



Q1 2018

WAREHOUSE MARKET REPORT

Moscow

HIGHLIGHTS

About 77,600 sq m of quality space was delivered at the warehouse market of the Moscow region in Q1 2018, till the end of 2018 we expect additional 800 thousand sq m to be delivered.

The vacancy rate continued to decrease and in Q1 2018 reached 955,000 sq m.

In Q1 2018 the total volume of lease and purchase transactions of quality warehouse space was 65% higher than the same indicator in Q1 2017.

The average weighted Class A rents for quality warehouses in the Moscow region were adjusted downwards against Q4 2017 and reached 3,600 RUB/sq m/year in Q1 2018.



Vladislav Ryabov

Regional director, Industrial, Warehouses and Land, Knight Frank, Russia and CIS

"The beginning of 2018 was predictable by trends – insignificant delivery, decrease of vacant warehouse space and asking rental rates. At the same time it is important to note the significant volume of transactions – 420 000 sq.m from which a third part has been concluded with assistance of our company. Most part of transactions in Q1 2018 concluded in the completed warehouse buildings".

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Key indicators. Dynamics*

	Q1 2018
Total quality supply volume, thousand sq m	13,437
New delivery, thousand sq m	77.6
Lease and purchase transaction volume, thousand sq m including:	420
lease and purchase in delivered facilities	386
construction of new facilities	34
Vacancy rate, %	7.1 ▼
Class A average weighted asking rental rate, RUB/sq m/year**	3,600 ▼
Operational expenses, rub./sq m/year	1,000–1,200 ▶
The range of asking selling price for Class A, RUB/sq m net of VAT***	30,000–35,000 ▶

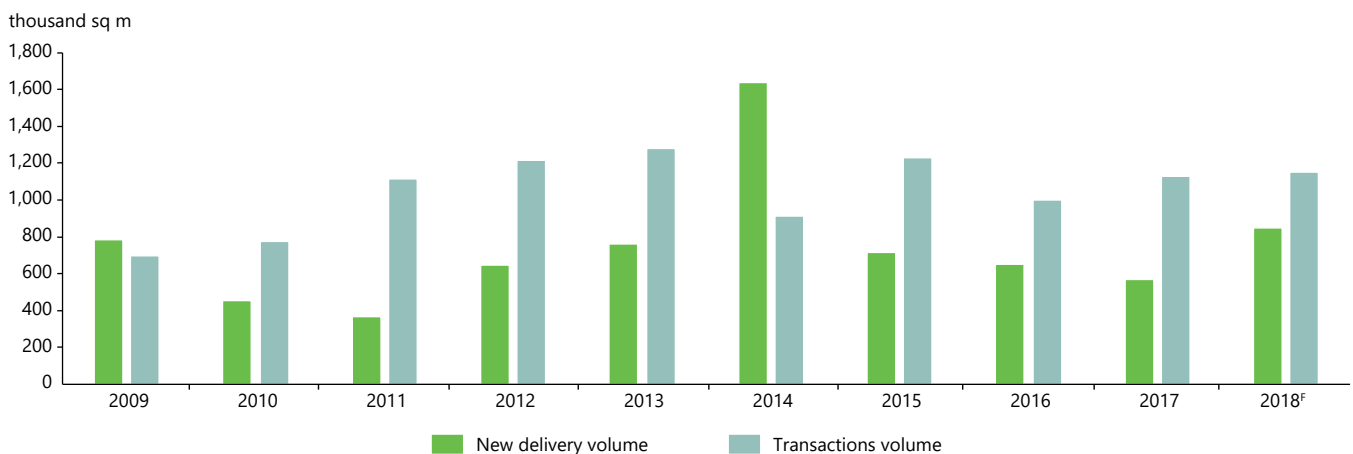
* Change against Q4 2017.

