IPG.ESTATE

REVIEW OF **OFFICE REAL ESTATE** MARKET

Results of the first half of 2019

- Total volume of quality offer in the office segment of St. Petersburg at the end of the first half of 2019 remained at the level of 2.6 million sq. meters.

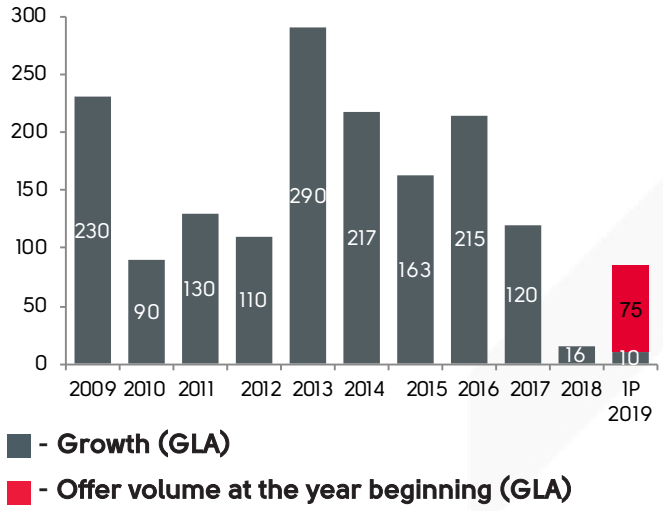
- In the first half of 2019, about 10,000 sq. meters of speculative offer appeared in the market.

- B/B+ class dominates in the offer structure with a share of 56 %, the share of A class is 44 %.

- The geographical structure of the offer is not changed. Petrogradsky, Moskovsky and Centralny districts are still the leaders.

- According to our forecasts, offer growth in the segment of high-quality office space by the end of 2019 will have been 85,000 sq. meters.

Dynamics of High-Quality Office Space Growth, tousand sq. m



Segment Development

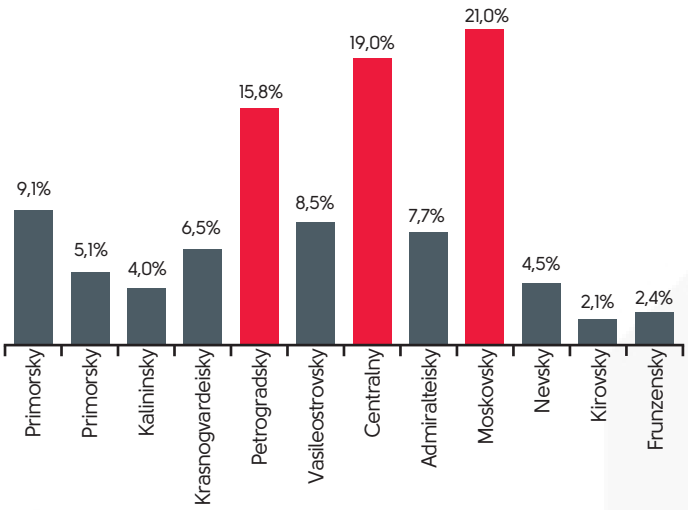
- In 2019, major players in the office real estate market resumed their development.

- In 2019, Zanevskiy Kaskad MFC with office space of 40,300 sq. meters is expected to be introduced to the market by Adamant Holding Company in Centralny district. For the first half of 2020, a new business center is scheduled to be launched as part of Zolotaya Dolina residential complex in the same location.

- Active development of Moskovsky district continues: construction of the 3rd stage of Premier League Business Center (18,000 sq. meters) is close to its completion; Atlas City Project (the first building with an area of 15,500 sq. meters, the second one – 13,500 sq. meters) will be implemented within the next year; construction of another Airport City Tower (16,000 sq. meters) has been started; Adamant Holding Company is constructing the 2nd stage of Sobranie BC (27,663 sq. meters), its launch is scheduled for the 2nd quarter of 2020.

- Emperia, FHC bought a building on Bolshaya Morskaya, 30 with an area of 6,300 sq. meters from VTB Bank.

Offer Geographical Structure



- Renaissance Development introduced Renaissance Fontanka A Class Business Center with a total area of 4,500 sq. meters.

- By the end of 2019, Teorema MC will complete the renovation of a former industrial building into Polyustrovo Business Park with an area of 4,583 sq. meters. In addition, plans for the construction of two new business centers have been announced.

