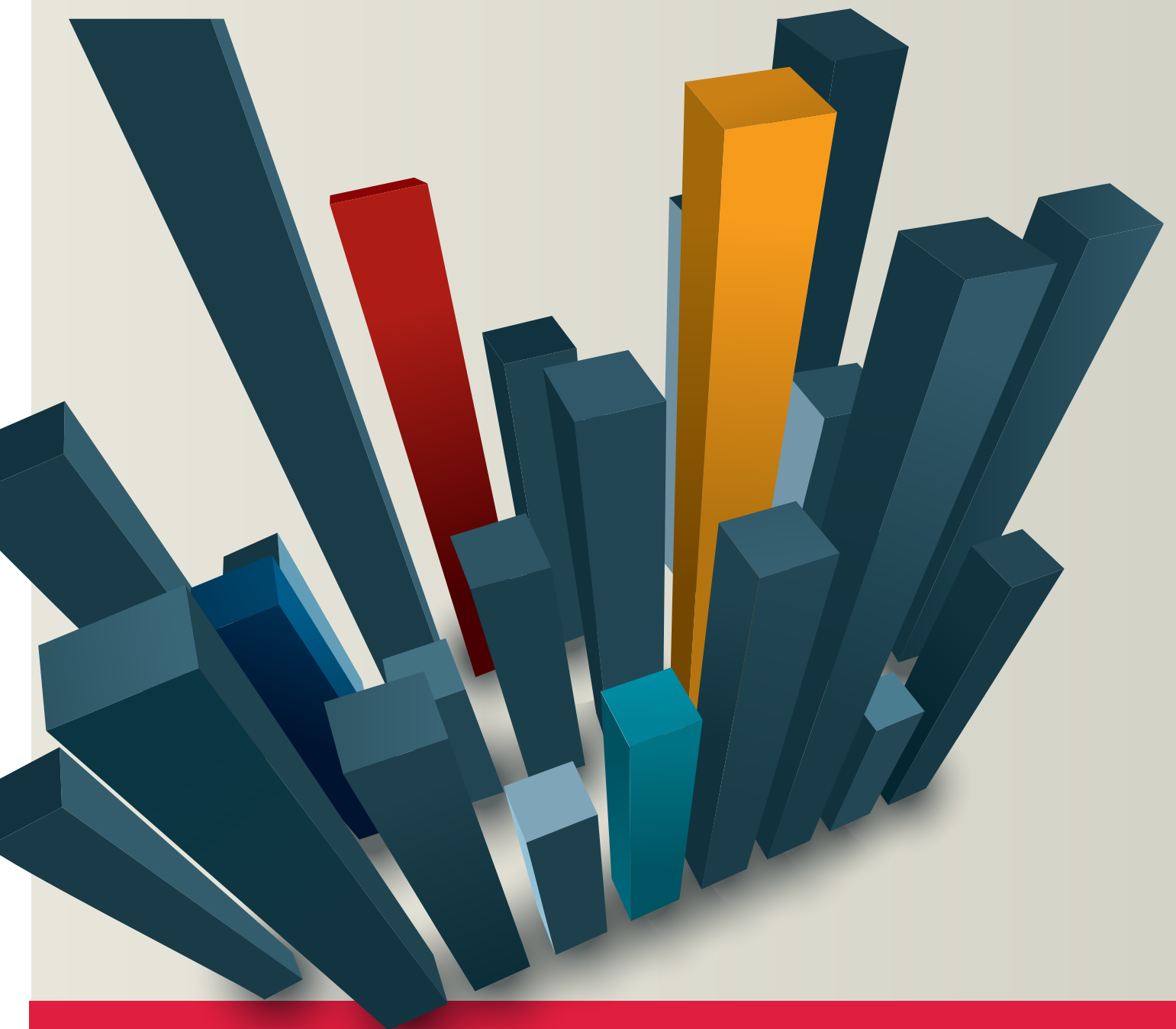


RESEARCH



# INVESTMENT MARKET

Q3 2015



# INVESTMENT MARKET



**\$1.9 bln**

was invested in commercial real estate in January-September 2015

The proportion of foreign players may reach nearly

**40%**

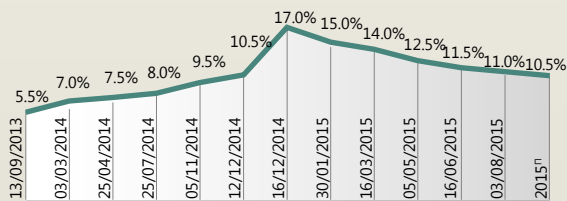
of the total volume at the end of 2015

The investment market of commercial real estate while under the influence of unfavorable economic and geopolitical background demonstrated a downward trend in the number and volume of investment transactions for the 9 months of 2015. From January to September 2015 \$1.9 billion were invested in the commercial real estate of Russia, representing a 36% drop in investment volumes compared to the same period last year. In the environment of the negative dynamics of the main indicators of the real estate markets, the expectations of few investors and landlords did not coincide often, resulting in an increase of the negotiation terms of transactions and sometimes in the suspension of the transactions.

In 2015 the international rating agencies downgraded Russia, in particular Standard & Poor's rated Russia as BB+ in foreign currency (below investment grade) with «negative" outlook, which is determined by weak economic growth prospects and high political risks. Other rating agencies stick to similar or more negative evaluations. However, contrary to expectations, the interest of foreign investors in the Russian market is preserved. Moreover, we expect that the proportion of foreign players may reach nearly 40% of the total volume at the end of 2015 due to a number of capital-intensive transactions.

Amid sanctions limitations Russian investors are not able to attract available financing, as opposed to international funds that have an access to global capital markets. In addition to traditionally active representatives of the United States, new players started to heighten interest in Russian assets from mid-2014. They are investment funds of the Middle East and Asia. However, it shall be emphasized that not a single transaction was closed from the beginning of the year with the participation of these companies.

