

# OFFICE MARKET REPORT. MOSCOW

Q3 2024




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“The reason for the growth of average weighted lease rates for offices with finishing is the shortage of such supply in the market. Following the impact of the uncertainty and crisis in 2022, Moscow temporarily saw an increase in available offices with quality finishes from foreign tenants, but the available space for lease ran out by the end of 2023. There are few options for companies that are considering a turnkey office, such as leasing flexible offices, the vacancy rate of which is also kept at a minimum level, or leasing premises in locations far from the center, where the factor of availability of finishing can be an additional competitive advantage of the facility”.

## Main conclusions:

- > Since the beginning of the year, the vacancy rate decreased in both classes: in Class A by 4.1 ppt, to 8.3%, in Class B — by 1.5 ppt, to 5.4%.
- > In Q1-Q3 2024, facilities with a total leasable area of 375,000 sq m were authorised for commissioning. The largest new facility is Moscow Towers (263,000 sq m).
- > Average weighted lease rates in both classes continued to grow: during the quarter in Class A, the indicator increased by 1.2% to 27,122 roubles/sq m/year (excluding OPEX and VAT), in Class B — by 2.2% to 19,384 roubles/sq m/year (excluding OPEX and VAT).

### Key indicators. Dynamics\*

		2023	Q1-Q3 2024
Total supply of high-quality space, '000 sq m		18,206	18,581
including:	Class A	5,550	5,874
	Class B	12,655	12,707
Commissioned since the beginning of the year, '000 sq m		279.8	375.0
including:	Class A	240.9	323.6
	Class B	38.9	51.4
Vacancy rate, %	Class A	12.4	8.3
	Class B	6.9	5.4
Average weighted asking rental rates, roubles/ sq m/year**	Class A***	26,303	27,122
	Class B	18,276	19,384
Average weighted OPEX rates, roubles/sq m/year	Class A	7,900	8,100
	Class B	5,600	5,600

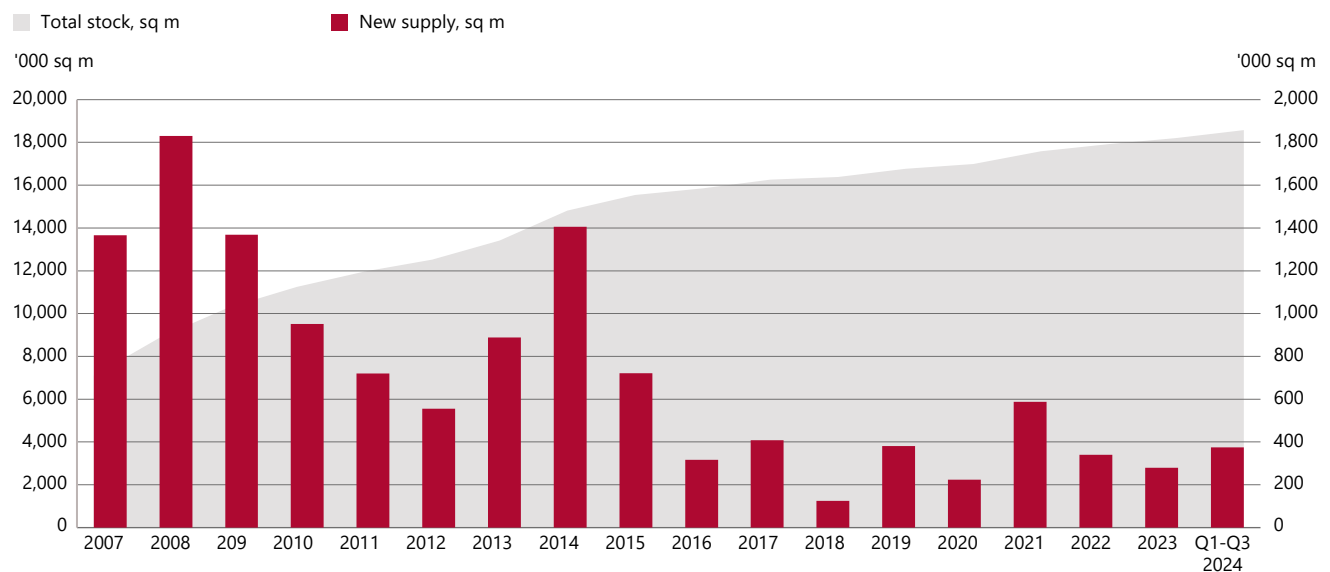
\* Compared to Q4 2023

\*\* Excluding OPEX and VAT (20%).

\*\*\* In Class A, there is a category of objects of the Prime class, which are the highest quality, efficient in terms of planning, high-tech buildings located in the most developed and significant business clusters in Moscow (Central Business District, Belorussky Business District, Moscow City). The basic weighted average rental rate is 42,862 roubles/sq m/year in 2024.

Source: NF Group Research, 2024

### Dynamics of office property supply volume, Moscow



Source: NF Group Research, 2024

## Supply

The total supply volume of the Moscow office property market at the end of Q3 2024 was about 18.6 m sq m, of which 5.9 m is class A, and 12.7 m — class B.

