

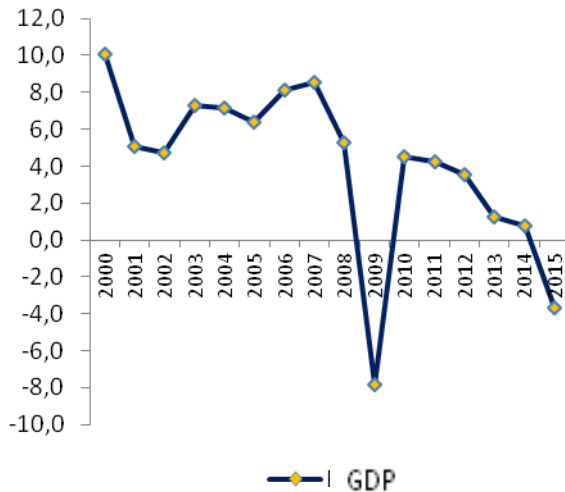
A low-angle, upward-looking photograph of several skyscrapers in a city, likely New York City. The buildings are made of glass and steel, with some windows reflecting the sky. The sky is a clear, pale blue. A semi-transparent teal rectangle is overlaid on the right side of the image, containing the title text.

# Real Estate Investment Market 2015

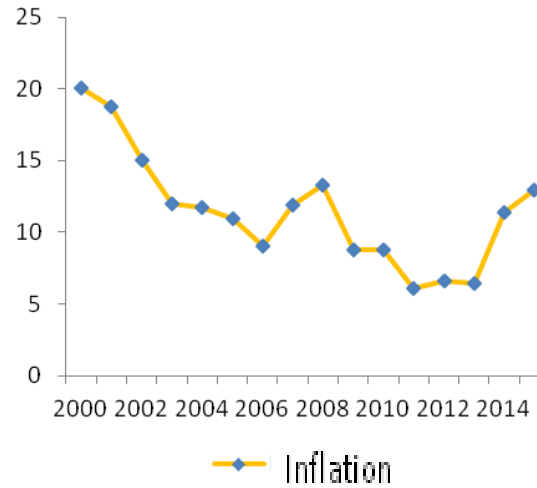
## Macroeconomics

- In 2015 the inflation rate in Russia was 12.9 %, which is 1.6 % higher than it was in 2014 and twice as high as in 2013.
- In 2015 GDP showed a downward trend and decreased by 3.7 %. In 2014 GDP had a 0.7% growth. Thus, the conclusion is that Russian economics is in the recession stage.

**GDP Dynamics in Russia**

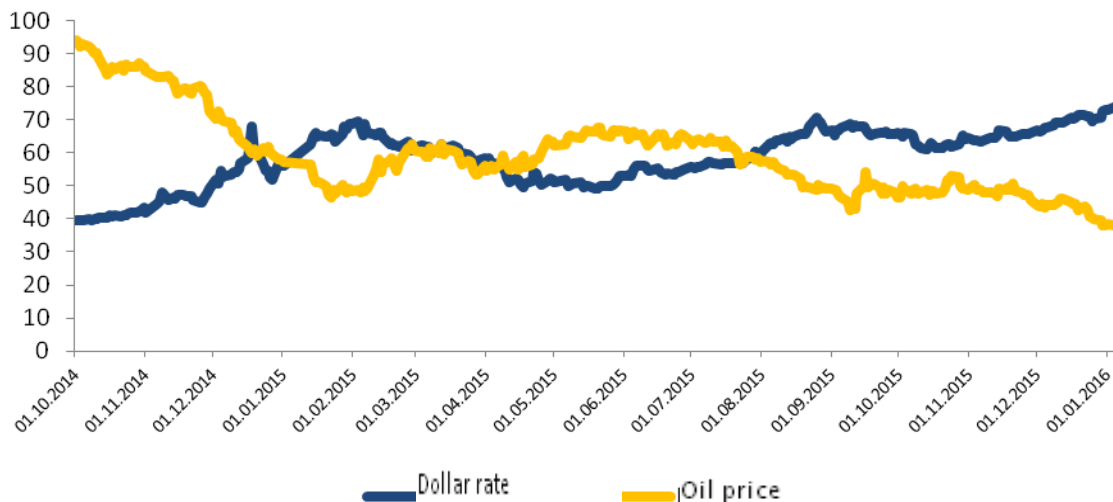


**Inflation in Russia**



- The reduction of the key rate by the Central Bank of Russia had no impact on the volumes of debt financing, which is still too expensive for most market players.
- The factors that influence Russian economics most of all are still rates of ruble to US dollar and to euro and oil prices. Since October 2014 Brent price has fallen from \$94.16 to \$33.86 per barrel (as of the report date), while the ruble significantly weakened towards US dollar.

