

RESEARCH



INVESTMENT MARKET

2015

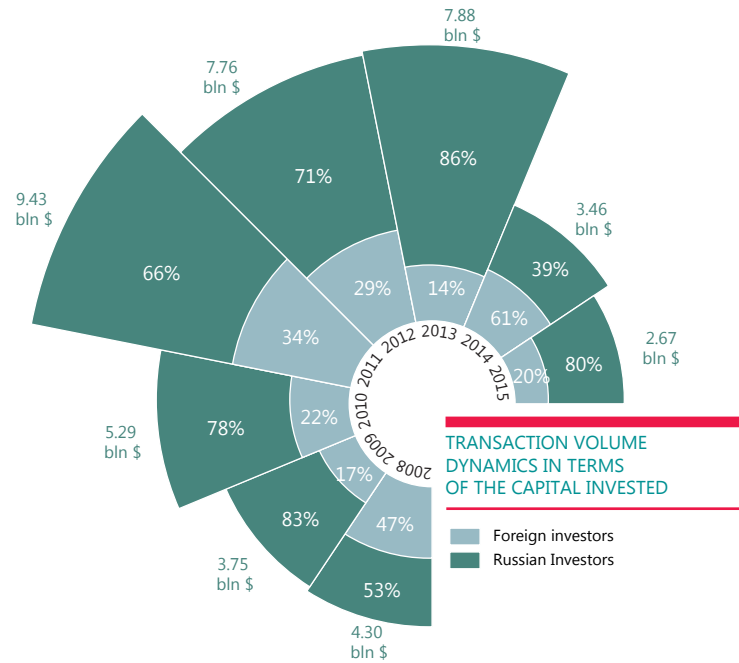
INVESTMENT MARKET



\$2.7 bln

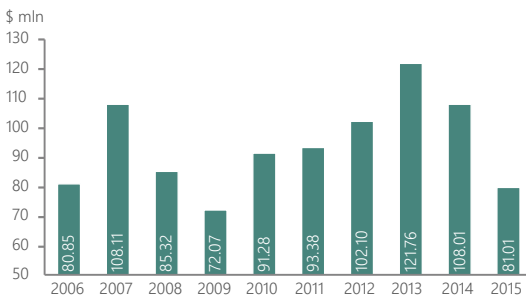
INVESTMENT TRANSACTION VOLUME IN 2015

The 2015 volume of commercial real estate sale transactions has reached the lowest since 2006, decreased by 27% compared to 2014. The total volume of transactions amounted to \$2.7 billion from January to December 2015.



AVERAGE TRANSACTION VOLUME

The average transaction has bottomed to the minimum for the last 6 years reaching \$81 million. Such low level is due to a decrease in the price of assets as well as the unavailability of debt financing for investors, necessary for large acquisitions. Thus, more transactions less than \$100 million were closed in 2015.

