



Q3 2012
**OFFICE MARKET
REPORT**
Saint Petersburg
Knight Frank

HIGHLIGHTS

- For the first three quarters of 2012 the volume of office area supply increased by 5%.
- Take-up volume for Q1-Q3 of 2012 exceeded the commissioning volume for the analyzed period in 1, 74 times and amounted to 151,000 sq m.
- Vacancy rates from the beginning of the year in Class A decreased by 11.1 percentage points, in Class B – by 3.1 percentage points.
- Average rental rates in dollars do not show significant changes: from the beginning of the year in Class A they decreased by 1%, in Class B the value of average rate increased by 4%.

OFFICE MARKET REPORT



Marina Puzanova,
Head of Office Department,
Knight Frank St. Petersburg

"Due to some large transactions the level of vacancy rates in Q3 of the current year had significantly decreased. Q4 promises to be not less "fruitful" for transactions. In this respect the 2013 year, in which the commissioning of large office projects is planned, is expected impatiently in the market.

Recently we notice the increase in requests from international and large Russian companies, planning to locate or to expand their office in St. Petersburg.

Every year the city becomes more and more attractive for exacting tenants, and there are some reasons. Firstly, the amount of qualitative projects, which meet the demands of international companies, increased. Office market in the whole becomes more civilized: the announced

terms of commissioning are kept, the owners and managing companies offer market commercial terms together with qualitative services. Secondly, on the residential lease market, that also is necessary component for engaging to the city highly qualified staff, professional players, developing the apart-hotel segment, appear. Thirdly, transportation with the main European cities becomes better. The planned in the end of 2013 commissioning of a new terminal Pulkovo-3 even now bears fruit: large international airlines perform flights from St. Petersburg to mostly any place in the world. St. Petersburg becomes a popular place for conducting business and successfully compete, for example, with Moscow, due to the lower rental rates of the similar by quality offices and lower costs for the staff at a comparable level of the staff training".

Key events

- In Q3 2012 two business centers were delivered. In Moskovsky district in august the construction of BC Sobraniye with a total area of 56 thousand sq m was finished. The project developer was a holding company Adamant. In Petrogradsky district the BC Oriental of the YIT Company with a total area of 5,000 sq m was commissioned.
- Significant transactions in the lease market were closed primarily in Class A business centers. The most active were the companies engaged in the commodity sector, IT-companies, and also the companies, engaged in banking sector.
- The campaign for leasing of the office area in the administrative business area Nevskaya Ratusha began. Area of the 1st stage, which is planned to be commissioned in Q1 2013, will amount to 178,800 sq m.

Key indicators. Dynamics

	Class A	Class B
Total stock, thousand sq m		1,752.2
including, thousand sq m	412.7	1,339.5
Changes from the beginning of 2012, %	+ 9.4 % ▲	+ 4.0 % ▲
Delivered in Q1-Q3 of 2012, thousand sq m		90,4
including, thousand sq m	35.5	54.9
Vacancy rate by the end of Q3 of 2012, %	8.2	7.1
Changes from the beginning of 2012, %	- 11.1 p.p. ▼	- 3.1 p.p. ▼
Rental rates*, \$ per sq m per annum	310–710	200–680
Changes of vacancy rates in dollars from the beginning of 2012, %	- 1 % ▼	+ 4 % ▲

* Excluding VAT (18%), including operating expenses, 1 USD = 31.06 rub
Source: Knight Frank St. Petersburg Research, 2012



Business center 'Sobraniye',
25, Tsvetochnaya St.

Supply

During the three quarters of 2012 the total stock of gross leasable area increased to 90,400 sq m; thus, the increase from the beginning of the year amounts to 5%.

It should be mentioned, that all new Class A business centers have been delivered in the central districts of St. Petersburg.

Almost two-thirds of new supply relate to Class B, and 40% goes to BC Sobraniye.

Demand

Vacancy rates in Class A business centers in Q3 2012 decreased by 11.1 percentage point, and amounted 8.2% or 33,900 sq m in absolute terms. In Class B the vacancy rates are 95,400 sq m that amounts to 7.1% from the total supply of the concerned Class (decrease – by 3.1 p.p.).

