

# ST. PETERSBURG OFFICE MARKET Q1 2017

## Key market indicators



Total stock – **2.77 million sq m**

Class A – 1.07 million sq m

Class B – 1.70 million sq m



Vacancy rate – **9%**

Class A – 7.8%, class B – 9.7%



Completions – **21.3 thousand sq m**



Weighted average rental rates, Class A,

RUB/sq m/month\* – **1,371**



Net absorption – **20 thousand sq m**



Weighted average rental rates, Class B,

RUB/sq m/month\* – **980**

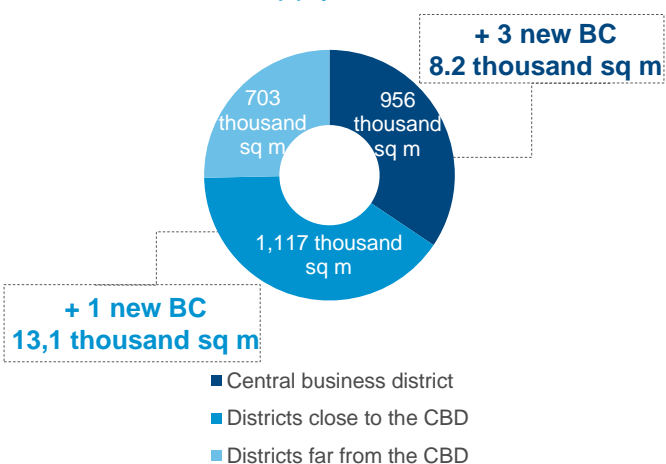
\* Hereinafter rates include OPEX and exclude VAT.

## Supply

The amount of new office buildings put into operation in Q1 2017 had only a slight effect on the total volume of quality office supply on the St. Petersburg market. During the current year, the declining trend in the volume of new speculative office buildings put into operation will remain. At the end of 2017, the proportion of new buildings in the total volume of new supply will amount to 53%. In addition, some buildings under construction already have signed agreements for office rental.

Some office buildings are currently being partially renovated, while continuing regular operation. In this way, by investing less money compared to new construction, owners gain the opportunity to increase rental flows due to the increase in the quality of premises. And as for future tenants, it is an opportunity to rent newly renovated premises in attractive locations.

Increase in new supply in Q1 2017 – 1%.



Source: Colliers International

Completions are decreasing.



