



H1 2013 RESIDENTIAL MARKET REPORT

Saint Petersburg

HIGHLIGHTS

- The first half of 2013 was marked by positive dynamics of the main indicators of elite residential real estate market in St. Petersburg.
- The total area of apartments delivered during this period exceeded 27 thousand sq m.
- The stock volume on the elite real estate market for the first half-year has increased by more than 200 apartments.
- The average bid price, taking into account the volatility of the U.S. dollar, has remained at the level of December 2012.

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Elena Gromova,
Head of the
Residential Department
Knight Frank St. Petersburg

“For Class A, the decisive factors in choosing an apartment are commonly the readiness degree of the building, as well as the quality of view that the apartment offers. Following the first half-year, we observe a marked reduction in available stock of apartments with good view characteristics in complexes undergoing final stages of construction in all prestigious locations of the city. Despite the availability of apartments of this type in several sites, to date, the stock of available apartments in this segment is insufficient. Until the end of the year, we expect to see opening of sales of a number of interesting and anticipated projects, which will reduce current deficit.”

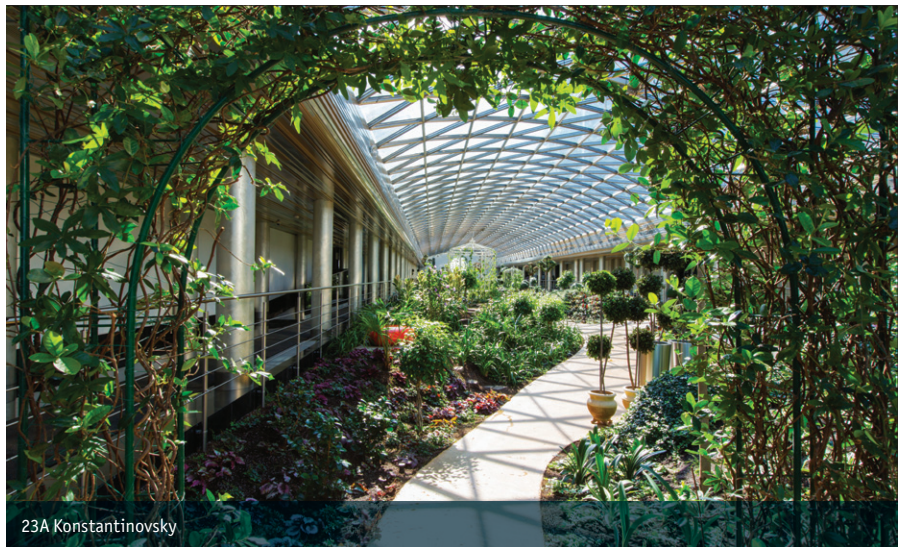
Supply

In the first half of 2013, more than 1,000 apartments with a total area of 161 thousand sq m appeared on the primary market of elite residential real estate. Available stock volume is steadily increasing over the past few periods.

In addition to the residential complexes Dom na Dvoryanskoy and a house by the Lieutenant Schmidt Embankment delivered in the 1st quarter of 2013, the stock has been supplemented with a residential complex Monferran in the 2nd quarter of 2013. The property is located in the Admiralteysky District on the Konnogvardeysky Boulevard and includes 96 apartments ranging in size from 62 sq m to 330 sq m. Its delivery is planned for the end of 2014.

The only object was delivered in the first half of the year, and is located at Kovenskiy Lane, 5. Only a few apartments remain available for purchase.

Following the first six months of this year, more than 40% of apartments for sale are located in



