



2012 RESIDENTIAL MARKET Saint Petersburg **Knight Frank**

HIGHLIGHTS

- By the end of 2012, a growth of average asking price on the primary market by 17.9% has been recorded. This is related to the beginning of introduction of exclusive objects with a high bid.
- The demand for luxury residential real estate is growing, with the volume of sales in 2012 amounting to more than 60 thousand sq m, which exceeds the space of new facilities, the sales of which began during the year. Due to the fact that it were mostly the small exclusive facilities that were introduced to the market, the total supply stock was reduced by 14% compared to 2011.
- In 2013, we expect to see a number of projects in all prestigious locations of the city, which will offset current shortage of housing supply in the luxury segment.

RESIDENTIAL MARKET



Nikolai Pashkov,
General Director
Knight Frank St. Petersburg

"The past year is characterized by sharp growth of developer activity in luxury residential real estate market segment: we are witnessing commencement of work on the projects, the implementation of which has been postponed or delayed due to the unstable situation in the economy and the increase in related marketing risks.

In 2012, several new interesting residential complexes appeared on the market, and we expect "premieres" no less fascinating in the shortest term (our company is involved in delivery of several such projects). Such a significant revitalization of the developers' activity leads to growth of competition in the luxury segment. However, I rate this trend exclusively in positive terms, since the appearance of choice in the end leads to widening of the supply spectrum on the market, attracting new groups of customers and boosting the quality of facilities".

At the end of December 2012, the stock of primary market of luxury real estate amounted to approximately 1,000 apartments (300 thousand sq m). The new buildings

Key indicators. Dynamics

Segment	Average price, \$/sq m*	Minimal price, \$/sq m*	Maximal price, \$/sq m*	Average price change for 2012, %**
Primary	10,000	4,970	38,600	▲ 17.9%
Secondary	5,700	3,250	28,260	▲ 2.7%

* as of December 2012
**base period – December 2011
Source: Knight Frank St. Petersburg Research, 2013

are situated in Central and Petrogradsky districts in equal proportion. The number of offers on the secondary market of elite housing is estimated at 2,000 options (250 thousand sq m).

In 2012, the developers increased the housing market stock for properties under construction with new projects, with their total contribution amounting to about 150 thousand sq m. During the year, sales had been opened in a number of objects of Central and Petrogradsky districts. The widening of the range of proposals based on geographical factor is also worth noting: new apartments can be purchased in limited exclusive locations with proximity to water arteries of the city, offering exceptional views over them, as well as over the architectural masterpieces of St. Petersburg.

The sale transactions in a few large objects of LSR. Real Estate – North-West completed during 2012, with a unique complex Zoologicheskii, located on the waterfront opposite the Hermitage among them.

One of the past year's new trends is to attract world-renowned architects for the interior design of luxury complexes of the newly built objects. The most glaring example is Leont'evskiy mys, with its exclusive design created by European studio YOO and Philippe Starck. The number of furnished properties



Project sales, opened in 2012

Property	Number of flats, item
Leontievsky mys	392
Paradny kvartal (III phase)	197
39, Radischeva St	148
Smolny park (II phase)	130
Hovard Palace	73
Brilliant House	34
10, Bolshaya Konushennaya St	10
Talion Imperial Hotel	7
Dom Lvov	5

Source: Knight Frank St. Petersburg Research, 2013

Projects, commissioned in 2012

Property	Address	Number of flats
Paradny kvartal (II phase)	3/2A, Paradnya St	248
Smolny park (I phase)	3/2A, Orlovskaya St	190
Venetsia	3/2A, Deputatskaya St	76
Zoologicheskyy	3/2A, Mytninskaya Emb	19

Source: Knight Frank St. Petersburg Research, 2013



within the total stock of luxury segment grows every year. In late 2012, it became known that apartments with complete interior and service in Talion Imperial Hotel entered the market.

Demand

By the end of 2012, the consumer activity has strengthened, as a result, the final annual figures exceeded those of 2011. The total volume of sold apartments amounted to roughly 60 thousand sq m.

It should be noted that the buyers' quality requirements for purchased apartments continue to grow. When deciding on a property, the crucial factors are its location and technical characteristics: the priority in consideration is given to the quality of construction, engineering equipment of the building, the design of public spaces, and the availability of a well-maintained outdoor area by the house. The role of architectural style of the building and originality of its appearance is becoming more important as criteria in choosing an apartment. In terms of location



preferences, the growth of interest in objects of the Central Administrative District is worth notice.

