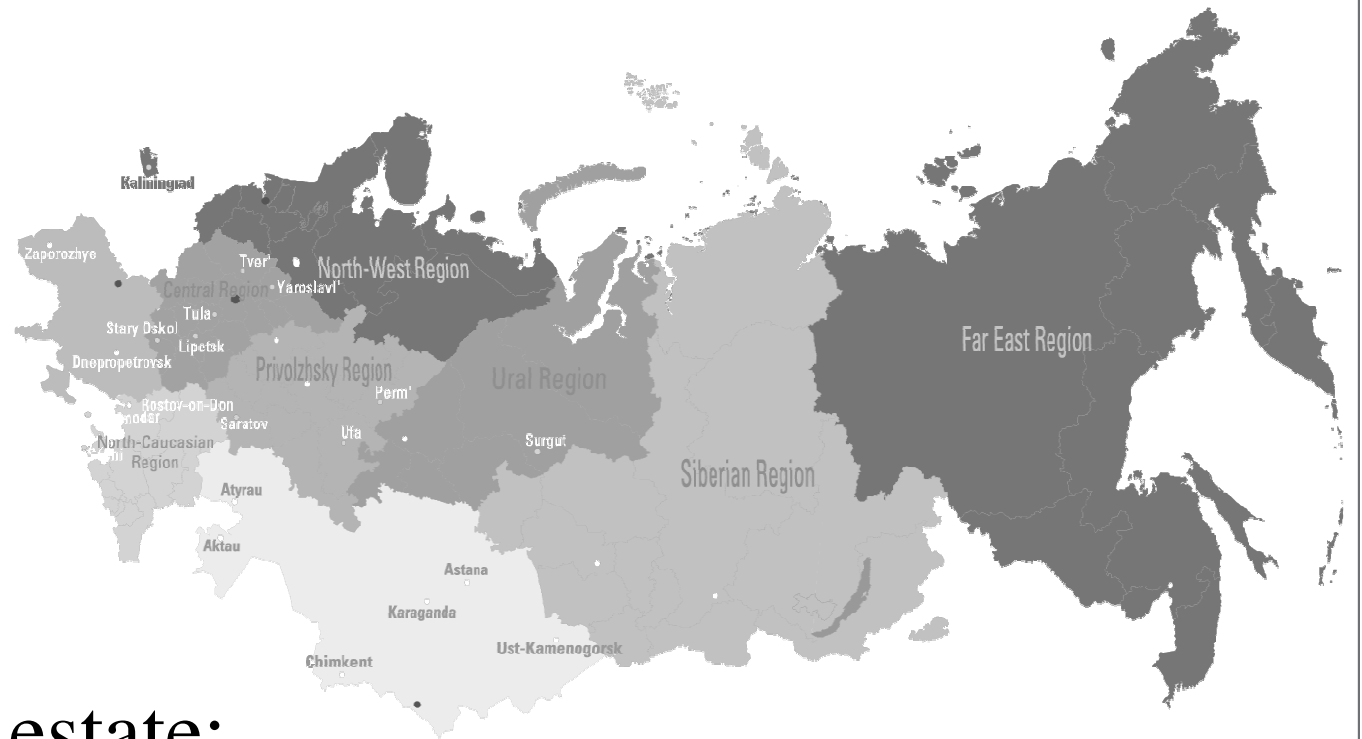




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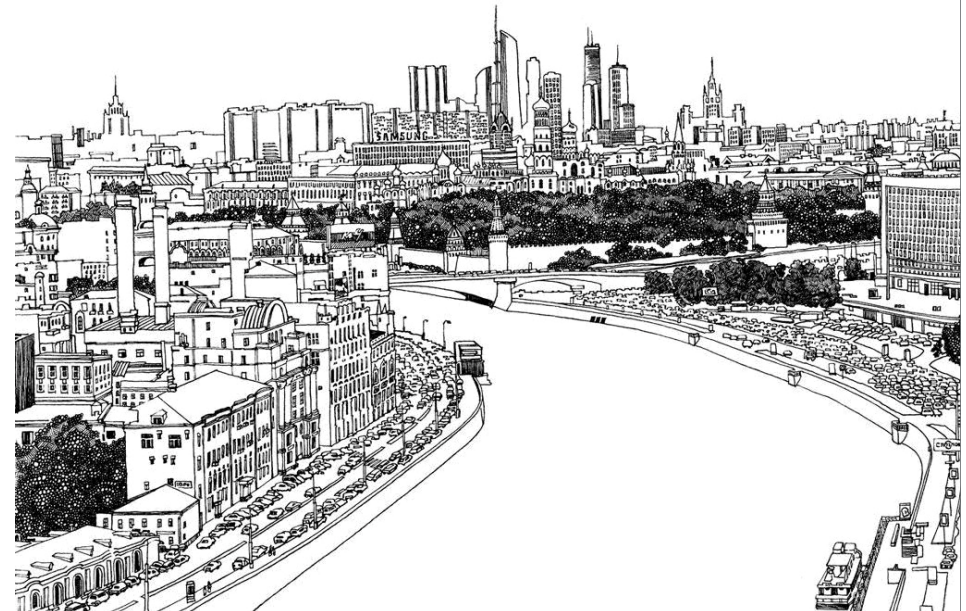
Real value in a changing world



