

Year-end 2022

Warehouse and Industrial Market

Russia | Moscow

Table 1
Key market indicators
Source: Nikoliers

	2020	2021	2022
Total supply, thousand sq m	18 492	19 987	21 534
Completions, thousand sq m	932	1 495	1 547
Total take-up, thousand sq m	1 660	2 470	1 325
Vacancy rate, %	2,9%	1,1%	2,9%
Rental rate, RUB./sq m/year*	4 150	5 860	5 803

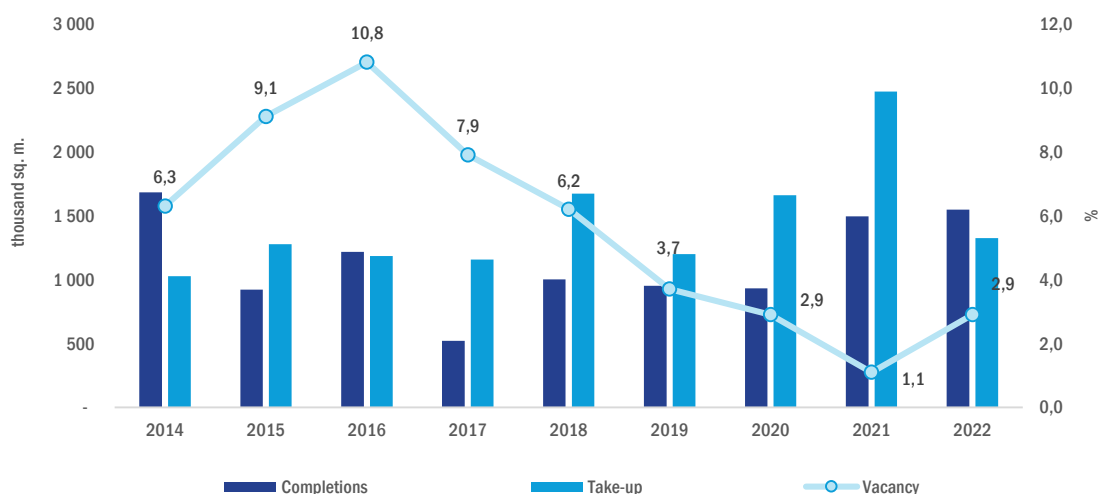
*Excluding VAT (20%) and OPEX

In 2022, the Moscow warehouse market again showed a relatively good level of resistance to new challenges. The pessimistic 5% vacancy rate forecast made at the end of Q1 2022 did not come true, and according to the results of 2022, this figure stood at 2.9%. However, given the exodus of many foreign companies, as well as the reduction of surplus space occupied by major market players, an increase in storage space exposed on the market was unavoidable. With vacancies growing by 1.8 p.p. in 2022, this could not but affect the rental rates: after climbing to 6,200 RUB/sq m/year in the first quarter of the past year, they gradually settled down at 5 803 RUB/sq m/year.

Nevertheless, the turbulence on the Russian market has negatively affected the dynamics of business activity and the behavior of warehouse users. The demand dived by 46% to 1,325 thousand sq m, which is comparable to the figures for 2014-2019; and it is anticipated that the demand will stabilize at this level. New development amounting to 1 547 thousand sq m is also record high since 2015.

Chart 1
Key market indicators' dynamic during crisis periods

Source: Nikoliers





Supply

At the end of 2022 commissioning of storage space in the Moscow area totaled to 1,547 thousand sq m, up 3.5% year-on-year. This is the highest level of new supply for the past eight years since 2014. Thus, the total supply rose beyond 21 million sq m.

The total amount of build-to-suit storage facilities had reached 1,151 thousand sq m by the end of 2022, exceeding 74% of total commissioned warehousing.

