

Moscow Fit-Out Costs -
Sectors, Trends and Cost
Reduction Strategies -
3rd Quarter, 2008



Summary

- Cost trends in Moscow office fit-out
 - Materials
 - Labour
 - Design
- Overall trends
- Ways to reduce costs
- Conclusions and forecast

Key Cost Trends

a) Materials

Several Key Fit-out Construction Materials	Unit Measure	Percentage increase 2006 to 2007	Percentage increase 3 rd quarter 2008, compared to same period 2007
Raised floor	m2	21.8%	4.3%
Carpet tiles	m2	54.0%	13.8%
Cement	50 kg	48.2%	16.7%
Ceramic tiles	m2	17.4%	14.9%
Double layers gypsum board partitions with insulation	m2	17.2%	10%
Aluminium framed double glazed partitions	m2	13.4%	21.1%
Double leaf glass door	pc	20.0%	18.1%
Suspended ceiling	m2	12.0%	6.4%
Lights Lighting Technologies	pc	28.1%	29.7%
Floor boxes	pc	22.1%	1.3%
Average Increase		25.4%	13.6%

Key Cost Trends

b) Labour

General Contractor Fit-out Works Description	Unit Measure	Percentage increase 2006 to 2007	Percentage increase 3 rd quarter 2008, compared to same period 2007
Installation of raised floor	m2	10.9%	13.4%
Installation of carpet tiles	m2	14.6%	5.7%
Installation of ceramic tiles	m2	19.5%	8.1%
Installation of double layer gypsum board partitions with insulation	m2	9.8%	16%
Installation of glazed partitions	m2	14.3%	34.3%
Surface preparation and painting	m2	10.4%	10.7%
Installation of suspended ceiling Armstrong	m2	15.2%	20%
Installation of lighting fixtures	pc	8.5%	4.1%
Installation of floor boxes	pc	9.2%	6.4%
Installation of sockets	pc	21.7%	10.1%
Average Increase		13.4%	12.9%

Key Cost Trends

c) Design

Architects	Unit Measure	Percent Increase in 3rd quarter 2008 as compared to 2007
Local Architect 1	m2	21.5%
Local Architect 2	m2	16.2%
Local Architect 3	m2	13.6%
International Architect 1	m2	12.7%
Average Increase		16.0%

Design Engineers	Unit Measure	Percent Increase in 3rd quarter 2008 as compared to 2007
International Engineer 1	m2	19.9%
Local Engineer 1	m2	38.9%
Local Engineer 2	m2	35.2%
Local Engineer 3	m2	31.6%
Average Increase		31.4%

Overall Trends

Moscow wage inflation	-	8-10%
Construction labour	-	12.9%

Moscow average fit-out inflation rate - 14.9%
Average Class A fit-out is now \$1050/m²

All averages are those applicable to the Moscow fit-out market and come from an analysis of 160 projects, and 1200 vendor price bids over the period in question.

Strategies to reduce cost, while maintaining quality and design

- Competitive tendering - use the market!
- Fixed price contracts
- Local vendors
- Agree the design then stick to it
- Value engineering
- Reuse where possible
- Show flexibility during the design process
- Choose a building that meets your requirements

Conclusions and Forecast

- Fit-out materials and labour costs are still increasing but the rate of increase has reduced substantially
- Fit-out consulting costs (architectural and engineering design in particular) are maintaining or accelerating their rate of increase due to still firm demand
- We believe that the market is close to or has reached the top of the cycle and the a stabilization or slight reduction in costs is likely in the medium term - nonetheless average Class A fit-out costs will stay above \$1000/m² for at least another 12 months
- Strategies exist for effective price reduction before and during office fit-out, but these are still not being used to the full due to inexperience or poor advice

Thanks for listening...



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