

**STRICTLY CONFIDENTIAL –  
FOR ADDRESSEE ONLY**

**Valuation Report**

**MORGAL INVESTMENTS LLC**

**Of the following Property**

**LAND PLOTS OF 2,397,107  
SQUARE METERS LOCATED ON  
THE INTERSECTION OF  
PULKOVSKOE AND  
VOLKHONSKOE HIGHWAYS IN  
SAINT PETERSBURG, RUSSIA**

**VALUATION DATE:**

**31<sup>ST</sup> OF DECEMBER 2007**

**ISSUE DATE:**

**24<sup>TH</sup> OF MARCH 2008**

**Prepared by**

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Valuation Report  
of Land Plots of 2,397,107 square meters located  
on the intersection of Pulkovskoe and Volkhonskoe highways in St. Petersburg, Russia  
for Morgal Investments LLC  
for the purpose of attracting financial resources  
as at valuation date 31<sup>st</sup> of December 2007, issue date 24<sup>th</sup> of March 2008

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**EXECUTIVE SUMMARY (STRICTLY CONFIDENTIAL – FOR ADDRESSEE ONLY)**

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**LAND PLOTS OF 2,397,107 SQUARE METERS LOCATED ON THE  
INTERSECTION OF PULKOVSKOE AND VOLKHONSKOE HIGHWAYS IN SAINT  
PETERSBURG, RUSSIA**

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DATE OF VALUATION: 31<sup>st</sup> of December 2007

LOCATION: Located on the intersection of  
Pulkovskoe and Volkhonskoe highways  
in Saint Petersburg in the Southern part  
of the city.

DESCRIPTION: As far as we understand the Property is  
represented by 3 land plots of 239.71 Ha  
in total. Morgal Investments LLC (“the  
Client”) plans to develop a big residential  
region including retail centres,  
community centres, educational facilities,  
sport centres as well as all other  
necessary residential facilities on these  
land plots.

TOTAL AREA: 239.71 Ha

TENURE: Land plots:

Land plot with cadastral number 78:14:7723B:25 containing 79.14 Ha is held freehold  
by Morgal Investments LLC according to the “Certificate of State Registration of  
Ownership” #78-AГ 049881 as of 6<sup>th</sup> November 2007

Land plot with cadastral number 78:14:7723B:22 containing 77.45 Ha is held freehold  
by Morgal Investments LLC according to the “Certificate of State Registration of  
Ownership” #78-AГ 049827 as of 6<sup>th</sup> November 2007

Land plot with cadastral number 78:14:7723B:27 containing 83.11 Ha is held freehold  
by Morgal Investments LLC according to the “Certificate of State Registration of  
Ownership” #78-AГ 049882 as of 6<sup>th</sup> November 2007



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**LAND PLOTS OF 2,397,107 SQUARE METERS LOCATED ON THE  
INTERSECTION OF PULKOVSKOE AND VOLKHONSKOE HIGHWAYS IN SAINT  
PETERSBURG, RUSSIA**

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Buildings:

There are three dilapidated non-residential pieces of property located on the subject land plots.

The Property cadastral number 78:7723B:7:34 containing 52.1 square meters is freehold by Morgal Investments LLC starting from 17 September 2007 as stated in Ownership Registration Certificate #78-AГ 049883 as of 6 November 2007.

The Property cadastral number 78:7723B:7:35 containing 219.5 square meters is freehold by Morgal Investments LLC starting from 17 September 2007 as stated in Ownership Registration Certificate #78-AГ 049884 as of 6 November 2007.

The Property cadastral number 78:7723B:7:36 containing 52.1 square meters is freehold by Morgal Investments LLC starting from 17 September 2007 as stated in Ownership Registration Certificate #78-AГ 049885 as of 6 November 2007.

Land Valuation

Hypothetical Value Indication of the freehold interest in the subject land plot assuming that the documentation concerning changing the zoning is obtained, is: US\$977 305 000

Hypothetical Value Indication of the freehold interest in the subject land plot assuming that all the legal permissions required for starting the construction works are in place, is: US\$1 058 853 000.

A more detailed overview is attached to this Report.

Special Reservation:

Please note that this report provides two different discount rates. We use the discount rate of 26% to calculate the Market Value according to the situation as is today. Discount rate of 23% is used in order to calculate the Hypothetical Value Indication assuming that all the legal permissions for construction are in place.

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**A INTRODUCTION**

**Strictly Confidential - For Addressee Only**

Morgal Investments LLC  
Shpalernaya Street Office 21A,  
Saint-Petersburg, 191015, Russia

For the attention of Mr. Barak Rosen

Our Ref:       **#071121VAL**

24<sup>th</sup> of March 2008

Dear Sir

**Valuation of Land Plots of 239.71 ha in Total located on the intersection of Pulkovskoe and Volkhonskoe highways in Saint Petersburg, Russia ("the Property") for Morgal Investments LLC ("the Client").**

**1       INSTRUCTIONS**

**1.1       Confirmation of Instructions**

In accordance with your request we have inspected the above land plots (herein referred to as the "Property") and made all necessary enquiries to provide you with our Opinion as to Value under assumed conditions of the assumed freehold interest in the Property.

**1.2       Conflicts of Interest**

We confirm that there are no conflicts of interest in our advising you on the value of the Property under the assumed conditions as instructed.

**1.3       Inspections**

The Property was inspected externally on 28<sup>th</sup> of November 2007 by Konstantin Lebedev & Elena Kolichev. No measurement survey has been carried out by Cushman & Wakefield Stiles & Riabokobylko ("C&W S&R"). We have relied entirely on the site areas provided to us by the Client. We have assumed that these are correct.

#### **1.4 Background to the Valuation**

In accordance with the information on the land areas provided to us by the Client, the Property currently represents three land plots of 239.71 Ha in total located on the intersection of Pulkovskoe and Volkhonskoe highways in Saint Petersburg, Russia.

As far as we understand the Property is represented by three land plots of 239.71 Ha in total, which are zoned as “populated area lands”. The Client presented plans for developing a big residential district including retail centres, community centres, educational facilities, sport centres as well as all other necessary residential facilities on these land plots.

#### **2 ASSUMPTIONS, DEPARTURES AND RESERVATIONS**

We have prepared our valuation on the basis of the assumptions within our instructions detailed in this report. In particular, unless you have told us otherwise, we have assumed:

Any mineral rights are excluded from the property

#### **3 INSPECTION**

We inspected the subjected land plots on 28 November 2007.

#### **4 SOURCES OF INFORMATION**

We have based our Valuation on our inspection of the Property and information supplied to us by the Client and the results of our other enquiries.

#### **5 GENERAL COMMENT**

Our Report is derived from the analysis of recent market transactions, together with our market knowledge derived from the Firm’s agency coverage.

A valuation is a prediction of price, not a guarantee and different Valuers can properly arrive at different opinions of potential future worth.

We have made subjective judgements during our approach in arriving at our Valuation and whilst we consider these to be both logical and appropriate they are not necessarily the same as would be made by a purchaser.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you contemplate a sale, we strongly recommend that the property is given proper exposure to the market. In a rapidly rising market, or in the case of a property with development potential, the inclusion of a 'clawback' provision in the sale contract should also be considered, so that further sums become payable if the property is quickly re-sold at a profit.

You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

Our Valuation is exclusive of any Value Added Tax.

## **6 VALUATION**

### **6.1 Market Value**

Subject to the contents of this Report and based on current values, we estimate the potential future worth of the freehold interest in the Land, as of 28<sup>th</sup> of November 2007 based on the type of use.

The findings contained in our Report are based on calculations, conclusions and other information obtained as a result of market research, on our expertise in the course of which we received certain information.

We are of the opinion that the Hypothetical Value of the freehold interest in the subject land plot detailed in Part B as of November 2007, assuming that the documentation concerning changing the zoning is obtained is:

**US\$977 305 000**

**(NINE HUNDRED SEVENTY SEVEN MILLIONS THREE HUNDRED FIVE  
THOUSAND US DOLLARS)**

We are of the opinion that the Hypothetical Value Indication of the freehold interest in the subject land plot detailed in Part B, as of 28 November 2007, assuming that all the necessary legal permissions required for starting the construction works are in place, is:

**US\$1 058 853 000**

**(ONE BILLION FIFTY EIGHT MILLIONS EIGHT HUNDRED FIFTY THREE  
THOUSAND US DOLLARS)**



## **7 CONFIDENTIALITY**

The contents of this Report are intended to be confidential to the addressees and for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Before the Report or any part of its contents are reproduced or referred to in any document, circular or statement or disclosed orally to a third party, our written approval as to the form and context of such publication or disclosure must first be obtained. For avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Report is combined with others.

The Report should only be reproduced, in accordance with any of the above requirements, in full and including all of the assumptions and conditions pertaining thereto. No part of the Report shall be reproduced in isolation.

## **8 DISCLOSURE AND PUBLICATION**

We are aware and agree to the publication of our valuation report and the filing thereof in any required filing under any security laws applicable in Israel.

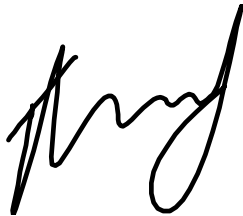
Yours faithfully,

For and on behalf of Cushman & Wakefield

**TIMOTHY MILLARD MRICS**

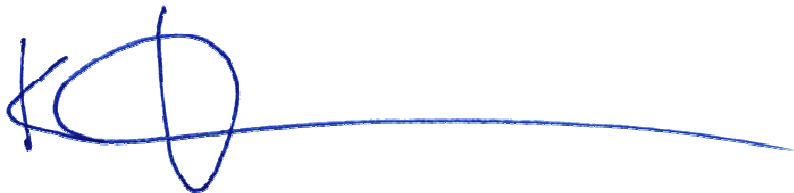
Partner

Head of Advisory & Research



**KONSTANTIN LEBEDEV**

Director



**ELENA KOLICHEV MBA**

Consultant, Valuation Advisory



**B      PROPERTY SCHEDULE**

## 1 LOCATION

### 1.1 General



On the east the land plot borders with the Pulkovskoe highway, which changes its name to Kievskoe highway in the southern direction, in the direction of south-west – Luga, Pskov towns, Belorussia, Estonia and Latvia.

On the north the land plot borders with the territory of Pulkovskaya Astronomic Observatory, the monument of national significance. The adjacent territories to the Observatory are used for horticultural establishment needs. The Observatory is located at the highest point of Pulkovskie heights. Pulkovo Airport is situated in flatlands behind them.

On the west there are former territories of agricultural lands which are planned to be used for recreational zone. The Southern city cemetery is located three-four hundred meters away to the west.

In the south the plot bounds with Pulkovo village and Volkhonskoe highway which connects Pushkin town and Strelna village to the shore of Finsky Bay.

### 1.2 Communications

The Pulkovskoe highway is the highway of national significance – cargoes are shipped through this highway in directions of Belorussia, Poland as well as to Baltic countries. Currently the highway is

wide enough to provide lanes in both directions, however it is already planned to be enlarged. In the future it is planned to be used as the main highway. Together with reconstruction of Pulkovskoe highway, the interchange in the close proximity to Pulkovo-I Airport (till 2010), and Volkhonskoe highway towards Pushkin town, it is also planned to construct a new road interchanges – between Pulkovskoe and Volkhonskoe highways in particular; construct a new road crossing Krasnoselskoe highway (till 2015) and a road to Pushkin town. Recently the works to connect Encircling highway to the Pulkovskoe highway were accomplished.

Currently there are no long-term plans of city committees to build any main roads or streets crossing the subject land plot.

We estimate that the time to drive from the subject land plot to the centre of Saint Petersburg is about half an hour depending on traffic conditions. The time to drive to Pushkin town is about 10-15 minutes.

There is a big interchange as well as terminal of public transportation heading to several directions close to the border between the subject land plot and Pulkovskoe highway. There is a large public transportation to Pushkin town, to Krasnoe Selo village (through Volkhonskoe highway) as well as to Gatchina town. There is a quite convenient connection to the southern part of the city as well.

About three kilometres away from the subject land plot there is a railway towards south-west direction from the Baltiysky railway station of the city. It is facing the direction of Gatchina, Luga and Pskov towns. The nearest railway station Alexandrovskaya is situated 3.5 kilometres away from the subject land plot.

Pulkovo Airport is located in a close proximity to the subject land plot. Pulkovo-I Airport is 7.5 kilometres away and Pulkovo-II – 7 kilometres.

To summarise, the site accessibility can currently be described as being satisfactory.

## 2 DESCRIPTION

### 2.1 General



In accordance with the information on the subject land provided to us directly by the Client the subject Property consists of 3 separate cadastral plots situated on the intersection of Pulkovskoe and Volkhonskoe highways in Saint Petersburg (Cadastral No 78:14:7723B:25, Cadastral No 78:14:7723B:22 and Cadastral No 78:14:7723B:27 of 79.14, 77.46 and 83.11 ha correspondingly), summarizing to total area of 239.71 ha. The subjected land plots are held freehold by the Client as of 6<sup>th</sup> November 2007 and all zoned as “populated area lands”.



The land plot is situated in the valley of a smaller river, the left tributary of the Pulkovka River. It is located on the Pulkovskie heights in the southern part of Saint Petersburg on the border of Moskovskiy administrative district, in municipal district 47, on the former territory of Tsvety LLC, which used to have greenhouses for growing trees for the city’s needs.





Most part of the territory is cultivated with forest plantations including fine woods such as oaks and ash-trees aging from 5 up to around 25 years old. Some horticultural establishments are located on the territory of the land plot as well. The rest part of the territory is empty. There are three dilapidated non-residential pieces of property on the land plots as well. Those are held freehold by the Client. The properties are registered in the real estate cadastre (Cadastral No 78:7723B:7:34, Cadastral No 78:7723B:7:35, Cadastral No 78:7723B:7:36), have an address (Pulkovskoe highway 103 letter “O”, “P” and “П” correspondingly) and have a total area of 52.1, 219.5 and 52.1 square metres correspondingly). According to the available copies of “Certificate of State Registration of Ownership” all the three buildings are non-residential.

The building located at the address Pulkovskoe highway 103 letter “P” is a building of former pumping station which previously was used to supply water for melioration of the greenhouses’ territory. It is located in the north-west part of the land plot, on the bank of a pond. Currently the building is totally empty.

## **2.2 The Future Development Concept: “Planetograd”**

Please note that the concept has been taken from the documentation provided by the Client without any further feasibility check by C&W S&R.

Planetograd – (City of Planets), the inspiration for this project came from the nearby Pulkovskaya observatory. This project represents a modern high quality residential quarter in Saint Petersburg based on advanced designing principles, offering a convenient and high quality lifestyle, the future of the city. The quality of life offered in this new urban project holding over two and half million square meters is exceptional in Russia in general and in Saint Petersburg in particular. The main focus was to create an environment for a full life, providing everything to fulfil the needs of the inhabitants in: education, culture, shopping and sports.

Pulkovskaya observatory was established in 1833. It is now the central and main institute of cosmos study in Russia also known in the professional world of cosmos study worldwide.

The idea of neighbourhood with Pulkovskaya observatory inspired “Y.A. Yashar Architects” to design a new residential complex in a shape of Solar System. At the centre lies the sun, surrounded by eight planets, representing eight smaller neighbourhoods according to the number of the planets surrounding the Sun. According to the project each smaller neighbourhood of Planetograd will be called on the name of a planet. Each neighbourhood will be holding 3 125 apartments, built around the neighbourhood green zone of two Ha and a recreation centre in the shape of planet located in the middle of the neighbourhood. The main public facilities such as four high schools, four elementary schools, sport facilities, mall, entertainment centre, an expansive park and a big concert hall in a shape of Sun are located in the middle of the whole region.

The central motif in the quarters design is the pedestrian. The main traffic system is green, a peripheral park that connects the centres of the different neighbourhoods, with their parks, and all are connected to the heart of the quarter in green walking routes, with no crossing roads.

The four-stair structures with their wide green background provide the whole quarter a pleasant and personal atmosphere, with the central section being public, and as you move further away the spaces become more and more private.

To the north of Planetograd projected a big green zone for extreme sports (0.3 Ha). The new neighbourhood is planned to be full of parks, lakes, free space; it will be wide and airy.

Each district is planned to contain some amenities such as kinder gardens, after school educational clubs, restaurants, cinemas, shopping galleries food courts as well. However most of the amenities will be focused in the Sun region, in the middle of the whole neighbourhood. It is also planned to construct the inside and outside sport centres (saunas, fitness centres, tennis courts, swimming pools etc).

The streets in Planetograd are planned very wide and straight, which allows an easy and fast access to all districts avoiding traffic jams. Moreover, as it was mentioned before, there is a pedestrian access from each district to the centre with no crossroads which allows children to reach their schools without crossing any road, which will decrease the possibility of accidents in the region.

As was said above the complex will consist of eight quite independent residential districts according to the amount of the planets in the Solar System. This idea allows the developer to divide the



project to eight smaller and independent ones, which will allow merging risks and investments. In total it is planned to build 25 000 apartments. 31 250 parking lots will allow convenient access to the whole complex, providing that there will never be any problems with parking space all over the region.

As was mentioned above the subject land plot is located on the Pulkovskoe and Volkhonskoe highways in Saint Petersburg. There is a good public transport connection between the land plot and southern part of Saint Petersburg, Pushkin town and other towns in the region.

According to the Client and depending on the promulgation of the relevant legislation and regulations, construction of Planetograd could commence in May 2009, with the first apartments start to be sold to the end customer at the same time (May 2009).

#### 2.2.1 Limitation conditions for the future construction

The request for limitations of the construction was received from Pulkovskaya observatory. In order to decrease unfavourable factors disturbing the activity of the observatory there are several requests that must be fulfilled:

- the buildings in the complex should not be higher than 21.75 meters<sup>1</sup>;
- there must not be new sources of concentrated emission of heat such as boiler pipe;
- new premises must contain a reliable heat insulation to decrease the amount of warm air coming from the buildings;
- there must neither be vertical or horizontal strong sources of lights towards the direction of the observatory, nor any illumination of the sky;
- the total observatory main building dome illuminance would not get over 0.05 luxmeter;
- there must be some green plantations in order to screen the light coming out of the windows facing the observatory;

#### 2.3 Site Area

According to documentation available to us the Property is represented by three land plots extending to 239.71 ha in total.

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<sup>1</sup> According to the current planning the height of the buildings is 12 meters, which fulfils the limitation

### 3 ENVIRONMENTAL CONSIDERATIONS

We have not carried out any investigations or tests, nor have been supplied with any information from the owner or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances or any other land (including any ground water).

However, we would like to mention that there are several environmental issues that must be taken into consideration:

- The plot is located about 1.3 kilometres from the city garbage dump. This can affect the air purity, especially while the dump is burning. However, this is only possible when the south-eastern wind is blowing which happens in average 30 days annually. Moreover, at 1.3 kilometres the smell disperses. Moreover, **according to the new development planning this dump is planned to be removed from the place.**
- The eastern corner of the plot is 300 meters away from the southern city cemetery.

Considering all said above we would not expect there to be any outstanding environmental or archaeological issues.

### 4 TENURE

As it was said above the Client has the freehold in all the mentioned land plots

- cadastral number 78:14:7723B:25 containing 79.14 ha is held freehold according to the “Certificate of State Registration of Ownership” #78-AГ 049881 as of 6th November 2007,
- cadastral number 78:14:7723B:22 containing 77.45 ha is held freehold according to the “Certificate of State Registration of Ownership” #78-AГ 049827 as of 6th November 2007,
- cadastral number 78:14:7723B:27 containing 83.11 ha is held freehold according to the “Certificate of State Registration of Ownership” #78-AГ 049882 as of 6th November 2007)

as well as the following non-residential pieces of property located on the subject land plots:

- The Property cadastral number 78:7723B:7:34 containing 52.1 square meters is freehold by Morgal Investments LLC starting from 17 September 2007 as stated in Ownership Registration Certificate #78-AГ 049883 as of 6 November 2007.
- The Property cadastral number 78:7723B:7:35 containing 219.5 square meters is freehold by Morgal Investments LLC starting from 17 September 2007 as stated in Ownership Registration Certificate #78-AГ 049884 as of 6 November 2007.

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- The Property cadastral number 78:7723B:7:36 containing 52.1 square meters is freehold by Morgal Investments LLC starting from 17 September 2007 as stated in Ownership Registration Certificate #78-AГ 049885 as of 6 November 2007.

## 5 MARKET COMMENTARY

### 5.1 Brief Economy Overview

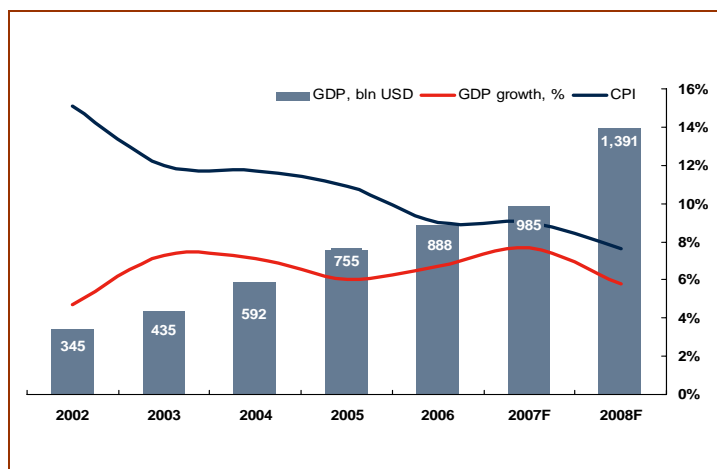
Property Forecasting GDP growth in Russia for 2007 has proved tricky, with the economics ministry anticipating no more than 5.8% at the start of the year. It's now clear that this was pessimistic (at the end of August, growth stood at 7.7% YTD), and the full year figure is now expected to come in at 7% or higher.

However, this will be the last year to break the 7% barrier for the foreseeable future, with 2008 set to slow to 6.5%. The main driver of growth remains high oil prices, with investment levels and private consumption expected to remain strong.

Inflation is still the fly in the ointment, with early October seeing the first admission by a member of the government that the original 2007 target of 8% now unrealistic. The CPI index has risen dramatically, with groceries particularly provoking the situation over the summer (when inflation usually offers some small reprieve). September 2007 saw rampant growth of 0.8%, leaving overall inflation for the first three quarters at 7.5% (vs. 7.2% for the same period in 2006), and revised forecasts for the full year at 9 – 9.5%.

The CBR and the finance ministry have been fighting hard to control prices in the face of massive investment inflow, but are constrained by concerns over appreciation of the ruble, and from Q3 action to counterbalance the global liquidity squeeze and the upcoming parliamentary and presidential elections.

#### GDP/GDP growth/CPI



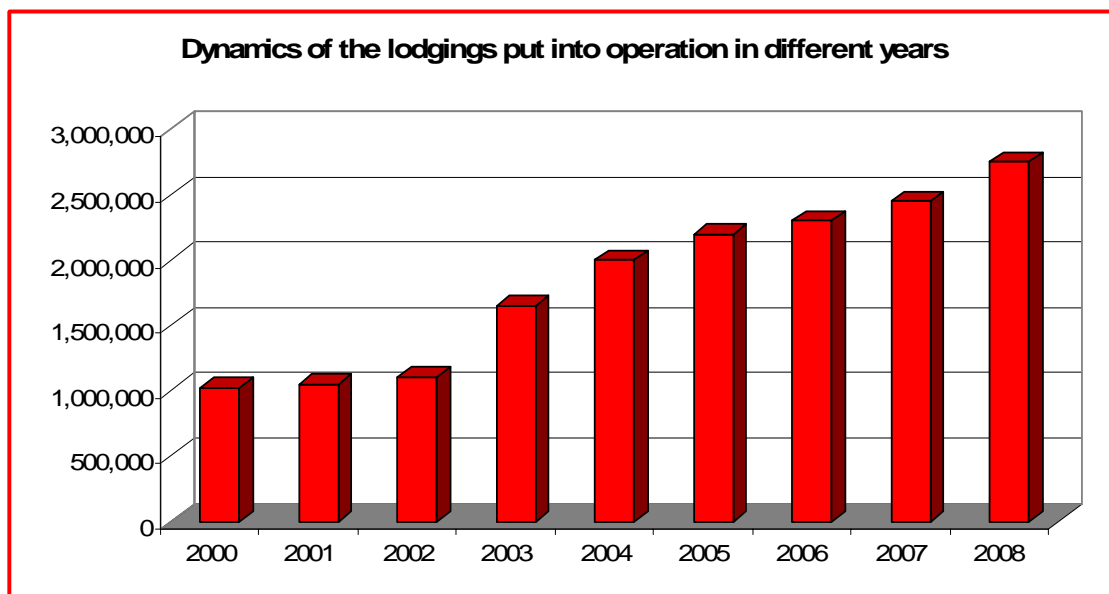
Source: Ministry of Economic Development and Trade

Note: 2007 – forecasts amalgamated by C&W/S&R Research

## 5.2 Residential Market Overview

### 5.2.1 General characteristics

Since 2002 Petersburg residential real estate market is characterized by annual increase in the number of residential lodgings put into operation (diagram). The number of lodgings put into operation in St. Petersburg in 2006 made up 2 376 thousand sq. m. (490 houses for 34 227 flats), which is 2.5% more than in 2005.

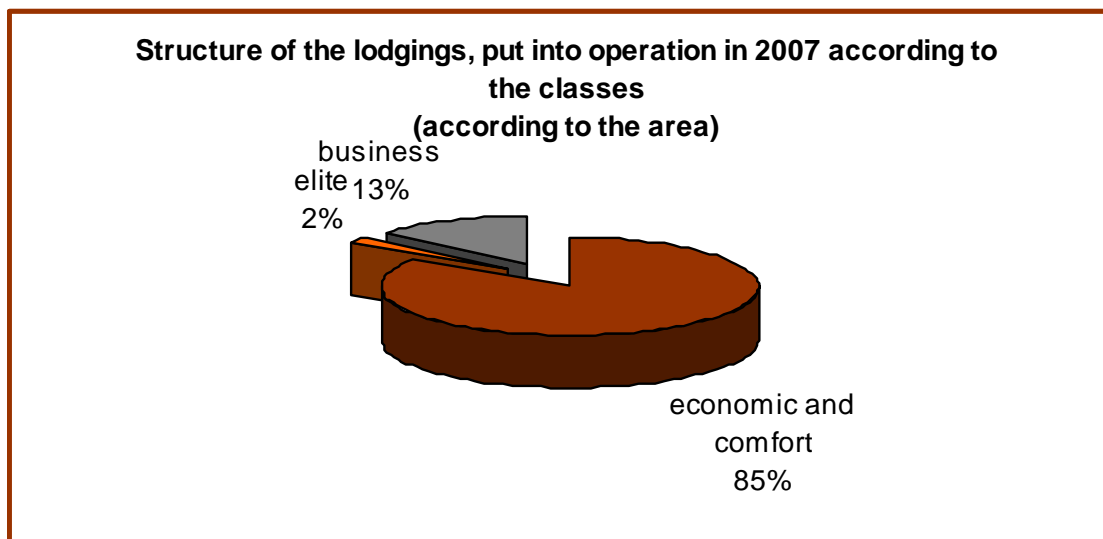


During 3 quarters of 2007 the number of residential lodgings put into operation made up about 1 330.3 thousand sq. m. All in all in 2007 about 2 450 thousand sq. m. of residential lodgings were announced to be put into operation, which is 3% more than in 2006. For 2008 about 2.8-2.9 million sq. m. of residential lodgings are forecasted to be put into operation (the growth rate compared with the previous year is 16%).

