



# Industrial Market

Key industrial market indicators, H1 2014	
Total stock	1.2 million m <sup>2</sup>
New supply	26,000 m <sup>2</sup>
Take-up	97,000 m <sup>2</sup>
Vacancy rate	4.2%
Rental rate, Grade A	\$125–130/m <sup>2</sup> /year*
Rental rate, Grade B	\$100–120/m <sup>2</sup> /year*

\* Net of VAT, OPEX and utilities

A significant share of the construction pipeline is concentrated in the South of St. Petersburg – the Shushary industrial zone, Moskovskoye highway, Gorelovo and Rybatskoye. These are also the leaders in terms of existing speculative supply, with 44% of the total volume. Other actively-developed areas are Utkina Zavod and the north-east of the city (Parnas, Bugry, Pargolovo), with 16% and 13% shares of existing speculative industrial and warehouse space respectively.

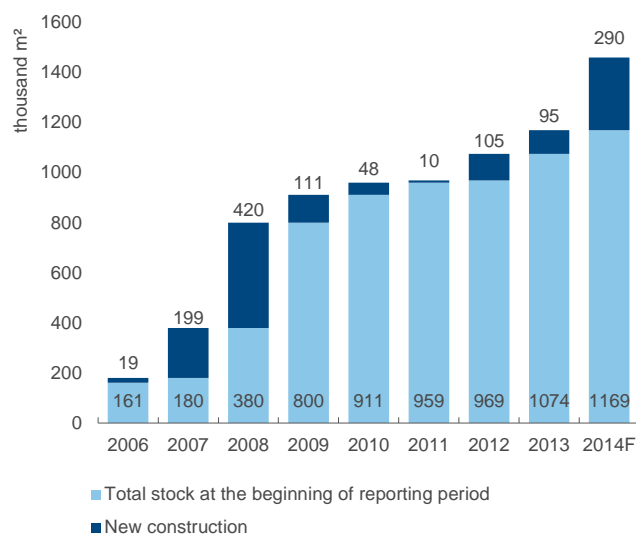
Additional supply is being created by the sub-leasing of warehouse space. Some existing tenants of large warehouse units are optimising their space and offering it to other companies. The average size of such units offered for sub-lease is 1,000–2,000 m<sup>2</sup>.

## Supply

At the end of H1 2014, the total speculative supply of warehouse stock in St. Petersburg amounted to 1.2 million m<sup>2</sup>. At the beginning of 2014, the new Admiral-Gorelovo warehouse complex totalling 26,000 m<sup>2</sup> was opened. The total market volume, including projects for owner-occupiers, reached approximately 2 million m<sup>2</sup>.

The majority of new speculative supply scheduled for completion this year is due in the second half of the year. This includes Armada Park (the first phase having a total area of 76,000 m<sup>2</sup>), the third phase of Logopark Osinovaya Roscha (Sterkh Corporation), the A Plus Pushkin industrial complex, and third phase of Logistic Park Troitskiy. Additionally, the new projects AKM Shushary and Octavian were announced this year. These warehouse complexes are expected to be completed in 2015.

## Total stock and completions dynamics



Source: Colliers International

## Demand

The total volume of warehouse space leased in January–June 2014 in terms of net take-up reached 97,000 m<sup>2</sup>. Approximately 60% of this space was leased in warehouse complexes, that are currently under construction. Retail chains remain the key driver of demand — their share of the total volume of deals in H1 2014 amounts to 70%. Logistic companies accounted for around 13% of the market during the same period. At the end of H1 2014, the vacancy rate was 4.2%, compared with 3.2% at the beginning of 2014. We expect to see growth in the amount of available space on the market towards the end of this year, given the volume of new speculative supply announced for completion in Q3–Q4.

