

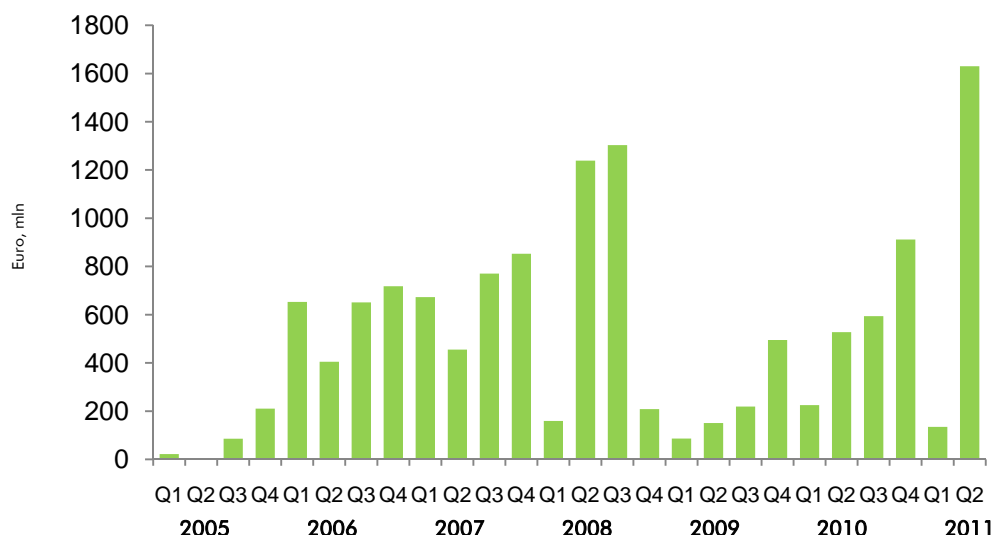
Hot Topics

- Q2 saw the largest ever quarterly investment volume in Russia
- Domestic investors continued to pre-dominate
- Yields for prime office objects compressed sharply to 9% as sentiment recovered
- Office and Retail remained the most attractive sub-sectors
- Purchase of Ritz-Carlton Hotel in central Moscow was the largest deal
- Moscow remained the destination for the large majority of investment

OVERVIEW

Confidence demonstrably returned to the Russian real estate investment market in the second quarter of 2011, with international investors joining domestic ones in making acquisitions. The overall investment volume was robust, offering the potential for 2011 to match the record levels of investment seen in 2007 and 2008.

Investment Volumes by quarter, 2005 - 2011



DEALS

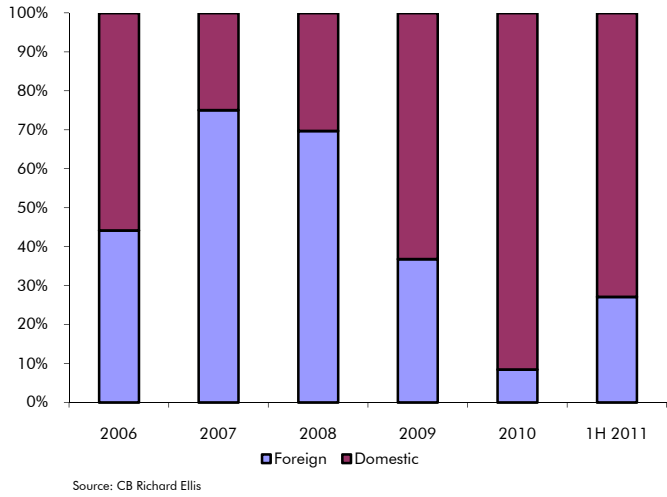
The total volume of deals transacted in 1H 2011 was Euro1.77 billion, in 13 deals. The second quarter of 2011 saw the largest ever quarterly volume of deals in Russia: over Euro1.6 billion was transacted in 11 deals. Even during the high-growth years of 2005-2008, the largest amount in any one quarter (Q3 2008) was Euro1.3 billion (20 deals).

