



KTI St. Petersburg Property Barometer: Real estate market professionals concluded the year 2011

KTI Finland continues to study the professionals' opinions on the development of the St. Petersburg property market, by carrying out the barometer survey twice a year. 35 real estate market professionals, including property owners, developers, property managers, consultancy and brokerage agencies, participated in this second KTI St. Petersburg Barometer survey. The respondents were asked about their opinions regarding the development of the St. Petersburg rental and investment markets. All commercial real estate sectors, as well as rental residential sector, were analyzed.

2011: positive development of rental markets

During the second half of 2011 rental markets continued to develop positively, both in terms of vacancies and market rents. Also the warehouse sector started to recover after the market downturn. 75% of the respondents registered vacancies having decreased during the past six months. Occupier demand for offices A and B class has also increased, according to ca. 70% of the answers. Retail space, despite respondents' expectations in spring 2011, saw increasing occupier demand as well. Rental rises were mentioned for all market sectors, with only rental residential properties more likely to have shown stable rental development.

The outlook for the rental market during the next 6 months is rather positive. Neither increase in vacancies nor decrease in rental rates is anticipated. The lack of quality warehouse space explains the expected continuing decrease of vacancy rate. The best performers, in terms of rents growth, are A class office and modern warehouse properties. The experts are split into two groups in their opinion about rental changes for other market sectors. However, the projections are mainly either positive or neutral.

Property market professionals were also asked about their opinions on the total cost the tenant would carry a month in order to rent a premise in St. Petersburg. The response rate for the A class office sector was over 65%, which passes the minimum for validity of the results. According to the experts' opinion, the total rental costs (including all expenses, excluding VAT) for renting a 100 sq. m will be between 1,143 and 2,000 rubles per sq. m monthly. While renting a bigger office (300 sq. m) on average the rental costs decrease by 11% and come up to almost 1,400 rubles.

2012: stable investment markets

Investment markets were picking up together with the rental markets in 2011. Capitalization rate decrease is sound evidence. Cap rates for investments into A class office properties and shopping centers have decreased by over 100 basis points since the last survey in spring 2011. Market professionals estimate that cap rates for office investments currently stand at ca. 10% for class A, 11% for class B and 12.6% for class C assets. However, the variance in cap rate perceptions was significant, with responses for e.g., class A offices varying between 7% and 12%. During 2012 cap rates for only class C office and warehouse properties are expected to go down over 50 basis points, for the others, no significant changes are expected. At the same time, the cap rate level for C class offices and warehouses are the highest, 12.6% and 12.3% respectively, according to the survey results. The result for C class office properties reflects the investors' interest shifting gradually also to non-prime properties.





Retail is considered as the most attractive sector in terms of investment volumes. Ca. two thirds of the respondents expect the transaction volumes to increase, whereas in the other sectors, the majority of the respondents expect the volumes to remain at the current level. Stable investment demand is anticipated to come from both local and foreign investors. However, the expectations for the local investor's demand to increase are higher, 37% of responds vs. 17%.



