



REAL ESTATE MONITOR

Magazine of the Association of European Businesses

CAPITAL · OFFICE · RETAIL · WAREHOUSE · HOSPITALITY · HOUSING



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| Publication name/ Наименование издания: AEB Real Estate Monitor ("АССОЦИАЦИЯ ЕВРОПЕЙСКОГО БИЗНЕСА: Обозрение рынка недвижимости") | Published by/Учредитель: Non-profit making partner- ship "Association of European Businesses"/ Некоммерческое партнерство "АССОЦИАЦИЯ ЕВРОПЕЙСКОГО БИЗНЕСА" | Publication volume and number/Номер выпуска: 01, 2020 | Release date/Дата выхода: 15 March 2020/ 15 марта 2020 года Cost/Цена: Distributed free of charge/Бесплатно | Publisher's address/ Адрес издателя, редакции: 16, bld. 3, Krasno proletars- kaya str., 127473, Moscow, Russia/ Россия, 127473, г. Москва, ул. Краснопроле- тарская, д. 16, стр. 3 |
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The "AEB Real Estate Monitor" is registered with The Federal Service for Supervision of Legislation in Mass Communications and Protection of Cultural Heritage, Certificate registration ПИ № ФС77-24458 dated 23 May 2006/СМИ "АССОЦИАЦИЯ ЕВРОПЕЙСКОГО БИЗНЕСА: Обозрение рынка недвижимости" зарегистрировано в Федеральной службе по надзору за соблюдением законодательства в сфере массовых коммуникаций и охране культурного наследия. Свидетельство о регистрации ПИ № ФС77-24458 от 23 мая 2006 года.

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Frank Schauff

Chief Executive Officer,
Association of European
Businesses

Dear readers,

With particular pleasure I would like to present the first issue of the "Real Estate Monitor" in 2020 to you. It covers the Moscow and St. Petersburg real estate markets data for the fourth quarter of the past year. Likewise, the magazine provides capital, retail, office, warehouse, hospitality and housing indicators for the whole 2019.

The investment volume showed a tremendous increase (by 41% year-on-year) amounting to USD 4.1 billion in 2019, with the office sector occupying the leading position (33% of the total volume).

At for the retail sector, 27 new international brands entered the Russian market in 2019 – which is 13% lower than in 2018 and is the lowest indicator for seven years. The forecast for shopping centres construction in Moscow in 2020 is quite optimistic: the announced volume twice exceeds 2019 completions.

One of the major trends in the Moscow hospitality market was the continuing high occupancy levels across all hotel segments. Among impressive features of the housing market was the rise in the share of Russian tenants (39% of all requests), and increase in demand and supply of high-budget properties.

As far as the St. Petersburg market is concerned, in 2019 the shopping centres development remained at a low level, and the number of vacant premises on the main St. Petersburg streets reached the highest level since 2015.

I would like to extend genuine thanks to members of the AEB Real Estate Committee and especially to those who contributed to the current publication. Your valuable inputs are very much appreciated.

Dear friends, let me kindly take this opportunity to congratulate you all on the AEB 25th anniversary that we intend to celebrate throughout the year. This remarkable date has come due to your dedicated work and drive for success. Let me express sincere gratitude to all of you and invite you to the celebration ceremony on 1 October 2020 at the Digital Business Hub in Moscow.

And in the meantime, enjoy your reading!



Tatjana Kovalenko
Chairperson of the AEB
Real Estate Committee,
Deputy General Director,
SENDER & COMPANY

Dear readers,

Investing is an important factor affecting economic growth. According to Cushman & Wakefield Russia, in 2019, the total amount of investments in the Russian real estate market increased by 30%. The issues related to investment legislation and SPIC 2.0 are finally resolved at the legislative level, since the procedure to be applied to investments is interesting for both foreign and Russian investors.

For the commercial real estate market, we do not expect any negative trends in 2020. As part of the large-scale government construction in the country, commercial real estate should find its role and function.

We observe that in the near future, commercial development will give way to the post-multifunctional kind, in which properties will not only perform traditional functions for the market, but also various public roles, for example, facilitating the implementation of National Projects, job creation, etc. The commercial models will not be focused on maximising profits, but on developing a long-term sustainable financial model.

The Real Estate Committee is actively involved in working groups of the Russian government's 'regulatory guillotine'. We, as representatives of foreign business in Russia, believe that this process is time-sensitive. There was much discussion about it, and it has become obvious that it is necessary to precisely cut off the obsolete norms and, in fact, to create a new legislative regulatory framework in order to get rid of any unnecessary obstacles. This is also part of the transformation.

We wish our members a successful start into the year and we look forward to seeing you at our events and meetings!

Enjoy reading!

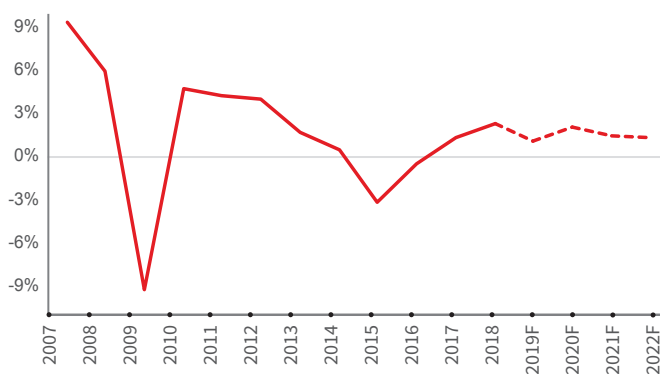
Moscow market overview

Capital market, Q4 2019

- In 2019, the investment volume increased by 41% YoY to USD 4.1 billion; Q4 2019 volume reached USD 1.6 billion, up 51% from Q4 2018 figure.
- The office sector occupied the leading position in 2019, accounting for 33% of the total volume. Retail and residential (land plots for residential development) followed, with 30% and 24% respectively.
- The share of Moscow increased to almost 67% in 2019 compared to 66% in 2018. The share of St. Petersburg increased to 27.5% of the country's volume in 2019 from 22% in of 2018. The share of deals closed in other regions (outside Moscow and St. Petersburg) accounted for 6%.

- Prime yields remained unchanged in Q4 2019. As benchmarks for the market we consider Moscow prime yields between 8.5-10.0% for offices and shopping centres and 10.5-12.0% for warehouses; St. Petersburg prime yields at 9.0-11.0% for offices and shopping centres and 10.75-12.5% for warehouses. In 2020, prime yields will compress by 25-50 bps following the key rate cuts by the Central Bank of Russia.
- We forecast the 2020 investment volume at USD 4.5 billion. (1-9 ▶)

1 ▶ RUSSIA REAL GDP GROWTH



Source: Rosstat, Oxford Economics

2 ▶ SOVEREIGN BOND YIELDS



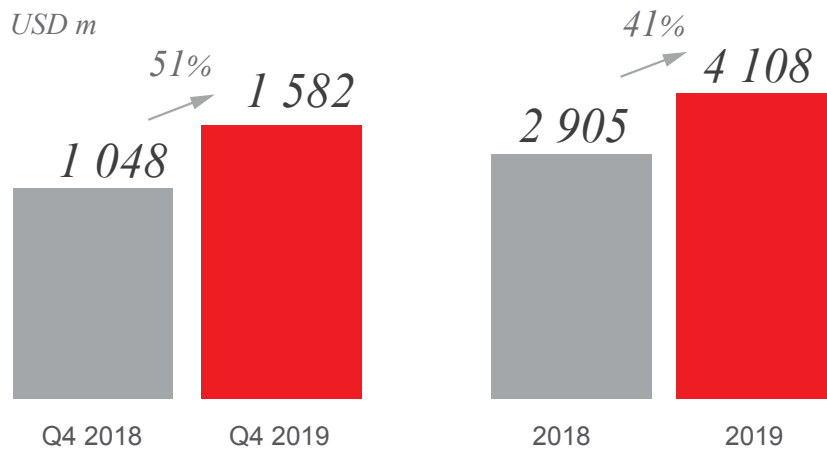
Source: Bloomberg

3 ▶ EXCHANGE RATE DYNAMICS, USD/RUB



Source: Central Bank of Russia

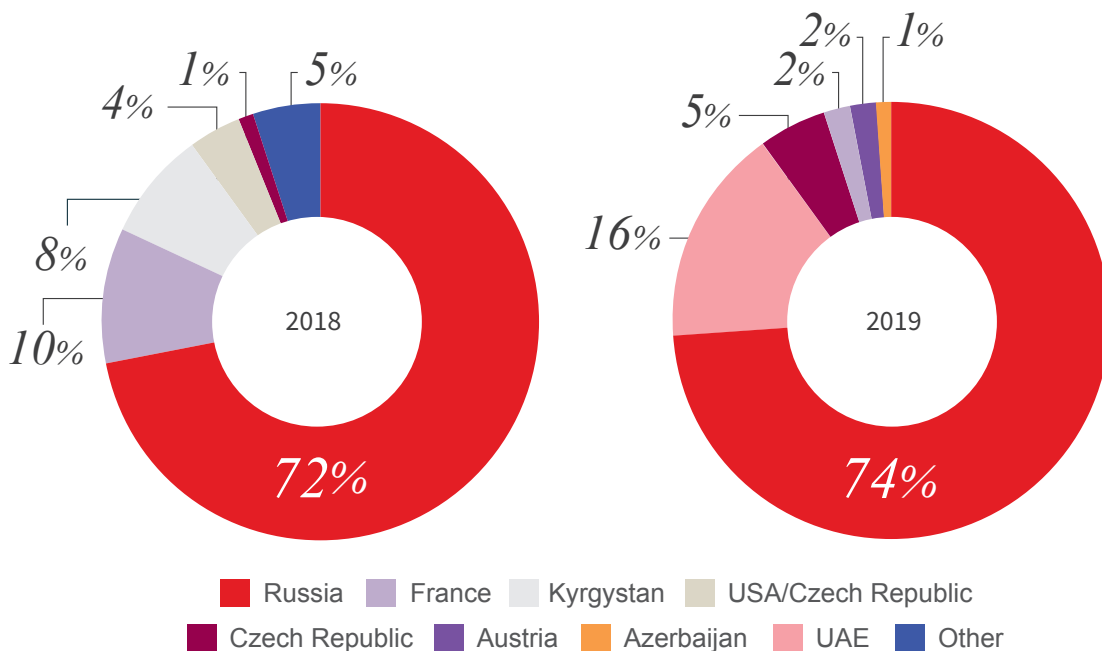
4 ► RUSSIA INVESTMENT VOLUME DYNAMICS*



*Investment deals excluding deals with land plots, joint ventures, sales of residential real estate to end-users.

