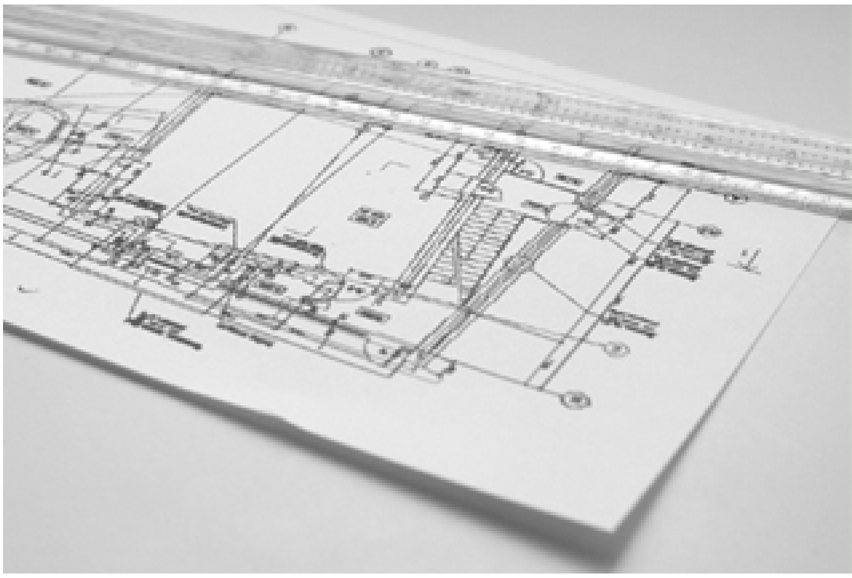
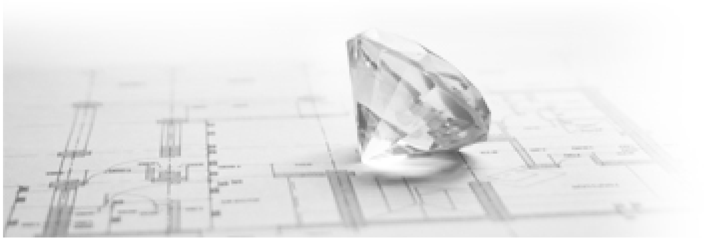


MAYFAIR
PROPERTIES

COMMERCIAL REAL ESTATE MARKET OVERVIEW Q1 2008

Moscow 04.2008



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OFFICE MARKET

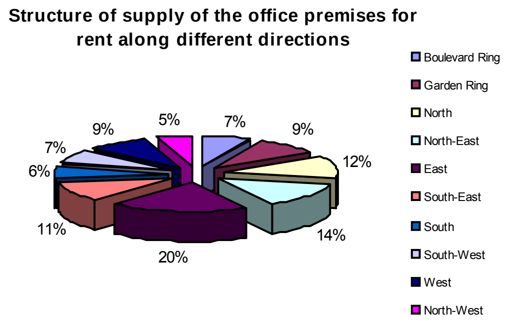
Supply

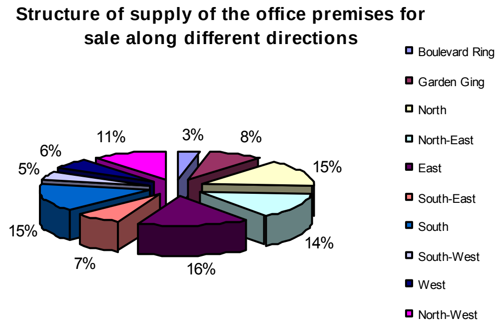
On the basis of office real estate market analysis for the 1st quarter of 2008, performed by the specialists of MAYFAIR Properties company on the basis of supply of the premises along different directions you can notice slight increase in the Eastern Administrative District (from 17% to 20% of total volume of supply). This is related to the fact that a number of large office real estate projects have been commissioned along this direction. Significant share of supply is still represented by the objects located in the Northern and in the North-Eastern Administrative Districts (12% and 14%). Slight reduction is also observed in supply of the premises for rent in the center of the city (from 17% t0 16%), which is logical taking into consideration reducing number of objects offered for rent within this territory. The lowest supply is registered in the Western (9%), North-Western (5%) and the South-Western Administrative Districts, where large objects are practically absent.

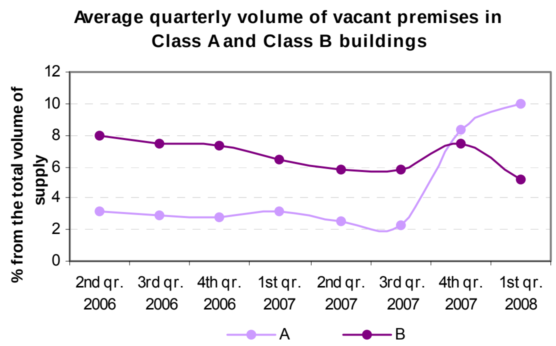
The structure of supply of the office premises for sale along different directions is characterized by considerable reduction in the number of premises offered for sale in the center of the city. During the 1st quarter of 2008 it comprised 11% of the total volume of supply against 23% in 2007. Such a rapid reduction in supply may be explained by prohibition on construction of business-centers in the centre of the city, as a result of which the owners prefer renting vacant office areas rather than selling them in order to ensure stable income in the longer term. Overwhelming majority of sale offers belongs to Eastern (16%), North-Eastern (14%) and Southern (15%) Administrative Districts, which may be explained by commissioning of new office objects in 2007. Thus, overall volume of supply remained practically unchanged, however, with slight redistribution within the structure of supply of the office premises for sale along different directions.