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Rental market

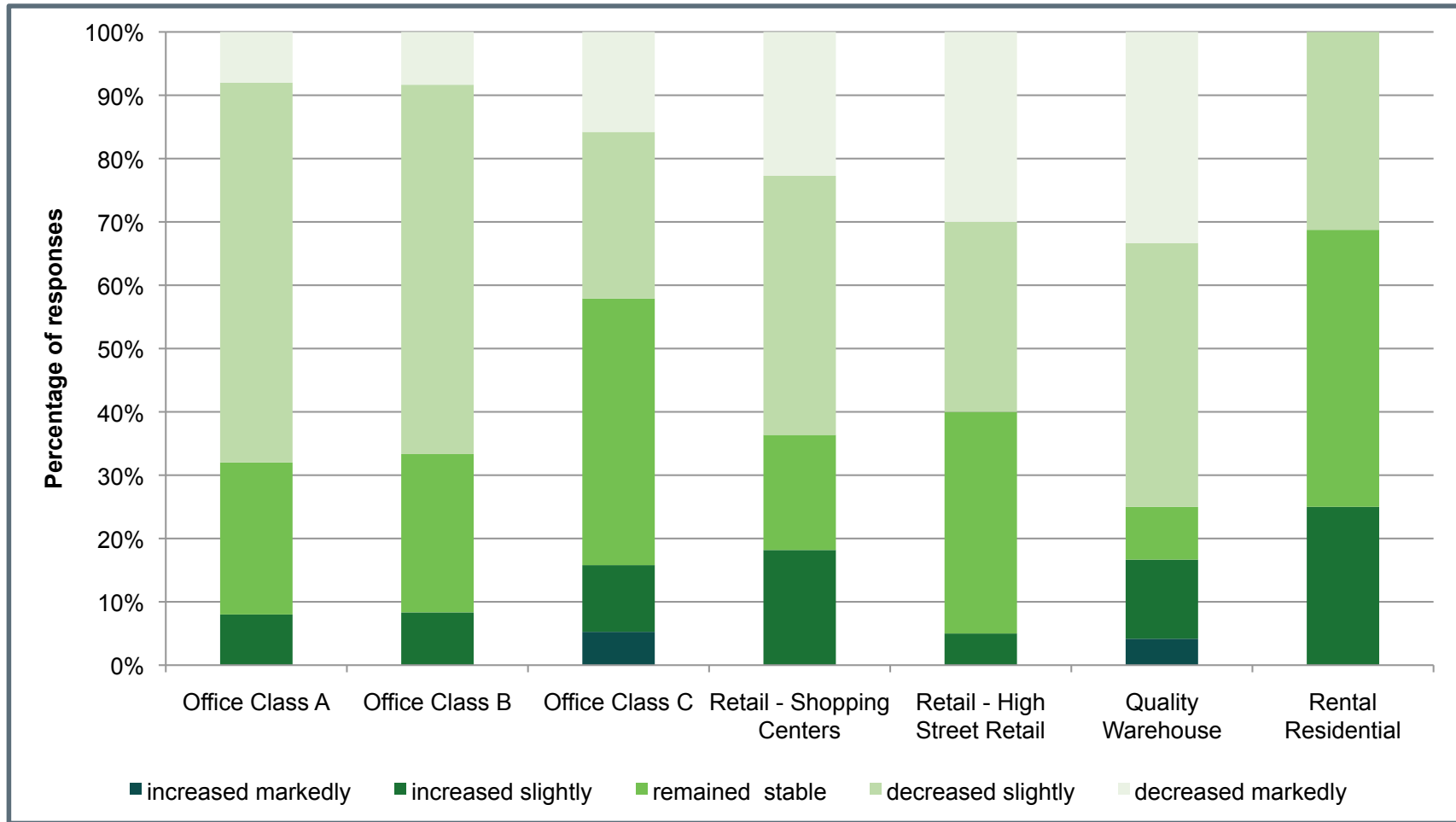
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Increasing occupier demand

