

Moscow

Office market report • 2007

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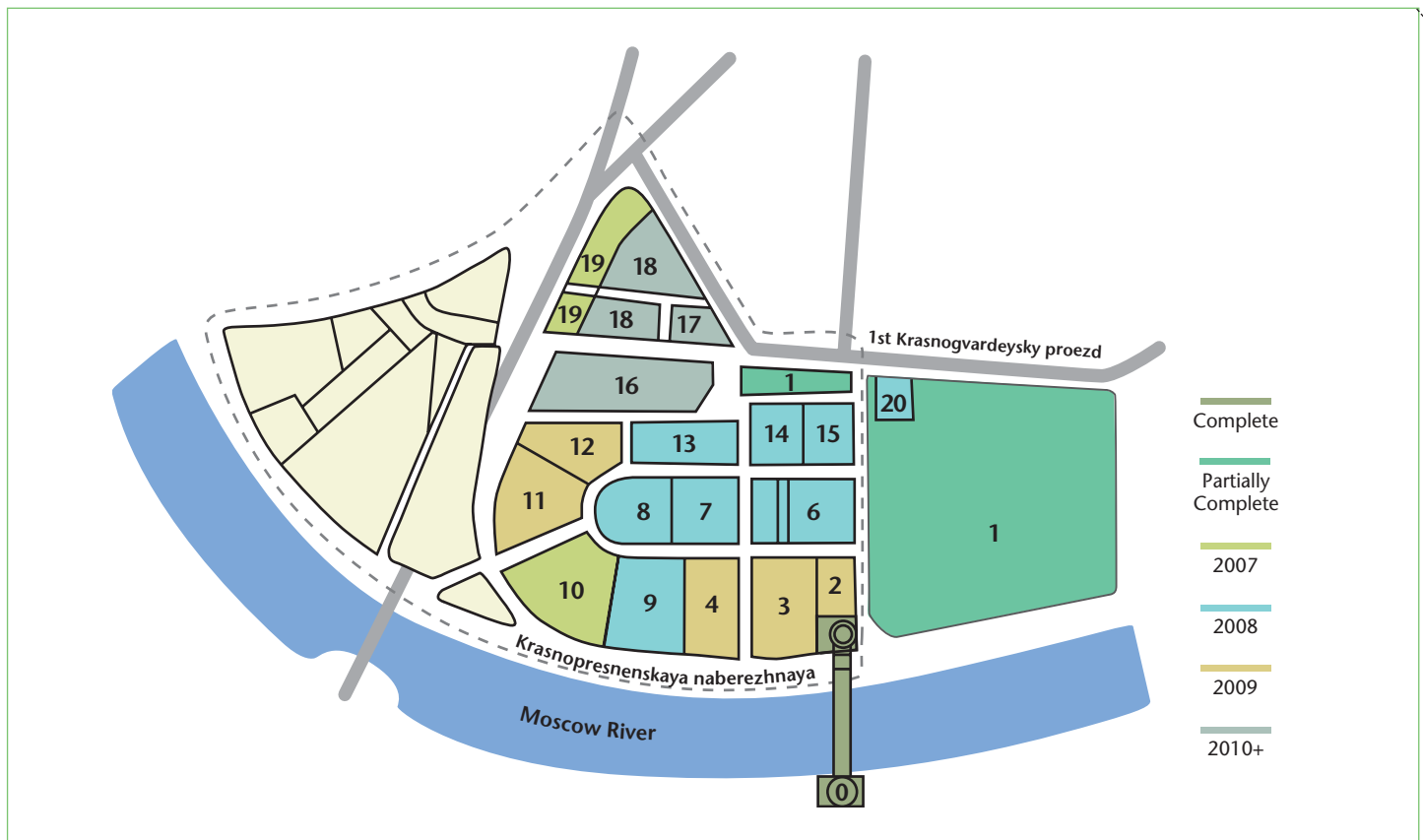
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Executive summary

- The rapid development of the Moscow office market over the last decade has brought the total Grade A and B stock to 5.6 million sq m, having stood at just 2.9 million sq m at the end of 2003.
- Vacancy rates in the city's best buildings remain very constrained, particularly in the more central locations.
- A substantial amount of Grade A accommodation is scheduled to be delivered to the market at the Moscow City site in the west of the city. In total, the development is anticipated to bring 1.5 million sq m of office space to the market before the end of 2011.
- Investment activity in the office sector continues to grow, with yields maintaining a downward trajectory. Prime yields in the office sector are now circa 10%.
- Foreign investment into the Russian office market has been largely restricted to Moscow as the lack of investment grade product in secondary cities has limited outside investment. Competition for good quality stock in the city remains strong.

