

RESEARCH



# INVESTMENT MARKET

REVIEW  
2014



# INVESTMENT MARKET

Commercial real estate market today is under pressure from a number of negative factors, which significantly affect sentiment its participants

Compared with 2013, the real estate investment volume has shrunk by

**53%**



**\$ 56.3**  
per barrel

In 2014, the Brent oil price has dropped to its 10-year low\*

\* December 2014



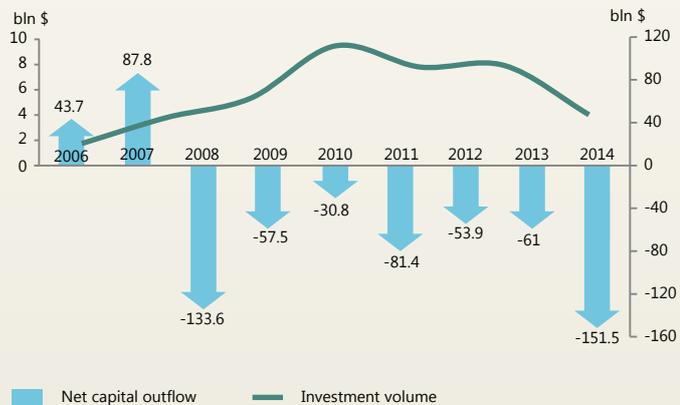
The weakening of Russian ruble in relation to USD and EUR amounted to 41% and 27% accordingly\*

\* December 2014

**11.4%**

Inflation rate in Russia by the end of 2014

## COMMERCIAL REAL ESTATE INVESTMENT VOLUME DYNAMICS IN RUSSIA AND NET CAPITAL OUTFLOW\*



\* According to the CBR

By the end of 2014, the net capital outflow from the country has reached its record value in the modern history of Russia, exceeding the figures of 2008 by almost

**\$20 bln**

## INVESTMENT VOLUME DYNAMICS BY THE INVESTORS' ORIGIN



Despite the drop in the number of transactions with foreign capital, due to high activity of certain players their share has grown to

**43%**



## COMMERCIAL REAL ESTATE INVESTMENT VOLUMES BY SEGMENT



Source: Knight Frank Research, 2015



Currency fluctuations and sanctions have forced a number of companies to

revise their development plans in Russia: some have announced staff cuts, while others have left the Russian market

VACANCY RATES

Class A **29.6%** ↑ Class B **15.3%** ↑

SALE PRICE

Class A **4,400–5,500** \$/sq m ↓  
 Class B **3,000–5,000** \$/sq m ↓

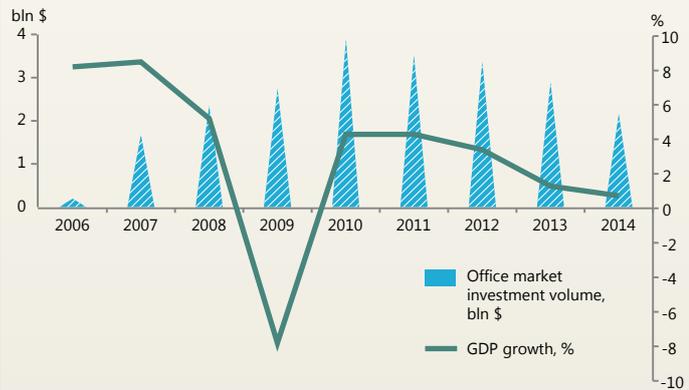
The average size of commercial real estate purchase transaction was \$105 million, which is comparable to the figure of 2009

PRIME YIELD **10%** ↑

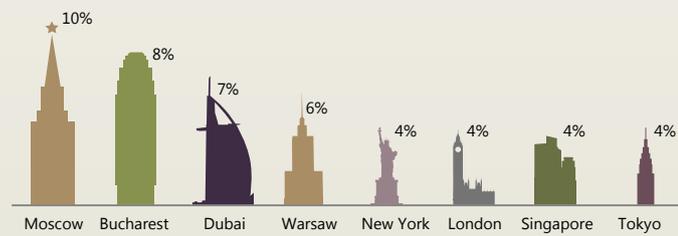
The capitalization rate was reevaluated considering the increased risks, worsening of investment climate and the increase of key interest rate by Central Bank of Russia

