Nikoliers

Results 2024

Office Market

Russia | Moscow

Moscow market indicators, results of 2024

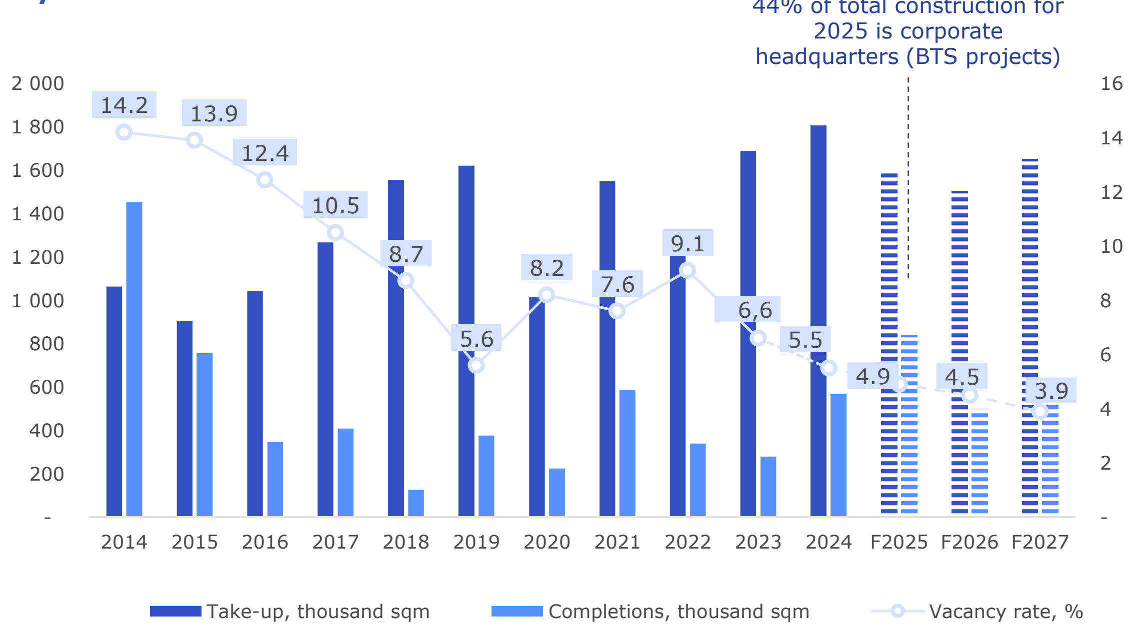
Total office stock	Office take-up	Rental rate*, Class A and Prime
20.6 million sq m	1,807 thousand sq m	35,210 RUB/sq m/year
New office space completions	**Vacancy rate**	**Rental rate*, Class B+/-**
567 thousand sq m	5.5%	24,751 RUB/sq m/year

*Weighted average rental rates do not include operating expenditures (OPEX), utility payments and VAT (20%). Calculated on the basis of vacant supply in existing projects inside the Moscow Ring Road (MKAD)

Main results

- Maximum office space acquired by the corporate sector
- Projects sold out as small units enter the market
- More office space is absorbed than commissioned
- Limited vacant space in new builds
- Record-low vacancy on the market for 16 years

