



**CUSHMAN &
WAKEFIELD**
Global Real Estate Solutions

CUSHMAN & WAKEFIELD RESEARCH

RETAIL SPACE ACROSS RUSSIA 2011



INTRODUCTION

The present report has been prepared by Cushman & Wakefield in order to provide a retail real estate market overview of various Russian cities.

By now, the country has reached the stage of post-crisis recovery. Traditionally, retail is considered a key driver of economic growth. The country is huge, spreading through several time zones, and each city has its own unique character and real estate market characteristics. Consumer behavior varies across the country with many variables influencing a specific location: the level of economic development, welfare of the population, income level, purchasing habits, etc. We trust that this report will serve as an introduction to the retail real estate market in the present changing environment.

The information used here is based on regular monitoring of cities, on Cushman & Wakefield's databases, on national and regional statistics, as well as on our own analysis.

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MOSCOW

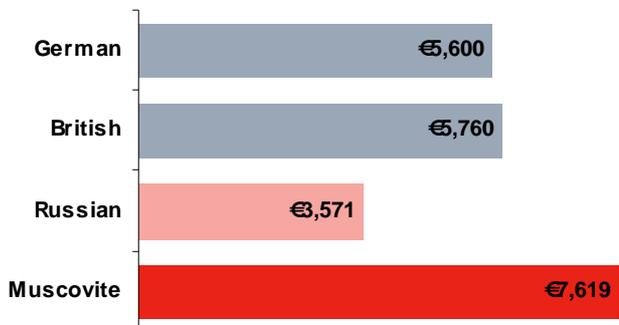


Vegas, the biggest shopping center (GLA 130,000 sq m) delivered in 2010 by Crocus International

Moscow is the biggest consumer market in Russia. According to preliminary result of the 2010 census, 11.7 million people live in the city. In terms of retail sales, it is about 5 times bigger than St. Petersburg and over 20 times bigger than other “millionniki”.

Muscovites are active consumers. They spend over 70% of every-

COMPARISON OF ANNUAL RETAIL SPENDING PER PERSON IN EUROPE



thing they earn in stores. In recent times, people tend to spend more time in shops and malls and it has become a cultural element of Moscow life. After the collapse of the USSR, the whole new industry of modern retail was built from scratch with the major focus on shopping malls. Streets (even prime corridors) are not well-suited for shopping, however high foot traffic keeps street retail rents high.

Heavy traffic is a major problem for Moscow, so for most shopping malls, accessibility is a prime issue. It is the major factor that

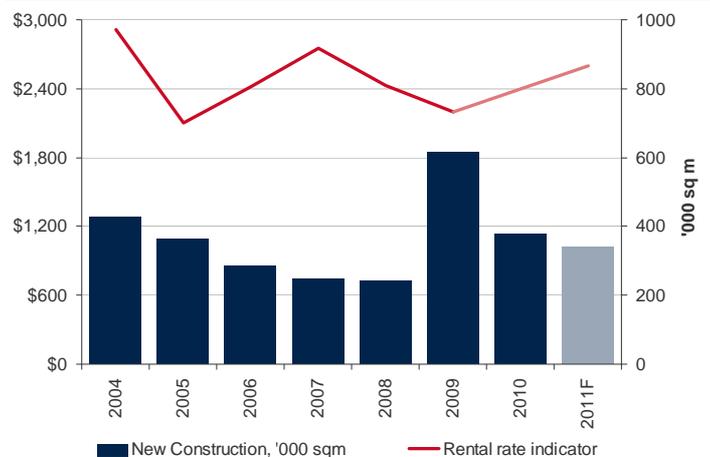
DETAILED AND UPDATED INFORMATION ON MOSCOW MARKET CAN ALWAYS BE FOUND AT WWW.MARKETBEAT.RU

restricts consumers to shopping malls. The most popular shopping centers

report annual foot traffic of over 20 million people. With most shopping malls located along major highways, the generated traffic creates permanent headaches for the city's administration. The new administration appointed in October 2010 is trying to address this problem by limiting construction activity.

After a difficult 2009, the market recovered fairly quickly. First, consumers returned to stores and then retailers moved after. However, while the pipeline in Moscow is impressive, not many schemes were actually delivered in 2009-2010. Many shopping malls remain frozen and no new projects are announced. This is a good news for those who are developing now as they have good visibility over 5 years pipeline.

NEW CONSTRUCTION AND RETAIL RENTS IN MOSCOW



Sales density is a very important indicator. Retailers need to have enough sales in order to justify high rental rates in shopping centers. The consumption boom and consumer inflation drive and stimulate retail sales growth. Successful retail businesses are able to generate up to \$10,000 or more of annual turnover from each square meter.

The retail business is not transparent in Russia and the accurate measurement of sales densities is not feasible. The tables below show some approximate figures for different business types and locations. Sales densities in Russia are currently slightly higher than in Western countries.

