



Q3 2013
RESIDENTIAL MARKET
REPORT
St. Petersburg

HIGHLIGHTS

- In Q3 2013, the prime residential property market was highly active: sales started at three new sites, delivery of promising projects in the historic part of the city was announced. The available supply stock of prime property in St. Petersburg amounted to about 1,100 apartments.
- During the past quarter, more than 14 thousand sq m of prime residential property (or 100 apartments), were sold out. The apartments in buildings at final construction stage were in highest demand.
- The average bid price, taking into account the dollar volatility dropped to 9,720 \$/sq m, while the ruble equivalent value remained the same.

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PRIME RESIDENTIAL PROPERTY MARKET



Elena Gromova,
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"In Q3 2013, we registered a growth in demand for fully fitted apartments. Unfortunately, none of the newly delivered properties on sale offer ready-to-move-in apartments. It is rather difficult to meet the customers' demands with apartments on the secondary market, as only in singular cases can one find an apartment with designer renovation and furniture, located in a recently built house with innovative engineering systems and modern planning solutions, which is what is currently in highest demand. Following the purchase of an apartment, buyers want to start living in it immediately without wasting time on design projects and repairs. One can only hope that over time, developers will follow global trends and implement ready-to-move-in apartments in the prime property segment of the market".

Supply

In Q3 2013, the sale of over 130 apartments started on the primary residential prime property market. Sales opened in a house at 1/3 Grot Street (developed by York), as well as in a new building RC Smolny Park (developed by Vozrozhdeniye). The appearance on sale of the Smolny Prospect complex (developed by YIT) is also important to mention, as it offers apartments in both the new and the listed buildings, which will be subjected to comprehensive overhaul with modern technologies. The front apartments' windows will offer views of the Smolny Cathedral and the Smolny Prospect. As the opening of sales in other buildings of the residential complex overlooking the Neva River and Bolsheokhtinsky Bridge are in prospect.

During the past quarter, a residential complex located at 15 Stremyannaya Street



16 Zakhar'evskaya St

Key indicators. Dynamics

Indicator	Figure	Dynamics*
Supply stock, apartments	1,100	▲
Demand, apartments	112	▲ **
Apartments delivered in Q3 2013, units	3***	▲
Average cost, \$/sq m	9,720	▼

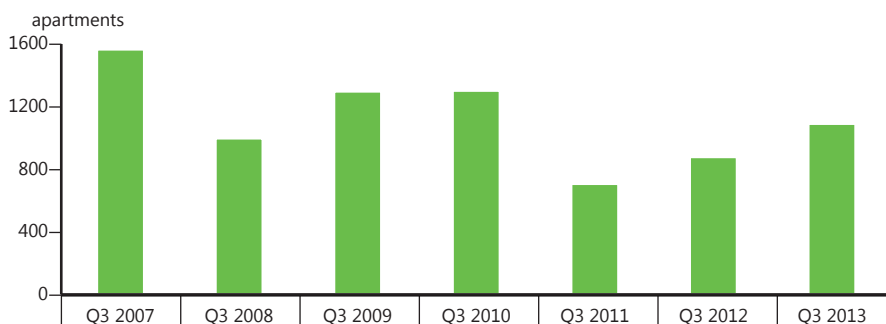
* compared with Q2 2013

** compared with Q3 2012

*** including new blocks in residential complexes under construction

Source: Knight Frank St. Petersburg Research, 2013

Supply stock dynamics on the primary prime residential property market



Source: Knight Frank St. Petersburg Research, 2013

was delivered. Apartments of various layouts ranging from 47 to 173 sq m are available in it.

