

WAREHOUSE PROPERTY MARKET. MOSCOW REGION

Q1 2024



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"The decrease in the volume of transactions that we have seen in Q1 is a consequence of near-zero vacancy rate and increased cost of borrowed funds. Nevertheless, by the end of June, we expect a much larger volume of transactions, the annual figure is expected to reach about 7m sq m across Russia and 3m sq m in the Moscow region. This is all due to the growth of e-commerce".

Key points

- > The total take-up volume in Q1 2024 reached 208,500 sq m, which is 63% lower compared to the Q1 2023 results.
- > The direct lease vacancy rate remains at a minimum level below 0.1%, single sublease offers have appeared.
- > The average weighted rental rate reached 9,400 RUB/sq m/year, excluding VAT and OPEX.
- > Class A and B warehouse space completion volume amounted to 88,000 sq m.

Market Indicators

Warehouse real estate	Q1 2023	2023	Q1 2024	Change*
Total quality warehouse stock, '000 sq m including:	23,333	24,503	24,591	▲
supply within MKAD, '000 sq m	1,418	1,418	1,418	–
Completions, '000 sq m	202	1,372	88	▼
Take-up, '000 sq m including:	570	3,286	208	▼
deals concluded with secondary premises (including sublease deals)	243	1,372	177	▼
transactions with newly built facilities	327	1,914	31	▼
Vacancy rate, % including:	1.6	<0.1	0.5	▼
Direct lease, %	1.5	<0.1	<0.1	▼
Sublease, %	0.1	<0.1	0.4	▲
Average weighted asking rental rate for class A premises, RUB/sq m/year*	5,700	8,500	9,400	▲
Average weighted asking rental rate for class A premises located within the MKAD, RUB/sq m/year**	8,000–10,000	12,000–15,000	13,000–16,000	▲
Operating expenses, RUB/sq m/year excluding VAT***	1,100–1,500	1,400–2,000	1,400–2,000	▲
Asking price range for existing class A dry warehouse, RUB/sq m excluding VAT	50,000–65,000	70,000–90,000	70,000–90,000	▲

* Compared to Q1 2023

** Hereinafter, asking rental rate for a standard Class A dry warehouse excluding VAT, operating expenses and utility charges.

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

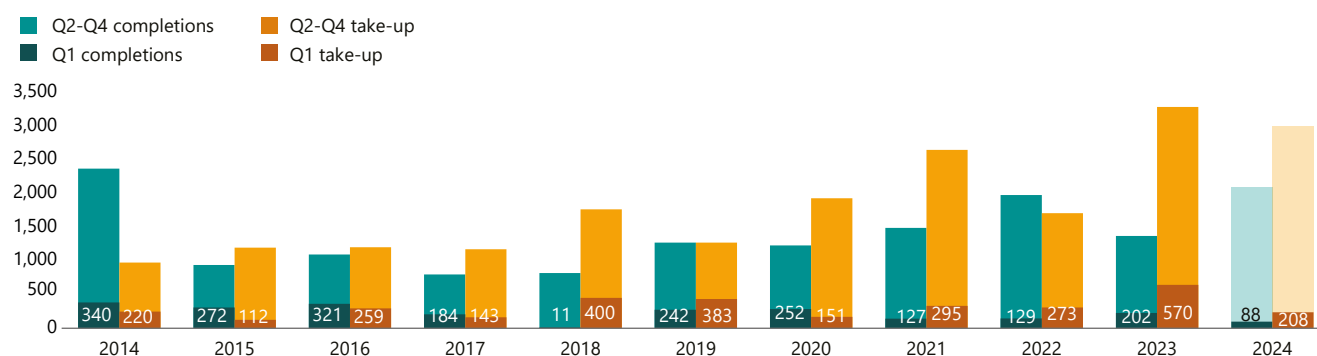
Light industrial	Q1 2023	2023	Q1 2024	Change*
Total light-industrial stock, '000 sq m	163	280	421	▲
Average weighted asking rental rate for class A light-industrial premises, RUB/sq m/year**	8,660	10,290	11,750	▲
Asking price range for existing class A light-industrial warehouse, RUB/sq m excluding VAT**	89,920	94,000	104,220	▲

