

Address of Michael Burmistrov, CEO of INFOLine IA-Analytics



Dear colleagues, INFOLine has been researching the segment of Russian retail trade and commercial real estate market, the essential element of retail trade development, for more than 6 years. During 2009-2011 we issued 3 products related to the shopping centers market analysis. These products were improved and refined on a yearly basis, but in 2011 we sensed that step-by-step improvement did not answer both the potential of our company and the level of the realized products, such as INFOLine Retailer TOP-100. That is why in 2011 we made a quantum leap – a complete inventory of shopping centers in RF (this task was implemented in the 4th quarter of 2011 and the 1st quarter of 2012) and on its basis analyzed the situation in the key regional areas from the point of view of retail trade and shopping centers market development, giving description of the leading companies at the shopping centers market. [INFOLine Developer Russia TOP-100, Results of 2011 and Trends till 2015](#) research is the very link which was missing at the market to improve the efficiency of interaction between retailers, developers and owners of shopping centers.



Structurally this product consists of 4 sections. The first section is devoted to integrated analysis of shopping centers, dynamics of their performance indexes at all-Russia level in general, comparative analysis of the situation in the largest cities, analysis of price indexes: volume of rent rates as well as description of M&A deals, which have been quite common at the Russian market during recent years.

The second section is devoted to INFOline Developer TOP-100 Rating. Despite the fact that this rating was compiled for the first time, it managed to become an industry standard in the segment of shopping centers and win the public apprehension: it was published by the topline mass media. Besides, the rating was recognized by the industry community: for instance, 8 out of 10 largest owners of shopping centers published at their corporate web sites their press-releases about winning the top positions in the rating or mentioned the position the company won. I would like to say it over again, this rating was compiled for the first time, but even now I can say that we are going to produce it every year.

The third section is devoted to the regional analysis – the analysis of situation in cities and regional areas. For the first time such analysis can make a claim to be called all-Russia one, since it quite closely monitors the shopping centers markets of Moscow, St. Petersburg and million-plus cities. We managed to analyze the situation in 32 cities, moreover, it was an all-inclusive analysis founded on a unified methodology, analytical base and unified comparable indexes. This made it possible to compile the rating and correlate the competition level and investment attractiveness of cities and regional areas, both as of beginning of 2012 and dynamically, according to results of recent years.

As for the fourth section, it contains description of 35 biggest owners of commercial real estate. The aggregate revenue of these 35 companies in the segment of trading floorspace leasing comes to over 140 billion roubles.



Structurally the [INFOline Developer Russia TOP-100, Results of 2011 and Trends till 2015](#) Research is extremely voluminous, because of this, in order to accommodate it to needs of a target audience, we have composed a series of products. Russia is a vast country and the federal developers are not many at all, but, on the other hand, there are very large companies, such as Adamant HC, operating at the market of one city, regional area or federal district. At the same time it is important for a retailer to understand the business of its partner, the owner of trading floor. This is exactly the reason why we think that Business-references on Russian shopping centers' owners will be in demand between developers and retailers as well, which are in need of understanding the owners' business outlooks in order to build a strategy of regional development. Meanwhile, for the companies with demands that could not be completely satisfied with the Research, we offer a series of accompanying products that analyze the investment activities in the construction segment.

The contents of 3 special-purpose versions can be seen at the slide. The federal district version contains full-fledged analysis of shopping centers market situation in general and full scale version of TOP-100 rating, while the regional version does not contain the full rating of owners, but just rating of shopping centers owners for a particular regional area. Business-references are essential for both competitive analysis and for the purposes of promotion and realization of the product in general. We have done quite extensive work, coordinating the approval of those references with the companies, and now we clearly realize the scale of business, plans and development outlooks, as well as the shopping centers they own, manage and build.



Also we would like to bring to your attention [Shopping Centers Market in 32 cities regional areas of Russia, Results of 2100 and Prognosis till 2015 Research](#). This Research contains analysis of macroeconomic situation in RF, analysis of Russian shopping centers market, TOP-100 Rating of RF owners of total and rentable floorspace, as well as brief description of 32 cities and regional areas of RF. It should be pointed out that [Shopping Centers Market in 32 cities regional areas of Russia, Results of 2100 and Prognosis till 2015 Research](#) does not include Business References on the major owners of commercial real estate. Besides, it also does not contain the financial rating of shopping centers owners by rental revenues and revenues per one square meter of trading floorspace, price characteristics of Russian shopping centers market (rent rates and trading floorspace selling prices), shopping centers attendance indexes and the full list of M&A transactions at the commercial real estate market.



