

WAREHOUSE MARKET

Vera Boikova

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



"The vacancy in warehouse complexes yet remains at a low level which affect rental rates to go up".

TOTAL AREA

VACANT AREA

RENTAL RATES

SUMMARY

- In the third quarter of 2013 two warehouse complexes were put in commission in St. Petersburg. Thus, the warehouses market increased by 27 thou. sq.m (+1.8%) totaling up to 1,487.7 thou. sq.m of high-quality premises as of the beginning of the next quarter.
- The market expects 88,7 thou. sq.m to be delivered in the last quarter of the year, and if this amount has fully achieved, then the annual growth rate for 2013 will measure 8.3% similar to that of 2012 in absolute figures.
- According to ASTERA research, the overall vacancy rate of Class A warehouses amounted to 2,09%, of Class B warehouses – 2,53% in the reporting period. Net absorption for the first three quarters of 2013 estimated at 54,8 thou. sq.m.
- In the third quarter of 2013 the highest demand for warehouse premises was drawn by industrial companies (35% of inquiries). Most demanded premises ranged between 1 000 and 3 000 sq. m.
- The rental rates grew by 3% and 6.4% in Class A and Class B warehouses respectively for the third quarter of 2013.

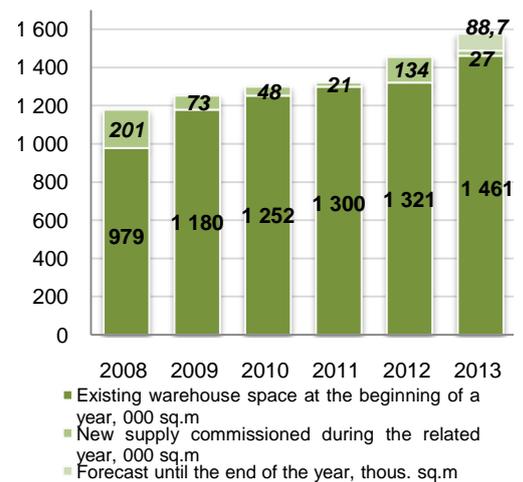
Key indicators of St. Petersburg warehouse real estate market in the third quarter of 2013

Indicator	Class A	Class B
Leasable area of warehouse centers (GLA), put in commission in the reporting period, sq.m.	27 000	–
Vacancy rate, %	2,09 %	2,53 %
Average rental rate, USD/ sq.m./ per year, net of VAT), including utilities and operating expenses (triple net)	134	120-125*

* estimated information

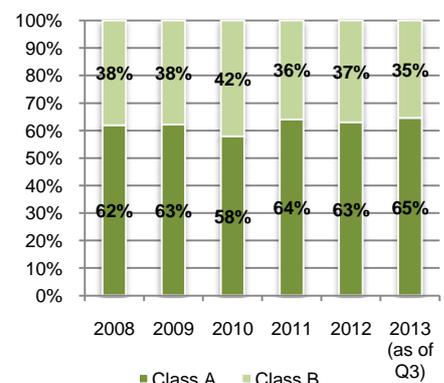
Source: ASTERA an alliance member of BNP Paribas Real Estate

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, Q3 2013



Source: ASTERA an alliance member of BNP Paribas Real Estate

SUPPLY

The plans of warehouse developers for the third quarter of 2013 were accomplished to the fullest.

During the reporting period in St. Petersburg two warehouse complexes were put in commission. Thus, the total stock increased by 27 thou. sq.m (+1.8%) totaling up to 1,487.7 thou. sq.m of high-quality premises as of the beginning of the next quarter.

The logistics park Osinovaya Roscha launched the new warehouse building (2nd phase) with the total GLA of 45,000 sq.m mostly intended for providing 3pl services (third party logistics, cross docking, cargo processing). The logistics operator designated for letting around 30% of the total area. Remarkably, the total volume of premises was leased out on preliminary agreements several months ahead of completion.

