

# WAREHOUSE MARKET



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*"Due to shortage of warehouse space on the Saint-Petersburg market and stable demand for warehouse real estate, developers and investors started considering industrial & warehouse projects as a potential target for investment. However closer to the end of the quarter all the decisions regarding the new investments were postponed due to the uncertainty on the global financial market which makes the investors more cautious to any new capital expenditures".*

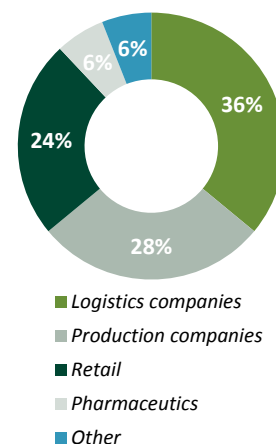
TOTAL AREA →  
VACANT AREA →  
RENT RATES\* →  
CAPITALIZATION RATE →

\* - in Class A

## MAJOR TRENDS

- ✓ Stable demand for leasing warehouse space
- ✓ On-going reduction of vacant space in warehouse complexes: many warehouse terminals of Class A are now leasing the last unoccupied units
- ✓ Increasing shortage of quality warehouse space
- ✓ Stable demand for acquisition of industrial & warehouse complexes with the purpose of their speculative usage
- ✓ Stable demand from the production companies
- ✓ Active development of industrial real estate market in both Class A warehouse complexes and newly-emerged industrial parks projects

Distribution of large tenants of warehouse space by specialization



## KEY INDICATORS

Key indicators of the warehouse market development in Saint-Petersburg, Class A and B, Q3 2011

Key indicators of warehouse real estate market development	Class A		Class B	
	Q2 2011	Q3 2011	Q2 2011	Q3 2011
Leasable area in warehouse complexes commissioned in the respective quarter, sq.m.	0	0	0	0
Vacancy rate, %	11%	9%	8%	5%
Average asking rent rate, USD / sq.m. / p.a., net of VAT, incl. utilities and OPEX	167	179	151	147*

\* Class B rates are nominated in roubles. Rates decrease in Q3 is attributed to currency exchange fluctuations during the quarter

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

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## SUPPLY

## New warehouse complexes commissioned in Q3 2011

During three quarters of 2011 no speculative warehouse complexes were constructed in Saint-Petersburg. Total area of high-quality speculative warehouse complexes remained at the level of about 1.3 mln sq.m, which is 20% of the total volume of warehouse real estate in the city.

## New warehouse complexes planned to be commissioned by the end of 2011

By the end of 2011 five new warehouse complexes are expected to be commissioned. These are both the projects put off by the developers due to crisis, and new projects. However, taking into consideration multiple delays in commissioning dates, opening date of some of these projects may be postponed to Q1 2012.

Total area of new warehouse complexes declared to be commissioned by the end of 2011 makes around 128'300 sq.m. The majority of these complexes are positioned as Class A, over 60% of new supply will be located in Vyborgskiy district of Saint-Petersburg.

## Warehouse complexes announced to be opened by the end of 2011

Name	District	Class	GBA, sq.m	Developer
STC, Phase 1	Vyborgskiy	B	53'000	InvestBugry
Nordway, Phase 1	Pushkinskiy	A	44'300	Hanner
Osinovaya Roscha, Phase 2	Vyborgskiy	A	15'000	Sterkh Corporation
Orion Logistics	Vyborgskiy	A	10'000	Orion Logistics
Industrial-warehouse complex	Vsevolozhskiy (Leningrad region)	B	6'000	TBA
<b>TOTAL</b>			<b>128'300</b>	

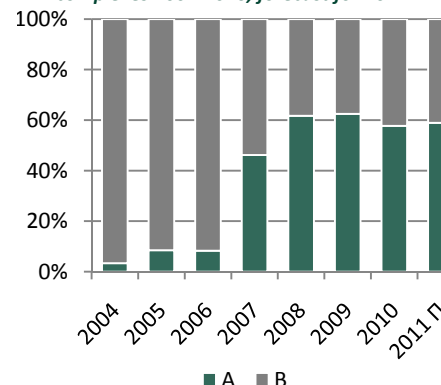
Source: ASTERA, an alliance member of BNP Paribas Real Estate

In case the announced complexes are commissioned in time, total area of quality speculative warehouse projects will make 1.33 mln sq.m.