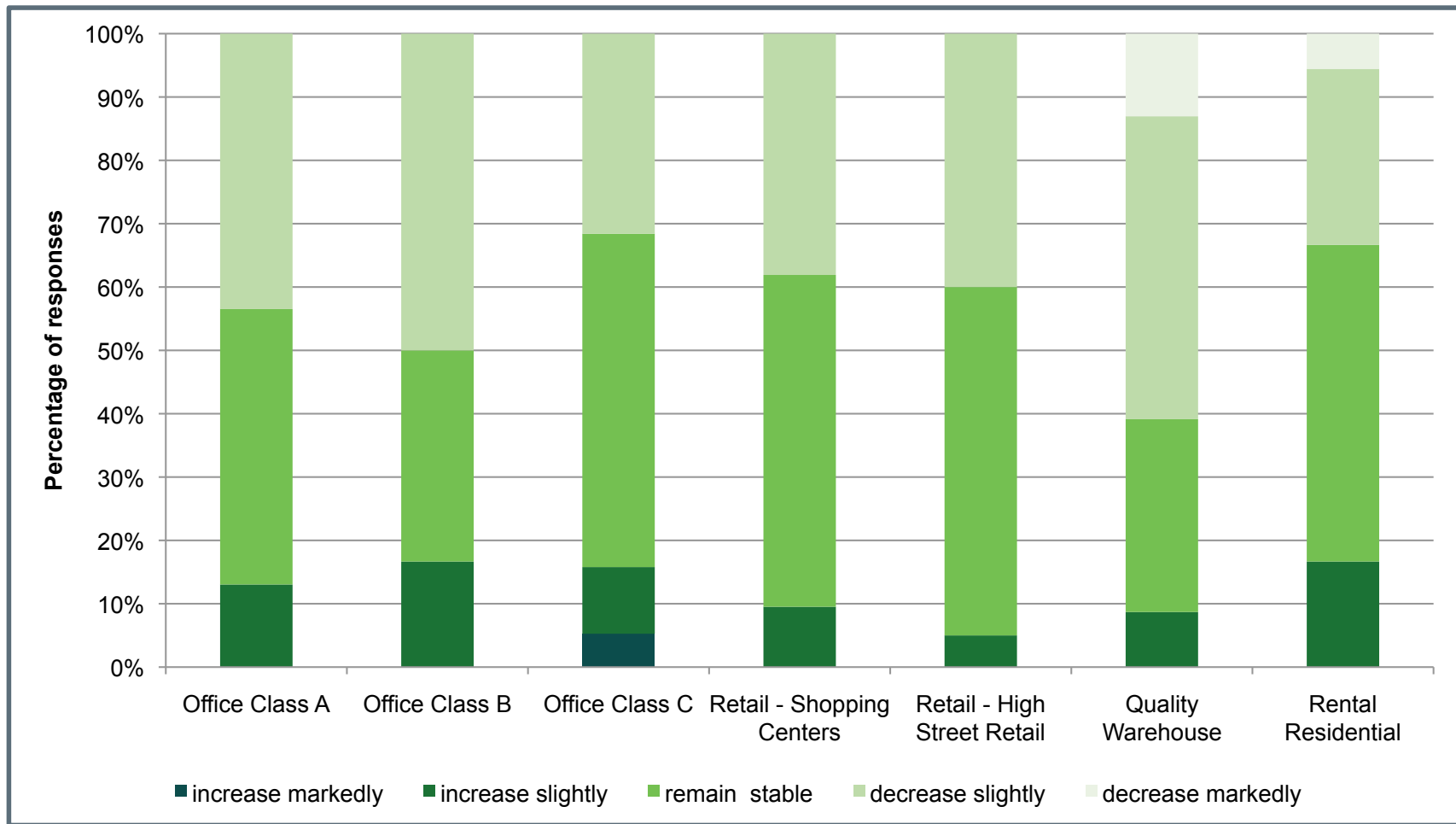
Development of vacancy rates during the past 6 months





Continuing decrease of vacancies in quality warehouses

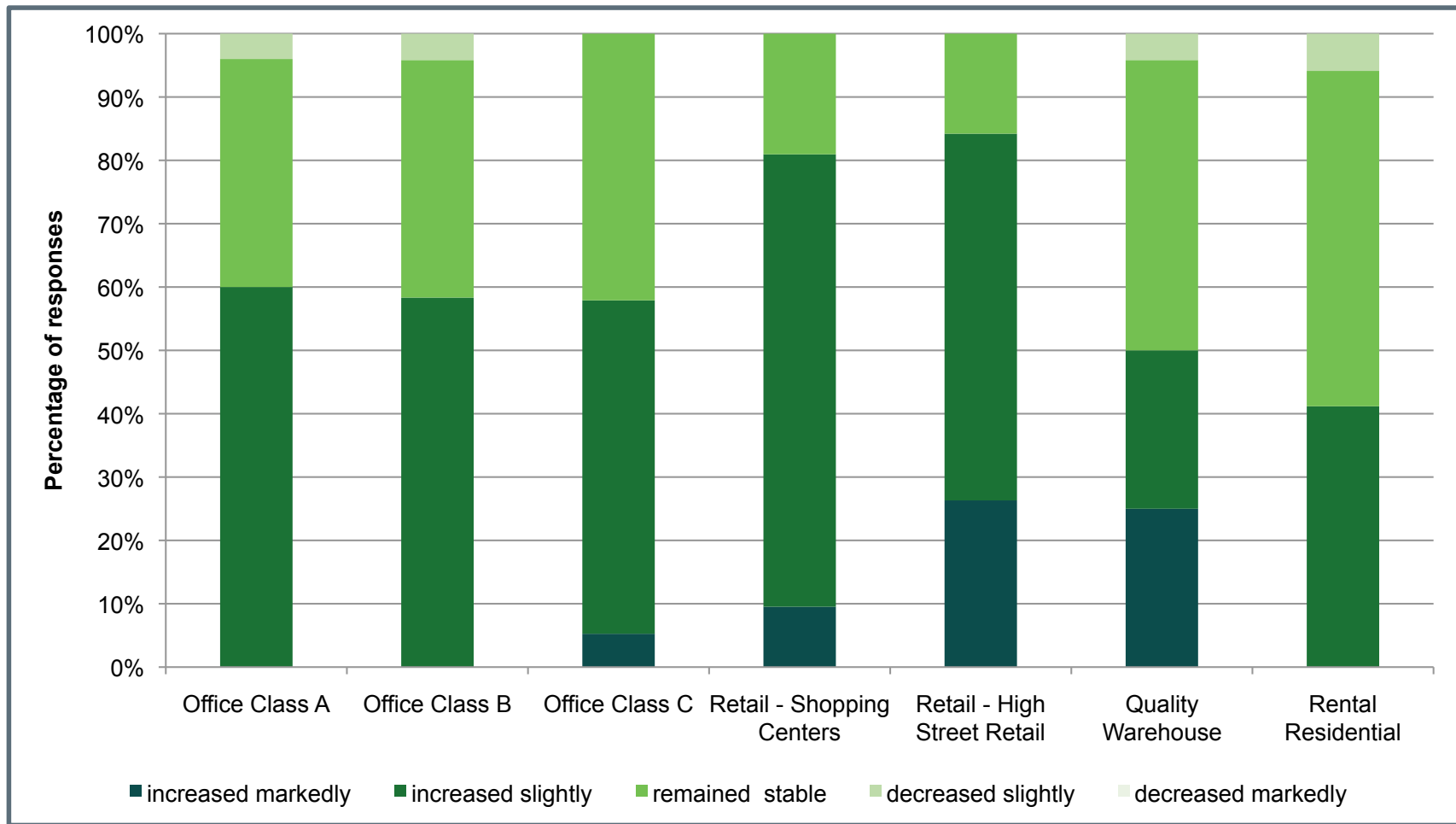
Outlook for the development of vacancy rates during the next 6 months





