



PROFESSIONAL
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Moscow
2010

MOSCOW WAREHOUSE REAL ESTATE MARKET REVIEW H1 2010



**BNP PARIBAS
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MAJOR INDICATORS OF MOSCOW WAREHOUSE REAL ESTATE MARKET

The major indexes of warehouse segment development in Moscow region in the first half of 2010 are represented in the resulting table:

Table №1. Indicators of warehouse real estate segment of Moscow region

Total stock of warehouse premises, end of the first half of 2010	5.84 mln.sq.m
Commissioned in the first half of 2010	120 th. sq.m
Growth of high quality warehouse premises in the first half of 2010	2%
Total area of warehouse premises planned for commission in 2010	390 th. sq.m
Take-up in the first half of 2010	280 th. sq.m
Vacancy rate	9.5%

Source: ASTERA

NEWS ON THE WAREHOUSE AND INDUSTRIAL REAL ESTATE MARKET

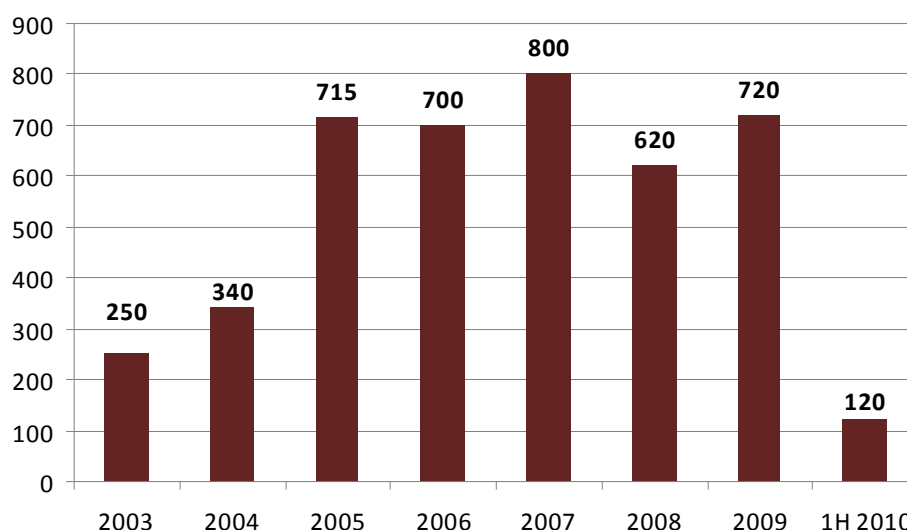
- ✓ Austrian company Immofinanz(fond Immoeast) under the obligations of the debt restructuring sold to Sberbank 53 th.sq.m in logopark Tomilino for \$39 mln.
- ✓ In the third quarter of the current year MR Group starts construction of the industrial park Shmatovo that is a part of low-rise city-satellite New Stupino in 70 km from Moscow on the road M4 Don. New industrial park will include eco-friendly plants. Built-up area of the industrial park is 200 ha. The first phase of New Stupino is planned for commission in 2012.
- ✓ Raven Russia Limited led the pipeline of projects of class A under its management to 1.003 mln.sq.m. The company projects are located in Moscow region, St. Petersburg, Rostov-on-Don, Novosibirsk.
- ✓ Oriflame plans to build a logocenter and industrial department in Moscow region. For this purpose the concern bought 26 ha in Noginsky industrial park in 40 km away from Moscow. Investment volume can make up 125-175 mln.Euro.

SUPPLY

Total stock of warehouse premises in Moscow and Moscow region at the end of H1 2010 amounted to 8.71 mln. sq.m, at the same time around 5.84 mln. sq.m fell into the share of high-quality warehouse facilities of class A and B.

In H1 2010 about 120 th.sq.m of high-quality warehouse premises were put into operation. In fact in 2010 about 390 th.sq.m of warehouse premises is expected to be commissioned. Thus, compared to the previous years the construction volume is falling down.

New Construction of Warehouse Premises, 2003-2010, th.sq.m



Source: ASTERA

The consequents of the world financial crisis are still restricting the development of the commercial real estate market, including the warehouse segment. The construction of speculative warehouse complexes is restricted by the problems with attracting of the financial financing and by absence of positive dynamics in rental rates. Developers do not declare plans concerning new projects construction, the projects that had been declared before are still on paper.

