



Retail real estate Outlook 2008

2007 saw the bringing about of the new landmarks and the appearance of new tendencies which are to determine the market development well into the future. The present outlook attempts to follow them and to determine future perspectives.

Main events

Several unusual projects have been announced during the passed year, retail centre Galactica located over the lively crossroads of Muchurinskiy prospect and Lobachevskiy street has become one of the most memorable. The center's shape resembles a UFO.

Pedestrian retail project Sunflower has been given a new development impulse. Capital Group company has acquired the project which provides 500 000 sq m of retail space, thus turning into one of the biggest retail developers in the capital.

2007 witnessed the Ramstor chain withdrawing from the Russian market. The action was long expected. Their shops are now the property of the Auchan Company.

Tendencies

Retail rental rates have stabilized. The main reason for previous growth was the continuous dollar devaluation.

Active cottage settlements construction in the Moscow countryside and the needs of the potential inhabitants for retail facilities lead to a number of announced RC projects being tailored towards the settlements steady growth.

A large number of constructed and projected retail centers of district, regional and super-regional scale make the deficit of qualitative retail centers for communities and neighborhoods more and more evident.

Forecast

- Retail DIY chains are expected to actively develop due to several regional operators entering the Moscow market.

Rental rates differentiation in qualitative semi-professional retail items will continue.

- The new players in the food hypermarket segment (Vester, Lenta, O'Key) in the capital will strive for leading positions increasing local competition
- Two main factors will influence the retail real estate investment volume:
 - New quality developments entering the market
 - Financial markets state.

Biggest objects to be commissioned in 2008

Retail developments	Total space, sq m	Rentable space, sq m
Shocolad	160 000	84 800
Auchan Sokolniki	144 900	45 770
Oblaka	95 900	42 490
Phili	62 000	45 000
Megapolis	61 000	44 000
Novoyasenevskiy	56 700	28 500
Crocus City Veneto	54 000	26 200

Source: Knight Frank Research, 2008



Julia Dalnova,
Director of retail
Knight Frank

«Every year the projected retail centers space increases. The volume of announced projects exceeds the existing supply several times over».



Jeremy Oates,
Managing director
Knight Frank

«Locating retail centre beside business complex and apartments is a justifiable development policy».

Forecasted retail space growth in 2008 (%)

