



## Q1 2013 OFFICE MARKET REPORT

Saint Petersburg  
**Knight Frank**

### HIGHLIGHTS

- In Q1 2013, only one business center was officially delivered. The growth of office space therefore amounted to less than 1%.
- Take-up volume in Q1 2013 amounted to 20 thousand sq m, which is two times lower than the figure in Q4 2012.
- Despite a slight drop in vacancy rate for Class A facilities, the total indicator for the market has slightly increased due to the predominance of Class B properties, whose amount of free space has grown.
- Average asking rental rates in USD terms show no significant changes. Since the end of 2012, rental rates in Class A have not changed, while those of Class B experienced a decline of 2% due to the fluctuation of currency exchange rates.

## OFFICE MARKET REPORT



**Marina Puzanova,**  
Head of the Office  
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Knight Frank  
St. Petersburg

"The beginning of the year was active in terms of both demand and supply. Despite the fact that only one object has officially been delivered, the amount of new affordable rental space grew as major office projects, whose delivery is scheduled for Q2 and Q3 of this year, entered active stage of marketing. Over the past three months, several major lease transactions have either been concluded or are in the final stages of signing in both finished business centers, and those under construction. It should be noted that the lease deals for properties under construction are very rare for our market, thus, one should hope this trend would strengthen during the year: the developers will abide by the stated period of construction, and the tenants will not be afraid to lease such spaces.

Furthermore, over the past period, we have noted an outflow of tenants from business centers of Class B. The volume of vacant space in this segment has slightly grown. Tenants prefer new business centers of a higher quality, as the lease rate for them is currently comparable to that in Class B, whereas comfort level is much higher. Still, the most popular are the high quality premises with a lease rate of up to 465 \$/sq m/year (including operating expenses and VAT) for non-central locations and up to 580 \$/sq m/year (including operating expenses and VAT) for office buildings in the central part of the city".

### Key indicators. Dynamics

Key indicators	Class A	Class B
Total stock, thousand sq m	1,822.1	
including, sq m	437.2	1,384.9
Changes since 2012, %	+0%	+1%
Delivered in Q1 of 2013, thousand sq m	11.8	
including, sq m	0	11.8
Vacancy rate by the end of Q1 of 2013, %	6.2	6.0
Changes since 2012, %	-0.6 p.p. ▼	+0.6 p.p. ▲
Asking rental rates*, \$/sq m/year	300–795	200–695
Rental rates changes in USD equivalent since 2012, %	0%	-2% ▼

\* Excluding VAT (18%), including Operational Expenses, 1 USD = 31.1 RUB  
Source: Knight Frank St. Petersburg Research, 2013

### Key events

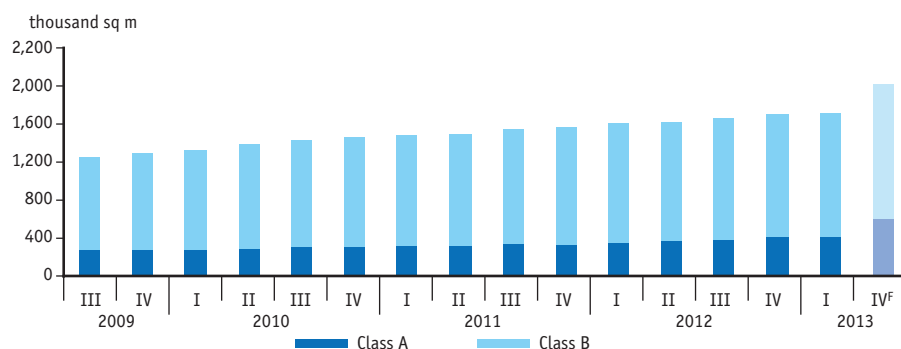
- Class B business center Megapark officially opened on 22 Zastavskaya St.
- In terms of leased space, IT and telecommunications companies, as well as construction/engineering companies take the lead.
- Delivery of a Class B business center with the total area of 2.5 thousand sq m on the Finnish Lane was announced for September 2013.

### Supply

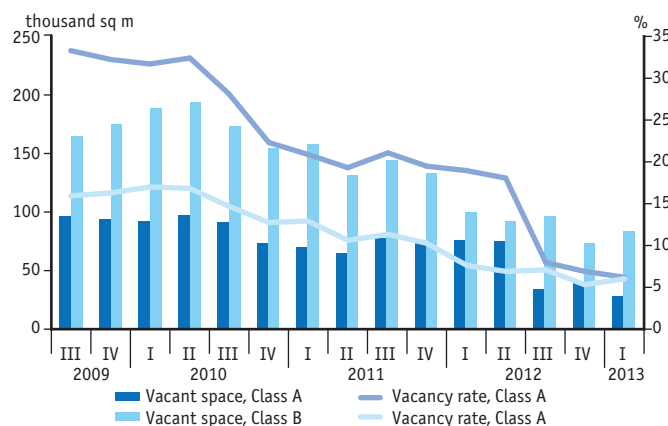
The market high quality office properties stock Q1 of 2013 was supplemented by one object of a total rentable area of 11.8 thousand sq m. However, before the end of the year delivery of around 300 thousand sq m of office space is expected.

