

# #MARKETBEAT

Q1 2022

APRIL



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The cover image for the Macroreview section features a collage of financial symbols including dollar signs, upward-pointing arrows, and various banknotes and coins, set against a dark background.



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The cover image for the Urban Development section shows a red and white obstacle course structure on a grassy field, with a person's legs visible in the background.



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The cover image for the Offices section depicts a close-up of several white office chairs or desks, with a focus on the legs and casters.



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The cover image for the Retail section shows a colorful Rubik's cube on a reflective surface, with a blurred background of a retail store.



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The cover image for the Warehouse & Industrial section features a pile of light-colored wooden planks or beams on a white surface.



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The cover image for the Hospitality section shows a scenic view of a snowy mountain landscape with several small, colorful buildings, likely a resort or ski town.



# MACROREVIEW

## MACROREVIEW

- Russia entered economic free fall.
- To a first approximation forecasts show 8-12% of GDP fall in 2022 and potentially following decrease in 2023.
- Financial and economic sanctions are already included in the forecasts, while the results of international business's exodus we will be able to evaluate later.
- We will see first results of the sanctions in Q2 2022, but full-scale implications will come by autumn.

**20** %

Key Rate, April 2022

**20-25** %

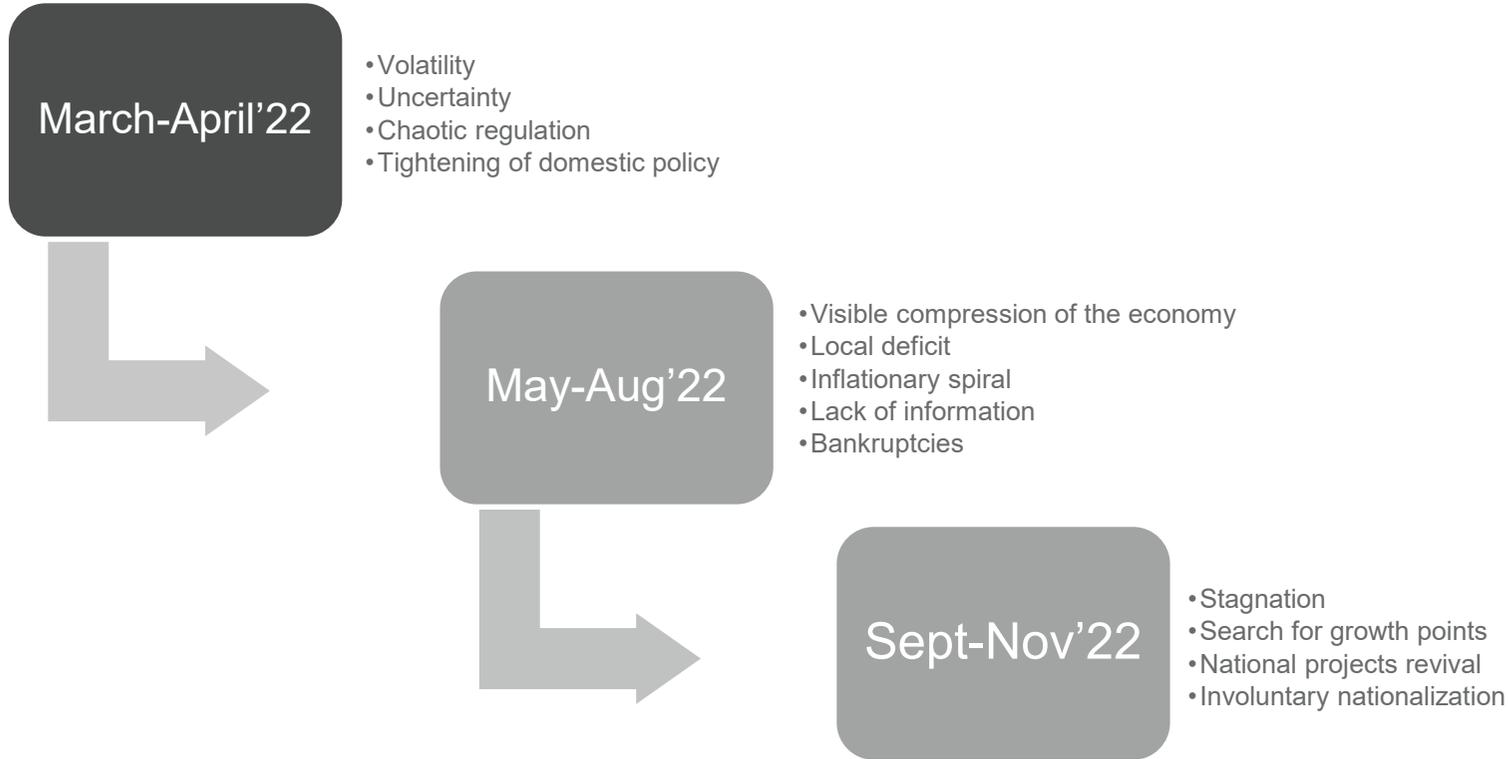
Expected Inflation, 2022

**-8 -12** %

Expected GDP Fall, 2022

## SHORT-TERM FORECAST – 3 PHASES OF CRISIS

“Hot” phase of the crisis will come in summer when the geopolitical situation is stabilized.



## FALL IN 2022

Preliminary forecasts suggest GDP fall in 2022 as comparable to 1992 (-14%). But the main question now is duration of the crisis not depth.

Seven years of economy recession in 1990s resulted in 40% of accumulated GDP fall.

**-8-12 %**

**Preliminary GDP Fall**

In 2022

**-5.3 %**

**GDP Fall**

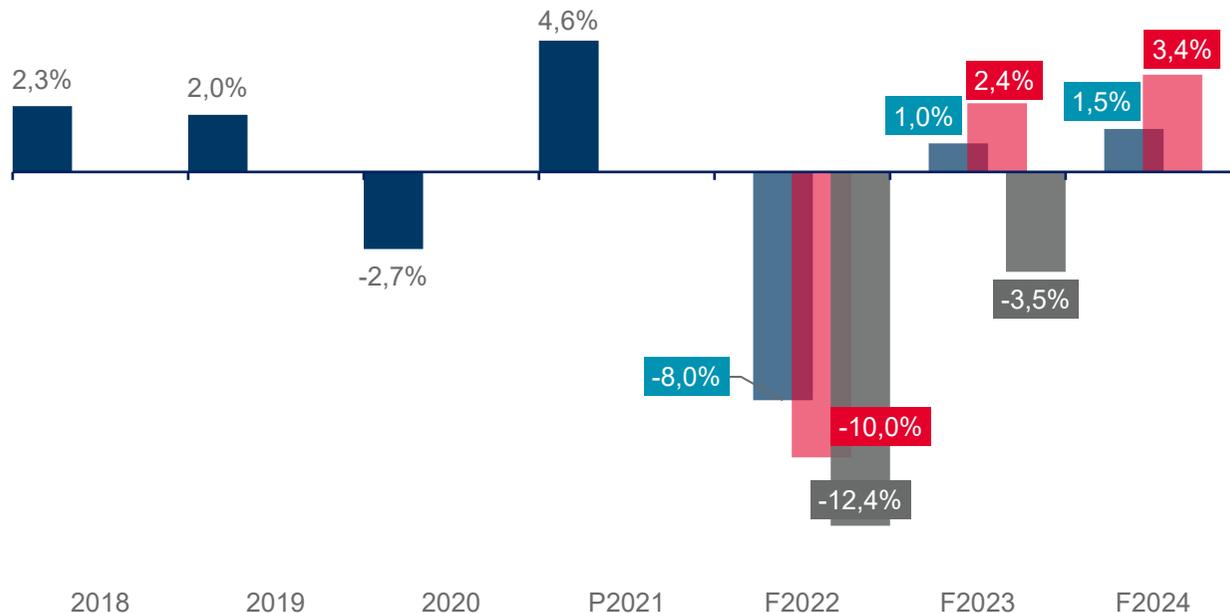
In 1998

**-7.8 %**

**GDP Fall**

In 2009

GDP Forecast



- GDP Growth | Рост ВВП, %
- Consensus forecast from Central Bank (March 2022) | Консенсус-прогноз ЦБ РФ
- Barclay's (March 2022)
- Goldman Sachs (March 2022)

