

H1 2024

# Investment Market

Russia | Moscow | Saint Petersburg

500–600  
billion rubles

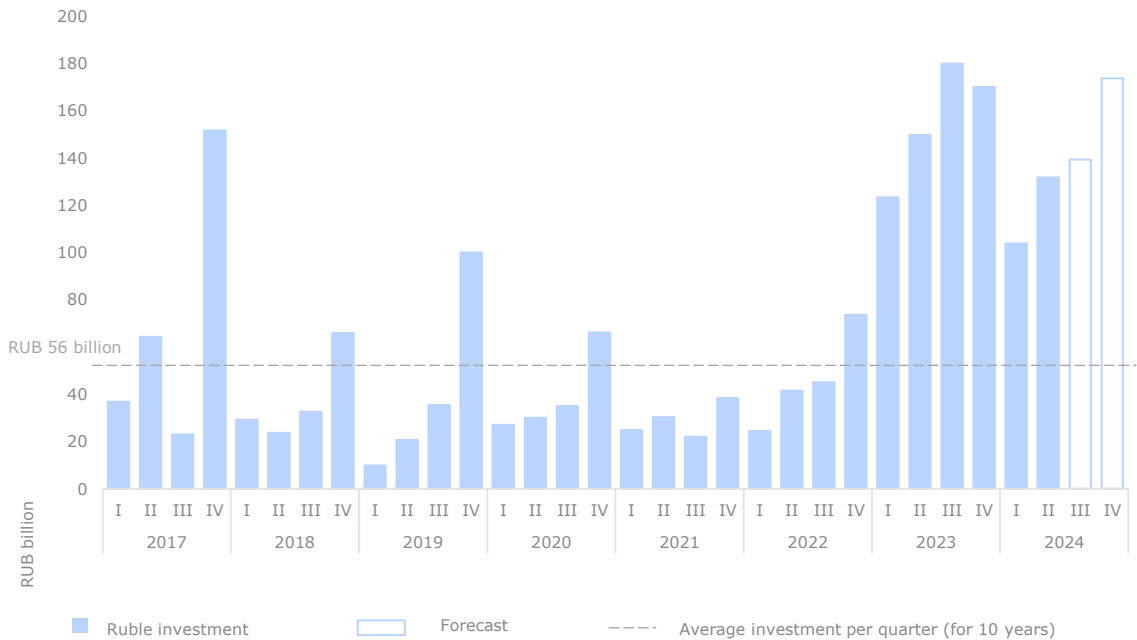
Investment forecast for 2024

Key market indicators

	2021	2022	2023	H1 2024	2024 forecast
Total investment, RUB billion	115.7	184.8	623.3	249.1	500–600
Cap rates 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

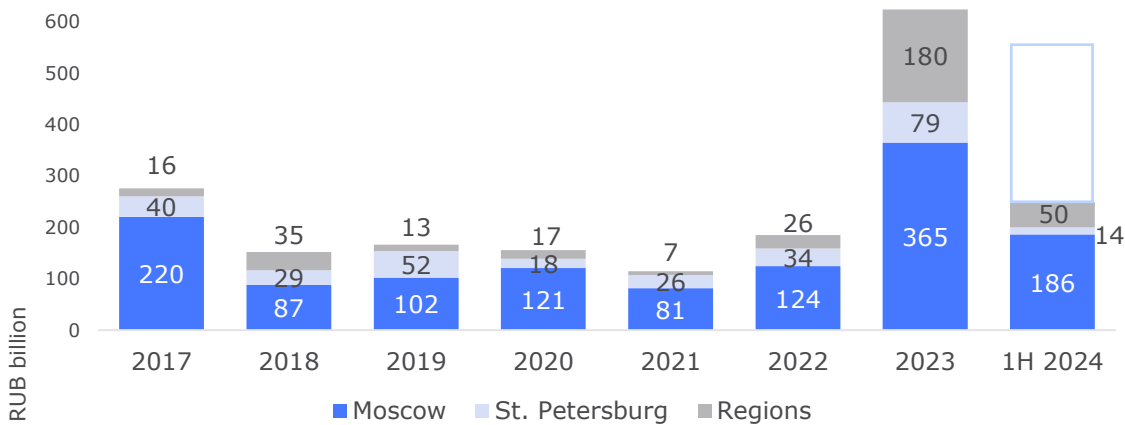
Main results, H1 2024

- The level of investment this year may come close to the amount of transactions in the record-breaking year 2023, including due to investors stepping up their activity by placing their capital in hedged assets and due to landlords seeking maximum profits from the long-term holding of real estate assets amid the upcoming changes in the tax legislation.
- Investments in the St. Petersburg agglomeration experience a temporary lull (with only two deals closed during the last 3 months to a total of RUB 1 billion, the average being RUB 8 billion per quarter as per the stats for the previous 10 years).
- In Moscow and its suburbs twice as many deals were closed in H1 2024, as compared to the average result for the recent decade (a 133% growth).



Source: Nikoliers, data for H1 2024  
The reported investment does not include transactions with development and industrial land and/or sites.

