



Q1 2024

Investment Market

Russia | Moscow

Key market indicators

	2021	2022	2023	Q1 2024	2024 forecast
Total investment, \$ million	1574.7	2852.1	7291.9	823	3.700
Total investment, RUB billion	115.7	184.8	622.3	74.8	350
Cap rate in Moscow, "prime", %					
Offices	9-10	10-11	9.5-10.5	9.5-10.5	9.5-10.5
Retail	9-10	10-11	10.5-11.5	10.5-11.5	10.5-11.5
Industrial	11-12	11-13	10.5-12	10.5-12	10.5-12

Main results

In Q1 2024, there was a decline in the total commercial real estate investments in Russia as compared to investment volumes in 2023. From the historical peaks of 2023, the indicators are sliding to normative average figures typical of the previous 5-10 years.

There was also a record low level of transactions involving foreign capital in Q1 2024, which is primarily due to the abundance of such transactions in 2023 and the exhaustion of the trend for asset sales by exiting companies. Due to this dynamic, it can only be assumed that the low volume of this type of transactions will persist in the periods to come.

Traditionally, Moscow and the Moscow region accounted for the main bulk of transactions –

80%. Meanwhile, investments in regional assets, which have shown high sales volumes over the recent 15 months, declined to record low levels, sagging by almost 2.5 times relative to the average quarterly volumes for 2017-2022 (RUB 1.95 billion vs. RUB 4.7 billion, accordingly).

The largest deal in the period under review was the purchase of CDM on Lubyanka by Kievskaya Ploshchad structures from Hals Development.

Investment dynamics

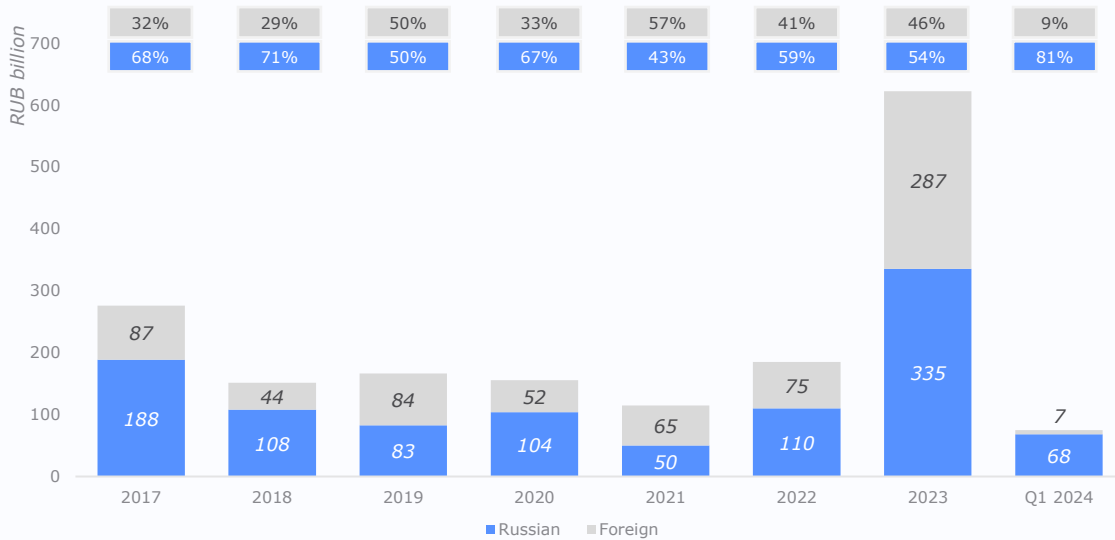


Source: Nikoliers, data on the results of Q1 2024
The reported level of investment does not include transactions with development and production sites.

Breakdown of investment volume

Dynamics of transaction volume by seller's source of capital

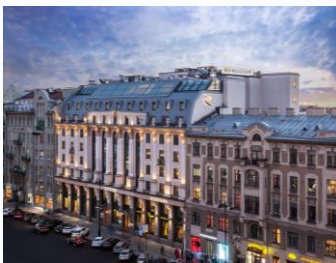
Source: Nikoliers



In Q1 2024 the share of transactions with the participation of foreign capital decreased, amounting to 9% of the total volume of monetized assets. The indicator was formed by the transaction that involved Desna Development (part of Rónesans Holding, Turkey) selling Renaissance Forum BC and Crown Plaza hotel in Saint Petersburg.

