



# Real Estate Development in Russia

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**SRV**  **Group**

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# Personal Data

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Name: **Veli-Matti Kullas**  
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## Work Experience

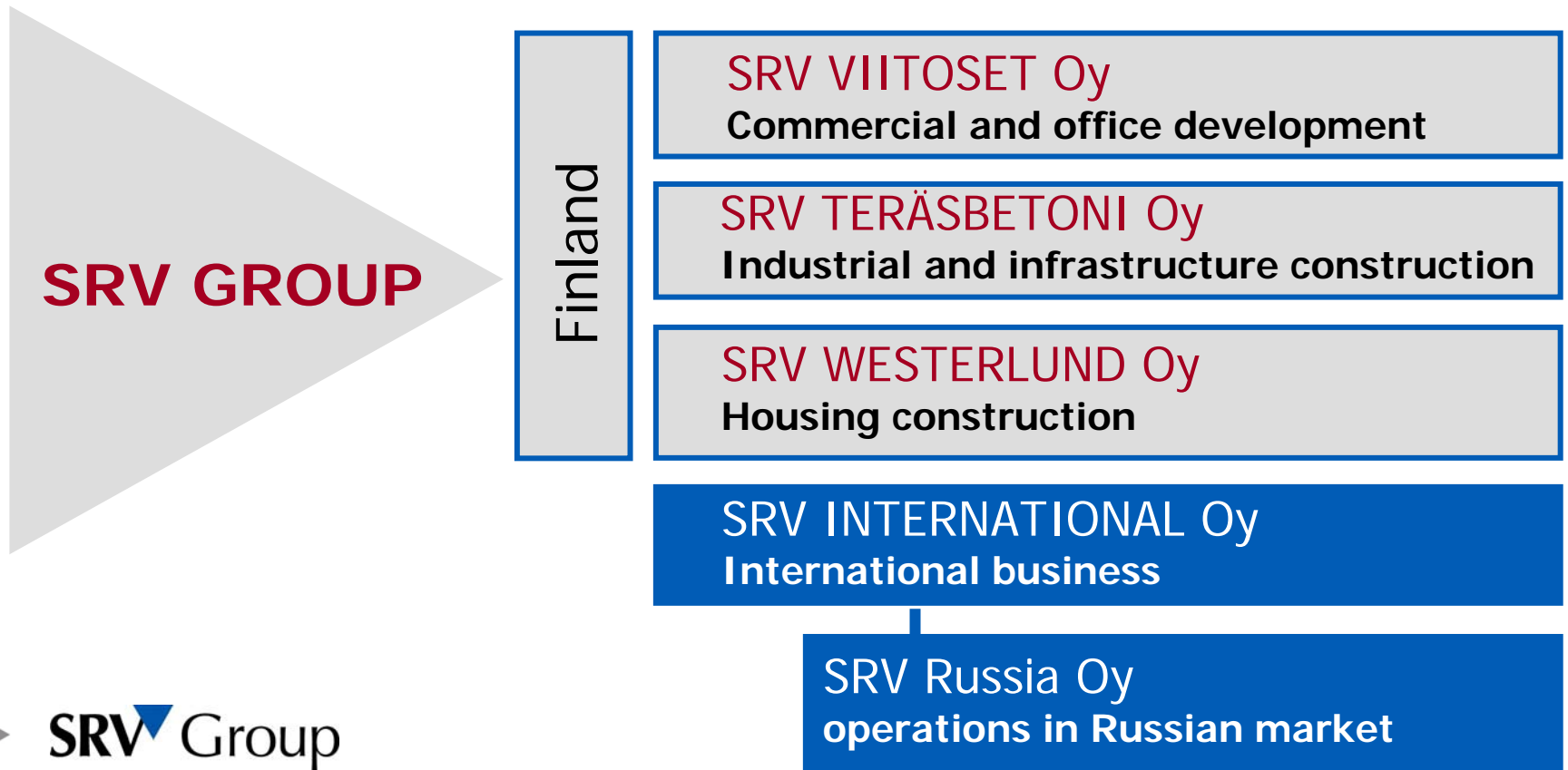
26 years of construction and real estate business:

- In Russia - last nine years
- In Soviet Union - three years in 1980's
- In Finland - 13 years
- In USA - one year



# SRV Group

- Established in 1987, privately owned company
- One of the major construction companies in Finland
- Net sales in 2005 were 432 MEUR
- Average amount of employees 671 persons



# SRV in Brief: Finland

- SRV Group is the fifth largest construction company in Finland
- SRV Group is a market leader in real estate development and project management in Helsinki metropolitan area
- The development focuses especially on shopping centres, offices, hotels, and logistical facilities

