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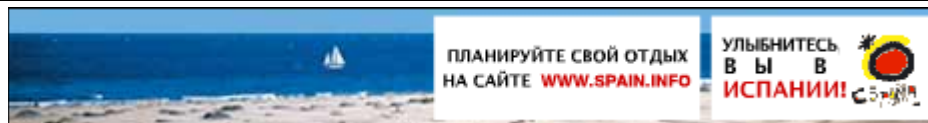
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Tuesday, June 27, 2006. Issue 3440. Page 1.

Moscow Named World's Most Expensive City

By Stephen Boykewich
Staff Writer

Skyrocketing real estate prices have made Moscow the most expensive place on earth for expatriates to live -- not to mention drink coffee -- according to an annual survey by U.S.-based Mercer Human Resource Consulting.

An "international standard" two-bedroom unfurnished apartment in Moscow costs over \$3,100 per month, as opposed to \$2,800 in Beijing and \$2,390 in Paris, according to Mercer's calculations.

The survey ranks 144 world cities according to prices of goods and services in 10 categories, from groceries and restaurant meals to utilities and sporting events, as well as the price of rental accommodation.

Moscow claimed the top spot from Tokyo, which fell to No. 3 this year, followed by Hong Kong and London. New York City held 10th place, and St. Petersburg rose three places, to 12th.

But some of the benchmark costs Mercer used for its survey drew laughs from Moscow expatriates, including \$5.62 for a cup of coffee, \$6.11 for a copy of "an international daily newspaper" and \$24.36 for a CD.

The International Herald Tribune has a Moscow newsstand price of 90 rubles (\$3.33), while a cappuccino at the popular cafe chain Shokoladnitsa costs 95 rubles (\$3.50).

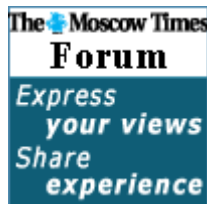
The price rises to 145 rubles (\$5.35) -- nearer the Mercer marker -- for a mega cappuccino with gingerbread syrup.

Mercer Cities Index

	2006	2005
Moscow	1	4
Seoul	2	5
Tokyo	3	1
Hong Kong	4	9
London	5	3
Osaka	6	2
Geneva	7	6
Copenhagen	8	8
Zurich	9	7
Oslo	10	10
New York	11	13
St. Petersburg	12	15

Source: Mercer

CDs, though often of questionable provenance, are sold in Moscow's countless kiosks and markets for 100 rubles to 200 rubles (\$3.70 to \$7.40).



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Mercer senior researcher Anna Krotova said she stood by the company's methods.



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"We have researchers in every city who collect prices and send them to Geneva, where they are peer-reviewed and checked with people who are aware of the Moscow situation," Krotova said by telephone from Geneva.



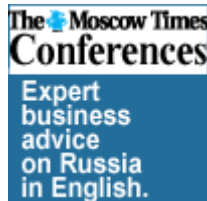
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The ranking is not meant to reflect the cost of living for the city as a whole, but for the high-stepping expat community, she said.

"In Moscow, the gap is particularly high because of the gap in income between foreigners working in international companies and the income of ordinary people," Krotova said. The survey "is really for expatriates and maybe for high-income local residents."



The average Russian made 8,530 rubles (\$315) per month as of the end of 2005, according to the State Statistics Service.

Moscow has been near the top of the heap in Mercer's annual ranking for several years running. It held the No. 2 spot in 2000 and 2001 before sliding to No. 4 last year.



One of the sharpest rises on the ranking came from Kiev, which leapt from 54th place to 21st, due to rising costs and the appreciation of the hryvna against the U.S. dollar.



Sao Paulo and Rio de Janeiro made even more dramatic jumps, from 119th and 124th place to 34th and 40th, respectively.

Driving Moscow to the top were apartment rental prices, which rose "quite sharply this year," Krotova said.



Beatrix Real Estate, which caters to Moscow's expatriate community, lists typical two-bedroom apartment rental rates from \$2,500 per month for a building with "basic renovation" -- slightly below Mercer's benchmark -- to \$20,000 per month for exclusive properties with designer furnishing.

American businesses working in Moscow routinely pay \$5,000 per month to rent their employees apartments in the city center, said Andrew Somers, president of the American Chamber of Commerce in Russia.



"I certainly am getting a lot of feedback from our members that it is very expensive here," particularly in terms of housing costs, said Elena Settles, regional coordinator for the Canada Eurasia Russia Business Association, or CERBA.

Though many CERBA members receive free or heavily subsidized housing through the Canadian Embassy, "people who do rent or buy places here say



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that they are ridiculously expensive," Settles said.

Neil Withers, a Montreal native who has lived in Moscow for nine years and currently works for Bank Vozrozhdeniye, said he could not help noticing rising costs in apartment rents and restaurant bills, but that he still looked skeptically on the claim that Moscow was the most expensive city in the world.

Many expats, even at the executive level, learn to take advantage of Moscow's abundant bargains -- among them gypsy cabs that cost a fraction of what professional taxis do, Withers said.

"A lot of people I know of, even without a whole lot of language skills, get familiar pretty quickly with how to take a cab in Moscow," Withers said. "I don't really think it is fair to say the city is the most expensive in the world because of something like taxi fare."

Withers also said he was a regular metro rider -- a prospect that Mercer found so unlikely, it did not take into account the relative price of bus and metro fare in the city when calculating Moscow's expat cost of living.

While the survey listed bus and metro fares for London, Paris, Rome, Berlin, Warsaw, Tokyo and Buenos Aires, among other cities, it listed Moscow's transport prices as "not applicable."

A single ride on the Moscow metro costs 15 rubles (\$0.55), versus \$2 for the New York subway or £3 (\$5.46) for a single-zone ride on the London metro.

"We previously haven't listed these prices because most expatriates wouldn't consider taking a bus," Mercer's Kotova said. "But this is something we will definitely have to change in the future."

Mercer also left public transport out of the calculations for Zagreb, Beijing and Johannesburg.

Cost of Living in 5 Cities

Prices in dollars at medium-price establishments

	Moscow	Tokyo	London	New York	Prague
Luxury 2-bedroom apartment	3,139	4,315	3,119	3,667	1,384
Bus or subway ride	N.A.	2.43	3.67	2.09	0.75
Music CD	26.49	22.48	22.01	19.76	26.49
International newspaper	6.11	1.36	2.02	1.71	2.2
Cup of coffee	5.62	2.7	3.48	4.15	3.98
Hamburger meal	4.05	5.49	8.26	6.3	5.3

Source: Mercer

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