Moscow City (Moscow International Business Center)

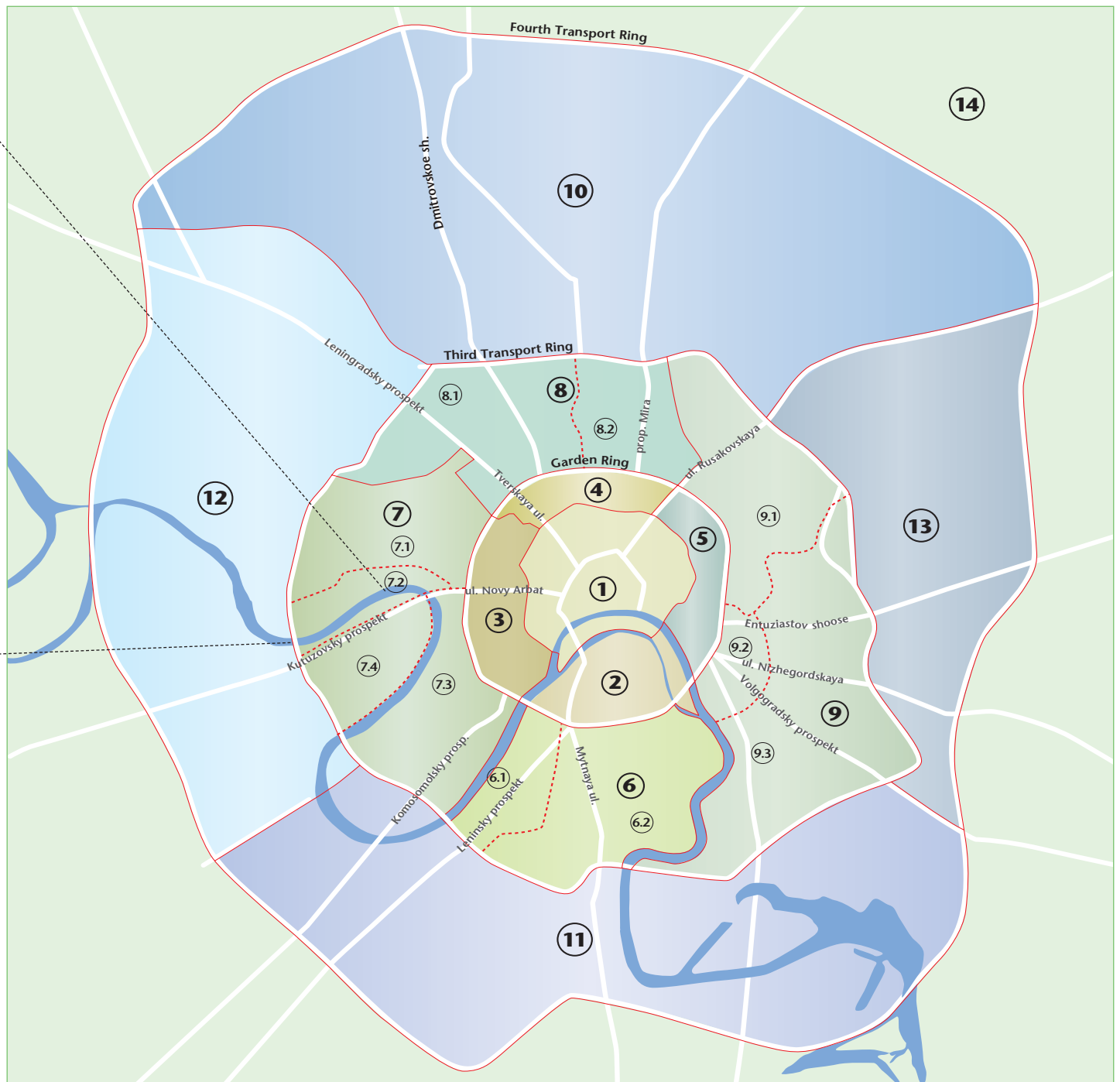


Moscow city – developments

Site	Development	Total size, sq m	Office Component	Status	Completion
0	Tower 2000	61,057	50,000	Complete	2001
1	Expocenter	60,000	n/a	Partially Complete	
2,3	City Palace Tower	169,000	80,000	Under Construction	2009
4	Imperia Tower	300,000	150,000	Under Construction	2009
6,7,8	Central Core	450,000	1,019	Under Construction	2008
9	Capital City Complex	288,680	72,315	Under Construction	2008
10	Naberezhnaya Tower	254,000	150,000	Partially Complete	2007
11	Transport Terminal	201,430	122,000	Under Construction	2009
12	Eurasia Tower	207,542	82,817	Under Construction	2009
13	Federation Tower Complex	423,000	181,800	Under Construction	2008
14	Mercury Office Tower	158,000	86,000	Under Construction	2008
15	Moscow Government Administrative Complex	397,831	n/a	Under Construction	2008
16	Multifunctional Office Administrative Complex	249,500	157,342	Planning	2010-2011
17,18	Russia Tower	420,000	200,000	Planning	2010-2011
19	Northern Tower	135,000	78,000	Under Construction	2007
20	Multifunctional Business-Expo Complex	152,000	70,936	Planning	2008

