



RUSSIAN ECONOMY  
AND COMMERCIAL REAL  
ESTATE  
September 2008

# OUR MARKET

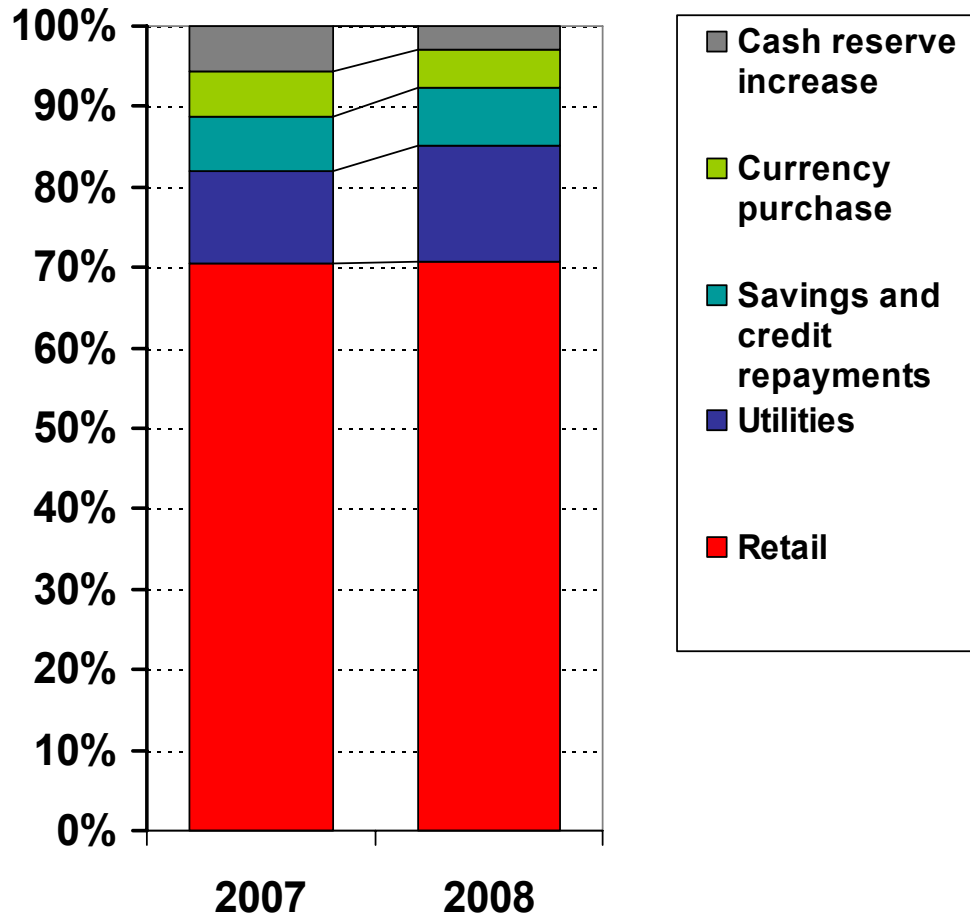


MARKET UNCERTAINTY  
OVERREGULATION  
ECONOMY SLOWDOWN  
HIGH INFLATION  
RUBLE DEPRICIATION



STRONG CURRENCY  
INFLOW FROM OIL EXPORTS  
STRONG DOMESTIC  
DEMAND  
DISPOSABLE INCOME  
GROWTH  
SOLID MARKET METRICS

# SPENDINGS STRUCTURE IN JULY



Big share of retail is a good news for retailers and developers, who get the lion's share of growing income.

Over last year growth of spending for utilities was compensated by decreasing savings and cash reserve.

In case of decreasing income, retail will suffer most

# CONSUMER SECTOR: STILL STRONG

## Retail trade turnover

**Non food** retail July 08/July 07                    +19.3% IN REAL TERMS

**Food** retail July 08/July 07                    + 9%    IN REAL TERMS

Higher growth rate for non-food reflects strong consumption patterns and the fact that consumers are positive about the future.

