

WAREHOUSE PROPERTY MARKET. MOSCOW REGION

H1 2024



Klimovsk Logistics Park



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"The results of the first half of the year confirm the consistently high interest in the warehouse real estate market: the volume of transactions is almost comparable to the record indicators of the first six months of last year, and by the end of 2024 we expect the total take-up volume to reach 3m sq m. There is a shortage of supply, so the vast majority of deals are represented by the build-to-suit transactions. At the same time, demand for warehouse real estate in the next two years is estimated at over 10m sq m. A number of developers are bringing speculative properties to the market, offering them at rates significantly higher than at the beginning of the year, while the overall rate growth rate has become lower than in 2023, when the rental rate increased by 55%".

Key points

- > By the end of H1 2024, the total take-up volume involving Class A and B warehouse properties in the Moscow region amounted to 1.38m sq m, which is 9% lower YoY.
- > The direct lease vacancy rate remains at a minimum level, with relative values staying below 0.1%.
- > The weighted average rental rate for ready-to-occupy, under-construction, and soon-to-be-vacated units reached 11,000 RUB/sq m/year, excluding VAT and OPEX. The average rental rate for build-to-suit projects was 9,600 - 11,000 RUB/sq m/year.
- > The volume of new completion of class A and B warehouse space amounted to 202,000 sq m in H1 2024.

Market Indicators

Warehouse real estate	H1 2023	2023	H1 2024	Change*
Total quality warehouse stock, '000 sq m including:	23,824	24,598	24,800	▲
supply within MKAD, '000 sq m	1,418	1,418	1,418	–
Completions, '000 sq m	597	1,372	202	▼
Take-up, '000 sq m including:	1,514	3,259	1,384	▼
deals concluded with secondary premises (including sublease deals)	765	1,361	443	▼
transactions with newly built facilities	749	1,898	941	▲
Vacancy rate, % including:	0.5	<0.1	0.2	▼
Direct lease, %	0.4	<0.1	<0.1	▼
Sublease, %	0.1	<0.1	0.1	–
Average weighted asking rental rate for class A premises, RUB/sq m/year*	6,500	8,500	11,000	▲
Average weighted asking rental rate for class A BTS projects, RUB/sq m/year**	6,400	8,400	9,600–11,000	▲
Average weighted asking rental rate for class A premises located within the MKAD, RUB/sq m/year**	10,000–12,000	12,000–15,000	15,000–18,000	▲
Operating expenses, RUB/sq m/year excluding VAT***	1,100–1,500	1,400–2,000	1,600–2,500	▲
Asking price range for existing class A dry warehouse, RUB/sq m excluding VAT	55,000–75,000	70,000–90,000	80,000–110,000	▲
Asking price range for class A BTS dry warehouse projects, RUB/sq m excluding VAT	55,000–75,000	70,000–90,000	75,000–100,000	▲

* Compared to H1 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	H1 2023	2023	H1 2024	Change*
Total light-industrial stock, '000 sq m	218	280	428	▲
Average weighted asking rental rate for class A light-industrial premises, RUB/sq m/year**	9,410	10,290	12,510	▲
Asking price range for existing class A light-industrial warehouse, RUB/sq m excluding VAT	87,250	94,000	105,840	▲

* Compared to H1 2023

** Excluding VAT, operating expenses and utility charges

Source: NF Group Research, 2024

Supply

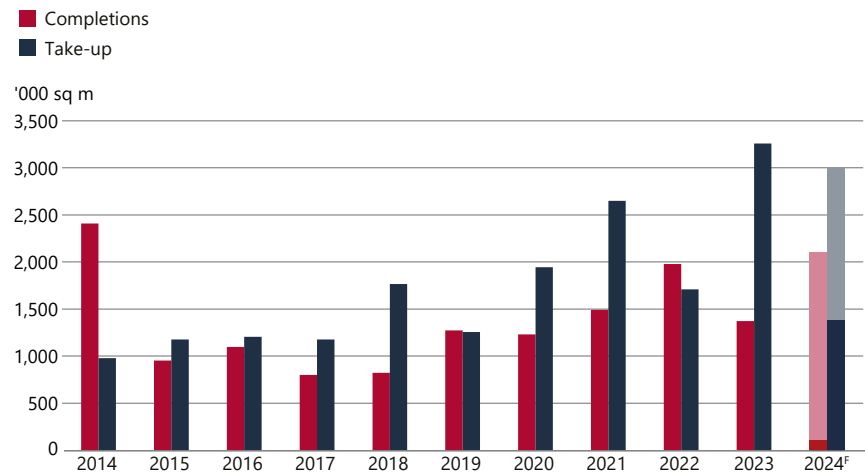
The total quality warehouse stock of A and B class premises in the Moscow region reached 24.8m sq m by the end of H1 2024. The volume of class A and B warehouse completions amounted to 202,000 sq m, which is 66% lower than the same indicator for the previous year. Moreover, this is the lowest H1 completions figure in the past six years.

