

# WAREHOUSE MARKET

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*"In the Q2 2012 warehouse real estate market was characterized as stable. As in Q1, demand for warehouse real estate was high, rental and vacancy rates remained on the same level. There is still a shortage of quality warehouse space for rent, demand for industrial premises is high".*

## MAJOR TRENDS

- ✓ Demand for warehouse premises remains high as well as demand for industrial premises, particularly for food production
- ✓ Despite the increase in supply of speculative warehouse complexes, there is a shortage of premises for rent in the market. The volume of premises expected for commission by the end of the year is insignificant, operators are considering options for purchase and construction of premises
- ✓ During Q2 rental rates have not changed
- ✓ In Q2 vacancy rates in speculative warehouse complexes increased by 1.5% and showed 7.4% for Class A and 3.6% for Class B. The reason is the release of a large volume of new supply to the market, although some of the new complexes are already almost occupied.
- ✓ Exposition period for liquid premises is around 1-3 months
- ✓ Main demand for warehouse property comes from Russian trade and manufacturing companies (food and light industries) and logistic operators

## KEY INDICATORS

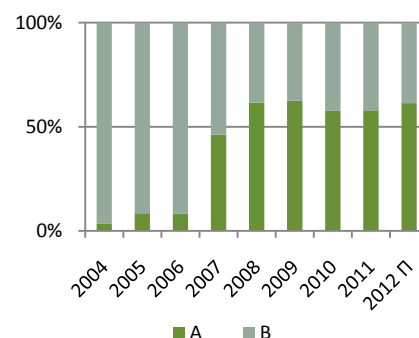
*Key indicators of the warehouse market development in Saint-Petersburg, Class A and B, Q1 2012*

Indicator	Class A		Class B	
	Q1 2012	Q2 2012	Q1 2012	Q2 2012
Leasable area in warehouse complexes commissioned in the respective period, sq.m	53 000	59 700	0	75 000
Vacancy rate, %	5,7%	7,4%	2,3%	3,6%
Average asking rent rate, USD / sq.m / p.a., net of VAT, incl. utilities and OPEX	183	183	138	138

Source: ASTERA, an alliance member of BNP Paribas Real Estate

TOTAL AREA	➔
VACANT AREA	➔
RENT RATES	➔

*Dynamics of structure of quality warehouse complexes, 2004-2012*



Source: ASTERA, an alliance member of BNP Paribas Real Estate



*Logistic terminal Osinovaya Roshka*



*Logistic park Nordway*

## SUPPLY

## Warehouse complexes commissioned in H1 2012

By the end of H1 2012 a total supply volume of St.Petersburg warehouse real estate market was more than 5.2 mln sq.m (including the territory of Leningradskaya oblast). Supply volume of speculative warehouse complexes is estimated at 1,5 mln sq.m.

From the beginning of the year none of the speculative complexes were put into operation. Still, the supply of quality premises increased as 3 properties on the stage of construction readiness offer space for rent before obtaining an act of commissioning. These are: the first phase in the industrial area complexes STC in industrial area Parnas, Orion Logistics in Vyborgsky District and both phases of logopark Nordway. It is suggested that these complexes will be officially commissioned in the following quarter.

## New supply of warehouse market Q1 2012

Name	District	Class	GBA, sq.m	Period
STC, 1 phase	Vyborgskiy	B	60 000	Q2 2012
Nordway, 1 phase	Pushkinskiy	A	43 000	Q1 2012
Nordway, 2 phase	Pushkinskiy	A	59 700	Q2 2012
Orion Logistic, 1 phase	Vyborgskiy	A	10 000	Q1 2012
<b>TOTAL</b>			<b>172 700</b>	

Source: ASTERA, an alliance member of BNP Paribas Real Estate

Despite the emergence of new supply, there is still a shortage of warehouse premises for rent, operators are considering the option of buying properties. Many owners are planning or are already implementing the development of built-to-suit format - the customized construction for a particular tenant company. The development of the next phase of Kulon-Pulkovo complex (area of 10 ha) is planned in this format as well as some projects of other big developers. This format is interesting for the owners as a way to create projects with predictable terms of occupancy and financial effectiveness.

