

WAREHOUSE PROPERTY MARKET. MOSCOW REGION

Q3 2024



Nikolskoye Warehouse Complex


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«By the end of 2024 the annual volume of completions will be a record-breaking figure over the past decade which is driven by high market activity in 2023. However, despite the excitement, these figures are unlikely to significantly affect the vacancy rate. Developers who previously focused primarily on residential real estate have started actively implementing industrial-warehouse projects, with the first large deals already concluded and new sites announced. As of Q3 2024, there was a slowdown in absorption rates compared to 2023, but a surge in activity is traditionally expected in Q4, mainly due to consistently high demand from e-commerce. As a result, the annual take-up volume may reach 3m sq m. Stable demand, minimal vacancy, and rising rental rates continue to make the warehouse property market attractive to developers and investors».

Key points

- > By the end of 9M 2024, the take-up volume for class A and B warehouse properties in the Moscow region amounted to 1,88m sq m, which is 27% lower YoY.
- > Due to the emergence of secondary market rental offers, the vacancy rate for direct leases increased to 0.6%.
- > The average weighted rental rate for ready-to-occupy and under-construction or vacating blocks reached 11,300 RUB/sq m/year, excluding VAT and OPEX, while the rate for build-to-suit projects was in the range of 10,000-11,000 RUB/sq m/year.
- > The volume of new class A and B warehouse completions for 9M 2024 amounted to 452,000 sq m.

Market Indicators

Warehouse real estate	Q3 2023	2023	Q3 2024	Change*
Total quality warehouse stock, '000 sq m: including:	24,036	24,645	25,098	▲
supply within MKAD, '000 sq m	1,430	1,430	1,430	–
Completions, '000 sq m	794	1,403	452	▼
Take-up, '000 sq m including:	2,577	3,284	1,880	▼
deals concluded with secondary premises (including sublease deals)	1,138	1,381	540	▼
transactions with newly built facilities	1,438	1,903	1,339	▼
Vacancy rate, % : including:	0.3	<0.1	0.6	▲
Direct lease, %	<0.1	<0.1	0.6	▲
Sublease, %	0.2	<0.1	–	▼
Average weighted asking rental rate for class A premises, RUB/sq m/year*	7,500	8,500	11,300	▲
Average weighted asking rental rate for class A BTS projects, RUB/sq m/year**	7,400	8,400	10,500	▲
Average weighted asking rental rate for class A premises located within the MKAD, RUB/sq m/year**	10,500–12,500	12,000–15,000	15,000–18,000	▲
Operating expenses, RUB/sq m/year excluding VAT***	1,400–2,000	1,400–2,000	1,500–2,400	▲
Asking price range for existing class A dry warehouse, RUB/sq m excluding VAT	70,000–90,000	70,000–90,000	80,000–110,000	▲
Asking price range for class A BTS dry warehouse projects, RUB/sq m excluding VAT	70,000–90,000	70,000–90,000	75,000–100,000	▲

* Compared to Q3 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	Q3 2023	2023	Q3 2024	Change*
Total light-industrial stock, '000 sq m	214	267	455	▲
Average weighted asking rental rate for class A light-industrial premises, RUB/sq m/year**	8,960	10,290	13,500	▲
Asking price range for existing class A light-industrial warehouse, RUB/sq m excluding VAT	85,550	94,000	107,300	▲