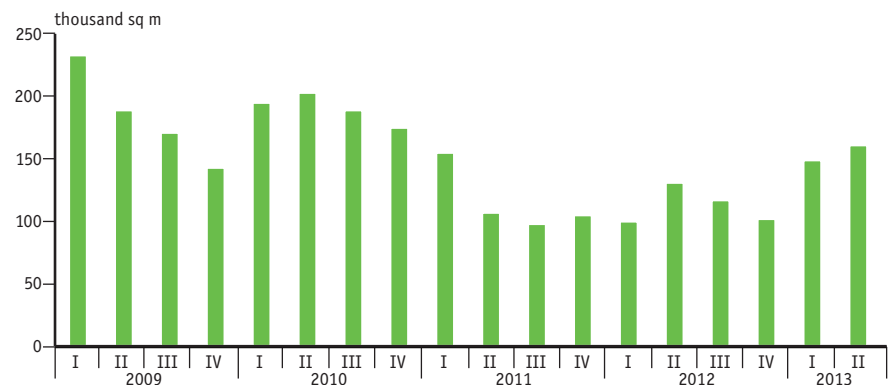
Key indicators. Dynamics*

| Indicator | | |
|---|--------|---|
| Number of objects on sale, units | 27 | ▲ |
| Stock volume, thousand sq m | 161 | ▲ |
| Volume of demand, thousand sq m | 27.6 | ▲ |
| Number of objects put up for sale in the first half of 2013 | 3 | ▼ |
| Average price, \$/sq m | 10,000 | ▶ |

* in comparison with 2012

Source: Knight Frank St. Petersburg Research, 2013

Elite real estate primary market stock volume dynamics

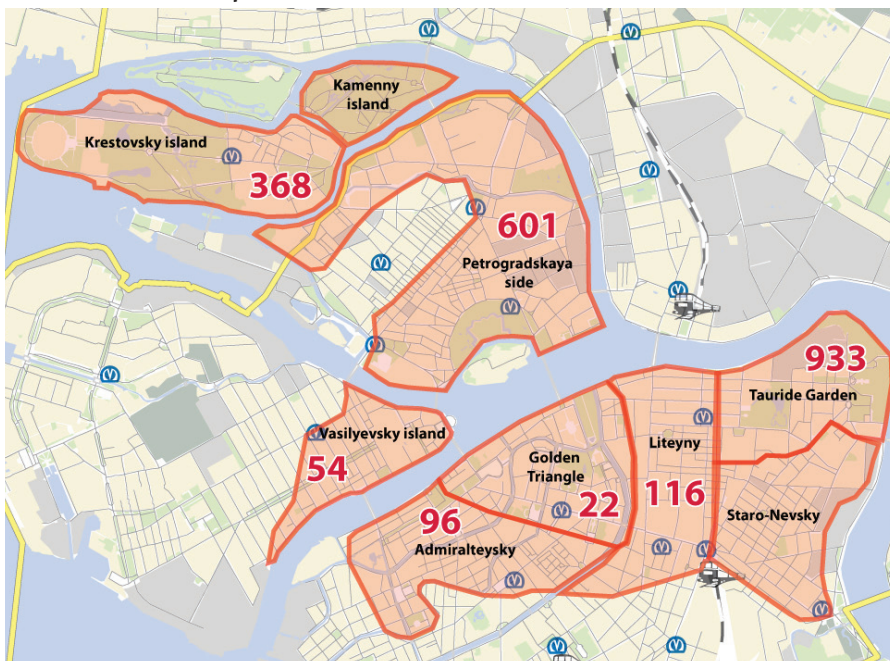


Source: Knight Frank St. Petersburg Research, 2013



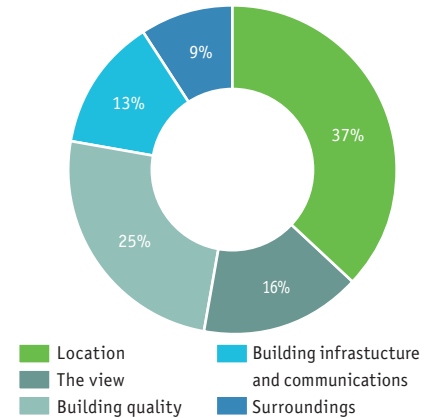
12 Pesochnaya Embankment

Total stock of apartments in the complexes on the primary market that are under construction, number of apartments



Source: Knight Frank St. Petersburg Research, 2013

The main non-price factors affecting the choice of elite real estate



Source: Knight Frank St. Petersburg Research, 2013

the vicinity of Tauride Garden, while about a third of available stock is concentrated on the Petrogradskaya side.

Demand

Despite the expected seasonal decline in consumer activity, the satisfied demand in the first half of

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2013 amounted to about 200 apartments. This has resulted in a growth of the total volume of transactions in monetary terms by 30% compared to the same period in 2012.

When choosing a property on the elite real estate market, the buyers are paying the most attention to its location. Apartments with three bedrooms still lead in the total number of purchase transactions in this segment.