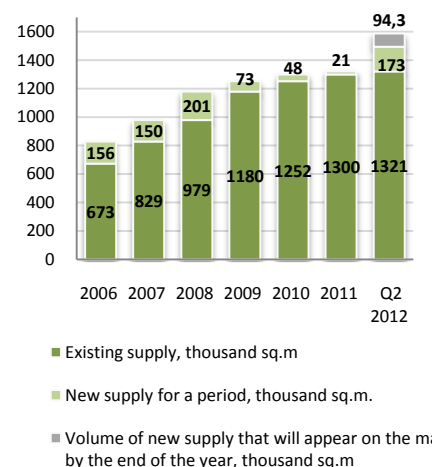
In Q2 2012 "A+ Development" announced the planned construction of logistic complex in Pulkovo zone with a total area of 100 000 sq.m. The complex is designed for logistic companies that perform shipment of cargos. This is a first built-to-suit project in Saint Petersburg that combines both built-to-suit elements and a speculative scheme and at the same time is focused on tenants of the same profile.

## Warehouse complexes announced for commission before the end of 2012

1 logistic and 1 speculative warehouse complex are announced for commission before the end of 2012. In case both projects are realized, total volume of Saint Petersburg warehouse market will increase by 94 300 sq.m. One of the warehouse complexes planned for commission in 2012 – PNK-KAD which belongs to PNK Group – is not under construction yet and its commission date may be shifted to 2013.

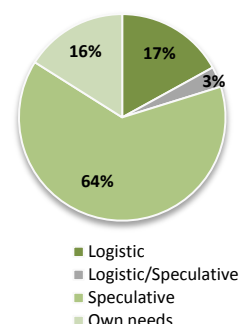
## Warehouse and logistic complexes announced for commission before the end of 2012

## Dynamics of structure of quality speculative warehouse complexes, 2006-2012



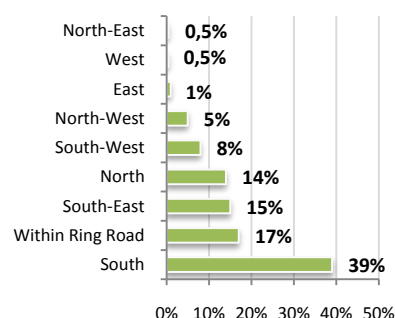
Source: ASTERA, an alliance member of BNP Paribas Real Estate

## Structure of supply for warehouse space Q2 2012



Source: ASTERA, an alliance member of BNP Paribas Real Estate

## Distribution of warehouse space tenants by direction



Source: ASTERA, an alliance member of BNP Paribas Real Estate

Name	District	Class	GBA, sq.m
Osinovaya roscha, 3 phase	Vyborgskiy	A	ca. 50 000
Teorema-Terminal	Nevskiy	A	44 300
<b>TOTAL</b>			<b>ca. 94 300</b>

Source: ASTERA, an alliance member of BNP Paribas Real Estate

All warehouse space announced for commission is classified as class A. In case all complexes planned for commission will be put into operation, the share of class A warehouse space in the structure of new supply will be more than 75%.

The segment of industrial parks is developing actively. Industrial parks "Maryino", "Industrial park Tosno", Greenstate, "Marienburg", "Doni-Verevo", "Prinevsky" etc. provide land plots for logistic and warehouse complexes.

Despite active demand, the investors prefer to wait and are not planning any new projects. This stimulates tenants to the construction of built-to-suit premises.

## DEMAND

Demand on warehouse market still outruns supply. In Q2 2012 demand for warehouse space was remaining high. New complexes were put into operation already with high occupancy rates. Exposition terms for the most liquid premises remain short – 1-3 months.

### Examples of major deals on warehouse real estate market, Q1 2012

Tenant	Tenant specialization	Leased area, sq.m	Warehouse complex
FJ Group Russia Production	Heavy Industry	7 000	A Plus Kolpino
SOK Retail	FMCG	5 000	Nordway
Besteks	Light Industry	6 000	Industrial warehouse complex, Parnas
Truck Empire	Logistics company	4 000	A Plus Kolpino
Tsentr Kadrovyyh Reshenii	Distribution / production of consumer goods	4 000	Nordway
Velko-2000	Construction	3 500	Industrial warehouse complex, Evpatoriyskiy lane
OOO Ai-shin	Car Accessories	1 400	Industrial warehouse complex, Kolpino
TD «Boris i Pavel»	Food production	1 150	Osinovaya Roscha

Source: ASTERA, an alliance member of BNP Paribas Real Estate

The demand changed insignificantly: demand for warehouse property comes mainly from Russian manufacturing companies (light and food industries), construction and retail companies. Logistics companies are active as well. Demand from DIY/construction goods companies increased to 15% of all demand. In the structure of demand 14% has heavy industry, 12% - auto salons and goods, 9% - food operators and 7% - food production and logistics companies.

