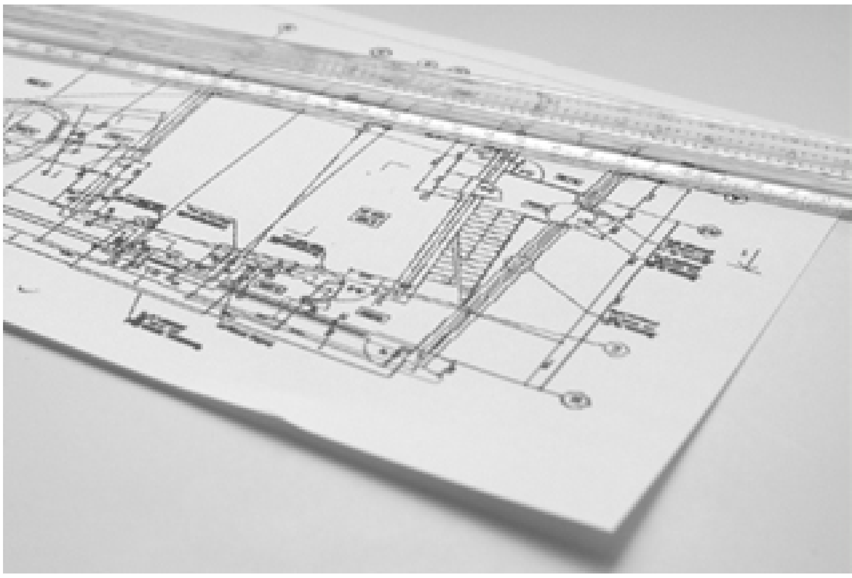
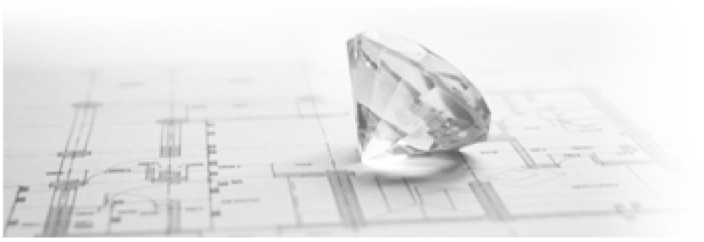


MAYFAIR
PROPERTIES

ELITE RURAL REAL ESTATE MARKET OVERVIEW
3rd quarter, 2007

Moscow 10.2007



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Rural real estate market (elite segment)

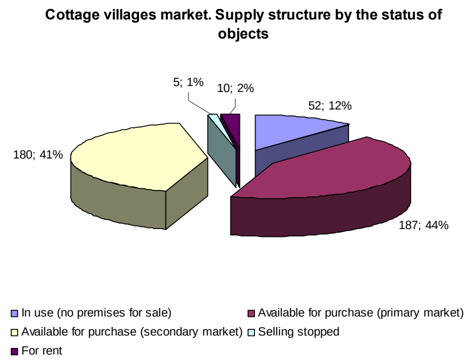
SUPPLY. Primary market

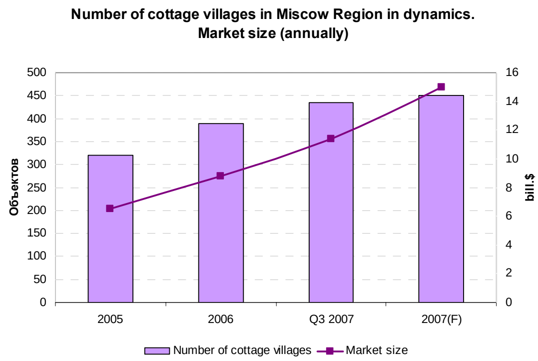
The market of the Moscow region comprises 435 cottage villages of various status. Current volume of the market is $11,4 billion. Business-class villages represent 47% of the overall structure of supply.

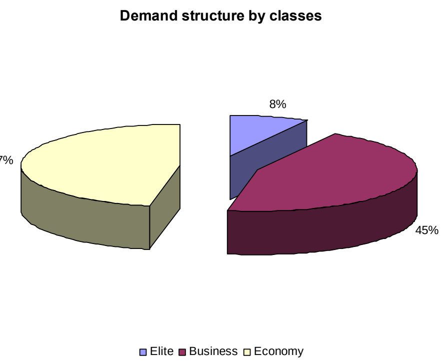
From April to September 2007, around 15 new projects entered the market of cottage villages in the Moscow region. Thus, by the end of the 3rd quarter totally 435 villages, including the ones already in use and those at the various stages of construction and implementation existed on the market. Compared to the situation at the end of the 1st quarter of the current year, there is a change in the structure of the market by the status of the objects. Described period is characterized by appearance of considerable number of offers at the secondary market, which is attributed to commissioning of many cottage villages and change of their status, as well as to the long-term stagnation at the market of the capital's residential real estate, which lead to liquidation of the investment cottages by the owners. In addition, a number of previously suspended objects for sale have been re-opened, including those with revised projects. Thus, objects for sale are exposed in 85% of cottage villages in the Moscow region.