Currently there is a large number of existing projects ready for development of huge territories for residential and multifunctional (mixed) construction. Development branch is characterized by visible concentration: small, financially unstable companies leave the market and sell their plots to larger companies.

According to the structure of the residential lodgings, put into operation in 2007, the largest part (according to the area) is represented by “economic” and “comfort” classes (85%). The share of the

elite residential lodgings is only 2%. This is due to the fact, that elite objects are usually low and unique and their area is rather small (diagram).



### 5.2.2 Classification

The supply in the residential market is differentiated mostly according to the price. Depending on the price range per sq. m., four main classes of residential real estate can be singled out: elite, business, comfort and economic-class.

Classification, given below, concerns the primary market and reflects the average prices, actual during all the stages of building-construction.

#### *Comparative characteristics of residential real estate according to the classes*

| Criteria        | Elite  | Business   | Comfort   | Economic  |
|-----------------|--|--|---|---|
| <b>Location</b> | Central parts of the city, similar social surroundings | Good location of the object – not necessarily the centre of the city but a prestigious district, preferable similar surroundings, good transport accessibility, proximity to | Can be located practically in any district. The most widely spread districts are Primorsky, Moskovskiy, Vyborgsky and Nevsky. Proximity to the metro, similar surroundings. | Location in huge residential areas out of town and in the suburbs |

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|  |   |  |  |   |
|--|---|--|--|---|
|  |   | the metro.   |  |   |
| <b>Level of service</b>                    | Existence of a service company plus additional services inside the house (social infrastructure: cafe, sports centre, laundry and etc.)   | The level of service may be high or lower, but its existence is obligatory   | Existence of a minimal service   | Additional services are usually absent  |
| <b>Flat planning</b>                       | Brick-solid house (brick). Free planning, ceiling height from 3 m, number of lavatories: one per 1 bedroom  | Brick-solid (brick) house. Good flat-planning, large kitchens (from 12-15 sq. m.) and bathrooms, ceiling height is not less than 2,8 m | Brick-solid (brick) house. Good flat-planning, large kitchen and bathroom compared with the typical ones | Residential houses of a panel type without possibilities of free planning. Average area of a one-room flat – 35-45 sq. m.; 2-room flat – 50-60 sq. m.; 3-room flat – from 70 sq. m. |
| <b>Parking, number of car places</b>       | Guarded parking (underground) with not less than 1 car place per 1 apartment. For super-elite flats – not less than 2.  | Existence of a guarded parking (not necessarily a built-in garage)   | Existence of at least one open parking near the house  | Can be one ground guarded parking – 1 car place per 1 flat  |
| <b>Guard</b>                               | 24/7 guard-post and special safety system   | 24/7 guard   | concierge  | concierge (may be)  |
| <b>Technical equipment of the building</b> | Soundless speed-lifts made by OTIS, KONE or other foreign producer; autonomic boiler house, providing hot water supply and heating; multi-stage cold water-cleaning; air-ejector ventilation; wooden glass-packages; possibility of installation of a conditioning system and satellite TV, Internet, telephone | High technical equipment of the building. Compulsory parameter – autonomic public utilities – water-cleaning and a boiler house.       | High technical equipment of the house  | May be minimal  |
| <b>Price level, \$ per sq. m.</b>          | <b>From \$4 000 per sq. m.</b>  | <b>From \$3 000 to \$5 000 per sq. m.</b>  | <b>From \$2 300 to \$3 000 per sq. m.</b>  | <b>Up to \$2 500 per sq. m.</b>   |

### 5.2.3 Residential market potential

The number of permanent population of St. Petersburg is 4 600 000; the number of temporary population is around 250 000. According to the development strategy, approved by the General Plan of St. Petersburg, it is planned to increase the social residential norm up to the European one – 30 sq. m. per one permanent citizen of St. Petersburg and 10-12 sq. m. per one temporary one.

According to the forecast the number of permanent population will be 4 800 thousand people in 2015 and the number of temporary population – 500 000 people due to labour migration.

Taking into consideration the existing indexes of the housing stock, the number of population and the planned accommodation norm, the necessary size of the housing stock must comprise not less than 150 000 000 sq. m. in 2015 ( $4\,800\,000 \times 30 + 500\,000 \times 12 = 150\,000\,000$  sq. m.).

|                                 | 2007               | 2015 (Forecast)    |
|---------------------------------|--------------------|--------------------|
| Permanent population            | 4 600 000          | 4 800 000          |
| Temporary citizens              | 250 000            | 500 000            |
| Total housing stock             | 104 686 000 sq. m. | 150 000 000 sq. m. |
| Total housing stock per citizen | 21.6 sq. m.        | 28.3 sq. m.        |

Thus the need in additional accommodation in 2015 will comprise 45 314 300 sq. m. ( $150\,000\,000 - 104\,685\,700$ ).

Besides the enlargement of the size of the lodgings per 1 citizen, the need in new accommodation will grow due to the following tendencies:

- Settling apart old and wreck fond – 5 878 100 sq. m.
- Settling apart dormitories since 2011 – 1 731 900 sq. m.
- Settling apart of the first mass series (under the program of territory renovation) – around 5 000 000 sq. m.

| Increase in the need of new lodgings           |            |
|--|------------|
| Increase in the norm of the residential supply | 45 314 300 |
| Settling apart of old and wreck fond           | 5 878 100  |
| Settling apart “khrushchevki                   | 5 000 000  |
| Settling apart dormitories                     | 1 731 900  |



**Total need in 2015**

**57 924 300**

---

Thus the total need in new accommodation up to 2015 may be estimated at the level of 57 924 000 sq. m.

It's necessary to bear in mind that the solvent market demand differs greatly from the calculated need. At present it's low, but it will grow due to several factors:

### **Salary growth**

According to the official information of Petersburgkomstat, average monthly salary is 15 488 RUR. Taking into account bonuses and the so-called "grey" salaries, average monthly income of those, working in a off-budget sphere, makes up 23 440 RUR (According to ANT-Management).

Taking into consideration the salary of those, working in the budget sector, (around 18% of the total number of employed), an average weighted salary will be 22 000 RUR. The number of people, working in the economics sector, is around 2 400 000 people (49% of the total number of the whole population).

Thus, an average income per family (2.7 people) in St. Petersburg is around 29 100 RUR. The highest level of savings, left for acquisition of some accommodation after the minimal basket of goods has been bought, is not more than 12 500 RUR. This sum does not give an opportunity to buy a flat under existing mortgage programs or to save the necessary amount for enlarging the size of an apartment to the European norm.

This is why the necessary condition for the growth of a solvent demand is further growth of real money income of people and development of different mortgage programs.

During 2003-2007 average yearly growth rate of real money income of the population made up 13.2% pa. If such a tendency continues, in 2015 an average income per employee will be 63 000 RUR, in other words it will reach the level of the most developed European countries (England, Germany, Austria, Sweden, Finland, Norway) and the USA. But this variant is very optimistic. If an average salary reaches 43 000 RUR, it will still be lower than the average level of income in Europe but still will make the mortgage development available.

### **Mortgage development**

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*Development of the mortgage market in St. Petersburg is as follows:*

|                             | 2004  | 2005  | 2006   | 2007 (forecast) |
|-----------------------------|-------|-------|--------|-----------------|
| Amount of credits           | 1 400 | 4 356 | 11 081 | -               |
| Volume (in billions of RUR) | 1.2   | 6     | 19.2   | 32              |

Currently, the primary market takes about 30% in mortgage credits. In 2006 the volume of sales was 2.7 million sq. m. (about 130 billion RUR). Thus, not more than 4% of new accommodations were acquired using mortgages in 2006; the same index in 2007 will be around 10-11%.

Till 2007, the share of mortgage credits in the primary market will be 50%.

### **Growth of supply volumes**

*The volume of supply till 2015 can be approximately estimated as 34.3 million sq. m. (see below):*

|   |                   |
|---|-------------------|
| Huge projects in residential areas  | 1 900 000         |
| Territory development projects  | 14 700 000        |
| Renovation of the mass districts (1/2 of the announced number of the districts) | 6 500 000         |
| Other projects  | 11 200 000        |
| <b>Total</b>  | <b>34 300 000</b> |

Conclusion: residential market won't be saturated till 2015, even if the construction plans, stated above, will be fulfilled. According to our forecasts, in 2008-2009 the demand will exceed the supply in the market. In 2010-2011 sales in the projects of complex territory exploration will be opened (Kudrovo, Evrograd, Ruchyi). The same period will be marked by a sale's pick in Slavyanka, Baltiyskaya Zhemchuzhina, and Severnaya Dolina, which will cause temporary over-production in the market. But in 2012 the situation will improve and the volume of supply will correspond to the volume of demand. Further market development will be slowed down due to the need of development of new transport and engineering infrastructure for the residential districts. As a result the prime cost will grow which will lead to decrease in profitability of the sector.

## **5.2.4 Economic Class**

### **5.2.4.1 Supply Analysis**

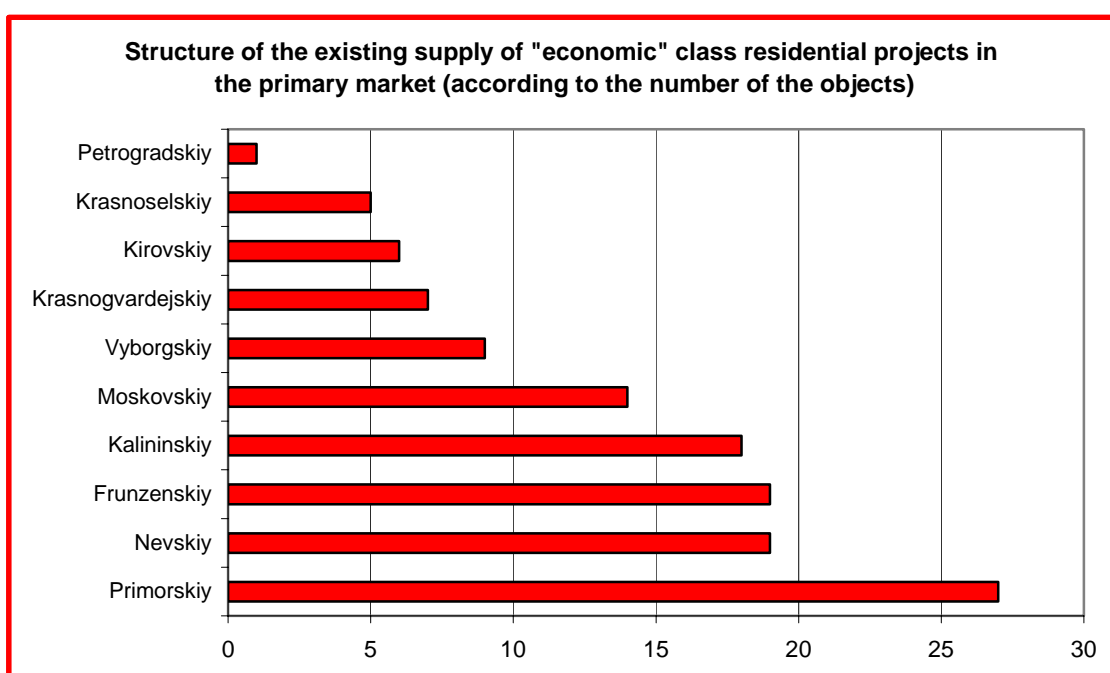
Standard accommodations take a big part in the market and head for citizens with average incomes. This real estate category has the largest weight according to the number of sq. m. in the housing

stock. The Buyer here is more sensitive to the price than in any other category. Panel and brick-solid houses with small flats in out-of-town residential areas belong to standard accommodations. Sometimes such flats are offered with a cheap decoration using native materials.

In the structure of the whole housing stock, «economic-class» has a prominent share of about 60%, but its share is decreasing. It is due to the fact, that one more real estate segment has recently appeared – «comfort» class, differing from the standard accommodations by a better characteristics of the houses (mainly brick-solid house) and the services provided (concierge, guard).

### Location geography

The most popular for “economic” class houses are huge residential districts of the city, such as: Primorsky, Nevsky and Kalininsky districts.



According to the analysis of the existing supply, average weighted apartment size of “economic” is 60 sq. m. In the table below there are average apartment sizes in “economic” class depending on the number of the rooms.

*Average apartment sizes in “economic” class according to amount of rooms*

| Amount of apartments | Area in sq. m. |
|----------------------|----------------|
|----------------------|----------------|

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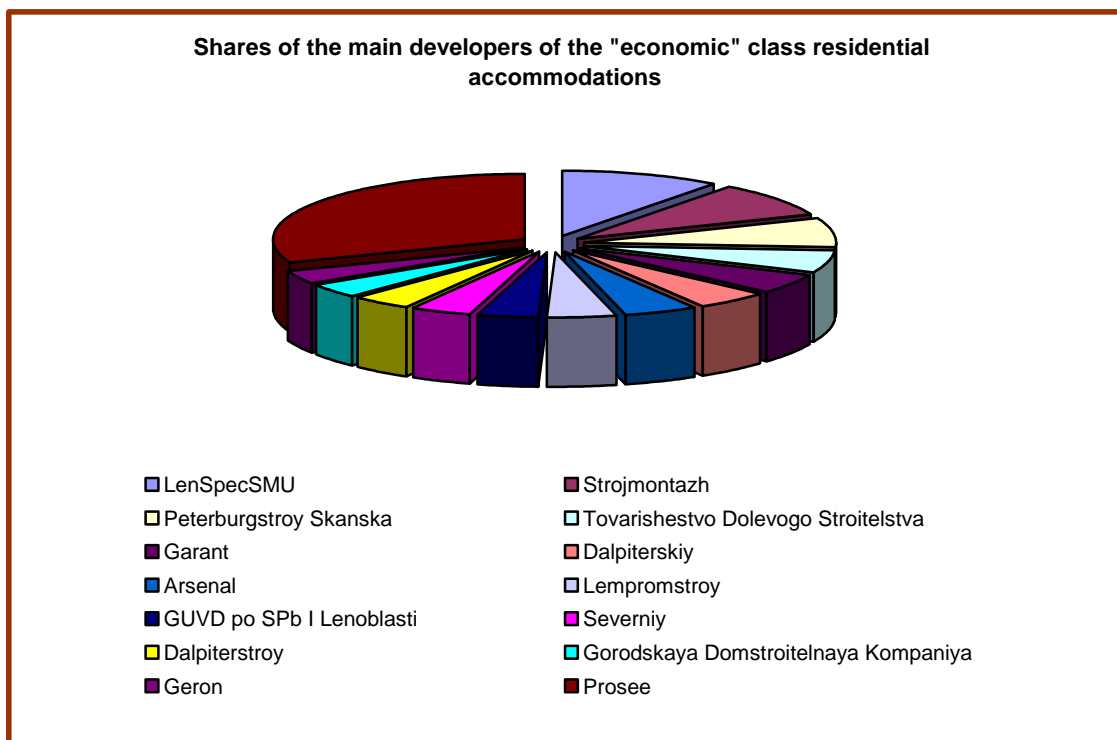
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|             |        |
|-------------|--------|
| 1 room flat | 37-50  |
| 2 room flat | 55-85  |
| 3 room flat | 65-125 |

---

### Main developers

The leaders in the sector of “economic” class accommodation development are “LenSpecSMU” (10%), “Stroymontazh” (8%) and “Petersburgstroyskanska” (7%). Around 31% of the “economic” class projects are developed by the companies, represented in this sector by single project.



#### 5.2.4.2 Demand analysis

After the 2006 boom, the first three quarters of 2007 showed a quite reserved demand on standard accommodations. The sellers, trying not to make the prices fall, offered their clients different discounts, bonuses and lowered the mortgage percentage. The prices grew slowly. But in Q4 the demand activated and is now continuing to grow.

### Buyer's characteristics

- Income level per family –\$2 600-\$3 000 in average;
- Type of Activity – in general, young specialists, who can afford buying accommodations or people with stable incomes, who want to improve their living conditions (to increase the size of the flat);
- Age – generally young people 25-30 years;
- Family size – one or no children.

#### **Buyer's preferences**

- Location – different, mainly out-of-town residential areas and suburbs. The further from the city centre – the cheaper;
- House characteristics – panel houses. Sometimes such flats are offered with a cheap decoration;
- Preferable flat size: 1 and 3-room flats are in great demand. An optimal size of a 1-room flat is 40 sq. m., of a 3-room flat - 80 sq. m.;
- A good way of involving a client into a deal is a flexible scheme of the deal. Here possible credits, bonuses and down payments play a very important role;

As for the geography, the most popular district is Kalininskiy as well as Primorskiy, Krasnogvardeyskiy and Moskovskiy districts.

#### **Sales' rate**

According to the analysis of existing “economic” class objects, it has been estimated that about 4% of the total number of all the flats are realized every month. But it's worth mentioning that this figure is true only for typical standard objects. If a huge residential complex of “economic” class is announced, sales' rates can be lower.

*Sales rates of “economic” class accommodations (percentage of sales from the total number of flats per month)*

| <b>Class</b> | <b>Min</b> | <b>Max</b> | <b>Average</b> |
|--------------|------------|------------|----------------|
| “Economic”   | 3.4%       | 3.7%       | 4.1%           |

#### **5.2.4.3 Price characteristics**

Price rates on residential objects depend mainly on the location. Average price of accommodation in the “economic” class comprises \$2 320 per sq. m.

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*Average prices for “economic” class accommodation according to the regions*

| District          | Average Price<br>(\$/sq. m.) |
|-------------------|------------------------------|
| Vyborgskiy        | 2 604                        |
| Kurortniy         | 2 480                        |
| Kirovskiy         | 2 460                        |
| Moskovskiy        | 2 284                        |
| Krasnoselskiy     | 2 280                        |
| Primorskiy        | 2 264                        |
| Kalininskiy       | 2 256                        |
| Nevskiy           | 2 212                        |
| Frunzenskiy       | 2 212                        |
| Krasnogvardeyskiy | 2 160                        |

The highest prices in this sector are observed in the districts, approaching the centre of the city, such as Vyborgskiy and Moskovskiy as well as in a suburban district of St. Petersburg – Kurortniy.

#### **Factors, influencing price growth and price growth forecast**

In 2008 and 2009 demand growth in the market won't be able to follow income growth and mortgage development;

- Despite temporary “pace” and supply growth, prices on accommodations will start growing in the middle of 2008 and this growth will make up about 12-15% pa;
- 2009 will show the highest growth: 15-20%;
- In 2010 price growth will slow down because sales in new huge projects of territory development will start and it'll make up about 5-8%;
- In 2011 new projects instead of “khrushchevki” districts will appear, price growth will stop or go down, but not more than 3-5%;
- Further prices will continue to grow 8-10%.

*Accommodation growth rates forecast*

| 2008   | 2009   | 2010 | 2011 | after 2011 |
|--------|--------|------|------|------------|
| 12-15% | 15-20% | 5-8% | 3-5% | 8-10%      |

#### 5.2.4.4 Tendencies and forecasts

- Active development of mortgage credits: currently the mortgages may influence the sales increase up to 10-15%, but in future 50% of buyers will use credits. According to our forecasts, during 2008 the number of mortgage deals will increase twice;
- Demand on 1-room and studio apartments will go down (this is due to income growth and mortgage programs development);
- Large territories development will continue; new infrastructure and integrated social environment will be created;
- Accommodation rates growth will slow down starting from 2010.

#### 5.2.5 Comfort Class

##### 5.2.5.1 Supply Analysis

“Comfort” class may be marked as a new one in the existing residential real estate classification. This class takes an intermediate place between standard accommodations and “business” class. It differs from standard accommodations in better quality characteristics of the houses and in higher quality services provided.

#### **Location geography**

According to the location, the largest supply can be found in Vyborgskiy, Kalininskiy and Primorskiy districts. The least supply is a characteristic feature of Vasileostroivskiy, Frunzenskiy, Krasnoselskiy and Krasnogvardeyskiy districts.



Analyzing existing supply, we may say, that an average weighted size of an apartment in “comfort” class houses is about 59 sq. m.

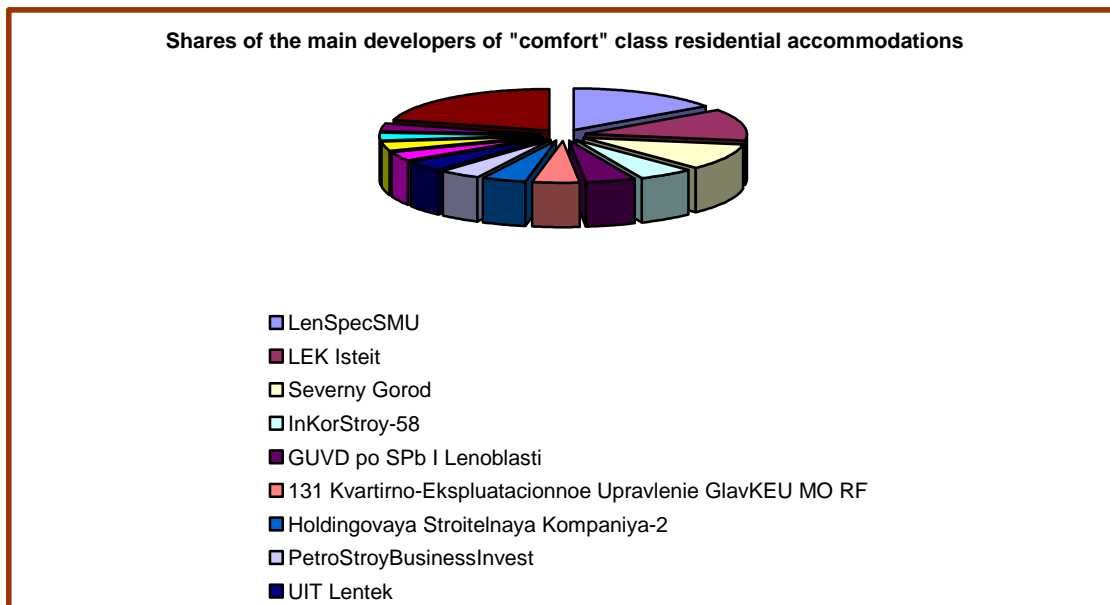
*Average apartment size in “comfort” class according to amount of rooms*

| Amount of apartments | Area in sq. m. |
|----------------------|----------------|
| 1 room flat          | 35-60          |
| 2 room flat          | 55-80          |
| 3 room flat          | 80-120         |
| 4 room flat          | 130-185        |

### Main developers

The leaders of Q3 2007 in this sector are the following companies: «LenSpecSMU» (15.4%) and LEK Estate (12.2%), Severniy Gorod. About 21% of all the projects are realized by companies, represented in this sector by single projects.





#### 5.2.5.2 Demand analysis

In “comfort” class as well as in “economic” class, the demand was rather “calm” during the whole year, it livened up only in Q4 2007.

##### **Buyer's characteristics**

Buyer's Characteristics in “comfort” class differs from the one in “economic” class only by the average income per family, that can be 5-10% higher but this criteria can be called “relative” because of new mortgage programs.

##### **Buyer's preferences**

- Location – could locate in any district (more widely spread are Primorskiy, Moskovskiy, Vyborgskiy and Nevskiy), proximity to the metro station, similar surroundings;
- House characteristics – brick-solid houses, good apartment-planning, big kitchen and bathroom;
- Preferable flat size: the highest demand is on 1 and 2-room apartments of middle sizes.
- Demand on residential real estate of “comfort” class is similar to the one of the “economic” class. Quite popular are Primorskiy, Kalininsky, Vyborgskiy, Moskovskiy districts and Bolshevnikov Prospect.

### Sales' rate

According to the sales' rates in this sector, the number of sold apartments in already existing complexes depends on the total number of apartments. The more flats there are in the house/complex, the bigger is the number of flats sold every month. On average, about 4% of apartments are sold.

*Sales rates of "comfort" class accommodations (percentage of sales from the total number of flats per month)*

| Class     | Min  | Max  | Average |
|-----------|------|------|---------|
| "Comfort" | 2.4% | 8.2% | 4.2%    |

### Parking

There is usually an open parking near "comfort" class buildings, sometimes there can be an underground one.

#### 5.2.5.3 Price characteristics

Price rates on residential objects depend mainly on their location. Average price of accommodation in "comfort" class comprises \$2 605 per sq. m.

*Average prices for "comfort" class accommodation according to the regions*

| District          | Average Price<br>(\$/sq. m.) |
|-------------------|------------------------------|
| Moskovskiy        | 2 840                        |
| Vasileostrovskiy  | 2 800                        |
| Vyborgskiy        | 2 800                        |
| Kirovskiy         | 2 760                        |
| Primorskiy        | 2 700                        |
| Kalininskiy       | 2 640                        |
| Kurortniy         | 2 600                        |
| Krasnogvardeyskiy | 2 520                        |
| Nevskiy           | 2 420                        |
| Krasnoselskiy     | 2 320                        |
| Frunzenskiy       | 2 080                        |

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The highest prices are in Moskovskiy, Vasileostrovskiy and Vyborgskiy districts. Remote districts, such as Frunzenskiy, Krasnoselskiy and Nevskiy are characterized by lower prices.

As there are practically no differences between “economic” and “comfort” classes, price growth rates will be the same (see above).

#### 5.2.5.4 Tendencies and forecasts

Similar to “economic” class (see above).

#### 5.2.6 Business Class

##### 5.2.6.1 Supply Analysis

In 2007 about 328 700 sq. m. of residential objects of “business” class were put into operation. About 13% of announced objects were postponed to 2008. Therefore we may expect that around 415 500 sq. m. of accommodations will come to the market in 2008.