# OFFICE MARKET

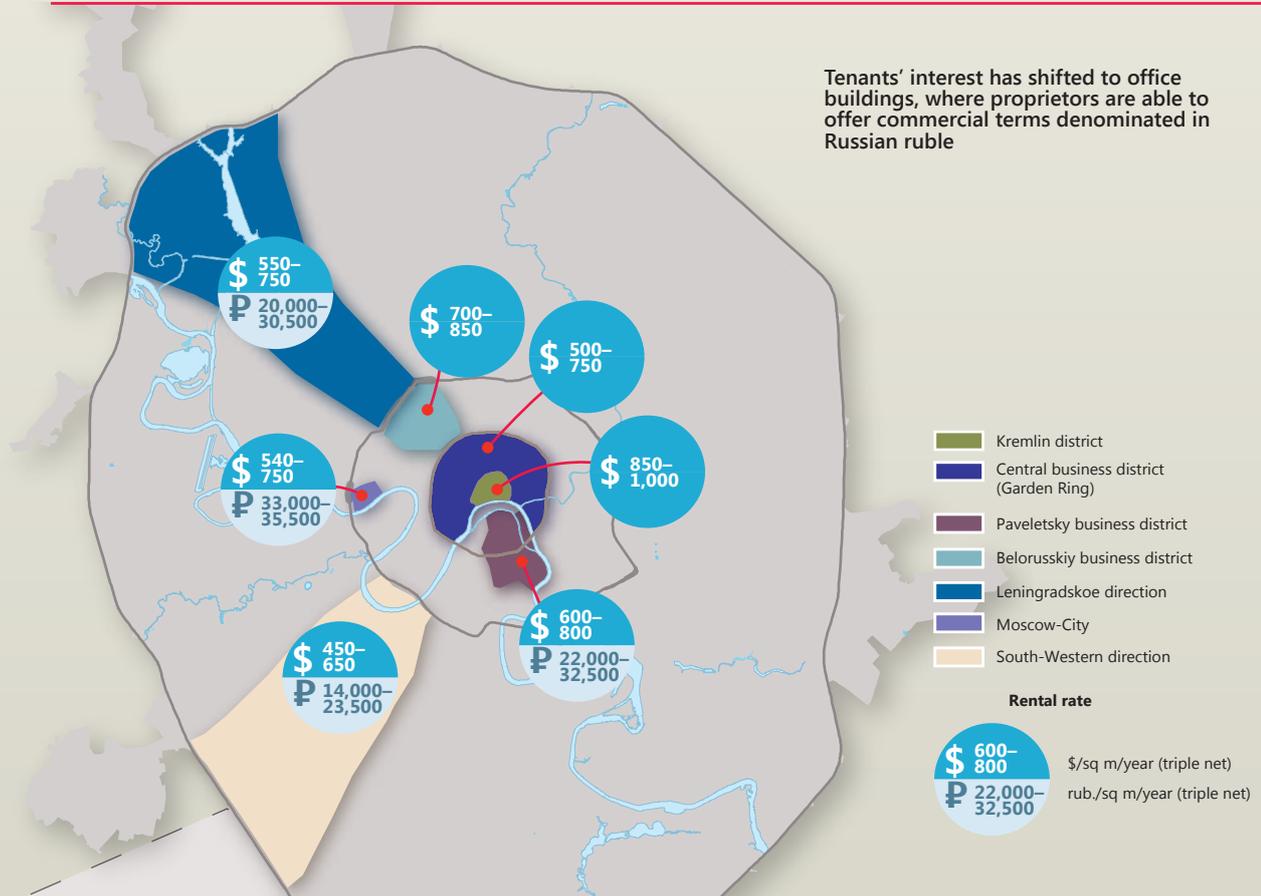
GDP AND OFFICE REAL ESTATE INVESTMENT DYNAMICS IN RUSSIA



PRIME YIELD IN BUSINESS CENTERS IN THE WORLD



RENTAL RATES IN THE MAIN BUSINESS DISTRICTS OF MOSCOW



Source: Knight Frank Research, 2015

# RETAIL MARKET

THE DYNAMICS OF INVESTMENT IN RETAIL MARKET OF RUSSIA AND CONSUMER CONFIDENCE INDEX\*

Since in 2014, a number of companies have announced leaving of the Russian market, while others have reviewed their development plans, including the closure of unprofitable stores, the vacancy rate in shopping centers has grown to 6%

