Intesco Research Group

COMMERCIAL REAL ESTATE AND RUSSIAN MARKET OF COMMERCIAL REAL ESTATE

MOSCOW 2012

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RESEARCH METHODOLY

Subject of research:

COMMERCIAL REAL ESTATE MARKET

Goal of research:

EVALUATION OF THE MARKET AND FORECAST OF ITS DEVELOPMENT FOR 2011-2015

Regions of research:

RUSSIA

MOSCOW

SAINT PETERSBURG

Main blocks of research:

VOLUME OF RUSSIAN REAL ESTATE MARKET

RUSSIAN MARKET OF OFFICE REAL ESTATE

RUSSIAN MARKET OF RETAIL REAL ESTATE

RUSSIAN MARKET OF HOTEL REAL ESTATE

RUSSIAN MARKET OF WAREHOUSING REAL ESTATE

STATE REGULATION

TRENDS OF COMMERCIAL REAL ESTATE MARKET

PROFILES OF THE LARGEST CONSTRUCTION COMPANIES

FORECAST OF COMMERCIAL REAL ESTATE MARKET DEVELOPMENT FOR 2012-2015

Market segmentation:

BY THE SEGMENTS OF COMMERCIAL REAL ESTATE

BY REGIONS OF RF

BY YEARS

Profiles are made for the following largest Russian enterprises

«STROYGAZMONTAZH» LLC

"RZHDSTROY" OJSC

"STROY-TREST" OJSC

"ORION-STROY" LLC

"HOUSE-BUILDING FACTORY-1" OJSC

The sources of information, which are used in the research:

Federal State Statistics Service

The Ministry of Economic Development of RF

The Ministry of Transport of FR

The Federal Customs Service

The Federal Tax Service

Industry experts' estimates

Reports on retail sales

Data of the main players of the branch

Data of professional associations

Printed and electronic publications of the branch

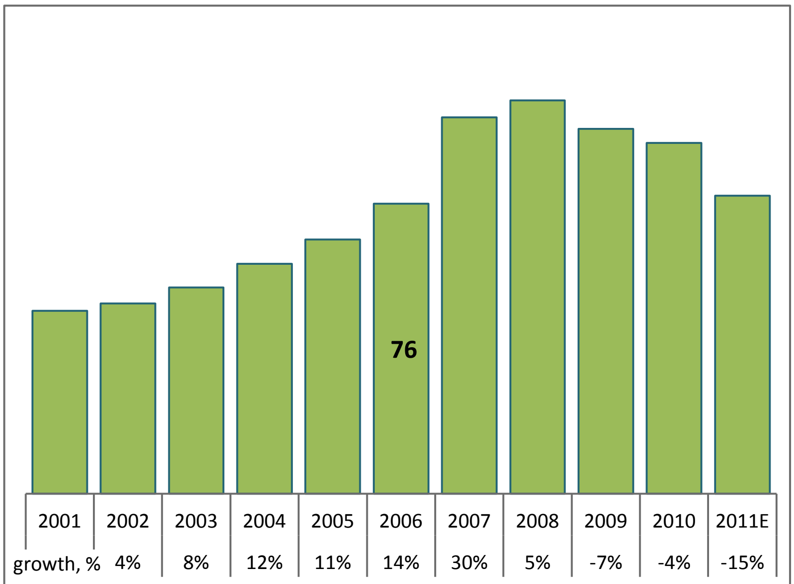
The research contains 46 schedules, 12 diagrams and 34 tables.

EXRACTS FROM RESEARCH

CHAPTER 3

RUSSIAN REAL ESTATE MARKET

The Russian real estate market increased in the first six months of 2000s. Until 2006 this development was relatively gradual and the growth rates of the volume of the commissioned buildings, though still growing, remained within 15% (the average growth rate for 2002-2006 was ***%).



Dynamics of building commissioning in RF in 2001-2011*, mln. m2

In 2007-2008 the market volume suddenly increased. The reason for this was the combination of availability of relatively affordable credits in 2004-2006 that stimulated investment to the construction sector as well and the extension of mortgage programs and increasing living standards and an overall economic growth, which provided greater demand for real estate. After it reached its peak in 2008 the volume of new real estate commissioning started decreasing gradually, that was caused by the gradual completion of previously initiated projects and lack of the new ones.