# INFLATIONARY SPIRAL

**23%**

Production Price Index in 2021

**20+ %**

Expected CPI in 2022

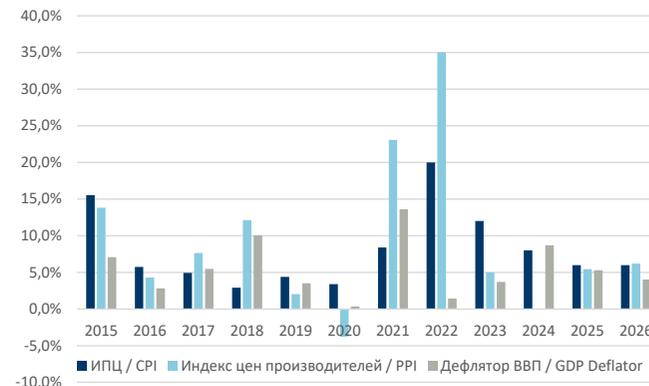
Source: Moody's

PPI grew noticeably in 2021 (23%), but producers did not have a chance to cascade this growth to customers. 2022 started with a strong inflationary pressure in the consumer sector.

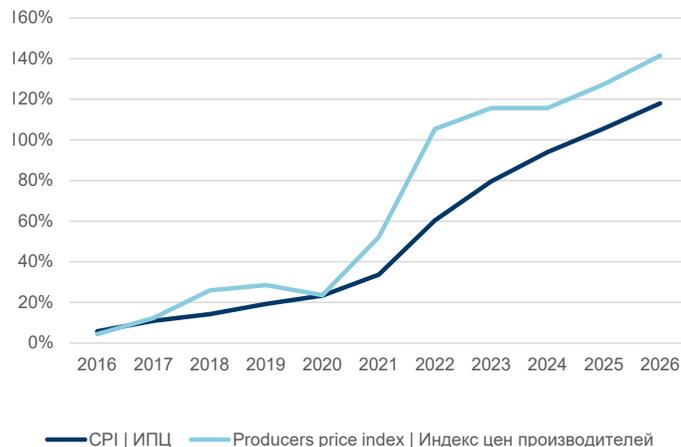
First inflationary wave will end in April. The second one will come by the end of summer due to falling production efficiency. Import substitution will lead to cost increase in the short-term.

CPI will keep high levels for several years.

Annual Inflation



Aggregated Inflation



# AGAINST THE MARKET

Crisis goes in waves, business makes timely decisions on each of them. Today the logic of the following events is clear which allows to take measures in advance, sometimes against the market.

Too much optimism is as dangerous as deep pessimism. While the current economic fall is harder than everything we experienced before, the Russian economy is more diversified and resilient than in 1990s.

The real estate lost status of a long-term investment asset, but it is still attractive in inflationary environment.

In turbulent times capitalization of the asset is not that important as a stable cash flow.





# URBAN DEVELOPMENT

# BIG CIRCLE LINE – THE NEW CENTRALITY

Moscow has evolved into a radial-ring plan city. The current city center is clearly determined by the system of concentric streets. However, the situation is going to change soon due to the completion of the Big Circle Line of Moscow subway in 2022.

We will try to understand the logic behind the Big Circle Line's route and its asymmetry. Throughout analysis we will consider Moscow in terms of metrocommunes - areas around a single subway station or interchange.

**Nikita Dronov**  
Analyst,  
Urban Development



## THE NEW RING FOR THE NEW GEOGRAPHICAL CENTER

The geographical center of Moscow in terms of metrocommunes (the accessibility center) shifts south-west as new metro stations open in the New Moscow. The Big Circle Line therefore sits around the new center. On the contrary, the “old” center and the smaller Ring Line are left off-center.

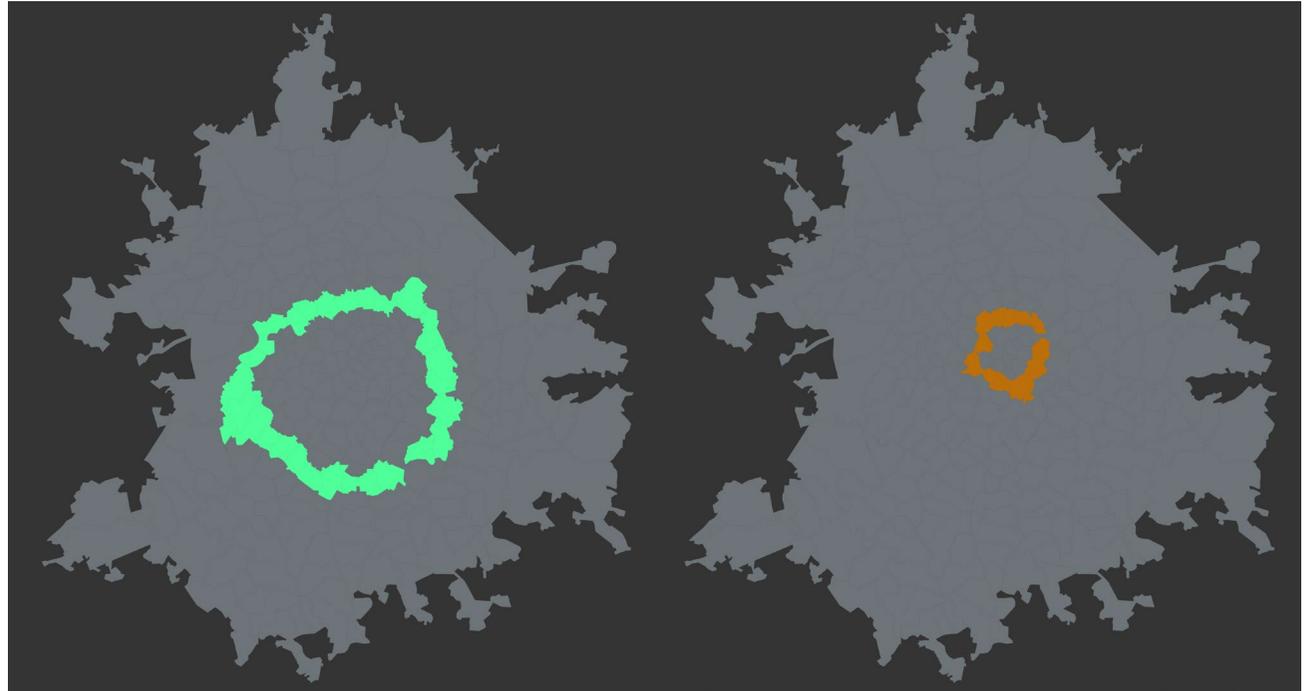
### All round the accessibility center

On the map of Moscow metro, the old Ring Line is depicted in the center. A whole different view is on the map of Moscow in terms of metrocommunes. (we consider Moscow territories as those within practical subway service). The centroid of this territory is therefore an availability center – point within equal travel time to every direction in Moscow where subway is available.

According to our calculations, the accessibility center is located at Park Kultury, district Khamovniki, **3.25 km from the zero kilometer** of Moscow.

The Big Circle Line goes around this new center, which **eliminates the visual asymmetry of the line** on the schemes.

