



2016

# WAREHOUSE MARKET REPORT

Moscow

## HIGHLIGHTS

- 709 thousand sq m of quality warehouse space were built in 2016, which was comparable to the 2015 level.
- About 17% of the total stock of new facilities or 118 thousand sq m were built for own use; 40% or 288 thousand sq m – for speculative purposes (for the open market) and 303 thousand sq m (43%) were constructed directly for existing clients (built-to-suit). As a comparison: the share of built-to-suit premises did not exceed 18% in 2015, and 10% in 2014.
- The vacancy rate remained practically unchanged at 9.3% (more than 1.2 million sq m) at the end of the year.
- The volume of transactions reached 1.1 million sq m, 11% down from the previous year's figure and became the third result in the whole history of the market. However, the new take-up transactions amounted to 80% or 883.6 thousand sq m (excluding the move to other premises, changes of existing commercial terms and the renewal of current lease agreements).
- The main tenants of quality warehouses were retail operators and distributors as well as in the year-earlier period. In total, their share exceeded 60%.
- The asking rental rates for Class A premises were in the range of 3,000–4,300 rub./sq m/year.



**Maxim Zagoruiko**  
 Director,  
 Industrial, Warehouses and Land,  
 Knight Frank, Russia and CIS

"Several stable trends shall be mentioned summing up the outgoing year. Firstly, the volume of completed transactions is at a sufficiently high level, it is almost equal to the indicator of the previous year. On the other hand, the take-up of the existing vacant stock is very slow and the average marketing time is from 8 to 12 months. In general, we can state that the market has reached its historically bottom values of rental rates, and the demand/supply ratio is in equilibrium. The unstable economic situation, the low level of rental rates and the high vacancy rate were constraining factors for many developers to implement new speculative projects, so most of the new construction was built-to-suit.

As for demand, a large share of transactions has been evidenced, they were previously deferred by large players waiting for the "bottom of the market" and more attractive commercial terms. As a result, 42% of the total volume were transactions with an area of more than 25 thousand sq m.

We expect a reduction in demand in 2017, as key players of the online market, retail and distribution have already acquired or leased the required premises. The average transaction size also declined in addition to reducing demand. Warehouse premises are being taken up even if slowly despite long marketing terms. Therefore, the further fall of rental rates is hardly worth counting in 2017. On the other hand, the existing vacant stock does not demonstrate the existence of serious prerequisites for the growth of rates."

Key indicators. Dynamics\*

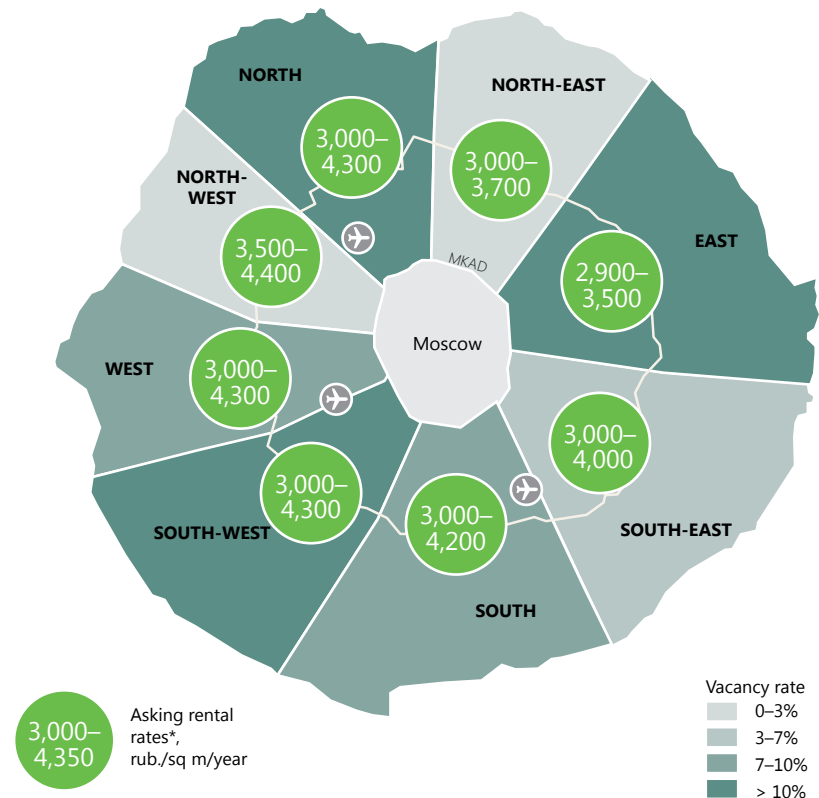
	Class A	Class B
Total quality supply volume, thousand sq m	12,666	
including, thousand sq m	10,715	1,951
New delivery in 2016, thousand sq m	709	
Lease and purchase transactions volume in 2016, thousand sq m	1,099	
Vacancy rate, %	9.3 ▼	
Asking rental rates**, rub./sq m/year	3,000–4,300 ▼	2,000–3,300 ▼
Operational expenses, rub./sq m/year	1,000–1,200 ▶	700–900 ▶

