



Retail real estate market

Moscow, 1Q 2010



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Table 1. Major indicators of retail real estate market in Moscow, 1 Q. 2010

Majour indicators	2010
Commercial sales turnover in 2009 (January-February), billion rubles	2 502,3
Total floor area of premium shopping centres at the end of Q1 2009, thousand sq m (GLA ¹ , thousand sq m)	6 081/ 3 448
Total floor area commissioned in 1Q 2010, thousand sq m (GLA, thousand sq m)	30/20
Announced for commission, Q2-4 2010., thousand sq m. GLA	913/ 496

Source: GVA Sawyer

According to the results of 1Q 2010 the aggregate supply of quality shopping centre's premises² in Moscow market³ has amounted to 3 448 thousand sq m. (GLA).

The provision of premises in premium shopping centres is 330 sq m. GLA per 1 000 Moscow residents.

The shopping centre "Rechnoy Vokzal" (30 thousand sq m. (GBA), 20 thousand sq m. (GLA) was commissioned by Capital Group in 1 Q 2010.

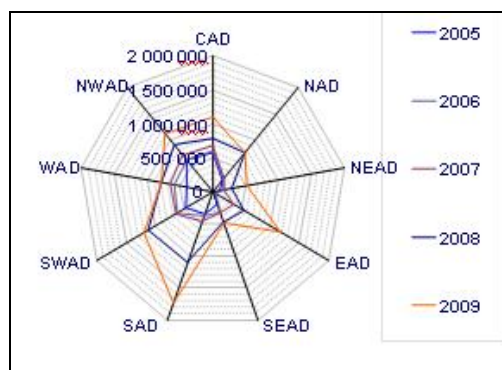
1. Supply

Against a backdrop of sustained retreat in consumer demand, the shops of low-average price segment become popular tenants in shopping centres. These shopping centres have stable volume due to low check but an increased amount of sales.

It is significant to note the neighbourhood stores format's rise of popularity. As we know X5 Retail Group is interested in such stores today. «Ashan» continues to develop its new brands «Atak», «Ashan City» and «Raduga». Castorama plans to open several shops with area 60% of the common one. At the same time the number of goods' names will stay the same – 35 000. In 2009 Metro Cash & Carry started the "Shkola trgovli" Project, which is intended to be under an active development in the 2010. Within the framework of the project Metro assists in modernization of the neighbourhood food stores with area no more than 100 sq.m.

Chart 1 Distribution of supply by administrative districts of Moscow

Source: GVA Sawyer



² According to GVA Sawyer's definition - a quality shopping center is a set of properties dealing in the sale of universal range of goods and services (with GLA over 5,000 sq m), located on a certain territory, designed, built and managed as a whole and providing a sufficient parking area within its territory.

³ Moscow's retail and entertainment real estate market includes quality retail properties on the territory of Moscow as well as large properties outside its boundaries, which are mostly oriented towards Moscow's residents.

¹ GLA - Gross leasable area

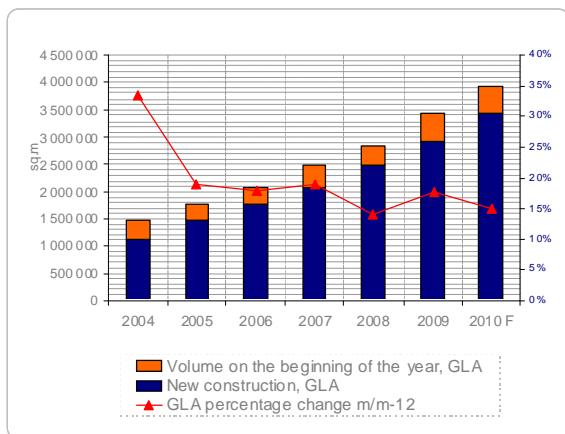
Among the key business transactions at 1Q, 2010 we should mention the purchase of shopping and entertainment centre «Europark» (86 thousand sq m) by «Tashir» group of companies. «Tashir» has paid \$ 60 million for the debt service obligations. The centre was the security of the credit.

Among the key events of the 1 Q 2010 we should mention the establishment of Prometheus Capital Partners Fond. The Company plans to deal with capital investment in retail, service, production of food and other consumer products. The average amount of transactions is to be around to \$ 50 million.

Da Vinci Capital Management Fund has increased its share in children's wear store chain «Imperiya Detstva» and bought a share of Game Zona chain. The Fund has become an owner of 30% in retail, and today its share, according to the experts' appraisal, has amounted to 75%.

