

Moscow

Office market report • H1 2008

Contents

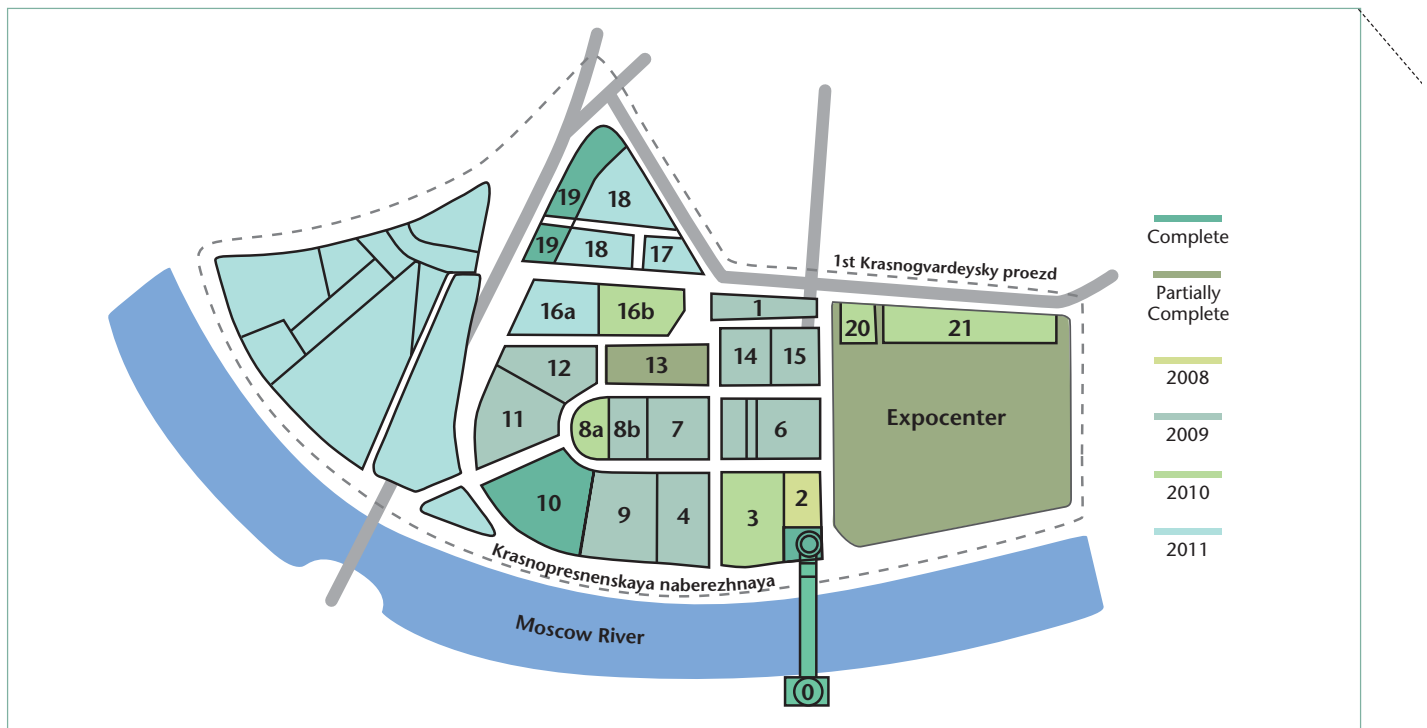
| | |
|-----------------------|-----|
| Moscow office markets | 2-3 |
| Market breakdown | 4 |
| Market data | 5 |



Market summary

- The first half of 2008 has seen rental increases of 15-20% on high-quality offices. At the mid-year point average rents on Class A premises stood at US\$ 1,320 per sq m per annum.
- In excess of 800,000 sq m of new office space was put into operation in the first half of the year, the proportion of this which can be categorised as Class A increased fourfold on the levels seen in 2007. This can be attributed to the delivery to the market of landmark schemes such as the Western Tower of the Federation Tower complex at Moscow City.
- Developers are continuing to pursue the business park concept, which is being matched by strong demand from tenants. Occupiers in search of large high-quality units at lower rents than can be found in the city centre are having to look beyond the Third Transport Ring, and in some cases beyond the MKAD. The strength of occupier demand has seen new business parks beyond the MKAD being fully let prior to completion.
- Despite the current strength of Moscow's occupier market, the effects of international economic uncertainty seen in the first half of the year have contributed to an outward movement in prime office yields of 50 basis points, to 8.5%.

