



Real value in a changing world

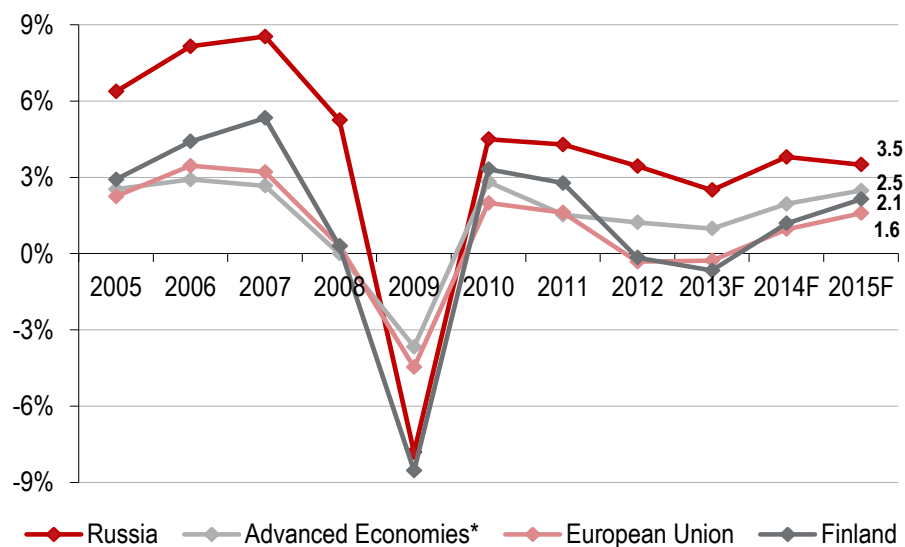
Russian Real Estate Market Overview



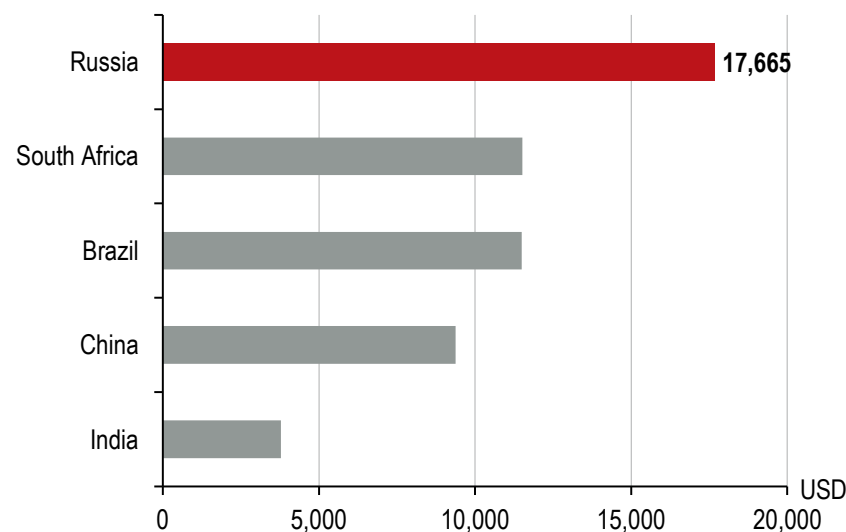
AEB, Moscow, September 2013

The Economy: Still outperforming

GDP growth



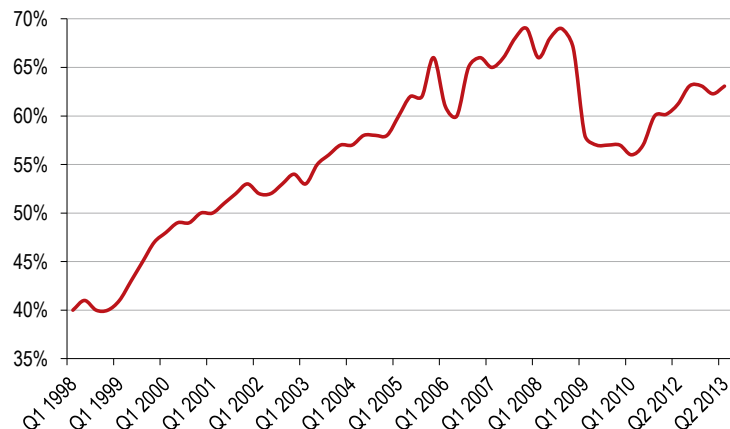
GDP per Capita in BRICS (PPP), 2012



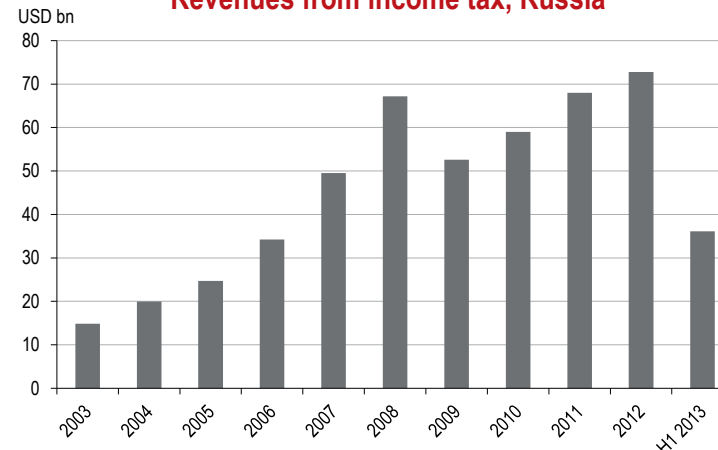
* 35 countries: Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong SAR, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Malta, Netherlands, New Zealand, Norway, Portugal, San Marino, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan Province of China, United Kingdom, and the United States.

The New Normal: Growth Drivers are Changing

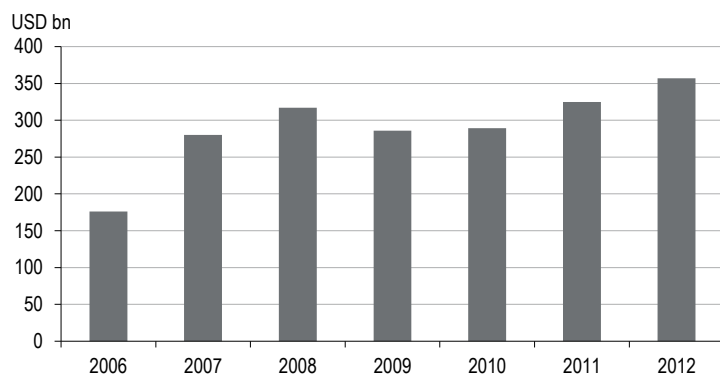
Russian capacity utilization



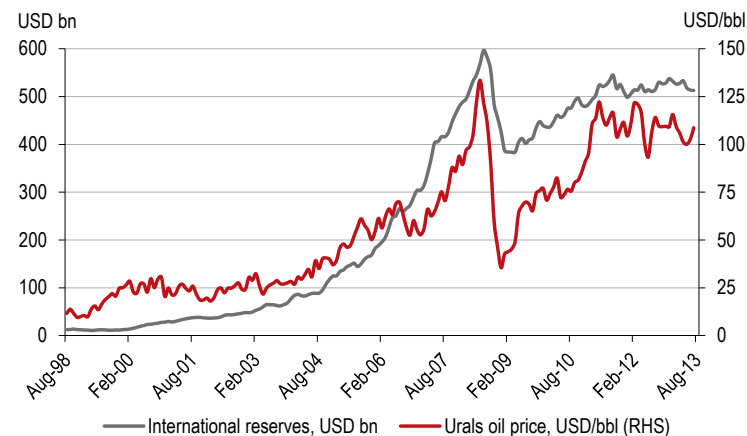
Revenues from income tax, Russia



Private sector foreign debt, Russia

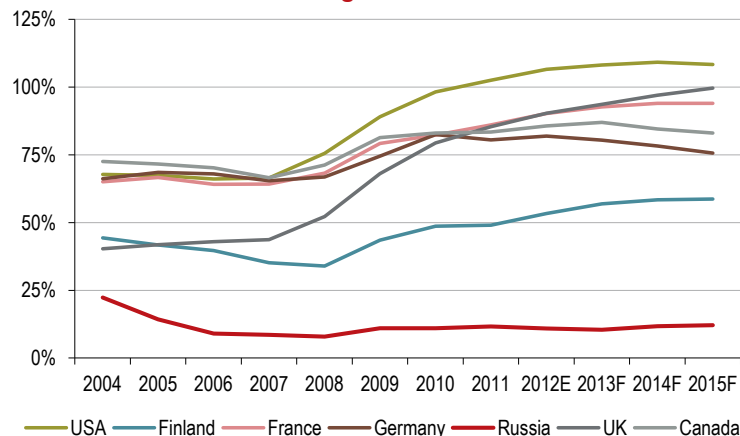


Russian international reserves vs. Urals oil price

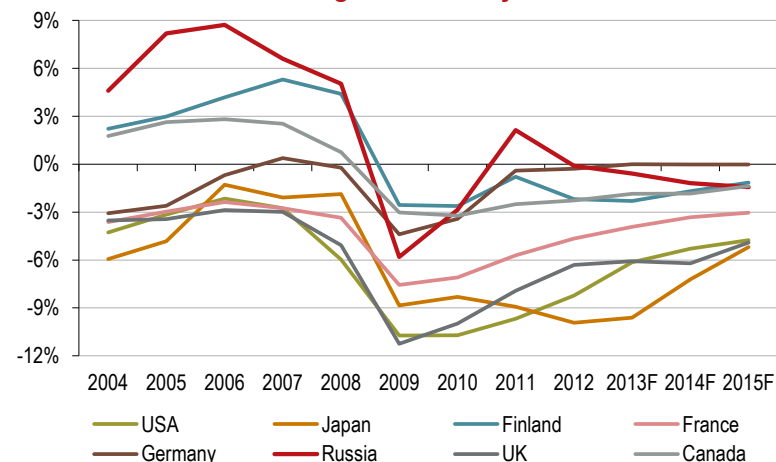


Balance Sheet: Supported by Prudent Fiscal Policy

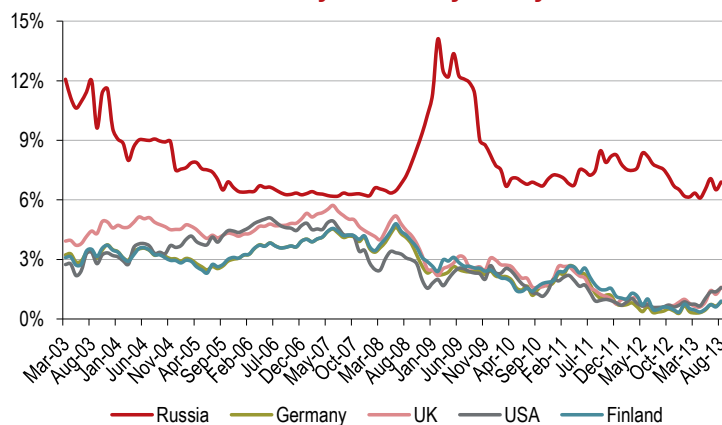
Government gross debt, % of GDP



Budget balance dynamics



Government 5-year bond yield dynamics



International reserves, 2013

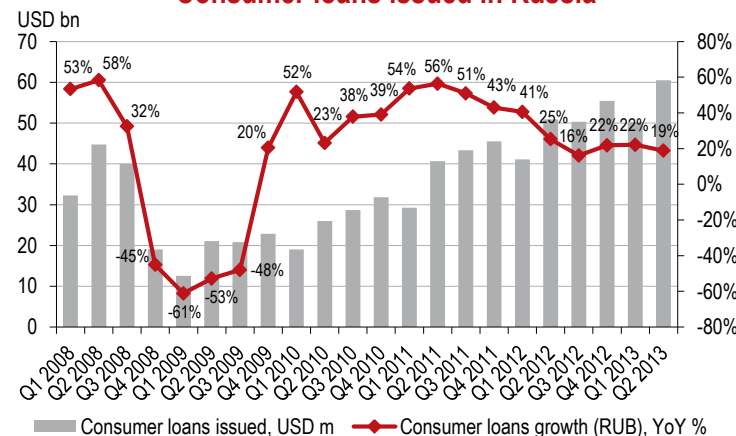


Consumer Sector is a Major Driver of Growth...