Rental markets recovered, continuous rental growth

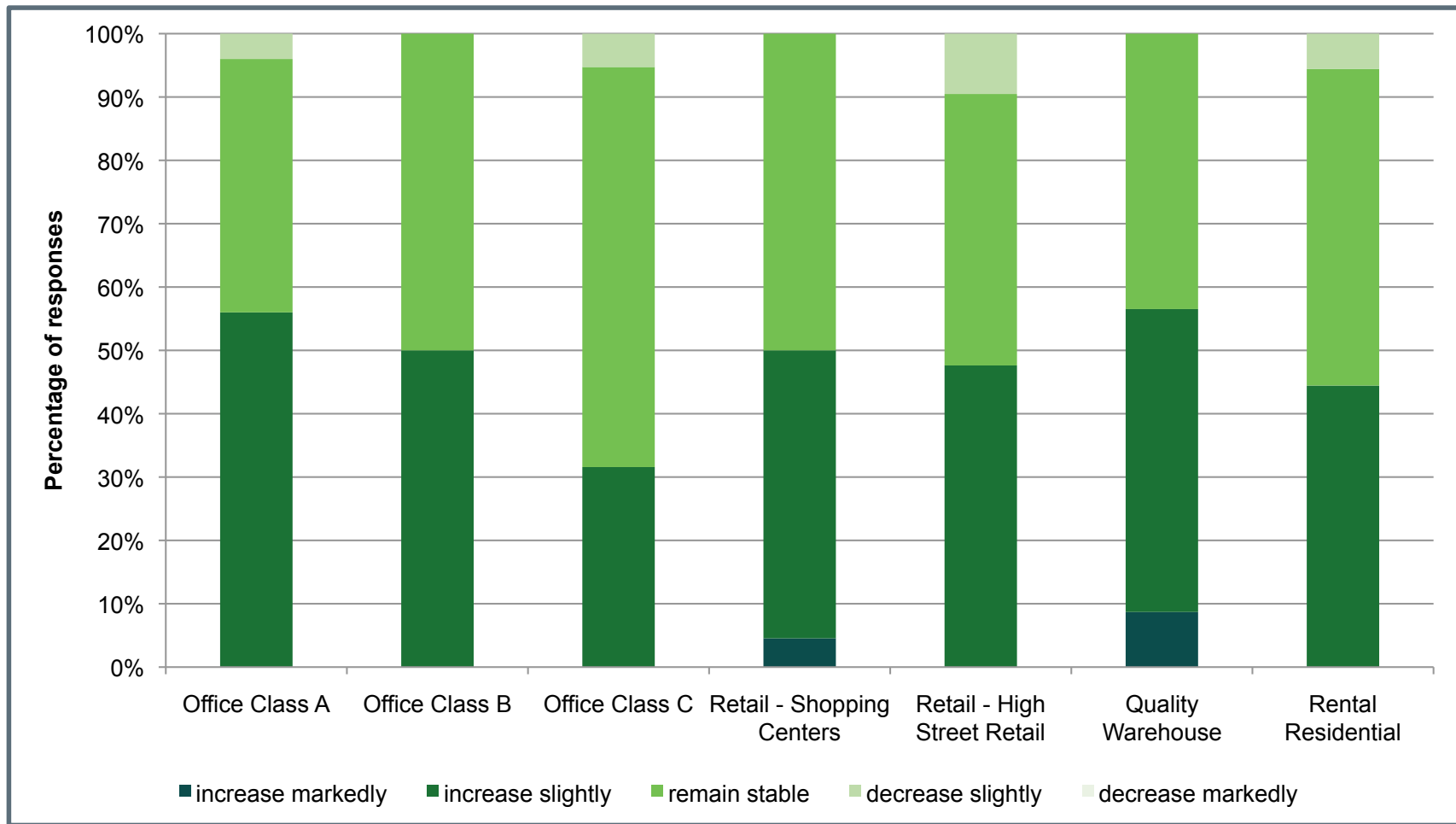
Development of rent level during the past 6 months