Since in H1 2023 construction of only a few speculative objects was started, the main volume of commissioning of premises of the current year depends on the deals concluded earlier under the build-to-suit scheme. The share of such deals was minimal in the first six months of last year, while the second half saw a sharp increase in build-to-suit transactions. Consequently, the absolute majority of the completions volume will occur in the second half of 2024, with the annual completions figure reaching 2.1m sq m, of which 60% will be represented by BTS projects.

Besides the class A and B warehouse properties, a number of light industrial projects were completed: 148,000 sq m of space was introduced in H1 2024. The total stock of quality light industrial premises in the region amounted to 428,000 sq m. Several speculative industrial facilities with a total area of 57,000 sq m were also commissioned.

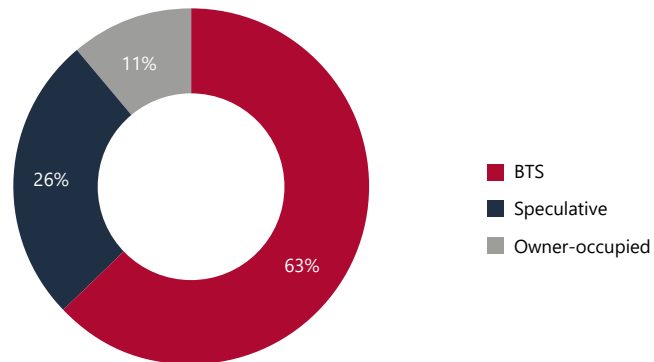
The direct lease vacancy rate remains at a minimum level, in relative terms not exceeding 0.1%. There are no prerequisites for an increase in the vacancy rate, and by the end of the year we expect the vacancy rate to remain at a near-zero level.