Metrocommunes of Big Circle Line (on the left) and Ring Line (on the right) on top of the map of Moscow in terms of metrocommunes



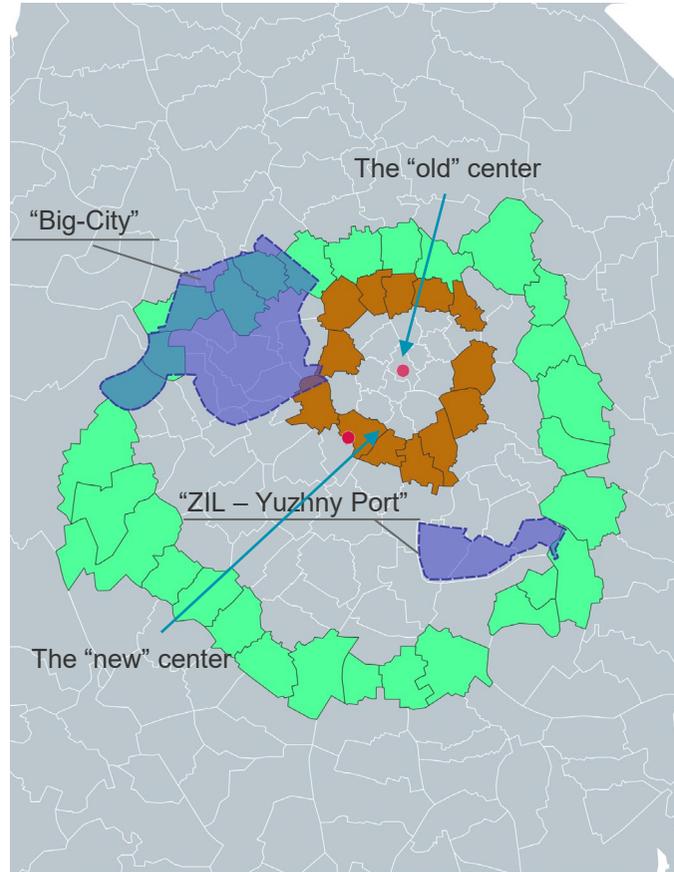
Learn more about metrocommunes in “Urban Development” chapter of [MARKETBEAT Q2–2021](#)

## CENTRAL CHARACTERISTICS

- Big Circle Line sets the new border of the city center incorporating its major development hotspots: CBD, “Big-City” and “ZIL – Yuzhny Port”
- Centroids of Big Circle Line and the territory of Moscow in terms of metrocommunes are the same
- Metrocommunes of Big Circle line obtain 2 central characteristics: relatively small size and shape that is close to regular (round or square)

These characteristics are beneficial for the overtaking development of corresponding metrocommunes.

Metrocommunes of Big Circle Line and Ring Line on the map of metrocommunes



Khamovniki district is becoming a new geographical center of Moscow. This means that Moscow suburbs are equally accessible from here to all directions.

Currently business activity in the area is relatively low. The new centrality may affect development of the district.



# OFFICES

The segment is under pressure due to geopolitical risks and economic uncertainty. The forecast was revised towards lower demand, vacancy rate increase, lower rental rates and negative absorption.

## Moscow

Q1 2022 (Classes A & B)

**18.96** mn sq. m

Total Stock of Office Buildings

**1.6** mn sq. m

Vacancy

**13** ' 000 sq. m

New Construction

**8.3** %

Vacancy Rate

**368\*** ' 000 sq. m

Take-up

**-9** ' 000 sq. m

Net Absorption

**19,852** RUB / sq. m  
annum

Weighted Average Base Rental Rate

*\*The indicator is exclusive of deals executed in flexible workspaces*

# 2022: WE HAVE WHAT WE HAVE

Obviously, the demand will transform. In 2021 tenants were interested in new projects, relocation to higher-class buildings and office expansions. In 2022-23 their interest will switch to cost-effective options and optimization of current offices. As always, we provide our clients with the best solutions.



**Natalia Nikitina**

Partner,  
Head of Department  
Office Group

## FORECAST REVISION

All business processes are frozen, and no market recovery is expected in the short-term. Along with economic turbulence, market players will face a shortening of a planning horizon. As a result, demand will shrink, and tenants will be interested in moving to cost-effective options and office optimization.

Key indicators, A & B classes	2021	2022 Forecast		Forecast change
		from Jan'22	from Mar'22	
New Construction, sq. m	590,529	500,000	<b>250,000</b>	- 50%
Take-up, sq. m	1,948,893	1,700,000	<b>1,000,000</b>	- 41%
Rental Rates*, RUB / sq. m / annum	21,710	22,765	<b>20,600</b>	-10%
Vacancy Rate	8.2%	9.7%	<b>11.8%</b>	+ 2.1 p.p.

## OFFICES

# VACANCY

International companies are pulling out of Russia, that is a major risk for office vacancy.

# 8.3 %

Vacancy Rate

March 2022

# 11.8 %

Vacancy Rate

2022F

## Office Stock Composition



More than 300 international companies have announced plans to suspend or halt operations in Russia.

We estimate that they occupy 570,000 sq. m (3% of total office stock). But the shrinkage of economy will also affect local market players.

So, we expect vacancy rate to increase in 2022-23.

# NEW CONSTRUCTION AND ABSORPTION

New construction will dramatically decrease due to low demand, difficulties in raising finance and increased prices for construction materials. Absorption will remain negative.

## New Construction

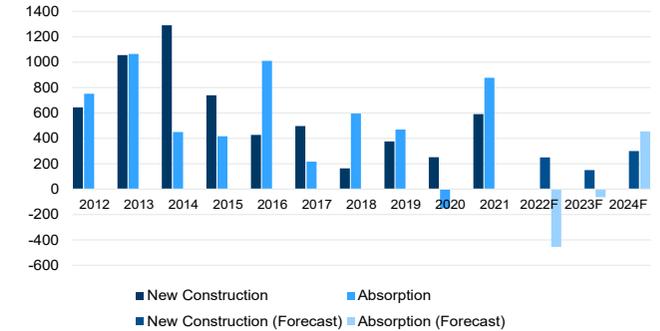
In 2022-23 completion of new properties will be postponed to later periods. In 2021 we expected decrease in new construction mainly associated with properties at the initial stage of development due to the sharp increase in prices for construction materials. Nowadays office buildings that are at the final stage of development are also under pressure. Construction of some properties may be frozen. We expect the indicator to be at the level of 250,000 sq. m in 2022 (-50% compared to the forecast from January 2022).

## Absorption\*

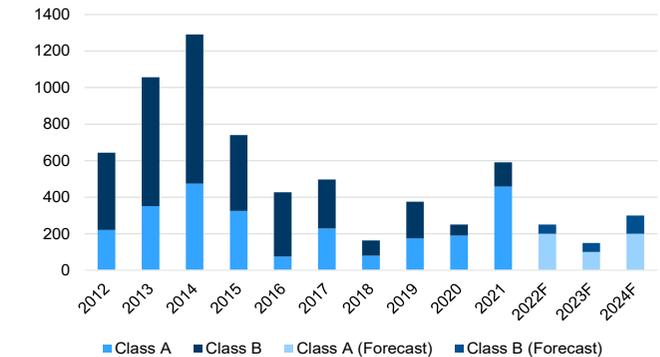
In 2021, the delivery of large built-to-suit and fully pre-leased properties were key drivers of indicator's rapid shift from red to green zone. By the end of Q1 2022 the indicator amounted to -9,000 sq. m. Absorption will keep negative due to restrained demand and low new construction including built-to-suit projects.

**\*\*Absorption** is an indicator that reflects the difference between the area occupied at the beginning and at the end of the period. *Positive* absorption means that additional vacant office premises are "absorbed" from the market. *Negative* absorption reflects the opposite - release of additional office space, which together with new construction leads to vacancy.

New Construction And Absorption



New Construction by Class



## RENTAL RATES

Buildings with high vacancies will have to decrease rental rates to attract tenants that will look for “economy” offers.

