COMMERCIAL REAL ESTATE MARKET OVERVIEW 2012

CONTENT

Summary

The trend of office premises absorption volumes excess over the new supply volumes remained relevant in the Moscow Region in 2012. The aggregate volume of introduced office areas reached approx 600 thous. sq.m in 2012, which was 3% less than the analogous index of the past year.

Therefore, the aggregate volume of high-quality office premises amounted to about 11.9 mln. sq.m at the end of 2012.

Business activity in the market of office rent and purchase was rather high during 2012, which, against serious reduction of delivery volumes, caused the decline of vacant premises level. At the end of 2012 the share of vacant premises constituted 8% in “A” class and 9-10% in “B” class.

All the incoming requests to Blackwood Company comprised of 56% requests for premises rent and 44% - for premises purchase.

A high level of business activity during the whole 2012 together with the trend of new supply delivery volumes decline made it possible to state considerable growth of rental rates: by the results of 2012 the rental rates were 10-12% up.

At the end of 2012 the rental rates varied from $550 to $1, 500 per sq.m. per year for “A” class office premises, from $300 to $1, 200 per sq.m. per year for “B+”, from $250 to $1, 000 per sq.m. per year in “B-” class (all the rates are indicated exclusive of VAT and OPEX).

During 2012 the professional retail real estate supply of the Moscow Region increased by 258, 100 sq.m of the total area (133, 300 sq.m. of them were rentable area). This annual increase pace was minimal since 2004. The aggregate retail real estate supply volume amounted to 6.3 mln. sq.m of the total area at the end of 2012, the rentable area constituted 3.2 mln. sq.m. The provision of Moscow population with high-quality retail areas was at the level of 307 sq.m per 1, 000 residents.

The delivered to the market retail centers included the first in Russia professional outlet center Outlet Village Belaya Dacha. The opening of a number of outlet centers, including the ones near Sheremetievo airport and near Vnukovo airport, was announced for 2013-2014. 19 large RECs with the aggregate area of more than 1.5 mln. sq.m were opened in 2012 in regions.

Therefore, the concentration growth continued in the segment of household goods and appliances in 2012. Operating in the Russian market retail chains were actively struggling for buyers, offering new formats. The preservation of retail operators’ high activity made it possible to anticipate the retention of a minimal level of vacant areas of 1.5% for the most in-demand retail centers and retail streets.

During 2012 the rental rates both for premises in retail centers and in the street retail segment displayed a stable growth, which by the results of the year constituted 10-15% for successful properties and premises of key retail corridors.

The preservation of rather low new supply increase paces is expected in 2013. And against the background of retail operators’ announced high activity (both in terms of international chains’ entry to the Russian market and in terms of the chains’ presence expansion in regional cities) a further growth of rental rates and the retention of minimal indices of vacant areas may be forecasted.

During 2012 two new hotels were opened in Moscow: the increase of new supply since the beginning of the year constituted 253 rooms. The opening of such projects as “Aquamarin III” and the hotel in “Moscow-City” MIBC was shifted for 2013. As the result, the new supply increase paces was minimal in 2012 since 2000, which was the consequence of developers’ and hotel operators’ activity decline in the crisis period of 2008-2009.

The Moscow Government’s shares in a number of the hotels (“Budapest”, “Metropol”, “Swissotel”, “Radisson SAS Slavyanskaya”) were sold in 2012. The reconstruction aiming the increase of a class will in most likelihood be carried out in a number of hotels. Therefore, the supply increase will continue in the upper segment of the Moscow market in the short term.

During 2012 the increase of new supply under international hotel operators’ management surpassed 1, 000 rooms in regional cities: the opening of Tulip Inn Rosa Khutor, Park Inn by Radisson and the Radisson Blu Resort & Congress Center took place in Sochi and the opening of Ibis took place in Samara.

The main trend of the hotel market of Moscow in 2012 was considerable decline of new supply increase paces conditioned by developers’ activity decrease in the crisis period of 2008-2009. As the demand for accommodation was recovering and stabilizing, it caused double indices of RevPAR increase: by the results of the year the index increased by 11%.

International players preserve high activity, the largest international companies continue aggressive regional expansion. As the hotel markets of million-plus cities are saturating, operators’ interest is shifting towards smaller cities: taking into account limited capacity of the market, those operators will be on velvet, whose properties will open earlier.