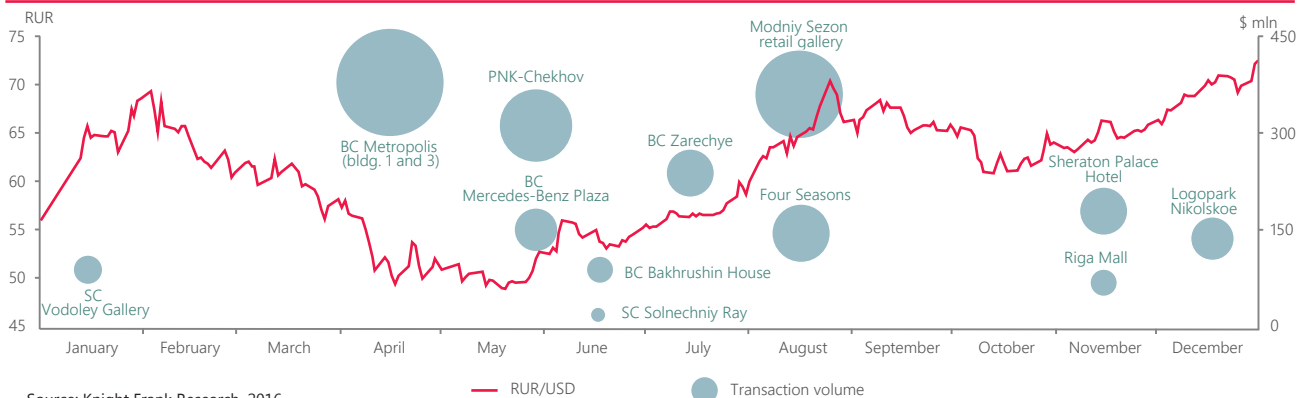


The decline in oil prices and the subsequent Russian ruble weakening had a significant impact on investor sentiment in 2015. On the one hand, the price of the assets significantly reduced and became affordable for investors, however on the other hand, the conversion of the commercial real estate market to ruble terms made the rental income less attractive. Though the most quality assets retain foreign exchange pricing today.

Capital raising markets still remain closed for Russian companies combined with the introduction of sanctions restrictions in 2014, also reflecting the low activity of investors.

Throughout the year, in addition to the familiar US and European investors, the representatives of the Middle East and Asia started to heighten interest to Russian assets, but not a single transaction was closed with their participation in 2015. Asian investors are interested not only in high-quality stabilized commercial properties, but also the market of residential real estate segment as well as infrastructure projects. The volume of transactions with the participation of foreign capital amounted to \$540 million following the results of 2015, the lowest level since 2009.

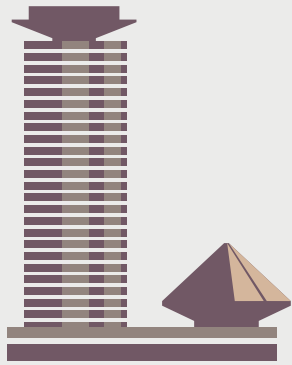
KEY INVESTMENT TRANSACTION IN 2015



Source: Knight Frank Research, 2016

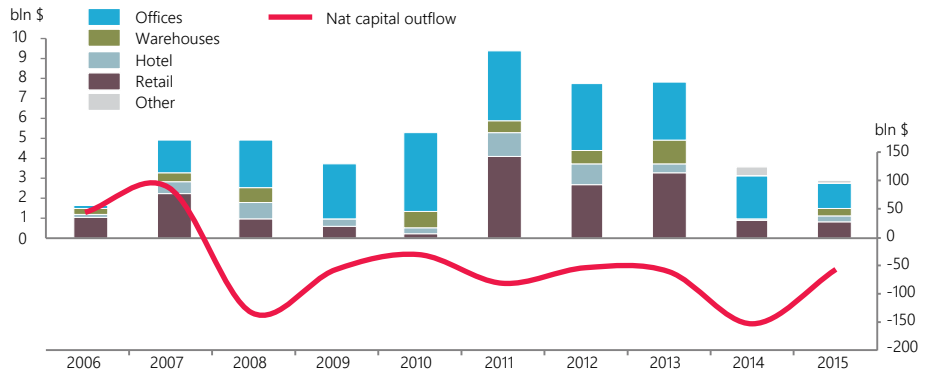
Despite the clearly marked buyer's market, investors face a deficit of high-quality assets. The instability of rental income due to declining rental rates and the desire of tenants to renegotiate the lease terms, is a barrier to potential investors who explore the market in terms of stabilized assets.

Contrary to expectations, in 2015 there were only a few transactions with the transfer of ownership to the banks provided credit due to the failure of landlords to fulfill their obligations to pay the loan debt. However, due to the further decline of the market such cases may become more common in 2016.

