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in the warehouse real estate  
market in the metropolitan  
area, i.e. **2,129,000 sq m**



# WAREHOUSE MARKET REPORT MOSCOW

2020

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"In 2020, we witnessed an unprecedented demand for warehouse property and documented a record volume of transactions in history. High absorption volumes will maintain in the next 3-5 years due to a sharp increase in demand from e-commerce and related segments market players".

**Key points**

- At the end of 2020, 837,000 sq m were commissioned in the Moscow area, which is 14% lower than the same figure of 2019;
- By 2020, the vacancy rate amounted to 2.3%;
- A record number of transactions was concluded in the warehouse real estate market in the metropolitan area, i.e. 2,129,000 sq m;
- The average weighted asked rental rate in the Moscow area increased by 4% compared to the end of 2019 and amounted to 4,050 rubles/sq m/year triple net.

**Market indicators**

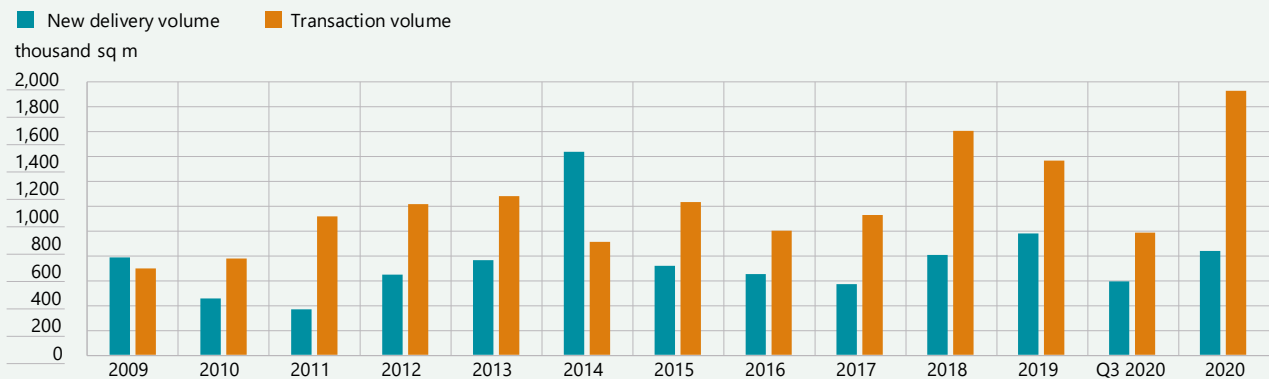
	2019	2020	Change
Total supply volume of quality warehouse space, thousand sq m	15,205	16,041	—
New delivery, thousand sq m	978	837	▼
Lease and purchase transaction volume, thousand sq m including:	1,566	2,129	▲
Lease and purchase in delivered facilities	1,362	1,069	▼
construction of new facilities	203	1,060	▲
Vacancy rate, %	2.7	2.3	▼
Class A average weighted asking rent rate, RUB/sq m/year*	3,900	4,050	▲
Operating expenses range, RUB/sq m/year, no VAT**	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	▲

\* 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

## Supply

At the end of 2020, the warehouse real estate market in the Moscow area grew by 837,000 sq m, which is 14% lower than the same figure of 2019 when the newly commissioned real estate amounted to 978,000 sq m. The main factor behind the new construction reduction in 2020 was the spread of the COVID-19 pandemic in Russia, which led to the postponement of a number of projects to 2021. The total volume of high-quality warehouse real estate in the metropolitan area in 2020 reached 16,041,000 sq m.

At the end of 2020, the largest share in the structure of commissioned real estate was still taken by the facilities constructed on own land plots under the general contract scheme, i.e. 48% or slightly more than 401,000 sq m. One of the largest facilities of this type is the Globus distribution hub with a total area of 67,000 sq m.