\* Compared to the end of Q4 2015

\*\* Triple net – excluding VAT, operating expenses and utility bills

Source: Knight Frank Research, 2017

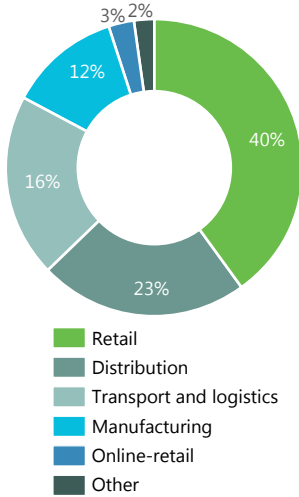
Vacant space and asking rental rates for Class A warehouse premises in terms of location



\* Triple net – excluding VAT, operating expenses and utility bills

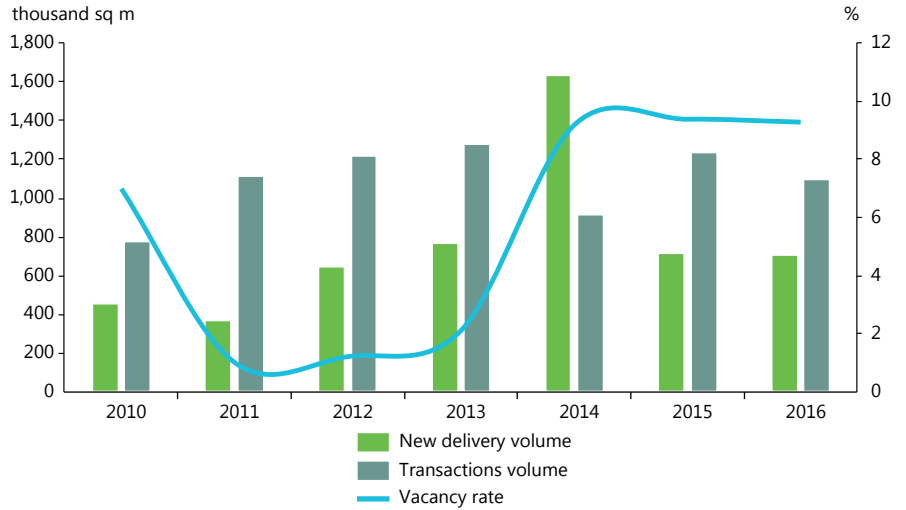
Source: Knight Frank Research, 2017

Lease and purchase transactions in Moscow region in terms of company profile, 2016