Russian real estate: signs of *recovery*

Vladimir Pantyushin

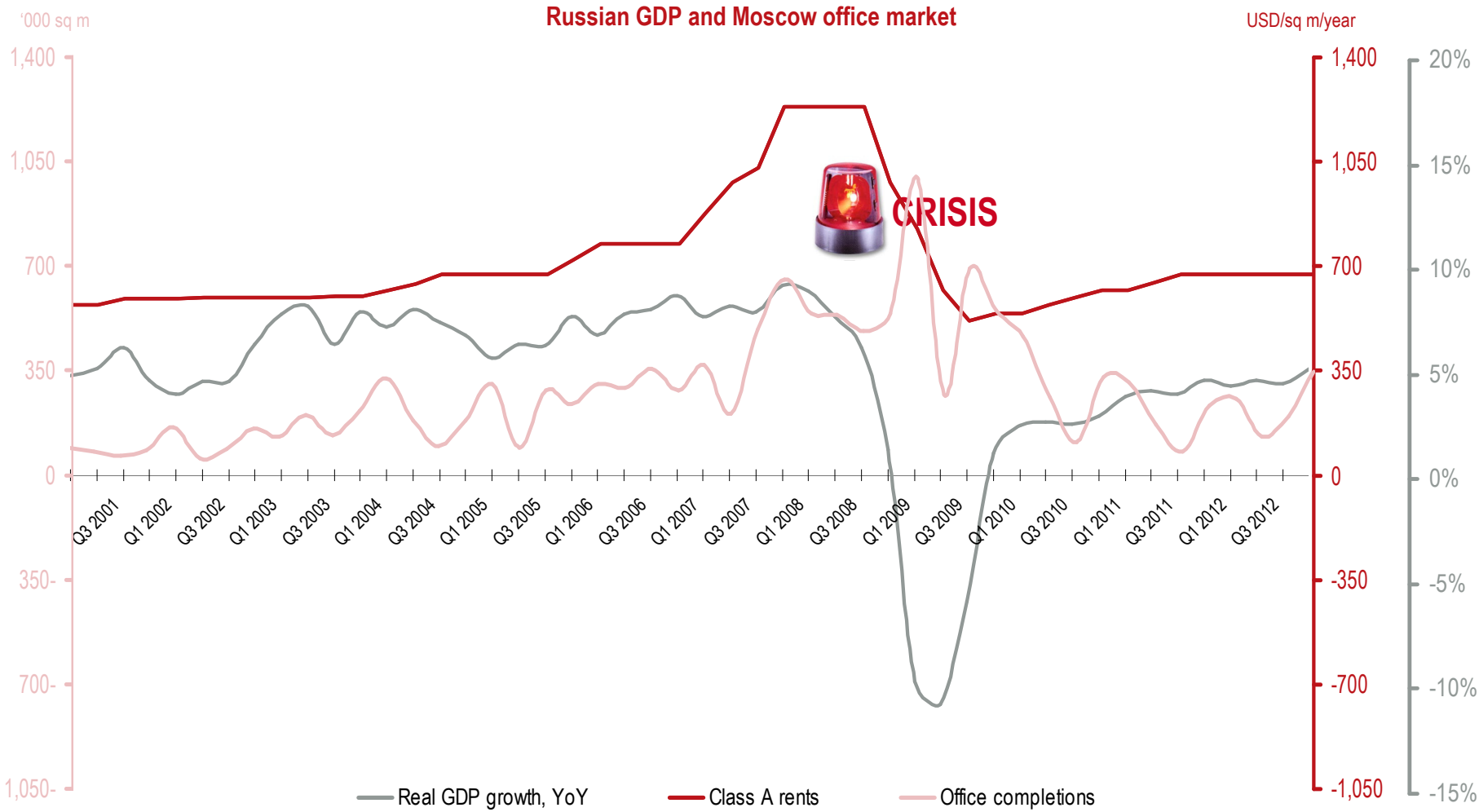
December 7, 2009



Key facts

- This is the first contraction phase for the modern-day real estate market in Russia.
- The reaction of the real estate market to the economic turmoil was non-uniform.
 - Demand and rents / prices have adjusted almost instantaneously.
 - High volumes of new space still come to the market.
- All real estate segments were strongly affected, albeit to different degrees.

Economy and real estate market



Going back ...

- In some ways, the market returned to the position it held well before the crisis, with more centralization, smaller deals, concentration on prime cities (Moscow) and projects.

Or moving forward ?

- Large space availability in most market segments.
- Very few prelets, while renewals occupy a large share of deals.
- Most areas are absorbed with fit-out.
- Better project quality differentiation.

