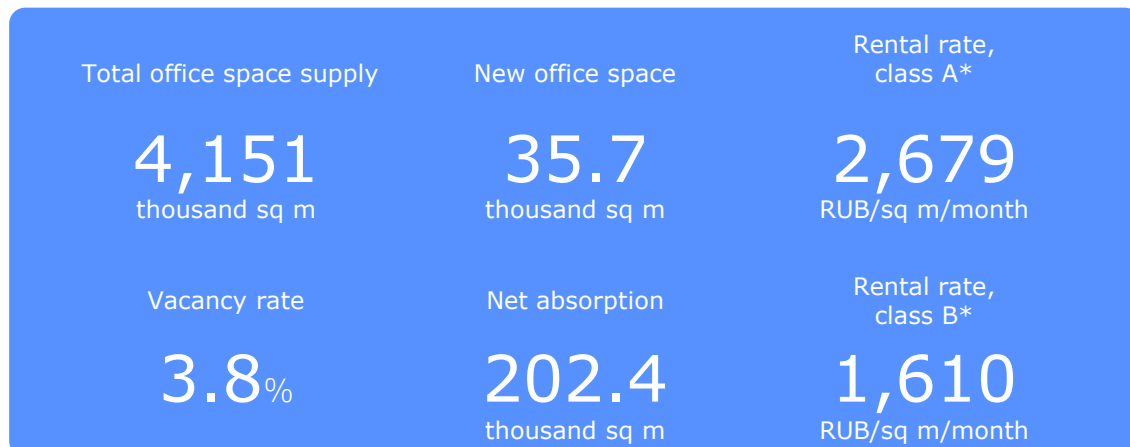


Q3 2024

Office market

Russia | St. Petersburg

St. Petersburg market indicators, Q3 2024



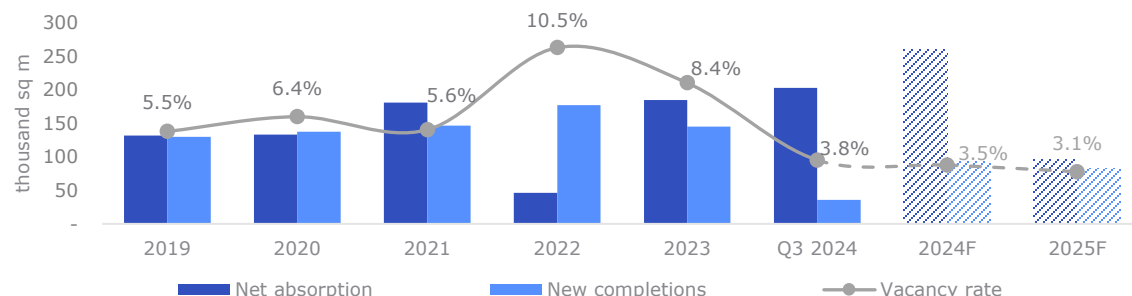
Key results



Supply

For the nine months of 2024, the Saint Petersburg office estate market saw six new facilities added to it (total GLA is 35,700 sq m). Two of them were commissioned in the third quarter, namely Bogush Center and Avantgarde with the aggregate leasable area of 12,100 sq m. Under the shortage of vacant space in existing buildings, demand for newly built facilities remains high. By the time of their commissioning lease agreements have already been signed to the office space available there. Thus, Avantgarde business centre is already occupied by a single tenant, whereas in Bogush Centre office development 12% of the office space is occupied and views never stop.

Dynamics of key market indicators



The forecast is the estimation of Nikoliers on the basis of announced delivery deadlines and data on the current status of projects.

*The rental rates are weighted average ones that do not include VAT. They are calculated with reference to vacant units offered for lease at the end of the period under review. On account of methodological changes, the rental rates in the report have been reviewed with reference to vacant units across all periods, including the past ones, since prior to Q3 2024 calculations had taken into account the entire gross leasable area of all office buildings.