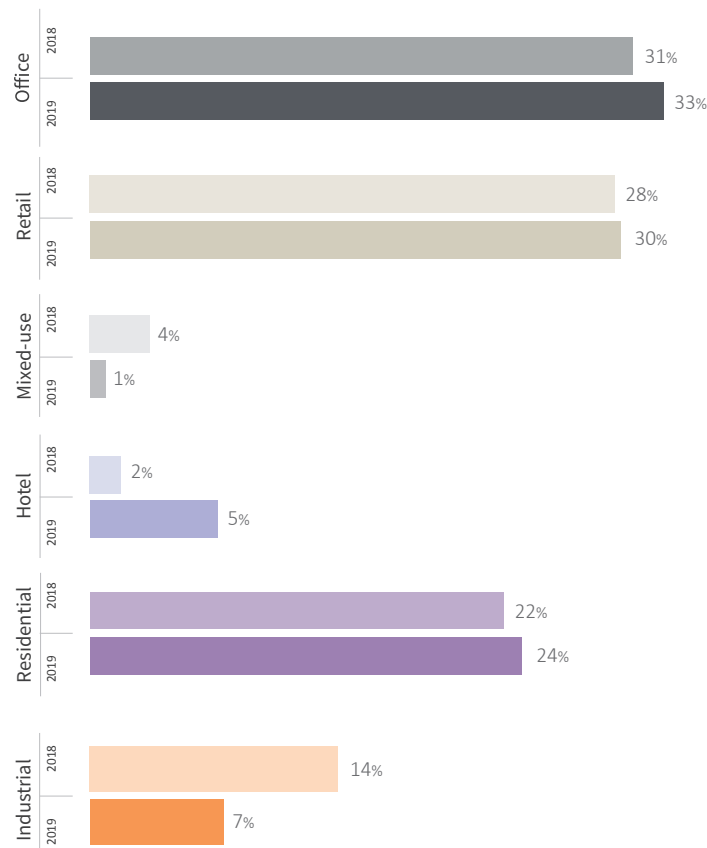
Source: JLL

5 ► INVESTORS BY SOURCE OF CAPITAL



Source: JLL

6 ► INVESTMENT VOLUME BREAKDOWN BY SECTOR



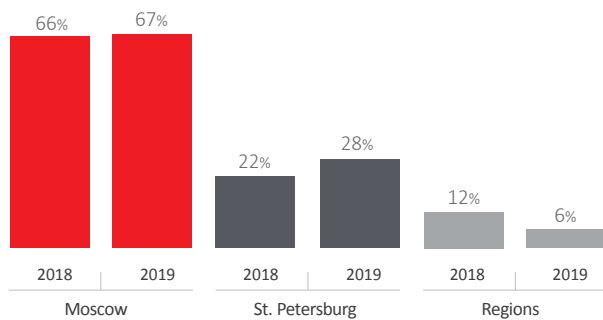
Source: JLL

7 ► PRIME YIELDS, Q4 2019



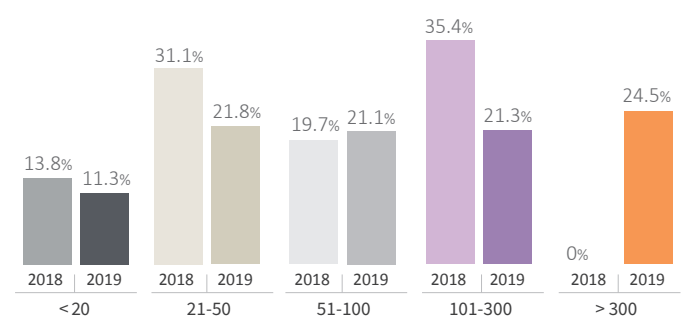
Source: JLL

8 ► INVESTMENT VOLUME BREAKDOWN BY REGION



Source: JLL

9 ► INVESTMENTS BY DEAL SIZE (VOLUME, USD M)

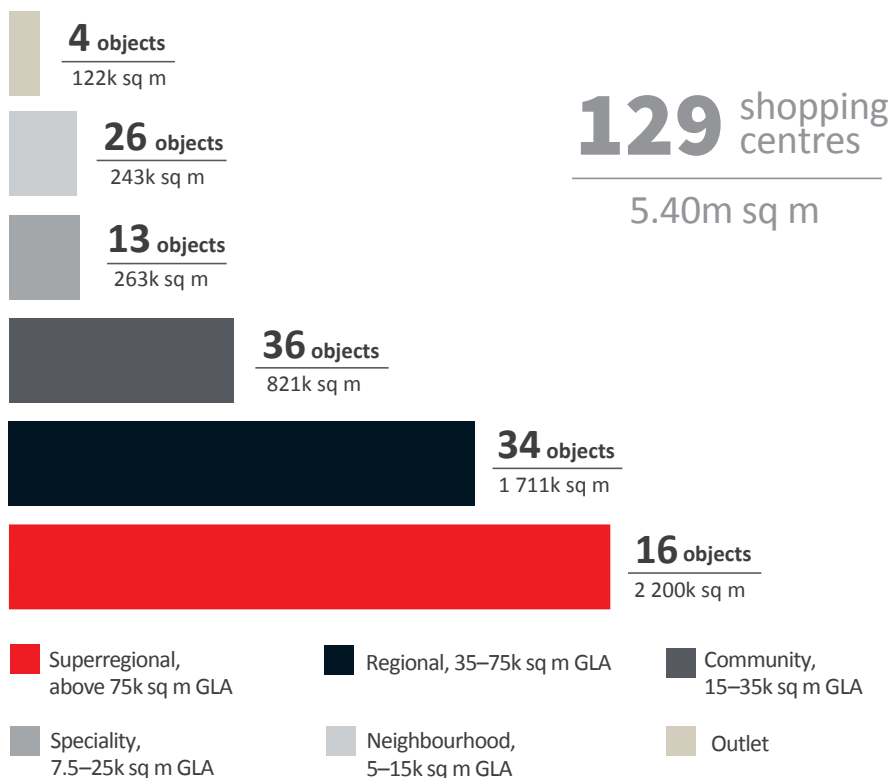


Source: JLL

Retail market, Q4 2019

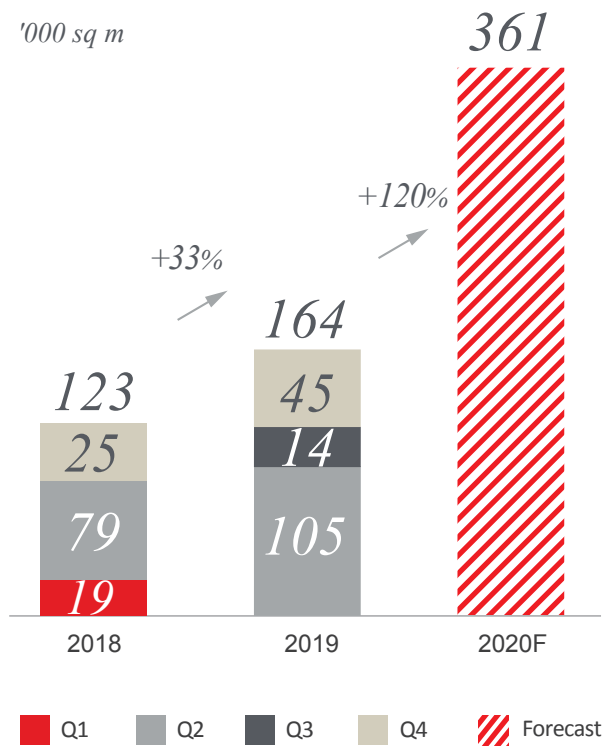
- By the results of 2019, Moscow shopping centre completions amounted to 164,000 sq m, +33% YoY.
- The initial forecast was considerably higher – 56% of announced schemes were delayed. Nevertheless, the construction of these projects is almost finished, therefore the perspective for new supply growth in 2020 looks quite credible.
- 361,000 sq m are announced for 2020. This 2.2 times exceeds 2019 completions.
- Vacancy rate went down by 0.3 ppt QoQ and by 1.1 ppt YoY and reached 4.1%.
- The inflow of new international retailers declined in 2019, with only 27 entering the Russian market which is 13% lower than 2018 result. The achieved indicator is the lowest for seven years. (10–18 ▶)

10 ▶ SHOPPING CENTRE SUPPLY



Source: JLL

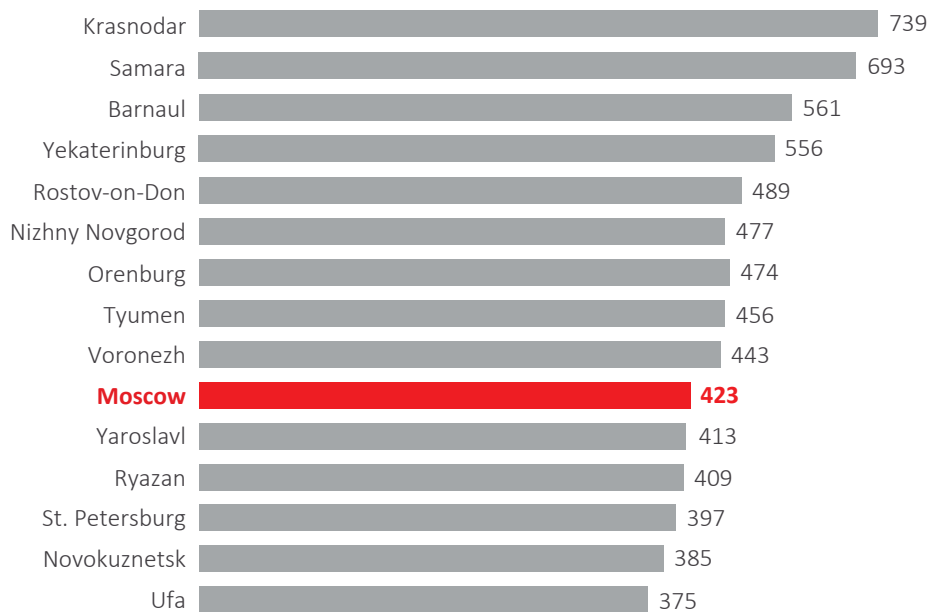
11 ► SHOPPING CENTRE COMPLETIONS



Source: JLL

12 ► SHOPPING CENTRE DENSITY IN RUSSIAN CITIES

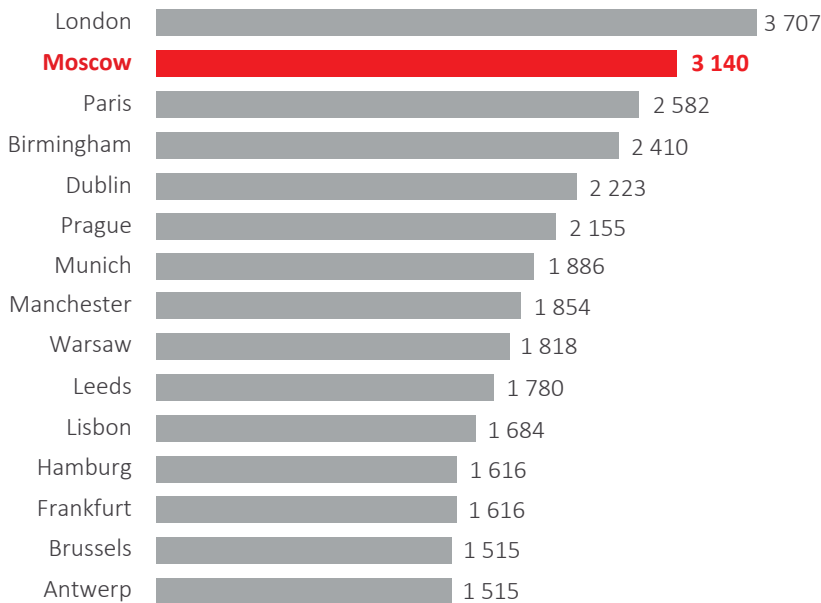
sq m/per 1,000 inhabitants



Source: JLL

13 ► PRIME RENT: EUROPEAN COMPARISON

USD/sq m/year



Source: JLL

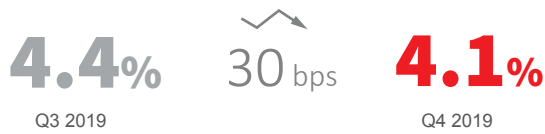
14 ► NEW RETAILERS ON THE RUSSIAN MARKET: ENTRIES AND EXITS



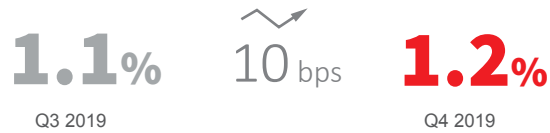
Source: JLL

15 ► AVAILABILITY

Overall SC vacancy rate



Prime SC vacancy rate*

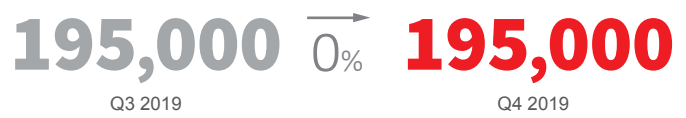


*Based on a selection of the most successful shopping centres with high footfall and conversion rates.