During the 1st quarter of 2008, despite high level of demand for high-quality areas, share of vacant areas considerably exceeds the rates for respective period of 2007 comprising 8-9% depending on the class of the premises. This is explained by quite a significant number of large premises commissioned during the 4th quarter of 2007 and the 1st quarter of 2008, such as: “Northern tower” (class “A”, total square footage 167 thousand sq. m.), “Federation” Complex, “West” tower (class “A”, total square footage 169 thousand sq. m.) in “Moscow-city” Moscow International Business Center, “Kosinskaya Plaza” (Class “B”, total square footage 111 thousand sq. m.), “Neglinnaya Plaza” Multi-functional Complex (class “A”, total square footage 75 thousand sq. m.), 3. On the other hand, despite high pace of development of the office real estate market, lack of high-quality office areas is still evident.

The structure of supply of the office premises for sale is characterized by considerable reduction of offers in the center of the city. During the 1st quarter of 2008 it comprised 11% of the overall volume of supply against 23% in 2007.







Source: data of MAYFAIR company

OFFICE MARKET
Supply

As expected, during the 1st quarter of 2008, developments at the office real estate market reinforced trends of the previous and the current years. Commissioning of the new areas does not lead to reduction of demand for Class A and B offices, the market saturation does take place and the deficit of high-quality office areas persists.

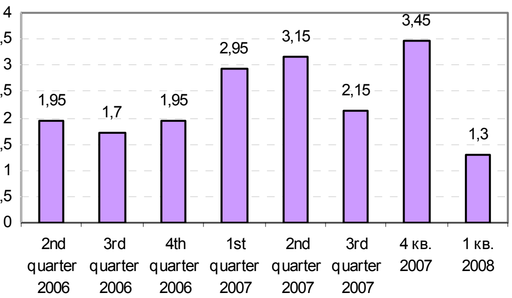
During the 1st quarter of 2008, the demand has not reduced compared to respective period of the previous year, comprising 1,3 million sq. m. against 2,95 million sq. m. in 2007. This may be explained by overall instability on the world's financial markets which has a natural impact over the Russian banking system and may lead to reduced number of the objects. On the other hand, it is specific for Russia to withhold business activity prior to the presidential elections. Among other issues, the 1st quarter is a priori characterized by low pace of development.

Looking at the structure of supply of the office premises for sale, we may clearly observe that small office areas (from less than 100 sq. m. to 500 sq. m.) are of top deficit, as a share of such premises does not exceed 11% from the total volume of supply. , Compared to 2007, there was a slight increase in a share of supply of the office areas above 3000 sq. m. (from 42% to 57% of the total volume of supply). This may be explained by commissioning of the office complexes with high share of premises above 3000 sq. m., compared to 2007.

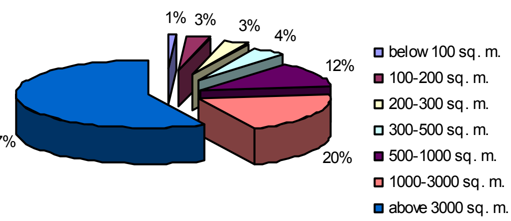
During the 1st quarter of 2008, the structure of supply of the office premises for rent by square footage demonstrated deficit of supply of small blocks for rental at the market of high-quality office areas. Small blocks below 100 sq. m. comprise less than 7% of the total volume of supply, which is practically the same as in 2007. During the 1st quarter of 2008 large areas prevail in the structure of supply of the office blocks: from 500 to 1000 sq. m. (16%), from 1000 to 3000 sq. m. (21%), above 3000 sq. m. (24%). Such trend may be explained by unwillingness of the owners to split offices for rent into small blocks, as it creates serious constraints in terms of further management of the object, moreover, increases investment risks and prolongs the terms for approval of documentation if the whole premises is to be sold in future.

During the 1st quarter of 2008, the structure of supply of the office premises for rent by square footage demonstrated deficit of supply of small blocks for rental at the market of high-quality office areas. Small blocks below 100 sq. m. comprise less than 7% of the total volume of supply.

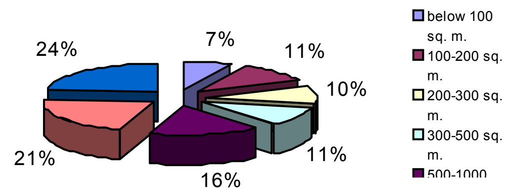
Summary square footage of the office premises for sale, mln sq. m.



Sructure of supply of the premises for sale by square footage



Structure of supply of the office premises for rent by square footage



Source: data of MAYFAIR company

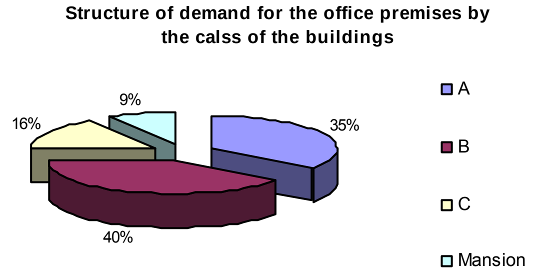
OFFICE MARKET
Demand

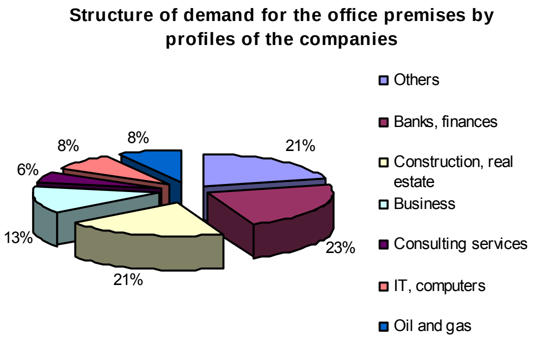
Office real estate market analysis during the 1st quarter of 2008, performed by the specialists of MAYFAIR Properties company, allows us to make certain conclusions about the structure and dynamics of the demand. As in 2007, highest demand is demonstrated towards high-quality Class "B" (40%) and Class "A" (35%) office centers. Less demand is demonstrated towards Class "C" premises (16%) and the mansions (9%).

