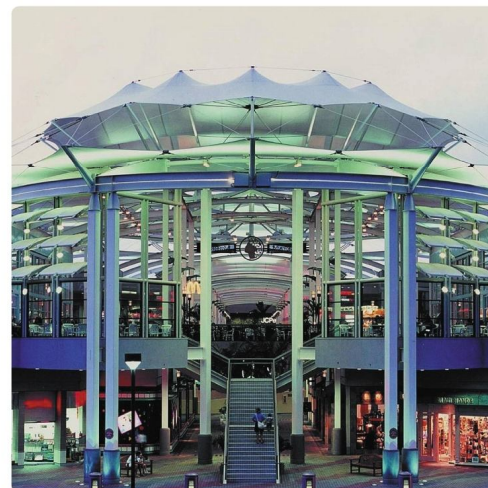
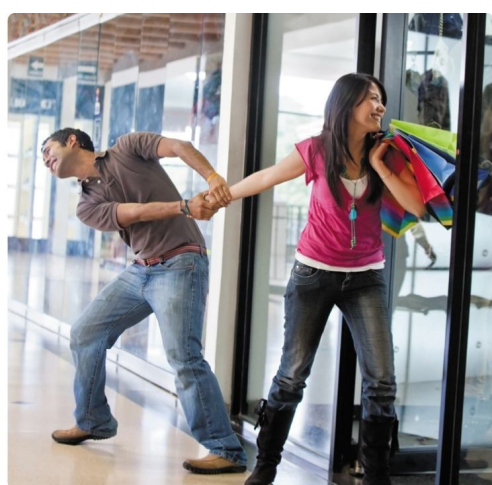


MOSCOW RETAIL PROPERTY MARKET OVERVIEW



H1 | 2011

SUMMARY

- The first half of 2011 was marked by growth of investor activities in the shopping centres segment. This period has brought more sale and purchase deals for operating shopping centres than the whole of 2010.
- While the retailer's confidence is growing the demand for retail space in shopping centres demonstrates the recovery. The most successful shopping centres returned to the regular practice of tenant rotation to gain tenant mix efficiency.
- Moscow City Government has sealed the fate of large shopping centres – there will be no more new shopping centres in the centre of the capital. And the owners of the SC on MKAD (Moscow Ring Road) are to invest in transport infrastructure development.

SUPPLY

Three new modern shopping centres were delivered in the Moscow market in H1 2011 – AFIMALL City SEC, Planernaya SC and Severnoye Siyanie SEC, increasing the total supply of the retail property market by 140,700 sq m. By the beginning of July the total supply of modern retail space had reached 3.783m sq m GLA¹ (114 shopping centres). The amount of quality retail space in Moscow reached 329 sq m GLA/1,000 citizens. The drop in the index compared with the previous period was as a result of updated resident population figures in Moscow following the results of the Russian National population census in 2010.

Planernaya shopping centre (55,400 sq m GBA, 17,000 sq m GLA) launched on February 2011. It is situated near the Planernaya metro station, occupying three levels of a large hub. Perekrestok supermarket is the largest tenant.

Severnoye Siyanie shopping and entertainment centre (20,000 sq m GBA, 9,500 sq m GLA) opened in May in the Severnoye Butovo district of Moscow. The shopping and entertainment centre includes four retail levels. The anchor tenants are Victoria supermarket and multiplex cinema.

One of the largest and most significant shopping and entertainment centres in Moscow opened in the first part of the year. AFIMALL City, developed by AFI Development (LSE:AFID), has five retail levels and includes most of the largest and most popular international and Russian brands: Uniqlo, H&M, New Yorker, Inditex Group, Marks & Spencer, X5 Retail Group (Green Perekrestok), Eldorado, Sportmaster, multiplex cinema, Formula Kino and entertainment centre Cosmic and others.

DEMAND

There were positive trends for retail in 1H 2011. According to the Moscow Statistics Authority, total retail turnover in Moscow for the period January-May 2011 amounted to 1.287,2 bn rubles (USD 44.9 bn), exceeding the equivalent period in 2010 by 4.7% in comparable prices.

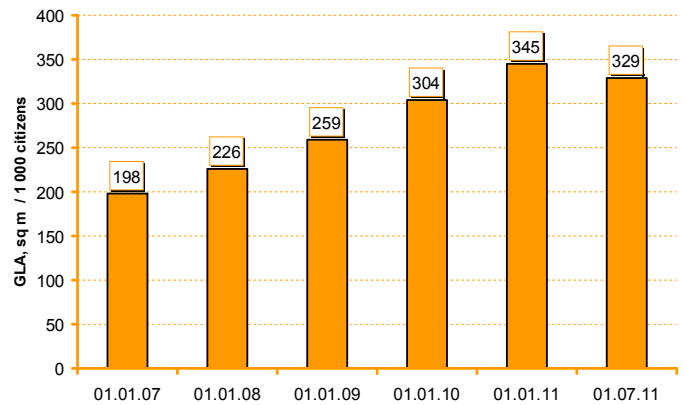
Positive trends in retail favourably impacted operating results and plans for further development of retail chains. As a result the H1 2001 showed strong demand for retail space from potential tenants.

