

RESEARCH



# INVESTMENT MARKET

Q1 2015



# INVESTMENT MARKET

The amount of investment in the Russian commercial real estate sector decreased by 30% in Q1 2015 as compared with Q1 2014 and by 80% from Q1 2013, totaling

**\$410 million**

After hitting a new low in February 2015, the ruble strengthened against the US Dollar and Euro in March at 57.8 rubles and 62.7 rubles per US Dollar and Euro, respectively



**\$47.09–62.48/barrel**

In Q1 2015, Brent oil prices were in the range of \$47.09–\$62.48/barrel

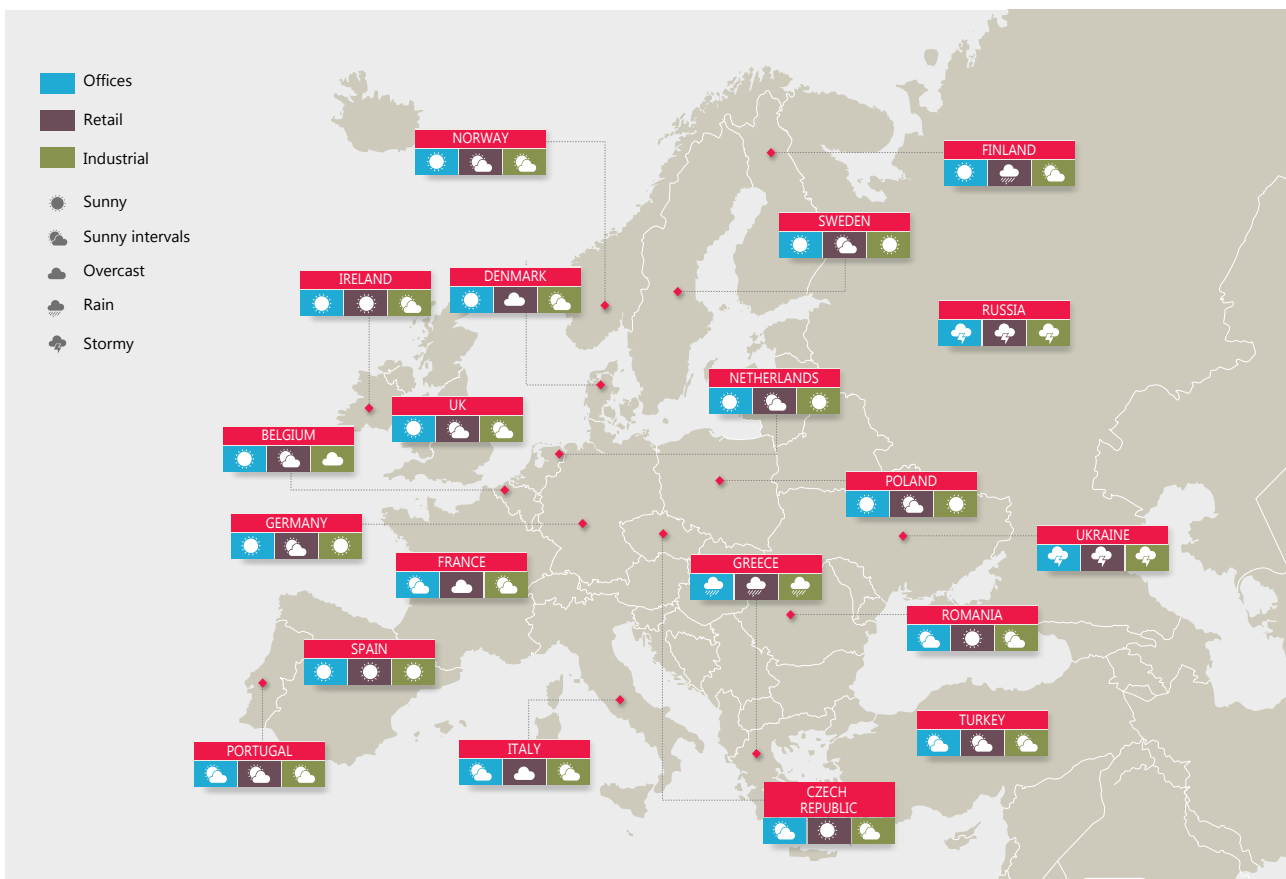
With the ongoing crisis and pessimistic forecasts for the Russian economy as well as for the commercial real estate market in particular, we witnessed very few investment deals in Q1 2015, most of which resulted from negotiations that started back in 2013 and 2014.

