

Results 2023

# Warehouse and Industrial Market

Russia | Saint Petersburg

**Table 1**

Key market indicators

Source: Nikoliers

	2021	2022	2023
Total supply, million sq m	3.6	4.0	4.4
Completions, thou sq m	162	441	383
Total take-up, thou sq m	625	318	966
Vacancy rate, %	0.5	2.1	0.4
Asked rental rate as of the end of September, RUB/sq m/year*			
Class A	6,300	6,000	7,800
Class B	5,600	5,500	6,800

\*The rental rates indicated do not include OPEX and VAT.

Median OPEX figures for warehouses of Class A and B amount to 1,000–1,500 RUB/sq m/year.

## Supply

The construction of new high-quality storage facilities continues at a high pace – by the end of 2023, more than 383,000 sq m had been commissioned in the St. Petersburg agglomeration, which is 13% lower than the figure for 2022, but 1.8 times higher than the average annual for 10 years (217,000 sq m).

The warehouse market in the agglomeration amounted to 4,406,000 sq m as of the early January. Of this amount, approximately 1.5 million sq m were commissioned from 2019 to 2023. Two thirds of the storage space commissioned over the last five years were built for companies’ own needs, including the build-to-suit scheme. The remaining facilities were declared as speculative though quite often they

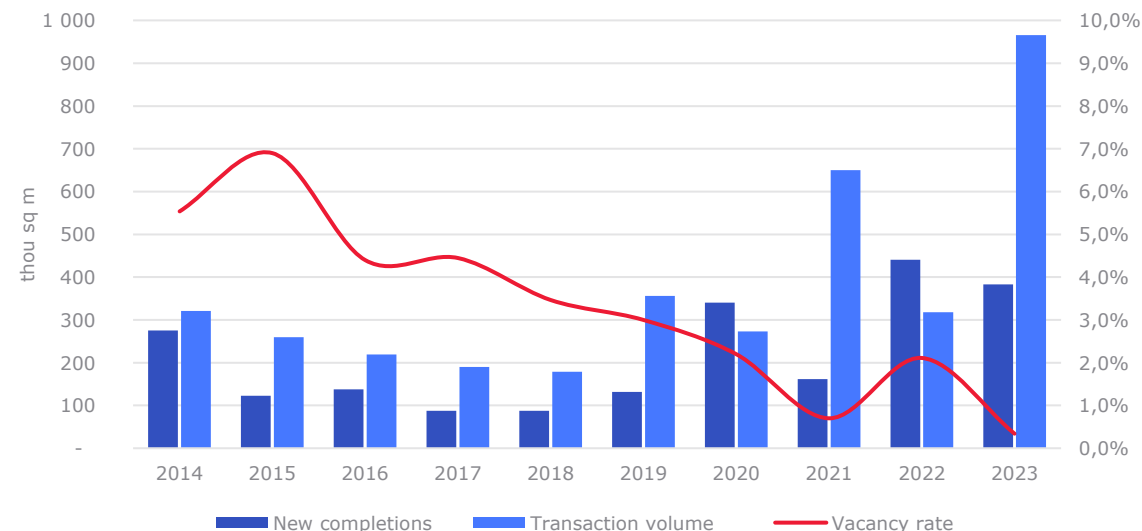
were never rolled out to the open market, as tenants were found before construction was completed in order to choose the most efficient and less risky scenario for their monetization.

A similar situation will hold sway in the years to come: many projects currently under construction have already been let out. By the end of 2024, several speculative warehouse projects with a total area of about 260,000 sq m are scheduled for commissioning in the St. Petersburg agglomeration. However, most of these premises are no longer available for lease. If all of the announced facilities have been delivered by the end of 2024, another 440,000 sq m will hit the market.

**Chart 1**

Dynamics of commissioned space, transaction amount and vacancy rate

Source: Nikoliers



## Demand and key transactions

According to the results for 2023, the demand in the industrial real estate market of St. Petersburg reached a new record which is 966,000 sq m, showing an increase of 1.5 times compared to the previous maximum figure in 2021.

