



H1 2018  
**WAREHOUSE  
MARKET  
REPORT**  
Moscow

## HIGHLIGHTS

Over 60% of the total objects completed in the first 6 months of 2018 were constructed for end users.

The largest transaction volume (over 95%) was concluded for the operating warehouse complexes.

The vacancy rate dropped down to 6.1%, or approximately 836,000 sq m.

Average weighted asking rental rate for class A warehouses amounted to 3,600 RUB/sq m/year.

# WAREHOUSE MARKET REPORT MOSCOW



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«From the beginning of 2017 we observed the stable demand for completed warehouses and low volume of speculative completions, enhanced with forward decrease of the average weighted asking rental rate. To the end of the first half of 2018 these trends have led the market not only to statistically observed area of relative balance, but also have created feeling of its restoration for many market players. We expect that in the second half of 2018 the asking rental rates in some segments will start careful upward movement».

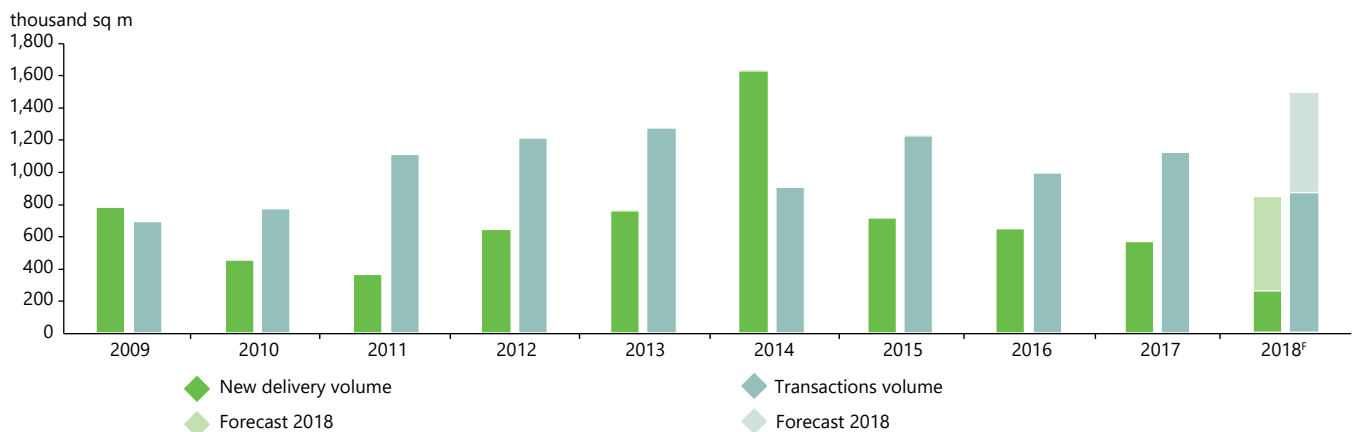
## Key indicators. Dynamics

	H1 2017	H2 2017	H1 2018
Total supply volume of quality warehouse space, thousand sq m	13,041	13,359	13,618
New delivery, thousand sq m	252	318	259
Lease and purchase transaction volume, thousand sq m including:	414	782	875
Lease and purchase in delivered facilities	414	515	830
construction of new facilities	0	267	45
Vacancy rate, %	9.2	7.8	6.1 ▼
Class A asking rental rates, RUB/sq m/year*	4,000	3,700	3,600 ▼
Operational expenses, RUB/sq m/year**	900–1,200	900–1,200	900–1,200 ►
The range of asking selling price for dry Class A warehouse, RUB/sq m net of VAT***	35,000–40,000	35,000–40,000	30,000–35,000 ▼

\* Hereinafter, the asking rental rate for dry warehouse net of VAT, operational expenses and utility bills.  
\*\* Operational expenses for dry Class A warehouse property.

Source: Knight Frank Research, 2018

## New delivery and transactions volume



Source: Knight Frank Research, 2018



## Supply

In the first half of 2018 over 259,000 sq m of warehouse space was delivered to the market in the Moscow region, on par with the same period in 2017. The total volume reached 13,618,000 sq m.

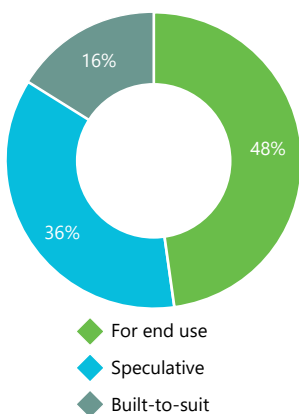
14%, or over 37,000 sq m, of warehouse areas were completed at the distance of 7,5 km from MKAD, 65%, or over 169,000 sq m, – at the distance from 15.1 to 30 km from MKAD, 21%, or around 53,000 sq m, – at the distance from 30.1 to 45 km from MKAD.

