Since the beginning of the year, the supply stock in the segment of prime residential real estate grew by more than 500 lots due to the market delivery of seven new projects, as well as the start of sales of new stages in the complexes that were previously available on the market.

For buyers, the district location and the price are the determining factors in choosing a flat.
Sixteen investment transactions took place in January–September 2014, with the total volume of approximately $1.7 billion.

About $660 million (4 transactions) were invested in retail properties in Q1–Q3 2014.

Despite growing investor's interest in industrial market in 2011–2013, only one Class A warehouse property was purchased for investment purposes over 9 month of 2014, and the share of warehouse real estate in the total investment volume might reach the lowest level since 2009.

Capitalization rates were revised in all commercial real estate segments.
**RENTAL RATES AND STOCK BY SUBMARKET**

- **Asking lease rent, $/sq m/year (triple net)**
  - Moscow-City: $330–390
  - TTR: $520–680
  - GR: $500–550
  - MKAD: $640–720

- **Stock, thousand sq m**
  - Moscow-City: 11,000–14,000 RUB
  - TTR: 10,000–12,000 RUB
  - GR: 6,000–7,000 RUB
  - MKAD: 3,000–4,000 RUB

**NEW DELIVERY AND TAKE-UP DYNAMICS**

- **Take-up volume** amounted to about 430 thousand sq m, which is almost 45% less than for the same period of the previous year.

**KEY INDICATORS**

<table>
<thead>
<tr>
<th></th>
<th>Class A</th>
<th>Class B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total stock, million sq m</td>
<td>3.3</td>
<td>11.1</td>
</tr>
<tr>
<td>Vacancy rate, %</td>
<td>25.7 (+9.4 p. p.)*</td>
<td>13.7 (+2.2 p. p.)*</td>
</tr>
<tr>
<td>Rental rates change, %</td>
<td>-10%*</td>
<td>-8%*</td>
</tr>
<tr>
<td>Sale price, $/sq m</td>
<td>5,200–5,500</td>
<td>3,500–5,500</td>
</tr>
<tr>
<td>Capitalization rate, %</td>
<td>9.5–10.0</td>
<td>10.0–11.0</td>
</tr>
</tbody>
</table>

* Compared to Q4 2013

**DISTRIBUTION OF LEASED AND PURCHASED PREMISES ACCORDING TO COMPANY PROFILE**

- **TMT**
- **Business Services**
- **FMCG**
- **Vehicles / Transport / Logistics**
- **Oil / Gas / Mining**
- **Banking / Finance / Investment**
- **Manufacturing**
- **Pharmaceutical**
- **Construction / Architecture**
- **Other**

According to our forecast, class A rental rates will continue to decrease, while Class B indicator will remain stable.
A record number of shopping centres were announced for opening in 2014. Since the beginning of the year, six objects were delivered and six more are expected for commissioning. As a result, the growth of supply volume for the year could reach more than 1.5 million sq m (GLA – 740 thousand sq m).

Lease rates in the best of shopping centres remain the same, developers of less successful projects are often forced to compromise with the tenants, offering them substantial discounts.

A new shopping centre usually starts operating at its normal capacity a year after since its opening, reaching the maximum efficiency towards three years of operation.
The market exhibits a massive trend of ruble lease rates denomination: currently 50.4% of the total vacant space in Class A facilities available for lease are offered with ruble contracts, while 49.6% – in dollar equivalent. A peculiar geographical currency market segmentation in the Moscow region is worth a notice: the space in projects under construction in the West and Southwest is still being offered mainly in United States dollars.

The greatest amount of take-up in Q1–3 2014 fell on those areas where active construction of warehouse complexes was underway. Approximately 34% were leased and purchased in the Southeast (along Novoryazanskoe Highway), the Northern direction (between Leningradskoye and Dmitrovskoye Highways) accounted for about 29%, while the South (along the Simferopolskoye and Kashirskoye Highways) – for about 17%.

In comparison with Q1–3 2013, the share of regional transactions for the same period in 2014 grew by 19 p. p. (in absolute terms – 2.5 times). More than a half of all transactions in the regions of the country fell with Novosibirsk, Rostov-on-Don and Yekaterinburg.
During the first 9 months of 2014, the average prices on the new-builds and re-sales markets were relatively stable. As of September 2014, the average prices of home ownership on the new-builds and re-sales markets was $4,150 and $4,300 per square meter respectively.

During the first 9 months of 2014, 43 new residential cottage settlements appeared on the rural real estate market, positioned in various price segments, they also include two prime projects. Prior to this, for one and a half years, no high-budget settlements appeared on the market.

Since the beginning of 2014, the demand for the prime country real estate remained stable; furthermore, Q3 was characterized by a burst of buying activity that is not common for the current season.