

MOSCOW Q1 2018

OFFICE MARKET



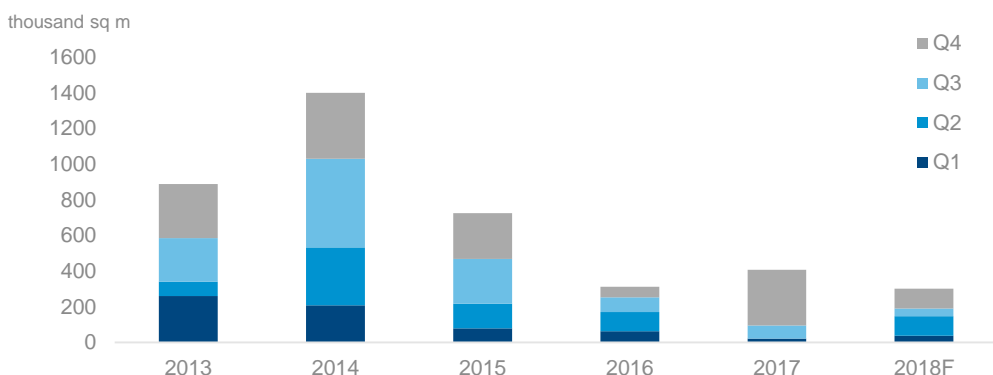
Key market indicators

	Q1 2016	Q1 2017	Q1 2018	
Completions, thousand sq m	63	21	37	
Take-up, thousand sq m	185.7	139.2	322.9	
Vacancy rate, %				
	Class A	21.9	17.0	13.1
	Class B+/-	10.9	10.4	8.8
Weighted average rental rate, RUB/sq m/year				
	Class A	27,277	25,154	24,558
	Class B+/-	13,836	12,589	12,973

Supply

The Moscow office market is still showing low completion rates. In Q1 2018, 37,000 sqm of office space was completed, which is one of the lowest indicators for the last 10 years (the record low for the same period was in 2017).

Q1 2018 did not see the completion of any stand-alone business centre: office areas completed in Q1 2018 were in multifunctional complexes, including the hotel and retail segments, office premises within a residential complex and the reconstruction of an office building.



Dynamics of completions

Source: Colliers International



Buildings completed in Q1 2018

Source: Colliers International

PROPERTY	CLASS	TYPE OF CONSTRUCTION	GBA, SQM	GLA, SQM
BC La-5	B+	New construction	32.707	16.800
Park of Legends (hotel and business centre)	B+	New construction	12.800	7.300
LITSA (office areas in residential complex)	B+	New construction	18.576	7.155
RTS Zemlyanoy Val	B+	Refurbishment	9.241	5.817

Rental rates

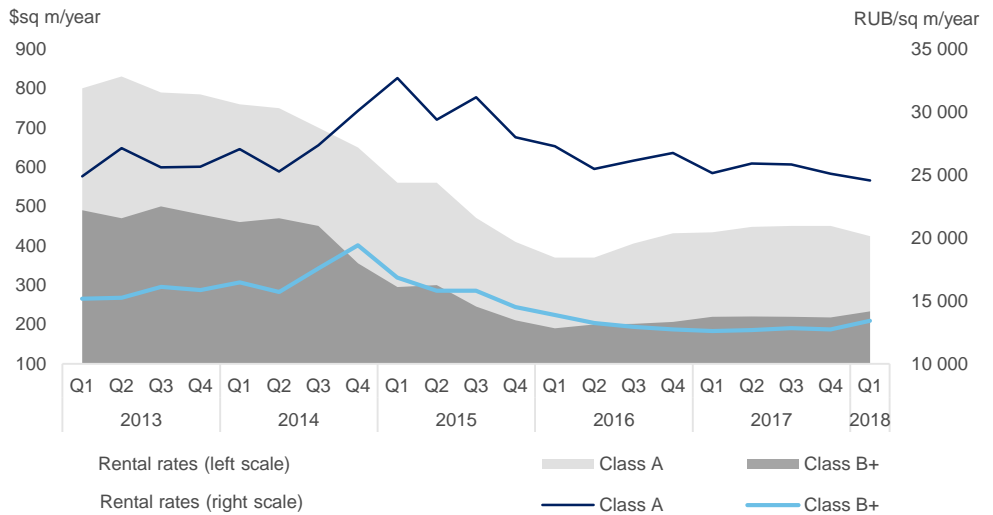
Asking rental rates for offices in Moscow were not changed by owners during the first three months of 2018, similarly to the second half of 2017, but the size of the discount discussed during negotiations continued to decline.