As for the target audience of the full version of [INFOLine Developer Russia TOP-100, Results of 2011 and Trends till 2015](#), it could be of interest to enough limited circle of companies. In the first place, they could be financial companies: banks, investment companies, international and Russian investment funds. The second group includes the largest commercial real estate owners, which can use it for the purposes of competitive analysis. Well, finally, the third group represents our strategic audience, of course, – TOP-100 of major retail chains of Russia. Our products and their components will be quite in demand on their part. As for infrastructural companies (for the owners of shopping centers these are companies immediately engaged in construction and servicing of premises), this product will be of interest for them too. These are the major construction companies and general contractors, as well as large suppliers of various

store equipment and special services. Such is the target audience of [INFOLine Developer Russia TOP-100, Results of 2011 and Trends till 2015](#).

INFOLine Target audience of the Research

Product's objective – review and all-inclusive analysis of the market

- International and largest Russian developers and shopping centers owners
- Largest international and Russian retailers (INFOLine Retailer Russia TOP-100)
- International and largest Russian financial investors
- International and Russian real estate consulting companies

For medium business and regional players – Special versions

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As for the interrelation between our products and potential customers, at this slide we have visualized some target groups and competitive companies that might be interested in them.

INFOLine Correspondence between target groups and products

Products	Potential customers
INFOLine Developer Russia TOP-100	Federal companies: X5 Retail Group, Colliers, IKEA, Knight Frank
By federal districts	Regional companies: ENKA, РЕГИОН, ИРИН
By regional areas	Local companies: АААРАЙТ, BEAK, IDEM
Business-references	Major retailers: Детский мир, adidas, INDITEX, OBI, Auchan, X5

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I would like to mention and extend our thanks to a number of our customers, which are retailers and developers at the same time, and work with us along two lines of activity: INFOLine Retailer TOP-100 и [INFOLine Developer Russia TOP-100](#). These are such major international companies as IKEA and Auchan, as well as the Russian companies X5 Retail Group, EKS GC (Perm) and Promresurs GC.

INFO Line Why do developers and retailers choose INFOLine-Analytics?

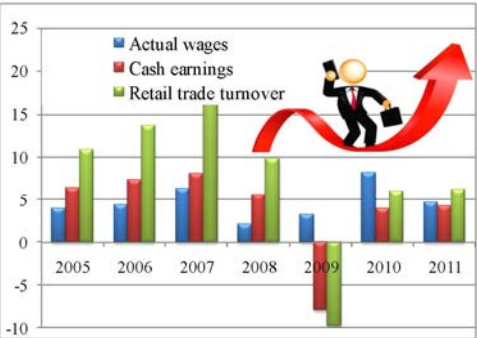

Main merits and key advantages of the Research

30 cities and 2 regional areas – over 20 shopping centers	<ul style="list-style-type: none"> Over 1700 operating and 600 being built shopping centers projects Contacts base of shopping centers (over 2000)
TOP-100 of shopping centers owners	<ul style="list-style-type: none"> Floorspace and rental revenue volume ratings Business-references on 35 major shopping centers owners Contacts base of major owners
Development prognosis for Russia and regional markets	<ul style="list-style-type: none"> Prognosis of shopping centers commissioning till 2015 List of shopping centers being built and designed
Acknowledgement of the leaders	

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The [INFOLine Developer Russia TOP-100, Results of 2011 and Trends till 2015](#) research contains an all-inclusive description of the overall situation in economics, at the retail trade and commercial real estate markets. In this way our product can wholistically satisfy the demand of companies for information on commercial real estate market segment in order to make strategic decisions regarding the investments into a company’s assets or into individual shopping centers, most successful of which are sold with multipliers that are, in some cases, even higher than at the developed markets of Western Europe.