Completions and take-up dynamics, class A and B projects



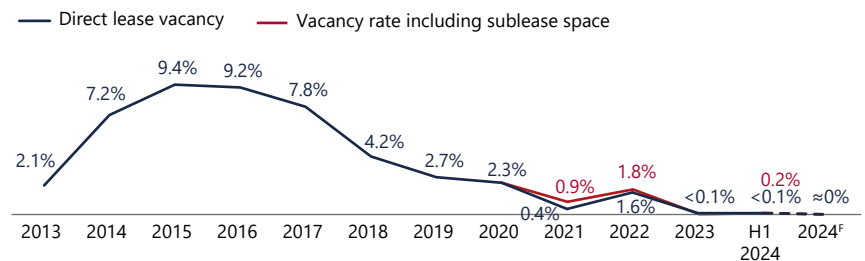
Source: NF Group Research, 2024

Class A and B projects announced for delivery in H2 2024, distribution by type



Source: NF Group Research, 2024

Vacancy rate dynamics



Source: NF Group Research, 2024

Demand

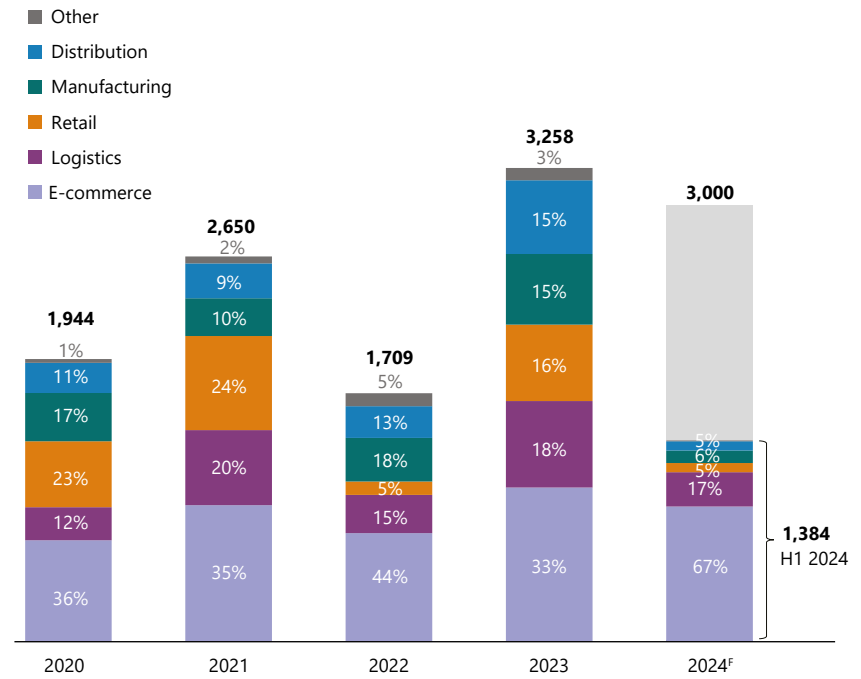
The transaction volume in H1 2024 reached 1,38m sq m, which is 9% lower than in H1 2023, when the transaction volume exceeded 1,5m sq m, which was a highest ever figure for H1. The main demand drivers in H1 2024 were online retailers, accounting for 67% of the concluded transactions. Logistics companies accounted for 15%, distribution companies represented 7% of the take-up volume, manufacturing sector residents accounted for 6% of the deals, the smallest share of the deals fell on retailers – 5% of the H1 2024 transaction volume.

There has been an increase of BTS-transactions volume – they accounted for 63% of H1 2024 deals of which 55% were BTS-lease transactions and 8% – BTS-sale transactions. The main reason of such dynamics is a consistent growth of demand from online retailers, who need premises designed to meet certain requirements. The lack of vacant space also plays a significant role. Speculative lease transactions accounted for 30% of the deals volume in H1 2024, while sublease transactions accounted for 7%. We expect the total take-up volume to reach 3m sq m by the end of 2024.

Commercial terms

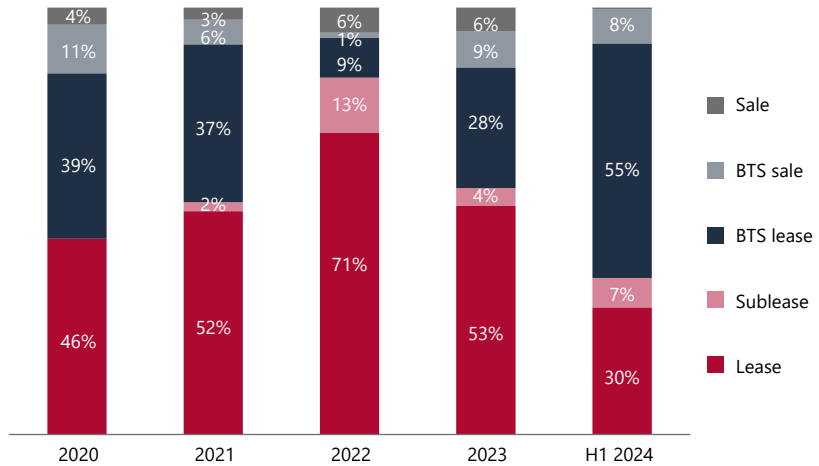
Amidst an extremely low vacancy rate and limited speculative completions, the weighted average rental rate has been derived based on projects that are ready for occupancy, soon-to-be-vacant properties, and those under construction. Certain developers have decided to commence speculative construction, offering rental rates significantly higher than both ongoing contracts and rental rates designated in build-to-suit projects proposals. By the end of H1 2024, the net weighted average rental rate for ready-to-occupy, under-construction, and soon-to-be-vacant speculative projects reached 11,000 RUB/sq m/year. It is important to note that the volume of such speculative offerings is relatively low compared to

Take-up dynamics ('000 sq m)



Source: NF Group Research, 2024

Breakdown by tenant type (%)



Source: NF Group Research, 2024

the demand for warehouse space from potential tenants. Concurrently, the market offers BTS construction for lease, with the weighted average asking rate for a typical Class A warehouse of about 20,000 sq m standing at 9,600–11,000 RUB per sq m per year, excluding VAT and OPEX. Thus, the rental rate for speculative projects is 5-10% higher than for BTS lease projects.