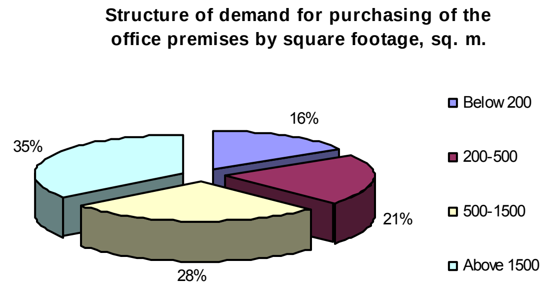
As for profile demand structure analysis of the companies, during the 1st quarter of 2008 the largest number of demands has been submitted by the companies working in banking and financial sectors (23% from the total volume of demands), as well as by the construction and the real estate companies (21%). quite a high activity is also demonstrated by business (13%), consulting (6%) and IT/computer companies. Currently these market segments undergo quite an intensive development, bringing top profits, resulting in rapid and dynamic development of the business.

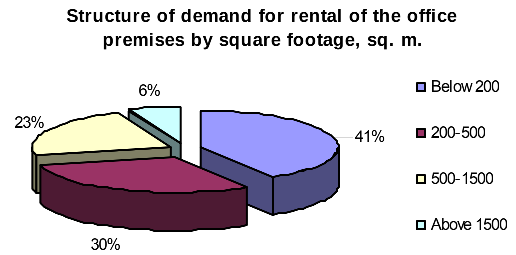
The structure of demand by the type of transaction underwent minor changes compared to 2007. The following distribution of the demands has been observed: rental—74%, sale—26% against 28% at the end of 2007. The trends are such, that due to increase of the prices at the market of the office premises, sufficient capacity for purchasing of such premises is mainly possessed by large companies, including the international ones, whose economic activity has increased as a result of favorable economic environment in Russia. Office blocks from 500 to 1500 sq. m. are often purchased in such cases (28% of the total volume of demand), or the premises above 1500 sq. m. (35%). This is related to limited number of supply of small areas in high-quality business-centers, due to comparatively short pay-back period compared to the office blocks with square footage of 200 to 500 sq. m. (21%).

The structure of demand for the office premises for rent by their square footage does not demonstrate any significant changes. Like in 2007, demands for the office areas below 200 sq. m. prevail (41%). This may be explained by good economic conditions creating favorable environment for development of small business enterprises with less than 10-15 persons in staff structure. Office blocks from 100 to 200 sq. m. are often demanded by the international companies at an early stage of entering into the Russian market and not requiring large areas so far. However, slight increase in demand for the blocks of 500 to 1500 sq. m. in footage may also be noted (by 6%). Areas above 1500 sq. m. are of minimal demand (6%).









Source: data of MAYFAIR company

OFFICE REAL ESTATE
Demand

Based on analysis of the market performed by the specialists of MAYFAIR Properties company for the 1st quarter of 2008, certain dynamics is observed in terms of increased interest to higher-quality office areas. Most of potential tenants prefer premises rented at an annual rate below 900$/sq. m.* (45% of the total number of demands). Premises with the annual rental rate between 900 and 1500$/sq. m. are also quite demanded (40%) which exceeds the rates of 2007. Office blocks rented at a rate above 1500 $/sq. m. per year are least demanded (15%).

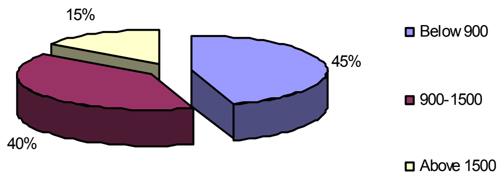
Dynamics of increased interest towards high-quality premises is still observed at the office real estate purchase and sale market. Demands for the office blocks at the cost below $7000 per sq. m. prevail (42%), however, compared to 2007, there is an increase in demand for the office areas priced between $7000 and $10 000 per sq. m. (35%). The lowest number of demands submitted during the 1st quarter of 2008 belong to the office areas above $10 000 per sq. m. (23%), though it has to be noted that such premises are quite attractive for potential buyers willing to acquire high-quality office areas in Class "A" business-centers located inside the Garden Ring.

Based on requests submitted to MAYFAIR Properties company during the 1st quarter of 2008, we may presume that the premises located in the central part of the city are of highest demand among the buyers. For instance, 28% of the total number of potential buyers, who submitted their requests, would like to acquire high-quality office premises inside Boulevard Ring, and about 19% - inside the Garden Ring. At the same time, objects located in the Northern and the North-Western Administrative Districts are of consistent demand (25%). Minimal interest was expressed towards the office premises located in the Southern Administrative District (8%). Thus, it may be noted for definite that solvent organizations are still interested in acquisition of high-quality office areas in the center of the city either for their officer or with investment purposes.

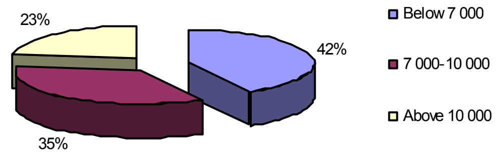
Structure of demand for rental of the premises located along different directions slightly differs from the structure of selling market, however, in this particular case special interest is expressed towards high-quality areas in the center of Moscow (11% inside the Boulevard Ring and 32% inside the Garden Ring). However, due to decentralization of the market potential tenants also give consideration to the objects located in the Northern and North-Western Administrative Districts (20%), which allows presuming that the tenants are ready to leave Central Administrative District given the optimal correlation of the price and the quality of the new office centers outside the center of the city.