Source: Knight Frank

Moscow



1. Central Business Districts

2. GR South

3. GR West

4. GR North

5. GR East

— Borders of business districts

- - - Borders of subdistricts

6. TTR South

6.1 Leninsky

6.2 Tulsky

7. TTR West

7.1 Presnensky

7.2 City

7.3 Kievsky

7.4 Khamovniki

8. TTR North

8.1 Tverskoy-Novoslobodsky

8.2 Prospekt Mira

9. TTR East

9.1 Basmanny

9.2 Tagansky

9.3 Volgogradsky

10. FTR North

11. FTR South

12. FTR West

13. FTR East

14. MKAD

GR = Garden Ring

TTR = Third Transport Ring

FTR = Fourth Transport Ring

Moscow sub-market data

	Transport Ring	Direction	Sub district	Class A rental ranges (\$ per sq m)	Average rent (\$ per sq m)	Transport ring average rent (\$ per sq m)	Stock (sq m)	Vacancy rate	Transport ring vacancy rate
1	Boulevard Ring	Center	CBD	720-1,500	864	864	133,299	1.9%	1.9%
2	Garden Ring	South	GRS	575-1,300	732		286,886	0.5%	
3		West	GRW	580-1,100	753	745	110,092	0.4%	0.8%
4		North	GRN	625-900	719		121,771	0.0%	
5		East	GRE	600-1,250	796		70,195	3.8%	
6.1	Third Transport Ring	South	Len	700-725	710		41,814	0.8%	
6.2		South	Tul	600-650	625		15,882	0.0%	
7.1		West	Pres	600-860	737		59,861	0.6%	
7.2		West	City	675-860	770		75,599	1.1%	
7.3		West	Kiev	660-775	745	707	32,469	1.8%	0.9%
7.4		West	Kham	550-800	633		12,946	0.0%	
8.1		North	Tv-Nov	665-775	702		86,059	0.0%	
8.2		North	PrM	700	700		7,016	0.0%	
9.1		East	Basm	700	700		3,670	0.0%	
9.2		East	Tag	650-785	718		16,488	2.8%	
9.3		East	Volg	-	-	-	-	-	-
10	Fourth Transport Ring	North	FTRN	580-735	705		33,527	0.0%	
11		South	FTRS	635	635	685	6,600	0.0%	7.6%
12		West	FTRW	600-815	688		24,982	19.7%	
13		East	FTRE	-	-		-	-	-
14	MKAD	MKAD	MKADN	520-650	560	560	60,937	1.0%	1.0%
TOTAL				520-1,500	735		1,200,093	2.4%	

Source: Knight Frank

Based on a selection of Moscow's Prime Grade A stock

Key leasing transactions

Address	District no.	Transport ring	Sub district	Purchaser	Size (sq m)	Rent (\$ per sq m), Est	Operating expenses
Pushkinsky Dom/Strastnoy blvd, 9	1	BR	CBD	Gazexport	12,835	650	100
Hermitage Plaza/Krasnoproletarskaya st., 2/4, bld.6	8.1	GR	GRN	VympelCom	31,600	700	105
Sheremetievsky business center/Polkovovaya st, 3	8.1	TTR	Tv-Nov	Eldorado	11,000	450	n/a
Paveletskaya Tower/Paveletskaya sq, 2 bld. 1	2	GR	GRS	Nestle	7,140	750	70
Golutvinsky Dvor/Yakimanskaya emb, 4	2	GR	GRS	Equant	6,225	900	n/a
Kvartal business center/Dubininskaya st, 53	6.2	TTR	Tul	Eurochem	5,995	680	n/a
Balchug Plaza/Balchug st, 7	1	BR	CBD	Salans	3,860	1,200	130
Vaviloff Tower/Vavilova st, 24	6.1	TTR	Len	AstraZeneca	3,010	635	85
White Square/Lesnaya st, 15	8.1	TTR	Tv-Nov	Deloitte & Touche CIS	29,000	600	n/a
Naberezhnaya Tower/Krasnopresnenskaya emb, 18, block C	7.2	TTR	City	KPMG	12,100	750	100
Avrora Business Park/Sadovnicheskaya st, 82, block C	2	GR	GRS	Deutsche Bank	7,700	775	95
Balchug Plaza/Balchug st, 7	1	BR	CBD	Gazprombank	8,716	1,100	130
Krugozor business center/Obrucheva st, 30/1	11	FTR	FTRS	ABB	5,200	550	80
Naberezhnaya Tower/Krasnopresnenskaya emb, 18, block C	7.2	TTR	City	Regus	3,900	750	100
Stanislavskogo Factory/Stanislavskogo st, 21, bld. 3	9.2	TTR	Tag	Ancor Regions	3,900	660	80
Krugozor business center/Obrucheva st, 30/1	11	FTR	FTRS	IBM	3,427	550	80
IKEA business park in Khimki	14	MKAD	MKAD	Ford Motor Company	4,500	400	75
Concord business center/Shabolovka st, 10	6.1	TTR	Len	Nycomed	3,651	700	85