Supply

In 2012 the trend of office premises absorption volumes excess over the new supply delivery was still relevant in the Moscow Region. The aggregate volume of introduced office premises in 2012 amounted to approx 600 thous. sq.m., which was 3% lower than the analogous index of the last year. The trend of annual decline of new supply volumes of office premises has been preserved during the whole post-crisis period. Thus, 11% less office premises were introduced in 2011 versus 2010 (for comparison, the decline constituted 60% in 2010 versus 2009). The descending trend of office supply increase was first of all conditioned by the all-Russian trend of announced commissioning terms shift, as well as still relevant practice of cancellation or reconsideration of investment contracts in Moscow.

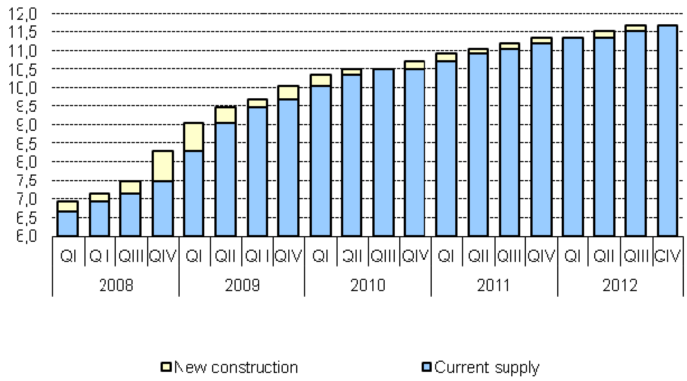
Therefore, the aggregate volume of high-quality office premises constituted 11.9 mln. sq.m. at the end of 2012.

Business activity was rather high in the office rental and purchase market during the whole 2012, which, against a serious reduction of delivery volumes caused the decline of vacant premises level. At the end of 2012 the share of vacant premises amounted to 8% in “A” class and to 9-10% in “B” class. Upon the increase of office areas consumption paces in 2013 the vacancy level will keep declining.

Despite the introduction of restrictive policy for the new construction on the part of Moscow Mayor’s Office, a positive dynamics in the development market of office real estate together with a rather stable market situation and a high business activity served a basis for the further increase of office areas volume, the construction of which was announced for 2013.

Besides, the resumption/reconstruction of several large projects was announced:

Dynamics of supply volumes, mln. sq.m.



Source: Blackwood Company data

- “Hals-Development” acquired permission for the redevelopment of a factory territory in Khamovniki, a MFC is planned for construction (41 thous. sq.m. of office areas).
- “Ferro-stroy” GC unfrozen the construction project of BC Pallau-RB on the 1st km of the Rublevo-Uspenskoe highway;
- BIN Group will construct a MFC with apartments “Lotos” instead of a MFC with 90% of office premises in 2 Odesskaya street, the office area has been reduced by 59 thous. sq.m. (the total area—150 thous. sq.m.);
- BIN Group Project MFC “Oasis” in 5 Korovy Val (58, 557 sq.m.);
- Avgur Estate will put into operation “A” class business center Wall Street in the center of Moscow in Q1 2013.

Several projects completed in 2012

Developer/investor	Name	Address	Total
O1Properties	Lighthouse	28 Valovaya	44,851 sq. m
AFI Development	Aquamarine III	22-24 Ozerkovskaya emb.	78,000 sq. m
"Olympic Bowling –Center"	MFC “Olympic Hall”	16 Olympiysky pr.	23, 107 sq. m
Quorum Debt Management	BC "Kubik"	4 Stroitelny boul., Krasnogorsk	18, 000 sq. m
Hals Development	BC SkyLight	39 Leningradsky prosp.	111, 000 sq. m
Alcon Development	Alkon	72 Leningradsky prosp.	102, 177 sq. m

Source: Blackwood Company data

In addition to the resumption of office properties construction, the implementation of which was unfrozen, many new projects were announced in 2012.

The aggregate volume of office premises, the construction of which was announced in 2012, amounted to more than 1 mln. sq.m., which exceeded the analogous index of the previous year by 14%.

Demand

The total absorption volume of high-quality areas accounted for 1.5 mln. sq.m. for 2012.