* Compared to Q1 2023

** Excluding VAT, operating expenses and utility charges

Source: NF Group Research, 2024

Completions and take-up dynamics by quarter, class A and B projects, '000 sq m



Source: NF Group Research, 2024

Supply

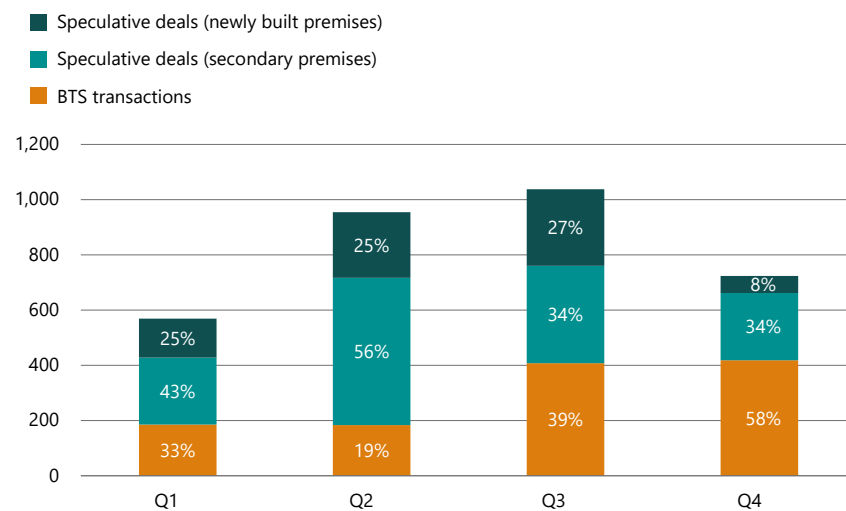
In Q1 2024, some 88,000 sq m of class A and B warehouse space was commissioned in the Moscow region, which is 56% lower than the same indicator of the previous year, moreover, this is the lowest quarterly figure for the last 4 years. The total quality warehouse stock in the Moscow region reached 24,6m sq m.

In addition, several light industrial format projects were commissioned: the volume of commissioned space amounted to 139,000 sq m, which is a record quarterly figure. The total stock of light industrial real estate reached 421,000 sq m. Several speculative industrial buildings with a total area of 57,000 sq m were also commissioned.

The volume of delivered space in the current situation has a delayed effect and largely depends on BTS transactions, given that only a few speculative projects enter the market. The implementation period of the BTS facility is on average about a year. Thus, the low delivered space figure is a consequence of the relatively small volume of BTS deals in H1 2023: a significant part of the transactions back then was concluded with secondary speculative spaces, while at the moment there are no such options left. Nevertheless, by the end of the year, we expect the delivery of about 2.1m sq m of class A and B warehouse space, BTS projects will account for more than 50% of new space.

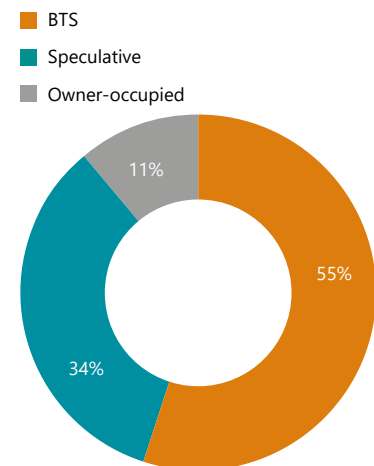
The direct lease vacancy rate remains at a minimum level, in relative terms not exceeding 0.1%. There is a slight increase in sublease vacancy rate, however these are only isolated cases. On the one hand, this is due to the strategy of companies that lease warehouses with excessive amount of space for future growth and sublet these premises in the short term. There are also cases with international companies that suspended operations in the Russian Federation but have not terminated lease agreements and these premises are still available for sublease. However, there are no prerequisites for an increase in the vacancy rate, and by the end of the year we expect the vacancy rate to remain at a near-zero level.

