

MARIS

MARKET OVERVIEW

OUTLOOK
'23

2024 SAINT-PETERSBURG

KEY FINDINGS

Office market

Key trends on the office market in 2023 were moderate growth in speculative construction and high level of demand for office properties. Strong demand led to a reduction in office vacancy rates in H2 2023 and instigated an increase of rental rates.

The rate of supply growth in the flexible-office-space sector (coworkings) reduced in 2023: +7.7% vs. 31% in 2022. There was a moderate growth of price indicators in the sector. In 2024 the rate of supply growth will make up +16% y/y.

Warehouse market

Demand in the warehouse market surpassed the previous record of 2021 by 32%. The vacancy rate has reached the minimum level for the last 10 years: 0.5% of the gross supply volume.

The unprecedented volume of demand along with the reduced speculative development has driven the growth in asking rental rates (+35% by 2022).

The principal demand was formed by retail and distribution sector (81%).

Retail market

In 2023 one new shopping center, one interior and furniture center and the 2nd phase of existing SC were opened in St Petersburg.

The demand on retail letting market was comparable to the ones of 2022. Almost all of the retail spaces freed up after the expatriate of foreign retail operators was absorbed by domestic retailers and new brands from Turkey, UAE, China and the Republic of Belarus.

Hotel market

Growth rate in room stock in 2023 reduced by 42% to the 2022 figure. Classified service apartment complexes are increasingly competing with classic hotel properties.

The average daily room rate (ADR) in 3*-5* hotels increase by 3.6% compared to 2022. The maximum growth of ADR was observed in the segment of 4* hotel facilities.

Investment market

The volume of investments in commercial real estate in St Petersburg exceeded the figure for 2022 by 77%. The volume of investments in the region made up 22.8% in the whole-Russia figure. This result was reached mainly due a number of "package" deals with foreign investors leaving Russia in 2023.

OFFICE MARKET



LARGE-SCALE DEALS AGAINST A SHORTAGE OF FACILITIES

During 2023, 90 transactions with an area of more than 500 m² were closed on the market. We counted 10 of the large ones with an area of 2,000 m² or more. The end of December was pleasantly surprised: the Chance business Center (about 20,000 m²) and Ferrum 2 business Center (33,000 m²) were completely leased.

New speculative facilities, the commissioning of which is scheduled for 2024, are either in negotiations or have already found their monotenant. We expect that next year will be characterized by a low vacancy with demand remaining at the same level.

Perhaps the lack of new space will lead to the fact that some frozen objects will finally "unfreeze"!

Alena Berdigan

Head of Commercial Real Estate Department

Stock

In 2023 the increase in new supply amounted to 144.7 ths. m² of rental space, which is by 8.8% lower than the total amount of premises commissioned in 2022. 96% of commissioned office spaces are related to speculative ones (-12.6% vs 2022).

In 2024, 79 ths. m² of office spaces are expected to be commissioned (GLA). Gross new speculative office space in 2024 is to be 43.4% less than in 2023.

	Stock (GLA), m ²	Vacancy, %	Vacancy, m ²	Completions (GLA), m ²	Average rental rates, ₺*
A class	1,424,900	5.9%	84,200	57,100	2,200
B class	2,763,900	7.0%	194,300	87,600	1,510
	4,188,800	6.6%	278,500	144,700	

* per m²/month, incl. VAT and OPEX

Demand

The main demand has been formed by financial sector (18%). As a positive trend, there has been an increase in demand from the real economy, construction sector and B2B enterprises.

The demand from IT-companies and oil and gas sector former leaders in terms of office spaces lease decreased as at the end of 2023.

