



#MARKETBEAT

Tashkent. Uzbekistan

Market overview from practicing real estate experts

ABOUT CUSHMAN & WAKEFIELD

MISSION: PUTTING OUR CLIENTS AND OUR PEOPLE
AT THE CENTER OF WHAT'S NEXT*



1917

year of the firm's
incorporation

60

countries

53,000

employees

8.8 BN USD

of overall capital
turnover in 2019

380 MLN SQ M

of real estate assets
under management



1995

year of incorporation
in Russia

130+

lease and sale transactions
for office space, retail,
industrial/warehousing
premises per year

~580,000

offices worldwide

12

Service lines

1ST

corporation in Russia to be
regulated by the RICS

* The simple phrase "What's Next" carries meaning for multiple audiences: to describe the attractiveness of the real estate services industry, to indicate the a role Cushman & Wakefield has played in shaping our industry, and to illustrate the value we bring to clients by keeping them at the center of a rapidly changing real estate landscape.

ABOUT CUSHMAN & WAKEFIELD

COMPLETE SCOPE OF SERVICES ACROSS THE
ENTIRE RANGE OF REAL ESTATE OPERATIONS



BROKERAGE

- Offices
- Retail
- Warehouse and Industrial
- Land
- Development of leasing policy
- Hotel & Leisure

INVESTMENT

- Sales and acquisitions of all types of real estate
- Equity and debt financing

STRATEGIC CONSULTING

Properties

shopping and leisure centers, business centers, multi-purpose complexes, hotels, apartment buildings, warehouses

Sectors

retail, office warehouse, logistics, supply chain, hospitality & tourism, infrastructure, land

MANAGEMENT

- Real estate portfolio management for occupiers and investors
- Managing all types of real estate
- Project management

VALUATION

Real estate valuation according to Russian and international standards

RESEARCH

Research and insight of commercial real estate markets

Areas of activity

The Cushman & Wakefield team provides essential services covering all sectors of commercial real estate. Through completing projects in the major cities of Russia and the CIS, we have formed trans-national and cross-functional teams which bring together experts from diverse countries and service lines.

OUR EXPERTS

YEARS OF EXPERTISE REGARDING
THE UZBEKISTANI REAL ESTATE MARKET



**SERGEY
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General Director Russia



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CUSHMAN & WAKEFIELD RUSSIA EXPERIENCE



SELECTED PROJECTS IN UZBEKISTAN (2018-2019)

Tashkent City



Task	Commercial Concept Development and Financial Analysis
Format	Residential, hotel, office, retail
Site area / Project area	80 ha / 1.76 mln sq m
Amount of sites	8
Status	Under construction
Client	Tashkent City Directorate

C&W Russia Role

- Development of commercial concept for Tashkent City project's vision, philosophy and strategy.
- Recommendations on the integrity and maintenance of the project's competitive advantage in a long-term perspective.
- Analysis of international experience and definition of key success factors for Tashkent City.
- Recommendations on concept development for individual lots in view of integrated vision of the whole project concept.
- Feasibility study and financial analysis.

Tashkent Business City



Task	Working out the Principles and Strategy of the Polycentric City Development
Format	Mixed-use
Project area	1.75 mln sq m
Amount of sites	11
Status	Concept development
Client	Tashkent city administration

C&W Russia Role

- Market analysis of all real estate segments of Tashkent.
- Definition of 11 growth points and selection of sites for further development in each district of Tashkent.
- Definition of principles for selecting sites for involvement in the project.
- Concept development for each selected site.
- Feasibility study and financial analysis.

Project in Samarkand



Task	Market research and Commercial Concept Development
Format	Hotel, residential, retail
Site area / Project area	20+ ha / 260 K sq m
Amount of sites	11
Status	Concept development
Client	Chinese investor (confidential)

C&W China and Russia Role

- Socio-economic overview and analysis of retail, residential, hotel real estate market of Samarkand.
- Location and competition analysis.
- Recommendations on the project's parameters.
- Feasibility study.



01 ECONOMY

ECONOMY

THE NEW DOT ON REAL ESTATE MAP

For 20 years Uzbekistan was withdrawn from the world economy and international capital markets. Today it is a country that is making a huge strides in economic integration with the outside world.

The Uzbek economy is still production-centric with low penetration of service sector and retail. However, its consumer market is ready to kick off by welcoming international retailers.

The country is in a unique position, but it has to go through a stage of future high economic growth. Effective reforms and improvement of public administration can accelerate this process.



Low sovereign, corporate and household debt



High public demand for a transformation of daily life and business



Common knowledge of English and Russian languages



Availability of land for development including in city centers

MACRO ENVIRONMENT ANALYSIS

UZBEKISTAN MACRO ANALYSIS - SUMMARY

Uzbekistan is a country located in Central Asia, slightly smaller than the area of Sweden, where agriculture and mining industries account for 50% of the entire industry.

Size	447,400 km², 58 th in Size (CIA)
Population	Approx. 33,905,800, 42 nd Globally, Approx. 125 Nationality
Capital	Tashkent
Religion	Islam 88% (Sunni 70%, Shia 20%), Russian Orthodox 9%
Language	Uzbek, Russian
Government	President-Centered Democratic Republic
Climate	Continental Desert
Natural Resources	- Petroleum, Gas(Confirmed): Petroleum(6 billion Barrel), Gas(1.2 trillion m2) - Mineral Reserves(Confirmed, Ranking): Gold (1.800Ton, 10th)
Industry	Service 43%, Agriculture: 27.6%, Mining 29.4%

City (Top-4)	Key role	Population 2019
Tashkent	Capital	2,135,700
Namangan	Agriculture and light industrial	408,500
Samarkand	Tourism and industrial	361,200
Andijan	Industrial	352,600



MACRO ENVIRONMENT ANALYSIS

UZBEKISTAN MACRO ANALYSIS – MAJOR ECONOMIC INDICATORS

Uzbekistan shows continuous GDP growth of more than 5% per annum; the total population is also growing at an annual average level of 18%, while 2/3 of the total population is economically active, thus securing future growth.