Taking into consideration the growing sizes of cottage villages' projects coming into the market, as well as increase in the incremental cost of the offered property, we may conclude that the rate of market size growth exceeds the rate of increase in the number of villages. For instance, by the end of the 3rd quarter of 2007, the volume of the guarded cottage villages reached $11,4 billion, which is slightly above planned indicators. It is expected that by the end of 2007 the volume of the market will comprise $15 billion, and the number of constructed and operational contemporary cottage villages will reach 450. Taking into consideration the projects which have been declared for commissioning and those at the stage of development, the year 2008 promises to demonstrate a record number of the cottage villages at the stage of active sales.

During the 3rd quarter of 2007, the main volume of supply at the market of contemporary cottage villages kept falling within business-class objects (47% of the total number of objects for sale). During this period the share of elite objects in the overall structure of supply increased and reached 37% of the total number of cottage villages (compared to 18% during the 1st quarter). This year, cottage villages of the economy class comprise considerably small and stable share of the market (16%). Obviously, the developers try to saturate all segments of expensive rural real estate market and use the available resources maximally. However, shift of developer's activities towards economy-class projects is inevitable, and, according to the forecasts, will take place during 2008.







Source: MAYFAIR Properties

SUPPLY. Primary market

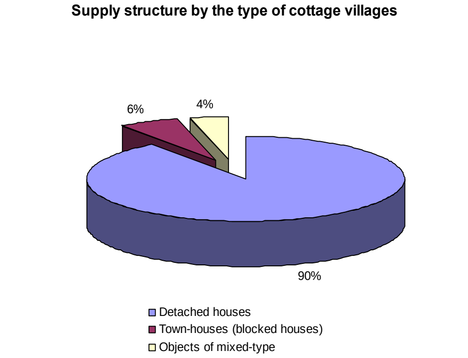
The specialists of the MAYFAIR Properties analyzed the supply at the market of the cottage villages depending on the format of the objects. A share of cottage villages as such comprises 90% of the overall structure of the market; 6% fall within town-houses villages and 4% of the objects for sale are represented by multi—format villages with both free standing and interlocked houses.

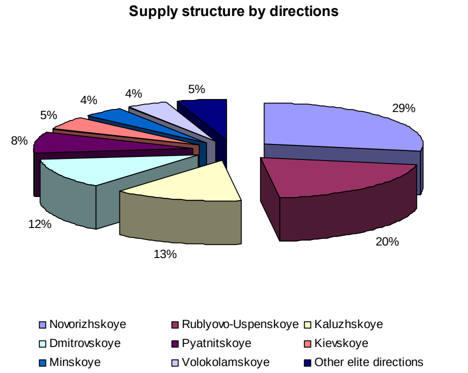
What comes to the structure of supply at the market of the cottage villages by the geographic distribution, major share of the objects for sale still falls within Novorizhskoye highway (29%). A share of cottage villages for sale along Rublyovo-Uspenskoye highway is also quite high comprising 20% compared to 11% during the 1st quarter of the year, which is related to appearance of a number of offers for transfer of rights for the real estate within this direction due to uncertainty of the situation at the market of the city residential property. Kaluzhskoye and Dmitrovskoye highways traditionally occupy a considerable share of the market; during the 3rd quarter of the year, 12-13% of the total number of objects for sale were located along each of these directions.

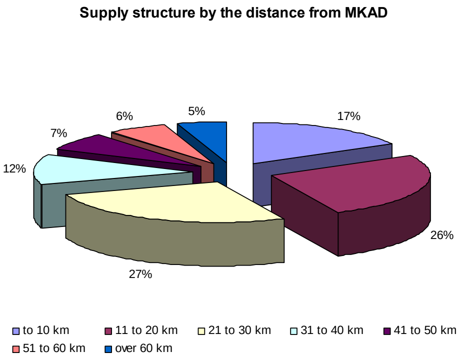
Currently Kievskoye highway has the highest potential for development of the rural real estate market. Analysis of the market of elite lands plots shows that this direction is leading by the number of the land plots offered for sale, which is due to high interest among the developer's companies. Considering the current input of the Kievskoye highway into the structure of supply (5%), increase in the number of cottages for sale within this direction may be expected in 2008.