Projects delivered in the third quarter of 2013

Name	Class	GBA, sq.m.	GLA, sq.m.	Direction
Osinovaya Roscha, building # 2, 2nd phase	A	45 000	14 000	North-West
Orion Logistic, 2 nd phase	A	16 000	13 000	North-West

Source: ASTERA an alliance member of BNP Paribas Real Estate

In the next quarter of 2013, four warehouse complexes are planned for commissioning with the overall area of 88,700 sq.m. If the announced projects are fully delivered on due time, the warehouse market will total up 1,576.4 thou. sq.m, and the year-on-year growth rate will stand at 8.3%. In this regard, the overall volume of warehouse premises delivered in 2013 will be comparable to that of 2012.

Premises announced to be commissioned in Q4 2013

Name	Class	GBA, sq.m.	GLA, sq. m.	Direction
Orion Logistic, 3d phase	A	16,000	13,000	North-West
Ruslan, 2nd phase	A	28,000	9,500	South
Nordway, 2nd phase	A	59,700	40,000	South
STC, 2nd phase, building #3	B	28,500	26,200	North

Источник: ASTERA в альянсе с BNP Paribas Real Estate

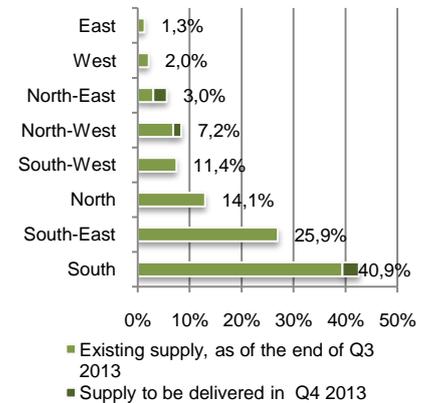
DEMAND

In the third quarter of 2013 demand for warehouse facilities remained at a high level. According to data of ASTERA, inquiries from industrial companies dominated over others, which percentage measured 35%. Non-food retailers also showed great interest in storage premises accounting for 28.3% of all inquiries.

Tenants mostly requested premises ranging from 1,000 to 3,000 sq.m, which percentage amounted to 43%. Moreover, the premises with less area (500-1,000 sq.m) were highly demanded as well, accounting for 26% of all inquiries.

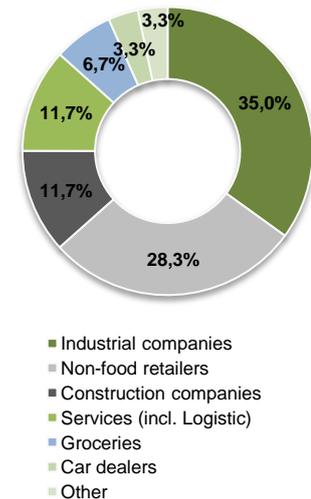
Despite the appearance of vacant spaces in high-quality warehouse facilities during summer period, final decisions regarding signing of lease agreements weren't taken by potential tenants due to internal reasons, which resulted in strengthening of postponed demand. However, in the opinion of ASTERA consultants, this level of demand will be satisfied by the beginning of the next quarter.

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



Industrial park Utkina Zavod

Major transactions in the warehouse real estate market in Q3 2013

Company	Specialization	Area, sq. m.	Object
MD-Service	Metal structures	25 000	"Utkina Zavod"
Autotrading	Transport	8 700	"PNK-Shushary 2"
DHL Express	Delivery Services	3 700	"Orion Logistics"

Source: ASTERA an alliance member of BNP Paribas Real Estate

The further development of "built-to-suit" projects contrasted with the lack of high-quality premises for lease has been going on and growing rental rates.

Such interest in this format from medium-sized enterprises (such as of industrial specialty) gives rise to demand for services provided by consulting and development companies regarding designing and construction of "built-to-suit" warehouse complexes.

VACANCY AND COMMERCIAL CONDITIONS

Conclusions of preliminary lease agreements in new warehouse complexes take place to a great extent due to high demand on the market. Hence, by the time of commission there is no vacancy in many of new constructions. In spite of a sufficient high volume of warehouse premises delivering to the market in the fourth quarter of 2013, ASTERA analysts do not expect that the market will come to saturation in the nearest future.

