

# Moscow

## Office market report • H2 2007

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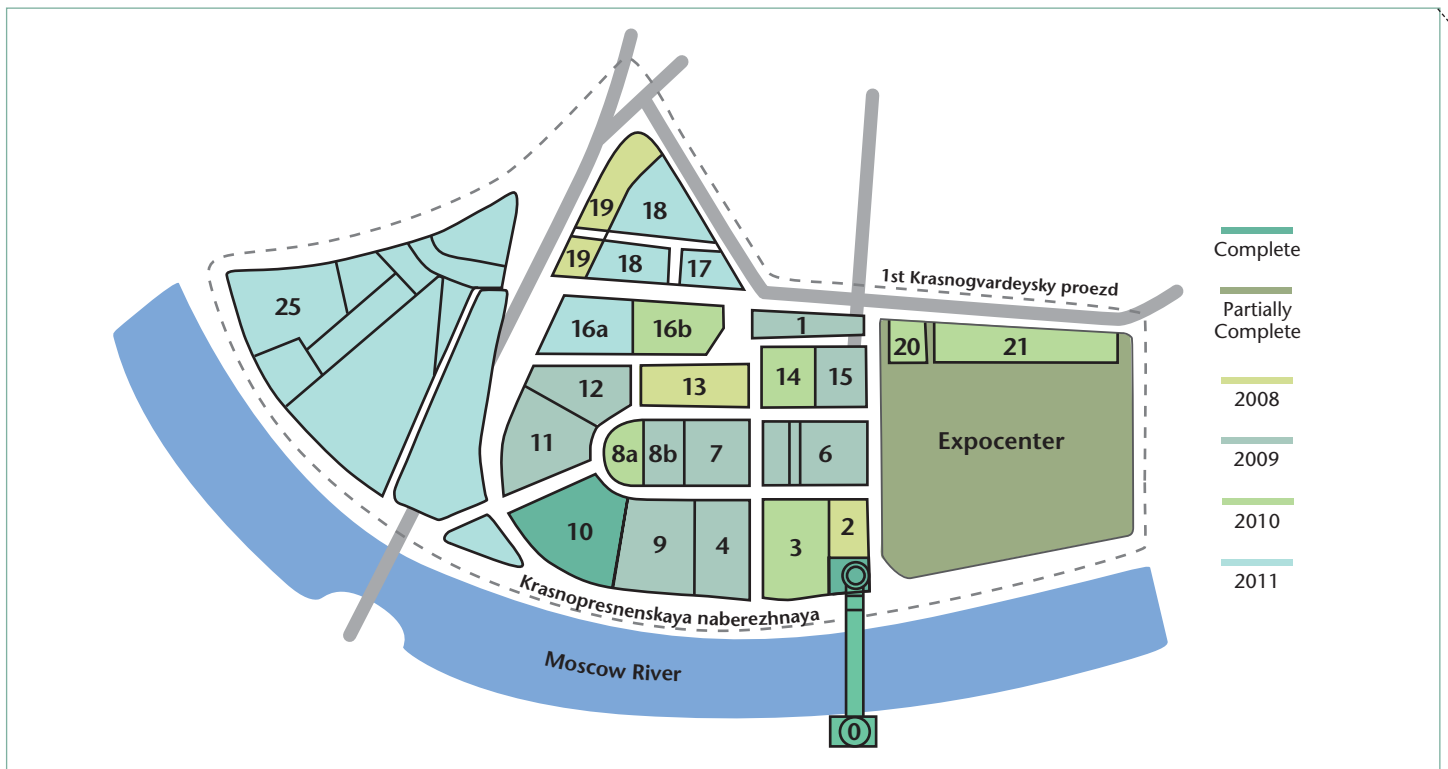
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### Executive summary

- Demand for quality office space in Moscow clearly exceeds supply, with the vacancy rate for class A premises standing at just over 1%. Prime rents have continued to show rapid growth.
- The quality of large-scale office accommodation is improving, while office complexes of over 100,000 sq m are becoming increasingly common. About six such projects are expected to open in 2008.
- The geography of Moscow's office market is expanding, with a number of large business parks being developed outside the city boundaries, such as Khimki Business Park, Greenwood Business Park and Western Gate.
- The MIBC Moscow City project continues to be developed, with the Naberezhnaya Tower Complex being completed in 2007. However, some tenants are reluctant to move to Moscow City until there are improvements in the transport infrastructure and the availability of parking. In light of these factors, rents of over \$2,000 per sq m per annum are viewed by many as being overpriced.
- Investment in office properties has been growing at an unprecedented rate. Prime yields compressed by around 200 basis points during 2007 to stand at 8.00% at the end of the year.

