

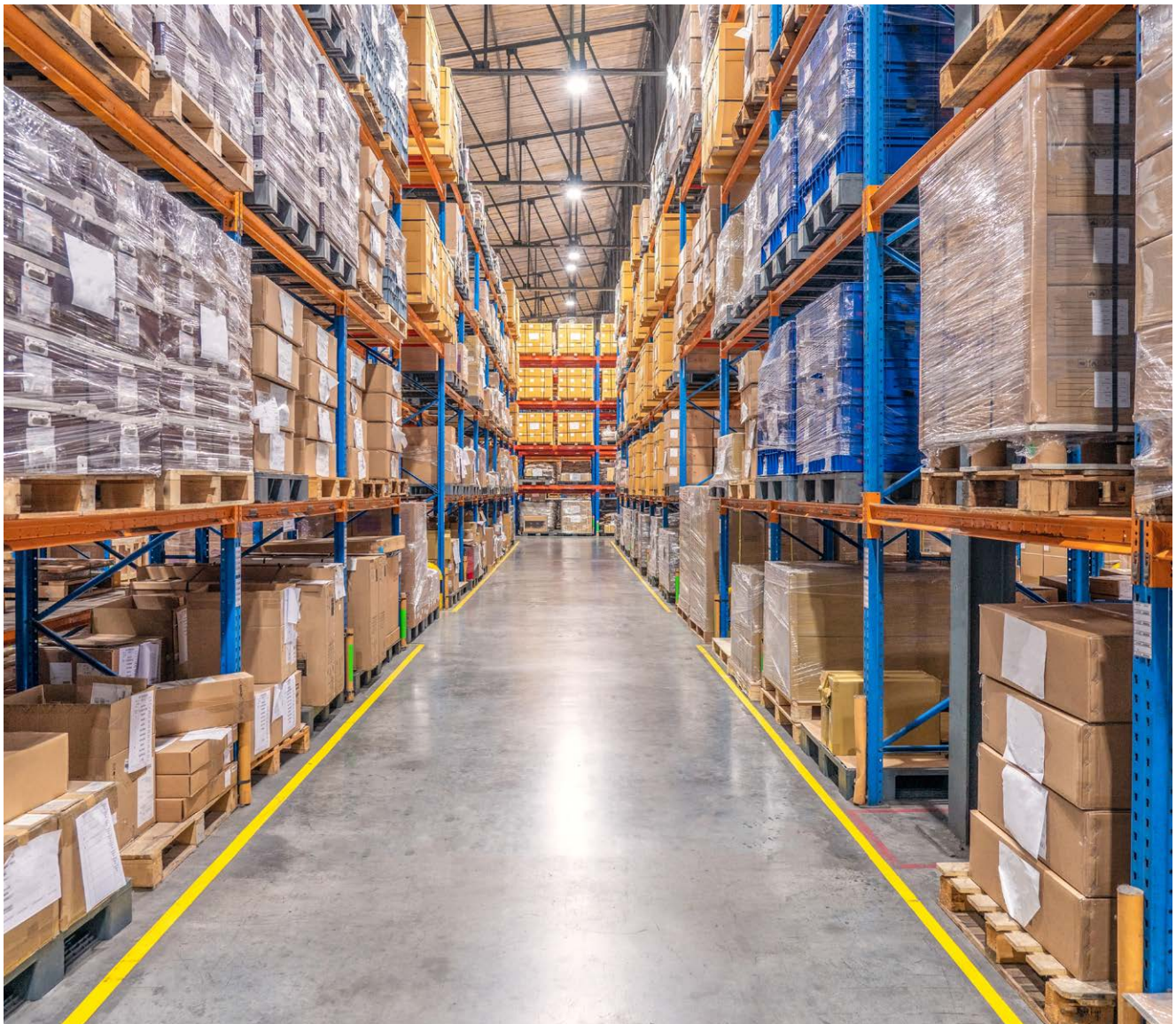
As of Q1 2020, about **229,000 sq m** were delivered to the quality warehouse property market.

The total trading volume decreased by **2.5 times** as compared to last year's figure



# WAREHOUSE MARKET REPORT MOSCOW

Q1 2020




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«Q1 2020 started off pretty busy and looked very promising in terms of all the market indicators. However, from February on, the business activity has been declining due to the COVID-19 pandemic and the quarantine restrictions in Russia. Therefore, we had to adjust our expectations from the warehouse

property market throughout the end of 2020. The delivery of some new properties as well as a number of the transactions will shift to 2021, while the rent rates will remain unchanged. In general, we are looking at the market in expectation of positive signals.»

