

MARIS

MARKET OVERVIEW

OUTLOOK
'22

2023 SAINT-PETERSBURG

KEY FINDINGS

Office market

Key trends on the office market in 2022 were doubling of new speculative construction and high level of demand for office properties. Strong demand has prevented a dramatic increase in office vacancy rates on the secondary market as well as ensured stable asking rental rates.

The flexible-office-space sector (coworkings) continued its active development in 2022: the volume of supply increased by 31%, and moderate growth of rental rates was observed in the segment. The growth rate of the flexible-office-space segment is gradually decreasing: 19% rise in number of working places is expected in 2023.

Warehouse market

Growth of new speculative supply along with release of warehouse facilities on the secondary market led to the increase in vacancy ration on the warehouse real estate market for the first time since 2015. The volume of speculative projects commissioned in 2022 doubled. The transport and logistics sector was the leader in terms of demand and accounted for 51% of all leased space in 2022.

In 2022 increase in speculative supply along with vacancy ratio exerted the asking rental rates within some industrial zones. The average asking rental rates have not varied considerably.

Retail market

In 2022, three shopping centers were opened in St Petersburg. The retail letting market reduced by 16% in 2022. Along with the outflow of foreign retail operators from the Russian market, this factor led to an increase in vacancy rates in shopping centers to 10% at the end of December 2022.

Hotel market

The hospitality industry has been forced to shift almost entirely to domestic tourism, which demonstrated a significant positive trend in 2022 (+33%). This factor moderated growth of accommodation rates in the high-price hospitality facilities in 2022.

Investment

The volume of investments in commercial real estate in Saint-Petersburg decreased by 22% in 2022 compared to 2021. The volume of investments in the region made up 19% in the whole-Russia figure. This result was reached mainly due the increase in investors' need to secure capitals in the least risky assets, as well as the outflow of foreign investments.

OFFICE MARKET



"THE VACANCY IN THE OFFICES HAS INCREASED BY 2 TIMES! ALARM!"

Now it is not 5%, as we have become accustomed to over the past 5 years, but as much as 10%. In fact, there is nothing terrible. On the contrary, those companies that are in search of a new office have finally got the opportunity to choose. Well, some business centers will have to part with the status of 100% occupancy for a while.

A new trend has appeared on the market - public sector companies have taken the first place in the demand for office space for rent. We assume that this trend will continue. After the departure of foreign and IT companies many predicted a sharp increase in vacancy to almost 20%, and this would be a serious change in the market. Fortunately for many owners, this forecast did not come true.

As a result, 100,000 m² were released, 40% of which were immediately commissioned. The deferred demand for large office blocks allowed landlords to maintain cash flow, and large tenants finally moved to new premises."

Alena Berdigan

Head of Office Real Estate Department

Stock

In 2022 the increase in new supply amounted to 158.7 ths. m² of rental space, which is by 1% higher than the total amount of premises commissioned in 2021. All of the newly built office centers are related to speculative properties (+46% vs 2021). For the first time in the history of St Petersburg office real estate market monitoring the space of speculative class A office centers commissioning prevailed over the growth of new supply in the segment of class B business properties (63% and 37%, respectively). In 2023, 145 ths. m² of office spaces are expected to be commissioned (GLA). Speculative supply growth will amount to 129 ths. m² (-18% lower than in 2022) provided the construction deadlines are met.

	Stock (GLA), m ²	Vacancy, %	Vacancy, m ²	Completions (GLA), m ²	Average rental rates, ₺*
A class	1,367,700	11.5%	157,900	99,300	2,080
B class	2,684,900	11.0%	296,100	59,400	1,400
	4,052,600	11.2%	454,000	158,700	

* per m²/month, incl. VAT and OPEX

Demand

The main demand has been formed by the oil and gas sector (44%). Construction and projecting companies were active in terms of office leasing as well. Stable demand was observed from the retail, manufacturing, logistics, business and consumer services sectors. IT-companies reduced leasing of office spaces in 2022 (-40% in absolute terms). The volume of lease transactions in Class A and B office centers in 2022 went beyond 293 ths. m², that is +16.2% to the indicator of 2021.

