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were commissioned  
in the Moscow area

The total demand in the  
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twice more than the same  
figure in 2020



# WAREHOUSE MARKET REPORT MOSCOW REGION

Q1 2021

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"We are seeing continued growth in rental rates in the Moscow area due to the lowest vacancy in the entire history of the market and a sharp increase in construction costs. Against the persistent market demand for warehouses, the rental rate will continue to grow and in the second half of the year the rate may reach 4,200–4,250 rubles/sq m/year triple net".

## Highlights

- At the end of 2021, 40,000 sq m were commissioned in the Moscow area, which is 80% less than the same figure in 2020.
- The vacancy decreased by 0.6 pp in Q1 2021 in terms of the final indicator of 2020 and amounted to 1.7%, or 277,000 sq m.
- The total demand in the metropolitan area reached 300,000 sq m, which is twice more than the same figure in 2020.
- The average weighted asked rental rate in the Moscow area amounted to 4,100 rubles/ sq m/year triple net.

## Supply

At the end of Q1 of 2021, a little more than 40,000 sq m of high-quality warehouses were commissioned in the Moscow area, which is 80% less than the same figure in 2020. The total space of high-quality warehouse real estate in the Moscow area amounted to 16,082,000 sq m.

Following the first three months of 2021, the largest share in the structure of commissioned space is taken by the facilities sold for speculative lease, i.e. 60%, or 24,000 sq m. 1 speculative facility was commissioned in Q1 2020: the 2nd building of "Salaryevo" warehouse complex with the area of 24,000 sq m.

### Market indicators

	Q1 2020	2020	Q1 2021	Change*
Total supply volume of quality warehouse space, thousand sq m	15,434	16,041	16,082	–
New delivery, thousand sq m	229	837	40	▼
Lease and purchase transaction volume, thousand sq m including:	144	2 129	300	▲
Lease and purchase in delivered facilities	141	1 069	194	▲
construction of new facilities	3	1 060	106	▲
Vacancy rate, %	2.5	2.3	1.7	▼
Class A average weighted asking rent rate, RUB/sq m/year**	3,960	4,050	4,100	▲
Operating expenses range, RUB/sq m/year, no VAT***	900–1,300	900–1,300	900–1,300	►
Average asking price range for purchasing completed Class A warehouse, RUB/sq m/year, no VAT	33,000–40,000	35,000–42,000	37,000–44,000	▲

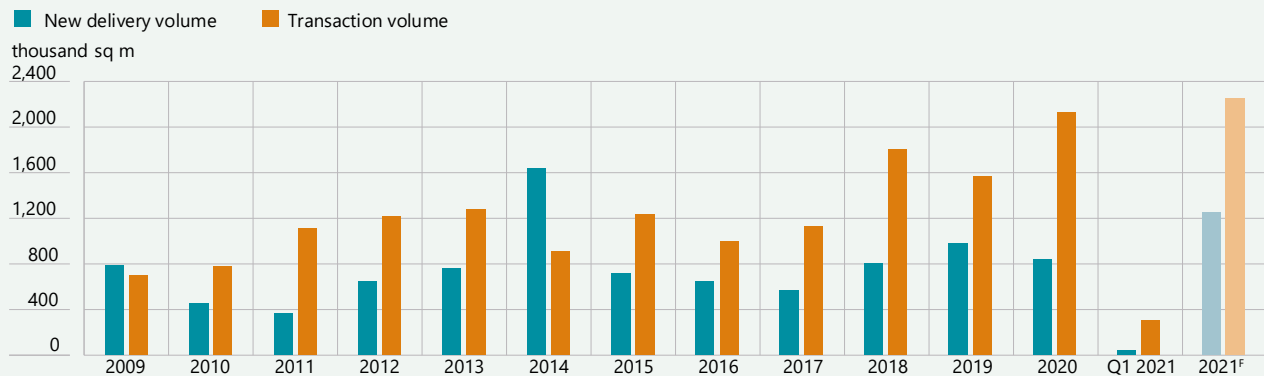
\* Compared to Q1 2020

\*\* Hereinafter, asking rent rate for a standard Class A dry warehouse with no VAT, operating expenses, and utility charges.

