Czech University of Life Sciences Prague

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Bachelor thesis

Real estate market analysis in Kazakhstan

Rakhmetov Aldiyar

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

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BACHELOR THESIS ASSIGNMENT

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Economics and Management

Thesis title

Real estate market analysis in Kazakhstan

Objectives of thesis

Evaluate real estate market and its prospects in Kazakhstan. Explore price categories in the region. Compare the real estate market inside and outside the country. Assess investment into real estate market

Methodology

Theoretical section is done by methods related to study of subject related literature. Analytical section is complete by methods of real estate market analysis (both spatial and assets), methods of empirical data evaluation, vizualization of data by graphs.

The proposed extent of the thesis

35-40 pages

Keywords

real estate, price determinants, market value, Kazakhstan

Recommended information sources

Economics of Kazakhstan in 21st century (2009) G.A.Kurganbayeva
Real Estate Economics (2013) A.N.Asaul
www.kn.kz – web site about real estate in Kazakhstan.

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The Bachelor Thesis Supervisor

Ing. Petr Procházka, Ph.D., MSc

Declaration

      I declare that I have worked on my bachelor thesis titled "Real estate market analysis in Kazakhstan" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on 14.03.15   _____

                                      Aldiyar Rakhmetov

Acknowledgement

Analýza trhů nemovitostí v Kazachstánu

Real estate market analysis in Kazakhstan

Souhrn

Tato práce se zaměřuje na analýzy trhu s nemovitostmi v Kazachstánu. Teoretická část ilustruje místo nemovitostí v obecném systému trhu Kazachstánu, zvažuje její funkce, hlavní rysy a také stopy vývojového procesu kazachstánského trhu s nemovitostmi. Praktická část zahrnuje analýzu současné situace na realitním trhu v Kazachstánu a komparativní studii trhu s nemovitostmi ve městech Almata a Astana, jelikož hrají na poli převodů nemovitostí vedoucí úlohu. Cílem této práce zkoumání fungujících procesů realitního trhu, zvýraznění jeho hlavních mechanismů a vývojových možností, současně poskytuje analýzu současné situace na trhu s nemovitostmi v Kazachstánu. Výsledky této práce by mohly být užitečné budoucím expertům v oborech hospodářství, veřejné správy a samozřejmě také pro aplikaci v každodenním životě, jelikož každý občas čelíme situace nákup, prodej či pronájem nemovitostí.

Summary

This thesis is focused on analyses of the real estate market of Kazakhstan.

Theoretical part illustrates the place of real estate in general market system, considers its functions, main features as well traces the process of formation of real estate market of Kazakhstan. Practical part involves the analysis of the current situation at Kazakhstan real estate market and a comparative study of real estate of Almaty and Astana, as these cities play the leading role at the field of real estate transactions.

The goal of the thesis is an investigation of the functioning process of real estate market, signification of its main mechanisms and lines of development, as well as analyses of the current situation at the real estate market of Kazakhstan.

The results of the research could be useful for future specialists in the sphere of economics, governmental bodies and of course for application in every-day life, as each of us sometime faces the situation of purchase-sale and rent of real estate objects.

Klíčová slova: Kazachstán , Nemovitost , Trh , Ceny , Analýza

Keywords: Kazakhstan , Real Estate , Market , Prices , Analysis

Content

1. Introduction

I think, that the topic of this Bachelor's thesis currently important, because features of formation of the real estate market of Kazakhstan, interdependence of its development and other spheres of economic activity have not been studied sufficiently and have no the uniform settled aspects. In Kazakhstan' conditions the formation of this market is carried out with the assistance of the state, however at the present stage these attempts of the state to have influence on functioning of real estate market quite often are executed without taking into account the particular features of national economy development. It testifies to an insufficient readiness and lack of in-depth studies of the matter in domestic science. At the same time efficiency and intensity of real estate turnover in the production and consumer sphere, depends on correct definition of a ratio of the market and regulating elements.

Active formation of real estate market in Kazakhstan is characterized by uneven development of separate segments, imperfection of legislative base, low paying capacity of the citizens and investment potential of legal entities.

For the solution of the problems arising at a stage of formation of real estate market it is necessary to train the specialists of the expert skills owning special knowledge, promoting formation and development of new field of knowledge with the methodology, terminology and methods of researches.

1.1 Aims and objectives

The market of real estate — is the interconnected system of the market mechanisms providing creation, transfer, operation and financing of real estate objects.

The aim of Bachelor's thesis is a consideration and research of process of functioning of real estate market, detection of its main regularities and tendencies of development, as well as analyses of the current situation at the real estate market of Kazakhstan.

The aim defines the main objectives of the research:
- To give definition of real estate and to classify real estate features.
- To give the general classification of real estate objects.

- To investigate features of real estate as commodity.

- To show a real estate place in market system.

- To give description to real estate market system.

- To consider functions of the real estate market.

- To characterize subjects of the real estate market.

- To trace the process of formation of real estate market of Kazakhstan

-To show the market of real estate of Kazakhstan after world financial crisis.

- To analyze the current situation at Kazakhstan real estate market

- To carry on comparative study of real estate of Almaty and Astana.

1.2 Methodology

Research was based on the principles of system approach, logical modeling of processes. At the solution of problems of determination of cost of residential real estate at various investigation phases methods of economic modeling, forecasting, factorial, comparative, graphic analyses, sociological methods of research, static group of economic processes were applied.

Describing the process of formation of the Kazakh real estate market we turned to historical analyses.

At analyzing of the current situation at the real estate market we used a structural method of analyses with allocation of main features.

Comparative analyses were applied at Comparative study of residential and commercial real estate of Almaty and Astana.

2. **Economic basis for formation of Real Estate Market**
    2.1   Real Estate Market as a specific market segment

Market economy, in general, and the market of real estate are necessary and irreplaceable attributes of the developed modern state.

The real estate has the predetermining, basic value in the course of formation of additional cost. The first chapter of my thesis is devoted to the theoretical bases of the real estate market as a sphere of the real estate turn over.

The real estate market is the mechanism providing interaction of individuals or legal entities for the purpose of an exchange of the available rights for real estate for money or other assets. Real estate market is a component of the investments market and represents its real sector functioning in parallel with a sector of financial investments.

The real sector of the investment market is divided, in its turn, on property investments and investments in real estate.

Property investments are investments in material assets of the companies or personal real property (commodity stocks, jewels and metals, collection items, etc.).

The real estate is the earth, constructions and everything that "is constantly attached" to the earth. The real estate is considered as one of ways of capital's placement providing preservation (increase) of capital cost and obtaining of positive size of the current income [Goremykin V.A., 2008: 15].

Transactions with real estate contain all elements of investment process and demand determination of investment period, its size, form and risk level to which it is interfaced. Capital investments in real estate are performed on the basis of the market price counterbalancing interests of sellers and buyers.

The integral condition of determination of market value of real estate is the analysis of features of functioning of the real estate market, which have essential impact on a flow of the income during possession, risk level of investment and the possible sale price of a real estate object at certain date in the future, those are the information support of profitable approach.

Taking into consideration the specifics of the real estate market will allow to estimate more reasonably the current influence of the key pricing parameters on cost size on analogs and the estimated object within market approach.

The correct understanding of terminology and its easy operating create a basis for effective dialogue both with professionals in the corresponding sphere, and with beginners who need explanations of the terms meanings. Market terminology on real estate and special estimated terms are widely used at its assessment.

Main and the most interesting to us concept, considered in this chapter is "REAL ESTATE".

Legislative registration of this concept has an old story. As early as in laws of Ancient Rome the property was subdivided on personal and real ones. In Russia the term

"real estate" was entered by Peter I in 1714 in the decree "About Inheritance canons concerning Personal and Real Estate". Since then this concept was widely applied. According to the Civil Code of Kazakhstan real estate is understand as: land plots, buildings, constructions, perennial plantings and other property which is strongly connected with the earth, that is objects which moving without damage proportional to their appointment is impossible [Civil Code of RK, 1994: 102].

Real estate also includes air and sea vessels which are subject to the state registration, as well as inland vessels, space objects.

The real estate has a huge social importance, insufficient or inadequate regulation in this area could entails negative consequences for all society, therefore in addition to the general civil legislation there is a large number of the special laws and acts, regulating the status of different types of real estate, the mode of their use and dispose. The most valuable and generally valid objects belong to real estate.

Such real estate objects as the earth, natural resources have the big economic and strategic importance for the state. In many respects for this reason the real estate is subject to the strengthened protection by the law. The reasons of it partly have also historical character, partly are defined by the nature of real estate. So the earth was the major real estate object in pre-capitalistic times when the monetary capital, the credit were of little importance in economic life while the earth was almost only source of private riches and state revenues, served as an indicator of political value of the citizen.

The social role of real estate consists in satisfaction of physiological, psychological, intellectual and other needs of people. Everything that is necessary for the person for a survival and worthy life, he receives eventually from the earth. Real estate possession is prestigious in public consciousness and it is necessary for formation of a civilized average social group.

Each real estate object and all of them jointly have the essential (generic) indicators, allowing to distinguish them from movable things, and the specific indicators, characterizing the features of objects under uniform groups.

Table 1 – Basic indicators of the real estate

№	Indicators	Content (state)
1	Essential (generic) indicators Movable degree	Absolutely immovable, cannot be moved without damage to functional purpose.
2	Relation to the earth	Strong physical and juridical connection

3	Form of functioning	Kind and value form
4	Condition of consumptive form within the usage period	Not consumable, natural form preserves during the whole period of use
5	Duration of turnover (period of service)	Multiple employment, as to the earth – endless period, if it is used appropriately
6	Way of transferring of cost in production or losses of consumer properties	Gradually in proportion to deterioration and accumulation of amortization expenses
7	Public purpose	Use of the object often interfere the interests of many citizens and other owners which interests are protected by the state
8	Specific (individual) indicators Technical and technological characteristics (location, functional purpose, condition etc.)	Are defined by concrete private indicators depending on a type of real estate and expediency of distribution of a specific mode of use on other property.

This table represents own compilation of existing data, introduced by Massynova N.N. dissertation in candidacy for an academic degree "Real estate market: issues of theory and methodology".

The main fundamental properties of real estate are: an immovability and materiality or in consumability on which its other generic and specific indicators are based.

Classification of real estate is a distribution of multiple real estate objects to classes or groups of their similarity or distinction according to the chosen indicators and methods. Classification makes the process of real estate studying easier, allows to find quickly the internal regularities, defining condition and changes of its consumptive and market properties. Objects of classification are elements of the studied mass (buildings, constructions, etc.). Classification indicators are the most essential and practically important properties and characteristics of objects forming the basis for their group or division.

Table 2 – General classification of the real estate

Classification type	Sort of real estate
According to purpose of use	-for living: houses, cottages, flats; - for commercial and production activities: hotels, office-type premises, shops, restaurants, service points, factories, plants, stock-houses; -for agricultural purposes: farms, gardens; -for special purposes: schools, churches, monasteries, hospitals, Nursery and Kindergarten, senior centers, buildings for public and administrative

	institutions.
According to purpose of possession	-for business; -for living of the owner; -as investments; -as commodity stock; -for exploration and development; -for consumption of exhaustible resources.
According to degree of specialization	-specialized (due its special character very seldom, if not at all, is given for rent to third persons or sold at open market for continuation of its existing use, exceptive cases when it is sold as a part of business, that uses it): oil refineries and chemical process plant, electricity generating stations; museums, libraries and other premises of such type, belonging to the public sector; - unspecialized – all other real estate, that is in general demand at open market for investments and use in existing or analogue purposes.
According to readiness of building for operation	- put into operation; -in need of reconstruction or capital repair; - incompleted construction.
According to reproducibility in natural form	- nonreproducible objects: land plots, mineral deposits; - reproducible objects: buildings, constructions, perennial plantings.

This table presents the combination of the notions, given in a book for students "Economics of real estate" by Goremykin V.A.

Real estate is of great importance for a tax policy. It is very difficult to hide existence of real estate, its transition to other owner, for this reason there can be its special taxation.

Investments made in real estate are protected from inflation, at the same time can be the cause of speculative transactions with real estate as the prices grow, and it can lead to concentration of real estate in hands of large owners for the purpose of the next favorable sale at higher price.

The market of real estate represents set of the regional, local markets significantly differing from each other on the price level, risk level, efficiency of investments into real estate etc.

The market of real estate is an essential component in any national economy. Real estate is the most important component of national wealth to which share more than 50% of world wealth fall.

Without real estate market there can't be a market in general as labor market, the market of the capital, a commodity market and services etc. for their existence should have or rent the respective premises necessary for their activity.

According to a number of foreign economists, the real estate market is a certain set of mechanisms by means of which the rights for property and the related interests are transferred, the prices are established and the space between various competing land use options is distributed.

Taking into account domestic experience in realization of real estate it is possible to consider that the real estate market is a set of the transactions made with real estate, their information support, operations on management and financing of works in the field of real estate. Purchase and sale of real estate is not simply usual purchase and sale of durable goods, and the movement of the capital, i.e. the cost which is bringing in the income. So, the bought house, the apartment, the land plot could be possibly sold at a higher after a while or to lease and have from it the additional income. The purchase of the enterprise brings in to the buyer (investor) the income in result of work of the enterprise.

The real estate in hands of the owner can be used for satisfaction of personal needs, and also obtaining the income or profit. As for residential real estate, it, first of all, satisfies personal needs of its owner, and in some cases is a source of obtaining the income at its renting.

Main goal of nonresidential real estate is its operation for production of goods and services and by that receiving profit or the income. For this reason it is necessary to consider connection of the real estate market both with a commodity market, and with the market of the capitals, and with the financial market. In its turn connection of the real estate market with the financial market doesn't mean that the real estate is a segment of the financial market. The real estate forms the independent market.

The last statement testifies that the activity field of real estate is many-sided, being independent among other spheres of economy, it at the same time participates in many economic relations connected with property, with state regulation of various spheres of economy and society. Condition and tendencies of the real estate market depend on extent of development of all economy, features of its separate stages.

The market carries out economic function of bringing together buyers and sellers. Owing to specific properties of real estate the market of real estate significantly differs from the market of other sectors of market economy [Assaul A.N., Karasyov A.V., 2001: 102].

The market of real estate is a market of goods, possessing individual characteristics. The real estate can possess various physical consumer properties: production material, novelty degree, architectural style, internal planning, finishing, service life etc. Even at coincidence of external and operational properties the real estate can differ with location to access roads, the infrastructure facilities, ecological feature of the region etc. The view from the window (to the yard, to the street, to the neighboring house), proximity to the center, a work place etc. is important for residential real estate.

