

MARIS

MARKET OVERVIEW

OUTLOOK
2020

SAINT PETERSBURG

KEY FINDINGS

Investment

In 2020, interest in income producing properties in St Petersburg was at a fairly high level. Investment in St Petersburg real estate amounted to almost RUB 60 bln. Due to the lack of such large transactions as in 2019, the volume of investments in the region decreased by 40% and made up just over 20% in the whole-Russia figure. This result was reached mainly due to the unprecedented demand for industrial and warehouse real estate as well as for land plots for development.

Office market

Key trends on the office market in 2020 was insignificant growth of new speculative construction and stable demand for office properties. The aforementioned factors have kept vacancy rates low in the market, as well as moderated the negative dynamics of rental rates.

The flexible-office-space sector (coworkings) continued its active development in 2020. Restrictive measures had little effect on the sustainability of this segment. Increased demand and growth of rental rates were observed in the segment.

Warehouse market

For the third straight year, unprecedented volume of demand ensured almost hundred per cent absorption of new speculative supply, and vacancy rates remained at record lows.

The retail and distribution sector was the leader in terms of demand in 2020. The number of non-investment transactions to acquire industrial and warehouse assets in the secondary market increased. There was an increase in construction of non-speculative warehouse properties by using industrial enterprises' own resources and at their own expense as well.

Retail market

In 2020, one shopping center and a hypermarket were opened in St Petersburg. The third phase of Outlet Village Pulkovo was put in operation as well. As of December 2020, about 6.0% of space was vacant in shopping centers. The average level of asking rental rates in shopping centers has begun to decline.

Hotel market

The hospitality industry has suffered the most as a result of restrictive measures and international traffic closures. At the end of 2020, despite a record 70% drop in demand, all the accommodation facilities that suspended their activities during the "lockdown" period returned to the market. According to preliminary estimates, the recovery of the industry in "pre-COVID" volumes can be expected no earlier than 2023.



Class	Stock (GLA), m ²	Vacancy	Completions (GLA), m ²	Average rental rates, P [*]
A	1,195,900	4.2%	100,300	1,920
B	2,542,900	9.0%	37,500	1,310

* per m²/month, incl. VAT and OPEX

Stock

In 2020 the increase in new supply amounted to 137.8 ths. m² of rental space, which is by 3.1% higher than the total amount of premises commissioned in 2019. Most of the newly built office centers are related to non-speculative properties (60%) in contrast to completions of 2019. The volume of new speculative construction was 55.4 ths. m² vs 130.1 ths. m² a year earlier. The overall increase in high-quality office market was 3.7%.

The 2nd stage of the 1st construction phase of Lahta center multifunctional complex, the largest nonspeculative office center in the city, was put into operation in Q3 2020 (GLA = 80 ths. m²).

In 2021, 260 ths. m² of office spaces are expected to be commissioned (+89% to completions of 2020). Speculative supply growth will amount to 199 ths. m² (3.6 times higher than in 2020) provided the construction deadlines are met.

Demand

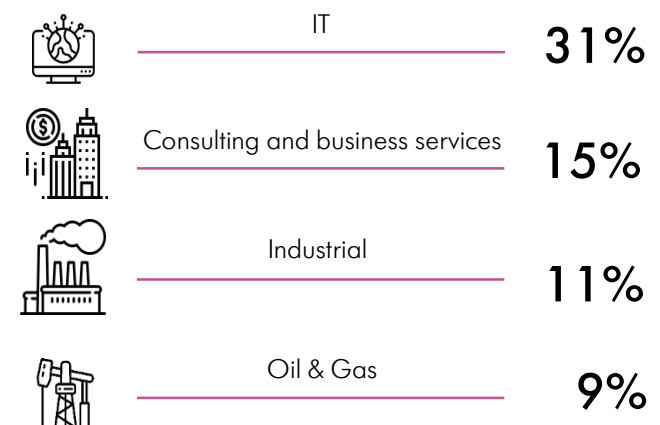
The main demand, as in previous years, has been formed by IT companies. The share of this sector accounted for 31% of the office space leased in 2020.

The volume of lease transactions on office market in 2020 went beyond 200 ths. m².