Some of the new players coming to the real estate investment market are Russian companies which find the current risks acceptable and believe that real estate investing guarantees that their money will be secure. Sometimes these are companies for which real estate investment is not a core area of business.

The few investors are focusing their attention on problem assets and expecting a further decline in the market: in the current environment, some commercial real estate owners will have to put their assets for sale at a reduced price after failing to meet their loan commitments. Such deals are likely to make up a large part of investment in 2015.

Another type of deals that might account for a certain proportion of the investments are acquisitions of high-quality assets with revised lease contracts, which will adequately reflect the current market conditions.

## COMMERCIAL REAL ESTATE INVESTMENT CLIMATE FORECAST



Source: Knight Frank Research, 2015

# INVESTMENT MARKET

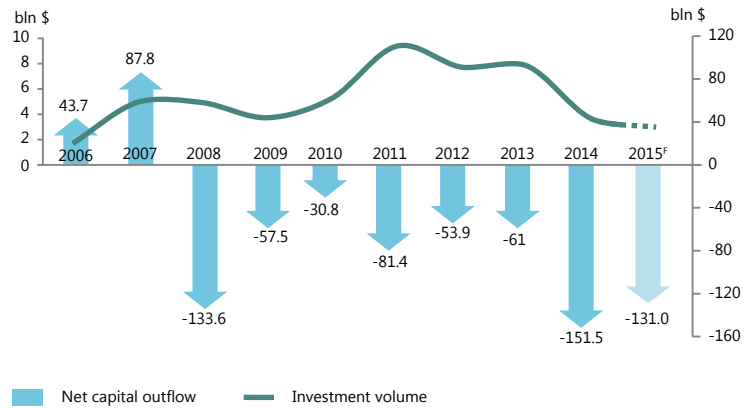
The massive outflow of capital Russia faced in 2014 is forecasted to continue this year. According to the Central Bank of Russia, if the "risk scenario" for the nation's economy occurs (i. e., if oil prices are at \$40-\$45/barrel), the outflow of capital from the country will reach

**\$131 bln**

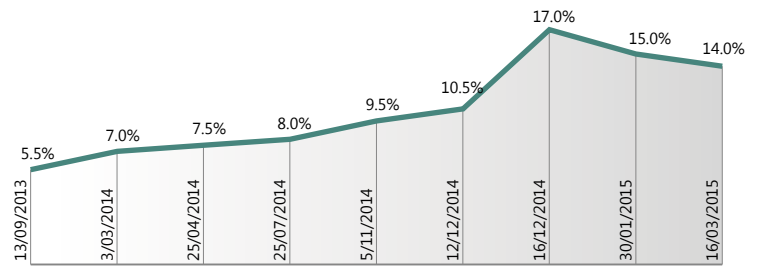
The Central Bank cut the key interest rate two times in the first quarter of 2015. As of April, the key rate was

**14%**

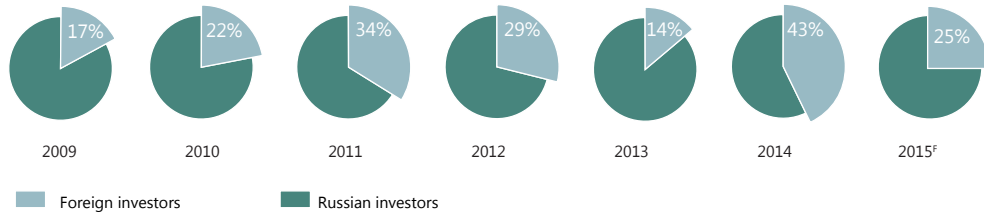
COMMERCIAL REAL ESTATE INVESTMENT VOLUME DYNAMICS IN RUSSIA AND NET CAPITAL OUTFLOW\*



