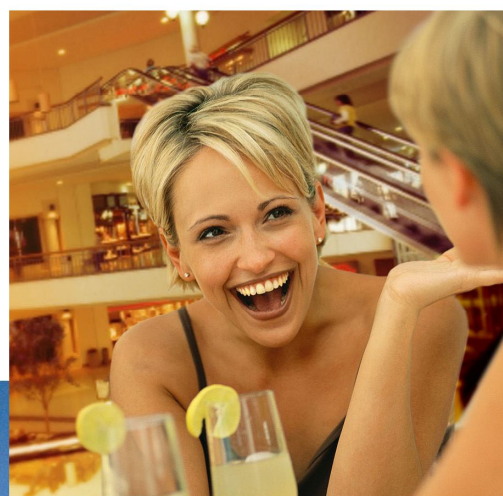


MOSCOW RETAIL PROPERTY MARKET OVERVIEW 2011



MOSCOW
JANUARY 2011

SUPPLY

Two new modern shopping centres were delivered to the Moscow market in Q4 2010 – Gagarinsky and Tsvetnoy Central Market.

Gagarinsky shopping centre (200,000 sq m GBA), developed by Auchan and ZIS, launched on 17 November at the intersection of Vavilova Street and the Third Ring Road (TRR). Gagarinsky shopping centre has three-level parking for 2,500 cars. Anchor tenants include Auchan (24,000 sq m), KIABI (1,700 sq m), Marks & Spencer (1,300 sq m), Detsky Mir (1,940 sq m), Fun City, Sportmaster (5,300 sq m), M.Video (2,500 sq m), Peacocks, Mango, Motivi, Promod, etc.

Tsvetnoy Central Market shopping centre (36,500 sq m GBA), developed by RGI International, opened on 9 December on Tsvetnoy Boulevard. The building has a three-level underground car park for 387 cars. An 8-level centre will include shops, a farmer's market, cafés, bars and a roof-top restaurant.

In total, 11 new shopping centres with 437,200 sq m total GLA were delivered into the Moscow retail property market in 2010. By 2011 the total supply of modern retail space had reached 3,642m sq m and the total number of shopping centres was 111.

However, the geographical distribution of leasable shopping centre space in Moscow is uneven.

The largest share of leasable space in shopping centres is located in the Southern, North-Eastern and Northern administrative districts of Moscow. Their shares of total supply are 17.9%, 15.1% and 13.5% respectively.

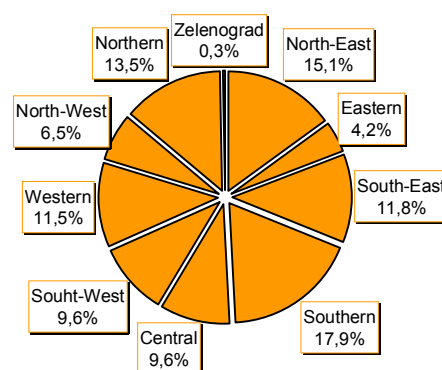
The breakdown of shopping centre leasable space by distance from the city centre is as follows: 1) A significant share (74.7%) is concentrated between the Third Ring Road (TRR) and the Moscow Ring Road (MKAD), including properties on the outer side of the Ring Road; 2) A small proportion of shopping centre leasable space is located in Moscow's centre: 7.1% –

SHOPPING CENTRES COMMISSIONED IN MOSCOW IN 2010

#	Name	Address	GBA, sq m	GLA, sq m
1	Tvoy Dom Phase II	MKAD, 66 th km	57,000	26,000
2	Rechnoy Phase II	2 Festivalnaya st.	26,000	18,200
3	Viva	8 Polyany st.	32,000	21,900
4	Vegas	MKAD, 24 th km	398,000	130,000
5	Armada	140 Varshavskoye hw.	65,000	42,000
6	Marcos Mall	70 Altufevskoye hw.	41,800	22,400
7	Kluchevoy	Bld.2 – 26, Borisovskie prudy st.	25,500	13,000
8	RIO	MKAD, 2 nd km	85,000	67,000
9	Gagarinsky	3, Vavilova st.	200,000	70,000
10	Tsvetnoy Central Market	Bld.1-15, Tsvetnoy blvd.	36,500	16,300
11	Azovsky*	28B Azovskaya st.	21,700	10,400

* Note: the Azovsky shopping centre opened in stages: in March – only the first floor, in December – the shopping centre, "turn-key".