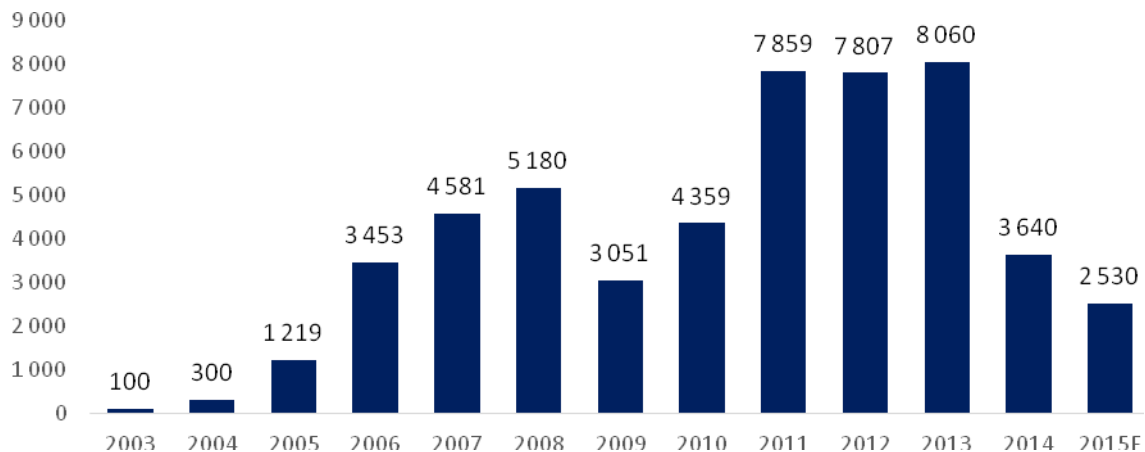
**Oil Price and Ruble-Dollar Rate Dynamics**



## Real Estate Investment Market

According to GVA Sawyer’s estimates, the total amount of investments in real estate in 2015 was around \$2.5 bln., which is 30 % lower year-on-year. This estimate includes only investment deals, but not investments into land assets. The share of foreign capital decreased by 5 % and stood at 22 % in 2015.

The diagram below demonstrates real estate investment dynamics in Russia.

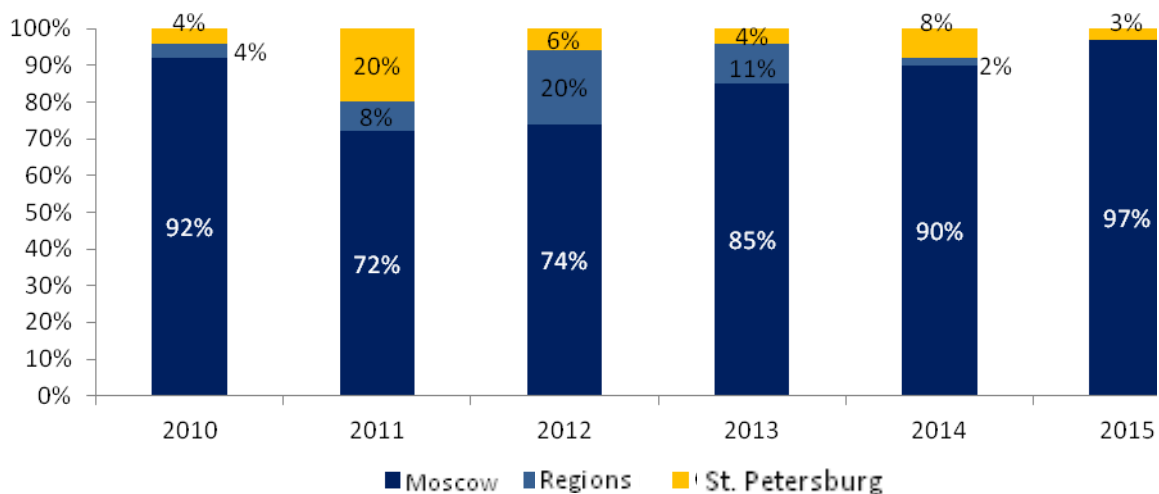


As we can see 2015 amount is the lowest over the last ten years. Even in the recessionary year of 2009 the total investment amount was 1.7 % higher.

In geographic terms, Moscow is still the leader, having 97 % of all investments. St. Petersburg’s share decreased from 8 % to 3 %.

In 2015 the total amount of investment deals in St. Petersburg was about \$65 mln., compared to \$350 mln. in 2014 (without land assets). Noteworthy is that the regions that year had almost no share at all.