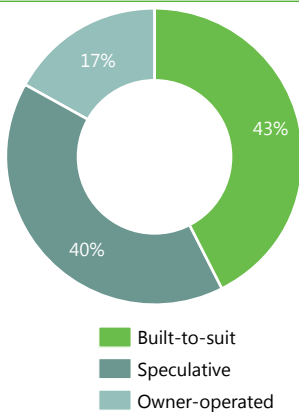
Source: Knight Frank Research, 2017

New delivery volume, transactions volume and vacancy rate dynamics



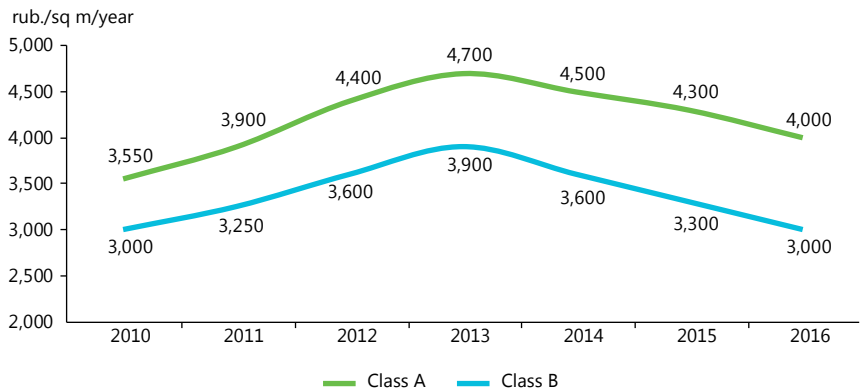
Source: Knight Frank Research, 2017

Distribution of new 2016 delivery by type



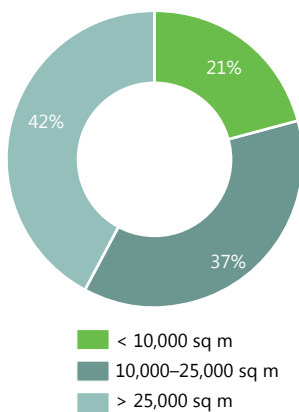
Source: Knight Frank Research, 2017

Average asking rental rates dynamics for warehouse premises in Moscow region denominated in RUB



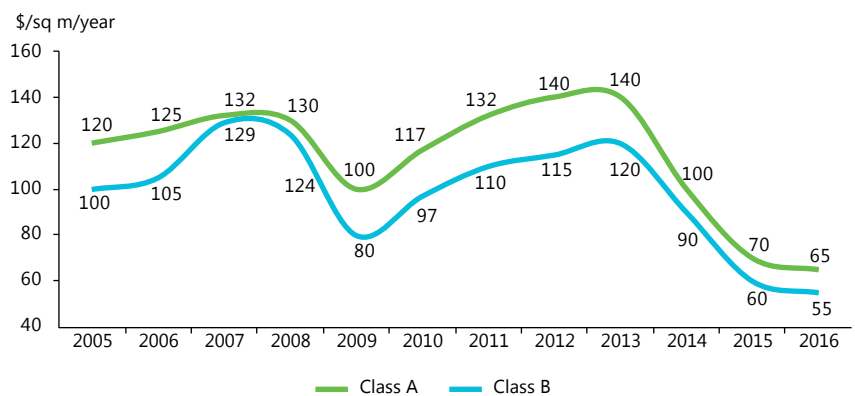
Source: Knight Frank Research, 2017

Lease and purchase transactions volume by size



Source: Knight Frank Research, 2017

Average asking rental rates dynamics for warehouse premises in Moscow region denominated in USD



Source: Knight Frank Research, 2017

# NORTH

## KEY INDICATORS

**3,223 thousand sq m**

THE VOLUME OF QUALITY SUPPLY

**324.3 thousand sq m**

THE INCREASE OF SUPPLY

**45%**

THE SHARE OF BUILT-TO-SUIT WAREHOUSE COMPLEXES

**more than 370 thousand sq m**

THE VOLUME OF VACANT SPACE

**3,700 rub./sq m/year**

ASKING RENTAL RATES (triple net – excluding VAT, Operating Expenses and Utilities)