** Hereinafter, the asking rental rate net of VAT, operational expenses and utility bills.

*** The selling price for Class A warehouse property up to 10,000 sq m.

Source: Knight Frank Research, 2018

Dynamics of growth of quality warehouse space and the volume of lease and purchase transactions



Source: Knight Frank Research, 2018

Supply

About 77,600 sq m of quality space was delivered at the warehouse market of the Moscow region in Q1 2018, which was almost 40% higher against last year's figure. One of the largest facilities put into operation for the first 3 months of 2018 was the second phase of the GreenStore production and storage complex with a total area of about 37,000 sq m.

The vacancy rate dropped down by 0.7 p. p. against the final indicator of 2017 and amounted to 7.1% or 955,000 sq m in absolute terms. The largest amount of the vacant space in Q1 2018 was concentrated in the northern and southern direction of the Moscow region, over 29% (or 280,000 sq m) in the northern and over 28% (or 270,000 sq m) in the southern.

25%, or 240,000 sq m, of the total vacant warehouse space was located at up to 15 km from the Moscow Ring Road, almost 39%, or 366,000 sq m, were situated in the distance of 15 to 30 km from the Moscow Ring Road, about 30%, or 288,000 sq m – at a distance of 30 to 45 km from the Moscow Ring Road, the remaining 6%, or 61,000 sq m, were concentrated at a distance of more than 45 km from the Moscow Ring Road.

Demand

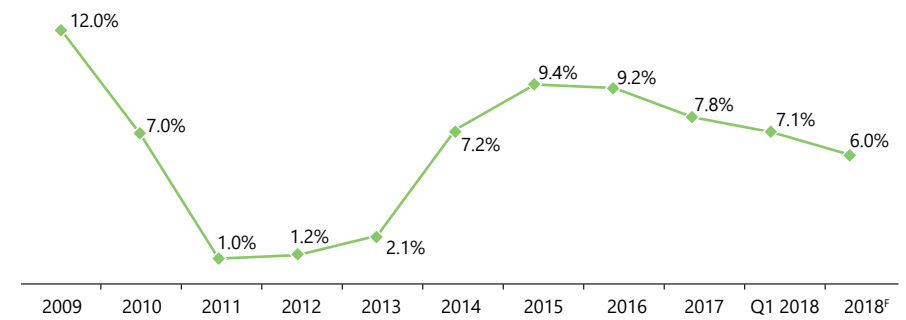
According to the results of Q1 2018 the total volume of lease and purchase transactions of quality warehouse space came up to about 420,000 sq m. This figure was 65% higher than the same indicator in Q1 2017.

The largest volume of Q1 2018 transactions (about 35% or 145,000 sq m) was recorded in the south of the Moscow region. The performance of the north, east and southeast of the Moscow region was set at the level of 17%, or 72,000 sq m, 15%, or 65,000 sq m, and 14%, or 57,000 sq m, respectively. Other directions of the Moscow region accounted for less than 10% of the total transaction volume.

Lease and purchase transactions in completed buildings accounted for about 91%, or 386,000 sq m, of the total volume, the remaining 9%, or 34,000 sq m, were held by built-to-suit transactions. The average value of lease transaction in completed facilities ran up at 9,700 sq m – higher by 1,000 sq m against Q1 2017.

About 32% of the total volume of transactions in the demand structure was formed by

Vacancy rate

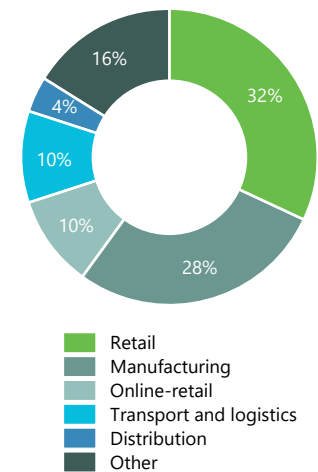


Source: Knight Frank Research, 2018

retail segment. The food retailer VkusVill completed the largest transaction of the segment leasing more than 50,000 sq m in Dixy warehouse complex, located in the PNK Park Severnoe Sheremetyevo on Rogachevskoye highway. Another major transaction in the retail segment was the purchase of Nidan factory in Kotelniki by Maxidom company, the area of the plant was about 41,000 sq m.