Kamppi Center was completed in the centre of Helsinki in March 2006 (commercial value 500 M€)



# SRV in Brief: the Baltic Countries

- SRV entered the Baltic market in early 1990's, right after the countries gained their independence
- SRV was the first to implement in the Baltic countries the comprehensive real estate development projects
- Along with its development business, SRV brought western investors to the Baltic market

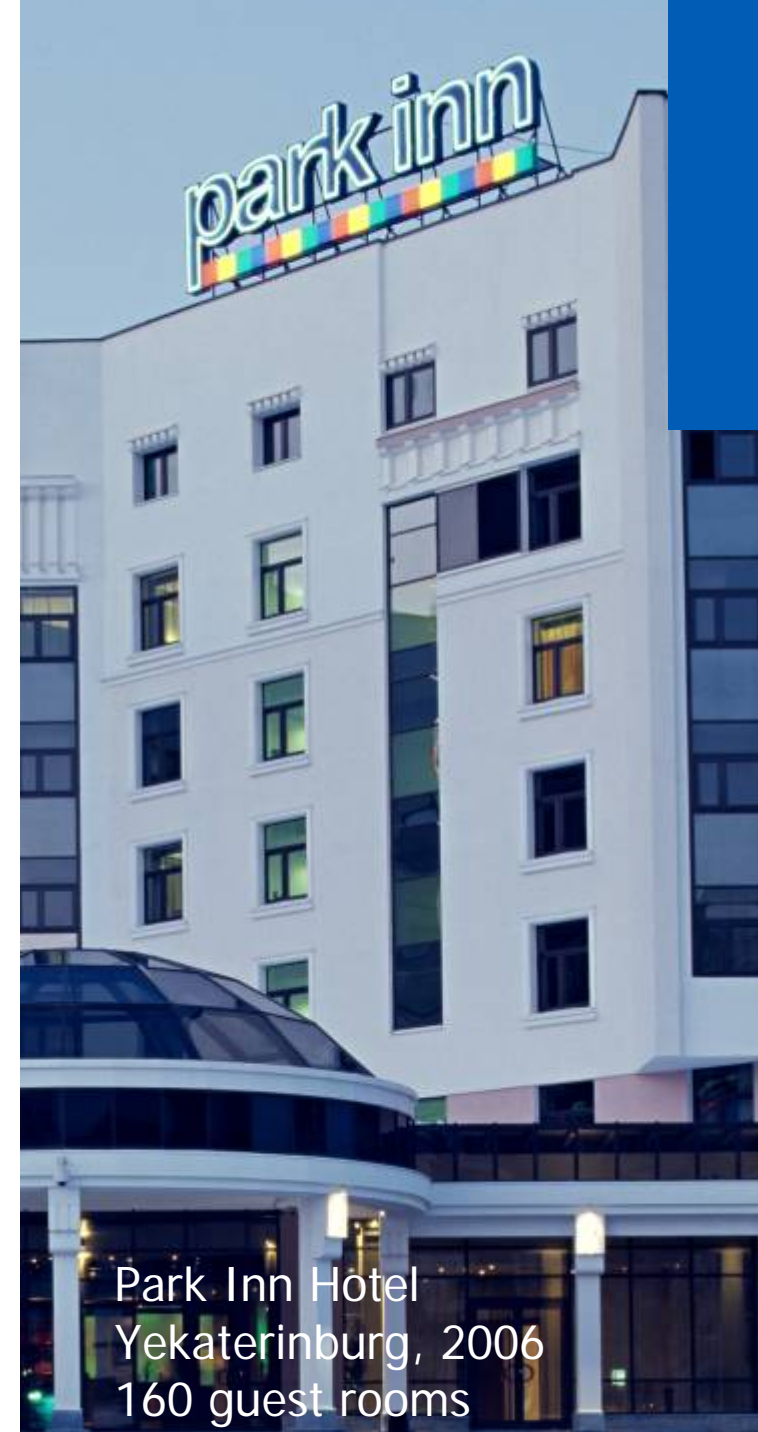


Viru Keskus, Tallinn 2004  
Total floor area 85,000 sqm

## SRV in Brief: Russia

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- SRV was present in Russia from the year of its establishment in 1987
- The real estate development started in Russia in 2000's based on the experience in Finland and the Baltic countries
- The Russian real estate market needs experienced developers to bring added value to investors' property.