## Income

Monthly income July 08/July 07                    **+27.9%** (in nominal terms though)

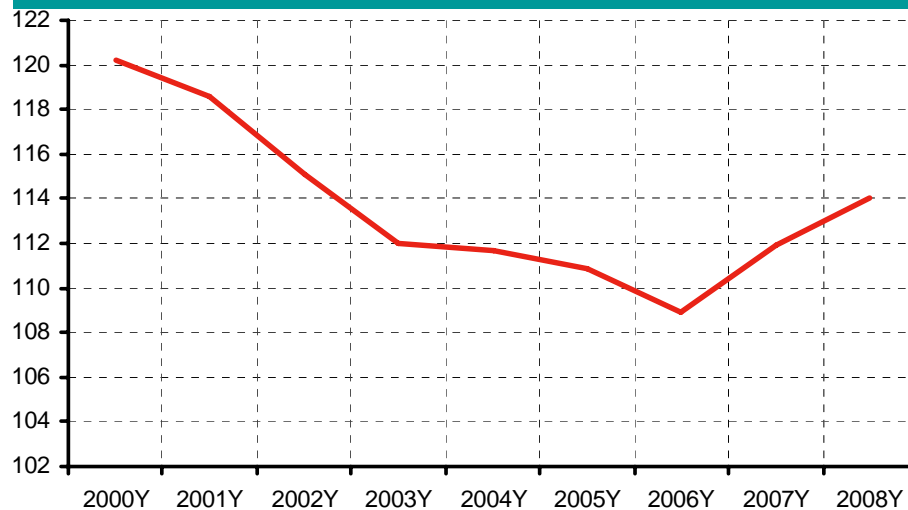
Disposable income in real terms July 08/July 07                    **+7%**

# INFLATION IN RUSSIA RISK OR CHANCE?

## Actuals

Jan-Jun 8.7%  
Juny 2007-June 2008 15%

## Historical CPI



## 2008 Forecast

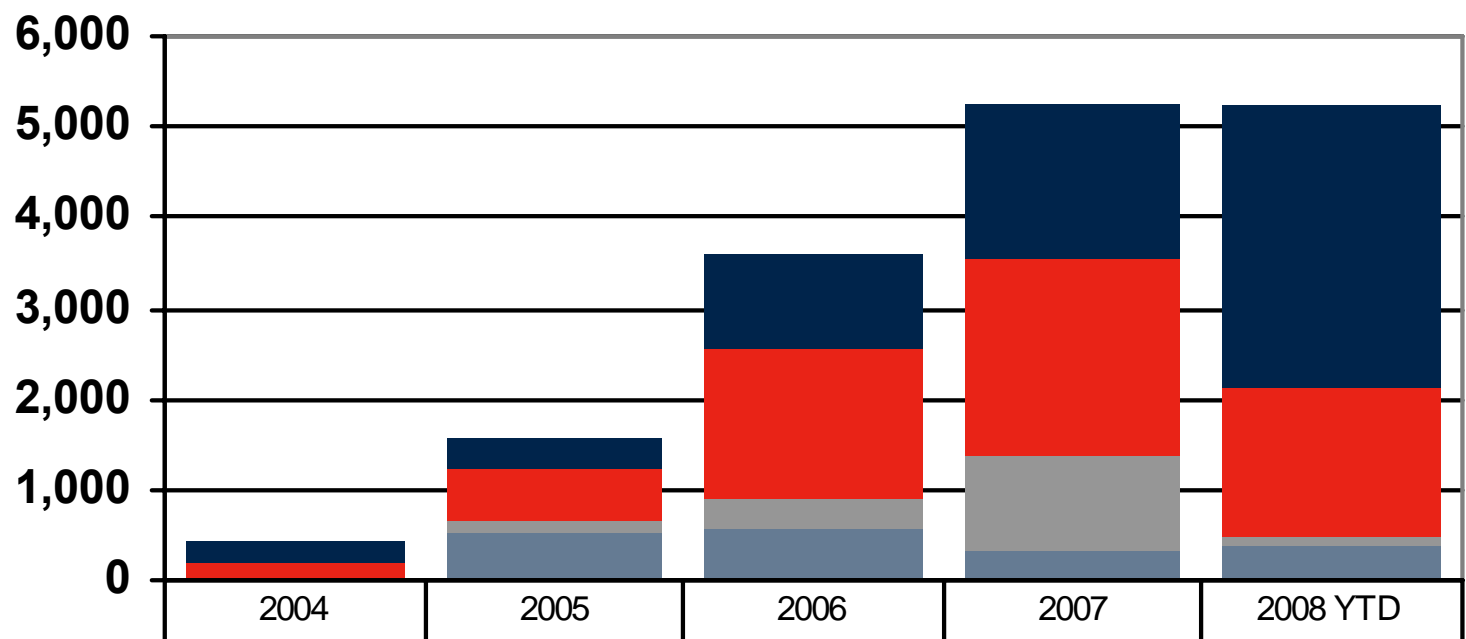
Ministry of economics 10.5%  
IMF 14,0%  
Troyka Dialog 13.5%