*List of residential objects in “business” class announced for 2008*

| Name                 | District          | Address                                | Date of putting into operation                                |
|----------------------|-------------------|--|---|
| Severniy Palazzo     | Vasileostrovskiy  | 17-line V.O., 14 A                     | Q4 2008   |
| Imperial             | Moskovskiy        | Kievskaya St/<br>Moskovskiy Pr.        | 1 stage - Q2 2008,<br>2 stage - Q4 2008,<br>3 stage - Q3 2009 |
| Crystal              | Vyborgskiy        | Institutskiy Prospect, 11              | Q3 2008   |
| Morskaya Rapsodiya   | Vasileostrovskiy  | Nakhimov St/<br>Galernogo Pr.          | Q1 2008   |
| Olimpik              | Krasnogvardeyskiy | Khasanskaya St, 10                     | Q4 2008   |
| Petrogradskiy etalon | Petrogradskiy     | Petrozavodskaya St                     | Q3 2008   |
| Grazhdanka City-2    | Kalininskiy       | Vavilovy St/Nauki Pr.                  | Q1 2008   |
| Graf Orlov           | Moskovskiy        | Moskovskiy Pr, 181                     | 1 stage - Q3 2008,<br>2 stage - Q3 2008,<br>3 stage - Q2 2009 |
| Family House         | Vyborgskiy        | Kostromskoy Pr, 7                      | Q1 2008   |
| Finansist            | Vasileostrovskiy  | 27-line V.O.                           | Q4 2008   |
| Non                  | Vyborgskiy        | Yaroslavskiy Prt, 95                   | Q12008  |
| Non                  | Kalininskiy       | Komsomolskaya St, 1                    | Q4 2008   |
| Non                  | Vyborgskiy        | Kostromskoy Pr, 71                     | Q2 2008   |
| Non                  | Kurortniy         | Dubkovskoye highway/<br>Dubkovskaya St | Q1 2008   |

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|                   |                  |  |         |
|-------------------|------------------|--|---------|
| Prlovskiy Kaskad  | Vyborgskiy       | Afonskaya St                           | Q3 2008 |
| Imatra            | Petrogradskiy    | Maliy pr. P.C., 30                     | Q2 2008 |
| Dacha Lanskih     | Vyborgskiy       | Engelsa pr. 4                          | Q1 2008 |
| Van-Viteli        | Vasileostrovskiy | 10-line V.O., 17                       | Q2 2008 |
| Non               | Frunzenskiy      | Turku St/<br>Belgradskaya St           | Q1 2008 |
| Non               | Nevskiy          | Pyatiletok pr, 7                       | Q1 2008 |
| Continental       | Moskovskiy       | Krasnoputilovskaya St                  | Q3 2008 |
| Grand Capital     | Primorskiy       | Lanskaya St / Matrosa<br>Zheleznaya St | Q4 2008 |
| Pavlovskiy Usadby | Pushkinskiy      | Pavlovsk, Pervogo Maya<br>St.          | Q2 2008 |
| Manhattan         | Kirovskiy        | Veteranov pr./<br>Novatorov boulevard  | Q12008  |
| Zvezdnyy          | Moskovskiy       | Kosmonavtov pr./<br>Ordzhonikidze St   | Q2 2008 |
| Dom s mansardoy   | Petrogradskiy    | Zelenina St./ Maliy pr.                | Q2 2008 |
| De Luxe           | Vasileostrovskiy | 4-line V.O, 41-43                      | 2008    |
| Non               | Vasileostrovskiy | Maliy pr./9-line V. O.,<br>76          | 2008    |

### Geography of supply

Residential objects of “business” class are spread around the city. Nevertheless some general characteristics of this class can yet be identified.

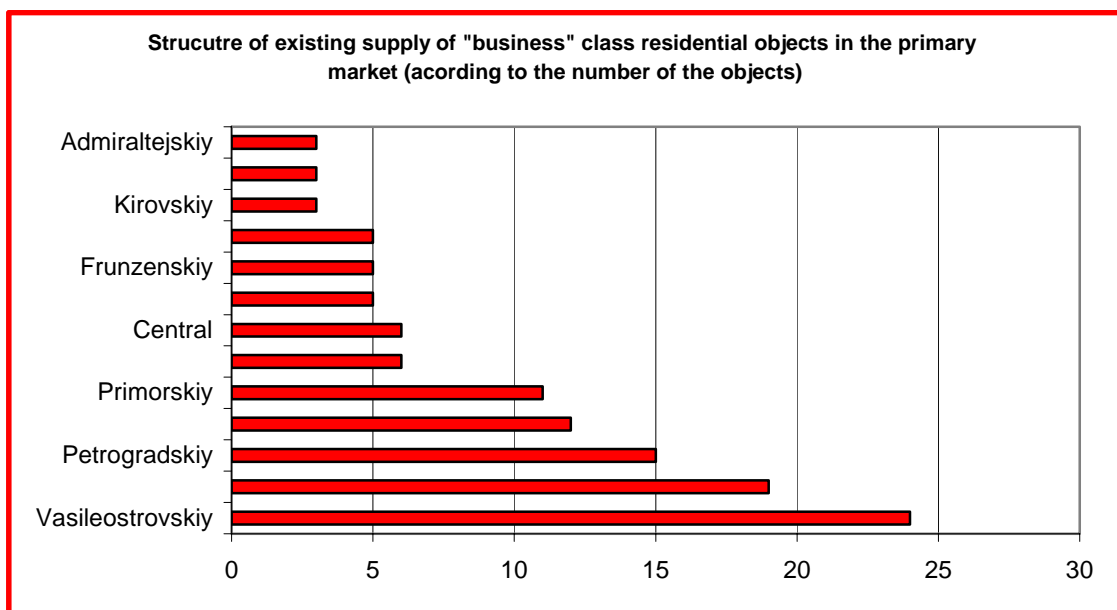
*The most typical zone for allocation of “business” class accommodations*

|                                   |   |
|-----------------------------------|---|
| <b>Primorskiy district</b>        | Quite a prestigious part of the city. From the houses, built along Primorskiy Prospect, you can see Finish bay, Vasilevskiy and Elagin islands. In Kolomyagi (a district, which has never been considered prestigious) cottage and townhouse construction is very active now – that’s why this district is quite popular now. |
| <b>Vyborgskiy district</b>        | Vyborgskiy side, Vyborgskaya metro station, a district from Perviy Murinskiy to Severniy prospects (green zones of Udelniy park and Sosnovka). Location next to “Ozerki” metro station is very popular as well.   |
| <b>Krasnogvardeyskiy district</b> | District of 8-9 Maloy Okhty, situated between Sverdlovskaya embankment, Novocherkasskiy prospect, Respublikanskaya St and Perevoznoy passage.   |
| <b>Moskovskiy district</b>        | Location near Moskovskaya and Park Pobedy metro stations, district of Eastern Prospect of Yuriy Gagarin, where active development of residential projects is being carried out (especially  |

near Zvezdnaya metro station); Chernyshevskogo Square,  
Aviatsionnaya St, Altayskaya, Tipanova, Lensovet streets.

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According to the number of “business” class projects under construction, the most popular districts for “business” class houses are Vasileostrovskiy (24%), Vyborgskiy (19%), Petrogradskiy (15%) and Moskovskiy (12%).



Taking into account some peculiarities of central parts of the city, existing projects of “business” class and those under construction are usually low-storied houses (6-7 stores) with a small number of apartments (20-40); huge projects are represented only in the suburbs.

“Business” class houses should be made of brick or monolith since panel material is traditionally considered as construction material for the “economic” class accommodation.

### Infrastructure

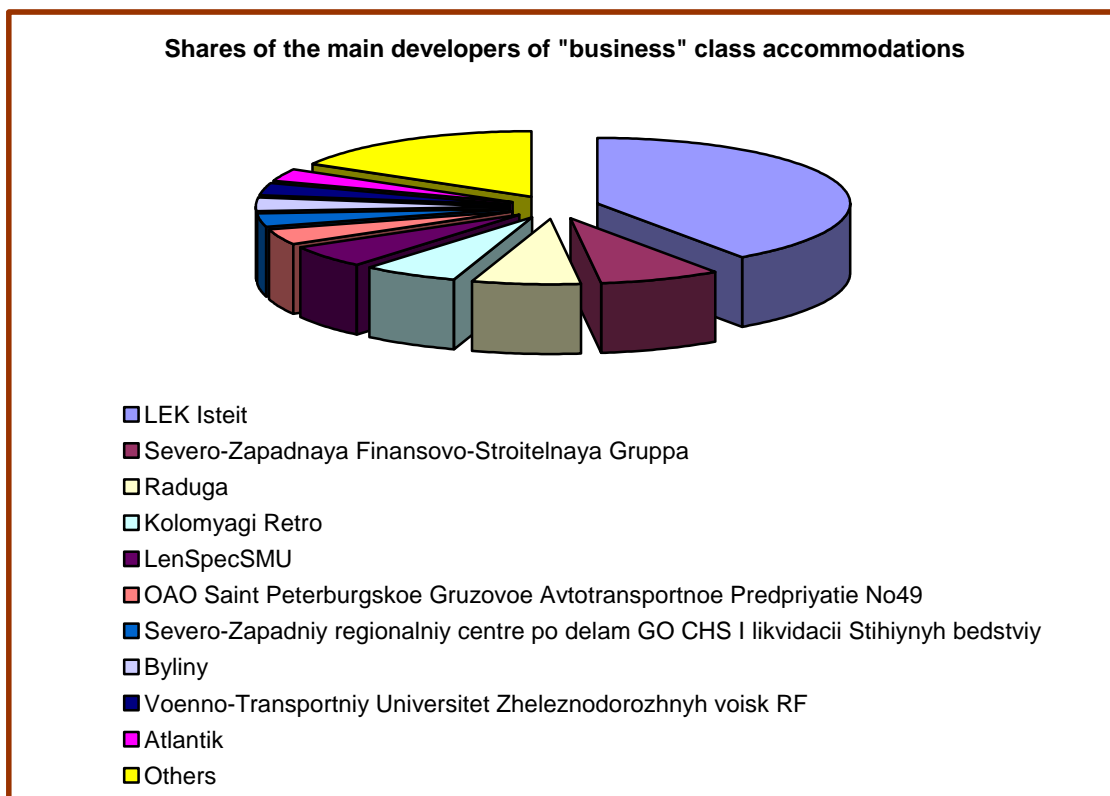
Infrastructure plays a very important role in the development of “business” class accommodations. Residential complexes here are a part of a developed infrastructure. Depending on the scope of the project, fitness clubs, office centres and children playgrounds may be located on the territory of the complex.

In single houses the infrastructure is limited to commercial premises on the ground floors (restaurants, offices, shops) and premises for concierges.

### Main developers

Among large developers of “business” class accommodations, the following companies may be named: «LEK», «LenSpecSMU» holding, PB «Nevskiy Sindikat», «Stroymontazh» (Mirax Group).

In Q3 2007 the leader in this sector was «LEK» company, which has completed 40% of all the projects put into operation during 2007



A smaller number of developers work in “business” class segment than in “standard” segment, but much more than in the “elite” one. The level of competition may be characterized as high. About 17% of all the projects in this sector are developed by companies, represented in this sector by single project.

#### 5.2.6.2 Demand analysis

According to price characteristics, demand on “business” class apartments is less flexible than in “standard” sector, but more flexible than in “elite” sector. However, in such characteristics as location and quality it may be identified as flexible (especially compared with standard accommodations).

Term of exposition of a “business” class apartment comprises from 1 month to 1 year.

##### **Buyer's characteristics**

- Income rate per family – from \$8 000 per month;
- Type of activity – owners of small businesses, middle class managers of large companies, highly-paid specialists;
- Age – in general 30 to 45 years old;
- Family size – from 2 to 4 people.

##### **Buyer's preferences**

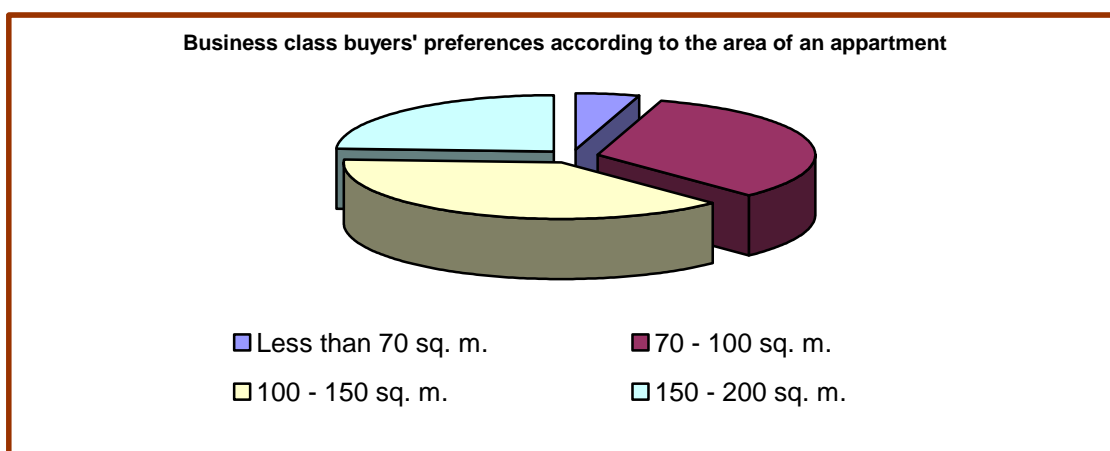
- Location – accommodations near office or metro station (5-15 minutes walk);
- Preferable apartment size: 2 and 3 room apartments with subsidiary premises of the total area 65 and 90 sq. m. correspondingly. Average weighted area of an apartment in “business” class houses makes up 68 sq. m.;
- Subsidiary premises – kitchen size from 12 to 15 sq. m., ceiling height – from 2.7 metres. Balcony, terrace or loggia is a must;
- Parking place – obligatory;
- Security in place;
- Well-appointed adjacent territory.

Security and parking, especially an underground one, make “business” class apartments more attractive. Market players admit that according to the quality of engineering systems and a number of services provided new residential objects have become similar and soundless lifts or home-phones are taken as an essential part of a quality house. The accent is now being shifted to the equipment of adjacent territories, which is also a factor of a project's success.

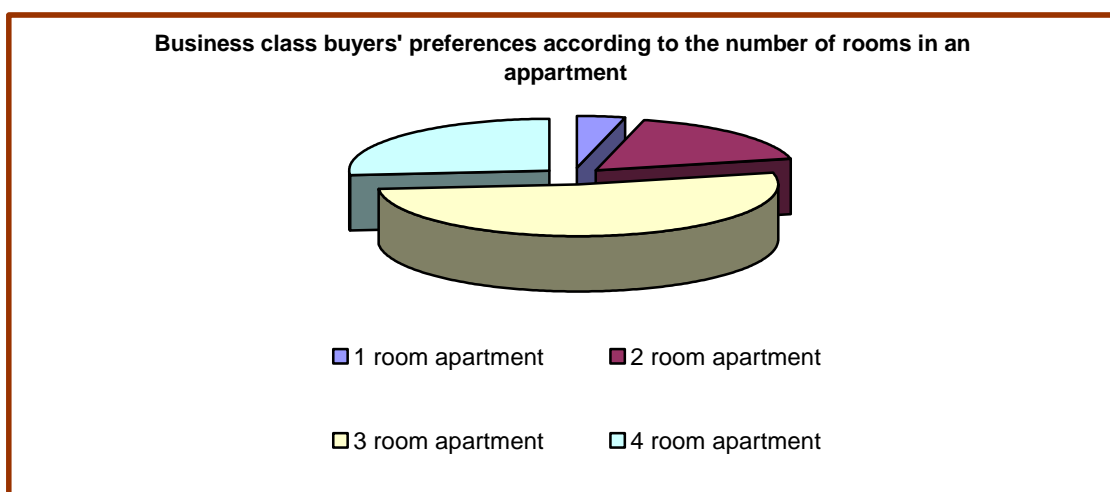
After-sales services can play a big role in involving a client into buying “business” class apartments as huge developers have their own operation services. These additional preferences are considered to be perspective, however meanwhile there are different problems currently unsolved.

### **Demand characteristics**

According to the results of a survey among “business” class apartment buyers, main demand falls onto apartments of the total area of 70 to 200 sq. m., at that only 38% would prefer to buy an apartment between 100 and 150 sq. m. There is no demand on apartments more that 200 sq. m.

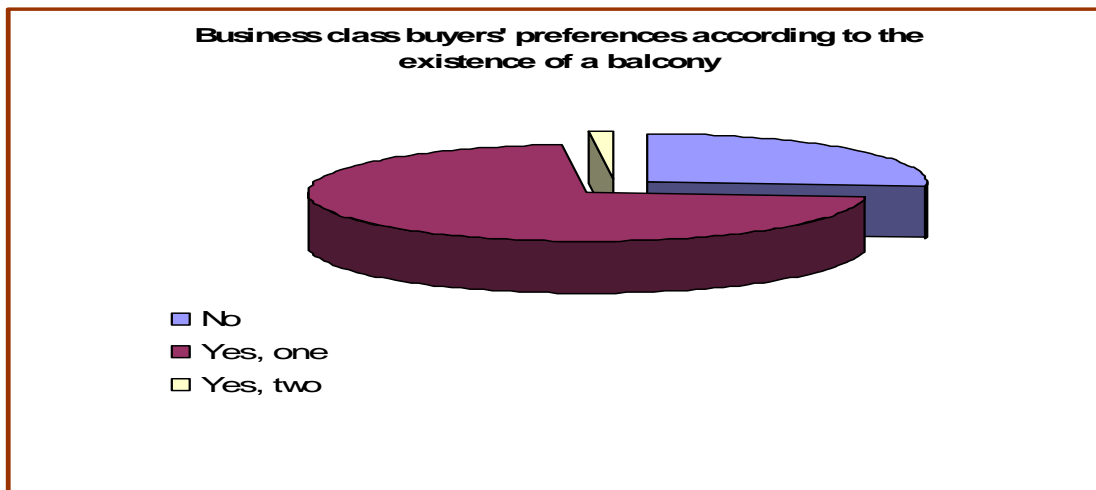


The structure of demand according to the type of an apartment (depending on the number of rooms) 3 and 4-room apartments have the highest share of 78.5%.

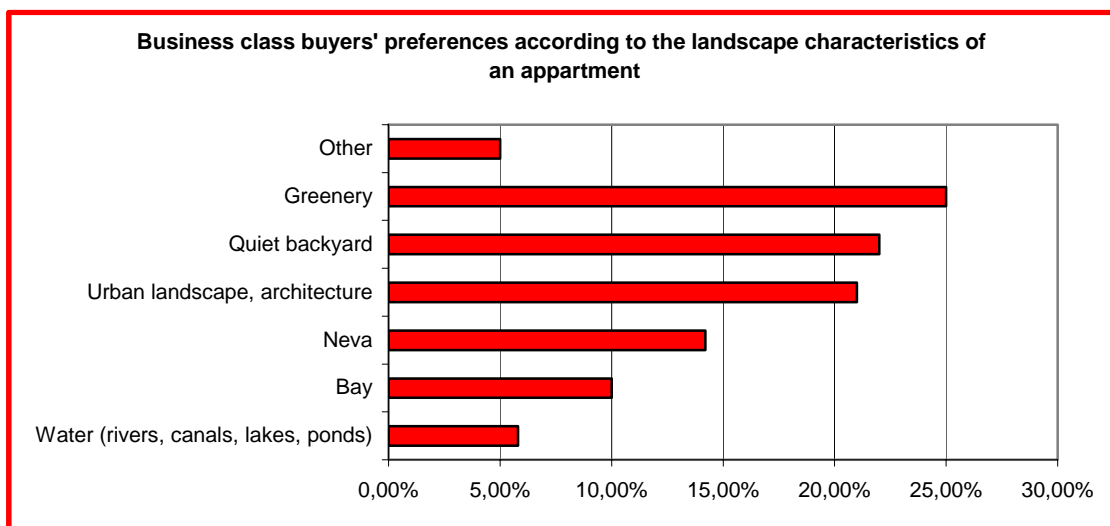




Around 72.5% of respondents think that an apartment should have a balcony and one is really enough. Only 1.5% would like to have 2 balconies and for 18% of respondents a balcony is not a necessary condition when acquiring an apartment.

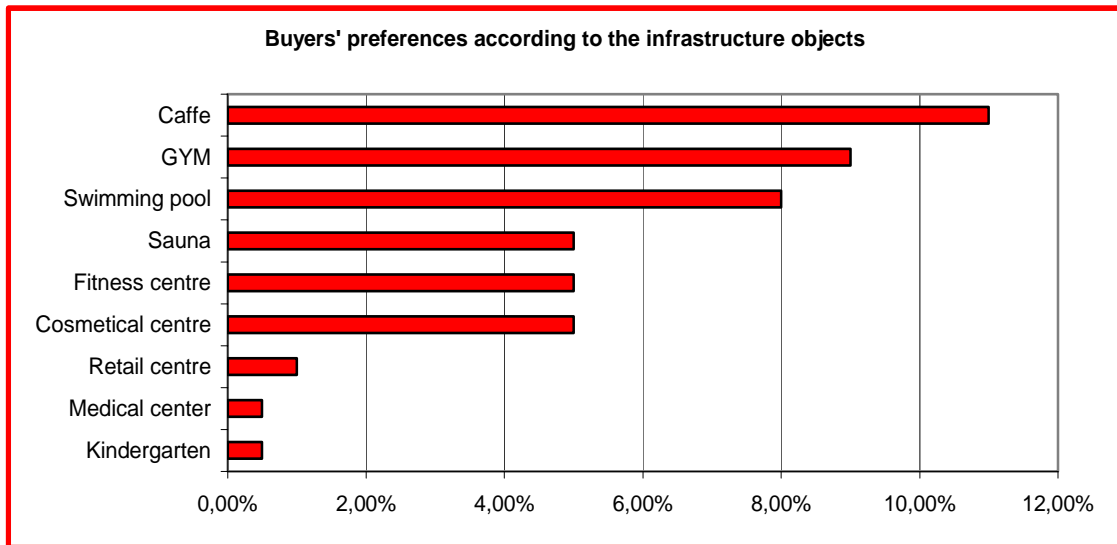


About 45% of potential “business” class apartment buyers prefer apartments with park or green lanes view, about 36% – overlooking some urban panoramas and architecture.

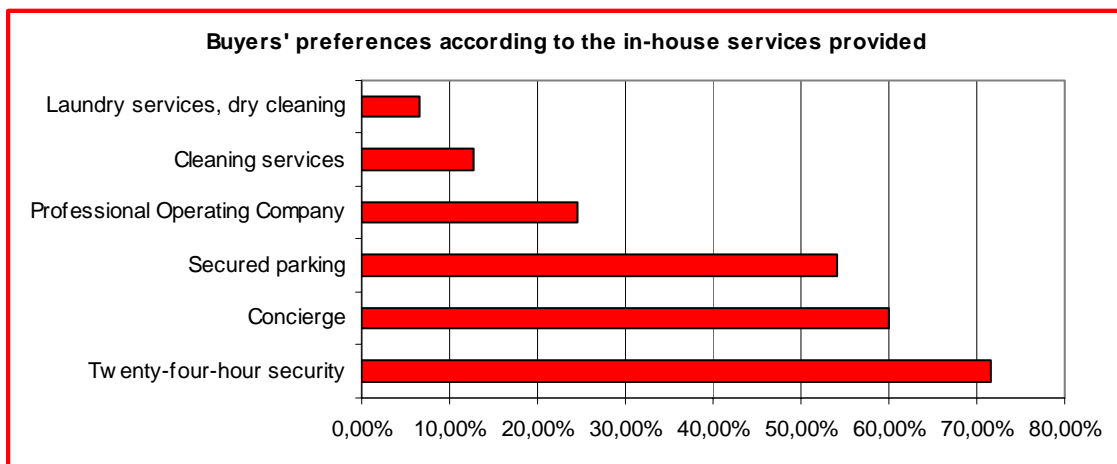


### Infrastructure

For potential buyers of “business” class apartments it is important to have a developed surroundings infrastructure. Among additional objects of infrastructure, according, to the survey, are cafes and fitness clubs in the complex or near it.



According to the opinion of potential buyers a “business” class house should contain concierge services as well as 24/7 security services. 25% of respondents would like professional management companies to be drawn to the house operation.



### Sales' rate

As “business” class houses are also similar in their sizes, it is possible to find some kind of relation between sales rates and the total number of apartments. According to the analysis made, about 3.6% of “business” class apartments are sold every month.

*Sales rates of “comfort” class accommodations (percentage of sales from the total number of flats per month)*

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as at valuation date 31<sup>st</sup> of December 2007, issue date 24<sup>th</sup> of March 2008

| Class      | Min | Max  | Average |
|------------|-----|------|---------|
| “Business” | 2%  | 5.5% | 3.6%    |

When larger projects are developed, sales rates can vary significantly.

### Parking

According to the classification of “business” class accommodation the presence of a secured parking is a necessary criterion, ideally – an underground parking. However, according to the survey only 41% of the respondents talk about its necessity. The cost of a parking place depends on the type of parking. The average cost of an underground parking place amounts to \$28 000 up to \$60 000, making an average of \$42 500 per parking place, the cost of an uncovered secured parking place amounts to \$24 000-\$50 000, on average \$32 000 per parking place. Most respondents are ready to buy a parking place, but not to rent it.

From the point of view of parking places area its minimum size is fixed by SNIP and amounts to 11.5 sq. m. (2.3\*5m). Its maximum size is not regulated and is determined by a developer and also by objective reasons (column pitch). The optimal size of a parking place amounts to 18 sq. m. (3\*6m).

#### 5.2.6.3 Price characteristics

Price rates on residential objects depend mainly on their location. Average price of accommodation in “business” class comprises \$3 520 per sq. m. The highest prices are in Petrogradskiy district (the level is to the lowest level of the elite segment). The lowest prices are in the least popular districts, such as Krasnoselskiy and Nevskiy.

In the table average prices on apartments in “business” class accommodation are presented according to districts.

*Average prices for “business” class accommodation according to the regions*

| District          | Average Price<br>(\$/sq. m.) |
|-------------------|------------------------------|
| Petrogradskiy     | 4 310                        |
| Krasnogvardeyskiy | 3 760                        |
| Frunzenskiy       | 3 600                        |

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|                  |       |
|------------------|-------|
| Kalininskiy      | 3 555 |
| Moskovskiy       | 3 515 |
| Vasileostrovskiy | 3 475 |
| Kirovskiy        | 3 460 |
| Primorskiy       | 3 410 |
| Vyborgskiy       | 3 355 |
| Kurortniy        | 3 225 |
| Nevskiy          | 3 115 |

---

The price for apartments in the “business” class residential building may vary significantly depending on the floor and view. In “business” class residential buildings there is often the supply of a few flats which refer to elite class according to their cost and view characteristics, f.e. penthouses and apartments on the upper floors with panoramic views. Analyzing the relation of the cost of apartment to the floor it is situated on we found out that the difference between the ground and the upper floors may vary from 15% to 100%; in some cases it can be 200% depending on the type characteristics.

#### **Factors, influencing price growth and price growth forecast**

Over 2006 the apartment price increase for the considered class has amounted to more than 100%. Since the end of autumn 2006 the price increase on accommodation has stabilized. Starting from beginning of 2007 the price increase has amounted to 8-10%.

Currently supply and demand in business-class residential real estate segment are approximately balanced. Further increase of demand will take place at the expense of strengthening of the average class, increasing the payment level of high qualified specialists and mortgage development. In intermediate perspective the increase of demand will be covered by supply of building additional spaces, redevelopment of the territories of St. Petersburg’s industrial district and renovation of dwelling quarters of the first mass series; therefore in intermediate perspective the price increase, according to our data, will insignificantly exceed the inflation increase (table).

#### *Accommodation growth rates forecast*

| 2008  | 2009 | 2010 | 2011 | 2012 |
|-------|------|------|------|------|
| 8-10% | 7-8% | 6-7% | 5%   | 5%   |

---

However, there could be a more significant rate growth (30-50% more than presented in the table) on certain objects built in non-industrial area, walking distance from the metro stations, in a green area, close to the city centre, due to essential decrease of such objects during the next 2-3 years.

