



JONES LANG  
LASALLE®

*Real value in a changing world*

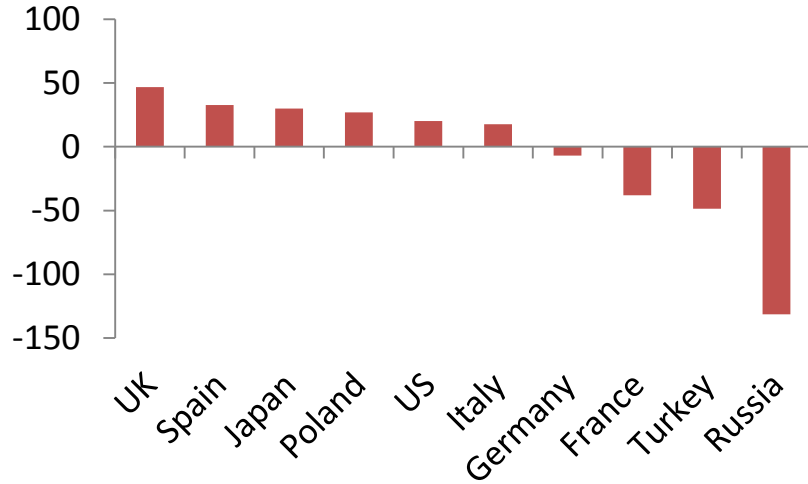
# Russian Real Estate Investment Outlook

February 2014

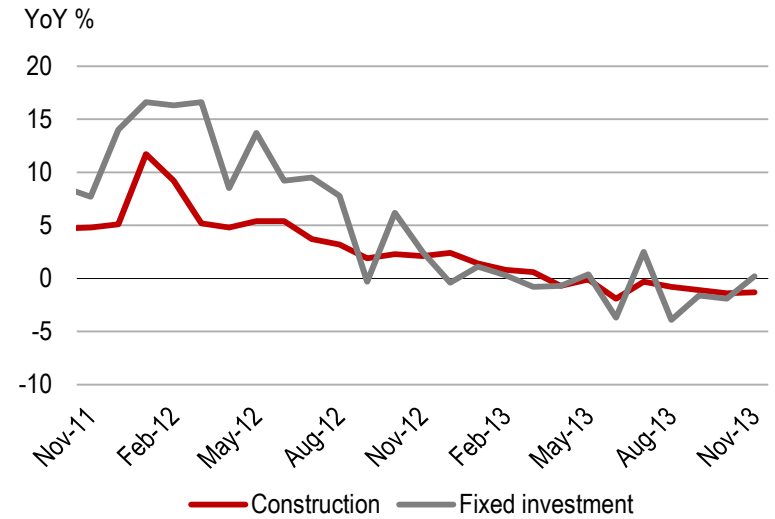


# Economic sentiment is poor

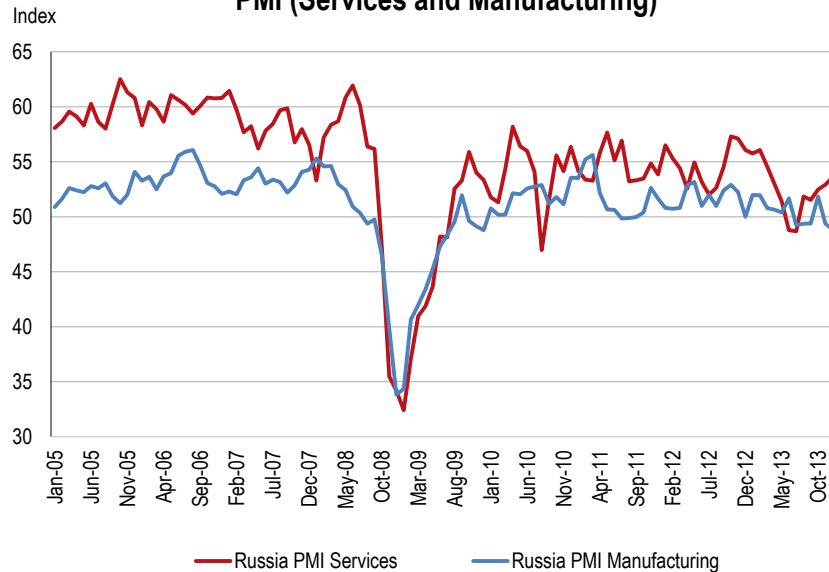
### Cumulative revisions to 2014-15 GDP growth (bps)