## Highlights

- ♦ As of Q1 2020, about 229,000 sq m were delivered to the quality warehouse property market, which is by 83% more than in Q1 2019.
- ♦ The vacancy rate has dropped by 0.2 p.p. to 2.5% or about 384,000 sq m in Q1 2020 since the beginning of the year.
- ♦ The total trading volume decreased by 2.5 times as compared to last year's figure and amounted to 144,000 sq m in the warehouse property market of the Moscow region.
- ♦ The average weighted asking rent rate for Class A warehouses grew by 1.5% as compared to the final 2019 figure and amounted to 3,960 rubles per sq m per year triple net.

### Market indicators

	Q1 2019	2019	Q1 2020	Change
Total supply volume of quality warehouse space, thousand sq m	14,305	15,205	15,434	▲
New delivery, thousand sq m	125	978	229	▲
Lease and purchase transaction volume, thousand sq m including:	383	1,566	144	▼
Lease and purchase in delivered facilities	365	1,362	141	–
construction of new facilities	18	203	3	–
Vacancy rate, %	4.1	2.7	2.5	▼
Class A average weighted asking rent rate, RUB/sq m/year*	3,700	3,900	3,960	▲
Operating expenses range, RUB/sq m/year, no VAT**	900–1,300	900–1,300	900–1,300	▶
Average asking price range for purchasing completed Class A warehouse, rub/sq m/year, no VAT	30,000–35,000	33,000–40,000	33,000–40,000	▲

\* 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, 2020

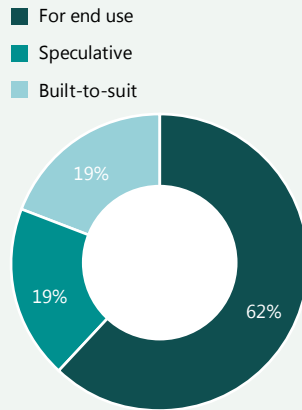
## Supply

As of Q1 2020, as many as 229,000 sq m of quality warehouse property were delivered to the warehouse property market of the Moscow region, which is by 83% more than last year's figure that amounted to 125,000 sq m. The significant quarterly growth was due to that 48% of all newly delivered properties accounted for the projects that had their deliveries rescheduled from 2019. The total stock of warehouse property amounted to 15,434,000 sq m in the Moscow region by the end of Q1 2020.

As of Q1 2020, the properties built on customer-owned land plots with the help of a turnkey contractor have the largest share in the structure of delivery (62% or 142,000 sq m). The largest properties were phase II and phase III of Wildberries Distribution Center (92,000 sq m).

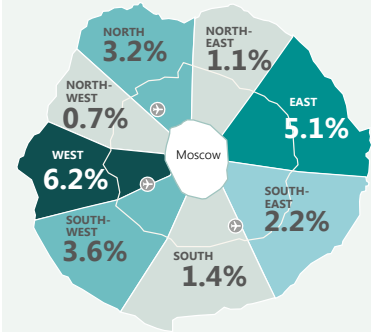
As much as 19% or about 43,000 sq m of the total delivery volume accounted for the properties built speculatively to be offered for rent in the open market. Meanwhile, according to Knight Frank forecast, the largest share in the structure of new delivery will account for speculative properties. A minor decline in the number of delivered speculative properties is expected as compared with the forecast figures by the end of 2019 due to rescheduling an array of deliveries for 2021.