This segment has a significant premises deficit both for lease and for sale connected with specific requirements and limited supply that meets them.

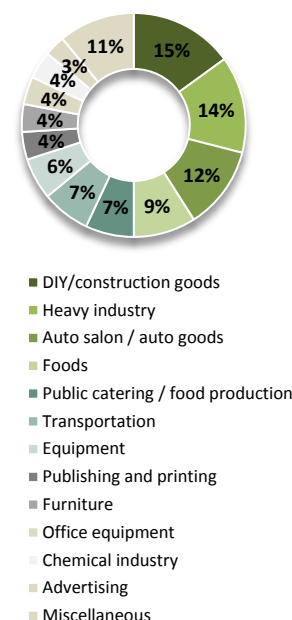
The highest demand among tenants is for small premises 700 – 3 000 sq.m area. Demand for large warehouse premises >5 000 sq.m continues to increase. Demand for large warehouse units (5 000 - 10 000 sq. m) is mainly formed by manufacturing companies, big retail chains, construction companies.

## Vacancy rates and commercial terms

### Examples of industrial parks of Saint Petersburg and Leningrad Oblast

Name	Total area, ha
Kirovsky tekhnopark	1056
Utkina Zavod	240
Logopark Kolpino	188
Doni-Verevo	183
Industrial Park park Renais-sance	150
Maryino	130
Fedorovskoye	121
Greenstate Gorelovo	112

### Distribution of warehouse space tenants by specialization



Source: ASTERA, an alliance member of BNP Paribas Real Estate

### Development forecast for warehouse market in Q2 2012

#### Class A:

Vacancy level – 4-7%  
Rental rates – 180-190 USD / sq.m per year, net of VAT, including OPEX and utilities

#### Class B:

Vacancy level – 1-3%  
Rental levels – 140-150 USD / sq.m, net of VAT, including OPEX and utilities

In Q1-Q2 2012, despite putting into operation new speculative spaces, average market vacancy rate remains low – 7,4% in class A and 3,6% in class B. Net take-up volume for Q2 2012 is 92 500 sq.m. Considering the low volume of new spaces planned for commission in Q2 2012 and the fact that many premises planned for commission are almost occupied, it is possible to expect a decrease of vacancy rates.

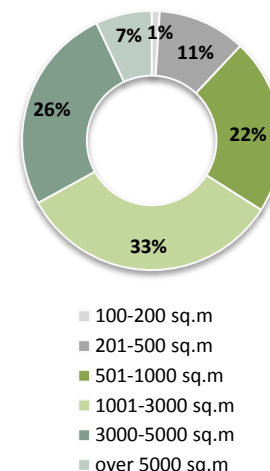
In Q2 rental rates for warehouse premises remained stable. There is no increase of rental rates for warehouse space because most of the contracts are long-term with an average size of annual indexation of 3-5% for contracts nominated in USD and 5-10% for rouble contracts. In Q2 2012 rental rates level in class A was 183 USD/sq.m per year, net of VAT, including OPEX and utilities. In class B rental rates in the second quarter of the year were around 138 USD/sq.m, net of VAT, including OPEX and utilities.

Operating costs in class A warehouse complexes are around 30-40 USD/sq.m per m/year and are charged as well as utility payments using an “open book scheme” in addition to rental rate. Still in some complexes OPEX is included to rental rate. In class B warehouse complexes OPEX is not marked out, utility payments are paid upon the utilization of resources. Average utility payments in class A warehouse complexes are around 10 USD/sq.m per m/year

In lease contracts rental rates for class A warehouse complexes are often nominated in USD while in class B complexes – in roubles.

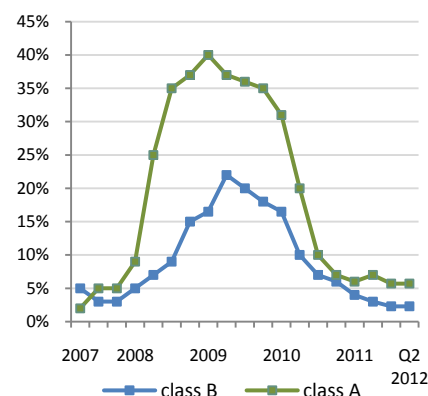
A typical term of contract for class A warehouse complexes is 3-7 years. Short-term lease is often offered in class B complexes.

### Structure of demand for warehouse space by area



Source: ASTERA, an alliance member of BNP Paribas Real Estate

### Vacancy rate in class A and B warehouse complexes



Source: ASTERA, an alliance member of BNP Paribas Real Estate

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