Breakdown of transactions by their geographical distribution

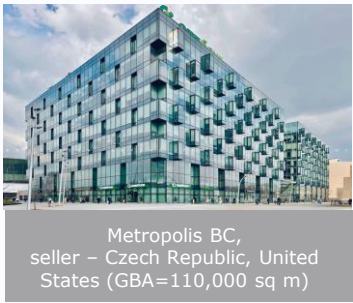


- The high activity in Moscow and its suburbs was due to a number of major transactions, with 77% of investment falling to the share of TOP-10 deals. The sale of Metropolis BC stands out among the biggest transactions in the second quarter.
- In Saint Petersburg investment transactions amounted to RUB 13.7 billion in H1 2024, which is 16% below average for 10 recent years. In the second quarter the level of investment was extremely low (RUB 1.1 billion), having significantly sagged relative to average figures. This can be explained by lesser market capacity as compared to Moscow and, as a consequence, the formation of splashes whenever major transactions are concluded.
- On the contrary, investments in Russian regions were nearly three times (by 189%) higher than the average figures for 10 recent years (RUB 49.7 billion vs. RUB 17.2 billion), with Nizhny Novgorod, Ivanovo, Krasnoyarsk, Petrozavodsk being the leaders among the regions by the capital investment amount due to several major transactions.

Key regional transactions



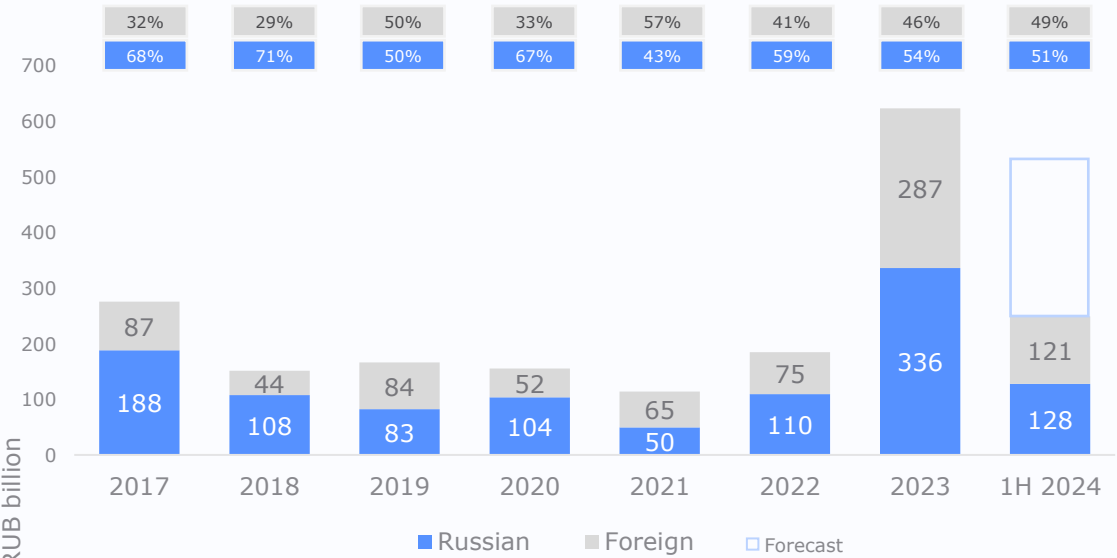
Key transactions



Standing out among other landmark transactions with foreign capital involved is the sale to China-based Vanke the right to renovate a cluster of buildings near the Kremlin for the construction of a mixed-use centre with apartments, street retail, hotel as well as a sports and exhibition facility (173,000 sq m).

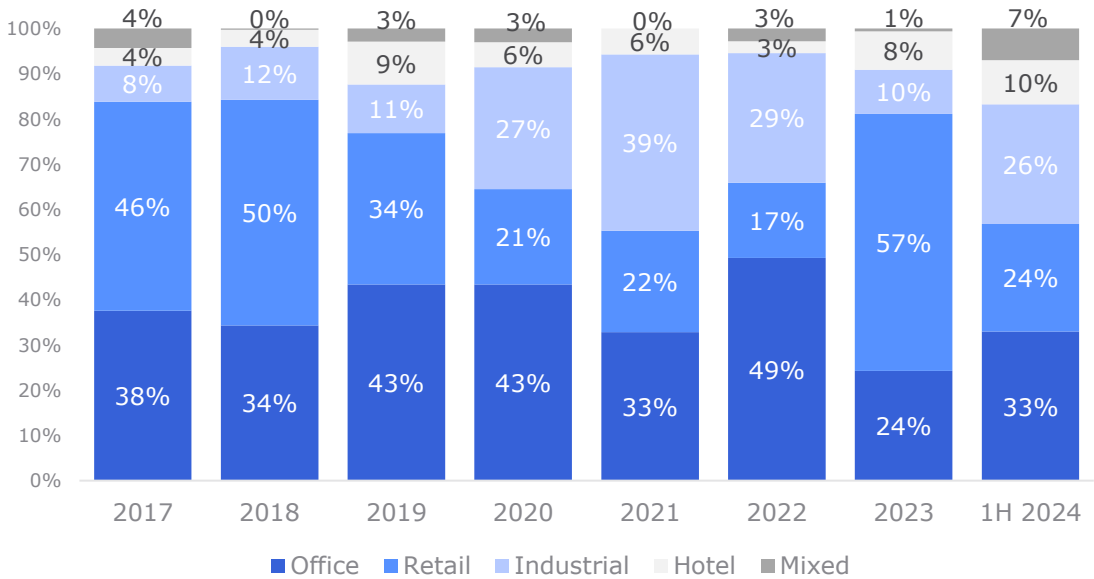
 Foreign owners continue their exit from the Russian market as they complete a series of transactions that started in 2022-2023.