Tenants' and buyers' activity in the office real estate market of the Moscow Region was estimated at a high level in 2012. 56% of all the incoming requests to Blackwood Company were accounted for the rent of premises and 44% - for the purchase.

The leader in the demand structure for rent depending on the class of property in 2012 was "A" class (54%). 17% of the requests accounted for "B+", 31% - for "B-" class.

As far as the sale and purchase segment is concerned, the requests for the purchase of "A" class premises (41%) prevailed in 2012.

The structure of demand for high-quality office premises by metric area went through a number of changes in 2012. If in the post-crisis period and in Q1 2012 small office premises (up to 200 sq.m.) were of the highest demand, then in 2012 the demand re-distributed towards office premises of more than 500 sq.m., the aggregate volume of requests for large units amounted to 58%.

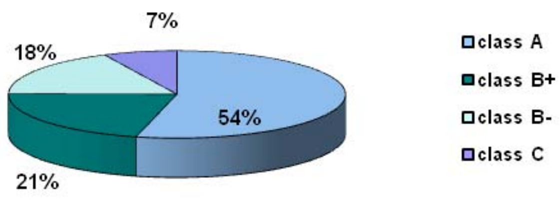
The structure of demand for the purchase of office premises by metric area had the similar distribution in 2012: the most in-demand were the units of more than 501 sq.m., the aggregate volume of requests for the purchase - 70% of the total number of requests.

The changes in the structure of demand both for rent and for the purchase of office premises, as well as permanently increasing market players' business activity was indicative of the high-quality office market recovery to the level of pre-crisis years.

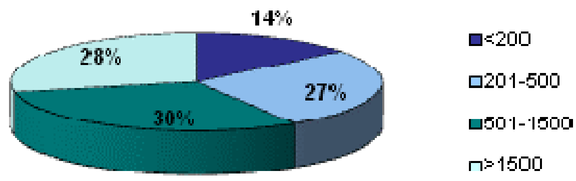
The key trends of demand in the office real estate market in 2012 were the following:

- The market players' high business activity;
- The further growth of activity in the segment of properties under construction;
- The further growth of the average rental area and the terms of agreements conclusion;
- The recovery of investment demand: the market players' activity increase, involvement of new participants, return of foreign investors;
- Enhancement of demand decentralization trend.

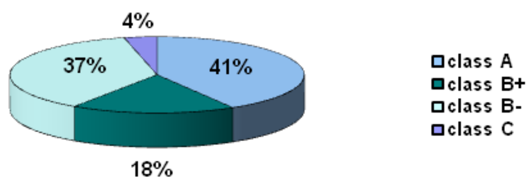
Structure of demand for office premises rent by class



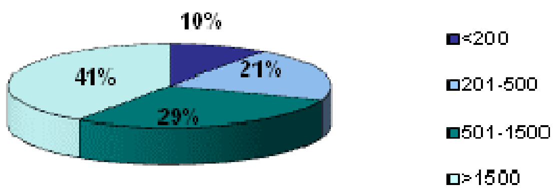
Structure of demand for office premises rent by metric area



Structure of demand for office premises purchase by class



Structure of demand for office premises purchase by metric area



Source: incoming requests to Blackwood Company

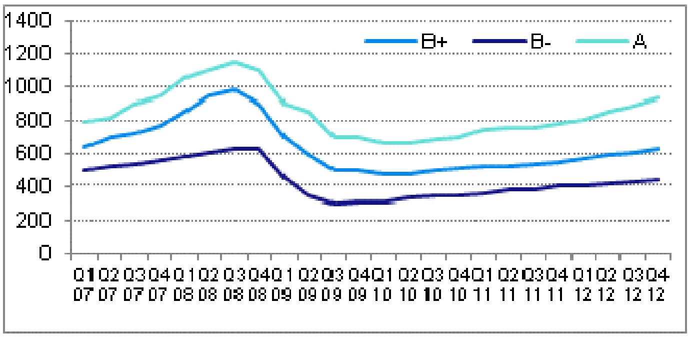
Rental rates and selling prices

High level of business activity during the whole 2012 together with the trend of new supply delivery paces decline made it possible to state a considerable growth of rental rates: by the results of 2012 the average rental rates gained 10-12%.