The real estate as an item of goods is the object of transactions (purchase and sale, gift, pledge, etc.) which is satisfying various real or potential requirements and having certain qualitative and quantitative characteristics.

Immovable things as commodity include at the same time both the benefit necessary for consumers, and expenses or investments without which possession and use of them is almost impossible. These qualities of real estate are shown in the form of their usefulness, a rarity, limitation and a capital intensity.

If the earth, water and a soil wouldn't be limited, they would be free as air. The general consumer value of real estate is formed by its usefulness, i.e. possibility of use of real estate for implementation of a certain economic function (cultivation of a crop, output of industrial goods, rendering services) or personal consumption.

Usefulness is an ability of real estate to satisfy needs of the owner for this place and during the corresponding period of time.

As well as any goods, real estate has consumptive and market value. Consumptive cost reflects the cost of things for the specific user. Market value is the most probable price of their sale in the open and competitive market. The earth and some other immovable

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things are included in an economic turn as the resources which don't have alternatives of mutually replacement in many fields of activity. The offer of immovable goods is influenced by action of the law of a rarity and limitation: the here the goods rarity – its price is higher. There are no two identical buildings, they will always have distinctions in location, lines of the horizon, availability to a sunlight, a microclimate and other indicators.

Real estate is the most durable and thorough goods from all existing. It is impossible to have it to be lost or forgotten as sometimes it happens to personal belongings. The earth by the nature is eternal, and buildings and constructions have standard service life till 15-200 years. The enterprises as property complexes, are most often created for the termless period. The immovable goods provide reliability of investments as its cost can increase because of increase in demand, improvements and other factors over time.

Transactions with real estate objects is not usual movement and final consumption of goods as in case with, for example, bread or milk, but the movement of the capital which is bringing in the income. Immovable goods are consumed (used) at a place of their location that creates their special economic characteristic – territorial preferences, i.e. changes in public opinion, traditions and aspirations which make one areas popular (preferable),and others - not.

To economic features of real estate as goods belong: unevenness of cash flows, differentiation of the taxation, variety of a combination of the property laws, rigid regulation of registration of transactions, liquidity and need of management.

Different period of stay of goods in the market forms its economic property known as liquidity of goods. Fast transition of goods from a natural form in the monetary one means high liquidity. The long period of time for its seller means low liquidity for transition of goods to a monetary form.

Liquidity of real estate is lower than liquidity of other goods. Low liquidity of goods in the market of real estate generates the high level of expenses at the buyer and the seller. These expenses are defined by difficult conditions of implementation of transactions on real estate.

Expenses, which are incurred by buyers and sellers of real estate according to the conclusion of transactions, are called as transactional expenses.

The size of expenses when carrying out transactions with residential real estate makes to 10% of the object price, in the countries with the developed market of real estate now — about 5-6% [Rutgaizera V.M., 2008: 45].

In the market of non-residential real estate transactional expenses are lower as the part (and considerable) belongs to the constant expenses which are directly not connected with the price of individual object.

In view of the high price of non-residential real estate the absolute value of transactional expenses is certainly higher than similar expenses in the market of residential real estate.

Existence of transactional expenses leads to significant difference between the asked price and sale price. The last is overestimated by the size of commission costs, duties, taxes and other expenses.

For full disclosure of concept of the real estate market it is also necessary to examine concepts of subjects and objects of the market which description we will give below.

2.2 Subjects and objects of Real Estate Market. Their nature and particular characteristics

In the market of real estate were created and actively work various market structures promoting increase of efficiency of its turnover.

The following *subjects* of the real estate market can be distinguished. Firstly, buyers (legal entities and individuals), investing buyers (legal entities and individuals). Secondly, sellers of real estate - owners of real estate, the funds of property, bodies authorized by local government, competitive managing directors.

In the market of real estate were created and actively various market structures promoting increase of efficiency of its turn work.

Enterprises of all forms of ownership, households, mortgage banks can be sellers and buyers. Among sellers of real estate the special place is taken by the construction organizations. They build new housing, non-residential objects and can sell real estate objects by themselves or involve intermediary sellers, paying their services.

The simplest way - when the firm itself realizes real estate to the buyer. If the civil engineering firm attracts intermediary agency to realization, the buyer should buy real

estate at the price increased by the cost of services of agency, i.e. approximately for 8% and above.

Today the situation in the market changes. Agencies on real estate sell real estate, and their services are paid not by the buyer, but civil engineering firm. According to experts, civil engineering firms receive a number of benefits: realization of real estate goes quicker, the turn of money thereby is accelerated, there is an opportunity to begin a new construction quickly. The agency helps the builder to define optimum sale price. For example, professional consultation can raise the price of the realized real estate by 5-10%, than it was supposed originally.

Participants of the market of real estate are the professional intermediaries providing realization of real estate objects: real estate agents, brokers, realtors, evaluators, law firms, exchanges of real estate, insurance companies, mortgage creditors, dealers, authorized officers, developers, managers of real estate, mass media. We will consider activity of some of them [Stoyanova Y.S., 2009: 202].

Real estate agencies are represented by the experts who are carrying out functions of consultants for transactions with real estate: purchase and sale, rent, mortgage operations. There are also brokers agents, or the intermediaries presenting interests of the seller or buyer of real estate in the transaction.

Absolutely new structure of the market of real estate which arose directly with the advent of the market of real estate — is realtor firm.

For the short period of time the realtor firm passed a way from the simple intermediary to the leading professional participant of the market of real estate offering the whole complex of services in this market.

Realtor firms sell not real estate itself, as it isn't their property, but their services. The main source of the income of realtor firm is receiving commission charges for the services rendered to sellers and buyers of real estate. Therefore, the more service is qualified and a circle of the rendered services is higher, the more clients seek to work with such realtor firm. The operating realtor firms are differentiated on the number of their employees (big, average, small), on fields of activity (multi-profile, narrow-profile).

Big firms generally were created in the early nineties. Big profits of the beginning of their activity allowed them to expand an activity range in the market of real estate, to become multi-profile (purchase and sale, settlement, rent, participation in share

construction, etc.). A large number of activity fields is guarantee of stability in activity of realtor firms as at change of a situation they switch to other activity, there is a modulation of resources (financial, personnel) from one sphere to another. Versatility of firms allows to experiment in new activities, and also to gain considerable income due to large volumes of works.

As practice shows, for the market of residential real estate prevalence of small firms is characteristic, also individual brokers and consultants work here.

The large realtor companies are prevailing in the market of commercial real estate, in the sphere of operation of housing. No transaction in the market of real estate can be carried out without preliminary assessment of cost of real estate. Procedure of an assessment precedes decision-making, connected with real estate. The assessment represents reasonable opinion of the independent party on the market value of real estate [Tarassevich Y.I., 2008: 13].

In the countries with market economy there is a public service of an assessment of real estate by means of which market price of real estate is defined.

The need for a professional assessment is necessary at pledge of real estate, for receiving the credit, at investment, insurance and the most important — at property sale. The assessment is necessary by request of the seller before exposure of real estate to sale, by request of the potential buyer in many cases before the conclusion of the transaction, for determination of the starting price of a real estate object at competitions, auctions.

The role of the evaluators in the market of real estate constantly grows. Assessment when crediting on the security of real estate, insurance, revaluation of fixed assets, the section of property, its entering into an authorized capital become the main in activity of evaluators. Many large financial and investment structures, banks without independent assessment don't work at all.

The greatest experience of real estate assessment falls now the share of housing market. There appeared an assessment of the rent rights. In the land market the assessment is generally carried out on sites for individual housing construction and gardening. Practice of an assessment of lands of agricultural purpose got experience in regions of Kazakhstan where the earth gives income. The most difficult type of an assessment is the business assessment, in particular, an assessment of business of newly created enterprise and assessment of cost of the operating enterprise. The assessment of commercial real estate is

a kind of an assessment of business and becomes very actual in process of expansion of the market of real estate [Solovyev M.M., 2009: 111].

Development of the market of assessment services will be improved in process of improvement of legislative base and deepening of the market relations in the field of real estate.

In conditions of domination of the market relations in the field of real estate arises and increases the role of the professional businessman-builder who is called the developer.

The developer — is the one who reorganizes the earth to new use, this is the businessman, building on the earth. The activity connected with development of the territory and transformation of lands to new use received the name development. In a field of activity of developers abroad is the development of the land plots under building, building (reconstruction, restoration) of objects.

The developer himself doesn't build, he organizes creation of a real estate object so that the resources invested in a real estate object paid off and the sufficient profit on realization of object was got. Content of the activity of the developer is the following: choice of economically effective project; obtaining all necessary permissions to its realization from authorities; definition of conditions of attraction of investments, development of mechanisms and forms of their return; search and involvement of investors; selection of contractors, financing of their activity and control of their work; putting of the created real estate object to operation; sale of the built-up, reconstructed object, return of financial resources.

The developer is a key figure in development of real estate. He is responsible to investors for an expenditure of their funds, to banks for return of credit resources, bears responsibility for quality of the project before government bodies, before contractors for financing, before consumers for timeliness and quality of the handed-over real estate. The developer has to consider the structure of own and borrowed funds at the solution of a question of attraction of investments, the conclusion of the contract, definition of forms of financing and return of invested funds [Gryaznova A.G., Fedotova M.A., 2009: 213].

The most conservative structure operating in the market of real estate is bank system.

In order to earn on the market of real estate, banks use many ways: an investment of money in these or those developer projects, crediting on the security of real estate,

creation of own realtor structures. Participation in investment and developer projects, mortgage lending of purchase of housing has to be primary activity of banks in the market of real estate.

Mass media realize advertising campaigns on purchase and sale and other operations with different types of real estate.

The real estate object — is any commodity which are rigidly bound with a soil so its transfer in other place is impossible without its destruction (without loss of its consumptive cost).

The group of real estate objects offered below aims to promote the differentiated approach to their assessment taking into account the most essential signs inherent in each group of objects, features of their commodity turnover, structure and scopes of the markets within which the processes of purchase and sale take place.

The assessment of object is influenced by various conditions and their combinations therefore for carrying out group the method of "feature-tree" of apartment and room is used;

• rooms and buildings for offices or shops;

• suburban houses with the land plots (cottages and summer houses for gardening);

• the free land plots intended for building or for other purposes (in the short perspective);

• warehouses and production objects.

Also other approaches to classification are possible.

For our purposes classification of real estate for carrying out operations with real estate and estimates of its cost is most significant.

For estimation of cost, the earth, buildings and constructions, as we have already mentioned above, are divided into two classes:

• specialized real estate;

• unspecialized real estate.

The specialized real estate — is real estate, which owing to the special character seldom or never is on sale in the open market for continuation of the existing use by one owner, except cases when it is realized as part of the business using it. Special character of real estate is usually caused by its design features, specialization, the size, the location or combination of these factors.

The unspecialized real estate — is real estate on which there is a general demand and which is usually bought, on sale or rented in the open market for the purpose of its use for the existing or similar purposes, either as investment, or for exploration and development [Goremykin V.A., 2008: 22].

At the established western market other classification of real estate objects by categories A, B and C is accepted.

Category A. The real estate used by the owner for business.

It is subdivided into:

1) The specialized real estate adapted for conducting a certain business and which is usually on sale together with business (for example, oil refineries, the chemical companies, workshops for placement of machinery and the equipment, etc.).

2) Unspecialized real estate — common buildings — offices, warehouses, shops which are usually on sale or leased.

Category B. Real estate for investments.

These types of real estate are owned for the purpose of obtaining the income from rent and/or generation of profit on the invested capital.

Category C. Excess real estate — the earth with buildings or free sites which aren't necessary for business today or in the future anymore and therefore appear excess real estate [Ronova G.N., Ossorgin A.N.].

Classification of real estate objects by various signs (criteria) promotes more successful research of the market of real estate and facilitates development and application of methods of estimation of cost of various categories of real estate. In the course of classification the separate groups of real estate having similar characteristics of functioning that defines possibility of uniform approaches to their assessment are allocated.

2.3 Formation of Real Estate Market in the Republic of Kazakhstan

The traditional Soviet system of housing financing corresponded to the pursued housing policy in general and consisted in the centralized distribution of the budgetary resources for construction of the state housing and its free granting to the citizens standing in a queue on improvement of living conditions.

In Kazakhstan from the very beginning of economic transformations, despite the importance, housing reform was carried out by very slow rates. Formation of the market relations in the housing sphere of Kazakhstan began in 1991 after adoption of the laws "About Privatization", "About property". Thus, the legislative base for formation of the market relations in the housing sphere was created.

Thus in the conditions of insufficiently great payment demand of the major part of the population on finished housing, and also lack of the credits for purchasing of finished housing, the housing market created in the first years of reforms wasn't provided with necessary credit and financial mechanisms which could maintain solvent demand of the population in the market of ready housing.

In 1993 the important step in housing reform was made. By the decree of the President of the Republic of Kazakhstan N 1344 "The state program of new housing policy and mechanisms of its realization" was accepted. It provided a number of the major strategic steps in the sphere of housing policy of the state, such as:

- entering of necessary amendments and additions into system of the regulating norms concerning the housing sphere;

- reforming of system of financing of housing construction and housing and public utilities sector;

- demonopolization;

- development measures on decreasing of housing construction costs and its reduction in cost for the population;

- creation of system of privileges to participants of process of housing construction and operation for the purpose of involvement in this process of the maximum number of citizens and legal entities;

- implementation of measures for expansion of rent sector in the housing sphere;

- modernization of base of building industry;

- development of the simplified procedure of allocation and registration of the land plots for housing construction;

- complex development in regions of a residential development of social, engineering and transport infrastructure;

- creation of effective organizational structures for implementation of housing policy of the state;

- development of infrastructure of housing market and real estate in general [Kulumbetova L.V., 2007: 230].

In spite of the fact that the considerable part of strategic tasks proclaimed in the mentioned decree wasn't realized, this document indicated the importance of housing problems for the state and entry of housing policy into a number of priority activities of the state. This reason is the extremely important for the analysis of real opportunities of further reforming of housing sector and system of its financing.

Within the last ten years the volume of the housing put into operation in the republic made about 0,5% of the available housing stock and equals the areas of shabby and dangerous housing constructions. At such rates of updating of housing stock there is a real threat of its hopeless aging, and if to consider that the major part of housing is located in seismically hazard zones, consequences of such policy in housing construction could be catastrophic.