Moscow City (Moscow International Business Center)

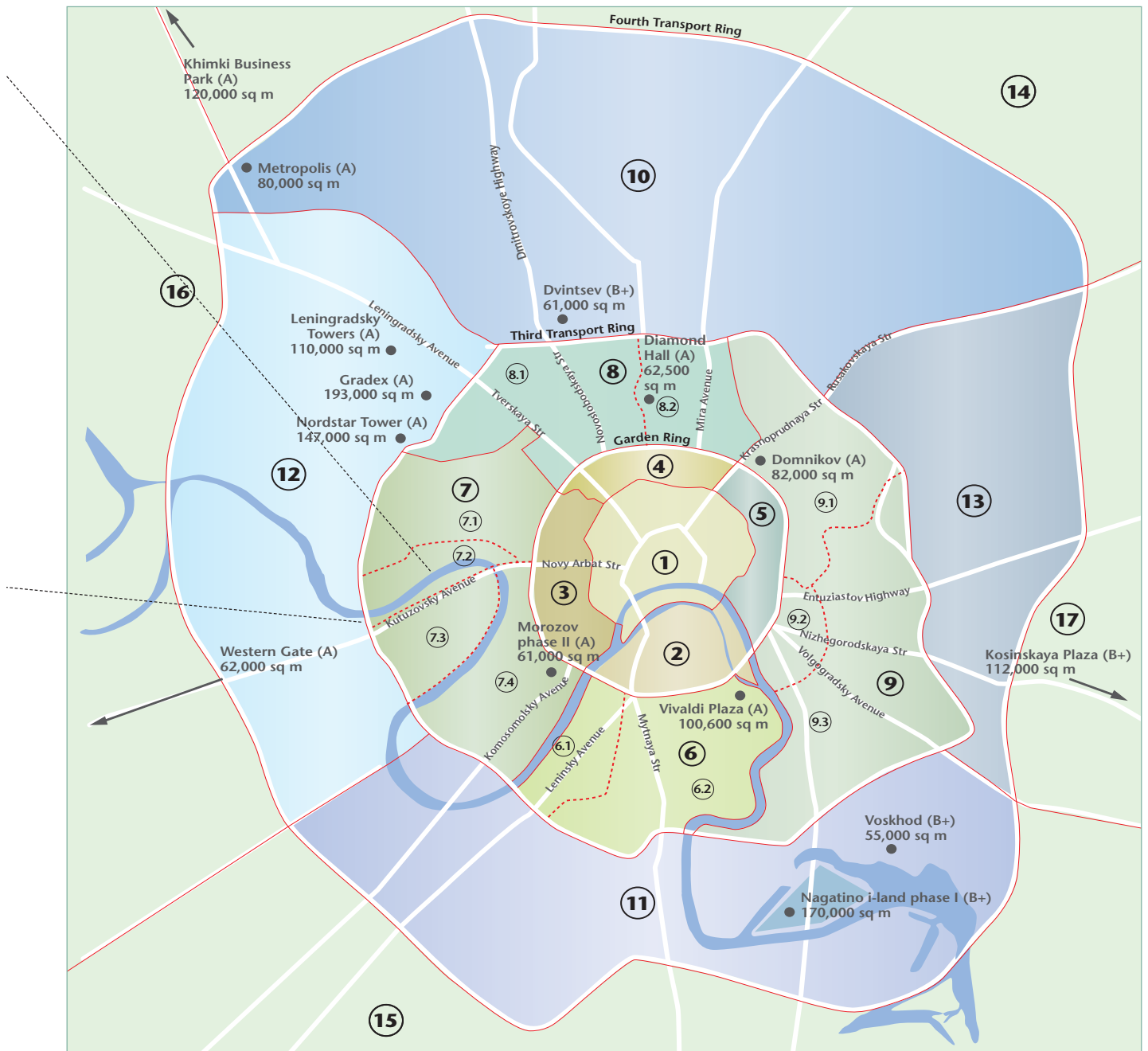


Moscow City – developments

| Site | Development | Total size (sq m) | Office Component (sq m) | Status | Completion |
|-------|---|-------------------|-------------------------|--------------------|------------|
| - | Expocenter | 85,000 | - | partially complete | 2008 |
| 0 | Tower 2000 | 61,067 | 50,000 | complete | 2002 |
| 1 | Parking | 170,101 | - | under construction | 2009 |
| 2 | Public Square and Moscow City Museum | 19,000 | - | under construction | 2008 |
| 3 | City Palace Tower | 169,000 | 80,000 | under construction | 2010 |
| 4 | Imperia Tower | 287,724 | 98,247 | under construction | 2009 |
| 6 | Central Core Parking & Metro Terminal (Underground) | 278,000 | - | under construction | 2009 |
| 6 | Central Core Public Complex | 22,000 | - | under construction | 2009 |
| 7-8b | Multifunctional Retail-Entertainment Complex | 179,930 | - | under construction | 2009 |
| 8a | Multifunctional Recreation Complex | 50,190 | - | under design | 2010 |
| 9 | Capital City Complex | 288,680 | 72,315 | under construction | 2009 |
| 10 | Naberezhnaya Tower | 254,000 | 150,000 | complete | 2007 |
| 11 | Transport Terminal | 228,000 | 122,450 | under construction | 2009 |
| 12 | Eurasia Tower | 203,104 | 82,817 | under construction | 2009 |
| 13 | Federation Complex | 423,000 | 181,800 | partially complete | 2008 |
| 14 | Mercury Office Tower | 158,528 | 86,000 | under construction | 2009 |
| 15 | Moscow Government Administrative Complex | 636,330 | n/a | under construction | 2009 |
| 16a | Multifunctional Office-Administrative Complex | 249,600 | 122,500 | under design | 2011 |
| 16b | Parking | 180,000 | - | under design | 2010 |
| 17-18 | Russia Tower | 565,000 | 140,000 | under construction | 2011 |
| 19 | Northern Tower | 136,580 | 78,000 | complete | 2008 |
| 20 | Multifunctional Business-Expo Complex | 180,000 | 70,936 | under design | 2010 |
| 21 | Yuri Dolgoruky | n/a | n/a | under design | 2010 |

Source: Knight Frank

Moscow



1. Central Business Districts

2. GR South

3. GR West

4. GR North

5. GR East

— Borders of business districts

- - - Borders of subdistricts

● Project due to complete in 2008

6. TTR South

6.1 Leninsky

6.2 Tulsky

7. TTR West

7.1 Presnensky

7.2 City

7.3 Kievsky

7.4 Khamovniki

8. TTR North

8.1 Tverskoy-Novoslobodsky

8.2 Prospekt Mira