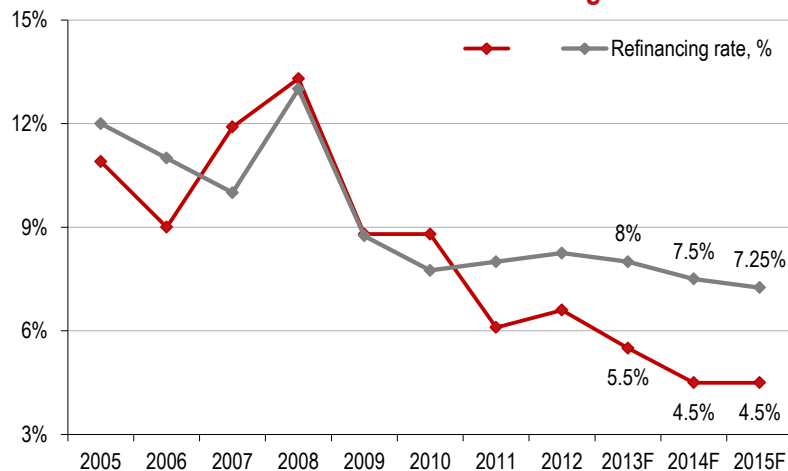
Retail sales and wages, YoY real growth



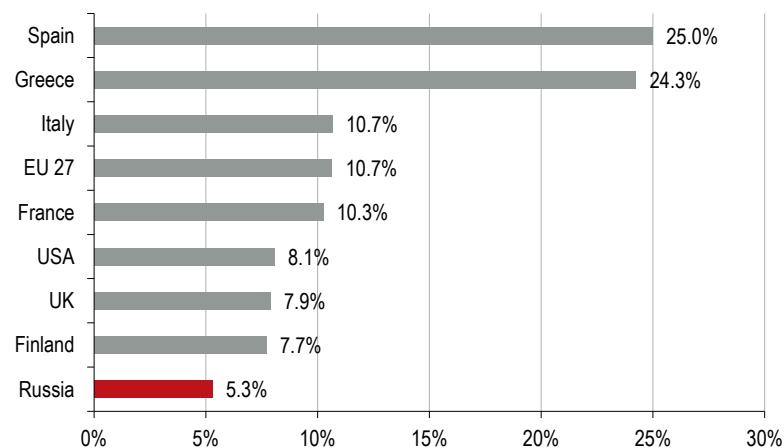
Consumer loans issued in Russia



Russian inflation vs. Refinancing rate

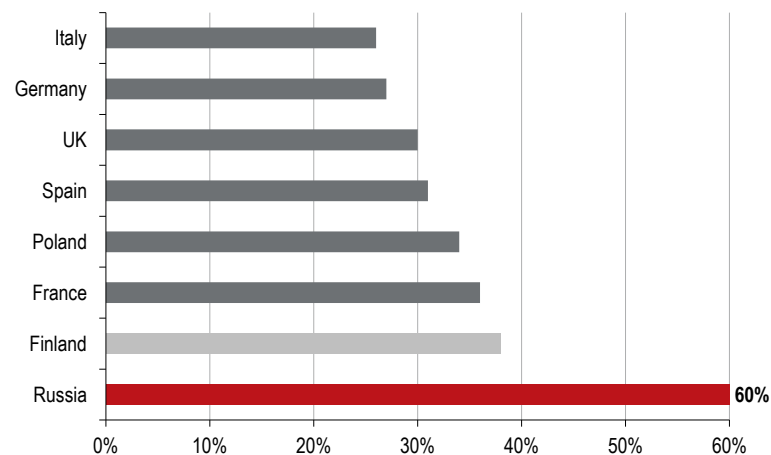


Unemployment rate, 2012

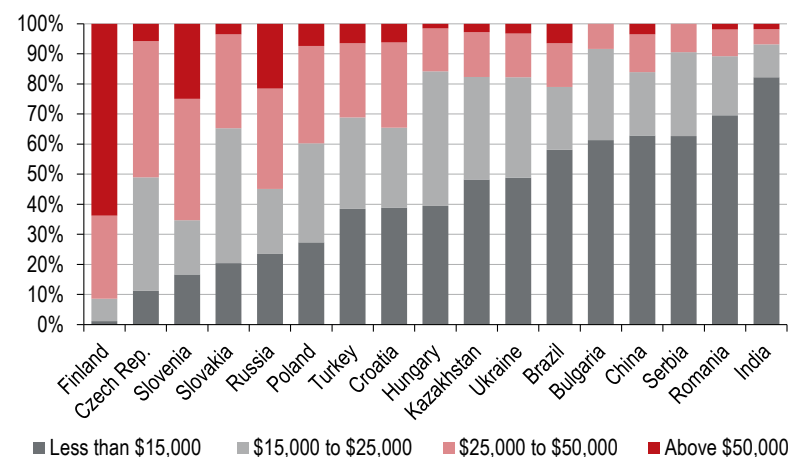


... and It Will Continue to Be So

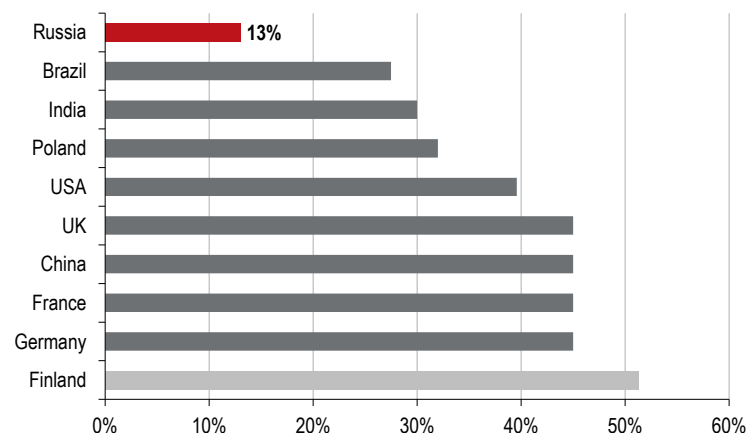
Retail spending as a share of total private spending in 2012



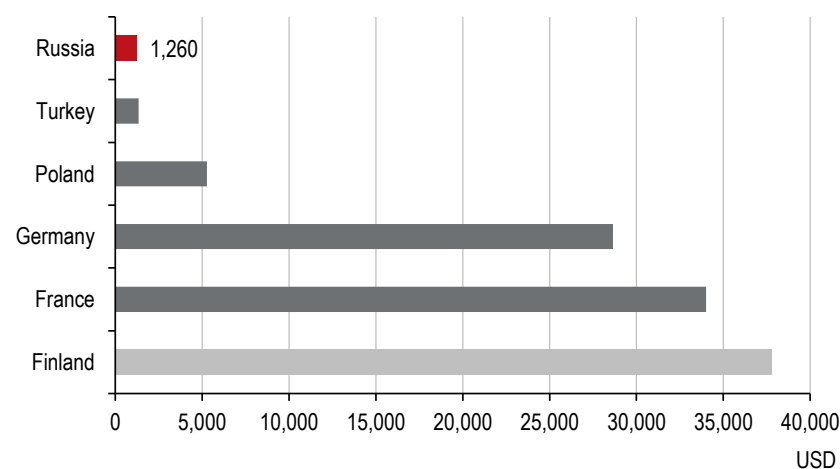
Household distribution by nominal income level expected in 2015



