OFFICE MARKET REVIEW

MOSCOW

H1 2018

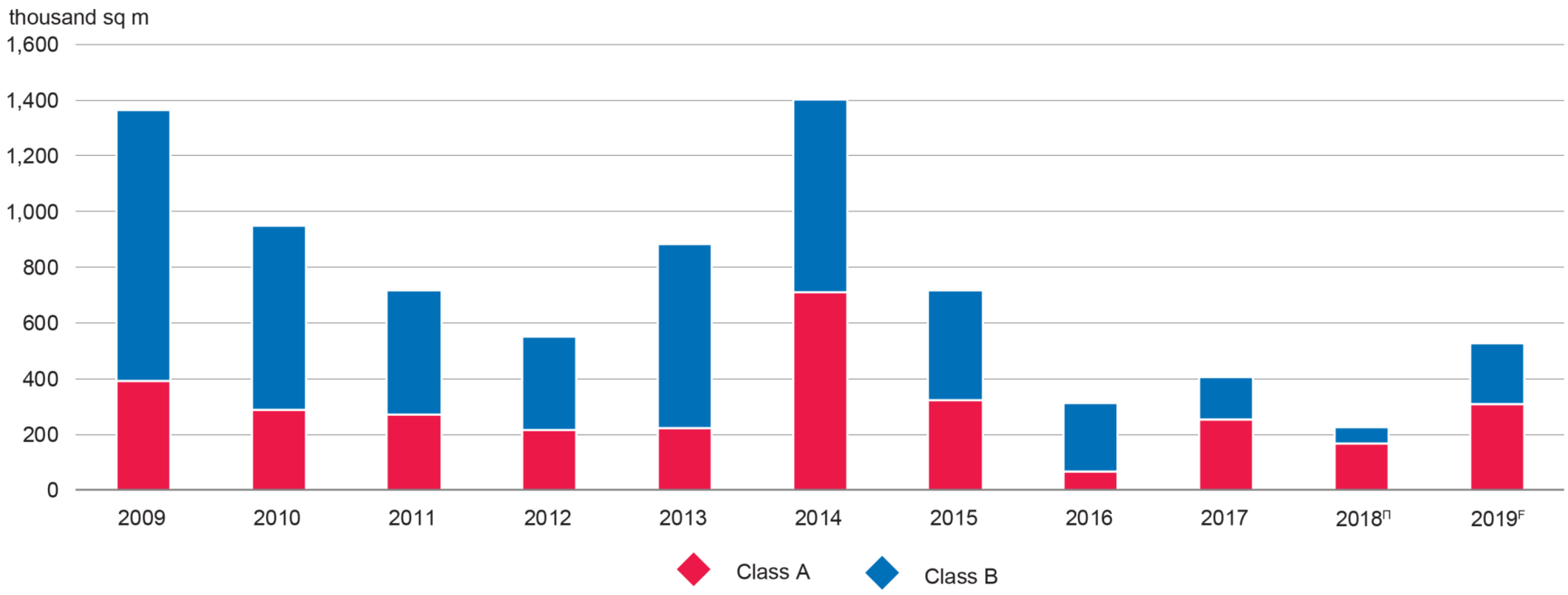
KEY OFFICE MARKET INDICATORS

	Class A	Class B	Total
Total stock, million sq m	4.1	12.2	16.3
Delivery volume in H1 2018, thousand sq m	-	39	39
Net take-up volume* in H1 2018, thousand sq m	152	145	297
Vacancy rate, % (compared to Q4 2017)	13.6 (-3.5 p. p.)	10.3 (-1.2 p. p.)	
Average weighted asking rental rates, RUR/sq m/year** (compared to Q4 2017)	23,880 (4.2%)	14,668 (4.2%)	
Average sale rates, RUR/sq m, excluding VAT	254,235	135,941	
Average weighted OPEX rates, RUR/sq m/year	6,770	4,465	