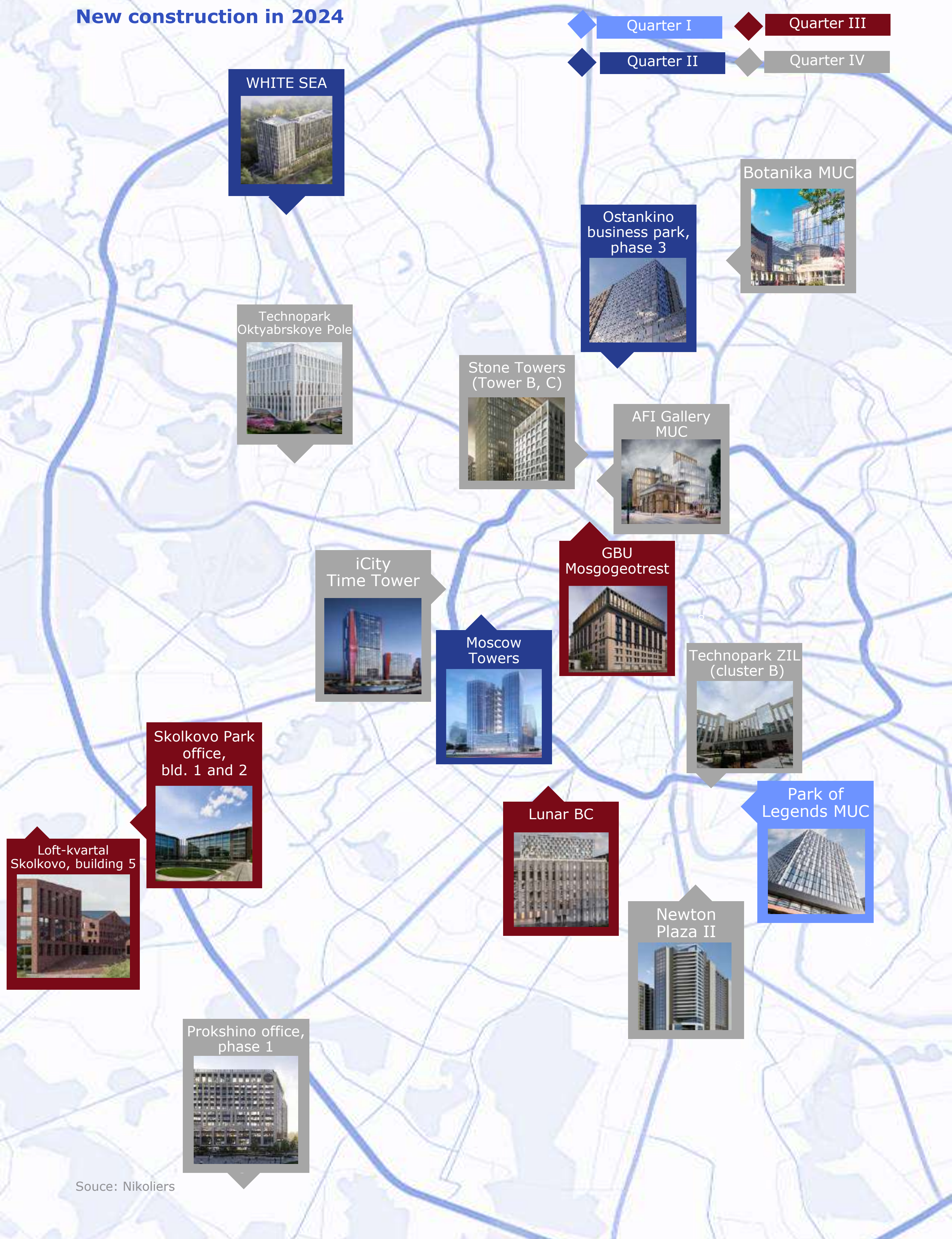
Key market indicators



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

Source: Nikoliers

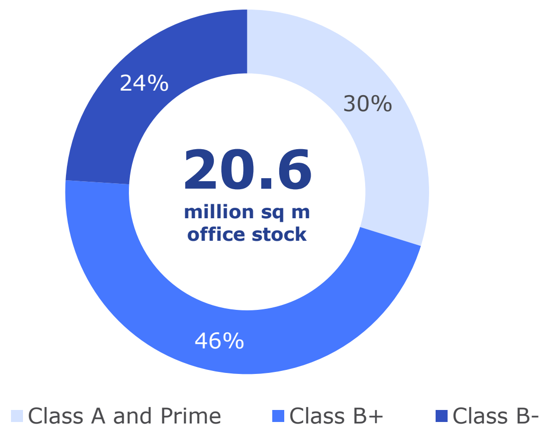
New construction in 2024



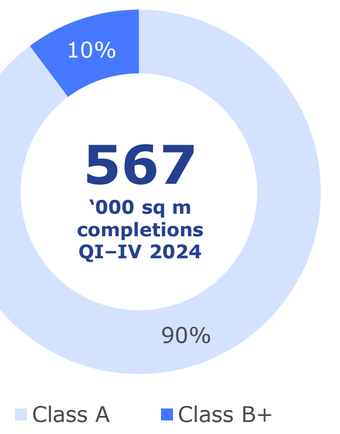
Souce: Nikoliers

Supply

Breakdown of the current office stock



Breakdown of the new office completions

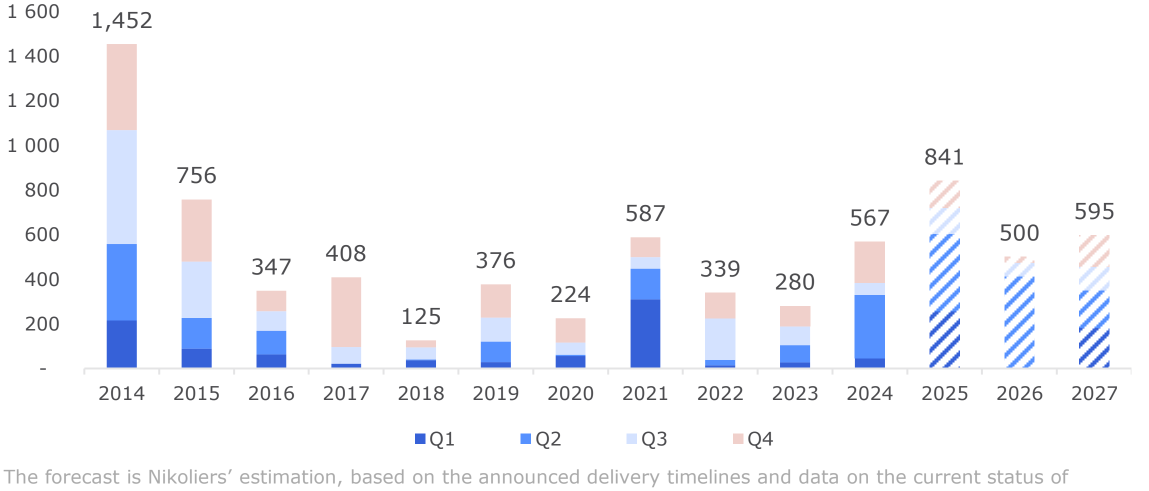


In Q4 2024, 184,000 sq m in new facilities were commissioned, with 85% of this new office space already contracted. Projects sold out as smaller units were added to the office stock: two towers in Stone Towers office scheme, a business center in Prokshino and Botanica retail and office cluster. Only one office unit remained vacant in the latter, while the rest had been contracted prior to their commissioning.

The annually commissioned space reached 567,000 sq m, which is twice as much as in 2023. This significant growth is due to the completion of large-scale projects launched several years ago. Moscow Towers and Time Tower in iCity accounted for 54% of the total annually commissioned office space. An additional stimulus for office construction was the program of creating places of employment, which accounted for 20% of commissioned office space during the year.

