

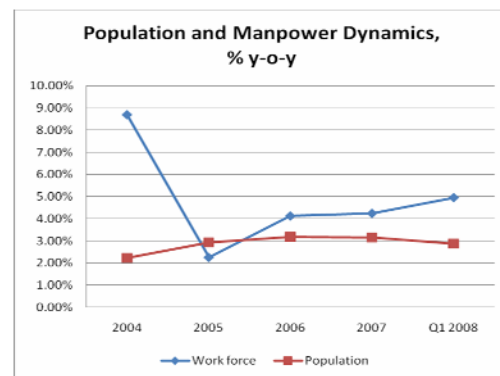


Almaty Residential

Quarter Three 2008

- The market still remains slow. Prices continue to decrease across all classes.
- Nomination of new city mayor – Ahmetzhan Esimov – resulted in a new idea of creating a seventh district over an area of 7,500 ha.
- Issue of government loans to certain unfinished residential developments has already started.
- Increase in mortgage default; banks reluctance to sell reclaimed homes at new market prices.

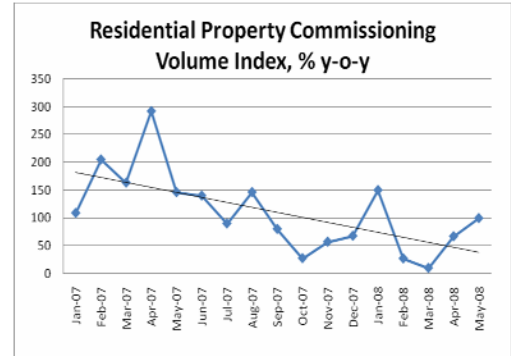
The current bank liquidity crisis in Kazakhstan has prompted the banks to decrease their exposure to mortgages in their loan portfolios and to raise the mortgage interest rates. The residential real estate market is in stagnation and has been clearly observed since the start of the year. The volume of transactions has decreased considerably and a 'wait-and-see' attitude prevails in the market. In view of this situation, the plans of the government to increase Almaty residential stock up to 22 sqm per capita look likely to be further delayed.



Source: Agency on Statistics of RoK

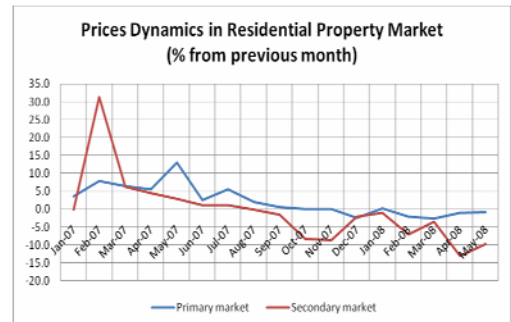
The chart above indicates the dynamics of population and manpower in Almaty since 2004. There is a steady increase of both social indicators and suggests that the demand for residential real estate will keep growing together with number of city residents and labour force.

The new mayor of Almaty announced the plans to expand the city by merging several residential areas to the west and the north. This new seventh district would enclose Bolshoy Almatinskyi Kanal and following micro-districts: Akbulak, Shanyrak-2, Aigerim 1-2, Kokkainar, Ulzhan, Darkhan, Ozhet, Karasu, Zarya Vostoka, Trudovic and others, which may prompt development and an increase in residential stock. It is unlikely that the overall residential stock in this area would be significantly upgraded though; the area is characterised by disjointed development of land plots and is mainly habited by low-income population.



Source: Agency on Statistics of RoK

The chart above shows the dynamics of residential property commissioning (completed construction with permits and documentation) in Almaty starting from January 2007 till May 2008. The peak of completion was observed in April 2007. There is a general decreasing trend indicating the activity decline of residential property development, which is a direct consequence of tightening finance availability.



Source: Agency on Statistics of RoK

The graph above shows that the prices have been dropping for residential property on both the primary and secondary markets.

Current market stagnation forced participants to reassess their positions; developers and vendors in particular have to adjust to the market correction.

We expect that the market will remain slow with a very small number of transactions occurring; leading to further price decreases in Q3 2008. High inflation rates may exacerbate the downturn of both primary and secondary markets. The projects under construction of higher classes may remain on hold. In general, it is expected that residential market will show no signs of uplift or the return of confidence by the end of the year.