Key projects to be commissioned in 2024



Lakhta Plaza
3,500 sq m



Avantgarde
7,750 sq m



K-37
14,400 sq m



Inside
4,500 sq m



Crystal Palace
1,300 sq m



Manufaktura 10/12
5,550 sq m



Bogush Center
4,300 sq m



Nevskaya Ratusha
47,900 sq m



Kartochnaya Fabrika
3,500 sq m

Commissioned project

Project planned for
commissioning

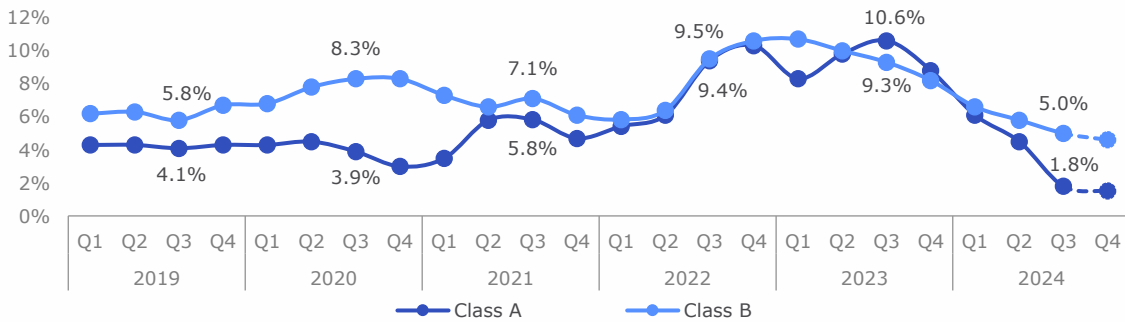
Vacancy rate and rental rates

3.8% Vacant space has shrunk more than two times relative to the end of 2023.

A consistently high demand for quality office premises leads to a significant reduction of vacancy. In nine recent months vacant space has dropped from 8.4% (348,500 sq m) to 3.8% (159,800 sq m).

The vacancy rate in A-class offices has fallen by the record 7 p.p. since the end of 2023 (from 8.8% to 1.8%). The absorption of large units and the lack of new construction on A-class offices in recent nine months notably limit the choice of suitable space for demanding occupiers seeking the high quality of office space. Till the year's end the commissioning of a single A-class facility is expected, but it has already been occupied, and so the scarcity of supply won't go anywhere. Highest quality offers in class B, which are not inferior to class A in terms of location and infrastructure, will keep being contracted and occupied as well.

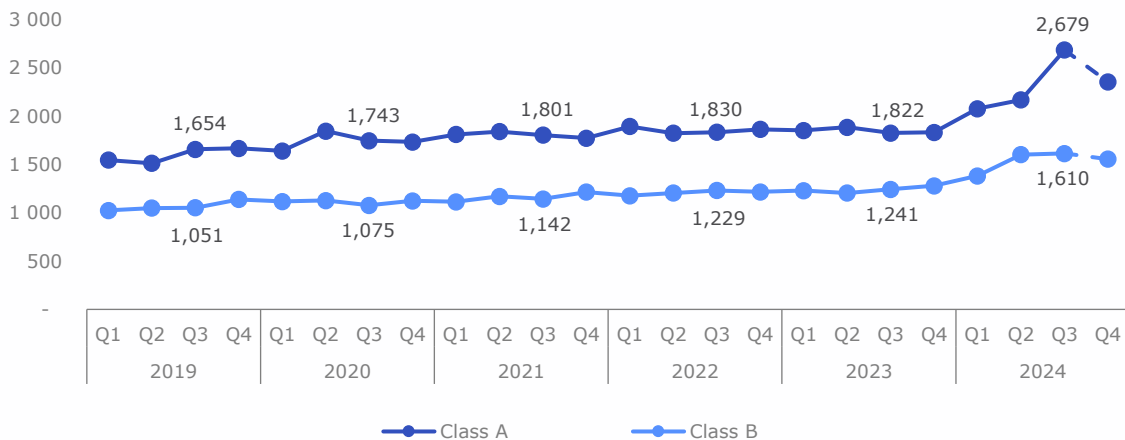
Vacancy rate by class



Given the acute shortage of supply in class A, the weighted average rental rate for such premises has gone up 46% since the turn of the year. Mainly smaller units from 150 to 800 sq m are left on the market, whereas larger ones from 1,000 sq m have been occupied. There are large-sized vacant premises in B-class office centres, including entire floor levels, in high-quality B-class business centres. Under the short supply on the market, such offers are comparable in terms of the rental rates to A-class offices.

In view of the limited supply, the rental rates are highly volatile; therefore, as liquid options are absorbed, we can expect stabilization of the rental rates towards the year's end for the supply in exposure at the level of RUB 2,350 per sq m per month in class A and RUB 1,550 per sq m per month in class B, but the amount of office space for lease will further shrink drastically. Thus, the growth of the average market rental rate may reach 15% at the end of the year.

Change in rental rates by class*



*The rental rates are weighted average - they include OPEX but exclude VAT, being calculated with reference to vacant units offered for lease at the end of the period under review.

