



# INVESTMENT MARKET SNAPSHOT RUSSIAN FEDERATION July – August 2009



## QUOTE OF THE MONTH



**Tim MILLARD**  
Partner, HOD  
Cross Border  
Capital Markets

*"Both rents and capitalization rates are now at levels not seen since 2004. From 2004 to 2008 rents increased more than twofold and cap rates compressed by upwards of 5%. With the benefit of hindsight 2004 was one of the best buying opportunities for commercial property. 2008 looks remarkably similar!"*

## INVESTMENT DEALS 2009

Property	City	Prop Type	Deal Type	Share	Bank / Investor	Volume
Espace BC	Moscow	Office	Investment sale	100%	Unknown	\$195 000 000
Lootch Business Center	Moscow	Office	Investment sale	100%	Inter RAO	n/a
Nizhegorodsky	N. Novgorod	Hotel	Indirect investment	12%	Azimuth Hotels Company	\$320 000
Kvartstroy	Moscow		Indirect investment	30%	Russia Development Fund (IMG)	n/a
Voentorg	Moscow	Mixed-use	Investment sale	50%	Nafta Co. (Russia)	\$200 000 000
Ekran Cinema	St. Petersburg	Entertainment	Investment sale	100%	Renaissance Company OOO (Russia)	\$500 000
Grifon House	St. Petersburg	Office	Investment sale	100%	Storm Real-Estate Fund AS (Norway)	\$17 000 000
Budapest	Moscow	Hotel	Investment sale	55%	MosCityGroup (Russia)	\$60 000 000
SC Tryapka	Moscow	Retail	Investment sale	100%	Tashir Group (Russia)	\$30 000 000
Fashion House Outlet-Mall	Moscow	Land plot	Investment sale	100%	GVA Sawyer (Russia, 50.00%) Fashion House Development (Poland, 50.00%)	n/a
TsentrObuv Retail chain	Regions	Retail	Investment sale	33%	Sun Investments Partners (Hong Kong)	\$40 000 000
Paradny Kvartal Project	St. Petersburg	Mixed-use	Investment sale	30%	Gazprom OAO (Russia)	n/a
Yuzhny (South) Port	Moscow	Office	Investment sale	100%	Sberbank (Russia)	\$300 000 000
Banana-Mama Retail chain	Regions	Retail	Mortgage	100%	Alfa-Bank (Russia)	\$30 000 000
Matrix Hypermarket chain	Moscow	Retail	Mortgage	100%	Uralsib (Russia)	\$13 500 000
Moy Gorod Retail chain	Taganrog	Retail	Mortgage	100%	Sberbank (Yugo-Zapadny Head Office) (Russia)	\$22 000 000
Capital City	Moscow	Mixed-use	Mortgage	100%	Sberbank (Russia)	\$400 000 000
Shans Retail chain	Stary Oskol	Retail	Mortgage	51%	Unknown private investors (Russia)	\$36 000 000
Severnoe Siyanie	Moscow	Office	Mortgage	100%	Alfa-Bank (Russia)	\$150 500 000
MIAN building						
Ostrov Istra Project	Moscow	Land plot	Mortgage	100%	Alfa-Bank (Russia)	n/a

## RUSSIA: KEY MACROECONOMIC INDICATORS



Source: Russia Economics Weekly by Citigroup Global Markets Ltd. August 14, 2009

	2007	2008	2009F	2010F
Real GDP, % yoy	8.1	5.6	-7.5	0.8
Real consumer spending growth, % yoy	11.4	9.5	-6.7	1.4
Nominal GDP, US\$ bn	1,294	1,677	1,219	1,234
GDP per capita, US\$	9,119	11,865	8,663	8,806
Unemployment, % of labour force	6.1	6.4	12.0	10.0
CPI, % yoy	11.9	13.3	12.4	10.6
RUB/EUR avg	35.0	36.4	44.3	48
RUB/US\$, avg	25.6	24.9	32.9	35
Long-term yield, % eop	6.2	8.5	9.5	8.0

## CONFERENCE CALL

You can listen to market update and ask your questions during conference call that will be held on Wednesday, August 26, at 16.00.

Dialing details: 8 (495) 745-7773 for Moscow, or toll-free 8-10 8002 731-3011 for Russia.

Participants' PIN: 53031217#

Please note, the language of discussion is Russian.

**Moscow Office prime yield** 13%

**Moscow Class A / B+ Rental Rate <sup>1)</sup>** \$690 / \$350

**Moscow Retail prime yield** 13%

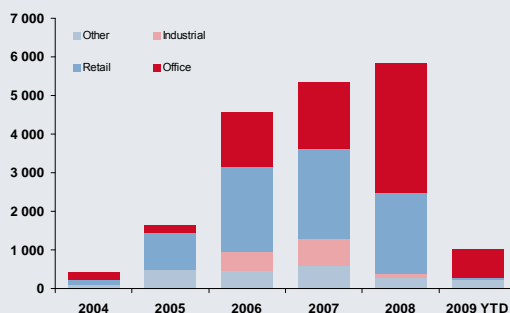
**Moscow Retail indicator <sup>2)</sup>** \$1,100 / sq m

**Moscow Industrial prime yield** 14%

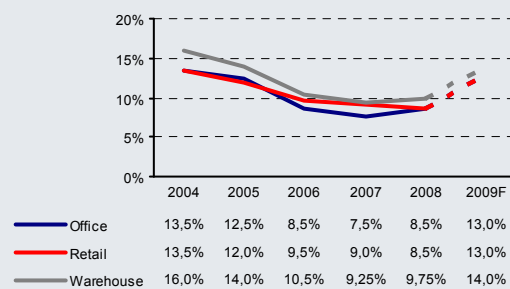
1) Base asking rental rates per sq. m per annum. Rents exclude OPEX and VAT.

