

RUSSIA

Industrial Market Snapshot

Fourth Quarter | 2017



MARKET INDICATORS

Market Outlook

- Prime Rents: Were stable in 2017, the same rental levels are expected next year. ▶
- Prime Yields: Yields are experiencing gradual decrease caused by the market stabilization. ▲
- Supply: New construction volume keeps decreasing. ▲
- Demand: Stable but weak in the Moscow region. Increasing in the regions. ▶

Prime Industrial Rents – December 2017

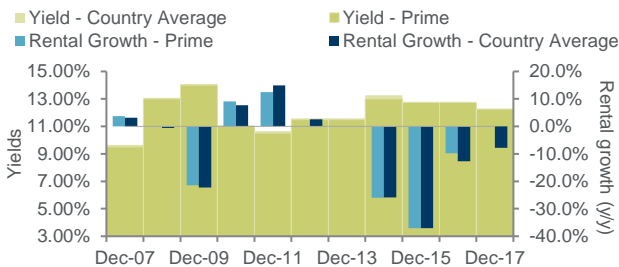
LOGISTICS LOCATIONS	RUB	€	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Moscow	3,300	47.6	5.31	-9.6	-18.2
St Petersburg	3,800	54.8	6.12	0.0	-15.9

Prime Industrial Yields – December 2017

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Moscow	12.25	12.50	12.75	14.00	9.50
St Petersburg	13.50	14.00	14.25	15.00	10.00

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

The demand for warehouse space has been stable for the last two years in Moscow. Combined with lower levels of construction activity and a reduction in the vacancy rate by the end of Q4, we have seen a stabilisation in rent levels.

Occupier focus

In 2017, demand in the regions increased compared to 2016 while in Moscow it remained stable. Rental rates are stable. In some regions, the level is now even higher than in Moscow due to the limited supply and retailers' expansion. Large retailers are the demand drivers of logistics demand as they expand into regional markets. Increased activity in Russian regions in 2017 resulted in deal's volume growth - 1.85 m sq. m compared to 1.45 m sq. m in 2016.

Investment focus

Industrial sector covers only 10% of the total investment volume in 2017 (€362m). The majority of schemes involved in the investment deals are located in regional markets, with Moscow's share of the total at just 30%. International and local investors are equally active in the market.

Outlook

We expect demand in 2018 to be maintained at 2017 levels. New construction and vacancy rate will continue to decrease. Rental rate is expected to remain stable.

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