Key market indicators by districts*

01 Admiralteyskiy	02 Vasileostrovskiy	03 Vyborgskiy
● 331,651 sq m	● 378,464 sq m	● 237,947 sq m
● 2.8%	● 3.7%	● 5.3%
● 1,733 RUB/sq m/month	● 1,862 RUB/sq m/month	● 2,186 RUB/sq m/month
● 1,794 RUB/sq m/month	● 2,040 RUB/sq m/month	● -
● 1,725 RUB/sq m/month	● 1,664 RUB/sq m/month	● 2,186 RUB/sq m/month

Name of the district

- Existing office space
- Vacant space
- Average rent for the district
- Weighted average rent in class A
- Weighted average rent in class B

Source: **Nikoliers**

04 Kalininskiy	07 Moskovskiy	10 Primorskiy
● 180,299 sq m	● 703,528 sq m	● 604,272 sq m
● 0.1%	● 4.7%	● 4.2%
● 1,127 RUB/sq m/month	● 1,687 RUB/sq m/month	● 2,936 RUB/sq m/month
● -	● 2,645 RUB/sq m/month	● 3,500 RUB/sq m/month
● 1,127 RUB/sq m/month	● 1,549 RUB/sq m/month	● 1,409 RUB/sq m/month

05 Kirovskiy	08 Nevskiy	11 Frunzenskiy
● 69,115 sq m	● 173,936 sq m	● 58,510 sq m
● 0.6%	● 12.2%	● 2.8%
● 804 RUB/sq m/month	● 1,243 RUB/sq m/month	● 1,008 RUB/sq m/month
● -	● -	● -
● 804 RUB/sq m/month	● 1,243 RUB/sq m/month	● 1,008 RUB/sq m/month

06 Krasnogvardeyskiy	09 Petrogradskiy	12 Centralniy
● 246,747 sq m	● 466,455 sq m	● 663,380 sq m
● 4.4%	● 1.5%	● 3.7%
● 1,353 RUB/sq m/month	● 1,849 RUB/sq m/month	● 2,118 RUB/sq m/month
● 1,750 RUB/sq m/month	● 1,779 RUB/sq m/month	● 2,172 RUB/sq m/month
● 1,343 RUB/sq m/month	● 1,895 RUB/sq m/month	● 2,115 RUB/sq m/month

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

Demand

31%

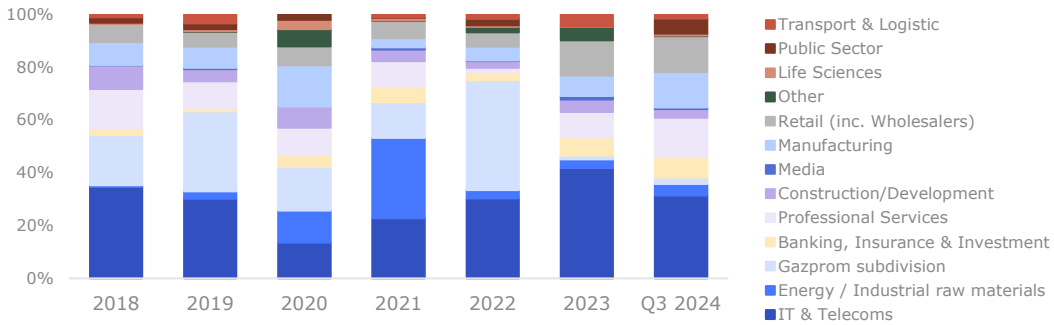
The IT&T segment is still the leader in terms of total occupied office space after 9 months of 2024.

The demand for quality office premises remains high. The net absorption almost six times exceeds the amount of newly built office space.

Companies are highly interested in the lease of entire floor levels or even entire office buildings. More than a third of transactions in class A and 20% of transactions in class B were made with premises in excess of 1,000 sq m.

In 2024 the demand for offices larger than 5,000 sq m has grown by 5.5 times as compared to the year before. Banks and IT companies preferred large offices in quarters I-III of 2024. Due to the demand for large office space, the number of transactions with manufacturing companies providing professional services has tripled. The number of transactions concluded by retail companies has also doubled due to the purchase of Space BC by Petrovich.

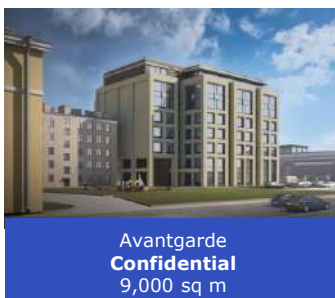
Distribution of deals by tenant type



202.4 thousand sq m

Net absorption for the nine months of 2024 was 10% higher than the final figure for 2023.