## Moscow City (Moscow International Business Center)

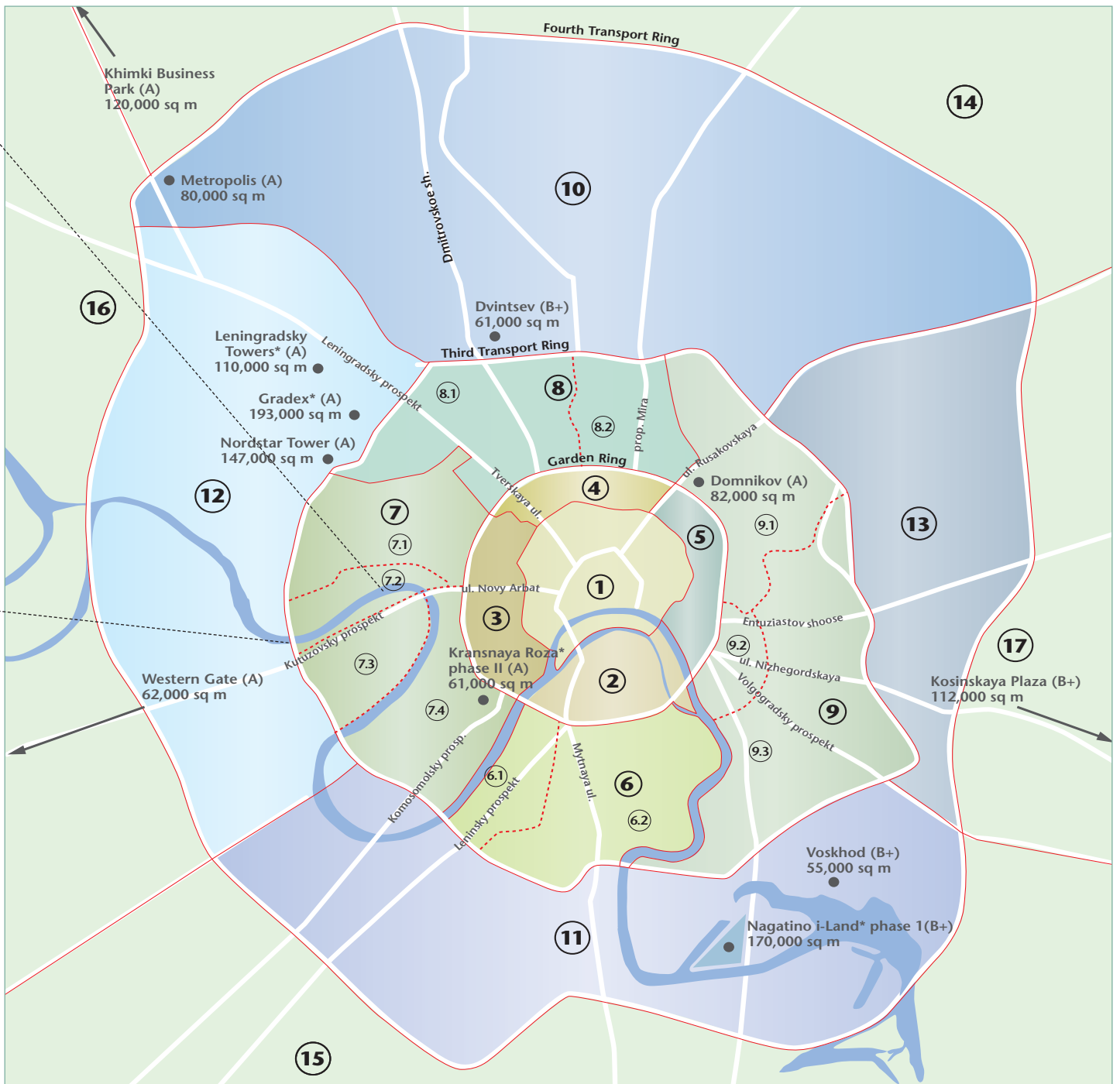


### Moscow City – developments

Site	Development	Total size (sq m)	Office Component (sq m)	Status	Completion
-	Expocenter	85,000	-	partially complete	2008
0	Tower 2000	61,067	50,000	complete	2002
1	Parking	170,101	-	under construction	2009
2	Public Square and Moscow City Museum	19,000	-	under construction	2008
3	City Palace Tower	169,000	80,000	under construction	2010
4	Imperia Tower	287,724	98,247	under construction	2009
6	Central Core Parking & Metro Terminal (Underground)	278,000	-	under construction	2009
6	Central Core Public Complex	22,000	-	under construction	2009
7-8b	Multifunctional Retail-Entertainment Complex	179,930	-	under construction	2009
8a	Multifunctional Recreation Complex	50,190	-	under design	2010
9	Capital City Complex	288,680	72,315	under construction	2009
10	Naberezhnaya Tower	254,000	150,000	complete	2007
11	Transport Terminal	228,000	122,450	under construction	2009
12	Eurasia Tower	203,104	82,817	under construction	2009
13	Federation Complex	423,000	181,800	under construction	2008
14	Mercury City Tower	158,528	86,000	under construction	2010