Projects delivered in QI-QIII 2012

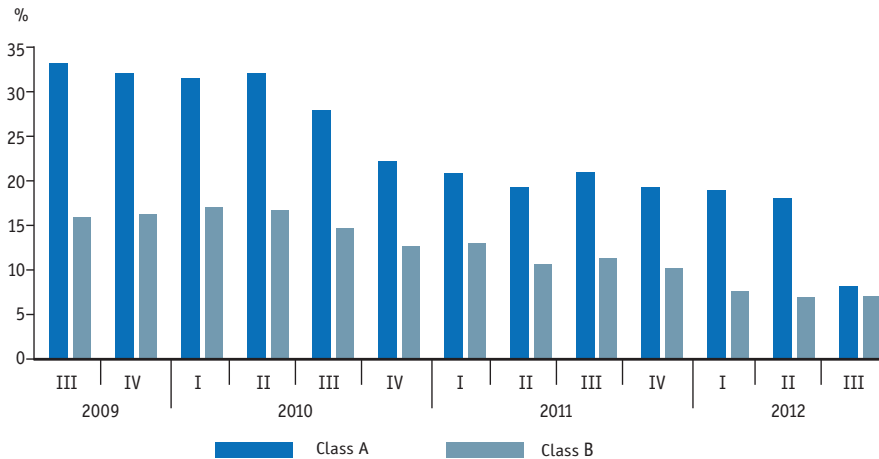
Name	Address	Total area, sq m	Office area, sq m
Class A			
Senator (phase II)	22, 17th line, Vasileostrovsky district	24,800	16,800
Senator (phase II)	80, Bolshoy Ave, Vasileostrovsky district	8,800	6,700
Universe	Lit. A, build. 5, 7-9-11, Universitetskaya Emb	6,500	5,000
Business center on Sinopskaya Emb.	60-62, Sinopskaya Emb	8,200	3,000
Oriental	12, Barochnaya St	5,000	4,000
Class B			
Sobraniye	25, Tsvetochnaya St	56,000	22,100
Russkiye samotsvety (phase II)	Lit. V, 8, Carla Faberzhe Sq	13,000	9,500
MegaPark 2	22, Zastavskaya St	11,700	9,400
Propaganda	Build.4, 35, Marshala Govorova Ave	11,000	9,000
Katsus	Lit. B, 8, Tverskaya St	3,600	2,700
Blagodatnaya, 69	69, Blagodatnaya St	2,800	2,200

Source: Knight Frank St. Petersburg Research, 2012

Q3 2012 OFFICE MARKET REPORT

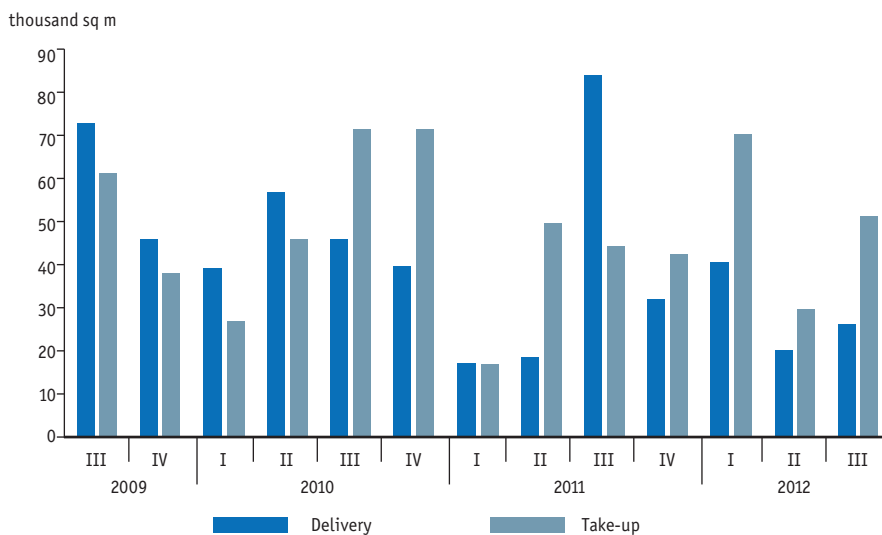
Saint Petersburg

From the beginning of the year the decrease of vacancy rates for quality offices is observed