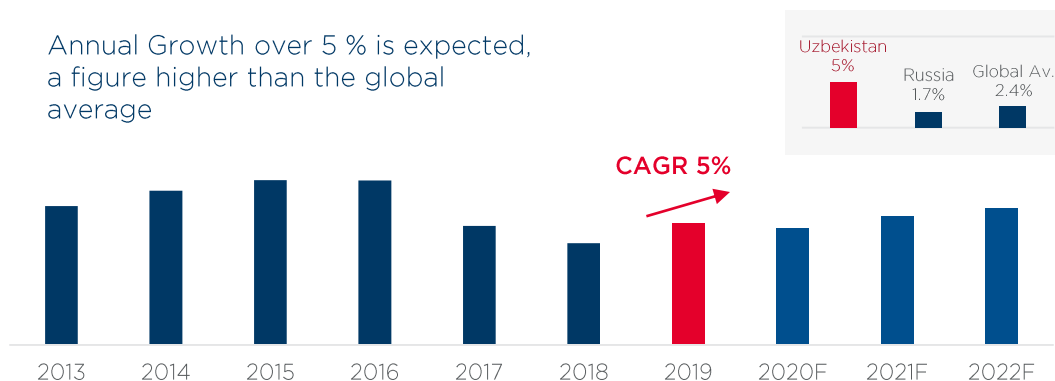
16 bn USD - Retail turnover
480 USD - Annual Retail turnover per capita



15.2% Inflation

UZBEKISTAN GDP GROWTH RATE

Annual Growth over 5 % is expected, a figure higher than the global average

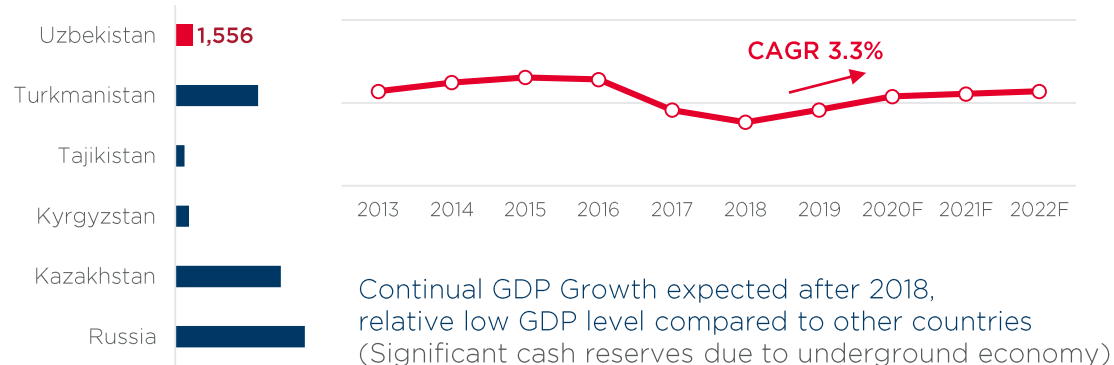


Uzbekistan is the fastest growing economy in the region with small consumer market. While average per capita GDP amounts 1,500 USD retail turnover barely reach 480 USD. With almost 50% share of rural population, many households are self-supplied.

High inflation will likely force people to spend more in favor of savings.

We expect strong upside in consumer market, it may double just in the next few years.

UZBEKISTAN GDP PER CAPITA GROWTH RATE



Continual GDP Growth expected after 2018, relative low GDP level compared to other countries (Significant cash reserves due to underground economy)

OUTLOOK (UZBEKISTAN)

UZBEKISTAN DEVELOPMENT PLAN



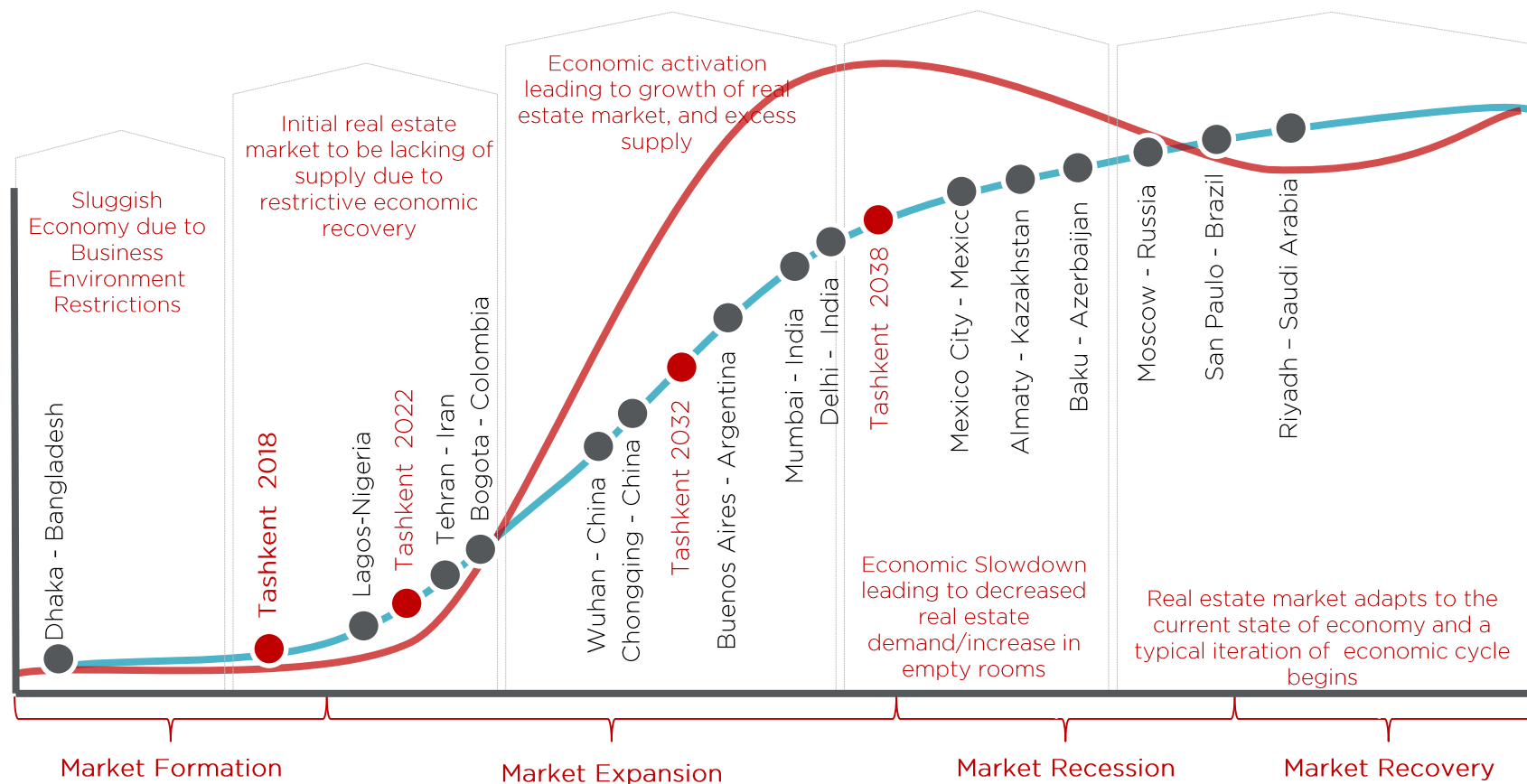
Uzbekistan government is preparing a mid-long term development plan from a natural resource dependent industry to second/tertiary industry that maximizes added value of investment. A plan which will drive continuous economic growth.

