



2015
PRIME RESIDENTIAL
REAL ESTATE
MARKET REPORT
Saint Petersburg

HIGHLIGHTS

The demand for prime housing settled down at rates of previous years and amounted to 67 thousand sq m (497 flats) at the end of the year.

60% of the flats were sold in the facilities located in territories of Krestovsky Island and Liteiny Avenue.

The number of requests for spacious flats of more than 220 sq m significantly increased in 2015. The main demand was for 2 bedroom flats.

The average price amounted to 5,002 \$/sq m in 2015. The average price index decreased by 5% during the year.



Ekaterina Nemchenko

Head of Prime Residential Real Estate
Department, Knight Frank St. Petersburg

"Looking back on 2015, we can identify the stability of the demand for prime housing in St. Petersburg, as well as the activity of all market participants. These emerging trends will be relevant in the long run.

Buyers stick to careful and balanced approach in the choice of property for personal use. As a rule, their requests are clearly articulated due to the experience and understanding of important and prior issues. The role of parking, surroundings, the quality characteristics of the materials used, increased noticeably. The proportion of requests for ready-made facilities with the unique design in the decoration and atmosphere rose. But there is a shortage of high-end property with great views from windows.

Most of the new projects are being implemented in accordance with the buyers' expectations, which confirms the dynamics of sales even in the initial stages of implementation.

Overall, the market supply becomes more structured due to the price adjustments occurred throughout the year.

Geography of the supply meets the needs of the target audience, having a basic interest in the Central District, Petrogradskaya Storona and Krestovsky Island. The cherry on top of sought-after locations will be a new high-end property on Petrovsky Island with exceptional views from windows, its sales will be opened in 2016."

PRIME RESIDENTIAL REAL ESTATE MARKET REPORT SAINT PETERSBURG

Key indicators

	Indicator	Dynamics*
Primary Market		
Flats available for sale, pcs	1,322	▼ -5%
Demand for flats, pcs**	497	▼ -25%
Average Price, \$/sq m	5,002	▼ -5%
Secondary Market		
Flats available for sale, pcs	3,118	▲ +17%
Average Price, \$/sq m	2,881	▼ -27%

* Compared to Q4 2014

** Compared to 2014

Source: Knight Frank St. Petersburg Research, 2016

Supply

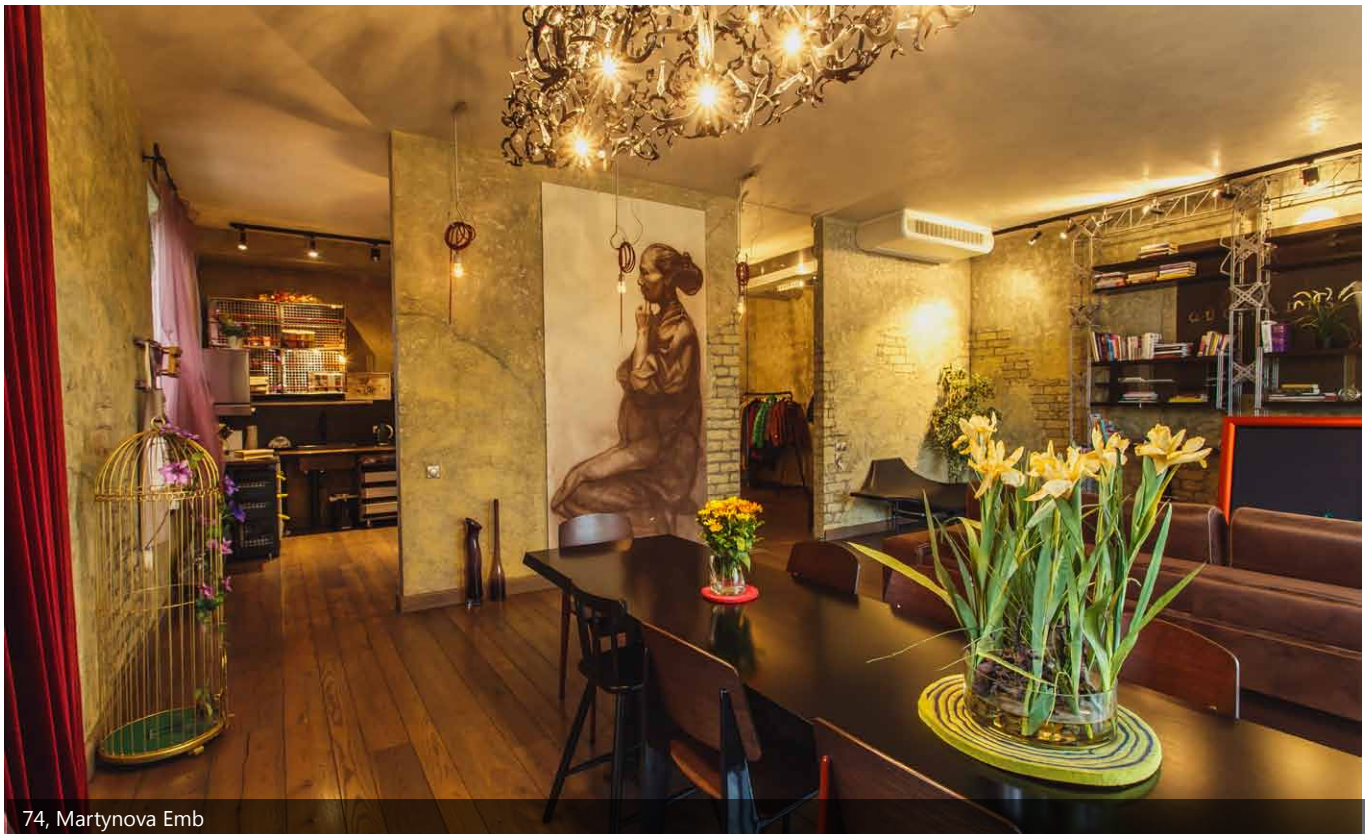
The supply of St. Petersburg prime residential market amounted to 1,322 flats at the end of 2015 (179 thousand sq m). Five new residential complexes with total living space of 87.5 thousand sq m were put on the market during the year, three of them are apartment projects located on Krestovsky and Kamenny Islands. The largest "startup" of the year on the prime residential market was Russkiy Dom residential complex developed by Vozrozhdenie Sankt-Peterburga, which included 395 flats with total living space of 48.5 thousand sq m. As a result, a significant share of the number of proposed prime housing was taken by the territory of Liteiny Avenue. The leadership in the supply of prime housing is retained by Krestovsky Island, where there are 7 residential complexes put up for sale.

