



Moscow City
Government

MOSCOW INVESTMENT DIGEST

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Dear Colleagues,

The Department of Economic Policy and Development of Moscow, in cooperation with the Moscow City Investment Agency, presents [the sixth issue of the Digest](#) of Moscow's key investment events.

Uniform rules for sale of real estate owned by municipal organisations

The Moscow authorities have established uniform rules for sale of real estate owned by the City of Moscow.



The uniform rules introduced by decree of the Moscow City Government establish a single approach to the auction procedure, including information support, determination of the down payment, the auction step, time limits, formal procedures, and requirements on the auction participants themselves. Pursuant to the new rules, Moscow organisations and state unitary enterprises will upload all information about facilities to be auctioned on to the Moscow Investment Portal at www.investmoscow.ru and the official auction information site of the Russian Federation.

In order to enhance transparency of the procedures for selling the rights to property belonging to Moscow city, all auctions are to be held in electronic format.

When organising and holding auctions for selling property held by bodies in its jurisdiction on the basis of economic control and operational management, the interaction between the Moscow City Department for Competition Policy and bodies in its jurisdiction will be governed by agreements concluded between the parties.

529 facilities out of the property of State Unitary Enterprises have been sold in 2016 by auctions organised by the Moscow City Department for Competition Policy; the total value of the bidding lots exceeded RUB 5.6 bn.

Moscow plans to build Europe's largest polygraphic technopark



A project to build the first sector-specific polygraphic technopark [was presented](#) in Moscow on September 6.

It might be created in the Planernaya industrial zone (Northern Administrative District), where production and scientific-laboratory buildings will be built. The new facilities will accommodate

62 residents operating in the pulp and paper industry, printing and packaging. Twenty-four companies have already submitted formal bids.

Investments in the project may amount to almost RUB 2 bn, excluding residents' investments in equipment.

Moscow has a significant potential for industrial development: vacant land plots arouse the interest of investors, as well as a huge demand on the part of potential residents of technoparks. In order to stimulate such projects, a system of measures has been launched for supporting not only existing projects to create industrial complexes, technoparks and industrial parks but also ones under construction or preparing for sale.

The City and investors will co-operate on the basis of a special investment contract establishing the obligations of the parties: for the investor – to invest a certain amount of funds and reach economic indicators, and for the city – to take investor incentive and support measures, including ones related to taxation.

Oleg Bocharov, head of the Moscow Department of Science, Industrial Policy and Entrepreneurship, visited a potential construction site for the printing technopark and met with investors.

6 Moscow clinics within the Nearby Doctor project switch to a reduced lease rate

In September 2016, another 6 neighbourhood clinics began seeing patients [and switched to a lease rate of 1 RUB per sq. m. a year.](#)

Under the reduced lease rate programme, the clinics serve patients both on a paid basis and within the mandatory medical insurance system.

The requirements for switching to the 1 RUB lease rate are simple: within eight months of registering the lease, the tenant should carry out repairs and begin providing medical services. Facilities within the scope of the programme are leased out for a period of 20 years. As a rule, these are premises of 150 sq. m. or more on the ground floor of residential buildings.



Currently, investors are leasing 61 premises at different stages of project implementation. Of these, 33 clinics have switched to a reduced lease rate and opened their doors to patients. Further information about the project and facilities offered to investors can be found at the [Moscow Investment Portal www.investmoscow.info](http://www.investmoscow.info).

First Moscow Financial Forum



The [Moscow Financial Forum](#) was held in Moscow on September 23 at the Manege Central Exhibition Hall. The Forum, organised by the Ministry of Finance of the Russian Federation and the Moscow City Government, is a new public platform for professional debate on economic policy and finances.

The Forum participants include Deputy Prime Minister of the Russian Federation Arkady Dvorkovich, Minister of Finance Anton Siluanov, Sberbank CEO and Chairman of the Executive Board Herman Gref, Mayor of Moscow Sergei Sobyenin, Natalya Sergunina, Deputy Mayor of Moscow for Economic Policy, Land and Property Relations, Maxim Reshetnikov, Moscow Government Minister and Head of the Department of Economic Policy and Development of Moscow, and others.

The participants discussed the problems of changing the country's economic strategy following the radical changes in the global economy and new economic trends. Mayor of Mos-

cow Sergei Sobyenin spoke about the role of megacities in the development of the global economy, noting that labour productivity is four times greater in big cities, while the effect from investment is ten-fold.

For his part, Maxim Reshetnikov presented Moscow's experience of effectively managing the megacity's budget and tax policy and elaborated on enhancing the efficiency of government services. The Moscow authorities had to take significant efforts to optimise budget spending and find new non-tax and tax sources of financing, the Minister stressed.