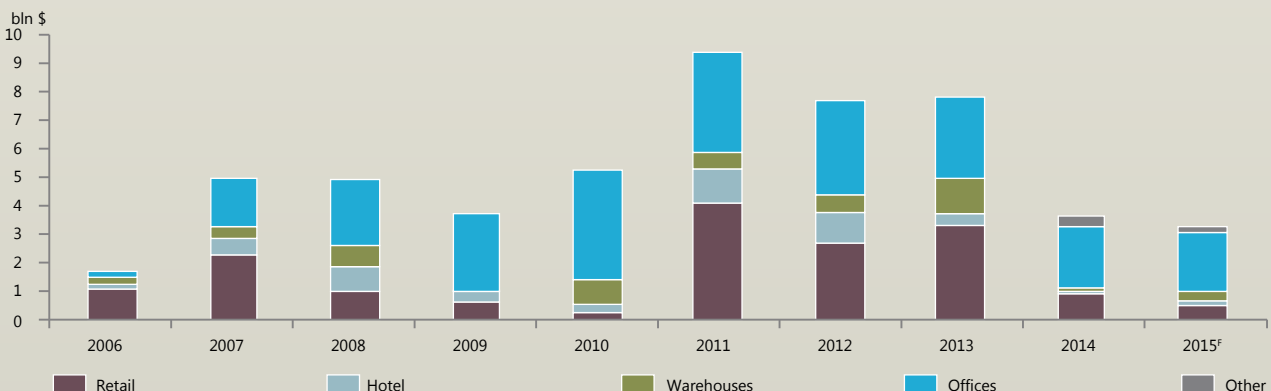
## KEY INTEREST RATE



## INVESTMENT VOLUME DYNAMICS BY THE INVESTORS' ORIGIN



## COMMERCIAL REAL ESTATE INVESTMENT VOLUME DYNAMICS BY SEGMENT

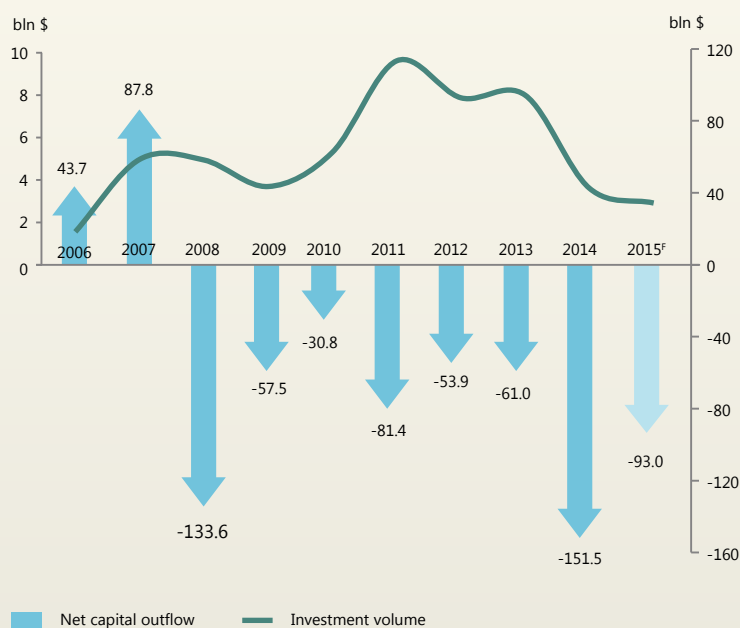


Source: Knight Frank Research, 2015

# INVESTMENT MARKET

Today when the ruble-denominated market is being actively developed in all segments of the commercial real estate, the amount of vacant space has reached the maximum values and tenants aspire optimizing costs and renegotiating lease terms, investors lean towards high-quality stabilized assets with high occupancy rate and quality pool of tenants.

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



KEY FINANCING DEALS

Creditor	Fund borrower	Purpose	Amount of credit
Sberbank	Agency for Housing Mortgage Lending (AHML)	Credit line for a period of 3 years	25 billion rubles
VTB	PIK Group	Credit line renewal for a period of 2 years	24.3 billion rubles
VTB	AFI Development	Restructuring and extending of debts. Company will pay out 90% of credit till January, 2018	\$200 million
Sberbank	Pioneer Group	5 years credit line for residential complex LIFE-Botanic Garden construction	12 billion rubles
Sberbank	Urban Group	4 years credit line for residential complex Opaliha O3 construction in Krasnogorsk, Moscow region	4.8 billion rubles
Raiffeisen Bank International AG	Moscow Domodedovo Airport	5 years credit line for multilevel parking construction (126,000 sq m)	€38 million