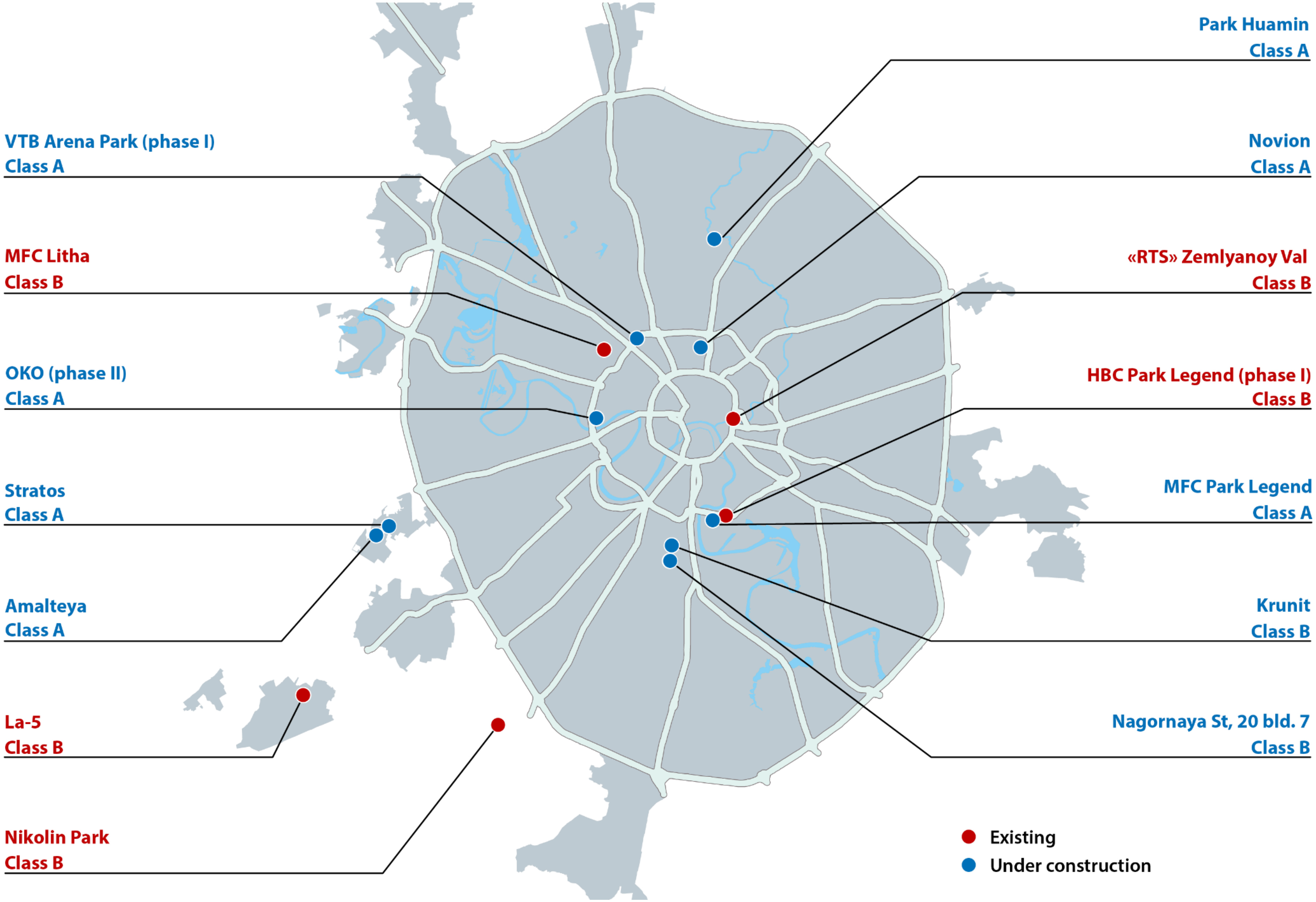
** The amount of office space actually absorbed by the market*
*** Triple net – excluding OPEX, utilities and VAT*

SUPPLY

- The main delivery volume was registered in the H1 2018 – **39 thousand sq m** (increase by **2** times Y-O-Y)
- **1.82 million sq m** of Class A and B offices in Moscow are currently available:
  Class A – **0.56 million sq m** , Class B - **1.26 million sq m**



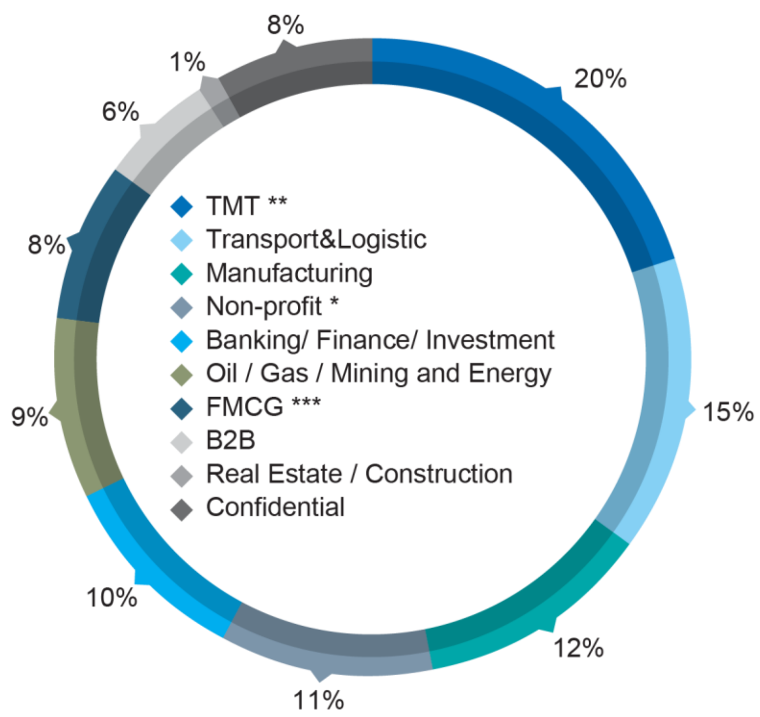
OFFICE BUILDINGS PLANNED FOR DELIVERY IN 2018