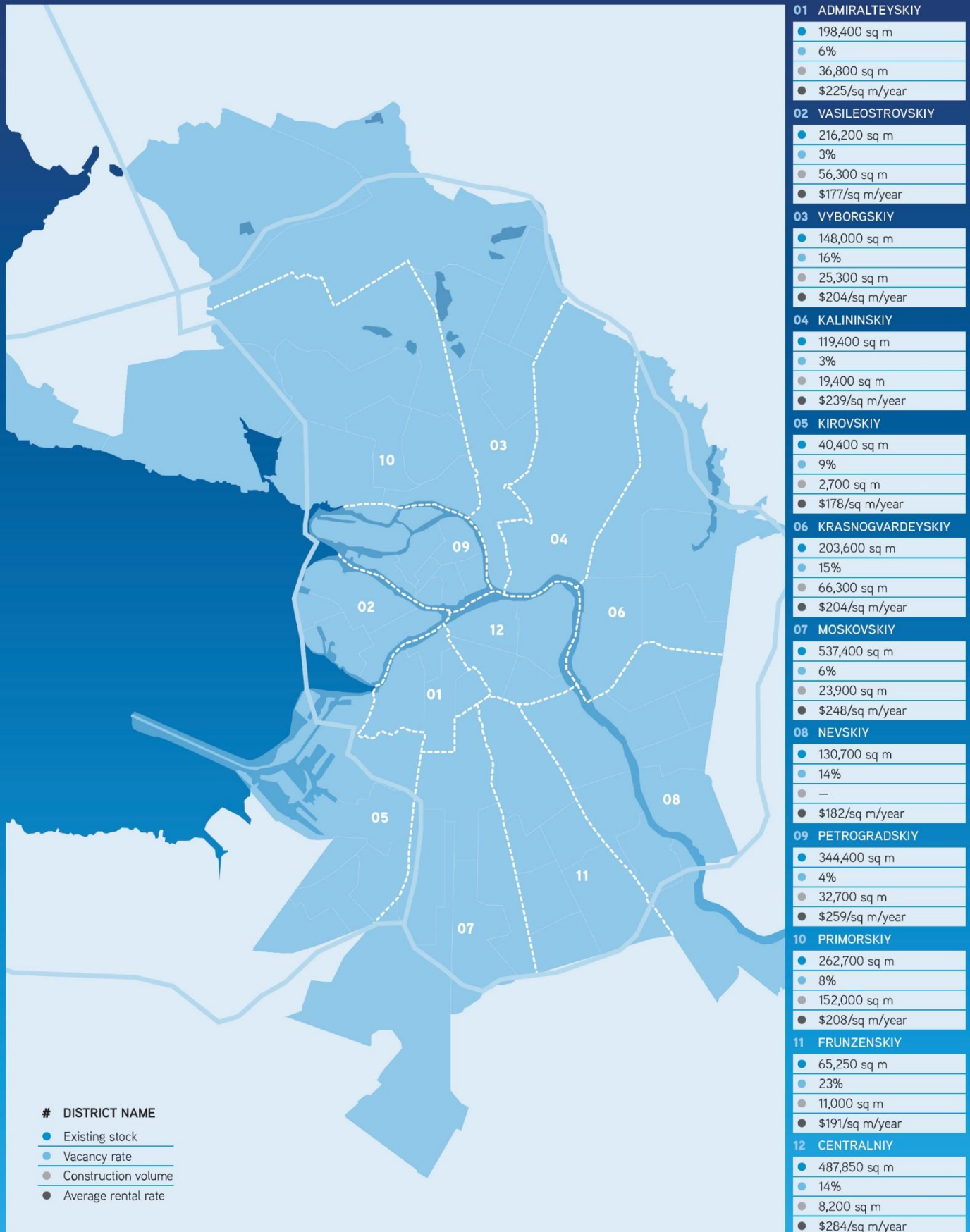
Source: Colliers International

### Major office buildings completed in Q1 2017

| NAME    | ADDRESS                 | CLASS | OFFICE LEASEABLE AREA, SQ M |
|---------|-------------------------|-------|-----------------------------|
| Polis   | 8 Sofiiskaya St         | B     | 13,150                      |
| Senator | 15 Bolshaya Morskaya St | A     | 4,500                       |

Source: Colliers International

# Total stock, under-construction volume, vacancy and rental rates\*



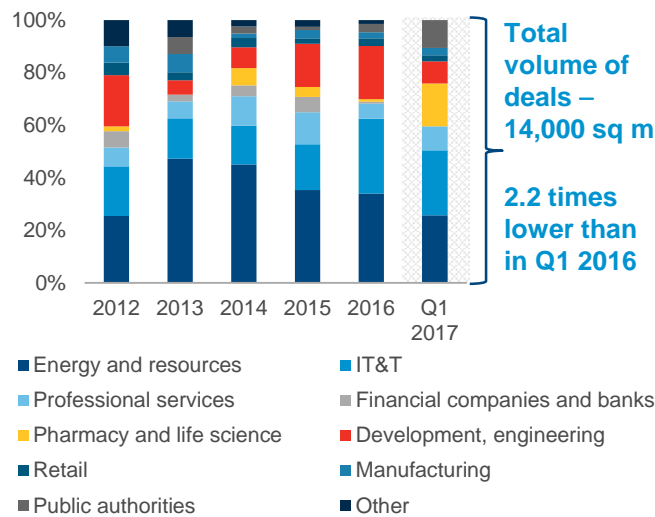
\*Rates presented include OPEX and exclude VAT. USD-denominated values were calculated using the exchange rate USD1 = RUB62.09

## Demand

During the first three months of 2017, no major deals of over 5,000 sq m in currently operating office buildings were closed, which resulted in a decrease in the total volume of premises rented compared to Q1 2016. Nevertheless, large office buildings are still the object of attention. Even now, office buildings that will have been put into operation by the end of the year, demonstrate an average occupancy rate of 34%.

Marketable premises in office buildings with lucrative commercial terms are occupied quite quickly. Under the conditions of limited supply, companies are increasingly frequently facing difficulties with finding appropriate premises.

