



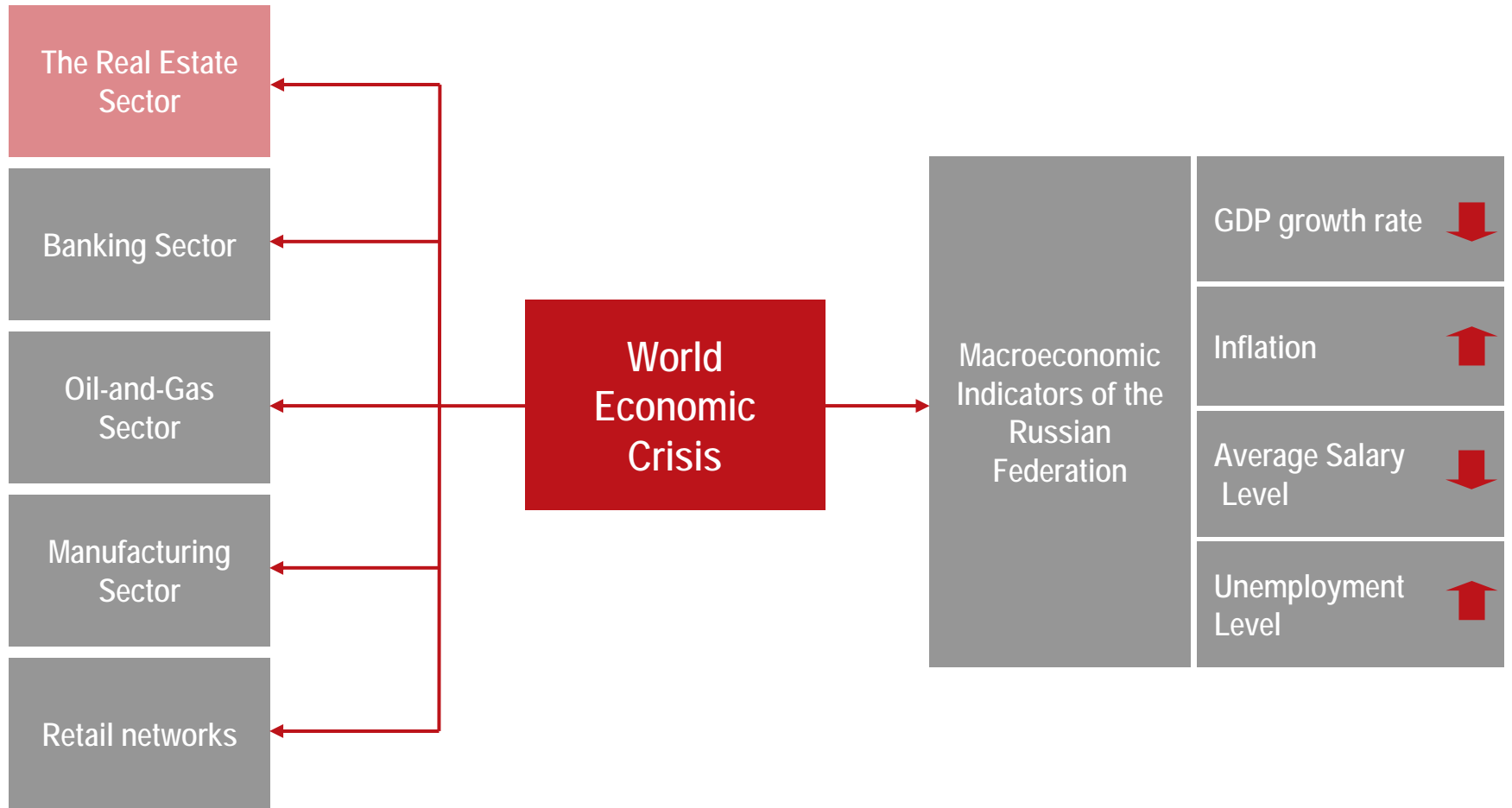
Optimizing Corporate Real Estate in Response to Market Challenges

Anastasia Alexandrova

Head of Corporate Consulting

February 12 2009

Current Situation in the Market



The Real Estate Market Overview

DEMAND

- The demand for office premises decreased due to reconsideration and suspension of expansion plans of tenants
- The companies expecting long-term growth and tenants with active lease contracts will make attempts to renegotiate with owners to achieve more favorable lease terms.
- Staff cuts taking place at the moment lead to office space reductions

SUPPLY

- In a short-term supply growth will be deferred as a result of suspended projects.
- In a middle- and long-term outlook substantial supply drop is expected.
- The supply will be also increased by premises offered for sublease by tenants who reduced their headcount.
- The plans for selling projects at early stages are expected to intensify.