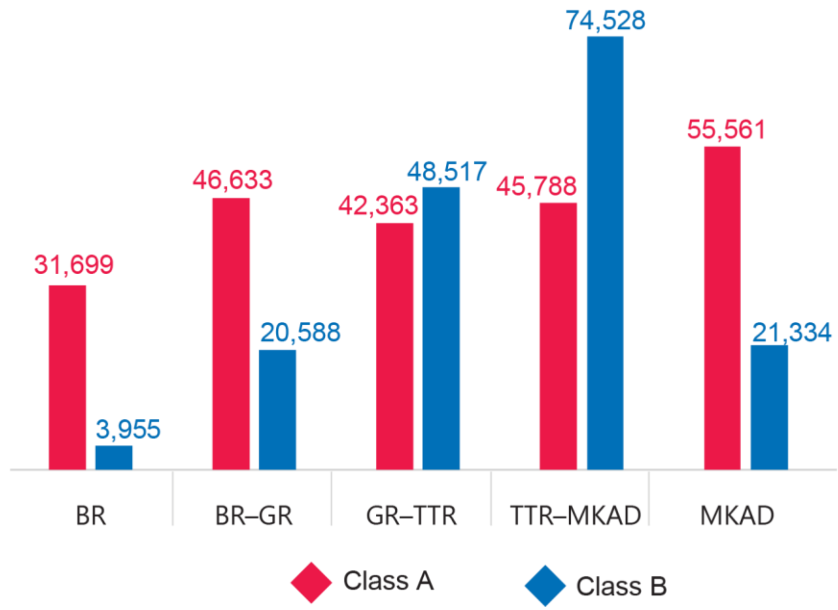
DEMAND

- Net take-up volume has totaled **297 thousand sq m** in H1 2018 (increase by **2** times Y-O-Y)
- **20%** of all transactions fell on companies representing Technology / Media / Telecommunications sectors.

Tenant mix



Net take-up volume breakdown in terms of location



* Government sector
** Technology / Media / Telecommunications
*** Fast moving consumer goods