The reduction of the number of marketed prime flats is driven by both stable indicators of demand and the sales suspension of flats in the projects listed for

sale, which is probably due to the desire of developers to sell liquid flats at a higher price, achieved after commissioning.

2015 became a record year for the last 5 years by the number of delivered prime housing: 7 residential complexes for 576 flats were put into operation, which is 61% higher than in 2014. At the same time, an adequate supply is maintained in delivered projects or projects nearing completion – 40% of the available stock. The existing supply will not come short for 2.5–3 years considering medium sales pace.

The stock of prime housing increased by 17% on the secondary market during the year mainly due to flats in facilities of «new secondary housing». The growth in the number of flats for sale occurred mainly in the Central and Petrogradsky districts, where several projects of almost 1.5 thousand flats were put into operation for the last 2 years.



74, Martynova Emb

Properties delivered in 2015

Name	Location	Developer	Living space, sq m	Number of flats, pcs
Smolny Park (block 8, 9, 10)	4, Smolnogo St	Vozrozhdenie Sankt-Peterburga	22,426	182
-	39, Radishego St	Vozrozhdenie Sankt-Peterburga	19,020	148
Hovard Palace	19, Zagorodny Ave	Hovard SPb	16,617	73
Dom na Dvoryanskoy	13, Kuibysheva St	Vozrozhdenie Sankt-Peterburga	5,633	57
Granville	21–23, Lieutenant Schmidt Emb	SOLO	7,244	54
Smolny Prospekt (historical houses)	11–15, Smolny Ave	YIT	4,641	33
Osobnyak Kusheleva-Bezborodko	24, Kutuzova Emb	Dar	6,310	29

Source: Knight Frank St. Petersburg Research, 2016

Properties put up for sale in 2015

Name	Location	Developer	Living space, sq m	Number of flats, pcs
Russkiy Dom	5, Korolenko St	Vozrozhdenie Sankt-Peterburga	48,573	395
Imperial Yacht Club	92, Martynova Emb	Imperial Yacht Club Sports Complex	14,746	52
Smolny Park (block 4, 7)	4, Smolnogo St	Vozrozhdenie Sankt-Peterburga	14,468	119
Mansion of Kusheleva-Bezborodko	24, Kutuzova Emb	Dar	6,310	29
Mansion on Kamenny	7A, 1st Berezovaya St	Ecoinvest	3,437	18