HUMAN RESOURCES	PARTNERSHIP	INFRASTRUCTURE	INTERNATIONAL RATINGS	TAXATION	SPECIAL ECONOMIC ZONES
44 Universities	5,427 Companies with foreign capital	Benefits For Hotel developers	“BB-” Fitch Rating Stable	Simplified tax system for small and medium-sized businesses	Benefits - for “BUSINESS CITY” Development in Tashkent - For projects in 8 light industrial zones
104,000 Alumnus in 2019	14 Countries-representatives of the trading house	Simplification Of company registration	8th Place for ease of business registration (Doing business 2020)	Incentives For customs and tax in the tourism sector until 2022	
			2020 Country of the Year according to The Economist magazine		

OUTLOOK (TASHKENT)

ECONOMIC GROWTH ROADMAP

Tashkent has been experiencing initial real estate development market forming since 2018 with the excess demand dominated market to proceed in the following ten years.



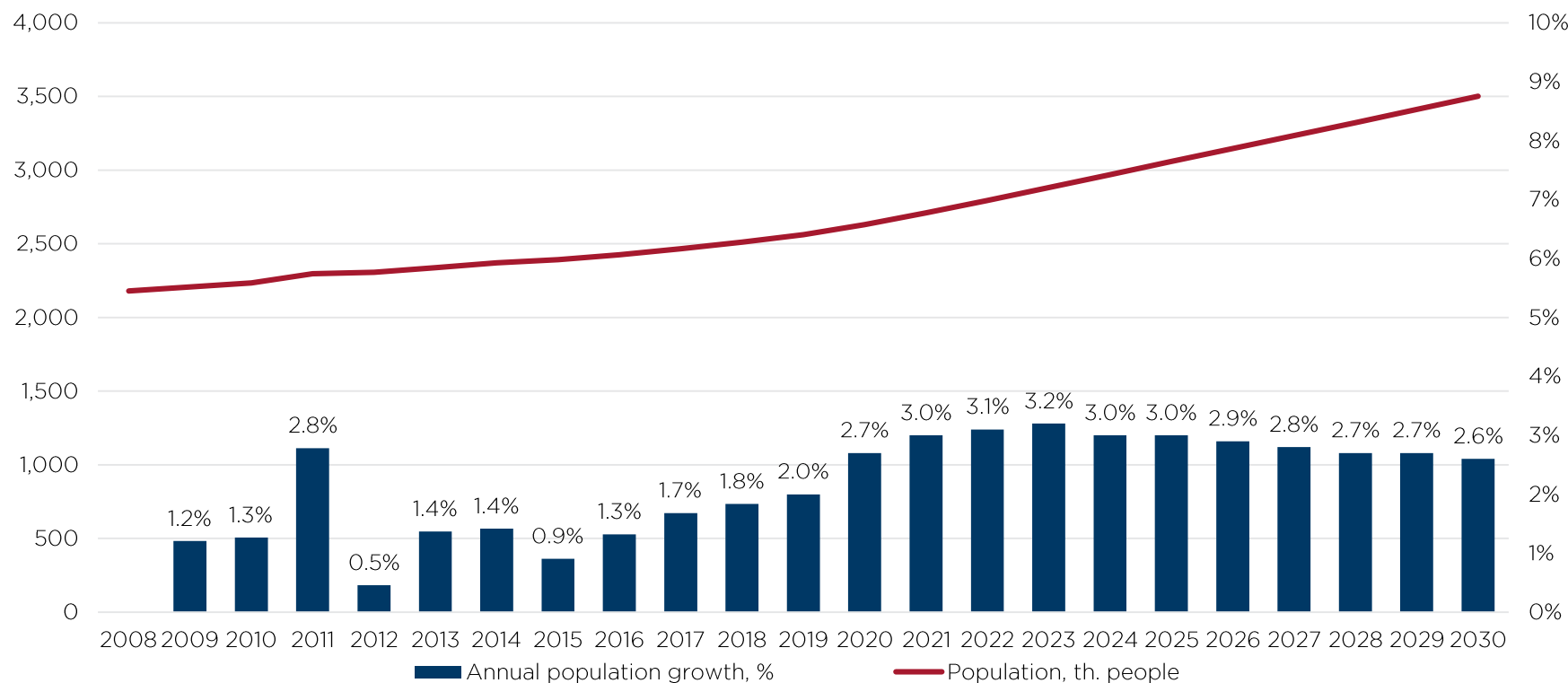
TASHKENT 2030



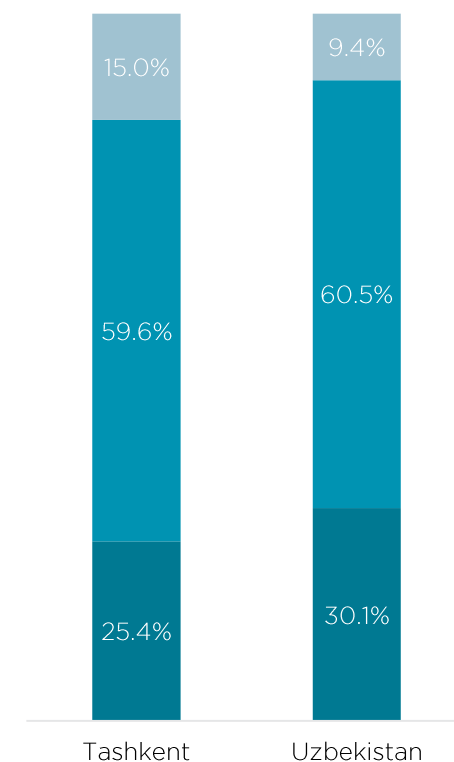
We understand that actual official statistical data lags behind the real numbers of the population of the capital. Therefore we anticipate that forecast numbers will be higher due to abolition of the redundant institute of registration as well as due to the rapid development of Tashkent.