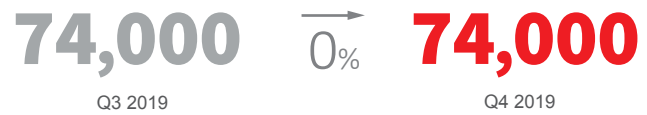
Source: JLL

16 ► PRICING**

Prime rent, RUB/sq m/year



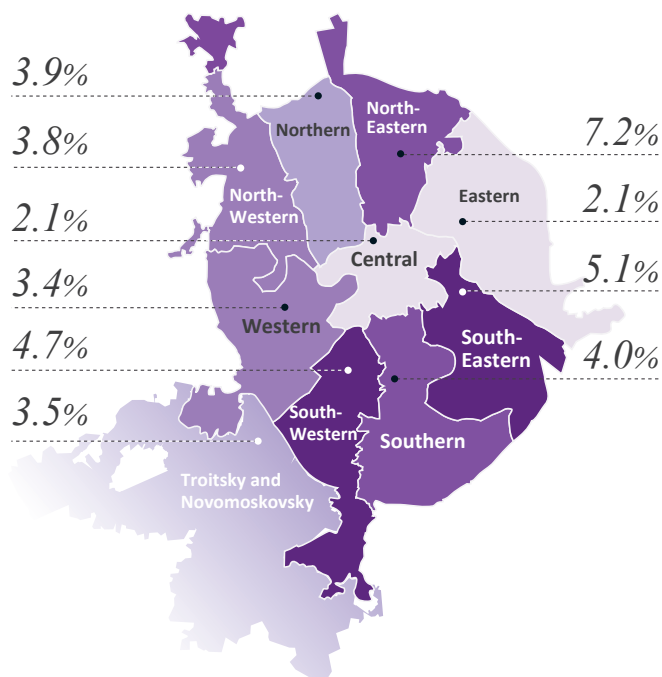
Average rent, RUB/sq m/year



**Rents are given for a single unit of 100 sq m GLA located on a ground floor of a retail gallery. Rents exclude VAT and OPEX. Higher level rents that exceed the market level are registered occasionally.

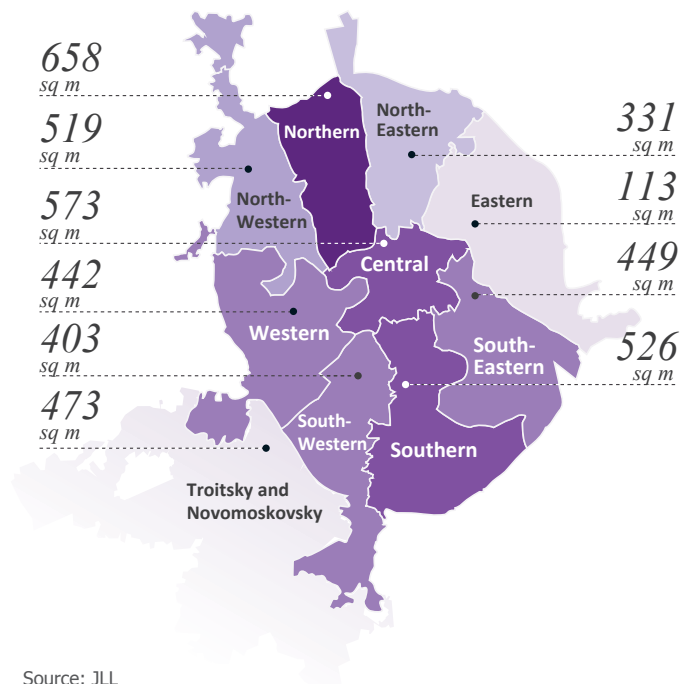
Source: JLL

17 ► VACANCY RATE IN MOSCOW DISTRICTS



Source: JLL

18 ► SHOPPING CENTRE DENSITY IN MOSCOW DISTRICTS (SQ M PER 1,000 INHABITANTS)



Source: JLL

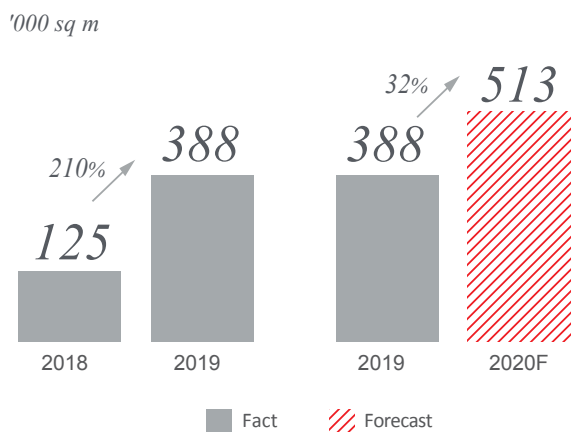
Office market, Q4 2019

- The total completions in 2019 amounted to 388,000 sq m, the majority of which were delivered in Q4 2019 (161,000 sq m). Two Class A office objects were completed in Q4 2019, Stratos (41,200 sq m) and Orbion (25,000 sq m). Total office area of Class B+ buildings delivered in Q4 2019 were 83,000 sq m. The new office supply in 2020 is expected to be 513,000 sq m.
- The overall office take-up in 2019 amounted to 1.5 million sq m, 10% up from 2018 total volume.
- Almost 50% of 2019 take-up volume closed in the properties located outside TTR. Deals closed in properties located from GR to TTR and CBD reached 22% and 23% respectively.
- Business service companies occupied a leading position in the demand for Moscow offices in 2019 with 31% share

of total take-up volume. The second place with 17% was occupied by manufacturing companies. The third are banks and financing organisations, which accounted for 14% of new deals.

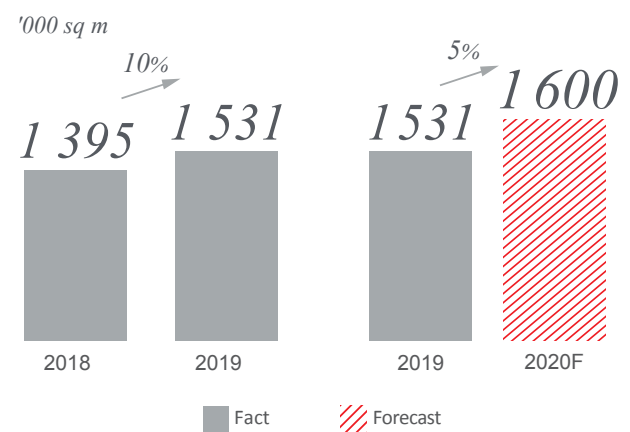
- The overall vacancy rate on the Moscow office market declined during the Q4 by 0.2 ppt, to 9.6%. The decrease has been recorded in Classes A and B+ (by 1.5 ppt and 0.3 ppt), with vacancy amounted to 8.1% and 10.0% respectively.
- Asking prime rental rates in Q4 2019 remained unchanged, at USD 750/sq m/year, Class A rental rates were at RUB 24,000-40,000/sq m/year, Class B+ rents were at RUB 12,000-25,000/sq m/year. (19–27 ▶)

19 ▶ VOLUME OF NEW SUPPLY



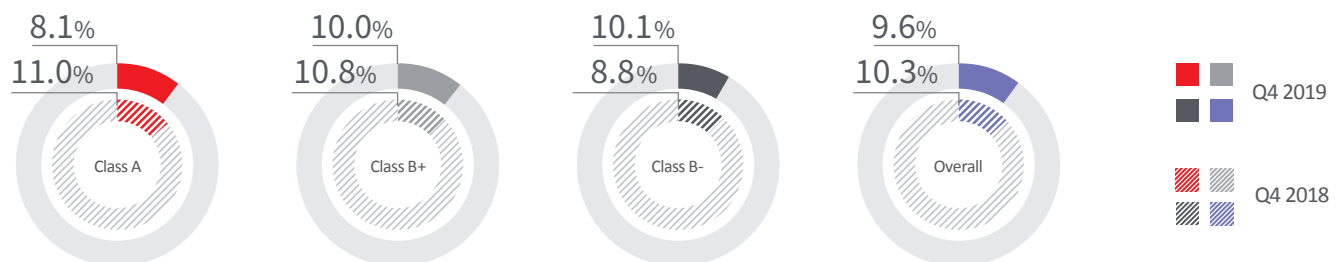
Source: JLL

20 ▶ VOLUME OF TRANSACTED SPACE



Source: JLL

21 ▶ VACANCY RATES BY CLASS



Source: JLL

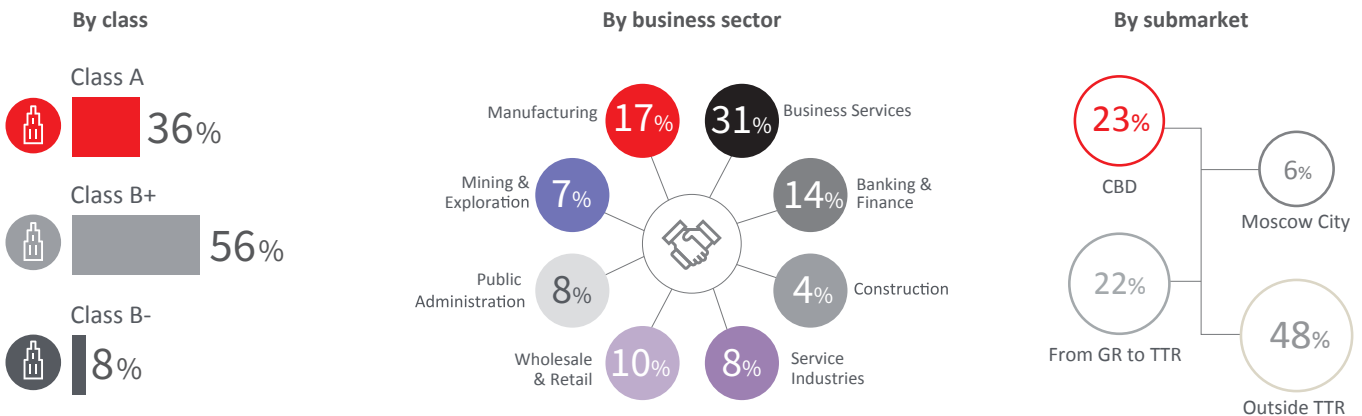
22 ► MOSCOW OFFICE STOCK BY CLASS, Q4 2019



*Growth QoQ

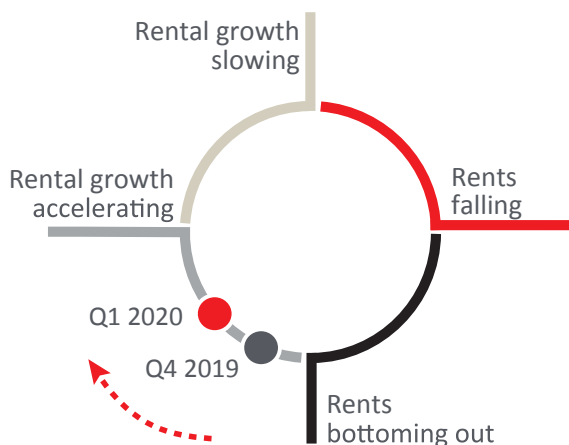
Source: JLL

23 ► TRANSACTED SPACE BY CLASS, SECTOR AND LOCATION, 2019



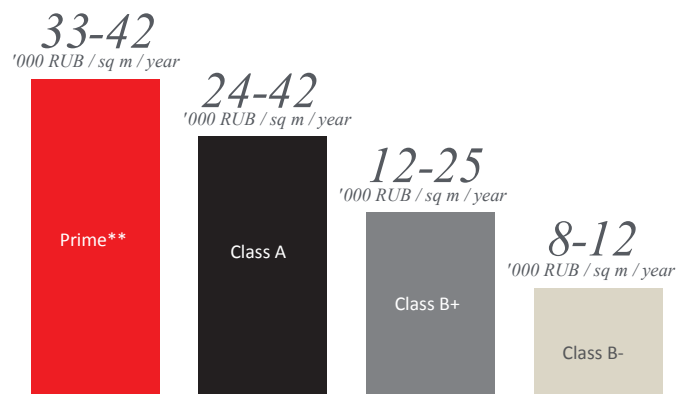
Source: JLL

24 ► OFFICE PROPERTY CYCLE IN MOSCOW



Source: JLL

25 ► ASKING RENTS*



*Asking rents (including pre-lets) exclude VAT.