\*\*\* Hereinafter, operating expenses range for a standard Class A dry warehouse.

Source: Knight Frank Research, 2021

### Dynamics of new delivery and transaction volume



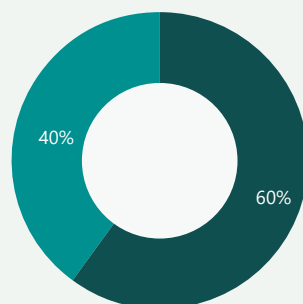
Source: Knight Frank Research, 2021

40% of the total commissioned space, which in absolute terms is slightly less than 16,000 sq m, fell on the facilities built on the own land plots under the general contracting scheme.

There is a significant decrease in the vacancy share at the end of Q1 of 2021. The vacancy in the first three months of this year decreased by 0.6 pp compared to the final figure in 2020 and amounted to 1.7%, which in absolute terms is 277,000 sq m. This figure is the lowest since 2013, when the vacancy rate amounted to 2.1%. The decrease in the listed property in the Moscow area in absolute terms amounted to 86,000 sq m. The largest decrease in vacant supply was recorded in the southeastern direction of the Moscow area: the listed property decreased by 2.5 pp in Q1 of 2021 in the southeastern, compared to the final figure of 2020. Such a decrease was mainly due to the exit of 39,000 sq m in PNK Park Zhukovsky from the market.

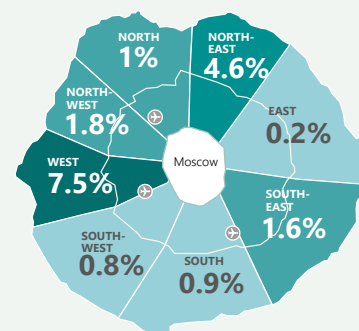
### Distribution of completed warehouse buildings by type of constructions, Q1 2021

■ Speculative  
■ For end use



Source: Knight Frank Research, 2021

### Vacancy rate by the directions



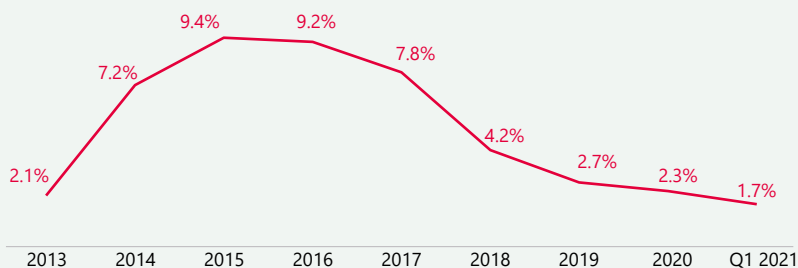
Source: Knight Frank Research, 2021

## Demand

At the end of Q1 of 2021, the total demand in the Moscow area amounted to just over 300,000 sq m, which is twice more than in 2020 when the volume of transactions amounted to 144,000 sq m.

The largest number of transactions was concluded in the southeastern direction: it accounted for 39% of the total demand, which in absolute terms is a little over 117,000 sq m. The largest transactions in Q1 of 2021 were made in this direction in "Sofyino" Logistics Park.

### Vacancy rate



Source: Knight Frank Research, 2021

### The largest transactions signed in the warehouse property market of the Moscow region in Q1 2021

Tenant / buyer	Type of company	Property / location	Total area, sq m	Type of transaction
LaModa	Online-retail	Sofyino Logistics Park	59,048	BTS lease
Yandex	Online-retail	Sofyino Logistics Park	46,659	BTS lease
PEC	Transport & logistics	Adidas Chehov	40,492	Lease
3Logic	Distribution	Kholmogory Industrial Park	23,777	Lease
DNS	Retail	Pushkino Logistics park	21,087	Lease

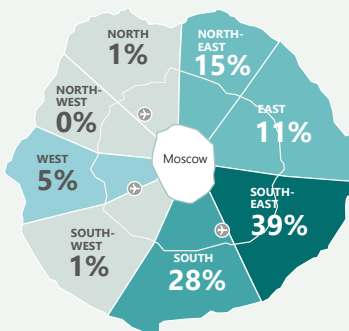
Source: Knight Frank Research, 2021

28% of the total absorption transactions, or just over 84,000 sq m, were concluded in the southern direction of the Moscow area. One of the largest transactions in this area was Carville's lease of 13,500 sq m in "Yuzhnye Vrata".

