



PROFESSIONAL  
REAL  
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SERVICES

Moscow  
2011

# MOSCOW WAREHOUSE REAL ESTATE MARKET REVIEW 2010



**BNP PARIBAS  
REAL ESTATE**

An alliance member of BNP Paribas Real Estate

## MAJOR INDICATORS OF MOSCOW WAREHOUSE REAL ESTATE MARKET

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

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

<b>Total stock of warehouse premises, end of 2010</b>	<b>6.09 mln.sq.m</b>
<b>Commissioned in 2010</b>	<b>370 th. sq.m</b>
<b>Growth of high quality warehouse premises in 2010</b>	<b>6.5%</b>
<b>Take-up in 2010</b>	<b>750 th. sq.m</b>
<b>Vacancy rate, end of 2010</b>	<b>7.5%</b>
<b>Rental rates</b>	
<b>Class A, \$/sq.m/year</b>	<b>105 - 110</b>
<b>Class B, \$/sq.m/year</b>	<b>80 - 90</b>

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.
- ✓ Raven Russia sold the warehouse complex Baltiya to Casebre Holdings Limited. The sum of the deal comprised \$42 mln.
- ✓ 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.
- ✓ Jaguar Cars Ltd. opened the warehouse of auto parts in the South-East of the Moscow region, on the 7<sup>th</sup> km of the MKAD between Ryazanskoye and Novoryazanskoye highways, in the territory of Tomilinsky Logistics complex.
- ✓ In July MR Group started construction of the industrial park Shmatovo in 70 km away from the MKAD in M4 highway, Don. The project is realized as a part of construction of the satellite city New Stupino.

## SUPPLY

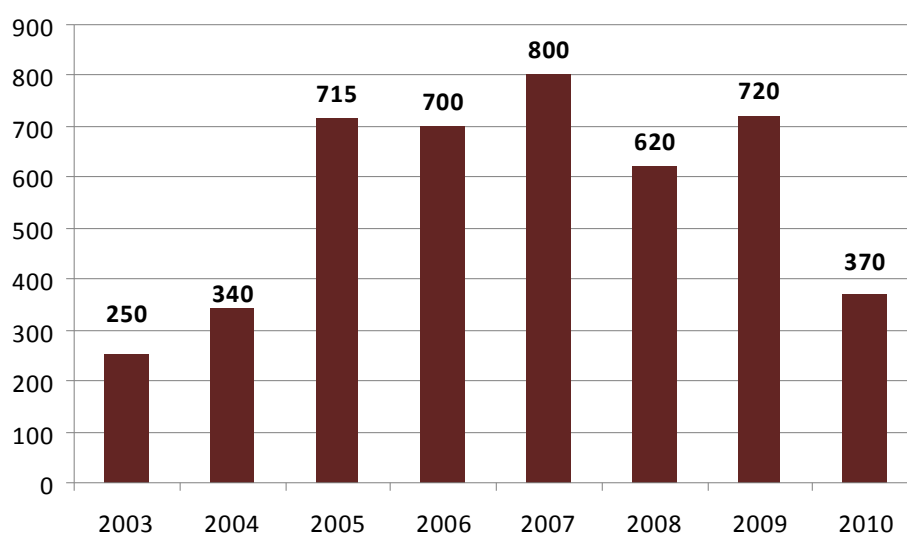
Total stock of warehouse premises in Moscow region at the end of 2010 amounted to 8.96 mln. sq.m. At the same time around 6.09 mln. sq.m or 68% of the total warehouse stock fell into the share of high-quality warehouse facilities of class A and B.

In 2010 about 370 th.sq.m of high-quality warehouse premises were put into operation, the majority of new construction – in the second half of the year. Mainly the projects that had been started before the crisis were put into operation in 2010.

Thus, compared to the previous years the construction volume was falling down. In 2010 it was commissioned warehouse area 49% less than in 2009.