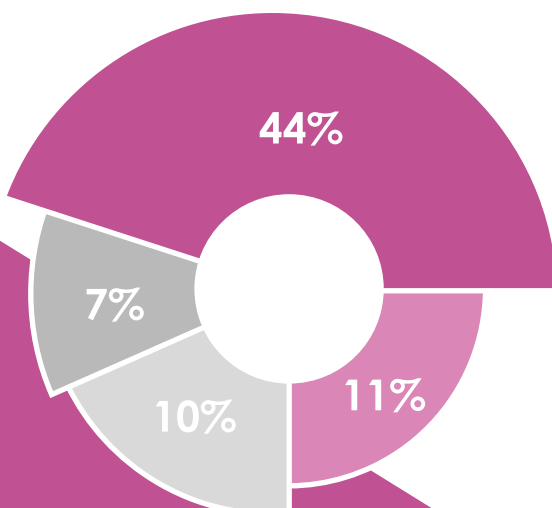
Speculative office buildings commissioned in 2022

Office center	Gross leasable area, m ²
Nevskaya Ratusha	47,000
Morskaya Stolica	32,000
Ferrum II	28,900
Avior Tower	15,000
Akvilon Links	8,300

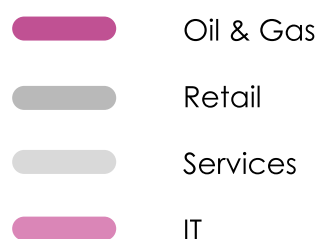
Major lease deals, 2022

Office center	Leased area, m ²
Nevskaya Ratusha*	80,000
Elizavetinsky	12,000
Graffity*	5,200
LIGHTHOUSE*	4,100
PulsAR	3,700

*Deal broker - Maris



Sectoral structure of demand, 2022





"2022 IS A YEAR OF QUESTIONS, "OFFICE QUAKES" AND NEW SOLUTIONS.

The attitude to planning has changed: "completed daily tasks - already a win." The horizon of long-term planning has been greatly reduced;

The vacancy of high-quality office space has grown. At the same time, in fact, after the departure of international companies, part of the vacant space was leased even before entering the market;

- Tenants finally got a chance to choose among the premises;
- The requested rental rate has decreased slightly and is still subject to individual negotiations;
- Lease agreements without the right of early termination on the part of the tenant are not a hopeless situation at all. We successfully find interested parties who are ready to replace the current tenant and rent high-quality space even in conditions of an increased vacancy."

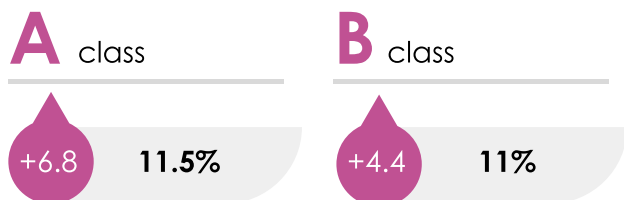
Nelli Aleynikova

Head of Global Corporate Services Department

Occupancy

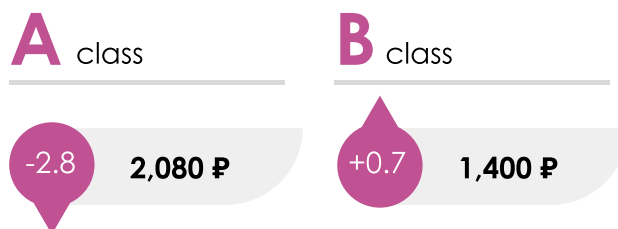
As at the end of 2022, the gross amount of vacant office space in the market doubled compared to Q4 2021. The average vacancy rate in Class A and B business centers grew by +5.5 p.p. and amounted to 11.2%. At the end of December 2022, 454 ths. m² were vacant in Class A and B office centers. In Class A office centers the vacancy rate increased by +6.8 p.p. by December 2021, and made up 11.5%. 11.0% office space was vacant in Class B office centers (+4.8 p.p. to December 2021).

Vacancy level dynamics, 2022



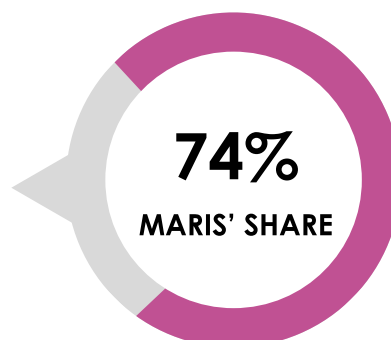
Maris' share

39,700 m² were transacted with the participation of Maris in 2022. Maris for 12 years retains the leading positions among consultants in terms of transacted office space volume.

