

2013

# RESIDENTIAL MARKET REPORT

St. Petersburg

## HIGHLIGHTS

- By the end of 2013, the average supply price on the new-builds market of prime residential real estate has experienced insignificant growth comparing to the previous year and amounted to 10,081 \$/sq m. Active growth of the dollar exchange rate has become a deterring factor for growth of the dollar index throughout the year.
- Taking into account the market entry of new buildings in large-scale projects that are already being delivered, the total stock of prime housing for the year has grown to 380 thousand sq m.
- In 2013, the volume of demand for prime residential property has grown by 11% to 455 apartments. Meanwhile, a drop in the average size of a purchased apartment can be observed.
- In 2014, one should expect market entry of both the separate new projects, including clubhouses with apartments, and the new buildings in large-scale residential complexes of cluster development type that are already on sale.

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**Nikolay Pashkov,**  
General Director, Knight  
Frank St. Petersburg

"Stabilization of demand against the backdrop of growing supply stock in large-scale projects and an increased number of available apartments with finish was observed in 2013. It is worth noting that buyers have become more selective and are now paying better attention to the adequacy of price in relation to location and quality characteristics of the building.

In the coming year, there are plans to expand the supply stock with interesting and conceptually new properties offering attractive views over the historical center of St. Petersburg, including the Grossmeister Residential Settlement on 51 Shpalernaya Str. and a clubhouse on the 102 Moika river Emb.

Furthermore, the competition on the prime property market between the large complexes that are presently under construction is expected to grow. We anticipate project differentiation in the historical center into the clubhouses with exclusive features and large complexes targeting a broader demand".



19 Karpovka river Emb.

### Key indicators. Dynamics

| Indicator                | Changes, 2013/2012 |       |
|--------------------------|--------------------|-------|
| <b>New-builds market</b> |                    |       |
| Supply stock, units      | 1,081              | ▲ 53% |
| Demand, units            | 455                | ▲ 11% |
| Average price, \$/sq m*  | 10,081             | ▲ 1%  |
| <b>Re-sales market</b>   |                    |       |
| Supply stock, units      | 2,160              | ▲ 8%  |
| Average price, \$/sq m*  | 5,730              | ▲ 1%  |

\* as of December 2013  
Source: Knight Frank St. Petersburg Research, 2014

### Supply

At the end of December 2013, the volume of prime property under construction on the new-builds market amounted to about 2,400 flats (380 thousand sq m). A large share of flats (about 60%) is located in the Tsentralny district, where a construction of five large-scale objects of cluster development type is underway. 30% of the supply stock is concentrated in the Petrogradsky district. The supply stock on the re-sales market of prime property is estimated at 2,160 flats (266 thousand sq m).

In 2013, the prime real estate market welcomed six new properties under construction with a total space contribution of about 53,400 sq m. The geographic

### Objects where sales were opened in 2013

| Project                        | Address                        | Residential area, sq m | Number of units |
|--------------------------------|--------------------------------|------------------------|-----------------|
| Monferran                      | 5 Konnogvardeyskiy Blv.        | 11,806                 | 96              |
| One Konyushennaya Square       | 1 Konyushennaya Sq.            | 18,800                 | 69              |
| Dom na Dvoryanskoy             | 13 Kuybisheva Str.             | 5,633                  | 57              |
| Granvile                       | 21–23 Leitenanta Schmidta Emb. | 7,244                  | 54              |
| Dom na Pesochnoy, 2 phase      | 18 Pesochnaya Emb.             | 5,312                  | 50              |
| Smolny prospect                | 11–15 Smolny Ave.              | 4,572                  | 33              |
| Smolny park (buildings 2,9,10) | 4 Smolnogo Str.                | 20,626                 | 168             |

Source: Knight Frank St. Petersburg Research, 2014



60 Shpalernaya Str.

**Properties delivered in 2013**

| Project         | Developer                     | Residential area, sq m | Number of units |
|-----------------|-------------------------------|------------------------|-----------------|
| Kovenskiy 5a    | Vozrozhdenie Sankt-Peterburga | 1,658                  | 8               |
| Stremyannaya 15 | SoyuzGenstroy                 | 3,701                  | 32              |

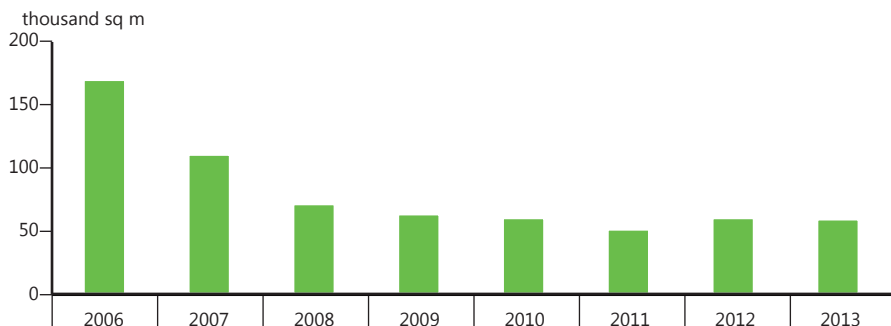
Source: Knight Frank St. Petersburg Research, 2014

expansion of supply stock range is also noteworthy: sales were opened in complexes located in all the main districts of the city. Moreover, one can observe increased activity on the developers' part when it comes to delivery of new apartment complexes to the market.

The sales in the Venetsiya Residential Settlement by the Vozrozhdenie Sankt-Peterburga development company closed in 2013.