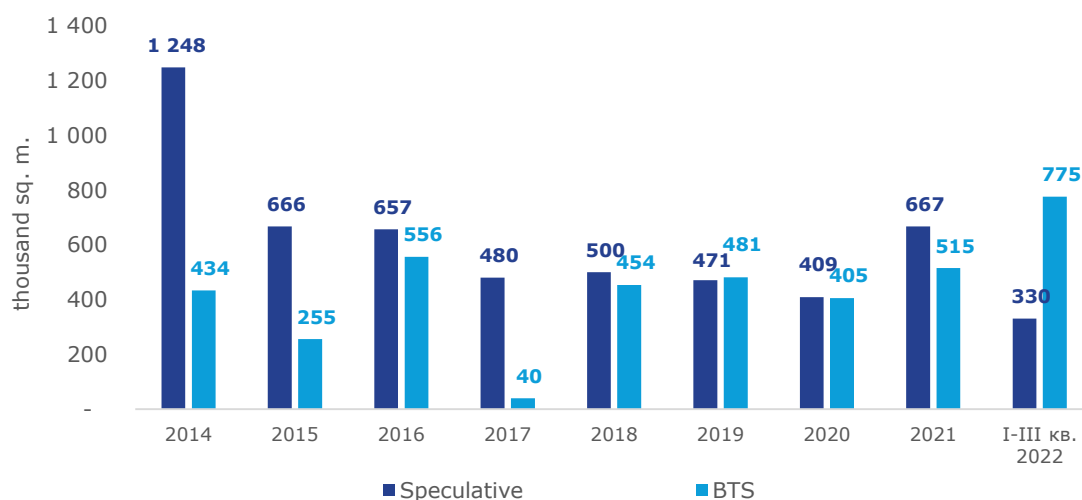
market during the previous two years, with lots of contracts for the construction of build-to-suit premises signed as a result.

Less space is expected to be commissioned in 2023, than during the previous period, in the wake of swelling vacancies, rising costs of construction materials, and delays with the delivery of preplanned projects.

The reason for this trend was the shortage of quality supply in the

Chart2
Speculative and BTS-construction,
2014-2022

Source: Nikoliers



Demand

Contrary to the high transaction activity on the Moscow industrial real estate market in 2020-2021, total demand dropped almost twice in 2022 year-on-year to the normal, "pre-pandemic" level – 1 325 thousand sq m. This trend can be explained by the fact that the key market players have taken a wait-and-see attitude, being hesitant to build up their storage stock due to the optimization of business strategies and possible further needs arising.

Therefore, a change in the breakdown between speculative and turnkey deals is in play. The cumulative share of build-to-suit contracts was only 11%. The main reason behind this trend is that the main users of BTS warehouses either have an excess of storage space or give preference to quality facilities being gradually vacated.

The e-commerce segment remains the key driver of demand growth in the warehouse market, accounting for 44% of all closed lease and sale deals, manufacturing companies and distributors being key contributors to a continued rise of this indicator.

The wait-and-see attitude prevalent on the market resulted in the average size of the deal going down to 12,153 sq m in 2022, which is almost twice less than in 2021.

