



Offices Exposed



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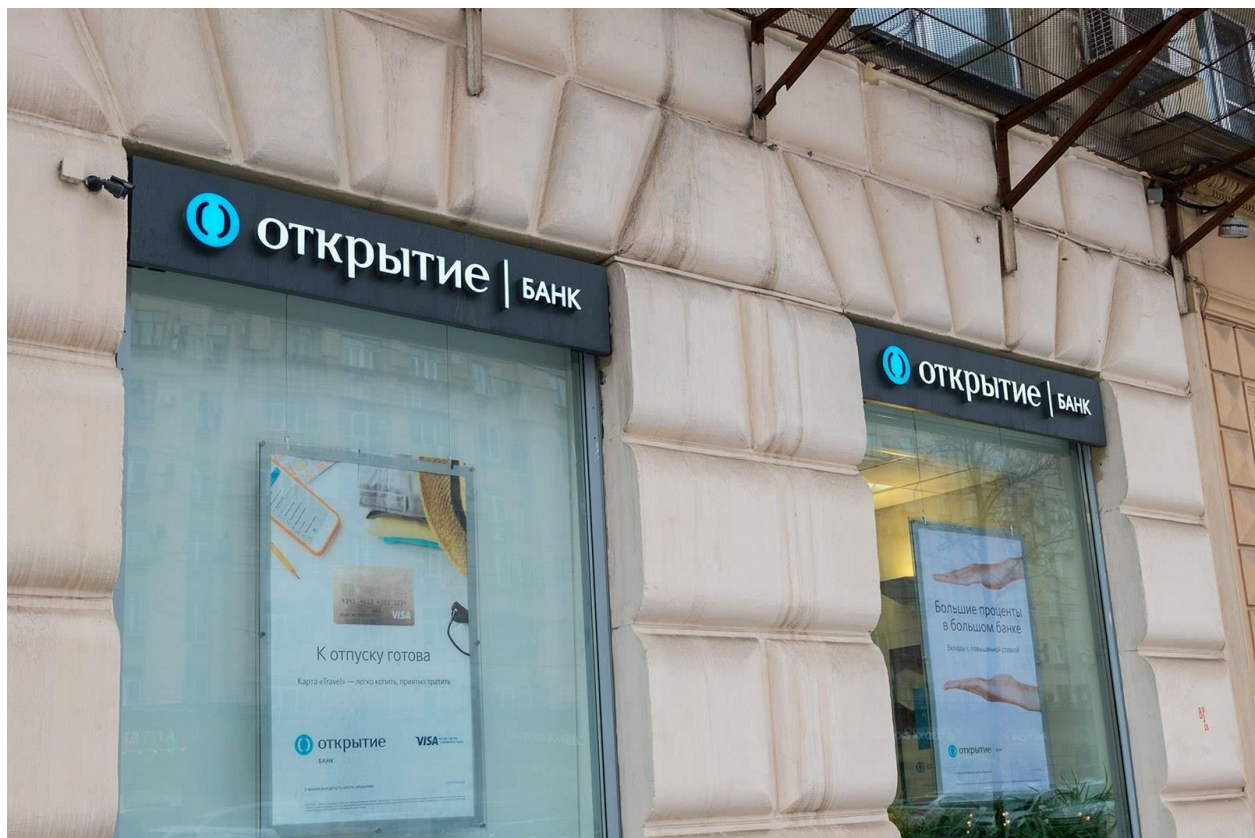
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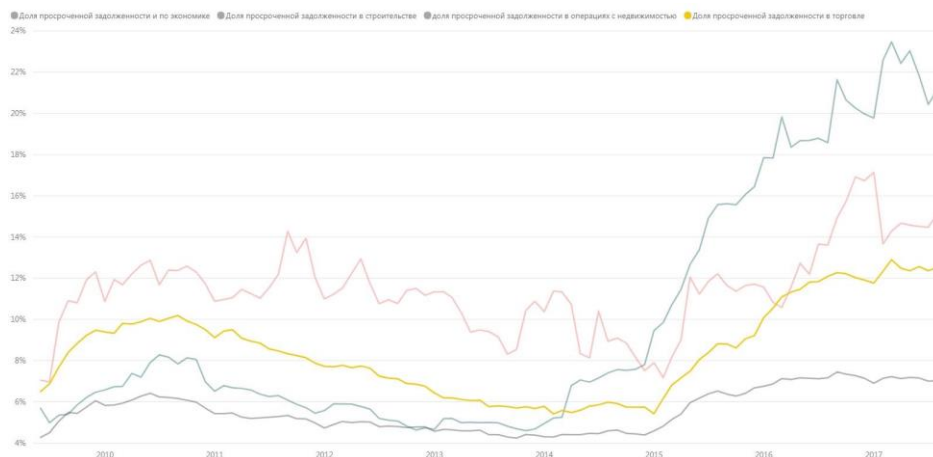
1 - Best real estate research house in Russia according to Euromoney