Maximum individual income tax: International comparison

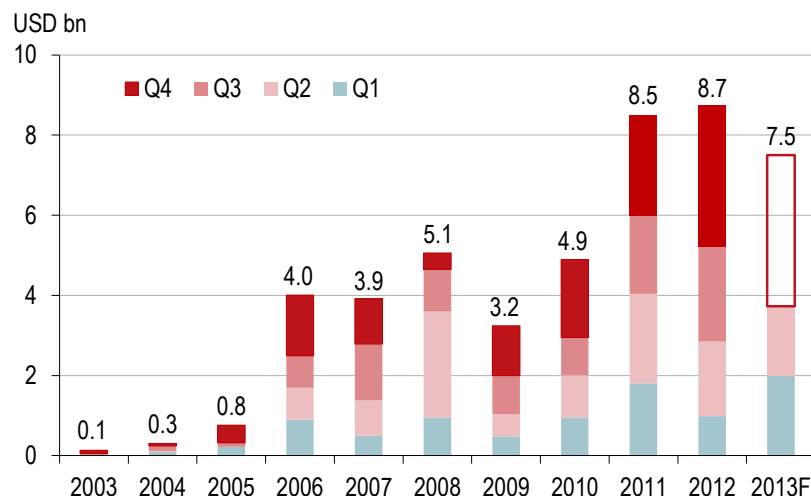


Household debt per adult, 2012

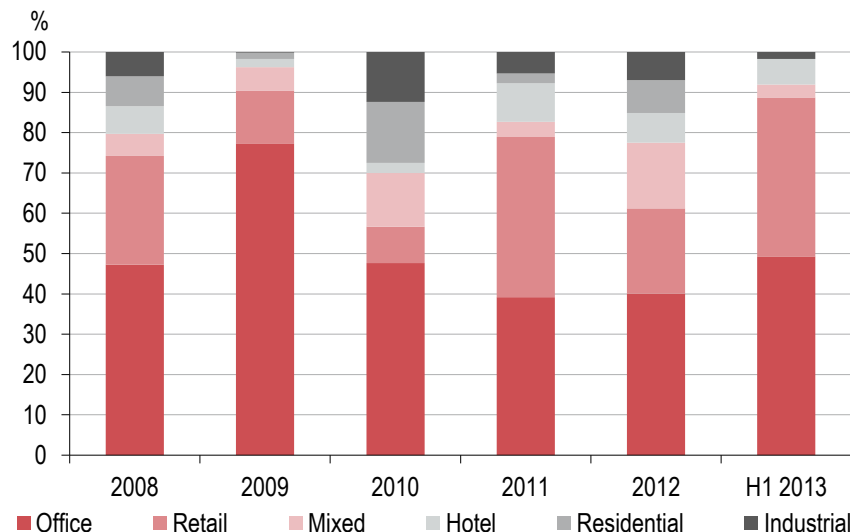


Investment Volumes: Well beyond Crisis

Investment volume dynamics, USD bn*



Investment volume breakdown by sector

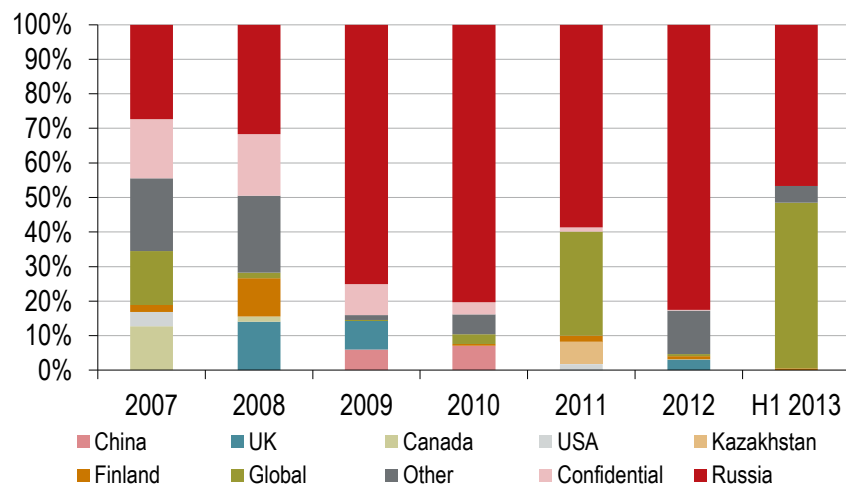


	H1 2011	2011	H1 2012	2012	H1 2013
Real estate investment volume, USD m*	4,040	8,499	2,851	8,743	3,726
Moscow share	69%	69%	93%	88%	89%
St. Petersburg share	25%	27%	3%	10%	4%

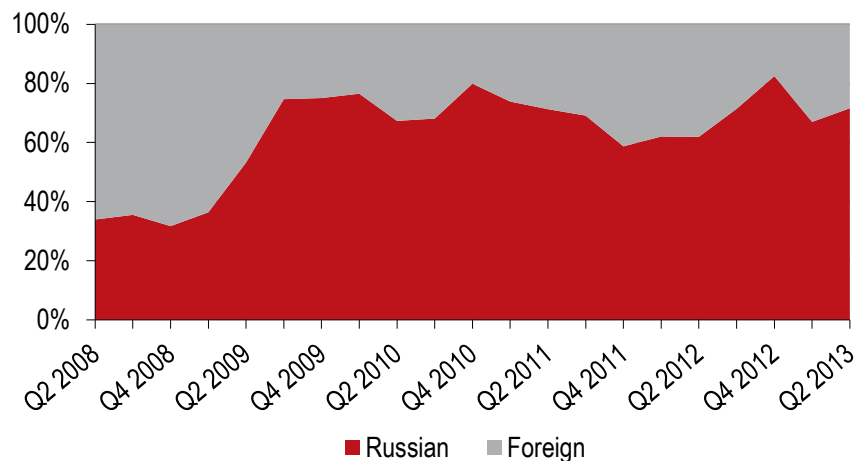
* Investment deals, excluding land acquisitions, JVs, direct residential sales to end-users.

Source of Capital and Sector Interest

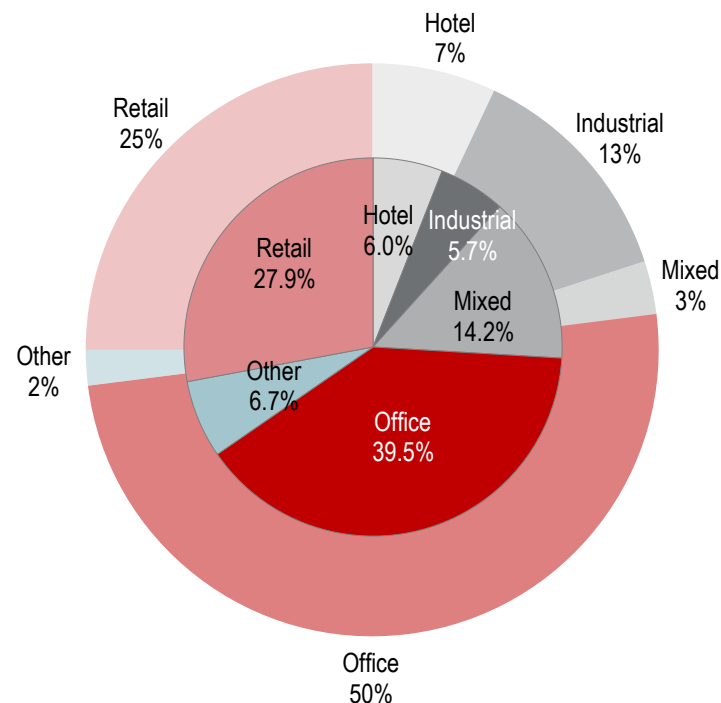
Real estate investors by origin



Real estate investors by origin, 12-month moving average

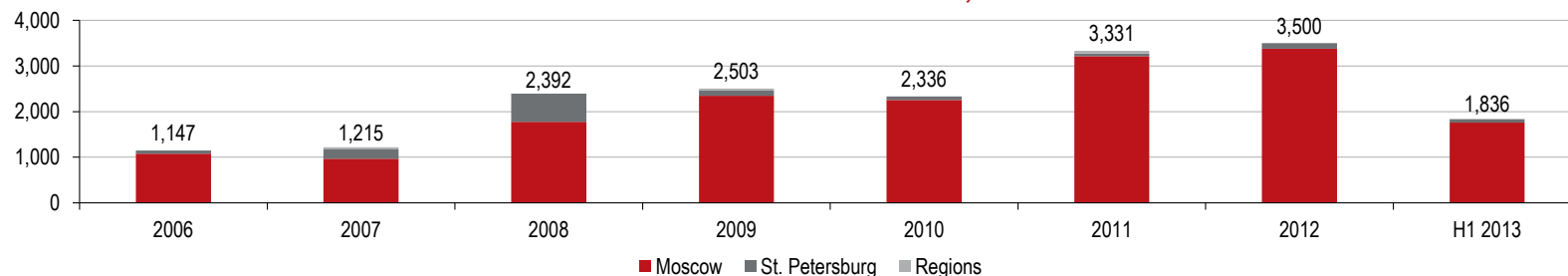


Investment volume breakdown by sector, 2012 – Q1 2013
(Russia – inside pie, Global – outside pie)