KEY INTEREST RATE



INVESTMENT VOLUME DYNAMICS BY THE INVESTORS' ORIGIN



COMMERCIAL REAL ESTATE INVESTMENT VOLUME DYNAMICS BY SEGMENT



Source: Knight Frank Research, 2015

# OFFICE MARKET

In the first three months of 2015, investment in the office real estate sector totaled

**\$160 million**

VACANCY RATE

Class A **29.0%** → Class B **16.7%**

SALE PRICE

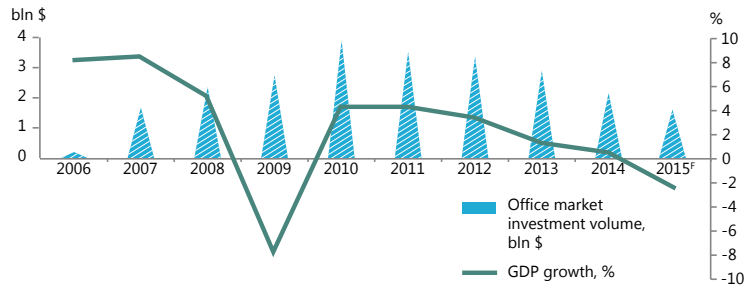
Class A  
4,000–5,200 \$/sq m  
200,000–260,000 rub/sq m