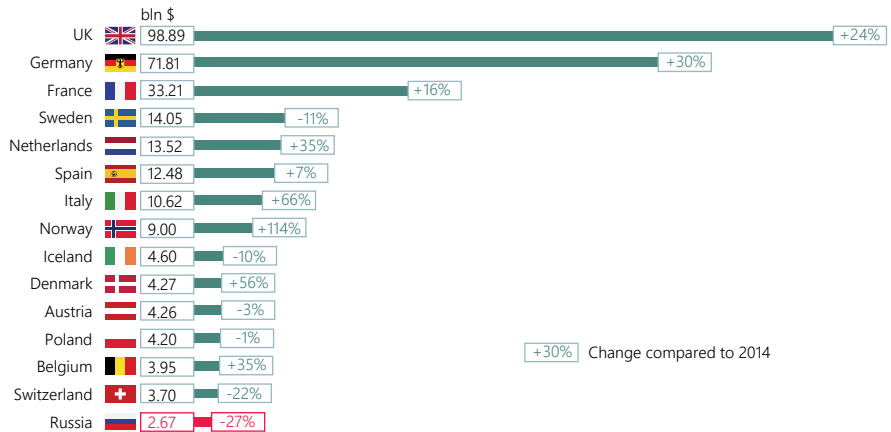


INVESTMENT MARKET

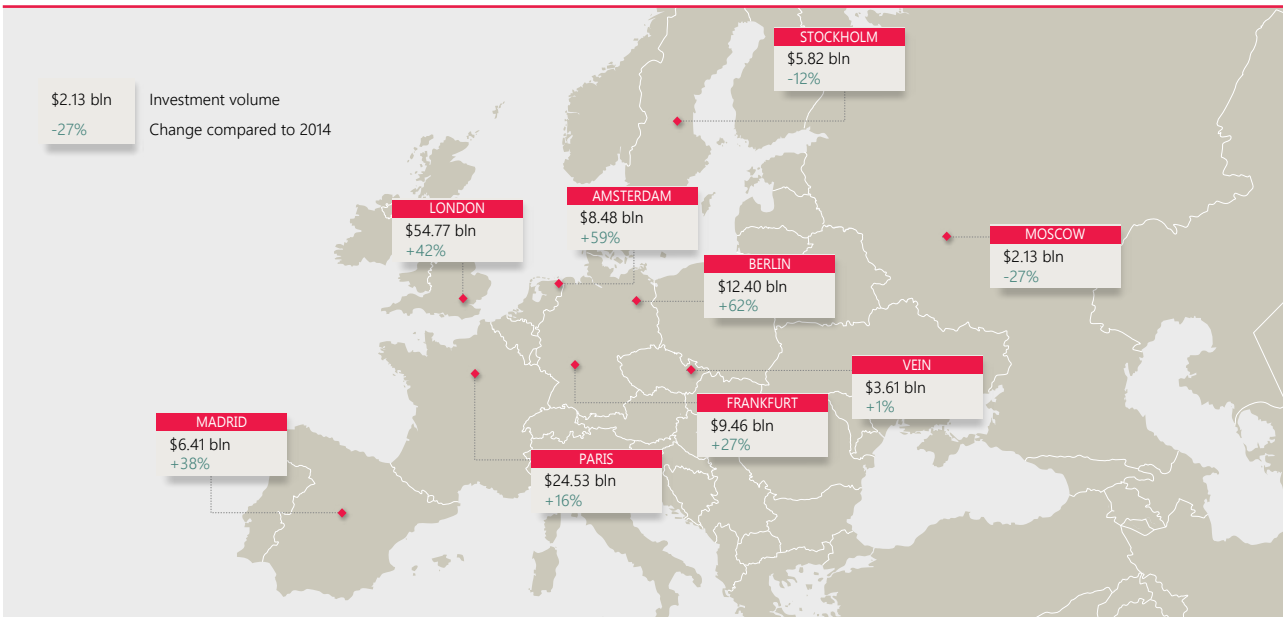
TRANSACTION VOLUME DYNAMICS IN TERMS OF THE SEGMENT



EUROPEAN COUNTRIES INVESTMENT VOLUME COMPARISON



EUROPEAN CITIES INVESTMENT VOLUME COMPARISON



Source: Knight Frank Research, 2016

OFFICE MARKET

SALE PRICE

Class A
3,000–5,000 \$/sq m
150,000–300,000 rub./sq m

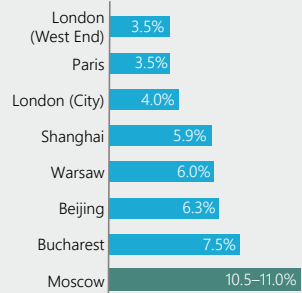
Class B
1,500–3,200 \$/sq m
100,000–200,000 rub./sq m