Vacant office space is absorbed faster than the new office space is commissioned. As predicted by Nikoliers, over the next three years the commissioned speculative office space (excluding BTS) will amount to 470-500 thousand sq m per year. The slow pace of new office construction and a high share of pre-lease/pre-sale transactions will mean a scarce supply and low vacancy on the office estate market in the near term.

Dynamics of office space commissioning, thousand sq m



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

Source: Nikoliers

Commercial terms and vacancy dynamics

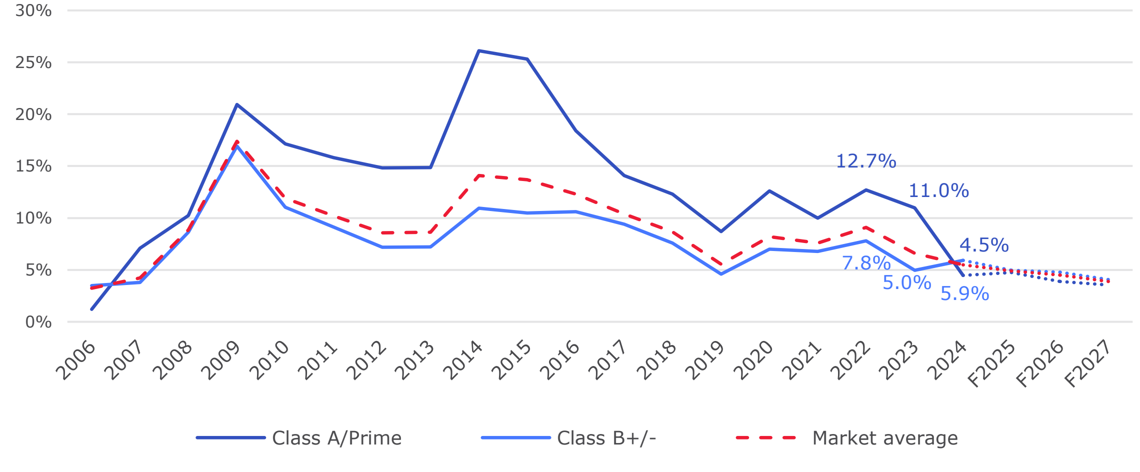
The real estate market has changed quite significantly for three recent years. The share of foreign business that was mainly focused on lease has shrunk in total demand, while the growing Russian business quickly occupied the space vacated by foreign firms. We saw an acute scarcity of supply on the market as well as a record-low vacancy rate for the past 16 years.

High profits, equity capital accumulated by companies, and the scaling of Russian business keep generating demand for office space. Major corporations, state-owned and quasi-state companies will be the main players on the market in terms of demand in the year to come.

Dynamics of rental rates* by classes, RUB thousand/sq m/year

-6.5 p.p. Vacant space reduction in class A/Prime. Fast absorption of top-quality supply and its vanishing from the market.

Vacanct space share by classes



The rental rates are weighted average and do not include operating expenditures, utilities and VAT (20%). They are calculated with reference to vacant supply in existing facilities. Office projects outside the MKAD are those located but not limited to: Troitsk&Novomoskovsk AD (TiNAD), satellite cities near Moscow and suburban areas of Skolkovo, Odintsovo, Krasnogorsk and Khimki cities.

Source: Nikoliers

Commercial terms

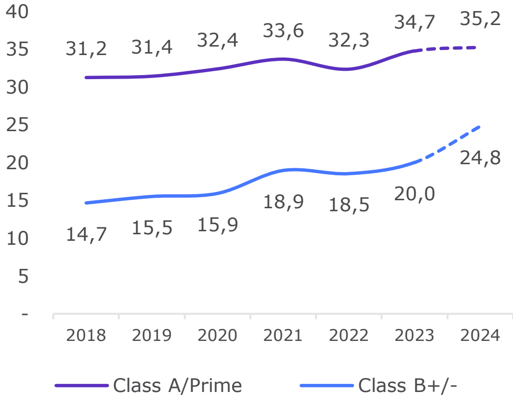
18 % Growth of the average rental rate for 2024

The scarcity of quality office premises under high demand for them in three recent years pushes up the rental rates. This is espeically conspicuous in the main business districts and office centres in high demand.

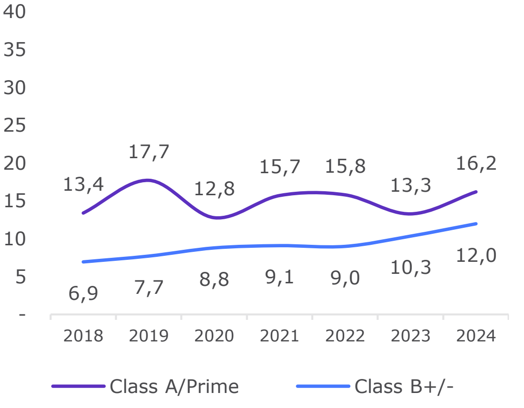
An appreciable growth is mainly caused by a significant rise in average rental rates for offices of class B+ (+28% inside the Third Ring and +24% as the market average). Whereas in class A we see a disastrous chortage of adequate supply with liquid options almost completely vanishing from the market, in class B+ quality offices are still available and under the acuta scarcity of office space, the class rating is no longer a decisive factor in the eyes of occupants.