Starting from Q1-Q3 2024, eight facilities with a total leasable area of 375,000 sq m were authorised for commissioning, which is twice as much as in the same period of the previous year. The largest new facility is Moscow Towers (263,000 sq m). In Q3, about 65% of new construction (29,300 sq m) comprised two blocks of Skolkovo Business Park. The remaining 35% is the area of the Lunar mixed-use complex project (9,700 sq m) and a

reconstructed business centre for a state budgetary institution (6,200 sq m). Some offices of Skolkovo Business Park and Lunar mixed-use complex moved into speculative supply after commissioning.

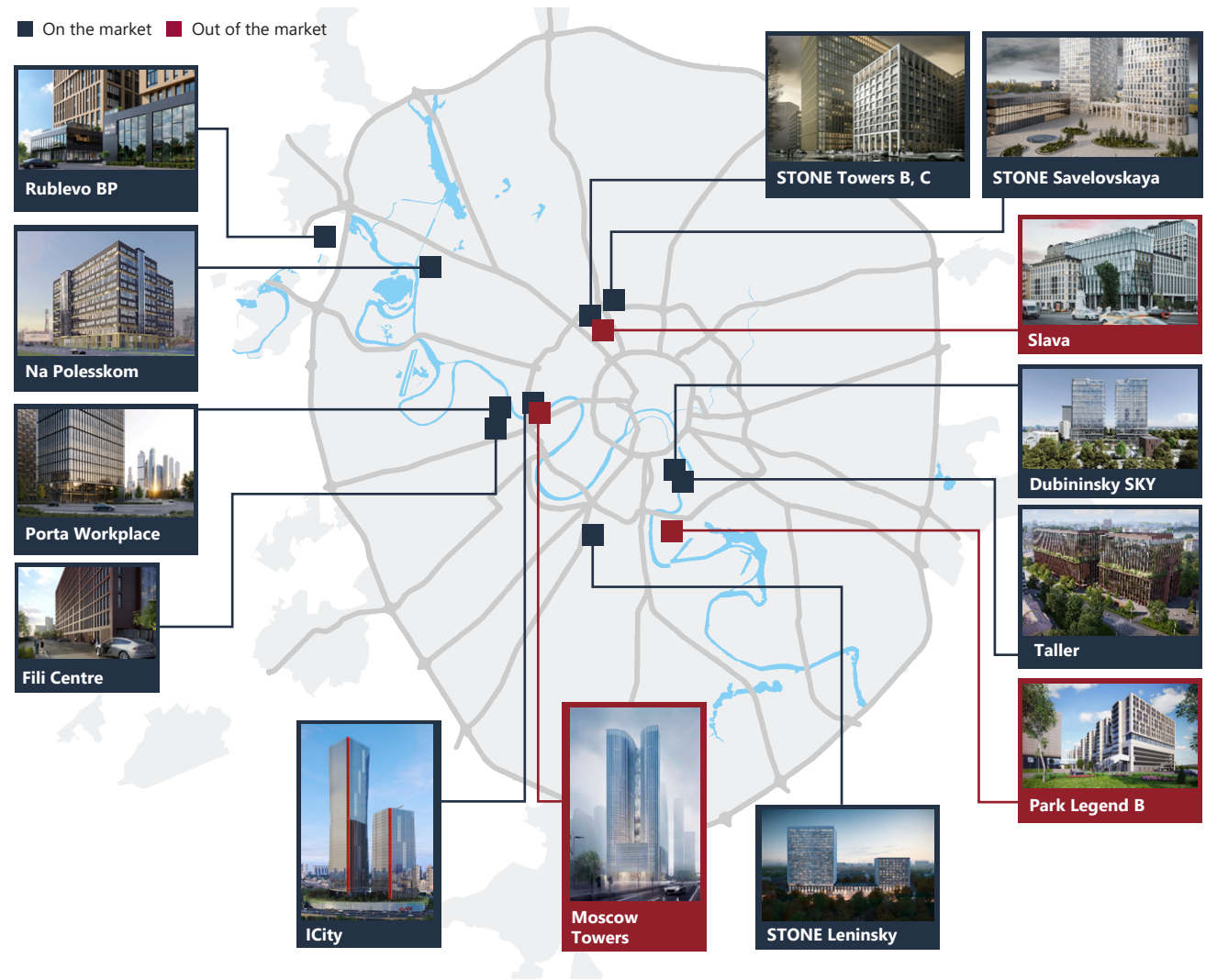
As of October 2024, about 47% of the expected commissioning volume for the year has been commissioned. In 2024, about 800,000 sq m of office property is scheduled to be commissioned, 85% of which will be Class A premises. Most of the projected commissioning volume will be offered for sale (57%), 42% in lease format, and 1% of the projected volume will be BTS projects.

## Vacancy

During 9 months of 2024 demand for purchase/lease of office space remained at a high level. Despite the appearance of new space on the market in Q3 2024, the vacancy rate continued to decrease: in Class A since the beginning of the year, the rate decreased by 4.1 ppt (down to 8.3%), in Class B — by 1.5 ppt (down to 5.4%).

All rates are near record lows, with vacancy lower only in 2007. About 488,000 sq m of class A office space and more than 683,000 sq m of class B office space remain vacant on the market. Overall, the downward trend in vacancy will continue until the end of 2024.