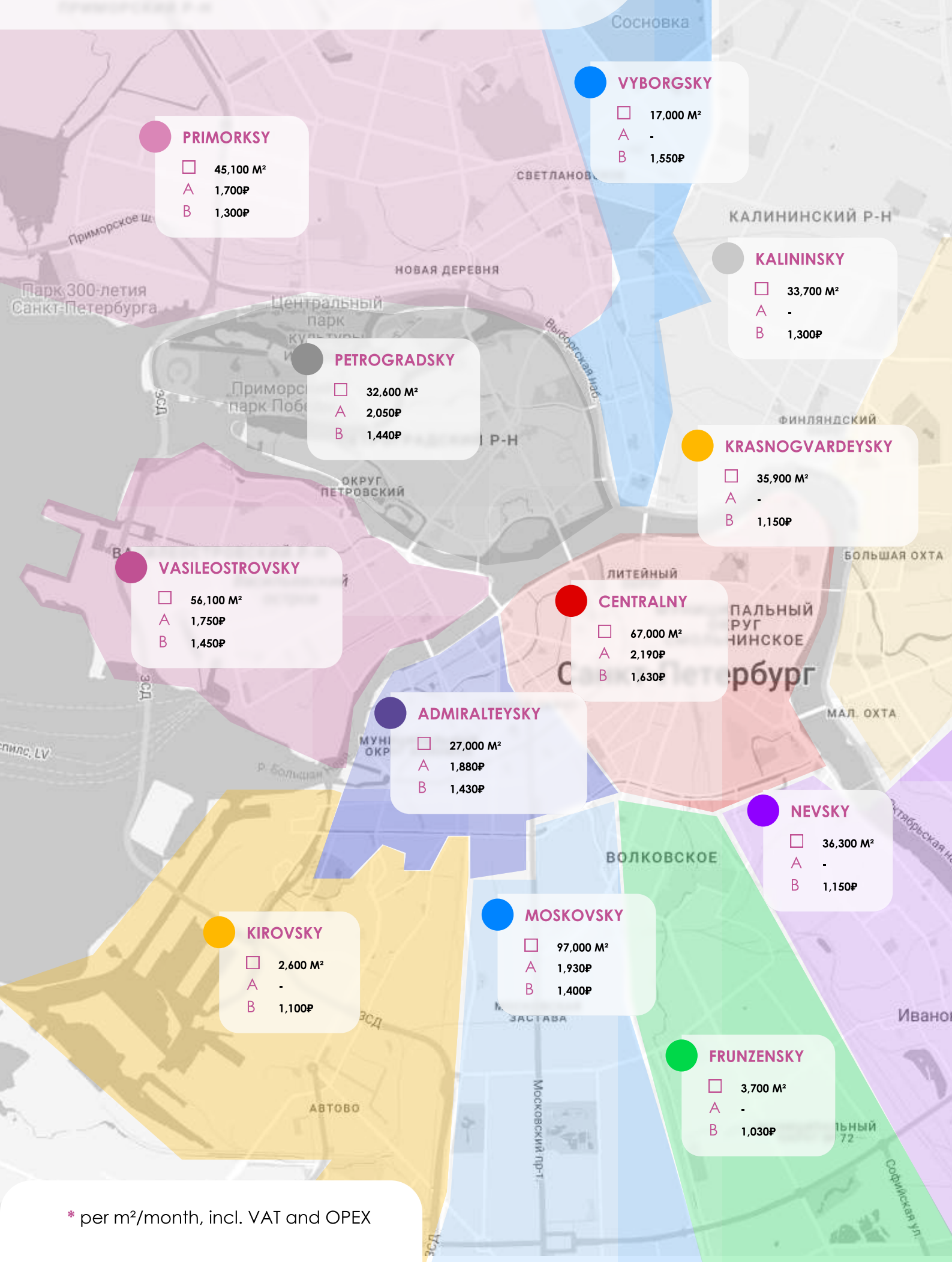


Rental rates

The average rental rates in Class A office buildings dropped by 2.8% compared to December 2021 and amounted to 2,080 Rubles per m² per month, inclusive of VAT and operating expenses. The average rental rates in Class B buildings amounted to 1,400 Rubles per m² per month, inclusive of VAT and operating expenses. In 2022 asking rental rates in class B office centers increased by 0.7% relative to the price indicator as at Q4 2021.