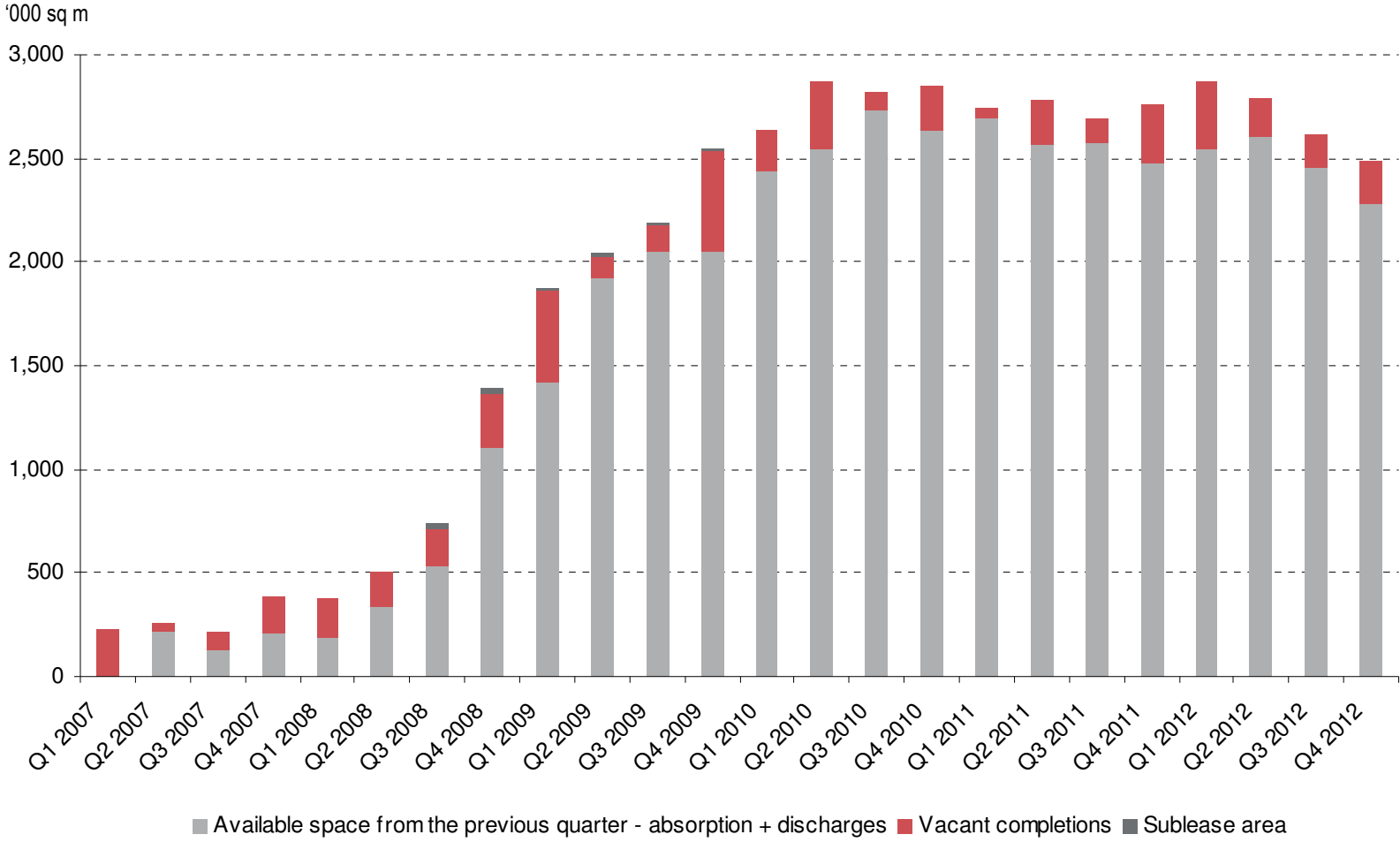


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Moscow office market

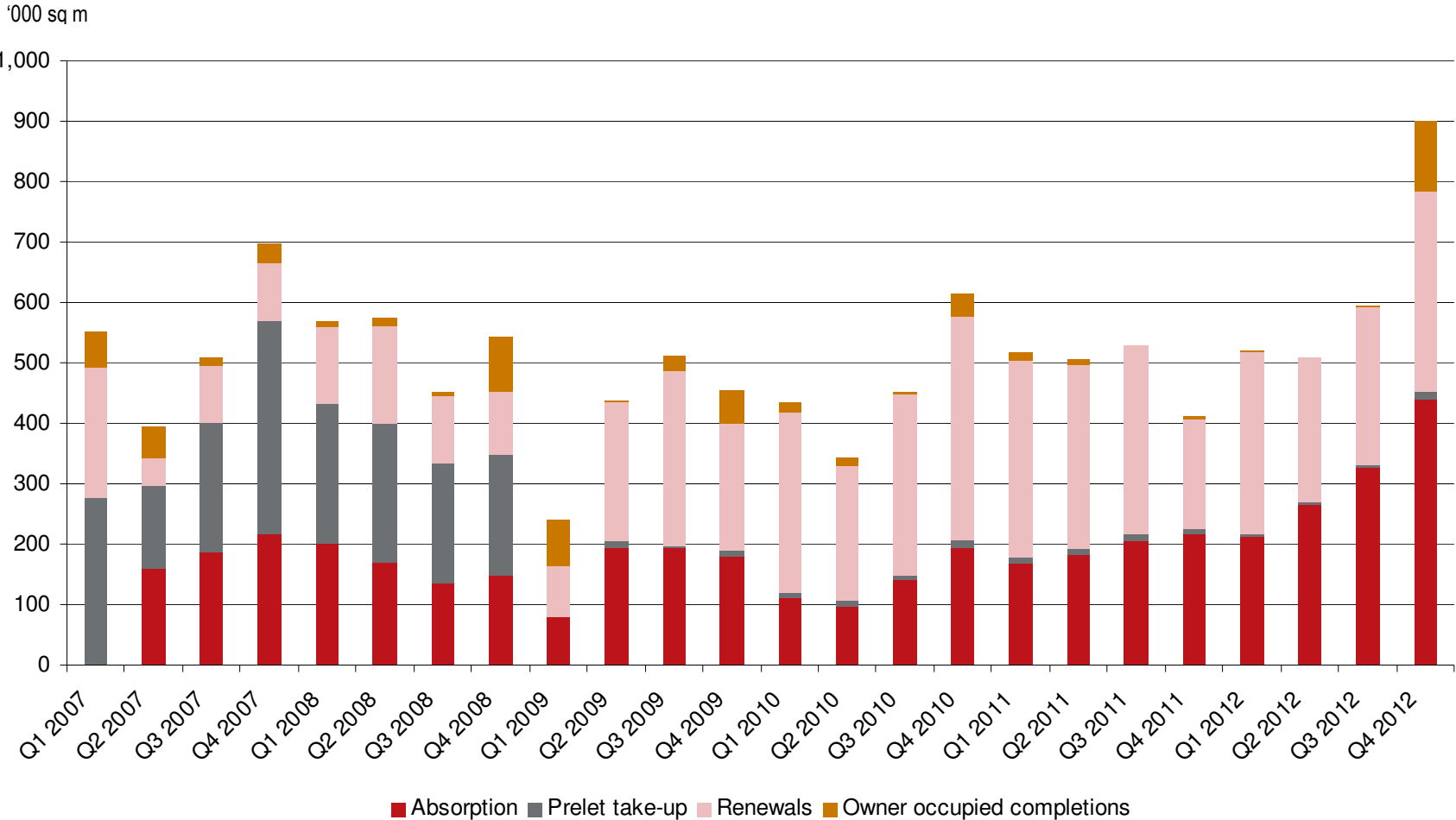


Availability



Office availability has increased sharply since the beginning of the crisis but has stabilized recently.