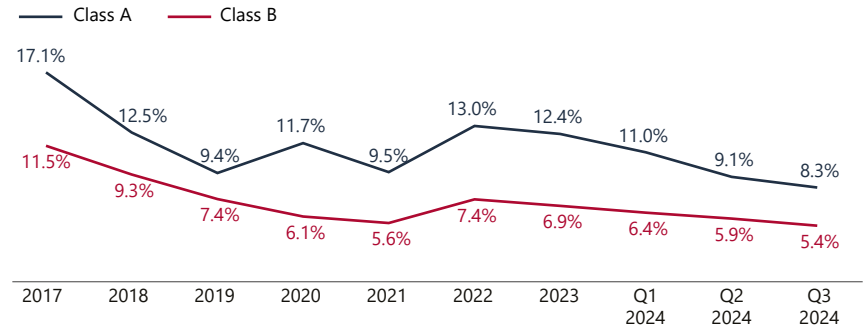
Map of key projects in 2024-2026\*



\* Office facilities where the commissioning certificate has been/will be received in 2024-2026.  
Source: NF Group Research, 2024

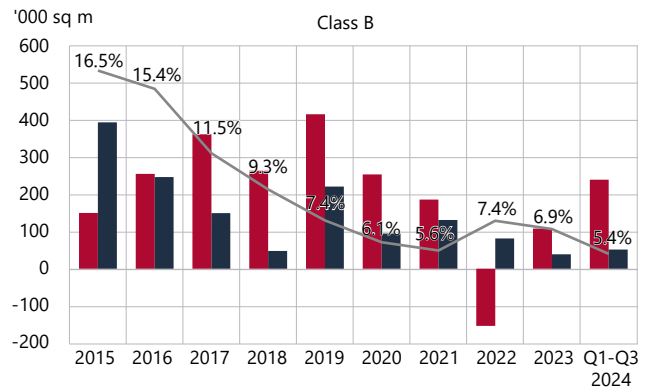
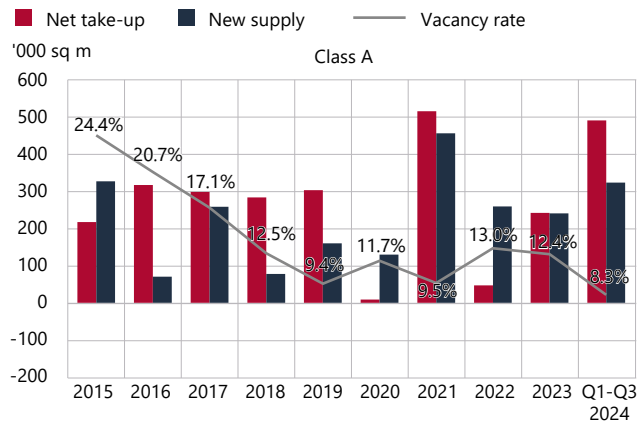
At the same time, in Class A about 46% of all offices available as of the end of Q3 2024 are offered without finishing. Since the beginning of the year, this indicator has grown by 13 ppt. For comparison, in Class B only 11% of vacant offices are offered for sale in shell&core condition. The difference in the structure of supply is explained by the fact that mostly new office supply consists of class A facilities, which are commissioned in shell&core condition; besides, there is a greater demand for new offices with finishing by office users.

Dynamics of office vacancy by class. Moscow



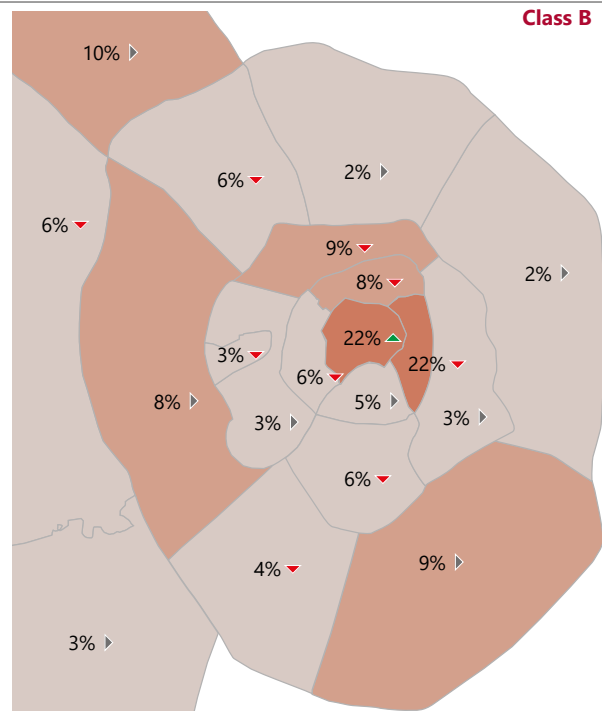
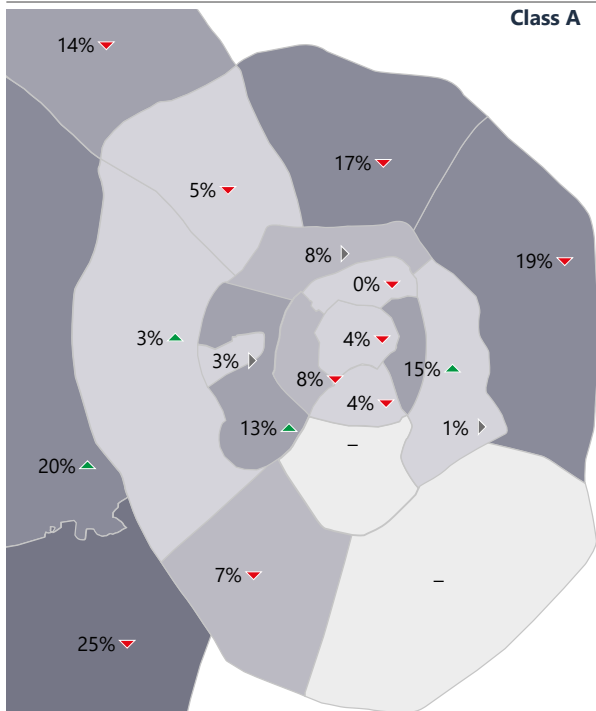
Source: NF Group Research, 2024