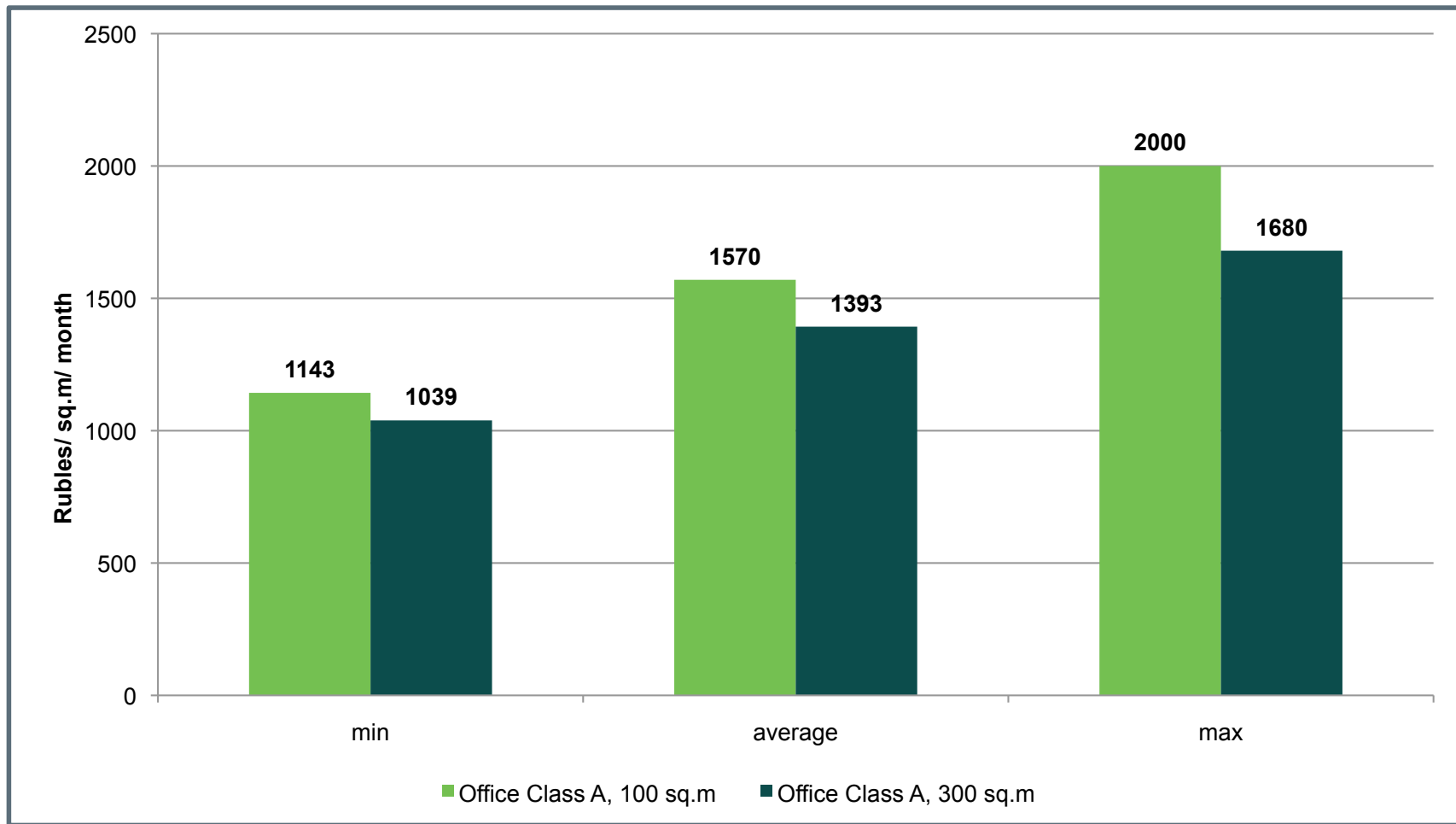
Stable rental market forecast during the next 6 months