INFO Line Branch statistics: all you need to make a decision

<h3>Analysis of macroeconomic indexes of retail trade in 2005-2011</h3> 	<h3>Macroeconomic indexes</h3> <ul style="list-style-type: none"> Retail trade turnover Cash earnings and spendings Monetary stock Deposits and credits Actual wages
	<h3>Review of retail trade market by segments</h3> <ul style="list-style-type: none"> FMCG DIY Home appliances ar Computers Fashion Children’s goods 

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As for the TOP-100 Rating itself, we have compiled ratings by the volume of total floorspace and volume of rentable floorspace of shopping centers. Despite the closedness of shopping centers’ owner-companies, we managed to carry out in-depth evaluation and prepare a rating in terms of revenues from leasing of trading floorspace. This rating allows better understanding of the situation at the Russian shopping centers market.

INFO Line TOP-100 Rating of largest shopping centers owners

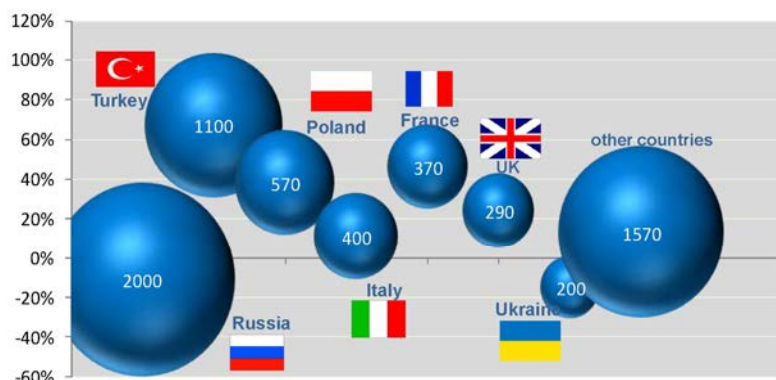


An interesting feature of the Russian market is its irregularity of consolidation level: for instance, IKEA, with its 2.2 million of square meters of outlets floorspace is the leader of the rating, but, at the same time, it is enough to commission a major regional shopping center to be included into the TOP-100 Rating. It means that our market of commercial real estate is just taking shape and in several years the level of consolidation, which we can reach, will be significantly higher.

At the same time the Russian market of commercial real estate is really one of the most attractive in the world. At this slide we decided to show the correlation between Russia and European countries by volumes of rentable floorspace commissioning in shopping centers. The commissioned volumes of shopping centers in Russia decreased by 15-20% in 2011 against 2010, but Russia is still almost two times ahead of Turkey, which is at the second position in Europe by this index, and which increased its floorspace commissioning by more than 60%. And what is interesting, over 60% of the aggregate growth of trading floorspace in Europe was provided by 3 countries: Russia, Turkey and Poland.

INFO Line Russia remains a leader in total commissioning shopping centers in Europe

Volume of total commissioning of the shopping centers and the pace of market growth, GLA thousand square meters



Regrettably, we do not expect the volumes of shopping centers commissioning to grow in 2012-2013 in Russia. Most likely, the volumes of commissioned floorspace will decrease gradually. This will, no doubt, be compensated for investors by growth of commercial real estate prices and rent rates, of course. Meanwhile, the rent rates in Moscow and million-plus cities are comparable with those of European capitals, and by far exceed the rates in non-metropolitan cities of Europe.

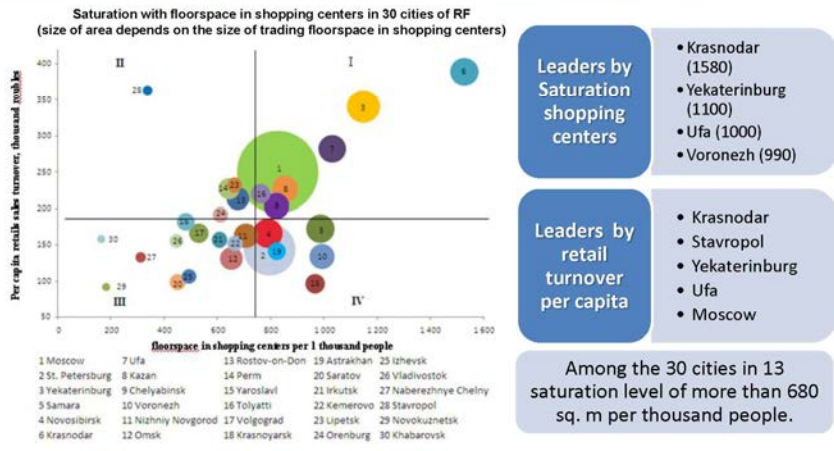
INFO Line Dynamics of shopping centers commissioning in cities of Russia



