



## Market Situation, Latest Trends and Forecasts

- ❖ Total arrears in the Russian banking system are still high. At the same time, increase in inflow of deposits thanks to the process of stabilization in economy, and stimulating monetary policy are allowing banks to gradually increase their activity in the real sector of economy and reduce credit interest rates. In particular, Russia's largest banks have already announced their intention in 2010 to significantly increase their loan portfolio in the construction sector. Simultaneously, they will be more interested in the residential real estate projects. Development companies, in turn, renew realization of projects that were frozen during the sharpest deficiency of liquidity in 2009.
- ❖ Because of a low general level of liquidity of real estate objects, in current conditions bank organizations are ready to accept these objects in the mortgage only with a discount rate of 30% to 70% of market price. This approach allows creditors to secure themselves from non fulfillment of financial obligations by borrowers and, simultaneously, from a possible reduction in the price of pledged assets.

## News: Investment Transactions, Financing, New Projects

- ◆ Alfa-Bank restructured \$150 mln credit for Forum Properties, which was secured by business centre Hermitage Plaza. According to developer's press-service, the credit was prolonged by six years at a rate of 11%. As company source said, currently, there is no crucial need to sell the business centre. (Arendator.ru)
- ◆ AFI Development has made announcement about renewal of construction of its several projects in Moscow and Moscow region, which were frozen in the time of crisis. According to Lev Leviev, this decision is connected with the improving situation on the Russian real estate market. The company plans to renew construction of such projects as Ozerkovskaya Naberezhnaya, Paveletskaya Business-Park, 750,000 sq m units for economy-class resident housing in Odinstovo, project on Rubtsovskaya embankment, and the project Serebryakovo. Among the key relationship banks of the company the head of AFI Development called Sberbank and VTB. (Interfax)
- ◆ Etalon-LenSpetsSMU rejected the sale of two business centers built in the Primorsky district of St. Petersburg. The company suspended the construction of the Class B+ business centres Bogatirsky and Udelyny Park at the stage of excavation at the end of 2008. According to representatives of the holding company, the time of crises is coming to an end and after 1-2 years these facilities will be in demand on the market. (Arendator.ru)
- ◆ North-West bank of Sberbank of Russia is going to increase its lending credit to construction companies in 2010 by 15-18% in comparison to 2009. Most of these credits will be issued for the implementation of residential projects. The bank has already made announcements about the opening for RBI holding credit line which would amount to 4.6 bln rubles and would last up to the year 2017. Sberbank also plans to provide credits to construction companies Ellis and Glavstroy-SPb. (Kommersant)
- ◆ In 2010, VTB Bank plans to give credits of 20-30 bln rubles, deals for lending about \$400 mln are already in progress. At the same time, 60-70% of the loans will be given for residential projects. (Vedomosti)

- ◆ North Caucasian bank of Sberbank of Russia will provide credit to AFI Development amounting to \$286 mln for the construction and modernization of sanatoriums in the Caucasian Mineral Waters. In particular, funds will be provided for construction and renovation of health centers Park Plaza, Staroe Ozero, and Versal. With the help of credit funds from Sberbank, the company has already built a hotel sanatorium in Kislovodsk named Spa Plaza, and in January 2010, the bank opened AFI Development a credit line of \$20 mln for financing reconstruction costs of the sanatorium "Kalinina" in Zheleznovodsk. (Interfax)
- ◆ The group of companies Tashir bought for approximately \$60 mln obligations under the credit of \$100 mln, which was given by Deutsche Bank. The bank gave this credit to a Cyprus company Blindensol in 2006 which was secured by the shopping centre Europark (86 thousand sq m) on Rublevka. According to a source that is close to Tashir management, Europark is already controlled by the group. (Vedomosti)
- ◆ The group of companies UMACO closed a purchase transaction on the hotel complex Eurolux in southern Moscow. The price of the transaction, which was paid to a group of individuals, is not disclosed. The hotel is planned to be opened in late spring 2010 under the brand of Katerina Park. (UMACO)
- ◆ Nairay Holdings Limited signed a deal with the Scandinavian company Wenaas Hotel Russia to sell hotel "Sheremetevo-2". The buyer belongs to investment fund Wenaasgruppen. (Arendator.ru)
- ◆ Swiss investment and developing company Bier Lumiere Holding bought from the company Vodokanalstroy of a Class A office center project with total area 8.2 thousand sq m on 800 sq m of land on the Universitetskaya embankment in St. Petersburg. It is assumed that the construction will begin in the middle of 2010. (Kommersant)

## Main Factors Affecting the Investment Climate

- ◆ According to the Federal State Statistics Service, industrial production index in Jan-Feb 2010 in comparison with the same period in 2009 amounted to 105.8%, the index of consumer prices – 102.5% (In Jan-Feb 2009 – 104.1%).
- ◆ Foreign trade turnover of Russia in January 2010 totaled \$40 bln, which is 40.6% more than in January 2009.
- ◆ In order to stimulate activity in the banking sector of credit to the economy, on the 24 of February (first time in 2010) the Bank of Russia lowered the refinancing rate from 8.75% to 8.5%.
- ◆ As of March 1, 2010 the volume of international reserve of Russia totaled \$436.3 bln. Thus, for the first two months of 2010 reserves remained virtually unchanged (a decline of only 0.7%).

Indicator	Change	01.01.2010	28.02.2010
USD / RUB		30.19	29.95
EUR / RUB		43.46	40.80
RTS Index		1 444.70	1 410.85
Brent Oil		78.49	77.59

Source: Bank of Russia, RTS, ICE