

Opportunities in the current market

Business meeting
“Real Estate Acquisitions in a Crisis”





REAL ESTATE MARKET THAT WE COULD HARDLY EXPECT IN THIS PART OF THE WORLD ...

- The real estate market has instantly transformed into a **tenant / buyer market**:
 - Base Rent decrease
 - Including of Service Charge in the Base Rent
 - Delivering fitted out space at no additional cost
 - Decrease of term of the Lease
 - Improvement of Rent Indexation conditions
- **Growing number** of properties for sale
- Significant amount of **sublease premises** in the market
- **Shifting the delivery dates** and **freezing** most of the projects, reducing the amount of announced projects





SURVIVING IN THE WORLD OF UNCERTAINTY

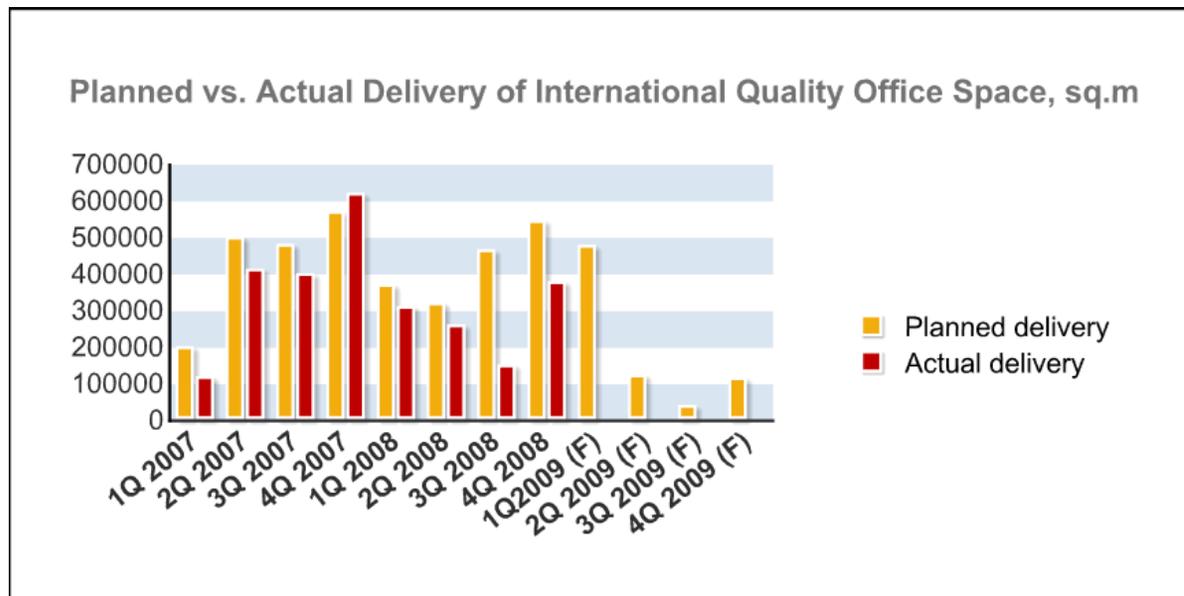
- Growth of tenant activity since the beginning of 2009
- Different behavior of Landlords:
 - Most demonstrate increased flexibility – rent reduction reaches up to 30-35%
 - Some though maintain current level of rental rates or even tighten the terms (for underrated properties)
- Sellers show unprecedented flexibility, ready to negotiate up to 60% discounts;
- Re-negotiation of rental rate and other contract terms – consultancy services based on skills and experience

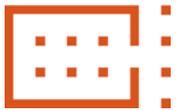


MOSCOW OFFICE MARKET

- Sharply decreased amount of new quality space. Overall amount of quality office space delivered in 2008 equals 1,1 Million sq.m, which is 75% of the number in 2007, and 65% of what has been announced;
- **Delivery terms** of the majority of the properties that were scheduled for the Q4 2008 were shifted to 2009 (Metropolis, NordStar Tower, BC «Lootch»)