The total stock volume at the end of Q1 2013 amounts to 1,822.1 thousand sq m. The main stock share belongs to business centers of Class B – 76% or 1,384.9 thousand sq m.

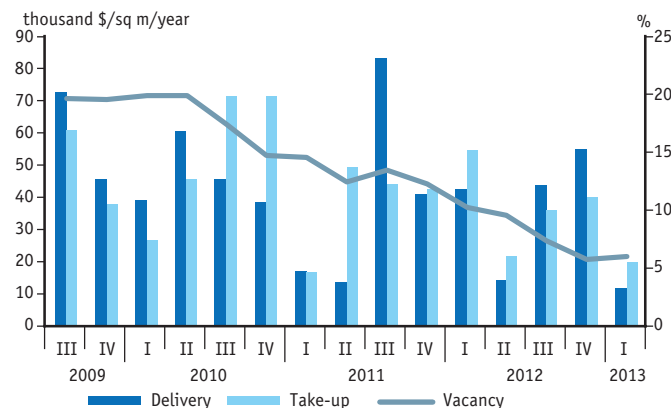
### Stock dynamics for Q3 2009 – Q4 2013 (expected values are given as end-year figures)



Source: Knight Frank St. Petersburg Research, 2013


**Dynamics of the volume and vacancy rates by Class, Q3 2009 – Q1 2013**


Source: Knight Frank St. Petersburg Research, 2013

**Dynamics of delivery, absorption, and vacancy rates for both Classes, Q3 2009 – Q1 2013**


Source: Knight Frank St. Petersburg Research, 2013

## Demand

In the first three months of the current year, the demand for office real estate on the market of St. Petersburg was quite active. The vacancy rate for Class A dropped by 0.6%, while Class B experienced an increase of 0.6% due to

the outflow of tenants to the business centers of Class A. In view of the fact that the market is concentrated in Class B objects (76%), the overall market indicator has slightly increased. However, there is a possibility of growth of vacancy rate by 3–4 p.p., especially in Class A, due to the presence of a significant amount of unoccupied space in the business

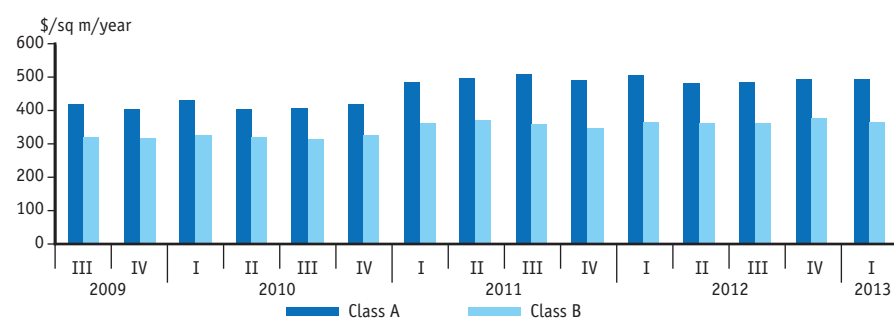
centers, which are scheduled for delivery in Q2 and Q3 2013.

During the first months of 2013, the market had absorbed a total of 20 thousand sq m of high quality office space, which is about two times less than in the previous quarter.

## Key deals in Q1 2013

Tenant	Area, sq m	Building	Address
Confidential	3,913	Confidential	Confidential
Mail.Ru Group	2,100	Renaissance Pravda	12–14 Hersonskaya St
Mainteks	1,200	Technopolis Pulkovo (2 <sup>nd</sup> line)	40 Pulkovskoe Hwy
SGS Vostok	1,140	Aeroplaza	8 Startovaya St
Gazprom Marin Bunker	1,120	Senator	76 7 <sup>th</sup> line V.O.
Confidential	918	Confidential	Confidential
Forum Media	728	Afonskaya, 2	2 Afonskaya St
Energoinvest	685	Vant	120 Obukhovskoy Oborony Ave
Confidential	392	Grechesky	13–15 Ligovskiy Ave

Source: Knight Frank St. Petersburg Research, 2013

**The dynamics of lease rates for office space in Classes A and B for Q2 2009 – Q4 2013**


Source: Knight Frank St. Petersburg Research, 2013

## Commercial terms

Based on the results of Q1 2013, asking rental rates in USD terms have not undergone major changes: rental rate for Class A has not changed, while for Class B it dropped by 2% due to the fluctuations in the exchange rate.

Rental rates for Class A office space ranged from 300 to 795 \$/sq m/year (including operating expenses but excluding VAT), and in Class B – from 200 to 695 \$/sq m/year (including operating expenses but excluding VAT).



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UK  
Ukraine

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