#### 5.2.6.4 Tendencies and forecasts

- Reclamation of large territories including coastal ones will continue; residential as well as multifunctional complexes will be built on those territories;
- Stabilization of prices on “business” class apartment is forecasted, the price increase will insignificantly exceed the inflation;
- Decrease of amount of “business” class buildings built in Vyborgskiy and Primorskiy districts will take place, due to the growing difficulty of finding suitable locations;
- The most attractive for a consumer will become supply of apartments situated in the quarters fully built by the same building company with developed infrastructure;
- The tendency of developing mortgage programs will go on.

#### 5.2.7 Elite Class

##### 5.2.7.1 Supply Analysis

In 2007 about 56 000 sq. m. (460 apartments) of elite accommodation were put into operation. There is a definite deficit of supply of elite objects as from geographical as from characteristic point of view. In 2007 approximately 10% of objects had their delivery terms postponed. In 2008 it Number of elite accommodation forecasted to put into operation in 2008 is about 140 000 sq. m. (1 200 apartments) taking into consideration the postponing terms. The forecasted increase of projected accommodation is due to the tendency of transfer of dwelling objects from central to further districts, where larger projects are possible.

*List of residential objects in “elite” class announced for 2008*

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| Name                                   | District      | Address  | Date of putting into operation                                      |
|--|---------------|--|---|
| Non                                    | Petrogradskiy | 37-43 Morskoy Ave.   | 2008  |
| Non                                    | Central       | 1a Tverskaya St.   | Q1 2008   |
| Silver Mirrors                         | Petrogradskiy | Kamenoostrovsky Ave/<br>Divenskaya St.                                 | 1st stage - Q1 2008,<br>2nd stage - Q2 2008,<br>3rd stage - Q4 2008 |
| Parade Quarters                        | Central       | Kirochnaya St./<br>Rdishchev St. /<br>Vilensky Ave. /<br>Paradnaya St. | Q1 2008   |
| Krestovsky Crystals building "Malahit" | Petrogradskiy | 5,7,9 Morskoy Ave.   | Q2 2008   |
| Aston Grafftio                         | Petrogradskiy | 5 Grafftio St.   | Q2 2008   |
| Krestovsky Crystals building "Lazurit" | Petrogradskiy | 20 Konstantinovsky Ave.  | Q2 2008   |
| Ideal World                            | Petrogradskiy | 27B Zhdanovskaya St.   | Q2 2008   |
| House by the Sea                       | Petrogradskiy | 74 Martynova Quay  | Q2 2008   |
| Diadema                                | Petrogradskiy | 37 B Pr. Popov Ave.  | Q3 2008   |
| Premier Palace                         | Petrogradskiy | Admiral Lazarev Quay   | Q1 –Q3 2008   |
| Shuvalovsky House                      | Vyborgskiy    | 3 Elizavetinskaya St.  | Q4 2008   |
| No name                                | Central       | 18 Manezhny Side street  | Q4 2008   |
| House on Kamenoostrovsky               | Petrogradskiy | 44D Kamenoostrovsky Ave.   | Q4 2008   |

All "elite" class buildings can be divided into few-apartments (club) and many-apartments buildings. Besides the number of apartments they also differ in infrastructure.

Club format buildings (up to 50 apartments) contain a limited infrastructure: parking, guard, central conditioning system, ventilation, water and air cleaning.

For tenement buildings the developed infrastructure is the main characteristic. In this meaning it is alike the hotel; besides the club house infrastructure there will be the following items: gym, swimming pool (not always), lobby, conference-hall, children infrastructure, beauty salon (solarium, sauna and massage rooms), good expensive local shop.

The major requirement for "elite" accommodation is the location. Therefore the main area for locating elite objects is the city centre.

*The most typical zone for allocation of "elite" class accommodations*

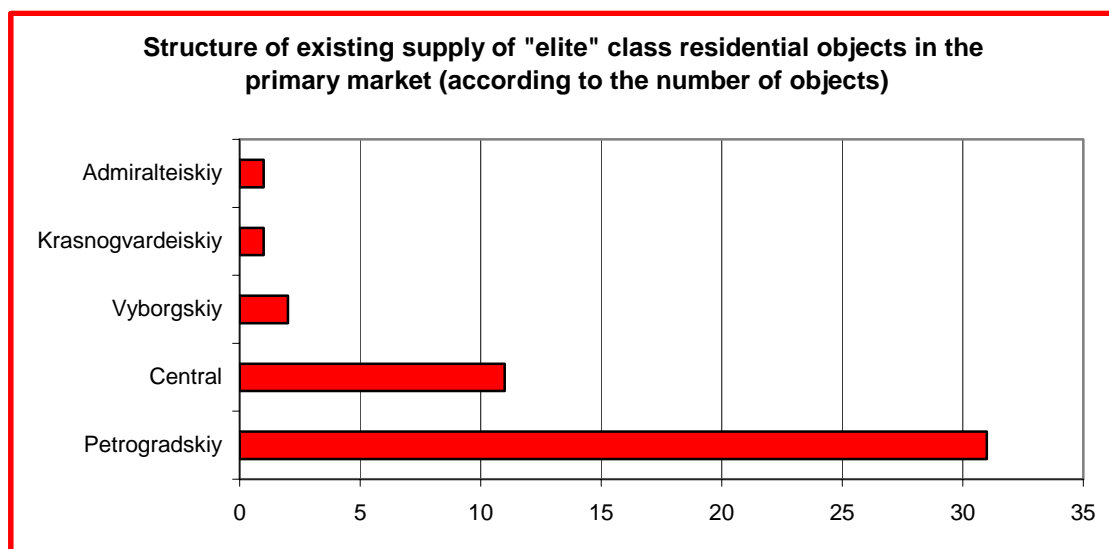
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|                                  |   |
|----------------------------------|---|
| <b>Central District</b>          | <p>“Golden triangle” area (Nevskiy Ave / Dvortsovaya Quay / Fontanka)</p> <p>Chernyshevskaya metro station area (Tavricheskaya St., Tverskaya St., Kirochnaya St., Furshtatskaya St., Robespyer Quay etc)</p> |
| <b>Petrogradskiy District</b>    | <p>Houses with panoramic view over Petrovskaya Quay, Pesochnaya Quay</p> <p>Apartments in Kamenoostrovsky Ave</p> <p>Few-storied building in Krestovsky and Kamenny Islands</p>                               |
| <b>Vasileostrovskiy District</b> | <p>Apartments with view over the Neva, Petropavlovskaya Fortress and the Winter Palace</p> <p>Territories bordering to Vasilevsky Island</p>  |
| <b>Admiralteyskiy District</b>   | <p>Apartments with views over Neva and architecture monuments (Admiralteyskaya, English Quays), apartments with views over Decembrists’ Square, Alexander Garden, Isaac’s Cathedral, Theatre Square etc)</p>  |

---

Elite accommodation in St. Petersburg can be situated in the named locations. Demand for apartments in such places is considered to be high, which allows the developer to set high prices. Currently, major part of built and planned “elite” class buildings/complexes is concentrated in Petrogradskiy district especially on the Krestovsky Island.



- Construction of “elite: class building is gradually moving away from the centre;

- Vyborgskiy, Krasnogvardeyskiy and Admiralteyskiy Districts can also be considered as “elite” class apartments (but not houses) districts.

### **Infrastructure**

The level of infrastructure development depends on the format of the house (number of flats): in club houses with maximum 50 apartments, infrastructure is usually minimal. As for tenement buildings, the developers fill them with infrastructure. This is due to the additional expenses for maintaining the infrastructure paid by inhabitants.

Infrastructure objects can be both open and closed for the external visitors. Expensive, super-elite complexes are more isolated, hence all infrastructure objects there are closed for external access.

The minimal set of infrastructure in elite club houses is limited to:

- Premises for security
- Premises for service stuff such as concierges, apartment cleaning, room-service, technical house exploitation service stuff.

The ground and first floor locations of an elite house are assigned for these objects.

In tenement buildings the most widespread infrastructure objects, situated inside the house are:

- Subsidiary locations for the managing company, concierge, exploitation service, guard;
- Playroom for children;
- Shop, minimarket (as a rule, food-stuffs and manufactured goods of the first necessity) with an area of 200-400 sq. m. on average;
- Beauty salon;
- Fitness club or gym;
- Winter garden.

More seldom to be found are objects, which are situated in the built-in locations on the ground floors of an elite building, such as:

- Snack bar, cafe, restaurant;
- Pharmacy;



- Medical centre;
- Mobile shop.

According to Moscow classification of “elite” class residential complex the building must contain a cafe-bar, a bath for cleaning dogs’ paws, a cigar-room and a billiard-room.

Infrastructure objects which developers usually put apart from the building or into separately-standing houses are the following:

- Wellness-centres;
- Sports complexes;
- Swimming pools;
- SPA and sauna complexes;
- Beauty centres;
- Cinema;
- Kindergartens / pre-school educational institutions / playrooms for children.

Moreover, “elite” class complexes usually contain an inside-yard territory with playgrounds for children and different other status-showing elements of improvement. “Elite” class object which is situated close to water could contain a yachts mooring as well.

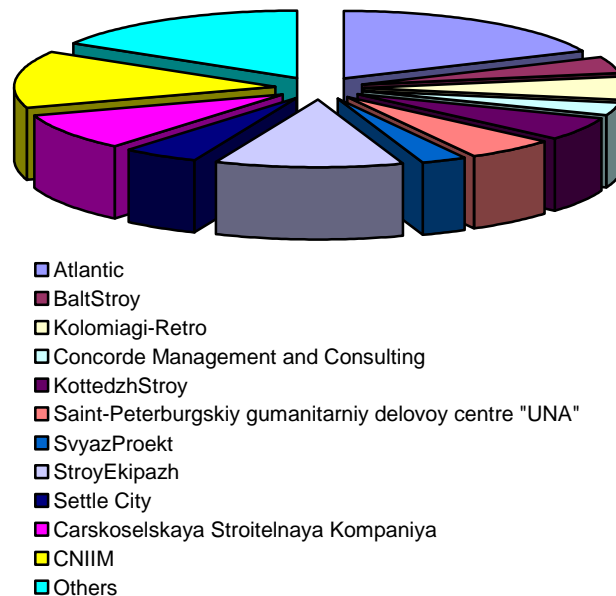
### **Main developers**

The participants of the “elite” real estate market characterize it as more monopolized than in Moscow: Each out of the big players has quite a big part, which allows the main players to control apportionment of construction areas.

Currently the main construction companies specializing in “elite” class real estate are PC St. Petersburg Rebirth, RBI Holding, PC Petersburg Reconstruction and GSC LenspecSMU:

However, nowadays there is a tendency of competition strengthening. For three first quarters of 2007 the most parts belong to Atlantic company (19%) and TSNIIM (14%).

### Shares of the main developers of "elite" class accommodations



On the other hand there is a tendency of supplanting smaller weaker companies, which failed to optimize their production. As a result, strengthening of competition and higher level of professionalism is expected in the field in the close future. Several companies currently leading 2-3 construction projects could possibly leave the market.

#### 5.2.7.2 Demand analysis

Demand for “elite” class real estate in St. Petersburg has been stable during the last several years. However, currently the consumers’ demand for “elite” class real estate objects is growing and the present supply does not always and in all aspects correspond to the expectations of the potential clients.

With the development of mortgage credit systems in the “elite” class residential real estate market the purchasing power of potential clients grows. Moreover, many banks are providing credits on the ground of unconfirmed income of the customer.

#### Buyer’s characteristics

- Income rate per family – from \$20 000 per month according to experts' estimation and it amounts to \$15 000 according to the present credit conditions;
- Type of activity – business owners and officials. Less common – top-management of large companies (financial, raw materials), creative intelligentsia and sportsmen;
- Age – mainly 40 to 55 years old. Less common – from 35 to 40 and older than 55;
- Family: size – most common 4 people (families with 2 children, less common – families with one child).

### **Buyer's preferences**

Location is the most important characteristic of “elite” class accommodation: Petrogradskiy, Central and Vasilyevsky districts; solid surroundings of the house; beautiful view, not obligatory over water, but also over architectural monuments and parks;

Apartment planning: defining the necessary area and number of rooms the client relies on the fact that each family member needs his own room. In the best case there should be a guest room or a nanny room. Mainly clients are interested in apartments with over 150 sq. m. with a considerable size of the kitchen and the living room. An average area of an “elite” class apartment amounts to 135 sq. m.

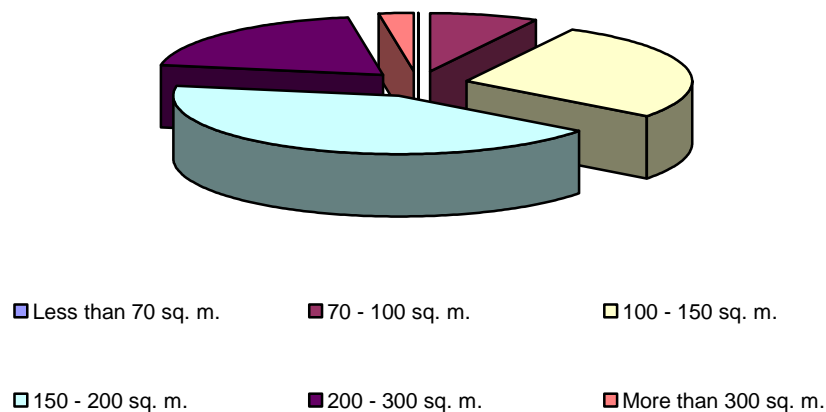
The size of a dwelling complex: most potential clients do not consider whether it is a club house or a tenement house, every type of the house has its adherents, a more important question is a number of neighbours on the floor, and there shouldn't be more than three of them.

Infrastructure: the presence of infrastructure in a complex is not a question of principle either. However, the most actual things might be: reception, which takes care of small inhabitants' requests (windows cleaning, cornice hanging etc.) and a children room. An important question in “elite” housing is the decoration and space of the lobby.

### **Demand characteristics**

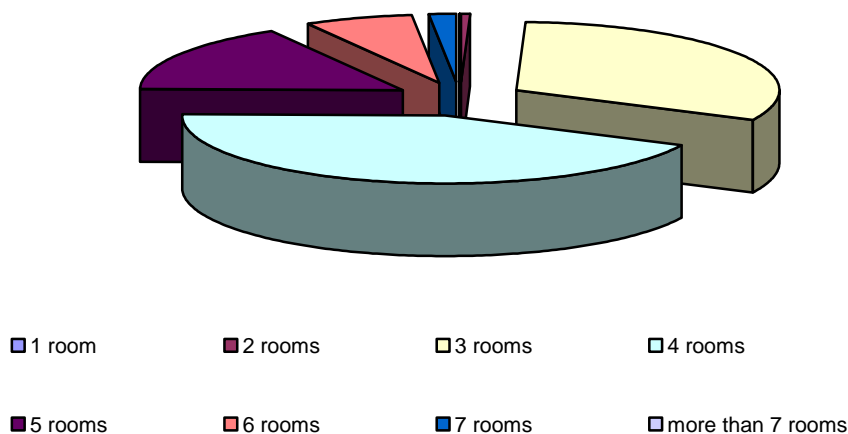
According to the data of the quantitative study of “elite” class accommodation potential clients' preferences, the main demand is for apartments with an area of 100-300 sq. m., about 43% prefer purchasing apartments with an area of 150-200 sq. m. There is no demand for apartments with an area less than 70 sq. m.

**Elite class buyers' preferences according to the area of an apartment**



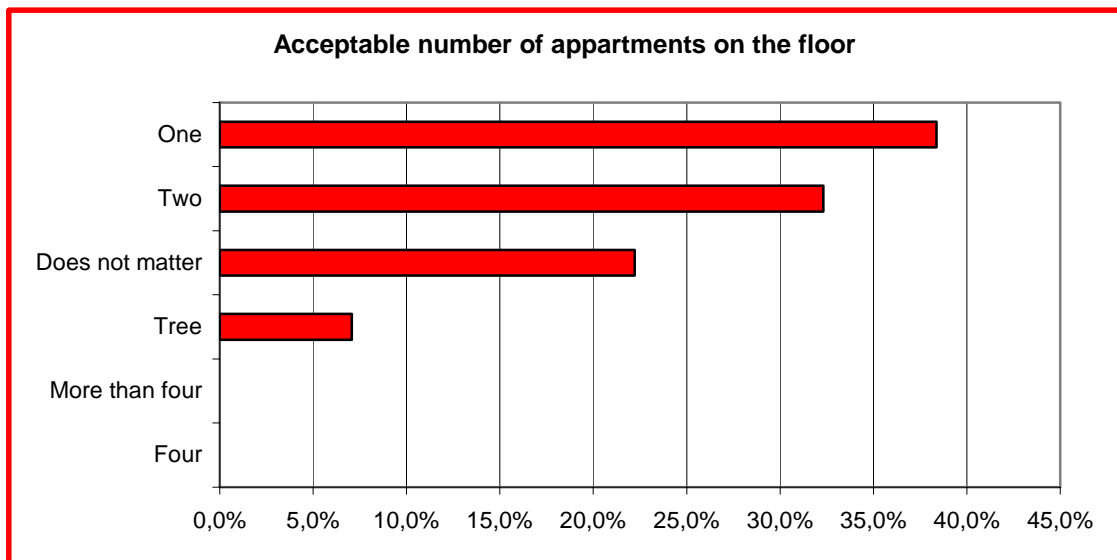
In the structure of demand on apartment type basis the most part of the preferences belongs to 3 and 4-room apartments. The share of demand for 3 and 4-room apartments amounts to 74%.

**Elite class buyers' preferences according to the number of rooms**

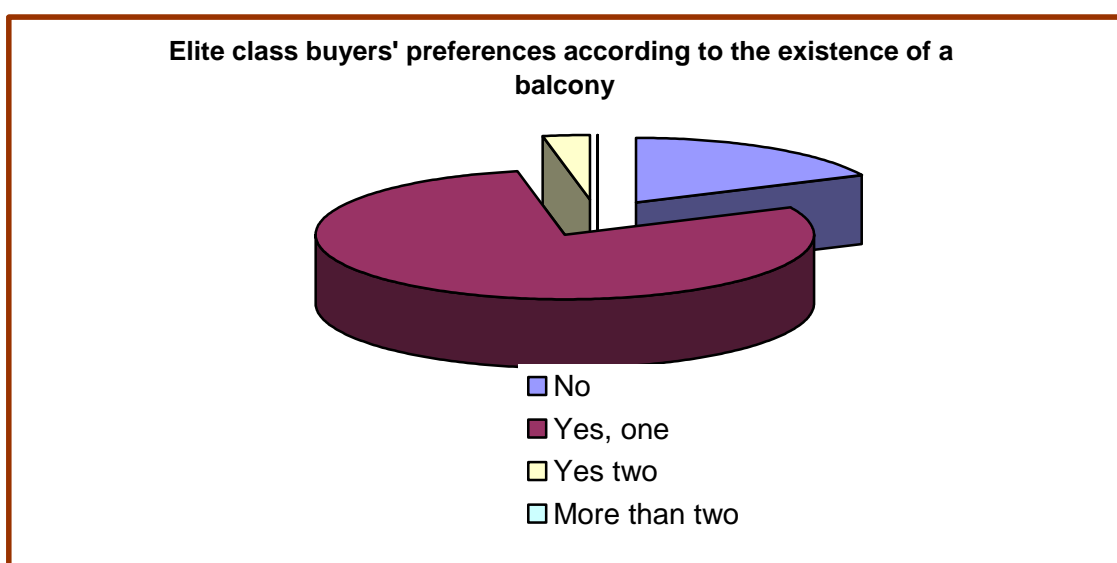


Choosing an “elite” class apartment one of the big matters is how many apartments (and accordingly neighbours) there are on the floor, with it all the principle “the less, the better” works. 22% of potential clients do not consider this factor as an important one, but for most part of the potential clients the number of apartments on the floor should not be more than three, with it all the best variant is considered to be 2 or 3 apartments on the floor.

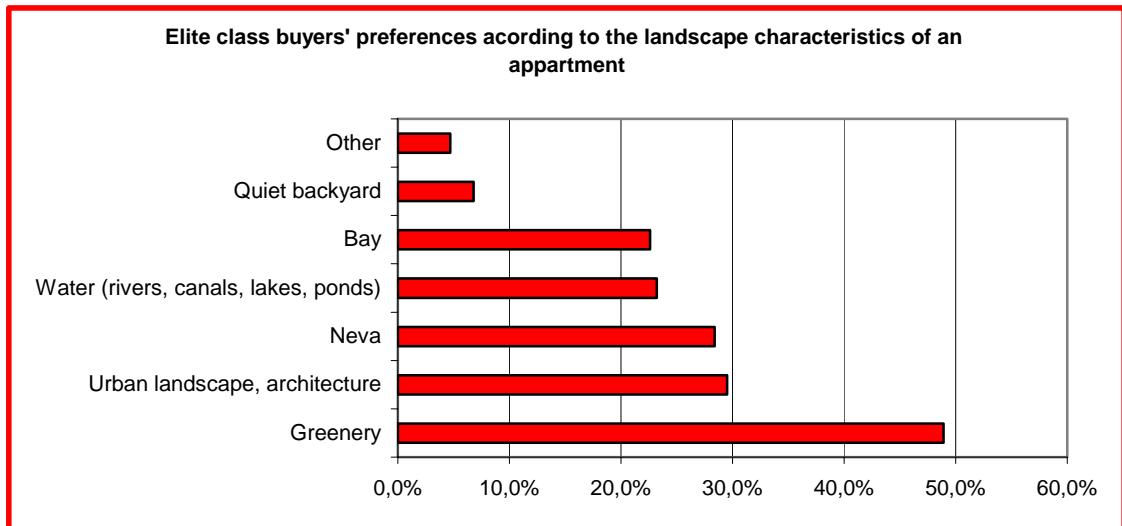
Concerning the ceiling height only 11% of potential clients of “elite” class apartment would prefer it to be more than 3.3 m, for the rest of the customers (89%) this characteristic is not important issue. However, “elite” class buyers do expect the height of the ceiling to be not less than 3 metres.



According to the survey held among the potential buyers of “elite” class apartments about 80% of them suppose that elite apartment must have a balcony, though it is enough to have only one. Only 3% would prefer to have two balconies, and 18% of respondents claim that for them the presence of a balcony is not a necessary condition for purchasing an apartment.

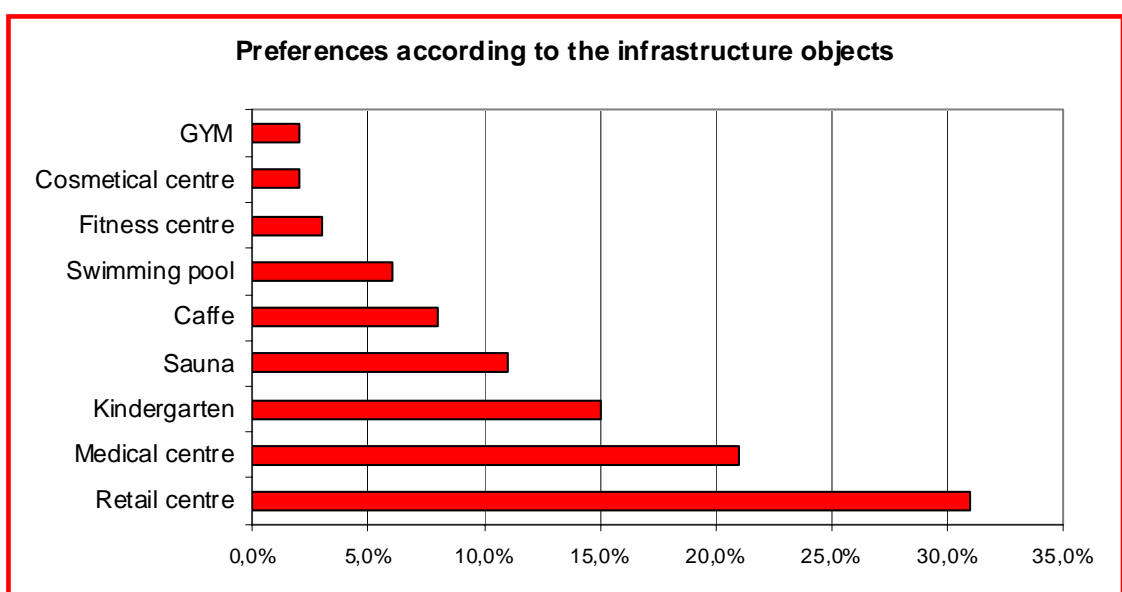


About 75% of potential buyers prefer apartments with the view over water, 49% - with the view over parks, green planting, about 25.5% prefer the views over a city panorama and architecture.



### Infrastructure

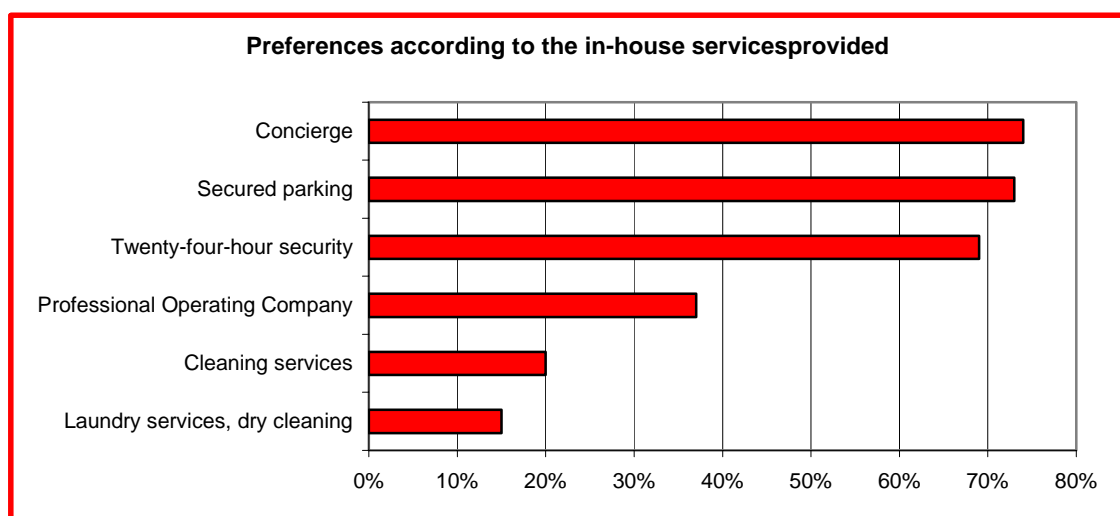
In the structure of preferences of infrastructure objects according to the survey the presence of a gym and a beauty salon in an “elite” class complex or next to it are leading. Such objects as fitness-centre and a swimming pool are of an average degree of importance for a potential buyer. All other objects practically do not influence on the decision of purchasing an “elite” class apartment.



According to the potential buyer of an “elite” class apartment the concierge service, twenty-four-hour security service including the parking security service is a must. More than 30% of the respondents prefer the building to be managed by a professional management company.

Summarizing the experts’ data, detailed interviews with the customers and the quantitative study the following conclusions about the necessary set of infrastructure and service objects can be done:

- The most important for customers is the security, thus the strict demand for security of the house and surrounding territory. Security visualisation is also important for the potential buyer: the presence of video cameras and concierge at the entrance;
- Sport objects. It is not necessary to set a whole sport complex, since most of the customers have their own training instructors; however, the presence of a small gym, swimming pool and outside sport ground would be welcome;
- Service objects:
  - Receiving point of high level laundry and dry-cleaning services;
  - High level shoemaking services;
  - Solarium, (no need for a beauty salon);
  - Technical services.
- Children room/ kindergarten.
- Lobby-bar, cigar-room; potential buyers are also interested to have a place for rest and guests receiving (no need to clean-up yourself);
- First necessity products shop.