Net absorption, new supply and vacancy rate dynamics



Source: NF Group Research, 2024

Moscow business districts. Office vacancy rate



Source: NF Group Research, 2024

## Demand

The volume of net absorption (the indicator of the difference between the volume of occupied space at the end and at the beginning of the period under consideration) for 9 months of 2024 amounted to about 766,100 sq m as compared to the total annual indicator for 2023 of 350,000 sq m

The average size of a lease deal in Q1-III 2024 was 1,430 sq m, up 345 sq m from Q1-III 2023. The growth is explained by the closing of a number of large deals: for example, T-Bank's lease of Iskra BusinessClub office space (24,600 sq m) and HeadHunter's lease of several floors in AFI2B (9,200 sq m).

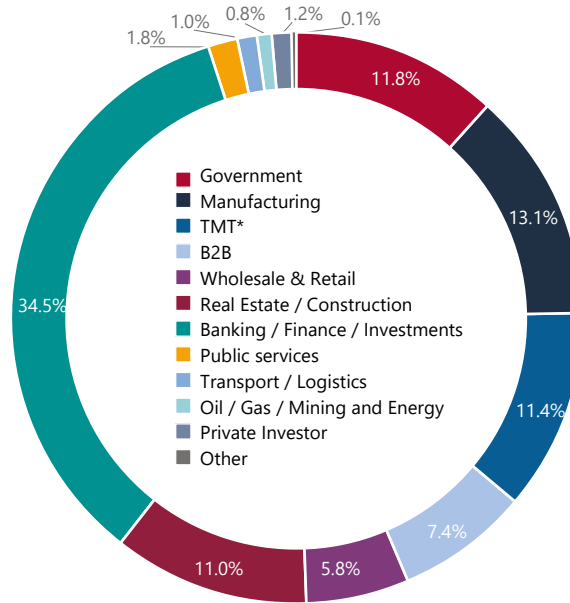
In Q1-Q3 2024, a significant share of demand for office space was driven by banks and financial companies (34.5%), manufacturing companies (13.1%), and companies partially owned by the government (11.8%). The increase in the share of the financial sector in the demand structure was mainly due to the lease deal with T-Bank, as well as the purchase by the Central Bank of the Russian Federation of all areas of the Slava business centre under construction.

## Flex offices

As of the end of September 2024, the area of open flex offices in Moscow amounted to 356,900 sq m, cumulatively providing 51,000 workplaces.

At the end of Q1-Q3 2024, the vacancy rate\* for flex offices were 5.6%, down 9.4 ppt since the end of 2023, due to strong demand for flexible offices. The number of vacant workstations fell from 7,659 to 2,614 during the half-year. The average workstation lease rate is 37,895 roubles/workplace/month (including VAT, if applicable), an increase of 3.2% YTD.

Take-up structure by business sector



\*Technology/Media/Telecommunications.  
Source: NF Group Research, 2024

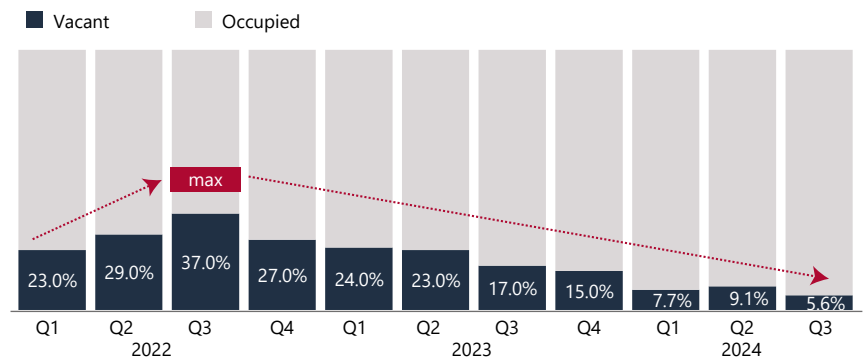
Key lease and sale deals in Moscow office market 2024

Office building	Volume of transaction, sq m	Company	Deal type
Slava	143,898	Central Bank of the Russian Federation	Sale
Iskra-Park, BusinessClub	24,598	T-Bank	Flexible offices
Stratos	39,500	Technopolis Moscow	Sale
AFI2B	9,165	HeadHunter	Lease
Iskra-Park	6,000	Wildberries	Sublease
Gazetny Lane, 17	5,388	BusinessClub	Lease
Iskra-Park	4,707	Confidential	Sublease

NF Group's deals

Source: NF Group Research, 2024

Flexible space vacancy rate dynamics



\* The currently offered workspaces of network spaces are accounted for without taking into account the BTS format (build-to-suit) and facilities not yet completed, and without taking into account the amount of leased space.