BREAKDOWN OF RETAIL SPACE SUPPLY BY MOSCOW ADMINISTRATIVE DISTRICTS



within the Garden Ring Road, including properties on its outer side, 6.8% – within the territory from the Garden Ring Road to the TRR, including properties on the TRR outer side; 3) Finally, 11.4% of leasable space in Moscow shopping centres is located on the outer side of MKAD.

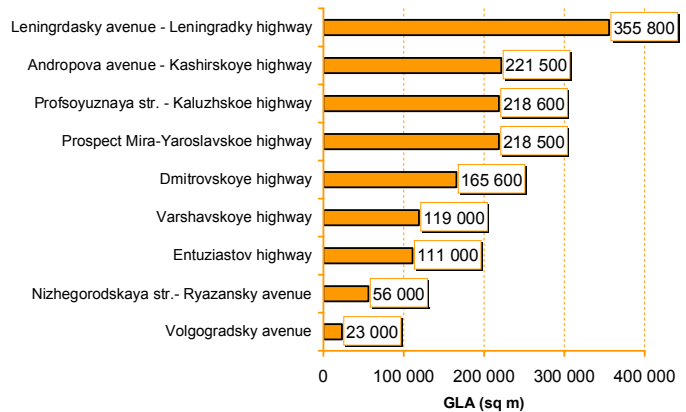
Leningradskoye highway has the largest volume of modern retail space among Moscow's highways: the total supply of leasable space is 355,800 sq m. Such popular shopping centres as Mega Khimki and Metropolis are located there. Approximately the same volume of leasable area in modern shopping centres (from 218,500 sq m to 221,500 sq m) is located on Andropov Avenue – Kashirskoye highway, Profsoyuznaya Street - Kaluzhskoye highway, Prospect Mira – Yaroslavskoye highway. Ryazansky and Volgogradsky Avenues have the lowest retail space supply.

Late in 2010, supply of retail space per person increased to 345 sq m per 1,000 inhabitants. The level of supply in various Moscow districts by leasable area is uneven, due to the uneven distribution of retail property in the city. The highest provision level is registered in the Central (502 sq m per 1,000 inhabitants), Northern (442 sq m per 1,000 inhabitants) and North-East (440 sq m per 1,000 inhabitants) administrative districts of Moscow. The lowest provision level is registered in the Eastern administrative district (109 sq m per 1,000 inhabitants) and Zelenograd (46 sq m per 1,000 inhabitants).

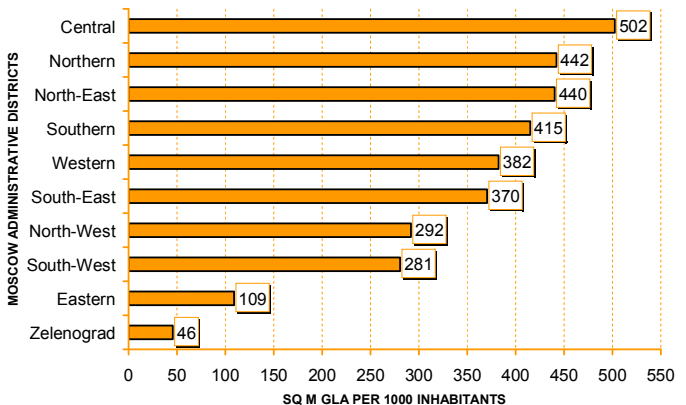
DEMAND

There were positive trends for retail in 2010. According to the Moscow Statistics Authority, total retail turnover in Moscow for the period January-September 2010 amounted to USD6,948.3bn, exceeding the equivalent period in 2009 by 5.7% in comparable prices. At the same time, turnover of retailers in the first nine months of 2010 increased by 6.3% year-on-year, sales of goods in the non-food and food sectors increased by 3.3% year-on-year. Sales of food products increased by 7.2% and consumer goods sales by 4.1% against the previous year.