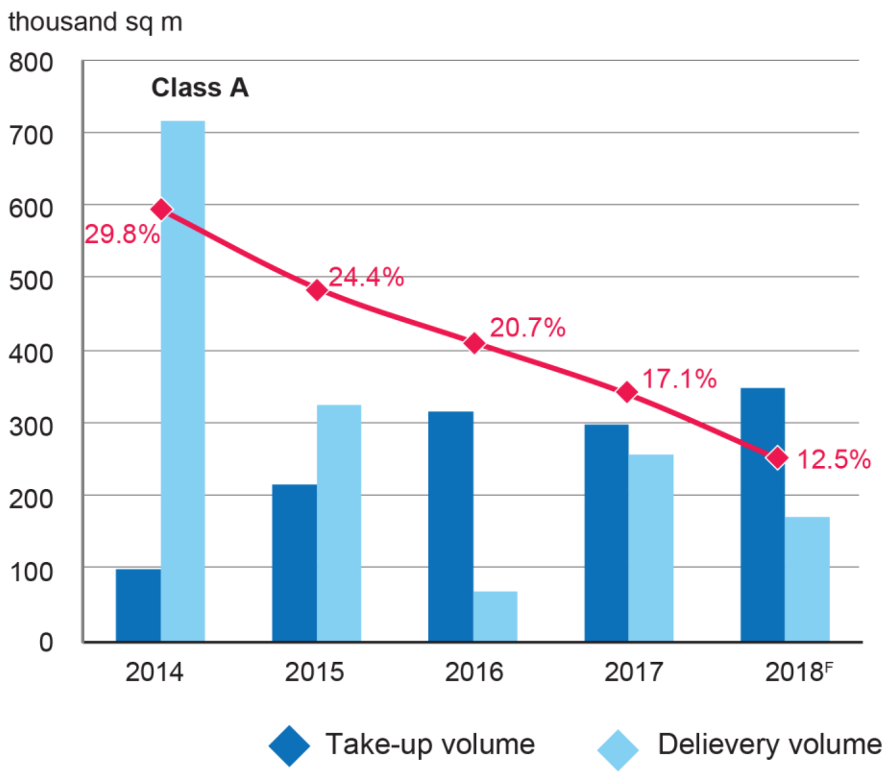
KEY TRANSACTIONS IN H1 2018

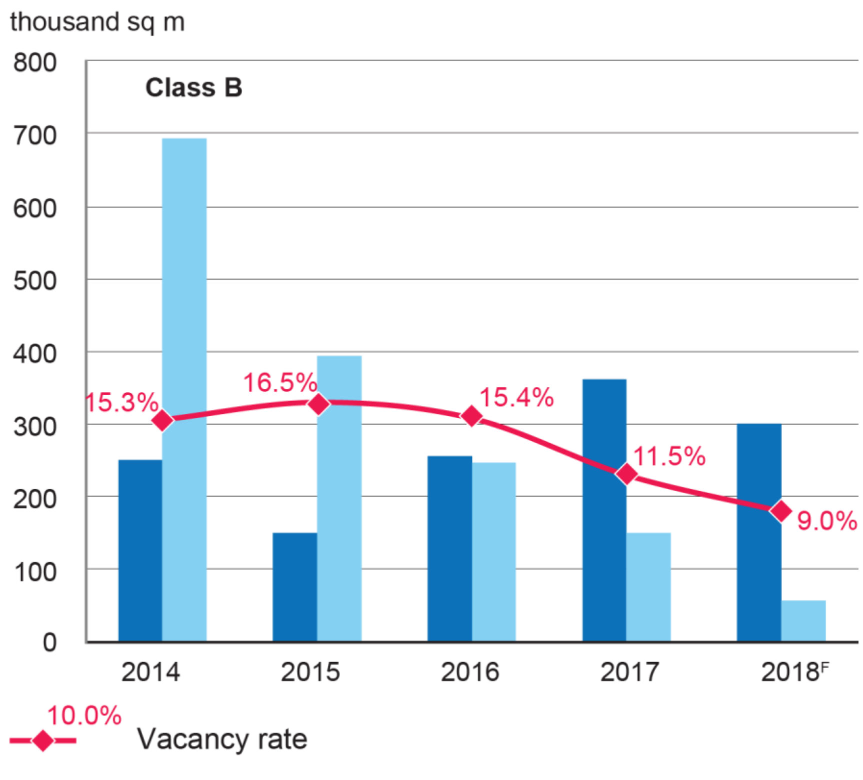
Company	Area, sq m	Transaction type	Class	Office building
Structures of the Government of the Moscow Region	29,900	Sale	A	Pallau-RB (Rublevo-Uspenskoe Hwy, 1 km)
Aeroflot	18,447	Lease	A	Arbat St, 1
Bank ZENIT	12,817	Sale	A	Lotos (Odesskaya St, 2)
Transneft-technology	12,666	Lease	B+	VEB Arena (Peschanaya 3-rd St, 2A)
TMHolding	11,360	Lease	B+	Efremova St, 10
Ozon.ru	11,221	Lease	A	Naberezhnaya Tower (Presnenskaya Emb, 10)
Danone	11,209	Lease	B+	Riga Land (Novorizhskoe Hwy, 9 km)
X5 Retail Group	9,701	Lease	A	Oasis (Koroviy Val St, 5)
STNG*	**8,766**	**Lease**	**B+**	**Vereiskaya Plaza III (Vereiskaya St, 29 bld 134)**
Lamoda	7,060	Lease	B+	One Zhukov (Marshala Zhukova Ave, 1)
Bank Russian capital	7,000	Lease	A	Vozdvizhenka Centre (Vozdvizhenka St, 10)
FSUE Russian Post*	**6,785**	**Lease**	**B-**	**Parizhskaya Kommuna (Kozhevnicheskaya St, 7 bld 1)**