Following the record-high growth of retail facilities supply, the growth rate of retail turnover at the end of 2014 has dropped by

1.5%

6%

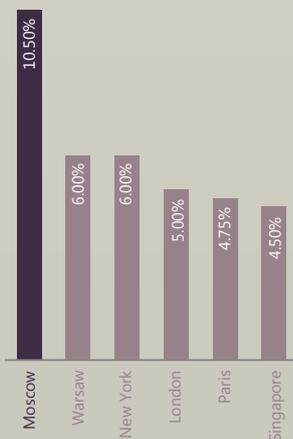
VACANCY RATE

10.5%

PRIME YIELD

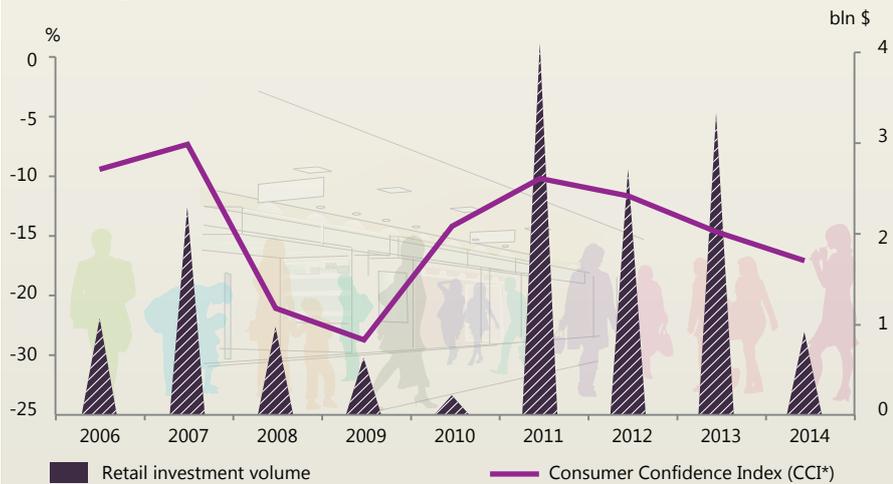


PRIME YIELD FOR SHOPPING CENTRES IN THE WORLD



\$912 mln

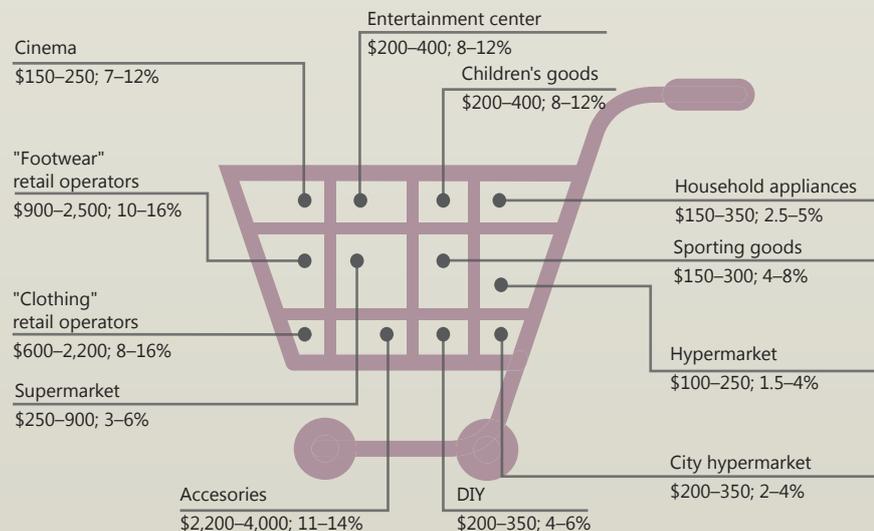
About \$ 912 million were invested in retail market properties over 2014, which is 70% more than in 2013



\* CCI - an indicator designed to measure consumer confidence, defined as the degree of optimism about the economy, which the population expresses through their consumption and savings. Determined on the basis of quarterly surveys by Rosstat in all regions of Russia, and is measured as a relative indicator of the number of positive and negative responses from the total number

## RENTAL RATES IN SHOPPING CENTERS OF MOSCOW

Although a drop in consumer activity is noted in "clothing and footwear" segments, hypermarkets, supermarkets and DIY shops show no such trends