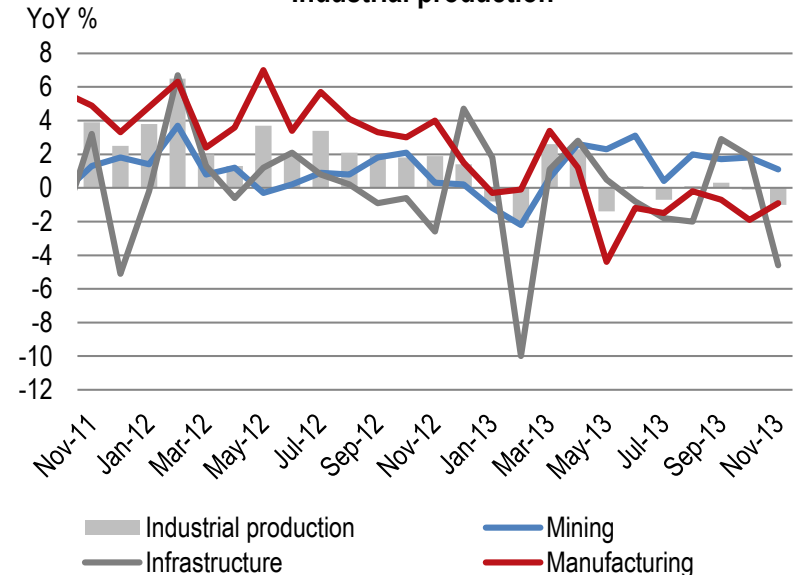
### Construction vs Investment



### PMI (Services and Manufacturing)

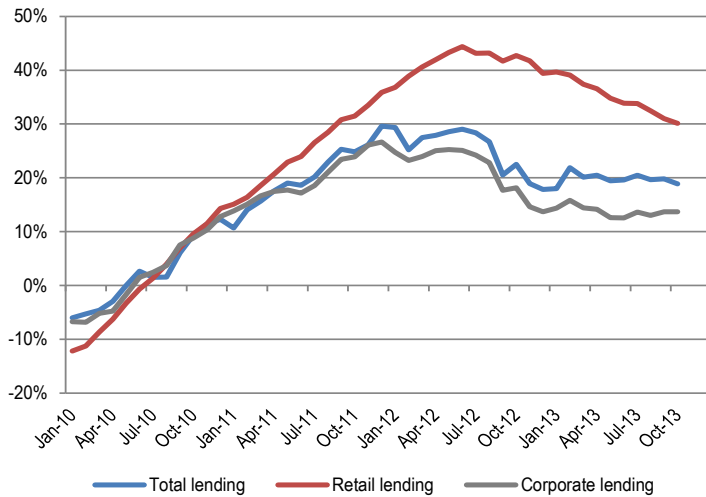


### Industrial production

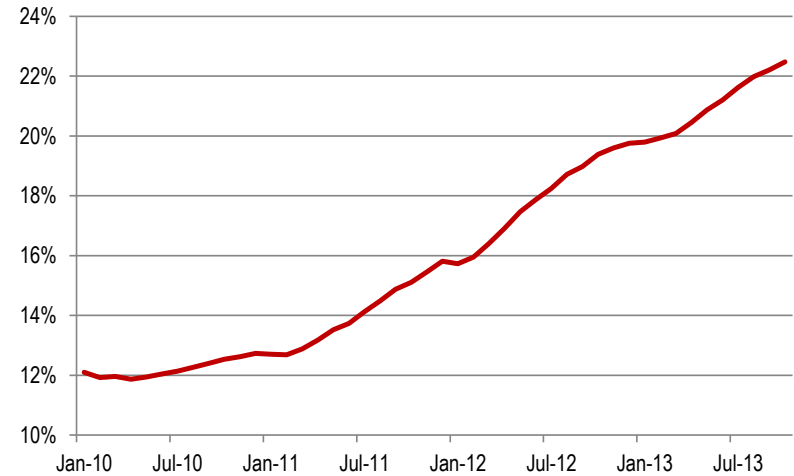


# Consumption has been the backbone of growth

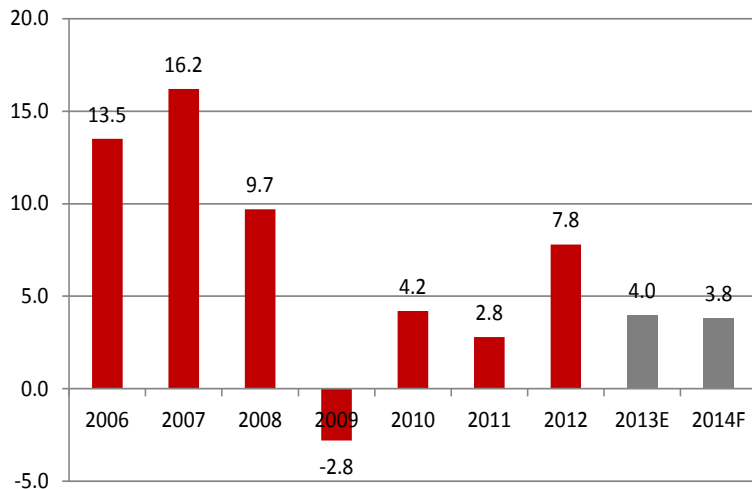
### Corporate versus retail lending , YoY, %