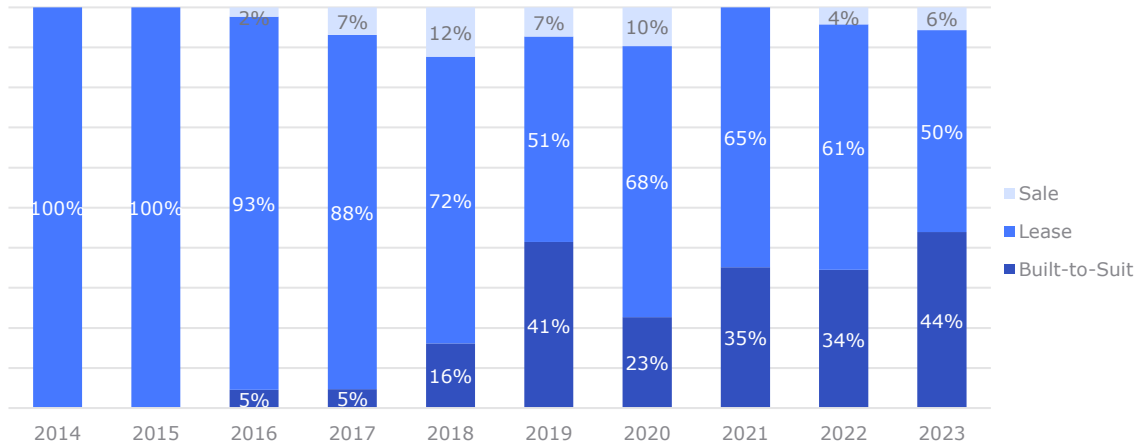
In the breakdown of concluded transactions by their type, lease transactions accounted for the largest share (50% or 486,000 sq m). That said, the build-to-suit projects are gaining momentum, accounting for 44% of the demand, or 425,000 sq m, which is caused by an extremely acute shortage of vacant premises that do not meet all the requirements of key market players. A further tendency towards BTS deals can be predicted, which is justified by insufficient commissioned space in speculative facilities which are incapable to fully satisfy large customer demands.

Retailers and distributors prevail if we look at the structure of demand (79%, or 762,000 sq m). Ozon, which is gradually increasing its warehousing capacity across the country is particularly restless. It accounted for more than 55.6% of the total demand totaling to about 260,000 sq m. However, most of these premises are no longer available for lease. If all of the announced facilities are delivered by the end of 2024, another 440,000 sq m will hit the market.

**Chart 2**

Breakdown of demand by type of transactions for 2023

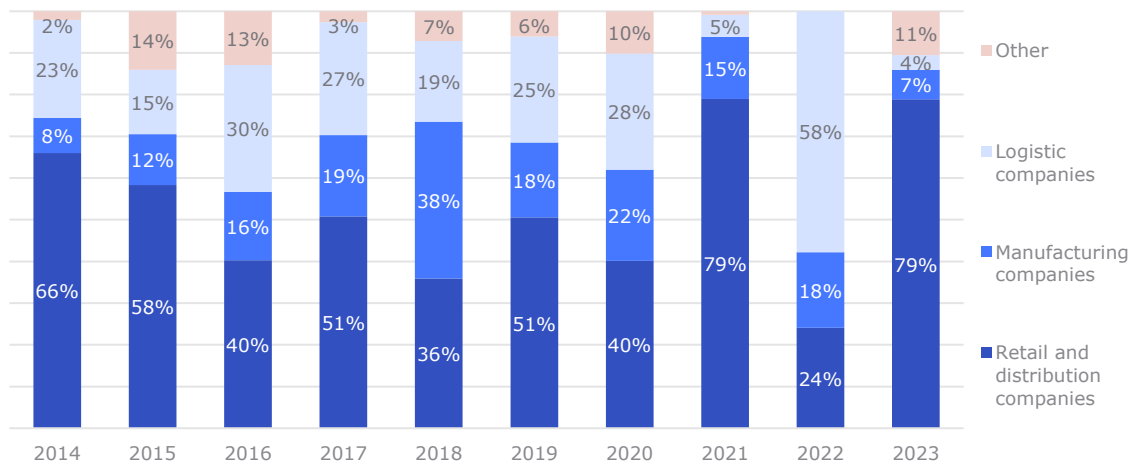
Source: Nikoliers



**Chart 3**

Breakdown of demand by tenant profile for 2023

Source: Nikoliers



**Table 2**

Key projects (facilities) commissioned in 2023

Source: Nikoliers

District	Zone	Project (facility)	Developer	Floor area, sq m
Pushkinsky	Shushary	Armada Park Shushary LC	Adamant LLC	108,063
Pushkinsky	Shushary	PNK Park Shushary 3 LC	PNK Development LLC	64,109
Kolpino	Shushary	RUSICH-Shushary LC	RUSICH-Shushary LLC	53,999
Lomonosovsky	Gorelovo	Proekt 111 LC	Proekt 111 LLC	29,691
Vsevolozhsky	Bugry	OZON Bugry DC	DEVELOPMENT-S LLC	26,323
Lomonosovsky	Gorelovo	SMC Pneumatic LC	SMC Pneumatic LLC	14,981
Tosno	Fedorovskoye	Grando LC	Grando MC	14,384
Pushkinsky	Shushary	Prombox-2 LC	PromBox LLC	10,854
Lomonosovsky	Kuznetsy	Severnaya Zvezda LC	Gloria LLC	10,715
Vsevolozhsky	Murino	Octavian LC	ALLIANCE LLC	10,499
Frunzensky	Gorod	Dessert Fantasy LC	Dessert Fantasy LLC	7,170
Pushkinsky	Shushary	RTA Road LC	Olymp-Logistika LLC	6,191