Take-up dynamics



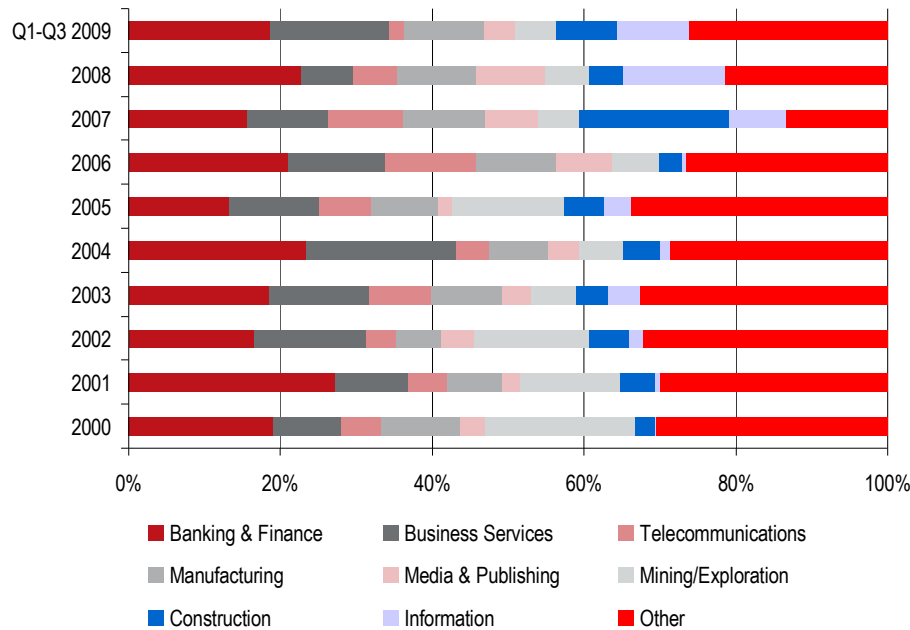
Massive prelets have become a thing of the past.

Renewals are expected to dominate market activity.

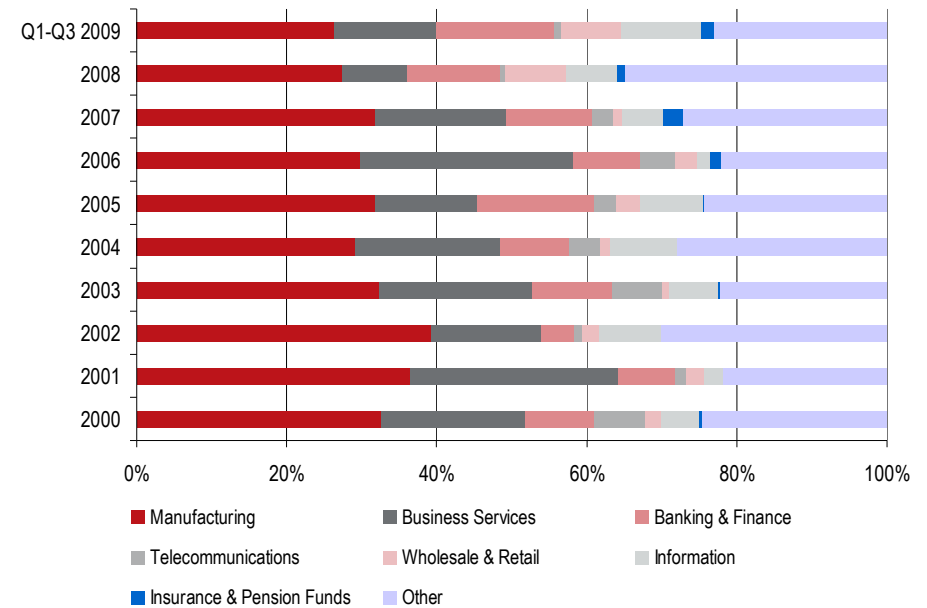
Demand composition is quite robust

Moscow office take-up

Russian companies (62%)