The decrease in the average rate in Class A office buildings is due to a change in the structure of supply. Rental rates in offices of class B +/- changed up and down in the period from January to March. Depending on the balance of supply and demand in a particular submarket, owners either raised or lowered rental rates, as a result of which the average rate showed an increase of 2%.



Dynamics of base rental rates*

Source: Colliers International



*The base rental rate in roubles is calculated by recalculating rates denominated in dollars into roubles at the average US dollar to rouble exchange rate for the reporting period and at a rate fixed by a landlord where applicable. The base rental rate excludes VAT (18%), operational expenses and utility bills

Demand

The volume of new lease and sale transactions for office space in Q1 2018 reached a maximum in the last 5 years compared to the same period in previous years and amounted to 323,000 sqm. The share of renegotiation transactions returned to the pre-crisis level and decreased in the total volume of transactions to 3%.

The volume of demand for office space in Q1 2018 came mainly from company relocations to consolidate, improve quality of office space and optimise rental costs. A positive indicator of the overall stabilisation of the economic situation is the level of expansion in occupied office space, despite the share of new business in the structure of demand for offices being limited.

The average vacancy rate in Moscow offices in the first three months of 2018 decreased by less than 1 p. p. to 9.8%, despite the increasing volume of lease/purchase transactions and the low level of new construction volume, which is explained by the parallel process of office space returning to the market that was vacated by tenants after moving to other buildings.



Key deals in Q1 2018

Source: Colliers International

COMPANY	PROPERTY	ADDRESS	DEAL TYPE	AREA, SQM (GLA)
Bank Zenit	Lotos	2 Odesskaya St	Purchase	12.831*
X5 Retail Group	Oasis	5 Koroviy Val St	Lease	9.701
Bank Rossiysky capital	Vozdvizhenka Centre	10/2 Vozdvizhenka St	Lease	7.177
PJSC Sroytransgaz	Kvadrat	11 Vereyskaya St	Lease	4.855
Wildberries	Kulokovskiy	26 Leninskaya Sloboda St	Lease	4.580
Avito	White Gardens	7, 9 Lesnaya St	Lease	3.000

Office Sales

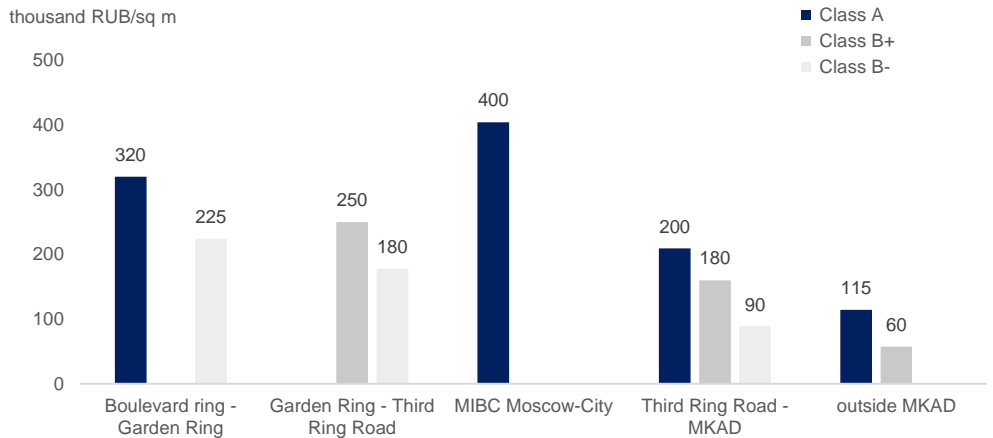
The decrease in the volume of free supply, due to the growth in demand, accompanied by the limited volume of the new supply is typical for office sales market. The total volume of office space purchase transactions in Q1 2018 amounted 57,700 sqm and exceeded the value Q1 2017 by a factor of 1.7. Similarly, with rental rates, sale prices in Q1 2018 remained unchanged compared to the end of 2017.

In terms of the purchase of offices by large companies, more than half (61%) of the volume of office sale transactions in Q1 2018 was formed by two major transactions – developers began to show interest in searching for new sites to build offices for further implementation in the sales market.