PRIME YIELD

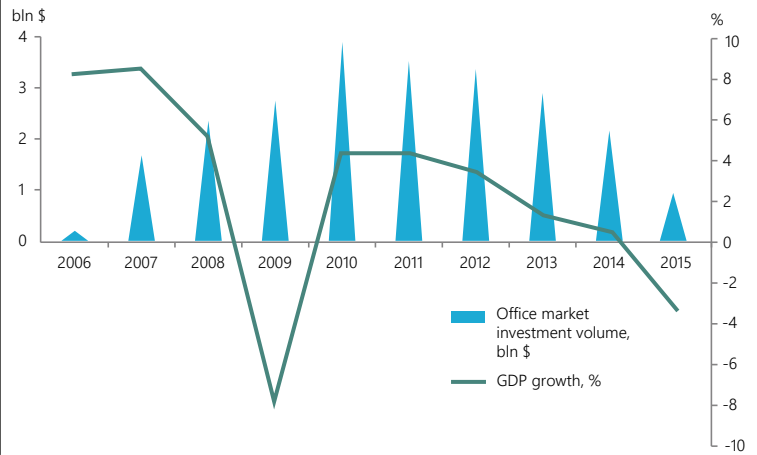
Class A
10.5–11.0%

Class B
11.0–12.0%

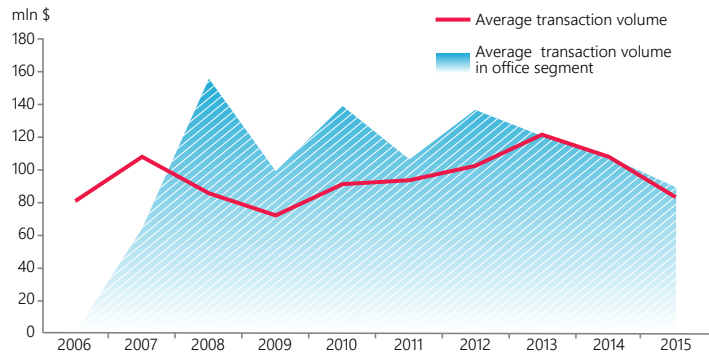
PRIME OFFICE YIELDS COMPARISON



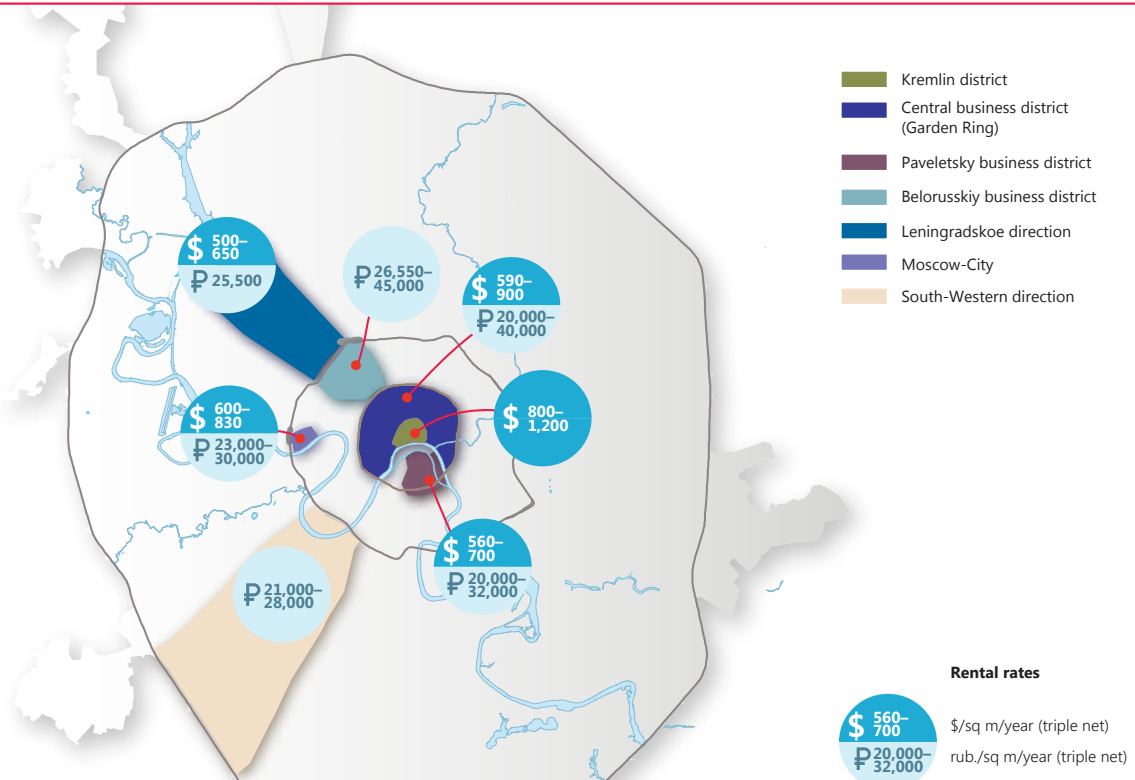
OFFICE SEGMENT INVESTMENT VOLUMES AND GDP GROWTH DYNAMICS



AVERAGE TRANSACTION VOLUME DYNAMICS



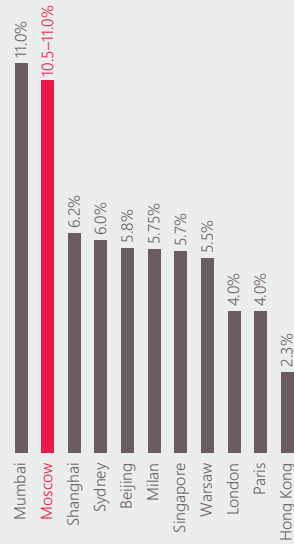
RENTAL RATES IN THE MAIN BUSINESS DISTRICTS OF MOSCOW



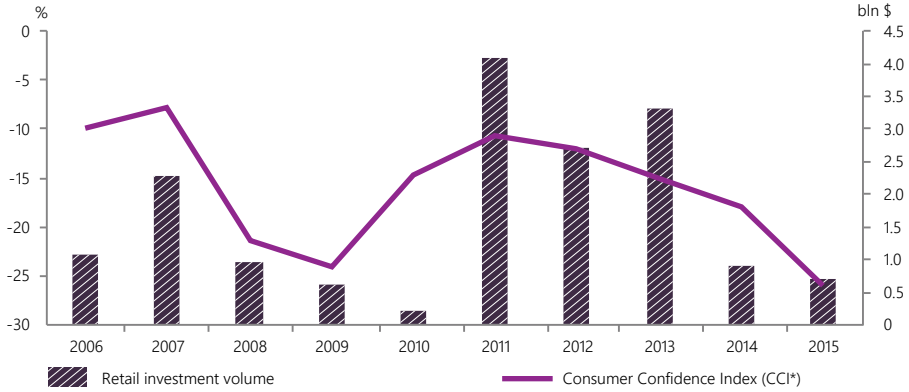
RETAIL MARKET

PRIME YIELD
 10.5–11.0%