The highest increase of rental rates were observed in modern high-quality properties, as well as in business centers within the Central business area, where the growth of high-quality supply deficit, facilitated by the restrictive policy of new properties construction, had an important impact on the price growth of the most liquid supply. And the differentiation of rental rate in each class depending on location, quality and occupancy level of each property has been enhancing.

At the end of 2012, the rental rates varied from $550 to $1, 500 per sq.m per year for “A” class properties, from $300 to $1, 200 per sq.m per year for “B+” class properties, from $250 to $1, 000 per sq.m per year for “B-” class (all the rates are indicated exclusive of VAT and OPEX). The average rental rate amounted to $1, 000 in “A” class, to $720 in “B+” class, to $550 per sq.m. per year in “B-” class. OPEX varied from $50 to $290 per sq.m per year for “A” class properties, from $60 to $150 for “B+” class and from $50 to $120 for “B-” class.

Dynamics of average weighted by area rental rate of offices, $/sq.m. per year



Source: Blackwood Company data

The price situation in the sale and purchase segment of high-quality premises was the following: the price varied from $4, 700 to $27, 000 per sq.m for “A” class offices, from $4, 500 to $20, 000 per sq.m for “B+” class and from $2, 000 to $15, 000 per sq.m in “B-” class premises.

On the whole, the price indices for the office premises in 2012 remained rather stable. Despite the up trend of the market players’ business activity, the growth of price indices was rather gradual, which was indicative of malleability of demand for the office real estate by price. And the supply in some segments of the market has approached the pre-crisis level.

Landmark events and transactions in 2012

Tenants’ and buyers’ activity in the office real estate market was estimated as high in 2012.

The main players of the market were still the companies of materials and banking sectors, as well as state corporations.

And the players of IT and retail sectors began to appear among other large players of the market. The largest transaction of 2012 was the rent of 90 thous. sq.m. by Rostelecom company in BP “Telecom-City”. Another large transaction was the rent of 24 thous. sq.m. by Evrazes in BC “Vivaldi Plaza”.

Some transactions concluded in 2012

Buyer/tenant	Name	Sold/leased area	Address
Sale			
"Stroygasconsulting”	BC "Tower 2000"	15 000 sq.m	23A, Tarasa Shevchenko
O1 Properties	BC "Ducat Place III"	33 079 sq.m	6, Gasheka
O1 Properties	"Bolshevik" (factory)	55 000 sq.m	15, Leningradsky pr.
BIN group	MFC "Summit"	63 880 sq.m	22, Tverskaya
MMC Norilsky Nikel	BC in B.Tatarskaya	30 000 sq.m	11, B.Tatarskaya
Sofaz	Gallery Actor	18 000 sq.m	16, Tverskaya, bld. 1
Alfa-bank	BC Pascal Nagatino i-Land	23 000 sq.m	18 Andropova, bld. 3
Rent			
GroupM	BC "Legenda"	10 000 sq.m	2, Tsvetnoy boul., bld. 1
GC “Novartis”	BC "Alcon"	16 0000 sq.m	72, Lelingradsky pr.
“Philip Morris Sales and Marketing”	BC "Legenda"	9 000 sq.m	2, Tsvetnoy boul., bld. 1
Household goods distributor	BC Kubik	17 000 sq.m	MKAD 65-66 km
Evrazes	BC Vivaldi Plaza	23 857 sq.m	2, Letnikovskaya str., bld. 1,2,3,4
Rostelecom	BC Telecom-City	90 000 sq.m	Kievskoe highway, 2 km from MKAD

Source: Blackwood Company data

Landmark events and transactions in 2012 (continuation)

Investment background of the office market remained stable. The share of foreign companies, for whom the Moscow market acquired attractiveness again, among investors increased. During the year several investment transactions were concluded, and the number of large transactions increased:

- Finnish investment company Sponda Plc. acquired "Bakhrushinsky Dom" office center for $47mln.;
- Turkish building holding Renaissance Construction announced its intention to invest $1.1 bln. in the project of a business center in "Moscow-City" for the construction on equal terms of two office buildings, measuring 330 thous. sq.m. The negotiations about Renaissance Construction reacquisition of 50% share of Viktor Rashnikov in the project of the former tower "Russia" in "Moscow-City" MIBC is already under way;
- A state oil fund of the Azerbaijani Republic (SOFAZ) acquired ROC "Gallery Actor" (the total area—18 thous. sq.m) in 16 Tverskaya, bld.1. The transaction sum amounted to $133 mln.;
- OJSC "Bashneft" Joint-Stock Oil Company acquired BC "Hals Tower" from JSFC Sistema. The price of a BC (12.12 thous. sq.m) at the address: 5, 1st Tverskaya street amounted to 3.41 bln. rub.;
- LLC Enmar (the subsidiary of Turkish company Enka) acquired the share of a town in OJSC Moscow-Krasnie Holmi, which has "Riverside Tower" business center and the "Swissotel Krasnie Holmi" hotel on the balance sheet. The transaction sum amounted to 2.8 bln. rub.

