



H1 2014 RESIDENTIAL MARKET REPORT

Saint Petersburg

HIGHLIGHTS

- By the end of H1 2014, the average supply price on the new-builds market of prime residential real estate amounted to 10,253 \$/sq m. Considering the volatility of US dollar, the index growth amounted to 2%.
- Since the beginning of the year, sales have started in five new prime objects as well as in new buildings within a large residential complex, which has already been on sale. As a result, the area of prime residential property under construction grew by 16%, amounting to 439 thousand sq m.
- 287 flats in prime residential complexes were sold in H1 2014, which is 14% more than the figure of H2 2013.

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Petersburg

"The lifestyle of Petersburg sets a certain level of requirements for new projects: complete new urban spaces are being developed, complementing the look of the city and changing the notion of elite housing. In addition to location, ergonomics and architecture, such parameters as environmental friendliness, technical equipment and design solutions hold the highest importance for the new projects. In H1 2014, we observed diversity of supply stock, steady demand and stable prices in the prime residential property segment".

Supply

In H1 2014, the volume of prime residential property under construction grew by 15% and amounted to more than 2,800 flats (439 thousand sq m).

Expansion of supply stock occurred in all central districts of St. Petersburg, except for Vasileostrovskiy. Sales opened in six new residences, three of which belong to the clubhouse with apartments format. The highest supply growth (over 53 thousand sq m) was noted in the Petrograd district.

Once the new properties went on sale, the supply structure has readjusted according to prime residential real estate locations. As a result, the share of supply in the areas of Tavricheskiy Sad and Krestovskiy Ostrov grew by more than 10%: they now account for over 60% of flats in prime residential complexes.

Re-sales prime housing market stock is estimated at 2,155 flats (240 thousand sq m).



38 Fontanka River Embankment

Key indicator. Dynamics

	Indicator	Changes*
New-builds market		
Apartment supply stock	1,248	▲ 15%
Demand for apartments	287	▲ 14%
Average price, \$/sq m**	10,253	▲ 2%
Re-sales market		
Apartment supply stock	2,155	= 0%
Average price, \$/sq m*	5,314	▼ -7%

* Compared to H2 2013

** As of June 2014

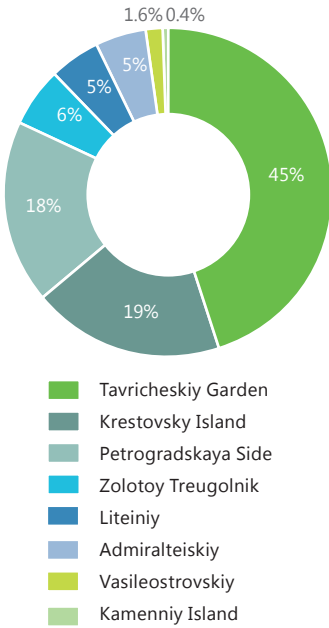
Source: Knight Frank St. Petersburg Research, 2014

Objects, where sales started in H1 2014

Project	Address	Living space, sq m	Number of flats
Smolny Park (Bld. 8, 9, 10)	4 Smolnogo St	52,367	182
Privilegia	8 Vyazovaya St	48,408	334
Gollandia	40 Galernaya St / 15 Admiralty Canal Emb	7,376	102
Art View House	102 Moyka River Emb	3,809	24
Krestovskiy 12	12 Krestovskiy Ave	3,333	25
Del Arte	3 Sanatornaya St	1,773	9

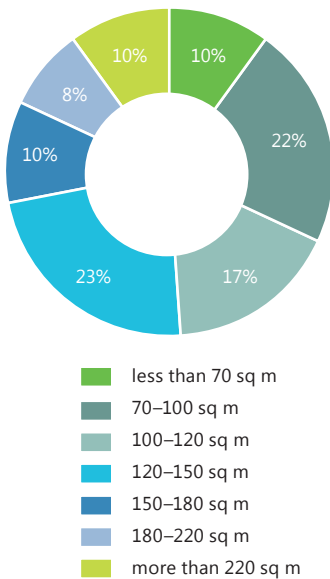
Source: Knight Frank St. Petersburg Research, 2014

Prime flats supply stock distribution by locations



Source: Knight Frank St. Petersburg Research, 2014

Consumer preferences according to the apartment size



Source: Knight Frank St. Petersburg Research, 2014



Demand

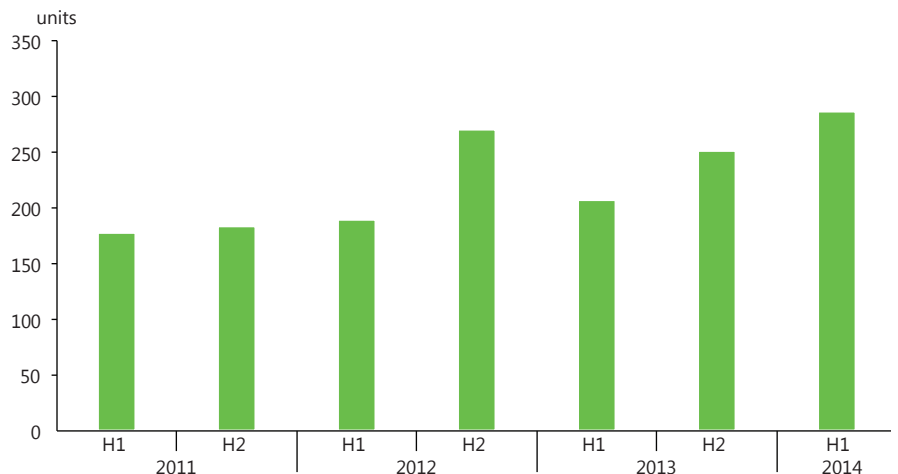
The growth of consumer activity continued in 2014: for the reported period, the number of purchased apartments increased by 14% compared to H2 2013, amounting to 287 units. The total space sold over two quarters is 37.6 thousand sq m.