Though in 2010 the warehouse real estate market was recovering, the consequences of the world financial crisis were still restricting the development of the commercial real estate market, including the warehouse segment. The construction of speculative warehouse complexes was restricted by the problems with attracting of the financing and by absence of positive dynamics in rental rates.

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



Source: ASTERA

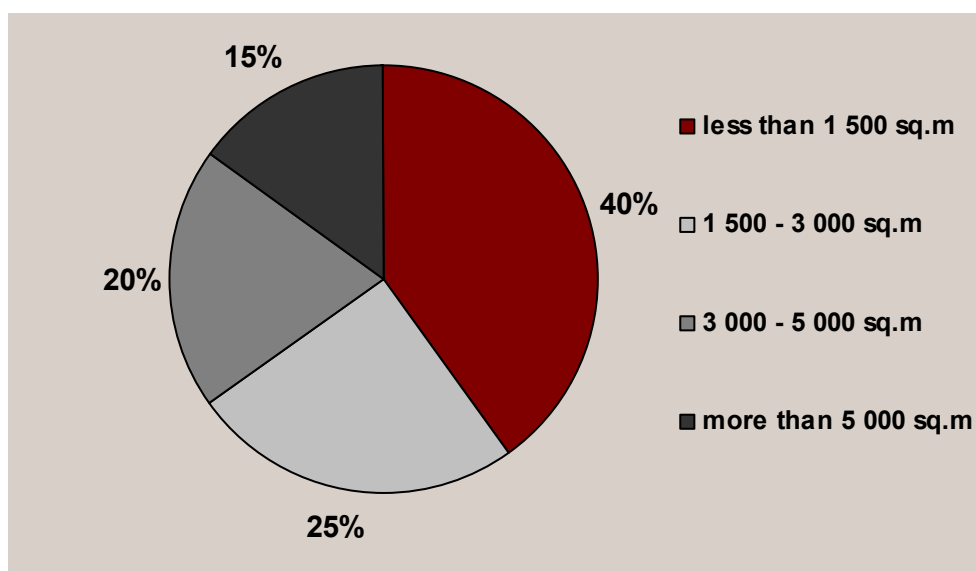
## DEMAND

In 2010 the warehouse tenants' activity in the Moscow region increased significantly compared to the previous year. The total warehouse take-up in 2010 made up about 750 th.sq.m. The maximum take-up level was observed in the fourth quarter of 2010.

The positive trend of the year 2010 became an increase of requests for large warehouse premises. Besides, a number of large-scale deals was made in 2010. Here, in the first quarter the largest lease deal of the year was concluded: X5 Nedvizhimost leased 46.2 th.sq.m in the warehouse complex PNK-Chekhov.

Nevertheless, the strongest demand was for warehouse premises of total area of less than 1500 sq.m. The majority of the requests made in 2010 was for such premises.