**224.7 thousand sq m**

THE VOLUME OF TRANSACTIONS

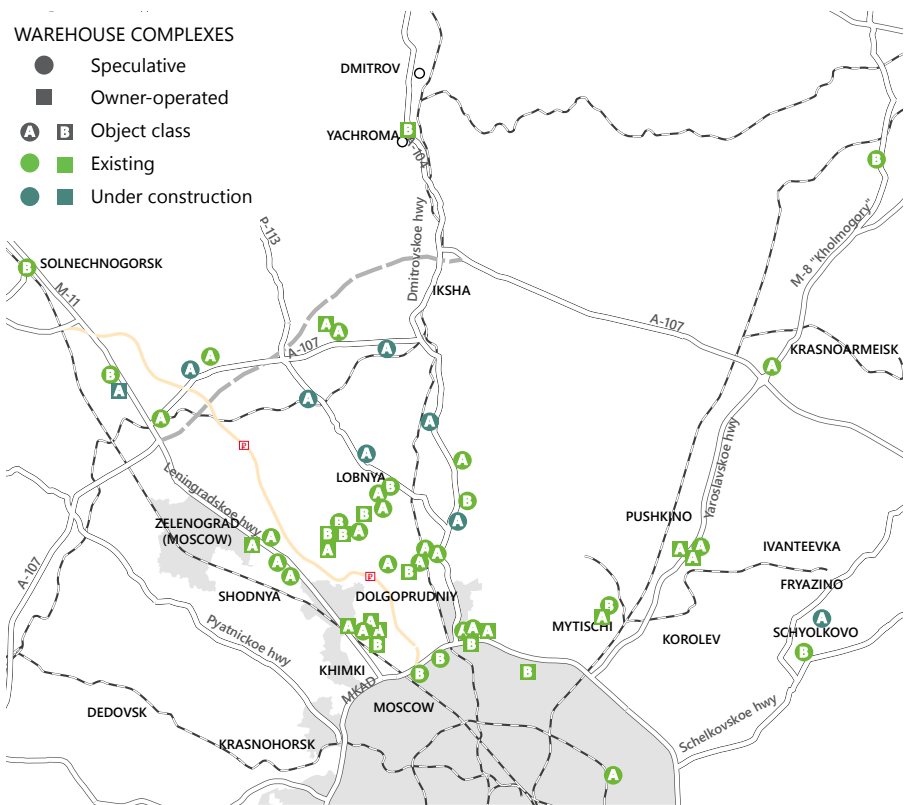
The northern direction of the region has always been one of the most popular for warehouse development, since Leningradskoye and Dmitrovskoye highways, located here, provide the connection of the Moscow region with the port of St. Petersburg, receiving goods from a number of European and Asian countries.

The supply volume of quality warehouses here was 3,223 thousand sq m or 25% of the total stock of the Moscow region.

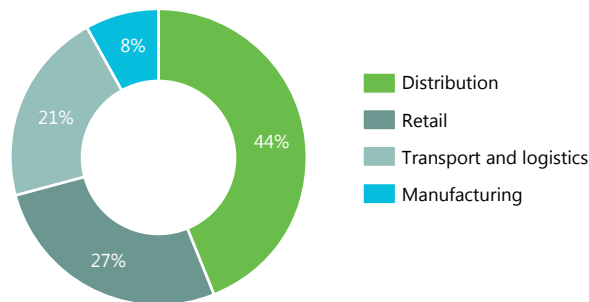
The total increase in the new supply reached 324.3 thousand sq m in 2016, which was 45% of the total amount. Notice also that, 45% of new warehouses were directly constructed for built-to-suit purposes.

The volume of transactions in the north of the Moscow region was about 224.7 thousand sq m over the past year. Almost half of them were executed by distribution companies.

Rental rates at the north of the region were one of the highest among all directions: the average rental rate was 3,700 rub./sq m/year (triple net).



### Lease and purchase transactions in Moscow region in terms of company profile



Source: Knight Frank Research, 2017

### Key transactions

Company	Segment	Object	Class	Area, sq m
O'KEY	Retail	Logopark Sever-2	A	59,645
Armtek	Distribution	Nikolskoe	A	28,560
PEK	Transport and logistics	Evropark	A	16,000
Megapolis	Distribution	Logopark Pushkino	A	13,762

Source: Knight Frank Research, 2017

# SOUTH

## KEY INDICATORS

**4,428 thousand sq m**

THE VOLUME OF QUALITY SUPPLY

**241.5 thousand sq m**

THE INCREASE OF SUPPLY

**55%**

THE SHARE OF BUILT-TO-SUIT WAREHOUSE COMPLEXES

**more than 260 thousand sq m**

THE VOLUME OF VACANT SPACE

**3,500 rub./sq m/year**

ASKING RENTAL RATES (triple net – excluding VAT, Operating Expenses and Utilities)