Outlook for the development of rent level during the next 6 months





By choosing a bigger office premise on average 10% of rental costs per sq. m will be saved
Market rental costs for A class offices*



*Including all expenses (Net rent, Property Costs, Tenant Costs), excluding VAT



Investment market

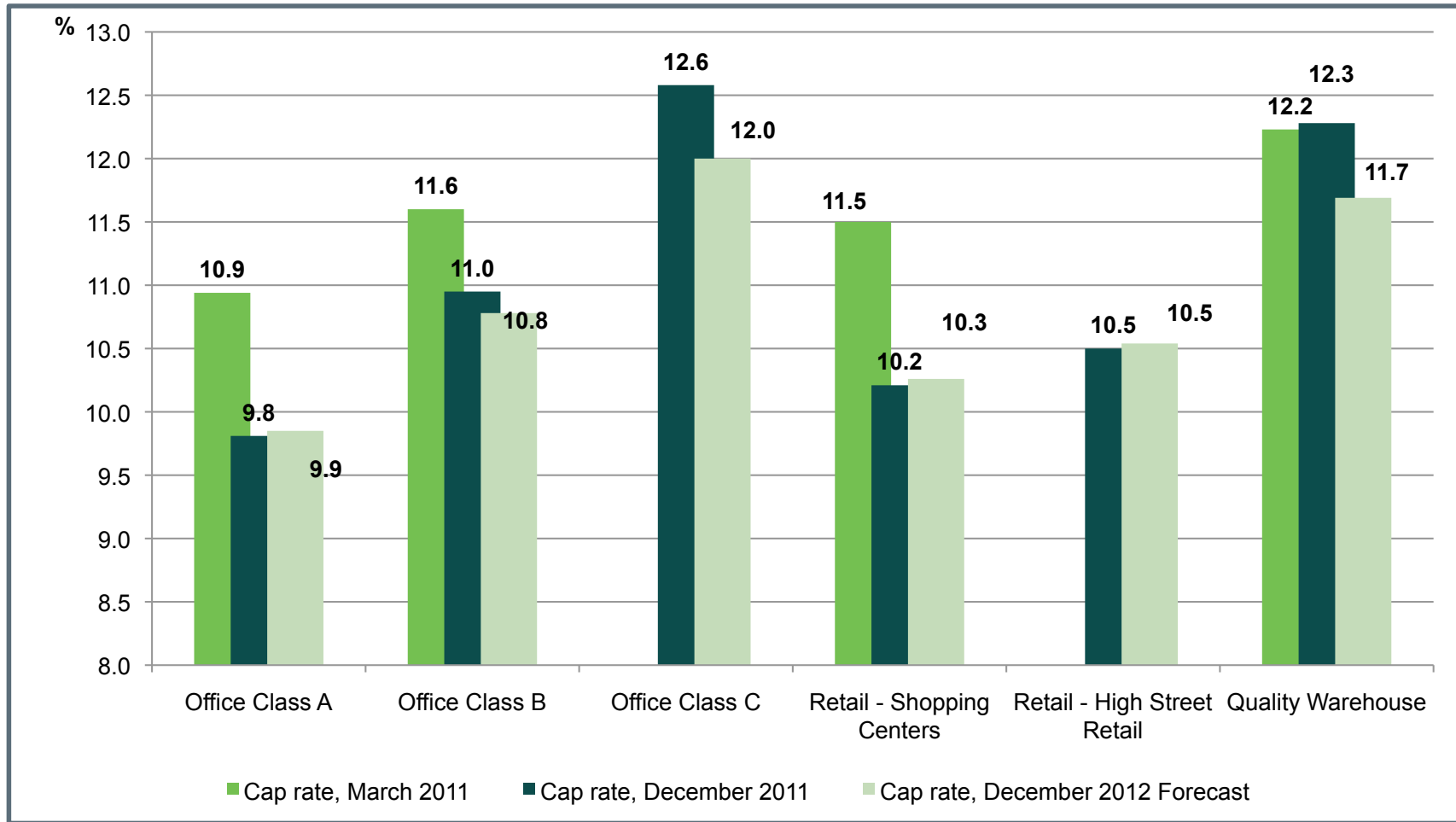
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Sharp decrease of prime property cap rates