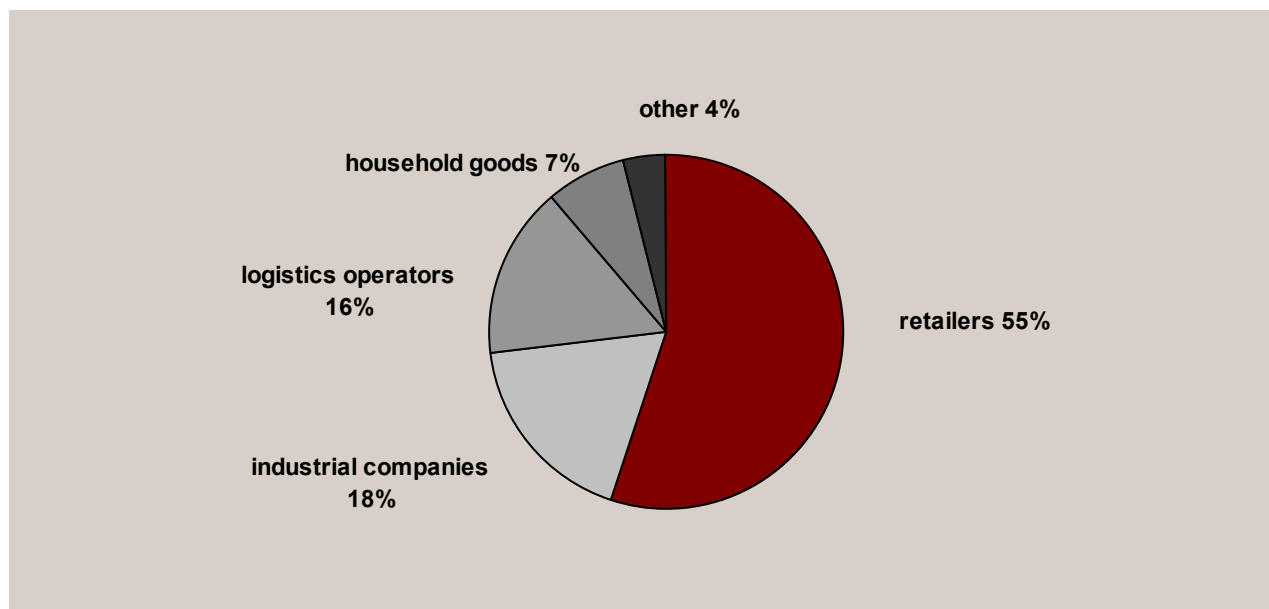
**Demand structure by requested area, 2010**



Source: ASTERA

In 2010 among the warehouse tenants the retail operators dominated with more than a half of the total leased area. It should be highlighted that the share of the logistic operators increased from 12% to 16% in 2010 compared to 2009.

**Tenant profile in warehouse segment, 2010**



Source: ASTERA

**Table №2. Large lease deals in warehouse segment, 2010**

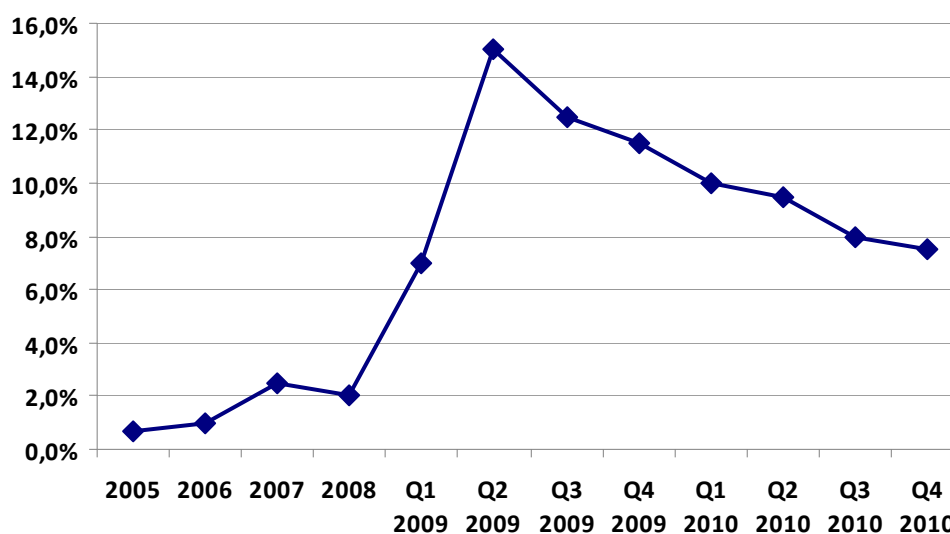
Warehouse complex	Tenant	Area, sq.m
PNK Chekhov	X5 Nedvizhimost	46 200
Agroterminal	Arkonada	32 400
Krekshino	SkladLogistic	25 780
Trilogy Park Tomilino	Auchan	21 872
Severnoye Domodedovo	Unix	20 500
Tomilino	General Motors	20 000
Vostochny	Central Division	15 700
Warehouse complex, Troitse-Likovo, class A	TNT Express	10 040

Source: ASTERA

As for the vacancy level in the warehouse segment, during the whole year 2010 the average vacancy level in the Moscow region warehouse complexes was decreasing. By the end of the first half of the year it had reached 9.5% and by the end of the year – 7.5%.