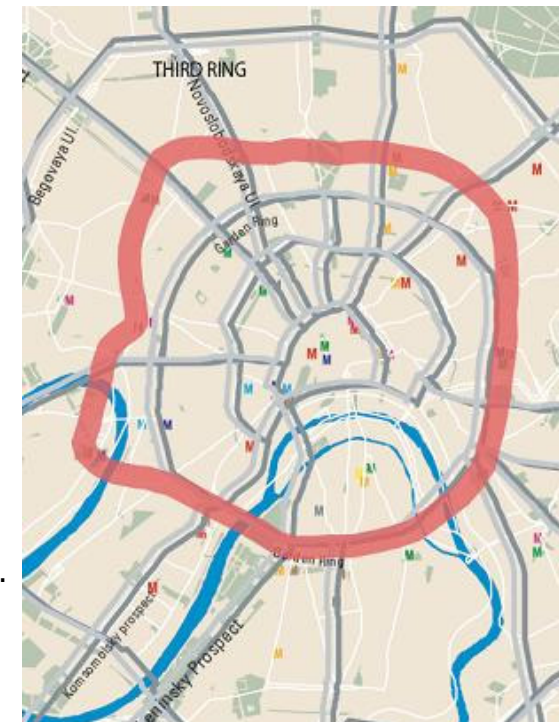
International companies (38%)



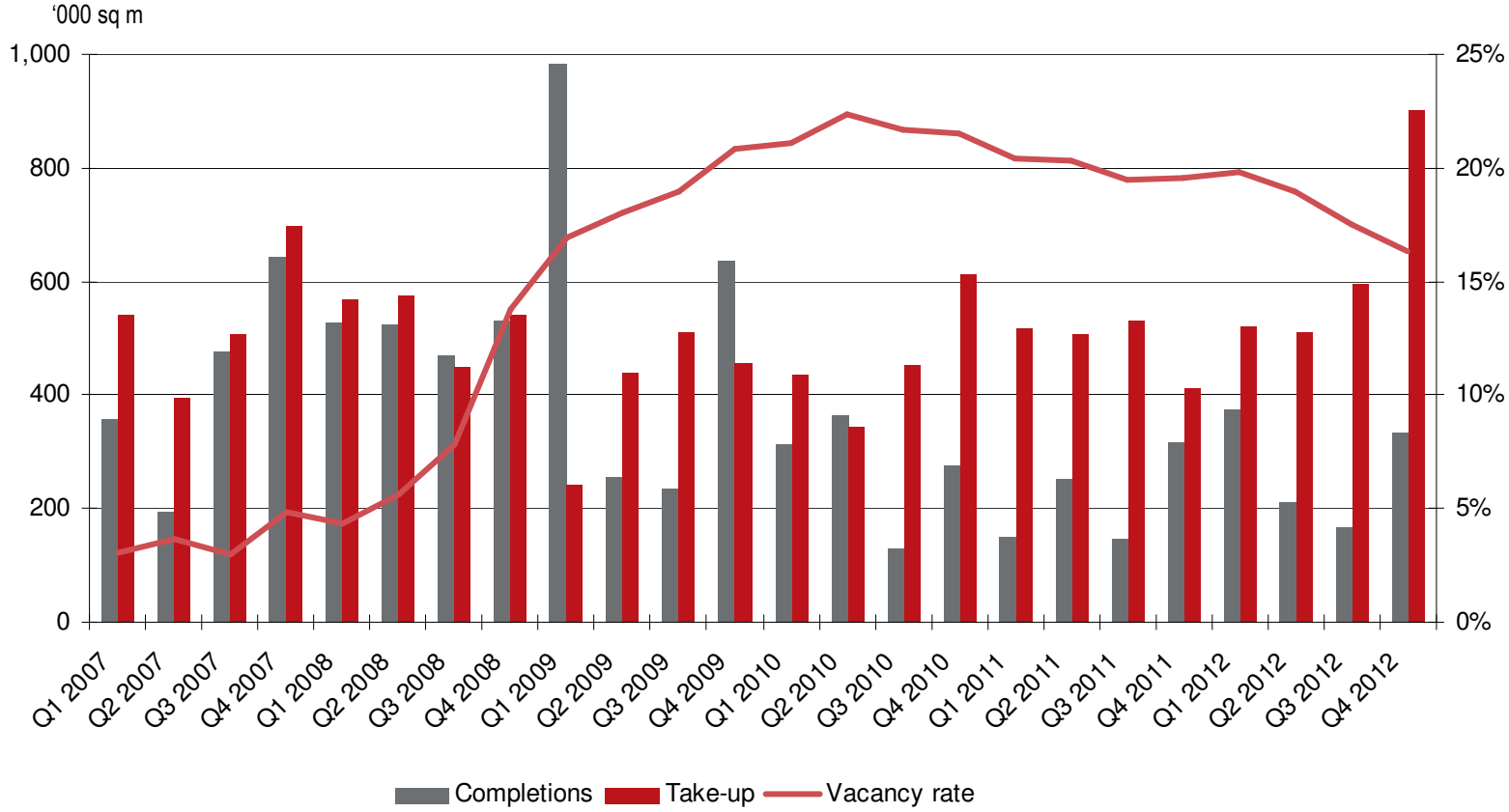
International manufacturing companies as well as Russian banking and finance companies continue to dominate the market.