Most of the cottage villages exposed at the market along prestigious directions are located within a range of 11 to 30 km distance from the Moscow Ring Road (53% of the total number of the objects). Quite a number of cottages are located within 10 km distance from the Moscow Ring Road (17%), at that, the density of cottages decreases as the distance from Moscow gets longer. Currently, with rare exceptions, the developer's activities are concentrated within 31-50 km distance from the Moscow Ring Road, which allows forecasting increase in a share of respective ranges within the structure of supply at the market of the cottage villages.

90% of the objects for sale are represented by the cottage villages and 6% - by the town-house villages. Novorizhskoye highway consolidates 29% of supply. Majority of the objects are located 11-30 km away from the Moscow Ring Road.







Source: data of MAYFAIR company

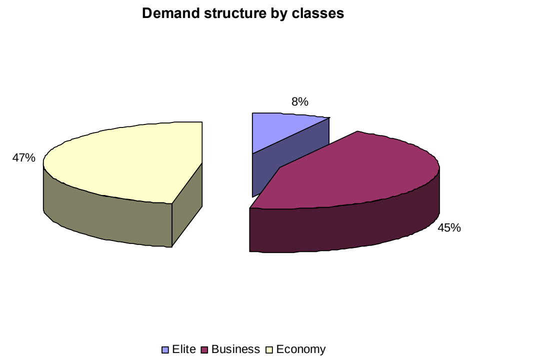
DEMAND. Primary market

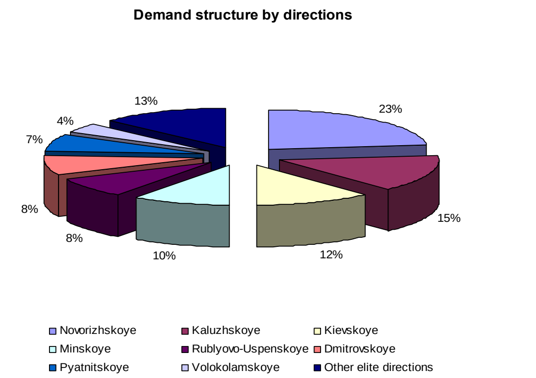
According to the estimations of the analysts of the MAYFAIR Properties, demand for inexpensive objects located within structured cottage villages comprise about a half of all demands submitted to the company (47%). At the same time, there is a significant customer's demand for business-class objects (45%). Demand for elite real estate comprises less than 10% of the total volume of demand. Based on this criteria, the structure of demand at the market of the cottage villages remains unchanged during the year.

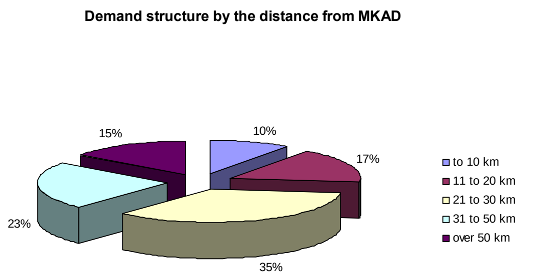
It has to be noted, that presented diagram reflects the structure of demand along the traditionally prestigious directions (i.e. from South-West to North clockwise), as we believe that demand for the cottages along other directions of the Moscow region would need to be analyzed separately. We'll just comment that location of the village and the status value of the highway fall by the wayside among other factors influencing the decision about the purchase. On the contrary, concept of the village and quality of life in general gain increasing importance regardless of direction. Cottage villages located along Novorizhskoye (23% of the total number of requests submitted during the 3rd quarter), Kaluzhskoye (15%) and Kievskoye (12%) highways are among the most demanded prestigious directions.