9. TTR East

9.1 Basmany

9.2 Tagansky

9.3 Volgogradsky

10. FTR North

11. FTR South

12. FTR West

13. FTR East

14. MKAD North

15. MKAD South

16. MKAD West

17. MKAD East

GR = Garden Ring

Moscow sub-market data

| Transport Ring | Direction | Sub district | Max prime rent (\$ per sq m pa) | Average rent (\$ per sq m pa) | Transport ring average rent (\$ per sq m pa) | Stock (sq m) (built) | Stock (sq m) (built + under construction) | Vacancy rate | Transport ring vacancy rate |
|--------------------------|-----------|--------------|---------------------------------|-------------------------------|--|----------------------|---|--------------|-----------------------------|
| 1 Boulevard Ring | Center | CBD | 2,700 | 1,760 | 1,760 | 127,461 | 160,261 | 0.0% | 0.0% |
| 2 Garden Ring | South | GRS | 2,300 | 1,181 | | 223,534 | 348,534 | 0.0% | |
| 3 | West | GRW | 2,350 | 1,747 | 1,363 | 86,376 | 152,000 | 1.8% | 1.5% |
| 4 | North | GRN | 2,000 | 1,118 | | 142,942 | 227,223 | 1.3% | |
| 5 | East | GRE | 2,400 | 1,520 | | 60,575 | 111,285 | 7.3% | |
| 6.1 Third Transport Ring | South | Len | 990 | 930 | | 19,960 | 39,960 | 0.0% | |
| 6.2 | South | Tul | 1,500 | 1,064 | | 25,785 | 116,810 | 0.0% | |
| 7.1 | West | Pres | 1,155 | 1,078 | | 0 | 14,150 | n/a | |
| 7.2 | West | City | 2,300 | 1,468 | | 336,018 | 1,510,173 | 6.5% | |
| 7.3 | West | Kiev | 1,436 | 1,300 | | 17,694 | 255,294 | 19.8% | |
| 7.4 | West | Kham | 1,650 | 1,293 | 1,388 | 15,120 | 82,900 | 3.0% | 5.2% |
| 8.1 | North | Tv-Nov | 1,950 | 1,667 | | 55,300 | 242,940 | 2.2% | |
| 8.2 | North | PrM | 1,050 | 900 | | 81,648 | 87,548 | 0.0% | |
| 9.1 | East | Basm | 1,150 | 1,100 | | 42,500 | 116,580 | 11.1% | |
| 9.2 | East | Tag | 1,100 | 1,025 | | 14,850 | 14,850 | 0.0% | |
| 9.3 | East | Volg | 1,008 | 880 | | 0 | 0 | n/a | |
| 10 Fourth Transport Ring | North | FTRN | 1,045 | 960 | | 0 | 180,000 | n/a | |
| 11 | South | FTRS | 1,110 | 910 | 990 | 0 | 0 | n/a | n/a |
| 12 | West | FTRW | 1,500 | 990 | | 0 | 714,759 | n/a | |
| 13 | East | FTRE | 956 | 890 | | 0 | 0 | n/a | |
| 14 MKAD | North | MKADN | 1,350 | 985 | | 19,986 | 276,986 | 15.0% | |
| 15 | South | MKADS | 1,005 | 836 | 904 | 0 | 16,420 | n/a | 3.8% |
| 16 | West | MKADW | 1,250 | 855 | | 58,698 | 217,698 | 0.0% | |
| 17 | East | MKADE | 825 | 770 | | 0 | 0 | n/a | |
| TOTAL | | | | | 1,320 | 1,328,447 | 4,886,371 | 3.23% | |

