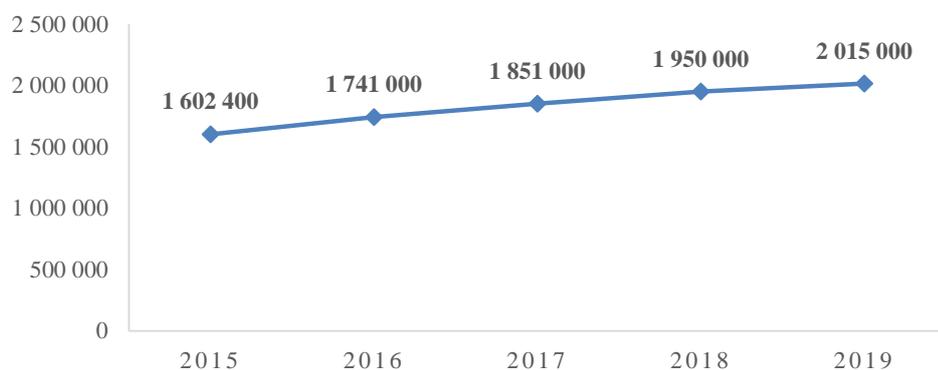
Reference:

There are no relevant data in the available sources in the field of real estate for such large cities as Shymkent and Atyrau.

Dynamics of growth of proposals in the segment of office real estate in Nur-Sultan (classes A, B and C), 2015-2019, sq. m of total area



Dynamics of growth of proposals in the segment of office real estate in Almaty (classes A, B and C), 2015-2019, sq. m of total area



The highest average rental rate for office premises of **class «A»** recorded in Nur-Sultan - **15 600 KZT per sq. m** (from 9 000 to 22 200 KZT per sq. m.) in comparison with the cities of Almaty, Shymkent and Atyrau.

At the same time, the lowest average rental rate for office premises of this class is observed in Shymkent – **5 000 KZT per sq. m.**

However, the average rental rate for office premises of **class «B»** is the highest in Almaty – **7 300 KZT per sq. m.** than in other major cities of Kazakhstan.

*Average rental rate for office premises in the cities of Kazakhstan
(KZT, sq. m.)*

City	Average rental rate		
	class «A»	class «B»	class «C»
Nur-Sultan	15 600 (\$42)*	6 250	3 750
Almaty***	12 150	7 300	2 500
Atyrau	6 000	3 000	2 500
Shymkent	5 000	2 500	1 500

**Based on the average exchange rate of the NB RK at the end of 2018 in the amount of KZT 370.13 per \$ 1*

Moreover, rental rate of class «A» offices in Nur-Sultan exceeds the rates of a number of developed and large cities in the world.

*Average rental rate of class «A» offices in the world
(doll. USA, sq. m.)*

Singapore	83,2
Nur-Sultan	42
Moscow	38
Dubai	37
Minsk	35
Almaty	33
Kiev	28

Real estate specialists call **customer retention** a key trend in 2018. At the same time, proposal in the office real estate market is growing rapidly.

Since the beginning of 2018 in Nur-Sultan **8** business centers of **class «B»** with a total area of **159 000 sq. m.** of office real estate was commissioned.

Construction of **5** new business centers of office real estate, including Abu-Dhabi Plaza, with a total area of **210 000 sq. m.**, which are planned to be commissioned in 2019-2020, is continuing in Nur-Sultan.

Reference:

According to paragraph 12.2 of the Decree of the Government of the Republic of Kazakhstan dated March 25, 2011 № 272-1 «On signing of the Agreement on construction between the Government of the Republic of Kazakhstan, akimat of Astana and limited liability partnership «Aldar EuroAsia» in relation to the construction of a multifunctional complex Abu-Dhabi Plaza in Astana, the Republic of Kazakhstan» prohibited the construction (construction of objects) of new large stand-alone or located in the same building shopping centers (complexes) with an area of more than 20,000 m² in the planning area, which includes Abu-Dhabi Plaza to the West and West of the Ishim river.

In Almaty in 2018, 2 facilities of class «A» and «B+» with a total area of **43 thousand sq. m.** were commissioned. Also, there is a construction of **4** buildings with a total area of **56 thousand sq. m.**, planned for commissioning in 2019.

