

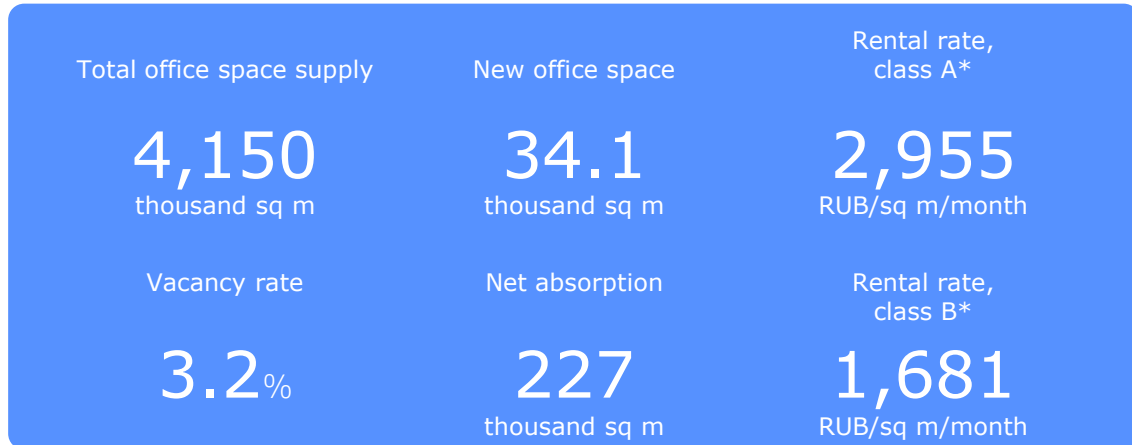
Results 2024

Office market

Russia | St. Petersburg



St. Petersburg market indicators, results of 2024



Key results



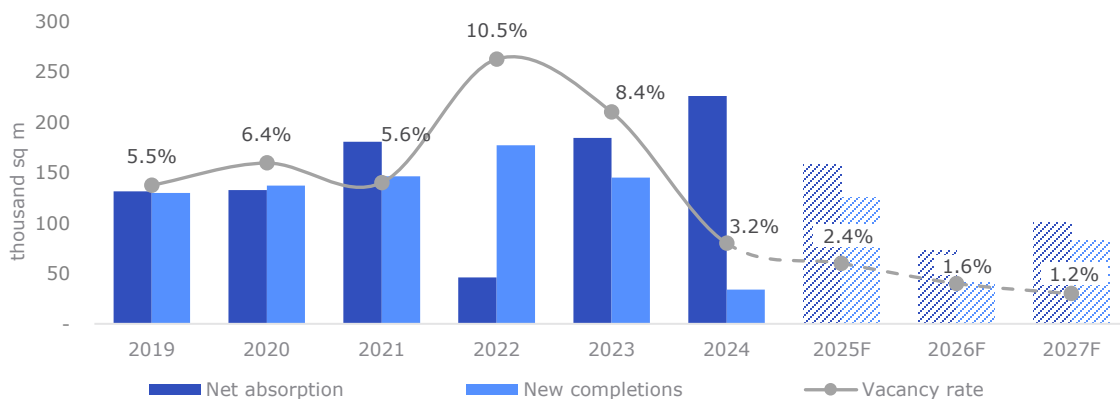
Supply

In 2024 six new facilities with the total floor area of 34,100 sq m were added to the Saint Petersburg office estate market. This is the lowest amount of office space commissioning for the entire history of observations.

Office units in new facilities are rapidly occupied on account of the acute scarcity of quality offices and high activity of potential business center occupiers.

The business centres put into operation over the year are 90% contracted.

Dynamics of key market indicators



The forecast is the Nikoliers' estimation based on the announced delivery timelines as well as data on the current status of projects.

*The weighted average rental rate includes operating expenditures, but excludes VAT. They are calculated on the basis of vacant units on offer at the end of the period under review.