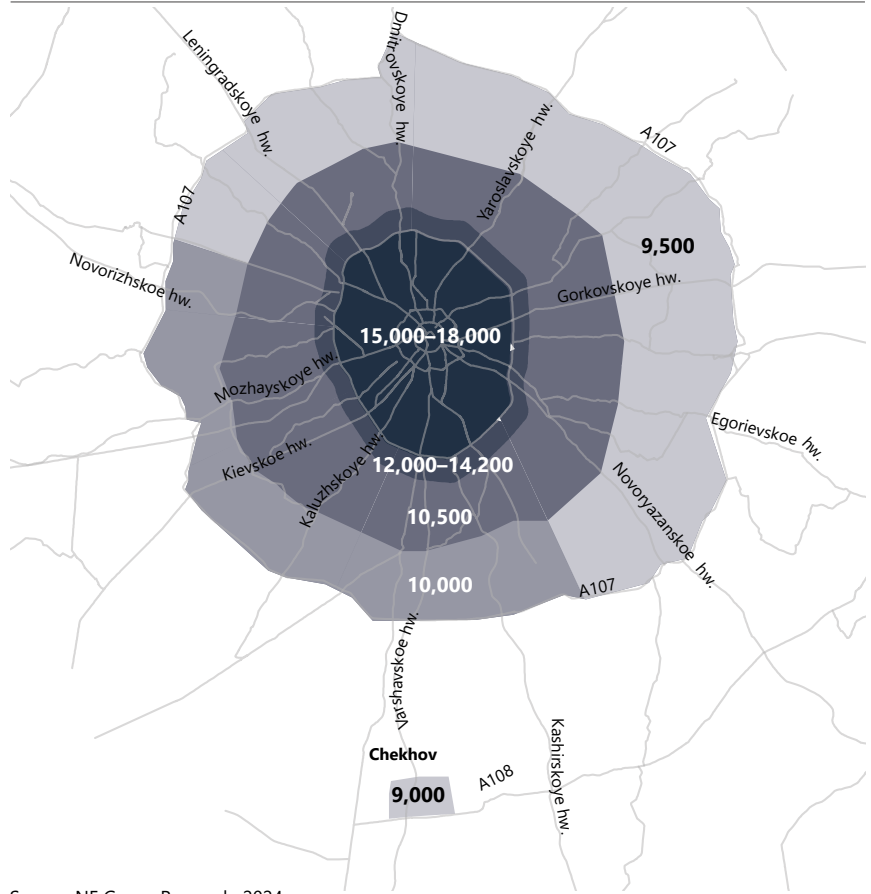
We observe a deceleration in the growth of asking rental rates; however, the peak has not yet been reached. By the end of 2024, the rental rate for speculative projects might exceed 12,000 RUB/sq m/year, excluding VAT and OPEX, whereas the rate for BTS projects is expected to surpass 10,000 RUB/sq m/year triple net.

Forecast

By the end of 2024, the volume of commissioned space will amount to about 2.1m sq m, of which 80% had already been contracted by the end of H1. A number of large speculative projects have been launched; nevertheless, given the growing volumes of unsatisfied demand, there are no preconditions for an increase in the vacancy rate. Rental rates decrease is not expected: asking rental rates for existing speculative space will still be higher than current contracts, while the cost of BTS projects will also rise due to factors such as the high cost of borrowed financing, labor shortages, increasing insurance costs, rising land prices, as well as changes in a number of points in the tax legislation.