** Knight Frank acted as a consultant of the transaction*

DEMAND

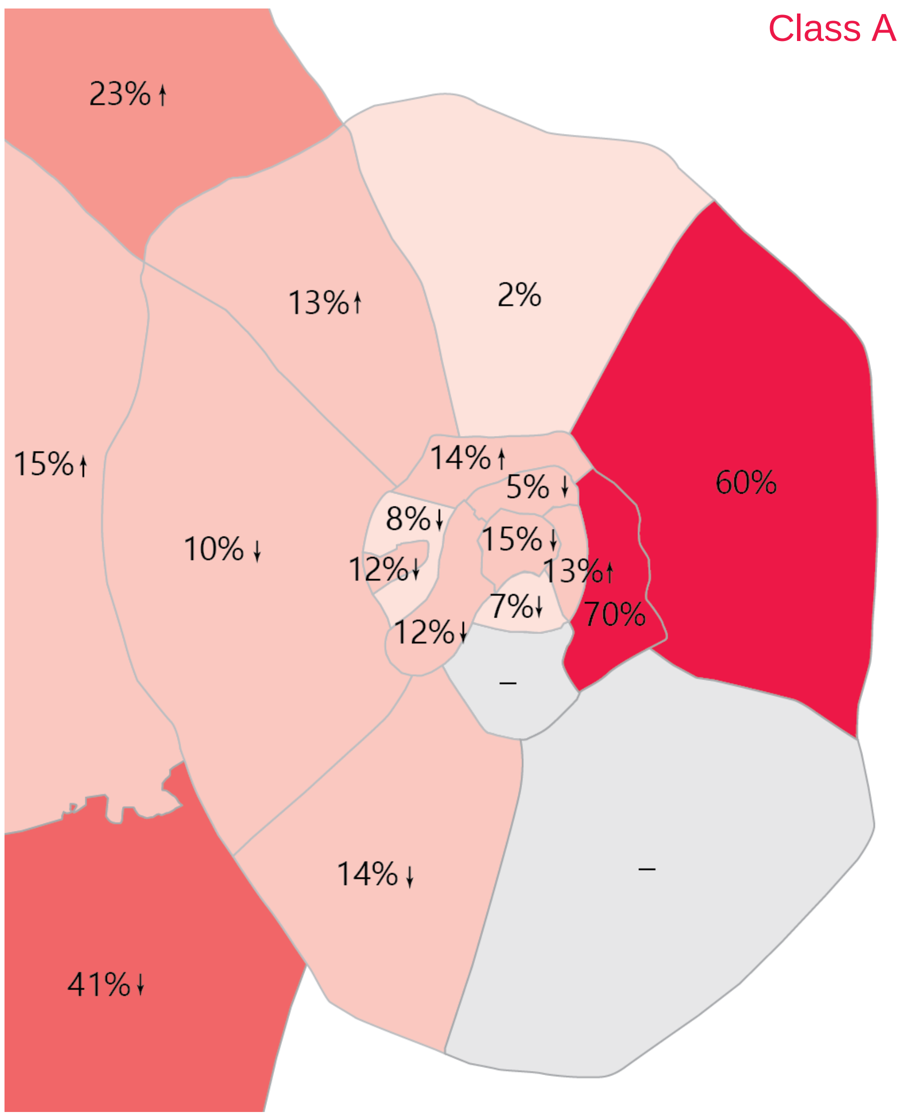
- Average deal volume has reached **2,125 sq m** – increase by **43%** Y-O-Y
- In H1 2018 vacancy rate decreased and reached **13.6%** in Class A offices and **10.3%** in Class B