Source: Nikoliers

Project commissioning

34.1
thousand sq m

The amount of office space commissioned in 2024 was the lowest for the entire history of observations



K-37
14,400 sq m



Avantgarde
7,750 sq m



Bogush Center
4,300 sq m



Lakhta Plaza
3,450 sq m



23, Obvodny Canal
2,900 sq m



Crystal Palace
1,300 sq m

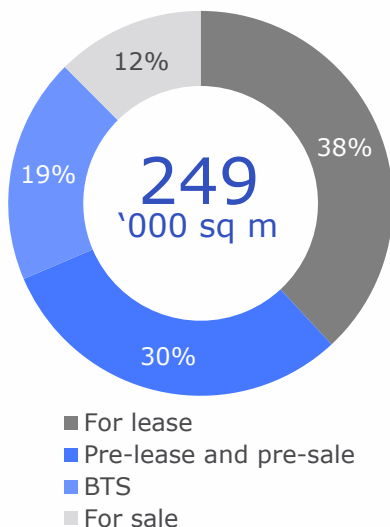
New completion forecast for 2025-2027

In three years to come we expect the persistent shortage of new speculative development and low vacancy rates in projects under construction. The plan calls for 16 business centres with the total floor space of 249,000 sq m to be commissioned from 2025 to 2027. Of this amount only 50% of office space is available mainly for lease. The highest office space must be rolled out to the market in 2025, specifically 125,500 sq m with only 40% of this space staying vacant.

Given plentiful pre-lease/pre-sale agreements signed to office space in projects under construction and an acute shortage of supply in existing buildings, tenants will be compelled to consider BTS projects in the years to come, as well as "resettlement" offers at above-market rental rates.

Because of office development stagnation, pent-up demand is being generated on the market, which cannot be met under the scarcity of office space.

The share of pre-lease/pre-sale, 2025-2027



New completion forecast for 2025-2027

2025
125.5
thousand sq m

2026
40.5
thousand sq m

2027
82.6
thousand sq m

The forecast is the Nikoliers' estimation based on the announced delivery timelines as well as data on the current status of projects.

Source: Nikoliers

Vacancy rate

3.2%

Market average vacancy rate at the end of 2024 sank more than twice versus the end of 2023



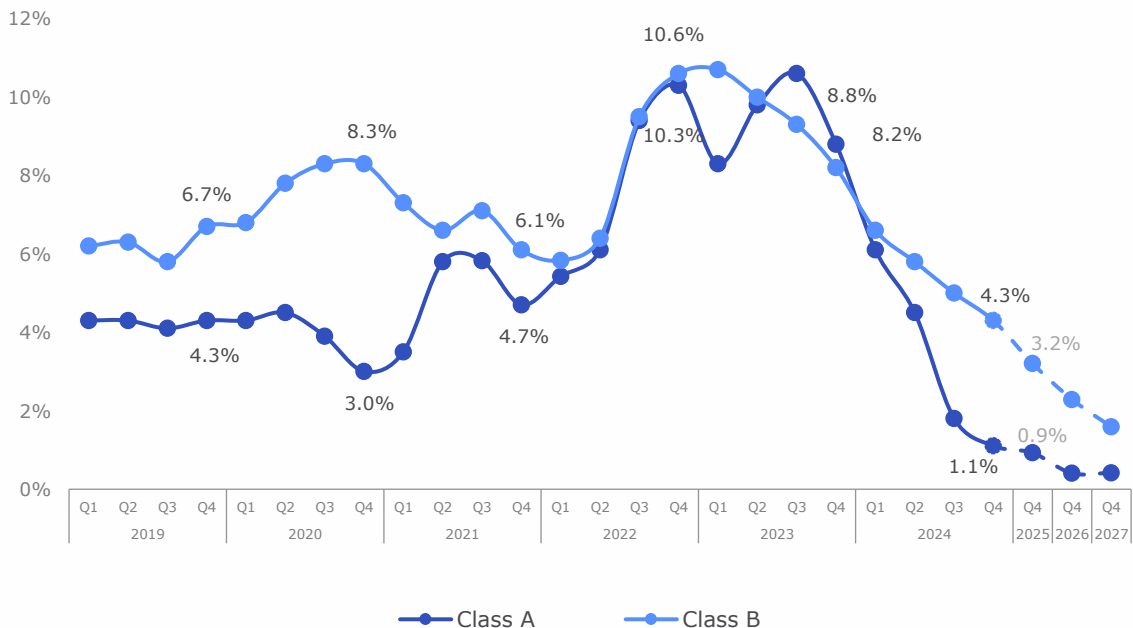
The high activity of occupiers and a slow pace of new construction resulted in a record drop of vacancy. The share of vacant space dwindled from 8.4% (348,500 sq m) to 3.2% (133,700 sq m) for 2024, reaching the lowest level for the entire history of observations.