** The prices exclude VAT (18%) and operating expenses*

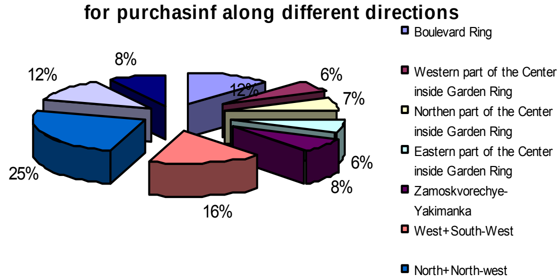
Structure of demand for rental of the office premises by annual rental rates, $/sq. m.



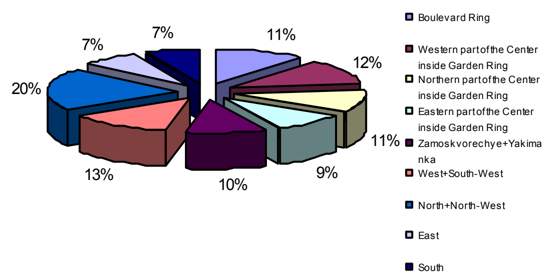
Structure of demand for purchasing of the office premises by rental rates, $/sq. m.



Structure of demand for the office premises for purchasinf along different directions



Structure of demand for the office premises for rent along different directions



Source: data of MAYFAIR company

OFFICE MARKET
Rental rates and selling prices

Unprecedented rise in the rental rates over the recent 10 years has been observed in the office real property segment in 2007, reaching up to 50% in the most prestigious districts of the city. During the 1st quarter of 2008 rental rates raised by around 3-4% depending on location and class of the objects. For instance, average annual rental rates comprised $860 per sq. m. for Class “A” offices and $640 per sq. m. for Class “B” offices, excluding VAT and operating expenses.

Traditionally, top rental rates have been registered inside the Garden Ring, comprising $1 068-1 143* per sq. m. per year. The lowest rental rates are offered for the office blocks in the South-Eastern Administrative District comprising $605 per sq. m. per year on the average.

Maintenance costs comprised $100-130 per sq. m. per year on the average for Class “A” premises and $90-100 per sq. m. per year for Class “B: offices, which is practically at the same level as in 2007.

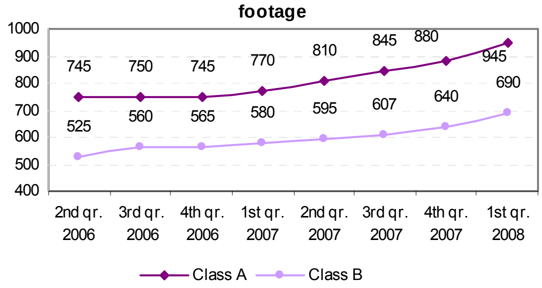
During the 1st quarter of 2008, average selling price comprised around $6 150 per sq. m. having increased by 10% compared to 2007. It has to be noted that most significant increase in prices was observed in relation to the office areas in Class “A” business-centers, which is most probably due to inflow of large volume of foreign investments into the market.

As expected, top average selling prices for the office premises have been registered inside the Garden Ring. By the end of the 1st quarter of 2008, it comprised $11 882-11 905 per sq. m. Minimal average selling prices have been offered for the office premises located in the Southern part of Moscow ($4 950 per sq. m.).

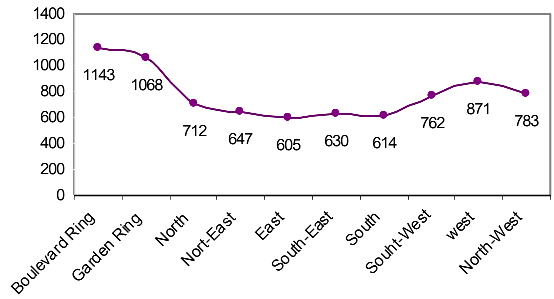
** The prices exclude VAT (18%) and operating expenses.*

Average annual rental rates comprised 860$* per sq. m. for Class “A” offices and 640$ per sq. m. for Class “B” offices. Traditionally, top rental rates have been registered inside the Garden Ring, comprising $1143-1068 per sq. m. per year.

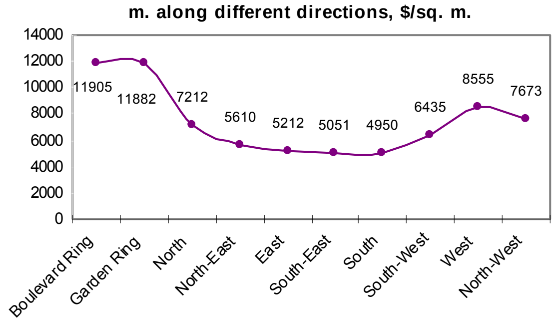
Dynamics of rental rates forClass "A" and "B" premises, $/sq. m. per year weighted by square footage



Office premises for sale. Averege prise per sq. m. along different directions, $/sq. m.



Office premises for sale. Average price per sq. m. along different directions, $/sq. m.



Source: data of MAYFAIR company

OFFICE MARKET

Market update:

- In January local authorities of Moscow city approved the scheme for reconstruction of the territory of "Production area No 23 "Serp i molot" in the South-Eastern Administrative District". According to the resolution, the area shall be split into 12 parts, including residential micro-districts, multi-functional complex, industrial-storage areas and "Sepr i Molot" factory.

- "Yandex" internet-holding rented the office premises with total square footage of 29 100 sq. m. in the first line of "Legion II" multi-functional complex. "Yandex" is planning to use rented premises for its head office. The project has been developed by "Legion development" company.

- Russian JSC "EES of Russia" found a buyer for "Neftyanoi dom" business-center located at the following address: 101, Vernadskogo Ave., bld. 3. Former head office of the energy holding will be sold to "Intertsessiya" LLC for $172,65 million. The buyer has not yet disclose the name of the company which interests it pursues.

