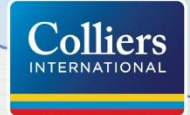


MOSCOW

# INDUSTRIAL MARKET

Q3 2016



Accelerating success.

## Research & Forecast Report Industrial market

### Supply

As of Q3 2016, the total stock of quality industrial space in the Moscow region market reached 12.4 million sq m, of which Class A properties constitute 10.0 million sq m, and Class B properties account for 2.4 million sq m.

In Q1-Q3 2016, 385,000 sq m of industrial space was put into operation, which is two times lower than the figure for the same period in 2015.

The largest property delivered in Q3 2016 is a distribution centre for Leroy Merlin located in the south of the Moscow region in the South Gate industrial park. Also worth noting is the delivery of four buildings with a total space area of 50,000 sq m in the Vnukovo II logistic complex, built speculatively by the developer Logistic Partners.

All industrial objects delivered since the beginning of the year are located in the south, south-east and south-west part of the Moscow region.

Major industrial complexes, completed in Q3 2016		
PROPERTY	DEVELOPER	AREA, SQ M
South Gate	Radius Group	88,990
Vnukovo II logistic complex	Logistic Partners	50,000
Britovo warehouse complex	Modern Industrial Technology	49,000
PNK-Valishevo (bldg. 8, part 1)	PNK Group	34,000

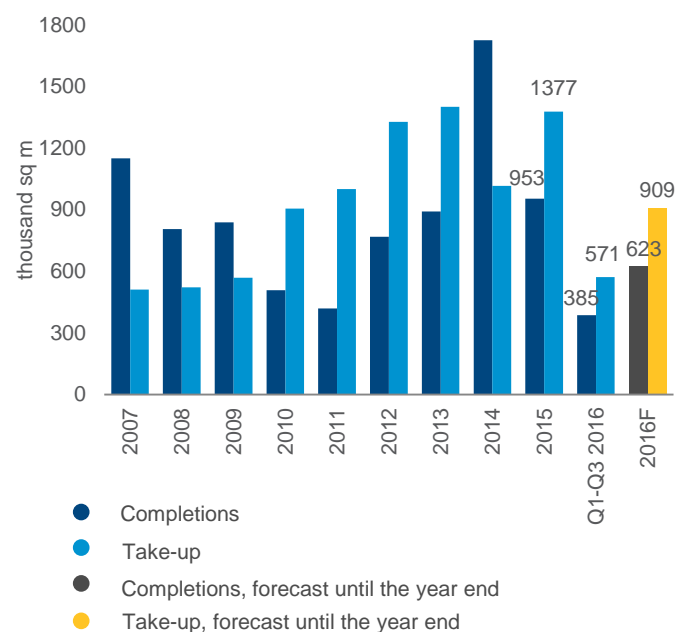
Source: Colliers International

Key market indicators		
INDEX	Q1-Q3 2015	Q1-Q3 2016
Total stock, million sq m	11.6	12.4
Completions, thousand sq m	729.7	385.0
Take-up, thousand sq m	635.2	601 ↓
Vacancy rate, %	9.7	11.2 ↑
Average rental rate, RUB/sq m/year*	4,100	3,800 ↓
Average sale price, RUB/sq m*	43,000	40,000 ↓

\*Here and below rental rates are given excluding VAT, OPEX and utilities, the sale price is net of VAT.

Source: Colliers International

### Completions and take-up



Source: Colliers International

## Demand

In Q3 2016, the highest take-up activity in the market was demonstrated by retailers and distribution companies. One of the biggest transactions in this segment was lease by company Svyaznoy 12,770 sq m of warehouse space in the Severnoe Domodedovo industrial logistic complex. However, 28% of demand is accounted for manufacturing companies and consumer goods industry. The biggest transaction in this segment was made by the automotive manufacturer BMW, which signed a built-to-suit agreement for 34,000 sq m of industrial space for long-term lease in the PNK-Bekasovo logistic park.

In Q3 2016, we observed interest by manufacturing companies in leasing or purchasing small stand-alone buildings. For example, in Q3 2016 food producer SeaProd leased 5,000 sq m for its own production.

Also many companies continue to optimise logistic expenses by moving from one warehouse object to another or expanding their current warehouse on favourable commercial terms. Latest examples are Iron Mountain and WildBerries, which expanded in the South Gate industrial park and Podolsk warehouse complex respectively.

## Vacancy rates

According to figures for Q3 2016, the vacancy rate in the Moscow market did not change significantly. At the end of the first nine months of 2016, the vacancy rate is 11.2% or 1.4 million sq m, of which 95,000 sq m is Class B.

Due to the low level of new completions, we predict that the vacancy rate will continue to decrease.

## Rental rates

The average rental rate for Class A warehouse space in Q3 2016 was within RUB3,700 –3,800/sq m/year for standard dry warehouse, and RUB3,000-3,500/sq m/year for Class B.

In the current economic situation, warehouse developers are actively looking at competitors' pricing policies and offering favourable commercial conditions for potential clients. This mostly concerns projects located in close proximity to each other or within one area. For example, there are some Class A warehouse objects proposing Class B commercial conditions.