Source: Knight Frank

Based on a selection of Moscow's Prime Grade A stock

Key leasing transactions

| Company | Acquired space (sq m) | Property, Address | Rents (\$ per sq m per annum) | Operating expenses (\$ per sq m per annum est) | District | Class |
|------------------------------------|-----------------------|---|-------------------------------|--|----------|-------|
| Lease | | | | | | |
| TNK-BP | 37,000 | Western Gate, Belovezhskaya str., 21 | 810 | 120 | 16 | A |
| Alfa Bank | 22,238 | Domnikov, Ac. Sakharova av., 30/3 | 1,500 | 140 | 9.1 | A |
| Video International | 20,700 | Riga Land, Novorizhskoye hw., 7 km | 400-450 | 60 | 16 | B+ |
| Schlumberger | 13,000 | Metropolis, Leningradskoye hw., 16 | 1,100 | 160 | 14 | A |
| Bayer | 10,700 | Burevestnik, 3d Rybinskaya str., 18 | 860-890 | 135 | 9.1 | B+ |
| Rolf | 9,900 | Kutuzoff Tower, Ivana Franko str., 8 | 1,200-1,300 | 150 | 16 | B+ |
| Novatek | 7,600 | Gazoil Plaza, Nametkina str., 14 | 1,000 | 100 | 11 | B+ |
| Philips | 6,918 | Western Gate, Belovezhskaya str., 21 | 810 | 120 | 16 | A |
| GE Itek | 4,600 | LeFort, Electrozavodskaya str., 28 bld.3 | 850 | 100 | 13 | B+ |
| Gazprom PKhG | 4,190 | Gazoil Plaza, Nametkina str., 14 | 1,000 | 100 | 11 | B+ |
| Kazimir Advisors LLC | 3,600 | Voentorg, Vozdvizhenka str., 10/2 | 1,800-2,500 | 180 | 1 | A |
| Lunch | 2,150 | Nagatino i-land (Phase I), Nagatinskaya poima | 550-600 | 100 | 11 | B+ |
| Gazflot | 2,150 | Gazoil Plaza, Nametkina str., 14 | 1,000 | 100 | 11 | B+ |
| RLG | 1,690 | Northern Tower, Krasnopresnenskaya emb., 19 | 1,050-1,500 | 135 | 7.2 | A |
| Purchase (owner occupation) | | | | | | |
| Confidential | 27,900 | Nagatino i-land, Nagatinskaya poima | n/a | - | 11 | B+ |
| Confidential | 15,820 | Nagatino i-land, Nagatinskaya poima | n/a | - | 11 | B+ |
| Confidential | 7,110 | Ostankinskiy BC, Argunovskaya str., 3 | n/a | - | 10 | B+ |

