H1 2022

Industrial market

Russia | Regions

Table 1
Key market indicators

Source: Colliers

	H1 2020	H1 2021	H1 2022
Total supply, thousand sq m	9,086	9,835	10,902
Completions, thousand sq m	354	452	228
Total take-up, thousand sq m	564	418	271
Vacancy, %	3,4%	2,4%	2,7%
Rental rate, RUB/sq m/year*	3,750	3,800	4,670

*Excl. VAT (20%) and OpEx

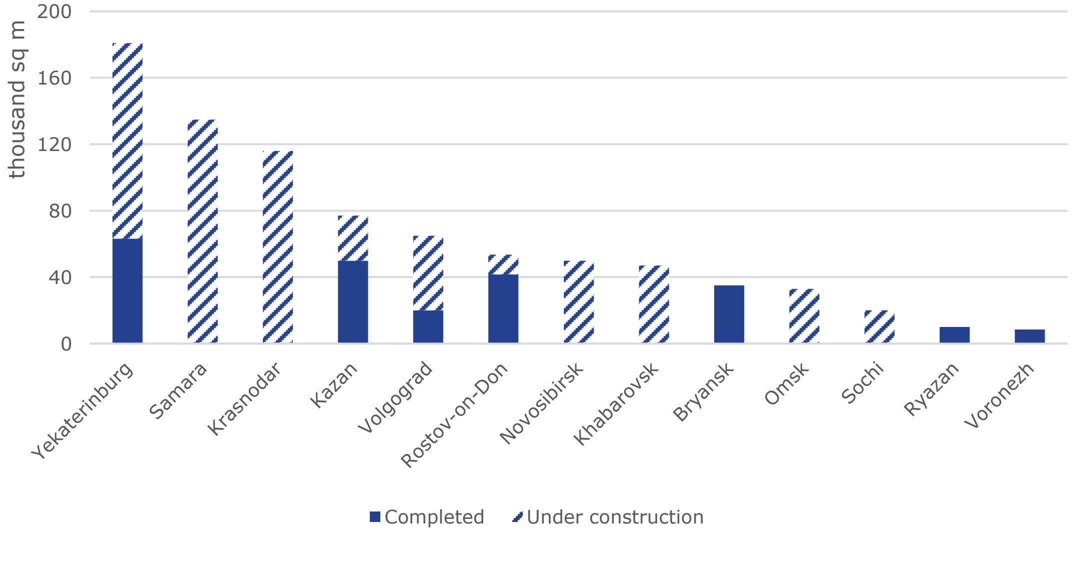
Supply

The total volume of warehouse supply in the regions of Russia amounted to almost 11 million sq m by the end of H1 2022. The total amount of completed warehouse properties is equal to 228,000 sq m for the analyzed period. That is twice less than the value of the same indicator for H1 2021. The decrease in the volume of completions relates to the fact that some owners adjusted the construction terms of the announced projects dew to the turbulent situation at the market. Besides, some clients and developers reconsidered the implementation period of built-to-suit schemes. The transactions for such properties were closed during 2021. This had a direct impact on the completions volume.

Yekaterinburg and Kazan became the cities with the largest volumes of commissioned projects in H1 2022. The amount of completed warehouse space in the following cities accounted for 63,000 sq m and 50,000 sq m respectively. The total volume of commissioned warehouse space in Russian regions may reach 831,000 sq m by the end of 2022; 64% of them are warehouse complexes, implemented for the end-users.

Chart 1
New construction in regions of Russia

Source: Nikoliers



Take-up

In H1 2022 the reduction of demand was observed on the regional warehouse market. The total volume of transactions amounted to 271,000 sq m. This indicator is 35% lower than the result of H1 2021 and two times less than the value of H1 2020.

In 2021 e-commerce players used to be the key drivers of demand (66%). On the contrary, in H1 2022 the first place in the total take-up was taken by companies specializing in offline retail. The share of retail deals is estimated at 69%. At the same time, online retailers are in third place with 6% of total demand. This indicates that e-commerce companies have temporarily suspended plans for expansion in Russia's regions, while grocery retailers are increasing their development on the regional market.