**438.9 thousand sq m**

THE VOLUME OF TRANSACTIONS

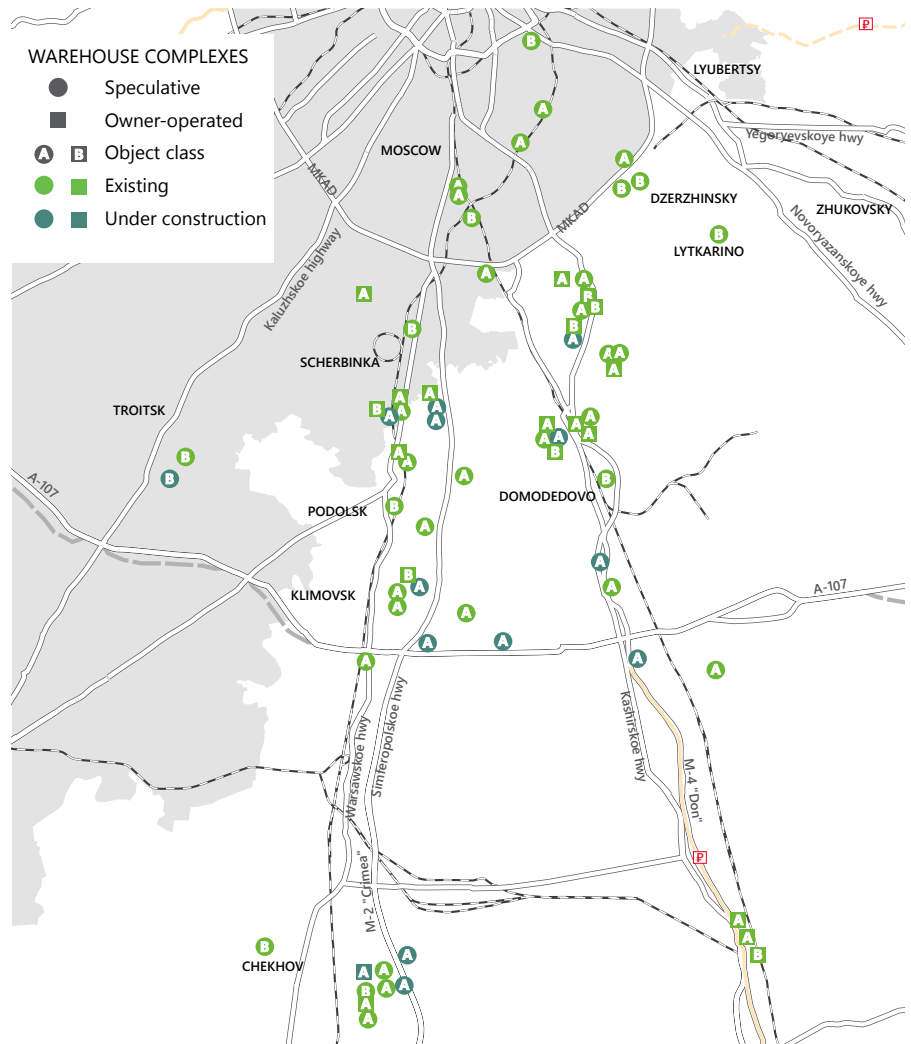
The southern direction has always been popular, as it enjoys good transport accessibility. In addition, one of the country's largest airports is located here, as well as a large selection of land plots for the construction of warehouses. Simferopolskoye and Kashirskoye highways, located in this direction, are of strategic importance, ensuring the connection of the majority of Russian regions with the market of the capital.

The supply volume of quality warehouses here was 4,428 thousand sq m or 35% of the total stock of the Moscow region.

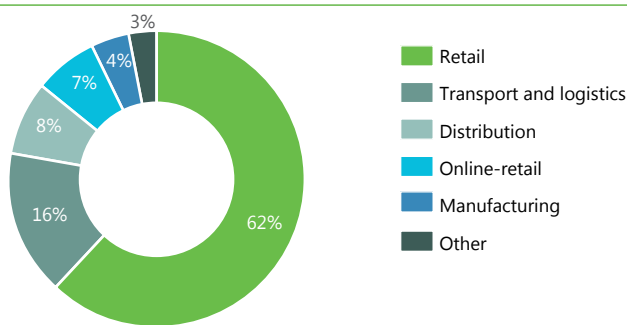
241.5 thousand sq m were delivered in the south of the Moscow region over the past year, 55% of them were built-to-suit.