Administrative factors were of the main importance for the office real estate market in 2012. S. Sobyanin's initiatives on the change of a city-planning policy caused mass reconsideration or cancellation of investment contracts in the city. Thus, during the year a large number of cancellations and terminations of investment contracts were announced both in the central part of the city and in its distant districts.

The initiative concerning the move of authorities beyond Moscow in 2012 did not find its solution, for which reason the issue of vacation of areas in the center, which were used by state officials, remained open.

Positive events of the market include the process of decentralization of office centers development. In 2012 developers' initiatives about the construction of business centers in the nearest belt of the Moscow Region were announced, in particular, RDI Group intended to build business parks within the territory of their cottage settlements. Besides, the Moscow Region authorities made decision to build business centers near MKAD.

Summing up the results, the continuation of the office market recovery process in the Moscow Region, expressed in a complex development of the city territory and in a stable (though rather small in comparison with the pre-crisis indices) increase of new supply together with the market players' high activity may be stated.

Some projects announced for construction in 2012

Developer/Investor	Name	Address	Announced area
"Promsvyaznedvizhimost"	BC "Aerodrom"	37, Leningradsky pr., bld. 7	36 000 sq. m
LOTTE	BC "Lotte"	65, Profsouznaya	58 860 sq. m
Coalco, VTB	BC "Iskra"	35 Leningradsky pr.	201 000 sq. m
Renaissance Construction	n/a	Moscow-City, sites 17-18	330 000 sq. m

Source: Blackwood Company data

Forecast

In H1 2013 the office real estate market of the Moscow Region will in most likelihood be developed according to the established trends of 2012: the demand for purchase and rent will stay high, several large investment transactions announced already in 2012 are anticipated.

Taking into consideration a positive dynamics of the market, new supply volumes increase paces in 2013 will advance and are estimated at the rate of 750-900 thous. sq.m. (taking into account properties, the commissioning of which was shifted from 2012).

In its turn, the preservation of a business activity at a high level will contribute to the further gradual growth of rental rates at the level of 7-12%.

Currently, the Moscow office market is gaining momentum, however, the demand for real estate is sensitive to the volatility of macroeconomic indices and elastic by price. In case of absence of possible political and economic turmoil in the country in 2013, the office market will preserve its stable condition. Moreover, upon the improvement of investment climate in the country, a positive scenario of the market development is most probable.

Supply

The supply of professional retail real estate in Moscow Region increased by 258, 100 sq.m. of the total area (133, 300 sq.m.—rentable area) during 2012. This annual increase pace became minimal since 2004. The aggregate supply volume of retail real estate amounted to 6.3 mln. sq.m., the rentable area of which constituted 3.2 mln. sq.m. at the end of 2012. The provision of Moscow population with high-quality retail areas was at the level of 307 sq.m. per 1, 000 residents.

The delivered to the market retail centers included the first in Russia professional outlet-center Outlet Village Belaya Dacha. The opening of another outlet-centers, including the ones near Sheremetievo airport and near Vnukovo airport, was announced for 2013-2014.

19 large RECs were opened in regions in 2012, the aggregate area of which exceeded 1.5 mln. sq.m.

As far as the new projects are concerned, 9 new large retail -entertainment centers with the summary total area of more than 1.2 mln. sq.m. were announced during 2012 in the Moscow Region. Besides, a considerable number of new projects were announced for opening in regional cities. It should be noted that the majority of new projects both in Moscow and in the Moscow Region were the properties of regional and super-regional scales, which was indicative of retail real estate developers' increasing confidence in the prospects of the market development. Nevertheless, the supply increase paces will hardly grow in 2013: the delivery of the majority of new projects is expected not earlier than in 2014-2015.

