



Colliers

Accelerating success.

St. Petersburg | H1 2021

Warehouse market

Table 1
Key market indicators

Source: Colliers

	H1 2019	H1 2020	H1 2021
Total stock, million sq m	3.0	3.1	3.5
Completions, thousand sq m	74	24	47
Volume of deals, thousand sq m	161	171	167
Vacancy rate, %	3.8	2.9	0.3
Average asking rental rate, RUB/sq m/year*			
Class A	4,360	4,450	4,600
Class B	3,490	3,700	3,800

* Rental rates do not include OPEX and VAT.

Supply

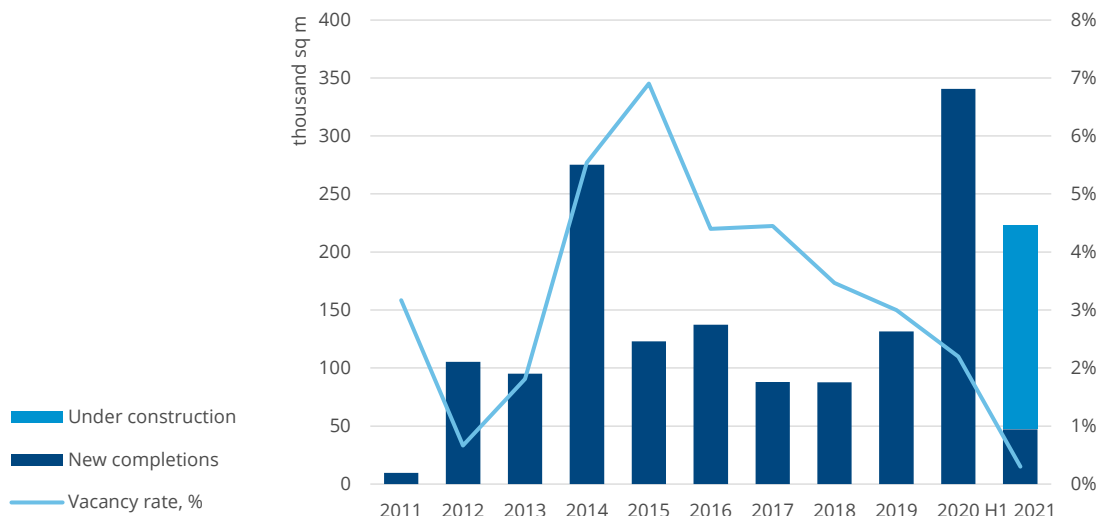
At the end of H1 2021, three warehouse properties with a total area of more than 47,000 sq m were put into operation:

- a distribution centre of international retail chain Fix Price (35,600 sq m) by PNK Group in PNK Park Shushary-3.
- a production and warehouse complex of the Russian manufacturer of diaries and office accessories Adjutant (7,500 sq m) in the Gorelovo industrial zone.
- two warehouses (totaling 4,000 sq m) by Sirius in Frunzensky District.

The unstable economic situation and the rise in the cost of labor and materials for construction have led to the postponement of several almost completed properties to 2022. Nevertheless, by the end of the year, the volume of supply will increase by 200,000 sq m, but this will not affect the level of vacancy. Speculative space planned for commissioning has already been more than 50% pre-let. For example, Rusich Shushary will be occupied by the company Exclusive, and the new phase of Octavian will be occupied by the retailer Galamart.

Chart 1
Commissioning, new construction and vacancy rate (%),

Source: Colliers



Demand

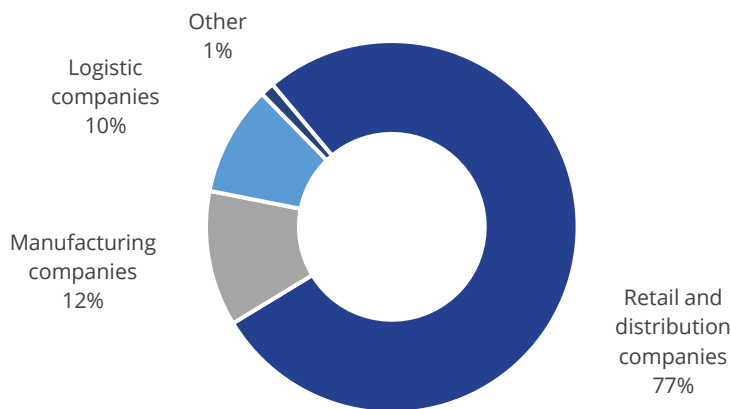
The take-up volume at the end of H1 2021 was comparable to same period in 2020 and amounted to 167,000 sq m. The limiting factor for the growth in the transaction volume is the lack of supply in the market against the background of stable demand.