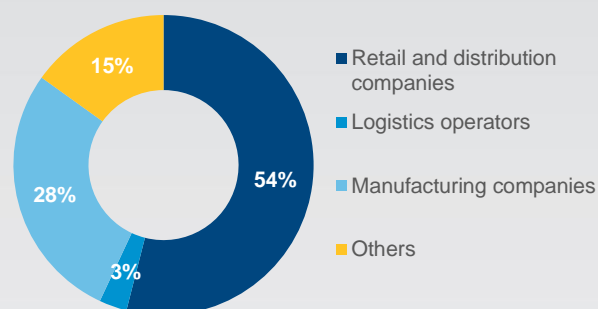
At present, the largest developers such as PNK Group, A Plus Development, Stroitelny Alliance are prepared not only to act in the built-to-suit format on its industrial parks but also as a general contractor to build warehouse on a client's land plot.

### Major lease and sale transactions in Q3 2016

COMPANY	PROPERTY	AREA, SQ M
WildBerries	Podolsk warehouse complex	46,000
BMW	PNK-Bekasovo	34,350
Svyaznoy	Severnoe Domodedovo	12,770
Iron Mountain	South Gate	9,100

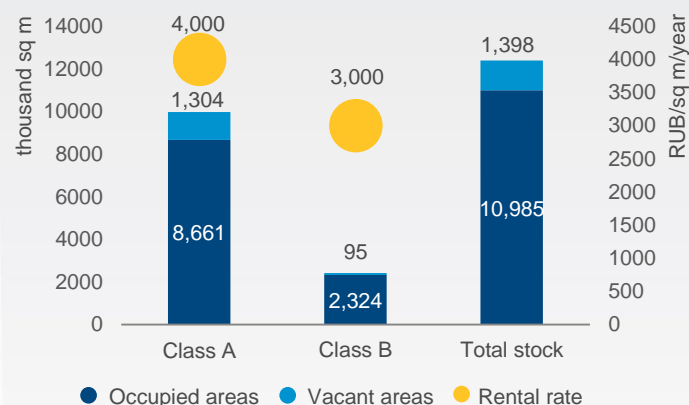
Source: Colliers International

### Take-up distribution by tenant type in Q3 2016, %



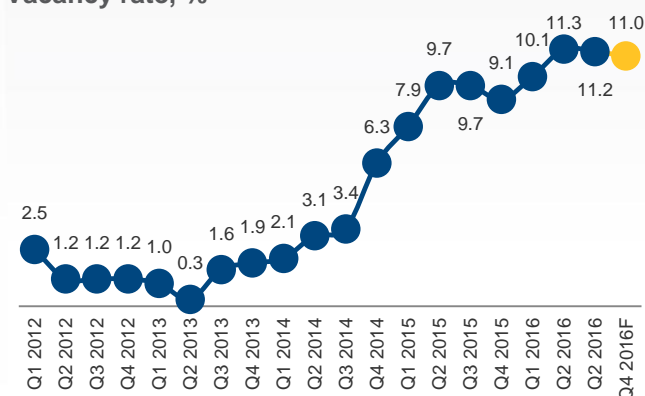
Source: Colliers International

### Vacancy rates and rental rates of Class A and B in Q3 2016



Source: Colliers International

### Vacancy rate, %



Source: Colliers International

## Trends and forecast

On the back of high supply, potential tenants and customers are able to choose a suitable object (or land plot), that will meet logistics requirements on favourable commercial terms.

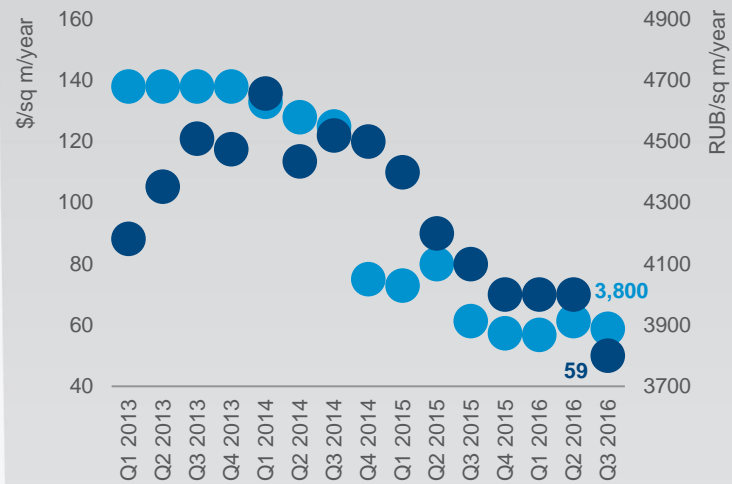
In this highly competitive market, developers have begun to propose not only large blocks up to 5,000 to 10,000 sq m but blocks of 2,000-2,500 sq m, due to many potential clients optimising their logistics processes and not needing a large warehouse space.

Up to the end of 2016, it is forecasted that 240,000 sq m of Class A space will be put into operation, and the vacancy rate will remain at the level of 11.0%.

### Major warehouse complexes scheduled for completion in Q4 2016

PROPERTY	DEVELOPER	AREA, SQ M
PNK-Valishevo, bldg 8, part 2	PNK Group	74,000
Klin Logistic, Phase I	Amtel	56,000
Logopark Sever-2, Phase II	Logopark Development	44,000
Logopark Dmitrov, Phase III (Block C 1)	Ghelamco	19,840

### Rental rates\*



\*Rental rates are calculated using the average exchange rate for the last month of the quarter

Source: Colliers International

# 554 offices in 66 countries on 6 continents

United States: **153**

Canada: **34**

Latin America: **24**

Asia Pacific: **231**

EMEA: **112**

## \$2.5

billion in  
annual revenue

## 185.8

million sq m  
under management

## 16,000

professionals  
and staff

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