PRIME YIELDS FOR SHOPPING CENTRES IN THE WORLD

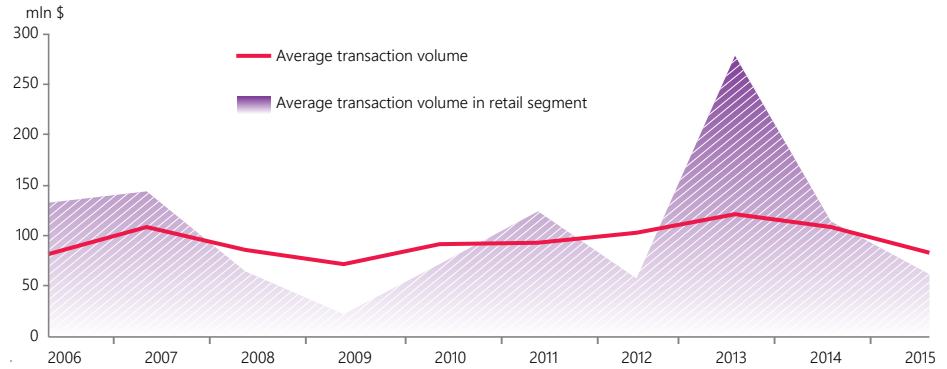


THE DYNAMICS OF INVESTMENT IN RETAIL MARKET OF RUSSIA AND CONSUMER CONFIDENCE INDEX*



* 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.

AVERAGE TRANSACTION VOLUME DYNAMICS



RENTAL RATES IN SHOPPING CENTERS OF MOSCOW

Goods for children (1,000–2,000 sq m)

200–400 \$/sq m/year; 6,000–12,000 rub./sq m/year; 8–15%

Entertainment (1,000–4,000 sq m)

100–200 \$/sq m/year; 0–6,000 rub./sq m/year; 7–12%

Footwear (50–300 sq m)