The third place in the structure of demand by directions was taken by the northeast: it accounted for 15% of the total volume of transactions, which in absolute terms is almost 45,000 sq m. The signing of a lease agreement by 3Logic for 23,700 sq m in "Kholmogory" Logistics Park is also worth noting here.

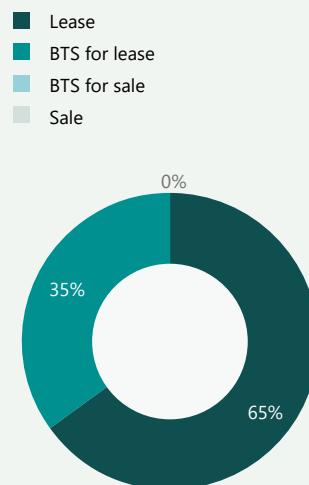
The most popular type of transactions in Q1 was lease of the space in existing projects: it accounted for 65% of the total demand in the Moscow area, which in absolute terms is a little over 194,000 sq m. The largest transaction was the lease by PEK of 40,000 sq m in the "Adidas Chekhov" warehouse complex.

### Distribution of lease/sale transactions by directions, Q1 2021



Source: Knight Frank Research, 2021

### Distribution of the transactions by type, Q1 2021

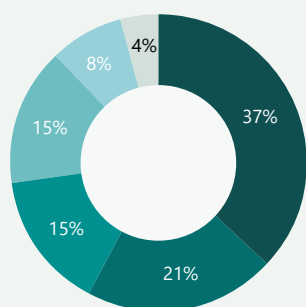
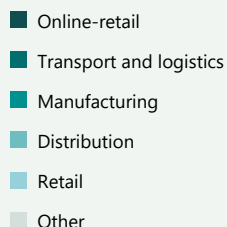


Source: Knight Frank Research, 2021





### Distribution of transactions by tenant/buyer, Q1 2021



Source: Knight Frank Research, 2021

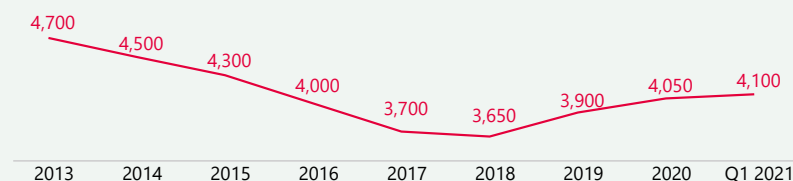
35% of the total absorption, or 106,000 sq m, fell on built-to-suit deals with subsequent lease. The largest transaction of this type was the lease by LaModa of 59,000 sq m in “Sofyino” Logistics Park.

Following the first three months of 2021, the total volume of transactions concluded at the primary market amounted to 47%, or 140,000 sq m, of the aggregate demand. The secondary market accounted for 53% of the total absorption, which in absolute terms is 160,000 sq m.

Following Q1 of 2021, the online commerce segment took the leading position in demand: it accounted for 37% of the total demand, which in absolute terms is 110,000 sq m. The signing of an agreement between Yandex and “AT Nedvizhimost” developer for the construction of a warehouse complex with subsequent lease in “Sofyino” Logistics Park with an area of just over 46,000 sq m is worth noting here.



### Dynamics of average asking Class A rental rates, RUB/sq m/year triple net



Source: Knight Frank Research, 2021

The second place in the structure of demand in the first three months of 2021 was taken by hauliers. Their share in the total demand was 21%, or 63,000 sq m. Along with the PEK’s lease transaction, it is worth highlighting the lease of 10,500 sq m in “Atlant-Park” IWC by Stock-Trading.

15% of the total absorption fell on two segments – distribution and production – which in absolute terms is 46,000 sq m and 44,000 sq m, respectively.