Over 64% of completions in the first 6 months of 2018 were built in a built-to-suit format or with the general contractor on the client’s land plot, the remaining 36%, or over 94,000 sq m, were completed for subsequent leasing or sale.

In comparison with indicator for 2017-year end, the vacancy rate in the first 6 months of 2018 decreased by 1.7 p. p. and amounted to 6.1%, which in absolute terms equals to 836,000 sq m.

Above 27% of the total vacant warehouse volume areas are located at the distance to 15 km from MKAD, 66% of the total vacant warehouse areas volume are equally divided between the areas located at the distances from 15.1 to 30 km and from 30.1 to 45 km, the remaining 7% – at the distance over 45 km from MKAD.

### Distribution of completed in H1 2018 warehouse buildings by type of construction



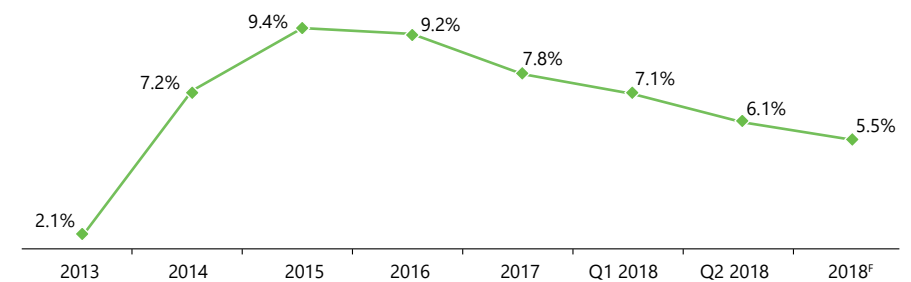
Source: Knight Frank Research, 2018

### The largest properties delivered in H1 2018

Name	Total Area sqm
Major Terminal warehouse complex, phase 2	57,300
GreenStore warehouse complex, phase 2	37,000
PNK Park Valischevo, block 7	26,500
Atlant-Park, the half of block 29	21,000
Synkovo logistics park, block 7	20,585
PNK Park Valischevo, block 6	11,230
Katuar warehouse complex	11,000
PNK Park Valischevo, block 3.1	8,640
Noginsk technopark	7,085
Warehouse complex in Podolsk	5,730