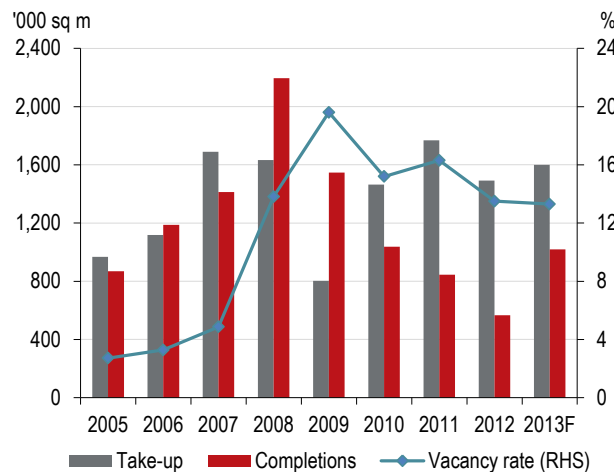


Office Investment, H1 2013

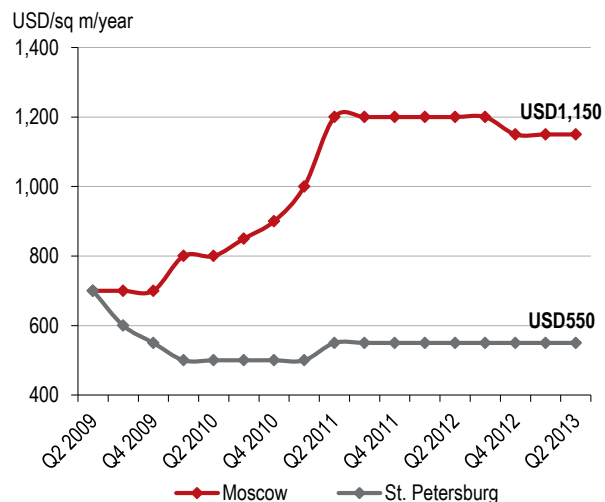
Office investment volumes, USD m



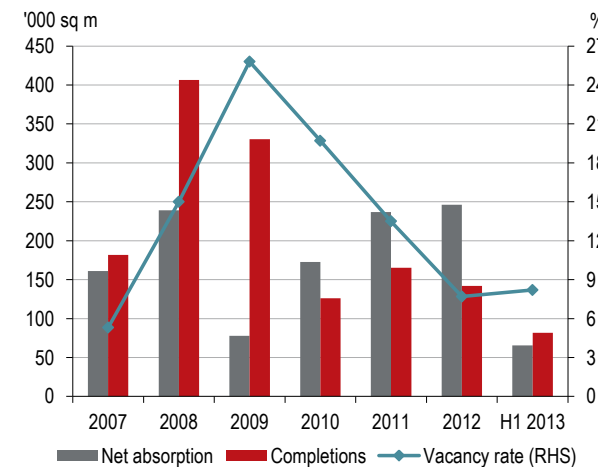
Moscow market balance



Prime rent dynamics

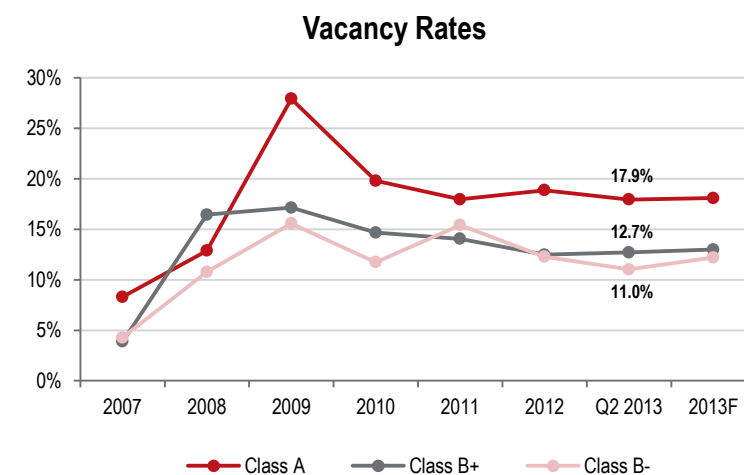
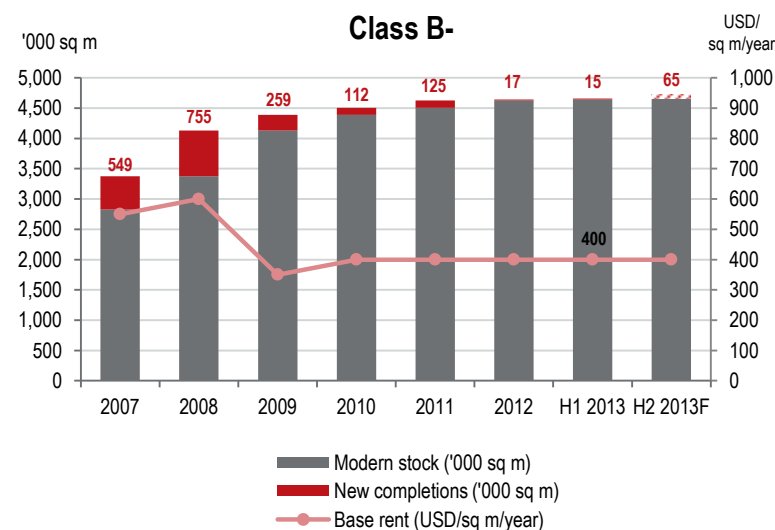
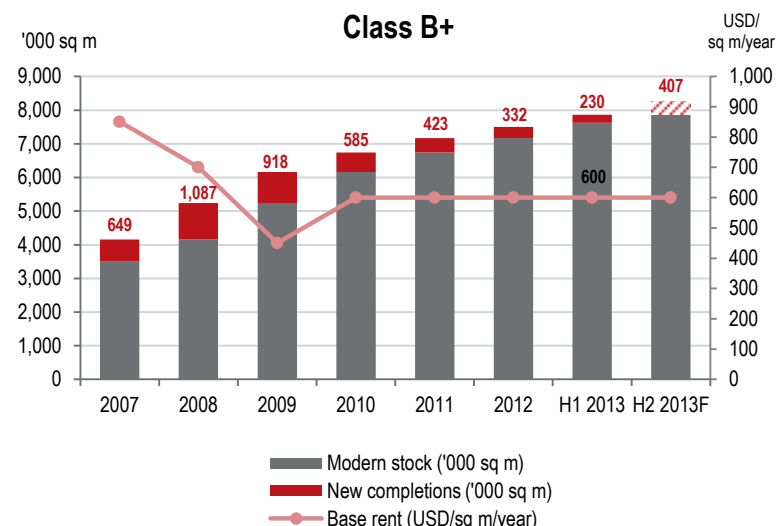
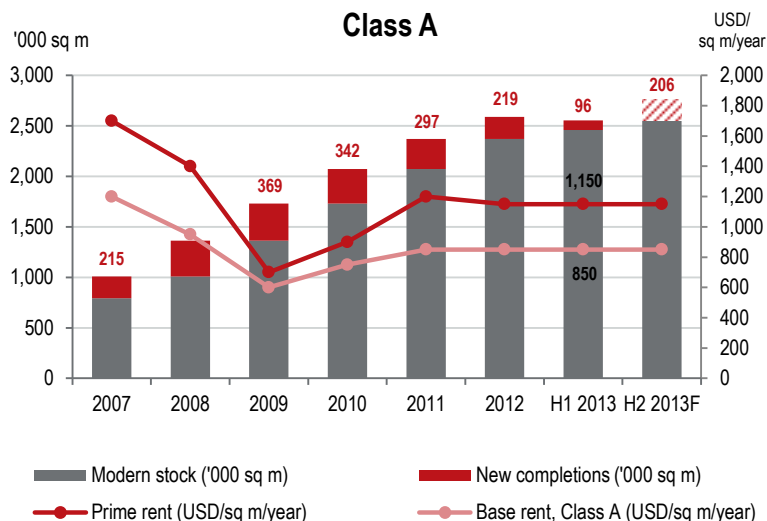


St. Petersburg market balance



Stock, Vacancy Rates and Base Rents Dynamics

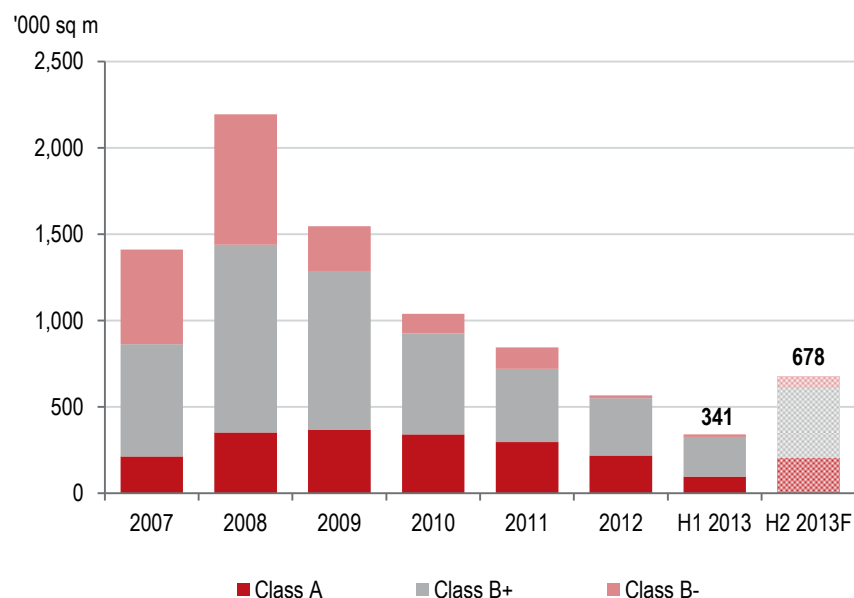
Stable market – flat rents and slowly declining vacancy rates



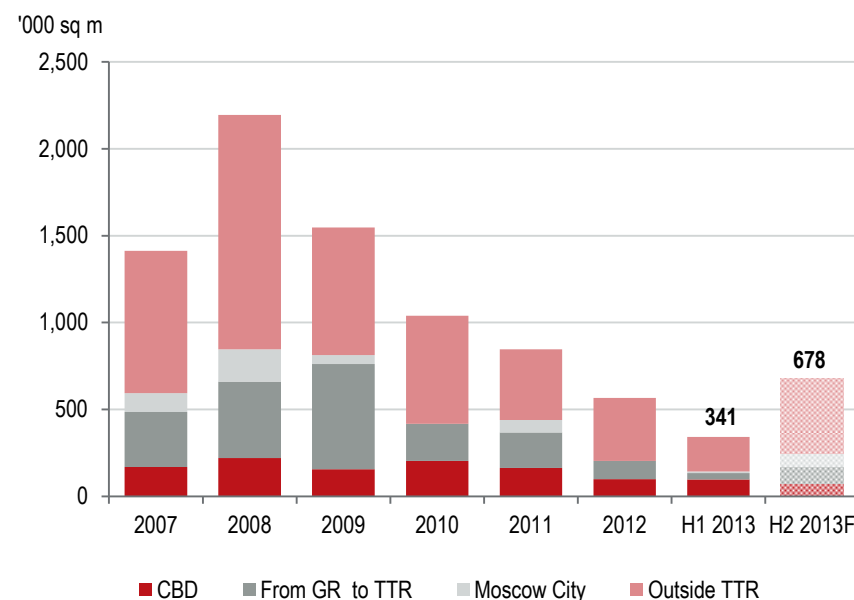
New Completions Dynamics

Around 60% of the H1 office new completions are located in decentralized submarkets

By Classes



By Submarkets

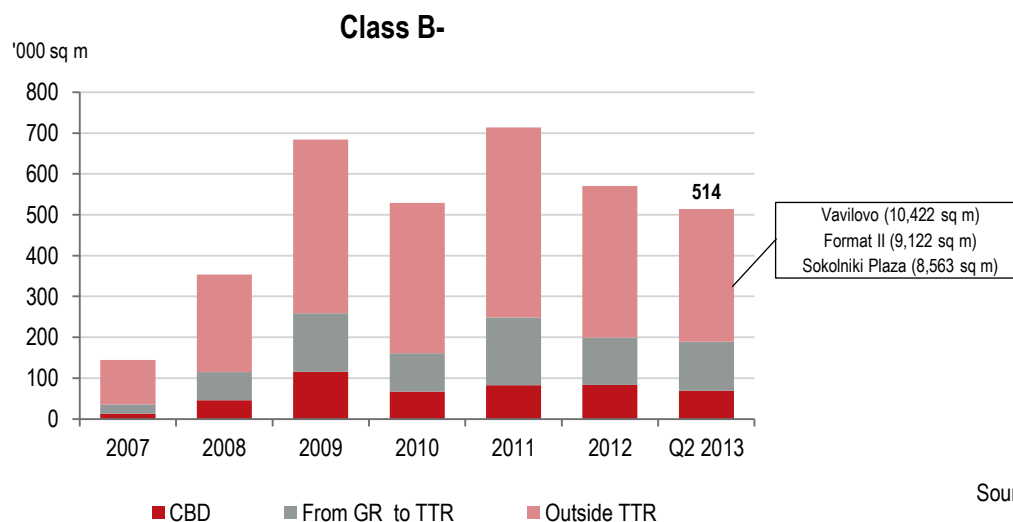
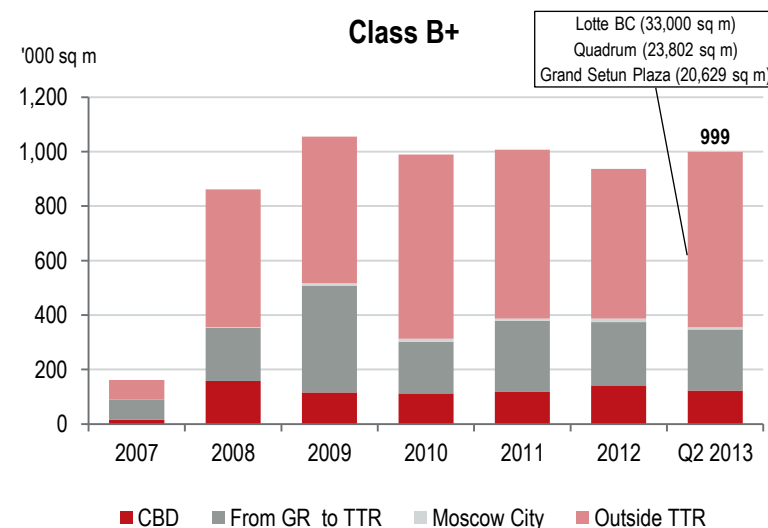
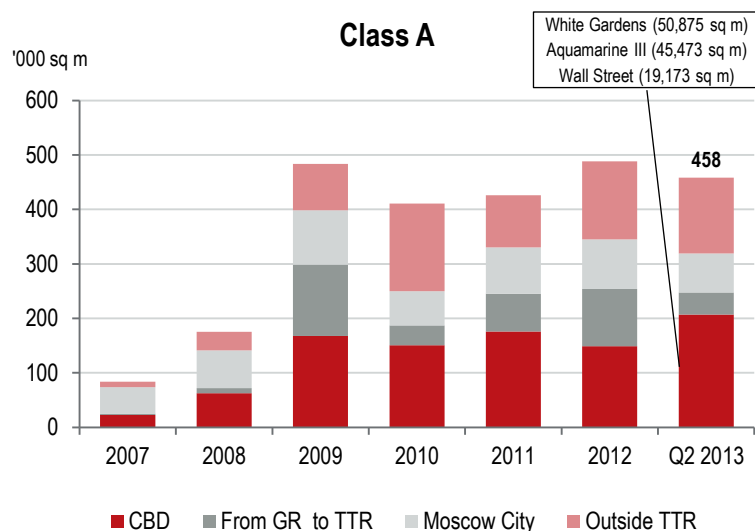


* Central Business District (CBD) comprises the area within and in close proximity to the Garden Ring and Tverskaya-Yamskaya Street.