* Compared to Q3 2023

** Excluding VAT, operating expenses and utility charges

Source: NF Group Research, 2024

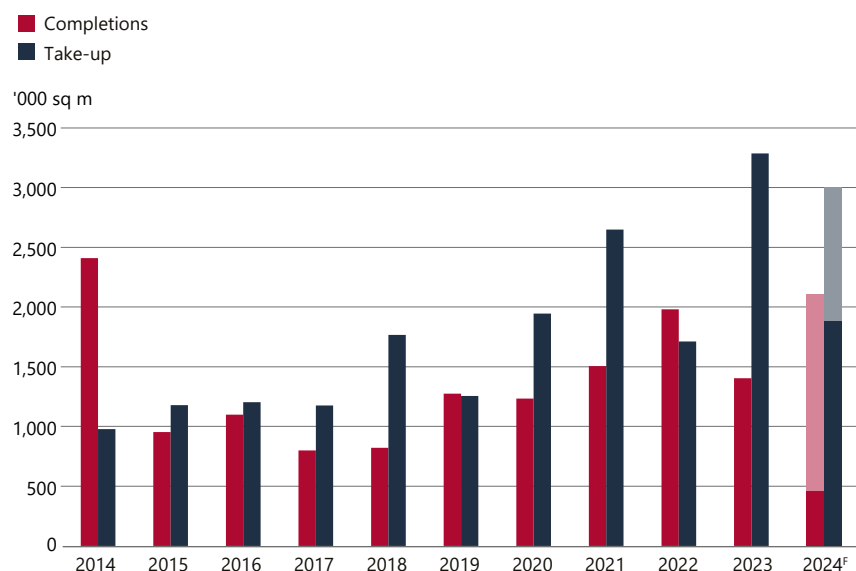
Supply

The total volume of quality warehouse space in the Moscow region reached 25.1m sq m by the end of Q3 2024. Class A and B completions amounted to 452,000 sq m, 43% lower than the previous year's figure. However, a significant volume of ongoing projects is nearing completion, with most 2024 completions expected in Q4. If all the announced projects are delivered on time, total class A and B warehouse completions in the Moscow region will reach 2.1m sq m (+52% YoY), the highest figure since the record 2014, when 2.4m sq m were commissioned.

Besides class A and B properties, several light industrial projects were completed, delivering 188,000 sq m in 9M 2024, bringing the total light industrial stock to 455,000 sq m. Several speculative industrial projects totaling 57,000 sq m were also completed.

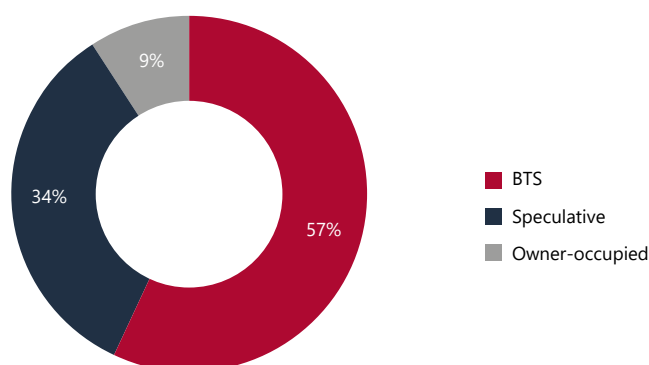
The vacancy rate for direct lease warehouse space increased by 0.5 percentage points compared to Q2, reaching 0.6% due to secondary market rental offers. The total volume of available speculative space in class A and B properties was 147,000 sq m, with the majority of proposals of space under 10,000 sq m, which may only meet short-term demand for most federal companies. There remains an overall shortage of space in the market. Among the new speculative projects, all the space delivered in 9M 2024 was absorbed before completion. Negotiations are also ongoing for speculative projects announced for delivery in Q4, meaning most new space will be absorbed as well. There are no signs of a significant increase in vacancy, and vacancy rates are expected to remain below 0.5% by year-end.

Completions and take-up dynamics



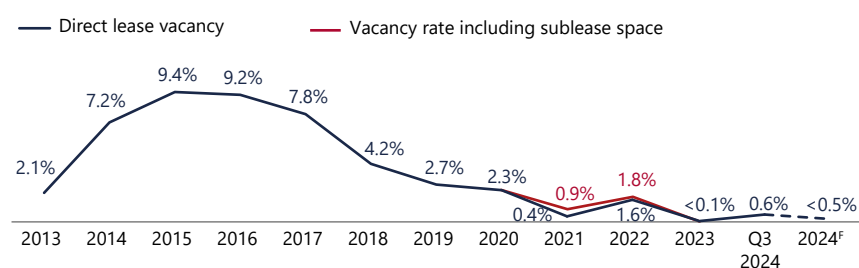
Source: NF Group Research, 2024

Class A and B completions breakdown by type, Q1-Q4 2024F



Source: NF Group Research, 2024

Vacancy rate dynamics



Source: NF Group Research, 2024

Demand

The take-up volume for class A and B warehouse space in 9M 2024 reached 1,88m sq m, 27% lower YoY. The main demand drivers were online retailers, accounting for 64% of the deals, followed by transport and logistics companies (16%), manufacturing companies (9%), distributors (6%), and retailers (4%).