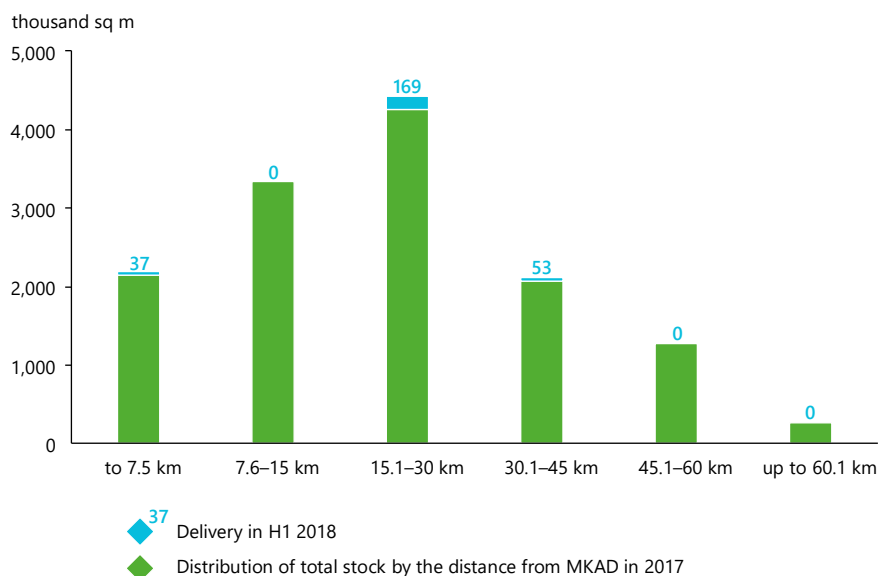
Source: Knight Frank Research, 2018

### Vacancy rate



Source: Knight Frank Research, 2018

### Distribution of total volume of warehouse space by the distance to MKAD



Source: Knight Frank Research, 2018

## Demand

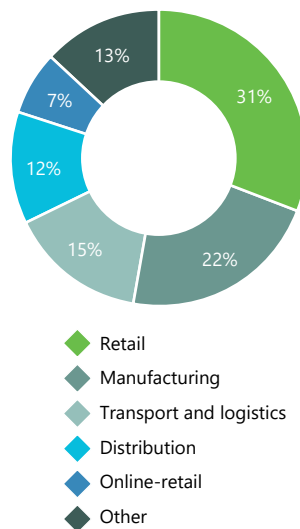
In the first half of 2018 the total transactions volume on the warehouse market in the Moscow region amounted to 875,000 sq m, which is two times higher than the first half of 2017.

Over 40% of the total transactions volume (or 370,000 sq m) in the first half of 2018 were concluded for the properties located in the south of the Moscow region, 14% (or 123,000 sq m) – in the north, 22% of the total transactions volume concluded for the properties in the west and south-east of the region – 11% each, over 10% (or 85,000 sq m) were concluded for properties located in the east. In the three remaining areas of the Moscow region demand did not exceed 6% of the total transaction volume.

The largest transactions volume (over 830,000 sq m) was concluded for delivered warehouse buildings, and only 5% corresponded to built-to-suit projects. The average leased area of completed building in the first half of the year amounted to 9,800 sq m, which is 2,000 sq m less than in the first half of 2017. The average area of built-to-suit transaction amounted to 13,600 sq m.

Over 31% (or 268,000 sq m) of total transactions volume in the first half of 2018 were completed by representatives of the retail segment. The largest transactions in this segment were leasing

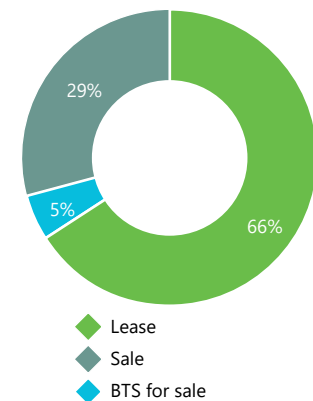
Distribution of transactions by tenant/buyer, H1 2018



Source: Knight Frank Research, 2018

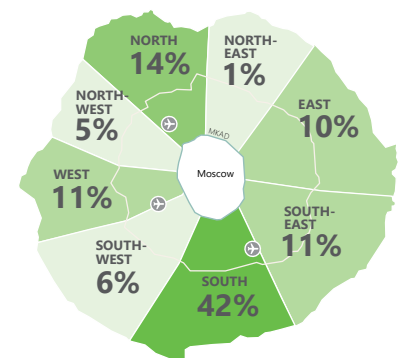
by the national retail chain Auchan of 53,000 sq m at the South Gate industrial park, leasing by the retail chain VkusVill of Dixi warehouse with an area over 52,000 sq m in PNK Park Severnoe Sheremetyevo. The second place in the demand structure is occupied by manufacturing segment with total transactions volume amounting to 185,000 sq m.