The past six months brought into the Moscow retail market a number of new brands such as Wendy's, Kitchenette, American Eagle Outfitters, Tally Weijl, Petit Patapon, EMU Australia & BLOCH, DC shoes and Pandora.

SHOPPING CENTRES COMMISSIONED IN MOSCOW IN 1 H 2011

No	Name	Address	GBA, sq m	GLA, sq m
1	Planernaya	7, Planernaya st.	55,400	17,000
2	AFIMALL CITY	2, Presnenskaya emb	179,400	114,200
3	Severnoye Siyanie (North Light)	4A district, Dmitry Donskoy blvrd	20,000	9,500

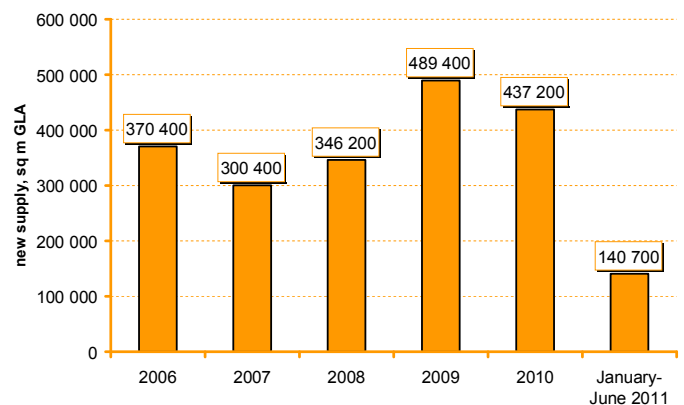
SUPPLY OF QUALITY RETAIL SPACE SQ M GLA/1000 PEOPLE IN MOSCOW IN 2006-2011



AFIMALL CITY, SHOPPING AND ENTERTAINMENT CENTRE, MOSCOW



GLA OF MOSCOW SHOPPING CENTRES COMMISSIONED IN 2006-2011



Regardless of delivering new retail schemes, the average vacancy rate in Moscow shopping centres has remained still at 3% as of the end of June 2011, maintaining the level at the end of the 2010.

RENTS

The average rental rates in Moscow shopping centres raised in H1 2011 by 5-7% in comparison with Q4 2010. Rents were boosted through growing demand for retail space and shortage of available market supply of premises with a good location.

Average rental rates for anchor tenants and small anchor tenants currently vary from USD150-700/sq m/year, depending on the size and format of premises and other criteria. Contracts are typically concluded for lease periods of 10-25 years. Average operating expenses for anchor tenants are USD50-70/sq m/year excluding VAT.

Average rental rates for inline tenants occupying less than 50 sq m vary between USD2,400 - USD3,300/sq m/year; for tenants occupying 50-100 sq m – USD1,800 – USD2,500/sq m/year; for 100-300 sq m – USD1,300 – USD1,800/sq m/year; for 300 - 600 sq m – USD900 - USD1,300 /sq m/year; for tenants occupying more than 600 sq m – USD750 - USD900/sq m/year.

In most cases lease contracts for inline tenants are agreed for periods of three to five years. Average operating expenses are USD150-170/sq m/year excluding VAT.

INVESTMENT TRANSACTIONS

H1 of 2011 was far more impressive than the whole of 2010 in terms of investment activity in the retail segment.

In May one of the largest European real estate owners – IMMOFINANZ Group - became the sole owner of shopping and entertainment centre Goodzone which is currently under development (120,000 sq m GBA, 70,000 sq m GLA), having purchased the final 25%-share of the scheme (75% of the scheme was purchased in 2007).

SEC Kaluzhskiy was purchased by BIN Group. This successful shopping and entertainment centre (29,000 sq m GBA, 17, 000 GLA) has been operating since 2003.