### IT&T and energy sector companies still remain major consumers of office real estate.

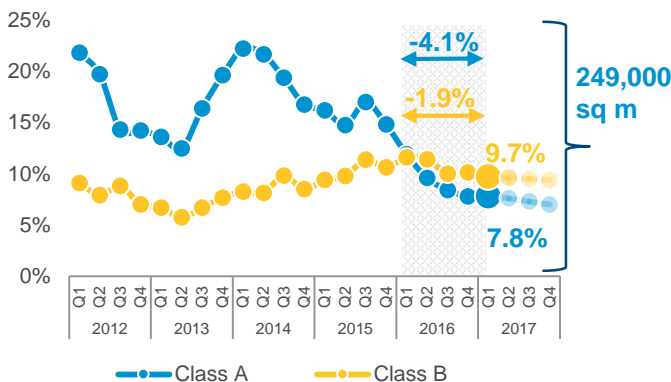


Source: Colliers International

## Vacancy rate

Sustainable demand for office real estate and the decreasing pace of completions are continuing to affect the vacancy rate – a decrease in the market as a whole has been observed since the beginning of 2016.

### Over the last 12 months, the amount of vacant space in the office segment decreased by 75,000 sq m.

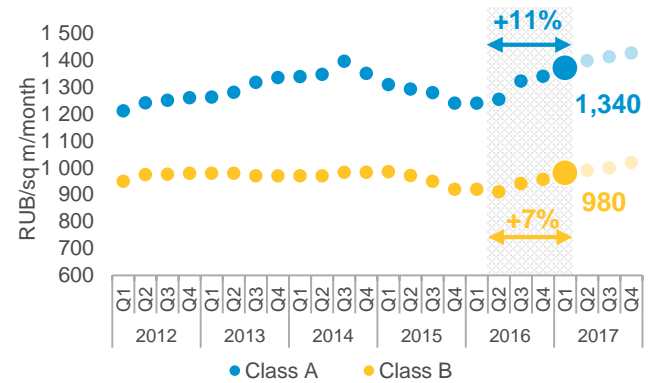


Source: Colliers International

## Commercial terms

The recovery of rental rates has been observed since 2016 for the fourth quarter in a row. Growth in rental rates was supported by factors such as the entry of new office buildings into the market with rental rates higher than the market average, and increased demand for office premises, including expensive Class A office buildings. It is worth mentioning that with the opening of the central section of Western High-Speed Diameter, key developers that have buildings on Vasilyevskiy Island increased asking rental rates by more than 10–15% over the last 12 months.

### Rental rates are expected to continue growing during the year.

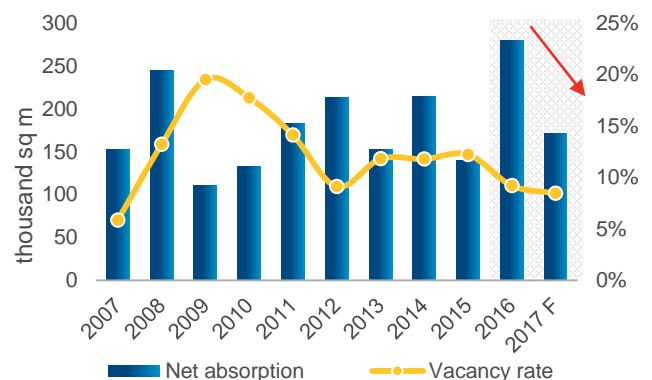


Source: Colliers International

## Trends and forecast

At the beginning of 2017, the trend of renovating currently operating office buildings (finishing, renovation of common areas) emerged. These renovations will allow developers to increase rental income from already existing buildings and attract new tenants. A stimulus that will increase activity among developers will be the Western High-Speed Diameter (opening of new junctions), which will have an impact not only on Vasilyevskiy Island, but also on the Primorskiy and Kirovskiy districts.