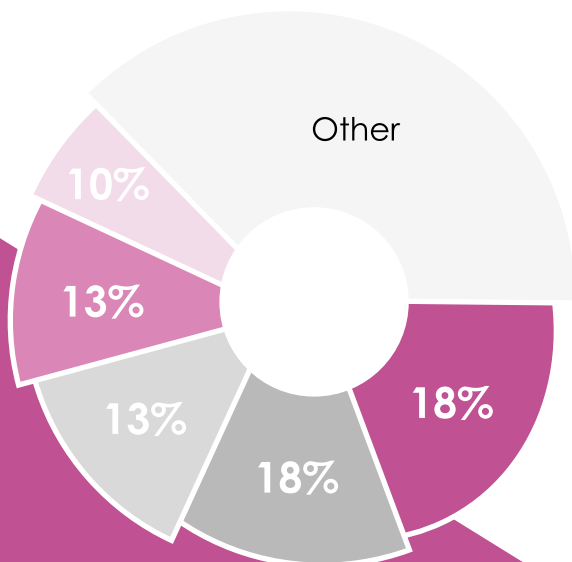
The volume of lease transactions in Class A and B office centers in 2023 went beyond 285 ths. m², that is -4% lower to the indicator of 2022.

Speculative office buildings commissioned in 2023

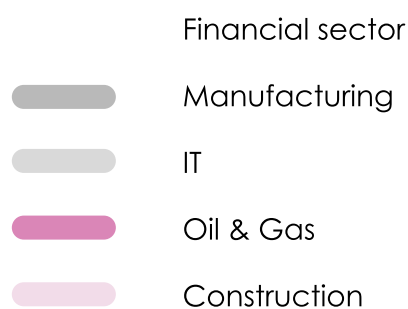
Office center	Gross leasable area, m ²
M22	15,900
Kanatny Tseh	15,000
Sabirovsky	12,600
Senator	11,900
Senator	10,400

Major lease deals, 2023

Office center	Leased area, m ²
Financial sector	25,200
Manufacturing & Equipment	14,000
Consulting and business support services	6,000
Financial sector	3,900
IT	3,800



Sectoral structure of demand, H1 2023





THE OBVIOUS AND THE PROBABLE

The year 2023 will be remembered for the high rates of purchase, sale and lease of office real estate against the background of a shrinking vacancy. The sale of more than 200,000 m² of office space became possible due to the departure of Western companies that sold their assets in the territory of the Russian Federation. From the point of view of buyers, these are investments in real estate with a rental flow or for their own needs.

Last year, we implemented a non-standard project of up to 3,000 m² to replace a tenant in an existing long-term lease agreement without the possibility of early termination with several new ones. This project proved the obvious – a central location with ready repairs will always be in demand.

Another obvious and quite probable thing is that our team is always ready to find non-trivial solutions!

Nelli Aleynikova

Head of Global Corporate Services & Sales Department

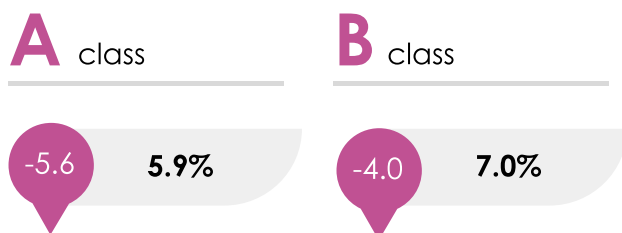
Occupancy

As at the end of 2023, the gross vacancy in the market decreased by 40% in absolute terms to Q4 2022.

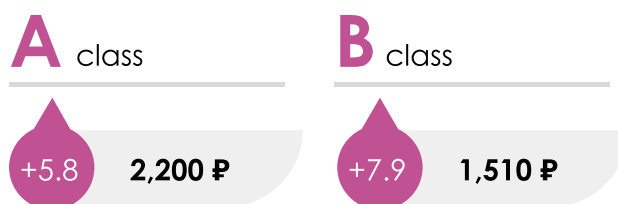
The average vacancy rate in Class A and B business centers decreased by -4.6 p.p. and amounted to 6.6%. At the end of December 2023, 278 ths. m² were vacant in Class A and B office centers.

In Class A office centers the vacancy rate decreased by -5.6 p.p. to December 2022, and made up 5.9%. 7.0% office space was vacant in Class B office centers (-4.0 p.p. to December 2022).