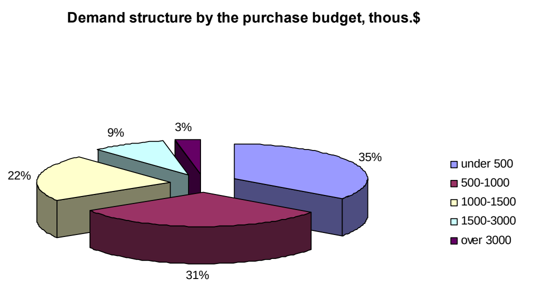
Traditionally most preferable distance from the cottage village to the Moscow Ring Road (10 km) is not so popular among the customers any longer. During the 3rd quarter of 2007, the objects located in immediate proximity to the city comprised only 17% of the total number of submitted requests. At the same time, attention of the buyers was focused on cottage villages located at a distance of 21-30 km (35% of the total number of requests), and 31-50 km away from the Moscow Ring Road (23%). On the opinion of the potential owners, on one hand, with such location of the village it doesn't take much time to reach the city, on the other hand, this distance is sufficient to minimize negative ecological impact of the capital.

What comes to the structure of demand depending on the budget, it may be noted that there is a demand for cottages within all price segments: as for the housing estate at the cost below $500 thousand (35%), so for the cottages at $500-1000 thousand (31%) and for the country-side manors above $3 million (3% from the total number of requests for acquisition of the real estate in cottage villages).









Source: data of MAYFAIR company

PRICES AND FORECASTS. Primary market

As it was noticed by the specialists of our company earlier, the borders of the elite rural real estate market gradually move away from the capital. Presented price analysis covers all objects for sale within a range of 50 km distance from the Moscow Ring Road. During the 3rd quarter of 2007, Rublyovo-Uspenskoye highway retained its leading positions among cottage villages by their price. Average price of the housing estate within this direction comprises $4230 per sq. m. including the cost of the land plot. Taking into account considerable square footage of the offered cottages (550-600 sq. m. at an average), total price of the objects rarely goes below $2 million.

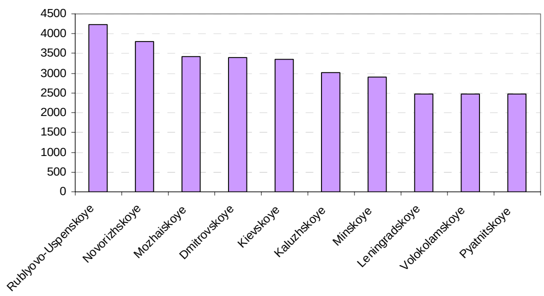
Average cost of the cottage villages located along Novorizhskoye highway is also traditionally high. During the 3rd quarter the average cost of the objects within this direction comprises $3800 per sq. m. It is also worth noting some of the other directions with considerably high average prices for cottages, such as Mozhaiskoye ($3420), Dmitrovskoye ($3400) and Kievskoye ($3350). It is indicative that the average minimal price per 1 sq. m. offered at the market of the cottage villages within elite segment, comprises $2500 taking into consideration the cost of the land plot.

What comes to dynamics of prices within described directions of the Moscow region during the 2nd and the 3rd quarters, Kievskoye highway was characterized by the maximum increase in the price of the primary market objects (approximately 34%). High rates of the price increase were also observed along Dmitrovskoye (31% over six months), and Mozhaiskoye (30%) highways. As it was forecasted, Rublyovo-Uspenskoye highway is characterized by the minimal price dynamics; during six months of observations increase in the incremental cost of the housing in the cottage villages comprised approximately 1%. Negative price dynamics have not been registered.

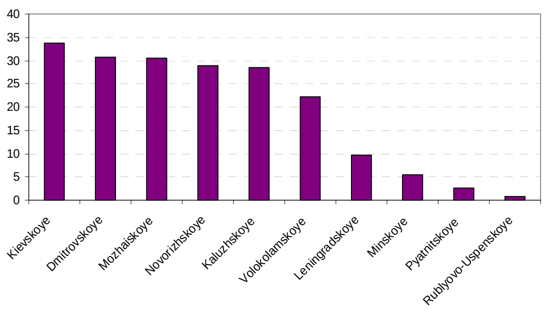
Future rate of expansion of the cottage villages market will fully depend on introduction of the new objects, offered at the price which is generally above average within specific directions. In addition, the market's professionals are aware that the market's pattern may vary greatly depending on the sampling of the real estate for sale. The selling policy for each of the villages, including specifics of introduction of houses within various price and status ranges within a framework of one project, have a great influence over the total averages.
In modern conditions of development of the Russian real estate market in general, current rates of expansion of the market of cottage villages in the Moscow region (25-35% per year depending on the object's characteristics) cannot be referred to as a record ones. Annual increase of the rates along the most dynamically developing directions (Kievskoye, Dmitrovskoye and Mozhaiskoye highways) may reach 40-50%, while along other directions it will not exceed 10%. It is expected that increase in the prices at the rural real estate market will be not so rapid by the end of the year, however, this will not lead to attenuation of the business activity at the market due to increasing demand for this type of housing.