According to the real estate consulting company Tetin, in Nur-Sultan **vacant areas** of office premises class «A», «B» and «C» ranges from **185 600 to 208 800 sq. m.**, in Almaty - **from 312 000 to 351 000 sq. m.**

According to Colliers company, **vacant areas** of office premises is:

- class «A» in Nur-Sultan **30 300 sq. m.**, in Almaty - **14 400 sq. m.**
- class «B» in Nur-Sultan **25 992 sq. m.**, in Almaty - **112 300 sq. m.**

According to forecasts of international experts of the investment market and real estate, the appearance on the market of such a number of commercial premises can **reduce** the average rental rate in class «A» for **10-15%**, in class «B» for **7-8%**.

Conclusions:

Based on the above, it can be concluded that an overabundance of premises is expected in the office real estate market in Nur-Sultan. It is possible that the increase in proposals in the market will lead to high competition and, as a consequence, to reduction in capitalization, increase in the payback period and decrease in rental rates.

However, taking into account the annual growth in the number of legal entities and enterprises in Nur-Sultan (according to statistics for 5 years the number of legal entities increased **1.8 times**, from 25 303 to 44 397), the office market will be characterized by unstable demand.

Reference:

Average rental rate for office premises in the business centers in Nur-Sultan (per sq. m.)

class A	«Talan Towers» BC	from 18 500 to 22 200 KZT
class A	«Q» BC	from 11 000 to 13 000 KZT
class A	«Bayterek» BC	9 000 KZT
class B	«Down Town» BC	from 7 000 to 8 000 KZT
class B	«Kaskad» BC	7 300 KZT
class B	«Alma-Ata Business House» BC	from 4 500 to 6 000 KZT
class C	«Asyltau» BC	4 500 KZT
class C	«Tabys» BC	from 3 500 to 3 850 KZT
class C	«Business Hall» BC	from 3 000 to 3 500 KZT

Criteria of office premises according to the international consulting company in the field of commercial real estate and development Colliers international

Class «A»	<i>Newly built buildings in the business center of the city, with the obligatory presence of parking, the number of parking spaces should correspond to the proportion — at least one place per 100 sq. m of the leased area. They are distinguished by modern engineering infrastructure, in particular, controlled</i>
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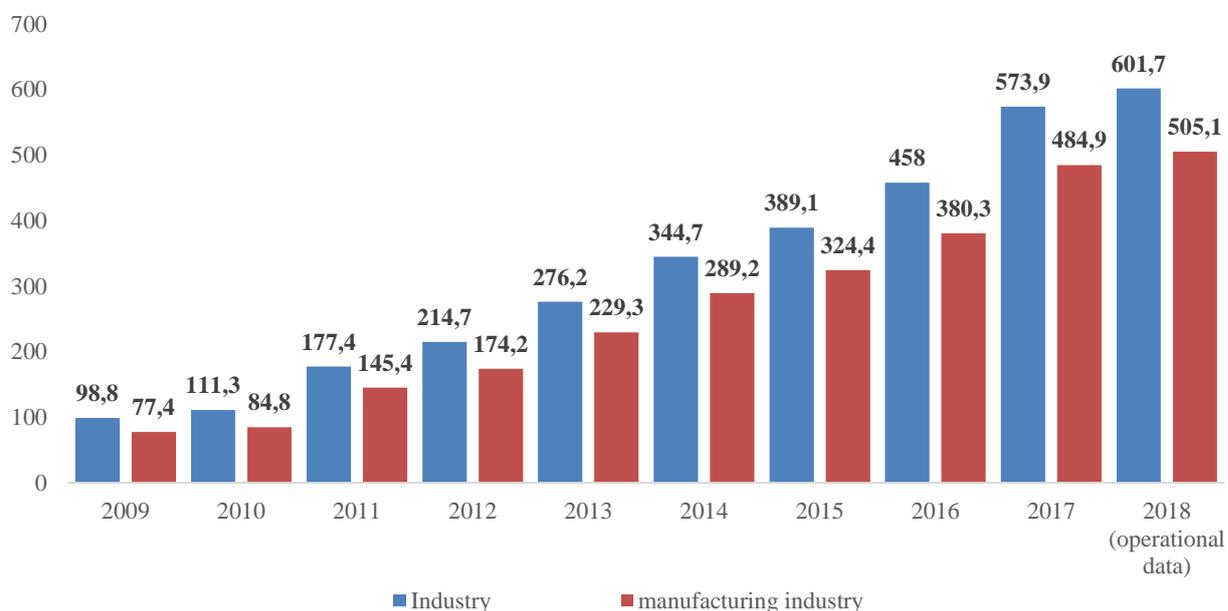
	<i>microclimate in all premises, central air conditioning, heating and ventilation, as well as modern security systems (video surveillance, alarm, etc.). Maximum open layout (open space) is important in the presentation of the premise. It is very important to have a convenient infrastructure for employees - the presence of power points in the building, the proximity of the building to the main transport routes, to bus stops.</i>
Class «B»	<i>The main difference from class A business centers is that class “B” buildings are mainly reconstructed buildings or newly built buildings on the periphery of the central part of the city. As a rule, the level of quality of internal characteristics is slightly lower, although the interior decoration of the building can be close to class A buildings</i>
Class «C»	<i>Buildings located outside the city center with a cabinet system of offices location, have simple air conditioning, heating (ventilation, usually natural), parking is usually absent or formed spontaneously.</i>