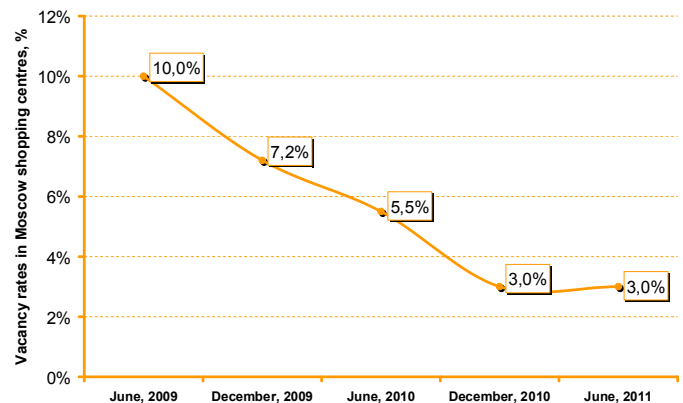
It became known in June that Rubin (Moscow TV plant) sold SEC Filion and SC Gorbushkin dvor.

And in the beginning of July it also became known that Capital Group sold three Metromarket shopping centres, located in different districts of Moscow, to RMB Invest Fund.

FORECAST

As for today, developers have announced plans to open 14 modern shopping centres in Moscow by the end of 2012 with a total GLA of 530,000 sq m. The list of scheduled-to-commission schemes include River Mall shopping centre (88,000 sq m GLA), GoodZone (70,000 sq m GLA), Otrada (70,000 sq m GLA), shopping centre on Altufevskoye highway by FinStroy company (56,000 sq m GLA), Outlet village Belaya Dacha (38,000 sq m GLA), Kaleidoscope

VACANCY RATES IN MOSCOW SHOPPING CENTRES



AVERAGE RENTAL RATES IN MOSCOW SHOPPING CENTRES IN Q2 2011

Tenant	Space, sq m	Average rental rates range, USD/sq m/year (excluding VAT and operating expenses)	
		Q4 2010	Q2 2011
Anchor	>5,000	100 – 250	150 – 250
	2,000 – 5,000	250 – 450	300 – 450
Small anchor	1,000 – 2,000	400 – 600	500 – 700
Inline tenants	>600	600 – 800	750 – 900
	300 – 600	800 – 1,200	900 – 1,300
	100 – 300	1,200 – 1,800	1,300 – 1,800
	50 – 100	1,500 – 2,300	1,800 – 2,500
	<50	2,000 – 3,000	2,400 – 3,300

INVESTMENT TRANSACTIONS IN MOSCOW RETAIL PROPERTY MARKET IN 1H 2011.

No	Name	Investor	GBA, sq m	GLA, sq m
1	GoodZone	IMMOFINANZ Group	120,000	70,000
2	Kaluzhskiy	Группа БИИ	29,000	17,100
3	Filion	Complex investments *	129,000	55,000
4	Gorbushkin Dvor	Complex investments *	60,000	35,000
5	Metromarket at Timiryazevskaya	RMB Invest	8,000	5,600
6	Metromarket at Sokol	RMB Invest	6,700	4,925
7	Metromarket at Proletarskaya	RMB Invest	3,473	2,518

* Note: Unconfirmed data

(35,000 sq m GLA), Fashion House Moscow Outlet Centre (28,765 sq m GLA) and others.

In respect of mid-term prospects for development in the Moscow retail property market, we forecast the maintenance of two diverging trends: the increase in demand for retail space and decrease in supply of premises in existing and scheduled-for-opening shopping centres, which will be followed by rental rates growth.

MOSCOW SHOPPING CENTRES UNDER CONSTRUCTION, PLANNED TO OPEN IN 2011-2012.*

No	Name	Address	GBA, sq m	GLA, sq m
1	River Mall	16-18, Avtozavodskaya str.	258,000	88,000
2	Goodzone	12, Kashirskoye highway	120,000	70,000
3	Otrada	Pyatnitskoye highway	85,000	70,000
4	Shopping centre	Altufievskoye highway	80,000	56,000
5	Outlet village Belaya Dacha	Novoryazanskoye highway	40,800	38,000
6	Kaleidoskop	7-23, Khimkinskiy blvrd.	70,000	35,000
7	RIO	109, Leninskiy av.	76,000	30,000
8	Fashion House Moscow Outlet Centre	Leningradskoye highway, Chernaya Gryaz Village	40,000	28,765
9	Favorit	2, Yuzhnobutovskaya str.	37,000	24,000
10	Moscow Gallery	2, Okhotniy ryad str.	28,000	21,000
11	Severnioe Chertanovo	1A, Severnoye Chertanovo distr	35,000	20,000
12	Moscvorechie	Moscvorechie str.	30,000	19,500
13	Parus	1, Novokurkinskoe highway	35,500	17,000
14	Street	7, Venevskaya str.	32,700	16,700

* Note: The opening date is based on developers' plans declared in the press as of June 2011, or due to construction facts

¹ Rental rates exclude VAT and operating expenses

² GBA - Gross Building Area; GLA - Gross Leasable Area

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.