Not a single A-class facility was put into operation over the year, which significantly affected the vacancy rate: over the year the share of vacant space in A-class offices has dropped by a record 7.7 p.p. since the end of 2023 (from 8.8% to 1.1%).

In the current situation occupiers interested in quality office premises are forced to look for alternative options. Companies are accommodated at higher rates in "resettled" spaces or eye the rent of work stations in flexible office spaces. To meet their need for large office units, corporations increasingly often look at the lease and purchase of office buildings at early construction stages, seeking to book most attractive options minding the increased demand.

It should also be mentioned that Gasprom business units keep moving from Moscow to Saint Petersburg. Given that the restructuring program is under way in the company, the recent news about the payroll reduction circulating in open sources won't have any significant impact upon the office segment in Saint Petersburg.

Vacancy rate by class



Rental rates

21%

Growth of the average rental rate (classes A and B) for 2024

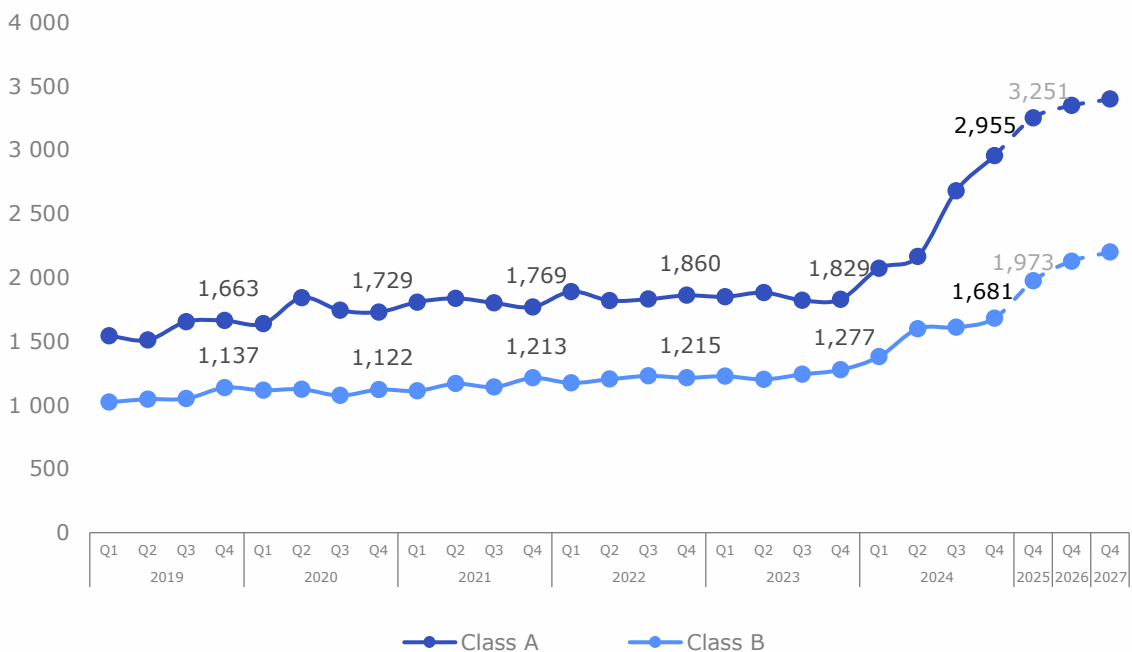


Under an acute scarcity of vacant office space the rental rates are skyrocketing. The weighted average rental rate in A-class business centres has grown by 62% over the year from 1,829 RUB/sq m/month to 2,955 RUB/sq m/month. By the end of next year further growth of the rent is expected to the level of 3,251 RUB/sq m/month.

In case of lease renegotiation rental rates may rise by 25-35%. Nevertheless, the most common solution for occupiers under an acute scarcity of supply on the market will be retention of the office space they currently rent.