Industrial areas

In general, the volume of industrial production, as well as the manufacturing sector, in Nur-Sultan over the past 10 years has increased more than **6 times**.

In the industrial sector of the capital for 12 months of 2018, **83.9%** is occupied by the manufacturing industry. Industrial production of the city is concentrated mainly in the **metallurgical industry and machine engineering**.

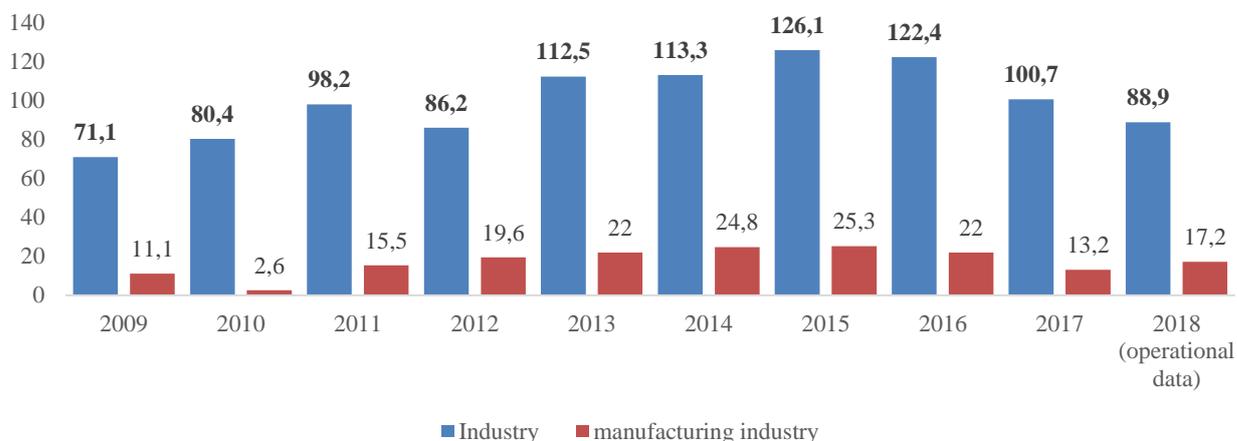
Volume of industrial production in Nur-Sultan, billion KZT



Despite the positive dynamics of industrial production, the share of industry in the gross regional product in Nur-Sultan remains low, for 9 months of 2018 it amounted to **5.4%**.

Dynamics of investments in fixed capital in the industry as a whole, and in the manufacturing industry in Nur-Sultan, **is unstable**.

**Investments in fixed capital of the industry
in Nur-Sultan billion KZT**



In order to develop industry and new competitive productions, the city has 2 special economic zones (SEZ), «Astana - new city» and «Astana – Technopolis», on the territory of which a number of preferences (tax and customs privileges and other advantages) are provided to the participants of SEZ.

At the same time, the territory of SEZ is not unlimited, and not all investors or entrepreneurs can take advantage of their opportunities.

There is a considerable reserve of industrial facilities in the industrial real estate market in Nur-Sultan.

Industrial facility means a set of premises consisting of a number of production, auxiliary areas and service links with the infrastructure created around them. Development of industry creates prerequisites for increasing trade turnover with other countries.

In particular, according to several real estate websites, including krisha.kz, kn.kz (as of 28 March 2019), the area of industrial space **for sale** in the capital is **1 494 449 sq. m.** (125 facilities). At the same time, the largest number of areas of industrial bases for sale are in «Saryarka» district (63 facilities).

Average cost of industrial facilities in Nur-Sultan is:

- in «Baikonur» district **1 177.5 million KZT** (from 75 million to 2 280 million KZT);

- in «Saryarka» district **1 155.5 million KZT** (from 11 million to 2 300 million KZT);

- in «Almaty» district **615 million KZT** (from 30 million to 1,200 million KZT);

- in «Yesil» district **387.8 million KZT** (from 25.6 million to 750 million KZT).

