

Retail property in Minsk

Analytical market review – II quarter 2013

Cover story: lease rates in shopping centers

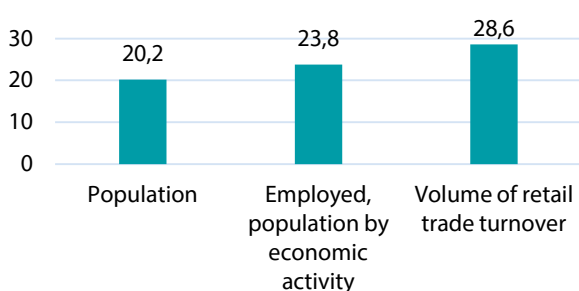


Indicators of socio-economic development of Minsk in the 1st half-year 2013

Indicators	Value	In relation to the 1st half-year 2012, %
Population, thousand of people	1907,9	101,0
Employed population by economic activity, thousand of people	1081,2	100,2
Retail trade turnover through all channels of sales, billion rubles	33110,3	121,4
Average monthly wages in large and medium-sized enterprises, thousand rubles	6189,0	121,6
including in March, thousand rubles	6658,7	138,0

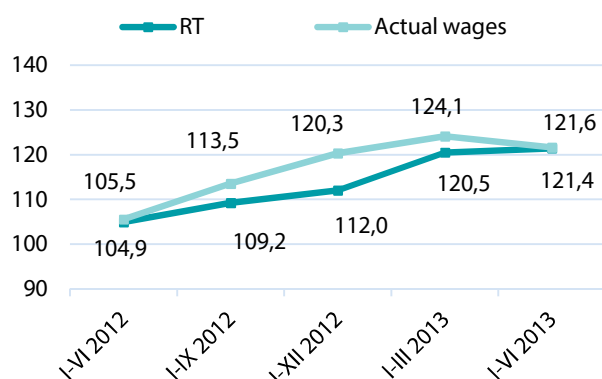
Source: Menka Analytical Center, according to the National Statistical Committee

The share of socio-economic development of Minsk in the economics of Belarus in the 1st half-year 2013, %



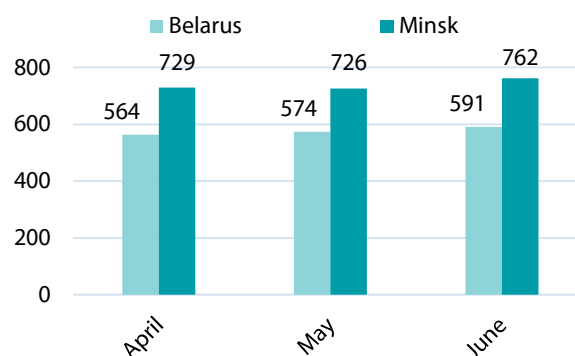
Consumer sector in the second quarter continues to demonstrate positive dynamics of development. Following half-year period, wages increased by 21.6%, which contributed to the growth of retail turnover by 21.4%.

Dynamics of retail trade turnover through all sales channels and wages, %



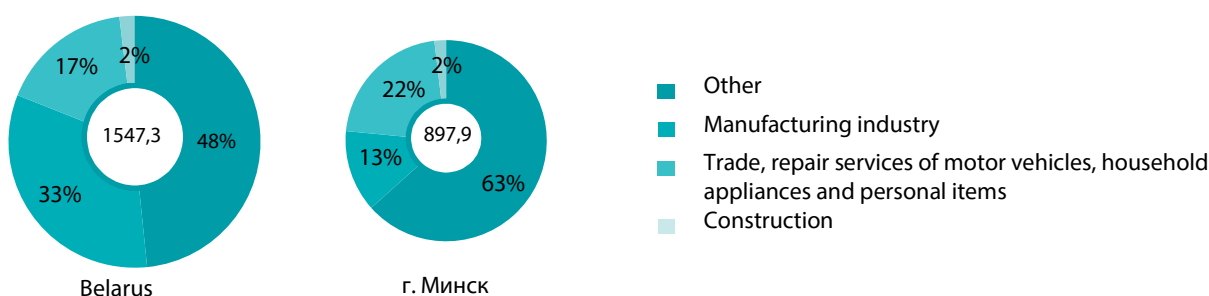
Source: Menka Analytical Center, according to the National Statistical Committee

