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Cities' Appeal to Investors: General Criteria

Booming regional markets make developers of commercial properties weigh the attractiveness of any particular place for investors more carefully. This article will recount the initial estimation procedure used to assess a city's potential for investment attraction and describe primary development criteria.

It is important to understand that the appeal of a place to investors may change, depending on their investment goals. Those who invest in residential functions are guided by one set of criteria, while warehouse investors study a different set of criteria. Specific figures and their general interdependence will also change.

A set of criteria, quantitative assessment of each criterion and its upper bounds under present conditions are what really matter.

These issues call for serious analysis and information search, estimations (including expert ones) and a generalized picture of the city's appeal to investors.

Geographical location

Geographic location, weather conditions and closeness to other regions and countries the main criteria for defining the investment appeal. The milder the climate is, the greater the appeal. A close proximity to highly developed regions

creates favorable conditions for the development of economic ties with other regions and states.

The administrative status:

- national;
- republican;
- territorial;
- regional or
- district

Demographic criteria

One of the most important criteria defining investment appeal is a city's population. Appendix 1 lists

#	City groups	Population	Number	Cities
1	Megalopolises	>3m	2	Moscow, St. Petersburg
2	Million-plus	1-3m	10	Novosibirsk, Yekaterinburg, Nizhny Novgorod, Omsk, Samara, Kazan, Chelyabinsk, Rostov-on-Don, Ufa, Volgograd
3	Close-to-million	Nearly 1m	4	Perm, Krasnoyarsk, Saratov, Yanzhezh
4	Half-million	500,000 to 800,000	18	Krasnodar, Tyumen, Barnaul, Izhevsk, Ulyanovsk, Yaroslavl, Vladivostok, Irkutsk, Khabarovsk, Novokuznetsk, Orenburg, Tyumen, Kemerovo, Ryazan, Penza, Naberezhnye Chelny, Lipetsk, Astrakhan
5	Great	250,000 to 500,000	41	Tomsk, Tula, Makhachkala, Kirov, Cheboksary, Kaliningrad, Bryansk, Ivanovo, Magnitogorsk, Tver, Kursk, Nizhny Tagil, Stavropol, Ulan-Ude, Arkhangelsk, Belgorod, Kurgan, Kaluga, Orel, Sochi, Murmansk, Smolensk, Vladikavkaz, Vladimir, Velikiy, Cherepovets, Chita, Suzansk, Surgut, Volodya, Tambov, Komsomolok-on-Amur, Kostroma, Nalchik, Taganrog, Petropavlovsk, Steplinsk, Bratsk, Dzerzhinsk, Yoshkar-Ola, Shakhty
6	Big	100,000 to 250,000	94	
7	Medium	50,000 to 100,000		
8	Small	Below 50,000		

Russian cities in descending order of population. Table 1 cites the established division of cities into groups that normally determine their investment appeal. The top three groups boast the highest attractiveness, although investments in cities with half a million population have become more frequent of late.

The next criterion is natality, estimated in percent; it can be positive or negative. If natality is negative, the reasons for the waning population are to be pondered.

Natality depends on birthrate, mortality rate and migration. Whenever the birthrate exceeds the mortality rate, it shows a positive demographic trend in a city. Positive migratory population growth is not always a favorable factor; thus, the return of forcibly displaced persons often strains the situation in town and leads to growing crime.

The average age of the population, the percentage of able-bodied

citizens and the average educational level are significant criteria. Many Russian cities are seeing the aging of the population and a drop in the share of able-bodied citizens, which certainly lowers their investment appeal.

The rate of unemployment shows what share of able-bodied citizens cannot find an official job and are therefore dependent on unemployment allowances, contributing nothing to the urban economy.

Socio-economic showing

The most important criterion is population's average income. They normally use official information from GosKomStat as a relative quality characteristic.

The availability of large, operational production facilities, especially those manufacturing construction materials and equipment, is a rather beneficial factor, and enhances investment appeal.

The fact that a city is included in the nationwide development program and therefore subsidized from the national treasury is also quite significant.

Investors appreciate the loyalty of the local administration to a development project and a company that represents it. Administrative backing greatly simplifies any project promotion.

The above-stated list is in no way exhaustive. Some specific criteria, such as the average provision of housing, retail or office space, the state of the housing stock, supply/demand for various types of real properties, etc., might be of paramount importance in implementing certain projects.

All criteria in their totality are to be considered for investment appeal assessment. We use a table where the parameters of investment appeal are presented in the form of colored qualitative-quantitative estimations. ■



SEDMOYE NEBO

Shopping and Entertainment Center

- Location – center of Ekaterinburg
- Total area – 70 000 sqm
- GLA – 36 000 sqm
- Two level underground car parking
- Commissioning – III quarter 2009



OLYMP

mixed-use development

- Location – by the Highway from Ekaterinburg to Koltsovo International Airport
- Total area – 245 000 sqm
- GLA – 121 000 sqm
- Underground and above ground car parking for 6 000 car places
- Commissioning – 2010

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