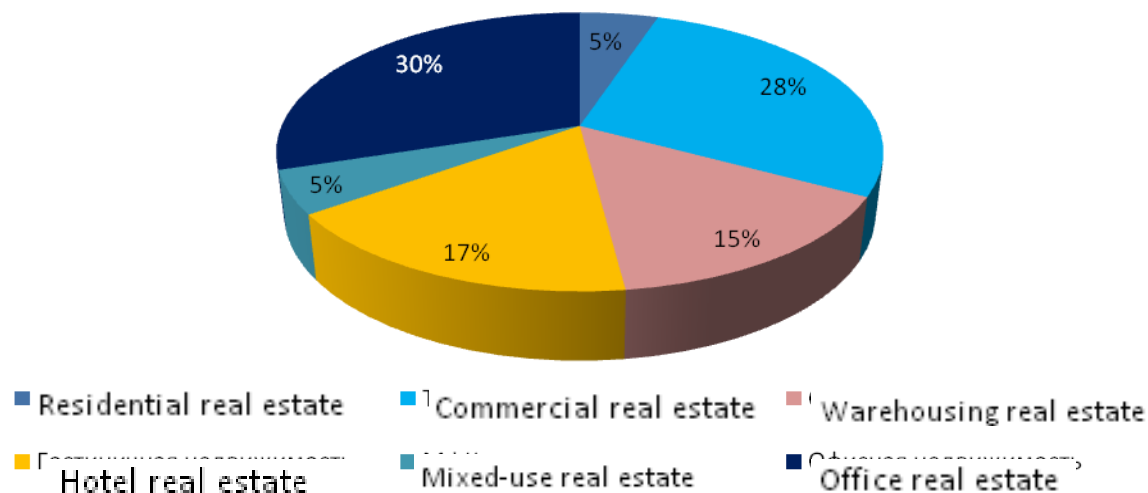
The diagram below shows geographic distribution of real estate investments in Russia.



- The leader in the investment market is still office real estate. Investments in offices have 30 % of all the investments into Moscow real estate. The main reason for this sector’s predominance has always been its transparency to potential buyers.

- It is interesting to note that the share of investments in commercial real estate in Moscow has increased considerably. In 2014 it stood at 15 %, while in 2015 it was 28 %. But that mainly resulted from the sale of the shopping gallery Modny Sezon.

The data on investment distribution in Moscow is presented below.

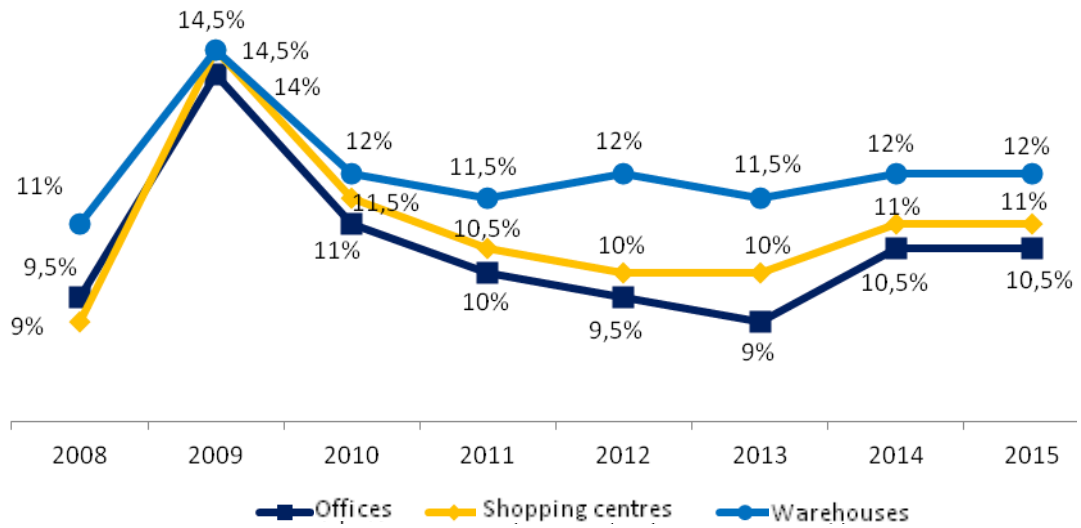


The largest investment deals in 2015:

- The sale of blocks 1 and 3 of the office centre Metropolis to Hines. The transaction amount was \$336 mln.
- The sale of the shopping gallery Modny Sezon to Sulena Holdings. According to GVA Sawyer's estimate, the transaction amount was \$250-300 млн.
- The sale of the office centre Hermitage Plaza to Eastern Property Holdings. The transaction amount was \$195 mln.

## Conclusion

- Due to its inherent inertia, real estate market is now in recession, following general tendency in national economics.
- In spite of low rent rates in almost all sectors, unavailability of loan financing heavily slows down investment deals. Another negative factor causing suspension of investment deals is project marketing risks, connected with the decrease of operating income in the face of loss of exchange rates stability and difficulty of making even middle-term forecasts.
- Capitalization rates are still on the same level after the dramatic increase in 2014.



- According to GVA Sawyer's forecasts, in 2016 the amount of investments in real estate will decrease year-on-year to \$1.8-2 bln.