

WAREHOUSE MARKET



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“The shortage of warehouse premises in St. Petersburg has still been persisting over the last two or three years resulted in the “built-to-suit” format gaining more popularity.”

TOTAL AREA →

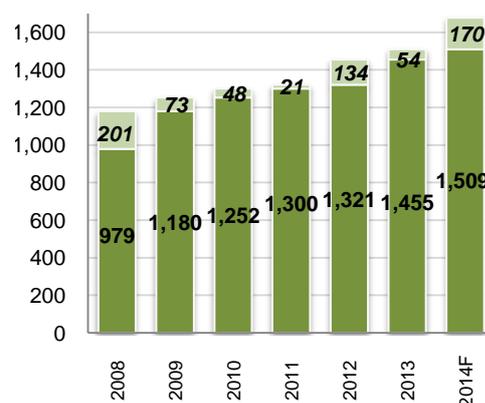
VACANCY →

RENTAL RATES →

MAJOR TRENDS

- As of the end of the year total supply of high-quality premises increased by 3.8% totaling 1,509.2 thou. sq.m.
- During 2013 the market faced a severe shortage of premises for lease leading to the growth of postponed demand.
- In Q4 2013 warehouses premises mostly demanded by industrial companies, retailers, transportation and logistics companies.
- According to statistics of the inquiries received by ASTERA during Q4 2013, warehouse premises ranging from 1,000 to 3,000 sq.m. were the most requested among tenants (40.5%).
- In December 2013 the average vacancy rate in high-quality warehouse complexes measured 2 basis points lower than that of the end of 2012. Around 44.4 thou. sq.m. of premises were vacant on the market.
- Over the year the growth in rental rates (triple net) in Class A amounted to 10%, in Class B – 8%.
- According to ASTERA, 170 thou. sq.m. are expected to be commissioned in the next year. In case of full delivery, it would ease the postponed demand for premises.

High-quality warehouse complexes GLA in dynamics



■ Existing warehouse space at the beginning of a year, 000 sq.m

■ New supply commissioned during the related year, 000 sq.m

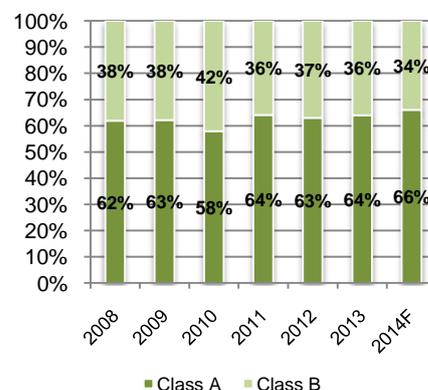
Source: ASTERA an alliance member of BNP Paribas Real Estate

Key indicators of warehouse market development in Saint Petersburg, Class A and B

Indicator	Class A		Class B	
	2012	2013	2012	2013
Leasable area of warehouse centers (GLA), put in commission in the reporting period, sq.m.	74,000	54,200	60,000	-
Vacancy rate, %	5.4%	3.4%	3.8%	1.8%
Average rental rate, not including VAT, utilities and operating costs (triple net), USD/ sq.m./ p.a.	120	132	111	122

Source: ASTERA an alliance member of BNP Paribas Real Estate

Breakdown of high-quality warehouse complexes by class



Source: ASTERA an alliance member of BNP Paribas Real Estate

SUPPLY

In 2013 in St. Petersburg 54,2 thou.sq.m. of leasable area were delivered to the warehouse market. As of the end of the reporting year the overall GLA of high quality warehouse complexes totaled 1,509.2 thou. sq.m, increased by 3.8% for a yearly period.

Main volume of warehouse premises (90%) was delivered in the second half of the reporting year.

Warehouse complexes delivered in 2013

Name	Class	GBA, sq.m.	GLA, sq.m.	Direction
Osinovaya Roscha, building # 1	A	28,420	5,700	North-West
Osinovaya Roscha, building # 2	A	45,000	14,000	North-West
Orion Logistic, building # 3	A	48,000	34,500	North-West
TOTAL			54,200	

Source: ASTERA an alliance member of BNP Paribas Real Estate

Predominance of demand over supply leads to concluding preliminary lease contracts even at initial stages of construction. It is not uncommon situation that before opening a complex is almost being leased out.

In 2014 circa 170 thou. sq.m. of premises are expected for commissioning in St. Petersburg market, which is three times higher than that of 2013. As a result, the total supply volume of warehouse premises will be increased by 11.2% and be estimated at 1,678.7 thou. sq.m.