### **Sales' rate**

Analyzing the projects of “elite” class housing around the city in general the realization speed of such projects is on average 3-4.9 apartments per month.

### **Sales schedule**

“Elite” class accommodation market is totally not seasonable as the standard accommodation one. Experts claim that there are always open requests and their number as the number of sales decreases insignificantly only in January and May.

One of the important characteristic of “elite” class accommodation is the fact that the apartments of this kind are sold the best at the beginning of the project, when only about 25% of the complex is built (about two months). By then there is a bigger choice of apartments by their space, lay-out, floor and view. Usually at this stage about 35-50% of apartments are sold. Then people buy the apartments they are interested in, and at the end they buy all the rest.

### **Parking**

The presence of an underground parking is an integral part of an “elite” class residential complex. According to classification of “elite” accommodation there must be one parking place per apartment. In reality this demand is not always kept by the developers. However, the following factors are taken into consideration:

- Difficult situation in the city with cars storing;
- Specifications of an elite client who owns expensive cars demanding inside storage;
- Sufficient place at the covered parking is currently one of the most determinative factors in purchasing an “elite” class apartment.

The conclusion that can be made is that currently and in the close future the most important and competitive factor in “elite” class housing is sufficient amount of parking slots.

“Elite” class house parking slots are usually located in the underground parking with a possibility of reaching the lobby. Usually, in addition to those there is an outside guest parking.

According to the information provided by experts there is a certain correlation between the number of provided parking places and the amount of rooms in the apartment for “elite” class accommodation:



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| Apartment type     | Amount of parking places |
|--------------------|--------------------------|
| 1 room apartment   | 0.5-1                    |
| 2 room apartment   | 1-2                      |
| 3 room apartment   | 1.5-3                    |
| 4-6 room apartment | 2-4                      |

The minimum size of a parking place is fixed by SNIP and amounts to 11.5, sq. m. (2.3\*5 m). The maximum size is not regulated and is determined by the developer and/or by different objective reasons (column pitch). The optimal size of a parking place amounts to 18 sq. m. (3\*6 m).

The price of a parking amounts to \$50 000–\$100 000, which makes in average \$67 250 per parking slot.

#### 5.2.7.3 Price characteristics

Conventional minimal price per sq. m. of “elite” class accommodation is \$4 000. According to experts’ estimation this price can go up to \$30 000 per sq. m. Currently, the average price per sq. m. of “elite” class accommodation amounts to \$7 150 per sq. m.

Since beginning of 2007 the growth rate in “elite” segment has amounted to 25-30%. The biggest leap forward took place in the 3rd quarter of 2007 (the total growth amounted to 14%). One of the reasons of such a significant growth is that the major part of the present supply of “elite” class housing is concentrated on Krestovskiy Island; this year most part of these houses/complexes is at the last stage before putting into operation. Therefore there is a typical for the last stage price growth.

*Average prices for “elite” class accommodation according to the regions*

| District      | Average Price (\$/sq. m.) |
|---------------|---------------------------|
| Central       | 9 690                     |
| Petrogradskiy | 7 550                     |
| Moskovskiy    | 5 770                     |
| Vyborgskiy    | 4 760                     |

#### Factors, influencing price growth and price growth forecast

Taking into consideration the decrease of supply, lack of suitable spaces for building “elite” class accommodations, stable demand on this kind of accommodation in the following 5 years the

growth rate on “elite” class apartments in central and surrounding districts will be stable and will amount in average 15-20% per year. In further districts the growth rate will be less, and it will be close to the one of “business” class accommodation.

#### 5.2.7.4 Tendencies and forecasts

- Decrease in supply of new “elite” accommodation related to the lack of suitable location for building “elite” class complexes;
- Decentralisation of “elite” class accommodation market – building “elite” class accommodation on further territories not belonging to the central districts;
- Start of new bigger projects involving a large number of apartments including reconstruction projects of whole quarters (“Parade Quarter”, the house in 4 Robespier Quay and some others), forming homogeneous social environment;
- Continuing tendency of leaving the market by weak companies, increasing professionalism of developers, their experience in working with “elite” class projects, and financial stability;
- One of the most expected tendencies at the market – changing of the sales politics in order to start selling the apartments at the final stages which will allow to sell them for a higher price than at the starting stage as it is done now;
- Growth rate for “elite” class residential real estate in central districts will be stable, and on average it will amount 15-20% per year.

#### 5.2.8 Elite Class

The major tendency in the St. Petersburg real estate market becomes the realization of bigger projects, including complex development of the territories. This concerns all the accommodation categories. There is a big number of construction projects planning to build “millionik” quarters in the city.

“Sea Facade” – one of the biggest development projects in the coastal area. On new formed territories with the total area of 440 ha there is planned to build a sea passenger port, business centre, modern residential quarters and leisure centres. The construction will be in three stages: 1st stage (centre) 2008 – 150 ha, 2nd stage (south) 2010 – 140 ha, 3rd stage (north) 2011-2012 – 150 ha.

“Yugorsky Region” – a new district which will be built in Krasnoselskiy region of St. Petersburg and its total area will amount 207 ha.

On the territory of the former meat processing factory “Samson” a new multifunctional residential complex “Samson-Ligovka” will be constructed (100 400 sq. m. on the territory of 2.8 ha, investments – \$120 000 000).

The new residential quarter “Nevskaya Galaxy” will consist of 39 complexes with the total area of 320 000 sq. m., which is approximately 5 000 apartments. The quarter is bordering in the west with Kolontay St., in the north – with Belyshev St., in the East – with the continuation of Podvoysky St. and in the south opens a visual perspective over Dalnevostochny Ave., which crosses the whole Nevskiy District along water boundaries of Neva.

On the bank of the Neva close to Proletarskaya metro station Obuhovsky Ave. 119 “Petropol” will construct a multifunctional complex on the territory of the former Empire Card Factory. The different-floored complex with total area of more than 160 000 sq. m. will contain residential housing, business-centre, parking and leisure-entertainment centre. Construction works will start in 2008 and are planned to be finished in 2011.

MC “Teorema” has started working over a bigger project of residential building “Red Dawns” which will be situated under Strelna. Total construction area is 322 ha; it is located between Petergof and Strelna. In “Red Dawns” settlement it is planned to construct low-storied residential accommodation of “economic” and “comfort” class which designed for 76 000 people. Social infrastructure of the district will include schools and kindergartens, pharmacies and health centres, post offices, shops, banks, cafes and restaurants. The beginning of construction works is in 2009, the end is in 2014.

The “Slavyanka” project realized by “Baltros” holding, is planning complex engineering development of 220 ha with the possibility to construct 1 300 sq. m. of low-storied residential accommodation. The new residential district is oriented on low-storied building (4-5 floors) turning to yard lay-out principle, while several houses form a smaller quarter with a closed territory.

The total area of “Baltic Pearle” is 205 ha, while the construction area is 1.76 million sq. m. The biggest part of the territory – about 1 million sq. m. will be withdrawn for residential objects of different classes. About 500 000 sq. m. will be occupied by commercial real estate, such as trade and entertainment centres, exhibition halls and galleries, business-centres, hotels, sports and touristic objects. A big number of social infrastructure objects such as educational, medical and sport centres, and leisure centres are planned for construction as well.

A multifunctional complex “Clover house” will be situated in the city centre, total area of the complex is 320 000 sq. m. Four-star hotel containing 150 rooms, apart-hotel containing 120 rooms, A-class office centre, trade-entertainment centre, parking, conference hall and residential complex of 90 000 sq. m. in total are planned to be constructed on this territory. The end of the construction works is 2010.

“New Izhora” is situated in Pushkinskiy District of St. Petersburg at the border with Kolpino. On the territory of 285 ha 6 000 two-storied one-family houses and duplexes will be constructed, which will provide accommodation for about 20 000 people. The new district is situated about 9 km away from the KAD (Circle Highway). The construction works started in May 2007 and are planned to be finished in 2009.

In Primorskiy region on the total area of 7.8 ha Fermiskoye Highway 22B, “Petropol” and Scandinavian Building Concern plan to build a multifunctional complex which will contain “comfort” class accommodation of 108 000 sq. m. total area, “business” class accommodation of 52 000 sq. m. total area. Preschool educational establishments, school, shop, pharmacy and other social infrastructure objects are planned to be built.

“Glavstroy” company will build a new residential district “Northern Valley” in Vyborgskiy district; the total area of the project is 390 ha. The end of the construction works is in 2014.

A new project “Europe Quay” will begin in 2008 in St. Petersburg. The construction will take place on the territory of 10 ha on the northern bank of Malya Neva. The total construction area is 475 000 sq. m., 140 000 sq. m. of which will be residential accommodation.

About 2 million sq. m. of residential accommodation is planned to be constructed in “Kudrovo”. The construction works started beginning of 2007, planned to be finished in 2015. However, at the end of 2008 the first stage will be put into operation. Besides the residential accommodation about 200 000 sq. m. of commercial real estate is planned to be build (office buildings, retail centres, car repair garages, exhibition halls). There are some green areas planned on the territory, these are untouched forest areas.

### 5.3 Residential market overview of Moskovskiy district in St. Petersburg

#### General characteristics of the new-building projects

Moskovskiy district is considered to be one of the most prestigious districts, close to the city. The territory of the district is one of the leading territories, concerning the input of new buildings due to formation of new residential areas near “Zvezdnaya” metro-station.

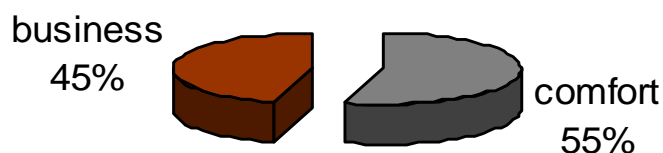
Moskovskiy district contains plenty of residential projects of “business” and “comfort” class. Experts believe that about 12-13% of all the primary residential market of those classes mentioned is located in the Moskovskiy district. Single taken residential houses here can be positioned as “elite” but in most cases they turn out to belong to the lower border of the “elite” segment (or to a high boarder of a “business” one). That’s why risks, related to elite residential projects in the Moskovskiy district, are considered to be high.

Nowadays there is only one elite object (on sale) under construction in the Moskovskiy district that can belong to the lower border of the elite class – residential complex «The House of Tradition Society».

90% of residential objects under construction, belonging to «business» and «comfort» classes, are situated in the central part of the Moskovskiy district, in the zone, limited by the following streets: Blagodatnaya St, Belgradskaya St, Vitebsky Prospect, Dunaysky Prospect, and Kubinskaya St.

A larger part of the residential projects of the middle class (“business” and “comfort”) belong to the “comfort” segment (55%).

#### Structure of the number of houses (complexes), located in the Moscow district, put into sale



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Two residential houses of a “comfort” class (presumably), situated in the 5th Predportovy Passage and Vitebsky Prospect, 83-87, are undergoing a project stage.

### General characteristics of the new-building projects

The range of prices in the residential sector in the Moskovskiy district is as follows: “comfort” class - from \$2 300 to \$2 920 per sq. m., “business” class - from \$2 985 to \$4 800 per sq. m.

The highest prices can be found in the residential business-class complex “Imperial” – the lower border of the elite segment.

| Class    | Min       | Max       |
|----------|-----------|-----------|
| Comfort  | US\$2 300 | US\$2 920 |
| Business | US\$2 985 | US\$4 800 |
| Elite    | US\$5 500 | US\$6 000 |

Compared with the average price of an elite apartment in the city (\$7 760 per sq. m.), an average price of an elite flat in the Moskovskiy district makes up \$5 770 per sq. m.

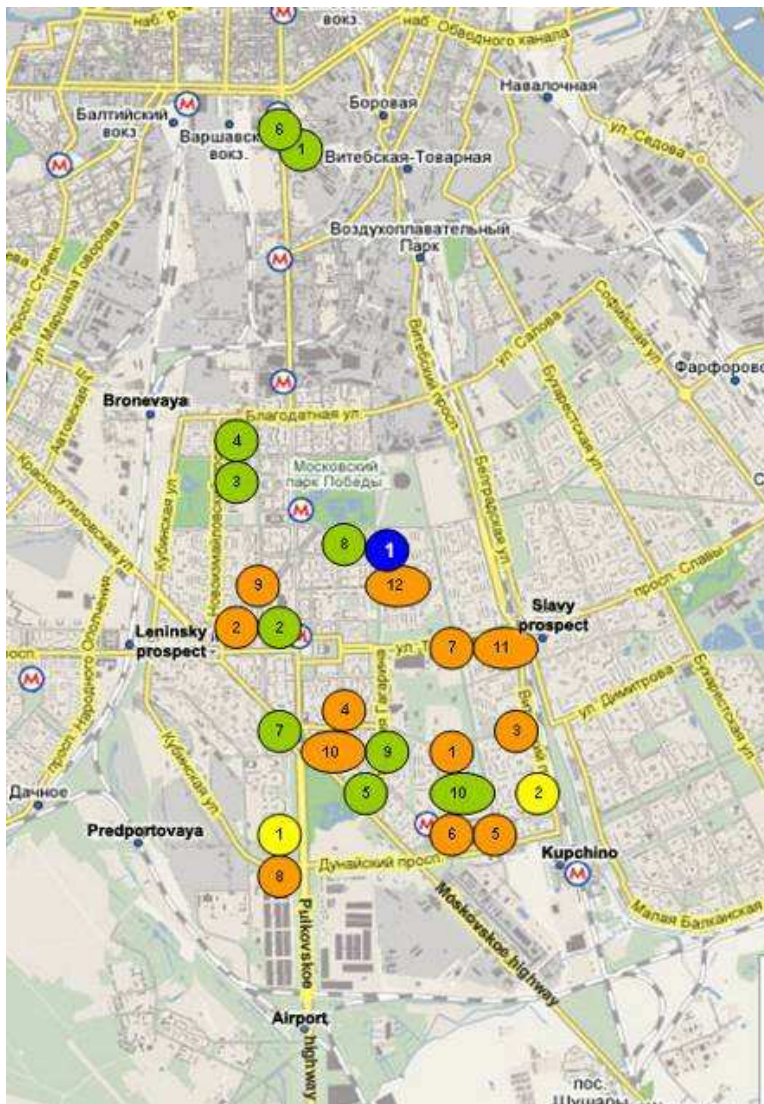
### Map of objects constructed and projected in Moskovskiy district

*Objects of residential complexes in “business” and “comfort” classes in the zone of influence (Moskovskiy district)*



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- Higher comfort class complexes (active / under construction) on sale
- Business class complexes (active / under construction) on sale
- Comfort class – projected objects
- Elite houses (under construction)






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*List of "business" class objects, active and under construction in the Moskovskiy district (sales are open)*

| № on the map | Title       | Status             | Address   | Year of operation         | Type                | Project initiator | Photo   |
|--------------|-------------|--------------------|---|---------------------------|---------------------|-------------------|---|
| 1            | Imperial    | Under construction | Corner of Kievskaya St and Moskovskiy Prospect      | Q3 2009                   | Residential complex | LEK               |    |
| 2            | Graf Orlov  | Under construction | Moskovskiy Prospect, 181                            | Q3 2008, Q2 2009, Q1 2010 | Residential complex | LEK               |    |
| 3            | Amber coast | Under construction | Varshavskaya St (from Kuznetsovskaya to Basseynaya) | Q4 2007                   | Residential complex | LEK               |   |
| 4            | Non         | Under construction | Varshavskaya St, 23                                 | Q1 2008                   | House               | LEK               |  |



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|   |             |                    |  |          |                     |              |   |
|---|-------------|--------------------|--|----------|---------------------|--------------|---|
| 5 | Gloria Park | Existing           | Yuriy Gagarin Prospect<br>(intersection of Lensovet St and Moskovskoe highway) | 2007     | Residential complex | LEK          |    |
| 6 | Non         | Under construction | Moskovskiy Prospect, 82  | Q4. 2007 | House               | Torgovy Dvor |    |
| 7 | Continental | Under construction | Krasnopolitovskaya St  | Q3. 2008 | House               | Setl City    |    |
| 8 | Non         | existing           | Lensovet St, 3   | 2007     | House               | Times        |   |
| 9 | Non         | Under construction | Lensovet St, 43  | 2007     | House               | StroyComplex |  |

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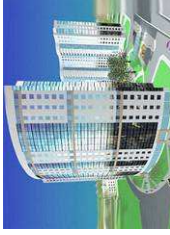


|    |       |                       |                           |         |                        |                                    |   |
|----|-------|-----------------------|---------------------------|---------|------------------------|------------------------------------|---|
| 10 | Antey | Under<br>construction | Cosmonaut<br>Prospect, 63 | Q2 2009 | Residential<br>complex | City House-<br>building<br>Company |  |
|----|-------|-----------------------|---------------------------|---------|------------------------|------------------------------------|---|

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*List of "comfort" class objects, active and under construction in the Moskovskiy district (sales are open)*

| № on the map | Title   | Status             | Address   | Year of operation | Type                | Project initiator | Photo   |
|--------------|---------|--------------------|---|-------------------|---------------------|-------------------|---|
| 1            | Zvezdny | Under construction | Cosmonaut Prospect, 61/1                                | Q4 2007           | Residential complex | Stroymontazh      |    |
| 2            | Non     | Under construction | Intersection of Varshavskaya St and Leninskiy Prospect  | Q4 2007           | House               | Stroygrad         |    |
| 3            | Non     | Under construction | Intersection of Ordzhonikidze St and Leninskiy Prospect | Q1 2008           | House               | Severny gorod     |   |
| 4            | Caravel | Under construction | Lensovet St, 32-40                                      | Q4 2007           | Residential complex | Sphere            |  |

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|   |                 |                    |  |                  |                     |                             |   |
|---|-----------------|--------------------|--|------------------|---------------------|-----------------------------|---|
| 5 | Zolotaya Dolina | Under construction | Intersection of Pulkovskaya St and Cosmonaut Prospect    | Q4 2007          | Residential complex | LEK                         |    |
| 6 | Yuzhnaya Korona | Under construction | Intersection of Dunaysky Prospect and Svirskaya St       | Q1 2010          | Residential complex | Setl City                   |    |
| 7 | Yuzhny fort     | Under construction | Intersection of Tipanov St and Cosmonaut Prospect        | Q4 2007, Q3 2008 | Residential complex | Elis                        |    |
| 8 | Pulkovsky Pasad | Under construction | Intersection of Pulkovskoe highway and Dunaysky Prospect | Q3 2008, Q4 2008 | Residential complex | City House-building Company |   |
| 9 | Non             | Existing           | Varshavskaya St, 57                                      | 2007             | House               | 36 Trest                    |  |

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|    |                      |                    |  |                  |                     |                     |   |
|----|----------------------|--------------------|--|------------------|---------------------|---------------------|---|
| 10 | Victory Square House | Under construction | Intersection of Galastyan St and Predportovy Passage | Q3 2009, Q1 2010 | House               | Severny gorod       |  |
| 11 | Non                  | Under construction | Tipanov St, 38-40                                    | Q1 2009          | Residential complex | Building trest № 20 |  |
| 12 | Non                  | Under construction | Yuriy Gagarin Prospect, 18                           | Q4 2008          | House               | 36 Trest            |  |

*List of "comfort" class objects, active and under construction in the Moskovskiy district (sales are not open)*

| № on the map | Title | Status             | Address                    | Year of operation | Type  | Project initiator | Photo |
|--------------|-------|--------------------|----------------------------|-------------------|-------|-------------------|-------|
| 1            | Non   | Projected          | 5th Predportovy Passage, 3 | Non               | House | 36 Trest          | Non   |
| 2            | Non   | Under construction | Vitebsky Prospect, 83-87   | Non               | House | 36 Trest          | Non   |

### **“Elite” class apartment building under construction characteristics in Moskovskiy district**



**Location:** Moskovskiy district, Lensoveta St, 3

**Type of the object:** apartment building

**Project participants:** developer – LLC «Managing Company «Tradition», builder – LLC «Orient-Express»

**Number of flats:** 49 elite apartments 75 - 200 sq. m.

**Parking:** additional premises for cars will join the building from the side of the yard + underground

parking with ground-level parking places on the roof

**Guard:** guard-post with a house-access system

**Utilities:** compulsory ventilation, central conditioning, multi-stage water-cleaning filters, ray heat supply system (with a pipe-separation system in the floor), high-class radiators with thermo-regulators, higher electricity facilities for each flat.

### **Characteristics of demand on residential projects in Moskovskiy district**

From the point of view of living conditions, Moskovskiy district is considered to be prestigious among the buyers.

Demand on apartments in Moskovskiy district in the middle price segment (“comfort” and “business”) is estimated at the level of 9-11%, which is a bit less than an existing supply. But within Moskovskiy district the distribution of the demand is not equal.

On the territory of the district a zone along Moskovskiy Prospect from “Elektrosila” metro-station to the Victory Square the demand is high, as it is closer to green zones of the district. According to the prices and positioning, some objects in this zone are approaching an elite segment. But at the same time, the supply is concentrated in the zone, limited by Moskovskaya, Zvezdnaya and Kupchino metro stations, and the supply in the attractive “Victory Park” metro station zone is low.

Demand on elite apartments in Moskovskiy district is limited. Moreover, it’s necessary to bear in mind, that the demand on elite apartments is locally concentrated in the most prestigious parts of the district – along Moskovskiy Prospect from “Electrosila” to “Victory Square” metro stations.

## 5.4 Retail Market Overview

### Key Indicators

| Key Indicators                                   |           |
|--|-----------|
| Total supply in shopping centres, million sq. m. | 2,55      |
| Commissioned in 2006, million sq. m.             | 1.04      |
| Vacancy rate, %                                  | 5         |
| Base rents, \$ per sq. m. per year               |           |
| Anchor tenants                                   | 100-450   |
| Shopping gallery operators                       | 500-2 500 |

### Supply

During 2006, an unprecedented amount of new retail space was put into operation: the total space grew by 1.04 million sq. m., more than a threefold increase in the annual figure for the previous three years. During the year, 39 new retail outlets appeared on the city's map, with a significant number opening in December – 15 centres (as compared to the four retail centres opened in December 2005). As of the end of 2006, all in all there were 112 retail centres with a total area of 2.7 million sq. m. operating in St. Petersburg.

The DIY and hypermarket segments saw the most intense development in 2006, with their total space considerably increased during the year (that of DIY stores more than twofold and of hypermarkets more than threefold) and, as of year-end, amounted to 230,000 sq. m. and 315,000 sq. m. respectively.

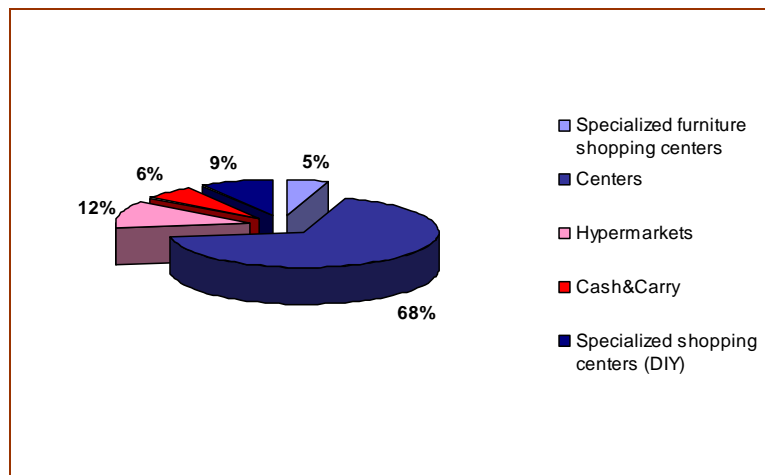
The shopping centres segment is an absolute leader in total retail space.

During 2006, the total space of this segment increased almost twofold and reached 1.84 million sq. m., as diagram below show.

*Breakdown of operational retail facilities by Total Area as of 4Q 2006*

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There was a peak of new construction in Saint Petersburg in 2006. The largest shopping centres delivered last year are MEGA Dybenko (retail GLA 158,000 sq m) and MEGA Parnas (retail GLA 103,000 sq m). The total stock of quality retail premises was more than 567,000 sq m as of 2006.

The largest retail centre completed in Q1 2007 is Pulkovo-3. Raduga shopping centre was opened in April 2007. It is currently one of the main projects in St. Petersburg. Retail GLA of the shopping centre is 75,000 sq m.

In 2007 the total stock of quality retail premises increased by 24% and is currently more than 704,000 sq m.

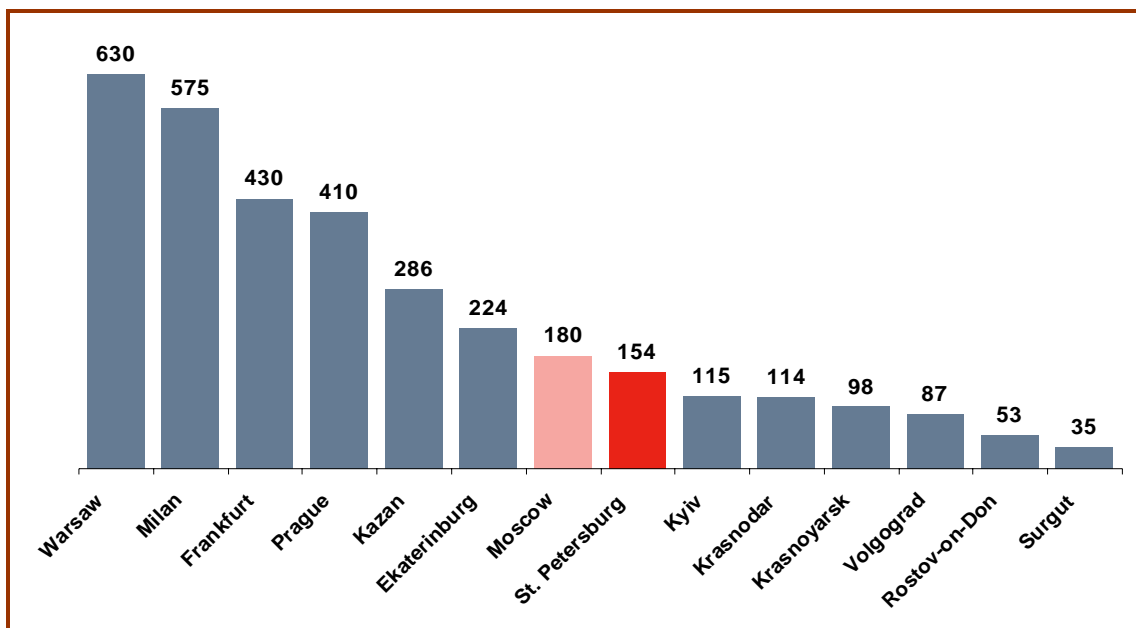
While the total retail stock is rapidly increasing St. Petersburg is still far behind the main European cities as well as Moscow, and has an index of 154 sq. m. of quality retail space per 1000 citizens comparing to 180 sq. m. in Moscow and more than 500 sq. m. in Milan and Warsaw.