PRICES AND RENTAL RATES

- A trend of higher discounts applied to prices/lease rates has appeared for newly commissioned projects and revisions of preleases.
- The situation in the operating properties is a bit more stable but the downward trend is evident in regular lease renegotiations.
- Negative influence on prices is exerted by forced transactions with reduced prices.

TRENDS AND FORECASTS

- Large supply coming into the market through the end of 2009, combined with cooling demand, will lead to sharp increase in the vacancy rate.
- The market balance will be restored towards endd-2009 at new lower levels.
- Net absorption will begin to outpace supply again at best only in Q3 2010.
- Rents are expected to react to vacancy rate *changes*, not levels. Therefore, declining vacancy from Q3 2010 may push the rents up.

Moscow Office Market Snapshot, Q4 2008

| | Class A | Class B+ | Class B- | Total |
|--|-------------|-----------|-----------|-----------|
| Modern office stock: | 1,397,480 | 4,775,720 | 3,050,090 | 9,223,280 |
| Completions Q4: | 124,380 | 269,480 | 121,110 | 514,970 |
| Completions 2008: | 303,720 | 924,220 | 570,680 | 1,798,620 |
| Take-up Q4: | 63,080 | 392,200 | 87,180 | 542,460 |
| Take-up 2008: | 561,380 | 1,202,100 | 373,180 | 2,136,660 |
| Availability: | 175,550 | 861,420 | 353,300 | 1,390,270 |
| Vacancy Rate: | 12.6% | 18% | 11.6% | 15.1% |
| Prime base rents* – (USD/sqm/year): | 1,100-1,400 | | | |
| Base rents – (USD/sqm/year): | 750-950 | 500-700 | 450-600 | |
| Operating Expenses (USD/sqm/year): | 110-150 | 100-120 | 70-90 | |
| Prime Yields: | | | | 11-11.5% |

All figures in square meters unless otherwise noted

Source: Jones Lang LaSalle

* These rents are applicable to high quality buildings situated within the Kremlin area and for top floor office premises in Moscow City