Recession of investment activity in construction branch was painfully reflected in an economic situation of many contracting organizations. As a result a number of such companies involved in construction sector was reduced. It is obvious that in such situation considerably increased the importance of real start of new mechanisms of attraction of extra-budgetary funds in construction sector, including, mortgage housing lending as it can really help to stop disintegration of construction branch, to improve employment indicators, to solve a number of problems of social character.

Levels and structure of supply and demand, and also pricing on residential real estate had a number of features which needed to be meant at an assessment of prospects of formation of the market of mortgage lending in Kazakhstan.

In general in the republic the level of demand on housing was low. It concerned the vast majority of the cities and all rural areas. Two capitals – Astana and Almaty were the only centers where demand for residential real estate had been more or less formed due to . concentration of business elite of the republic, a large number of officials, including foreign ones. They were followed by those cities where the operating enterprises of the extracting and processing industries were generally concentrated.

The budgetary restrictions that is, in particular, the income of a family act as one of the factors influencing the demand. The average level of the family income in Kazakhstan was at the low level, though exceeded indicators of neighboring countries. According to

Agency on Statistics of the Republic of Kazakhstan, in July, 1999 the average per capita monetary income of the population made 3224 tenge, or 23 US dollars. Thus the average per capita income of inhabitants of Almaty and Astana in July, 1999 were equal and made 5486 tenge ($39). Considering that the structure of an average household in Kazakhstan makes 3,5 persons, the average monthly monetary income of a household in the republic in July made 11284 tenge ($80), and Almaty and Astana – 19201 tenge ($137). It should be noted that the considerable part of the population has no essential money savings and is compelled to spend practically all income for the current consumption. Level of savings norm still remains low, though has started growing in 1999-2000 [Utin T.M., 2004: 37].

Demand of the population for housing, in many respects, is defined by demographic indicators, such as rates of formation of new families, migration level, quantity of complex households, etc. In Kazakhstan there observed tendencies of reduction of the general coefficient of birth rate, increase in the general mortality rate and, respectively, reduction of the general coefficient of a natural increase, though since 1999 the return tendency is observed. Decrease in birth rate reduces the sizes of families at the moment and quantity of families in the future, i.e. in the long term the structure and number of households will significantly differ from current that will lead to change of demand for housing.

Transfer of the capital from Almaty to Astana in 1997 caused very considerable fluctuations of demand, naturally followed by price variation of real estate prices. In Almaty, in view of considerable outflow of the population, real estate price, both residential and commercial, in 1999-2000 decreased approximately by 10-15% in a dollar equivalent. In Astana the prices after huge jump in 1998, by 2000 fell a little and stabilized at the level of about 20-30% below, than in Almaty.

If to consider situation in the regional centers, the following situation was observed there. As it was already stated above, there was relatively a great demand in local housing markets in both capitals, and also in the cities, where the operating enterprises of the extracting and processing industries are generally concentrated, and where level of labor payment is rather high: Kostanay, Atyrau, Pavlodar, Ust Kamenogorsk. To the contrary, in those cities where unemployment rate is rather high, rather low demand for housing was observed.

In 1998 - 2000 demand for individual housing (suburbs comfortable houses, the reconstructed integrated apartments in multi-apartment houses) increased. With increase of cost of utilities the tendency of increase in demand for apartments with the minimum set of conveniences is also expected (for low-profitable families).

As for the offer of housing, in the territory of all republic approximately identical picture was observed. The vast majority of housing was offered in the secondary market while the market of new housing construction was developed extremely poorly. The situation in construction sector considerably worsened in recent years in view of lack of sufficient consumer demand. One of tendencies was the steady narrowing of the offer in primary market because of catastrophic falling of new construction volumes.

In 1998 volumes of housing construction decreased in comparison with 1990 more than by 7 times. Thus, on the general adverse background in construction sector, statistical data has showed two tendencies which is possible to call positive. The first of them – continuous growth of specific weight of housing which was under construction in non-state sector, i.e. increase of the importance private, and, first of all, individual builders. If in 1990 78% of housing were constructed by the state enterprises and the organizations, in 1998 the situation changed cardinally, and nearly 85% of new housing construction fell to the share of the private sector. The second positive tendency (though it was much less significant in comparison with the first), - the increase in the average size of apartments under construction. It specified that the private sector at the expense of which such increase occurred, had the best, from the point of view of liquidity, part of residential real estate which, in principle, could be included in an economic turn. In 2000 housing prices in primary market by 1,5-2,5 times exceeded the prices in the secondary market [Ilyassova K.M., 2005: 42].

For deeper analysis of opportunities of growth of volumes of housing crediting it was in the short term necessary to define, first, availability of housing and the housing credits to the population, and, secondly, potential consumer demand for them.

According to official data, the average monthly income in July, 1999 equaled to 3224 KT or 24,34 US dollars per capita. Such low income didn't promote start of process of housing crediting in all areas of Kazakhstan. Mainly, it was necessary to concentrate attention on urban population which represented the main target market for mortgage lending of housing. Moreover, two main target markets in the country were Almaty and

Astana. In July, 1999 the average monthly income per capita in Almaty and Astana equaled to 5486 KT or 41,42 US dollars [Utin T.M., 2004: 37].

To apply for receiving a mortgage loan for purchase of housing, the potential borrower should have certain own assets. The main source of own assets at the vast majority of citizens was the housing which passed into their property as a result of privatization. The average prices of the one-room standard apartment in Kazakhstan (Almaty and Astana where the market, as it was said above, is developed better) in 1999 was equal to USD 8 000, two-room apartment – USD 13 000, three-room – USD 20 000. Thus it should be noted that the specified level of prices for housing in Kazakhstan is rather high not only in relation to neighboring countries, but also even in relation to countries of Eastern Europe and Turkey where welfare of the population considerably differs from indicators in Kazakhstan. The second source of own assets the population can have - bank deposits, monetary accumulation, jewelry, garage, car, etc. It is difficult to determine the real mortgage cost of these assets.

In general, consumer demand for housing mortgage loans in the conditions which have developed in Kazakhstan that time remained rather small. However, first, it was sufficient to start practical development and development of mechanisms of mortgage lending by various government and commercial structures interested in development of the national markets of real estate; and, secondly, low availability of mortgage loans to the population is defined, mainly, by the low income of households and high interest rates, that could be changed as a result of carrying out competent economic policy.

At the end of 1999 the National Bank of Kazakhstan initiated development of regulatory legal base of introduction of system of mortgage lending. As a result the government of the republic approved the Concept of long-term financing of housing construction and development of system of mortgage lending in the Republic of Kazakhstan. The concept assumes creation of complete system of mortgage lending which includes granting long-term mortgage loans by banks and other creditors to citizens borrowers, and also the mechanism of providing creditors with necessary long-term resources for crediting. At the end of 2000 introduction of this system started.

Kazakhstan has chosen Malaysian model of mortgage lending system. It is based on western know-how - two-level structure of the market thanks to which banks accumulate the "long" target money intended for a mortgage on securities market and have an

opportunity to give so "long" and "soft" (under low percent) housing credits. Primary level here constitutes the credits themselves, and secondary - special mortgage securities (bonds, instruments of pledge) by means of which the "feeding" of creditor banks is performed. At the end of December, 2000 the National Bank of Kazakhstan created Kazakh Mortgage Company JSC (KMC). It was organized specially for the purpose of formation in the country of the market of mortgage securities. According to intention, on behalf of the partner banks this system has to work with the population, realizing in the secondary market mortgage bonds, and on this money to get mortgage loans at banks and then to provide them to the population. Thus, the mortgage company works at primary market through commercial banks, and on the secondary carries out functions of the operator who is carrying out refinancing of second level banks by acquisition at them standard mortgage loans and issue of the mortgage bonds provided with these credits [Morozova L., 2008: 7].

In July, 2001 "Kazakhstan Mortgage Company" JSC together with "Astana-finance" JSC started implementation of the pilot project on mortgage lending of acquisition of housing by the population in the secondary market. The main task of participants of the project was the creating favorable conditions for satisfaction of demand of various segments of the population in housing market. This project was realized in Astana and Almaty. Within the project granting of long-term mortgage loans from 3 to 10 years to the population of these cities in tenge was supposed. The minimum size of the credit made from $3 thousand, maximum - $30 thousand in a tenge equivalent. The project was carried out within 8 months (from July, 2001 to April, 2002). The program was successfully approved in the cities of Astana and Almaty. During implementation of the project the "Kazakhstan Mortgage Company" redeemed over 230 rights of the requirement for mortgage housing loans for the sum about 300 million tenges. The average size of the credit made 1 million tenge (about 7 thousand dollars of the USD equivalent). The share of families with the average income of $200 - $300 made about 85% of total amount of borrowers.

For development of mortgage lending system by Astana Maslikhat's decision No. 123/26-II dd. 25.12.2001 was approved the "Program of development of mortgage lending and housing construction in Astana, which realizes by "Astana-finance" JSC. This Program was stipulated, first of all, by the observed tendency of growth of the city in connection with giving the status of the capital of the Republic to Astana.

Main objectives and tasks of the program:

• Development of housing construction and formation of housing market.

• Satisfaction of need of the population of Astana for the qualitative housing corresponding to a modern standard of living available at the price and forms of payment.

• Creation of the system, attractive to clients providing possibility of a choice of the financing mechanism accepted for them and crediting for purchasing of housing.

• Transition from practice of the free provision of housing (referred to category of the state municipal housing stock) to practice of construction of commercial housing and acquisition at the expense of own funds of citizens [Dosmukhambetov S.S., 2010: 78].

In 2002 in Astana over 230 thousand square meters of living space were put into operation. Out of them about 30 percent are realized according to the program of mortgage lending.

There was a need of the population for the mortgage loans granted in tenge without fixing of a currency equivalent and also for long term. But crediting in tenge had the problems connected with need to establish floating rates of remuneration for hedging of risks. In turn, potential borrowers were afraid of significant growth in rates of remuneration in the future as it creates threat of a default of the borrower.

"Kazakhstan mortgage company" carried out a lot of work on search of schemes which could secure borrowers. In particular, it adapted the available international experience of use of limiters of rates of remuneration – "cap". The general model of use of these limiters is the following. Assuming that, as a result of growth of inflation or increase in rates of devaluation of tenge, the floating rate of interests of tenge mortgage credit exceeded prior established maximum value limiter. In this case the charge will be calculated at the limiter rate, despite excess of the actual rate. This project was approved by National bank.

In spite of the fact, that by the beginning of activity of "Kazakhstan Mortgage Company" the legislative base was generally created, during approbation of the Program some unresolved problems were revealed:

• imperfection of state registration procedure for transactions with real estate established by the law (for example, unreasonably high payment of registration) leaded to rise in price of the credits for the population;

• absence tax privileges for the citizens acquiring housing on credit;

• inclusion of mortgage property in competitive weight at bankruptcy of legal entity.

In this regard the National Bank of Kazakhstan created the working group which prepared the project of the Law, providing modifications and additions in some acts.

But the main problem there was an attraction of financial resources to the sphere of mortgage lending. It was supposed that necessary for this assets would be attracted in domestic market by issue of the mortgage bonds provided with the rights of the requirement for the mortgage housing loans belonging to "Kazakhstan Mortgage Company". The main domestic institutional investors – accumulative pension funds and insurance companies.

Within the organization of mortgage lending system by "Kazakhstan Mortgage Company" in 2002 general cooperation agreements with four banks of the second level and two non-bank institutions were concluded. By July 1, 2002 the total amount of refinancing made about 320 million tenge. These are more than 280 mortgage housing loans issued to natural persons. For May 1 the volume of loans of the Kazakhstan banks to natural persons on acquisition of housing reached 5,3 billion tenge. According to the international requirements standards of mortgage housing lending were developed and successfully used.

"Kazakhstan mortgage company" together with regional branches of the bank "Tsentrcredit" developed the program in all regions of the republic: in Almaty and Almaty region, in Astana, Aktau, Aktobe, Atyrau, Zhezkazgan, Karaganda, Kokshetau, Pavlodar, Uralsk, Ust Kamenogorsk, Shymkent. The system of mortgage lending became a dynamic and perspective segment of the market of consumer crediting [Yessimova Sh.A., 2005: 99].

The attitude to a mortgage from the consumers who were not going to improve housing conditions was ambiguous though there was a small overweight of the respondents who were positive to a mortgage. At the same time, only 32% of the respondents wishing to live more comfortably were going to address to services of a mortgage. The main reasons, forcing to refuse of the population to get the credit were absence of the stable monetary income, and also the small size of a salary and absence of confidence that in future they would have a good work.

In 2003 the first positive tendencies in development of mortgage lending made appearance. If in 2002 by KMC estimates, in Almaty on average in a month about 250-300

mortgage credits were issued, i.e. about 10-13% of total transactions on purchase and sale of housing, in 2003 the number of transactions with the participation of a mortgage credits sharply increased, reaching about 600-700 transactions per month (i.e. 25-30%). In 2001 interest rates of mortgage loans made from 20 to 24% and the period was only 5 years, in 2002 rates decreased to the level of 16-19%, and period increased till 10 years, in 2003 became possible to obtain the credits on 12,5% per annum interest rate and for up to 20 years [Zhumabekova G.Kh., 2004: 66].

It is important to note that till 2003 the promotion of the banks in regions was not active. Development of a mortgage was observed generally in Almaty, Astana and Atyrau – in the cities where optimum and easily predicted levels of prices for real estate were established. But in 2003 the situation changes considerably. Mortgage loans in such cities as Aktau, Shymkent, Aktobe, Uralsk, Ust Kamenogorsk, Karaganda, Pavlodar are actively issued. Banks began to work more willingly on regions. First of all, it testifies to growth of development of the largest cities of Kazakhstan.

In 2004 the market of mortgage lending in Kazakhstan independently approaches the indicators put in the housing program of the government of RK. Terms of the granted loans fluctuate from 15 to 20 years, the size of an initial contribution – from 15 to 30% and an interest rate – within 12-13%. The housing program of the government provides establishment of an interest rate of the credit at the level of 9-10%, the size of an initial contribution at the level of 10% of the cost of housing and the term of granting the credit till 20 years.

3. **Analyses of the Real Estate Market in the Republic of Kazakhstan**
   3.1 Kazakh Real Estate Market after global financial crisis

In this chapter we used the information, presented by Agency on Statistics of the Republic of Kazakhstan and Kazakh Web-portal about real estate – kn.kz.