# 20,544 RUB / sq. m annum

01.01.2022-23.02.2022

Ruble Equivalent (All Deals in Classes A & B)

# 18,454 RUB / sq. m annum

24.02.2022-31.03.2022

Ruble Equivalent (All Deals in Classes A & B)

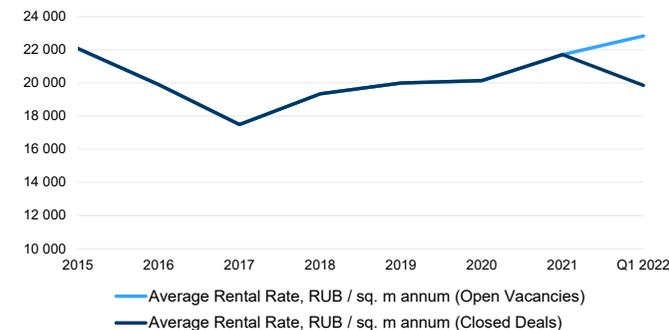
*Rental rates are exclusive of VAT and operational expenses*

Open vacancies may show growth of rental rates (mainly, high-quality buildings with low vacancy) during the coming 3 months. Due to businesses on stop we will see noticeably low take-up. Rental rates of closed deals will keep close to stable.

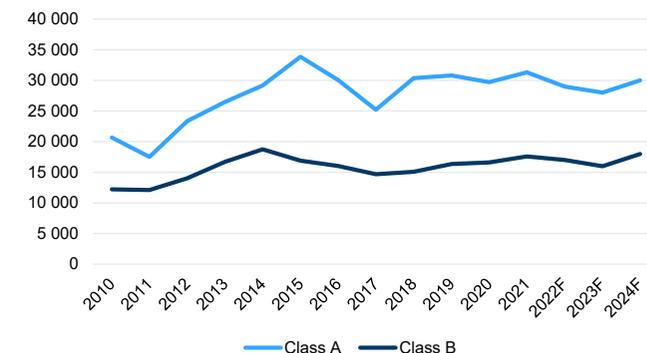
Leasing activity will grow in the second half of the year due to relocations in terms of cost optimization. However, take-up is expected at low levels, and vacancy will start growing. By the end of the year closed deals will show decrease of rental rates at about 5%.

The deals closed after the February 24<sup>th</sup> have already showed 10% decrease compared to January – February 23<sup>rd</sup>.

**Rental Rates: Open Vacancies/Closed Deals, RUB / sq. m annum**



**Rental Rates: Closed Deals, RUB / sq. m annum**



# DEMAND

Cost-optimization will be the main driver for relocation in 2022-23.

**368** '000 sq. m

Take-up

Q1 2022

**1** mn sq. m

Take-up

2022F

Take-up by Classes (Classic Lease), ' 000 sq. m



The forecast was revised in March towards lower take-up (-41%).

New leases will be driven by companies with state participation/government structures. Revival of take-up can be expected after 2023.

## OFFICES

# FLEXIBLE WORKSPACE

In 2022 flexible offices will still be in demand. However, we do not expect large deals.

# 306 '000 sq. m

## Flexible Workspace Stock

Q1 2022

# 154

## Number of Existing Locations

Q1 2022

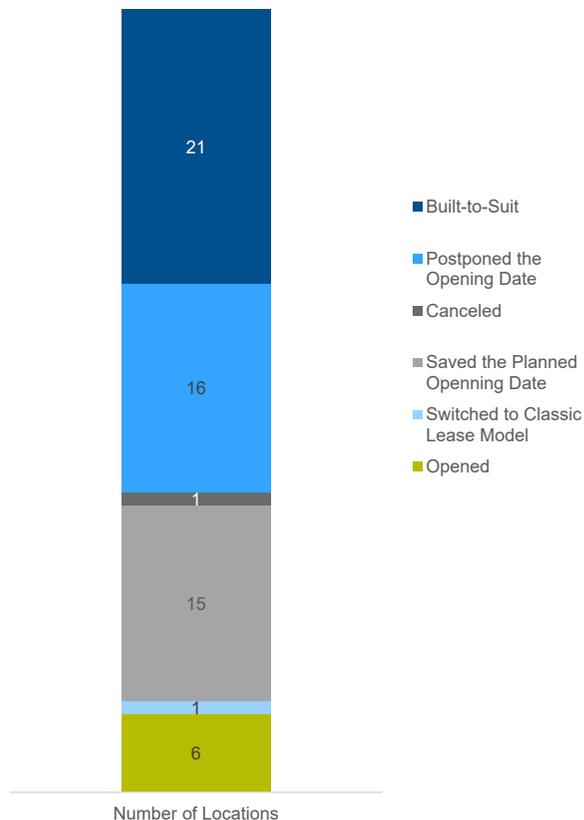
# 84 %

## Chain Operators Share

Q1 2022

## Flexible Workspaces Pipeline For 2022-23: Current Status

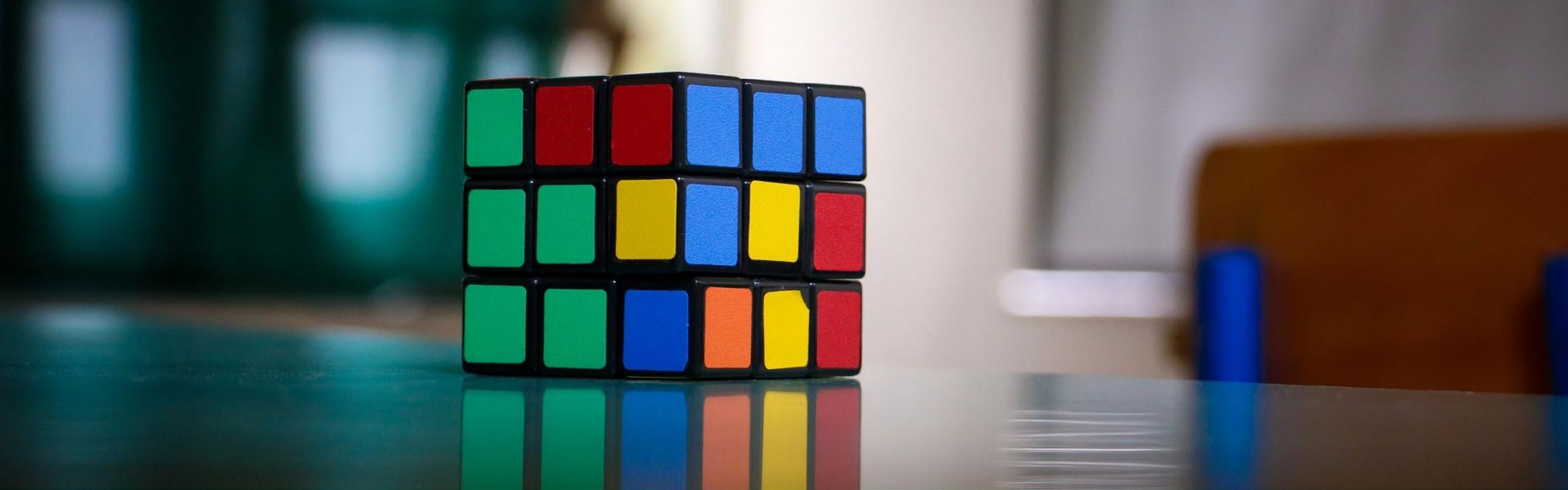
60 locations (288,000 sq. m)



27% of flexible workspaces have postponed delivery dates, 35% of potential inventory are represented by built-to-suit options.

In 2020-21 new flexible supply amounted to 65,000-70,000 sq. m annually. This year the indicator may amount to 90,000-100,000 sq. m, as 45% of annual new supply are OZON's locations that will be opened after 2 major deals executed in 2021.

Due to shortening planning horizon flexible offices will be a perfect solution due to possibility of short-term lease and opportunity to change the required number of workplaces.



# RETAIL

The consumer market is under a huge pressure. In the short term, all market players will struggle against difficulties. The purchasing power of consumers is declining, retailers are forced to rebuild logistics and transform business models, shopping centers risk to face an unprecedented hit of vacancy: potential exit of international brands along with a decrease in the retail sales of domestic companies.