Vacancy level dynamics, 2023



Average rental rate dynamics, 2023



Rental rates

The average rental rates in Class A office buildings grew by 5.8% compared to December 2022 and amounted to 2,200 Rubles per m² per month, inclusive of VAT and operating expenses.

The average rental rates in Class B buildings amounted to 1,510 Rubles per m² per month, inclusive of VAT and operating expenses. In 2023 the asking rental rates in class B office centers increased by 7.9% relative to the price indicator as at Q4 2022.

Volume of vacant spaces and average rental rates in office centers by districts of St Petersburg, as at the end of Q4 2023

per m²/month, incl. VAT and OPEX

PRIMORSKY

□	15,000 M ²
A	2,000 ₺
B	1,400 ₺

VYBORGSKY

□	13,800 M ²
A	-
B	1,600 ₺

KALININSKY

□	1,700 M ²
A	*
B	1,500 ₺

PETROGRADSKY

□	20,000 M ²
A	2,230 ₺
B	1,580 ₺

KRASNOGVARDEYSKY

□	16,500 M ²
A	**
B	1,320 ₺

VASILEOSTROVSKY

□	45,000 M ²
A	2,050 ₺
B	1,400 ₺

CENTRALNY

□	59,900 M ²
A	2,380 ₺
B	1,680 ₺

ADMIRALTEYSKY

□	12,500 M ²
A	1,950 ₺
B	1,700 ₺

NEVSKY

□	28,600 M ²
A	-
B	1,260 ₺

KIROVSKY

□	300 M ²
A	-
B	1,200 ₺

MOSKOVSKY

□	63,400 M ²
A	1,970 ₺
B	1,600 ₺

FRUNZENSKY

□	1,700 M ²
A	-
B	1,070 ₺

* The supply in the segment of Class A office centers in the zone is represented by the only complex of MC "Teorema", with asking rental rate of 2,200-2,500 Rubles/m²/month, incl. VAT and operating expense, as of the end of December 2023

** The supply in the segment of Class A office centers in the zone is represented by the only OC "Saint-Petersburg Plaza", with asking rental rate of 2,100 Rubles/m²/month, incl. VAT and operating expense, as of the end of December 2023

WAREHOUSE MARKET



CHALLENGE ACCEPTED

The demand in the industrial real estate market is several times higher than the supply. Those projects that enter the speculative market are implemented long before they are ready and put into operation. Rates have reached record levels, but even that doesn't scare potential tenants. The industrial real estate market continues to develop at a steady pace.

Manufacturing companies consider both renting and buying premises for their business. It is a common practice to purchase land plots in industrial parks of the city and the region, and to build for yourself.

The industrial market of 2024 is challenging us, and we are ready to accept it!

Ekaterina Orkina

Consultant of Industrial Real Estate Department

Stock

In 2023, 18 warehouses totaling about 414.1 ths. m² were put into operation, that was 7% lower than 2022. 47% of the commissioned warehouses are speculative properties (-14% vs 2022).

About 600 ths. m² of warehouse facilities are to be put in operation in 2023. 75% of the properties are related to speculative supply.

	Stock (GBA), m ²	Vacancy, %	Vacancy, m ²	Completions (GBA), m ²	Average rental rates, ₺ *
A class	3,467,000	0.0%	0.0	378,700	800 – 1,000
B class	1,121,700	2.0%	22,000	35,400	
	4,588,700	0.5%	22,000	414,100	

* per m²/month, incl. VAT and OPEX

Demand

In 2023 at about 1.09 mln m² of high-quality industrial properties were sold and rented out in the St Petersburg market. Demand in the warehouse market surpassed the previous record of 2021 by 32%. 50% of the space was leased out. In absolute terms, the gross volume of rental transactions doubled compared to 2022.