Construction of shopping centers opened in 2011 was begun in 2006-2007
New projects were commenced in 2010 and will be commissioned in the end of 2012 the earliest

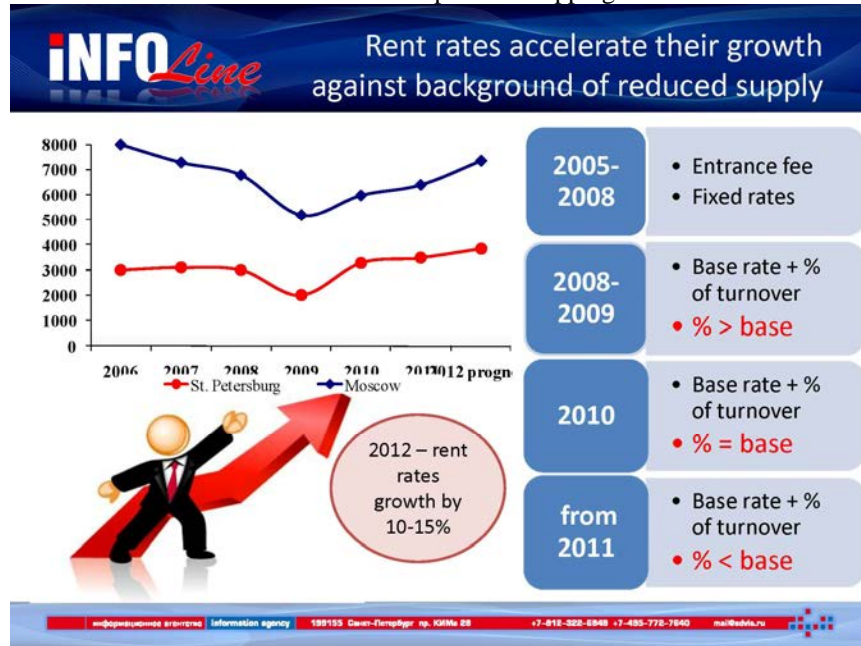
The year of 2010 became the crest of shopping centers commissioning volumes in the post-crisis period, when mass-volumes of shopping centers at the final stages of completeness, which were commenced before the crisis, were completed. Regrettably, 2009 and the first half of 2010 were anything but simple for the Russian commercial real estate market, since practically no new projects were commenced. And now, in 2011, and in 2012-2013 we are reaping the fruits of this investment intermission. That is, on the one hand, still there is a certain reserve of 150 shopping centers with the aggregate floorspace of more than 10 million square meters. On the other hand we should be realistic and realize that in many cases those projects are not even foundation pits, but just land plots and layout design documentation. For this reason the prospects of their finishing and growth of commissioned volumes belong to the period of 2014-2015. And 2012-2013 will pass under the sign of offered market. In other words, there is a shortage of quality shopping centers, rent rates are rising and quite serious polarization is taking place: quite a number of unsuccessful outlets become empty, but, on the other hand, the most attractive centers become a kind of Mecca for tenants. For instance, IKEA gets rid of weak Russian tenants, replacing them with international retailers. This trend can be observed in regional areas too: regional developers open shopping centers with maximally strong pool of foreign tenants. The local players are invited to the project on the leftover principle.

INFO Line Saturation with floorspace in shopping centers in cities of Russia



As for the saturation level of the shopping centers market, we can see that in majority of Russian cities it is close to the indexes of non-metropolitan European cities. At the same time the Russian cities (not just million-plus ones) are quickly approaching

the level of primary demand satisfaction. Among 30 cities, as we can see, many are at the Moscow's level of saturation with floorspace in shopping centers.



