

Review of industrial real estate market in 2008

2008 both in the real estate market, and in economy as a whole, was marked by global crisis and delay in the rates of development. Crisis was considerably reflected in the market of the industrial real estate as consequence of slump in production. According to the State committee of statistics in 2008 in comparison with 2007 manufacture was reduced by 3,1 %.

Market of the warehouse real estate

The market of the warehouse real estate in 2008 was measured by volume about 1,4 million in sq.m. where qualitative areas made no more than 5-10 %. The data is defined on the basis of sample received by results of regular monitoring of the real estate market. According to company experts the given sample is representative and gives an opportunity to observe the basic regularities of the market of the industrial real estate.

Also in 2008 there isn't any objects of the warehouse real estate put in operation, increased the list of objects announced for construction and realization terms of projects already announced before was shifted. So in 2008 was announced the project of the Saltovsky logistical complex located on ring road close to Severnaya Saltovka district with the area of warehouses about 30 thousand sq.m. Realization terms was shifted for an office and warehouse complex on street of Kalinina 91 (the Developer - Build and Live Development) due to current situation in a national economy. The list of objects announced for construction in 2008, is presented in tab. 1.

Table 1.

Objects of warehouse real estate announced in 2008.

Name	Address	Area, sq.m.	Developer	Class	Date of putting in operation/b eginning of constructio n
Warehouse center «Vostochnuy terminal» *	Korotych, Kharkov region	315 000	Ukrainian Construction& Development Company	A	Will be put in operation – 2009.
Warehouse center	Pesochin, Kharkov region	115 000	XXI century - Kharkov		2008-2011.
Industrial park «Rogan»	Rogan, Kharkov	200 000		A	2008-2012.
Industrial and warehouse complex «Kaducey»	Pesochin	250 000	"Delin Development"	A	2009-2012

Office and warehouse complex *	Kalinina, 91, Kharkov	9200	Build & Live Development	B	Ввод: 2009-2010
Saltovskiy warehouse center	Kharkov region, close to ring road from the side of Severnaya Saltovka	29539	Ukrainskaya Vostochnaya Investicionno-Stroitel'naya Kompaniya	B	
Warehouse terminal «Pesochin»	Pesochin Kharkov region	11772	Proconsul Development	B	

* - objects, considering to put in operation in 2009.

Taking into account the objects that have to be put in operation during 2009, on 01.01.2010 the area of the warehouse real estate can make 1,7-1,8 million sq.m., and the share of the qualitative modern areas can make 20 % – 30 % i.e. about 350-450 thousand in sq.m. However, taking into account a difficult situation in the sphere of investment which was occurred in second half of 2008, terms of put of objects in operation, with the big share of probability, will transferred for later period, due to expectation of stabilization in economy situation.

Activity recession in the real estate market is confirmed by dynamics of rent rates and cost indexes presented on fig. 1 and fig. 2., accordingly. Cost of warehouse objects is decreased throughout all second half of the year. The rent rate in 4th quarter has grown and on the end of the year was stabilized on the average level 6,2 US dollars. It is a consequence of reorientation of a part of clients of warehouse objects from purchase of premises on rent. As consequence, there was a certain stimulation of demand on a segment of rent for higher quality warehouse objects and expensive warehouses with certain use – warehouses with refrigerating and freezing equipment.