Dynamics of rental rates by location, thousand RUB/sq m/year

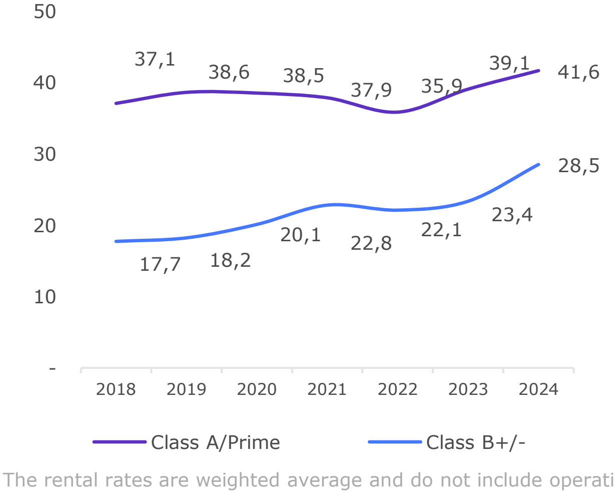
Inside the MKAD



Outside the MKAD



Inside the Third Ring Road (TRR)



Average rental rates inside the TRR

Prime	46,300	▲18%
A	40,200	▲7%
B+	31,390	▲28%

The rental rates are weighted average and do not include operating expenditures, utilities and VAT (20%). They are calculated with reference to vacant supply in existing facilities. Office projects outside the MKAD are those located but not limited to: Troitsk&Novomoskovsk AD (TiNAD), satellite cities near Moscow and suburban areas of Skolkovo, Odintsovo, Krasnogorsk and Khimki cities.

Source: Nikoliers

Outstripping growth of the rental rate for quality options

The portfolio of 13 key owners

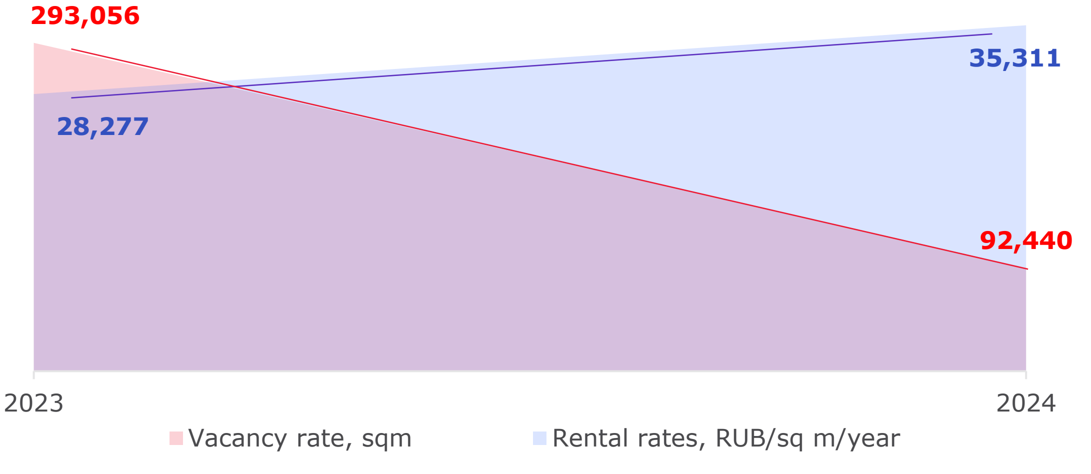
Total office space in classes Prime, A, B+
2.4 million sq m
Share of the total stock in classes Prime, A, B+
15%
Vacancy
4%
Rental rate
35,311 RUB/sq m/year

The averge growth of rental rates charged by key portfolio landlords for the supply in exposure stands at **25%,** with vacant space dwindling by more than **thrice** over the year**.**

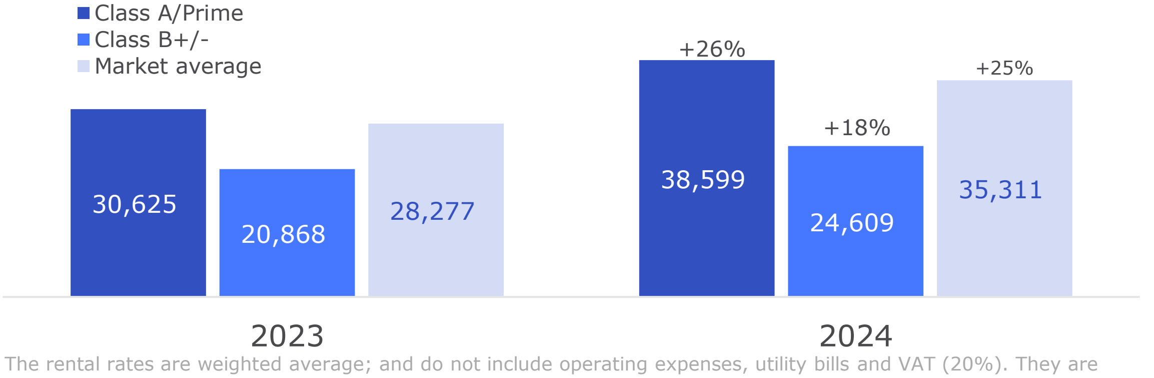
In case of lease terms renegotiation, the rent may increase by **25–35%.**

In three years to come the supply shortage will be getting even more acute, which will cause the rent for vacant space in exposure to skyrocket.