Main share of industrial bases (**98%**) is **provided with infrastructure**, including electricity, heating, water and sewerage. At the same time, **less than half** of the proposed industrial zones **have railway tracks**. Moreover, the industrial areas in «Yesil» district do not have railway tracks.

Based on the data, average cost of industrial facility in Nur-Sultan is **lower** than in Almaty and Shymkent.

Average selling price of industrial areas in major cities of the country:

- in Almaty – **2 864.5 million KZT** (from 29 million to 5 700 million KZT);
- in Shymkent – **1 258 million KZT** (from 16 million to 2 500 million KZT);
- in Nur Sultan - **1 155.5 million KZT** (from 11 million to 2 300 million KZT);
- in Atyrau – **697 million KZT** (from 44 million to 1 350 million KZT);
- in Karaganda – **494 million KZT** (from 7 million to 981 million KZT);
- in Kokshetau – **269 million KZT** (from 38 million to 500 million KZT).

According to the data of the above real estate sites, the volume of industrial areas **for rent** in Nur-Sultan is **92 336 sq. m.**

Reference:

- in «Saryarka» district – 63 facilities, including 22 railway tracks, the total area of industrial bases is 717 915 sq. m.;
- in «Baikonur» district - 18 facilities, including 4 railway tracks, the total area of industrial bases is 162 145 sq. m.;
- in «Almaty» district - 38 facilities, including 12 railway tracks, the total area of industrial bases is 561 388 sq. m.;
- «Yesil» district - 6 facilities, the total area of industrial bases is 26 600 sq. m.

Average cost for rent of industrial areas in the cities of the country is:

- in Almaty - **1 900 KZT per sq. m.** (from 800 to 3 000 KZT);
- in Nur-Sultan - **1 500 KZT per sq. m.** (from 1 000 to 2 000 KZT);
- in Atyrau - **1 375 KZT per sq. m.** (from 750 to 2 000 KZT);
- in Shymkent - **1 250 KZT per sq. m.** (from 500 to 2 000 KZT);
- in Karaganda – **590 KZT per sq. m.** (from 180 to 1 000 KZT);
- in Kokshetau – **425 KZT per sq. m.** (from 350 to 500 KZT).

Warehouse premises

Warehouse premises mean non-residential premises intended for storage of raw materials, products, goods ensuring compliance with the required storage conditions and equipped with storage equipment and convenient for unloading and loading constructions and structures. Warehouses as an element of the commodity distribution chain, intended for acceptance, placement, storage, assembly and issue of products, are an important link for market participants: manufacturers and consumers. Rational movement of commodity flows can not be carried out in conditions of lack of warehouse premises.

According to a number of real estate sites, including krisha.kz, kn.kz, the area of proposed **for sale** warehouse areas with adjacent territory is **389 721 sq. m.** (**46 893.7 sq. m.** of warehouse premises).

Average cost of warehouse premises in Nur-Sultan is:

- in «Baikonur» district **1 582.5 million KZT** (from 65 million to 3 100 million KZT);

- in «Almaty» district **695 million KZT** (from 90 million to 1,300 million KZT);
- in «Saryarka» district **620 million KZT** (from 40 million to 1,200 million KZT).

At the average selling price of warehouse zones, Nur-Sultan is ahead of other cities of Kazakhstan:

- in Nur-Sultan - **1 570 million KZT** (from 40 thousand to 3 100 million KZT);
- in Karaganda – **811.8 million KZT** (from 12.5 million to 1,600 million KZT);
- in Almaty – **631.3 million KZT** (from 12.5 million to 1 250 million KZT);
- in Shymkent – **426.5 million KZT** (from 3 million to 850 million KZT);
- in Kokshetau – **389.6 million KZT** (from 22.9 million to 777 million KZT);
- in Atyrau – **378.5 million KZT** (from 15 million to 770 million KZT).

Warehouse premises area available **for rent** is around **172 430 sq. m.** Main share of warehouse premises are to classes C and D.

Quality warehouse premises of class «A+» and «A» are «Continental logistics», «Astyk logistic» and «SAPA Logistics» (about 100,000 sq. m), class «B+» and «B» can be called «USKO International», «AIE Logistics», «ROKOS-Logistic», «SAPA Logistics», «Mir Krup», «Adil Logistic», «AsSnabService», «SAQTAU Logistics», «Kedentransservice» and etc. (84 482 sq. m). The occupancy rate of quality warehouse premises (class A and B) is about **90%**.