Whereas in 2021 the share of sale transactions in total volume was only 5%, in H1 2022 this indicator approached its 2019-2020 average and reached 37%.

Chart 2
Distribution of deals by type of transactions volume in regions of Russia

Source: Nikoliers

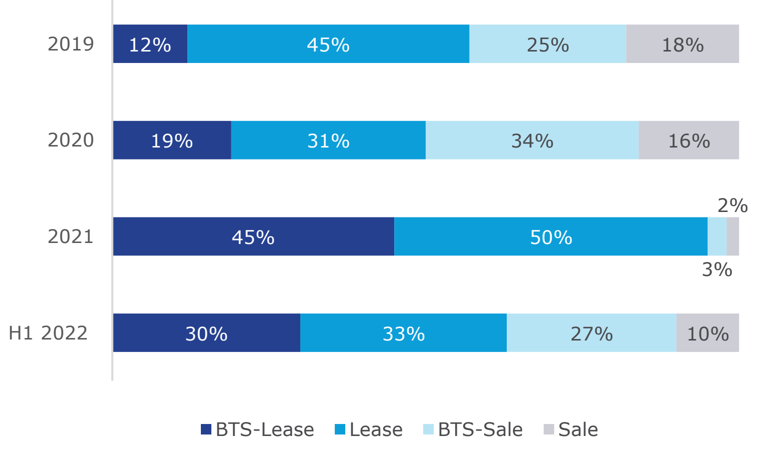


Table 2
Key deals in regions of Russia, H1 2022

Source: Nikoliers

Occupier	Sector	Format	Size, sq m	City	Property
X5 Retail Group	Retail	BTS-Lease	71,608	Samara	Distribution centre SamaraTransAuto
Fix Price	Retail	Lease	39,900	Samara	Distribution centre Fix Price
Confidential	Manufacture	Sale	27,167	Tver	Logistic Park Logopark-Tver
X5 Retail Group	Retail	Lease	18,619	Yekaterinburg	Warehouse complex UGSK
Confidential	Distributor	BTS-Lease	8,720	Nizhny Novgorod	Logistics complex Yuzhny
Yandex	E-commerce	Lease	6,800	Novosibirsk	Warehouse complex VK-Group

Chart 3
Distribution of take-up by business sector in regions of Russia, % of take-up volume