Rublyovo-Uspenskoye highway keeps being the primary market's price leader (with the average cost around $4230 per sq. m.). Maximum increase in the cost of the property is registered along Kievskoye highway (34%).

Average prices by directions, $/sq.m. including the cost of land, by the end of Q3



Average price dynamics by directions, compared to data of Q1



Source: data of MAYFAIR company

EVENTS. NEW OBJECTS

Openings of sales

- In September, the sales in the new cottage village "PadikoFF", located 24 km along Novorizhskoye highway, have been opened. Previous working title of the project is "Greenburg".
- New cottage village "Vysokyi bereg" appeared along Novorizhskoye highway 56 km away from the Moscow Ring Road, developed by the Mozaik Development company. The object is at the stage of active construction and will be commissioned by 2010.
- Cottage village "Izumrudny gorod" located 36 km away from the Moscow Ring Road along Novorizhskoye highway was offered for sale. Land plots in the village are offered for sale without bidding.
- The sales for property in "Forest Lake Club" cottage village located 60 km along Minskoye (Kievskoye) highway have been opened.
- The sales for property in "Istrinskiye holmy" club cottage village located 55 km along Novorizhskoye highways have been opened. It is planned to build 33 houses on the territory of 8,5 ha. The additional benefit of the project is the presence of 4 ha of the rented forest land for use by the owners.
- Among all projects which entered the market, it is also worth noting such villages, as "Dubrovitsy" (Simferopolskoye highway), second line of "Angelovo" residence (Pyatnitskoye highway), "Papillon" built within a framework of "New-Elektrougli" project (Gorkovskoye highway), and others.

As a whole, the 3rd quarter of 2007 is characterized by the large number of new rural real estate projects. The development of Novorizhskoye highway is under way, however, the developer's activities continue along other directions as well.

Announcements

- A new townhouse village "Ivakino-Pokrovskoye" will be built by Urban Group company in Khimki area of the Moscow region, 11 km away from the Moscow Ring Road. The project will be distinguished by its nonstandard architecture, as well as by comparatively low cost of the houses.
- A cottage village will be built at the territory of 37 ha in the vicinity of Odintsovo in 2007-2008. The land plot is registered to perpetual use by the financial and economic administration of the Moscow Mayor's office. The government orderer of the project is Moscomarchitectura.
- Greek company Michaniki Group plans to develop a large land plot along Kievskoye highway. It is planned to construct 900 thousand sq. m. of low-rise housing with all necessary infrastructure within the limits of Hellas village with the total territory of 70 ha .
- The summer of 2007 was marked by appearance of the new phenomenon at the market—so called "network villages". It is planned that such objects will be united under a single brand, have similar architectural solutions, zoning and concepts, quality of the infrastructure, etc. Nowadays, only prototypes of the "network villages" exist at the market, such as villages under Vitro brand, as well as the objects of INCOM and Rodex group companies, which are perceived as networks due to the fact of being developed by one company. Out of all network projects declared during the 3rd quarter, it is worth noting "Izyum" (first village of the network will be constructed along Dmitrovskoye highway), "Sibarit" and "Tri kantona" villages. All future projects are developed by LLC "RusStroiTrest".
- Mezhregionalnaya Developerskaya Kompaniya (MDK) plans to construct economy class cottage villages in Istrinsky district at the territory of 60 and 70 ha located 65 km away from the Moscow Ring Road along Novorizhskoye highway.

Taking into consideration all projects which have been announced during the 3rd quarter of 2007, the next year will beat the records by the number of new cottage villages of various classes entering into the market.

SUPPLY. Secondary market

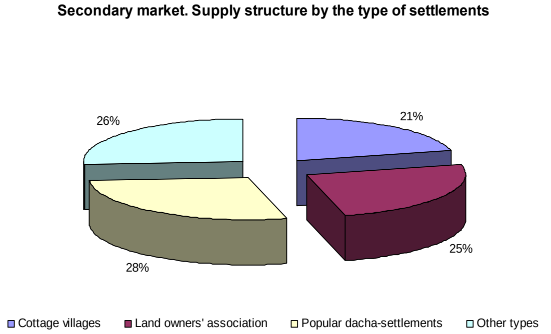
In order to make more objective overview of the current situation at the market of the rural real estate, apart from the market of the cottage villages it is also prudent to consider the offers from the private individuals. This category includes estates in old country-house areas (so called dacha-settlements) and garden consociations, as well as in structured cottage villages, where the real estate was acquired as an investment tool. Thus, secondary market of the real estate is extremely diverse both by the objects' characteristics and by the price. Nevertheless, the same criteria which were used for overview of the primary market were applied; supply of the real estate along the prestigious directions located within 50 km distance from the Moscow Ring Road were taken as a basis for analysis.