## Commercial terms

In 2021, the growth dynamics of the average weighted rental rate for Class A warehouses continued and amounted to 4,100 rubles/sq m/ year triple net by the end of the quarter, which is 4% higher than the same figure in 2020. The average weighted rate increase is due to the fact that inexpensive units with the asked rental rates of

3,300-3,600 rubles/sq m/year triple net left the market. The lowest average weighted rate was recorded in the eastern and southeastern directions of the Moscow area: 3,400 rubles/sq m/year triple net. The highest average weighted rate was recorded in the south, where it amounted to 4,400 rubles/sq m/year triple net.

The largest change in the average weighted asked rental rate is recorded in the northeastern direction of the Moscow area: 4% in respect of the final figure of 2020. One of the factors for increasing the rental rate in this area is the entry into the market of warehouse space of the block with the asked rental rate of 4,250 rubles/sq m/year triple net.

It is worth noting that the rental rates presented are asked ones. When agreeing the terms of the lease, the rates may sometimes be changed downwards by an average of 2-3%, which depends on the terms and conditions of a lease contract.

## Forecast

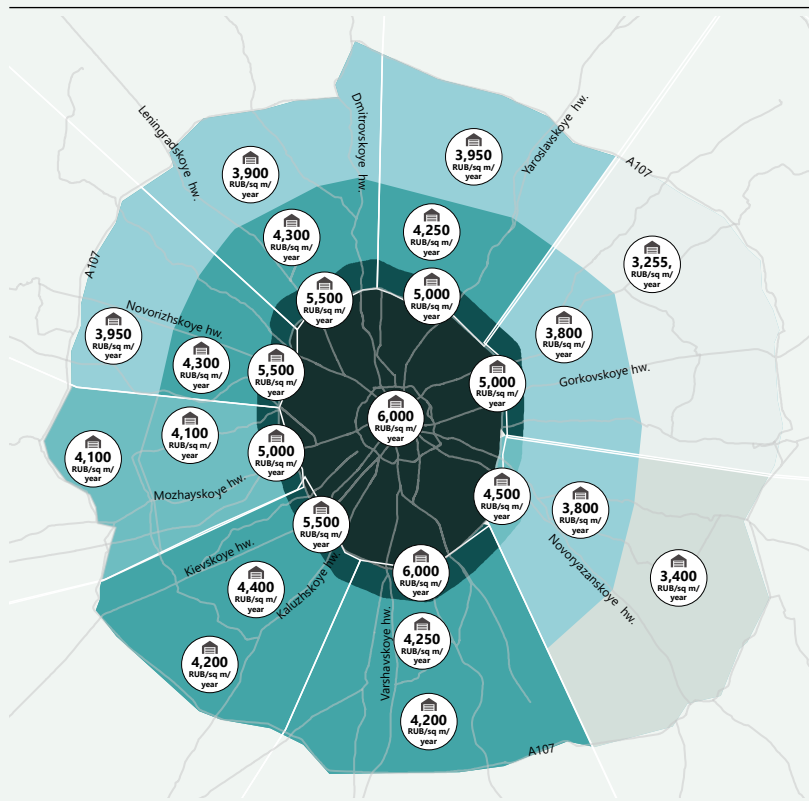
Despite a significant commissioning decrease in Q1 of 2021, according to forecasts of Knight Frank analysts, the commissioning of high-quality warehouse real estate in the Moscow area will amount to 1,250,000-1,300,000 sq m by the end of 2021.

According to Knight Frank analysts, the vacancy will reach 2% by the end of 2021 against the background of a number of speculative projects entering the market.

The record demand recorded in 2020 will repeat in 2021 and will amount to about 2,200,000-2,300,000 sq m.

The average weighted asked rental rate will continue to grow throughout 2021. According to Knight Frank forecasts, by the end of the year it will amount to 4,200–4,250 rubles/sq m/year triple net. The growth in rental rates is due not only to the consistently high demand for high-quality warehouses, but also to the growth in construction costs, which force developers to raise rental rates.

