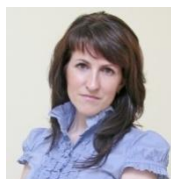


# WAREHOUSE MARKET

## Vera Boikova

Head of Industrial Department, ASTERA an alliance member of BNP Paribas Real Estate



*'In 2014 market expects about 180 thou. sq.m of quality warehouse space to be delivered which is the highest indicator for the last several years. If all announced projects are successfully implemented, postponed demand for warehouse premises of Class A will be partially satisfied. Due to supply deficit, demand for storage space of Class B remains high as the most part of commissioned projects referred to Class A premises'.*

## SUMMARY

- Over Q1 2014 the construction of Nordway warehouse complex of Class A with the overall GLA of 40,600 sq.m was completed. Thus, by the end of Q1 St. Petersburg warehouse market totaled up to 1,549.6 thou. sq.m.
- During 2014 the market expects 7 warehouse complexes with the overall GLA of 143.2 thou. sq.m to be put in commission. If all announced projects are fully delivered, warehouse market will increase by 12.2% and amount to 1,693 thou. sq.m.
- Premises with the area ranged between 1,000 and 3,000 sq.m are the most requested on the market, accounting for 50% of all inquiries.
- By the end of Q1 2014 vacancy rate in warehouse complexes of Class A amounted to 3.6%, of Class B – 3.5%.

### Key indicators of St. Petersburg warehouse real estate market in the first quarter of 2014

Indicator	Class A		Class B	
	Q4 2013	Q1 2014	Q4 2013	Q1 2014
Leasable area of warehouse centers (GLA), put in commission in the reporting period, sq.m	54,200	40,600	-	-
Vacancy rate, %	3.4%	3.6%	1.8%	3.5%
Average rental rate, USD/sq.m/per year, net of VAT, including utilities and operating expenses (triple net)	132	126	122	111

Source: ASTERA an alliance member of BNP Paribas Real Estate

Decrease in rental rates in dollar terms compared to Q4 2013 is connected with currency difference at the end of the reporting periods.

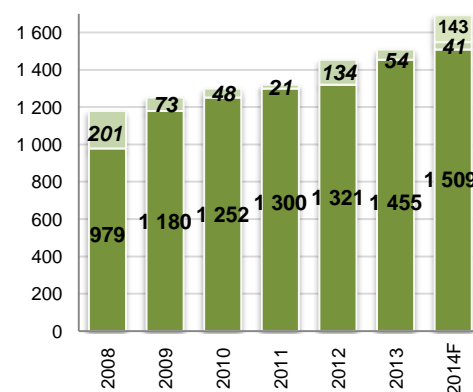
TOTAL AREA

VACANT AREA

RENTAL RATES



### 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
- Forecast until the end of the year, thous. sq.m

Source: ASTERA an alliance member of BNP Paribas Real Estate

### Warehouse complexes delivered in Q1 2014

Name	Class	GBA/GLA, sq.m
Nordway, 3 <sup>rd</sup> phase	A	59,700 / 40,600
<b>TOTAL</b>		<b>40,600</b>

## SUPPLY

In Q1 2014 the construction of the last phase of Nordway logistics complex was completed. Class A warehouse with the overall GLA of 40,600 sq.m is located in Shushary industrial zone. As a result, by the end of the reporting period the total stock amounted to 1,549.6 thou. sq.m.

By the end of 2014 seven warehouse complexes are to be delivered. Thus, St. Petersburg warehouse market will increase by 12.2% compared with the final figure of 2013 and estimate at 1,693 thou. sq.m.

In terms of location existing storage facilities as well as the new large projects are located in the south and north-west of the city.

### Premises announced to be commissioned by the end of 2014

Name	Class	GBA, sq.m	GLA, sq.m	Direction
Armada Park	A	60,000	60,000	South
Osinovaya Roscha, building #3	A	54,000	12,000	North-West
Logopark 'Troickiy'	A	42,650	39,250	South-East
Würth	A	14,300	14,300	South
Konnaya Lakhta	A	5,500	4,400	North-West
IE Ladoga, 1 <sup>st</sup> phase	B	8,400	6,250	East
IWC Murino, 3 <sup>rd</sup> phase	B	7,000	7,000	North-East
<b>TOTAL</b>			<b>143,200</b>	

## DEMAND

In the reporting period demand for warehouse facilities from tenants remained at a high level. According to data of ASTERA, retail operators were the most active ones.

In Q1 2014 warehouse premises ranged between 1,000 and 3,000 sq.m were the most requested ones, accounting for 50% of inquiries. Also facilities with the area from 500 to 1,000 sq.m (24%) were in great demand. About 13% of all applied companies were ready to consider premises with the area more than 3,000 sq.m.