After the mass exit of foreign investors from Russian assets, the volume of such deals in future periods will stretch in the form of a plume or trail, since the companies that made statements about leaving the Russian market still have assets for sale.

Key transactions with foreign capital involved

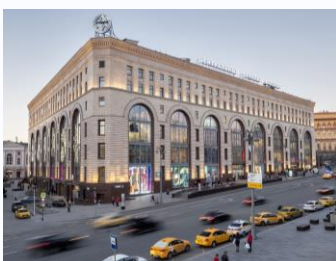


Crown Hotel
9,085 sq m

Renaissance Forum BC
6,597 sq m

Saint Petersburg
61, Ligovsky Ave.

Key transactions with Russian capital involved

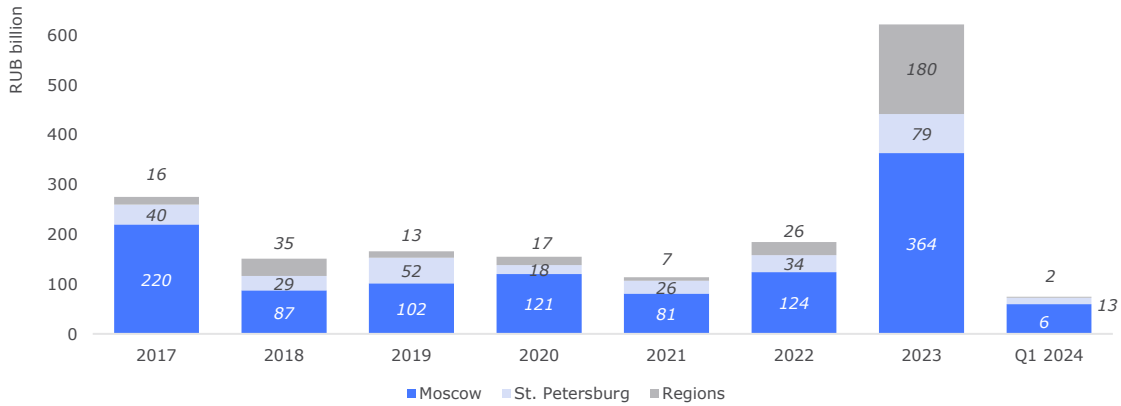


Central Detskiy Mir on Lubyanka
65,860 sq m

STONE Belorusskaya BC
34,500 sq m
The asset was purchased as a single lot by an institutional investor.
Moscow

Breakdown of transactions by geography, RUB billion

Source: Nikoliers



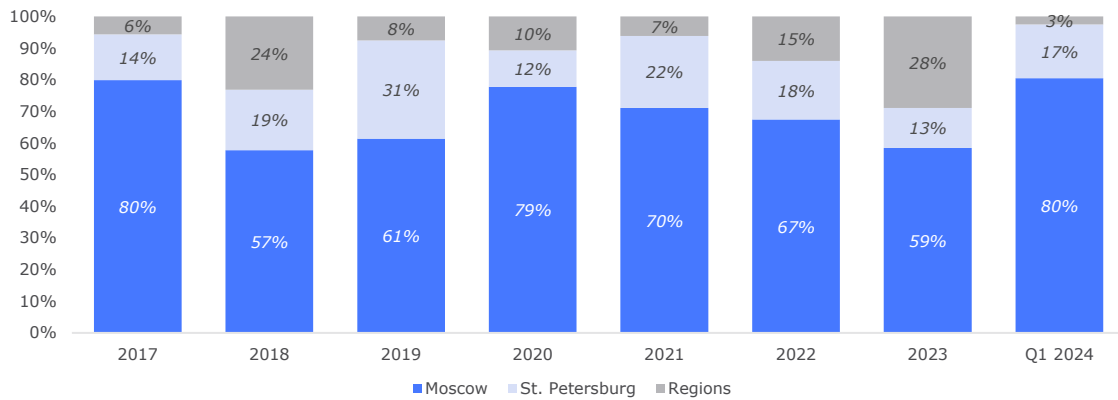
In the geographical distribution of transactions for Q1 2024, the share of Moscow has seen the most significant change. Its share reached the level of 80% vs. the average of 70% for the previous 10 years.