**Distribution of completed warehouse buildings by type of constructions, Q1 2020**



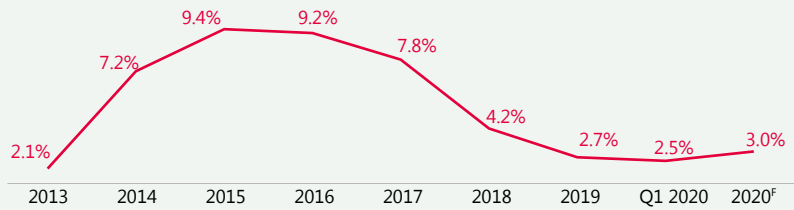
Source: Knight Frank Research, 2020

**Vacancy rate by the directions, Q1 2020**



Source: Knight Frank Research, 2020

**Vacancy rate**

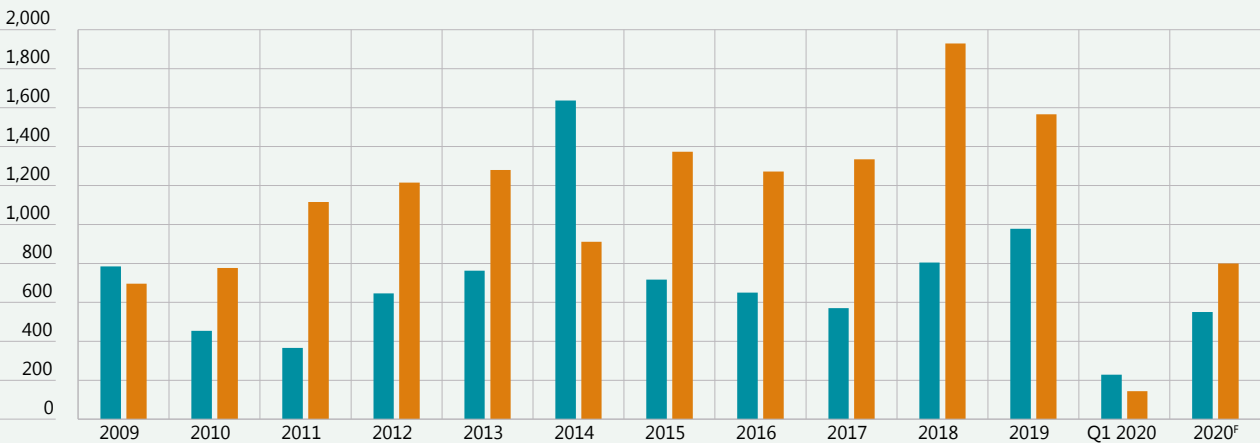


Source: Knight Frank Research, 2020

**Dynamics of new delivery and transaction volume**

■ New delivery volume ■ Transaction volume

thousand sq m



Source: Knight Frank Research, 2020

**The largest properties delivered to the market of the Moscow region in Q1 2020**

Title	Developer	Total area, sq m
Wildberries Distribution Centre, (phase II, III)	A Plus Development	92,000
Vernyj Distribution Centre	PLT	44,444
Bykovo Logistics Park, block R	Logopark Management	42,894

Source: Knight Frank Research, 2020

As of the first three months of the year, the built-to-suit properties accounted for 19% of the total delivery volume. The largest built-to-suit property was a distribution center of a grocery retailer Vernyj (over 44,000 sq m) by PNK Group that is rented by the chain from PLT Company in Chekhov.

By the end of Q1 2020, the vacancy rate declined insignificantly by 0.2 p.p. to 2.5% as compared to the final 2019 figure. It amounted to about 384,000 sq m in figures.

The largest number of vacant premises in figures was recorded for the south of the Moscow region (more than 70,000 sq m or 1.4% of all the available warehouse supply in the south of the location); almost 70,000 sq m in the west and another 69,000 sq m in the east.

The smallest vacancy rate figure was reported for the northeast and the northwest of the Moscow region, namely 8,000 and about 12,000 sq m accordingly. Thus, about 11,000 sq m were leased in the northeast in several warehouse complexes around Shchelkovskoye Highway over the period under consideration. The decrease in the vacant premises was noted also in the north of the Moscow region, namely the volume of available supply dropped by 17,000 sq m.

## Demand

As of Q1 2020, the total trading volume amounted to 144,000 sq m in the warehouse property market of the Moscow region, which is 2.5 times less than 2019 figure, which stood at 383,000 sq m. A significant decline in the number of transactions was due to the

caution on the part of the clients under the circumstances of the pandemic. Thus, an array of major online-retail market players was signing short-term lease contracts in order to store an extra load of their goods to cover the currently increased demand.

The largest number of deals was concluded in the south of the Moscow region (56% of the total trading volume or 76,400 sq m in figures). The largest transaction in the location was the lease of 17,900 sq m in Klimovsk Logistics Park by Sladkaya Zhizn Company. The share of the southwest amounted to 31% of all deals or about 42,000 sq m in figures. Less than 10% of all transactions accounted for the east of the Moscow region.