### After the record level of absorption in 2016, a decrease in the indicator by the end of 2017 is expected.



Source: Colliers International

# 396 offices in 68 countries on 6 continents

USA: **153**

Canada: **29**

Latin America: **24**

Asia Pacific: **79**

EMEA: **111**

## \$2.6

billion in  
annual revenue

## 170

million sq m  
under management

## 15,000

professionals  
and staff

### Colliers International Russia

10 Presnenskaya Embankment  
BC Naberezhnaya Tower, block C, 52 floor  
123112 Moscow, Russia  
+7 495 258 51 51

3 Volynsky Lane  
BC Northern Capital  
191186 St. Petersburg, Russia  
+7 812 718 36 18



[www.colliers.ru](http://www.colliers.ru)  
[www.colliersdom.com](http://www.colliersdom.com)

**Nikolay Kazanskiy**  
Managing Partner  
[nikolay.kazanskiy@colliers.com](mailto:nikolay.kazanskiy@colliers.com)

**Vladimir Sergunin**  
Partner  
[vladimir.sergunin@colliers.com](mailto:vladimir.sergunin@colliers.com)

**Stanislav Bibik**  
Partner  
[stanislav.bibik@colliers.com](mailto:stanislav.bibik@colliers.com)

**Anna Nikandrova**  
Partner  
[anna.nikandrova@colliers.com](mailto:anna.nikandrova@colliers.com)

**Eleonora Bogdanova**  
Regional Director, Warehouse & Industrial Department  
[eleonora.bogdanova@colliers.com](mailto:eleonora.bogdanova@colliers.com)

**Amel Djerroudi**  
Executive Director, Project Management & Building Consultancy Department  
[amel.djerroudi@colliers.com](mailto:amel.djerroudi@colliers.com)

**Vera Zimenkova**  
Regional Director, Corporate Solutions & Office Agency Departments  
[vera.zimenkova@colliers.com](mailto:vera.zimenkova@colliers.com)

**Andrey Kosarev**  
Managing Director, St. Petersburg  
[andrey.kosarev@colliers.com](mailto:andrey.kosarev@colliers.com)

**Vladislav Nikolaev**  
Regional Director, Strategic Consulting Department  
[vladislav.nikolaev@colliers.com](mailto:vladislav.nikolaev@colliers.com)

**Dmitry Romanov**  
Regional Director, Valuation Department  
[dmitry.romanov@colliers.com](mailto:dmitry.romanov@colliers.com)

**Kermen Mastiev**  
Head of Division, Sales & Acquisitions Office Department  
[kermen.mastiev@colliers.com](mailto:kermen.mastiev@colliers.com)

**Francois Nonnenmacher**  
Director, Occupier Representation  
[francois.nonnenmacher@colliers.com](mailto:francois.nonnenmacher@colliers.com)

**Ekaterina Podlesnykh**  
Head of Street Retail Group  
[ekaterina.podlesnykh@colliers.com](mailto:ekaterina.podlesnykh@colliers.com)

**Ekaterina Fonareva**  
Director, Residential Department, Moscow  
[ekaterina.fonareva@colliers.com](mailto:ekaterina.fonareva@colliers.com)

**Elizaveta Conway**  
Director, Residential Department, St. Petersburg  
[elizaveta.conway@colliers.com](mailto:elizaveta.conway@colliers.com)

**Olga Bakulina**  
Regional Director, Marketing & PR Department  
[olga.bakulina@colliers.com](mailto:olga.bakulina@colliers.com)

**Veronika Lezhneva**  
Director, Research Department  
[veronika.lezhneva@colliers.com](mailto:veronika.lezhneva@colliers.com)

Colliers International Group Inc. (NASDAQ and TSX: CIGI) is an industry leading global real estate services company with more than 15,000 skilled professionals operating in 68 countries. Colliers International opened their office in Russia in 1994. Today, the offices in Moscow and St. Petersburg have more than 250 employees. Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide. Services include strategic advice and execution for property sales, leasing and finance; global corporate solutions; property, facility and project management; workplace solutions; appraisal, valuation; customized research; and thought leadership consulting.

Colliers professionals provide a comprehensive range of professional services for developers: a full range of exclusive and co-exclusive professional consulting services for residential real estate projects from sales/purchases of land plots for residential construction to the development of sales concepts, brokerage and marketing.

Colliers has been ranked among the top 100 outsourcing firms by the International Association of Outsourcing Professionals' Global Outsourcing for 12 consecutive years, more than any other real estate services firm.

Colliers International in Russia is a member of the Guild of Property Managers and Developers (GUD), the Russian Council of Green Building and the Russian Council of Shopping Centres (RCSC), as well as the Russian Managers Association.

Copyright © 2017 Colliers International

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Accelerating success.