**Table 3**

Key transactions for 2023

Source: Nikoliers

Company	Sector	Format	Area, sq m	Warehouse complex
Ozon	Retail and distribution companies	BTS-lease	120,000	PNK Park Kolpino IP
Ozon	Retail and distribution companies	BTS-lease	117,450	Orientir Yanino LC
Ozon	Retail and distribution companies	BTS-lease	117,450	PST Poroshkino LC
Ozon	Retail and distribution companies	Lease	77,615	100K LC
VseInstrumenty.ru	Retail and distribution companies	Lease	60,330	PNK Park Shushary 3 IP
Ozon	Retail and distribution companies	Lease	41,470	PNK Park Shushary 3 IP

## Vacancy rate and asked rental rates

The shortage of space in the agglomeration’s warehouse market has persisted over the past few years, despite the active construction of new facilities. In the midst of restless activity of tenants bent on aggressive expansion and the low amount of new speculative supply, which is contracted already at the construction stage, the vacancy rate in quality storage facilities kept on declining throughout 2023 reaching its historical low by the end of December, amounting to 0.3% (about 12,000 sq m).

Even if we take hidden vacancy and possible subleasing into account, no more than 70,000 sq m of industrial space can be leased in the agglomeration. The competition between potential tenants is particularly tough for units of 5-7 thousand sq m, which can very rarely be found. High demand amid “close to zero” vacant supply continues to push up the rental rates.

Over the year the average rate in Class A increased by 30% to 7,800 RUB/sq m/year\*, in Class B – by 24% to 6,800 RUB/sq m/year\*. Meanwhile in the inner-city facilities or in the most popular locations, the requested rate may exceed 8,000 rubles/sq m/year\*.

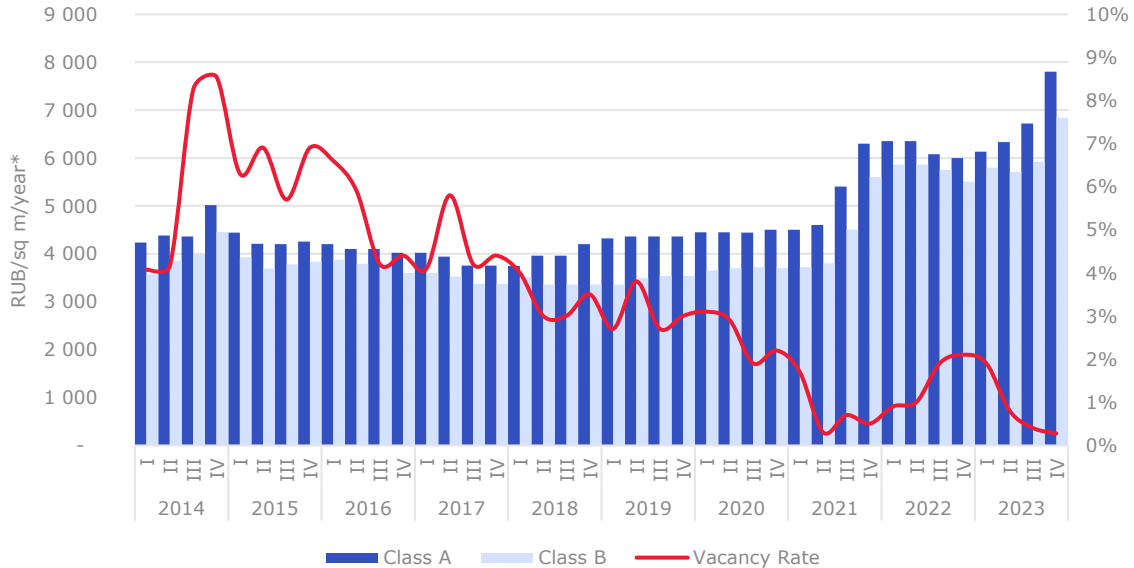
Many owners are not in a hurry to announce the asked rate, collecting offers from potential tenants as their first step. As a result, the rate requested by the owner may significantly rise in the course of negotiations, while the rental rates for projects under construction become close to and sometimes exceed the market average in ready-to-use projects.