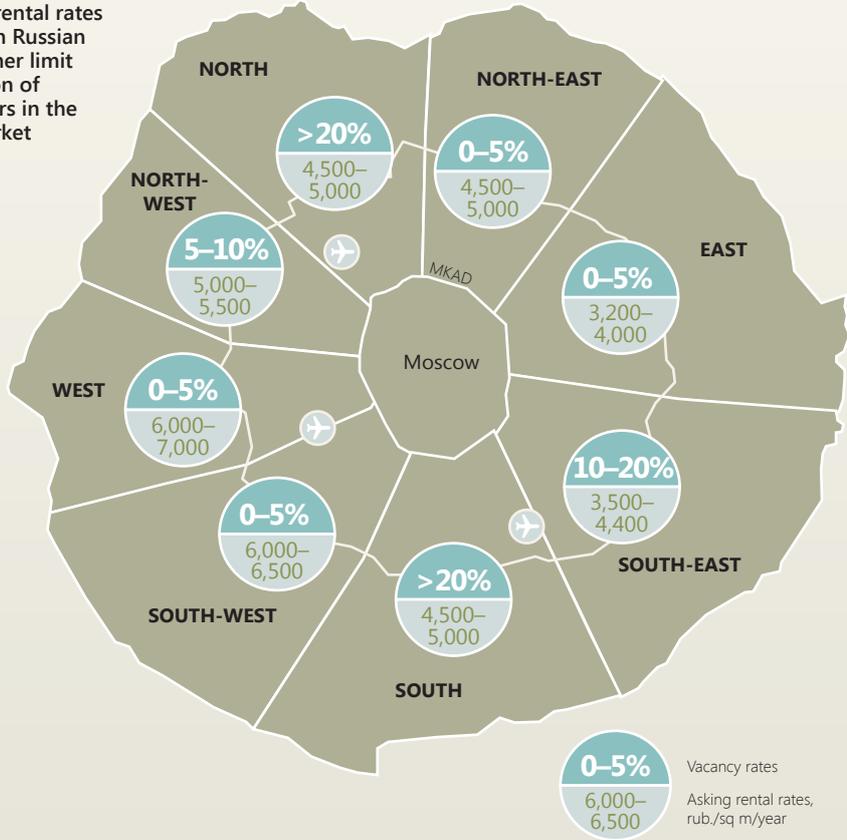
\* Fix rental rate, \$/sq m/year; the share paid based on retail turnover, %

# WAREHOUSE MARKET



Conversion to rental rates denominated in Russian ruble may further limit the participation of foreign investors in the warehouse market

RENTAL RATES AND VACANT SPACE IN TERMS OF DIRECTION



**9.2%**

VACANCY RATE

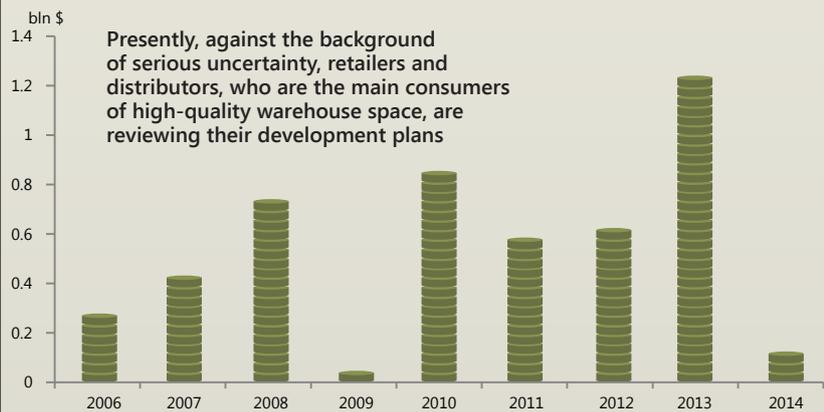
**12%**

PRIME YIELD

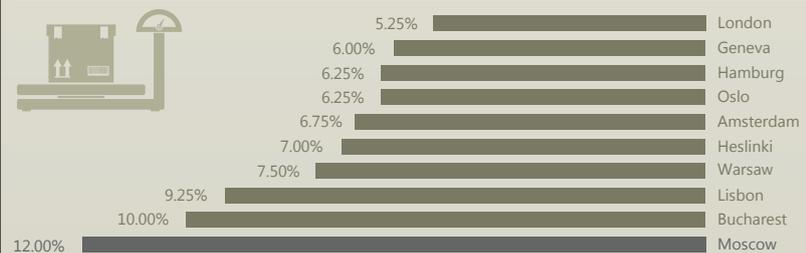
**85%**

The warehouse market investment volume in 2014 has declined by almost 85%, reaching its lowest since 2009