Professional retail centers delivered to the market in 2012, Moscow

Name	Total area/ Retail area, sq.m.	Developer	Main tenants
Gallery of the "Moskva" Hotel	30, 000 / 20, 000	Dekmos	Podium Market clothes goods
Sombrero	17, 000 / 6, 300	Reksant	"O'key Express" supermarket, "Deti" children's goods store, Ile de Beaute perfumery and cosmetics store
Outlet Village Belaya Dacha	42, 100 / 38, 000	Belaya Dacha	TSUM Discount, Adidas, Furla, Lacoste, Mango, Pinko discount stores
Iyun	25, 000 / 15, 000	Regioni	"Perekrestok" supermarket, "Technopark" household goods and electronics store, Mori Cinema cinema hall
Panfilovsky	25, 000 / 13, 000	Mavis	"O'key Express" supermarket, "M.Video" household goods and electronics store
Kaleydoskop	119, 000 / 41, 000	BIN	"Perekrestok" supermarket, "M.Video" household goods and electronics store, "Detsky mir" children's store, "Baltika" cinema hall
TOTAL	**258, 100 / 133, 300**		

Source: Blackwood Company data

Demand

During 2012 the following chains entered the market according to the franchising scheme:

- Paul bakery chain (France);
- Chain of Hamleys toys stores (UK);
- Chain of Bath & Body Works body care stores (USA);
- Chain of Mamas & Papas children's' goods stores (UK);
- Chain of Scotch & Soda clothes and accessories stores (Netherlands).
- Chain of Wood Wood clothes stores (Denmark);
- Chain of Idexe children's goods stores (Italy);
- Chain of K-Ruoka supermarkets (Kesko, Finland);
- Chain of Debenhams department stores (UK)

The following chains announced its plans to open the market :

- Chain of Nando's restaurants (SAR);
- Chain of Chuck E. Cheese's pizza restaurants (USA).

Media-Saturn group announced its leaving from the Russian market of Saturn household goods and electronics stores brand (a more successful and popular brand of the group - MediaMarkt will stay in the market).

Therefore, the growth of concentration in the segment of household goods stores continued in the market in 2012: "Technosila" chain plans to sell the tenancy for 40 stores to Eldorado. The transaction is implemented within the program

Demand

of absorption of smaller chains, according to which the chain Beringov has been already bought.

Operating in the Russian market retail chains struggle for buyers, offering new formats. Thus, Auchan group plans to open the first store Auchan Drive in Moscow, which will operate according to the placement of orders via the Internet.

The area of a new store will constitute 3, 000 sq.m. Earlier, Auchan announced its plans to open the internet-store of household goods and electronics.

The preservation of retail operators' high activity makes it possible to forecast the retention of the minimal level of vacant areas of 1-5% for the most in-demand retail centers and retail streets.

Rental rates

During 2012 the rental rates both for the premises in retail centers and in the street retail segment displayed a stable growth, which, by the results of the year, amounted to 10-15% for successful properties and premises of key retail corridors.

It should not go unnoticed that record high rental rates for premises in Tverskaya street were recorded in September: $21, 000 per sq.m. per year per premise, measuring 50 sq.m.

(the maximum rental rates in Tverskaya street before the crisis 2008-2009 amounted to approx 12, 000 euro per sq.m. per year).

The slowdown trend of new professional retail real estate supply increase paces, which was observed in 2012, makes it possible to forecast a further growth of rental rates upon retail operators' high activity in the Russian market.

The level of vacant areas and supply rental rates in retail corridors of Moscow at the end of 2012 and in comparison with 2011

Retail corridor	Share of vacant areas, %	Rental rate, $ per sq.m	Rental rate, $ per sq.m at the end of 2011
Tverskaya	1.1	3 100 – 8 500	3 950 – 8 500
1st Tverskaya-Yamskaya	2.0	2 150 – 4 000	2 500 – 4 200
Arbat	2.0	1 900 – 3 350	1 600 – 3 400
Novy Arbat	6.5	900 – 3 000	600 – 2 300
Pyatnitskaya	3.0	1 900 – 3 800	1 500 – 3 800
Petrovka	1.0	1 900 – 3 750	1 900 – 3 200
Sadovoe koltso	5.5	900 – 2 500	750 – 2 000
Kutuzovsky prospekt	2.5	1 200 – 3 100	750 – 2 500

Source: Blackwood Company data

Forecast

The preservation of rather low increase paces of new supply is expected in 2013. And a further growth of rental rates and the retention of the minimal indices of vacant areas may be forecasted against announced high activity of retail operators (both in terms of international chains entry to the Russian market and in terms of expansion of the chains presence in regional cities).