Class B  
2,700–5,000 \$/sq m  
140,000–260,000 rub/sq m

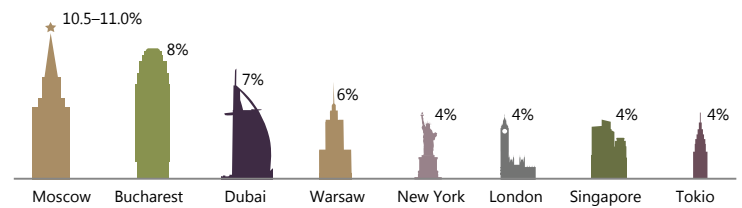
PRIME YIELD

**10.5–11.0%**

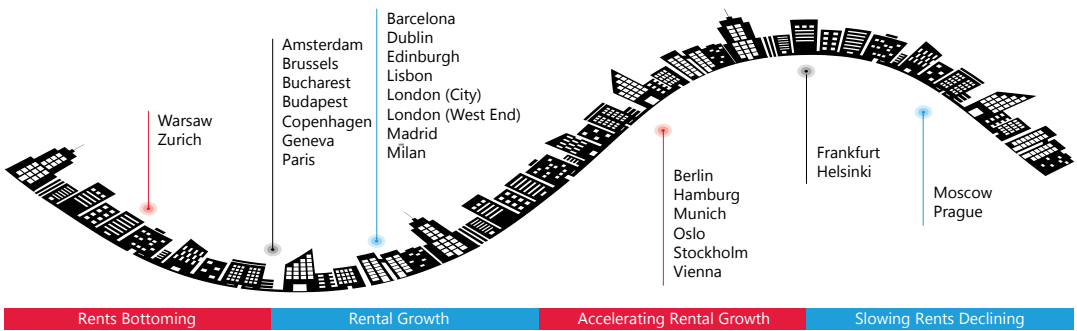
GDP AND OFFICE REAL ESTATE INVESTMENT DYNAMICS IN RUSSIA



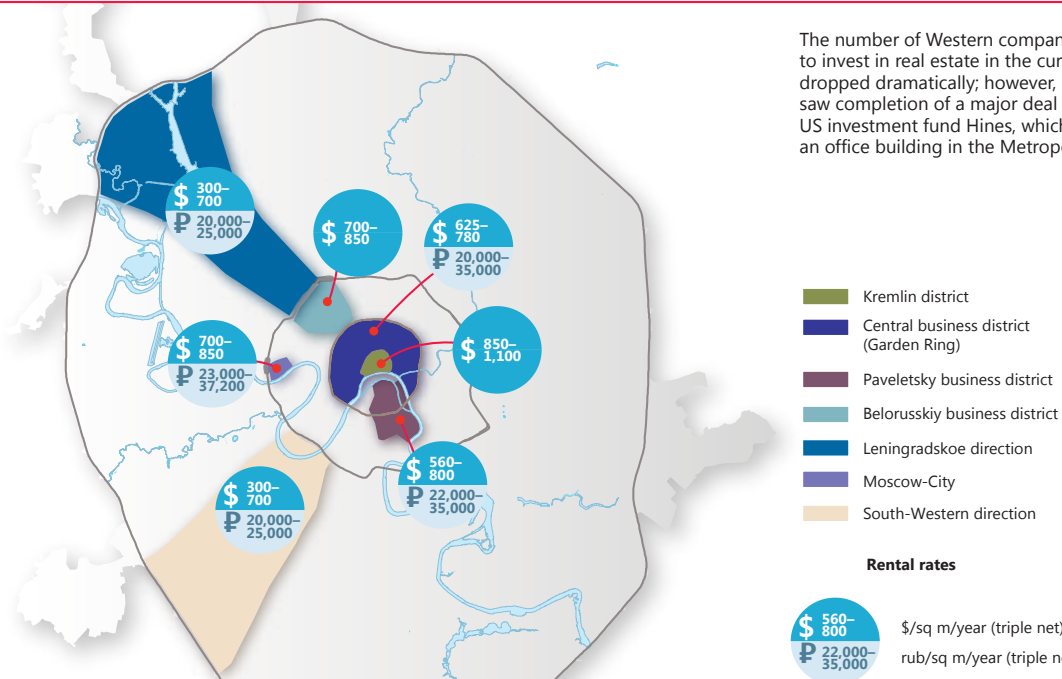
PRIME YIELD IN BUSINESS CENTERS IN THE WORLD



OFFICE RENTAL CYCLE



RENTAL RATES IN THE MAIN BUSINESS DISTRICTS OF MOSCOW



The number of Western companies willing to invest in real estate in the current conditions dropped dramatically; however, Q1 2015 saw completion of a major deal by the US investment fund Hines, which bought an office building in the Metropolis complex

Source: Knight Frank Research, 2015

In Q1 2015, investment in the retail property market declined by more than 70% year-on-year