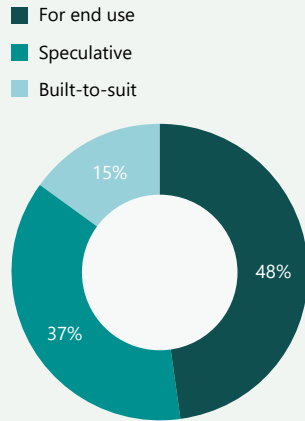
The share of facilities sold for speculative lease on the open market amounted to 37%, which in absolute terms equals to 307,000 sq m. The share of speculative facilities in the total commissioned volume reduced by 9 p.p. compared to the final figure in 2019, when speculative projects accounted for 46%. The largest facility was the third stage of the Vnukovo-2 logistics center with the area of 64,500 sq m. The commissioning of a speculative building of PNK Park Zhukovsky with an area of over 39,000 sq m is also worth noting.

15% of the total commissioning in 2020, or slightly more than 128,000 sq m, accounts for the facilities under the built to suit scheme. One of the largest built-to-suit facilities is the Perekrestok distribution hub with the total area of slightly more than 43,000 sq m in the Orientir Sever-4 logistic park.

55%, or 459,000 sq m of the total commissioning volume is concentrated at a distance of 15-30 km from the Moscow Ring Road. A quarter of the newly proposed facilities, which amounts in absolute terms to 206,000 sq m, was constructed at a distance of 30–45 km from the Moscow Ring Road.

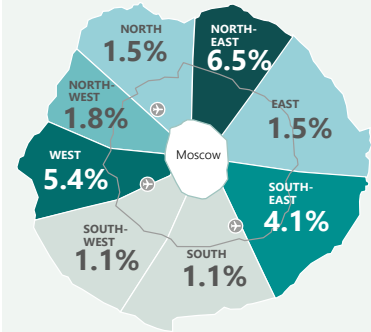
Thus, the largest volume of high-quality supply of warehouse real estate in the Moscow area is provided within 15-30 km from the Moscow Ring Road: over 5,000,000 sq m.

### Distribution of completed warehouse buildings by type of constructions, 2020



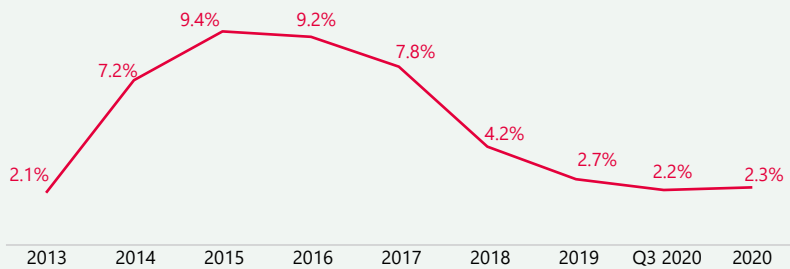
Source: Knight Frank Research, 2021

### Vacancy rate by the directions



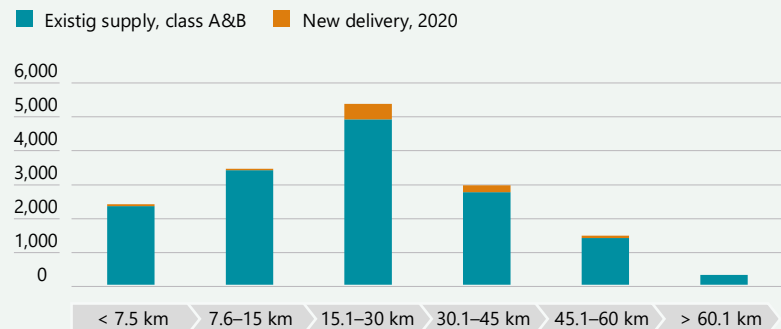
Source: Knight Frank Research, 2021

### Vacancy rate



Source: Knight Frank Research, 2021

### Quality warehouse stock distribution by distance from MKAD



Source: Knight Frank Research, 2021

**The largest properties delivered to the market of the Moscow region in 2020**

Year	Quarter	Title	Developer/Owner	Total area, sq m
2020	Q1	Wildberries Distribution Centre, (phase II/ III)	Wildberries	92,000
2020	Q3	Globus Distribution Centre	Globus	67,000
2020	Q4	Vnukovo II Logistics Complex	Logistics Partners	64,500
2020	Q3	Sofyino Warehouse complex, building 3.2	Logopark Management	49,615
2020	Q2	Kolomenskiy factory	PNK Group	47,000
2020	Q1	Vernyy Distribution Centre	PLT	44,444
2020	Q4	Perekrestok Distribution Centre	Orientir	43,488
2020	Q1	Bikovo Logistics park, block R	Logopark Management	42,894
2020	Q4	Marvel Logistics	PNK Group	40,578