Source: Knight Frank St. Petersburg Research, 2016

Demand

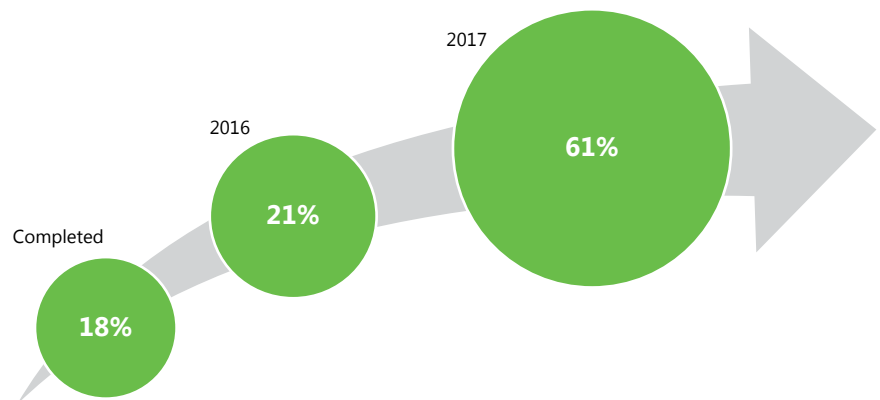
The stabilization of sales dynamics was expected in 2015 in contrast with record levels of 2014. However, the overall level of demand in the prime segment corresponds to an average annual growth rate of previous years.

The supply of prime housing seems logical and comparable to the structure of the demand depending on the location. The main demand was registered in territories of Krestovsky Island and Liteiny Avenue at the end of 2015, where 60% of all prime flats were sold.

Substantial changes took place in the structure of demand by type of flats in 2015. The average area of flats sold increased by 11%, which amounted to 143.26 sq m for the year. The number of requests for spacious flats of more than 220 sq m significantly increased. In 2014 circa 16% of demand were recorded for flats with 1 bedroom due to investment intentions when buying property. In 2015, the share of this type of flats in the structure of demand accounted for 5% only. At the same time, the demand rose for 2 bedroom flats of 70-100 sq m.

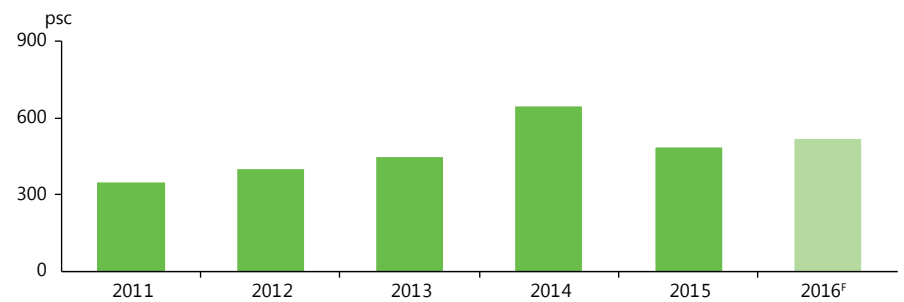
The fundamental difference in buyer preferences last year was the change of

Supply structure of prime housing depending on the percentage of property completion