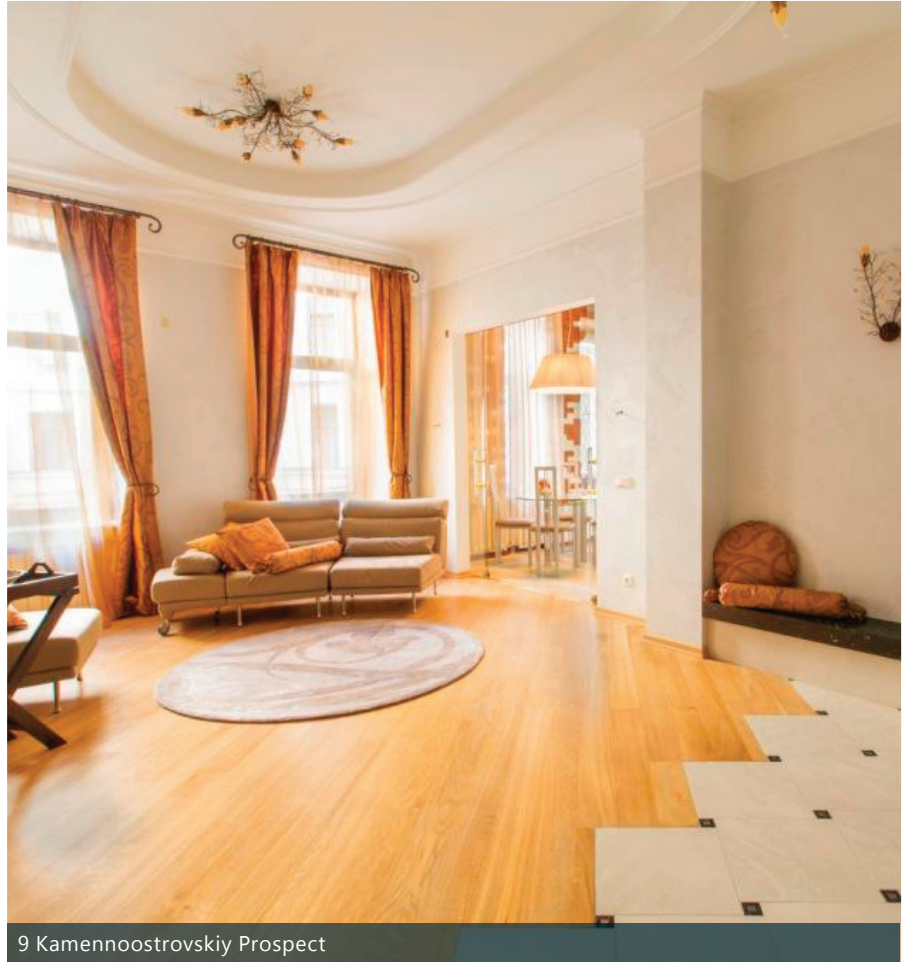
Following Q3 2013, one can speak of a growing supply trend formation on the prime residential property market of St. Petersburg, which generally signifies the market stability.

Demand

A growth in purchase activity occurred in Q3 2013. The satisfied demand amounted to 112 apartments, which is 12% higher than for the same period in 2012.

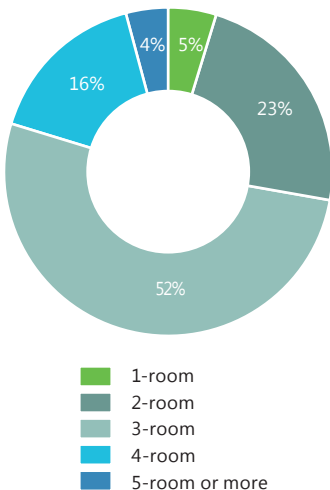
Apartments with three bedrooms take the lead in the total volume of concluded transactions. It should be noted that current distribution of transactions by the number of bedrooms is affected by high readiness degree of most objects on the market. Since the degree of readiness is one of the most important factors considered during an apartment purchase, and the main reason for buying an object on the prime residential property market is the improvement of living conditions (which implies a multi-apartment residence), as well as relocation to a more suitable area. This leads to the situation when the share of transactions with apartments of over two bedrooms grows together with the readiness degree of available properties.

It is worth noting that, against the background of seasonal growth in overall purchasing activity, a redistribution of



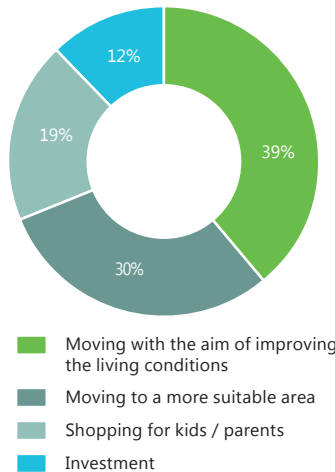
9 Kamennoostrovskiy Prospect

Transactions distribution on the primary market of prime residential property



Source: Knight Frank St. Petersburg Research, 2013

Main reasons for apartment purchase on the primary market of prime residential property



Source: Knight Frank St. Petersburg Research, 2013

demand in the high-end property segment in favor of business-class objects located in central St. Petersburg is observed. This resulted from the appearance of new large-scale residential complexes in Q3 2013 offering affordable properties built by the leading developers in historic city center. A continuation of this trend will lead to a marked differentiation of the housing market in the center of St. Petersburg, and in the future – to a tightening of criteria applied to high-end properties.