8%

VACANCY RATE

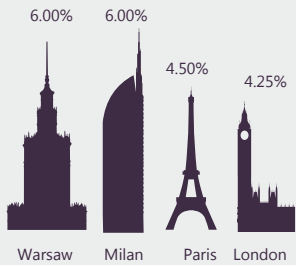


PRIME YIELD



10.5–11.0%

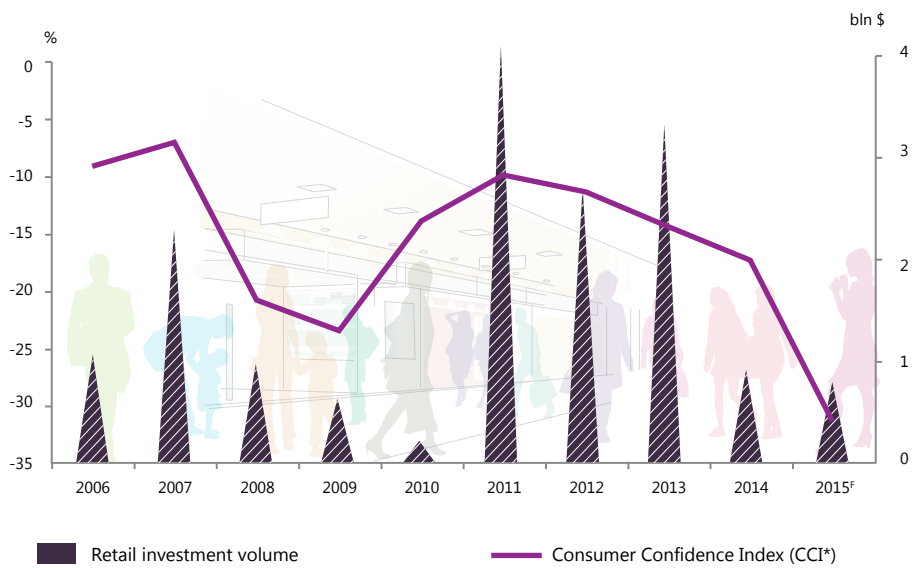
PRIME YIELD FOR SHOPPING CENTRES IN THE WORLD



# RETAIL MARKET

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

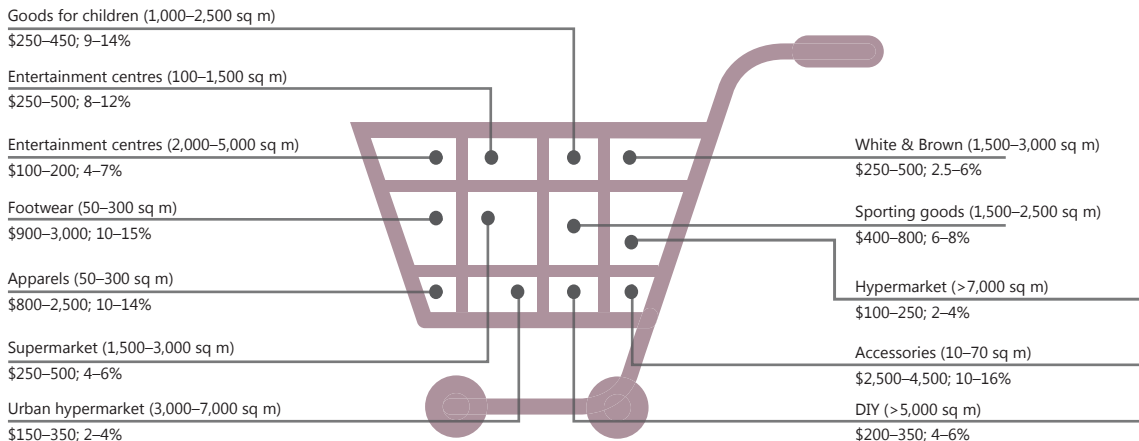
The consumer confidence index (CCI), which reflects consumers' overall expectations, decreased by 14 p. p. in Q1 2015 as compared with the previous quarter



