

HOT TOPICS

- In Q3 2015 the demand contraction trend stopped indicating the fact that key players adjusted their business in line with tough economic conditions
- No new warehouse schemes were delivered onto the speculative market over Q3 2015
- Owing to the absence of significant UAH value fluctuations, prime rents remained flat at \$4.5/sq m/month (triple net) over Q3 2015.

PERFORMANCE

In light of prevailing economic uncertainty and restricted business activity, warehouse occupiers downgraded their space requirements in the first half of the year. In Q3 2015 the demand contraction trend stopped indicating the fact that key players adjusted their business in line with tough economic conditions. Kyiv warehouse market did not witness any new completions year-to-date. As a result, total speculative stock of warehouse space remained unchanged at approximately 1.29 mln sq m as of the end of September 2015. At the same time the trend of increasing construction activity in the owner-occupied sector continued to dominate the development in industrial sector. For instance, major DIY operator, Epicentr opened its 40,000 sq m warehouse in Q3 2015. In the absence of development completions on the speculative market existing vacant space has been slowly absorbed, driving vacancy rate down from 17.1% to 16.0% (-1.1 pp) over Q3 2015. Prime rents remained flat at \$4.5/sq m/month (triple net) owing to the absence of significant UAH value fluctuations.

OUTLOOK

The warehouse market will continue to face challenging market fundamentals through the rest of 2015. Occupiers' activity will remain subdued, but alas stronger players may secure the beneficial lease terms in the properties with high vacancy. At the same time we do not expect the demand for speculative industrial space to deteriorate further with tentative signs of improvement likely to be viable in 2016. Absence of notable speculative projects under way gives grounds for gradual reduction in average market vacancy by 2-3pp. Rents for prime schemes are expected to stabilize at the current level, with the expectation of no further negative economic factors in 2015.



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