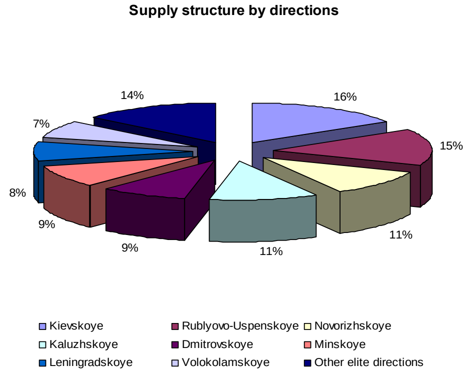
As it was mentioned earlier, the offers from the private individuals extremely diverse. A share of supply of the real estate in the guarded cottage villages comprised 21% from the total number of the objects offered for sale during the 3rd quarter of 2007. 28% of the objects are located in the old country-house areas, 25% - in the garden consociations.

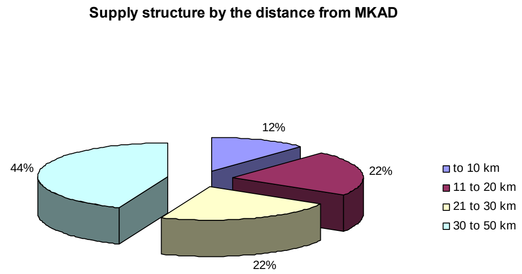
Majority of the offered real estate objects are located along Kievskoye (16%) and Rublyovo-Uspenskoye (15%) highways; most of the objects are located in famous and prestigious old country-house areas. In contrast, the secondary market of the real estate along Novorizhskoye highway is almost without exception represented by the house estates in the cottage villages, and a share of this direction in the overall structure of supply comprises 11%. Among other directions, it is worth noting Kaluzhskoye highway, where 11% of the secondary market cottages and houses are located. By the geographic location, the structure of supply differs from the structure of the cottage villages market drastically.

Considerable share of the objects within described segment of the rural real estate market are located within 30 km distance from the Moscow Ring Road (44%), another 22% are located within 11-20 km distance and 21-30 km distance. A share of objects located in immediate proximity from Moscow is minimal and comprises 12% (compared to 17% at the market of cottage villages).

A share of property located in contemporary guarded cottage villages comprises 21% of the total number of the objects, offered at the secondary market. Most of the objects are located along Kievskoye highway (16%).







Source: data of MAYFAIR company

SUPPLY. Secondary market

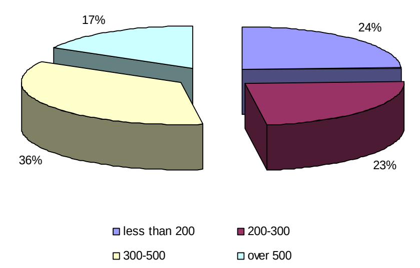
What comes to the square footage of the houses, offered at the market, most of them fall within a range between 300 and 500 sq. m. (36%), though we cannot say that the other groups are underrepresented at the market. In general, the square footage of the house depends on the type of the settlement where it is located. For instance, the square footage of cottages located in the garden consociations is usually small (200-300 sq. m. maximally), while in the old country-house areas it exceeds 500 sq. m. on average. Mansions with square footage above 1000 sq. m., built in the mid-nineties of the twentieth century, which are not much sought after by the target audience, are always available at the market. In its turn, the secondary market of cottage villages is represented by the houses with various square footage; physical properties of such houses depend upon both the level of the village and its concept.

Secondary market of the rural real estate is usually represented by the housing estates with the land plots of the average size, as considerable share of the market is occupied by the objects collated in old country-house areas. 40% of currently offered estates have from 11 to 15 hundred sq. m. of land, another 25% - from 6 to 10 hundred sq. m. A share of cottages with the land plots above 26 hundred sq. m. comprises 10%, and the estates with the minimal adjacent territory (5 hundred sq. m. and less) occupy only 2% in the overall market's structure.