- Glorax Development plans the construction of Golden City business district on alluvial territories of Vasilievsky Island with a total area of more than 100,000 sq. meters.
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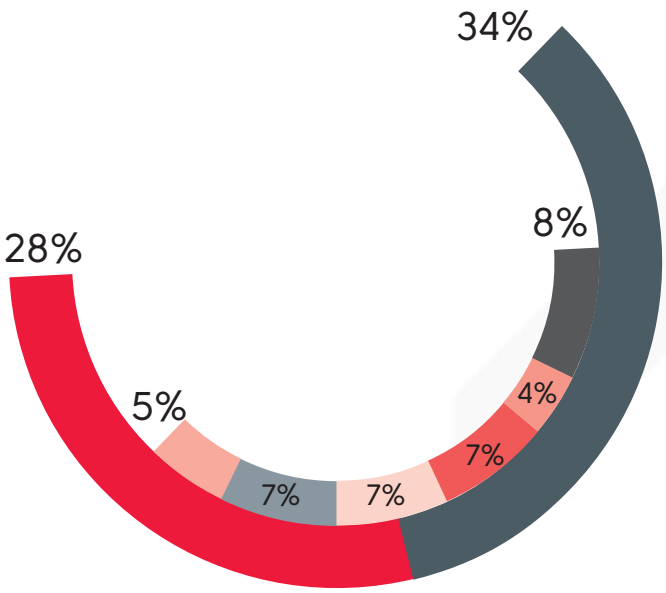
• Mergence in the office real estate segment for the first half of 2019 amounted to 50,000 sq. meters, exceeding the indicator of the first half of 2018.

• In the mergence structure against industry branches, IT segment remains the leader with a share of 34% of the total volume of transactions. St. Petersburg, as one of the cities with high-quality technical universities, is one of the main cities with an actively developing IT segment. The volume of IT companies is growing, they need new quality offices.

Industry Demand



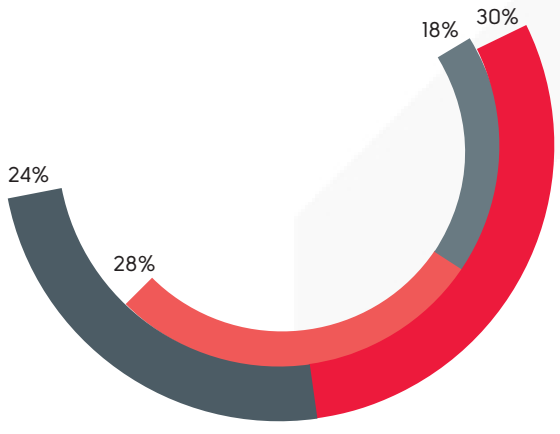
IT & Telecommunications
Oil/Gas
Other
Construction
Production Companies
Banks/Finances
B2B
Trading Companies

Key transactions of the office segment for the first half of 2019

Lessee	Area	Facility	Class
Gazpromneft	7 000	New Holland	A
Cambridge International School	7 000	BC on Mebelnay Street	-
Tele 2	4 100	Premium	A
IT-company (IIPG.Estate's Transaction)	3 538	At the Red Bridge	A
Huawei (IPG.Estate's and Cushman & Wakefield's Transaction)	1 500	Renaissance Plaza	A
Scout Company Group (IPG.Estate's Transaction)	1 030	Lakhta-2	B+
Liden & Denz	743	BC "Rosstro" network on the street. Zhukovsky, 3	B

• In 2019, it became known that the head company of Gazprom, PJSC will occupy the office space in Lakhta Center. The assets of Lakhta Center MFC, JSC was estimated at $2.5 billion. Therefore, at the moment a land plot for the construction of an office for Gazprom Neft is being looked for. It is planned to make a decision on the land plot by the end of the first quarter of 2020. According to our estimates, the company will need about 120 – 150 thousand square meters of office space to consolidate all the structures within its future headquarters.

Demand Regarding Requested Area



• In 2019, a new local player – Page network – appeared in the co-working segment. It is also planned to launch a number of interesting projects. Praktik co-working network will open three locations in St. Petersburg; WeWork international co-working network plans to enter the market of St. Petersburg.

• The total market of co-working space today is about 12,000 sq. meters, represented both by single projects and network ones: Regus, Grow up, Praktik, Office M, Cyferblat.