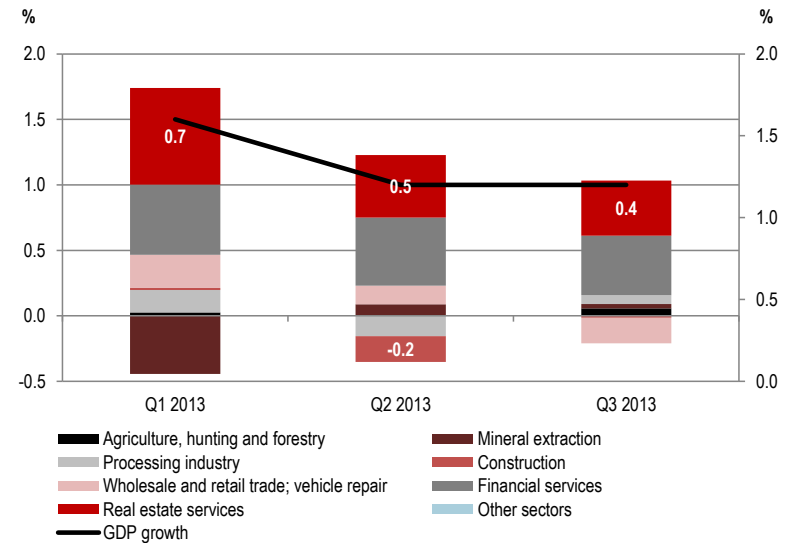
### Household debt / annual income



### Retail sales, YoY, %

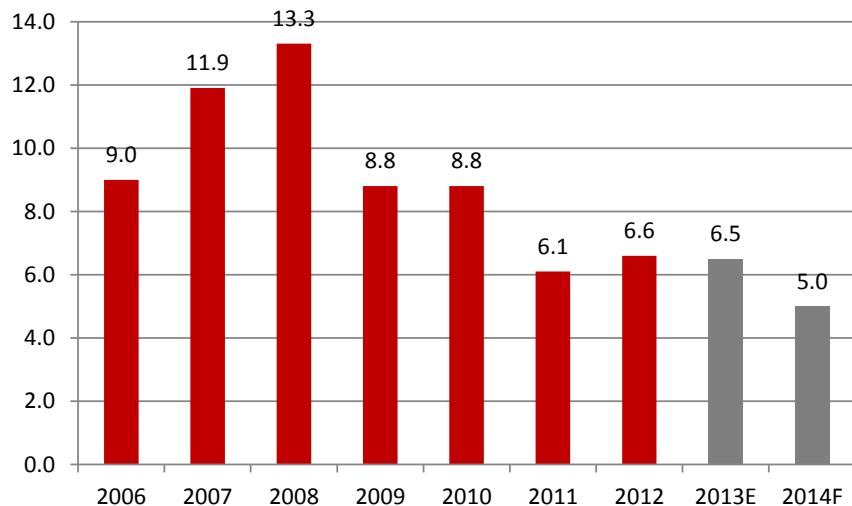


### Contribution to YoY growth, %

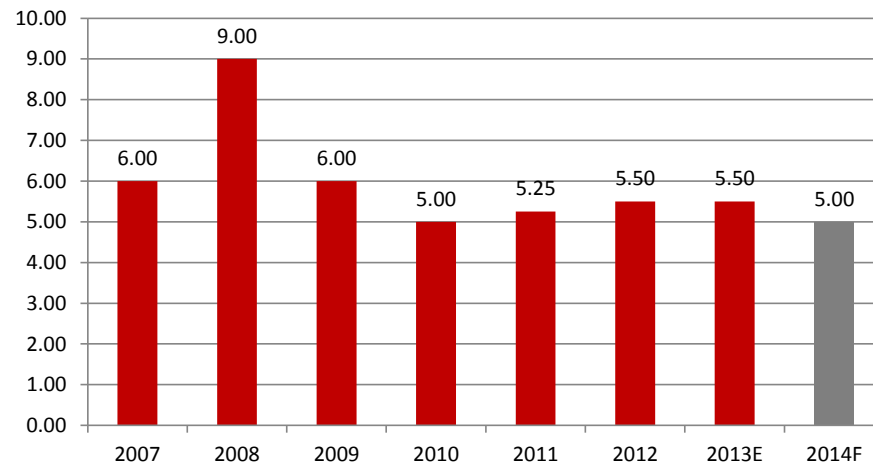


# Expect rate cuts and a weaker ruble

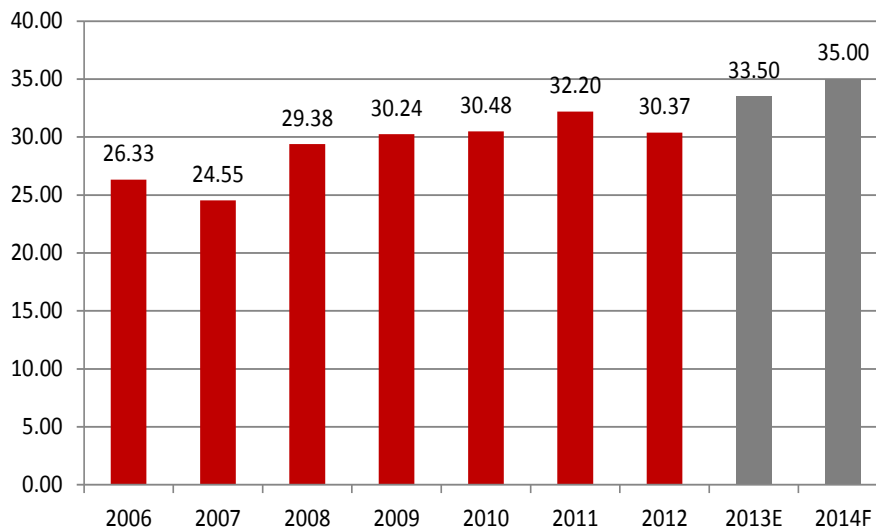
### CPI growth, YoY, %



### Key policy rate

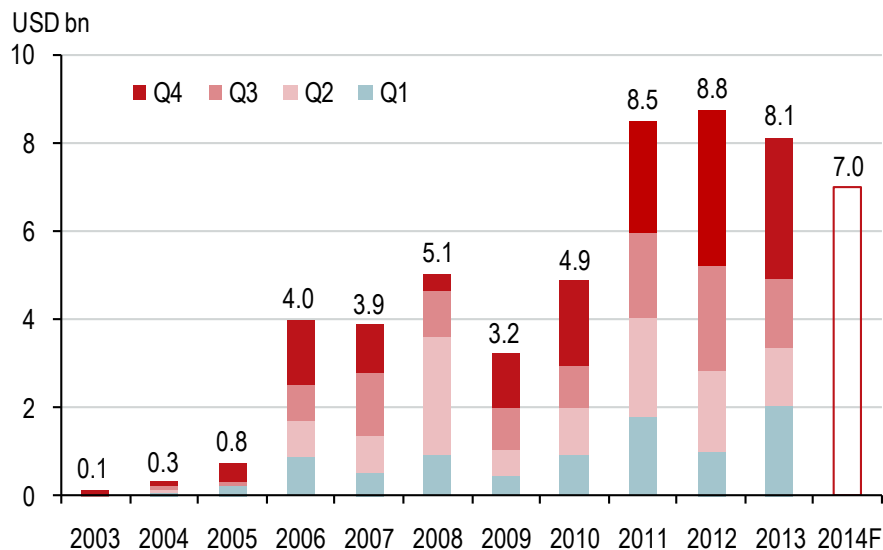


### Ruble/USD

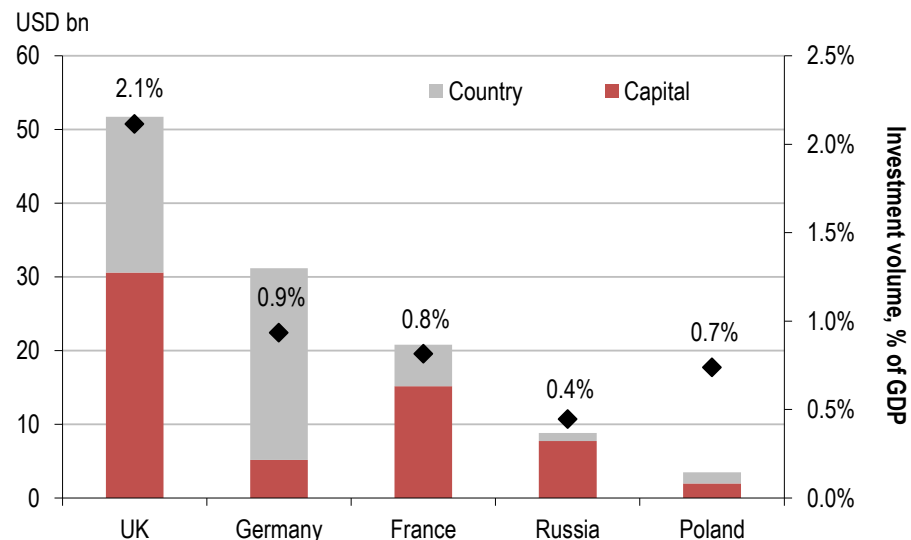