Source: Knight Frank Research, 2021



Atlant-Park

At the end of 2020, the vacancy rate in the metropolitan area amounted to 2.3%, which is 0.4 p.p. lower than the final figure of 2019. The supply in absolute terms amounted to 363,000 sq m.

In 2020, the largest volume of vacancies in absolute terms was recorded in the south-east direction: slightly over 95,000 sq m, or 4.1% of the total supply in this direction. A significant volume of free supply is associated with a one-time entry to the market of 39,000 m<sup>2</sup> in the new building of PNK Park Zhukovsky.

The lowest volume of vacant warehouse space in absolute terms is noted in the south-west of the Moscow area: 17,000 sq m, or 1.1% of the total supply in this direction.

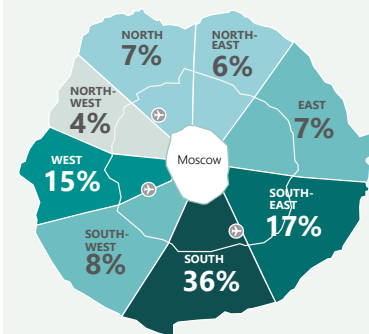
The largest decrease in the share of vacancies was recorded in the east: 3.9 p.p. compared to the final figure of 2019. This decrease is due, inter alia, to the withdrawal from the market of 13,000 sq m in the Atlant-Park production and warehouse complex.

## Demand

A record volume of transactions was entered into in the Moscow area at the end of 2020, i.e. for 2,129, 000 sq m.

This is the highest indicator in the entire history of market observation. Despite the slowdown in business activity in the late Q1 of 2020 against the spread of COVID-19, we evidenced the conclusion

**Distribution of lease/sale transactions by directions, 2020**



Source: Knight Frank Research, 2021

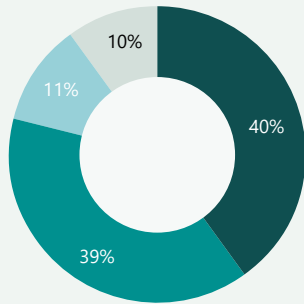
of the largest warehouse transactions in the 2nd half of the year. Thus, the pandemic allowed the largest online and food retail players to speed up.

The largest volume of transactions was concluded in the southern direction of the Moscow area: 36% of the total absorption, which in absolute terms amounts to 706,000 sq m. The largest transaction in the south was a built-to-suit lease of 182,000 sq m in PNK Park Domodedovo by VseInstrumenty.ru.

The second place in the structure of demand by direction is occupied by the south-east. It accounted for 17% of the total volume of transactions or 336,000 sq m. It is worth noting that Yandex.Market online operator entered into 2 transactions in the Sofyino

**Distribution of transactions by type, 2020**

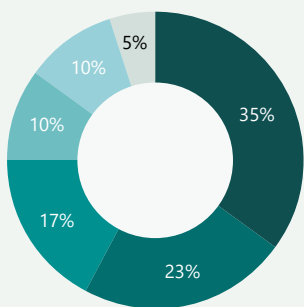
- Lease
- BTS for lease
- BTS for sale
- Sale



Source: Knight Frank Research, 2021

**Distribution of transactions by tenant/buyer, 2020**

- Online-retail
- Retail
- Manufacturing
- Distribution
- Transport and logistics
- Other



Source: Knight Frank Research, 2021

warehouse complex with a total area of slightly more than 89,000 sq m.

15% of transactions or transactions for 296,000 sq m were concluded in the western direction of the metropolitan area. The key transaction in the western area is a built-to-suit lease of 154,000 sq m in the Orientir Zapad warehouse complex by Ozon.