Volume of vacant spaces and average rental rates
in office centers by districts of St Petersburg, as at the end of 2022



* per m²/month, incl. VAT and OPEX

WAREHOUSE MARKET



"IN THE WAREHOUSE DIRECTION, THE WORD "STABILIZATION" LOOKS THE MOST SUITABLE FOR DESCRIBING 2022.

At first, the wave-like vacancy growth that alerted the players in absolute terms did not exceed the values natural for the segment: consistently released areas were absorbed by active market participants just as consistently. At the same time, the peak rental rates that have passed since 2021 have stabilized and began to reflect the natural state of the market.

With regard to development, there is a feeling that the market has successfully overcome the phase of suspensions. Previously, the players adhered to the line of restrained prudence and focused on completing the construction of already started facilities. In the absence of new global shocks, we can cautiously expect further stabilization of the segment and the development of new projects."

Alexandr Shevelev

Head of Industrial Real Estate Department

Stock

In 2022, 13 warehouses totaling about 447.1 ths. m² were put into operation (+79% vs 2021). 189 ths. m² of the commissioned warehouses are speculative twice as much as in 2021. The others were built-to-suit (53%) and owner occupied projects (5%). About 470 ths. m² of warehouse facilities are to be put in operation in 2023. 54% of the properties are related to speculative supply. The total speculative supply growth would be 35% higher than 2022 figure as long as the commissioning deadlines are met.

	Stock (GBA), m ²	Vacancy, %	Vacancy, m ²	Completions (GBA), m ²	Average rental rates, ₺ *
A class	3,087,000	3.0%	93,900	442,100	580 – 760
B class	1,086,300	1.9%	20,700	5,000	
	4,173,300	2.7%	114,600	447,100	

* per m²/month, incl. VAT and OPEX

Demand

In 2022 at about 446 ths. m² of high-quality industrial properties were sold and rented out in the St Petersburg market (-46% vs 2021). 52% of the space was leased out. In absolute terms, the gross rental transaction volume decreased by 40% compared to 2021. The principal demand was formed by the logistics companies (51%). Industrial enterprises rented -64% less of warehouse facilities then in 2021. Retail and distribution sector's demand declined by -82% year-on-year.

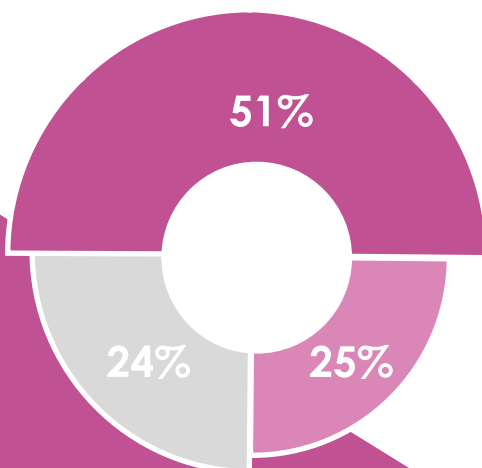
Major lease deals, 2022

Warehouse complex	Leased area, m ²
Trodex Logistic	23,100
AKM Logistic	17,000
Pactum Holding	16,000
Shushary	12,600
Shushary	8,000

Large warehouse complexes commissioned in 2022

Name	Area, m ²
Warehouse complex OZON	113,100
PNK Park Shushary-3 (Vseinstrumenty.ru)	97,300
PNK Park Shushary-3 (OZON)	59,500
NART agro-park	40,800
Estel	25,700
Ahlers	25,300

