

Increased Office Space Tax Will Be Hard to Pass On to Tenants

By [The Moscow Times](#)

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The Moscow City business district D. **Abramov / Vedomosti**

A 40 percent increase in property tax will raise the cost of office space maintenance, though developers are unlikely to be able to pass the expense on to their tenants, Kommersant reported.

According to real estate consultants Knight Frank, operational costs are set to grow from between \$10 to \$90 per square meter per month in 2014, following changes in the tax calculation for commercial real estate.

Owners of retail and office space now have to pay taxes equivalent to 0.9 percent of the property's cadastral value, a figure that will grow to 1.2 percent in 2015, 1.5 percent in 2016, and 1.8 percent and 2 percent in 2017 and 2018, respectively. Taxes were previously calculated on the basis of book value.

The average maintenance cost of Class A offices now ranges from between \$130-\$190 per square meter, and from between \$90 — \$100 for Class B offices.

As more than 288,000 square-meters of office space lie empty in Moscow, it is unlikely the increased costs will be passed on to tenants. Business centers may even have to lower their rental rates to attract more customers, with analysts predicting an additional 865,000 square-meters of office space will be built in Moscow this year.

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