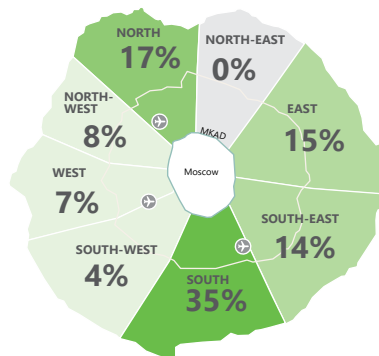
The segment of manufacturing companies ranked second in the structure of the demand: its share was 28% or about 100,000 sq m. The largest lease transaction of this segment for 25,000 sq m was completed by the manufacturer of thermal and acoustic materials Rockwool in Noginsk logistics park. Another major transaction was signed between the developer A Plus Development and the Japanese truck manufacturer Hino Motors for the construction in a built-to-suit format of 14,000 sq m of warehouse space.

Distribution of transactions by tenant/buyer, Q1 2018



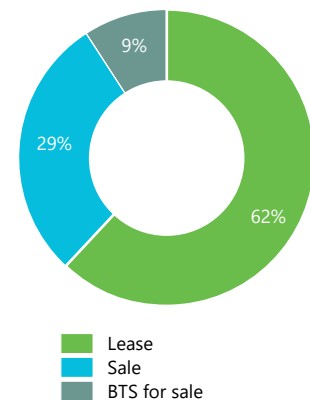
Source: Knight Frank Research, 2018

Distribution of transactions by directions, Q1 2018



Source: Knight Frank Research, 2018

Distribution of transactions by type, Q1 2018



Source: Knight Frank Research, 2018

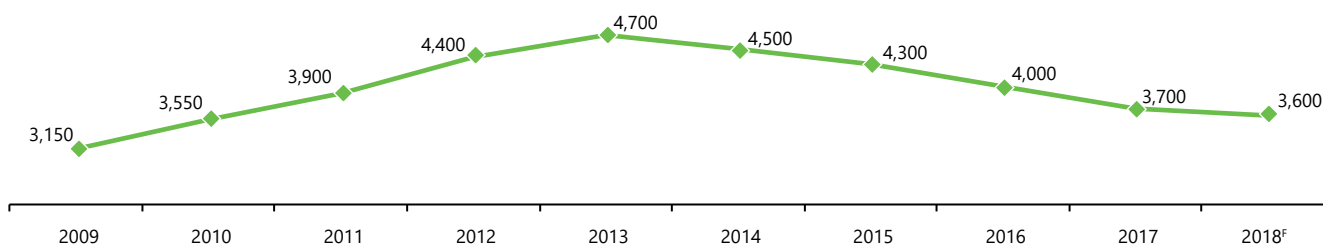
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Major transactions completed in Q1 2018

Tenant	Segment	Property/location	Class	Total area, sq m	Transaction type
Confidential*	Confidential	Ligett-Ducat	B	57,040	Sale
VkusVill	Retail	PNK Park Severnoe Sheremetyevo, Dixy warehouse	A	52,000	Lease
Maxidom*	Retail	Nidan factory	B	41,490	Sale
DNS Retail	Retail	Atlant Park	A	39,250	Lease
Rockwool	Manufacturing	Noginsk logistics park	A	25,790	Lease
Hino Motors	Manufacturing	Vashutinskoe highway, Khimki	A	14,000	BTS
Krasnoe&Beloe*	Retail	Synkovo warehouse complex	A	13,765	Lease
FM Logistic	Transport and logistics	South Gate industrial park	A	9,000	Lease
Fresh Logistic*	Transport and logistics	Borisovsky terminal	A	7,880	Lease
Uvesta*	Distribution	Absolut warehouse complex	A	7,000	Lease

* Transaction assisted by Knight Frank
Source: Knight Frank Research, 2018

Dynamics of average asking Class A rental rates for warehouses in the Moscow region, RUB/sq m/year

