

INVESTMENT MARKET REVIEW 2018

St. PETERSBURG

Prepared for Avielen A.G.



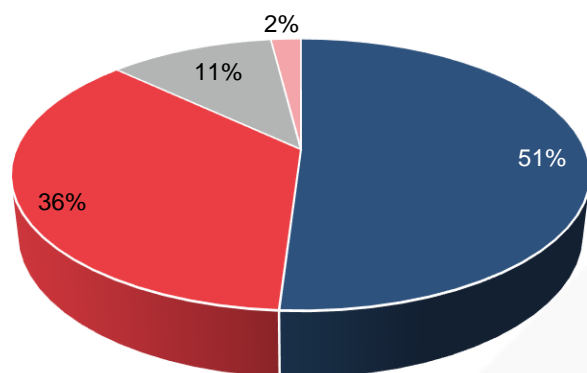
Russia and Saint Petersburg

- Investment transactions in real estate reduced by 40% in 2018
- This reduction is mainly caused by considerable decrease of foreign capital
- Investment volume in Saint Petersburg real estate at 630 mln USD compared to 790 mln USD in 2017
- Important to note that share of St Petersburg investment volume is over 20% in total country volume of 2,7 bln USD for the second year in a row

15 mln USD

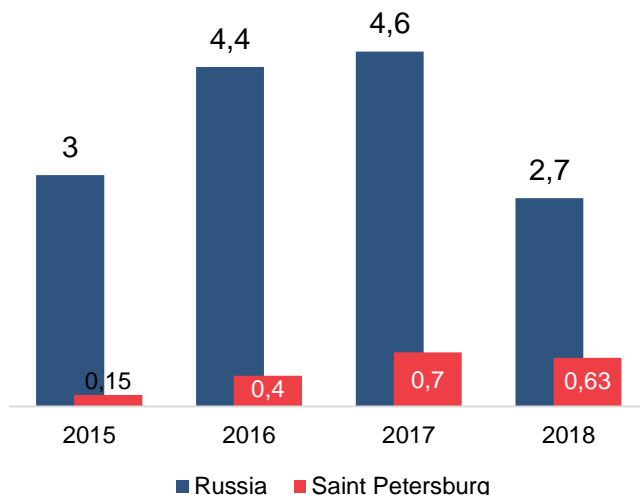
outflow of foreign capital from St. Petersburg real estate market in 2018 *

Investments in real estate by sector

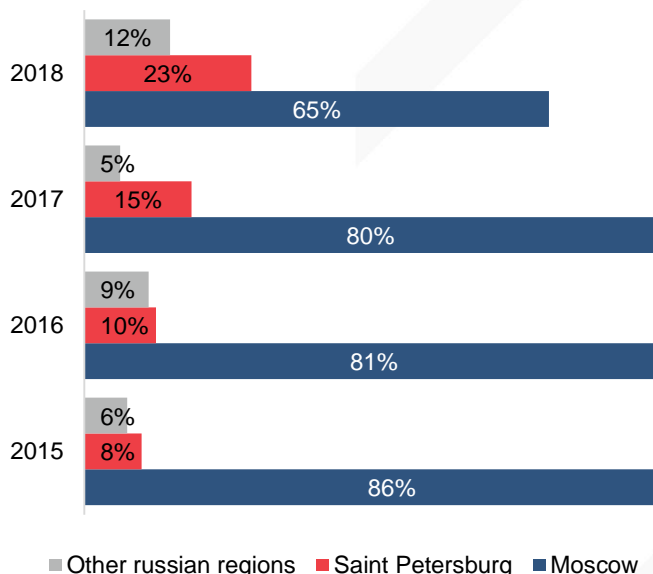


■ Retail ■ Office ■ Warehouse ■ Hotels

Total investment volume on Russian real estate, \$ bln



Regional structure of investments in real estate

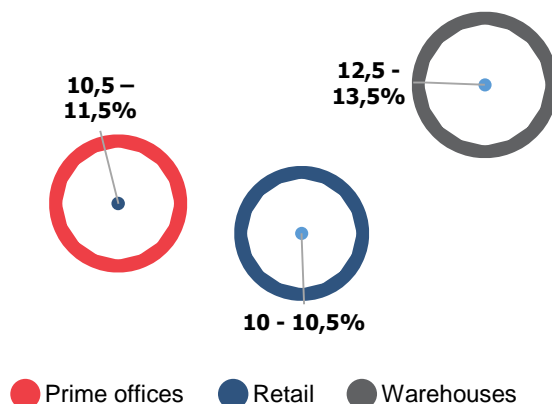


- Share of international investments is 30% in St Petersburg and in 20% in Russia total, while in Eastern Europe it contributed up to 73% and Russia has share of only 8% of total international investments in Eastern Europe.
- Russian investors are still play key role on the local market.

