

RUSSIA

Industrial Market Snapshot

Fourth Quarter | 2018



MARKET INDICATORS

Market Outlook

- Prime Rents: Rental rates increase is possible as the market is experiencing the lack of speculative construction. ▶
- Prime Yields: Due to investment market compression, we expect yields to grow. ▶
- Supply: In Moscow, new construction will keep the level of 2018. In the regions, construction activity growth is expected. ▶
- Demand: To remain stable high in Moscow. ▶

Prime Industrial Rents – December 2018

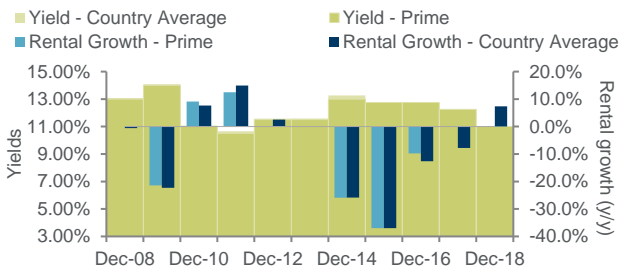
LOGISTICS LOCATIONS	RUB	€	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Moscow	3,600	47.7	5.04	9.1	-16.8
St Petersburg	3,800	50.4	5.32	0.0	-15.9

Prime Industrial Yields – December 2018

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Moscow	11.00	11.50	12.25	14.00	10.50
St Petersburg	12.00	12.50	13.50	15.00	11.00

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

In 2018, the demand for warehouse space in the Moscow region was record high – take up comprised around 2 mn sq. m. The demand for warehouses in the regions is lower than in Moscow.

Occupier focus

In the Moscow region, the vacancy rate is gradually decreasing. New tenants prefer built-to-suit to ready-to-move warehouses. After the decrease of the land prices, developers are offering to construct warehouses with good transport accessibility on land plots closer to Moscow. So, tenants have the beneficial option to move to more suitable and modern warehouse complexes, which drives the demand.

Investment focus

Investment activity in W&I sector is lower compared to other segments and comprises only 15% of the total volume in 2018. However, the share of foreign capital is the largest among other segments – 30% of deals were made with involvement of foreign investors.

Outlook

In Moscow, the demand for warehouse space is expected to remain high next year, the share of built-to-suit projects is going to increase and reach around 50% of the pipeline for 2019. Therefore, the vacancy rate will continue to decrease.

In the regions, we expect the growth of warehouse space supply – large projects both built-to-suite and speculative are currently under construction.

Tatyana Divina

Associate Director, Research
 Gasheka Street, 6, Moscow, 125047, Russia
 Tel: +7 495 797 9600
tatyana.divina@cushwake.com
cushmanwakefield.com