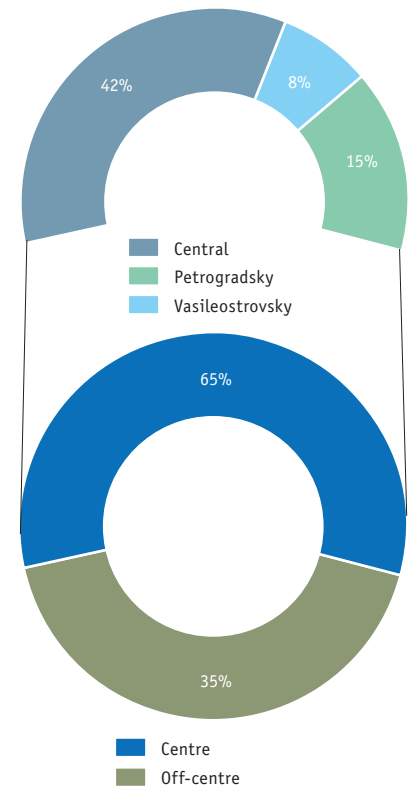
Source: Knight Frank St. Petersburg Research, 2012

During the three quarters of 2012 take-up volume exceeded the commissioning volume in 1.74 times



Source: Knight Frank St. Petersburg Research, 2012

The greatest demand is for the business centers located in central districts of the city



Source: Knight Frank St. Petersburg Research, 2012

Commercial Terms

From the beginning of 2012 rental rates in dollars almost has not changed: in Class A the rate decreased by 1%, in Class B – increased by 4%.

Class A rental rates in the end of Q3 2012 varied from \$310 up to \$710 per sq m p.a. (including operating expenses and excluding VAT), in Class B – from \$200 up to \$680 per sq m p.a.

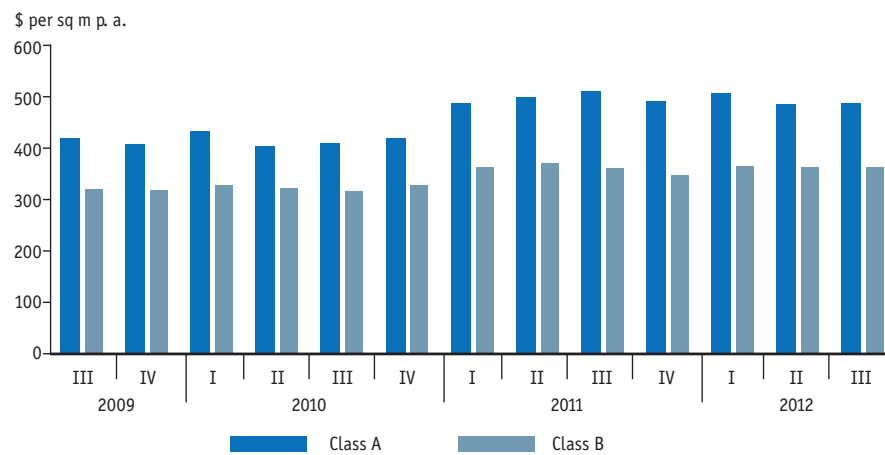
The main transactions concluded in Q1-Q3 of 2012

Company Name	Transaction size, sq m	Property Name	Property Address
Gazprom Invest Severo-Zapad	8,500	Upiter-1	6, Startovaya St
JetBrains	5,000	Universe	7-9-11, Universitetskaya Emb
Gazprom	3,100	Renaissance Forum	61-63, Ligovsky Ave
Nord	3,000	Sankt-Petersburg Plaza	64, Malookhtinsky Ave
QB Finance	3,000	Sankt-Petersburg Plaza	64, Malookhtinsky Ave
Magistral Severnoy Stolitsy	1,313	14, Nekrasova St	14, Nekrasova St

Source: Knight Frank St. Petersburg Research, 2012



Rental rates from the beginning of 2011 up to present are stable



Source: Knight Frank St. Petersburg Research, 2012

Forecast

If the commissioning terms of the projects expected by the end of 2012 will be kept, the total volume supply of the office premises will increase up by 12% in comparison with this rate at the end of 2011. The largest projects, planned to be delivered by the end of 2012, are the business center Leader Tower, mix-used complexes Preobrazhensky and U Krasnogo mosta.