According to ASTERA research, as of the end of September 2013 the vacancy rates of Class A and Class B warehouses stood 2,09% and 2,5% respectively.

The net absorption amounted to 54,8 thou. sq.m over three quarters of 2013.

As of the end of the third quarter of 2013 the asking rental rates increased in comparison with the previous quarter. Thus, the average triple net rental rate measured

- in class A - 134 USD/sq.m/p.a.;
- in class B – 120-125* USD/sq.m/p.a.

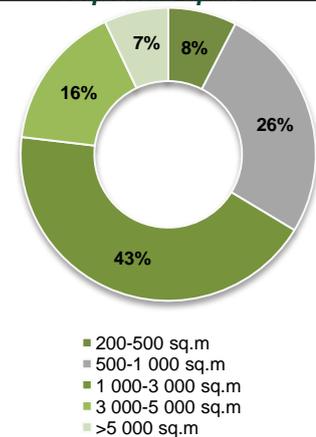
Preliminary lease agreements for Class A complexes under construction are being concluded at the rental rate 135-137 USD (triple net) for the year of 2014.

* Generally, triple net rates are not specified in Class B warehouses. To calculate them, the asking rents were cleared from VAT, utilities and operating expenses.

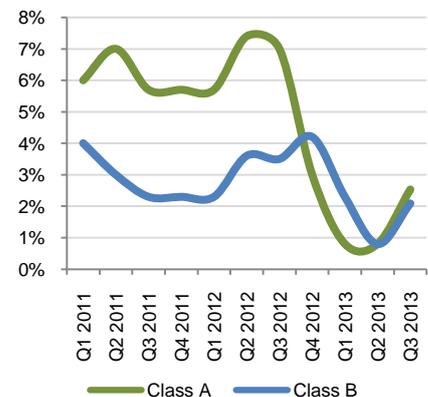
DEVELOPMENT PROSPECTIVES

High demand on high-quality industrial sites leads to active development of industrial parks (IP). There are 12 industrial parks in St. Petersburg and Leningrad oblast' that were completed or underway. Among the prominent projects to be delivered in the course of H2 2013 – H1 2014 is IP Marjino (2nd phase).

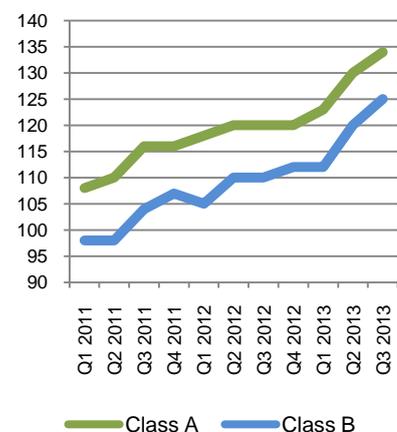
Utkina Zavod has to be one of the most successful projects in industrial park development. Due to good location, optimal balance of price and quality, as well as a variety of land plots available for choice, Utkina Zavod is highly demanded by end-users. For instance, in the third quarter of 2013 MD Service, a big Russian manufacturer of metal products and steel works, purchased 2,5 ha in the IP in order to build its own industrial facilities. The transaction was concluded with an assistance of ASTERA an alliance member of BNP Paribas Real Estate. Previously, ASTERA assisted Morskaya engineering company AQUA SERVICE to become a resident of Utkina Zavod in 2012.

Demand breakdown by requested space

Source: ASTERA an alliance member of BNP Paribas Real Estate

Vacancy in Classes A and B warehouses

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 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

Moscow Office

Tel.: +7(495) 925-00-05
Fax: +7(495) 981-05-65

St. Petersburg Office

Tel.: +7(812) 703-00-03
Fax: +7(812) 703-00-04

Kiev Office

Tel.: +380(44) 501-5010
Fax: +380(44) 501-5011

www.asteragroup.ru

marketingspb@asteragroup.com