Eurasian Development Bank's (EDB)	A Plus Development	10 years credit line for industrial park A Plus Park Shushary development	2.4 billion rubles
MDM Bank	SIAL Group (Voronezh)	7 years credit line for logistic complex construction in Voronezh (X5 Retail Group)	1.5 billion rubles
Sberbank	Stroybeton Group	Credit Line for residential complex Potapovo construction in Schelcovo, Moscow region	887 million rubles
VTB	Rosstroyinvest (RSTI)	2 years line for residential complex Gold Kupola construction in Sertolovo, Leningrad region	850 million rubles
Uraltransbank	Bankrupt's property	Sale of 2,500 sq m area in office-retail building Delovoy Centr	475.2 million rubles
VTB	RBI	3 years credit line for a project funding Elagin House (15 Lippovaya alley)	420 million rubles
VTB	AquaPark (Ulyanovsk)	5 years credit line for entertainment center with aquapark construction	355 million rubles
VTB	Sozvezdiye Vodoleya	3 years credit line for residential complex Nikolayevskiy Ansambl construction	350 million rubles

Source: Knight Frank Research, 2015

# OFFICE MARKET

For the 9 months of 2015 the volume of investments in commercial real estate facilities of Russia decreased by 60% over the same period last year. 9 transactions with total volume of \$696 million were completed during the period under review, while the average transaction size was \$77 million (this index was equal to \$96 million in Moscow).

**SALE PRICE**

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

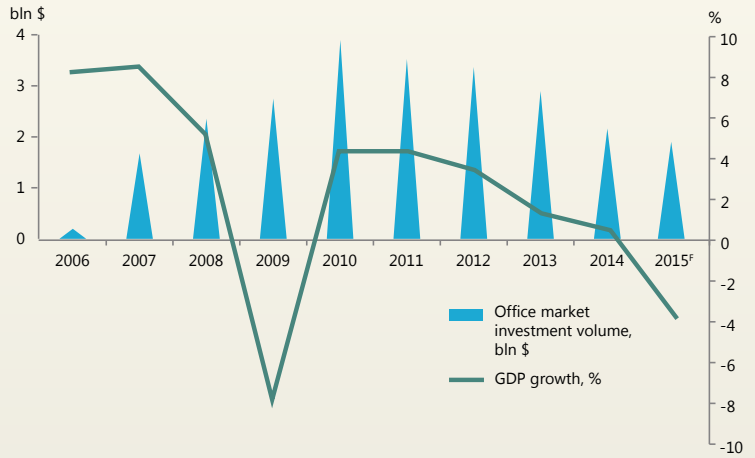
Class B  
1,500–3,200 \$/sq m  
100,000–200,000 rub./sq m