Source: NF Group Research, 2024

## Commercial terms

Since the beginning of the year, the average weighted average asking lease rates in both classes increased: in Class A by 4.9% to 27,122 roubles/sq m/year (excluding OPEX and VAT), in Class B by 6.9% to 19,384 roubles/sq m/year (excluding OPEX and VAT). The growth of the indicator is explained both by the appearance of new supply in Class A (Skolkovo Park business quarter) at a higher asking rate and active demand for offices in the context of declining vacancy.

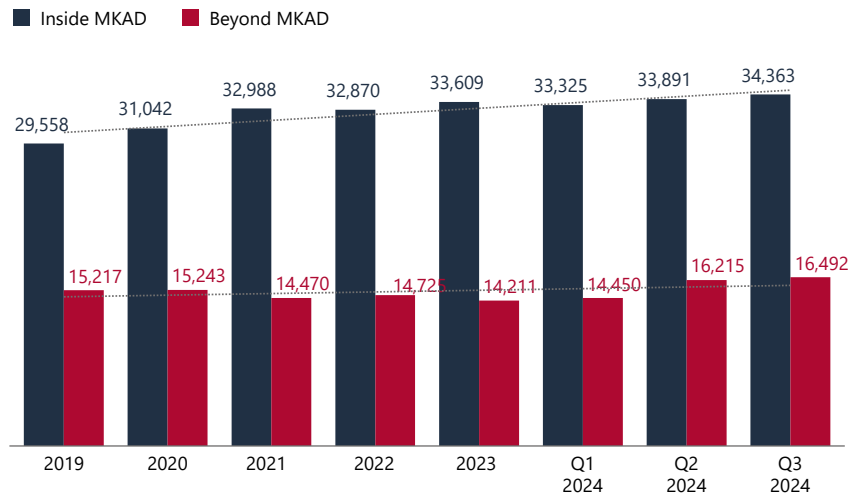
At the same time, the growth of asking rents for fit-out premises is more significant: in Class A since the beginning of the year, the indicator has increased by 15.1% for premises with finishing; for shell&core premises, there was a decrease in asking rents by 4.8%.

During Q3 2024, the share of more budget supply (up to 30,000 roubles/sq m/year) in the structure of Class A supply decreased and the share of segments above 30,000 roubles/sq m/year increased. The main changes were observed in the segment of lots 30,000–40,000 roubles/sq m/year: its share in the supply increased by 8 ppt, up to 28%, as well as in the segment 20,000–30,000 roubles/sq m/year: the share decreased by 6 ppt, up to 15%, which indicates a faster erosion of budget offer.

The average weighted asking rent in premium offices increased by 1.4% compared to Q2 2024 and amounted to 42,862 roubles/sq m/year (excluding OPEX and VAT). The scarcity of quality vacant space with finishes in well-established business districts, as well as the limited amount of space under construction for lease, may be the reason for further growth in asking rents in 2024 and beyond.

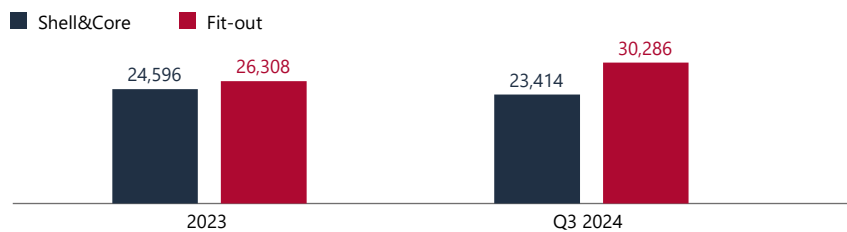
Existing market practices remain essentially unchanged. The average term of an office lease agreement is 3 years with an early termination option. The indexation of rents in most agreements is