To big to fail



Overdue debt (CBR)

- Over 20% of all construction loans are overdue
 - High risk of inflation acceleration
-



...but while new sanctions will have limited impact on the economy in the short run, they could further weaken Russia's potential growth rate

Forecast for Russia						
(Annual percentage changes unless specified)						
	2015	2016	2017	2018	2019	2020
Domestic Demand	-10.3	-1.8	2.8	1.3	1.5	1.4
Private Consumption	-9.7	-4.5	3.0	2.5	2.3	2.3
Fixed Investment	-9.9	-1.8	4.5	1.1	1.1	1.4
Stockbuilding (% of GDP)	3.5	5.0	5.1	4.6	4.5	4.1
Government Consumption	-3.1	-0.5	-0.4	0.0	0.6	0.7
Exports of Goods and Services	-3.7	3.1	3.2	1.3	2.1	2.5
Imports of Goods and Services	-25.8	-3.7	8.4	0.9	3.6	3.5
GDP	-2.8	-0.2	1.8	1.3	1.2	1.2
Industrial Production	-1.0	1.3	1.6	1.5	1.9	1.7
Consumer Prices	15.5	7.0	4.5	4.1	4.0	4.0
Government Budget (% of GDP)	-3.4	-3.7	-1.9	-2.2	-1.7	-0.8
Trade Balance (\$bn)	148.4	90.3	103.7	101.4	121.8	150.3
Current Account (\$bn)	68.8	25.5	34.4	37.1	55.8	82.9
Current Balance (% of GDP)	5.0	2.0	2.2	2.3	3.3	4.5
Short-Term Interest Rates (%)	14.0	11.2	9.6	8.9	8.0	7.5
Exchange Rate (Per US\$)	60.9	67.1	58.9	60.4	58.9	57.9

2 - Outlook is improved

Oxford Economics:

Preliminary estimates show that the economy grew by a faster-than-expected 2.5% y/y in Q2, leading us to revise our growth estimate for this year to 1.8% (from 1.4% last month), but we maintain our 2018 forecast at 1.3-1.4%. This comes despite the imposition of new sanctions on Russia by the US. We do not think the sanctions will derail the economic recovery, but they could lead to a slower pace of monetary easing by the Russian central bank (CBR).

Banking crisis: who is next?

<http://twitter.com/statuses/912093673302646784>

<http://twitter.com/statuses/912023992822829057>



2018: Elections and football



Offices



Breeze of The Past by abuyhia, 28 October 2009. © copyright by abuyhia www.3dm3.com

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The relevance of exposition period



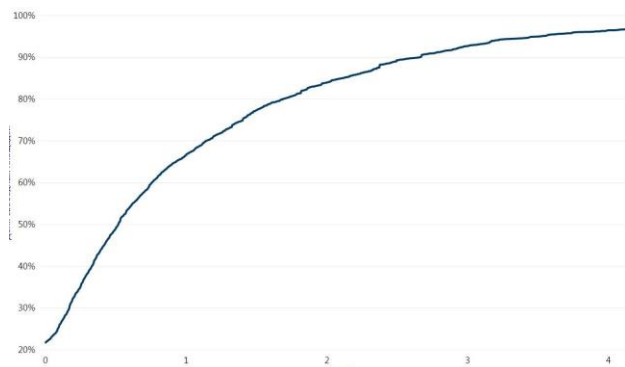
While the vacancy rate in Moscow remain above 15%, there is a significant transactional activity going on.