# Investment Market



# CAPITAL MARKETS: VOLUMES ARE HIGH

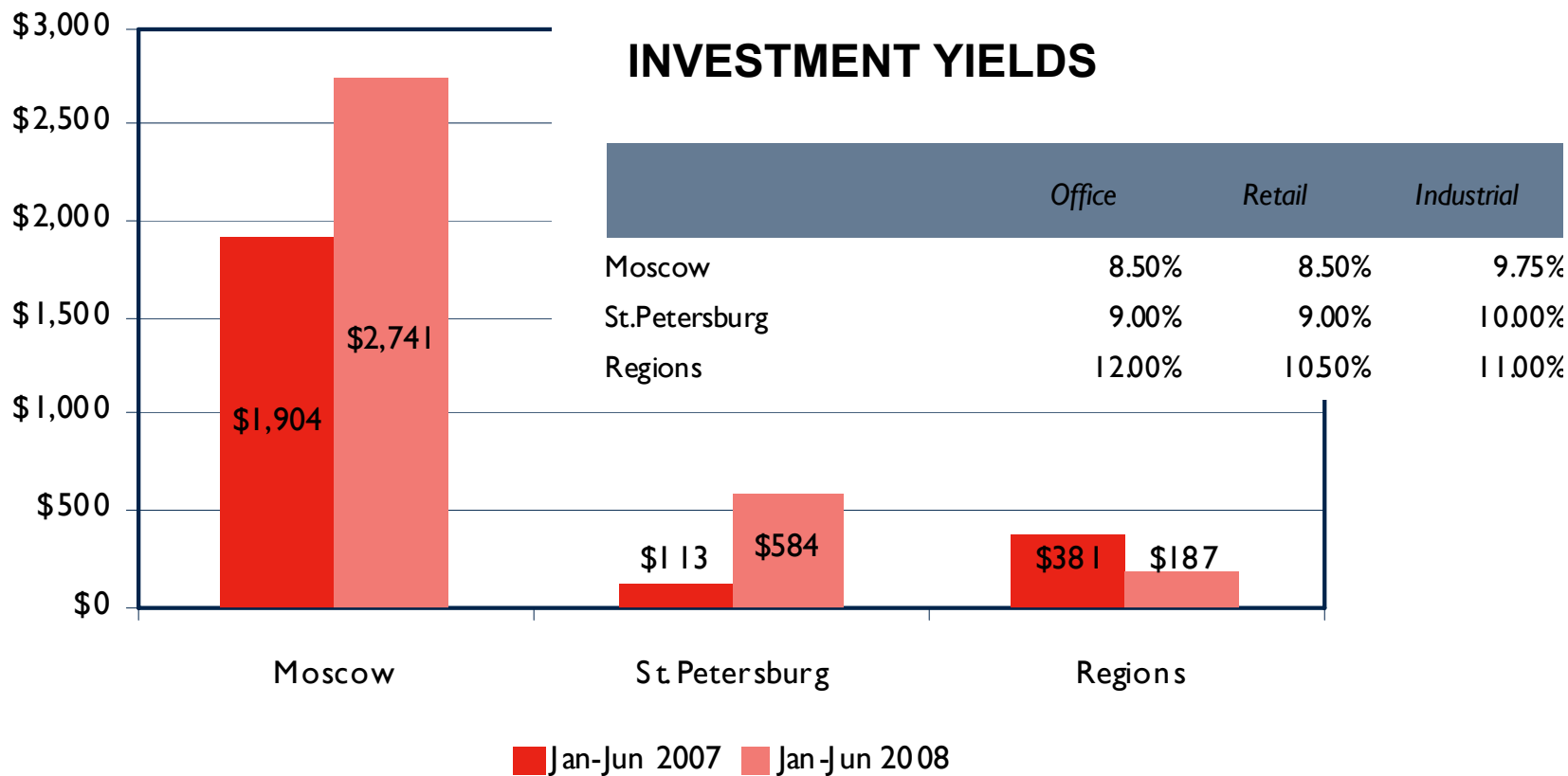


|           | 2004 | 2005 | 2006  | 2007  | 2008 YTD |
|-----------|------|------|-------|-------|----------|
| Office    | 233  | 312  | 1,056 | 1,700 | 3,118    |
| Retail    | 206  | 582  | 1,655 | 2,180 | 1,675    |
| Warehouse | 0    | 141  | 343   | 1,043 | 110      |
| Hotel     | 0    | 524  | 553   | 337   | 359      |