Thanks to growth of the income and availability of the credits in Kazakhstan the construction boom started (during 2005-2009 were put into operation housing 3 times more in comparison with 2000-2004). Investments into housing construction reached their peak in 2007.
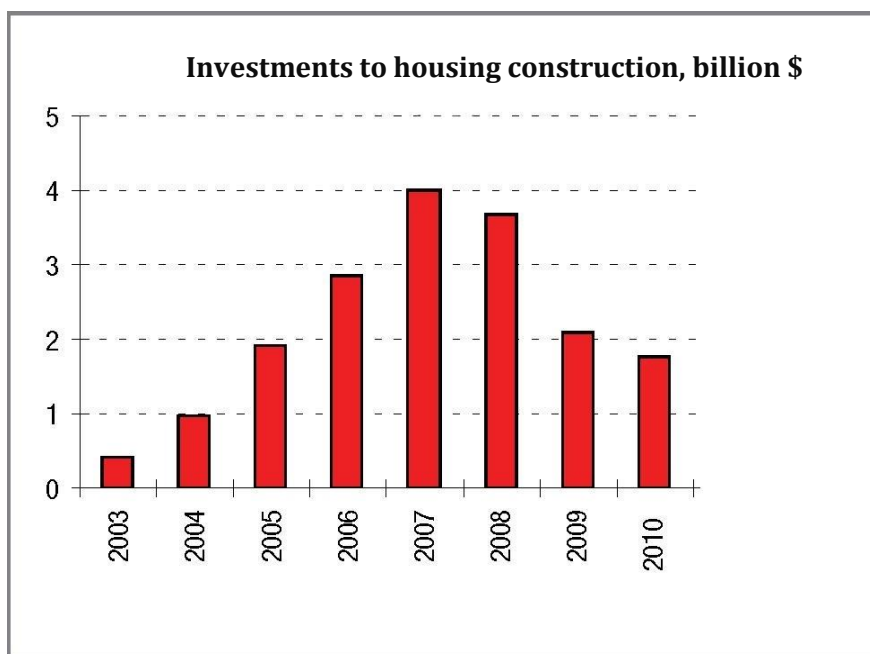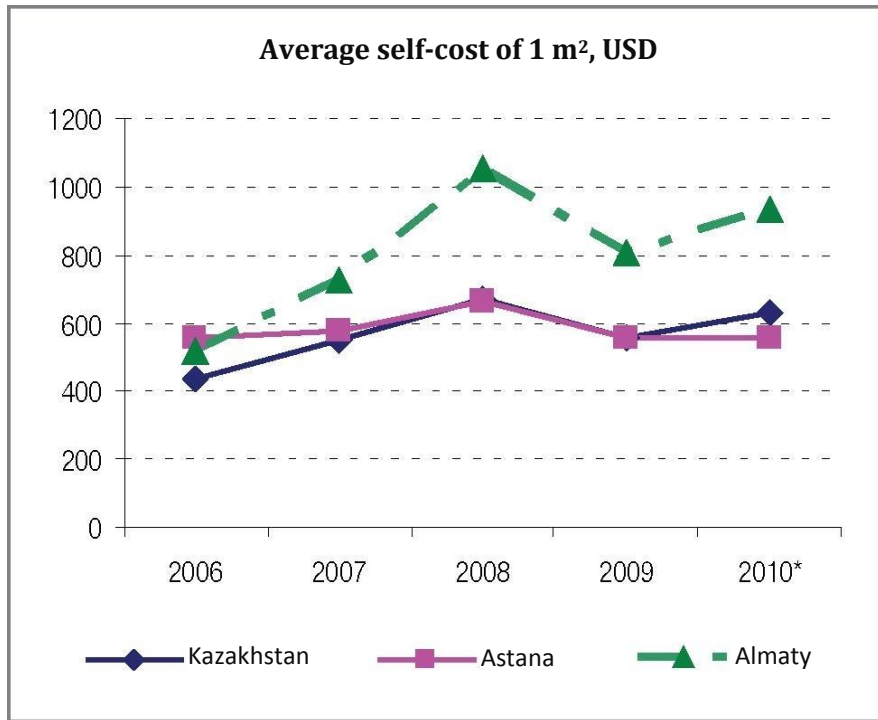
Investments to housing construction, billion $

This diagram contains the data, presented at the official site of Agency on Statistics of the Republic of Kazakhstan - stat.gov.kz/

In 2006-2007 this boom turned into a soap bubble which burst in 2007 after financing exhaustion. The prices sharply went down, having decreased from peak of 2007 to the smallest value of autumn of 2009 in general across Kazakhstan on new housing, for 32,3%, on secondary for 41,7%. From that moment to November, 2010 the increase of the prices on new housing were observed as 4,3%, on secondary for 5,3%.

In 2009 the total area of the housing put into operation decreased by 6,2% in relation to 2008. In January-November, 2010 it decreased in comparison with the corresponding period of 2009 by 2% and made 5231,5 thousand sq.m.

Self-cost grew from 40% of the sale price in 2007 to 60% in 2009, and it was followed by decrease of the profit of construction companies, their financial position worsened, and in 2009 the number of construction companies in Kazakhstan decreased by 10%, in Almaty - for 26,8% and almost for 40% in Astana.

Average self-cost of 1 m², USD

This diagram contains the data, presented at the official site of Agency on Statistics of the Republic of Kazakhstan - stat.gov.kz/

Self-Cost – to – Purchase-Price ratio
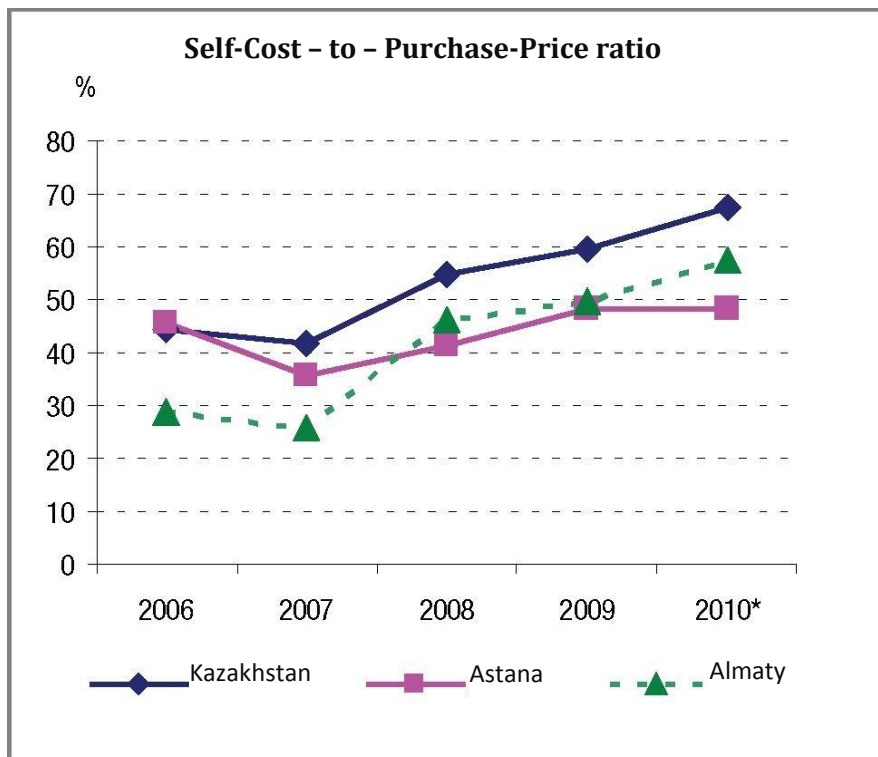
This diagram contains the data, presented at the official site of Agency on Statistics of the Republic of Kazakhstan - stat.gov.kz/

Despite essential state support, investment into housing construction in 2009 remained 30% lower than the level of 2008. But for the period January-November, 2010 the volume of investment into USD is 8,1% higher than the similar period of last year.

Investments for 2009 of-2010 constituted average 4,0 million dollars, that is 30% lower, than in 2008-2009, the total area of the housing put into operation decreased, respectively, for 15% and made about 5300 sq.m. in 2011, 5400 sq.m. in 2012.

The index of availability of real estate is estimated as "moderately inaccessible", but availability of housing considerably improved. The level existed before "bubble" is restored.

In 2010 the real estate market in Kazakhstan, following in line with world tendencies, were not quickly restoring. But there were some indicators, demonstrating the gradual change of the situation into positive one:

- The number of transactions of purchase and sale of housing for January-November, 2010 in comparison with the period January-November, 2009 increased by 17,8%.

- According to data of National Bank of Kazakhstan in the market of mortgage lending insignificant revival - height of 2% was observed since June, 2010.

- In general across Kazakhstan modest increase in prices for new housing since January, 2010 in USD for 1,6%, for the secondary - for 3,2%. But this increase didn't touched Almaty, Astana, Aktau, Atyrau, in the large cities the price stiffened.
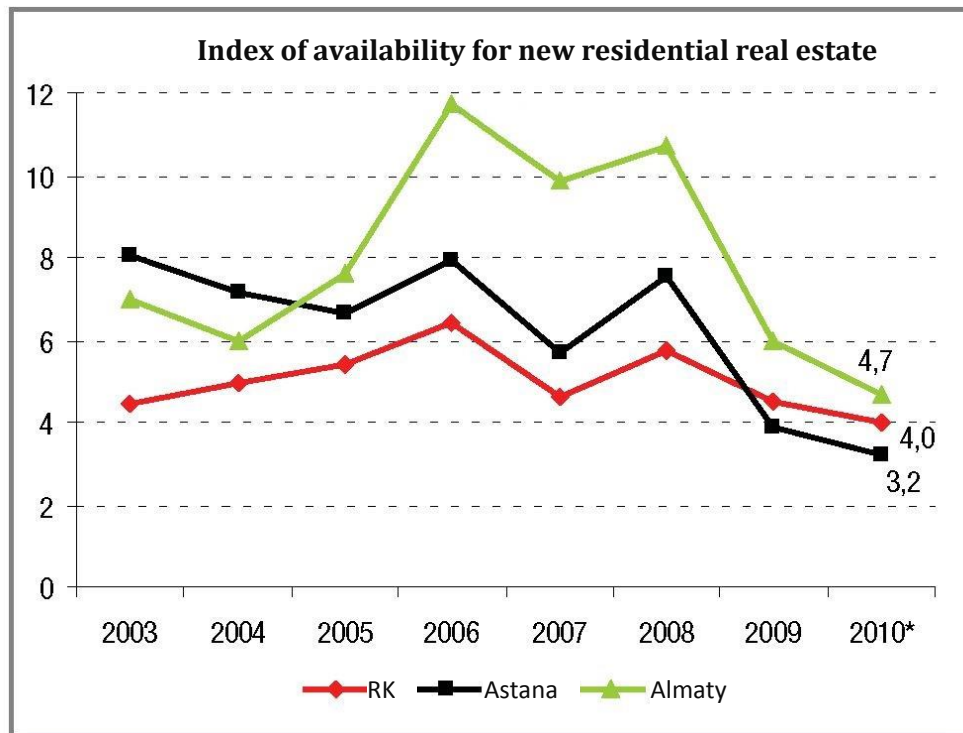
Index of availability for new residential real estate

This diagram contains the data, presented at the official site of Agency on Statistics of the Republic of Kazakhstan - stat.gov.kz/

Index of availability for secondary residential real estate
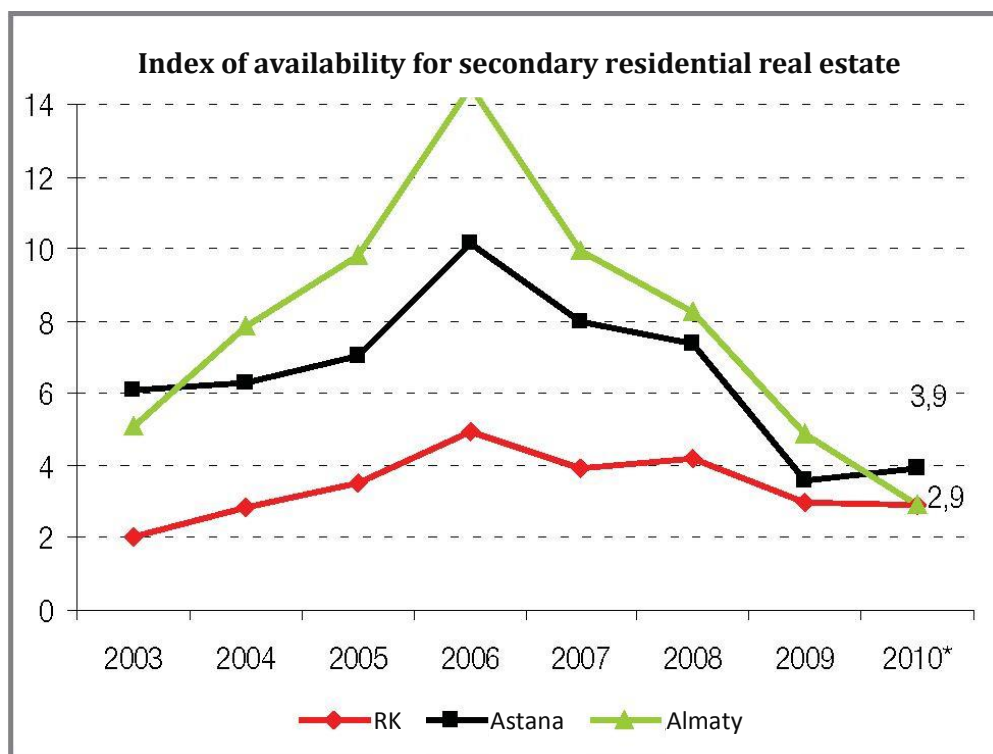
This diagram contains the data, presented at the official site of Agency on Statistics of the Republic of Kazakhstan - stat.gov.kz/

In 2011-2012 the increase in prices for secondary housing in USD was - 6,1% and 7,8%, respectively, that updated appeal of an investment of money to apartments as investments. "Bubble" in volume of 2006 and 2007 were not observed any more, but the investment demand promoted further acceleration of an increase in prices to 10,8% in 2013.

Kazakhstan is included into group of the countries of the most strongly affected by crisis in the market of real estate.

The sector of housing construction appeared one of the most strongly affected by financial and economic crisis in a large number of the countries of the world.

In the majority developing and some developed countries fast growth rates of housing prices in pre-crisis years were connected with crediting growth, that frequently were in large volume financed by external loan of banks. Kazakhstan is included into group strongly affected countries where falling of the real prices (real estate prices minus inflation) made more than 20%. Restoration began in those countries where growth inhibition of GDP as a result of crisis was the smallest. In the countries, less affected from crisis, the increase in prices in the market of real estate (Australia, Singapore, Canada) is already observed.