### Class A asking rents dynamics inside and outside the Moscow Ring Road



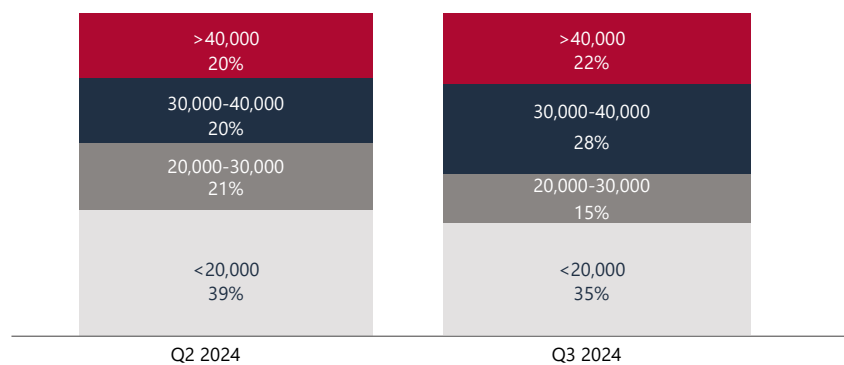
Source: NF Group Research, 2024

### Dynamics of asking rental rates for class A premises shell&core/fit-out



Source: NF Group Research, 2024

### Distribution of Class A vacant space by price segments, RUB/sq m/year



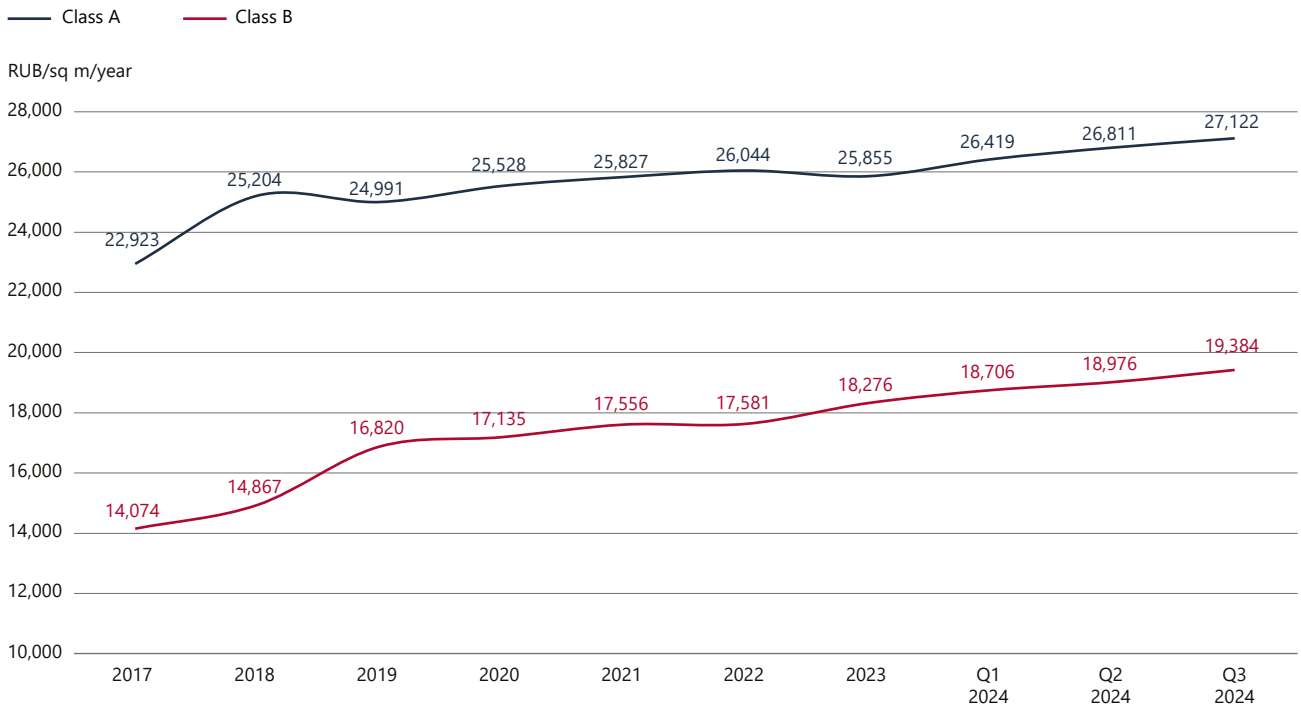
Source: NF Group Research, 2024

linked to the consumer price index, at the level of 5–8%.

The size of the leased office unit is a major factor in the deviation of the achievable lease rate from the requested one: most developers often prefer to lease a building

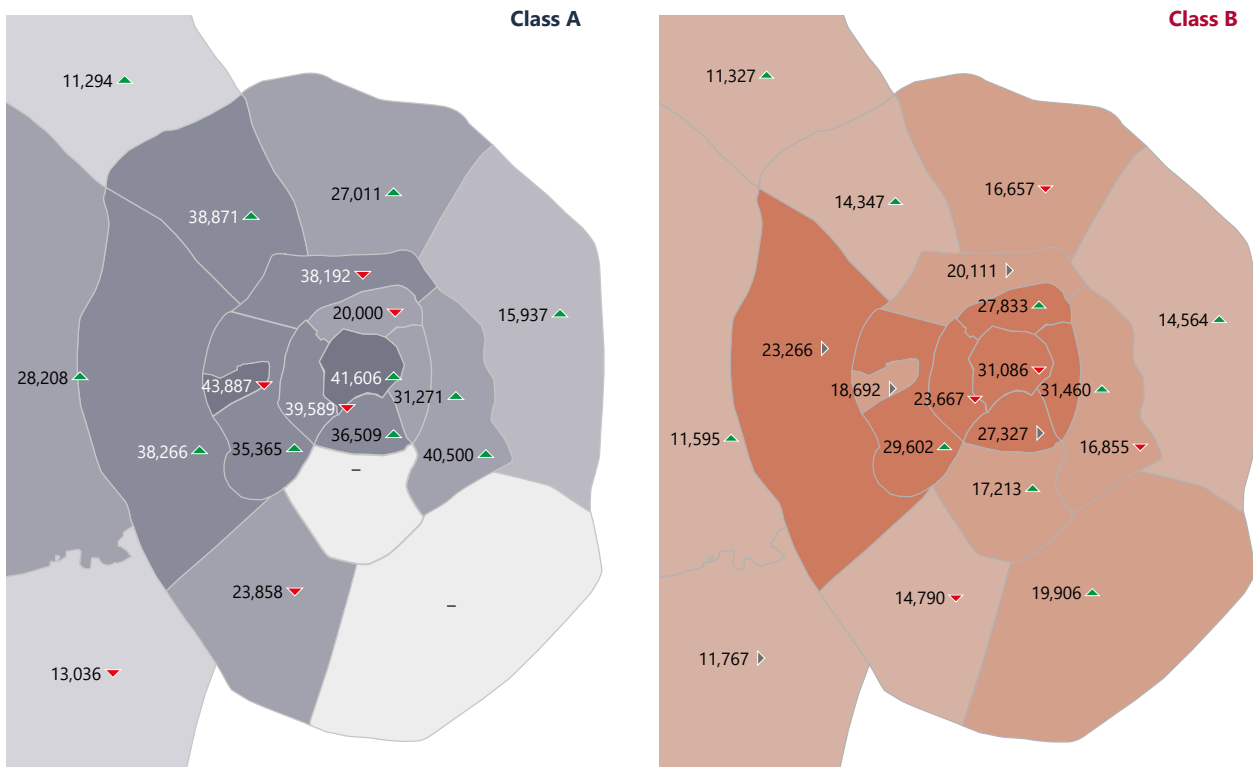
to several large tenants instead of mono-tenanting or splitting the space into small units. For them, it creates a stable rental income that is less dependent on rotation on the one hand and less complicated to administer on the other.

