

Crisis and New Supply Empty High-Class Moscow Offices

By [The Moscow Times](#)

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Vacancy rates in Class A and B business centers in Moscow hit 25 percent in the first half of this year, a level not seen since the economic crisis of 2009, according to a recent report by real estate consultancy S.A. Ricci.

The drop in occupancy came after a record quantity of Class A and B business centers went on market in the first half of the year — 532,000 square meters, according to consultancy Colliers International — at the same time as macroeconomic uncertainty over the crisis in Ukraine curtailed the activity of tenants and buyers.

Since early 2013, the amount of office space coming on line in Moscow has exceeded its absorption by more than 50 percent, suggesting that vacancy rates will continue to rise in expensive properties with rental rates of more than \$700 per square meter per year, the report found.

This is likely to impact the freshly built Moscow-City commercial district, which has a large portion of the new supply coming onto the market, the company added.

An additional 1.2 million square meters of new Class A and B office space is expected to come onto the market by the end of the year, according to Colliers International.

Vacancy rates vary according to the location within Moscow and quality of the property, from 39 percent in Class A properties in Moscow-City to 4 percent in Class B properties across Moscow's central business district, where most of the city's office space is concentrated, analysts at Colliers International told business daily Vedomosti.

Heightened competition among business centers is beginning to strike rental rates, with the average rate for Class A office space falling to \$750 per square meter per year in the second quarter, Colliers International said. Class B+ and Class B- properties, meanwhile, are on the market for an average of \$485 and \$420 per square meter per year.

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