The demand for other destinations in the Moscow area is within the range of 3–8%.

At the end of 2020, the most popular type of transactions was speculative lease: it accounted for 40% of the total volume of transactions in the Moscow area, which in absolute terms amounts to 852,000 sq m. The share of speculative lease transactions in 2020 reduced by 35 p.p. compared to the final figure in 2019, when speculative lease accounted for 75% of total demand. One of the largest transactions was the lease of 40,000 sq m in the Sofyino warehouse complex by Yandex.Market.

At the end of the year, the Moscow area still demonstrated the growth in built-to-suit transactions with subsequent lease. This type of transactions accounted for 39% of the total volume of transactions at the end of 2020. The annual growth in demand for built-to-suit transactions with subsequent lease amounted to 31 pp. In addition to the largest transactions concluded by the main online traders, the lease of 89,000 sq m on Novorizhskoye highway by X5 Retail Group is worth noting.

11% of the total volume of transactions, or 221,000 sq m, accounted for transactions concluded under the built to suit scheme for the construction of own facilities. One of the key transactions of this type was the purchase of 45,000 sq m in the PNK Park Severnoye Sheremetyevo by IDS Borjomi Russia.

At the end of 2020, the total volume of transactions concluded in the primary market amounted to 61% of the total volume of transactions in the Moscow area, or 1,308,000 sq m. The secondary market accounted for 39% of the total absorption, which in absolute terms amounts to 821,000 sq m.

At the end of 2020, the online trading segment retained its leadership: it accounted for 35% of the total volume of transactions in the Moscow area, which in absolute terms amounts to 752,000 sq m. A third of transactions among online traders were concluded by VseInstrumenty.ru: they leased 241,000 sq m during the year. Moreover, Ozon displayed activity: it concluded transactions for a total of 171,000 sq m.

The share of retail trade in the total volume of transactions at the end of 2020 decreased by 3 p.p. compared to the same figure in 2019 and amounted to 23%, or 481,000 sq m. The main consumer of warehouse space in the Moscow area representing retail players was X5 Retail Group.

The third place in the structure of demand was occupied by manufacturing companies, where the volume of transactions at the end of the year amounted to 17% of the total absorption, which in absolute terms amounts to 359,000 sq m. The largest transaction in this segment was a built-to-suit transaction of 58,000 sq m with subsequent lease by Bosch Siemens.

The largest transactions signed in the warehouse property market of the Moscow region in 2020

Year	Quarter	Tenant / buyer	Type of company	Property / location	Total area, sq m	Type of transaction
2020	Q3	VseInstrumenty.ru	Online-retail	PNK Park Domodedovo	182,000	BTS lease
2020	Q3	Ozon	Online-retail	Orientir-Zapad	154,029	BTS lease
2020	Q4	Confidential	Retail	PNK Park Domodedovo	110,584	BTS lease
2020	Q2	X5 Retail Group	Retail	Novaya Riga Logistics park	89,384	BTS lease
2020	Q4	Lamoda	Online-retail	Sofyino Warehouse complex	60,000	BTS lease
2020	Q4	Bosch Siemens	Manufacturing	Sofyino Warehouse complex	58,790	BTS lease
2020	Q3	Wildberries	Online-retail	Pushkino Logistics park	46,000	Lease
2020	Q3	IDS Borjomi Russia	Manufacturing	PNK Park Severnoe Sheremetievo	45,020	BTS Sale
2020	Q2	X5 Retail Group	Retail	Orientir Sever-4	43,800	BTS lease
2020	Q2	Marvel Logistics	Transport & logistics	PNK Park Valishevo	40,578	BTS sale