# INVESTING IN REAL ESTATE

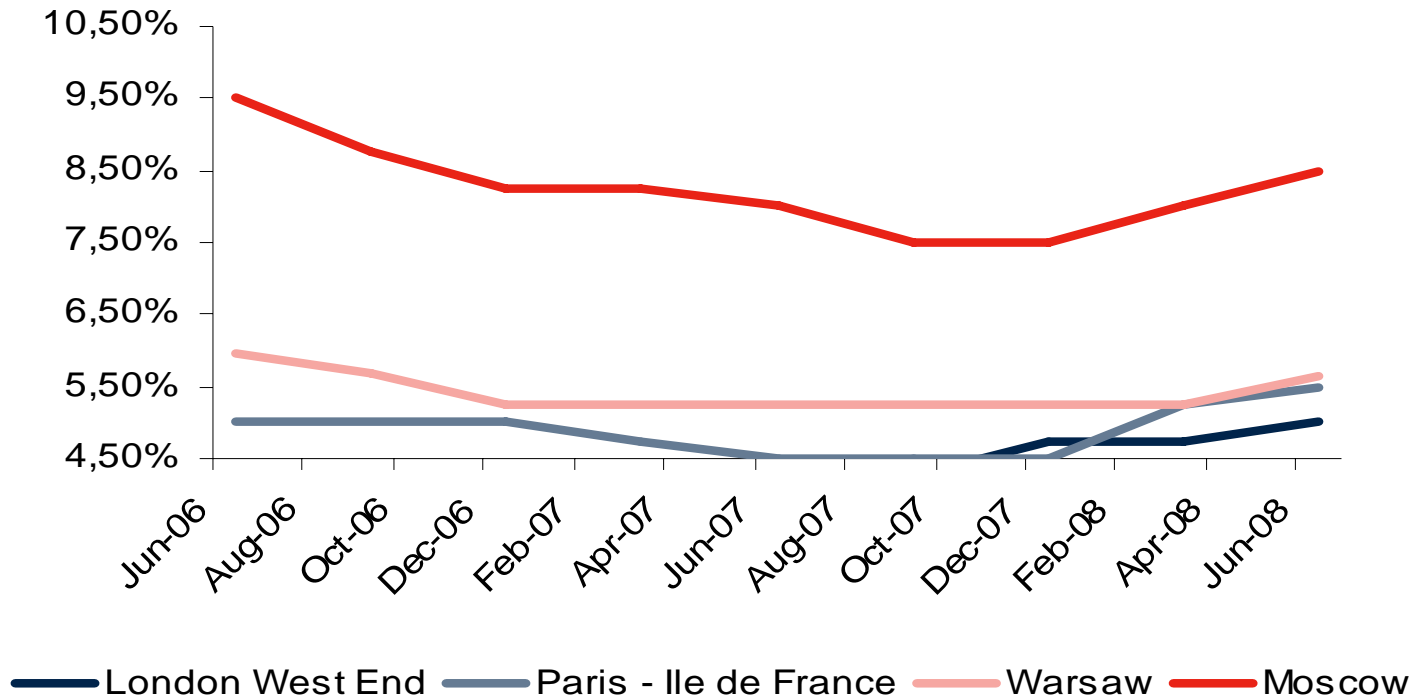
## ST. PETERSBURG IS THE FASTEST GROWING MARKET