As for the rent rates, the decrease of floorspace supply categorically results in rates growth. As we can see, the level of rent rates has approached or, in some cases, exceeded the pre-crisis level. This is a very important turning point, it is a kind of psychological turnaround. It should be mentioned that during the last 3 years this happened for the second time. The first one happened when owners of shopping centers realized that they have to look for tenants and even negotiate some special terms with some of them. But this period was quickly over and in 2010 the market stabilized, and beginning from the second half of 2011 and in 2012 we can observe a shortage of quality trading floorspace, consequently the rent rates will grow and grow. And such situation will last for next 2-3 years.



As we expect it, in 2012 the activity of commercial real estate market players will increase. For instance, major M&A deals take place: more than a one billion deal for acquisition of **Galeria** shopping center in St. Petersburg. We can also see now that banks are trying to optimize their work with commercial real estate portfolios, which they formed during the crisis as the result of credit financing of developers. Now these assets are transferred from less efficient companies to more efficient ones. Notably, the Moscow region's market is one of the most attractive, in the light of "Big Moscow" formation. It means that we can observe a new trend – shifting of developers' interest from Moscow to Moscow region.

INFO Line Shopping centers market situation in each of 32 cities/regional areas of Russia

Shopping centers commissioning in 2004-2011
Prognosis till 2015



32 regional areas – 73% of retail trade turnover in Russia

-  Market environment
-  Supply's structure
-  Rating of owners
-  List of regional shopping centers
-  Тенденции и прогноз

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Each of our products related to shopping centers market represents a complete [Research](#), which can be used for the purposes of development, comparative analysis of saturation with shopping centers, for acquaintance with the market players. Each of the products, besides description of the market condition, main trends and development outlooks, contains a rating of owners operating at that market.

The description of the largest owners includes operating performance figures, business development indexes, company's business structure, information about subsidiary businesses developed by the company, such as retail, and, of course, description of shopping centers projects and development strategy. Products contain full list of company's shopping centers, including such characteristics as total and rentable floorspace as well as information on anchor tenants. Financial performance figures are also included, such as volume of rental income and revenue per one square meters of trading floorspace.

INFO Line Business-references on 35 major owners of shopping centers

Description of 35 major shopping centers owners



-  Development history and contacts
-  Business structure and equity capital
-  Description of company's shopping centers
-  Financial and operational performance indexes
-  Development outlooks and projects portfolio

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Methodologically the product is based on a unique data base of 2300 shopping centers, which was updated in the 4th quarter of 2011 – 1st quarter of 2012. In the end we decided not to include it into the [INFOLine Developer Russia TOP-100, Results of 2011 and Trends till 2015](#) Research. But it should be understood that this data base is the foundation for the research as a whole – all of the analysis, all indexes, all development dynamics of the industry, performance figures of individual companies (total and rentable floorspace, parking lots and anchor tenants). All indexes of the companies in the rating are calculated with the help of that data base. It is exactly this

very data base that brought our product to the level, when it becomes of interest not just for the market players, but for consulting companies too, which, having their own staff of analysts, are not able to perform such research.

INFO Line Analytical foundation of the Research Data base of operating and being built shopping centers

Contacts base: operating and being built facilities, deadlines and floorspace

Over 1700 operating shopping centers

About 600 being built shopping centers

About 2300 shopping centers

Contact info of management companies

Contact info of developers and owners

Data base is NOT a part of the Research !!!!!!!

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In conclusion I would like to mention the services that we have been supplying for many years for the companies at the markets of retail trade and commercial real estate – Branch News issues (in the first place, in the segment of Commercial and Administrative Construction) and Industry Surveys (Investment Projects).

INFO Line Services of Branch News and Industry Surveys

Operating and periodical data on commercial real estate market condition

- Commercial and administrative construction

Unique information complex

- Investments
- Realization stage
- Commissioning deadlines
- Contact info of project's participants
- Project's description

Data base of being built facilities

- 1000 civil facilities
- 200 sporting facilities
- hotel facilities
- 150 trade facilities

suppliers, clients, media, normative acts, competitors, Public authorities

Branch News and Industry Surveys

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TANK YOU for YOUR ATTENTION!