Key lease transactions in the St. Petersburg office market, Q3 2024



Source: Nikoliers

Trends and forecast

Key market indicators

	2022	2023	QI–III 2024	2024F
Total stock at the end of the period, million sq m*	4	4.15	4.15	4.21
Class A	1.4	1.47	1.43	1.50
Class B	2.6	2.67	2.70	2.71
Completions for the period, thousand sq m*	177	144.9	35.7	92.6
Net absorption for the period, thou sq m	46	184.5	202.4	260
Vacancy rate, %	10.5	8.4	3.8	3.5
Class A	10.3	8.8	1.8	1.5
Class B	10.6	8.2	5.0	4.6
Weighted average rental rate, RUB/sq m/month**				
Class A	1,860	1,829	2,679	2,350
Class B	1,215	1,277	1,610	1,552

*Total supply of office space and the amount of commissioned space were corrected in Q3 2024.

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

Source: Nikoliers



Acute shortage of A-class office premises

The lack of new construction projects at scale and vibrant demand for A-class offices have resulted in considerable contraction of vacant space. Almost no vacant units are left in this segment on the Saint Petersburg office estate market, and this situation will remain unchanged till the year's end.



Tenants looking for alternatives

In the midst of acute shortage in Class A and rapid absorption of top-quality offers in Class B occupiers are willing to consider offbeat solutions. Under the stiffening competition for office lots, interested occupiers are ready to wait for office space that may potentially be vacated, exploring alternative options of accommodation in serviced offices or leasing office space in off-plan projects.



High absorption rates

Occupiers are still interested in quality offices and so a high level of absorption is expected as the main result of this year. The scarcity of office space is a major constraint on the faster growth of transaction numbers; however in the newly built office space to be commissioned till the year's end only 15% of office space is currently vacant.

The fast absorption of liquid lots will lead to the reduction of estimated rents due to changes in the supply structure, while the price of vacant spaces will soar high.

Services



Offices



Industrial



Retail



Residential



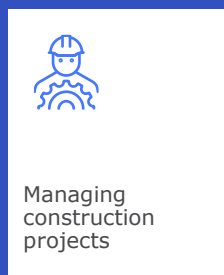
Hotels



Land plots



Property management



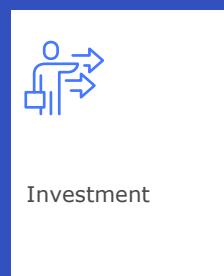
Managing construction projects



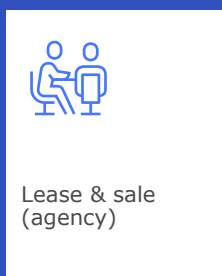
Strategic consulting



Property and business valuation



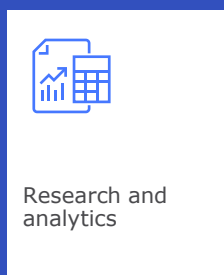
Investment



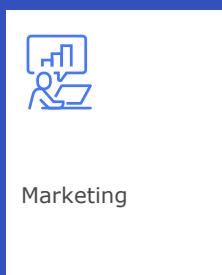
Lease & sale (agency)



Representation of tenants



Research and analytics



Marketing

Experts

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

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

Anna Nikandrova
Partner
anna.nikandrova@nikoliers.ru

Igor Temnyshev
Partner
igor.temnyshev@nikoliers.ru

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

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

Ekaterina Aridova
Managing Director
ekaterina.aridova@nikoliers.ru

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

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

Kirill Golyshev
Regional Director
Residential and Land Development 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 Department
irina.tsarkova@nikoliers.ru

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

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

Contacts

Office Group

Igor Temnyshev

Partner
+7 495 266 49 09
igor.temnyshev@nikoliers.ru

Victoriya Goryacheva

Associate Head
+7 812 718 3618
Victoriya.Goryacheva@nikoliers.ru

Business Support Block

Olga Bakulina, MCIM

Business Support Head
+7 495 258 5151
Olga.Bakulina@nikoliers.ru

Anna Sabinina

Director, St. Petersburg
+7 812 718 3618
Anna.Sabinina@nikoliers.ru

Research department

Tatiana Divina

Regional Director
+7 495 258 5151
Tatiana.Divina@nikoliers.ru

Mariya Kotelnikova

Senior Analyst, Head of Office
Estate Analytics
+7 495 258 5151
Mariya.Kotelnikova@nikoliers.ru

Ekaterina Promyslova

Junior Analyst
+7 495 258 5151
Ekaterina.Promyslova@nikoliers.ru

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 **Nikoliers**

191186 St. Petersburg
3A, Volynsky Lane
BC Severnaya Stolitsa
Tel. +7 812 718 36 18
www.nikoliers.ru