## Rents

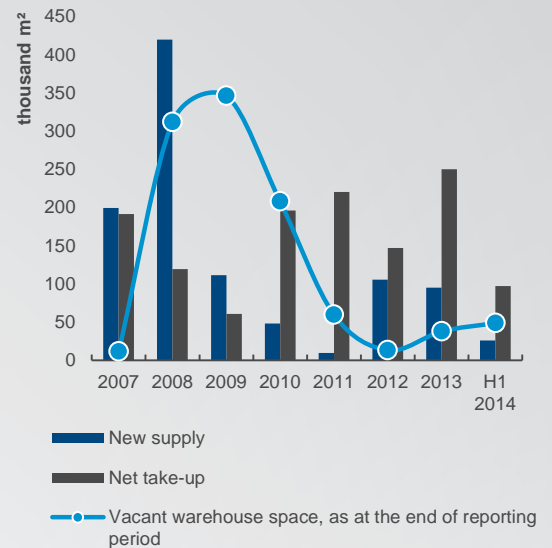
Strong competition in the warehouse market has resulted in a rental correction. By the end of H1 2014, rents for quality warehouse complexes returned to the level as at the end of 2013, thus \$125–130/m<sup>2</sup>/year (net of VAT, operating expenses and utilities). A market development has been that a number of developers have started offering long-term lease agreements denominated in roubles.

Rental indexation has remained at the level of 3–4% for lease agreements denominated in US dollars or euros, and 6–8% for rouble-denominated contracts. Lease agreements for complexes under construction are signed using an average market indexation.

## Trends and forecasts

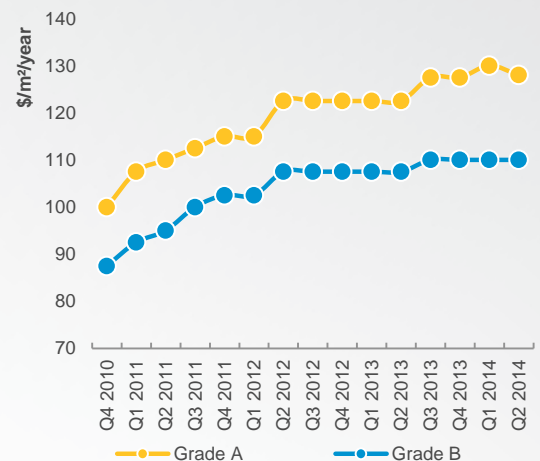
The demand for built-to-suit projects is rising. Some customers favor the acquisition of warehouse space after completion, while other interested companies prefer to sign long-term lease agreements in warehouses built according to their requirements. The total volume of demand for built-to-suit warehouse property is currently estimated at 200,000m<sup>2</sup>. We expect this figure to rise further.

## Vacancy and take-up



Source: Colliers International

## Rental rates dynamics



Source: Colliers International

## Industrial and warehouse complexes scheduled for completion in 2014

PROPERTY	LOCATION	GRADE	TOTAL AREA, M <sup>2</sup>	LEASABLE AREA, M <sup>2</sup>	INVESTOR/DEVELOPER
Armada Park	St. Petersburg, Shushary industrial zone	A	76,340	70,500	Adamant
Logopark Osinovaya Roscha	St. Petersburg, Pargolovo, Gorskoye hwy., 6	A	54,000	50,400	Sterkh Corporation
A Plus Pushkin	St. Petersburg, Pushkinskiy district	B	40,080	37,000	A Plus Development
Logistic Park Troitskiy	St. Petersburg, Obukhovskoy Oborony Pr. / KAD	A	43,300	36,940	Resolute Asset Management LLP
St. Petersburg terminal complex (Phase II, bldg 3)	Leningrad region, Vsevolzhskiy district, Bugrovskaya volost	A	27,000	26,000	Invest-Bugry
PNK-KAD	St. Petersburg, Petro-Slavyanka	A	24,000	19,160	PNK Group
Nordway Logistics Park (Phase III)	St. Petersburg, Shushary industrial zone, Passage No. 6 / Main Line No. 1 / Yuzhnaya Str.	A	19,900	17,500	BSV (Hanner / Girteka)
Industrial Park Ladoga (Phase I)	Vsevolzhsk	A	6,500	6,200	Agrotrade
<b>Total</b>			<b>291,120</b>	<b>263,700</b>	