** The submarket from the Garden Ring (GR) to the Third Transport Ring (TTR) excludes Moscow City.

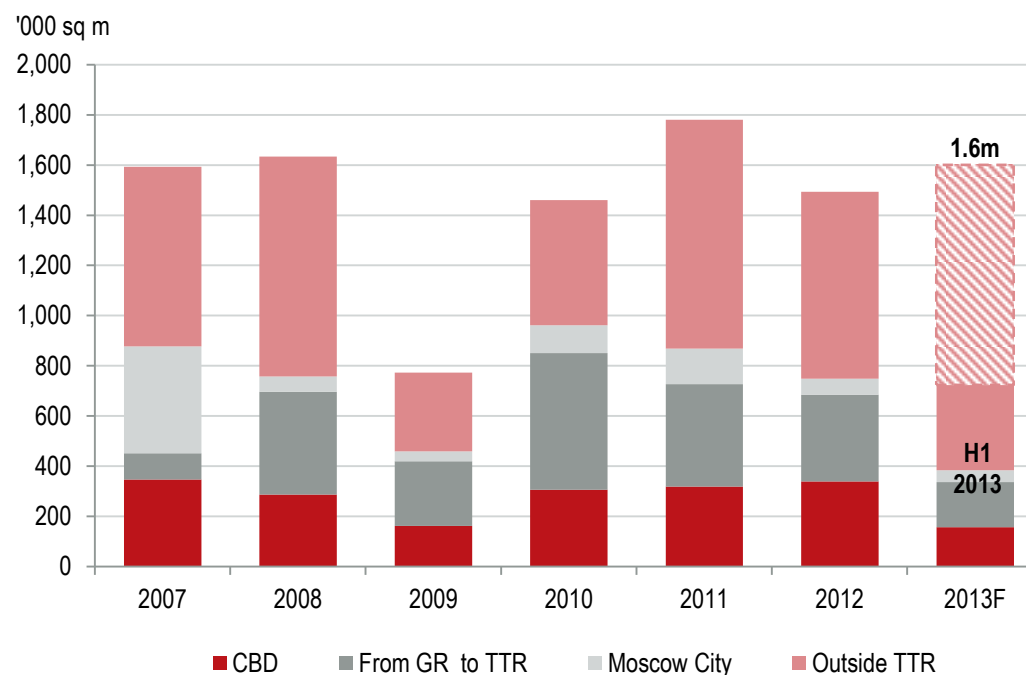
Availability by Submarkets Dynamics

Class A availability focused on CBD, Class B decentralized



Total Take-up by Submarkets Dynamics

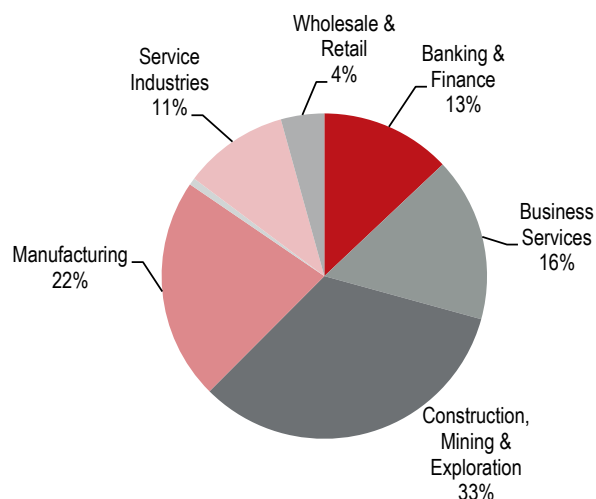
Market changes driven by activity outside CBD – 50% of transactions outside TTR, 75% outside Garden Ring



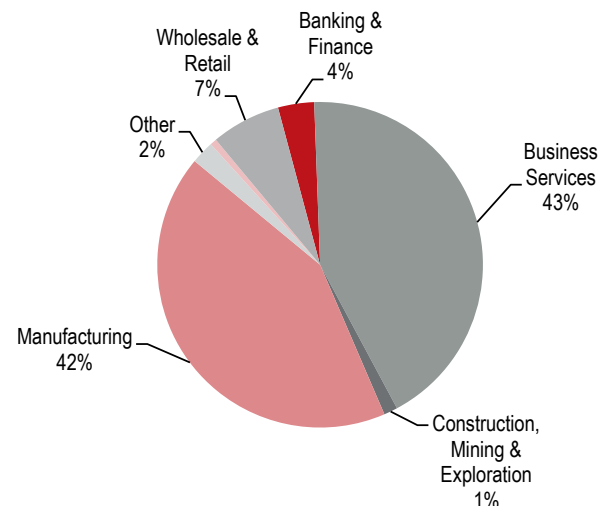
Demand by Business Sectors, Q2 2013

The split between domestic and international occupiers was almost equal

Russian companies (52%)



International companies (48%)



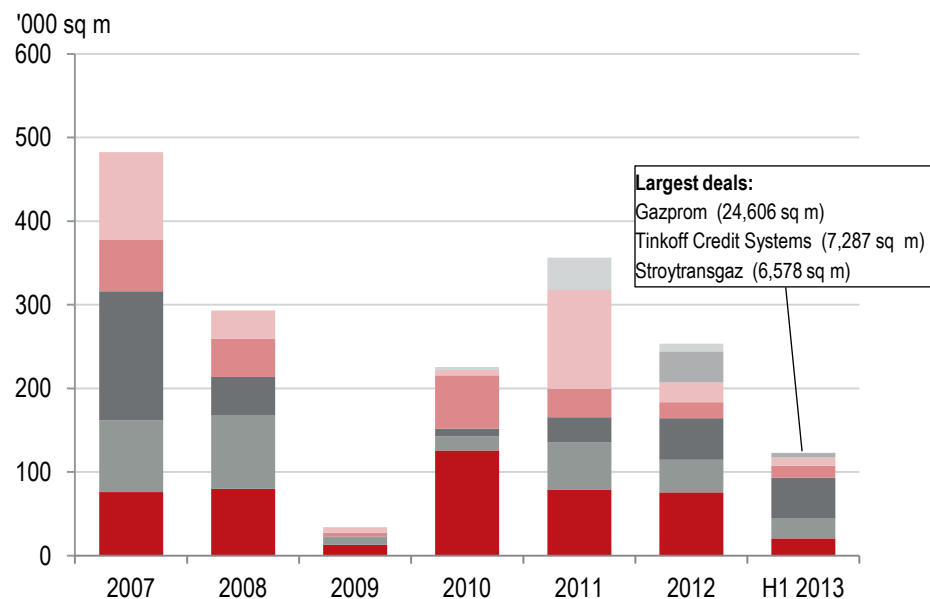
Building Name	Building Class	Office Area, sq m	Occupier	Type of Deal	Business Sector
Bolshevik Factory	B+	10,809	Publicis Groupe	Pre-lease	Business Services
Naberezhnaya Tower	A	8,678	IBM	Renewal	Business Services
SkyLight	A	6,578	Stroytransgaz	Lease	Construction, Mining & Exploration
Silver City	B+	4,700	Rusatom Overseas	Lease	Manufacturing
Imperial House	A	2,980	Pernod Ricard	Lease	Manufacturing
Black&White (Phase II)	B+	2,971	Renault	Lease	Manufacturing
LIGHTHOUSE	A	2,776	KIA Motors	Lease	Manufacturing