- As reported to RIA Novosti by Ilya Levitov, the representative of "ST Development" company, it shall present cassation appeal to decision of the 9th arbitration court of Appeal invalidating the agreements between the Government of Moscow and "ST Development" company for construction of the buildings at the site of the "Russia" hotel.

Declared projects:

1. "SP Business Car" company shall construct a business-park with total area of 200 thousand sq. m. on the 25th km of the outer side of the Moscow Ring Road nearby Kashirskoye highway. Around 95% of the premises will be used for the offices, and the remaining areas—as a selling space. Total volume of investments into the project will comprise $450-500 million at a rate of $2-2,5 thousand per 1 sq. m.
2. DEKRA company will start development and construction of "Yappy Town" multi-functional culture-business complex with the hotel and the apartments nearby the Moscow International Business Center "Moscow-City" at the price of around one billion dollars. "Yappy Town" occupying 7,95 hectares of land will be located at the following address: 11, Sergeya Makeeva Street and Zvenigorodskoya highway, estate 9. Residential complex within the structure of "Yappy Town" is located at a distance of 1,2 thousand meters from the Moscow International Business Center "Moscow-City". Construction works shall be initiated this year and accomplished in 2012.
3. "Metropol" Group plans to construct business park at the price of 600 million dollars nearby currently developed site of "Moskvich" factory. Currently the site for development, comprising a total of 100 thousand square meters, is occupied by the premises of the former factory management. It is planned to construct business-park with total area of 400 thousand square meters there, consisting of the offices, 3-star hotel and exhibition areas. The first stage of construction works involves reconstruction of existing premises at the price of around 150 million dollars. It will be commissioned by the end of 2009.

Some of the objects declared for construction, 1st quarter of 2008:

Investor/Developer	Object title	Address	Declared office area, sq. m.
"Evokom"	Multi-functional complex	General Belov St., estate 28	unknown
"Mosinzhstroi"	Office complex	Maryina Roshcha district, G-9 micro-district	117 000
"AFI Development"	Multi-functional complex	Bolshaya Pochtovaya St.	221 100
"Sibacademinvest"	Multi-functional complex	Territory of "Moskvichka" factory	20 100
"Stolitsa-group"	Multi-functional complex	Shabolovka, estates 7-9	59 270

Source: data of MAYFAIR company

OFFICE MARKET

Trends

Main trends of the 1st quarter of 2008:

- Modification of the terms of rental: rental rates and prices per sq. m. are established in rubles, euro or using fixed exchange rate of conventional units.
- Increase in validity of rental agreement to 7-10 years.
- Increased share of large rented premises around 3000-5000 sq. m. with their further sub-rental.
- Remaining trend towards delay in commissioning of the objects.
- Increasing number of unsatisfied demands, including investment demands and demands for acquisition of large office areas.
- Increased demand for the office premises.
- Increased deficit of supply of the small office areas for rental and sale in the middle price bracket.
- Continued dynamics in terms of construction of larger objects.
- Construction of multi-functional complexes allowing the developing companies to diversify their risks and gain more stable profit.
- Stabilization of the level of operating expenses.
- Continued trend towards decentralization, formation of new business districts.

Forecast

Dynamics of market development during the 1st quarter of 2008 did not result in any significant changes on the market of the office real estate. According to the forecasts of MAYFAIR Properties company, in 2008 the market will maintain positive dynamics of development and core trends observed in 2007.

Over 1,5 million sq. m. of high-quality office areas are scheduled for commissioning in 2008. However, in reality, the volume of commissioned areas may be considerably lower due to technological cycle of development of newly declared areas and prolongation of the period of construction.

In addition, the share of vacant areas remains at a low level due to delays in commissioning of the new objects and increased business activity. Moderate increase in the selling prices and the rental rates within office real estate segment may be forecasted. However, different trend may be observed in the Central Administrative District, with more intensive price increase dynamics due to prohibition on construction within this district.

The trend towards decentralization of the office premises and formation of the new business areas, shall be observed till the end of 2008, such as the Moscow International Business-Center “Moscow-City”, “Nagatino” and the premises along the Moscow Ring Road.

Some of the objects commissioned during the 1st quarter of 2008:

Object title	Address	Class of the objects	Total footage, sq. m.
“Federation” complex, “West” tower	13, Krasnopresnenskaya embankment	A	169 000
“Neglinnaya Plaza” Multi-functional complex	2, Trubnaya square	A	75 000
Business-center	11, Nikoloyamskaya St., bld. 5, 6	A	8 000
“Legion II”	13, B. Tatarskaya St.	A	22 450

Source: data of MAYFAIR company

RETAIL MARKET
Supply

During the 1st quarter of 2008 supply of commercial premises for rent was predominantly higher than supply of commercial premises for sale. The volume of commercial premises offered for rent comprised 251 thousand sq. m. against 171 thousand sq. m. offered for sale, thus, making up a variance of 31%. In general, the volume of supply decreased compared both to the previous quarter and to the 1st quarter of 2007, which is explained by dynamics of delayed commissioning of the trade centers. For instance, in 2007, declared volume of commercial real estate exceeded the factual number of commissioned objects by 30%.

Based on the analysis of the structure of supply of commercial premises by square footage, it may be noted that blocks from 1000 sq. m. to 3000 sq. m. are most in demand, comprising 25% of rental volume and 33% of sale volume. Such change in the structure may be explained by a trend towards construction of the larger trade centers: while earlier trade centers of 50 000 sq. m. and above used to be a rarity on the market of commercial real estate, nowadays many of the projects declared for commissioning in the nearest 2-3 years are several times above this size.