*Quality retail supply, sq m per 1000 citizens*



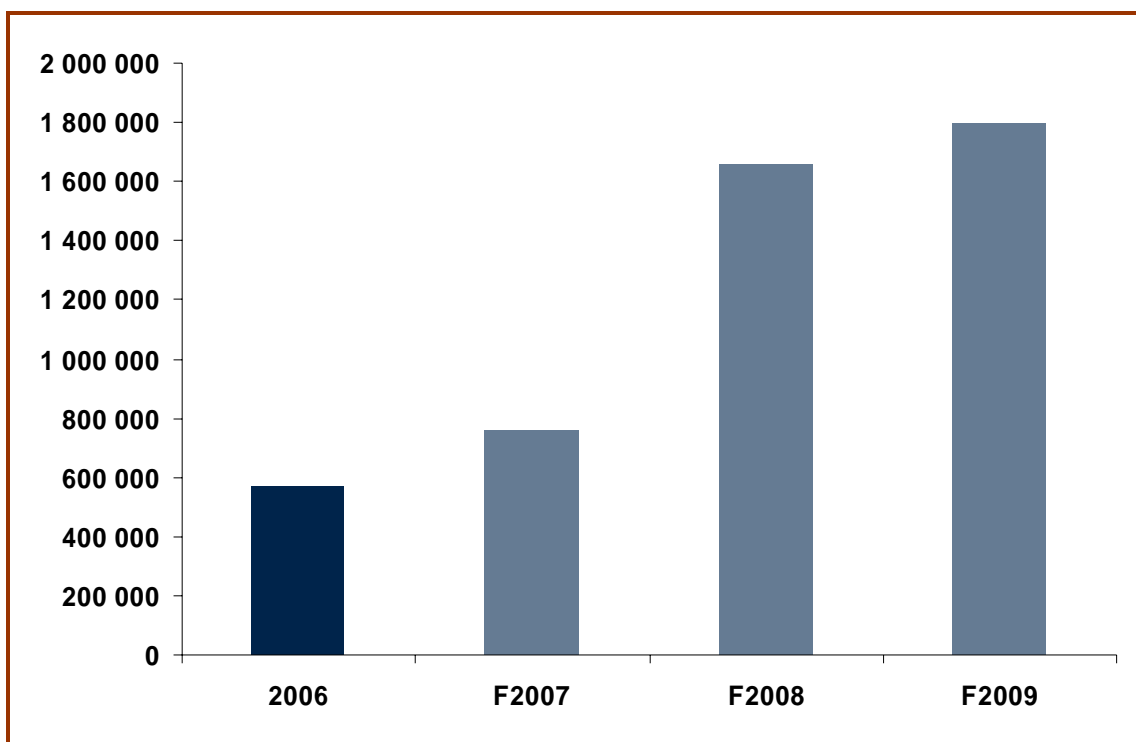
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Construction activity will remain on the high level in 2007-2008. Large amount of shopping centres and multifunctional complexes is planned to be delivered in 2008-2009 (as diagram 5 show). If all the announced projects are delivered in time the total quality retail stock will grow by 2.5 times.

*Dynamics of quality retail stock growth (by the end of the year), sq m*



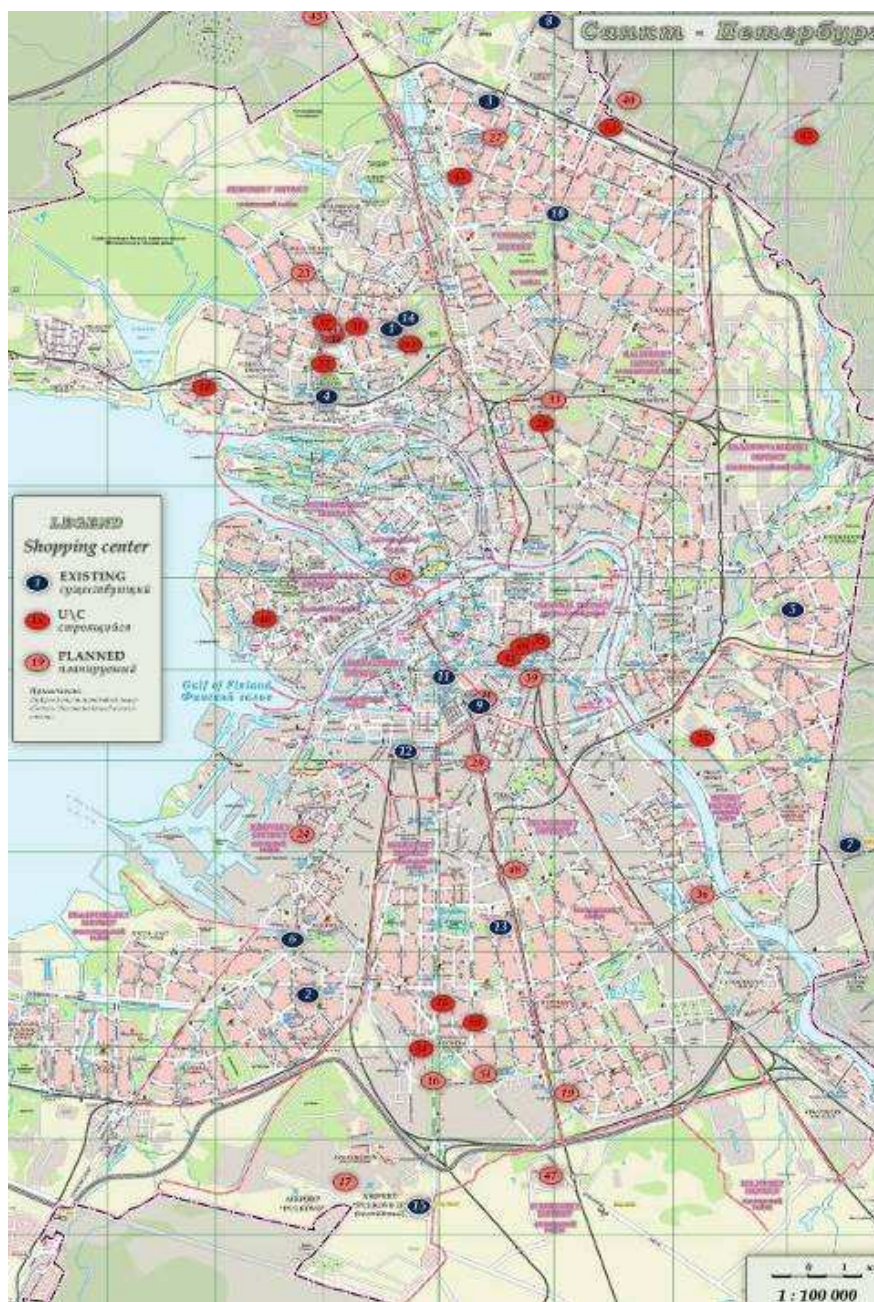
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The diagram above shows the dynamics of quality retail centres' growth. There is a significant growth planned for the next couple of years with an increase to 1 800 000 sq. m. by the end of 2009.

The map below shows the main retail projects located in St. Petersburg.

*St. Petersburg map with the main retail projects*



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The tables below represents planned and under construction retail centres shown on the map above. And the following table – existing retail centres.

*Retail centres in St. Petersburg planned or under construction*

| #  | Property name                    | Property address   | Delivery year | Status  | Retail GLA | Total  |
|----|----------------------------------|--|---------------|---------|------------|--------|
| 16 | Adamant Park                     | Pulkovskoe highway / Dunaisky prosp.                           | 2009          | Planned | 20000      | 129800 |
| 17 | Aeropark                         | Pulkovskoe highway, between Pulkovo 1 / Pulkovo 2              | 2007          | Planned |            | 91000  |
| 18 | Atlantic City                    | Savushkina Street, 141   | 2007          | U/C     | 30000      | 108500 |
| 19 | Balkaniya Nova (phase 2)         | Balkanskaya Sq., 5   | 2008          | Planned |            | 64000  |
| 20 | City Mall (phase 2)              | Ispytateley prosp. / Kolomyazsky pr                            | 2007          | U/C     |            | 26341  |
| 21 | City Mall (phase 3)              | Ispytateley prosp. / Kolomyazsky pr                            | 2008          | U/C     |            | 44750  |
| 22 | City Park                        | Bogatirsky pr., 18   | (blank)       | U/C     | 16000      | 64500  |
| 23 | Dolgoozernaya                    | Komendantsky pr/ Dolgoozernaya                                 | 2008          | Planned | 15500      | 32300  |
| 24 | Evropa Centre                    | Prospect Stachek, 45/2 / Kirovskiy zavod                       | 2008          | Planned | 70000      | 98000  |
| 25 | Felicita                         | Dalnevostochny pr./Kollontay st. - kvartal 9B                  | 2008          | U/C     | 63630      | 83000  |
| 26 | Graf Orlov                       | Moskovskiy prosp., 5 min from Moskovskaya metro station        | 2010          | U/C     | 65000      | 150000 |
| 27 | Greenwich                        | Prosvesheniya Prosp, Prospect Prosvescheniya metro             | 2008          | Planned | 50000      | 74500  |
| 28 | Kantemirovsky                    | intersection of Polyustrovskogo pr. and Kantemirovskaya Street | 2008          | U/C     | 41000      | 74000  |
| 29 | Kievskaya st./Chernigovskaya st. | Kievskaya st./Chernigovskaya st.                               | 2010          | Planned |            | 140000 |
| 30 | Komendantsky                     | Komendantsky Square, 1   | 2008          | U/C     | 25000      | 47222  |
| 31 | Kontinent (Baykonursky)          | Baikonurskaya Street   | 2007          | U/C     |            | 40000  |
| 32 | Kruiz                            | Kommendantsky pr.  |               | Planned |            | 22000  |
| 33 | Kushelevka                       | Prospect Marshala Bluhera, 4/3                                 | 2008          | Planned | 47500      | 66500  |
| 34 | Leto                             | Pulkovskoe highway, site 7                                     | 2008          | U/C     | 81544      | 107700 |
| 35 | Ligovskiy                        | Ligovskiy prospect, 26-38                                      | 2008          | U/C     | 90000      | 220000 |
| 36 | Lomonosovskaya (phase 1)         | Babushkina Street and Lomonosovskaya metro station             | 2009          | Planned | 49353      | 69200  |
| 37 | Miller Centre (phase 3)          | Komendatskaya Square, 11                                       | 2007          | U/C     |            | 20000  |

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| #  | Property name  | Property address                                      | Delivery<br>year | Status  | Retail<br>GLA | Total  |
|----|--|---|------------------|---------|---------------|--------|
| 38 | Naberezhnaya<br>Evropi                                   | Prosp Dobrolubova/ Birzhevoy<br>most/ nab. Maloy Nevi | 2008             | Planned |               | 100000 |
| 39 | near Moskovskiy<br>train station,<br>Ligovskiy pr. 26-38 | near Moskovskiy train station,<br>Ligovskiy pr. 26-38 | 2008             | Planned |               | 150000 |
| 40 | Nevskiy Coliseum   | Bugri, next to IKEA                                   | 2008             | Planned | 150000        | 250000 |
| 41 | Nevskiy Plaza  | Nevskiy Prospect 55, 57, 59                           | 2008             | U/C     | 2770          | 54280  |
| 42 | Novoe Devyatkinno  | Toksovskoe Sh., kv. 1A, Novoe<br>Devyatkino           | 2007             | U/C     | 9800          | 14390  |
| 43 | Osinovaya Rosha  | Vyborgskiy highway, Pargolovo<br>settlement           | 2008             | Planned |               | 120000 |
| 44 | Planeta Neptun<br>(phase 2)                              | Marata St, 86   | 2008             | Planned |               | 56000  |
| 45 | PR-12  | Engelsa Prosp., 126                                   | 2007             | U/C     | 15400         | 27800  |
| 46 | Shkipersky Mall<br>(phase 2)                             | Maly pr., 88  | 2007             | U/C     | 10000         | 19300  |
| 47 | Shushary   | Moskovskiy prosp., Shushary<br>settlement             | 2009             | Planned |               | 160000 |
| 48 | Slovatsky dom  | (blank)   | 2007             | Planned |               | 74000  |
| 49 | Stockmann  | Vosstania str., 2                                     | (blank)          | U/C     | 33000         |        |
| 50 | Uzhny  | kvartal 7, Gagarina<br>prospect/Ordzhonikidze st.     | 2006             | U/C     |               | 53020  |
| 51 | Zvezdnyy (phase 2)                                       | Lensovet Street, 97                                   | 2008             | Planned |               | 112000 |

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as at valuation date 31<sup>st</sup> of December 2007, issue date 24<sup>th</sup> of March 2008

*Main existing quality retail projects in St. Petersburg*

| <b>Project name</b> | <b>Address</b>                              | <b>Retail<br/>GLA</b> | <b>Delivery<br/>year</b> | <b>№ on the<br/>map</b> |
|---------------------|---|-----------------------|--------------------------|-------------------------|
| City Mall           | Ispytateley Prosp. /<br>Kolomyazhsky Prosp. | 17,000                | 2007                     | 1                       |
| French Boulevard    | Novatorov Blvd., 11 bld.2                   | 11,300                | 2005                     | 2                       |
| Grand Canyon        | Engelsa Prosp., 154                         | 53,000                | 2006                     | 3                       |
| Gulliver            | Torfyanyaya Doroga Str., 7                  | 40,000                | 2005                     | 4                       |
| June                | Industrialny Prosp. / Kosygina<br>Str.      | 30,500                | 2006                     | 5                       |
| Continent           | Stachek Prosp., 99                          | 46,000                | 2006                     | 6                       |
| MEGA Dybenko        | 12th km of Murmanskoe<br>highway            | 158,000               | 2006                     | 7                       |
| MEGA Parnas         | KAD / Engelsa Prosp.                        | 103,000               | 2006                     | 8                       |
| Planeta Neptune     | Marata Str., 86                             | 20,000                | 2005                     | 9                       |
| Rodeo Drive         | Kultury Prosp., 1                           | 32,370                | 2006                     | 10                      |
| Sennaya             | Efimova Str., 3                             | 23,000                | 2003                     | 11                      |
| Varshavsky Express  | Obvodnogo Kanala Nab., 118                  | 25,000                | 2006                     | 12                      |
| Raduga              | Kosmonavtov Prosp., 14                      | 75,000                | 2007                     | 13                      |
| Ramstore            | Kolomyazhsky Prosp., 19, bld.<br>2          | 25,100                | 2005                     | 14                      |
| Pulkovo-3           | Sherenmetyevskaya Str., 15                  | 45,000                | 2007                     | 15                      |



## Overview of the biggest existing quality shopping centres

Further we would like to overview some of the biggest quality shopping centres in details:

### June shopping centre



Industrialny Prosp., 24



|                         |  |
|-------------------------|--|
| <b>Location</b>         | SC is located in Krasnogvardeyskiy district, at the intersection of Kosygin prosp. and Industrialny prosp. |
| <b>Delivery year</b>    | 2006   |
| <b>Total area</b>       | 46 500 sq m  |
| <b>Retail GLA</b>       | 30 500 sq m  |
| <b>Number of levels</b> | 4  |
| <b>Anchors</b>          | Mosmart, Detsky Mir  |
| <b>Tenants</b>          | SAVAGE, Arbat Prestige, Adidas, ECCO, Zarina, Gloria Jeans   |
| <b>Car park</b>         | 1130 parking slots   |
| <b>Entertainment</b>    | Foodcourt, Formula Kino, Extrasport fitness centre, StarGalaxy, Bowling City                               |
| <b>Web-site</b>         | <a href="http://www.june.ru/projects/1/4">www.june.ru/projects/1/4</a>                                     |
| <b>Developer</b>        | Regiony Development OAO  |

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**Continent shopping centre**



**Stachek prospect 99**



|                         |                                    |
|-------------------------|------------------------------------|
| <b>Location</b>         | Avtovo – the nearest metro station |
| <b>Delivery year</b>    | 2006                               |
| <b>Total area</b>       | 56 700 sq m                        |
| <b>Retail GLA</b>       | 46 700 sq m                        |
| <b>Number of levels</b> | 5                                  |
| <b>Anchors</b>          | Perekrestok, Eldorado, Domovoy     |
| <b>Tenants</b>          | Detsky Mir, OGGI, SEPHORA, ECCO    |

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**Continent shopping centre**

|                      |  |
|----------------------|--|
| <b>Car park</b>      | Surface car park - 800 slots<br>Covered car park - 350 slots       |
| <b>Entertainment</b> | Foodcourt, AMF bowling centre, GameZona,<br>Karo Film, Superslots  |
| <b>Web-site</b>      | <a href="http://www.continent.tkspb.ru">www.continent.tkspb.ru</a> |
| <b>Developer</b>     | Adamant Holding  |



### Mega Dybenko shopping centre



Murmanskoe highway, 12<sup>th</sup> km



**Location**

Murmanskoe highway

**Delivery year**

2006

**Total area**

177 000 sq m

**Retail GLA**

158 370 sq m

**Number of levels**

2

**Anchors**

IKEA, Auchan, OBI, Media Markt

**Tenants**

Detsky Mir, BananaMama, SAVAGE, TVOE, MEXX, Mango

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**Mega Dybenko shopping centre**

|                      |  |
|----------------------|--|
| <b>Car park</b>      | Surface and underground                              |
| <b>Entertainment</b> | Café, food court, skating rink, carting              |
| <b>Web-site</b>      | <a href="http://www.megamall.ru">www.megamall.ru</a> |
| <b>Developer</b>     | IKEA MOS OOO   |

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### Sennaya shopping centre



Efimova str, 4



|                         |   |
|-------------------------|---|
| <b>Location</b>         | In the centre of the city, near Sennaya and Sadovaya metro stations |
| <b>Delivery year</b>    | 2003  |
| <b>Total area</b>       | 59 000 sq m   |
| <b>Retail GLA</b>       | 30 000 sq m   |
| <b>Number of levels</b> | 3   |
| <b>Anchors</b>          | Paterson, Eldorado, Detsky Mir                                      |
| <b>Tenants</b>          | Mexx, Mango, Benetton, Modny Bazar                                  |
| <b>Car park</b>         | Underground   |
| <b>Entertainment</b>    | Foodcourt, Bowling City   |
| <b>Web-site</b>         | <a href="http://www.sennaya.ru">www.sennaya.ru</a>                  |
| <b>Developer</b>        | Piter   |

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**Raduga shopping centre**



Kosmonavtov Prosp., 14



|                         |  |
|-------------------------|--|
| <b>Location</b>         | Park Pobedy is the nearest metro station                       |
| <b>Delivery year</b>    | 2007   |
| <b>Total area</b>       | 85 000 sq m  |
| <b>Retail GLA</b>       | 75 000 sq m  |
| <b>Number of levels</b> | 1  |
| <b>Anchors</b>          | Real, OBI, Stockmann, MediaMarkt                               |
| <b>Tenants</b>          | Santa House, Sportmaster, Adidas, La Coste, NEXT, L'Etoile     |
| <b>Car park</b>         | Surface parking  |
| <b>Entertainment</b>    | Café, food court, Kinostar De Lux multiplex                    |
| <b>Web-site</b>         | <a href="http://www.piter-raduga.com">www.piter-raduga.com</a> |
| <b>Developer</b>        | VINCI Construction Grands Projects                             |

## Demand

In 2006, the market witnessed a trend toward larger areas for retail operators in shopping centres. Retail units of 100-150 sq. m. are in highest demand at retail centres. Retail areas of 1000 – 6000 sq. m. are in high demand among anchor operators, depending on profile.

Not only has the occupancy rate reached the upper limit in prime shopping and retail & leisure centres, but there is a waiting list for retail operators ready to occupy space if it becomes available.

## Rental rates

Rents in professionally conceptualized shopping centres grew on the average by 9–13%, depending on the tenants' product group.

The largest increase was registered with food court operators. A decrease of rental rates was noticed for less successful shopping centres.

The occupancy of popular shopping centres was close to 100%, most of them having a waiting list of potential tenants.

The practice of setting a low fixed rent coupled with a share of the retailers' turnover (3-15% depending on the tenant's profile) is becoming widespread.

### *Distribution of rental rates by segments*

| Profile                | Area range, sq. m. | Rental Rate, \$/sq. m. per year |
|------------------------|--------------------|---------------------------------|
| <b>Anchor tenants</b>  |                    |                                 |
| Hypermarkets           | 5,000 – 20,000     | 100-160                         |
| Supermarkets           | 1,000 – 1,400      | 120-300                         |
| Electronics            | 2,000 – 8,000      | 180-400                         |
| Sports and Recreation  | 500 – 2,500        | 300-350                         |
| Clothing               | 500 - 1,500        | 300-500                         |
| Entertainment          | 500 – 8,000        | 100–240                         |
| Household goods        | 500 – 6,000        | 180-450                         |
| Children's goods       | 500 – 2,500        | 250-400                         |
| <b>Other operators</b> |                    |                                 |
| Clothing               | 50 – 500           | 460 – 1,550                     |
| Footwear               | 50 – 500           | 460 – 1,550                     |



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|                               |          |               |
|-------------------------------|----------|---------------|
| Sports and recreation         | 50 – 500 | 500 – 1,300   |
| Health and wellness           | 30 – 500 | 400 – 1,400   |
| Children's goods              | 30 – 500 | 300 – 800     |
| Mobile and digital equipment  | 20 – 100 | 800 – 2,000   |
| Accessories                   | 10 – 100 | 1,200 – 2,000 |
| Gifts                         | 20 – 100 | 1,200 – 2,000 |
| Public catering (food-courts) | 30 – 100 | 960 – 1,800   |
| Services                      | 10 - 100 | 450 – 1,600   |

### New construction

By our estimates, in 2007 the total retail area in the market will exceed 3,400,000 sq. m. The shopping centre segment will amount to approximately 2,400,000 sq. m.

*Major shopping centres scheduled to open in 2007*

| Name          | Address  | Total area, sq. m.           | Anchor tenants  | Date of opening |
|---------------|--|------------------------------|---|-----------------|
| Atlantic City | Savushkina ul/Begovaya ul/Primorsky Pr/Turistskaya ul. | 58,900 (net of office space) | Azbuka Vkusa, clothes' department store, sports store, children's entertainment centre, bowling | 4Q 2007         |
| Baykonursky   | 13 Baikonurskaya ul.                                   | 43,800                       | Supermarket, M-Video, Domovoy, Caro-Film multiplex, amusement park                              | 3Q 2007         |
| Nick          | 35 Marshala Zhukova pr.                                | 15,000                       | MediaMarkt, SantaHouse  | 2Q 2007         |
| O'Key         | 139 Moskovskiy pr.                                     | 16,400                       | Sports store  | 3Q 2007         |
| Promenade     | Kommendantskaya Pl.                                    | 22,000                       | TechnoSchock, clothes department store, entertainment   | 2Q 2007         |
| Raduga        | 8 Gagarina Pr.   | 85,000                       | MediaMarkt, Real, Zara, OBI, Bestseller, Seppala, SantaHouse, Kinostar, bowling                 | 1Q 2007         |
| Severny Mall  | Kultury Pr.\Ring Road                                  | 35,000                       | Real  | 2007            |
| Ulianka       | 99 Veteranov Pr.                                       | 18,400                       | Billa, Telexmax, multiplex  | 1Q 2007         |

## Market trends

- The large number of new projects and accompanying increase in supply in St. Petersburg retail market in 2006 are a result of the growing activity of Russian and foreign investors and developers. International developers will continue to show high activity in the shopping centre segment.
- We anticipate the arrival of international and Moscow-based operators that were not previously represented in St. Petersburg.
- New international operators, such as Billa, Real, Leroy Merlin and Prisma, are expected to enter the market in 2007.
- We foresee active development of DIY stores and hypermarkets, which in 2006 happened mostly on account of local developers. The size of hypermarkets increased more than threefold increase as a result of the opening of five O'Key hypermarkets, having a total area of 113 000 sq. m., by Dorinda, and nine Carousel hypermarkets, having a total area of 110 000 sq. m., by X5 Retail Group N.V.
- Shopping centres will tend to become larger. The average retail floor of shopping centres has grown from 14 000 sq. m. in 2005 to 22 000 sq. m. in 2006. This trend should continue.
- New leisure formats at retail-entertainment complexes are emerging. The first seaquarium in the city opened at the Planet Neptune retail & leisure complex, with area of 5 000 sq. m. Rodeo Drive retail & leisure complex offers to its visitors aqua park facilities.
- The significance of the leisure component in shopping and entertainment centres is on the rise.
- St. Petersburg developers are expected to actively expand into regions. The market rollout in St. Petersburg will also continue, with companies launching new retail formats. For example, Dorinda is developing O'Key-Express supermarkets with an area of 1 500 sq. m.; Lenta has plans to develop a chain of Norma “one-stop” shops, having a total area of 200–400 sq. m.

## Forecast

A total of 700 000 sq. m. of retail space is scheduled for commissioning in 2007. Key projects coming in the market in 2007 include the Peter Raduga retail & leisure centre with a total area of 85 000 sq. m. and Pulkovo III retail & leisure centre with a total area of 58,000 sq. m.

## **6 VALUATION METHODOLOGY AND COMMENTARY**

There are three generally adopted approaches used to value property: The Sales Comparison Approach; The Income Approach; and The Cost Approach. We have valued the Property using the Income Approach, taking into account sales comparables. The cost approach has not been used as this produces a “Non-Market Value” suitable for financial statements relating only to “specialised properties”. A description of mentioned above approaches and how these relate to the Russian Market, follows.

In preparing our valuation we have relied upon our knowledge of the investment market and the available evidence which is summarised in our market commentary:

### **The Cost Approach**

Under IVS this approach is relevant to specialised properties (i.e. properties that are rarely if ever sold on the open market ... due to their uniqueness which arises from their specialised nature and design of the buildings, their configuration, size, location or otherwise) and Limited Market Property (i.e. properties that because of market conditions, unique features, or other factors attract relatively few buyers).

### **The Sales Comparison Approach**

This method involves analysing all available information on sales of comparable properties that have taken place and making adjustments in the prices achieved to reflect the differences in the properties sold and the Property to be valued. This approach hinges on the availability of reliable market evidence of comparable sales. Distinction must be drawn between information that is known to be accurate and reported information that is second hand or at best hearsay. Only information that is known to be accurate can be relied upon with any degree of comfort to provide an accurate valuation.

There are severe difficulties of applying this valuation approach in emerging real estate markets, including Russia, as due to their comparative immaturity the availability of reliable market information is very limited. To reflect this, the International Valuation Standards Committee (“IVSC”) (the leading international body for setting valuation standards) devoted a recent White Paper to the study. It identifies specific problems for valuers in emerging markets, which apply very well to Russia – and these problems also tend to inhibit the operation of the market as a whole, in particular as regards investment.



The principal problem is a lack of transparency and a relatively low volume of recorded deals. In mature property markets there is a wealth of information available on completed sales transactions, in the form of yields and total sales prices, and this makes it relatively straight-forward to apply this valuation technique to any property. In Russia this sort of information is often not available, and where the details of transactions are publicized their accuracy can not always be guaranteed. In addition, a large number of sales transactions in Russia take place “off-market” and therefore their details are seldom known beyond those who were party to the deal.