Class A and B average weighted asking rents dynamics



Source: NF Group Research, 2024

Moscow business districts. Weighted average rental rate, RUB/sq m/year



Source: NF Group Research, 2024

## Office Sales Market\*

In 2019-2021, the Moscow office market began to actively develop a product representing offices for sale in units, floors or buildings. The growing activity in the Moscow market is generating demand for such offices from both small investors and end users, represented among others by large corporations that are planning to locate in their own headquarters.

The total projected volume of offices in under-construction / recently commissioned projects where sales have already started is 1.8 m sq m for I-III Q1 2024. The number of developers announcing new projects for sale has almost tripled between 2020 and 2024; there are now around 27 active players in the market, making the market more resilient.

The total volume of offices for sale is 454,000 sq m. The average weighted

asking sales price for offices in the two classes is 432,000 roubles/sq m (including VAT, if applicable), which is 5.5% higher than the corresponding figure for Q3 2024. The growth of the indicator is due to both the increase in prices of facilities and the erosion of more budget offer outside the classic business clusters.

In Q1-Q3 2024, about 465,000 sq m were sold both in new projects under construction and those built. Of the total sales volume 31% (143,900 sq m) is occupied by the deal of purchase of BC Slava under construction by the Central Bank.

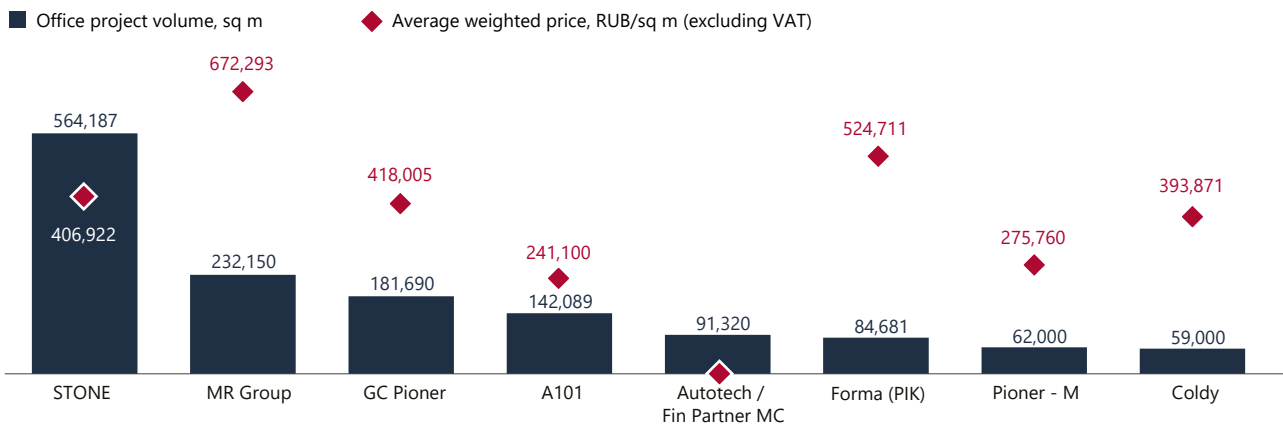
In Q1-Q3 2024, the main demand by number of deals in unit sales was for small deals up to 100 sq m (46.8%), with 100-300 sq m in second place (40.8%), while

the segment of more than 10,000 sq m of office space was leading in terms of deal volume (59.3%), with the 100-300 sq m segment in second place (11.72%).

In terms of the projected volume of office space, the leader is developer Stone, whose portfolio includes more than 560,000 sq m of offices (10 projects). The average weighted average selling price in the developer's portfolio is 406,900 roubles/sq m\*\*. The second in terms of volume is MR Group: its total projected volume is 232,100 sq m (2 projects), average weighted asking price – 672,300 roubles/sq m\*\*. Pioneer Group of Companies is the third in terms of projected volume of offices for sale: the developer's total projected volume is 181,700 sq m (4 projects), and the average weighted asking price is 418,000 roubles/sq m\*\*. The top three were unchanged from last quarter.

\*\* Including VAT, if applicable.

### Project volume of offices and average weighted prices by developers\*



\* Data presented as of October 2024

Source: NF Group Research, 2024

## Forecast

In 2024, commissioning of new projects may amount to about 800,000 sq m, 85% of which will be class A projects; mostly new projects will be located in the Garden Ring Road - Third transport ring (45%) and Third transport ring – Moscow Ring Road (41%) zones.

At the end of 2024, the vacancy rate will be 8-8.5% in Class A and 5-5.5% in Class B. Further change depends on the fact of putting new areas on the speculative market. Given the large number of sold-out spaces in future projects, we can forecast a gradual decrease in total vacancy in both classes to 5%.