BREAKDOWN OF MODERN SHOPPING CENTRE SPACE SUPPLY BY MAJOR MOSCOW HIGHWAYS



MODERN SHOPPING CENTRE SPACE IN MOSCOW ADMINISTRATIVE DISTRICTS



Tsvetnoy Central Market shopping centre includes a farmer's market

Positive trends in retail favourably impacted operating results and plans for further development of retail chains. Compared with the previous year, 2010 demand for retail space from potential tenants in the Moscow market increased.

The average vacancy rate in Moscow shopping centres has dropped down by 3.5% since the beginning of 2010, and by 4.2% since the end of 2009, when it stood at 7.2%.

According to the research by MAGAZIN MAGAZINOV part of the CB Richard Ellis network, in Q4 2010 vacancy rates in the Moscow market declined, both in new shopping centres (opened from 1 January 2010 until 31 December 2010) and in those centres operating for more than one year (opened before 31 December 2009). In Q4, the vacancy rate of the first group of properties was 4.1% (a decrease of 2.7% compared with Q3 and 6.3% compared with Q2), while the vacancy rate of the second group was 2.9% (a decrease of 0.3% compared with Q3 and 1.7% compared with Q2).

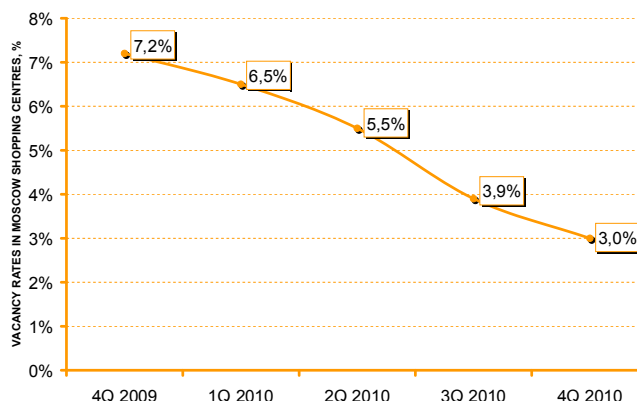
RENTS

In H1 2010, the average rental rates in Moscow shopping centres were stable. Despite the active search for new premises by retailers, available market supply of premises in existing and scheduled-for-opening shopping centres exceeded demand and the slowdown in rental rates increased.

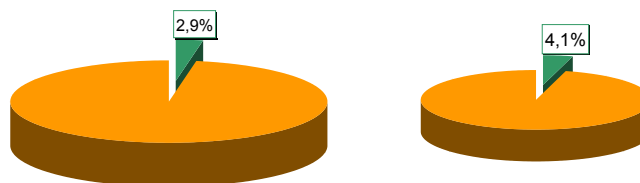
In H2 2010 rental rates began to rise due to an increase in demand and a decrease in vacancy rates. In Q3 the average rental rates in Moscow shopping centres rose by 7–8%, in part due to seasonal market increases, and at the year-end had reached about 10%.

Average rental rates for anchor tenants currently vary from USD100-600/sq m/year, depending on the size and format of premises and other criteria. Contracts are typically concluded for lease periods of between 10-25 years. The average size of operating expenses for anchor tenants is USD50–70/sq m/year, excluding VAT.

VACANCY RATES IN MOSCOW SHOPPING CENTRES



VACANCY RATES IN MOSCOW SHOPPING CENTRES OPENED BEFORE JANUARY 2009 (LEFT CHART) AND FROM JANUARY 2009 TO JANUARY 2010 (RIGHT CHART)



AVERAGE RENTAL RATES IN MOSCOW SHOPPING CENTRES IN Q4 2010

Tenant	Space, sq m	Average rental rates range, USD/sq m/year (excluding VAT and operating expenses)	
		Q4 2009	Q4 2010
Anchor tenants	>5,000	100 – 220	100 – 250
	2,000 – 5,000	230 – 420	250 – 450
Small anchor tenants	1,000 – 2,000	350 – 550	400 – 600
Inline tenants	>600	550 – 750	600 – 800
	300 – 600	750 – 1,100	800 – 1,200
	100 – 300	1,100 – 1,700	1,200 – 1,800
	50 – 100	1,400 – 2,100	1,500 – 2,300
	<50	1,800 – 2,800	2,000 – 3,000