### Major transactions in the warehouse real estate market in Q1 2014

Company	Specialization	Area, sq.m	Warehouse Complex
Unior Professional Tools	Hand tools	<b>2,900</b>	Nordway
Agroimpeks	Food production	<b>1,200</b>	Predportoviy
ULS Global	Developer	<b>2,200</b>	Warehouse complex in Shushary
O'Key	Food, hypermarket	<b>15,000</b>	Osinovaya roscha

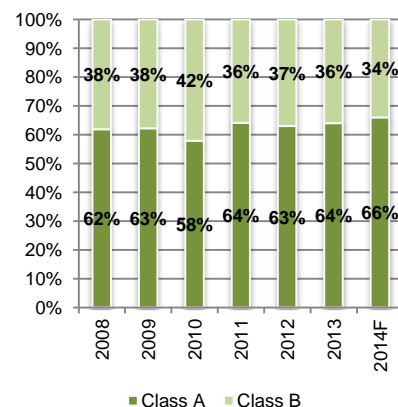
Source: ASTERA an alliance member of BNP Paribas Real Estate

Despite undefined economic situation arising from the changes in external policy situation, currency fluctuation and decrease in retail market growth by 5.6%, demand in industrial segment remains at a high level.

Closeness to the Ring Road, favorable access ways, engineering services and technical characteristics of warehouse complex are still the most important factors, besides rental rate, for potential tenants when they choose warehouse premises.

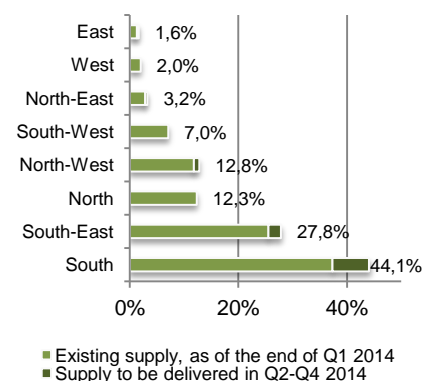
Lack of quality supply on the market leads to the growth of postponed demand. In order to satisfy the need in warehouses, the company considers purchasing land for further construction of storage complexes or 'built-to-suit' format premises. Building of such warehouse takes not less than 18 months, therefore warehouse complexes of this format are interesting to

### Breakdown of high-quality warehouse complexes by class, Q1 2014



Source: ASTERA an alliance member of BNP Paribas Real Estate

### Distribution of high-quality warehouse space by location, GLA



Source: ASTERA an alliance member of BNP Paribas Real Estate



Warehouse Complex 'Nordway'

companies that plan their activities for the next 5-7 years.

If all announced warehouse projects are put in commission during 2014, postponed demand for warehouse space of Class A can be partially satisfied, because the main part of delivered projects are referred to this very Class. Demand for storage facilities of Class B remains high due to the supply deficit.

### VACANCY AND COMMERCIAL CONDITIONS

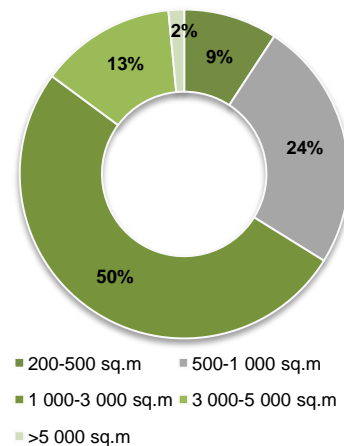
Economic instability in Q1 slightly affected St. Petersburg warehouse market. On the average, increase in rental rates in ruble terms estimated to about 3% in warehouse complexes of Class A which correspond to price growth within annual indexation. In warehouse complexes of Class B rental rates remained on the same level as in Q4 2013.

In the reported period rental rates in warehouse complexes of Class A and B measured to \$126 USD/sq.m/year and \$111 USD/sq.m/year correspondingly (triple net). At that, there was a decrease of rental rates in dollar terms compared with Q4 2013 due to currency difference at the end of reporting periods. Terms of rental services payment remain the same when concluding the agreement. Companies, which use conventional units, continue working by being pegged to currency. Firms, that use currency in rubles, continue concluding lease agreements with rental rates fixed in rubles.

Operating expenses are estimated at \$25-35 USD/sq.m/year.

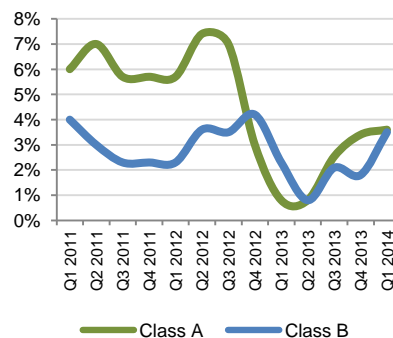
Following the results of the reporting period vacancy rate increased by 1.7% in Class B and reached 3.5%; in Class A vacancy also augmented and measured 3.6% (+0.2%). Total vacant area in warehouse complexes of Classes A and B totaled up to about 59.2 thou. sq.m by the end of Q1 2014. In perspective the number of vacant area will continue to grow which will allow potential tenants to choose warehouse space that meets all their requirements at most.

**Demand breakdown for warehouse premises by requested space**



Source: ASTERA an alliance member of BNP Paribas Real Estate

**Vacancy in warehouse complexes**



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.

**According to Annual First Brokers' Rating, ASTERA was recognized as the best brokerage company of Saint Petersburg in terms of commercial real estate volume realized in 2013.**

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 2012, 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
- Property management
- Legal services
- Real estate projects promotion

*A reputation of ASTERA is confirmed by being a member 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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