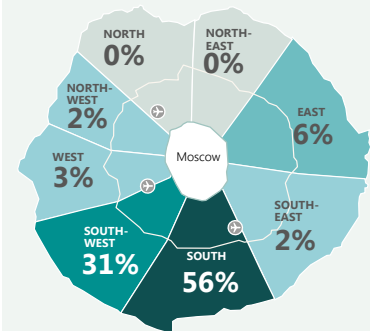
As much as 98% or about 141,000 sq m of all deals accounted for speculative lease, which is by 32 p.p. more than Q1 2019 figure. The average deal size of a speculative lease transaction amounted to 8,800 sq m in Q1 2020. The largest deal here was the lease of 28,200 sq m in Krekshino Logistics Park by Wildberries.

As of the first three months of the year, the share of the built-to-suit transactions amounted to 2% or about 3,000 sq m.

As of Q1 2020, 98% or about 141,000 sq m of all deals were signed in the re-sales market, while 2% accounted for the new-builds market.

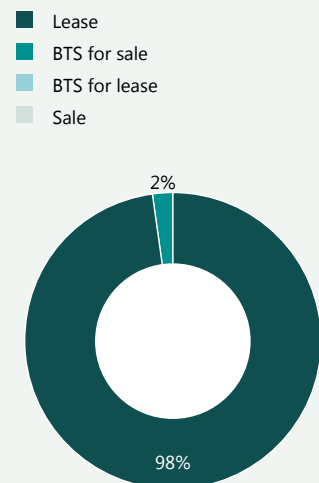
As of Q1 2020, online-retail was leading the way in terms of the volume of transactions, with its 45% share of the total trading volume, or 65,200 sq m. The key market player of the sector was Wildberries Company, which signed six transactions within the last three months. The largest deal by Wildberries was the lease of 28,200 sq m in Krekshino Logistics Park. The key factor

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



Source: Knight Frank Research, 2020

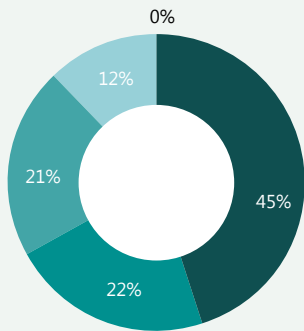
**Distribution of the transactions by type, Q1 2020**



Source: Knight Frank Research, 2020

**Distribution of transactions by tenant/buyer, Q1 2020**

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



Source: Knight Frank Research, 2020

contributing to the growth in the share of online-retail in the total trading volume was an increased popularity of online orders on the part of the clients.

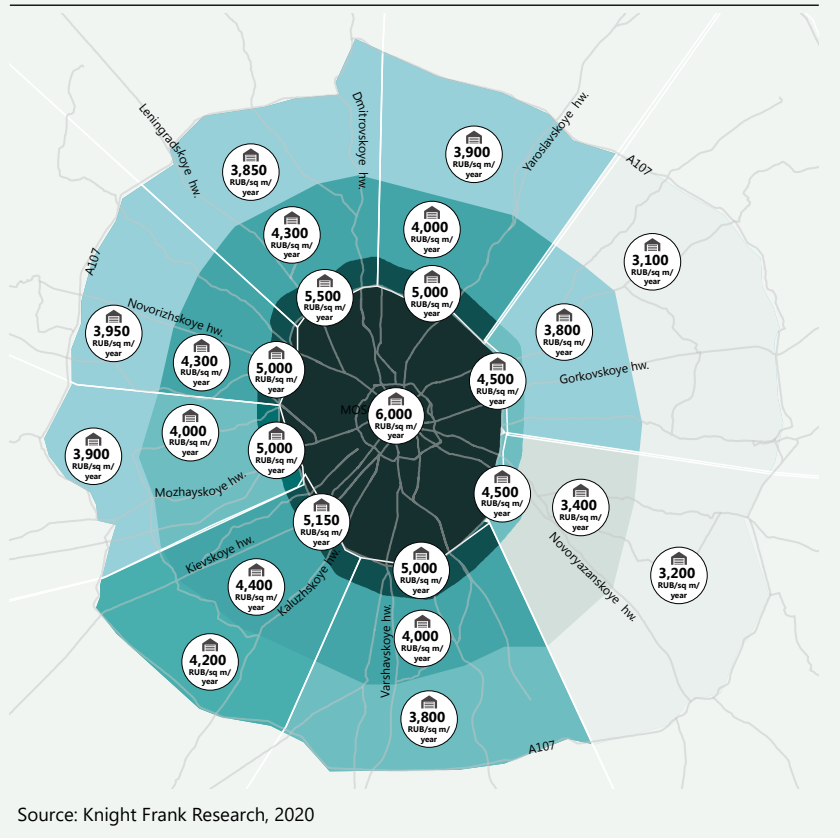
More than 31,000 sq m or 22% of all deals were signed in the distribution sector. Along with the lease transaction by Sladkaya Zhizn, the signed lease contract for 10,300 sq m in Krekshino Logistics Park by Saks Company was another deal worth mentioning.

