



Supply

Since the beginning of 2015, the St. Petersburg warehouse market has increased by 71,000 m², thus, reaching 2.53 million m² of quality space. In Q3 2015, one industrial complex totaling 11,900 m² of leasable warehouse space was commissioned. New object is located in the north-east part of the city on Kushelevskaya road. Total speculative supply accounted for 43% of the new stock delivered in 2015. Up to the end of the year, the market will add 110-120,000 m² more. However, the majority of this new supply will constitute built-to-suit projects, while new speculative supply will remain limited.

In terms of geographical distribution, the majority of existing warehouses are still concentrated in the southern part of St. Petersburg, mainly in the Shushary industrial zone, which accounts for 34% of existing quality supply. New small projects are appearing in the Krasnogvardeyskiy and Kalininskiy districts of St. Petersburg, and in the Vsevolozhskiy district of the Leningrad Region, nearby the city. New projects are offered both as storage and for locating small-scale production (under 5,000 m²).

Completions in Q1-Q3 2015			
Name	Address	Grade	Total area, m ²
PNK Logopark_KAD, Phase II	St. Petersburg, Petro-Slavyanka	A	24,000
Beelogistic, Phase II	St. Petersburg, Shushary	A	17,000
Minimaks	St. Petersburg, Gorelovo	B	22,750
Kushelevskaya rd.	St. Petersburg, Kushelevskaya road	B	20,900
Total			84,650

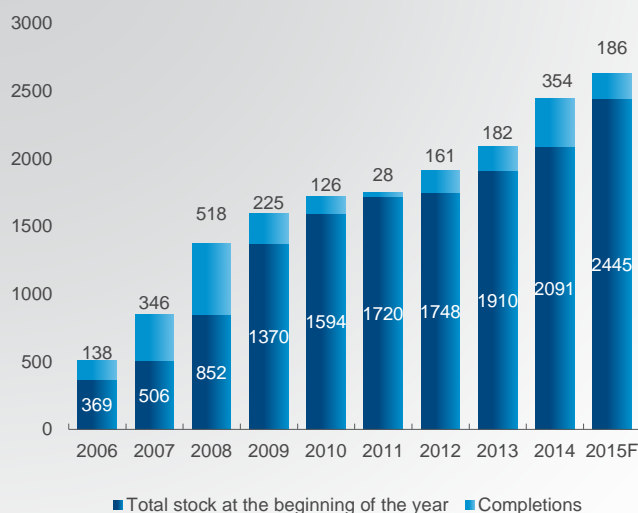
Key market figures

INDEX	Q3 2014	Q3 2015
Total stock, million m ²	2.24	2.53
Completions, Q1-Q3, thousand m ²	152	70.8 ↓
Take-up, Q1-Q3, thousand m ²	230	164 ↓
Vacancy rate, %	8.3	5.7 ↓
Average rental rate, m ² /year*	\$120	RUB4,200 ↓

* - Here and below, rental rates are given excluding VAT, OPEX and utilities.

Source: Colliers International

Total stock and completions, thousand m²



Source: Colliers International

Demand

In Q3 2015, the volume of deals closed in existing premises and as built-to-suit deals reached over 70,000 m². Thus, the total volume of leased space since the beginning of the year is 164,000 m², which is lower than the figure for Q1-Q3 2014 (230,000 m²), but comparable with that observed in 2013. Among the largest deals in Q3 2015 are the leasing deal closed by O'Key in PNK Logopark-KAD warehouse complex (24,000 m²) and the deal completed by Josef Gartner (production of custom-made facades), which leased 18,000 m² in the Orion industrial complex for a production site. Throughout Q3 2015, a number of smaller deals between 1,000 m² and 5,000 m² were also signed by manufacturing companies. The increasing activity of manufacturing companies in the local market has led to a shift in demand and a decreasing share of retail companies in total demand from 67% registered at the end of 2014 to the current level of 60%.

By the end of Q3 2015, the average market vacancy rate reached 5.7% vs. 6.9% observed in Q2 2015. However, additional available space is appearing via subleasing. According to our estimates, besides direct offers from landlords, at least 20,000 m² of quality warehouse space is being offered for lease from large tenants who are optimising their space.

According to the results from Q3 2015, average asking rents have not changed significantly; however, in some properties a discount of 5-7% can be achieved in negotiations between potential tenants and landlords.

Trends and prognosis

The demand for land plots for industrial construction remains at a low level. At the same time, manufacturing companies are actively looking for ready sites for their production. New speculative warehouses are not being built in the current market conditions. In the short-term perspective this might lead to a lack of new supply in the market.

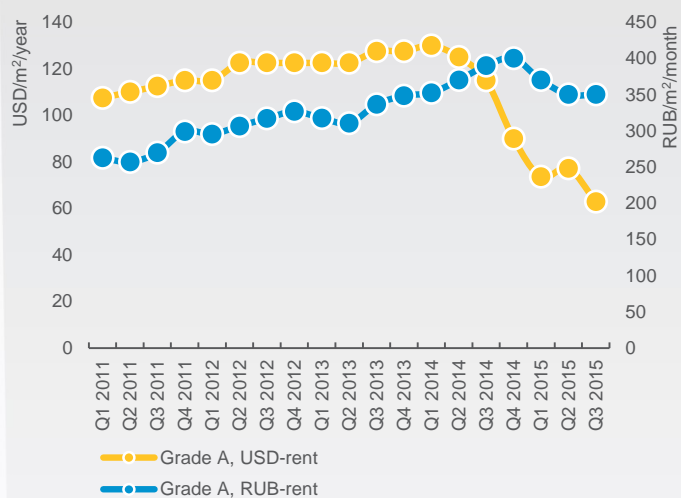
Despite the fact that many retail chains have revised their needs for warehouse space during this year and last year, the market is still observing a persistent interest towards the lease of warehouse space both from remaining retailers and logistic companies as well.

Vacancy rate, speculative completions and take-up, thousand m²



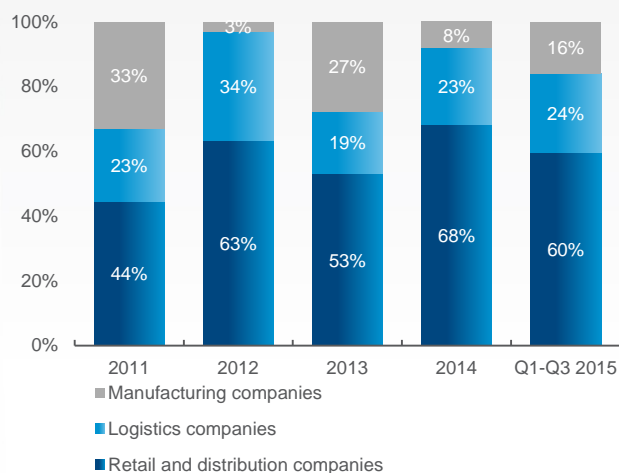
Source: Colliers International

Rental rates dynamics



Source: Colliers International

Demand distribution by tenant/buyer type, m²



Source: Colliers International

502 offices in 67 countries on 6 continents

United States: **140**

Canada: **31**

Latin America: **24**

Asia Pacific: **199**

EMEA: **108**

\$2.3

billion in
annual revenue

158

billion square meters
under management

16,300

professionals and staff

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