900–2, 500 \$/sq m/year; 0–35,000 rub./sq m/year; 10–13%

Apparels (400–1 000 sq m)

600–2,200 \$/sq m/year; 0–30,000 rub./sq m/year; 4–12%

White & Brown (1,500–4,000 sq m)

150–350 \$/sq m/year; 4,000–9,000 rub./sq m/year; 2.5–4%

Sporting goods (1,000–6,000 sq m)

150–300 \$/sq m/year; 0–10,000 rub./sq m/year; 8–10%

Hypermarket (>7,000 sq m)

100–250 \$/sq m/year; 0–10,000 rub./sq m/year; 1.5–4%

DIY (>5,000 sq m)

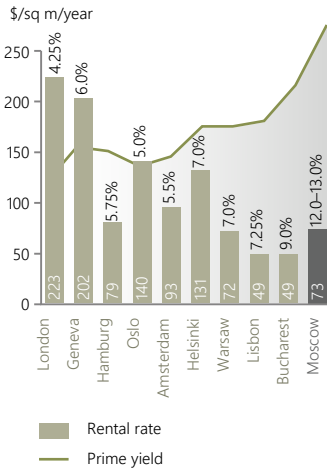
150–300 \$/sq m/year; 4 000–6,000 rub./sq m/year; 4–9%