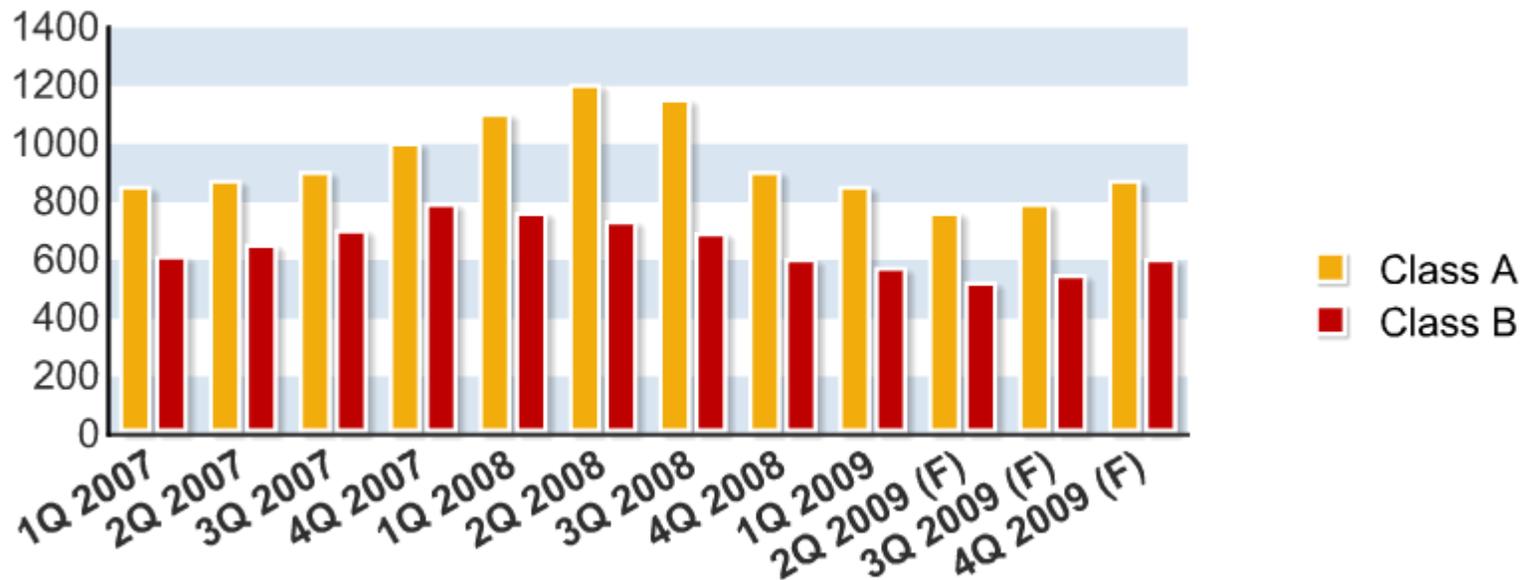
- The number of sublease space **increased** (Romanov Dvor, Usadba, Berlinskij House, Stanislavskij manufactory)





OFFICE SPACE RENTAL RATE DYNAMICS

Dynamics of Average Rental Rates for International Quality Office Space, \$/sq.m/year



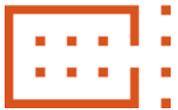


MOSCOW INDUSTRIAL MARKET

- Delivery terms of most of the projects **postponed** from 2008 to 2009
- In 2009 **800,000 sq.m** are planned to be delivered, such as «Severnoe Domodedovo» (275 000 sq.m.), PNK Chekhov (135 000 sq.m.), Industrial park «Vostochny» (121 500 sq.m.), MLP Podolsk (80 000 sq.m.)

