



H2 2009
MOSCOW
Office market report
Knight Frank

HIGHLIGHTS

- A record level of office completions was initially anticipated for 2009, but a lack of available funding forced many developers to postpone commissioning. While the 1.4m sq m of new office supply in 2009 was only 25% down on the high of 2008, it nevertheless prompted a slowing in the growth of the vacancy rate.
- Total office take-up was just 415,000 sq m in 2009, roughly a quarter of the 2008 total. However, the market experienced a gradual revival in demand in the latter half of 2009, which is now translating into a greater level of transactional activity.
- In 2009 rental rates decreased by 30% and 40% for Class A and B space respectively, with the total fall from the peak of summer 2008 amounting to 55-60%. However, this has provided a real opportunity for companies to acquire space in prestigious areas of Moscow on very competitive terms. Consequently, there is a growing demand for Class A space in the central part of the city.

Moscow City

(Moscow International Business Center)

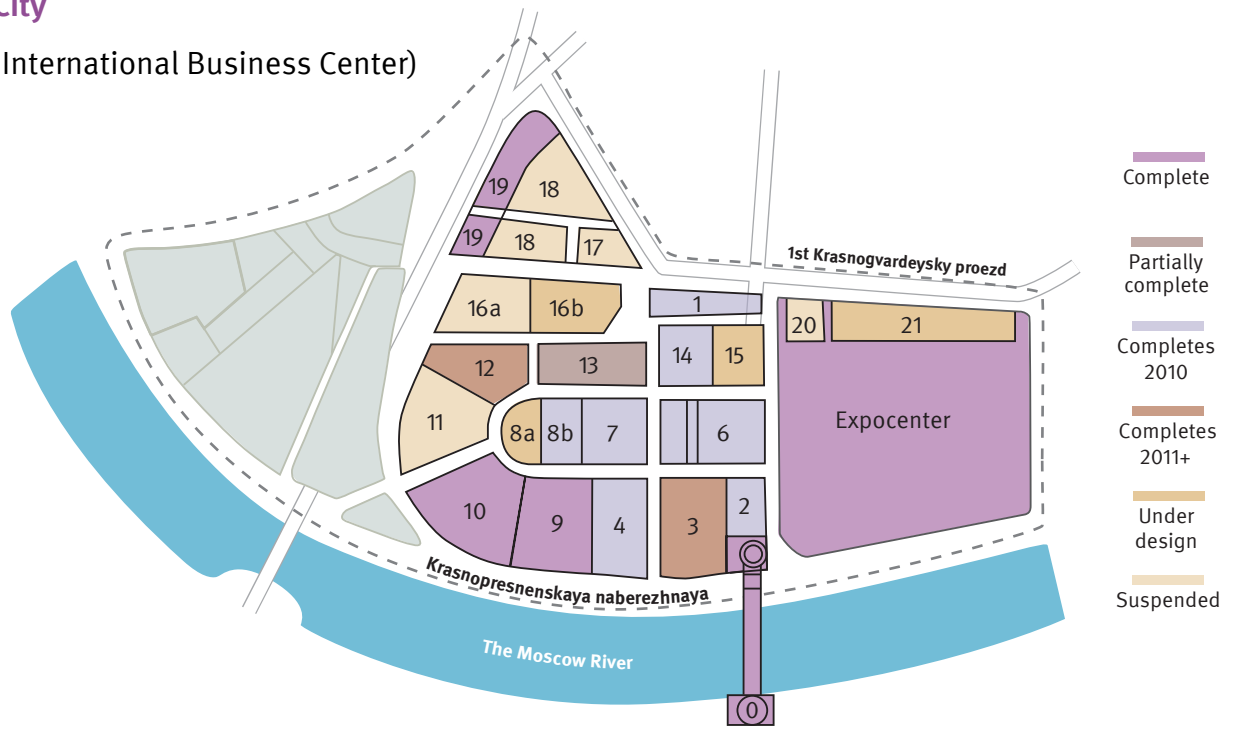
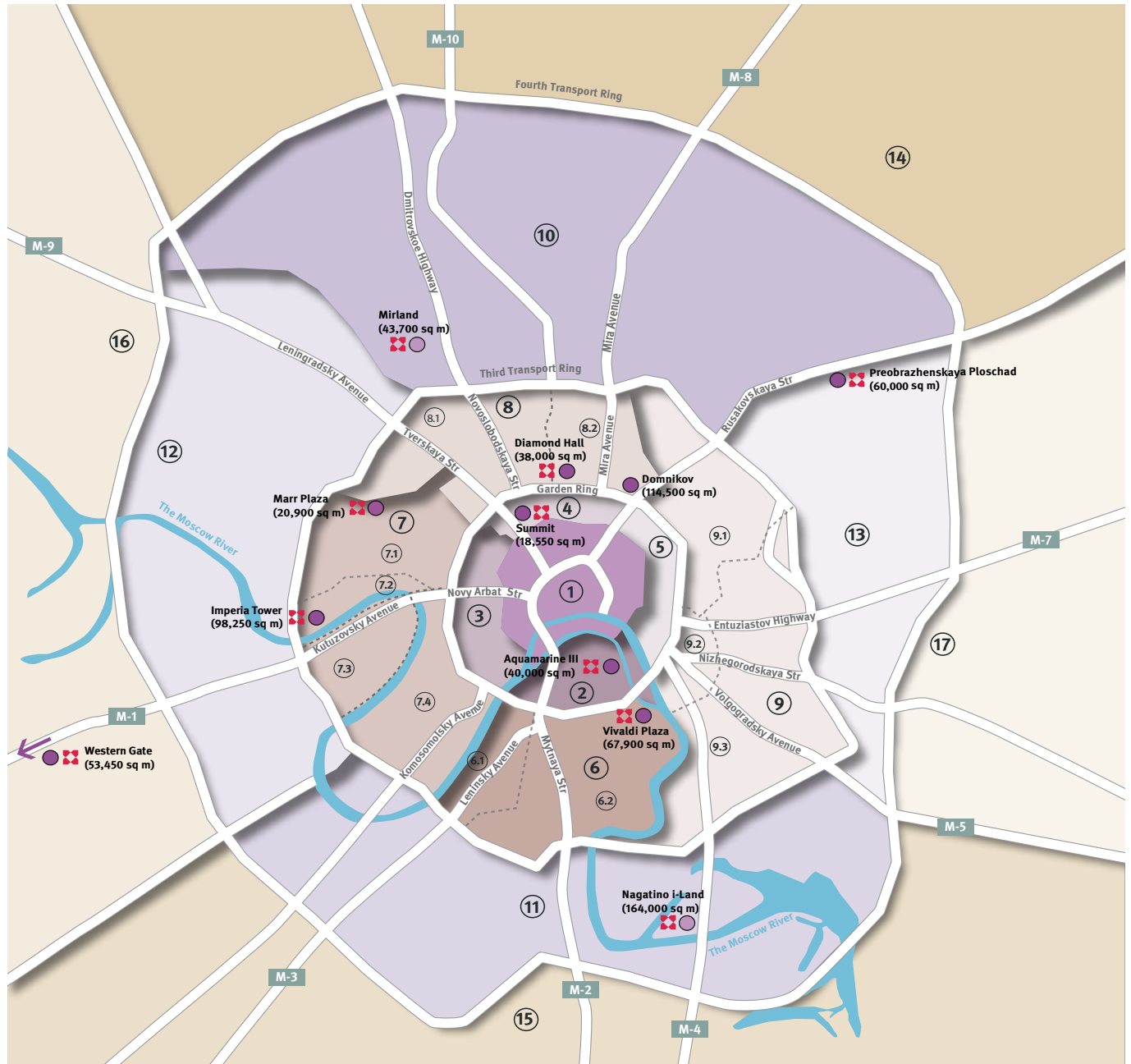


