

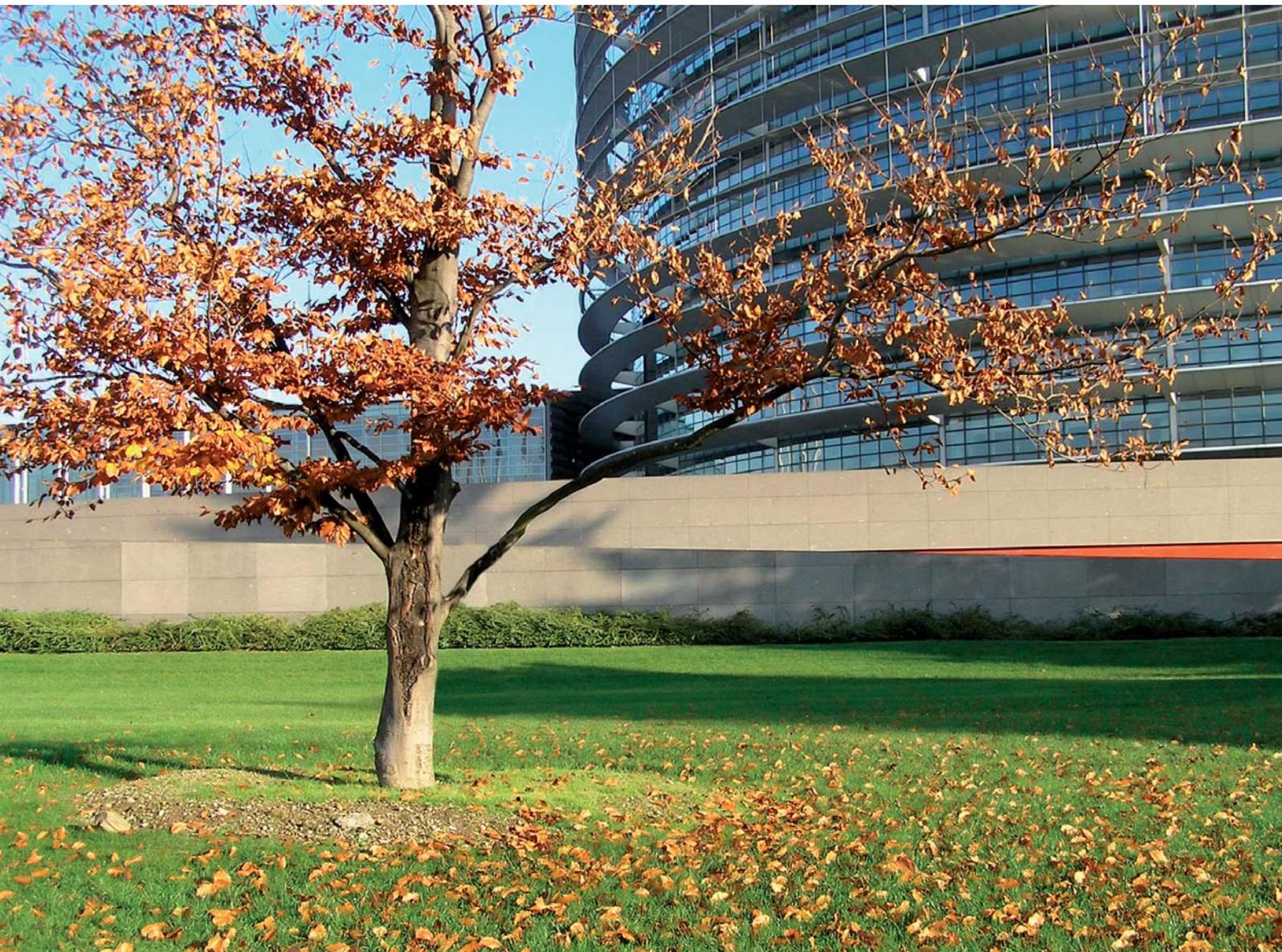
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The green side of your business

Moscow business
parks



Moscow business parks

Business parks in Moscow have a short history. They have emerged as a result of the office market development, ongoing decentralization and developers' efforts to meet diverse tenant requirements. The first business park in the traditional sense appeared in Moscow as recently as 2005 and was extremely successful. Below we outline the key features of business parks in Moscow and our views on occupiers' sentiment towards this concept.

Business parks: A new segment of the Moscow office market

Due to growing demand and limited supply, developers are very active in the Moscow office market. The result is a large volume of announced projects. At the same time, with rising occupier requirements, tenants are beginning to pay more attention to project quality and services provided. To meet these expectations, developers offer a number of different project types: high-rise buildings in Moscow City, standalone mansions in the city center, business centers in former industrial areas, and business parks.