COMMERCIAL REAL ESTATE INVESTMENTS IN H1 2007 AND H1 2008, mn USD



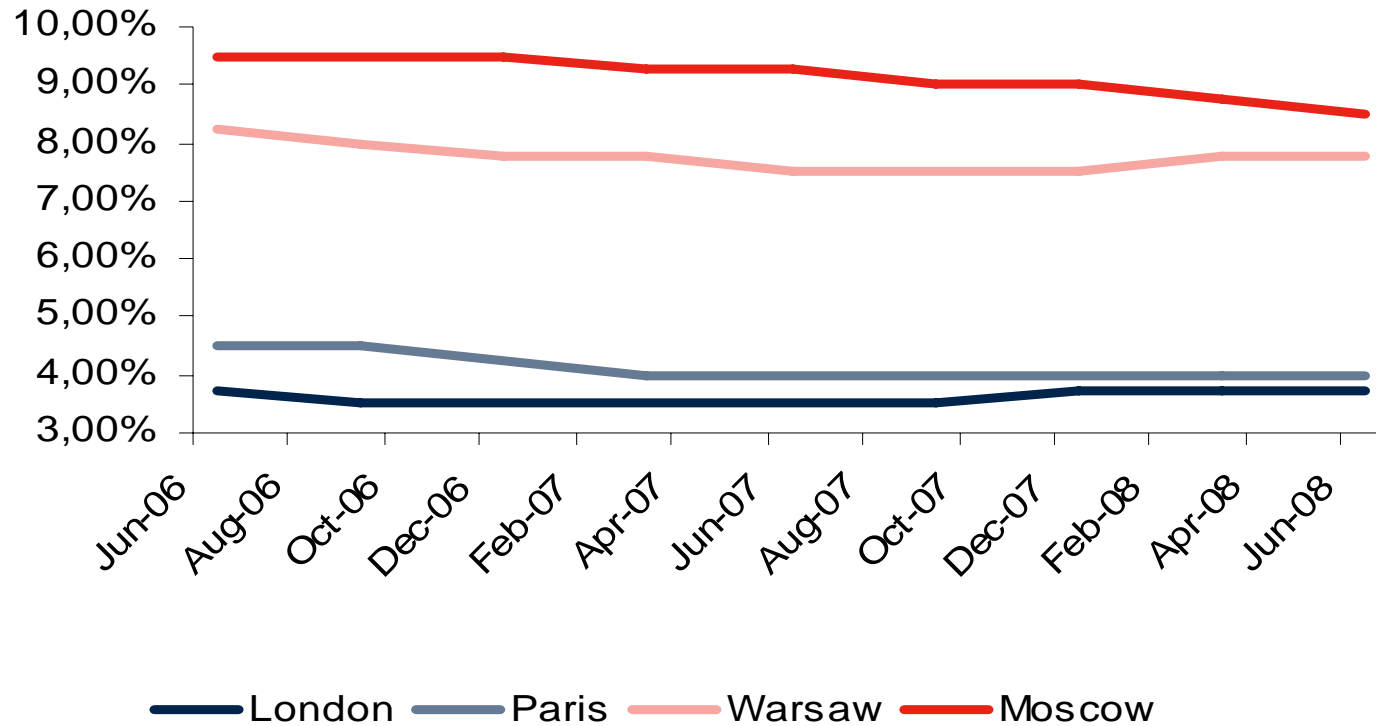


# Yields: Moscow and Europe Office



Source: CWSR Research

# Yields: Moscow and Europe Retail

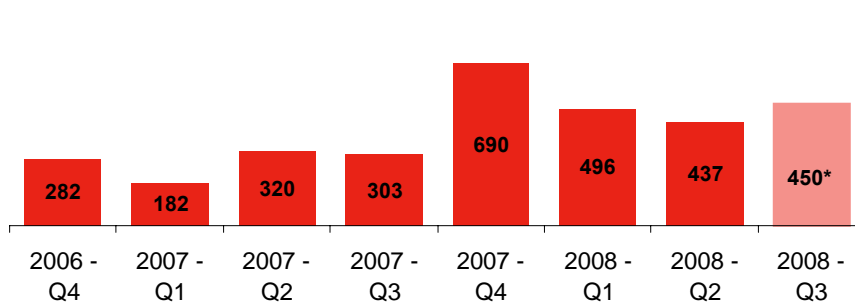