Maxim Reshetnikov: the Moscow City Government has already supported enterprises with 30,000 employees

On September 8, a [roundtable](#) was held in Moscow at which representatives of the Moscow City Government met with heads of industrial enterprises and discussed measures for supporting the city's real sector.



Manufacturing is of prime concern for the Moscow authorities. The city needs efficient enterprises with high-paying jobs and high-density production. Consequently, the Moscow City Government systemically supports the real sector, not only by cutting costs for companies but also by shaping the demand for the products of industrial businesses localised in the city.

New legislation was passed at the end of last year allowing efficient industrial companies to obtain the status of a priority investment project and reduce the tax burden by a quarter. At the same time, the increase in the tariffs has been curbed: the cumulative indexation of utility tariffs for industrial enterprises over the past four years has been half the inflation rate. Had it reached the level of inflation, the additional burden on businesses in 2015 alone would have amounted to more than RUB 45 bn, which would have increased the enterprises' costs by 20%.

What is more, an offset contract mechanism was launched in Moscow on September 1. Under this mechanism, the city will purchase products from manufacturers who have set up new

production facilities in Moscow. Priority areas of government investment contracts include: the production of pharmaceuticals and medical products; transport; and equipment for public utilities.

Alexey Fursin, deputy head of the Moscow Department of Science, Industrial Policy and Entrepreneurship, Kirill Purtov, deputy head of the Moscow Department of City Property, Vladimir Platonov, President of the Moscow Chamber of Commerce and Industry, Alexey Nebolsin, member of the Praesidium of OPORA Rossii [the Backbone of Russia], and Dmitry Volkov, pro bono representative of the Agency for Strategic Initiatives, were among the participants in the meeting.

Moscow City Investment Agency marks its 5th anniversary



To support investment projects based on the 'one-stop-shop' principle, the [Moscow City Investment Agency](#) was set up in Moscow in 2011 to provide advice, expert appraisal of a project and assistance in implementing it. The Agency develops economic and legal terms for projects, including ones based on public-private partnership (PPP), introduces systemic measures

to improve the city's investment climate and promotes the investment opportunities of Moscow and Russia abroad.

As part of developing the public-private partnership, the Agency helps attract investment into both big resource-intensive investment projects in transport and infrastructure and projects involving small and medium-sized businesses to develop the social sphere. For instance, PPP-based contracts worth more than RUB 519 bn were signed in Moscow in the period from 2013 to 2016. The overall value of the concession agreements signed topped RUB 65 bn.

As for projects to develop the social sphere, the Agency participates in the reduced lease rate programme "1 RUB per 1 sq. m. a year". According to the agreements signed under this programme, RUB 3.8 bn will be invested in the opening of Doctor Nearby clinics, establishment of kindergartens and schools and restoration of cultural heritage facilities. Over the period of the programme's implementation, more than 100 facilities have been started up in

all three areas.

The Agency is the operator of the Moscow Investment Portal www.investmoscow.info, which provides access to the municipal real estate put up for auction, as well as to the industrial land plots and the technopolises and technoparks operating in the city.

Moscow in figures: macroeconomic trends

More lucrative businesses in Moscow

Moscow is the most advantageous place in Russia to run a business. In the first half of 2016, the percentage of profit-making enterprises and organisations amounted to 73.1%, up 1.6 percentage points year-on-year.



For reference: the average Russian profitability index dropped by almost 4 percentage points to 69.2%.

According to the Federal State Statics Service, the profits of profit-making companies in Moscow, excluding small businesses, in the first half of this year reached RUB 2 trillion 47 m– nearly a third of the total figure for Russia for the same period. In one year, the profits of Moscow’s profit-making medium-sized and big companies increased by another RUB 2.1 m.

Moscow’s commercial real estate market is stabilising and ready to develop qualitatively

Moscow’s commercial real estate is seeing a stabilisation of lease rates, a search for optimal lease terms and high competition for tenants, which dictates the need for qualitative improvement of existing facilities and entry on to the market of proposals in new formats. These and new trends based on the results of the first six months of 2016 were shown in a comparative analysis, carried out by the Moscow Department of Economic Policy and Development of Moscow, of reports by leading consulting companies.



The transactions on the market for office real estate in the first half of 2016 went up to between 405 th and 660 th sq. m., moreover, an average of up to 50,000 sq. m. of offices are purchased every quarter. Compared to the end of 2015, the vacancy rate of Moscow offices fell by 0.4–0.9 percentage points, mainly through decreasing Class A vacant office spaces.

The increased attendance at retail centres in the second quarter of this year began to have a positive effect on restoring the retail real estate market. Despite the launch of up to 200,000 sq. m. new spaces, lease rates did not change in the first quarter. The leaders in opening new outlets were fast food chains, alcohol stores and entertainment companies. In addition, up to 59% of new spaces are leased by fashion operators. Flagstores of 24 new international brands were opened in Moscow in the first half of this year.

