

Stable Rental Rates Spark Office Moves

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The Moscow office market looks set to maintain consistent momentum in the first part of 2012. Stable rental prices are likely to encourage tenants to relocate.

In 2011, 37 percent of companies in Moscow increased their office space, while 8 percent decreased it and 55 percent of companies maintained their size, the GVA Sawyer real estate company reported.

The largest amount of office space transacted during the year was in deals of between 2,000 square meters and 5,000 square meters.

"Such deals accounted for a total of 304,000 square meters," Klavdia Chistova, CBRE's office-market research head, told The Moscow Times.

The greatest number of deals, 112 and 113, respectively, were made for office spaces of 500 square meters to 1,000 square meters and 1,000 square meters to 2,000 square meters. As in previous years, popular office sizes start at 150 square meters, CBRE reported.

"Large-scale deals are more and more popular among tenants aiming to consolidate company subsidiaries in one office building," Chistova said.

The first such deals were in 2006, she said. That year PricewaterhouseCoopers leased 34,000-square-meter White Square Building A, VimpelCom leased 31,600-square-meter Hermitage Plaza, Deloitte & Touche leased 29,000-square-meter White Square Building B.

"In 2011, two large-scale deals were signed by Kaspersky Lab — 29,800 square meters, and Mail.ru — 29,900 square meters," she said.

Ten percent of companies saw decreased rental expenses last year, while they increased for 37 percent due to growth of rental rates.

"In 2011, average rental rates for Class A and Class B office premises rose by almost 10 percent and 6 percent, respectively," said Olga Yasko, Knight Frank's director of research for Russia and the CIS. "The average office-market rental rate increase was driven by the growth of rates for properties in prime locations. They are currently in short supply due to the restriction on new construction in the city center," she said.

In 2011, rental rates for good-quality office premises increased, Chistova added. By the end of 2011, prime rents reached \$1,200 per square meter per year. Class A rent also grew, from \$600 at the beginning of 2011 to \$850 by the end of the year. Rents for Class B space were stable, with an average rent of \$450 per square meter per year, she said.

International companies have been less active on the office rental market than domestic ones as their head offices assess the impact of the continuing euro crisis, and this may have an effect on the central Class A business centers, said Mark Pollitt, head of the office-market department at Cushman & Wakefield. It will be domestic Russian companies, particularly from the IT and telecoms sectors, which will be most active and maintain the transaction levels, he said.

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