RESEARCH





HIGHLIGHTS

- The growth of high-quality office space for 2012 reached 9% due to the introduction of new properties.
- The take-up volume for 2012 is 15% higher than for the previous year and amounts to 175 thousand sq m.
- The vacancy rate dropped by 12.5 p.p. in Class A and by 4.9 p.p. in Class B to 21% and 6% respectively.
- The average asking rental rates in USD terms demonstrate no significant changes: from the beginning of the year, the growth in Class A amounted to 1%, while the average rate in Class B grew by 9%.

OFFICE Market Report

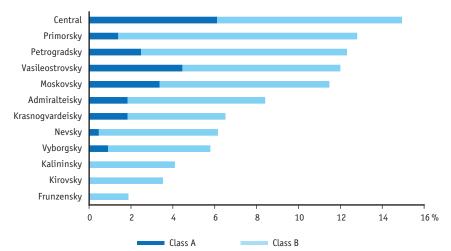


Marina Puzanova Head of Office Department Knight Frank St. Petersburg

The past year for office real estate market can be described as stable and calm. New space delivery was small, leading to a decline in vacancy rates. At the same time, the growth of rental rates for the offered office space was also negligible. Rent deals are evenly distributed across all the quarters with conventional breaks during holidays and vacations. It should be noted that the most active tenants in 2012 were the gas and oil sector companies, and, as usual, the IT sector companies. It is these companies that closed the biggest deals. Several major companies have launched rental campaigns in the past year; a number of new projects with expected delivery span of three years have also been announced. It is particularly pleasant to note the intensification of or international developers: new projects are started, those stalled during the recession, are resumed, and the construction of new phases of existing complexes is continued. We expect year 2013, to be active and competitive due to the introduction of many new areas.

ey indicators. Dynamics		
Indicators	Class A	Class B
Total stock of high quality space, thousand sq m	1,825.8	
including, thousand sq m	455.1	1,370.7
Changes from the end of 2011, %	+21% ^	+6% ^
Delivered in 2012, thousand sq m	152.6	
including, thousand sq m	79.8	72.8
Vacancy rate at the end of 2012, %	6.8	5.3
Changes since 2011, %	-12.5 p.p. ▼	-4.9 p.p. ▼
Asking rental rates*, \$/sq m/year	310-780	230-680
Changes in rental rates in dollar terms since the end of 2011, $\%$	+1% 📤	+9% 📥
* excluding VAT (18%), including OPEX 1 USD = 31.08 RUB Source: Knight Frank St. Petersburg Research, 2013		

Office area supply distribution by districts of Saint Petersburg



Source: Knight Frank St. Petersburg Research, 2013

Key events

- During 2012, 152.6 thousand sq m of office space was delivered. Among the most important projects the following should be noted: Sobraniye, Senator (22, 17th Line of Vasileostrovsky district), Sinop, Russkiye samotsvety, as well as the MFC U Krasnogo mosta.
- Administrative and business district Nevskaya Ratusha (VTB-Development), business centre
- Electro (Fleming Family & Partners), as well as the Renaissance Pravda and Renaissance Premium of the Turkish development company Renaissance Development, announced the beginning of a leasing campaign.
- The construction of previously "frozen" projects, such as Ohta Tower of development company Teorema, Prospect KIM of development company Baltiysky Monolit, and some others got resumed.
- Permission for construction of the first phase of business complex Lahta Centre was acquired, work on the project is at the "zero cycle" phase.
- Major transactions have been concluded: the business-centre Jupiter-1 (10 thousand sq m) has been fully leased to Gazprom Invest Zapad Company and the business-centre Univers (5 thousand sq m) – to IT Company JetBrains.



Supply

According to the end of 2012 data, the total stock of supply amounted to 1,825.8 thousand sq m. Most of the stock belongs to the Class B business centres – 75%, 1,370.7 thousand sq m. Compared with the figure towards the end of 2011, the stock volume of office space grew by 9%: 21% in Class A and 6% in Class B.

The maximum amount of quality supply in the operating business centres is concentrated in the Central District of the city: more than 250 thousand sq m. Followed by the Primorsky District, characterized by active commercial real estate development in the last 4-5 years. Vasileostrovskiy and Petrogradsky Districts house more than 200 thousand sq m of office space each. It should be noted that the Moscowsky District began its business development only recently, and is comprise around 200 thousand sq m of office space.