The volume of transactions in the southern direction became the highest against other directions of the region and was equal to 438.9 thousand sq m.

The business dimension of residents is a noticeable difference from the northern direction: the main factor in the selection of facilities by retail operators is good transport accessibility, and the southern direction is one of the best by this criterion, unlike local distributors, which prefer locations on the route from ports of St. Petersburg to Moscow.



## Lease and purchase transactions in Moscow region in terms of company profile



Source: Knight Frank Research, 2017

## Key transactions

Company	Segment	Object	Class	Area, sq m
SLG	Transport and logistics	Adidas Chekhov	A	59,789
HOFF	Retail	Northern Domodedovo	A	47,000
Castorama	Retail	PNK Chekhov-3	A	42,452
Terem	Retail	PNK Park-Valishchevo	A	23,400

Source: Knight Frank Research, 2017

# WEST

## KEY INDICATORS

**2,032 thousand sq m**  
THE VOLUME OF QUALITY SUPPLY

**12.6 thousand sq m**  
THE INCREASE OF SUPPLY

**0%**  
THE SHARE OF BUILT-TO-SUIT WAREHOUSE COMPLEXES

**more than 150 thousand sq m**  
THE VOLUME OF VACANT SPACE

**3,700 rub./sq m/year**  
ASKING RENTAL RATES  
(triple net – excluding VAT, Operating Expenses and Utilities)

**149.7 thousand sq m**  
THE VOLUME OF TRANSACTIONS

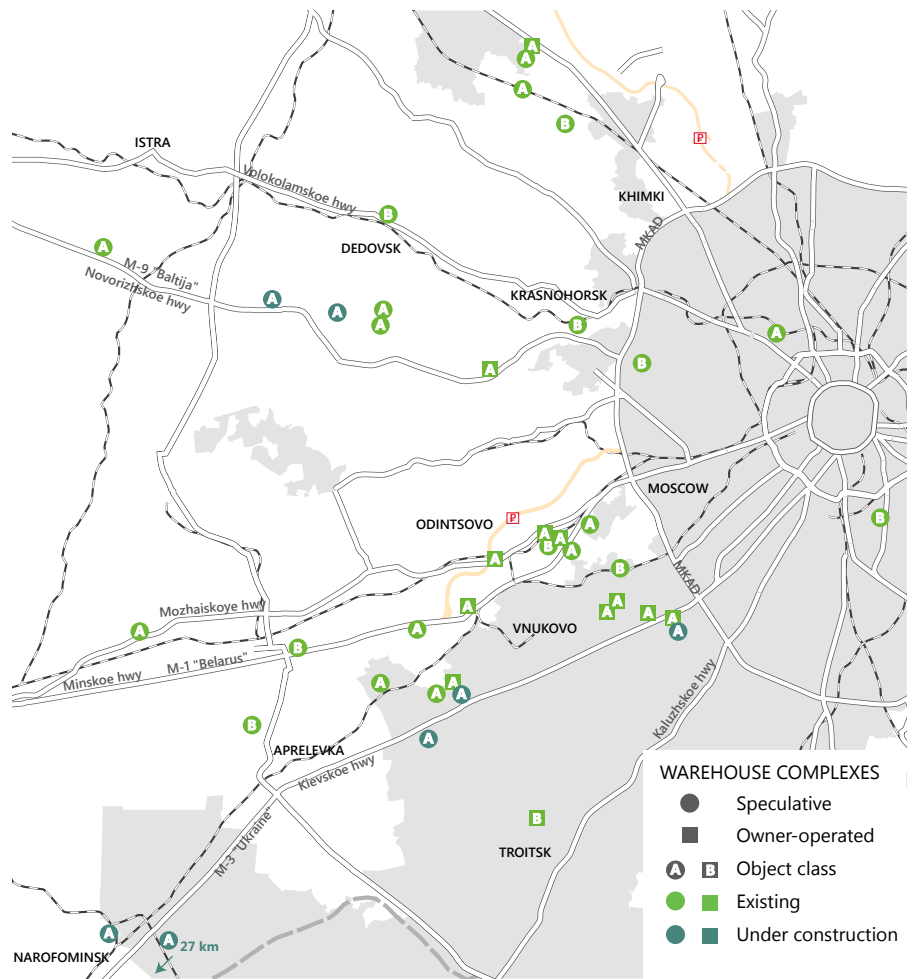
The quality warehouse stock of the western direction of the Moscow region is represented by the smallest number of facilities: their total area is 2,032 thousand sq m. One of the reasons for this is the popularity of this direction among developers of suburban housing and, as a consequence, the high cost of land plots. Kievskoye highway is most in demand among all highways of this direction for the construction of warehouse facilities.