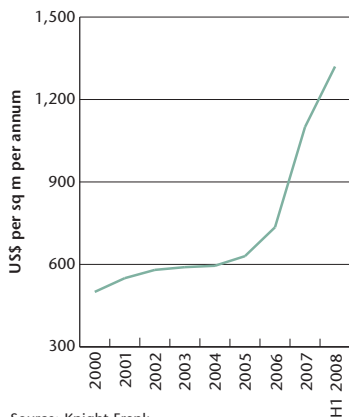
Source: Knight Frank

Key investment transactions

| Company | Acquired asset | Deal | District | Class |
|---|--|---------------|----------|-------|
| KanAm Grund Kapitalanlagegesellschaft mbH | Purchase of four class A office buildings (101,000 sq m) at Kozhevnickeskaya str., 8/4 | \$900 million | 6.2 | A |
| E-Star Property AS | Purchase of the Gas Field office centre (16,500 sq m) at Obrucheva str. | \$63 million | 15 | B+ |
| RP Capital Management | Purchase of the Silver City business centre (60,000 sq m) at Serebryanicheskaya | \$350 million | 5 | A |
| Sponda Plc | Purchase of the Ducat Place II business centre (19,500 sq m) at Gasheka str. | \$185 million | 4 | A |
| BPT Arista S.A. SICAV-SIF | Purchase of the Country Park business centre (19,530 sq m) in Khimki, Moscow region | \$90 million | 14 | B+ |

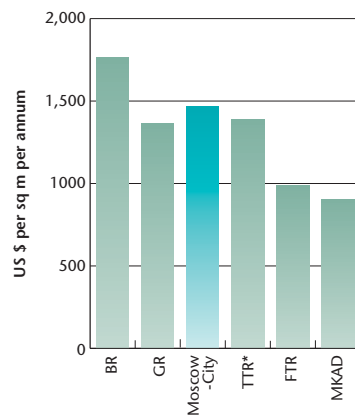
Source: Knight Frank

Figure 1
Average Grade A rents



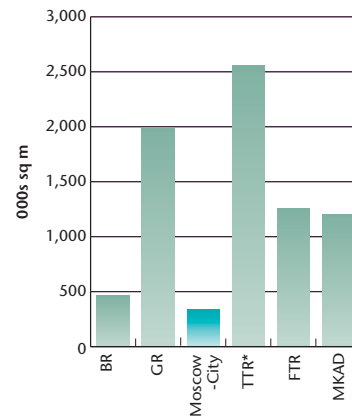
Source: Knight Frank

Figure 2
Grade A rents by submarket



Source: Knight Frank
*Excluding Moscow-City

Figure 3
Distribution of Moscow total office stock

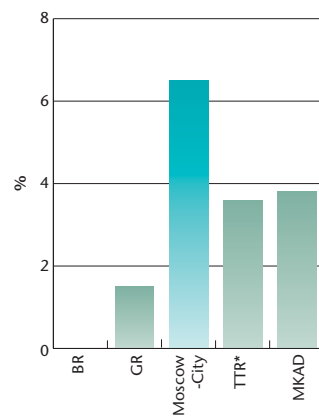


Source: Knight Frank
*Excluding Moscow-City



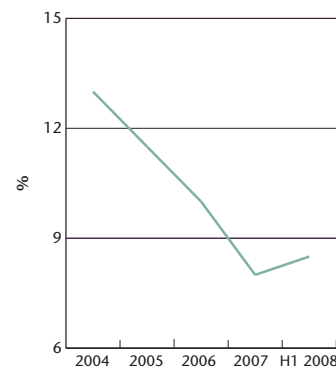
Vivaldi Plaza, Kozhevnickeskaya Str. 8/4.

Figure 4
Vacancy rate**



Source: Knight Frank
*Excluding Moscow-City
**Based on a selection of Moscow's Prime Grade A stock

Figure 5
Prime yields



Source: Knight Frank

Newmark Knight Frank Contacts:

Richard Sexton
Partner,
Global Business Development
125 Park Avenue
New York, NY 10017
Tel. 212.372.2124
RSexton@newmarkkf.com

Peter Kozel
Executive Managing Director
Research and RE Strategies
125 Park Avenue
New York, NY 10017
Tel. 212.372.2455
PKozel@newmarkkf.com

Chris Bell
Managing Director Europe
+44 (0) 20 7629 8171
chris.bell@knightfrank.com

Joe Simpson
Partner International Research
+44 (0) 20 7629 8171
joe.simpson@knightfrank.com

Matthew Colbourne
Research Analyst
+44 (0) 20 7629 8171
matthew.colbourne@knightfrank.com

Moscow

Kyrill Starodoubtsev
Director – Office Head
+7 (495) 981 0000
kyrill.starodoubtsev@ru.knightfrank.com

Maria Kotova
Business Development Director
+7 (495) 981 0000
maria.kotova@ru.knightfrank.com

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