Warehouses announced to be commissioned in 2014

Name	Class	GBA, sq.m.	GLA, sq.m.	Direction
Nordway, (2nd phase)	A	59,700	40,600	South
Armada Park	A	60,000	60,000	South
Osinovaya Roscha, building # 3	A	54,000	12,000	North-West
Logopark Troitsky	A	42,650	39,250	South-East
Konnaya Lakhta	A	5,500	4,400	North-West
IP Ladoga, (1st phase)	B	8,400	6,250	East
PSK Murino, (3d phase)	B	7,000	7,000	North-East
TOTAL			169,500	

Source: ASTERA an alliance member of BNP Paribas Real Estate

DEMAND

Over the year the demand for warehouse premises remained on a high level. The shortage of vacant space on the market led to the growth of postponed demand. In order to satisfy the needs for warehouses, some companies consider the following options:

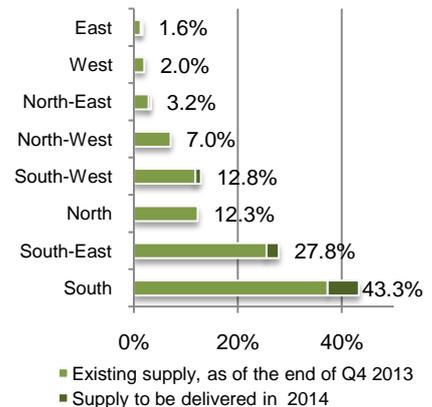
- ✓ purchase of land plots;
- ✓ construction of 'built-to-suit' projects.

For instance, the "Unicosmetic" company purchased a land plot in Kolpino in 2010. By the end of 2013 warehouse construction for own needs was at the final stage.

PNK Group will construct a warehouse with GLA of 35 thou. sq.m. for a food retailer "Verniy" in Petro-Slavyanka district. The completion is scheduled for the second half of 2014.

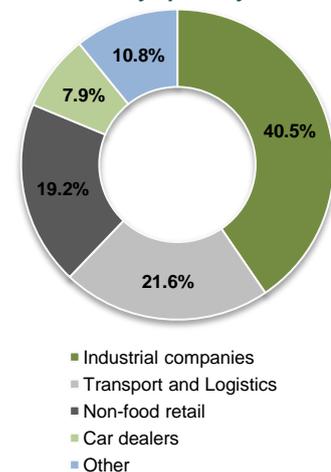
Thus, it is important to note that current situation leads to reducing of post-

Distribution of high quality warehouse space by location, GLA



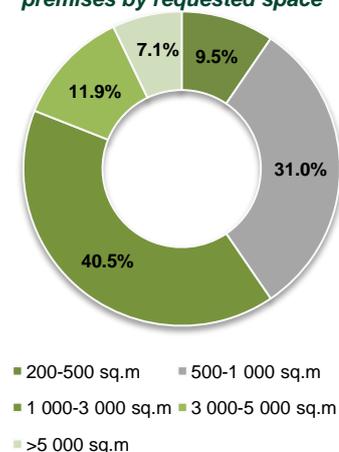
Source: ASTERA an alliance member of BNP Paribas Real Estate

Breakdown of tenants demand by specialty



Source: ASTERA an alliance member of BNP Paribas Real Estate

Demand breakdown on warehouse premises by requested space



Source: ASTERA an alliance member of BNP Paribas Real Estate

poned demand, and adversely affects development of speculative warehouse complexes.

According to statistics of the inquiries received by ASTERA an alliance member of BNP Paribas Real Estate, demand for warehouse premises was mostly driven by industrial companies constituting 40.5% of total demand. Shares of transportation, logistics and retail companies were approximately the same – 20% each.

Warehouse premises ranging from 1,000 to 3,000 sq.m. were the most requested among tenants (40.5% of all inquiries). Facilities with area ranging from 500 to 1,000 sq.m. were also in great demand amounted to 31%.

At the end of December around 44,4 thou. sq.m. were vacant on warehouses market in St. Petersburg, compared to 33,2 thou. sq.m. in September and 11,7 thou. sq.m. in March. In perspective the volume of vacant space will continue to increase which will make it easier to meet tenants' demands. However, considering negative forecasts of growth rate of industrial production in Russia, particularly in Saint Petersburg, demand will have a falling tendency in 2014, firstly, from industrial companies.

Some projects on warehouse market in the second half of 2013

Company	Specialization	Area, sq.m.	Object	Type of transaction
Verniy	Food retailer	43,000	PNK-KAD	built-to-suit
Unico Logistics	Logistics company	15,000	SK Utkina Zavod	lease
Krits/Критц	Pet products	5,000	LogIN	lease
Svetlana-K	Logistics services	3,000	Nordway	lease
Unior Professional Tools	Industrial company	2,900	Nordway	lease

SUPPLY AND DEMAND BALANCE

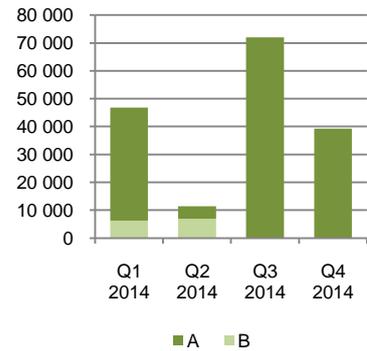
Over the reporting year there was a shortage of vacant warehouse premises on the warehouse real estate market which led to increase of rental rates.

