

Commercial Real Estate - Russia

#MARKETBEAT

Cushman & Wakefield Research Department

Macroreview

Capital Markets

Office

Retail

Warehouse & Industrial

Hospitality & Tourism

Section 2

WAREHOUSE AND INDUSTRIAL

- The demand for warehouse space in the Moscow region is at a stable high.
- Vacancy rate in the Moscow region is decreasing, asking rental rate is increasing.
- By the end of the year we expect record high take up in the Moscow region.
- Developers prefer built-to-suit projects to speculative construction.

MOSCOW, CLASS A

	Q1-Q3 2018	2018 (forecast)
Stock ('000 sq. m)	10,250	10,639
New construction ('000 sq. m)	340	728
Vacancy rate (%)	9	8.5
Rental rate * (RUB / sq. m / year)	3,600	3,600
Take up ('000 sq. m)	1,126	1,500

REGIONS, CLASS A

	Q1-Q3 2018	2018 (forecast)
Stock ('000 sq. m)	6,928	7,075
New construction ('000 sq. m)	276	422
Take up ('000 sq. m)	308	450

* Average rent excluding OPEX, utilities and VAT

DEMAND FOR WAREHOUSE SPACE IS STABLE

Trends. Moscow and Regions

616

'000 sq. m

New construction, class A

Moscow and the regions, Q1-3 2018

1,434

'000 sq. m

Take up, class A

Moscow and the regions, Q1-3 2018

Source: Cushman & Wakefield

The demand for warehouse space in the Moscow region remains high. Throughout 2018, we see a growing take-up. This growth is caused by the increasing number of deals, while the average deal size decreased by 20% in Q3 2018 compared to the same period in 2017.

Against the background of high demand we see the asking rents increase – 10% in the last 3 months.

In the Moscow region, the vacancy rate is gradually decreasing. New tenants prefer built-to-suit to ready-to-move warehouses. After the decrease of the land prices, developers are offering to construct warehouses with good transport accessibility on land plots closer to MKAD.

Tenants have the beneficial option to move to more suitable and modern warehouse complexes.

The demand for warehouses in the regions is lower than in Moscow. In Q1-3 2018, take up decreased by 30% compared to the same period from the last year.

The situation with speculative construction in the regions is the same as in Moscow - developers prefer built-to-suit projects.

Large-scale warehouse complexes outside of Moscow were delivered in Kazan, Ufa, Khanty-Mansiysk, St. Petersburg.



Oktavian, class A (St. Petersburg)

Warehouse & Industrial

MOSCOW REGION

The share of vacant space is decreasing, development activity is increasing.

MARKET IS GROWING

In the Moscow region, rental rate is growing, vacancy rate is decreasing.

9 %

Vacancy rate, class A

October 2018

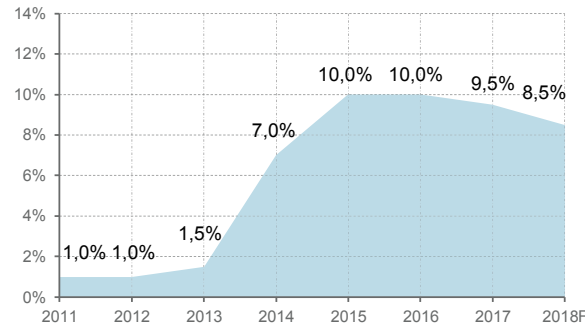
3 600

RUB / sq. m / year

Rental rate, class A

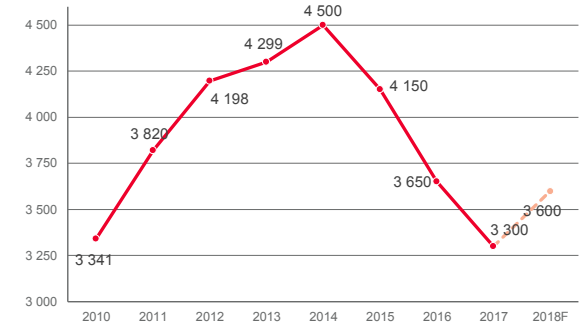
October 2018

Vacancy rate, class A



The vacancy rate continues to decrease. At least half of the warehouse space planned for delivery in 2018 is under preliminary lease or purchase agreements. Tenants prefer to move into a new warehouse built according to their requirements, in a suitable location, rather than rent space in an existing warehouse complex. Therefore, the pace of vacancy rate decrease is slow.

Rental rate, class A, RUB / sq. m / year



Starting from the end of Q2 2018, we see an increase in asking rental rates – 10% in Q3 2018.

We expect rental rates to remain 3,600 RUB per sq. m per year by the end of 2018.

