

Retail property in Minsk

Analytical market review – III quarter 2013

Cover story: vacancy in shopping centers

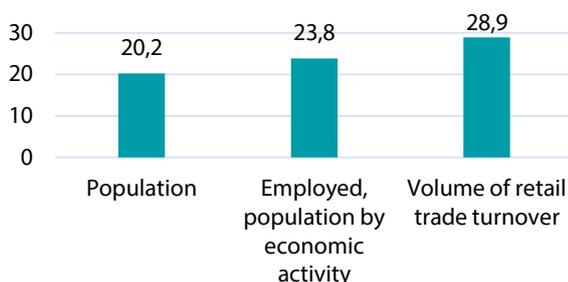


Indicators of socio-economic development of Minsk in January - September 2013

| Indicators | Value | In relation to January-September 2012, % |
|--|---------|--|
| Population, thousand of people | 1912,2 | 100,9 |
| Employed population by economic activity, thousand of people | 1077,4 | 100,2 |
| Retail trade turnover through all channels of sales, billion rubles | 51944,7 | 121,7 |
| Average monthly wages in large and medium-sized enterprises, thousand rubles | 6440,8 | 119,8 |
| including in September, thousand rubles | 6910,4 | 114,9 |

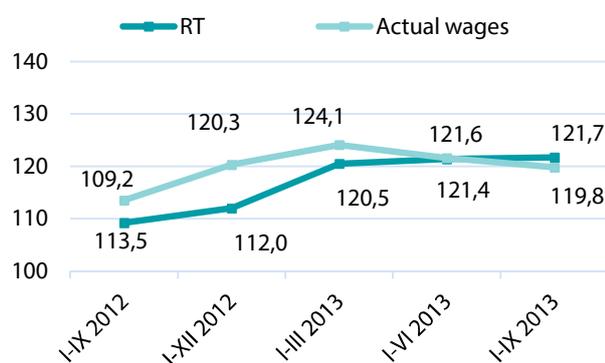
Source: Menka Analytical Center, according to the National Statistical Committee

The share of socio-economic development of Minsk in the economics of Belarus in January-September 2013, %



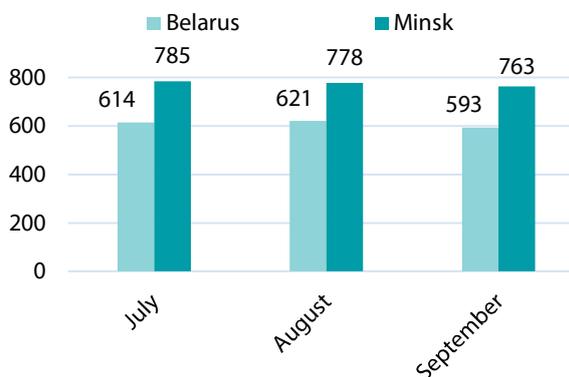
In July salary, which is one of the main drivers of the consumer market growth, reached record levels in 2013 - 785 U.S. dollars equivalent. As a result, despite a slight decrease of average salary in August and September, there are still high rates of retail turnover growth - 121.7%.

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 3rd quarter 2013, USD



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

Key indicators for shopping centers in Minsk*

| | |
|--|------------|
| General proposition of existing facilities (GBA), thousand sq. m. | 498,36 |
| General proposition of existing facilities (GLA), thousand sq. m. | 243,30 |
| Vacancy rate, % | 3,9 |
| Attendance of shopping centers on weekdays, thousand people/day | 1,3 – 37,2 |
| Attendance of shopping centers on weekends, thousand people/day | 1,5 – 31,5 |
| Provision of residents of Minsk with retail space, sq.m/1000 people. | 128,0 |
| Commissioned in the III quarter 2013 (GBA), thousand sq. m. | 111,38 |
| Commissioned in the III quarter 2013 (GLA), thousand sq. m. | 68,88 |

* Hereinafter only conceptual shopping centers above 5000 sq.m. and with unified management are taken into account.