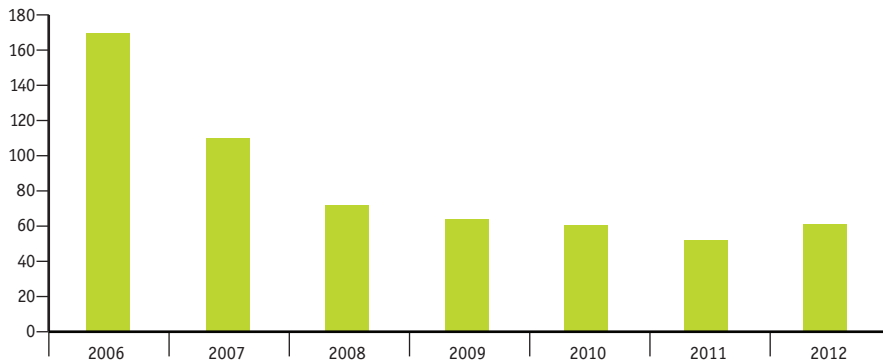
Commercial conditions

The asking price of housing under construction in the Q4 of 2012 amounted to 10,000 \$/sq m, increasing for the year by 17.9%. A number of exclusive projects with the high price that entered the market explain this growth. The index of secondary market grew insignificantly to the level of 5,700 \$/sq m. Overall, one may notice the excess of the prices for the objects of new supply category in relation to that of the secondary market, which is largely due to the higher quality of engineering solutions in the newly built objects.

Forecast

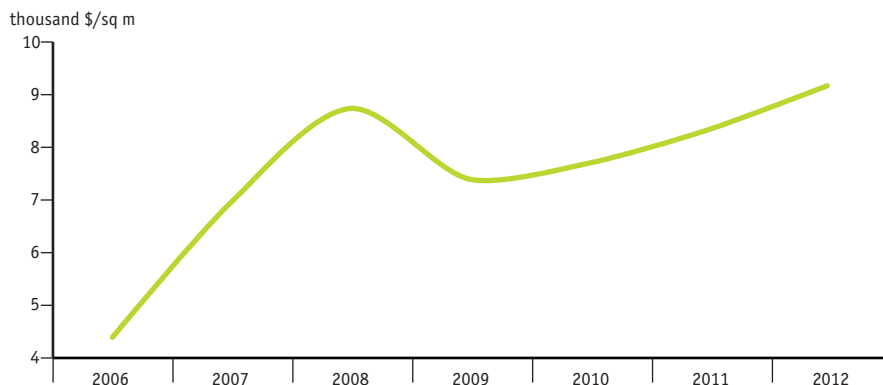
- The forecasts made the previous year got confirmed in 2012. Despite the launch of sales in a number of new objects, the luxury segment is still characterized by a shortage of certain types of housing: in particular, the choices in the segment of apartments with a view are extremely limited.
- In 2013, we expect introduction of interesting projects, with the new properties introduced by both already known developers, with a portfolio of objects implemented in the highest price range, and the real estate market debutants.
- The pent-up demand for high-quality apartments in the locations traditionally popular with buyers will manifest itself.
- The price growth rate will remain at a level of 12–15% per annum.

The dynamics of the total volume of sold apartments in luxury segment, thousand sq m



Source: Knight Frank St. Petersburg Research, 2013

The cost dynamics for luxury apartments sold on the primary market of St. Petersburg



Source: Knight Frank St. Petersburg Research, 2013



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Malaysia
New Zealand
Singapore
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Thailand
Vietnam

Americas & Canada

Bermuda
Caribbean
Canada
USA

Office Real Estate

Nikola Obajdin
Director
nikola.obajdin@ru.knightfrank.com

Warehouse Real Estate, land

Viacheslav Kholopov
Director, Russia & CIS
viacheslav.kholopov@ru.knightfrank.com

Retail Real Estate

Sergey Gipsh
Partner, Director, Russia & CIS
sergey.gipsh@ru.knightfrank.com

Residential Real Estate

Elena Yurgeneva
Director, Russia & CIS
elena.yurgeneva@ru.knightfrank.com

International Investments

Heiko Davids
Partner
heiko.davids@ru.knightfrank.com

Financial Markets and Investing

Evgeniy Semyonov
Partner, Director
evgeniy.semyonov@ru.knightfrank.com

Business Development

Andrey Petrov
Partner
andrey.petrov@ru.knightfrank.com

Professional Consulting Services

Konstantin Romanov
Partner, Director
konstantin.romanov@ru.knightfrank.com

Valuation Services

Olga Kochetova
Director, Russia & CIS
olga.kochetova@ru.knightfrank.com

Marketing, PR, HR

Maria Kotova
Partner, Executive Director
maria.kotova@ru.knightfrank.com

Market Research

Olga Yasko
Director, Russia & CIS
olga.yasko@ru.knightfrank.com

Saint Petersburg

Nikolai Pashkov
General Director
nikolai.pashkov@ru.knightfrank.com

Kyiv

Yaroslava Chapko
Business Development Director
yaroslava.chapko@ua.knightfrank.com

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MOSCOW

26 Valovaya Street
Lighthouse BC 115054 Russia
Phone: +7 (495) 981 0000
Fax: +7 (495) 981 0011

ST. PETERSBURG

3B Mayakovskogo Street
191025 Russia
Phone: +7 (812) 363 2222
Fax: +7 (812) 363 2223

KYIV

39-41 Horyva Street
04071 Ukraine
Phone: +380 (44) 545 6122
Fax: +380 (44) 545 6122

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