The rate of absorption for office space offered by 13 key owners, class Prime, A, B+



Growth of the rental rate for the portfolio of 13 key owners, RUB/sq m/year



The rental rates are weighted average; and do not include operating expenses, utility bills and VAT (20%). They are calculated with reference to vacant supply in existing facilities.
Source: Nikoliers

Weighted average rental rates in Moscow's administrative districts

01 Central

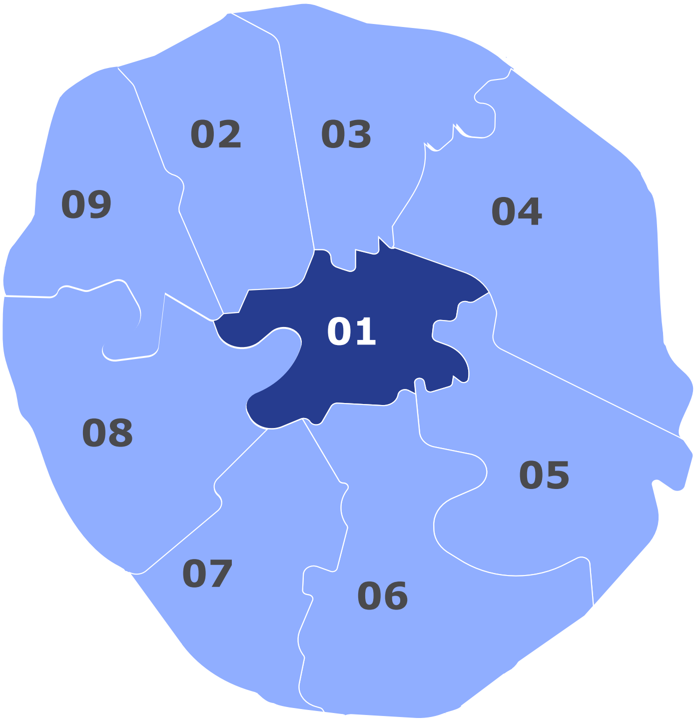
●	40,732
●	35,973
●	37,879

02 North

●	36,563
●	26,724
●	31,360

03 Northeast

●	26,137
●	25,391
●	25,758



04 East

●	22,500
●	16,286
●	18,196

05 Southeast

●	-
●	20,698
●	20,698

06 South

●	27,686
●	23,654
●	24,677

07 Southwest

●	22,503
●	25,102
●	24,274

08 West

●	38,572
●	21,743
●	23,594

09 Northwest

●	-
●	17,159
●	17,159

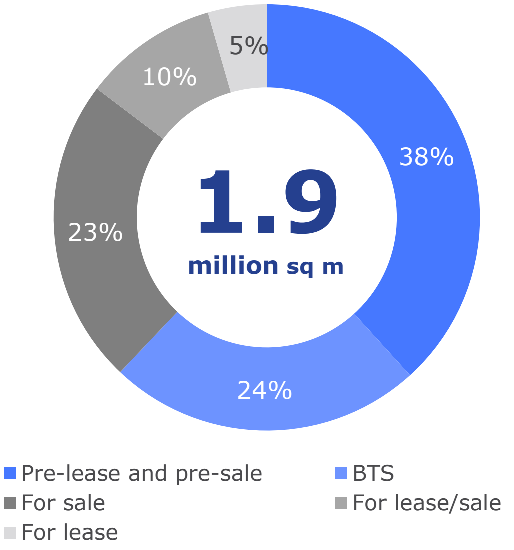
District name

- ● Weighted average rental rate, class A (including Prime)
- ● Weighted average rental rate, class B+/-
- ● Weighted average rental rate (market average)

The rental rates are weighted average; and do not include operating expenses, utility bills and VAT (20%). They are calculated with reference to vacant supply in existing facilities.

Breakdown of office vacancy in off-plan projects

The share of pre-lease/pre-sale*: 2025–2027



Source: Nikoliers

Forecasting new construction for 2025–2027

2025
841
thousand sq m

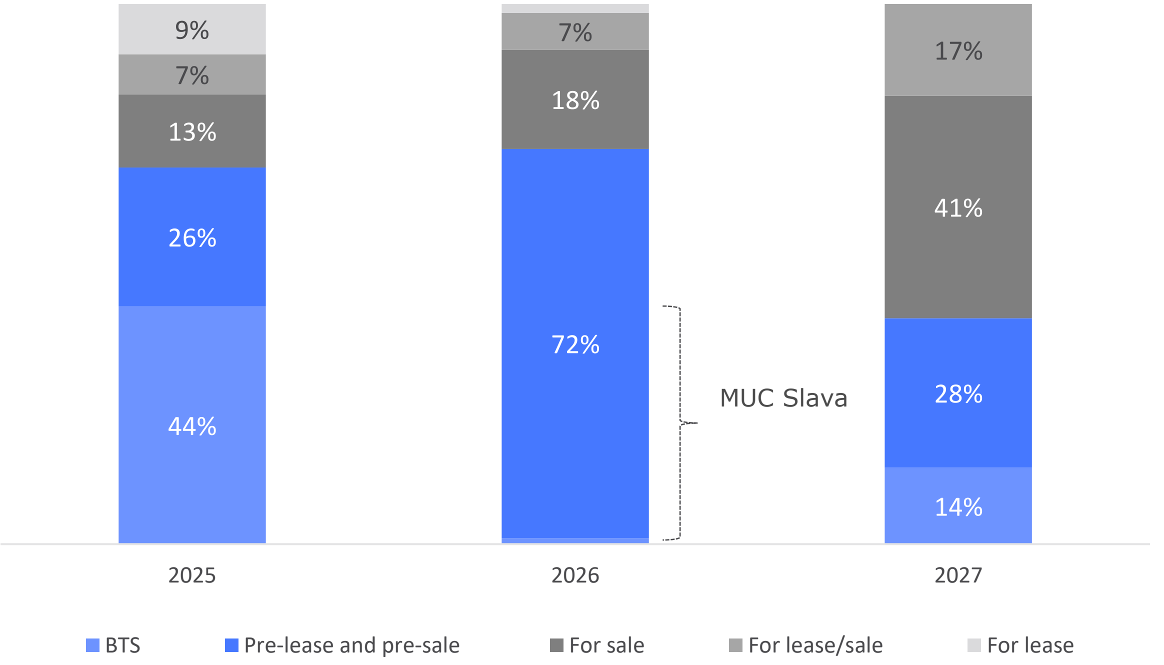
2026
500
thousand sq m

2027
595
thousand sq m

Under an acute scarcity of office space, especially large units, companies which used to lease offices, are now more often eyeing office purchase.