Chart 2. Volume of quality supply, GLA

Source: GVA Sawyer



«Econica» corporation's subsidiary, which is well known for its shoe shops chain, has begun to form two closed investment share funds of real estate – rent and development ones.

Table 2. List of largest shopping centres planned for commissioning in 2010.

Source: GVA Sawyer

Shopping centre	Address	Total/ lease area, sq.m.
Vegas (earlier - Kashirsky Mall)	SAD, Leninsky District, Sovkhoz imeni Lenina, 24 km Moscow Ring Road	298 000 / 180 000
Shopping and recreational center «Gagarinsky»	SAD, Vavilova Street, 3	200 000/ 70 000
Mall of Russia	WAD, Krasnopresnenskaya embankment, plot 6, 7, 8B	179 400 / 114 000
Hudson	SAD, Kashirskoe Highway	120 000/ 71 000
Marcos-Mall	NEAD, Altufievskoe highway, vladenie 70	36 200 / 15 000
Viva	SWAD, Severnoe Butovo, Kulikovskaya Street	32 000/ 21 560
Kluhevoy	SAD, Borisovskie Prudi Street	26 000/ 13 700
Azovsky	SAD, Azovskaya Street, vladenie 28 V	21 715/ 10 373

2. Financial terms

There were no changes in commercial terms in the first quarter of 2010. The level of rent rates stays practically invariable, however at the end of 2009 and at the beginning of this year there is an upward tendency in rent rates. Maximum rates of rent were observed in the middle of 2008, and since that period the weighted average level of rent rates decreased by 15 – 30% in absolute value.

In spite of large volume of commissioned areas at the end of 2009 - beginning of 2010 and low increase of rates on several properties, we expect market conditions should stay the same. In spite of slight increase of rates on premium and major properties, we expect the relaxation of rent restrictions for the low quality properties with occupancy problems.

Table 3 Range of rent rates for shopping centres' tenants in Moscow, 1 Q of 2010

Type	Format	Average area, sq.m	Average range of rates ¹ for 1 sq.m per year (Triple net)
Anchor tenants	Food Hypermarket	5 000 - 10 000	100- 120
	DIY Hypermarket	8 000 - 15 000	110-140
	Food Supermarket	1 000 - 2 500	300-400
	Electronics and household appliances supermarket	2 000 - 5 000	350-500
	Clothing department store	2 000 - 5 000	200-500
	Entertainment center, cinema	1 500 - 6 000	120-150
Other tenants	Food court zone	80-150	700- 1 000
	Shopping galleria	400 - 1 500	480-1 500
	Shopping galleria	150 - 250	900- 1 200
	Shopping galleria	80 - 120	1 200 - 2 000
	Shopping galleria	40 - 80	2 000 - 3 000
	Shopping galleria	10 - 30	2 500- 4 500

Source: GVA Sawyer

¹ Due to exchange rates' instability, the conventional unit is the mostly used market measure of value - on an average it is equal to 28 - 32 roubles.

3. Demand

According to the research by GVA Sawyer, the number of vacant areas in the most popular mass consumer-oriented shopping centres with favourable location and concept still remains at the low level (up to 0,5-1%) (e.g. «European» Shopping and Entertainment center, Okhotny Ryad Shopping Center and others).

According to the forecast by GVA Sawyer we expect an increase up to 10% in average level of vacant areas. The reason for this tendency is increase in supply (several heavy commercial properties were launched in the market) and damping in tenants demand.

Large and middle chain stores, which have been actively developing on the credit basis till 2009, continue to exit the market.

The trade chain «Mir» closed all of its 18 shops in the 1 Q of 2010.

The customer was not found for two hypermarkets Carrefour and they were closed in February (in «Filion» Shopping and Entertainment centre in Moscow and Krasnodar). Last year Carrefour, the major retailer in Europe, announced its exit from the Russian market. The Finnish group Stockmann has closed franchisee Nike shops in Russia.

Burger King was opened in «Metropolis» shopping and entertainment centre and «European» shopping centre in 2010. Dunkin Donuts (coffee house chain) has announced its entrance to the Moscow market. In 2010 it plans to open about 10 shops. Harvey Nichols also plans to open its shop in Russia.

«Detskiy mir» has opened its first discount-shop. X5 Retail Group launches the specialized baby goods store chain (Baby Shop).

Oriflame has opened its first shop in «Mega Belaya Dacha» shopping centre with total area about 100 sq.m. The Company doesn't plan to develop its retail business further more.



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