## Moscow

Q1 2022

**6.0** mn sq. m

Total Quality Stock

**27.5** '000 sq. m

New Construction (Retail Properties with GLA of more than 15,000 sq. m)

**11** %

Vacancy Rate in Quality Shopping Centers

2022F

**6.04** mn sq. m

Total Quality Stock

**90** '000 sq. m

New Construction (Retail Properties with GLA of more than 15,000 sq. m)

**20** %

Vacancy Rate in Quality Shopping Centers

# NEW APPROACHES FOR NEW TIMES

We face the time of a deep market transformation. The balance of interest is the key priority for all market players. As a consulting company, we explore all opportunities for our clients: we look at the Asian brands, analyze potential changes in concepts and offer new solutions.



**Olga Antonova**  
Partner, Head of Retail

# CONSUMERS

Sharp inflation and unemployment growth, real disposable income decrease, and high debt load will lead to the squeeze of the consumer market. Deficit in some goods' categories followed by substitution from other producers will also lead to decrease of consumption.

Consumers will need time for adaptation to new reality.

The mortgage market was actively growing during the last 5 years with real booming in 2020 additionally to consumer credits. Repayments will cover the biggest part of the consumer spending in the short-term and will lead to underexpenditures for retail.

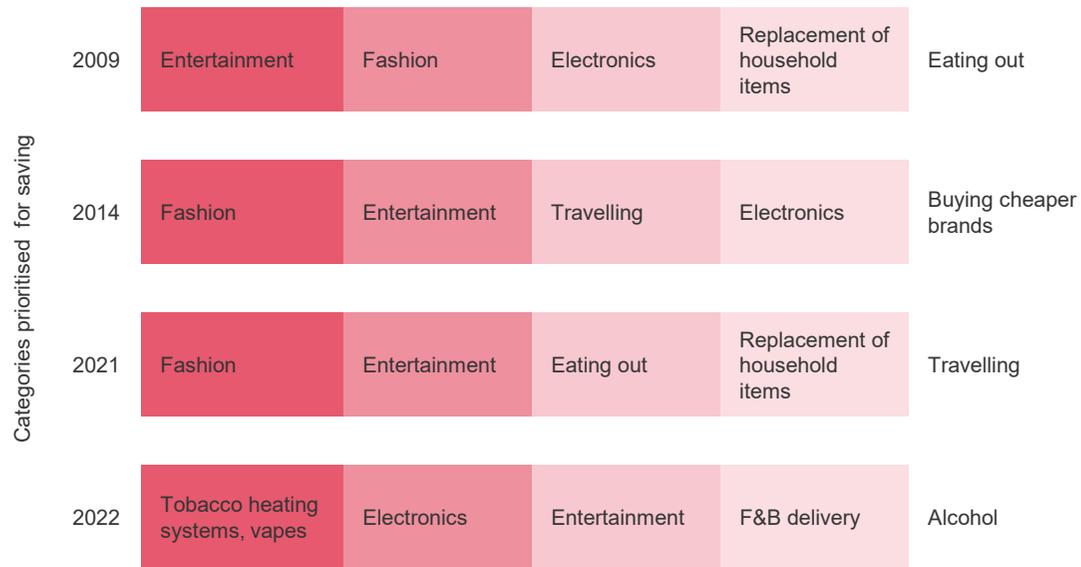
As a result, we will see a deep fall in consumer sales in 2022 followed by a slowdown in the negative dynamics in the mid-term.

## Consumer Market in Russia



Source: Rosstat, The Center of Macroeconomic Analysis and Short-Term Forecasting as of March 2022.

## Consumer Behavior Models in Crises \*



\* The richer the color, the more respondents chose the group of goods / services as the most likely to omit due to the money-saving.

Source: Nielsen IQ 'Consumers in crisis', Romir 'Weekly monitoring of the impact of the socio-economic situation on human beings M-Pulse'.

## VACANCY IN MOSCOW SHOPPING CENTERS

The exit of international brands is one of the key risks for the market. The concept and footfall disruption as well as legal challenges may follow the growth of the vacancy.

# 20%

Vacancy Rate in Quality Shopping Centers,  
Partial Exit of International Brands Scenario

2022F

# 35%

Vacancy Rate in Quality Shopping Centers,  
Total Exit of International Brands Scenario

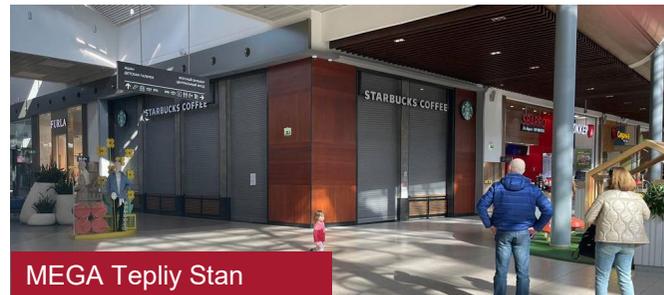
2022F

Growth of the vacancy is one of the consequences of the current crisis. Different formats will face it in own way.

Large and mid-size properties will have to re-think concepts, to deal with vacant areas and probably think about changing functions. One of the short-term solutions for such formats could be rotation of tenants to create more efficient visitor flows and divide 'used' and 'unused' areas. This will help to cut the facility management costs, improve consumer experience and general atmosphere in the shopping center.

Footfalls will be redistributed from large and mid-size retail properties to service retail (retail at transport hubs, street retail in residential complexes) and neighborhood shopping centers (represented mainly by local operators).

### Retailers That Suspended Operations in Russia



MEGA Tepliy Stan



Atrium



RIO Sevastopolskiy

# NEW CONSTRUCTION

In Q1 2022, the new commissioning in Moscow amounted to 27,500 sq. m (Discovery SC in Khovrino transport hub and Vnukovo Premium Outlet). The key delivery in Russian regions is iMALL Esplanada in Perm (GLA 40,500 sq. m).

**90** '000 sq. m

New Construction in Moscow  
2022F

**100** '000 sq. m

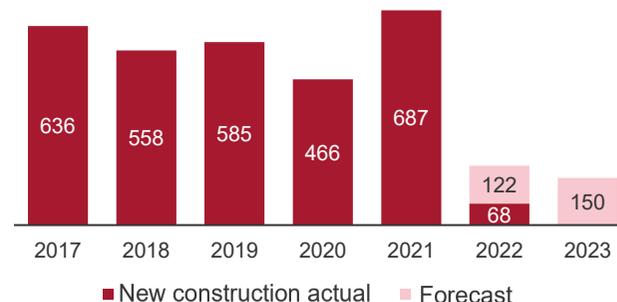
New Construction in the Russian Regions  
2022F

In 2022-2023, the construction volume decrease was expected due to the records of 2021 (new construction in Russia reached its highest level over the past 5 years – 21 quality shopping centers with total GLA of 687,000 sq. m).

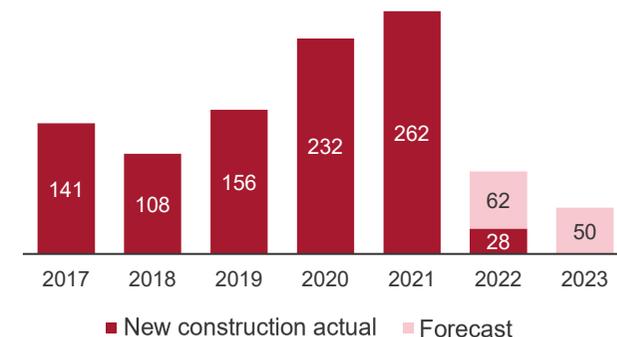
In March, the forecast of new construction was reviewed downward. In 2022, the indicator is expected to reach 90,000 sq. m in Moscow and 100,000 sq. m in regions.

In the next two years, we expect decrease in construction. The growth of construction costs and weak consumer market will support this trend.