Park Inn Hotel  
Yekaterinburg, 2006  
160 guest rooms

# Common Trends in the Russian Real Estate Market

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- Increased interest of real estate investors
  - Change during last two years: investors are ready to develop, not only buy completed projects
  - Investors are interested in buying land plots
- Russian economy growth
  - Target: annual GDP growth 7,5 %
- Bank sector readiness

# Common Trends in the Russian Real Estate Market

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- Rental rates for office, hotel, and retail premises are still growing clearly
  - However, rates will come down some day, as it happened in Eastern Europe: Poland, the Czech Republic in the end of 1990's.
- Yield rate goes down, as it already happened in the Baltics:
  - From 10% to 6-7% in the Baltics
  - From 15% to 10-12% in Russia



# Growing pains of the Russian Real Estate Market

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- Lack of comprehensive business planning
  - A lot of development projects with poor planning and design
  - The business concept must be elaborate
- Design practise does not meet western criteria
  - Materials and solutions only for 3-5 years life cycle
- Instant wins in renting and sale so far
  - In spite of poorly designed offices, rental rate is still 2,5 times higher in Moscow than in Helsinki

# Growing pains of the Russian Real Estate Market

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## Due Diligence

- Completely clear DD is practically impossible to get
- Focus: history of the land plot/real estate
- Focus: the ownership rights and lease rights are incontestable
- Have to ignore some detail shortage in bureaucratic trivialities  
=> Needs to make business decision

# SRV's Objectives in Real Estate Development in Russia

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SRV offers its exclusive expertise for demanding projects:

- Generating **added value** to investors
- Bringing an international experience in the development process and business concept planning
- Utilizing its comprehensive knowledge of local market
- Providing design solutions that ensure economically effective and long-term life cycle of the property

# SRV's Objectives in Real Estate Development in Russia

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## SRV' interest in real estate projects

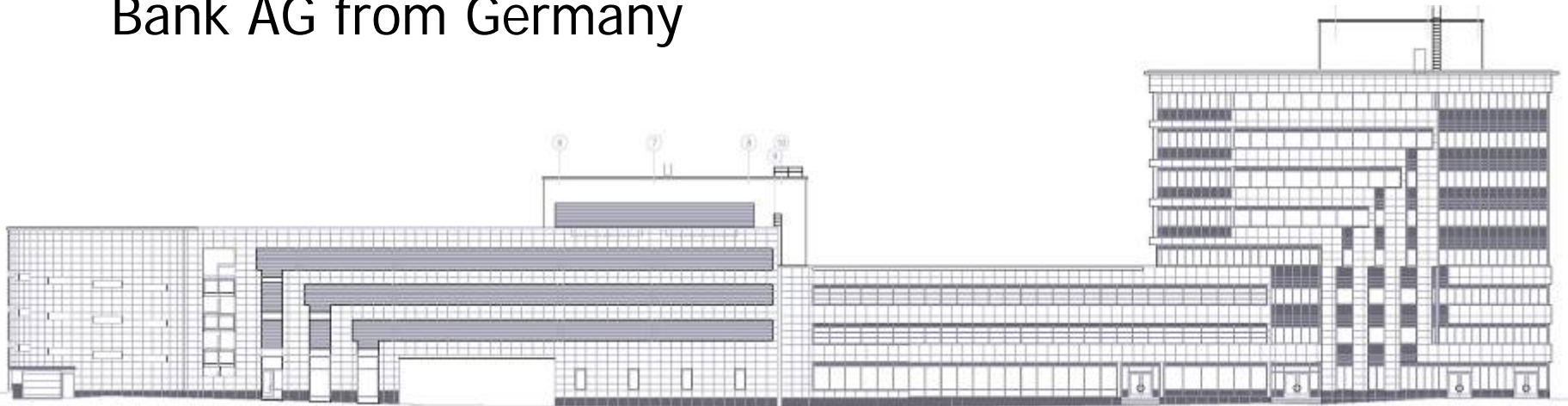
- Shopping centres and offices
- Hotels
- Logistics

# SRV's Recent and Ongoing Projects

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## Etmia Office Building

- New development is ongoing in Moscow in Schepkina Str. 29-31
- Etmia II, the office building and parking of 14,600 sqm of total floor area, will be ready in 2007
- Financing of construction period arranged from Aareal Bank AG from Germany



# Office development

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## Etmia II

Moscow, 14,600 m<sup>2</sup>, 2007  
II stage



## Etmia I

Moscow, 3,600 m<sup>2</sup>, 2002, I stage



# Offices in the Baltics and Russia

Kesko Headquarters, Riga 2002



Seesam insurance company's office Riga, 2004



Office building in Maakri 23a, Tallinn 2001

Usadba Business Center  
Moscow 1997



# Shopping centres

**Developer:** SRV International

**Construction started** in 2002

**Object completed** in 2004

**Total value** over 100 MEUR

## Viru Center, Tallinn

- Shopping center 40,000 m<sup>2</sup>  
(32,000 m<sup>2</sup> of leasable commercial space)
- Multi-level parking for 495 cars
- Extension to the Sokos Hotel Viru, 93 new business-class rooms
- 72 apartments
- Underground bus terminal
- Cultural centre
- Outdoor terrace area

**Gross floor area 85,000 m<sup>2</sup>**





# Shopping centres

## ● Kamppi

The unique project in the heart of Helsinki  
Developer: SRV  
Vitaset

SRV was responsible for financing, development, design and construction of the center.