SPECULATIVE OFFICE BUILDINGS COMMISSIONED IN 2020

Name	Gross leasable area, m ²
Premier Liga 3 rd phase	12,900
Obvodniy 28	11,900
House 12, the New Holland	11,300
Bronka Space	8,800
1, Nevsky Pr.	5,000
Avenue Page	4,000

STRUCTURE OF TRANSACTIONS BY INDUSTRIES IN 2020



Source: Maris | Part of the CBRE Affiliate Network



Occupancy

Insignificant growth in new speculative supply along with a stable level of demand in the market restrained the mass release of quality office spaces in 2020.

The volume of vacant space increased by the end of 2020. The average vacancy rate in class A and B business centers grew by +1.1 p.p. and amounted to 7.5%. At the end of December 2020, 280 ths. m² was vacant in class A and B office centers.

In class A office centers the vacancy rate increased by +0.9 percentage points by December 2019, and made up 4.2%. 9.0% office space was vacant in Class B office centers (+1.0 p.p. to December 2019).

Rental rates

The average rental rates in class A office buildings decreased by 2.0% compared to December 2019 and amounted to 1,920 Rubles per m² per month, inclusive of VAT and operating expenses.

The average rental rates in class B buildings amounted to 1,310 Rubles per m² per month, inclusive of VAT and operating expenses. The increase was 3.1% compared to December 2019.

Maris' share

25,400 m² were transacted with the participation of Maris | Part of the CBRE Affiliate Network in 2020.

Maris for 10 years retains a leading position among international consultants in terms of transacted office space volume.

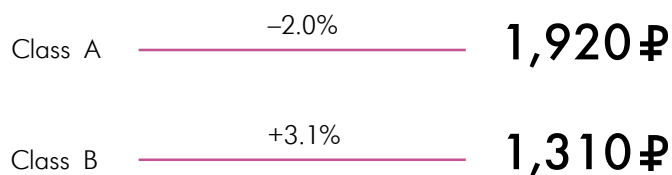
MAJOR LEASE DEALS, 2020

Tenant	Area, m ²	Office center	Class
Gazprom subdivision*	8,800	Depo	A
OSK	7,000	Senator	A
Speech Technology Center	4,400	STOCKHOLM	B
VKontakte	4,200	Senator	A
NIPIGAS	3,300	Leader Tower	A
Bercut*	3,100	Business Box	B

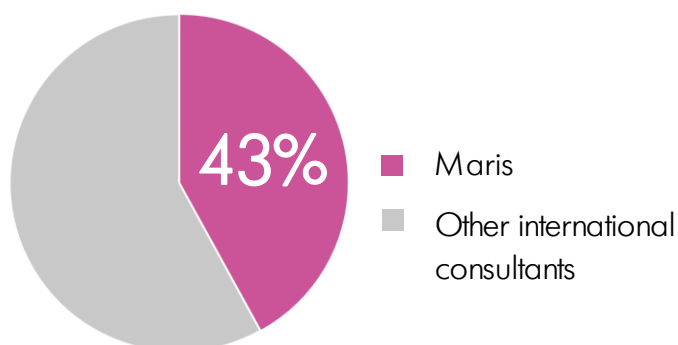
*Deal broker – Maris | Part of the CBRE Affiliate Network