2) Rental rate indicator represents equivalent rental rate one will have to pay in order to lease average shop in retail gallery within quality shopping center in Moscow

## INVESTMENT VOLUME INTO REAL ESTATE, mn USD



## ANNUAL AVERAGE YIELDS IN MOSCOW



## CURRENT YIELD UPDATE

	St. Petersburg	Regions
Office	13.5%	15%
Shopping Centers	13.5%	15%
Industrial	14.5%	15%

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The information provided in this report was obtained from individual building owners, managers and leasing agents and is deemed to be accurate at the time of publication. It is intended for informational purposes only and should not be relied on by any party without further independent verification. Classifications of individual buildings are reviewed on a continuing basis and are subject to change. The standards used in this process are consistent with those used by Moscow Research Forum and

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## INVESTMENTS

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**ULANSKY CENTER II**  
Ulansky per., 4&5  
Total area: 7,270 sq m  
GLA: 3,440 sq m (Phase I)  
2,787 sq m (Phase II)  
Class B



**PALLAU-MD**  
Mal. Dmitrovka, 7-9  
Total area: 14,833 sq m  
GLA: 10,000 sq m  
Class A

**CLASS B+ OFFICE**  
Belorusskaya submarket  
Total area: ~40,000 sq m  
GLA: ~30,000 sq m  
Key international and Russian tenants on long leases in foreign currencies.  
Transferrable debt



**KLEROS**  
Private Placement opportunity  
Strategy: Development of the pre-leased retail parks.  
High returns for equity stake in company and preferred return from project.  
Attractive yield offered

**SALE AND LEASEBACK OPPORTUNITIES**  
A number of sale and leaseback opportunities are available with Russian and international operators.  
Long income stream in foreign currency with indexation.  
Parent co guarantee

**SHOPPING CENTERS/ MOSCOW**  
Various quality retail investment opportunities  
Cashflowing with track record  
Russian and rouble leases, mixed term  
Good to average quality of real estate  
Yield of 17-20%

## OFFICE

Contact: **Mikhail Mindlin** [Mikhail.Mindlin@eur.cushwake.com](mailto:Mikhail.Mindlin@eur.cushwake.com)



**NORDSTAR TOWER**  
Khoroshevskoe shosse, 2-20  
Total area: 147,000 sq m  
GLA: 79,650 sq m  
Class A



**BRENT CITY**  
Dubininskaya str., 57  
Total area: 27,709 sq m  
GLA: 13,513 sq m  
Class B+

## LAND

Contact: **Olga Kuzyakina** [Olga.Kuzyakina@eur.cushwake.com](mailto:Olga.Kuzyakina@eur.cushwake.com)



**LANDPLOT ON VASHUTINSKOE SHOSSE**  
Khimki, Vashutinskoe shosse, 10 km from MKAD  
Land plot: 2.98 ha  
Type of right: Leasehold (49 years)  
Category: Settlement lands  
Allowed usage: for multifunctional retail-warehouse complex



**LANDPLOT, 84TH KM OF MKAD**  
Moscow region, 84th km of MKAD  
Land plot: 8,6 ha  
Type of right: Freehold  
Category: Industrial  
Draft project of mixed use complex,  
GBA 57,214 sq m (office/warehouse)

## RETAIL

Contact: **Mikhail Sverdlov** [Mikhail.Sverdlov@eur.cushwake.com](mailto:Mikhail.Sverdlov@eur.cushwake.com)



**KORSTON HOTEL & MALL Retail Gallery**  
Kazan, 1A Ershova Street  
GBA (Retail Area): 15,000 sq. m.  
GLA (Retail Area): 9,000 sq. m.  
Hotel (4Star) – 200 rooms  
Conference Hall – 5,000 sq. m  
“A” Class Business Center – 5,000 sq. m  
Entertainment Zone – 7,000 sq. m



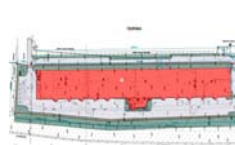
**SEC GULLIVER**  
Orenburg, 4 Novaya Street  
GBA (Phase II): 62,000 sq m  
GLA (Phase II): 28,000 sq m  
Opening: III Q 2010

## INDUSTRIAL

Contact: **Alexander Nikishov** [Alexander.Nikishov@eur.cushwake.com](mailto:Alexander.Nikishov@eur.cushwake.com)



**ART LOGISTICS Development Project**  
M4 “Rostov-Don” 12 km from MKAD  
Land plot: 4,5 ha  
GLA: 23,660 sq m  
WH 1: 12,100 sq m  
WH 2: 9,900 sq m  
Office block: 1,660 sq m



**PODOLSK**  
M2 “Krym” 10 km from MKAD  
Land plot: 1,8 ha  
Total area: 9,250 sq m  
WH: 8,100 sq m  
Office block: 1,000 sq m