What to expect from the recovery

- As the economy begins to recover, the real estate market will again follow with a lag.
- Rents will likely react sooner. As the cheapest offers get absorbed, the rents will increase.
- The market began to display strong segmentation.
 - Central offices attract the bulk of requests.
 - High-quality non-central offices also fare well.
 - Fit-out became a must-have, except for some Class A areas in the center.



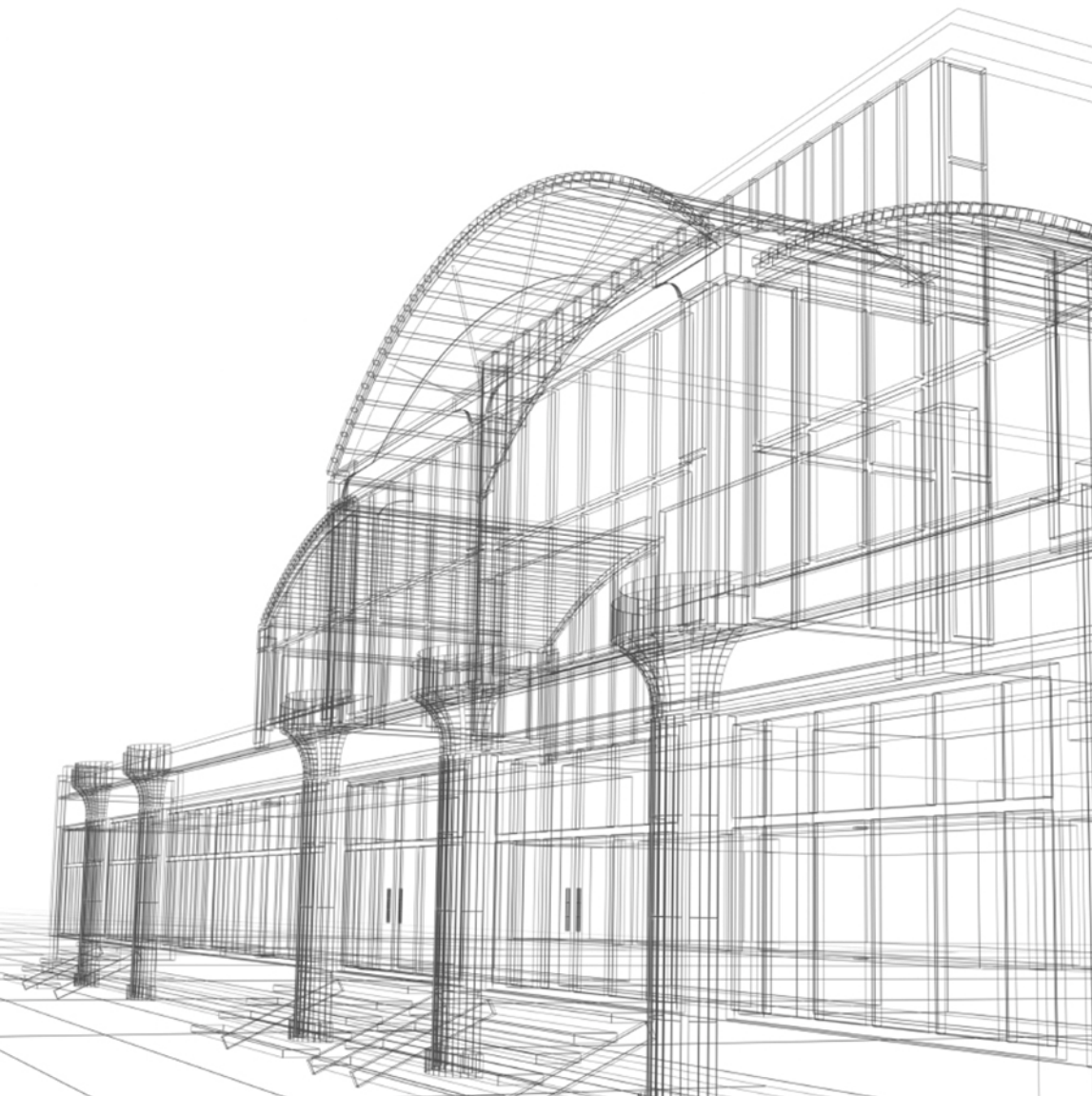
Market balance



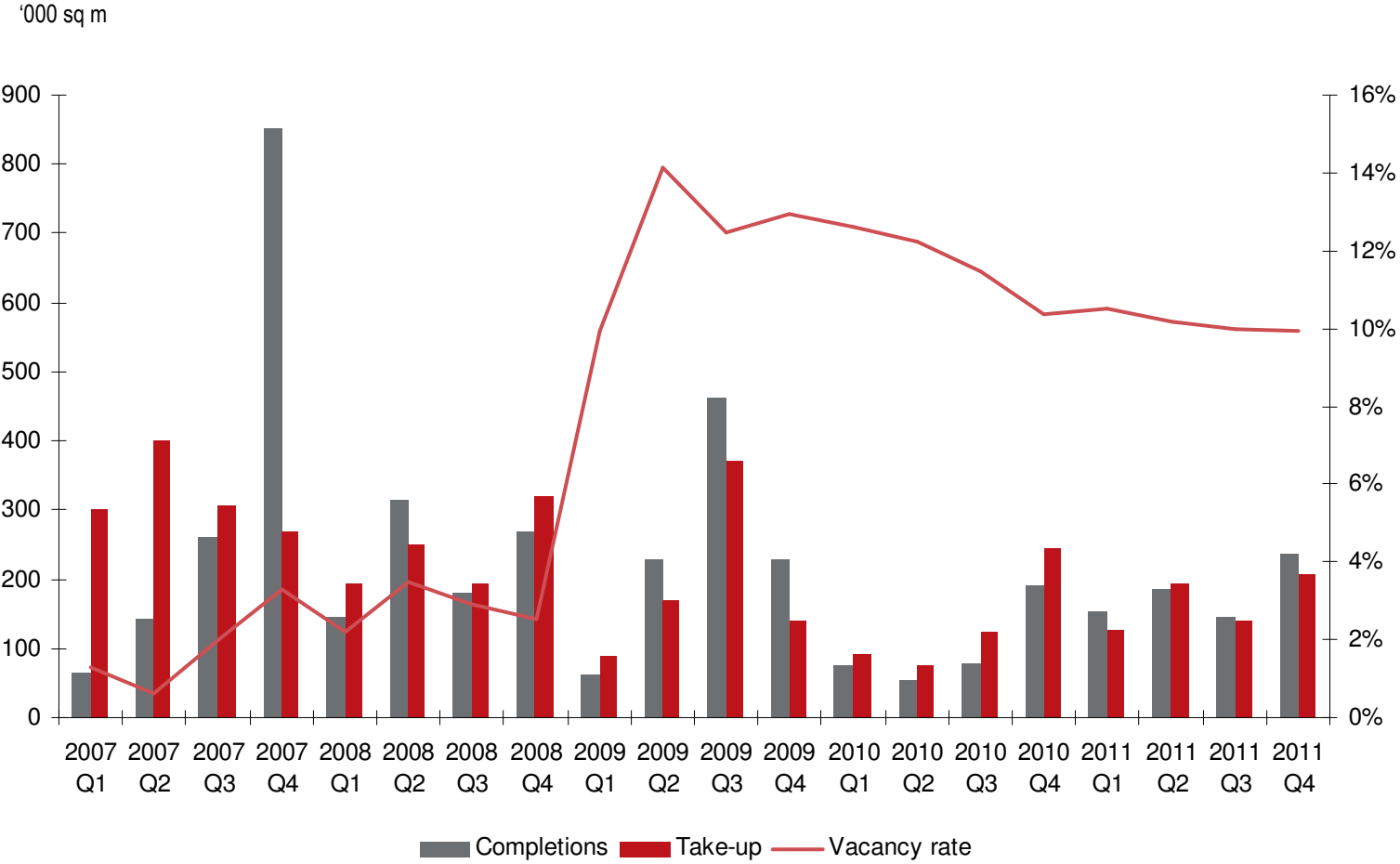


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Other sectors

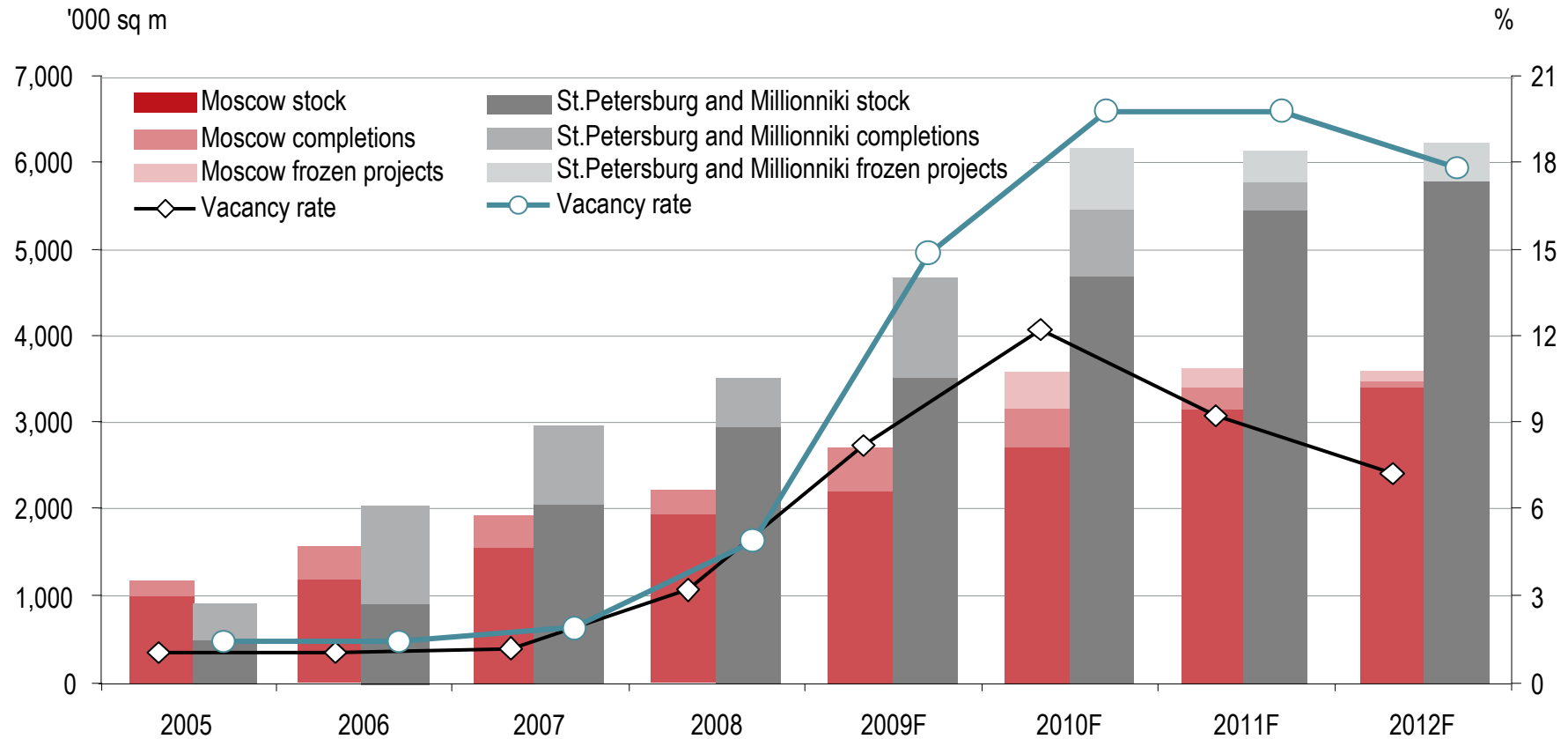


Moscow region warehouse market