The highest average cost of renting warehouse areas is in Nur-Sultan than in other cities of Kazakhstan:

- in Nur-Sultan - **1 800 KZT per sq. m.** (from 600 to 3 000 KZT);
- in Almaty - **1 775 KZT per sq. m.** (from 600 to 2,950 KZT);
- in Karaganda – **1 650 KZT per sq. m.** (from 300 to 3 000 KZT);
- in Atyrau - **1 625 KZT per sq. m.** (from 750 to 2 500 KZT);
- in Shymkent - **1 250 KZT per sq. m.** (from 500 to 2 000 KZT);
- in Kokshetau – **400 KZT per sq. m.** (from 350 to 450 KZT).

Conclusions:

Based on the above, it can be concluded that, there is a large volume of industrial bases and warehouse premises in Nur-Sultan for the implementation of investment projects. At the same time, the main players of the industrial and warehouse real estate market in Nur-Sultan **took a wait-and-see position**, watching the further development of the market. In this regard, it is expected that the sale and rental price for industrial and warehouse real estate will be moderately stable.

Reference:

**Criteria for classification of warehouse premises of independent international consulting company in the field of commercial and residential real estate
Knight Frank**

Class «A+»	<i>Modern one-storey warehouse building of light metal structures and sandwich panels of rectangular shape without columns or with a distance between the columns of at least 12 meters, i.e. the width of the span should be at least 24 meters and a height of at least 13 meters and concrete floor with anti-dust coating, with a built-up area of 45-55%. The warehouse should be equipped with fire alarm systems, automatic fire extinguishing system, ventilation, burglar alarm and video surveillance. There should be a regulated temperature regime, auxiliary premises, systems of accounting and access control of employees, fiber-optic telecommunications in warehouses. Professional management system.</i>
Class «A»	<i>Modern one-storey warehouse building of light metal structures and sandwich panels, preferably rectangular in shape, without columns or with column spacing of at least 9 m and the distance between the spans is not less than 24 m, with a ceiling height of not less than 10 meters and concrete floor with anti-dust coating. The building area of 45-55%. The warehouse should be equipped with fire alarm systems, automatic fire extinguishing system, ventilation, burglar alarm and video surveillance. There should be a regulated temperature regime, auxiliary premises, systems of accounting and access control of employees, fiber-optic telecommunications, etc. in warehouses.</i>
Class «B+»	<i>One-storey warehouse building preferably rectangular in shape, newly built or reconstructed, height from 8 meters, with a built-up area of 45-55%. The warehouse should be equipped with fire alarm systems, automatic fire extinguishing system, ventilation, burglar alarm and video surveillance. There should be a regulated temperature regime, auxiliary premises, systems of accounting and access control of employees, fiber-optic telecommunications, etc. in warehouses.</i>
Class «B»	<i>One-, multi-storey warehouse building preferably rectangular in shape, newly built or reconstructed. In the case of a multi-storey building – the presence of a sufficient number of freight elevators/lifts with a capacity of at least 3 tons. Warehouses are equipped with heating, fire alarm, fire extinguishing, ventilation, burglar alarm and video surveillance. Ceiling height of at least 6 meters. Availability of auxiliary premises in the warehouse.</i>
Class «C»	<i>Major production premise or heat-insulated hangar with a ceiling height of not less than 4 meters.</i>
Class «D»	<i>Basement premise or facilities of CD, unheated industrial premises or hangars.</i>

Industrial buildings are structures where plants and production enterprises are located. Industrial buildings and structures include separate premises designed to perform production processes.

Land plots

Land is an important factor of production. A feature of land plots in the city, is the limited supply of land.

The cost of land is affected by: distance from the city center, provision of centralized engineering infrastructure and territory improvement systems, availability of documents on the land, divisibility/indivisibility of land plot, developed areas of cultural and consumer services, market of supply and demand, etc.

According to the information on the real estate portal kn.kz, in general, the average price in Nur-Sultan since the beginning of 2018 has changed slightly, within **5%**.

At the same time, in December 2018, there is a strong decrease in the price of plots **for multi-storey buildings** – by **43%**, compared with the beginning of the year. This trend was due to the fact that the market offers were bought several expensive plots in the city center.

At the same time, the price of plots used for commercial and agricultural purposes increased by **57%** and **32%** respectively.