The average vacancy rate in projects under construction to be commissioned in 2025-2027 is 38%. Sales prevail in new builds and by virtue of high demand projects are monetized prior to commissioning. New supply for lease is at its lowest.

The share of pre-lease/pre-sale in off-plan projects



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

Source: Nikoliers

Office space offered for sale in the in projects under construction

Weighted average cost of office units in buildings under construction

Garden Ring - Third Ring Road	Moscow City	Third Ring Road - MKAD	Outside the MKAD
425,000 RUB/sq m	720,000 RUB/sq m	412,000 RUB/sq m	211,000 RUB/sq m

Prevailing in the office projects under construction are smaller units for sale, rapidly absorped by investors and small business. The high pace of delivery substantially alters the structure of supply in exposure, causing volatility in the cost of office units. At the closing stage of construction before commissioning the quarterly price growth was at the level of 13-15%.

The dominance of smaller office units on sale contributes to persistent scarcity of larger offices on the Moscow office market in the foreseeable future. Inside the MKAD the number of 10,000-sqm plus offices on offer as single units (to be commissioned until the end of 2027, as predicted by Nikoliers) is only 12 buildings (available for purchase/lease). Therefore, major corporations are actively eyeing acquisition under the current demand/supply balance on the market.

Off-plan offer at the stage of construction

Ring zone/Unit size	<150	150–500	500–1,000	1,000–2,000	2,000–5,000	>5,000	Buildings
Supply, sq m							
GR-TRR	4,363	12,055	2,678	8,032	28,583	-	31,877
Moscow City	-	4,004	524	9,241	-	-	-
TRR-MKAD	36,109	51,957	29,078	38,679	7,879	6,476	185,799
outside MKAD	2,969	3,230	616	-	-	-	16,600
Average price, thousand RUB/sq m							
GR-TRR	465	463	383	415	411	-	448
Moscow City	-	704	694	729	-	-	-
TRR-MKAD	438	398	438	445	389	355	340
outside MKAD	295	284	256	-	-	-	180

On the given page the cost includes VAT with the exception of projects delivered by way of shared equity or co-investment schemes.
Moscow districts outside MKAD including but not limited to TiNAD and Skolkovo

Source: Nikoliers

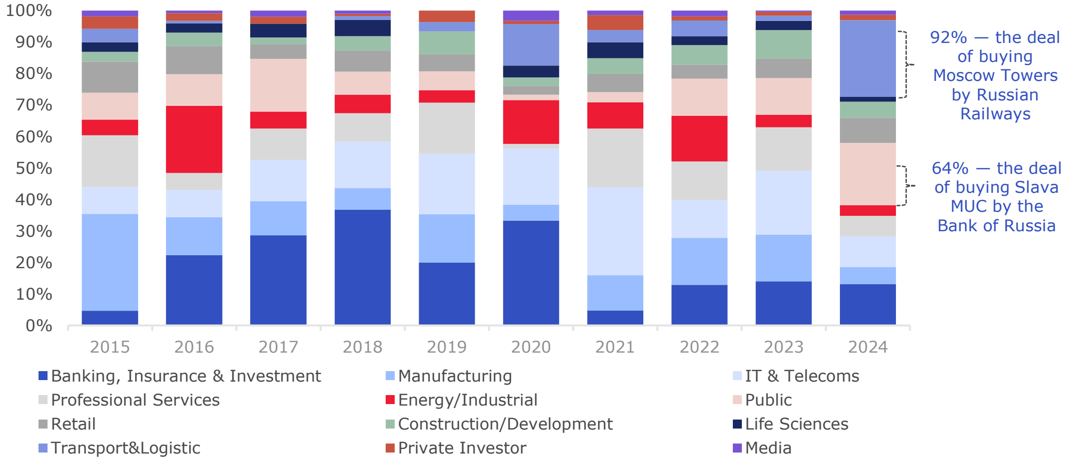
Office take-up

Total transactions for 2024

1,807 thousand sq m **Overall**	952 thousand sq m **Lease deals**	855 thousand sq m **Sales deals***

A record amount of purchase and sale transactions was recorded in 2024 due to corporations being keen on the office space purchase. Under the scarcity of supply, occupiers will be forced to eye options with long waiting periods - over a year to the moving - as well as "resettlement options" at above-market rental rates. In case of lease renegotiation, the rental rates may rise by 25-35%. Despite this dynamic, the most common solutions for occupiers will be the retention of their current office space and a search for compromise with landlords.