The largest deal in H1 2011 was the purchase of the 334-room Ritz-Carlton Hotel in central Moscow for an estimated Euro424 million by Verry Capital of Kazakhstan from Capital Partners. The hotel sector has hitherto been a niche investment sector in Russia, due mainly to the lack of investment-grade supply.

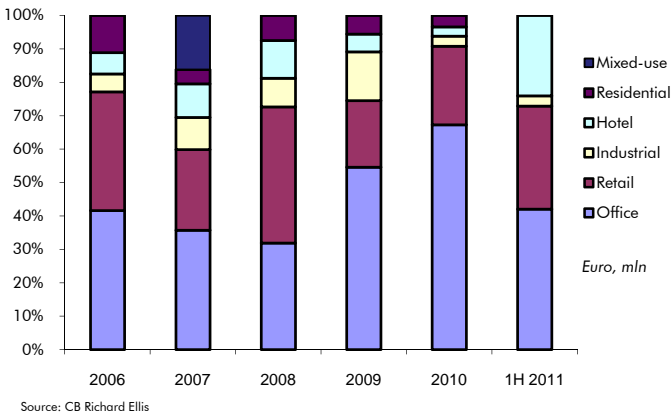
Other notable deals in H1 2011 included:

- a 47% stake of White Square business centre in CBD (110,750 sqm), purchased in Q2 by a consortium of VTB and TPG from Coalco. The sale price was not announced.
- The same consortium of VTB and TPG at the same time purchased approximately 50% of White Gardens business centre in CBD (95,000 sqm, still under construction, due for delivery at the end of 2012) from Coalco. Again, the sale price was not announced.
- Alfa Arbat business centre in CBD (47,200 sqm), bought by Promsvyaznedvizhimost from TNK-BP in Q2.
- Kaluzhsky shopping centre in south-west Moscow (57,000 sq m), bought by Binbank from Z-Build in Q2.
- Filion shopping centre in western Moscow (128,000 sq m), bought by Kompleksnie Investicii from Rubin Development in Q2.
- Gorbushkin Dvor shopping centre in western Moscow (60,000 sq m), bought by Kompleksnie Investicii from Rubin Development in Q2.
- FM Logistic Industrial Park in Khimki, to the north of Moscow (75,000 sq m), bought by Hines Global REIT (USA) from AIG Global Real Estate and others in Q2.
- Classic business centre in CBD (45,000 sqm), bought by Lenmar Capital (controlled by Otkritie) from Kopernik Group in Q1.

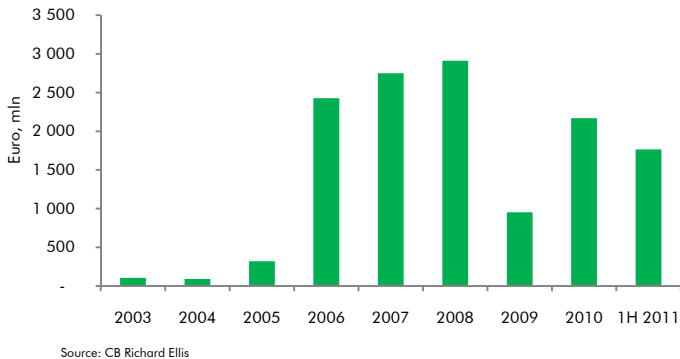
Foreign/Local investors, 2006 - 1H2011



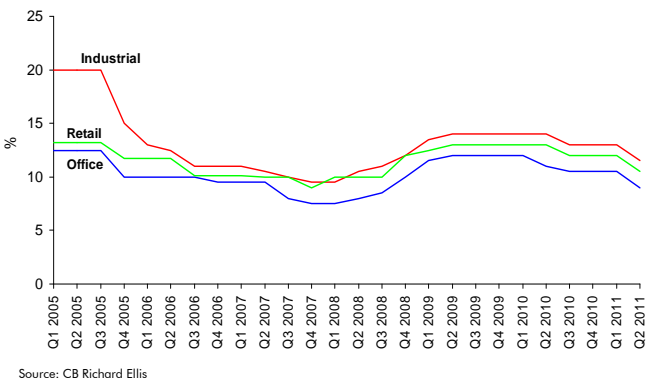
Investment by sector, 2006 - 1H2011



Annual investment volumes



Prime yields (%)