15	Moscow Government Administrative Complex	636,330	n/a	under construction	2009
16a	Multifunctional Office-Administrative Complex	249,600	122,500	under design	2011
16b	Parking	180,000	-	under design	2010
17-18	Russia Tower	565,000	140,000	under construction	2011
19	Northern Tower	136,580	78,000	under construction	2008
20	Multifunctional Business-Expo Complex	180,000	70,936	under design	2010
21	Yuri Dolgoruky	n/a	n/a	under design	2010
25	Murano Eyes	250,000	180,000	under design	2011

Source: Knight Frank

# Moscow



- 1. Central Business Districts
- 2. GR South
- 3. GR West
- 4. GR North
- 5. GR East
- Borders of business districts
- - - Borders of subdistricts
- Project due to be built in 2008  
(\*Knight Frank are the exclusive marketing & brokerage agent)

- 6. TTR South
  - 6.1 Leninsky
  - 6.2 Tulsky
- 7. TTR West
  - 7.1 Presnensky
  - 7.2 City
  - 7.3 Kievsky
  - 7.4 Khamovniki

- 8. TTR North
  - 8.1 Tverskoy-Novoslobodsky
  - 8.2 Prospekt Mira
- 9. TTR East
  - 9.1 Basmanny
  - 9.2 Tagansky
  - 9.3 Volgogradsky

- 10. FTR North
- 11. FTR South
- 12. FTR West
- 13. FTR East
- 14. MKAD North
- 15. MKAD South
- 16. MKAD West
- 17. MKAD East
- GR = Garden Ring
- TTR = Third Transport Ring
- FTR = Fourth Transport Ring