The rental rates for B-class offices went up by 32% during 2024 from 1,277 RUB/sq m/month to 1,681 RUB/sq m/month. Large vacant office units can still be found in quality B-class business centres. Under the shortage of office premises the latter become a viable alternative to A-class offices. The fact that quality offers hit the market at the rates comparable to class A, contributed to a remarkable growth of the average rental rate in class B.

Change in rental rates by class, RUB/sq m/month*



*The weighted average rental rates include operating expenditures but exclude VAT. They are calculated with reference to vacant units offered for lease at the end of the period under review

Source: Nikoliers

Key market indicators by districts*

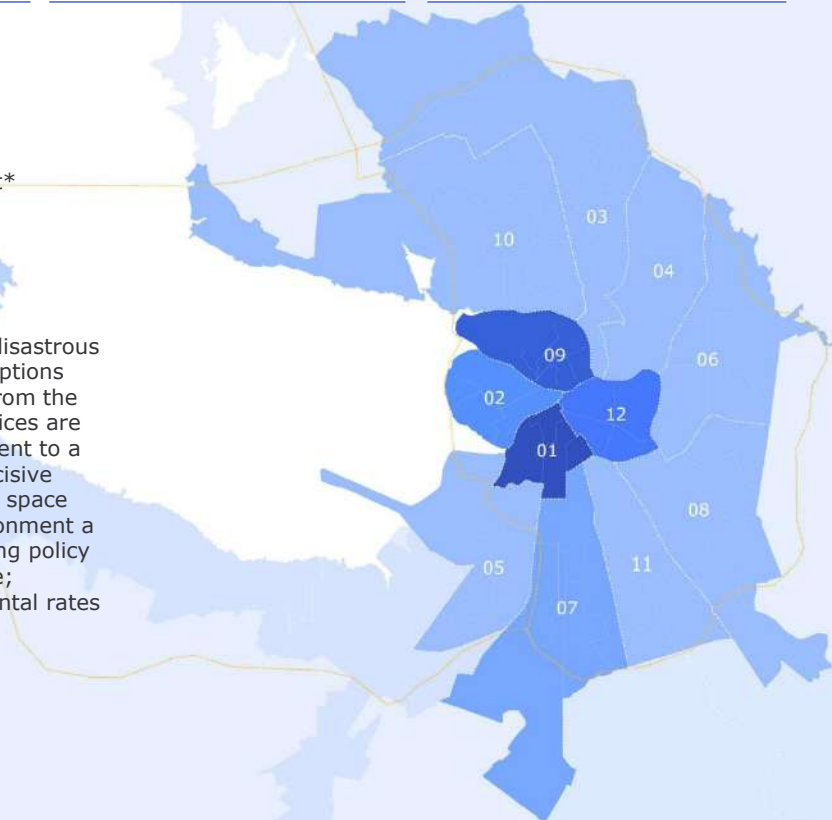
01 Admiralteyskiy	02 Vasileostrovskiy	03 Vyborgskiy
● 331,651 sq m	● 373,950 sq m	● 237,947 sq m
● 4.1%	● 0.6%	● 4.9%
● 1,907 RUB/sq m/month	● 2,135 RUB/sq m/month	● 2,376 RUB/sq m/month

District name

- Existing office space
- Vacant space
- Average rent for the district*

Source: **Nikoliers**

Whereas in class A there is a disastrous scarcity of supply with liquid options almost completely vanishing from the market, in class B+ quality offices are still available and the assignment to a certain class is no longer a decisive factor under the general office space shortage. In the current environment a determining factor of the pricing policy is the quality of a vacant office; therefore weighted average rental rates are quoted on this page.