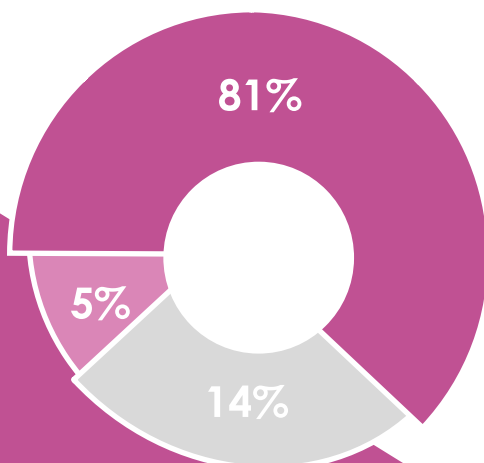
The principal demand was formed by retail and distribution sector (81%). Industrial enterprises rented and acquired 45% more warehouse facilities than in 2022 (14% in gross demand). Demand from logistics companies after unprecedented absorption volumes in 2022 declined to 2021 levels: 5% of gross demand volume.

Major lease deals, 2023

Warehouse complex	Leased area, m ²
WH in Shushary settl.	60,000
Rusich-Shushary	32,000
Solyaris Kolpino	28,500
former Ulmart FC	25,200
Octavian	16,200

Large warehouse complexes commissioned in 2023

Name	Area, m ²
Armada Park Shushary	108,200
PNK Park Shushary-3	64,100
Rusich-Shushary	54,000
Project 111	29,700
OZON FC	26,300



Sectoral structure of demand, 2023



Occupancy

Unprecedented volume of demand and a moderate increase in new speculative supply led to a blistering decline in vacancy through 2023.

As of the end of December, there was no vacant spaces in Class A warehouse buildings (-3.0 p.p. in relation to the final indicator of 2022). In Class B warehouse complexes 2.0% was vacant (+0.1 p.p. to December 2022).

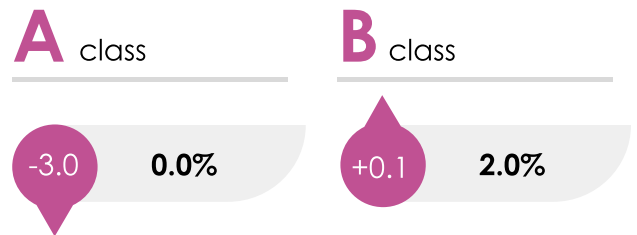
In total, following the results of 2023 at about 22 ths. m² were vacant (that is 0.5% of total stock).