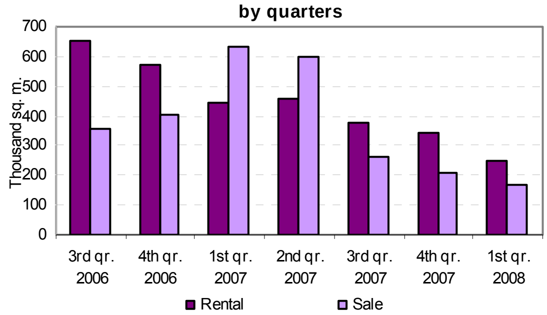
Share of vacant areas in high-quality trade centers did not change much during the 1st quarter comprising around 1%, which is explained by constantly increasing demand for high-quality commercial areas. However, obsolescence of the trade centers of ineffectual concepts has lead to increase in the level of vacant areas in such trade centers to 7-8%. Such de-flux of the tenants may be explained by emerging trend towards redistribution of customers flow towards more attractive and conveniently located trade centers. As a result, we may presume that rental rates in the least favorable trade centers will be revised downwards.

Looking at the distribution of the areas offered for rental and of the ones for sale, we may note that major part of the offered premises are located in the South-Eastern Administrative District (around 20% of the overall volume of supply) and the Western Administrative District (16%). Such considerably high level of supply in these two districts may be explained by appearance of the new large objects along south-eastern and western directions commissioned in 2007: Mega Belaya Dacha, 2nd line (14th km of the Moscow Ring Road; 190 000 sq.m.), Mosmart (Borovskoye highway, building 20, 72 000 sq.m.), Vremena goda (Kutuzovsky Ave., estate 48; 64 300 sq.m.).

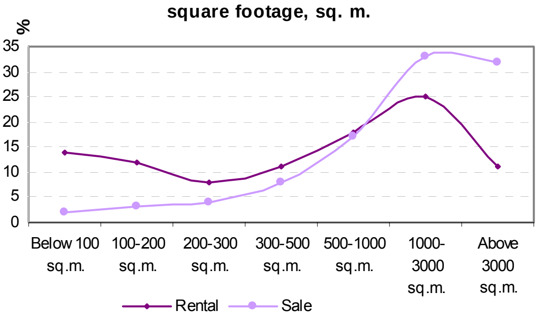
As before, the lowest volume of supply is registered in the Central Administrative District. Around 6% from the total volume of supply fall within the area inside the Garden Ring, which is quite natural taking into consideration limited amount of build-on areas

During the 1st quarter of 2008 the volume of commercial areas comprised 251 thousand sq.m. offered for rent, and 171 thousand sq. m. offered for sale. In general, the volume of supply decreased compared both to the previous quarter and to the 1st quarter of 2007.

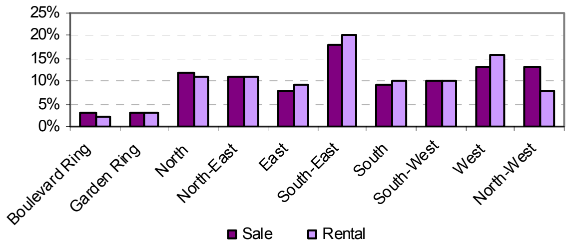
Total volume of supply of commercial areas, by quarters



Structure of supply of commercial premises by square footage, sq. m.



Commercial premises for rent and sale. Structure of supply along different directions, % from total volume of supply



Source: data of MAYFAIR company

RETAIL MARKET
Demand

Analysis of distribution of demand of the potential tenants by square footage shows that trade blocks from 100 to 250 sq. m. have been most in demand during the 1st quarter of 2008 (43%), as well as the blocks below 100 sq. m. (25%). Such situation is typical for commercial segment, as over a number of recent years intensive development of small business enterprises has been observed in Russia, and areas below 250 sq. m. are most suitable for establishment of commercial activities of small enterprises. Blocks above 1 000 sq. m. are least demanded among the tenants (7%) due to the fact that lease of such areas requires significant financial inputs and it is more rational to acquire them.

On the other hand, there is a need to note a trend towards accretion of demand for commercial blocks above 1 000 sq. m. at the purchase and sale market, which is stipulated by intensive development of household appliances network business, grocery hypermarkets, as well as by the trend towards acquisition of large commercial blocks with leasing purposes. Thus, we may confidently claim that there was a shift of demand towards purchasing of large areas rather than their lease.

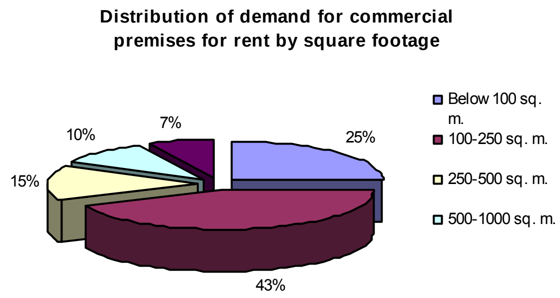
During the 1st quarter of 2008 the structure of demand by the distance of the objects was characterized by persistent trend towards decentralization. For instance, demand for purchasing of the commercial areas inside the Moscow Ring Road increased by 3% and comprised 12% from the total volume of requests. However, demand for commercial areas in the central part of the city persists. Prevailing number of requests are submitted for the areas located inside the Garden Ring (48%), followed by the commercial blocks located inside the Third Transport Ring (40%).

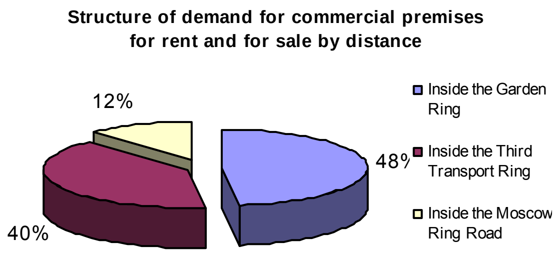
What comes to the price segment, commercial areas rented at the annual rate from 500$ to 1 000$ sq. m.* are of most demand among the potential lessors (44%). Blocks with the annual rate between 1 000$ and 1 500$ per sq. m. are also quite popular (30%). In most of the cases such distribution to much extent depends on required footage, profile and status of the tenants as well as on location of the trade center.