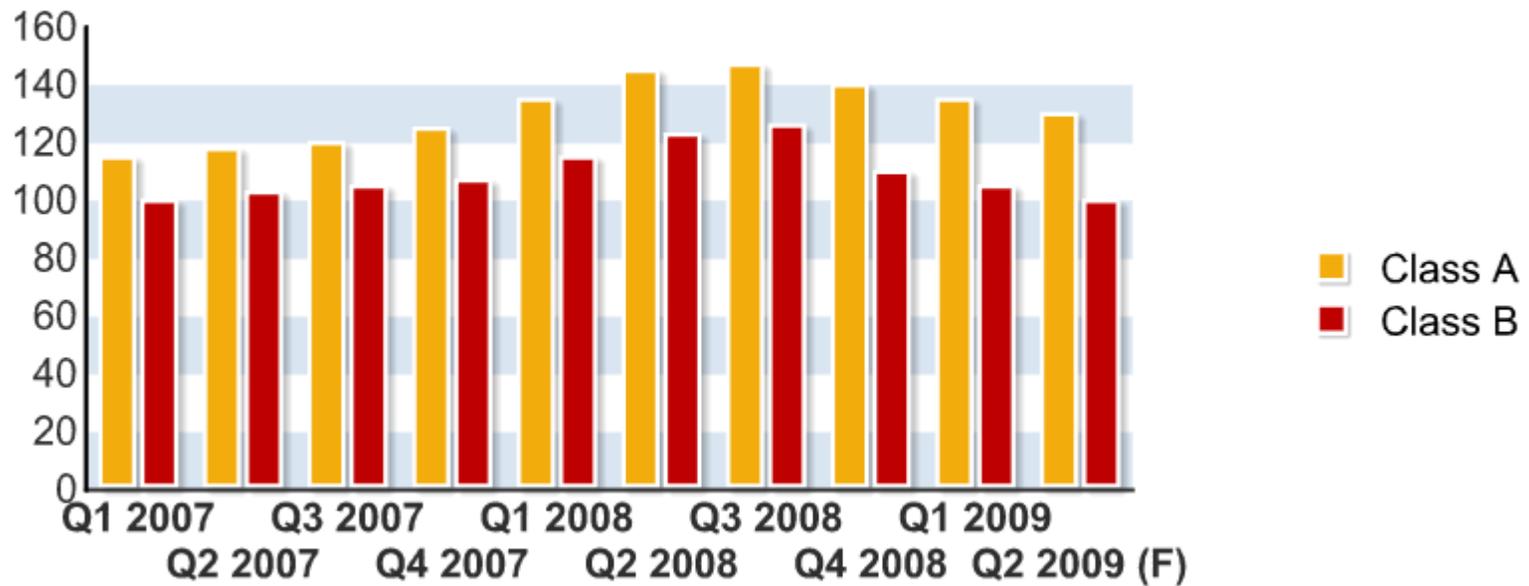
- Projects that were announced for delivery by the end of 2009 are suspended