AVERAGE RENTAL RATE DYNAMICS AS AT THE END OF 2020

* per m²/month, incl. VAT and OPEX



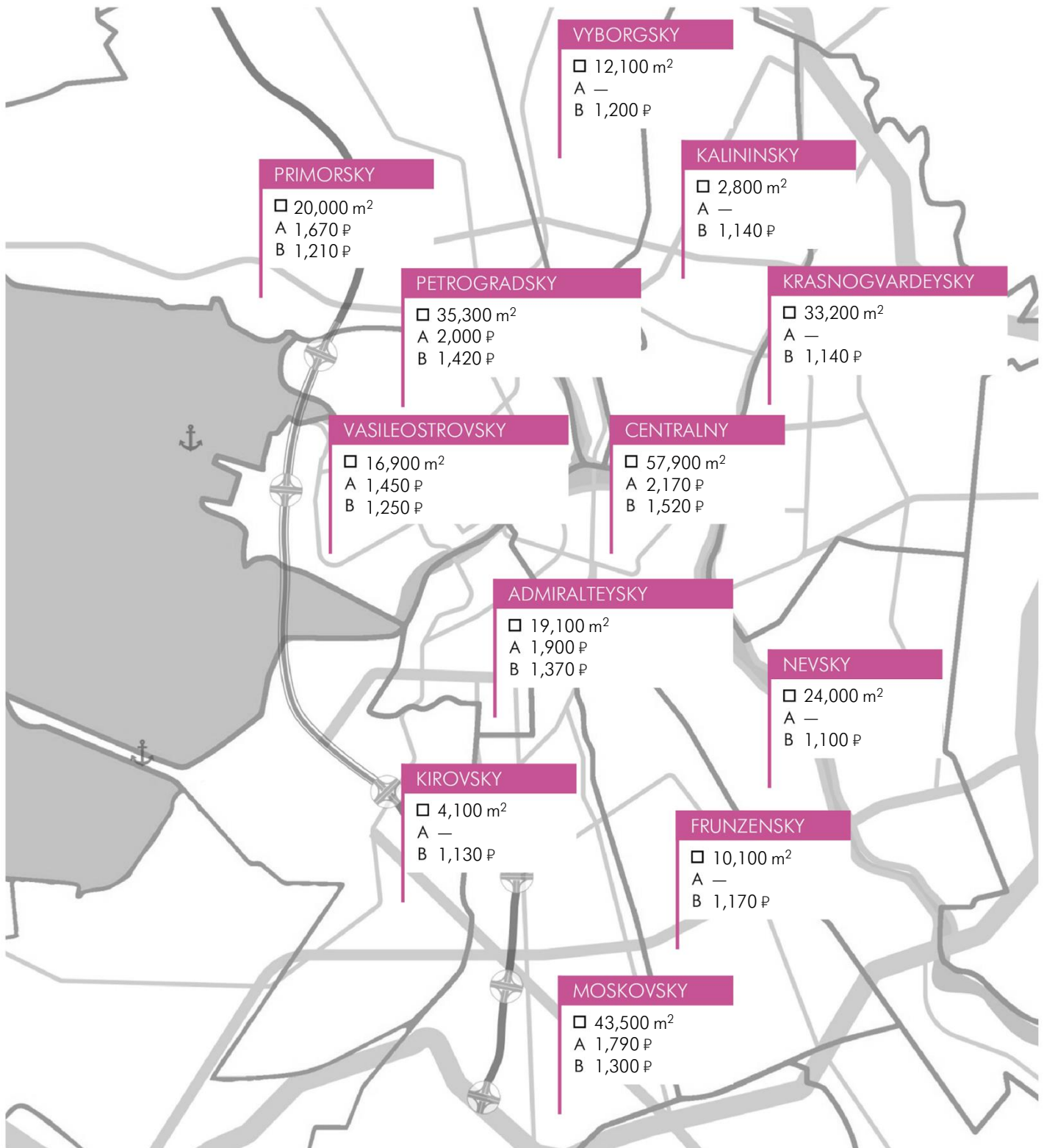
MARIS' SHARE IN 2020



Source: Maris | Part of the CBRE Affiliate Network

VOLUME OF VACANT SPACES AND AVERAGE RENTAL RATES IN OFFICE CENTERS BY DISTRICTS OF ST PETERSBURG, AT THE END OF DECEMBER 2020

* per m²/month, incl. VAT and OPEX



Source: Maris | Part of the CBRE Affiliate Network



Class	Stock (GBA), m ²	Vacancy	Completions (GBA), m ²	Average rental rates, P*
A	2,470,000	1.3%	363,400	450 – 580
B	993,000	4.7%		

* per m²/month, incl. VAT and OPEX

Stock

In 2020, 18 warehouses totaling about 363 ths. m² were put into operation that was twice as much as spaces commissioned in 2019. 6 warehouses with a total area of 135,500 m² were a speculative ones (+13% comparing to 2019). The others were built-to-suit projects.

About 350 ths. m² of warehouse facilities are to be put in operation by the end of 2021. 71% of the properties are related to speculative supply. The volume of speculative construction will almost double the final 2020 figure as long as the commissioning deadlines are met.