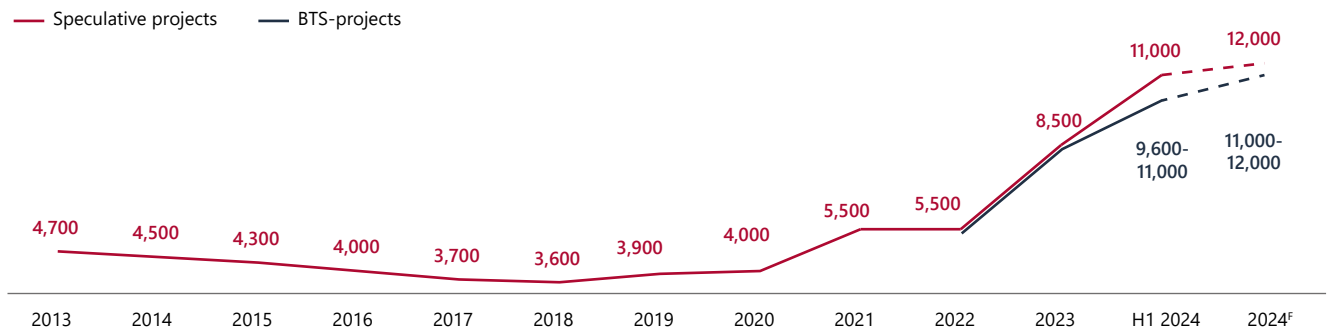
The demand for warehouse real estate will remain strong over the next 5 years. At the current level of demand, the market needs at least another 10m sq m, taking into account the vacancy rate of less than 1%. The role of the Moscow region on the country's logistics map remains crucial, despite the increase in demand in Russia's regions.

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

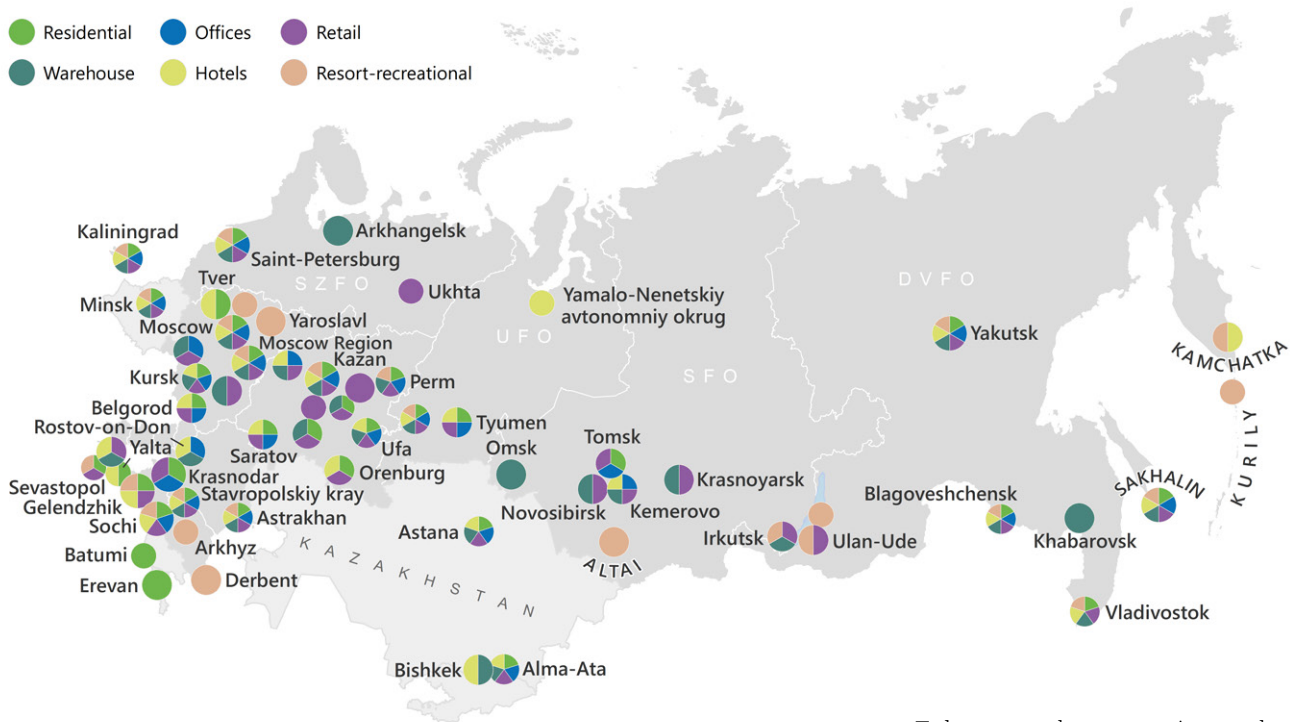
Source: NF Group Research, 2024

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