At the present moment industrial real estate market is growing – both within the framework of projects of large Class A warehouse complexes and industrial parks projects. Over 15 large industrial parks projects are now available in Saint-Petersburg and Leningrad region.

Having faced a problem of letting warehouse complexes during crisis, the developers of large warehouse complexes started actively offering the built-to-suit approach adopting their properties to the needs of production companies. Thus production of such companies as Scania, TPV Technology, Groupe SEB, Elopak, Grupo Antolin, Foxconn, Johnson Controls was opened in the premises initially planned as warehouse complexes.

Dynamics of structure of quality warehouse complexes 2004-2010, forecast for 2011



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

## Industrial parks

Industrial park is an area specially laid out to arrange new production. It is provided with the energy resources, infrastructure, required administrative and legal support and managed by a specialized company.

As a rule, several independent production companies (often related to one industry sector) operate at site of the industrial park.

Industrial parks are located in the vicinity of major traffic centres (sea port, airport, railway terminal, major motorways junctions).

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

## Examples of industrial parks in Saint-Petersburg and Leningrad region

Name	Area, ha
Kirovskiy technopark	1'056
Utkina Zavod	240
Logopark Kolpino	188
Doni-Verevo	183
Industrial park Renaissance	150
Mariino	130
Fedorovskoe	121
Greenstate Gorelovo	112

## DEMAND

In Q3 2011 demand for warehouse space kept growing, which was reflected in reduction of vacant area in warehouse complexes and decrease in premises exposition term. Average exposition period is 1-3 months.

The fact that new production players have entered the North-Western market (for instance, Norwegian company Jotun Group), active development of retail in Saint-Petersburg (Saint-Petersburg is the leading Russian city in terms of retail area per capita), high indices of cargo turnover in the city (Saint-Petersburg cargo turnover is comparable to cargo turnover of cities like Amsterdam and London) allow predicting further increase in demand for quality warehouse space.

The major demand for large warehouse units (5'000-10'000 sq.m.) is formed by production companies, major retail chains, and construction companies.

### Examples of major transactions on warehouse real estate market, Q3 2011

Tenant	Tenant specialization	Leased area, sq.m	Warehouse complex
Petrovich	DIY & building materials	9'000	MLP Utkina Zavod
Aquatoria	Production	5'000	Interterminal Trade
Akris	Equipment	950	79, Volkovskiy pr.
Wira	Equipment	650	3 Verkhniy per.

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

The most popular areas are storage units with the area of 500 – 2'000 sq.m. Demand for such a space is formed, first of all, by the end-users – retail operators, production companies. However the managers of existing warehouse complexes with vacant space still available can offer to the potential tenants only large units of 2'500 – 5'000 sq.m.

Due to absence of new supply, a growing shortage of small warehouse space can be noted.

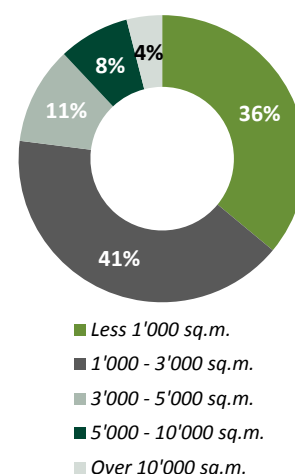
## Rental rates and commercial terms

In Q3 2011 the vacancy rate in warehouse complexes of Class A has reduced from 11% to 9%, Class B – from 8% to 5 %.

In Q3 2011 rental rates level for Class A warehouse space of has reached 179 USD / sq.m / p.a., net of VAT, including utilities and OPEX, for Class B – 147 USD / sq.m / p.a., net of VAT, including utilities and OPEX. The rates in Class B are denominated in roubles and the decrease in average rates is mainly attributed to the currency exchange fluctuations during the quarter.

Main commercial terms remained unchanged during the quarter.

Structure of demand for warehouse space by area



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

## Development forecast for warehouse real estate market, 2011

### Class A:

Vacancy rate – 5%  
Rental rates – 180-190 USD / sq.m / p.a., net of VAT, incl. utilities and OPEX

### Class B:

Vacancy rate – 5%  
Rental rates – 140-150 USD / sq.m / p.a., net of VAT, incl. utilities and OPEX

### Terms of warehouse space lease

Class	Difference between asking price and transaction price
A	Max. 5%
B	Max. 5%

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