At least 15 new retail centres of various formats are expected to be launched before the end of the year. Most of the announced projects are related to retail businesses in multi-functional complexes or as part of new infrastructure projects connected to development of transfer hubs, including on the Moscow Central Circle and the Third Interchange Contour of the Moscow Metro.

Developers for eight transfer hubs are to be determined by tender

Moscow has announced open tenders for large-scale development projects: [construction of eight transfer hubs](#).

The developers that will construct the Dmitrovskaya, Pyatnitskoe shosse, Paveletskaya, Khovrino, Fonvizinskaya, Tropar'yovo, Park Pobedy, and Technopark transfer hubs are to be determined by these tenders.



The Paveletskaya transfer hub to be constructed on 0.6 hectares close to Dubininskaya St. should include a multi-functional complex with an underground parking lot with a total area of 42,000 sq. m.

The starting price for the 99% share in the registered capital of LLC Paveletskaya Transfer Hub is RUB 29.2 m.

The Dmitrovskaya Transfer Hub to be constructed at 1 Dmitrovskoe Shosse should include a residential complex with a built-in pre-school totalling no more than 90,000 sq.m. and an underground parking lot with a total area of no more than 12,600 sq. m. The starting price on the sales contract for the asset is RUB 74.6 m.

The constructor that wins the bid for the Khovrino Transfer Hub will receive 2 hectares at Dybenko St. across from building 4. The total area of the facilities is not to exceed 108,500 sq. m. including a residential complex with a parking garage and a children's educational institution of up to 43,000 sq. m., apartments with a parking garage of up to 65,600 sq. m. total. The starting price for the 99% share in Khovrino Transfer Hub LLC's registered capital is RUB 24.8 m.

The land plot allocated for construction of the Pyatnitskoe Shosse Transfer Hub is 0.9 hectare. The total area of the facilities to be constructed is 16,200 sq. m. The starting price for 99% of the CJSC Pyatnitskoe Shosse Transfer Hub's shares is RUB 19.9 m.

The starting price for a 99% stake in the registered capital of LLC Fonvizinskaya Transfer Hub is RUB 70.7 m. The transfer hub to be constructed along Milashenkov St. and Ogorondy Lane on a land plot of 1.83 hectares will include a multi-storey residential complex with built-in and adjacent facilities and a parking garage of 74.3 sq. m. Of these, 1,800 sq. m. are allocated for social and household use, and 2,900 sq. m. for utility spaces. A multi-storey parking garage will also be built in compensation.

The starting price for 99.9% of the shares in JSC Park Pobedy Transfer Hub is RUB 77.8 m. Large-scale permanent facilities measuring 236,960 sq. m. may be erected on a land plot with the total area of 4.5 hectares. The investor will have to erect an apartment complex, a multifunctional centre with a parking garage, a bank branch and an office building.

The minimal price of 99 % of the shares in CJSC Technopark Transfer Hub is RUB 38.58 m. A land plot with a total area of 2.52 hectares has been allocated for construction of large-scale permanent facilities measuring 67,700 sq. m. total, including a commercial section with a residential facility measuring 49,400 sq. m., an underground parking lot for 410 cars, a kindergarten and elementary school building measuring approximately 3,915 sq. m., which are to be transferred to the city. Construction of the social facilities is to be completed by 1 August 2020.

The initial price of the sales contract for 99.9 % of the shares in LLC Troparevo Transfer Hub is RUB 34.56 m. A land plot with a total area of 0.16 hectare has been allocated for capital construction of facilities measuring 8,000 sq. m. The investor may erect retail facilities measuring up to 6,100 sq. m. and is obliged to construct utility facilities with a total area of 1,800 sq. m., including a control room with a waiting room. These are to be completed and transferred into city ownership by 28 February 2020.

Applications for the listed bidding lots are accepted until 15 November and the envelopes will be opened on 16 November 2016. The applications are accepted by the Moscow City Department for Competition Policy.

New owner of the major Stolichnye Apteki pharmacy chain defined by e-auction



Three companies [competed](#) for the asset, with LLC Mitten being named the winner of the auction.

The final price of the asset reached RUB 5.67 bn during the public auction. The enterprise owns non-residential buildings with a total area of 102,300 sq. m., along with 16,200 sq. m. of land

plots and movable property.

LLC Mitten has so far not revealed its plans for developing the new asset. The auction was followed by representatives of public organisations.

The auction was organised by the Moscow City Department for Competition Policy.

The Moscow Investment Portal <http://investmoscow.info/> is currently offering over 1,500 facilities for land and property auctions. A full list of the auction lots is available in the section "[Auctions](#)".

Thank you for your attention!

Best regards and looking forward to our cooperation



Department of Economic Policy
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Moscow City Investment Agency

www.investmoscow.ru/agency

The Digest archive [for 2016](#) is available on the Investment Portal.

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