Business parks have appeared on the Moscow office market relatively recently, but are already showing significant potential for further development. This is highlighted by the success of the pioneering projects, as well as the distinguishing characteristics of business parks, which we outline below.

Характеристика	Описание
Better transport accessibility	Traditionally, business parks are located outside the city center. Most business park projects in Moscow are located on the MKAD or outside it. Although access to some parts of the MKAD during rush hour may be problematic, these locations are becoming increasingly popular among occupiers due to a developing road network (construction of the Fourth Ring Road, upgrade of Leningradskoe Shosse, etc.) and worsening congestion in the city center. Since the public transportation network is less developed in the city periphery, business parks offer shuttle buses from nearest metro stations.
Open-space layout	A crucial part of a business park concept is an effective open-space layout. Modern business parks in Moscow provide tenants with large open-space floor plates to meet needs as diverse as those of training centers, laboratories or exhibition halls.
Opportunity to be the only occupier in a building and to expand easily	Business parks are usually built in several phases. This gives the tenant an opportunity to lease more space as the business expands, and eliminates the need to search for a new office. Moreover, the concept of a business park assumes several standalone low-rise buildings. Therefore, a company might lease an entire building and benefit from the advantages of single occupancy. For example it can organize the reception area according to its own style, put its corporate logo on the front of the building, etc.
Developed infrastructure	Business parks provide a well-developed infrastructure, which includes banks, cafeterias, restaurants, ATMs, shops and other facilities for autonomous functioning. Business park projects in Moscow include retail and hotel premises as well as apartments to complement the core office area. This corresponds with the European experience where traditional business parks have been dominated by large office developments (for example, in Chiswick Park, UK where 800,000 sq m of completed office space is supported by 15,000 sq m of retail).
Abundant parking	Moscow business parks provide a good parking ratio to meet tenant requirements, at around 1 parking space per 40-50 sq m of rentable office area, versus generally 1/100 and more in the central business district (CBD). Obviously, the large acreage allows developers to provide ample ground parking.

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Synergy	Business parks provide opportunities for networking. Large-scale developments enable companies of one industry to be consolidated in a single area, which raises business effectiveness. For example, 43% of Krylatsky Hills business park, is occupied by IT companies. Again, the international experience is a good guide on cluster occupation, as Stockley Park (UK), with a cluster of IT and electronic companies, illustrates.
Green environment	Green sites and environmentally friendly working conditions are among the main advantages of business parks. With non-central locations, tenants can enjoy ecologically cleaner settings.
Lower cost	Cheaper land and low-rise buildings allow developers to reduce construction costs and to offer lower rental rates to business park tenants. Base rents in Class A business parks in Moscow are usually half those in Class A business centers in the CBD (USD 400-550/ sq m/ year versus USD 850-1,000/ sq m/ year in Q3 2007).

Business park: supply is limited

Currently, tenants looking for an office in a business park have a limited choice as there are few projects on the Moscow office market that fully meet business park standards. Only a quarter of existing and planned properties positioned as business park projects can be classified as true business parks, because they are:

- multi-storey buildings;
- projects located in the center of the city or in an industrial zone without a green area;
- single building;
- redevelopments with floor plates of lower efficiency.

The supply of proper business parks is expected to grow, but its share in the Moscow office stock will remain low. At the end of 2006, the share of business parks in total modern office stock was around 1%. By 2010 we expect this to have grown to 6%.

Interest in business parks is broadening

Although the history of business parks in Moscow is short, the success of this concept has been proven by high demand for a completed project. The Krylatsky Hills business park, which came onto the market in 2005-2006, had 30% of space pre-let more than a year before the completion date, with another 50% absorbed in the next four months. Attracted by the conveniences offered, world majors such as Cisco Systems (2,900 sq m) and Intel (12,500 sq m) decided to move into the park. Other business parks under construction (for example Western Gate), are also on the radar screen of tenants.

Currently, business park tenants originate from the telecommunications, IT, FMCG and other manufacturing sectors. As business parks become more common, companies from a broad variety of sectors will

discover the benefits that they have to offer. Banks can site their back offices (including call centers) there, renting large spaces at lower cost. Logistics companies that lease space in business parks on and outside the MKAD might benefit from the proximity to warehousing developments. Airline companies might occupy premises with good accessibility to airports. However, at its initial stage of development, the business park concept attracts primarily high-tech companies, as was the case in other countries. What we are likely to see in Moscow is a further strong interest from FMCG companies, for whom the large blocks of efficiently-organized office space at lower prices will be the key attraction.

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