Source: Menka Analytical Center

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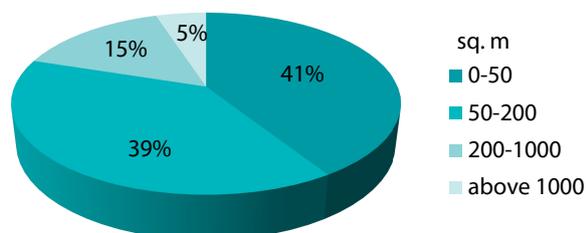
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Despite the fact that in the 3rd quarter metropolitan market of commercial real estate was enlarged with two shopping centers of urban and regional formats - Galileo and Korona, the demand for space in the shopping centers is behind the supply. It is interesting to note that the search term of quality space for new entrants to the market of Minsk can be 1 year or more.

Demand structure of retail space rent in shopping centers of Minsk in the 3rd quarter



Source: Menka Analytical Center

Incipient tendency, since the beginning of the year, to increase square of rented space from chain operators remained topical for the reporting period. So in the 3rd quarter an increase in demand for space from 200 to 1000 m. m was recorded up to 15%.

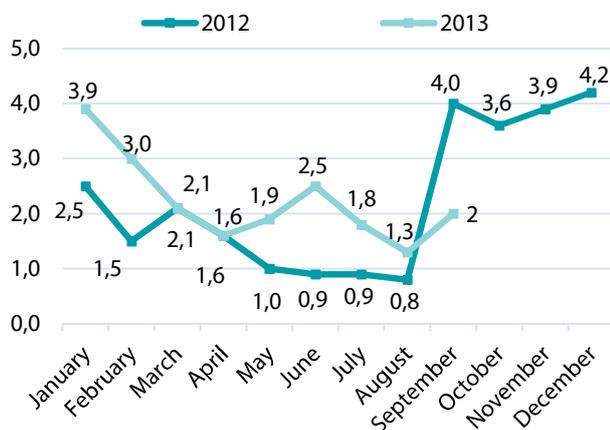
In the 3rd quarter in the capital city the first shops opened Samsung, Rue De Fleur, Medicine. Among expected ones in the second half of 2013 there are: New Yorker, Topshop, NewLook, Suite Blanco, Pull & Bear,

F&F, Stradivarius, Intersport, Tommy Hilfiger, Strellson, Lacoste, Marella, Desigual, Replay, More and More, Geox, Carrera, Indiviuomo, Befree.

Significant number of retailers already resented in the market of the capital city are actively extending their businesses. Among them are Lakbi, Accessorize, Colins, Megatop and Rodnaya Storona.

Entertainment industry in shopping centers of Minsk, perhaps, is one of most complicated topics for managing companies. Demand from the part of family visitors indeed promotes that format in the city, but the market shows that there are no professional national operators in this segment. While international operators are not in a hurry to enter the market, demanding for their format stringent technical requirements for premises, it is extremely difficult to fit into the existing shopping centers.

Retail space vacancy rate in conceptual shopping centers of Minsk,%



Source: Menka Analytical Center

By the 3rd quarter the share of vacant spaces in conceptual shopping centers of Minsk is traditionally left on a low level, 2% (vacancy of shopping centers opened in the end of August wasn't taken into account). This factor reflects stable tendency for high demand for quality retail spaces in Minsk.

During the reported quarter managing companies did not reveal activity to fill vacant spaces appeared during previous periods.

High vacancy level in the 3rd quarter was seen in the the following shopping centers: Alexandrov Passage, Nemigoff and Coolman.

Most often one of the main reasons of having vacant spaces is incompatibility with certain parameters of existing demand or a very low customers traffic in the shopping center and as a consequence a low profitability of tenants. The lowest vacancy rate is traditionally seen in the following shopping centers: Stolitsa, Expobel and Korona.