



# Industrial Market

Substantial part of new supply came out in Q4 2013, when market increased by 76,800 m<sup>2</sup>. Thus, the total volume of industrial and warehouse space, including projects for end users is around 2 million m<sup>2</sup>.

Key industrial market indicators 2013	
Total stock	1.17 million m <sup>2</sup>
New supply	95.2 thousand m <sup>2</sup>
Net absorption*	70.7 thousand m <sup>2</sup>
Take-up	213 thousand m <sup>2</sup>
Vacancy rate	3.2%
Rental rate, Grade A	\$125-130/m <sup>2</sup> /year**
Rental rate, Grade B	\$100-120/m <sup>2</sup> /year**

\* The difference between the volume of occupied space from the end of 2012 to the end 2013

\*\* Net of VAT, OPEX and utilities.

There are six speculative warehouse complexes announced for completion by new and existing market players in 2014 with the total area around 250,000 m<sup>2</sup>. For example, Adamant Company, that previously had been focusing their activity on shopping centers and office buildings development, announced construction of the first phase of their large warehouse complex Armada Park, located on the south of St. Petersburg. The total area of the warehouse complex will be 75,000 m<sup>2</sup>. Existing warehouse complexes are also expected to expand through construction of new phases, including such projects as St. Petersburg terminal complex (developer – Invest-Bugry), Nordway Logistics Park (developer – BSV), Logopark Osinovaya Roscha (developer – Sterkh Corporation). The interest of non-core developers towards the industrial market of St. Petersburg and Leningrad Region is gradually growing.

## Supply

In 2013 new speculative supply has added 95,200 m<sup>2</sup> to the total warehouse stock. By the year-end the total speculative supply of industrial and warehouse space (leased and offered for lease) in St. Petersburg reached 1,169,100 m<sup>2</sup>.

Industrial and warehouse complexes completed in 2013 in St. Petersburg			
Name	Developer	Total area, m <sup>2</sup>	Leasable area, m <sup>2</sup>
Logopark Osinovaya Roscha (Phase II)	Sterkh Corporation	42,200	18,400*
Nordway Logistics Park (Phase II)	BSV (Hanner / Girteka)	39,800	36,600
Orion Logistics (Phase II and III)	Orion	51,200	40,200
<b>Total</b>		<b>133,200</b>	<b>95,200</b>

\* Volume of leasable area, excluding 3PL services

Source: Colliers International

## Demand

The total volume of leased and sold warehouse space in 2013 amounted to over 210,000 m<sup>2</sup>. This is a record transaction volume in the past few years. For comparison, the total deal volume in 2012 was around 112,000 m<sup>2</sup>.

Since vacancy rate in completed warehouse complexes remains low, the major share of lease transactions (more than 70% of the total volume) last year was signed in projects being under construction.

Retail and distribution companies continue to constitute the major part of tenants for quality warehouse space – 53% of all lease transactions were closed with retail and distribution companies. Production companies significantly increased their presence on the market in 2013 increasing share in the transaction volume from 3% to 27%. Share of logistics operators was around 19%.

In terms of leasing deals size, both small and large premises were in demand throughout the year. The share of leasing deals for space of less than 5,000 m<sup>2</sup> reached 45% from the total number of deals. These deals were closed mainly in Grade B warehouses, and in Grade A warehouses, when existing tenant left the property. Warehouse and industrial premises of more than 10,000 m<sup>2</sup> were usually leased at the construction stage of the project, as long as volume of vacant space in existing properties couldn't meet growing demand.

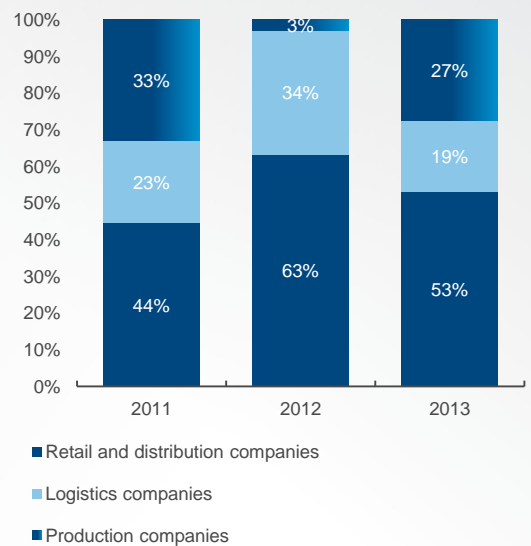
By the year end vacancy rate was 3.2% or 37,800 m<sup>2</sup>. Increase of vacant space in Q4 was due to completion of new projects. For comparison, the volume of vacant space in Q3 2013 reached historic minimum – 0 m<sup>2</sup> in operating warehouses.

## Total stock and completions dynamics



Source: Colliers International

## Transactions by tenant type



Source: Colliers International

## Rental rates

Imbalance of supply and demand in the market has led to rental rates increase in the middle of 2013. Recent leasing deals in almost ready Grade A properties were closed at the range of \$125–130/m<sup>2</sup>/year (net of VAT, operating expenses and utilities).