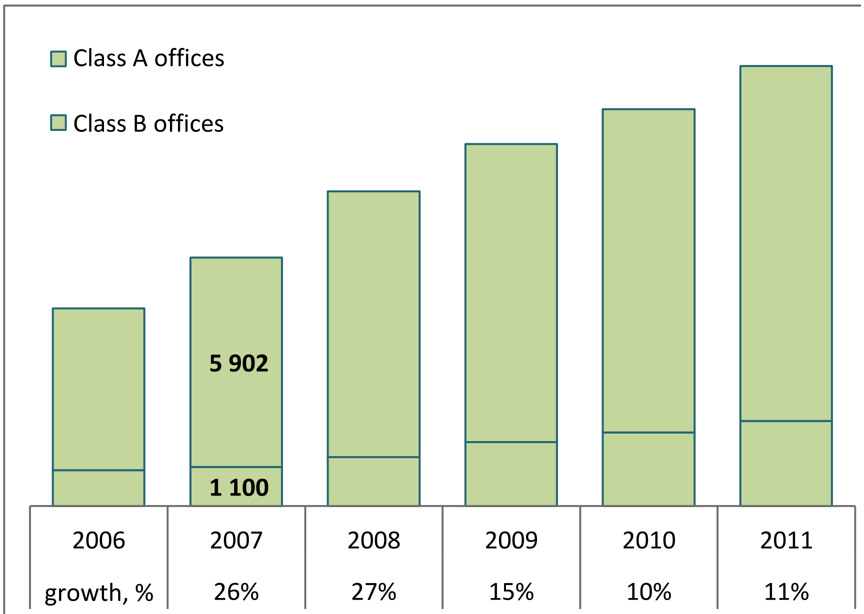
According to preliminary estimates, in 2011 the market volume was minimal during the last five years that was caused by a very modest amount of construction, which began in 2008-2010 and amounted to *** mln. m2.

CHAPTER 4

RUSSIAN MARKET OF OFFICE REAL ESTATE

Real estate commissioning

The volume of modern office real estate space was rapidly increasing in Moscow in 2006-2011. For 2007-2011 the total area of such offices increased by *** times, having reached *** mln. sq. m. in 2011. Their average growth rate amounted to ***%.



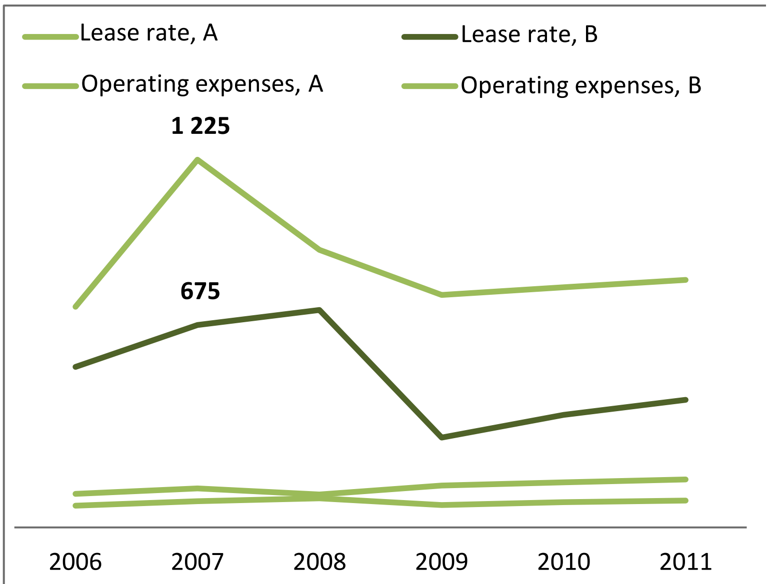
Dynamics of class A and B office space in Moscow in 2006-2011, ths. sq. m.

When the financial crisis began the market development has slowed as a result of the freezing of a substantial part of the projects, which were designed for the greater availability of financial flows from their owners and the high rents that are no longer supported by the market.

Cost of renting

The average lease rate, which reached its peak in 2007-2008 during the economic peak, decreased by about a third with the beginning of the crisis. In 2010-2011 a gradual increase in rental rates began again, but it was less steep than that in the period of inflation of the economy in 2006-2008 and in general it was corresponded to the dynamics of operating expenses after adjusting for inflation and other costs.

After the lease rates reached its maximum in 2009 their next increase was, firstly, smooth without sudden changes that were characteristic of former 3-4 years, and, secondly, much smaller than in previous years - in a segment of class A offices an average annual growth was about ***%, %, class B - about ***% in 2010-2011. By the way, the last one was due to the relatively low "basic" price level (the level of 2009), after that the rapid compensatory growth of the market followed. In A segment there wasn't such a growth because the reducing of rent cost began a year earlier here and was relatively smooth.



Dynamics of average lease rates and operating expenses for class A and B offices in Moscow in 2006-2011, USD/sq. m.

The lease rates are expected to increase gradually in the nearest future, now they are restrained by an excess of available office space and post-crisis state of the economy, which did not completely recover.