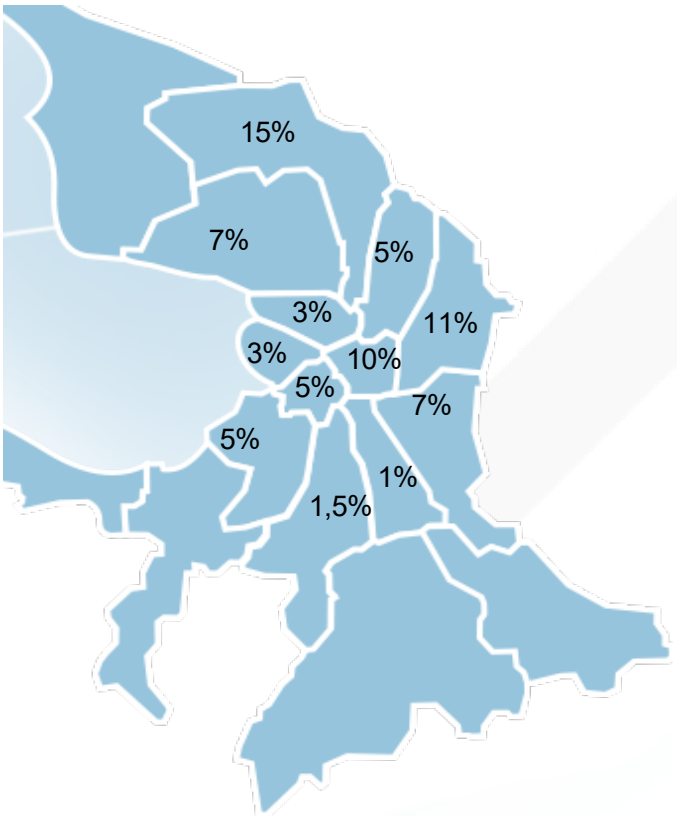
200 - 500 sq. m
more than 500 sq. m
100 - 200 sq. m
up to 100 sq. m

- The total rate of vacancy space at the end of the first half of 2019 in the office segment of St. Petersburg is 5.5 %. The vacancy rate in class A segment is 7.8 %, the vacancy rate in class B/B+ segment is 3.2 %.

- The geographical structure of demand distribution showed the leadership of Moskovsky and Petrogradsky districts, where the lowest vacancy rate was registered.

146,000 sq meters is a total volume of available office space in the market of Saint Petersburg

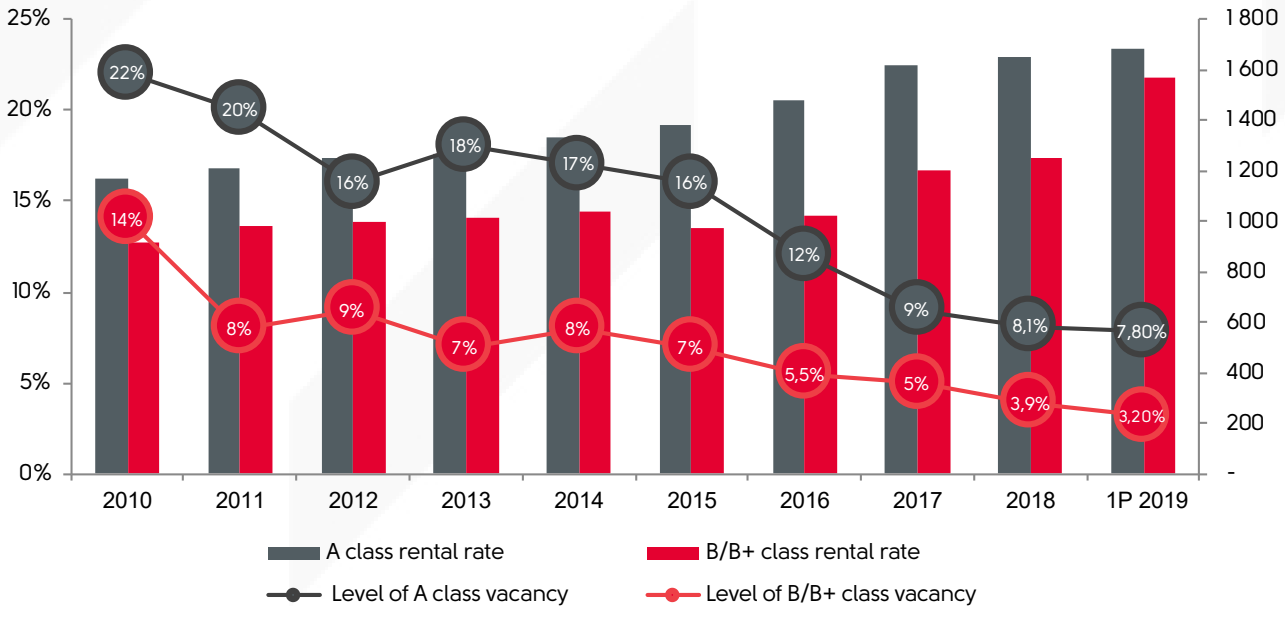
Vacancy Level Against Districts of St. Petersburg