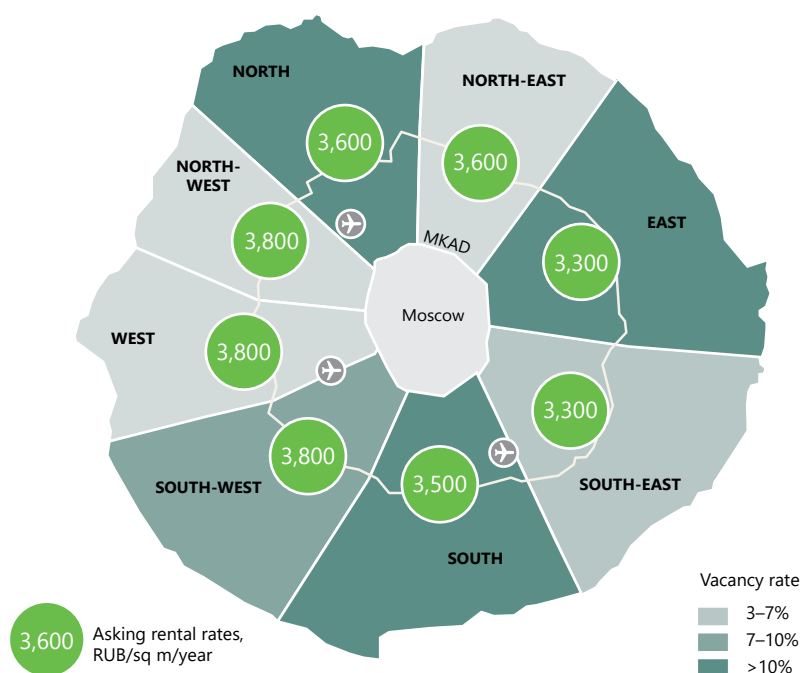


Source: Knight Frank Research, 2018

Commercial terms

The average weighted Class A rents for quality warehouses in the Moscow region were adjusted downwards against Q4 2017 and reached 3,600 RUB/sq m/year in Q1 2018. The highest rental rates of the reported period were registered in the southwest, west and northwest of the Moscow region – 3,800 RUB/sq m/year, the lowest rates were recorded in the east and southeast of the Moscow region – 3,300 RUB/sq m/year.

Asking rental rates and demand volume by directions of Moscow region



Source: Knight Frank Research, 2018

Forecast

The volume of new construction in the Moscow region will reach the level of 800–900 thousand sq m in 2018 according to forecasts of Knight Frank analysts, while more than 50% will be built for an end user.

The vacancy rate will be gradually falling and will be fixed at the level of 5.5–6% by the end of 2018, affected by consistently high demand for completed warehouses and moderate delivery of speculative projects.

We forecast that the rents will be growing slowly in H2 2018 as long as the vacancy rate will be falling, despite the downward adjustment of the asking rental rate in Q1 2018.

According to the estimates of Knight Frank analysts, the main share in the demand structure will be occupied by the segment of retail companies. This segment continues to enlarge the volumes of warehouse space for serving both sales points and the online platform.

The largest warehouses planned for commissioning in 2018

Property	Developer	Area, sq m
Wildberries distribution centre	A Plus Development	145,000
Auchan distribution centre	Radius Group	138,000
Warehouse complex in Esipovo	A Plus Development	90,000
Utkonos distribution centre	Orientir	71,000
Major warehouse terminal, phase 2	Standard Project LLC	57,300
Dmitrov Logistics Park, block D	Ghelamco	50,000
Svitino warehouse complex	VS Nedvizhimost	27,750
Borisovsky terminal, phase 2	Promtechalliance	27,000

Source: Knight Frank Research, 2018

Key indicators of the warehouse market of the Moscow region

Index	2013	2014	2015	2016	2017	2018 ^F
Quality supply volume at the end of the period, thousand sq m	9,603	11,240	11,957	12,789	13,359	14,209
Delivery, thousand sq m	763	1,637	717	709	570	850
Transaction volume, thousand sq m	1,280	911	1,231	1,099	1,196	1,200
Vacancy rate, %	1.9%	9.2%	9.4%	9.3%	7.8%	6.0%
Average weighted asking rental rate for Class A warehouse complexes, RUB/sq m/year	4,700	4,500	4,300	4,000	3,700	3,600

Source: Knight Frank Research, 2018



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