Sectoral structure of demand, 2022

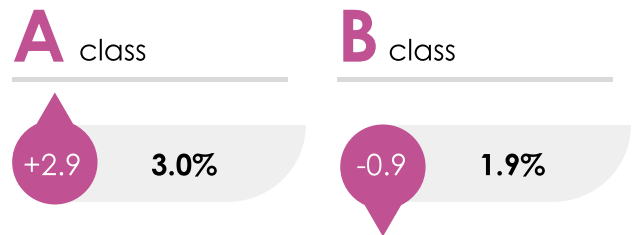


Occupancy

Growth in new speculative supply and the release of spaces on the secondary market, along with a reduction in demand, led to an increase in the average vacancy rate on the market for the first time since 2015. As of the end of December, 3.0% (+2.9 p.p. in relation to the final indicator of 2021), was vacant in Class A warehouse buildings. In Class B warehouse complexes 1.9% was vacant (-0.9 p.p. to December 2021). In total, following the results of 2022 at about 115 ths. m² were vacant (that is 2.7% of total stock).

Vacancy level dynamics, 2022

by the level of Q4 2021



Rental rates

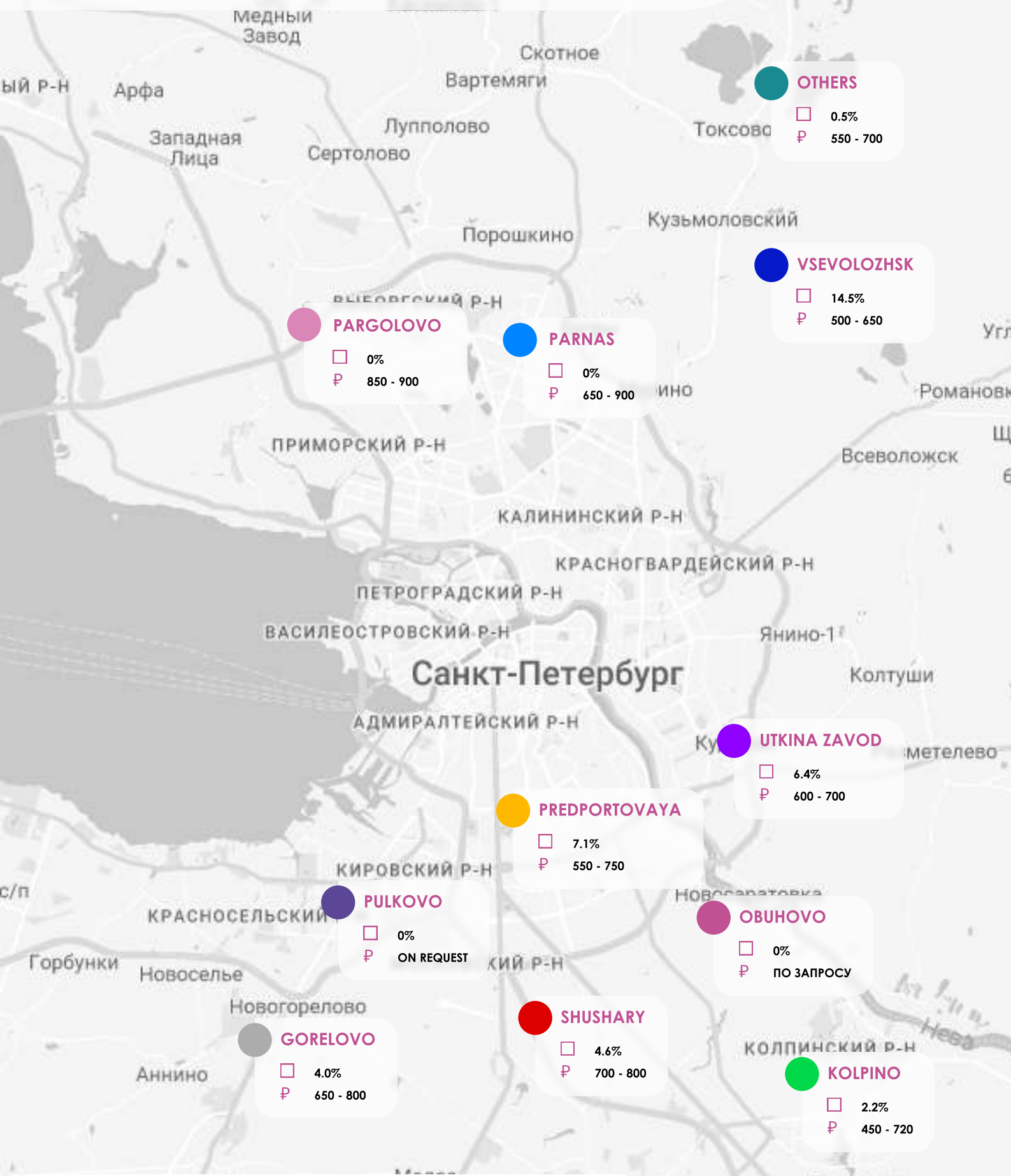
In 2022 increase in speculative supply along with vacancy ratio exerted the asking rental rates within some industrial zones. The average level of rental rates have not varied considerably and amounted to **580 – 760 Rubles** per m²/month, inclusive of VAT and operating expenses. Utility charges are paid on the basis of actual consumption.