Demand

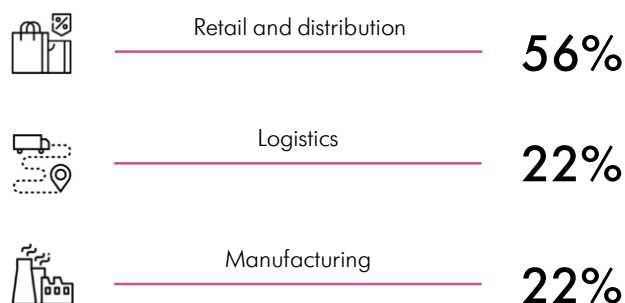
The volume of transactions in the warehouse segment amounted to more than 500 ths. m², that was 5% higher than the record for 2019 (inclusive of investment deals).

The principal demand, as in previous years, was formed by retail and distribution sector (56%). Demand from logistics operators has increased (+8% y/y in absolute terms), largely due to the rapid growth of the e-commerce segment. The industrial sector, on the other hand, has almost halved its take-up in 2020.

LARGE SPECULATIVE WAREHOUSE COMPLEXES COMMISSIONED IN 2020

Name	GBA, m ²
Marvel Logistics	61,900
Osinovaya Roscha	57,200
Sosnovaya Polyana	7,000
Warehouse complex, Parnas	5,100

STRUCTURE OF TRANSACTIONS BY INDUSTRIES IN 2020



Source: Maris | Part of the CBRE Affiliate Network



Occupancy

Low volumes of new speculative supply and a consistently high level of demand led to maintaining the vacancies in high-quality warehouse complexes of class A and B in St Petersburg at the extremely low level for the third straight year.

As of the end of December, 1.3% (–1.1 p.p. in relation to the final indicator of 2019), was vacant in class A warehouse buildings. That was the minimum value for the last 5 years. In class B warehouse complexes, 4.7% was vacant (+0.9 p.p. to December 2019).

In total, following the results of 2020 at about 80,000 m² was vacant (that is 2.3% of total stock).

Rental rates

A trend of gradual increase in asking rental rates for the warehouse complexes continued in 2020.

However, escalation of the volume of speculative supply along with positive dynamics of vacancy ratio in the market could moderate the rental rates in 2021.

The average level of rental rates amounted to **450-580 Rubles** per m²/month, inclusive of VAT and operating expenses. Utility charges are paid on the basis of actual consumption.

