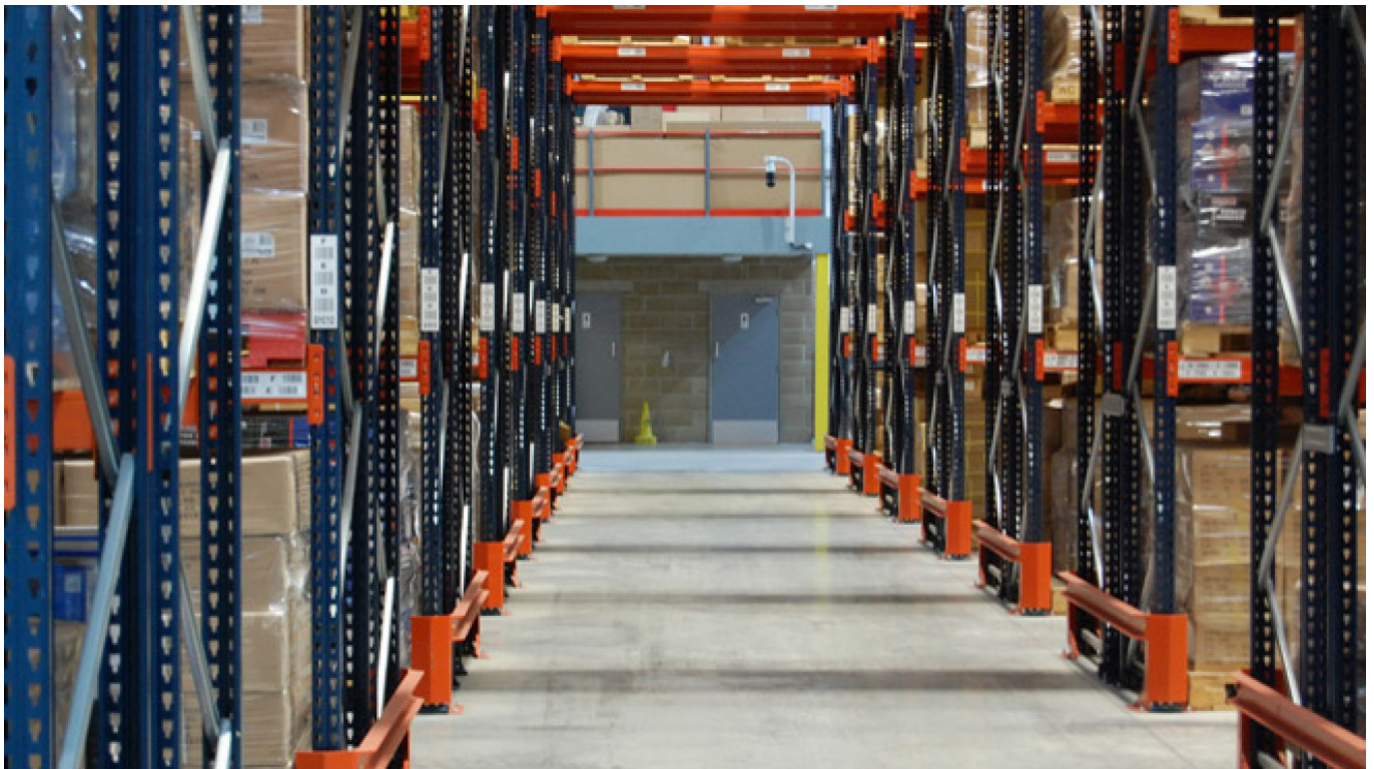


# Demand for Warehouse Space in Moscow Nosedives

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The volume of new warehouse space coming on line next year could fall to 900,000 square meters, a 40 percent decline.

Demand for warehouse space is plummeting in Moscow amid widespread economic uncertainty, threatening the next few years of development in a traditionally stable sector.

The volume of space rented and bought has fallen nearly 39 percent in the first nine months of this year compared with 2013, according to consultancy Jones Lang LaSalle, or JLL.

Foreign investors are particularly hesitant to buy or rent, consultancy S.A. Ricci found. Transactions with foreign participants have fallen to just 15 percent this year after making up at least a quarter of deals over the past five years.

At the same time, a spate of new warehouses have cropped up in the north and south of the city. About one million square meters of high-quality warehouses space have gone on line so

far this year, according to S.A. Ricci.

"The volume of new supply in 2014 could reach 1.6 million square meters, which is one of the highest number in the last few years," said Pyotr Zaritsky, head of warehouse and industrial space at JLL.

As supply rises and demand falls, vacancy rates — previously minimal low in the warehouse segment — are now on the rise.

The vacancy rate rose to 5 percent in the third quarter and could rise to 6 or 7 percent by the end of this year, according to JLL.

The surge of new development is expected to lull as investors reassess their plans in light of slowing economic growth and uncertainties arising from the devaluation of the ruble and Western sanctions over Russia's role in the Ukraine crisis.

The volume of new warehouse space coming on line next year could fall to 900,000 square meters, a 40 percent decline, Zaritsky said.

S.A. Ricci, on the contrary, forecasts that a number of developments scheduled for completion this year will be delayed to the next, meaning that the slowdown in investment activity will only be apparent past 2016.

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