There were just two deals outside Moscow: Aeroplaz business centre in St. Petersburg (33,000 sq m), bought by a St. Petersburg real estate agency PAN for Euro35 million; and SanMart shopping centre in Kaluga (47,000 sq m), bought by Torgov Kvartal from London and Regional Properties.

As in recent years, domestic investors led: just two deals involved foreign investors, accounting for 27% of the total. These came from the USA and Kazakhstan.

SECTOR

The office sector remained the most popular segment for investment in 1H, accounting for 42% by volume in six deals. Retail was the next most popular, accounting for 31% in five deals.

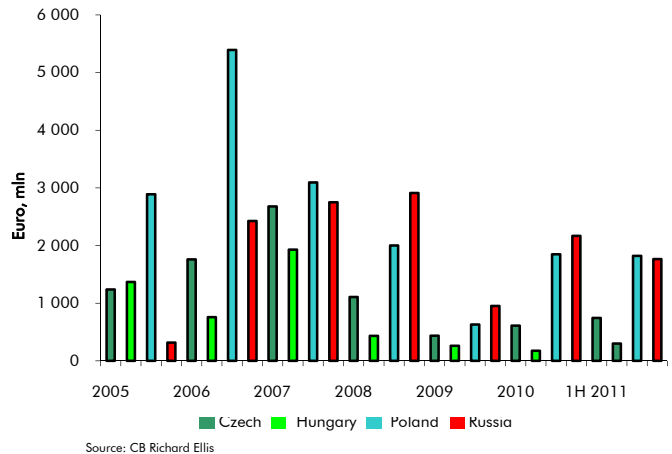
YIELDS

While there are still relatively few deals on the market, investor demand has nevertheless clearly strengthened, and thus we have applied a substantial compression in the estimated prime yield level in Q2. We believe that by the end of Q2, a fully-let prime office object in Moscow sold at open tender could have achieved a net yield of 9%, with 10.5% for shopping centres and 11.5% for industrial objects. The lack of investment-grade supply remains, and will remain, a key factor in this - especially in the office segment: due to the financial crisis, new developments were frozen or abandoned, with the result that delivery levels are currently very low, and not set to recover until 2013-2014. This is compounded by Moscow's city government suspending new construction permits while it reviews its city development plan. Consequently there is strong competition among investors for the few high-quality buildings, driving up valuations.

OUTLOOK

It is highly possible that the full-year total will exceed the volumes seen in the 2006-2008 growth years. However, we forecast that this will not be by a large margin, as there are two key impediments to investor action: internally there is still no clarity over the 2012 Russian presidential election, though this should be resolved by the end of the year; and externally the global economic situation remains uncertain, with the threat of a "double dip" recession in the US and Europe now greater in many investors' perceptions. This acts as a deterrent to investment in markets viewed as risky. Domestic investors, therefore, will continue to drive Russia's real estate investment market in the short term.

Investment volumes across CEE



Disclaimer 2011 CB Richard Ellis

Information herein has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis clients, and cannot be reproduced without prior written permission of CB Richard Ellis. © Copyright 2011 CB Richard Ellis

CB Richard Ellis is the market leading commercial real estate adviser worldwide - an adviser strategically dedicated to providing cross-border advice to corporates and investment clients immediately and at the highest level. We have 400 offices in 58 countries across the globe, and employ 30,000 people worldwide. Our network of local expertise, combined with our international perspective, ensures that we are able to offer a consistently high standard of service across the world. For full list of CB Richard Ellis offices and details of services, visit www.cbre.com