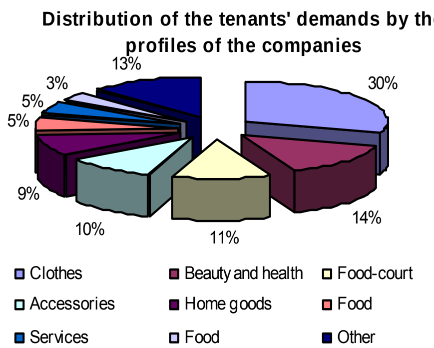
According to the data of MAYFAIR Properties company, the structure of demand by commercial profile of the tenants is represented predominantly by clothes and shoes shops (30% of the total number of requests), drug stores and beauty shops (14%), and public catering enterprises (11%). As a matter of fact, such structure has not underwent any significant changes over a number of recent years.

** The prices exclude VAT (18%) and operating expenses.*

Blocks above 1 000 sq. m. are least demanded (7%) due to the fact that lease of such areas requires significant financial inputs and it is more rational to acquire them.







Source: data of MAYFAIR company

RETAIL MARKET
Rental rates and selling prices

By the end of the 1st quarter of 2008 the level of rental rates comprised an average of $1 900-2 200* per sq. m. per year in the central part of the city and $900-1 000 per sq. m. per year outside the Garden Ring.

Traditionally top level of average rental rates is observed in the Central Administrative District comprising $2 430 per sq. m. per year for the areas inside the Boulevard Ring and $2 284 per sq. m. per year for the areas inside the Garden Ring. Minimal level of the average rental rate was registered in the Eastern Administrative District (922 $/sq. m. per year).

What comes to dynamics of increase of the rental rates by the type of commercial real estate, it has to be noted, that most rapid increase of the rental rates has been registered in relation to high-quality commercial areas of “street-retail” type located along the main trade routes (Kuznetsky most, Arbat, Tverskaya street, Leninsky avenue, Leningradsky avenue, Kutuzovsky avenue, Prospekt Mira). This fact may be explained by market limitations in relation to this type of commercial areas as well as by high demand for such areas among the potential tenants.

The level of prices for high-quality «street-retail» type commercial areas located along historical trade routes (Petrovka street, Dmitrovka street) may reach up to $50 000-60 000 per sq. m. Areas along less significant trade routes cost around $18 000-20 000 per sq. m. It has to be noted that we are speaking of the trade routes with high people flow capacity.

Speaking about the average selling prices for commercial areas, the highest rates are registered inside the Garden Ring (19 850 $/sq. m.), and inside the Boulevard Ring (17 258 $/sq. m.). Considerably high prices are also observed in the Northern (9 922 $/sq. m.) and South-Western Administrative District (9 467 $/кв.м). The lowest level of average prices was registered in the Southern (5 852 $/sq. m.) and North-Eastern (4 620 $/sq. m.) Administrative Districts.

Looking at the level of rental rates and selling prices depending on the distance to the center, we may note the dynamics of slight increase in the rates (by 3-4%) in the residential areas (between the Third Ring Road and the Moscow Ring Road) due to new high-quality trade centers erected there.

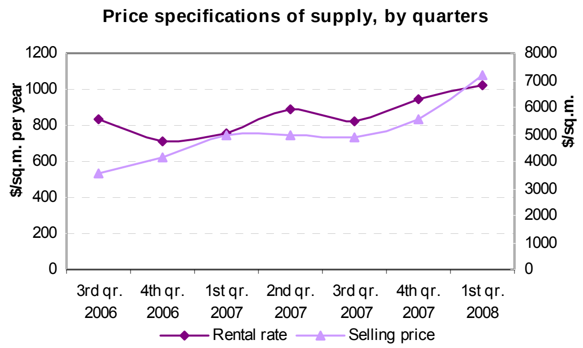
What comes to dynamics of the prices for commercial premises during the 1st quarter of 2008, we may note higher rates and more stable increase in the selling prices per square meter of commercial areas compared to the rate of increase of the rental rates observed over a number of quarters.

** The prices exclude VAT (18%) and operating expenses*

Rental rates comprised $1900-2200* per sq. m. per year in the center and $900-1000 in the suburbs. Top level of the average selling prices has been registered inside the Garden Ring ($19 850).

Districts of Moscow	*Rental rates, $/sq.m. per year**	*Selling prices, $/sq.m.**
Boulevard Ring	2430	17258
Garden Ring	2284	19850
NAD	1139	9922
NEAD	1510	4620
EAD	922	9020
SEAD	985	6912
SAD	995	5852
SWAD	1081	9467
WAD	1334	8046
NWAD	952	8692

Distance from the centre of the city	*Rental rates, $/sq.m. per year**	*Selling prices, $/sq.m.**
Inside the Third Transport Ring	1523	8286
TTR—MRR	951	5217
MRR and beyond	835	5071



Source: data of MAYFAIR company

RETAIL MARKET

Market update:

1. “Holiday Classic” and “Kora” companies entered into the merging transaction, which resulted in acquisition of 17% of the stocks of the united enterprise and $80 million by “Kora” company and 83% of the stocks of the united enterprise and 100% of the stocks of “Kora” network by “Holiday Classic”.
2. “Wal-Mart Stores” company plans to enter the Russian market in 2008-2009 either by establishment of the joint enterprise or by acquisition of one of currently existing companies.
3. During 2008, “Carrefour” company plans to open 15 hypermarkets throughout Russia. The company also considers construction of its own supermarket in Tyumen.
4. “X5 Retail Group” acquired the network of 15 shops in the Moscow region from the stockholders of “Set roznichnoi torgovli” company. Total square footage of acquired objects comprised 20 thousand sq. m. Total amount of transaction comprised around $50 million. “X5 Retail Group” company also plans to acquire Moscow retail network “Nyam-nyam”, consisting of 11 objects of the average square footage around 1 thousand sq. m. Currently the transaction is in its final stage. Total amount of transaction will comprise around $90 million.
5. Shares exchange deal has been accomplished between the Mayor's Office of Moscow and ZAO “Promtorgcenter” company: the Mayor's Office of Moscow exchanged 20% of the stocks of “Detsky mir” JSC to 15% of the stocks of “Olimpyisky sportivny complex” JSC with supplemental payment in the amount of 300 million rubles. Upon conclusion of transaction the Mayor’s Office of Moscow became the owner of 95% of the stocks of “Detsky mir” JSC, and ZAO “Promtorgcenter” company became the owner of 65% of the stocks of “Olimpyisky sportivny complex” JSC.