Demand

The vacancy rates in business centres came close to pre-recession levels by the end of 2012. The value of Class A for the year decreased by 12.5 p.p. compared to the same figure, recorded



Property	Address	Total area, sq m	Office area, sq m
	Class A		
Senator (phase II)	22, 17 th Line, Vasileostrovsky district	24,800	16,800
Sinop	22F, Sinopskaya Emb	21,000	12,000
-	2-4 bld A, Zoologichesky Lane*	19,400	8,500
U Krasnogo mosta	73-79, River Moyka Emb	10,000	8,200
Senator (phase II)	80, Bolshoy Ave, Vasileostrovsky district	8,800	6,700
Univers	5, 7-9-11 bld A, Universitetskaya Emb	6,500	5,000
Oriental	12, Barochnaya St	5,000	4,000
	Class B		
Sobraniye	25, Tsvetochnaya St	56,000	22,100
Russkiye samotsvety (phase II)	8 bld B, Karla Faberzhe Sq	13,000	9,500
MegaPark 2	22, Zastavskaya St	11,700	9,400
Propaganda	35 bld 4, Marschala Govorova St	11,000	9,000
Zhelty Ugol	35 bld A, Marschala Govorova St	11,000	8,300
Vant (phase III)	120, Obukhovskoy Oborony Ave	11,000	8,500
Katsus	8 bld B, Tverskaya St	3,600	2,700
-	10 bld A, Tambovskaya St*	3,000	2,300
_	200A, Ligovsky Ave*	3,000	2,000

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2012 OFFICE MARKET REPORT

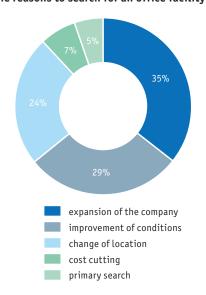
Saint Petersburg

at the end of 2011, amounting to 6.8% or 31.1 thousand sq m in absolute terms. Within Class B, 73.2 thousand sq m remain vacant, which is 5.3% of the total supply of the considered class (a decline by 4.9 p.p.).

During the past 2012, notable positive changes took place on the commercial real estate market. Due to the intensification of business and retention of a stable economic situation, most companies inquiring for the search of new premises, planned to expand and improve their conditions. However, the post-recession effects on the market are still felt, that is due to a small number of companies seekiing for a new office.

The highest activity in 2012 falls with the companies engaged in the fields of information technology and telecommunications, oil and gas companies, and construction enterprises.

More than 60% of potential tenants indicate the company expansion and a desire to improve current working conditions as the reasons to search for an office facility



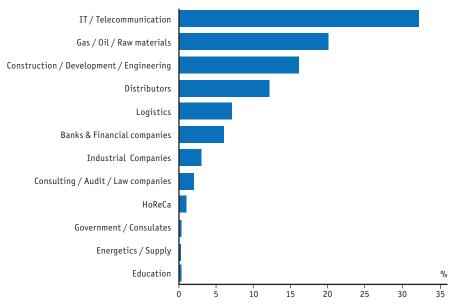
Source: Knight Frank St. Petersburg Research, 2013

Since the beginning of 2012, a decrease in vacancy rates on the market of high-quality office space has been observed, especially in Class A.



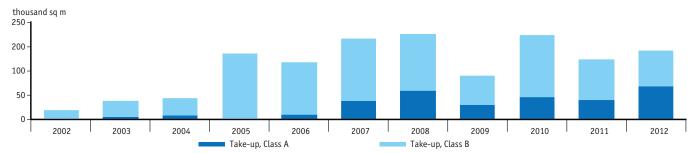
Source: Knight Frank St. Petersburg Research, 2013

Tenants distributions by profile (according to the area occupied by the tenants)



Source: Knight Frank St. Petersburg Research, 2013

Take-up volume for 2012 exceeded the 2011 figure by 15% and amounted to just over 175 thousand sq m



Source: Knight Frank St. Petersburg Research, 2013





ey transactions of 2012					
Company	Lease area, sq m	Property	Address		
Gazprom Invest Zapad	10,000	Yupiter-1	6, Startovaya St		
JetBrains	5,000	Univers	7-9-11, Universitetskaya Emb		
Dorproyekt	3,500	Sky Trade	20, Repishcheva St		
Gazprom	3,100	Renaissance Forum	61-63, Ligovsky Ave		
Nord	3,000	Saint Peterburg Plaza	64, Malookhtinsky Ave		
QB Finance	3,000	Saint Peterburg Plaza	64, Malookhtinsky Ave		
Main System	1,917	Senator	22, 17 th Line, Vasileostrovsky District		
220 Volt	1,905	Senator	17 th -18 th Line, Vasileostrovsky District		
Magistral Severnoy stolitsy	1,313	14, Nekrasova St	14, Nekrasova St		
Source: Knight Frank St. Petersburg Rese	earch, 2013				