Credit boom in the market of real estate during the pre-crisis period was peculiar to Kazakhstan' economic too. The main factors moving the prices in housing market in Kazakhstan were: growth of the income of the population, the credits which in a large number were financed by banks from the international market of the capital, and limitation of other attractive opportunities of financial investment. In pre-crisis years the increase in prices in the market of real estate in Kazakhstan was very high, the prices in USD in general across Kazakhstan grew by 148% for new housing and on secondary for 272% from 2005 to 2007, in Almaty for 354% and for 318%, respectively.

Prices for real estate at the end of the year, USD/m²
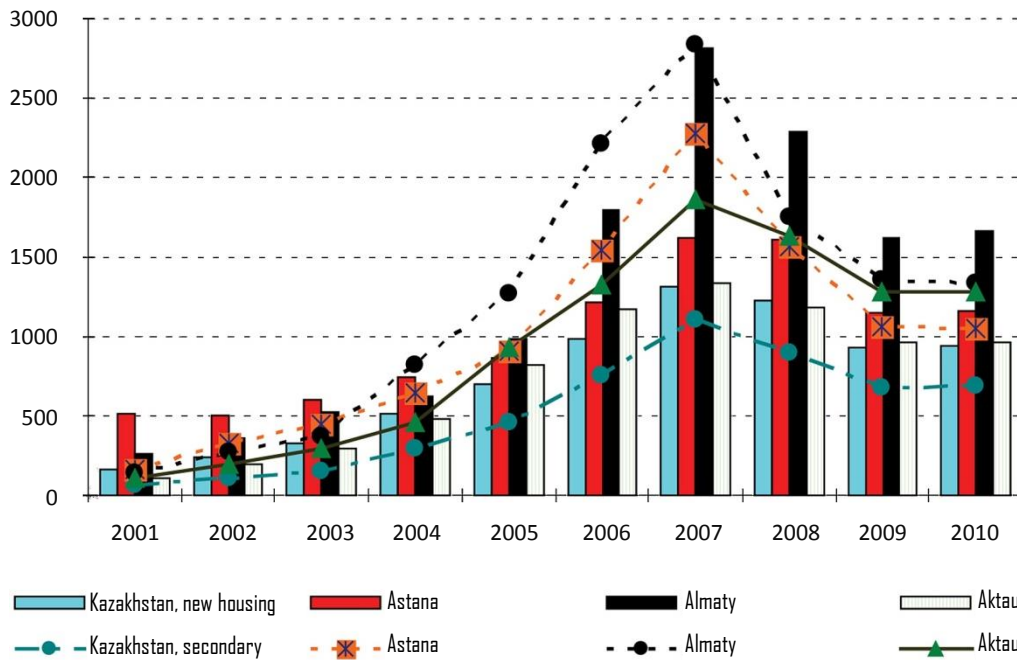
This diagram contains the data, presented at the official site of Agency on Statistics of the Republic of Kazakhstan - stat.gov.kz/

Since the beginning of crisis up to November, 2010 in primary housing market the prices, taking into account inflation (in tenge) fell to 37%, in the secondary market - for 46%.

The great potential demand remained. Average housing per capita in Kazakhstan made 18,3 sq.m in comparison with 22 sq.m. in Russia, 38 sq.m. in Austria, 65 sq.m. in the USA.

Population of the Republic of Kazakhstan for 2010 made 16,2 million people. Over 2009 the number increased by 1,9%, at the same time the housing stock increased by 1,2%. Housing stock of the Republic of Kazakhstan in 2009 - 270,9 million sq.m.

Table 3. *Average growth of housing stock of Kazakhstan before and after crises*

	2003	2004	2005	2006	2007	2008	2009	2010
Population size, million	14,9	15,0	15,1	15,2	15,4	15,6	15,9	16,2
Housing stock, million m^2,	243,0	252,7	254,6	256,1	260,6	267,8	270,9	273,1
Housing per capita, m^2/person	17,0	17,3	17,5	17,6	17,9	18,1	18,3	18,5
Population size growth as to previous year, %	-	0,7	0,7	0,7	1,3	1,3	1,9	1,8
Housing stock growth, %	-	4,0	0,8	0,6	1,8	2,8	1,2	1.3

This table was compiled on the basis of the data, presented in dissertation in candidacy for an academic degree "Innovative activity in Kazakhstan: problems and activating mechanisms (at the example of the construction sphere)" by Abdygapparova S.B.

Table 4. *The biggest growth of the housing fund is in Astana*

%		2006	2007	2008	2009	2010
Almaty	Growth of housing fund	-2,7	6,6	1,9	0,7	0,3
	Growth of the population	3,0	3,2	3,0	3,0	3,0
	Housing per capita	18,5	-	19,1	19,3	19,5
Atyrau region	Growth of housing fund	-4,7	2,8	0,6	3,3	0,0
	Growth of the population	1,6	1,8	1,9	2,2	2,3
	Housing per capita	16,0	-	16,3	16,4	16,4
South-Kazakh region	Growth of housing fund	5,9	-0,7	5,1	11,5	1,6
	Growth of the population	-4,7	2,8	0,6	3,3	0,01
	Housing per capita	17,5	-	17,7	17,9	17,8
Astana	Growth of housing fund	-1,6	18,8	22,7	7,8	14,3
	Growth of the population	3,8	4,2	4,6	5,5	6,6
	Housing per capita	15,4	-	18,2	19,3	21,5
Kyzylorda region	Growth of housing fund	-1,7	2,5	2,5	1,2	0,8
	Growth of the population	0,9	1,1	1,1	1,3	7,5
	Housing per capita	16,8	-	16,9	16,9	17,0

Note: Housing per capita is defined as the relation of the total area of the dwellings (in m^2) to the number of the persons, living in them; due to it the growth of the housing fund and growth of the population of Kazakhstan are not in a good match with the growth of the housing per capita of the population.

This table was compiled on the basis of the data, presented in dissertation in candidacy for an academic degree "Innovative activity in Kazakhstan: problems and activating mechanisms (at the example of the construction sphere)" by Abdygapparova S.B.

Since 2003 average growth of housing stock of Kazakhstan is 1,6%. Average housing per capita is 18,3 sq.m. For information: housing on one resident of the country in the USA averages 65 sq.m. In Austria this indicator is equal - 38 sq.m, in France - 38 sq.m., Ukraine - 23 sq.m, Moldova - 22, Russia - 22, Kyrgyzstan - 14, Azerbaijan - 13 sq.m. For 2010 the quality of housing improved not much, there was still a need of improvement of quality of housing: only 58,3% of housing had a water supply system, a central heating - 40,1%, etc.

The number of transactions of purchase and sale of housing for 2010 in comparison with the period of 2009 increased by 17,8% (table 5). The greatest increase in transactions of purchase and sale in Astana that is connected with programs of the Government, the second turn of the transfer of state structures to the capital, and also in regions where real estate prices didn't reach so high level as in Almaty.

Table 5 – In Kazakhstan the amount of purchase-sale transactions of real estate in 2010 increased in 17,8%, in Almaty – decrease in 1,6%.

	Number of transactions 2010/ 2009
Kazakhstan	17,8
Astana	57,5
Pavlodar region	39,3
Kostanay region	37,6
Kyzylorda region	26,9
East-Kazakh regiom	26,5
South-Kazakh region	20,9
Zhambyl region	19,7
Aktobe region	19,5
North-Kazakh region	19,3
Akmola region	18
Karaganda region	17,1
Mangystau region	11,8
Atyrau region	11,6
West-Kazakh region	6,3
Almaty region	5,6
Almaty	-1,6

This table presents own compilation of existing data, introduced by Vesselskaya N.R., Goryachev Y.V. in the book "Housing law of the Republic of Kazakhstan".
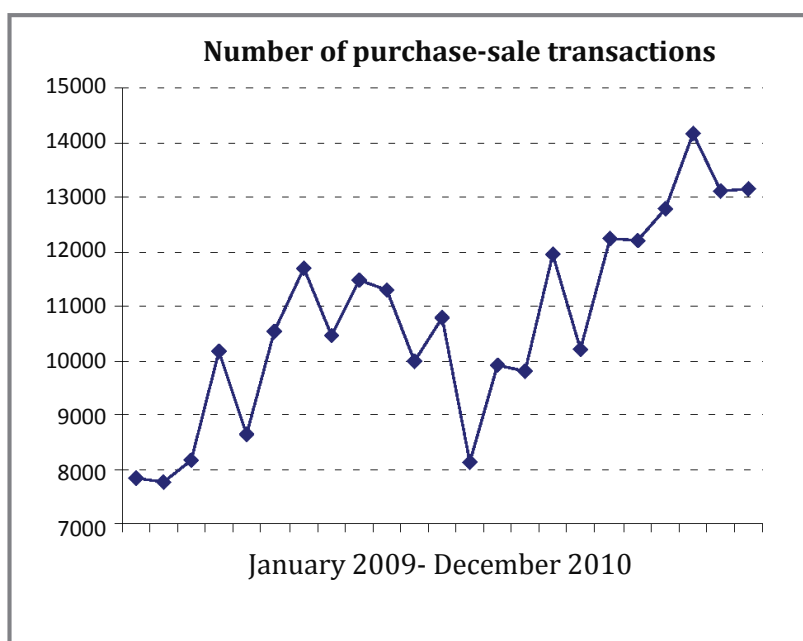
Number of purchase-sale transactions

January 2009- December 2010

This diagram contains the data, presented at the official site of Agency on Statistics of the Republic of Kazakhstan - stat.gov.kz/

### 3.2 Current situation at the Real Estate Market

In the previous chapter we described the situation in housing market during the period after crisis, including 2010.

In 2010 the market started coming to life and gradually come back to pre-crisis positions. Following the results of the specified period the average cost of new housing in general on the republic made 143,9 thousand tenge for 1 square meter that for 4,4% exceeded the level of 2009. In the secondary market the price of resale grew by 5,1% and made 106,0 thousand tenge for square meter. The cost of rent of housing on average across Kazakhstan increased in a year by 3,0%, to 837 tenge for square meter.

In the next years the prices in housing market of Kazakhstan continued to grow. It was promoted by improvement of an economic situation in the country, stabilization of a situation in labor market, the gradual growth of the income of the population. Growth rates reached such level, that in 2013 the prices exceeded levels of pre-crisis 2007-"gold year", having set a new record. In 2014 this indicator was again lifted, and under results of a year we have the following situation. Under results of 2014 sale cost for one square meter of new housing (the total area of apartments with draft, final finishing) averaged 189,1

thousand tenge that is 9,6% more than an indicator for the end of 2013. The cost in resale of housing with all utilities grew by 13,8%, to 147,4 thousand tenge for square meter, rent grew by 13,7% and made 1,1 thousand tenge for square meter.

Price changing at the market of RK (in thouth.tenge for $1m^2$)
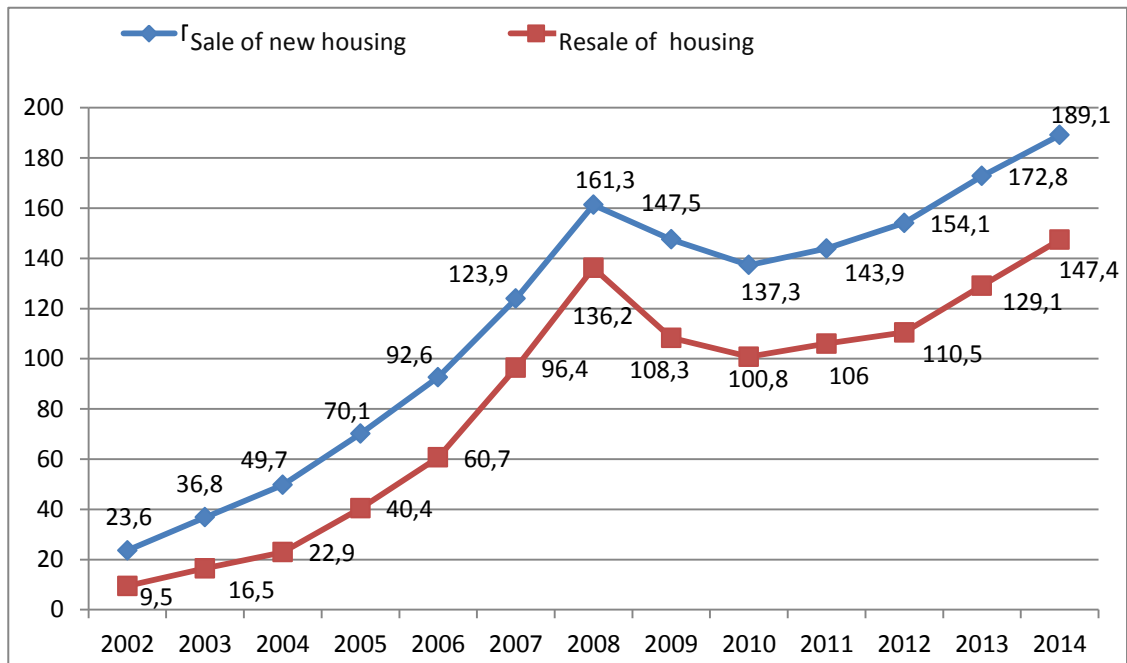
This diagram contains the data, presented at the official site of Agency on Statistics of the Republic of Kazakhstan - stat.gov.kz/

If to consider the situation in 2014 in monthly dynamics, in primary market the dynamics was the following: in the first quarter of last year the growth rates of the prices for new housing were rather moderate, the increase averaged 0,5%. Next quarter growth was accelerated to 1,0% in average monthly expression. In the third quarter of 2014 it was possible to observe some delay against the period of holidays and the general decrease in business activity in economy. In the subsequent period the market of primary housing again showed revival, for the fourth quarter average monthly growth rate averaged 1,1%. The greatest monthly growth within a year was recorded in this segment of the market in October, for 2,6% in relation to the last month.

Relating the rent of housing the situation correlated with tendencies in the market of resale of comfortable housing. The greatest year-quarter increase in the prices of rent was recorded in January-March, 2014 – for 1,5%. And the biggest monthly growth fell on January, 2014. In the second quarter in a segment some stagnation was observed, in May the prices in general was frozen, and average monthly growth within a quarter made 0,9%.

In July-September, 2014 the market became more active, average speed in a month made 1,2%. By the end of the year in the prices of rent again some recession was outlined.