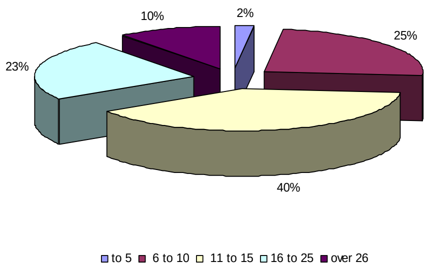
Interesting information was obtained as a result of analysis of the supply structure by the type of material used for construction of the housing. According to the data collected during the 3rd quarter of 2007, considerable number of the rural real estate objects offered for sale were built of brick or stone (70%). In addition, 25% of the offered objects were made of wood (sawn and whole section timber). Other alternative construction materials, not typical for the individual housing construction in Russia, comprise 5% of the total structure of supply sorted by this criteria. In particular, only 2 of 100 cottages exposed at the secondary market, are constructed of cement-containing materials (reinforced concrete framing, foam blocks). 3% of cottages is represented by "sandwich" type constructions and constructions with combined materials.

40% of the currently supplied objects have between 11 and 15 hundred sq. m. of land as a part of the housing estate. The market is represented by the houses with various square footage. In 70% of the cases the main material used for construction was brick/stone.

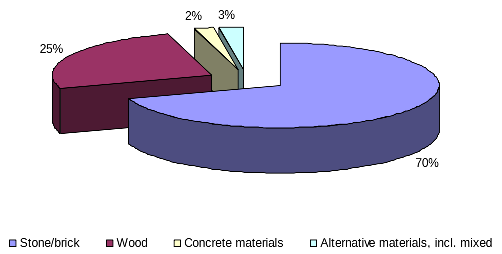
Supply structure by the area of premises, sq.m



Supply structure by the size of land plots, sotkas



Supply structure by the building material of premises



Source: data of MAYFAIR company

DEMAND

What comes to demand at the secondary market of the rural real estate, current overview is based on analysis of requests directed to MAYFAIR Properties during the 3rd quarter.

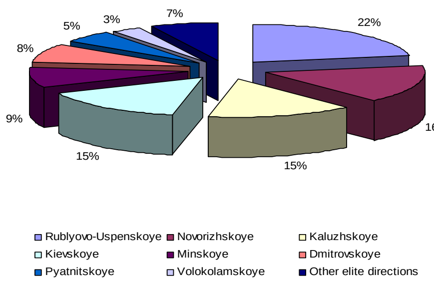
According to the results of the analysis, majority of demands are related to Rublyovo-Uspenskoye highway (22%). It is worth noting that, indeed, many of top-quality and exclusive objects located within this direction may be offered for exacting customers. 16% of requests for the secondary rural real estate are directed towards Novorizhskoye highway, however, those customers, who are willing to acquire real estate in this direction, usually prefer housing in the cottage villages. Apart from that, high demand is observed for the housing estates located along Kaluzhskoye and Kievskoye highways, known for their old country-house areas (15% within each direction). As a whole, it is worth noting that demand for elite real estate depends not on direction (though this factor is also important for the customers) but on exact location of the housing.

Demand for acquisition of the rural real estate objects at the secondary market is characterized by pronounced dependence on the distance from the Moscow Ring Road. During the 3rd quarter, 29% of requests fell within the objects located within a range of 21-30 km away from the Moscow Ring Road. Similarly to the primary market, the customer is oriented towards residences 11-50 km away from the city, which is optimal in terms of correlation between the transport accessibility and the ecological situation.

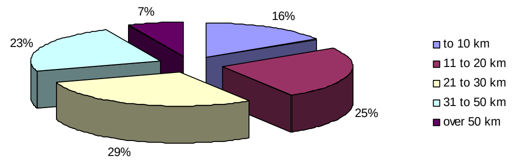
What comes to preferred square footage of the cottages, the maximum demand is registered for the objects of 200-300 sq. m. in size (42%). From this perspective, the secondary market is quite balanced, as the structure of supply as a whole coincides with the structure of demand.

Similarly to the market of the cottage villages, major share of demand at the secondary market of the rural real estate falls within housing estates with the budget below $500 thousand (42%) and $500-1000 (24%). However, compared to the primary market, more frequent requests for expensive real estate have been registered; requests for acquisition of the cottages at a price over $3 million, submitted by the private persons, are 3 times more frequent compared to demand at the market of the cottage villages. As a rule, the customers prefer acquiring "key-in-the-door" real estate at the secondary market, at that, they make an adequate estimation of the value of such objects.