Two of the largest deals in the reporting period accounted for the majority (61% or RUB 36.8 billion) of all Moscow volumes: CDM on Lubyanka and STONE Belorusskaya BC.

At the beginning of 2024, the share of investments in regional assets (RUB 2 billion), which were in high demand from October 2022 to December 2023, notably decreased. This was caused by the absorption of the most liquid lots during the period of mass exodus of foreign companies from Russian assets.

Breakdown of transactions by geography and respective shares, %

Source: Nikoliers



Key transactions



A building to house a 5-star hotel, Marsovo Pole
25,000 sq m



A business centre at 1, Izvestkovy Lane
6,011 sq m,
for an office of Lesta Games



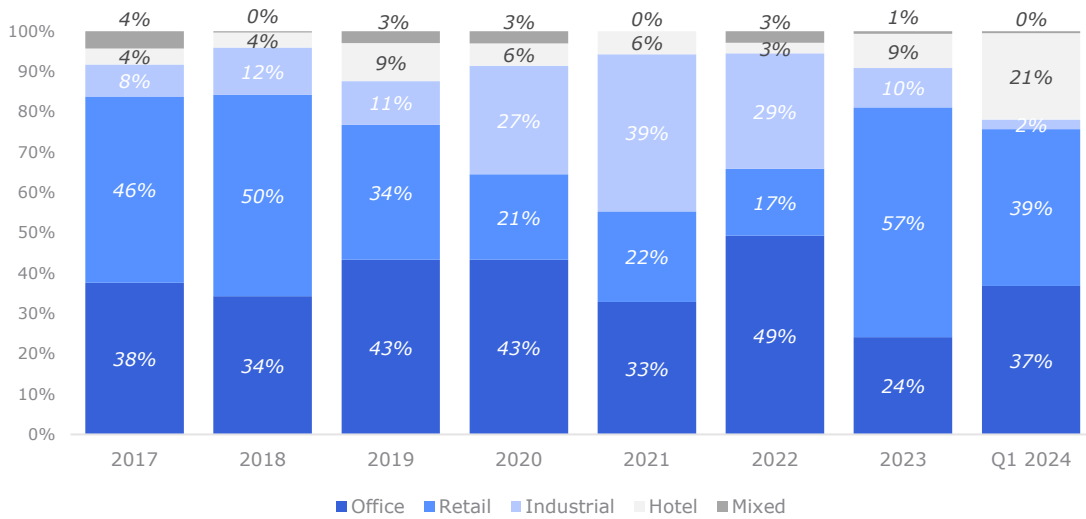
Commercial premises in Sky View development
5,600 sq m



Hilton Garden Istra
14,200 sq m

Breakdown of transactions by type of real estate

Source: Nikoliers



The hotel business showed an increase in the share of investments relative to other segments in Q1 2024 – up to 21% against the weighted average of 7.7% over the last 10 years. For example, in Saint Petersburg, the hotel sector is looking forward to quality additions at the expense of Russian investors: a structure of Gazprom has acquired a project on Marsovo Pole for remodeling this building into a luxury hotel. Initial investments are estimated at RUB 5 billion.

Despite the significant contribution to the investment structure by this segment, the dominant volume of transactions was formed by retail (39% or RUB 29.1 billion) and offices (53% or RUB 27.5 billion), including one-fourth of the total (RUB 7.7 billion) invested to accommodate the companies’ own employees.