New Construction in Russia (including Moscow), '000 sq. m



New Construction in Moscow, '000 sq. m



## FOOTFALL IN MOSCOW SHOPPING CENTERS IS DECREASING

By the mid-March, the growth of footfall in Moscow shopping centers was recorded. However, by the end of month, the indicator showed a year-to-year decline of 2.5%.

# -2.5%

Footfall in Moscow Shopping Centers

March 2022 vs March 2021

# -20.7%

Footfall in Moscow Shopping Centers

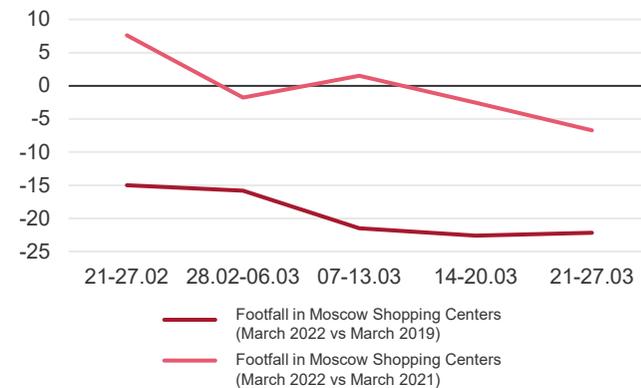
March 2022 vs March 2019

Source: Focus, Romir

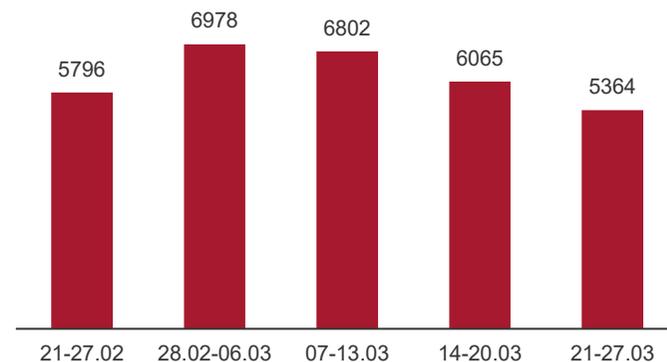
In the short term, we expect the decrease in footfall to continue. In the mid-term, shopping centers might become a point of attraction as a place for spending time and entertainment. However, consumers will prefer the cheapest options. Conscious consumption and saving will become the key consumer pattern for several years.

The main strategy for the shopping centers will include optimization of facility costs, rotation of tenants, growing share of economy stores, discounters, and multifunctional zones with wide range of services.

Footfall in Moscow Shopping Centers (Mall Index), 2022, %



Weekly Average Spending, Russia, RUB





# WAREHOUSE & INDUSTRIAL

The market faced the current crisis at the peak of growth and has a certain margin of safety. Specifics of the segment determines its stability and resilience to economic turbulence. However, exit of international companies, weak consumer market, high PPI and CPI are among risk factors. We expect the market to slowdown in the next 2 years with a gradual recovery in 2024-2026. The peak of the crisis will be visible in the end of 2022 and will result in 2023 indicators.

*\* Average weighted asking rental rate in existing properties excluding OPEX, utility and VAT.*

## The Moscow Region

### Q1 2022

**21.1** mn sq. m

Total Stock of Warehouses,  
Classes A & B

**6,700** RUB / sq. m / year

Rental Rate\*, Class A

**248** '000 sq. m

New Construction, Classes A & B

**1.7** %

Vacancy Rate, Class A

**455** '000 sq. m

Take-up, Classes A & B

# WITHSTAND TOGETHER

New supply chains, growth of local producers and entry of new Asian retailers are new opportunities for the market. In 2022-2023, the market will be under pressure from the growing vacancy. The social and infrastructural functions of warehouses are the main advantages in crisis.

**Egor Dorofeev**

Partner, Head of Warehouse & Industrial



## FORECAST REVISION

At the end of 2021, we expected the segment stabilization after rapid growth in 2020-2021. However, we face the new reality, and the market will be under the pressure.

Key indicators	2021	2022 Forecast		Forecast change
		from Jan'22	from Mar'22	
New Construction, sq. m	1,399,236	1,400,000	<b>800,000</b>	- 43%
Take-up, sq. m	2,827,004	2,000,000	<b>1,000,000</b>	- 50%
Rental Rates*, RUB / sq. m / annum	5,500	6,000	<b>7,000</b>	+ 17%
Vacancy Rate	1%	1%	<b>5%</b>	+ 4 p.p.

\* Average weighted asking rental rate in existing properties excluding OPEX, utility and VAT.

## VACANCY: POTENTIAL RISKS

The potential vacancy from international companies amounts to 10% of A-class warehouse stock in the Moscow region.

**1.7 %**

**Vacancy Rate, Class A**

March 2022

**5 %**

**Vacancy Rate, Class A**

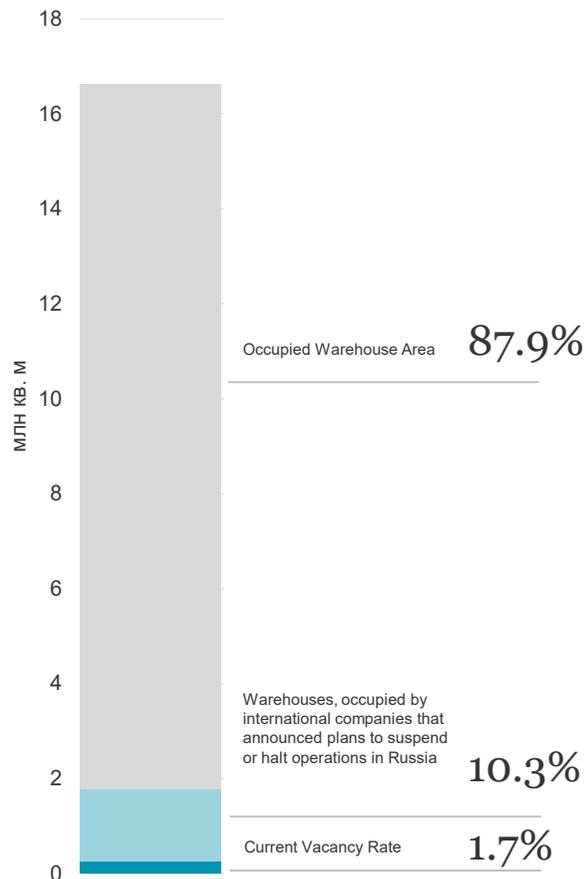
2022F

**10 %**

**Vacancy Rate, Class A**

2023F

Stock Structure, A Class



More than 300 international companies have announced plans to suspend or halt operations in Russia.

We estimate that they occupy 1.5 mn sq. m (10% of A-class stock in the Moscow region). But the slowdown of economy will also affect local market players.

We expect vacancy rate to increase in H2 2022 with a peak in 2023 (up to 10%).

# THE SPREAD IN RENTAL RATES AND INFLATIONARY PRESSURE

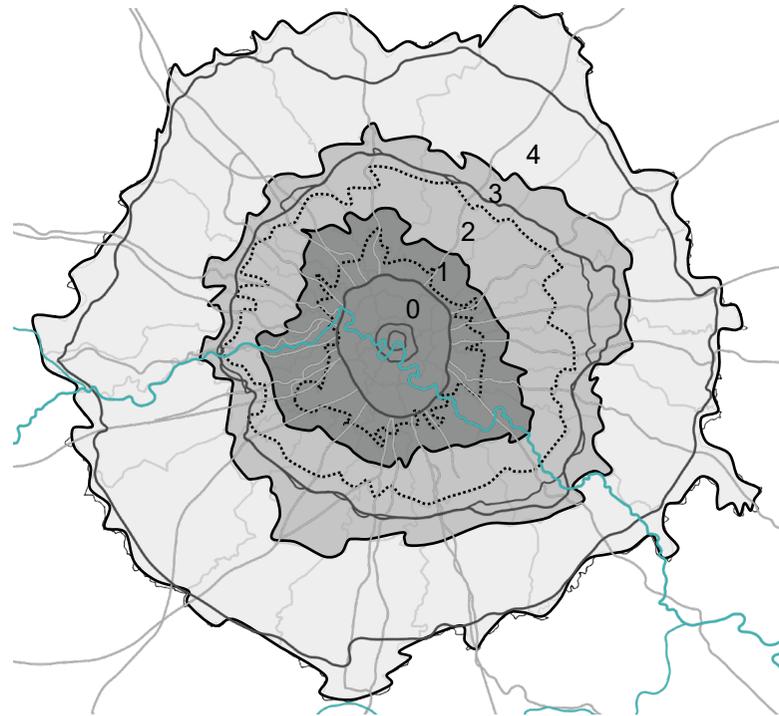
The indicator of weighted average rental rate performs as an indicator of market health. However, the spread in rental rates has been growing since Q3 2021.

