

Russia | Moscow

Warehouse and Industrial Market

Q1 2023

Table 1
Key market indicators

Source: Nikoliers

	Q1 2021	Q1 2022	Q1 2023
Total supply, thousand sq m	18,606	20,396	22,246
Completions, thousand sq m	146	308	343
Total take-up, thousand sq m	271	181	369
Vacancy rate, %	2.9%	1.3%	1.9%
Rental rate, RUB/sq m/year*	4,143	6,200	5,798

* Excluding VAT (20%) and OPEX.

Main outcome

The Moscow industrial real estate market is getting back to normal following last year's turbulence. The events of 2022 led to a surge in vacant space, which eventually caused the vacancy rate to hit 2.9%. Yet after three months of this year we see an acute shortage of premises for lease in the logistics market of the Moscow area once again.

The rising business activity of consumers on this market has been one of the most significant factors of the vacancy rate sinking to 1.9%, with purchased and rented space reaching

369 thou sq m in Q1 2023, twice as much as in the first quarter of the previous year. Thus, the imbalance between supply and demand has worsened, as the floor area in speculative facilities commissioned is not enough to meet the current needs of all tenants.

Under the prevalent market dynamics it is highly likely that the rental rate which stabilized at the level of 5,798 rub/sq m/year at the end of Q1 2023 may further rise in the second half of the year.

Chart 1
Dynamics of the key market indicators

Source: Nikoliers



Supply

More than 343 thou sq m of storage space was commissioned in Q1 2023, with speculative projects prevailing among the completions. The key new developments include a 44,000-sqm building of the Orientir-Yug logo-park as well as a 129,000-sqm multistorey high-bay warehousing scheme named PNK Park MKAD-M4.

In total, we expect about 1,151 thou sq m of storage premises to be commissioned in 2023. It should be noted that fewer turnkey projects are anticipated: their number will reportedly shrink 2.4 times, the reasons being a smaller number of BTS deals closed last year as well as more restrained scaling policies pursued by e-commerce players.

Chart 2

Speculative and BTS completions, 2014 — Q1 2023

Source: Nikoliers



Demand

The demand in the first quarter of 2023 amounted to 369 thou sq m, which is one of the highest first-quarter figures in the entire history of the Moscow industrial real estate market. It should be noted that lease transactions accounted for the main bulk of demand in the first quarter (unlike the purchase of storage space by end users), with buy-and-sell deals accounting for only 3% of total demand. The breakdown between the lease of speculative facilities and BTS transactions was 60% to 37%, accordingly. Standing out among the key deals was leasing 135,000 sq m of BTS space to OZON and leasing 37,000 sq m to a major confectionery named United Confectioners. The highest activity was observed in southwest and south Moscow (160 thou sq m and 120 thou sq m, respectively).

Online retail remains the leader on the demand side in the Moscow industrial real estate market (38% or 142 thou sq m), followed by manufacturing companies (29% or 107 thou sq m) and by distributors (17% or 64 thou sq m). Yet the greatest number of transactions are completed by manufacturing companies.

Chart 3

Distribution of take up by business sector in the Moscow region, Q1 2023

Source: Nikoliers

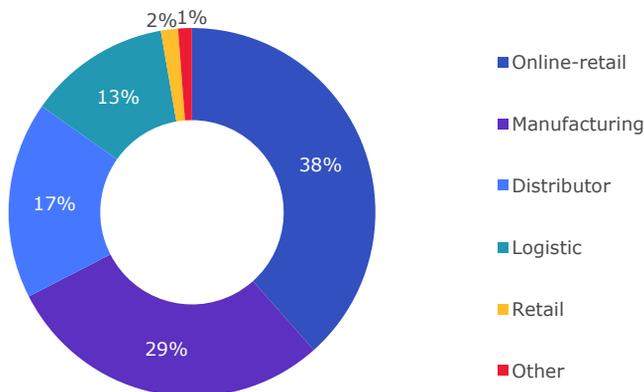


Table 2

The key deals closed in the Moscow area for Q1 2023

Occupier	Sector	Deal type	Size, sq m	Property name
OZON	Online retail	BTS-lease	135 000	Vatutinki LC
United Confectioners	Production	Lease	37 000	Valishchevo LC
Russvet	Distributors	Lease	32 000	South Gate IP
Prosveshcheniye	Production	Lease	25 800	Tomilino K-43 LC
Gazpromneft-snabzheniye	Production	Lease	18 000	RB Logistics Balashikha LC
Pivstar	Distributors	Lease	11 500	Yermolino LC

Vacancy and rental rates

In Q1 2023 the storage space vacancy rate in the Moscow area went down 1 p.p. to 1.9%. Taking into account the sublet space supply that dropped by 104 thou sq m, at the present moment 527 thou sq m of storage space is available on the market, which is 2.4% of total warehouse supply in the Moscow area.

The highest share of vacant space can be found in southeast and northwest: 4.2% and 4.0%, accordingly.