* Calculated on the basis of deals known to Jones Lang LaSalle

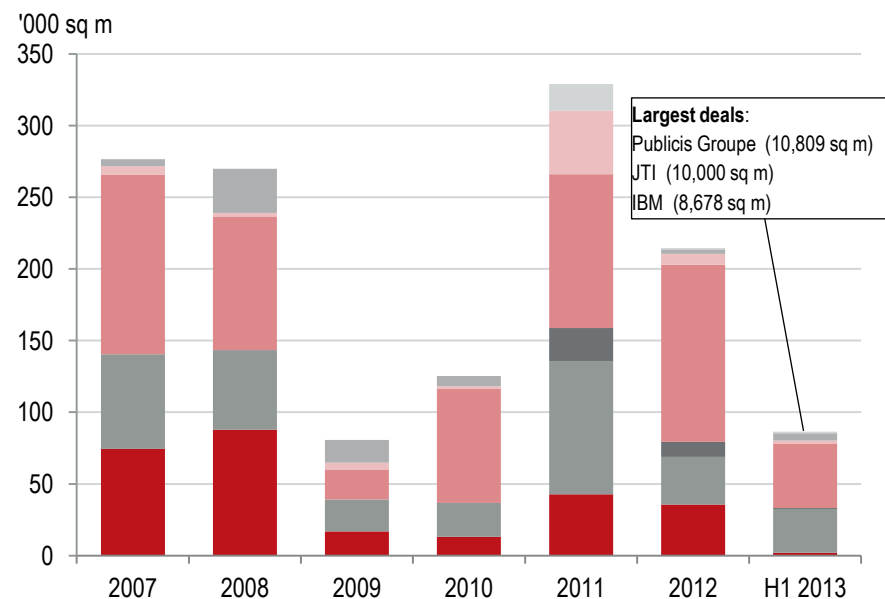
Demand by Business Sectors Dynamics

Take-up in H1 was driven mostly by Russian companies with a 60% share

Russian companies



International companies

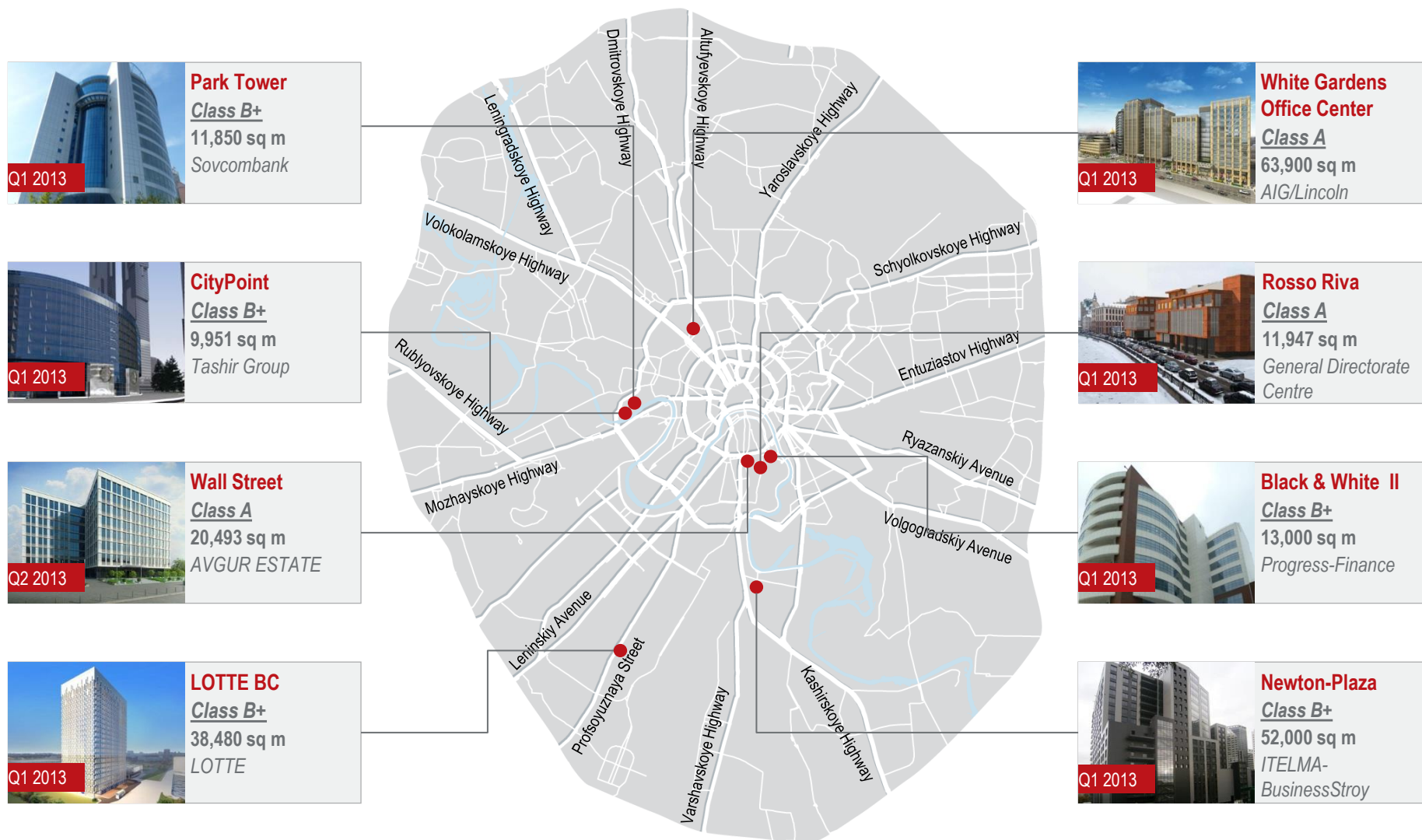


- Banking & Finance (Insurance, Funds)
- Business Services (Accounting, Real Estate, Legal, IT, Consulting)
- Construction, Mining & Exploration
- Manufacturing (Pharma, Electronics, FMCG, Machinery & Equipment)
- Service Industries (Tourism, Leisure, Internet Services, Printing/Publishing, Telecommunications)
- Wholesale & Retail
- Other

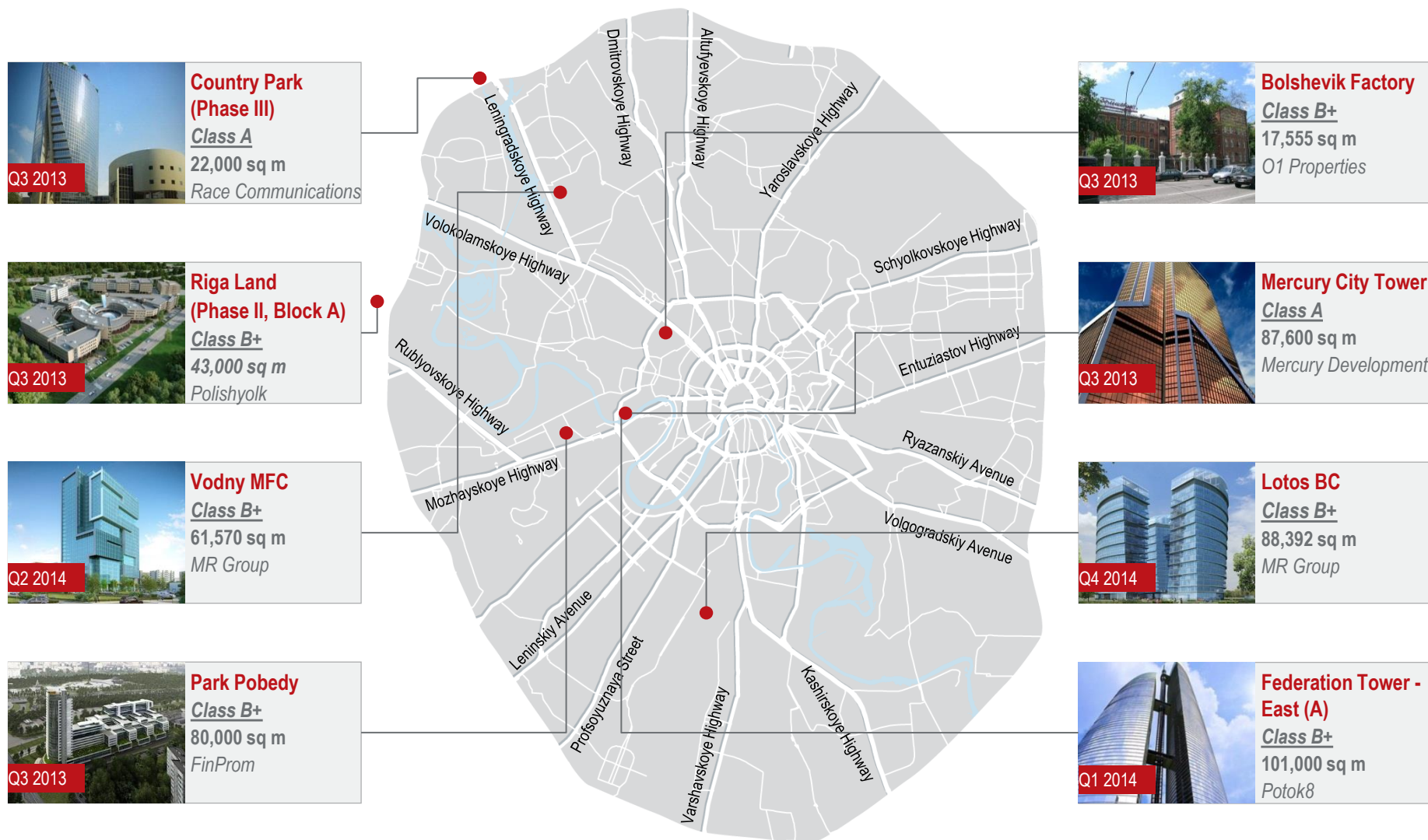
* Calculated on the basis of deals known to Jones Lang LaSalle