As to regions, in 2014 Karaganda was the leader of growth in all sectors of housing market. In particular, in the city the greatest annual increase in the price of new housing was recorded – at once for 25,6%, and for the end of the year the price made 147,6 thousand tenge for square meter. The next follows Shymkent where in a year the cost of square meter in new buildings jumped for 22,1%. Here it is necessary to make the note: paradoxically, but the fact – the prices in the market of primary housing in Shymkent is significantly higher than in Karaganda. For the end of 2014 the average cost of sale of new housing in the city made 221,7 thousand tenge for square meter that for 50,2% higher, then prices in Karaganda. The last out of third leaders noted by the greatest increase in prices for new housing was Astana where in a year the indicator grew by 19,5%.

In the secondary market of housing resale according the results of 2014 the Karaganda market was fixed as the champion also. Here in a year the increase in the prices of resale of comfortable housing made 32,3%, and for the end of the year value of an indicator made 149,4 thousand tenge for square meter. The second line in sector is held by Ust Kamenogorsk – for a year of the price in the city in the secondary market grew by 22,1% and made for the end of the period 148,1 thousand tenge for square meter. Also the city of Kostanay according the results of a year for the prices were established at the level of 164,3 thousand tenge for square meter, that is 21,7% more than an indicator of 2013.

The cost of rent also grew in Karaganda with great speeds. Following the results of a year the growth of cost of rent in the city made impressive 49,7%, and for the end of the year the prices were recorded at the level of 1 302 tenge for square meter. On the second place on growth rates of cost of rent of housing in Kazakhstan we can observe the same Ust Kamenogorsk – for a year the prices in a segment grew by 31,6% and made 1 173 tenge for meter of rent housing. The third leader of rent market under results of 2014 is the capital of Kazakhstan where the prices raised by 21,2% and made 2 398 tenge for square meter.

The most expensive new buildings in Kazakhstan as statistical data for 2014 testify, were in Astana, Almaty and Shymkent. In the capital the cost of sale of new housing on the end of the year averaged 259,8 thousand tenge for square meter. Thus it should be noted that growth rates on primary housing in Astana keep the average annual level of increase

of 19,4% the second year. In Almaty the new housing following the results of a year rose in price rather moderately, for only 4,9%. In general, Almaty's primary housing in this concern considerably lags behind republican average growth rates – the Almaty market is being still restored after crisis, during the period since 2010 the market of primary real estate of "the southern capital" grew on average for 1,7% a year. Such situation testifies that in due time the bubble on this segment of housing market was considerably exaggerated, and present modest rates of price growth are caused by pressure of this factor.

Another involvant of three leaders of the mostly expensive new housing in the republic is the city of Shymkent, and here as it was stated above, growth rates are very impressive – 22,1% (following the results of 2014). Whether it is possible to consider such growth to be unusual? Small digression to history of dynamics of the prices of primary real estate in the city gives to us the grounds to believe that anything extraordinary in such growth in 2014 isn't present – after rather small increase for 3,8% in post-crisis 2010, the market of primary real estate of Shymkent took sharp acceleration, fixing consecutive rise in price for 12,7% in 2012, then for 17,9% in 2013. Despite considerably low standard of living of people in cities and regions – by data for December, 2014 the income of the population of the region makes only 37,7 thousand tenge per capita that is 41,9% lower than national average level – population size of the city and region is impressive and tends consecutive increase. By data for the beginning of 2015 the population size of the city makes 683,3 thousand tenge, and the Southern Kazakhstan area record 2,7 million people at all, winning first place across Kazakhstan. On this background the need of the population for housing is essential, as determines such level of prices for new housing. That is interesting in this connection, the prices in secondary housing market in Shymkent are much lower, than on the primary – for the end of 2014 the cost of resale of comfortable housing in the city made 128,6 thousand tenge for square meter that is 12,8% less than a level on average across Kazakhstan.

Nominal money income in RK
(in % as compared with the same period of the last year)
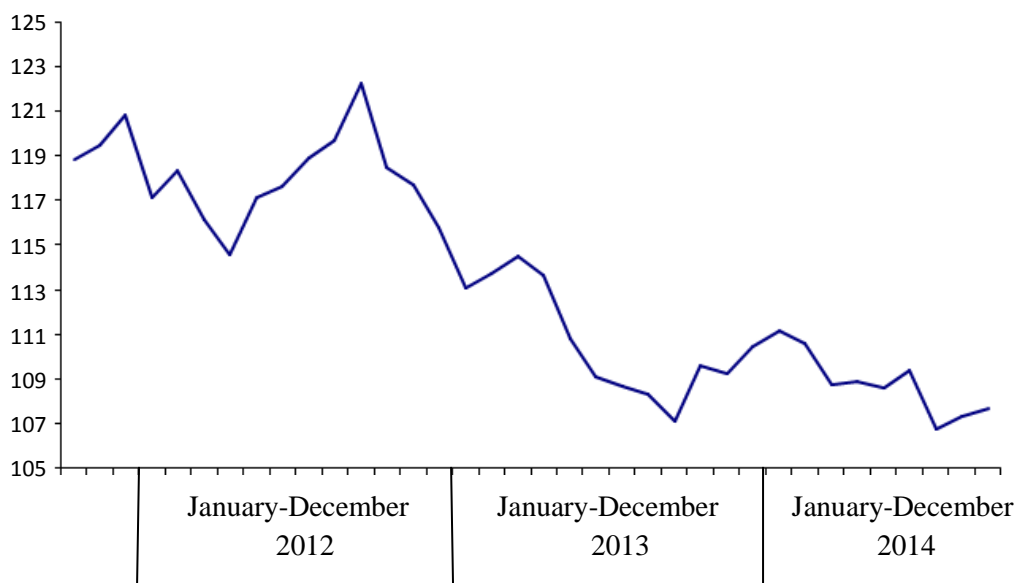
This diagram contains the data, presented at the official site of Agency on Statistics of the Republic of Kazakhstan - stat.gov.kz/

In secondary housing market the most expensive prices following the results of last year marked out the same cities of Astana and Almaty. The price of resale of comfortable housing in Kazakhstan on the end of the year made 264,1 thousand tenge for square meter, having risen in price for 17,5% in annual expression. It should be noted that growth rates of the prices in the secondary market are slowed down – for comparison, following the results of 2013 the increase in prices in the specified segment grew by 39,0%. In Almaty, on the contrary, activity in the market of secondary real estate in 2014 significantly increased – growth in 2014 made 17,6% against growth in 1,9% following the results of 2012. Following the results of 2014 the price of resale of comfortable housing in "the southern capital" made 244,5 thousand tenge that for 79,2% exceeds the average level of the prices on the republic. The three leaders in this segment following the results of last year also included Aktau – where the price of the end of the period kept the level of 234,5 thousand tenge for square meter of secondary housing. Here also the market showed sharp growth, the prices rose in price in a year at once for 18,8%, considerably having accelerated rates in comparison with 2013 when the gain of the prices made only 1,4%.

The situation in the market of rent, traditionally, correlates with a situation in the secondary market, and the three leaders under indicator of the highest prices is similar to

above-mentioned, i.e. includes Astana, Almaty and Aktau. In Astana the cost of rent of housing on the end of the year made 2 398 tenge for square meter, having risen in price for 21,2% in comparison with an indicator for the end of 2013. The rent market of the capital in 2014 showed the essential growth of rates if to compare to a 6% increase in prices in 2013. In Almaty as show data for 2014, to rent housing became 10,2% more expensive. On the end of the year the price of rent in "the southern capital" made 2 256 tenge for square meter. Thus a sharp jump in prices in Almaty, if to address to historical data, in 2014 wasn't recorded – after essential delay of growth rates of the prices of rent in 2012 to a 0,5% in 2013 the increase in an indicator for 7,3% in annual expression is fixed.

By estimates of banks, in housing market now stability of price indicators is also currently and in the short term observed. According to Agency of the Republic of Kazakhstan on statistic, growth rates of real estate prices in 2014 made 9,3%. The share of the banks expecting an increase in prices for real estate made 21%, as much banks predict reduction of prices of real estate, thus 54% of banks expect that real estate prices will remain without change.

**Expectations of the banks and
factual changes in prices for residential real estate**
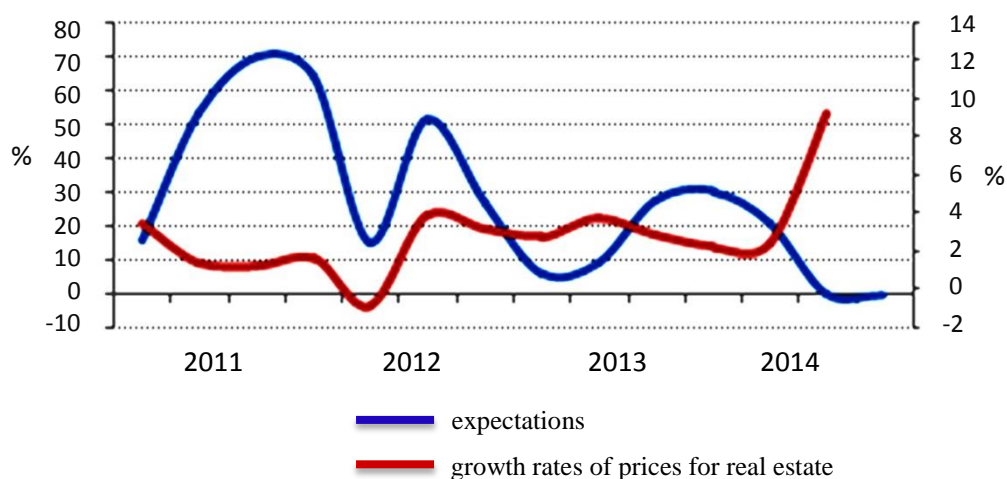
This diagram contains an information, available at Kazakh Web-portal about real estate –www.kn.kz/

What will be with housing market in short-term and medium-term perspective? Here some factors obviously have influence.

The prices in construction, as expected, will grow– if to look at structure of a basket of a price index in construction, the lion's share is the share of goods of import production which cost in tenge in connection with a devaluation of national currency will grow as a

consequence. As a result, the basic cost of construction of new housing, and also renovation of the already existing one will grow in proportion, and rise in price of such housing for the final consumer is inevitable.
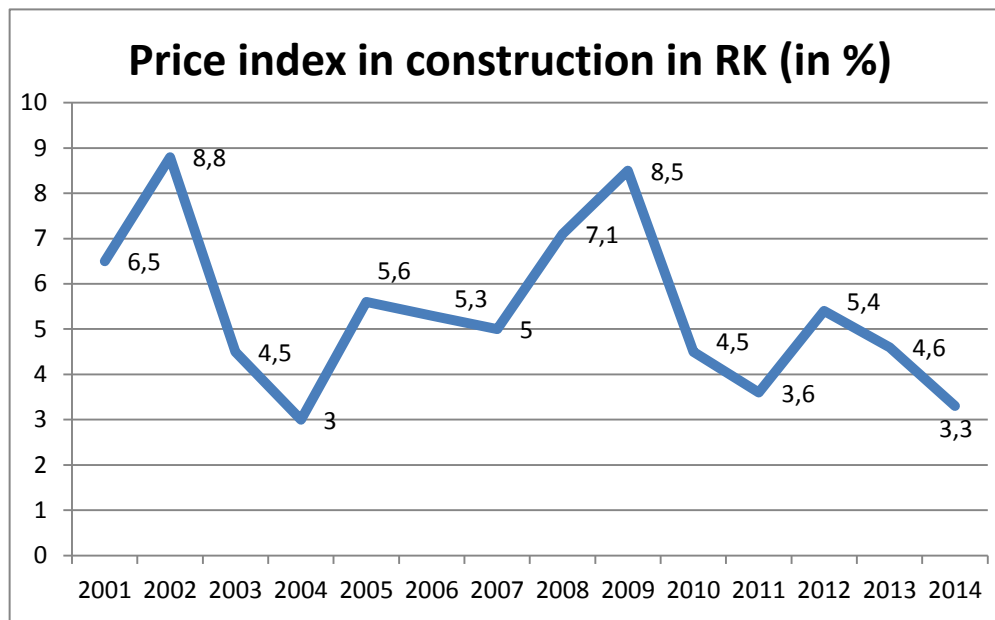
Price index in construction in RK (in %)

This diagram represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

But, on the other hand, growth rates of the income of the population of Kazakhstan in annual expression are slowed down from month to month. This tendency is traced since the beginning of 2012, and rather prompt recession is fixed– from 22,3% of growth following the results of 2011 before 7,1% growth for the end of 2012. In 2014 growth rates of the income increased to 11,2% in April a little, however in the second half of year rates started being slowed down again. It is improbable that in the conditions of delay of economic growth in the country, under pressure of external factors in world economy, the income of the population will show acceleration of growth rates, cash flows in the country will tend to exhaustion.

If the external background worsens – in particular, we mean essential decrease in growth rates of economy of China that will inevitably lead to deterioration of a condition of all world system and falling of the prices of the main export goods of RK – this factor together with a tendency of reduction of cash flows will lead to decrease in consumer ability of the population that will put pressure upon housing prices also. In this regard it

would also be desirable to note also signs of delay of economy in Russia with which Kazakhstan is very closely integrated that will also have the negative impact on housing market.

Decrease in consumer ability will also be influenced by toughening of conditions in the credit market which provides an essential share of funding in housing market. Yes, if to trust statistical data, we see increase in the volume of the credits issued by banks to the population on construction and acquisition of housing in 2014 in comparison with previous year. However the analysis of a credit portfolio of Second-Tier Banks shows a big share of the problem credits – possibly, the domestic credit organizations in the current year will be more occupied with improvement of balance, and delivery of the new credits will be more careful and less active process.

In these conditions the housing market can quite stagnate, expecting establishment of balance and decrease in a factor of emotional pressure in connection with devaluation. If external conditions don't worsen, and the economy of Kazakhstan will find a point of support for further growth, in this case in housing market we don't expect any essential reduction of prices.

3.3 Comparative study of real estate of Almaty and Astana

The secondary housing, traditionally, is the leader of transactions of purchase and sale.

Almaty. In the market of secondary housing of the city of Almaty owing to increase in dollar rate with 181,81 tenge in December, 2014 to 184,45 tenge in January, 2015 growth of the tenge' price by 1,2% is observed.