Outlook for the development of cap rate





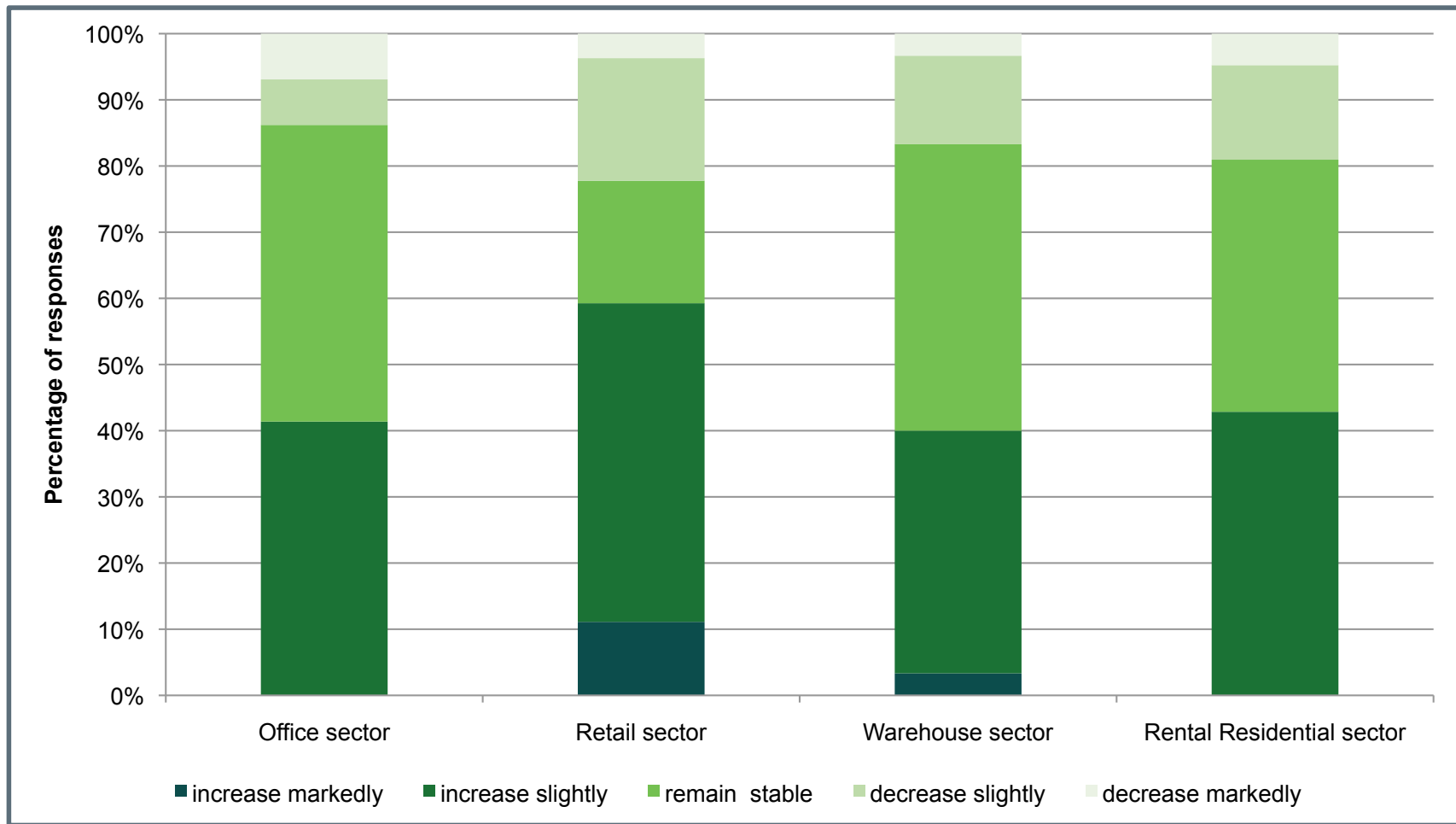
Outlook for the development of cap rate





Transaction volumes in the retail sector are expected to continue increasing

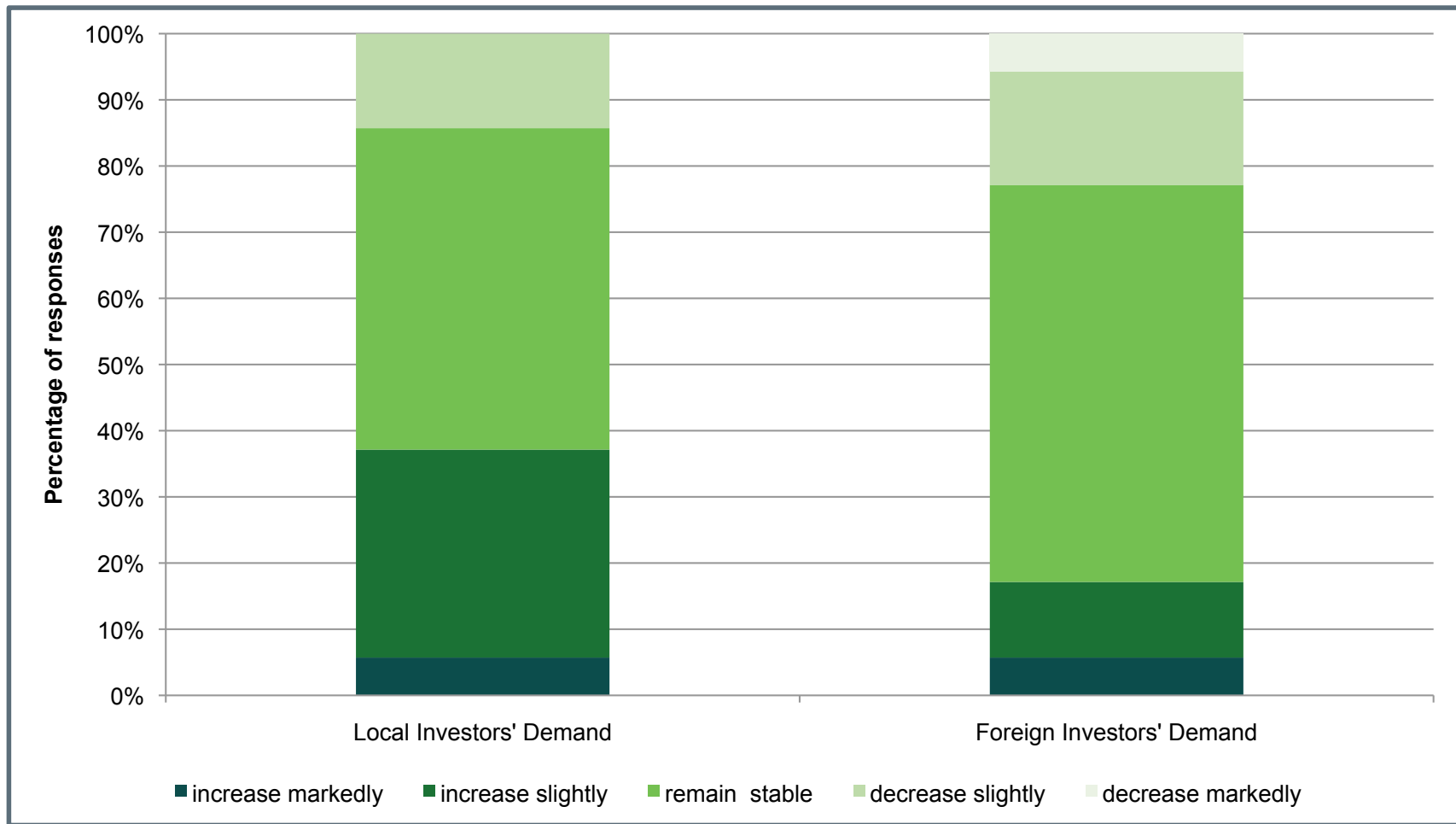
Outlook for the transaction volumes change during the next 12 months





Outlook for local investors' demand is slightly more positive than for foreign demand

Outlook for the investors' demand change during the next 12 months





Thank you!

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