Source: Cushman & Wakefield

RECORD HIGH DEMAND FOR WAREHOUSES IN THE MOSCOW REGION

Supply and Demand. Moscow region

417
'000 sq. m

New construction, class A and B

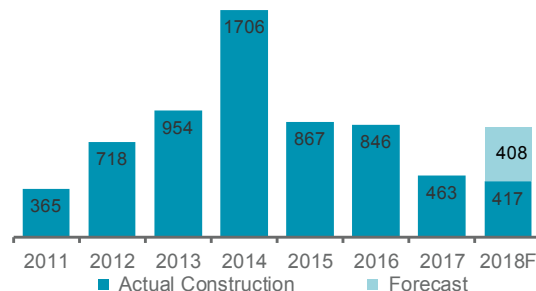
Q1-3 2018

1,276
'000 sq. m

Take up, class A and B

Q1-3 2018

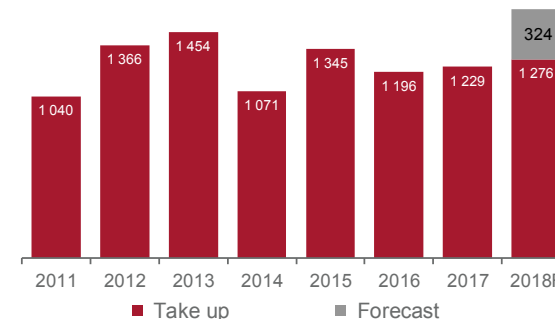
New construction, classes A and B, '000 sq. m



In Q1-3 2018, the supply of warehouse space increased by 417,000 sq. m. We expect 408,000 sq. m to be delivered to the market in Q4.

We predict that 826,000 sq. m of new warehouse space will be constructed in 2018, which is almost two times higher than in 2017.

Take up, classes A and B, '000 sq. m



In Q1-3 2018, 1.3 mn sq. m of warehouse space was leased and purchased, which is 40% higher than the indicator in the same period of 2017. Take up has already been growing for 3 quarters.

We expect take up to comprise around 1.6 mn sq. m in total by the end of 2018 - the highest indicator for the last 10 years.

Source: Cushman & Wakefield

Warehouse & Industrial

RUSSIAN REGIONS

The demand for warehouse space decreased. Developers prefer built-to-suit projects to speculative construction.

SEVERAL REGIONS EXPERIENCING DEFICITS

Supply and Demand. Regions

302

'000 sq. m

New construction, class A and B

Q1-3 2018

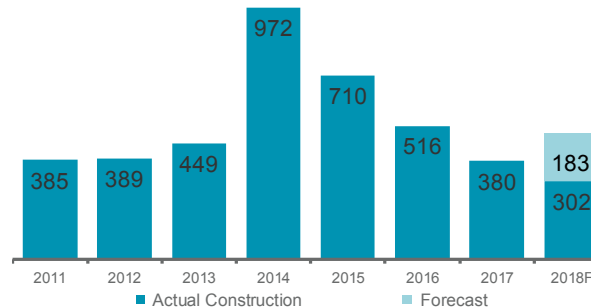
324

'000 sq. m

Take up, class A and B

Q1-3 2018

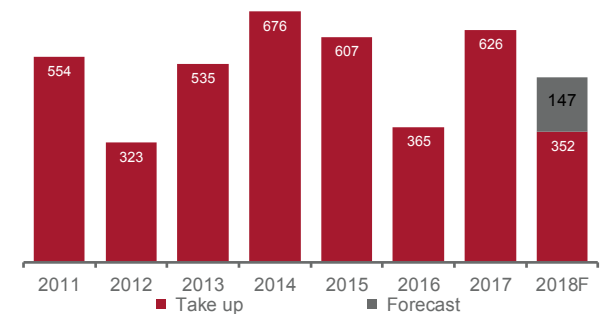
New construction, classes A and B, '000 sq. m



In Q1-3 2018, 302,000 sq. m of new warehouse space was constructed, which is 68% higher than in the same period of 2017. 70% of this space are built-to-suit warehouses that were constructed for large retailers.

Around 480,000 sq. m of space will be constructed in total by the end of the year – a 20% increase over the previous year.

Take up, classes A and B, '000 sq. m



In Q1-3 2018, 352,000 sq. m of warehouse space was leased or purchased, which is 30% less than the amount recorded from the previous year.

In Q3 2018, for the first time since the end of 2017, take up was higher than the same indicator from the previous year. However, we expect the yearly take up to be 25% less than in 2017.

Source: Cushman & Wakefield

KEY PROPERTIES

Supply and demand. Moscow and regions

Key warehouse properties opened and planned for delivery in 2018

Property	Highway	Region	Distance from city, km	Total area, 000 sq. m	Delivery
Vnukovo - 2	Kievskoe	Moscow	17	38,6	Q1
Wildberries	Simfelopolskoe	Moscow	20	95	Q4
IKEA Yesipovo	Leningradskoe	Moscow	33	90	Q4
Mikhaylovskaya Sloboda	Novoryazanskoe	Moscow	20	46,9	Q2, Q4
PNK Park Sofyino	Novoryazanskoe	Moscow	32	34,8	Q2
Logopark Sigma		Ufa		24,5	Q1
A Plus Park Kazan		Kazan		58,7	Q1, Q3
Monetka		Khanty-Mansiysk		25,7	Q3
Oktavian	Toksovskoe	St. Petersburg	11	28,5	Q2, Q4
A2 Logistic Krasnodar		Krasnodar		10	Q3