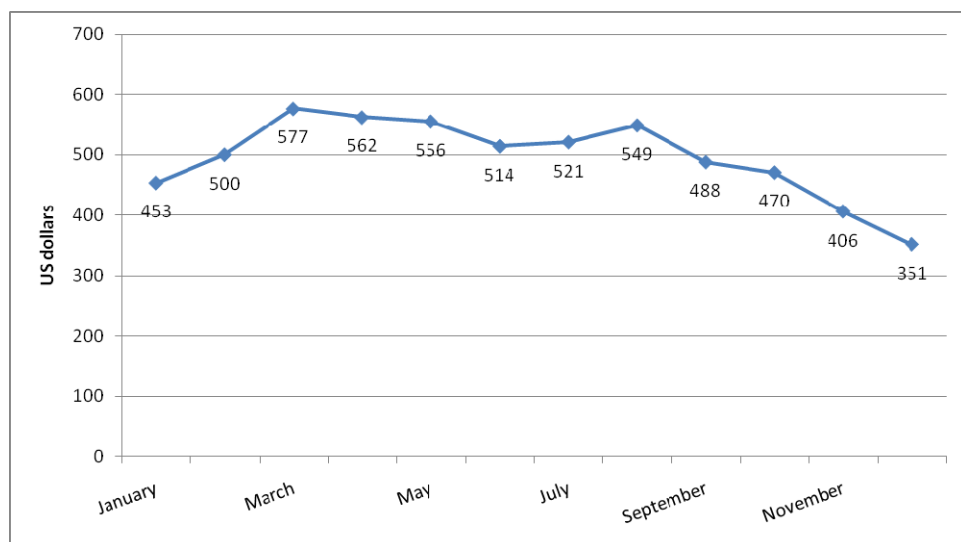


Fig. 1 Dynamics of rent rate for objects of warehouse real estate in 2008

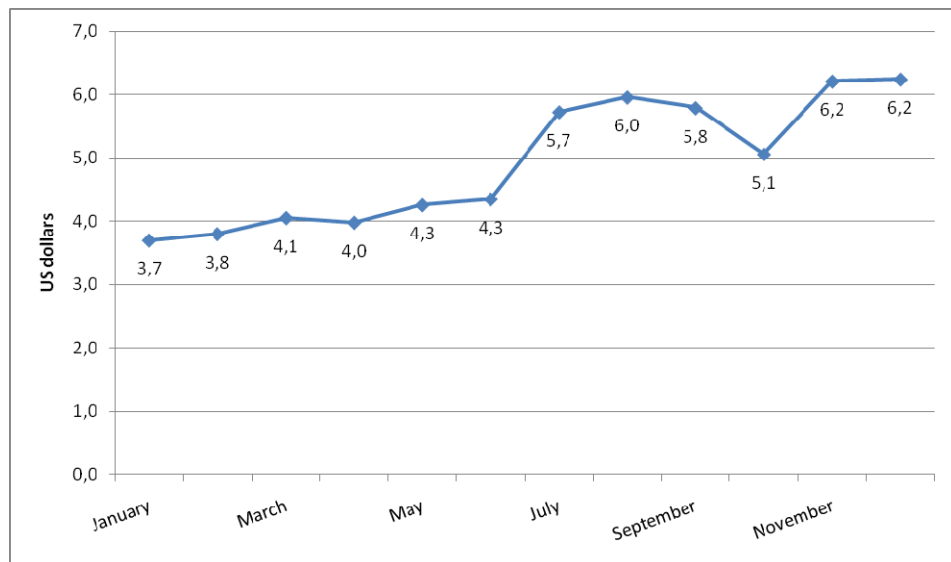


Fig. 2. Dynamics of price for objects of warehouse real estate in 2008

Ranges of the most probable cost for objects of the warehouse real estate, on a rent and sale segment are presented in tab. 2.

Table 2.

Range of the most possible prices on the market of warehouse real estate US dollar/sq.m.

Warehouses		Rent	Sale
City	A	-	-
	B	5-9	-
	C	3-7	300-450
	D	2-5	200-400
	Warehouse with special intend	10-20	-
Region	A	-	-
	B	-	-
	C	2-7	200-400
	D	1-5	150-250
	Warehouse with special intend	-	-

- – no objects in the sample.

Market of industrial real estate

The volume of the market of the industrial real estate in 2008 is estimated in 300-400 thousand in sq.m. Thus, more than 70 % of objects being in a market turnover are multipurpose, where it is possible to organise the enterprise of any specialisation. Also large shares of the market belong to objects of metalcutting, building, food and light industry as to the most developing in 2008 sectors.

The list of objects of industrial real estate announced for construction and put in operation increased in 2008 (tab. 3 and tab. 4).

Table 3.

Objects of industrial real estate announced for construction in 2008.

Name	Address	Area, sq.m	Developer	Date of putting in operation/beginning of construction
Oil manufacture	Sahnovshanskiy district	«Nasha Oliya»		April 2008 / September 2010.
Factory on manufacture of products from mineral cotton		«Termolife»		End of 2008 (Shifted on 2009)
Oil-refining manufacture	Dvurechnskiy district		«Monolit»	

Table 4.

Objects of industrial real estate put in operation for construction in 2008.

Name	Corporation	Address	Developer	Date of putting in operation/beginning of construction
Glass factory	"Meryafenskaya stekalnaya kompaniya"	Merefa Kharkovskiy district Kharkovskiy region		19.06.2008
Manufacture of plastic pipes	«Spiroplast»	Kharkov Industrialnaya, str. 3		12.03.2008
Concrete manufacture «Zenit»	"Trust "Jitlobud-1" (Kharkov)			Put in operation – 8.08.2008
Manufacture of tobacco packing	«Amkor Rench Ukraine»	Dergachi	« Amkor Rench Ukraine »	Put in operation – 3 quarter 2008

Influence of negative tendencies in economy on the market of the industrial real estate confirms the fact that among objects which has been announced for construction in 2008, there are objects the terms of put in operation were shifted - factory on manufacture of products

from mineral cotton of Joint-Stock Company "Termolife". Earlier it was planned to put the given object in operation in the end of 2008.

For the industrial real estate, the tendency of decrease in activity of the market are more shown on a rent segment – fig. 3, Depreciation on a purchase segment is noted only in last month – fig. 4. The given situation is a consequence of specificity of the market as the rent segment is much less active at the manufacture organisation, the real estate more often prefer to get in the property.