Average rental rate



per m²/month, incl. VAT and OPEX

Vacancy level dynamics, 2023

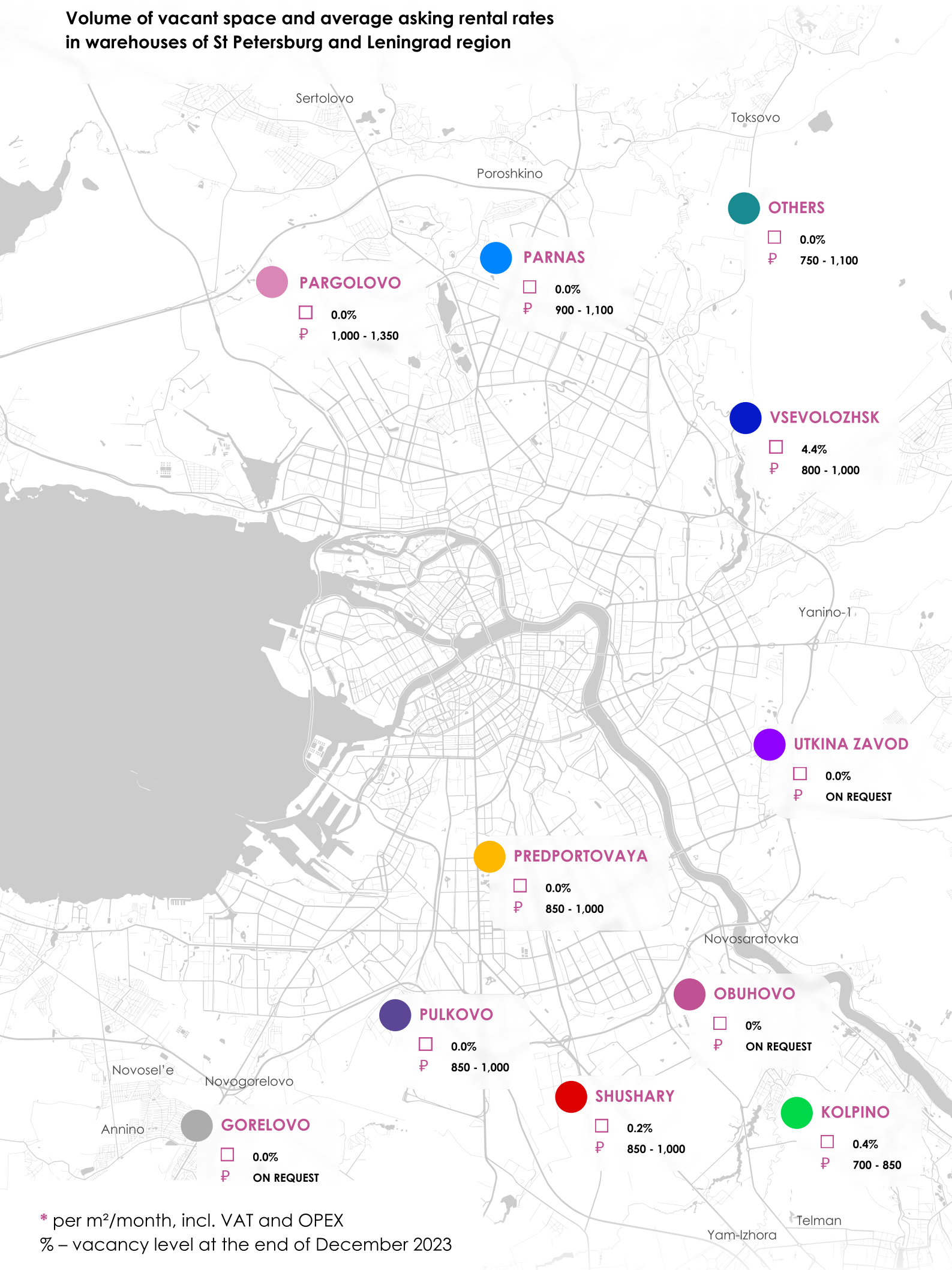


Rental rates

In the terms of sharply declining vacant supply, H2 2023 was characterized by a strong positive dynamics of asking rental rates. The annual growth of asking rental rates on St. Petersburg warehouse market made up +35% y/y.

The average level of rental rates as at the end of 2023 amounted to 800 – 1,000 Rubles per m²/month, inclusive of VAT and operating expenses. Utility charges are paid on the basis of actual consumption.

Volume of vacant space and average asking rental rates in warehouses of St Petersburg and Leningrad region



* per m²/month, incl. VAT and OPEX
 % – vacancy level at the end of December 2023

RETAIL MARKET



IMPOSSIBLE HORRORS

All the horrors predicted by offline retail in the last five years have not come true. The rapid growth of online retail, the exodus of foreign brands and the decline in the purchasing power of the population, none of this has affected the demand for high-quality retail space in the city. Tenant occupancy is increasing, development is maintaining its pace, and reconstruction is taking its course.

Alyona Volobueva

Head of Research Department

Stock

In 2023 one new shopping center, one interior and furniture center and the 2nd phase of existing SC were opened on St Petersburg market.

Name	EcoPark, 1 st phase	MÖBELBURG	Parnas City, 2 nd phase
GLA, m ²	19,000	17,200	1,200

In 2024, the market will add 74.3 ths. m² of retail space (GLA).