INDUSTRIAL SPACE RENTAL RATE DYNAMICS

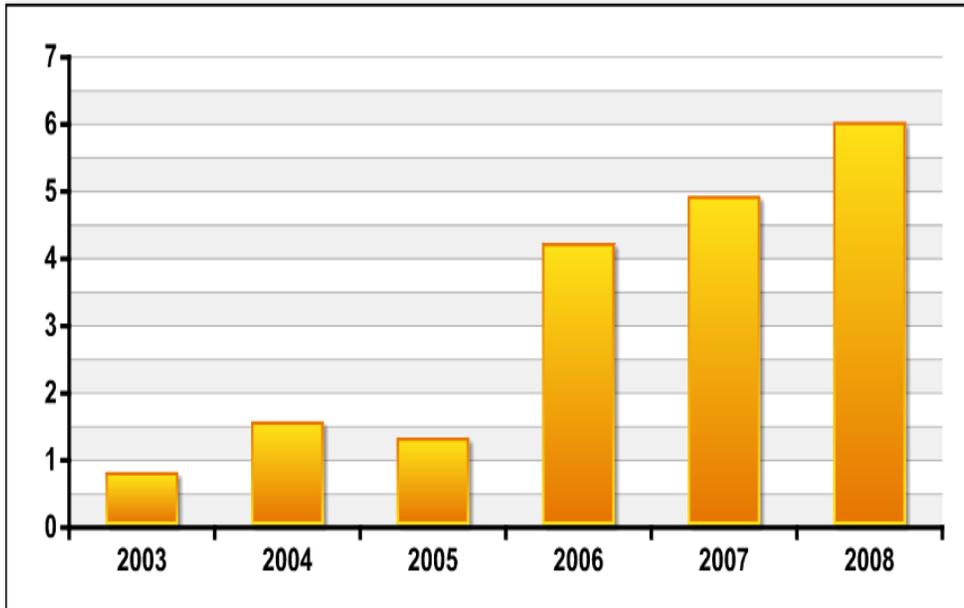
Dynamics of Rental Rates for International Quality Warehouse Space, \$/sq.m/year





INVESTMENT IN RUSSIAN REAL ESTATE IN 2008

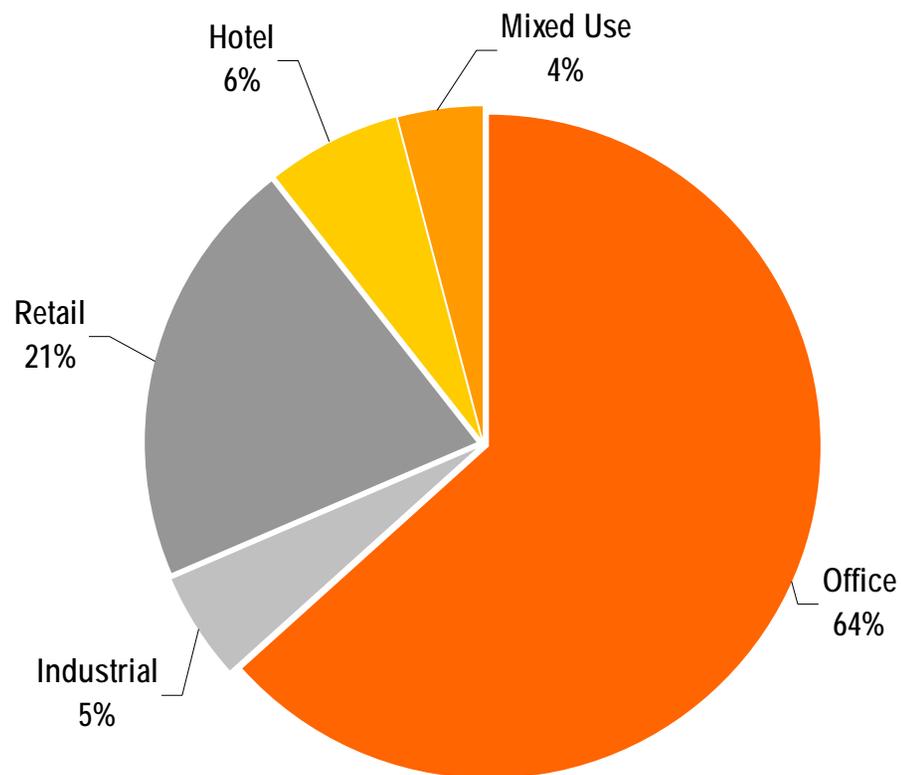
Investment Volume Dynamics, \$ million



- The investment in commercial real estate in 2008 totaled to \$6 Billion. In 2007 it was - \$4,9 Billion (*in both cases, only investment acquisition of delivered properties or properties under construction*)
- Investment in the Regions of Russia was only 28% of total amount