Source: Nikoliers

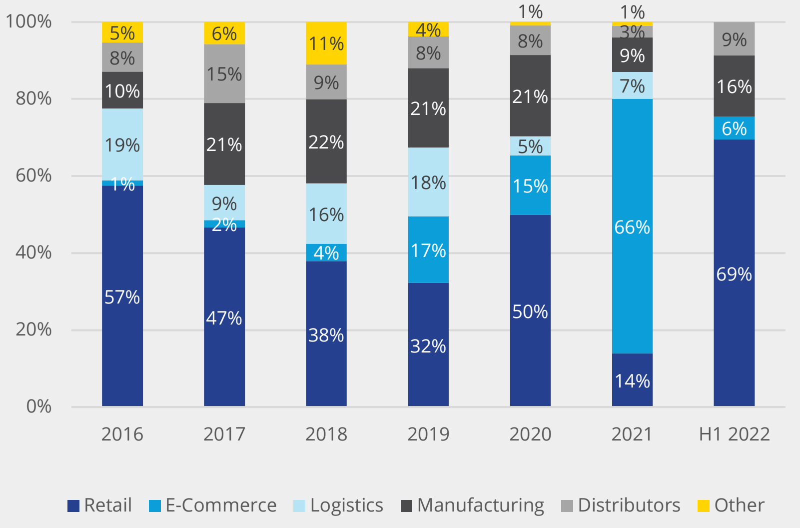


Chart 4
Geographic distribution of take-up in regions of Russia

Source: Nikoliers

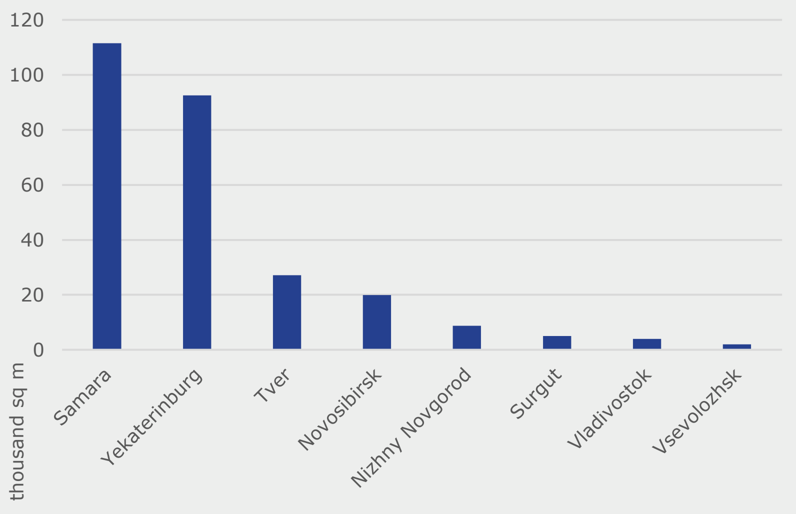
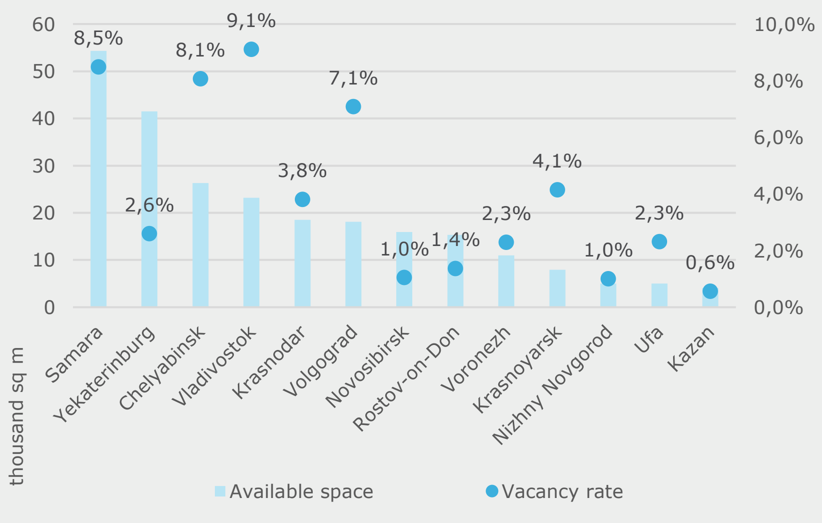


Chart 5
Distribution of available space and vacancy rate in regions of Russia

Source: Nikoliers



Vacancy and rental rates

In H1 2022 the regional warehouse market faced a slight increase in the vacancy rate by 0.2 p.p. to 2.7%. The regions with the highest share of vacant space at the end of H1 2022 were Vladivostok, Samara and Chelyabinsk, where the vacancy rate was 9.1%, 8.5% and 8.1% respectively.

Asking rental rates on the warehouse regional market are still at a high level. The weighted average rental rate for warehouse space at the end of H1 2022 was RUB4,670/sq m/year. Despite a decrease of demand, warehouse owners are not ready to make concessions and adjust rental rates. However, it is likely that the dynamics of rental rates will change, and we will notice a decrease in indicators in H2 2022. Such fluctuation may be caused by the market stagnation and concealed vacancy.

At the end of H1 2022 the highest rental rates for warehouse space were in such regions as Vladivostok (RUB5,250/sq m/year), Voronezh (RUB5,200/sq m/year) and Rostov-on-Don (RUB5,020/sq m/year). It should be taken into account that the volume of availability on the regional market remains at a relatively low level. As a result, rental rates may reflect the requested conditions for single offers in each region, rather than the average rate of occupied properties.