# Investment market is strong, despite weak GDP

### Investment volume dynamics, USD bn\*



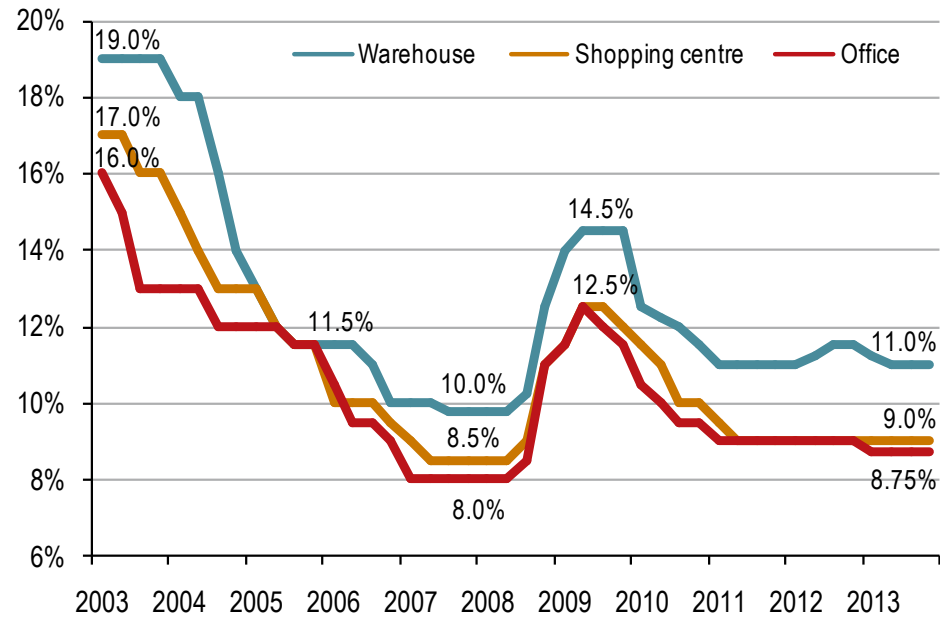
### Investment volume: European comparison, 2012



	2011	2012	2013
Real estate investment volume, USD m*	8,499	8,772	8,135
Moscow share	69%	88%	84%
St. Petersburg share	27%	10%	6%

\* Investment deals, excluding land acquisitions, JVs, direct residential sales to end-users.