The correction seems to have reached its peak. Relatively small market size will support a quick turnaround.

Retail market: Moscow and regions



A similar overall trend is expected (lagged recovery, large completions until 2011 and very low thereafter).

Moscow will again be the first to recover, followed by the Millionniki cities. The availability of financing, not market size/saturation, will be more important in the medium term.

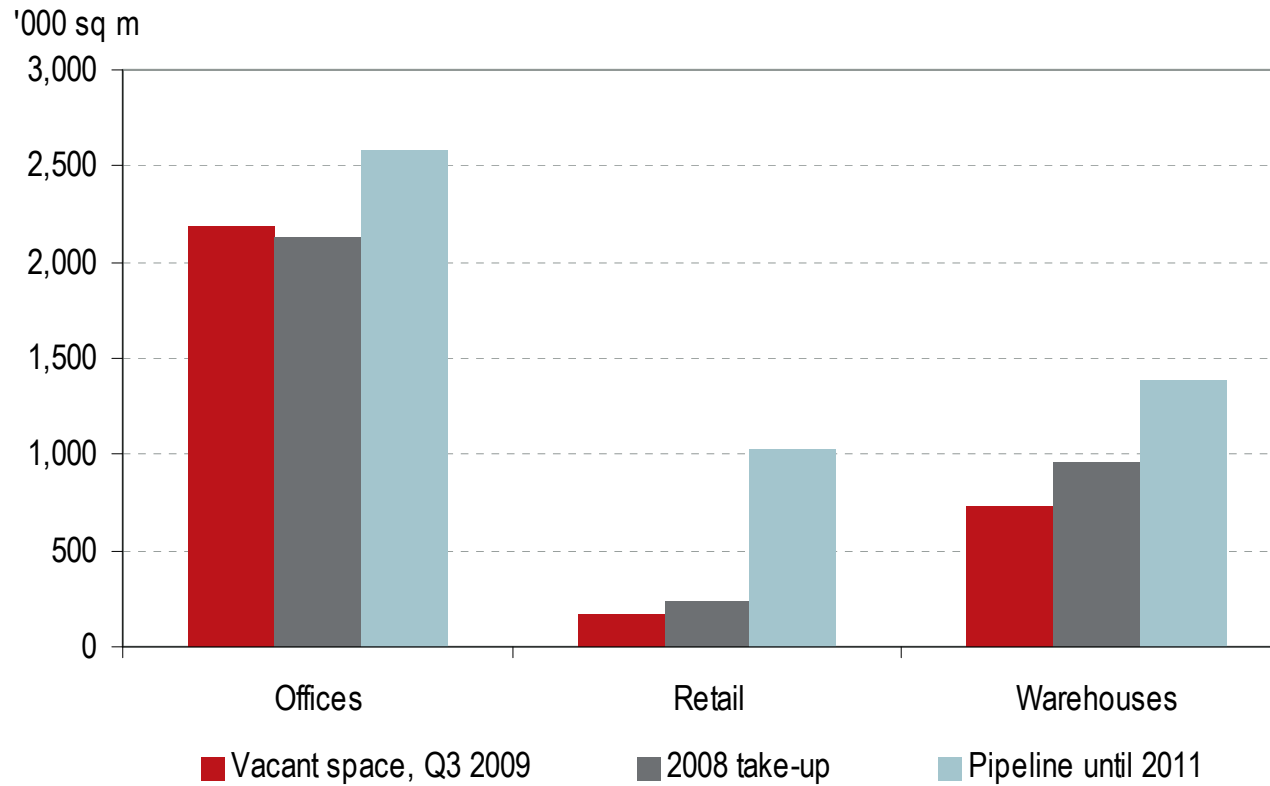
Market segmentation



The crisis has revealed many weaknesses in shopping centers. The market is segmenting SCs into three groups, successful, intermediate and weak.

Cross-sector comparison

Moscow market statistics



Except for retail, currently vacant and newly constructed space can be absorbed within a relatively short period.

Summary

- The real estate market has begun to show signs of stabilization in Moscow. Other cities will follow with a significant lag. However, the recovery will depend strongly on the sustainability of the economic growth.
- Moscow offices will remain trend setters.
- Rents will react first, returning to growth in certain segments in the next 6-9 months.
- Construction volumes will decline sharply after 2011.
- All market segments display stronger segmentation.



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Thank you

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