# Shopping centres

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## ● Kamppi

- A shopping mall and other retail 37,000 m<sup>2</sup> on six floors
- Offices 12,000 m<sup>2</sup>
- Apartments 6,000 m<sup>2</sup>
- Restaurants
- Public transport terminals
- Underground parking
- Total floor area 135,000 m<sup>2</sup>



SRV has sold the Kamppi Center property and the office property to international investors in spring 2006.

# Shopping centres

## Shopping Center SuperSiwa

Savushkina Str. 119, St. Petersburg



Uncompleted Soviet building  
acquired in 1993 and renovated.  
Extended in 2004, total area now is  
about 7,000 m<sup>2</sup>.



# Hotels in the Baltics

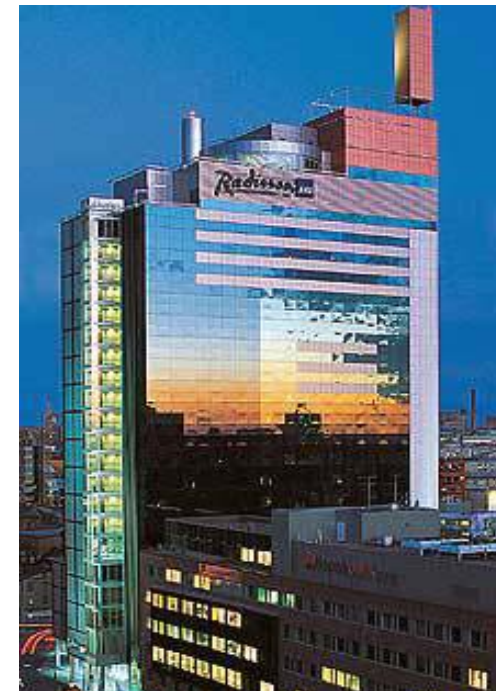
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## Sokos Viru Hotel, Tallinn

- Accured in 1994
- Located in the city center, connected to the newly built Viru Center
- The hotel property has been developed by SRV and renovated in stages
- Extension in 2004, a new building with 93 business rooms
- Viru Hotel has been operated by Sokos Hotel since 2003.

## Radisson SAS Hotel, Tallinn

- Developed and built by SRV in 2001
- Located in the city center, nearby Viru Center
- Gross area 28,700 m<sup>2</sup>
- 110 m high
- 26 storeys, 280 rooms



# Hotels in Russia

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## Hotel Park in Ekaterinburg

- 160 rooms, March 2006  
First Park Inn Hotel in Russia was completed in Yekaterinburg in 2006
- SRV delivered fully completed hotel building including financing
- Financing of construction period was arranged from HVB Bank of Latvia



# Hotels in Russia, new development

## Multifunctional Hotel Complex, Ekaterinburg

- Four star hotel on 26 floors
- Commercial premises
- Being developed next to the Park Inn Hotel in the centre of Ekaterinburg



# Hotels in Russia, new development

## Multifunctional Hotel Complex, Nizhni Novgorod

- 25 floor high complex
- 156 room hotel on seven floors
- Residential block with about 130 apartments
- Offices
- Underground car parking
- Total area over 13,000 m<sup>2</sup>



# Logistics

## DHL Distribution Centre, Riga, 2006

- Gross area 9,000 m<sup>2</sup>
  - 2,400 m<sup>2</sup> of office premises
  - 4,000 m<sup>2</sup> of high storage area
  - the terminal 2,600 m<sup>2</sup>
- Construction period 2005 – 2006
- The first DHL distribution center built near Riag airport in 1998.



## Onninen, Riga, 2004

- The central warehouse and office for Onninen.  
Built in 2004
- Total area of the building 3,300 m<sup>2</sup>





# Housing in Russia

## Development of a residential area in Vyborg

- 300 apartments in multi-storey and detached houses as well as several individual house, including all necessary area infrastructure
- Design work and obtaining approvals for the project is in progress
- Development program extends to 2010





[www.srv.fi](http://www.srv.fi)