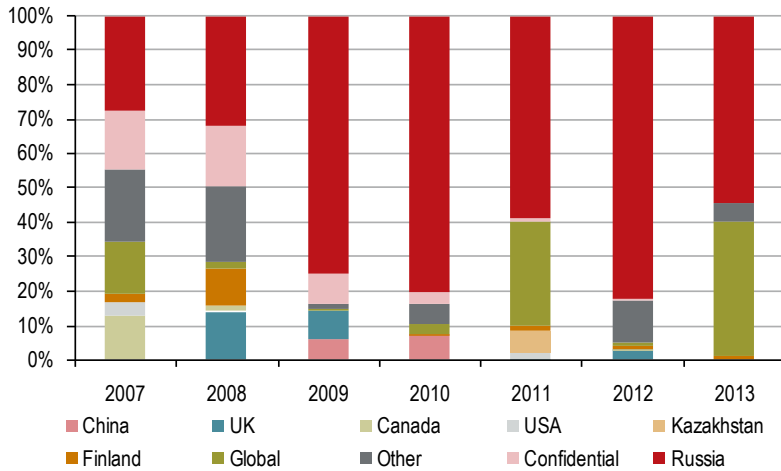
# Yield compression unlikely in 2014



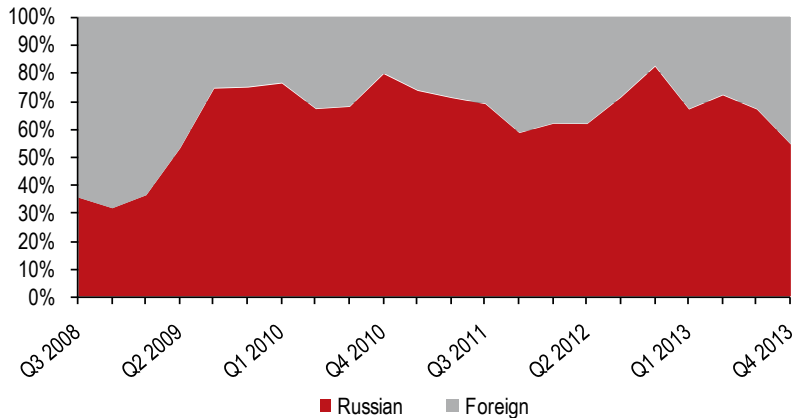
Yields, Q4 2013	Moscow	St. Petersburg
Office	8.75%	10.0%
Retail	9.0%	10.0%
Warehouse	11.00%	13.0%