**PRIME YIELD**

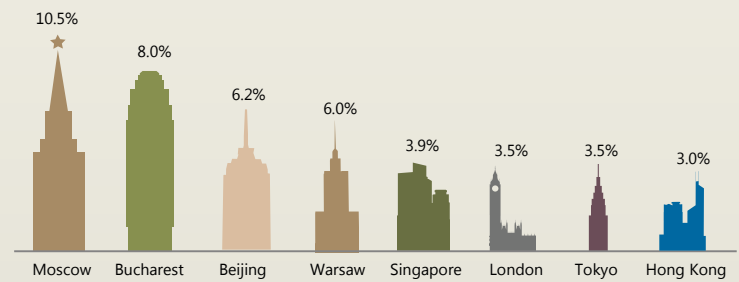
Class A  
**10.5%**

Class B  
11.0–12.0%

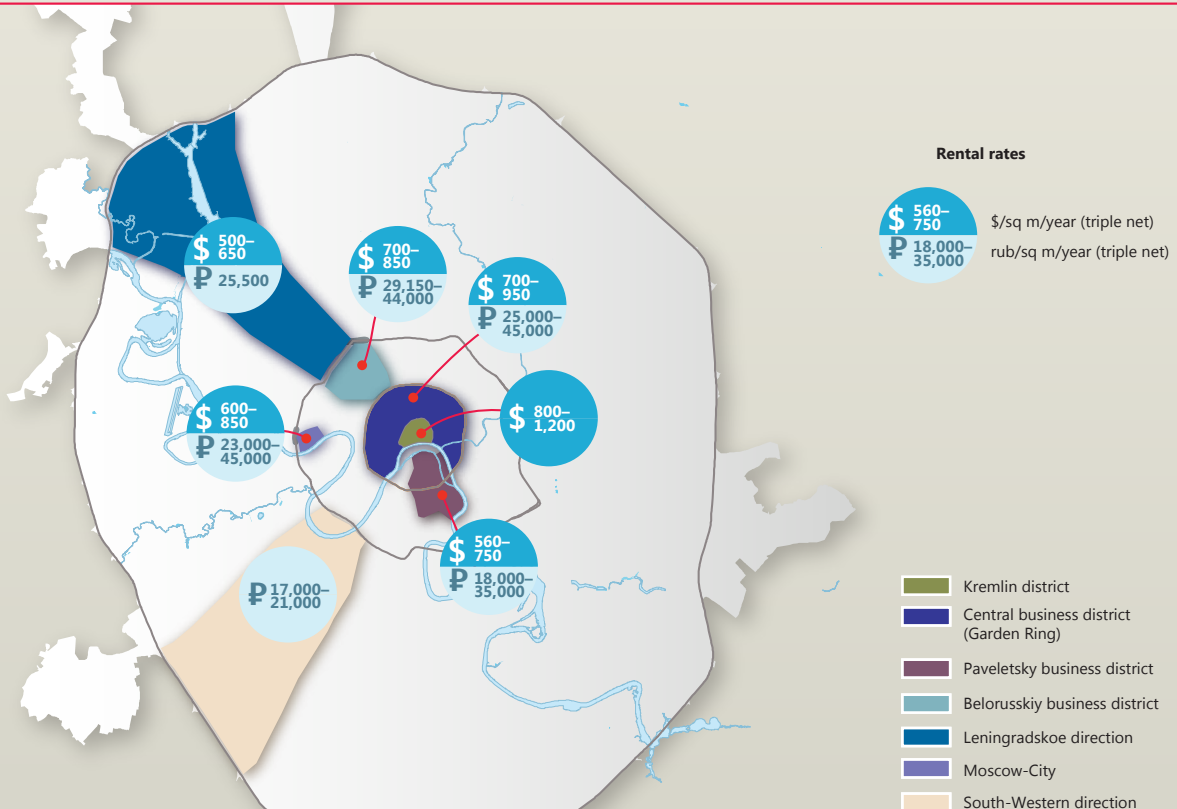
**GDP AND OFFICE REAL ESTATE INVESTMENT DYNAMICS IN RUSSIA**



**PRIME YIELD IN BUSINESS CENTERS IN THE WORLD**



**RENTAL RATES IN THE MAIN BUSINESS DISTRICTS OF MOSCOW**



Source: Knight Frank Research, 2015

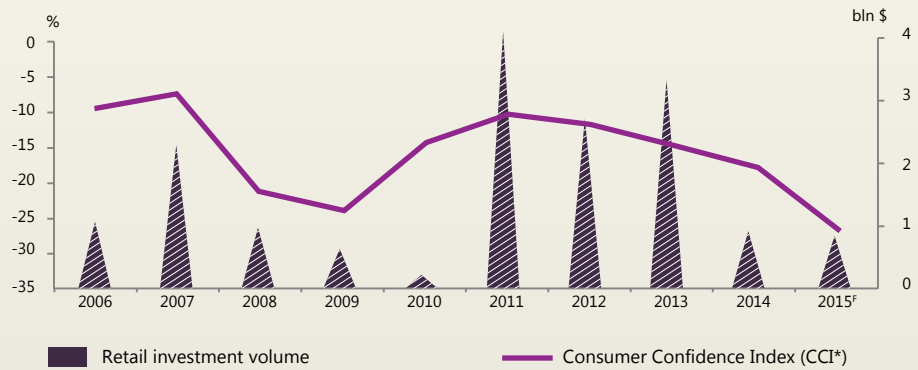
Investment volumes in retail real estate fell by 33% to \$440 million from January to September 2015 compared to the same period in 2014. Despite the decline, the number of purchase transactions of retail properties increased from 5 in Q1-Q3 2014 to 9 in 2015. It is worth noting that the largest investment transaction in Q1-Q3 2015 was the purchase of the retail property.

**PRIME YIELD**  
**10.0–11.0%**



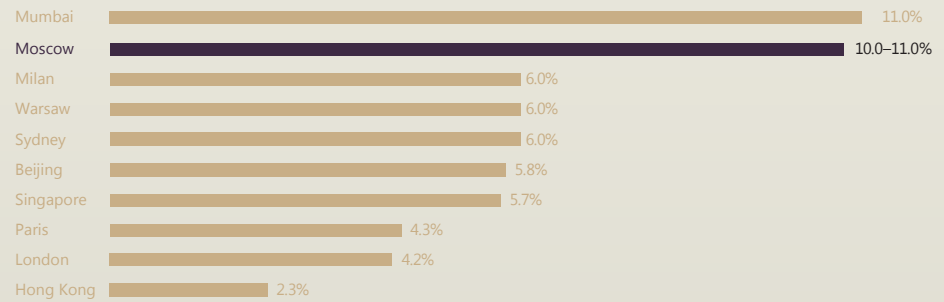