Umid Umarov – Coordinator of Business City projects under the Tashkent city municipality

TASHKENT POPULATION FORECAST



TASHKENT POPULATION DEMOGRAPHIC STRUCTURE



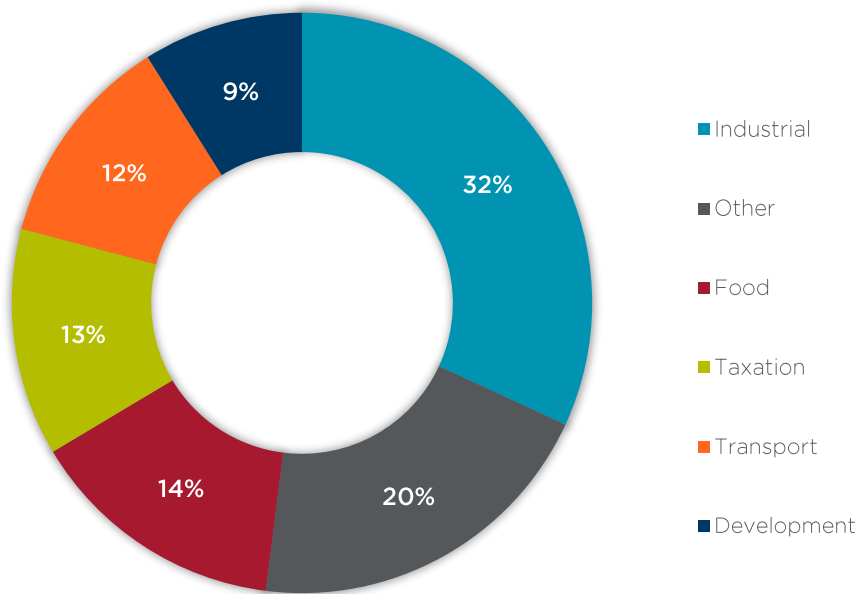
■ Non-Active ■ Economically Active ■ Senior

MACRO ENVIRONMENT ANALYSIS

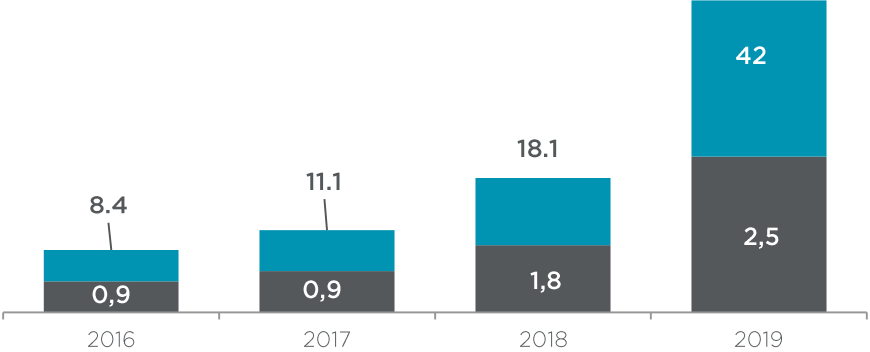
TASHKENT CITY MACRO ANALYSIS – KEY ECONOMIC INDICATORS

Based on various economic indicators, such as population and economic growth, regional industrial structure and urban economic growth, it is expected that Tashkent will continue to play a vital role in Uzbekistan’s development.

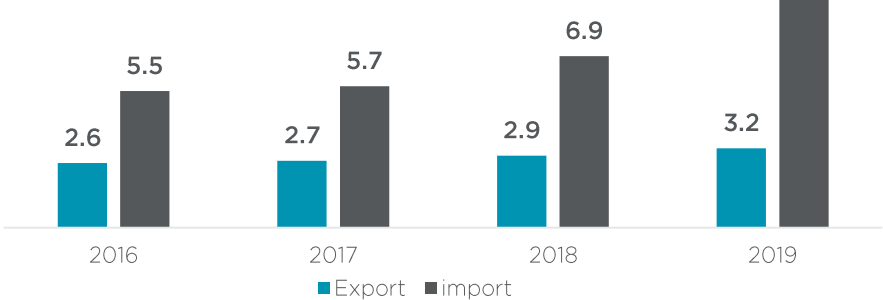
GROSS REGIONAL PRODUCT OF TASHKENT CITY, %



TASHKENT FIXED CAPITAL INVESTMENTS, BLN UZS



TASHKENT EXTERNAL TRADE DYNAMICS, BLN USD



02

TASHKENT
REAL ESTATE

OVERVIEW

Rapid economic and cultural growth are the most important factors driving up the investment attractiveness of Tashkent. The capital of Uzbekistan is the most important metropolis situated on major transport routes of Central Asia and is connected to the 4 largest markets in the region: Kyrgyzstan, Kazakhstan, Tajikistan, Turkmenistan.