## Moscow sub-market data

Transport Ring	Direction	Sub district	Max prime rent (\$ per sq m pa)	Average rent (\$ per sq m pa)	Transport ring average rent (\$ per sq m pa)	Stock (sq m) (built)	Stock (sq m) (built + under construction)	Vacancy rate	Transport ring vacancy rate
1 Boulevard Ring	Center	CBD	2,500	1,600	1,600	127,461	160,261	1.5%	1.5%
2 Garden Ring	South	GRS	1,300	983		208,684	225,884	0.0%	
3	West	GRW	2,000	1,173	1,073	83,376	152,000	1.6%	6.9%
4	North	GRN	2,000	1,096		142,942	213,169	1.4%	
5	East	GRE	1,550	1,154		60,575	111,285	51.4%	
6.1 Third Transport Ring	South	Len	850	720		19,960	39,960	0.0%	
6.2	South	Tul	900	728		25,785	25,785	0.0%	
7.1	West	Pres	1,050	980		0	14,150	n/a	
7.2	West	City	2,000	1,300		181,018	1,311,573	21.0%	
7.3	West	Kiev	1,065	1,033	1,100	0	154,600	n/a	11.5%
7.4	West	Kham	1,400	1,119		15,120	82,900	15.2%	
8.1	North	Tv-Nov	1,600	1,188		55,300	258,940	2.2%	
8.2	North	PrM	750	725		81,648	87,548	0.0%	
9.1	East	Basm	1,100	975		0	114,800	n/a	
9.2	East	Tag	850	825		14,850	14,850	0.0%	
9.3	East	Volg	900	800		0	0	n/a	
10 Fourth Transport Ring	North	FTRN	950	850		0	180,000	n/a	
11	South	FTRS	1,000	820	820	0	0	n/a	n/a
12	West	FTRW	950	820		0	707,777	n/a	
13	East	FTRE	850	790		0	30,000	n/a	
14 MKAD	North	MKADN	1,100	735		19,986	276,986	0.0%	
15	South	MKADS	900	750	762	0	44,770	n/a	0.0%
16	West	MKADW	800	775		58,698	125,798	0.0%	
17	East	MKADE	750	700		0	0	n/a	
<b>TOTAL</b>					<b>1,109</b>	<b>1,098,403</b>	<b>4,327,029</b>	<b>1.09%</b>	

Source: Knight Frank

Based on a selection of Moscow's Prime Grade A stock

## Key leasing transactions

Address	District	Class	Company	Size (sq m)	Estimated rent (\$ per sq m per annum)	Operating expenses (\$ per sq m per annum)	Quarter
Nordstar Tower, Khoroshevskoe hw., 2-20B	12	A	IBS	36,840	800	120	Q4
Legion II, Bol. Tatarskaya st., 13	2	A	Yandex	22,495	1,100	n/a	Q4
Metropolis, Leningradsky av., 72	14	A	Procter & Gamble	18,000	850	n/a	Q2
Northern Tower, Kransopresnenskaya emb., 19	7.2	A	Transtelecom*	15,240	735-1,500	120	Q3
Naberezhnaya Tower Phase III, Kransopresnenskaya emb., 18	7.2	A	Renaissance Capital	13,950	1,500	120	Q1
Aquamarine, Phase II, Ozerkovskaya Emb., 26	2	A	Confidential	12,680	900	120	Q1
LeFORT, Elektrozavodskaya St., 27 bld. 7	13	B+	Argumenty i Fakty*	10,352	500-600	100	Q4
Silver City, Serebryanicheskaya Emb., 27	5	A	SUEK	10,050	1,100	115	Q2
Riga Land, Novorizhskoe Hw., 7 km from MKAD	16	B+	OLMA Media Group*	7,264	340-460	60	Q4
Citydel, Zemlyanoi Val St., 11-19	9.1	A	JTI*	6,790	700-850	120	Q3
Citydel, Zemlyanoi Val St., 11-19	9.1	A	Rusfinance*	6,580	700-850	120	Q3
Varshavskaya Plaza, Varshavskoe Hw., 26	11	B+	PRAVOVEST*	6,523	585	n/a	Q4
Northern Tower, Kransopresnenskaya emb., 19	7.2	A	General Motors*	5,610	735-1,500	120	Q3
Novospassky Dvor, Derbenevskaya emb., 7	6.2	B+	Ernst & Young*	5,580	500-1,000	n/a	Q2
Citydel, Zemlyanoi Val St., 11-19	9.1	A	Bayer*	5,520	700-850	120	Q3

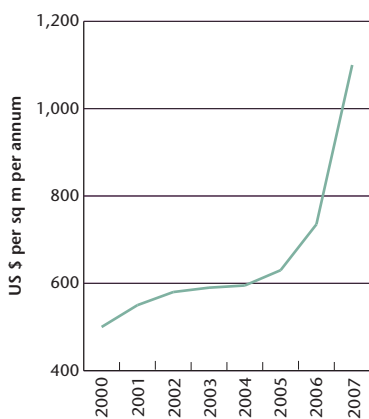
\*Knight Frank participated in the deal Source: Knight Frank