06 Krasnogvardeyskiy	08 Nevskiy	10 Primorskiy
● 246,747 sq m	● 173,936 sq m	● 604,272 sq m
● 6.4%	● 9.4%	● 1.9%
● 1,640 RUB/sq m/month	● 1,615 RUB/sq m/month	● 2,994 RUB/sq m/month

07 Moskovskiy	09 Petrogradskiy	12 Centralniy
● 703,528 sq m	● 466,455 sq m	● 666,627 sq m
● 3.5%	● 1.2%	● 3.9%
● 1,677 RUB/sq m/month	● 1,884 RUB/sq m/month	● 2,523 RUB/sq m/month

*The weighted average rental rates include operating expenditures but exclude VAT. They are calculated with reference to vacant units offered for lease at the end of the period under review

Demand

226.9
thousand sq m

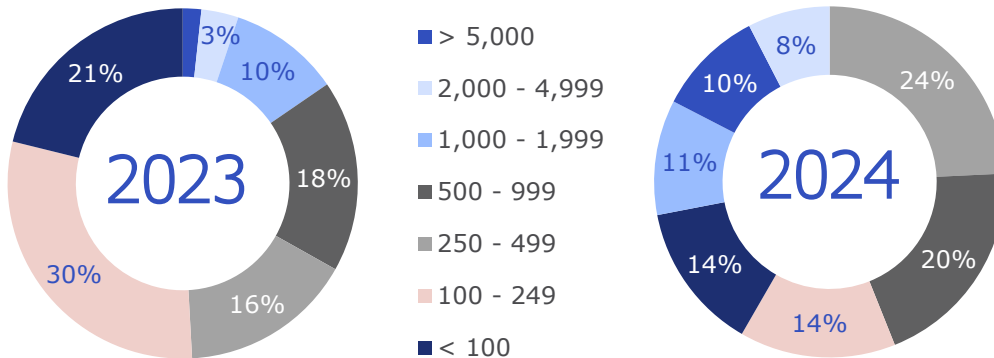
Net absorption in 2024, which is 22% higher than in 2023

The demand for quality office premises remains at a high level, with net absorption exceeding 6.5 times the amount of newly built office space.

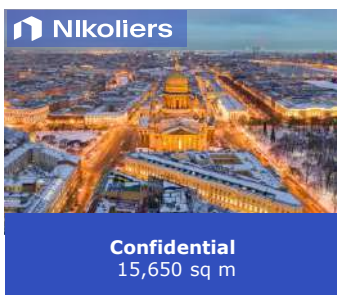
In 2024 the number of transactions with large office units notably increased. The number of deals with office units from 2,000 to 5,000 sq m rose by 67% as compared to the year earlier, while the number of transactions with office units larger than 5,000 sq m tripled. Yet the number of deals with small office units (below 250 sq m) dropped by 58%.

This considerable increase in the number of major transactions on the market is mainly driven by the pent-up demand that accumulated for 2020-2022, when companies took a wait-and-see attitude, pushing back the workspace expansion and retaining a remote work mode for most employees. Apart from a great number of leases signed to whole floors or even buildings, purchase/sale transactions for buildings were concluded, which is not characteristic of the Saint Petersburg market, where historically the lease of premises had prevailed.

Breakdown of transactions by the size of office units



Key lease transactions in the St. Petersburg office market, 2024



Demand

29%

Based on the results for 2024, IT&T segment still holds the lead by the share of rented office space.

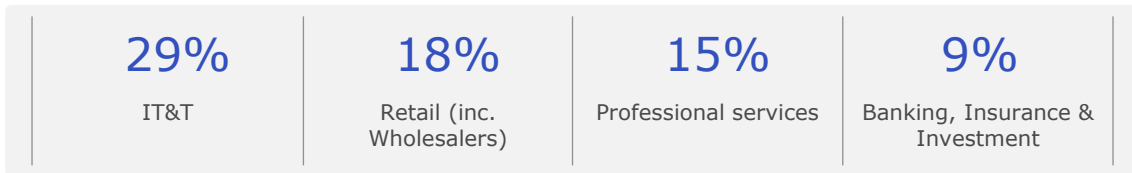
In 2024 we saw a record-high activity in the office estate market as the volume of transactions had more than doubled as compared to the year before.

IT companies have been the most active seekers after office space in two recent years. Due to the demand for large office units in 2024, the share of deals with companies from the given sector comes to 29%.