Average price at secondary housing market in Almaty, 1945$/m² ⬄ , 357 thous.tenge/m² ⬆ 1,2%
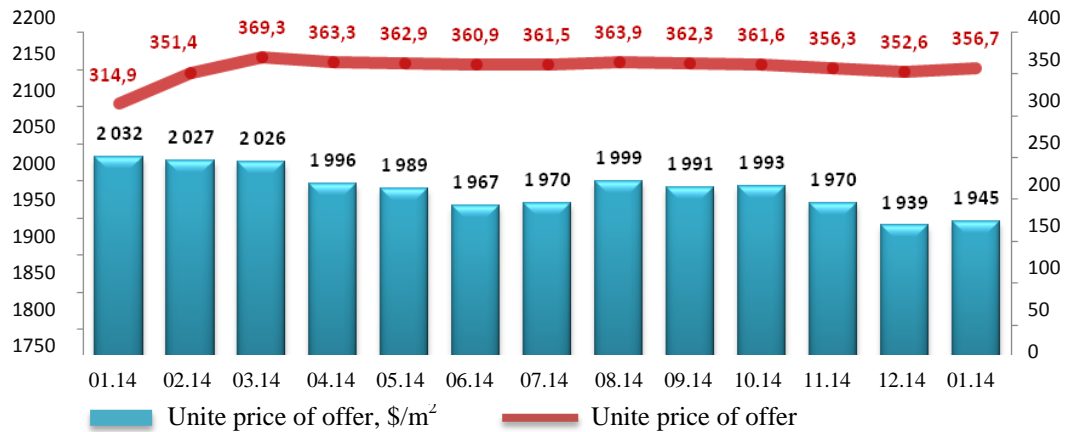
This diagram represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

The average number of transactions in 2014 made 1325 operations a month, during seasonal activization the number of transactions in the market increased a little more than by 3%. For September-November the number of transactions of purchase and sale in apartment houses on average made 1520 transactions, thus during the summer period – 1470 transactions. In December in relation to November, 2014 the number of transactions of purchase and sale in many-apartment houses increased by 1% and made 1367 transactions. In 2014 in relation to 2013 the reduction of demand in the market of secondary housing is observed at the level of 18%.
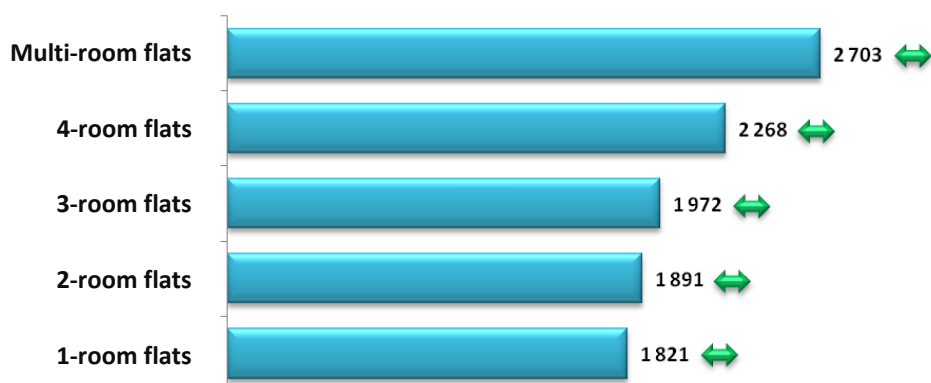
Despite growth of volumes of the mortgage lending (plus 10% by 2013) which is one of the main factors of an increase in prices, pressure on which continues to be put by oil price depreciation, destabilization of economy of Russia, falling of ruble exchange rate, and also rumors about new devaluation of national currency.

At the same time along with the direct factors which are directly affecting the market such as volumes of mortgage lending and the real income of the population, continue to affect Almaty housing market negatively a situation in the world markets of oil and a macroeconomic situation in Russia.

At the same time two-week stabilization of prices of oil at the level of $49 for barrel became the positive tendency noted in January. Some experts started speaking about achievement by oil of "a price bottom". However, as shows experience of last crisis,

reduction of prices of oil from which export to GDP of Kazakhstan makes about 70% of a share, inevitably affects the general economic parameters, in particular, on volumes of mortgage lending and the real income.
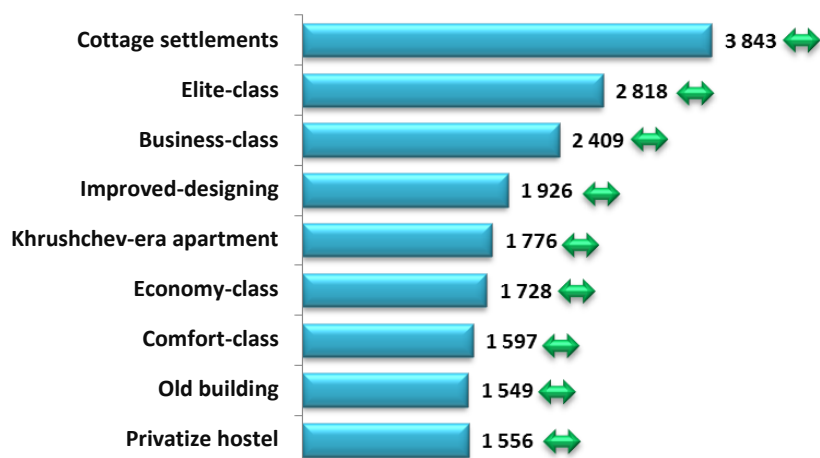
Average price at secondary housing market of Almaty
(January 2015 to December 2014), $/m^2

Category	Price
Multi-room flats	2 703
4-room flats	2 268
3-room flats	1 972
2-room flats	1 891
1-room flats	1 821

This diagram represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

The analysis of the average offer prices in a section of quality of construction and material of walls in January shows stagnation in all segments of the market.

Average price at secondary housing market of Almaty
(January 2015 to December 2014), $/m^2

Category	Price
Cottage settlements	3 843
Elite-class	2 818
Business-class	2 409
Improved-designing	1 926
Khrushchev-era apartment	1 776
Economy-class	1 728
Comfort-class	1 597
Old building	1 549
Privatize hostel	1 556

This diagram represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

The analysis of offers in a housing format section in general around the city shows that the greatest specific weight occupy 2-roomed apartments, and the smallest — 5-roomed and more.

Scope of offer at the market of secondary housing in Almaty, 2292 units⬇ 5,6% (January 2015 to December 2014)
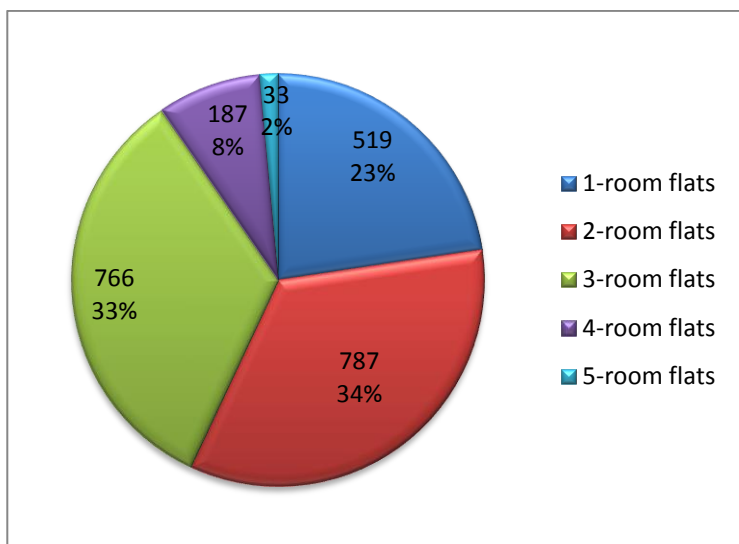
This diagram represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

Conclusions:

- In January in the market of secondary housing of the city of Almaty stagnation of price indicators in all segments of the market is observed;

- Since the beginning of devaluation in housing market decrease in the average dollar price made 4,3%;

- The number of transactions in apartment houses in December in relation to November grew by 1% and made 1367 units;

- During 2015 on condition of renewal of growth of such economic and financial parameters as the income of the population, the level of mortgage lending, price of oil, strengthening of tenge, the average dollar price in the market of secondary housing of Almaty can show positive dynamics again.

Astana. Though stopping of mortgage lending by some banks partially made the contribution to decrease in demand in housing market, the volume of transactions in December was 18,5% higher than the November. The December agiotage can be explained

by "escape" in real estate as in more reliable tool of an investment against inconsistent rumors about exchange rates. It is unlikely such tendency will last further as deficiency of long-term liquidity of banks doesn't allow to increase crediting volumes, and transition to crediting in dollars for many banks is a real risk.

Secondary housing market in Astana, 1971 $/m^2, ⬇ 0,8% to December 2014
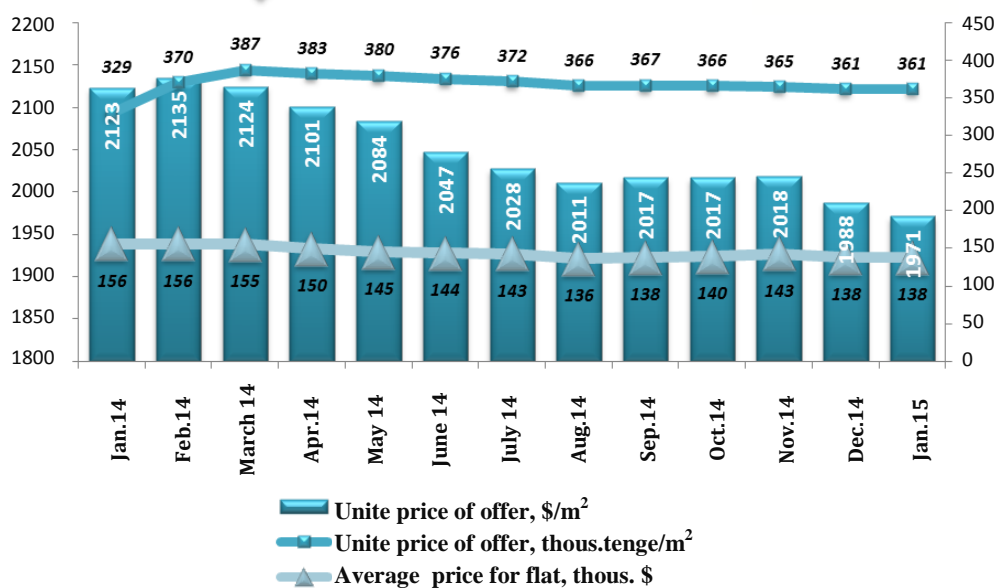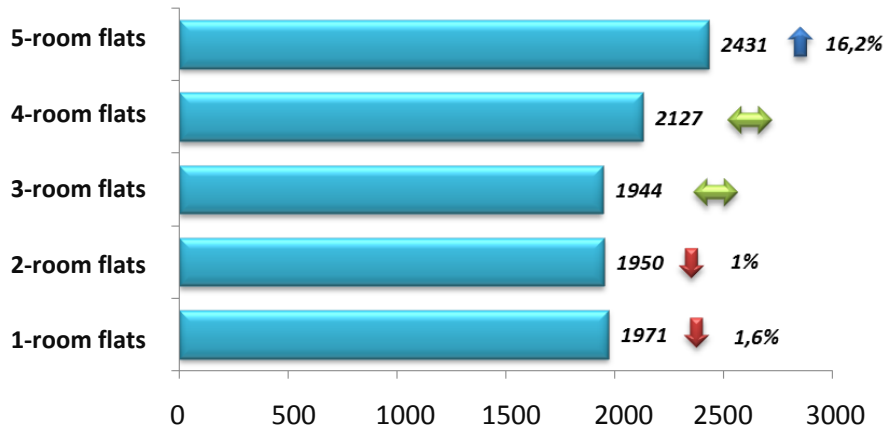

This diagram represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

The average number of transactions in 2014 made 750 in a month, during seasonal activization the number of transactions in the market increased by 7%. For September-November the number of transactions of purchase and sale averaged 830 transactions a month, thus during the summer period — 770 transactions per month. In 2014 in relation to 2013 reduction of demand in the market of secondary housing made about 5%.
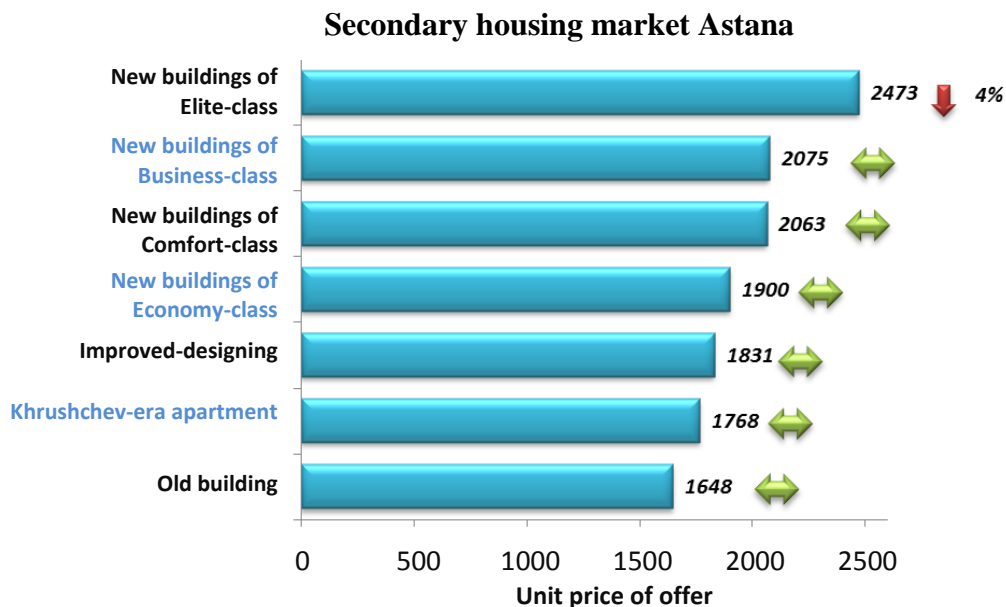
Leaders in reduction of prices in a section of a format were 1-roomed apartments on which the prices were reduced by 1,6%, thus multi-room apartments, on the contrary, grew in price for 16,2%.

Secondary housing market in Astana, 1971 $/m², ⬇ 0,8 to December 2014

5-room flats	2431 ⬆ 16,2%
4-room flats	2127 ↔
3-room flats	1944 ↔
2-room flats	1950 ⬇ 1%
1-room flats	1971 ⬇ 1,6%

(Bar chart with horizontal axis: 0, 500, 1000, 1500, 2000, 2500, 3000)

This diagram represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

It should be noted that the housing of new construction which occupies 75% of total number of offers, has considerable impact on a city indicator. The greatest reduction of prices was noted on housing in new buildings of elite classes — for 4%, and from the moment of devaluation of the price in this segment were reduced by 12,7%.