Chart 6
Average rental rates
in the regions of Russia

Source: Nikoliers

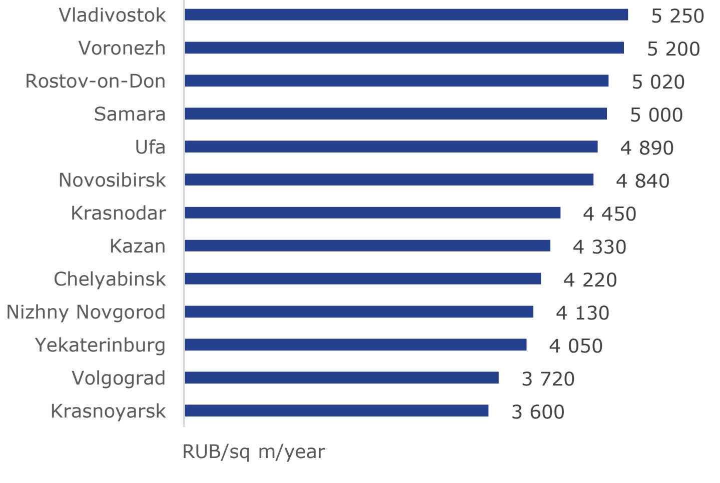
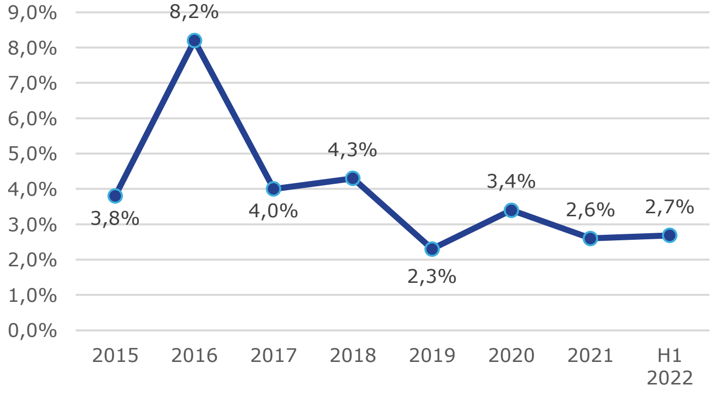


Chart 7
Vacancy rate, %

Source: Nikoliers



Trends and forecast

Increase in sublease supply

The geopolitical and economic situation had an impact on the warehouse market in the regions in H1 2022. Last year's trends have temporarily lost their relevance after the first six months of this year. The sublease volumes' growth is a new tendency. At the end of H1 2022 there are about 250,000 sq m of sublease area. The leading regions for sublease supply are Yekaterinburg (43,660 sq m), Samara (28,740 sq m) and Rostov-on-Don (20,180 sq m).

Changing supply chains

Over the past period, there have been radical changes in logistics chains. This fact led to a temporary disruption in the supply of foreign goods. In the long term, this will have a direct impact on the distribution of warehouse space in the Russian regions. It is likely that next year we will see the formation of logistics hubs around new supply centres.

Table 3
Key warehouse complexes planned to be commissioned in the regions of Russia by the end of 2022

Source: Nikoliers

Property name	Developer	City	Size, sq m
PNK Park Chapaevsk	PNK Group	Samara	134,850
Warehouse complex Sedelnikovo	EGSK LTD	Yekaterinburg	51,620
PNK Park Tolmachevo, 2-3 lines	PNK Group	Novosibirsk	50,000
Industrial park Avangard	Avangard/ DA! Development	Khabarovsk	46,990
Logistics complex Solnechny	InvestTechStroy	Volgograd	44,970

CONTACTS

WAREHOUSE & INDUSTRIAL DEPARTMENT

Victor Afanasenko
Regional Director
+7 495 172 27 18
Victor.Afanasenko@nikoliers.ru

RESEARCH

Veronika Lezhneva
Director, Head of department
+7 495 172 27 18
Veronika.Lezhneva@nikoliers.ru

Polina Bobrova
Senior Analyst
+7 495 172 27 18
Polina.Bobrova@nikoliers.ru

MARKETING & PR

Olga Bakulina, MCIM
Regional Director
+7 495 172 27 18
Olga.Bakulina@nikoliers.ru

Nikoliers

Moscow 123112, Russia
10 Presnenskaya Embarkment
Naberezhnaya Tower BC, Block C, 52nd floor
Main: +7 495 172 27 18
www.nikoliers.ru