

WAREHOUSE REAL ESTATE

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"In Q3 2012 the situation on warehouse real estate market remains stable. As in Q3 2012 demand for warehouse real estate remained high, vacancy rates and rental rates did not change. There is still a deficit of quality warehouse and industrial premises".

MAJOR TRENDS

- ✓ Demand for warehouse and industrial premises remains high.
- ✓ Despite the increase of supply of speculative warehouse complexes in 2012, there is a shortage of quality premises for rent in the market. No new objects are expected for commission till the end of 2012. Companies that need quality warehouse spaces are considering variants of constructing or buying premises.
- ✓ Rental rates for class A and class B warehouse premises did not change.
- ✓ In Q3 vacancy rates in speculative warehouse complexes decreased and showed 7% for Class A and 3.5% for Class B. The reason is the absence of new warehouse premises.
- ✓ 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.
- ✓ Because of absence of quality supply on the market there is a trend of signing preliminary lease contracts on warehouse premises at construction stage.

KEY INDICATORS

Indicator	Class A		Class B	
	H1	Q3	H1	Q3
Leasable area in warehouse complexes commissioned in the respective period, sq.m	112 000	-	60 000	-
Vacancy rate, %	7,4%	7%	3,6%	3,5%
Average asking rent rate, USD / sq.m / p.a., net of VAT, incl. utilities and OPEX	183	183	138	138

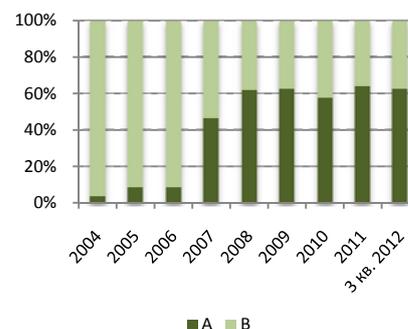
Source: ASTERA, an alliance member of BNP Paribas Real Estate

TOTAL AREA →

VACANT AREA →

RENTAL RATES →

Dynamics of structure of quality warehouse complexes, 2004-2012



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

Examples of industrial parks of Saint Petersburg and Leningrad Oblast

Name	Area, ha
Kirovsky tekhnopark	9,6
Utkina Zavod	240
Logopark Kolpino	188
Doni-Verevo	183
Industrial Park парк Renaissance	150
Maryino	130
Fedorovskoye	121
Greenstate Gorelovo	112
Prinevsky	12,7
«Marienburg»	40
Razmetelevo	111,4

SUPPLY

Warehouse complexes commissioned in 2012 and planned for commission

By the end of Q3 2012 the 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 1,42 mln sq.m.

In 2012 3 properties on the stage of construction readiness offered space for rent. No new projects were commissioned in Q3 2012.

New supply of warehouse market Q1 2012

Name	District	Class	GBA, sq.m	Period
STC, 1 phase	Vyborgsky	B	54 000	Q2 2012
Nordway, 1 phase	Pushkinsky	A	43 000	Q1 2012
Orion Logistic, 1 phase	Vyborgsky	A	10 000	Q1 2012
TOTAL			107 000	

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

There is a deficit of warehouse premises for lease, so many operators 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 Q3 2012 the percentage of Class A warehouses in total high quality supply is 66%, of Class B warehouses – 36%.

The major part of supply (70%) is located in the south (south-west and south-east as well). The great part of existing supply is located in the south of the city (42%).

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. Still these parks usually offer land plots for warehouse development or built-to-suit formats with only a possibility of engineering infrastructure development. This is not always attractive because of the long realization periods of such projects and the high amount of investments required.

No complexes are expected for commission before the end of 2012.

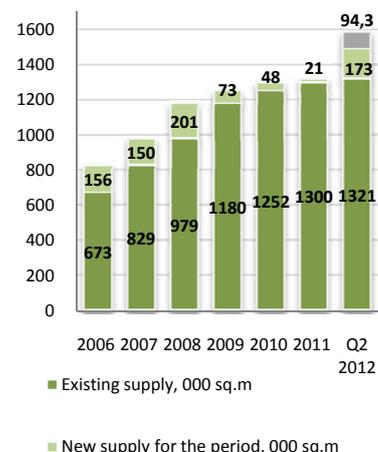
Warehouse complexes announced for commission in 2012 – PNK-KAD of PNK Group and Teorema Terminal – are still on the 3rd phase of construction and their commission will be shifted on later dates. Commission date of the terminal Osinovaya Roshka on 5, Gorskoye highway is shifted to 2013 instead of 2012.

Despite high demand, investors still have a “wait-and-see” policy and are not planning to start new projects. The increase of the amount of leasable spaces is still very low, the total amount of commissioned spaces didn't exceed the total amount of spaces commissioned in the record year of 2008.

DEMAND

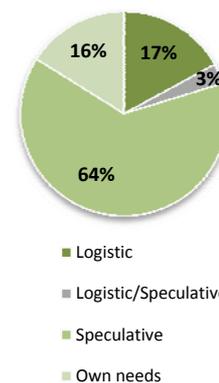
Demand on warehouse market still outruns supply. In Q3 2012 demand for

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 Q3 2012



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

Distribution of operating quality warehouse premises by direction



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

warehouse space was stable and remained high. Exposition terms for the most liquid premises remain short – 1-3 months.