Breakdown of demand by business sectors of companies



Key business sectors by the amount of demand for 2024

24% Transport & Logistic	20% Public	13% Banking, Insurance & Investment	10% IT & Telecoms

Key lease transactions in the Moscow office market for 2024

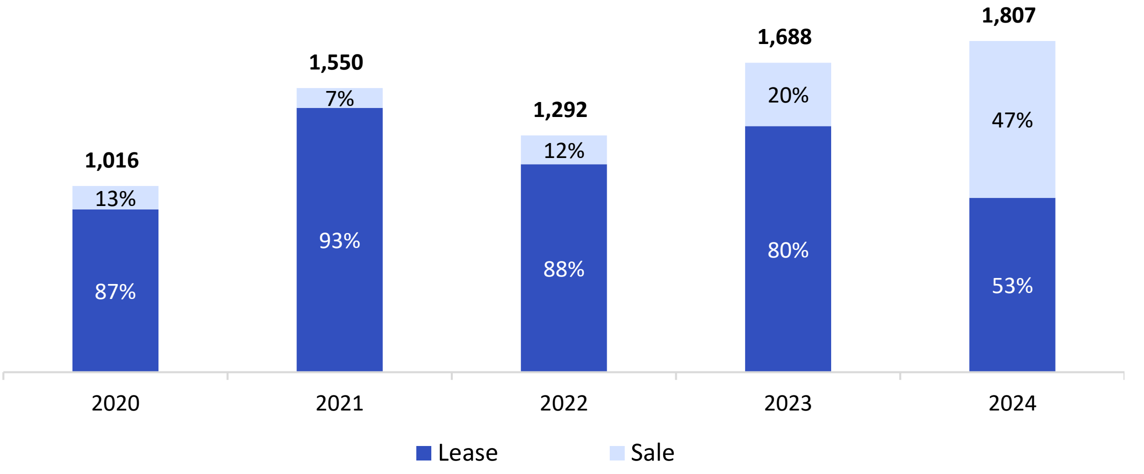
Company	Area, sq m	Type of transaction	Business centre	Class
X5	46,019	Lease	Dubinin Sky	A
Confidential	15,860	Lease	Elektrolitny MUC	A
Kept	10,500	Lease	Alcon III	A
Confidential	9,165	Lease	AFI2B	Prime
ASPACE	6,799	Lease	16, Novoslobodskaya str.	B+

*Transactions in the off-plan market are taken into account in the demand, but investment purchase and sale deals in finished projects with an existing rental flow are not reflected.

Source: Nikoliers

Breakdown of demand

The amount of office space lease and sale, thousand sq m



The trend of increase in the volume of office space acquisition transactions was quite obvious already as early as 2022, and business interest in such transactions continues to grow. In 2024, the volume of purchase transactions almost equaled the volume of lease transactions, which happened for the first time in the history of the market.

For end-users, buying an office provides a guaranteed amount of required space, eliminating the risks of changes in rental terms amid the impressive growth of rental rates both for vacant premises and in the event of lease renegotiation.

High profit margins, availability of equity capital and scaling of Russian business are generating demand for office purchase. In the current market environment, office estate retains the status of a long-term protective asset.

At year-end, the actual demand exceeded our positive expectations. According to our forecasts, the public sector was expected to become an additional generator of demand in 2024. Thanks to a major deal stricken by the Bank of Russia, which acquired Slava MUC, the public sector is leading in the structure of office transactions. State-run and quasi-state companies will continue to have a significant impact on the market in 2025.

Key sale deals in the office market of Moscow for 2024

Company	Area, sq m	Type of transaction	Business centre	Class
Russian Railways	262,000	Sale	Moscow Towers	A
Bank of Russia	143,898	Sale	Slava MUC	A
Technopolis Moscow	79 ,000	Sale	Stratos	A
Confidential	77,687	Sale	Domnikov	A
Alfa Bank	45,000	Sale	BC at 34, Masha Poryvayeva str.	A

Transactions in the off-plan market are taken into account in the demand, but investment purchase and sale deals in finished projects with an existing rental flow are not reflected.
Source: Nikoliers

Key market indicators and forecast

	2022	2023	2024	2025	2026
Total office stock, million sq m	19.8	20	20.6	21.4	21.9
Class A + Prime	5.2	5.4	6.1	6.9	7.4
Class B+/-	14.6	14.6	14.5	14.5	14.5
Completions, thousand sq m	339.4	279.6	567	841	500
Class A + Prime	259.2	240.7	508.9	809	438
Class B+/-	80.2	38.9	58	32	62
Office take-up, thousand sq m	1,292	1,688	1,807	1,585	1,505
Net absorption for the period, thousand sq m	-5	679	757	921	564
Vacancy rate, %	9.1	6.6	5.5	4.9	4.5
Class A + Prime	12.7	11	4.5	4.8	3.9
Class B+/-	7.8	5	5.9	5.0	4.8
Weighted average rental rate*, RUB/sq m/year	23,206	25,946	28,849	32,022	34,904
Class A + Prime	32,333	34,736	35,210	37,851	41,257
Class B+/-	18,528	20,002	24,751	26,112	27,679

*The weighted average rental rates do not include operating ependitures, utility charges and VAT (20%); they are calculated with reference to vacant supply in existing facilities inside the MKAD.

**Total supply may change on account of office stock reclassification conducted by MRF.

Office market trends and outlook

Construction does not make up for the needs of business

BTS projects constitute the main source of office space growth in 2025, whereas speculative development remains at the level of 2024.

In three years to come business centres to be sold as smaller office units will prevail in office construction, which means that the current demand for quality large offices for lease, especially the ones from 5,000 sq m, will remain unmet in the foreseeable future, while a high level of absorption will persist due to the commissioning of facilities with a minimum share of vacant space as well as the dominance of BTS projects.