Supply

During 2012 two new hotels were opened in Moscow: the increase of new supply since the beginning of the year constituted 253 rooms. The expected by the end of the year delivery to the market of such projects as "Aquamarin III" and hotels in MIBC Moscow-City was postponed for 2013. As a result, the increase paces of new supply in 2012 was minimal since the beginning of 2000, which was indicative of developers' and hotel operators' activity decline in the crisis period of 2008-2009.

Several new hotel projects were announced in the Moscow Region: Hyatt Regency in the structure of MFC "Arena Park" (297 rooms), hotels and apartment complex under Accor management at the place of the Kievskaya hotel (700 rooms), Marriott in Novy Arbat (234 rooms and 153 apartments), as well as a number of smaller hotels in the central part of the city. According to the project participants' announcements, the majority of them will operate in the upper and in the middle segment of the market.

In 2012, the shares of Moscow Authorities in a number of hotels (Budapest, Metropol, Swissotel, Radisson SAS Slavyanskaya) were sold. In all likelihood, reconstruction aiming class advancement will be carried out in a number of the hotels. Therefore, the increase of upper segment supply will continue in the short term in Moscow.

Increase of hotel rooms new supply in 2012, Moscow

Name	Address	Class	Number of rooms
Mercure Arbat Moscow	6, Smolenskaya sq.	4*	109
Azimut Moscow Tulskaya Hotel	9, Varshavskoe highway	3-4*	144
TOTAL			**253**

Source: Blackwood Company data

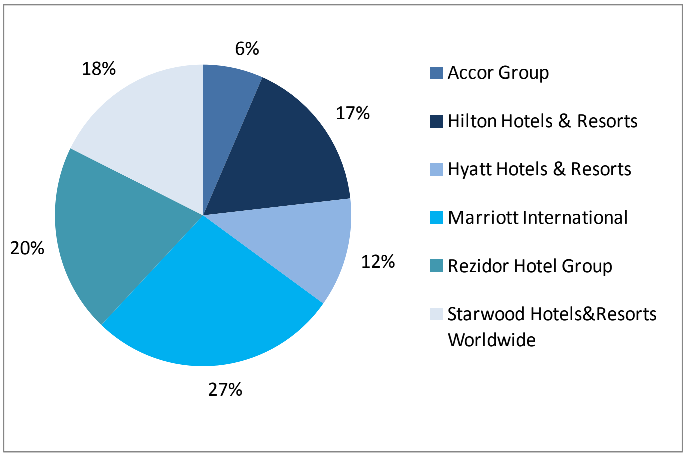
International operators' activity

During 2012 the increase of new supply under international hotel operators' management in regional cities exceeded 1, 000 rooms: the opening of the Tulip Inn Rosa Khutor, the Park Inn by Radisson and the Radisson Blu Resort & Congress Center hotels took place in Sochi, as well as Ibis in Samara.

In 2012, more than 60 new projects under international operators' management were announced in regional cities. As it follows from the presented diagram, Marriott international and Rezidor Hotel Group displayed the highest activity.

It should be noted that currently the majority of million-plus cities, as a rule, present 2-4 hotels under international brands. As the competition is growing, developers' and operators' interest is shifted towards smaller cities: during the year the projects were announced in such cities as Yaroslavl, Kaluga, Voronezh.

International hotel operators' participation in new projects announced in 2012



Source: Blackwood Company data

Trends and forecast

The main trend of the hotel market of Moscow in 2012 was considerable decline of new supply increase paces due to developers' activity decline in the crisis period of 2008-2009. As the demand for accommodation services was recovering and flattening out, it caused double-figure index increase of RevPAR: by the results of the year the index gained 11%.

International players preserve high activity, the largest international companies continue aggressive regional expansion. As the hotel markets of million-plus cities saturated, operators' interest shifted towards smaller cities: with account of limited capacity of the market, those operators will be on velvet, whose properties will open earlier.