**Prime rents refer to rents in high quality buildings in the Central Business District (CBD).

Source: JLL

26 ► MOSCOW OFFICE SUBMARKETS, 2019

| | CBD* | Moscow City | From GR to TTR** | Outside TTR*** |
|------------------------|-----------|-------------|------------------|----------------|
| Stock, sq m | 4,045,428 | 1,157,941 | 5,709,086 | 9,271,517 |
| Availability, sq m | 288,690 | 73,591 | 535,155 | 1,000,457 |
| Vacancy rate, % | 7.1 | 6.4 | 9.4 | 10.8 |
| Transacted space, sq m | 353,781 | 93,014 | 342,518 | 741,441 |

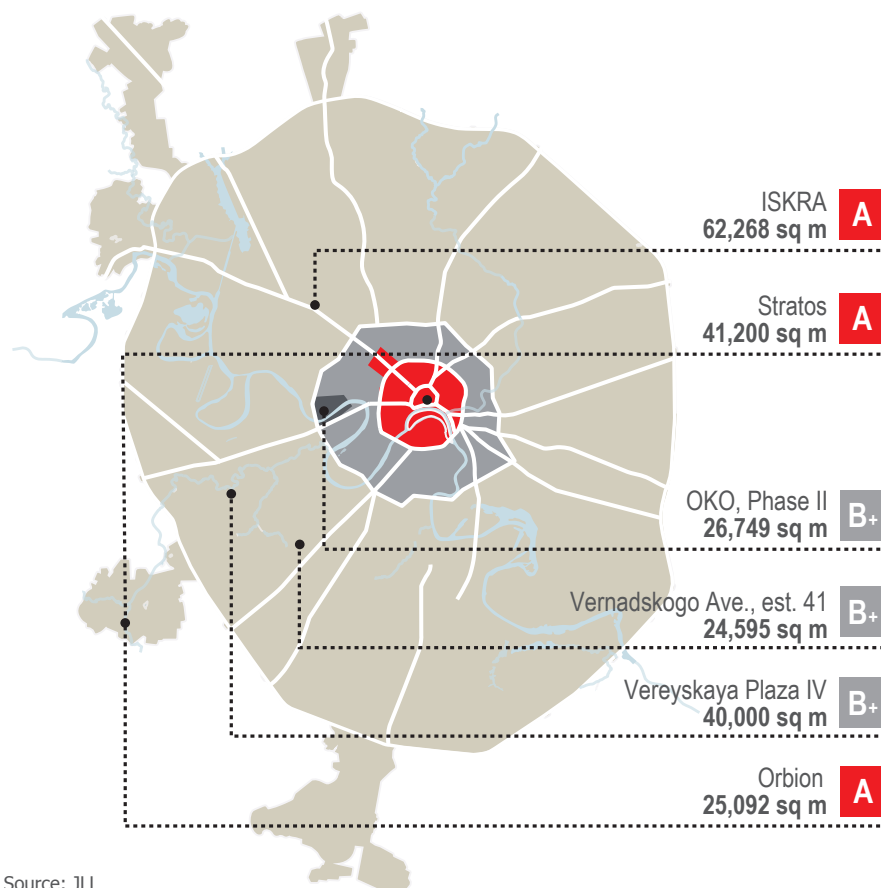
*The Central Business District (CBD) submarket comprises the area within and in close proximity to the Garden Ring (GR) and Tverskaya-Yamskaya Street.

** Excludes Moscow City.

*** Including outside MKAD projects.

Source: JLL

27 ► KEY NEW PROJECTS IN 2019



Warehouse market

TRENDS. MOSCOW AND REGIONS

- In 2019, the significant share of new construction in the Moscow region were built-to-suit projects.
- In 2020, market will return to speculative construction and it will lead to slowing down of decreasing vacancy rate.
- In 2019, take-up in the regions achieved the maximum level over the last 10 years.

BUILT-TO-SUIT CONSTRUCTION PREVAILS IN THE MOSCOW REGION

The Moscow region: in 2019, only 30% of new construction were speculative projects.

In 2019, the total volume of warehouse space in the Moscow region reached 18.5 mln sq m. The total volume of new construction in 2019 remained on a high level as in 2018 and reached 810,000 sq m. (28 ▶)

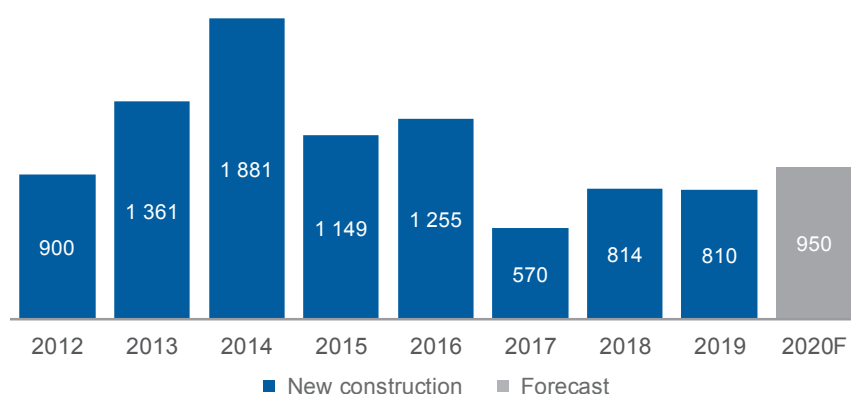
Despite the growing market in 2019 developers were not interested in speculative construction. Only 30% of new construction were speculative projects.

However, lack of quality space, growing rental rates and decreasing level of vacant spaces will serve as a growth driver of speculative construction in 2020.

In 2019, the most demanded directions in the Moscow region are South and North directions. 31% of the total volume of new construction were built in these directions. However, North direction reached such high level only in Q4 2019 thanks to construction of the 2nd phase of Bely Rast warehouse which added 140,000 sq m to the market.

Due to the lack of quality spaces, especially within the city borders, and the rapidly growing demand on warehouse spaces of such type from the fast-growing segment of online-retail some developers started to test new types of warehouse projects (multi-storey warehouse complex PNK Park Medvedkovo, multi-storey warehouse complex PNKM4). In 2020, we expect that market will be more flexible and new types of warehouse that have been already built in European cities (e.g. urban logistics) will be developing in Russia.

28 ▶ NEW CONSTRUCTION, CLASSES A AND B, '000 SQ M



Source: Cushman & Wakefield

VACANCY RATE CONTINUES TO DECLINE

The Moscow region: in 2020, new construction will slow down decreasing of vacancy rate.

By the end of 2019, vacancy rate decreased by 1.9 p.p. compared to the end of 2018 and reached 3.6%.

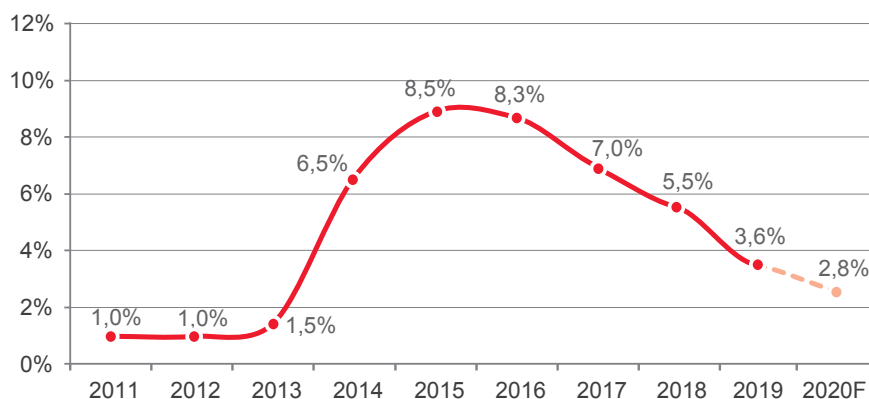
In 2020, speculative construction will grow. As a result of release of warehouse spaces by companies that built warehouses for their own needs vacant warehouse spaces will arise. In 2020, vacancy rate will continue decreasing but at a slower pace and will reach 2.8%. (29 ▶)

In 2019 the average rental rate for class A is RUB 3,900/sq m/year.

The average rental rate for class A in the most demanded direction, in the South (40% of closed deals) is RUB 4200/sq m/year. The lowest level of the average rental rate for class A is in the South-East and reached RUB 3,600/sq m/year.

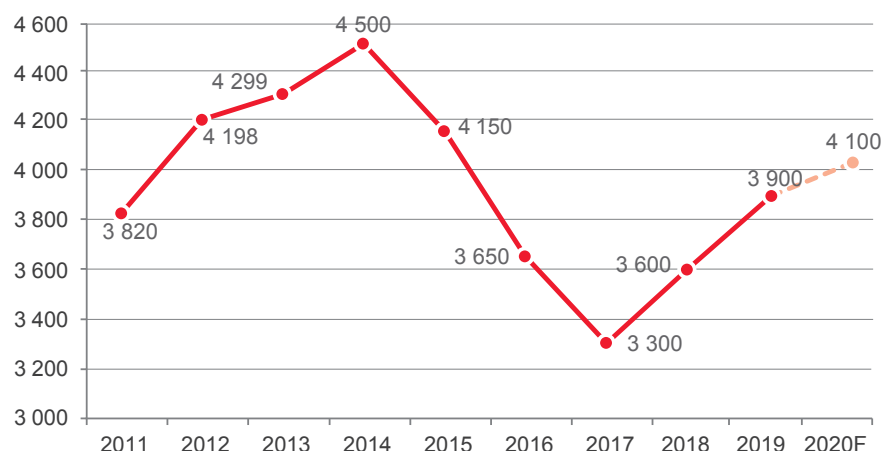
We expect that in case of positive market trends the average rental rate for class A in 2020 will be RUB 4,100/sq m/year. (30 ▶)

29 ▶ VACANCY RATE, CLASS A



Source: Cushman & Wakefield

30 ▶ RENTAL RATE, CLASS A, RUB/SQ M/YEAR



Source: Cushman & Wakefield

IN 2019, TAKE-UP DECREASED BY 30% BUT REMAINED ONE OF THE HIGHEST IN THE LAST DECADE

The Moscow region: in 2019, the share of lease transactions increased by 7.5 p.p. against 2018.