Deregulation of the market and business facilitation for small and medium-sized businesses have made the city attractive for foreign investment. The Tashkent City Administration has reached agreements with 46 countries, including Japan, China, South Korea, USA and various euro-zone countries, in order to develop legislative frameworks, privileges and preferences for foreign investors, and to provide a favorable environment for international companies.

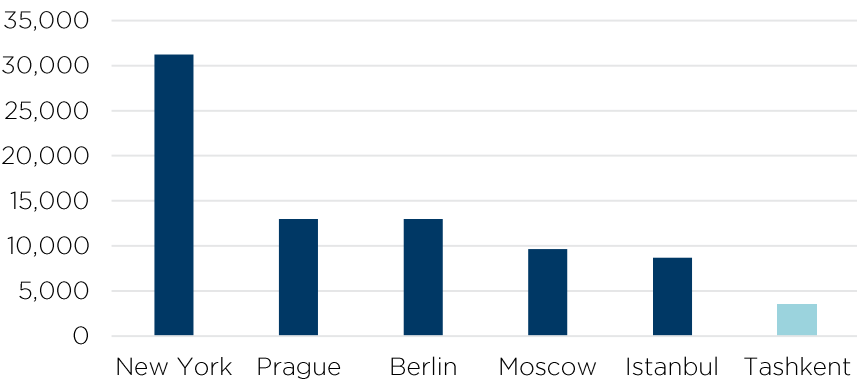


INTERNATIONAL CONTEXT

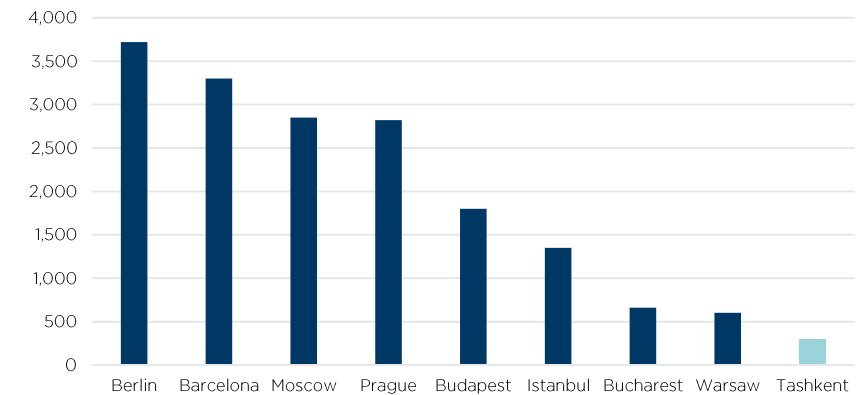


TASHKENT CITY PROJECT HAS BECOME A CENTER-PIECE OF THE TASHKENT REAL ESTATE MARKET

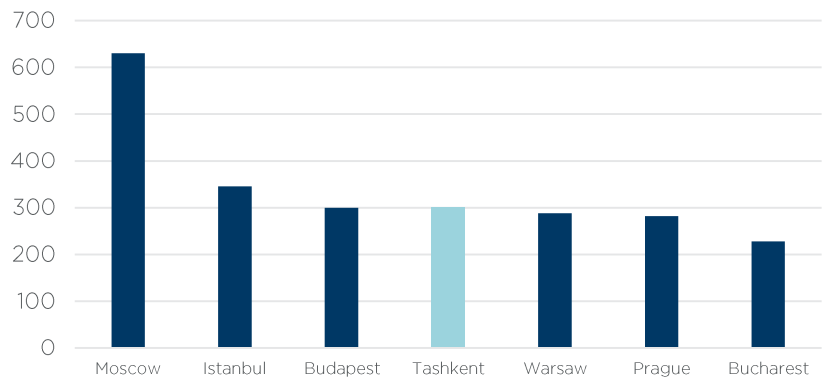
PRIME APARTMENT AVERAGE PRICE, USD/SQ M



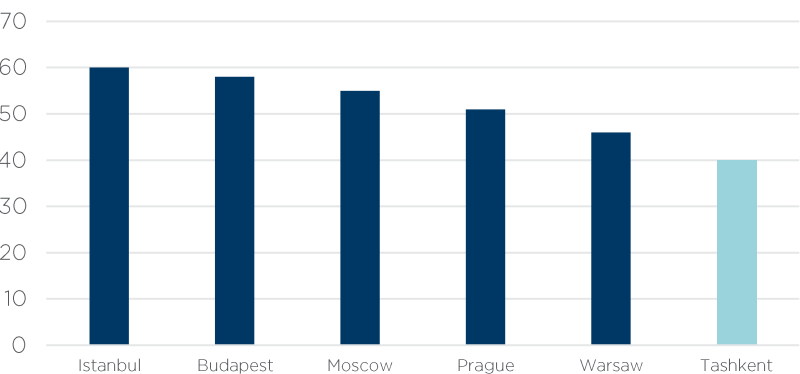
HIGH STREET AVERAGE RENTAL RATE, USD/SQ M/YEAR



OFFICE B CLASS AVERAGE RENTAL RATE, USD/SQ M/YEAR



WAREHOUSE AVERAGE RENTAL RATE, USD/SQ M/YEAR



RESIDENTIAL



RESIDENTIAL MARKET

FROM MAHALLA TO HIGH-RISE BUILDING

- Residential real estate market was the first to respond to the changing economic climate of the country.
- The market is segmented - and has offered units from the economy to premium segments; both small and large-scale projects appear all over the city.
- Projects of new formats, not previously popular with customers have emerged:
 - Finished Apartments
 - Studios
 - High-rise buildings
- However, there are two aspects, affecting the market development:
 - Lack of mortgage lending
 - Requirement of residence permit for purchasing apartments