- At the end of the first half of 2019, an average level of rental rates for A class office premises is 1,680 rubles per sq. meter per month, including VAT and utilities payments.

- An average level of rental rates for B/B+ class office premises is 1,250 rubles per sq. meter per month, including VAT and utilities payments.

Dynamics of Rental Rates and Vacancy Level



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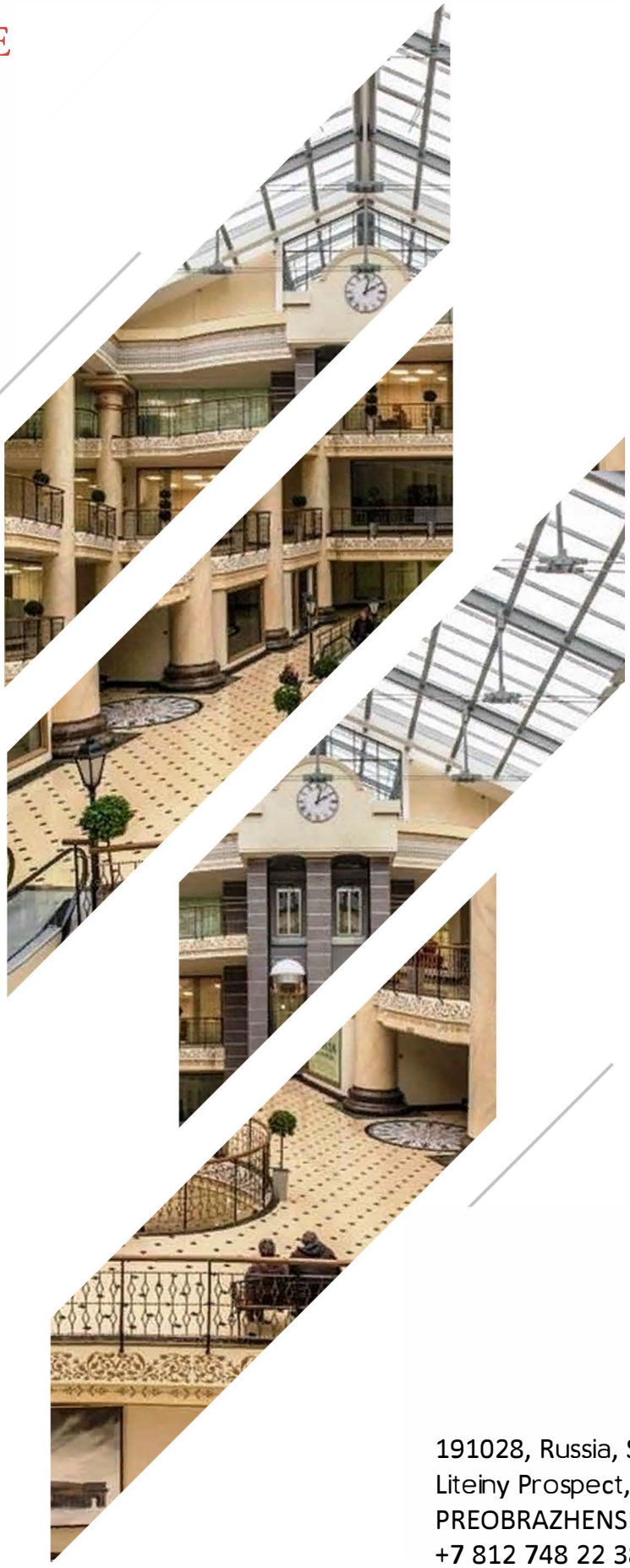

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