Table 1
Moscow City – developments

Site	Development	Total size (000s sq m)	Office component (000s sq m)	Status	Completion
-	Expocenter	85	-	complete	2009
0	Tower 2000	61	50	complete	2002
1	Parking	170	-	under construction	2010
2	Public Square and Moscow City Museum	19	-	under construction	2010
3	City Palace Tower	169	80	under construction	2013
4	Imperia Tower	288	98	under construction	2010
6	Central Core Parking & Metro Terminal (Underground)	278	-	under construction	2010
6	Central Core Public Complex	22	-	under construction	2010
7, 8b	Mall of Russia	180	-	under construction	2010
8a	Multifunctional Recreation Complex	50	-	under design	n/a
9	Capital City Complex	289	72	complete	2009
10	Naberezhnaya Tower	254	150	complete	2007
11	Transport Terminal	228	122	suspended	
12	Eurasia Tower	203	83	under construction	2011
13	Federation Complex	423	182	partially complete	2010
14	Mercury Office Tower	159	86	under construction	2010
15	Moscow Government Administrative Complex	636	n/a	under design	
16a	Multifunctional Office-Administrative Complex	250	123	suspended	
16b	Parking	180	-	under design	2011
17, 18	Russia Tower	565	140	suspended	
19	Northern Tower	137	78	complete	2008
20	Multifunctional Business-Expo Complex	180	71	suspended	
21	Yuri Dolgoruky	n/a	n/a	under design	

Moscow



Key projects 2010

- Class A
- Class B
- Knight Frank is project consultant

1. Central Business Districts

- 2. GR South
- 3. GR West
- 4. GR North
- 5. GR East
- 6. TTR South
 - 6.1 Leninsky
 - 6.2 Tulsy

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 East
- 17. MKAD West

GR = Garden Ring
 TTR = Third Transport Ring
 FTR = Fourth Transport Ring
 --- Borders of subdistricts



Table 2
Moscow submarket data

Transport Ring	Transport ring average rent (\$ per sq m pa)	Transport ring vacancy rate	Direction	Sub district	Max prime rent (\$ per sq m pa)	Average class A rent (\$ per sq m pa)	Average class B+ rent (\$ per sq m pa)	Stock (class A & B) (sq m)	Vacancy rate
Boulevard Ring	720	15.4%	1 Centre	CBD	1,060	800	660	590,400	15.4%
Garden Ring	680	14.1%	2 South	GRS	880	770	600	764,000	15.1%
			3 West	GRW	1,000	890	680	533,300	9.2%
			4 North	GRN	850	635	675	611,500	13.6%
			5 East	GRE	800	625	560	219,400	23.5%
Third Transport Ring	580	22.6%	6.1 South	LEN	650	650	600	132,200	11.0%
			6.2 South	TUL	550	550	420	564,500	27.9%
			7.1 West	PRES	700	650	540	212,150	28.1%
			7.2 West	CITY	1,100	860	1,000	476,700	23.0%
			7.3 West	KIEV	780	590	580	224,400	45.6%
			7.4 West	KHAM	650	-	585	211,700	8.5%
			8.1 North	TV-NOV	1,050	830	605	609,700	19.2%
			8.2 North	PRM	625	625	560	300,500	2.8%
			9.1 East	BASM	600	-	470	404,100	16.2%
			9.2 East	TAG	675	675	460	248,000	14.6%
Fourth Transport Ring	420	26.2%	10 North	FTRN	500	500	420	495,400	38.0%
			11 South	FTRS	550	390	490	747,500	18.4%
			12 West	FTRW	520	435	360	420,200	14.2%
			13 East	FTRE	550	-	410	363,400	39.9%
MKAD	400	21.4%	14 North	MKADN	730	635	375	385,700	29.3%
			15 South	MKADS	650	-	420	569,800	24.5%
			16 West	MKADW	500	450	405	744,300	19.6%
			17 East	MKADE	410	-	350	171,900	1.3%
Total							10,176,850	20.9%	

Source: Knight Frank

Table 3
Key occupier transactions, H2 2009

Company	Acquired space (sq m)	Address	Property	Class	Quarter
Lease					
Unilever	9,350	13, Sergeya Makeeva str.	Marr Plaza	A	Q4
Deutsche Bank	7,900	3, Begovaya str.	Nordstar Tower	A	Q4
Aeroflot	7,000	10, Arbat str.	Midland Plaza	A	Q3
RTS	5,350	4/7, Vozdvizhenka str.	Mokhovaya II	A	Q3
IES Holding	5,300	7th km from MKAD, Novorizhskoe highway	Riga Land	B+	Q4
Aton*	4,900	20/1, Ovchinnikovskaya nab.	Central City Tower	A	Q3
Purchase (owner occupation)					
Siemens	27,900	9, B. Tatarskaya str.	Legion II	A	Q4
Rosnano	15,000	12, 60-letiya Oktyabrya prospect	Principal Plaza	A	Q3