With rampant demand, we expect that rents to grow further in 2024.

**Chart 4**

Dynamics of the share of vacant premises, “hidden vacancy” and asked rental rates by classes\*

Source: Nikoliers



\*The rental rates indicated do not include OPEX and VAT.

Median OPEX figures for warehouse premises in classes A and B range from 1,000 to 1,500 RUB/sq m/year.

## Trends and forecast

### In the years to come plenty of industrial space is expected to be commissioned in the region

Existing speculative facilities cannot meet the current demand. The desperate need for warehousing capacity continues to stimulate federal retailers, large grocery chains and marketplaces, as well as logistics companies supporting their operations, to increasingly resort to the construction of build-to-suit facilities with the participation of regional and federal developers, as well as to plunge into independent construction of facilities with the involvement of building contractors and fee developers.

Russian manufacturers, which are actively developing in the backdrop of the import substitution trend, are also experiencing great problems finding warehouses and production facilities in St. Petersburg. Among them are manufacturers of auto parts, government contractors (b2g sphere) and food production enterprises.

Currently, more than 1 million sq m of warehouses (including for own needs) are under construction and design, with commissioning announced during the next couple of years.

### The demand in the region’s market set a new record, despite the scarcity of vacant space.

In 2023, marketplaces continued to grow, and the trend towards import substitution stimulated Russian players to occupy the niches vacated in the market, actively increasing the stock of goods and creating demand for warehouse space.

Amid the accumulated shortage, demand is partially satisfied by tenant rotation and replacement, as well as the conclusion of preliminary agreements in projects under

construction as well as build-to-suit transactions.

Since the beginning of 2023, more than 966,000 sq m of quality storage space has been sold, which is a record for the entire history of the market. At the moment the unsatisfied demand for the purchase or lease of quality warehouse premises in the city exceeds 500,000 sq m. Curiously enough, more than one third of this space can potentially be purchased rather than rented by businesses.

### During the past year companies bought more than 100 hectares of land earmarked for industrial development in the St. Petersburg agglomeration.

Under an acute dearth of market supply, for many companies this becomes the only option of getting a warehouse, factory or distribution center they need. One of the biggest deals is the purchase of 30 hectares within the M10 industrial park in the Tosno district by online retailer Wildberries. In addition, Prombox purchased 4.7 hectares in the Greenstate industrial park for the development of an industrial warehouse project. Several new residents “entered” the industrial park “Sofiysky”: 11 hectares for a distribution center was purchased by pharmaceutical group POLISAN, 2 hectares – by SMT (design and construction of gas supply systems), 1.15 hectare – by Sovremennaya Laboratoriya (production of medical furniture), and others.

## Victor Afanassenko

Regional Director  
Warehouse&Industrial Department

“The industrial real estate market in St. Petersburg, despite the emerging concerns about possible changes in logistics chains, confidently holds the second position in the rankings of demand and absorption in Russia.

The megacity and the North-Western region in general never ceases to generate demand from consumers and retail chains for storage services, warehouse processing and efficient delivery of merchandise. There is also a strong demand for production facilities.

The region will continue to demonstrate significant business activity, which is the best evidence of its sustainability, advancement and attractiveness.”



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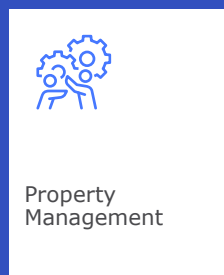
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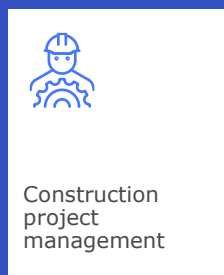
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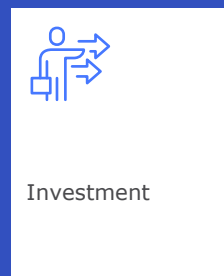
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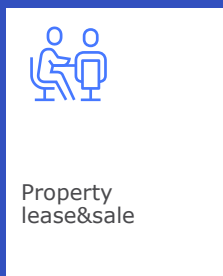
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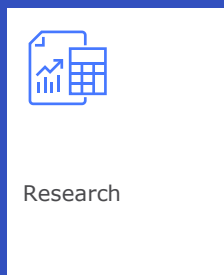
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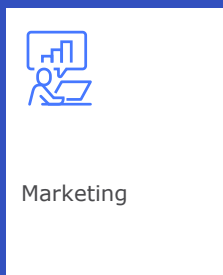
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Representation of tenants



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