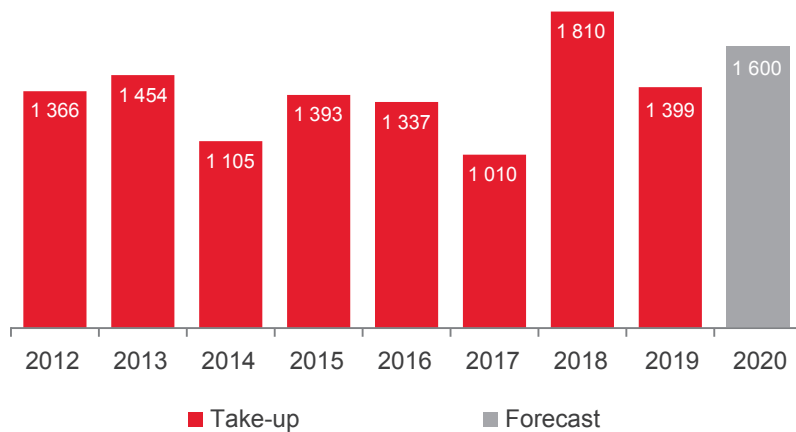
In 2019, take-up in the Moscow region decreased by 30% against 2018 and reached 1.4 mln sq m. The share of take-up consists of 87.5% of lease transactions and 12.5% of purchase transactions. **(31 ▶)**

In 2019, the most active consumers were retail companies with a share of 40% in the total take-up. The average transaction size was 13,700 sq m.

The share of producers is growing in the last 3 years (from 15% to 20%). The opposite dynamics is shown by distributors. Their share in the take-up structure is decreasing over the last 3 years (from 20% to 9%).

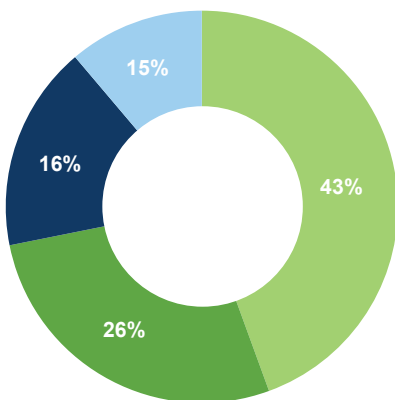
In the structure of lease transactions retail companies occupy the biggest share (41%), while in the structure of purchase transactions the biggest share is covered by producers (43%). **(32, 33 ▶)**

31 ▶ TAKE-UP, CLASSES A AND B, '000 SQ M

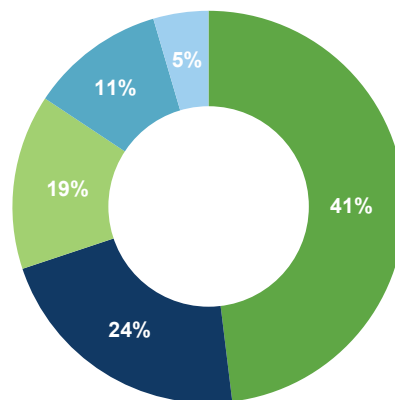


Source: Cushman & Wakefield

32 ▶ TAKE-UP STRUCTURE (SALE), CLASSES A AND B



33 ▶ TAKE-UP STRUCTURE (LEASE), CLASSES A AND B



- Production
- Retail
- Logistics
- Other
- Distribution

Source: Cushman & Wakefield

TAKE-UP IN REGIONS REMAINS HIGH

Regions: take-up in the regions achieved 10-year maximum and reached 995,000 sq m.

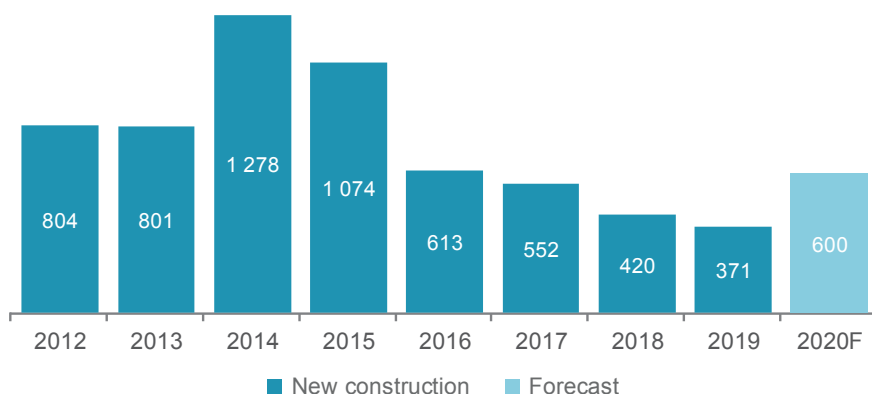
In 2019, the volume of new construction reached 371,000 sq m, which is 13% below the level of 2018. The structure of regional new construction is different from the Moscow region. In the regions of Russia speculative construction prevails over built-to-suit with 60% of the total volume.

The volume of new construction in the regions has been declining over the last 5 years. However, we expect that in 2020 construction activity will increase due to construction of major BTS properties and will reach 600,000 sq m.

In 2019, take-up in the regions achieved 10-year maximum – 995,000 sq m. 40% of deals were closed in the Leningrad region (404,000 sq m).

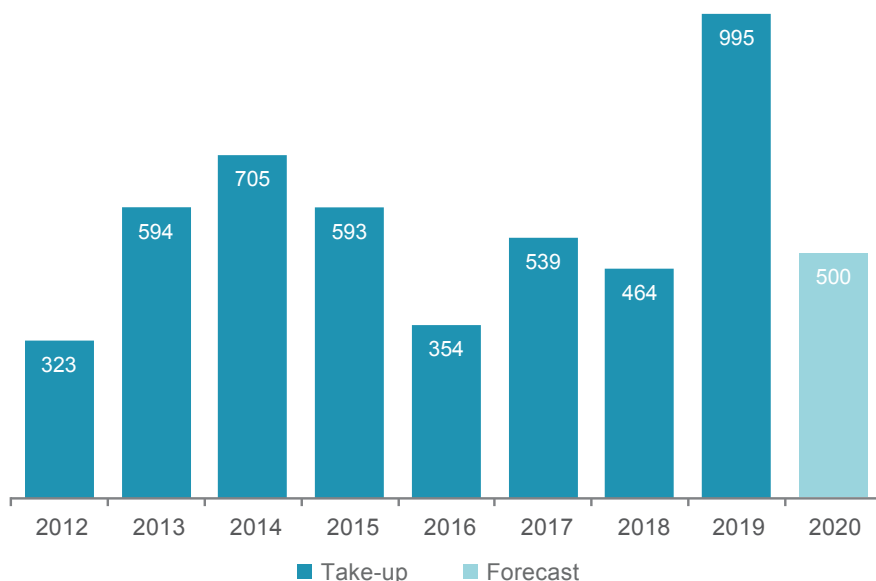
Such high level of take-up in the regions related to regional expansion programmes of three big companies: SberLogistika, Ozon and Pochta Rossii, and three large deals were closed by retail companies and distributors (about 200,000 sq m). In 2020, we expect that take-up in the regions will return to the level of previous years and will be about 500,000 sq m. (33-36 ▶)

33 ▶ NEW CONSTRUCTION, CLASSES A AND B, '000 SQ M



Source: Cushman & Wakefield

34 ▶ TAKE-UP, CLASSES A AND B, '000 SQ M



Source: Cushman & Wakefield

35 ► KEY WAREHOUSE PROPERTIES DELIVERED TO THE MARKET IN 2019

| Property | Region | Total area, sq m |
|----------------------|----------------|------------------|
| Moscow region | | |
| Beliy Rast | Moscow | 140,000 |
| PNK Park Veshki | Moscow | 108,060 |
| Wildberries DC | Moscow | 101,900 |
| Vnukovo II | Moscow | 92,450 |
| IKEA Esipovo | Moscow | 90,000 |
| Regions | | |
| SK Sibirsky | Novosibirsk | 60,000 |
| Logopark Vysota | Ekaterinburg | 47,285 |
| DC X5 Tolmachevo | Novosibirsk | 38,500 |
| Osinovaya Roscha | St. Petersburg | 38,000 |

Source: Cushman & Wakefield

36 ► KEY WAREHOUSE DEALS IN 2019

| Tenant/Buyer | Property | Region | Deal type | Total area, sq m |
|----------------------|-----------------|----------------|-----------|------------------|
| Moscow region | | | | |
| VkusVill | PNK Park Veshki | Moscow | BTS Lease | 108,060 |
| Tablogix | MLP Tomilino | Moscow | Lease | 56,983 |
| Mistral | PNK Koledino | Moscow | Sale | 55,500 |
| Bacardi | Logopark Istra | Moscow | Lease | 43,000 |
| Regions | | | | |
| Lenta | Orientir Yug | St. Petersburg | Sale | 69,100 |
| VkusVill | PNK Sofiyaskaya | St. Petersburg | BTS Lease | 53,850 |
| Marvel | PNK Sofiyaskaya | St. Petersburg | BTS Sale | 51,270 |

Source: Cushman & Wakefield

Hospitality market

There was a negative trend in rouble ADR (average daily rate) in the upscale segment compared to 2018, with a decrease of 26% (13,808 RUB). There was also a 27% decrease in rouble RevPAR (revenue per available room), amounting to 10,352 RUB. US dollar figures fell by 28% (214 USD) alongside a 29% decrease in dollar RevPar (161 USD). Overall occupancy rose by 3% (76%).

Business hotels showed the following trends in 2019: US dollar RevPAR decreased by 22% (73 USD) due to a 2% rise in occupancy (82%) and a 23% fall in ADR in US dollars (89 USD). Rouble RevPAR fell by 19% (4,720 RUB) in line with a 20% drop in ADR (5,774 RUB).

Indicators for the midscale segment also display a decrease. ADR and RevPAR in US dollars dropped by 22%, amounting to 57 USD and 46 USD respectively. Rouble ADR fell by 19% (3,703 RUB), while RevPAR decreased by 20% (2,960 RUB). Overall occupancy remained unchanged (80%).

In 2019, ADR for the economy segment of Moscow hotels (which is mostly comprised of Soviet-era objects) totaled 2,257 RUB (a 14% decrease compared to 2018). Occupancy displayed a 1% growth (72%), rouble RevPAR decreased by 14% (1,613 RUB). ADR in US dollars decreased by 16% (35 USD). RevPAR amounted to 25 US dollars – a 16% decrease over the previous corresponding period.

Average occupancy across all market segments of Moscow hotels rose by 2% (77%) compared to 2018. In 2019, US dollar ADR and rouble ADR fell by 25% (99 USD) and 23% (6,385 RUB) respectively. US dollar and rouble RevPAR also decreased by 25% (76 USD) and 23% (4,911 RUB).

Comparing the 2019 results to the previous year reveals a significant decrease in both RUB and USD figures. This was to be expected, given that hotel performance in 2018 was strongly affected by the FIFA World Cup in June and July, resulting in an abnormal increase in the average figures for 2018. At the same time, the market continues to demonstrate high occupancy levels across all hotel segments, indicating growth compared to 2018.

The absolute gap in RevPAR between market segments revealed the following:

- the gap between the upscale and business segments amounted to 87 USD/5,632 RUB, compared to 132 USD/8,308 RUB in 2018;
- the difference in RevPAR between upscale and midscale hotels decreased to 115 USD/7,392 RUB over 2018 (166 USD/10,444 RUB).