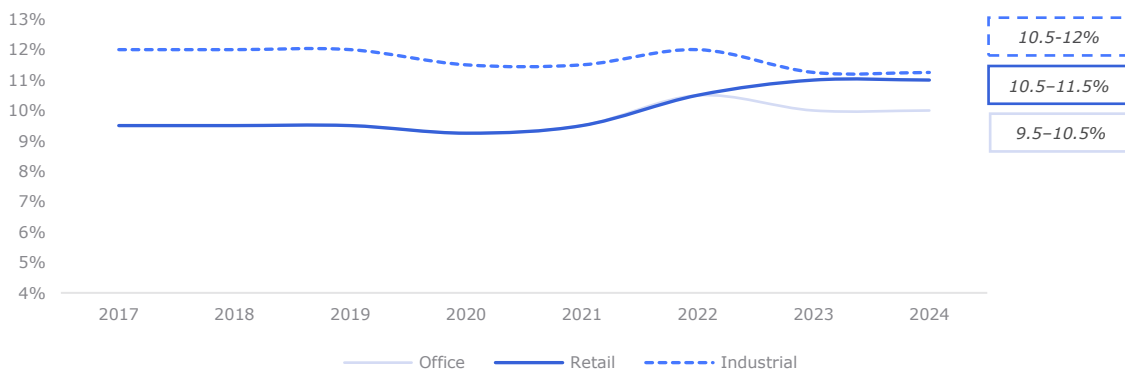
Several companies purchased premises for their own needs in Q1 2024. These are LUKOIL (Blue

Pearl BC), Lesta Games (BC at Izvestkoviy Lane), Polyplast (a mansion on Sadovo-Spasskaya str.) and Fix Price (BC near Prospekt Mira).

In the industrial segment we see a decrease in the amount of transactions, which can be caused by the mismatch of expectations of sellers and buyers and the fading of the post-pandemic peak of demand for warehouses under still growing rental rates. Warehouses yield a high rate of return to their owners, so there are few people willing to part with this type of assets.

Dynamics of cap rates in Moscow, “prime”

Source: Nikoliers



10.5-12%
10.5-11.5%
9.5-10.5%



Trends and forecast

A remarkable dynamic at the turn of 2024 was the curtailment of investment in all real estate segments. The main reasons behind this trend is the record number of deals stricken in 2023 and **the absorption of most attractive offers by 2024.**

Traditionally, the least number of transactions is concluded on the capital market in the first quarter, with a seasonal growth towards the year's end. If the said trend persists, **the total forecasted volume of investments is expected at the level of RUB 300-350 billion in 2024.**

Despite the abundance of transactions completed by foreign holding companies seeking the exist from the Russian market, **some overseas companies still retain Russian assets in their portfolios. The closing of deals for capital withdrawal** from such assets is complicated by the process of getting approval from the law commission and the need to pay "voluntary contribution" to the federal budget, but **for now**

this is still possible.

The fact that the Bank of Russia keeps the key rate intact, as part of its inflation control concept, has resulted in the **lowest number of leveraged investment transactions** in Q1 2024. If the monetary policy eases by the end of 2024, the structure of capital sources might be adjusted.

There is a shortage of investment-grade properties put up for sale in the warehouse sector. Due to rising rental rates and historically low vacancy rates, it is expected that **the volume of transactions with industrial assets will remain small** in the near future, or contracts will be signed at a premium to the market value.

Services



Offices



Industrial



Retail



Residential



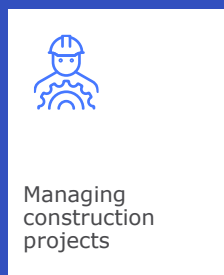
Hotels



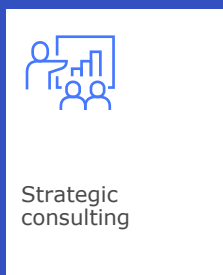
Land plots



Property management



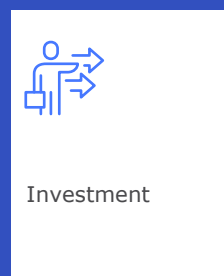
Managing construction projects



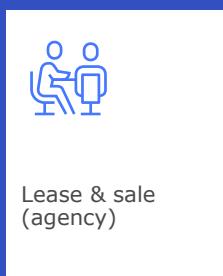
Strategic consulting



Property and business valuation



Investment



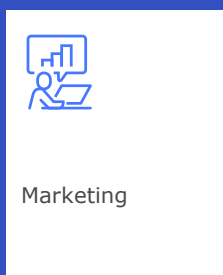
Lease & sale (agency)



Representation of tenants



Research and analytics



Marketing

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