The average weighted base rent did not undergo any changes year-on-year, amounting to 5,798 rub/sq m/year, but given the contraction of free offer, we foresee the appreciation of the rental rate to the levels of Q1 2022.

Chart 4

Geographic distribution of vacant warehouse spaces in the Moscow region, Q1 2023

Source: Nikoliers

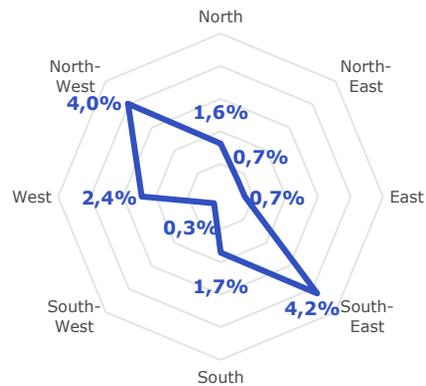
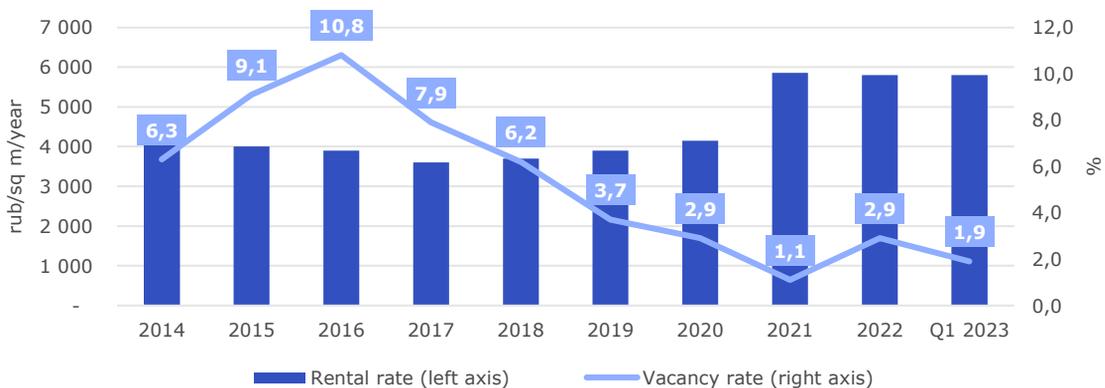


Chart 5

Dynamics of vacancy and rental rates, 2014 — Q1 2023

Source: Nikoliers





Trends and forecasts

- Recovery of demand and stiffer competition for vacant premises:

Following a relative slump in business activity on the market, the number of lease agreements began rising in the Moscow industrial real estate market later in 2022. Yet, because of the limited free offer, competition for vacant units of various sizes is emerging. In this backdrop we forecast a growing number of BTS agreements that can fully meet the needs of major market players, along with growing rental rates for the storage space available for lease.

- Storage space consumers asking for flexibility in the terms of lease agreements:

In times of market volatility clients need to be capable of effective maneuvering, depending on changes in the external environment. Therefore, lease agreements increasingly often include the option of premature termination or renegotiation of commercial terms in accordance with market realities after 2-3 years of lease.

- The warehouse market opening promising opportunities for housing developers:

Residential developers are increasingly interested in the industrial real estate market which looks more attractive now, holding out alluring prospects due to various incentives related to changes in the permitted use of land. We expect a growing number of announced logistics projects from new market participants.



Viktor Afanasenko

Regional Director
Head of Industrial Real Estate Department

In the warehouse market we see the general attitudes changing from negative, in relation to last year's events, to more positive ones.

The key demand drivers are swapping their wait-and-see postures for scaling plans, based on their belief in a favorable market environment. To date, however, one cannot be fully assertive that the market is not threatened by a new turmoil. At the moment, not all foreign businesses that decided to wind down their activities in Russia have completed the exit process, which in turn may affect the level of vacancy.

Contacts

Warehouse & Industrial Department

Victor Afanasenko
Regional Director
+7 495 258 5151
Victor.Afanasenko@nikoliers.ru

Research

Veronika Lezhneva
Director, Head of department
+7 495 258 5151
Veronika.Lezhneva@nikoliers.ru

Kirill Orishchenko
Junior Analyst
+7 495 258 5151
Kirill.Orishchenko@nikoliers.ru

Marketing & PR

Olga Bakulina, MCIM
Regional Director
+7 495 258 5151
Olga.Bakulina@nikoliers.ru

Copyright © 2023 Nikoliers

This report is a general study of the real estate market and is based on materials provided to us or owned by us, which we believe to be reliable. In compiling this report, our main principles were the accuracy and completeness of the information, however, we do not provide any guarantees that there will be no factual errors. We will be grateful if you inform us about such errors for prompt editing of information. Nikoliers does not accept any responsibility for damage or loss arising from inaccuracies or inaccuracies in the information contained in this report.



 **Nikoliers**

123112 Moscow
10 Presnenskaya Embankment
BC Naberezhnaya Tower
Block C, 52 floor