Hotels opened in 2019:

- The InterContinental Hotels Group opened the second Crowne Plaza in Moscow. The 159-room Crowne Plaza Tretyakovskaya is located in Zamoskvorechye district. The hotel is furnished with all the required amenities for work and leisure, including 3 conference halls, a bar, a restaurant, a fully equipped gym and a 24/7 wellness centre. The hotel was known as the Aquamarine prior to joining Crowne Plaza.
- The InterContinental Hotels Group opened the Holiday Inn Express Moscow – Baumanskaya. The new 128-room hotel is located in Basmanny district (Central Administrative Region) at 2A Perevedenovsky Lane, and is the 6th Holiday Inn Express hotel in Russia. The hotel's amenities include a café, bar, and a conference space for 40 people.
- The Pentahotel Moscow Arbat opened in the "Book" building at 15 Novy Arbat Street. The hotel is the Rosewood Hotel Group's first object under the Penta brand in Russia. Amenities of the 228-room hotel include a lounge area, restaurant, 24-hour fitness centre, and a conference space with areas from 44-82 sq m.
- The Radisson Hotel Group announced the opening of the Radisson Collection Hotel in Moscow. With the rebrand complete, the hotel is now the latest addition to the group's exceptional collection of premium lifestyle properties. The hotel 501-room hotel is located at 2/1 Kutuzovsky Avenue bld. 1. The building is one of the capital's 'Seven Sisters' family of renowned neoclassical skyscrapers.
- The Chekhoff Hotel Moscow, Curio Collection by Hilton opened in Moscow in June 2019. The hotel is located in a 7-storey building built in 1891 at the intersection of Degtyarny Lane and Malaya Dmitrovka Street. The building was home to Anton Chekhov from 1899 to 1900. As with other properties in the Curio Collection by Hilton, the 95-room hotel is situated in a historical building.
- A Capsule-style hostel opened in the Sky Skolkovo apartment complex, which is located at the intersection of Mozhaisk highway and the Moscow MKAD Ring Road.

Its air-conditioned rooms are equipped with a microwave, fridge, kettle, shower, hairdryer and a desk.

- A second hotel complex with 591 rooms and a total area of 30,000 sq m opened as part of the multi-purpose Food City complex. Food City is located close to Mamyri in the

Moscow region. It includes a wholesale and retail food centre, an office centre, a hostel and a warehouse.

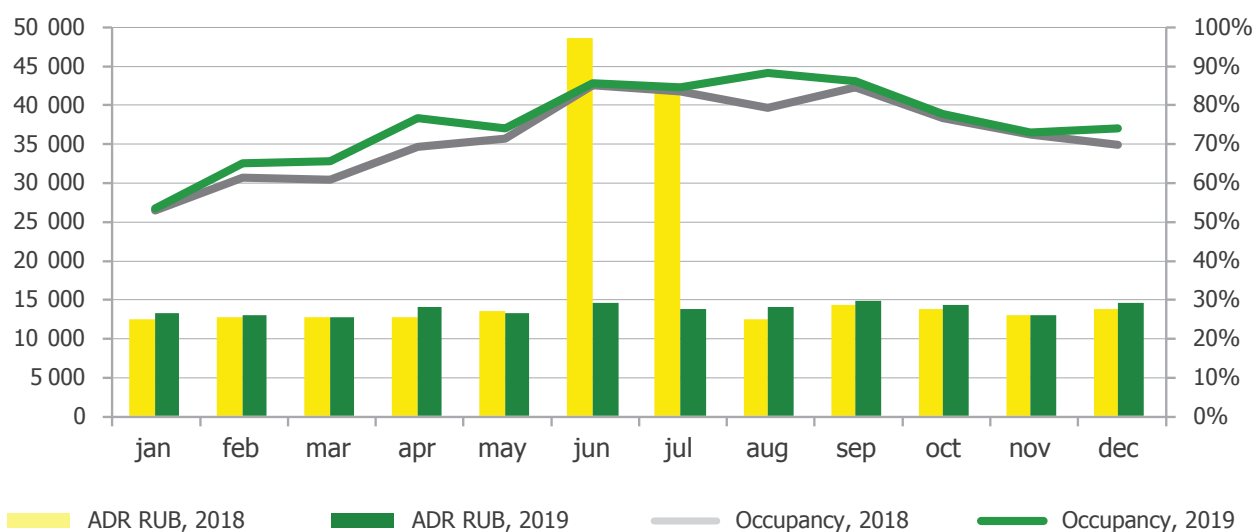
The following branded hotels are announced for opening in 2020. (37-43 ▶)

37 ▶ FUTURE HOTELS ANNOUNCED FOR OPENING IN MOSCOW IN 2020

| Name | Number of rooms | Address |
|--|--------------------|---------------------------------|
| Crowne Plaza Moscow – Park Huaming | 340 | 14 Vilgelma Pika Street |
| Four Points by Sheraton Moscow Vnukovo Airport | 250 | 8 Vnukovskaya Bolshaya Street |
| Hampton by Hilton Rogozhsky Val | 147 | 12 Rogozhsky Val Street |
| Mövenpick Moscow Taganskaya | 156 | 70 Zemlyanoy Val Street bld. 1 |
| AC Moscow Bolshaya Sadovaya | 240 | 8 Bolshaya Sadovaya Street |
| Marriott Imperial Hotel | 268 | 12 Krasnoprudnaya Street bld. 1 |
| Vertical BW Signature Collection | 83 | 16 Malye Kamenschiki Street |
| Total: 7 hotels | 1 484 rooms | |

Sources: EY database, open sources, operators' data

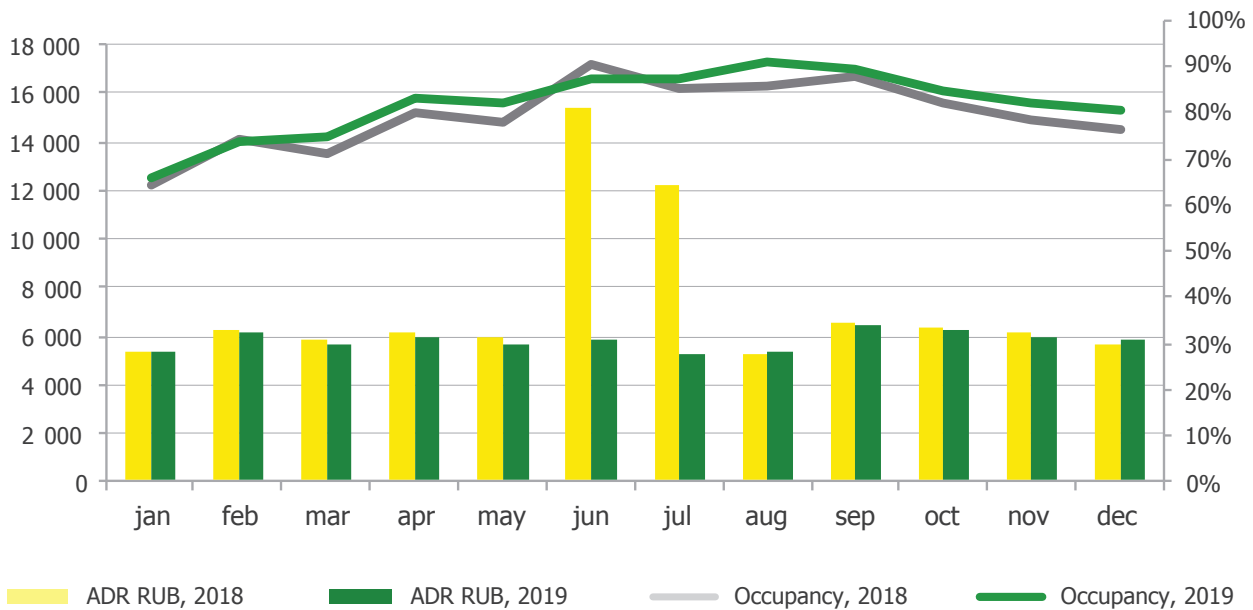
38 ▶ 5-STAR HOTELS: ADR* (RUB) AND OCCUPANCY DYNAMICS, 2019 VS. 2018



* Average daily rate

Source: EY analysis

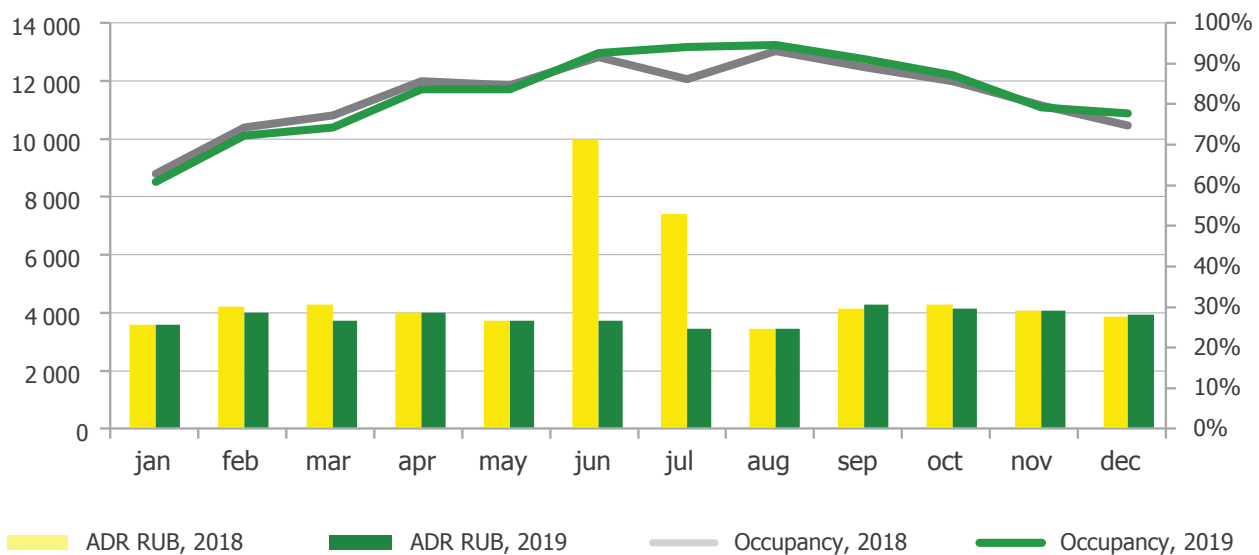
39 ► 4-STAR HOTELS: ADR* (RUB) AND OCCUPANCY DYNAMICS, 2019 VS. 2018