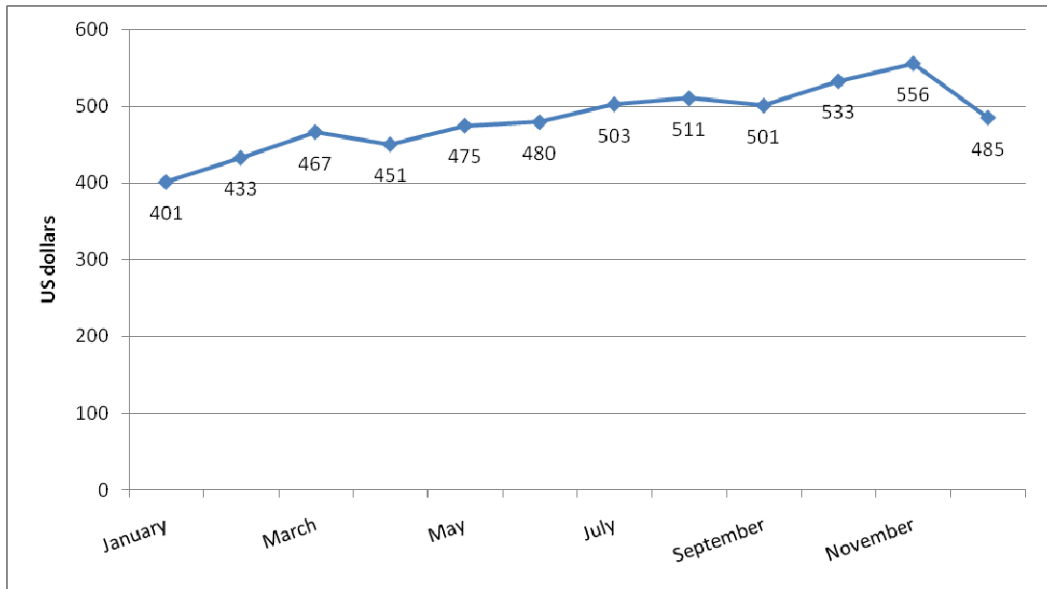


Fig. 3 Dynamics of rent rate for objects of industrial real estate in 2008

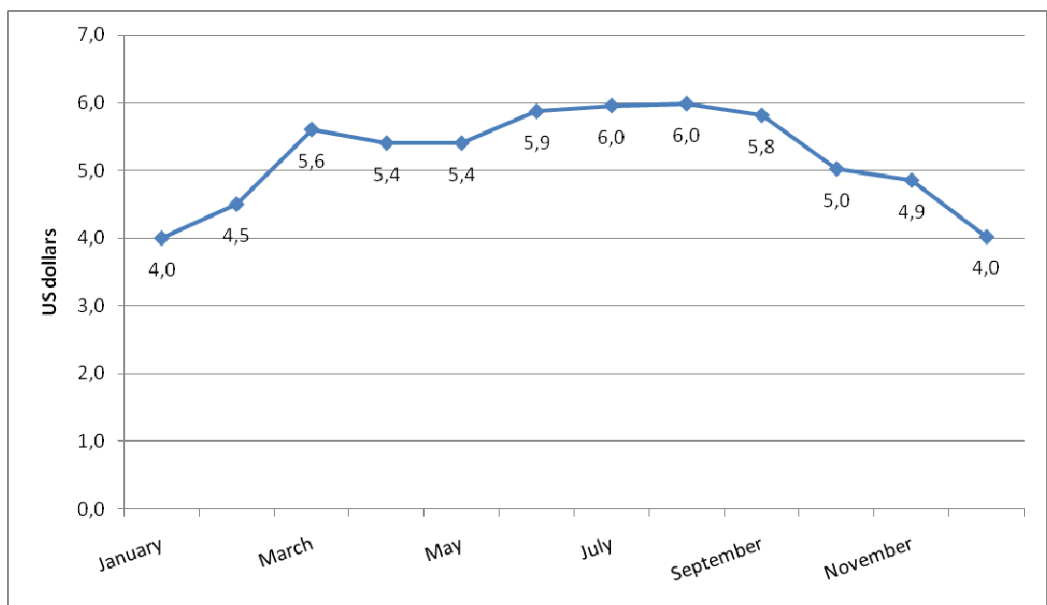


Fig. 4. Dynamics of price for objects of industrial real estate in 2008

Table 5.

Diapason of the most possible prices on the market of industrial real estate US dollar/sq.m.

Specialization	Rent	Sale
Car service	2-4	300-500
Petrol station	-	300-450
Wood manufacture	1-4	200-450

Light industry	4-8	250-500
Iron manufacture	2-5	150-450
Mixed-use	1-9	180-500
Convert industry	-	-
Food industry	4-9	250-480
Agriculture	-	-
Construction industry	-	250-450
Printing house	-	350-470

- - no objects in the sample.

In 2008 in the market operations with objects of the industrial real estate belonging to light, the food-processing industry, objects of car services and mixed-use premises were most actively carried out. Perspective of specified specialisations objects is due to the most great demand on them that proves to be true also in higher cost. The great demand on the objects belonging to specified specialisations is caused by corresponding demand for production of the given branches in up to the fourth quarter 2008.