Stock (GLA), m ²	Vacancy, %	Completions (GLA), m ²
4,290,000	6.7%	37,400

Demand

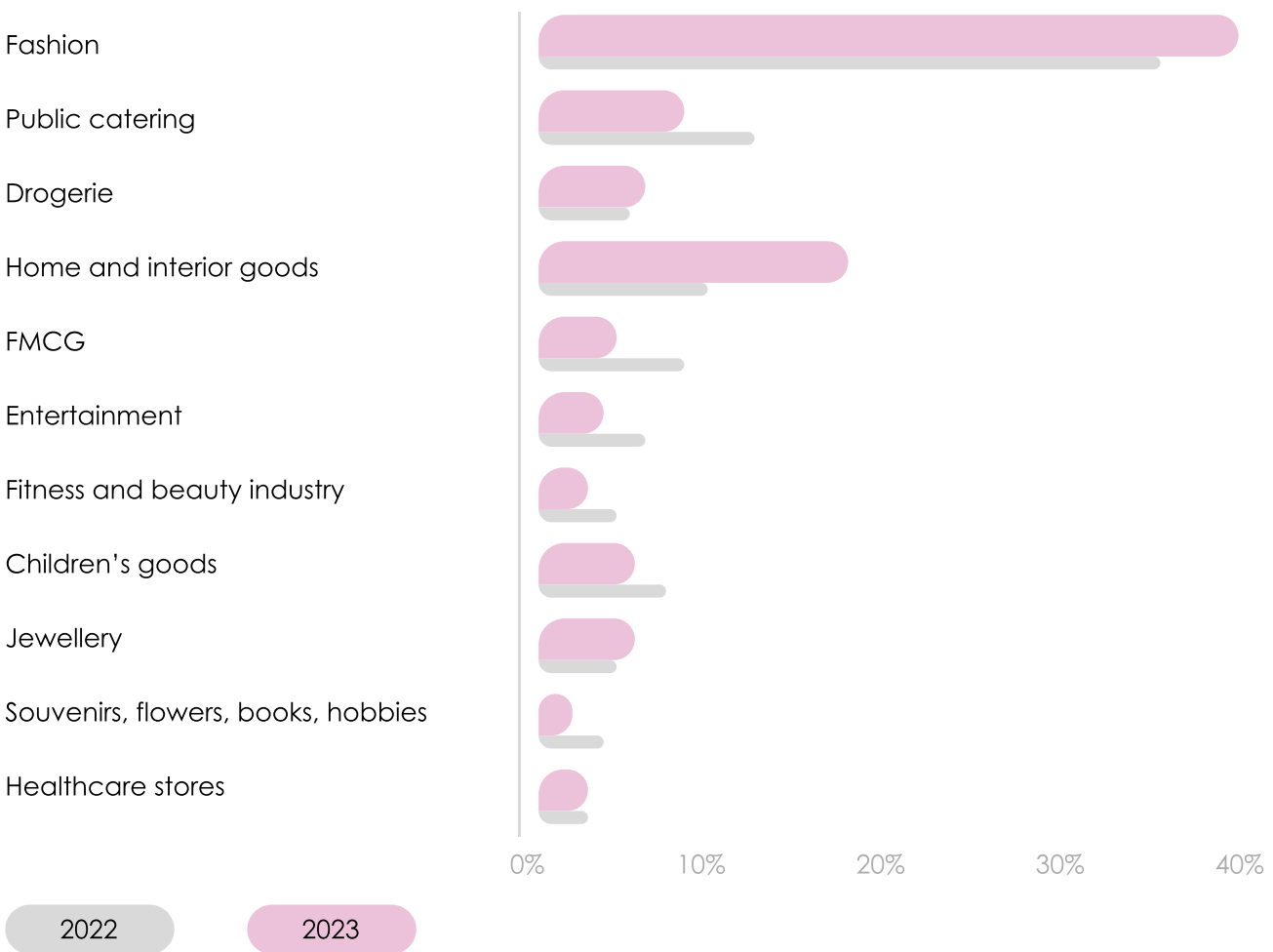
In 2023, the level of leasing activity on the retail real estate market was comparable to that of 2022.

Fashion operators became absolute leaders in terms of leased retail spaces (40% of gross demand, +5 p.p. by 2022; +13.8% in absolute terms).

Due to supply growth in the furniture centers segment, home and interior goods retailers' activity doubled by the end of 2023 (19%; +10 p.p. to 2022).