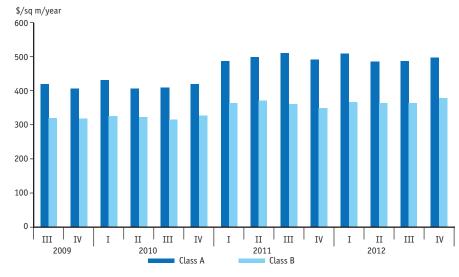
Commercial conditions

Asking rents for office space during 2012 changed in waves. No significant changes in U.S. dollar terms were noted. Compared with the end of 2011 figures, the weighted average rate of rent by the end of 2012 grew by 1% in Class A and by 9% in Class B. Rental rates for Class A office space ranged from 310 to 780 \$/sq m/year (including OPEX, but excluding VAT), and in Class B – from 230 to 680 \$/sq m/year. At the same time, according to the ongoing contractual agreements, the indexation of lease rates for office space typically remains within the range of 8–10%.

Forecast

In 2013, a significant growth in supply little more 320 thousand sq m is expected on the market. Most of the new stock will be located in Class A business centres. Of the major projects, administrative and business district Nevskaya Ratusha, Leader Tower, Renaissance Pravda, and Technopolis Pulkovo should be noted.

Lease rates dynamics for Class A and B office space, Q2 2009 – Q4 2012



Source: Knight Frank St. Petersburg Research, 2013

2012 OFFICE MARKET REPORT

Saint Petersburg

Property	Address	Developer	Office area, thousand sq m
	Class A		
Leader Tower	153, Leninsky Ave	Lider Grup	38.0
Nevskaya Ratusha (phase I)	Degtyarny Lane / Novgorodskaya St / Moiseenko St	VTB-Development	37.9
Renaissance Pravda	12-14, Khersonskaya St	Renaissance Development	19.8
Exhibition and Convention Centre ExpoForum	Shushary, Peterburgskoye Hwy	ExpoForum	20.0
Technopolis Pulkovo (phase II)	40, Pulkovskoye Hwy	Technopolis Sankt- Peterburg	19.4
Senator (phase III)	37a, Professora Popova St	Holding Imperia	17.3
Lenizdat	57, River Fontanka Emb	Litera, Tekhnostroy, Rurik Management	13.0
-	74, River Fontanka Emb	Adamant	12.1
Preobrazhensky	26, Liteyny Ave	Peterburgstroy	11.5
Zeppelin	6, Startovaya St	Avielen A.G.	10.4
Okhta Tower (phase I)	28, Khimikov St	Teorema	9.0
-	5 bld B, Mira St	Tektoniks	4.0
/elikan Park	4, Aleksandrovsky Park	Interkom	1.3
	Class B		
Renaissance Premium	14, Reshetnikova St	Renaisanse Development	13.6
Luch	27, Metallistov Ave	Peterburgstroy	13.3
Bazel (part of MFC)	23, Novgorodskaya St	RBI	9.8
Russkiye samotsvety (phase III)	8, Faberzhe Sq	Russkiye samotsvety	9.0
Zima	44, Sverdlovskaya Emb	Teorema	8.4
-	51, Magnitogorskaya St	Dalpiterstroy	7.4
-	Pulkovskoye Hwy	Vozdushnyie Vorota Severnoy Stolitsy	6.9
-	Shushary, Pulkovskoye Hwy	Terminal Resurs	6.1
-	59 bld V, Stachek Ave	Magnum	6.0
Alfa	19 bld E, Pulkovskoye Hwy	Universal-Spetstekhnika	5.6
part of the Steel rolling mill territory)	1, 26 th Line, Vasileostrovsky district	Sferrum	5.5
Γkachi	60, Obvodny channel Emb	Owental	5.4
(within residential complex)	5, Kovensky Lane	Vozrozhdeniye Sankt-Peterburga	5.0
Moskva	2, Aleksandra Nevskogo Sq	Adamant	4.8

RESEARCH



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