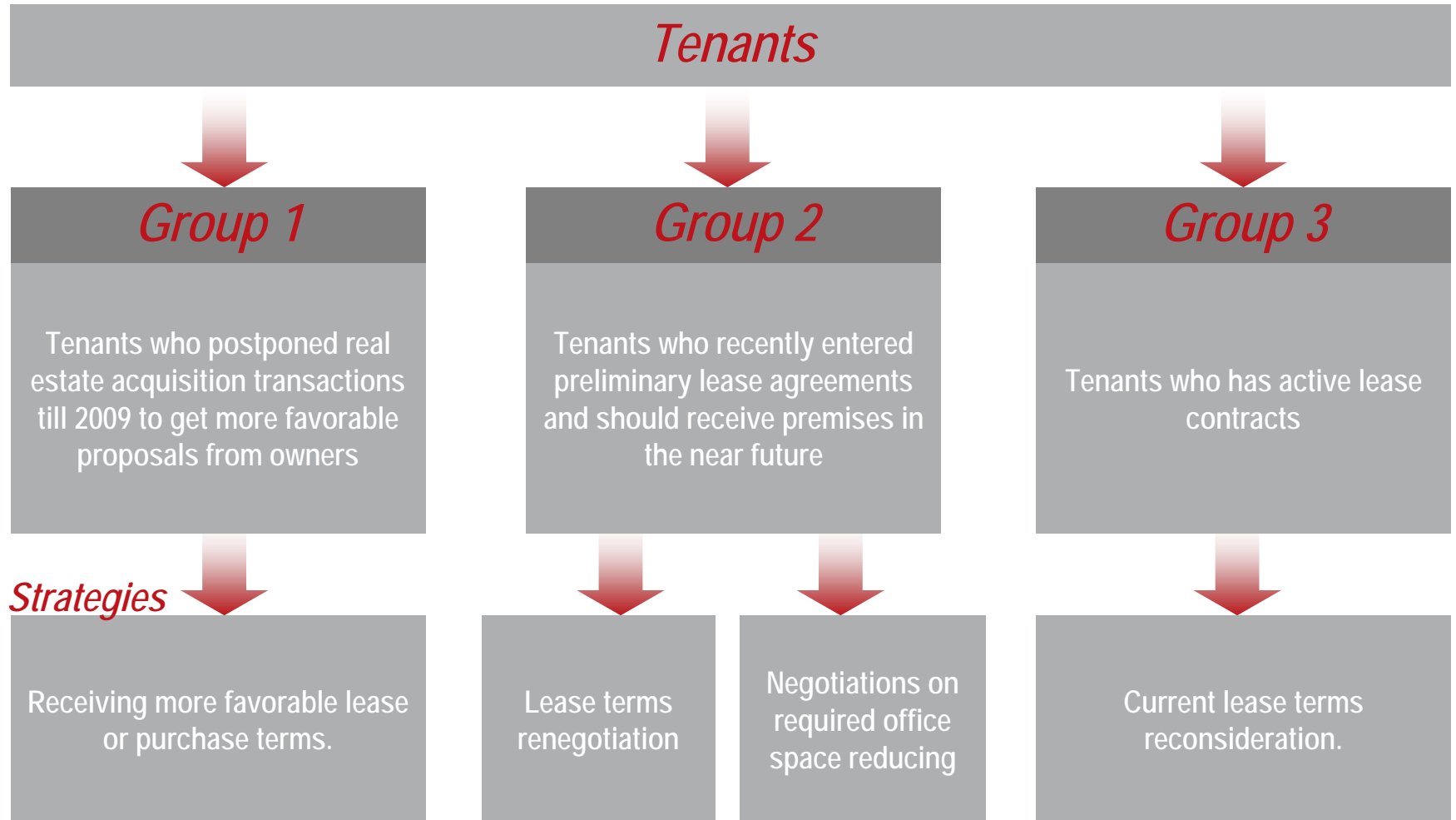
Strategies of real estate market players

- ➔ Users of premises have either reconsidered or postponed realization of long-term plans for enlargement of business space.
- ➔ Due to cost savings including labor in financial and advisory companies (and other sectors) excess office space will become available for sublease.
- ➔ As owners of projects under construction feel a reduction of solvent demand they have begun offering discounts to potential lessees.
- ➔ It is expected that many property owners will resort to the sale and lease back arrangement to build up working capital.

Strategic Approaches: Questions to Consider



How do tenants change their strategies? 3 groups of tenants



Lease Negotiation Process

Three Aspects of Lease Negotiation Process

1

What are the space requirements?

How has the requirements to premises changed due to the crisis?

What are the possible further actions?

2

What is the office market supply, rental rates and other lease terms?

What is the rental rate in comparable offices?

3

What are the possibilities of current lease agreement termination?

What are the penalties?