AT A GLANCE

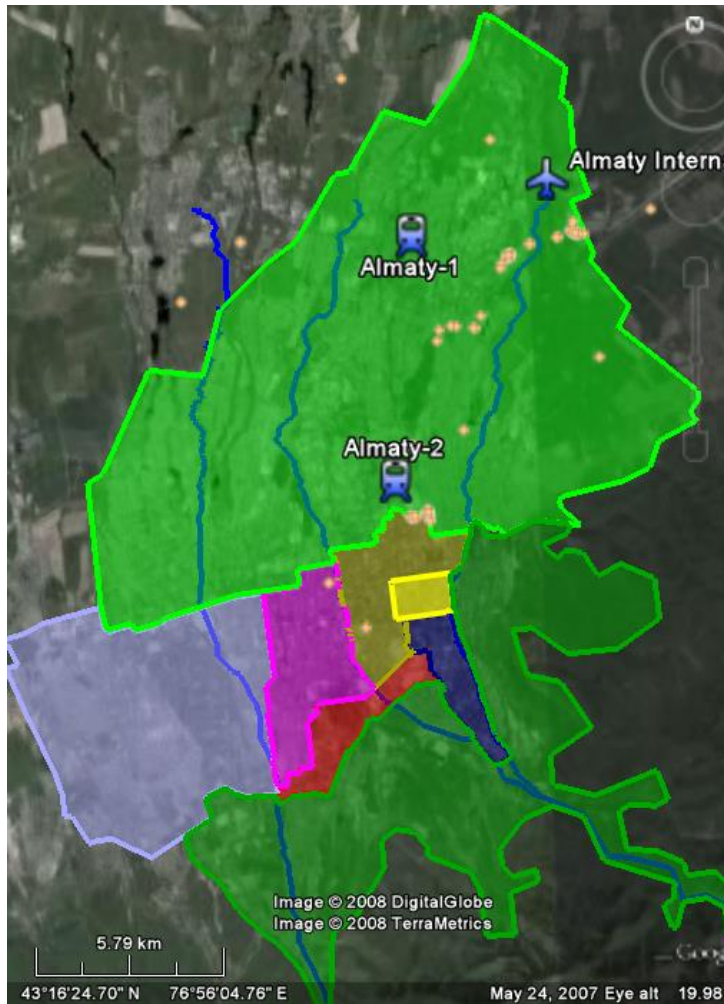
Construction Activity

Absorption

Prices



Map of Almaty residential market zones



Source: Google, Scot Holland CBRE

- Al-Farabi Corridor – red;
- Central West – magenta;
- Dostyk Corridor – dark blue;
- Extended Centre – olive;
- Golden Square – yellow;
- Lower Town – light green;
- Micro-districts – light blue;
- Mountain Belt – dark green.

Market Zones

- Al-Farabi Corridor – the area along Al-Farabi Ave. with width of about ½ – 1 km, stretching between Furmanov Str. and Big Almaty River. Currently, the most popular area for upmarket projects, mostly due to the availability of large land plots for (re-)development, good road connections and proximity to the mountains and to the expanding business centre of Almaty;
- Central West – the area between Esentai River, Tole bi Str., Rozybakiev Str. and the botanical. Mostly residential stock from the 1960's – 1970's; with some land plots for (re-) development and a few Business class developments, both completed and upcoming;
- Dostyk Corridor – the area along Dostyk Ave., between Furmanov Str. and Small Almaty River with width of about 1 km, stretching between Abai Ave. and Ospanov Str. A traditionally popular upmarket zone. The lower part – Samal micro-districts had its days of highest demand back in the 1980's – 1990's when they were newly developed; there are some land plots for (re-) development; most projects in this area are Elite class;
- Extended Centre – the area surrounding the Golden Square from north and west, with borders passing roughly on Small Almaty River, Makataev Str., Esentai River, Popov Str. and Zheltoksan Str. The residential stock is mostly from the 1950's – 1980's; with some land plots for (re-)development. There are a few Elite and Business class developments;
- Golden Square – the area between Bogenbay batyr Str., Nauryzbay batyr Str., Abai Ave. and Kaldayakov Str. In the second half of 20th century, centre of Almaty City; residential stock mostly built in 1950's – 1960's, most of which is with excellent for those years quality and still very demanded; there is no free land for development;
- Lower Town – roughly the area spreading north of Makataev Str. and Tole bi Str. towards the north-western and north-eastern edges of the city. Poor quality residential stock, mostly individual houses and some apartment buildings; it is largely unpopular due to poor air quality, inefficient road network causing traffic jams, and higher density of industrial enterprises in the area;
- Micro-districts – roughly the area between Rozybakiev Str., Tole bi Str., western edge of the city and Askarov Str. Mostly residential stock built in 1960's – 1980's, and some parts with single-family houses; the areas closer to the centre and to the mountains attract Business class developments, while the remaining territory hosts mostly Economy class projects.
- Mountain Belt – includes the developments in Almarasan Gorge, Remizovka Gorge, Butakovka River Gorge, Kok-tobe foothills, Jubilejnij Village, and Shirokaya Schel area. Most of the residential stock is single-family houses; an attractive area due to its proximity to the mountains and lower population density, hosts a variety of Deluxe, Elite and Business class projects;
- Outlying Areas – areas not included in the zones above, mostly includes developments along roads to the towns of Bishkek, Kapshagay and Talgar. Can be villages or empty steppe / agrarian land.

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