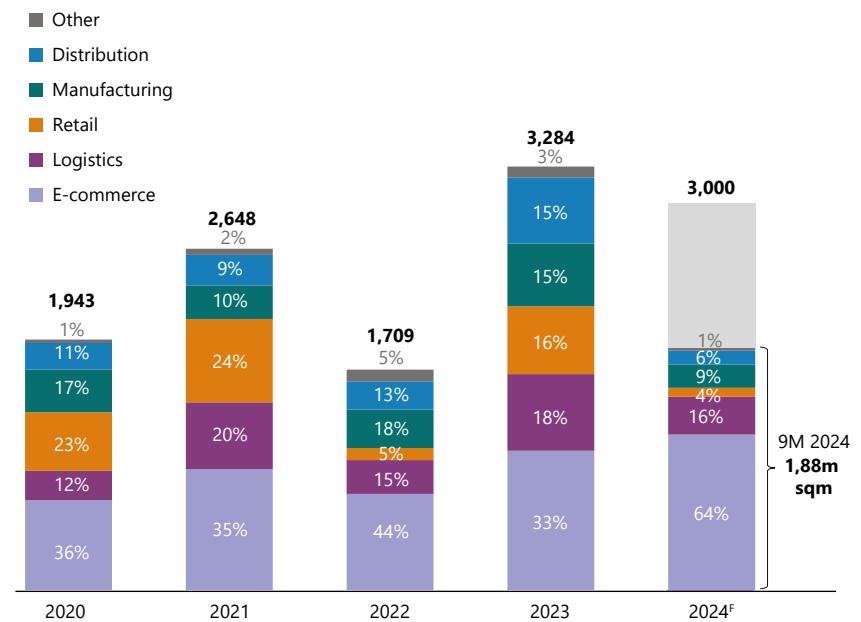
Build-to-suit (BTS) transactions accounted for 60% of total deals volume in 9M 2024, with BTS leases making up 51% and BTS sales – 9%. The high demand from online retailers, who require facilities to be built according to the specified parameters, and the general shortage of vacant space are the main reasons for this. Speculative lease deals made up 33% of absorption in Q1-Q3 2024, while sublease deals accounted for 6%. Most deals were concluded in the south (618,000 sq m), southwest (351,000 sq m), and east (303,000 sq m) of the Moscow region. The annual take-up volume in the Moscow region is expected to reach 3m sq m.

Commercial Terms

Amidst the extremely low vacancy rate and a limited supply of speculative properties, the average weighted rental rate is calculated based on ready-to-occupy, vacating, and under-construction speculative properties. Some developers are building speculative projects and offering them at significantly higher rates than current contracts or BTS lease rates.

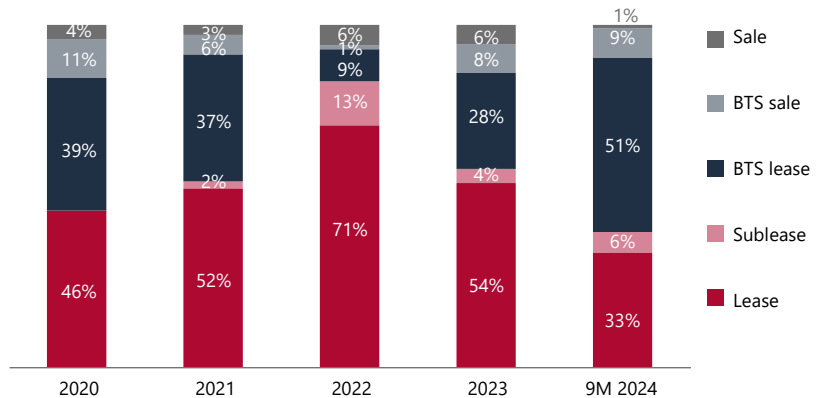
By the end of Q3 2024, the net average weighted rental rate for speculative properties reached 11,300 RUB/sq m/year, excluding VAT and OPEX, a 33% increase since the start of the year. The rental rate for BTS lease projects of a standard 20,000 sq m class A warehouse is in the range of 10,000-11,000 RUB/sq m/year.