Secondary housing market Astana

New buildings of Elite-class	2473 ⬇ 4%
New buildings of Business-class	2075 ↔
New buildings of Comfort-class	2063 ↔
New buildings of Economy-class	1900 ↔
Improved-designing	1831 ↔
Khrushchev-era apartment	1768 ↔
Old building	1648 ↔

(Bar chart with horizontal axis: 0, 500, 1000, 1500, 2000, 2500)

Unit price of offer

This diagram represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

The average price of the apartment in Astana now makes $137 600 (from $76 900 for 1-roomed to $508 000 for multi-room). In comparison with the similar period of the last year in general for the apartment now ask for 11,8% less, or minus $18 400.

Thus the maximum annual decrease in the average offer prices was recorded on 1-roomed apartments — for 10,7% (minus $9200 for the apartment), and minimum — on 4-roomed — for 6,3% (minus $18 200), however the multi-room housing grew in price for 18,1% (plus $77 900 for the apartment).

In January, 2015 the average prices in a segment of "expensive" housing were also reduced, and in a segment of "cheap" housing didn't change. In a year decrease in both segments made about 6,5%. Researches show that in the long-term period "expensive" segment wins back almost as much, as "cheap" one, however the "cheap" segment of housing the first responds on negative changes.
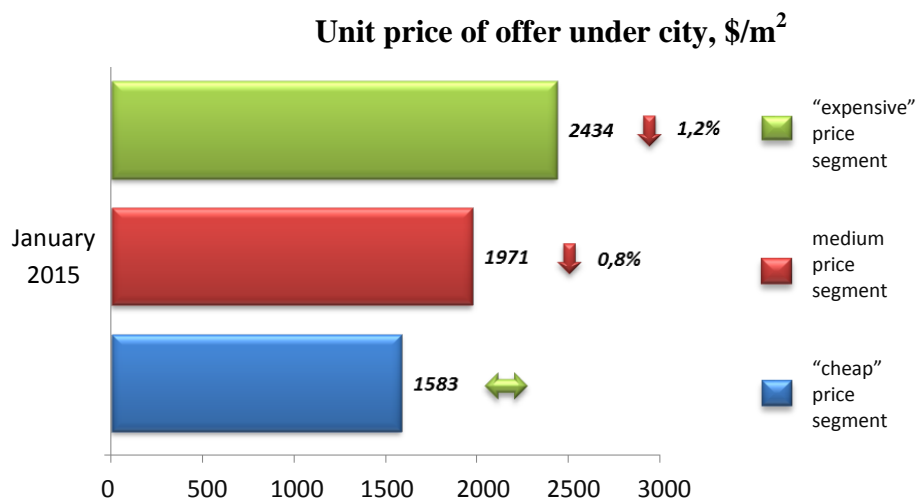
Unit price of offer under city, $/m²

This diagram represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

The analysis of the offer on a housing format in general around the city shows that the maximum specific weight occupy 2-roomed apartments — 37%, and minimum — 5-roomed above — 1%.

The analysis of offers with division of houses depending on material of construction showed that in a total amount 51%, in monolithic and panel houses — 32% and 17% respectively fell on apartments in brick constructions.

All variety of houses in the city can be reduced to four main types according to quality of housing: the new apartments built within the last 10-15 years which share in the offer to sale the greatest — 75%, constructions of old type — 2%, the improved designing— 16% and "five-storey apartment blocks" — 7%.

Conclusions.

- In comparison with December of last year average price values were around the city reduced in the majority of segments;

- In comparison with previous period in the market of secondary housing the increase in volume of the offer is noted;

- According to forecasts of analytical service *kn.kz*, in secondary housing market of the capital in medium-term prospect further reduction of the dollar prices within 0,5-1% in a month is expected;

- With a growth of economic and financial parameters — the income of the population, level of mortgage lending, prices of oil, strengthening of tenge — the average dollar price in the market of secondary housing of Astana can start over again to show positive dynamics.

Comparative processing.

Traditionally secondary housing of Almaty was more expensive, than in Astana. For example, during the period with 2007 on 2010 difference averaged 25%, since 2011 to 2012 — 8-11%. The situation changed in 2013: growth rates of real estate prices in Astana exceeded growth rates in Almaty. As for December, 2014 average housing price in Astana made $1988/m^2, in Almaty — 1939$/m^2. The gap makes less than $50 or 2,5%.

Average prices for housing in Astana and Almaty, $/m^2
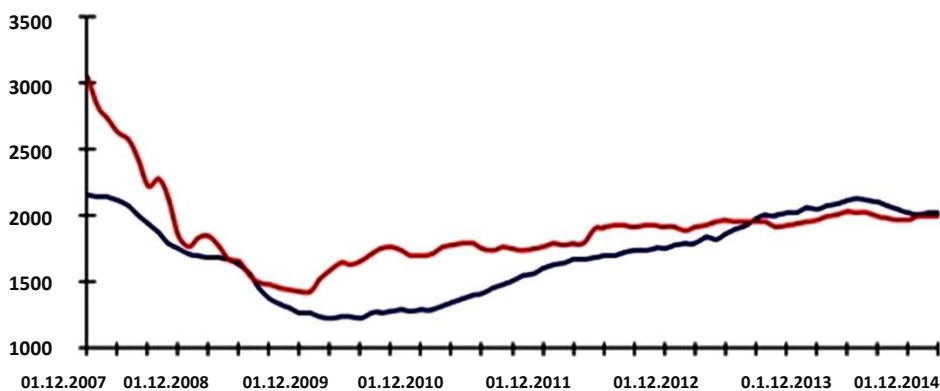
This diagram represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

In our opinion, the difference of the market of Astana is that the offer share in primary market considerably exceeds the offer in the secondary market. Economic activity of the population in Astana is higher, than in other cities of the republic. It is connected with the status of the capital, with investment appeal of the city both for citizens of RK, and for foreigners. The increased demand for housing warms up an increase in prices.

It is caused by the following factors:

- The last five years average annual rate of a gain of population in Astana made 6,1%, in Almaty — 2,1%.

- Rates of mortgage lending in Astana are higher, than in Almaty, and is almost twice higher, than on average across Kazakhstan.

- The market of a mortgage in Astana grew in 2014 by 14,6%. Thus, in a year Astana increased to 18,0% a regional share from the total amount of mortgage lending of Kazakhstan (growth by 3% with 2009). Almaty for the same time lost 3,8% (decrease in a regional share to 32,4% of total amount on RK).

Table 6. Growth rate dynamics for indicators of Astana housing market

Indicator	January-December 2014	Growth rate to January-December 2013	Annual average growth rate since 2009	Trend
Population size, thous.persons	814,4	+4,7%	+6,1%	Rapid, stable growth
Total housing funds, million m^2	20,3	+4,1%	+17,9%	Rapid, stable growth
New housing supply, thous.m^2	789,0	+4,4%	-	Stable growth
Housing investments, billion tenge	107,3	+34,4%	+13,4%	Rapid, stable growth
Mortgage lending	1464	+14,6%	+8,8%	Rapid, stable growth

This table represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

*Table 7. Growth rate dynamics for indicators of Almaty housing market*

Indicator	January-December 2014	Growth rate to January-December 2013	Annual average growth rate since 2009	Trend
Population size, thous.persons	1507,6	+2,2%	+2,1%	Slow, stable growth
Total housing funds, million m²	37,7	+2,2%	+16,0%	Slow, stable growth
New housing supply, thous.m²	717,4	+20,2%	-	Stable growth
Housing investments, billion tenge	90,2	+3,6%	+8,8%	Slow, stable growth
Mortgage lending	2634	+11,1%	+4,4%	Slow, stable growth

This diagram represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

For most investors of secondary housing market the question - which city to choose for investments, is already not necessary. Of course, from the point of view of profitability Astana is the winner — the growth of the population, the volumes of investment and crediting urges on real estate prices. At the same time, 2014 showed that during stagnation of the market profitability of housing in both capitals practically doesn't differ: 9,4% to Almaty and 10,0% in Astana. By the end of the year Astana added in profitability due to seasonal growth of rates of rent. If to consider the market in the long term, we will see a total increase in prices from 2010 to 2014 in Astana for 46%, in Almaty – for 28%.

Profitability in this case reflects the annual interest drawn from delivery of housing in rent, and also rate of the change in price for housing for the period (in our case per month).

Dynamics of profitability indicator of housing in Astana and Almaty, annual %
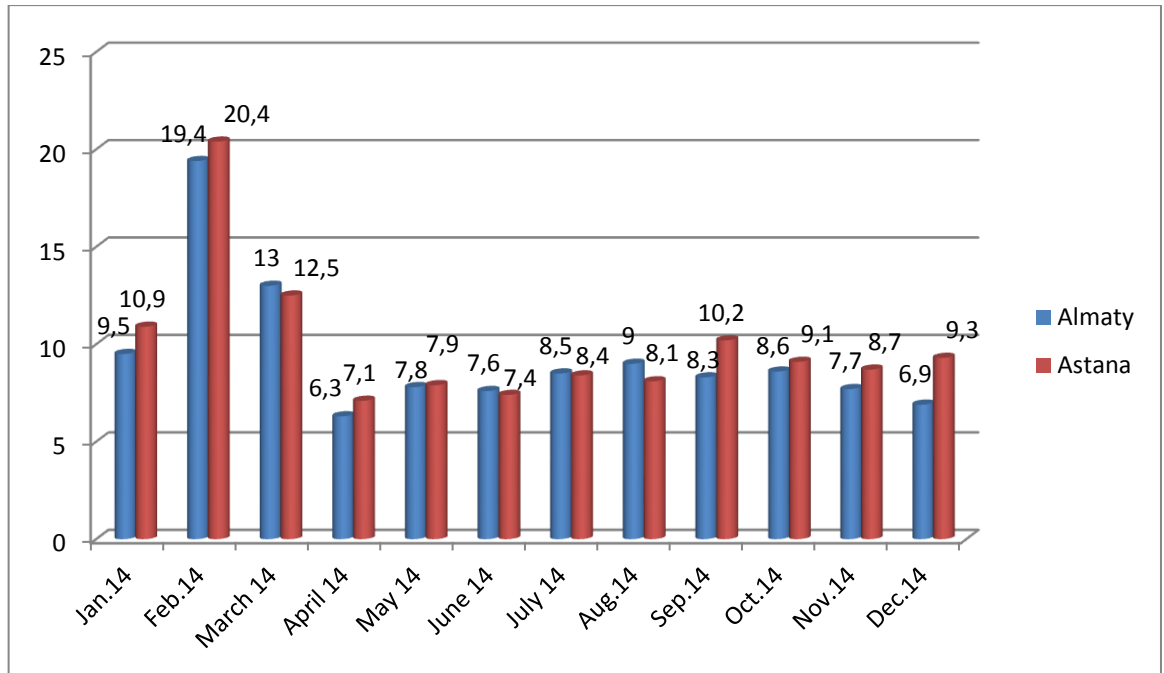
This diagram represents own compilation of existing data, available at Kazakh Web-portal about real estate –www.kn.kz/

Revival on the real estate market of Astana was brought by official announcement of holding the international exhibition "EXPO 2017".

Conclusion

As I have considered the real estate market of Kazakhstan, starting from the point of its formation, following the global crises, post-crises years, we can set some founding and put forward some assumptions.

What will be with the real estate market in 2015? Further tendencies in development of the market are defined by the buyer. In this regard the structure of the offer has changed: the segment of elite housing is a little bit "squeezed". Besides, in the last half a year is noted a decrease in new housing objects supply at preservation of quite great demand. Therefore by summer 2015 deficiency of the qualitative offer in the market of Astana can be found, that, in turn, can lead to an increase in prices.

Besides, the analysis of three factors (dollar rate, price of oil, pure import / export of the capital by the private sector) from 2007, showed: the situation which developed in RK economy since the beginning 2014 is similar to a situation of the end of 2008. During both periods reduction of prices of oil in combination with pure export of the capital and a small dollar rate increase was observed. Thus, with other things being equal, approximately in half a year after the beginning of an increase in prices for oil it is possible to expect an increase in prices for real estate.

As for the two leading participants of the real estate market –Astana and Almaty, according to forecasts of analysts, the market of real estate of two cities in 2015 is expected to experience hard times. We can expect some scenarios of succession of events in the market of real estate on 2015: basic (at the average annual price of oil of $80 for barrel), pessimistic ($70 for barrel) and crisis ($30-40 for barrel). The basic scenario assumes the contained growth the prices in tenge within inflation until the end of the year — about 9% in Astana and about 4% in Almaty. However today analysts incline to realization of one of two other scenarios. Pessimistic assumes stagnation (lack of growth) prices in dollars and the tenge until the end of 2015, crisis — reduction of prices within 15-17% until the end of the year.

Experience of the last crisis which began in 2007 says that long reduction of prices of oil inevitably results in deficiency of long-term liquidity and turning of volumes of a mortgage. From July to December, 2008 oil fell in price by 3 times: from $134,4 to $43,6 for barrel. Mortgage volumes after that continued to be reduced 2 more years in a row. The

volume of again issued credits fell in 2009 by 20 times, and in 2010 the volume of the issued credits was at the level of returns. The result was the reduction of prices of housing on average for 35-40% since the beginning 2008 till autumn 2009. Then the situation was aggravated with closing of access of banks to foreign markets of the capital, but also now the problem of long-term funding remains sharp for Kazakh banks.

One of the positive moments having beneficial effect on development of the market, certainly, we can consider preparation of Astana to EXPO-2017. There is also other prospect – possible carrying out the Olympic Games in Kazakhstan in 2022. Formation of the Eurasian Economic Union will also influence changes of infrastructure, and in general on a situation in Kazakhstan. Russia, Belarus and Kazakhstan, in fact, become the uniform market that is extremely important for business: deliveries of production will be carried out quicker, the barrier between the countries is broken. By the way, between Kazakhstan and Russia there is the longest overland border in the world.

Speaking about the current situation with development of commercial real estate in the country, it is possible to see that now shopping centers are focused on two cities: Astana and Almaty. Such situation is very positive for buyers as now the market is oversaturated by shopping centers. If to observe a situation in Kazakhstan from the point of view of consumer ability, it is possible to note that all conditions for it to remained at the same level present: salaries of citizens there are high, employment rate is good, unemployment rate is low.

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