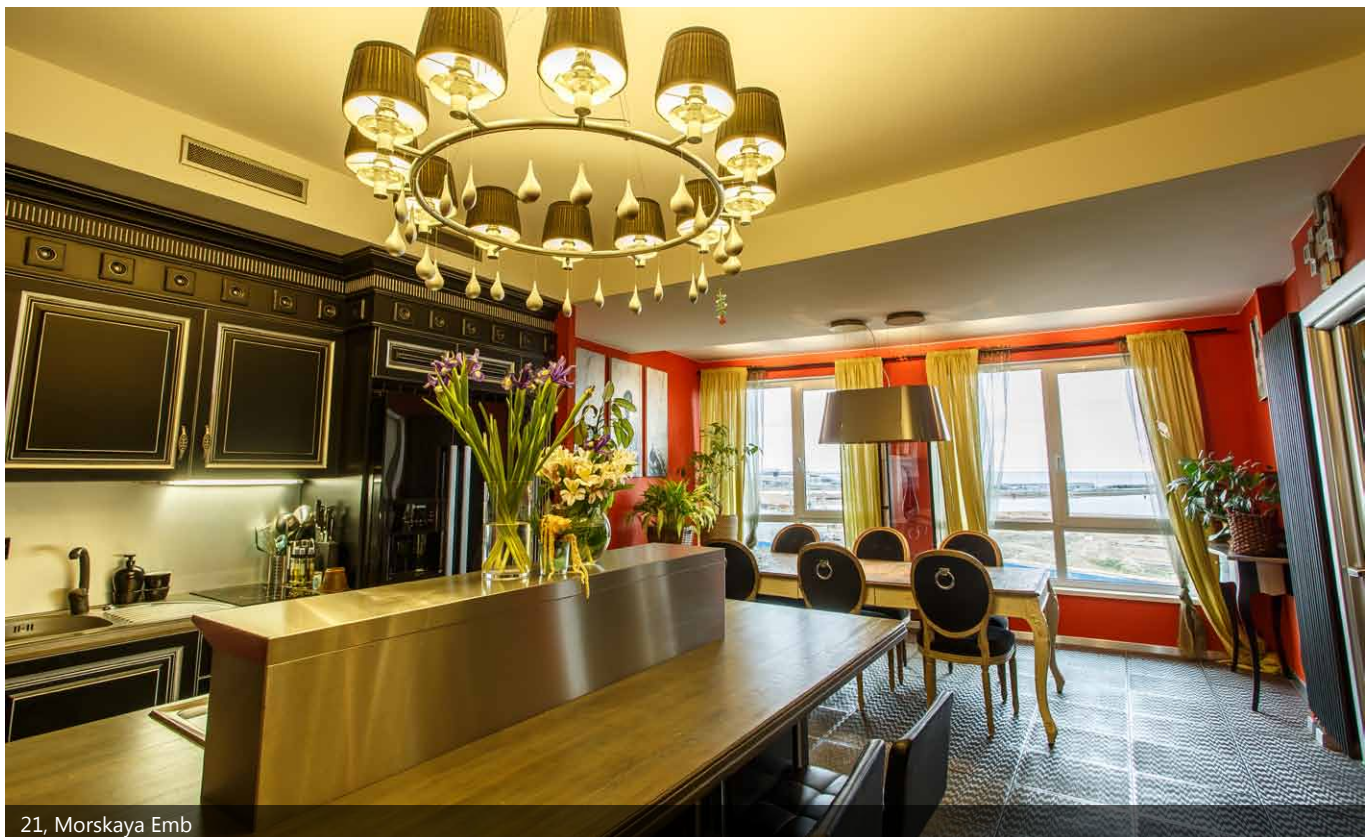


Source: Knight Frank St. Petersburg Research, 2016

Dynamics of the number of sold flats in the prime segment

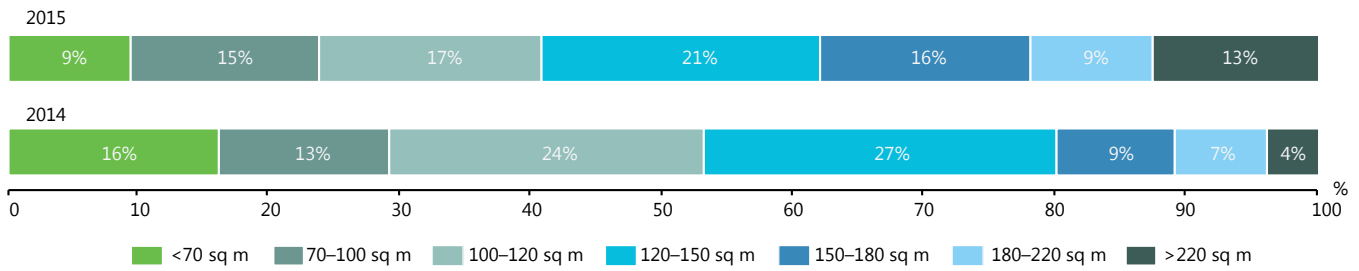


Source: Knight Frank St. Petersburg Research, 2016



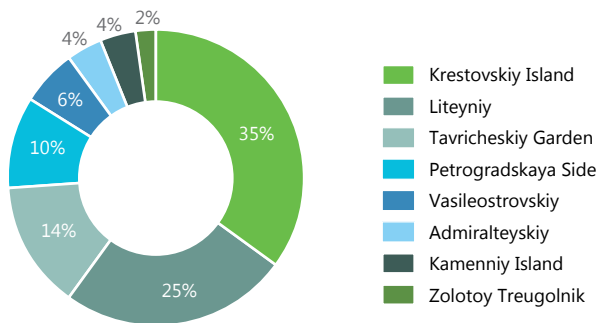
21, Morskaya Emb

Buyer preferences breakdown by floor area



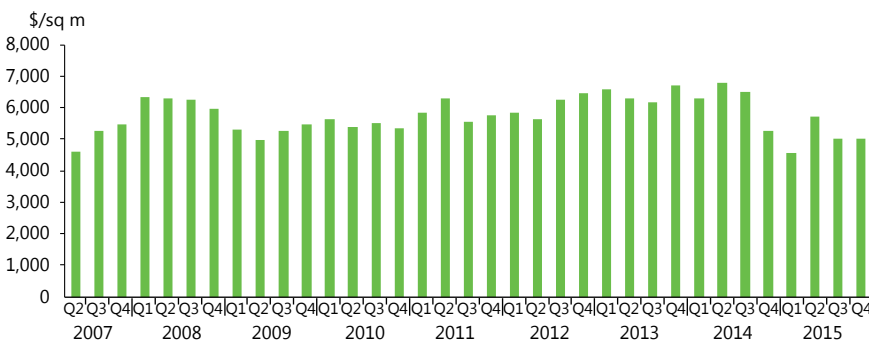
Source: Knight Frank St. Petersburg Research, 2016

Demand breakdown of prime flats by location



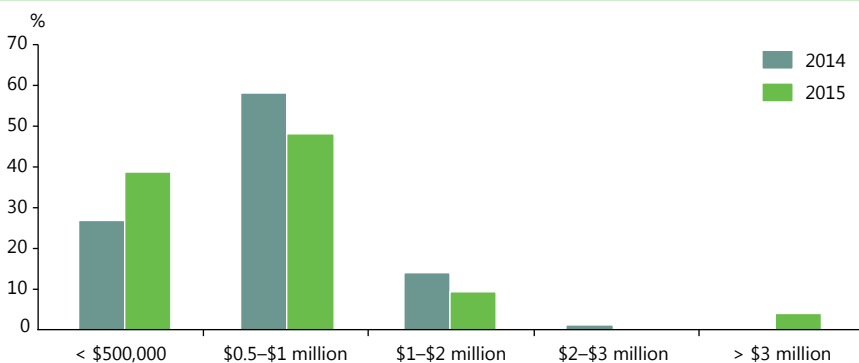
Source: Knight Frank St. Petersburg Research, 2016

Dynamics of the average price for prime flats at the primary market of St. Petersburg



Source: Knight Frank St. Petersburg Research, 2016

Breakdown of transactions structure by selling price of flats



Source: Knight Frank St. Petersburg Research, 2016

a key motive of buying a flat. In 2014, the prime housing was mainly purchased for the purpose of moving to a more suitable district, while in 2015 45% of buyers were looking for a flat with a view to improve their living conditions.

Commercial terms

Against the background of high volatility of the foreign exchange observed over the past two years, the index of the average price for prime flats was decreasing slowly. The average price for these flats totaled 5,002 \$/sq m at the end of 2015, which is 5% lower than in 2014.