**Key investment transactions**

Company	Acquired asset	Deal	District	Class
Quinn Group	Purchase of an office-retail centre Caspiy in Moscow (17,000 sq m)	\$40-50 million	14	B+
Sponda Plc	Purchase of an office project at Mira Av., 6 in Moscow	\$47.5 million	8.2	A
Wells REIT II	Purchase of a share in the Class A business centre Dvintsev (Tower B – 13,300 sq m) in Moscow	\$98 million	10	B+

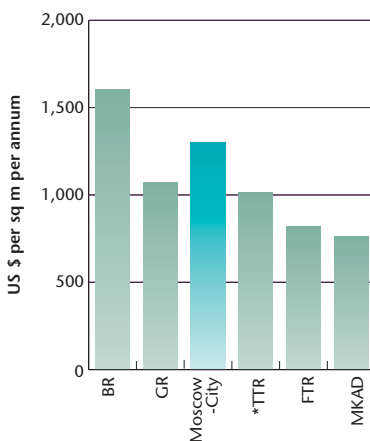
Source: Knight Frank

Figure 1  
**Average Grade A rents**



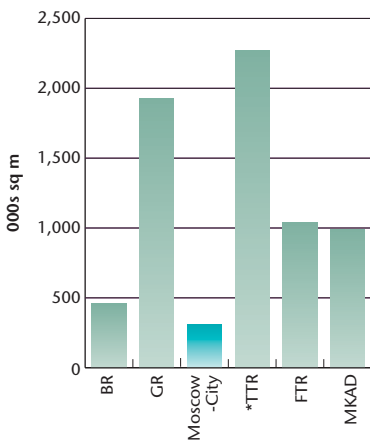
Source: Knight Frank

Figure 2  
**Grade A rents by submarket**

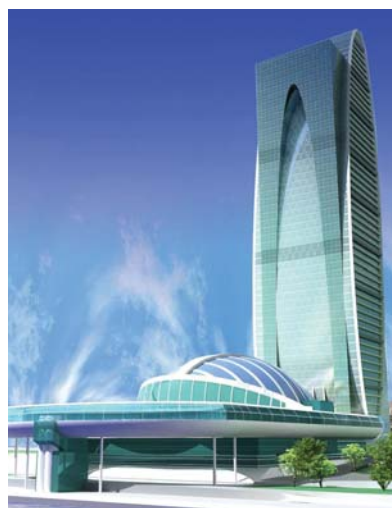


Source: Knight Frank  
\*Excluding Moscow-City

Figure 3  
**Distribution of Moscow total office stock**

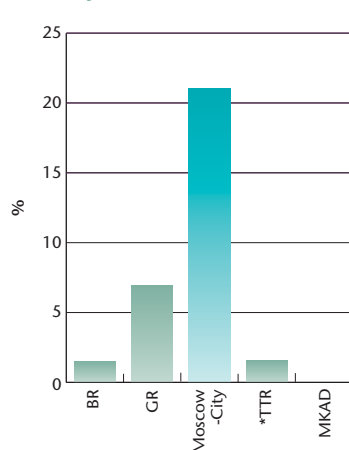


Source: Knight Frank  
\*Excluding Moscow-City



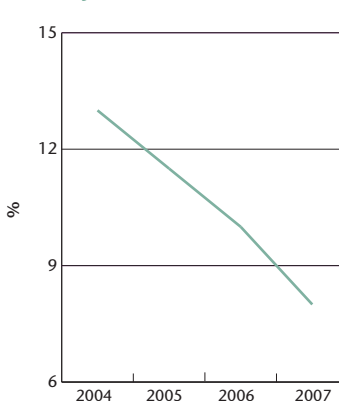
Imperia Tower, Krasnopresnenskaya Emb, 4

Figure 4  
**Vacancy rate\*\***



Source: Knight Frank  
\*Excluding Moscow-City  
\*\*Based on a selection of Moscow's Prime Grade A stock

Figure 5  
**Prime yields**



Source: Knight Frank

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