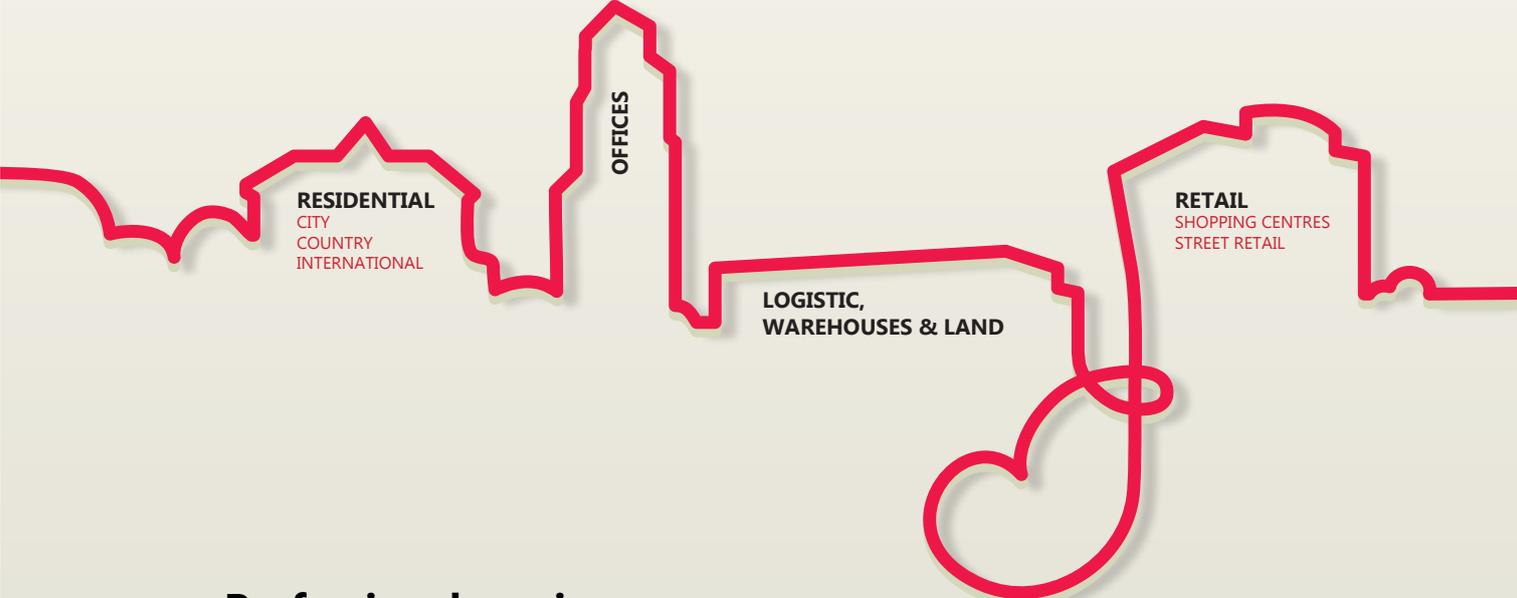
WAREHOUSE INVESTMENT VOLUME DYNAMICS IN RUSSIA



PRIME YIELD FOR WAREHOUSE COMPLEXES IN EUROPE



# ALL REAL ESTATE HIGHLIGHTS



**RESIDENTIAL**  
CITY  
COUNTRY  
INTERNATIONAL

**OFFICES**

**LOGISTIC,  
WAREHOUSES & LAND**

**RETAIL**  
SHOPPING CENTRES  
STREET RETAIL

## **Professional services**

- ♦ Selecting a development site
- ♦ Research
- ♦ Strategic consulting
- ♦ Leasing & Sales
- ♦ Tenant & Buyer representation
- ♦ Marketing Promotion
- ♦ Property Management
- ♦ Valuation
- ♦ Investment & Sales

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BC Lighthouse  
26 Valovaya Str.  
115054, Moscow

+7 (495) 981 0000

[KnightFrank.ru](http://KnightFrank.ru)