The new supply increase of 2016 was minimal among the directions of the region and was only 12.6 thousand sq m or 2% of the total delivery.

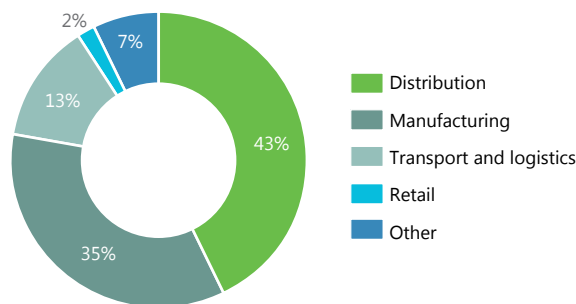
Nevertheless, the western direction enjoys steady demand despite low supply. So, 149.7 thousand sq m of warehouse space or 14% of the total demand were located here during 2016.

The portrait of residents of the western direction is historically distinguished by the presence of a relatively large proportion of manufacturing companies. So, the share of such transactions ran at 35% of the total stock. Distribution companies stood first on the list as in the case with the northern direction.

It should be noted that the vacancy rate in the western direction was the lowest among all directions of the Moscow region and equalled to 7.4% given the limited supply and relatively high demand.



## Lease and purchase transactions in Moscow region in terms of company profile



Source: Knight Frank Research, 2017

## Key transactions

Company	Segment	Object	Class	Area, sq m
BMW	Manufacturing	PNK Park-Bekasovo	A	34,344
LUDING	Distribution	Logopark Krekshkino	A	30,414
Greenfields	Distribution	Akvion Vnukovo	A	12,698
Alutech	Manufacturing	Kievskoe 22	A	12,262
Panalpina	Transport and logistics	Logopark Krekshkino	A	10,570