Examples of major deals on warehouse real estate market, 2012

Tenant	Tenant specialization	Area, sq. m	Warehouse complex
SOK Retail	FMCG	10 000	Nordway
FJ Group Russia Production	Heavy industry	7 000	A Plus Kolpino
Besteks	Light Industry	6 000	Industrial warehouse complex, Parnas
Lear Corporation	Distribution	5 000	Logopark Shushary
Intekso	Retail operator	4 600	Astros Logistic Center
Truck Empire	Logistics company	4 000	А Плюс Колпино
Tsentr Kadrovyyh Reshenii	Distribution / production of consumer goods	4 000	Nordway
Velko-2000	Construction	3 500	Industrial warehouse complex, Evpatoriyskiy lane .

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. Logistic companies are active as well.

Demand for industrial premises, mostly for food production, remains high.

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). Demand for large warehouse premises (>5 000 sq.m) continues to increase. Demand for large warehouse units (5 - 10 000 sq. m) is mainly formed by manufacturing companies, big retail chains, construction companies.

Vacancy rates and commercial terms

Despite putting into operation new speculative spaces in H1 2012, there is a deficit of quality premises on the market. Average market vacancy rate remains low – 7% in class A and 3,5% in class B. Net take-up volume for Q3 2012 is 10 000 sq.m. The small volume of take-up is caused by a seasonal low economic activity. Net take-up volume for Q1-Q3 2012 is 190 000 sq.m.

Considering the absence of new spaces planned for commission in H2 2012 and the fact that many premises planned for commission are almost occupied, it is possible to expect a decrease of vacancy rates.

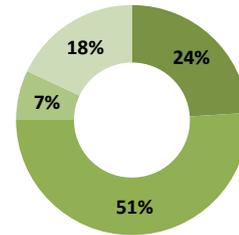
During the last 1.5 years rental rates for warehouse premises remain stable. There is no increase of rental rates for warehouse space because most of the contracts are long-term with an average size of annual indexation of 3-5% for contracts nominated in USD and 5-10% for rouble contracts.

In Q3 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

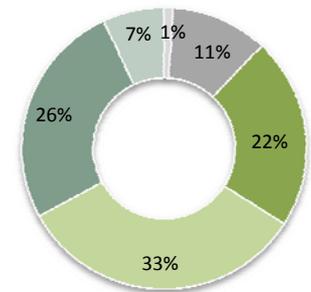
Distribution of warehouse space tenants by specialization



- Industrial companies
- Retail operators
- Logistic operators
- Other

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

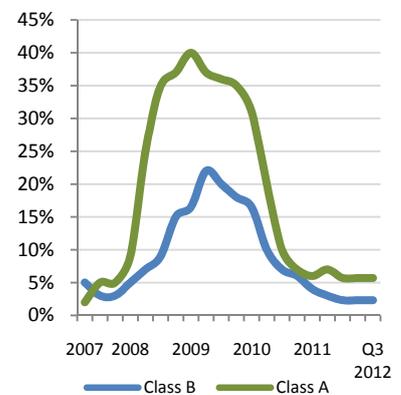
Structure of demand for warehouse space by area



- 100-200 sq.m
- 201-500 sq.m
- 501-1000 sq.m
- 1001-3000 sq.m
- 3000-5000 sq.m
- > 5000 sq.m

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

Vacancy rates in Class A and Class B warehouse complexes



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

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.

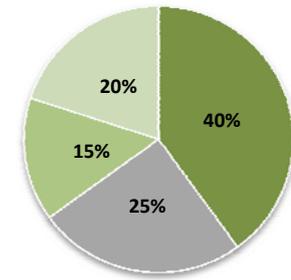
DEVELOPMENT FORECAST

Despite the new supply for warehouse premises, vacancy rates are decreasing because preliminary lease agreements were already signed for the majority of space in new warehouse complexes. By the end of the year vacancy rates will decrease by 2-3%. The lower bound of rental rates is expected to grow by 3-5% due to the high deficit of warehouse space and a small amount of new speculative objects on the market.

Due to existing demand and the lack of speculative space, companies start to construct their own warehouses. This trend will continue to develop.

If there is no macroeconomic shock on the market, all new high-quality projects that will emerge on market in the next 5 years, will be in demand.

Reasons for search of warehouse premises



- Increasing demand for warehouses
- Change of location
- Increase in class of warehouse
- Primary search

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ASTERA an alliance member of BNP Paribas Real Estate is an international company, which renders professional services in commercial and elite residential real estate. The company has been actively operating on the Russian market since 1992. Companies' offices are located in Moscow, Saint-Petersburg and Kiev.

ASTERA is a partner company to BNP Paribas Real Estate in Russian and Ukraine. BNP Paribas Real Estate is a leading international company in real estate sphere, which occupies leading positions among the consulting companies on the European market in terms of turnover volume by the results of 2009, according to an annual rating of authoritative publication Property Week.

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