# Foreign Capital was 45% of total investment in 2013

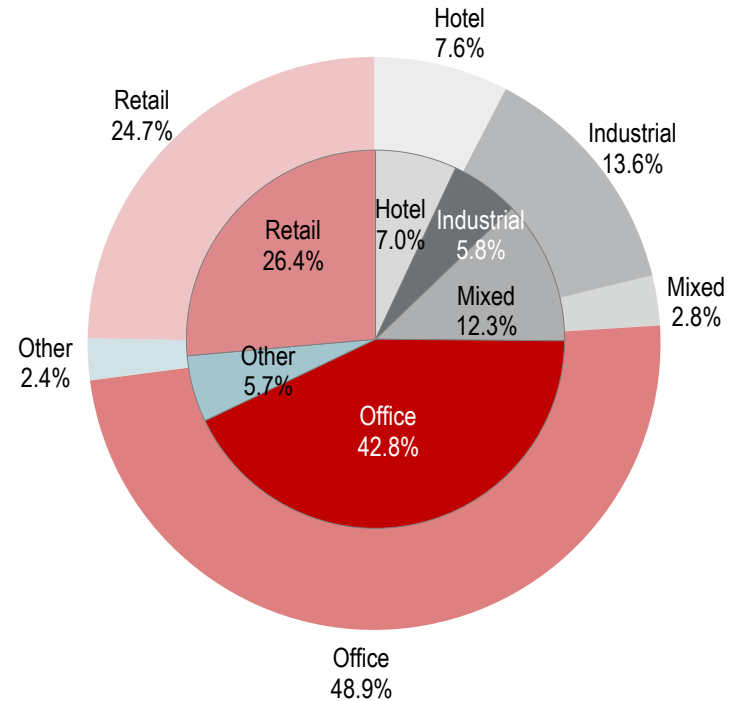
### Real estate investors by origin



### Real estate investors by origin, 12-month moving average

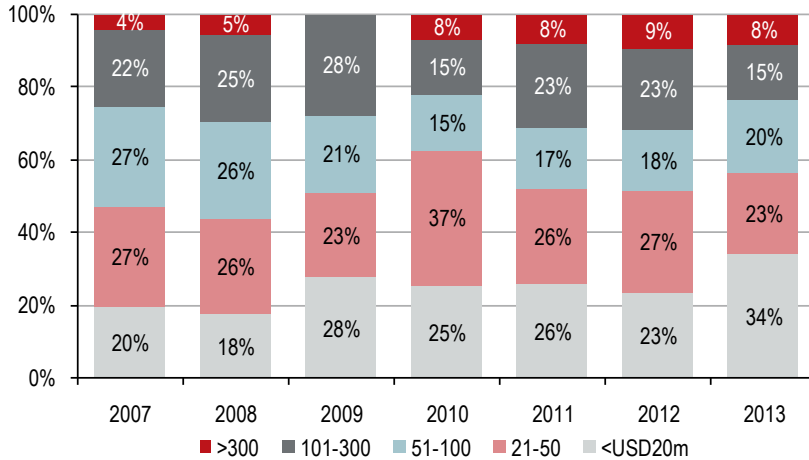


### Investment volume breakdown by sector, 2012 – Q42013 (Russia – inside pie, Global – outside pie)

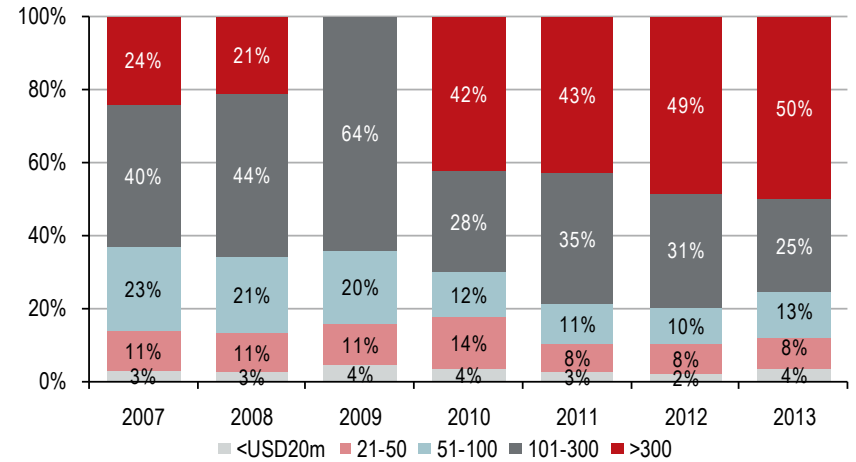


# 50% of deals were >\$300mn in 2013

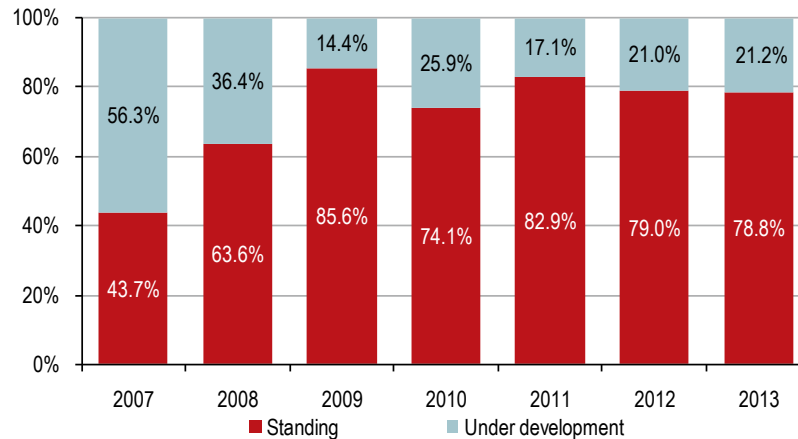
Investment by deal size (quantity) \*\*



Investment by deal size (volume)\*



Investment breakdown

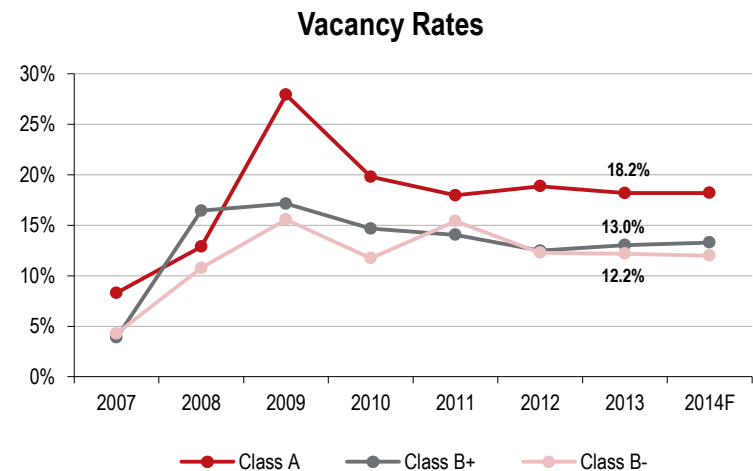
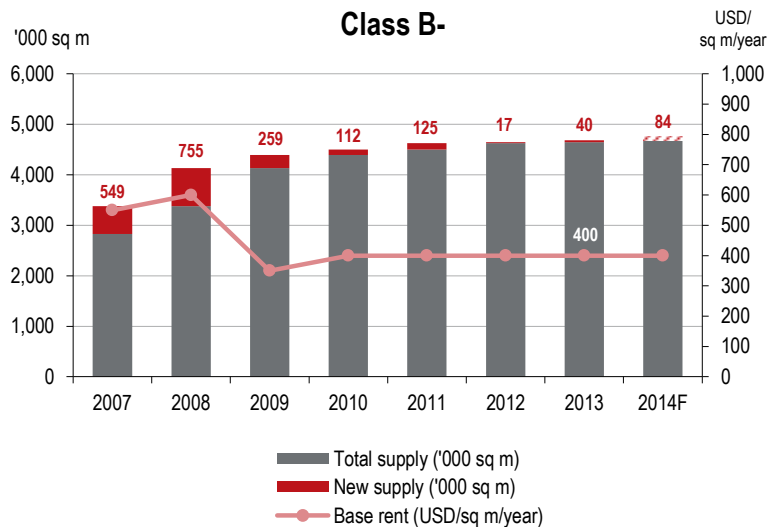
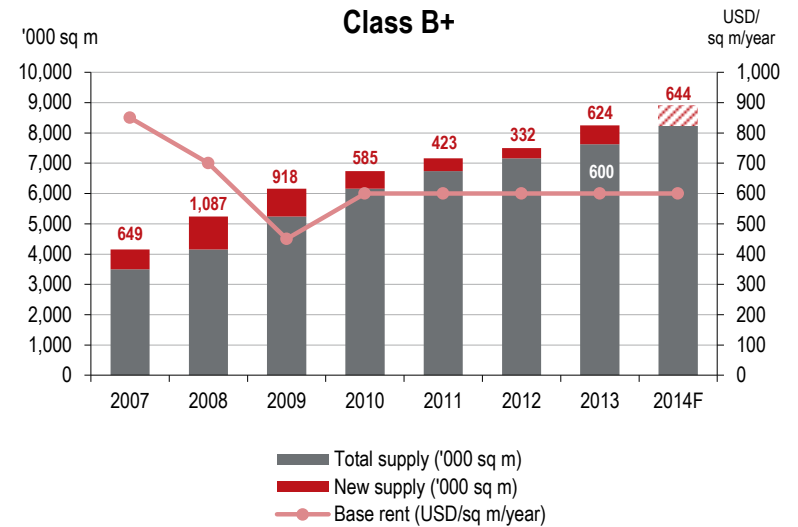
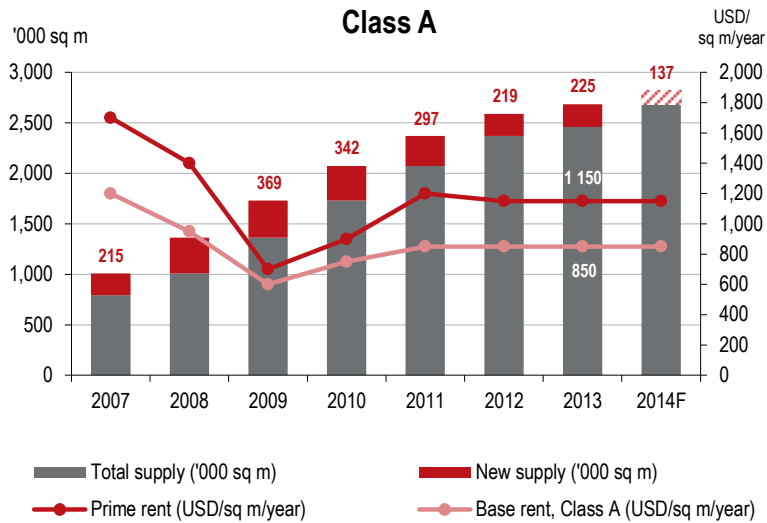