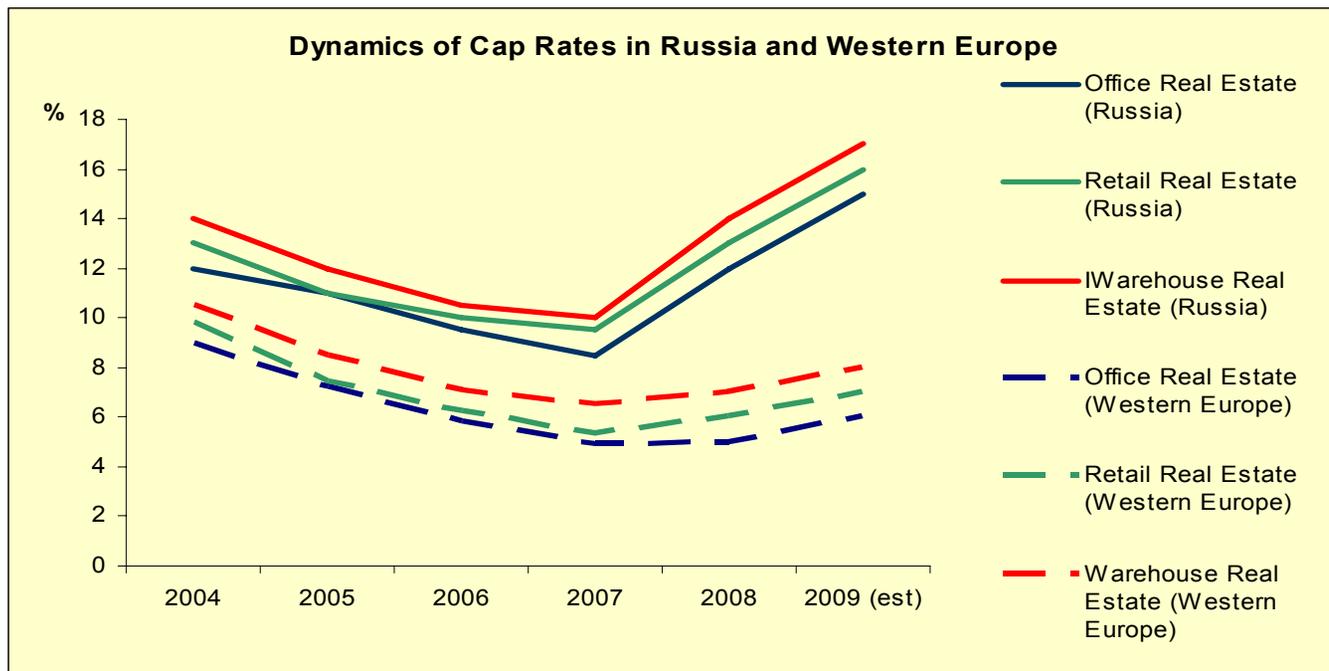
ALLOCATION OF RUSSIAN REAL ESTATE INVESTMENT BY SEGMENTS





CAPITALIZATION RATE DYNAMICS

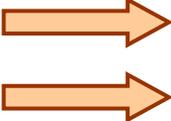
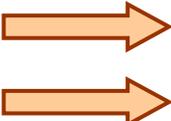
Capitalization rates Q4 2008	Moscow	St. Petersburg
Office	12.0 – 12.5%	12.5 – 13.0%
Retail	13.0 – 13.5%	13.5 – 14.0%
Warehouse	14.0 – 14.5%	14.5 – 15.0%



Source: Praedium Oncor International



WHO IS THE LUCKY NEW OWNER?

- Investment funds with private investments  West-European Investment funds
Asian Independent funds
- Russian major corporations  Oil and Gas sector
Banking / financial sector
- Institutional investors (show lower activity than in 2006 – 2007, but there again!)