Investment breakdown by the source of seller’s capital



Source: Nikoliers, data on the results of H1 2024

Investment breakdown by segments



The office segment is again a leader in terms of investment transactions in H1 2024.

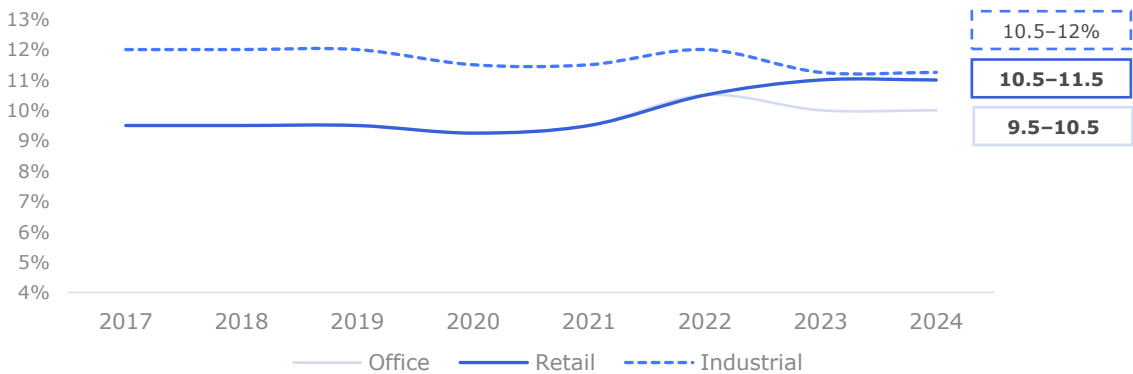
Traditionally, the office sector prevails in investment transactions. The only exception was the year 2023, when transactions with office centers accounted for only 24% of all deals. In 2024 these contracts already account for 33%, which is closer to the average for the last 10 years – 39.2%.

Investors are interested in all commercial real estate segments. The industrial real estate deserves a special mention, since its share in the total amount of transactions has grown from 10% to 26% YoY.

Mutual investment funds increasingly often buy industrial real estate for their portfolios as they consider warehouses a very profitable investment asset.

Capitalization rates have been stable throughout the entire first half-year of 2024 and, according to forecasts, they will remain unchanged till the year’s end.

Dynamics of cap rates in Moscow’s “prime” property







### The level of investment is expected to be high in 2024

Moscow and Russian regions remain attractive for investors, showing sales results 2-3 times higher than the average figures for the last 10 years. By the end of the year, the amount of investments in real estate may approach the last year's record results. Foreign players continue to leave the Russian market, completing a series of transactions that started in 2022-2023.



### Doubling of the average investment transaction amount

From 2012 to 2022, the average amount of an investment transaction stood at RUB 2.8 billion, while the average check in 2023 more than doubled reaching RUB 5.9 billion. In the first half of 2024, there is a downward trend in this indicator compared to the previous year due to acquisition of the largest projects. Nevertheless, the indicator (RUB 4.1 billion) is almost 2 times higher than the market average for the last decade. The main reason for the average check appreciation is the rollout of large lots (including those from foreign owners) to the market; in the future, we expect the amount of investment transactions to go down to an average of RUB 3 billion.



### The tax reform is one of the drivers of burgeoning investment activity

Massive changes of the tax system will affect transactions with big capital involved. Sellers take less time to strike a deal, in order to optimize the tax aftermaths and maximize their profits, whereas buyers are willing to acquire lucrative assets now as they are aware that the seller's higher tax burden may push the prices up.



### Equity-based transactions

Despite the high cost of debt financing, preservation and even potential appreciation of the key rate (the Bank of Russia is expected to announce its possible increase to 18-20% at its next meeting), which will eventually chill the investment transaction market as well as the national economy at large, right now the investment activity is high. And it's quite understandable that the main bulk of all transactions till the year's end will involve equity capital.



### Land purchasing trend

The investment volume reviewed in the given report does not include development land, while it should be noted that market players tend to swell their land portfolios. In H1 2024 we've seen growing activity in the land segment with investors eager to buy more development land. The number and area of transactions keeps rising relative to the previous year.

# 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 & analytics



Marketing

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