**Average weighted asking rental rates in directions of the Moscow region, RUB/sq m/year triple net**



Source: Knight Frank Research, 2021

**Largest properties scheduled for delivery in 2021**

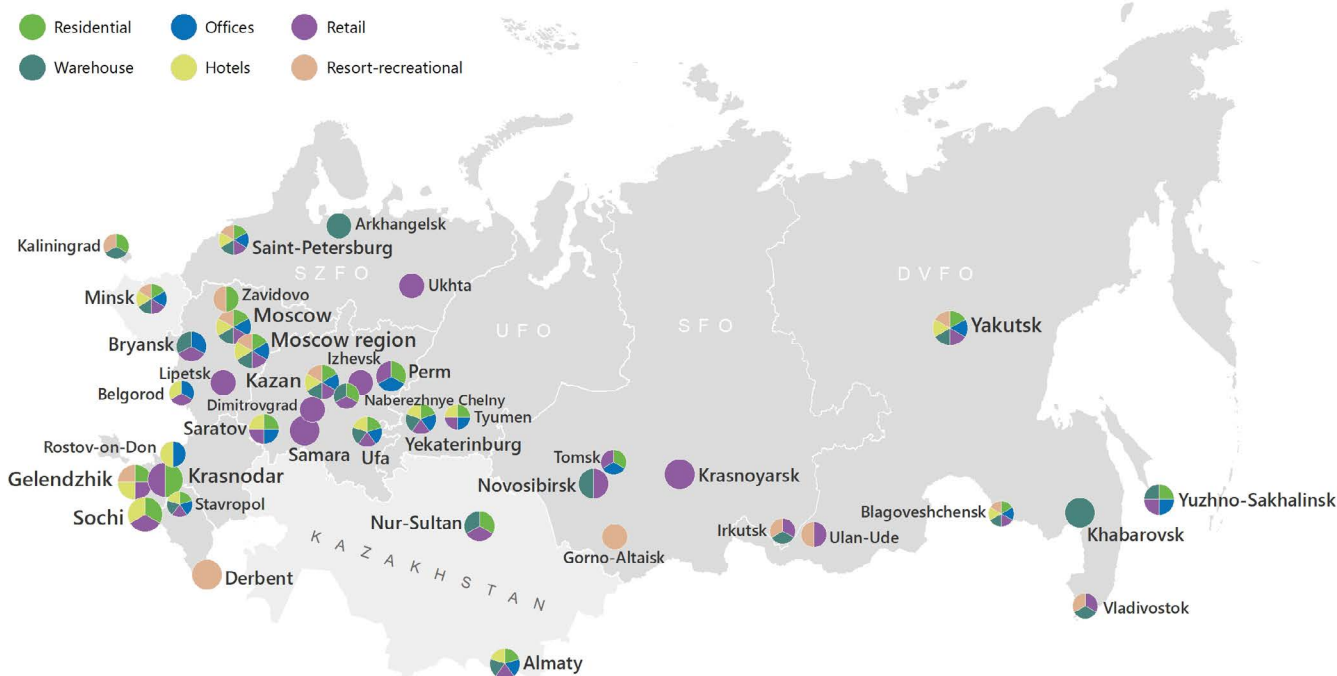
Title	Developer	Total area, sq m
«VseInstrumenty.ru» in «PNK Park Domodedovo»	PNK Group	182,000
DC «Ozon» in «Orientir Zapad»	Orientir	154,029
«Wildberries» Distribution Centre in Jelektrostal'	WB Development	100,000
«X5 Retail Group» Distribution Centre	Smart development group	89,384
«Kholmogory» Industrial Park	Koncern Rusich	88,708
«Bosch Siemens» in Sofyino Logistics Park	AT Nedvizhimost	58,790
«Wildberries» Distribution Centre, phase IV in Koledino	WB Development	53,000
«Orientir Sever-4» Warehouse complex	Orientir	50,000
«Atlant-Park», block 33	Atlant-Park	49,980
«Yandex.Market» in Sofyino Logistics Park	AT Nedvizhimost	49,615
«Yuzhnye Vrata» Industrial Park	Radius Group	43,098

Source: Knight Frank Research, 2021

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