Expected level of return: 15 – 20%





TODAY'S OPPORTUNITIES: INVESTMENT SALE - BC NORDSTAR TOWER



Project Summary

Class	A
GBA	147, 000 sq m
GLA	79, 650 sq m

80% preleased High Quality Class A Business Center near the Metro
1905 and Begovaya



TODAY'S OPPORTUNITIES: Forward Funding / JV - Mixed Use Complex on Oruzheiny Per.



PROJECT SUMMARY

Class	A
Office Premises	69,000 sq m
Retail Premises	7,000 sq m
Fitness Center	3,000 sq m
Parking	1,300 units

Multifunctional Class A development project in prestigious downtown area.

JV/Project's share acquisition is possible.

The last large office development complex in the central administrative district of Moscow.

Excellent transportation accessibility



TODAY'S OPPORTUNITIES: INVESTMENT SALE - SC SCHUKA



PROJECT SUMMARY

GBA	105,000 sq m
GLA	43,000 sq m
Parking	750 units

One of the most popular high quality shopping mall in the North-West of Moscow with total GBA 105,000 sq m.



Largest investment transactions 4Q 2008 – 1Q 2009

DATE	OBJECT	CITY	COST (\$ mln)*	SELLER	INVESTOR
4 Q 2008	Nyam-Nyam chain of supermarkets	Moscow	100,00	Nyam-Nyam	Rewe group
4 Q 2008	BC on Kalanchevskaya, 30	Moscow	85,90	S.K. Absolut	Megafon
4 Q 2008	Million Melochey retail centre	Moscow	80,00	Group of private owners	Midland Group
4 Q 2008	BC Business-Delo	Saint-Petersburg	20,00	confidential	ROSNO
4 Q 2008	10% Aeroport-City	Saint-Petersburg	15,84	Warimpex	UBM
1 Q 2009	BC Yuzhny Port	Moscow	300,00	Midland Group	Sberbank
1 Q 2009	AS-Bureau warehouse complex	Ekaterinburg	5,00	AS-Bureau	Protek

Investors prefer to be involved in existing projects in order to avoid development risks

Source: Praedium Oncor International



FINANCING AND REFINANCING TRANSACTIONS

- VTB → \$ 500 million. → Don-Stroy
- VTB →
- Credit Suisse →





WHAT BANKERS ARE GOING TO DO, MATTERS A LOT

Dealings with assets received as collaterals:

- “Fire-sale”;
- Holding until the economical stabilization is there and value goes up;
- Further development and completion of the unfinished projects, then selling