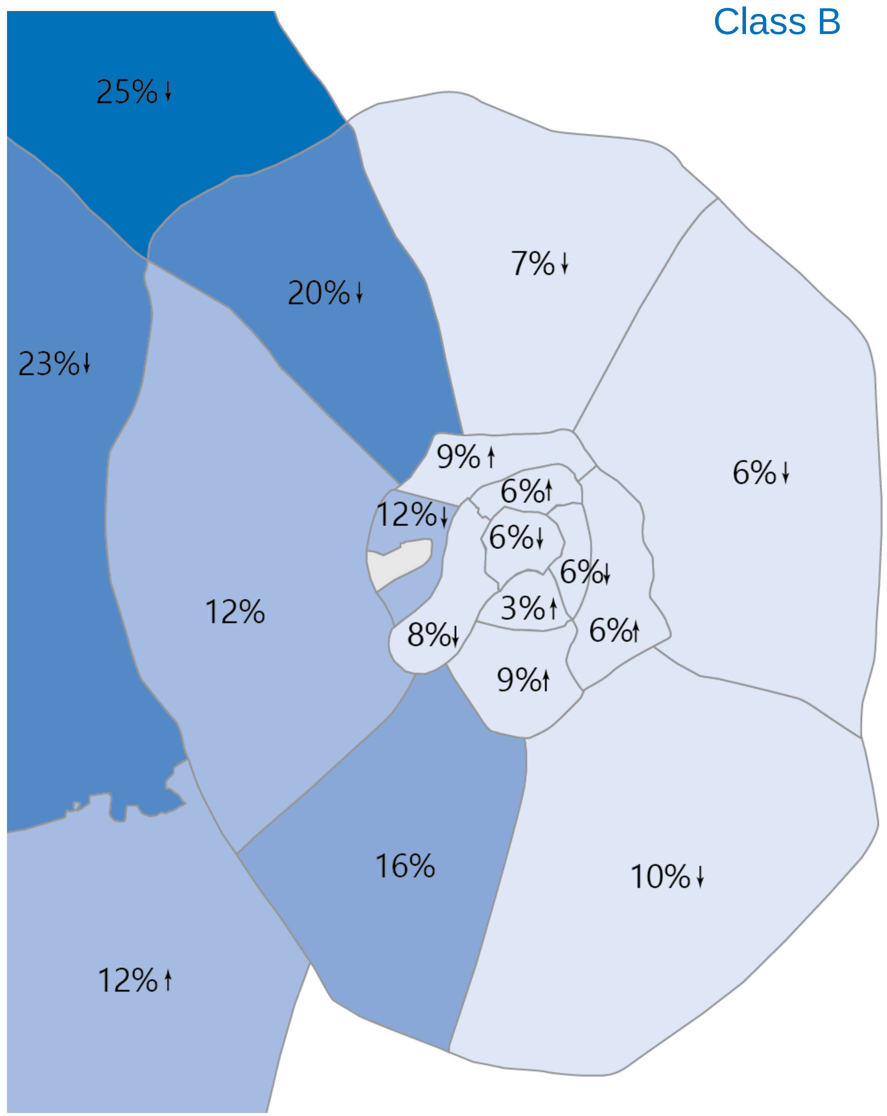




BUSINESS DISTRICTS OF MOSCOW

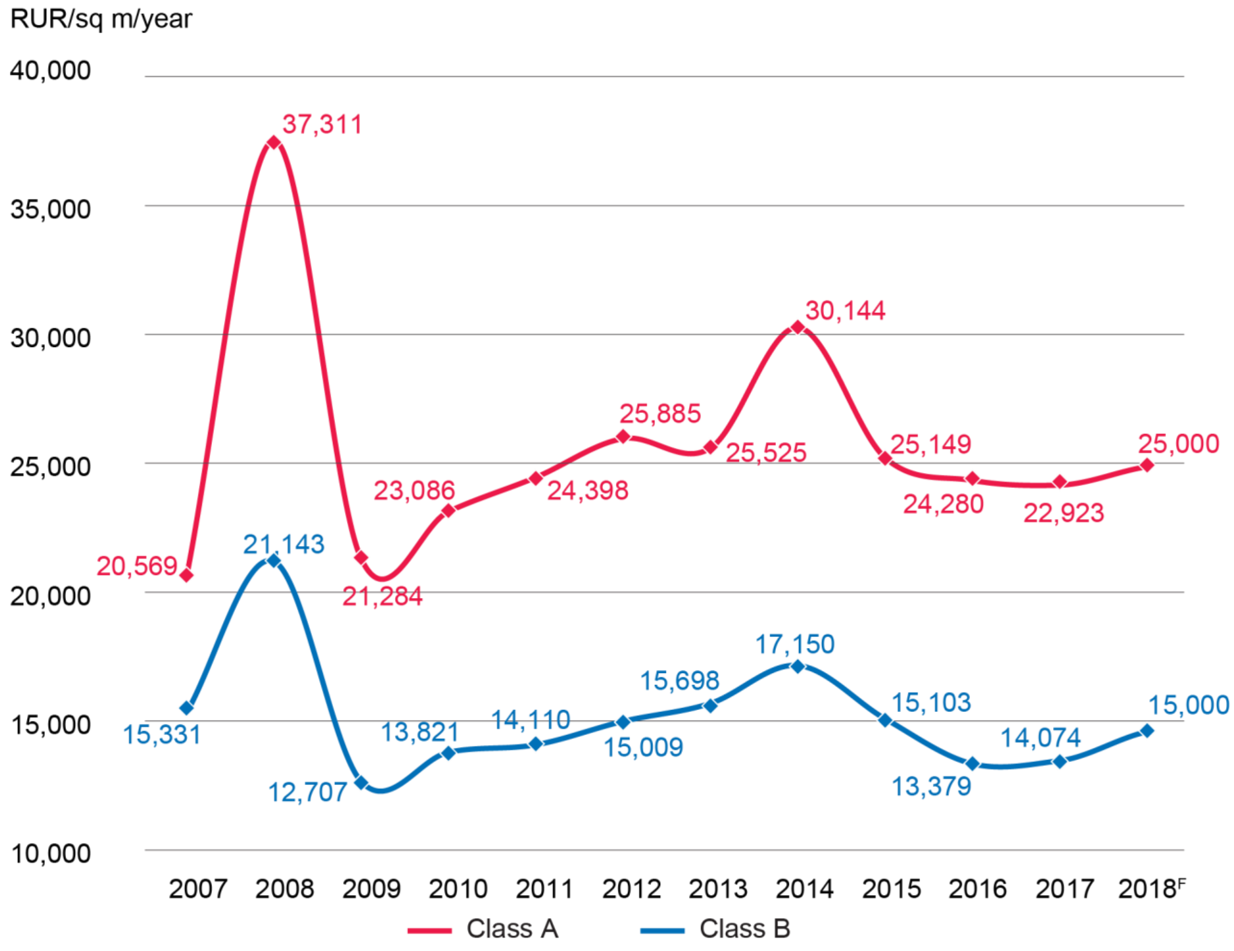
VACANCY RATE

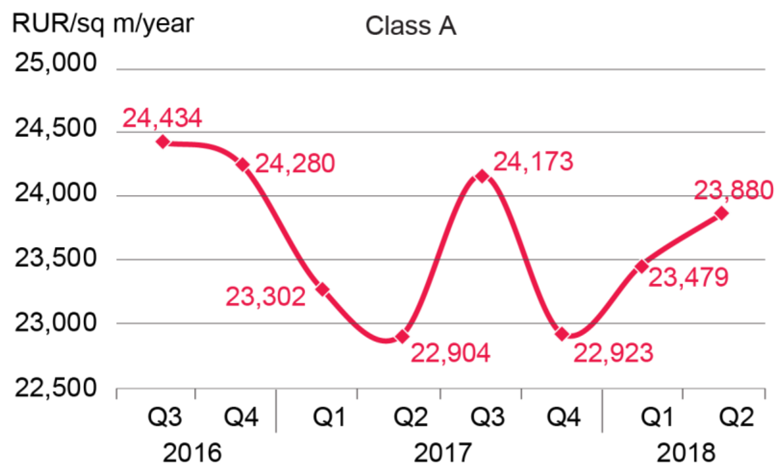


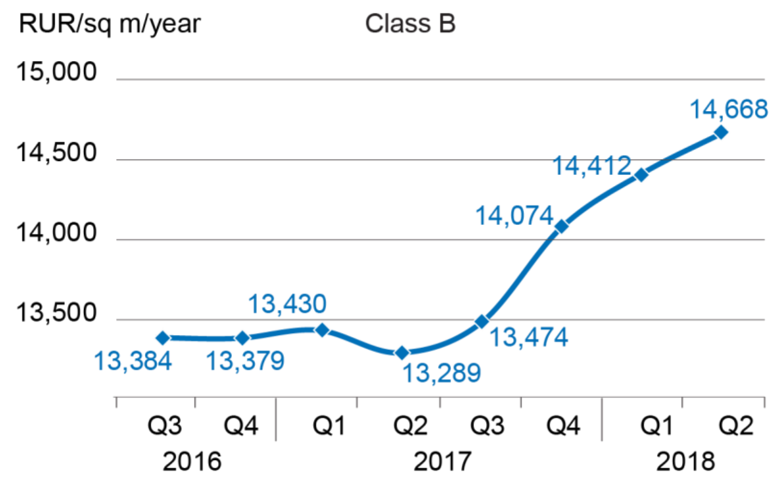


COMMERCIAL TERMS

- Average weighted asking rental rate has reached the level of **23,880 RUR/sq m/year*** in Class A offices and **14,668 RUR/sq m/year*** in Class B
- Rental rates increased by **4.2%** in Class A and Class B in the H1 2018