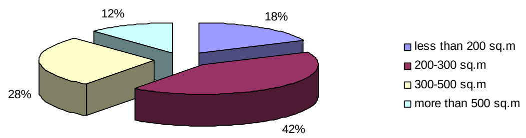
Demand structure by directions



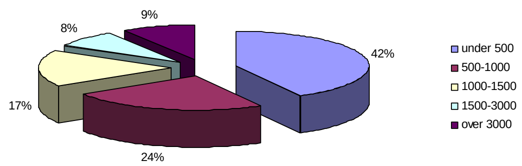
Demand structure by the distance from MKAD



Demand structure by the area of premises



Demand structure by the purchase budget, thous.$



Source: data of MAYFAIR company

PRICES AND FORECASTS

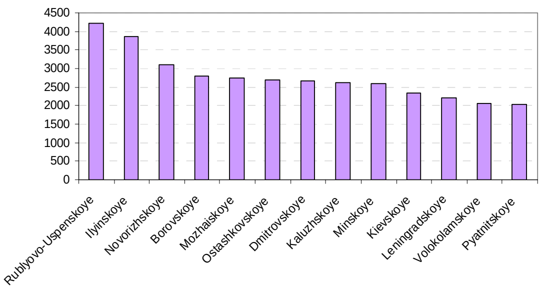
Average level of prices of elite rural real estate at the secondary market is slightly lower than the price of estates at the market of the cottage villages. Dynamics of prices strongly depends on the structure of the primary market.

Supply of the private houses at the secondary market of the Moscow region is extremely diverse by the quality and the price of objects. Depending on the type of the object (country house or country-side mansion), there is a several-times difference in the cost per square meter, even if the objects are located in immediate proximity from each other. Nevertheless, there is an obvious dependence between incremental cost of the housing estates and the status value of the highways.

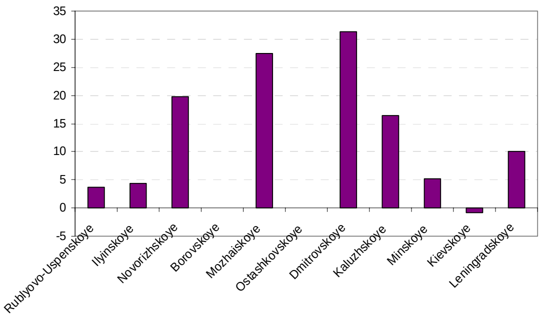
Rublyovo-Uspenskoye highway is a traditional price leader both at the market of cottage villages and at the secondary market of rural residential real estate. Average price per 1 sq. m. comprises $4200 taking into consideration the cost of the land, which coincides with the rates observed at the primary market. On the contrary, the cost of 1 sq. m. of the real estate objects located along Novorizhskoye highway, differs from the prices at the primary market drastically and comprises $3100 (compared to $3800 at the primary market). High incremental cost of the objects offered for sale along Ilyinskoye highway is attributed to exclusiveness of location of the highway, and the same attribute of the objects located along Borovskoye highway—by the limited number of offers and low competition. In general, average level of prices of the objects exposed at the secondary market of elite rural real estate is slightly lower than the level of prices offered at the market of the cottage villages.

The dynamics of prices at the secondary market to much extent depends on the rates of commissioning of the cottage villages within specific directions. For instance, during the 2nd and the 3rd quarter of 2007, many villages along Dmitrovskoye highway were transferred from the primary market to the secondary one, which lead to unusually high rate of increase (32% in six months). On the other hand, appearance of the new projects within specific directions indirectly impacts the cost of the rural real estate, automatically increasing the rating of the highway and turning the neighborhood with contemporary cottage into benefit. The situation along Mozhaiskoye highway is quite illustrative from this point of view, where the prices at the secondary market increased by 27% over six months due to commissioning of a number of new elite projects. As a whole, all directions demonstrate more or less stable increase in the cost of the real estate, except for Kievskoye highway, which was characterized by negative pricing dynamics during the 2nd and the 3rd quarters. On the contrary, appearance of considerable number of offered housing estates located in newly built cottage villages within this direction, resulted in reduction of prices at the secondary market due to the outflow of the customers into the primary market. Comparison of the developer's activities along Kievskoye highway with the structure of the secondary market within certain directions (keeping in mind that Kievskoye highway is leading by the volume of supply at the secondary market) allows identifying the reasons for minor decrease in the prices.

Secondary market. Average prices by directions, including the cost of land, $/sq.m, by the end of Q3



Average price dynamics by directions, compared to data of Q1



Source: data of MAYFAIR company

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