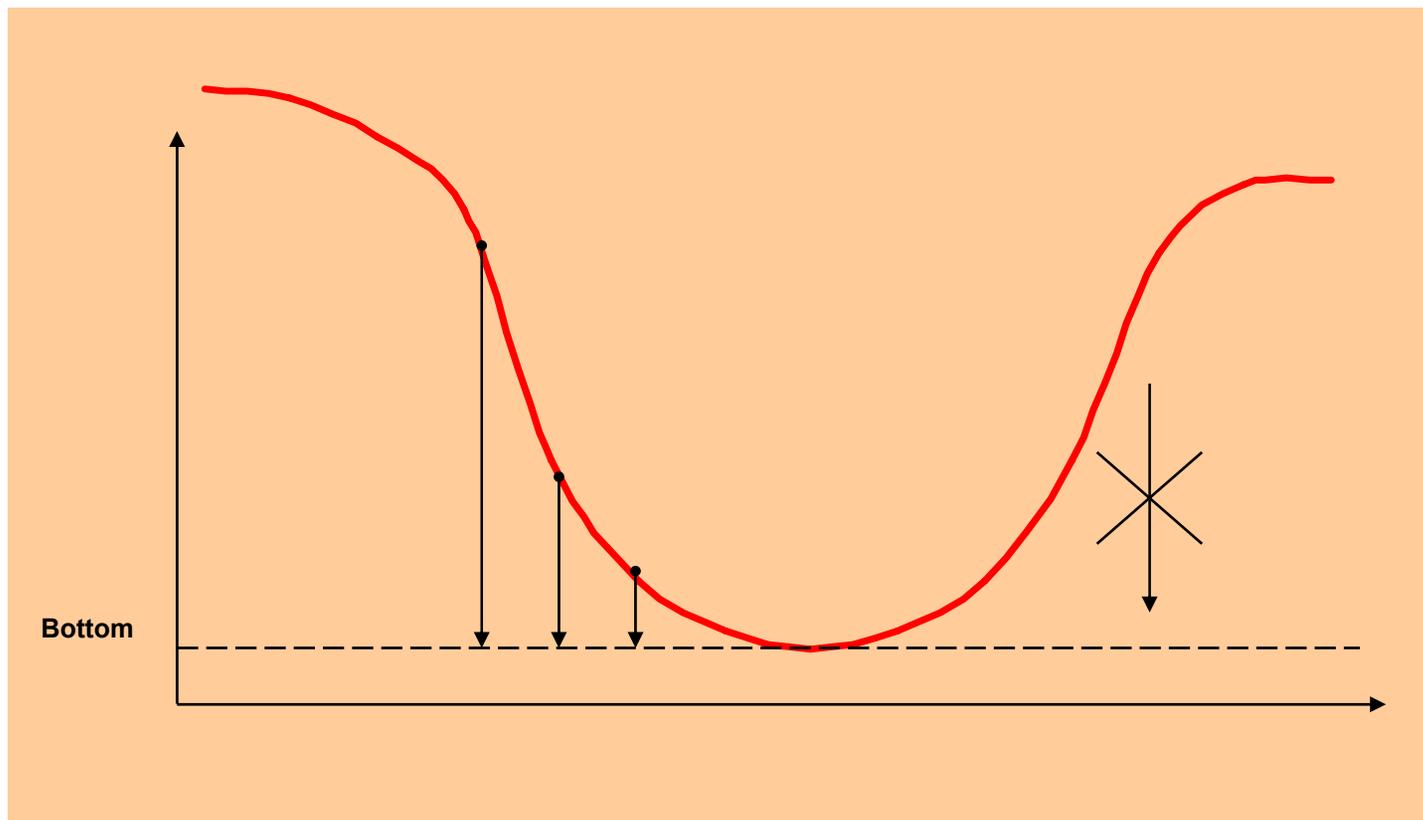
Opinion: most of the banks will not rush to sell by any means but rather develop or wait for the appreciation



If there are no massive sales, there is no further market fall



MARKET BOTTOM: AHEAD OR IN OUR HEAD?



Make the market bottom-out for you!

- **Офисные помещения**
- **Складские помещения**
- **Земельные участки**
- **Консалтинг и Оценка**
- **Инвестиционный консалтинг**

Praedium ONCOR International предоставляет профессиональные услуги инвесторам, владельцам недвижимости, инвесторам и корпоративным клиентам во всем сегменте качественной коммерческой недвижимости в Москве и регионах России

Команда **Praedium ONCOR International** - компетентные специалисты в своих областях, имеющие длительный опыт успешной работы в коммерческой недвижимости — в консалтинге, девелопменте, аналитике и инвестициях

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- **Land plots**
- **Consulting and Valuation**
- **Capital Markets**

Praedium ONCOR International provides quality brokerage and consulting services in commercial real estate both to landlords, investors and corporate occupiers in all sectors of high-quality commercial property in Moscow and regions

Praedium ONCOR International is a team of professionals with strong business reputation and proven track record in investment, development, consulting, analytics

Praedium is a part of **ONCOR International**, one of the major consulting companies on the world commercial property market

ONCOR International, that was established in 1977, has more than 170 offices in 32 countries all over the world. Annually more than 17 000 deals in the amount of 29, 5 billion euro are concluded by the company's employees worldwide