Take-up dynamics and breakdown by type, '000 sq m, 2023



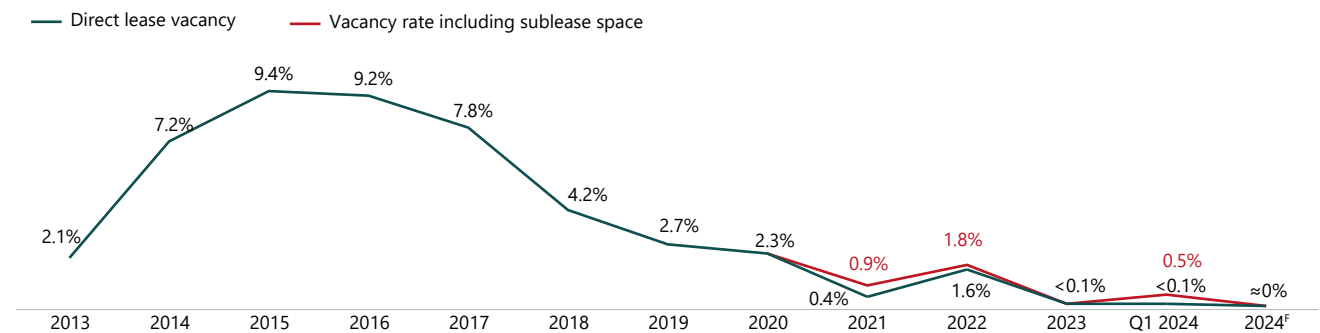
Source: NF Group Research, 2024

Completions breakdown by type, 2024F



Source: NF Group Research, 2024

Vacancy rate dynamics



Source: NF Group Research, 2024

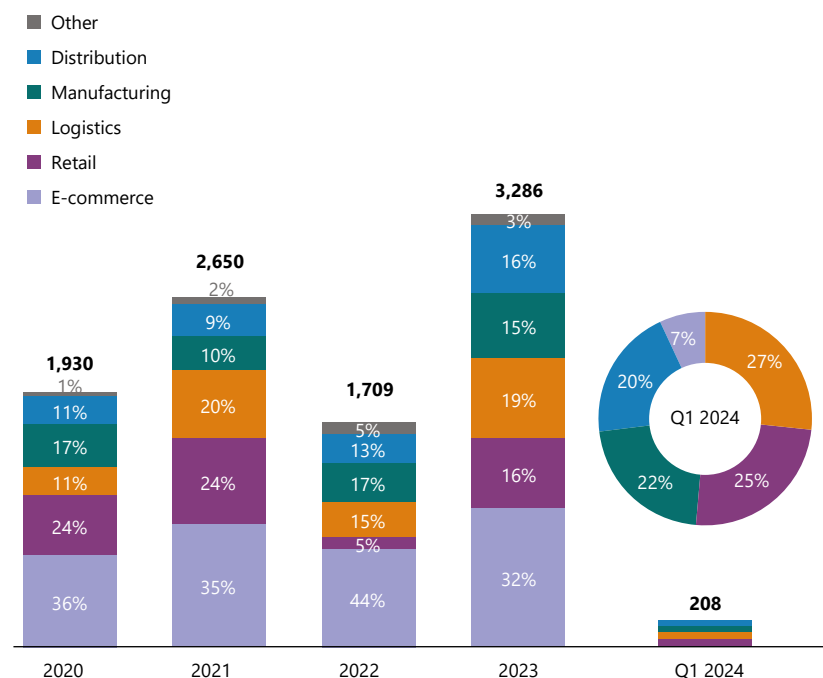
Demand

The main demand drivers in Q1 2024 were logistics companies, which accounted for 27% of the transactions volume concluded. The retailers and manufacturing companies accounted for 25% and 22%, respectively. Distribution companies accounted for 19% of transactions volume. The e-commerce sector showed a minimal share in the structure of transactions volume – 7% (the minimum value for the sector within the quarter for the last 6 years). At the same time, at the end of March 2024, a number of major transactions with e-commerce representatives were in the process of signing. Thus, by the end of the year, the sector will regain its status as the main demand driver for warehouse space.

Speculative lease transactions accounted for 85% of the take-up in Q1, while BTS sale transactions accounted for 15%.

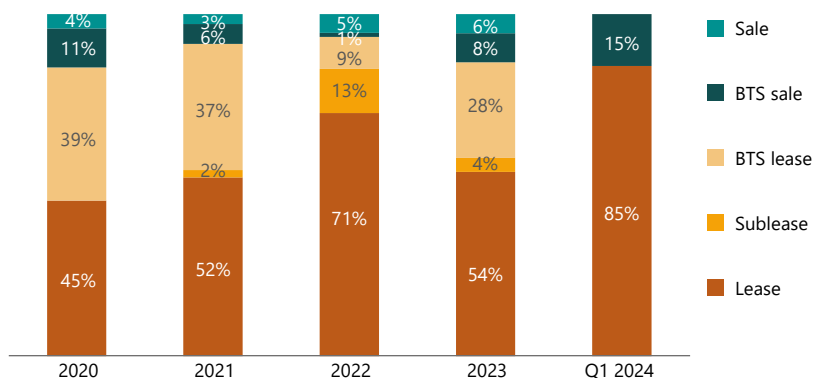
We expect the total take-up volume in the Moscow region to reach 3m sq m by the end of 2024.