# RETAIL MARKET

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.

PRIME YIELD FOR SHOPPING CENTRES IN THE WORLD



RENTAL RATES IN SHOPPING CENTERS OF MOSCOW



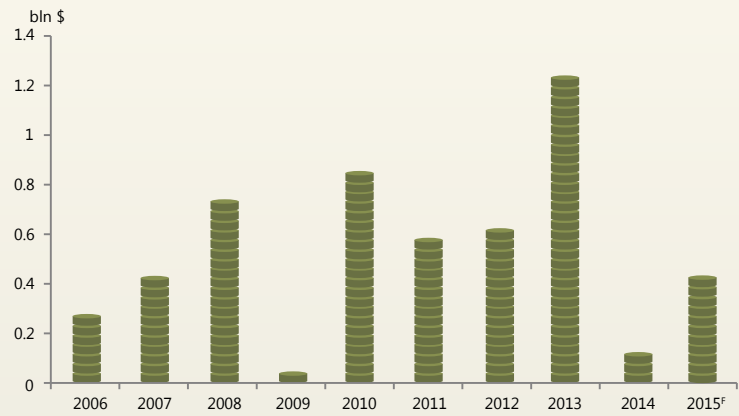
# WAREHOUSE MARKET

As for the warehouse real estate, investors devoted \$365 million according to the results of Q1–Q3 2015. Thus, the share of warehouse facilities was 21% versus 4% year-on-year of the total volume of investments in commercial real estate of Russia. Such large volume is due to the purchase transaction of PNK-Chekhov Industrial Park, which became the third largest investment transaction in the history of the development of the warehouse real estate market. Even more transactions can be closed by the end of the year, but the total volume of investments into the warehouse segment will not exceed \$500 million according to our forecasts.