* Average daily rate

Source: EY analysis

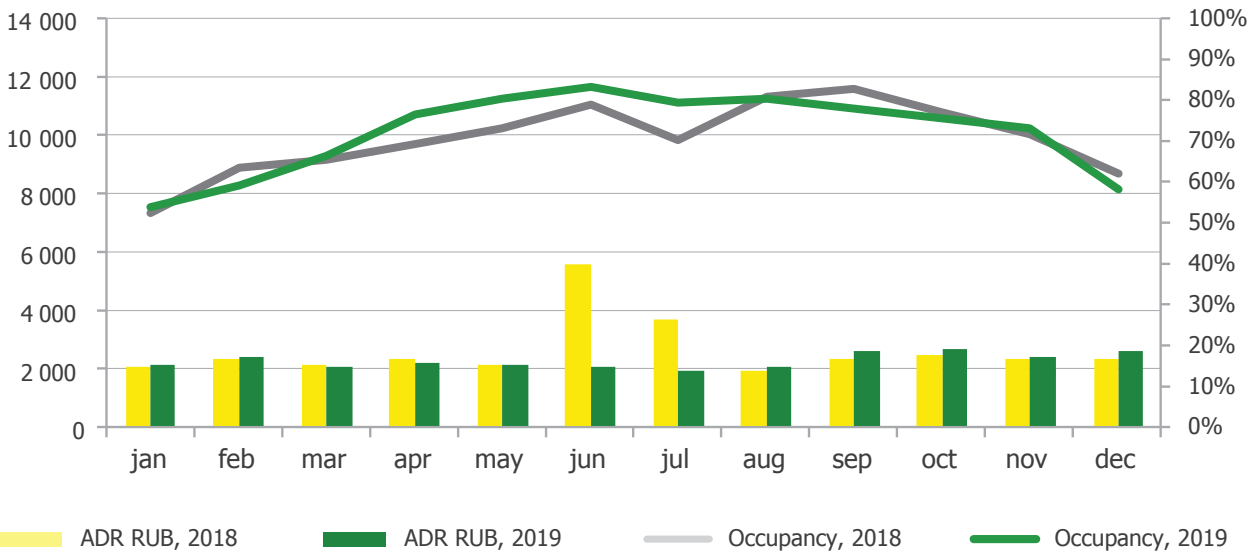
40 ► 3-STAR HOTELS: ADR* (RUB) AND OCCUPANCY DYNAMICS, 2019 VS. 2018



* Average daily rate

Source: EY analysis

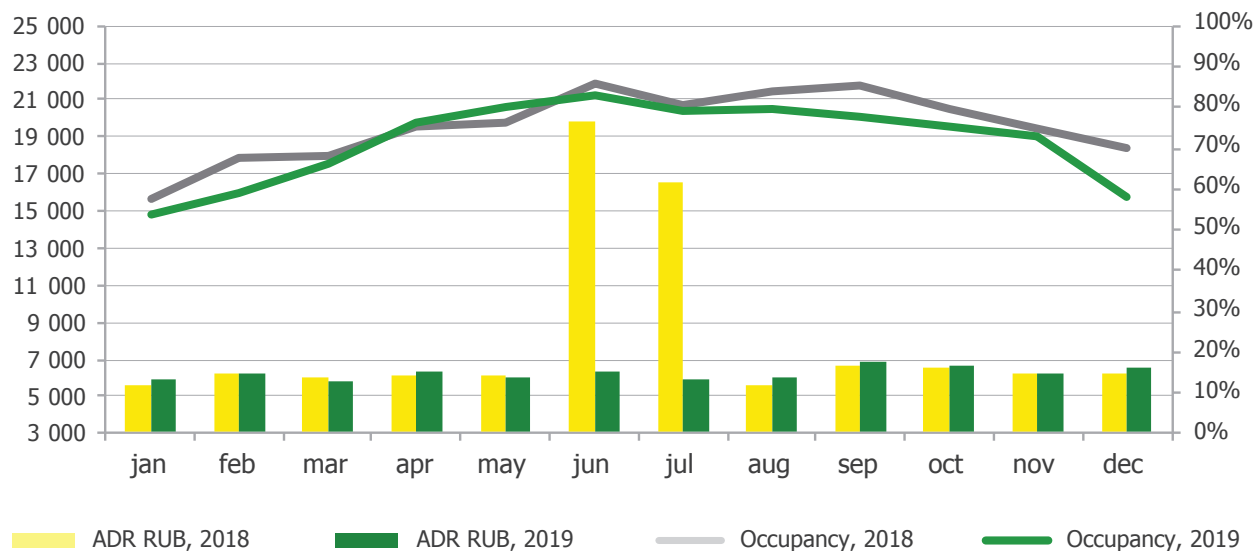
41 ► 2-STAR HOTELS: ADR* (RUB) AND OCCUPANCY DYNAMICS, 2019 VS. 2018



* Average daily rate

Source: EY analysis

42 ► AVERAGE MARKET ADR* (RUB) AND OCCUPANCY DYNAMICS, 2019 VS. 2018



* Average daily rate

Source: EY analysis

43 ► OPERATIONAL INDICES DYNAMICS

| | 2019 (USD/RUB) | 2018 (USD/RUB) | 2019/2018, % |
|-------------------------------------|-------------------|-------------------|-----------------|
| 5 stars | | | |
| Occupancy | 76% | 73% | 3% |
| Average daily rate (ADR) | 214/13,808 | 298/18,649 | -28/-26 |
| Revenue per available room (RevPAR) | 161/10,352 | 225/14,139 | -29/-27 |
| 4 stars | | | |
| Occupancy | 82% | 79% | 2% |
| ADR | 89/5,774 | 115/7,228 | -23/-20 |
| RevPAR | 73/4,720 | 93/5,831 | -22/-19 |
| 3 stars | | | |
| Occupancy | 80% | 80% | 0% |
| ADR | 57/3,703 | 73/4,589 | -22/-19 |
| RevPAR | 46/2,960 | 59/3,694 | -22/-20 |
| 2 stars | | | |
| Occupancy | 72% | 70% | 1% |
| ADR | 35/2,257 | 42/2,619 | -16/-14 |
| RevPAR | 25/1,613 | 30/1,866 | -16/-14 |
| Average | | | |
| Occupancy | 77% | 75% | 2% |
| ADR | 99/6,385 | 132/8,271 | -25/-23 |
| RevPAR | 76/4,911 | 102/6,383 | -25/-23 |

Source: Smith Travel Research, EY analysis and forecast

Housing market

2019 was a year of active development for the high-budget rental segment. The most striking trends of the past year include a significant interest in the most expensive objects with a rate of 1 million roubles/month, an increase in the share of Russian tenants, and an increase in demand and the number of properties offered. The corporate rental sector is also pleased with these developments, with the number of rental projects from DOM, RF and other companies on the rise. This is a very popular format among customers. We are certain to see the impact of such projects on the Moscow rental market, beginning with improvements in the quality of apartments.

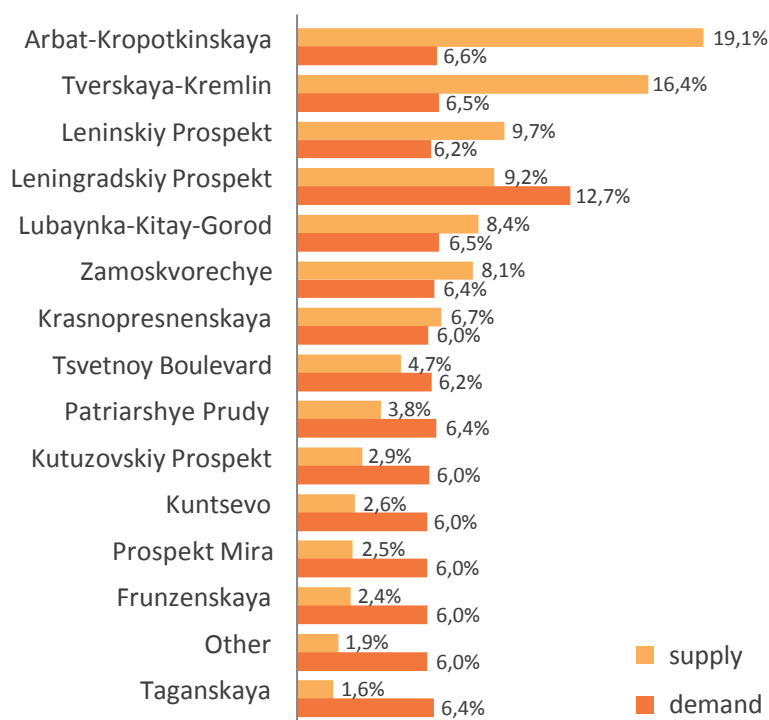
DEMAND

According to figures from November 2019, the average demand budget was 260,000 roubles per object per month.

Since the beginning of the year, the average rate requested by potential tenants increased by 4% (from 250,000 roubles to its current value). Overall, the month-to-month rental rate fluctuated slightly over the year (by 4-5%, apart from the beginning of the year and the peak value in April).

From January–November 2019, more than 20% of all requests were for objects with a budget of 400,000 roubles/month. Over the past year, the share of these kinds of requests increased by 7%. Almost 30% of demand is in the rental range of 150,000–300,000 roubles/month. **(44 ►)**

44 ► SUPPLY–DEMAND CORRELATION IN TERMS OF AREA



Source: Intermark Relocation

Despite the number of requests decreasing towards the end of the year (which is typical for this period), the number of requests for November 2019 is 25% higher than in November 2018.

Overall, from the beginning of 2019 to the present, requests received from foreign citizens amounted to 61% of the total, while almost 40% of requests came from Russian citizens. This shows that over the past year, the number of requests from Russians has increased by 5%. **(45 ▶)**

French, Italian and German citizens lead in terms of high-budget lots rented in Moscow.

SUPPLY

From the beginning of 2019, we see an 18% increase in the number of offers in the Moscow high-budget rental market. This fell by 3% in the final month.

Currently, the average budget for supply in the high-budget rental market in Moscow is 330,000 roubles per

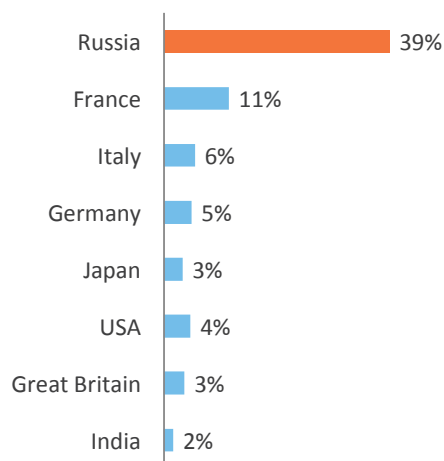
month. This metric remains at a stable level with deviations of $\pm 3\%$. To illustrate, for the entire period from the beginning of 2019 to the present, this rate only increased by 2% (6,000 roubles).

In November 2019, the most expensive rental objects were in 3 areas: Arbat-Kropotkinskaya (410,000 roubles/month), Tverskaya-Kremlin (340,000 roubles/month) and Krasnopresnenskaya (320,000 roubles/month). High rates are also found in the Lubyanka–Kitay-Gorod and Patriarshie Prudy locations, where elite lots cost, on average, 304,000–308,000 roubles/month. **(46 ▶)**

The market remains price sensitive, with a gap in expectations between lessor and lessee of around 70,000 roubles. A year ago, the difference between the rates stood at a more noticeable 108,000 roubles.

From January to November 2019, more than 20% of all requests came to apartments with a budget of 400,000 roubles per month or more. The share of such options increased by 7%.

45 ▶ TENANTS' PROFILE



Source: Intermark Relocation

46 ▶ AVERAGE RENTAL RATES IN TERMS OF AREA, RUB/MONTH

| | |
|------------------------|---------|
| Arbat-Kropotkinskaya | 410,000 |
| Tverskaya-Kremlin | 340,000 |
| Krasnopresnenskaya | 320,000 |
| Patriarshie Prudy | 308,000 |
| Lubianka–Kitay-Gorod | 304,000 |
| Frunzenskaya | 300,000 |
| Tsvetnoy Bulvar | 300,000 |
| Zamoskvorechye | 290,000 |
| Krylatskoe/Kuntsevo | 280,000 |
| Leningradskiy Prospekt | 270,000 |
| Kutuzovskiy Prospekt | 200,000 |
| Leninskiy Prospekt | 200,000 |
| Prospekt Mira | 196,000 |
| Taganskaya | 190,000 |

Source: Intermark Relocation

St. Petersburg market overview

Office market

In Q4 2019, the average vacancy rate in the St. Petersburg office market increased to 6.2%. In Class A the vacancy rate was at 3.5%, in Class B – at 7.4%.