In 2023, the drogerie-segment demonstrated positive dynamics in terms of demand (5%; +12.5% in absolute terms).

Leaders in the number of openings, 2023



2022

2023

New brands

In 2023 thirteen local and fifteen foreign brands entered St Petersburg retail market.



HOTEL MARKET

The main trends of the travel season

Tourist flow made up 9.5 mln people, according to the Committee on Tourism data (exceeded the figure for 2022 by 16%).

Inner tourist flow accounted for 93.9% of gross demand in 2023 (+45% to 2019).

Occupancy of 3*-5* hotels in St Petersburg in 2023 made up 63% (+3 p.p. vs 2022).

The average staying period in St Petersburg in 2023 reduced by -13.5% vs 2022.

	hotels	rooms		hotels	rooms		hotels	rooms
5*	26	3 513	4*	95	14 379	3*	113	7 796

Stock

As at the end of 2023, there were 234 3*-5* hotels with 25,688 rooms in St Petersburg.

In 2023 two more representatives of the international hospitality market quit the market – hotel operator Belmond (French group LVMH) and Norwegian holding Wenaas Hotel Russia (hotels Radisson blue and Park Inn by Radisson). As of the end of December 2023, 5% of the total room stock remained operated by international hotel operators.

Hotels opened, 2023

Class	Room capacity	Number of properties
4*	170	3
3*	258	1

Accommodation facilities planned to be opened in 2024

Class	Room capacity	Number of properties
5*	23	1
4*	533	1

Demand

The share of well off tourists in the region has increased: 47.7% of the gross tourist flow.

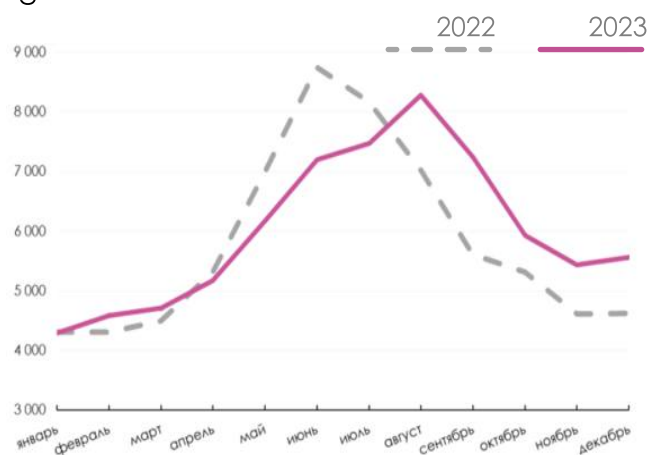
There has been a significant increase in demand from family tourists with children.

Foreign tourists flow increased by +68.1% to the figure for 2022.

Average daily rate in 3*-5* hotels, 2023

Class	5*	4*	3*
Average	14 100 ₺	6 200 ₺	4 200 ₺
Change, y/y	+ 1,9%	+ 6,4%	+ 4,5%

*standard double room, incl. VAT, excl. breakfast, ₺/day and night



ABOUT US



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ABOUT US

Maris – one of the leading companies in the commercial real estate sector that offers a full range of services: property and facility management, lease, sale, valuation and income property investment.

The company's rich experience combined with a deep understanding of the peculiarities of the Russian market allows us to carry out the most ambitious projects in a changing market.

Since 2011 Maris has been the absolute leader among consultants in terms of space transacted in St Petersburg office buildings. The Company is highly rated in the warehouses and industrial sector including built-to- suit projects.

In 2014 and 2020, Maris became the winner in the nomination "Consultant of the Year" in the field of commercial real estate at the federal CRE AWARDS. In 2023, the company received the golden brick CRE Moscow Awards in the nomination "Deal of the Year. Office real estate rental". The company was also awarded the Kommersant publishing house "Solid Signs" award and became the winner of the annual federal WORKPLACE AWARDS 2023 in the "Deal of the Year" nomination for supporting Russia's largest transaction in the office real estate rental market.

Maris is an active member of Saint-petersburg international business association (SPIBA).

Disclaimer 2024
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