MAJOR LEASE DEALS, 2020

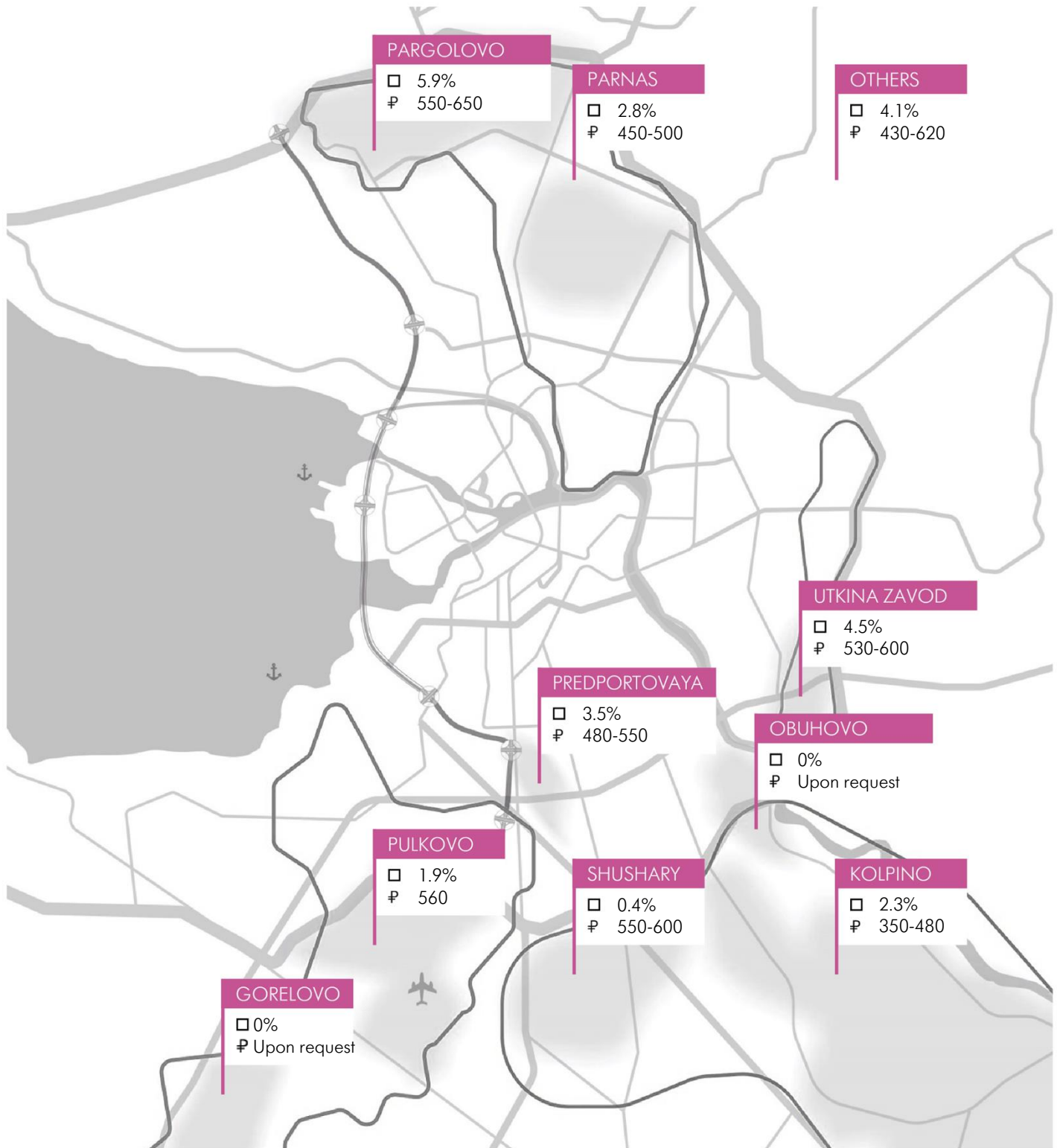
Tenant	Area, m ²	Warehouse complex
Ozon	29,000	PNK Park Sofiyskaya-KAD
Petroprofil Plus	12,000	Pactum Holding
Fruitbook	10,000	Food Market
Igristie Vina	10,000	Nordway
S.Log	10,000	Redmond

MAJOR DEALS MADE UNDER BUILT-TO-SUIT SCHEME, 2020

Company	Area, m ²	Warehouse complex
Exclusive	37,000	Rusich — Shushary
Fix Price	35,000	PNK-Shushary 3
CDEK	17,000	PNK Park Sofiyskaya-KAD
FIT-Instrument	6,000	PNK Park Sofiyskaya-KAD

VOLUME OF VACANT SPACE AND AVERAGE RENTAL RATES IN CLASS A AND B WAREHOUSES OF ST PETERSBURG AND LENINGRAD REGION, AT THE END OF 2020

per m²/month, incl. VAT and OPEX
% – vacancy level at the end of December 2020



Source: Maris | Part of the CBRE Affiliate Network



Stock (GLA), m ²	Vacancy	Completions (GLA), m ²	Prime rental rate, ₺*
4,080,000	6.0%	29,000	6,000

* per m²/month, incl. VAT and OPEX

Stock

In 2020 one shopping center and a DIY hypermarket were opened on the market of St Petersburg. Outlet Village Pulkovo increased its retail space as well.

NEW RETAIL PROPERTIES OPENED IN 2020

Name	Area, m ²	Type
Green Park	15,000	Shopping center
Maksidom	9,000	Hypermarket
Outlet Village Pulkovo, 3 rd phase	5,000	Outlet

Source: Maris | Part of the CBRE Affiliate Network

Demand

In 2020, catering operators, jewelry chains and fashion- retailers have significantly reduced their market presence due to strict restrictive measures aimed at preventing the spread of the COVID-19 pandemic.

FMCG retail proceeded active expansion strategy in St Petersburg market. Consumer demand has shifted to the 'corner shop' segment and online. In the 'corner shop' segment, federal players strengthened their positions in 2020 and new regional operators emerged.

Large-scale FMCG retail properties are increasingly being redeveloped. Retail areas are being reduced along with retail galleries enlargement to create additional attractors.

In the current market evidence, the importance of e-commerce cannot be ignored, which is gradually replacing offline retail, and not only in the FMCG segment. In 2020, online retailers Utkonos and Ecomarket entered the St Petersburg market.