A new stage of market transformation

A record-low vacancy rate on the office estate market in 16 recent years, high demand for quality office space and appreciable growth of rental rates lead to a new stage in market transformation. Companies that focused on lease before, increasingly often switch to office space purchase, while landlords, taking the scarcity of large offices into account, are eyeing the option of vacating the occupied space for major occupiers willing to pay above-market rents.

Source: Nikoliers

Trends on and forecast for the office market

Raising the rent prior to lease term completion

Landlords seek the rent appreciation prior to the end of the lease term, notifying occupiers of the rent appreciation or rescinding of leases several months prior to the lease termination, using the option of one-sided termination of lease unless their occupiers agree to new terms.

"Shadow" vacant space hitting the market

Office units in business centres sold to private equity investors and scheduled for commissioning during the next three years will hit the office lease market. Roughly 50-60% of office space for sale as small units in office buildings under construction is acquired for investment purposes. Thus, the new supply for lease from among the so-called "shadow" vacant space in office centres under construction, to be commissioned in 2025-2027, is estimated at 100-200 thousand sq m per year (spread over the entire period), which won't have any considerable impact upon the total vacant space on the market.

Rents are skyrocketing and new supply will accelerate the growth rates

With new office projects commissioned, the dynamics of rent growth in different locations will largely be determined by prices for new builds. The office units acquired by non-core, inexperienced private equity investors staking on high yields will most likely be offered at overstated rates exceeding the market level. Such options can become an additional driver of rent spikes in certain locations with limited supply.

The year will be indicative for private investors

The year 2025 will give an answer to private investors, whether their anticipations from investment into office units are justified, and will also show if splitting the office space into small units will still be in demand in the months to come.

The demand growth rates will slow down

Under a scarce supply and high key rate, we predict a contracting volume of transactions in 2025. In the current situation the main activity on the market will be demonstrated by major corporations and state-owned companies.

**Total supply may change on account of office stock reclassification conducted by MRF.

Source: Nikoliers

Specialized Reports 2024

Digest on Key Trends and the Cost of Fit-Out

See

Preferential Mortgage 2020/24. Chronology of the Program with Government Backing and Its Influence on the Moscow Market

See

Investment Market. The Influence of Amendments to the Tax Code on the Investment Market

See

Gastronomic Spaces of the Big City

See

Logistics Companies in the Russian Industrial Real Estate Market

See

Retailers Guide

See

Manufacturing Companies on the Russian Industrial Real Estate Market

See

Mall Reconception.
UAE | Dubai

See

The Market of Flexible Office Space in Moscow

See

The Market of Flexible Office Space in Saint Petersburg

See

Serviced Apartments

See

Services

Offices

Industrial

Retail

Residential

Hotels

Land plots

Property management

Managing construction projects

Strategic consulting

Business and property valuation

Investment

Lease & sale

Representation of tenants

Research & analytics

Marketing

Experts

Nikolay Kazanskiy, FRICS, CCIM
Managing Partner
nikolay.kazanskiy@nikoliers.ru

Vladimir Sergunin, PhD, MSF
Partner
vladimir.sergunin@nikoliers.ru

Anna Nikandrova
Partner
anna.nikandrova@nikoliers.ru

Igor Temnyshev
Partner
igor.temnyshev@nikoliers.ru

Dmitry Romanov
Partner | Head of Professional Services
dmitry.romanov@nikoliers.ru

Andrey Kosarev
Partner, UAE
andrey.kosarev@nikoliers.com

Olga Bakulina, MCIM
Head of Business Support
Marketing, PR and Analytics Department
olga.bakulina@nikoliers.ru

Victor Afanasenko
Regional Director
Industrial&Warehousen Real Estate and Land Department
victor.afanasenko@nikoliers.ru

Kirill Golyshev
Regional Director
Residential Real Estate and Land Department
kirill.golyshev@nikoliers.ru

Tatiana Divina
Regional Director
Research Department
tatiana.divina@nikoliers.ru

Denis Platov
Director, Capital Markets Department
denis.platov@nikoliers.ru

Irina Tsarkova
Director, Retail Estate Department
irina.tsarkova@nikoliers.ru

Ludmila Gerlits
Director, Research Department
ludmila.gerlits@nikoliers.ru

Victoriya Goryacheva
Deputy Director
Office Estate Department
victoriya.goryacheva@nikoliers.ru

Contacts

Igor Temnyshev
Partner
Igor.Temnyshev@nikoliers.ru

Moscow. Sales
Andrey Kukhar, MRICS
Director
Andrey.Kukhar@nikoliers.ru

Kirill Kutyavin
Director
Kirill.Kutyavin@nikoliers.ru

Moscow. Lease
Francois Nonnenmacher
Director
Francois.Nonnenmacher@nikoliers.ru

Victoria Guseva
Director for Lease
Victoria.Guseva@nikoliers.ru

Valentin Kusov
Deputy Director for Lease
Valentin.Kusov@nikoliers.ru

Victoriya Goryacheva
Deputy Director
Victoriya.Goryacheva@nikoliers.ru

Anastasia Romanova
Director
Anastasia.Romanova@nikoliers.ru

Anastasia Kruglikova
Deputy Director
Anastasia.Kruglikova@nikoliers.ru

Business Support
Olga Bakulina, MCIM
Head of Business Support
Olga.Bakulina@nikoliers.ru

Research Department
Tatiana Divina
Regional Director
Tatiana.Divina@nikoliers.ru

Mariya Kotelnikova
Senior Analyst, Head of Office Estate Analytics
Mariya.Kotelnikova@nikoliers.ru

Anna Isakova
Junior Analyst
Anna.Isakova@nikoliers.ru

Nikoliers

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