Significant increase of the supply in the market is expected next year. The greater part of new supply will be the 1st stage of the administrative business area Nevskaya Ratusha.

Key projects planned to be commissioned to the end of 2012

Name	Address	Developer	Office premises area, sq m
Class A			
Preobrazhensky	26, Liteyny Ave	Peterburg-Stroy	15,000
U Krasnogo mosta	74, Moyka River Emb	BTK Development	9,000
Zima	44, Sverdlovskaya Emb	Teorema	8,850
Zoologicheskyy	2-5, Zoologicheskyy lane	Vozrozhdeniye Sankt-Peterburga	8,500
Class B			
Leader Tower	Lit. B, 153, Leninsky Ave	Lider Grup	38,000
Vant (phase III)	120, Obukhovskoy Oborony Ave	Paros	11,250
Luch (phase I)	7, Metallistov Ave	Luch	3,750

Source: Knight Frank St. Petersburg Research, 2012

RESEARCH



Europe

Austria
Belgium
Czech Republic
France
Germany
Ireland
Italy
Monaco
Poland
Portugal
Romania
Russia
Spain
Switzerland
The Netherlands
UK
Ukraine

Africa

Botswana
Kenya
Malawi
Nigeria
Tanzania
Uganda
Zimbabwe
Zambia
South Africa

Middle East

Bahrain
UAE

Asia Pacific

Australia
Cambodia
China
India
Indonesia
Malaysia
New Zealand
Singapore
South Korea
Thailand
Vietnam

Americas & Canada

Bermuda
Caribbean
Canada
USA

Office Real Estate

Nikola Obajdin
Director
nikola.obajdin@ru.knightfrank.com

Warehouse Real Estate, land

Viacheslav Kholopov
Director, Russia & CIS
viacheslav.kholopov@ru.knightfrank.com

Retail Real Estate

Sergey Gipsh
Director, Russia & CIS, Partner
sergey.gipsh@ru.knightfrank.com

Residential Real Estate

Elena Yurgeneva
Director, Russia & CIS
elena.yurgeneva@ru.knightfrank.com

International Investments

Heiko Davids
Partner
heiko.davids@ru.knightfrank.com

Professional Consulting Services

Konstantin Romanov
Director, Partner
konstantin.romanov@ru.knightfrank.com

Financial Markets and Investing

Evgeniy Semyonov
Director, Partner
evgeniy.semyonov@ru.knightfrank.com

Valuation Services

Olga Kochetova
Director, Russia & CIS
olga.kochetova@ru.knightfrank.com

Marketing, PR, Market Research, HR

Maria Kotova
Executive Director, Partner
maria.kotova@ru.knightfrank.com

Business Development

Andrey Petrov
Partner
andrey.petrov@ru.knightfrank.com

Saint Petersburg

Nikolai Pashkov
General Director
nikolai.pashkov@ru.knightfrank.com

Kyiv

Yaroslava Chapko
Business Development Director
yaroslava.chapko@ua.knightfrank.com

Established in London more than a century ago, Knight Frank is the renowned leader of the international real estate market. Together with Newmark Company, Knight Frank's strategic partner, the company encompasses 243 offices in 43 countries across six continents.

Knight Frank has been a symbol of professionalism for tens of thousands of clients all over the world for 116 years. After 16 years, Knight Frank has become the leading company in the commercial, warehouse, retail and residential real estate segments of the Russian real estate market. More than 500 large Russian and international companies in Russia have already made use of the company's services.

This and other Knight Frank overviews can be found on the company website www.knightfrank.ru

MOSCOW

Russia, 115054,
26 Valovaya St
Phone: +7 (495) 981 0000
Fax: +7 (495) 981 0011

ST. PETERSBURG

Russia, 191025,
3B Mayakovskogo St
Phone: +7 (812) 363 2222
Fax: +7 (812) 363 2223

KYIV

Ukraine, 04071,
39-41 Horyva St
Phone: +380 (44) 545 6122
Fax: +380 (44) 545 6122

© Knight Frank 2012

This overview is published for general information only. Although high standards have been used in the preparation of the information, analysis, view and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects.

Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank.



Knight Frank
Newmark
Global