Table №2. Warehouse projects planned for commission in 2010

Warehouse complex	Developer	Location	Total area, sq.m
PNK Chekhov, 2 phase	PNK Group	Simferopolskoye hw., 50km from MKAD	130 000
LP Dmitrov	Gelamko	Dmitrovskoye hw., 30km from MKAD	I phase - 61 500
Technopark Kupavna, class B	Eurofinance	Gorkovskoye hw., 25km from MKAD	34 000
South Logistic terminal Klimovsk, 2 phase	Raven Russia	Simferopolskoye/Varshavskoye hw., 21km from MKAD	54 000
LP Istra, 5 phase	Raven Russia	Novorizhskoye hw., 40km from MKAD	19 300
VVV Aparinky	VVV	Kashirskoye hw., 3km from MKAD	80 000
Specialized multi temperature warehouse complex of class A (built-to-suit)	PNK Group and Uhrenholt Logistics	Under the project PNK Chekhov in Moscow region	12 960

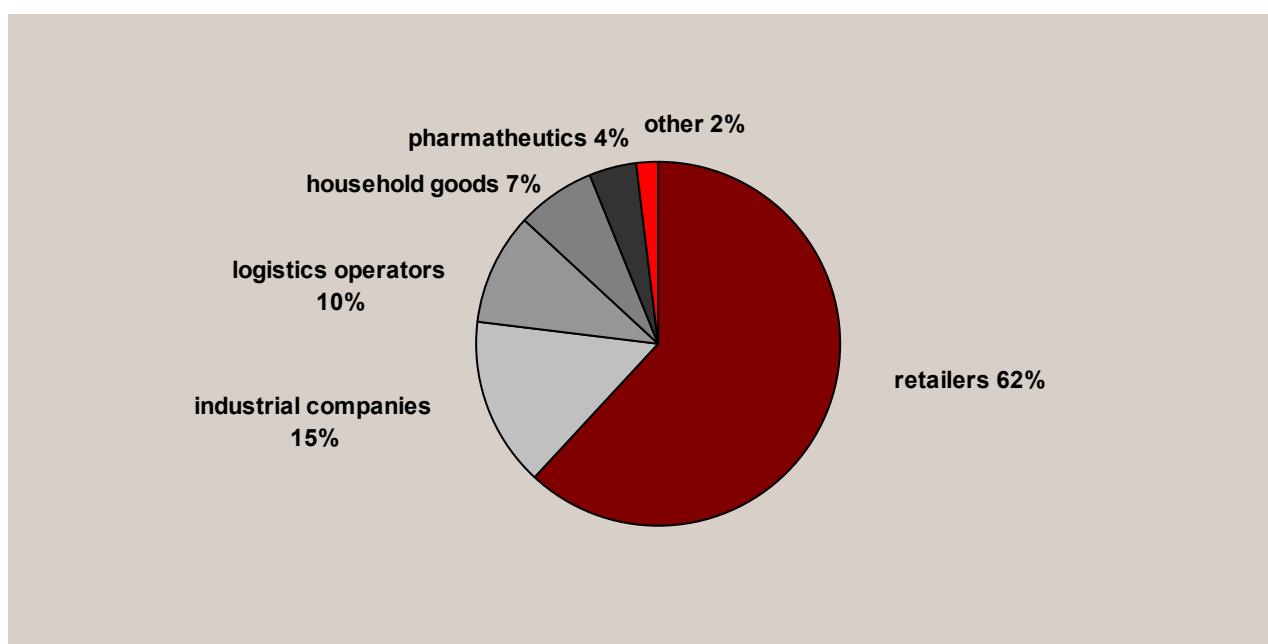
Source: ASTERA

DEMAND

The volume of lease and purchase agreements in warehouse segment in H1 2010 compared to the previous year increased. The total take-up of warehouse premises in 2010 made up about 280 th.sq.m. In the first half of the year a number of large deals were made, including leasing of more than 40 th.sq.m.

In 2010 among the warehouse tenants the retail operators dominate with 62% of the total leased area. As for the structure of demand according to leased area, during the first half of the year the majority of requests were made for area less than 5000 sq.m.