Take-up dynamics ('000 sq m) and breakdown by tenant type (%)





Source: NF Group Research, 2024

Take-up breakdown by deal type



Source: NF Group Research, 2024

Largest transactions, Q1 2024

Tenant	Company type	Project name/location	Total area, sq m	Deal type
Leroy Merlin	Retail	Belaya Dacha	32,375	Lease
Skladskoy operator 	Logistics	Klin Logistic	23,700	Lease
MDM 	Distribution	Klin Logistic	20,370	Lease
Alvisa	Manufacturing	Istra LP	17,645	Lease
Vkus Detstva	Manufacturing	PNK Park Pushkino 2	16,000	BTS sale

 transactions involving NF Group

Source: NF Group Research, 2024

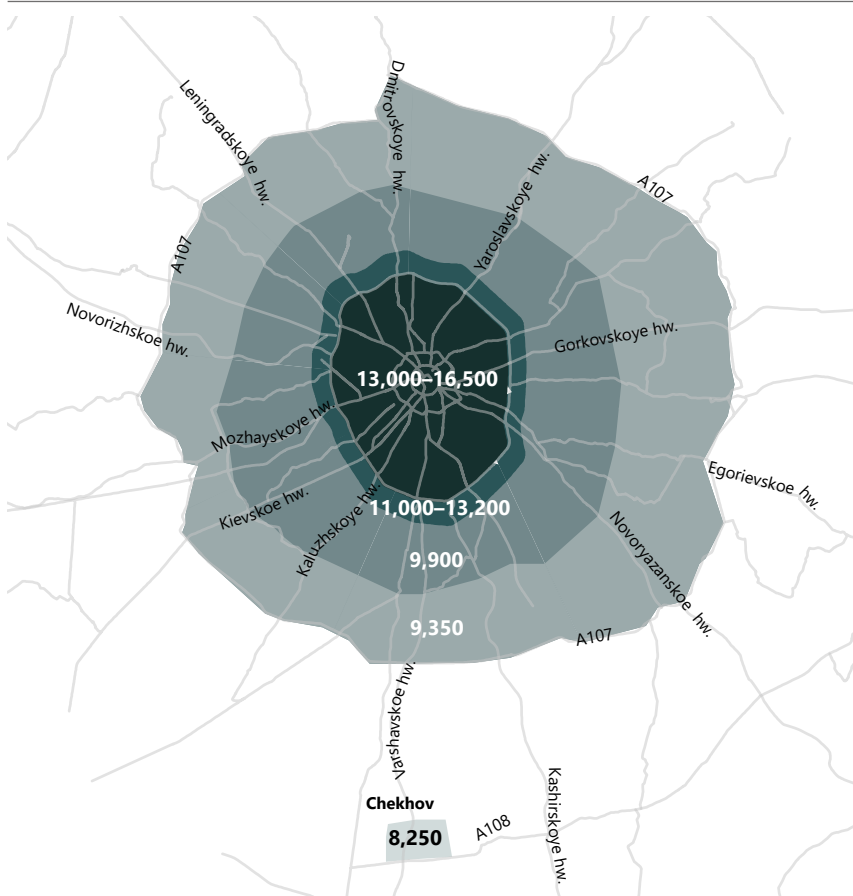
Commercial terms

On the back of extremely low vacancy rate, as well as the shortage of new speculative supply, the weighted average rental rates are derived based on future availability options. By the end of Q1 2024, the average weighted rental rate reached 9,400 RUB/sq m/year excluding VAT and OPEX, which is 11% higher than at the start of the year. There are no prerequisites for the average rental rate reduction in 2024, based on conservative forecast by the end of 2024 the figure will reach 9,700-9,800 RUB/sq m/year.

Forecast

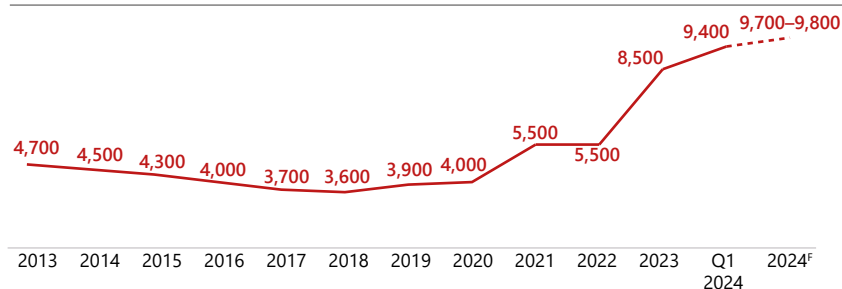
By the end of 2024, the completions volume will reach 2.1m sq m, while about 70% of this space has already been contracted by the end of Q1. The low volume of concluded transactions is a consequence of the lack of vacant space, for this reason the main volume of deals, which are at the stage of agreement, falls on build-to-suit transactions. At the same time, such transactions have both a more complex structure and a greater dependence on funding, thus, the conclusion of transactions is delayed. Nevertheless, we expect a significantly higher volume of transactions in Q2, and the total take-up volume by the end of the year is expected to reach 3m sq m. The absolute majority of 2024 take-up will be represented by build-to-suit transactions (up to 85%). In addition, developers will carefully approach speculative construction; it is likely that a number of projects will enter the active phase of construction.