Average sale prices by distance from the centre in Q1 2018

Source: Colliers International

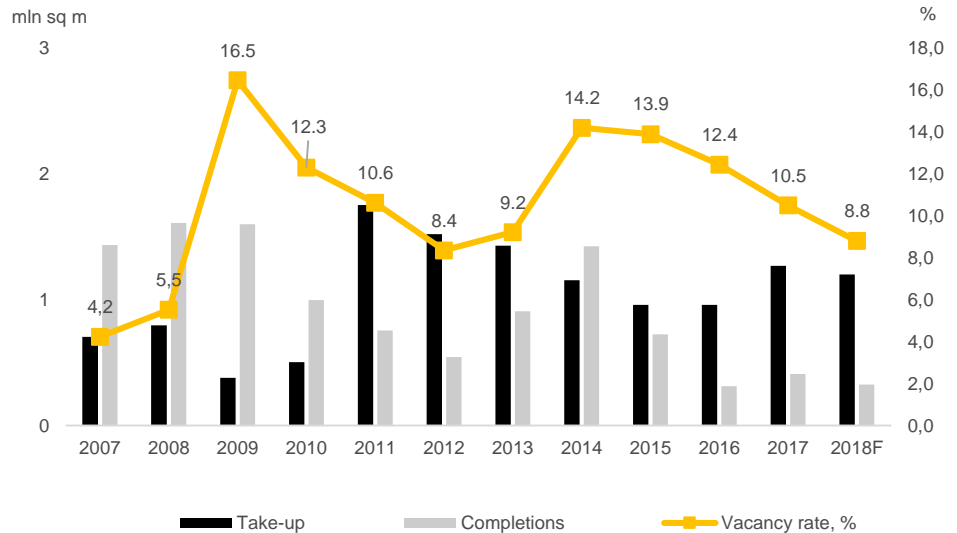


Forecast



Dynamics of Key Indicators for classes A and B+/-

Source: Colliers International



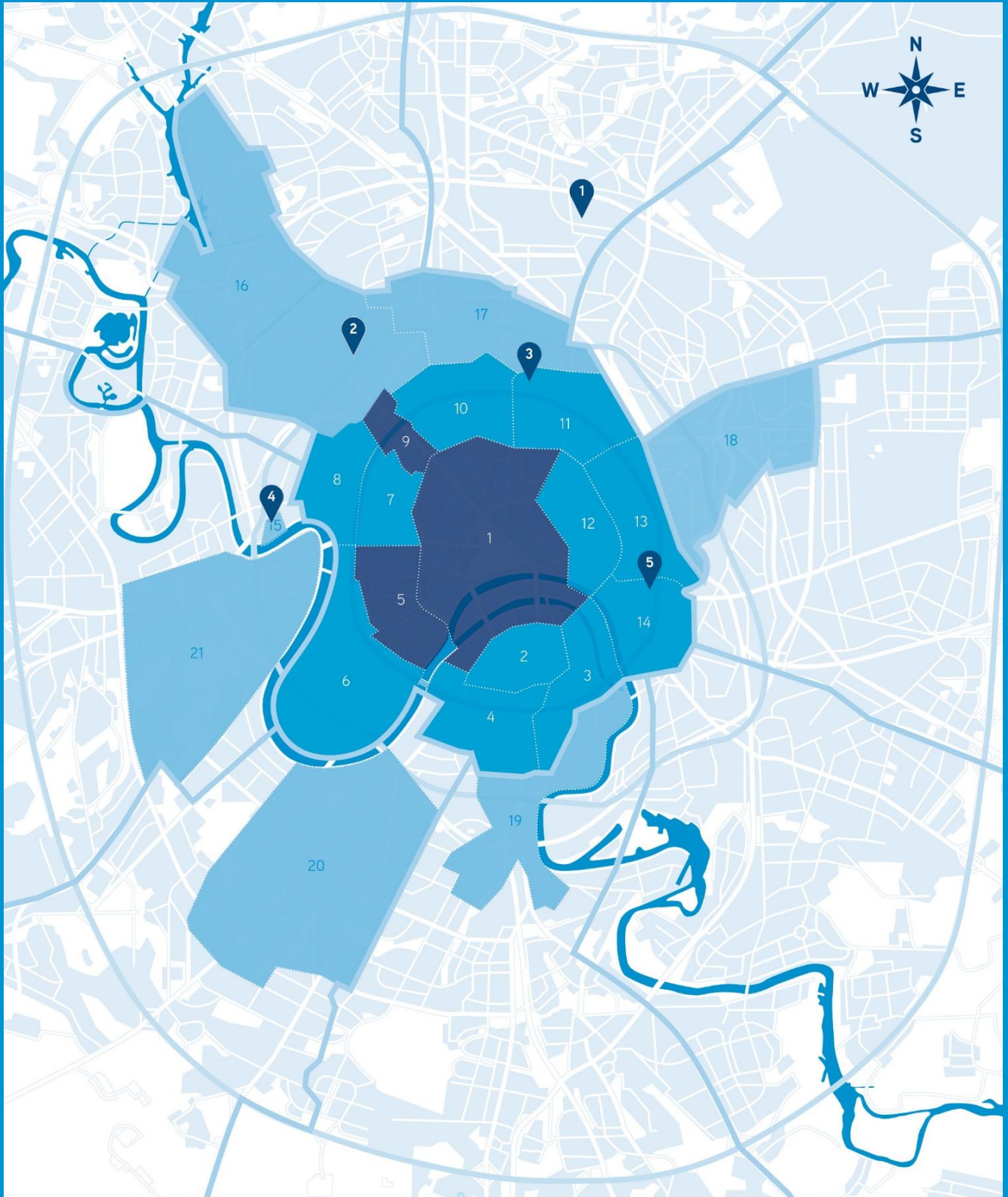
Top business centres expected for delivery in Moscow in 2018*