Average cost of land plots for the purpose in Nur-Sultan

Purpose	Price in December 2018, KZT/acres	Changes per year (by January 2018)
LRC (low-rise residential complex)	3 322 159	-43%
Commercial	2 798 943	+57%
Industrial	2 062 442	-8%
IHC (Individual housing construction)	1 574 254	-2%
Agriculture	220 609	+32%
Total	1 920 858	-5%

Reference:

Land plots market in Almaty in 2018 was stable.

During the year, price fluctuations in all segments are insignificant, only in the segment of land for industrial building there was a price decrease due to the change in the structure of proposal. Over the year, the increase in proposals was 24%. No significant price fluctuations are expected in 2019.

Average cost of land plots for the purpose in Almaty

Purpose	Price in December 2018, KZT/acres	Changes per year (by January 2018)
LRC	10 170 463	-1
IHC	5 286 285	5

Commercial	4 852 838	2
Industrial	1 923 486	-33
Agriculture	1 097 195	6
Total	571 510	3

By analyzing the cost of land plots in the city on the website krisha.kz it was revealed that the most **expensive** land plots with an area of 1 hectare located in **Baikonur** district.

Average cost of **1 hectare** of land (10,000 sq. m.):

- in «Baikonur» district is equal to **651.5 million KZT**;
- in «Almaty» district **470 million KZT**;
- in «Yesil» district **395 million KZT**;
- in «Saryarka» district **150 million KZT**.

Market cost of some land plots in Nur-Sultan is **many times more than their cadastral cost**. For example, the market cost of the land plot in «Yesil» district (intersection of Syganak and Akmeshit streets) with an area of 14 acres is **160 million KZT**, the cadastral cost of the same plot is **18.7 million KZT**, that is **9 times less** than the market cost.

However, the market cost of land closer to the border of the city less cadastral. For example, the market cost of the land plot in «Baikonur» district (Mahat street 11 — Chekhoev street) with an area of 1 hectare is **45 million KZT**, the cadastral cost of the same plot is equal to **83.5 million KZT**, almost **2 times more** than the market.

Market cost of land plots by districts in Nur-Sultan

District	Market cost	
	1 hectare (10 000 sq. m.)	0.1 hectare (1 000 sq. m.)
Almaty	140 000 000 - 800 000 000	2 000 000 - 30 000 000
Baikonur	3 000 000 – 1 300 000 000	1 500 000 - 15 000 000
Yesil	190 000 000 - 600 000 000	8 000 000 - 20 000 000
Saryarka	80 000 000 - 220 000 000	1 100 000 - 22 000 000

Cadastral cost of land plots by districts in Nur-Sultan

District	Cadastral cost	
	1 hectare (10 000 sq. m.)	0.1 hectare (1 000 sq. m.)
Almaty	40 100 000- 133 660 000	4 010 000 - 13 366 000
Baikonur	40 100 000– 130 320 000	4 010 000- 13 032 000
Yesil	33 420 000 - 133 660 000	3 342 000 - 13 032 000
Saryarka	40 100 000- 130 320 000	4 010 000- 25 412 400

Conclusions:

Thus, the cost of land plots in Nur-Sultan will change depending on the location and demand. Land plots in the center of Nur-Sultan is likely to continue to

rise in price, at the same time as in distant parts of the city may be a slight decrease in prices.

Reference:

Cadastral (estimated) cost - the estimated cost of the land plot used in the sale by the state of the land plot or the right to lease it, determined on the basis of the basic rates of payment for land plots, periodically updated according to official statistical information on the general level of inflation and correction coefficient to them.

According to the UN, as of 2018, 55% of the world's population lived in cities, and by 2050 this indicator will grow to 68%. Nur-Sultan as the fastest growing city in Kazakhstan is the center of attraction of the economically active population. Therefore, taking into account the growth of the urban population, it can be said that the demand for real estate will continue, and investment in residential and commercial real estate facilities will remain relevant.

Sources:

1. Committee on Statistics of the Ministry of national economy of the Republic of Kazakhstan;
2. Kazakhstan's online publication and information portal forbes.kz. Article «The real estate market in 2018: the most important events»;
3. Based on data from business centers of the Republic of Kazakhstan;
4. International consulting company «Colliers international»;
5. Review of the real estate company «Cushman & Wakefield»;
6. Review of real estate company «JLL»;
7. Information resource prometr.by;
8. Real estate overview of the company «Ukrainian trade guild».
9. International consulting company «Colliers international»;
10. Analytical service of the information portal kn.kz;
11. Web-site krisha.kz.