

WAREHOUSE MARKET

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"In present conditions the shortage of space on the market has been leading to escalation of deferred demand. As a result, there might be an increase in the number of transactions for buying / selling land plots".

TOTAL VOLUME →

VACANCY ↘

RENTAL RATES ↗

SUMMARY

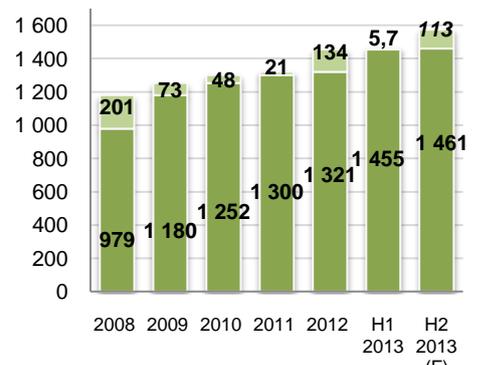
- █ The warehouse market experienced no deliveries in the second quarter of 2013. The total volume of the market totaled 1,460.7 thousand sq.m of GLA space by the end of the quarter.
- █ The market expects that circa 113 thousand sq.m of Class A space to be commissioned over the second half of 2013. The new supply in Class B to be absent. If all announced projects are realized on due time, the total volume will be grown at a rate of 7.8 per cent compared with the first half of 2013 totaling 1,573.7 thousand sq.m by the end of the year.
- █ The lack of vacant space in Classes A and B warehouses is persisting. No small and average space offered for lease in the market.
- █ Demand from potential tenants remains high. According to statistics of the inquiries received by ASTERA, mostly demanded were the premises ranging from 1,000 sq.m to 3,000 sq.m amounting to 58 per cent.
- █ The second quarter vacancy rate in high quality warehouse complexes had equaled in both A and B Classes measuring 0.8 per cent.
- █ The rental rates in high quality warehouse complexes in the second quarter increased by 4-8 per cent (in U.S. dollar terms) compared with the previous quarter.

Key indicators of St. Petersburg warehouse real estate market in the second quarter of 2013

Indicator	Class A	Class B
Leasable area in warehouse complexes (GLA), commissioned in the reporting period, sq.m	–	–
Vacancy rate, %	0.8%	0.8%
Average rental rate, USD/ sq.m per year, net of VAT, incl. Utilities and operating expenses	186	159
Triple net rental rate, USD/ sq.m per year	130	–

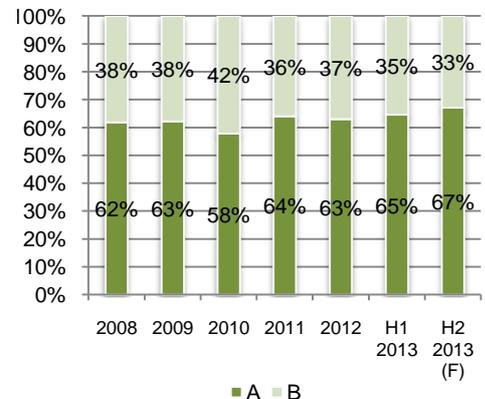
Source: ASTERA an alliance member of BNP Paribas Real Estate

High quality warehouse complexes GLA in dynamics



Source: ASTERA an alliance member of BNP Paribas Real Estate

Breakdown of high quality warehouse complexes by class, Q2 2013



Source: ASTERA an alliance member of BNP Paribas Real Estate

SUPPLY

Over the reporting quarter the warehouse real estate market experienced no deliveries. "Orion Logistic" complex had been announced for commission previously was put back until the next quarter.

As of the beginning of June 2013, the warehouse market measured 1,460.7 thousand sq.m of high quality leasable space.

Throughout the course of the second half of 2013, circa 113 thousand sq.m of Class A premises are to be commissioned, whereas no deliveries to take place in Class B. If all announced projects are realized on due time, the total volume will be grown at a rate of 7.8 per cent compared with the first half of the year totaling 1,573.7 thousand sq.m.

The warehouse complexes planned to be commissioned in the second half of 2013 are mainly concentrated in the south of St. Petersburg.

Some projects delivering in the second half of 2013

Name	Class	GBA, sq.m	GLA, sq.m	Opening date
"Osinovaya roscha", new warehouse complex 2nd phase	A	45,000	14,000	Q3 2013
"Orion Logistic", 2nd phase	A	16,000	13,000	Q3 2013
"Orion Logistic", 3rd phase	A	16,000	13,000	Q4 2013
"Nordway", 2nd phase	A	59,700	40,000	Q4 2013

DEMAND

The second quarter demonstrated that the existing leasing volume supply had failed to meet consistent demand from tenants. According to data of ASTERA, industrial companies and companies, which specialize in transportation and logistics, and trade (FMCG- and DIY-chains), mostly demanded storage facilities.

Analysis of inquiries received by ASTERA in the second quarter showed that tenant demand was most prevalent from 1,000 sq.m to 3,000 sq.m, accounting for 58 per cent of all second quarter volume. The smaller premises (22 per cent) ranging from 500 sq.m to 1,000 sq.m were highly requested as well.