Average rental rate, 2022



per m²/month, incl. VAT and OPEX

Volume of vacant space and average asking rental rates in warehouses of St Petersburg and Leningrad region, as at the end of 2022



* per m²/month, incl. VAT and OPEX
 % – vacancy level at the end of December 2022

RETAIL MARKET

Stock

In 2022 three shopping centers were opened on St Petersburg market.

Name	SEC Prometey	SC Mixer	SC within residential block New Ohta
GLA, m ²	12,600	12,600	8,000

In 2023, the market will add 85 ths. m² of retail space (GLA).

Demand

The retail letting market reduced by 16% in 2022. In 2022, fashion-operators were the leaders in terms of demand (35% in gross demand, +3 p.p. vs 2021; -10% in absolute terms). A comparable situation was observed in the catering segment, which ranks second in terms of demand (13%, +3 p.p. vs 2021; +3% in absolute terms). Demand for retail spaces from FMCG chains reduced in 2022 (6%, -1 p.p. vs 2021; -26% in absolute terms). The largest decrease in demand in 2022 was in the household appliances and electronics retail sector (3%, -3 p.p. vs 2021; -53% in absolute terms).

Stock (GLA),
m²

4,257,000

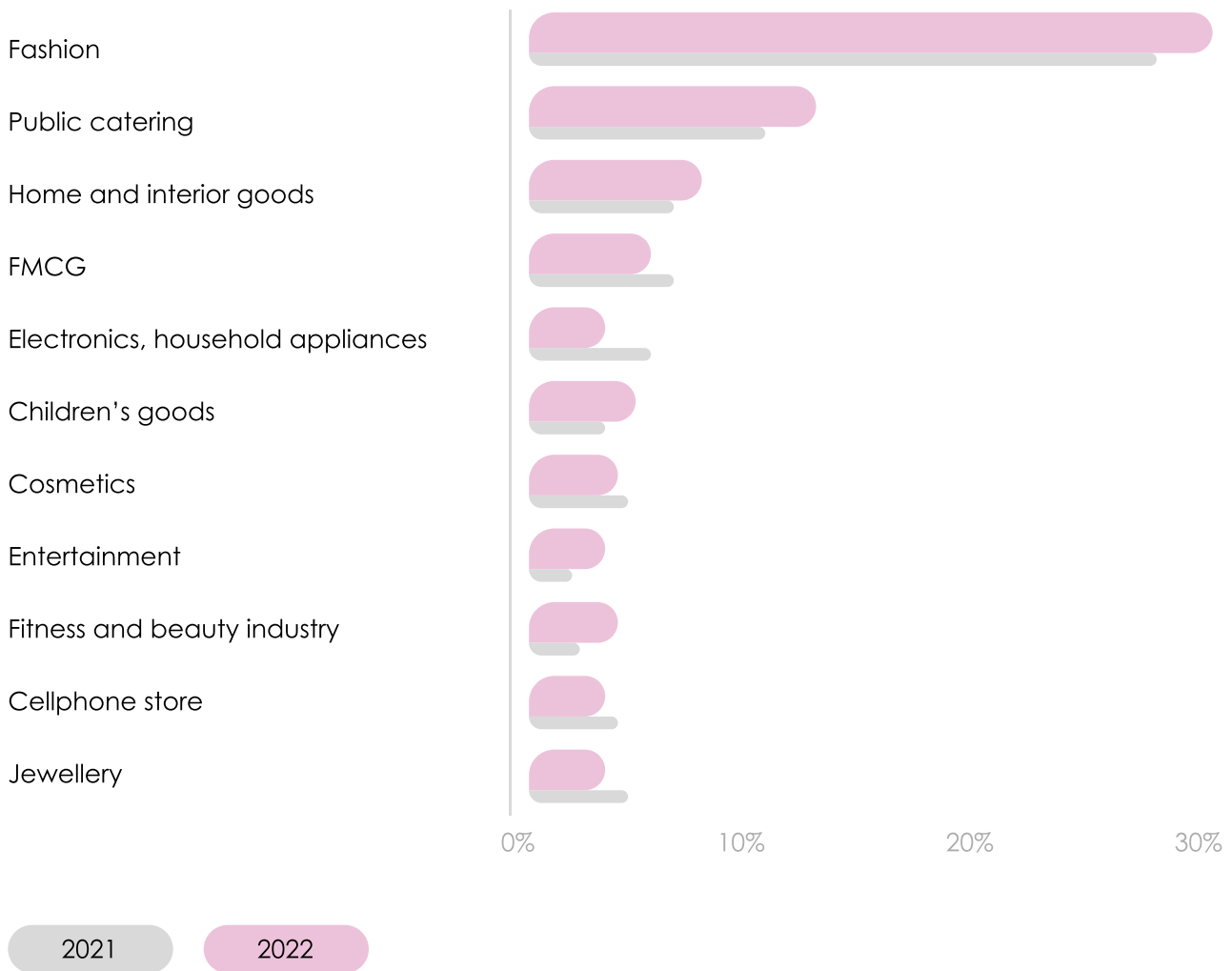
Vacancy, %

10.0%

Completions
(GLA), m²

33,200

Leaders in the number of openings, 2022



New brands

In 2022 thirty three local and six foreign brands entered St Petersburg retail market.



HOTEL MARKET

The main trends of the travel season

Tourist flow exceeded 8 mln people, according to the Committee on Tourism data (+33% vs 2021).

Occupancy of the accommodation facilities in St Petersburg averaged 60%.