Source: Knight Frank Research, 2021

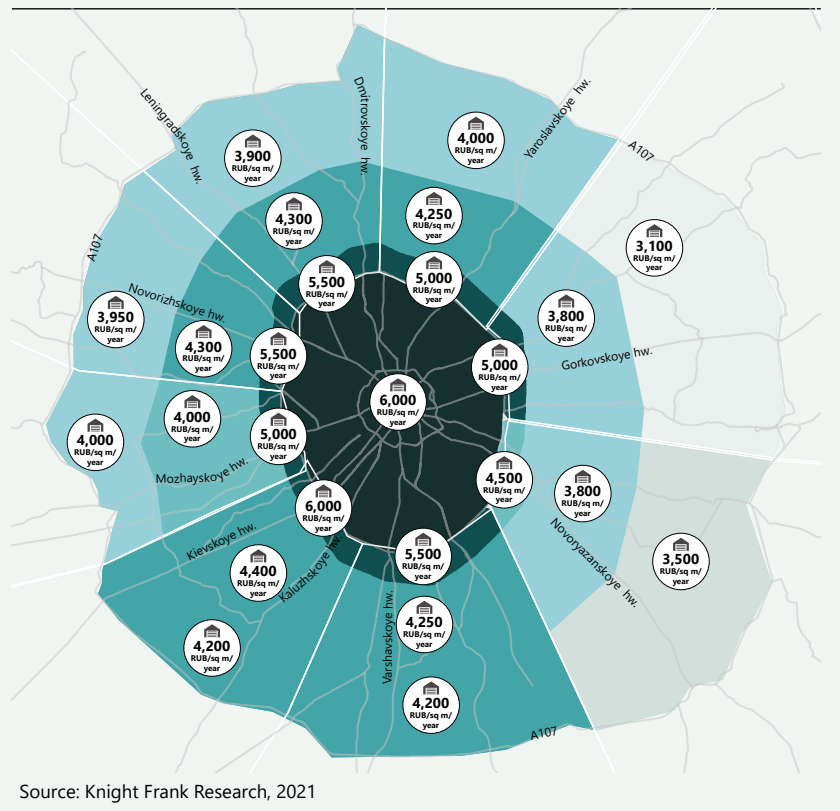
## Commercial terms

At the end of 2020, the average weighted asked rental rate in the warehouse real estate market in the Moscow area amounted to 4,050 rubles/sq m/year triple net. The average weighted asked rental rate increased by 4% compared to the total figure in 2019.

The highest level of the average weighted asked rental rate was recorded in the south-west direction of the metropolitan area. It amounted to 4,350 rubles/sq m/year triple net at the end of the year. Such a high rate is due to the fact that the main free supply is formed by areas in the immediate vicinity of the Moscow Ring Road within the Salaryevo area, where the asked rental rate reaches 6,000 rubles/sq m/year triple net.

The lowest level of the asked rental rate is observed in the eastern direction of the Moscow area: 3,400 rubles/sq m/year triple net.

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



It should be noted that the rental rates provided are asked ones. When agreeing on the terms of the lease, it is sometimes possible to revise the rates downwards by an average of 5%, which strongly depends on the set of terms and conditions of a lease contract.

In addition to a significant difference in the asked rental rates in terms of the Moscow area directions, there is a discrepancy in rental rates in the market depending on the distance from the Moscow Ring Road. Thus, the asked rental rate in the immediate vicinity of the Moscow Ring Road varies from 4,500 to 6,000 rubles/sq m/year triple net. As the distance from the Moscow Ring Road increases, the asked rental rate can reduce to 25-40% at a distance of up to 30 km.

The operating expenses remained unchanged since 2019 and maintained within the range of 900-1,300 rubles.

## Forecast

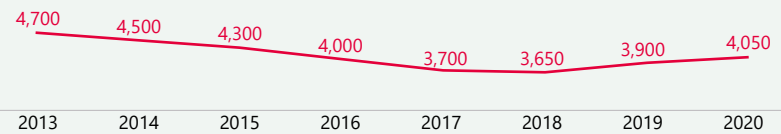
According to forecasts of Knight Frank analysts, the volume of commissioning of high-quality warehouse real estate in the Moscow area in 2021 will amount to 1,250,000-1,300,000 sq m, which is 25-30% higher than the figures of new construction in 2018-2020.

The record demand recorded in 2020 will repeat in the coming 2021 and will be at the level of 2,200,000-2,300,000 sq m.