Shopping centers use actively the concept of opening gastronomic projects in order to increase consumer traffic. In 2020, four food halls projects have been announced: in the Nevsky Centre Shopping Mall and the Mercury Shopping Centre, as well as in the modernized fashion space Dom Mod and Bolshoy Gostiniy Dvor.

New brands

In 2020 four international and five local brands entered St Petersburg retail market.





5 *	4 *	3 *
24 hotels 3,354 rooms	81 hotels 13,045 rooms	127 hotels 8,062 rooms

The main trends of the travel season 2020

- Tourist flow reduced five times from 2019
- Pulkovo Airport passenger traffic drop down to 10.9 mln people that is almost twice lower than in 2019
- Cancellation and/or postponement of almost all cultural, leisure, business and sport events for the next tourist season 2021 / 2022

Stock

According to the results of 2020, there were 232 hotels with 24,461 rooms in St Petersburg (−3.3% vs 2019 figure). 37% of the total room stock were operated by international hotel operators. International hotel brand MEININGER quit St Petersburg market in 2020.

7 new local operated hotels with 200 rooms was opened in 2020.

HOTELS OPENED IN 2020

Class	Room capacity	Number of properties
4*	127	4
3*	73	3

Source: Maris | Part of the CBRE Affiliate Network

Some accommodation facilities suspended their operations during the period of severe restrictions ('lockdown'). At the end of the year, all of the accommodation facilities had resumed their operational activities.

St Petersburg Awards, 2020

- World's Leading Cultural City Destination 2020, World Travel Awards 2020
- The Best city for running a hotel business with more than a million inhabitants, National Hotel Awards
- 21st most popular destination in Europe, TripAdvisor

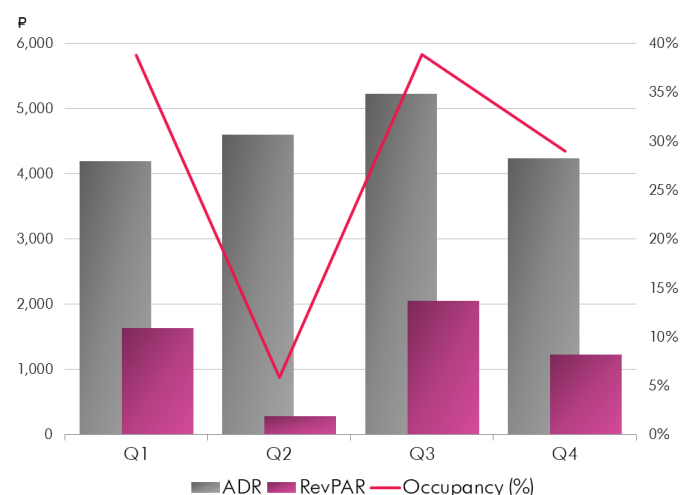
HOTELS AVERAGE INDICATORS, 2020

*exclusive of breakfast and VAT

Parameter	Average*	Change, y/y
ADR	4,600 ₺	−28%
Occupancy	28%	−58%
RevPAR	1,300 ₺	−69%

DYNAMICS OF HOTELS AVERAGE INDICATORS, 2020

*exclusive of breakfast and VAT



Source: Maris | Part of the CBRE Affiliate Network, on grounds of STR data

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Maris | Part of the CBRE Affiliate Network

Maris | Part of the CBRE Affiliate Network — one of the leading companies in the commercial real estate sector, offering a full range of services: property and facility management, lease, sale and commercial property valuation.

Maris Properties was founded in St Petersburg in 2004 and in 2006 the company has announced an affiliation agreement with the international real estate market leader CBRE. With over 100,000 employees, CBRE serves real estate owners, investors and occupiers through more than 530 offices worldwide. Maris represents CBRE in St Petersburg.

Since 2011 Maris retains a leading position in terms of office deals in St Petersburg and is actively transacting on industrial and warehouse market. In 2020 Maris was honored with highest award among real estate service providers in the nomination Consultant of the Year, CRE AWARDS 2020.

122,000 square meters of office premises are under Maris Facility management, 84% of which are ranked class A.

Maris | Part of the CBRE Affiliate Network is a member of Russian-German Chamber of Commerce and starting from 2020 entered St Petersburg International Business Association SPIBA.

Disclaimer 2021

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