The volume of completed deals is very low in all sectors of the Russian real estate market. In addition – as outlined above, deal information is rarely reported accurately and is often manipulated for other reasons benefiting the separate parties to any sale deal. Therefore, as part of the Report we have not applied the Sales Comparison Approach.

#### ***Projected Returns***

Based on the price per square meter for residential area of US\$2 700. Assuming house size of 84 square meters on average and 2 100 00 constructed residential area in accordance with the information provided to us. This sales price has been projected to grow constantly by rate of 5% over the period of the development.

The retail rent rate of US\$310 and US\$360 was taken into consideration. Total constructed retail area will be 132 000 sq. m.

#### ***Discount Rate***

A discount rate of 26% has been used for this project to value the situation as of the date of valuation, taking into consideration that not all of the construction permits are in place.

Discount rate of 23% is used in order to calculate the Hypothetical Value Indication assuming that all the legal permissions for construction are in place.

#### **The Income Approach**

The most commonly used technique for assessing market value within the Income Approach is Discounted Cashflow. This is a financial modelling technique based on explicit assumptions regarding the prospective cashflow to a property or business and the costs associated with being able to generate the income. To this assessed cashflow is applied a market-derived discount rate to establish a present value of the income stream. This Net Present Value (“NPV”) is an indication of

Market Value. This approach is considered to be the most sophisticated valuation technique, over and above even the Sales Comparison Approach, because it allows differences between comparable sales and the subject Property to be explicitly considered and analysed. It is therefore less based on subjective judgments but objectively on market available information.

For the basis of the current valuations where for the majority of properties consents exist for a specific type of development, the income approach is the most relevant. The residual value for properties under development or properties held for future development is the NPV of all future income streams less the NPV of all future costs. The costs include all of the development costs still outstanding in respect of each property, taxes paid over the operation incomes and tax for the sale of assets, and future incomes are assessed based on current returns for completed properties of a similar nature in the market adjusted to reflect the expected completion date for the particular project and anticipated future trends in rents and / or sales prices.

The difficulty in applying this method in the Russian market is assessing the correct market derived discount rate, due to the very small number of transactions, the lack of transparency in the reporting of information and in the wide variations in returns required on projects from different investors.

## **GLOBAL ASSUMPTIONS FOR INCOME APPROACH**

For the properties “held for development”, some general assumptions have been made in developing the residual valuations, in addition to the assumptions and conditions above.

These are summarised below:

### **Financial Analysis Commentary by Use for Retail**

**Acquisition Cost:** The properties are currently owned. Therefore the acquisition cost is not assumed in the modelling process. The Property is assumed to be held freehold;

**Development Proposals** It has been assumed where project documentation exists that any development would conform to the overall sizes as provided to us unless it is reasonable to assume that development could take place in some other form. Where summary information has not been provided we have made reasonable assumptions as regards the overall density of development;

**Utilities &**

**Road Improvement**

In Russia the cost of providing utilities and executing necessary road improvements can vary widely. Where utilities need to be provided or road works executed it has been assumed that the cost estimates supplied to us are accurate;

**Construction Phasing**

Each individual phase, unless specifically stated otherwise, has been assumed to be constructed in one phase.

**Construction Dates**

Construction Dates have been taken according to the information supplied by the Company;

**Construction Costs**

Construction costs have been assessed in accordance with standard rates in the market that a third party developer / purchaser would expect to have to pay in the course of the development of each project. In some cases these costs differ in their general level from the anticipated construction costs as provided by the Company;

**Construction Contract**

An advance payment is included in the cost calculations, which is charged to the first quarter of the construction contract. A hold-back against defects requiring remedy is also included and is charged to the quarter after completion of construction of the relevant phase. The remaining construction costs are applied equally throughout the development period;

**Permit & Design Costs**

Where there are outstanding permitting costs these have been assessed in line with the anticipated numbers as supplied by the client as there can be a wide variation in the permitting costs. Design costs – where appropriate have been assessed in line with market standards;

**Assumed Sale**

In order to assess the capital value of a completed development, we have assumed that a property is to be held upon completion for a period until the net income stabilizes, and thereafter is sold. This is a valuation technique and does not necessarily represent the intention of the owner;

**Returns**

Rental rates for retail spaces have been projected together with capitalization rates, for the period of the cashflow. These figures are based on research carried out by *Cushman & Wakefield Stiles & Riabokobylko* and market information. In respect of commercial rents they are exclusive of operating expenses and VAT and have been assessed on a conservative projection of future market movements (see market analysis). They therefore provide realistic minimum figures that it is anticipated can be achieved;

Market Capitalization rates have been projected based on the assessment that the property investment market for Russia will become more sophisticated over the period and that the number of active investors will increase. It is therefore anticipated that the changes in market yields will reflect the experiences in other Eastern European countries where the property investment environment is already more mature such as Poland and the Czech Republic and that there will be a yield compression over time. See the commentary on market yields below;

**Review / Renewal Period**

This is the length of the initial leases. The rents for the initial leases remain fixed for their entire term, in line with current market practices where indexation and rent reviews are not prevalent, and the rent during this period will depend upon the prevailing market rental rate in the year of completion. The assumed length of initial leases varies depending upon the property class – retail leases are typically 3 to 5 years;

**Vacancy Rate**

Vacancy has been assumed for the duration of each project and depends upon the property class, its size, its location, the local market and the relative merits of each anticipated project;

**Operating Expenses**

It is assumed that operating expenses will be passed through to tenants in the form of a service charge or similar;

**Security Deposit**

It is common for tenants to pay security deposits in the Russian market which are held interest free by the Landlord and offset against the last relevant period of the lease. Standard levels of Security Deposit have been assumed for different property classes.

These deposits are treated as financing cashflow and will be off-settable against the final relevant period of each lease;

**Debt Assumptions**

In assessing the value of property it has been assumed that no debt is used. There are wide variations as to the financing terms available in the as yet immature Russian property finance market and it is not therefore possible to apply standard terms. Therefore unleveraged yields are used to provide a consistent approach;

**VAT Rate**

The VAT rate has been taken at the current rate of 18% introduced at the beginning of 2004. The VAT rate is of importance because although in theory VAT in Russia is immediately recoverable from the government the practice is slightly different. The VAT paid on construction and other development costs is considered a VAT credit account in favour of the landowner. VAT on future rents can be retained and offset against the VAT account until it is zeroed out. This has a significant effect on the cashflow. For the purchase of existing properties VAT is payable in respect of that part of the purchase price apportioned to building improvements.

It has been assumed that all of the costs in association with the development of the project will be subject to VAT and also that all of the tenants (where appropriate) will be VAT paying. Where applicable the current VAT credit account has been taken into account – depending upon the tenure of the property. I.e. freehold property sales are subject to VAT, but sales of shares in a company are not. For the purposes of this Opinion all properties have been assessed on a freehold basis as opposed to the existence of any SPVs;

**VAT Inflation Loss**

The VAT credit account is ruble denominated whereas rents are receivable in dollars. A factor is used to take account of annual losses to the VAT credit account balance, which is non-interest bearing, due to inflation and exchange rate movements;

|                                   |  |
|-----------------------------------|--|
| <b>Cash Reserve</b>               | A contingency account against future capital expenditures is a prudent measure. Contributions to this cash reserve have been set depending on the different criteria of each proposed development;   |
| <b>Agent's &amp; Brokers Fees</b> | Standard market practice is to use brokers to lease commercial space or to sell residential space. This has been taken into account;   |
| <b>Depreciation</b>               | Assessed over 20 years on a straight line basis, in line with local regulations excluding that part of the balance sheet value that relates to the underlying land value. The type of tenure affects the annual depreciation and will therefore affect the level of costs which are deductible for profit tax purposes. A sale of a freehold property results in the property being held on the balance sheet at the transaction value and usually results in a higher level of depreciation and therefore a higher level of tax deductible costs, potentially increasing income. Where a property is held in a Special Purpose Vehicle (SPV) any sale of the shares will not affect the value of the property on the balance sheet (usually the existing depreciated construction cost) and this will ordinarily result in a lower level of depreciation. As outlined above, all of the properties in this report have been valued on the basis of a freehold sale; |
| <b>Taxes</b>                      | <p>all our calculations are made without taking into account profit tax.</p> <p>Similarly property tax is payable on the book value of any property, excluding that part that relates to the underlying land value, currently at 2.2% and the nature of the tenure will affect the overall level of property tax payable. There may also be affects on the level of other taxes payable due to the type of tenure. All of these factors have been taken into account.</p>  |

#### **Financial Analysis Commentary by Use for Residential**

##### ***General***

The more extensive is the development of the area the more likely it is to enhance its overall attractiveness and therefore to increase the marketability of finished individual properties. The extent of

that increase, though, is difficult to estimate and therefore exit prices have been based largely on existing comparables.

Due to the size of the development area and the big number of units to be constructed, the total development has been assumed to be spread over a period of 12 years.

***Costs***

Construction costs were taken from the Client's estimations taking into consideration the standard market rates. On this basis the overall construction and development costs including predevelopment costs, construction costs, utilities costs planning, architectural and management costs have been estimated at US\$1 140 per square meter of saleable area.

## **7 VALUATION SUMMARY**

Subject to the contents of this Report and based on current values, we estimate the potential future worth of the freehold interest in the Land, as of 28<sup>th</sup> of November 2007 based on the type of use.

The findings contained in our Report are based on calculations, conclusions and other information obtained as a result of market research, on our expertise in the course of which we received certain information.

We are of the opinion that the Hypothetical Value of the freehold interest in the subject land plot detailed in Part B, as of 28 of November 2007 assuming that the documentation concerning changing the zoning is obtained, is:

**US\$977 305 000**  
**(NINE HUNDRED SEVENTY SEVEN MILLIONS THREE HUNDRED FIVE**  
**THOUSAND US DOLLARS)**

We are of the opinion that the Hypothetical Value Indication of the freehold interest in the subject land plot detailed in Part B, as of 28 November 2007, assuming that all the necessary legal permissions required for starting the construction works are in place, is:

**US\$1 058 853 000**  
**(ONE BILLION FIFTY EIGHT MILLIONS EIGHT HUNDRED FIFTY THREE**  
**THOUSAND US DOLLARS)**



## **C APPENDICES**

## APPENDIX I PHOTOGRAPHS OF THE PROPERTY

### Land plot views



Bus stop



Gas substation



Border with the of Pulkovskaya Observatory  
service staff village



Outside view



Outside view



Border with the Observatory territory

## **APPENDIX II ANALYSIS**

Assumptions - Template

|  | Units    | Amount    |
|--|----------|-----------|
| Valuation Date   | Date     | 28-Nov-07 |
| Exchange Rate  | RUR      | 25,00     |
| Land area  | Ha       | 239,07    |
| Land Acquisition Cost  | \$/Ha    | 3240,515  |
| Demolition Costs   | \$/cum   | 0         |
| Structures for Demolition                                      | cum      | 10000     |
| Dredging Costs   | \$/cum   | 0         |
| Dredging Volume  | cum      | 8000      |
| Design & Construction Costs                                    |          |           |
| Retail 1   | \$/sqm   | 1100      |
| Retail 2   | \$/sqm   | 1100      |
| Retail 3   | \$/sqm   | 1000      |
| Retail 4   | \$/sqm   | 1000      |
| Retail 5   | \$/sqm   | 1000      |
| Retail 6   | \$/sqm   | 1000      |
| Retail 7   | \$/sqm   | 1000      |
| Retail 8   | \$/sqm   | 1000      |
| Retail 9   | \$/sqm   | 1000      |
| Retail 10  | \$/sqm   | 1000      |
| Surface Parking  | \$/sqm   | 1000      |
| Structured Parking   | \$/place | 2500      |
| Underground Parking  | \$/place | 10000     |
| Utilities  | \$/sqm   | 15000     |
| Developer's Fee  | \$/sqm   | 110       |
| Permit & Design Costs  | \$/sqm   | 0         |
| Total Design & Construction Costs                              | \$/sqm   | 159720000 |
| Unplanned Expenditure (% of Total Design & Construction Costs) | %        | 5%        |
| Completion Condition   | %        | 0%        |
| Construction Costs Inflation Rate                              | %        | 0%        |
| Fit-out Period   | Months   | 3         |
| Permit & Design Costs  | %        | 0%        |
| VAT Rate   | %        | 18%       |
| Percentage of Project Subject to VAT (est.)                    | %        | 100%      |
| Percentage of Tenants Paying VAT                               | %        | 100%      |
| VAT Inflation Loss   | %        | 0%        |
| Maximum Equity Required  | \$min    | 835,63    |
| Contribution to Cash Reserve (% of gross income)               | %        | 1,25%     |
| Interest on Cash Reserve                                       | %        | 0%        |
| Operating Expenses (% of annual rent)                          | %        | 0%        |
| Security Deposit   | Months   | 3         |
| Review / Renewal Period  | Years    | 1         |
| Review / Renewal Period for Anchors                            | Years    | 1         |
| Agent's Fees on Acquisition (% of land acquisition costs)      | %        | 1%        |
| Broker's Fees on Leasing (% of annual rent)                    | %        | 9%        |
| Depreciation Rate for Buildings                                | %        | 2%        |
| Accelerating Multiple for Depreciation                         | Units    | 1         |
| Maintenance Costs  | \$/sqm   | 0         |
| Maintenance Costs Growth Rate                                  | %        | 0%        |
| Property Tax Rate  | %        | 2,20%     |
| Profit Tax Rate  | %        | 24%       |
| Advance Payment for Construction                               | %        | 20%       |
| Hold Back on Construction                                      | %        | 5%        |

| Sensitivity Factor              |      |             |
|---------------------------------|------|-------------|
| 1,00                            | 1,00 | 1,00        |
| Adjustment to Market Rent Level |      |             |
| 1,00                            | 1,00 | 1,00        |
| NPV                             |      | 0           |
| Discount Rate                   | %    | 26,00%      |
| Property Value                  |      | 774 713 068 |

|                | Design & Permit Works Start | Design & Permit Works End | Construction Commencement | Construction Completion | Fitted Out | Review | Review - Anchors | Disposal | Delay (Qtrs) |
|----------------|-----------------------------|---------------------------|---------------------------|-------------------------|------------|--------|------------------|----------|--------------|
| Phase 1        | Jul-09                      | Dec-10                    | Jul-09                    | Dec-10                  | Mar-11     | Dec-11 | Dec-11           | Mar-12   | 6            |
| Phase 2        | Jan-11                      | Jun-12                    | Jan-11                    | Jun-12                  | Sep-12     | Jun-13 | Jun-13           | Sep-13   | 12           |
| Phase 3        | Jul-12                      | Dec-13                    | Jul-12                    | Dec-13                  | Mar-14     | Dec-14 | Dec-14           | Mar-15   | 18           |
| Phase 4        | Jan-14                      | Jun-15                    | Jan-14                    | Jun-15                  | Sep-15     | Jun-16 | Jun-16           | Sep-16   | 24           |
| Phase 5        | Jul-15                      | Dec-16                    | Jan-14                    | Dec-16                  | Mar-17     | Dec-17 | Dec-17           | Mar-18   | 30           |
| Phase 6        | Jan-17                      | Jun-18                    | Jul-15                    | Jun-18                  | Sep-18     | Jun-19 | Jun-19           | Sep-19   | 36           |
| Phase 7        | Jul-18                      | Dec-19                    | Jul-18                    | Dec-19                  | Mar-20     | Dec-20 | Dec-20           | Mar-21   | 42           |
| Phase 8        | Jan-20                      | Jun-21                    | Jan-20                    | Jun-21                  | Sep-21     | Jun-22 | Jun-22           | Sep-22   | 48           |
| Phase 9        | Jul-21                      | Dec-22                    | Jan-20                    | Jun-21                  | Sep-21     | Jun-22 | Jun-22           | Sep-22   | 42           |
| Phase 10       | Jan-20                      | Jun-21                    | Jan-20                    | Jun-21                  | Sep-21     | Jun-22 | Jun-22           | Sep-22   | 42           |
| Final Disposal |                             |                           |                           |                         |            |        |                  | Sep-22   | 53           |

Project Outline - Template

| Description               |          | Total area<br>(sqm) | Phase1    | Phase2    | Phase3    | Phase4     | Phase5     | Phase6    | Phase7    | Phase8    |
|---------------------------|----------|---------------------|-----------|-----------|-----------|------------|------------|-----------|-----------|-----------|
| Zone 1                    | Retail 1 | 32 000              | 13%<br>0% | 13%<br>0% | 13%<br>0% | 13%<br>50% | 13%<br>50% | 13%<br>0% | 13%<br>0% | 13%<br>0% |
| Zone 2                    | Retail 2 | 100 000             |           |           |           |            |            |           |           |           |
| Total sqm (excl. Parking) |          | 132 000             | 4 000     | 4 000     | 4 000     | 54 000     | 54 000     | 4 000     | 4 000     | 4 000     |
| Total Parking (spaces)    |          | 0                   | 0         | 0         | 0         | 0          | 0          | 0         | 0         | 0         |

## Phase Summary - Template

|               |             | Phase 1   | Phase 2   | Phase 3   | Phase 4    | Phase 5    | Phase 6   | Phase 7   | Phase 8   | Total      |
|---------------|-------------|-----------|-----------|-----------|------------|------------|-----------|-----------|-----------|------------|
| <b>Zone 1</b> | Retail 1    |           |           |           |            |            |           |           |           |            |
|               | Sq. m.      | 4 000     | 4 000     | 4 000     | 4 000      | 4 000      | 4 000     | 4 000     | 4 000     | 32 000     |
|               | Cost/sq. m. | 1 100     | 1 100     | 1 100     | 1 100      | 1 100      | 1 100     | 1 100     | 1 100     | 1 100      |
|               | Rent/sq. m. | 380       | 435       | 465       | 533        | 570        | 653       | 698       | 799       | 567        |
|               | Total Rent  | 1 519 053 | 1 739 164 | 1 860 906 | 2 130 551  | 2 279 689  | 2 610 016 | 2 792 718 | 3 197 382 | 18 129 480 |
| <b>Zone 2</b> | Retail 2    |           |           |           |            |            |           |           |           |            |
|               | Sq. m.      | 0         | 0         | 0         | 50 000     | 50 000     | 0         | 0         | 0         | 100 000    |
|               | Cost/sq. m. | 0         | 0         | 0         | 1 100      | 1 100      | 0         | 0         | 0         | 1 100      |
|               | Rent/sq. m. | 0         | 0         | 0         | 619        | 662        | 0         | 0         | 0         | 640        |
|               | Total Rent  | 0         | 0         | 0         | 30 927 351 | 33 092 266 | 0         | 0         | 0         | 64 019 617 |



## Valuation Report

of Land Plots of 2,397.107 square meters located

for Margaal Investments LLC.

for the purpose of attracting financial resources

as at valuation date 31<sup>st</sup> of December 2007, issue date 24<sup>th</sup> of March 2008

[illegible]



Residential - Template

| Valuation Date         |                  | 28-Nov-07 |                      |      |                 |      |                   |      |                    |      |
|------------------------|------------------|-----------|----------------------|------|-----------------|------|-------------------|------|--------------------|------|
| Land Acquisition Costs |                  | \$0       |                      |      |                 |      |                   |      |                    |      |
| Total Areas            |                  |           |                      |      |                 |      |                   |      |                    |      |
|                        | Residential, sgm | %         | Underground Parking, | %    | Surface Parking | %    | Residential", sgm | %    | Residential"', sgm | %    |
| Total                  | 2 100 000        | 100%      | 25 000               | 100% | 6 250           | 100% | 0                 | 100% | 0                  | 100% |
| Phase 1                | 262 500          | 13%       | 3 125                | 13%  | 781             | 13%  | 0                 | 10%  | 0                  | 10%  |
| Phase 2                | 262 500          | 13%       | 3 125                | 13%  | 781             | 13%  | 0                 | 10%  | 0                  | 10%  |
| Phase 3                | 262 500          | 13%       | 3 125                | 13%  | 781             | 13%  | 0                 | 10%  | 0                  | 10%  |
| Phase 4                | 262 500          | 13%       | 3 125                | 13%  | 781             | 13%  | 0                 | 10%  | 0                  | 10%  |
| Phase 5                | 262 500          | 13%       | 3 125                | 13%  | 781             | 13%  | 0                 | 10%  | 0                  | 10%  |
| Phase 6                | 262 500          | 13%       | 3 125                | 13%  | 781             | 13%  | 0                 | 10%  | 0                  | 10%  |
| Phase 7                | 262 500          | 13%       | 3 125                | 13%  | 781             | 13%  | 0                 | 10%  | 0                  | 10%  |
| Phase 8                | 262 500          | 13%       | 3 125                | 13%  | 781             | 13%  | 0                 | 10%  | 0                  | 10%  |

| Construction Costs | Residential,<br>sqm | Underground<br>Parking, | Surface<br>Parking | Residential",<br>sqm | Residential",<br>sqm |
|--------------------|---------------------|-------------------------|--------------------|----------------------|----------------------|
| Growth rate        | 5%                  | 5%                      | 5%                 | 5%                   | 5%                   |
| 2007               | 1 140,00            | 20 000,00               | 2 500,00           | 0,00                 | 0,00                 |
| 2008               | 1 197,00            | 21 000,00               | 2 625,00           | 0,00                 | 0,00                 |
| 2009               | 1 256,85            | 22 050,00               | 2 756,25           | 0,00                 | 0,00                 |
| 2010               | 1 319,69            | 23 152,50               | 2 894,06           | 0,00                 | 0,00                 |
| 2011               | 1 385,68            | 24 310,13               | 3 038,77           | 0,00                 | 0,00                 |
| 2012               | 1 454,96            | 25 525,63               | 3 190,70           | 0,00                 | 0,00                 |
| 2013               | 1 527,71            | 26 801,91               | 3 350,24           | 0,00                 | 0,00                 |
| 2014               | 1 604,09            | 28 142,01               | 3 517,75           | 0,00                 | 0,00                 |
| 2015               | 1 684,30            | 29 549,11               | 3 693,64           | 0,00                 | 0,00                 |

| Sale price  | Residential,<br>sqm | Underground<br>Parking, | Surface<br>Parking | Residential",<br>sqm | Residential",<br>sqm |
|-------------|---------------------|-------------------------|--------------------|----------------------|----------------------|
| Growth rate | 5,0%                | 5,0%                    | 5,0%               | 5,0%                 | 5,0%                 |
| 2007        | 2 700,00            | 32 000,00               | 0,00               | 0,00                 | 0,00                 |
| 2008        | 2 835,00            | 33 600,00               | 0,00               | 0,00                 | 0,00                 |
| 2009        | 2 976,75            | 35 280,00               | 0,00               | 0,00                 | 0,00                 |
| 2010        | 3 125,59            | 37 044,00               | 0,00               | 0,00                 | 0,00                 |
| 2011        | 3 281,87            | 38 896,20               | 0,00               | 0,00                 | 0,00                 |
| 2012        | 3 445,96            | 40 841,01               | 0,00               | 0,00                 | 0,00                 |
| 2013        | 3 618,26            | 42 883,06               | 0,00               | 0,00                 | 0,00                 |
| 2014        | 3 799,17            | 45 027,21               | 0,00               | 0,00                 | 0,00                 |
| 2015        | 3 989,13            | 47 278,57               | 0,00               | 0,00                 | 0,00                 |
| 2016        | 4 188,59            | 49 642,50               | 0,00               | 0,00                 | 0,00                 |
| 2017        | 4 398,02            | 52 124,63               | 0,00               | 0,00                 | 0,00                 |
| 2018        | 4 617,92            | 54 730,86               | 0,00               | 0,00                 | 0,00                 |
| 2019        | 4 848,81            | 57 467,40               | 0,00               | 0,00                 | 0,00                 |
| 2020        | 5 091,25            | 60 340,77               | 0,00               | 0,00                 | 0,00                 |
| 2021        | 5 345,82            | 63 357,81               | 0,00               | 0,00                 | 0,00                 |

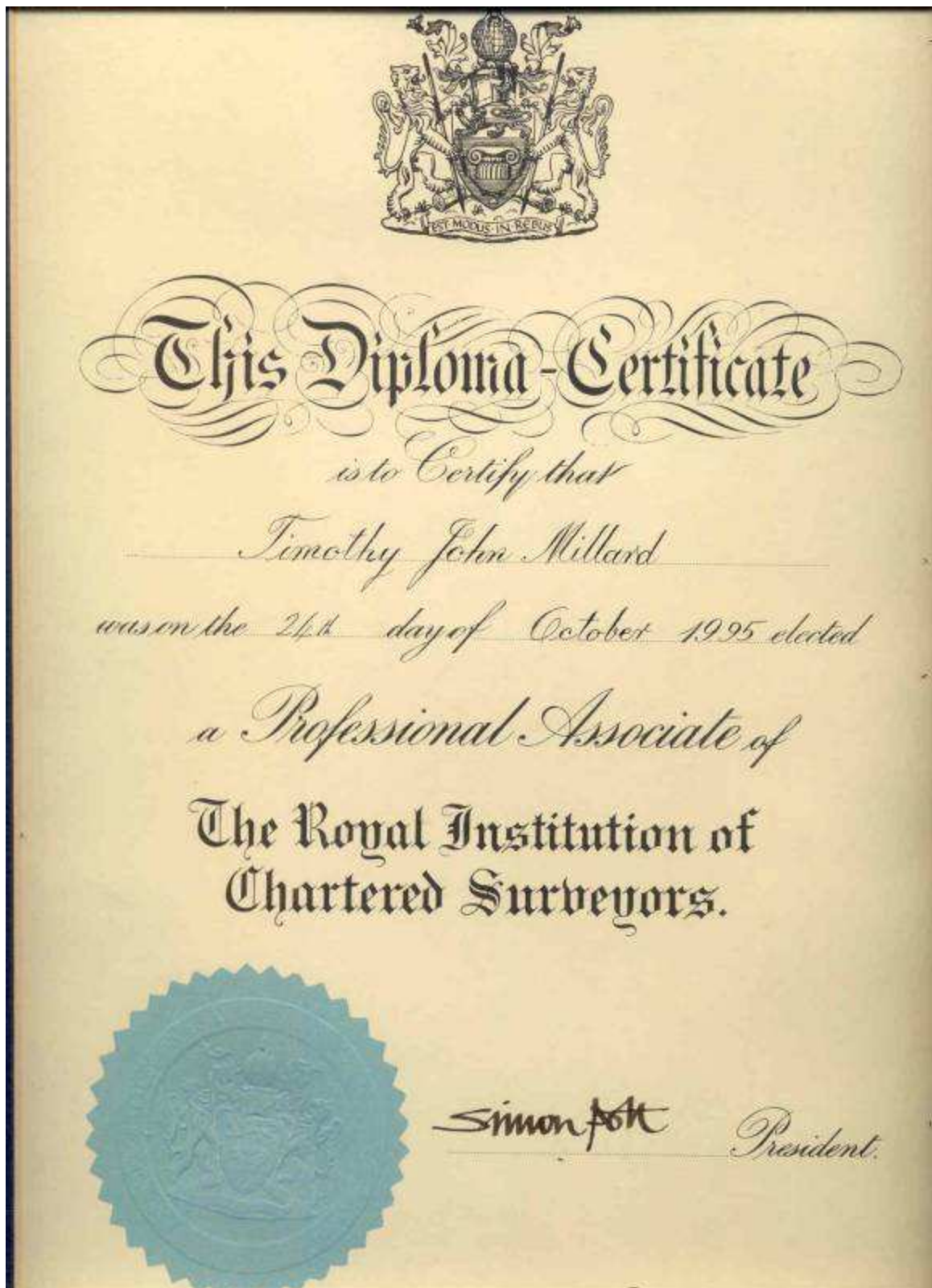


[illegible]

### APPENDIX III INFORMATION SUPPLIED

- St. Petersburg government, the City Planning and Architecture Committee – Decision No 1-4-4628/2 (from 19.03.2007)
- Savant Due Diligence Report. Canada-Israel Residential Building Project
- Yashar Architects – Planetograd Pulkovski Meridian presentation
- The request for limitations of the construction received from Pulkovskaya observatory
- “Certificate of State Registration of Ownership” #78-AГ 049881 as of 6<sup>th</sup> November 2007
- “Certificate of State Registration of Ownership” #78-AГ 049827 as of 6<sup>th</sup> November 2007
- “Certificate of State Registration of Ownership” #78-AГ 049882 as of 6<sup>th</sup> November 2007
- Ownership Registration Certificate #78-AГ 049883 as of 6 November 2007.
- Ownership Registration Certificate #78-AГ 049884 as of 6 November 2007.
- Ownership Registration Certificate #78-AГ 049885 as of 6 November 2007.