The completions for 2019 amounted to 164,500 sq m in 22 business centres. About 240,000 sq m of office premises are expected to be delivered to the market in 2020.

The average asking rents in Class A are at RUB 1,904/sq m/month, Class B rents are at RUB 1,310/sq m/month (including VAT and operating expenses). (47 ▶)

dynamics of change in the city’s submarket is uneven. The highest vacancy level was in the North due to high competition and market saturation in this location.

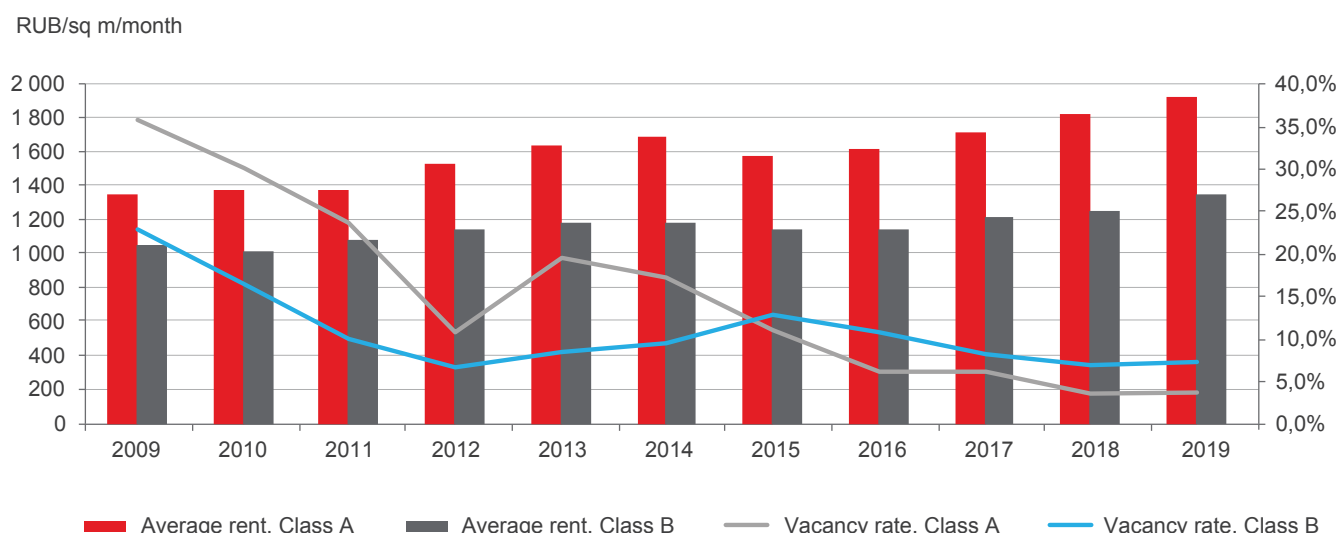
In 2019, the share of cafe and restaurants in the structure of openings in St.Petersburg shopping centres amounted to 21%, which is 2.5 times higher than 2018 figure – 8%. The main reason is the active development of the food halls format in St. Petersburg. In November, Moscow operator opened the food hall Eat Market in Galeria SEC. Before this, food halls were opened in City Mall SEC and on Vasileostrovskiy market. Also, the project of Moscow operator Depot in Varshavskiy Express was announced, the Asian concept will be presented in the Leo Mall SC. At the same time, the share of entertainment declined from 11% in 2018 to 4% in 2019.

By the end of the year prime base rents in quality shopping centres increased to RUB 80,000/sq m/year (excluding VAT and operating expenses). (48 ▶)

Retail market

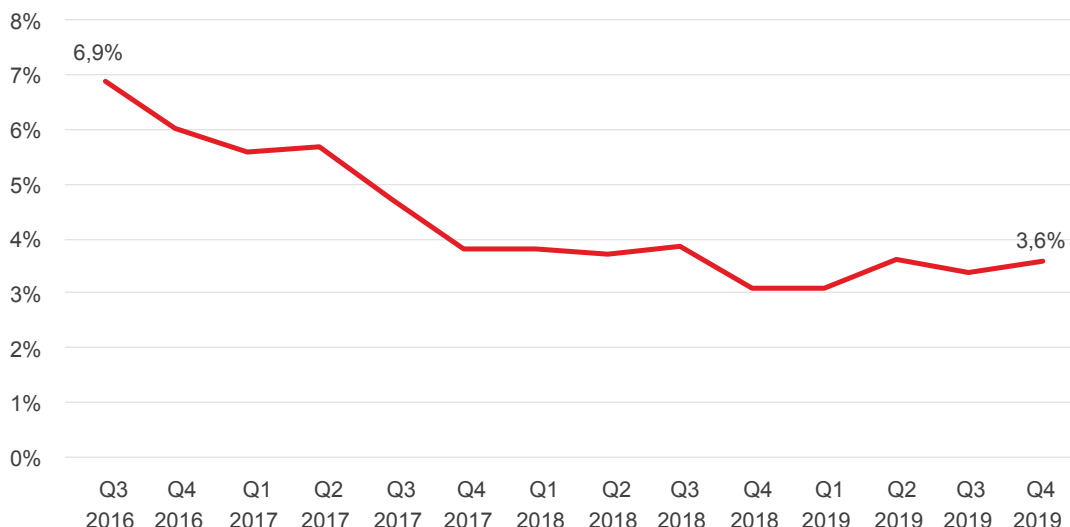
The shopping centres development in St. Petersburg is at a low level. During 2019, only one new quality shopping centre was opened, Fashion House on Tallinskoe Highway. By the end of 2019, the vacancy rate increased by 0.5 ppt compared with the end of 2018 and reached 3.6%. The

47 ▶ RENTAL RATES AND VACANCY RATE IN THE ST. PETERSBURG OFFICE MARKET



Source: JLL

48 ► VACANCY RATE IN ST. PETERSBURG SHOPPING CENTRES



Source: JLL

Street retail market

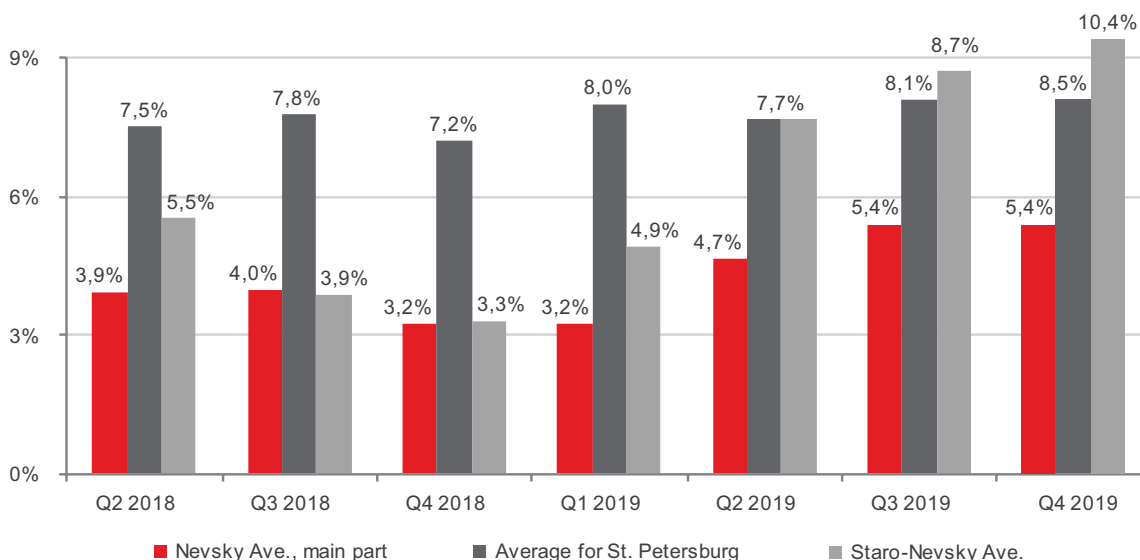
By the end of December 2019, the number of vacant premises on the main St. Petersburg high streets reached the highest level since Q2 2015 – 8.5%. On Staro-Nevisky Ave., during the last year the number of vacant premises increased three times, on Bolshoy Ave. – twice.

The lowest level of the annual rotation (18.8%) for the last 5 years happened in 2019. The period of premises exposition on the market increased.

Coffee houses and candy stores were actively growing. Classic coffee houses, coffee-to-go, caramel and marmalade stores opened throughout the year.

In 2020, more positive dynamics and a decline of vacancy rates on the main St. Petersburg high streets is forecasted. Retailers have a wide choice of options now, and negotiations are already ongoing with some premises. No significant change in rental rates is expected. (49 ►)

49 ► VACANCY RATE DYNAMICS ON NEVSKY AVE. COMPARED TO THE AVERAGE



Source: JLL

Warehouse market

In 2019, the vacancy rate declined by 0.6 ppt. At the end of December, it amounted to 4.6%, or 141,000 sq m.

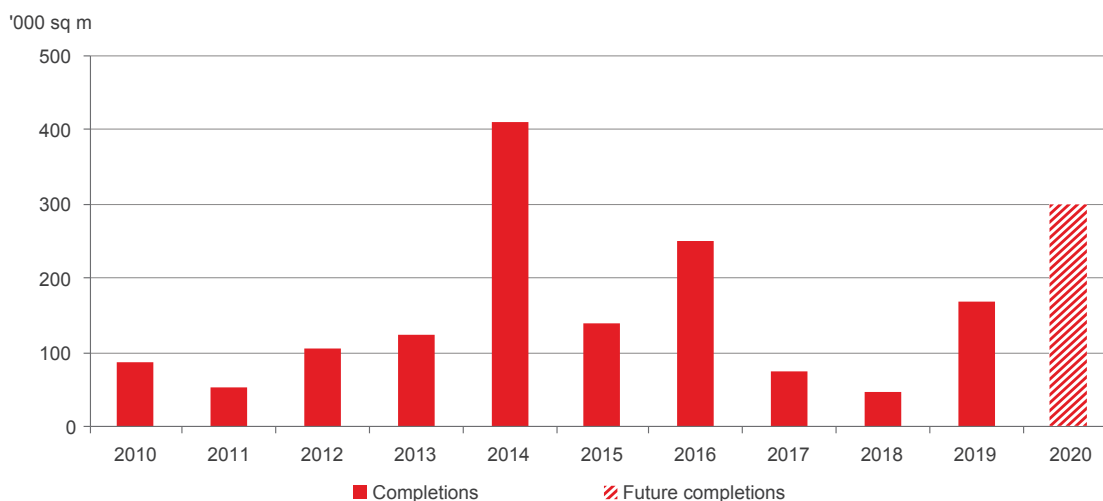
9 warehouse centres with leasable area of 172,000 sq m were completed in 2019. 70% of this volume were speculative.

Retail companies showed the strongest demand in 2019. The share of retail reached its maximum compared to the last few years. The volume of leased spaces by e-commerce companies is growing.

The major built-to-suit deal was completed in 2019. Orientir will construct the warehouse complex with total area of 70,000 sq m for Lenta company in the industrial park M10.

In 2019, prime asking rental rates increased on the back of high volume of deals and active demand. In Q4 2019, the prime rents were at RUB 520/sq m/month (including VAT and operating expenses). (50 ▶)

50 ▶ COMPLETIONS IN THE ST. PETERSBURG WAREHOUSE MARKET



Source: JLL



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The AEB Real Estate Committee was founded in 2003 and brings together real estate professionals from a variety of areas including developers, investors, financiers, consultants, project and facilities managers, and other service providers.

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