WAREHOUSE MARKET

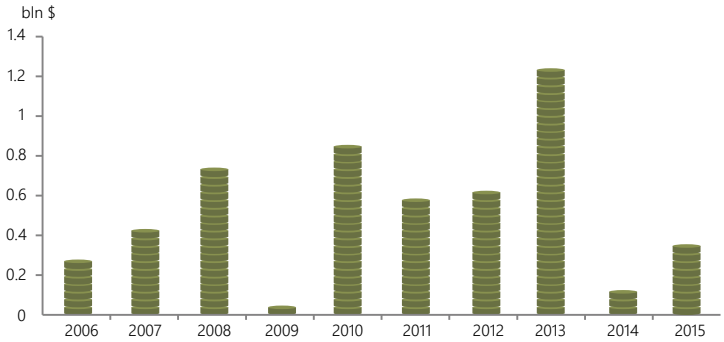
SALE PRICE
40,000–45,000 rub./sq m

PRIME YIELD
12.0–13.0 %

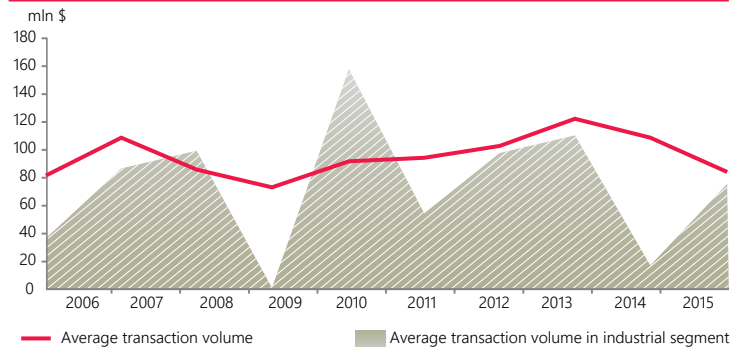
PRIME INDUSTRIAL YIELDS AND RENTAL RATES COMPARISON



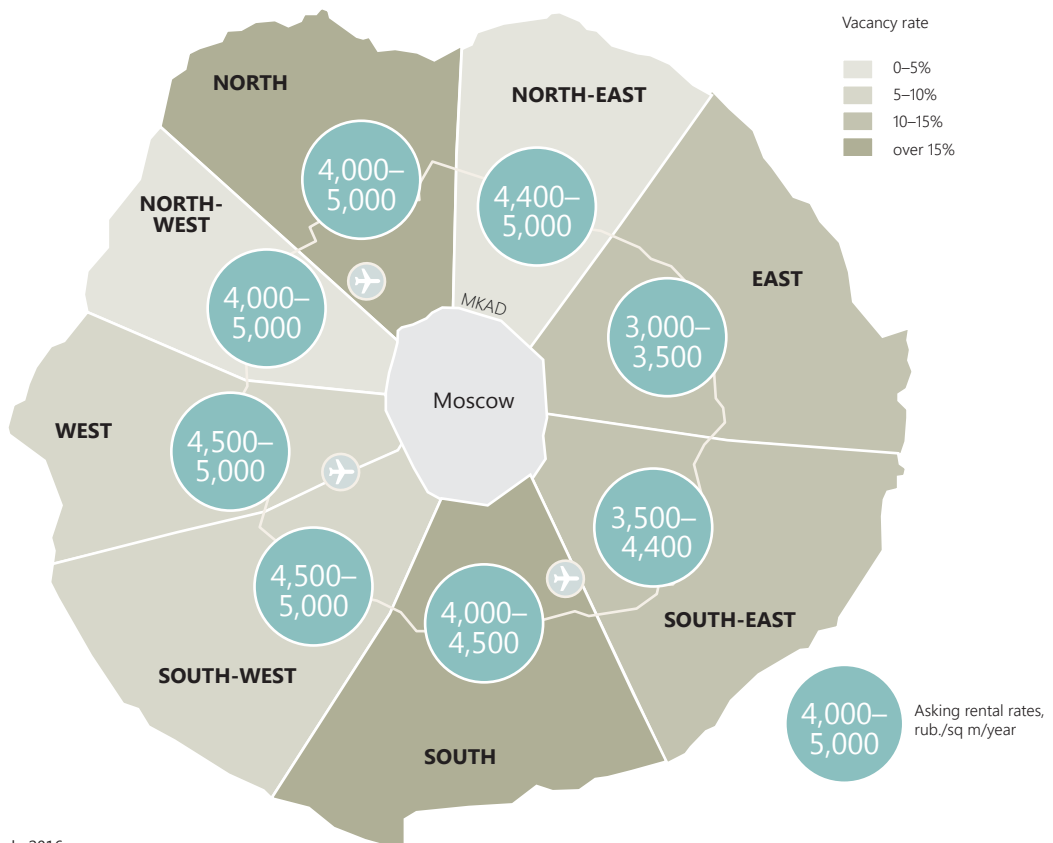
INDUSTRIAL SEGMENT INVESTMENT VOLUME DYNAMICS