We note changes in the preferences of prime flats buyers: in the first two quarters of 2014, the demand for two-bedroom apartments sized 70-100 sq m has grown. However, the main share of consumer demand still falls with three-bedroom apartments sized 100-150 sq m.

While at the end of last year, the main goal of moving was to improve living conditions, at present, relocation to a more suitable district is becoming the main motivation for housing purchase.

At the same time, buyers are interested in purchasing an apartment for representational purposes. The share of investment purchases for H1 2014 grew up to 10%. The purchase budget is predominantly (52%) in the range of \$1-2 million.

Sold prime segment flats dynamics

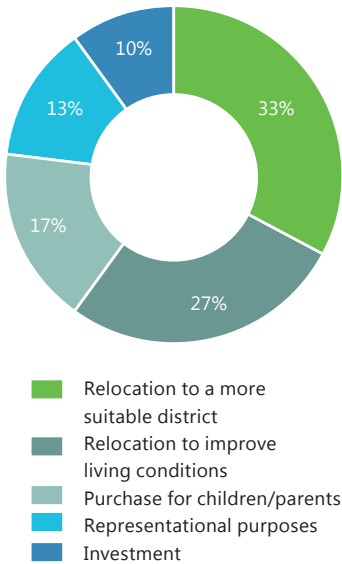


Source: Knight Frank St. Petersburg Research, 2014

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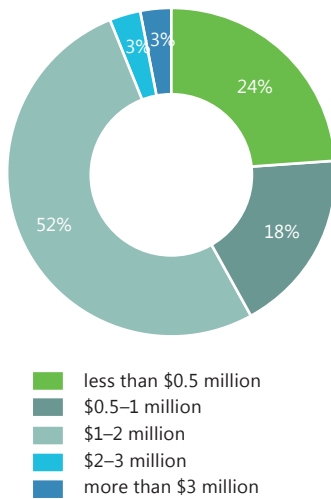
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Main reasons for flat purchase



Source: Knight Frank St. Petersburg Research, 2014

Buyers' preferences distribution according to the purchase budget



Source: Knight Frank St. Petersburg Research, 2014

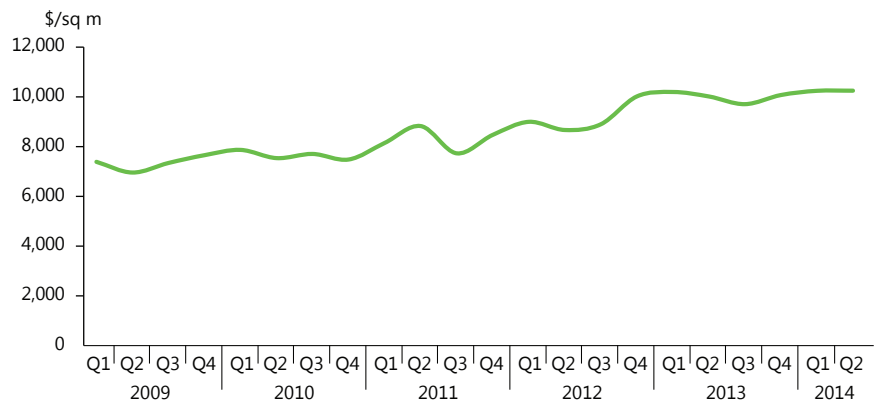
Commercial terms

The price of prime housing under construction on the market at the end of Q2 2014 amounted to 10,253 \$/sq m. Despite the fact that sales began in objects that are in the initial stage of construction, with lower price per square meter, on average,



23 Konstantinovy Ave

Prime new-builds real estate market price dynamics



Source: Knight Frank St. Petersburg Research, 2014

the market was characterized by positive dynamics, gaining 2% over half a year. Meanwhile, due to the dollar exchange rate fluctuations, the average price on re-sales market for the first two quarters of 2014 dropped to 5,314 \$/sq m, as the supply stock volume remained unchanged. This situation characterizes a shift in consumer demand towards new houses with higher quality engineering and technical characteristics.

Moreover, the buyers' purchase budget expectations have adjusted over H1. About 70% of inquiries fall with apartments priced up to \$2 million, while for the past half a year this figure was 50%. Naturally, emergence of a large number of business- and comfort- class properties in downtown areas, observed since 2013, leads to changes in price expectations with the buyers.

Forecast

Prime real estate market is more resistant to external factors. Until the end of the year, we expect preservation of current trends and developers' price policy stabilization within inflation margins.

Following the adoption of amendments to the urban law #820 (on the boundaries of cultural heritage preservation), there is a higher likelihood of increased developer activity of resuming previously suspended projects as well as creating new ones.

Considering the anticipated opening of sales in a number of interesting elite projects, the forecast of consumer demand dynamics remains positive.

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Kenya
Malawi
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Zimbabwe
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