\* Investment volumes by deal size vs. total investment volume

\*\* Deal quantity by size vs. total deal number



# Office: rental growth is unlikely in 2014

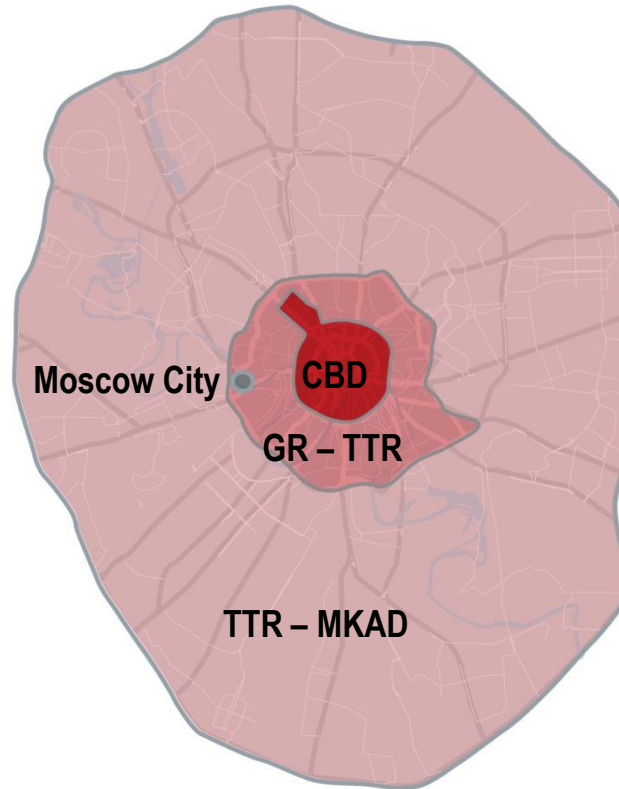


# Moscow City vacancy rates look worrying

CBD			
	A	B+	Overall
Stock, sq m	1,112,894	1,582,791	3,694,860
Availability, sq m	200,536	130,747	423,722
Vacancy Rate, %	18.0%	8.3%	11.5%
Rents*	600–1,150	500–600	—

Stabilised rate is closer to 5%

This could go to 45%



Moscow City			
	A	B+	Overall
Stock, sq m	472,288	117,351	589,639
Availability, sq m	126,656	12,328	138,985
Vacancy Rate, %	26.8%	10.5%	23.6%
Rents*	650–950		—

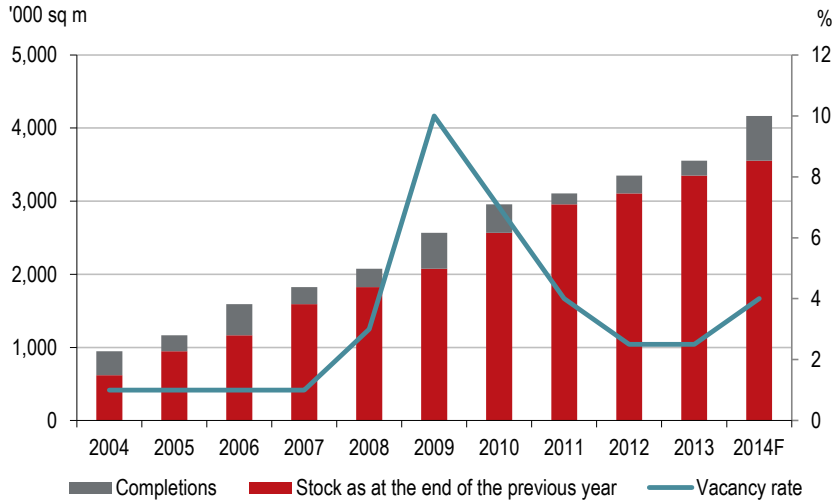
GR to TTR			
	A	B+	Overall
Stock, sq m	413,290	2,425,213	4,162,599
Availability, sq m	34,259	198,266	369,010
Vacancy Rate, %	8.3%	8.2%	8.9%
Rents*	550–750	400–550	—

TTR to MKAD			
	A	B+	Overall
Stock, sq m	685,000	4,127,295	7,173,883
Availability, sq m	126,540	735,511	1,203,902
Vacancy Rate, %	18.5%	17.8%	16.8%
Rents*	450–650	350–500	—