Distribution of transactions by types, H1 2018



Source: Knight Frank Research, 2018

Distribution of lease/sale transactions by directions, H1 2018



Source: Knight Frank Research, 2018

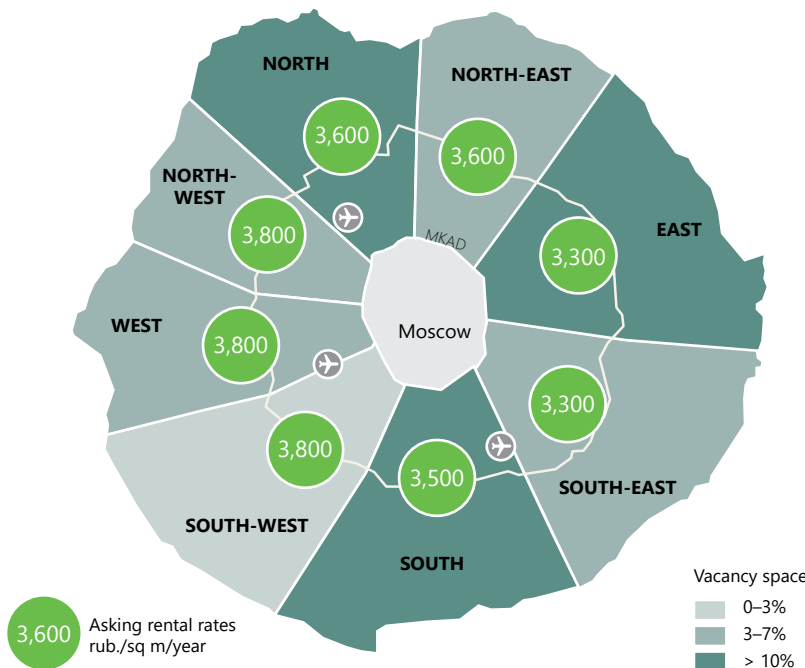
## The largest transactions in H1 2018

Quarter	Name of the company	Sector	Property	Total area, sq m	Type of transaction
Q2	Auchan	Retail	South Gate industrial park	53,000	Lease
Q1	VkusVill	Retail	PNK Park Severnoe Sheremetyevo, Dixi warehouse	52,000	Lease
Q1	Maxidom*	Retail	Nidan Factory	41,490	Sale
Q1	Logistic-N/DNS Retail	Retail	Atlant Park	39,250	Lease
Q1	Rail Pro	Manufacturing	Property in Klin	20,000	BTS for sale
Q2	Tmall	Online-retail	South Gate industrial park	20,000	Lease
Q2	OZON.RU*	Online-retail	Leningradsky terminal warehouse complex	18,200	Lease
Q2	Hitachi Construction Machinery Eurasia	Manufacturing	Nicolskoe warehouse complex	16,985	Lease
Q2	A Plus Logistics*	Transport and logistics	Klimovsk warehouse complex	15,700	Lease
Q2	Alidi	Distribution	PNK Park Valischevo	14,500	Lease
Q1	Hino Motors	Manufacturing	Property in Khimki	14,000	BTS for sale
Q2	AST-Alcohol Service Technologies	Distribution	Vnukovo 2 warehouse complex	13,400	Lease

\* Transaction assisted by Knight Frank

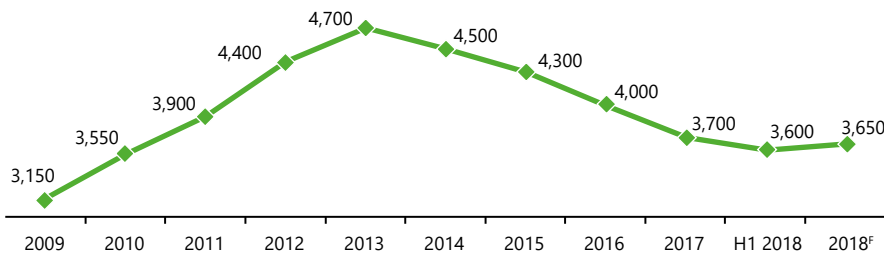
Source: Knight Frank Research, 2018

Asking rental rates and demand volume by directions of Moscow region



Source: Knight Frank Research, 2018

Dynamics of average asking Class A rental rates , RUB/sq m/year



Source: Knight Frank Research, 2018

The largest properties planned for delivery in H2 2018

Property	Developer	Area, sq m
Wildberries distribution centre	A Plus Development	145,000
Auchan distribution centre	Radius Group	138,000
Warehouse complex	A Plus Development	90,000
Utkonos distribution centre	Orientir	71,000
Operator kommercheskoy nedvizhimosti distribution centre	PNK Group	52,000
Svitino warehouse complex	VS Nedvizhimost	27,750
Borisovsky terminal, phase 2	Promtechalians	27,000

Source: Knight Frank Research, 2018

Commercial terms

The average weighed asking rental rate for Class A warehouse space in the Moscow region in the first half of 2018 was 3,600 RUB/sq m/year. The highest average weighed rental rates were recorded in the west, south-west and north-west of the Moscow region – 3,800 RUB/sq m/year, the lowest rental rate was recorded in the east and south-east – 3,300 RUB/sq m/year.

Forecast

According to Knight Frank analysts forecast in the second half of 2018 over 650,000 sq m of warehouse areas will be completed to the market, more than half of which is built as built-to-suit.

The transactions volume for rent and sale of quality warehouse property in the Moscow region by the end of 2018 will amount to 1,500,000 sq m. We are not expecting major changes in the demand structure: the retail segment will continue to occupy the leading position.

The low number of speculative projects and large transactions volume will lead to vacant areas share decrease and it will amount to 5.5–5% by the end of 2018.

With the vacant areas share decrease various quality warehouse property developers and owners will review the commercial terms, we are therefore expecting some increase in the average weighed rental rate for quality warehouse property in the Moscow region.

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