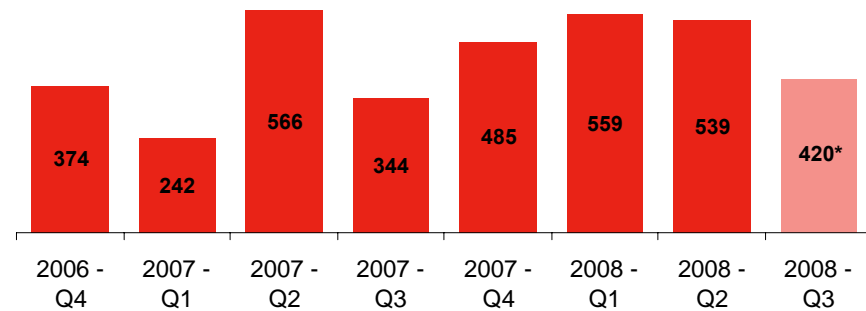
# Market metrics

# OFFICE MARKET UPDATE (A, B, B-)

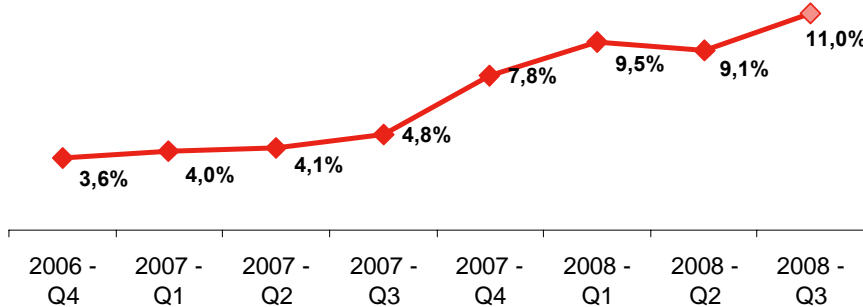
**Moscow office take-up, '000 sq m**



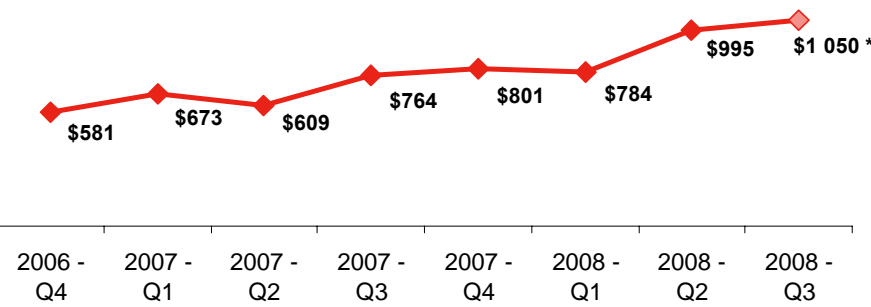
**Moscow office new construction, '000 sq m**