Expert assessment of the average rental rates by direction and distance from MKAD, RUB/sq m/year triple net



Source: NF Group Research, 2024

Average weighted rental rate for class A warehouses dynamics, RUB/sq m/year, triple net



Source: NF Group Research, 2024

Largest projects announced for delivery in 2024

Project name	Developer	Total area, sq m
Ozon DC Vatutinki	PST Development	134,850
Petrovich DC in PNK park Domodedovo	PNK Group	120,000
VkusVill DC in PNK park Domodedovo	PNK Group	118,500
VseInstrumenti.ru DC in A2 Obukhovo	A2 Group	108,500
Ozon DC in PNK park Domodedovo	PNK Group	105,000

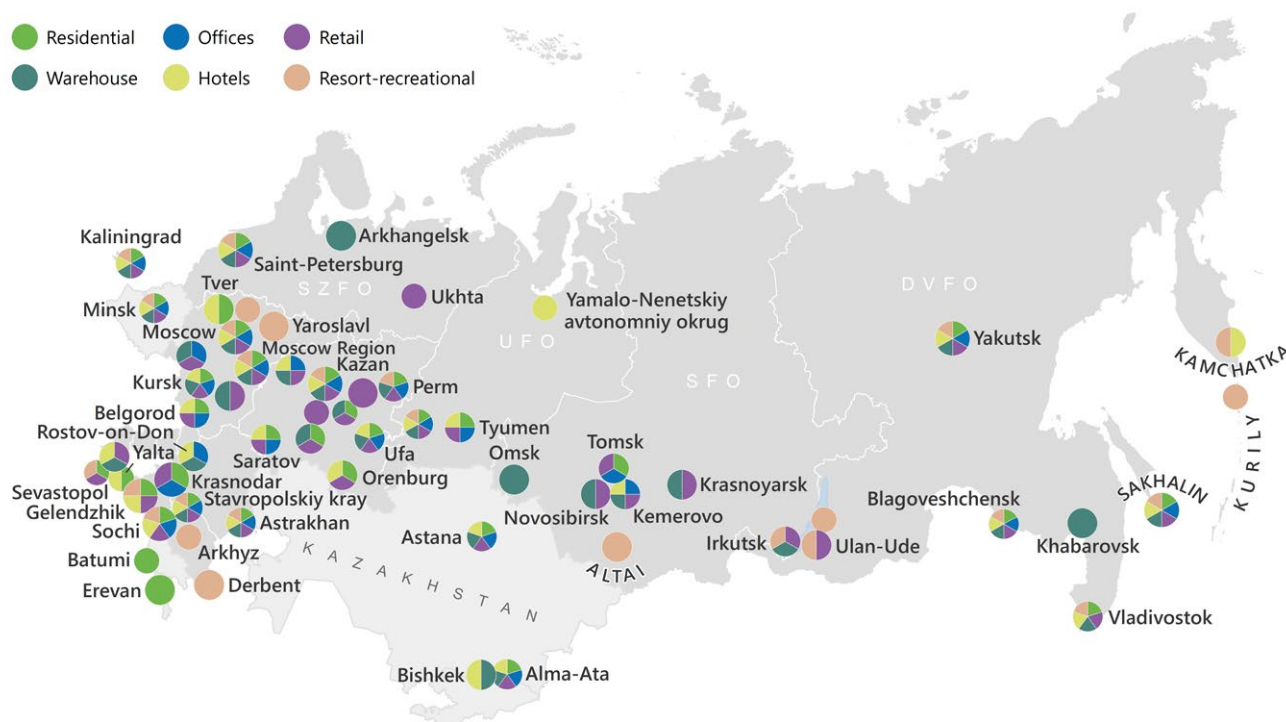
Source: NF Group Research, 2024

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