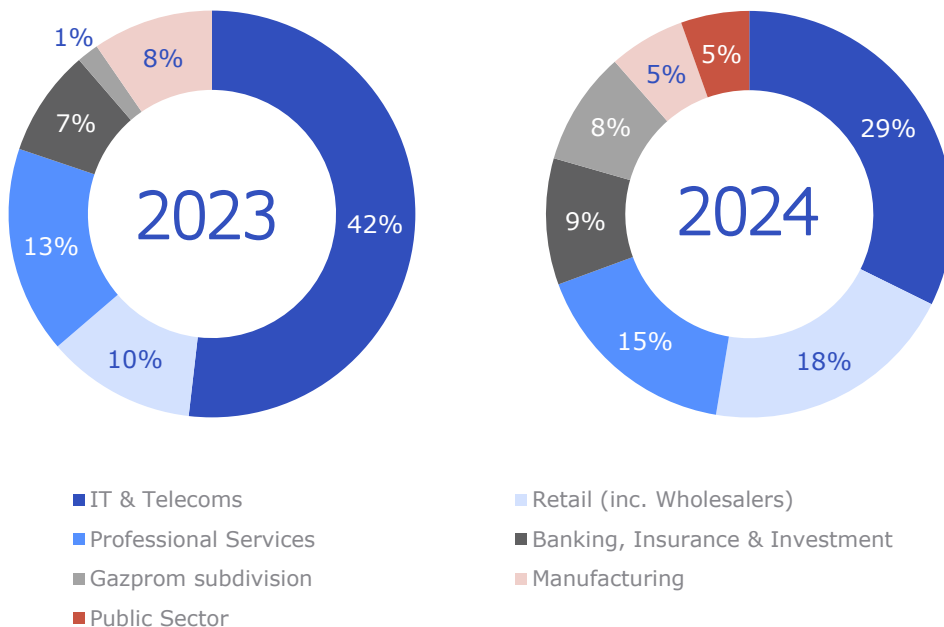
A distinct leap in activity is also noticeable in the sector of professional services, as the volume of office estate transactions concluded by such companies rose 3.5 times over the year.

Under an acute scarcity of supply on the office market of Saint Petersburg, a slowdown in the amount of office space absorbed by occupiers can be expected in three years to come, as well as the generation of pent-up demand. State-owned and quasi-state companies along with representatives of energy, raw stuffs, finance and IT sectors will remain the main buyers of large offices.

Key business sectors in terms of demand for 2024



Distribution of deals by tenant type, TOP-7 sectors. A change in the share of transactions over the year



Trends and forecast

Key market indicators

	2023	2024	2025F	2026F
Total stock at the end of the period, million sq m	4.15	4.15	4.28	4.32
Class A	1.47	1.44	1.54	1.54
Class B	2.67	2.71	2.74	2.78
Completions for the period, thousand sq m	144.9	34.1	126	40.5
Net absorption for the period, thousand sq m	184.5	227	159	73
Vacancy rate, %	8.4	3.2	2.4	1.6
Class A	8.8	1.1	0.9	0.4
Class B	8.2	4.3	3.2	2.3
Weighted average rental rate, RUB/sq m/month*				
Class A	1,829	2,955	3,251	3,348
Class B	1,277	1,681	1,973	2,128

** The weighted average rental rates include operating expenditures but exclude VAT. They are calculated with reference to vacant units offered for lease at the end of the period under review



Critical shortage of A-class office units

Robust demand for quality office units and slowdown of construction rates brought about a record reduction of the vacancy rate in A-class offices for the entire history of observations. Booming demand stiffens competition between potential occupiers for quality office space, compelling them to consider alternative accommodation options. The demand is spilling over to buildings under construction and quality B-class premises.



Record slump in office project commissioning

Office development is under the pressure of macroeconomic factors. In times of the high key rate and inflation rate, soaring prices as well as the scarcity of manpower and labor force, there is a considerable growth in the cost of construction, which results in commissioning deadlines being pushed back and projects to be frozen. In three years to come the amount of commissioned office space will stay at a low level. Developers are willing to build office centres by involving external investors or key occupiers at the stage of design.



Increasing popularity of "Resettlement" options

The demand for A-class offices remains high, so landlords are active in rolling out "resettlement" offers at above-market rates for clients interested in leasing large office units. Thus, the given trend may lead to a considerable increase in the share of business centres occupied by mono tenants.

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