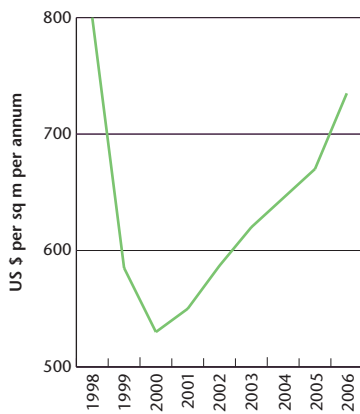
Source: Knight Frank

Key investment transactions

Address	District no.	Transport ring	Sub district	Purchaser	Size (sq m)	Price (\$, mln)
Ducat Place II / Gasheka st, 7	4	GR	GRN	London & Regional Properties	19,500	80
Capital Tower / 1 Brestskaya st, 29/22 bld. 1	8.1	TTR	Tv-Nov	Yug-Nefteprodukt	15,000	70-75
McDonald's Building I / Gazetny In., 17/9	1	BR	CBD	Eastern Value Partners Ltd	7,800	65-70
DaimlerChrysler House Moscow / Bol. Ordynka st, 40/2	2	GR	GRS	Bank "Saint-Petersburg"	6,334	n/a

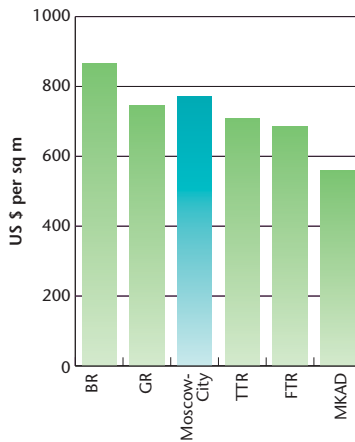
Source: Knight Frank

Figure 1
Average Grade A rents



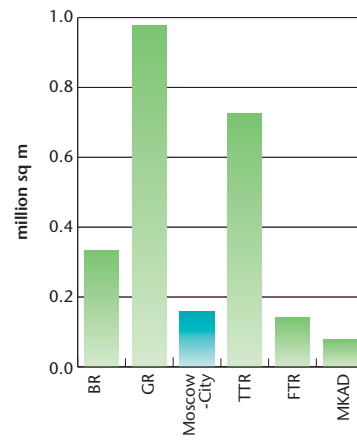
Source: Knight Frank

Figure 2
Grade A rents by submarket



Source: Knight Frank

Figure 3
Distribution of selected office stock*



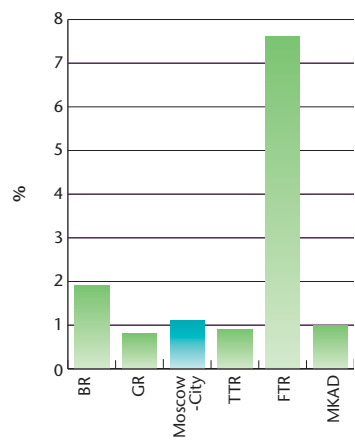
Source: Knight Frank

* Based on a selection of Moscow's Prime Grade A stock



Federation Tower, Moscow City

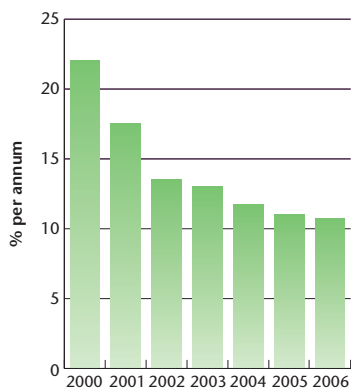
Figure 4
Vacancy rate*



Source: Knight Frank

* Based on a selection of Moscow's Prime Grade A stock

Figure 5
Prime yields



Source: Knight Frank

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