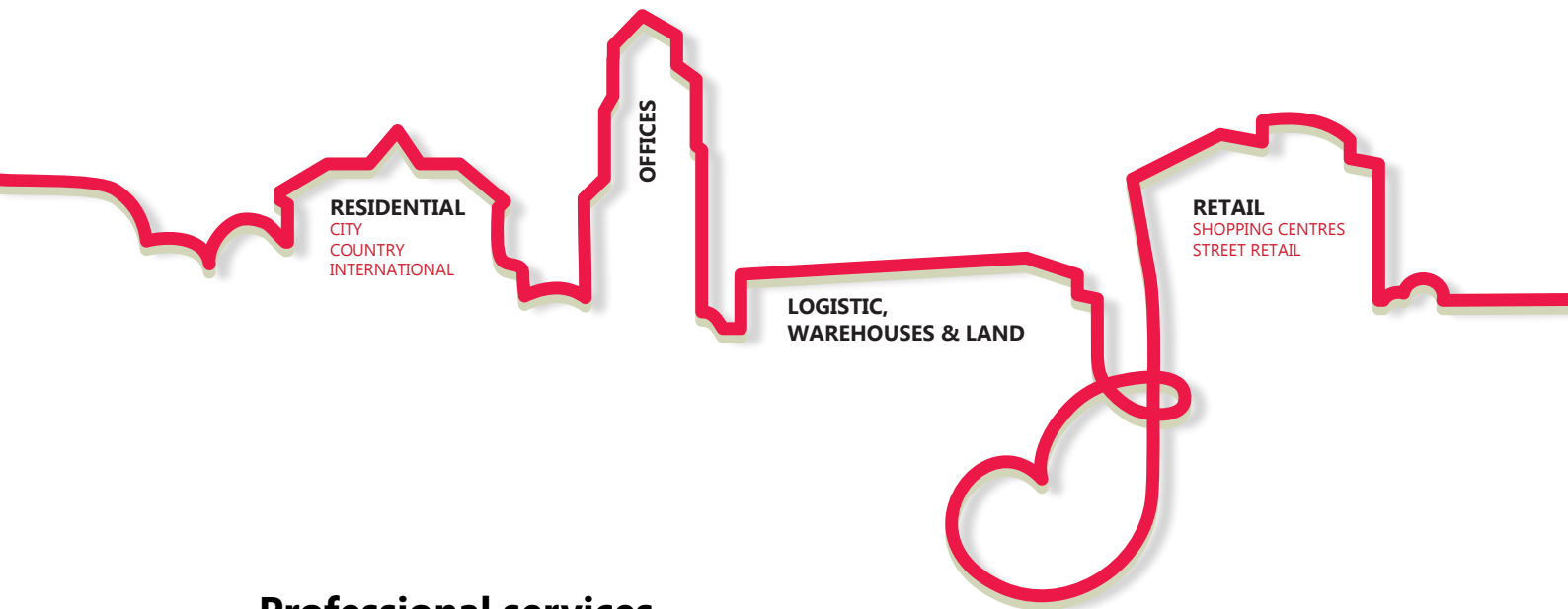
AVERAGE TRANSACTION VOLUME DYNAMICS



RENTAL RATES AND VACANT SPACE IN TERMS OF DIRECTION



ALL REAL ESTATE HIGHLIGHTS



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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