Source: Jones Lang LaSalle

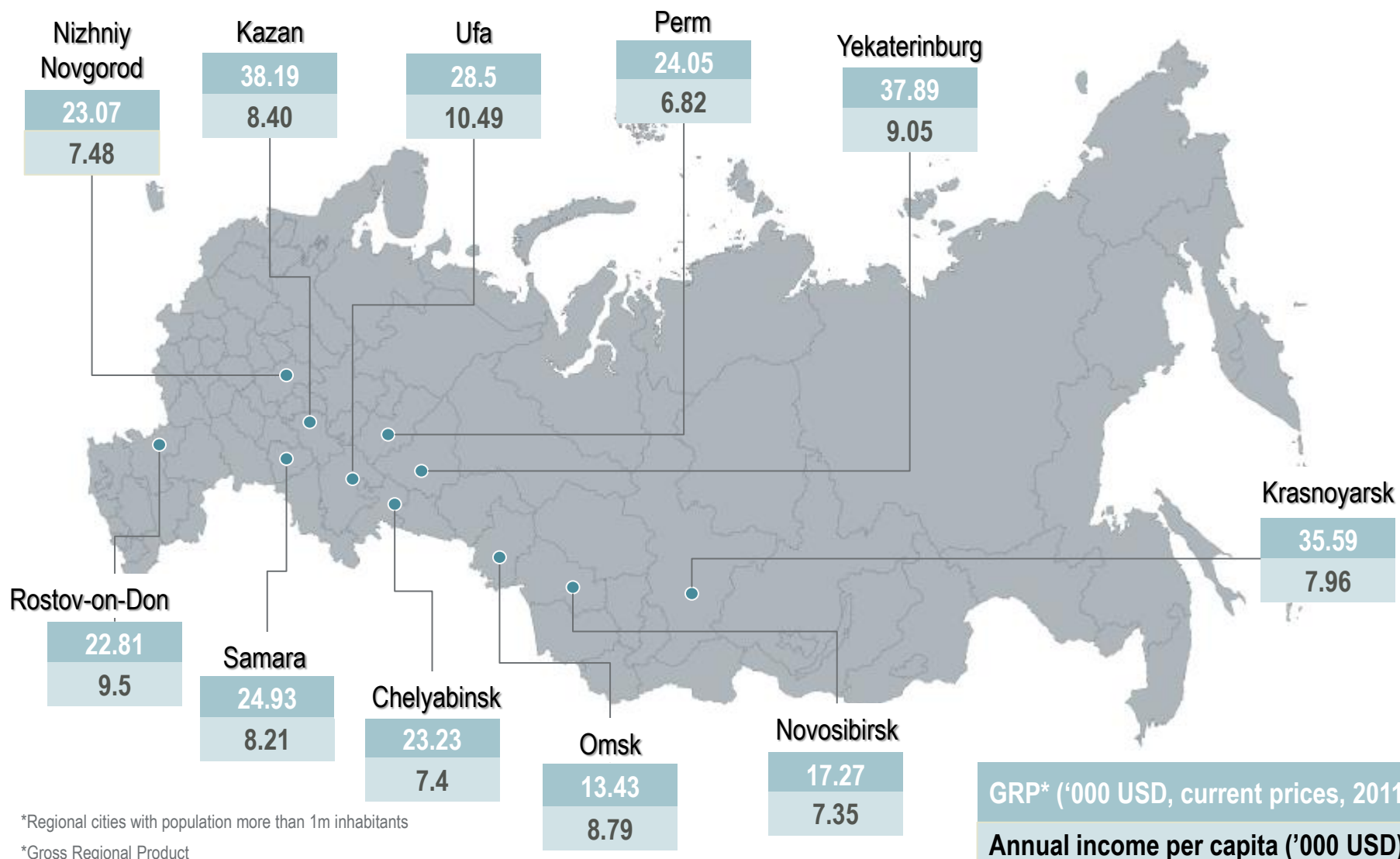
Major Projects Completed in H1 2013



Samples of Pipeline



Millionniki*



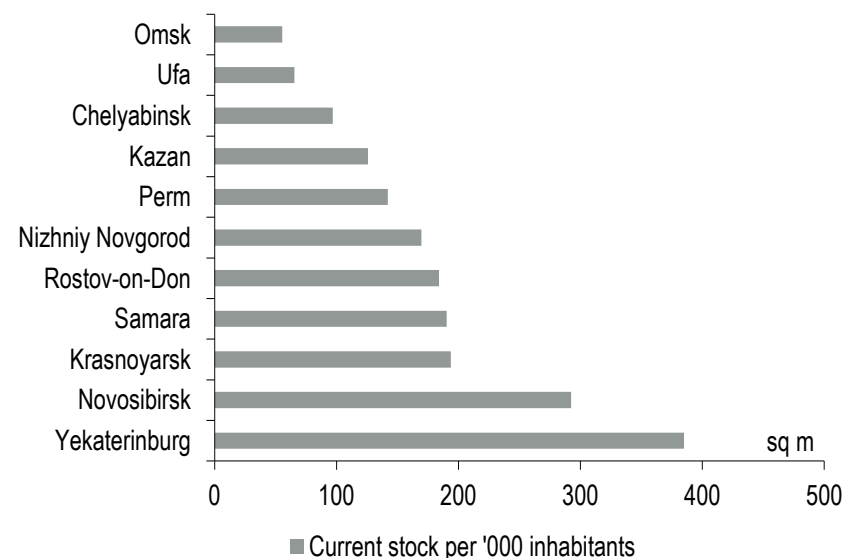
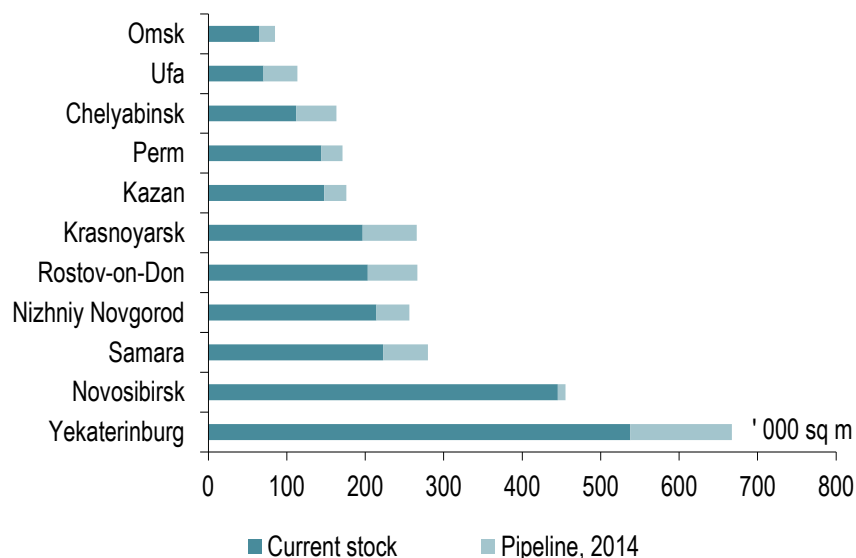
*Regional cities with population more than 1m inhabitants

*Gross Regional Product

Source: Rosstat

Market Overview: 20% Growth in 2014

- ✓ Overall Millionniki quality office stock reaches around 2.4 million sq m.
- ✓ Yekaterinburg is a leader among Millionniki cities regarding current quality office supply – 537.5 thousand sq m.
- ✓ New local and a few major Russian developers' projects are entering the market. However, the majority of projects are realized by local developers, who lack experience.
- ✓ Announced pipeline for H2 2013 and 2014 is around 514,000 sq m.
- ✓ Nevertheless, the completions level might be lower than declared, as projects get stalled or delayed.



Market Overview: Foreign players well represented

- ✓ Demand for high quality office space mainly comes from international businesses and large Russian companies.
- ✓ Growing local businesses are catching up and are slowly switching from Class C to Class B offices, but still being guided by limited budgets.
- ✓ Considerable volume of occupied office spaces is represented by premises on the ground floors of residential buildings, in academic institutes and in old administrative buildings.



Onegin Plaza

Yekaterinburg

Lease

12,700 sq m

Tenants

MSD pharmaceuticals, MTT
Johnson Controls, Chandler
Logistics, Ancor

2009



Stolitsa Nizhniy

Nizhny Novgorod

Lease

17,100 sq m

Tenants

Raiffeisen Bank, Rosbank
Nestle, KPMG
Credit Europe Bank

2005



Chelyabinsk City

Chelyabinsk

Lease

20,740 sq m

Tenants

OAo MTC, VypelKom
Orange Business Solutions
HomeCredit & Finance Bank

2008



Alexandrovskiy Passage

Ufa

Lease

2,000 sq m

Tenants

IBM, Raiffeisen Bank
HomeCredit & Finance Bank
Deloitte, Phillip Morris

2010



Festival

Omsk

Lease

12,000 sq m

Tenants

Unilever, Danfoss
Alkogolnaya Sibirskaya
Gruppa, RIA Novosti

2010



Greenwich

Novosibirsk

Lease

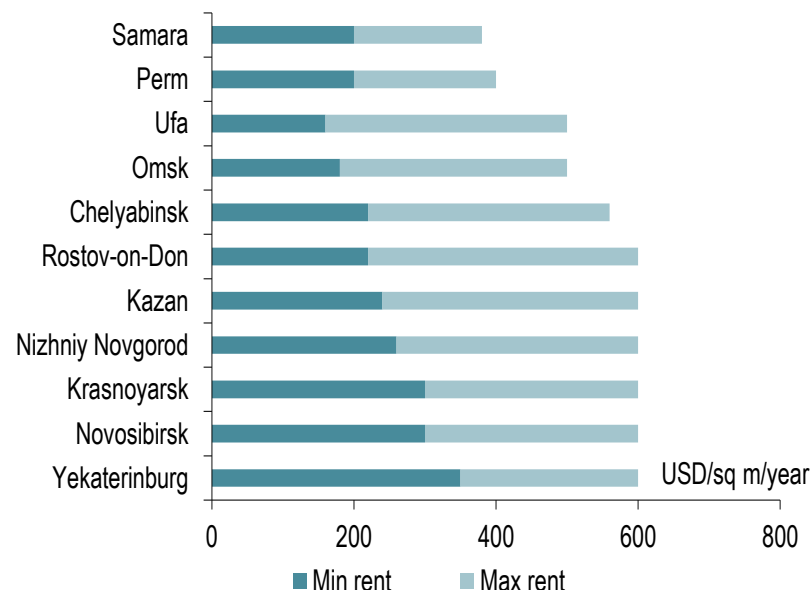
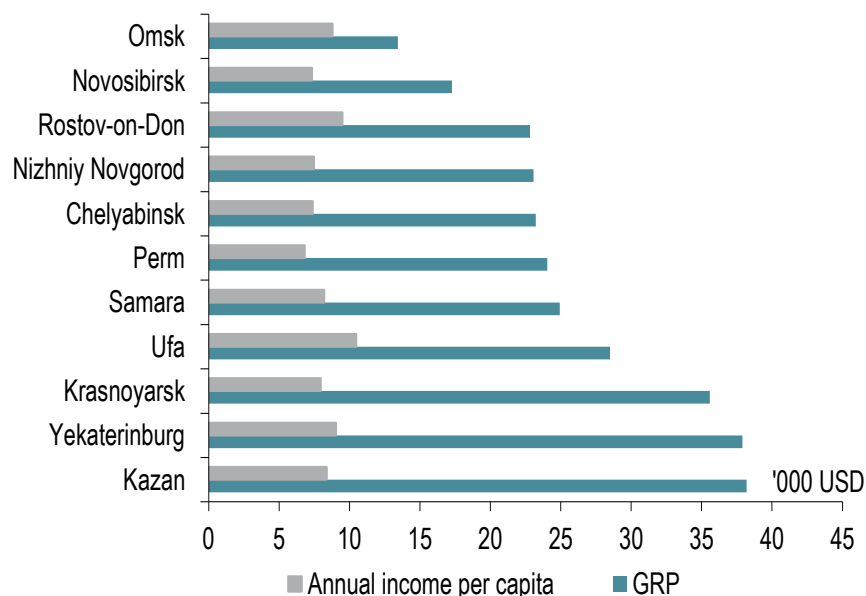
13,348 sq m

Tenants

Rosneft, Philip Morris, Volvo
Procter&Gamble, Yandex
Kraft Foods, Uralsib

2007

Market Overview: Top level rents = Moscow Class B

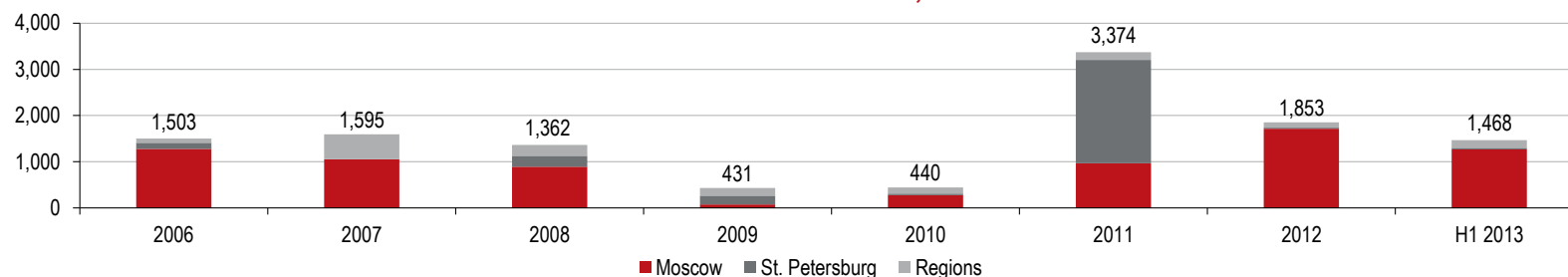


Source: Jones Lang LaSalle

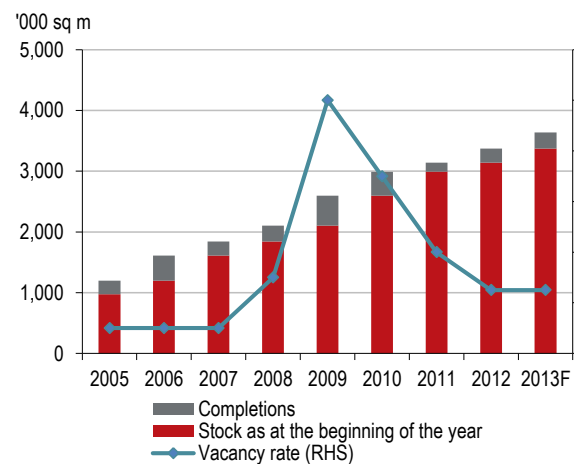
- ✓ The highest rent for Class A (USD600/sq m/year average) is recorded in the six following cities: Novosibirsk, Yekaterinburg, Nizhniy Novgorod, Kazan, Rostov-on-Don.
- ✓ The lowest rent for Class B (USD160–180/sq m/ year average) is recorded in Ufa and Omsk.
- ✓ Samara's Class A office stock is quite wide and various, however at lower prices comparing to other Millionniki cities.
- ✓ Tenants in Millionniki cities are price sensitive – giving their preference to less quality offices at the lower rent.
- ✓ High quality offices' rents in regions reach Moscow Class B+ levels.