> 50

Objects launched since 2016

1,000 – 3,500

USD / sq m - price range
for premium segment

4

Premium object under
construction (490,000 sq m)

660 – 1,250

USD / sq m - price range for comfort
/ business classes

9

Comfort / business class objects
under construction (147,000 sq m)

450,000

sq m of premium housing
will be built as a part of
Tashkent City project



Nest One. Tashkent City Project, lot 4

RESIDENTIAL MARKET

OUTLOOK

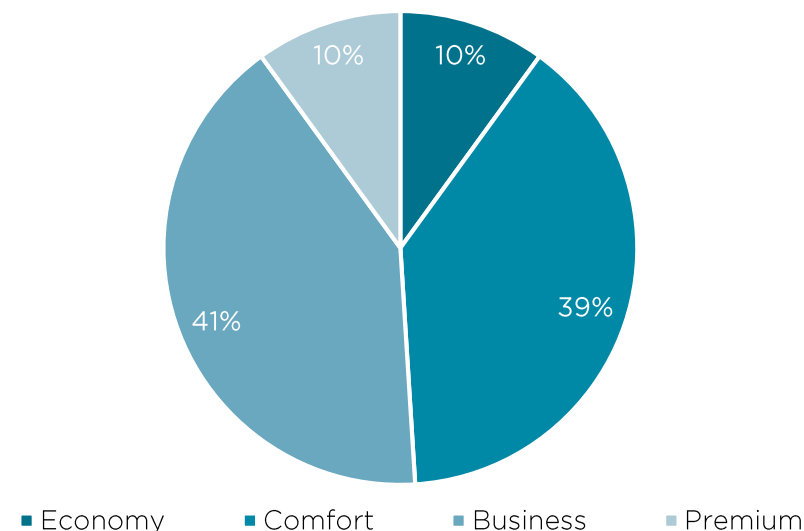
The permission to purchase apartments for non-residents and foreigners is expected to positively affect the residential real estate. Non-residents are now allowed to buy new-built apartments with minimum price of around 400,000 USD. Due to these restrictions we expect the upper segment to be of higher demand.

- Various residential developments are under construction in Tashkent, mostly comfort and business level properties. However, premium class properties account for about half the total volume of residential premises under development.
- At the same time economy class properties has also high potential for development due to an increasing population, labor migration to Tashkent, and relatively affordable prices.
- Residential real estate market is attractive both for domestic supplies and for foreigners also in terms of investment. The opportunity to obtain residence permit with the purchase of real estate can increase demand and attract international capital, which is the priority target of the current government.



About 60% of households consist of 5 family members, about 20% - 4 family members. This directly influences the size of property.

NEW DEVELOPMENTS
(BY NUMBER OF PROJECTS)



OFFICES



OFFICE MARKET

ESTABLISHING A NEW QUALITY STANDARD

- Quality office property market is in its infancy. Many existing objects correspond to class C, a number of offices can be classified as class B, and there are no existing class A properties.
- The first A-class objects in the city will be those under construction in Tashkent City project.
- Demand in the market is formed by local companies, while the number of foreign companies is small, as is the share of occupied space.
- The inevitable growth in business activity will lead to an increase in total demand, both due to the number of players and due to the growth of the requested space.

For receiving an electronic version of Tashkent commercial real estate map please contact Julia.Tokareva@eur.cushwake.com

250,000

sq m - total office property class B

24

Class B office buildings

7,000

sq m - the average area of
class B office building

> 350,000

sq m offices are under construction
within Tashkent City project

300

USD/sq m/year -
average class B rental rate
(for top office properties)



OFFICE MARKET

OUTLOOK

Polycentric development of Tashkent leads to complex and balanced development of the city, which will stimulate the new construction activity not only in the city center.

- We expect that due to changes in business environment in Uzbekistan, quality office properties of class A will be in demand in the near future.
- The major office zone in development is the central part of the city within Tashkent City project – a market forming project.
- Office space is also being implemented in planned mix-use projects located outside the central part of the city.
- The office component is key in creating the image of a business activity center and meeting the goal of attracting new business into the country, including international companies that have high requirements for office space. This means creating a precedent and setting a new quality standard, which will be supported by subsequent office projects planned in Uzbekistan.



Tashkent City project. Lot 6

RETAIL



RETAIL MARKET

FROM BAZAARS TO MODERN SHOPPING CENTERS

- The retail real estate market is still in development with the co-existence of modern shopping centers and traditional markets.
- Existing modern shopping centers have a high occupancy rate.
- Size of both new and planned malls is increasing.
- International retail operators currently develop via a local partner.
- As new projects emerge and purchasing habits change, the number of interested retailers will increase.