It must be highlighted that the vacancy rate in different projects could vary significantly. The largest volume of vacant area was observed in warehouse projects entered the market in crisis period.

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



Source: ASTERA

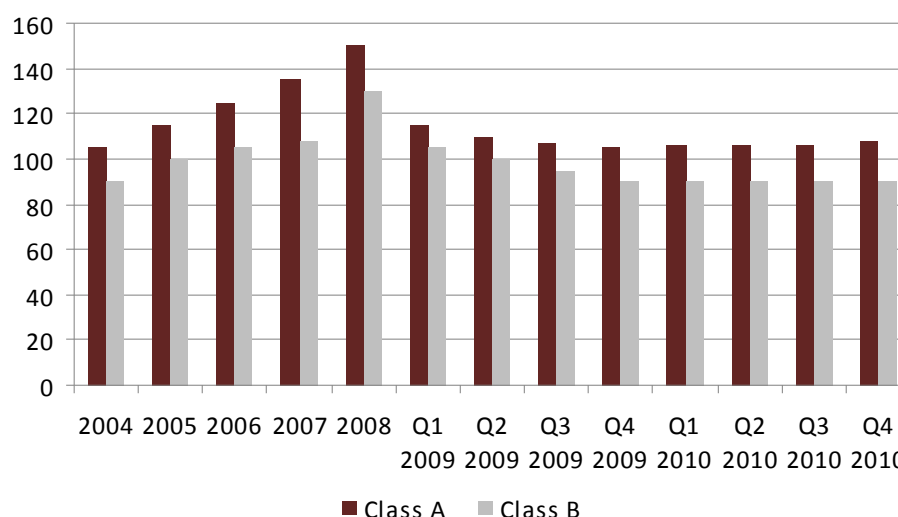
## RENTAL RATES

The average rental rates for warehouse premises of the Moscow region slightly increased in 2010, here the increase was rather small. Significant changes in warehouse rental rates haven't been observed since the second quarter of 2009. Nevertheless some landlords increased the declared rental rates for their complexes in 2010.

At the end of 2010 the average rental rates for class A warehouses amounted to 105-110\$/sq.m/year (net of VAT and operating expenses). For class B premises the rental rates could be 80 - 90\$/sq.m/year, triple net. For some small warehouse premises rental rates made up 120-125\$/sq.m/year in 2010 (net of VAT and operating expenses).

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 B<sup>1</sup>,  
\$/sq.m/year, Moscow region**



Source: ASTERA

<sup>1</sup> net of VAT and operating expenses

## TRENDS:

- ✓ In the year 2010 the warehouse market indicators were improving. In 2011 the further revival of the warehouse real estate market and rental rates growth are expected.
- ✓ In 2010 the rental rates were stable. However the maximum declared rental rates for high quality warehouse premises increased by 5-10%.
- ✓ In 2010 the new construction of the warehouse premises was represented by the further phases of the existing complexes. In the changed conditions the construction of the built-to-suit projects has become the most attractive.
- ✓ In the Moscow region the warehouse take-up of the year 2010 exceeded the indicator of the year 2009. On the whole in 2010 the demand for warehouse area was stable and quite high.
- ✓ As a result of a decreased volume of the new construction and increased take-up volumes, vacancy level in the warehouse complexes of the Moscow region was constantly decreasing in 2010.
- ✓ In 2010 developers didn't start constructing of new warehouse premises. The construction of some large warehouse complexes with initial delivery dates of 2010-2011 was still delayed. However in the second half of the year a number of developers declared their plans to start the construction of warehouse complexes as early as in 2011.
- ✓ As before in 2010 the majority of requests was made for warehouse premises of small area, less than 1500 sq.m.