In Q3 2022, the rapid growth of rental rates was registered (+22% to 2021 value).

The difference in asking rental rates depending on the remoteness from the city and status of the property continues to grow.

In H2 2022, rental rates will continue to grow due to high inflation with further possible downgrade in 2023.

Warehouse Belts



Average Weighted Rental Rate\*,  
RUB / sq. m / year

	Existing Properties	Under Construction Properties
0-1 Belt (Urban Logistics)	9,300	10,300
2-3 Belt (CRR area)	6,400	6,600
4 Belt	5,800	6,000

\* Average weighted asking rental rate excluding OPEX, utility and VAT.

[Learn more about subagglomerations and "belts" in MARKETBEAT Q4-2021](#)

## NEW CONSTRUCTION

The cost of construction continues to grow due to supply chains disruptions, currency fluctuations and exit/suspension of international companies.

**248** '000 sq. m

New Construction in The Moscow Region, Classes A & B

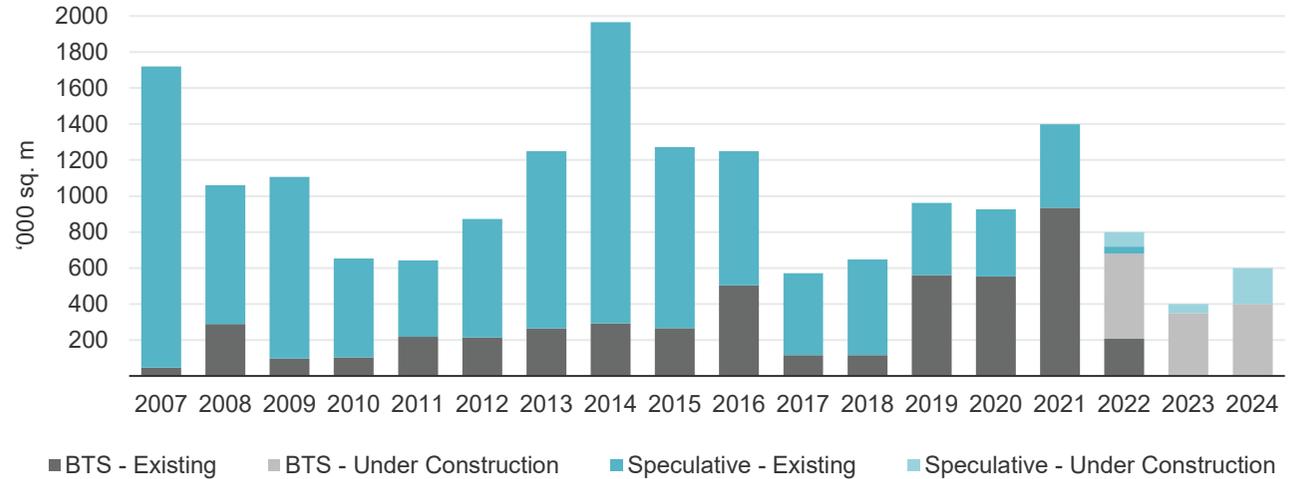
Q1 2022

**800** '000 sq. m

New Construction in The Moscow Region, Classes A & B

2022F

New Construction in The Moscow Region, Classes A & B



We revised the forecast for new construction in 2022 from 1.4 mn sq. m to 0.8 mn sq. m due to the economic slowdown.

Speculative properties at the initial stage of development are under the highest risks.

# DEMAND

All business processes will be frozen in the next 3 months. The peak of the market slowdown will take place in 2023.

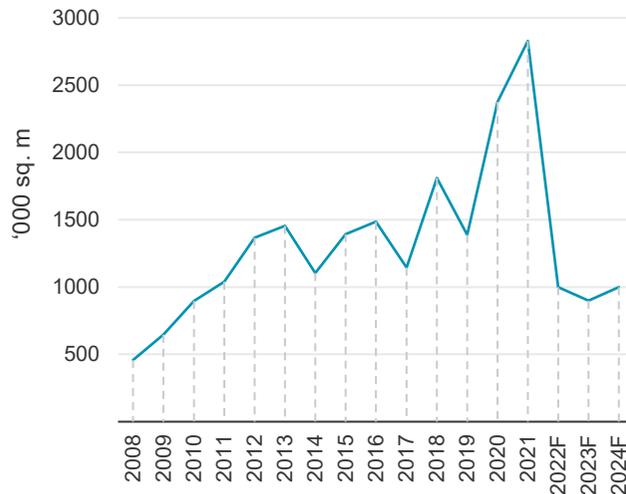
## 455 '000 sq. m

Take-up in The Moscow Region, Classes A & B  
Q1 2022

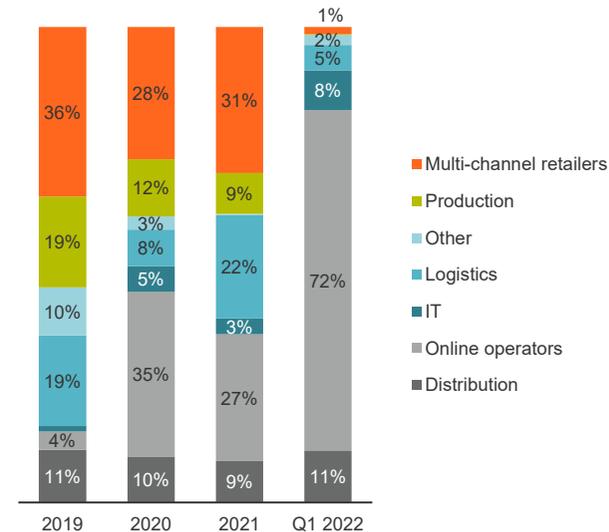
## 1 mn sq. m

Take-up in The Moscow Region, Classes A & B  
2022F

Take-up in The Moscow Region, Classes A & B



Demand Structure, The Moscow Region



In January-February 2022, the market continued to grow, but business processes were frozen in March due to the geopolitical situation. Take-up in Q1 2022 in the Moscow region amounted to 455,000 sq. m (+16% to Q1 2021 value).

Online operators cover 72% of demand or 326,000 sq. m, of which 180,000 sq. m is a built-to-suit project for AliExpress in the A2 Obukhovo. In Q1 2022, we saw the inertial growth of the market. In 2022-2023 we expect decline in demand.