140,000

sq m - rentable area in shopping centers of a modern and high-quality format

310,000

sq m - rentable area of projects under construction

90%

share of all retail space under construction related to Tashkent City project

300

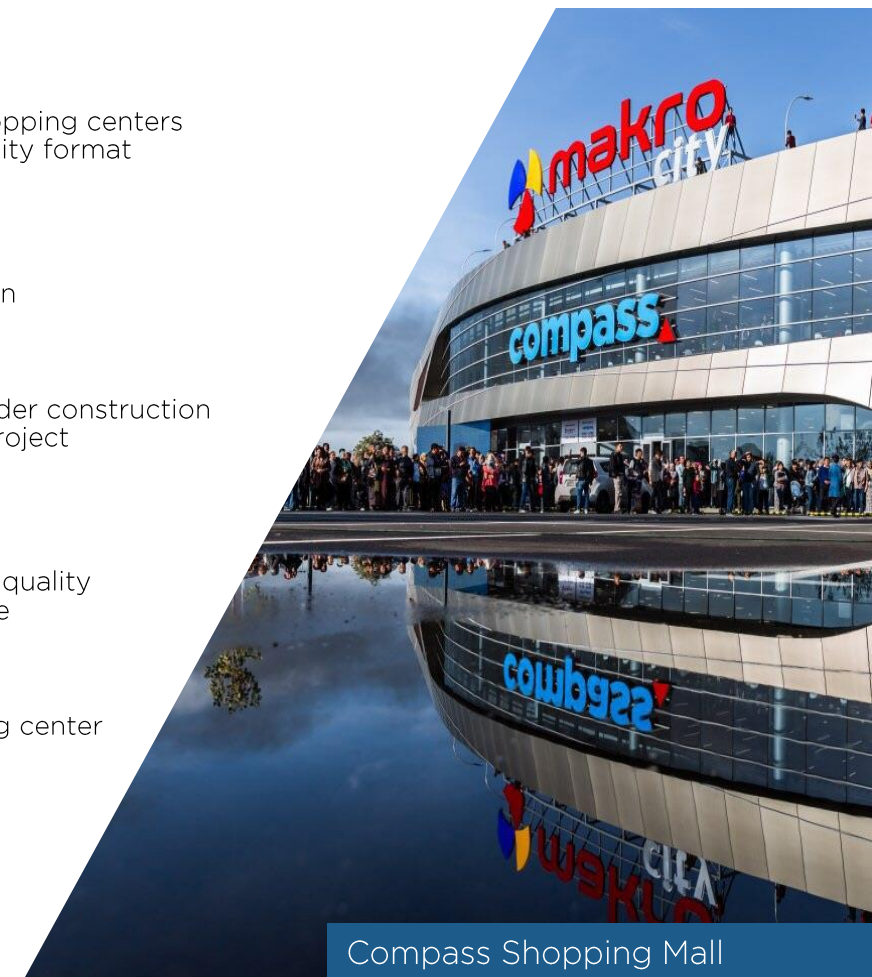
USD/sq m/year - average quality shopping center rental rate

1,200

USD/sq m/year - shopping center prime rental rate

300

USD/sq m/year - high street rental rate



Compass Shopping Mall

RETAIL MARKET

OUTLOOK

Currently, the key visitors of shopping centers are young people and people with upper-middle income. Consumers gradually change their preferences to other formats of retail, such as shopping malls and street retail in developing pedestrian zones.

Currently, retail real estate market continues to grow in two main formats – stand-alone shopping centers, and large multifunctional complexes. In the latter, the retail component can be represented as an independent function with its own target audience, as well as a support retail serving to improve the quality of the infrastructure of other components of the complex and increase their attractiveness.

Emerging new retail facilities will stimulate further market development. In the current market background, the process of retail real estate modification can take 7-10 year according to a more conservative scenario.

STREET RETAIL

The development of comfortable urban environment in the central part of the city (organization of park and pedestrian zones) will lead to an increase in pedestrian flow and street retail development. The appearance of modern projects in various parts of the city leads to the modern street retail format development of all parts besides the city centrum, that improves the quality of the environment in the peripheral areas of the city.

For receiving an electronic version of Tashkent commercial real estate map please contact Julia.Tokareva@eur.cushwake.com



WAREHOUSE & INDUSTRIAL



WAREHOUSE AND INDUSTRIAL

FROM RECONSTRUCTION TO NEW FORMATS

- Warehouse & Industrial supply consists mainly of facilities built 30-50 years ago.
- Currently, appreciable demand for high-class facilities has not been formed.
- Further retail real estate market development, both in the format of shopping centers and separate specialized facilities, will lead to an increase in demand for high-quality storage space.
- The development of modern industrial facilities, as well as entire industrial areas, will lead to the emergence of modern warehouses.

700,000

sq m – total area of warehouse & industrial properties

8

Industrial zones

40

USD/sq m/year – average rental rate of warehouses

62

USD/sq m/year – average rental rate of cold-storage warehouses



WAREHOUSE AND INDUSTRIAL

INDUSTRIAL AND LOGISTICS PROJECTS

For the further development of warehouse and industrial sector it is crucial that further international-quality standards appear. Sergeli Industrial Park is the first example of such industrial area. It will be developed according to high quality standards and will be located near a large transport hub away from dense residential development.

INDUSTRIAL PARK SERGELI



- Industrial park for export-focused producers
- 470,436 sq m – Industrial premises
- 23,866 sq m – Logistics
- 13,381 sq m – Commercial Premises
- 9,000 sq m – Social Infrastructure
- 507,683 sq m – 14 lots for sale

ORIENT LOGISTIC CENTER



- Modern Logistic Center with Dedicated Customs Post
- Container Terminal – 35 000 sq m
- First tier in the end of 2019 (capacity 120k containers /year)
- 350 new jobs

HOSPITALITY



HOSPITALITY MARKET

DEVELOPING NEW STANDARDS OF ACCOMMODATION

- The main share of the city room stock are of low quality.
- A few hotels with international brands are functioning in the city and a number are planned for construction.
- At the same time, the last 10 years have seen the development of facilities with a small number of rooms and a high proportion of multi-bed room.
- Since the opening of the country to visitors, the demand for accommodation facilities has been growing constantly.
- The city attracts tourists as well as business visitors.
- There is a shortage of rooms in modern quality facilities, especially during peak usage periods.

3rd

Central Asia Major international airport by passenger flow

60%

Passengers use domestic airlines

20

Airline services



Since 2016 annual passenger flow of Tashkent International Airport has grown from 2,4 mln to 3,6 mln passengers, or by 53%

350

Collective means of accommodation

7,093

Rooms

6

International chain hotels

9

International chain hotels are planned to be opened

20%

1-5* classified hotels

53%

Non-classified hotels



HOSPITALITY MARKET

OUTLOOK



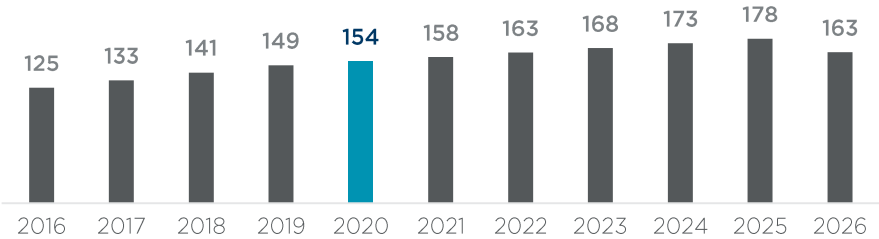
Compared to Samarkand, Bukhara and Khiva, which are the main centers of tourism in Uzbekistan, Tashkent does not have as many attractions. However, as it is the only city with quality hotel supply and due to the limited capacity of airports in other cities, Tashkent has the central role of the main transit hub in the country.