#### **APPENDIX IV VALUATION LICENSES**





**РОССИЙСКАЯ ФЕДЕРАЦИЯ**

**ЛИЦЕНЗИЯ**  
НА ОСУЩЕСТВЛЕНИЕ ОЦЕНОЧНОЙ ДЕЯТЕЛЬНОСТИ  
НА ТЕРРИТОРИИ РОССИЙСКОЙ ФЕДЕРАЦИИ

с 16 марта 2005 г. № 011463  
Номер лицензии

предоставлена на основании  
Приказа Федерального агентства по управлению федеральным имуществом  
от 16 марта 2005 г. № 75

**ОБЩЕСТВО С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ**  
(полное наименование юридического лица (фамилия, имя, отчество индивидуального предпринимателя))  
**"КУШМАН ЭНД ВЭЙКФИЛД СТАЙЛЗ ЭНД РЯБКОБЫЛКО"**

ИНН 7705637585

115035, г. Москва, ул. Большая Ордынка, д. 21, стр. 2  
Местонахождение (для документа, удостоверяющего личность)

Срок действия с 16 марта 2005 г. до 16 марта 2010 г.

Начальник отдела оценки (подпись) А.В. Каминский  
Должность уполномоченного лица (подпись) Ф.И.О.

Срок действия с до

Должность уполномоченного лица (подпись) Ф.И.О.

003783

без приложения действительна



Valuation Report  
of Land Plots of 2,397,107 square meters located  
on the intersection of Pulkovskoe and Volkhonskoe highways in St. Petersburg, Russia  
for Morgal Investments LLC  
for the purpose of attracting financial resources  
as at valuation date 31<sup>st</sup> of December 2007, issue date 24<sup>th</sup> of March 2008

**Приложение на 1 листах**  
**к лицензии на осуществление оценочной деятельности**  
от 16.03.2005 № 011463  
с учетом изменений по заявлению лицензиата от 28.02.2006

|  |   |
|--|---|
| Ф.И.О. индивидуального предпринимателя / штатного работника, для которого данное юридическое лицо является основным местом работы * (см. примечание) | Образовательное учреждение, серия, номер и дата выдачи документа о профессиональном образовании, свидетельства о повышении квалификации |
|--|---|

|                               |   |
|-------------------------------|---|
| Бибик Станислав Юрьевич       | Институт профессиональной оценки, диплом о профессиональной переподготовке, ПП № 926559, выдан 16.12.2005;  |
| Лебедев Константин Алексеевич | Московский государственный строительный университет, диплом о профессиональной переподготовке, ПП № 517059, выдан 28.06.2002; Международная академия оценки и консалтинга, свидетельство о повышении квалификации, выдано 24.06.2005. |

Начальник отдела оценки  
должность утверждена приказом

\* Примечания  
Информация, содержащаяся в реестре лицензий и в базе выписок о конкретных лицензиатах предоставляется лицензирующим органам, физическим и юридическим лицам за плату (Федеральный закон от 08.08.2001 № 128 ФЗ "О лицензировании отдельных видов деятельности")



( А.В. Каминский )  
Ф.И.О.



Лист № \_\_\_\_\_



  
**Страховая Акционерная Компания**  
**Информстрах**

127906, г. Москва, ул. Долгоруковская, 40. тел. 973-52-49; 973-52-48  
р/с 40702810138120102003 в «Сбербанке России» г. Москва,  
к/с 30101810400000000225 БИК 044525225 ИНН 7701017213

**ПОЛИС 19/06 - 053491**  
**/POLICY/**  
**СТРАХОВАЯ АКЦИОНЕРНАЯ КОМПАНИЯ**  
**«ИНФОРМСТРАХ»**

ЗАО САК «Информстрах» в соответствии с Правилами добровольного страхования гражданской ответственности оценщиков принимает на страхование ответственность Страхователя перед третьими лицами, возникшую в результате причинения ущерба, явившегося следствием осуществления Страхователем профессиональной деятельности по оценке объектов оценки и совершений при этом ошибок или упущений.

**Страхователь:** *Общество с ограниченной ответственностью*  
*«Кушман энд Вэйкфилд Стайлз энд Рабокобылкан»*

**Юридический адрес:** *Россия, г. Москва, 115035, ул. Большая Ордынка, д. 21, стр. 2*

**Страховая сумма:** *1 000 000 (Один миллион) долларов США*

**Франшиза:** *отсутствует*

**Перечень застрахованных рисков:** Совершение Страхователем ошибок и упущений в процессе осуществления профессиональной деятельности по оценке стоимости недвижимого имущества; оценке стоимости машин, оборудования и транспортных средств; оценке стоимости нематериальных активов и интеллектуальной собственности; оценке стоимости предприятия (бизнеса) и других видов оценочной деятельности (в зависимости от объекта оценки), осуществляемых в соответствии с Законом «Об оценочной деятельности в РФ».

**Срок действия договора:** *с «28» марта 2006 г. по «27» марта 2007 г.*

**Территория страхования:** *Российская Федерация.*

ЗАО САК «Информстрах» обязуется при наступлении страхового случая возместить третьим лицам ущерб в течение 5-ти банковских дней со дня наступления страхового случая и предоставления Страхователем необходимых документов, указанных в п.8.1. Правил добровольного страхования гражданской ответственности оценщиков. Страховой случай считается наступившим со дня удовлетворения в законном порядке претензий к Страхователю. Договор страхования вступает в силу с даты начала срока его действия. Страхование по настоящему полису (договору) распространяется на страховые случаи, произошедшие после даты начала срока действия договора.

Окончанием ответственности ЗАО САК «Информстрах» является истечение срока действия договора страхования, выплата 100% страхового возмещения и другие случаи, предусмотренные Правилами страхования.

**К настоящему полису прилагаются и являются его неотъемлемой частью:**

- Правила добровольного страхования гражданской ответственности оценщиков ЗАО САК «Информстрах». Правила страхования Страхователю вручены.*
- Заявление на страхование гражданской ответственности оценщиков.*

  
Страховщик  
Генеральный директор  
ЗАО САК «Информстрах»  
*В. А. Прошин*  
«14» марта 2006 г.



**053491**

Valuation Report  
of Land Plots of 2,397,107 square meters located  
on the intersection of Pulkovskoe and Volkhonskoe highways in St. Petersburg, Russia  
for Morgal Investments LLC  
for the purpose of attracting financial resources  
as at valuation date 31<sup>st</sup> of December 2007, issue date 24<sup>th</sup> of March 2008

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## **APPENDIX V PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS**

## **1. PERFORMANCE OF THE SERVICES**

1.1 We undertake to use all reasonable skill and care in providing the services and advice described in the instruction given by you (the "Services"). We will inform you if it becomes apparent that the Services need to be varied or external third party advice is required. Any variation is to be confirmed in writing.

1.2 We may need to appoint third party providers to perform all or part of the Services and we shall agree this with you in advance in written form. Any third parties involved into the Agreement shall not influence the fee under this Agreement, if otherwise is not expressly provided in the Agreement.

## **2. BASIS OF FEES**

2.1 The basis of our fees for our Services are set out in the Proposal and Agreement.

2.2 When applicable, VAT shall be payable by you in addition to any fees or disbursements invoiced at the applicable rate.

2.3 You shall pay our fees in accordance with the payment schedule represented in the Agreement. Payment is due within 10 days of the invoice date.

2.4 Where valuations are undertaken for a lender for loan security purposes and it is agreed that a borrower will pay our fee, you shall remain primarily liable to pay our fee should such borrower fail to meet its liabilities to us in full. Payment of our fees is not conditional upon the loan being drawn down or any of the conditions of the loan being met.

2.5 If you do not dispute with us an invoice or any part thereof within 10 days of the date of such invoice, you shall be deemed to have accepted the invoice in its entirety.

2.6 If we are required by you to undertake additional work in relation to an instruction, you shall pay additional fees based upon additional agreement to the Agreement.

2.7 Where there is a change to the stated purpose for which our valuation is being commissioned and in our sole opinion we deem this to result in an increase in our liability (for example a valuation for annual accounts being used for loan security purposes), we reserve the right to charge an additional fee.



2.8 In the event that the “Client” withdraws the services proposed by the “Consultant” prior to completion of a valuation, the “Client” shall be liable to pay the “Consultant” for actual expenses made under the execution of the “Agreement”. If we have sent you a draft valuation report, such fees shall be subject to a minimum of 80% of the fee originally agreed between us.

#### Associated/Related Entities of the Client

2.9 Where we are instructed to provide Services to one of your subsidiaries or associate/related entities or should you subsequently request that another entity be substituted for you at a later stage and we are unable to seek or obtain payment of any outstanding monies for whatever reason, you shall remain primarily liable to pay those outstanding monies if the subsidiary, associate/related or other entity does not meet its liabilities in relation to the Services.

### **3. INFORMATION RECEIVED FROM THE CLIENT**

**3.1** We will take all reasonable steps to ensure property information is accurate where we are responsible for its preparation. Where you provide us with any information on a property that is necessary or convenient to enable us to provide the Services properly, you are aware that we will rely on the accuracy, completeness and consistency of any information supplied by you or on your behalf and, unless specifically instructed otherwise in writing, we will not carry out any investigation to verify such information. We accept no liability for any inaccuracy or omission contained in information disclosed by you or on your behalf, whether prepared directly by you or by a third party, and whether or not supplied directly to us by that third party and you shall indemnify us should any such liability arise. If our valuation is required for the purpose of purchase or loan security, you accept that full investigation of the legal title and any leases is the responsibility of your lawyers.

#### **3.2 Advice Assumptions**

Unless otherwise advised by you in writing, we will provide the Services in relation to any property on the assumption that:

- information provided as to the extent of and ownership of the land plots is complete and correct and that there are no encumbrances or unduly onerous or unusual easements,

restrictions, outgoings or conditions attaching to the land plots save as specifically notified to us;

- there are no environmental matters (including but not limited to actual or potential land, air or water contamination, or by asbestos or any other harmful or hazardous substance) that would affect the land plots, any development or any existing buildings on the land plots in respect of which the Services are provided or any adjoining land plots, and that we shall not be responsible for any investigations into the existence of the same and that you are responsible for making such investigations;
- the land plots and any existing buildings are free from any defect whatsoever;
- all the building services (such as lifts, electrical, gas, plumbing, heating, drainage and air conditioning installations and security systems) and land plots services (such as incoming mains, waste, drains, utility supplies, etc) are in good working order without any defect whatsoever;
- any building, the building services and the land plots services comply with all applicable current regulations (including fire and health and safety regulations);
- the land plots and any existing building comply with all planning and building regulation, have the benefit of appropriate planning consent or other statutory authorisation for the current use and no adverse planning conditions or restrictions apply (which includes, but is not limited to, threat of or actual compulsory purchase order);
- appropriate insurance cover is, and will continue to be, available on commercially acceptable terms for any building incorporating types of construction or materials which may pose an increased fire or health and safety risk, or where there may be an increased risk of terrorism, flooding or a rising water table; and
- items of plant and machinery that usually comprise part of the land plots on an assumed sale, are included in the land plots but items of plant and machinery that are associated with the process being carried on in the land plots or tenants trade fixtures and fittings are excluded from the land plots.

- all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual effect on building costs, land plots values or viability of any development or existing buildings.

**3.3** Where comparable evidence information is included in our report, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected comparable properties.

#### **4. STRUCTURE**

**4.1** We will not carry out a structural survey of any property nor will we test services. Further, no inspection will be made of the woodwork and other parts of the structures which are covered, unexposed or inaccessible. In the absence of information to the contrary, the valuation will be on the basis that the property is free from defect. However, the value will reflect the apparent general state of repair of the property noted during inspection, but we do not give any warranty as to the condition of the structure, foundations, soil and services. Our report should not be taken or interpreted as giving any opinion or warranty as to the structural condition or state of repair of the property, nor should such an opinion be implied.

#### **4.2 Measurements**

(i) Standard practice is that all measurements to be provided by the Client from Property registration documentation. We will not carry out any physical measurements unless specifically instructed to us.

#### **5. CONFLICTS OF INTEREST**

**5.1** We have conflict management procedures designed to prevent us acting for one client in a matter where there is or could be a conflict with the interest of another client for whom we are acting. If you are aware or become aware of a possible conflict of this type, please raise it immediately with us. If a conflict of this nature arises, then we will decide, taking account of legal constraints, relevant regulatory body rules and your and the other client's interests and wishes,

whether we can continue to act for both parties (eg through the use of separate teams with appropriate Chinese Walls), for one only or for neither. Where we do not believe that any potential or actual conflict of interest can be managed appropriately, we will inform you and consult with you as soon as reasonably practicable. Should you have any queries on this, you should contact your client partner.

## **6. MANAGEMENT OF THE PROPERTY**

**6.1** We shall not be responsible for the management of the property nor have any other responsibility (such as maintenance or repair) in relation to the property. We shall not be liable for any damage that may occur while the property is unoccupied. The property shall be your sole responsibility. You are aware that while a property is unoccupied, the property is likely to suffer from adverse weather conditions and frost damage may occur to water and heating systems and sanitary appliances. You are strongly recommended to take all necessary actions to protect the property from such risks and to ensure that adequate insurance cover

## **7. APPRAISAL EXCLUSIONS**

### **Delay**

**7.1** Where matters beyond the control of ourselves cause delay to the performance of the services we will notify the client as soon as we become aware of the situation. The client agrees that we will not be held responsible for such delay.

### **Basis of Valuation**

**7.2** Unless otherwise requested the valuation will be prepared in accordance with Russian Valuation Standards and rules and the Appraisal and Valuation Standards published by the RICS ("The Red Book") and will be prepared by Asset Valuers as defined therein. In case of any discrepancies between these standards Russian Valuation Standards and rules will have precedence.

**7.3** The valuation of any property held as an investment or surplus to requirements will be on the basis of Market Value (as defined in paragraph 21 hereof). Any properties primarily occupied by the owner of those properties or their subsidiaries will be valued on the basis of Existing Use Value (as defined in paragraph 21 hereof).

7.4 Any property which is classified as “specialised” or which has been subject to specialist adaptation works may need to be valued on the basis of Depreciated Replacement Cost (as defined in paragraph 21 hereof). This value will be caveated as being subject to the directors of the owning company being satisfied that there is adequate potential profitability of the business compared with the value of the total assets employed.

7.5 When assessing either Existing Use Value or Market Value for balance sheet purposes, we will not include directly attributable acquisition or disposal costs in our valuation. Where asked to reflect costs by the client (as required under FRS15), these will be stated separately.

#### **Tenure and Tenancies**

7.6 We will not inspect title deeds and we will therefore rely on the information supplied as being correct and complete. In the absence of information to the contrary, we will assume the absence of unusually onerous restrictions, covenants or other encumbrances and that the property has a good and marketable title. Where supplied with legal documentation, we will consider it but we will not take responsibility for the legal interpretation of it. Unless agreed we will not obtain information from The Land Registry.

7.7 You should confirm to us in writing if you require us to read leases and if so, provide all the relevant documentation within a reasonable time for consideration bearing in mind the date for receipt of our report. You should not rely upon our interpretation of the leases without first obtaining the advice of your lawyers.

#### **Covenant**

7.8 Our valuation will take into account potential purchasers’ likely opinion of the financial strength of tenants. However, we will not undertake any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by you, we will assume that there are no significant arrears and that the tenants are able to meet their obligations under their leases or agreements.

7.9 We will not make any allowance in our Services for the existence of any mortgage or other financial encumbrance on or over the property nor take account of any leases between subsidiaries.

7.10 Any appraisal figures provided will be exclusive of VAT.

7.11 In instances where we are instructed to provide an indication of current reinstatement costs for fire insurance purposes, this is given solely as a guide without warranty. Formal estimates for



insurance purposes can only be given by a quantity surveyor or other person with sufficient current experience of replacement costs.

## **8. PLANNING REGULATIONS**

**8.1** Unless specifically instructed in writing to make formal searches with the relevant local planning authorities, we shall rely in the provision of our Services on the information provided informally by the relevant planning authority or its officers. We recommend that your lawyers be instructed to confirm the planning position relating to the property and review our comments on planning in the light of their findings.

**8.2** Where we undertake value appraisals, we may consider the possibility of alternative uses being permitted. Unless otherwise notified by you in writing, we shall assume that the property and any existing buildings comply with all planning and building regulation, existing uses have the benefit of appropriate planning consent or other statutory authorisation, and that no adverse planning conditions or restrictions apply.

## **9. PROFESSIONAL LIABILITY**

**9.1** Subject to the provisions in these Terms of Business, our total aggregate liability (including that of our partners and employees) to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services shall be limited to an aggregate sum not exceeding twenty times the fee paid for each instruction accepted. We shall not be liable to you for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct, indirect or consequential, or any claims for consequential compensation whatsoever (howsoever caused) which arise out of or in connection with the Services.

**9.2** For the avoidance of doubt, our partners and employees shall have no liability in respect of their private assets.

**9.3** Nothing in these Terms of Business excludes or limits our liability for: (i) death or personal injury caused by our negligence; (ii) any matter which it would be illegal for us to exclude or attempt to exclude our liability; or (iii) fraud or fraudulent misrepresentation.

**9.4** Where a third party has contributed to the losses, damages, costs, claims or expenses, we shall not be liable to make any contribution in respect of the liability of such third party.

**9.5** Save in respect of third parties directly instructed by us and not on your behalf, we shall not be liable for the services or products provided by other third parties, nor shall we be required to inspect or supervise such third parties, irrespective of the third party services or products being incidental to or necessary for the provision of our Services to you.

**9.6** We shall be released from our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond our reasonable control (examples, including but not limited to, being a strike, act of God or act of terrorism). On becoming aware of any circumstance which gives rise, or which is likely to give rise, to any failure or delay in the performance of our obligations, we will notify you by the most expeditious method then available.

**9.7** To cover any liability that might be incurred by us, we confirm that we will maintain professional indemnity insurance, so long as such insurance is available at commercially acceptable rates and terms, with insurers of good standing and repute of up to \$1 million on an each and every claim basis in Russia.

**9.8** Our pricing structure has been established by reference to these limitations on our liability and our level of professional indemnity insurance in respect of the Services we provide. If you feel that it is necessary to discuss with us a variation in these levels, then please raise the issue with your client partner who will be able to let you have proposals for a revised pricing structure to reflect the agreed level of our liability and/or professional indemnity cover.

**9.9** Responsibility for our valuation extends only to the party(ies) to whom it is addressed. However in the event of us being asked by you to readdress our report to another party or other parties or permit reliance upon it by another party or other parties, we will give consideration to doing so, to named parties, subject to the following minimum fees:

|   | First Extended Party | Second & Subsequent<br>Extended Parties |
|---|----------------------|---|
| For the first \$1m of<br>reported value | 0.075%               | 0.025% per party                        |
| Thereafter                              | 0.035%               | 0.015% per party                        |

These fees are exclusive of VAT & expenses (including the cost of readdressing the report) and are subject to a minimum fee of \$1000. Should additional work be involved, over and above that undertaken to provide the initial report, we may make a further charge although we will agree this with you before commencing the work. The Client's claim shall be considered by the Consultant during 20 (twenty) working days upon receiving it.

## **10. QUALITY OF SERVICE**

**10.1** Whilst we seek to provide high quality Services, if a client has cause for complaint we have standard complaints procedures, a copy of which is available on request. This is in accordance with requirements of the Royal Institution of Chartered Surveyors.

## **11. QUALITY CONTROL**

**11.1** In circumstances where a valuation, although provided for a client, may also be of use to third parties, for instance the shareholders in a company (otherwise defined as a "Regulated Purpose Valuation" by the RICS), the RICS requires us to state our policy on the rotation of the surveyor who prepares the valuation and the quality control procedures that are in place.

**11.2** Irrespective of the purpose of the valuation, we will select the most appropriate surveyor for the valuation having regard to his/her expertise and the possible perception that independence and objectivity could be compromised where a valuer has held the responsibility for a particular client for a number of years. This may result in us rotating the surveyor responsible for repeat valuations for the same client although we will not do so without prior discussion with the client.

**11.3.** For valuations of properties with an individual value of \$30m or over, the valuer is required to present and explain his methodology to another member of the Valuation Advisory Team.

**11.4** Where we are undertaking a Regulated Purpose Valuation (see 15.1 above) we are required by the RICS to state all of the following in our report:

**11.4.1** The length of time the valuer continuously has been the signatory to valuations provided to you for the same purpose as the report, together with the length of time we have continuously been carrying out that valuation instruction for you;

**11.4.2** The extent and duration of the relationship between you and us;

## **12. MONEY LAUNDERING REGULATIONS**

**12.1** Pursuant to requirements of Russian law on money laundering we may be required to verify certain particulars of our clients and may need to ask you to assist us in complying with such requirements. Where such information is requested, you will provide such information promptly to enable us to proceed to provide our Services. We shall not be liable to you or any other parties for any delay in the performance or any failure to perform the Services which may be caused by our duty to comply with such requirements.

## **13. ELECTRONIC COMMUNICATIONS**

**13.1** We may communicate with each other by electronic mail, sometimes attaching electronic data. By consenting to this method of communication, we and you accept the inherent risks (including the security risks of interception of, or unauthorised access to, such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices). In the event of a dispute, neither of us will challenge the legal evidential standing of an electronic document and our system shall be deemed to be the definitive record of electronic communications and documentation.

## **14. CONFIDENTIALITY AND INTELLECTUAL PROPERTY**

**14.1** We owe our clients a duty of confidentiality. You agree, however, that we may, when required by our insurers or other advisers, provide details to them of any engagement on which we have acted for you, and that we may also disclose confidential information relating to your affairs if required to do so for legal, regulatory or insurance purposes only.

**14.2** Both parties agree never to disclose sensitive details of transactions or our advice without the other's consent. Unless we are expressly bound by a duty of confidentiality which otherwise overrides this, both parties shall be entitled to mention to third parties (e.g. in the course of

presentations, speeches or pitches) and/or publish (e.g. in brochures, marketing or other written material) that we provide our services to you.

**14.3** We shall provide the Services to you only for your sole use and for the stated purpose. We shall not be liable to any third party in respect of our Services. You shall not mention nor refer to our advice, in whole or in part, to any third party orally or in annual accounts or other document, circular or statement without our prior written approval. The giving of an approval shall be at our sole discretion.

**14.4** We will not approve any mention of our Services unless it contains sufficient reference to all the special assumptions and/or limitations (if any) to which our Services are subject. For the avoidance of doubt our approval is required whether or not we are referred to by name and whether or not our advice is combined with others.

**14.5** We may make the approval of any mention of our Services, or re-address to third parties our Services, subject to the payment of an additional fee to cover additional work and professional liability.

## **15. THIRD PARTIES RIGHTS AND ASSIGNMENT**

**15.1** No term of the Proposal or these Terms of Business is intended to confer a benefit on or to be enforceable by any person who is not a party to the same.

**15.2** Subject to clause 20.2 above, neither party shall be entitled to assign this contract or any rights and obligations arising from it without the prior written consent of the other, such consent not to be unreasonably.

## **16. GENERAL**

**16.1** If any provision of the Terms of Business is found by any court, tribunal or administrative body of competent jurisdiction to be wholly or partly illegal, invalid, void, voidable, unenforceable or unreasonable it shall to the extent of such illegality, invalidity, voidness, voidability, unenforceability or unreasonableness be deemed severable and the remaining provisions of the Terms of Business and the remainder of such provision shall continue in full force and effect.

**16.2** Failure or delay by us in enforcing or partially enforcing any provision of these Terms of Business shall not be construed as a waiver of any of our rights under these Terms of Business.

**16.3** The Proposal and these Terms of Business shall be governed by and be construed in accordance with Russian law.

## **17. BASES OF VALUATION**

Our valuation advice will be prepared in accordance with one or more of the following bases of valuation as defined in the Practice Statements of the Red Book ("PS") as appropriate:

### **17.1 Market Value**

PS 3.2 defines Market Value as:

"The estimated amount for which land plots should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

#### **17.1.1 Trading Related Valuations**

Where appropriate, such properties will be valued on the basis of Market Value as a fully equipped operational entity, having regard to trading potential.

Where we are instructed to value an operational property having regard to its trading potential (such as self storage properties, hotels and marinas), we will take account of any trading information provided to us. The valuations will be based on our opinion as to future trading potential and the level of turnover and net operating income likely to be achieved.

The valuations will be made on the basis that the properties will be sold as a whole including all fixtures, fittings, stock and goodwill. The new owner would normally engage the existing staff and the new management would expect to take over the benefit of existing and future bookings or occupational agreements which may be an important feature of the continuing operation, together with all existing statutory consents plus all operational permits and licences.

Unless made clear to the contrary in our report, the valuations will reflect our opinion that all goodwill for the properties is tied to the land and buildings and does not represent personal goodwill to the operator.

Our valuations will be based on the information which either the operator has supplied to us or which we have obtained from our enquiries (including full detailed trading information in relation to each trading property). We will rely on this being correct and complete and on there being no undisclosed matters which would affect our valuation.

### **17.2 Depreciated Replacement Cost**

PS 3 Appendix 3.1 states that Depreciated Replacement Cost (DRC) is recognised as an acceptable method of estimating Market Value where more reliable methods, such as market comparison or an income (profits test), cannot be applied. The valuer must be satisfied that it is not practicable to prepare a valuation by any other method before relying solely on depreciated replacement cost. DRC is based on an estimate of the value of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

### **17.3 Market Rent**

PS 3.4 defines Market Rent as:

“The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arms length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.”

### **17.4 Existing Use Value**

PS 1.3 defines Existing Use Value as:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently, and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause it's Market Value to differ from that needed to replace the remaining service potential at least cost.”