Main question is what is the reasonable time to lease or to rent building.

% of square meters leased vs exposition period (over 10 years of records)

50% of all offices are usually leased within 6 months

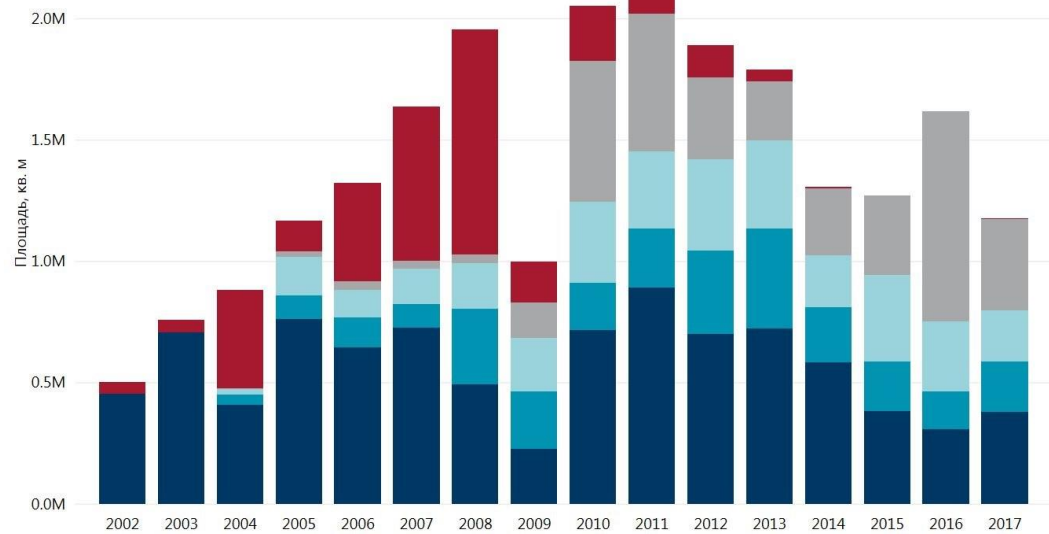
70% are leased within 1 year



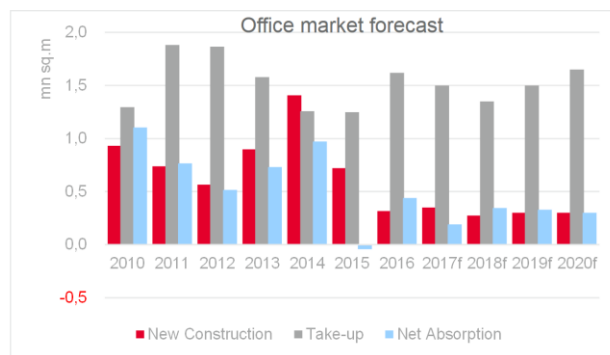
- Average exposition period for current vacancies on the market is 450 days
- Market consists of highly liquid premises that are usually leased within a year and illiquid stock (about 30%) that stays vacant for over 1 year

Период экспозиции

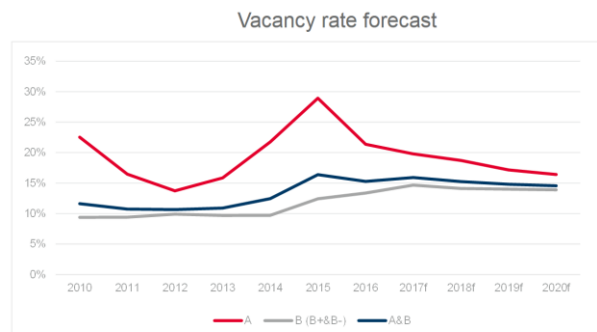
- менее 90 дней
- 90-180 дней
- 180 дней - 1 год
- 1 - 3 лет
- Prelease



Outlook



- Slowdown of the business activity in elections year
- High natural take up (over 1 million square meters a year)
- Construction activity will diminish due to the low demand for new space



- Vacancy rate will slightly slide down
- A and B class vacancies will converge



- Rental rate will remain stable
- No speculative upside in the mid term
- Some landlords will benefit from location upside (infrastructure improvement)

Thank you!