SELECTED SALES DENSITIES IN MOSCOW, USD/SQ M/YEAR

Business type	Min, USD per sq m	Max, USD per sq m
Hypermarkets	\$4,600	\$10,000
Clothing	\$2,200	\$10,000
Entertainment	\$8,000	\$10,000

SALES DENSITIES IN REGIONS, USD/SQ M/YEAR

Business type	Min, USD per sq m	Max, USD per sq m
Hypermarkets	\$4,500	\$10,000
Clothing	\$2,200	\$10,000
Sportswear	\$1,100	\$2,200
White&Brown	\$7,000	\$9,000
Entertainment	\$5,000	\$8,000

TULA

	2009	% Ref*
POPULATION, '000 inhabitants	492.0	35.8%
RETAIL TRADE TURNOVER, mn RUR	17,117.1	22.4%
AVERAGE MONTHLY SALARY, RUR	15,945.1	68.7%
RETAIL STOCK, sq m/ 1,000 citizens	30	8.8%

*compared to Ekaterinburg (reference city for regional comparisons)

RIO (2010, GLA 15,000 sq m)



Tula is quite a large city (population about 500,000), located about 200 km from Moscow. Traditionally, the main industries of the city and the entire region are metallurgy and the defense industry. Proximity to Moscow and almost 100% dependence on the state budget were the factors that hampered the city's development starting from the end of the 1990's. A significant part of the population works in Moscow as it offers more job opportunities



and higher salaries, returning home for weekends.

Retail segment had the same pattern: people from Tula were keen to visit large Moscow supermarkets (many of them are located on the route connecting two cities), rather than shop locally.

The environment started to change recently, when national and international business came to the region (Procter&Gamble, Cargill, Knauf, Baltika, Wimm-Bill-Dann).

Although there's only one quality shopping center at the moment (RIO — with 15,000 GLA). There are about 80,000 sq m more in retail space in the pipeline for 2011 and 2012.

The main street-retail corridors are along Lenina and Krasnoarmaisky Prospects.

RETAIL SPACE. '000 sq m GLA



SELECTED RETAIL PROPERTIES

	Delivery	Total, sq m	Retail, sq m
Existing			
RIO	2010	25,000	15,000
Under Construction			
Gostinniy Dvor	2012	31,000	20,000
Likerka Loft	2011	30,000	15,000
Existing			
Evropa	2012	60,000	45,000
SC_OST Group Project	2014	120,000	90,000
Oktyabr'skaya and Karpo	2013	82,863	51,781

LIPETSK

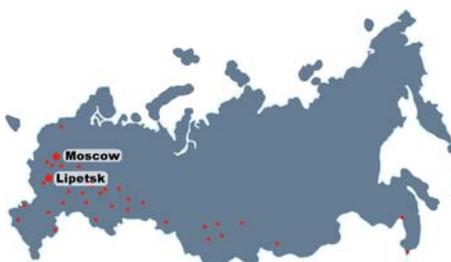
	2009	% Ref*
POPULATION, '000 inhabitants	502.0	36.5%
RETAIL TRADE TURNOVER, mn RUR	24,148.8	31.6%
AVERAGE MONTHLY SALARY, RUR	17,695.3	76.2%
RETAIL STOCK, sq m/ 1,000 citizens	178	52.1%

*compared to Ekaterinburg (reference city for regional comparisons)

Evropa (2010, GLA 43,000 sq m)



Lipetsk has a strong economic base with well-developed industrial sectors (metallurgy, construction and machinery engineering). The status of Lipetsk as a special economic zone attracts businesses to the city and provides stable employment prospects. During the crisis, retail turnover in the region increased by 12% in comparison to 5% on average in Russia with the discounted and mass-market



products dominating in quantity of sales.

The retail market is the most developed sector of commercial real estate in the city. A number of modern shopping centers were delivered since 2005, including Lipetsk, Mall, and Noyabrsky. The shortage of retail premises in the center was compensated with the delivery of SC Evropa in 2010. There was a big pipeline of frozen projects that were planned for 2008 and 2009 but did not come to fruition due to the economic downturn and liquidity problems.

Main retail corridors are Sovetskaya Street and Prospect Pobedy. The majority of international and federal chain retailers are already present in the city, such as REAL, O'Key, Media Markt, Vester, Liniya, Perekrestok, Technosila, Magnit, Metro Cash & Carry, Detskiy Mir, Eldorado, Carlo Pazolini, Chester, Rieker, Ostin, Accessorize, and the brands of the Inditex group of companies.

RETAIL SPACE. '000 sq m GLA



SELECTED RETAIL PROPERTIES

	Delivery	Total, sq m	Retail, sq m
Existing			
Na Tereshkovoy (Mall)	2009	48,958	26,161
Raduga (Finstar)	2010	11,296	7,300
Lipetsk	2006	18,000	13,000
Evropa	2010	60,000	43,000
Under Construction			
Planned			

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