Declared projects:

1. In 2009-2010 it is planned to erect business-office center with total square footage of 113,7 thousand sq. m. with multi-storey parking for 600 car spaces, located at Generala Tyuleneva street opposite to estates 25-29. The objects will be designed and constructed by “Centre Eurasia” JSC. The complex of premises with total square footage of around 123,9 thousand sq. m. will be erected on 5,9 ha of land.
2. “Brateevo” trade center is to be erected on Borisovskiye Prudy street estate 26, building 2, with the parking for 153 car spaces and a total square footage of 23,9 thousand sq. m. “Darya ST” company will act in the capacity of investor-developer. Construction of the object is scheduled in 2008-2009.
3. “Artrings” multi-functional complex is to be erected nearby the Moscow Ring Road on the territory of 97 thousand sq. m. in footage earlier owned by “Zarechye” state farm. Apart from the trade areas, the complex will consist of the offices, 4* hotel, apartments, sport center, restaurants and a parking lot. Development of the project will take 3 years.
4. IKEA company plans to construct multi-functional complex in Mytishchensky district at 10 km distance from the Moscow Ring Road. The complex with the total square footage of 400-500 thousand sq. m. will consist of: IKEA furniture shop, “Mega” trade complex, hotel and possible some residential facilities. Currently IKEA is acquiring 50 ha land plot for further project development. Apart from that, IKEA is planning to construct retail-park for rental by the large companies. Retail-park will be composed of several premises 5-10 thousand sq. m. each. Commissioning of the first line of the project is scheduled for 2010.
5. It is planned to construct multi-functional complex and business-recreational center at the site of Cherkizovsky market. Multi-functional complex with over 140 thousand sq. m. of square footage will be managed by the investing company “Safra Instruments”. The complex will consist of: 4* hotel, offices and commercial areas

Large objects commissioned during the 1st quarter:

Title of the trade center	Address	Total footage, sq. m.	Rentable area, sq. m.
"Oblaka"	22a, Orekhovyi blvd.	95 900	42 500
“Neglinnaya Plaza” MFC	2, Trubnaya sq.	75 000	14 000

Source: data of MAYFAIR company

RETAIL MARKET

Trends

Main trends at the market of commercial real estate during the 1st quarter of 2008:

- Shopping and recreation centers size expansion
- Increased share of square footage occupied for entertainment purposes from the total area of the trade centers, broader variety of entertainment facilities
- Revision of the rental rates for premises in unsuccessful trade centers downwards
- Intensification of the regional activities of the Moscow and foreign commercial enterprises
- Increased importance of the right concept of the trade centers, their functional setup and professional management
- Increased number of specialized and non-standard trade centers
- Increased number of projects for reconstruction, reconception and rebranding of the projects which are considered to be unsuccessful in the context of the trade centers market
- Prevailing share of commercial areas for rent compared to the share of commercial premises for sale in the overall structure of supply
- Number of trade centers declared for commissioning in 2008 will exceed factual amount of the objects due to the trend towards delayed commissioning.
- Share of vacant areas in high-quality trade centers will remain low -1-3 %

Forecast

According to the forecasts made by MAYFAIR Properties analysts, the structure of supply and demand on the market of commercial real estate will not undergo any major changes in 2008. Commissioning of the new business and recreation centers will be balanced by increase of the solvent demand for premises in them. Thus, market saturation is not to be expected at the moment.

We do not foresee any rapid changes in the rental rates in 2008. Forecasted level of price increase is 7-11%.

A trend towards enlargement of the trade centers in footage and increased complexity of their concepts will persist, as well as a trend towards erection of the objects within the structure of multi-functional complexes with well-developed recreational component.

On the other hand, as an alternative solution it would be quite logical to expose increased number of existing trade centers to re-conception and rebranding with the purpose of involvement of the larger number of potential tenants.

It is expected that large number of foreign enterprises will enter the market in 2008, which indicates favorable investment environment within this segment of commercial real estate market. There will also be an escalating trend towards exploration of the regional markets by the capital developers.

Major objects declared for commissioning in 2008.

Title of the trade center	Address of the object	Total footage, sq. m.	Rentable area, sq. m.
“Rio Grand” trade center	163a, Dmitrovskoye highway	220 000	178 700
"Megapolis"	Andropova Ave., estate 4-10	72 000	44000
"Semyonovsky”, 2 lines	1, Semyonovskaya square	32 000	18 000
Zig Zag	Lobnenskaya St., estate 4-6	28 400	unknown
“Tryapka” trade center	Leningradsky Ave., estate 25	25 000	unknown
“Vorobyovy gory” shopping mall	70, Mosfilmovskaya St.	24 000	unknown
“Voentorg” MFC	10/2 Vozdvizhenka St.	70 700	5 500
"Metropolis"	23, Leningradskoye highway	205 300	unknown
"Troyka"	Verkhnyaya Krasnoselskaya St., estates 3a, 3b	118 000	unknown

Source: data of MAYFAIR company

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