Local developers prefer to use the lease calculating methodology ‘all inclusive’ with the rents calculated in Roubles. Foreign and federal developers continue to work with rates denominated in US Dollars or Euros under the ‘triple net’ scheme.

Lease agreements for complexes under construction are signed considering average market indexation of 3.5–5% for rates denominated in US Dollars or Euros and 7–10% for rates denominated in Roubles.

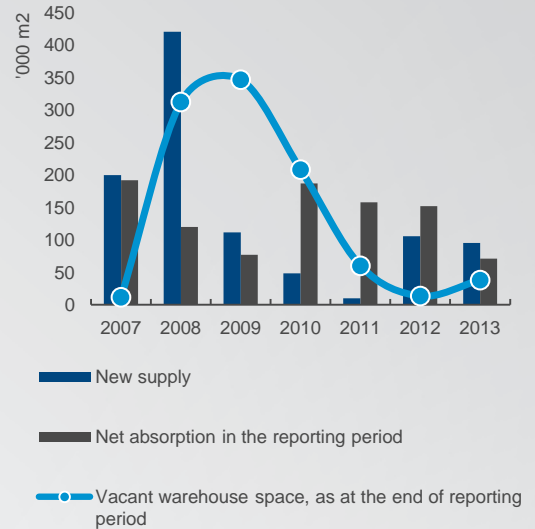
## Trends and forecasts

In 2014 we expect the activity in the warehouse market to stay at the same level both from demand and supply sides. Given the fact that new projects enter the market being partially leased out, a significant increase in share of vacant space is not expected. However, temporary growth of this indicator at the moment of market expansion is possible.

Competition between new warehouse projects will result in rental rates keeping the current level.

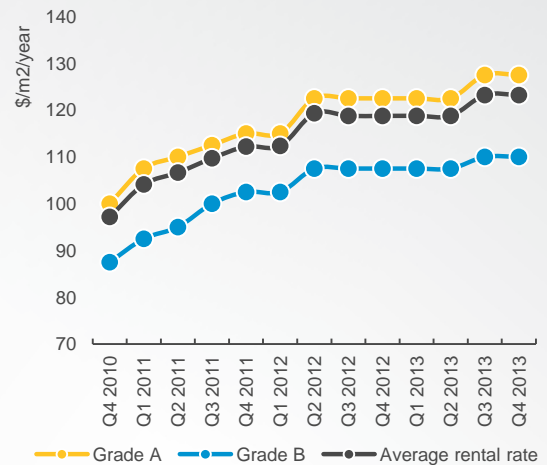
Relevance of built-to-suit projects will grow both from clients and developers focused on the project implementation for the specific tenant/customer of industrial or warehouse complex.

## Vacancy and net absorption



Source: Colliers International

## Rental rates dynamics



Source: Colliers International

### Industrial and warehouse complexes scheduled for completion in 2014

No	Property	Location	Grade	Total area, m <sup>2</sup>	Leasable area, m <sup>2</sup>	Investor/Developer
1	Armada Park	St. Petersburg, Shushary industrial zone	A	75,000	69,700	Adamant
2	A Plus Pushkin	St. Petersburg, Pushkinskiy district	B	40,080	37,000	A Plus Development
3	Logistic Park Troitskiy	St. Petersburg, Obukhovskoy Oborony Pr. / KAD	A	43,300	36,940	Resolute Asset Management LLP
4	St. Petersburg terminal complex (Phase II, bldg 3)	Leningrad region, Vsevolozhsky district, Bugrovskaya volost, Olgino Site 27	A	27,000	26,000	Invest-Bugry
5	Industrial Park Ladoga (Phase I)	Vsevolozhsk	A	6,500	6,200	Agrotrade
6	Nordway Logistics Park (Phase III)	St. Petersburg, Shushary industrial zone, Passage No. 6 / Main Line No. 1 / Yuzhnaya st.	A	19,900	17,500	BSV (Hanner / Girteka)
7	Logopark Osinovaya Roscha (Phase III)	St. Petersburg, Pargolovo, Gorskoye hwy. 6	A	54,000	50,400	Sterkh Corporation
	<b>Total</b>			<b>265,780</b>	<b>243,740</b>	

Source: Colliers International

### Major lease transactions on St. Petersburg industrial market in 2013

No	Property	Tenant/Buyer	Total leased area, m <sup>2</sup>
1	PNK	Verniy	43,000
2	St. Petersburg terminal complex	Logistics company	27,000
3	Nordway Logistics Park	Retail chain	20,200
4	Logopark Osinovaya Roscha	Retail chain	13,800
5	Orion Logistics	Automotive manufacturing	12,000
6	PNK Shushary-2	Autotrading	8,700
7	Gorigo	Confidential (FMCG retail)	8,600
8	Logopark Osinovaya Roscha	Iron Mountain	5,300

Source: Colliers International