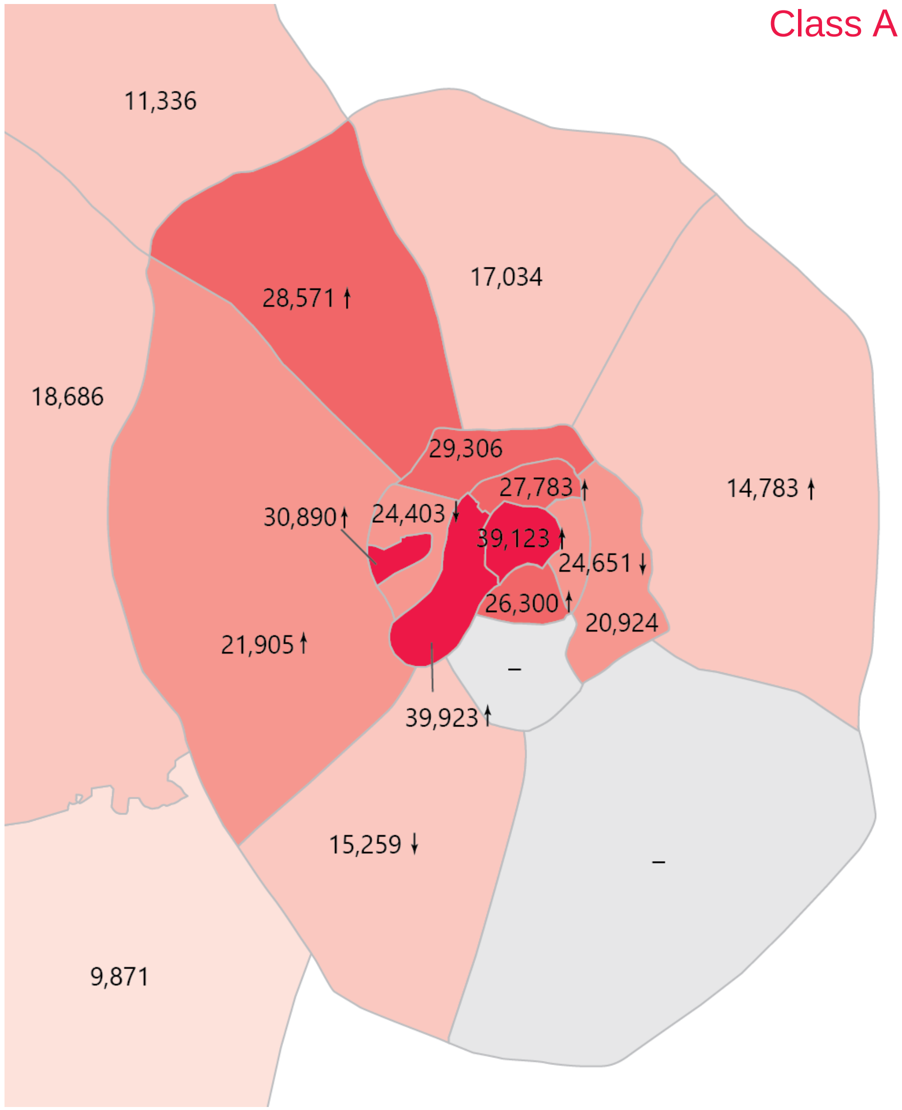


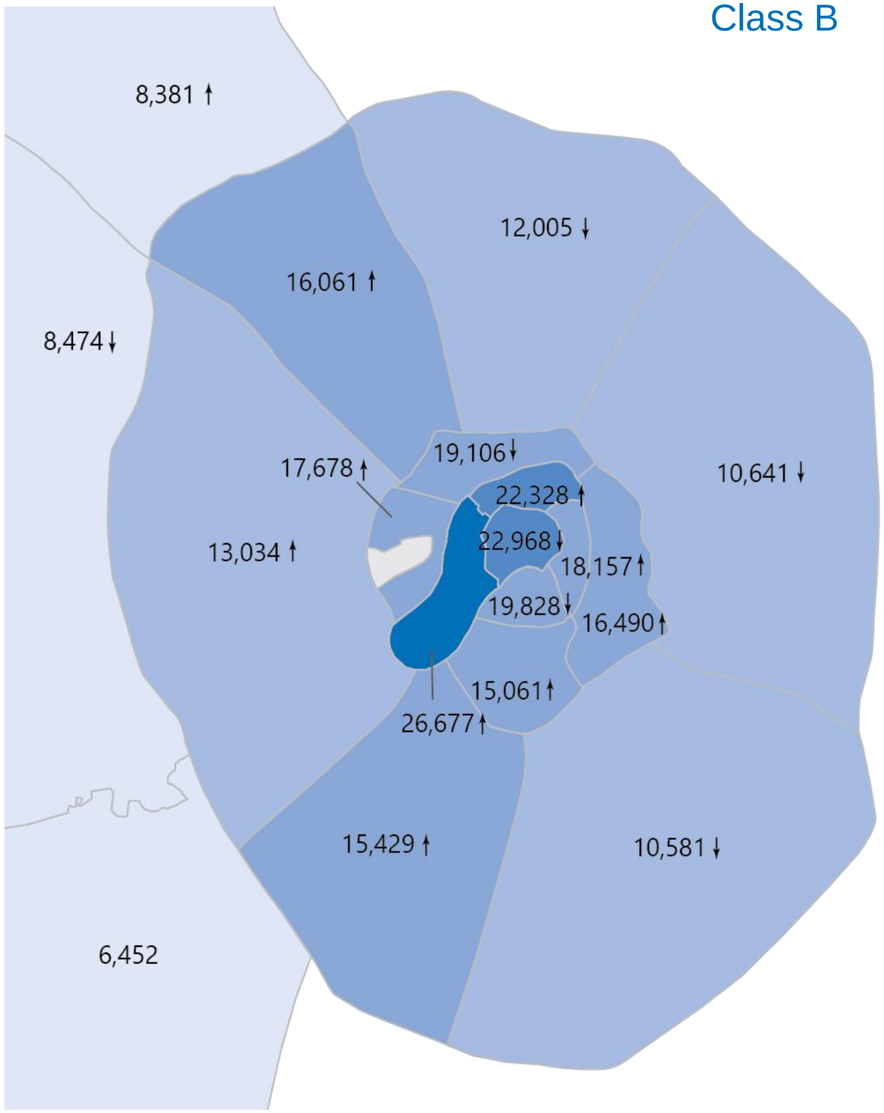


** Triple net – excluding OPEX, utility bills and VAT*

BUSINESS DISTRICTS OF MOSCOW

AVERAGE RENTAL RATE





**Triple net – без учета операционных расходов, коммунальных платежей и НДС*

FORECAST

- In 2018 new delivery volume will be about **230 thousand sq m**.
- In 2018 vacancy rate is expected to reach **12.5%** in Class A offices and **9%** in Class B
- We expect take-up volume to remain at the level of 2017, i.e. will be about **600–700 thousand sq m**
- Average weighted asking rental rate will increase and will reach the level of
  25 000 RUR/sq m/year in Class A offices,
  15 000 RUR/sq m/year in Class B offices.
- Average weighted asking sale rate to reach the level of 2017, i.e. will be about
  255 000 RUR/sq m in Class A offices,
  136 000 RUR/sq m in Class B offices.

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