A significant number of new hotels are planned for opening in Tashkent, especially in Tashkent City project – a Hilton hotel was launched at the end of 2019, and 4 more projects are in pipeline.

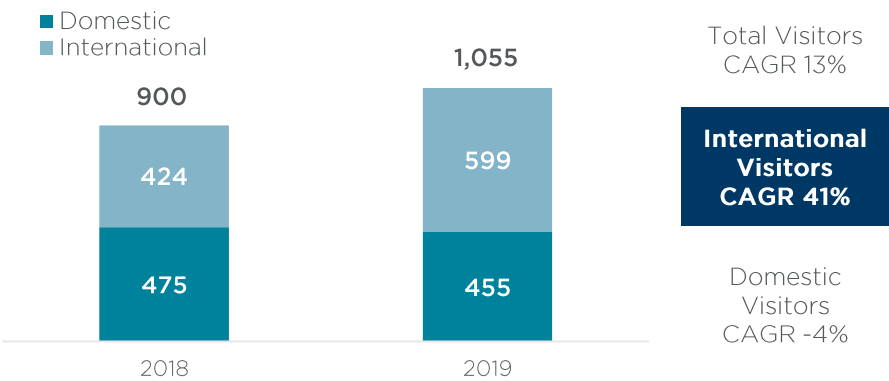
However, for massive tourism the country has yet not enough infrastructure and in the cities other than Tashkent, there are no quality hotels.

Tashkent as a center of business activity in the country has a huge potential for development of business tourism. After the improvement of international relationships and business climate, a number of business tourists is increasing.

TASHKENT QUALITY HOTEL ANNUAL ADR



TASHKENT TOURISM MARKET SCALE



DISTRIBUTION OF FOREIGN VISITORS, %



MARKET TRANSFORMING PROJECT: TASHKENT CITY

The project is located in the center of Tashkent on the territory of 80 ha, it has good transport accessibility including three central metro stations nearby. Construction has started in 2018 and is planned to be completed in 2021. The area is divided into 8 zones, each has an individual investor and developer (both local and international).

Tashkent City, with total area of 1.76 mln sq m, will include several modern business centers, hotels, shopping and entertainment centers, as well as a high-rise residential development and a unique park area.

The commercial concept was created by Cushman & Wakefield, design concept – by ARUP. The national leadership controls the development of the project.



TASHKENT CITY



Source: <http://www.tcibc.uz/>

LOT 6 FINANCE CENTER

Building area – 268,953 sq m

Investors – Bomi E & C Company, AK Alokabank, Asaka Bank, Uzpromstroybank

Includes: A-class office buildings where head offices of major banks will be located

LOT 7 BOULEVARD AND HOTEL

Building area – 348,915 sq m

Investors – Premium Village, Family Group, Luxury Apartments

Includes: 9 mixed-use buildings with residential complex (1,342 apartments), Holiday Inn hotel by International Hotels Group, business center

LOT 1 GARDENS RESIDENCE

Building area – 284,984 sq m

Investor – High land city

Includes: 9 residential buildings with 1180 apartments

LOT 2 CENTRAL PLAZA

Building area – 219,024 sq m

Investor – Lotus Gaz Invest

Includes: 3 residential buildings, 4-star Park Inn by Radisson hotel, A-class office complex, mall

LOT 3 HYPER PARTNERS CENTER

Building area – 351,324 sq m

Investor – Hyper Partners

Includes: Tashkent Mall, serviced residential building, 5-star hotel, A-class business center

LOT 4 NEST ONE

Building area – 187,284 sq m

Investor – Universal Packing Masters

Includes: residential tower, offices, hotel

LOT 5 CONGRESS CENTER AND HILTON HOTEL

Building area – 80,000 sq m

Investor – Akfa Dream World

LOT 8 TASHKENT CITY PARK

Total area – 1.8 ha

The largest recreational area in Uzbekistan

OUTLOOK

Tashkent City is one of the largest urban projects and the flagship of construction boom in Uzbekistan and will be a new center of business activity in the city. The project is aimed to attract foreign capital to the city and to enhance the image of Tashkent, which will stimulate market development.

03

TIPS ON UZBEKISTAN

Uzbekistan authorities take measures to attract investors to the country and pass bills that are aimed at creation of favorable investment climate. The following privileges and benefits are applicable to the investors and contractors that are developing Business City and Tashkent City projects.

FOR INVESTORS

- Exemption from property and land taxes
- Exemption from customs duties
- Exemption from VAT on works (services) performed (rendered) by non-residents of the Republic of Uzbekistan

FOR GENERAL CONTRACTORS AND SUBCONTRACTORS

- Exemption from obtaining licenses for design works and permits for construction works on the basis of turnkey contracts
- Exemption from VAT on works (services) performed by non-residents of the Republic of Uzbekistan
- Exemption from income tax of foreign contractors in the performance of contract work
- Exemption from customs duties
- Exemption from visa support fees

PRACTICALS

TRAVEL IN UZBEKISTAN

The tourist flow to Uzbekistan is growing. In 2019, more than 6.7 mln people visited the country, which is 26.2% higher than in 2018.

The best seasons to visit Uzbekistan are April-May and end of August-November.

Uzbekistan is a tourist-safe and friendly country with unique history, culture and architecture, national cuisine and welcoming people.

The main cities of tourist attraction are **SAMARKAND**, **BUKHARA** and **KHIVA**, which are UNESCO cultural heritage cities.

Samarkand and Bukhara are easily accessible from Tashkent by plane or high-speed trains, while Khiva is located in a remote area and is harder to access.





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