The average weighted asking rents in Class A may amount to 27,000–28,000 roubles/sq m/year (excluding OPEX and VAT) and 19,000–19,500 roubles/sq m/year (excluding OPEX and VAT) in Class B.



## Moscow submarket data. Key indicators

Submarket		Lease Area, '000 sq m	Class A				Class B			
			Average rent, RUB/sq m/year*		Vacancy rate, %		Average rent, RUB/sq m/year*		Vacancy rate, %	
Boulevard Ring	Central business district	712	41,606		4.4%		31,086		21.8%	
Garden Ring	South	1,017	36,509	35,725	3.9%	4.8%	27,327	29,244	5.4%	9.2%
	West	577	39,589		8.2%		23,667		6.0%	
	North	673	20,000		0.3%		27,833		7.8%	
	East	410	31,271		15.2%		31,460		21.7%	
Third Transport Ring	South	1,295	–	37,753	–	8.3%	17,213	21,179	6.2%	5.0%
	West	846	35,365		12.8%		29,602		2.6%	
	North	1,143	38,192		7.5%		20,111		9.4%	
	East	1,155	40,500		1.1%		16,855		2.9%	
	MIBC Moscow-City	1,496	43,887		3.1%		19,486		3.0%	
TTR-MKAD	North	1,172	27,011	27,856	17.4%	8.1%	16,657	18,399	2.2%	5.6%
	Northwest	1,091	38,871		5.1%		14,347		5.5%	
	West	2,248	38,266		3.1%		23,266		8.5%	
	South	1,667	–		31.3%		19,906		9.0%	
	Southwest	754	23,858		6.5%		14,790		4.2%	
	East	1,005	15,937		19.1%		14,564		2.2%	
Beyond MKAD	Khimki	271	11,294	16,492	14.4%	20.8%	11,327	11,470	9.9%	7.1%
	West	642	28,208		20.0%		11,595		6.1%	
	New Moscow	406	13,036		24.6%		11,767		3.3%	
<b>Total</b>		<b>18,581</b>	<b>27,122</b>		<b>8.3%</b>		<b>19,384</b>		<b>5.4%</b>	

\* Excluding OPEX and VAT (20%)

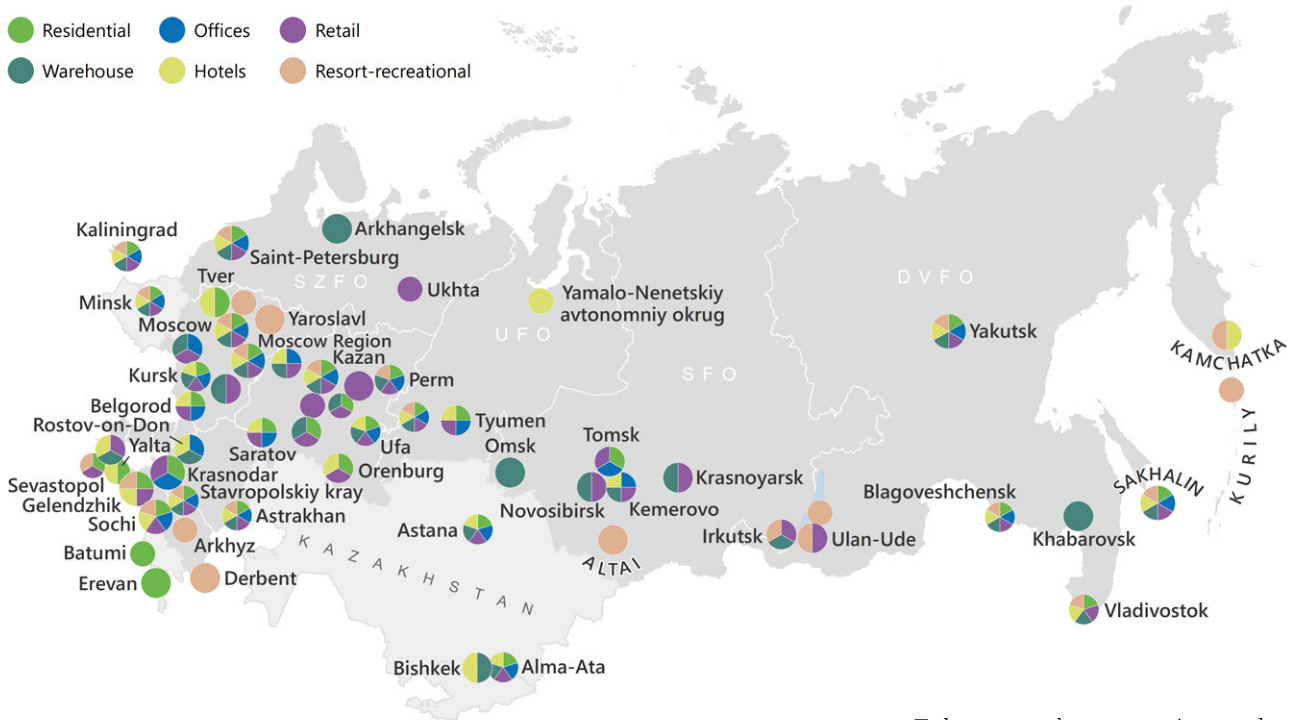
Source: NF Group Research, 2024

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