Tenant profile in warehouse segment, H1 2010



Source: ASTERA

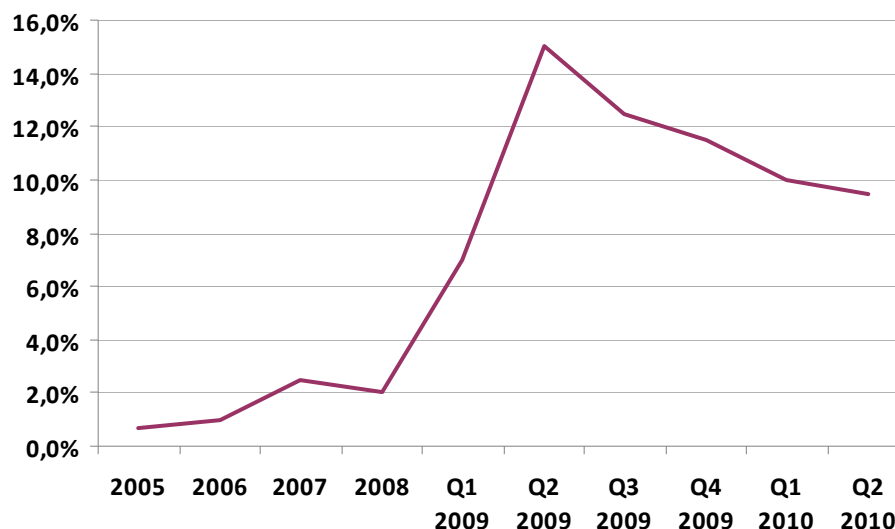
Table №3. Large lease deals in warehouse segment, H1 2010

Warehouse complex	Tenant	Area (sq.m)
Trilogy Park Tomilino	Auchan	21 872
Severnoye Domodedovo	Unix	20 500
PNK Chekhov	X5 Nedvizhimost	46 200
Severnoye Domodedovo	Premier Logistic	4 600
Vostochny	Central Division	15 700
Krekshino	SkladLogistic	25 780

Source: ASTERA

As for the vacancy level in the warehouse segment, in the first half of the year the average vacancy level was slightly decreasing, having reached 9,5% by the end of the second quarter. It must be highlighted that the vacancy rate in different projects can vary significantly. The largest volume of vacant area was observed in warehouse projects entered the market in 2009.

**Dynamics of average vacancy rate in warehouse segment,
2005-2010**



Source: ASTERA

RENTAL RATES

Since the second quarter of the previous year the rental rates for the warehouse premises located in the Moscow region haven't changed significantly. At the end of June 2010 the average rental rates for class A warehouses amounted to 100-105\$/sq.m/year (net of VAT and operating expenses). For class B premises the rental rates could be decreased to 80 - 90\$/sq.m/year, triple net. In 2010 slight increase of rental rates in some warehouse complexes was observed.

The rental rates for warehouses located within Moscow were higher than for the premises in Moscow region. Class A warehouses rental rates in Moscow were approximately 15-20% higher than in Moscow region, class B – 10-12%.

**Average rental rates for warehouse premises of class A and B¹,
\$/sq.m/year, Moscow region**



Source: ASTERA

¹ net of VAT and operating expenses

TRENDS:

- ✓ In the first half of 2010 the warehouse market indicators started improving. Nevertheless, the revival of the warehouse real estate market is slower than the other markets.
- ✓ The construction of some large warehouse complexes with initial delivery dates of 2010-2011 is delayed. The projects construction and construction of the further phases will be continued after the beginning of stable growth of demand for warehouse premises and reactivation of project financing on reasonable terms.
- ✓ In the first half of 2010 the rental rates were stable. According to the ASTERA specialists, rental rates for warehouse premises in Moscow region will stay at the same level in the second half of 2010 and will comprise 100-105\$/sq.m/year (net of VAT and operating expenses).
- ✓ In 2010 there it also took place: lease term reducing, return of deposits, flexible rental rates. Besides the landlords started providing additional services such as secure storage, buildout, etc.
- ✓ The number of requests for large premises was decreasing. The majority of requests in 2010 was made for warehouse premises of less than 5 th.sq.m.