

# GLOBAL SPOTLIGHT

## Moscow, Russia



## Moscow is the center of economic, financial, industrial, political and cultural life in Russia

- With more than 10 million inhabitants (17 million in the metro area), Moscow is the 7th most populated city in the world. Moscow GDP accounts for 20% of Russia's economy, and until last year it was rated the most expensive city in the world by several surveys.
- For the last five years, Moscow has attracted billions of dollars in various mega-office and retail projects to supply a commercial real estate market that is structurally lacking high-quality real estate assets. Moskva City, a new \$12 billion, 15 million SF, Class A business district is under construction, joining another 2 million+ SF of office space that recently came online.
- Moscow has been hit hard by the global financial crisis. Many projects are currently frozen, and 40-50% of Russian developers are in default. After being as low as 2% for years, office and retail property vacancy rates have increased to 15-20%. Prime office rents dropped from \$220/SF to \$70/SF in just a year.
- The Russian hospitality market is doing better, comparatively. Average vacancy is around 50% (down from 70% in 2008), and 2009 saw several transactions in this sector with opportunistic investors buying old assets to convert them into western hotels. Currently under-supplied in hotel rooms in the two- and three-star range, Moscow is attracting local and foreign investors who are expected to remain active in this property sector through 2010.
- A significant number of distressed office and retail assets are also on the market. Yields for CBD Class A Office are around 12-13% (up from 7-8% in 2008). Some local investors are already taking advantage of this situation, believing the Russian market is already about to reach its bottom in Q3 2009. Others are waiting for prime yields to reach 14% to consider any investment opportunity, and expect this to happen by Q4 2009 or Q1 2010.

## Moscow At A Glance

Population	10,509,000
Location	Capital and largest city in Russia
GDP	6.73 trillion RUB (2007)
Conversion	1 USD = 30.819 RUB (September 2009)

Property	Rent/SF/Year		Vacancy Rate
	Low	High	
Downtown Office Class A	\$55	\$70	18.5%
Suburban Office Class A	\$37	\$46	
Industrial Bulk/Warehouse	\$9	\$12	10%
Retail Downtown	\$90	\$210	12-15%

NAI Becar is a full-service commercial real estate firm offering local expertise in the greater Moscow and St. Petersburg markets.

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### At A Glance

325	Offices
55	Countries
5,000	Professionals
\$45 billion	Annual Transaction Volume
200	MSF of Property Management

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