Pulkovo Airport passenger traffic made up 18.2 mln people (+0.6% vs 2021).

The level of tourist satisfaction in St Petersburg leads the country and has been in the range of 84–85% in the last two years.

Stock

In 2022, there were 235 3*–5* hotels with 25,433 rooms in St Petersburg. As of the end of December 2022 20% of the total room stock remained operated by international hotel operators (vs 36% as at the end of 2021).

Hotels opened in 2022

Class	Room capacity	Number of properties
4*	742	5

Accommodation facilities planned to be opened in 2023

Class	Room capacity	Number of properties
5*	24	1
4*	100	1

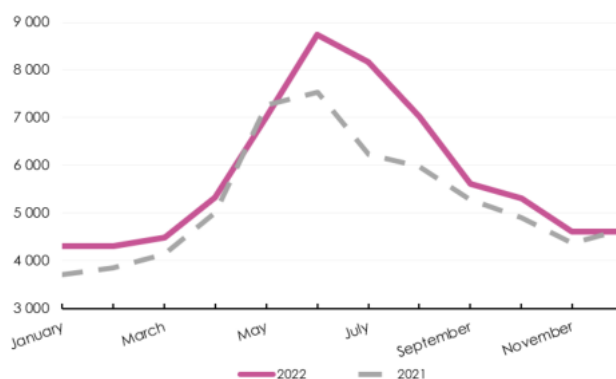
Awards 2022

St Petersburg and the Leningrad Region endowed by the Russian Travel Awards in nominations: Territory of Event Tourism, Territory of Children's Tourism, Territory of Masters of Hospitality.

Average daily rate in 3*-5* hotels, 2022

Class	5*	4*	3*
Average	13,900 ₺	5,800 ₺	4,000 ₺
Change, y/y	+ 3.0%	+ 9.4%	+ 14.3%

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



In 2022 the following international hotel operators quit St Petersburg hospitality market: Sokos Hotels, Marriott International, InterContinental Hotels Group, Four Seasons Hotels and Resorts, Top International, Kempinski, Best Western Plus.

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.

Maris became the winner in the nomination Consultant of the Year in the field of commercial real estate in the federal CRE AWARDS in 2014 and 2021.

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

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Maris

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