Source: Knight Frank

*Knight Frank acted as a consultant on the deal



Figure 1
Average class A rents
 US\$ per sq m per annum

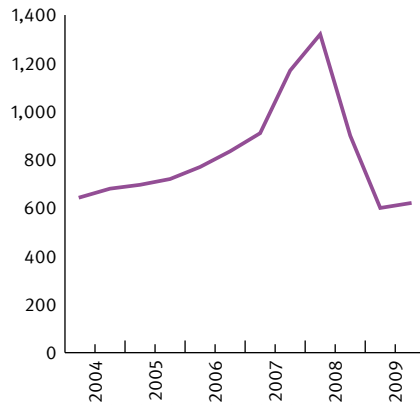


Figure 2
Take-up vs construction completions
 000s sq m



Figure 3
Class A vacancy rate
 %

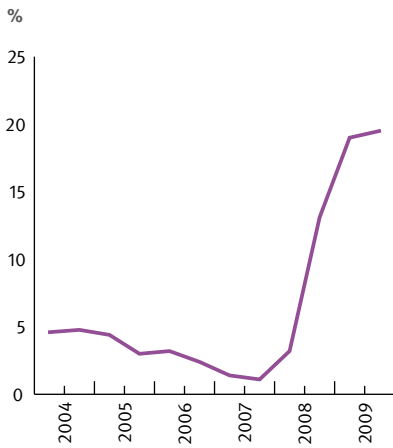


Figure 4
Class A rents by submarket
 US\$ per sq m per annum

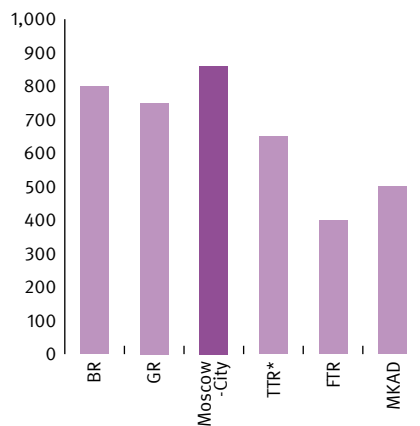
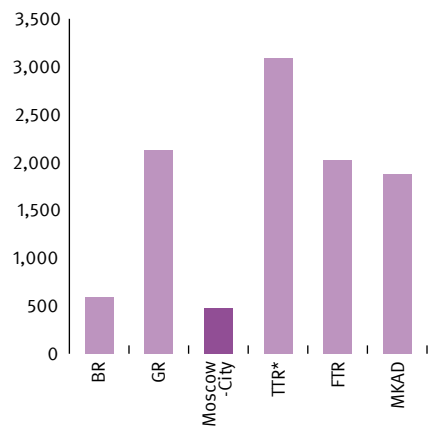


Figure 5
Distribution of total office stock
 000s sq m

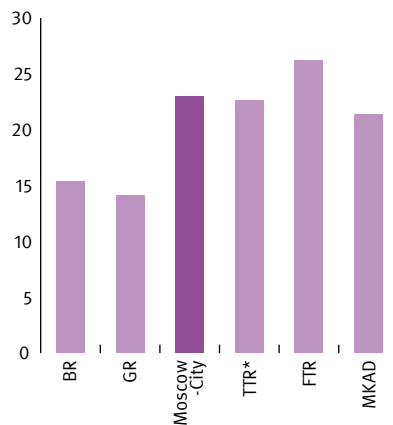


* Excluding Moscow-City

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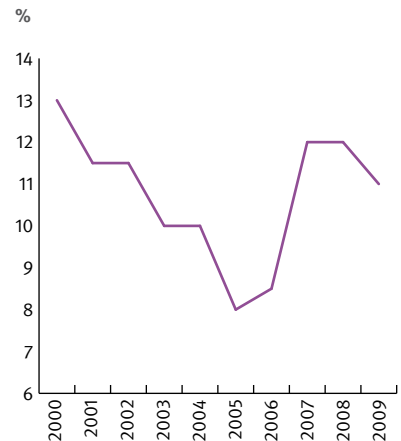
Figure 6
Vacancy rates by submarket**
 %



* Excluding Moscow-City

** Based on Class A and Class B properties

Figure 7
Prime office yields
 %



Source for all graphs: Knight Frank

RESEARCH



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