# HOSPITALITY

# PROMISING START OF THE YEAR

## 58.8 %

Occupancy, YTD Feb 2022

Wider Market

## 8.2 p.p.

Occupancy change,

YTD Feb 2022 vs. YTD Feb 2021

Wider market

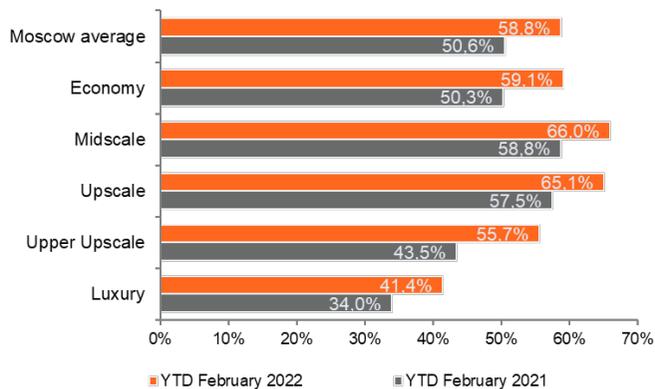
## 7,074 RUB

ADR, YTD Feb 2022

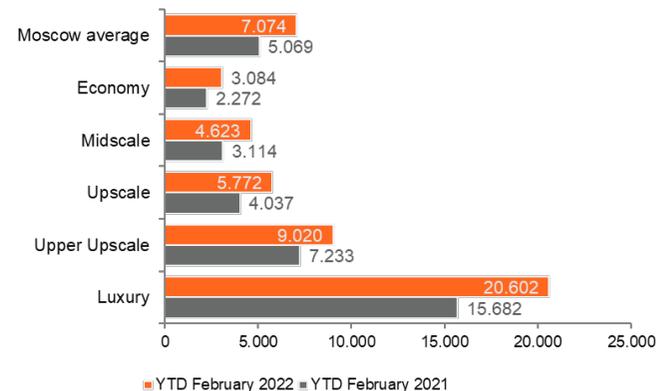
Wider market

Source: Cushman & Wakefield, 2022

Wider market Occupancy(%) by segment:  
YTD Feb 2022 vs. YTD Feb 2021



Wider market ADR (RUB) by segment,  
YTD Feb 2022 vs. YTD Feb 2021



# PARADIGM SHIFT

On the one hand, practical experience of surviving pandemic crisis, gained by the hoteliers during the COVID-19 period, was helpful in preparing them for the current challenges. On the other hand, there is a critical difference between the market situation in 2020 and 2022. Two years ago, the major problems, in market players's view, were the universal ban on cross-border travel, lockdowns, and the long wait for the magic vaccine. Today, however, the political and economic confrontation between Russia and the West has fundamental reasons behind it, which can cause a paradigm shift for hotel operations in the Russian Federation.



**Marina Usenko**  
Partner  
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## DÉJÀ VU SQUARED

**40-45 %**

**Projected Occupancy for Moscow Hotels in March 2022**

Midscale / Upscale Modern Quality Hotels

**-10-20 %**

**Projected Change in ADR in March 2022**

Midscale / Upscale Modern Quality Hotels

Dynamics of the Q1 2022 operating results appears very similar to the same period in 2020 (promising Jan-Feb, followed by a sharp drop in demand in March), but fundamentally, hotel business appears to have returned to the 90's, with room reservations taken by phone, need to operate without habitual hotel management systems, deficit of operating supplies, etc.).

Paradigm shift in hotel business implies the need to replace not just imported goods but – importantly - technologies. In extreme cases, one can talk about replacing hotel operators / brands. Today, the majority of global hotel chains present and actively growing in Russia are mostly US and European companies. The new paradigm may call for less well-known hotel brands and companies which are, nevertheless, present and active in the more promising markets and regions of the world.



## DÉJÀ VU SQUARED

# up to 70%

Share of Direct Reservations in Roomnight Sales in March 2022

Brande Modern Quality Hotels in Moscow

From the operational standpoint, after an initial market shock caused by the start of the special military operation in Ukraine in late February, by the middle of March the Moscow hotel business gradually regained composure and adjusted to working in the new conditions. We estimate that the average Occupancy level in March for non-Luxury hotels in Moscow will reach 40-45%, although this result will be achieved at the expense of an ADR correction (minus 10-20% vs. budgeted levels for the month). Luxury hotels are generally expected to stick to their strategy of protecting rates rather than saving business volumes. Naturally, the situation is far from being stable – rather, we are seeing first signs of market recovery after a period of confusion.

Needless to say, in the situation when traditional hotel distribution channels stopped working properly (the decision of booking.com to leave the Russian market in early March has literally caught domestic hoteliers off-guard), branded hotels do have leverage – in the form of a recognisable brand, good quality website, corporate loyalty program and – last, but not least - professionally trained sales and market teams in place. Unlike the independent properties whose business was very much dependent upon OTA channels, branded hotels managed to replace the lost business by returning to traditional (old fashioned) techniques – staffing reservation departments by more agents and receiving business via the hotel / hotel operator websites. Anecdotal evidence exists that in March, the Moscow branded hotels sold up to 70% of their roomnights via direct sales.

With the sudden departure of booking.com, Russian OTA companies have been busy growing their market shares - and commission rates (increased up to 20-25% of the reservation amount). Replacing the market leader in the OTA segment, both in volumes and market practices, however, will take time. In the meantime, during the transition period, hoteliers are facing growing direct and indirect costs.

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## KEY MARKET INDICATORS

			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
<b>Office Market</b> (Class A&B)	<b>Moscow Agglomeration</b>	New Construction, '000 sq. m	2 206	1 188	972	805	644	1 056	1 293	740	442	497	163	375	251	589	
		Total Stock, '000 sq. m	9 942	11 130	12 102	12 908	13 552	14 608	15 901	16 641	17 083	17 580	17 744	18 119	18 370	18 959	
		Rental Rate, RUB per sq. m p.a.	—	—	—	—	—	—	—	—	22 053	19 999	17 508	19 306	20 015	20 959	17 508
		Vacancy Rate	8,9%	13,5%	11,0%	9,5%	8,2%	7,6%	12,3%	13,7%	9,9%	11,4%	8,9%	7,8%	10,0%	8,3%	
		Take Up, '000 sq. m	1 812	821	1 842	2 029	2 110	1 735	1 293	1 267	1 638	1 919	1 998	2 055	1 520	1 927	
<b>Retail Market</b>	<b>Russia</b> (including Moscow)	New construction, '000 sq. m	1 589	1 387	1 514	1 361	1 914	1 456	2 346	1 877	1 699	636	558	586	466	691	
		Total Stock, '000 sq. m	6 952	8 339	9 852	11 213	13 127	14 583	16 929	18 807	20 506	21 142	21 700	22 286	22 752	23 443	
	<b>Moscow Agglomeration</b>	New construction, '000 sq. m	431	497	362	202	155	173	627	418	444	135	108	156	232	258	
		Total Stock, '000 sq. m	2 143	2 640	3 002	3 204	3 359	3 532	4 159	4 578	5 022	5 157	5 265	5 420	5 653	5 915	
		Prime Rental Rate, RUB per sq. m p.a.	99 480	87 368	88 102	105 804	114 959	121 258	127 380	162 032	145 000	150 000	165 000	175 000	175 000	175 000	
<b>Warehouse Market</b> (Class A)	<b>Russia</b> (including Moscow)	New construction, '000 sq. m	1 781	1 557	706	535	1 288	1 658	2 456	2 125	1 803	940	1 233	1 550	1 545	1 645	
		Total Stock, '000 sq. m	5 722	7 279	7 985	8 520	9 807	11 465	13 921	16 046	17 849	18 788	20 022	21 572	23 117	24 762	
		Rental Rate, RUB per sq. m p.a.												3 500	3 750	3 950	5 200
		Vacancy Rate												4,9%	6,0%	5,7%	2,0%
	<b>Moscow Agglomeration</b>	New construction, '000 sq. m	762	758	404	281	651	1 034	1 419	1 129	1 191	415	738	985	868	1 280	
		Total Stock, '000 sq. m	3 466	4 223	4 627	4 909	5 559	6 593	8 012	9 141	10 332	10 747	11 485	12 470	13 338	14 618	
	Rental Rate, RUB per sq. m p.a.	3 480	3 330	3 340	3 800	4 200	4 300	4 500	4 150	3 650	3 300	3 600	3 900	4 100	5 500		
	Vacancy Rate	2,0%	5,0%	3,9%	1,0%	1,0%	1,5%	6,5%	8,5%	8,3%	7,0%	5,5%	3,6%	3,5%	1,0%		
More details in Excel format can be downloaded <a href="#">by the link</a>			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	

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