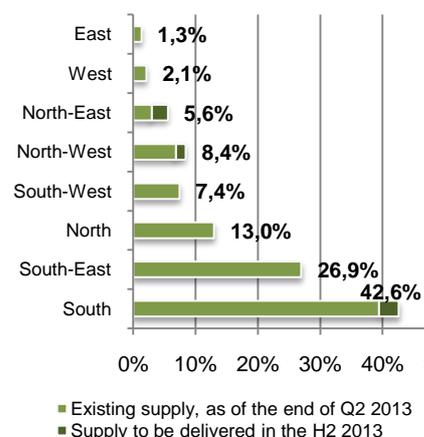
Major transactions in the warehouse real estate market in Q2 2013

Tenant	Specialty	Area, sq.m	Warehouse complex
Iron Mountain	IT services	5,300	"Osinovaya roscha"
RIF	Equipment facilities	3,400	"Interterminal Prologis"
ITAB	Equipment facilities	2,400	"Interterminal Parnas"

Source: ASTERA an alliance member of BNP Paribas Real Estate

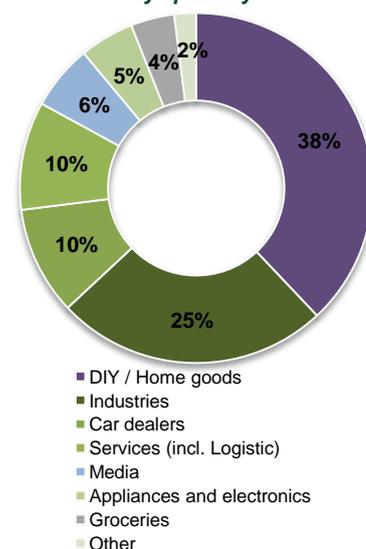
The growth rate of Russia's economy slowed in the first half of the year. According to many analysts' forecasts, the gross domestic product in 2013 will grow at a less than 3 per cent rate. Nonetheless, the demand in industrial segment of the economy had not been changed yet – the land plots were still needed for construction of both industrial enterprises and warehouse complexes. Taking into consideration the shortage of the land supply in St. Petersburg for these purposes, some districts of Leningrad Oblast located nearby the city could be viewed to satisfy strong demand on the market.

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



"Orion Logistic" complex

In the second quarter of 2013 a number of local and international initiatives were announced in St. Petersburg and Leningrad Oblast. For example,

- ✔ The industrial park “Cola” is expected to construct in Vsevolozhsk District. As of June 2013, the project was on the pre-project preparation stage.
- ✔ Company “Mann+Hummel” (a manufacturer of components for automotive industry) intends to place its enterprise in St. Petersburg or LO.
- ✔ It is planned to construct a factory for the German company “Schmitz Cargobull” in Lomonosov district.
- ✔ A joint Russian and Chinese project of an industrial park will be located in Gatchinsky District.

Industrial enterprises have been traditional consumers of warehouse premises. Allocating new factories in St. Petersburg and suburbs will lead to additional demand from industrial companies. In the opinion of ASTERA consultants, in order to meet the challenges of the present-day needs, the “built-to-suit” format will be being developed in upcoming period.

VACANCY AND COMMERCIAL TERMS

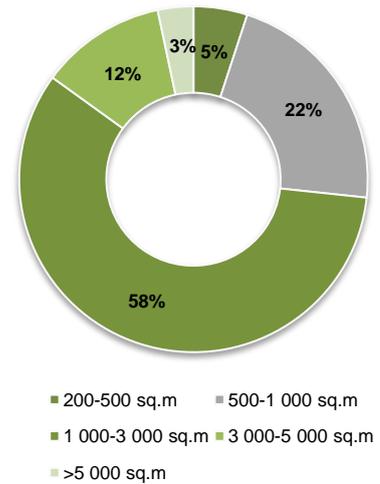
As of the end of the second quarter of 2013, the complete lack of vacant space in the high quality warehouses had led to dropping the vacancy rate for Classes A and B warehouses to near zero, measuring 0.8 percent in both classes. The net absorption was estimated to be 20 thousand sq.m during the reporting period.

By the end of the second quarter the rental rates had risen:

- ✔ The average rental rate of Class A supply measured 186 USD/sq.m per year, net of VAT, incl. utilities and operating expenses. The triple net rental rate was 130 USD/sq.m per year.
- ✔ The asking rental rate of Class B premises measured 159 USD/sq.m per year, net of VAT, incl. utilities and operating expenses.

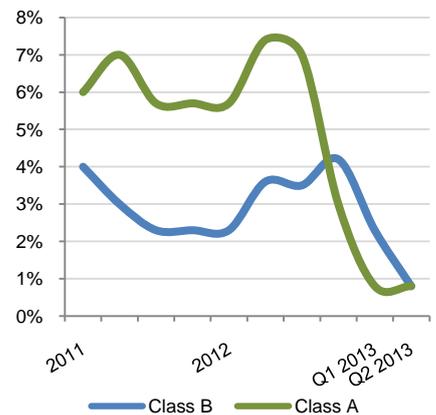
The absence of new supply in the reporting quarter along with consistently strong demand for high quality warehouse premises affected a tangible rise of rental rates which had grown 4-8%¹ up in US dollar terms.

Demand breakdown by requested space



Source: ASTERA an alliance member of BNP Paribas Real Estate

Vacancy rates dynamics in Classes A and B warehouses



Source: ASTERA an alliance member of BNP Paribas Real Estate

¹ The US dollar exchange rate had increased by nearly 1.8 roubles for the reporting period (+ 5,9 per cent).

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 Property Week.

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 clients' interests
- Property management
- Legal services
- Real estate projects promotion

A reputation of ASTERA is 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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