Source: Knight Frank Research, 2017

# EAST

## KEY INDICATORS

**2,982 thousand sq m**

THE VOLUME OF QUALITY SUPPLY

**130.4 thousand sq m**

THE INCREASE OF SUPPLY

**17%**

THE SHARE OF BUILT-TO-SUIT WAREHOUSE COMPLEXES

**more than 200 thousand sq m**

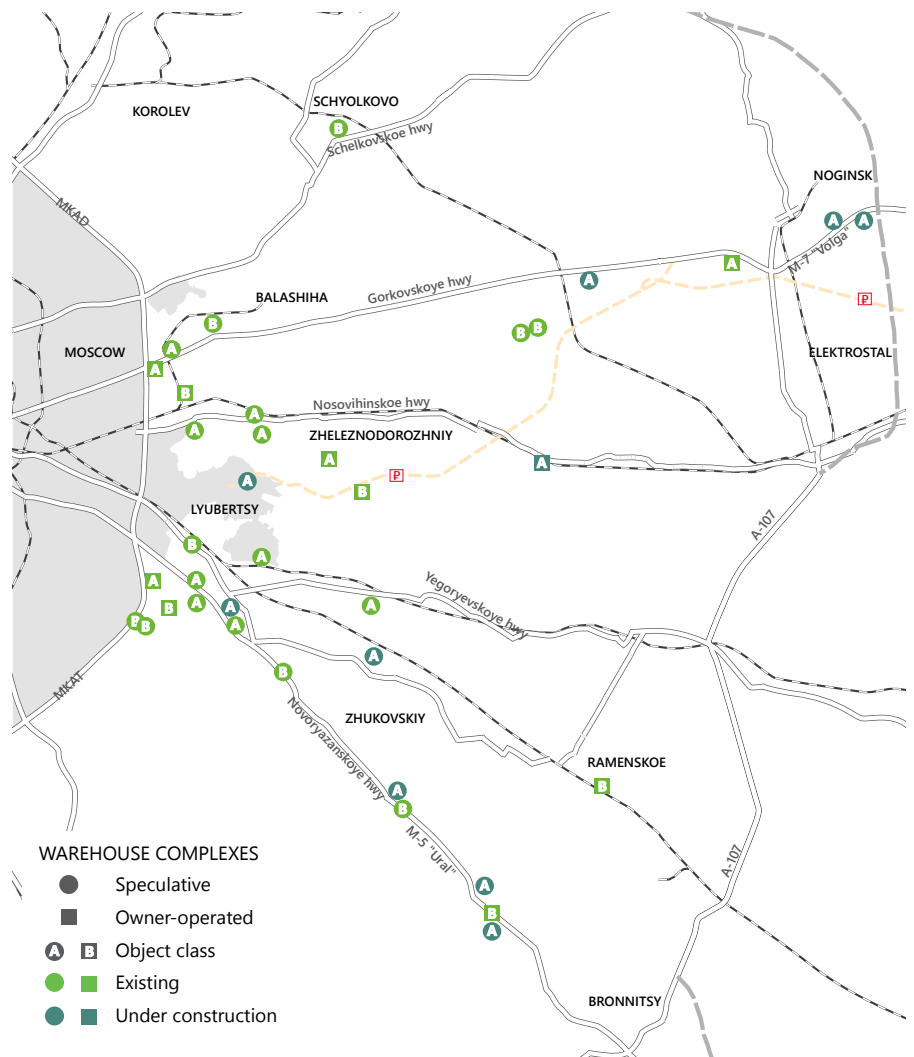
THE VOLUME OF VACANT SPACE

**3,300 rub./sq m/year**

ASKING RENTAL RATES (triple net – excluding VAT, Operating Expenses and Utilities)

**238.1 thousand sq m**

THE VOLUME OF TRANSACTIONS

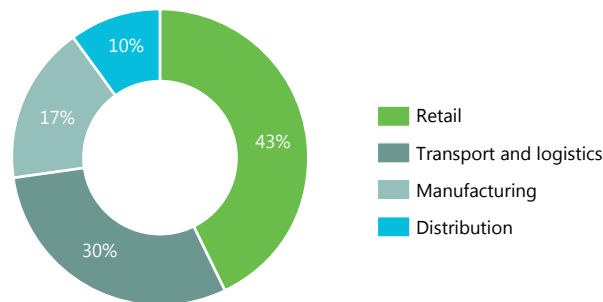


The stock of quality warehouse properties in the eastern direction of the Moscow region was 2,982 thousand sq m. Here, the cost of land is relatively low unlike other directions, and the main constraining factor for the development of warehouse real estate is poor transport accessibility.

As a result, the landlords of the properties in the eastern direction significantly reduced rental rates in order to attract residents. They were 3,300–3,500 rub./sq m/year on average.

And, such a strategy was effective as 2016 showed: the total volume of transactions here was 238.1 thousand sq m or 22% of the total volume in the region. And the main residents were the companies engaged in retail industry as well as logistics operators.

Lease and purchase transactions in Moscow region in terms of company profile



Source: Knight Frank Research, 2017

## Key transactions

Company	Segment	Object	Class	Area, sq m
Delovye linii	Transport and logistics	Infrastrroy Bykovo	A	33,743
X5 Retail Group	Retail	Logopark Sofino	A	22,868
Ontex	Manufacturing	Viarona Noginsk	A	20,000
Belligen	Distribution	Springs Park	A	19,556
LLC "Geba"	Retail	Trilogy Park Tomilino	A	14,000

Source: Knight Frank Research, 2017



Warehouse complex Borisovka,  
Moscow region, Simferopol'skoe hwy, 10 km from MKAD



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