Source: Colliers International

No	PROPERTY	CLASS	DEVELOPER	OFFICE AREA, THOUSAND SQ M
1	Park Huamin	A	LTD Park Huamin	24,8
2	VTB Arena Park	A	Management company Dinamo	27,6
3	Novion	A	SAFMAR Group (BIN Group)	21,0
4	OKO (phase II)	A	Capital Group	21,0
5	Bernikov	B+	SAFMAR Group (BIN Group)	11,0

*Business centres are marked on the map, p. 4

Vacancy, rental rates and key buildings expected to be completed in 2018



SUBMARKET	VACANCY			RENT, \$/SQ M/YEAR			SUBMARKET	VACANCY			RENT, \$/SQ M/YEAR		
	A	B+	B-	A	B+	B-		A	B+	B-	A	B+	B-
1, 5, 9 Premium	14%	5%	3%	662**	359**	261**	North	-	17%	6%	-	146**	168**
1-14 (excl. Premium) CBD	8%	5%	4%	595**	365**	278**	North-East	-	10%	21%	-	189**	89**
15 Moscow City	12%	1%	-	545*	481**	-	North-West	16%	15%	5%	171*	144**	156**
16 Leningradskiy	9%	17%	6%	462*	274*	132**	West	6%	7%	11%	437*	180**	166**
17 Sushevskiy	20%	10%	8%	289*	203**	234**	East	-	7%	6%	-	213**	127**
18 Elektrozvodskiy	60%	9%	4%	256*	242**	160**	South	-	16%	5%	-	174**	279**
19 Tulskiy	23%	14%	8%	483**	234*	172**	South-East	70%	8%	4%	380*	122**	144**
20 Leninskiy	20%	5%	15%	235*	281**	248**	South-West	33%	23%	16%	179*	165*	99*
21 Kutuzovskiy	16%	20%	4%	517*	280*	257*							

* Mainly for shell/core premises | ** Mainly for fitted-out premises

FOR MORE INFORMATION

CORPORATE SOLUTIONS & OFFICE AGENCY DEPARTMENTS

Vera Zimenkova
Regional Director
Vera.Zimenkova@colliers.com

SALES & ACQUISITIONS OFFICE DEPARTMENT

Kermen Mastiev
Director
Kermen.Mastiev@colliers.com

OCCUPIER REPRESENTATION DEPARTMENT

Francois Nonnenmacher
Director
Francois.Nonnenmacher@colliers.com

ANALYTICAL DEPARTMENT

Veronika Lezhneva
Director
Veronika.Lezhneva@colliers.com

Ekaterina Gurova
Analyst
Ekaterina.Gurova@colliers.com

MARKETING & PR DEPARTMENT

Olga Bakulina
Regional Director
Olga.Bakulina@colliers.com

123112 Moscow
10 Presnenskaya Embankment | BC Naberezhnaya Tower, Block C, 52 floor
+7 495 258 51 51
www.colliers.ru



Copyright © 2018 Colliers International

This information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