Commercial terms

The average bid price in the first half of 2013 remained at the last year's end level and amounts to 10,000 \$/sq m. The lack of growth in U.S. dollar terms resulted from the weakening of ruble, observed during the past six months.

Despite the start of sales of apartments in buildings that are in early stages of construction, average price on the elite real estate market in ruble equivalent follows a positive trend. An increase of average prices on many properties resulting mainly from the sale of apartments at a lower cost per square meter has been recorded. At the same time, some developers have adjusted the prices on a number of complexes upwards.

The average price per square meter on the secondary market dropped by 8.5% to 5,200 \$/sq m due to the fluctuations of U.S. dollar in the first half of the year.

An apartment in the city center worth up to \$1 mln became the most popular request* in the first half of 2013. Twelve percent of potential buyers are ready to make a purchase with a budget of over \$3 mln, and this figure is on the rise.

Forecast

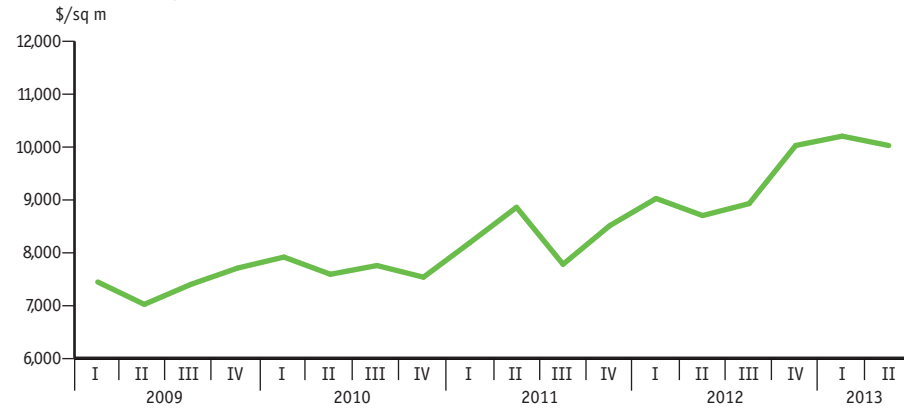
Despite fears of potential clients regarding emergence of recessions in the global and Russian economies, the number of purchases, in our opinion, will show a tendency to grow by the end of 2013. Given the instability of stock market and currency volatility, the elite real estate in St. Petersburg will retain its attractiveness as an excellent investment option.

Elite residential real estate stock will be replenished by interesting projects in the Central and Admiralteyskiy districts during 2013.

We believe that the price growth potential for the properties in active stage of construction up until the end of 2013 to be 5 - 7%. Reserve for increase in prices in completed housing complexes is limited due to the rapid reduction of liquidity proposals.

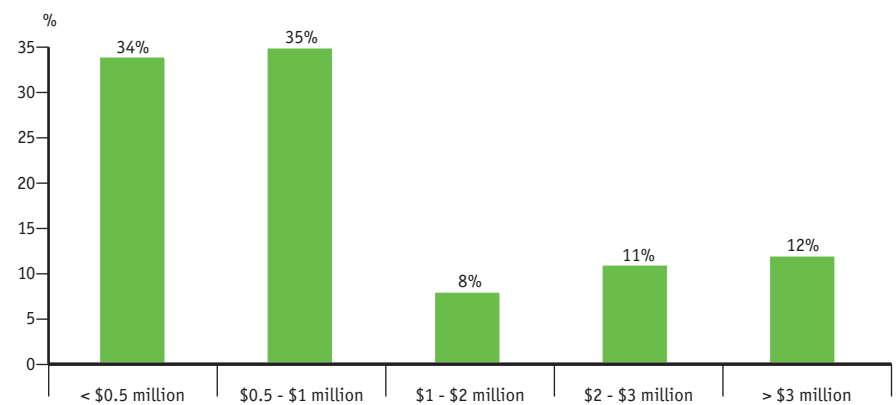
* Based on requests issued to Knight Frank St. Petersburg

Dynamics of changes in the price of luxury apartments on the primary market of St. Petersburg



Source: Knight Frank St. Petersburg Research, 2013

The distribution of consumer preferences by the budget of purchase



Source: Knight Frank St. Petersburg Research, 2013



40 Pesochnaya Embankment

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
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