**Moscow office vacancy rate**



**Moscow office rental rate**

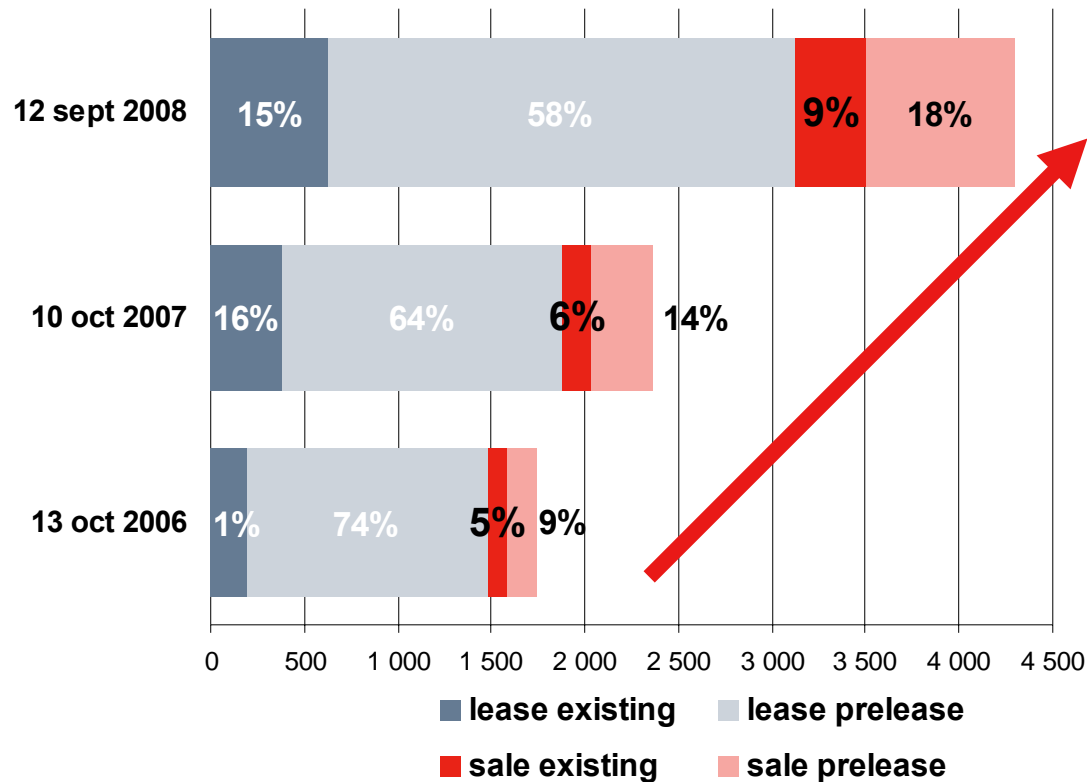


\*\*\* Q3 is approximated according to current data

Source: CWSR Research

# Moscow office vacancies: lease vs sale

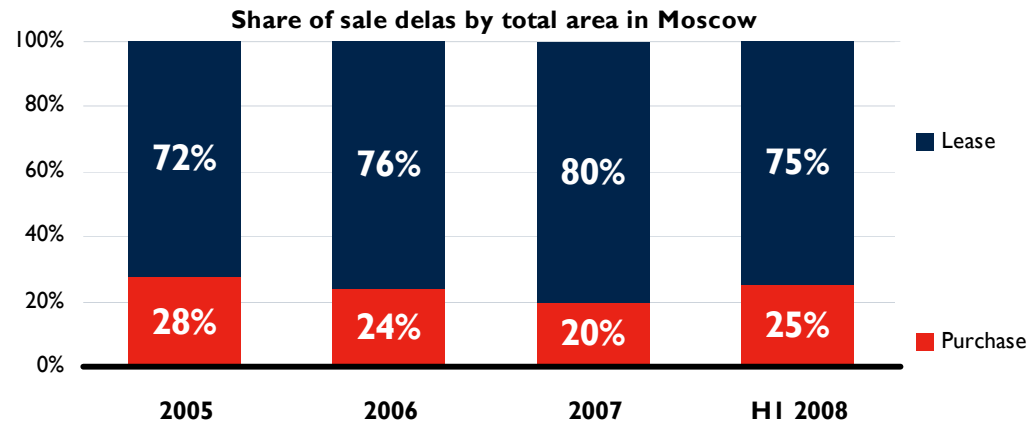
- The share of sale vacancies has grown significantly – from **14%** in october 2006 to **27%** in september 2008
- This means that developers really need money.



# Moscow closed deals: lease vs sale

The share of sale deals in 2008 is growing. The main reasons:

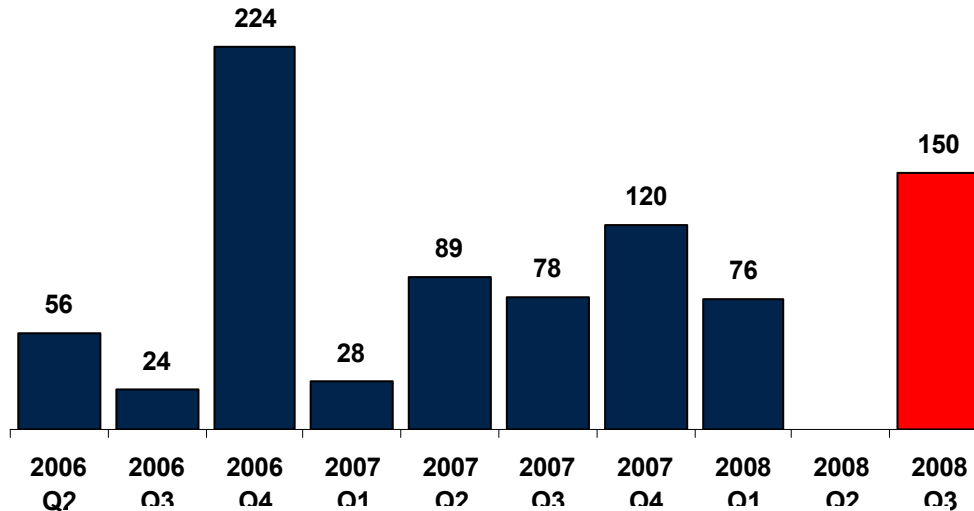
- More sale vacancies are on the market
- Office demand is still healthy