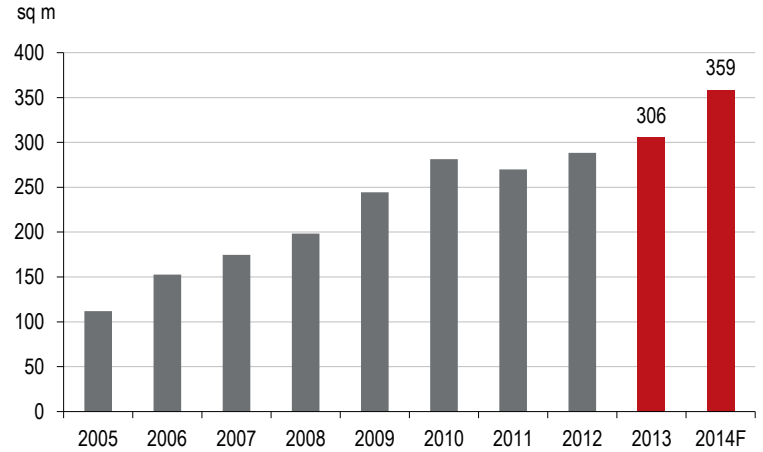
\* USD/sq m/year

# Retail: Pressure on rents and vacancy rates in 2014

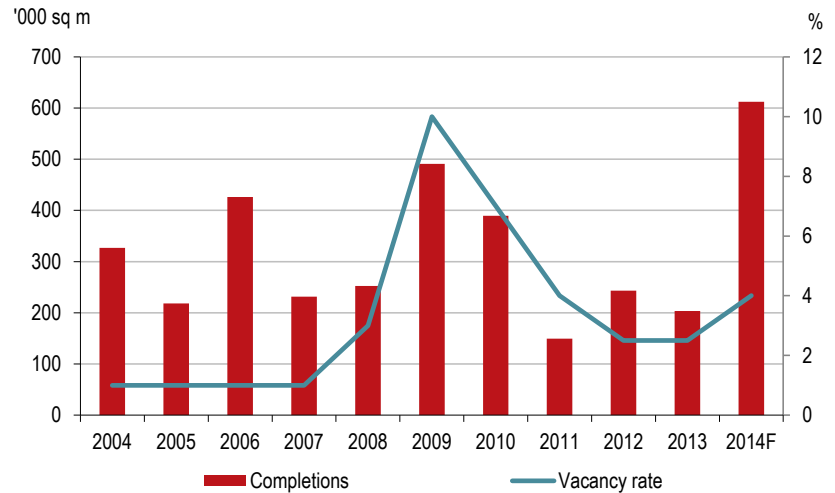
### Total stock



### Stock per 1,000 inhabitants\*



### Completion vs. vacancy rate

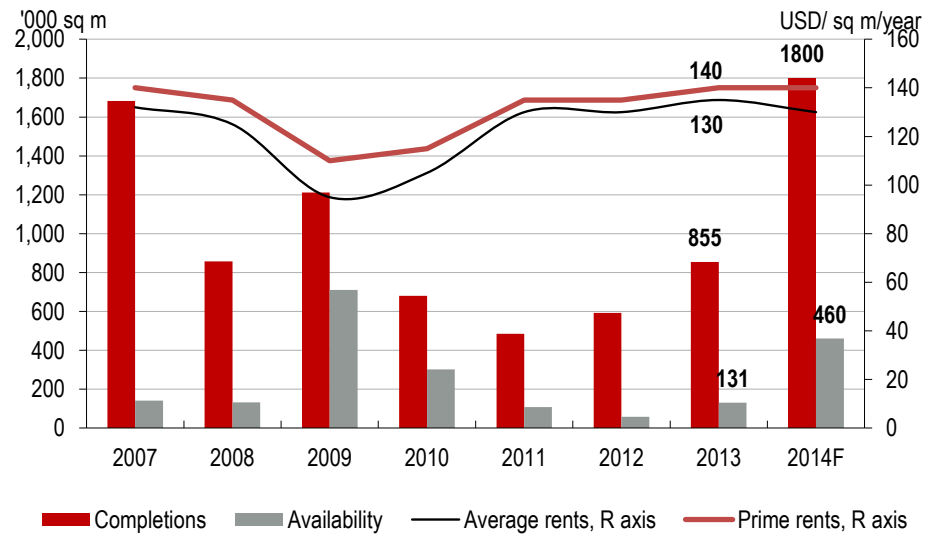


### Prime rent versus retail sales

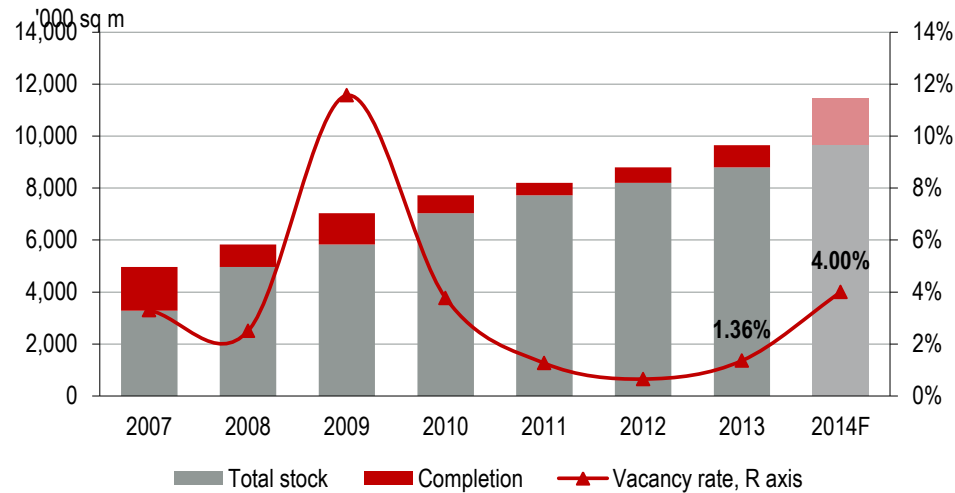


# Industrial: Expect pressure on vacancy rates and rents

## Rents



## Vacancy rates





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