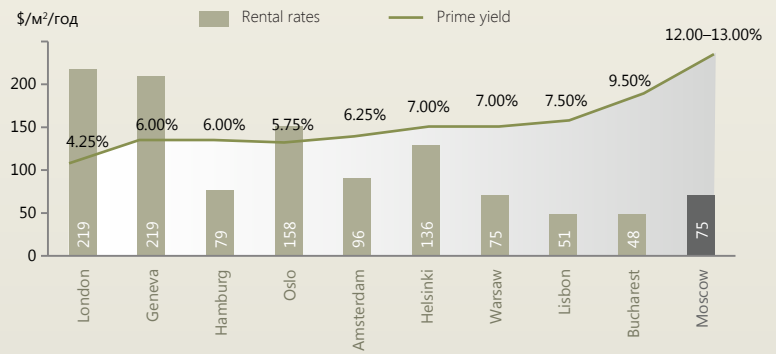
SALE PRICE  
**40,000–45,000 rub./sq m**

**12–13%**  
 PRIME YIELD

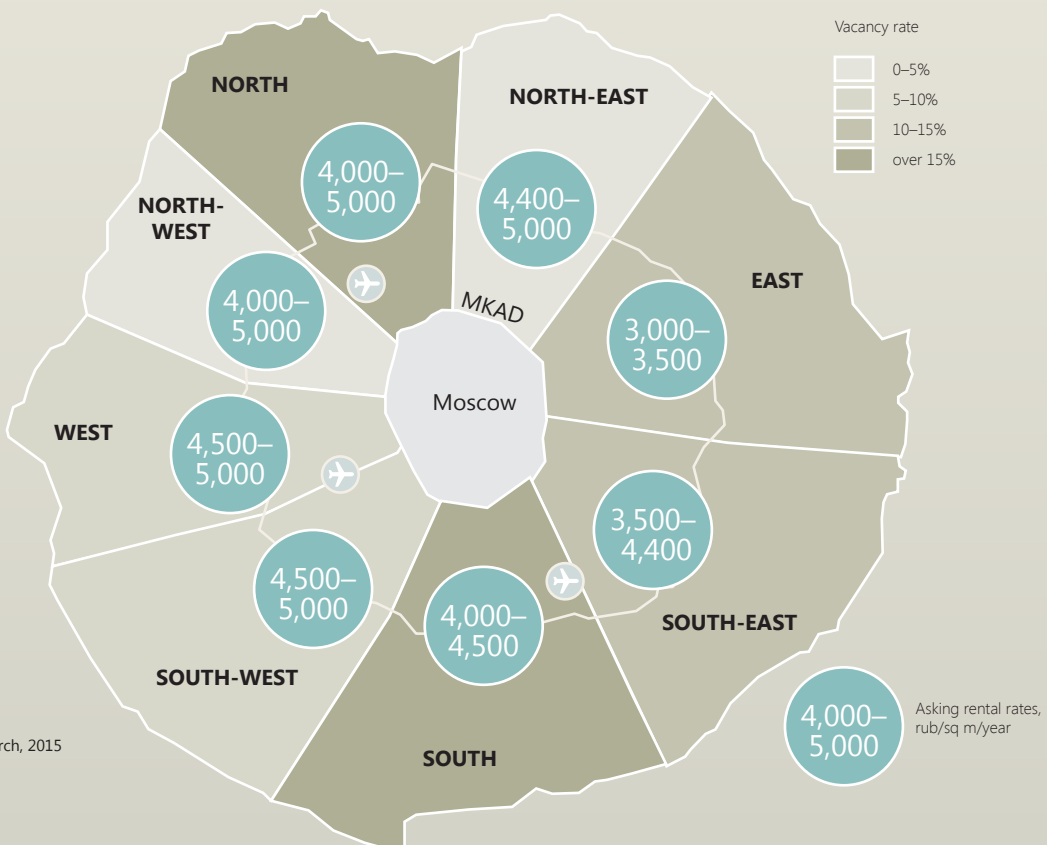
WAREHOUSE INVESTMENT VOLUME DYNAMICS IN RUSSIA



PRIME YIELDS AND RENTAL RATES FOR WAREHOUSE COMPLEXES IN EUROPE



RENTAL RATES AND VACANT SPACE IN TERMS OF DIRECTION



Source: Knight Frank Research, 2015

# 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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