A consistently high demand for warehouse real estate is expected in 2021, while the vacancy rate will maintain at the level of 2.3-2.5% against the background of new speculative projects entering the market.

Maintaining a low level of vacancies in the warehouse real estate market in the Moscow area as well as an increase in the cost of new construction will lead to the rate increase to 5% in 2021. Thus, the expected level of the average weighted rental rate in 2021 will amount to 4,200-4,250 rubles/sq m/year triple net.

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



Source: Knight Frank Research, 2021



### Largest properties scheduled for delivery in 2021

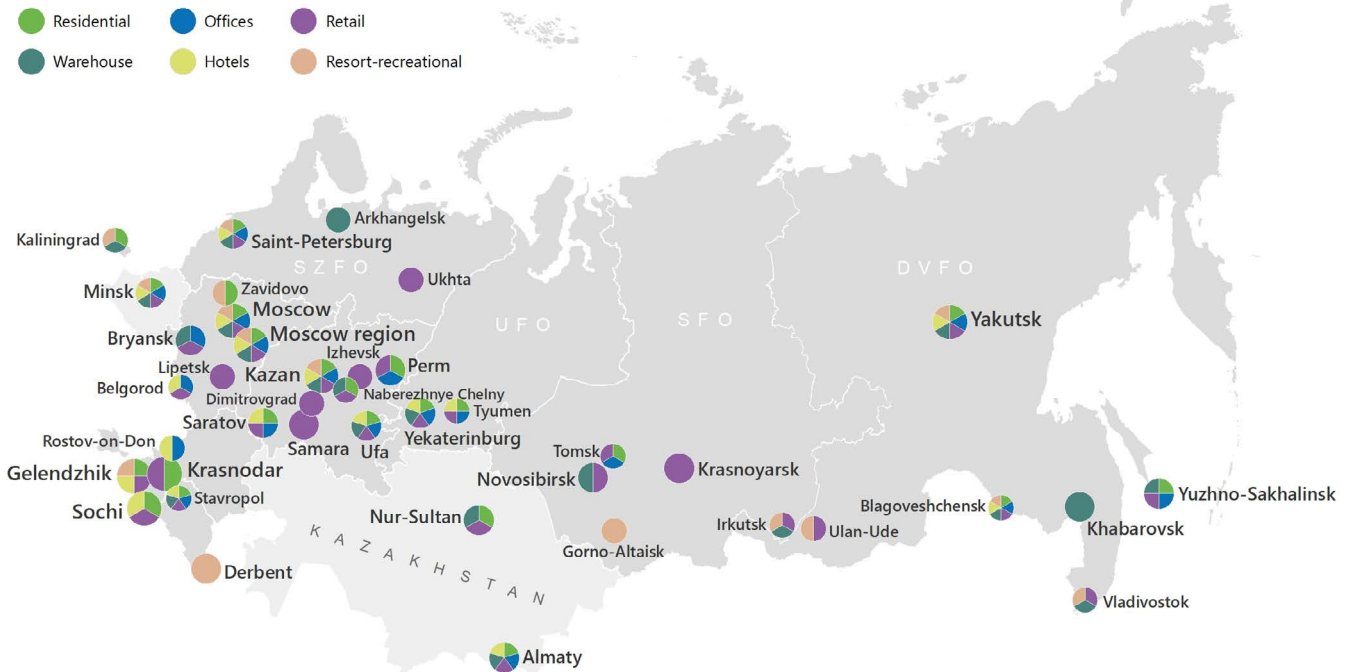
Title	Developer	Total area, sq m
VseInstrumenty.ru	PNK Group	182,000
Ozon Distribution Centre	Orientir	154,029
X5 Retail Group Distribution Centre	X5 Retail Group	89,384
Kholmogory Industrial Park	Rusich	88,708
Bosch Siemens	Logopark Management	58,790
Wildberries Distribution Centre, phase IV	Wildberries	53,000
Atlant-Park, block 33	Atlant-Park	49,980
Yandex.Market	Logopark Management	49,615
Yuzhnye Vrata Industrial Park	Radius Group	43,098

Source: Knight Frank Research, 2021

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