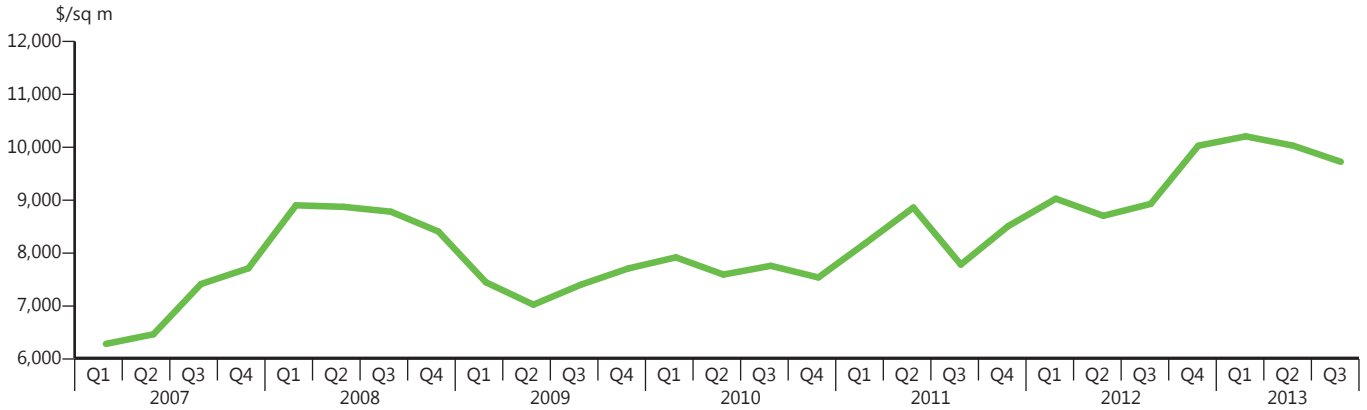
Commercial terms

The volatility of dollar has led to a drop in the average cost per square meter in Q3 2013 down to 9,720 \$/sq m. Meanwhile, despite the launch of new facilities sales, as well as special campaigns and programs held by the developers for a number of objects, the rate remained at the same level in ruble equivalent, due to "washing out" of cheaper apartments.

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Apartment price changes dynamics on the primary market of prime property in St. Petersburg



Source: Knight Frank St. Petersburg Research, 2013

The highest price levels are observed in the Tsentralniy and Admiralteyskiy Districts. Furthermore, over 50% of all transactions in the last quarter were concluded precisely in Tsentralny District, which is explained by the supply structure and high popularity of the district among the buyers of prime apartments.

Forecast

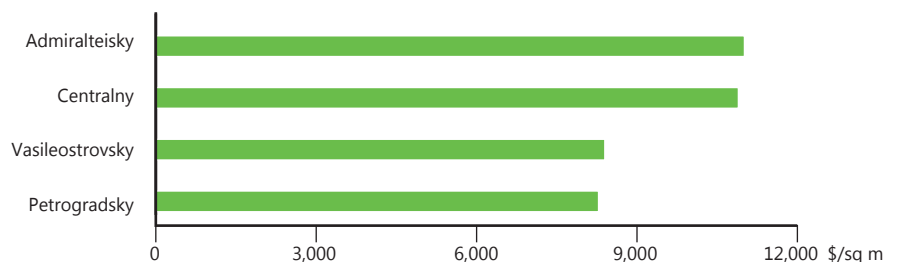
The supply trend on the prime residential property market has been a positive one over the period of Q1–Q3 2013. Developers engage in work on new projects, as well as on those previously frozen due to the recession.

Until the end of 2013, interesting projects in the historic center of St. Petersburg will be added to the supply stock. In particular, the expected sales start of a residential complex located at 51 Shpalernaja Street (developed by Scavery). The construction of four blocks of a different height with over 200 apartments projected in them including those with a view of the Smolny Cathedral is planned for in this object. Moreover, a clubhouse will be built on the 102 Moika River Embankments (developed by Okhta Group). Besides the unique location, the object will be distinguished by the views it will offer on the Moika River and the Kryukov Canal.

The price situation in large-scale projects tends to have an adjustment margin of 5–7%, making sales-stimulating campaigns for finished properties a likely possibility. Regarding the club properties, the implementation of which involves the use of higher-quality engineering solutions, and is traditionally fraught with difficulties in construction and approval procedures, the supply prices will remain at current levels.



Average price of prime residential property by districts



Source: Knight Frank St. Petersburg Research, 2013

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
Singapore
South Korea
Thailand
Vietnam

Americas & Canada

Bermuda
Caribbean
Canada
USA

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