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

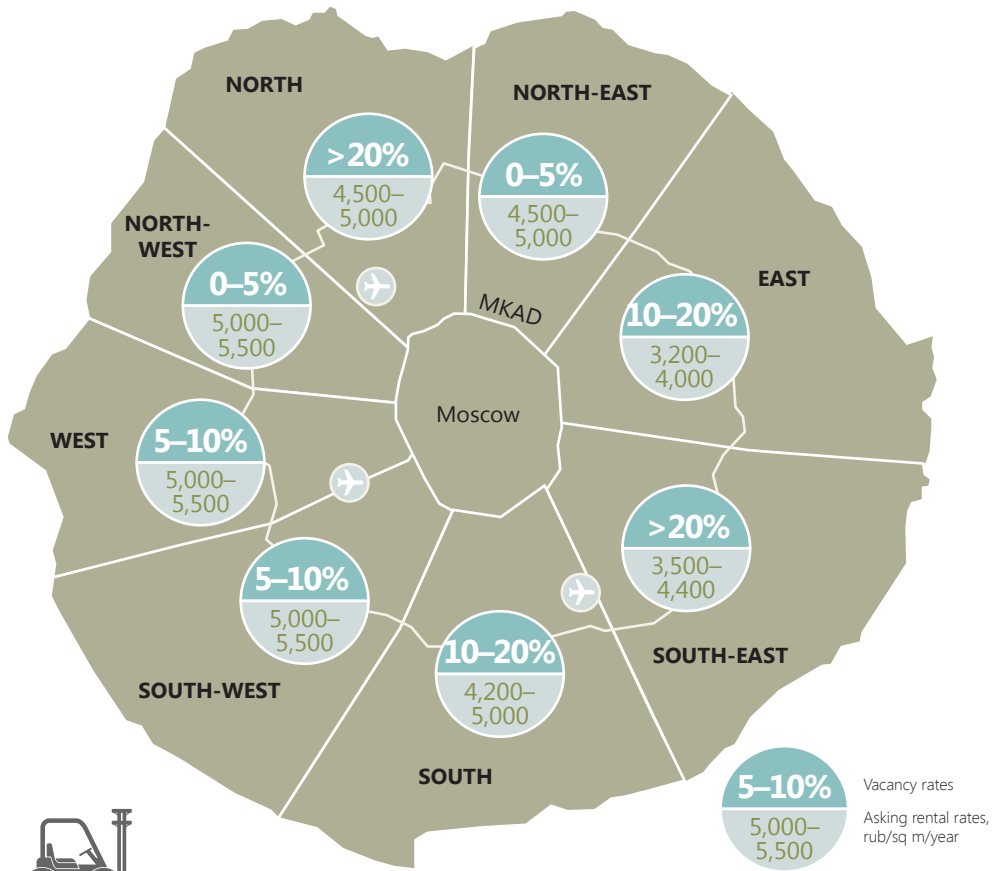
## RENTAL RATES IN SHOPPING CENTERS OF MOSCOW

In the first quarter of 2015, Russia's retail turnover fell by 6.7% versus the same period last year



# WAREHOUSE MARKET

## RENTAL RATES AND VACANT SPACE IN TERMS OF DIRECTION



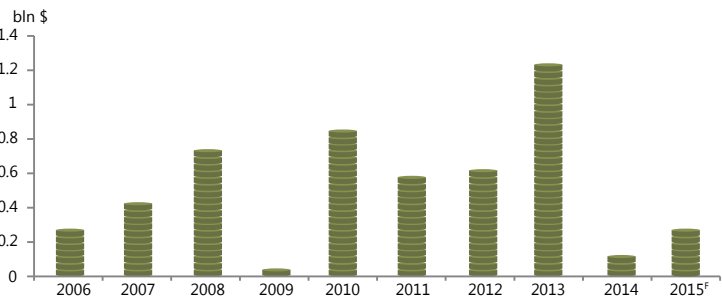
SALE PRICE  
40,000–45,000 rub/sq m

**9.8%**  
VACANCY RATE ↑

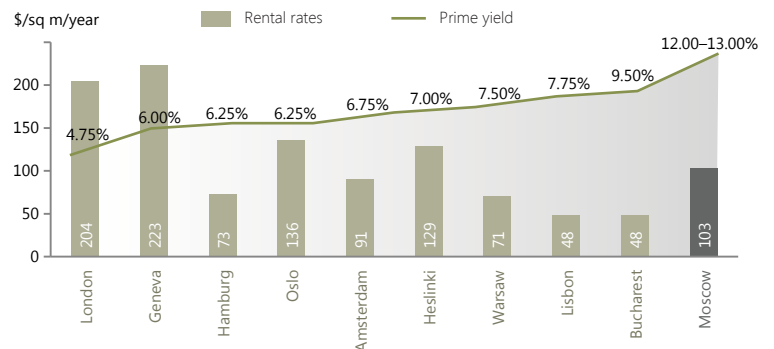
**12–13%**  
PRIME YIELD ↑

Although the first quarter saw no acquisitions of warehouse property completed, we can expect that a number of deals will be closed by the end of 2015, with companies buying warehouses either for their own needs or for investment purposes

## WAREHOUSE INVESTMENT VOLUME DYNAMICS IN RUSSIA



## PRIME YIELDS AND RENTAL RATES 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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