* without Stockmann deal

Capitalization rates on St Pete investment market

- At the same moment, exit of international investors is almost completed, foreign capital outflow which formed Russian Real Estate Market in 2004 – 2007 period, didn't exceed 15 mln USD in 2018 compared to 210 mln outflow in year 2017.
- Key factors of investment volume reduction is a moderate interest and conservative approach of international investors on the background of local currency volatility and applied sanctions. International institutional Investors don't consider new investments in Russian Real Estate market as the market is closed due for them by high country risk investment criteria.

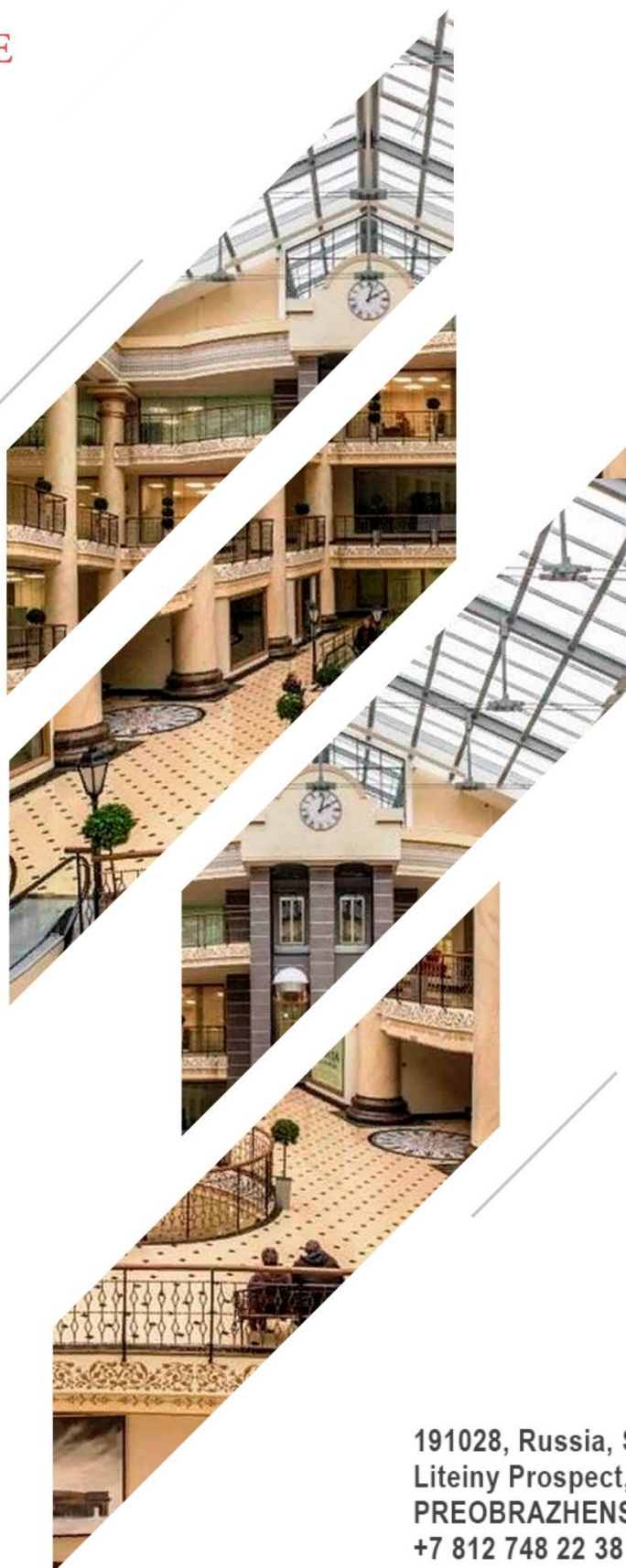


Key investment deals in 2018

Object	Class	Area, sqm	Buyer	Seller	Cap Rate
Nevskaya Ratusha	A	50 000	City Administration	Hals Development	End-user
Lotos Tower	B+	30 000 (two buildings)	Jet Brains	Stremberg	End-user
Sinop	A		Confidential	RWM	10%
Office buildings at Bolshaya Morskaya street, 22-24	B (need for reconstruction)	16 500 (four buildings)	Imperia Holding	Rostelekom	Vacant properties
Nevsky Center (retail center with office area)	A	103 000 (offices 5 000)	PPF	Stockmann	9,5%
DIY chain K-Rauta	-	50 000	Leroy Merlin	Keslo	End-user

Key investment market highlights

- Emerging new institutional Russian investors;
- Limited possibility of investments by institutional international investors to the Russian market;
- Access to capital has improved comparing to the previous year's period;
- We observe inflow of Russian capital from international jurisdictions;
- Net foreign capital outflow is only 15 mln USD (without Stockmann deal);
- Compression of capitalization rate on quality real estate assets stopped due to ruble rate weakening and increase of Central Bank rate up to 7,75% (+0,25%) in the mid of December;
- St Petersburg share reached its maximum in country investment volume since 2011 up to 23%;
- Real Estate Assets are considered more and more as important instrument of alternative investments.



191028, Russia, Saint Petersburg,
Liteiny Prospect, 26
PREOBRAZHENSKIY DVOR, BC
+7 812 748 22 38
info@ipg-estate.ru