Average rental rates for inline tenants occupying less than 50 sq m vary from USD2,000-3,000/sq.m./year. In most cases, lease contracts for inline tenants are agreed for periods of 3-5 years. Average operating expenses are USD150–170/sq m/year, excluding VAT.

FORECAST

In 2010 the main indicators for Moscow retail property were all positive: increased demand for retail space from potential tenants, increased rental rates and reduced vacancy rates in shopping centers.

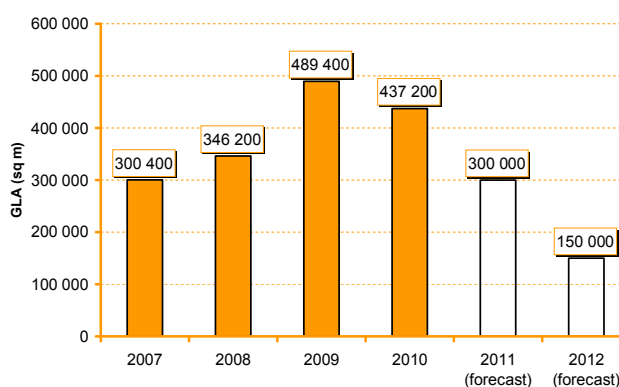
The mentioned trends, including the sustainable growth of rental rates, are expected to continue in 2011. One of the main factors for further growth of rental rates is a forecast reduction of supply during 2011–2013. At the moment about 450, 000 sq m GLA of modern shopping centre space in Moscow is under construction. The following shopping centres are scheduled to be delivered in 2011: Afimall City (postponed from the end of 2010), River Mall, Kaleidoskop, Gallery Moscow (shopping element of the Moscow hotel), Severnoye Chertanovo (as part of mixed-use scheme), SC on Planernaya Street (as part of a transport hub), Parus, Severnoye Siyanie. The GLA of the projects amounts to 321,500 sq m. With the delivery of outlet centres – Fashion House Moscow and Outlet Village Belaya Dacha – the total new retail supply may increase to 390,000 sq m in 2011. But in either case the volume of retail space will be lower than in 2009–2010.

Given that construction of new schemes still has not started, a further reduction of new retail space is already anticipated for 2012–2013, with 150,000-200,000 sq m each year predicted.

MOSCOW SHOPPING CENTRES UNDER CONSTRUCTION

#	Name	Address	GBA, sq m	GLA, sq m
1	Afimall City	site 6,7,8B, Krasnopresnenskaya emb.	179,000	114,000
2	River Mall	16-18 Avtozavodskaya st.	258,000	88,000
3	Hudson	Est.12, Kashirskoye hw.	120,000	70,000
4	Kaleidoskop	7-23 Khimkinsky blvd.	70,000	35,000
5	SC on Porechnaya street	Intersection of Porechnaya and Bratislavskaya st.	135,000	35,000
6	Favorit	2 Uzhnobotovskaya st.	37,000	24,000
7	Gallery Moscow	2 Okhotny Ryad st.	28,000	21 000
8	Severnoye Chertanovo	Est. 1A, Severnoye Chertanovo district	35,000	20 000
9	SC on Planernaya street	Planernaya st.	55,440	17 000
10	Parus	1 Novokurkinskoye hw.	35,500	17 000
11	Severnoye Siyanie	4 th district of Severnoye Butovo	20,000	9 500

GLA OF MOSCOW SHOPPING CENTRES DELIVERED IN 2006–2010, FORECAST FOR 2011-2012



Analysis based on the results of research studies performed by MAGAZIN MAGAZINOV, part of the CB Richard Ellis Affiliate network including quarterly monitoring of the Moscow retail property market, actual deals and expert estimates of market trends.