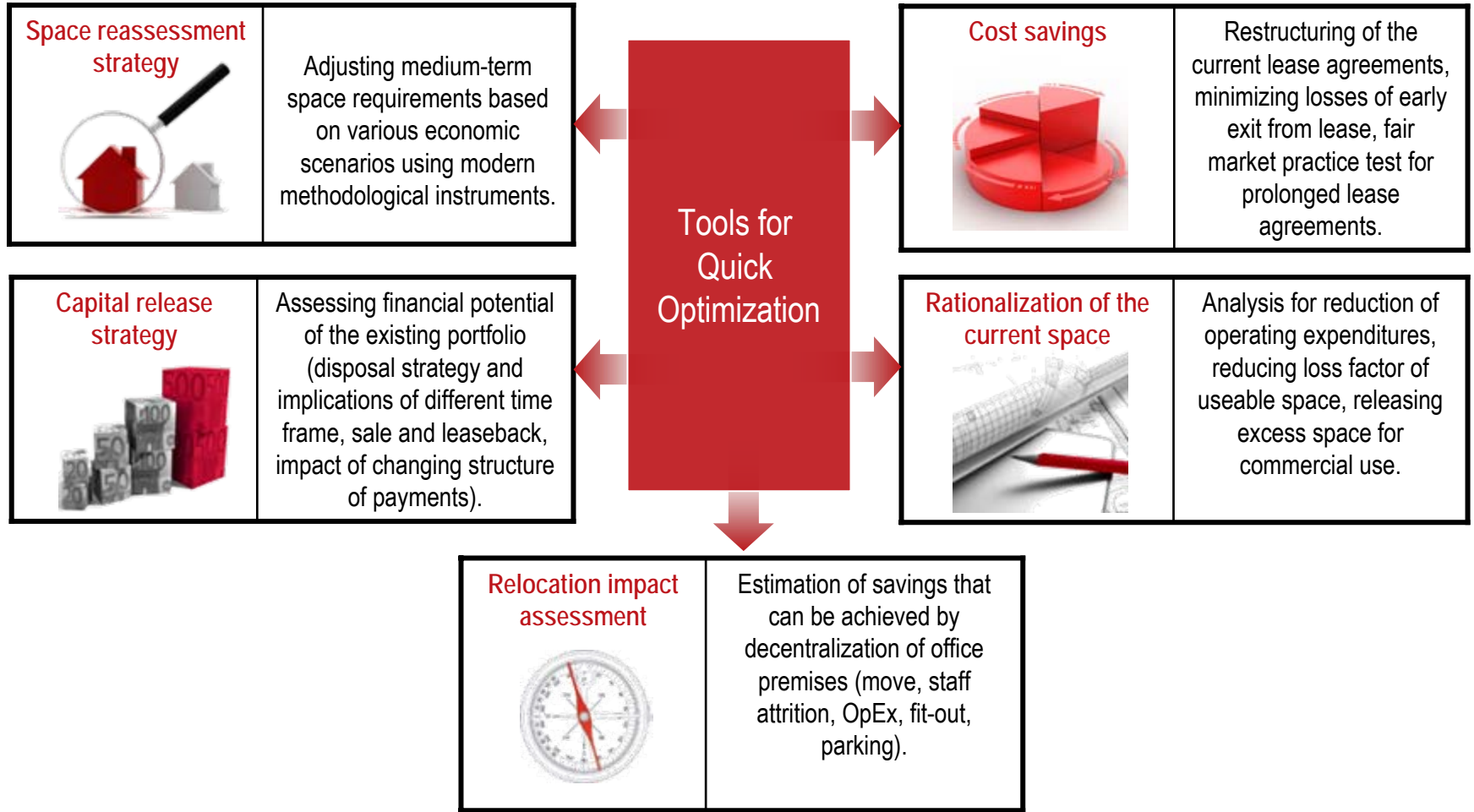
Will termination with penalties be favorable from financial point of view?

Strategic Approaches: Possible Changes Within Organization



Result-focused implementable *solutions*
to *maximise* real estate's *contribution* to the *business*

Quickly Delivered Solutions in the Changing Market



Other possible tools and solutions

Align CRE with HR, IT, finance and procurement to drive operational excellence and optimize costs

Establish accountability throughout the CRE organization (e.g. facilities, project management, etc.) for the use of space

Eliminate dedicated workstations for highly mobile employees

Consider new leases in Class B and C buildings as opposed to Class A buildings

Utilize common headcount and capital projections across HR, IT and procurement

Perform review of non-core assets to determine opportunities to eliminate space

Conduct annual portfolio assessment to identify and prioritize cost savings opportunities

Conduct periodic master plans for major concentrations of space, seeking opportunities to consolidate facilities, to better match supply and demand

Create specialized project teams based on CRE requirements – e.g. mergers/acquisitions, re-branding, location consolidations/ disposition, ATM's



Thank you

This publication is the sole property of Jones Lang LaSalle IP, Inc. and must not be copied, reproduced or transmitted in any form or by any means, either in whole or in part, without the prior written consent of Jones Lang LaSalle IP, Inc. The information contained in this publication has been obtained from sources generally regarded to be reliable. However, no representation is made, or warranty given, in respect of the accuracy of this information. We would like to be informed of any inaccuracies so that we may correct them. Jones Lang LaSalle does not accept any liability in negligence or otherwise for any loss or damage suffered by any party resulting from reliance on this publication.