

INVESTMENTS

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"Rental rates growth, reduction of capitalization rates and expectations of further price increase for commercial real estate attract investors' attention to development projects. For example, the largest Scandinavian construction company NCC has declared that it is entering the commercial real estate market of Saint-Petersburg. ASTERA serves as the NCC consultant in determination of investment attraction of different segments of the commercial real estate market".

OFFICE MARKET



RETAIL MARKET



WAREHOUSE MARKET



* changes in capitalization rates

MAJOR TRENDS

- Transactions of land plots purchased for residential real estate construction lead the current investment transactions market and will remain prevailing in the future due to stable demand within the residential segment;
- The office segment remains the most attractive for investors, however, there is a growing interest in retail real estate projects, in particular in projects of street-retail format in the main shopping corridors of the city;
- There were no changes in capitalization rates in Q2 2011 as there were insufficient transaction volumes to determine new values. We forecast continuation of the current rates for the next quarter;
- Decrease in bank credit rates in roubles and foreign currency as well as affordability of construction activity financing lead to a revival of development projects;
- Despite the creation of special structures for security asset management and due to significant volumes of non-core assets, banks will be more actively offering repossessed projects for sale.

CAPITALIZATION RATE

Segment of commercial real estate market	Rate
Office real estate	10.5 -11.5%
Retail real estate	11 – 12%
Warehouse real estate	13 – 14%

Source: ASTERA, an alliance member of BNP Paribas Real Estate

Our company considers that the consultants' task is to render comprehensive services when working on development projects, including transaction structuring, evaluation, consulting on the project preconception, attraction of borrowed financing and brokerage.

Q2 2011 is marked by inactivity on the investment market in the context of concluded sale-and-purchase transactions for commercial real estate. The exception is land purchase transactions for residential project construction. Still, the most active group of investors are construction companies specialized in the residential real estate market. The majority of transactions for land plot sales were implemented via auction.

On the commercial real estate market the investors still consider office and retail buildings to be the most profitable acquisitions. Private investors and direct investment funds of both Russian and foreign origin prevail. The desired transaction volume among this category of investors does not normally exceed 20 mln. US dollars.

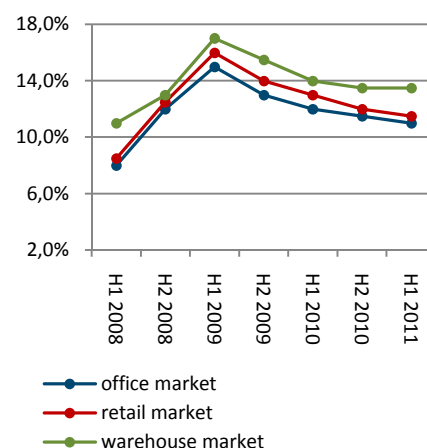
It should be particularly noted that the private investors also show interest in quality retail space of a street-retail format located in the main shopping corridors of the city: Nevsky prospect and Bolshoy prospect of Petrogradskay Side. Foreign funds of direct investments, who we are working with at the present moment, prefer acquisition of projects portfolios comprising 5-10 retail premises filled with tenants; ideally this portfolio should belong to one owner so that the transaction can be closed as a single lot.

In terms of the investors geographical characteristics one can point out among foreign investors Scandinavian investment funds and development companies ready to consider development projects with their own financing. Companies already introduced to the commercial real estate market keep developing their investment projects. Many projects have undergone changes and require re conception in accordance with the market demand. Due to steady demand in the residential sector and readiness of banks to finance the residential real estate projects, a number of developers now add or expand the residential component in their projects.

The major international investors still follow the principle of risk minimization, thus the investment climate of not only the whole country, but also of the city or region is of crucial importance. Saint-Petersburg has always been seen positively by investors. In context of this fact we do not quite understand the city initiative to litigate the fulfillment of obligations under the investment agreement by an international developer regarding reconstruction of one of the historical buildings in the centre of Saint-Petersburg. This dispute settlement has attracted the negative attention of many international investors, who are considering our city as a potential investment market.

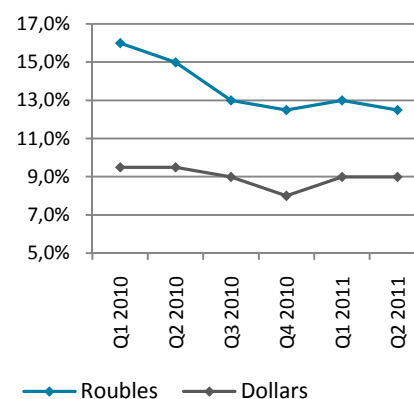
Institutional investors due to almost a complete absence of products of institutional quality on the market of St. Petersburg are ready to consider forward purchase scenarios for acquisition of A class office projects under construction. To implement these projects a whole mosaic of participants and components should be bought together: a project being in demand on the market, a developer with the international standards of operation and expert examination on the local market, independent consulting companies to fill the project with tenants and market the projects, as well as confirmed interest in the stabilized real estate project from the buyers side.

Changes in capitalization rates in different segments of the commercial real estate market during 2008-2011



Source: ASTERA, an alliance member of BNP Paribas Real Estate

Changes in credit rates in roubles and dollars



Source: ASTERA, an alliance member of BNP Paribas Real Estate

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ASTERA an alliance member of BNP Paribas Real Estate is an international company, which renders professional services in commercial and elite residential real estate. The company has been actively operating on the Russian market since 1992. Companies' offices are located in Moscow, Saint-Petersburg and Kiev.

Astera is a partner company to BNP Paribas Real Estate in Russian and Ukraine. **BNP Paribas Real Estate** is a leading international company in real estate sphere, which occupies leading positions among the consulting companies on the European market in terms of turnover volume by the results of 2009, according to an annual rating of authoritative publication Property Week.

Alliance with BNP Paribas Real Estate gives the Astera specialists an opportunity to represent the clients' interest abroad and to attract foreign investment to the Russian development projects.

ASTERA – LEADERSHIP BASED ON QUALITY AND PROFESSIONALISM

- Over 500 implemented projects of strategic and investment consultancy;
- 'In-house' exclusive data base comprising 30'000 projects of retail, office, warehouse and elite residential real estate;
- Over 6'000'000 sq.m of commercial real estate space have been realized by the consultants of ASTERA company since 1992;
- Over 8'500 transactions concluded on the commercial real estate market of Russia and Ukraine;
- Over 4'000 companies, including the major international and Russian financial, investment, retail and industrial corporations and chains are now clients of ASTERA

ASTERA renders the full scope of services for investors, developers, owners, tenants and buyers of commercial real estate:

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Property valuation

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Legal services
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