Dynamics of average wages in Belarus and in Minsk in the 2nd quarter 2013, USD



Source: Menka Analytical Center, according to the National Statistical Committee

Foreign direct investment on net basis in January - May 2013, million USD



Source: Menka Analytical Center, according to the National Statistical Committee

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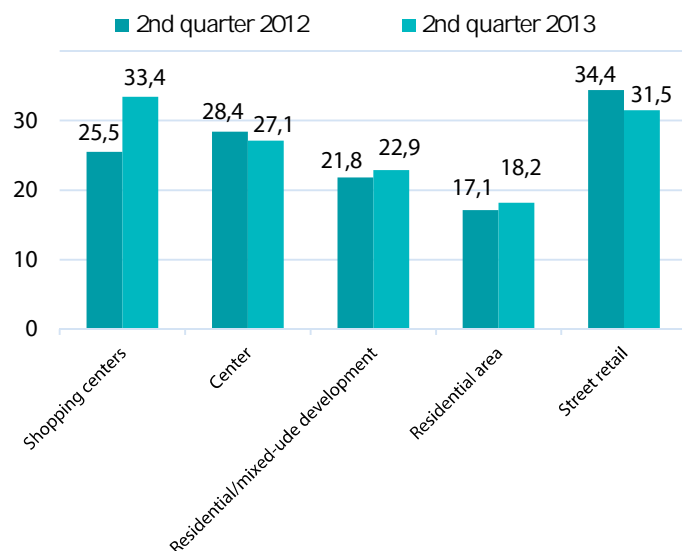
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In the 2nd quarter two shopping centers of urban and district types were commissioned: Arena-City and Bonus. As a result, growth of quality suitable space for rent was 37 thousand square meters (+21%). Increased competition in the segment of shopping centers did not lead to a reduction in lease rates.

Average lease rates in shopping centers of Minsk, euro/sq.m./month



Source: Menka Analytical Center

Lease rate in shopping centers of Minsk in the 2nd quarter is 31% higher than last year rates. The range of lease rates in popular conceptual shopping centers (with total area above 5000 sq. m with concept and unified management system) is (utilities and maintenance costs are not included):

average market value – 33,4 eur/sq.m.;

minimum value – 20 eur/sq.m.;

maximum value – 100 eur/sq.m.

Less popular shopping centers have lease rates in the range of 17-50 eur/sq. m. In conceptual shopping centers with a failed concept and location, as well as with unprofessional management the range of lease rates is 12-30 eur/sq. m.

The values of lease rate for anchor tenants vary from 100 to 220 eur./sq. m for a year (hereinafter lease rates are presented without VAT and utilities costs) depending on a size, profile and other criteria. They enter into a lease agreements with anchor tenants for 10 and more years. The highest lease rates are for small rooms below 50 sq. m. in most successful shopping centers and on the first floors : 900-1500 eur./sq.m per year.

Lease rate for tenants in retail galleries in shopping centers of Minsk most often have lumpsum royalty, it rarely depends on tenant's turnover, but in this case there is a minimal stable price. In most cases, this is due to the unwillingness of managing companies to monitor the accuracy of turnover data provided by the operator. Lease terms for tenants of retail galleries in most cases are from one to three years.

Opening one of the largest conceptual shopping centers, Arena City, in the 2nd quarter, shows that in real estate market of Minsk a clear tendency is seen towards the desire of the managing company to fill the shopping center with qualitative composition of tenants with maximum presence of known European brands.

Distribution of lease rates by tenant profile in retail galleries of conceptual shopping centers of Minsk in the 2nd quarter 2013

Tenant profile	Average area, sq. m	Lease rates, eur/sq. m a year
Household appliances and electronics	800<	140-280
Goods for children	200-900	140-240
Men's and women's clothing	70-200	330-480
	>800	180-220
Perfumes and cosmetics	50-200	420-660
Accessories, fashion jewelery	30-60	420-680
Footwear	70-200	300-440
Pharmacy	70<	300-420

Source: Menka Analytical Center