Chart 3
Distribution of deals by type,
% of transactions volume

Source: Nikoliers

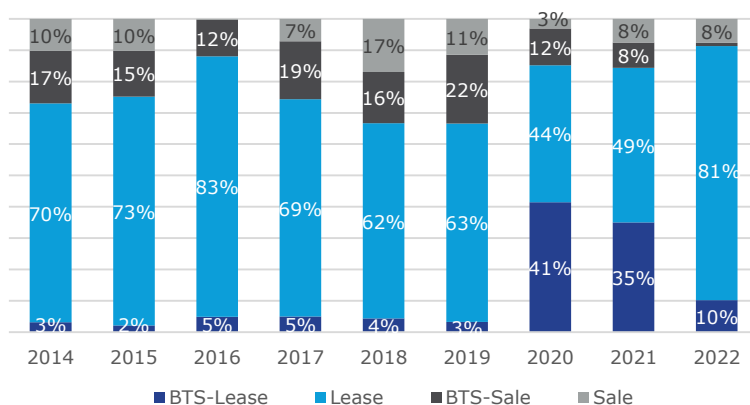


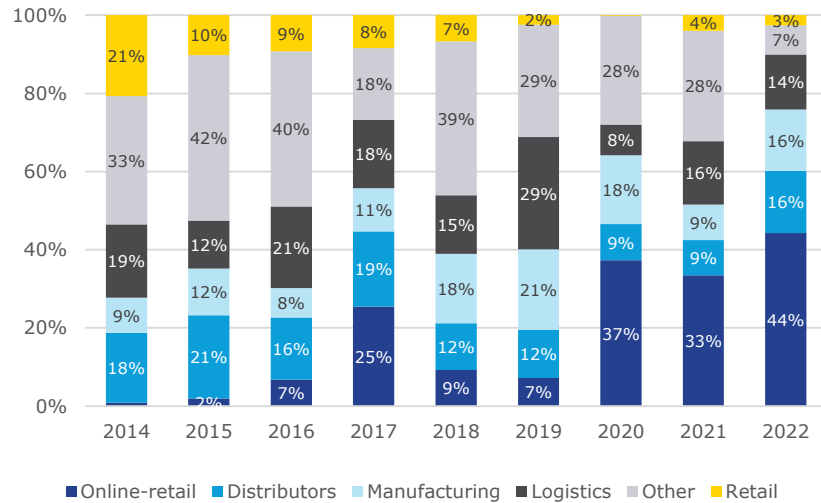
Таблица 2
Ключевые сделки, закрытые в Московском регионе в 2022 г.

Occupier	Sector	Deal type	Size, sq m	Property name
Ozon	Online-retail	BTS-lease	99 457	«A2 Obukhovo»
Ozon	Online-retail	Lease	92 205	Logistics park «Sofino»
Ozon	Online-retail	Lease	80 000	«PNK Park Zhukovskiy»
Wildberries	Online-retail	Lease	60 000	Warehouse Complex «Chekhov»
«Prosveschenie»	Manufacturing	Sublease	43 900	Warehouse Complex «Tiera»
«Sima-land»	Online-retail	Lease	42 232	Logistics park «Bikovo»
«Marschroute»	Online-retail	Lease	32 375	Warehouse Complex «Belaya Dacha»

Chart 4

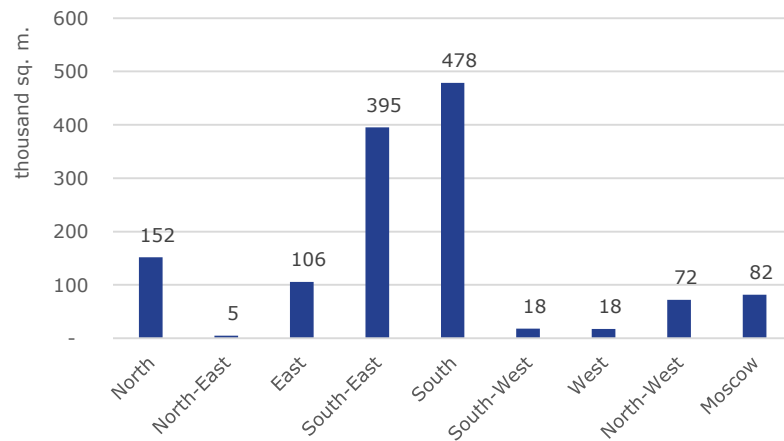
Distribution of take-up by business sector in the Moscow region, % of take up volume

Source: Nikoliers

**Chart 5**

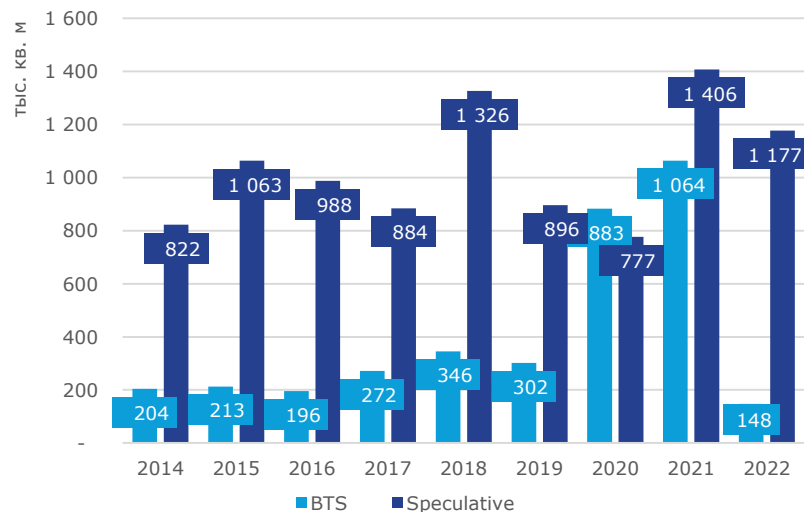
Geographic distribution of take-up in the Moscow region