Reduction of prices denominated in foreign currency for prime real estate of St. Petersburg was reflected in the change of the structure of transactions by prices for flats. The demand rose by 12 p. p. for flats that cost less than \$500,000. On the contrary, the number of transactions fell by 15 p. p. for flats that cost \$0.5-\$1 million. At the same time, there appeared transactions with flats that cost more than \$3 million, that was not recorded in 2014.

A sharp increase in ruble prices was registered in the secondary market at the beginning of 2015 if compared with the previous quarter, which was due to the intention of sellers to bring prices in line with the dynamics of exchange rates. However, further development of the market showed the ineffectiveness of this step, and the prices began to decline gradually. The average price index in dollar terms fell by 27% at the secondary market of prime housing to 2,881 \$/sq m for the year.



Forecast

Several outstanding projects are expected to come on the market in 2016, including the clubhouse on 102, Moika Embankment and a luxury residential complex on Petrovsky Island.

Pricing adjustment based on the exchange rate volatility will likely to be saved from the perspective of the commercial terms. At the same time, developers will try to attract buyers by additional marketing efforts – various payment options in installments, discounts and promotions.



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RESEARCH

Tamara Popova

Head of Department

tamara.popova@ru.knightfrank.com

RESIDENTIAL

Ekaterina Nemchenko

Head of Department

ekaterina.nemchenko@ru.knightfrank.com

+7 (812) 363 2222