Retail Investment: H1 2013

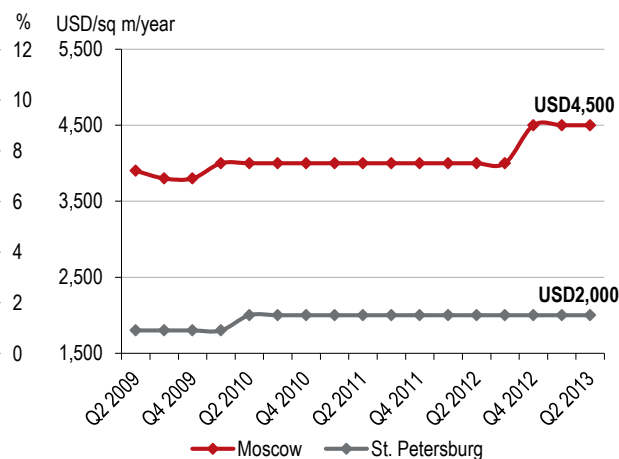
Retail investment volumes, USD m



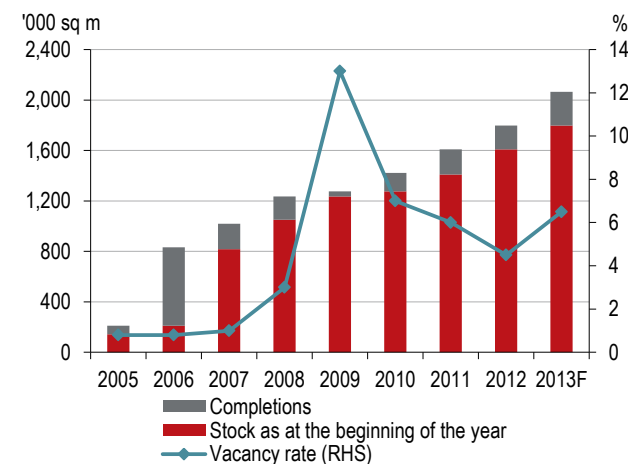
Moscow market balance



Prime rent dynamics

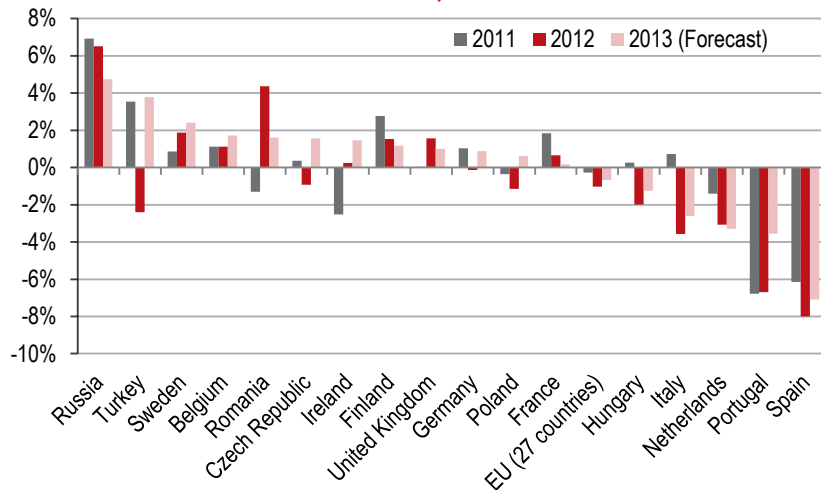


St. Petersburg market balance

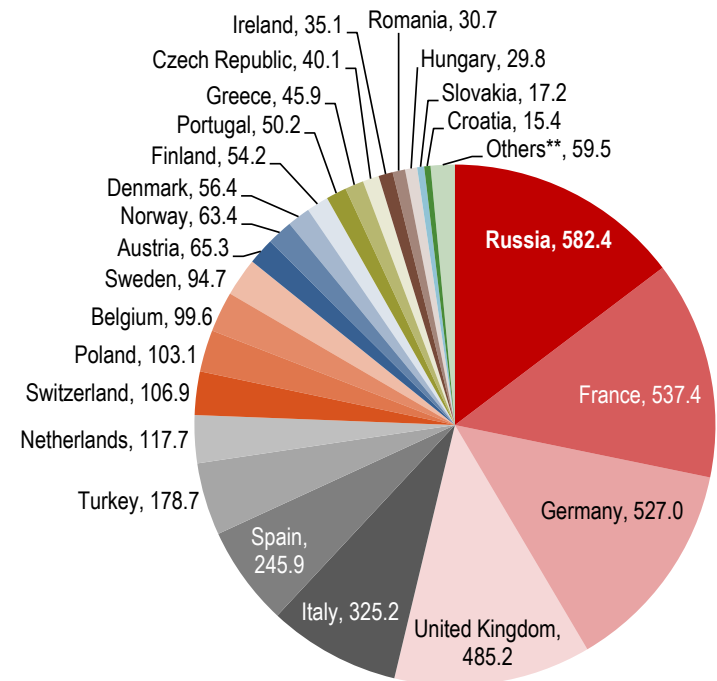


Retail Market: Underserved Consumer

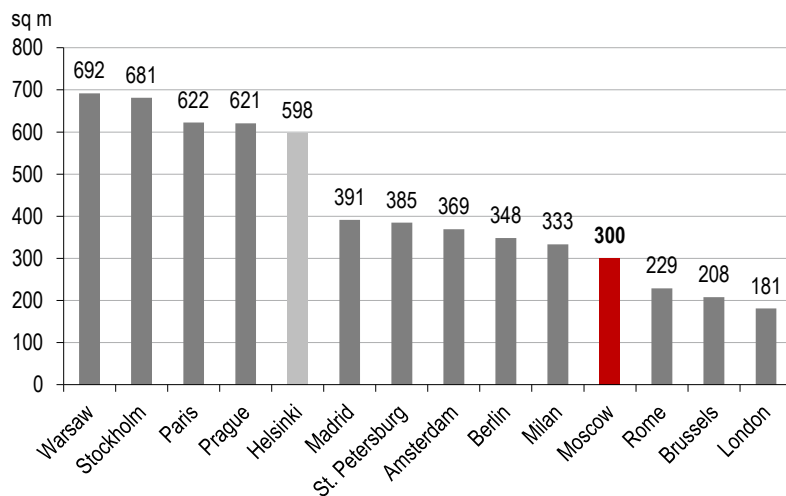
Retail sales, % YoY



Total retail sales in 2012, USD bn

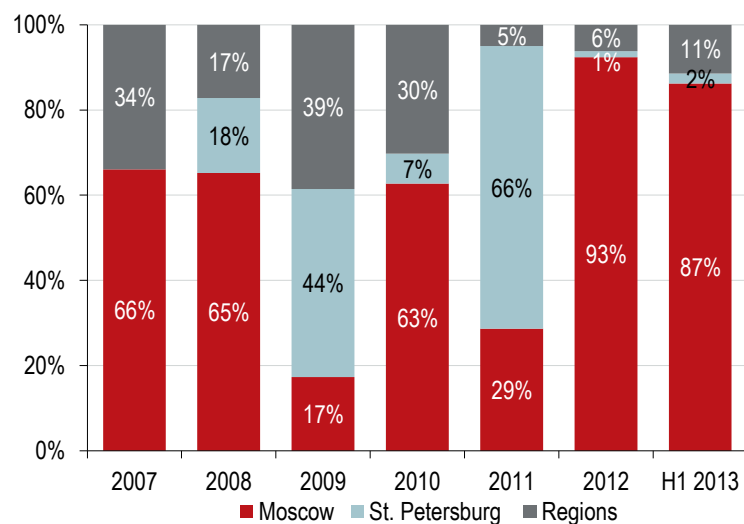


Shopping centre supply per 1,000 inhabitants: European comparison

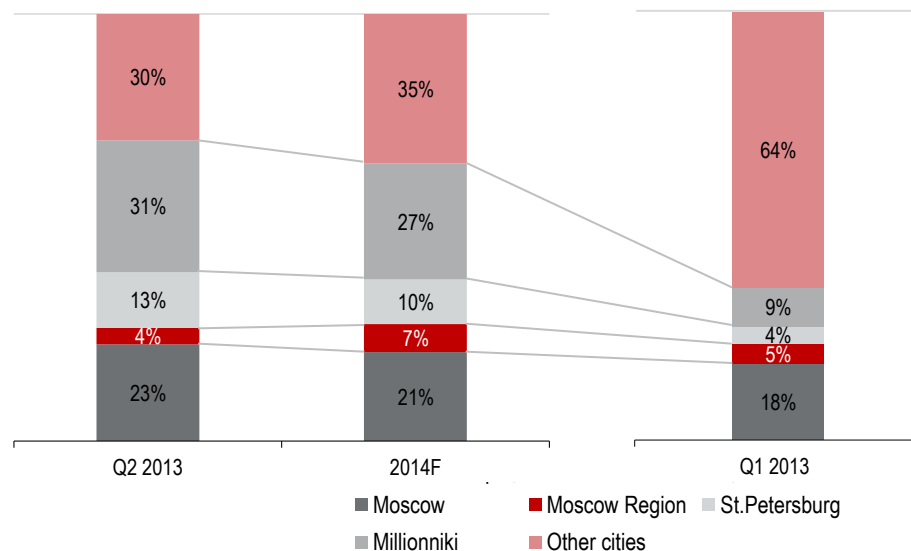


Regional Retail: Huge Potential

Investment Breakdown by City



Russia Shopping Centre Supply Distribution



Gross Income in Russian Cities

Workplace Strategy: Benefits to the Occupier

- ✓ Increases space efficiency
- ✓ Increases productivity and performance through appropriate space, technology and occupancy planning
- ✓ Reduces real estate costs
- ✓ Improves recruitment and retention of staff through an enhanced workplace that provides flexibility and mobility
- ✓ Enhances the brand and culture of the company
- ✓ Increases organizational effectiveness

90% favour workstations in open space with some individual/shared closed offices.

85% foreign companies confirmed that their current workplace program in Moscow is in line with company's global guidelines

Desk-sharing is implemented by **6** out of **20** respondents.

Flexible hours are allowed by **45%** of respondents, while **35%** of corporates sometimes allow working from home

Workplace Strategy: Firms already implementing change

- **70%** percent mentioned that a formal strategy is already in place and the remaining **30%** percent are in the process of implementing one in the next 12 months.
- **50%** of companies that responded cited that their workplace strategy has been developed within the last three to four years.
- **66%** of the respondents use an Electronic Document Flow system.
- Depending on the business unit the desk-sharing ratio will vary from **1.2** to **1.5** employees per desk.
- Over **50%** cited that when planning the lay-out of their new office, the number of meeting rooms increased significantly.
- Change management programs were conducted by **65%** of all respondents in implementing their current workplace strategy.
- The majority view the workplace strategy as an important and powerful tool that drives **employees productivity**.
- Respondents noted that **employee satisfaction** with the approach to workplace is typically measured annually through annual global satisfaction surveys.
- Most companies regard **sustainability** as an important element of their overall real estate and workplace strategy.



Real value in a changing world

Thank you!

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