Source: Nikoliers

**Chart 6**

Warehouse take-up
BTS-deals vs speculative

Source: Nikoliers





Vacancy and rental rates

The final figure for vacant storage space in Moscow stood at 2.9%, up 1.8 p.p. year-on-year and as much as we had in 2020. The highest vacancy rate can be found in the south-east and north of the Moscow area (5.5% and 3.3%, respectively). At the same time, the north-east is 1.5% short of vacant warehousing.

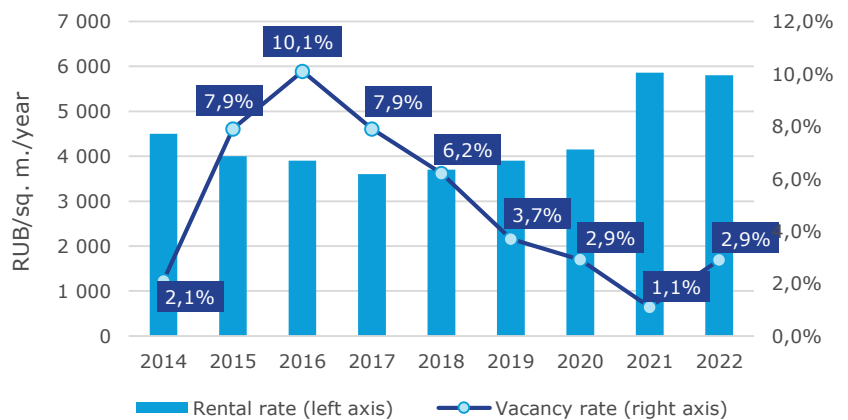
Vacancies are expected to continue their climb next year due to sluggish demand and increased entry of new supply to the market.

rent in the Moscow area by the end of 2022 was 5 803 RUB/sq m/year excluding VAT and OPEX, 6.4% down against the first quarter of the year under review, when the rent reached its peak value.

The upward trend in rental rates that began in 2017 and was most clearly visible in 2021 has fizzled out. Thus, the average weighted

Chart 7
Vacancy, % and rental rates,
RUB/sq m./year excl. VAT and OPEX

Source: Nikoliers





Trends and Forecasts

Suspension of construction on BTS facilities

A number of key projects, for which build-to-suit construction contracts had been signed years earlier, were frozen until new interest crops up. This was largely caused by the exodus of tenant companies from the national market and adjustment of development plans in Russia. We expect the share of build-to-suit transactions to wane next year in favor of the take-up of existing facilities.

Exodus of foreign companies and refusal transactions

In 2022, the share of foreign tenants in the breakdown of demand sank by 8 p. p to 9%. New hurdles and risks force international players out of the Russian market; hence the growing number of relinquishments as companies abandon occupied areas or revise the terms of their contracts.

From lessor market to lessee market

Under the current pace of new supply hitting the market and flagging demand, we see a gradual shift towards a tenant's market.

Demand for “hidden vacancies”

In 2022, the amount of sublet space ran high due to oversupply of owned warehousing. Hidden vacancies peaked at the end of Q2 amounting to 332 thousand sq m, while the demand for this kind of space eventually reached 148 thousand sq m. As the leases of primary tenants expire, we expect the number of these deals to dwindle, also anticipating a comeback of direct leases from landlords.

CONTACTS

WAREHOUSE & INDUSTRIAL DEPARTMENT

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

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

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

Kirill Orishchenko
Junior Analyst
+7 495 172 27 18
Kirill.Orishchenko@nikoliers.ru

Copyright © 2022 Nikoliers

This report is a general study of the real estate market and is based on materials provided by its participants. 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.

MARKETING & PR



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