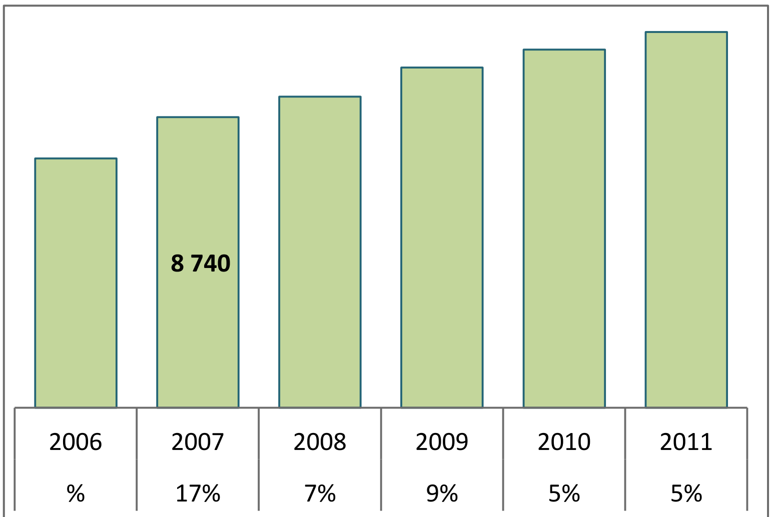
After significant fluctuations in operating expenses in 2007-2009, caused by market adaptation to the rapidly changing environment, the growth rate declined to ***% per annum, that corresponds to all-Russian inflation on the whole.

CHAPTER 7

RUSSIAN MARKET OF WAREHOUSING REAL ESTATE

For 2006-2011 the total volume of warehouse space increased by about *** mln. sq. m in Moscow, having increased *** mln. sq. m. in 2011. The average annual increase of the area amounted to ***%.

The warehouses of class A accounted for the most of this increase, which increased in this period by *** mln. sq. m. Class B warehouses were commissioned much more slowly and in six years they increased by about *** ths. sq. m.



Dynamics of warehouse space in Moscow in 2006-2011, ths. sq. m.

CHAPTER 9

TRENDS OF COMMERCIAL REAL ESTATE MARKET

Common trends of commercial real estate market

The Russian market of commercial real estate may be divided into two geographical segments: the capital and the regional ones. At the same time in some segments even the capital markets can be called «provincial» (for example, the segment of warehouse real estate in Saint Petersburg is distinct by low saturation of modern real estate and it is comparatively different from the regional markets).

The capital market is characterized by a high degree of penetration of modern business models, a high social standard of living and a comparatively high demand for related services. By the sum of these items the capital markets are close to the western ones, that makes it relatively easy to adopt the Western standards without major changes to apply them to Russian conditions.

In regions these conditions are not fulfilled: the volume of potential consumers here is too small, and the level of their income does not allow creating capital inflows, required to maintain the infrastructure in such facilities. That’s why the main feature of the regional real estate market is its standards’ adaptation to the conditions of lower finance, which manifests itself in the changing business processes and the functionality of such facilities in accordance with the environment. Various forms, which are taken by these changes, are of interest for not only investors in the medium term by the implementation of specific projects but they can also provide the necessary expertise for long-term innovative development of the market.

LIST OF SCHEDULES, DIAGRAMS, TABLES AND SCHEMES

ABOUT INTESCO RESEARCH GROUP

INTESCO RESEARCH GROUP is the analytical group, having its principal directions of activity in development of high-quality business plans, feasibility studies and marketing researches of both Russia's and regional markets of RF. We provide our clients with up-to-date and accurate information, professional recommendations for conducting business.

All works of **INTESCO RESEARCH GROUP** are based on the proven research and development methods. When conducting marketing researches and developing the business plans the group applies the worldwide accepted methods of investments efficiency evaluation and they are based on the Russian and international quality standards.

Analysts of **INTESCO RESEARCH GROUP** are the graduates of the leading Moscow institutions of higher education (Moscow State University, Moscow Institute of Physics and Technology, Russian academy of economics named after Plekhanov, Higher School of Economics, State University of Economics and Finance) and have deep knowledge in marketing, methods of marketing research arrangement, investment projects efficiency evaluation, preparing the analytical reports and business-forecasting.

Professional approach and service, high-quality specialists, deep knowledge of various markets, broad design experience and constant improvement allow the **INTESCO RESEARCH GROUP** to provide the high-quality service to all the clients.

Information from our reports is published in the largest Russian newspapers and magazines: “Vedomosti”, “Kommersant-Dengi”, “Rossiyskaya gazeta”, “Forbes”, “Russian Food Market”, “FoodService”, “MAXIM”, “Partner: myasopererabotka”, “Moe delo. Magazin”, “Odnako”, “Khlebopekarnoe proizvodstvo”, “Producty i Pribyl”, “Konditerskaya sfera/khlebopechenie”, “Tsenovik”, “RBK daily”, “Unipack.Ru”, etc.

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- Номос Банк
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