Manufacturers maintained their strong activity in Q1. Thus, 21% of all deals or over 30,000 sq m accounted for them.

## Commercial terms

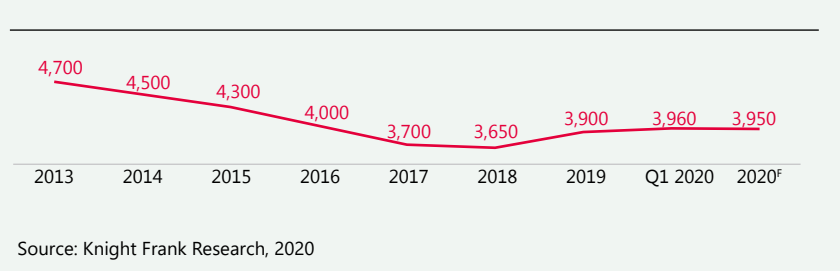
The average weighted asking rent rate for Class A warehouses went on growing in Q1 2020. As of the first three months of the year, it amounted to 3,960 rubles per sq m per year triple net, which is by 1.5% more than the 2019 figure. An insignificant growth in the average weighted asking rent rate was due to fact that against the backdrop of the strong demand for quality warehouse premises

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



Source: Knight Frank Research, 2020

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



Source: Knight Frank Research, 2020

the average weighted asking rent rate reached 4,000-4,200 rubles per sq m per year triple net for some major properties.

The lowest average weighted asking rent rate was recorded for the east and the southeast of the Moscow region, namely 3,500 rubles per sq m per year triple net and 3,400 rubles per sq m per year triple net accordingly. The highest figure was reported for the southwest, where the average weighted asking rent rate amounted to 4,350 rubles per sq m per year triple net.

The maximum growth in the average weighted asking rent rate as compared

to last year's figure was recorded for the north of the Moscow region and amounted to about 6%. The key driving factor boosting the rent in the north was the launch of new vacant blocks with the rent rate of 4,200-4,300 rubles per sq m per year triple net.

The deepest drop in the average weighted asking rent rate was recorded for the south of the region, namely about 5% as compared to the final figure of 2019. The premises with the average weighted asking rent rate within 4,750-5,200 rubles per sq m per year triple net got off the market.

## Forecast

According to Knight Frank, the total new delivery of the quality warehouse property will amount to about 550,000 sq m by the end of 2020. In the situation of uncertainty in the real estate market, the properties with the delivery date scheduled for the end of 2020 might be postponed until 2021.

A decrease in the take-up volume is expected at the end of 2020, with the total trading volume being likely to amount to about 800,000 sq m.

Due to the current macro-economic situation, according to Knight Frank Research, the vacancy rate is likely to grow up to 3% at the end of 2020.

As a result of the crisis that has emerged due to the pandemic, the average weighted asking rent rate for Class A warehouses will remain flat and amount to 3,900-4,000 rubles per sq m per year triple net at the end of 2020. The poor performance of a large number of tenants will cause the rents to decline. But, on the other hand, a decrease in the new construction volume will limit the growth in the supply, which in its turn will prevent the rates from sinking too low.



Sofyino Logistics Park

### Largest properties scheduled for delivery in 2020

Title	Developer	Total area, sq m
Vnukovo II Logistics Complex	Logistics Partners	64,500
Atlant-Park, block 33	Atlant-Park	49,980
Sofyino Logistics Park. building 3.2	Logopark Management	48,000
Sofyino Logistics Park. building 4	Logopark Management	40,000
Synkovo Industrial city	Stroitelnyy Alyans	24,000
Sever-4	Orientir	20,000

Source: Knight Frank Research, 2020

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