An incipient trend of 2012 to supply elite properties, in which units are offered already with finish, has carried on into 2013.

**Dynamics of the total volume of apartments sold in the prime property segment**



Source: Knight Frank St. Petersburg Research, 2014

**Demand**

Active purchasing trend that emerged at the end of 2012 continued in 2013 as well. The total demand volume by the number of flats has grown by 11% – up to 455. However, due to the drop in the average size of a purchased flat, the total area sold remained at the level of the previous year and amounted to 59 thousand sq m.

It is worth noting that the factor priority change influencing the choice of flat has occurred in 2013. Location of the building still holds the leading position. Whereas, the quality of a project parameter has become more important than its price value and now holds the second place. Moreover, the customers' requirements concerning such characteristics of the house as the view and engineering technical solutions have become stricter. Geographically speaking, there is a growth of interest towards objects located in Petrogradsky and Vasiliostrovsky administrative districts of the city.

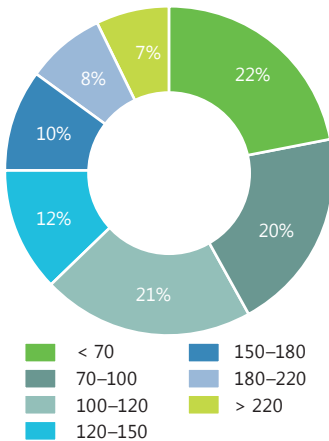
Consumer preferences with respect to the size of flats and the number of bedrooms show no major changes, however, the object readiness degree has a greater effect on the structure of transactions according to the flat type. At the initial stage of construction, flats with one or two bedrooms dominate within the transactions structure, whereas when the house is fully finished – three-bedroom apartments take the lead.

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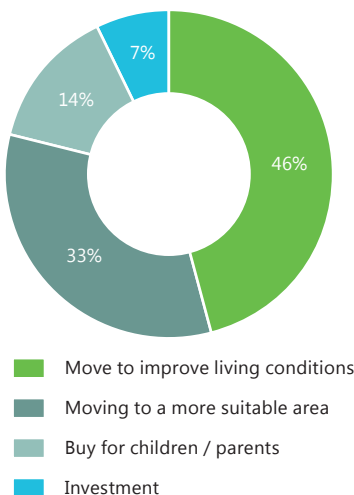


## Consumer preferences according to the flat size



Source: Knight Frank St. Petersburg Research, 2014

## Main reasons for flat purchase



Source: Knight Frank St. Petersburg Research, 2014

Nowadays, the improvement of living conditions and relocation to a more suitable district are the main motives for buying a flat. Those customers, who previously purchased a flat in a prime quality building, are ready to consider purchasing a flat in a newer object with improved engineering and technical solutions.

## Commercial terms

Taking into account the volatility of the dollar, the supply price on the prime property market in Q4 2013, was 10,081 \$/sq m, having grown by 1%. Such minor price dynamics in dollar terms resulted mainly from the appreciation of the dollar, which has gone up against the ruble by 6% in 2013. This was practically the same rate as the annual price growth for prime real estate value in ruble terms.

In general, the price of new prime real estate stock is higher than that of re-sales market properties largely due to the higher quality of engineering and technical solutions

in the newly-built projects.

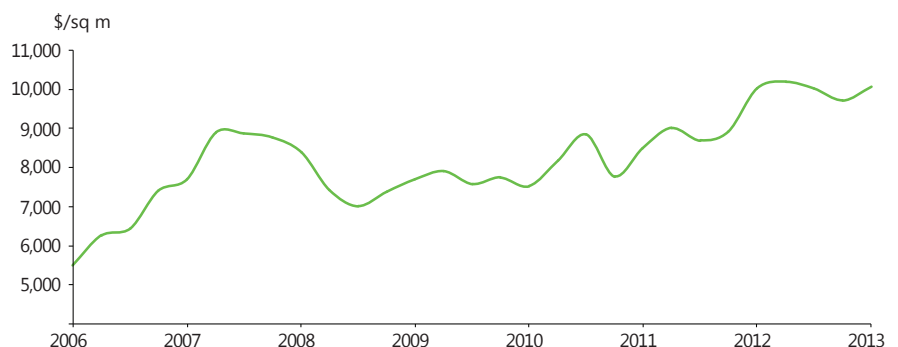
## Forecast

In 2014, one can expect to see not only a number of new projects, including clubhouses with apartments, but also the construction of new buildings in large-scale residential complexes of cluster development type that are already present on the market. New prime properties will be announced in all historical districts of the city, including those locations, where for a long time no new construction took place.

With a high degree of probability a shifting of demand towards the more affordable housing of business segment that is being developed in the central districts of St. Petersburg will continue.

We forecast annual prices growth of 6–8% for most projects. At the same time, the club projects niche will remain, where price growth will manifest on case-by-case basis.

## Price dynamics of prime property sold on the new-builds market of St. Petersburg



Source: Knight Frank St. Petersburg Research, 2014

**Europe**

Austria  
Belgium  
Czech Republic  
France  
Germany  
Ireland  
Italy  
Monaco  
Poland  
Portugal  
Romania  
Russia  
Spain  
Switzerland  
The Netherlands  
UK  
Ukraine

**Africa**

Botswana  
Kenya  
Malawi  
Nigeria  
Tanzania  
Uganda  
Zimbabwe  
Zambia  
South Africa

**Middle East**

Bahrain  
UAE

**Asia Pacific**

Australia  
Cambodia  
China  
India  
Indonesia  
Malaysia  
New Zealand  
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South Korea  
Thailand  
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