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



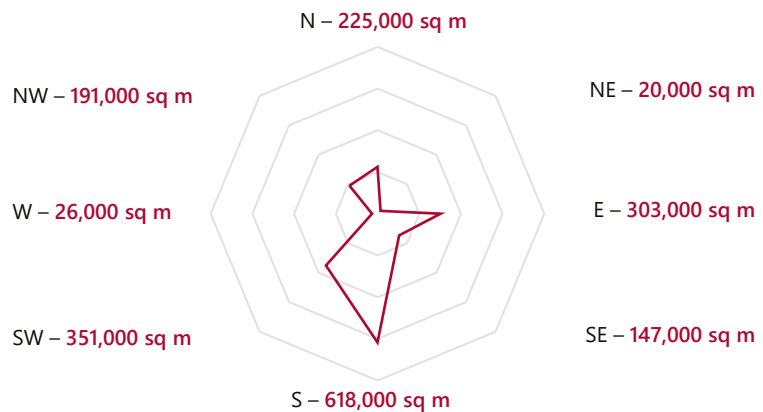
Source: NF Group Research, 2024

Breakdown by deal type



Source: NF Group Research, 2024

Take-up by direction, '000 sq m (including sublease deals), 9M 2024



Source: NF Group Research, 2024

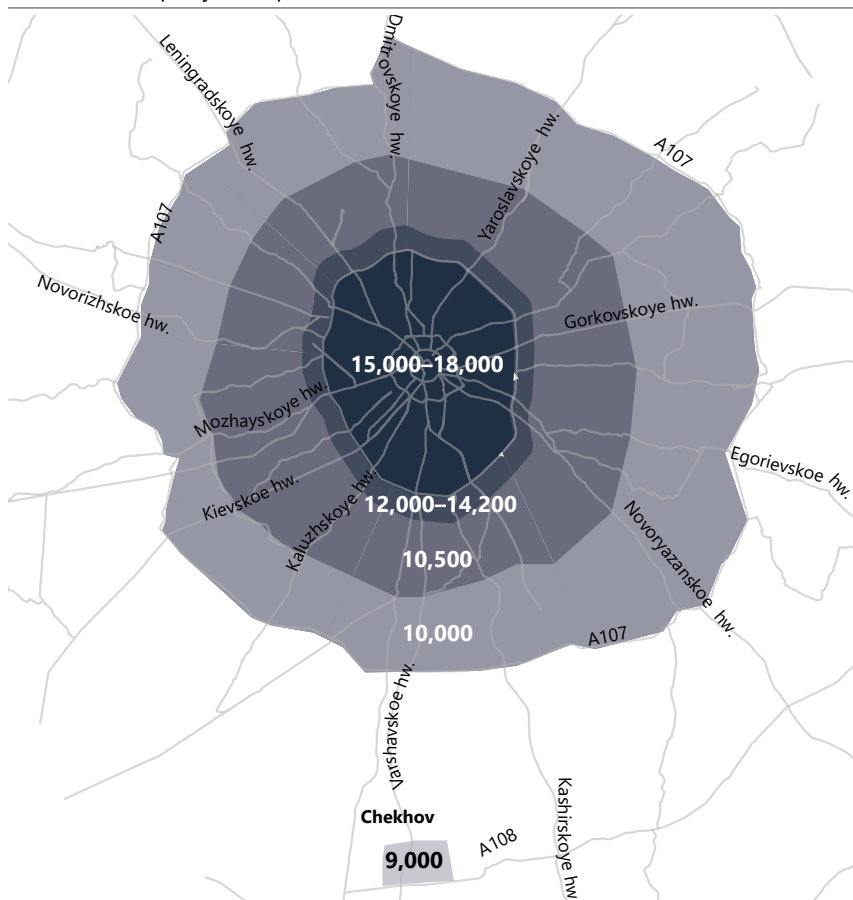
The growth of rental rates has slowed, with a 3% increase in Q3 for speculative spaces, but the rate has not yet reached its peak. By year-end, the speculative project rental rate may reach 12,000 RUB/sq m/year, while BTS rates will be in the range of 10,500-11,500 RUB/sq m/year.

Forecast

The volume of completions for 2024 will reach 2.1m sq m, with only a quarter of this volume being uncontracted by the end of Q3. Several large speculative projects have been launched, but given the growing unmet demand, there are no signs of an increase in vacancy in the near future. The annual take-up volume is expected to reach 3m sq m which will be the second highest figure after the record-breaking 2023 deals volume.