In December 2013 the average weighted rental (triple net) in Class A and Class B measured 132 and 122 USD/sq.m/year respectively. Over the year the growth of rates in Class A reached 10%, in Class B – 8%. Operating expenses estimated at 25-35 USD/sq.m/year .

According to ASTERA research, by the end of 2013 vacancy amounted to 3.42% in warehouse complexes of Class A and 1.81% in Class B. It is important to note that during Q4 vacancy rate in warehouse complexes of Class B decreased by 0.72 basis points, and on the contrary there was an increase by 1.33 basis points in Class A complexes.

In 2014 relatively high volume of new supply to be delivered. Upon that the share of Class B warehouses will estimate less than 10%. According to ASTERA analysts, in perspective the situation on the market of high-quality warehouse premises will be stabilized as demand to be provided with enough supply. However, demand for lower-class warehouses will still remain unsatisfied.

Warehouse premises to be delivered in 2014

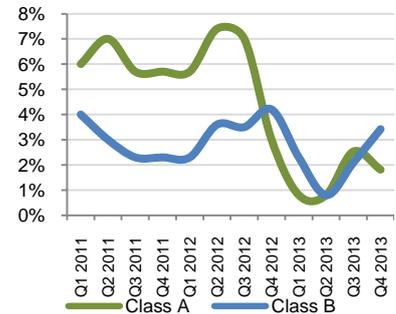


Source: ASTERA an alliance member of BNP Paribas Real Estate



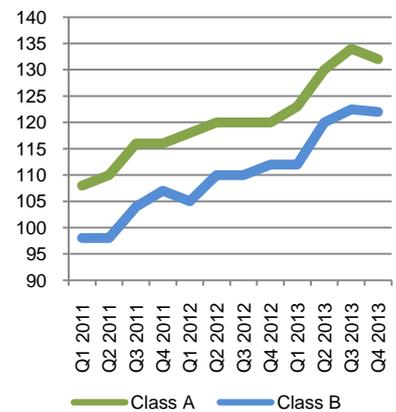
Warehouse complex "Armada Park"

Dynamics of vacancy rate in warehouse complexes



Source: ASTERA an alliance member of BNP Paribas Real Estate

Dynamics of rental rates (triple net), USD/sq.m./p.a.



Source: ASTERA an alliance member of BNP Paribas Real Estate

ABOUT ASTERA

ASTERA an alliance member of BNP Paribas Real Estate is an international consulting company, providing professional consulting services in commercial and elite residential real estate. The Company has been actively working on Russian real estate market since 1992. The Company's offices are located in Moscow, St. Petersburg and Kiev.

ASTERA is the partner of **BNP Paribas Real Estate** in Russia and Ukraine. BNP Paribas Real estate is a leading international real estate company and the largest company by gross turnover among European consulting companies by year 2010, according to annual rating of authoritative publication "Source Euromoney".

An alliance with BNP Paribas Real Estate gives ASTERA the opportunity to represent the interests of their clients abroad and to attract foreign investments into Russian development projects.

ASTERA portfolio comprises retail, office, industrial, warehouse and hotel projects, including large multi-functional complexes and commercial premises of street retail format, detached buildings, 'built-to-suit' projects and land plots.

ASTERA portfolio includes over **500 implemented projects** of strategic and investment consulting and the exclusive data base consisting of **30,000 objects** in all segments of commercial real estate. Since 1992 ASTERA consultants have leased and sold **more than 6,000,000 sq.m.** of commercial premises and concluded over **9,000 transactions** on commercial real estate market in Russia and Ukraine.

ASTERA has assisted over **4,000 clients**, including major international and Russian financial, investment, trading and industrial corporations and networks.

ASTERA provides a full range of services for investors, developers, owners, tenants and buyers of commercial and elite residential real estate:

- Consulting services
- Investment consulting
- Real estate valuation
- Brokerage services
- Pre-brokerage
- Representing the client's interests
- Real estate management
- Legal services
- Real estate projects promotion

A reputation of ASTERA is a member of of the leading Russian and international professional organizations:

- Guild of Managers and Developers (GUD)
- Russian Shopping Malls Council
- Russian Realtors Guild
- Russian-British Chamber of Commerce
- European Business Association

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