The dominant share of demand fell on retail and distribution companies (77%), and the dynamically growing segment of e-commerce (Yandex.Market, Ozon, Wildberries and others). Companies of this profile are interested both in the lease of large blocks and in the construction of distribution centres with of more than 50,000 sq m throughout Russia, including St. Petersburg.

The largest deals in the warehouse segment since the beginning of 2021 have been the lease of space in the new phase of Octavian, which is currently under construction, by the federal retail chain Galamart (15,800 sq m), and the lease of space in several warehouse complexes (Osinovaya Roshcha, Terra Logistics and Troitskiy) by a federal online retailer (31,700 sq m).

Chart 2
Distribution of take-up in high-quality
warehouses by tenant/buyer profile

Source: Colliers



Vacancy level and rental rates

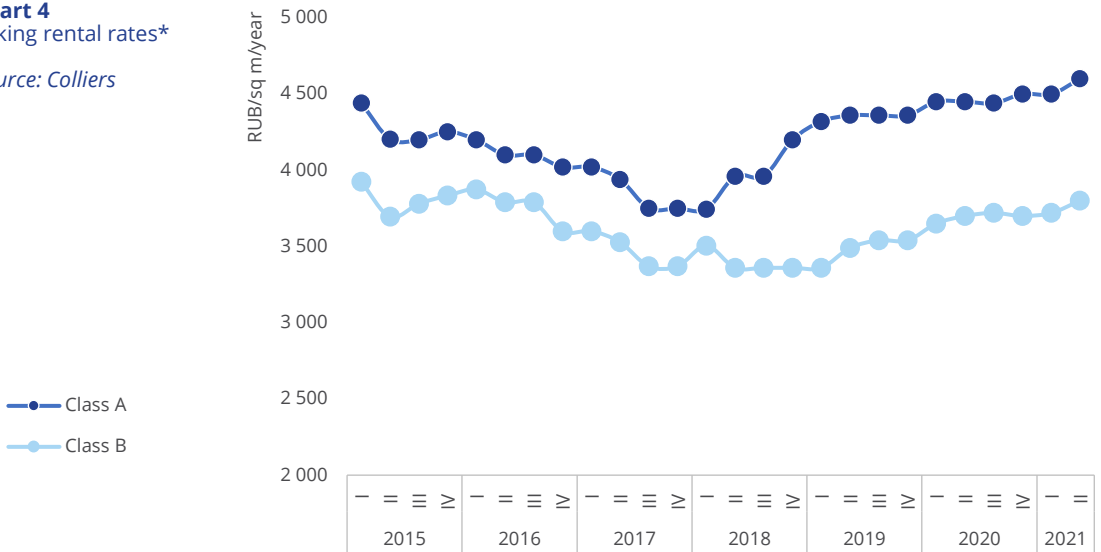
At the end of June 2021, the vacancy rate in the warehouse market of St. Petersburg reached a record 0.3% of the market volume.

The level of demand remains high, and units vacated by tenants that are leaving or optimizing occupied space are not reentering the open-list market – they are absorbed by other companies.

An additional volume of free supply comes from ‘hidden vacancy’ – units that are vacated by a company that returns part of the space to the warehouse owners. The level of ‘hidden vacancy’ in St. Petersburg is also extremely low and amounts to less than 3.5% of the market volume.

Chart 4
Asking rental rates*

Source: Colliers



*Rental rates do not include OPEX and VAT.
The median values of OPEX for high-quality warehouses of Classes A and B are 950–1,350 RUB/sq m/year.



In the second half of 2021, asking rental rates may increase by another 3-5% against the actual absence of vacant supply.

From June 2020 to June 2021, the average asking rental rates in Class A increased by 3% reaching 4,600 RUB/sq m/year*.

At the same time, in Class A complexes, which are distinguished by high equipment and technical characteristics and located in the most popular locations, the requested rate can reach 4,800–5,000 RUB/sq m/year*.

In Class B, the average asking rental rates increased by 4% over the last twelve months to 3,800 RUB/sq m/year*.

At the same time, the requested rate for projects located within the city or near the ring road, can be close to the rates of Class A – 4,000–4,200 RUB/sq m/year*.



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The main market trends

Given the growing cost of construction, developers are more interested in creating built-to-suit projects than in building speculative industrial and warehouse schemes. Built-to-suit projects meet the specific requirements of future tenants and at the same time guarantee the investor a stable cash-flow.

In the future, developers will focus on the creation of built-to-suit projects or speculative warehouses with pre-let contracts with anchor tenants.

Since the beginning of 2021, more than 37 hectares have been sold in St. Petersburg dedicated for construction of industrial and warehouse facilities. There are examples of self-construction projects, which allow companies to reduce costs compared to the built-to-suit model.

FOR MORE INFORMATION

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