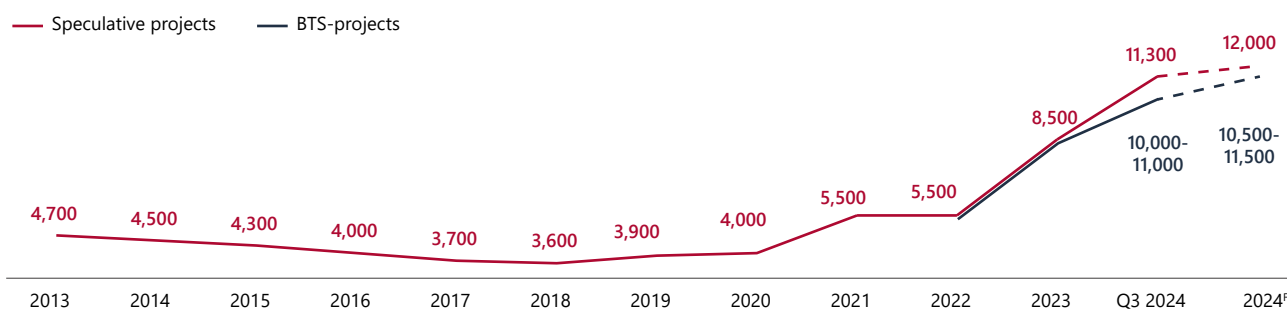
Due to the rising cost of both construction and debt financing, and given the labor shortage, rental rates will continue to rise, however the growth will slow down.

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
VkusVill DC in PNK park Domodedovo	PNK Group	118,500
VseInstrumenti.ru DC in A2 Obukhovo	A2 Group	108,500
Petrovich DC in PNK park Domodedovo	PNK Group	105,000

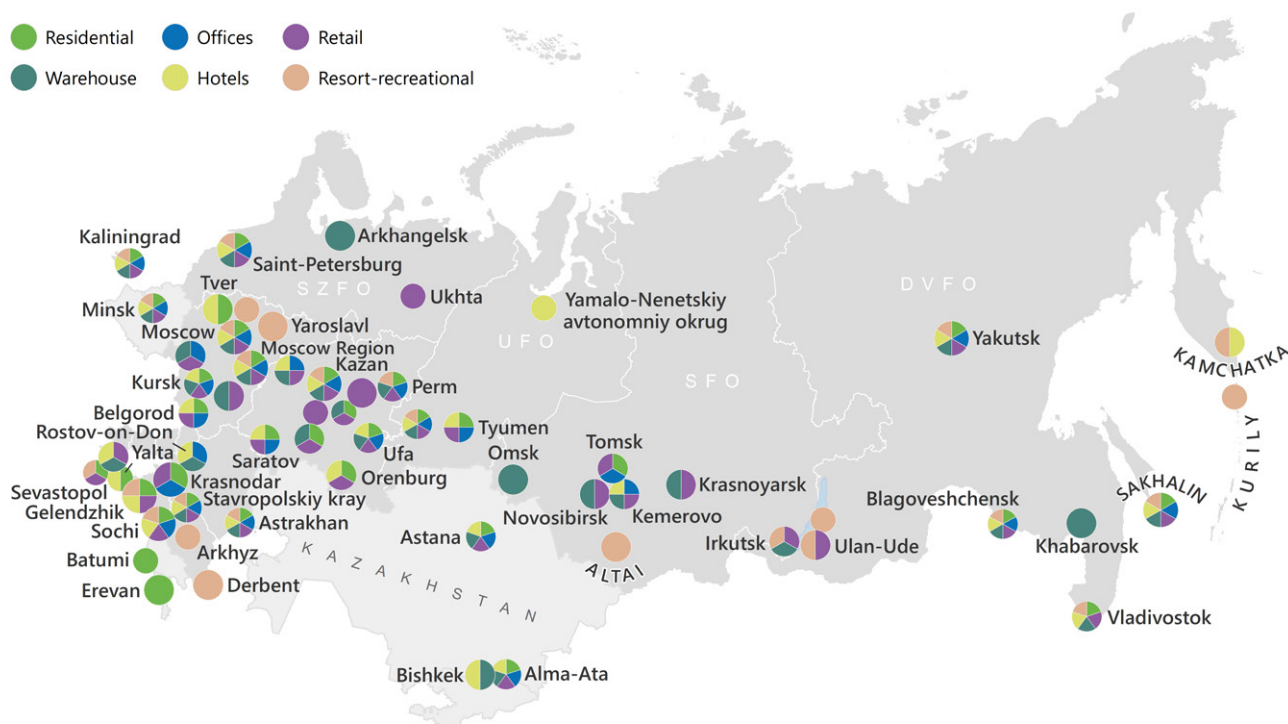
Source: NF Group Research, 2024

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