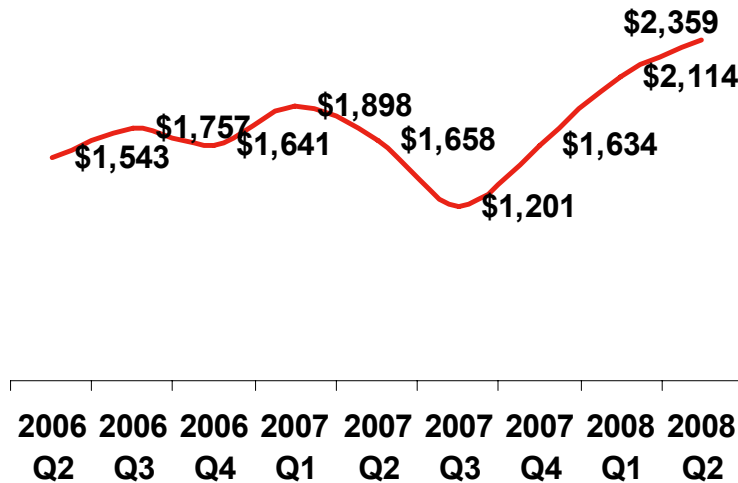
Source: CWSR Research



# Retail indicators

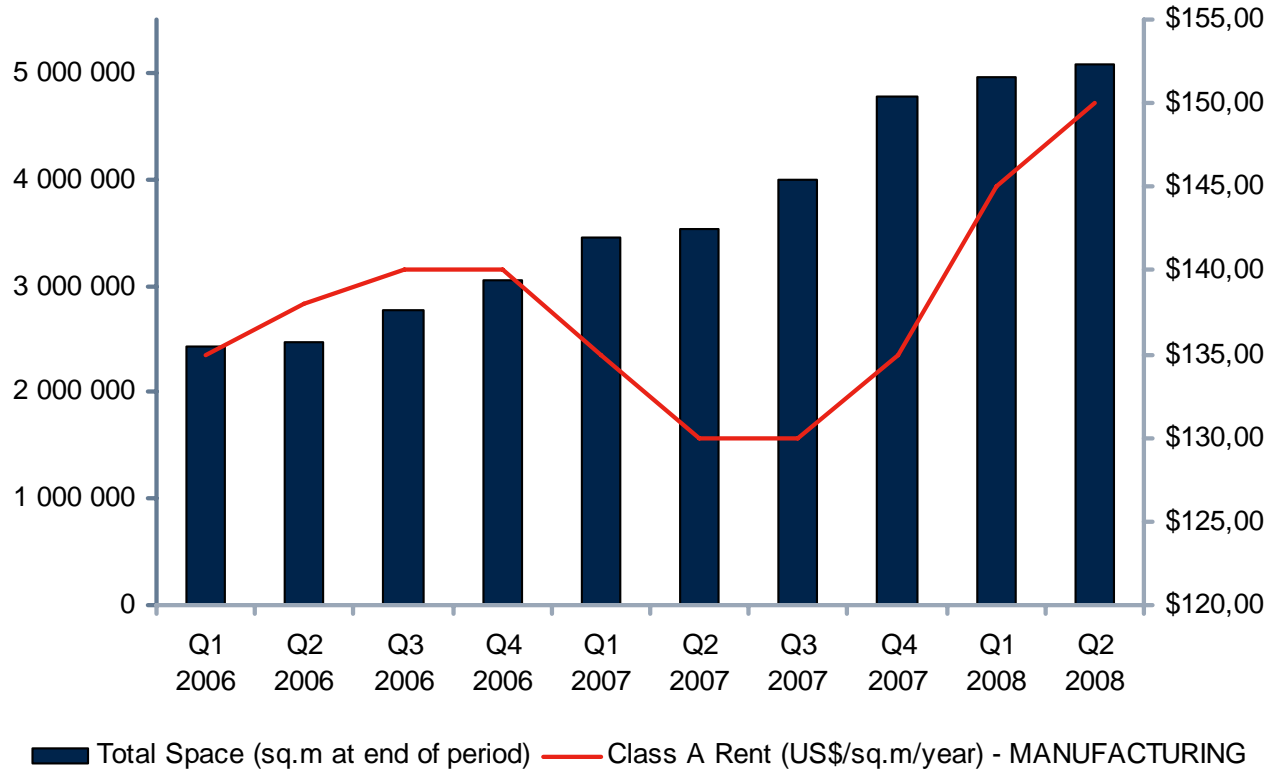


New construction, '000 sq m quality premises



Moscow retail weighted rental rates (shopping centers)

# Moscow warehouse stock and rental rates



# Crisis facts

| Crisis facts  | Real Estate market results   | Factors to watch  |                      |
|---|--|---|----------------------|
| <b>Liquidity crisis</b>   | It is hard to receive financing for new projects.<br>It might be less new projects on the market.<br>There might be more projects for sale in pre-project stage (after ARI – the act of site allowed usage, but before the construction permit). | The number of new projects on the market  |                      |
|   | Global companies, experiencing the crisis on global markets could froze the planned expansions.<br>The tenants could choose to wait and see the market trends.   | Project sale prices changes   |                      |
|   | <b>Banking system crisis</b>   | Financial companies (investment companies or even some banks) will sublet their spaces or move out. | The take-up decrease |
|   |  |   | Pre-lease decrease   |
| <b>Consumer spending decrease</b>                               | No new leases (or small number of them)<br>Current tenant will move out to smaller offices, renegotiate the current lease agreements or sublet part of their offices. New delivered spaces will compete with existing rather than new spaces.    | The bankruptcies of companies   |                      |
|   |  | More sublease spaces  |                      |
|   |  | Rental rate for spaces for sublease   |                      |
|   |  | Retail turnover   |                      |
|   |  | Rental rates and sale prices corrections or decrease  |                      |
| Take-up decrease  |  |   |                      |
| Incentives (rent-free period, indexation, fit-out compensation) |  |   |                      |
| More sublease spaces  |  |   |                      |

Thank You for your attention!



**Let's look at it together**